Regional Housing Analysis: **Housing Affordability**

Southern Nevada has been among the nation's fastest growing regions for the better part of the last three decades. This rapid rate of development brought prosperity and opportunity to many, but also created challenges. Much of our new development has occurred on the edges of the region, and most of these new homes offer limited access to employment hubs and public transit. Additionally, in recent years, housing development has failed to keep pace with our population gains, which has led to growing affordability concerns.

To better understand Southern Nevada's housing needs and inform current and future policies and planning efforts, the RTC of Southern Nevada's Metropolitan Planning Organization (MPO) completed an assessment of the region's current and future housing balance. The assessment examined three important pieces of the region's housing puzzle – jobs-housing balance, affordability, and type. As part of the analysis, a housing forecast was completed using Envision Tomorrow's *Balanced Housing Model* to get a sense of what the region's housing market could look like in 2050.

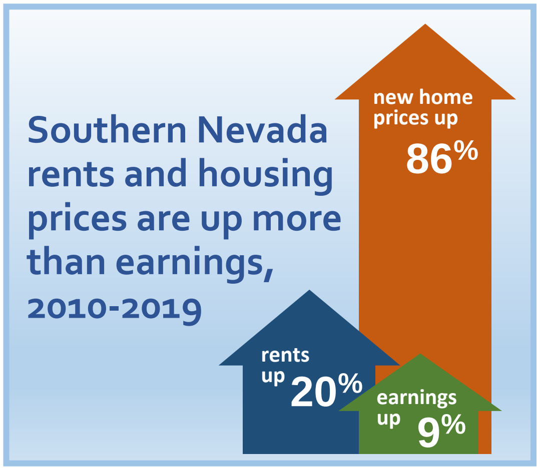
This document is one of three *report briefs* that share findings from this research.

Decreasing affordability in Southern Nevada

Once considered a strength of the region, Southern Nevada's low cost of living – driven largely by its housing market's relative affordability – has waned in recent years. Increased housing demand brought on by consistent population growth, coupled with lagging housing production since the last recession (see Figure 2), has predictably led to an increase in housing prices over the course of the decade.

In fact, Southern Nevada home prices have increased faster than nearly anywhere in the country in recent years[1]. As home prices have increased, affordability has decreased. In 2013, coming out of the Great Recession, nearly 80% homes sold in Southern Nevada were affordable to a family earning the local median income; by the end of the decade, the number dropped to 58%[2]. The affordability issue is more pronounced among renters. Just as home prices surged in recent years, so too have rents. Over the course of the decade, median gross monthly rent in the region increased 20%[3], peaking at nearly $1,200 in 2019.

FIGURE 1



Home price information from SalesTraq, New Home Median Closing Prices; Rent price information from U.S. Census Bureau, American Community Survey, 1-year estimates, Median Gross Rent (Table DP04); Earnings information from U.S. Census Bureau, American Community Survey, 1-year estimates, Median Earnings for Full-Time, Year-Round Workers with Earnings (Table S2001)

Housing cost burdens

Households are considered *housing cost-burdened* when they spend more than 30% of their incomes on housing-related expenses, which include costs like a mortgage, rent, and utilities. They are considered *severely cost-burdened* when more than half of their income goes toward housing. When households are housing cost-burdened, they have less to spend on other necessities, such as food, clothing, transportation, and healthcare. In addition to financial constraints cost-burdened households face, research also finds that the lack of affordable housing is also associated with other impacts, including both physical and mental health outcomes, especially among low-income households and vulnerable populations, according to a Center for Housing Policy research summary.

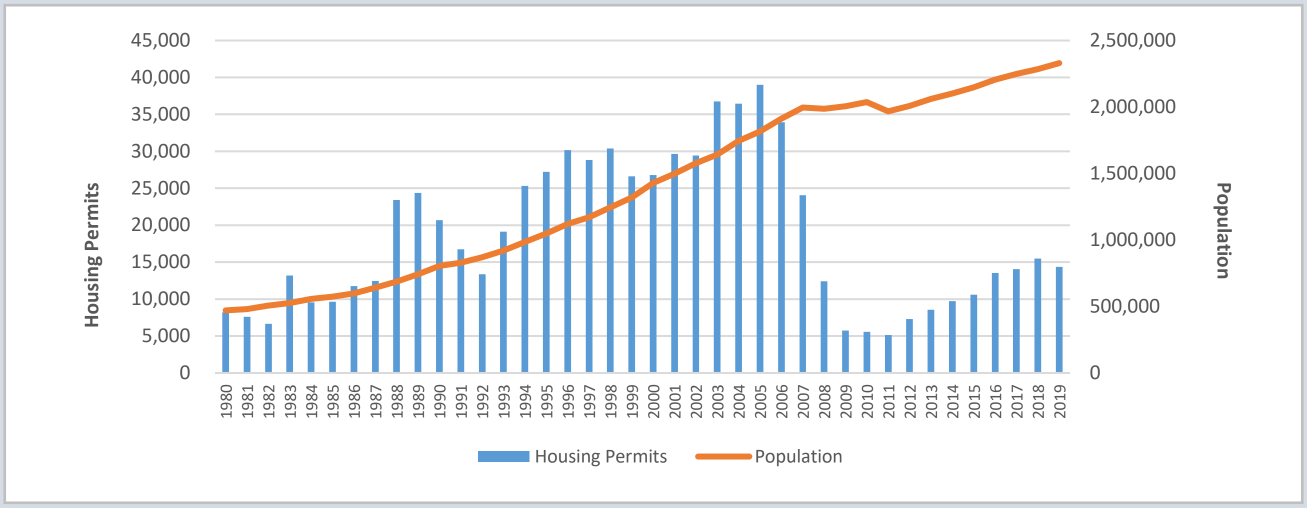
[1] S&P CoreLogic Case-Shiller U.S. National Home Price Index
[2] National Association of Home Builders (NAHB)/Wells Fargo, Housing Opportunity Index
[3] U.S. Census Bureau, American Community Survey, Single-year estimates (Table DP04)

FIGURE 2

Housing Permits & Population Growth in Southern Nevada

Driven by the rapid and sustained influx of new residents, housing production increased fairly consistently through most of the 90s and early 2000s. Annual housing construction permits effectively doubled during the time period, jumping from approximately 20,000 in early 90s to a high of 39,000 in 2005.

However, housing construction dropped precipitously during the Great Recession. New residential construction permits fell to roughly 5,000 per year during the recession – levels lower than the region saw in the early 80s – even as the population continued to climb. And while production has increased in the years since the recession, housing permits are still less than half what they were prior to 2007.



Population data from U.S. Census Bureau, American Community Survey, 1-year estimates, Total Population (Table B01003); Housing permit data from UNLV, Center for Business and Economic Research (CBER)

Additionally, in many major metro areas, affordable housing is not located near job centers, which increases transportation costs (see *Regional Housing Analysis: Jobs-Housing Balance* report brief) and greenhouse gas emissions that result from longer commutes

Current condition

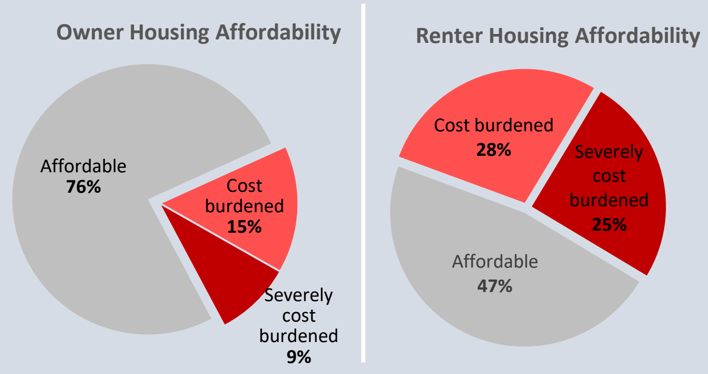
Today, an estimated 290,000 Southern Nevada households are cost burdened[4]. That means more than 1 in 3 households spend more than the recommended 30% of their income on housing-related expenses. While the share of cost-burdened households in the region has improved dramatically over the course of the past decade, the percentage of cost-burdened households in Southern Nevada has remained 15-20% higher than the national rate.

When digging into local housing affordability data a little more, affordability patterns and distinctions begin to emerge that

FIGURE 3

Southern Nevada Housing Affordability by Tenure

A typical standard to determine affordability is that a household should pay no more than 30% of household income for housing-related expenses. Households paying more than this are "cost burdened," and may have fewer resources to pay for other necessities. Households spending more than half of their income on housing expenses are considered "severely cost burdened."



Housing cost data from U.S. Census Bureau, American Community Survey, Single-year estimates (Table DP04)

[4] U.S. Census Bureau, American Community Survey, Single-year estimates (Table DP04)

paint a clearer picture of what types of households are most impacted by the region's housing affordability challenges. Clear differences exist between renters and owners (see Figure 3). More than half of renters are cost burdened in Southern Nevada, compared to less than a quarter of homeowners. And 25% of renters in Southern Nevada are severely cost burdened, meaning they spend more than 50% of their monthly income on rent. A wage of nearly $30 per hour is needed to afford a typical 2-bedroom apartment and utilities in the Las Vegas region, [according to the Nevada Housing Coalition].

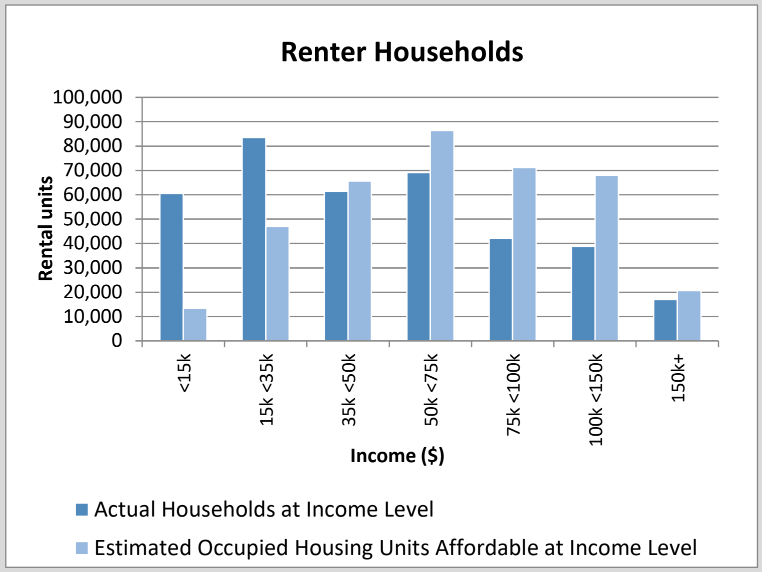
When it comes to the rental market in Southern Nevada, there's an extreme shortage of units affordable to households earning less than $35,000 per year. For the 144,000 households in the region in this income bracket who rent, there are only approximately 60,000 units affordable to them, forcing the majority to occupy rental properties outside of their price range (see Figure 4, top graph). At the other end of the spectrum, southern Nevada also has an oversupply of rental units with prices appropriate for households at the highest income levels.

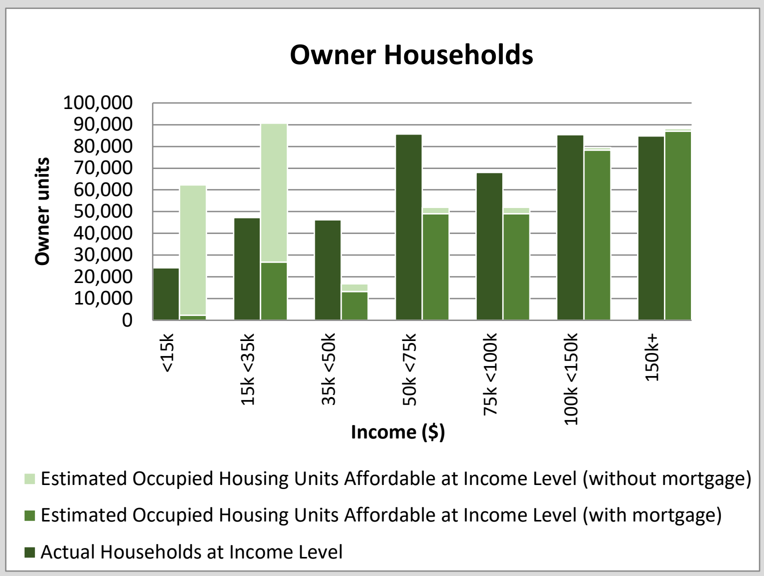
Assessing affordability shortages and surpluses by income among the owner households is less straightforward than for renters, largely due to the fact that roughly 135,000 households in the region don't have a mortgage, significantly lowering their housing expenses. This makes it appear as though the region has a surplus of housing affordable to households in the lowest-income brackets (see Figure 4, bottom graph), when in reality, many of these units would likely be unaffordable to these households if they were on the market[5]. However, the apparent shortage of housing affordable to middle-income households does align with findings of local studies, which have found that, increasingly, the impacts of the region's affordable housing shortage are being felt by working class households that earn too much to qualify for housing assistance programs, but are underserved by the housing market. This shortage forces these middle-income households to occupy housing either (a) more

FIGURE 4

Comparing Household Incomes with Occupied Housing Units Affordable at 30% of Income Based on Total Housing Expenses

Housing expenses include costs such as payments for rent or mortgages, common utilities, insurance, and any applicable housing-related taxes and fees.





Housing cost data from U.S. Census Bureau, American Community Survey, Single-year estimates (Table DP04)

[5] Additional research and analysis, outside the scope of this research brief, could be done to develop more accurate estimates, based on market values of housing units without a mortgage.

appropriate for lower-income households, exacerbating the shortage of units available to lower-income households, or (b), above their price range, making them housing cost-burdened.

Shortages in units affordable to extremely low-income renters and middle-income households have been highlighted and examined both locally and nationally. The National Low Income Housing Coalition's 2021 *The Gap* report, which assesses shortages in affordable rental homes, found that of the 50 largest metropolitan areas in the U.S., extremely low-income renters face the most severe shortages in the Las Vegas region, with 16 affordable and available rental homes for every 100 extremely low-income renter households[6]. The report also found that nearly 90% of extremely low-income renters in the region are severely cost-burdened[7]. Southern Nevada's "missing middle" housing shortage was the focus of *The Housing Affordability Gap in Southern Nevada*, a report published by Nevada HAND, the region's largest affordable housing developer, in 2017.

Subsidized housing

A significant factor in explaining housing cost burdens in Southern Nevada is the lack of subsidized housing in the region. Only 2.4% of the region's housing stock is made up of subsidized affordable housing[8]. In total, there are approximately 21,500 subsidized housing units in the region[9], which equates to roughly 9 units per 1,000 residents (a rate significantly less than Washoe County and the U.S., which are both above 15). And despite the region's consistent population growth in recent years, the total number of subsidized affordable units in the region has decreased by more than 500 units since 2014[10]. The Nevada Housing Division estimates that it would take 140,000 affordable units being made affordable[11] to meet the region's remaining need[12].

When looking specifically at HUD-assisted[13] rental housing, the Las Vegas region again ranks among the worst in the country. Just 4% of the region's total rental stock is made up of HUD-assisted units, according to *The Gap*. Comparatively, around 20% of the rental housing in Providence, Rhode Island consists of HUD-assisted units[14], which is top in the country.

Future need

As part of the Regional Housing Analysis, a housing forecast was completed using Envision Tomorrow's *Balanced Housing Model*[15]. The open-source model – which leverages demographic data and the power of scenarios to estimate a community's future housing needs – is one tool to better understand what the region's housing market could look like in 2050.

According to the model, to meet future demand and replace obsolete stock, the region must add approximately 441,000 new

FIGURE 5

Southern Nevada Population Overview (2019 & 2050)

	2019	2050
Total population	2,226,715	3,067,000
Age		
0-14	450,330 (20%)	455,770 (15%)
15-24	284,460 (13%)	310,940 (10%)
25-64	1,244,080 (56%)	1,442,590 (47%)
65 and older	355,620 (16%)	744,820 (24%)
Race & ethnicity		
Black	257,980 (12%)	325,490 (11%)
Hispanic	743,590 (33%)	1,252,070 (41%)
White	991,930 (46%)	916,040 (30%)
All other	430,980 (19%)	492,010 (16%)

2019 population data and 2050 population projections from UNLV, Center for Business and Economic Research (CBER) 2019-2060 Population Forecast. Percentages in the "Race & ethnicity" category do not add up to 100% because "race" and "ethnicity" are separate categories in the ACS.

[6] National Low Income Housing Coalition (NLIHC), "The Gap: A Shortage of Affordable Homes," March 2021 (p. 10)
[7] National Low Income Housing Coalition (NLIHC), "The Gap: A Shortage of Affordable Homes," March 2021 (p. 11)
[8] Calculated using data from the Nevada Housing Division and Clark County Comprehensive Planning Department
[9] The Nevada Housing Division maintains a list of subsidized housing within each jurisdiction in the state. Housing types included in the list are all types of tax credit properties, private or non-profit properties with property based HUD rental assistance, public housing, USDA Rural Development housing, properties owned by regional housing authorities, and some properties built or assisted with HOME, Low-income Housing Trust Funds or Neighborhood Stabilization Program funding, as well as a small number of properties with other miscellaneous funding. To be included on the list, the properties must either have project based rental assistance, or deed restrictions or other agreements restricting income levels of occupants or rent levels.
[10] Nevada Housing Division, "2020 Annual Housing Progress Report," February 2021 (p. 11)
[11] This could be accomplished many ways, including but not limited to: making existing units affordable through vouchers or renters tax credit, or building new affordable units.
[12] Nevada Housing Division, "2020 Annual Housing Progress Report," February 2021 (pp. 12-14)
[13] The U.S. Department of Housing & Urban Development administers several programs that incentivize affordable housing development and subsidize housing costs for low-income households
[14] National Low Income Housing Coalition (NLIHC), "The Gap: A Shortage of Affordable Homes," March 2021 (pp. 10-11)
[15] 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.

housing units to the market by 2050 (see Table 1). This would require an average of roughly 14,000 new houses to be built each year, which is certainly feasible given recent development trends in the region[16]. However, just as important as ensuring an adequate supply of housing in total numbers, is making sure new stock aligns with affordability needs. To do so, the region must prioritize housing affordable to low- and middle-income earners.

For rental housing, 88% of 202,000 units needed by 2050 need to be affordable to households with incomes below $35,000 to meet future demand (see Table 2). This means that nearly 180,000 rental units should have rents less than $900 per month, and roughly half of those need to be less than $400 per month (in 2019 dollars). For owner housing, a clear need exists for units affordable to households at extremely low income (those who earn less than $15,000 annually) and middle-income levels (specifically those who earn between $35,000 and $50,000). More than 50% (126,000) of the nearly 239,000 owner units needed by 2050 to meet projected demand need to be affordable to households in these income brackets (see Table 3). The majority of the remaining future need for owner units is divided fairly evenly among income brackets above $50,000:

- $50,000 - $75,000: 11%
- $75,000 - $100,000: 10%
- $100,000 - $150,000: 14%
- $150,000 and above: 11%

Table 1

	All units (2050)							
Clark County	<$15k	$15k - $35k	$35k - $50k	$50k - $75k	$75k - $100k	$100k - $150k	$150k+	Total
Target Units Needed to Meet Projected Demand	148,277	95,641	91,317	42,136	23,836	32,634	29,461	440,536
Additional Units Beyond Forecasted Need Within this Income Range	-	2,660	-	-	13,844	17,594	-	-

Table 2

	Rental units (2050)							
Clark County	<$15k	$15k - $35k	$35k - $50k	$50k - $75k	$75k - $100k	$100k - $150k	$150k+	Total
Target Units Needed to Meet Projected Demand	86,315	91,200	27,544	15,577	-	-	4,158	202,028
Additional Units Beyond Forecasted Need Within this Income Range	-	-	-	-	13,844	17,594	-	-

Table 3

	Owner units (2050)							
Clark County	<$15k	$15k - $35k	$35k - $50k	$50k - $75k	$75k - $100k	$100k - $150k	$150k+	Total
Target Units Needed to Meet Projected Demand	61,962	4,441	63,773	26,559	23,836	32,634	25,303	238,508
Additional Units Beyond Forecasted Need Within this Income Range	-	2,660	-	-	-	-	-	-

Results in Tables 1-3 from Envision Tomorrow's "Future Housing Model" using Esri "Tapestry Segmentation" data and housing cost data from U.S. Census Bureau, American Community Survey, Single-year estimates (Table DP04)

Addressing the need

The *Southern Nevada Strong (SNS)* regional plan lays out a clear vision for housing in the region. Among the plan's recommendations for realizing a housing market that meets the needs of the entire Southern Nevada community include developing more low-income and workforce housing, and diversifying the types of housing available in the region. According to the plan, to reach these goals, housing must become a regional priority that is tackled across sectors and industries. And in recent years, local and state leaders – from elected officials and academics to housing advocates and nonprofit leaders – have increasingly devoted resources to better understanding and addressing the issue. Though progress has been slow, Southern Nevada must continue to actively prioritize housing affordability in the coming years and champion informed decision-making.

Improving housing affordability at the regional level is no small task. Like all housing-related issues, affordability should not be examined or addressed in a vacuum. The complexity of the housing market requires a holistic approach that addresses both producers

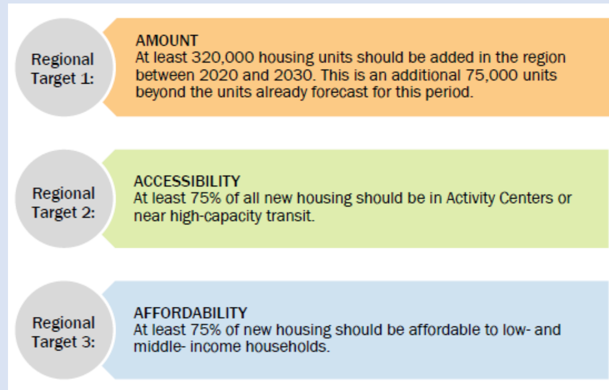
[16] The region has seen an average of approximately 13,000 new housing units per year since 2017, according to Clark County housing unit estimates

and consumers, and includes a diverse set of stakeholders. Further examining and addressing potential barriers or misalignment could yield positive outcomes. Additionally, aligning economic and workforce development efforts with future housing planning warrants further exploration. Improving the economic prospects of the region, especially for those in the lowest income brackets, could result in affordability gains. The importance of land use and zoning should also not be discounted. Across the country, cities tend to constrain the supply of housing through zoning restrictions. Allowing for more affordable housing types – such as accessory dwelling units, multiplexes, apartments, and tiny homes – along with increased density could also increase affordability (see *Regional Housing Analysis: Diversifying Housing Type* report brief). The location of housing, also a function of land use, is also an often overlooked factor that ties closely to housing affordability. Ensuring that housing affordable to lower- and middle-income earners is near job centers and in close proximity to public transit can reduce transportation costs, which many experts contend is necessary to understanding the true price of housing[17].

FIGURE 6

The Future of Housing in Greater Washington

The Washington D.C. metropolitan region used the results of a comprehensive housing analysis to establish regional targets for future housing development. The targets, which were developed collaboratively with input from local housing and planning directors, aimed to address three important aspects of housing:



To better understand the true scope and nature of the region's housing crisis, a comprehensive housing assessment should be undertaken. More precise and locally-specific projections could likely be obtained through a more concerted and collaborative process that included data sharing, fine-tuning inputs, and adjusting model assumptions. A truly collaborative and data-driven assessment could help the region establish targets for future housing production and affordability (see Figure 6, for example).

[17] See: U.S. Department of Transportation, Housing And Transportation Affordability