

KEY FINDINGS

Much like the overall housing market in Nevada, the luxury single-family home market has continued to experience an ongoing rebound after the extended period of pricing declines that stretched through the economic downturn. In both southern and northern Nevada, the luxury home market has reported multi-year climbs in median pricing as it has settled into a period of stabilization consistent with the housing market as a whole.

While the luxury home market might traditionally be defined as homes worth \$1 million or more, because of recent pricing volatility, the luxury home market for this analysis is defined as resale single-family houses that are 4,500 square feet or larger. In Clark County, the median price in this market segment climbed \$79,000 to \$900,000 in 2015, a 9.6-percent improvement over 2014 and the highest level since 2007. Despite three consecutive years of gains, the median price in the luxury home market remained 32 percent below the \$1.3 million peak of 2007. This is due to the significant drop in median luxury home prices, which lost half their value in the first year of the recession and fell to \$525,000 in 2012.

Median prices per square foot have fallen and climbed in a similar pattern. From a high of \$254 in 2007, the median price per square foot dropped by half to \$124 in 2008. It continued to drop to \$103 in 2012 before the recent surge pushed it up to \$177, which, similar to the median luxury home price, remained 30 percent below peak levels.

The prolonged period of reduced pricing triggered an extended buying spree as the existing luxury home market provided ample opportunities for bargain hunters in Southern Nevada. In 2007, 405 luxury homes were sold. Sales jumped to 445 in 2008 and climbed to a peak of 683 in 2013. Since then, sales volumes have dipped as prices rose. Yet the 483 luxury homes sold in 2015 represented a 19-percent increase over 2007, indicating continued demand for homes in the high-end market. Currently, more than 460 resale luxury homes in Southern Nevada are listed for sale at \$1 million or higher, with a median list price for the group of \$1.6 million. Additionally, the majority of luxury home sales in 2015 (88 percent) were non-distressed, a significant improvement from the 31 percent reported in 2009.

The pricing trends in the Southern Nevada luxury home market generally mirrored those in the rest of the housing market. Though the price recovery for luxury houses began a year later, the market has regained lost value at a faster pace over the past three years. In 2015, the median prices for luxury and non-luxury single-family

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INSIGHTS FROM FAFIE MOORE



**BROKER OWNER
REALTY EXECUTIVES
OF NEVADA**

Steady home values and a gradual rise in sales are indications of a healthy housing market. During the first quarter of the year, we were about 5 percent ahead of the number of sales in the same period last year. The market bottomed out in 2011 and is now climbing at a responsible pace.

Three things are impacting values and home sales: the downward trend in real estate owned (REO) and short sales; an increase in the number of new construction options; and an architectural shift in the luxury market. In recent years, distressed property sales drove the market and held values down compared to traditional sales. Today, approximately 87% of the market is traditional sales with the majority utilizing financing.

Additionally, the increased number of new construction products helps excite the consumer and stimulates the overall market. Millennials are increasingly showing interest in buying homes or condos, including new construction, and as they move out, their parents become "empty nesters" and start to look at new options.

The luxury market is also drawing interest. In the first three months of the year, there have been 73 resale homes sold for more than \$1 million. Currently there are 462 resale homes over \$1 million available. No surprise. The driver is always pricing. MacDonald Highlands, Ascaya and the Summit luxury enclave in Summerlin are stimulating interest in the luxury market segment both locally and nationally. The trend in mid-century modern architecture is also spurring additional interest from luxury buyers. As they tire of their Tuscan villa, the appeal of the modern open design calls to change. The demand for "an experience" is flowing into the housing market and impacting value, and luxury buyers are looking for personal retreats that simulate luxury hotels in their own yards and community. Environments that offer the total experience will captivate the buyer.

homes stood at 32 percent and 31 percent, respectively, of pre-recession levels. One notable difference between the markets lies in the sales volume spike during the downturn. The luxury home market reported a significant 67 percent increase in sales between 2007 and the 2013 peak. Sales for the rest of the single-family home market surged 133 percent from 2007 to 2011 and remained at 78 percent above pre-recession levels in 2015.

In Washoe County, trends in the luxury home market generally mirrored those in Southern Nevada. However, prices did not fall as far and have rebounded more quickly during the recovery. In 2007, the median price for a single-family luxury home in Northern Nevada was \$1.6 million. The recession and housing collapse the following year toppled the median price to \$1.2 million, a 24.8-percent decline that was only half the drop reported in Clark County. The median price dipped to \$900,000 in 2010 and has continued to recover each year since. Last year, the median price climbed \$219,000, a 17.8-percent surge that brought the median price to 1.5 million and within 9 percent of the pre-recession level.

On a price-per-square-foot basis, the recovery in Washoe County's luxury home market has recouped almost all of the value lost during the economic downturn. The median price per square foot reached \$308 in 2007 before declining over four consecutive years to \$176 in 2011. Since that point, the price has climbed to \$293, which represents 95 percent of the 2007 level.

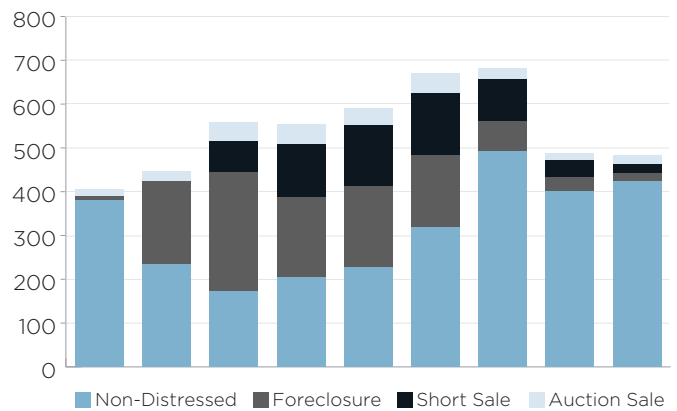
Sales activity in the luxury home market in Northern Nevada is a relative fraction of the activity in the south. In 2007, just 86 high-end homes were sold. In the years since, annual sales have fluctuated between 59 in 2008 and 116 in 2013. Last year, 86 luxury homes were sold in Washoe County, exactly the same number reported before the recession. For comparison, sales for

the rest of the housing market have continued to rise since 2008, and in 2015 they surpassed 8,300, about 39 percent higher than the roughly 6,000 homes sold in 2007.

Perhaps no state was hit harder than Nevada when the national housing market collapsed amid the Great Recession. Yet as the state economy has regained its footing so has its housing market. Continued job and population growth across the state suggest continued demand for homes, but the market balance between rising prices and affordability will influence future pricing trends in both the luxury and non-luxury home markets.

EXISTING HOME SALES BY TYPE

Single-family homes, 4,500 square feet or larger in Clark County



Source: SalesTraq

LUXURY HOME MARKET TRENDS

Single-family houses, 4,500 square feet or larger

	Clark County				Washoe County			
	Median Price	Median Sq Ft	Median Price Per Sq Ft	Total Sales	Median Price	Median Sq Ft	Median Price Per Sq Ft	Total Sales
2007	\$1,330,000	5,240	\$254	405	\$1,596,247	5,181	\$308	86
2008	\$630,000	5,061	\$124	446	\$1,200,000	4,975	\$241	59
2009	\$500,000	5,047	\$99	559	\$975,000	5,209	\$187	72
2010	\$600,000	5,240	\$115	553	\$900,000	5,089	\$177	85
2011	\$555,000	5,198	\$107	590	\$912,500	5,195	\$176	97
2012	\$525,000	5,120	\$103	671	\$965,000	5,138	\$188	77
2013	\$715,000	5,126	\$139	683	\$1,157,000	5,169	\$224	116
2014	\$821,000	5,081	\$162	487	\$1,231,000	4,982	\$247	91
2015	\$900,000	5,098	\$177	483	\$1,450,000	4,946	\$293	86

Source: SalesTraq, Washoe County assessor

The Private Bank by Nevada State Bank retained the team at Applied Analysis to explore the high net worth segment of the community. Specifically, the team has been working to better understand the size, consumer trends, needs and other aspects of this key segment of the market. Research efforts expected over the course of the next several months will focus on selected demographic and economic data, as well as information garnered through direct surveying techniques and other cutting edge research methodologies. This reporting series has been designed with these high net worth individuals in mind. We hope you find the elements of our research and analysis helpful in assessing the market.

The High Net Worth Report is published quarterly and can be found at www.nsbank.com/HNWreport. For more information, please call The Private Bank by Nevada State Bank at 702.855.4596.

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