

# RENO | SPARKS RE MARKET UPDATE

Q1

2020

**BEAU KEENAN**  
PRESIDENT OF DICKSON REALTY



## Thank you for joining us!

- Please type your questions in the comment box as we go. We'll stop and take questions twice throughout the presentation and at the end (please know that we may not be able to address every question entered for sake of time).
- We plan to go for about 45 minutes to an hour.

# Everyone has their own opinion

REALTOR®



Appraiser

Seller



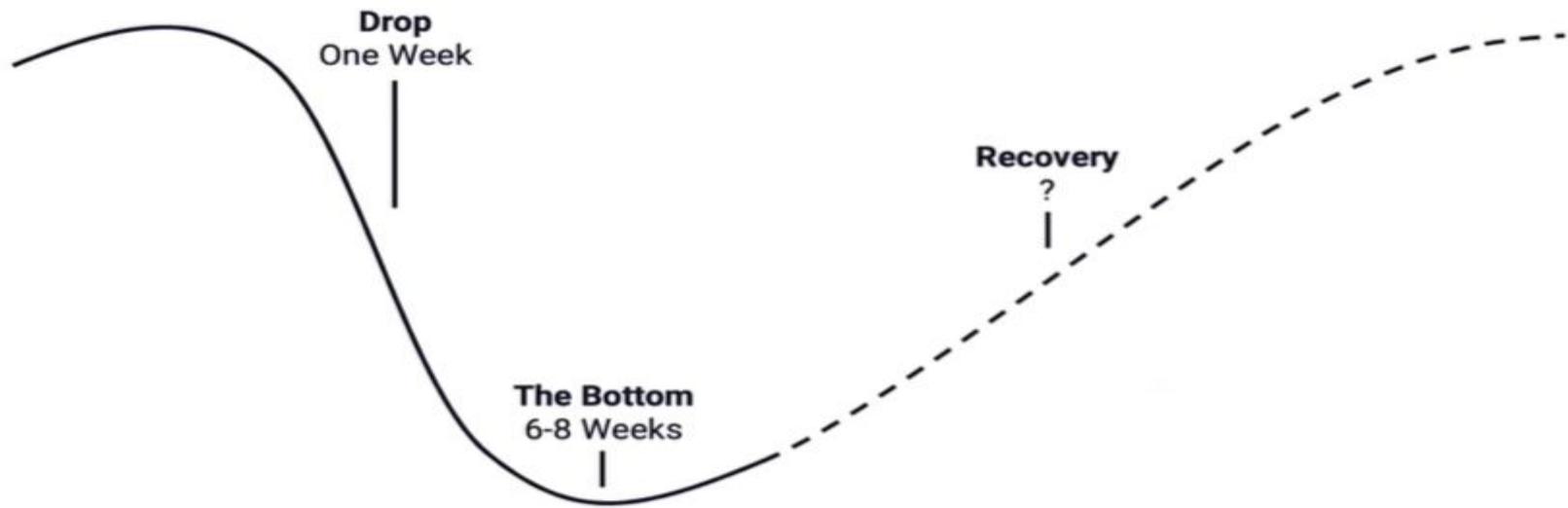
Lender

Buyer



The most common question Realtors get

# How's the market...?



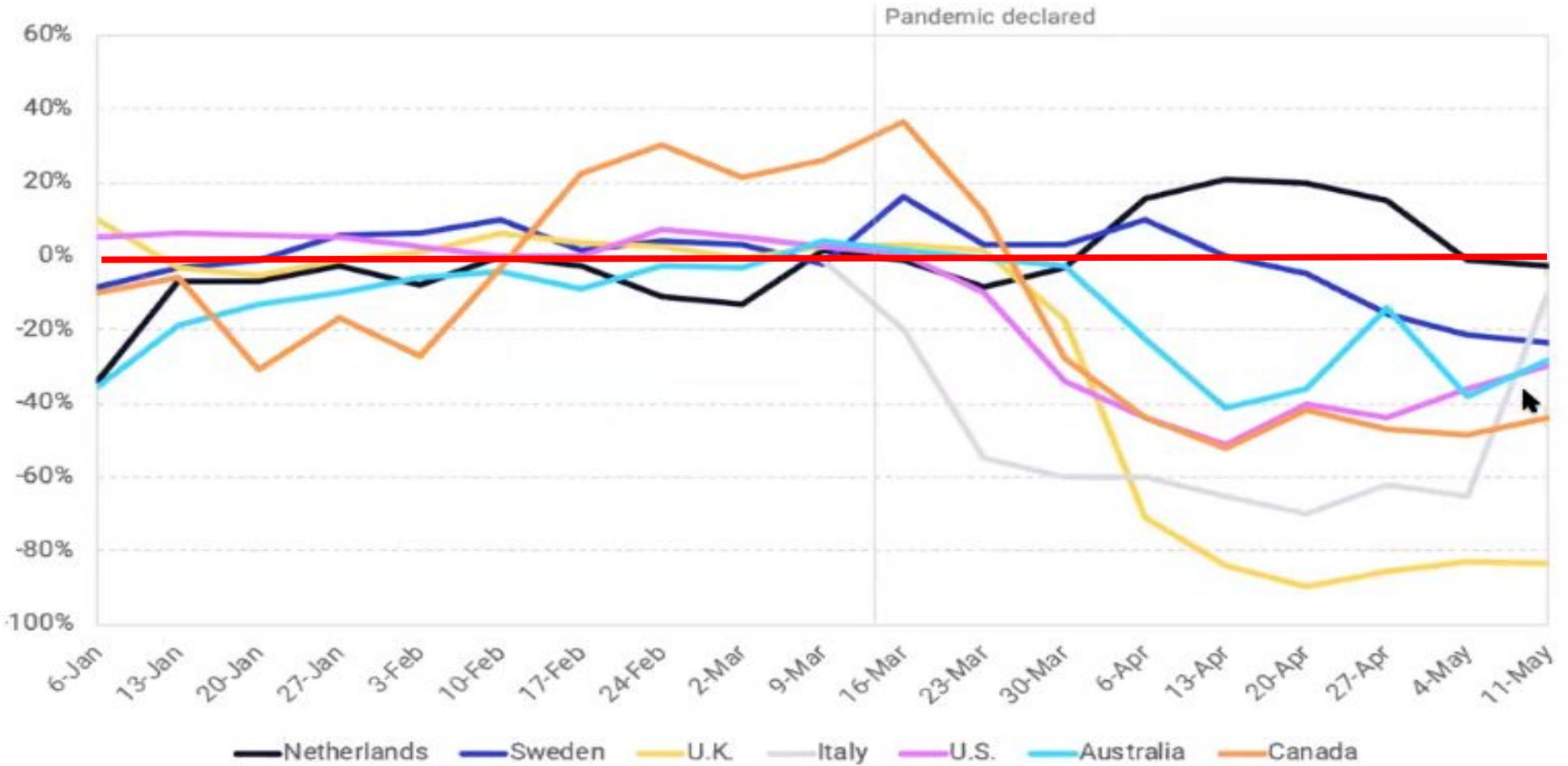
Economics 101 - The price of anything is really a function of the relationship between supply and demand.

- Best High Indicator of RE Supply = New Listings for Sale
- Best High Indicator of RE Demand = Pending Sales

# US vs International New Listing Volume

## New Listing Volumes (2020 vs. 2019)

MD MIKE DELPRETE



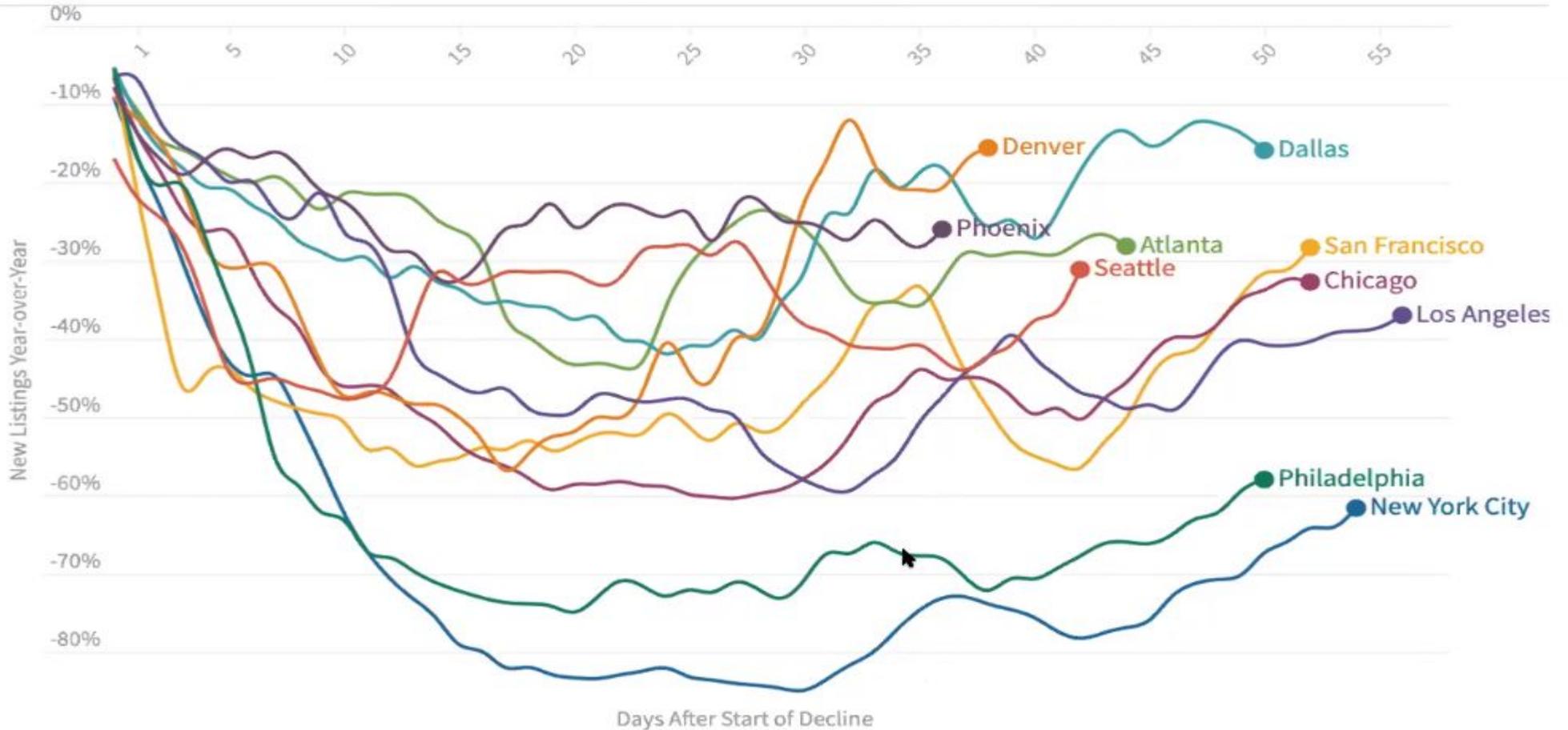
www.mikedp.com

# US Cities New Listing Volume

## New Listings (Year-over-Year)

MD MIKE DELPRETE

Year-over-year new listings decline (7 day rolling average), by number of days since >5% decline.



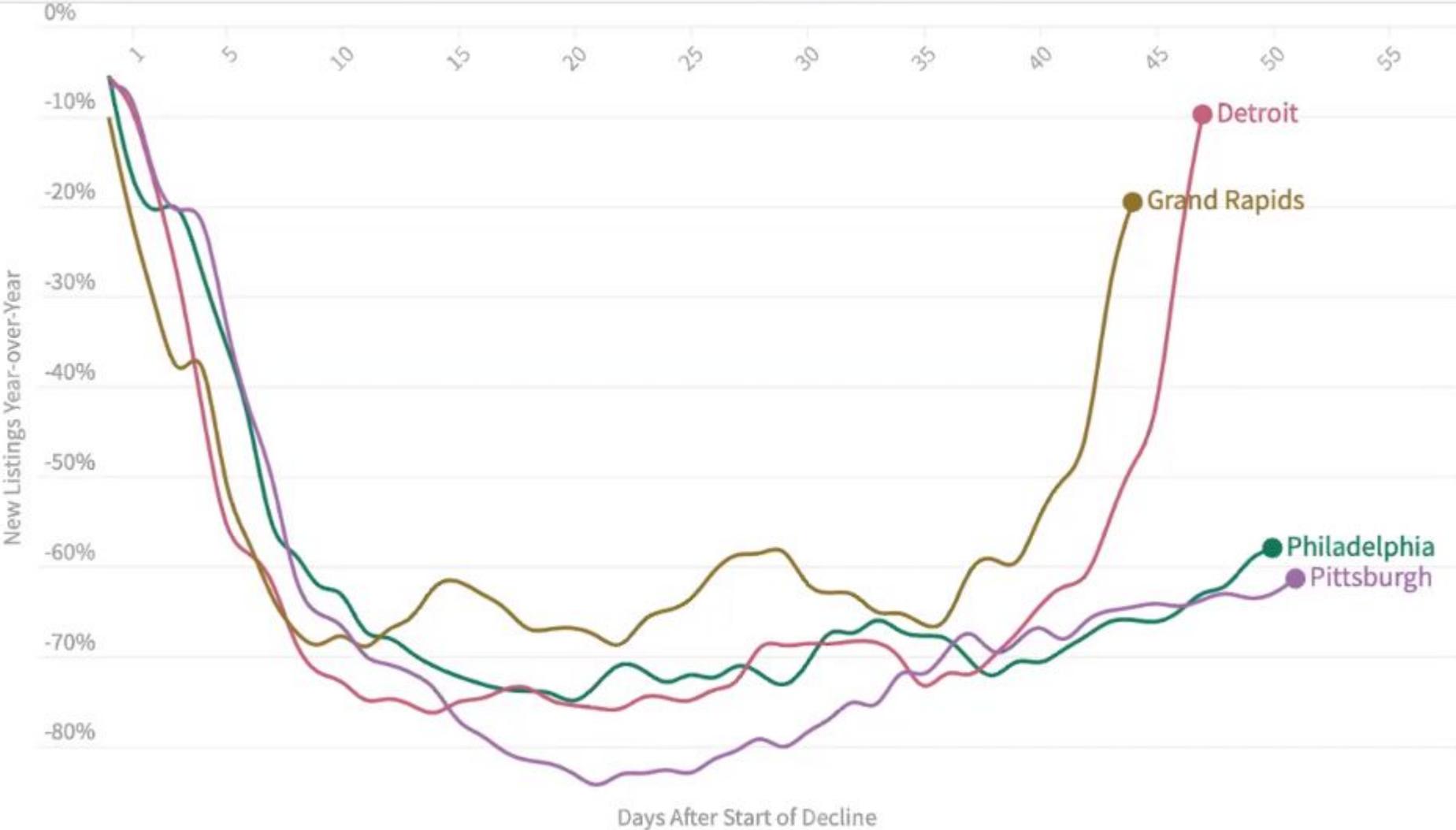
\*Reno/Sparks hit bottom April 26 - May 2 , down 55%.

# Comparison of City Restrictions

## New Listings (Year-over-Year)

MD MIKE DELPRETE

Year-over-year new listings decline (7 day rolling average), by number of days since >5% decline.

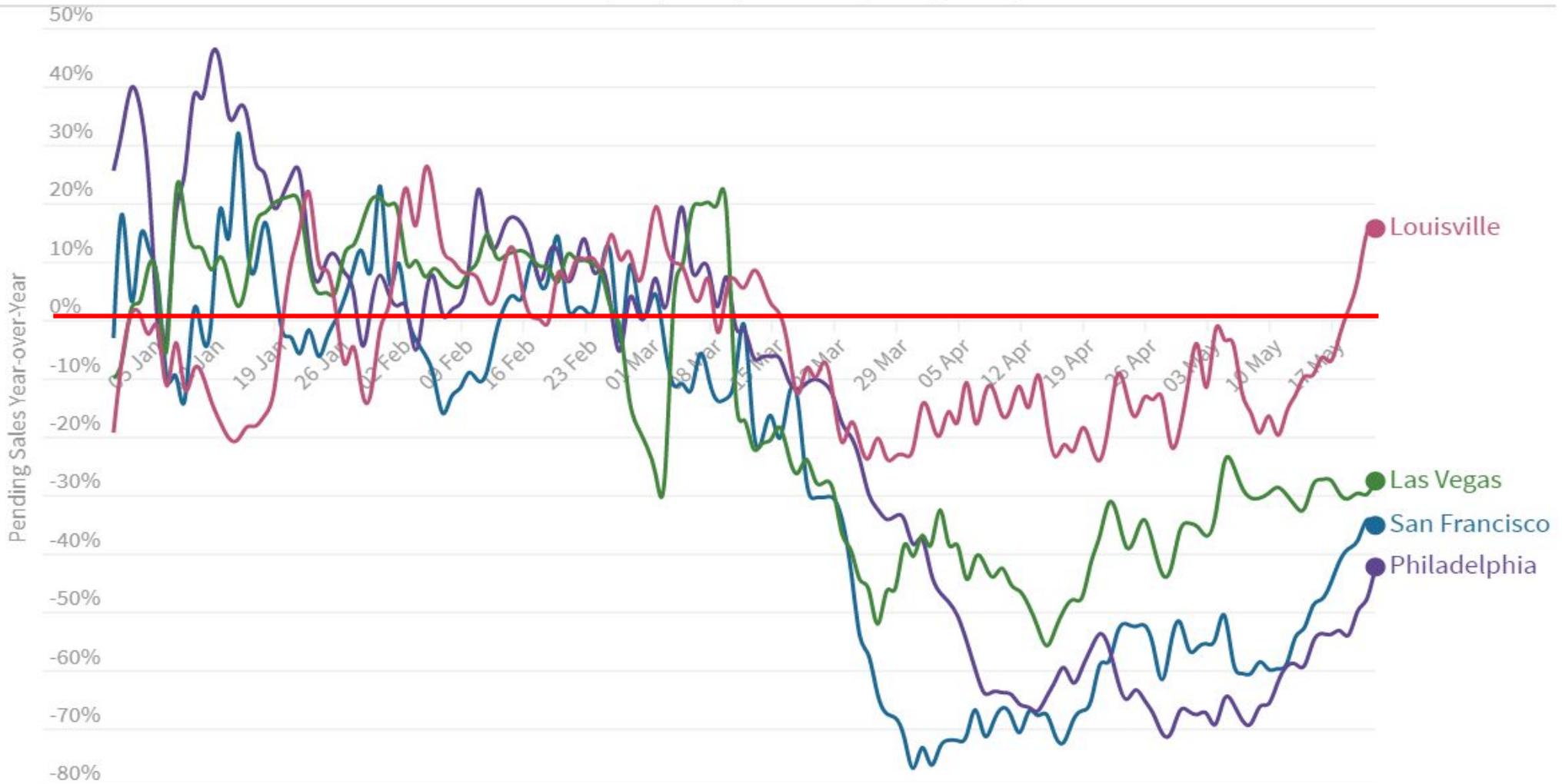


# US Demand Year-over-Year

## Pending Sales (Year-over-Year)

**MD** MIKE DELPRETE

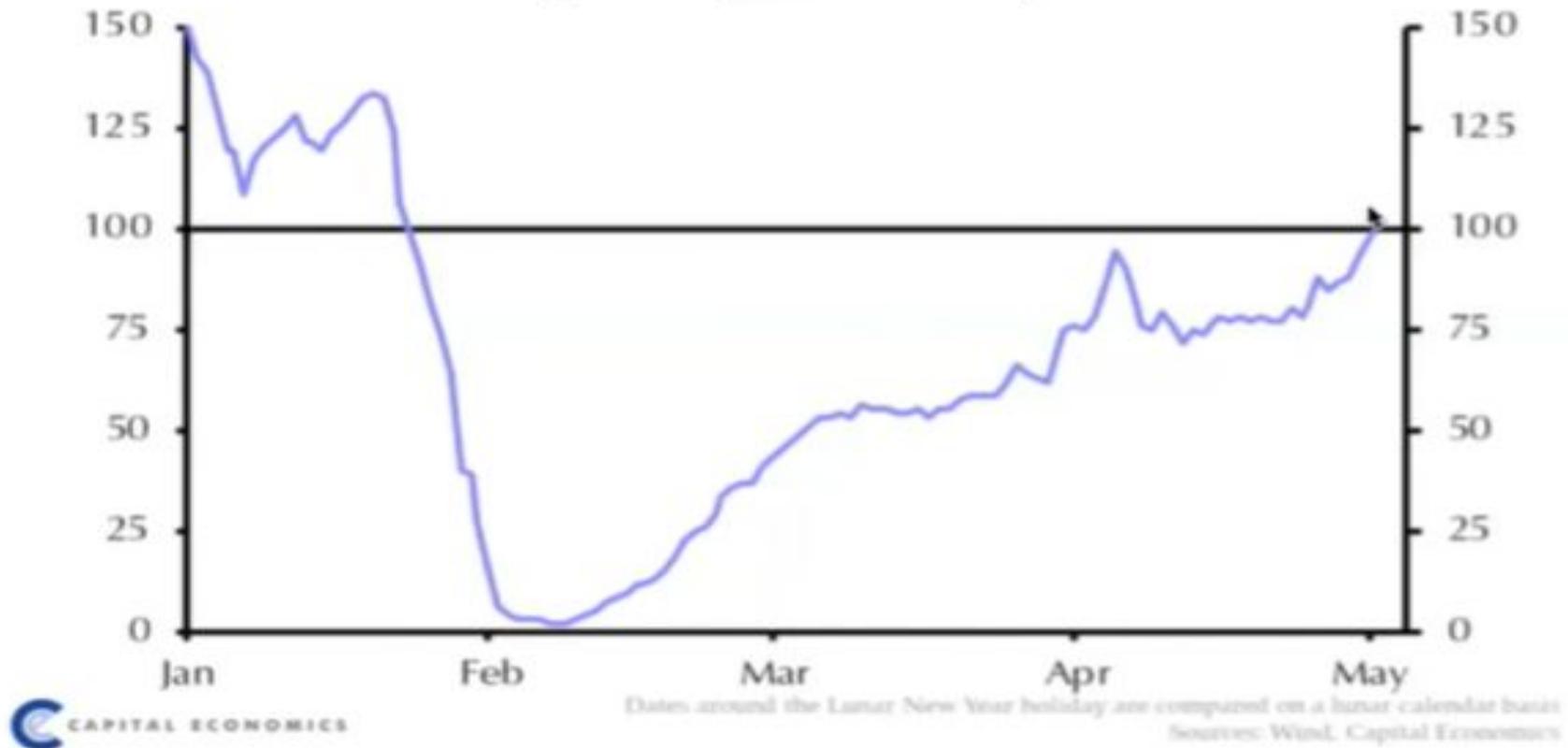
Year-over-year pending sales (7 day rolling average).



\*Reno/Sparks hit bottom April 5 - April 11, down 46%.

# Example of a Checkmark Recovery

## Daily Property Sales in 30 Major Cities in China (% compared to 2019)



# Price Stability

According to Realtor.com, the median listing price in the US was up 1.4% year-over-year. While existing home sales have fallen nationally by 18%.

Over the week ending May 8, **32 OF THE 46 STATES HAVE SEEN AN UPTICK** in the median list price of new listings, while 14 states have shown price declines.

Source: Real Trends June 2020 Newsletter

## In summary...

After the outbreak of the pandemic, housing demand fell as buyers lost their jobs, part of their income, or simply didn't want to be shopping for a house in the middle of a viral outbreak.

But while housing demand has dropped substantially, housing supply also dropped in lockstep as potential home sellers pulled out of the market for many of the same reasons buyers were.

It was reported by one online source that 41% of offers were subject to a bidding war over the last month, suggesting demand is outpacing supply—just as it was before the pandemic.

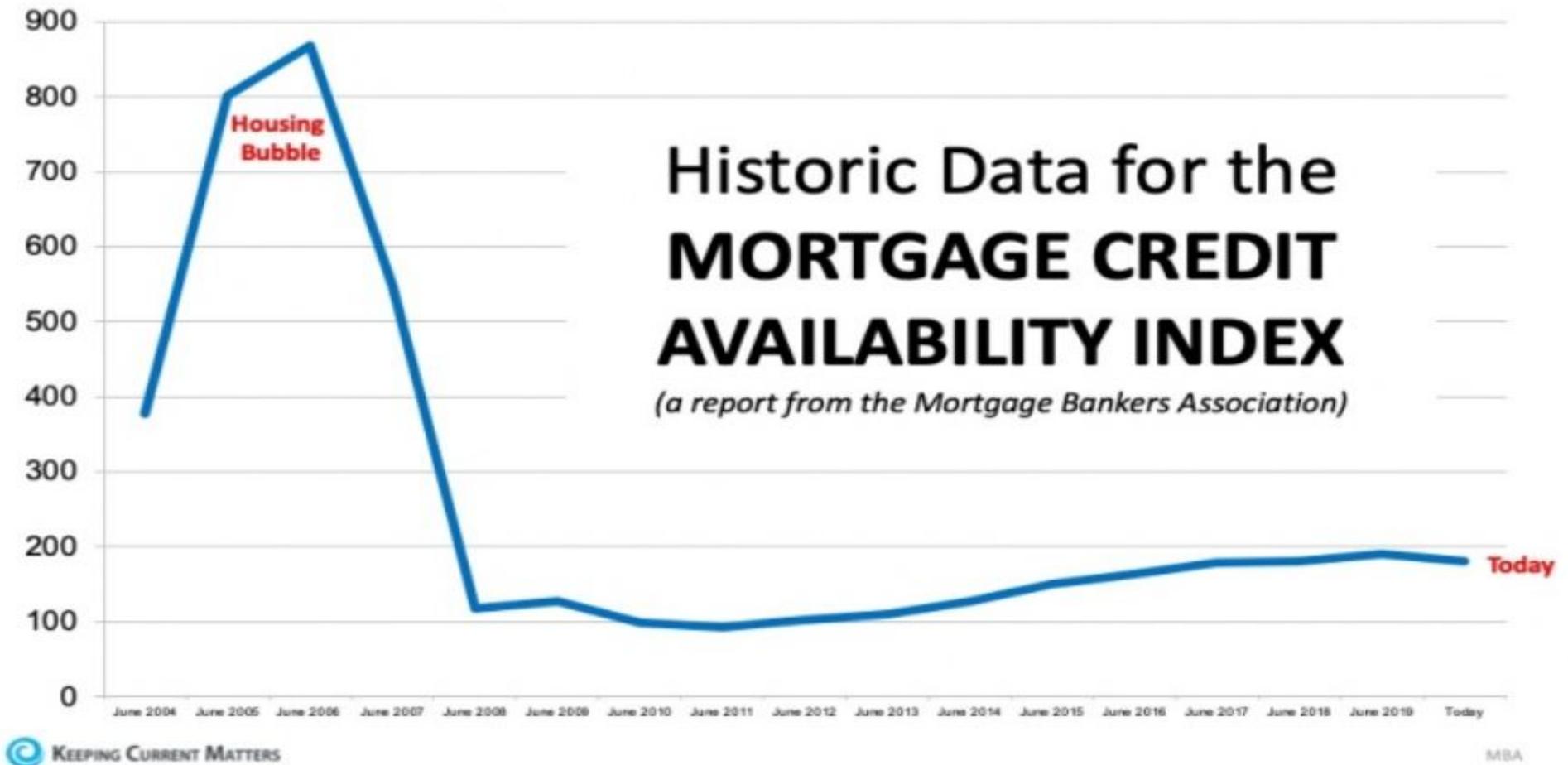
Source: *The economy is tanking. So why aren't home prices dropping?* By Jeff Andrews | May 21, 2020

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# 2008 vs. Covid-19

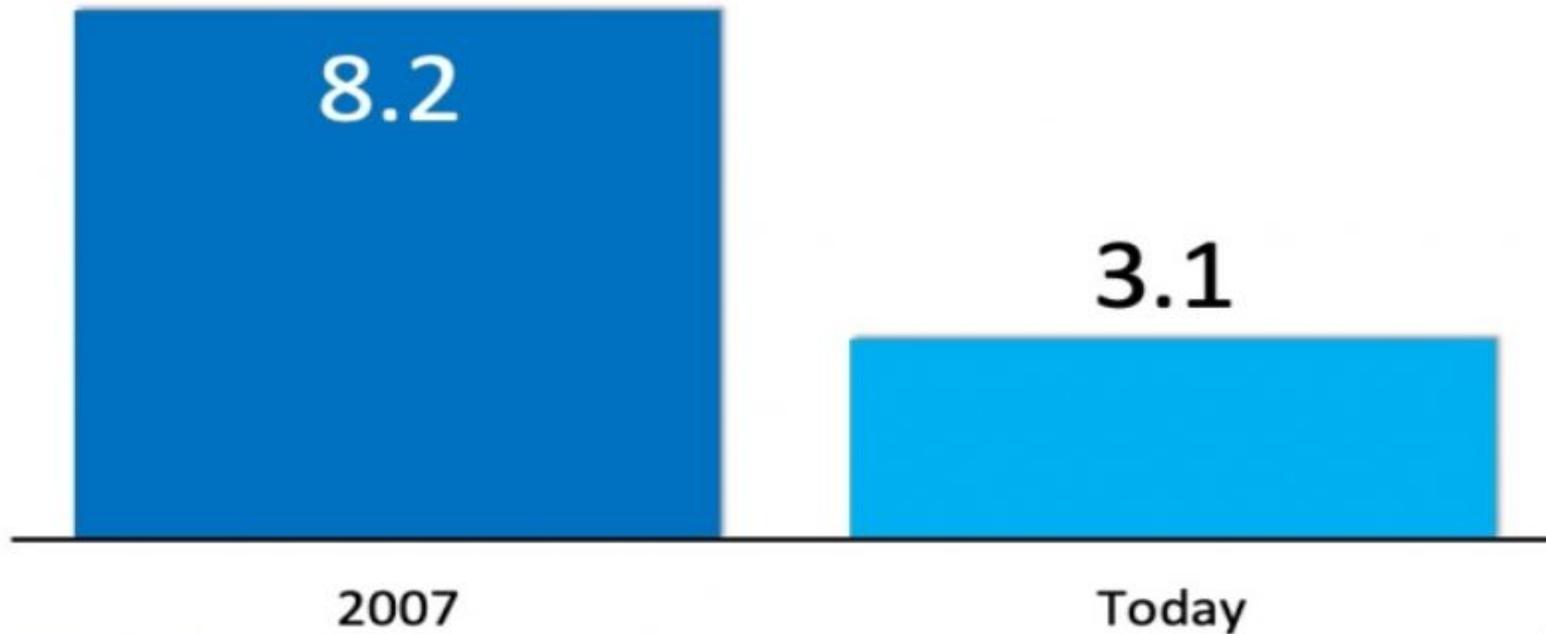


# Mortgage Standards Are MUCH Tougher Now



\*Prior to the collapse, loose lending practices created excess demand for housing by bringing unqualified buyers to the market. Home builders responded by increasing construction to meet this demand

## Months Inventory of Homes for Sale



KEEPING CURRENT MATTERS

NAR

\* In 2006 there were 45,000 new home sales statewide. In 2019 there were less than 15,000. We actually need more, a lot more!.

When the financial system locked up, it brought the excess housing demand we just talked about to a halt because banks weren't able to lend in the same volume. At the same time, banks foreclosed on houses in the millions. Given housing supply was already high from home builders constructing in excess, this sudden pile up of foreclosed houses created a nightmare scenario for the market—low demand and very high supply. Home prices plummeted.

# Tapped Out vs Equity Rich

## Total Home Equity Cashed Out

*by Refinance in Billions*

Then...

Year	Dollars
2005	\$263B
2006	\$321B
2007	\$240B
<b>Total</b>	<b>\$824B</b>

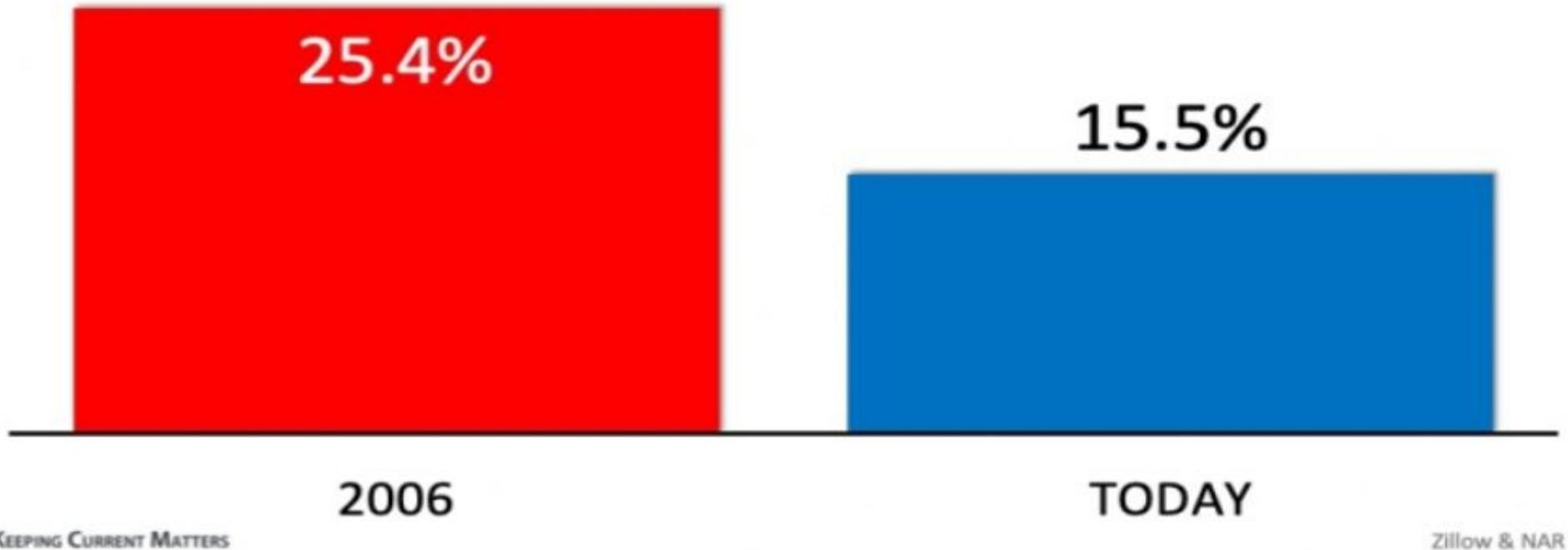
Now...

Year	Dollars
2017	\$71B
2018	\$87B
2019	\$74B*
<b>Total</b>	<b>\$232B</b>

*\*Using the first 3 quarter estimates from Freddie Mac and estimating \$20B for the 4th quarter*

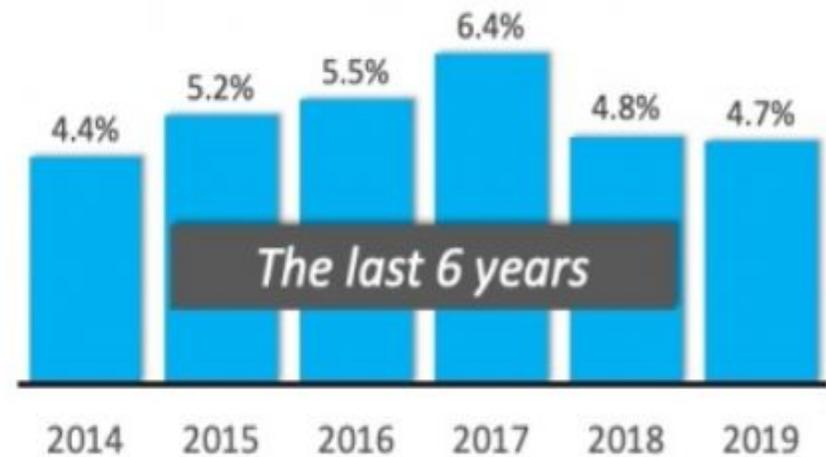
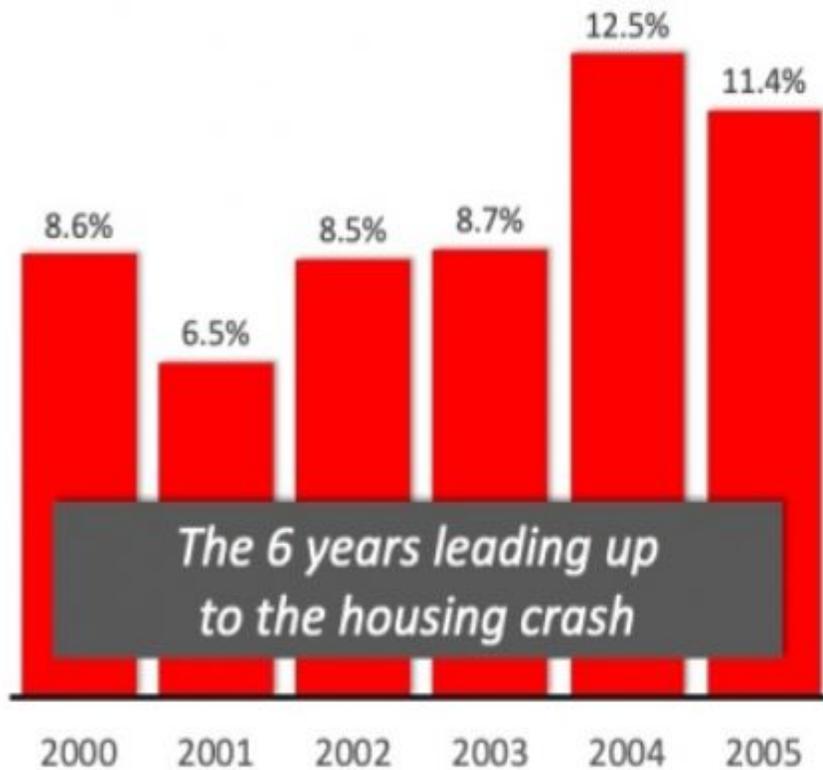
# Too Expensive vs More Affordable

Percent of median income needed to purchase a median-priced home



# Housing Appreciation is More in Check

## Annual Home Price Appreciation

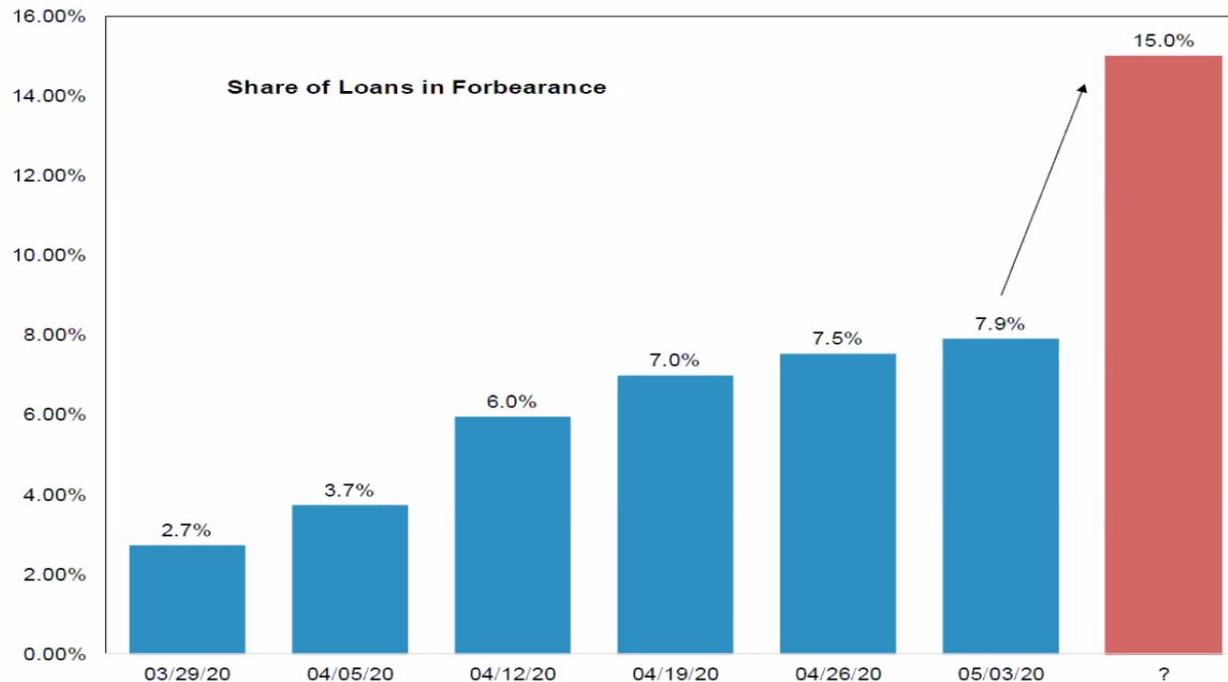


KEEPING CURRENT MATTERS

Black Knight

# Forbearance Good News

## Forbearance Mitigates Foreclosures for Now



- First, your lender or loan servicer may not foreclose on you for 60 days after March 18, 2020. Specifically, the CARES Act prohibits lenders and servicers from beginning a judicial or non-judicial foreclosure against you, or from finalizing a foreclosure judgment or sale, during this period of time.
- Second, if you experience financial hardship due to the coronavirus pandemic, you have a right to request a [forbearance](#) for up to 180 days.

# Forbearance Bad News

But... some mortgage servicers warn the cost of widespread mortgage relief like forbearance could push them to brink of failure and are asking for federal help. If 25 percent of borrowers cannot make their mortgage payments, the industry has said, it could need nearly \$40 billion in federal help over the next three months and \$100 billion over nine months.

Source: Reported by Renae Merle of the Washington Post

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# Reno / Sparks Units Sold

## Year over Year

## Month over Month

## Year to Date

May 2020	May 2019	Change	Apr 2020	Change	2020	2019	Change
396	682	▼ -41.9%	387	▲ 2.3%	2,144	2,362	▼ -9.2%

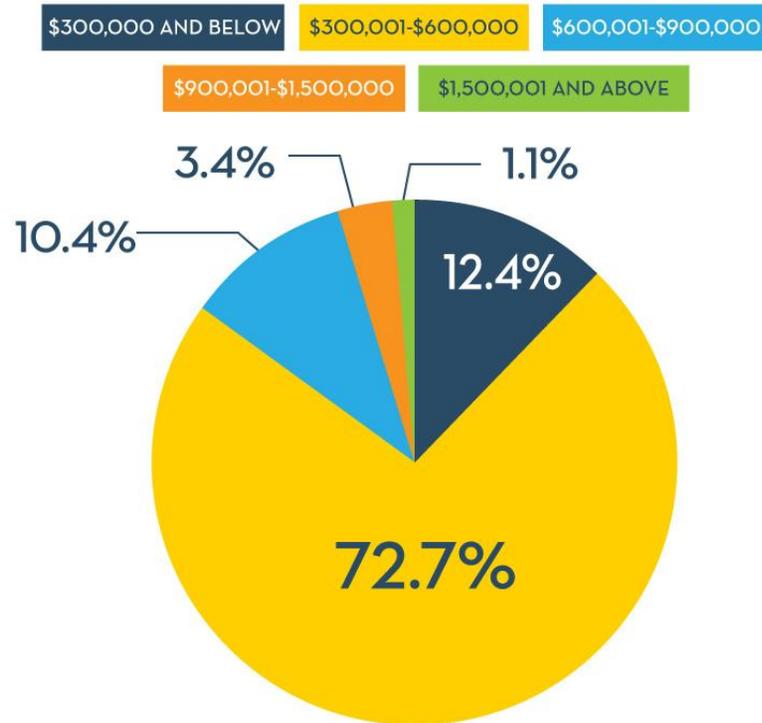


# Year to Date Sales

MARKET NEWS YOU CAN USE...

## Percentage of Sales

RENO/SPARKS AREA



Source: NNRMLS All Reno/Sparks areas (Area 100), as of May 31, 2020.  
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## Sales by Price Range Single-family Residence As of 05/31/2020

- Total YTD 2020 single-family home sales = 2,134
- Total YTD 2019 single-family home sales = 2,363
- 223 or 9.7% fewer sales in 2020 vs 2019

# Reno / Sparks Supply - New Listings

Year over Year

Month over Month

Year to Date

May 2020	May 2019	Change	Apr 2020	Change	2020	2019	Change
601	965	▼ -37.7%	579	▲ 3.8%	2,815	3,318	▼ -15.2%

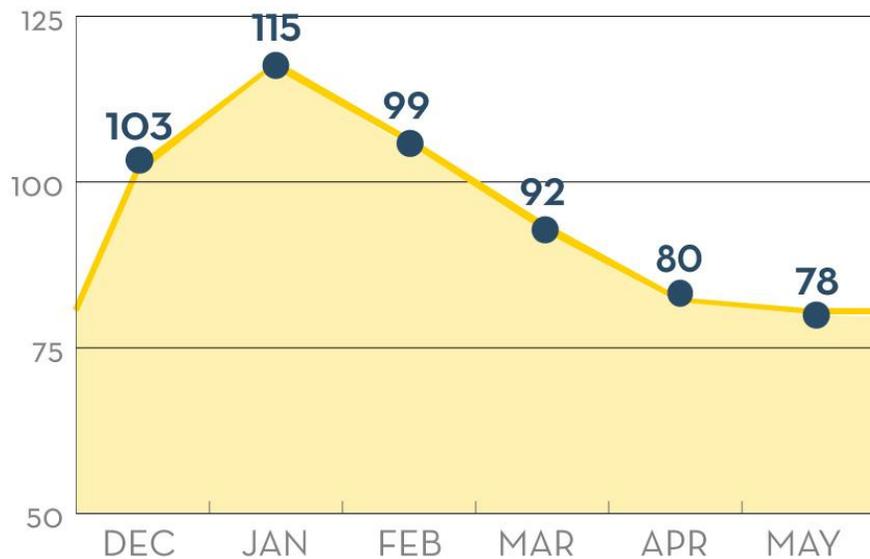


Source: Reno-Sparks Association of REALTORS, as of June 4, 2020. Single-family residence listings in all Reno-Sparks areas (NNRMLS Area 100).

MARKET NEWS YOU CAN USE...

## Days on Market

RENO/SPARKS AREA  
6 Month Overview



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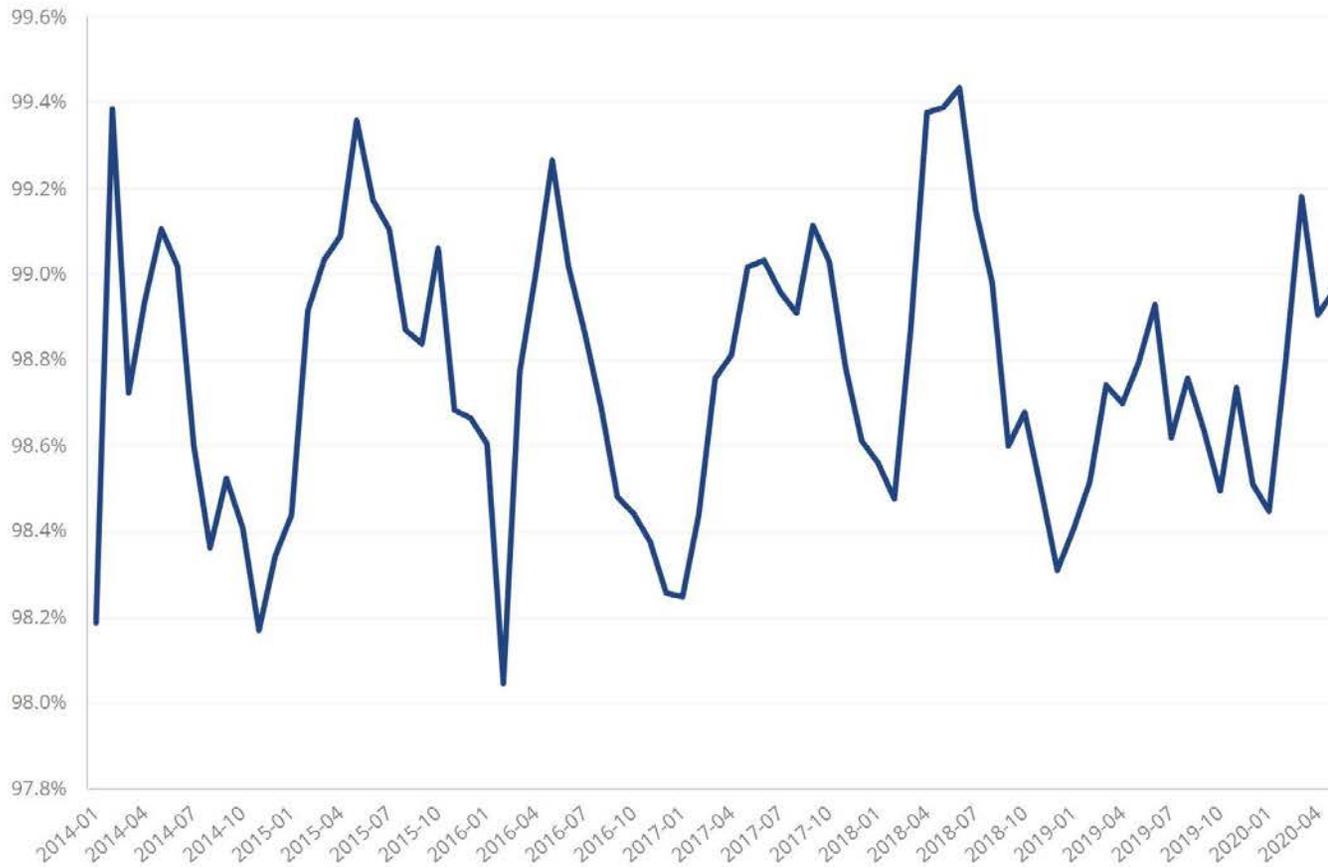
Source: NVRMLS All Reno/Sparks areas (Area 100), December 2019 - May 2020. Copyright 2020 Dickson Realty. All Rights Reserved.

NV Lic#: B.001973CORP

We're seeing typical Days on Market trends as compared to prior years

- DOM in May 2020 = 78
- DOM in May 2019 = 82
- DOM in May 2018 = 70
- DOM in May 2017 = 91

# Percent of Ask Received



## May 2020

 **99.0%**

 **-0.9%**  
change from

**98.9%**  
Prior Period

 **-0.8%**  
change from

**98.8%**  
Same Period Prior  
Year

Data fluctuates during the first week of the month. Please wait to share until 'To The Point' is posted to [RSAR](#).

Source: Reno-Sparks Association of REALTORS, as of June 4, 2020. Single-family residence sales in all Reno-Sparks areas (NNRMLS Area 100).

# Reno / Sparks Demand - Pending Sales

Year over Year			Month over Month			Year to Date		
May 2020	May 2019	Change	Apr 2020	Change	2020	2019	Change	
635	611	▲ 3.9%	388	▲ 63.7%	2,459	2,669	▼ -7.9%	



Source: Reno-Sparks Association of REALTORS, as of June 4, 2020. Single-family residence sales in all Reno-Sparks areas (NNRMLS Area 100).

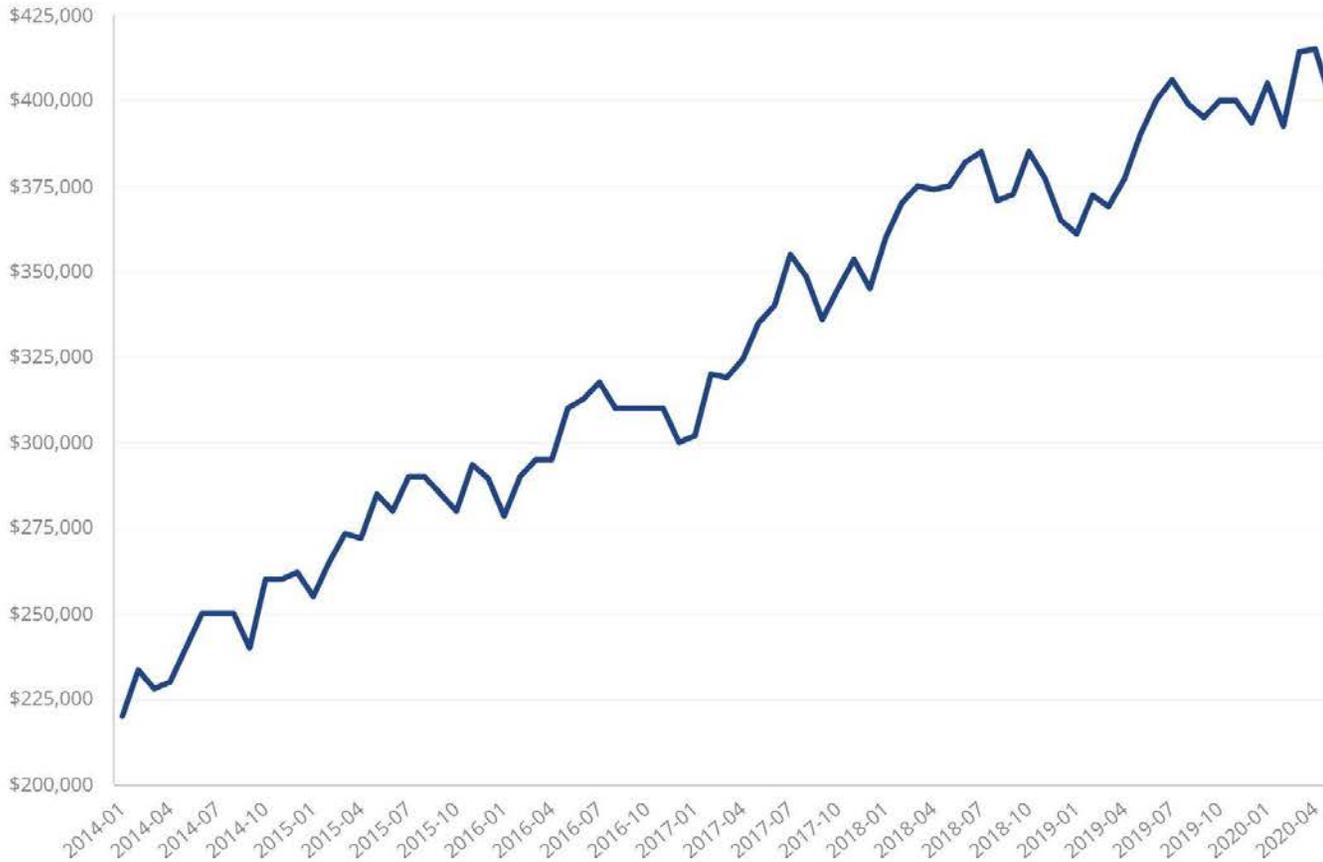
# Showings



Even amid the challenges of Covid-19 and the shutdown of the economy, buyers are still lining up to look at homes for sale. While nearly 13% of American workers are out of work, it also means that 87% of Americans are still at work. As the economy recovers from what will be the worst quarter in U.S. economic history, more consumers will be ready to buy housing that fits their needs as the year goes on.

Source: Real Trends June 2020 Newsletter

# Median Sales Price History



## May 2020



# \$399,900

↓ **-3.6%**  
change from

**\$415,000**  
Prior Period

↑ **2.5%**  
change from

**\$390,000**  
Same Period  
Prior Year

Data fluctuates during the first week of the month. Please wait to share until 'To The Point' is posted to [RSAR](#).

Source: Reno-Sparks Association of REALTORS, as of June 4, 2020. Single-family residence sales in all Reno-Sparks areas (NNRMLS Area 100).

# Seller's Market

We're still in a seller's market when comparing rate of sales versus inventory  
(back to supply vs. demand)



Source: Altos Research Reports .

Dickson has approximately 1000 doors under management and wrapped up May with over 96% of rent collected.

## Rent Collection as of June 8th:

- **95% of tenants have paid in full.**
- Approx. 2.5% have paid a portion of the outstanding balance.
- Approx. 2.5% have made no payment at all.

The National Multifamily Housing Council, or NMHC, reported that 90.8% of residents made full or partial payments for May through the 20th. That's actually better than the same time last month, and only 2.2% worse than May 2019.

- “One reason the rental market is doing so well is the federal relief package has provided an extra \$660 a week for many of the unemployed. That’s likely to help buoy the rent collection rate. But that program ends in July, and is unlikely to be renewed. Thus, until then it will be the same as now.”
- “One metric NMHC is not tracking specifically is exactly how many renters are availing themselves of rent deferments and payment plans. But big apartment owners reported those requests are way up, as high as 20% at some properties.”

- Jeff Adler, VP of property management software firm, Yardi



## RENO/SPARKS CRE **SALES RECAP**

**APRIL 2020**

### **NOTABLE NEWS**

The impact of COVID-19 started to show in April with a total sales volume of \$22,644,465 which is only 13.26% of the average compared to the last 9 months. The average total sales volume over the last 9 months was \$170,735,508 per month.

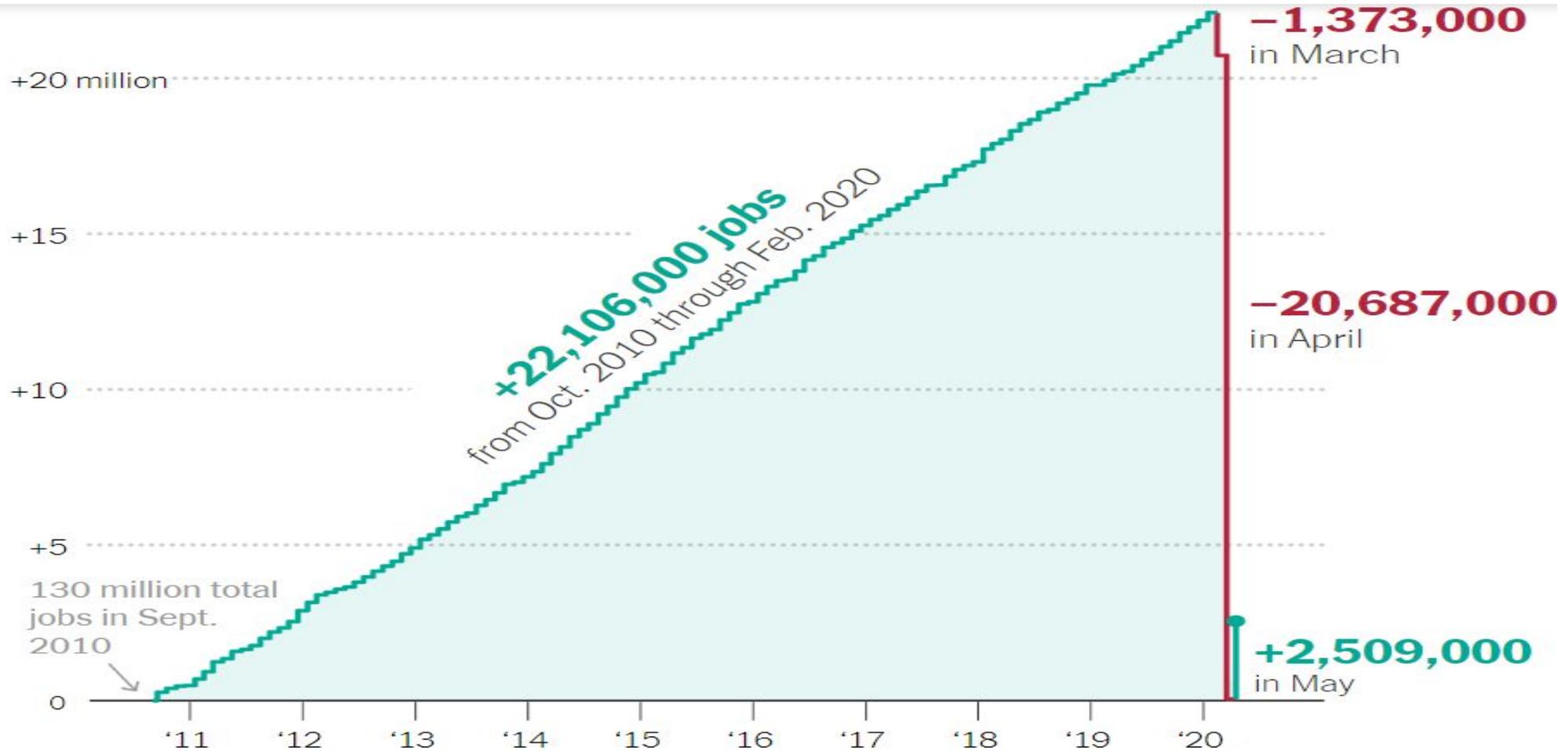
# 4 Key Factors to Watch

1. Employment
2. Appreciation Rate
3. Supply and Demand in Rent and Sales
4. Affordability

# National Employment

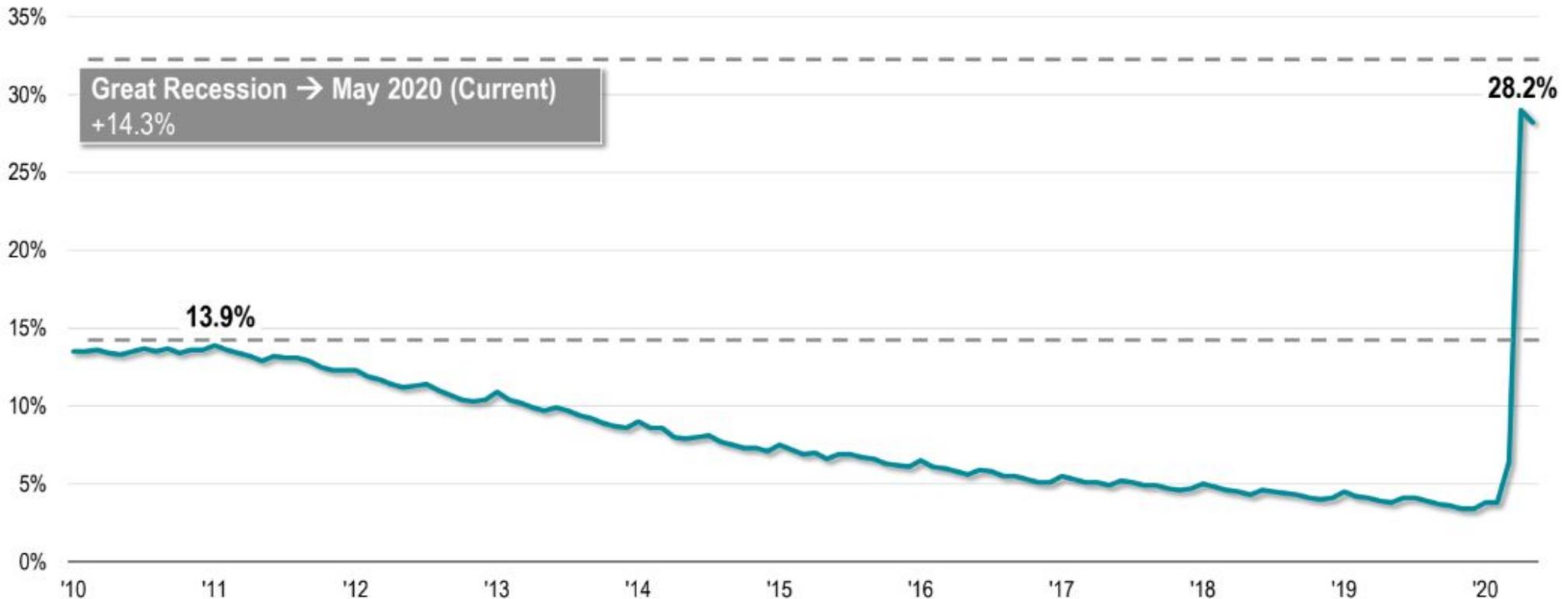
## Cumulative monthly change in jobs since September 2010

Job losses in March and April nearly wiped out the previous 113 months of job gains, but May showed a partial comeback.



By Ella Koeze · Source: Bureau of Labor Statistics

## Nevada's Unemployment Rate Movement

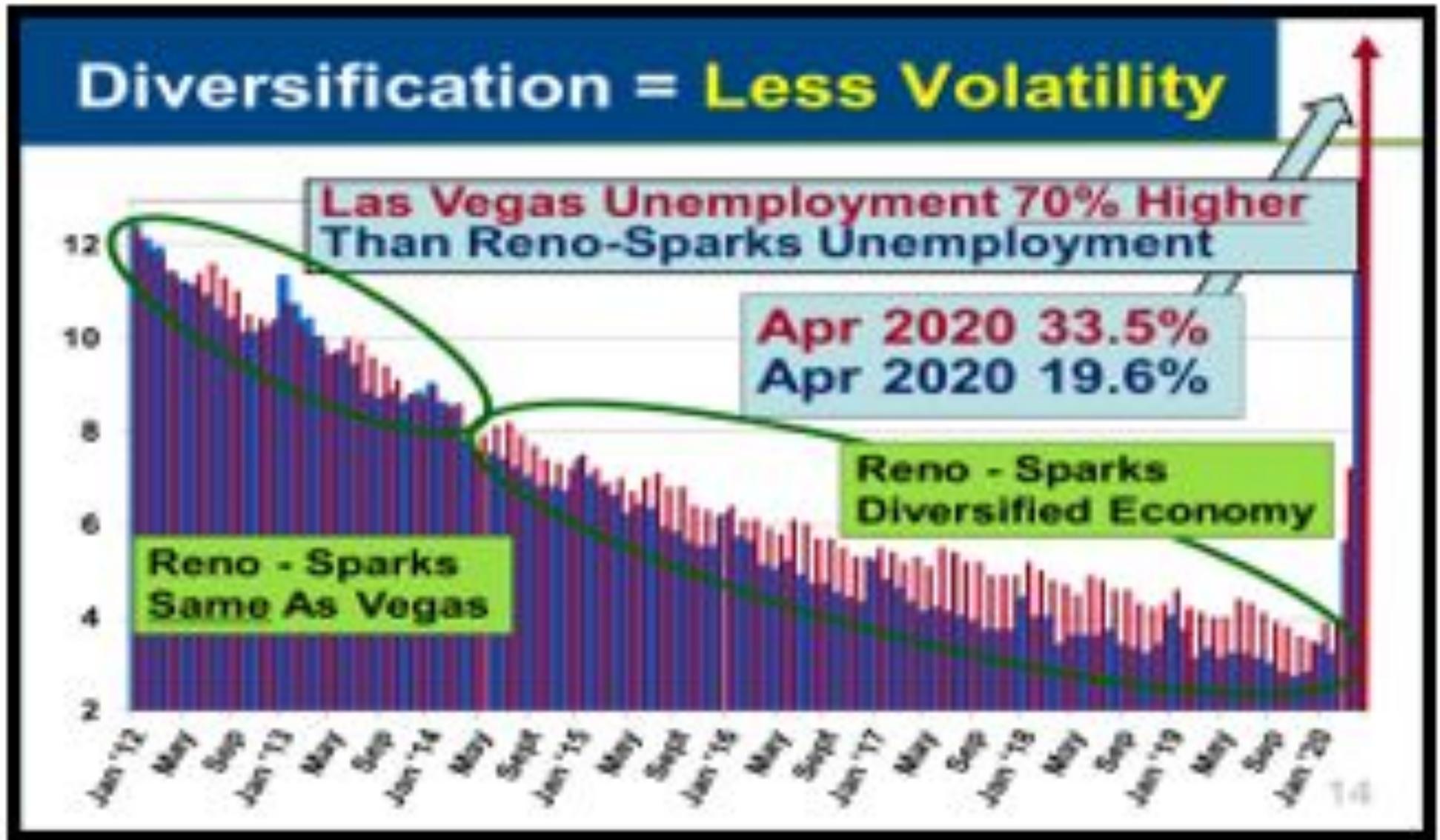


Source: Bureau of Labor Statistics/Applied Analysis



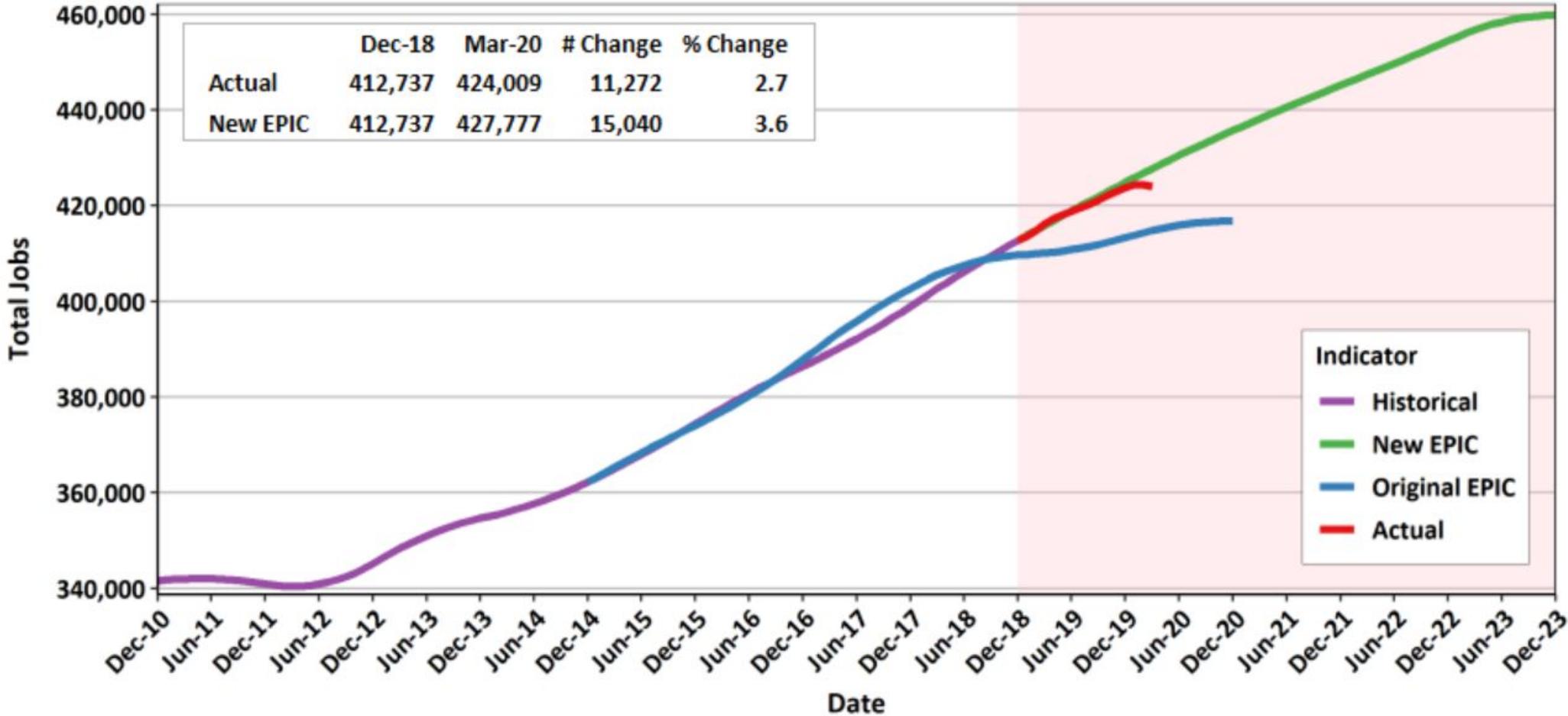
Washoe County currently sits at 19.6%

# EDAWN's Revitalization and Diversification of our Economy



# Northern Nevada Economic Planning Indicators Committee Report

EPIC Study Area Actual Employment Tracking: Dec-18 to Mar-20  
(EPIC Forecast Period: 2019-2023)



Note: Light pink area denotes "New EPIC" forecast period.

Sources: EPIC Committee, RCG Economics, NV State Demographer, TMRPA, Woods & Poole, TMWA, EMSI, BLS, Census.

## EDAWN Business Development Update

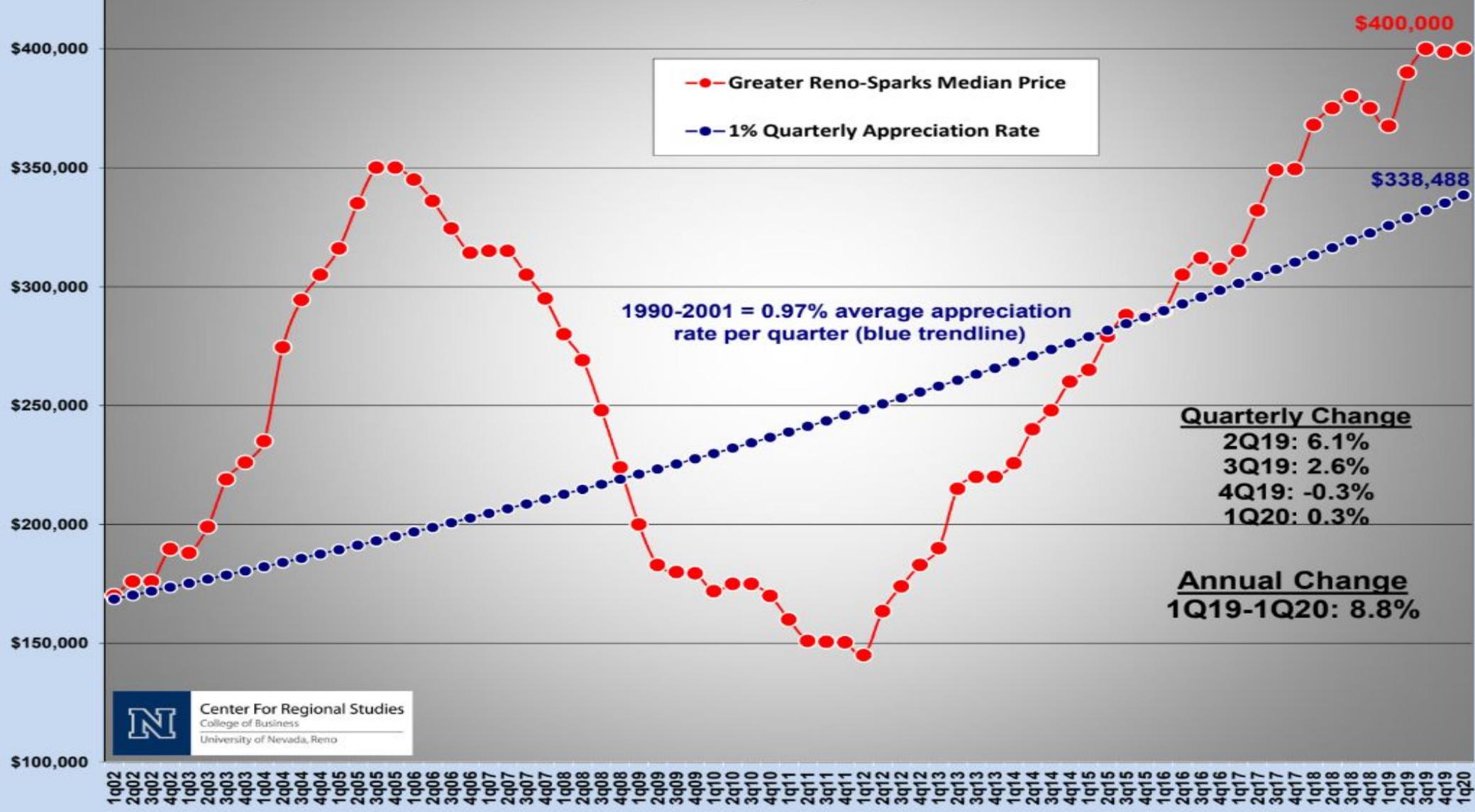
- **42 new leads to the activity pipeline in the last 5 months,** (Distribution/logistics-18, Manufacturing-18, Technology-6).
- **17 new projects** (Distribution/logistics-8, Manufacturing-7, Technology-2). The majority of these projects are dominated by the industrial sector and are expected to add 2,623 jobs and more than \$153M in capital expenditures.
- **There are 15 pending announcements,** which include 9 companies from CA, 5 headquarters and 1,875 jobs. The team had 14 hot prospects including 5 headquarters and 2,307 job.

Source: EDAWN Weekly Executive Update - June 4, 2020

# Appreciation

## Existing Single-Family Median Home Values

Source: Northern Nevada Regional MLS



# Available Inventory in Sales

MARKET NEWS YOU CAN USE...

## Months of Inventory

RENO/SPARKS AREA



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Source: NNRMLS All Reno/Sparks areas (Area 100), as of May 31, 2020.  
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## Active Inventory Single-family Residence as of 5/31/2020

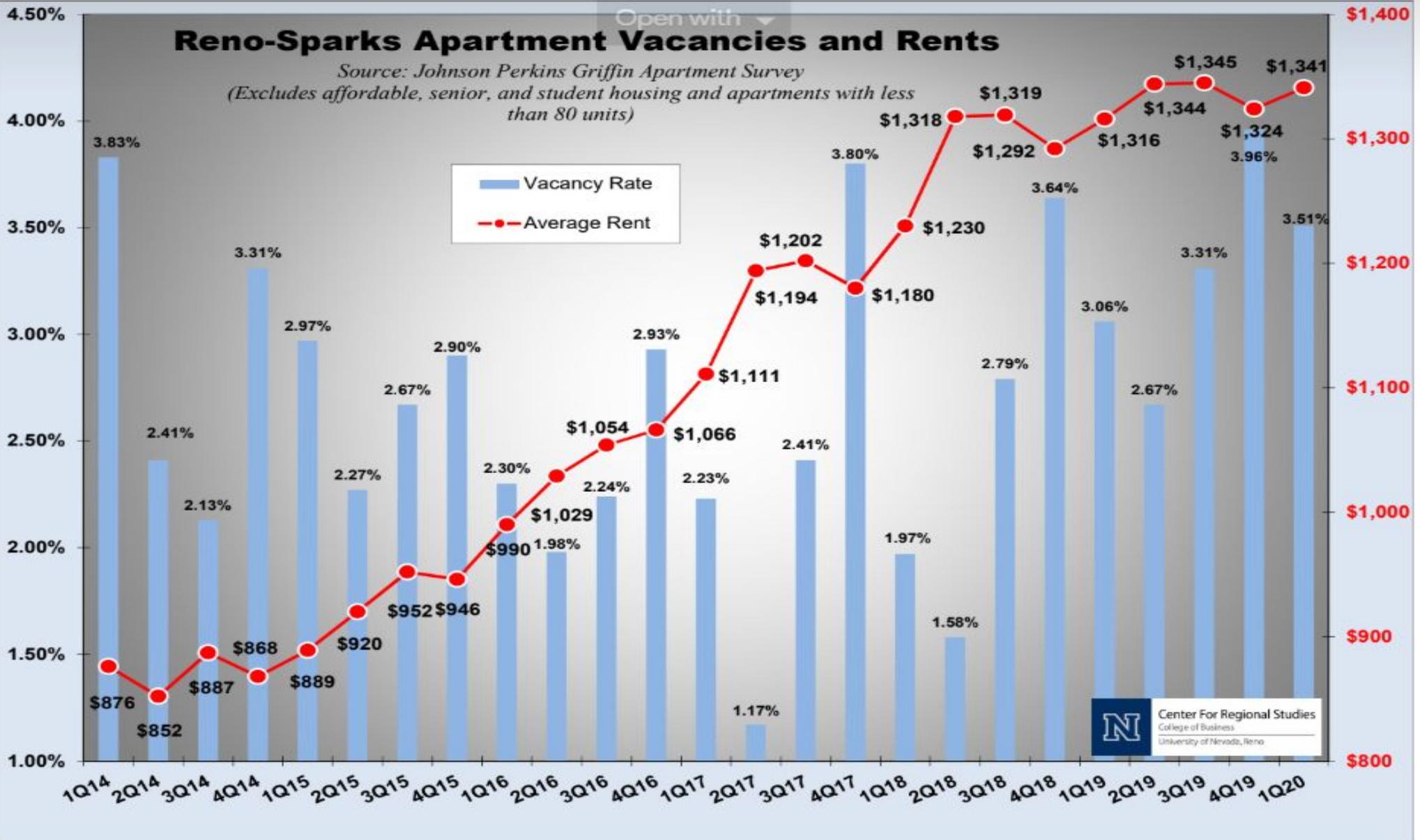
- Total available inventory = 757 single-family homes
- This time last year = 1,163 single-family homes
- Inventory is down 35% from this time last year

**\* A month's supply of inventory is the time it would take to exhaust the active and pending inventory at the current rate of sales.**

# Available Inventory in Rentals

## Reno-Sparks Apartment Vacancies and Rents

Source: Johnson Perkins Griffin Apartment Survey  
 (Excludes affordable, senior, and student housing and apartments with less than 80 units)



**N** Center For Regional Studies  
 College of Business  
 University of Nevada, Reno

# Affordability

Reno started 2020 as the 18th least affordable place among the nation's top 100 cities. Washoe County median income is improving according to the reports. Brian Bonnenfant, Project Manager for the Center for Regional Studies, calculates median family income for the area at \$78,894.00 which affords a family a home priced between \$350,000 and \$375,000 depending on rate, down payment, taxes, HOA pmts, etc.

Our current median Reno/Sparks home price is \$400,000, so this gap and saving for a down payment remains the biggest hurdle for future buyer demand in our market.

# Interest Rates



Source: ycharts.com

# Long Term Effects for the Real Estate Industry

## The Process

- Expect to embrace digital technology from start to finish
- Expect to take precautions for the spread of germs even after a vaccine is available
- Expect to see agents still very involved in the transaction and helping facilitate the various pieces of the puzzle. (90% and 94%)

## Where People Live

- According to the results of a separate April 2020 Harris Poll, nearly 39% of urban dwellers said that COVID-19 had prompted them to consider moving to a less crowded place.

## The Economy and Jobs

- “The current sharp rise in unemployment claims we’re seeing is expected to be followed by large numbers of people returning to their jobs once government-imposed economic shutdowns end. We may not return to the full pre-COVID-19 employment, but the vast majority will go back to their jobs. This, in turn, will positively impact the third and fourth quarters. That is when the economy’s bounce-back will be evident.”

Source: Lawrence Yun, Chief Economist and Senior Vice President of Research at the National Association of REALTORS® explained

## The Market

A foreclosure crisis is not expected. Before the pandemic, buyers met the credit standards to buy a home, so there was no overstretching of their budgets.

The increase in home sales that we were experiencing pre-pandemic was a 10-year high. Home prices also reached an all-time high. However, it will take multiple years to resolve the housing shortage created when building dramatically declined after the housing crisis of 2008-2012.

Even though there are currently fewer listings than before, we went into the pandemic with low inventory and will come out of the pandemic with low inventory (and good demand). Prices will remain steady, depending on what Q3 and Q4 bring with a vaccine or a second wave, we may end up slightly or down slightly (but no one really knows ;). Ultimately, It's still a good time to sell and buy as the market is proving resilience.

Our greatest challenge locally will be supply and keeping affordability in check by providing consumers with more choices for the mid-price point and slightly below.

**Thank you**

**Thank you**

**Reno Restaurant Week**  
will be taking place in Reno,  
midtown and downtown, and in  
Sparks the week of **June 17-24.**