Lied Center
for Real Estate

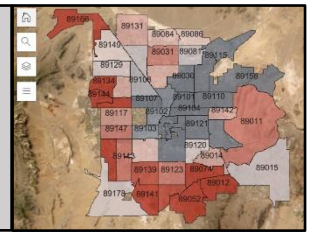
UNLV | LEE BUSINESS SCHOOL

APARTMENT MARKET TRENDS

VOLUME 16

4TH QUARTER 2022

VIEW OUR INTERACTIVE APARTMENT TRENDS MAPS BY CLICKING HERE.



Executive Summary: The median apartment rent in the Las Vegas metropolitan area for **2022Q4** was **$1,444**. This represents a decrease of $44 from the previous quarter and an increase of $113 from the previous year. The vacancy rate across the entire Las Vegas area in **2022Q4** was **3.41** percent. This represents an increase of 1.13 percentage points from the previous quarter and an increase of 2.05 percentage points from the previous year.

Nationally, average asking rents were approximately $1,700 with vacancies hovering around 4.5%. Relative to 83 metropolitan areas[i] across the U.S., few experienced rent declines on a YOY basis. Las Vegas ranked 64 out of 83 for YOY rent growth and 66 out of 83 for quarterly rent growth.

Shifts in median rent may of course mask heterogeneous changes at individual apartment buildings. Rising rents amongst a subset of well performing properties may work to offset falling rents at others leading to overall increases in median and average rents. This line of reasoning motivates our interest in two core empirical questions: **(1)** What proportion of multifamily properties recorded rent decreases and what proportion, increases? **(2)** What property level characteristics tend to predict whether or not any given property witnessed a rent decrease or increase?

For each apartment building, we compute average rent/unit in 2021q4 as well as average rent/unit in 2022q4[ii] which allows us to compute the YOY percentage change in average rent/unit for each and every property in the data. The distribution of those property level growth rates is presented in Figure 3. This graph shows that individual properties experienced year over year growth between -25% to 45%. Approximately 22 percent of all apartment buildings recorded decreases in average rent while 78 percent recorded an increase.

