

Multifamily Metro Outlook:

Las Vegas - Q4 2021

Overview:

- Few metro areas were as greatly impacted as Las Vegas at the onset of the COVID outbreak. With nearly one third of all jobs in the metro in the hospitality and tourism sector, its not surprising that in nearly one month's time, the unemployment rate in the metro was well over 30%. In 2021 the metro experienced a significant rebound, with job growth and visitor levels surging, which has continued into 2022. But until visitors return to pre-outbreak levels, particularly for the still diminished international and convention travel component of travel, Las Vegas will remain just a bit smaller than it was before the pandemic.
- Las Vegas was in the midst of an expansion, with solidly positive job growth and above-national-average population growth, prior to the outbreak. The apartment market was improving, and was poised for stability, though shadow rental supply in the metro is a lingering concern – Las Vegas was a popular market for institutional single-family home acquisitions and development in the wake of the housing bust. Once the recovery is sustained nationally, Las Vegas should re-enter a period of expansion.

Market Strengths:

- Moody's forecasts that Las Vegas will have +2.5% annual job growth into 2026, compared to +1.1% nationally, and +1.9% population growth, compared to +0.5% nationally, once the metro area moves into recovery.
- Delivery of rental units was negligible before and after the Great Recession and was manageable prior to the outbreak. This trend, coupled with significant job and population growth, and an earlier loss of inventory to condo converters, resulted in declining vacancies and rising rents in the mero for an extended period.

Market Weaknesses:

- Few areas are as concentrated in one industry, with around one third of the city's employment based on the tourism and hospitality industries (including casino gambling). Development in the mid 2000s had been so focused on gambling, tourism, and entertainment that the city did not significantly diversify the area's economy.
- The decimation of the local job market has resulted in Las Vegas being one of the weakest markets from a rent payment perspective. For May 2022, 95.0% of renters made a rent payment during the month, although that is up +1.6% from may 2021.

Development:

- Since the beginning of 2006, around 15,400 condo units were completed, but fewer than 100 are underway. Delivery of new rental units has been sparse in Las Vegas over the past few years. Just 11,000 rental units were delivered since 2017, but 4,000 are underway according to the Dodge Data & Analytics. Prior to the outbreak steady rental market demand would be expected given demographic trends, but the prospect of previously foreclosed homes and condos competing in the rental market, in the near term, diminishes the possibility of market tightening.

Outlook:

- Las Vegas' apartment market held up unexpectedly well during the pandemic, with a strong rebound in fundamentals in 2021 which has continued into 2022. But weaker rent payment levels indicate underlying weakness under the surface, likely as a result of a continued elevated level of unemployment, though this has been improving. While the positive impact of vaccines, and the resulting return of leisure travelers is good news for the metro, it will likely be a few more quarters before Las Vegas' job market returns to its pre-pandemic health. A surge in evictions in the metro, with its disproportionately high level of missed rent payments is also a potential (albeit probably minor) concern. Once the national economy resumes a steady improvement, Las Vegas may be a leader in the multifamily market, as the dearth of development after the great recession has left Las Vegas likely needing significantly more housing.
- Las Vegas is expected to have one of the county's faster growing job markets once a national health and growing, but the dependence on the tourism industry will always be a point of concern. The metro will boom during good economic times but will be greatly impacted when national conditions slow. In the multifamily market, the metro's past focus on condo development created a longer-term shortage of rental inventory. Competition from the shadow market diminishes conditions in the medium term, but the metro's expected economic and demographic growth, which are among the fastest in the country, further enhances the outlook for the apartment market. However, the economy will continue to be prone to significant ups and downs even after the pandemic is history.

