

2009 Southern Nevada Economic Briefing



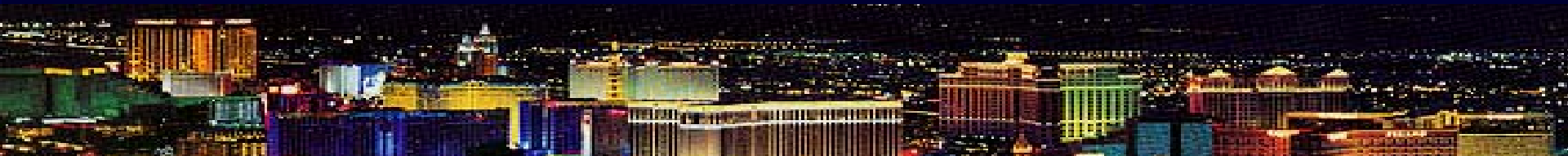
Las Vegas Chapter # 44
February 25, 2009

Prepared by:

RESTREPO
CONSULTING
GROUP LLC



The National Economy

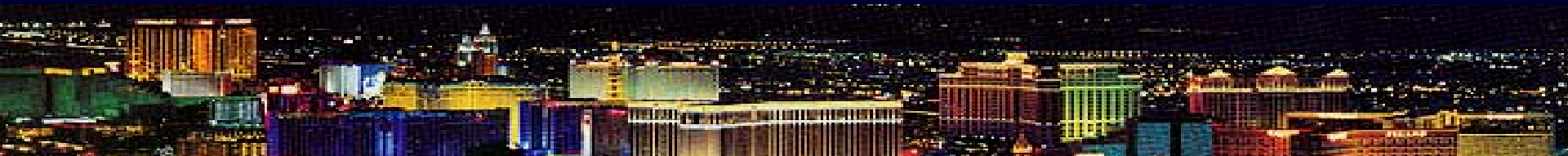


The Grief Cycle: Consumer & Business Confidence

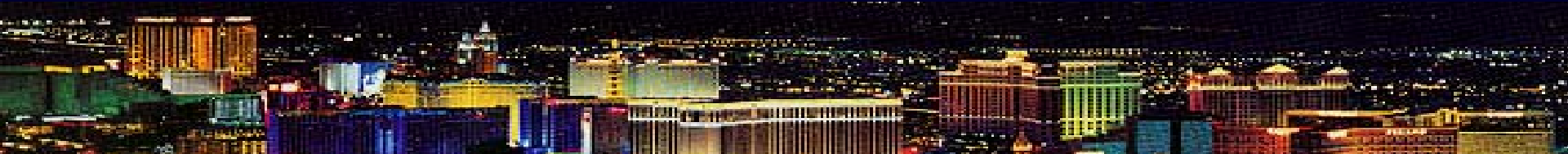
1. Shock stage: Initial paralysis at hearing the bad news
2. Denial stage: Trying to avoid the inevitable
3. Anger stage: Frustrated outpouring of bottled-up emotion
4. Bargaining stage: Seeking in vain for a way out
5. Depression stage: Final realization of the inevitable
6. Testing stage: Seeking realistic solutions
7. Acceptance stage: Finally finding the way forward

2008: What a Year

- ✓ “Only two positions in 2008: cash and fetal”
- ✓ Recession was in full swing, but many market players were in denial
- ✓ What went wrong?
 - 3 major problems: housing, credit markets & consumer confidence



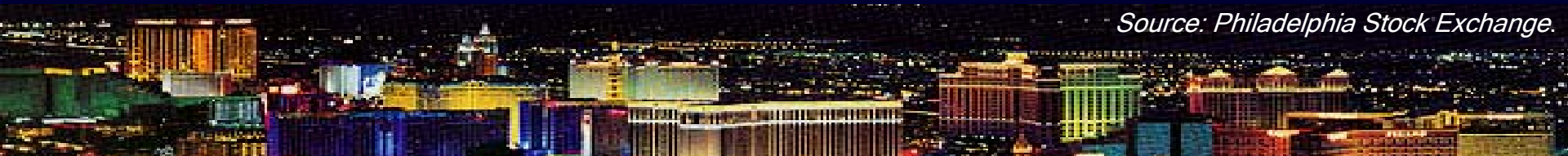
But It Could Be Worse . . .



