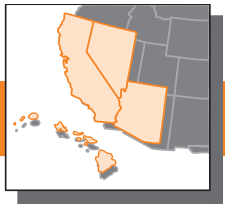
Housing Market Profile



Pacific • HUD Region IX

Las Vegas-Paradise, Nevada

The Las Vegas-Paradise metropolitan area consists of Clark County, Nevada, which is located at the southern end of the state, 230 miles northeast of Los Angeles and 250 miles northwest of Phoenix, Arizona. As of June 1, 2009, the population was estimated at 1.97 million; this figure reflects an increase of 7,000, or 0.7 percent, since June 1, 2008, compared with an increase of 80,000, or 4.2 percent, a year earlier, and an average annual increase of 66,600, or 4.1 percent, since June 1, 2000. The sharp deceleration in population growth is attributable to weakening labor market conditions.

During the 12-month period ending May 2009, nonfarm employment decreased by 31,000 jobs, or 3.3 percent, to 895,100 jobs compared with a gain of 1,300 jobs, or 0.3 percent, during the same period a year earlier. Between 2000 and 2007, nonfarm employment increased by an average annual rate of 30,000 jobs, or 4.3 percent. During the past 12 months, employment in the construction sector declined by 11,000 jobs, or 11 percent, due to reduced demand for new homes. Employment in the leisure and hospitality sector, which accounts for 30 percent of nonfarm employment, fell by 10,000 jobs, or 4 percent. Of the leading employers in the metropolitan area, 8 out of 10 are hotel-casinos, including the MGM Mirage, Station Casinos, and Boyd Gaming Corporation. Casino and hotel employment declined by 9,600 jobs during the past 12 months, but this trend may reverse because 16 new hotel-casino projects, which are scheduled for completion by the end of the 2009, will add approximately 21,450 jobs. In 2010, another 4 hotel-casinos scheduled for completion are expected to create approximately 18,550 jobs.

Education and health services was the only sector to record significant job growth during the 12 months ending May 2009. The sector increased by 2,300 jobs, or 4 percent, due to hiring at hospitals, clinics, and private schools in response to population growth that occurred between 2000 and 2007. The overall job decline in the metropolitan area, however, caused the unemployment rate for the 12 months ending May 2009 to increase to an average of 8.7 percent compared with the 5.1-percent rate recorded for the 12 months ending May 2008.

Due to a contracting economy and reduced population growth, the sales housing market in the Las Vegas-Paradise metropolitan area is soft, but recent gains in sales activity indicate the market is recovering. According to Home Builders Research, during the 12 months ending May 2009, 36,500 existing homes were sold, representing a 65-percent increase compared with the previous 12 months, which follows a 37-percent decline during the 12 months ending May 2007. Sales of existing homes averaged 45,500 a year between 2000 and 2008 and peaked at 64,200 in 2004. At the current pace, existing home sales activity for 2009 will be the sixth highest level on record.

The rapid recovery in sales of existing homes is due to a sharp decline in home sales prices during the past 2 years combined with low mortgage interest rates, which have made homes more affordable and reignited investor interest in real estate. During the 12-month period ending May 2009, the median price of existing homes sold was $163,000, down 36 percent compared with an 11-percent drop in the median price during the previous 12 months. The increased volume of foreclosed properties on the market has largely contributed to price declines. According to the Greater Las Vegas Multiple Listing Service, as of May 2009, 80 percent of multiple listing sales are bank-owned properties compared with 40 percent a year ago.

During the 12-month period ending May 2009, new home sales totaled 7,800, down 51 percent compared with a 47-percent decrease in new homes sales during the 12 months ending May 2008. Slowing sales caused new single-family home construction, as measured by the number of building permits issued, to decline 49 percent to 4,400 homes permitted during the 12-month period ending May 2009, compared with a 74-percent decline recorded during the 12-month period ending May 2008. During the 12-month period ending May 2009, the median price of new homes sold fell by 14 percent to $245,000. During the same period, condominium sales totaled 5,800 units, with a median price of $180,000. In contrast, during the 12-month period ending May 2008, 3,350 condominiums were sold at a median price of $100,000. Major condominium highrise developments currently under construction in downtown Las Vegas include juhl Las Vegas, Panorama Towers, and One Las Vegas, representing a total of 1,600 units.

Higher vacancies and declining rents resulting from a weak labor market during the 12-month period ending May 2009 have led to soft rental housing market conditions in the Las Vegas-Paradise metropolitan area. According to CB Richard Ellis' 2009 second quarter survey of 101,500 rental units, the apartment vacancy rate averaged 10.5 percent during the period compared with an average of 8 percent recorded during the second quarter of 2008. M/PF YieldStar's *Las Vegas Apartment Report* for the first quarter of 2009 showed 2,700 rental units were added during the 12 months ending March 2009, compared with 2,800 units added during the same period a year earlier, which also contributed to the increased vacancy rate.

According to CB Richard Ellis, in the first quarter of 2009, the average rent for all apartment types decreased 4 percent, from $940 a year ago to $900, compared with a 3-percent increase from $910 in the first quarter of 2007. Concessions averaging 1 to 2 months' free rent on a 6- to 13-month lease were available at 84 percent of the properties surveyed during the first quarter of 2009; during the first quarter of 2008, 81 percent of the properties surveyed offered similar concessions.

According to CB Richard Ellis' *Las Vegas Multi-Family Development Report*, as of May 2009, approximately 4,800 apartments were under construction in the metropolitan area compared with 1,325 apartments under construction as of May 2008. Weakening rental housing market conditions combined with the large number of units under construction resulted in a decline in the construction of new multifamily units, as measured by the number of units permitted. During the 12-month period ending May 2009, 3,800 apartments and 1,825 condominiums were permitted, compared with 5,600 apartments and 5,550 condominiums permitted during the same period a year earlier.