

MARKET REPORT

Multifamily
Las Vegas Metro Area

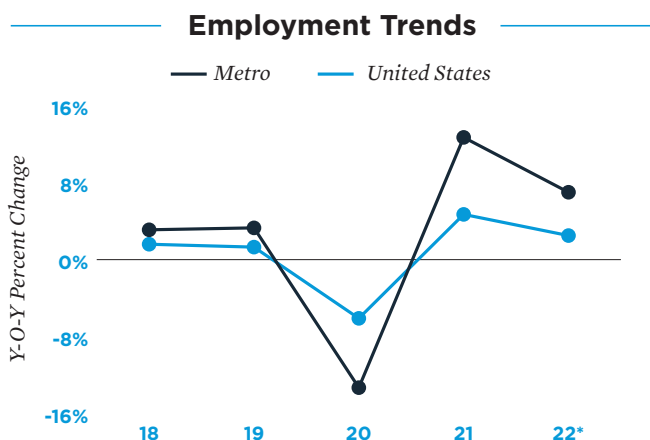
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2Q/22

Growth Warrants Inflow of Units; Outlook Radiant for Lower-Cost Submarkets

Large hospitality and industrial sectors stoke demand. Lower-cost locales in Las Vegas are in a position of strength. Entering the second quarter, unit availability in Central Las Vegas, University-The Strip and West Las Vegas ranged from 2.3 percent to 2.6 percent. Unwavering population growth and an increase in hotel, restaurant, warehousing and logistics positions during 2022 indicates strong demand for apartments priced below the metro average will be preserved in the near term. Furthermore, supply additions will be largely absent from these submarkets during the remainder of this year, suggesting conditions could become even tighter in the coming quarters.

Developers bet on pair of submarkets. Las Vegas' populace is expected to increase by 240,000 residents over the next five years. This projection, coupled with 3.5 percent Class A vacancy, warrants the influx of new rentals slated to open during 2022. While annual delivery volume is forecast to reach a 13-year high, supply additions are not evenly distributed throughout the metro. Instead, completions are concentrated in Southwest Las Vegas and Henderson, submarkets with low-3 percent luxury availability and some of the highest rents in the metro. Large-scale deliveries in these areas have the potential to place upward pressure on local vacancies in the near term; however, expectations for robust in-migration moving forward suggest units at these projects will be absorbed in a relatively short timeframe.



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook



**72,000
JOBS**

will be created

EMPLOYMENT:

Industrial-related expansion, staff increases by office-using firms and the recovery of the local hospitality sector support a 7 percent rate of employment growth in 2022. This hiring velocity elevates the metro's year-end job count to a record mark.



**4,400
UNITS**

will be completed

CONSTRUCTION:

Developers increase apartment inventory by 2 percent during 2022, a rise in supply additions, compared to the prior five-year average of 3,150 rentals. A collection of projects slated to deliver units this year each feature more than 300 doors.



**40
BASIS POINT**

increase in vacancy

VACANCY:

Renters absorb 3,400 units this year; however, several clusters of supply additions place some upward pressure on vacancy in 2022, lifting metro availability to 3 percent. Still, year-end vacancy is 120 basis points lower than the previous five-year mean.



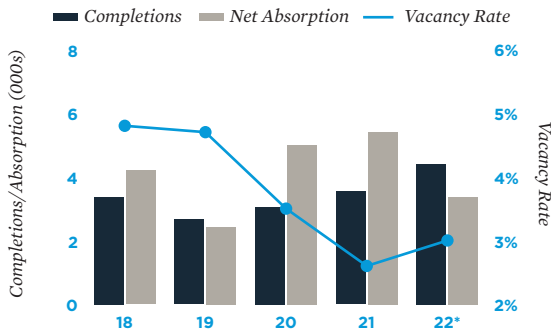
**9.2%
INCREASE**

in effective rent

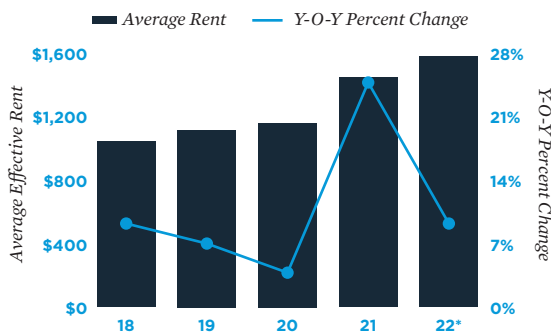
RENT:

After a 25 percent boost was noted in 2021, tight conditions across submarkets support another year of strong rent growth. At \$1,576 per month, the metro's year-end effective rate will rank lowest among major Mountain metros by more than \$200.

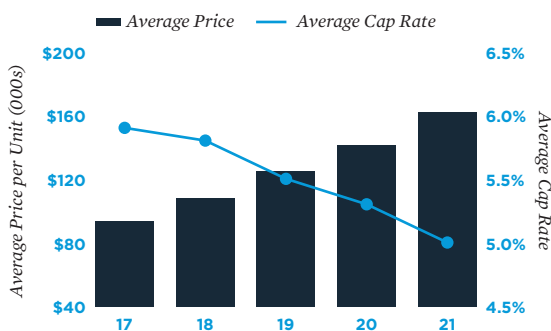
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

1Q 2022 - 12-Month Period

CONSTRUCTION

2,571 units completed

- Units completed over the past year ending in March increased apartment inventory by 1.2 percent, with Central Las Vegas recording the largest influx of new supply at 845 rentals.
- Developers have recently ramped up activity, with construction underway on at least 6,400 units at the onset of the second quarter.

VACANCY

140 basis point decrease in vacancy Y-O-Y

- Eleven of the metro's 12 submarkets recorded vacancy compression during the past 12 months, as roughly 5,580 units were absorbed metrowide. This widespread demand lowered unit availability to 2.9 percent.
- Entering this year, vacancy was tight across apartment tiers, ranging from 2.1 percent in the Class C sector to 3.5 percent in the luxury segment.

RENT

25.1% increase in the average effective rent Y-O-Y

- The average effective rent rose by nearly \$300 over the past four quarters, reaching \$1,466 per month in March. All apartment tiers observed gains of at least 20 percent, supporting the significant surge.
- Additionally, all submarkets recorded 20 percent-plus increases, with the exception of Central Las Vegas, where rent still rose a hefty 19.9 percent.

Investment Highlights

- Out-of-state investor interest in Las Vegas is considerable, with California-based buyers leading the charge. Last year, acquisitions by these investors supported the highest number of closings in the metro since 2005, activity that coincided with a 15 percent increase in pricing. Still, the metro's average price point of \$162,000 per unit represents a significant discount to West Coast markets, with the local mean cap rate of 5 percent attracting yield-driven buyers.
- Since the onset of last year, trades involving properties with more than 100 units have accounted for half of overall deal flow. Larger-scale complexes are transacting across property tiers, highlighted by a high volume of 1990s- and post-2000-built Class B trades recently. These properties and Class A apartments built during the past 10 years are trading at mid-3 to high-4 percent returns in Spring Valley.
- Private buyers targeting higher cap rates and sub-\$5 million commitments are most active in Central Las Vegas neighborhoods, where smaller Class C assets are available for an average of \$100,000 per unit. Here, and in the University District, first-year yields for older complexes with value-add potential regularly exceed 5 percent.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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