

LAS VEGAS MSA | MULTIFAMILY | Q3 2022 REPORT

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5+ UNIT PROPERTIES	Q3 2022	INCREASE/DECREASE	Q3 2021
Total Sales Volume	\$610M	-52.0%	\$1.27B
AVERAGE Price/Unit	\$291,665	+52.7%	\$191,019
AVERAGE Price/SF	\$309.96	+45.7%	\$212.79
AVERAGE Year Built	1980	-1 Yr	1981
Average Rent	\$1,525	+10.6%	\$1,379
Occupancy Rate	94.5%	-2.0%	96.5%
Units Delivered	712	+12.8%	631

ABI GEONEWS: LAS VEGAS MSA - SELECT NEWS


CONTINUED ON PAGE 04



Lincoln Property
Lincoln Property Plans 1.6M SF Industrial Park in Las Vegas

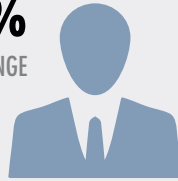



CBRE
Luxury Dominates Vegas' Multifamily Market





Haven Realty, Apollo Global
Haven Realty, Apollo Global Acquire First Phase of Las Vegas BTR Community


2,292,476  **POPULATION**
2019 ACS 1-YEAR ESTIMATE


5.7%
NO CHANGE

UNEMPLOYMENT
Q-O-Q AS OF AUGUST 2022 - BLS

5.2%

EMPLOYMENT GROWTH
Y-O-Y AS OF AUGUST 2022 - BLS

\$63,667 
MEDIAN HH INCOME
2020 ACS 5-YEAR ESTIMATE

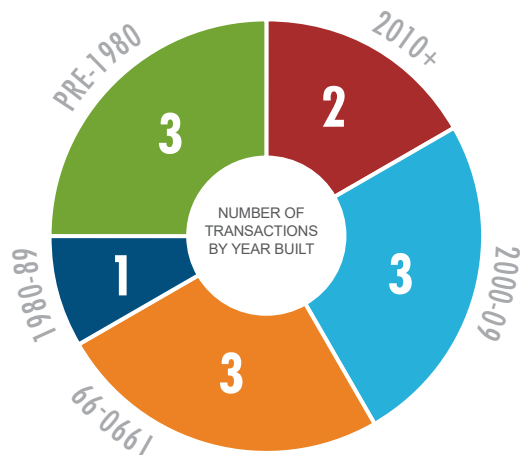
\$33,387 
PER CAPITA INCOME
2020 ACS 5-YEAR ESTIMATE

10,044 
Units (5+)
UNDER CONSTRUCTION
ABI RESEARCH; COSTAR; YARDI

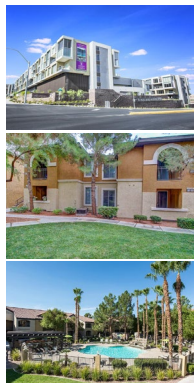
200,713 
Units (5+)
TOTAL INVENTORY
AS OF SEPTEMBER 2022 -
ABI RESEARCH; COSTAR; YARDI

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2022	INCREASE/DECREASE	Q3 2021
Total Sales Volume	\$574M	-53.2%	\$1.23B
AVERAGE Price/Unit	\$309,664	+56.8%	\$197,495
Price/SF	\$317.58	+48.2%	\$214.30
Year Built	1992	+1 Yr	1991



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Vantage Lofts

Henderson, 110 Units | \$60,250,000
\$547,727/Unit | \$295.72/SF | Built 2014

Alicante

Spring Valley, 232 Units | \$86,800,000
\$374,138/Unit | \$342.17/SF | Built 2001

