

LAS VEGAS | MULTIFAMILY

Q4 2017

Accelerating success.

Multifamily Stumbles

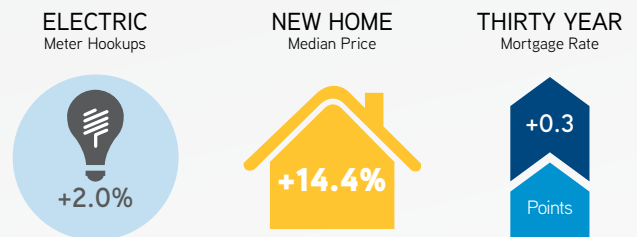
- > Multifamily vacancy increased to 3.2 percent in the third quarter of 2017
- > The third quarter saw 426 new multifamily units completed
- > Rental rates continued to increase, reaching an average of \$985 per unit

According to statistics provided by REIS, multifamily vacancy in Southern Nevada increased by 0.2 points in the third quarter of 2017 (the most recent quarter of available data) to 3.2 percent.

Vacancy this quarter was 0.3 points higher than it was one year ago. Class A properties were 3.6 percent vacant in the third quarter, 0.3 points higher than one quarter ago. Class B/C properties were 2.8 percent vacant, 0.3 points higher than one quarter ago.

Until the third quarter, the concern that there was too much new construction of multifamily appeared to be unfounded. While net absorption numbers were not as strong in 2017 as in 2015, net absorption was generally keeping pace with new completions and vacancy remained low. This quarter, net absorption fell into negative territory for the first time in a very long time, putting the

Economic Indicators



Market Indicators

Relative to prior period	Q3 2017	Q4 2017*
VACANCY	↓	↓
NET ABSORPTION	↓	↑
COMPLETIONS	↔	↑
RENTAL RATE	↑	↑

*Projected

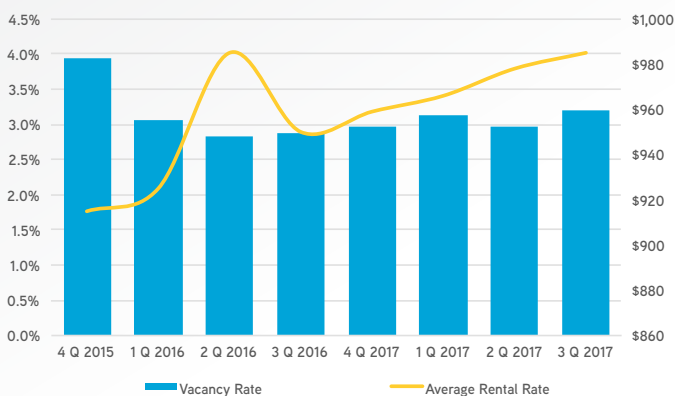
Summary Statistics

Las Vegas Market	Q3-16	Q2-17	Q3-17
Vacancy Rate	2.9%	3.0%	3.2%
Asking Rent (PSF, NNN)	\$950	\$978	\$985
Net Absorption YTD (Units)	814	254	-50
New Completions YTD (Units)	911	0	426

Overall Asking Rents

Per Unit Per Month			
Class A	\$1,084	\$1,121	\$1,136
Class B/C	\$813	\$834	\$831

Historical Vacancy Rates and Rental Rates



"... demand for multifamily should rebound from current lows in 2018, but perhaps not without adjustments to asking rent."

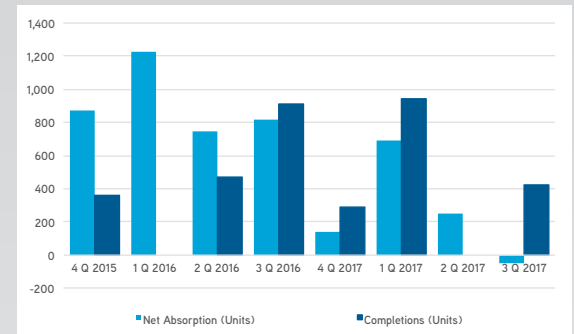
more than 4,000 units of multifamily under construction and another 11,000 units of multifamily planned to begin construction in the next twelve months in a different perspective.

