Kidder Mathews

MARKET TRENDS | RENO

MULTIFAMILY

4TH QUARTER
2021

▲ VACANCY | ▲ RENTAL RATE | ▼ ABSORPTION | ▼ CONSTRUCTION DELIVERIES

Year-over-year change

The northern Nevada apartment market remains strong even though the full impact of the Covid-19 Pandemic has yet to be realized.

After the Supreme Court ruling that invalidated the eviction moratorium, it effectively ended holds for evictions in the State of Nevada due to Covid-19, which in turn lifted up a huge weight for apartment owners. The multifamily space witnessed an unprecedented rise in deal flow in 2021 with sales eclipsing $647,632,424 with 79 properties trading. As we emerged from the Covid-19 shutdown, deal flow was like a torrent: lenders came to the back table in earnest with favorable loan terms, investors with capital to deploy, it was like the pandemic never even happened.

Notwithstanding, apartment owners faced the very real threat for an increase in capital gains. The White House called for a 39.6% top federal tax rate on long-term capital gains and dividends – nearly double the current 20%. This led to apartment owners considering the prospect of selling by year end. We will wait to see what happens in 2022 but so far, the Build Back Better initiative remains dead in the United States Senate and with that, changes to capital gains.

The apartment market continues to have a surge in demand, largely due to a housing shortage coupled with fewer construction deliverables. Anecdotally, projects under construction in Q4 2020 topped 5,340 units compared to only 4,068 units in Q4 2021, a 24% decline. Johnson Perkins Griffin indicated that due to the eviction moratoriums being lifted, it's likely that vacancy rates will begin to increase. Rents decreased from $1,632 to $1,616 (-$16 or -0.98%) and vacancy increased from 2.35% to 3.18% (+83 basis points). Not surprising given the affordability gap especially among Class A properties. Concessions are also up nearly 20% from 8.91% (Q3 2021) of total properties. JPG went on to state that "we had fewer overall responses on Covid-19 delinquency this quarter (26 properties). In spite of this, demand for multifamily product in 2021 was exceptionally strong and all early indicators show that demand will be equally strong in 2022.

2021 was a banner year for multifamily transactions which is why it remains the darling of the industry. With rent stabilization, cap rate compression, a robust economy and strong market fundamentals, the multifamily sector will continue to outpace other markets of similar size.

Market Breakdown

	4Q 2021	3Q 2021	4Q 2020	Annual % Change
New Construction	549	931	648	-15.28%
Under Construction	4,068	4,617	5,340	-23.82%
Vacancy Rate	3.18%	2.35%	2.82%	12.77%
Average Asking Rents	$1,616	$1,632	$1,424	13.48%
Average Price / Unit	$207,000	$208,224	$204,171	1.39%
Cap Rates	5.0%	5.5%	5.5%	-9.09%
Net Absorption	69	423	415	-83.37%

Average MonthlyRent

Unit Size	4Q 2021	3Q 2021	4Q 2020
Studio	$1,058	$1,102	$927
1 Bedroom	$1,436	$1,454	$1,279
2 Bedroom	$1,634	$1,633	$1,433
3 Bedroom	$2,151	$2,189	$1,887

SUBMARKET STATISTICS

Submarket	Total Units	4Q 2021 Vacancy Rate	3Q 2021 Vacancy Rate	4Q 2021 Avg Rental Rate	3Q 2021 Avg Rental Rate
Downtown	4,234	4.77%	2.30%	$1,657	$1,642
Airport	8,500	1.79%	4.11%	$1,517	$1,379
Close-In Southwest	4,398	3.40%	1.20%	$1,221	$1,232
Southwest Reno	1,872	4.87%	3.67%	$1,678	$1,657
Northwest Reno	7,674	2.74%	1.87%	$1,661	$1,653
Northeast Reno	3,068	1.96%	0.45%	$1,432	$1,439
Southeast Reno	5,015	2.39%	1.43%	$1,708	$1,723
West Sparks/North Valley	9,474	3.29%	3.73%	$1,435	$1,435
East Sparks	6,561	3.69%	3.19%	$1,791	$1,864
Reno-Sparks Total Market	**50,796**	**3.18%**	**2.35%**	**$1,616**	**$1,632**

SIGNIFICANT SALE TRANSACTIONS

Property	Submarket	# of Units	Sale Price	Price/Unit	Buyer	Seller
Lumina	East Sparks	330	$100,000,000	$303,030	Northland Investment Corp	Sunroad Holding Corp
ParQ Crossing	West Sparks/North Valleys	288	$82,000,000	$284,722	MG Properties Group	Guardian Capital
Northtowne Summit	Northeast Reno	220	$66,000,000	$300,000	Kennedy-Wilson Properties	Seagate Properties
Redfield Ridge	Southwest Reno	300	$64,250,000	$214,167	Fenway Capital Advisors	Gaston & Wilkerson
Sundance West	Southwest Reno	350	$60,000,000	$171,429	Priderock Capital Partners, LLC	Haley Associates, LP

