

Economic INsightSM

September 15, 2008

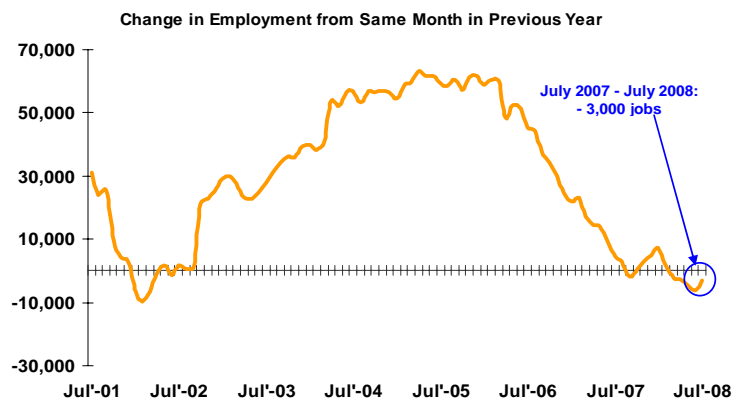
Volume 1, Issue 1

ECONOMIC INSIGHTSM CONTINUES TO SHOW STRUGGLING CLARK COUNTY ECONOMY

**RESTREPO
CONSULTING
GROUP LLC**

Restrepo Consulting Group LLC ("RCG"), Nevada's most established regional economics, real estate, gaming and public policy research firm has just released its Economic INsightSM for July (latest available data) for Clark County. RCG's Economic INsightSM tracks the current health of the Clark County (Las Vegas-Paradise MSA) economy using three major annual indicators – changes in: establishment-based jobs, the same jobs by major industry and unemployment claim filings. The data included in our Economic INsightSM are provided by the Nevada Department of Employment, Training & Rehabilitation ("DETR") and analyzed by RCG. There is typically a two-month lag in the release of the data by DETR. In July, these jobs represented 92% of all jobs in Clark County.

TOTAL JOB CHANGE



Source: Nevada Department of Employment, Training & Rehabilitation.

ANALYSIS:

In our current issue, we are noting that the state of Nevada reported that Clark County saw a decline of 3,000 establishment-based jobs this past July compared to July of 2007. These jobs dropped to 917,400 versus July 2007's 920,400 jobs. This is a remarkably small decrease considering the depth of the current economic recession in Clark County. In comparison, the number of jobs posted in July 2007 was 4,700 or 0.5% higher than 915,700 jobs recorded in July 2006. Essentially, job growth has remained relatively flat for the two-year period ending in this July, quite amazing in view of the recession we are in today.

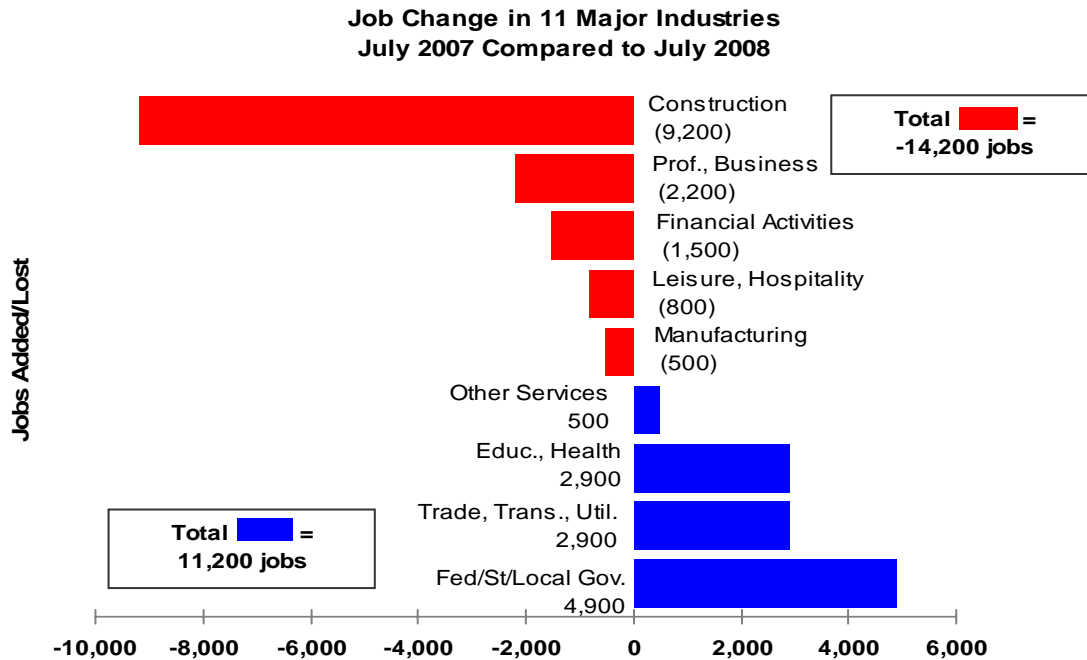
While Clark County's population is expected to grow anywhere between 75,000 and 90,000, depending on the source, during 2008, we are concerned, because of the possible pressure that this growth may have on government services and Nevada's unemployment insurance funds resulting from weakness in our job market. *(continued, next column)*

TOTAL JOB CHANGE (continued)

Many of these folks are moving to Southern Nevada, because they have lost their jobs in other communities with even weaker economies. We just don't think many completely realize that we have quite a few Southern Nevadans who are also looking for work. Hopefully, the opening of the properties along the Strip in the next 12 to 18 months, will alleviate some of this problem.

What is unknown is the number of undocumented workers and discouraged workers that lost their jobs, because many of these workers are not covered by unemployment insurance, some of which, we assume, have either left town, given up looking or are underemployed. So they don't show up in the Clark County stats. Consequently, the non-seasonally adjusted unemployment rate for July is likely higher than the reported rate of 6.8%. It was 4.8% in July 2007. The U.S. rate this July was 5.7%.

JOB CHANGE BY INDUSTRIES



*Note: The Natural Resources & Mining and Information industries had no changes.
Source: Nevada Department of Employment, Training & Rehabilitation.*

ANALYSIS:

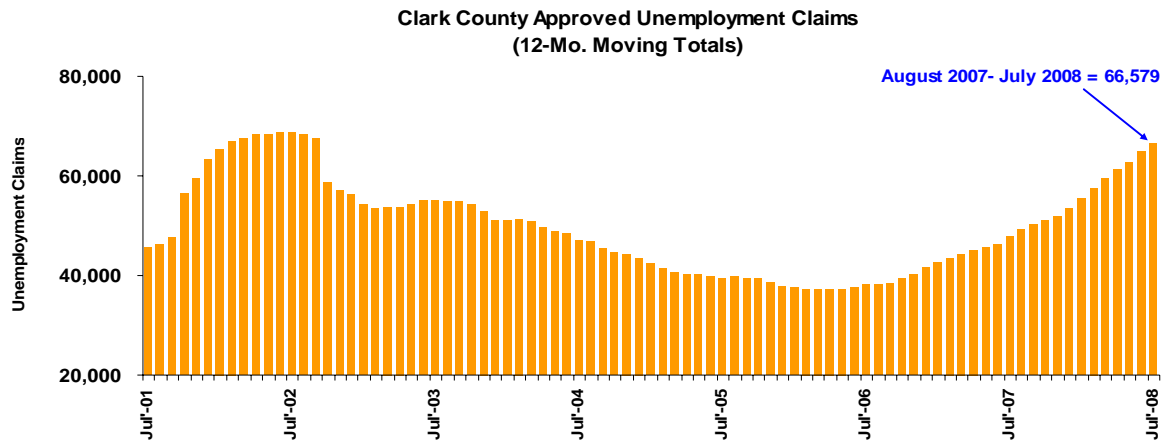
Regarding changes in the local job market, by industry, RCG notes in this month's *Economic INsightTM* that DETR recently reported that 14,200 jobs were lost this July in 5 of the 11 major industries when compared to July 2007. Not surprisingly, the majority of these losses were in Construction and Professional and Business Services. Conversely, there was a gain of 11,200 jobs in 4 of the 11 sectors when the two months are compared. The largest gains were in the Government (primarily in local governments), Education/Health, as well as the Trade, Transportation and Utility sectors. Natural Resources and Mining, and Information Industries saw no change. The net result was a 3,000-job loss in July 2008 compared to July 2007.

As the national credit crunch and housing recession continues to restrain capital investment, it is not surprising that the majority of these losses were in Construction (-9,200 jobs). Many have looked to the 76,000 - 80,000 estimated job creation from ongoing and planned resort projects (based on the current development pipeline) to mitigate our economic woes in the near future. However the construction industry is feeling additional pain following the recent announcement to delay work on the Echelon project, as well as the slowdown in commercial construction, and saying nothing of what's happened to residential construction.

Government (federal state and local) employment in Clark County grew by 4,900 jobs in July 2008 compared to July 2007. Much of the gain seen

this past July was in the local government sector, which grew by 5,000 jobs (the state lost 100 jobs). However, when compared to this past June, state and local governments shed 3,400 jobs in July, 3,300 of which were in local government. Additionally, the YTD data also showed a decline of 1,800 state and local jobs in Clark County, of which 1,300 were in local governments. While some of this change was due to seasonality issues in July, another share, we believe, was due to the current recession. We will have to wait until the August and September's numbers are released to see a more complete picture of job sector trends.

UNEMPLOYMENT CLAIM FILINGS



ANALYSIS:

According to our research, the state of Nevada recorded 66,580 approved unemployment claim filings in Clark County during the 12-month period ending July 2008. This was 39% higher the period between August 2006 and July 2007, which saw 47,769 approved claims. Clearly, a rise of this amount, when combined with the trouble in the local real estate market, is very worrisome, bearing in mind the financial strain that many households and businesses are under today in Southern Nevada.

On a year-to-date basis, 41,739 unemployment claims were approved in Clark County between January and July compared to 28,807 claims during the same period in 2007, a 45% increase. No matter what period we looked at, year-over-year, year- to-date, this month compared to last month, the numbers are very troubling. For example, there were 19% more filings this July 2008 (7,249 claims) than there were this June (6,098 claims).

We are monitoring this indicator very closely each month, because we see it as an early warning system for what is ahead for our economy.

FURTHER THOUGHTS:

There is no doubt that we are in a recession that is unique in its scope and breath, at least compared to what Southern Nevada has seen in the last 20-25 years. It will likely be made more protracted by the nearly paralyzed global credit market. This paralysis is a direct result of the large amount of capital and easy credit that fueled the U.S. economy since the late-1990s and especially after 2000. Well-known author and Senior Fellow at the Brookings Institution in Washington D.C., Anthony Downs, coined the phrase “the “Niagara of capital” to explain the massive capital flows into real estate during the last 10 or so years. The economic turmoil that we are seeing today is one of the primary results of this waterfall. I am often asked how long this recession will last and will Las Vegas bounce back as quickly as it has in the past.

As to the first question, I typically answer “12-18 months”, but the reality is none of us really knows, because of the unprecedented status of today’s global capital markets (think Bear Stearns, Freddie Mac, Fannie Mae, Lehman Brothers, Merrill Lynch and AIG). As to the second question, I have often noted that the Las Vegas economy, for better or worse, is intricately tied to the global economy, not only in its need for capital but also in its need for tourism, the lifeblood of our community.

This said, there is also no doubt that Southern Nevada will recover, the region’s economic resilience, its primary product-entertainment, and its location in the Southwestern U.S. adjacent to California clearly point to this fact. This is supported by the Brookings Institute’s 2008 report on the Intermountain West, titled “Mountain Megs: America’s Newest Metropolitan Places and a Federal Partnership to Help Them Prosper” that noted our strengths...and our weaknesses. In essence, what the report, our 20 years

working in Nevada and the empirical evidence suggest is that the Southern Nevada economy will continue to grow, but at a more measured pace and differently than it has historically. Our current economic “down cycle” can be seen as “creative destruction”, a term popularized by economist, Joseph Schumpeter, in his seminal 1942 book “Capitalism, Socialism and Democracy”. Schumpeter used the term to describe the process of marked change that comes with major events, including innovation.

Certainly, no one can argue that the Southern Nevada economy has not been changed by the current global recession, and in fundamental ways.

Periods like we are seeing today carry the seeds of new economic thinking and innovation. They involve using our present situation to reevaluate what it means for Southern Nevada to have a sustainable economy over the long-term.

This requires honestly evaluating how we grow and develop; how we pay for the “economic infrastructure” we want (e.g., transportation and education); how we define a diversified economy; and what fiscal policies should we embrace to support the former factors. Clearly, we should be using the current recession as the opportunity to objectively and soberly assess what kind of community we want to be – without the hype.

WHO WE ARE

Restrepo Consulting Group LLC is the most established and prominent Nevada-based urban economics and real estate consulting firm in the state. John Restrepo, principal of the firm, has been providing economic, demographic, real estate and public policy research services in Nevada since 1988. RCG advises a broad array of public and private organizations. The firm uses its deep expertise in regional economics, modeling, market analysis and fiscal research to assist its clients. RCG has prepared numerous demographic assessments, real estate market studies, regional economic reports and fiscal policy analyses. The firm’s other services lines include financial advisory services, strategic planning and gaming industry consulting. RCG is sought after by many of Nevada’s most prominent private and public organizations. RCG has offices at 3960 Howard Hughes Parkway, Suite 130, 89169, and we can be reached at 702.967.3188. The firm’s website can be accessed at www.rcg1.com.

For additional information on RCG’s consulting services and data products, including the firm’s quarterly commercial market surveys it produces with Colliers International, please contact:

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