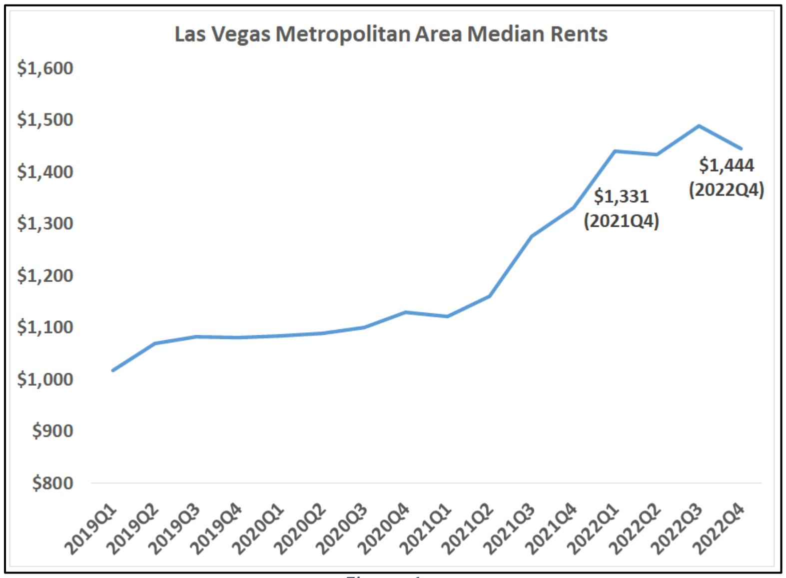


Figure 1

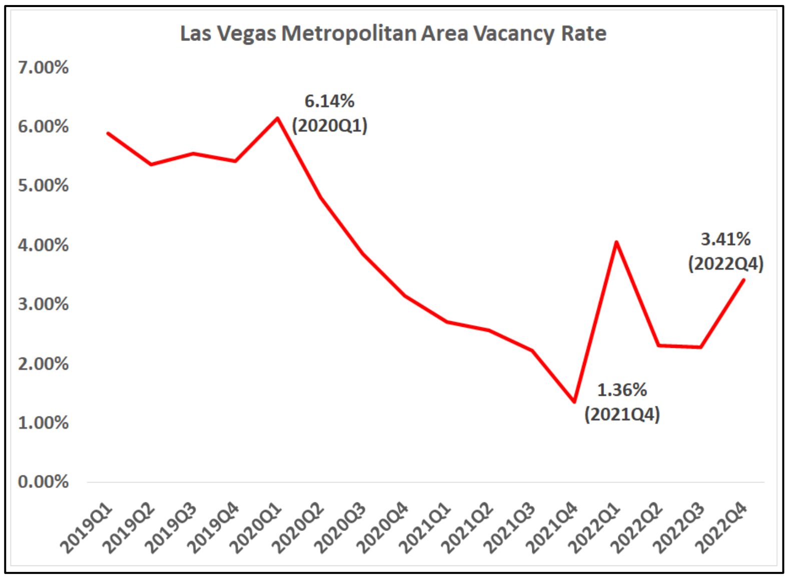


Figure 2

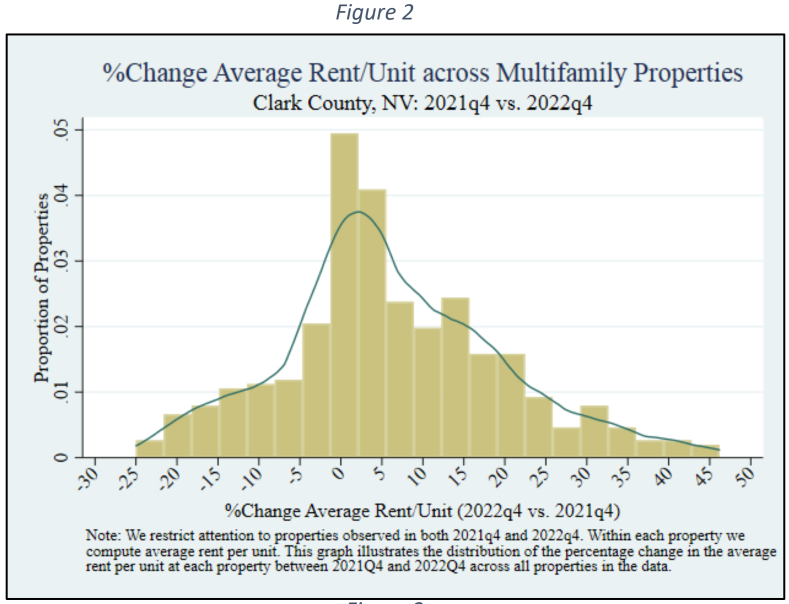


Figure 3

In Figure 4, we decompose the overall distribution in the percentage change in average rent/unit into separate distributions for Class A, B and C apartment buildings. Like Figure 3, the area under each curve to the *right of zero* represents the total proportion of apartments in any given class that witnessed *increases* in rent. We learn from Figure 4 that in terms of the proportion of properties that recorded decreases in rent, Class C properties performed the best.

- **35.6% of Class A** apartments witnessed *decreases in average rent/unit* on a YOY basis
- **33.6% of Class B** apartments witnessed *decreases in average rent/unit* on a YOY basis**.**
- **19.8% of Class C** apartments witnessed *decreases in average rent/unit* on a YOY basis

