

# Market Insights

Las Vegas Multifamily 4Q 2021



## Construction Activity



**4,976**

Units under construction

**2,004**

Units delivered (YTD)

## Market Fundamentals



**3.0%**

Vacancy

**-130 bps**

Year over year change

**\$1,431**

Asking Rent

**+21.2%**

Year over year change

## Transaction Activity



**\$203,100**

Median sales price per unit (YTD)

# Labor Market Gains Momentum, Fueling Rent Spike

## Highlights

- Strong renter demand and limited supply growth fueled the Las Vegas multifamily market in 2021. Demand was sparked by a strong recovery in the local labor market, and vacancy ended the year at its lowest point since 2017. The tight conditions allowed for steep rent increases, with the most rapid growth occurring in the second half.
- The vacancy rate remained stable in the fourth quarter, closing out the year at 3 percent. Overall vacancy improved by 130 basis points in 2021.
- Asking rents in Las Vegas advanced 21.2 percent in 2021, reaching \$1,431 per month. Rent growth was most pronounced in the second half of the year when rents spiked over 16 percent.
- The Las Vegas investment market closed the year on an upswing. Transaction activity spiked in the fourth quarter while sales prices rose during the same time. Cap rates dipped below 4 percent in the second half of the year, with most transactions in the fourth quarter closing with cap rates ranging between 3.25 percent and 3.75 percent.

## Las Vegas Multifamily Market Overview

The Las Vegas multifamily market thrived in the final quarter of 2021. Rents rose more than \$100 per month in the third quarter and posted a similar increase in the last three months of 2021. For the full year, asking rents spiked by more than 20 percent, fueled by a rebounding local labor market. The reopening of the national economy has been crucial in driving recovery in Las Vegas, and a handful of high-profile casino and other commercial projects opened in the region in 2021. As a result, hotel occupancies and visitor volume are picking up and could approach pre-pandemic levels by the end of 2022. The Las Vegas market has continued to attract new residents. Preliminary estimates show the population in Clark County expanding by nearly 2 percent in 2021, resulting in a gain of approximately 40,000 residents.

Investment trends in Las Vegas tracked property performance in 2021, with the most significant activity occurring in the second half of the year. Sales of apartment properties in the region spiked at the end of the year, pushing prices higher and resulting in cap rate compression. More than 20 percent of all transactions that took place in the final three months of the year included properties that traded above \$300,000 per unit. These sales drove the median price in 2021 to \$203,100 per unit, an increase of 50 percent compared to the median price in 2020. Cap rates trended lower, falling below 4 percent in the second half of the year.

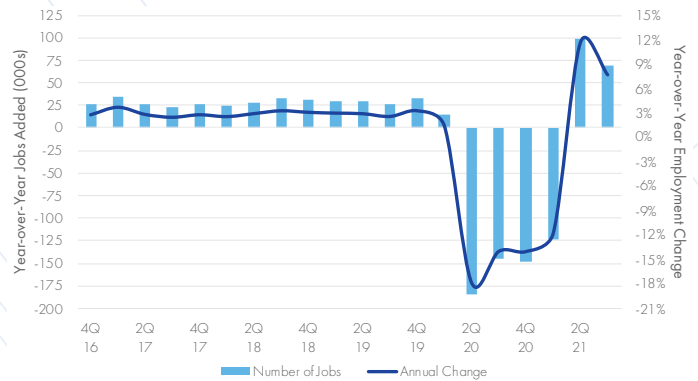
## Employment

- The Las Vegas labor market recovered at a rapid pace in 2021. Nearly 79,000 jobs were added back to payrolls for the year, an expansion of 8.7 percent.
- Leisure and hospitality remains a significant driver of the Las Vegas economy. The sector accounted for nearly half of all jobs created in the past 12 months. Leisure and hospitality employment expanded by 18 percent in 2021 with the addition of 35,000 jobs. There is room for continued employment rebound in the sector; the current leisure and hospitality employment is down about 23 percent from pre-COVID levels.
- Area employment expanded across a wide range of industries in 2021. The professional and business services sector added 19,600 jobs in 2021, an annual gain of 15 percent.
- **Forecast:** The Las Vegas labor market is expected to make a full recovery in 2022, following losses during the pandemic. Employers are forecast to add approximately 60,000 jobs in the year ahead, a gain of more than 6 percent.



