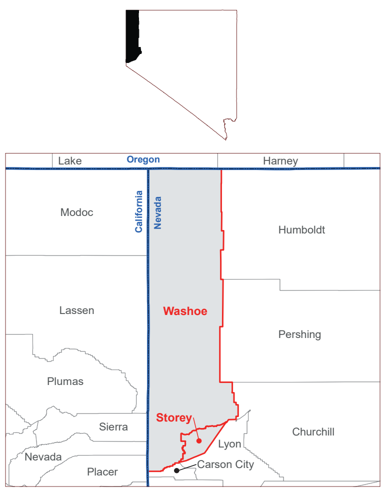
COMPREHENSIVE HOUSING MARKET ANALYSIS

Reno, Nevada

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2018

Housing Market Area



The Reno Housing Market Area (HMA) in western Nevada is coterminous with the Reno, NV Metropolitan Statistical Area. The HMA consists of Washoe and Storey Counties and is a Northern California-Nevada regional hub for gaming and tourism. Since 2010, the availability of developable land and a favorable business environment have attracted firms to the HMA, including those in technology-based industries. The city of Reno, the largest city in the HMA and the second largest in Nevada, is home to the University of Nevada, Reno (UNR).

Market Details

Summary

Economy

Job growth in the Reno HMA has accelerated since the end of 2015, and nonfarm payrolls are currently 5 percent higher than the prerecession peak in 2007. Nonfarm payrolls totaled 235,800 during the 12 months ending June 2018, up by 10,500, or 4.7 percent, from the previous 12 months. During the same time, the unemployment rate declined from 4.6 to 3.9 percent. Nonfarm payrolls are expected to grow an average of 3.5 percent annually during the 3-year forecast period, with the largest gains likely to occur in the manufacturing and the professional and business services sectors.

Sales Market

The sales housing market in the Reno HMA is tight, with a vacancy rate currently estimated at 0.9 percent, down from 3.3 percent in April 2010. New and existing home sales in the HMA totaled 12,675 during the 12 months ending June 2018, up 7 percent, from the previous 12 months, and the average sales price rose 7 percent to $379,100 (MetroStudy, A Hanley Wood Company). During the 3-year forecast period, demand is estimated for 7,000 new homes (Table 1). The 1,375 homes currently under construction in the HMA will satisfy some of the demand.

Rental Market

The rental housing market in the HMA is balanced, with an estimated overall vacancy rate of 6.4 percent, down from 11.6 percent in April 2010. The apartment market is tight with a 3.5-percent vacancy rate during the second quarter of 2018, up from 3.2 percent a year earlier (Reis, Inc.). During the forecast period, demand is estimated for 3,800 new market-rate apartment units. The 2,825 units currently under construction will satisfy demand during the first 2 years and part of the third year of the forecast period (Table 1).

Table 1. Housing Demand in the Reno HMA During the Forecast Period

	Reno HMA	
	Sales Units	Rental Units
Total demand	7,000	3,800
Under construction	1,375	2,825

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2018. The forecast period is July 1, 2018, to July 1, 2021.

Source: Estimates by analyst

Economic Conditions

The Reno HMA is a major employment center for western Nevada. Historically, economic activity in the HMA centered around the gaming, tourism, and transportation industries. Since the Great Recession, however, a marketing effort by the local economic development authority, land availability, and low taxes have attracted firms to the HMA, resulting in the opening of new manufacturing facilities and e-commerce fulfillment and data centers, which helped contribute to the economic recovery. During the 12 months ending June 2018, nonfarm payrolls totaled 235,800, an increase of 10,500 jobs, or 4.7 percent (Table 2), the same rate of growth as during the previous 12 months and nearly three times greater than the national rate of 1.6 percent during the 12 months ending June 2018. As economic conditions improved during the 12 months ending June 2018, the average unemployment rate declined from 4.6 to 3.9 percent.

The current period of economic growth in the HMA that began in 2012 has resulted in 3.5-percent average annual job growth and has been longer and stronger than the previous economic expansion during the 2000s, prior to the Great Recession. During the previous decade, nonfarm payrolls peaked in 2007 at 223,900 after 5 consecutive years of job growth that averaged a gain of 5,400 jobs, or 2.6 percent, a year. The professional and business services and the mining, logging, and construction sectors led growth during the period, and gained an average of 1,800 and 1,000 jobs, or 7.4 and 5.7 percent, a year, respectively, with growth partially due to the housing boom.