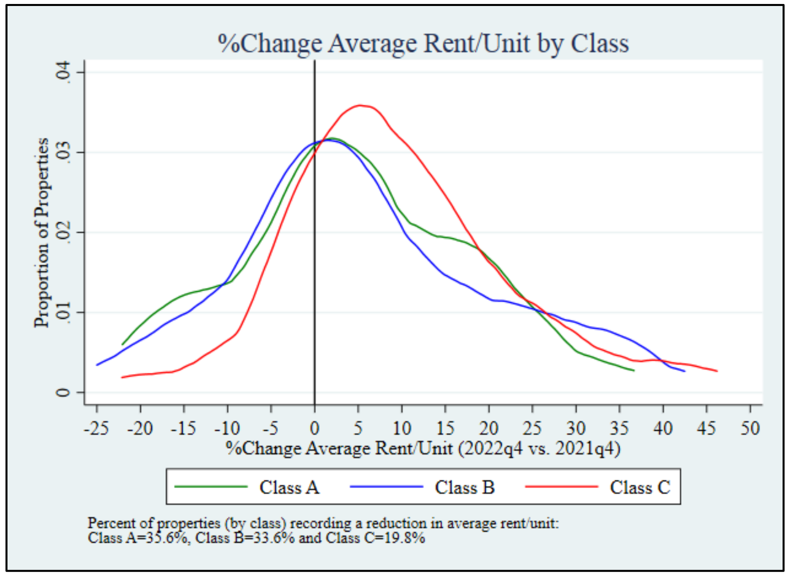


Figure 4

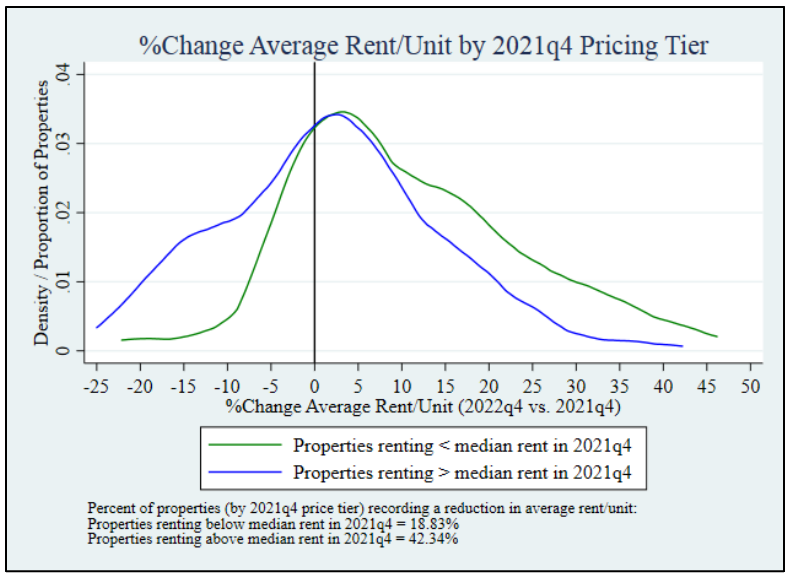
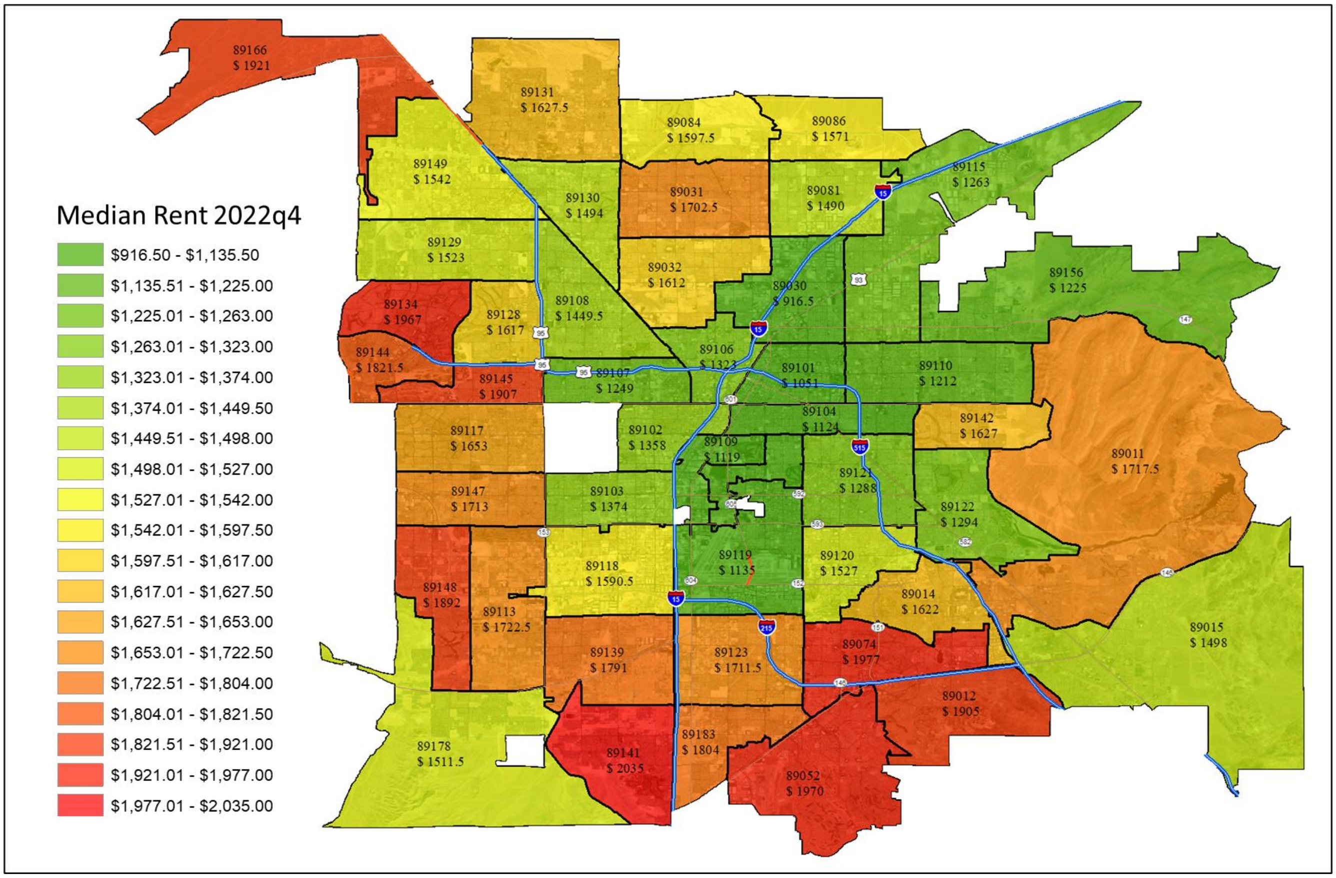


