

Las Vegas Multifamily




Investment Activity on an Upswing as Fundamentals Improve

Highlights

- > The Las Vegas economy is gaining momentum, which has carried over to the local apartment market. Vacancies improved in the second quarter, while rents rose. The strengthening property fundamentals fueled a spike in investment activity during the second quarter; transaction volume in the first half of this year outpaced the total activity in 2020.
- > The Las Vegas multifamily vacancy rate tightened during the second quarter. The rate fell to 3.8 percent, 60 basis points lower than one year ago and the lowest figure in the market since 2018.
- > Area asking rents have advanced 7.2 percent year over year through the second quarter, reaching \$1,245 per month. The bulk of the gains have been recorded in recent quarters, and additional increases are likely in the second half.
- > Investment activity surged during the second quarter, with sales velocity spiking and prices on an upswing. The median price in transactions closed to this point in 2021 is approximately \$199,700 per unit, while cap rates have averaged 4.4 percent.

Las Vegas Multifamily Market Overview

The Las Vegas multifamily market posted healthy improvement during the second quarter. Local vacancy rates, which had been essentially flat for more than a year, dipped to their lowest levels since 2018. Renter demand accelerated at the same time as the pace of deliveries slowed, allowing vacancy rates to dip below 4 percent. The tightening conditions and a brighter economic outlook supported a sharp rise in local asking rents, with additional increases likely in the second half of this year. The Las Vegas economy is showing signs of bouncing back, highlighted by the opening of Resorts World Las Vegas late in the second quarter. Population growth is also supporting the area economy; the population in Las Vegas expanded by approximately 70,000 residents in the past year, a growth rate of more than 2.5 percent.

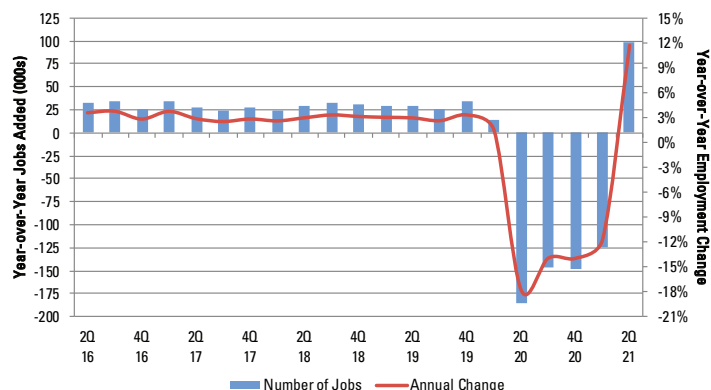
Q2 Snapshot	Las Vegas Market
	Market Fundamentals
	Vacancy 3.8%
	- Year Over Year Change -60 bps
	Asking Rent \$1,245
	- Year Over Year Change +7.2%
	Transaction Activity
	Median Sales Price Per Unit (YTD) \$199,700
	Cap Rates (Avg YTD) 4.4%
	Construction Activity
	Units Under Construction 2,460
	Units Delivered YTD 347

The local investment market gained significant momentum during the second quarter, with transaction activity surging in the final few weeks of the quarter. Through the first half of this year, more properties have sold than transacted in all of 2020. The increased investor activity is also leading to rising prices; the median price in transactions in the first half of this year approached \$200,000 per unit. Cap rates have compressed, averaging less than 4.5 percent in the first six months of 2021. Some properties have begun to change hands with cap rates below 4 percent. In addition to improving property fundamentals, a favorable financing environment is also supporting the investment market and cap rate compression. Investors are taking advantage of long-term interest-only loan financing options or extremely low short-term floating rates.

