

NEVADA'S HOUSING MARKET

INDUSTRY TRENDS AND IMPACTS

APPLIED
ANALYSIS



January 31, 2021

Mr. Greg Peek
President
Nevada Home Builders Association
5484 Reno Corporate Dr.
Reno, NV 89511

RE: Nevada's Housing Market | Industry Trends and Impacts

Dear Mr. Peek:

In accordance with your request, Applied Analysis ("AA") is pleased to submit this report titled *Nevada's Housing Market | Industry Trends and Impacts*. AA was retained to review and analyze the Nevada housing market, including trends in supply-demand factors and the industry's overall impacts. This summary report outlines the salient findings and conclusions of our review and analysis.

This report was designed by AA in response to your request. However, we make no representations as to the adequacy of these procedures for all your purposes. Generally speaking, our findings and estimates are as of December 2020 and utilize the most recent data available. The information provided in this summary, and the conclusions reached herein, are based on the findings of our research and our knowledge of the market as of the date of this report. Our report contains economic, development and other predominant market data. This information was collected from our internal databases and various third parties, including other public data providers. The data were assembled by AA. While we have no reason to doubt its accuracy, the information collected was not subjected to any auditing or review procedures by AA; therefore, we can offer no representations or assurances as to its completeness.

This report is an executive summary. It is intended to provide an overview of the analyses conducted and a summary of our salient findings. AA will retain additional working papers relevant to this study. If you reproduce this report, it must be done so in its entirety. We welcome the opportunity to discuss this report with you at any time. Should you have any questions, please contact Jeremy Aguero or Brian Gordon at (702) 967-3333.

Sincerely,


Applied Analysis

Executive Summary

Page 3



Economic Impacts

Quantifying the jobs, wages and economic activity

Page 9



Economic Fundamentals

Key drivers of the local housing market

Page 20



Resale Home Market

Supply-demand dynamics for resale homes

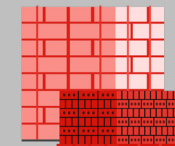
Page 38



New Home Market

Supply-demand dynamics for new homes

Page 58



Cost of Residential Development

Elevated costs of new home construction

Page 73



Housing Affordability in Nevada







Incomes relative to home prices

Page 87

Executive Summary

State of the Economy and Industry Trends

Despite the economic effects stemming from the COVID-19 health crisis and the related response, the residential construction sector and overall housing market in Nevada continued to press forward with impressive gains during 2020. Nevada's tourism-dependent economy was the hardest hit in the nation in April 2020 when the state lost over 275,000 jobs compared to the prior year. At the same time, the state-wide unemployment rate reached 30.1 percent, which was the highest rate reported by any state in the nation in modern history. Importantly, the population continued to rise, and demand for housing prevailed in spite of the underlying economic conditions. The residential market remained one of the few bright spots in an economic environment that was otherwise struggling. While the economy continues to heal, total job counts lag by nearly 100,000 from where they stood pre-pandemic and unprecedented levels of stimulus continue to prop up the state's economy. These remain concerns heading into 2021.

 Population	 Employment	 Income	 New Home Prices	 Resale Prices	 Sales Volumes
During fiscal year 2020, Nevada's population grew by 1.5 percent, ranking it the third-fastest growing state in the nation. Real-time indicators suggest the population is continuing to expand at a robust pace through December 2020.	Nevada's job market continues to be impacted by weakness in the leisure and hospitality sector, particularly in the southern region. Other sectors, such as professional services, continue to lag in the recovery process.	The economic downturn negatively impacted aggregated salaries and wages, but stimulus funding more than offset the wage loss (e.g., economic impact payments and supplemental unemployment payments).	New home construction prices (psf) continue to rise as a result of continued demand and elevated costs of overall development. Builders continue to deploy efficient designs and smaller units in an effort to moderate absolute home prices.	The resale side of the market has also been impacted by strong demand, but low inventory levels and interest rates have also contributed to the increasing price points across the board. Near-term expectations remain consistent.	Sales volumes were mixed during 2020. Southern Nevada saw its resale counts dip, while Northern Nevada experienced a modest increase in new and resale segments. Any signs of weakness were largely due to COVID-19 and limited availability.
Economic Fundamentals			Housing Performance Metrics		

Executive Summary

The Economic Impact of the Residential Construction Industry

During 2020, the homebuilding industry remained a critical element of the state's economy. Throughout the economic downturn, the residential construction sector continued to make investments in personnel to meet the Silver State's growing demand. The industry directly employed 50,700 workers that earn, on average, in excess of \$68,000 annually, which reflects a 46 percent premium relative to the broader average private sector wages in Nevada (i.e., \$47,000 according to data from the Bureau of Labor Statistics). The overall construction industry is the sixth largest portion of Nevada's economy and is directly responsible for roughly 6.5 percent of the state's private sector gross domestic product (net economic activity).



Employment (Jobs) 75,600

Nevada's residential construction industry directly supports 50,700 workers annually. Including the indirect and induced impacts, the industry supports approximately 75,600 local workers. Stated otherwise, for every 1.0 direct job in the construction industry, a total of 1.5 jobs are created throughout the state's economy.



Wages and Salaries \$4.7 Billion

The home building industry accounts for approximately \$3.4 billion annually in direct wages and salaries in Nevada. Once the indirect (\$440 million) and induced (\$830 million) impacts of the industry are considered, personal incomes for Nevada families tied to the residential construction industry total \$4.7 billion annually.



Economic Output \$10.1 Billion

Nevada's residential construction sector is estimated to support approximately \$5.8 billion in direct economic output annually. The ripple effect of the activity is significant. When the indirect and induced impacts of the industry are considered, total impacts reach \$10.1 billion annually. For every dollar of direct activity, a total of \$1.70 is generated in the Nevada economy.

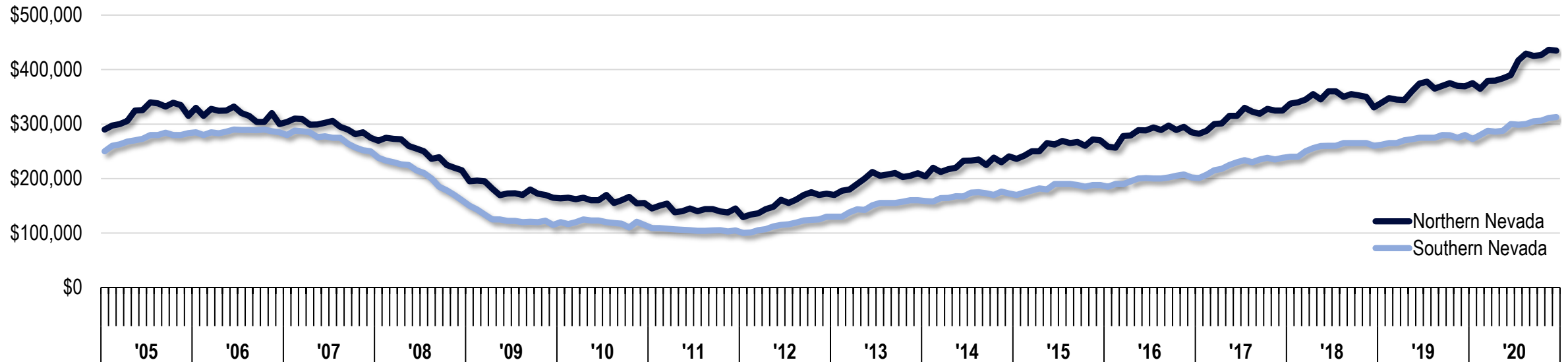
Executive Summary

Resale Market Trends

The resale segment of the Nevada housing market was marked by rising prices, low inventory and relatively strong demand. The market's upward trajectory was primarily fueled by historically low interest rates, which increased overall consumer buying power. Other factors impacting demand was the continued migration of population into Nevada, with the largest segment of in-migration originating from the state to the west. Californians tend to bring wealth, and at the same time, they are typically accustomed to a much higher cost of living – including their housing accommodations. Lifestyle choices also played a role as buyers tended to acquire larger and more modern homes to meet their 2020 needs. Residents are spending more time at home as a result of the ongoing COVID-19 crisis, and many are opting for larger spaces. Additionally, limited availability within the resale market pressed many buyers to move forward with full-price offers to ensure they didn't miss out on an opportunity given the frenzied pace of sales and multiple-offer situations. These dynamics are not expected to remain sustainable over the long-run, although more of the same is expected in the early stages of 2021.

Median Resale Price Trends

All Product Types



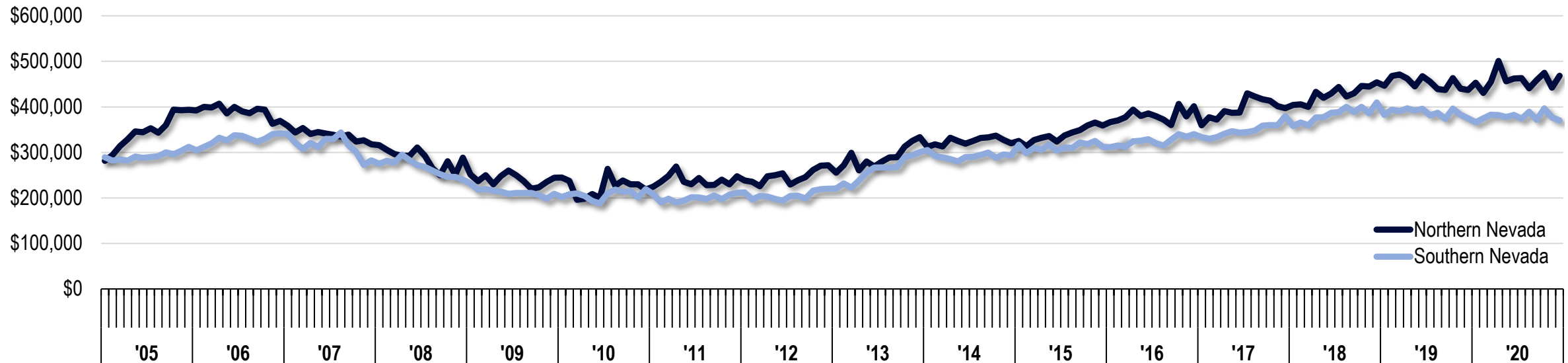
Executive Summary

New Home Market Trends

Despite the ongoing recession, the new home construction market continues to experience elevated costs for land, labor and materials costs. At the same time, sales volumes and median sale prices remain roughly on par with a year ago. A key component of the cost structure of a house includes the underlying real property. Land values have escalated in recent years and remain elevated today. For example, the average price per acre of land sold during 2020 in the southern portion of the state was over \$442,000, representing a nearly 20 percent increase from just five years ago and more than double from a decade ago. The cost of lumber has also been on a dramatic climb. For instance, the NASDAQ lumber futures index has surged 60.7 percent from a year ago. Similarly, the cost of labor continues to rise with the average construction worker earning 4.2 percent more this year than last. Costs of development are ultimately borne by the end-user (i.e., home buyer).

Median New Home Price Trends

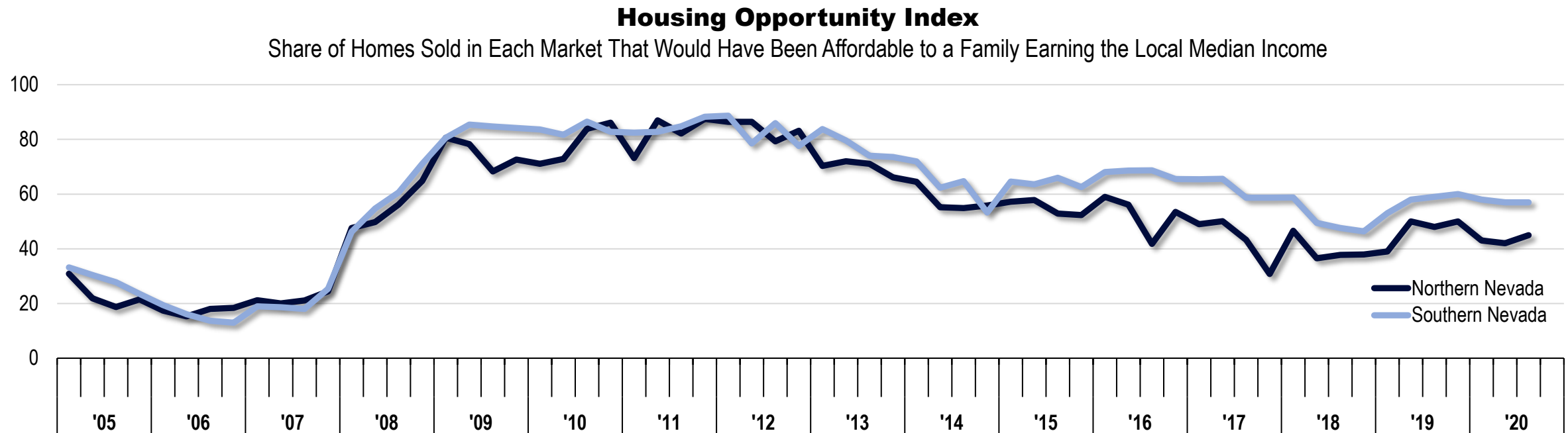
All Product Types



Executive Summary

Housing Affordability

Housing affordability has been an increasing concern throughout the state of Nevada. The two most urbanized areas in the state continue to report home price increases that are outpacing gains in overall incomes. The Housing Opportunity Index, which is essentially a measure of incomes relative to home prices, has experienced downward pressure during the better part of the past decade. The share of homes sold that are affordable to a family earning a median income has declined from the 80 percent range between 2009 and 2013 to values about half of that in recent years. Recently, dramatic declines in mortgage interest rates have helped to stabilize these trends, but it would be difficult to imagine mortgage interest rates declining much more, especially as rate increases are more likely as the economy recovers. By late-2020, only 57 percent of Las Vegas metro area homes sold would have been affordable for the median income family. The results were even lower in the Reno metro area, where 45 percent of homes sold would have been affordable to a median income family.



Executive Summary

Housing Affordability

The National Association of Home Builders (NAHB) prepares an annual report on the impact of raising the median price of a new home by \$1,000. Mortgage underwriting standards, such as household income and the prevailing interest rates, are used as a basis in the analysis to compute the number of households that are effectively priced out of the market (i.e., no longer able to afford the median-priced home) due to price increases. An analysis was requested of NAHB staff utilizing a median new home price of \$387,692, which is the most current measurement of new home prices in Nevada. This figure was calculated by taking a weighted average of median closing prices in Northern Nevada (\$468,000) and Southern Nevada (\$370,000). The first \$1,000 increase prices out a total of 1,499 households. By contrast, a \$20,000 increase prices out 28,978 households. As such, tens of thousands of potential home buyers continue to be priced out of the market based on NAHB's reporting metrics.

Priced Out of the Market

Number of Households Priced Out of the Housing Market in Nevada for Every \$1,000 Price Increase in a Home

Median New Home Price	Price Increase	Households Priced Out
\$387,692	\$0	0
\$388,692	\$1,000	1,499
\$389,692	\$2,000	2,898
\$390,692	\$3,000	4,347
\$391,692	\$4,000	5,796
\$392,692	\$5,000	7,245
\$393,692	\$6,000	8,694
\$394,692	\$7,000	10,143
\$395,692	\$8,000	11,591
\$396,692	\$9,000	13,040
\$397,692	\$10,000	14,489

Median New Home Price	Price Increase	Households Priced Out
-	-	-
\$398,692	\$11,000	15,938
\$399,692	\$12,000	17,387
\$400,692	\$13,000	18,836
\$401,692	\$14,000	20,285
\$402,692	\$15,000	21,734
\$403,692	\$16,000	23,182
\$404,692	\$17,000	24,631
\$405,692	\$18,000	26,080
\$406,692	\$19,000	27,529
\$407,692	\$20,000	28,978

Executive Summary



Economic Impacts

Quantifying the jobs, wages and economic activity



Economic Fundamentals

Key drivers of the local housing market



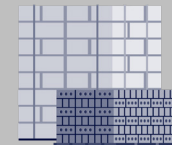
Resale Home Market

Supply-demand dynamics for resale homes



New Home Market

Supply-demand dynamics for new homes



Cost of Residential Development

Elevated costs of new home construction

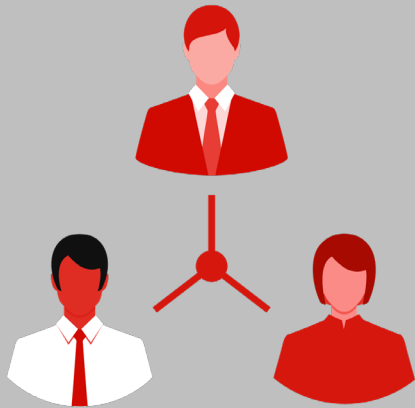


Housing Affordability in Nevada

Incomes relative to home prices

Economic Impact Analysis

Types of Impacts



Employment (Jobs)

Impact on the number of jobs within the local economy



Wages and Salaries

Impact on personal incomes for local residents

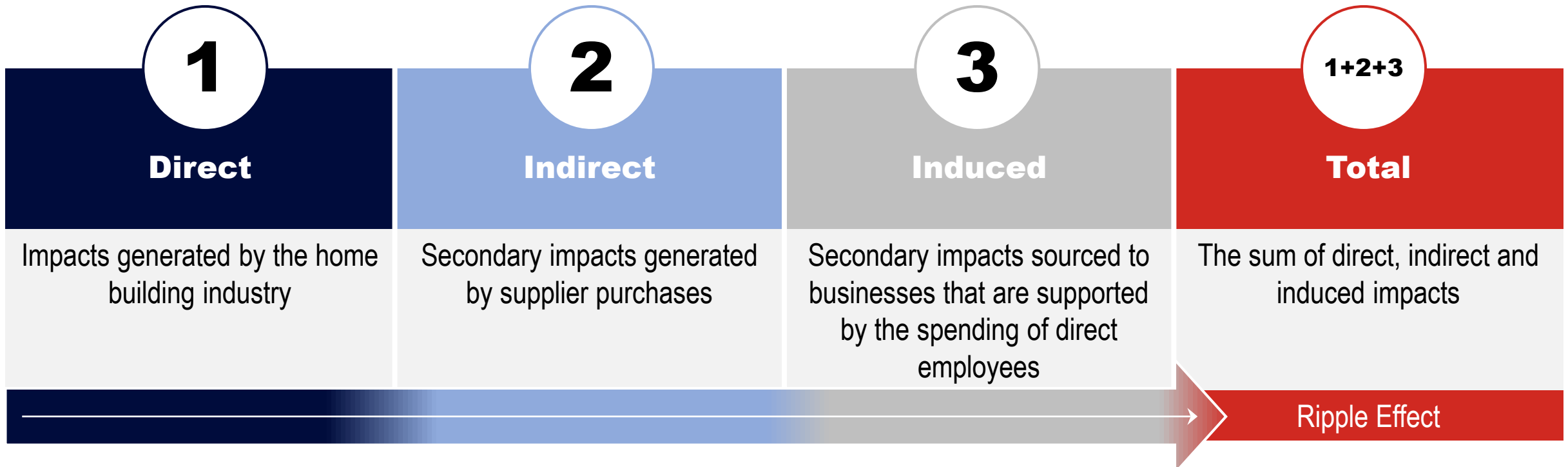


Economic Output

Impact on total spending within the local economy

Economic Impact Analysis

Types of Impacts

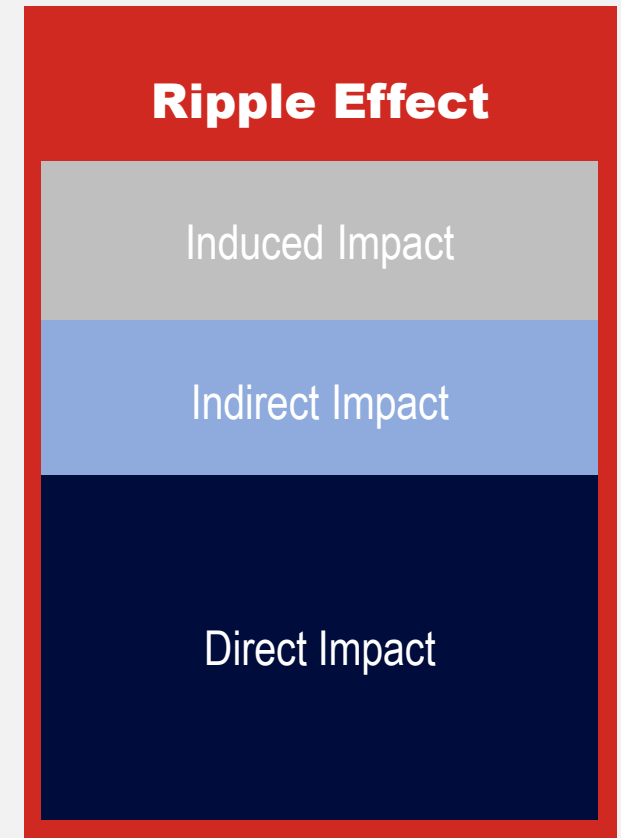


Economic Impact Analysis

Methodology

IMPLAN Model

- One (1) of 3 nationally recognized impact analysis software tools
- Developed by Minnesota IMPLAN Group, Inc. and used by more than 1,000 public and private institutions
- IMPLAN is an input-output model that utilizes complex economic equations to explain how the “outputs” of one industry become the “inputs” of others, and vice versa
- This relationship is sometimes referred to as the “multiplier effect”, illustrating how changes in one sector of the economy can affect other sectors



Economic Impact Analysis

Methodology

Limitations and Assumptions

- Input-output models, as is the case with all econometric models, are not without their limitations; the statistical model used in this analysis, IMPLAN, for example, assumes that capital and labor are used in fixed proportions
- This means that for every job created or lost, a fixed change in investment, income and employment results
- In reality, developers, consumers and governments respond to stimuli in complex ways, including changing the mix of capital or labor as well as the types and frequencies of investment
- Importantly, each impacting force has its own unique characteristics, affecting how consumers and businesses respond to the given change

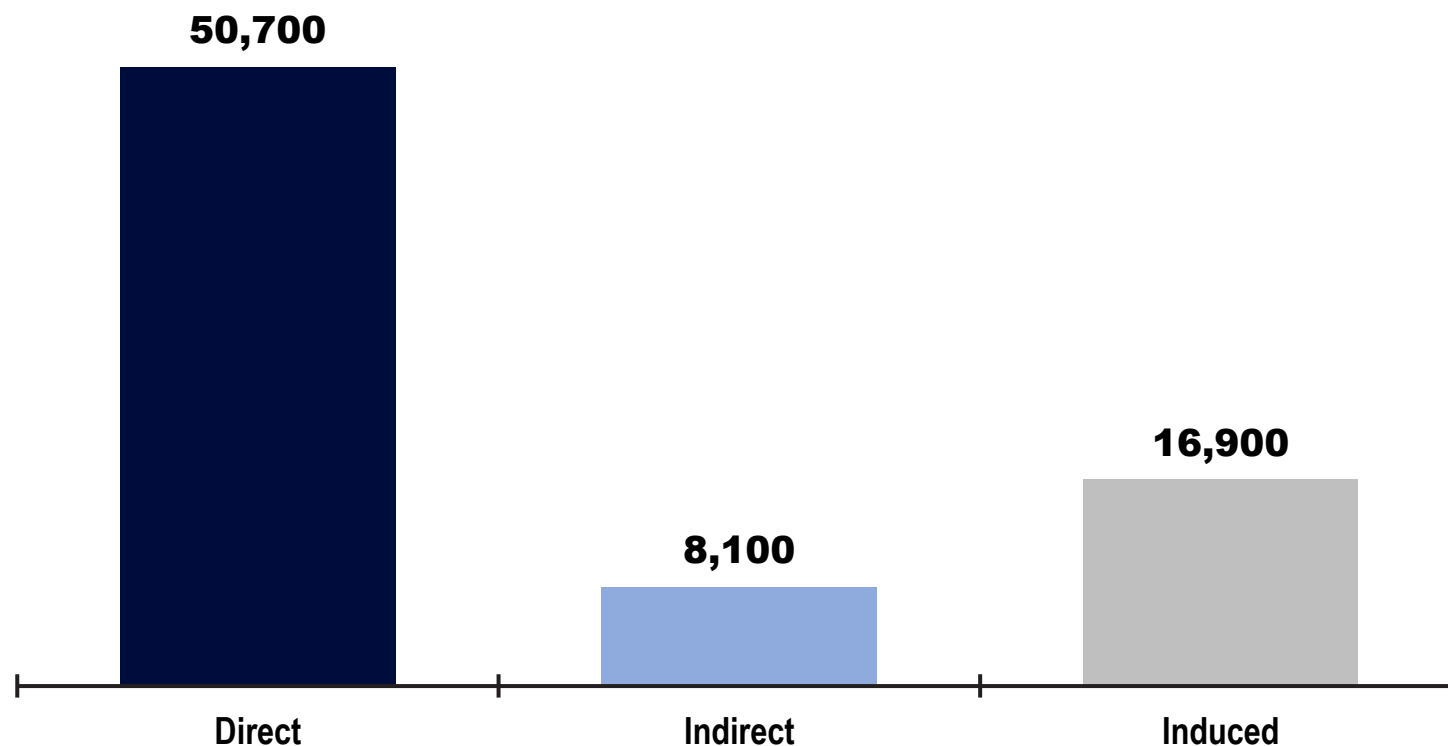
Economic Impact Analysis

Residential Construction Industry Impacts



Employment (Jobs)
75,600

Nevada's residential construction industry directly supports 50,700 workers annually. Including the indirect and induced impacts, the industry supports approximately 75,600 local workers. Stated otherwise, for every 1.0 direct job in the construction industry, a total of 1.5 jobs are created throughout the state's economy.



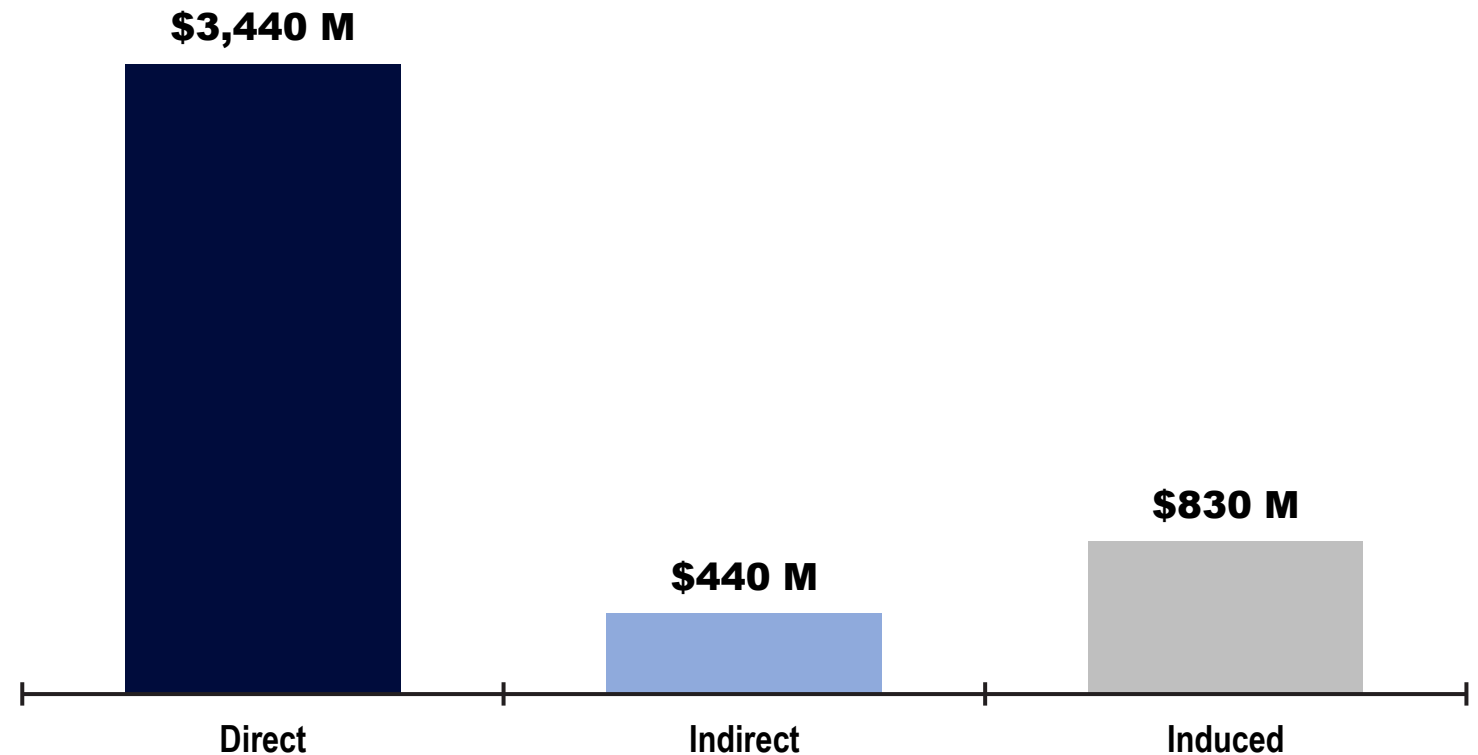
Economic Impact Analysis

Residential Construction Industry Impacts



Wages and Salaries \$4.7 Billion

The home building industry accounts for approximately \$3.4 billion annually in direct wages and salaries in Nevada. Once the indirect (\$440 million) and induced (\$830 million) impacts of the industry are considered, personal incomes for Nevada families tied to the residential construction industry total \$4.7 billion annually.



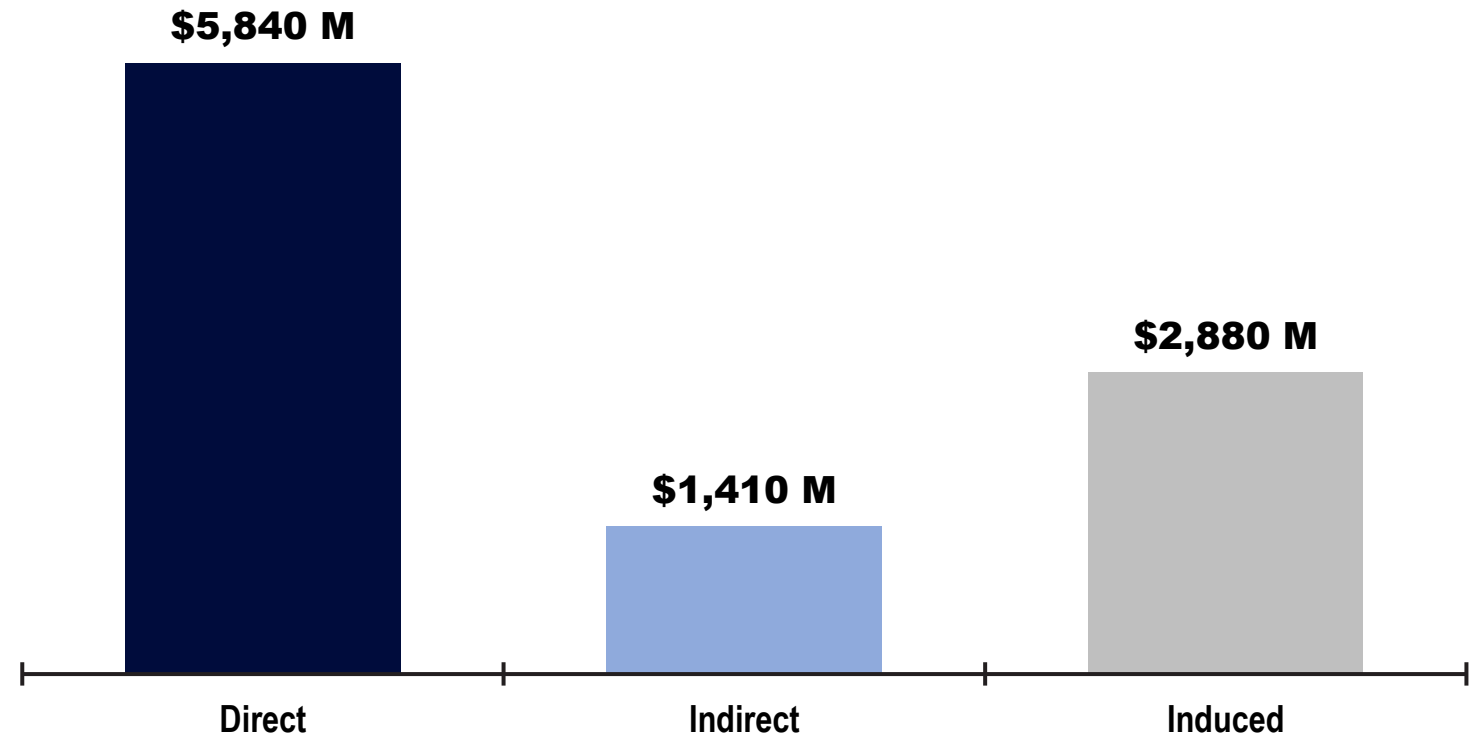
Economic Impact Analysis

Residential Construction Industry Impacts



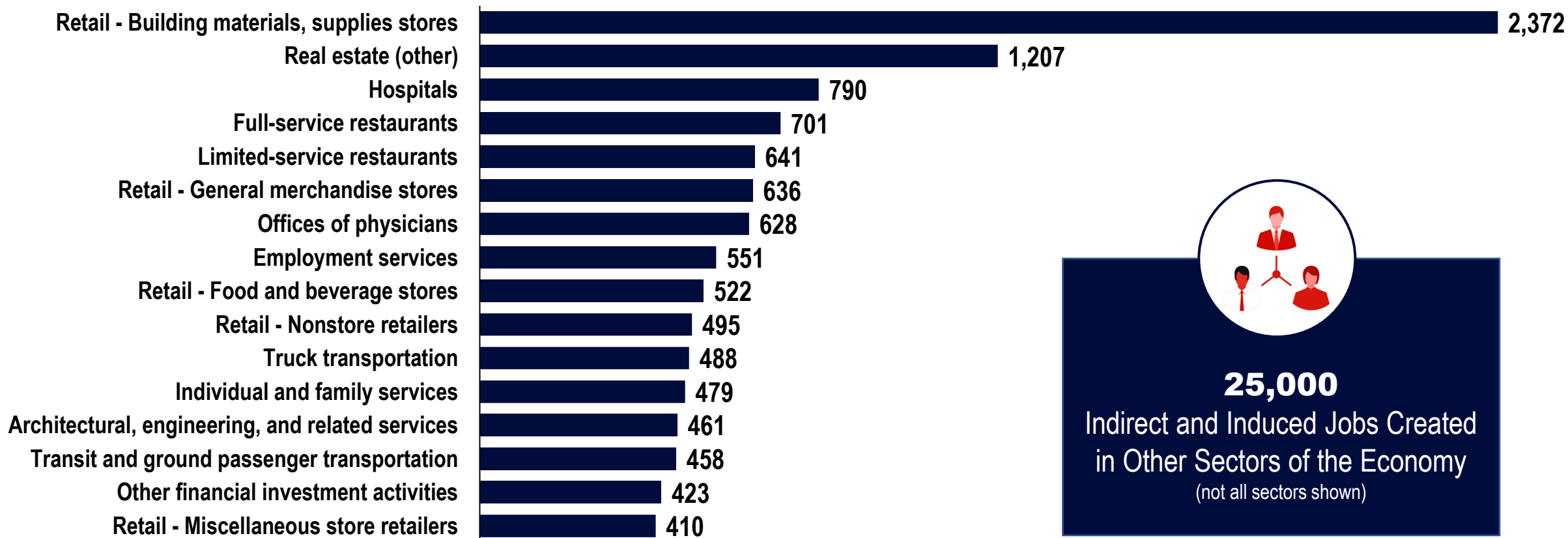
Economic Output
\$10.1 Billion

Nevada's residential construction sector is estimated to directly support approximately \$5.8 billion in economic output annually. The ripple effect of the activity is significant. When the indirect and induced impacts of the industry are considered, total impacts reach \$10.1 billion annually. For every dollar of direct activity, a total of \$1.70 is generated in the local economy.



Employment Ripple Effects by Industry

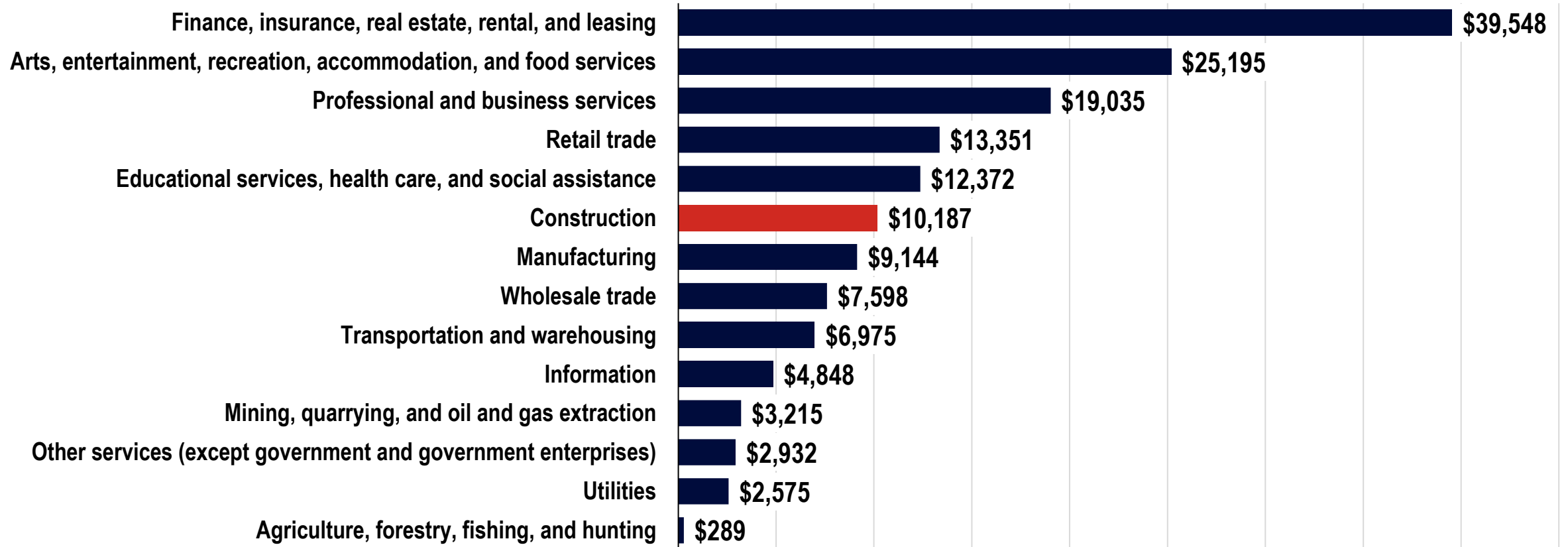
Indirect and Induced Job Impacts (Top Industries)



Source: IMPLAN and Applied Analysis

Relative Size of Construction Industry

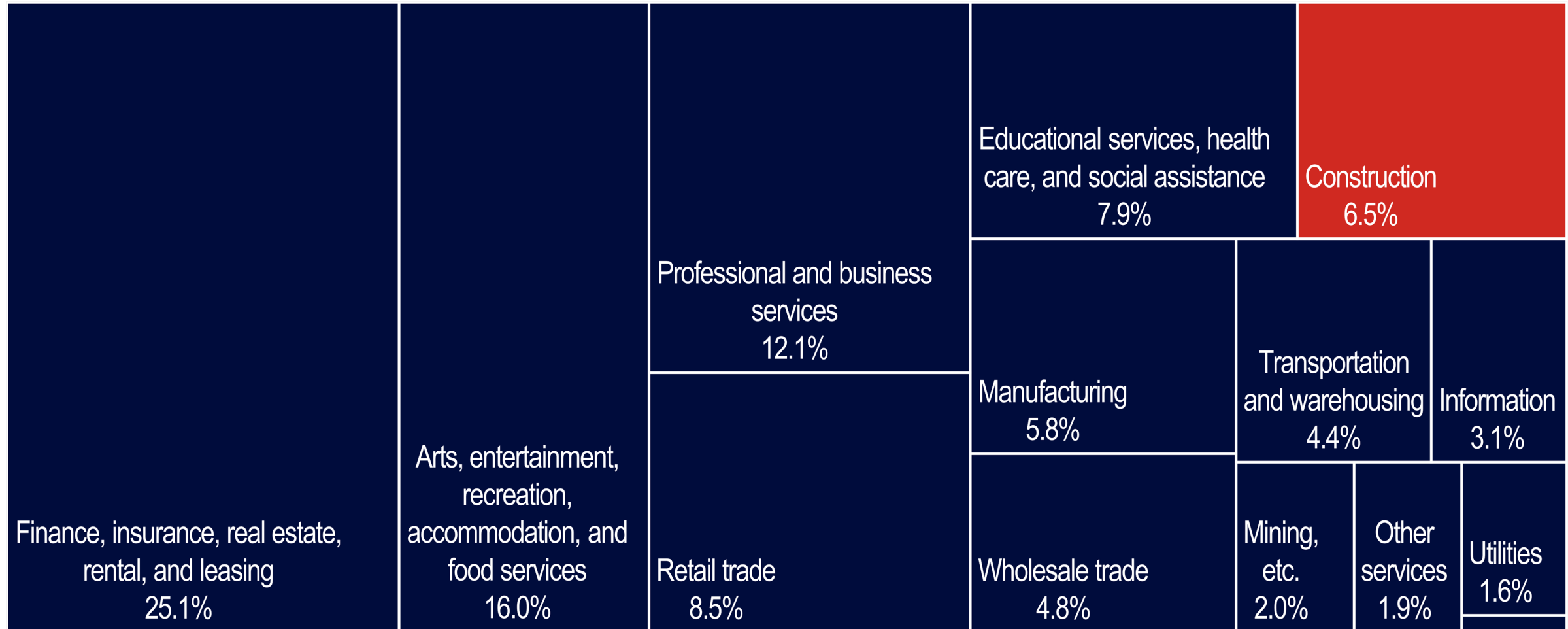
Direct Contribution to Nevada GDP (In Millions)



Source: U.S. Bureau of Economic Analysis, Q3 2020

Relative Size of Construction Industry

Direct Contribution to Nevada GDP (Relative Shares)



