

NOVEMBER 2024

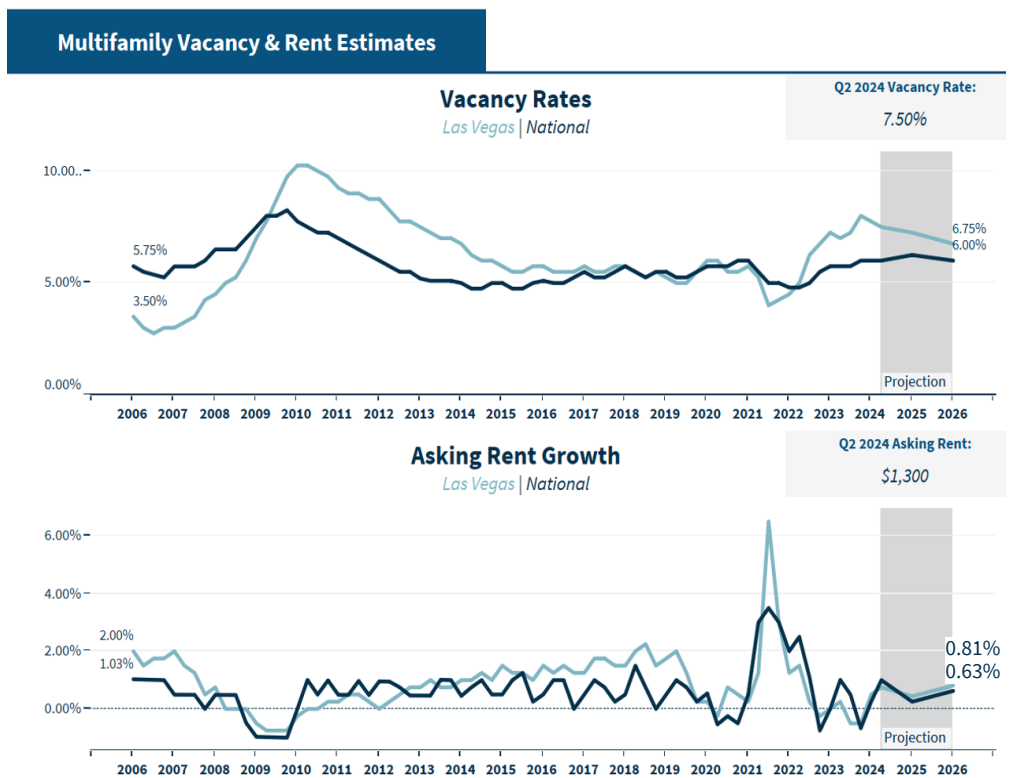
Las Vegas Multifamily Fundamentals: A Positive Combination of Jobs and Supply

Few metro areas are as concentrated in one industry as Las Vegas, with around one-third of the metro’s employment based in the tourism and hospitality industries, especially casino gambling. Development in the mid-2000s was so focused on gambling, tourism, and entertainment that the metro’s economy did not significantly diversify, although since that time it is becoming a regional health care hub.

Las Vegas started its economic rebound in 2021 and has been on an upward track since then. Indeed, job growth and visitor levels have been surging. Job growth increased in the first half of 2024, growing 3.6% over the year ending second quarter 2024, compared with 1.7% nationally. Estimates indicate that 41 million visitors came to Las Vegas in 2023, and another 21 million visited through June 2024. Though these numbers are impressive, they remain below the pre-pandemic record of 50 million visitors in 2019.

As a result, the Las Vegas multifamily rental market has seen increased demand over the past year, as noted in the adjacent charts.

The vacancy rate climbed between 2022 and 2023 due to an uptick in new supply, but it has since declined to an estimated 7.5% as of second quarter 2024. We expect that the vacancy rate will continue to fall over the next 18 to 24 months, and it is projected to reach 6.75% by the end of 2026 — just slightly above the national rate.



Source: Fannie Mae Multifamily Economics and Research

Rent growth in the Las Vegas metro area has been on the upswing during the first half of the year, reaching an estimated \$1,300 as of second quarter 2024. Although multifamily demand has been improving and is poised for longer-term stability, shadow rental supply in the metro is a lingering concern — Las Vegas was a popular market for single-family home and condo development about a decade ago, and some of that supply continues to compete with the current multifamily stock.

Multifamily Economic and Market Commentary

Employment Growth Fuels Multifamily Demand ...

Expected job growth is the primary driver for anticipated multifamily demand in the metro. Moody's forecasts that Las Vegas will have 1.7% annual job growth into 2028, compared to just 0.5% nationally. As a result, the metro is expected to see population growth of 1.9%, compared to just 0.4% nationally.

Yet, despite these high levels of jobs and people, the delivery of new multifamily rental units was negligible before and after the Great Recession, and it remained manageable before the pandemic. Additionally, there was a loss of multifamily housing stock to condo converters during the run-up to the Great Recession, resulting in tight multifamily rental supply just as demand was starting to increase in the following years.

While the current development level of multifamily apartments is reasonable for the metro's expected economic and demographic growth, deliveries in 2023 and 2024 have slightly outpaced demand. As a result, there has been recent softness in rent growth rates and a modestly rising vacancy rate. However, this is expected to be very short-lived.