Employment

- > After steep losses last year, the Las Vegas employment market is adding back jobs at a rapid pace. Year over year through the second quarter, employment has expanded by nearly 100,000 jobs, or 11.7 percent. Despite the additions during the past 12 months, current employment totals are down about 100,000 jobs from the pre-COVID peak, and the market is expected to add back workers throughout the next several quarters.
- > The leisure and hospitality industry is the largest employment sector in Las Vegas and was the hardest hit in 2020. Jobs are coming back at a rapid pace. Year to date, leisure and hospitality employment has expanded by nearly 30,000 jobs, with additional gains likely as leisure and business travel resumes.
- > During the second quarter, Resorts World Las Vegas opened, providing a significant boost to the local economy. The resort was the first ground-up casino development on the Las Vegas Strip in more than a decade, and the 3,500-room facility is expected to employ 6,000 workers when it is completely staffed.
- > **Forecast:** Employers are on pace to add approximately 85,000 jobs in Las Vegas in 2021, a gain of nearly 9.5 percent.

Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

Year over year through the second quarter, employment has expanded by nearly 100,000 jobs

Vacancy

- > After holding steady for most of 2020 and the first part of this year, the vacancy rate tightened during the second quarter. Vacancy fell 60 basis points in the second quarter.
- > The current vacancy rate of 3.8 percent is down 60 basis points year over year, reaching its lowest point in three years.
- > Las Vegas has been a popular spot for new, high-end multifamily development, which has led to a large Class A inventory. Class A units account for more than half of all supply in the Las Vegas market. The vacancy rate in Class A properties ended the second quarter at 3.6 percent, nearly identical to levels from one year earlier.
- > **Forecast:** As the local economy recovers, apartment vacancy is forecast to tighten. The rate is expected to decline an additional 30 basis points in 2021, ending the year at 3.5 percent.

Vacancy Trends



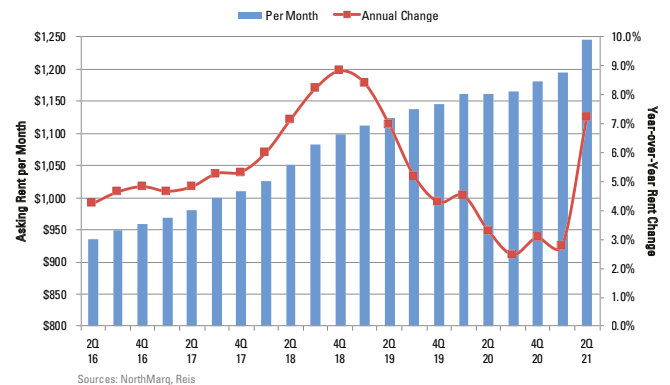
Sources: NorthMarq, Reis

The current vacancy rate of 3.8 percent is down 60 basis points year over year

Rents

- > Apartment rents continued to grow in the second quarter, rising more than 4 percent to \$1,245 per month. Rents are up 5.4 percent through the first half of this year, outpacing the gains recorded in all of 2020.
- > Year over year, local asking rents have spiked by 7.2 percent. This is the strongest pace of rent growth since 2018.
- > Asking rents for Class A properties ended the second quarter at more than \$1,400 per month, two years after topping \$1,300 per month for the first time. Asking rents in the region's Class A properties have risen approximately 5 percent during the past 12 months.
- > **Forecast:** Rent growth in Las Vegas is forecast to total approximately 8.6 percent in 2021, with asking rents expected to reach \$1,283 per month.

Rent Trends



Year over year, local asking rents have spiked by 7.2 percent

Development and Permitting

- > During the first half of 2021, the pace of apartment construction slowed. Developers delivered projects totaling fewer than 350 units in the first half of this year, roughly half of the total units that came online in the same period in 2020. The pace of deliveries is expected to accelerate through the end of this year.
- > There are currently around a dozen apartment complexes under construction totaling nearly 2,500 units. About one-third of these units are located in the West submarket. One year ago at this time, projects totaling nearly 4,000 units were under construction.
- > Multifamily permitting has accelerated over recent periods, with developers pulling permits for nearly 1,800 units in the first half of 2021. Permitting activity is up nearly 30 percent from the first half of last year.
- > **Forecast:** Apartment deliveries in 2021 are expected to total approximately 1,600 units, closely tracking levels of new construction recorded in the preceding year. This represents a decline from a more active period of development a few years ago; from 2017 to 2019, apartment construction averaged more than 3,300 units per year.