Source: U.S. Bureau of Economic Analysis, Q3 2020

Executive Summary



Economic Impacts

Quantifying the jobs, wages and economic activity



Economic Fundamentals

Key drivers of the local housing market



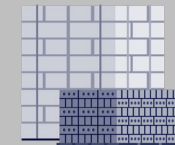
Resale Home Market

Supply-demand dynamics for resale homes



New Home Market

Supply-demand dynamics for new homes



Cost of Residential Development

Elevated costs of new home construction

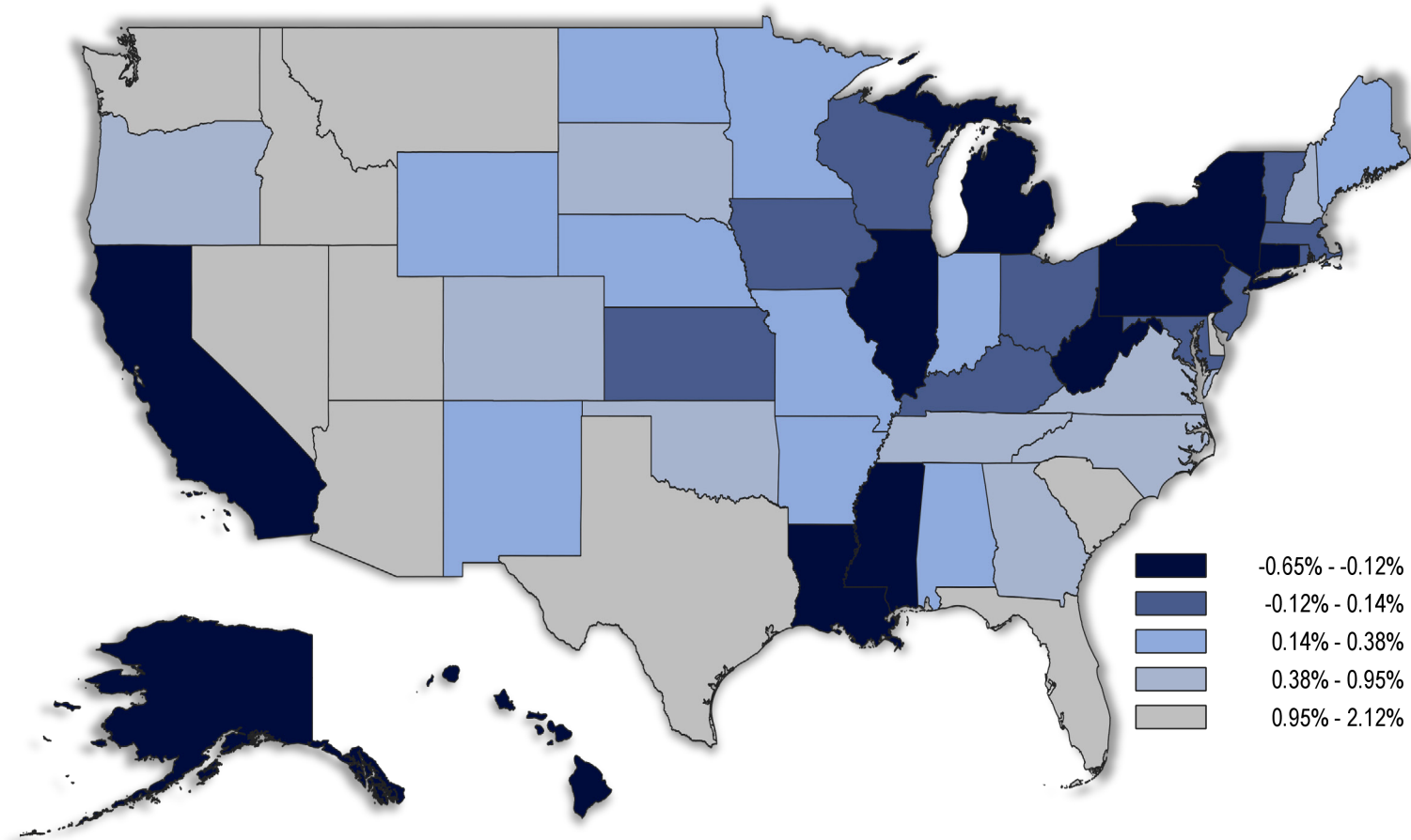


Housing Affordability in Nevada

Incomes relative to home prices

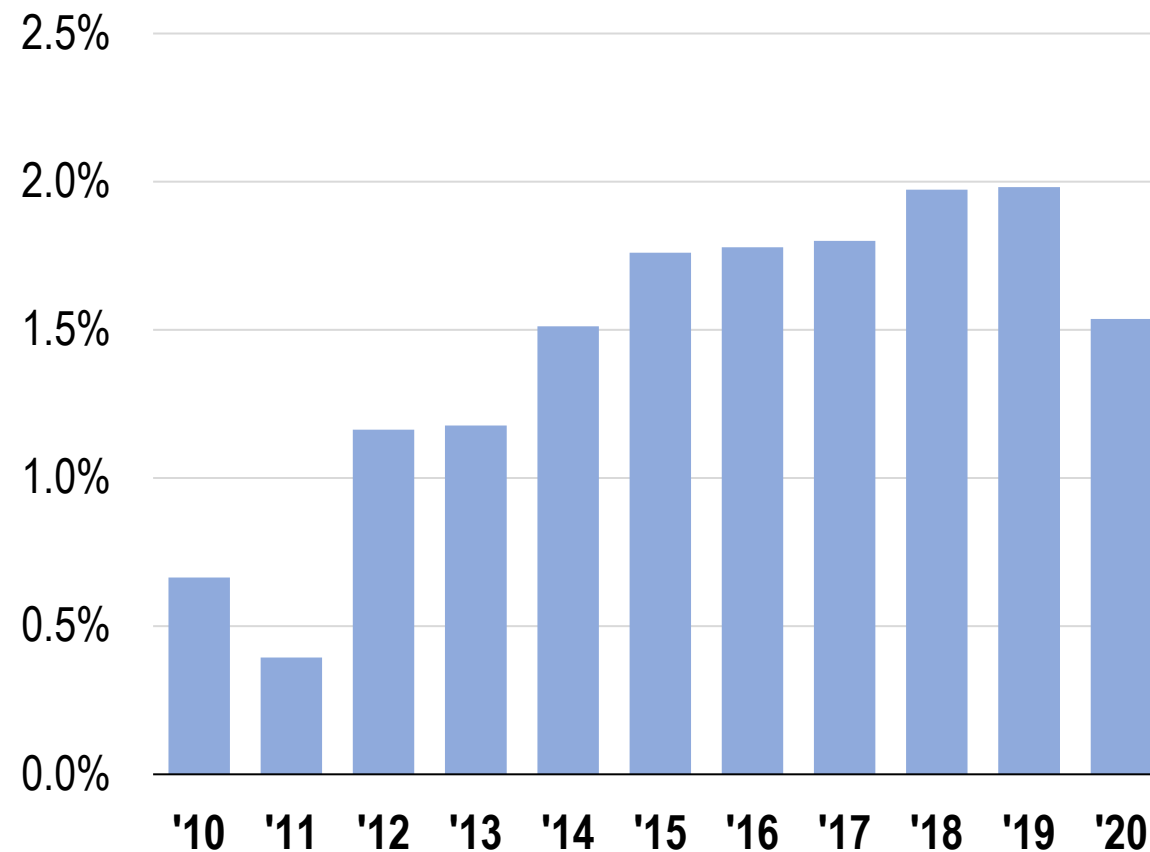
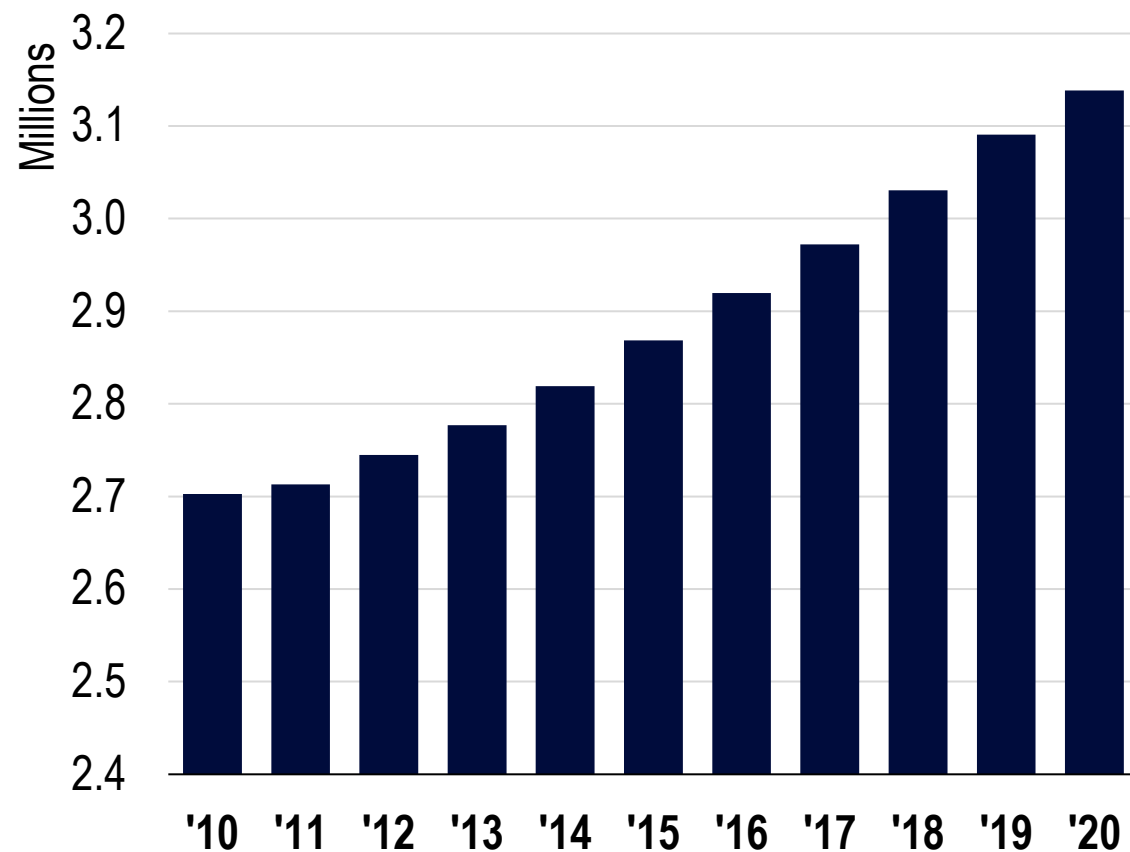
Resident Population Growth 2019 to 2020

Rank	State	Annual Growth
1	Idaho	+2.1%
2	Arizona	+1.8%
3	Nevada	+1.5%
4	Utah	+1.5%
5	Texas	+1.3%
6	South Carolina	+1.2%
7	Florida	+1.1%
8	Washington	+1.0%
9	Delaware	+1.0%
10	Montana	+1.0%
U.S. Average		+0.4%



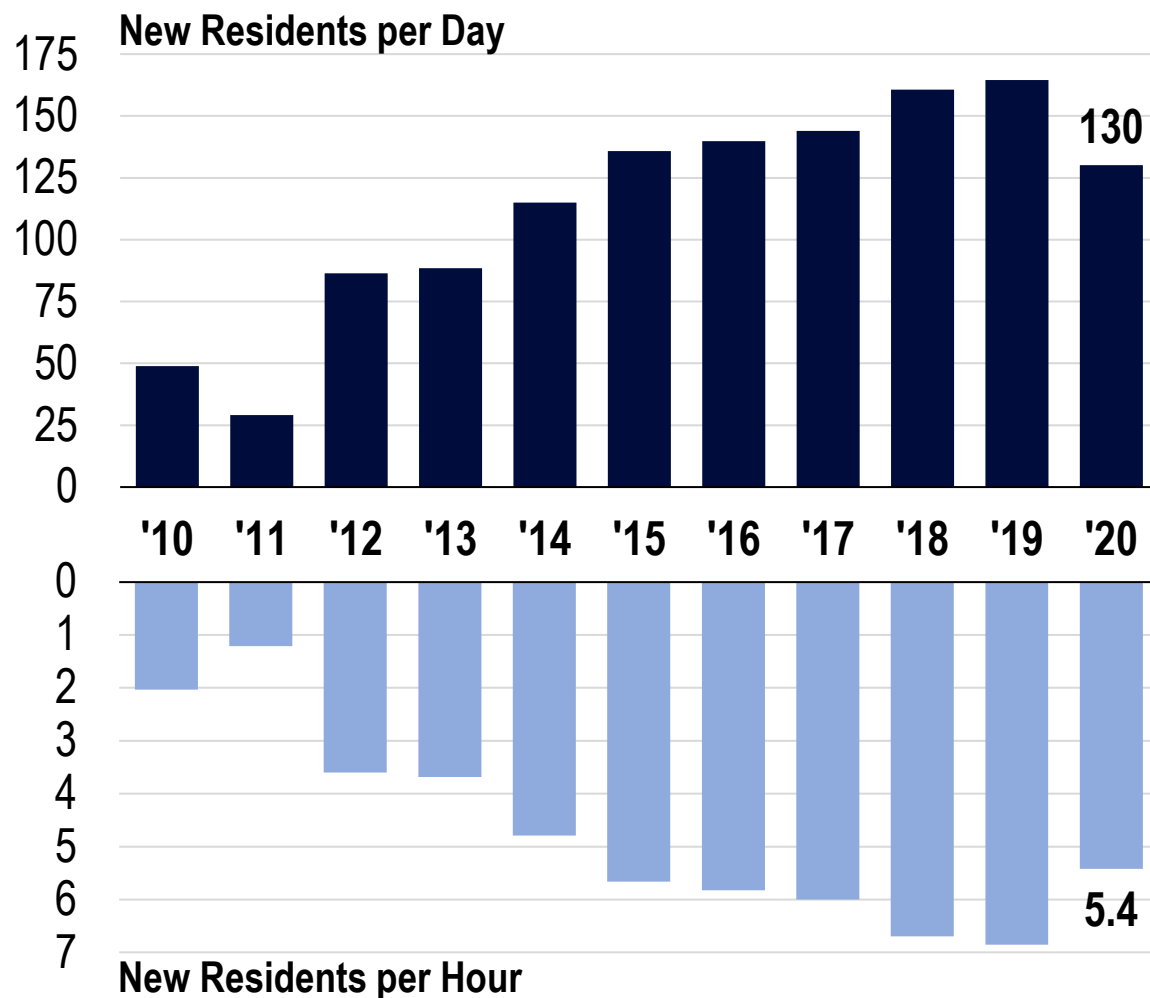
Source: U.S. Census Bureau

Nevada Population and Growth



Source: U.S. Census Bureau

Nevada Population Growth Metrics in 2020



+1.5%

Annual Growth
Rate (Net)

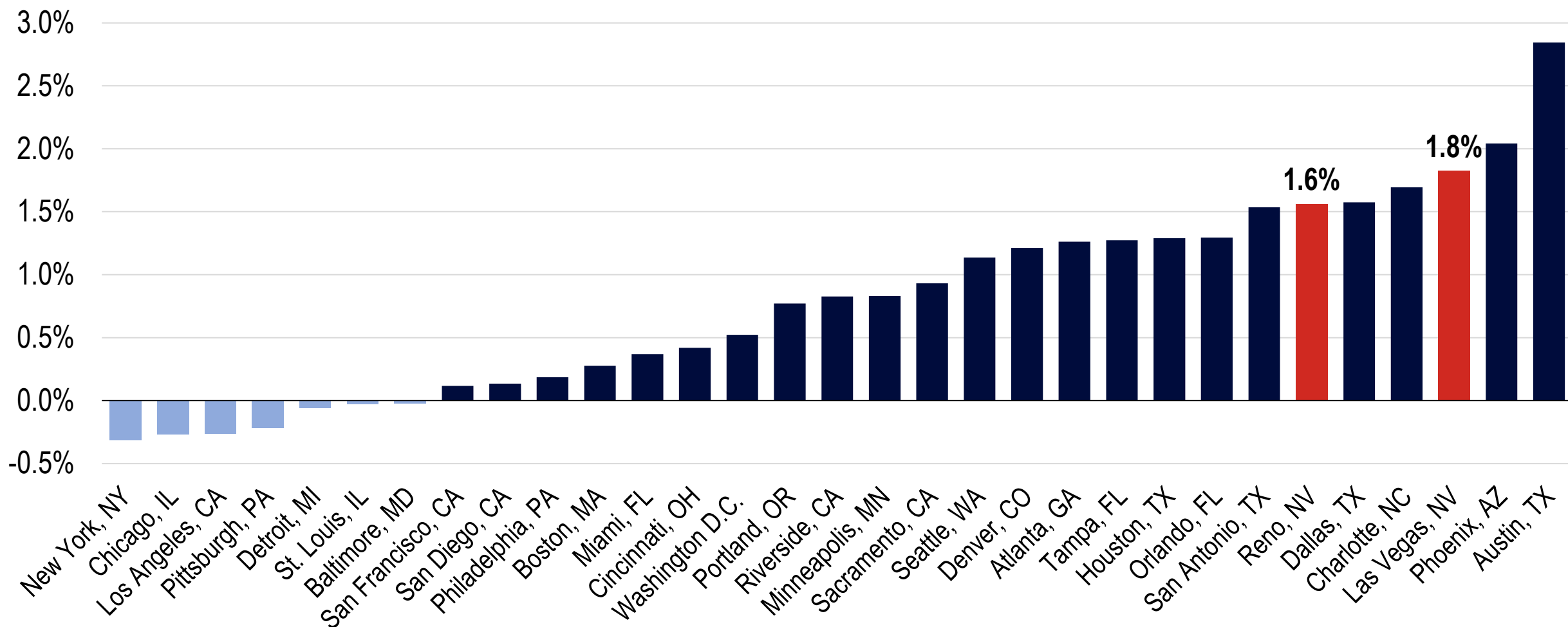
+47,488

Number of New
Residents (Net)

Source: U.S. Census Bureau and Applied Analysis

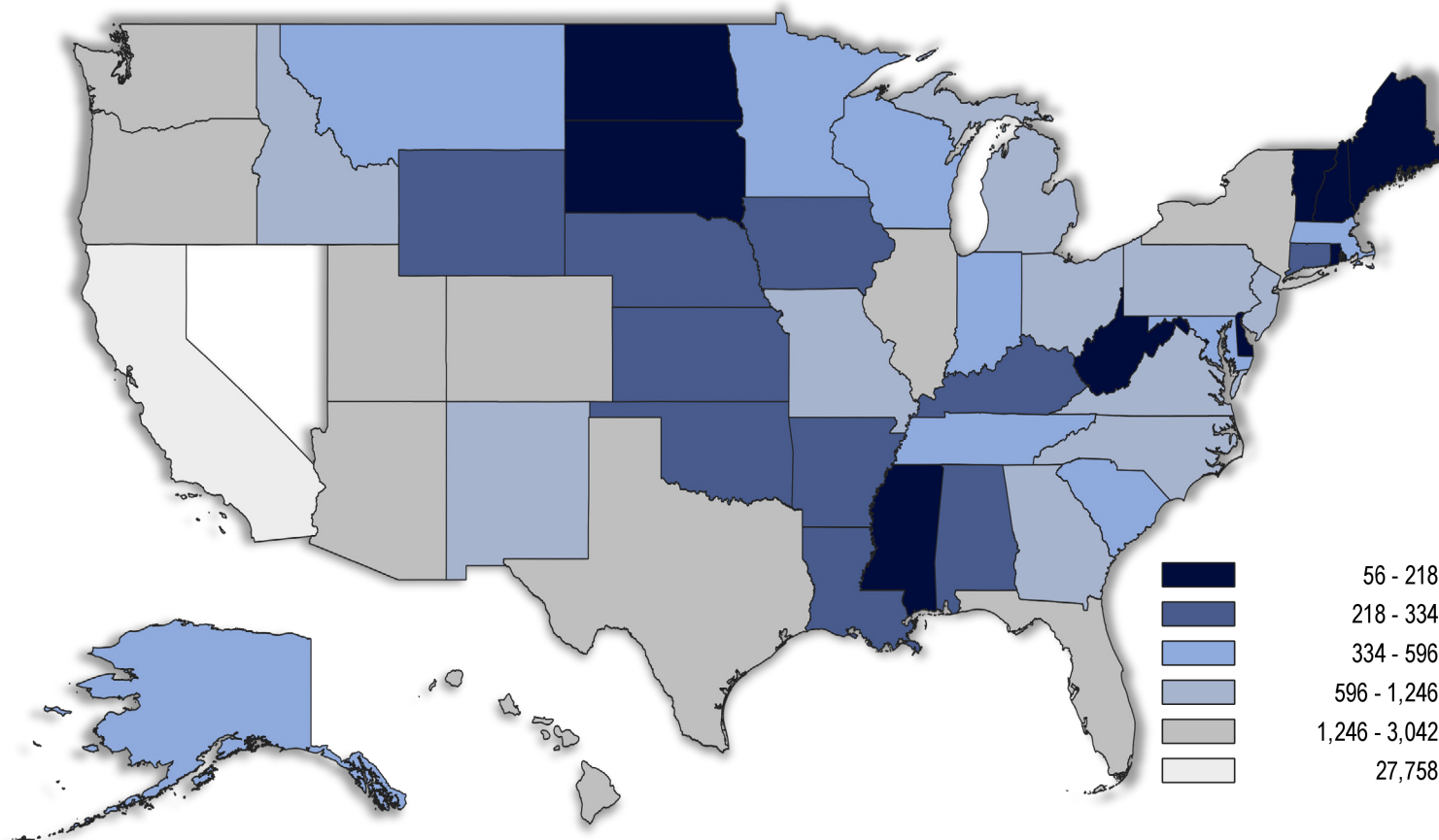
Population Growth

Largest 30 Metro Areas (incl. Reno MSA) | 2018 vs. 2019



Source: U.S. Census Bureau

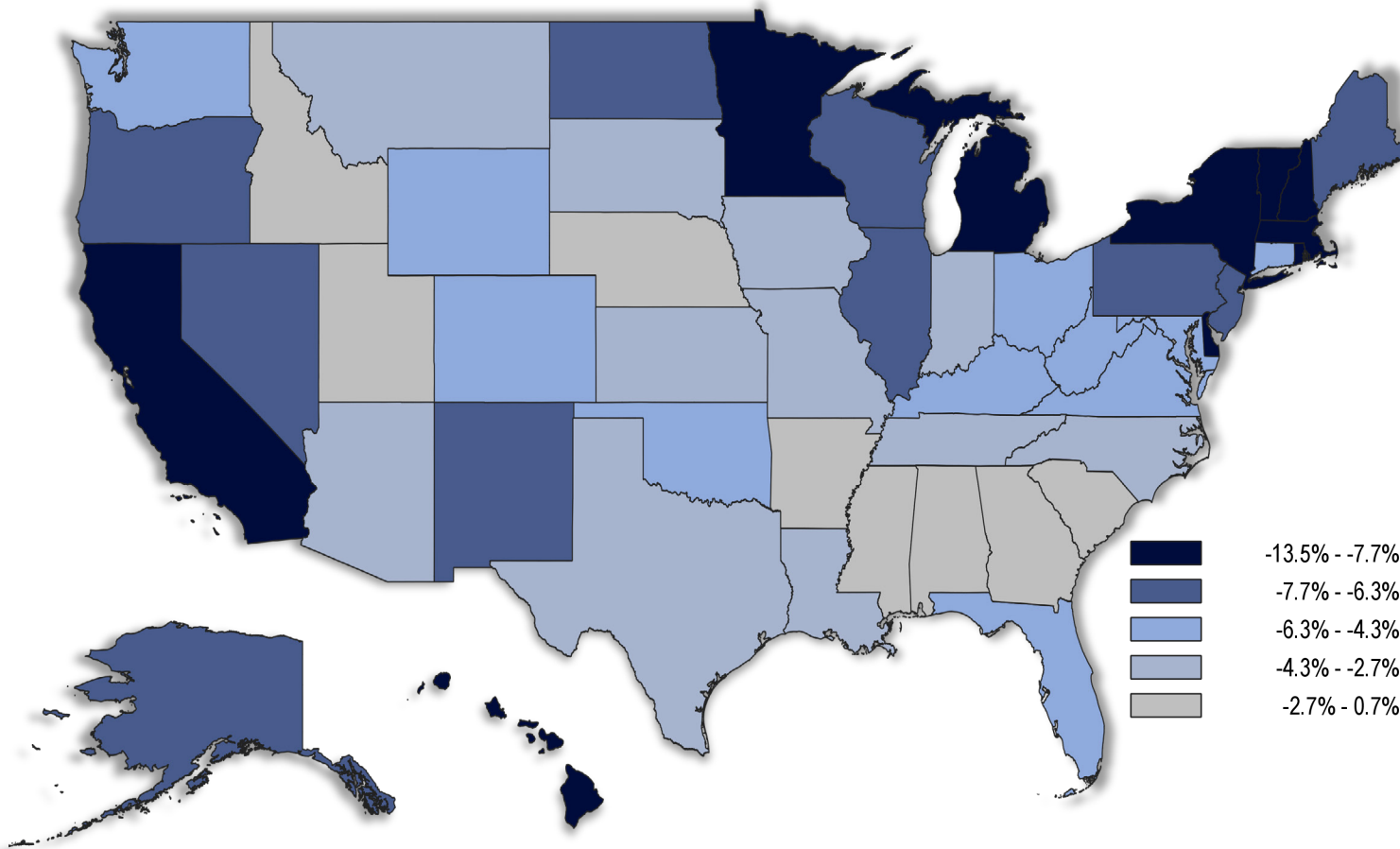
Driver's License Surrenders To Nevada By State



State	Surrenders	Share
California	27,758	42.4%
Florida	3,042	4.6%
Arizona	2,848	4.4%
Texas	2,726	4.2%
Washington	2,465	3.8%
Colorado	1,951	3.0%
Illinois	1,931	2.9%
Utah	1,846	2.8%
Hawaii	1,709	2.6%
New York	1,410	2.2%

Source: Nevada Department of Motor Vehicles

Employment Environment in the Nation

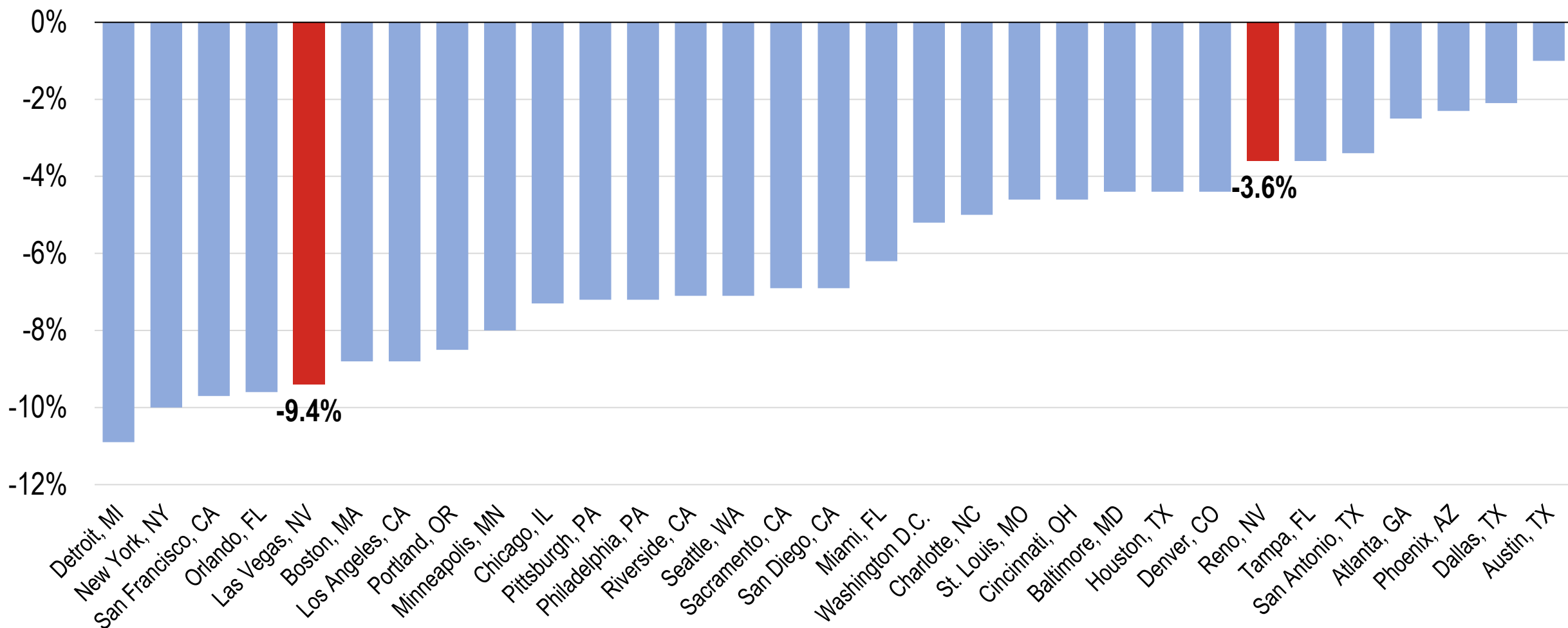


Rank	State	Annual Growth
1	Hawaii	-13.5%
2	Michigan	-10.8%
3	New York	-10.3%
4	Massachusetts	-9.0%
5	Vermont	-8.9%
6	New Hampshire	-8.6%
7	Rhode Island	-8.4%
8	Minnesota	-8.0%
9	California	-8.0%
10	Delaware	-7.8%
18	Nevada	-7.6%
U.S. Average		-6.0%

Source: U.S. Bureau of Labor Statistics (December 2019 vs. December 2020)

Employment Growth

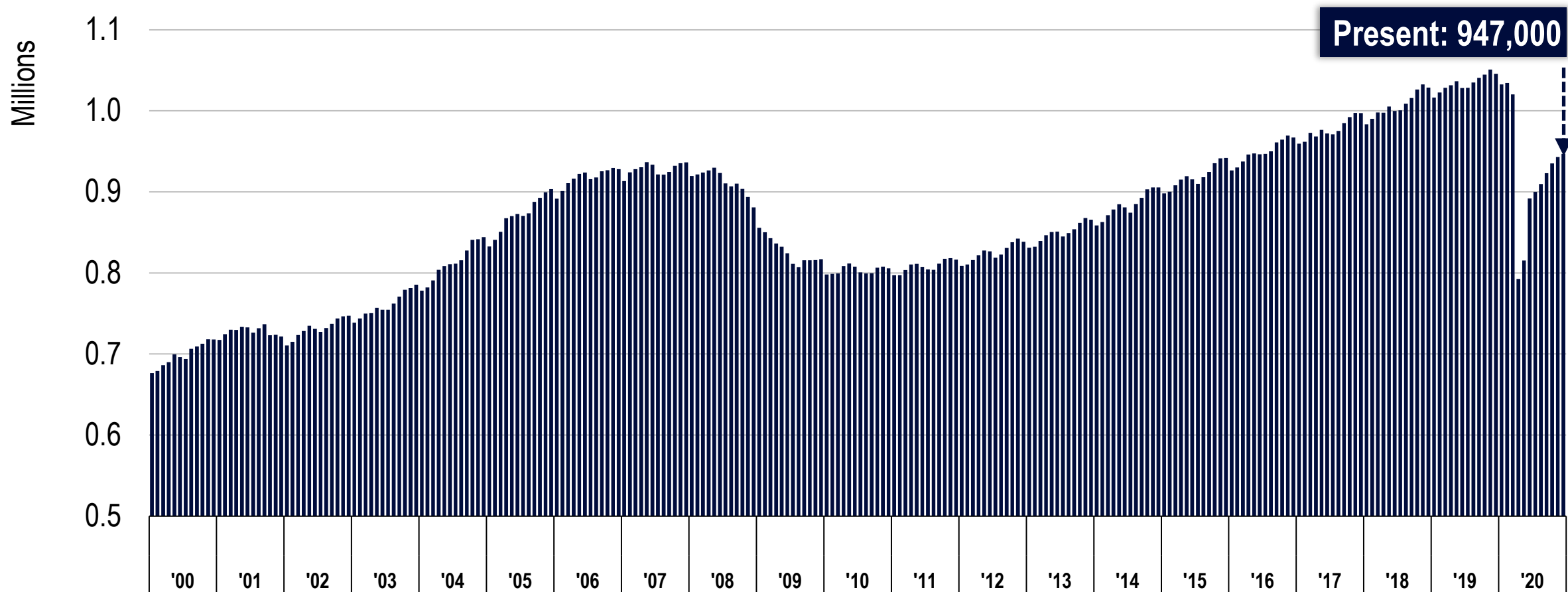
Largest 30 Metro Areas (incl. Reno MSA)



Source: U.S. Bureau of Labor Statistics (December 2019 vs. December 2020).

Employment

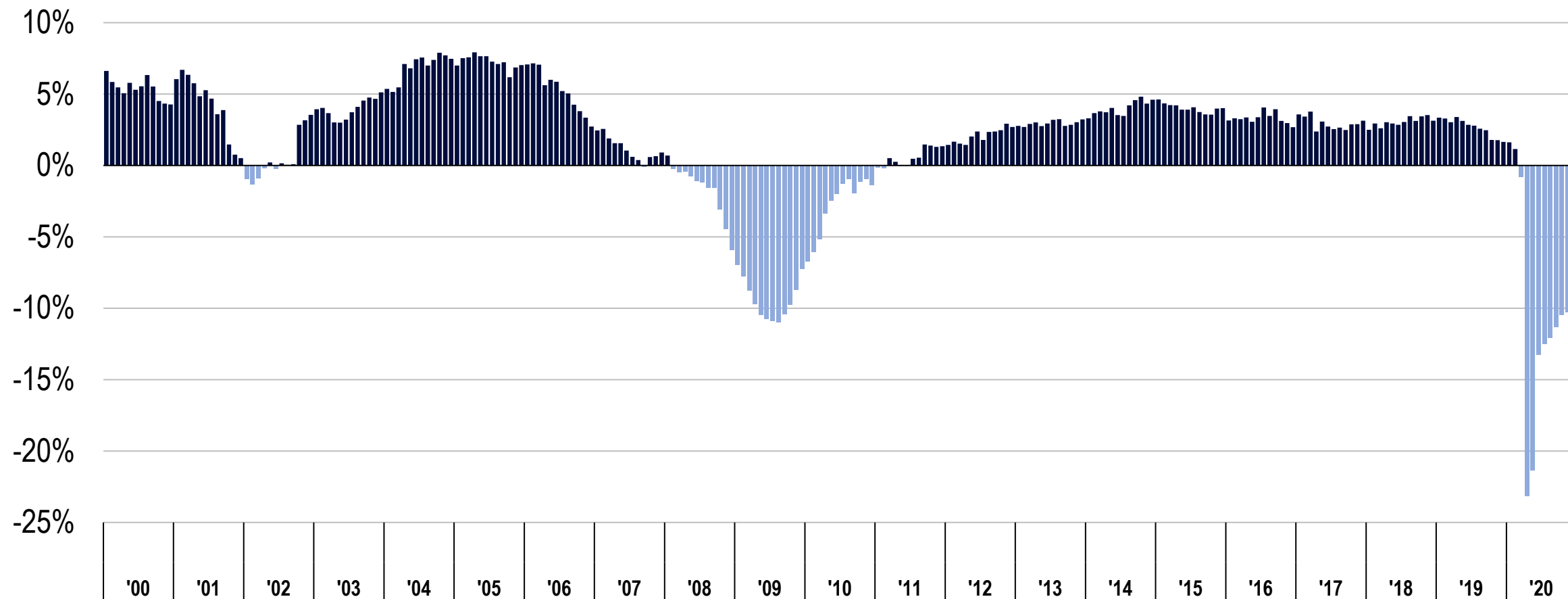
Las Vegas MSA



Source: U.S. Bureau of Labor Statistics

Employment Growth

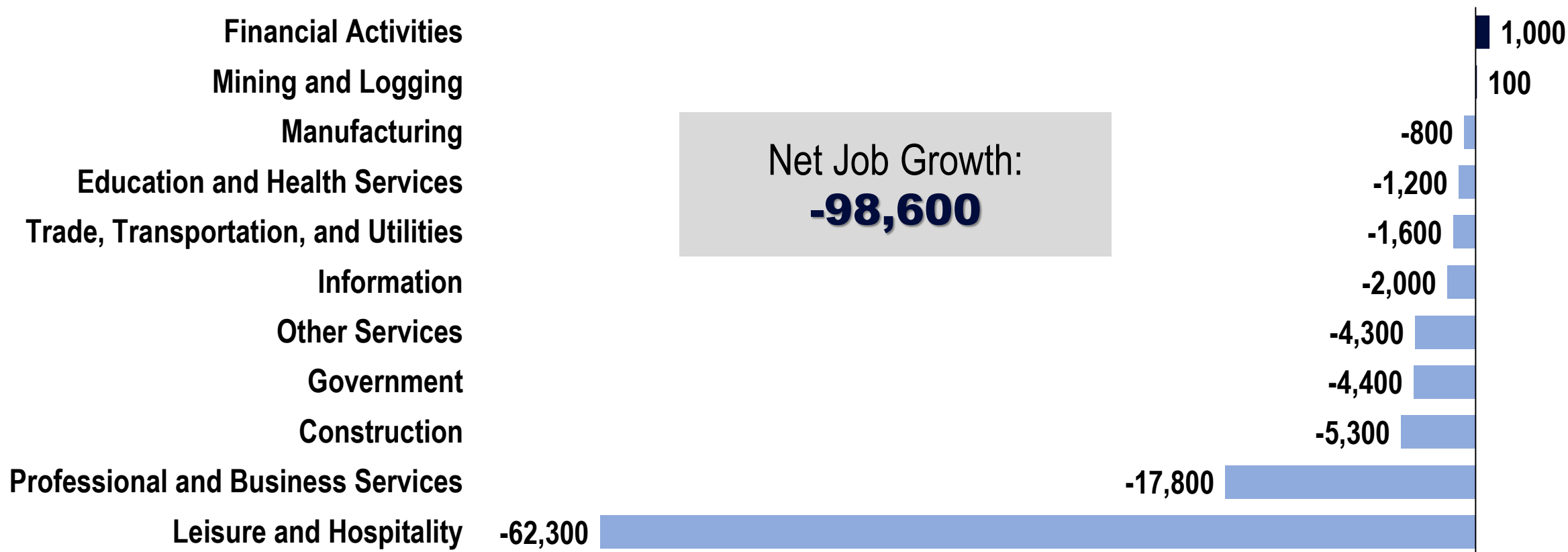
Las Vegas MSA | Year-over-Year



Source: U.S. Bureau of Labor Statistics

Employment Growth

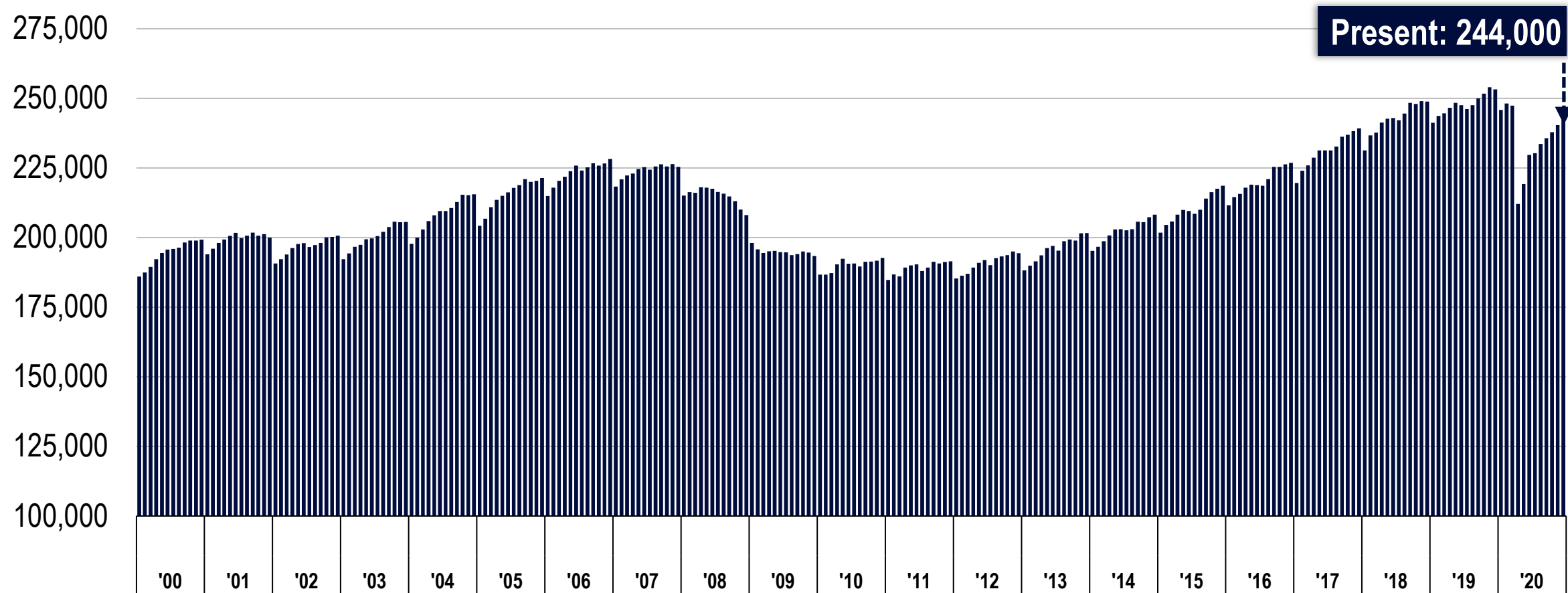
Las Vegas MSA | Last 12 Months



Source: U.S. Bureau of Labor Statistics (December 2020 vs. December 2019)