In the aftermath of the Great Recession and housing crisis, home construction and consumer spending declined sharply, contributing to the economic slowdown in the HMA. Taxable sales in the HMA fell 25 percent from $720 million in 2006 to $541 million in 2011 (Center for Business and Economic Research, University of Nevada, Las Vegas). From 2008 through 2011, nonfarm payrolls in the HMA decreased by an average of 8,700

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Reno HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	June 2017	June 2018		
Total nonfarm payroll jobs	225,300	235,800	10,500	4.7
Goods-producing sectors	31,100	36,400	5,300	17.0
Mining, logging, and construction	16,100	17,300	1,200	7.5
Manufacturing	15,000	19,200	4,200	28.0
Service-providing sectors	194,200	199,400	5,200	2.7
Wholesale and retail trade	32,700	33,000	300	0.9
Transportation and utilities	18,700	19,900	1,200	6.4
Information	2,100	2,200	100	4.8
Financial activities	10,500	10,600	100	1.0
Professional and business services	30,400	31,800	1,400	4.6
Education and health services	25,800	26,300	500	1.9
Leisure and hospitality	37,500	38,200	700	1.9
Other services	6,100	6,400	300	4.9
Government	30,300	31,000	700	2.3

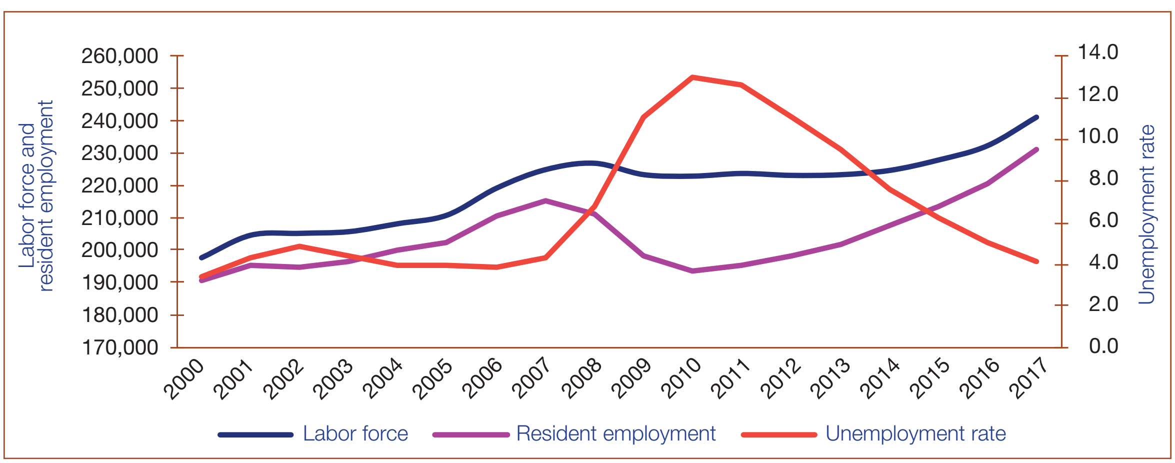
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2017 and June 2018.

Source: U.S. Bureau of Labor Statistics

jobs, or 4.1 percent, annually, to a low of 189,100. All but one employment sector lost jobs during the economic downturn; however, more than one-half of the total decrease occurred in the mining, logging, and construction and the leisure and hospitality sectors, which fell by an average of 3,100 and 1,500 jobs, or 19.2 and 3.8 percent, annually, respectively. The only sector that grew during the period was the education and health services sector, which increased by an average of 400 jobs, or 1.7 percent, annually. The unemployment rate during the economic downturn rose from 4.3 percent in 2007 to 12.6 percent in 2011, with a peak of 13.0 percent in 2010 (Figure 1).

Economic conditions in the HMA stabilized in 2012 and began to recover in 2013. From 2013 through 2016, nonfarm payrolls grew an average of 7,300 jobs, or 3.6 percent, annually; job growth was widespread across all nonfarm payroll sectors. During the period, the mining, logging, and construction and the transportation and utilities sectors added the most jobs with an average increase of 1,400 and 1,300 jobs, or 12.3 and 8.5 percent a year, respectively. Despite a rise in new residential construction in the HMA since the end of 2012, most job gains in the sector occurred because of an increase in commercial construction. The HMA is one day's drive to five major U.S. ports and 53 million people in 11 states. 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. The Tahoe Reno Industrial Center (TRIC), encompassing 107,000 acres, is the largest industrial center in the country, occupying over one-half of the land mass of Storey County. Consisting of warehouses, fulfillment centers, and data centers, TRIC is home to nearly 140 companies, including Panasonic Corporation, Tesla, Inc., Zulily Company, Wal-Mart Stores, Inc., and PetSmart, Inc. According to TRIC estimates, about 14,000 people work there, including approximately 6,000 construction workers, representing 35 percent of total employment in the mining, logging, and construction sector in the HMA. Overall employment at TRIC is expected to more than double in the next 5 years as companies meet hiring projections and new facilities open.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Reno HMA, 2000 Through 2017