Five Year Metro Area Growth Forecast

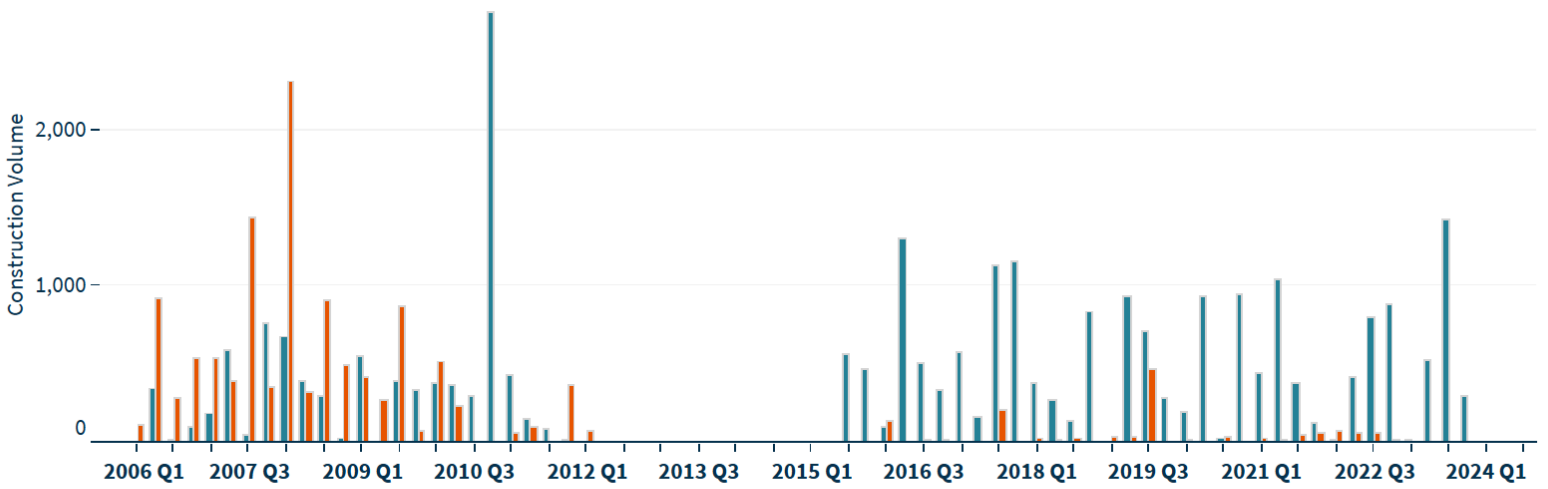
	Q4 2021	Q4 2026	Las Vegas (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,363	2,600	1.93%	0.47%
Households (000s)	873	1,008	2.91%	0.90%
Renting Cohort (Ages 20-34) (000s)	497	532	1.39%	-0.30%
Total Employment (000s)	979	1,107	2.48%	1.08%
Median Household Income	\$49,439	\$57,315	3.00%	3.30%
Median SF Home Price	\$405,256	\$373,626	-1.61%	1.93%
Net Migration	39,447	41,172		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



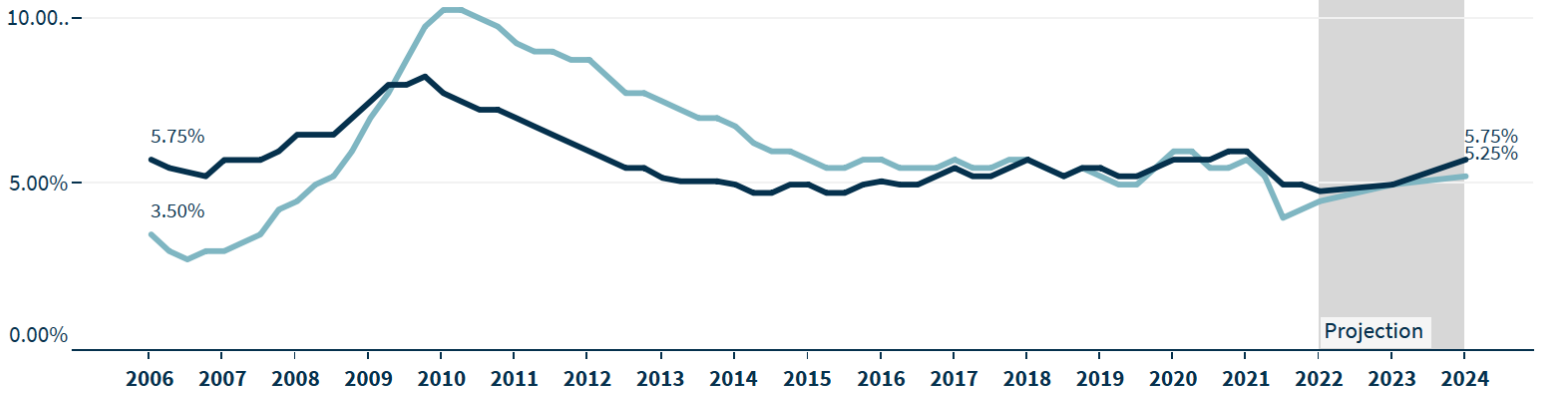
Vacancy & Rent Composite Estimates

Vacancy Rates

Las Vegas | National

Q1 2022 Vacancy Rate:

4.50%

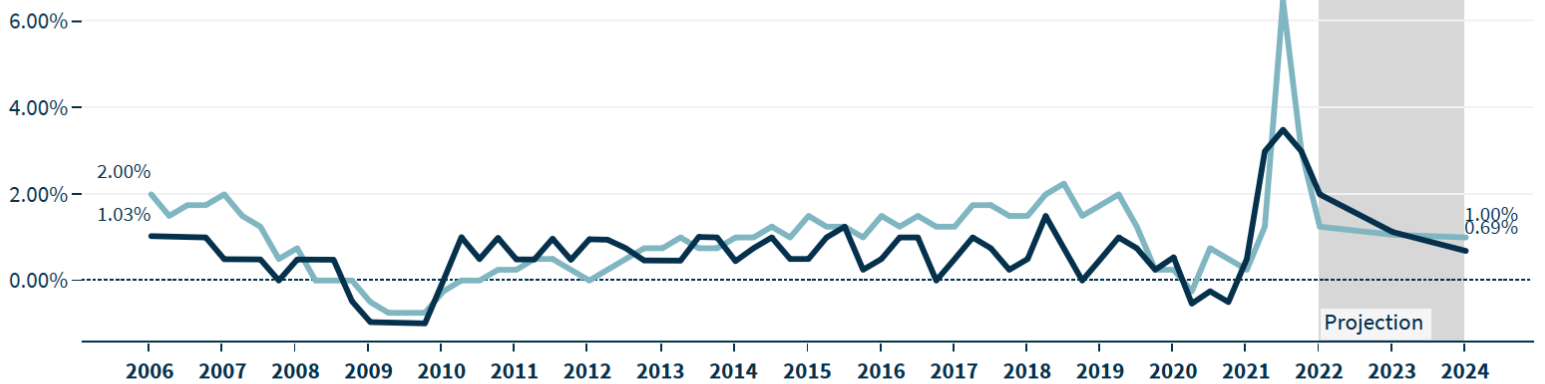


Asking Rent Growth

Las Vegas | National

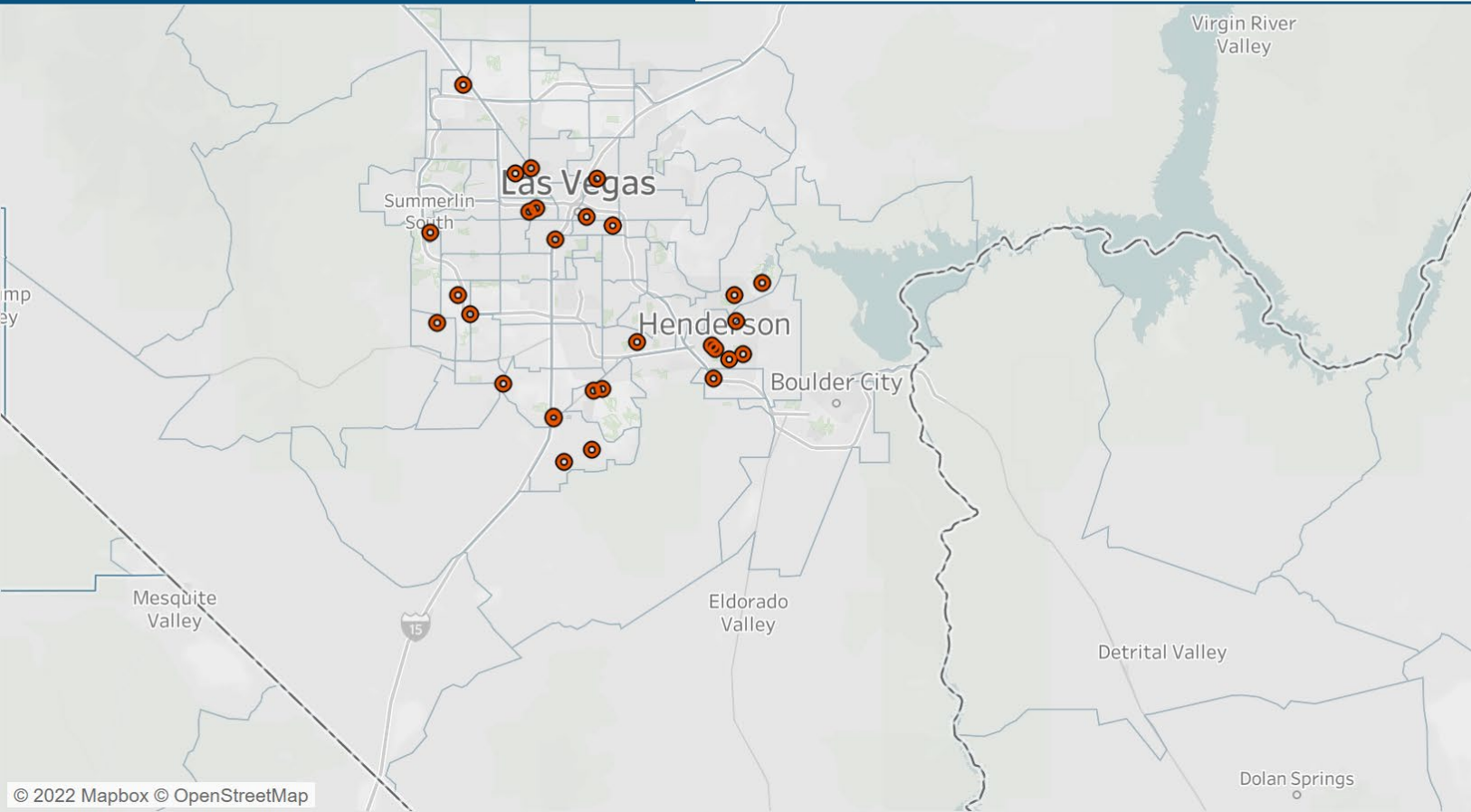
Q1 2022 Asking Rent:

\$1,270



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Central Las Vegas	3	27	0.06M
Green Valley	1	6	0.01M
Henderson	15	1,055	1.35M
n/a	1	4	0.01M
North Las Vegas	2	266	0.23M
Northwest Las Vegas	6	408	0.73M
South Las Vegas	2	9	0.02M
Southwest Las Vegas	4	1,095	1.26M
Summerlin/The Lakes	1	295	0.28M
West Las Vegas	3	820	0.84M
Grand Total	38	3,985	4.77M

Multifamily: ESR Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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