Employment

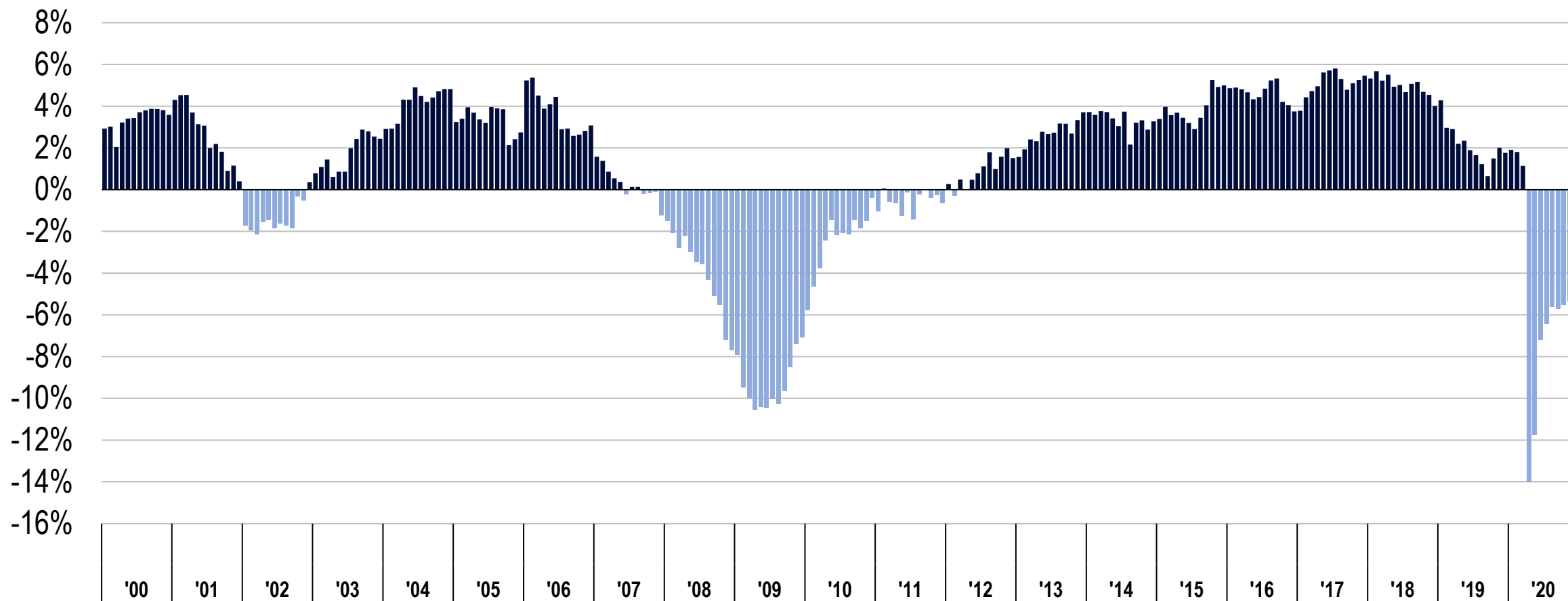
Reno MSA



Source: U.S. Bureau of Labor Statistics

Employment Growth

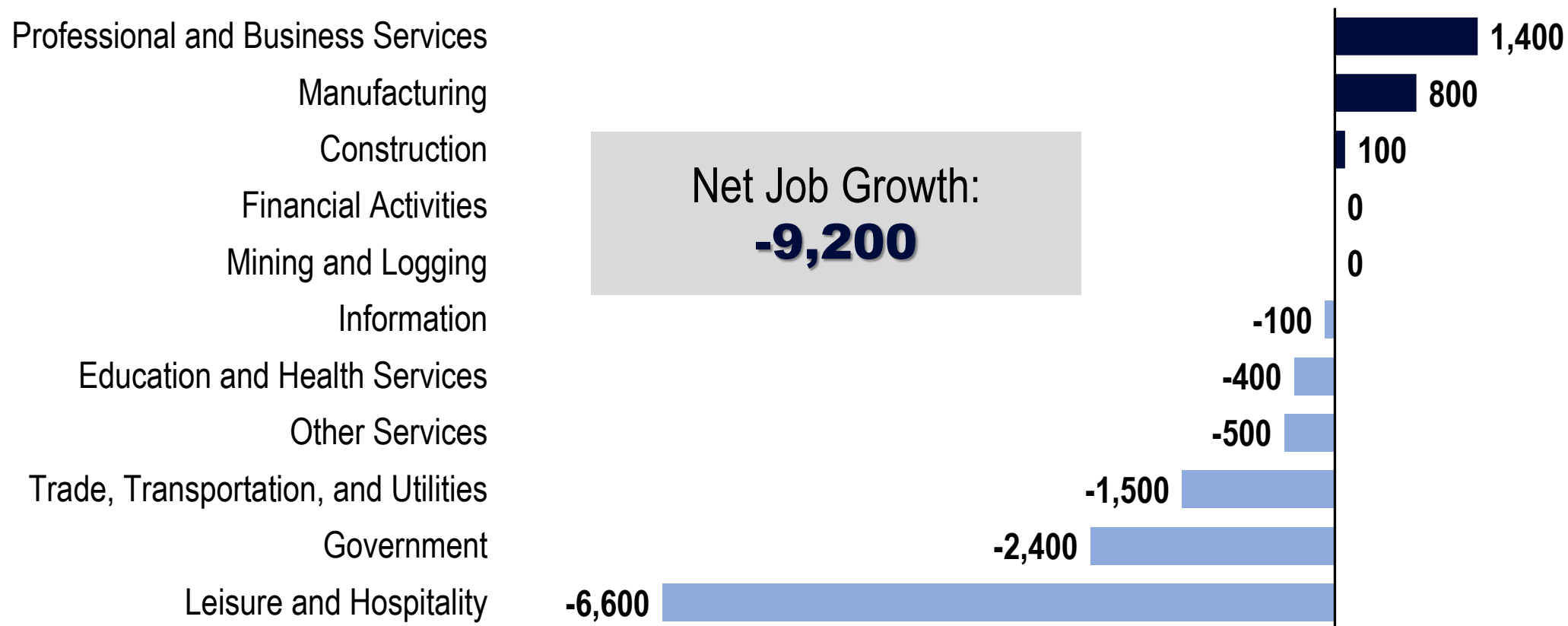
Reno MSA | Year-over-Year



Source: U.S. Bureau of Labor Statistics

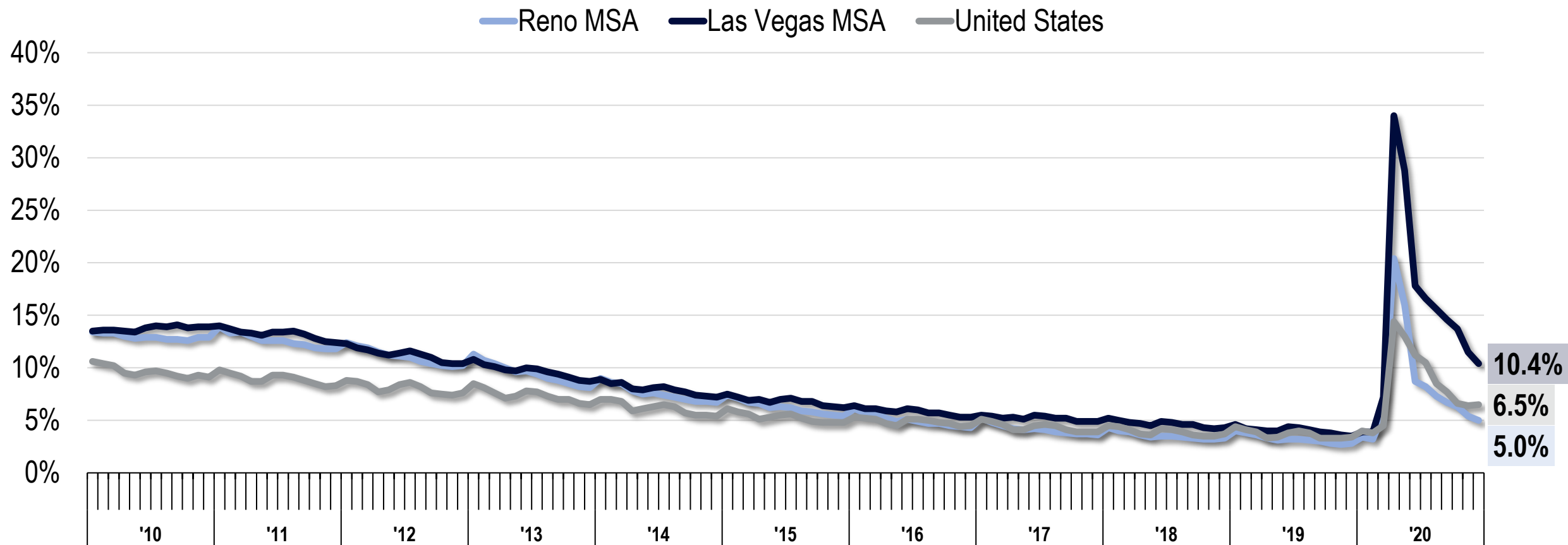
Employment Growth

Reno MSA | Last 12 Months



Source: U.S. Bureau of Labor Statistics (December 2020 vs. December 2019)

Unemployment Rate



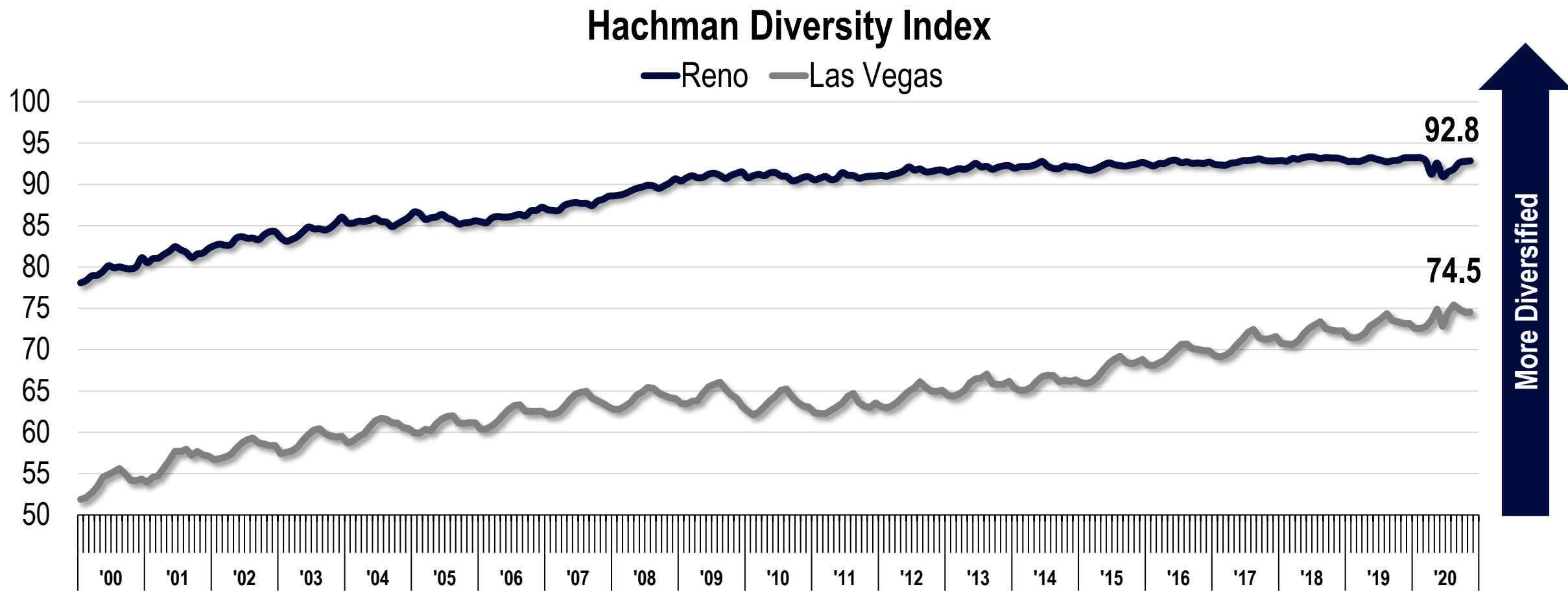
Source: U.S. Bureau of Labor Statistics

Employment Shifts in Nevada

Sector	2015	2020	Net Growth
Construction	74,900	93,500	+18,600
Education and Health Services	124,700	143,900	+19,200
Manufacturing	43,000	58,500	+15,500
Trade, Transportation, and Utilities	248,000	265,000	+17,000
Financial Activities	62,400	71,300	+8,900
Professional and Business Services	173,300	182,200	+8,900
Mining and Logging	13,600	16,200	+2,600
Other Services	37,300	36,100	-1,200
Government	159,800	156,000	-3,800
Information	14,500	13,700	-800
Leisure and Hospitality	337,300	300,700	-36,600
Total	1,288,800	1,337,100	+48,300

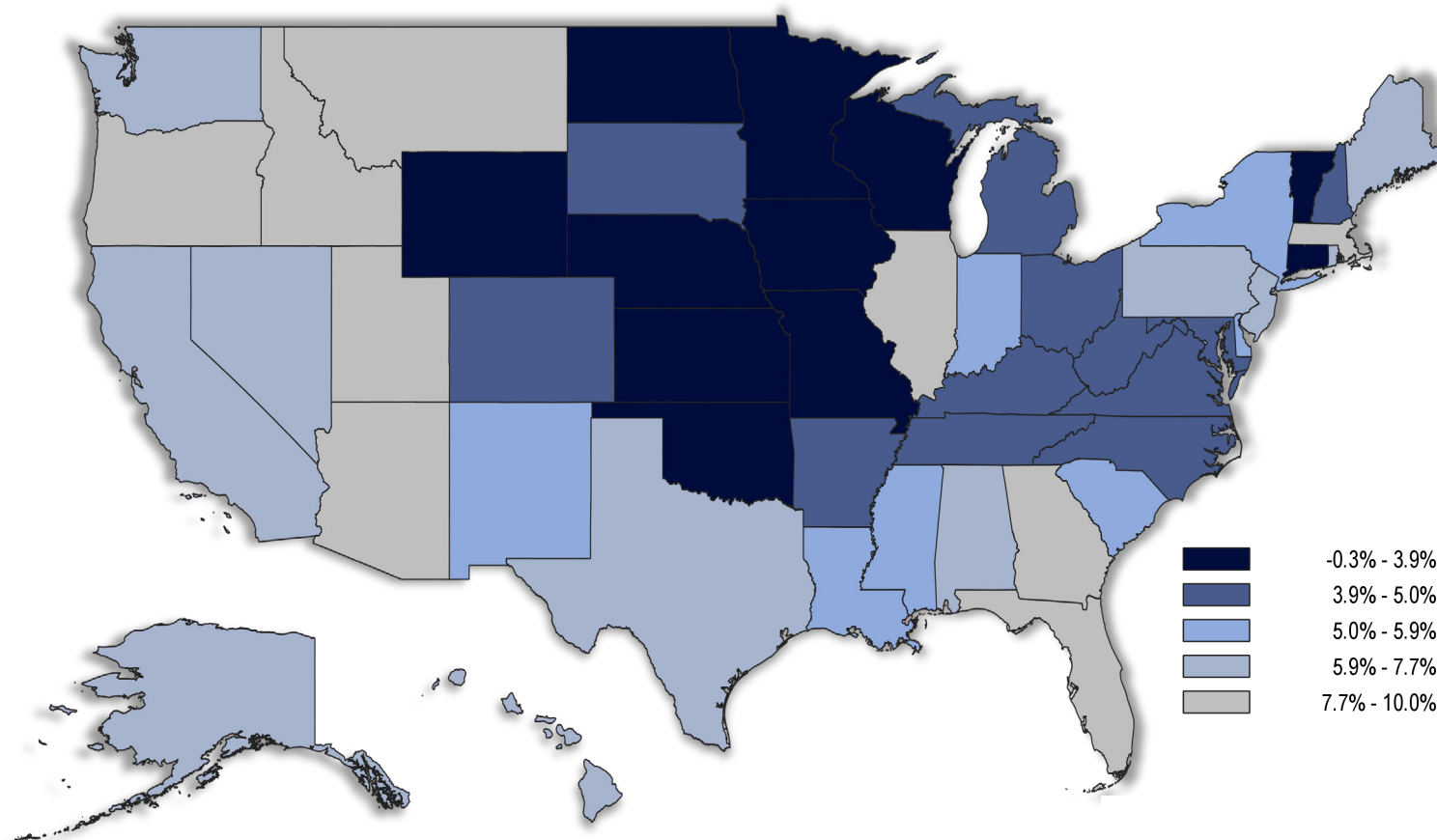
Source: U.S. Bureau of Labor Statistics (December 2015 to December 2020)

Economic Diversification Trends



Source: U.S. Bureau of Labor Statistics and Applied Analysis

Recent Trends in Personal Income



Rank	State	Increase
1	Utah	10.0%
2	Arizona	9.5%
3	Georgia	9.4%
4	Montana	9.4%
5	Oregon	9.1%
6	Illinois	8.7%
7	Florida	8.4%
8	Idaho	8.4%
9	Massachusetts	7.9%
10	Rhode Island	7.7%
15	Nevada	7.4%
U.S. Average		6.4%

Source: U.S. Bureau of Economic Analysis (Q3 2019 vs. Q3 2020)

Executive Summary



Economic Impacts

Quantifying the jobs, wages and economic activity



Economic Fundamentals

Key drivers of the local housing market



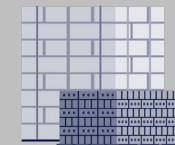
Resale Home Market

Supply-demand dynamics for resale homes



New Home Market

Supply-demand dynamics for new homes



Cost of Residential Development

Elevated costs of new home construction

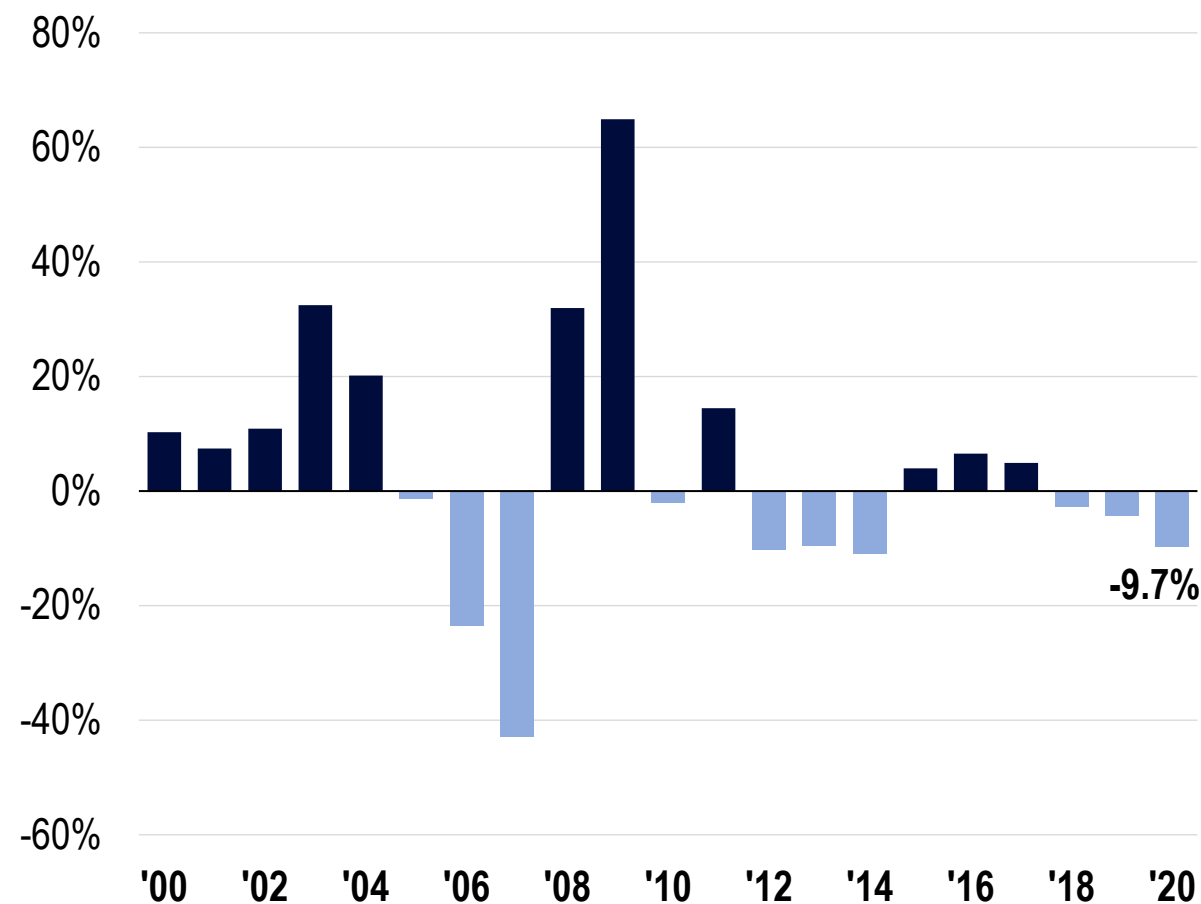
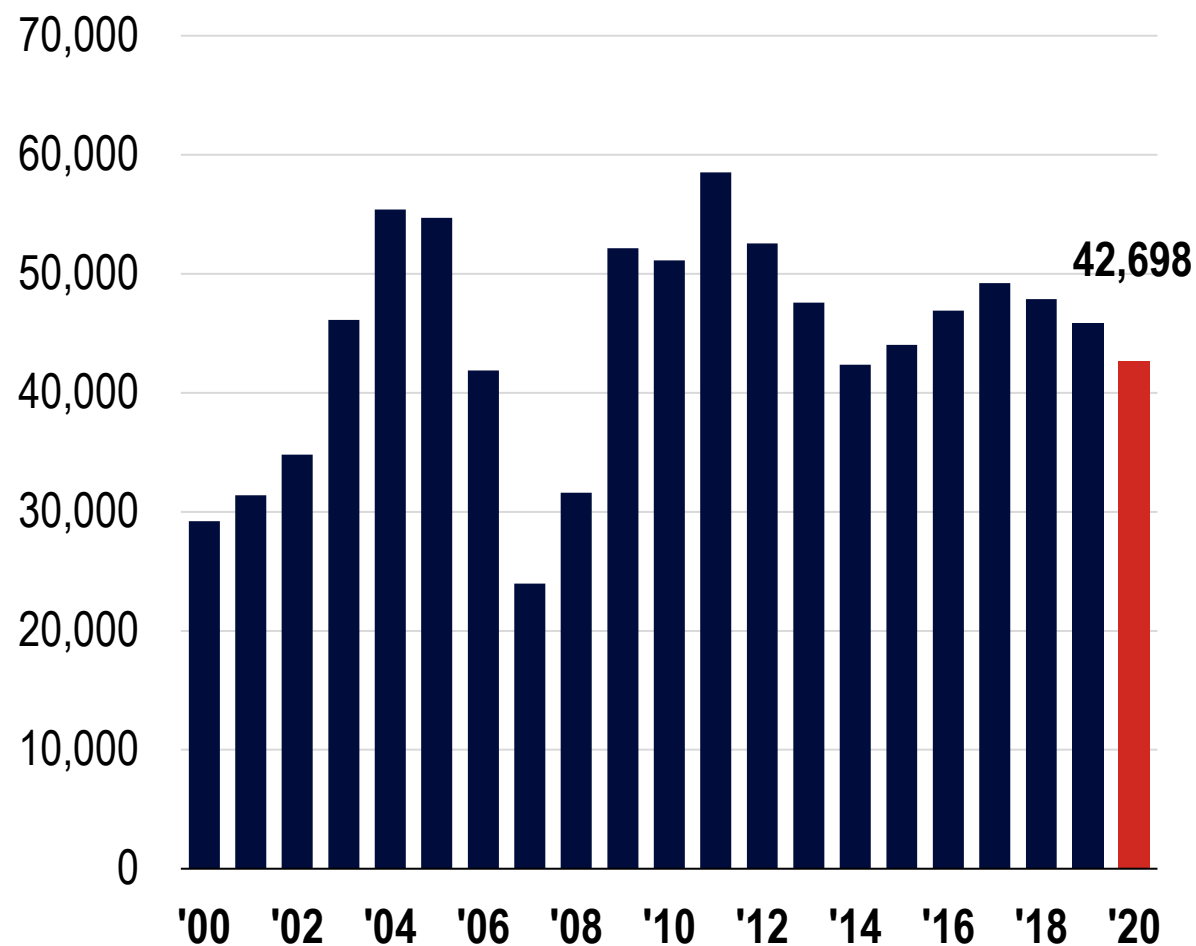


Housing Affordability in Nevada

Incomes relative to home prices

Resale Home Closings

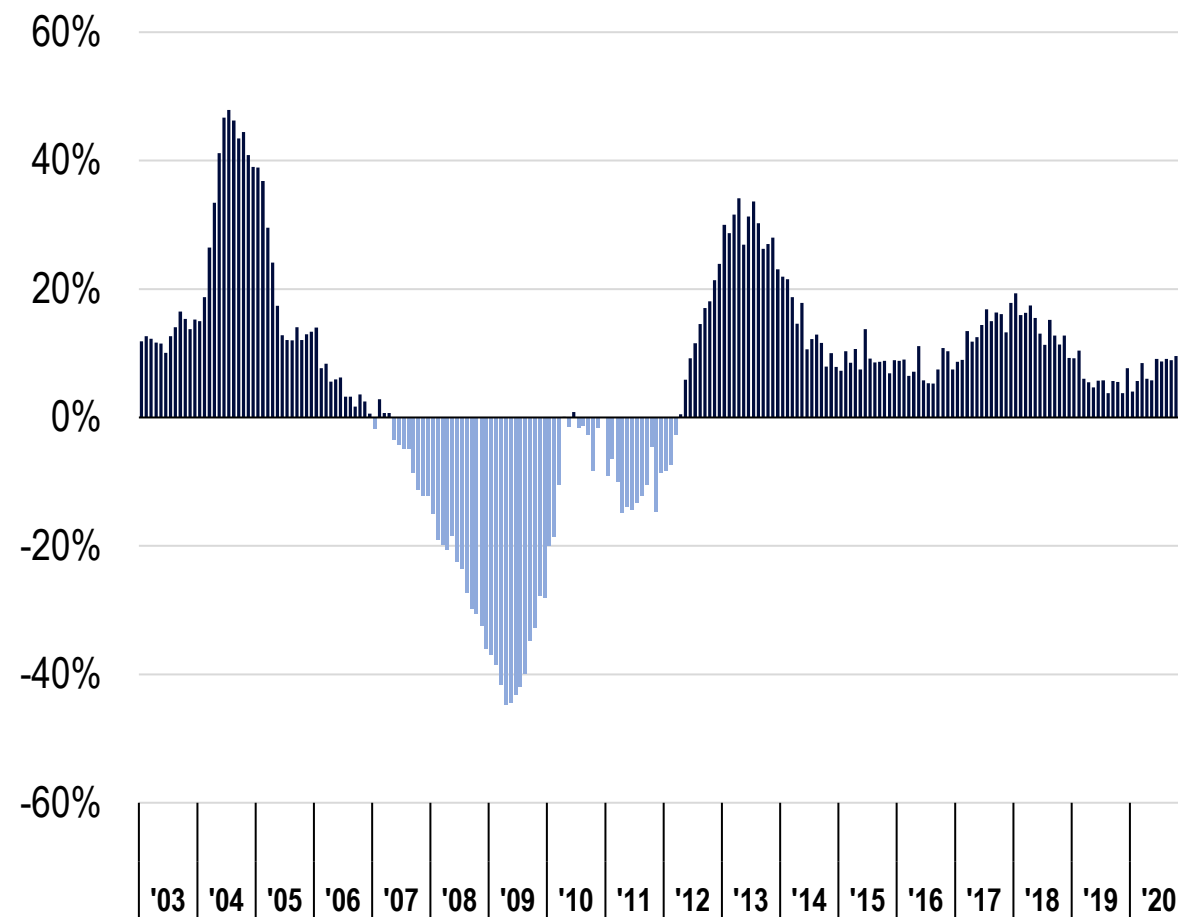
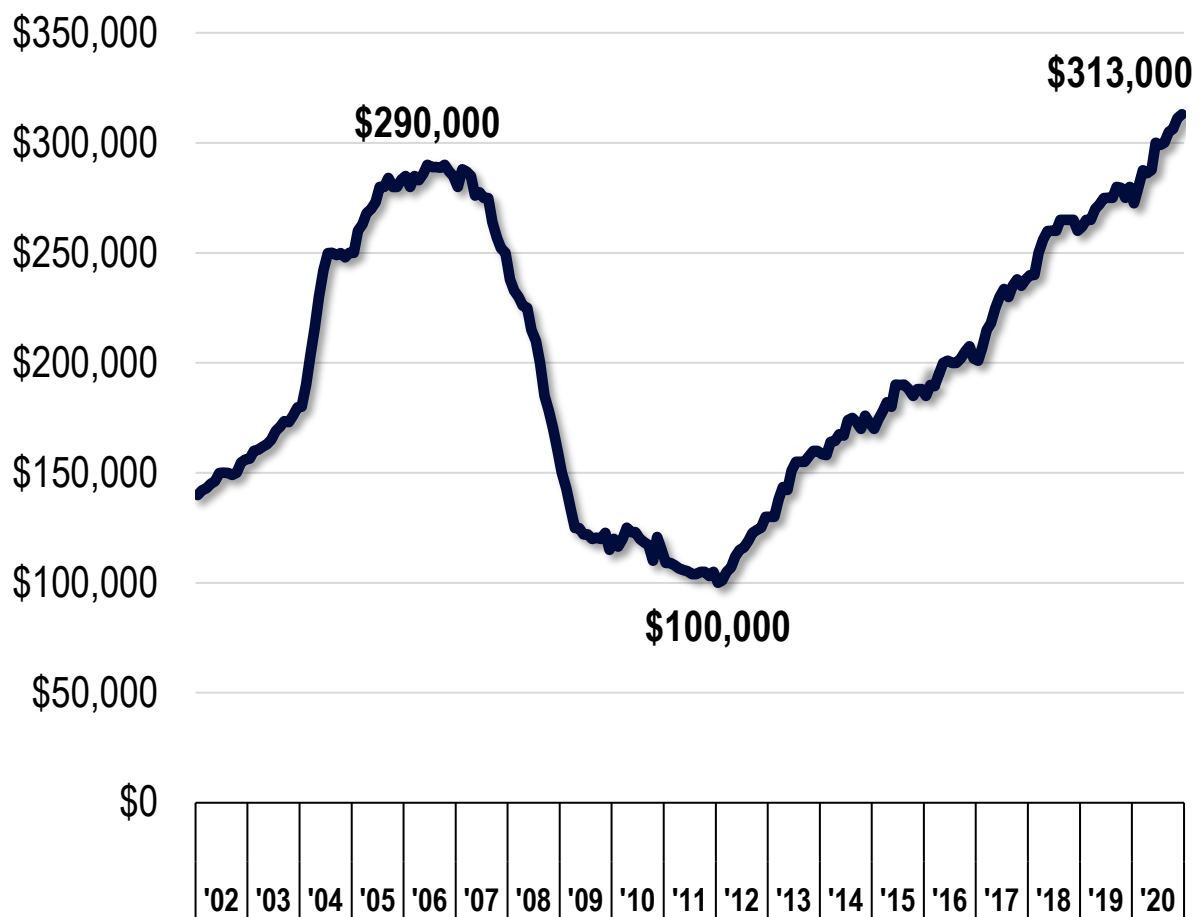
Las Vegas Area



Source: SalesTraq (includes Realtor and non-Realtor transactions)

Resale Home Median Closing Price

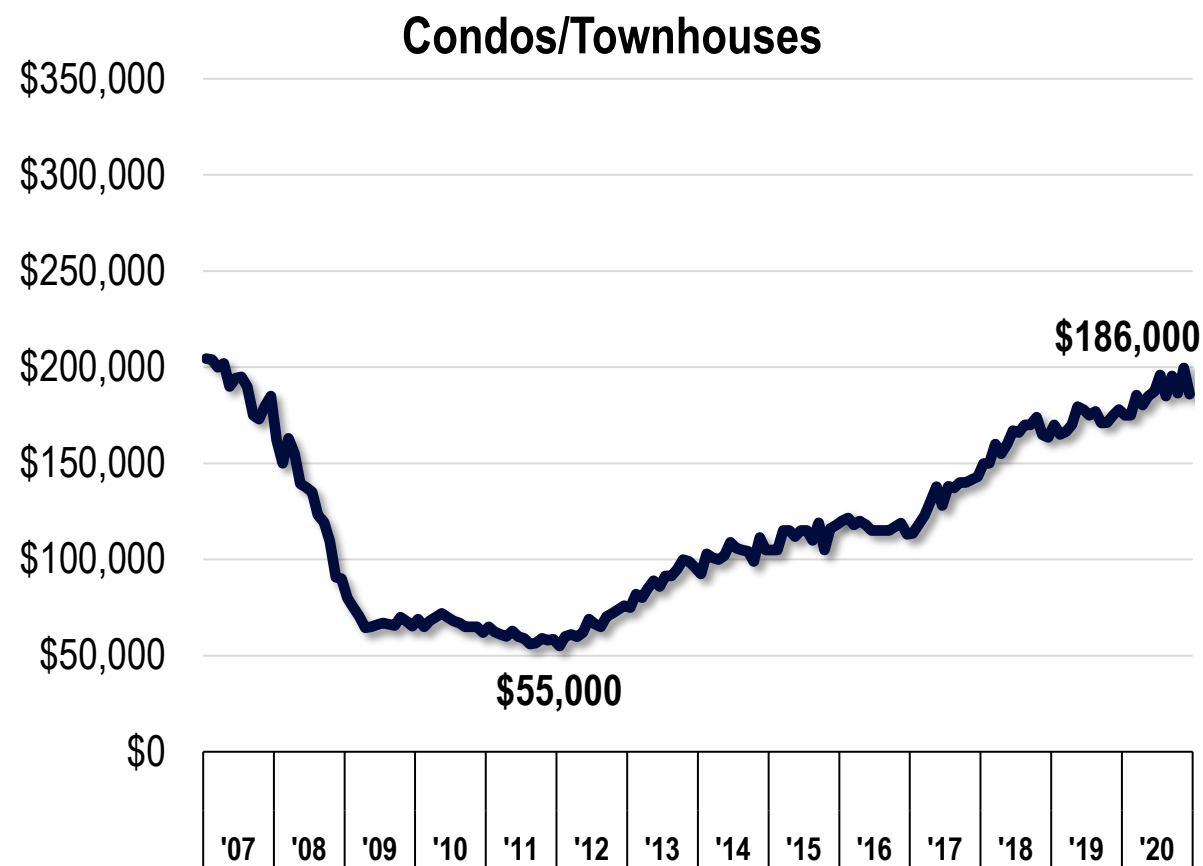
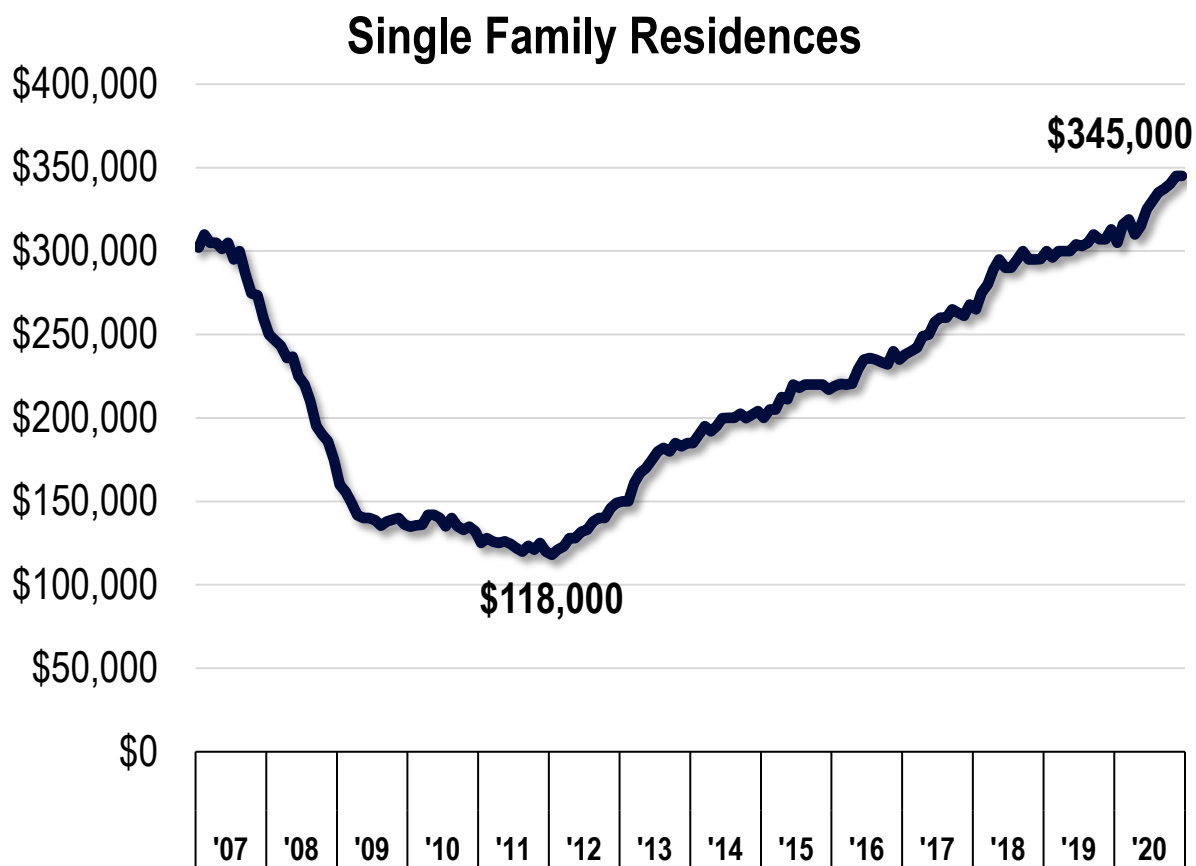
Las Vegas Area



Source: SalesTraq (includes Realtor and non-Realtor transactions)

Single Family Residence vs. Condo Closing Prices

Las Vegas Area



Source: Las Vegas Realtors

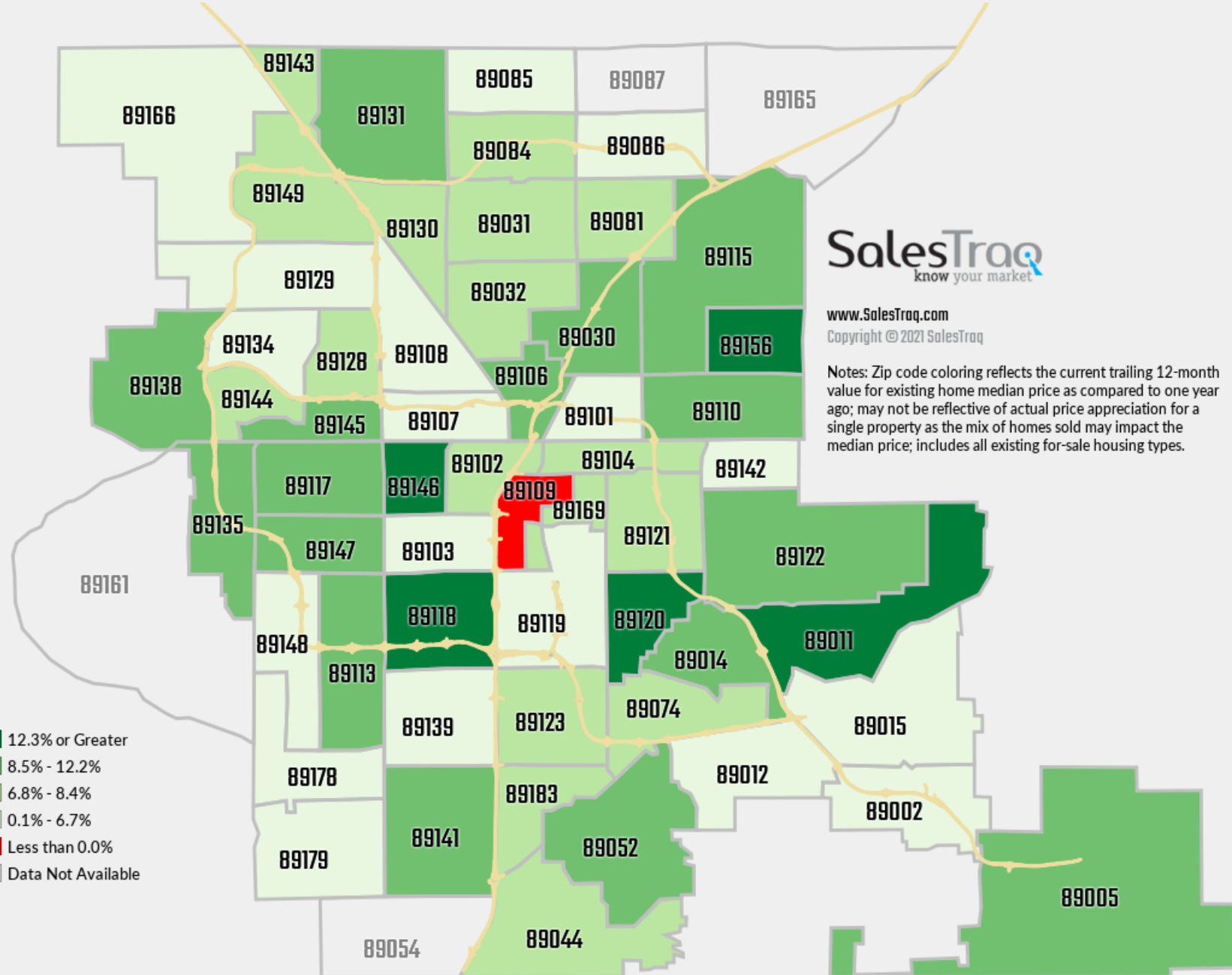
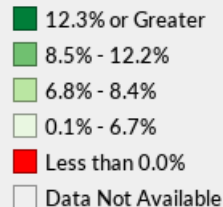
Las Vegas

Price Appreciation

December 2020

Sorted by Price

Rank	Zip	% Change	Price
1	89138	10.9%	\$536,764
2	89135	8.5%	\$470,917
3	89052	8.6%	\$430,403
4	89044	7.4%	\$396,446
5	89141	11.0%	\$364,388
6	89012	3.5%	\$362,375
7	89131	9.6%	\$360,529
8	89144	7.1%	\$360,137
9	89085	2.9%	\$356,475
10	89117	8.9%	\$354,417



