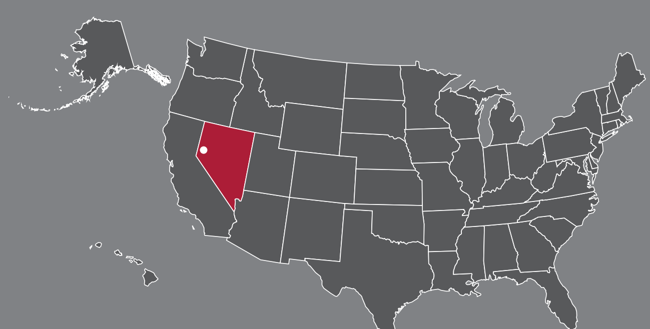
HUD PD&R **Housing Market Profiles**

Reno, Nevada

Quick Facts About Reno

- **Current sales market conditions: tight**
- **Current rental market conditions: balanced**
- **The Reno metropolitan area is home to the University of Nevada, Reno (UNR)— the largest employer, with 4,750 employees. Approximately 21,650 students were enrolled at UNR in 2017, a 65-percent increase since 2000 (UNR Data). To accommodate a larger student population, UNR intends to invest $177.6 million through 2025 to renovate eight existing buildings, build a new engineering facility, and increase faculty and support staff by approximately 750, or 16 percent.**



By Tomasz Kukawski | As of October 1, 2018

Overview

The Reno metropolitan area consists of Washoe and Storey Counties in western Nevada. The city of Reno is the largest city in the metropolitan area and the second largest in the state. Historically, economic activity in the metropolitan area has been centered around the casino gaming, tourism, and logistics and distribution industries; however, the fast-growing manufacturing and professional and business services sectors are becoming important to the local economy. The leisure and hospitality sector is the largest employment sector in the metropolitan area, partly because of Grand Sierra Resort and Casino, Peppermill Resort Spa Casino, and Atlantis Casino Resort Spa, which employ more than 5,000 workers combined. In 2017, the metropolitan area reported $829.4 million collected in gross gaming revenue, an increase of more than 2 percent from 2016 (University of Nevada, Center for Business and Economic Research).

- As of October 1, 2018, the population of the metropolitan area is estimated at 476,400, an average annual increase of 6,000, or 1.3 percent, since April 2010. Net in-migration averaged 4,225 people annually during the period and accounted for 70 percent of total population growth.

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- Since 2013, strong job growth contributed to faster population growth, at an average of 7,575 people, or 1.7 percent, a year; net in-migration averaged 5,850 people annually.
- By comparison, population growth averaged only 3,900 people, or 0.9 percent, a year from 2007 to 2013, when net in-migration fell to an average of 1,600 people annually in response to the Great Recession (U.S. Census Bureau population estimates as of July 1).

Economic Conditions

Economic conditions in the Reno metropolitan area are currently strong, following nearly 7 years of job growth. From 2012 through 2015, nonfarm payrolls in the metropolitan area increased by an average of 5,300 jobs, or 2.7 percent, annually before job growth accelerated to 10,300 jobs, or 4.8 percent, a year from 2016 through 2017. By comparison, national job growth from 2012 through 2017 averaged 1.8 percent a year. During the past year, the rate of job growth in the metropolitan area slowed but remained significantly faster than the rate for the nation.

During the third quarter of 2018—

- Nonfarm payrolls averaged 241,800, an increase of 8,800 jobs, or 3.8 percent, from the same period a year earlier, compared with 11,400 jobs, or 5.1 percent, added during the third quarter of 2017. The recent rate of growth exceeded the national rate of 1.7 percent, which was up from 1.5 percent a year earlier.
- The manufacturing sector added the most jobs, up by 2,300, and expanded at the fastest rate, 12.6 percent. Most of recent growth in the sector occurred at Tesla Gigafactory I, a producer of lithium-ion batteries, which opened in 2016 and currently employs more than 3,000 workers.

