

A Positive Outlook

Southern Nevada housing market continues steady rise



Jeremy Aguero, Consultant



**APPLIED
ANALYSIS**

only Oakland, California. Today, the median sales price of an existing home is \$202,000, the highest point in eight years. These remarkable price gains are particularly welcome given how much home values collapsed during the crisis.

Rising home values have also greatly reduced the number of underwater homes in southern Nevada. Although the latest CoreLogic report showed Las Vegas with the second-highest share of negative equity homes among metro areas, the 17.6 percent rate is a fraction of the 73 percent underwater rate reported seven years ago. Another positive data point is the significant decline in foreclosures, which have fallen to the lowest point in a decade.

The positive news surrounding the southern Nevada housing market does come with caveats. Homeownership has declined, in part due to the wave of investor sales when home prices were at their lowest. Those investments infused capital into the flagging market, but the trade-off has been the homeownership rate in southern Nevada falling below 50 percent, ranking it among Los Angeles, the Bay Area and New York metro areas.

While home affordability concerns aren't as acute in southern Nevada compared to those cities, it is a growing issue. According to the National Association of Realtors Housing Affordability Index, the ability for the typical family to purchase a single-family home declined by 2.8 percent in 2015. Since 2011, the Housing Affordability Index has dropped 34 percent, the eighth-largest decline among metro areas. Homes in southern Nevada remain more affordable than many regions in neighboring states, including Los Angeles, San Francisco, Denver, Seattle and Portland, but less affordable than Salt Lake City or Phoenix. This is a trend we need to watch closely. Rising wages in Nevada will increase household buying power, but we don't want to see home values continue to outstrip those gains and put the dream of homeownership out of reach for so many southern Nevadans.

The housing market is an important component of the southern Nevada economy and a telling measure of the economic well-being of its residents. While some concerns linger regarding home affordability and negative equity, the stability we are experiencing today is a much welcomed improvement over the tumultuous times of the past decade.