



THE LAS VEGAS HOUSING MARKET LETTER

VOLUME 367

MONTHLY SNAPSHOT

New Home Permits:

April Total: 1,047
 YoY Change: +231 (28%)
 2018 Total: 4,059
 YoY Change: +1,006 (33%)

New Home Closings:

April Total: 863
 YoY Change: +229 (36%)
 2018 Total: 3,264
 YoY Change: +580 (22%)

New Home Median \$:

April: \$374,440
 YoY Change: +11%

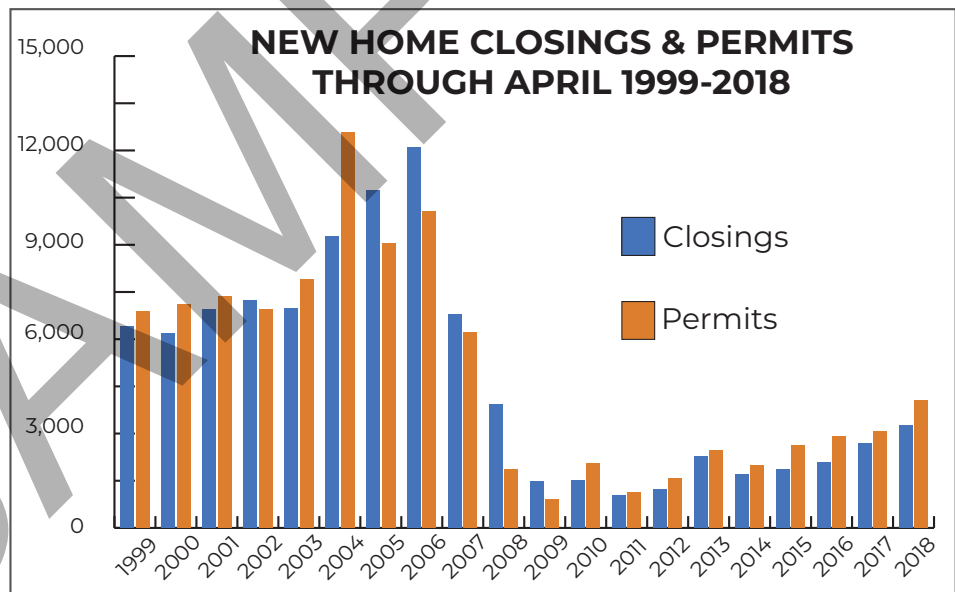
Resale Closings:

April Total: 4,373
 YoY Change: +348 (9%)
 2018 Total: 15,648
 YoY Change: +748 (5%)

Resale Median \$:

April: \$255,000
 YoY Change: +12%

After a very impressive first quarter, the new home segment of the Las Vegas housing market continued steaming ahead in April with double digit percentage gains year-over-year in permits, closings, and median sales price. There were **863 recorded new home sales in April**, an increase of 36 percent from April 2017. This put the **2018 total at 3,264, which is 22 percent higher** than this point last year. There were **1,047 building permits pulled in April**. This is a **28 percent increase from April 2017** and brings the **2018 total to 4,059, 33 percent higher than last year**. This also marks the first time since 2007 that we have reported more than 1,000 permits pulled in two consecutive months. The graph below gives a 20 year perspective on new home closings and permits in southern Nevada.

