U.S Department of Housing and Urban Development
U.S. Department of the Treasury

Spotlight on the Housing Market in the Las Vegas-Henderson-Paradise, NV MSA

The Obama Administration's Efforts to Stabilize the Housing Market and Help American Homeowners | April 2014

The Las Vegas-Henderson-Paradise, NV Metropolitan Statistical Area (Las Vegas MSA) is located at the southern tip of Nevada and contains the largest concentration of people in the state. Las Vegas was one of the hardest-hit areas during the housing crisis and is in many ways typical of how the crisis unfolded in the four so-called "sand states" of Arizona, California, Florida and Nevada. The MSA currently ranks 37th in the nation for the share of mortgages at risk of foreclosure- -those 90 or more days delinquent or in the foreclosure process. In the years leading up to the housing crisis, Las Vegas experienced rapid population growth, elevated levels of new home construction, and a rapid rise in home prices–home price appreciation in the Las Vegas MSA rose at a pace that was 28 percent higher than the national average. After the bubble burst, house prices in Las Vegas plummeted by 60 percent–nearly twice the national rate. The much lower property values and the resulting severely underwater mortgages were partially fueled by unsustainable mortgage lending and investor speculation going into the crisis. The rise in unemployment with the subsequent recession added further to rising defaults and the decline in property values. Similar to the nation, the share of distressed mortgages in Las Vegas began to rise rapidly in 2007 with the decline in house prices, but by its peak in early 2010, mortgage distress in Las Vegas far surpassed the national rate. The share of mortgages at risk of foreclosure has declined substantially in Las Vegas–the result of a relatively strong economic recovery, fairly substantial house price increases, and state legislation in 2009 and 2011 that sharply curtailed foreclosure activity. Nonetheless, relatively high shares of both distressed as well as underwater mortgages remain. The Administration's broad approach to stabilizing the housing market has been a real help to homeowners in the Las Vegas metropolitan area. This addendum to the Obama Administration's Housing Scorecard provides a summary of local economic trends and conditions and describes the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

Population Growth, Employment, and Housing Market:

With nearly 2.0 million people according to the most recent Census, the Las Vegas MSA is the 30th largest in the nation. From 2000 to 2010, the population increased by an average of 57,550 people, or 4.2 percent a year. An influx of people accounted for 74 percent of the net population increase, as an average of nearly 42,800 people per year moved to the Las Vegas MSA during the last decade. When economic growth was strong from mid-2000 through mid-2006, those relocating to the area reached an annual average of 55,000.

Las Vegas MSA Housing Unit Growth Outpaced Population and Household Growth During the Past Decade

Date of Census	4/1/2000	4/1/2010
Las Vegas MSA Population	1,375,765	1,951,269
Annual Growth Rate	-	4.2%
Las Vegas MSA Households	512,253	715,365
Annual Growth Rate	-	4.0%
Las Vegas MSA Housing Units	559,799	840,343
Annual Growth Rate	-	5.0%

Source: Census Bureau (2000 and 2010 Decennial)

