CITY OF RENO

Memorandum

DATE: **March 4, 2025**

TO: **Mayor and City Council**

THROUGH: **Jackie Bryant, City Manager**

FROM: **Calli Wilsey, Director of Policy and Strategy**
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DEPT: **Office of Policy and Strategy**

SUBJECT: **Monthly Economic Update: February**

Staff is pleased to provide Council with this monthly update on key economic indicators. These updates aim to assist Council in making informed policy decisions by offering insights into interconnected topics such as the labor market, housing, tourism, consumer activity, and other critical economic drivers.

This memo provides an economic update featuring the most recent local data as of February 2025, highlighting key metrics and trends shaping the region's economic outlook.

Executive Summary:

The latest economic data for the Reno-Sparks Metropolitan Statistical Area (MSA) highlights ongoing signs of softening. The economic uncertainty at the national level remains the most significant downside risk to the local market.

- 4.7% unemployment rate in December, up 0.5% over-the-year and unchanged from last month (seasonally adjusted).
- 0.8% over-the-year job growth in December (2024 range 2.7%-0.3%, seasonally adjusted).
- January 2025 headline inflation came in at 3.0%, up slightly from 2.9% in December.
- 1.8% over-the-year increase in visitor volume in December (47,435 less visitors than in calendar year 2024 compared to 2023).

Economic Signals	
Upside Cushions	**Downside Risks**
• Moderating Inflation • House Price Stability • Normalizing Wage Growth • Stable Labor Market	• Low Housing Supply • Uncertain Monetary Policy • Tariffs • Visitation Cooling

This Month's Indicators:

<u>Labor Market</u>

Key indicators: initial claims, unemployment, job openings, and employment.

- In December, Reno's unemployment rate stood at 4.7%, reflecting a stabilizing and healthy labor market. However, uncertainties remain regarding the potential impacts of national monetary policy shifts, tariffs, and federal government layoffs on job levels in the coming months.
- As of December 2024, Reno's job market remains positive, with job growth at 0.8%, compared to the national average of 1.3%. Excluding 2020, which was affected by the COVID-19 pandemic, 2024 saw the lowest job growth since 2012, with only 4,200 jobs added. In contrast, 2023 recorded 9,200 new jobs—more than double the number added in 2024.
- Job openings are a key indicator for policymakers, providing insight into labor market supply-demand dynamics that influence wages and inflation. In November, Nevada saw a 5.3% increase in job openings compared to the previous month. Meanwhile, both quits, and layoffs declined, indicating that employers and employees are maintaining stability in their staffing and job positions.
- As of January 2025, Nevada recorded 12,802 initial unemployment insurance claims, a decrease of 447 from the previous month. This figure remains consistent with the state's historical average and does not indicate any unusual labor market disruptions.
- No notable layoffs from the Department of Employment, Training and Rehabilitation were noted in the Reno MSA in 2025. However, MV Contract Transportation, Inc.'s contract with the Regional Transportation Commission of Southern Nevada expired on December 29, 2024. As a result, 801 employees were laid off in Las Vegas.

<u>Tourism</u>

Key indicators: visitor volume, hotel occupancy rate, avg. daily room rate-hotels, and gaming win.

- In December 2024, the Reno MSA tourism sector saw a 1.8% over-the-year increase in visitor volume. However, total visitation for calendar year 2024 declined by 47,435 visitors compared to 2023, signaling an overall slowdown.
- Hotel occupancy rates rose slightly, increasing by half a percent over-the-year to 52.9% in December 2024. December typically experiences lower occupancy rates as the fourth quarter is the slowest period for tourism in the Reno MSA.

- The average daily room rate declined marginally, decreasing by $0.32 over-the-year in December, reflecting stable but softening demand in the hospitality sector.
- Reno's gaming industry ended the year on a strong note, with December gaming win increasing by $10.9 million, or 19.9%, over-the-year. Despite declines in eight of the 12 months, December's positive performance pushed the total 2024 gaming win up by $20.4 million, or 2.7%, compared to 2023.
- Overall, the Reno MSA's tourism sector experienced a slowdown in 2024 relative to 2023. National economic uncertainty, particularly regarding proposed tariffs and monetary policy, may impact consumer spending in 2025. As discretionary income tightens, leisure spending is typically among the first areas affected.