How Bad Is This Recession? Number of Months, By Recession Starting Month: Aug. 1929 – Dec. 2007*

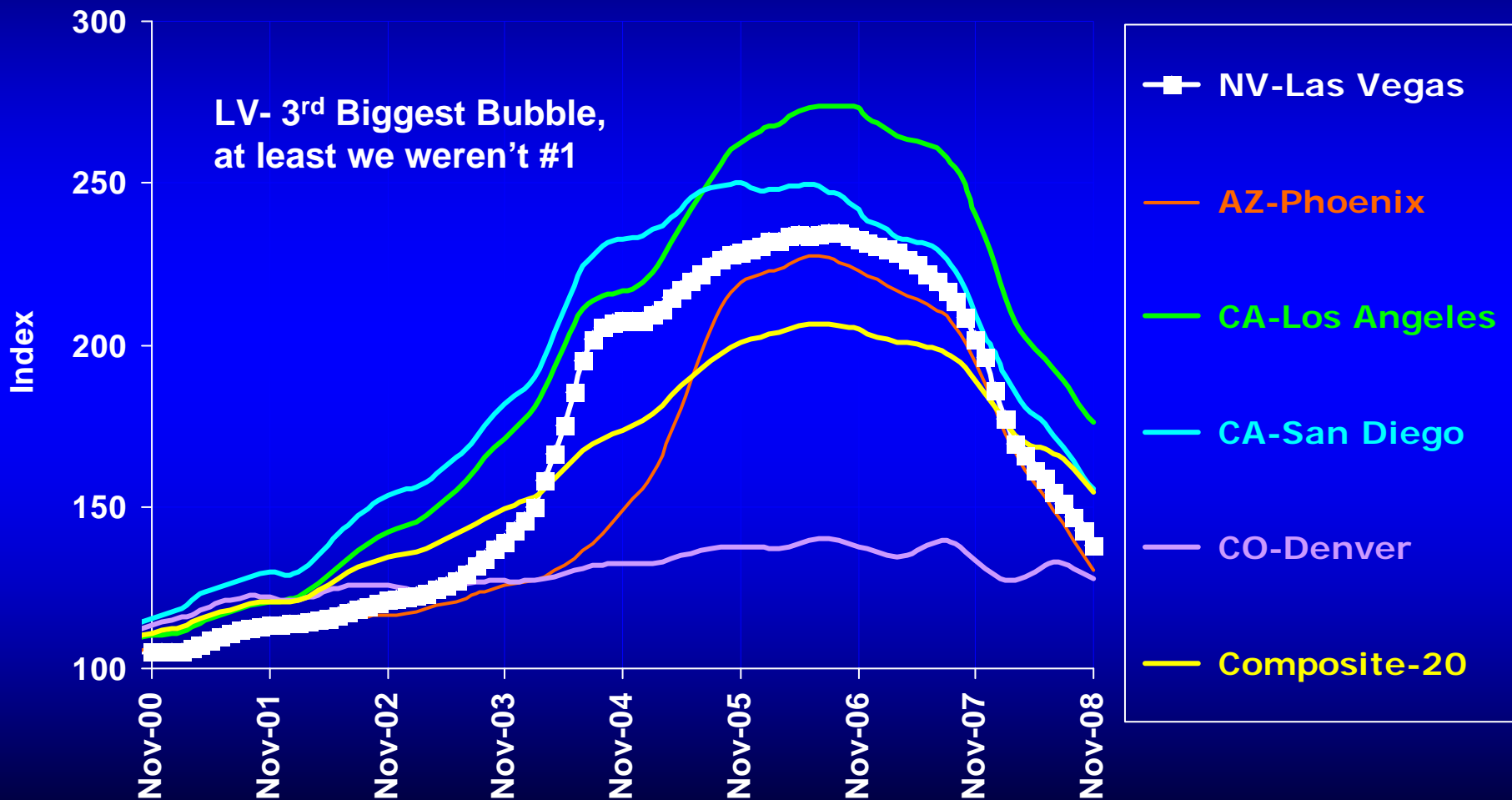


Semiconductor Sector Index: 2/1995 – 2/2009

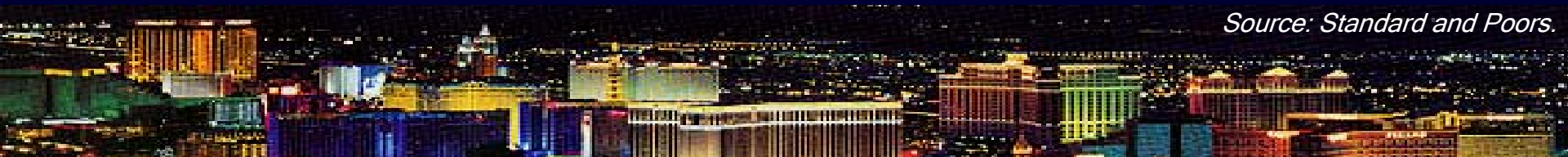