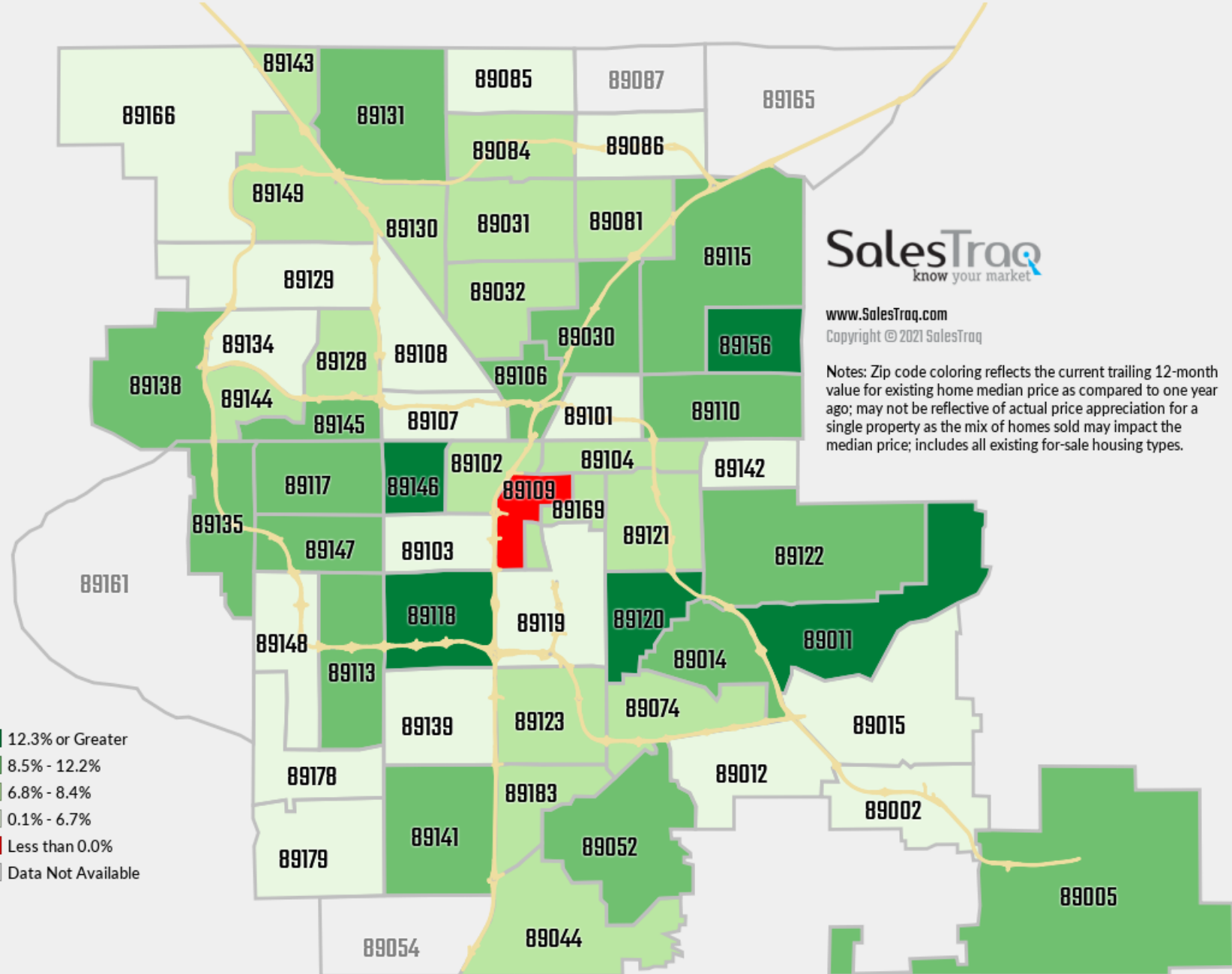
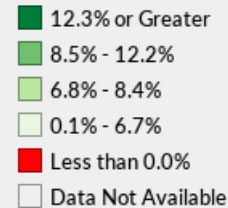
Las Vegas

Price Appreciation

December 2020

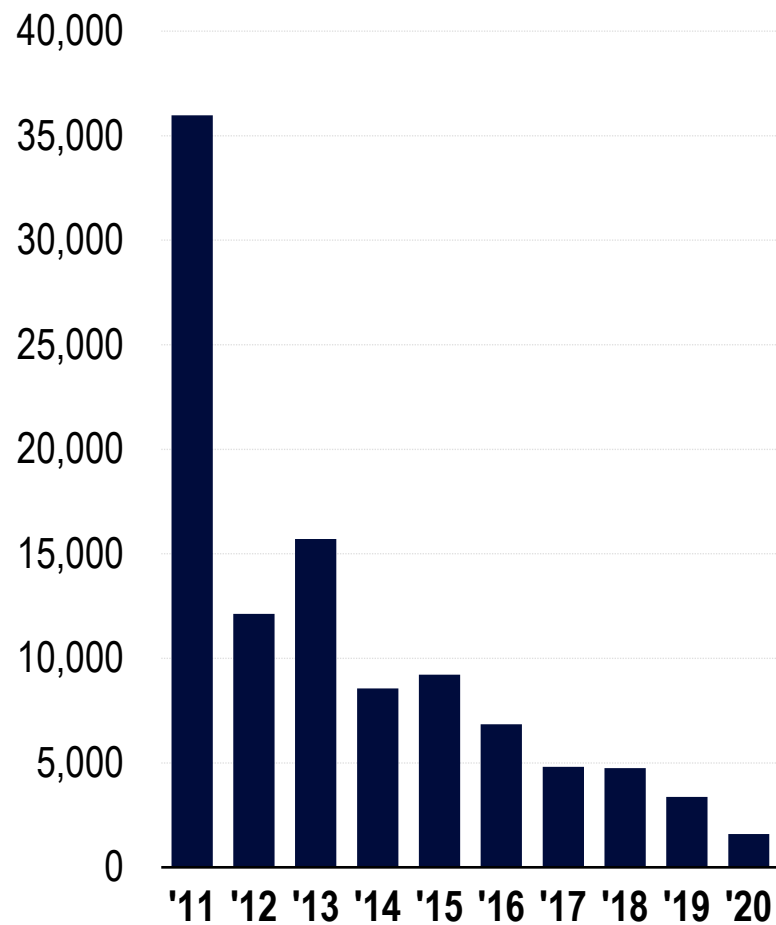
Sorted by Appreciation

Rank	Zip	% Change	Price
1	89118	17.6%	\$237,291
2	89146	16.1%	\$311,412
3	89120	14.1%	\$256,521
4	89156	13.6%	\$222,042
5	89011	12.4%	\$328,717
6	89113	12.2%	\$347,266
7	89030	12.0%	\$195,271
8	89005	11.5%	\$311,963
9	89141	11.0%	\$364,388
10	89106	10.9%	\$206,971



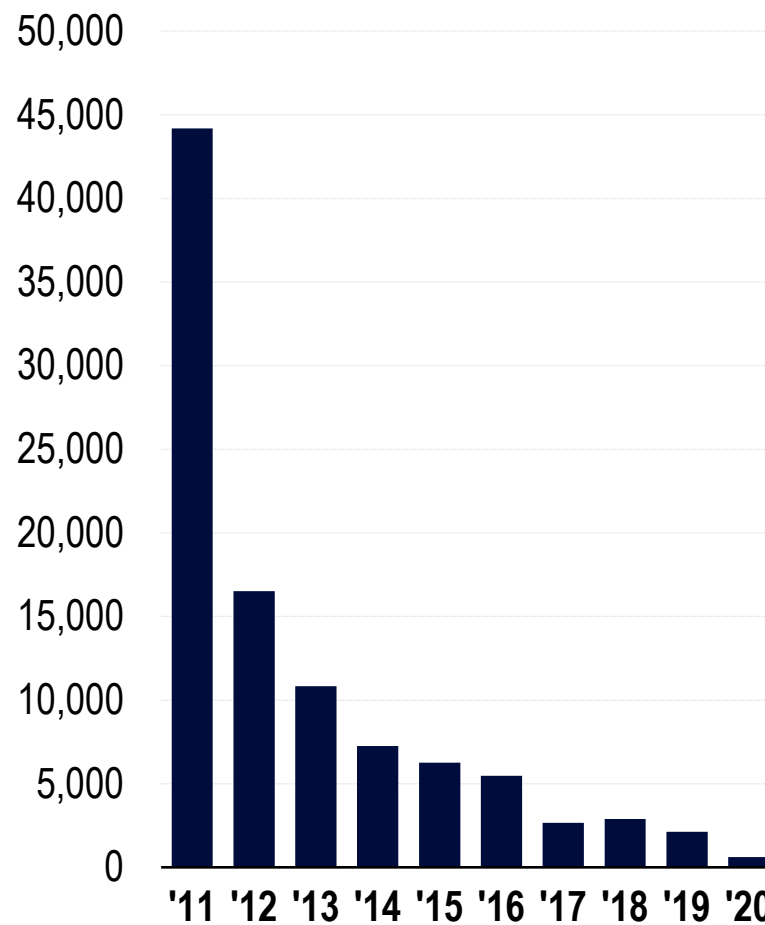
Notices of Breach and Default

Clark County, NV



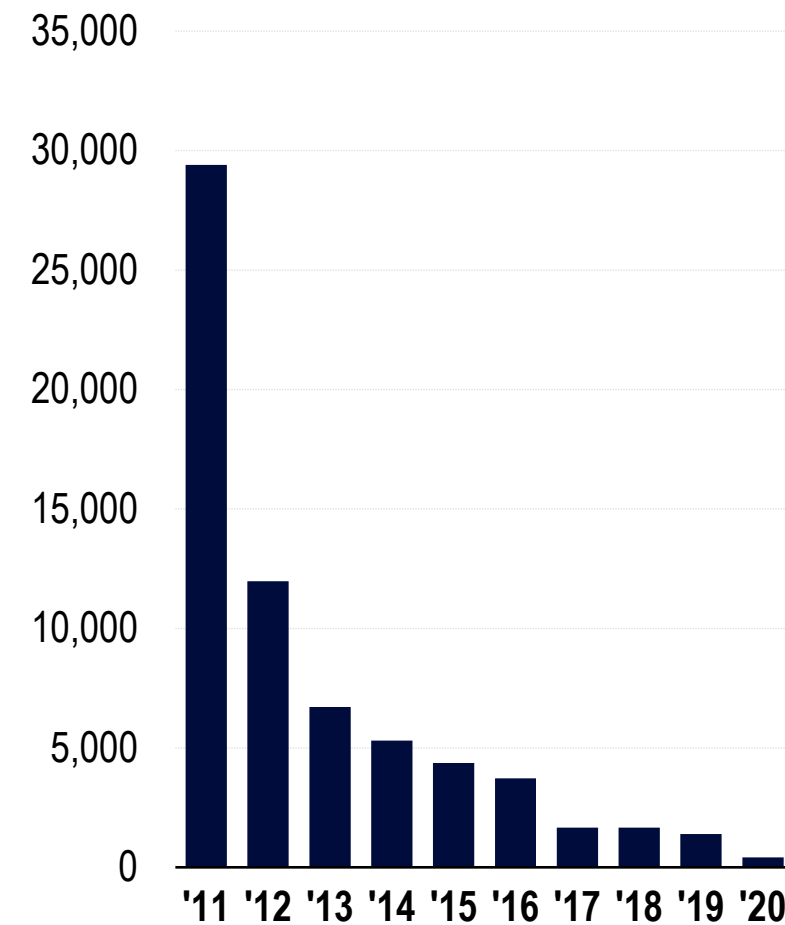
Notices of Trustee Sale

Clark County, NV



Trustee Deeds (Foreclosures)

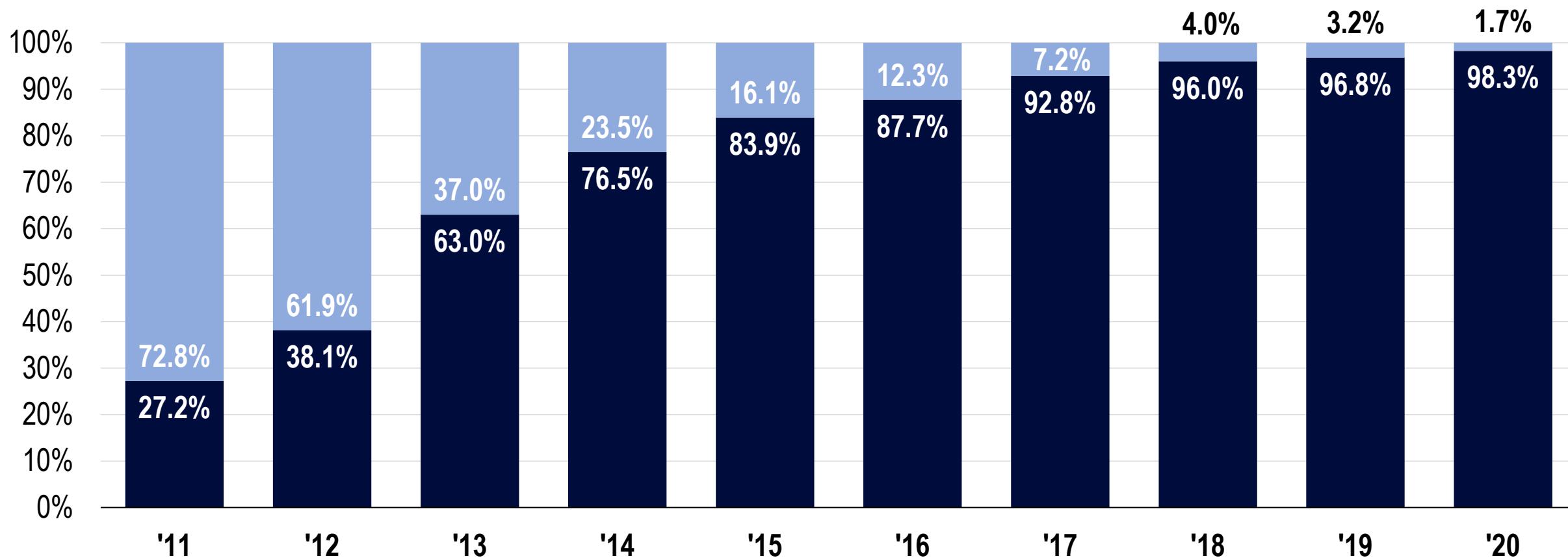
Clark County, NV



Source: Clark County Assessor's Office

Mix of Resale Closings in Southern Nevada

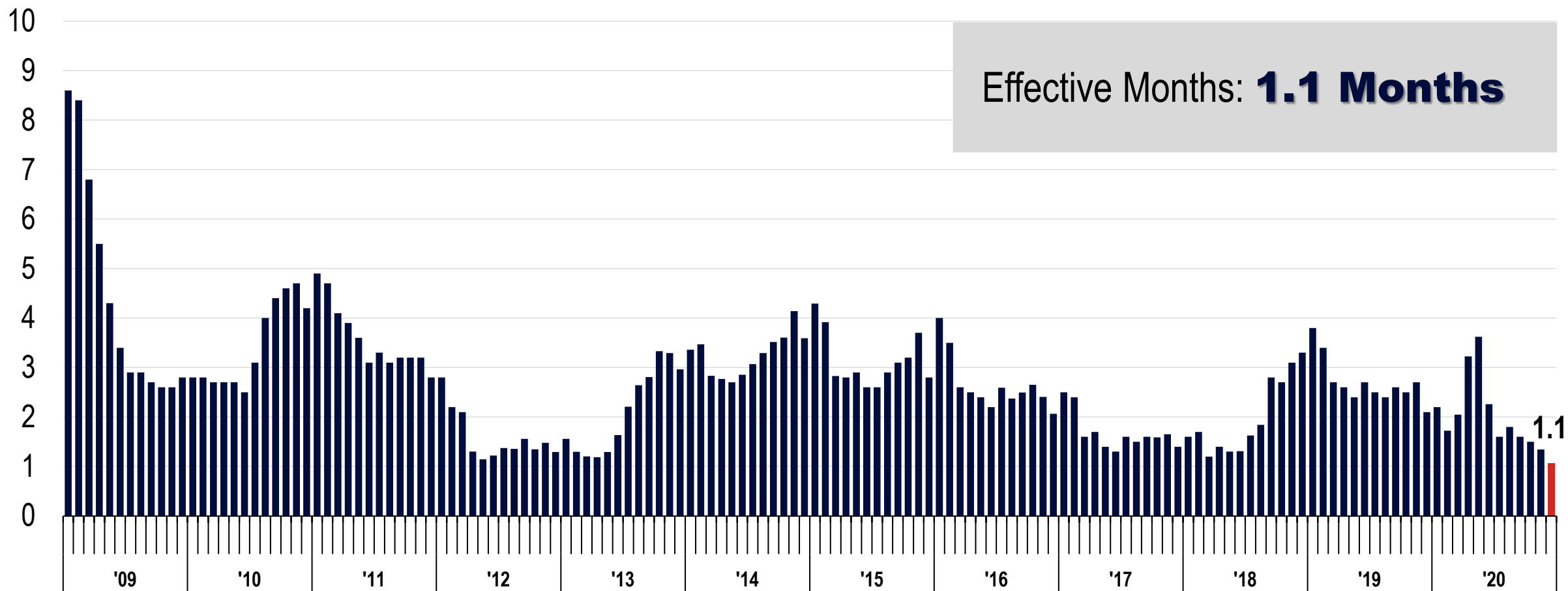
Distressed Sales (Short, Auction and REO)



Source: Applied Analysis/SalesTraq

Effective Months of Availability in Southern Nevada

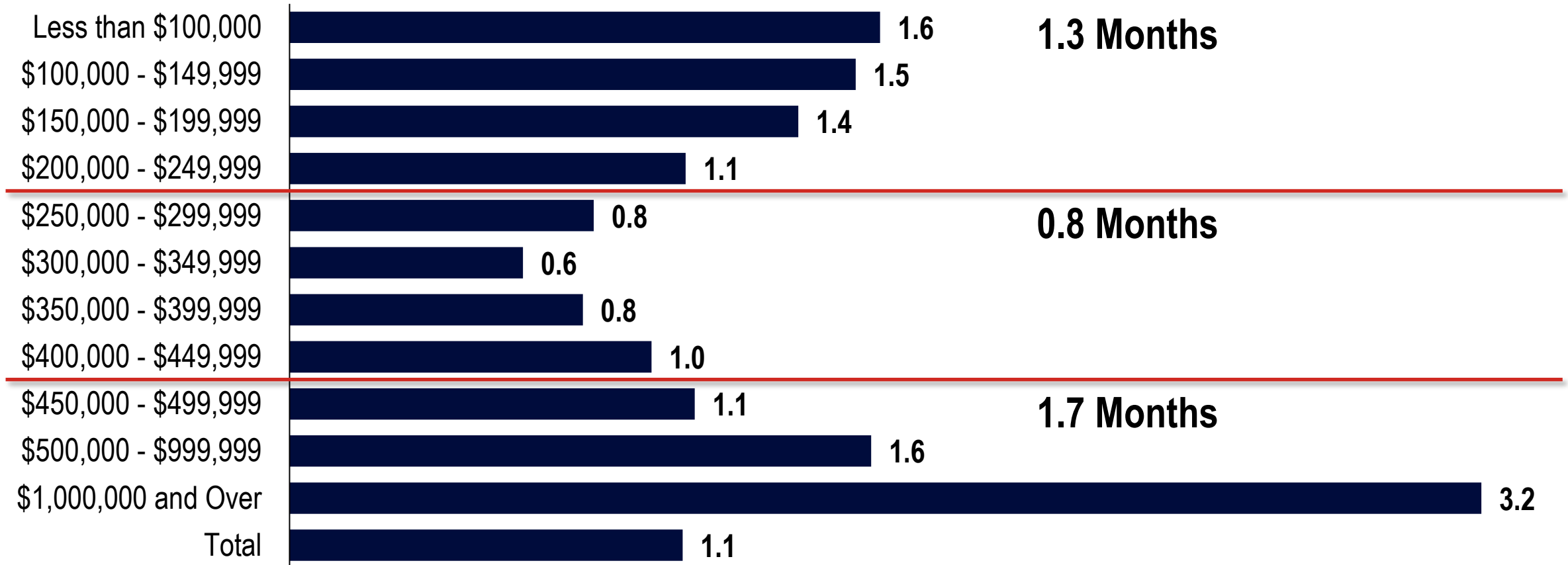
Multiple Listing Service



Source: MLS/SalesTraq

Effective Months of Availability in Southern Nevada

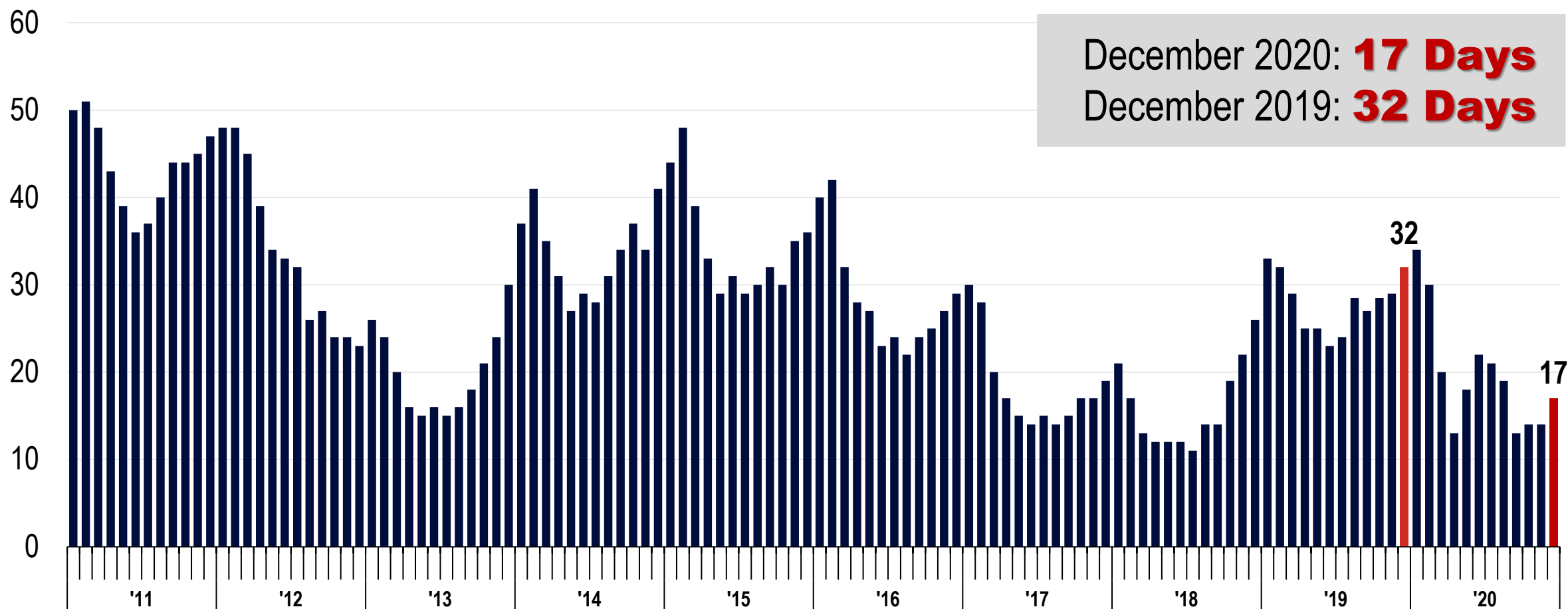
By Price Segment



Source: MLS/SalesTraq

Median Days on the Market

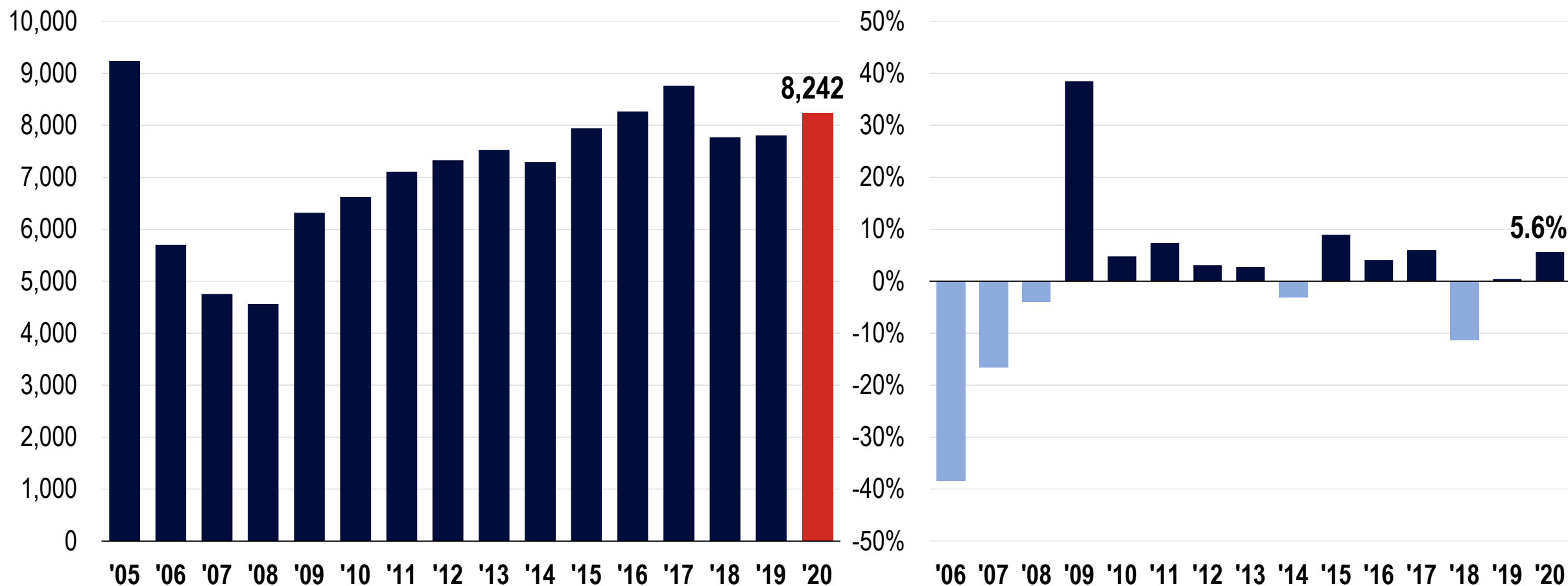
Las Vegas Area Single Family Market



Source: SalesTraq, GLVAR/MLS

Resale Home Closings

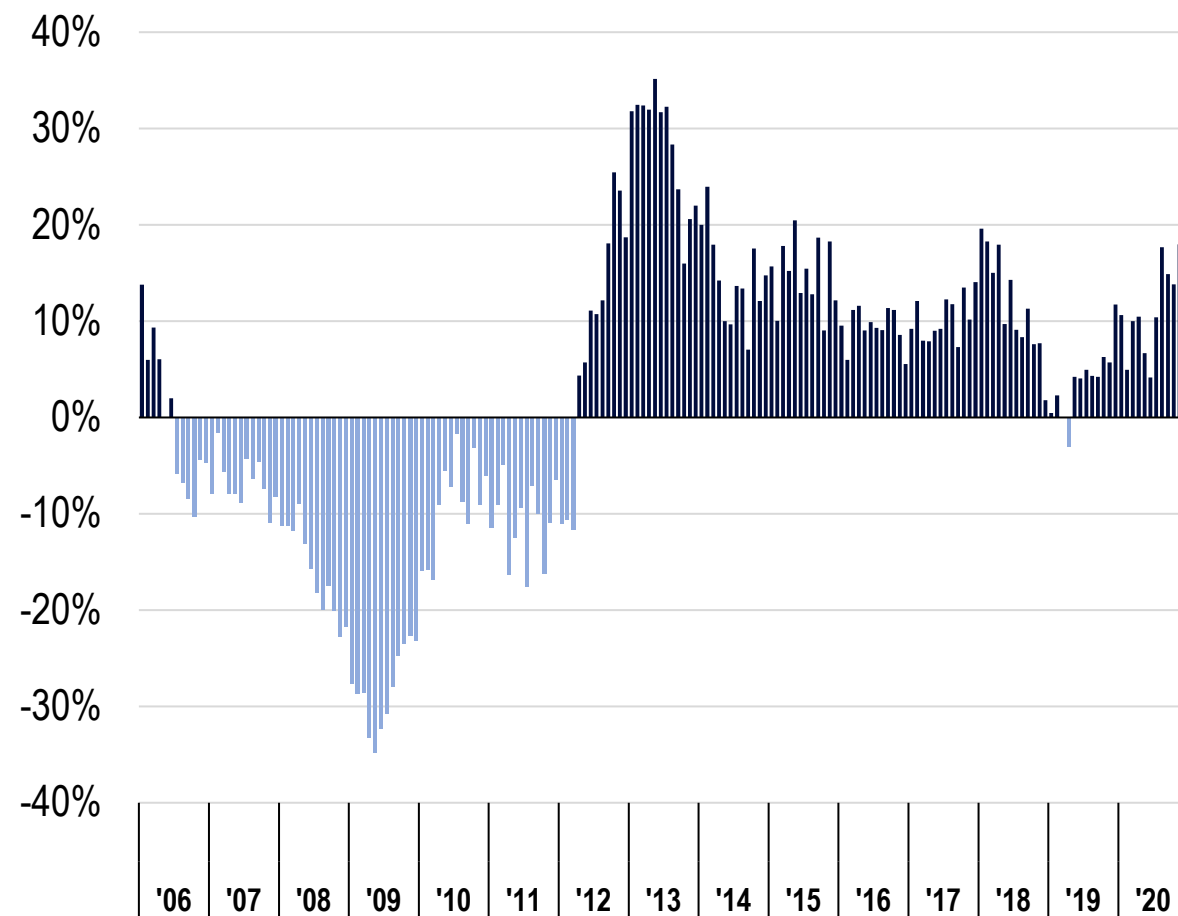
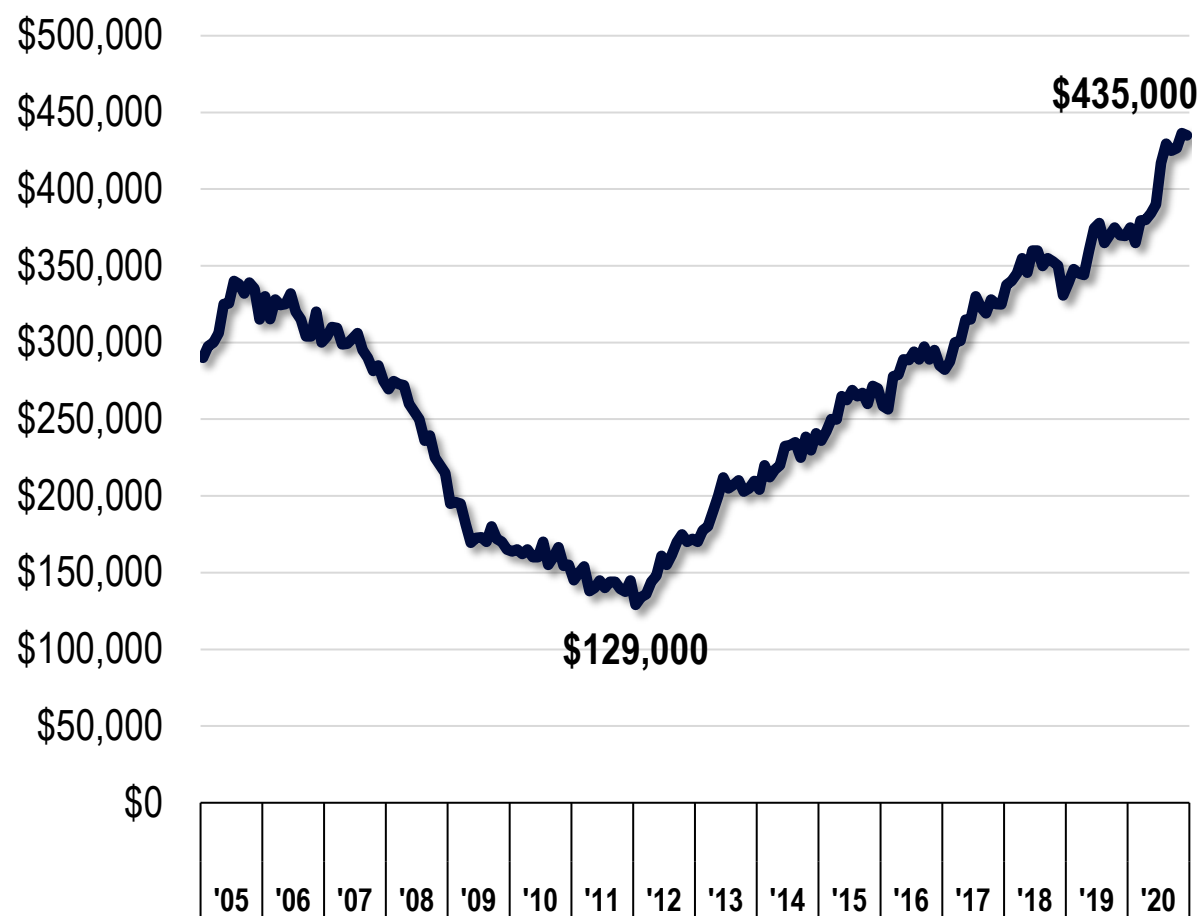
Washoe County



Source: SalesTraq (includes Realtor and non-Realtor transactions)

Resale Home Median Closing Price

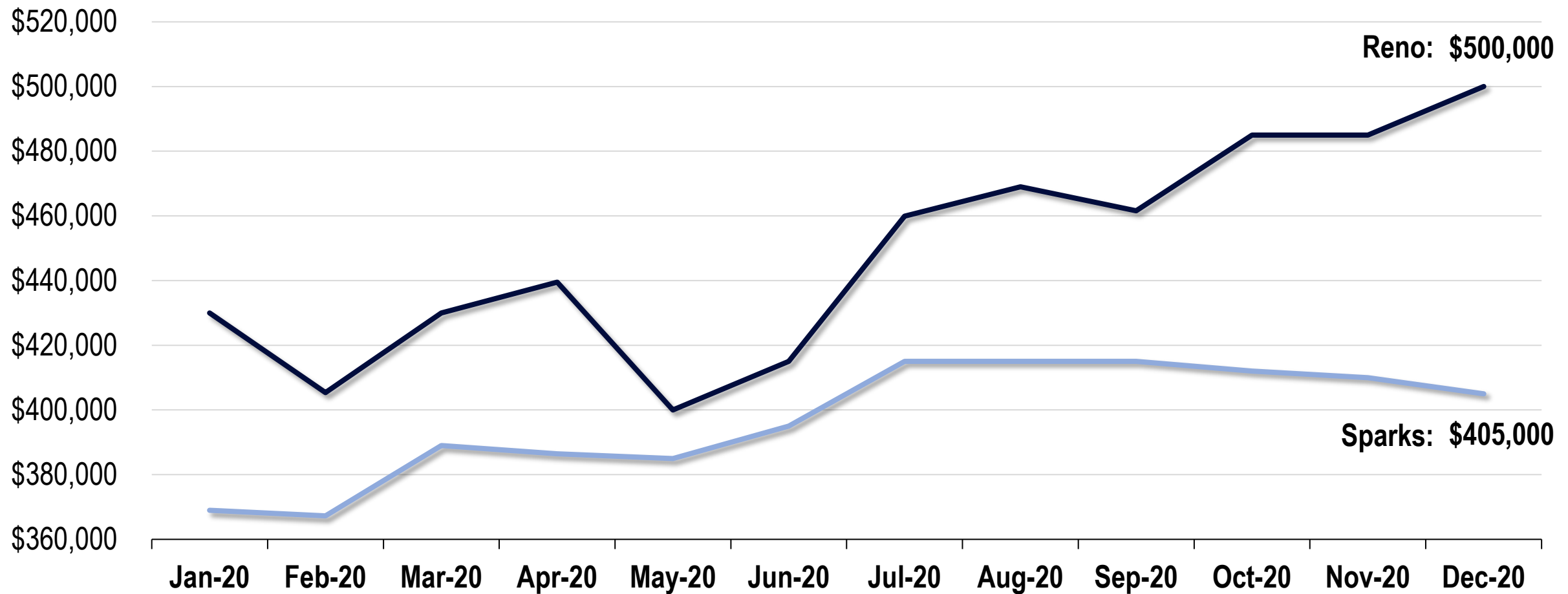
Washoe County



Source: SalesTraq (includes Realtor and non-Realtor transactions)

Median Existing Home Price

City of Reno vs. City of Sparks



Reno: \$500,000

Sparks: \$405,000

Source: Reno-Sparks Association of Realtors

Reno-Sparks

Price Appreciation

December 2020

Sorted by Price

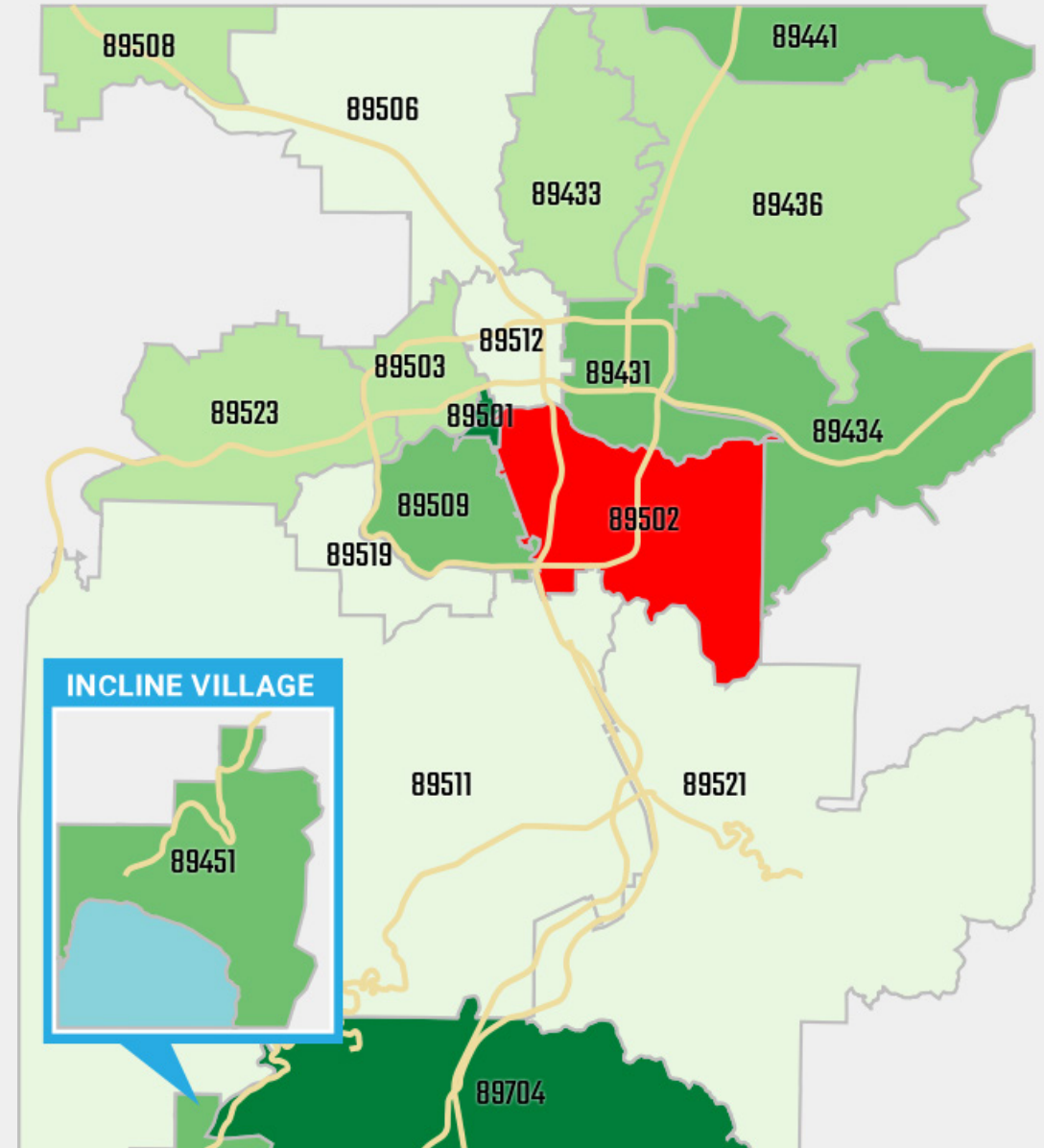
Rank	Zip	% Change	Price
1	89451	10.8%	\$906,525
2	89511	17.0%	\$786,113
3	89519	7.1%	\$654,708
4	89704	21.6%	\$532,163
5	89441	15.1%	\$512,600
6	89509	15.5%	\$495,121
7	89521	8.6%	\$470,246
8	89501	26.8%	\$447,500
9	89523	5.6%	\$436,829
10	89436	8.5%	\$410,138

SalesTraq
know your market

www.SalesTraq.com
Copyright © 2021 SalesTraq

Notes: Zip code coloring reflects the current trailing 12-month value for existing home median price as compared to one year ago; may not be reflective of actual price appreciation for a single property as the mix of homes sold may impact the median price; includes all existing for-sale housing types.

