

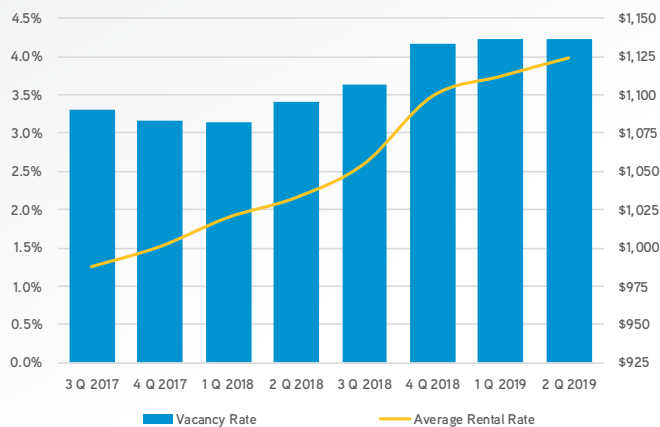
Waiting for the Next Wave

- › Multifamily inventory increased by 210 units in the second quarter of 2019
- › Net absorption moved back into positive territory
- › Vacancy remained 4.2 percent, while asking rents continued to increase

According to statistics provided by REIS, multifamily vacancy in Southern Nevada remained at 4.2 percent in the second quarter of 2019 (the most recent quarter of available data). Vacancy was

0.8 points higher than one year ago. Quarter-over-quarter, vacancy in Class A properties decreased by 0.1 points to 4.6 percent and vacancy in Class B/C properties remained stable at 3.8 percent.

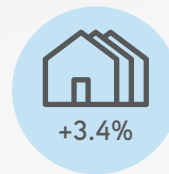
Historical Vacancy Rates and Rental Rates



“The excellent performance of Class A properties probably guarantees that a new wave of multifamily completions will begin soon.”

Economic Indicators

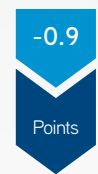
EXISTING HOME
Median Price



NEW HOME
Median Price



THIRTY YEAR
Mortgage Rate



Market Indicators

Relative to prior period	Q2 2019	Q3 2019*
VACANCY	↑	↓
NET ABSORPTION	↓	↑
COMPLETIONS	↓	↑
RENTAL RATE	↑	↑

*Projected

Summary Statistics

Las Vegas Market	Q2-18	Q1-19	Q2-19
Vacancy Rate	3.4%	4.2%	4.2%
Rent (Per Unit)	\$1,033	\$1,112	\$1,124
Net Absorption (Units)	751	-85	205
New Completions (Units)	1,074	0	210

Overall Asking Rents

Per Unit Per Month	Q2-18	Q1-19	Q2-19
Class A	\$1,193	\$1,281	\$1,294
Class B/C	\$866	\$928	\$940

Unemployment in the Las Vegas-Paradise MSA stood at 4.7 percent in August 2019, a 0.3-point decrease from August 2018. From August 2018 to August 2019, total employment in Southern Nevada increased by 20,300 jobs, a 2.2 percent increase.

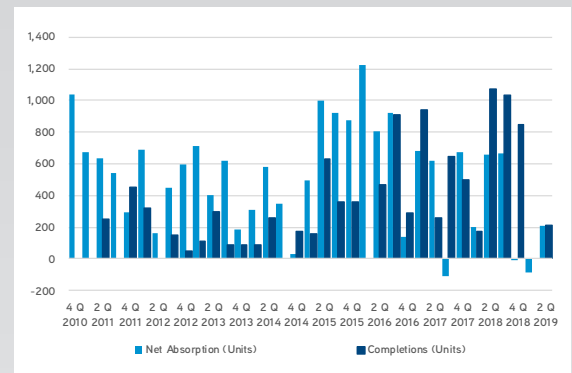
The majority of the Valley's new jobs were in leisure and hospitality (7,400 jobs), construction (4,200 jobs) and financial activities (3,800 jobs).

Southern Nevada posted 205 units of net absorption in the second quarter of 2019, bringing total net absorption at midyear up to 120 units. Second quarter net absorption was down from 751 units of 2019 one year ago. Net absorption in the second quarter was 228 units in Class A properties, and negative 23 units in Class B/C properties. Demographic trends suggest that rental households will expand by 4,782 units per year for the next five years, with most of that expansion occurring in the Northwest/Southwest and Henderson/Green Valley submarkets.