<u>Housing</u>

Key indicators: avg. single-family home prices, median days on market, 30-day fixed mortgage rates, and avg. apartment rent.

- The Reno MSA housing market remains strong, even as it transitions through its slower winter season.
- In January 2025, the average value of a single-family home reached $551,693, reflecting a 4.5% over-the-year increase. Stronger gains in median home prices are anticipated by March as the market enters its peak season
- Reno's last prolonged home price decline occurred in late 2022, when rising interest rates constrained supply. However, single-family home prices have rebounded since then as buyers have adapted to higher borrowing costs. There are no signals of a significant home price decline in MSA in the near future.
- In January, the median time for a single-family home to go under contract in Reno was 75 days—one day longer than last January and two days above the U.S. average. Meanwhile, homes in Carson City and Las Vegas sold approximately 10 days faster than in Reno.
- As of the second week in February, the average 30-year fixed mortgage rate stands at 6.87%, a slight decline from January but near the three-year average of 6.52%. While mortgage rates remain elevated compared to recent lows, they are closer to historical norms.
- The average rent for all apartment types in the Reno MSA is $1,624, representing a 3.5% increase over-the-year.
- Although apartment rents have risen annually, monthly declines for the third consecutive month suggest potential price stabilization.
- Overall, the Reno MSA housing market is trending toward a more balanced state, with steady home price appreciation, moderating rent growth, and a gradual acceptance to higher borrowing costs.

<u>Consumer</u>

Key indicators: include the Consumer Confidence Index (CCI), Washoe taxable sales, headline inflation, and avg. weekly wages in the Reno MSA.

- The consumer market in Washoe County continues to show signs of stabilization.
- In October, Washoe County's taxable sales totaled $1.0 billion, a 6.2% over-the-year decrease.

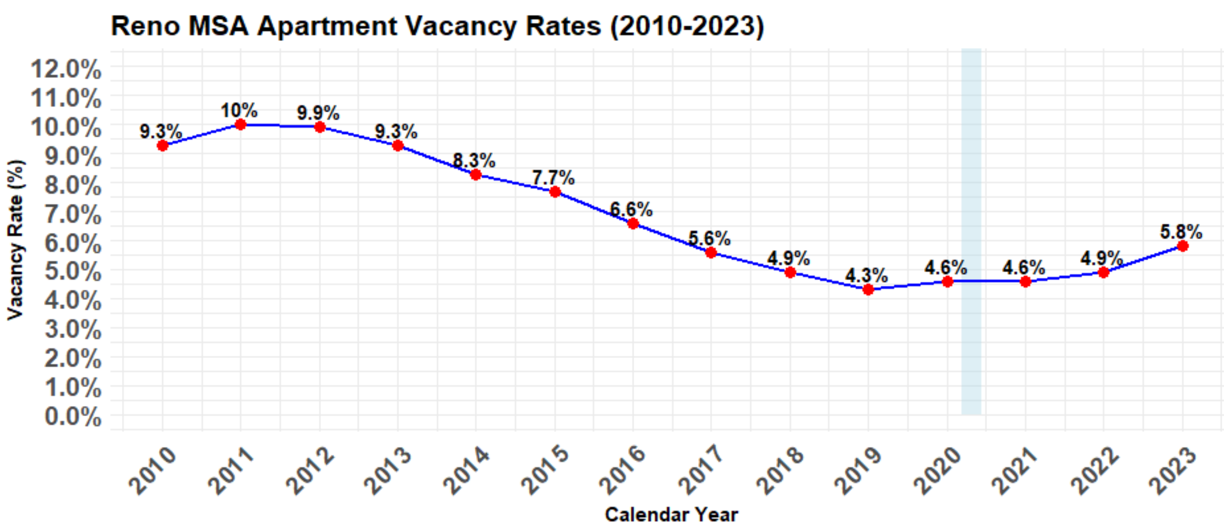
- The Nevada Department of Taxation is modernizing its tax system, leading to reporting delays. While data through November should be available, an update has not yet been provided.
- The Consumer Confidence Index (CCI) measures how optimistic or pessimistic consumers feel about the economy and their personal finances, based on surveys of current conditions and future expectations. A value above 100 indicates greater consumer confidence compared to a baseline, while a value below 100 reflects lower confidence and potential caution in spending.
- In January 2025, the CCI fell to 104.1, down from 109.5 in December, marking a 6.8-point decline over-the-year.
- Headline inflation rose by 0.1 percentage point in January to 3.0%, one percentage point above the Federal Reserve's 2% target. This slight uptick was primarily driven by higher energy and food prices in January.