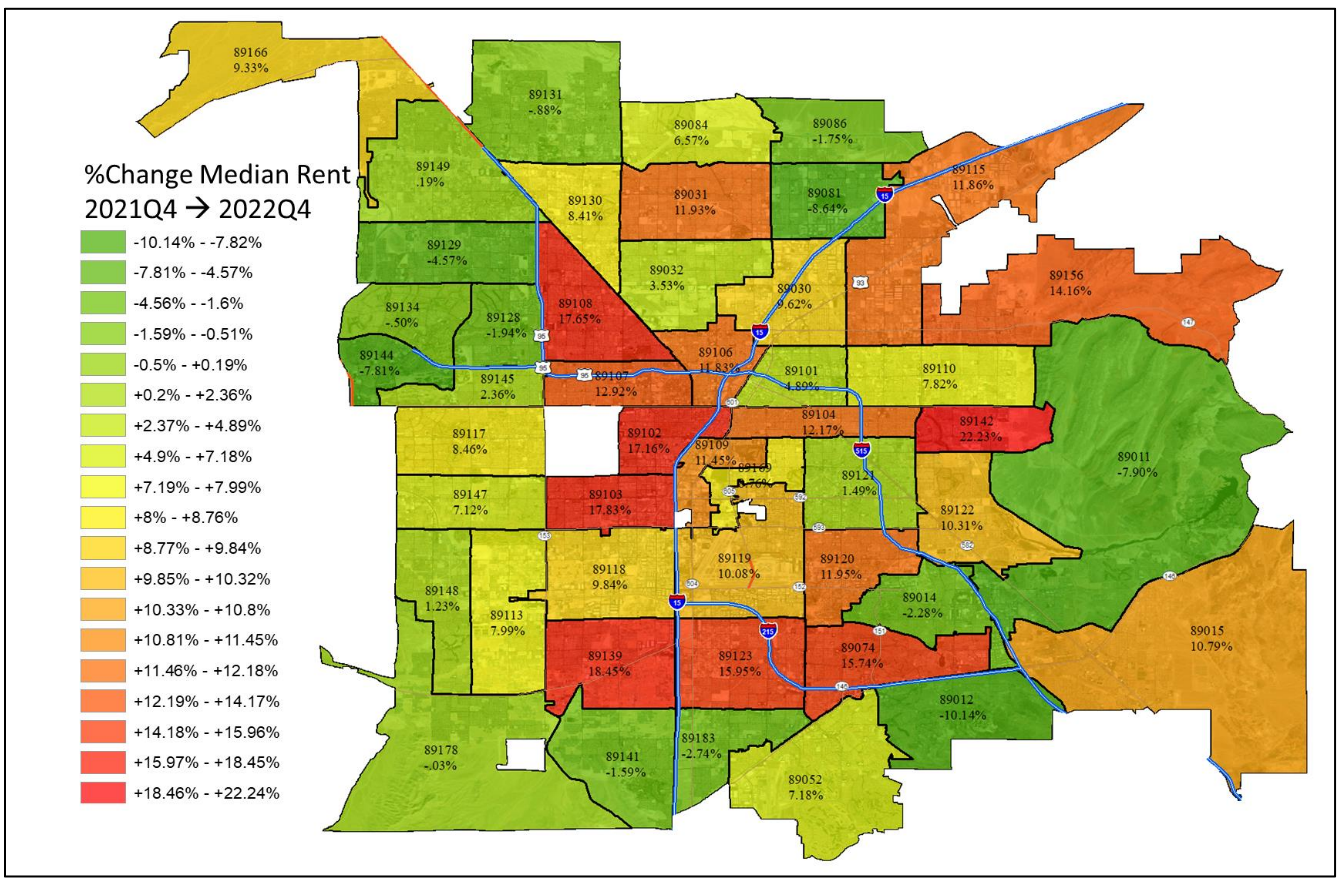
Figure 5

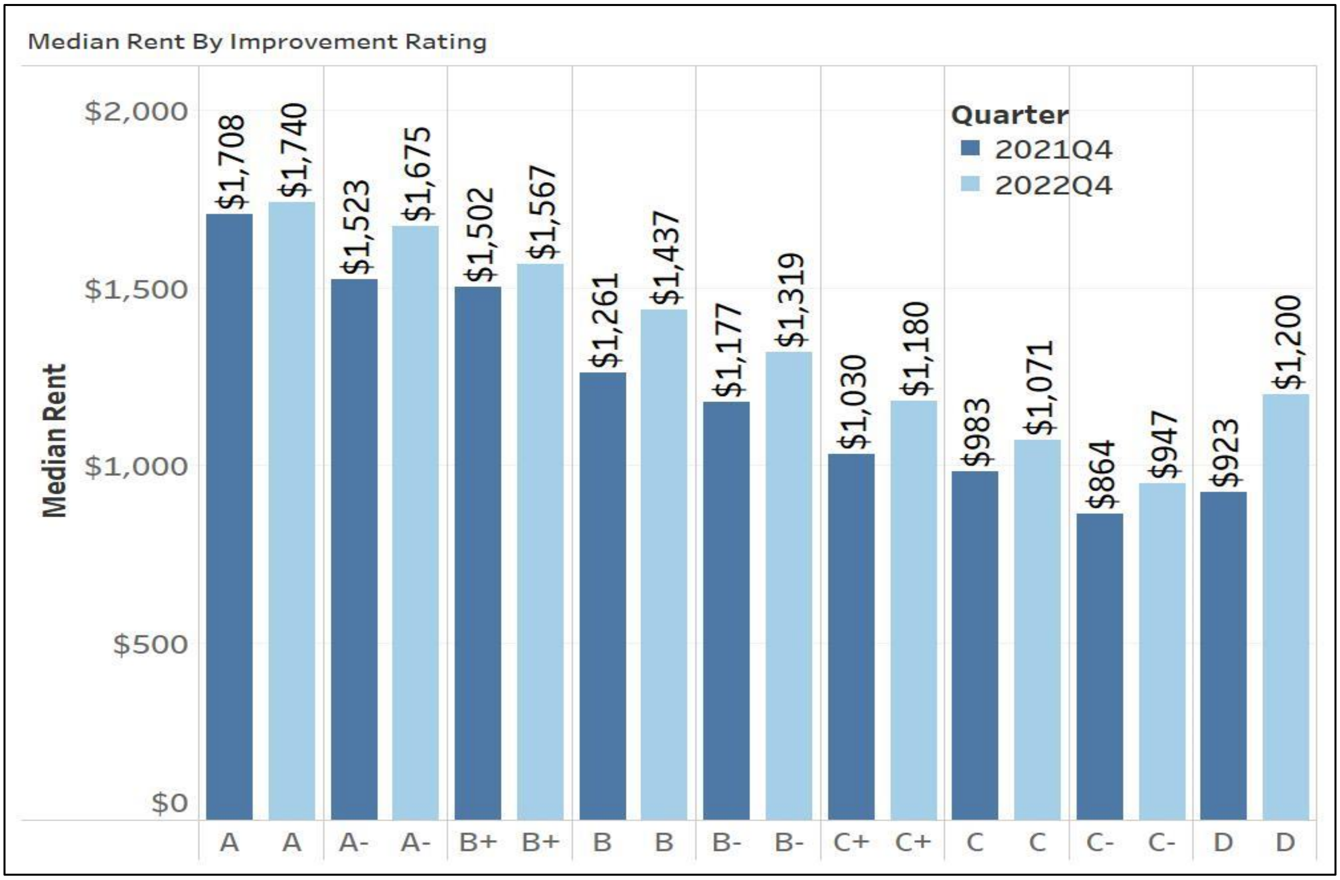
Several market wide phenomena may be explaining the patterns in the data we document here. The most noteworthy regime shift of 2022 was the sudden increase in the cost of debt associated with the Fed's seven consecutive rate hikes. We hypothesize that many would-be homeowners were priced out of the single-family market and chose to remain renters. The empirical finding that fewer Class C apartments witnessed decreases in average rent/unit than Class B or A units seems to suggest that if homeowners are in fact shifting away from the single-family market, they are turning to lower graded properties. In a similar vein, relative demand shifts may be occurring within the rental market (e.g., shifts in demand away from Class A/B units towards Class C units). Additional analysis shows that the patterns we document in the data are perhaps more about the level of asking rent as opposed to property class.