S&P / Case-Shiller Housing Price Index

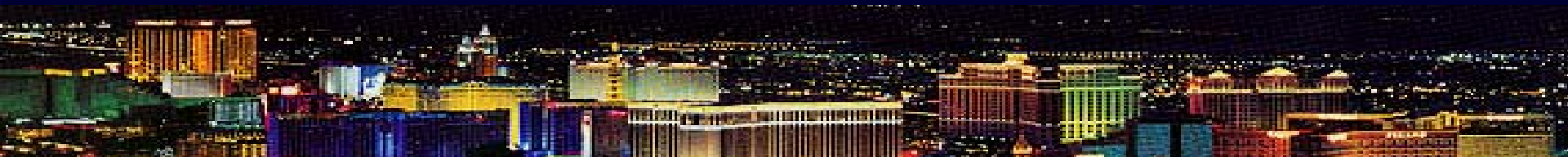
Select Southwestern U.S. MSAs: 11/2000 – 11/2008



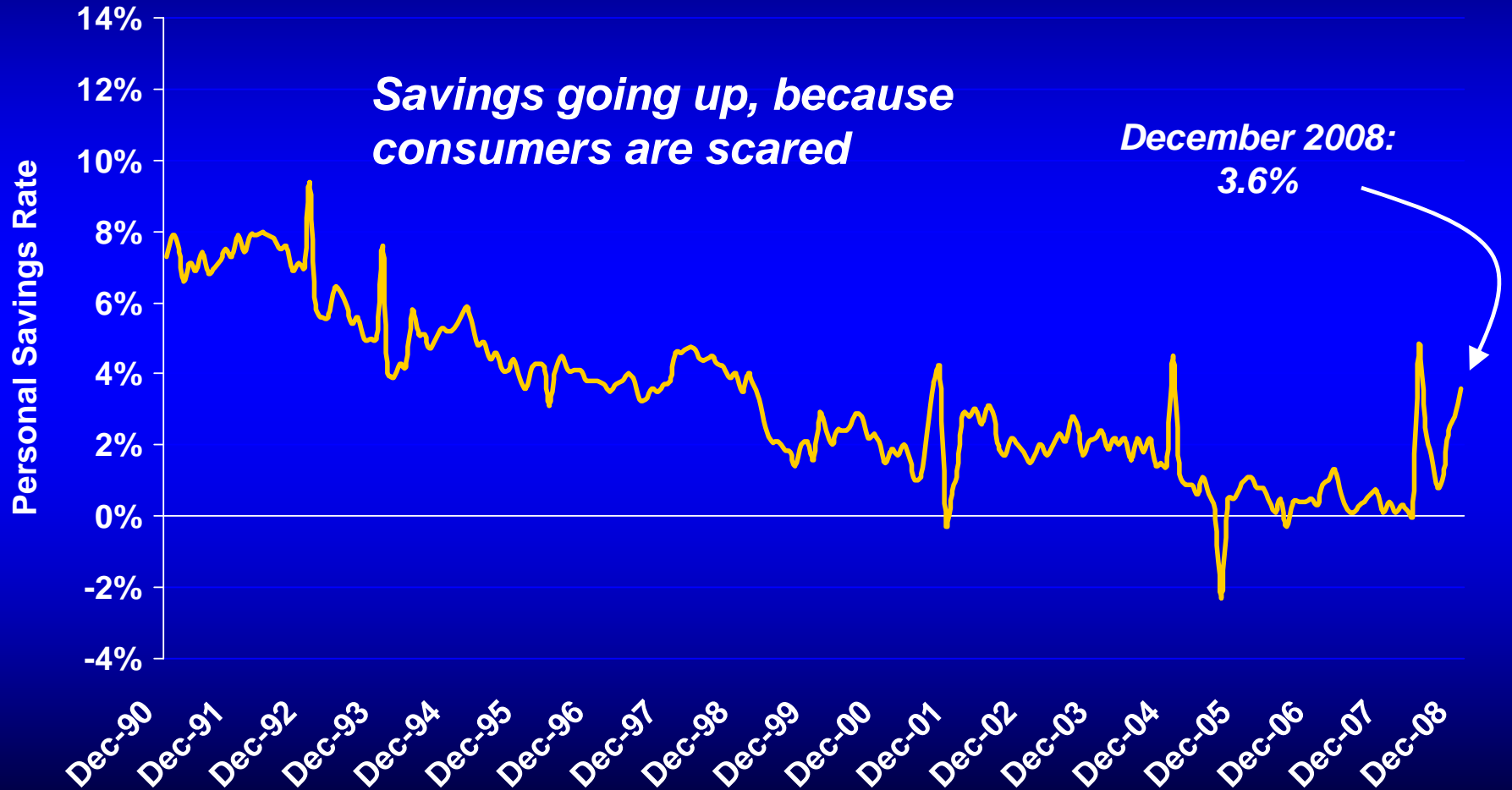
Source: Standard and Poors.



