Economic INsight℠
Issues & Trends

RESTREPO CONSULTING GROUP LLC

As We Enter 2011: Part 1

There was quite a bit of talk in 2010 about what the “new Nevada” should look like. But as in all things, “new” is in the eye of the beholder. For some it means a time for reinvention and reflection; for other others it means an era of limited government (taxes and spending), and for others, still, it means, as the national recovery takes hold, that we are on the verge of another boom. And these are just three of the many potential futures being discussed by the community. While the uncertainty can be very unnerving, it is part of the transformational process all communities go through as they evolve. The process has been made more traumatic and immediately necessary because of the unprecedented impact the Great Recession has had on the collective psyche and economy of Southern Nevada.

So as we end 2010, where is Southern Nevada in the economic recovery that has started nationally? Well, as this month’s EI shows, our region is showing some signs of much needed stability. Many of the indicators we track are either flattening or are declining at slower rates, a sort of bouncing along the bottom. To use a health analogy, the patient is out of the intensive care unit, but he’s not ready to leave the hospital. While this is indeed good news compared to the catastrophe that was 2009, it is a far cry from regaining all the economic ground that was lost since the recession started in December 2007. Accordingly, we continue to believe that Southern Nevada must see at least six months of consistent job growth and rising home prices to have a sustained economic recovery. And we are not there yet.

At the national level, unemployment is expected to remain elevated in the 7.5% to 9% range for the next 3 years (2011-2013); it’s 9.8% today. Applying the resulting 15% drop (9.8% to 8.3% [avg.]) to Clark County’s latest 14.3% (November) means that the local unemployment rate will be in the 12%-13% range through 2013 before we start moving toward the historical trend pattern. And even then, we don’t think the rate will quickly return to the 1990-2007 average of 5.2% for some time.

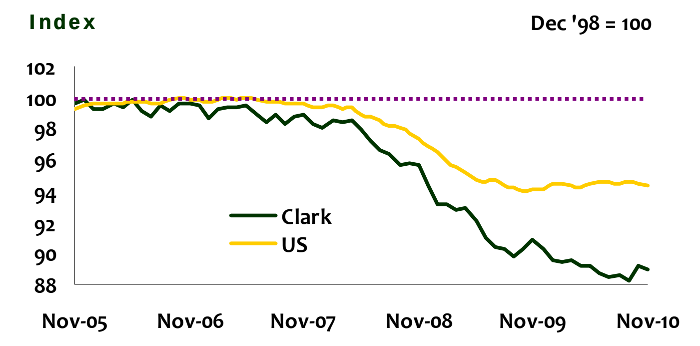
RCG's *Clark County Employment Index* for November remained moribund at 89.1 (the lowest during the 21-year period covered by in our EI) versus our base-month of December 1998 (100). Our index is based on the relationship between the size of the labor force and the size of the employment-base.

The other factor that remains problematic, and what a number of economists are very concerned about, is the budget crisis of the states. According to the Center on Budget and Policy Priorities, the states, as a whole, will have combined general fund budget deficits (as a percent of their FY11 budgets) of $122.6 billion or 18.7% in FY 2011 (July 2010 - June 2011). Per the CBPP, Nevada's 2011 deficit is $1.8 billion or 54.5%, the highest in the nation. For FY 2012, the CBPP anticipates that the states will have combined shortfalls likely to exceed $140 billion. Currently, estimates for Nevada indicate a two-year budget deficit starting in FY 2012 ranging from $1.5 to $3 billion, depending on how what assumptions are used.

What the governor and legislature do during the coming 2011 session relative to economic and tax policy on what are "core" public investments will have a material impact on the rate of the state's economic recovery and long-term sustainability. And it's going to take a lot of heavy lifting, because there are no more quick fixes, and reducing the current employment rate to the full employment rate of 5% will be Herculean task.

