

Vacancy leveling off after rise to start the year

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **8,054**

UNITS DELIVERED **3,689**

MARKET FUNDAMENTALS



VACANCY RATE **6.4%**

YEAR-OVER-YEAR CHANGE **+380bps**

ASKING RENTS **\$1,490**

YEAR-OVER-YEAR CHANGE **-1.5%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$259,600**

HIGHLIGHTS

- The Las Vegas multifamily market posted a mixed performance during the third quarter with rents inching lower despite a modest vacancy dip. The pace of multifamily completions accelerated with approximately 1,300 units coming online in the last three months, bringing the year-to-date total to nearly 3,700 units.
- Area vacancy trends have been volatile, but conditions are moving closer to the market's historical norms. After tightening by 30 basis points in the second quarter, the vacancy rate dipped an additional 10 basis points in the last three months to 6.4 percent.
- Asking rents ticked lower in recent months, offsetting gains recorded in the previous quarter. Apartment rents declined by 0.3 percent in the last three months to \$1,490 per month. Area rents fell by 1.5 percent during the past 12 months.
- Transaction volume in the local multifamily investment market has been light to this point in 2023, although a few properties have traded in recent months. The median price thus far in 2023 is \$259,600 per unit, up 5 percent from last year's figure.

LAS VEGAS MULTIFAMILY MARKET OVERVIEW

Operating conditions in the Las Vegas multifamily market appear to be stabilizing following a spike in vacancy caused by the conclusion of Clark County's rental assistance program earlier this year. Despite elevated vacancy conditions, local employment growth remains strong, fueled by ambitious projects such as the Sphere and the Formula 1 Las Vegas Grand Prix. While construction activity picked up, absorption levels still outpaced supply growth in recent months, leading to the second consecutive quarterly vacancy improvement. Rent growth has been modest to this point in 2023, as apartment operators appear to be easing increases after posting steep gains in 2021 and 2022.

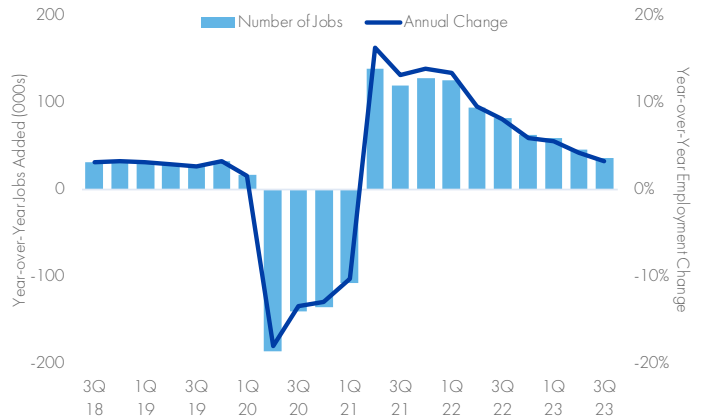
Sales velocity in the Las Vegas multifamily investment market has slowed in 2023, and transaction volume to this point is down nearly 80 percent from levels recorded last year. The properties that are trading are generally at the top of the quality spectrum. Class A properties have accounted for more than half of the total sales in the last nine months, after making up nearly 20 percent of the deals last year. With activity picking up in the sale of newer assets, pricing has trended higher in recent sales. The median price to this point in 2023 is \$259,600 per unit, topping levels recorded in 2022 by 5 percent. The median sales price for Class A transactions thus far in 2023 is nearly \$307,000 per unit.

EMPLOYMENT

- Las Vegas employers added jobs at a rapid pace in the last three months after employment growth was modest in the previous quarter. Year over year, the local labor market expanded by 36,000 workers, an increase of 3.3 percent.
- Employment gains were recorded across all sectors during the past year, with the education and health services industry expanding rapidly. In the past 12 months, this sector gained 7,200 workers, growing by 6.8 percent.
- Solar parts manufacturer, Unimacts, recently added 127,000 square feet of manufacturing space to the company's Las Vegas facility. Located in the Spring Valley submarket, the site has already added 100 workers to this point in 2023, with plans to hire another 100 employees by the end of 2024.
- Forecast:** While growth in the local labor market is projected to soften in the closing months of 2023, annual gains in Las Vegas will outperform most other markets in the country. Businesses are forecast to add 40,000 jobs in 2023, increasing total employment by 3.6 percent.

Year over year, the local labor market expanded by 36,000 workers.

