

Metro Housing Outlook:

Las Vegas – Q2 2023

Overview:

- In 2021 the metro experienced a significant rebound, with job growth and visitor levels surging, which continued through 2022, but slowed slightly in early 2023. 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%. But until visitors return to pre-outbreak levels, particularly for the still modestly 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 national economy is in a period of steady growth, Las Vegas should re-enter a period of expansion.

Market Strengths:

- Moody's forecasts that Las Vegas will have +1.8% annual job growth into 2027, compared to +0.5% nationally, and +1.9% population growth, compared to +0.4% 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 metro 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.

New Development:

- Since the beginning of 2006, around 16,200 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 16,300 rental units were delivered since 2017, but 6,200 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:

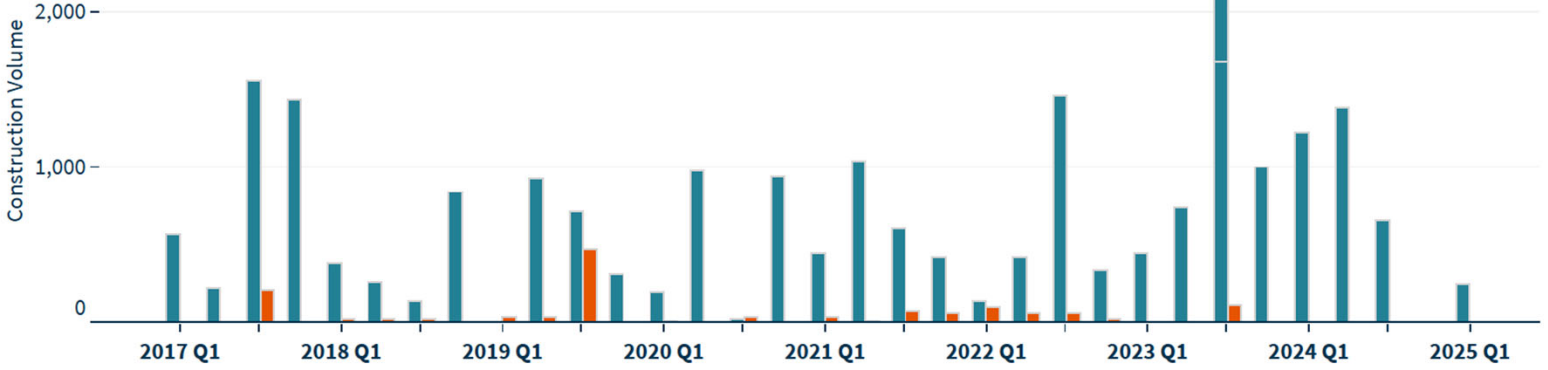
- Las Vegas experienced a strong rebound in fundamentals in 2021 which continued into the middle of 2022 but began to ease later in the year. Comparatively weaker rent payment levels further indicate underlying weakness under the surface, likely as a result of a continued elevated level of unemployment, though this has been improving. While the departure of Covid concerns, 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 makes its way into a period of steady growth, and is through a possible recession in 2024, Las Vegas may be a leader in the multifamily market, as the dearth of development after the great recession has left Las Vegas needing significantly more housing.
- Las Vegas is expected to have one of the county's faster growing job markets once a national healthy and sustained economic expansion is underway, 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 of for-rent single family homes 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 and will continue to see pronounced busts when there are national economic contractions.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

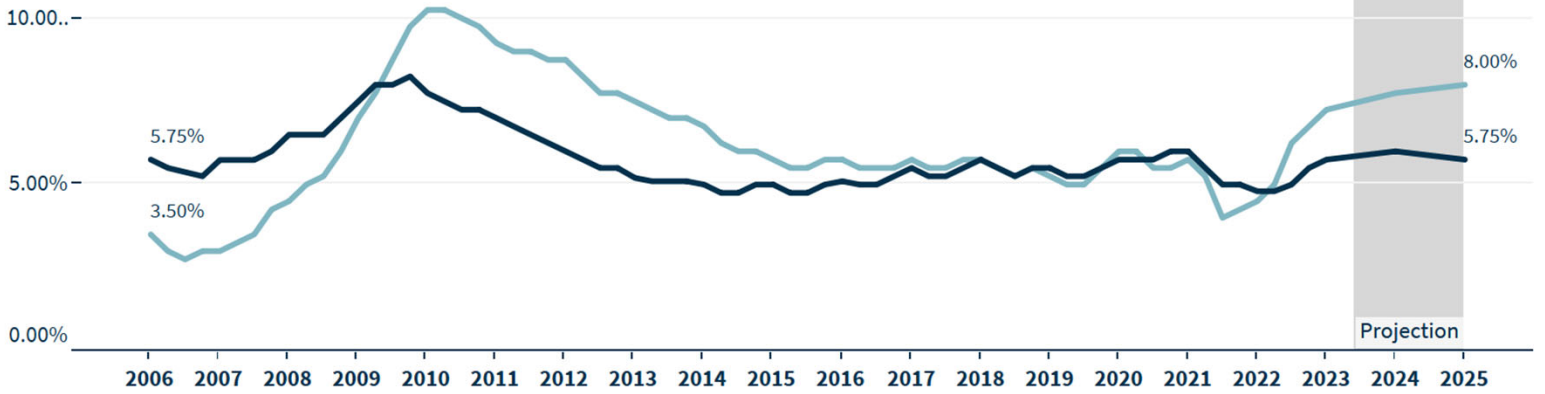
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Las Vegas | National

Q2 2023 Vacancy Rate:

7.00%



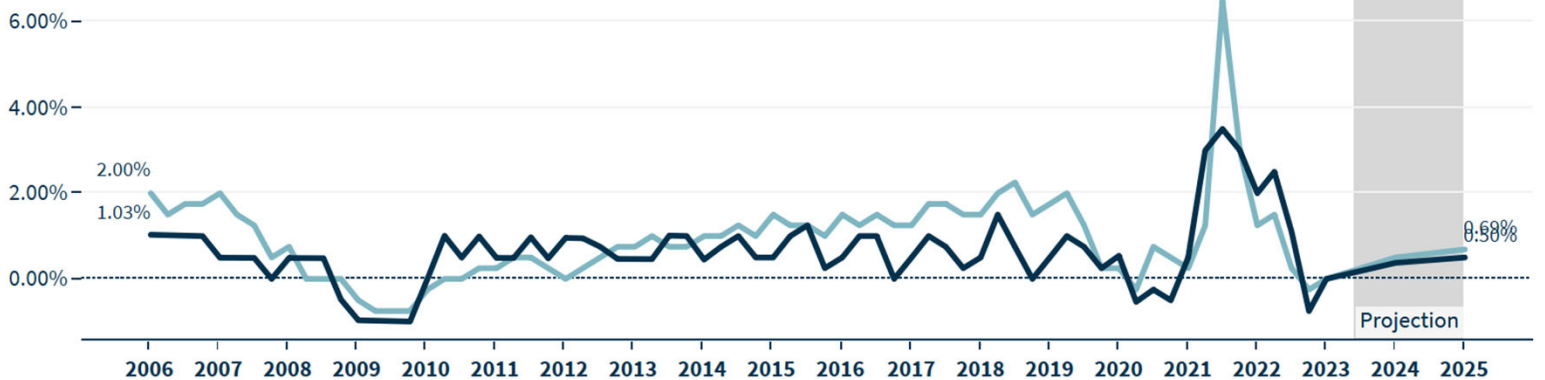
Projection

Asking Rent Growth

Las Vegas | National

Q2 2023 Asking Rent:

\$1,290

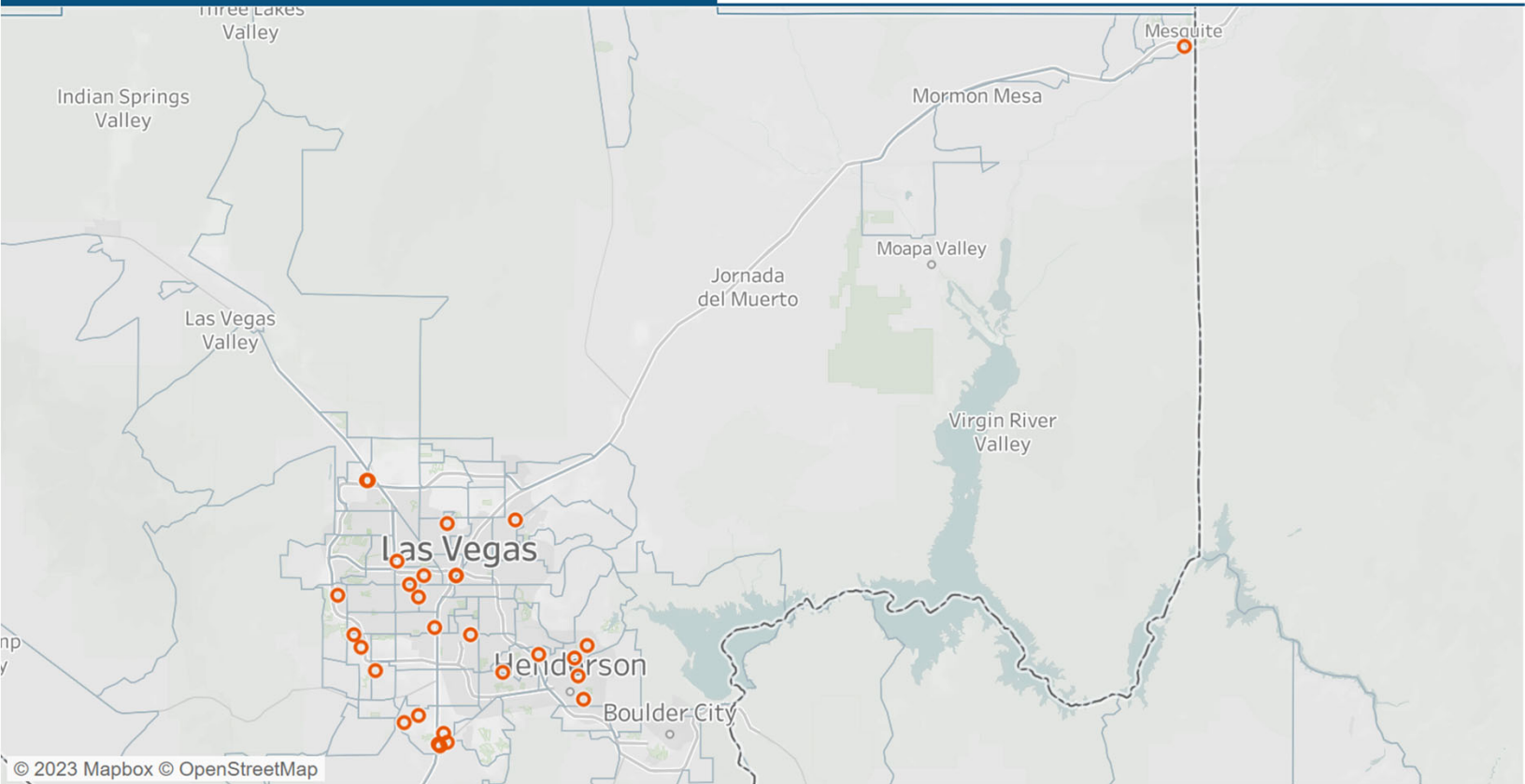


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Central Las Vegas	2	545
Green Valley	1	22
Henderson	5	949
North Las Vegas	1	380
Northwest Las Vegas	3	831
South Las Vegas	4	563
Southwest Las Vegas	5	1,263
Summerlin/The Lakes	1	295
Sunrise Manor/Northeast Las Vegas	2	46
University/The Strip	1	284
West Las Vegas	4	1,005
Grand Total	29	6,183

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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