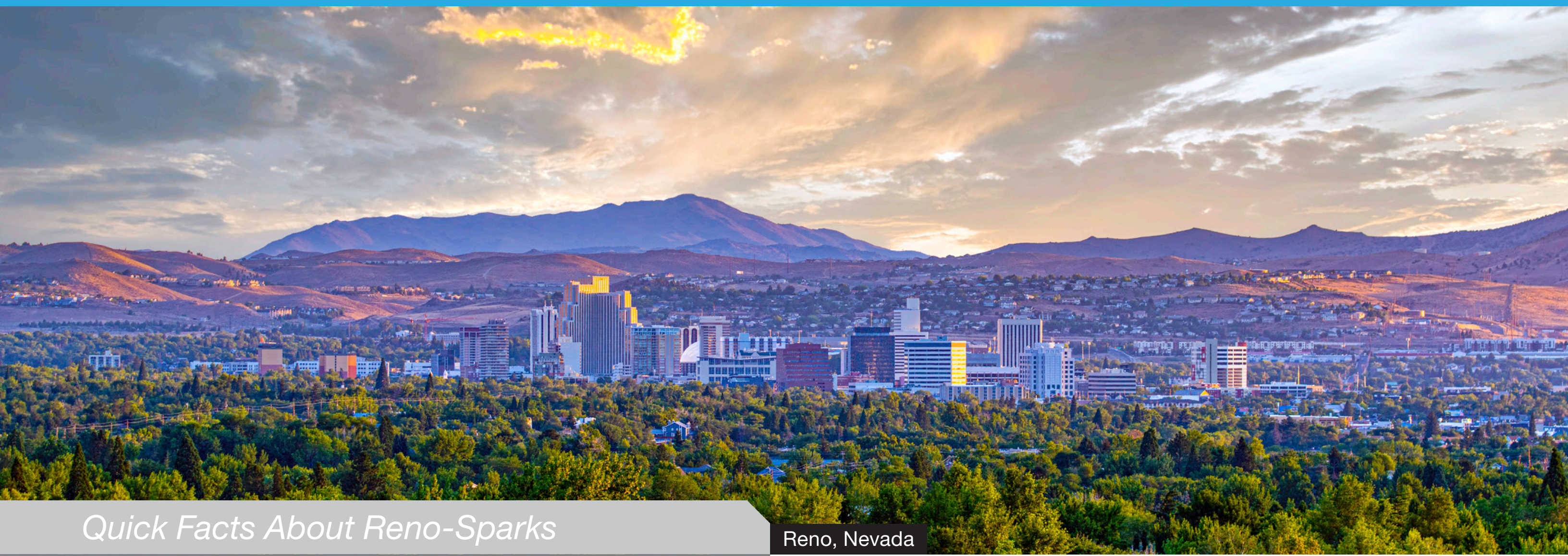
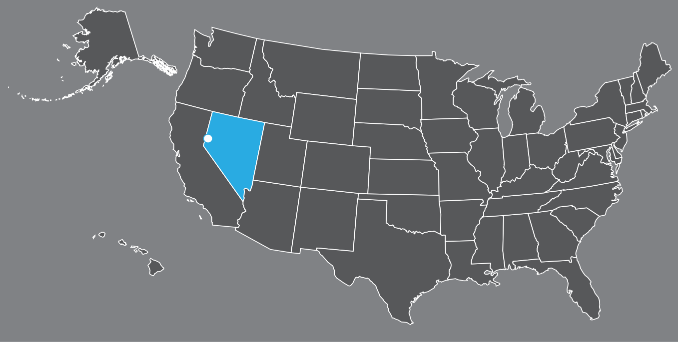
HUD PD&R Housing Market Profiles