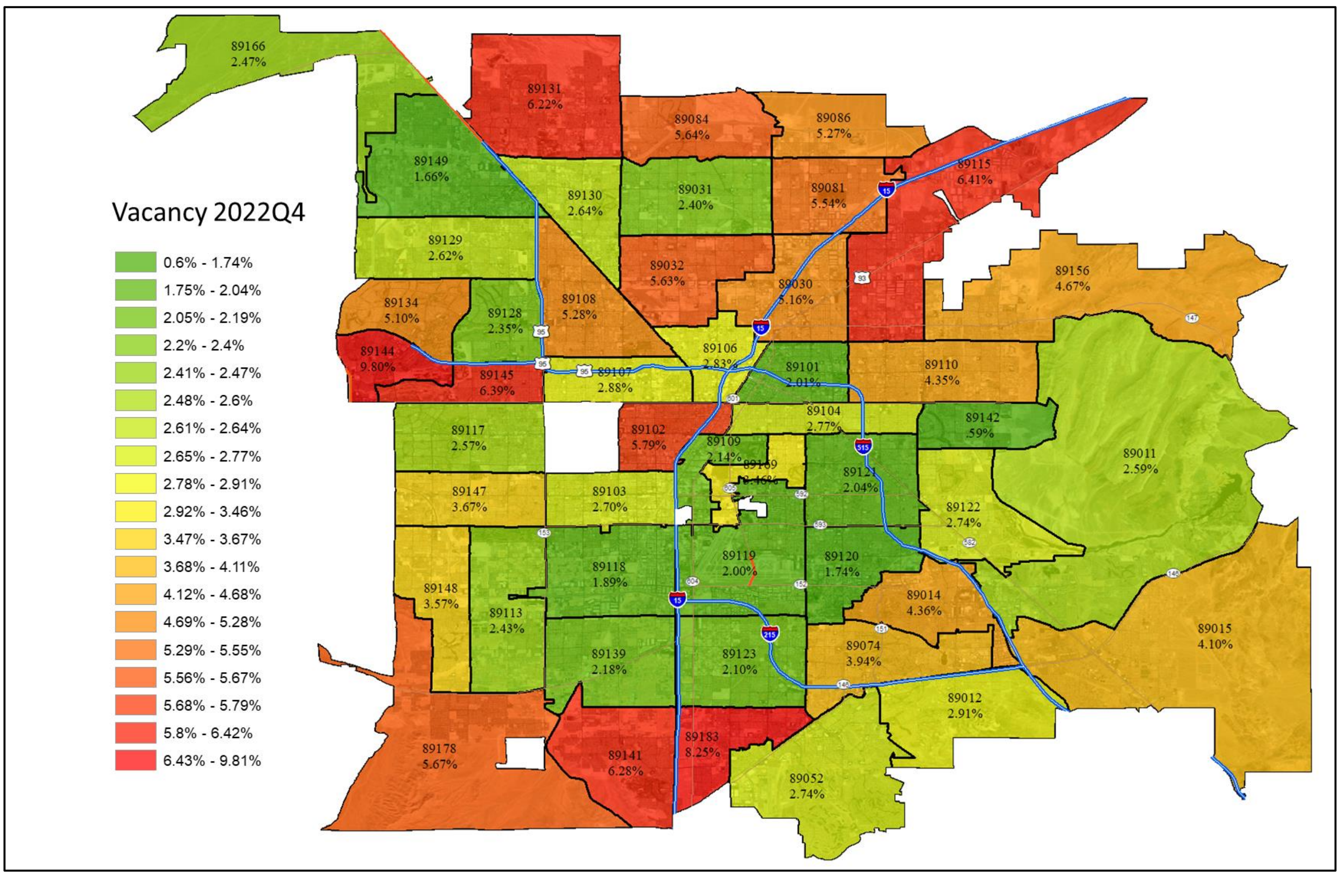
To show this, we identified which apartment buildings in 2021q4 rented *below* 2021q4 median rent levels and which properties rented *above*. The distribution of 2021q4 to 2022q4 growth rates for properties renting below the median in 2021q4 is illustrated in green in Figure 5. The data show that 18.3% of apartment buildings renting below median rent levels in 2021q4 encountered rent decreases in 2022q4. In contrast, 42.34% of apartment buildings renting above median in 2021q4 encountered rent decreases one year later. Put simply, apartment buildings renting below median last year were the most likely properties to record rent increases this year.