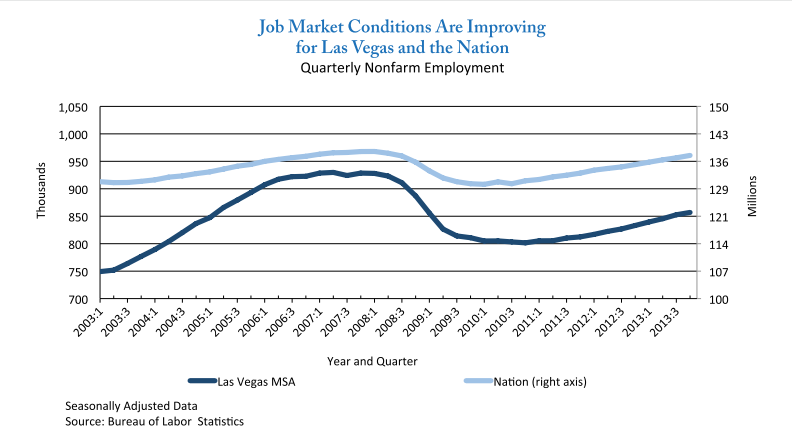
During the decade spanned by the Census, new housing production exceeded household growth in Las Vegas. Net annual housing unit growth of 5.0 percent during the last decade was greater than the corresponding population and household growth rates of 4.2 and 4.0 percent, respectively, in the Las Vegas metro area. According to the Census Bureau, the number of vacant units in the MSA increased by an average of 7,750 units, or 16.3 percent, annually, during the 2000s compared with a 4.4-percent national increase. This excess construction contributed to an oversupply of housing in the Las Vegas MSA and a sharp decline in home prices after the housing bubble burst. Investor speculation had a significant impact on the overbuilding in the years leading up to the housing crisis, as a relatively large share of home purchases in the MSA were by non-occupant investors. Specifically, from 2000 to 2005 investor home sales rose from 10.4 to 30.5 percent of total sales in Las Vegas, while the corresponding increase for the nation was from 8.0 to 14.8 percent. Subprime lending also contributed to overbuilding in the Las Vegas MSA. A study by the National Bureau of Economic Research shows that in 2005, Las Vegas ranked 4th out of the top 107 metropolitan areas with the highest share of subprime mortgage originations relative to housing units. According to a Wall Street Journal article, First American Loan Performance data indicates that 17.8 percent of all mortgages were subprime in the Las Vegas MSA as

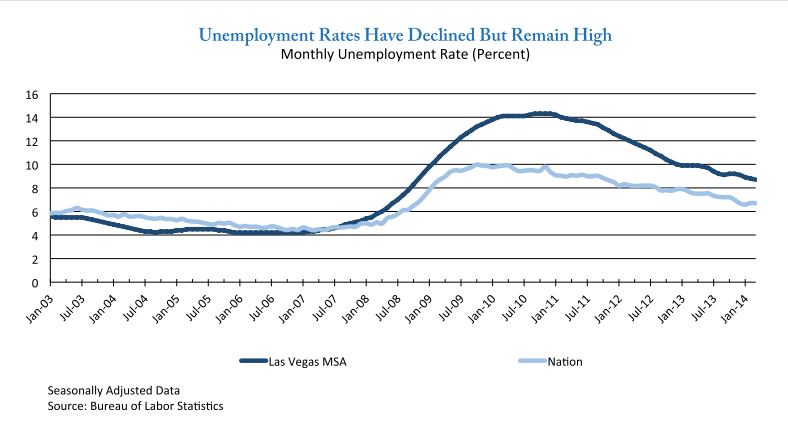
of December 2006, ranking 5th highest among large metropolitan areas. A conservative estimate based on HMDA (Home Mortgage Disclosure Act) data indicates that high-cost (proxy for subprime) originations tripled nationally between 1998 and 2005, while a study by the Center for Responsible Lending estimates that approximately 90 percent of subprime mortgages during that period faced increases in monthly payments of 30 to 50 percent within a few years, causing subprime loans to typically default at more than 7 times the rate of other mortgages. Many subdivisions of new homes in Las Vegas were left only partially complete as builders lost their financing or went bankrupt.