Reno-Sparks, Nevada


Reno, Nevada

Quick Facts About Reno-Sparks

- **Current sales market conditions: tight**
- **Current apartment market conditions: balanced**
- **The largest employer in the Reno-Sparks metropolitan area is the University of Nevada, Reno (UNR), with 10,400 employees. Approximately 21,000 students enrolled at UNR in the fall of 2019, a 2-percent decline from the prior year but a 60-percent increase since 2000 (UNR Data). To accommodate a larger student population, UNR has invested $293.2 million since 2016 to renovate six existing buildings and build a new engineering facility, recreation center, and two new residence halls. Although the university has partially transitioned to remote learning since November 2020, plans and preparations are being made for more in-person academics and events by the fall 2021 semester. The university had an annual economic impact of nearly $1.1 billion statewide in 2017 (Applied Analysis and UNR data).**



By Elaine Ng | As of January 1, 2021

Overview

The Reno-Sparks (hereafter, Reno) metropolitan area, which borders northern California, 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, behind Las Vegas. 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 payroll sector in the metropolitan area; among the largest private employers are casinos: Silver Legacy Resort & Casino, Peppermill Resort Spa Casino, Grand Sierra Resort and Casino, and Circus Circus Reno Hotel & Casino. Despite a phased re-opening of gaming venues in June 2020, the earlier statewide shutdowns related to COVID-19 led to the permanent closure and layoff of 470 employees at Harrah's Reno Hotel and Casino and the layoff of 100 employees at the Peppermill Resort Spa Casino in the summer of 2020 (*Reno Gazette-Journal*). About $676.0 million was collected in gross gaming revenue in 2020, a decline of 21 percent from 2019 (UNR, Center for Business and Economic Research).

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For context, gross gaming revenue increased every year from 2015 to 2019 by an average of 3 percent annually.

- As of January 1, 2020, the population of the Reno metropolitan area is estimated at 488,800—an average annual increase of 5,600, or 1.3 percent, since April 2010. Net in-migration averaged 4,350 people annually during the period and accounted for 78 percent of total population growth.
- Population growth accelerated starting in 2013, coinciding with rapid housing price growth in California markets from where many in-migrants originate. That population growth averaged 7,200, or 1.6 percent a year (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst). During this period, net in-migration averaged 5,200 people annually.
- The plurality of in-migrants to the Reno metropolitan area originated from California, where housing costs are higher. From 2014 to 2018, nearly 95 percent of net in-migration to the Reno metropolitan area came from California. Of those, 27 percent originated from the San Francisco-Oakland-Hayward metropolitan area (Census Bureau Metro-to-Metro Migration Flows, 2014–2018), where the median sales price of a home was more than 60 percent higher than that of the Reno metropolitan area (Zonda).
- By comparison, from 2008 to 2013, the population increased by an average of 3,200, or 0.8 percent, annually, and net in-migration averaged 1,100 people, accounting for 34 percent of the population growth.

Economy

Nonfarm payrolls declined from a year earlier during the fourth quarter of 2020, following an 8-year period of economic expansion. From 2012 through 2019, an average of 7,300 jobs, or 3.4 percent, were added every year. Significant growth in the manufacturing; the mining, logging, and construction; the wholesale and retail trade; and the transportation and utilities sectors accounted for a combined 62 percent of all jobs added during the period. The rate of that job growth was double the national rate of job growth from 2012 through 2019, which averaged 1.7 percent a year. In response to the COVID-19 pandemic, the state of Nevada issued a stay-at-home order in March 2020, which enforced social distancing and discouraged nonessential travel and entertainment outings. These countermeasures contributed to declines in economic activity in the metropolitan area starting in April 2020, with the leisure and hospitality sector leading the declines. Phased re-openings have continued since May 2020, and by December 2020, the Reno metropolitan area had recovered 88 percent of all jobs lost during April and May 2020 (non-seasonally adjusted data). During the fourth quarter of 2020, the unemployment rate rose to 5.6 percent—up from the 2.8-percent rate during the same period a year earlier but down from a peak of 14.8 percent during the second quarter of 2020. By comparison, the national

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During the fourth quarter of 2020, the number of nonfarm payrolls in the Reno metropolitan area remained below payrolls a year earlier in 7 of the 11 payroll sectors.