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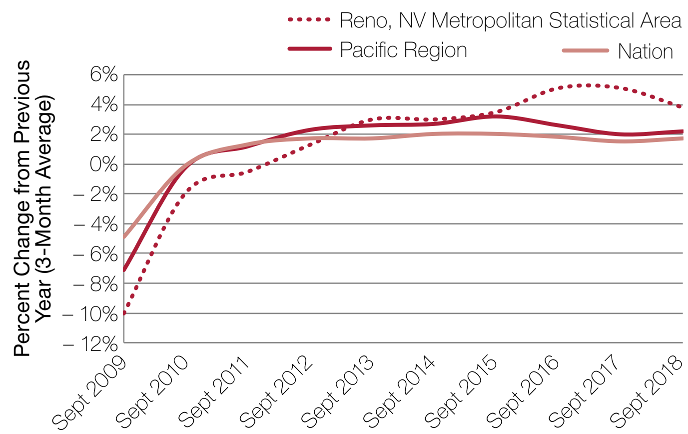
Job growth in the Reno area slowed during the third quarter of 2018, but continued at a significantly faster rate than the Pacific Region and the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

All but one sector added jobs in the Reno area during the 3 months ending September 2018.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (Thousands)	September 2018 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	233.0	241.8	8.8	3.8%
Goods-Producing Sectors	36.1	39.5	3.4	9.4%
Mining, Logging, & Construction	17.8	18.9	1.1	6.2%
Manufacturing	18.3	20.6	2.3	12.6%
Service-Providing Sectors	196.9	202.2	5.3	2.7%
Wholesale & Retail Trade	33.2	33.6	0.4	1.2%
Transportation & Utilities	19.1	20.5	1.4	7.3%
Information	2.2	2.2	0.0	0.0%
Financial Activities	10.6	10.8	0.2	1.9%
Professional & Business Services	31.3	33.1	1.8	5.8%
Education & Health Services	26.1	26.5	0.4	1.5%
Leisure & Hospitality	38.9	39.1	0.2	0.5%
Other Services	6.5	6.6	0.1	1.5%
Government	29.1	29.8	0.7	2.4%
	(Percent)	(Percent)		
Unemployment Rate	4.0	3.6		

Source: U.S. Bureau of Labor Statistics

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Largest Employers in the Reno Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Nevada, Reno	Government	4,500–4,999
Renown Regional Medical Center	Education & Health Services	3,000–3,499
Panasonic Corporation	Manufacturing	3,000–3,499

Note: Excludes local school districts.
Source: Economic Development Authority of Western Nevada, June 2018

- Job growth occurred in all sectors except for the information sector, which remained unchanged. The professional and business services and the transportation and utilities sectors added 1,800 and 1,400 jobs, or 5.8 and 7.3 percent, respectively. Switch opened its first data center in the metropolitan area early in 2017; the company plans to employ up to 400 workers by the end of 2021.
- The unemployment rate declined to 3.6 percent from 4.0 percent a year ago and is currently slightly below the national rate of 3.9 percent. The unemployment rate has been declining each year since 2010, when it peaked at 13.0 percent.

During the economic downturn in the metropolitan area, nonfarm payrolls in the mining, logging, and construction sector fell 62 percent, from a peak of 24,100 jobs in 2006 to a low of 9,100 in 2011. Since then, the sector has been the fastest growing sector in the metropolitan area, adding an average of 1,475 jobs, or 11.6 percent, each year since 2012, to 18,900 jobs currently. Despite an increase in new residential construction in the metropolitan area since the end of 2012, most job gains in the sector occurred because of an increase in commercial construction. The metropolitan area is a one-day drive to five major U.S. ports and 11 states, which have a combined population of 53 million people. A favorable location, relatively low taxes, and an abundance of developable land for industrial use have boosted economic activity and commercial construction at local industrial centers in the metropolitan area. The Tahoe Reno Industrial Center (TRIC) is home to nearly 140 companies, including Panasonic Corporation; Tesla, Inc.; Zulily Company; Wal-Mart Stores, Inc.; and PetSmart, Inc. Approximately 14,000 people work in the industrial center, including approximately 6,000 construction workers, representing 35 percent of total employment in the mining, logging, and construction sector in the metropolitan area (TRIC). Overall employment at TRIC is expected to more than double in the next 5 years, as companies meet hiring projections and new facilities open.

