

Las Vegas Sun

# In Business LAS VEGAS

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Real Estate column:

## Outlook bright for Las Vegas apartments, national firm says

By [Buck Wargo](#) ([contact](#))

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A national research firm is bullish on the recovery of Las Vegas' economy and suggests that will help the region's apartment market.

California-based Marcus & Millichap said the gradual recovery of the gaming industry will lower vacancy rates and increase rents in 2011.

The firm says Las Vegas employers should add about 14,000 workers, a 2 percent increase. Visitors should increase by 2 percent this year, improving the gaming and hospitality industries that drive apartment operations, said Hessam Nadji, managing director.

Las Vegas remains No. 43 in the nation when it comes to apartments, unchanged from 2010 because of the city's high vacancy rate and modest rent-growth forecasts.

Nadji said the vacancy rate will fall nearly 1 percentage point to 9.1 percent after falling more than 1 percentage point in 2010.

Apartment owners will ask for rental increases of 0.5 percent to \$808, the first increase in three years. Concessions will be reduced so tenants should expect to pay 1 percent more, or \$756 a month, he said.

But not everyone shares his optimistic view.

Apartment rents in Las Vegas have stabilized with the occupancy rate, but prices will decline as long as the economy is sluggish, according to a report released by a research firm.

Applied Analysis reported average rents fell from \$760 in the third quarter to \$756 by the end of the year, marking a 1.8 percent decline from the fourth quarter of 2009 when the average rent was \$770. That decline is the smallest in two years and much less than the 13 percent drop from the fourth quarter of 2008 to the fourth quarter of 2009, the firm reported.

The average rent requested by landlords was 84 cents per square foot in the fourth quarter, the same as the third quarter.

With the unemployment rate at 14.9 percent in December and home prices further eroding, apartments are being forced to remain competitively priced, the firm reported.

"Pricing pressure will persist as banks control several thousand homes not yet listed for sale, residential foreclosure activity remains significant and distressed apartment sales transactions occur at discounted price points," the report said.

The occupancy rate was 91.6 percent in the fourth quarter, down from 91.9 percent in the third quarter. It stood at 90.1 percent in the fourth quarter of 2009.

The highest rents were an average of \$906 a month in the southwest valley. The northeast valley had the lowest monthly rents at \$628, falling 5 percent in the past year.

The southwest valley had the highest occupancy at 94.2 percent, while the north valley had an 88.5 percent occupancy rate.

#### Cushman & Wakefield outlook

The Las Vegas office market is becoming more stable, and a recovery has started, the firm contends. The vacancy rate fell from 23.18 percent in the third quarter to 23.08 percent by the end of the year.

“We are optimistic that the bottom is near,” the firm noted. “Vacancy isn’t rising, and lease rates aren’t falling as fast or as far as we were witnessing.”

It expects growth in health care, energy and clean technology companies that need space, it said.

Seven out of nine submarkets the firm measures showed increases in requested rent. The highest increases were in the northwest and southeast valley, while downtown Las Vegas and the area surrounding McCarran International Airport had decreases.

In the medical-office market, the vacancy rate jumped from 15.6 percent in the third quarter to 17.3 percent in the fourth quarter, but Cushman & Wakefield expects that number to drop in the next one to two years because more people will be covered by health insurance.

What may hold the market back is the slowdown in homebuilding that lessens the demand for medical-office space in suburban areas. Medical-office buildings also cost 20 percent more than standard commercial space.

The firm said one trend to look for is turning vacant retail space into medical use. Retail locations offer parking, visibility and signage, and shopping centers have more affordable rates.

“If this trend of using retail space as medical does catch on, the Las Vegas market may not see any new medical construction for many years,” the firm said.

#### In other news

- Western National Property Management has opened an office in Las Vegas and secured six third-party management contracts for apartment communities with a combined 1,400 units, the firm announced. They are Inspirado Apartments, 6885 W. Lone Mountain Road; Ritz Apartments, 4250 S. Jones Blvd.; Sagebrook Apartments, 4600 Vegas Drive; Shadow Ridge Apartments, 3200 Arville St.; Silver Shadow Apartments, 8301 W. Charleston Blvd.; and Sunrise Spring Apartments, 4455 E. Twain Ave.
- Post Business Park on Post Road west of Jones Boulevard has sold out one year ahead of schedule, Colliers International Las Vegas reported. Nine transactions totaling \$4.5 million were completed in six months. The average lease price was 40 cents per square foot (NNN) and the average sales price was \$78 per square foot.

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