

KEY FINDINGS

The housing market in Nevada has been heating up along with the economy over the past few years, and the trend continued in 2018. While the luxury home market, defined for our purposes as homes selling for \$1 million or more, is a small fraction of the overall housing market, it too has been significantly impacted by broader market forces over the past year. The overall strength of the economy has given homebuyers renewed confidence, leading to a greater willingness to purchase higher-priced properties. In addition, the economic recovery has increased financial security for many, increasing the potential buyer pool for million-dollar homes, while rising home prices have simultaneously increased the stock of higher-cost homes around the valley and throughout Nevada.

Much like the overall housing market in Nevada, the luxury home market has continued to experience an ongoing rebound after the extended period of pricing declines that stretched through the Great Recession and subsequent economic downturn. In Southern Nevada, 2018 proved to be the best year for luxury home sales in a decade, as 734 homes in Southern Nevada sold for at least \$1 million, a 24.4 percent increase over the 590 such properties sold in the region during the prior year.

Of those million-dollar homes sold in 2018, 249 were new construction. That represents an increase of 80.4 percent from the 138 million-dollar new homes sold in 2017, marking a significant

acceleration in new luxury home sales. The growth in new home sales, specifically, suggests confidence in the future of the market both on the part of homebuilders and homebuyers. More so than at other price points in the housing market, people seeking luxury homes opt for custom construction. Homebuilders are content to deal in custom homes as well, because they eliminate the risk of carrying costs associated with a finished home sitting unsold for an extended period of time.

Pricing trends in the luxury home market are not as clear as sales trends, as closing prices have remained in a relatively narrow range in recent years. The median sales price of existing homes

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INSIGHTS FROM IVAN SHER



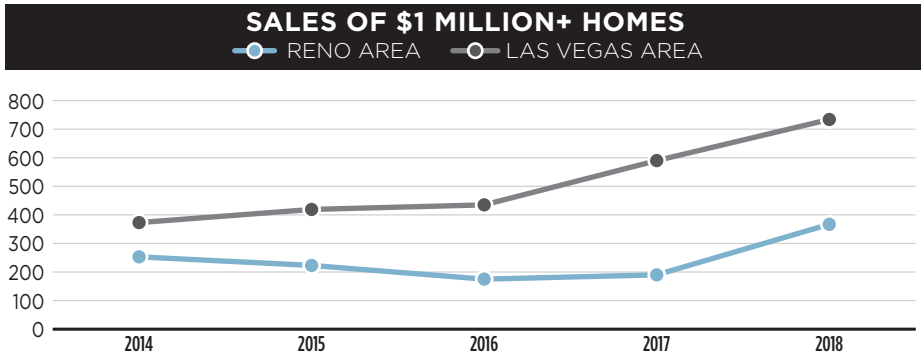
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The residential real estate market in Southern Nevada has been on a remarkable run for several years now, and as the overall market goes, so too goes the luxury home market. Our economy is doing well, thousands of new residents are moving in every day, and the luxury housing market is seeing the effects. While I do see that trends are indicating we are in a buyer's market, it is still an optimal time to sell. With regard to the luxury housing market, we are still seeing steady growth across the board, along with overall stats that put us above our city's norm.

The combination of positive underlying economic and growth trends have helped drive new demand in the luxury market not only from Southern Nevadans enjoying the fruits of their expanding wealth, but from Californians relocating to Nevada and bringing substantial equity from their previous homes in the Golden State. At a basic level, their home buying math is simple – the type of house that might cost \$6 million in California would cost half as much in Southern Nevada. That alone might be enough to convince many Californians to relocate to Nevada, but add in the tax advantages of living in the Silver State and for many it's a no-brainer.

Nevada has no individual state income tax compared to a top marginal rate of 13.3 percent for Californians, a difference that is even more painful now that the federal tax deduction for state and local income and property taxes is capped under the Tax Cuts and Jobs Act of 2017. Many of my clients say higher tax bills in California most certainly drove their decision to leave the state.