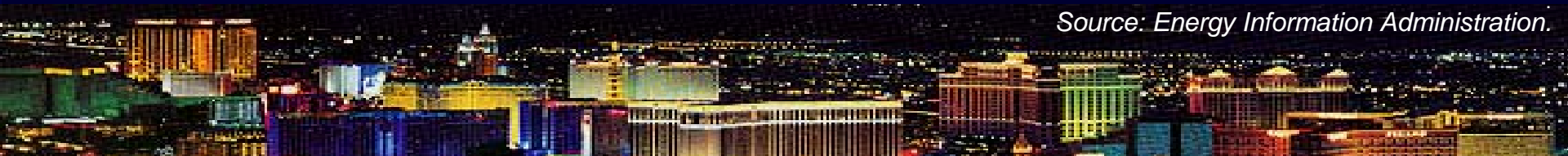
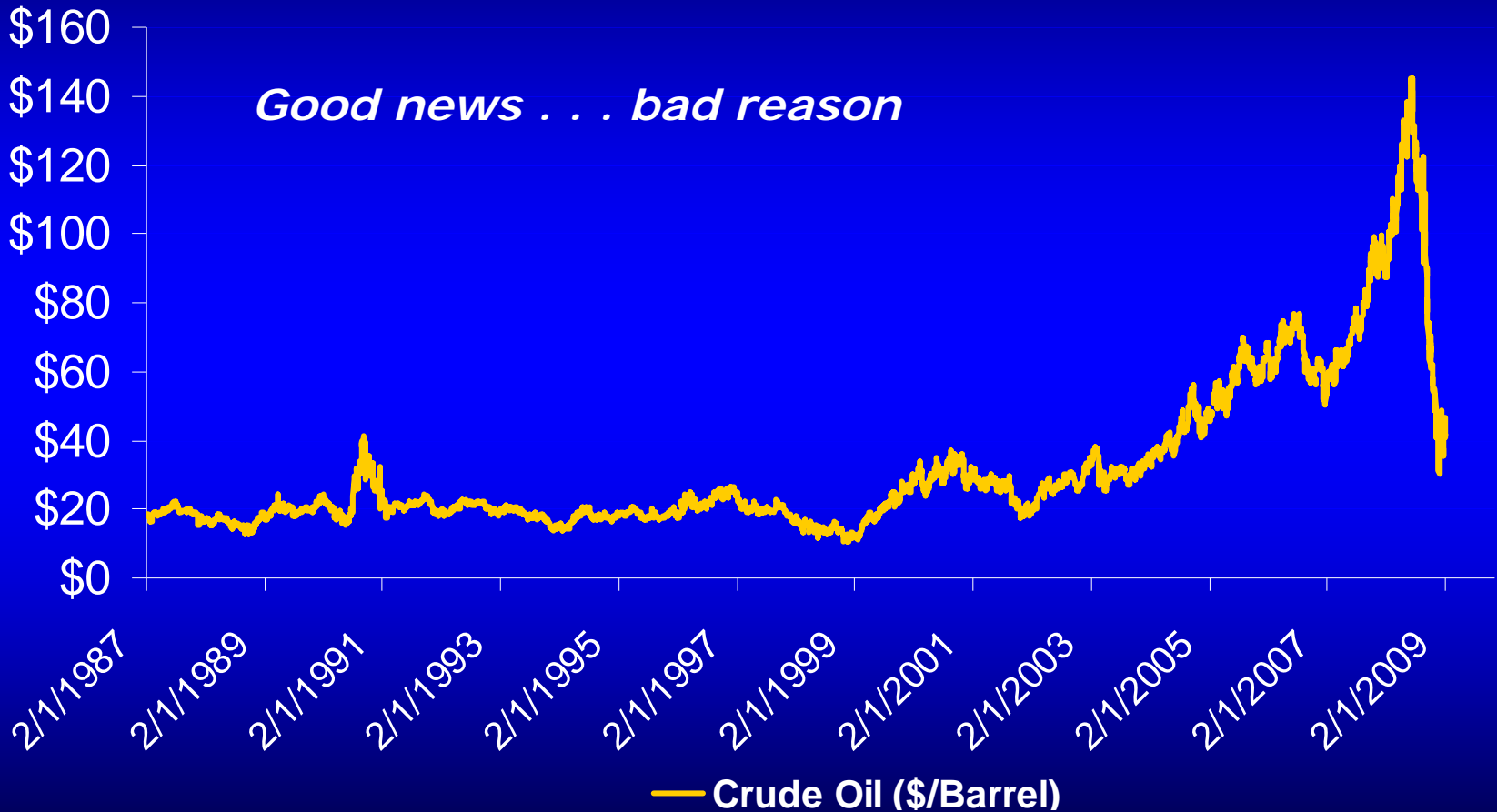
And the Job Outlook?



