

# Economics Group

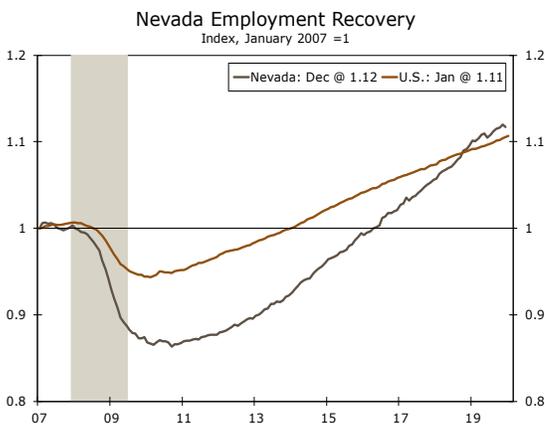
## Special Commentary

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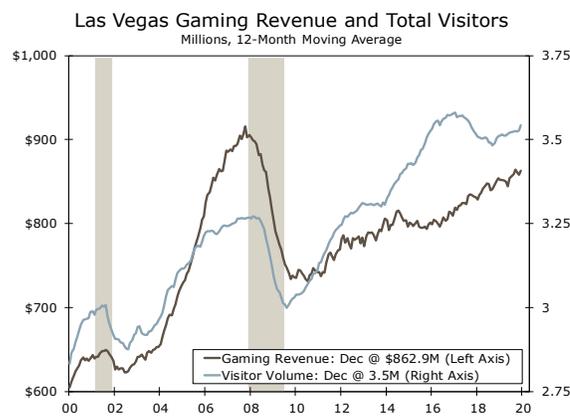
## Nevada Outlook Heading into the Caucus

- Nevada holds the third nominating contest in the Democratic presidential primary on Saturday, February 22. Bernie Sanders and Joe Biden have led in Nevada polling, but those numbers may shift somewhat following Sanders’ victory in New Hampshire last night. Prior to that, Pete Buttigieg apparently edged out Sanders in Iowa.
- Nevada was hit extremely hard by the housing bust and ensuing recession, and did not recover all the jobs lost until the end of 2015. Home prices are still below their 2006 peak.
- The Silver State is now growing rapidly, however, and has added 321,000 jobs since 2010. Its economy has diversified into logistics & distribution, healthcare, various tech fields and advanced manufacturing.
- The leisure & hospitality sector is still very important to Nevada, although the focus has shifted towards entertainment rather than solely gambling. The addition of NHL hockey and NFL football has augmented the abundance of entertainment options, as has the city’s new minor league ballpark.
- Low taxes and business-friendly regulations have boosted the professional & business services and tech sectors, which have benefitted from an affordability migration out of California.
- The influx of businesses has spurred rapid population growth. The latest data show Nevada’s population grew 1.8% in 2019, the second strongest gain of any state. Nevada is attracting job-seekers as well as retirees.

**Figure 1**



**Figure 2**



**Source: U.S. Department of Labor, Las Vegas Convention & Visitors Authority and Wells Fargo Securities**

### Nevada is Growing Fast Again, but Better This Time

Nevada was hit extremely hard by the housing bust and ensuing recession, and did not recover all the jobs lost until the end of 2015, well after the nation as a whole did in January 2014 (Figure 1). The recovery took a while to get under way due to the severity of the collapse and the overreliance on cyclical industries such as gaming and homebuilding, but since 2014 payrolls have consistently risen 3% or more annually. Nevada has added 321,000 jobs since 2010, and, more importantly, employment growth has been across a broader array of industries (Figure 3).

Together we’ll go far



Leisure & hospitality accounted for 30% of jobs in Nevada in 2000, more than triple the 9% national average. The economy has become much more diversified the past two decades, to some extent by necessity, but private and public sector leaders have also more aggressively targeted broad economic development. As a result, the leisure & hospitality share of the workforce has fallen to 25% (Figure 4), a period during which the U.S. proportion has *risen* to 11%. Moreover, even within the broad leisure & hospitality industry, the composition of jobs has shifted towards forms of entertainment other than gambling (Figure 2). This transition has been underway for years, but has proved prescient due to the recent proliferation of legalized gambling throughout the country, which accelerated after the May 2018 Supreme Court overruling of the Professional and Amateur Sports Protection Act, which effectively banned sports betting outside Nevada. But Las Vegas has also added sports of its own—the construction of the \$1.8 billion Allegiant Stadium, which will host the relocated Oakland Raiders beginning in 2020, exemplifies the shift towards making Las Vegas a more well-rounded entertainment destination. Each year, more than 56 million people visit Nevada.

