



Reno, Nevada

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2008



Housing Market Area



The Reno, Nevada Housing Market Area (HMA) coincides with the two-county Reno-Sparks, NV Metropolitan Statistical Area. Major cities in the HMA include Reno and Sparks in Washoe County and Virginia City in Storey County. Steady employment growth and the recreational amenities of Lake Tahoe have attracted many residents, especially from northern California, to the HMA. Table DP-1 at the end of this report shows employment and demographic data for the HMA.

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Summary

Economy

The Reno HMA economy is characterized by the gambling and the leisure and hospitality industries. Major employers include International Game Technology and seven hotel-casinos, including Silver Legacy Resort Casino and Peppermill Hotel Casino. In terms of employment gains, the HMA is in the fifth year of economic growth. In 2007, total nonfarm employment increased by 900 to an average of 224,200 jobs, reflecting a 0.4-percent annual growth rate. The unemployment rate increased from 4 percent in 2006 to 4.6 percent in 2007. Resident employment is forecast to increase by 4,100 jobs, or by 1.8 percent, annually during the next 3 years.

Sales Market

Increased levels of single-family construction, a decline in investor activity, and affordability constraints have contributed to a soft sales housing market. Sales volume and median sales prices have decreased from 2005 through 2007 for both new and existing homes. In 2007, the median price of an existing home and a new detached home was \$310,000 and \$343,900, respectively. Demand is anticipated for 7,350 new housing units through January 1, 2011 (see Table 1).

Rental Market

The rental housing market is slightly soft, with a current vacancy rate of 7.9 percent. The recent conversion of nearly 500 new condominiums to rental units has contributed to the somewhat soft rental market. The average asking rent for a two-bedroom, two-bathroom unit is \$950, approximately 2 percent more than the asking rent for a similar unit in 2006. Demand is anticipated for 2,225 new market-rate rental units during the next 3 years (see Table 1).

Table 1. Housing Demand in the Reno HMA, 3-Year Forecast, January 1, 2008 to January 1, 2011

	Reno HMA	
	Sales Units	Rental Units
Total Demand	7,350	2,225
Under Construction	1,000	85

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2008.

Source: Estimates by analyst

Economic Conditions

The gambling and the leisure and hospitality industries are the foundation of the Reno HMA economy. International Game Technology, a slot-machine manufacturer, and seven hotel-casinos are among the leading employers in the HMA (see Table 2). As the leading employment sector, leisure and hospitality currently accounts for nearly 18 percent of all nonfarm jobs (see Figure 1). In 2007, the HMA hosted approximately 5 million visitors, who had an estimated economic impact of nearly \$6 billion, the same as in 2006. Several tourism-related developments are under way in the HMA. The Peppermill Hotel

Casino in Reno is nearing completion of a \$400 million remodeling and expansion project. A new 600-room tower opened in 2007 and the original 900-room tower will be completely refurbished by August 2008. A \$50 million Minor League Baseball stadium seating 6,500 will break ground in downtown Reno in February 2008. The new Triple-A franchise team's games will begin in the spring of 2009. Hyatt Hotels Corporation has announced plans for a 156-room hotel in the re-development area adjacent to the new baseball stadium. The city of Sparks has approved an 800,000-square-foot shopping and entertainment complex called the Legends at Sparks Marina. Olympia Gaming of Las Vegas is scheduled to begin construction of a \$500 million, 1,000-room hotel-casino at Legends in the fall of 2008, with an opening date in 2010.

Trade and government are also leading employment sectors in the HMA. The trade sector currently accounts for 16 percent of all nonfarm employment. Wal-Mart Stores, Inc., a major employer in the HMA, with 700 employees, operates a distribution center in Storey County. Cabela's, an outdoor supply and sporting goods retailer, opened a 125,000-square-foot facility in 2007 that employs 250 workers. In September 2008, Scheels, a sporting goods store, will open a 248,000-square-foot store, with about 400 employees, as part of the retail component of the Legends at Sparks Marina. Government ranks as the third-leading employment sector in the HMA, with a 13-percent share of all nonfarm jobs. With at least 4,500 employees, the University of Nevada, Reno is the leading single-entity, public-sector employer in the HMA.