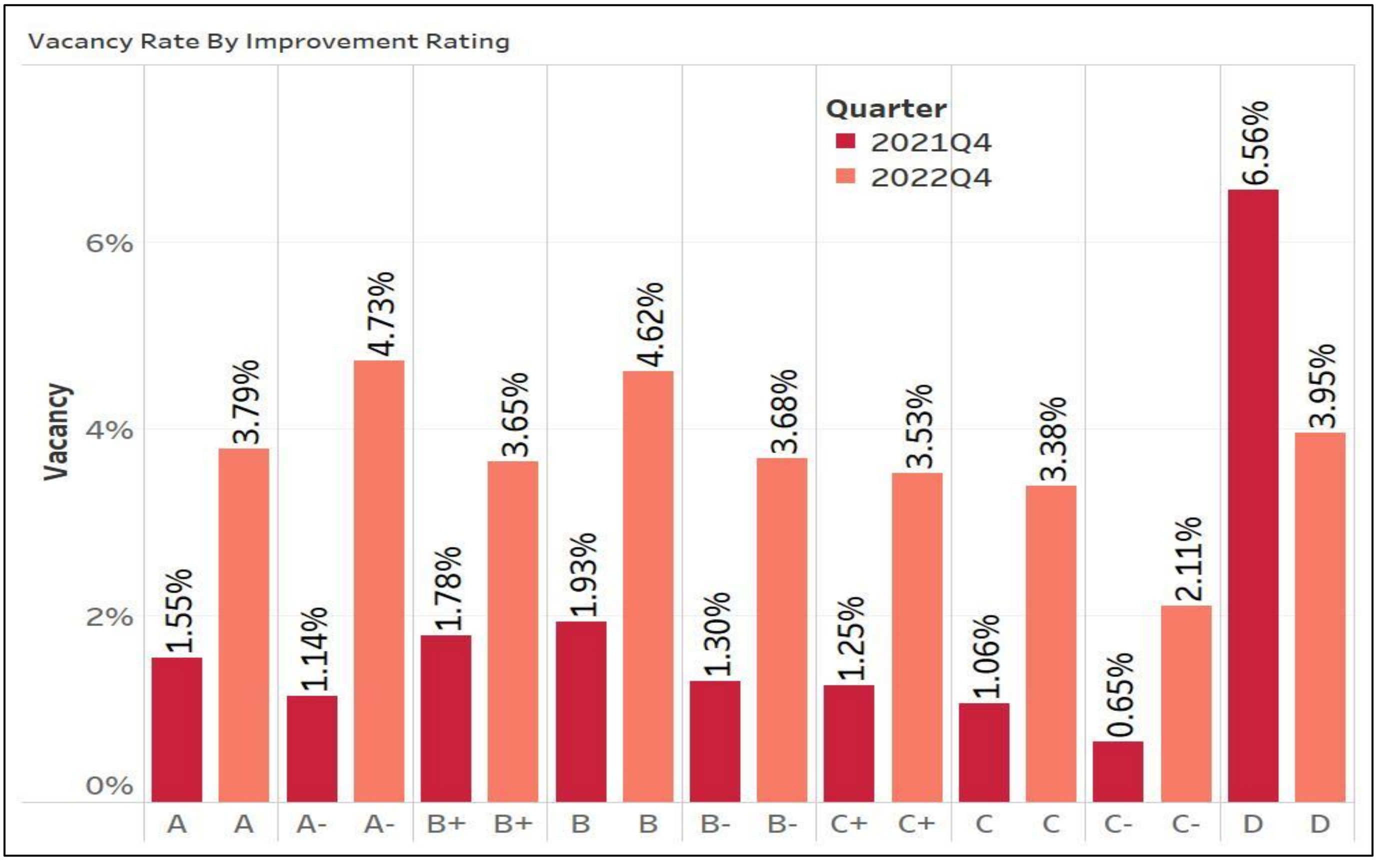
CLICK HERE FOR AN ONLINE VERSION OF THE SPATIAL DATA






