



LAS VEGAS | NEVADA

RESEARCH & FORECAST REPORT



Strong Year for Multifamily

According to statistics provided by REIS, multifamily vacancy in Southern Nevada decreased in the third quarter of 2014 (the most recent quarter of available data), extending a three year long streak. Vacancy stood at 5.2 percent in the third quarter, 0.8 percentage points lower than one year ago, and 0.3 percentage points lower than in the second quarter of 2014. Class A properties were 5.2 percent vacant in the second quarter, the 0.5 percentage points lower than in the second quarter of 2014. Class B/C properties were 5.3 percent vacant, the same as one quarter ago.

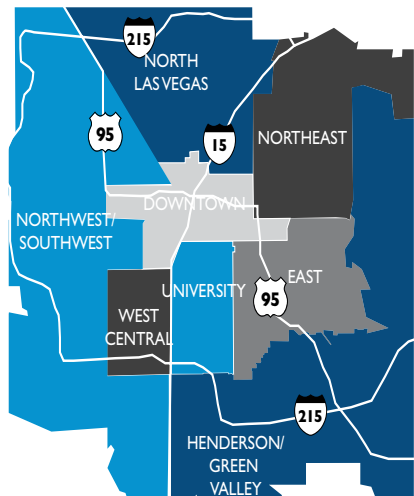
Six of the eight submarkets showed positive net absorption in the third quarter of 2014, with the highest net absorption found in Henderson/Green Valley (131 units) and North Las Vegas (90 units). Net absorption was negative in the Northeast (negative 26 units) and University (negative 14 units) submarkets. On a property class basis, Class A multifamily posted 314 units of net absorption in the third quarter of 2014. Class B/C properties absorbed only 33 units net.

There were no new multifamily completions in the third quarter of 2014. So far in 2014, 341 new multifamily units were completed. Several properties are now under construction in Southern Nevada, and poised to expand the Valley's multifamily inventory by 1,000 units.

Asking rents for multifamily stood at \$866 per unit in the third quarter of 2014, showing no movement from the second quarter. Asking rents have increased by \$8 per month since 2013. Class A properties had an average asking rent of \$990 per unit (0.6 percent quarterly growth), compared to an average asking rent of \$764 (1.1 percent quarterly growth) for Class B/C properties.

REIS predicts that multifamily vacancy will bottom out at 5.0 percent in 2015, and then begin climbing due to increased construction and increased competition by single-family residences. They predict that vacancy will reach 6.5 percent in 2018, after 12,703 units have been added to Southern Nevada's multifamily inventory.

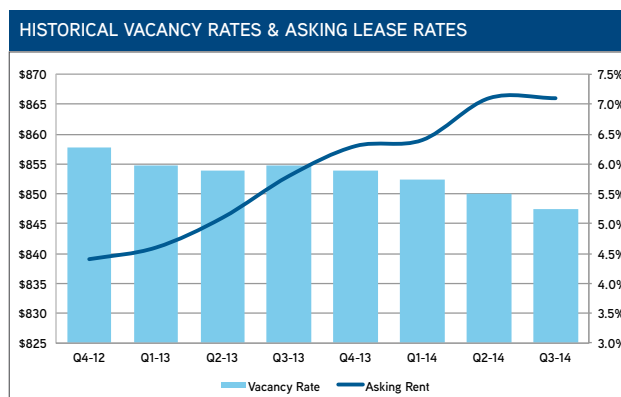
Unemployment in the Las Vegas-Paradise MSA stood at 6.8 percent as of October 2014, down from 9.6 percent in October 2013. Unemployment averaged 7.9 percent in 2014, compared to 10 percent in 2013. Since October 2013, total employment in Southern Nevada increased by 23,200 jobs, the majority in professional/business services (+5,700 jobs), trade/transportation/utilities (+5,100 jobs), leisure/hospitality



CLARK COUNTY ECONOMIC DATA

| | CURRENT | YEAR AGO |
|------------------------------|-----------|-----------|
| Jobs (1000s) (OCT. 2014) | 882.8 | 859.6 |
| Visitor Volume (2014 YTD) | 35.2 MM | 33.7 MM |
| Gaming Revenue (2014 YTD) | \$7.96 BB | \$8.00 BB |
| Taxable Sales (2014 YTD) | \$26.5 BB | \$24.6 BB |
| Commercial Occupancy (Q4) | 88.4% | 87.0% |

SOURCE: THE CENTER FOR BUSINESS & ECONOMIC RESEARCH, UNLV



“Since Las Vegas’s birth in 1905, population growth has been a major driver of economic growth.”

John M. Stater
Colliers, Research & GIS Manager

(+4,700 jobs) and education/health services (+3,700 jobs). Construction employment also increased year-over-year, by 1,500 jobs, notable due to the construction industry's terrible fall during the Great Recession. Despite recent improvements, construction employment in Southern Nevada remains almost 70,000 jobs below its peak in 2006.

According to data provided by the Nevada Department of Motor Vehicles, the number of out-of-state driver's licenses turned in per month has averaged 5,504 in the first ten months of 2014. This is slightly more than the 2013 average of 5,481 licenses per month, and less than 2012's average of 5,691 licenses per. In fact, 2012 appears to have been the peak year,

post-Great Recession, for migration into the Valley, though not necessarily population growth. This slower growth is likely responsible for weakness in new home sales and construction employment. Since Las Vegas's birth in 1905, population growth has been a major driver of economic growth. In the past, population growth was driven by the Valley's low unemployment rate and retirees looking to escape the dramatic weather and high cost of living elsewhere in the United States.

Real Capital Analytics identified 11,669 units in distressed multifamily projects in Southern Nevada in the third quarter of 2014. This is a decrease of more than 9,000 units since the third quarter of 2013. Currently, 8.5

MULTIFAMILY MARKET INFORMATION

| QUARTER | INVENTORY | COMPLETIONS | VACANT UNITS | VACANCY RATE | NET ABSORPTION | ASKING RENT | QOQ RENT GROWTH | VACANCY RATE (LAST Q) | UNDER CONSTRUCTION | PLANNED CONSTRUCTION | UNITS SOLD | PRICE/UNIT | CAP RATE | DISTRESSED UNITS |
|---------|-----------|-------------|--------------|--------------|----------------|-------------|-----------------|-----------------------|--------------------|----------------------|------------|------------|----------|------------------|
| Q4-12 | 136,958 | 50 | 9,440 | 6.3% | 593 | \$839 | 0.8% | 6.8% | 1,094 | 4,195 | 3,178 | \$104,800 | 6.1% | 20,800 |
| Q1-13 | 137,072 | 114 | 8,845 | 6.0% | 709 | \$841 | 0.2% | 6.3% | 660 | 4,195 | 2,608 | \$44,001 | 6.1% | 19,626 |
| Q2-13 | 137,368 | 296 | 8,743 | 5.9% | 398 | \$846 | 0.6% | 6.0% | 236 | 3,849 | 5,584 | \$69,928 | 5.8% | 20,633 |
| Q3-13 | 137,456 | 88 | 8,214 | 6.0% | 617 | \$853 | 0.8% | 5.9% | 986 | 3,849 | 3,591 | \$76,072 | 5.5% | 20,931 |
| Q4-13 | 137,542 | 86 | 8,114 | 5.9% | 186 | \$858 | 0.6% | 6.0% | 1,241 | 4,197 | 6,025 | \$94,252 | 5.4% | 17,287 |
| Q1-14 | 137,287 | 86 | 7,891 | 5.7% | 223 | \$859 | 0.1% | 5.9% | 1,355 | 3,546 | 3,875 | \$64,742 | 6.1% | 14,438 |
| Q2-14 | 137,542 | 255 | 7,564 | 5.5% | 805 | \$866 | 0.8% | 5.7% | 1,556 | 3,244 | 2,472 | \$67,622 | 5.4% | 10,809 |
| Q3-14 | 137,542 | 0 | 7,217 | 5.2% | 897 | \$866 | 0.8% | 5.5% | 1,556 | 3,244 | 3,614 | \$73,153 | 6.0% | 11,669 |
| Q4-14 | | | | | | | | | | | 3,242 | \$70,725 | 6.1% | |

| CLASS | INVENTORY | COMPLETIONS | VACANT UNITS | VACANCY RATE | NET ABSORPTION | ASKING RENT | QOQ RENT GROWTH | VACANCY RATE (LAST Q) | UNDER CONSTRUCTION | PLANNED CONSTRUCTION | UNITS SOLD | PRICE/UNIT | DISTRESSED UNITS |
|-------|-----------|-------------|--------------|--------------|----------------|-------------|-----------------|-----------------------|--------------------|----------------------|------------|------------|------------------|
| A | 66,253 | 0 | 3,455 | 5.2% | 314 | \$990 | 0.6% | 5.7% | 1,556 | 3,244 | 0 | n/a | 0 |
| BC | 71,289 | 0 | 3,762 | 5.3% | 33 | \$764 | 1.1% | 5.3% | 0 | 0 | 3,242 | \$70,725 | 11,669 |

| SUBMARKET | INVENTORY | COMPLETIONS | VACANT UNITS | VACANCY RATE | NET ABSORPTION | ASKING RENT | QOQ RENT GROWTH | VACANCY RATE (LAST Q) | UNDER CONSTRUCTION | PLANNED CONSTRUCTION | UNITS SOLD | PRICE/UNIT | DISTRESSED UNITS |
|--------------|-----------|-------------|--------------|--------------|----------------|-------------|-----------------|-----------------------|--------------------|----------------------|------------|------------|------------------|
| DOWNTOWN | 16,227 | 0 | 617 | 3.8% | 32 | \$741 | 0.7% | 4.0% | 0 | 318 | 325 | \$55,523 | 960 |
| Class A | 2,773 | 0 | 76 | 2.7% | 7 | \$863 | 1.3% | 3.0% | 0 | 318 | 0 | n/a | 0 |
| Class B/C | 13,454 | 0 | 541 | 4.0% | 25 | \$716 | 0.6% | 4.2% | - | - | 325 | \$55,523 | 960 |
| EAST | 15,322 | 0 | 827 | 5.4% | 31 | \$784 | 0.8% | 5.6% | 80 | 0 | 65 | \$37,308 | 2,042 |
| Class A | 6,383 | 0 | 342 | 5.4% | 27 | \$840 | 0.1% | 5.8% | 80 | 0 | 0 | n/a | 0 |
| Class B/C | 8,939 | 0 | 485 | 5.4% | 4 | \$746 | 1.5% | 5.5% | - | - | 65 | \$37,308 | 2,042 |
| HENDERSON/GV | 26,001 | 0 | 1,404 | 5.4% | 131 | \$1,022 | 1.3% | 5.9% | 1,240 | 1,102 | 498 | \$93,373 | 1,230 |
| Class A | 17,933 | 0 | 945 | 5.3% | 97 | \$1,063 | 0.9% | 5.8% | 1,240 | 1,102 | 0 | n/a | 0 |
| Class B/C | 8,068 | 0 | 459 | 5.7% | 34 | \$925 | 1.5% | 6.1% | - | - | 498 | \$93,373 | 1,230 |
| N. LAS VEGAS | 22,594 | 0 | 1,469 | 6.5% | 90 | \$828 | 0.7% | 6.9% | 0 | 436 | 426 | n/a | 874 |
| Class A | 13,042 | 0 | 889 | 6.8% | 66 | \$900 | 0.8% | 7.3% | 0 | 436 | 0 | n/a | 0 |
| Class B/C | 9,552 | 0 | 580 | 6.1% | 24 | \$727 | 0.3% | 6.3% | - | - | 426 | \$110,000 | 874 |
| NORTHEAST | 8,815 | 0 | 793 | 9.0% | -26 | \$716 | 0.5% | 8.7% | 0 | 96 | 34 | \$37,059 | 450 |
| Class A | 2,172 | 0 | 81 | 3.7% | 4 | \$803 | 0.6% | 3.9% | 0 | 96 | 0 | n/a | 0 |
| Class B/C | 6,643 | 0 | 712 | 10.7% | -30 | \$687 | -0.5% | 10.3% | - | - | 34 | \$37,059 | 450 |
| NW/SW | 21,551 | 0 | 1,055 | 4.9% | 66 | \$1,085 | 0.7% | 5.2% | 236 | 1,052 | 440 | \$71,093 | 679 |
| Class A | 16,099 | 0 | 861 | 5.3% | 70 | \$1,110 | 0.2% | 5.8% | 236 | 1,052 | 0 | n/a | 0 |
| Class B/C | 5,452 | 0 | 194 | 3.6% | -4 | \$1,007 | 1.9% | 3.5% | - | - | 440 | n/a | 679 |
| UNIVERSITY | 14,501 | 0 | 726 | 5.0% | -14 | \$738 | 1.2% | 4.9% | 0 | 0 | 1,078 | \$41,744 | 2,690 |
| Class A | 2,180 | 0 | 60 | 2.8% | 27 | \$973 | 0.6% | 4.0% | 0 | 0 | 0 | n/a | 0 |
| Class B/C | 12,321 | 0 | 666 | 5.4% | -41 | \$697 | 1.5% | 5.1% | - | - | 1,078 | \$41,744 | 2,690 |
| WEST CENTRAL | 12,531 | 0 | 326 | 2.6% | 37 | \$828 | 0.8% | 2.9% | 0 | 240 | 376 | \$100,849 | 2,744 |
| Class A | 5,671 | 0 | 201 | 3.5% | 16 | \$927 | 0.4% | 3.8% | 0 | 240 | 0 | n/a | 0 |
| Class B/C | 6,860 | 0 | 125 | 1.8% | 21 | \$740 | 0.5% | 2.1% | - | - | 376 | \$100,849 | 2,744 |

HISTORICAL SALES DATA

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--------------------|----------|----------|----------|----------|----------|
| Units Sold | 13,203 | 17,808 | 21,840 | 7,554 | 2,996 |
| Average Price/Unit | \$69,053 | \$75,600 | \$65,425 | \$50,324 | \$42,500 |
| Cap Rate | 6.3% | 5.7% | 7.3% | 6.9% | 6.5% |

percent of the multifamily units in Southern Nevada are distressed, down from 15.2 percent in the third quarter of 2013. The distressed category includes properties that have received a notice of default, as well as troubled properties and those that are in some stage of the foreclosure process. In 2014 so far, distressed multifamily projects containing 4,551 units were resolved, an increase from the same period in 2013 when 2,920 units had their distressed status resolved. Distressed properties resolved in 2014 had an average occupancy rate of 91 percent.

Multifamily sales decreased in 2014 compared to 2013, with 13,203 units selling at an average price per unit of \$69,053. The average price per unit was higher one year ago, when 17,808 units sold at an average price per unit of \$75,600. Cap rates averaged 6.3 percent in 2014, 0.6 points higher than in 2013.

Southern Nevada's multifamily market has done very well over the past six years, spurred on in part by economic recovery, and in part by restrained demand for single-family residential. Difficulties in financing new homes have restrained demand for single-family residential over the past few years, and multifamily has taken up the slack. Multifamily vacancy rates over the

past six years dropped from a high of 11.2 percent in 2009 to the present low of 5.5 percent. Multifamily sales rebounded significantly from the depths of the recession in terms of units sold and the average price of a unit sold. Cap rates fell from the highs experienced in 2012, but they now look as though they are headed back up.

Multifamily construction remained robust during the Great Recession, but decreased in 2010, 2011, 2012, 2013 and, so far, in 2014. Next year, however, construction of new multifamily is expected to increase, with 1,000 units now under construction in Southern Nevada, and more potentially on the way. This means that the multifamily market is entering a new phase in 2015, from recovery to expansion. If population growth remains steady and single-family home sales, new or existing, remain constrained, the multifamily market should remain attractive to investors. There is some danger here; new rules in Washington, D.C. are poised to bring back the easy financing days that helped get us into the Great Recession in the first place. In the short term, this could increase sales of single-family residential at the expense of demand for multifamily residential. Keep your eyes on the numbers in 2015, and be prepared.

485 offices in 63 countries on 6 continents

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Latin America: 25
Asia Pacific: 186
EMEA: 84

- > \$2.1 billion in annual revenue
- > 1.46 billion square feet under management
- > Over 15,800 professionals

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KEY TRADES

| PROPERTY | SALE DATE | UNITS | PRICE | PRICE/UNIT | YEAR BUILT |
|---------------------------|-----------|-------|-----------|------------|------------|
| Alicante Villa Apartments | Nov 2014 | 232 | \$29.3 MM | \$126,000 | 2001 |
| Reserve at Arrow Canyon | Nov 2014 | 426 | \$48.9 MM | \$110,000 | 2007 |
| Broadstone Agave | Nov 2014 | 432 | \$41.0 MM | \$95,000 | 1989 |
| Aspen Peak | Oct 2014 | 66 | \$5.5 MM | \$83,000 | 2006 |
| Summerhill Villas | Oct 2014 | 440 | \$31.3 MM | \$71,000 | 1990 |
| Shepherd Hills Townhomes | Oct 2014 | 195 | \$13.0 MM | \$67,000 | 2001 |
| Bayshore Club | Oct 2014 | 144 | \$8.6 MM | \$60,000 | 1990 |
| Hampton Court | Oct 2014 | 420 | \$22.9 MM | \$54,000 | 1974 |
| Townhome Villas | Nov 2014 | 173 | \$8.0 MM | \$46,000 | 1971 |
| 1550 Fahrenheit | Nov 2014 | 234 | \$7.5 MM | \$32,000 | 1979 |

Source: Real Capital Analytics

MULTIFAMILY DEMOGRAPHIC DATA

| | 2014 est. Households | Renter Occupied | Median Household Income | Average Household Size | Projected Annual Growth Rental Households (2014-2019) |
|---------------------|----------------------|-----------------|-------------------------|------------------------|---|
| Downtown | 62,000 | 61% | \$29,000 | 2.8 | 60 |
| East | 64,000 | 44% | \$41,000 | 2.7 | 170 |
| Henderson/Southeast | 139,000 | 36% | \$56,000 | 2.6 | 630 |
| North Las Vegas | 121,000 | 36% | \$49,000 | 3.1 | 580 |
| Northeast | 48,000 | 48% | \$37,000 | 3.3 | 180 |
| Northwest/Southwest | 190,000 | 38% | \$55,000 | 2.6 | 980 |
| University | 35,000 | 77% | \$31,000 | 2.2 | 70 |
| West Central | 30,000 | 54% | \$36,000 | 2.2 | 90 |
| TOTAL | 689,000 | 42% | \$46,000 | 2.7 | 3,100 |

Source: Real Capital Analytics