ABI Multifamily
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LAS VEGAS MSA | MULTIFAMILY | Q1 2023 REPORT

10+ UNIT PROPERTIES	Q1 2023	INCREASE/DECREASE	Q1 2022
Total Sales Volume	$137M	-87.6%	$1.10B
AVERAGE Price/Unit	$193,293	-25.8%	$260,576
AVERAGE Price/SF	$215.23	-31.1%	$312.45
AVERAGE Year Built	1990	+6 Yrs	1984
Average Rent	$1,483	-0.4%	$1,489
Occupancy Rate	93.2%	-2.0%	95.2%
Units Delivered	1,093	406.0%	216

ABI GEONEWS: LAS VEGAS MSA - SELECT NEWS

CONTINUED ON PAGE 04

City of Las Vegas
North Las Vegas growth going into 2023 is expected to generate billions in economic impact

Madison Square Garden Entertainment Corp.
MSG Sphere aims for fall opening, but secrecy remains

City of Las Vegas
Las Vegas Grand Prix speeds city's transformation into sports juggernaut

2,362,988
POPULATION
MARCH 2023*

6.1%
0.7%
UNEMPLOYMENT
Q-O-Q AS OF MARCH 2023*

5.0%
EMPLOYMENT GROWTH
Y-O-Y AS OF MARCH 2023*

$67,672
MEDIAN HH INCOME
MARCH 2023*

$60,726
GDP PER CAPITA
MARCH 2023*

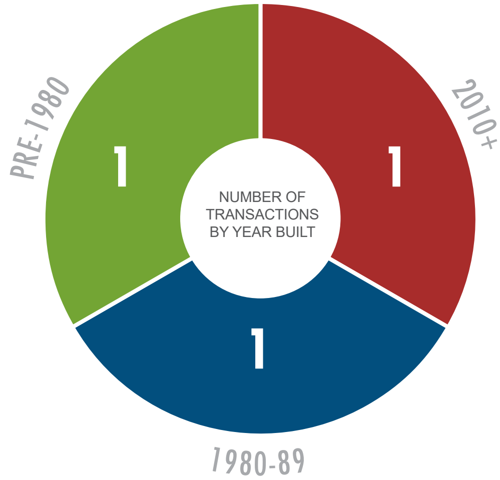
9,256
Units (50+)
UNDER CONSTRUCTION
YARDI

229,146
Units (10+)
TOTAL INVENTORY
ABI RESEARCH, COSTAR; YARDI

* Forecasted

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

		Q1 2023	INCREASE/DECREASE	Q1 2022
	Total Sales Volume	$128M	-87.4%	$1.02B
AVERAGE	Price/Unit	$196,963	-27.5%	$271,758
	Price/SF	$217.80	-32.2%	$321.14
	Year Built	1991	-6 Yrs	1997



Q1 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	$260K	$269
2000-09	- -	- -	- -
1990-99	- -	- -	- -
1980-89	1	$178K	$179
Pre-1980	1	$90K	$136

TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)

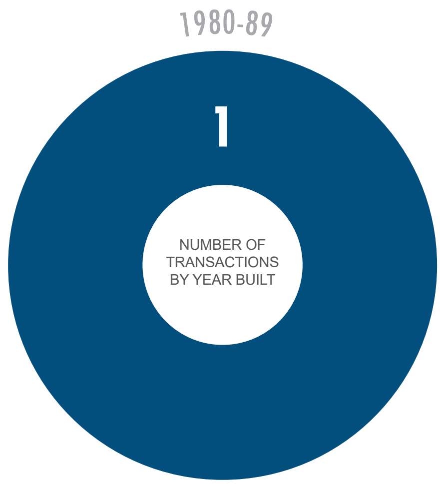
Tribeca North
North Las Vegas, 312 Units | $81,000,000
$259,615/unit | $268.64/SF | Built 2010

Vista del Rey
Las Vegas, 192 Units | $34,100,000
$177,604/unit | $179.1/SF | Built 1988

Bonanza Apartments
Las Vegas, 148 Units | $13,320,000
$90,000/unit | $136.33/SF | Built 1975