<u>Special Topic: Apartment Vacancy Rates in Reno-Sparks: A Comparison of Key Data Sources and Methodologies</u>

- The reported vacancy rate for the Reno-Sparks area can vary depending on the data source and the type of data being analyzed. While differences in reported rates do not make one source more correct than another, it is important to understand the survey methodologies behind each dataset.
- Different survey methodologies result in varying apartment vacancy rates because they collect data in different ways. Some surveys rely on property managers and landlords, while others analyze utility records or gather responses from residents, leading to differences in reported figures.
- Before selecting a data source, analysts and policymakers should carefully review the source or survey criteria to ensure it aligns with their specific needs. In this month's special topic, we examine three key sources of apartment vacancy data and compare their methodologies and findings: CoStar, Johnson, Griffin, and Perkins (JGP), and the U.S. Census Bureau's 5-Year American Community Survey (ACS).
- First, CoStar, the primary data source used by the Nevada State Apartment Association, reported an 8.4% vacancy rate as of January 2025. CoStar is a national real estate information company specializing in data, analytics, and online marketplaces. Its methodology incorporates a broad range of properties, making its reported vacancy rate a more comprehensive reflection of overall apartment availability in the Reno-Sparks area.
- Second, the ACS 5-year estimates collect data from millions of households each year using mail, online, phone, and in-person surveys. The Census Bureau adjusts the data to account for non-responses, ensuring it represents the entire population.
- Since the ACS continuously gathers data, it averages results over five years to improve accuracy, especially for smaller geographic areas. While this methodology enhances reliability, a key limitation is its lag; the most recent available data is for calendar year 2023, making it less reflective of current market conditions.
- In contrast, Johnson, Griffin, and Perkins (JGP), a local real estate consulting firm, provides highly detailed, neighborhood-specific apartment vacancy data. According to JGP's 2024Q3 report, the Reno-Sparks vacancy rate stands at 2.76% across all areas and apartment types.
- However, JGP's methodology includes several restrictions that impact its reported rates:

- Only projects with 80 or more units in the Reno-Sparks service area are included.
  - Affordable housing, student housing, and senior housing properties are excluded to reflect market-rate trends.
  - New projects must have reached 90% stabilized occupancy before being included.
  - Only properties with competitive on-site management and willing survey participants are counted.
- Despite these limitations, JGP's quarterly reports offer valuable, timely insights into local market conditions, making them particularly useful for understanding trends at a more granular level.
- Understanding the differences in source and survey methodologies is crucial for accurately interpreting apartment vacancy rates in the Reno-Sparks area. By considering the strengths and limitations of each data source—CoStar's broad market coverage, the ACS's long-term reliability, and JGP's detailed local insights—analysts and policymakers can make more informed decisions based on their specific needs.
- The table below presents the latest apartment vacancy rate data for the Reno-Sparks MSA:

Source	Last Update	Vacancy Rate
CoStar	January 2025	8.4%
ACS 5-Year	2023	5.8%
JPG	2024Q3	2.8%



Source: U.S. Census Bureau American Community Survey 5-Year Estimates, Table CP04