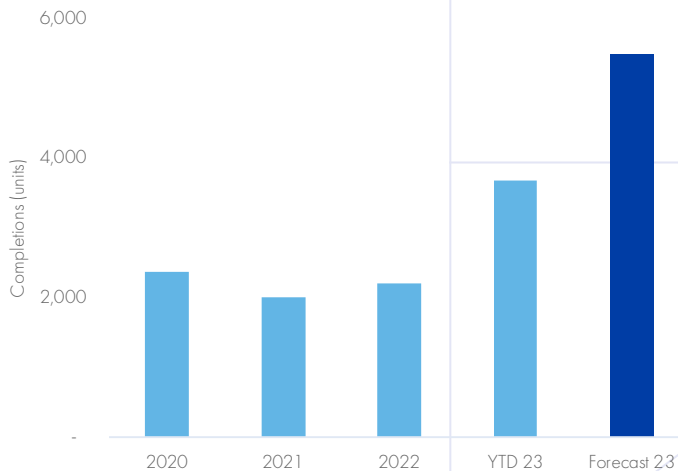
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Projects totaling roughly 1,300 units came online during the third quarter.

DEVELOPMENT TRENDS



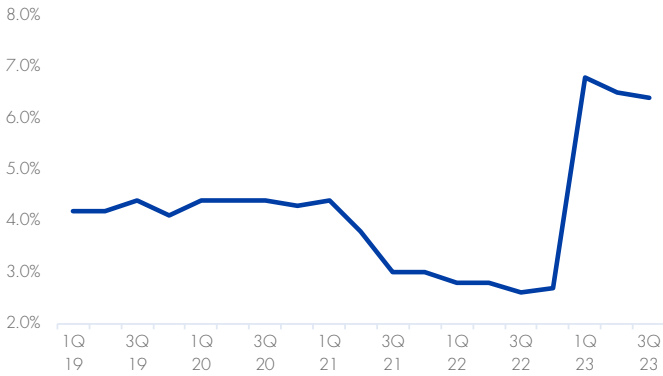
Sources: Northmarq, Reis, CoStar

DEVELOPMENT & PERMITTING

- Multifamily deliveries gained momentum in recent months as projects totaling roughly 1,300 units came online during the third quarter, up 40 percent from the previous quarter. Developers have completed approximately 3,700 units to this point in 2023, outpacing levels recorded in the same period last year by 78 percent.
- Construction activity remains elevated in Las Vegas, with projects totaling approximately 8,050 units currently under construction. Half of the region's ongoing projects are located in the Henderson and Summerlin/Spring Valley submarkets.
- Multifamily permitting has cooled thus far in 2023 in response to challenges securing construction financing. Developers pulled permits for roughly 1,800 units to this point in the year, down 37 percent from the same period in 2022.
- Forecast:** New projects will likely continue coming online at a rapid pace through the end of the year, with roughly 5,500 apartment units forecast to be completed in 2023. Annual deliveries averaged approximately 2,700 units during the past five years.

The vacancy rate dipped 10 basis points during the third quarter.

VACANCY TRENDS



Sources: Northmarq, Reis, Yardi

VACANCY

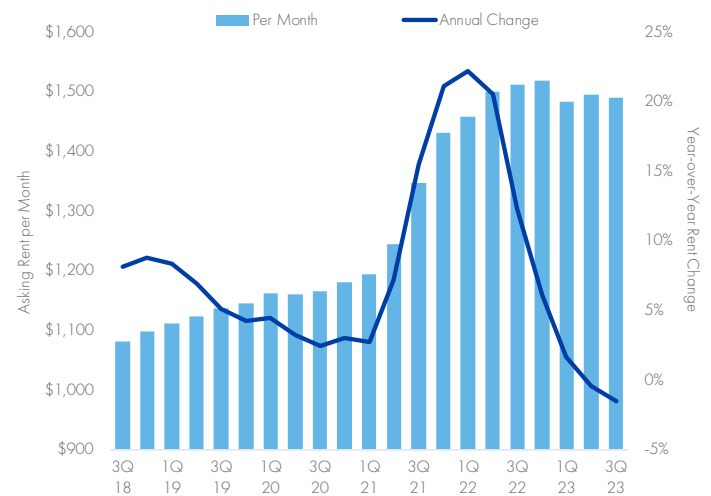
- Area vacancy inched lower in recent months, after spiking at the onset of the year. The vacancy rate dipped 10 basis points during the third quarter to 6.4 percent. Year over year, the rate rose 380 basis points.
- Although vacancy is up significantly from last year, new renter demand has been solid in recent months. Absorption levels have outpaced supply growth by nearly 700 units in the past six months, leading to vacancy improvements in two consecutive quarters.
- Renter demand in the Las Vegas area should remain strong in the coming periods, as the local labor market is adding jobs at an above-average rate. Local vacancy averaged 4.2 percent during the past decade, and vacancy conditions will likely move closer to the region's long-term average in the next two years.
- **Forecast:** Area vacancy is expected to continue trending lower in the final months of the year, closing 2023 at around 6 percent.

