



## Multifamily Metro Outlook: Las Vegas Winter 2018

### Overview

Las Vegas is in the midst of a recovery, with solidly positive job growth and above-national-average population growth. The job market has steadily improved, with 3.0 percent job growth in the year ending Q3 2017, compared to 1.4 percent nationally. The apartment market has also seen modest improvement recently and is poised for long-term stability, though shadow rental supply in the metro is a concern.

The recent slowdown in job and population growth is expected to be brief. CoStar forecasts that Las Vegas will have 1.9 percent annual job growth through 2022, compared to 0.8 percent nationally, and 2.5 percent population growth, compared to 0.7 percent nationally. The primary driver of the metro's job growth, tourism, saw an upswing in the past year: visitor counts returned to the pre-recession level of 43 million in 2016, with continued strength expected for 2017.

Delivery of rental units was negligible before and after the Great Recession, as developers focused on the condo and single-family markets. This trend, coupled with significant population growth and loss of inventory to condo converters, resulted in declining vacancies and rising rents.

However, few areas are as concentrated in a single industry. Approximately one-third of the city's employment derives from the tourism and hospitality industry, which includes casino gambling. Development in the mid-2000s was so focused on gambling, tourism, and entertainment that the city did not significantly diversify the area's economy.

### Development

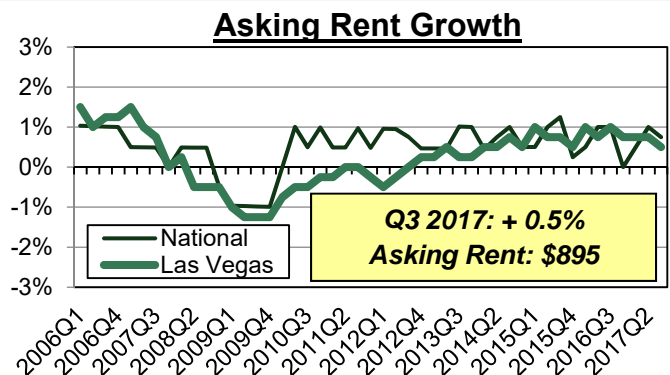
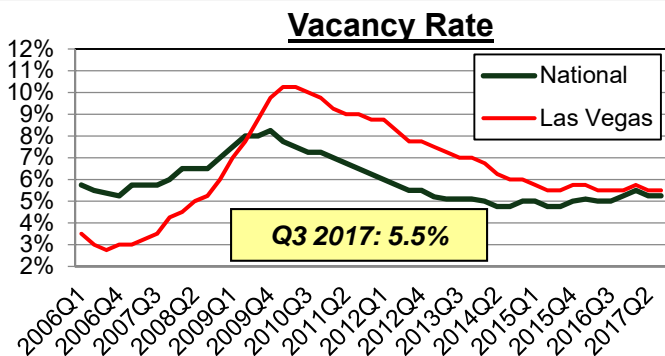
Since the beginning of 2006, around 14,800 condo units were completed, but fewer than 60 are currently underway. Delivery of new rental units has been sparse in Las Vegas over the past few years. Just 6,400 rental units have been delivered since the start of 2012, but 3,600 are underway according to Dodge Data & Analytics. Steady rental market demand is expected given demographic trends, but the prospect of additional foreclosed homes and condos competing in the rental market in the near term diminishes the possibility of market tightening.

### Outlook

A return to positive job growth in the past several quarters added moderate demand to the rental market, and Las Vegas appears to have entered a period of steady growth. Shadow supply remains a minor concern, but the worst is likely over. While total job counts in the metro finally returned to the peak achieved in 2007, but scars remain from the extended amount of time it took for the metro to recover. The steady return of job, population, and visitor growth has Las Vegas well on the road to recovery – and developers are starting to take notice, with new supply on the way.

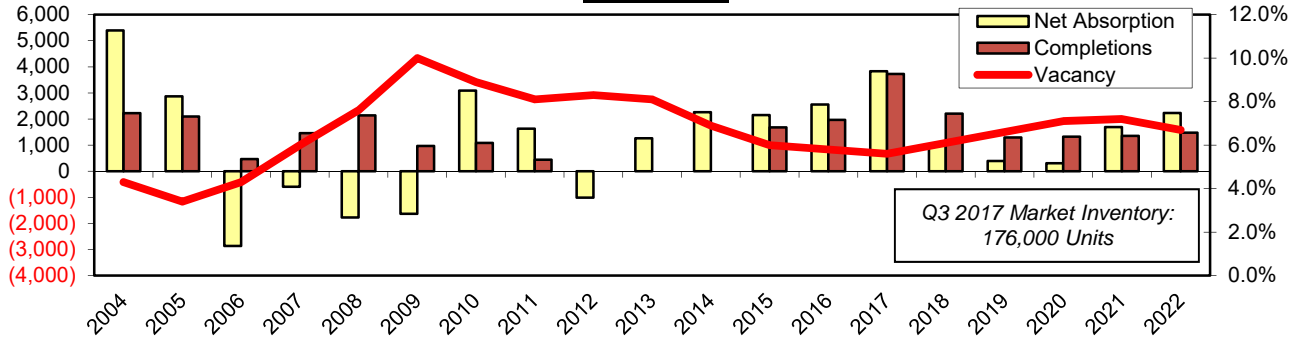
The metro's past focus on condo development likely created a longer term shortage of rental inventory in the metro. Competition from institutionally-rented single-family homes in the shadow market diminishes conditions in the near term, but the metro's expected economic and demographic growth, among the fastest and most attractive in the country, further enhances the outlook for the apartment market. Were it not for the oversupply of condos, a large number of single-family homes in the shadow market, and a minor surge of new apartment development on the way, the metro's for-rent market would look brighter.