Rancho Destino

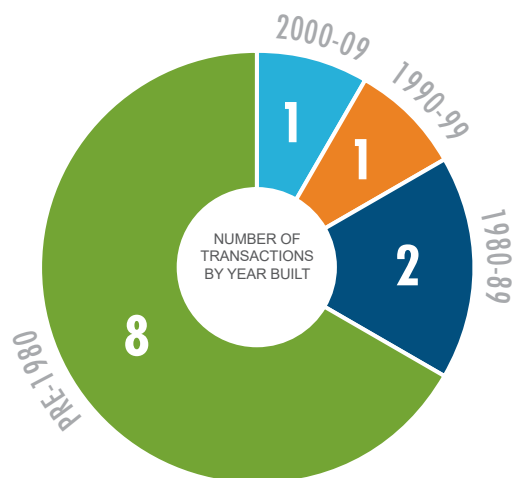
Las Vegas, 184 Units | \$65,500,000
\$355,978/Unit | \$316.59/SF | Built 1998

Q3 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	\$403K	\$343
2000-09	3	\$333K	\$337
1990-99	3	\$300K	\$306
1980-89	1	\$286K	\$331
Pre-1980	3	\$154K	\$222

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2022	INCREASE/DECREASE	Q3 2021
Total Sales Volume	\$36M	-20.9%	\$46M
AVERAGE Price/Unit	\$152,192	+49.3%	\$101,913
Price/SF	\$224.77	+29.7%	\$173.33
Year Built	1969	+2 Yrs	1967



TOP 3 TRANSACTIONS BY PRICE/UNIT (5-49)



9926 Star Lake Avenue

Las Vegas, 6 Units | \$2,200,000
\$366,667/Unit | \$253.54/SF | Built 2004

5820 Dodd Street

Las Vegas, 8 Units | \$2,300,000
\$287,500/Unit | \$552.88/SF | Built 1963

Stax Studios

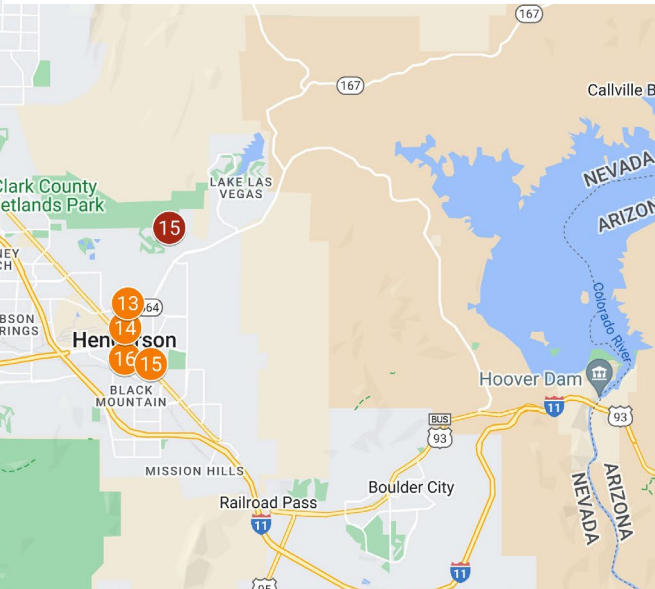
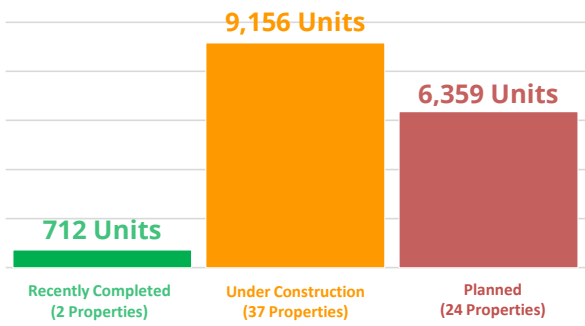
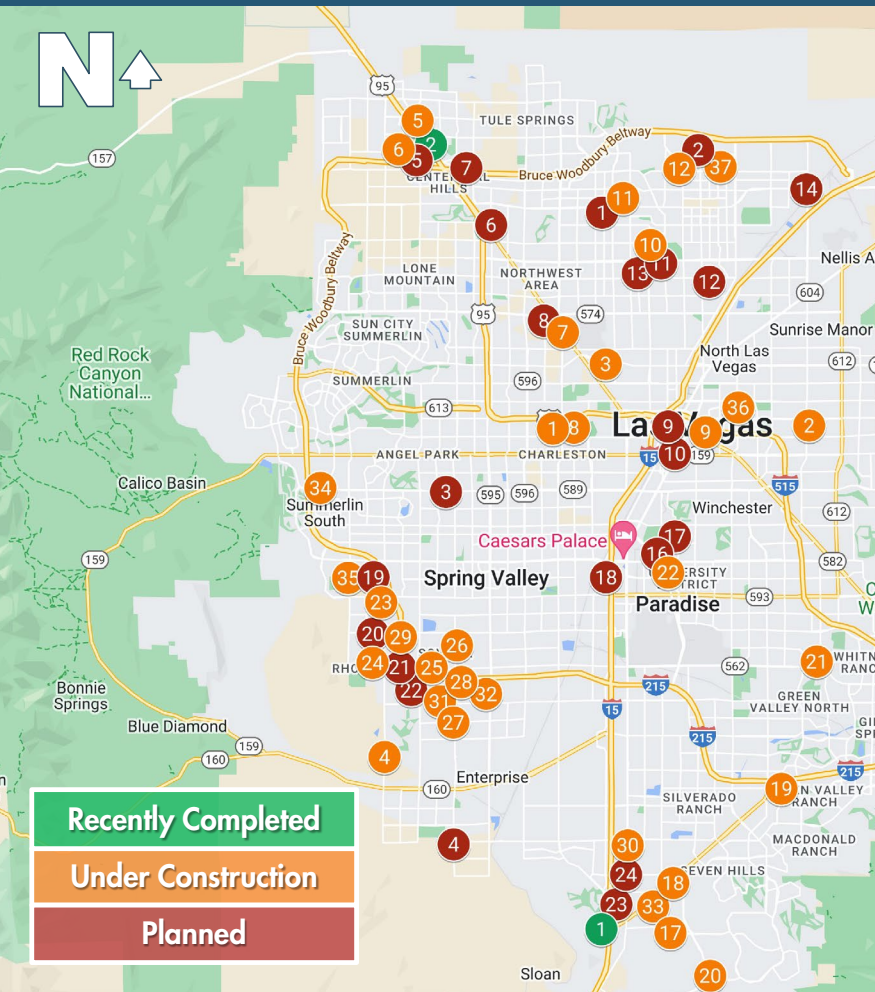
Las Vegas, 44 Units | \$8,650,000
\$196,591/Unit | \$594.09/SF | Built 1961

Q3 2022 Transactions by Year Built

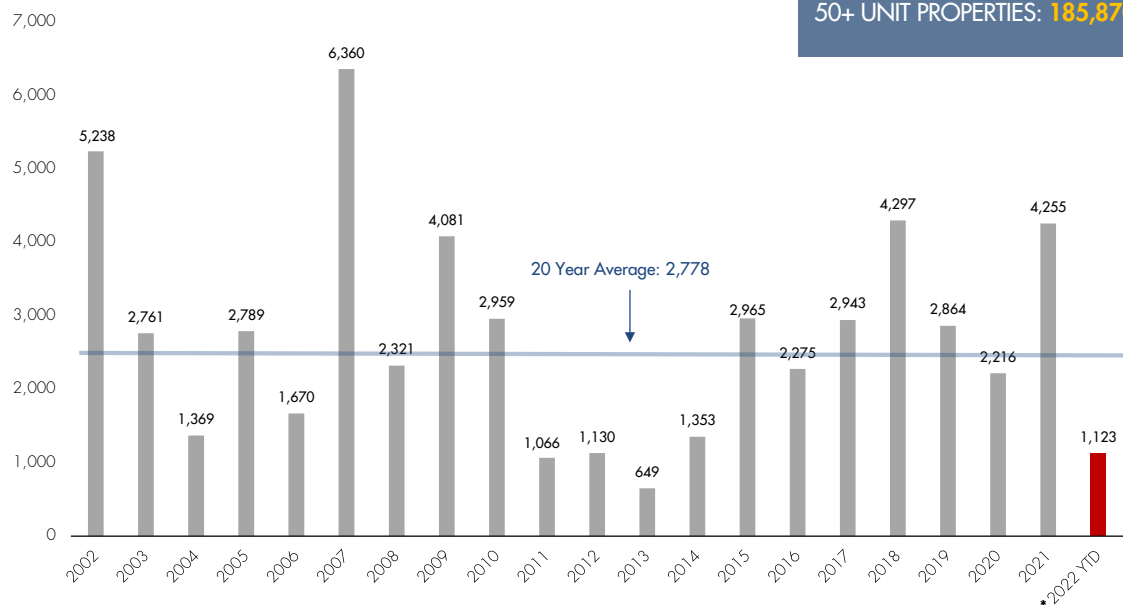
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	1	\$367K	\$254
1990-99	1	\$155K	\$140
1980-89	2	\$143K	\$172
Pre-1980	8	\$147	\$233