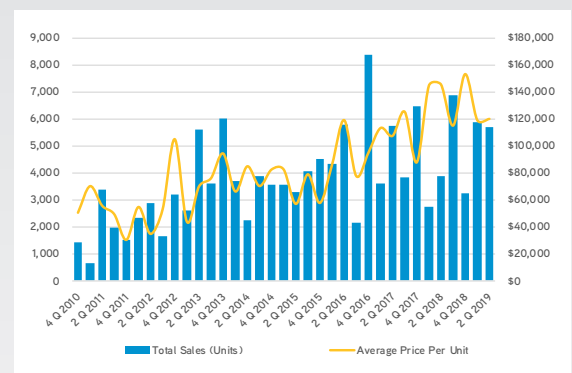
Five of the Valley's eight submarkets had positive net absorption in the second quarter of 2019, with the highest net absorption, 117 units, occurring in the Henderson/Green Valley submarket. The lowest net absorption was negative 39 units in the West Central submarket.

According to REIS, one new multifamily project totaling 210 units was completed in the second quarter of 2019 in the Henderson/Green Valley submarket. A total of 6,711 units were under construction and 6,512 units were planned to begin construction within the next twelve months in Southern Nevada. Units currently under construction represent a 4.5 percent increase to inventory.

Historical Net Absorption vs. Completions



Sales (Units) vs. Price Per Unit



SCHEDULED COMPLETION	SUBMARKET	UNITS
3RD QUARTER 2019		582
Rock Springs Senior Apartments	Northwest/Southwest	220
Trend! Apartments	Henderson/GV	362
4TH QUARTER 2019		120
Casabella Apartments	East Las Vegas	120
1ST QUARTER 2020		285
Aspire at Sunridge	Henderson/GV	285

Demographics

Submarket	Estimated Households (2019)	Renter Occupied (2019)	Median Household Income (2019)	Average Household Size (2019)	Proj. Annual Growth Rental Households (2019-2024)
Downtown	65,700	61%	\$33,900	2.8	406
East Las Vegas	68,600	43%	\$45,800	2.7	366
Henderson/Green Valley	186,400	37%	\$68,500	2.6	1,071
North Las Vegas	139,400	35%	\$60,600	3.1	765
Northeast	51,600	49%	\$42,800	3.4	343
Northwest/Southwest	178,900	33%	\$75,200	2.7	986
University	36,700	77%	\$35,800	2.3	273
West Central	87,800	54%	\$50,800	2.4	572
TOTAL	815,100	43%	\$58,300	2.7	4,782

Source: Claritas

The average asking rent for a multifamily unit in Southern Nevada was \$1,124 per unit in the second quarter of 2019. This represented an 8.8 percent annual increase compared to 2018. Class A properties had 8.5 percent annual rent growth to \$1,294 per unit. Class B/C properties also had 8.5 percent annual rent growth, to \$940 per unit. On a submarket basis, the highest annual rent growth in the second quarter was 10.3 percent in the Northeast submarket. No submarket had a decrease in average asking rent.

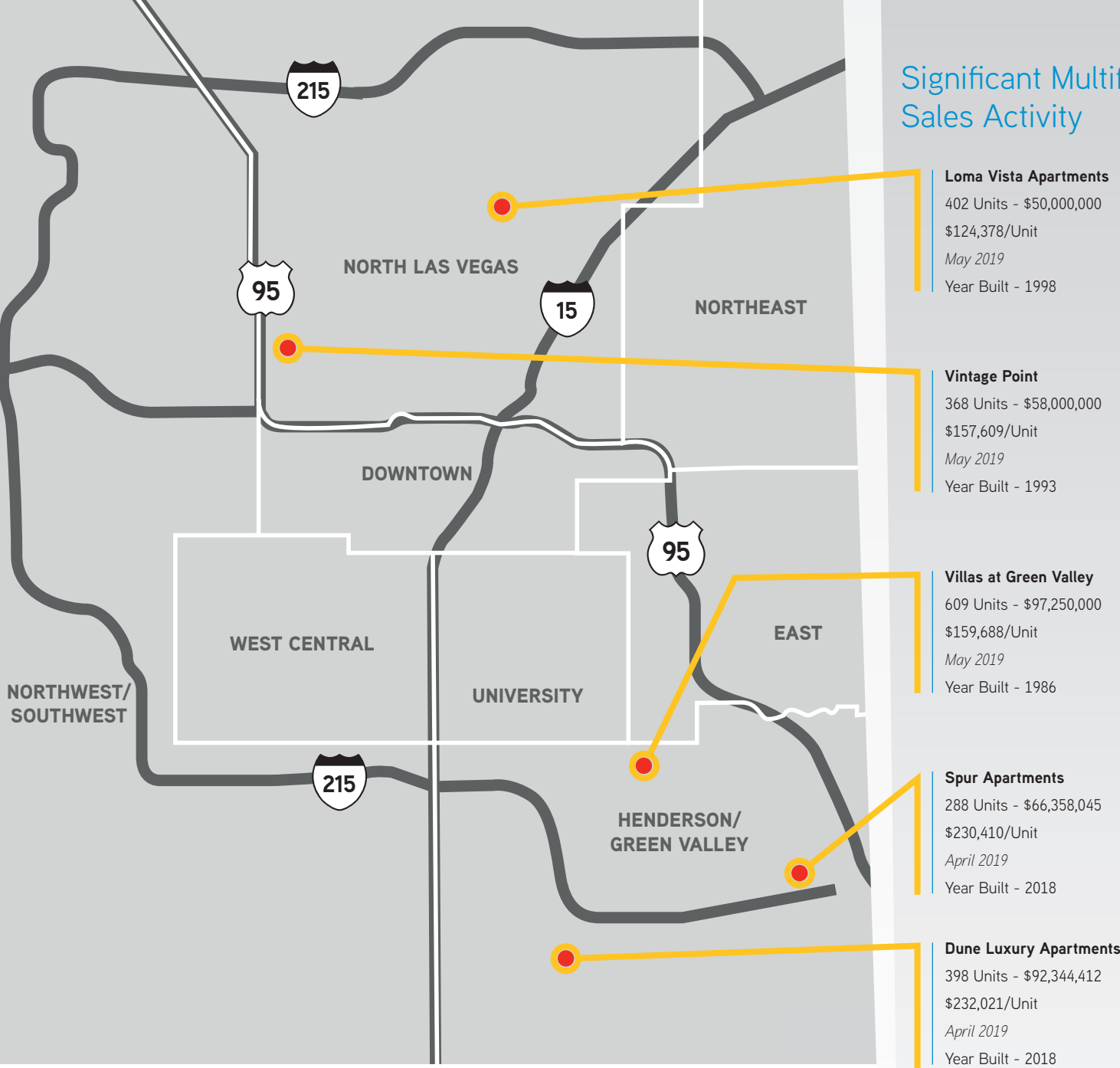
A total of 3,883 units of multifamily sold in the second quarter of 2019, with total sales volume of \$563.5 million. The average sales price was \$142,123 per unit. The average cap rate was 5.3 percent. While multifamily sales (in terms of units) have decreased each year since 2016, the average price per unit has been increasing and the average cap rate has remained very stable.

At midyear 2019, it appears the first wave of multifamily development has ended. 2018 saw over 3,000 new multifamily units completed, while 2019 has so far only seen inventory expand by 210 units. Net absorption also fell dramatically in 2019 compared to 2018. While development decreased in 2019, investments remained strong, though still below the peak investment year of 2016. At midyear, 2019 was on pace to match 2018 in terms of units sold and total sales volume. If there was anything puzzling about the multifamily market, it was the way in which older properties struggled to compete with new Class A properties despite offering much lower rental rates. The excellent performance of Class A properties probably guarantees that a new wave of multifamily completions will begin soon.

Sales Data

	2015	2016	2017	2018	2019 YTD
Units Sold	15,408	22,074	19,633	18,549	9,770
Sales Volume	\$771 MM	\$2,176 MM	\$1,943 MM	\$2,361 MM	\$1,263 MM
Average Price/Unit	\$71,836	\$96,720	\$105,318	\$127,260	\$129,286
Cap Rate	7.3%	5.5%	5.6%	5.4%	5.5%

Significant Multifamily Sales Activity



Sales Activity Continued

Property Name	Sale Date	Units	Price	Price/Unit	Year Built
Stonegate Apartments	May 2019	440	\$48,600,000	\$110,454	1990
Safari Apartments	May 2019	352	\$38,900,000	\$110,511	1990
Alhambra Place Apartments	May 2019	455	\$33,300,000	\$73,187	1989
The Lennox	May 2019	100	\$20,600,000	\$206,000	2015
Tierra Bella	Mar 2019	96	\$17,100,000	\$178,125	2003

Source: Real Capital Analytics

Market Comparisons - Las Vegas

Multifamily Market

CLASS	TOTAL INVENTORY UNITS	CURRENT VACANCY RATE	PRIOR QTR VACANCY RATE	NET ABSORPTION	NET ABSORPTION YTD UNITS	CURRENT QTR COMPLETIONS	YTD UNIT COMPLETIONS	UNDER CONSTRUCTION UNITS	PLANNED CONSTRUCTION UNITS	TOTAL SALES UNITS	PRICE PER UNIT	AVERAGE RENTAL RATE
DOWNTOWN												
A	3,116	3.7%	6.5%	85	118	-	-	-	633	-	n/a	\$1,183
B/C	13,394	3.8%	3.4%	(43)	(118)	-	-	-	344	106	\$73,585	\$830
Total	16,510	3.7%	4.0%	42	-	-	-	-	977	106	\$73,585	\$898
EAST LAS VEGAS												
A	6,381	2.0%	1.6%	(28)	(14)	-	-	120	-	-	n/a	\$1,056
B/C	9,347	2.5%	2.7%	21	14	-	-	50	-	938	\$108,422	\$863
Total	15,728	2.3%	2.3%	(7)	-	-	-	170	-	938	\$108,422	\$942
HENDERSON/GREEN VALLEY												
A	22,850	5.3%	5.0%	138	125	210	210	2,989	1,712	786	\$228,120	\$1,383
B/C	8,068	3.4%	3.1%	(21)	(17)	-	-	-	-	609	\$159,688	\$1,195
Total	30,918	4.8%	4.5%	117	108	210	210	2,989	1,712	1,395	\$198,245	\$1,332
NORTH LAS VEGAS												
A	13,254	3.3%	3.3%	9	(2)	-	-	-	934	-	n/a	\$1,153
B/C	9,632	1.6%	1.6%	(1)	10	-	-	296	203	866	\$144,457	\$930
Total	22,886	2.6%	2.6%	8	8	-	-	296	1,137	866	\$144,457	\$1,058
NORTHEAST												
A	2,172	4.5%	4.5%	-	-	-	-	-	-	-	n/a	\$901
B/C	6,643	9.3%	9.5%	16	(62)	-	-	-	-	-	n/a	\$897
Total	8,815	8.1%	8.3%	16	(62)	-	-	-	-	-	#DIV/0!	\$899
NORTHWEST/SOUTHWEST												
A	21,214	5.6%	5.8%	50	199	-	-	1,656	1,928	-	n/a	\$1,468
B/C	5,452	5.2%	5.3%	3	(106)	-	-	66	-	-	n/a	\$1,341
Total	26,666	5.5%	5.7%	53	93	-	-	1,722	1,928	-	n/a	\$1,421
UNIVERSITY												
A	2,180	0.8%	0.9%	2	4	-	-	939	-	63	\$222,222	\$976
B/C	12,321	4.1%	4.2%	13	(4)	-	-	-	-	515	\$74,485	\$824
Total	14,501	3.6%	3.7%	15	-	-	-	939	-	578	\$90,588	\$847
WEST CENTRAL												
B/C	6,860	2.1%	2.0%	(11)	11	-	-	-	-	-	#DIV/0!	\$907
Total	13,301	4.2%	3.9%	(39)	(27)	-	-	595	758	-	#DIV/0!	\$1,060
Total	13,301	3.9%	4.0%	14	14	-	-	-	758	986	\$144,828	\$1,051
MARKET TOTAL												
A	77,608	4.6%	4.7%	228	392	210	210	6,299	5,965	849	\$227,683	\$1,294
B/C	71,717	3.8%	3.8%	(23)	(272)	-	-	412	547	3,034	\$122,020	\$940
Total	149,325	4.2%	4.2%	205	120	210	210	6,711	6,512	3,883	\$145,123	\$1,124
QUARTERLY COMPARISON AND TOTALS												
Q2-19	149,325	4.2%	4.2%	205	120	210	210	6,711	6,512	3,883	\$145,123	\$1,124
Q1-19	149,115	4.2%	4.2%	(85)	(85)	-	-	5,473	6,244	5,887	\$118,840	\$1,112
Q4-18	149,111	4.2%	3.7%	459	2,283	844	3,888	4,303	5,094	3,234	\$152,766	\$1,099
Q3-18	148,267	3.7%	3.4%	499	1,666	1,034	2,587	3,423	6,329	6,877	\$114,791	\$1,081
Q2-18	147,233	3.4%	3.2%	751	1,168	1,074	1,553	4,975	5,717	4,004	\$136,252	\$1,033

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68 countries

\$3.3

billion in
annual revenue*

2.0

billion square feet
under management

17,000

professionals
and staff

\$127

billion in
total transaction value

*All statistics are for 2018, are in U.S. dollars and
include affiliates.

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