Only three of the Valley's submarkets had positive net absorption in the third quarter of 2017, with the most net absorption occurring in the Henderson/Green Valley submarket (311 units). Net absorption was markedly lower in the Northeast submarket (36 units) and Northwest/Southwest submarket (25 units). The most negative net absorption was registered in Downtown (negative 114 units), followed by East Las Vegas and North Las Vegas, with negative 92 units of net absorption each.

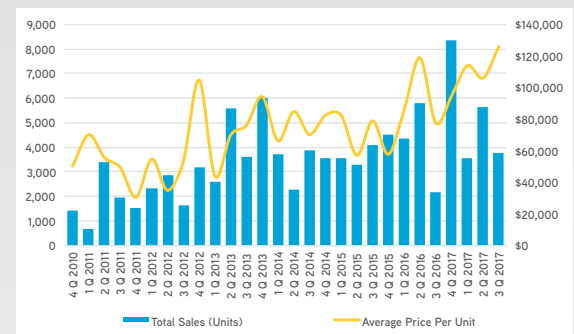
According to REIS, 426 units of new multifamily were completed in Southern Nevada in the third quarter of 2017. A total of 6,000 units were under construction, most of them in the Henderson/Green Valley and Northwest/Southwest submarkets. Colliers is currently tracking 5,786 units under construction. We expect 3,000 units of multifamily could be completed in the fourth quarter of 2017. Current multifamily development is concentrated along the I-215 Beltway, which runs from the Henderson/Green Valley submarket to the Northwest/Southwest submarket. Another 10,271 units of multifamily are planned to begin construction within the next twelve months.

Complex Under Construction	Submarket	Units
Castile Apartments & Senior Living	Henderson/GV	499
Evolve Apartment Homes	Henderson/GV	398
Silverado West Apartments	Henderson/GV	362
Elysian @ Flamingo	Northwest/Southwest	360
Elysian @ Stone Lake	Henderson/GV	360
The Gallery Phase II	Northwest/Southwest	325
The Abode - Red Rock	Northwest/Southwest	308
Inspire Apartment Homes	Northwest/Southwest	307
Loftus Apartments	West Central	295
East Gibson Apartments	Henderson/GV	288
Eden West	Southwest	276
Boulder Pines Family Apartments	East Las Vegas	264
Vue at Centennial Phase II	North Las Vegas	261
Picerne Oquendo	Northwest/Southwest	244
Fremont9	Downtown	231
U District The Degree	Henderson/GV	226
South Beach Resort	Northwest/Southwest	220
Warmington Solana Apartments	Northwest/Southwest	204
The Mercer	Northwest/Southwest	177
One60 Apartments	Henderson	129
Red Rock Pointe Senior Living	Northwest/Southwest	128
Evo Apartments Phase III	Northwest/Southwest	120
4965 East Tropicana Avenue	Henderson/GV	120
Donna Louise Apartments	Northeast	96
Jardin Gardens	Northeast	80
Cordero Pines Phase II	Northeast	60
TOTAL		5,786

Historical Net Absorption vs. Completions



Sales (Units) vs. Price Per Unit



Demographics

Submarket	Estimated Households (2017)	Renter Occupied (2017)	Median Household (2017)	Average Household (2017)	Proj. Annual Growth Rental Households (2017-2022)
Downtown	50,800	59%	\$32,200	2.8	260
East Las Vegas	58,100	44%	\$42,900	2.7	320
Henderson/Green Valley	148,200	38%	\$63,800	2.6	790
North Las Vegas	107,600	32%	\$60,400	3.2	590
Northeast	50,300	49%	\$40,200	3.3	290
Northwest/Southwest	215,500	36%	\$66,000	2.6	1,270
University	36,600	77%	\$35,200	2.2	250
West Central	99,300	56%	\$45,800	2.4	610
TOTAL	743,000	43%	\$51,000	2.7	3,802

Source: Claritas

The average asking rent for multifamily was \$985 per unit in the third quarter of 2017, increasing by \$7 psf from the second quarter of 2017, and by \$35 per unit since the third quarter of 2016. This represents a slowing of rent growth from last quarter, perhaps an indication that competition between landlords is increasing. Class A properties saw asking rates increase by 3.5 percent year-over-year to \$1,136 per unit, while Class B/C properties saw a 1.2 percent increase to \$831 per unit.