	3 Months Ending		Year-Over-Year Change	
	December 2019 (Thousands)	December 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	253.0	240.7	-12.3	-4.9
Goods-Producing Sectors	44.0	44.2	0.2	0.5
Mining, Logging, & Construction	18.6	18.3	-0.3	-1.6
Manufacturing	25.4	25.9	0.5	2.0
Service-Providing Sectors	209.0	196.5	-12.5	-6.0
Wholesale & Retail Trade	35.9	35.2	-0.7	-1.9
Transportation & Utilities	20.4	18.1	-2.3	-11.3
Information	3.0	3.0	0.0	0.0
Financial Activities	11.0	11.0	0.0	0.0
Professional & Business Services	34.1	34.7	0.6	1.8
Education & Health Services	27.9	27.0	-0.9	-3.2
Leisure & Hospitality	38.6	32.3	-6.3	-16.3
Other Services	6.4	5.8	-0.6	-9.4
Government	31.6	29.3	-2.3	-7.3
Unemployment Rate	2.8%	5.6%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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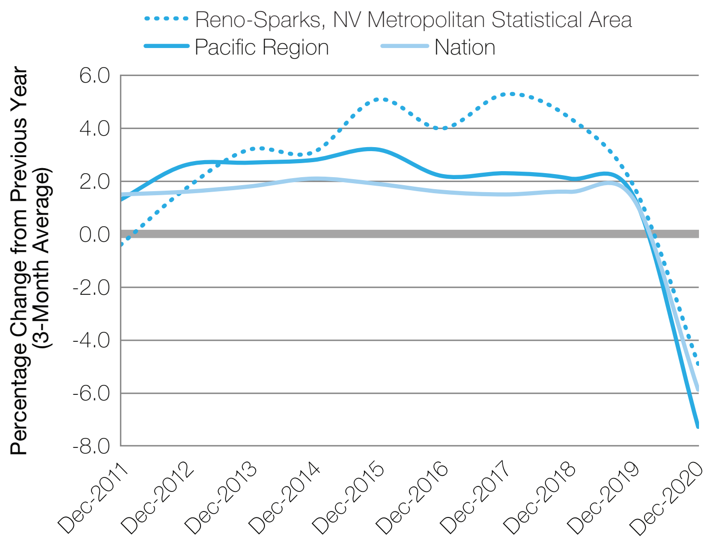
unemployment rate rose from 3.3 to 6.5 percent from the fourth quarter of 2019 to the fourth quarter of 2020.

During the fourth quarter of 2020—

- Nonfarm payrolls averaged 240,700, down by 12,300 jobs, or 4.9 percent, from a year ago—the first year-over-year decline in a fourth quarter since 2010—and 7 of 11 sectors lost jobs. By comparison, the metropolitan area added 4,400 jobs, a 1.8-percent increase, during the fourth quarter of 2019.
- The most significant job losses occurred in the leisure and hospitality, the transportation and utilities, and the government sectors, which accounted for a combined 89 percent of total nonfarm payroll declines. Declines in nonessential travel and retail spending and bans on entertainment events during the stay-at-home order caused the decline in the leisure and hospitality sector. Countermeasures also impacted many supply chains, slowing the distribution and transportation of goods, and much of the decline in the government sector occurred in the state and local government subsectors.
- Only the professional and business services and the manufacturing sectors added jobs, up by 600 and 500 jobs, or 1.8 and 2.0 percent, respectively. In the manufacturing sector, part of the recent growth was due to the rehiring of furloughed workers at the Tesla Gigafactory, a producer of lithium-ion batteries, which reduced on-site staff capacity by 75 percent in early March 2020 and started the process of bringing the factory back to full capacity in May 2020.
- Job growth was flat in both the financial activities and the information sectors, where many workers can perform their duties remotely.