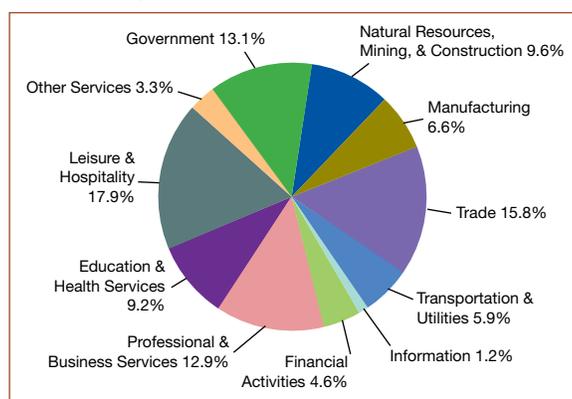
Table 2. Major Employers in the Reno HMA

Name of Employer	Employment Sector	Number of Employees
International Game Technology	Manufacturing	2,500
Renown Regional Medical Center	Education & Health Services	2,000
Silver Legacy Resort Casino	Leisure & Hospitality	2,000
Peppermill Hotel Casino	Leisure & Hospitality	2,000
Atlantis Casino Resort & Spa	Leisure & Hospitality	1,500
Eldorado Hotel & Casino	Leisure & Hospitality	1,500
Sparks Nugget, Inc.	Leisure & Hospitality	1,500
Grand Sierra Resort	Leisure & Hospitality	1,500
Circus Circus Hotel and Casinos	Leisure & Hospitality	1,500
Catholic Healthcare West	Education & Health Services	1,500

Notes: Only private-sector employers are listed. "Number of Employees" lists the employer's minimum number of employees.

Source: Nevada Department of Employment, Training and Rehabilitation

Figure 1. Current Employment in the Reno HMA, by Sector



Note: Based on 12-month averages through December 2007.