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

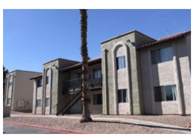
		Q1 2023	INCREASE/DECREASE	Q1 2022
	Total Sales Volume	$9M	-89.2%	$80M
AVERAGE	Price/Unit	$151,316	-11.4%	$170,736
	Price/SF	$183.12	-20.8%	$231.10
	Year Built	1985	+15 Yrs	1970



Q1 2023 Transactions by Year Built

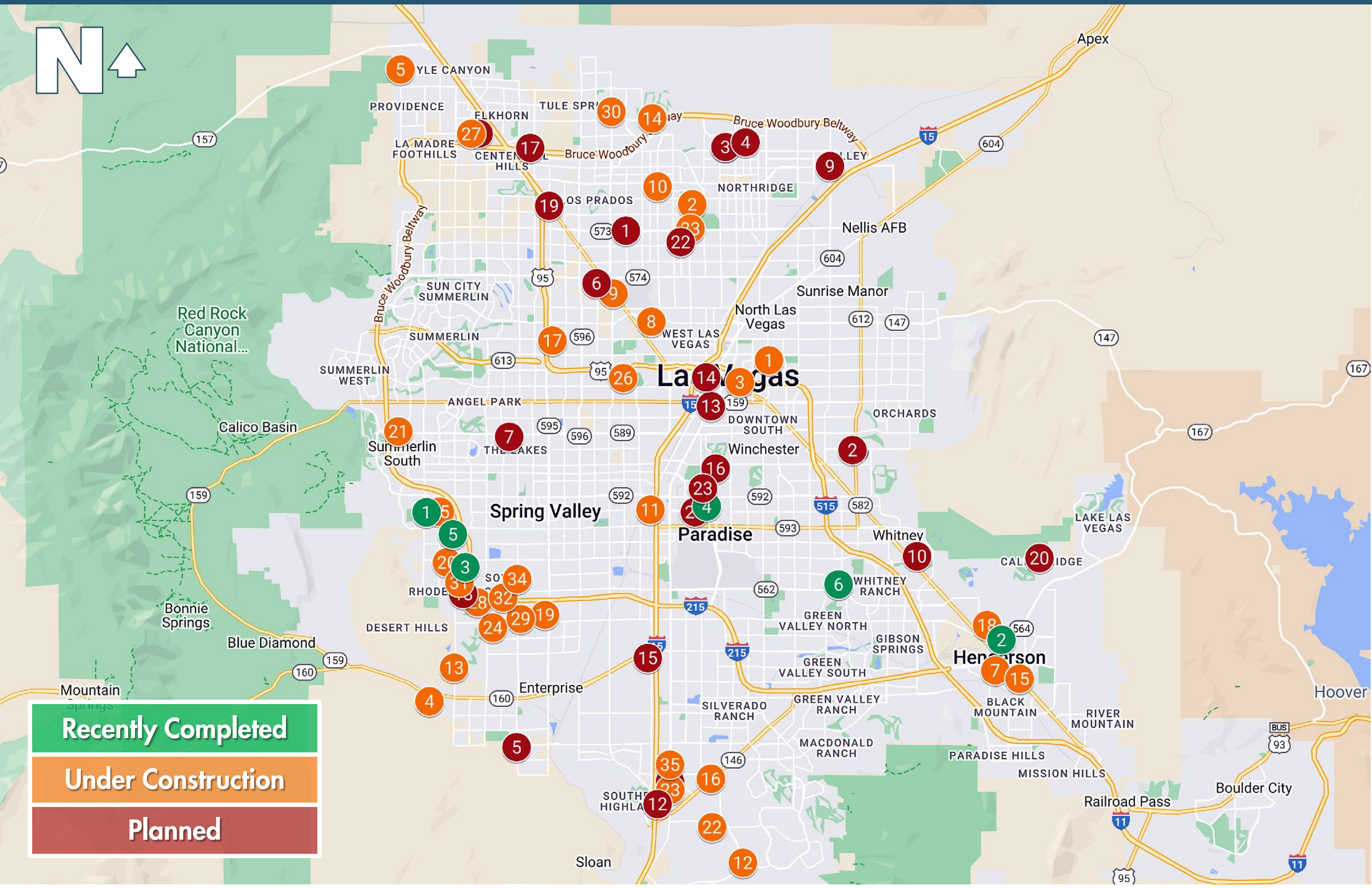
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	- -	- -	- -
2000-09	- -	- -	- -
1990-99	- -	- -	- -
1980-89	1	$151K	$183
Pre-1980	- -	- -	- -