During the Great Recession, 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 one of the fastest growing sectors in the metropolitan area; the sector has added an average of 900 jobs, or 7.2 percent, each year since 2012 and reached 18,300 jobs during the fourth quarter of 2020. 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 1-day drive to five major U.S. ports and 11 states, which have a combined population of more than 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

The Reno metropolitan area lost a smaller percentage of jobs during the fourth quarter of 2020, compared with both the Pacific region and nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Reno Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Nevada, Reno	Government	10,400
Silver Legacy Resort & Casino	Leisure & Hospitality	1,000-4,999
VA Sierra Nevada Health Care System	Government	1,000-4,999

Note: Excludes local school districts.
Sources: Moody's Economy.com and The Integrated Postsecondary Education Data System—NCES

centers in the metropolitan area. The Tahoe-Reno Industrial Center (TRIC) is home to nearly 140 companies, including Panasonic Corporation; Tesla, Inc.; Google LLC; Walmart Inc.; and PetSmart Inc. Approximately 16,000 people work in the industrial center, which includes a significant number of construction workers. The $150 million The Horse Oasis project is one of the developments currently underway at TRIC, which aims to house businesses that cater to workers in the center; those businesses include restaurants, an urgent care facility, a charter school, a gym, and physician offices. Construction on the 16 buildings will take years to complete, but the first 3 buildings were completed in 2020, and another 3 will be completed by the end of 2021.

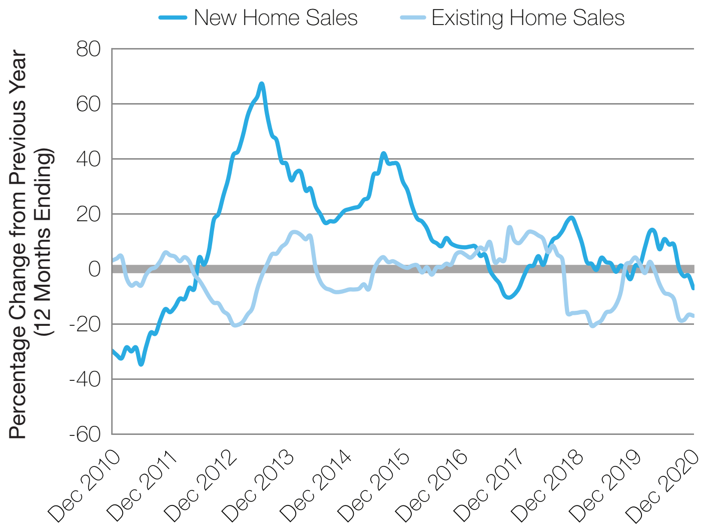
Sales Market Conditions

Sales housing market conditions in the Reno metropolitan area are currently tight, with an estimated sales vacancy rate of 1.0 percent—down from 3.3 percent in 2010, when the market was soft. Before the COVID-19 pandemic, strong economic conditions and increased population growth led to high demand for homes, which contributed to the absorption of excess inventory since the early 2010s. Since the start of the pandemic, the housing market has tightened further because of continued population growth coupled with a low for-sale inventory. During January 2021, a 0.5-month supply of homes was available for sale, down from 2.0 months a year ago (Reno/Sparks Association of Realtors®). 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 peaked at 12.4 percent in May 2010, but the rate decreased steadily through 2019 (CoreLogic, Inc.). The rate increased from 0.6 percent in December 2019 to 2.4 percent in December 2020 and is lower than both the national rate of 4.0 percent and the statewide rate of 5.2 percent. Approximately 1,700 mortgages in the metropolitan area were 90 or more days past due in December 2020, more than triple the number in December 2019; however, the number of foreclosures declined 30 percent. The decline in foreclosures reflects increased participation in mortgage forbearance programs by borrowers, which was provided for under the $2.2 trillion Coronavirus Aid, Relief, and Economic Security, or CARES, Act.