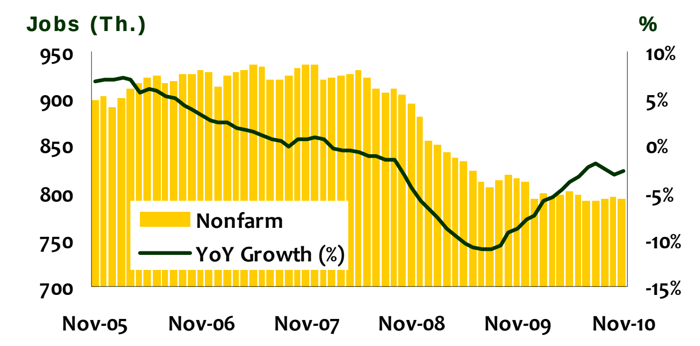
The most challenging questions facing Nevada as we enter 2011 and beyond are related to whether or not the community at-large is willing to make the necessary and hard decisions regarding the prioritizing of public spending and making the necessary investment in the state's socio-economic infrastructure to move Nevada forward. Waiting for our once vaunted resort industry to drive a rigorous recovery and be the base of long-term economic sustainability for Southern Nevada and, by extension the state, is completely unrealistic.

While the economic news remained less than upbeat in 2010 (the economic purgatory we noted months ago), Southern Nevada will probably have a better 2011 than 2010, which was an improvement over 2009. And since we don't expect a major uptick in our economy in 2011, let's hope that flat becomes the "new" norm as we wait for the recovery to take hold.

Indicator	Region	Date	Value	Chart
RCG Employment Index	Clark County United States	11/2010 11/2010	89.1 94.8	

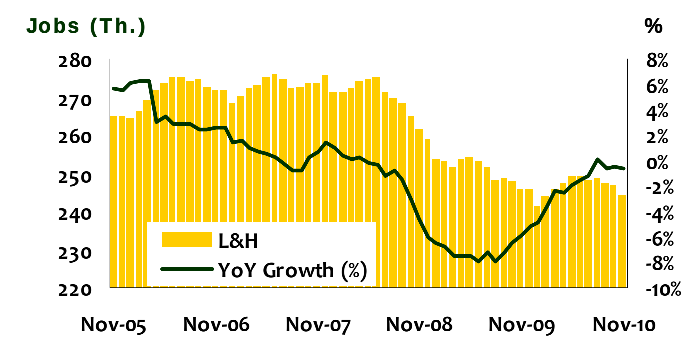
Comment: RCG's Employment Index is based on the employment to workforce ratio. Conditions in the labor market have deteriorated significantly since our base-period (December 1998 = 100), more so in Clark County than the U.S.

Clark County has seen a slight improvement; however, we don't expect firms, nationally or locally, to begin hiring in large numbers for a while.

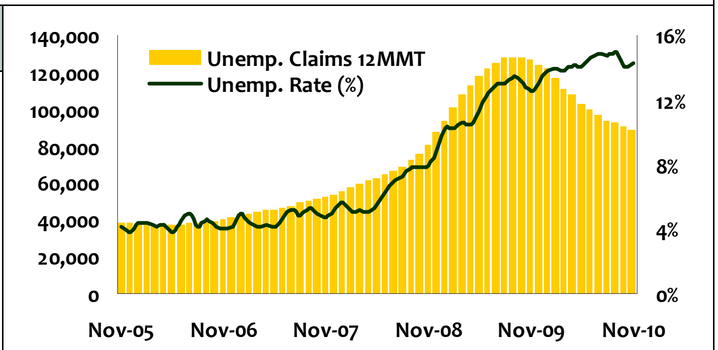
Indicator	Region	Date	Value	Chart
Non-farm Jobs	Clark County	11/2010	793.4K -2.6%	

Comment: Total non-farm employment totaled 793,400 in November, 2.6% less than the prior year (equating to a loss of -21,300 jobs). Employment growth remains negative, but has moderated significantly from last year.

Excluding government jobs, private non-farm employment (697,800 jobs) still decreased -2.6% Y-O-Y.

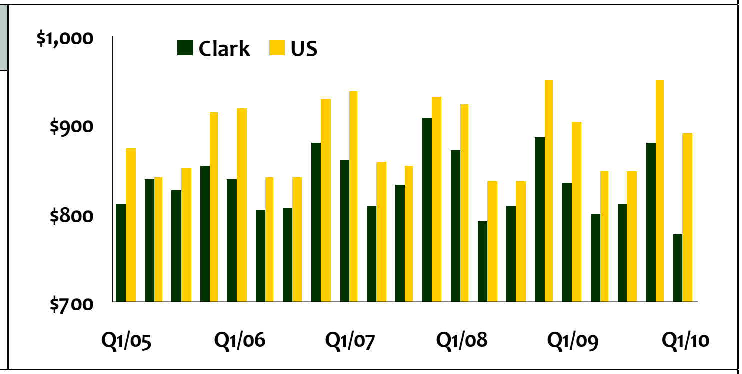
Indicator	Region	Date	Value	Chart
Leisure / Hospitality Jobs	Clark County	11/2010	244.5K -0.6%	

Comment: Clark County's export industry—Leisure & Hospitality—totaled 244,500 in November. Job losses continued to moderate, registering a 0.6% decline (1,100-job loss) over last year.

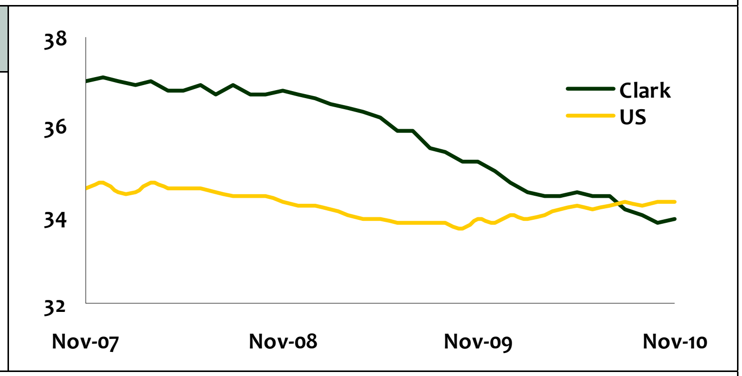
Indicator	Region	Date	Value	Chart
Unemployment Rate **Unemployment Claims**	Clark County Clark County	11/2010 11/2010	14.3% 88.3K	

Comment: The unemployment rate was 14.3% in November, up 1.8 points above the 12.5% recorded during the same month last year.

Nearly 88,300 approved unemployment claim filings (first payments) were recorded during the 12 months ending in November. *(Note: 12MMT = 12 month moving total)*.

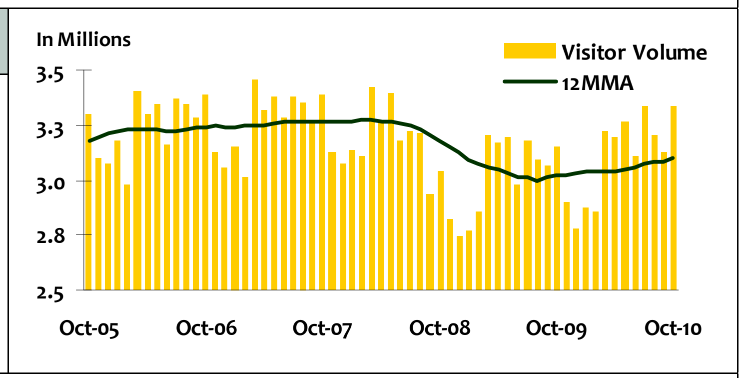
Indicator	Region	Date	Value	Chart
Average Weekly Wages (in 2010 $)	Clark County United States	Q1/10 Q1/10	$775 $889	

Comment: As the chart indicates, average weekly wages for the U.S. & Clark County remain unstable. This will continue to lead to consumer uncertainty regarding spending, especially on discretionary products and services.

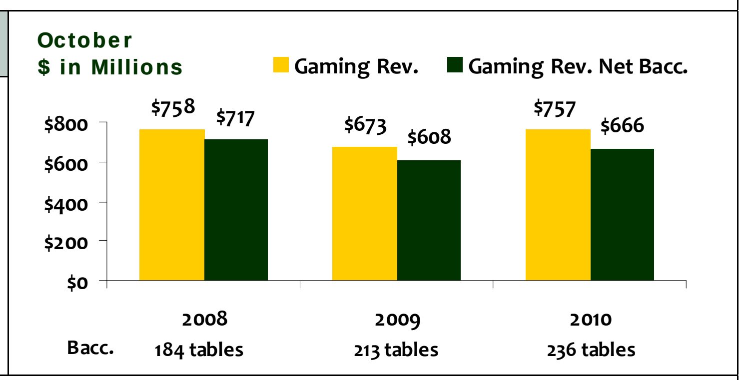
Indicator	Region	Date	Value	Chart
Average Weekly Hours Worked	Clark County United States	11/2010 11/2010	33.9 hrs. 34.3 hrs.	