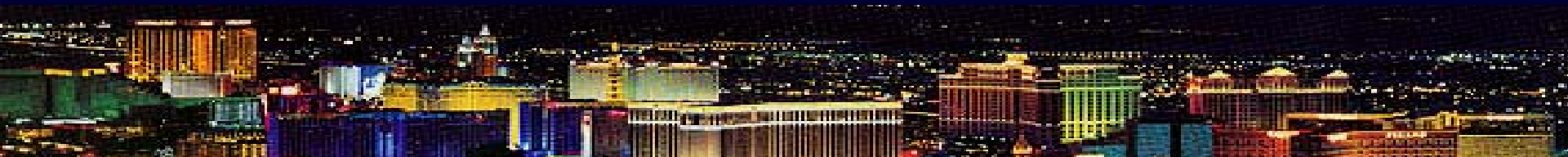
U.S. Personal Savings Rate as % of Disposable Income 12/1990 – 12/2008



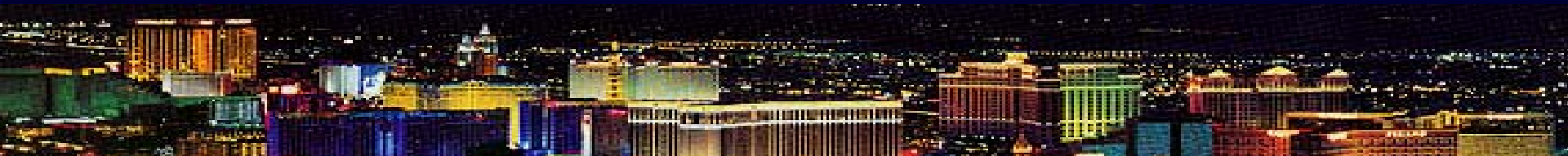
U.S. Average Crude Oil Spot Price / Barrel 2/1987 – 2/2009



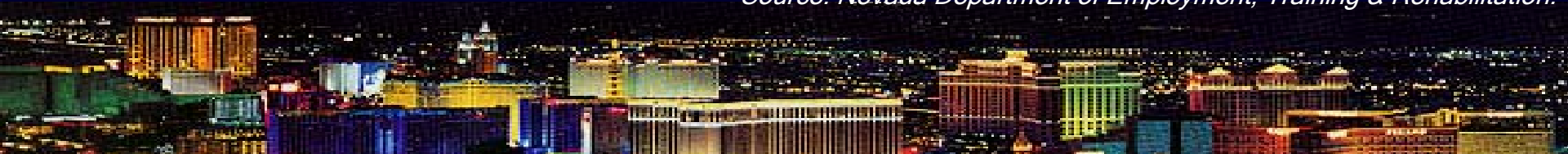
But the news isn't all bad . . .