During 2020—

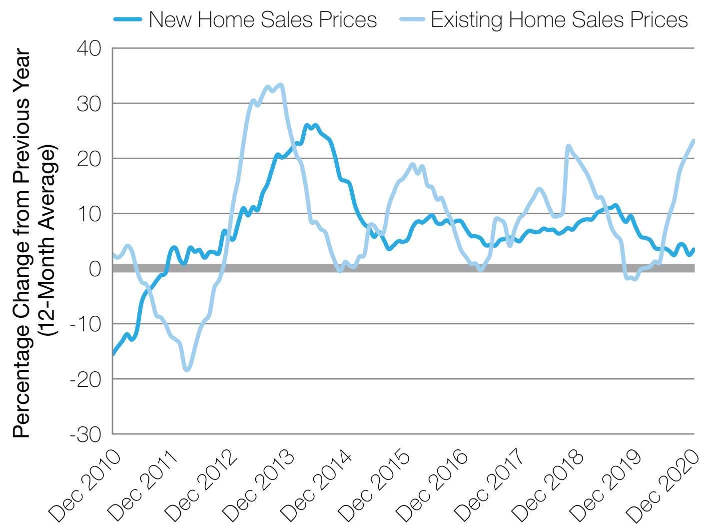
- Existing home sales (which include regular resale and REO home sales) totaled approximately 8,200, reflecting a 17-percent decline from a year earlier, whereas the average sales price increased 23 percent to $500,300 (Zonda).
- New home sales, which accounted for 17 percent of all homes sold, decreased 7 percent from a year earlier to 1,625 homes sold, and the average price increased 3 percent to $520,000. By comparison, new home sales averaged 600 annually from 2010 through 2012, when sales market conditions were soft following the housing bust.
- The recent sharp decline in both new and existing home sales is greater than the 1-percent decline in sales for each during the same period a year earlier. That decline, along with the sharp rise in average sales prices, is because of low for-sale inventory and high demand. During December 2020, 38 percent of homes sold above the list price, compared with 18 percent during December 2019, and the average days on the market declined from 79 to 53 (Redfin, a national real estate brokerage).

The number of new and existing home sales declined in the Reno metropolitan area during 2020, partially as a result of low inventory.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Zonda

During 2020, the average sales price for both new and existing homes increased significantly in the Reno metropolitan area as sales market conditions continued to tighten.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda

- Housing affordability, as measured by the share of homes that are affordable to a family earning the median income, has been declining in the Reno metropolitan area since 2012, coinciding with the influx of households from relatively expensive housing markets in California (NAHB/Wells Fargo

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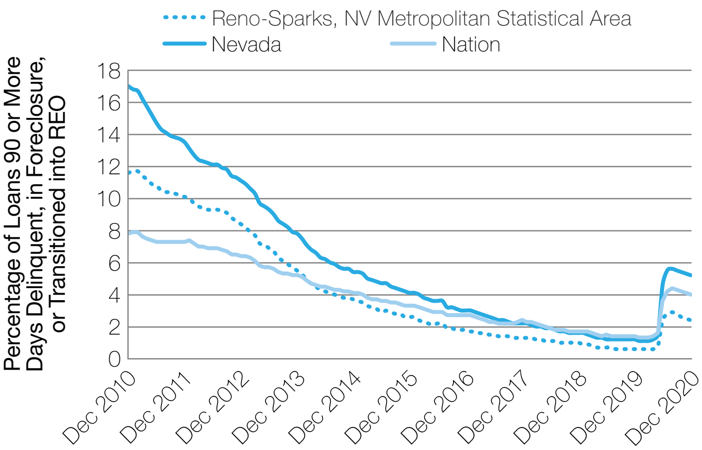
Housing Opportunity Index). During the fourth quarter of 2020, the index was 44.2, down from 49.8 during the fourth quarter of 2019, and down significantly from 83.5 during the fourth quarter of 2012.

Homebuilding activity in the Reno metropolitan area, as measured by the number of single-family homes and townhomes (hereafter, homes) permitted, has been steadily rising since 2012, following population growth trends.