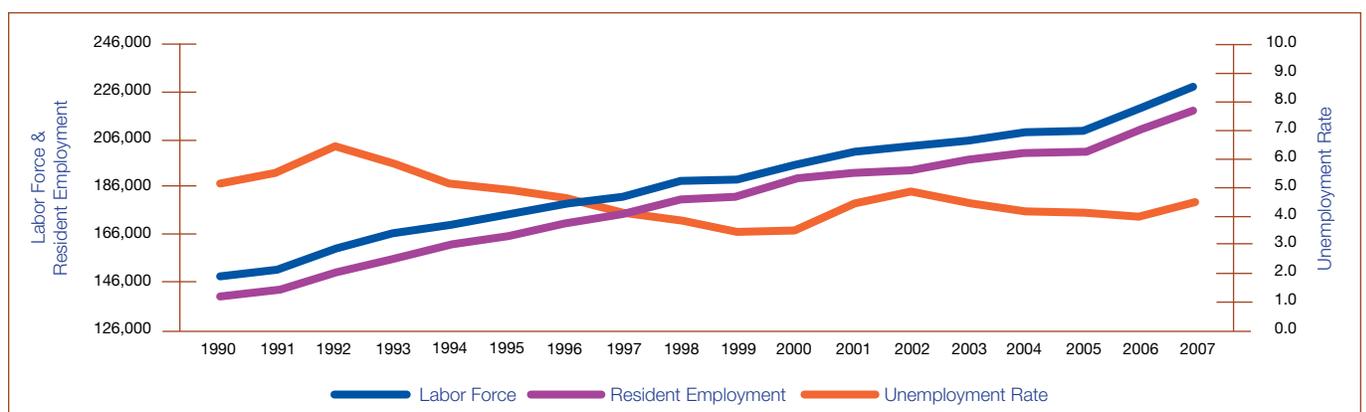
Source: U.S. Bureau of Labor Statistics

Employment growth in the HMA has been strong since 2000, but the rate of growth from 1990 to 2000 was higher. From 1990 to 2000, resident employment increased by an average of 4,850 jobs, or 3 percent, a year. Since 2000, resident employment has increased by 4,125 jobs, or an average annual rate of 2 percent, a year. The lower average growth rate is primarily the result of two events: (1) a decline in the high-technology sector from 2001 through 2004, which significantly affected the San Francisco Bay Area; and (2) the opening of new Indian gambling establishments in northern California. Both events led to a reduction in the number of tourists traveling from the San Francisco Bay Area, a traditional core market for the HMA's gambling industry. Since the mid-2000s, the Reno-Sparks Convention & Visitors Authority has successfully focused more marketing efforts on attracting visitors from central California to mitigate the lower visitor counts from the Bay Area. Figure 2 shows trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 to 2007. Since 2000, nonfarm employment has increased by an average of 4,550 jobs, or 2.2 percent, a year. After experienc-

ing economic weakness in 2002, the HMA is in the fifth year of economic expansion. From 2003 through 2006, nonfarm employment gains averaged 7,725 jobs, or 3.7 percent, a year. Employment in professional and business services increased more than in any other sector in the HMA, with an average annual gain of 2,600 jobs from 2003 through 2006. During the same period, the construction sector expanded by an average of 2,200 jobs a year due to major commercial projects and a strong new home sales market that lasted through 2005. From 2003 through 2006, the trade sector increased by 1,075 jobs a year as retailers opened new stores near the new single-family developments. See Figure 3 for employment growth in the HMA from 1990 to the current date.

The pace of employment growth has slowed since 2006. In 2007, total nonfarm employment increased by 900 to 224,200 jobs, reflecting a 0.4-percent growth rate (see Table 3). The job growth in 2007 occurred primarily in the transportation and utilities sector, up 900 jobs; the leisure and hospitality sector, up 800 jobs; the education and health services sector, up 700 jobs; and the government sector, up 700 jobs. As