COMPLETED CONSTRUCTION

LAS VEGAS MSA CONSTRUCTION PIPELINE – Q3 2022



LAS VEGAS MULTIFAMILY CONSTRUCTION PIPELINE Q3 2022



TOTAL UNIT INVENTORY
 5+ UNIT PROPERTIES: **200,713**
 50+ UNIT PROPERTIES: **185,870**

PRE-LEASE ABSORPTION RATE
5
 Units/Property/Month (Avg)

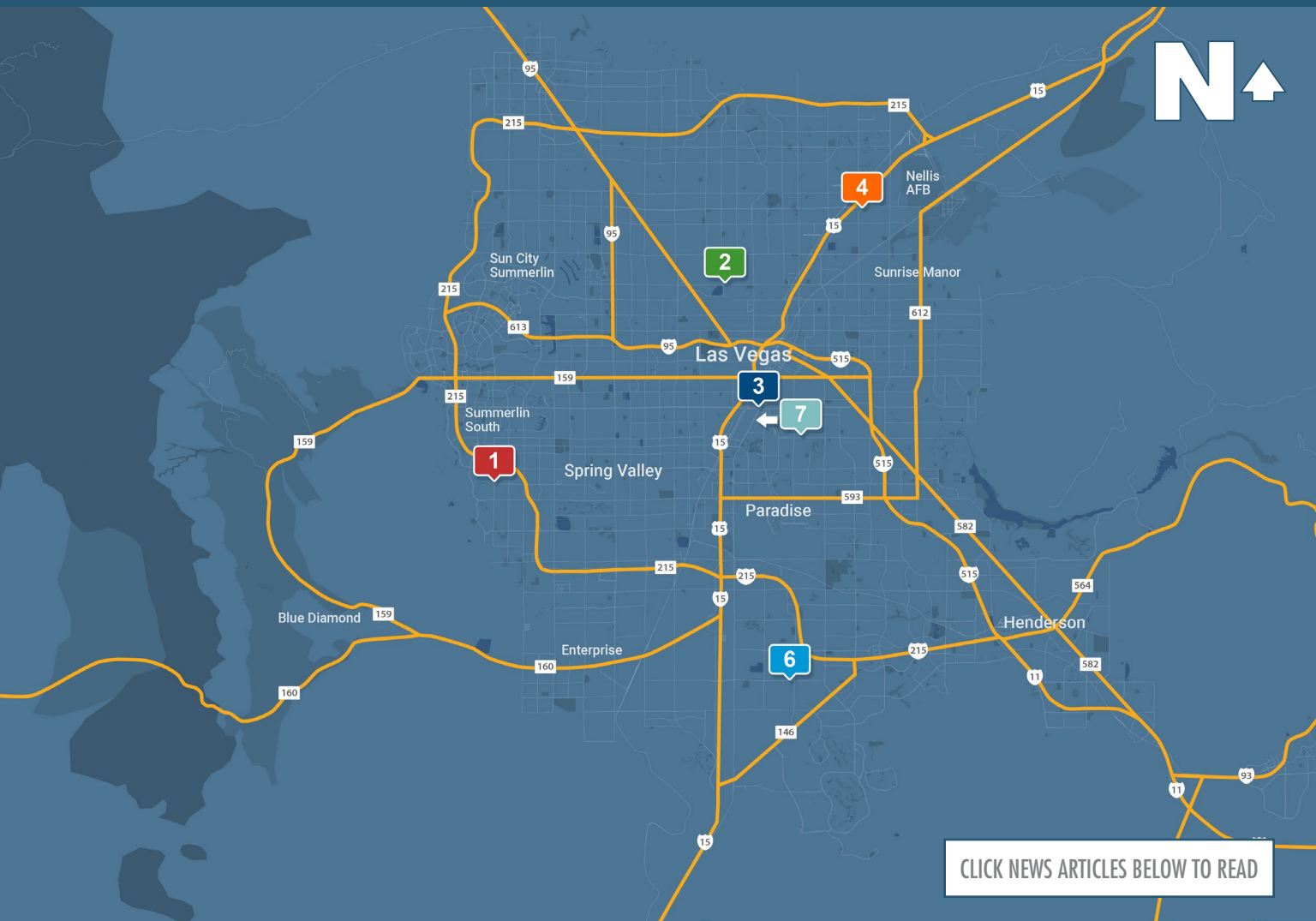
RECENTLY COMPLETED
 TOTAL # OF UNITS: **712**
 TOTAL # OF PROPERTIES: **2**

UNDER CONSTRUCTION
 TOTAL # OF UNITS: **9,156**
 TOTAL # OF PROPERTIES: **37**

PLANNED
 TOTAL # OF UNITS: **6,359**
 TOTAL # OF PROPERTIES: **24**

* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

ABI GEONEWS: LAS VEGAS MSA - SELECT NEWS



CLICK NEWS ARTICLES BELOW TO READ

1 Haven Realty, Apollo Global
Haven Realty, Apollo Global Acquire First Phase of Las Vegas BTR Community

2 Lincoln Property
Lincoln Property Plans 1.6M SF Industrial Park in Las Vegas

3 Flite Golf and Entertainment
Construction begins on Atomic Range golf entertainment experience on Las Vegas Strip

4 GID Industrial
GID Industrial Acquires 1.4 MSF

Regional CBRE
Luxury Dominates Vegas' Multifamily Market

6 JLL
JLL Income Property Trust Buys Grocery-Anchored Center in Las Vegas

7 Fontainebleau Development
Long Dormant Fontainebleau Las Vegas Project Is Finally Moving Forward

**WE ARE
HIRING**

BY: JAMES HALL
ABI DIRECTOR OF RESEARCH

A TALE OF TWO STORIES: STRONG EMPLOYMENT AND MULTIFAMILY FUNDAMENTALS VS. INFLATION AND THE FED

The US economy remains resilient, despite economic uncertainty and geopolitical risk weighing heavily on investment activity. While we foresee continued short-term economic headwinds, our long-term outlook for the multifamily industry remains strong. Lackluster construction after the previous economic crisis coupled with favorable demographic growth, still provides an exceptional landscape for multifamily investment opportunities.