Unemployment in the Las Vegas-Paradise MSA stood at 5.0 percent as of October 2017, down from 5.5 percent in October 2016. From October 2016 to October 2017, total employment in Southern Nevada increased by 41,600 jobs, a 2.8 percent increase. The majority of the Valley's new jobs were in construction (10,500 jobs), professional and business services (6,100 jobs) and leisure and hospitality (5,600 jobs). Jobs were lost on a year-over-year basis in transportation and warehousing (1,700 jobs), retail (1,000 jobs), wholesale (900 jobs) and information (100 jobs).

According to data provided by CBER and NVEnergy, electric meter hookups totaled 811,839 meters in October 2017, up 2.0 percent from one year ago and represent an increase of 15,631 meters. Population growth has been a major driver of Southern Nevada's economic growth since Las Vegas' birth in 1905, so improvements in population growth are important for the region and the multifamily market in particular.

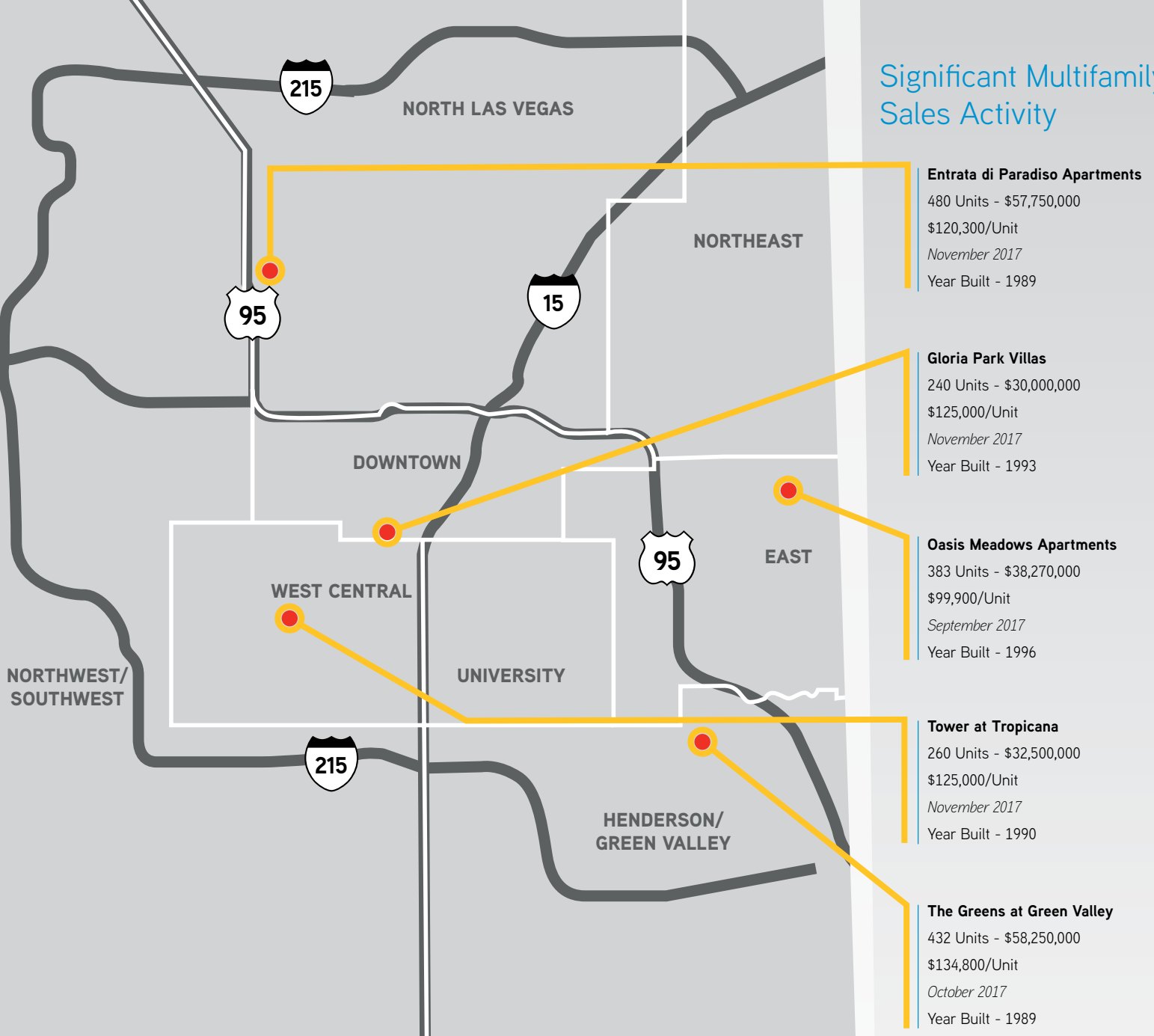
Multifamily sales decreased in the third quarter of 2017 compared to the second quarter, with 3,747 units selling at an average price per unit of \$126,052. This is more units than sold in the third quarter of 2016, and at a significantly higher average price per unit. The average sales price of a unit of multifamily has been generally on the rise since the third quarter of 2016. Initial estimates for third quarter 2017 sales show approximately 5,955 units sold at an average price per unit of \$84,816. Among the institutional entities purchasing multifamily in Southern Nevada this year are Blackstone Group, Westland Real Estate Group, MG Properties Group, 3D Investments, Langdon Street Capital and Blackhawk Capital Group.