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Reno HMA, 1990 to 2007

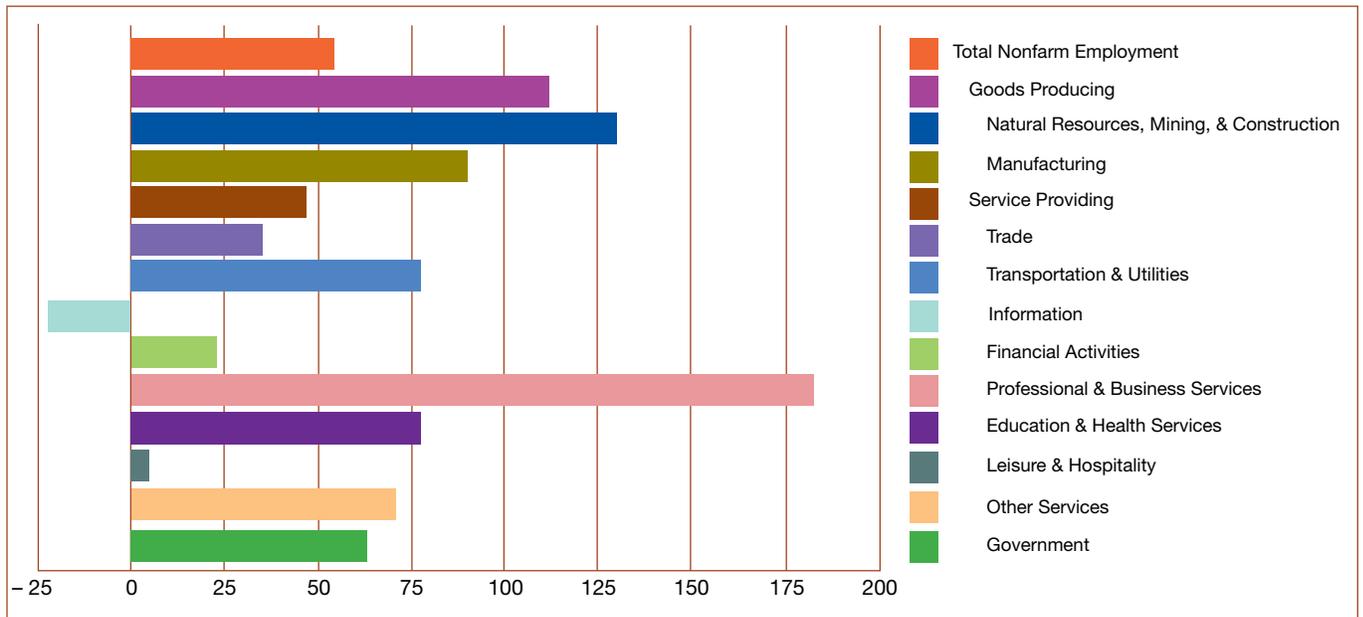


Source: U.S. Bureau of Labor Statistics

a result of the completion of major construction projects, such as Renown Regional Medical Center's 190-bed Tahoe Tower in 2007, and the slowing new home sales market, the construction sector posted a net loss of 2,600 jobs in 2007. As overall job growth slowed, the average unemployment rate increased to 4.6 percent in 2007 compared with 4 percent in 2006.

Nonfarm job growth during the next 3 years is expected to average 2.3 percent a year. The most significant employment growth is anticipated in the leisure and hospitality, trade, and professional and business services sectors. Resident employment is forecast to increase by 4,100 jobs, or by 1.8 percent, annually through January 1, 2011, for a total of 230,500 jobs.

Figure 3. Sector Growth in the Reno HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through December 2007.

Source: U.S. Bureau of Labor Statistics

Table 3. 12-Month Average Employment in the Reno HMA, by Sector

	12 Months Ending December 2006	12 Months Ending December 2007	Percent Change
Total Nonfarm Employment	223,300	224,200	0.4
Goods Producing	38,600	36,200	-6.2
Natural Resources, Mining, & Construction	24,100	21,500	-10.8
Manufacturing	14,400	14,700	2.1
Service Providing	184,800	188,000	1.7
Trade	35,000	35,300	0.9
Transportation & Utilities	12,300	13,200	7.3
Information	2,800	2,775	-0.9
Financial Activities	10,600	10,200	-3.8
Professional & Business Services	29,000	28,900	-0.3
Education & Health Services	20,000	20,700	3.5
Leisure & Hospitality	39,400	40,200	2.0
Other Services	7,200	7,300	1.4
Government	28,600	29,300	2.4

Notes: Based on 12-month averages through December 2006 and December 2007. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