In this note, we examine how global economic events and uncertainty have impacted the multifamily market, and how these events will define both economic policy and investment activity. Global geopolitical risks have soared

since Russia's invasion of Ukraine. Investors, market participants, and policymakers expect that the war will exert a drag on the economy, while driving inflation higher, as uncertainty, and risk, increases the probability of a protracted decline in economic output.

Central bank officials highlight geopolitical uncertainties as a salient risk to the US economy; while a report by the International Monetary Fund (IMF), and the European Central Bank (ECB) ranks geopolitical risk ahead of both political and economic uncertainty. Contrary to this, the Federal Reserve (Fed) suggests that the rise in geopolitical risks seen since the Russian invasion of Ukraine will have non-negligible macroeconomic effects in 2023. The Fed

highlights pre-existing inflationary pressures as the main drag on the economy in 2022 and the key determinant for monetary policy.

There's been a seismic shift in federal macroeconomic policy over the previous 12-month period, which has substantial ramifications for the multifamily industry. Although the Fed manages all aspects of macroeconomic policy, the Fed acts independently when determining monetary policy, which addresses interest rates and the supply of money; while fiscal policy is policy enacted by the legislative branch of government (Congress), which addresses both taxation and government spending. The goal of macroeconomic policy is to provide a stable economic environment that is conducive to fostering strong and sustainable economic growth, on which the creation of jobs, wealth and improved living standards depend.

The importance of these distinct branches of the federal government cannot be understated. Although the two federal branches act independently, the management of both fiscal and monetary policy is integral to the operation of the economy.

Historically low interest rates, subdued construction, and easy money (Quantitative Easing) over the previous 15-year period, spurred investment activity across all asset classes and markets throughout the commercial real estate (CRE) industry. In the wake of the Great Recession (08-10) the Fed implemented these loose monetary policies, to combat negative inflation, which fostered a decade-long "risk-on" investment appetite that came to a head in 2020/2021.

Inflation is surging at the fastest rate in more than four decades, with the Consumer Price Index (CPI) up 8.2% over the past year, while the Personal Consumption Expenditure (PCE) price index up 6.2% at the end of Q3 2022. The headline inflation rate broke the congressionally-mandated two-percent threshold in April 2021, and has remained above that threshold since. To combat inflation,

the Fed began unwinding its balance sheet, and increasing interest rates in March 2022; while Congress passed the Infrastructure Investment and Jobs Act Bill (Infrastructure Bill), in November 2021. The bill outlines a plan to invest \$1.2 trillion over the next 5 years into key infrastructure projects across the nation. It is estimated that the Bill will create 1.2 million jobs per year.

In March 2022, the Fed began unwinding its \$8.9 trillion balance sheet after years of "easy money", while increasing interest rates to combat inflation. At the end of Q3 2022 the Fed has reduced its balance sheet by roughly \$140 billion since Q1 2022. During this period, the Fed also increased the 'effective' Federal Funds Rate (EFFR) 300-basis points, from 0.0% - 0.25% to 3.0% - 3.25%. This represents the fastest rate of interest rate hikes in the history of the Fed. Interest rate hikes are a key tool of monetary policy as the increase in rates suppresses demand by increasing borrowing costs. A wave of refinances in 2020 and 2021 should help minimize the damage these interest rate hikes have on the broader economy.

ECONOMIC OUTLOOK

The Federal Reserve (Fed) will continue to increase interest rates until the headline inflation rate is subdued. Inflation reached a 40-year high at the end of Q3 2022 despite rates increasing at the fastest pace on record. Although inflation is the key determinant of monetary policy, it is only one aspect of the economy that the Fed reviews when making decisions about rates. The Fed looks at a broad array of economic indicators to see how the market responds to rate hikes. So far, the market has been able to absorb rate hikes, but the question remains; at what point does the Fed stop rate hikes and let the market adjust?

As is the case with inflation at large, trends are moving in a favorable direction, but the pace of change is likely too slow for the Fed to take its foot off the brake. The Fed



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Funds Rate was 3.0% - 3.25% at the end of Q3 2022. Based upon current market conditions, we expect rates to peak at approximately 4.5% - 5.0% by Q1 2023. A rate not seen since early 2008. The Fed funds rate matters because it has a ripple effect on every aspect of consumers' financial lives, from how much they're charged to borrow, to how much they'll earn in interest. Rising interest rates are meant to suppress economic growth, which while tepid, remains buoyant. Although the economy contracted in the first half of this year, it increased at an annual rate of 3.2% in Q3 2022 (BEA).

Additionally, the unemployment rate also reached a 50-year low at the end of Q3, an encouraging sign for both investors, and policy makers. Investment opportunities still exist, despite a glut of new builds over the previous 12-month period. Investors need to review the long-term trajectory of markets when making investment decisions. Although interest rates may be of concern, the long-term benefit of rate hikes to subdue inflation far outweighs the short-term ramifications.

TRAJECTORY OF NATIONAL ECONOMICS AND THE FUNDAMENTALS OF THE LAS VEGAS MSA:

Inflation remained a leading concern across the nation; however, the impact of inflation varies across the nation. Nationwide, inflation increased at an annual rate of 8.2% at the end of Q3 2022. The Las Vegas Metropolitan area recorded a 6.8% increase in prices compared to the same period last year. Among all U.S. States, The State of Nevada ranks 7th for the highest year-over-year change in prices, as inflation costs Nevadans an additional \$9,663 per year.