Sales Market Conditions

The sales housing market in the Reno metropolitan area is currently tight, with an estimated vacancy rate of 0.9 percent, down from 3.3 percent in 2010, when the market was soft. Strong local economic conditions and increased population growth led to higher demand for homes, which contributed to the absorption of excess inventory since the early 2010s. During September 2018, a 3.1-month supply of for-sale inventory was available in the metropolitan area, up from a 1.8-month supply a year earlier (Reno/Sparks Association of Realtors®). Active inventory of homes for sale rose in September 2018 to 1,377, up from 1,104 a year earlier, but was 67 percent

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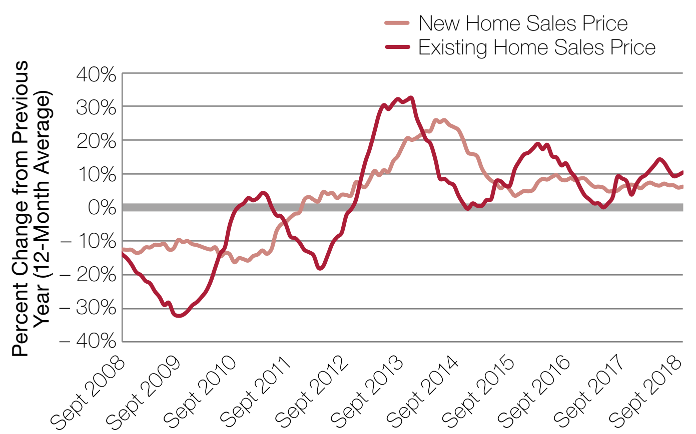
The average sales price of a new home in the Reno area has increased each year since late 2011, whereas existing home sales prices have been rising since early 2017.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company with adjustments by the analyst

Existing home sales in the Reno area have been increasing since mid-2016, and new home sales rose after an increase in single-family construction during 2017.

Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company with adjustments by the analyst

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below the previous peak of 4,148 homes for sale in August 2006. The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status declined to 1.0 percent in September 2018, from 1.4 percent in September 2017 (CoreLogic, Inc.). The current rate is lower than the 1.7-percent rate for Nevada and the 1.8-percent rate for the nation.

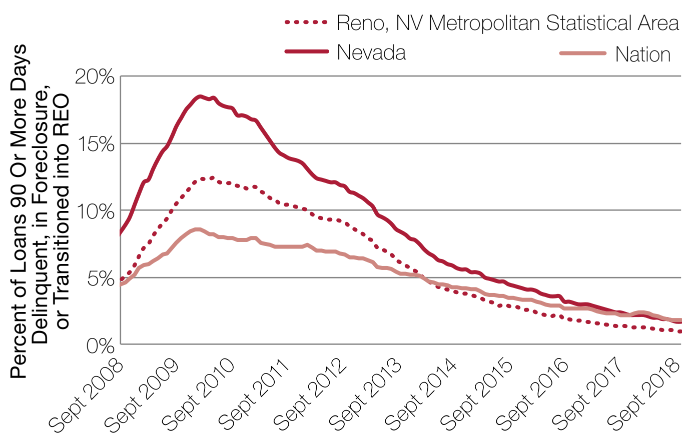
During the 12 months ending September 2018—

- New home sales in the metropolitan area totaled 1,600, a 12-percent increase from 1,425 during the previous 12 months (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales rose by 300, or 3 percent, to 10,600, despite a 37-percent decline in REO sales. By comparison, during the economic downturn in the metropolitan area, from 2008 through 2011, existing home sales averaged 6,575 annually.
- The average sales price of a new home increased 6 percent from a year earlier, to $460,200, the seventh consecutive year of price growth. The current average sales price of a new home is 21 percent higher than the previous peak of $380,800, which occurred in 2006.
- Due in part to the significant decline in REO sales, the average sales price for existing homes rose 10 percent, to $383,800; however, existing home sales prices remain 3 percent below the high of $394,100 in 2006.