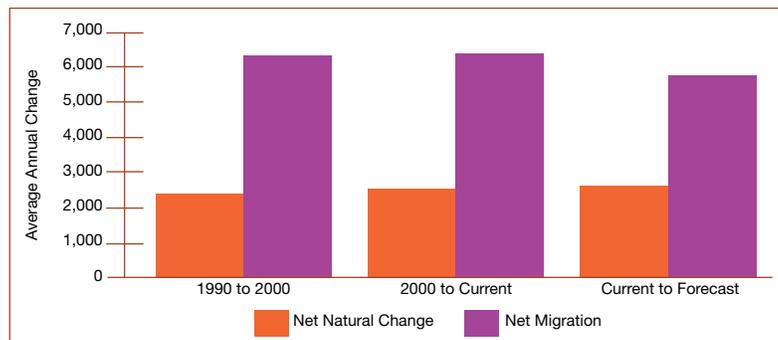
Population and Households

The Reno HMA has had strong population growth since 2000 as a result of steady employment growth, the absence of a state income tax, and the recreational attractions Lake Tahoe offers. From 1990 to 2000, the population increased by an average of 8,575, or 2.9 percent, a year to approximately 342,900. From 2000 to the current date, the population grew by an average of 8,850 people a year, albeit at a slower average annual rate of 2.4 percent. As of January 1, 2008, the population of the HMA is estimated at 411,500, with 99 percent residing in Washoe County and 1 percent in Storey County. By the end of the 3-year forecast period, the population is anticipated to increase to 436,800, reflecting an average annual growth rate of 2 percent, or 8,425, a year.

Migration and net natural increase (resident births minus resident deaths) have accounted for relatively constant shares of total population change from 1990 to the current date, at 70 and 30 percent, respectively. The migration patterns have remained consistent as well. No income tax and lower housing costs have made the HMA attractive to people from the San Francisco Bay Area and other areas of northern California; together, these residents account for 60 percent of the net domestic migrants. Figure 4 illustrates the components of population change in the HMA from 1990 to the forecast date.

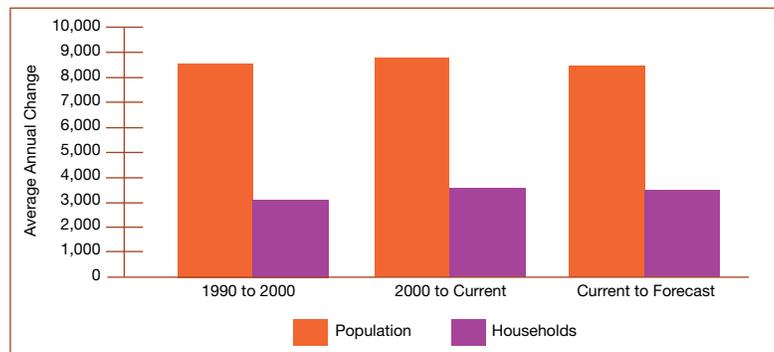
The average annual growth in the number of households increased from 2000 to the current date, compared with the rate of household formation from 1990 to 2000. During the 1990s, the number of households grew by 3,025, or 2.6 percent, a year. From 2000 to the current date, the number of households increased by 3,625, or 2.5 percent, annually to 161,700 households. Figure 5 shows population and household growth trends in the HMA from 1990 to the forecast date. Nevada is a retirement destination for northern Californians. The strong sales market in California in the early 2000s enabled many near-retirees and seniors to relocate to Nevada. As a result of increased home sales in recent years, the tenure composition in the HMA has shifted to increased homeownership, with an estimated division of 63 percent owner and 37 percent renter households. Figure 6 shows the growth in the number of households by tenure in the HMA from 1990 to the current date. During the 3-year forecast period, the number of households is anticipated to increase by an average of 3,550, or 2.2 percent, a year to reach 172,400.

Figure 4. Components of Population Change in the Reno HMA, 1990 to Forecast

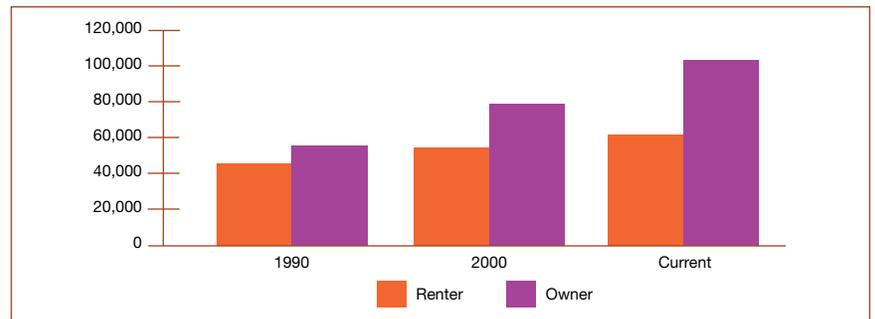


Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Reno HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Reno HMA, 1990 to Current

Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the Reno HMA is currently soft, with an estimated vacancy rate of 3.8 percent. Increased demand from a combination of investor activity, strong in-migration, and low mortgage rates tightened the market from 2000 through 2005. The median price for new and existing homes reached a record \$350,000 in 2005. Since 2005, sales activity has declined as investor activity slowed and affordability constraints increased. Although the price increases that occurred during the early 2000s have ceased, the doubling of home prices since 2000 has easily outpaced income growth. According to the National Association of Home Builders, the percentage of all homes sold that were affordable to families earning the local area median income declined from 61 percent in 2000 to 24 percent in the fourth quarter of 2007.

In 2007, the Reno/Sparks Association of REALTORS® reported approximately 4,325 existing homes were sold in the HMA, a 17-percent decrease compared with the number sold in 2006. Sales peaked in 2005, when nearly 7,550

existing homes were sold. The median price of existing detached homes decreased 6 percent to \$310,000 in 2007. The median price of existing condominiums, however, increased 14 percent to \$210,200 in 2007, reflecting an increase in the sale of higher priced attached homes. During 2007, existing attached and detached homes remained on the market for an average of 100 days, up from 83 days in 2006.

The market for new homes has been more adversely affected by the reduction in investor activity and stricter mortgage underwriting standards. According to Hanley Wood, LLC, 2,300 new homes were sold in the HMA in 2007, a 27-percent decrease compared with the number sold in 2006. The median price of a new detached home decreased 10 percent to \$343,900 in 2007. The median sales price of a new attached-home was \$231,300, a 3-percent decline from the price in 2006. Hanley Wood reported 460 new homes were available for purchase and immediate occupancy in December 2007, up from 200 new

Housing Market Trends

Sales Market *Continued*

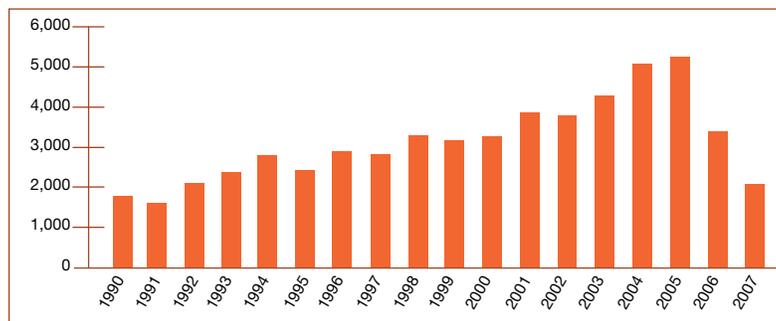
homes available in December 2006. According to The Gregory Group, the inventory of unsold new homes, as measured by the estimated number of weeks to sell, averaged 32 weeks in 2007, compared with 22 weeks in 2006.

Builders have decreased homebuilding activity considerably in response to the slowing new home sales market. Single-family home construction, as measured by the number of building permits issued, has declined since 2005, when a record 5,150 permits were approved. In 2007, permits were issued for 2,025 single-family homes, a 40-percent decrease from the number issued in 2006 (see Figure 7). Nearly all single-family construction activity is located in the neighboring cities of Reno and Sparks. Only 1 percent of new construction is occurring in Storey County. The principal areas of new construction in the city of Reno are in the southeast, northwest, and North Valley toward the Nevada-California border. The North Valley is the most affordable area, with prices for detached homes starting in the high \$200,000s. The primary area for higher priced new construction is in the Spanish Springs district of Sparks, where new home prices start in the low \$400,000s.