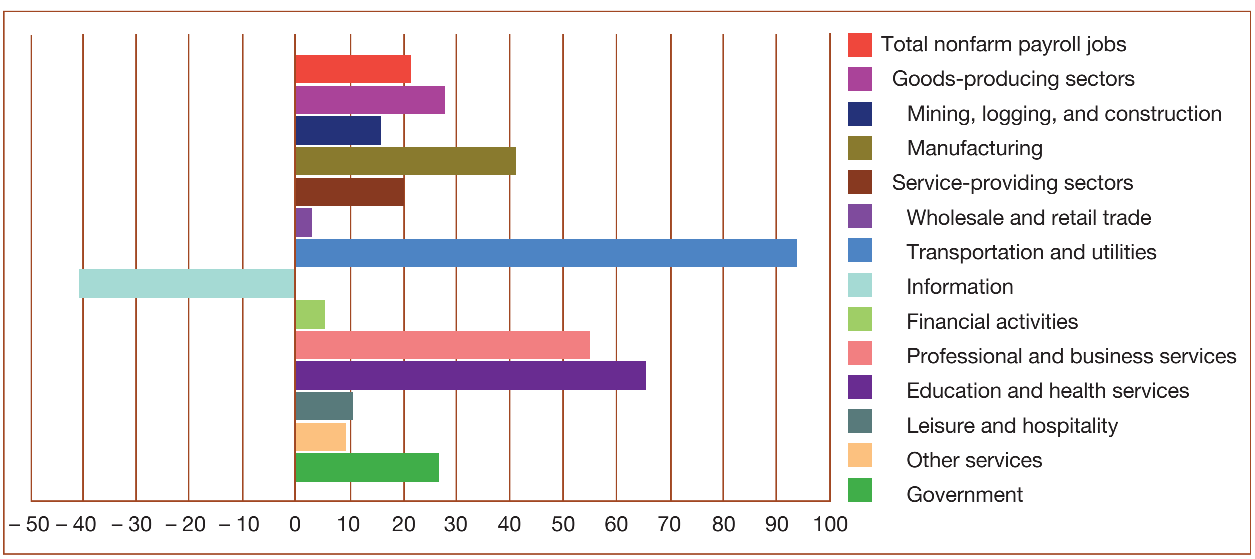
Source: U.S. Bureau of Labor Statistics

During the 12 months ending June 2018, job growth in the Reno HMA was led by the manufacturing sector, which added 4,200 jobs, or 28.0 percent, to a record high of 19,200. By comparison, during 2010, jobs in the sector reached a low of 11,200. Since 2010, more than 40 manufacturing companies have moved to the HMA, partially due to the marketing efforts of the Economic Development Authority of Western Nevada. Currently, the sector accounts for 8 percent of all nonfarm jobs in the HMA, the same share as for the nation, but twice as large as the share for Nevada. Most of the recent growth in the sector occurred at Tesla Gigafactory I, a producer of lithium-ion batteries, that opened in 2016 and currently employs more than 3,000 workers. Other major manufacturers in the HMA include Panasonic Corporation and a slot-machine producer, International Game Technology.

The prolonged period of economic expansion following the Great Recession has resulted in several payroll sectors reaching current record-high job counts. During the 12 months ending June 2018, employment in the professional and business services and the transportation and utilities sectors reached new highs as sectors grew by 1,400 and 1,200 jobs, or 4.6 and 6.4 percent, respectively. Both sectors are among the fastest growing in the HMA since 2000 (Figure 2). Recent expansions at the back-office support provider, Teleperformance; PODS Enterprises call center; e-commerce fulfillment centers, Jet.com and Thrive Market; Switch Tahoe Reno 1 data center; and Petco distribution warehouse have positively impacted job growth in the two sectors.

The availability of relatively well-paying jobs in other industries, coupled with lower gaming revenue compared with the 2000s, has contributed to a slow recovery in the leisure and hospitality sector. During the 12 months ending June 2018, the sector gained 700 jobs, or 1.9 percent, to 38,200 jobs, as gaming revenue in the HMA rose by $10.7 million to $77.8 million compared with June 2017 (University of Nevada, Center for Business and Economic Research). Currently, the sector is nearly 11 percent below the

