This brief research commentary describes the Freddie Mac Multi-Indicator Market IndexSM (MiMiSM) and shows how the Las Vegas metro area compares to the national level. We might call the MiMiSM the "Goldilocks Index", since Frank Nothaft, Chief Economist at Freddie Mac, describes the index as separating housing markets into "too hot" as an index value greater than plus 2, "too cold" as less than minus 2, and "not too hot, not too cold, but just right" as between plus and minus 2.

The MiMiSM combines four measures of the local housing market -- home purchase applications, payment-to-income ratios (changes in home purchasing power based on house prices, mortgage rates, and household income), proportion of current mortgage payments in each market, and the local employment picture -- to determine how the current market compares to its long-term "stable range" or "not too hot, not too cold, but just right".

Chart 1: Freddie Mac MiMiSM, Las Vegas and National

Chart 1 shows the historical movements in the Las Vegas metro and national indexes. The chart also includes the upper and lower bounds that divide "not too hot, not too cold, but just right" from "too hot" and "too cold", respectively, as well as national recession bars.

The Las Vegas index shows much more volatility than the national index. The national market barely moved into the too hot range from October 2005 to November 2006, peaking in June 2006 at 2.52, while Las Vegas market appeared too hot from October 2003 to August 2007, peaking in December 2005 at 9.52. The Las Vegas market turned too cold from March 2008 through the end of the series in March.
2014, bottoming in November 2010 at minus 11.00, and currently stands last of the 50 metros reported at minus 6.46. The national market turned too cold from December 2008 through March 2014, bottoming in November 2010 at minus 4.42, and currently stands at minus 3.06.

At the State level, the Nevada market appeared too hot from November 2003 to July 2007, peaking in February 2006 at 7.87. The Nevada market turned too cold from April 2008 through the end of the series in March 2014, bottoming in November 2010 at minus 9.65, and currently stands last of the 50 states reported at minus 5.70.

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