TOP 3 TRANSACTIONS BY PRICE/UNIT (10-99)

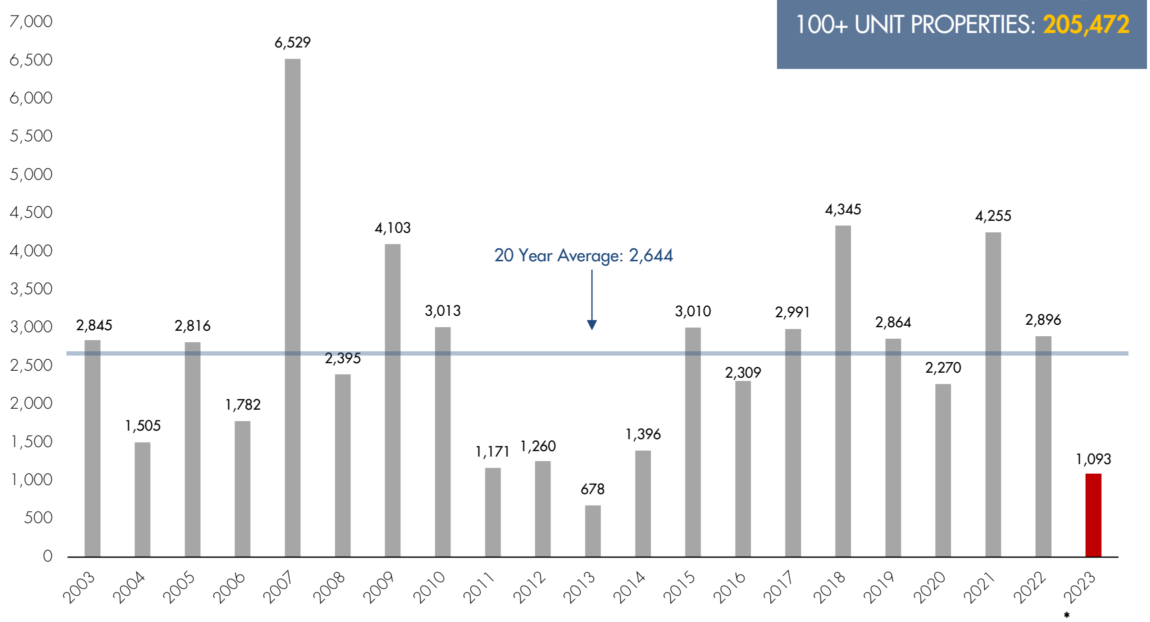


The Reserve at Andover
Las Vegas, 57 Units | $8,625,000
$151,316/unit | $183.12/SF | Built 1985

COMPLETED CONSTRUCTION



LAS VEGAS MULTIFAMILY CONSTRUCTION PIPELINE
Q1 2023



TOTAL UNIT INVENTORY

10+ UNIT PROPERTIES: **229,146**

100+ UNIT PROPERTIES: **205,472**

PRE-LEASE ABSORPTION RATE

8

Units/Property/Month (Q1 2023 Avg)