Comment: Average weekly hours worked at the national level appear to have stabilized but are not returning to pre-recession norms, which means that firms will not be hiring in large numbers – since they are not currently "over working" their current employees.

In Clark County, weekly hours continue to "bounce along the bottom. Until hours work increase, firms will continue to postpone hiring activity.

Indicator	Region	Date	Value	Chart
Visitor Volume	Las Vegas Valley	10/2010	3.3M	

Comment: There were 3.3 millions visitors to the Las Vegas Valley in October, a rise of 3.5% relative to October 2009 and marking the 8th consecutive Y-O-Y increase in visitor volume. *(Note: 12MMA = 12 month moving average)*.

Indicator	Region	Date	Value	Chart
Gaming Revenue **Gam. Rev. Net Baccarat**	Clark County	10/2010 10/2010	$757.5M $666.1M	

Comment: Gaming revenues in Clark County totaled $757,487,000 in October, a 12.5% rise over October 2009. Y-O-Y growth has been positive since August 2010—a large part of this improvement was due to baccarat play.

Adjusting gaming revenues by excluding baccarat revenues, gross gaming revenue in October totaled $666,057,000, a 9.5% improvement over October 2009, but 7.1% below the October 2008 level.

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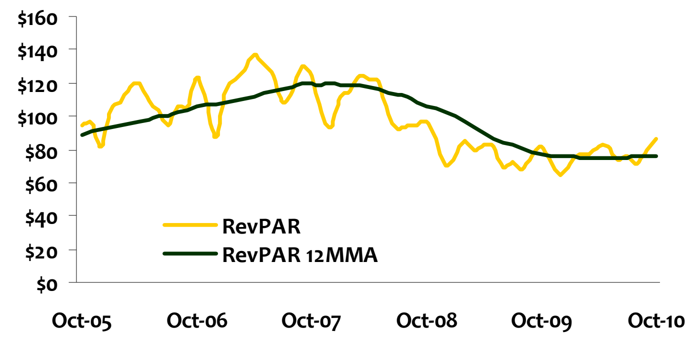
Indicator	Region	Date	Value
Hotel Revenue Per Available Room	Las Vegas Valley	10/2010	$86.76

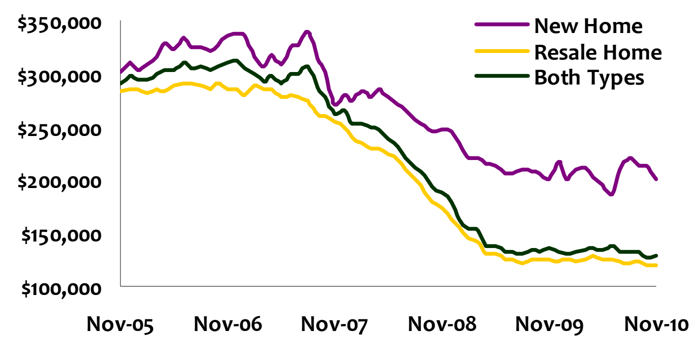
Comment: Hotel revenue per available room (RevPAR) in the Las Vegas Valley reached $86.76 in October, a 5.5% increase over October 2009. As the national recovery solidifies, increases in occupancy will drive average daily room rates upward, which in turn, will improve RevPAR. *(Note: 12MMA = 12 month moving average).*



Indicator	Region	Date	Value
Median Home Price	Clark County	11/2010 11/2010	New: $200.9K Resale: $120.0K

Comment: According to Home Builders Research ("HBR") data, when comparing November 2010 to November 2009, the median price for new homes ($200,815) rose for the 5th straight month (+0.5% Y-O-Y). Median resale home prices continued to fall, reaching in $120,000 in November (-4.8% Y-O-Y).

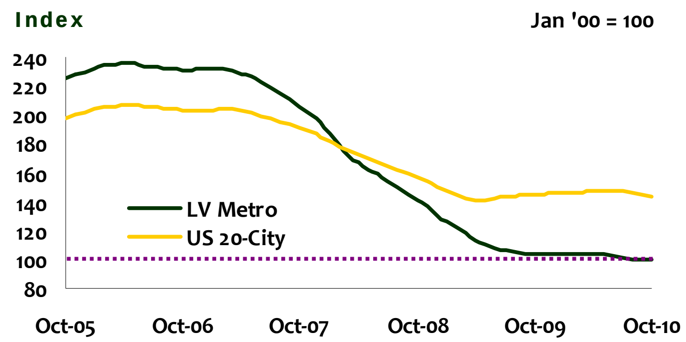
The overall weighted median price of both types was $128,768.



Indicator	Region	Date	Value
Case-Shiller Housing Price Index	Las Vegas MSA United States	10/2010 10/2010	99.45 143.52

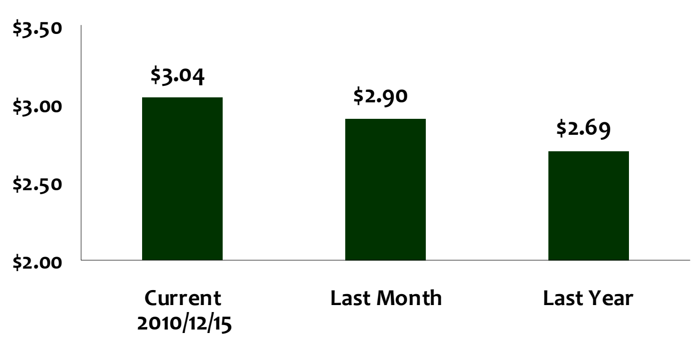
Comment: Downward pressures on home prices continue locally and nationally according to the Case-Shiller Index (January 2000 = 100). At 99.45, October marked the first month below an index value of 100, indicating prices are below that recorded in January 2000. Compared with October 2009, the Index fell -0.6%.

For comparison, the U.S. 20-city average fell -0.8% in October over last year.



Indicator	Region	Date	Value
Average Gas Price	Las Vegas Valley	12/15/2010 12/15/2009	$3.04/gal. $2.69/gal.

Comment: The average price of a gallon of regular gas was $3.04 past December 15th, 13% higher than the $2.69/gallon recorded December 15th, 2009.



SOURCES

- ***Nevada Department of Employment, Training & Rehabilitation****: Nonfarm Jobs, Leisure & Hospitality Jobs, Employment (indexed by RCG), Unemployment Rate, Unemployment Claims, Average Weekly Wages, & Average Weekly Hours Worked.*
- ***Las Vegas Convention & Visitors Authority****: Visitor Volume, Hotel Occupancy, Average Daily Room Rate.*
- ***Nevada Gaming Control Board****: Gaming Revenue.*
- ***Home Builder's Research****: Median New Home Price.*
- ***Greater Las Vegas Association of Realtors:*** *Median Resale Home Price.*
- ***Standard & Poors (S&P):*** *Case-Shiller Housing Price Index.*
- ***AAA's Daily Fuel Gauge Report:*** *Gas Price.*

RESTREPO CONSULTING GROUP LLC

Restrepo Consulting Group LLC is the most established & prominent Nevada-based urban economics, public policy & real estate consulting firm in the state. John Restrepo, principal of the firm, has been providing socio-economic, real estate market & public policy research services research in Nevada since 1988. RCG advises a variety of public & private organizations. The firm uses its deep expertise in regional economics & demographic modeling, market analysis & database management to assist its clients. RGC has prepared over 500 demographic & economic forecasts, highest & best use studies, market analyses, public policy & regional economic reports.

The firm's other services lines include financial advisory services, strategic planning & hospitality industry consulting. The firm is sought after by many of Nevada's most prominent companies & public agencies. RCG has offices at 3980 Howard Hughes Parkway, Suite 290 89169. We can be reached at 702-967-3188. RCG's website can be accessed at: www.rcg1.com.

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