They are entering a Southern Nevada luxury home market where price points have been on the upswing, with sales in the range of \$500 to \$600 per square foot, and a select few reaching \$700 per square foot. While the bulk of sales are under \$5 million, the higher pricing tiers are expanding, including a new category of homes emerging at \$20 million or more. As our economy remains strong and our population keeps growing, I expect to see these same trends continue through 2019.



MEDIAN SALES PRICE EXISTING HOMES IN SOUTHERN NEVADA

Year	\$1 Million+ Homes	All Homes
2014	\$1,400,000	\$168,000
2015	\$1,400,000	\$184,900
2016	\$1,450,000	\$199,000
2017	\$1,421,250	\$225,000
2018	\$1,379,000	\$257,000

sold for over \$1 million in Southern Nevada was \$1.4 million in both 2014 and 2015 and rose to \$1.45 million in 2016. In 2017, the median sales price for these homes declined to \$1.42 million, and it declined again in 2018 to \$1.38 million. However, the median and average sales price data don't tell the whole story due to the relatively small size of the luxury home market.

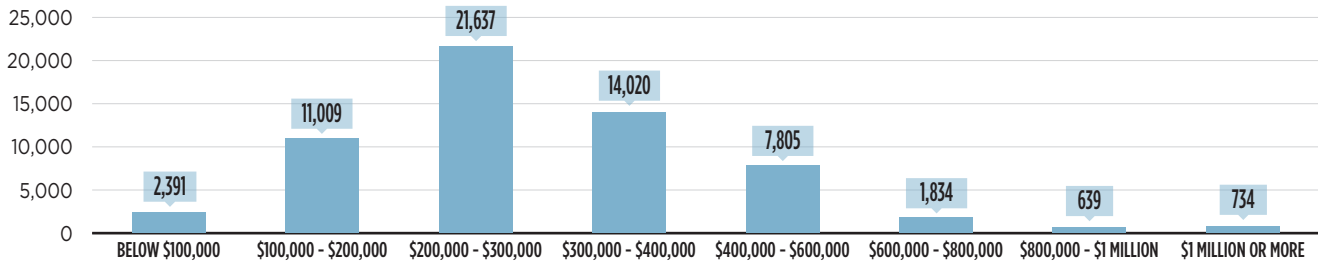
Last year, just 485 existing homes sold for \$1 million or more, representing about 1 percent of the 49,600 total home sales in the region. While the median sale price of luxury homes has been relatively constant over the past few years, the median price for the Southern Nevada housing market as a whole has increased significantly. Since 2014, the median price for an existing home sold in the Las Vegas area climbed from \$172,600 to \$260,000, an increase of 50.6 percent. This rapid appreciation is pushing more homes above the \$1 million value threshold and contributing to the stabilization of pricing over the past two years.

In Northern Nevada, luxury home sales volume and pricing data have displayed varying trends. In recent years, new home sales valued at more than \$1 million had been declining steadily, from 50 sales in 2014, to 32 in 2015, 24 in 2016 and 21 during 2017,

but they rebounded in 2018 with 42 sales. Meanwhile, existing home sales of \$1 million or more also showed a notable increase in 2018. A total of 303 existing homes sold for at least \$1 million in 2018, a 79.3 percent increase over the 2017 total of 169. While total sales increased sharply last year, the average price declined 12.1 percent, from nearly \$2.1 million per home to slightly over \$1.8 million. Much like in Southern Nevada, the improving economy and rising housing costs are pushing more homes past the \$1 million threshold, contributing to the overall increase in sales while simultaneously tempering average price gains.

The recent strong and diverse growth in the statewide economy has contributed to rising demand, and pricing, in the residential real estate market. The state's economy, tax environment and other positive attributes continue to attract large numbers of new residents from other states, making Nevada the fastest-growing state in 2018 and Las Vegas the third-fastest growing metropolitan area among the 30 largest metros by population. As these trends continue, so should the rising demand for housing across the pricing spectrum, including the luxury market.

TOTAL SOUTHERN NEVADA HOME SALES BY PRICE SEGMENT | 2018



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 focused 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 can be found at www.nsbank.com/HNWreport.
For more information, please call The Private Bank by Nevada State Bank at 702.855.4596.**