RECENTLY COMPLETED

TOTAL # OF UNITS: **1,093**

TOTAL # OF PROPERTIES: **6**

UNDER CONSTRUCTION

TOTAL # OF UNITS: **9,256**

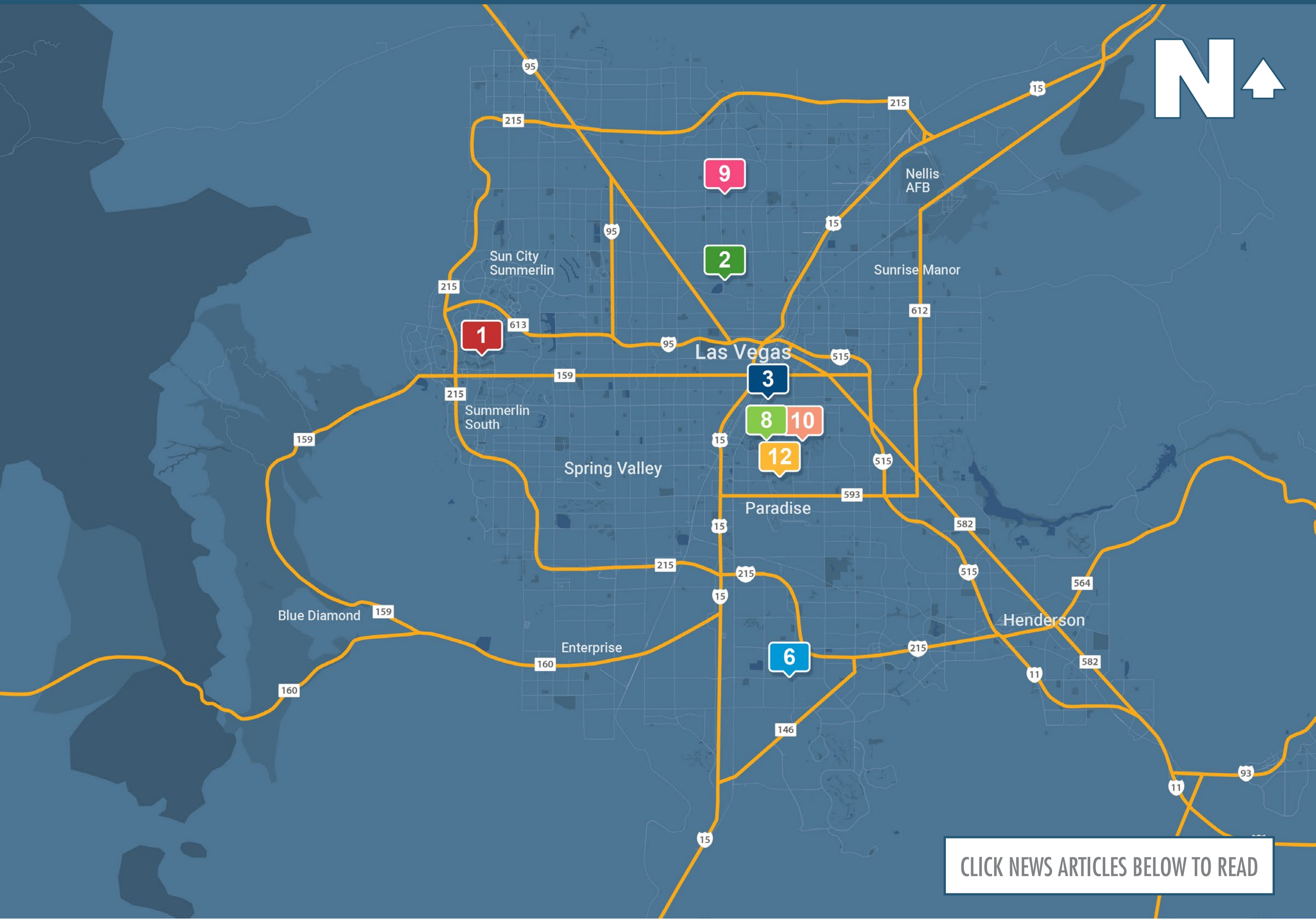
TOTAL # OF PROPERTIES: **35**

PLANNED

TOTAL # OF UNITS: **5,441**

TOTAL # OF PROPERTIES: **23**

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



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

Regional **Blackstone**
Blackstone Sells Stake in Two Vegas Hotels for $5.5B

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

8 **Fontainebleau Development**
Fontainebleau Las Vegas Secures $2.2B to Complete Construction

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

Regional **City of Las Vegas**
North Las Vegas growth going into 2023 is expected to generate billions in economic impact