Development Trends

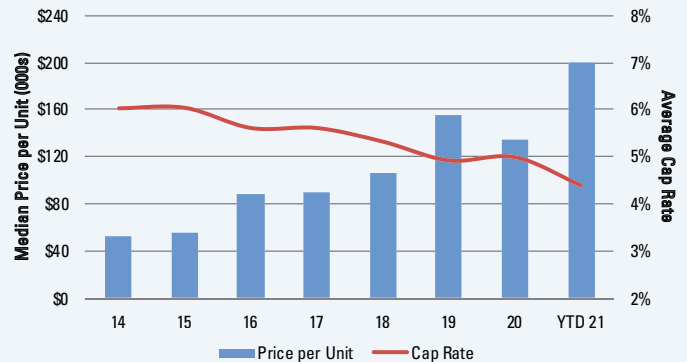


Apartment deliveries in 2021 are expected to total approximately 1,600 units

Multifamily Sales

- > The investment market gained significant momentum during the second quarter, with a flurry of sales transacting as the quarter came to a close. Sales velocity in the second quarter more than doubled levels from the first quarter, and transactions volume in the first half of 2021 has already surpassed the total number of sales that occurred in all of 2020.
- > As transaction activity gained momentum, prices pushed higher. The median price during the first half of 2021 was approximately \$199,700 per unit, up nearly 25 percent from the median price in 2020. The median price during the second quarter was nearly \$210,000 per unit.
- > Cap rates in Las Vegas have compressed as investor demand has intensified. Cap rates averaged 4.4 percent in the first half of this year, down 60 basis points from 2020 levels. A handful of properties sold during the first quarter with cap rates below 4 percent.

Investment Trends



Sources: NorthMarq, CoStar

Cap rates averaged 4.4 percent in the first half of this year

Recent Transactions in the Market

MULTIFAMILY SALES ACTIVITY

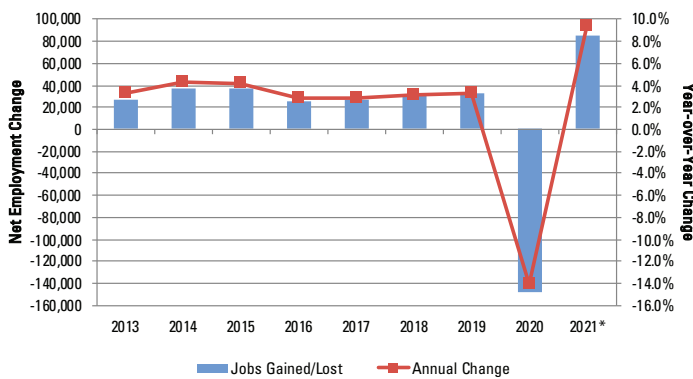
Property Name	Street Address	Units	Sales Price	Price/Unit
Tuscan Highlands	12656 Southern Highlands Pky., Las Vegas	304	\$115,000,000	\$378,289
Norterra Canyon Apartments	5005 Losee Rd., Las Vegas	426	\$86,500,000	\$203,052
Lantana	6501 Charleston Blvd., Las Vegas	516	\$80,000,000	\$155,039
Tides on Tropicana	4800 E Tropicana Ave., Las Vegas	252	\$54,000,000	\$214,286
Tides at Spring Valley	4747 Penwood Ave., Las Vegas	218	\$36,900,000	\$169,266
Tides at Cheyenne	3240 N Las Vegas Blvd., Las Vegas	204	\$35,000,000	\$171,569

Looking Ahead

The Las Vegas multifamily market is forecast to benefit from renter demand outpacing new development in 2021, leading to tightening vacancy rates and rising rents. The economy has strengthened, and additional gains are likely in the coming quarters. Travel to Las Vegas is a key economic driver, and while visitor volume is on an upswing, travel to the market remains below 2019 levels. Leisure travel has already begun to bounce back, but weekday hotel occupancies are down about 25 percentage points from 2019 figures. As convention travel resumes in the second half of this year and into 2021, local economic growth should accelerate. One driver that should support travel to Las Vegas through the end of this year is fans traveling to the market to attend Raiders NFL games for the first time. The team moved to Las Vegas last year, but fans were not allowed to attend home games.