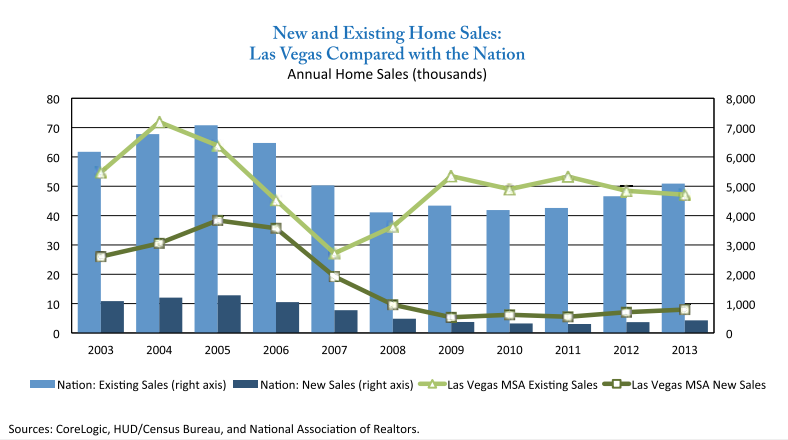
An economic recovery is underway in Las Vegas. The local economy experienced strong growth before a steep decline that began in 2008. From the second quarter of 2003 through the first quarter of 2008, nonfarm-payroll jobs increased at an average annual rate of 35,750, or 4.8 percent, compared with a national increase of 1.2 percent during the same period. The impact of the Great Recession was more severe for Las Vegas than for the nation. Jobs in the MSA declined at an average annual rate of 45,950, or 5.0 percent, from the second quarter of 2008 through the fourth quarter of 2010, compared with a national annual decline of 2.0 percent over the same period. The recovery from the recession started later in Las Vegas, but jobs are now accelerating at an average annual rate of 18,450, or 2.3 percent, from the first quarter of 2011 through the fourth quarter of 2013, compared with a national increase of 1.7 percent.

The Las Vegas MSA is known for tourism, particularly associated with gambling. However, during the recent recession, almost all private sectors in the MSA lost jobs. Job losses were largest in the construction and leisure/hospitality sectors, where jobs declined at average annual rates of 19,350 and 6,700, respectively. Job losses were also substantial in the professional and business services (5,500), financial activities (2,850) and manufacturing (2,325) sectors. The recovery of the Las Vegas economy has been led by the leisure and hospitality, professional and business services, and retail trade sectors with respective average annual increases in jobs of 4,825, 4,100 and 3,500. The unemployment rate for the Las Vegas MSA peaked at 14.3 percent in December 2010 and has since fallen to 8.7 percent as of March 2014. The national unemployment rate peaked in October 2009 at 10.0 percent, falling to 6.3 percent by April 2014.

Home sales in Las Vegas are improving. After reaching a peak of 71,900 units sold in 2004, purchases of existing home in the Las Vegas metropolitan area dropped by an average annual rate of almost 21 percent between 2005 and 2007. Existing home sales bounced back sharply in



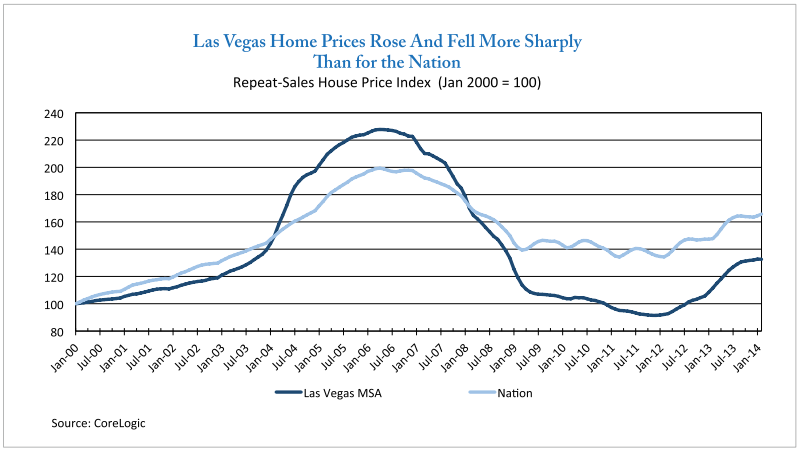


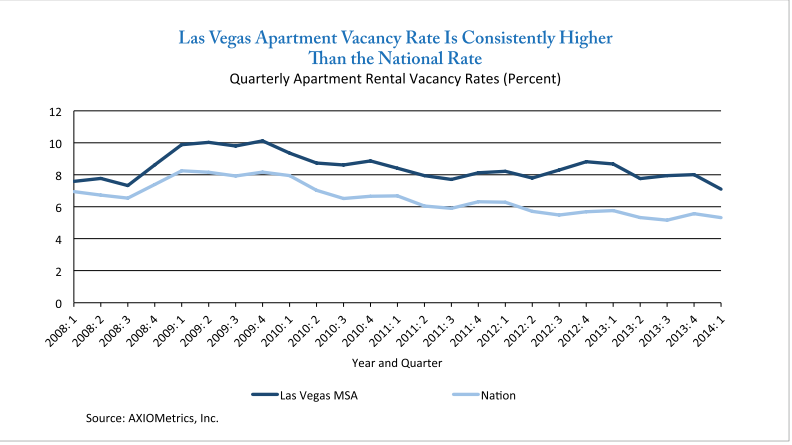


2008 and 2009 and have since maintained a level of approximately 50,000 units–increasing at an average annual rate of 12 percent from 2008 to 2013. By comparison, existing home sales in the nation peaked in 2005 and dropped by an average annual rate of 14 percent between 2006 and 2008; existing home sales began to rise in 2009, increasing at an average annual rate of nearly 5 percent from 2009 to 2013. Purchases of new home in Las Vegas peaked in 2005 at 38,400 units, before falling from 2006 through 2011 by an average annual rate of 14 percent. New home sales have since stabilized at approximately 7,500 units, increasing over the last two years at an annual rate of 22 percent (albeit on a low base). Nationally, new home sales peaked in 2005 before declining by an average annual rate of almost 13 percent from 2006 to 2011; sales have increased since at an average annual rate of 20 percent (also on a low base).

Home prices in Las Vegas rose and declined more steeply than for the nation during the housing crisis. The CoreLogic repeat-sales house price index (HPI) shows that home prices in the Las Vegas MSA peaked in the same month as the nation during the housing bubble, but rose 28 percentage points higher. The decline in home prices was also more pronounced in Las Vegas, with prices falling 60 percent from their peak in April 2006 to their low in December 2011. By comparison, the national peak-to-low (ending February 2012) drop was 33 percent. Investor speculation had a significant impact on the rise in home prices in Las Vegas during the bubble. Sales to investors averaged 21 percent during the rapid rise in Las Vegas metro home prices–much higher than the 11 percent share nationally. As described earlier, subprime lending was also a factor in fueling home prices in Las Vegas. A relatively high level of distressed sales (involving bank-owned properties or short sales) played a large role in the price decline in Las Vegas, as distressed sales–at 51 percent of existing home sales during Las Vegas' downturn–was more than double the 17 percent rate during the national peak-to-low period. Since the end of the bubble, home prices have increased by 45 percent in the Las Vegas metro area, nearly double the 23 percent rise for the nation. Home values in the Las Vegas MSA are currently on par with prices there in the third quarter of 2003.

Although vacancy rates in Las Vegas have begun to decline, the apartment market remains somewhat soft. According to AXIOMetrics, Inc., the Las Vegas MSA apartment vacancy rate was 7.1 percent in the first quarter of 2014, down from 8.7 percent a year earlier, representing soft market conditions. The decrease in the vacancy rate occurred because, despite increased construction, demand for rental housing was extremely high during the past year. The national apartment vacancy rate declined from 5.8 to 5.3 percent over the same period. During the fourth quarter of 2013, the average apartment rent in the Las Vegas MSA increased by 0.8 percent from a year earlier to $806; the average rent nationwide increased by 3.3 percent to $1,125 during the same period. Overall rental market conditions in the Las Vegas MSA remain weaker than the apartment market due to a high number of vacant single-family rental properties. According to the CPS/HVS (Current Population Survey/Housing Vacancy Survey) conducted by the Census Bureau, as of the fourth quarter of 2013 the overall rental vacancy rate for the Las Vegas MSA was 13.5 percent compared to a national rate of 8.2 percent. The 2012 ACS (American Community Survey) indicates that single-family homes accounted for 37 percent of all rental units in the Las Vegas metro area, while representing 29 percent of all rental units in the nation.



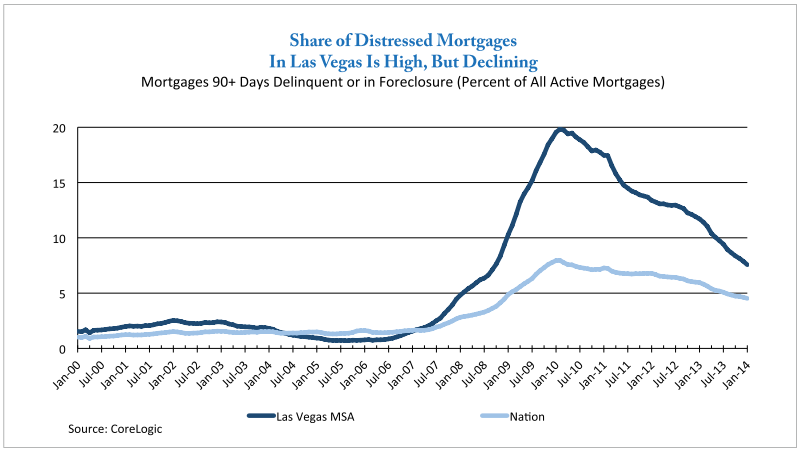


Trends in Mortgage Delinquencies and Foreclosures:

Since the beginning of 2010, the rate of mortgages at risk of foreclosure has declined substantially in Las Vegas. According to Black Knight Financial Service, Inc., as of February 2014 the Las Vegas MSA placed 37th out of 381 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process). During the last year, mortgages at risk of foreclosure in Las Vegas decreased by 48 percent—from 32,650 to 16,900–compared with a national decline of 35 percent over the same period. A partial explanation for the higher decline in the share of distressed mortgages in Las Vegas relative to the nation is a shorter foreclosure processing timeline. As of the first quarter of 2014, the average time to complete a foreclosure in Nevada was 386 days, somewhat less than the national average of 572 days. The rate of mortgages at risk of foreclosure in the Las Vegas MSA was slightly above the national rate from 2000 through mid-2004, and slightly below the national rate from mid-2004 through 2006, according to CoreLogic data. However, in 2007 and 2008 when the foreclosure crisis began and single-family foreclosures were largely driven by unaffordable non-traditional loan products, the increase in mortgages at risk of foreclosure in Las Vegas far exceeded the national trend. From the beginning of 2007 to the end of 2008, the share of distressed mortgages in Las Vegas rose from 1.6 to 9.3 percent, compared to a national increase of 1.6 percent to 4.5 percent. Beginning in 2009, foreclosures were increasingly driven by loss of income, unemployment, and strategic defaults as the economy worsened, according to research by the Federal Reserve Bank of Chicago. A sharp spike upward in the rate of distressed mortgages occurred in 2009 for both Las Vegas and the nation, although the spike was much more severe in Las Vegas–the share of distressed mortgages rose to 19.8 percent by early 2010 compared to 8.0 percent nationally. As of January 2014, the share of distressed mortgages has fallen to 7.6 percent in Las Vegas compared to 4.5 percent nationally.

Foreclosure Completion Rates in the Las Vegas MSA				
	First Quarter 2014		Since April 1, 2009	
Area	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Las Vegas	1,230	0.15%	104,850	12.5%
Nation	89,400	0.07%	3,784,300	2.9%

Note: Foreclosure Rates as Percent of All Housing Units;
Data through March 2014 for foreclosures since April 2009
Source: Realty Trac and Census Bureau



Realty Trac data show the rate of foreclosure completions in the Las Vegas MSA has been well above the national rate. From April 2009 through March 2014, the number of foreclosure completions as a percent of all housing units in the Las Vegas MSA was more than four times higher than the national rate–12.5 percent in Las Vegas versus 2.9 percent in the nation. Foreclosure completions have been trending downward nationally as well as in Las Vegas. For the first quarter of 2014, the rate of foreclosure completions in Las Vegas was 0.15 percent, 32 percent lower than a year earlier, but still more than double the national rate of 0.07 percent. Foreclosures in the nation declined 36 percent during the same period.

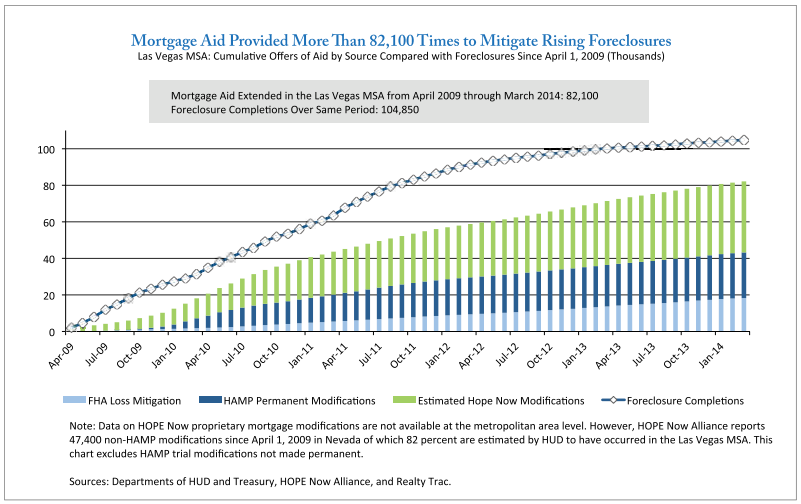
The efforts of numerous state and local entities and financial institutions in partnership with the federal government have helped contain the rate of foreclosures. State legislation also has had a significant impact on foreclosure activity in Nevada. The Nevada Foreclosure Mediation Program, which was created with the passage of State Assembly Bill 149 in 2009, has helped more than 4,725 homeowners retain their homes by finding alternatives to foreclosure through mediation. State Assembly Bill 284, which made it a felony for a lender to foreclose on a property without first providing legally notarized proof that it holds the mortgage, has also contributed to a decline in foreclosure activity since it was implemented in October 2011. The need for recovery efforts continues. CoreLogic reports that 32.6 percent of mortgages in the Las Vegas MSA were underwater as of the fourth quarter of 2013, down from 55.0 percent a year earlier, but still more than double the national average of 13.3 percent.

The Administration's Efforts to Stabilize the Las Vegas MSA Housing Market

The Administration's mortgage and neighborhood assistance programs–the Home Affordable Modification Program (HAMP), the Federal Housing Administration (FHA) mortgage assistance programs, the Neighborhood Stabilization Program (NSP), and the Hardest Hit Fund (HHF) program–combined with assistance from the HOPE Now Alliance of mortgage servicers and the National Mortgage Servicing Settlement have helped stabilize the Las Vegas MSA housing market.

From the launch of the Administration's assistance programs in April 2009 through the end of March 2014, over 82,100 homeowners have received mortgage assistance in the Las Vegas metropolitan area. Nearly 43,300 interventions were completed through the HAMP and FHA loss mitigation and early delinquency intervention programs. An estimated additional 38,800 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the Las Vegas metropolitan area is 78 percent of the number of foreclosures completed during this period (104,850). The relatively low ratio of mortgage assistance to foreclosures in Las Vegas since April 2009 (0.78 to 1 compared to 2 to 1 for the nation) is likely related to the persistently high unemployment rates in Las Vegas during this time, making it harder to effect mortgage assistance.

Under the landmark National Mortgage Servicing Settlement in February 2012, more than 20,413 Nevada homeowners have benefitted from over $1.9 billion in refinancing, short sales and completed or trial loan modifications, including principal reduction on first and second lien mortgages provided as of June 30, 2013. Nationwide, the settlement has provided more than $50 billion in consumer relief benefits to more than 631,000 families. That is in addition to the $2.5 billion in payments to participating states and $1.5 billion in direct payments to borrowers who were foreclosed upon between 2008 and 2011.



Given over three rounds, the **Neighborhood Stabilization Program** has invested $7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.

NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.

In addition to stabilizing neighborhoods and providing affordable housing, NSP funds have helped save jobs. Each home purchased, rehabilitated and sold through the NSP program is the result of the efforts of 35 to 50 local employees.