Regional **GID Industrial**
GID Industrial Acquires 1.4 MSF

10 **Madison Square Garden Entertainment Corp.**
MSG Sphere aims for fall opening, but secrecy remains

Regional **CBRE**
Luxury Dominates Vegas' Multifamily Market

Regional **City of Las Vegas**
Las Vegas Grand Prix speeds city's transformation into sports juggernaut

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

12 **Calida Group**
Apartment complex to bring new life to site where offices burned down

RISING INTEREST RATES AND BANK COLLAPSE:
A Multifamily Market Perspective

By: James W. Hall | **ABI DIRECTOR OF RESEARCH**

INTEREST RATES IMPACT REGIONAL BANKS, WHAT'S NEXT?

Economic uncertainty, inflationary pressures, recessionary concerns, and a plethora of conflicting and deteriorating economic data benefited financial markets last quarter. Although commercial real estate sales activity declined last quarter, investors, market participants, and policymakers reacted positively to declining economic data as the probability of further rate hikes plunged.

The failure of Silicon Valley Bank (SVB) sparks contagion fears as its collapse is a perfect example of the kinds of dislocations that are exposed when rate cycles shift. The bank's collapse was a byproduct of the Federal Reserve (the Fed) hiking interest rates by 1,700% in less than a year. It also marked the biggest bank failure since 2008, its cause quite simple; a bank run (customers withdrawing more funds than the bank had reserves). This isn't to say the bank didn't have the assets to cover withdrawals, but SVB didn't immediately have the cash available because it used deposits to buy "risk free" US treasury bonds - a standard practice among all banks.

Government stimulus aimed at small, and medium-sized businesses during the pandemic enabled the bank to increase total deposits from $62 billion at the end of 2019 to $173 billion by year-end 2022. The bank used these deposits to buy US treasuries when interest rates were near zero (0.25%). The increase in interest rates caused the face value of these bonds to decline. The face value of bonds and the associated interest rate of those bonds have an inverse relationship. More simply, as rates rise, treasury prices/values decline.

The bank was well capitalized (Tier 1 Capital Ratio 15.26%), meaning it was able to cover all deposits. However, digital banking and viral panicking based on misinformation caused depositors to withdraw $42 billion of deposits in a single day, leaving the bank with $1 billion in negative cash balance. To cover the negative cash balance, SVB sold its holding in US treasury bonds for a $1.8 billion loss. The loss accrued because of the increase in interest rates. Had the bank held the bonds to maturity, the bank wouldn't have had to sell the bonds and realize the loss. The drain on equity capital led the lender to try to raise over $2 billion in new capital. The call to raise equity sent shockwaves to SVB customers, which further exacerbated the capital drain. The bank's failure to raise the new capital led the bank to collapse, which forced the government to step in to protect the bank's stakeholders.

This won't be an isolated issue - but it is directly correlated to the rise in interest rates and the actions of the Fed. However, smaller, regional, and less diversified banks are at a greater risk of bank runs compared to your everyday bank; such as Chase, Bank of America, and Wells Fargo.

The Fed has raised interest rates nine times since last March, bringing rates to the highest level in 16 years. The moves are intended to discourage people from borrowing, slow economic activity, and ease the pressures that are pushing prices higher. Inflation in the US was 5% at the end of March 2023, the lowest level in two years. It's a strong sign that the Fed's actions are easing inflationary pressure, which peaked at 9.1% last June, the highest it has been since 1981.

One reason interest rates have risen much higher than most forecasters anticipated is that the U.S. economy has proven more resilient to the impact of higher rates than expected. Higher interest rates have meant higher borrowing costs for consumers and businesses. The 30-year mortgage reached 7% at one point in November 2022, the highest in over 20 years. Since then, mortgage rates have steadily declined, while the stock market has begun to recover strongly. Every asset class has risen this year because speculation that rate hikes will end by mid-year 2023 encourages investment activity.

Housing activity has fallen sharply, but much of the economy seems unscathed. Home listings have plunged, but this hasn't led to a continued decline in prices, in fact, the limited inventory is cushioning the housing market from continued declines in value.