Figure 2. Sector Growth in the Reno HMA, Percentage Change, 2000 to Current



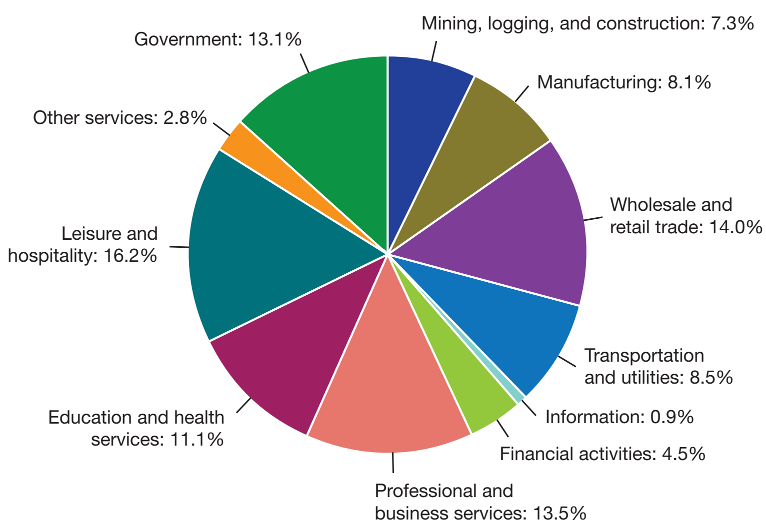
Note: Current is based on 12-month averages through June 2018.
Source: U.S. Bureau of Labor Statistics

high of 42,900 jobs in 2000, when monthly gaming revenue averaged $95 million. Despite a decline since 2000, the leisure and hospitality sector is the largest sector in the HMA (Figure 3), and the gaming and tourism industries continue to be an important part of the local economy. The sector contains 3 of the 10 largest employers in the HMA—Grand Sierra Resort and Casino, Peppermill Resort Spa Casino, and Atlantis Casino Resort Spa; which combined employ more than 5,500 workers (Table 3).

The government sector contains 2 of the 10 largest employers in the HMA, including the largest employer, UNR, with 4,750 employees. During the 12 months ending June 2018, the sector rose by 700 jobs, or 2.3 percent, to 31,000 jobs; and in 2017, the sector surpassed the previous high of 30,400 in 2008. Job growth in the state government subsector accounted for 85 percent of net job gains in the sector. Approximately 21,650 students were enrolled at UNR in 2017, an increase of 65 percent since 2000, and the university has an annual economic impact of nearly $1.1 billion statewide (UNR data).

During the 3-year forecast period, economic conditions in the HMA are expected to remain strong, with nonfarm payrolls increasing an average of 3.5 percent annually. Robust growth in the manufacturing sector is expected to continue; Tesla plans to expand employment at Gigafactory I in the HMA to 6,500 during the forecast period. Continued hiring at existing businesses and new expansions at local industrial centers will boost job growth in logistics, back-office, data management, and construction industries. Switch plans to employ up to 400 by 2022 as it expands its data center facility in the HMA. Following a purchase of more than 60,000 acres at the TRIC in January 2018, technology firm Blockchains, LLC began moving staff to its new facility last month and has plans to expand employment from its current 71 to 1,000 by the end of 2021. In addition, New Deantronics Ltd, an international medical equipment manufacturer, announced plans to build a medical device technology campus by 2021 and hire 200 employees. Student enrollment at UNR is projected to grow by more than 12 percent, to 24,350 by 2025. To accommodate a larger student population, UNR intends to invest $177.6 million through 2025 as a part of the Research Enhancement Initiative to renovate 8 existing buildings, build a new engineering facility, and increase faculty and support staff by 16 percent.

Figure 3. Current Nonfarm Payroll Jobs in the Reno HMA, by Sector



Note: Based on 12-month averages through June 2018.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Reno HMA

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
Tesla, Inc.	Manufacturing	3,000–3,499
Washoe County	Government	2,000–2,499
Grand Sierra Resort and Casino	Leisure & hospitality	2,000–2,499
Peppermill Resort Spa Casino	Leisure & hospitality	2,000–2,499
Atlantis Casino Resort Spa	Leisure & hospitality	1,500–1,900
International Game Technology	Manufacturing	1,500–1,900
St. Mary's Regional Medical Center	Education & health services	1,500–1,900

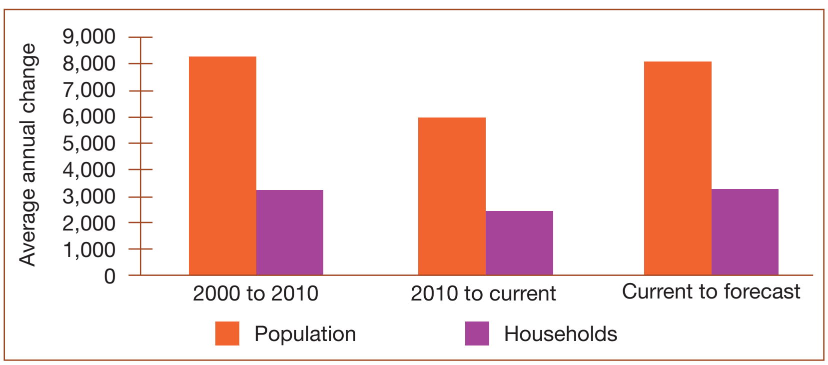
Note: Excludes local school districts.
Source: Economic Development Authority of Western Nevada, June 2018

Population and Households

The population of the Reno HMA as of July 1, 2018, is estimated at 474,100, and 99 percent of the total population reside in Washoe County. The population has risen an average of 1.3 percent annually since 2010, slower than the average annual growth rate of 2.2 percent during the 2000s. Although recent job growth contributed to net in-migration, population growth is subdued because of lower-than-previous net natural increase (resident births minus resident deaths). Figure 4 shows population and household growth in the HMA from 2000 to the forecast date. The cities of Reno and Sparks, with populations of approximately 245,300 and 98,400, respectively, are the only two incorporated areas in the HMA and account for 72 percent of the total population.

The faster rate of population growth from 2000 to 2010 occurred, in part, due to higher levels of net natural increase and because new residents moved to the HMA motivated by the availability of jobs in the relatively well-paying construction industry and the professional and business services sector. From 2000 to 2007, the population grew by an average of 9,625, or 2.6 percent annually. During this period, net natural increase and net in-migration each averaged 2,675 and 6,950 people annually, accounting for 28 and 72 percent of population growth (Census Bureau decennial census counts, and population estimates as of July 1). With the onset of the Great Recession, population growth slowed to an average of 3,900, or 0.9 percent annually, from 2007 through 2013; net in-migration declined to an average of 1,600 people, annually, and accounted for 41 percent of population growth. As the economic recovery in the HMA gained momentum, strong job growth and relatively affordable housing contributed to average annual population growth of 7,575, or 1.7 percent, since 2013. Net in-migration rose to an average 5,850 people a year, representing 77 percent of total population growth, while the average net natural change fell to 1,725 annually. Strong job growth is expected to support continued net in-migration to the HMA as well as an influx of California residents seeking more affordable housing. In 2016, out-of-state residents represented 77 percent of the net in-migration to the HMA, up from 70 percent in 2010 (Internal Revenue Service tax return data). During the 3-year forecast period, the population of the HMA is expected to grow by an average of 8,100, or 1.7 percent, annually, with net in-migration comprising nearly 80 percent of the increase (Figure 5).

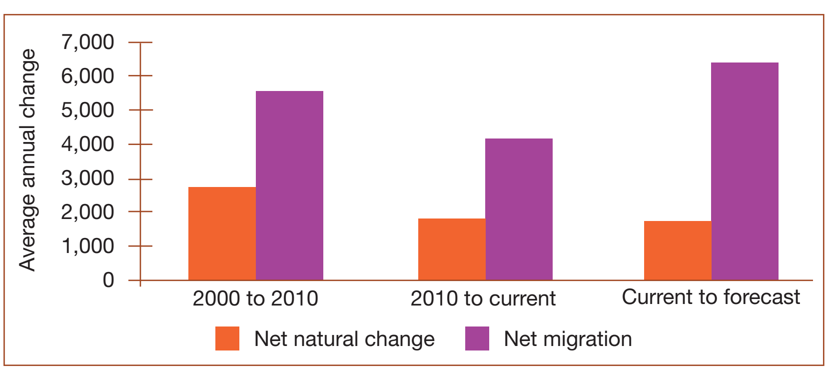
Figure 4. Population and Household Growth in the Reno HMA, 2000 to Forecast



Notes: The current date is July 1, 2018. The forecast date is July 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Reno HMA, 2000 to Forecast



Notes: The current date is July 1, 2018. The forecast date is July 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Similar to population growth, household growth in the HMA since 2010 has been slower than during the 2000s. The current number of households in the HMA is estimated at 184,700, reflecting an average annual increase of 2,375, or 1.4 percent, since 2010. By comparison, from 2000 to 2010, household growth averaged 3,175, or 2.1 percent, annually. Since 2010, renter households have accounted for 55 percent of net household formations, compared with 44 percent from 2000 to 2010. As a result, the homeownership rate has fallen to an estimated 57.3 percent as of the current date, down from 58.8 percent in 2010 and 59.5 percent in 2000 (Table DP-1 at the end of this report). Figure 6 shows the number of households by tenure in the HMA since 2000. During the forecast period, the number of households in the HMA is expected to grow by an average of 3,225, or 1.7 percent, a year, as population continues to grow boosted by strong net in-migration.

Figure 6. Number of Households by Tenure in the Reno HMA, 2000 to Current

Notes: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the Reno HMA is currently tight, with an estimated vacancy rate of 0.9 percent, significantly less than the 3.3-percent vacancy rate in April 2010. The decline in vacancies reflects stronger demand for homes because household finances and access to credit have been improving, and much of the excess inventory that resulted from the foreclosure crisis has been absorbed. During June 2018, a 1.6-month supply of for-sale inventory was available in the HMA, down from a 1.8-month supply a year earlier (Reno/Sparks Association of Realtors®).