RENTS

- Asking rents in Las Vegas ticked lower in recent months, offsetting the growth recorded in the previous quarter. Area rents dipped 0.3 percent during the third quarter to \$1,490 per month.
- During the past 12 months, apartment rents trended lower by 1.5 percent. Prior rent levels are proving difficult to sustain, particularly in the lower tiers, where rents are down more than 2 percent year to date.
- Despite rent growth tapering off, apartment operators have made substantial gains in the past few years. Annual rent growth peaked in 2021 at more than 21 percent, followed by 6 percent growth in 2022.
- **Forecast:** Rents should stabilize in the fourth quarter, but Las Vegas is on pace to post an annual rent decline in 2023. Asking rents are projected to finish 2023 at \$1,500 per month, down 1.3 percent for the full year.

Annual rent growth peaked in 2021 at more than 21 percent.

RENT TRENDS



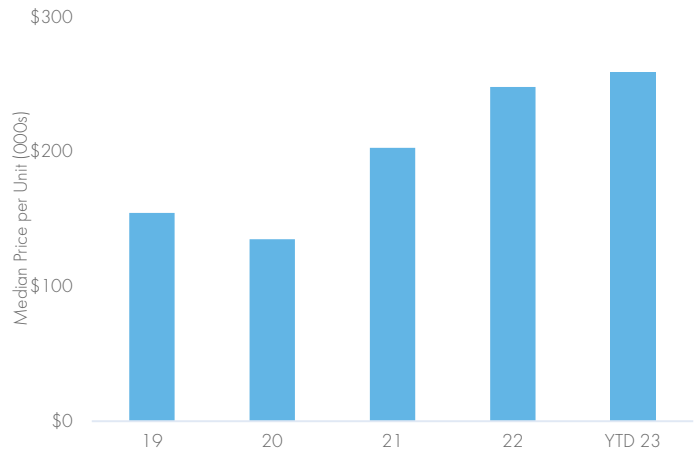
Sources: Northmarq, Reis

MULTIFAMILY SALES

- Sales activity in the Las Vegas multifamily investment market remains light with only a handful of sales thus far in 2023. Transaction volume to this point in the year is down almost 80 percent from the same period in 2022.
- Pricing has trended lower in recent periods, a reflection of greater investor caution in the market. The median sales price year to date is \$259,600 per unit, up 5 percent from last year's peak.
- Cap rates in Las Vegas have risen during the past year. Most properties are selling with cap rates between 5 percent to 5.75 percent after averaging in the mid-4 percent range one year ago.

The median sales price year to date is \$259,600 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

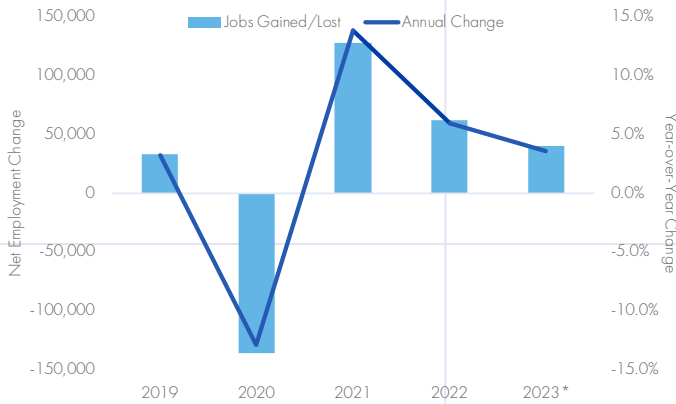
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Alta Southern Highlands	3030 Robert Trent Jones Ln., Las Vegas	228	\$79,000,000	\$346,491
Shadow Bay Homes	10191 W Oleta Ave., Las Vegas	117	\$48,098,361	\$411,097

LOOKING AHEAD

The Las Vegas multifamily market is expected to finish 2023 on a stronger note, buoyed by rapid economic growth. Several commercial and entertainment projects are under way that will provide short- and long-term economic fuel to the market, including preparations for the 2024 Super Bowl, the planned relocation of the Oakland A's baseball team, and several healthcare-related developments. In an effort to meet this demand, apartment construction activity will remain elevated with projects totaling roughly 5,500 units expected to come online in 2023. Despite a late surge in supply growth, vacancy should remain near current ranges, as the local labor market is one of the strongest in the U.S., supporting renter demand.