The COVID-19 Pandemic drastically affected the leisure and hospitality industries that serve as the backbone of the Las Vegas economy. In the depths of the pandemic, the Las Vegas unemployment rate peaked at 28.2%, nearly double the national rate of 14.7% (May 2020). Despite the pandemic highlighting Las Vegas' susceptibility and reliance on the tourism industry, the economy quickly made a full recovery. Las Vegas Convention and Visitors' Authority officials calculated Las Vegas lost more than 100,000 jobs and \$34 billion in tourism due to COVID-19. The State of Nevada reported a record number of jobs this year, with the metro adding 90,000 jobs over the past year alone. Even as rates increased over the previous two quarters, the Las Vegas MSA added 21,000 new jobs (Nevada Governor).

To combat persistent, and wide-spread inflation, the Fed increased the Federal Funds Rate by 300-basis points over the previous two quarters, from an historical low of 0.0% - 0.25% to 3.0% - 3.25% to cool rapidly rising prices.

Metro wide home prices increased 11.1% over the previous 12-month period. Most of the individual indexes in the CPI decreased from last month. Unfortunately, shelter (which represents housing-related costs) wasn't one of them: it jumped 0.7% over the previous month, making it "by far the largest contributor" to price increases, the BLS reported. This rapid change in single-family home prices has priced many would-be owners out of the market, as the demand for multifamily properties remains strong.

Sales activity declined 52% over the previous 12-month period, compared to the same period in Q3 2021. Although total transaction activity declined, the average sales price per unit increased 52.7%. The decline in sales activity follows a record-breaking level of sales activity in 2021, as the economy rebounded from the COVID-19 pandemic. The pandemic led to a supply and demand imbalance, which caused broad-based inflationary pressure.

As inflation reverberated across the economy, operators increased average asking rents to mitigate rising operating expenses, ensuring a negligible impact to real income. The average asking rent for properties with 50+ units increased 10.6% compared to Q3 2021 to \$1,525-a month (Yardi Matrix). Although elevated, rental rates flattened over the previous quarter, increasing only 0.1%, as new deliveries, interest rate hikes, and inflation put pressure on vacancy rates.

Interest rate hikes have put pressure on both multifamily and single-family investments. The simultaneous increase in rental rates, and mortgage costs, will have a net-benefit for the multifamily market. The average 30-year fixed rate mortgage in Las Vegas increased to \$2,064 a month, while a 15-year fixed rate mortgage reached \$3,056 at the end of Q3 2022 (Census Bureau, Department of Housing and Urban Development, & Freddie Mac). This rapid increase in standard monthly mortgages has begun pushing a higher proportion of the population towards renting, with 43% of properties in the metro area, reported as renter occupied. Further interest rate hikes will continue to outprice many potential homeowners. This shift in demand will act as a significant benefit to the multifamily market.

ATTRACTIVENESS OF THE LAS VEGAS MSA:

A report released by the Federal Funds Information for States, ranked Nevada as first in the nation for economic growth and momentum this year. The measurement considers a wide array of key economic, and demographic traits; including, population, personal income, and employment growth.

Net-migration is one of Las Vegas' leading economic drivers. The diversification of businesses has helped expand

both employment and population growth. The population has increased by 62,000 people since the start of 2022 (Macrotrends). This population growth is expected to continue, with the population set to almost double by 2060 (Woods and Poole Economics Inc.). This would add over 2 million new residents, or 4.5 million residents based upon 2020 figures.

Las Vegas reported the lowest homeownership rate in the country. Residents prefer to rent, rather than own, which provides considerable opportunity for multifamily investors. Despite strong demand for multifamily units, existing inventory barely meets demand. The Las Vegas MSA has one of the lowest levels of inventory as a percentage of total population across the nation. There were 178,000 existing units at the end of 2021. There are 9,000 units under construction across the Las Vegas MSA, which represents a 5% increase in total inventory. Although this expansion is considerable, the market is still underserved for both Class B and C properties as affordability remains a primary concern across the metropolitan area.