- 13.6% or Greater
- 6.0% - 13.5%
- 4.2% - 5.9%
- 0.1% - 4.1%
- Less than 0.0%
- Data Not Available



Reno-Sparks

Price Appreciation

December 2020

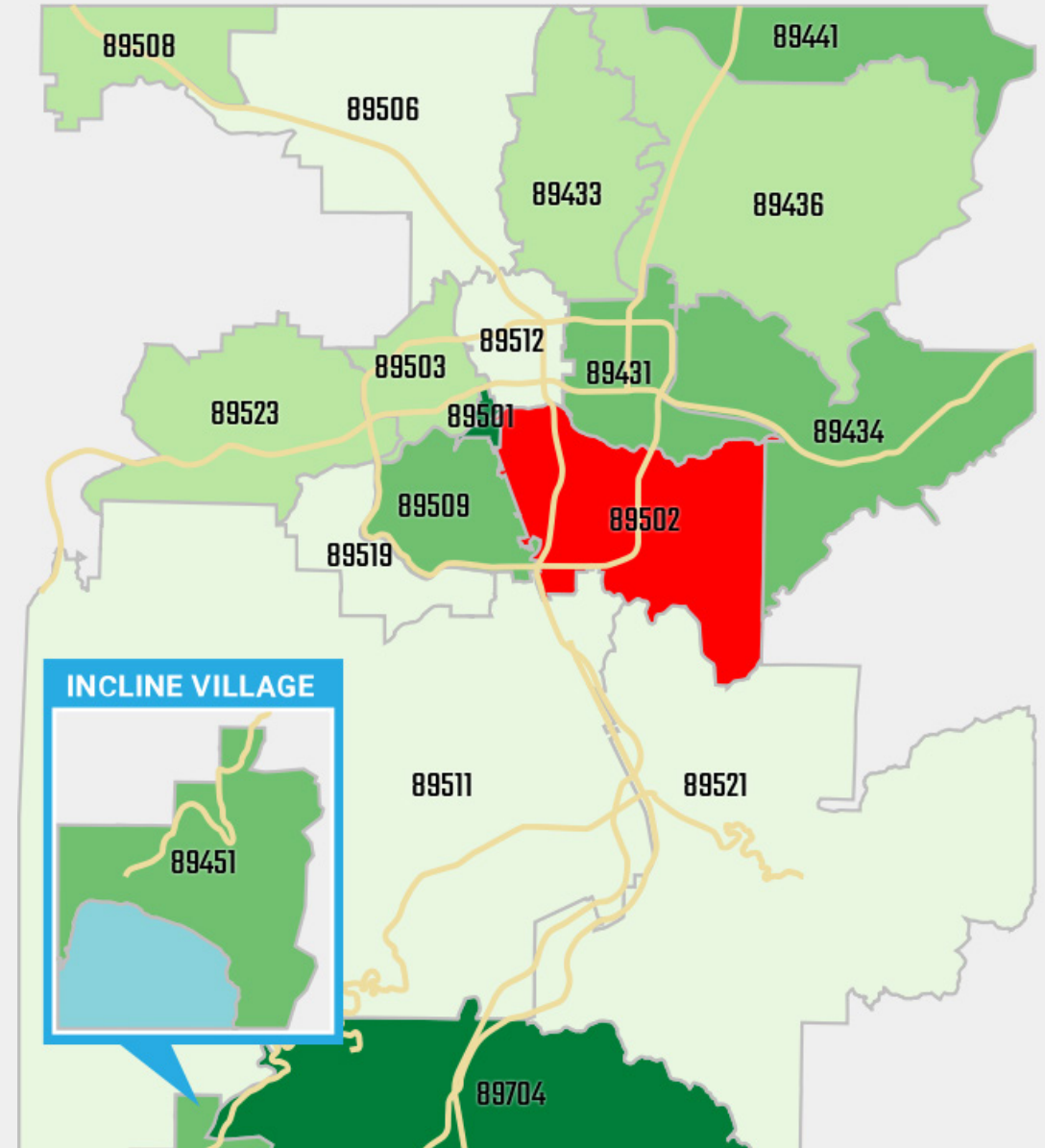
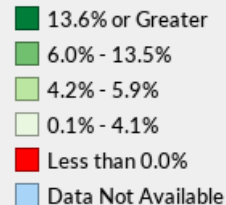
Sorted by Appreciation

Rank	Zip	% Change	Price
1	89501	26.8%	\$447,500
2	89704	21.6%	\$532,163
3	89511	17.0%	\$786,113
4	89509	15.5%	\$495,121
5	89441	15.1%	\$512,600
6	89431	12.0%	\$290,000
7	89451	10.8%	\$906,525
8	89508	10.4%	\$346,958
9	89512	10.1%	\$225,401
10	89506	9.9%	\$321,083

SalesTraq
know your market

www.SalesTraq.com
Copyright © 2021 SalesTraq

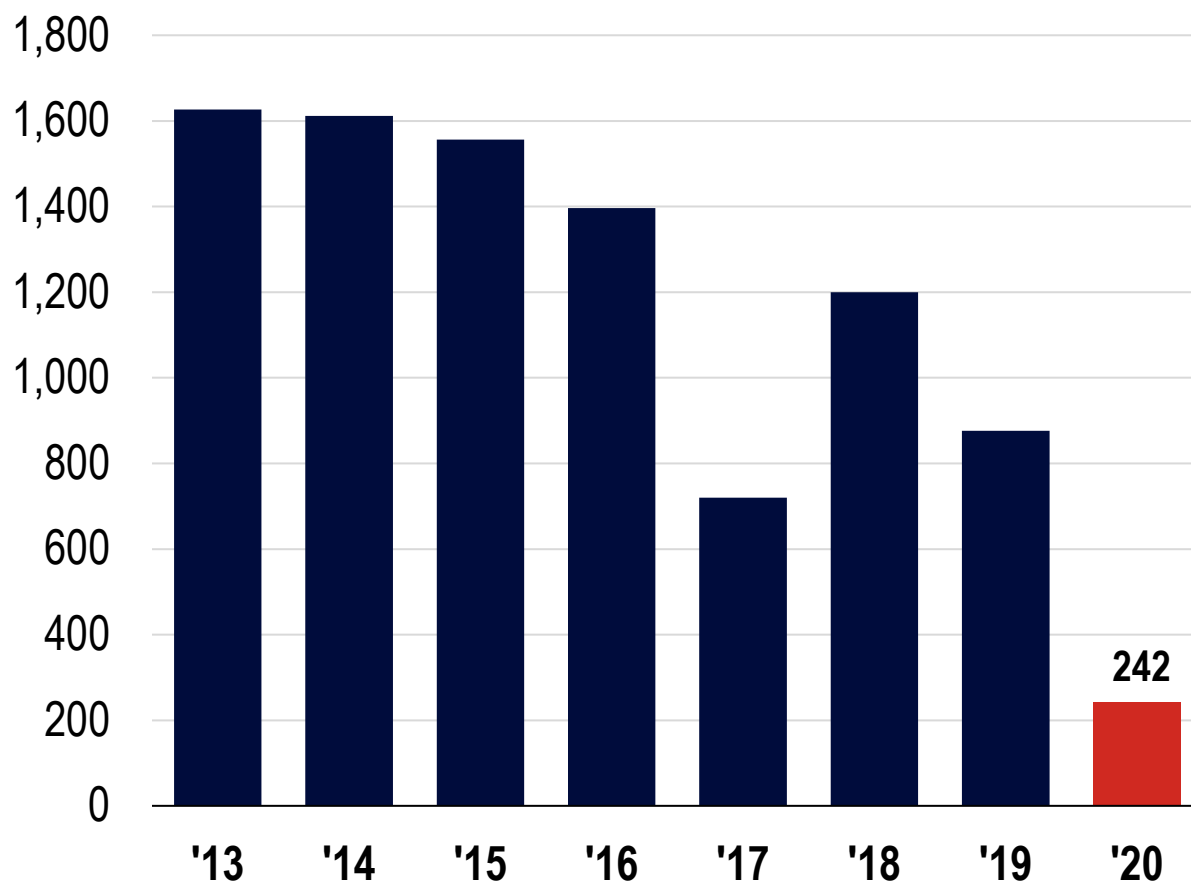
Notes: Zip code coloring reflects the current trailing 12-month value for existing home median price as compared to one year ago; may not be reflective of actual price appreciation for a single property as the mix of homes sold may impact the median price; includes all existing for-sale housing types.



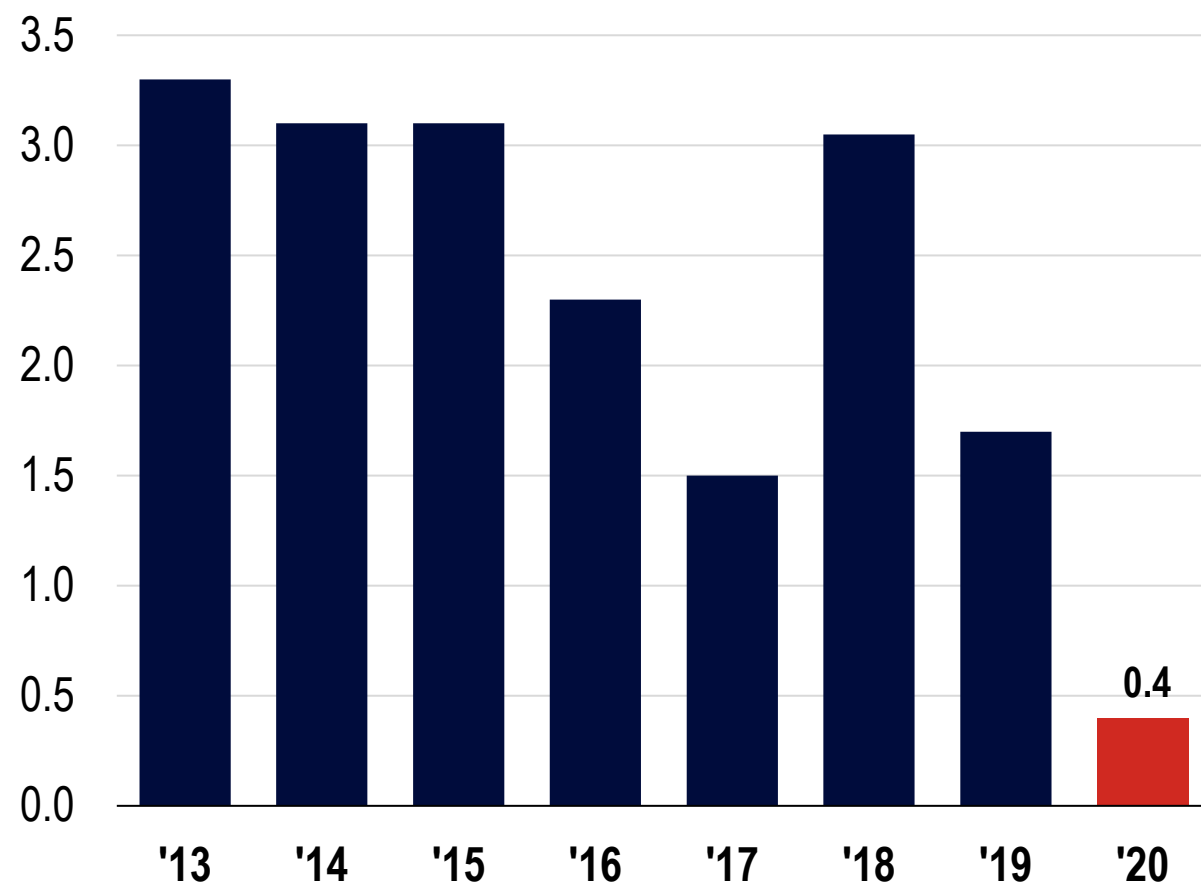
Housing Availability (Year-End)

Reno-Sparks | Single-Family Residence

Number of Units



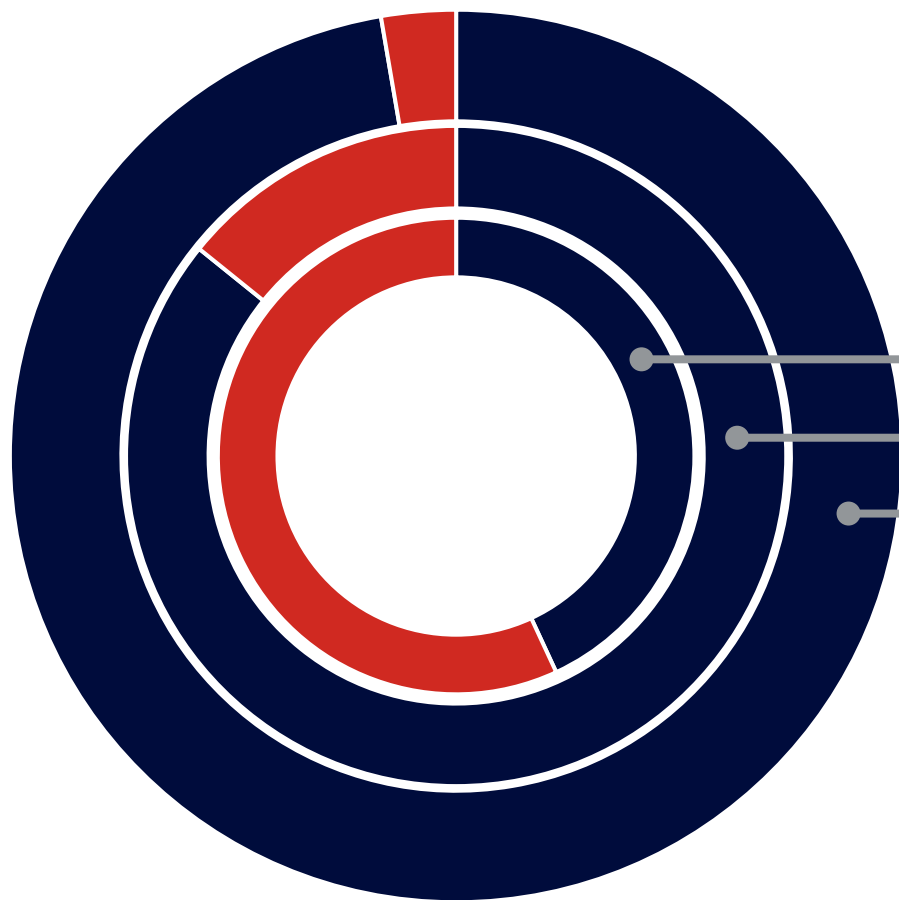
Effective Months of Inventory



Source: Reno-Sparks Association of Realtors

Nevada Homeowner's Equity

Share of Homes with Positive or Negative Equity



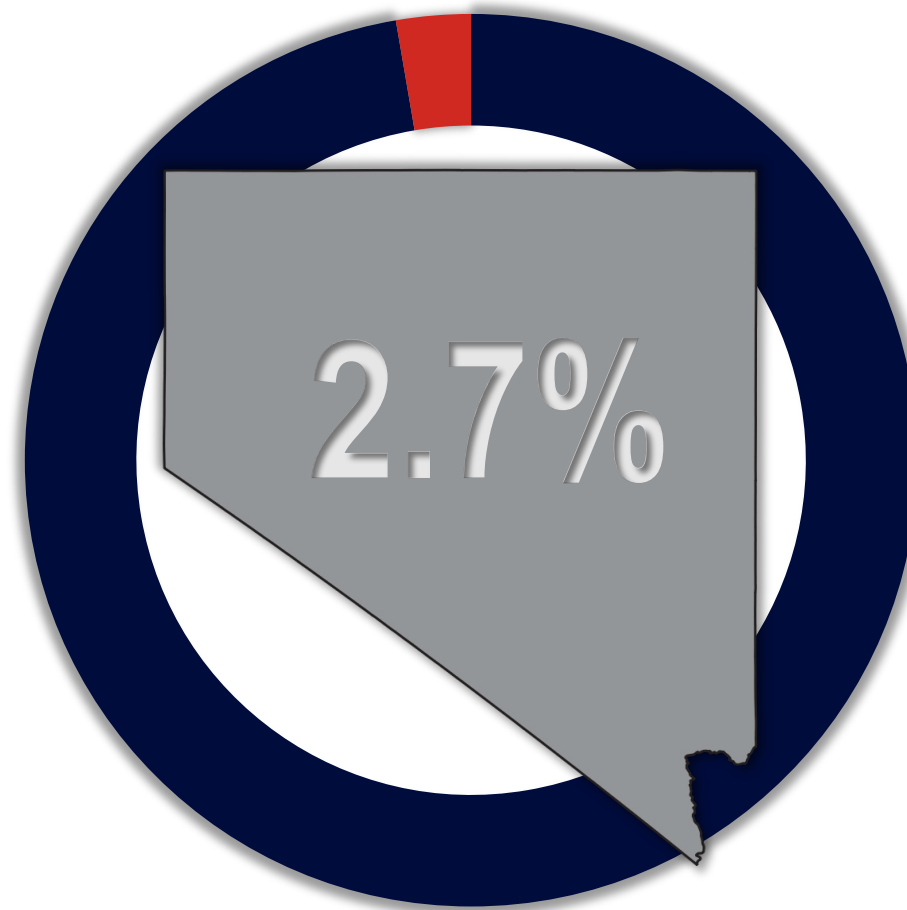
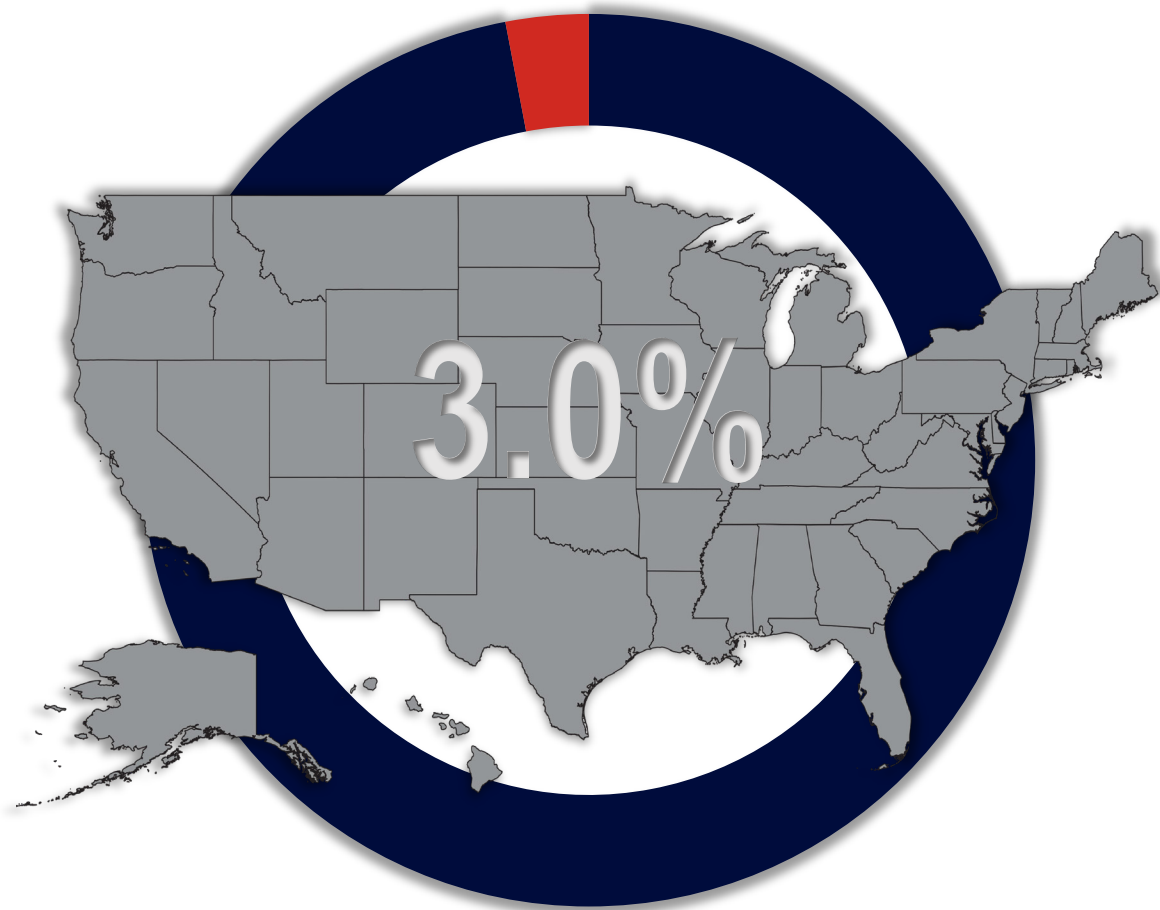
	Positive Equity	Negative Equity
2012	43.1%	56.9%
2016	85.8%	14.2%
2020	97.3%	2.7%

Source: CoreLogic

Note: Figures reflect data from the third quarter of each year.

Homeowner's Equity

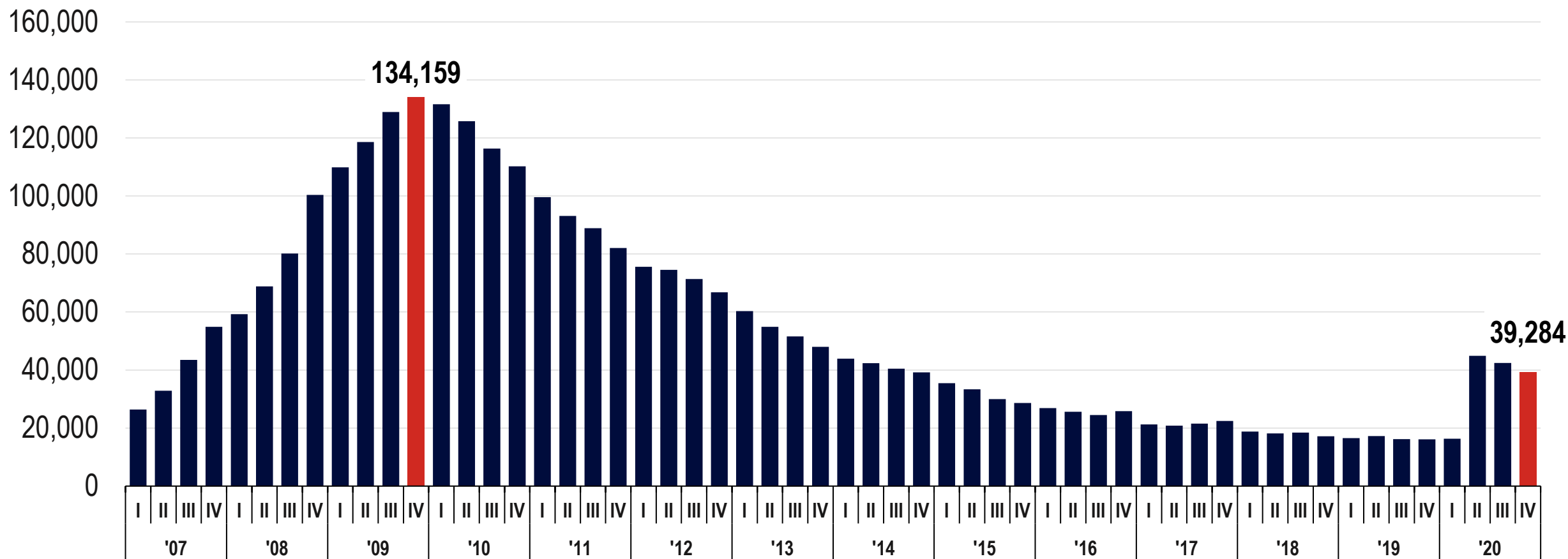
Share of Homes with Negative Equity



Source: CoreLogic

Mortgage Defaults in Nevada

Mortgages Past Due or in Foreclosure



Source: Mortgage Banker's Association, National Delinquency Survey

Executive Summary



Economic Impacts

Quantifying the jobs, wages and economic activity



Economic Fundamentals

Key drivers of the local housing market



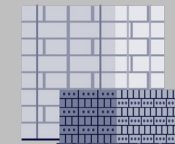
Resale Home Market

Supply-demand dynamics for resale homes



New Home Market

Supply-demand dynamics for new homes



Cost of Residential Development

Elevated costs of new home construction

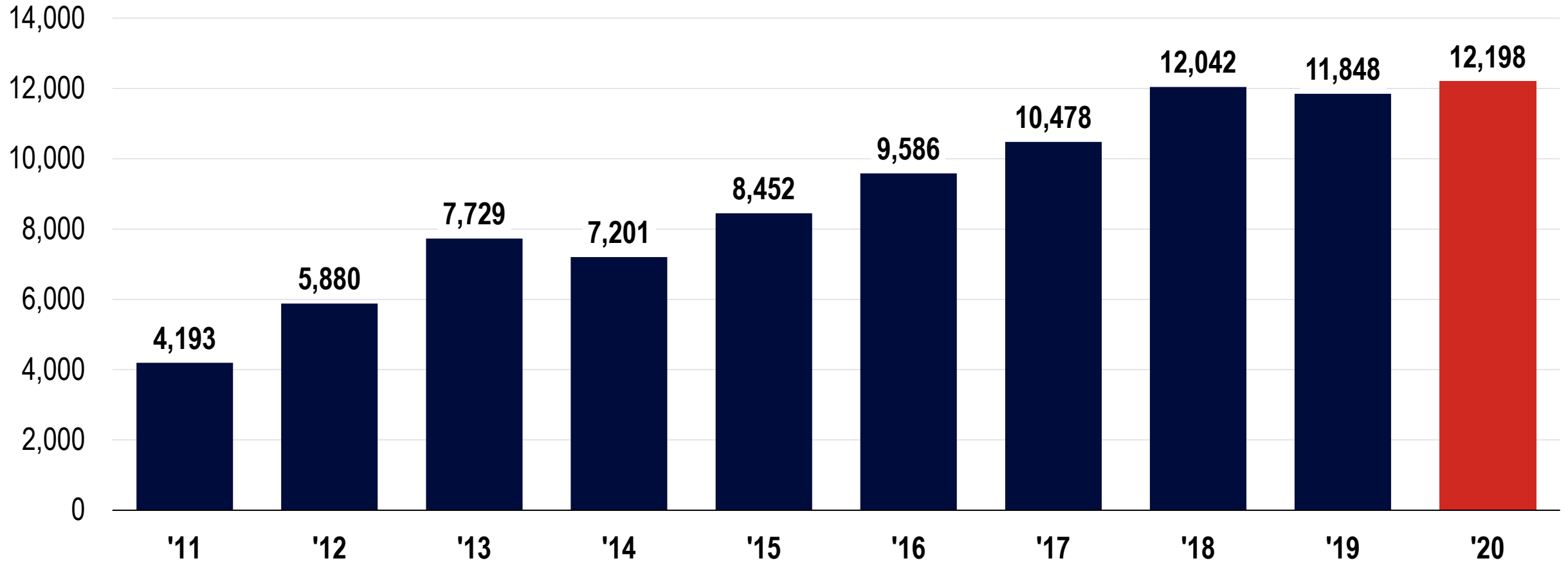


Housing Affordability in Nevada

Incomes relative to home prices

New Home Closings in Nevada

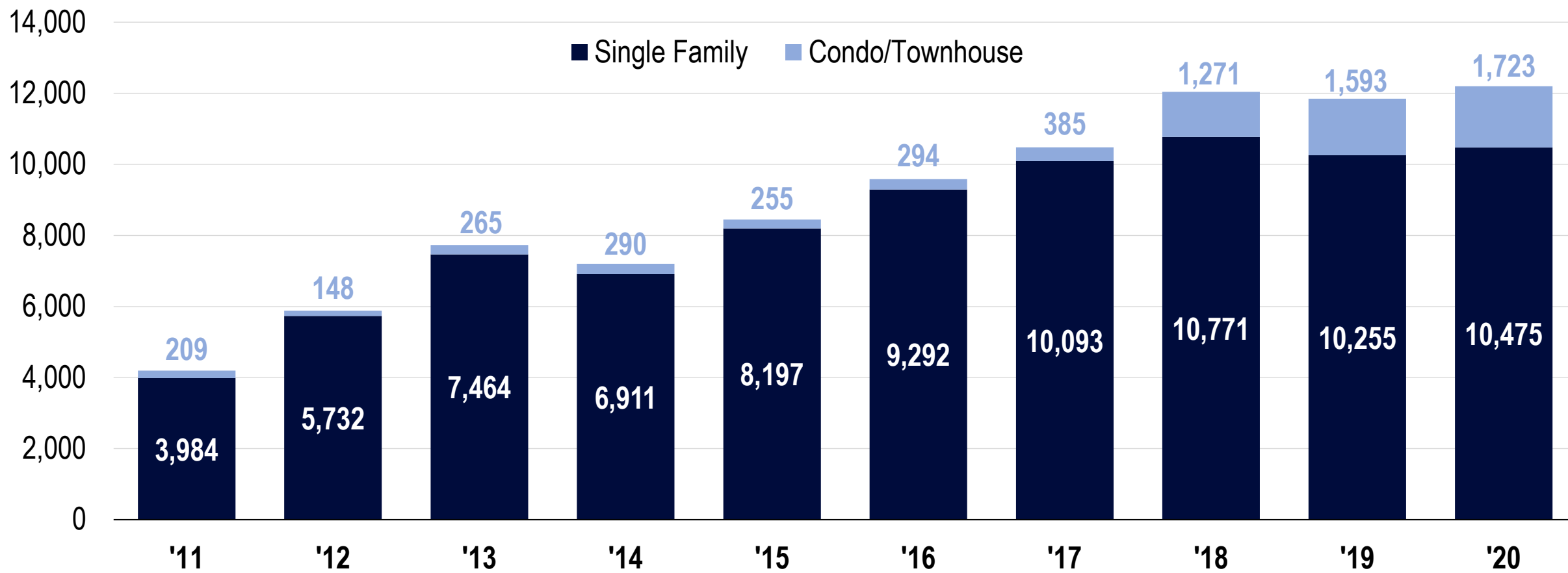
Single Family and Condominium/Townhouse



Source: SalesTraq (Excludes High- and Mid-Rises Built Prior to Displayed Periods). Note: Reflects closings in Clark and Washoe Counties.

New Home Closings in Nevada

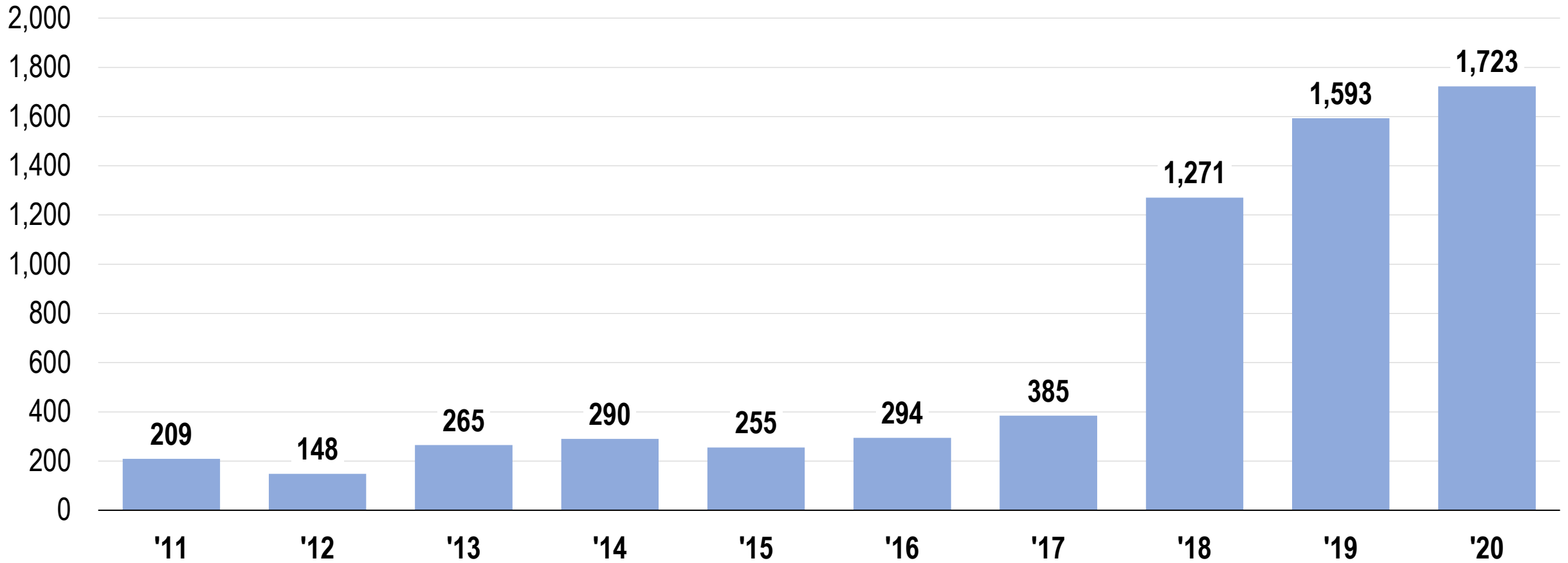
Single Family and Condominium/Townhouse



Source: SalesTraq (Excludes High- and Mid-Rises Built Prior to Displayed Periods). Note: Reflects closings in Clark and Washoe Counties.

New Home Closings in Nevada

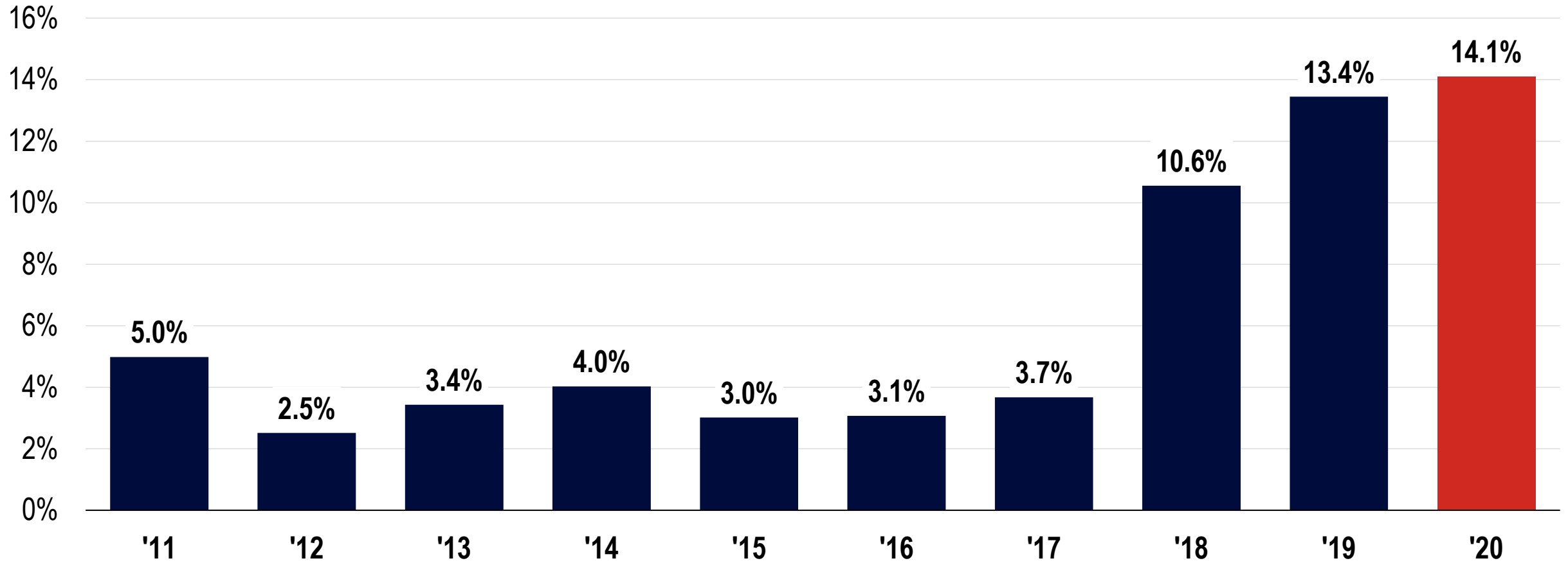
Condominium/Townhouse



Source: SalesTraq (Excludes High- and Mid-Rises Built Prior to Displayed Periods). Note: Reflects closings in Clark and Washoe Counties.

New Home Closings in Nevada

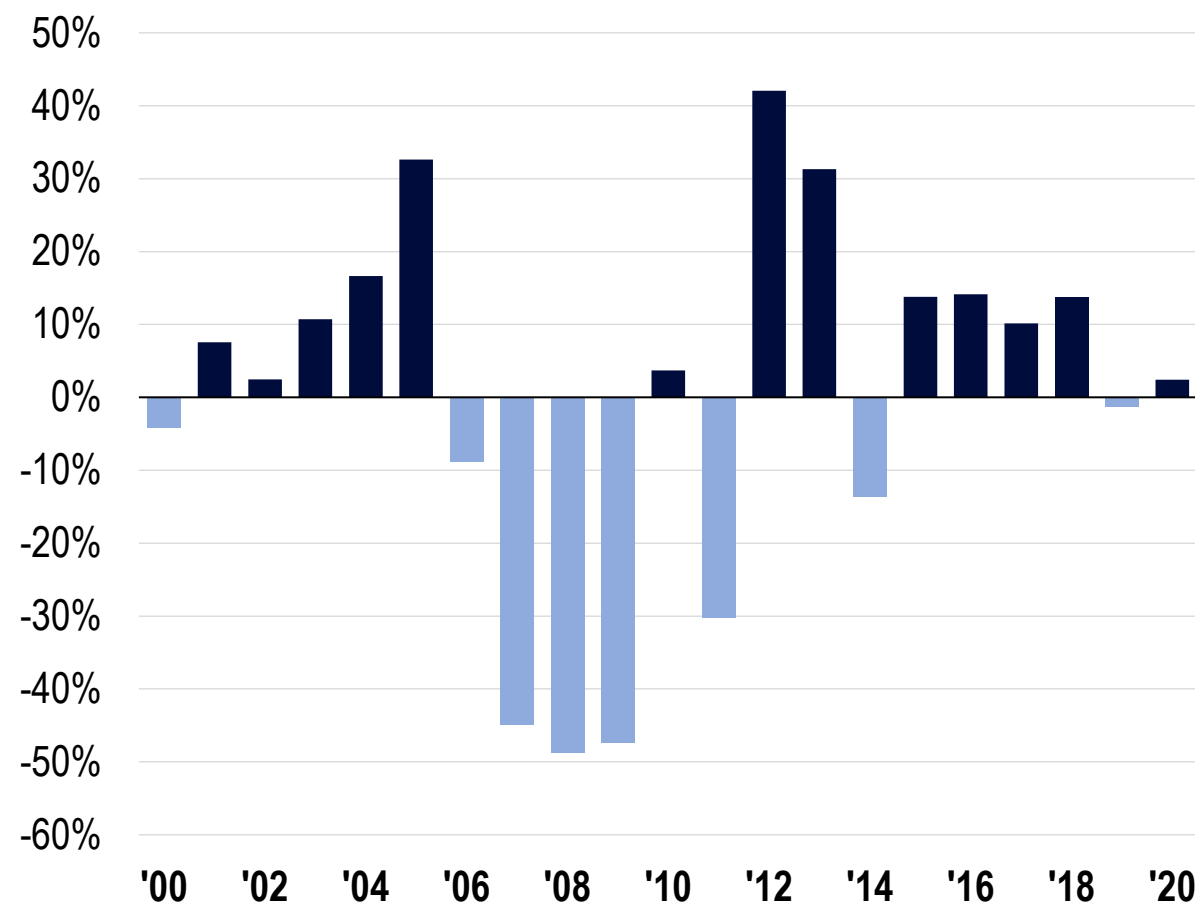
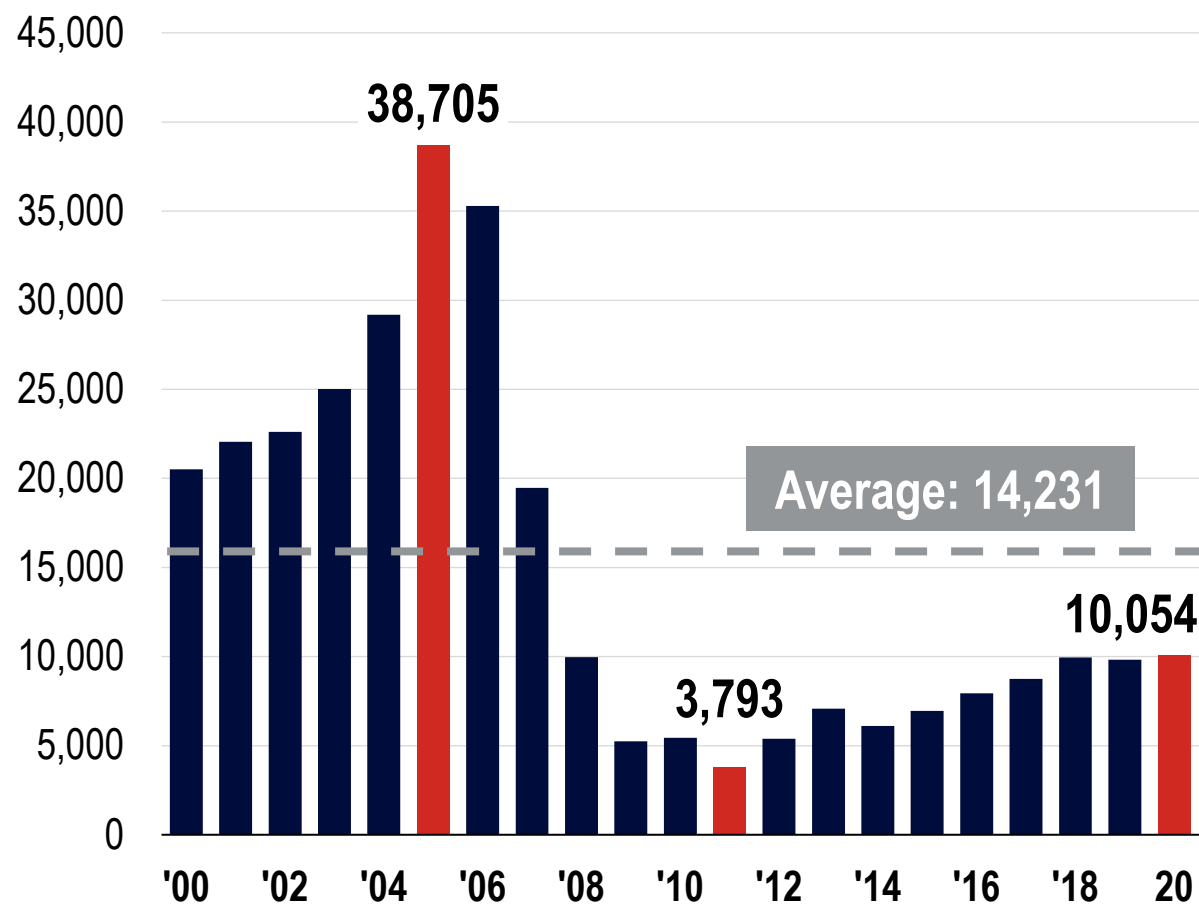
Condominium/Townhouse Market Share



Source: SalesTrac (Excludes High- and Mid-Rises Built Prior to Displayed Periods). Note: Reflects closings in Clark and Washoe Counties.