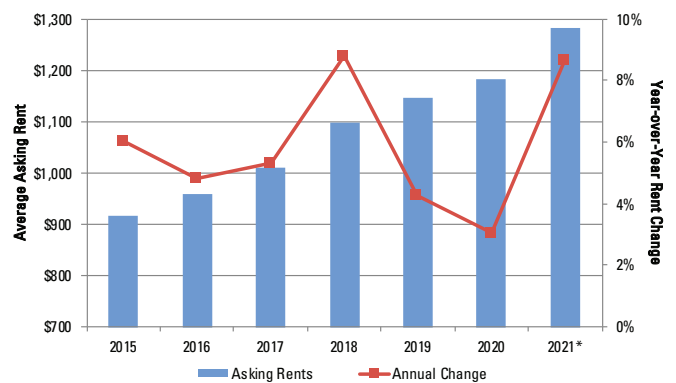
The momentum established in the Las Vegas multifamily market in recent months is forecast to carry over into the second half of this year. One year ago at this time, there was a great deal of uncertainty surrounding the economic outlook for the Las Vegas market, and this uncertainty dragged on the local investment market. Since the beginning of this year, the Las Vegas economy has been rebounding, and multifamily property performance was particularly strong in recent months. The ongoing recovery in the local economy should continue to support a healthy investment market in the coming quarters. The improving economy and the strengthening property fundamentals have started to attract out-of-market buyers to Las Vegas. As new buyers continue to enter the market, competition should increase, allowing for additional price appreciation.

Employment Forecast



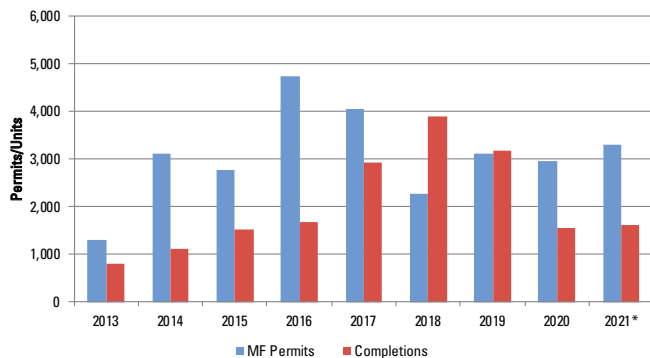
* Year End Forecast
Sources: NorthMarq, Bureau of Labor Statistics

Rent Forecast



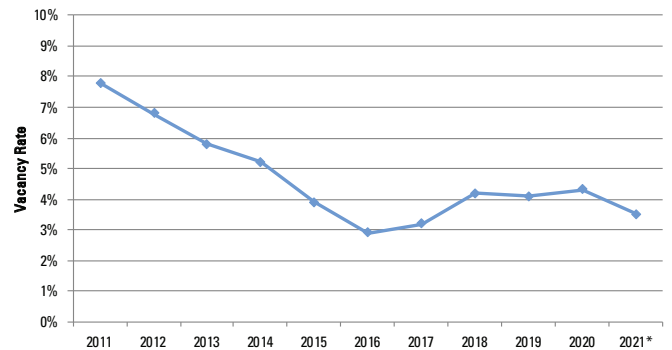
* Year End Forecast
Sources: NorthMarq, Reis

Construction & Permitting Forecast



* Year End Forecast
Sources: NorthMarq, Census Bureau, Reis

Vacancy Forecast



* Year End Forecast
Sources: NorthMarq, Reis

About NorthMarq

As a capital markets leader, NorthMarq offers commercial real estate investors access to experts in debt, equity, investment sales, and loan servicing to protect and add value to their assets. For capital sources, we offer partnership and financial acumen that support long- and short-term investment goals. Our culture of integrity and innovation is evident in our 60-year history, annual transaction volume of more than \$16 billion, loan servicing portfolio of more than \$65 billion and the multi-year tenure of our nearly 600 people.

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