

## **LV apartment rents remain flat Concessions, home rental competition help curb growth**

By HUBBLE SMITH  
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Average apartment rent has remained relatively flat in Las Vegas with occupancy down slightly from a year ago, Las Vegas-based Applied Analysis research firm reported.

The \$889 average monthly rent in the second quarter is up just \$9, or 1 percent, from the year-ago period and up \$1 from the previous quarter. It's the lowest rent growth since first quarter 2004

Occupancy rate rose 0.2 percentage points from the first quarter to 92.9 percent, down from 93.7 percent in the same quarter a year ago.

"We're intrigued by the upward movement in occupancies, yet average asking rents have failed to rise materially," Applied Analysis principal Brian Gordon said.

The highest rents were in the southwest valley at \$1,016 a month, with the lowest rents in the northeast at \$763 a month.

Landlord concessions and competition from single-family home rentals put downward pressure on "effective" rents, or the actual amount of rent collected on a unit during the year, Gordon said.

These fundamentals are expected to continue throughout the second half of the year, he said.

Things could begin to turn around in 2009, Gordon added.

While median home prices in Las Vegas continue to erode, the market is showing signs that the bottom may be near, he said. Anecdotal reports have emerged of bank-owned properties receiving multiple bids, delivery of new-home inventory remains below average and contracts for existing-home sales are up.

CB Richard Ellis brokerage firm reported 8.24 percent vacancy in June for 100,191 apartment units surveyed. Vacancy was highest in ZIP code 89145 (21.64 percent) and lowest in 89113 (1.13 percent).

The "shadow" market, or rental housing other than apartments, is losing momentum and driving more people into apartments, Chris Bentley of The Bentley Group said.

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Renters who bear the risk of being evicted from homes in foreclosure are seeking more secure housing, he said. Apartments are generally considered "foreclosure-proof" because the bank still needs the tenant to occupy the apartment, even in foreclosure.

Job growth, a key indicator for rental demand, has turned negative. Las Vegas lost 4,700 jobs in the second quarter, bringing total employment down 0.5 percent from a year ago.

Despite the lack of jobs, Las Vegas is still attracting more than 5,000 new residents a month, many of whom lost their jobs in other parts of the country, Bentley said.

Concessions are predominant in the market, but are expected to dissipate in 2009, which will be a year of "stabilization," he predicted.

Employment is forecast to pick up in 2009 with the opening of large-scale projects such as Wynn Encore, M Resort and Aliante Station. Even with Boyd Group's Echelon delayed until 2011, the apartment market will enter one of its strongest sustained cycles, Bentley said.

Gordon said improvements in the overall employment market will generate demand for housing. Combined with a limited number of apartment deliveries, the apartment market points toward improving conditions, he said.

Contact reporter Hubble Smith at [hsmith@reviewjournal.com](mailto:hsmith@reviewjournal.com) or 702-383-0491



Sonata apartments at the corner of Craig and Lamb being built by Alliance Residential are seen Tuesday.  
Photo by Duane Prokop/Review-Journal