GDP, which measures the rate of growth across the economy, expanded 1.1% on an annualized basis. While positive, it highlights the fact that the economy is beginning to struggle because of rising rates, as well as the increase in lending standards due to the collapse of Silicon Valley Bank.

The head of the Fed, Jerome Powell, signaled this month that officials believe they may have done enough to get inflation under control and could be ready to pause their program of rate hikes. Economists at Wells Fargo said that the latest figures could help convince policymakers to pause, but they warned that "progress remains incremental rather than rapid."

We expect the Fed to pause its rate hikes by Summer 2023 at around 5.50% - 6.0%. Tightening lending conditions will become a drag on economic growth, hiring, and retail sales in the second half of the year. We expect the Fed to begin cutting the federal-funds rate by the end of 2023 to soften the decline in economic activity. The economy will likely avoid a recession, but growth will remain anemic through 2024. To avoid a hard landing and spur economic growth, we foresee the federal-funds rate returning to normalcy by the end of 2024 at 3.0% - 3.5%.

Overall, the economy has proven far more resilient to rate hikes than previously expected. Large federal stimulus packages and legislation are helping to offset broad inflationary pressures. Although sales activity has declined over the previous quarter, we believe that that's a function of investors becoming sidelined in anticipation of lower long-term rates/rate cuts by year-end.

SHIFTING DYNAMICS AFFECTING THE MARKET

A report released by the Federal Funds Information for

States ranked Nevada as first in the nation for economic growth and momentum last year. The measurement considers a wide array of key economic and demographic indicators, including population, personal income, and employment growth. Strong in-migration, gaming sector growth that's exceeding expectations, and a growing presence of major sporting franchises and events has enabled the Las Vegas MSA to expand at one of the fastest rates in history. This provides investors with extensive investment opportunities across the MSA.

Harry Reid, the main international airport that services the Las Vegas metropolitan area, reported the highest recorded number of passengers in February, indicating that the market continues to benefit from a surge in post-pandemic domestic tourism.

While California continues to reel from a declining population, both Nevada and Arizona are benefiting from a surge in net-migration. The population of Las Vegas is expected to double by 2060, which would add an additional 2 million residents to the MSA (Woods and Poole Economics Inc.).

Las Vegas residents have a much higher propensity to rent compared to owning properties, with the metro reporting the lowest homeownership rate in the country – with 43% of properties in the metro area reported as renter-occupied. This provides considerable opportunities for multifamily investors and developers.

Furthermore, interest rate hikes have put pressure on single-family home purchases across the Las Vegas MSA. The average 30-year fixed rate mortgage in Las Vegas increased to $2,214 per month, while the average 15-year fixed rate mortgage reached $3,385 at the end of 2022 (Census Bureau, Department of Housing and Urban Development, & Freddie Mac). The simultaneous increase in rental rates, and mortgage costs, should have a net-benefit for the multifamily market.

There are 229,000 multifamily units across the Las Vegas MSA. Of those, Class C properties make up just 15% of total supply. The average monthly rate of these units is $1,173 per month, compared to $1,497 per month for Class B, and $1,741 per month for Class A units, a spread of over 48%. The market suffers from an extreme dearth of Class C units, compared to its total inventory, which is pricing many would-be renters out of the market.

While rental rates have remained steady over the previous 12-month period, rental rates are up over 32% since pre-pandemic levels to $1,540-per month. This rapid rise in rental rates has put upward pressure on the market's vacancy rate, which increased 390 bps to 6.9% at the end of the first quarter of 2023.

However, unlike other major metropolitan areas across the nation, Las Vegas isn't dealing with a construction boom, but rather a pricing issue, as real wages continue to decline, impeding occupancy rates.

Developers completed almost 1,100 units in the first quarter of 2023, or 2,981 units over the previous year, which represents a 1.3% expansion in total inventory. Currently, there are 9,256 units under construction, and another 5,441 units in the planned/planning phase. Development is spread across the city, as the Las Vegas MSA benefits from its expansion and diversification in the sports and entertainment industries, hospitality, industrial growth, and business sector migration.