New Home Closings

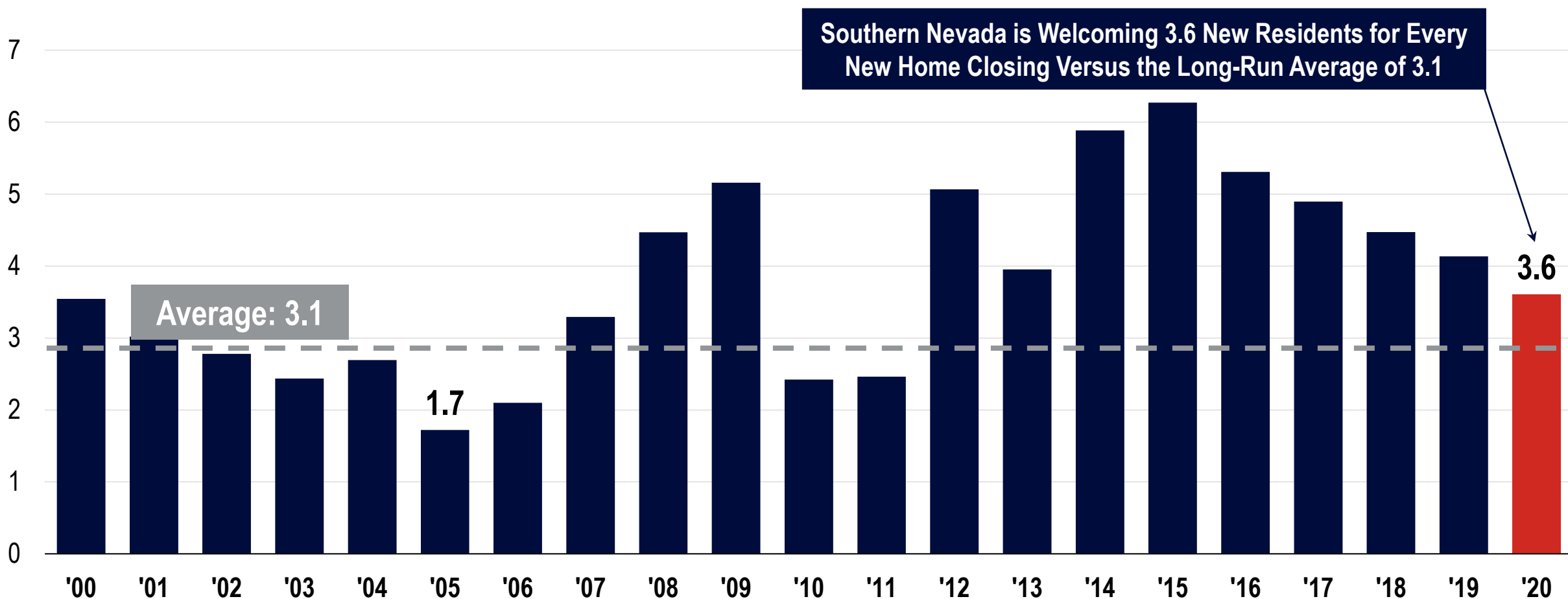
Las Vegas Area



Source: SalesTraq

New Residents per New Home Closing

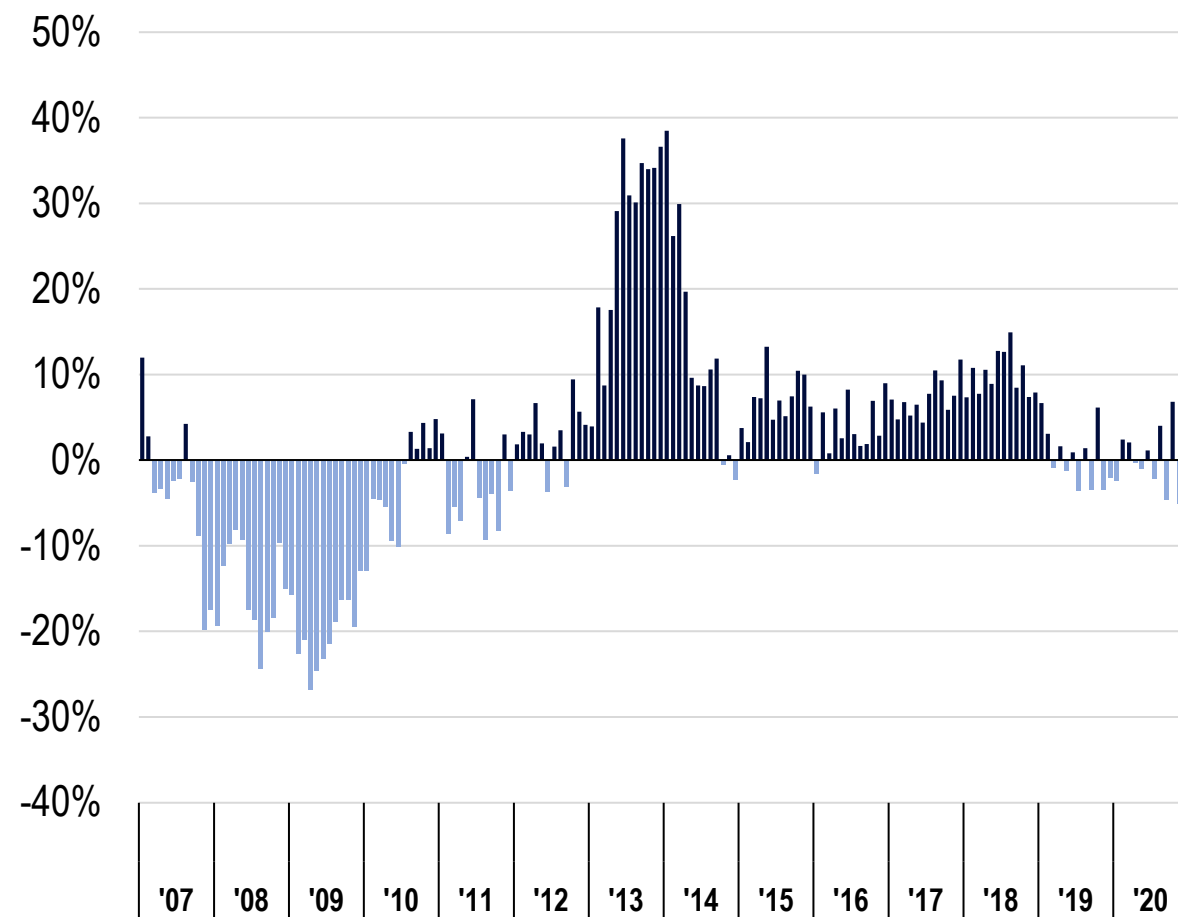
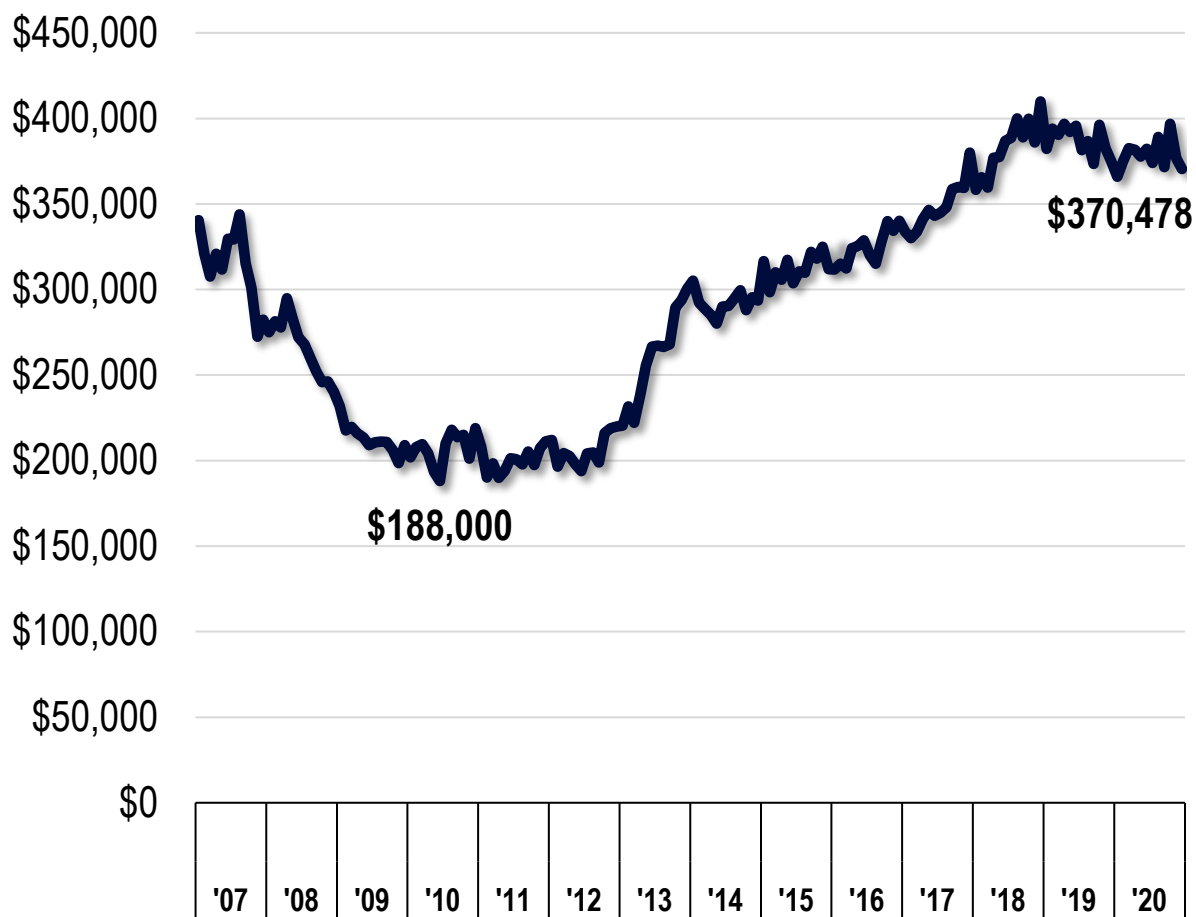
Las Vegas Area



Source: SalesTraq, U.S. Census Bureau, Applied Analysis

New Home Median Closing Price

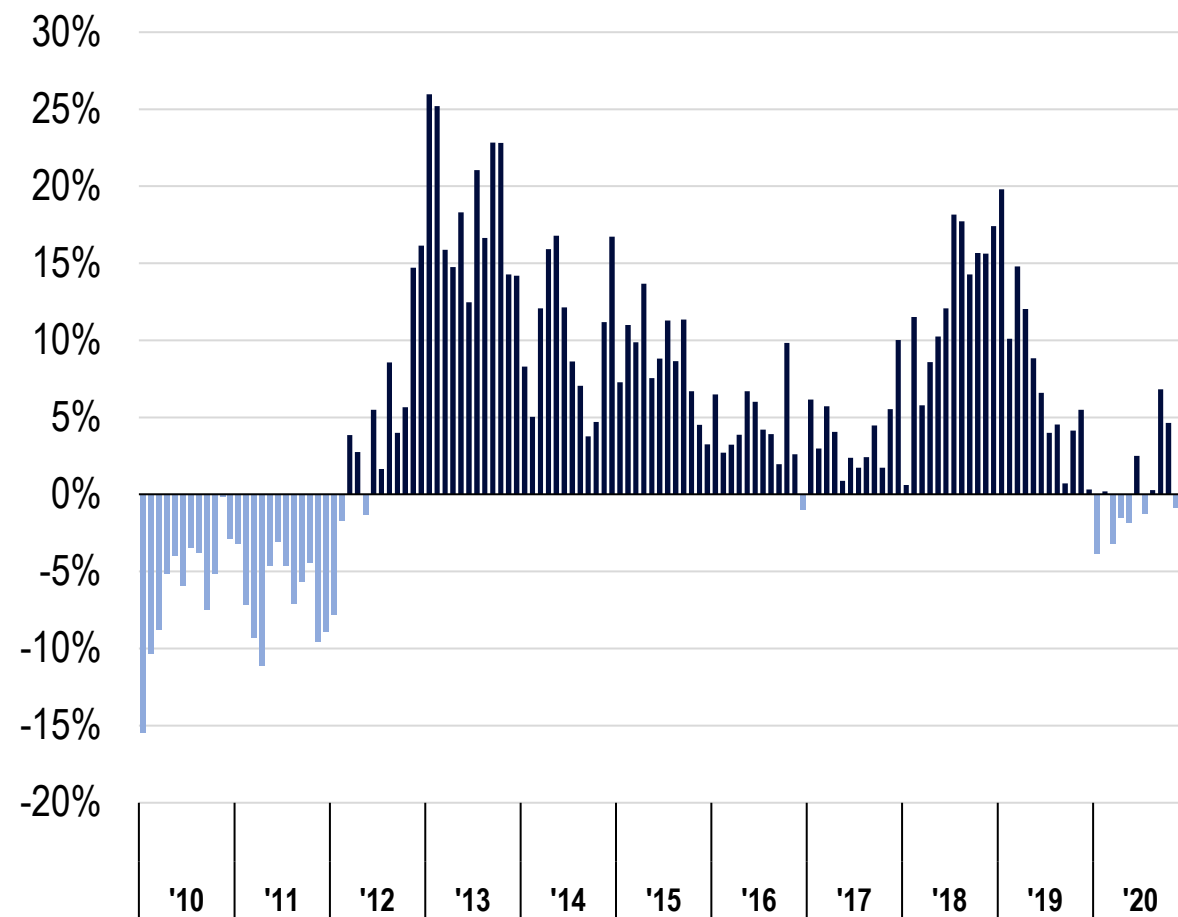
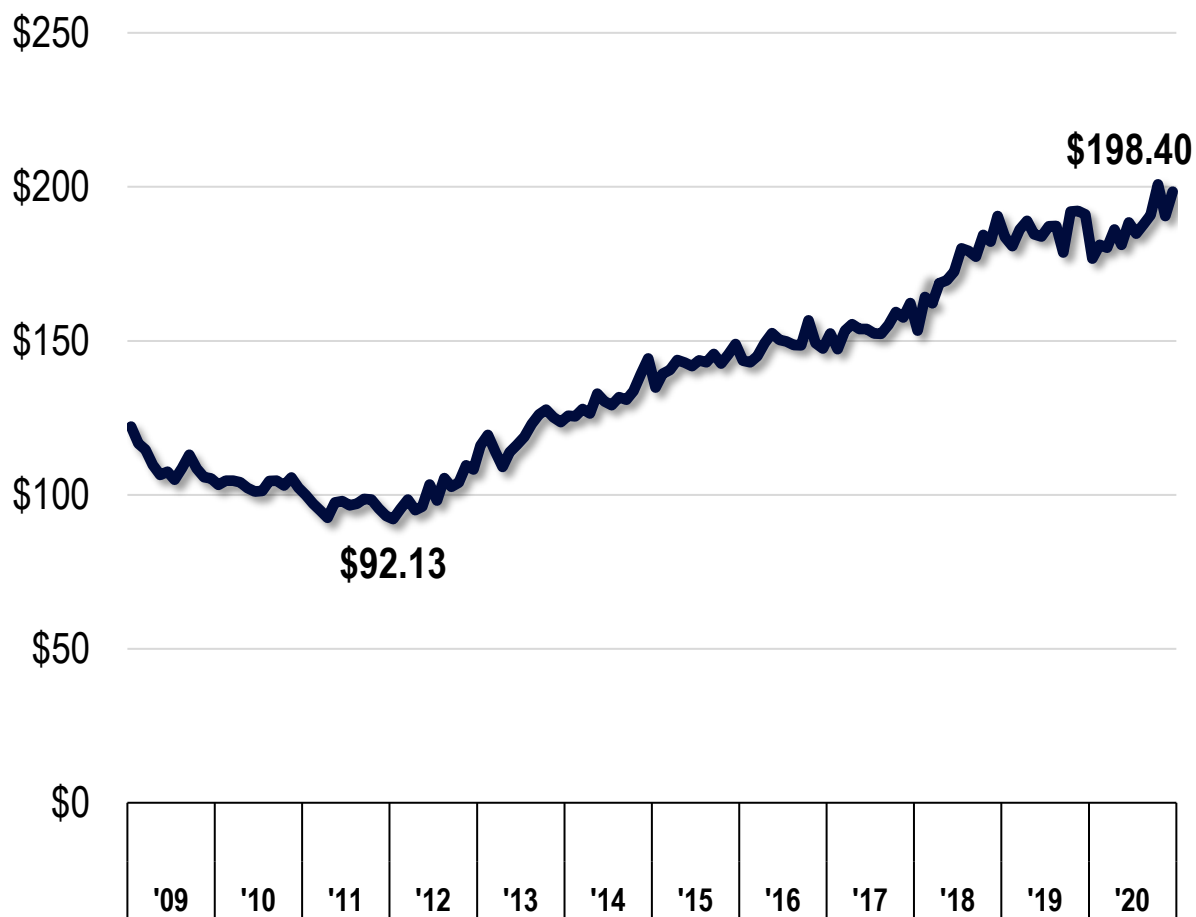
Las Vegas Area



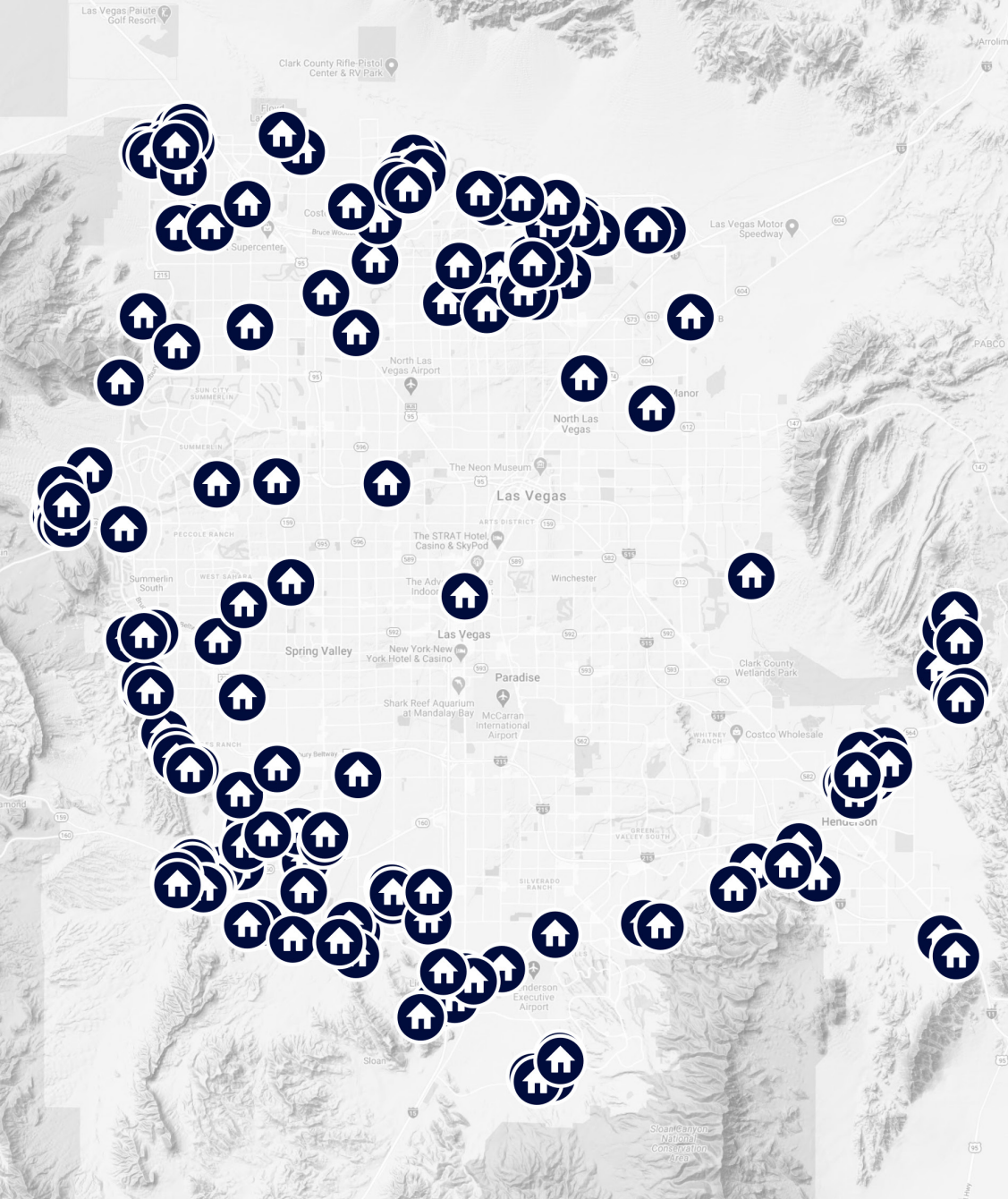
Source: SalesTraq

New Home Average Price per Square Foot

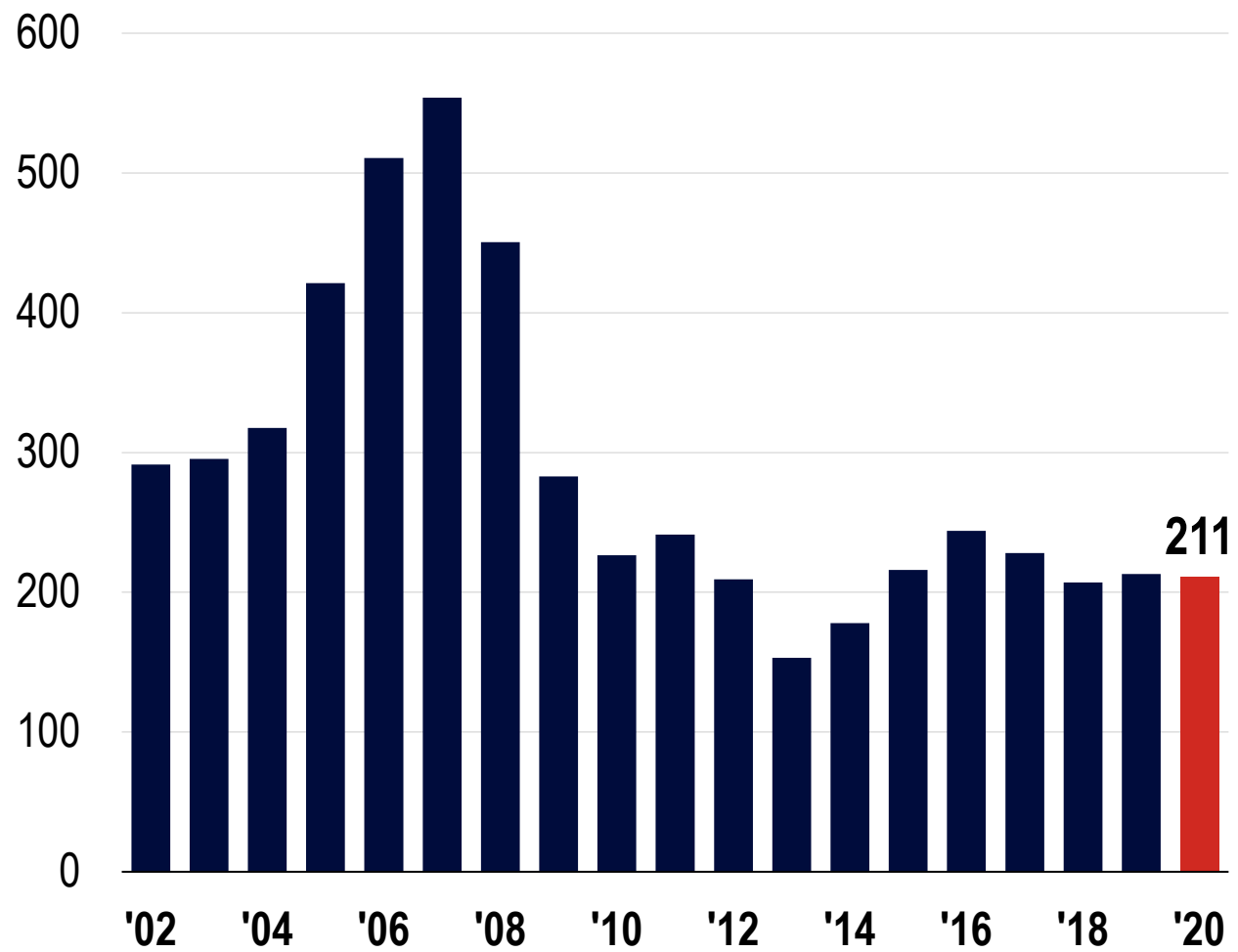
Las Vegas Area



Source: SalesTraq



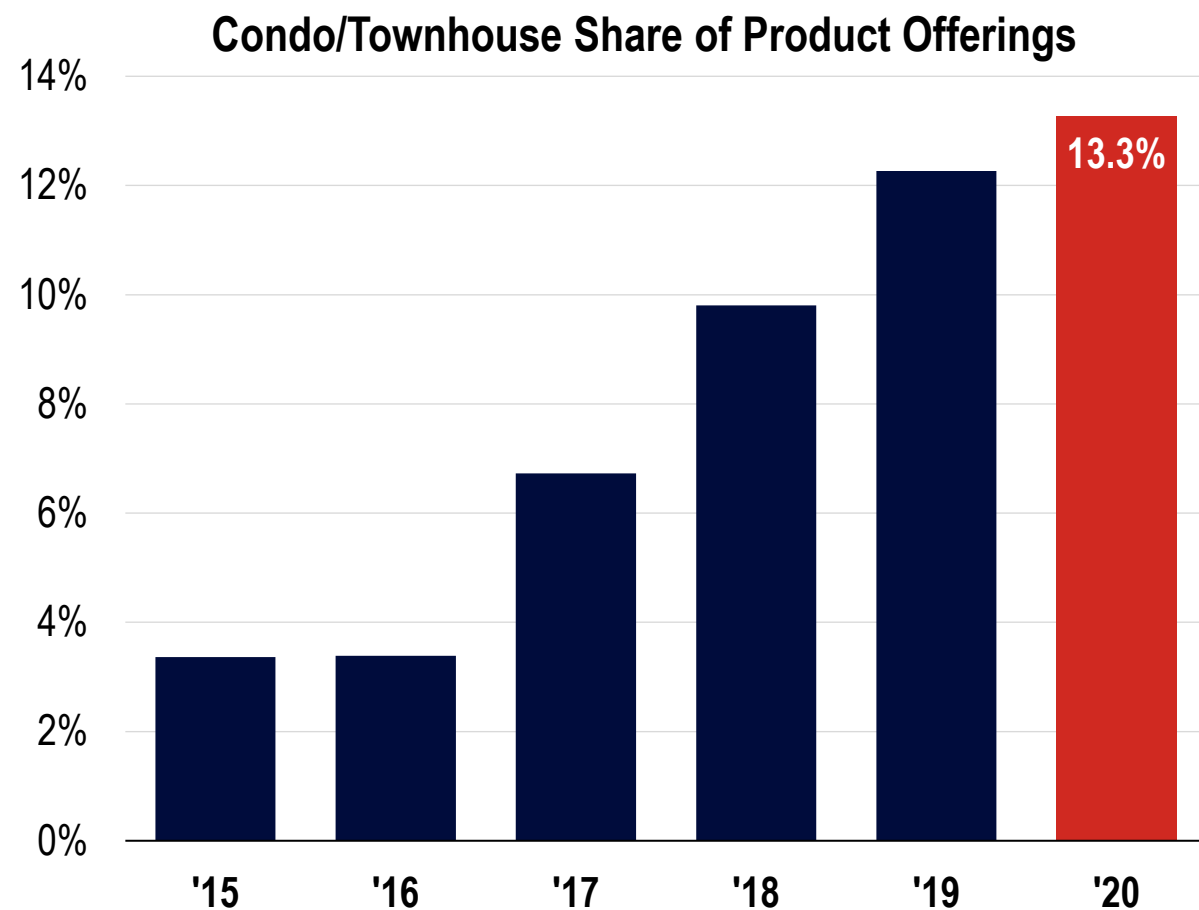
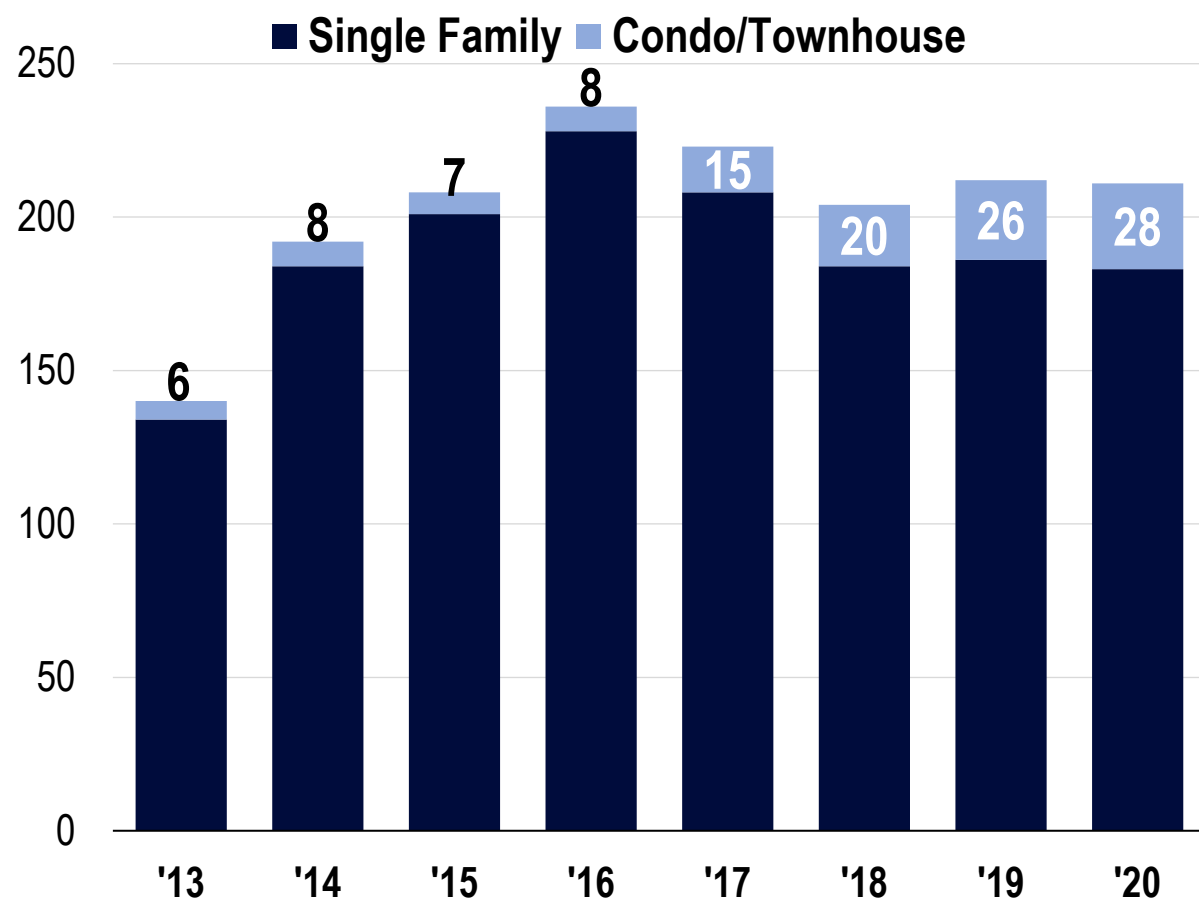
Actively Selling Subdivisions in Southern Nevada



Source: SalesTraq

Actively Selling Subdivisions in Southern Nevada

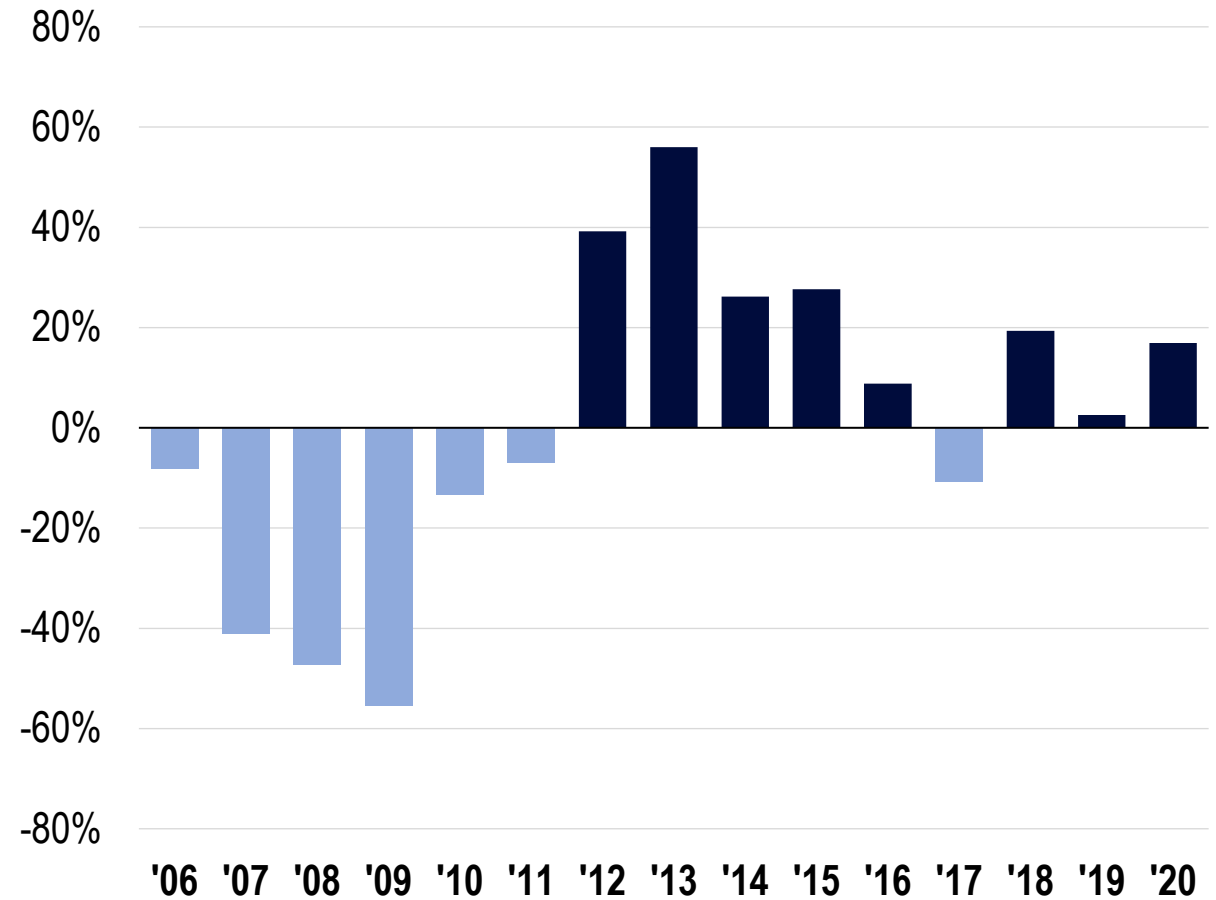
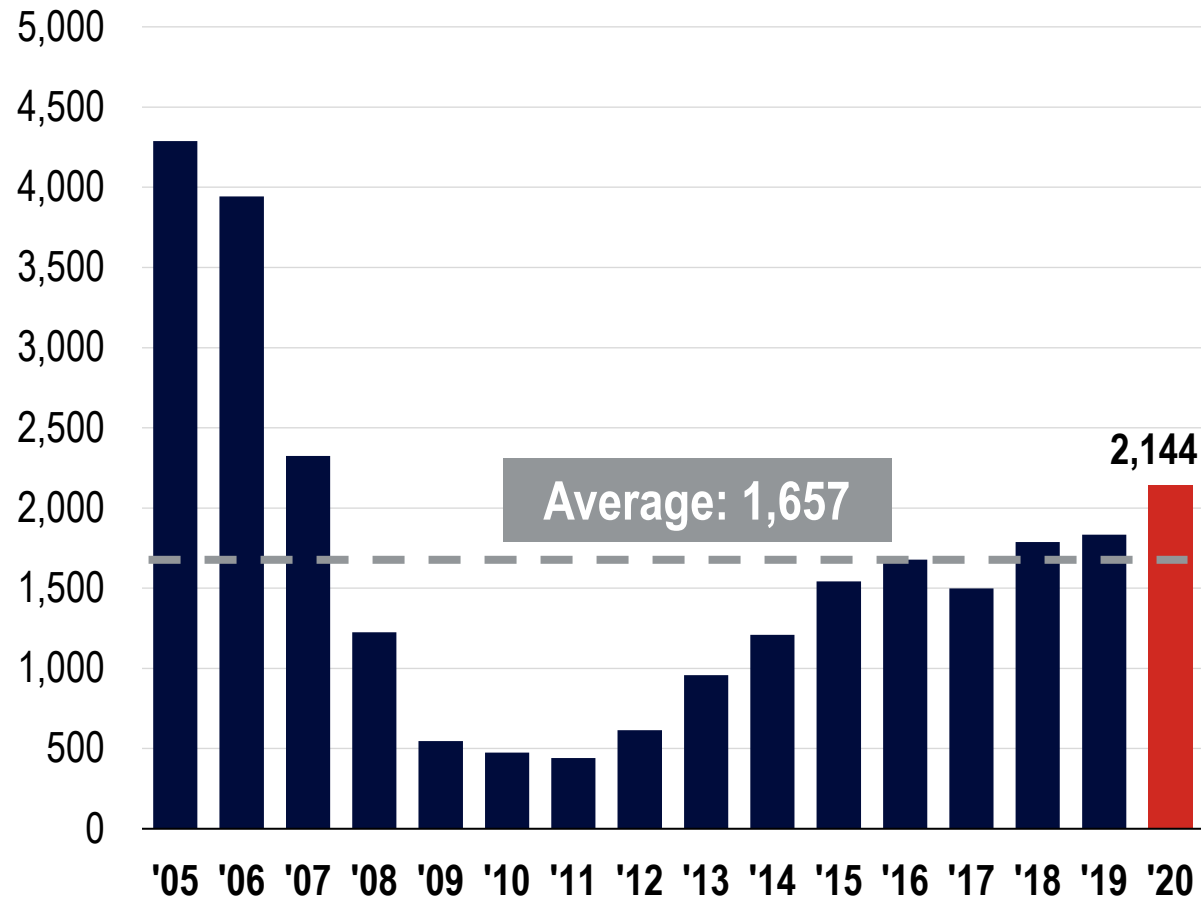
By Product Type



Source: SalesTraq (Excludes High- and Mid-Rises Built Prior to Displayed Periods)

New Home Closings

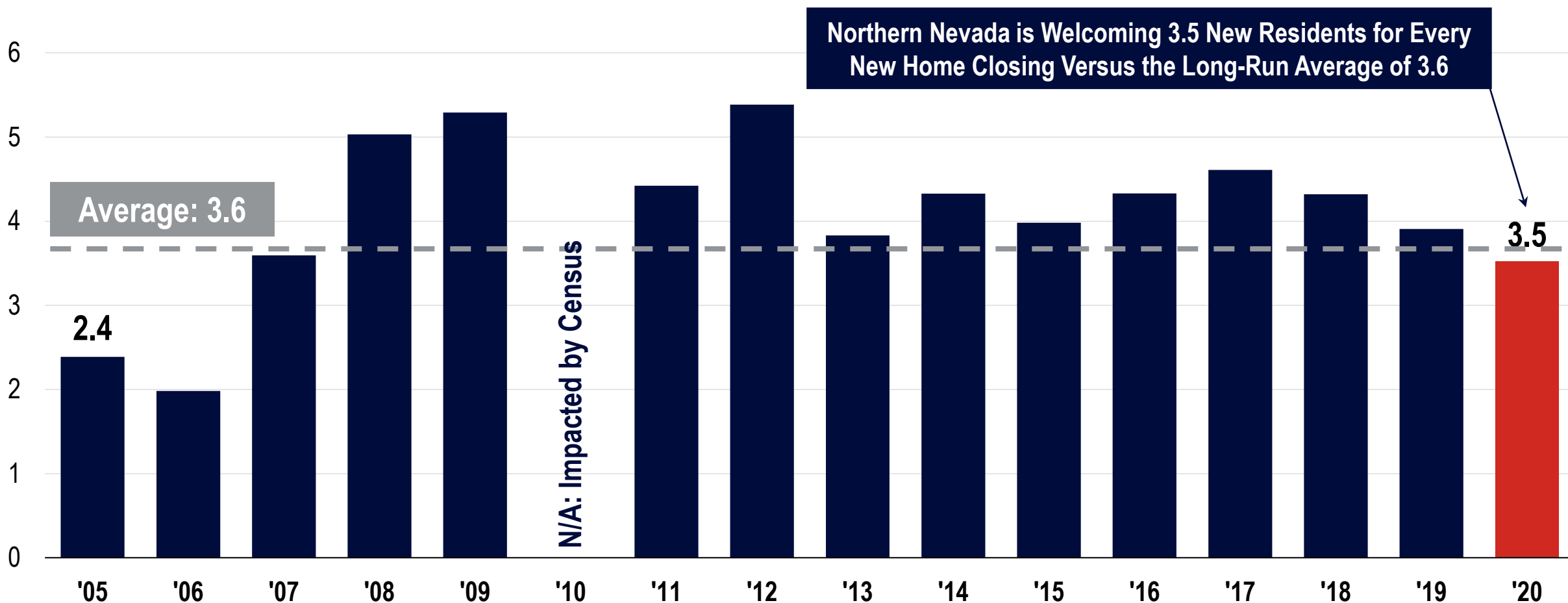
Washoe County



Source: SalesTraq

New Residents per New Home Closing

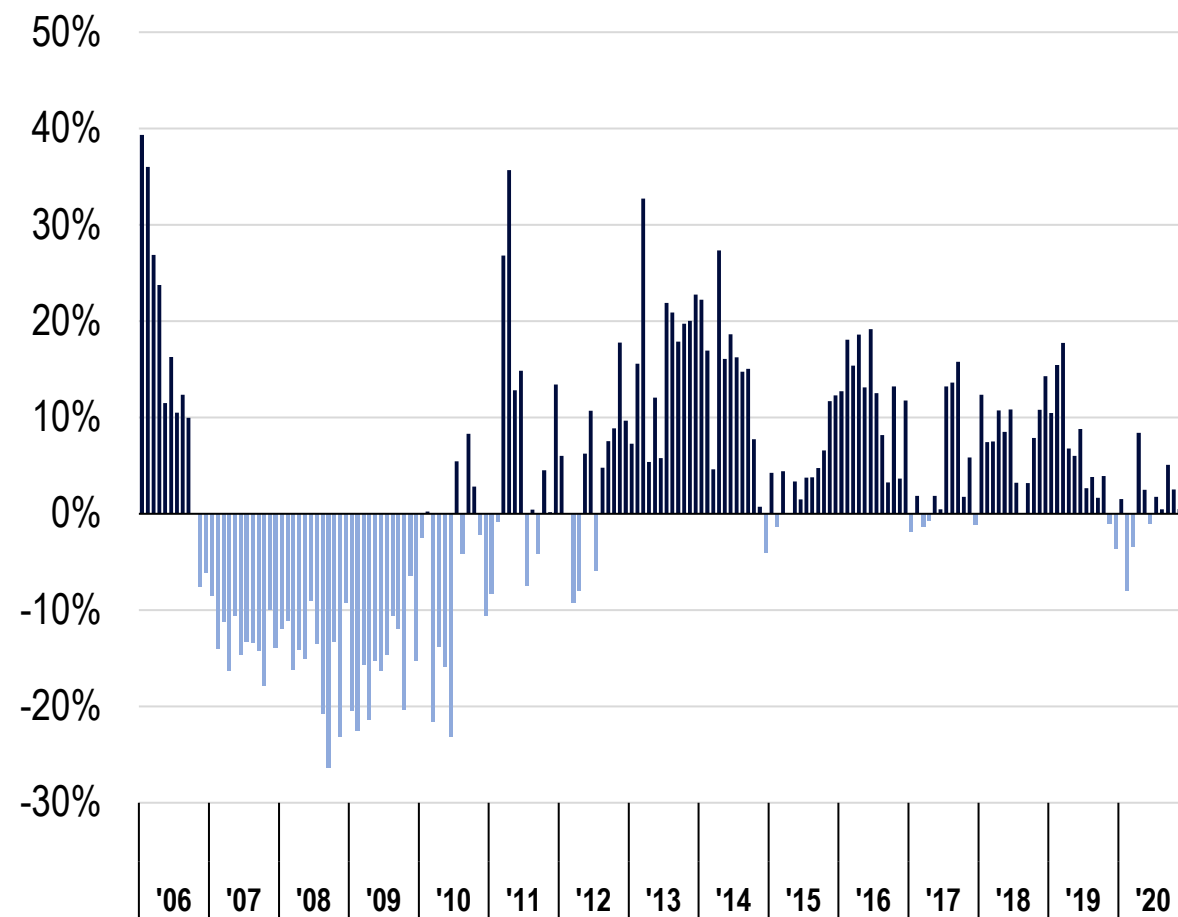
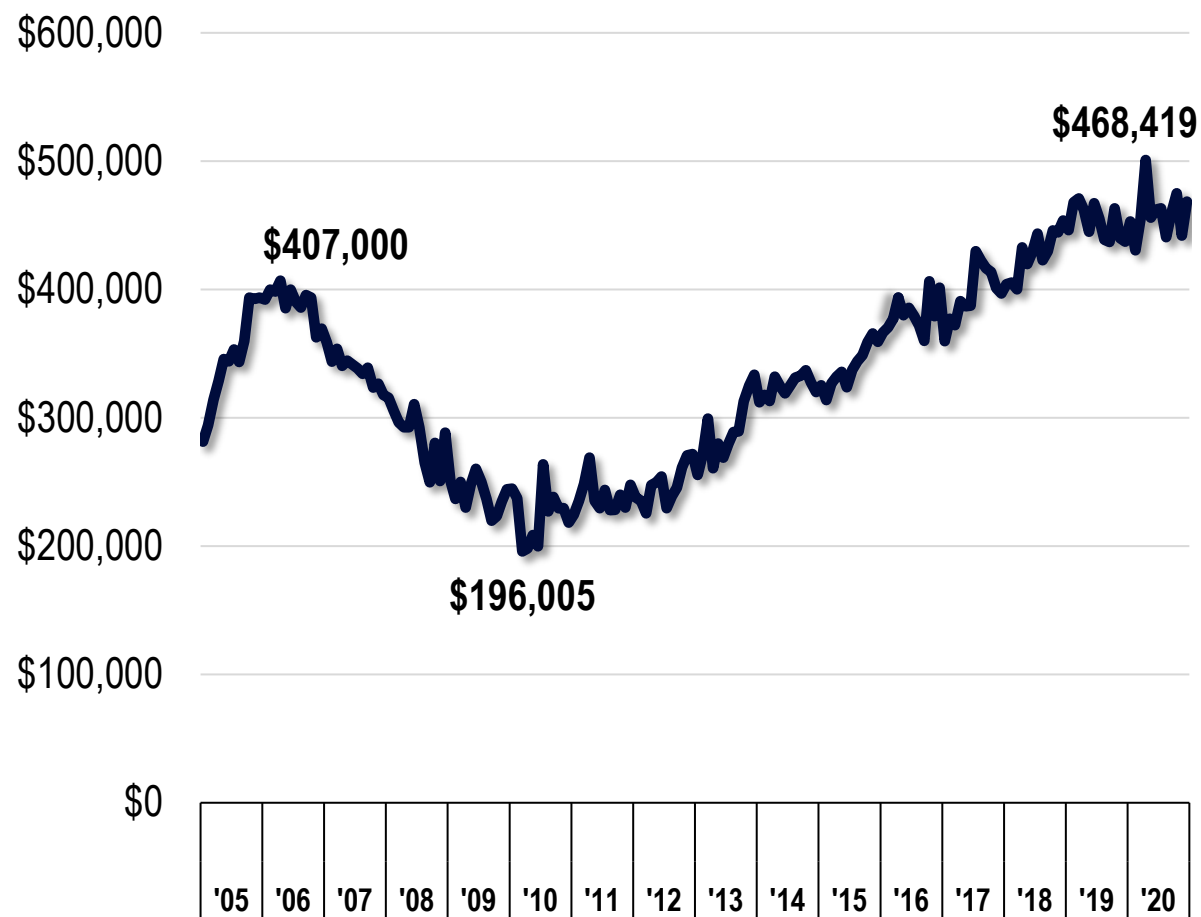
Washoe County