Economic growth in Las Vegas will be driven by a multitude of factors, including several extensive hotel and hospitality projects. This includes, The Fontainebleau Las Vegas, which will feature nearly 4,000 hotel rooms and over 550,000 sq. ft. of general-purpose space. In addition to this, the Las Vegas Convention and Visitors Authority project will add an additional 7,600 hotel rooms, and 800,000 sq. ft. of meeting space. Both projects are slated for delivery by year-end 2024. It's estimated that these projects will cost developers more than \$4.5 billion. Additionally, the expansion into major sporting events, and the incorporation of professional sports teams, will bring additional revenue, growth, and demand to the metro.


In 2018, The Supreme Court struck down a controversial 1992 federal law, that effectively banned commercial sports betting in most states. Once the Supreme Court made sports betting a state-by-state decision; Las Vegas stopped being a place where no pro team could go. The NHL was quick to

take advantage with an expansion team, while the Oakland Raiders quickly followed suit. Las Vegas will host the 2023 Super Bowl, which is estimated to bring in an additional \$500 million in net revenue for the city. Additionally, Las Vegas will now host the second Formula 1 race as part of the 2023/24 season. Overall, the arrival of these big sporting events and teams, is estimated to bring almost \$5 billion-per year in revenue to the State.

The city is also expanding and investing in critical infrastructure to connect the city to key transportation.

Southwest Airlines has proposed a significant investment in the Las Vegas' Harry Reid International Airport. The airport now handles almost 5 million passengers a month and is the fastest-growing airport in the nation.

The city has also proposed a major investment into a secondary airport. The proposed Southern Nevada Supplemental Airport would stand on 6,000 acres of undeveloped federal land in the Ivanpah Valley. The site is 30 miles south of Las Vegas on Interstate 15, and the rail line for the Union Pacific Railroad also passes through the area, facilitating easy connections. The current airport is physically constrained in expanding in its present location due to its proximity to the Las Vegas Strip.

Elon Musk's Boring Company has already built tunnels for pedestrians to be ferried via Tesla's electric cars under the Las Vegas Convention Center and Resorts World, with plans to expand throughout the rest of The Strip, downtown Las Vegas, Harry Reid Airport, and more. Over 50,000 passengers will be transported at peak capacity when the system is finished. Bringing more passengers into the city will be the proposed Brightline West high-speed rail, connecting the city of Los Angeles to Las Vegas. Construction is expected to begin by the end of 2023 and will cut the travel time between cities in half compared to commuting via automobile. These projects are critical to the functionality of the city as it continues to grow over the next several decades. 

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ABI COMPARATIVE MARKET REVIEW: Q3 2022



	LAS VEGAS	TUCSON	PHOENIX	SAN DIEGO
Total Population	2,292,476	1,052,030	4,946,145	3,286,069
Unemployment Rate (Q3 2022)	5.3%	4.1%	3.5%	3.1%
Employment Growth (y-o-y)	5.0%	1.9%	4.1%	4.2%
Median HH Income	\$63,677	\$60,667	\$75,731	\$91,003
Per Capita Income	\$33,387	\$34,323	\$38,713	\$44,377
Rent (Q3 2022)	\$1,525	\$1,263	\$1,704	\$2,416
y-o-y % Increase/Decrease	+10.6%	+11.6%	+10.7%	+8.5%
Occupancy (Q3 2022)	94.5%	94.8%	94.5%	96.9%
y-o-y % Increase/Decrease	-2.0%	-1.6%	-1.8%	-0.7%
Total Inventory (50+)	185,870	74,560	356,658	206,044
Total Under Construction (50+)	8,772	839	38,515	7,456
Units Delivered (50+, Q3 2022)	1,173	592	9,246	4,353
Total Sales Volume (Q3 2022)	\$574M	\$435M	\$3.01B	\$93M
y-o-y % Increase/Decrease	-28.5%	+27.2%	-29.6%	-94.3%
Average P/U (Q3 2022)	\$309,644	\$193,016	\$311,358	\$298,548
y-o-y % Increase/Decrease	+56.8%	+6.7%	+8.7%	+12.6%

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