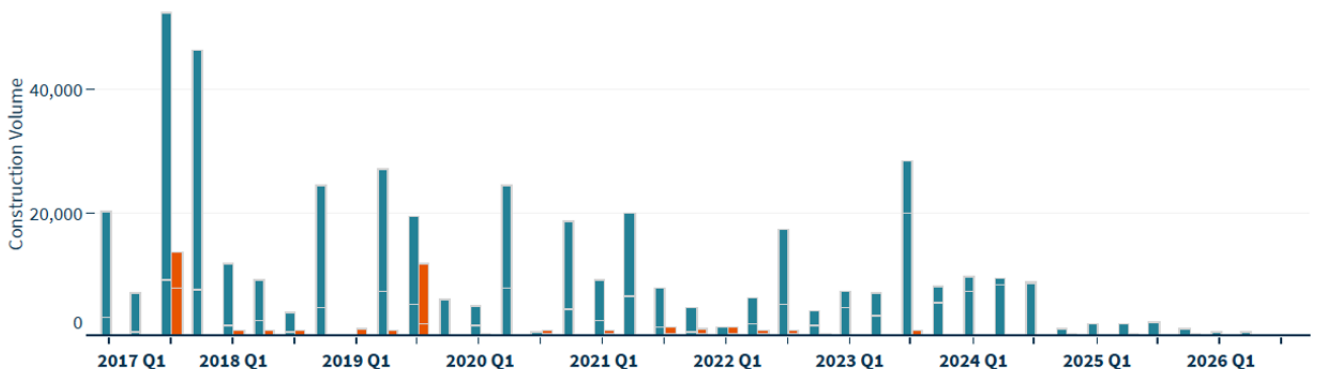
... But New Supply Is Quickly Dissipating

Since the beginning of 2006, around 16,400 condo units were completed, but fewer than 300 are currently underway. Delivery of new rental units has also been sparse in Las Vegas over the past few years. As seen in the chart below, just 20,800 multifamily rental units were delivered since 2017, and only 5,200 are underway, according to the Dodge Data & Analytics, which represents an addition of approximately 2.4% of all multifamily units in Las Vegas. However, based on projected growth of 63,000 new jobs in 2024 and 2024, we believe there could be potential demand for nearly 13,000 units by as soon as the end of 2026.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos

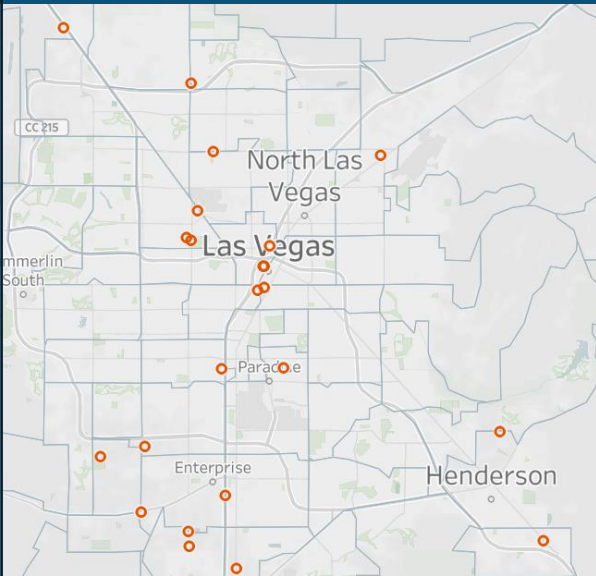


Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily Economic and Market Commentary

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Las Vegas	4	982
Henderson	2	408
North Las Vegas	2	435
Northwest Las Vegas	4	763
South Las Vegas	2	474
Southwest Las Vegas	5	1,277
Sunrise Manor/Northeast Las Vegas	1	15
University/The Strip	1	400
West Las Vegas	2	495
Grand Total	23	5,249

Source: Dodge Data & Analytics SupplyTrack Pipeline

A Positive Outlook

Las Vegas experienced a strong rebound in multifamily fundamentals starting in 2021, which continued into the middle of 2022 but began to ease later that year. Pandemic concerns appear to be a thing of the past in Las Vegas, and the resulting return of leisure travelers has been sustained in the metro, supporting solid job growth and accompanying rental demand. We expect that Las Vegas may become a leader in the multifamily market, as the dearth of development after the Great Recession has left Las Vegas still needing significantly more housing, especially rental housing. A short-term period of softness in multifamily fundamentals is already passing quickly, as the metro is seeing a decline in new construction.

Most importantly, Las Vegas is expected to have one of the county's faster-growing job markets over the long term, but its dependence on the tourism industry will always be a point of concern. The metro typically booms during good economic times but could be greatly impacted if national conditions slow. For its multifamily market, the metro's past focus on condo development created a longer-term shortage of rental inventory. Competition from the shadow market of for-rent single-family homes diminishes multifamily conditions in the medium term, but the metro's expected economic and demographic growth, which are expected to be among the best in the country, further enhance the outlook for its multifamily rental market.



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