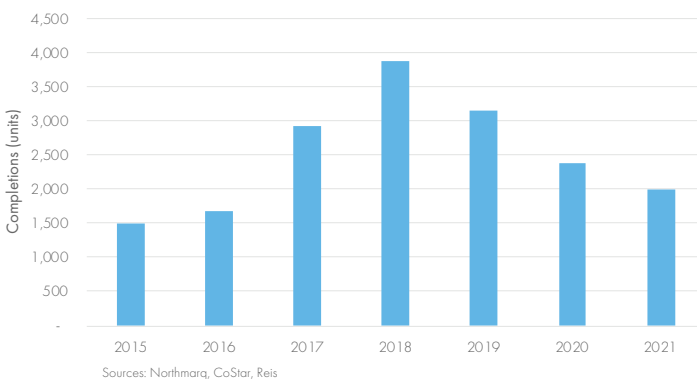
Nearly 79,000 jobs were added back to payrolls in 2021.

### Employment Overview



Projects totaling approximately 5,000 units are under construction.

### Development Trends



## Development and Permitting

- Developers delivered projects totaling approximately 2,000 units in 2021. Construction and permitting activity picked up throughout the year as the economy gained momentum.
- As demand for apartments increases in Las Vegas, developers are rushing to move new projects into the development pipeline. At the end of 2021, approximately 5,000 units were under construction, an increase of 60 percent compared to activity at the end of 2020.
- Recently, developers have been pulling permits for new multifamily units in order to satisfy the elevated demand. Permits for more than 3,400 units were pulled in 2021, with permits for nearly 1,000 units issued during the fourth quarter.
- **Forecast:** Deliveries are expected to pick up in 2022, as there are several large projects scheduled to come online. Developers are forecast to complete approximately 3,000 units in 2022.

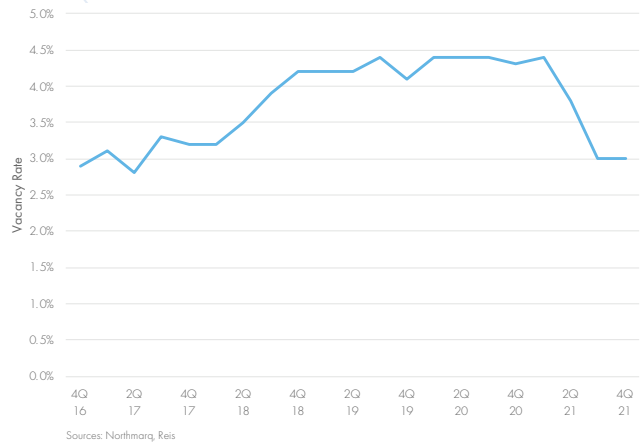
## Vacancy

- After dropping 80 basis points in the third quarter, the vacancy rate remained stable at 3 percent in the fourth quarter. Vacancy has averaged 3.7 percent during the past five years.
- For the year, vacancy in Las Vegas fell 130 basis points, and the rate reached its lowest year-end figure since 2016. The decline was fueled by a sharp increase in renter demand for units, as well as a slowing pace of new construction.
- The vacancy rate in the Class A segment continued to tighten in 2021, particularly with the limited competition from new construction of top-tier units. Vacancy in Class A properties ended the year at just 2.8 percent, down 60 basis points for the year. Absorption in Class A units nearly doubled the pace of supply growth in 2021.
- **Forecast:** The continued recovery in the local labor market should support renter demand for apartments in 2022, allowing for additional tightening in the local vacancy rate. Apartment vacancy in Las Vegas is forecast to drop 20 basis points in 2022, ending the year at 2.8 percent.



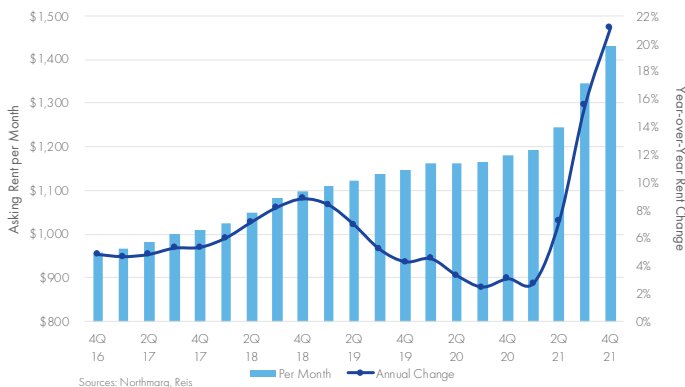
For the year, vacancy fell 130 basis points.