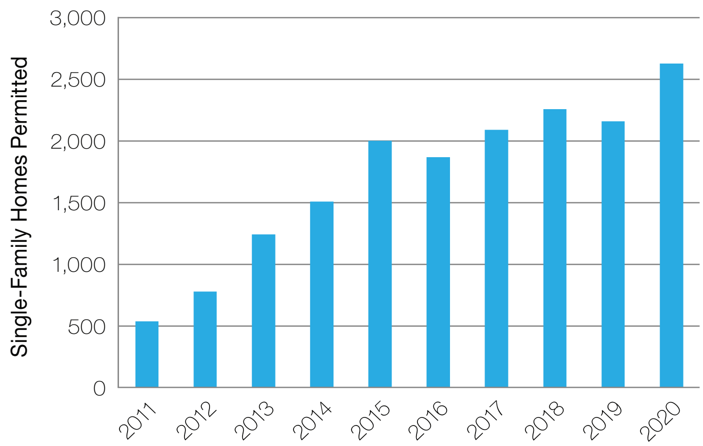
- During 2020, about 2,625 homes were permitted—up 22 percent from the 2,150 homes permitted during 2019 (preliminary data).
- An average of about 2,075 homes were permitted annually from 2015 through 2019—more than double the average of 1,025 homes permitted from 2011 through 2014, when foreclosure activity from the housing market collapse was elevated. Single-family permitting is 46 percent lower than the average of 3,825 homes permitted annually from 2000 through 2007.
- The Alicante at Stonebrook neighborhood is currently underway in the city of Sparks, with plans for 459 three- to six-bedroom single-family homes in the Stonebrook master-planned community, with 151 completed homes. The larger 610-acre Stonebrook development will eventually contain 2,100 residential units, including some multifamily units, and a 17-acre community park. Sales prices for the luxury homes will start at $538,000. As of the current date, 580 homes have been completed.

The percentage of home loans 90 or more days delinquent, in foreclosure, or in REO status in the Reno metropolitan area remains below the national and statewide percentages, a trend that began in 2014.



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

Single-family homes permitting activity in the Reno metropolitan area has been generally rising since 2012.



Note: Includes preliminary data from January 2020 through December 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Rental Market Conditions

Rental market conditions in the Reno metropolitan area remain balanced despite a partial transition to remote learning for university students that has slightly weakened the student rental housing market and an increase in apartment completions since the mid-2010s. The declining affordability of for-sale homes has resulted in strong rental absorption since 2014.

- 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 6.1 percent, down from 11.6 percent in April 2010.
- The apartment market is tight. The apartment vacancy rate was 4.5 percent during the fourth quarter of 2020, down from 4.7 percent during the same quarter a year earlier (Moody's Analytics REIS). Apartment absorption has been strong, leading to very small—if any—increases in apartment vacancy rates despite increasing levels of apartment completions since 2014.
- The average monthly apartment rent in the metropolitan area was $1,442 during the fourth quarter of 2020, a nearly 2-percent increase from a year earlier. Rent growth in the metropolitan area averaged 11 percent annually from 2015

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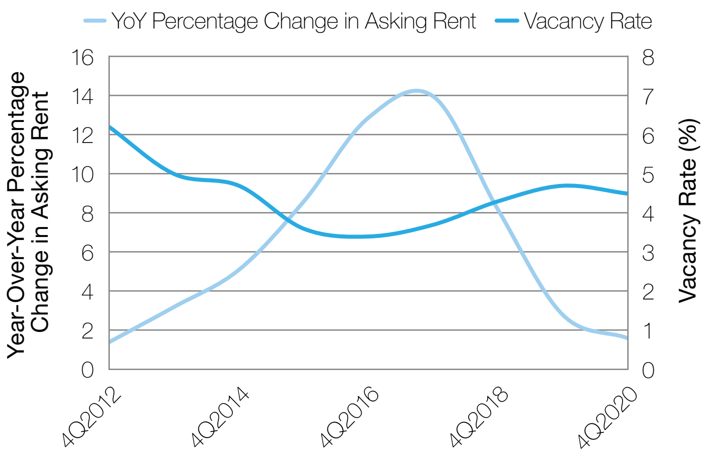
through 2018 but has declined to an average of 2 percent since 2019, partly because of increased apartment completions.