Existing home sales prices have risen rapidly since 2012 as demand for housing grew because of higher net in-migration to the HMA. During the 12 months ending June 2018, sales of existing homes (which includes single-family homes, townhomes, and condominiums) increased 8 percent to 11,150, while the average sales price of an existing home rose 11 percent to $369,100 (Metrostudy, A Hanley Wood Company). The average sales price for an existing home peaked in 2006 at $394,100 and then decreased an average 13 percent a year, to a low of $191,600 in 2011. The average price for existing homes began to rise in 2012, and by 2017, was up to $345,100, reflecting an average annual growth of more than 10 percent. Currently, the number of existing home sales is slightly above the prerecession high of 11,050 homes sold during 2005. Following the peak, existing home sales fell for

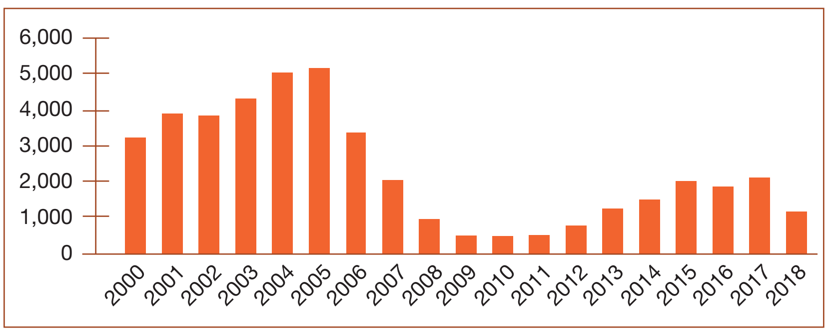
3 consecutive years when the national housing crisis severely impacted the local housing market. Home sales declined an average of nearly 25 percent annually, to a low of 4,725 homes sold in 2008. Home sales began to increase a year later and by 2013, totaled 9,275, an average annual growth of 14 percent. Investor purchases played an important role in stabilizing the housing market during the period. From 2009 through 2013, purchases by absentee owners accounted for 37 percent of all home sales in the HMA, compared with 30-percent rate for the nation during the same period, and higher than the 33-percent rate for the HMA from 2006 through 2008, when existing home sales declined. During 2014, after 5 years of consecutive growth, existing home sales decreased 6 percent to 8,700. Growth resumed a year later, as strong labor market conditions and low housing costs (compared with nearby California) resulted in higher in-migration. From 2015 through 2017, existing home sales rose at an average annual rate of 9 percent.

As of June 2018, 1.1 percent of all mortgage loans in the HMA were seriously delinquent (90 or more days delinquent, or in foreclosure) or had transitioned into real estate owned (REO) status, down from 1.5 percent in June 2017, and substantially below the peak of 12.4 percent in May 2010 (CoreLogic, Inc.). The current rate of seriously delinquent loans and REO properties in the HMA is lower than the 1.9 percent rate in Nevada and the nation. During the 12 months ending June 2018, REO sales totaled 330 and accounted for 3 percent of all existing home sales in the HMA. By comparison, from 2008 through 2013, REO sales averaged 2,675 annually, and accounted for 38 percent of existing home sales. Rising prices of REO properties have contributed to strong growth in existing home prices in the HMA. During the 12 months ending June 2018, the average sales price of an REO property was $309,500, up from $148,800 in 2011, and is currently only about 10 percent below the average price of a regular resale home (Metrostudy, A Hanley Wood Company).

New home sales have slowed in the HMA since 2016, partly because rising new home sales prices have dampened demand. During the 12 months ending June 2018, new home sales in the HMA accounted for 12 percent of all home sales and totaled 1,525, an increase of nearly 2 percent, from a year earlier. New home sales totaled 4,475 in 2006 and then decreased an average 35 percent annually to 510 homes sold in 2011. After bottoming out in 2011, new home sales grew for 5 consecutive years when the economy continued to recover from the recession. From 2012 through 2016, new home sales in the HMA rose an average of 26 percent, annually, to 1,625 homes sold, but a year later fell by nearly 11 percent to 1,450. During the 12 months ending June 2018, the average sales price of a new home was at an all-time peak of $449,000, a gain of nearly 6 percent from a year earlier. By comparison, the price of a new home averaged $398,800 in 2006 before declining an average of 12 percent annually to $237,900 in 2010 as economic conditions worsened. Since 2010, a sharp decline in the supply of new homes and subsequent economic recovery contributed to price growth averaging 9 percent, annually, reaching $436,900 in 2017. Currently, the average new home sales price is 89 percent higher than the low in 2010.

A shift from homeownership to renting and high construction costs resulted in relatively modest single-family construction in the HMA since the end of 2012. A shortage of skilled construction workers and regulatory obstacles are preventing builders from increasing the supply of new single-family homes (Builders of Northern Nevada). Single-family homebuilding activity, as measured by the number of homes permitted, totaled 2,025 during the 12 months ending June 2018, up 4 percent from the previous 12 months (preliminary data). Single-family construction peaked from 2000 through 2005 when an average of 4,225 homes were permitted annually (Figure 7). Because of softening market conditions, single-family construction decreased during the next 5 years at an average annual rate of 38 percent to 470 homes permitted in 2010. During the next 2 years, single-family homebuilding in the HMA stabilized, averaging 660 new homes permitted annually from 2011 through 2012. Building activity rose in response to greater demand resulting from the economic recovery and stronger net in-migration. From 2013 through 2017, single-family permitting increased an average of 22 percent annually to nearly 2,100 new single-family homes permitted.

Figure 7. Single-Family Homes Permitted in the Reno HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Currently, construction is underway on phase 20 at Woodland Village in Cold Springs, which will consist of 73 new 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, Nevada, construction began a year ago on the West Meadows Estates development that will have 322 three- to five-bedroom single-family homes, with the expected build-out in 2022. Currently, 40 new homes are under construction and 6 homes are available for sale, ranging from 2,000 to 2,999 square feet, with prices starting in the low $500,000s.

Demand is forecast for 7,000 new homes in the HMA during the next 3 years (Table 1). The 1,375 homes currently under construction will meet part of the demand during the first year of the forecast period. Demand is expected to be highest for homes priced from $350,000 to $549,999 (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Reno HMA During the Forecast Period

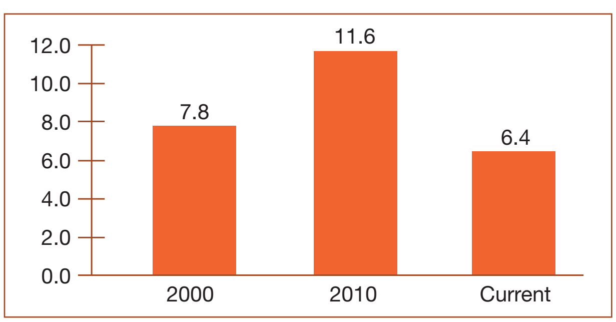
Price Range ($)		Units of Demand	Percent of Total
From	To		
250,000	349,999	1,050	15.0
350,000	449,999	1,750	25.0
450,000	549,999	1,250	18.0
550,000	649,999	1,050	15.0
650,000	749,999	700	10.0
750,000	849,999	630	9.0
850,000	949,999	350	5.0
950,000	and higher	210	3.0

Notes: Numbers may not add to totals because of rounding. The 1,375 homes currently under construction in the HMA will likely satisfy some of the forecast demand.
Source: Estimates by analyst

Rental Market

The rental housing market (which includes single-family homes, mobile homes, and apartments) in the Reno HMA is currently balanced, with an overall estimated rental vacancy rate of 6.4 percent, down from 11.6 percent in April 2010 when the market was soft (Figure 8). Since 2012, renter household growth, expanding economic conditions, and an increase in student demand for newly constructed apartments have contributed to the improving market conditions. The apartment market in the HMA is tight, with a 3.5-percent vacancy rate during the second quarter of 2018, up from 3.2 percent a year earlier (Reis, Inc.). The average rent for an apartment grew 6 percent from a year earlier, to $1,252, and currently averages $788, $1,064, $1,312, and $1,632 for a studio, one-, two-, and three-bedroom units, respectively. During the Great Recession, the apartment vacancy rate peaked at 8.7 percent in 2009, and rents fell 3 percent from 2008. Rent growth in the HMA 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 further.

Figure 8. Rental Vacancy Rates in the Reno HMA, 2000 to Current



Note: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

University students who live off campus in the city of Reno have a moderate impact on the apartment market in the HMA. College students are estimated to represent roughly 6 percent of all renter households in the HMA and are mainly concentrated near the UNR campus in the northeastern part of the city. The student housing apartment market is currently tight with a 3.1-percent vacancy rate in the Northeast Reno market area, which includes UNR, and the average monthly asking rent for a student apartment was $1,198 during the second quarter of 2018 (Johnson-Perkins & Associates). By comparison, during the second quarter of 2017, the student housing market had a vacancy rate of less than 1 percent, and the average monthly asking rent for a student apartment was nearly 11 percent lower at $1,081.

Single-family homes for rent represent a significant portion of all rental units in the HMA and provide an attractive substitute for larger apartments. In 2016, 37 percent of renter households lived in single-family homes, up from 26 percent in 2010 (2010 Census and 2016 American Community Survey 1-year data). During the second quarter of 2018, the vacancy rate among three-bedroom single-family homes for rent was 2.0 percent, with an average monthly rent of $2,067, up 12 percent from a year earlier (CoreLogic, Inc.).

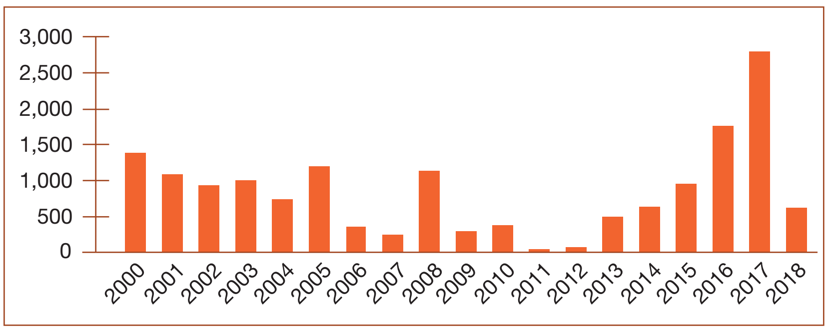
Builders responded to the tightening rental market conditions since 2013 with record levels of multifamily construction, but permitting has moderated from a recent high. From 2013 through 2017, multifamily construction increased each year to a peak of

2,775 units permitted in 2017, averaging 1,300 units annually. During the 12 months ending June 2018, multifamily construction totaled 2,150 units, a decline of 8 percent from the previous 12 months. Multifamily construction in the HMA is significantly above previous peak levels that occurred from 2000 through 2005, when an average of 1,050 units were permitted annually. From 2006 through 2007, multifamily construction fell 71 percent, to an average of 300 units annually, but rebounded in 2008 when 1,100 multifamily units were permitted. The gain in 2008 did not continue because high apartment vacancy rates and declining rents during the economic downturn discouraged new development. From 2009 through 2012, multifamily construction decreased to an average of 180 units annually. Figure 9 shows the number of multifamily units permitted annually since 2000.

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 summer 2017. The property features one- and two-bedroom apartments 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. To date, 5 out of 14 planned buildings have been completed with 68 apartments leased. Monthly rent at Vida Luxury Living starts at $1,450 and $1,750 for one- and two-bedroom apartments. Construction is expected to continue into 2019.

During the 3-year forecast period, demand is estimated for 3,800 new market-rate rental units in the HMA (Table 1). The 2,825 units currently under construction will satisfy most of the demand during the forecast period. Demand for rental units is expected to be strongest for two-bedroom units with monthly rent ranging from $1,150 to $1,349, a price range that recently has not been adequately supplied (Table 5).

Figure 9. Multifamily Units Permitted in the Reno HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Reno HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
650 to 849	80	775 to 974	210	950 to 1,149	350	1,275 to 1,474	150
850 to 1,049	110	975 to 1,174	350	1,150 to 1,349	590	1,475 to 1,674	230
1,050 or more	35	1,175 to 1,374	240	1,350 to 1,549	400	1,675 to 1,874	200
		1,375 or more	200	1,550 or more	340	1,875 to 2,074	140
						2,075 to 2,274	110
						2,275 or more	90
Total	230	Total	990	Total	1,675	Total	910

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 2,825 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Reno HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	190,757	193,965	236,200	0.2	2.7
Unemployment rate	3.4%	13.0%	3.9%		
Total nonfarm payroll jobs	194,400	190,100	235,800	– 0.2	2.9
Total population	342,885	425,417	474,100	2.2	1.3
Total households	133,546	165,187	184,700	2.1	1.4
Owner households	79,462	97,133	105,900	2.0	1.1
Percent owner	59.5%	58.8%	57.3%		
Renter households	54,084	68,054	78,800	2.3	1.8
Percent renter	40.5%	41.2%	42.7%		
Total housing units	145,504	186,831	199,400	2.5	0.8
Sales vacancy rate	2.0%	3.3%	0.9%		
Rental vacancy rate	7.8%	11.6%	6.4%		
Median Family Income	$54,300	$70,400	$67,000	2.6	– 0.7

Notes: Median Family Incomes are for 1999, 2009, and 2016. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 7/1/2018—Estimates by the analyst
Forecast period: 7/1/2018–7/1/2021—Estimates by the analyst

The metropolitan statistical area definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold, but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_RenoNV_18.pdf.

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This analysis has been prepared for the assistance and guidance of 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 the Economic and Market Analysis Division within HUD. 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 expresses 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 huduser.gov/portal/ushmc/chma_archive.html.