Demand for multifamily appeared to peak in 2015, when net absorption averaged 825 units per quarter. Net absorption remained strong through the first three quarters of 2016, averaging 928 units, and then fell in the fourth quarter of that year. Net absorption over the past four quarters has now averaged only 258 units per quarter. This would not necessarily be a problem if completions of new multifamily units was not on the rise. Despite flagging demand, vacancy remains low for the present. Entry costs and monthly payments for single family homes remain higher than entry costs and monthly rent for multifamily, so demand for multifamily should rebound from current lows in 2018, but perhaps not without adjustments to asking rent.

Sales Data

	2013	2014	2015	2016	2017 YTD
Units Sold	17,808	14,019	15,408	22,074	12,943
Average Price Per Unit	\$75,600	\$73,627	\$71,836	\$96,720	\$113,996
Cap Rate	5.7%	6.0%	7.3%	5.5%	5.8%

Significant Multifamily Sales Activity



Sales Activity Continued

Property Name	Sale Date	Units	Price	Price/Unit	Year Built
Saratoga Palms East	Oct 2017	360	\$28,354,000	\$78,800	2002
Las Palmas Apartments	Sep 2017	393	\$26,800,000	\$68,200	1974
Oasis Springs	Sep 2017	304	\$25,101,000	\$82,600	1988
Tropicana Royale	Sep 2017	324	\$21,446,000	\$66,200	1977
Oasis Ridge Apartments	Sep 2017	477	\$19,770,000	\$41,400	1984