Median Rent By Improvement Rating
Quarter
2021Q4
2022Q4
Median Rent
$2,000
$1,500
$1,000
$500
$0
$1,708
$1,740
$1,523
$1,675
$1,502
$1,567
$1,261
$1,437
$1,177
$1,319
$1,030
$1,180
$983
$1,071
$864
$947
$923
$1,200
A
A
A-
A-
B+
B+
B
B
B-
B-
C+
C+
C
C
C-
C-
D
D


Vacancy 2022Q4
0.6% - 1.74%
1.75% - 2.04%
2.05% - 2.19%
2.2% - 2.4%
2.41% - 2.47%
2.48% - 2.6%
2.61% - 2.64%
2.65% - 2.77%
2.78% - 2.91%
2.92% - 3.46%
3.47% - 3.67%
3.68% - 4.11%
4.12% - 4.68%
4.69% - 5.28%
5.29% - 5.55%
5.56% - 5.67%
5.68% - 5.79%
5.8% - 6.42%
6.43% - 9.81%
89166 2.47%
89131 6.22%
89084 5.64%
89086 5.27%
89149 1.66%
89130 2.64%
89031 2.40%
89081 5.54%
89115 6.41%
89129 2.62%
89032 5.63%
89030 5.16%
89156 4.67%
89134 5.10%
89128 2.35%
89108 5.28%
89106 2.83%
89144 9.80%
89145 6.39%
89107 2.88%
89101 2.01%
89110 4.35%
89104 2.77%
89142 .59%
89117 2.57%
89102 5.79%
89109 2.14%
89121 2.04%
89011 2.59%
89147 3.67%
89103 2.70%
89122 2.74%
89118 1.89%
89119 2.00%
89120 1.74%
89148 3.57%
89014 4.36%
89113 2.43%
89015 4.10%
89139 2.18%
89123 2.10%
89074 3.94%
89012 2.91%
89178 5.67%
89141 6.28%
89183 8.25%
89052 2.74%



- Relative to 2021Q4, in 2022Q4 vacancy rates increased for properties across all improvement ratings with the exception of Class D.
- Overall, median vacancy rate in Clark County, NV is up 1.13 percentage points relative to this time one year ago.
- For 2022Q4 we do not detect a positive (but weak) correlation between improvement ratings and vacancy.