Over the last five years, the Las Vegas MSA has added two major teams: the Golden Knights of the NHL and the Raiders of the NFL, and a recent land purchase by the Oakland Athletics confirms that the city will be adding an MLB team as well. The two professional franchises currently in Las Vegas generated almost $3 billion in revenue, with $750 million earned in 2022 alone. In total, the state expects an increase of $5 billion in yearly revenue from new sports ventures. Las Vegas is also set to host the Super Bowl in 2024, which is expected to bring in $500 million in net revenue for the city.

Overall, we believe that there are ample investment opportunities across the metro. Strong demographics, net-migration and a diversified economy will facilitate continued growth across all sectors.

MULTIFAMILY TRANSACTION TRENDS

Based on sales data from both CoStar and Yardi Matrix, there were three multifamily transactions recorded in the first quarter of 2023 that had 100+ units, and one sale between 10-99 units. Amid elevated interest rates/ borrowing costs, and a dearth of investment opportunities, investor appetite diminished across all asset classes in Q1 2023 with only $137 million in multifamily transactions, an 88% drop from the $1.1B in the same period the year prior. Last year, sales exceeded $3.7 billion, a decline from record-breaking 2021 when there was over $5.0 billion in transaction volume. Comparatively, sales volume was $3.9 billion in 2019, and $1.1 billion in 2020.

The Federal Reserve began increasing interest rates at the end of the first quarter of 2022, which did little to dampen investor appetite. In fact, sales volume exceeded $610 million in Q3 2022, as well as nearly $1.2 billion in Q2 2022, which was the best quarter recorded that year, and the fifth best quarter dating back to 2000. These quarters were recorded after the Fed had begun to increase interest rates from near 0% at the start of 2022, reaching 3.0%-3.25% by the end of Q3 2022. This was the fastest rate hike in history and yet sales continued to drive upwards amidst uncertainty.

More recently, interest rate hikes have suppressed demand across the nation; however, the scarcity of on-market listings/ investment opportunities last quarter exacerbated the decline in total sales activity in Las Vegas. Based on active LoopNet listings, there was only one multifamily listing with 100+ units available in Q1 2023, as well as only three listings of 50+ units. This lack of available inventory does little to meet the investment criteria of many institutional investors, highlighting the supply-based constraint on market activity.

While the market remains both fundamentally and demographically strong, elevated rental rates have put upward pressure on metro-wide vacancy rates, which increased 200 bps to 6.8% at the end of Q1 2023 compared to the same period last year. There were also 1,093 new deliveries last quarter. Total inventory is expected to increase 3% over the next two years, with 9,256 units under construction, and 5,441 currently planned for development.

ABI MULTIFAMILY OUTLOOK

Post-pandemic pent-up demand continues to benefit the Las Vegas MSA, as tourism, air traffic, and hotel occupancy exceed pre-pandemic levels. Additionally, favorable demographics are facilitating a recent surge in development activity, as key economic indicators provide investor confidence in continued demand for multifamily units. Over the previous 12-month period, total inventory of multifamily units increased 1.3% to 226,880 units.

Currently, there are 14,000 units still in the pipeline, which will increase total inventory by 6.2%. Comparatively, developers across the U.S. will facilitate an 8.8% expansion in total inventory over the next three years. However, the population across the U.S. is expected to grow by 0.3% per year, whereas the population of Las Vegas is expected to grow ~2.1% per year. That said, the population of the Las Vegas MSA is expected to double by 2060 creating a significant demand for more housing. This positive population trend presents promising opportunities for multifamily investors.

Additionally, the introduction of several major sporting franchises over the past few years, including the addition of a professional baseball team last quarter, will attract additional tourism and contribute billions of additional revenue and income to the local economy. The Las Vegas economy is substantially different than it was 15 years ago, and while it's still reliant on tourism, the diversification over the past few years ensures that the economy will be able to weather gyrations in gaming/gambling-specific tourism.