Source: SalesTraq, U.S. Census Bureau, Applied Analysis

New Home Median Closing Price

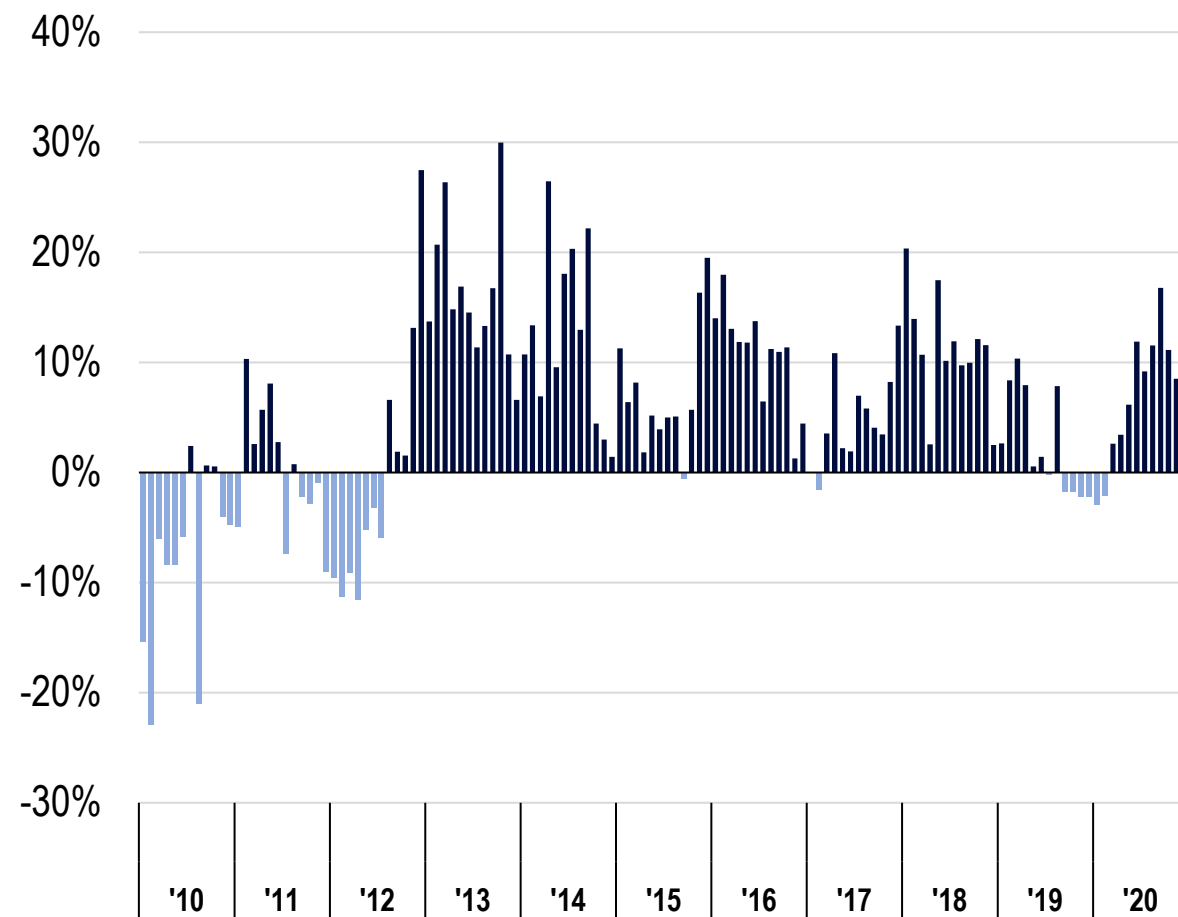
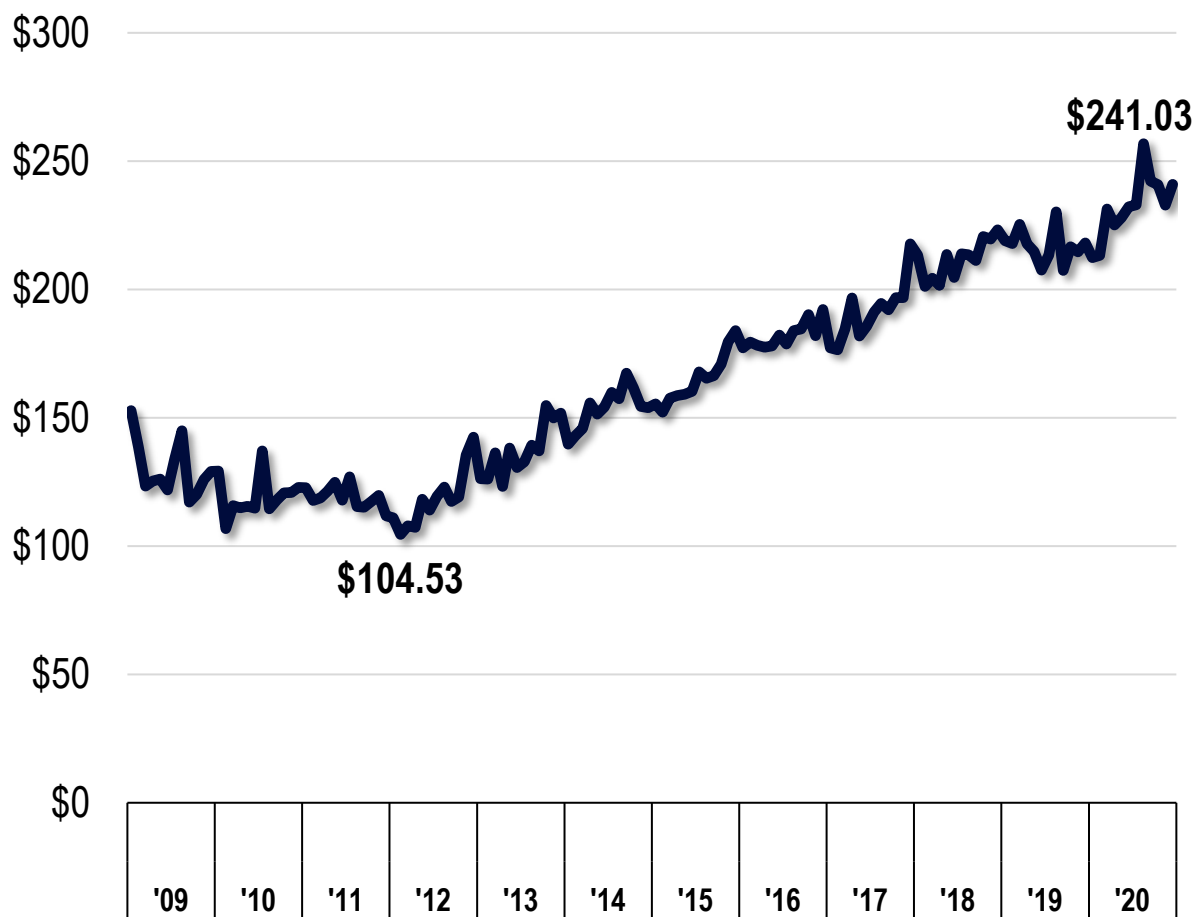
Washoe County



Source: SalesTraq

New Home Average Price per Square Foot

Washoe County



Source: SalesTraq

Executive Summary



Economic Impacts

Quantifying the jobs, wages and economic activity



Economic Fundamentals

Key drivers of the local housing market



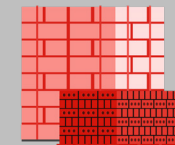
Resale Home Market

Supply-demand dynamics for resale homes



New Home Market

Supply-demand dynamics for new homes



Cost of Residential Development

Elevated costs of new home construction



Housing Affordability in Nevada

Incomes relative to home prices

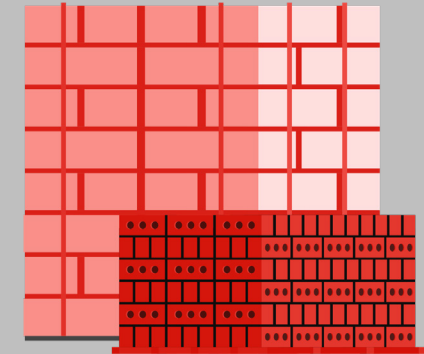
Development Costs Remain Elevated



Land



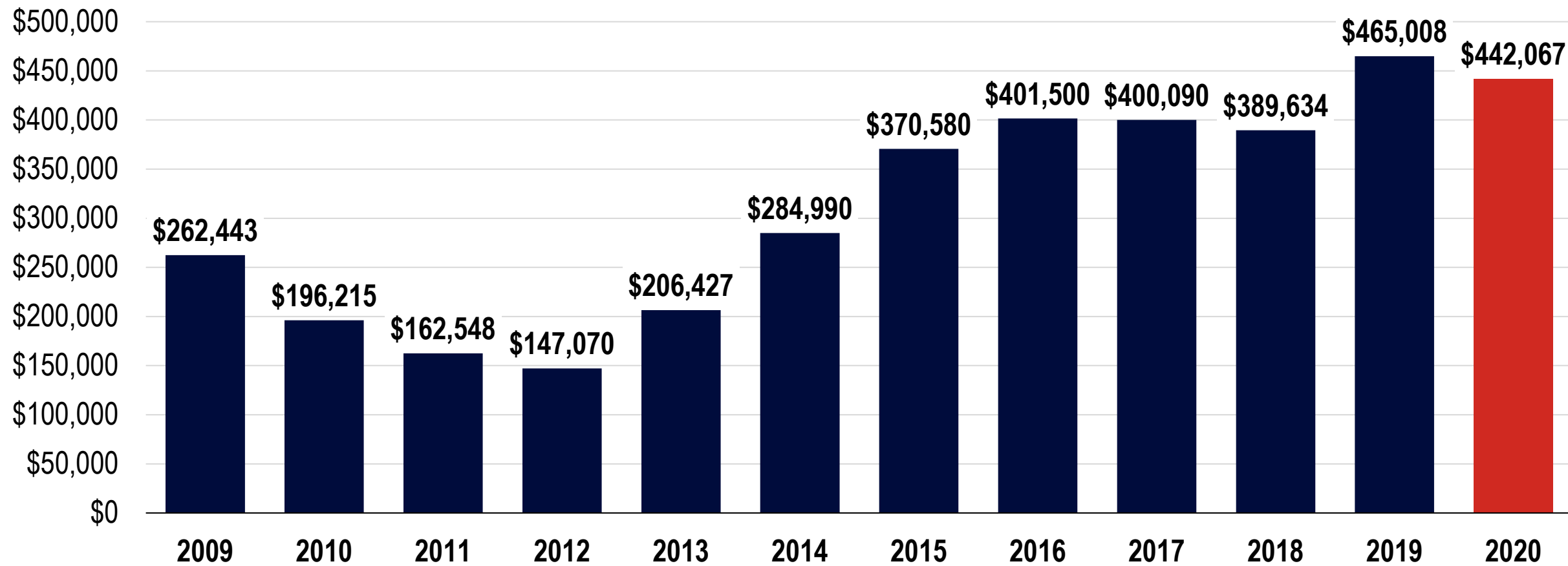
Labor



Materials

Vacant Land Costs - Las Vegas

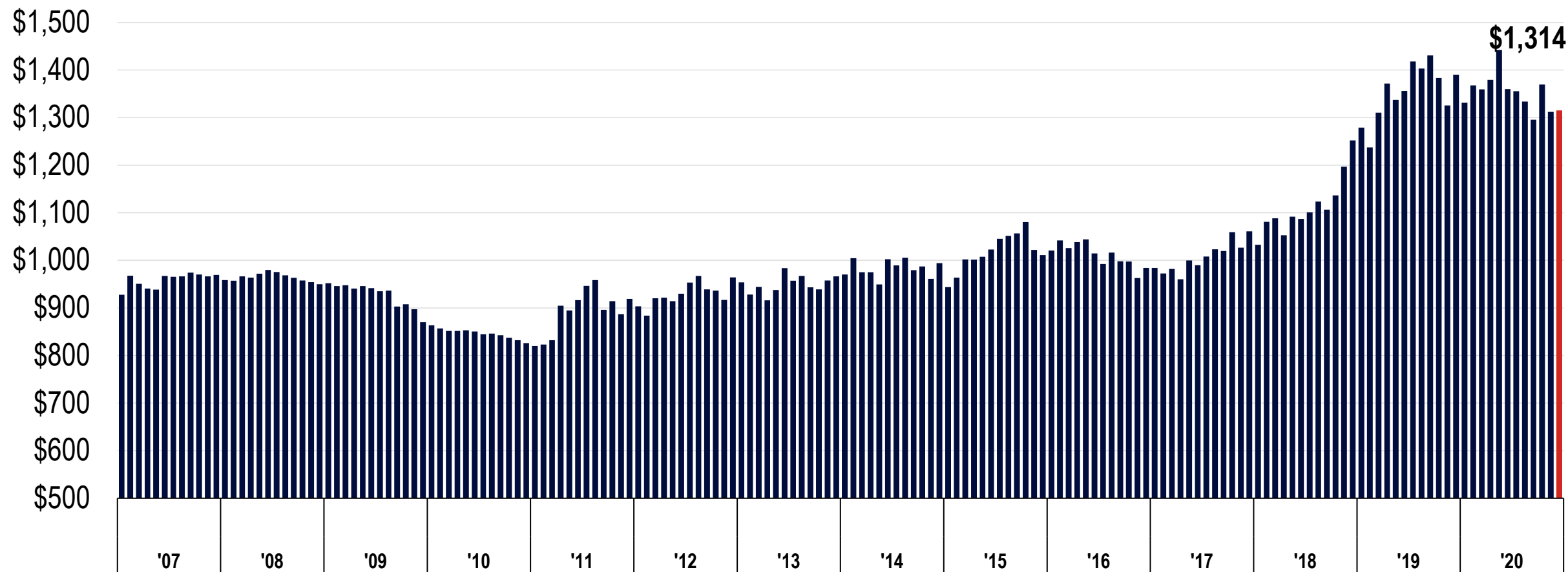
Annual Average Price per Acre



Source: Applied Analysis (Note: Similar values were not available for Northern Nevada)

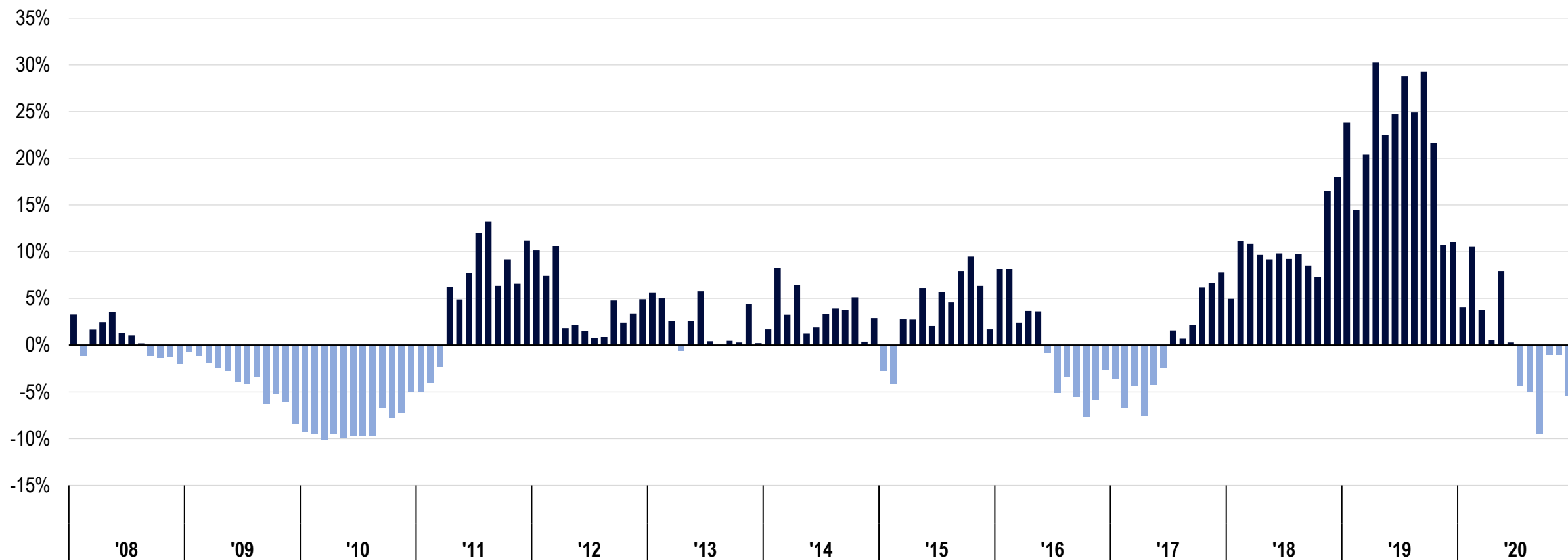
Average Weekly Wage - Construction

Nevada



Source: U.S. Bureau of Labor Statistics

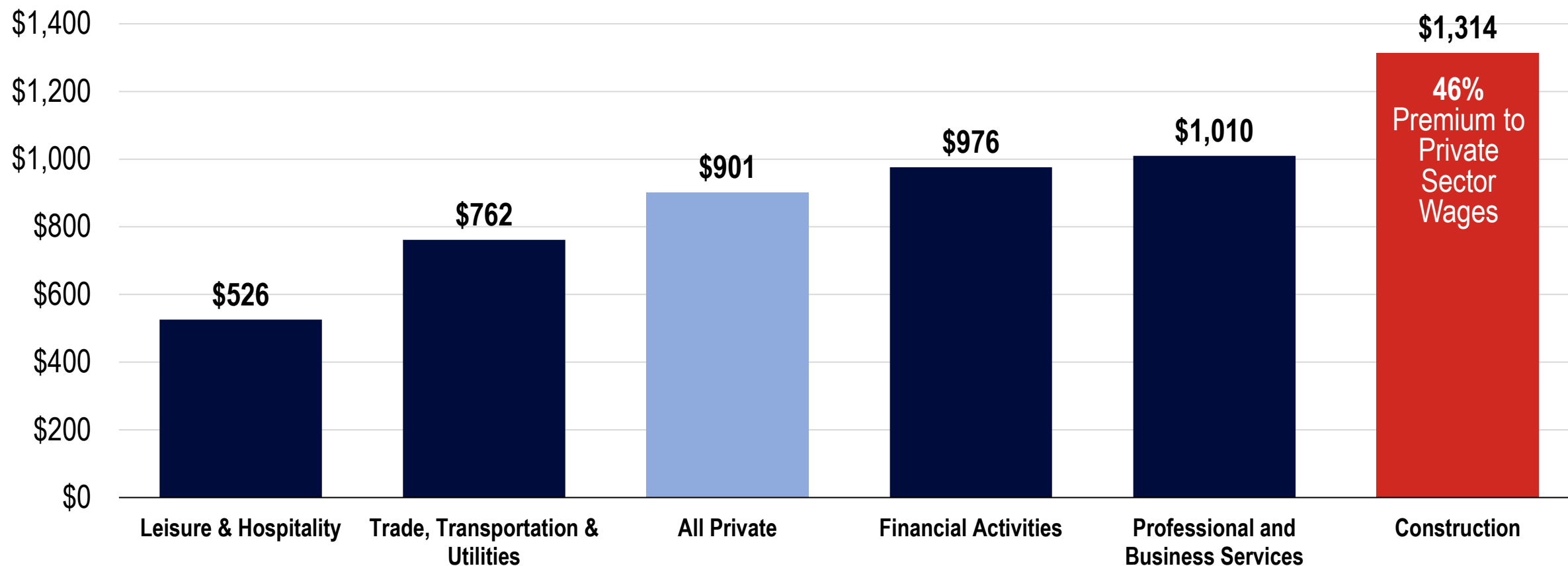
Average Weekly Wage Growth - Construction Nevada



Source: U.S. Bureau of Labor Statistics

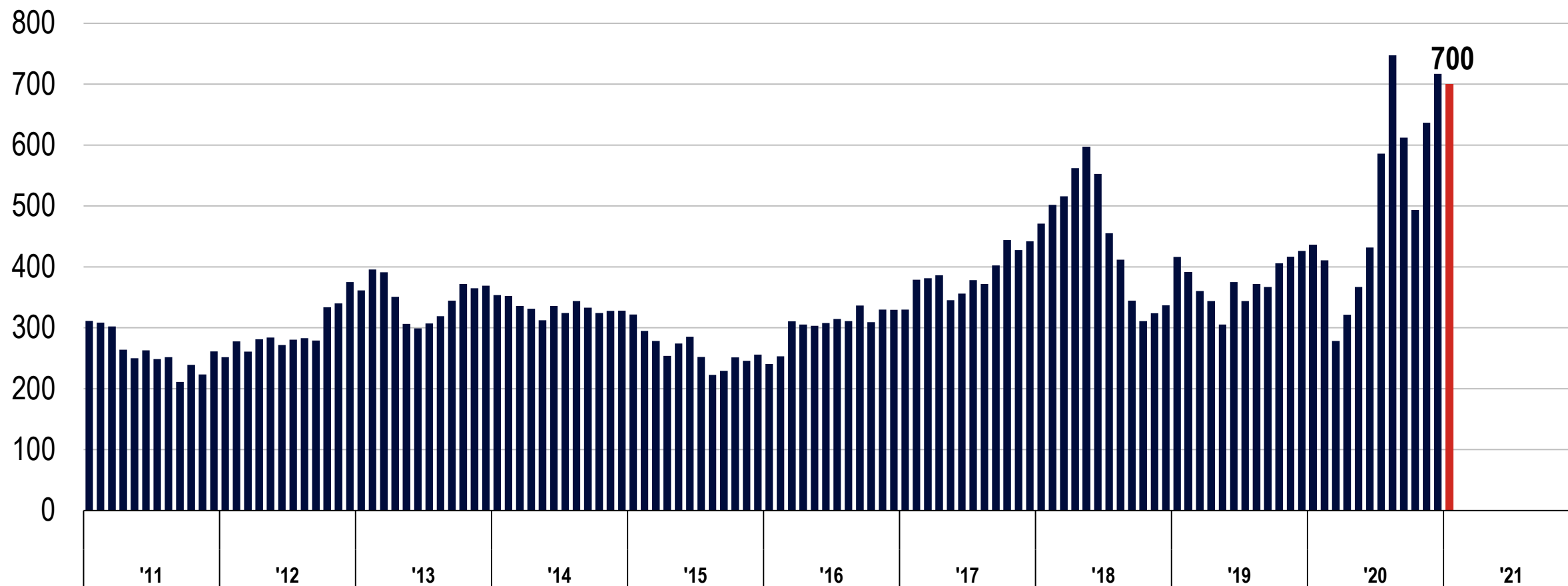
Average Weekly Wages by Industry

Nevada

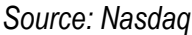


Source: U.S. Bureau of Labor Statistics

National Monthly Lumber Futures Prices

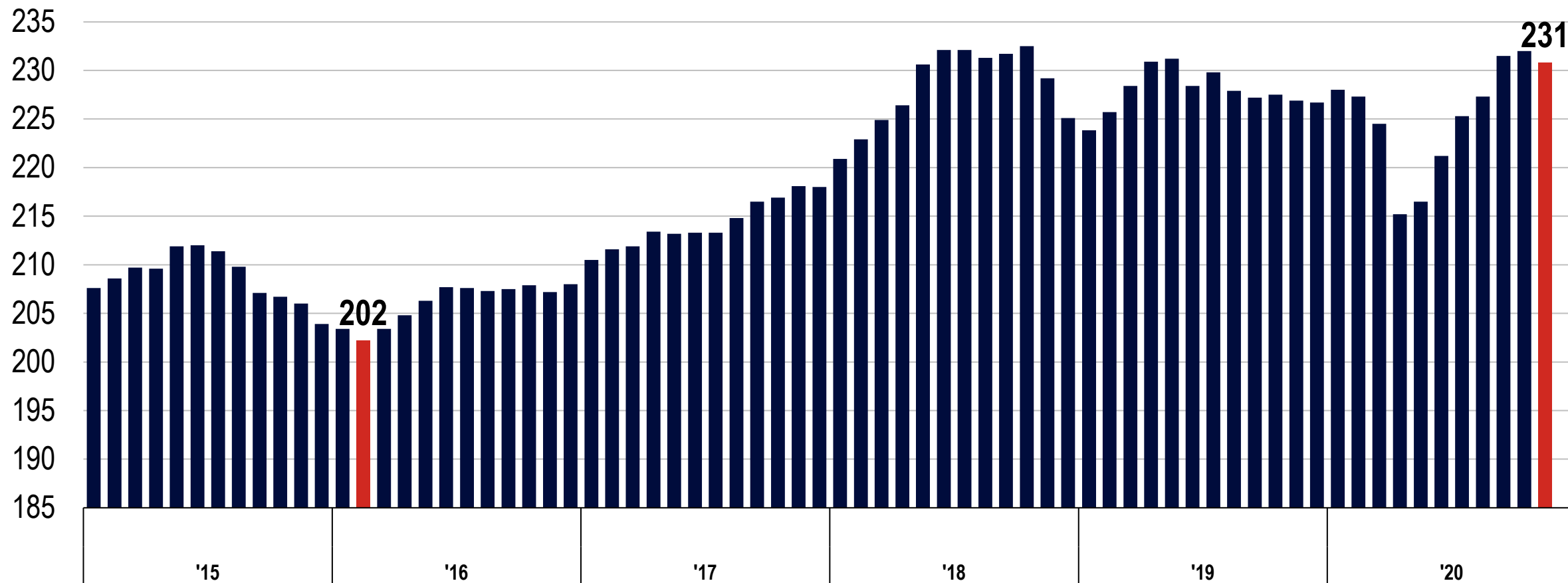


Source: Nasdaq



National Producer Price Index

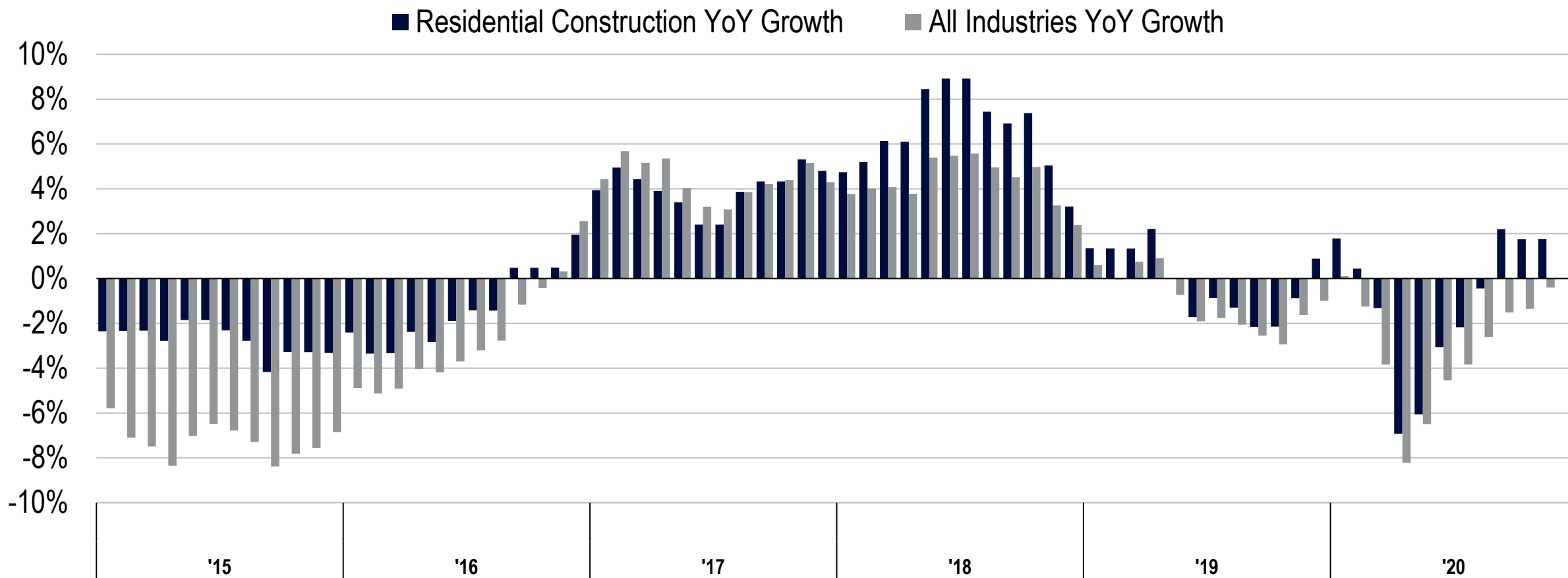
Residential Construction



Source: U.S. Bureau of Labor Statistics

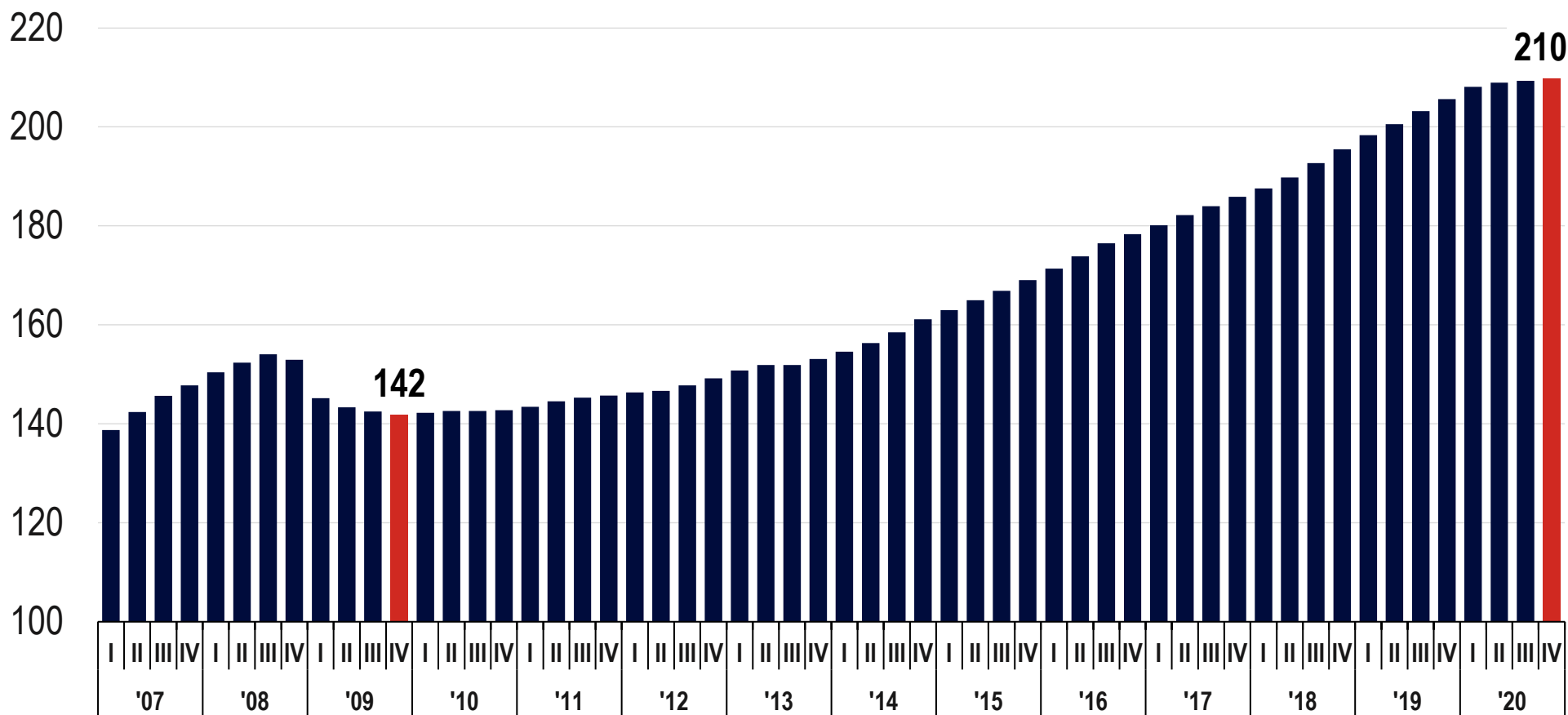
National Producer Price Index

Residential Construction vs All Industries



Source: U.S. Bureau of Labor Statistics

National Construction Cost Index

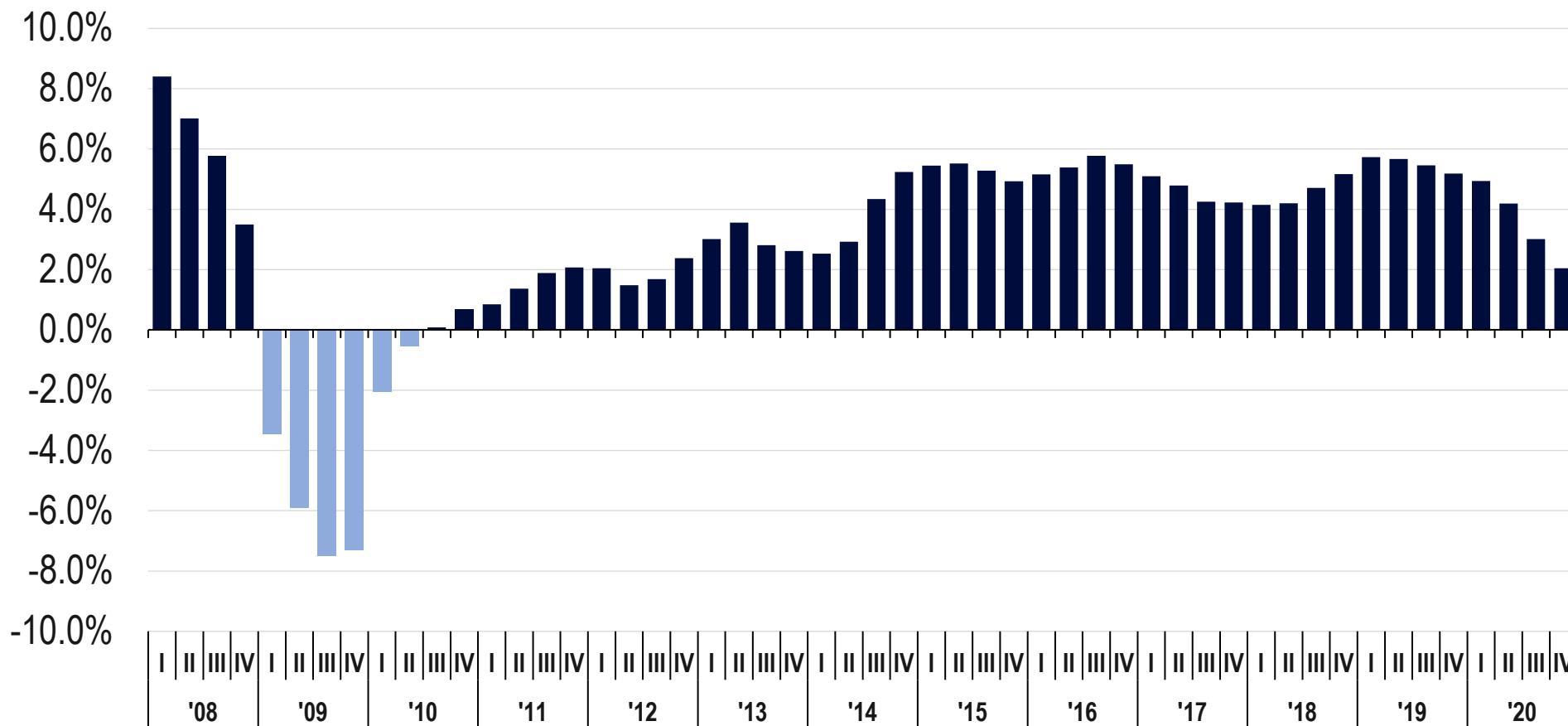


The national construction cost index reflects the changes, or trends, in overall costs. The value itself is not intuitive as it is benchmarked to 100 as of April 2001. However, the trend itself is clear that costs have continued to rise over the past decade.

