
Washoe County Economic Update

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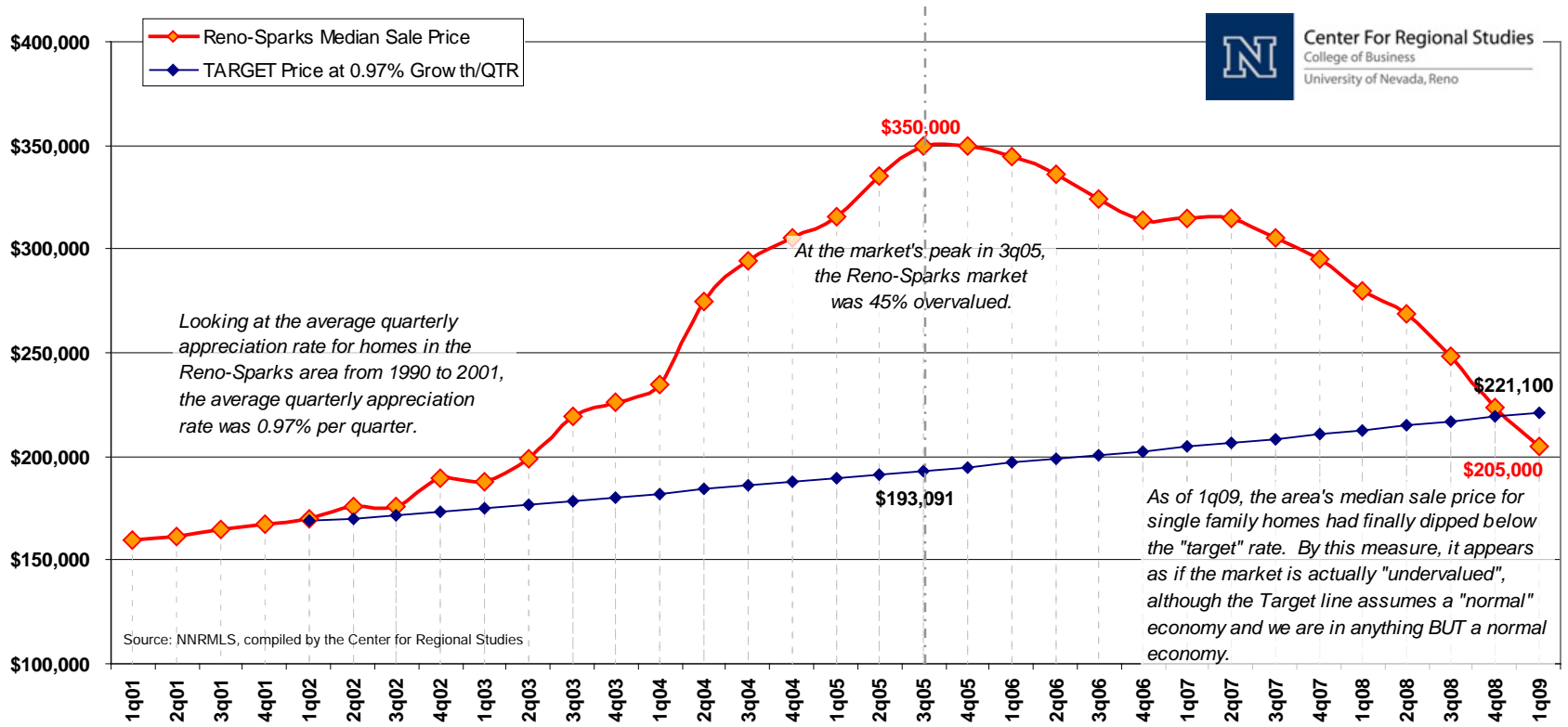
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Center For Regional Studies
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The Housing Bubble

Median Single Family Home Resale Price: 2001-2009



Bubble Stats

- At its peak in 3q05, the housing market for single family homes in the Reno-Sparks area was roughly 45% overvalued
 - The median resale price of a home in the Reno-Sparks area peaked at \$330,000 in the 3rd quarter 2005
- As of 1q09, the median resale price had tumbled to \$205,000 but will likely continue to fall as the market “overcorrects” in search of a bottom.
 - Another 10-15% drop in median home price is possible.



Home Foreclosures

- Home foreclosures have skyrocketed since the beginning of 2006 from just a few foreclosures per quarter to *several hundred* homes per quarter.
 - In 1q09, nearly 700 homes were foreclosed in Washoe County – a 74% increase from the previous year and a **576% increase** from two years ago.
- In March 2009, 56% of all **active MLS listings** were “distressed properties” – ie: bank owned or short sales. Additionally, 57% of all 1q09 **home resales** were bank-owned properties. Median home prices will continue to decline until foreclosures and distress sales begin to stabilize.
 - The upside: people are swooping in to take advantage of these deals and existing home sales have been steadily increasing in the last few quarters.



Single Family Home Sales

- New home sales in Washoe County fell 46% in the 1st quarter 2009 from the end of 2008 and nearly 80% from a year ago.
 - Median new home prices declined another 13% over the year
- Existing home sales decreased 5% from 4q08 but have generally been increasing over the last several months. Compared to a year ago, existing home sales were up 38%, largely as a result of the glut of foreclosures on the market.
 - Median existing home prices declined 28% over the year

Housing Sales--1st Quarter 2009

Source: Washoe County Assessor

Age of Structure	1st Quarter 2009				4th Quarter 2008				Percent Change			1st Quarter 2008				Percent Change		
	Number of Sales	Median Sales Price	Median Building SqFt	Median Price per SqFt	Number of Sales	Median Sales Price	Median Building SqFt	Median Price per SqFt	Number of Sales	Median Sales Price	Median Price per SqFt	Number of Sales	Median Sales Price	Median Building SqFt	Median Price per SqFt	Number of Sales	Median Sales Price	Median Price per SqFt
<i>Washoe County, Nevada</i>																		
Single Family Residence Sales																		
New	60	\$276,882	2,403	\$127	111	\$281,990	2,187	\$141	-45.9%	-1.8%	-10.0%	286	\$317,513	2,358	\$141	-79.0%	-12.8%	-9.9%
Existing	906	\$199,000	1,754	\$112	957	\$220,000	1,744	\$126	-5.3%	-9.5%	-11.2%	658	\$275,000	1,760	\$162	37.7%	-27.6%	-30.6%
New & Existing	966	\$204,000	1,798	\$113	1,068	\$229,000	1,797	\$129	-9.6%	-10.9%	-12.3%	944	\$296,055	1,917	\$154	2.3%	-31.1%	-26.4%
Condo Sales																		
New	10	\$175,597	1,372	\$117	24	\$212,182	1,232	\$142	-58.3%	-17.2%	-17.7%	148	\$239,990	1,090	\$195	-93.2%	-26.8%	-40.1%
Existing	120	\$123,150	1,084	\$101	132	\$125,000	1,182	\$118	-9.1%	-1.5%	-14.7%	95	\$181,450	1,160	\$158	26.3%	-32.1%	-36.5%
New & Existing	130	\$125,750	1,102	\$110	156	\$145,000	1,198	\$123	-16.7%	-13.3%	-10.5%	243	\$220,000	1,127	\$185	-46.5%	-42.8%	-40.7%

Condo Sales

- New condo sales in Washoe County fell 58% in the 1st quarter from the 4th quarter and 93% from a year ago.
 - Median new condo prices declined 27% over the year
- Existing condo sales increased 27% from last year but were down 9% compared to 4th quarter sales.
 - Median existing condo sales prices declined 32% over the year

Housing Sales--1st Quarter 2009

Source: Washoe County Assessor

Age of Structure	1st Quarter 2009				4th Quarter 2008				Percent Change			1st Quarter 2008				Percent Change		
	Number of Sales	Median Sales Price	Median Building SqFt	Median Price per SqFt	Number of Sales	Median Sales Price	Median Building SqFt	Median Price per SqFt	Number of Sales	Median Sales Price	Median Price per SqFt	Number of Sales	Median Sales Price	Median Building SqFt	Median Price per SqFt	Number of Sales	Median Sales Price	Median Price per SqFt
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Unemployment

- Nevada's unemployment rate has exploded in the past year, jumping from around **5%** in 2007 to nearly **11%** in early 2009.
 - April employment numbers showed *some* easing of the unemployment rate, but it is not clear at all whether this was a one time event or if it was an indicator of a more positive trend.
- On a percentage basis, this recession's job losses have been more severe than any since the end of WWII.



Taxable Sales – Who's Shopping?

- Nevada's taxable sales for the current fiscal year were down 10% through the end of March...this, from a state which has always been able to post positive gains in this area just based on population increases alone!
 - Motor vehicle sales – the source of the biggest ticket items outside of housing – were down a staggering 31% and aren't expected to recover anytime soon.
 - Sales of home furnishings, another area of big ticket spending, were down 21% over the same period.
 - Food services and drinking places saw their sales drop 12%.
 - Sales at electronics and appliance stores dropped 33%.



Gaming Revenue – Who's Playing?

- Nevada's taxable gaming revenue in March 2009 dropped 12% compared to 2008 – on an \$11 billion industry, that translates to a serious hit to the state's tax base.
 - Washoe County dropped more than 23% over the year.
South Lake Tahoe: down 34%...YIKES!
- Gaming numbers and taxable sales are critically important to Nevada, given the lack of a personal income tax on residents.



Recovery – 2009?

- *Don't plan on it...*
- Given the scope and severity of this latest recession, it's unlikely that we are going to see much relief in the short term.
 - Foreclosures have to stop flooding the market, and all evidence suggests that the worst is yet to come with respect to pending adjustable mortgage resets.
 - Consumer confidence has to improve...even those well-qualified and able to make purchases are sitting on the sidelines right now waiting to see how bad things get.