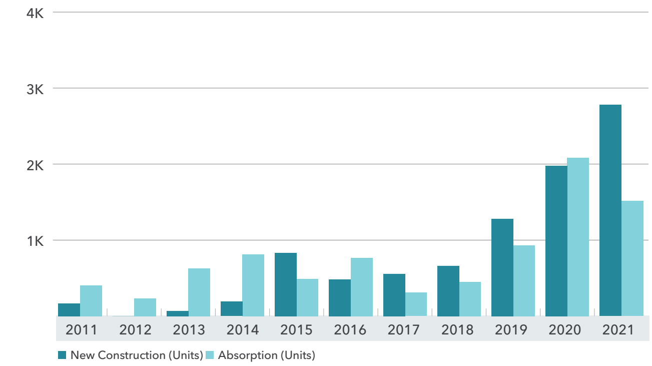
SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	# of Units	Landlord	Expected Delivery Date
The Lakes at Lemmon Valley	7711 Sky Vista Pkwy	West Sparks/North Valleys	768	Bluth Development	2Q 2022
Reno City Center	219 N Center St	Downtown	530	CAI Investments, LLC	1Q 2022
Double R Apartments	9200 Double R Blvd	Southeast Reno	440	Oakmont Properties	1Q 2022
Basecamp at RED	2100 Basecamp Way	Southwest Reno	340	Lyon Management Group	1Q 2022
The Halcyon @ Reno	7900 S Virginia St	Southeast Reno	330	Syufy Enterprises, Ltd	3Q 2022

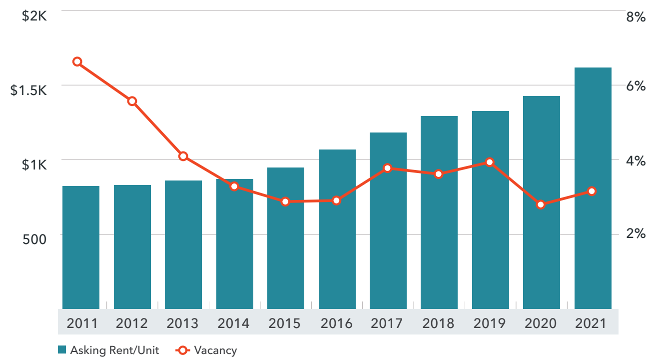
RECENT COMPLETIONS

Property	Address	Submarket	# of Units	Owner	Delivery Date
North Peak	8001 Military Rd	West Sparks/North Valleys	352	ERGS	3Q 2021
Deco, The	955 Avenue of the Oaks	West Sparks/North Valleys	209	Silverwing Development	3Q 2021
Park Place Reno	1651 North Virginia St	Northeast Reno	267	Park7 Group	4Q 2021
Emory at RED	2020 Red Dr	Southwest Reno	282	Lyon Living	4Q 2021
Azure	550 Marina Gateway Dr	East Sparks	308	Oakmont Properties	2Q 2021

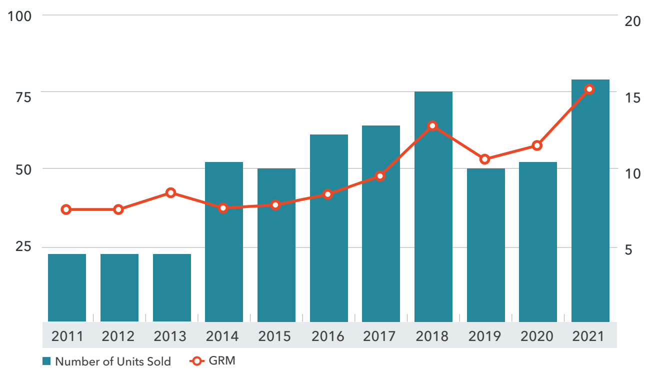
NEW CONSTRUCTION & ABSORPTION



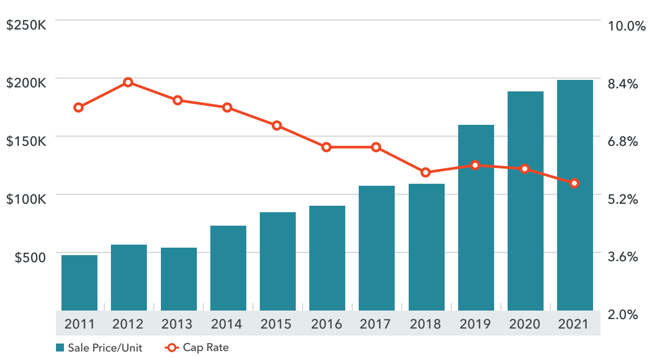
AVERAGE ASKING RENT/UNIT & VACANCY RATE



NUMBER OF UNITS SOLD & GRM



AVERAGE SALE PRICE/UNIT & CAP RATES



DATA SOURCE: COSTAR, YARDI MATRIX AND JOHNSON PERKINS GRIFFIN

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COMMERCIAL BROKERAGE

49.7M ANNUAL SALES SF

43.7M ANNUAL LEASING SF

460+ NO. OF BROKERS

$10.7B ANNUAL TRANSACTION VOLUME

VALUATION ADVISORY

2,600+ APPRAISALS ANNUALLY

51/24 TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

64M MANAGEMENT PORTFOLIO SF

$11B IN ASSETS UNDER MANAGEMENT

The information in this report was composed by the Kidder Mathews Research Group.

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