- In the University of Nevada Moody's Analytics REIS-defined market area, the apartment vacancy rate of student housing units (defined as privately owned but targeted at students, who normally rent rooms instead of units) averaged 2.6 percent during the fourth quarter of 2020, up from 1.0 percent a year earlier because many students transitioned to remote learning. Before the pandemic, the student apartment vacancy rate had been less than 1.0 percent since 2016. Despite a slightly elevated vacancy rate, the average rent for a student apartment in the market area rose almost 2 percent, to $849. College students are estimated to represent roughly 6 percent of all renter households in the Reno metropolitan area and are mainly concentrated near the UNR campus in the northeastern part of the city.
- In 2019, 33 percent of renter households lived in single-family homes, which was unchanged from 2010 (2010 and 2019 American Community Survey 1-year data). During December 2020, the vacancy rate among three-bedroom single-family homes for rent was 1.7 percent, with an average monthly rent of $2,250, up 14 percent from a year earlier (CoreLogic, Inc.).

Builders have responded to tight apartment market conditions with higher levels of multifamily construction activity, as measured by the number of multifamily units permitted, since 2013.

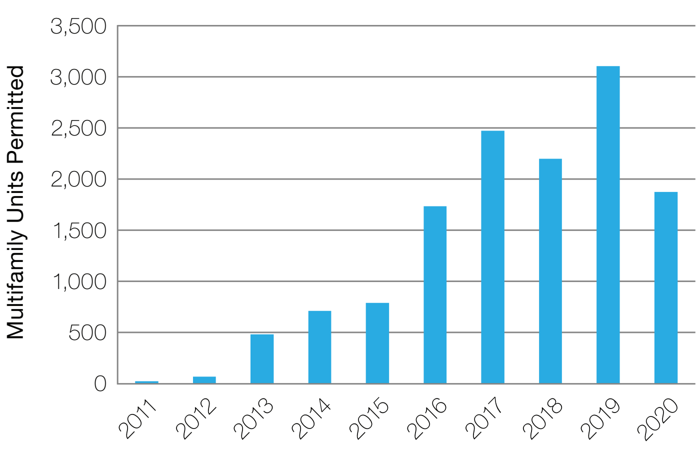
- During 2020, 1,875 multifamily units were permitted, 40 percent fewer than the 3,100 units permitted in 2019 (preliminary data). Multifamily construction activity in the city of Reno accounted for almost all multifamily units permitted in the metropolitan area during 2020, compared with a 70-percent contribution in 2019.
- During the aftermath of the Great Recession, multifamily construction activity was severely limited and permitting activity averaged only 50 units annually during 2011 and 2012, compared with an average of 1,000 units permitted annually from 2000 through 2005 during the lead up to the housing crash.
- Aside from a single-year decline in 2018, multifamily construction activity increased each year from 480 units in 2013 to 3,100 units in 2019. Multifamily construction activity is concentrated in the cities of Reno and Sparks, which accounted for approximately 72 and 28 percent of all multifamily units permitted in the metropolitan area from 2013 to 2019, respectively.
- One of the largest developments underway is the first phase of the master-planned Reno Experience District, or RED, with completion of the first 621 luxury apartment units in two separate buildings expected by the summer of 2021. The second phase of construction will add another 359 apartment units in a third building, with the first units ready for move-in by the middle of 2022. Rents at the Emory apartments, the first of the two buildings underway, will start at $1,605 for studio units, $2,130 for one-bedroom units, and $2,620 for two-bedroom units; those rents are significantly higher than the average rent in the metropolitan area of $1,021 for studio units, $1,302 for one-bedroom units, and $1,557 for two-bedroom units during the fourth quarter of 2020.

Due to significant apartment completions and absorptions, the apartment vacancy rate has remained around 4 percent and recent average rent growth has been minimal.



4Q = fourth quarter. YoY = year-over-year.
Source: Moody's Analytics REIS

Multifamily permitting activity in the Reno metropolitan area has been generally increasing since reaching lows in the early 2010s but declined during 2020.



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Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst