

Regional Housing Analysis: Diversifying Housing Type

Introduction

Southern Nevada was once the fastest growing community in the United States. While its growth has continued since the Great Recession, a housing crisis has emerged in which the average family may be unable to afford the average cost of rent or purchase of a home not to mention those with incomes under the median income. The Regional Planning team explored this multi-faceted challenge by investigating the future of housing affordability, housing stock type, and the overall balance between jobs and homes.

Housing type can change from a rural, suburban, or urban environment. Often, but not always, smaller or denser units can be less expensive, thus being available to a wide-range of residents. However, these same units may be unavailable for purchase since they are usually rental units, thus prohibiting residents from gaining the long-term benefits of home ownership. As such, housing type has a major influence on affordability, asset building, and economic opportunity. When housing stock is more homogenous than its residents prefer, the imbalance can contribute to higher costs, more or less availability, and the possible perception that a community may not be a “fit” for a specific type of resident.

In researching peer communities and surveying local residents for *Southern Nevada Strong*, housing choices emerged as a top priority for the region. SNS (page 74) describes that:

If development continues as it has in the past, some housing types and neighborhoods will be less available in the Las Vegas area than in competitor regions, limiting housing choice for Southern Nevadans. However, with well-planned and balanced housing, Southern Nevada residents will have homes that they can afford and they will be able to choose from a variety of housing styles, sizes and neighborhoods. From a longer-term perspective, planning for increased housing diversity and affordability also means ensuring housing availability and affordability that will keep people in the region and help to attract new residents and jobs to the area. Creating housing options that answer the needs of Southern Nevada’s diverse population, while sustaining and supporting existing neighborhoods, will result in a more prosperous, vibrant and inviting region.

SNS identified the following opportunities and priorities to invest in housing choices and future housing stock diversity:

- Maintaining an adequate supply of land with flexible zoning designations to meet the anticipated housing demand
- Developing housing to meet the needs of workers in future industry sectors
- Designing housing to meet the needs of residents with low mobility and/or disabilities
- Developing low-income and workforce housing in neighborhoods across the region
- Considering the needs of the aging population
- Educating and informing the population regarding housing choice, needs and rights

What does Southern Nevada look like today?

Southern Nevada’s housing market has mirrored the “boom” and “bust” trajectory of a single-industry economy. When tourism and the convention industry boomed, so did the local economy and wages across the community. However, following the events of September 11, 2001 and the 2020 global pandemic, when air travel plummeted, the local economy crashed and many were left unemployed for long periods of time. At the same time, Southern Nevada’s housing market also experiences a “boom” and “bust”



Housing type – the diversity of the housing stock between single family, multifamily, townhomes, or other such designs – can lend to options that reflect the diversity of Southern Nevada’s demographics and economic opportunity.

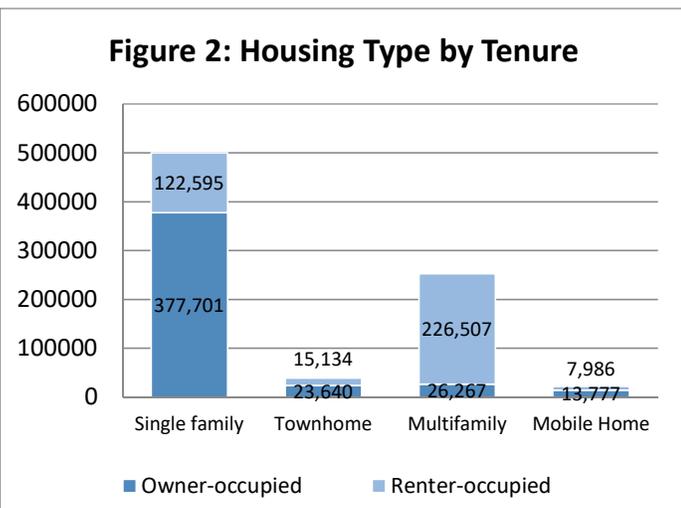
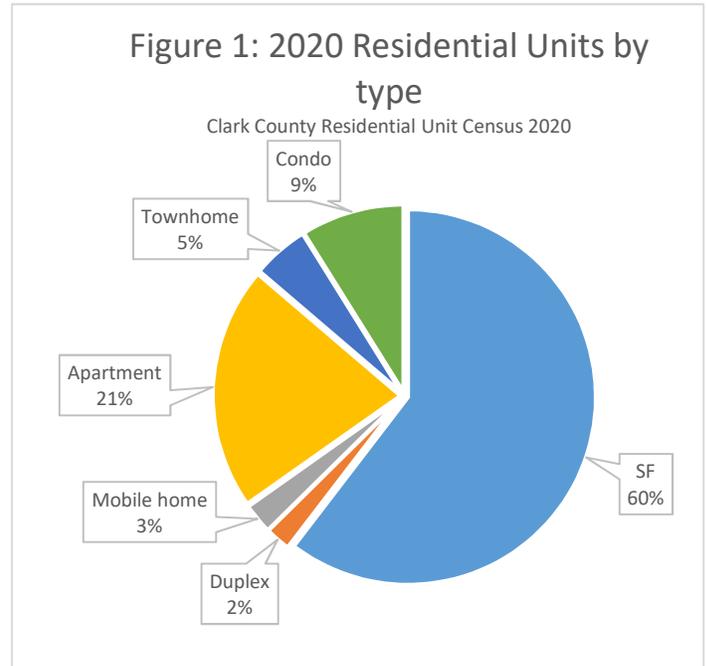
A strong mix of housing suggests options for young adults, growing families, aging citizens and the many combinations in between.

cycle, sometimes connected to the economic conditions like the 2009 Great Recession when the Las Vegas valley led the country in home foreclosure rates. However, the housing market unpredictably soared during the 2020 pandemic, possibly pressured by migration or by external demands, as those drawn to gaming and entertainment destinations purchase housing as secondary homes rather than primary. These extreme cycles have a catastrophic impact to the many families who may have been still recovering from the Great Recession during the start of the 2020 COVID-19 Pandemic. Specifically, millennials have been hit hard by the Great Recession and, although this generation is relatively well-educated, they have had limited ability to attain housing and are more likely to be living in multi-generation housing or holding off on homeownership altogether.

Housing growth within Southern Nevada largely followed the auto-centric design of many other younger and western communities. In 2020 (see Figure 1), 60 percent of the homes available are single-family detached units, likely resulting from the low cost of undeveloped land and construction sector that thrived throughout the 1990s “boom”. Low-rise apartments make up around 20 percent of the housing stock, with the remaining stock shared amongst townhomes, condominiums, mobile homes, or duplexes. More dense or attached housing products provide smaller and potentially more affordable residential stock. It’s important to note that this current mix of residential units by type may be a result more of the market conditions of new development rather than the preference of existing residents or future homebuyers.

When choosing the type of housing suitable for a resident, *The Clark County Housing Market Analysis* written during the SNS planning phase, the most influential factors that drive this decision are age of resident, size of household, and income¹.

Additionally, national trends have likely influenced the development of housing type. A decline in young adults entering the housing market in the late 1980-1990s may have resulted in a decline in construction of multi-family housing across the county. Currently within the US, there are relatively equal shares of householders ages 25-44 and 45-64, representing 35% and 37% of householders respectively. Householders age 65+ represent approximately 25%².



With the housing market dominated by detached single-family homes, which are generally the most expensive housing type³, few options for younger professionals or young families (assuming early career wages) exist for those to enter homeownership. Typically, duplexes, townhomes, or small lot single-family homes provide housing options to the “missing middle” – those with stable incomes that no longer qualify for government assistance, but may not be able to find rental units that cost less than 30 percent of their income. While multi-family options exist in Southern Nevada, there appears to be little opportunity to own these types, limiting families from investing in multi-family real-estate (condos and apartments).

¹ *Clark County Housing Market Analysis 2012-2035* April 12, 2013

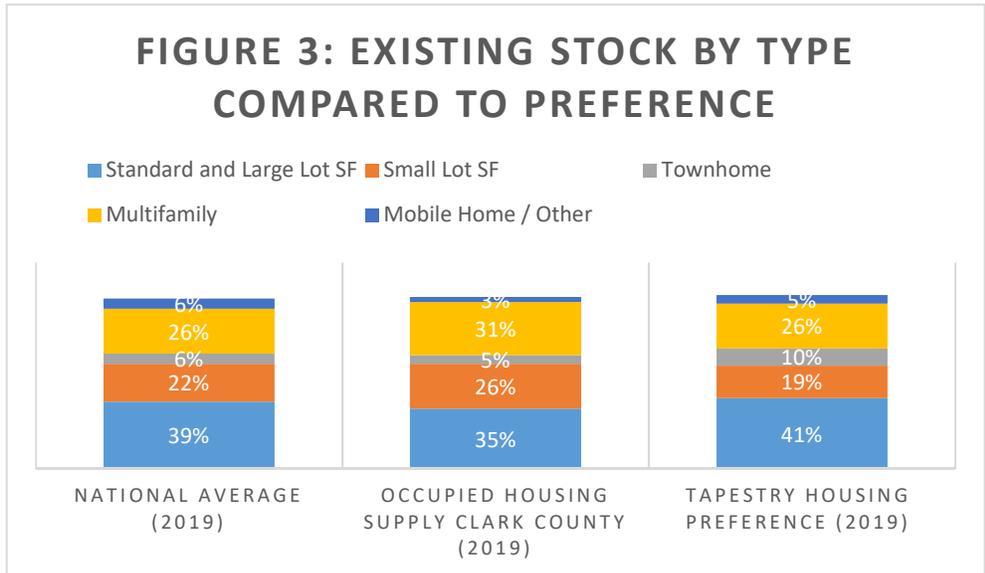
² Pendall, R., Freiman, L., Myers, D., Hepp, S. (March, 2012). Demographic challenges and opportunities for U.S. housing markets. Bipartisan Policy Center.

³ The average new home price is \$363,000 and around 2,000 square feet

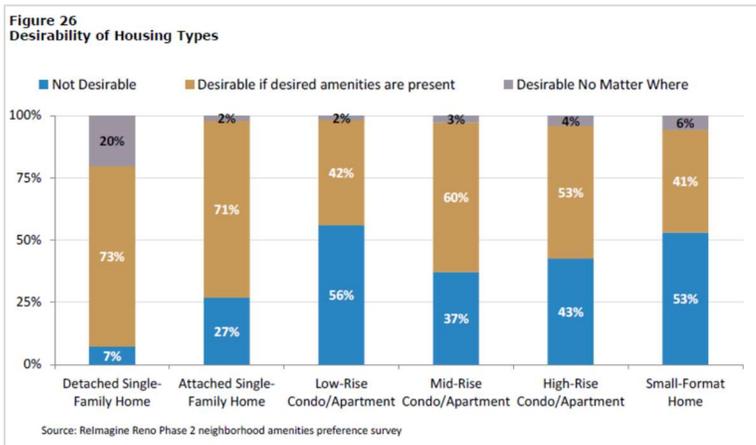
Figure 2 shows how residential type impacts the ability for families to own homes, by comparing owner versus renter occupied by type of home. Multi-family units are overwhelmingly rented rather than owned compared to single-family homes. This data may indicate that the types of residential units available for ownership and accessible for the community to purchase (likely in terms of income and transportation cost) are out of reach for the majority of residents.

Exploring housing preferences

In Southern Nevada, housing type occupancy is likely dependent on a number of interdependent economic conditions, rather than only the desirability of each type. Households may be choosing their housing based on proximity to employment or public transit or based on their ability to afford a unit. Data or research that identifies existing housing types and the demographics of those that occupy those units is significantly lacking, in regards to their age or other characteristics, making it difficult to assess preference by household make-up. Additionally, without a local survey to identify the preferences of Southern Nevada’s existing population, future projection is difficult to assess, this report relies on several national or Nevada-based studies and models.



A housing forecast was completed using [Envision Tomorrow's Balanced Housing Model](#), creating many of the graphs and tables seen in this report.⁴ The open-source model – which leverages demographic data and the power of scenarios to estimate a community’s future housing needs illuminated not just the potential on the future of housing in Southern Nevada, but also the existing inventory based on today’s demographics. For example, the model relies on more granular and specific data, Tapestry Segmentation, available from Esri. This analysis divides residential areas into 67 distinct segments based on socioeconomic factors and demographics⁵, which are used to predict future housing availability, affordability, and preferences. Based on the model, today’s housing mix for Clark County is slightly unbalanced compared to the preferences of the community’s segments. Seen in Figure 3, the region’s housing stock is made up of 31% multifamily units, while the existing population may only demand 26 percent of that type. At the same time, the existing



stock of small-lot single family homes is 26 percent compared to only 19 percent preference of that type. Imbalances like these could contribute to households renting versus owning residential units, trading off their preferences to units that may meet other needs like cost or proximity to amenities.

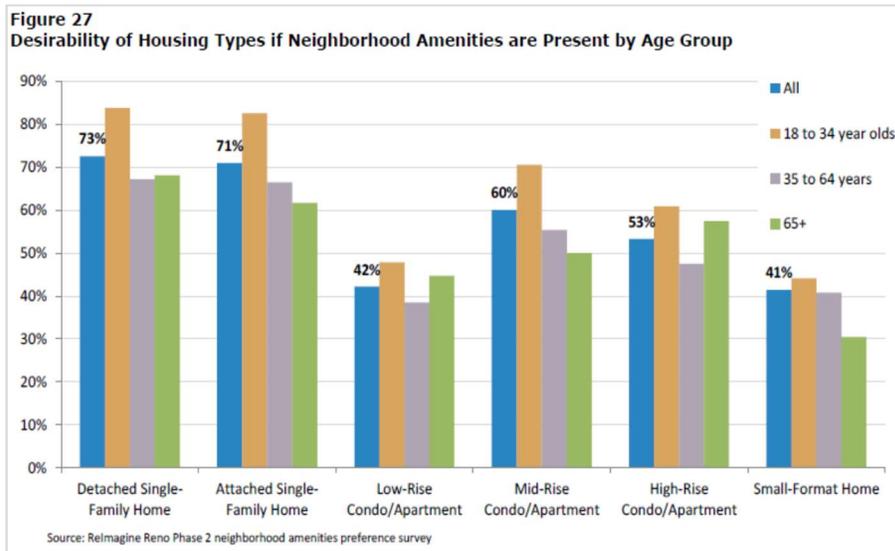
As part of the City of Reno Master Plan, researchers included a local housing preference survey that can illuminate the types of homes that are desired by various households and residents across age groups. These results mirror others found in national surveys and, due to similar economic conditions, Reno’s results may provide a glimpse into

⁴ The *Balanced Housing Model* has its origins in Oregon’s Statewide Goal 10 Housing Needs Analysis and the Portland Metro Region. Since its inception, it has been used in cities and regions across the country, most notably, Chicago where it is now the accepted standard for housing needs studies.

⁵ [Esri Tapestry Segmentation](#)

Southern Nevada’s needs. A few takeaways from the results of this survey include:

1. When looking at the type of homes that are desirable, preference may be associated with amenities that a neighborhood offers. In Figure 26 (taken from the City of Reno report), respondents identified that single-family homes are desirable regardless of amenities and location more than any other type of home. This could mean that there are residents that could never be convinced to leave a single family home regardless of the surrounding built environment and distance of amenities. However, in the case of other housing types, there is a clear mix of desirability based on amenities, which could be an indication that more research based on location is important when looking at housing type (see *SNS Regional Job to Housing Balance Brief*).



2. Figure 27 (also taken from the City of Reno report) shows that young adults, which can include young professionals and young families, prefer single family homes either attached or detached. While desirability for this type may be strong across all demographics, the current affordability of this type may be keeping potential homeowners from participating in the market (see *SNS Regional Housing Affordability Brief*).

3. Also in Figure 27, older residents (those 65 years and older) desire apartments and condominiums at the same rate as other age brackets, but with the majority of residential units being single family homes, seniors may not be able to find other options.

What will Southern Nevada look like in 2050?

As Southern Nevada has grown, it’s apparent that the population has shifted dramatically across demographics, and the future is no different. Shown in the projections in Table 1, the future population of Southern Nevada will be larger, more diverse, and older. As previously mentioned, age, household size, and income are the highest factors to influencing a household’s decision in their preferred type of home. A few observations that may influence the future’s housing demand:

- Growth in the 65 + population will create new demands for affordable and accessible housing, in addition to solutions for aging in place
- Growth in minority communities may impact housing demands based on cultural preferences that haven’t been seen at the same scale as the past
- Stagnation or relatively small changes in the population younger than 25 may indicate that family and household size may decrease, driving demand for smaller homes

Population (in thousands)	2020	2050	% change
Total Population	2391.37	2985.61	25%
White	1007.04	916.04	-9%
Black	264.04	325.49	23%
Hispanic	769.52	1252.07	63%
Other	350.77	492.01	40%
0-14	458.78	455.77	0
15-24	298.84	310.94	4%
24-64	1268.07	1442.59	14%
65+	374.05	744.82	99%
Labor Force	1139.89	1477.47	30%
Labor Force participation rate	.61	.60	

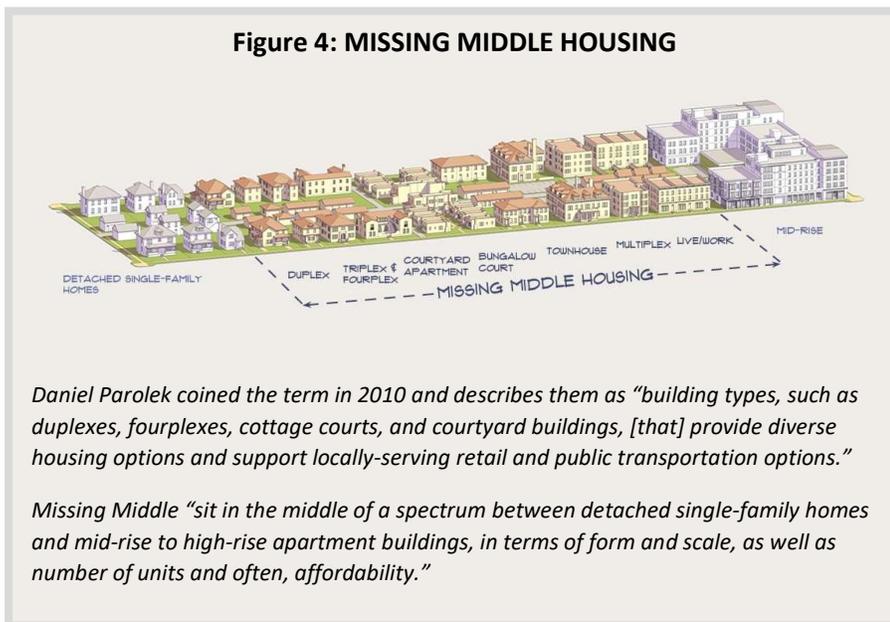
Source: CBER populations projections 2019

National research captured within *SNS* shows that these trends can impact the housing sector in other ways:

- Seniors will be selling off more units than they can occupy as they age and downsize
- Millennials have held out longer in buying a home, because they have had wage stagnation and high unemployment, which can lead to a pent-up demand once they are able to purchase
- Rental housing demand likely to climb in coming years based on stagnant wages
- Homeownership rates among Black and Hispanic American have suffered significant setbacks, but there is still a strong desire among many to own a home
- Transportation costs will be a key factor when households consider where to locate

What could Southern Nevada demand look like?

According to the Envision Tomorrow model, to meet future demand and replace obsolete stock, the region must add approximately 341,000 new housing units to the market by 2050. To do so, an average of roughly 11,000 new units need to be built each year, which is certainly feasible, given recent development trends⁶. However, just as important as ensuring an adequate supply of housing in total numbers is making sure new stock aligns with the preferences of those who will call Southern Nevada home. With the significant changes of the local community's diversity (as shown in Table 1) it's expected to impact housing demand dramatically. The region must diversify its housing stock by prioritizing *missing middle* housing types (see Figure 4) at the expense of large single family lots to meet future demand.



Traditionally, housing cost burden has not included transportation costs into its analysis; however, as more communities plan for housing, they have begun to consider how these costs may implicate a household's ability to not face unintended cost burden. In Southern Nevada, the majority of new residential land exists far from the center of the valley, thus increasing transportation costs for every new household. Low and middle income residents may be priced out of future homes based on this fact alone, likely resulting in future demand to be situated in existing neighborhoods and close to employment centers, public transportation, and services. If this prediction holds true, housing in infill areas may be an opportunity to fill the *missing middle* gap.

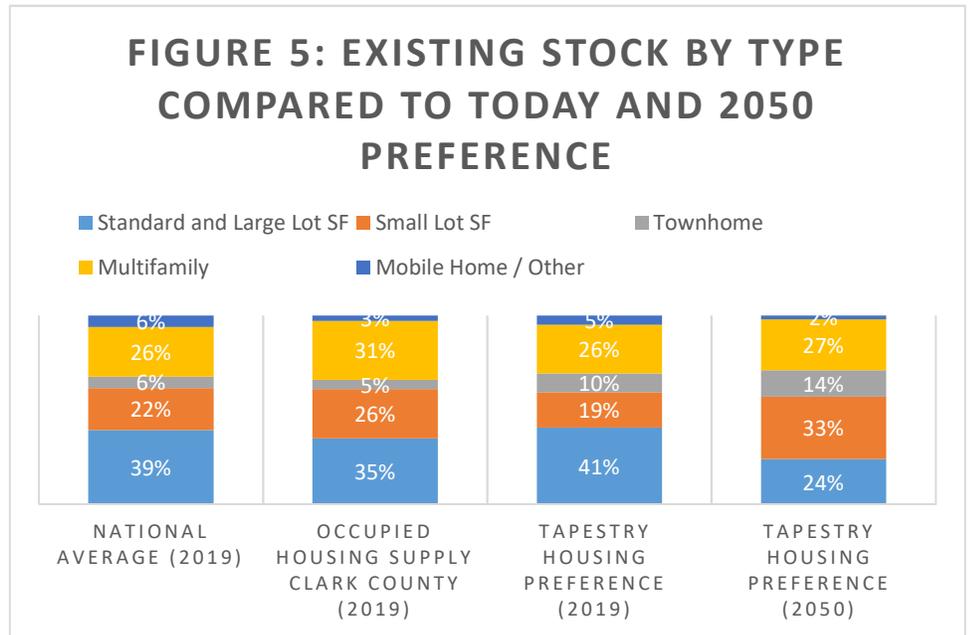
According to the Envision Tomorrow model, by 2050, householders age 65+ will represent approximately 52 percent of householders, while householders ages 25-44 and 45-64 will represent 19 percent and 25 percent respectively. This potentially creates new demands for affordable and accessible housing – as seniors are likely to live on fixed incomes and need physical amenities to continue to live independently. Sheer size of baby boomer population (all of who will be 65 or older by 2030) could cause a dramatic increase in the construction of senior-accessible housing over the coming decade. While seniors may not desire to leave their existing homes, 65% of respondents to a 2018 AARP survey desired to remain in their home or “age in place”⁷, a transition may be inevitable, thus increasing the stock of older homes, and increasing demand for smaller homes or supportive housing.

⁶ The region has seen an average of 11,400 new housing units per year since 2015, according to Clark County housing unit estimates

⁷ 2018 AARP “Home and Community Preference Survey”

Envision Tomorrow model provides other insight into future preferences (Figure 5):

- Currently, Clark County’s housing stock may be skewed compared to the preference of the current residents. The model shows that the community may prefer less small lot and multifamily homes as well as more large lot homes and townhomes.
- In order to align the market with predicted housing demand over the next decades, Southern Nevada needs to provide more small-lot single-family home and townhome options (combined 31% in 2019 compared with 47% predicted in 2050)
- While there will still be a market for single-family homes, housing preferences in the future will see more demand for small single-family lots and townhomes compared to 2019.



In addition to age changing the housing landscape, the Envision Tomorrow model predicts that the share of renters among populations 45-64 and 65+ will grow by 5 percent and 3 percent respectively. This increase, as a proportion to the increase in these populations, could be dramatic. Projections that assume 2010 rates (Table 2) of household formation and homeownership will extend unchanged to 2030 underscore the possibility that the nation will require large amounts of rental housing to meet demand for the remainder of the decade and beyond.

	Rent 2010	Own 2010	Rent 2030	Own 2030	Rent Change
Under 25	84%	16%	83%	17%	-1%
25-44	47%	53%	48%	52%	1%
45-64	26%	74%	31%	69%	5%
65+	23%	77%	26%	74%	3%

Recommendations for future research – Approaches to identifying future demand type

Southern Nevada faces many challenges to the housing market in 2021 and likely for the next several decades. The 2020 COVID-19 pandemic may be exasperating the issues that were likely to appear – increased demand of low cost units, likely rental properties; increased demand for high-end, high-cost units from new residents fleeing high cost states; and increased demands in unit that can accommodate multi-generational families.

In order to better understand this issue and prepare for the region’s impending growth, additional research on existing local preference could be an opportunity to strategize. A local survey to capture housing preference by age, family stage, income, profession and other demographics is a vital input to working on solutions. Another important tool will be planning various scenarios to include changing demographics and economic or environmental stressors that may change the economic conditions that Southern Nevada is so sensitive to, in order to be prepared for the next possible “boom” or “bust”.