Source: Rider Levett Bucknall

National Construction Cost Index

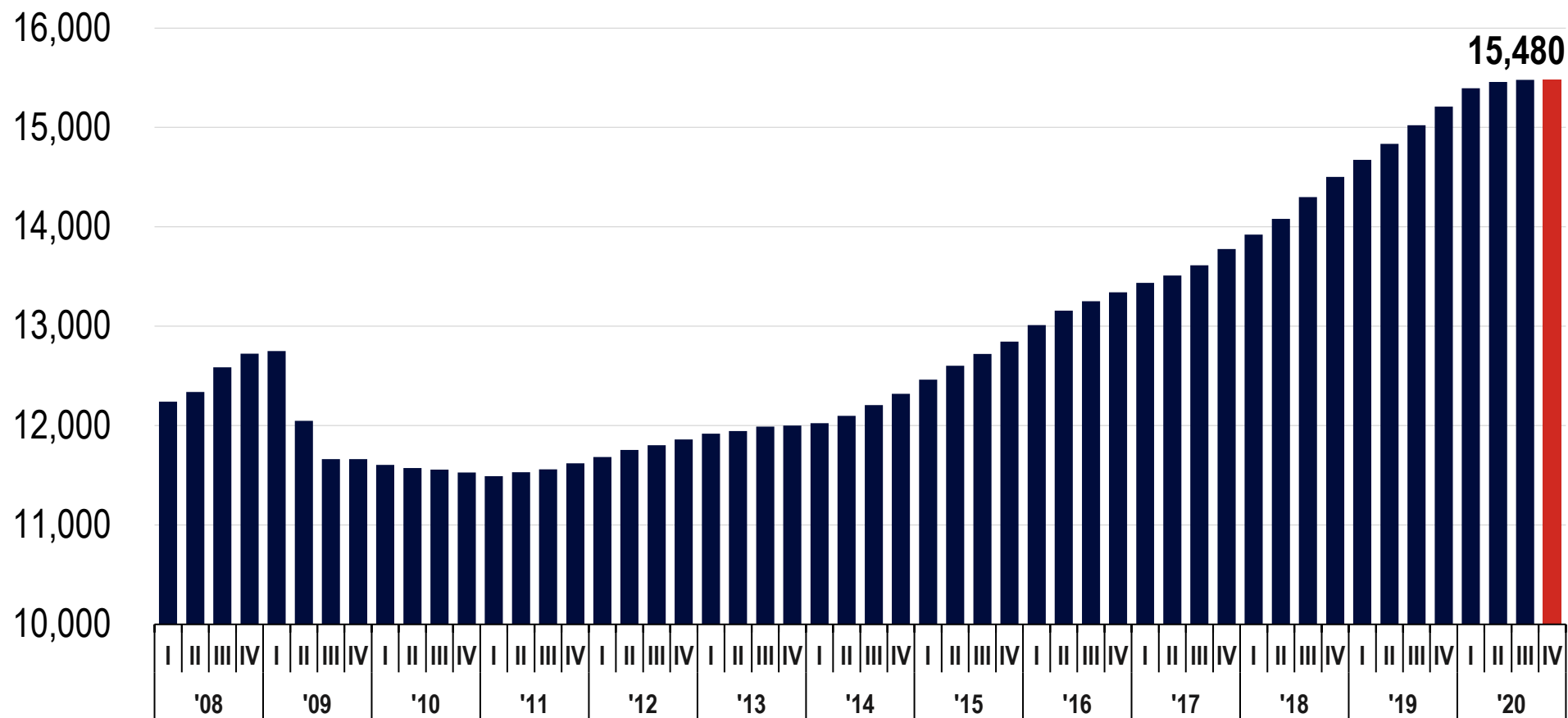
Year-Over-Year Growth



During the past decade, the national construction cost index posted annual average growth of 3.9 percent, which outpaced the broader average of inflation. Should costs continue to rise, the cost of housing is likely to follow a similar trajectory.

Source: Rider Levett Bucknall

Comparative Cost Index – Las Vegas

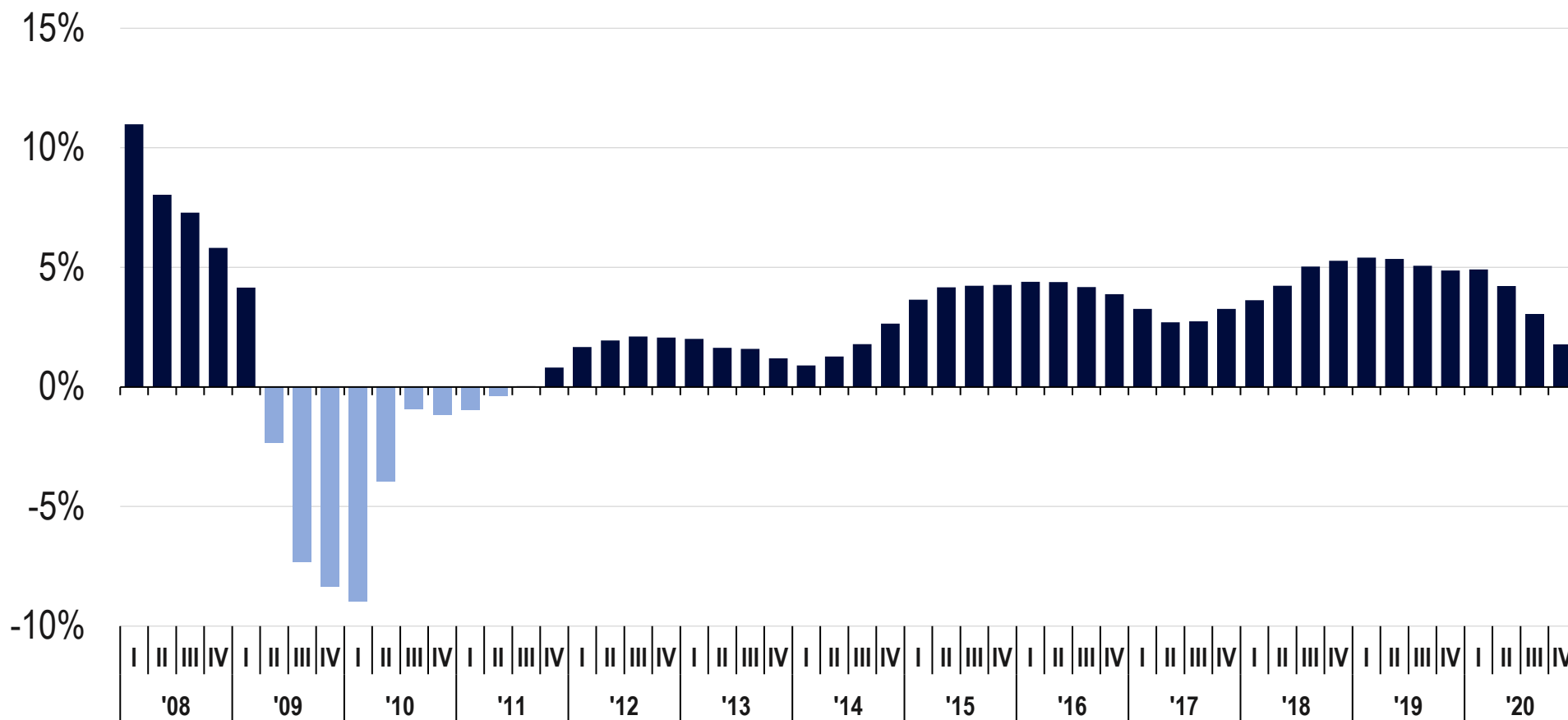


While values for the Northern Nevada market area are not available, similar metrics for the Las Vegas area are included to the left. They also report continued cost increases during the better part of the past decade.

Source: Rider Levett Bucknall

Comparative Cost Index – Las Vegas

Year-over-Year Growth



The economic recovery from the Great Recession in Southern Nevada lagged the national economy. Since turning into positive territory in 2012, the Las Vegas area posted annual average increases of 3.3 percent in overall construction costs.

Source: Rider Levett Bucknall

Executive Summary



Economic Impacts

Quantifying the jobs, wages and economic activity



Economic Fundamentals

Key drivers of the local housing market



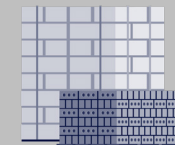
Resale Home Market

Supply-demand dynamics for resale homes



New Home Market

Supply-demand dynamics for new homes



Cost of Residential Development

Elevated costs of new home construction

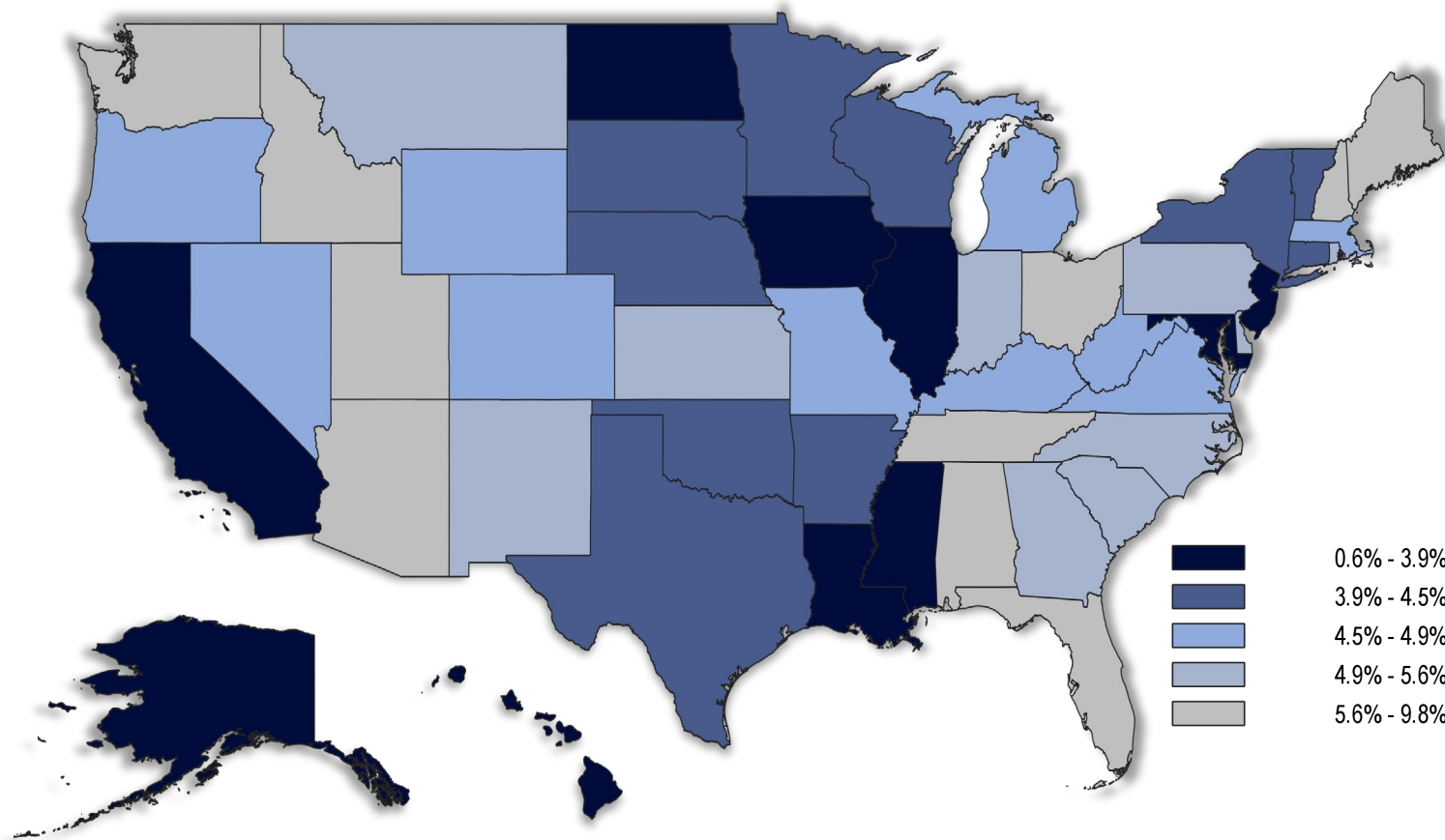


Housing Affordability in Nevada

Incomes relative to home prices

House Price Appreciation

House Price Index Growth

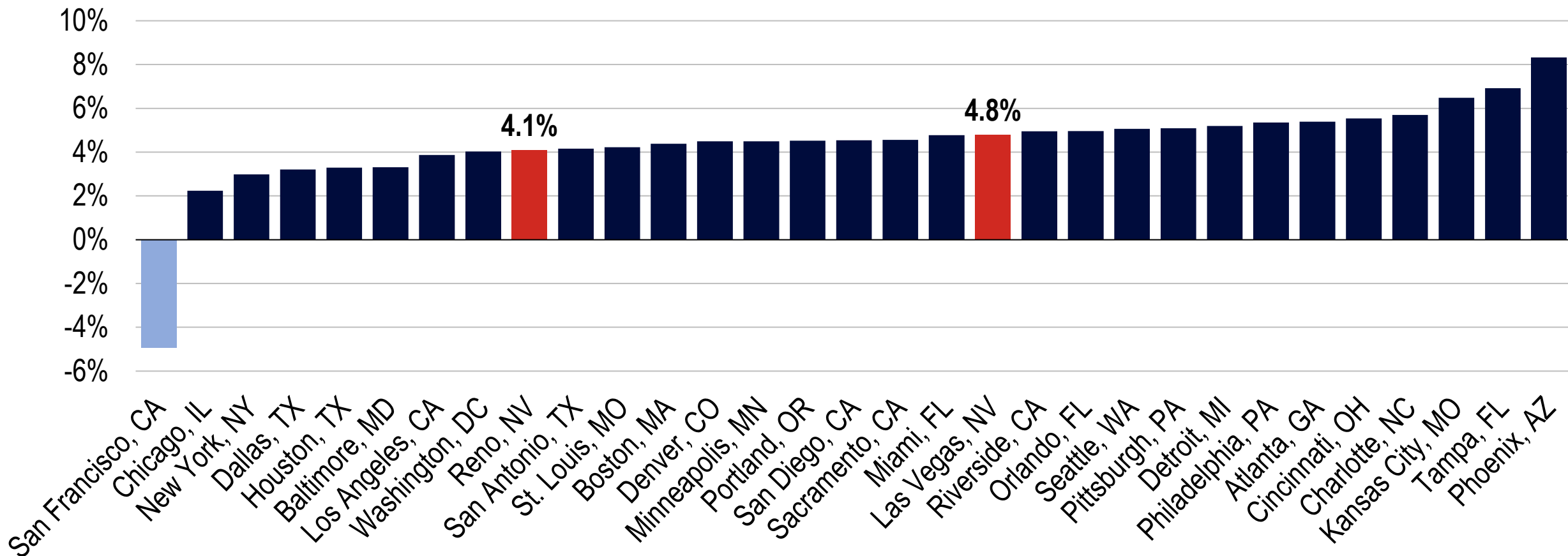


Rank	State	Annual Growth
1	Idaho	+7.9%
2	Arizona	+7.0%
3	Utah	+6.5%
4	Washington	+6.3%
5	New Hampshire	+6.1%
6	Tennessee	+6.1%
7	Maine	+5.8%
8	Alabama	+5.8%
9	Florida	+5.7%
10	Ohio	+5.5%
28	Nevada	+4.5%
U.S. Average		+4.7%

Source: Federal Housing Finance Agency (Q3 2019 vs. Q3 2020)

House Price Index Growth

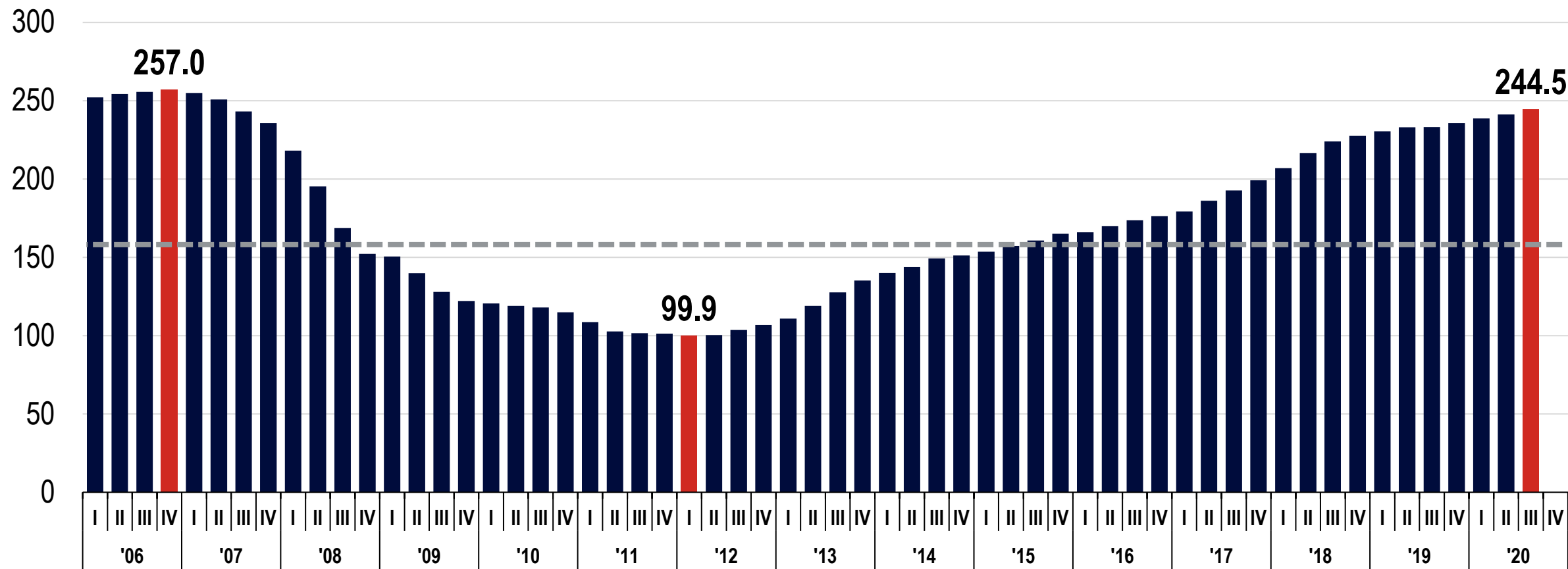
Largest 30 Metro Areas (incl. Reno MSA)



Source: Federal Housing Finance Agency (Q3 2019 vs. Q3 2020). Note: Reno reported growth of 4.1 percent.

House Price Index

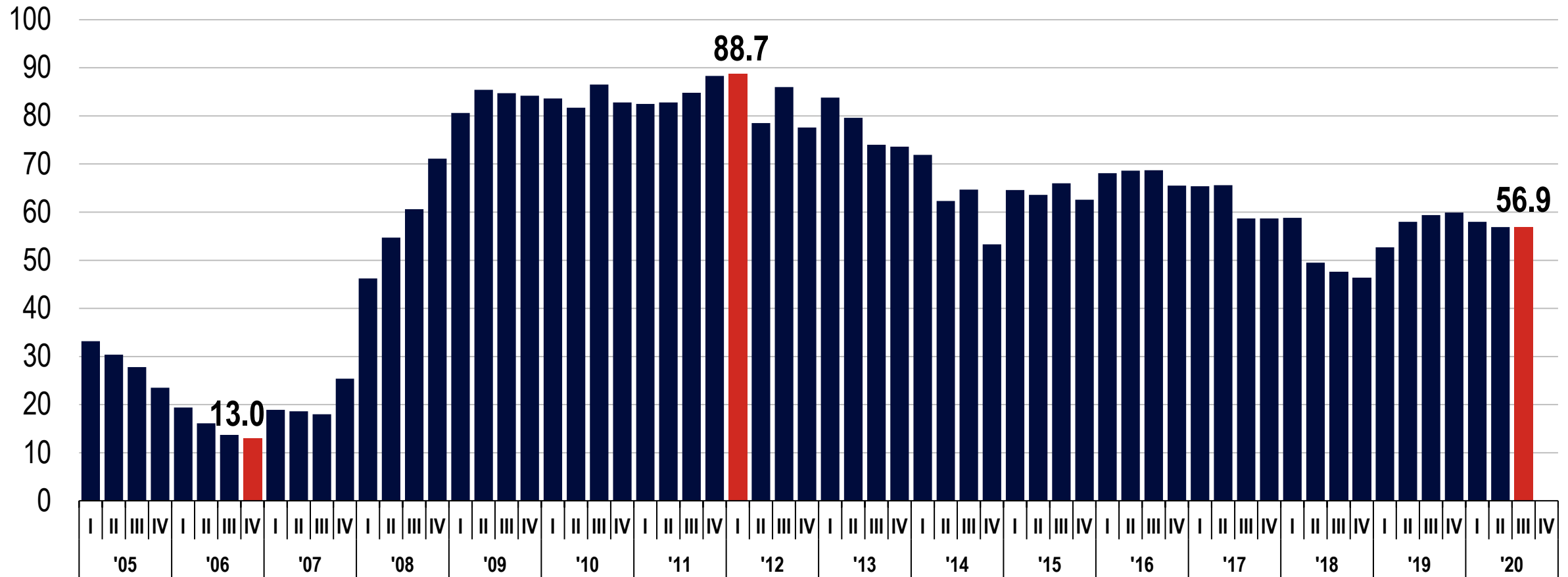
Las Vegas MSA



Source: Federal Housing Finance Agency (1995=100)

Housing Opportunity Index

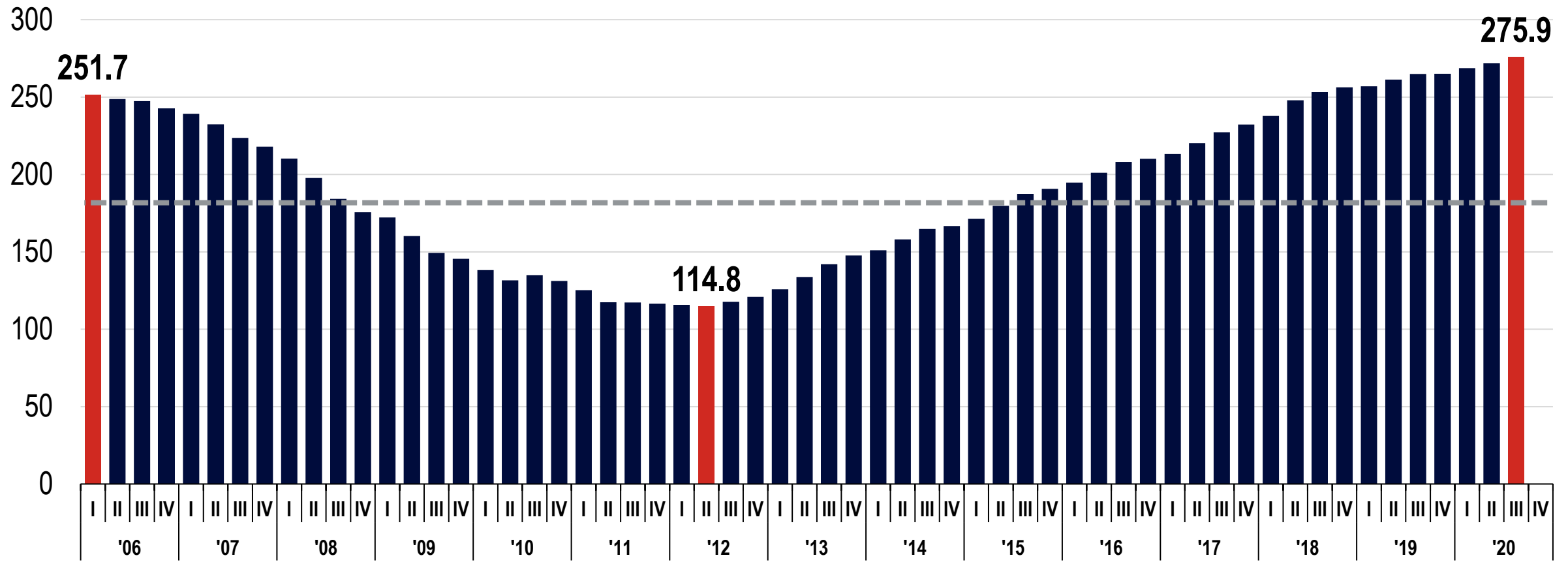
Las Vegas MSA



Source: National Association of Homebuilders

House Price Index

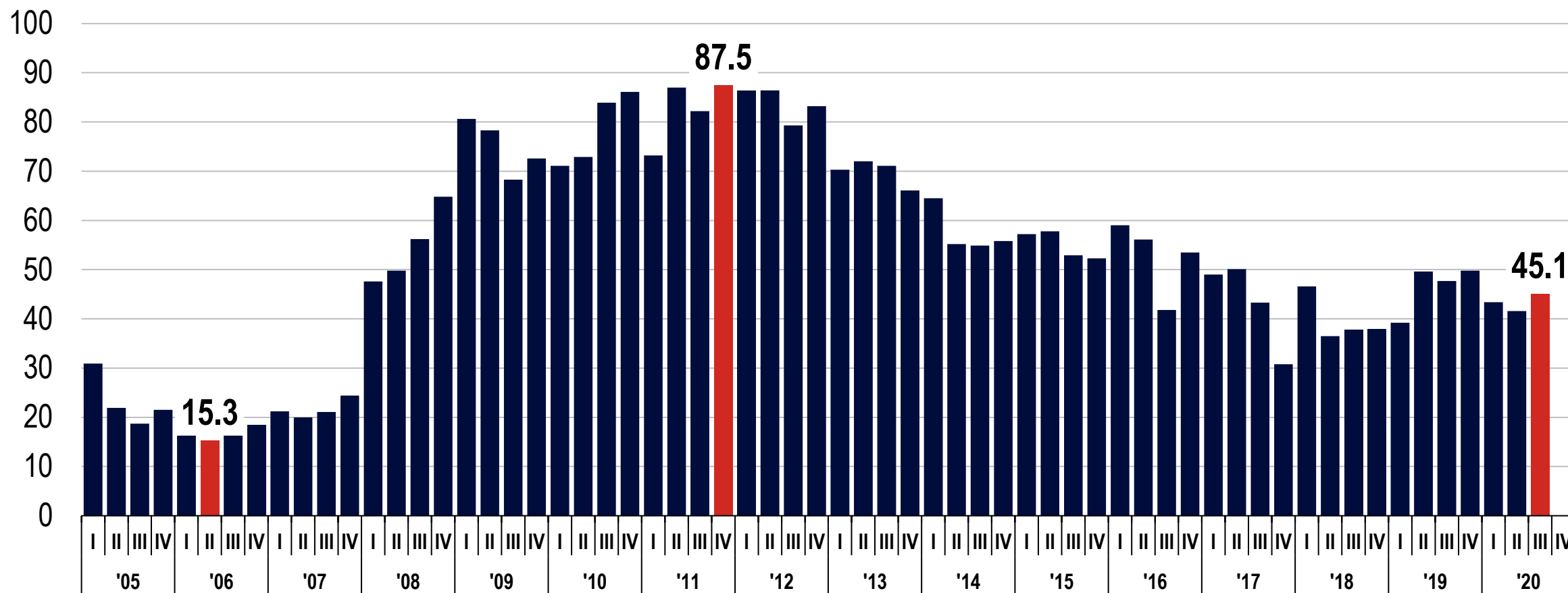
Reno MSA



Source: Federal Housing Finance Agency (1995=100)

Housing Opportunity Index

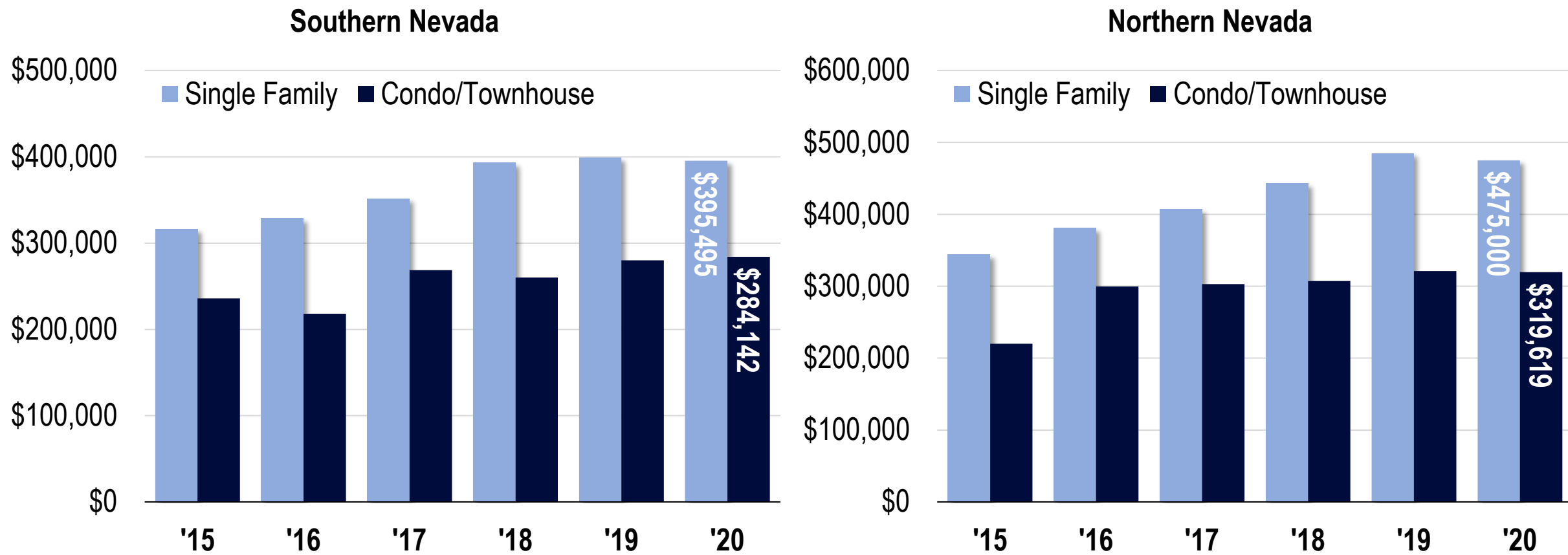
Reno MSA



Source: National Association of Homebuilders

New Home Median Closing Prices by Product Type

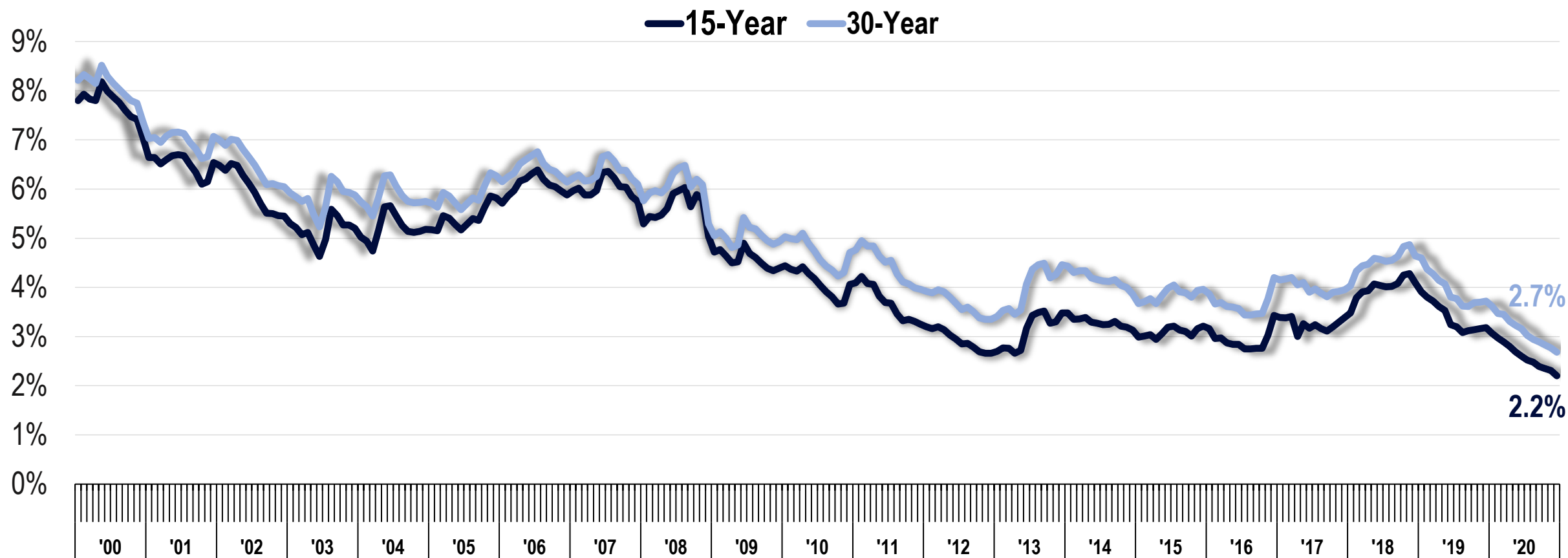
Southern Nevada and Northern Nevada



Source: SalesTraq

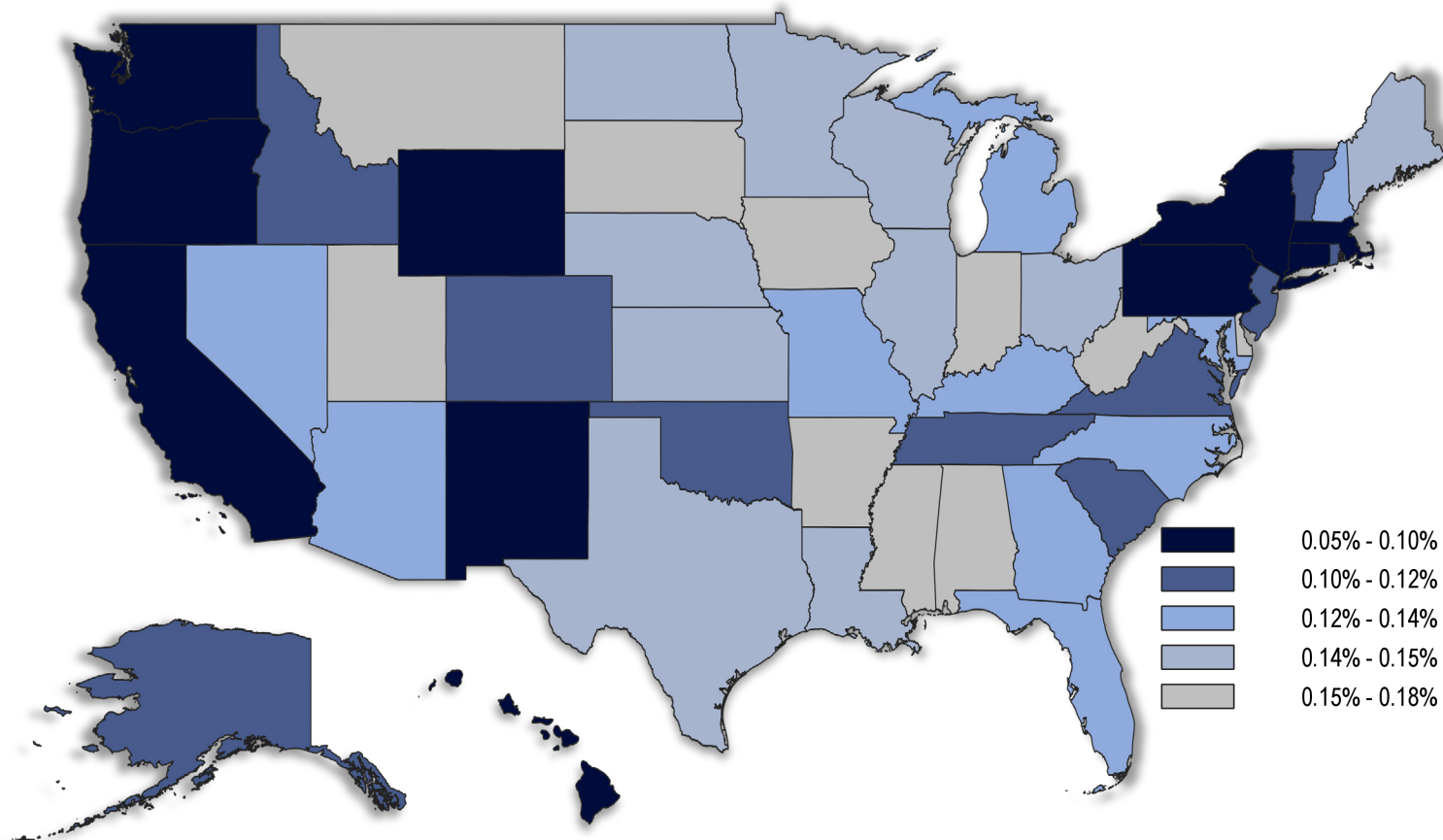
U.S. Mortgage Interest Rates

Fixed-Rate



Source: Freddie Mac

Percentage of Households Priced Out of Market by \$1,000 Price Increase

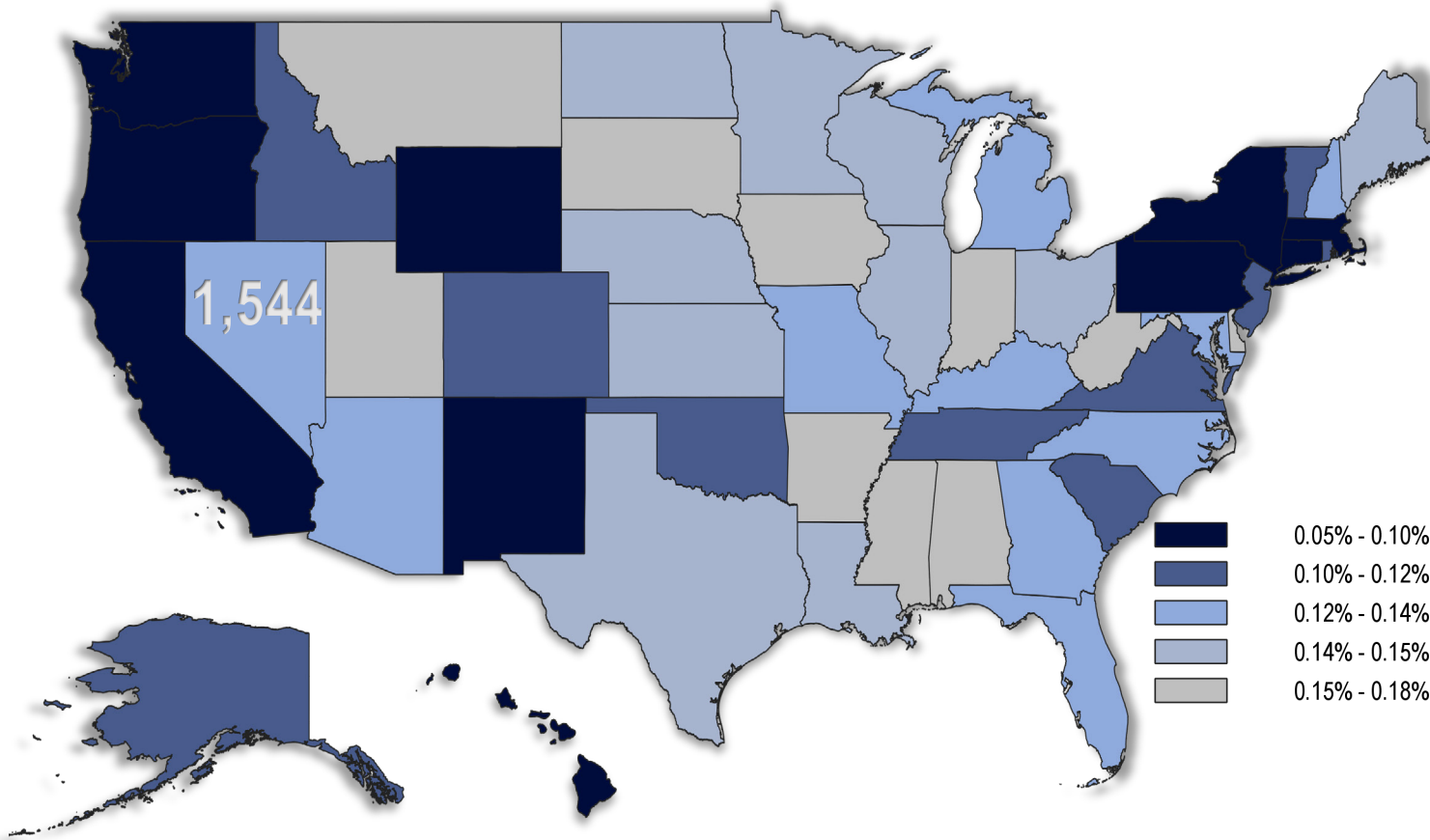


Rank	State	Share Priced Out
1	Delaware	0.18%
2	Indiana	0.18%
3	Mississippi	0.18%
4	South Dakota	0.17%
5	Montana	0.17%
6	West Virginia	0.17%
7	Iowa	0.15%
8	Alabama	0.15%
9	Arkansas	0.15%
10	Utah	0.15%
25	Nevada	0.13%
U.S. Average		0.13%

Source: National Association of Home Builders

Note: the map depicts the percentage of households priced out by an increase of \$1,000 in new home prices.

Households Priced Out of Market by \$1,000 Price Increase



State of Nevada

Median New Home Price (per NAHB)	\$349,143
Income Needed to Qualify	\$78,733
Total No. of Households	1,203,636
Priced Out by \$1,000 Price Increase	1,544

Source: National Association of Home Builders

Note: the map depicts the percentage of households priced out by an increase of \$1,000 in new home prices.

No. of Households Priced Out of the Market in Nevada

(Based on a \$1,000 Price Increase)

Reflects the median new home price in Nevada as computed by NAHB and the associated impact of a \$1,000 increase. The first increase prices out a total of 1,544 households. Similarly, a \$20,000 increase prices out 30,880 households. These data are based on estimates published by NAHB.

Median New Home Price	Price Increase	Households Priced Out
\$349,143	\$0	0
\$350,143	\$1,000	1,544
\$351,143	\$2,000	3,088
\$352,143	\$3,000	4,632
\$353,143	\$4,000	6,176
\$354,143	\$5,000	7,720
\$355,143	\$6,000	9,264
\$356,143	\$7,000	10,808
\$357,143	\$8,000	12,352
\$358,143	\$9,000	13,896
\$359,143	\$10,000	15,440

Median New Home Price	Price Increase	Households Priced Out
-	-	-
\$360,143	\$11,000	16,984
\$361,143	\$12,000	18,528
\$362,143	\$13,000	20,072
\$363,143	\$14,000	21,616
\$364,143	\$15,000	23,160
\$365,143	\$16,000	24,704
\$366,143	\$17,000	26,248
\$367,143	\$18,000	27,792
\$368,143	\$19,000	29,336
\$369,143	\$20,000	30,880

Source: National Association of Home Builders and Applied Analysis

No. of Households Priced Out of the Market in Nevada

(Based on a \$1,000 Price Increase)

Given where median new home prices stand in the two largest urban areas of Nevada, an adjusted analysis was requested of NAHB staff utilizing a price of \$387,692. A \$1,000 increase in home prices impacts 1,499 households, while a \$20,000 increase prices out 28,978 households.

Median New Home Price	Price Increase	Households Priced Out
\$387,692	\$0	0
\$388,692	\$1,000	1,499
\$389,692	\$2,000	2,898
\$390,692	\$3,000	4,347
\$391,692	\$4,000	5,796
\$392,692	\$5,000	7,245
\$393,692	\$6,000	8,694
\$394,692	\$7,000	10,143
\$395,692	\$8,000	11,591
\$396,692	\$9,000	13,040
\$397,692	\$10,000	14,489

Median New Home Price	Price Increase	Households Priced Out
-	-	-
\$398,692	\$11,000	15,938
\$399,692	\$12,000	17,387
\$400,692	\$13,000	18,836
\$401,692	\$14,000	20,285
\$402,692	\$15,000	21,734
\$403,692	\$16,000	23,182
\$404,692	\$17,000	24,631
\$405,692	\$18,000	26,080
\$406,692	\$19,000	27,529
\$407,692	\$20,000	28,978

Source: National Association of Home Builders and Applied Analysis



6385 S. RAINBOW BLVD.
SUITE 105
LAS VEGAS, NV 89118

702.967.3333

APPLIEDANALYSIS.COM