**Nevada has attracted a wide range of new businesses.**

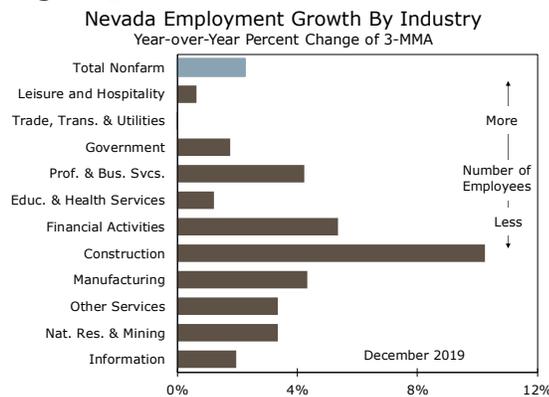
Outside of entertainment, Nevada has cultivated its professional & business services sector, which has averaged 5% payroll growth since 2015, rising from 11% of employment in 2000 to 14%. Nevada has no corporate or personal income tax and consistently ranks as one of the best states to do business. It also offers a range of incentives such as tax abatements on capital investment and employee training grants, through the Governor’s Office of Economic Development (GOED). GOED’s website URL is ‘diversifynevada.com,’ indicative of the emphasis state leaders have placed on attracting new industries.

Nevada’s prime geographic location—Northern Nevada is a one-day drive from 53 million consumers and five major ports and Las Vegas is a four-hour drive from Southern California and a two-day drive to every state west of the Mississippi—has attracted significant investment in distribution and logistics facilities. Nevada boasts the ability to ‘service the California market without paying California prices.’ Cognizant of this, Amazon is building a major fulfillment center in Henderson, supplementing its facilities in North Las Vegas and in Reno. Apple has invested billions in a massive data center east of Reno, as well as the Turquoise Solar Project partnership and a warehouse facility in downtown Reno. Just across from the data center is the 107,000-acre Tahoe Reno Industrial Park, the largest industrial park in the world. Located on I-80 in Storey County, a 15-minute drive from Reno Tahoe International Airport, it is home to 130 companies, including Tesla’s massive Gigafactory, a major Wal-Mart distribution center and data centers for Google and Las Vegas-based Switch.

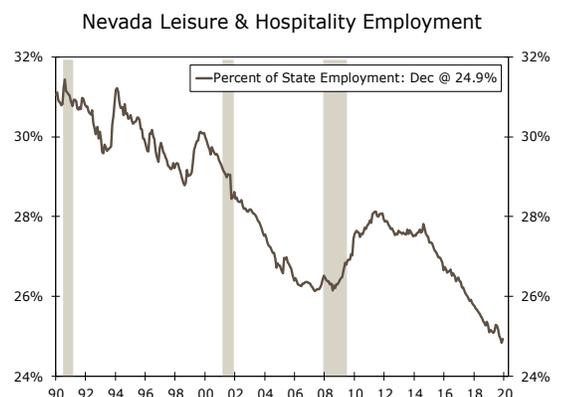
**Tech and advanced manufacturing are growing.**

The Raiders are not the only organization to leave California for Nevada. Las Vegas and Reno have both been on the receiving end of an affordability migration from the San Francisco Bay Area, with Reno earning the moniker of ‘Silicon Slopes’ for its burgeoning tech sector and start-up scene. The well-publicized decisions by mega-firms Amazon, Apple and Tesla to locate in Nevada have attracted a rush of other firms eager to latch on to the rapid tech infrastructure build-out and influx of tech talent. The growing tech sector also ties in with advanced manufacturing. With some of the friendliest regulations in the nation, Nevada has become a center for autonomous vehicle research and development, including Aptiv and its partnership with Lyft. The innovation extends to the sky, with Nevada’s weather, regulatory environment and defense installations fostering drone testing and research.