### Vacancy and Rent Composite Estimates

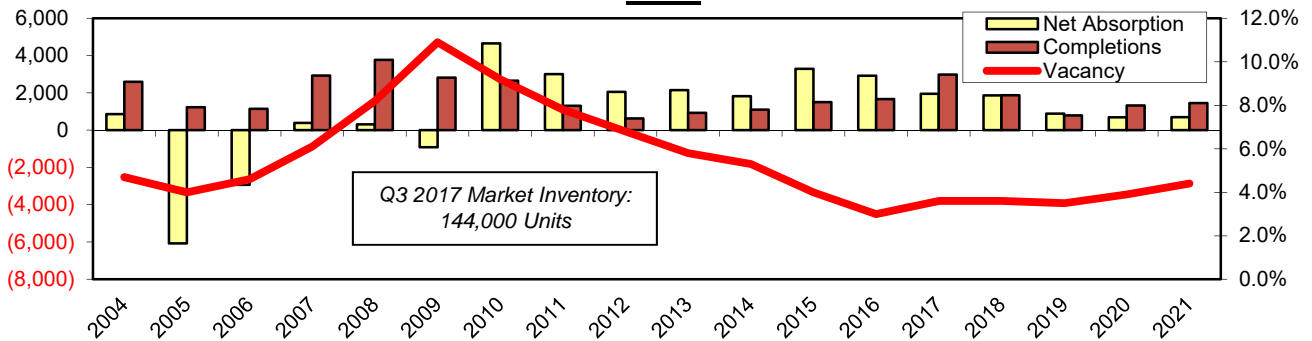


Source: Fannie Mae Multifamily and Economics Research

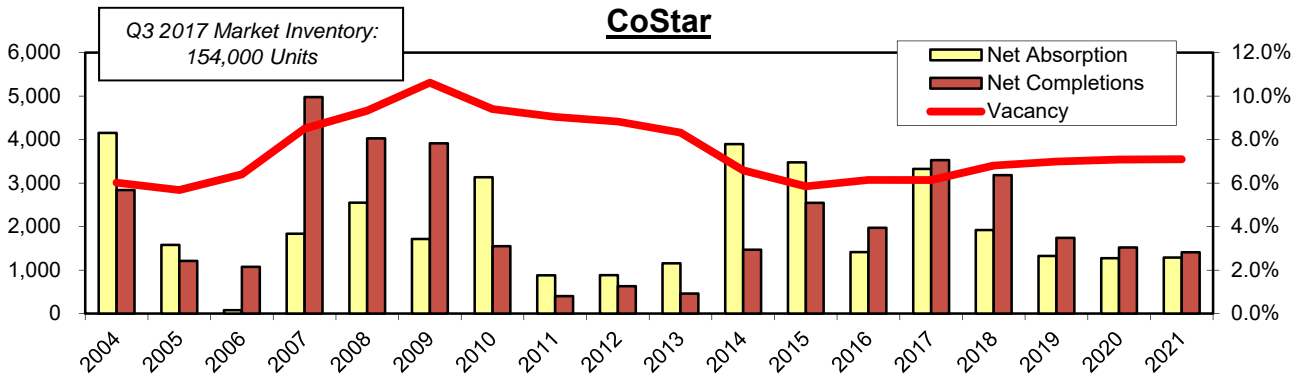
### CBRE-EA



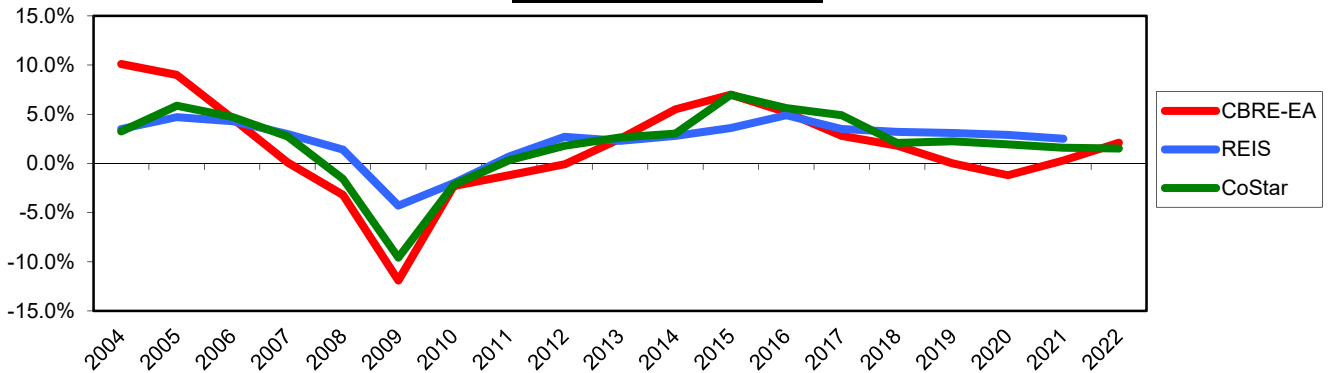
### REIS



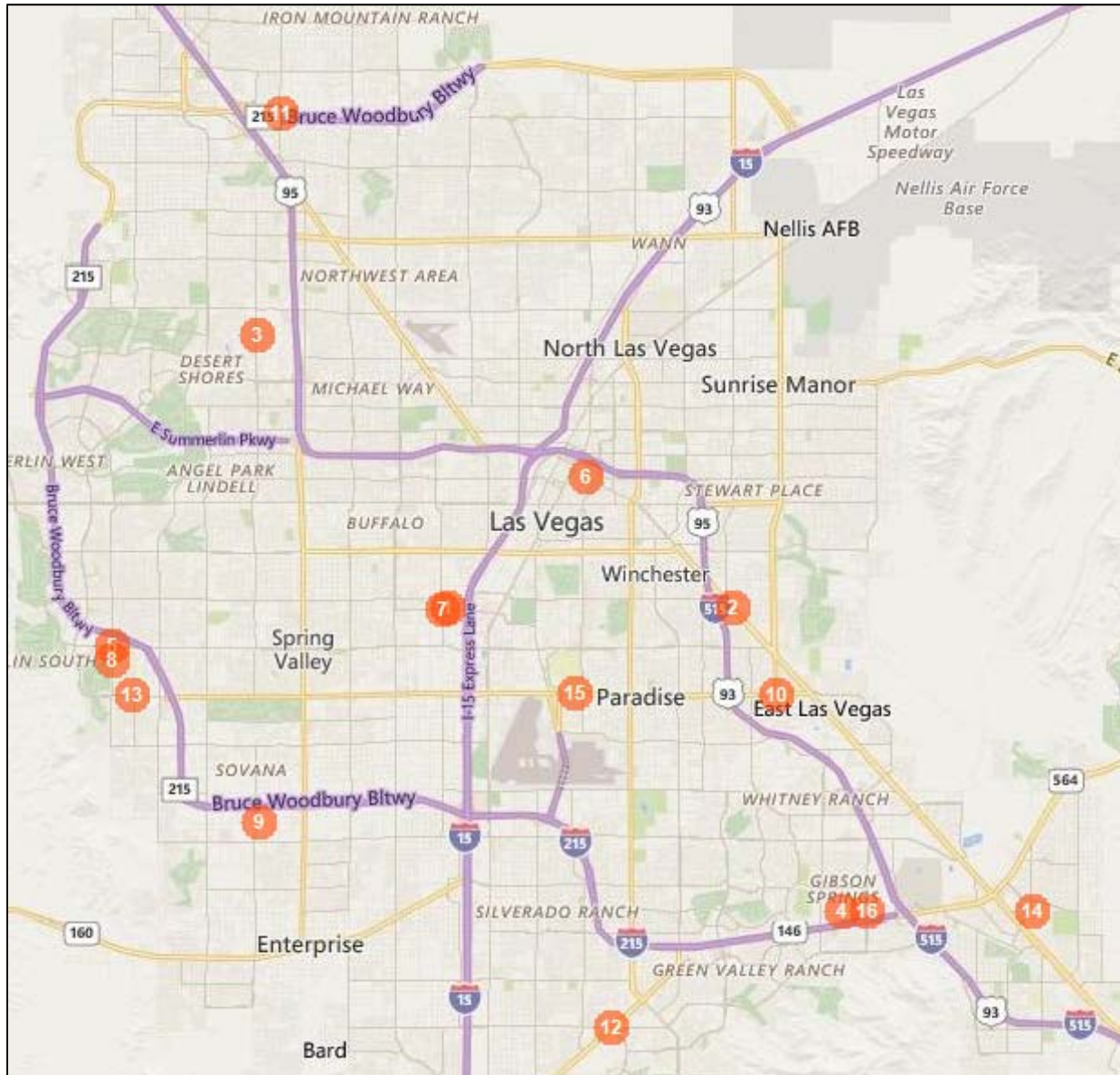
### CoStar



### Annual Rent Growth



**Construction Bidding/Underway  
(16 projects/3,600 Units/4.1 M Sq. Feet)**



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Clark County/Other	1	33	27
East	2	431	384
Henderson/Southeast	4	1070	1048
North	1	209	261
North Central	1	255	231
Spring Valley	2	605	590
University	1	271	214
West	4	1195	860



Fannie Mae™

## Multifamily Metro Outlook: Las Vegas Winter 2018

### Fannie Mae Multifamily Economics and Market Research

Tim Komosa, Economist

#### Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

*Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Multifamily Economics and Market Research (EMR) group included in this commentary should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the EMR group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the EMR group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.*