Homebuilding activity in the Reno metropolitan area, as measured by the number of single-family homes permitted, has been relatively modest since the end of 2012, despite faster population growth. A shift from homeownership to renting and high construction costs slowed homebuilding growth.

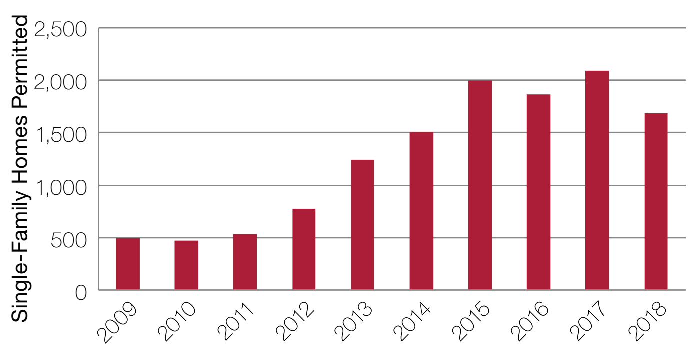
- The number of single-family homes permitted increased 17 percent to 2,250 during the 12 months ending September 2018, following a 5-percent decline during the previous 12 months (preliminary data).
- From 2015 through 2017, the number of single-family homes permitted averaged 1,975 annually. By comparison, during a period of low home construction from 2009 through 2011, single-family construction activity averaged only 500 homes permitted annually before rising an average of 39 percent each year, to 2,000 homes permitted in 2015.
- Construction is under way on phase 20 at Woodland Village in Cold Springs, which will consist of 73 three- and four-bedroom single-family homes, with prices starting at $297,400. Nearly 70 percent of lots have sold. West of the city of Reno, near the California border in Verdi, NV, construction began a year ago on the Estates at West Meadows development, which will have 322 three- to five-bedroom single-family homes, with the expected buildout in 2022. Currently, 40 new homes are under construction and six homes are available for sale, with prices starting in the low $500,000s.

The percentage of homes 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Reno area has been below the national and state rates since early 2014.



REO = real estate owned.
Source: CoreLogic, Inc.

The average number of single-family homes permitted each year in the Reno area from 2015 through 2017 was nearly four times higher than the average from 2009 through 2011.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey

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Rental Market Conditions

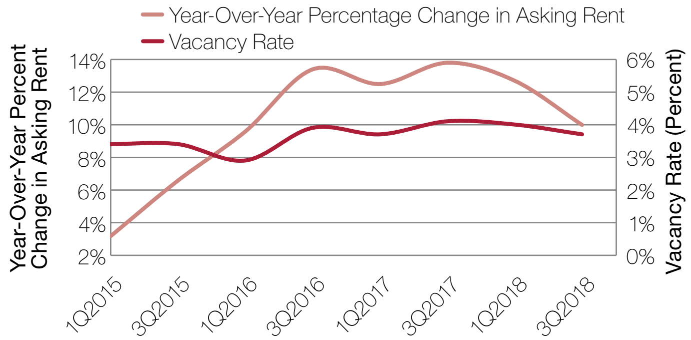
Rental housing market conditions in the Reno metropolitan area have recovered from previously soft conditions in 2010. Renter household growth, expanding payrolls since 2012, and an increase in student demand for rental housing contributed to the improving market conditions.