Overall, a total of $174 million has been awarded to the State of Nevada through NSP1 and NSP3. Of this, $154 million has been awarded to the Las Vegas MSA. Over 520 households in the Las Vegas MSA have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 30 to 50 owner-occupied and renter households.

Most NSP activities in the Las Vegas metropolitan area have involved acquisition of eligible single-family homes in targeted areas which were foreclosed upon or abandoned; rehabilitation of those homes; and either reselling or renting them to eligible homebuyers with incomes at or below

120 percent of the area median income. Exceptions to this general formula were the development of two small multifamily projects with NSP1 funds and a large demolition of blighted units and land banking of property with NSP3 funds. In addition, the grantees generated a total of $24 million in program income from the sale of rehabilitated homes which has been used to expand the NSP programs. Examples of how NSP funds have been put to use in the Las Vegas MSA are provided below.

- The **City of Las Vegas** received nearly $14.8 million under NSP1 and $10.5 million under NSP3. The City has been managing the NSP programs since 2009, donating all office space and supplies needed for the program. The program has proven to be both successful and sustainable. The original NSP1 and NSP3 awards allowed the city to purchase and rehabilitate 185 foreclosed single-family homes. The proceeds from the sale of those homes have been used to purchase more abandoned homes to further progress in returning Las Vegas neighborhoods to the healthy communities they once were. Program income from this initiative has allowed an additional 39 homes to be rehabilitated for a total of 224 homes. The recycled income is projected to continue through 2015, with a closeout early in 2016.

  One of the most notable projects funded by the State of Nevada and Clark County with NSP3 funds is improvement of the Rulon Earl area in the **City of Las Vegas**. Rulon Earl was created in 1979 as a mobile home park for seniors and is owned and operated by the Southern Nevada Regional Housing Authority. By the mid-2000s, Rulon Earl had become blighted and presented many safety concerns for its residents. The State of Nevada and Clark County leveraged a total of $2.6 million in NSP3 funds to build 80 new single-family units dedicated to serving disabled seniors with incomes at or below 50 percent of the area median income. Thirty-six percent of these units are already occupied. The Rulon Earl project has increased the security and livability of this area.

- Through an inter-local-government agreement, Clark County became the grantee for the **City of North Las Vegas**. The County received nearly $29.7 million in NSP1 funds and $20.3 million in NSP3 funds. A portion of the NSP3 funds was used to demolish 288 abandoned and blighted units and to land bank the property, known as Buena Vista Springs. HUD has been providing technical assistance to the City of North Las Vegas in establishing a redevelopment project for the land bank.

- The **City of Henderson** received $3.2 million in NSP1 funds and $3.9 million in NSP3 funds and has produced a total of $1.8 million in program income. A portion of these funds has been used to house 22 youths in a multifamily project operated by St. Jude's Ranch.

The Administration allocated $194 million from its **Hardest Hit Fund** to the state of Nevada. The Nevada Affordable Housing Assistance Corporation (NAHAC) administers the Nevada Hardest Hit Fund (NV HHF), which was launched in December 2010. As of March 31, 2014, NV HHF had assisted an estimated 5,188 Nevada homeowners with approximately $82.0 million, or about 42% of their total program allocation. The Nevada Hardest Hit Fund is actively helping homeowners at high risk of default or foreclosure through its Mortgage Assistance Program, which provides mortgage payment assistance for unemployed and underemployed homeowners who contribute to their payment. NAHAC is currently considering additional program options to expand assistance to underserved homeowners and to address ongoing negative equity concerns. For additional information, please visit http://nevadahardesthitfund.nv.gov/.

Las Vegas MSA NSP Activity (Housing Units)	Originally Projected	Completed
NSP1	349	433
Construction of new housing	29	29
Rehabilitation/reconstruction of residential structures	189	271
Demolition or Clearance	4	0
Homeownership assistance to low-and moderate income	127	133
NSP3	134	130
Construction of new housing	0	10
Rehabilitation/reconstruction of residential structures	89	87
Homeownership assistance to low-and moderate income	45	33