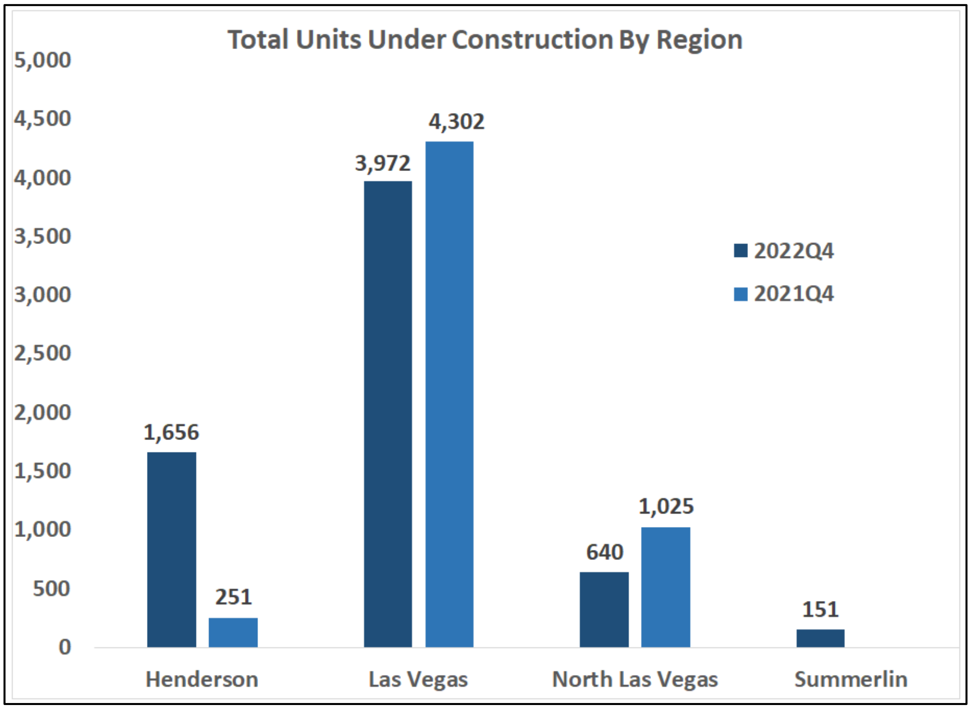
New Construction

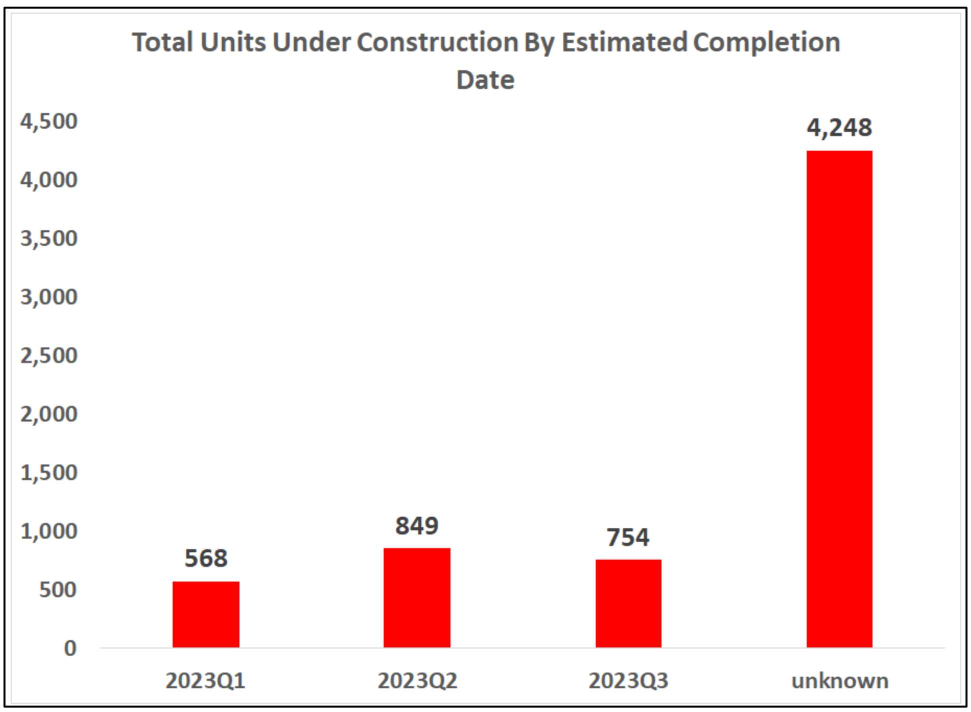
- Currently, 19 apartment projects, totaling 6,419 units, are underway. This represents an increase of 1,633 units from the previous year and a 910 unit increase from the previous quarter.

- Two apartment projects are expected to finish by the end of the first quarter of 2023. These projects will bring in an additional 568 units across the Las Vegas metropolitan area.

- 89113, with three projects underway, has the most projects underway of any zip code in the Las Vegas metropolitan area. These three projects will bring in an additional 2,309 units to the Las Vegas Metropolitan area. 89015, 89031, and 89139 zip codes are the only other zip codes with multiple projects under construction.

- Henderson saw a year over year increase in the total number of units under construction for the fourth consecutive quarter. The City of Las Vegas experienced a year over year decrease in apartment construction for the first time in two years.





About: The Lied Center for Real Estate was established in 1989 by the Lee Business School at the University of Nevada, Las Vegas to foster excellence in real estate education and research. Through partnerships with business and community leaders, the Lied Center strives to improve real estate business and effective public-policy practices in Nevada. The center produces relevant and timely real estate research, supports educational programs in commercial real estate for students and professionals, and provides community outreach and continuing education.

Shawn J. McCoy, Ph.D.
Director & Associate Professor of Real Estate and Economics
email: Shawn.McCoy@unlv.edu
m: 702-738-5143
https://liedcenter.unlv.edu/about/shawn-mccoy/

Peter Counts
Senior Data Analyst
Email: Peter.Counts@unlv.edu

Lied Center for Real Estate

UNLV | LEE BUSINESS SCHOOL

AACSB ACCREDITED

---

[i] Albuquerque, Atlanta, Austin, Baltimore, Birmingham, Boston, Buffalo, Central New Jersey, Charleston, Charlotte, Chattanooga, Chicago, Cincinnati, Cleveland, Colorado Springs, Columbia, Columbus, Dallas, Dayton, Denver, Detroit, District of Columbia, Fairfield County, Fort Lauderdale, Fort Worth, Greensboro/Winston-Salem, Greenville, Hartford, Houston, Indianapolis, Jacksonville, Kansas City, Knoxville, Las Vegas, Lexington, Little Rock, Long Island, Los Angeles, Louisville, Memphis, Miami, Milwaukee, Minneapolis, Nashville, New Haven, New Orleans, New York, Norfolk/Hampton Roads, Northern New Jersey, Oakland-East Bay, Oklahoma City, Omaha, Orange County, Orlando, Palm Beach, Philadelphia, Phoenix, Pittsburgh, Portland, Providence, Raleigh-Durham, Richmond, Rochester, Sacramento, Salt Lake City, San Antonio, San Bernardino/Riverside, San Diego, San Francisco, San Jose, Seattle, St. Louis, Suburban Maryland, Suburban Virginia, Syracuse, Tacoma, Tampa-St. Petersburg, Tucson, Tulsa, Ventura County, Westchester, Wichita.

[ii] This requires us to restrict attention to apartments observed in the data in both respective time periods (e.g., 2021q4 and 2022q4).