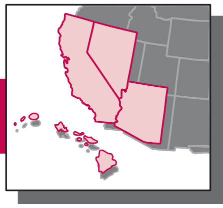
Housing Market Profile



Pacific • HUD Region IX

Las Vegas-Paradise, Nevada

Located at the southern tip of Nevada, the Las Vegas-Paradise metropolitan area, comprising Clark County, is home to the largest casino gaming market in the country. The metropolitan area has an estimated population of 1.99 million as of October 1, 2012, reflecting an average annual gain of 15,750, or 0.8 percent, since the 2010 Census. Population growth has slowed considerably since 2007 because weakness in employment conditions and the rising prevalence of foreclosures led to decreasing rates of net in-migration. Population growth averaged 68,350 people, or 4.3 percent, annually from 2004 through 2007, with net in-migration accounting for 76 percent of total growth. Population growth then fell to 28,800 people, or 1.5 percent, annually from 2008 through 2010, with net in-migration accounting for 42 percent of growth. Net in-migration declined each year from 2007 until 2010, when approximately 1,125 more people left the metropolitan area than moved in. As employment conditions improved, net in-migration averaged 1,050 people annually from 2010 to the current date, but it is still significantly below the average annual net in-migration of 12,200 people from 2007 through 2010.

Economic conditions in the metropolitan area continue to improve. Nonfarm payrolls increased by 7,900 jobs to average 812,100 during the 12 months ending August 2012, a 1.0-percent gain compared with the nonfarm payrolls recorded during the previous 12-month period. By comparison, payrolls declined by 85,400 jobs in 2009 and 23,300 in 2010, or 9.4 and 2.8 percent, respectively. During the 12 months ending August 2012, the leisure and hospitality, wholesale and retail trade, and education and health services sectors led job growth with increases of 9,400, 1,900, and 1,600 jobs, or 3.6, 1.6, and 2.2 percent, respectively. Despite the August 2012 opening of the $600 million North Las Vegas VA Hospital, the government sector reported a decrease of 2,600 jobs, or 2.7 percent. More than 90 percent of the government sector losses occurred in the local government subsector, including the June 2012 closure of the jail in the city of North Las Vegas, which eliminated 100 jobs. Weakness in the real estate markets led to declines of 2,500 jobs, or 6.3 percent, in the construction sector and 1,500 jobs, or 3.8 percent, in the financial activities sectors. The average unemployment rate during the 12 months ending August 2012 was 12.7 percent, down from 14.1 percent during the 12 months ending August 2011.

Tourism from casino gaming and conventions is the leading industry in the Las Vegas metropolitan area, and activity has recently improved. The leisure and hospitality sector accounts for nearly 33 percent of nonfarm payrolls, and the wholesale and retail trade sector, with a 14-percent share, is the second largest in the metropolitan area. The iconic Las Vegas Strip is home to the largest employers in the metropolitan area, including the Venetian®-Resort-Hotel-Casino, the Bellagio Hotel and Casino, and the MGM Grand Hotel & Casino, each with approximately 10,000 employees. According to the Las Vegas Convention and Visitors Authority, the number of visitors to the metropolitan area increased nearly 3 percent, to 39.4 million, and gaming revenue grew more than 2 percent, to $9.4 billion, during the 12 months ending July 2012. Stable growth is expected in the leisure and hospitality sector as the number of visitors increases in line with improvement in the national economy. The Downtown Grand will complete its $100 million remodeling of the former Lady Luck Casino in downtown Las Vegas and will offer 650 hotel rooms in early 2013.

Sales housing market conditions in the Las Vegas metropolitan area are currently soft, with an estimated 6-percent vacancy rate. According to CoreLogic, Inc., existing home sales totaled 50,500 during the 12 months ending July 2012, relatively unchanged compared with the number sold during the 12 months ending July 2011 but more than the average annual sales of 46,050 homes from 2008 through 2010. Although sales activity peaked in 2004 at 71,900 existing homes sold, the average home sales prices continued to increase until 2007, reaching a peak of $347,600. Starting in late 2007, the number of foreclosures increased quickly and REO (Real Estate Owned) homes and short sales began to exert downward pressure on prices. REO and short sales constituted 60 percent of all home sales in the most recent 12-month period, down slightly from 65 percent during the previous 12-month period, down from the peak share of 75 percent in 2009, but greater than 16 percent in 2007. During the 12 months ending July 2012, existing home sales prices averaged $111,000 for REO homes, $146,000 for regular resales, and $150,700 for short sales, reflecting decreases of 2, 4, and 9 percent, respectively, compared with average prices during the preceding 12-month period. Foreclosure activity has decreased since 2010 but remains elevated even after Nevada Assembly Bill 284 (AB 284) became effective in October 2011. By imposing more lender requirements on the foreclosure process, AB 284 has effectively reduced both the number of loans in processing and the number of loans going into foreclosure. According to LPS Applied Analytics, as of July 2012, 14.5 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down slightly from 16.5 percent in July 2011 but significantly greater than the national figure of 7.7 percent in July 2012.

Sales activity for new homes declined 29 percent, to 3,475 homes sold, during the 12-month period ending July 2012, and the average home sales price decreased 6 percent, to $212,200, according to CoreLogic, Inc. By comparison, an average of 7,050 new homes sold annually from 2008 through 2010. As the pace of new home sales began to fall during 2006, builders reduced new home construction, as measured by the number of building permits issued. From 2000 through 2005, an average of 25,800 permits for single-family homes was issued annually. The number of single-family homes permitted subsequently declined sharply, an average 40 percent each year until 2009. An average of 4,075 homes was permitted annually from 2009 through 2011. Based on preliminary data, during the 12 months ending August 2012, permits were issued for 5,350 homes, up 44 percent from the preceding 12-month period. Single-family homes are primarily being constructed along the outer perimeter of the Las Vegas Valley, with starting prices in the $130,000s.

Multifamily construction activity, as measured by the number of units permitted, has been slow in the Las Vegas metropolitan area since 2009. From 2004 through 2008, an average of approximately 8,600 multifamily units was permitted annually. From 2009 through 2011, the average declined to 1,375 multifamily units annually. Based on preliminary data, 920 multifamily units were permitted during the 12 months ending August 2012, down 37 percent compared with the number permitted during the previous 12-month period. Nearly all of the recent permits have been for condominiums. Of the units recently permitted, 350 were for 4 low-income housing tax credit projects in Las Vegas Valley that are limited to elderly residents.

Overall rental housing market conditions in the metropolitan area are currently soft, with an estimated 11-percent vacancy rate compared with the 13.4-percent vacancy rate in 2010. Although the decrease in multifamily construction activity has helped improve conditions slightly since 2010, an influx of investor-owned single-family homes in the rental market has prevented rent increases. According to MPF Research, the apartment rental vacancy rate was 7.9 percent in the third quarter of 2012, down from 8.4 percent in the third quarter of 2011. Apartment rents averaged $740 in the third quarter of 2012, unchanged from the average rent in the same quarter the previous year. Asking rents averaged approximately $650 for a one-bedroom unit, $780 for a two-bedroom unit, and $940 for a three-bedroom unit in the third quarter of 2012.