### Vacancy Trends



Rents in Las Vegas spiked by 21.2 percent in 2021.

### Rent Trends



## Rents

- Area asking rents continued to surge through the end of 2021, rising 6.3 percent from the third quarter to the fourth quarter to reach \$1,431 per month. Rents have increased in each of the past 10 years, with growth averaging more than 7 percent annually in that time.
- The past year marked an all-time high for the pace of local rent growth. Asking rents in Las Vegas spiked by 21.2 percent in 2021.
- Class A units, which make up the majority of inventory in the market, drove the overall rent growth in Las Vegas. The average Class A asking rent rose more than 20 percent in 2021, ending the year at \$1,658 per month.
- **Forecast:** The momentum gained in the Las Vegas multifamily market is expected to carry over into 2022, although the pace of rent growth is not expected to match the levels from the preceding year. Asking rents are forecast to grow by 8 percent in 2022, reaching \$1,545 per month.

## Multifamily Sales

- Sales velocity accelerated through the end of the year, as the number of transactions that closed in the fourth quarter nearly doubled the figure from the previous period. Transaction counts in 2021 tripled totals recorded in 2020, while dollar volume more than quadrupled, reaching approximately \$4 billion.
- Prices rose throughout 2021, including a spike in the fourth quarter. For the full year, the median sales price reached \$203,100 per unit, 50 percent higher than the median price in 2020. In transactions that closed in the fourth quarter, the median price rose to \$218,500 per unit.
- The strong operating fundamentals in the Las Vegas multifamily market have supported cap rate compression throughout the past several quarters. Cap rates were generally below 4 percent during the fourth quarter, with several properties trading with cap rates ranging from 3.25 percent to 3.75 percent.



For the full year, the median sales price reached \$203,100 per unit.

### Investment Trends



## Recent Transactions

### Multifamily Sales Activity

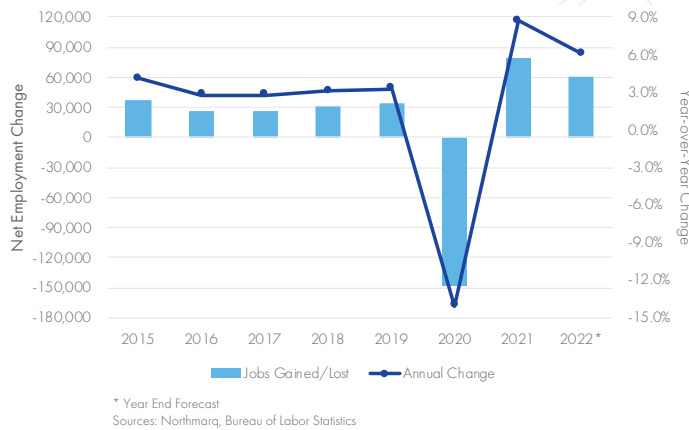
Property Name	Street Address	Units	Sales Price	Price/Unit
ELY at the Curve	6355 S Riley St., Las Vegas	456	\$155,600,000	\$341,228
Tides on Wynn	3800 Wynn Rd., Las Vegas	555	\$113,500,000	\$204,505
Tides on Charleston	6501 W Charleston Blvd., Las Vegas	516	\$110,000,000	\$213,178
The Wyatt	7017 S Buffalo Dr., Las Vegas	308	\$94,200,000	\$305,844
Tides on Duneville	5050 S Duneville St., Las Vegas	228	\$50,250,000	\$220,395

## Looking Ahead

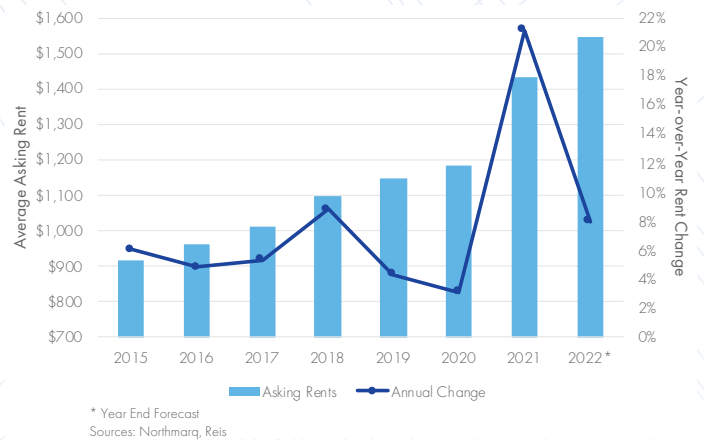
The Las Vegas multifamily market is forecast to post strong performance in 2022, continuing an extended period of elevated demand and rising rents. The Las Vegas economy was hard-hit by the shutdowns that occurred in 2020, but growth has been accelerating in recent quarters and is forecast to continue in 2022. The pace of employment growth in Las Vegas is forecast to nearly double the national rate in the year ahead, supporting renter demand. The market will benefit from increased business and leisure travel, which will continue to support a rebound in hiring in the hospitality industry. In addition to a rebounding labor market, rising home prices should sustain demand for apartments as renters get priced out of the for-sale market. The median home price rose nearly 25 percent in Las Vegas in 2021, outpacing the national rate of growth by 10 full percentage points.

The accelerating investment activity that occurred in Las Vegas throughout much of the previous year is forecast to continue into 2022. Multifamily property fundamentals held up during the economic downturn, but investment activity slowed considerably. As the local economy rebounded, property fundamentals surged, prompting renewed investment activity. The ongoing improvement in fundamentals will continue to make the multifamily market attractive to investors, maintaining the competitive acquisitions climate. Cap rates have compressed during the past several quarters, with most properties trading below 4 percent. Looking ahead to 2022, yields may not continue to trend lower, but the investor demand in the market should keep cap rates near current ranges.

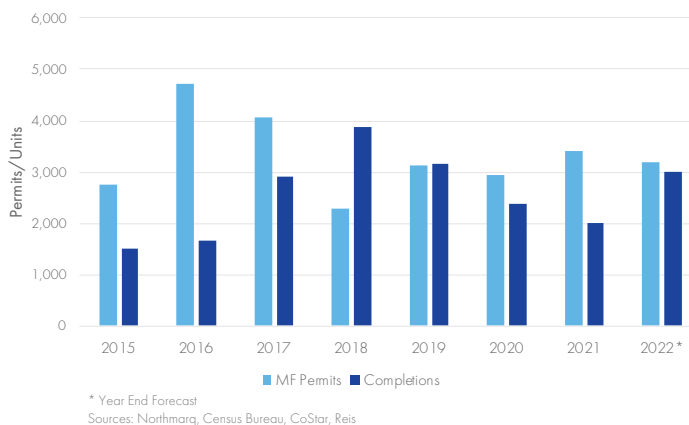
### Employment Forecast



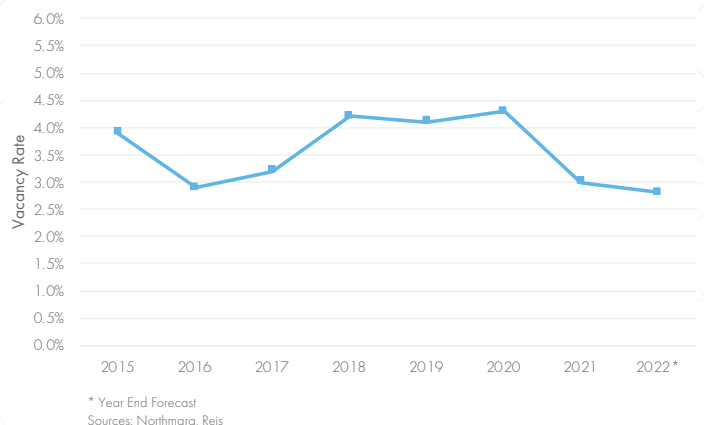
### Rent Forecast



### Construction & Permitting Forecast



### Vacancy Forecast





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## About Northmarq

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