**Figure 3**



**Figure 4**



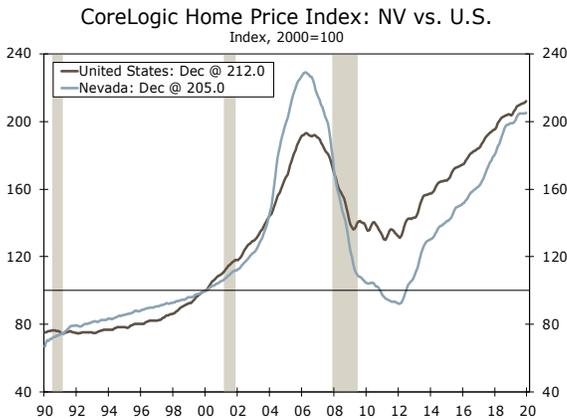
Source: U.S. Department of Labor and Wells Fargo Securities

### A Profile of Nevada

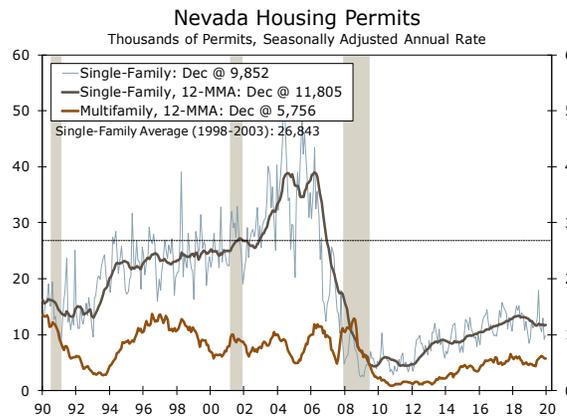
The influx of businesses has spurred rapid population growth. The latest data show Nevada’s population rose 1.8% in 2019, the second strongest of any state after Idaho. Since 2010, Nevada has added 378,000 new residents, a 14% increase. A large portion of the increase has been from net domestic migration—people choosing to move to Nevada from other states. While many of these new residents are job-seekers, retirees also account for a large share of newcomers, attracted by the warm climate, relatively affordable housing, low taxes and plethora of entertainment options.

**Nevada’s population rose 1.8% last year.**

**Figure 5**



**Figure 6**



Source: CoreLogic, Inc., U.S. Department of Commerce and Wells Fargo Securities

The rapid population growth has supported commercial and residential construction, but housing permits remain well-below their prior peak and long-term average (Figure 6). It is hard to overstate how decimated the Nevada housing market was by the housing collapse and the Great Recession. Home price appreciation peaked at just under 40% year-over-year in 2004, and by mid-2009 home prices were falling almost 30% annually. From their peak in March 2006 to their trough in February 2012, prices fell an incredible 60% (Figure 5). This left many Nevadans in a position of negative equity, and even on a nominal basis, prices still have not recovered their prior highs, down 10% over the past 14 years. On a national average, prices have risen 10%.

**Housing has still not fully recovered.**

The Nevada caucus takes place at a pivotal time, as candidates are trying to solidify their positions ahead of the Super Tuesday primaries in early March. While Nevada has made tremendous strides diversifying its economy, tourism is still the state’s major industry. As a result, the state has a large number of hourly-paid workers, many of which are struggling to keep pace with rising housing costs brought about by the state’s recent stronger economic gains. Discussions about raising the minimum wage are therefore likely to resonate with many of the state’s Democratic voters. The state’s large retiree population is also likely to be keenly interested in discussions surrounding healthcare and Social Security.

**Figure 7**

	Iowa	New Hampshire	Nevada	South Carolina	U.S.
Population (Million)	3.16	1.36	3.08	5.15	328.24
Median Age	38.2	43.0	38.1	39.6	38.2
% White	90.7%	93.2%	74.3%	68.5%	76.5%
% College Degree	28.2%	36.5%	24.2%	27.4%	31.5%
Median Household Income	\$68,718	\$81,346	\$61,864	\$57,444	\$63,179
Unemployment Rate (Dec)	2.7%	2.6%	3.8%	2.3%	3.5%

Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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