Starting in the early 2000s, the nature of multifamily development had changed in response to plans to limit urban sprawl and revitalize downtown Reno. Before the early 2000s, most new multifamily projects were designed either for rental housing or as lowrise condominium complexes. Since 2005, much of the new multifamily development has been in midrise condominium buildings located in downtown Reno or in the conversion of former hotel-casinos to residential space. Condominiums and townhomes have constituted about 45 percent of all multifamily permits since 2005. In April 2006, the former Comstock Hotel opened as the 150-unit Riverwalk Condominiums, with prices starting in the low \$200,000s. The 92-unit, \$50 million Palladio Condominiums opened in December 2006; the average price of a unit was \$450,000. By the summer of 2008, the former Golden Phoenix Hotel will officially become the 379-unit Montage Condominiums, with prices starting in the \$200,000s. According to data from the McGraw-Hill Construction Pipeline database, an additional 290 condominium units are currently under way and are expected to be completed by January 2009.

During the next 3 years, with continued population growth resulting from new employment opportunities, demand is anticipated for 7,350 new homes with prices starting at \$200,000. Demand will be strongest in the \$200,000-to-\$300,000 price range. Table 4 provides an estimated distribution of demand by price range for new market-rate sales housing in the HMA from January 1, 2008, to January 1, 2011.

Figure 7. Single-Family Building Permits Issued in the Reno HMA, 1990 to 2007



Notes: Includes only single-family units. Includes data through December 2007.

Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Reno HMA, January 1, 2008 to January 1, 2011

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	224,999	880	12.0
225,000	249,999	810	11.0
250,000	274,999	740	10.1
275,000	299,999	700	9.5
300,000	324,999	660	9.0
325,000	349,999	630	8.6
350,000	374,999	590	8.0
375,000	399,999	550	7.5
400,000	449,999	440	6.0
450,000	499,999	370	5.0
500,000	549,999	260	3.5
550,000	599,999	110	1.5
600,000	and higher	610	8.3

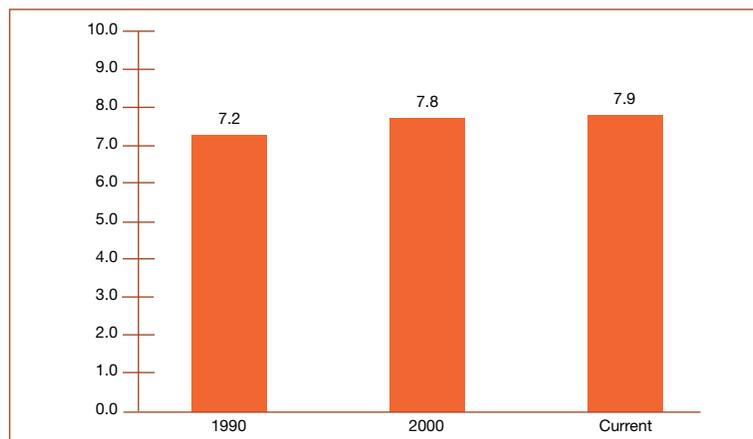
Source: Estimates by analyst

Rental Market

The rental housing market is slightly soft, with a current vacancy rate of 7.9 percent (see Figure 8). Conditions in the rental market had softened from the late 1990s through 2002 as many new multifamily apartment projects became available for occupancy. From 2003 through 2006, the rental market slowly returned to more balanced conditions as developers refrained from new construction activity and waited for the market to absorb the

new units. In 2007, softness in the sales housing market began to affect the rental market when some projects initially designed as for-sale condominiums were converted into rental units. Johnson-Perkins & Associates, Inc., a real estate appraisal firm, reports three condominium projects were converted to rental units last year. In the Kiley Ranch master-planned community in Sparks, two condominium projects, with a total of 387 units, have been converted to apartments. Lease-up began in June 2007. A 216-unit condominium complex in downtown Reno made 108 units available for rent beginning in August 2007. At all three complexes, rents start at \$850 for a one-bedroom unit and \$1,250 for a two-bedroom unit. According to Johnson-Perkins, the average current rents in the HMA are \$750 for a one-bedroom unit; \$950 for a two-bedroom, two-bathroom unit; and \$1,125 for a three-bedroom unit. Overall rental rates have increased by slightly more than 2 percent from 2006 to 2007.

Figure 8. Rental Vacancy Rates in the Reno HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

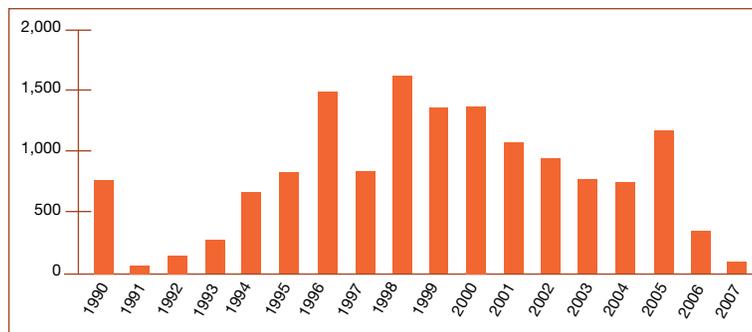
Rental Market *Continued*

Multifamily construction activity, as measured by the number of units permitted, has varied since 1990 (see Figure 9). The number of multifamily units permitted had decreased steadily from 1,600 units in 1998 to 730 units in 2004 as builders waited for the rental market to absorb the new inventory. The number of permits increased to nearly 1,175 in 2005.

Since January 2006, the number of permits has dropped considerably. In 2007, nearly 90 units were permitted, a decline from 325 units permitted in the previous year. According to data from the McGraw-Hill Construction Pipeline database, no large-scale apartments are currently under construction.

With continued population growth, demand is anticipated for 2,225 new market-rate rental units during the 3-year forecast period. Because of the current excess vacancies and the expectation of additional condominium conversions, new construction should be delayed so that the new units will be ready for occupancy in 2009. Table 5 provides an estimate of the noncumulative distribution of demand for new market-rate rental housing in the HMA by rent level and the number of bedrooms from January 1, 2008, to January 1, 2011.

Figure 9. Multifamily Building Permits Issued in the Reno HMA, 1990 to 2007



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2007.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Reno HMA, January 1, 2008 to January 1, 2011

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
850	670	975	1,325	1,200	220
900	590	1,025	1,100	1,250	200
950	540	1,075	1,025	1,300	180
1,000	490	1,125	910	1,350	160
1,050	430	1,175	790	1,400	130
1,100	360	1,225	670	1,450	110
1,150	300	1,275	560	1,500	100
1,250	240	1,375	450	1,600	70
1,350	190	1,475	290	1,700	50
1,450	150	1,575	200	1,800	40
1,550	120	1,675	130	1,900	30
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Reno HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	140,800	189,400	218,200	3.0	2.0
Unemployment Rate (%)	5.2	3.7	4.6		
Nonfarm Employment	144,700	194,100	224,200	3.0	2.1
Total Population	257,193	342,885	411,500	2.9	2.4
Total Households	103,300	133,546	161,700	2.6	2.5
Owner Households	56,069	79,462	101,450	3.5	3.2
Percent Owner (%)	54.3	59.5	62.7		
Renter Households	47,231	54,084	60,250	1.4	1.4
Percent Renter (%)	45.7	40.5	37.3		
Total Housing Units	113,278	145,504	179,925	2.5	2.8
Owner Vacancy Rate (%)	1.8	2.0	3.8		
Rental Vacancy Rate (%)	7.2	7.8	7.9		
Median Family Income	\$38,200	\$54,300	\$64,000	3.6	2.1

Notes: Median family incomes are for 1989, 1999, and 2007. Employment data represent annual averages for 1990, 2000, and the 12 months through December 2007.

Source: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2008—Analyst's estimates

Forecast period: 1/1/2008–1/1/2011—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_RenoNV.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.