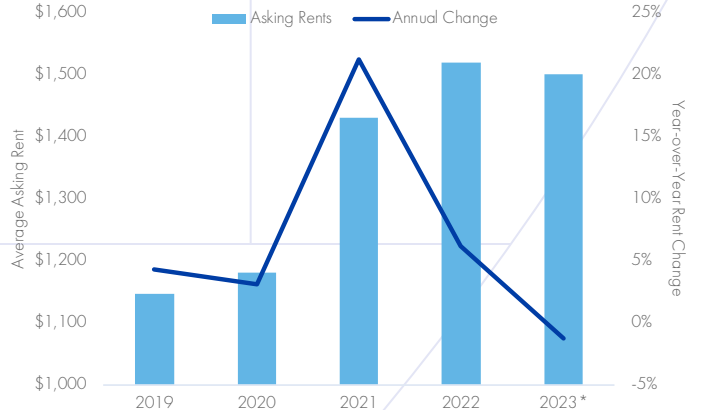
Multifamily properties should begin to trade more frequently in 2024, as operating conditions begin to stabilize, and new projects continue to come online. The new supply that delivers will likely create some additional investment opportunities either during lease-up or after stabilization. Additionally, properties that were acquired in 2020 and 2021 using bridge debt that is set to mature in 2024, should create some buying opportunities for value-add projects. Cap rates are forecast to continue to tick higher, reaching the high-5 percent range by the end of the year, while interest rates eventually level off. While garden-style apartments are expected to continue trading at an elevated rate, Las Vegas' emerging presence in the single-family built-to-rent space should draw some additional activity over the next few years.

EMPLOYMENT FORECAST



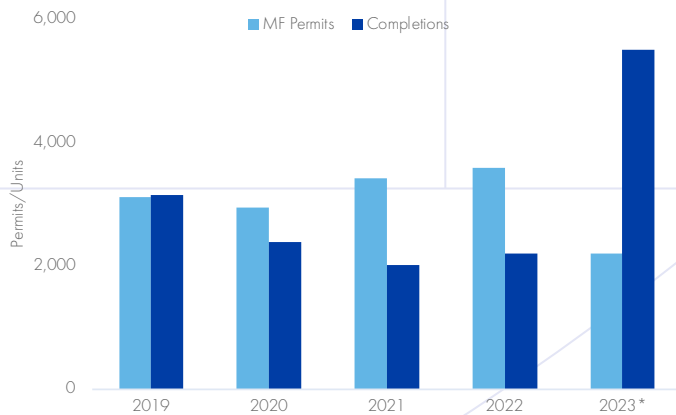
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

RENT FORECAST



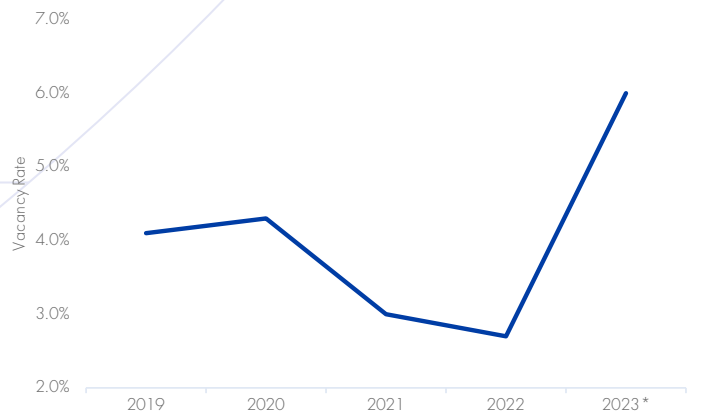
* Year End Forecast
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Census Bureau, Reis, CoStar

VACANCY FORECAST



* Year End Forecast
Sources: Northmarq, Reis, Yardi



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