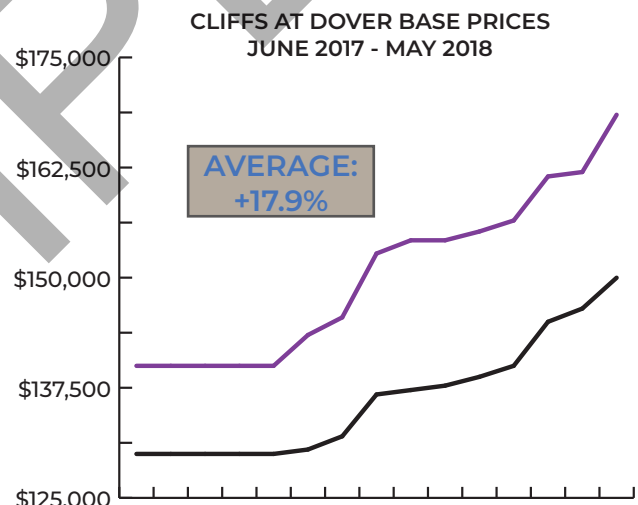
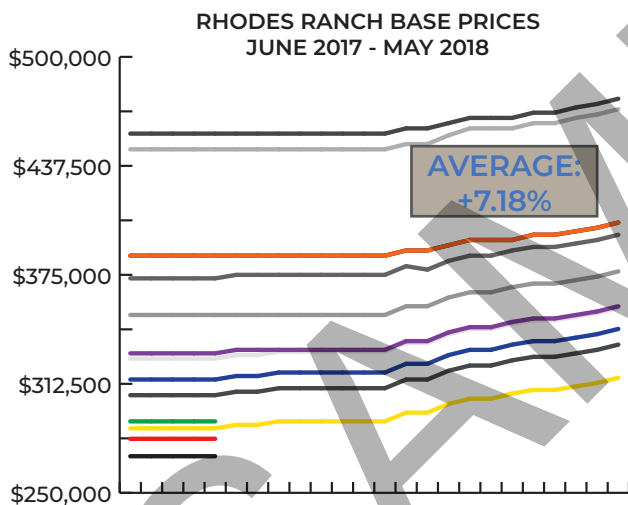
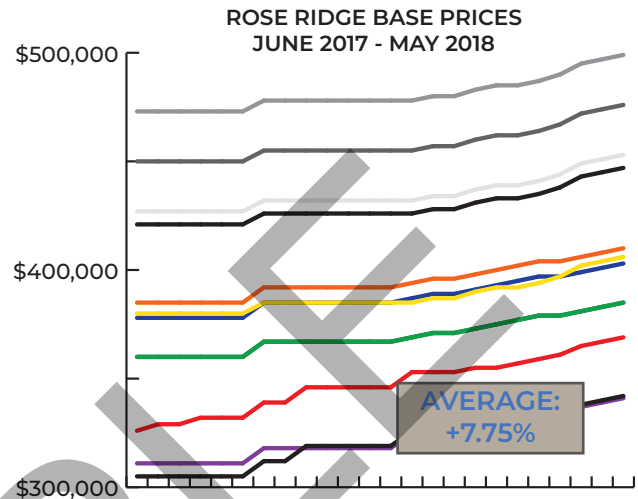
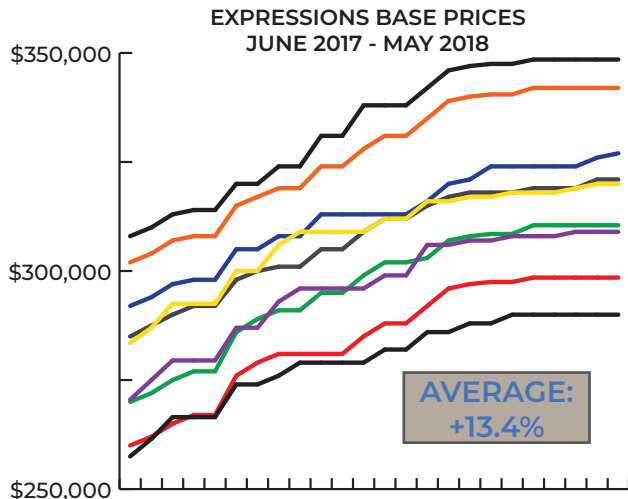


The **median new home closing price in April was \$374,440**, a year-to-year change of 11 percent. As we have discussed for months now, multiple factors affecting the industry at the moment (supply, demand, labor shortage, material costs, etc.) continue to drive prices higher and we see no signs at present that this will change any time soon. Rising interest rates have yet to have a widespread effect on curtailing sales and therefore slowing down pricing increases.

To illustrate this another way, the following graphs show the base price increases by plan over the past 12 months in four of the best performing communities of the year. We selected the top selling



projects (by net sales) in four different sub-market areas. Expressions by Express Homes (DR Horton) in North Las Vegas, Rhodes Ranch from Century Communities in the southwest, the Cliffs at Dover by Beazer Homes in the east, and Rose Ridge from Lennar Homes in Henderson.



These give us a nice visualization of the pace of these increases and how they vary between sub-market areas and between builders.

Circling back to the number of permits being pulled and scuttlebutt/fears of another “bubble,” in our opinion, the key factor in all of this was brought up by one of the excellent panelists at our recent Las Vegas Housing Outlook presented by SW Gas. To paraphrase, builders can pull as many permits as they want, and people like us can make predictions about how many homes will be built this year, but without a significant increase in the number of physical bodies out there to do the actual work of constructing the homes, the growth will eventually reach a slowing point.

That being said, again buyer traffic and net sales activity across the metro area did soften ever so slightly month-to-month in April, but we still reported above average performance when



looking at the number of net sales per subdivision per week (0.8 - 0.9). To be able to say that those numbers are lower than the previous months shows us how well the new home segment has performed in 2018.

Among the things we track each month are land transactions. When looking at the number of acres purchased by homebuilders thus far in 2018 compared to 2017 we can see the rush to attempt to meet the demand for new homes in the valley and the increased confidence in the market. Through April, builders have closed on approximately 675 acres of raw land. To this point in 2017, the total was just about 315. That is a whopping 114 percent increase year-to-year. We can expect even larger pieces to be picked up by the builders throughout this year as many major master planned communities are releasing new phases (Summerlin, Skye Canyon, Cadence, Inspirada) or opening for business (Villages at Tule Springs, Valley Vista, Sedona Ranch).

When looking at the resale segment, there was a slight drop in the number of overall closings month-to-month but this is not surprising because the March number was so high (4,743). **April's 4,373 resale closings was a 9 percent increase** from April 2017, and the **2018 total of 15,648 is 5 percent higher** than at the same point in 2017. According to Residential Resources, the current inventory of listings without offers is again just 1.6 months. We have been expecting to see a slight, steady uptick here, but it looks like we'll have to keep waiting... It was interesting, though, to see an automated email recently from a (the) huge national online real estate service claiming our ZIP Code was a "buyers market."

Speaking of online giants, Amazon and Lennar Homes have announced a partnership for promoting Amazon's home automation products in the builder's "WiFi certified" homes. It looks like Lennar is taking the lead again in cross-promotional campaigns, similar to what they have done in partnering with Opendoor. It remains to be seen if this go-round will cause the same dust up with Realtors as the first has.

Switching gears, the apartment market segment keeps on cooking ... it has to be the most successful part of the housing industry (at least in Las Vegas) during the past couple of years. According to Spence Ballif of CBRE, there were 4,146 new units delivered in 2017, the second-highest total since 2009 (In 2016 there were 3,528 new units completed). In 2018, Spence estimates there will be 6,321 new units delivered. Many of these are due to be completed in the 4th quarter, and due to possible construction delays that are unfortunately fairly common, some of the completions could be pushed into 2019. Overall, the grand total of new apartment homes in Las Vegas from 2017 – 2019 is currently projected to be 17,466, the highest three-year sum in 16 years.

Once again, California believes it is setting a future standard for a part of the housing industry. They are the first state to require solar panels on almost all new homes built after January 1, 2020. While it's a huge boost to the solar industry, many warned that it will also drive up the price



of buying a new home by roughly \$10,000. The mandate is part of Governor Jerry Brown's effort to slash carbon emissions by 40 percent by 2030. It offers a model for other states to follow.

The announcement has certainly benefited the large solar companies, as many have seen their stock prices jump by double digits. But, it hasn't helped many homebuilders, as they have been in an ongoing battle with the state to keep housing prices as low as possible. One large builder in California said, "With home prices having risen as much as they have, I think home buyers would find it a little distasteful to be forced to pay more for solar systems that they may not want or feel like they can't afford. Even though, in the long term, it's the right answer." The new policy applies to single-family homes and multifamily units that are three stories or less, and there are some exceptions for homes that are too shady. Installing a solar system and complying with other energy-efficiency measure required will add about \$9,500 to the cost of a new home, according to the California Energy Commission. They estimate this would be offset by about \$19,000 in expected energy and maintenance savings over the usual 20-year lifespan of the solar panels. The new California standards don't require battery storage for homes, but if a home has a battery system, the size of the solar array required on the roof is reduced.

In Nevada, the costs would probably be similar, but our housing prices are lower. Also, because we have been able to benefit so much from the lower prices, requiring solar and the resulting added cost to the price of a new home would probably be a tough sell to many homebuilders and consumers. However, many buyers in the upper end of the new housing price segments may assume solar should be a standard feature when buying a new home. For now, most would prefer to keep solar as an option. In addition, most in Nevada still prefer "choice over compulsory regulation." It would certainly seem logical to assume that eventually solar systems would be a standard in the new home industry at some point. This will surely be part of the conversations in the upcoming years.

As we mentioned previously, at the end of April we hosted our annual Las Vegas Housing Outlook conference at the Springs Preserve. We would like to again thank our wonderful sponsors Southwest Gas and Platinum Home Mortgage. This year's event was very well attended by influential professionals from all segments of the housing industry in Las Vegas. Kevin Bagger, Executive Director of the Las Vegas Convention & Visitors Authority Research Center, led off with an insightful and engaging overview on tourism to our city and some of the bigger related projects. We also had one of the best Q&A sessions we have ever put together with a panel of subcontractors that included Scott Donnelly of Cooper Roofing & Solar, Mike Colvin of Colvin Construction, and Danny Gunsallus of Powerhouse Plastering. Moderated by Nat Hodgson of the SNHBA, these three gentlemen addressed the elephant in the room. Labor. Their opinions and insights were certainly a highlight of the program. We at HBR also provided our overview of the local housing market including 2018 projections. For those who were unable to attend, our presentation is available for purchase on our website.

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