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	AVERAGE PRICE PER UNIT	AVERAGE RENTAL RATE
DOWNTOWN												
A	2,773	1.9%	1.7%	(6)	(17)	-	-	226	3,731	-	n/a	\$954
B/C	13,394	2.2%	1.4%	(108)	(85)	-	-	-	-	116	\$49,698	\$779
Total	16,167	2.2%	1.4%	(114)	(102)	-	-	226	3,731	116	\$49,698	\$809
EAST LAS VEGAS												
A	6,381	2.6%	2.2%	(27)	24	-	-	-	358	-	n/a	\$968
B/C	9,346	3.1%	2.4%	(65)	(54)	-	-	-	-	192	\$81,250	\$794
Total	15,727	2.9%	2.3%	(92)	(30)	-	-	-	358	192	\$81,250	\$865
HENDERSON/GREEN VALLEY												
A	20,762	3.2%	2.6%	305	428	426	426	2,557	2,301	320	\$167,500	\$1,229
B/C	8,068	3.0%	3.1%	6	67	-	-	-	-	237	\$101,266	\$1,021
Total	28,830	3.1%	2.8%	311	495	426	426	2,557	2,301	557	\$139,318	\$1,171
NORTH LAS VEGAS												
A	13,021	3.1%	2.6%	(60)	3	-	111	251	671	-	n/a	\$992
B/C	9,552	2.2%	1.8%	(32)	(25)	-	-	-	-	144	\$50,000	\$793
Total	22,573	2.7%	2.3%	(92)	(22)	-	111	251	671	144	\$50,000	\$909
NORTHEAST												
A	2,172	4.5%	4.5%	-	(40)	-	-	-	226	-	n/a	\$843
B/C	6,643	3.3%	3.8%	36	58	-	-	-	-	368	\$38,723	\$773
Total	8,815	3.6%	4.0%	36	18	-	-	-	226	368	\$38,723	\$789
NORTHWEST/SOUTHWEST												
A	19,035	4.6%	4.7%	15	1,015	-	1,088	2,445	1,952	1,124	\$183,185	\$1,306
B/C	5,452	1.4%	1.6%	10	(2)	-	-	-	-	-	n/a	\$1,124
Total	24,487	3.9%	4.0%	25	1,013	-	1,088	2,445	1,952	1,124	\$183,185	\$1,265
UNIVERSITY												
A	2,180	2.6%	1.8%	(17)	(13)	-	-	226	449	-	n/a	\$1,003
B/C	12,321	4.5%	4.0%	(55)	(82)	-	-	-	-	-	n/a	\$748
Total	14,501	4.2%	3.7%	(72)	(95)	-	-	226	449	-	n/a	\$786
WEST CENTRAL												
A	6,143	5.0%	4.6%	(24)	8	-	-	295	583	-	n/a	\$1,032
B/C	6,860	1.8%	1.4%	(28)	(21)	-	-	-	-	1,246	\$117,175	\$783
Total	13,003	3.3%	2.9%	(52)	(13)	-	-	295	583	1,246	\$117,175	\$900
MARKET TOTAL												
A	72,467	3.6%	3.3%	186	1,408	426	1,625	6,000	10,271	1,444	\$179,709	\$1,136
B/C	71,636	2.8%	2.5%	(236)	(144)	-	-	n/a	n/a	2,303	\$92,408	\$831
Total	144,103	3.2%	2.9%	(50)	1,264	426	1,625	6,000	10,271	3,747	\$126,052	\$985
QUARTERLY COMPARISON AND TOTALS												
Q3-17	144,103	3.2%	3.1%	(50)	1,264	426	1,625	6,000	10,271	3,747	\$126,052	\$985
Q2-17	143,677	3.0%	3.1%	254	942	-	943	5,786	6,208	5,634	\$106,085	\$978
Q1-17	143,677	3.1%	3.0%	688	688	943	943	6,047	7,175	3,562	\$113,829	\$966
Q4-16	143,251	3.0%	2.9%	139	2,923	288	1,670	3,042	7,525	8,373	\$94,773	\$959
Q3-16	142,963	2.9%	2.8%	814	2,784	911	1,382	2,908	406	2,161	\$77,603	\$950
Q2-16	142,052	2.8%	3.1%	743	1,970	471	471	2,470	390	7,170	\$113,859	\$936

* Most recent quarter of data

Source: REIS

Sales Data provided by Colliers International

396 offices in 68 countries on 6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **79**

EMEA: **111**

\$2.6

billion in
annual revenue*

2.0

billion square feet
under management

15,000

professionals
and staff

*All statistics are for 2016 and include affiliates.

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