ABI COMPARATIVE MARKET REVIEW: Q1 2023

		Las Vegas	Tucson	Phoenix	San Diego
DEMOGRAPHICS	Total Population (March 2023*)	2,362,988	1,067,414	5,057,973	3,291,895
	Unemployment Rate (March 2023*)	6.1%	2.8%	2.6%	3.7%
	Employment Growth (y-o-y)	5.0%	1.8%	2.8%	3.3%
	Median HH Income (March 2023*)	$67,672	$64,347	$81,221	$97,919
	GDP Per Capita (March 2023*)	$60,726	$49,906	$67,423	$83,820
RENT/OCCUPANCY/CONSTRUCTION	Rent (Q1 2023)	$1,483	$1,276	$1,673	$2,686
	y-o-y % Increase/Decrease	-0.4%	4.2%	0.1%	6.7%
	Occupancy (Q1 2023)	93.2%	93.3%	94.0%	96.9%
	y-o-y % Increase/Decrease	-2.0%	-2.8%	-1.4%	-0.8%
	Total Inventory (10+)	229,146	99,972	395,452	321,501
	Total Under Construction (50+)	9,256	2,139	39,324	8,379
	Units Delivered (50+, Q1 2023)	1,093	0	3,496	333
SALES	Total Sales Volume (Q1 2023)	$137M	$32M	$796M	$337M
	y-o-y % Increase/Decrease	-87.6%	-91.7%	-75.4%	-70.1%
	Average P/U (Q1 2023)	$193,293	$176,157	$233,236	$280,507
	y-o-y % Increase/Decrease	-25.8%	15.4%	-22.1%	-33.8%

* Forecasted

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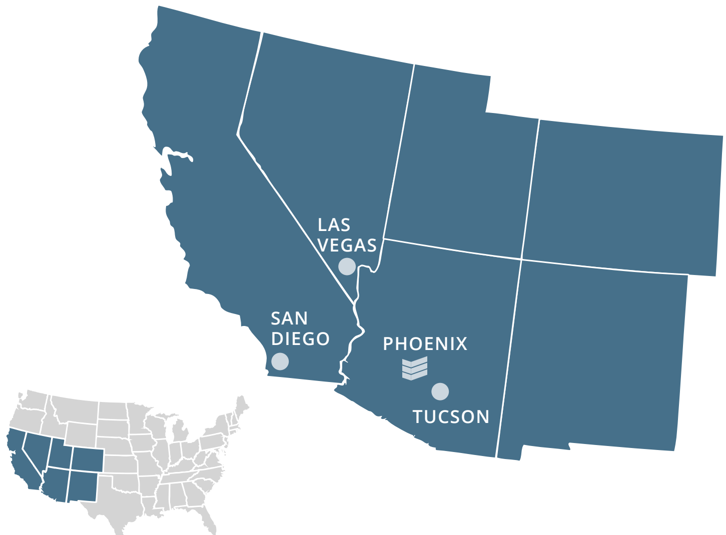

APARTMENT BROKERAGE & ADVISORY FIRM

ABI Multifamily is a brokerage and advisory services firm that focuses exclusively on apartment investment transactions. The experienced advisors at ABI Multifamily have completed billions of dollars in sales and thousands of individual multifamily transactions.

LAS VEGAS ADVISORS

JASON DITTENBER
SENIOR VICE PRESIDENT
702.820.5660
jason.dittenber@abimultifamily.com
Lic. # NV: B.0144976.LLC

ANTHONY MARINELLO
ASSOCIATE
702.820.5586
anthony.marinello@abimultifamily.com
Lic. # NV: S.0190476

JOSH MCDOUGALL
ASSOCIATE
702.820.5636
josh.mcdougall@abimultifamily.com
Lic. # NV: S.0189840

PHOENIX HEADQUARTERS
5227 N. 7th Street
Phoenix, AZ 85014
602.714.1400

LAS VEGAS OFFICE
5940 S. Rainbow Blvd.
Las Vegas, NV 89118
702.820.5660

SAN DIEGO OFFICE
1012 Second Street, Ste. 100
Encinitas, CA 92024
858.256.5454
CA Lic #02015648

TUCSON OFFICE
3360 N. Country Club Road
Tucson, AZ 85716
520.265.1993