- The rental housing market—which includes single-family homes, mobile homes, and apartments—in the Reno metropolitan area is currently balanced, with an estimated vacancy rate of 6.4 percent, down from 11.6 percent in April 2010.
- The apartment market is tight. The apartment vacancy rate was 3.7 percent during the third quarter of 2018, down from 4.1 percent during the same quarter a year earlier (Reis, Inc.).
- The average monthly apartment asking rent in the metropolitan area was $1,367 during the third quarter of 2018, a 10-percent increase from a year earlier. Rent growth in the metropolitan area averaged 2 percent annually from 2012 through 2014 but rose to an average of 11 percent annually from 2015 through 2017, as apartment market conditions tightened.
- The Johnson-Perkins & Associates, Inc.-defined market area of Northeast Reno, which includes the UNR campus, is currently tight, with a 3.7-percent vacancy rate, and the average monthly asking rent was $1,177 during the third quarter of 2018. By comparison, during the third quarter of 2017, the market area had a vacancy rate of 1.0 percent, and the average monthly asking rent was 11 percent lower, at $1,056.
- In 2017, 31 percent of renter households lived in single-family homes, which was relatively unchanged since 2010 (2010 and 2017 American Community Survey 1-year data). During August 2018, the vacancy rate among three-bedroom single-family homes for rent was 1.8 percent, with an average monthly rent of $2,139, up 14 percent from a year earlier (CoreLogic, Inc.).

Builders responded to the tightening rental market conditions with higher levels of multifamily construction since 2013, but permitting has moderated from a recent high in 2017.

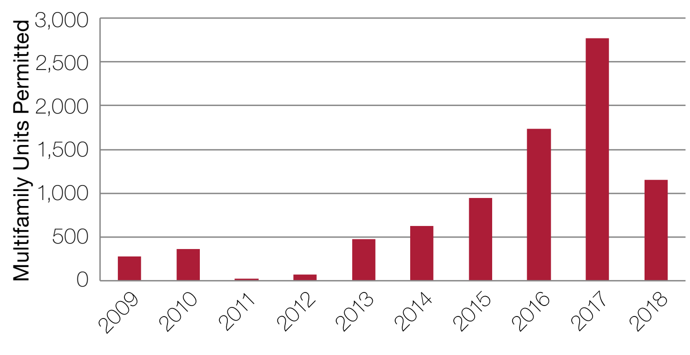
- During the 12 months ending September 2018, approximately 1,850 multifamily units were permitted, compared with 2,425 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- With the economic recovery, multifamily construction increased each year since 2013 by an average of 540 units, to a peak of 2,775 units permitted in 2017.
- In the aftermath of the Great Recession, multifamily construction was limited and averaged only 180 units annually from 2009 through 2012, a period when economic conditions in the metropolitan area were mostly weak.
- Since 2016, multifamily construction in the metropolitan area has been significantly higher than previous peak levels that occurred from 2000 through 2005, a period when an average of 1,050 units were permitted annually.
- The 105-unit Identity Reno student apartments opened in late 2017 near UNR. Monthly rent ranges from $600 per room in a five-bedroom shared unit to $1,000 for a single-occupancy studio. Currently in lease up, the 72-unit Sky Vista Commons South opened in the city of Reno during the summer of 2017. The property features one- and two-bedroom units with monthly rent starting at $1,133 and $1,378, respectively. In May 2017, construction began on the 312-unit Vida Luxury Living apartments in the city of Reno. Currently, 5 of the 14 planned buildings, with 100 units combined, have been completed, with 68 units leased. Monthly rents at Vida Luxury Living start at $1,450 and $1,750 for one- and two-bedroom apartments. Construction is expected to continue into 2019.

Since late 2016, asking rents in the Reno area have increased 10 percent or more annually, whereas vacancy rates remained relatively stable.



Source: Reis, Inc.

Multifamily permitting in the Reno area increased each year from 2012 through 2017.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey