

RENO MSA INDUSTRY TRENDS-JANUARY 2020

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Business Activity, Construction, and Housing indexes provide a simplified look at important industry trends within the Reno MSA economy.

Business Activity Index January 2020

Provides historical and current trends for business activity in the Reno MSA region.

Construction Index January 2020

Provides historical and current trends for the construction industry in the Reno MSA region.

Housing Affordability Index 4Q 2019

Provides historical and current trends for housing affordability in the Reno MSA region.

Business Activity Index						Construction Index						Housing Affordability Index				
January 2020						January 2020						4Q 2019				
Provides historical and current trends for business activity in the Reno MSA region.						Provides historical and current trends for the construction industry in the Reno MSA region.						Provides historical and current trends for housing affordability in the Reno MSA region.				
0.04% ↑						-6.15% ↓						1.45% ↑				
% Change	Taxable Sales	Taxable Gaming Revenue	Nonfarm Employment	Airport Passengers	Airport Cargo	% Change	Construction Employment	Commercial Building Permit Valuation	Commercial Building Permits	Residential Building Permit Valuation	Residential Building Permit Units	% Change	Median Price of SF Homes	Median Family Income	30-Year Fixed Mortgage Rate	Required Qualifying Income
Month to Month	0.21% ↑	0.13% ↑	0.17% ↑	0.17% ↑	-0.63% ↓	Month to Month	0.14% ↑	-28.49% ↓	-8.57% ↓	0.03% ↑	-1.44% ↓	Quarter to Quarter	-0.33% ↓	1.49% ↑	1.09% ↑	0.04% ↑
1.48% ↑						-34.02% ↓						4.33% ↑				
Year to Year	2.81% ↑	-2.54% ↓	1.93% ↑	5.32% ↑	-2.04% ↓	Year to Year	0.60% ↑	-60.40% ↓	-77.06% ↓	-13.88% ↓	-18.63% ↓	Year to Year	1.54% ↑	3.03% ↑	-7.75% ↓	-1.24% ↓

The Reno MSA Business Activity and Construction Indexes are created using the composite methodology introduced by the Department of Commerce and made popular by The Conference Board. All data variables are monthly, seasonally adjusted using the moving average method, and all series reported in dollar terms are adjusted for inflation. The Business Activity Index is based on data starting January 1995, with 1995=100. The Construction Index is based on data starting January 2001, with 2001=1000.

The Reno MSA Housing Affordability Index is based on a ratio of median family income to qualifying family income, the income necessary to purchase a median priced home in Washoe County. Qualifying income is estimated using a mortgage calculator with inputs for median home price, average 30-year fixed mortgage rate, and housing-related expenses (property tax, utilities, and mortgage insurance). Annual median family income data lags a year and is estimated quarterly using the national Employment Cost Index data for wage and salary increases for each quarter. This index is based on annual data between 1997 and 2018, with data starting in the 1st Quarter (1Q) 2019 estimated on quarterly basis.

The following variables are included in each index:

Business Activity Index

- MSA Employment
- WC Gaming Revenue
- WC Taxable Sales
- RTIA Passengers
- RTIA Cargo

Construction Index

- MSA Construction Employment
- WC Commercial Permits
- WC Commercial Permit Valuation
- WC Residential Permit Units
- WC Residential Permit Valuation

Housing Affordability Index

- WC Median Price of New and Existing SF Homes
- MSA Median Family Income
- US 30-Year Fixed Mortgage Rate

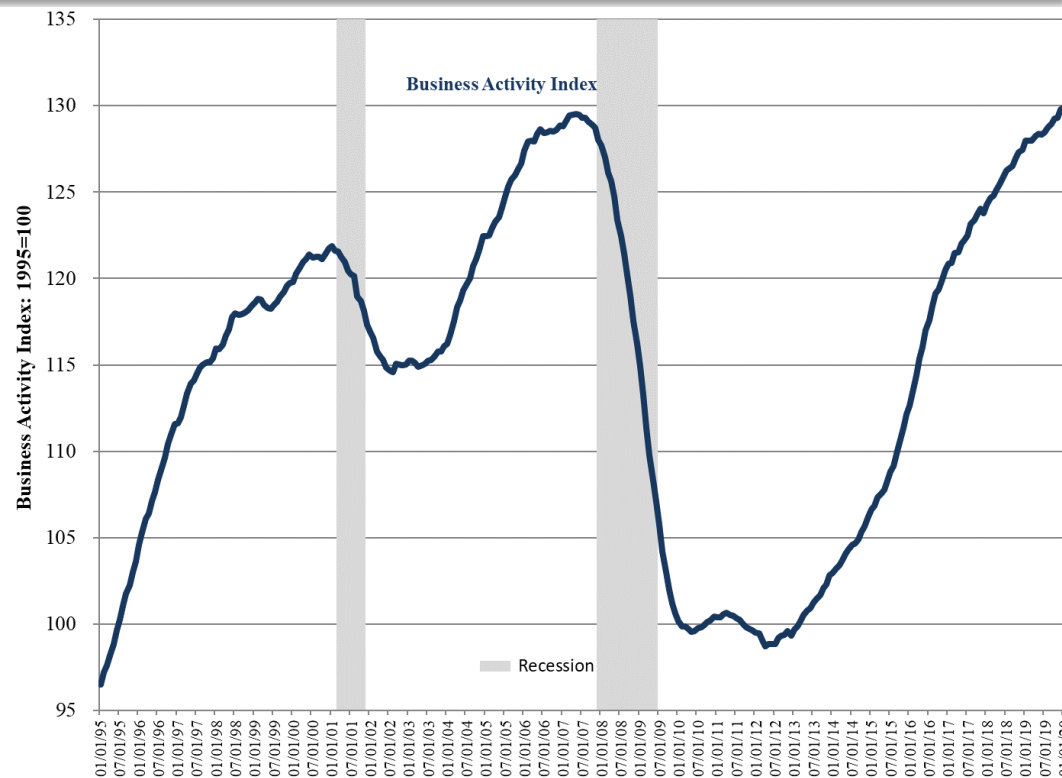
* MSA-Reno Metropolitan Statistical Area * WC-Washoe County * RTIA-Reno Tahoe International Airport *SF-Single Family

Reno MSA Business Activity Index

Reno MSA Business Activity Index increased between December 2019 and January 2020, the 25th month of growth after a small (0.20%) index decrease in December 2017.

The Reno MSA Business Activity Index provides a simplified picture of business activity in the Reno MSA region. While similar to our Reno MSA Leading Economic Index, this index excludes some local residential indicators and all national indicators to arrive at a local business activity index. As with the leading index, taxable sales and airport data for this index is projected using average 12-month, year-over-year change for the variable.

The Index shows a 0.04% increase between December 2019 and January 2020. The index increased by 1.48%



Series	Latest Period- January 2020	Prev. Period-	Change	Prev. Year- January 2019	Change
		December 2019	Prev. Period		Prev. Year
Taxable Sales (Washoe Co., SA, CPI)	454,908,948	453,955,740	0.21%	442,461,262	2.81%
Taxable Gaming Revenue (Washoe Co., SA, CPI)	42,668,024	42,613,625	0.13%	43,779,178	-2.54%
CES Employment (Reno MSA, SA)	248,308	247,875	0.17%	243,608	1.93%
Airport Passengers (Reno Tahoe Airport, SA)	371,531	370,889	0.17%	352,755	5.32%
Airport Cargo Lbs. Shipped (Reno Tahoe Airport, SA)	12,163,942	12,241,641	-0.63%	12,417,311	-2.04%
Business Activity Index Result	129.85	129.80	0.04%	127.96	1.48%

Source: Nevada Department of Taxation, Nevada Gaming Control Board, Current Employment Statistics (CES)-Bureau of Labor Statistics, and Reno-Tahoe International Airport.
SA-Series results are seasonally adjusted. CPI-Series results are adjusted for inflation to 1995.

over the same period last year (January 2019 and 2020).

Taxable gaming revenue series declined for much of 2019, but increased in January compared to the previous month, but remained lower than the previous year. Airport cargo pounds shipped also declined for much of 2019, declining again in January.

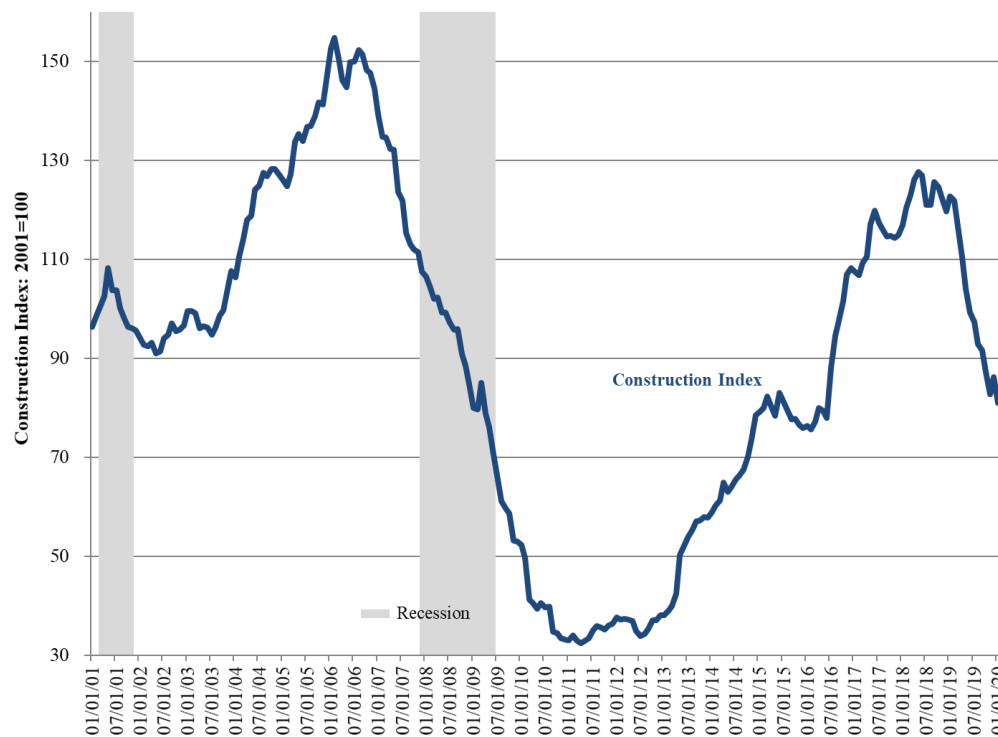
Reno MSA Construction Index

Reno MSA Construction Index declined between December 2019 and January 2020, following a mainly declining trend in the index started in mid-2018.¹

The Reno MSA Construction Index provides a picture of the performance of the construction industry in the Reno MSA region. Currently, no single variable represents the condition of the construction industry in the area. By combining multiple construction-related indicators into a single number, the Construction Index represents the state of the construction industry each month, allowing for comparison of trends in the industry over time.

The index shows a decline of 6.15% between December 2019 and January 2020. The index declined by 34.02% compared to the same month in the previous year (January 2019 and 2020).

Construction employment in the region continues to grow.



Series	Latest Period- January 2020	Prev. Period-	Change Prev. Period	Prev. Year- January 2019	Change Prev. Year
		December 2019			
Reno MSA Construction Employment (SA)	18,067	18,042	0.14%	17,958	0.60%
Washoe Co. Commercial Building Permit Value (SA, CPI)*	14,503,792	20,282,050	-28.49%	36,623,727	-60.40%
Washoe Co. Commercial Building Permits (SA)*	5.3	5.8	-8.57%	23	-77.06%
Washoe Co. Residential Building Permit Value (SA, CPI)*	44,669,062	44,653,466	0.03%	51,868,746	-13.88%
Washoe Co. Residential Building Permit Units (SA)*	314	318	-1.44%	386	-18.63%
Construction Index Result	80.97	86.27	-6.15%	122.72	-34.02%

Both commercial permit series declined this month and compared to the same month last year. Residential permit valuation increased this month after months of decline, but the number of permits declined, indicating more expensive residential units planned for the region in January.

Source: Current Employment Statistics-Bureau of Labor Statistics and Building Departments of City of Reno, City of Sparks, and Washoe County.
SA-Series results are seasonally adjusted. CPI-Series results are adjusted for inflation to 2001.
*Includes data for Washoe County, City of Reno, and City of Sparks.

¹ It should be noted City of Reno building permit data has not been reported directly by the City since February 2019. These data were collected from the Accela database, but may be not directly comparable to historical data due to potential differences in the data reporting methodology.

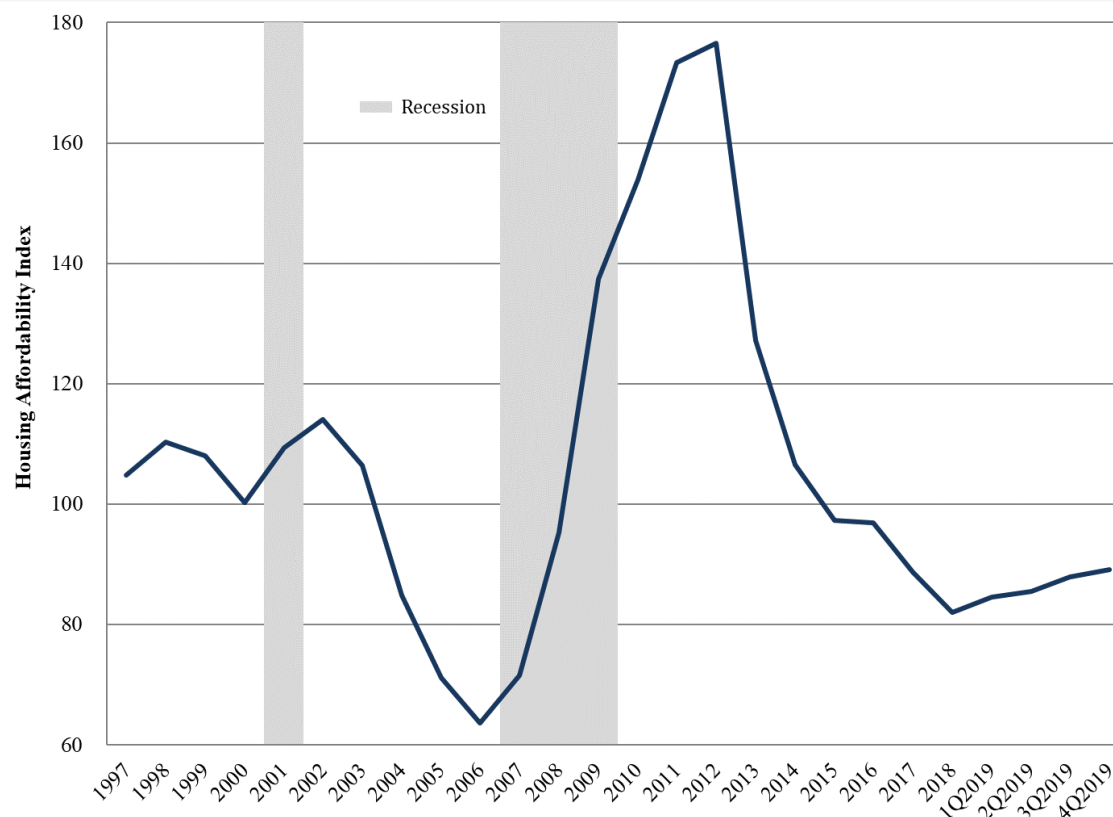
Reno MSA Housing Affordability Index

The new Reno MSA Housing Affordability index increased between 3Q and 4Q 2019, as well as compared to the previous year (2018).

The goal of the Reno MSA Housing Affordability index is to track affordability of region’s housing over time by combining the three variables affecting affordability: income, interest rates, and prices. The index compares median family income to qualifying income (combination of above three variables).

A ratio of 100 indicates that median family income is sufficient to purchase a median-priced home. The 4Q 2019 index of 89.17 indicates median family income is 10.83% below the income necessary to qualify for median priced home.

The index increased by 1.45% between 3Q and 4Q



Series	Latest Period- 4Q 2019	Prev. Period 3Q 2019	Change Prev. Period	Prev. Year- 2018	Change Prev. Year
Median Price of New/Existing Homes (Washoe Co.)	406,157	407,500	-0.33%	400,000	1.54%
Median Family Income (MSA)	78,100	76,950	1.49%	75,800	3.03%
30-Year Fixed Mortgage Rate (US)	3.70	3.66	1.09%	4.01	-7.75%
Required Qualifying Income (Estimated)	87,586	87,547	0.04%	88,687	-1.24%
Housing Affordability Index Result	89.17	87.90	1.45%	85.47	4.33%

2019, making homes in the region slightly more affordable. This is due to a small decline in median price of homes and an increase in median family income. The index increased by 3.97% compared to 2018.

Source: Washoe County Assessor/Center for Regional Studies (UNR), Federal Financial Institutions Examination Council's (FFIEC), Bureau of Labor Statistics, and Federal Reserve Bank of St. Louis.