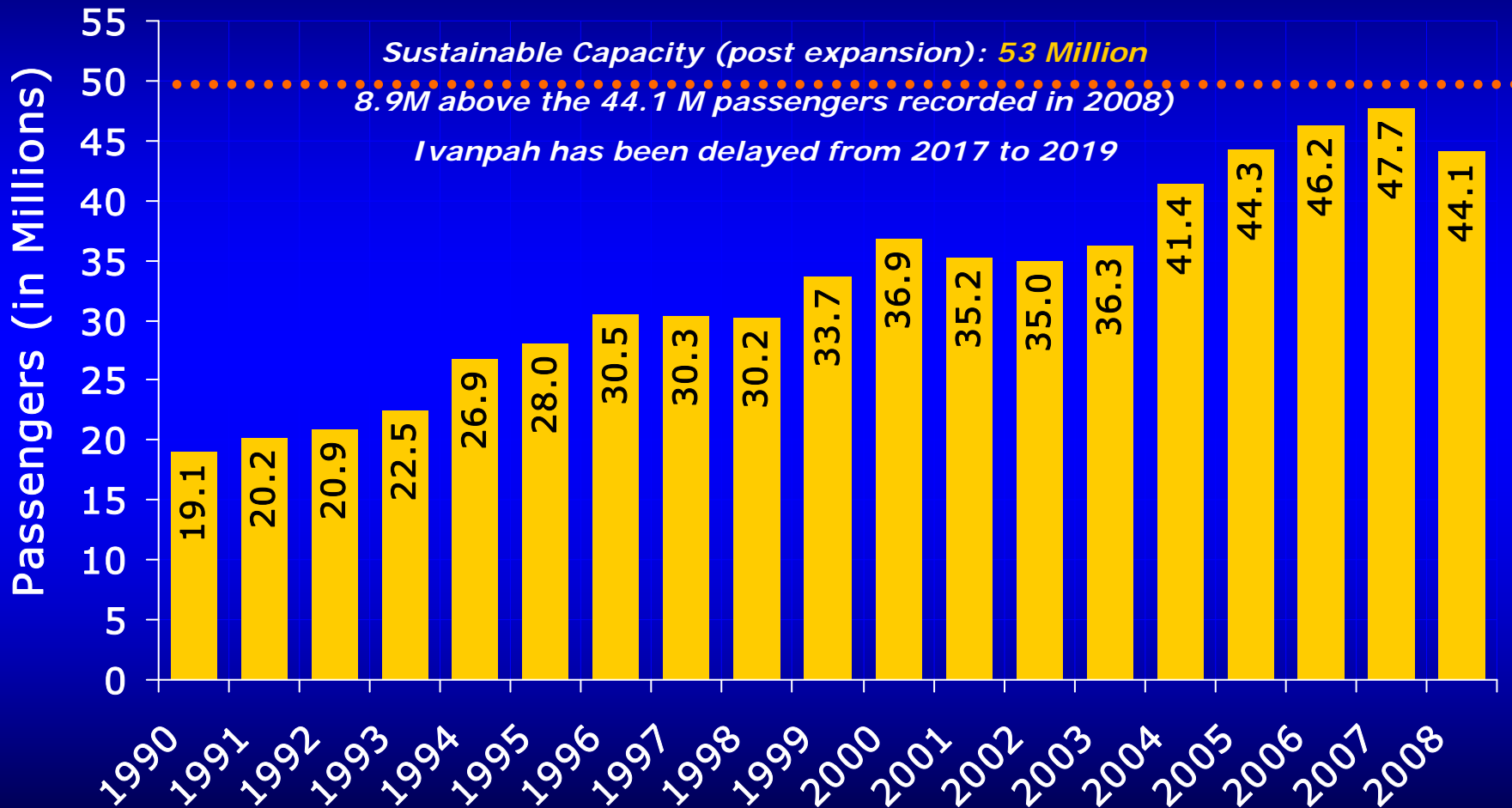
The Clark County & Nevada Economies



Clark County & U.S. Unemployment Rates 12/2000 – 12/2008



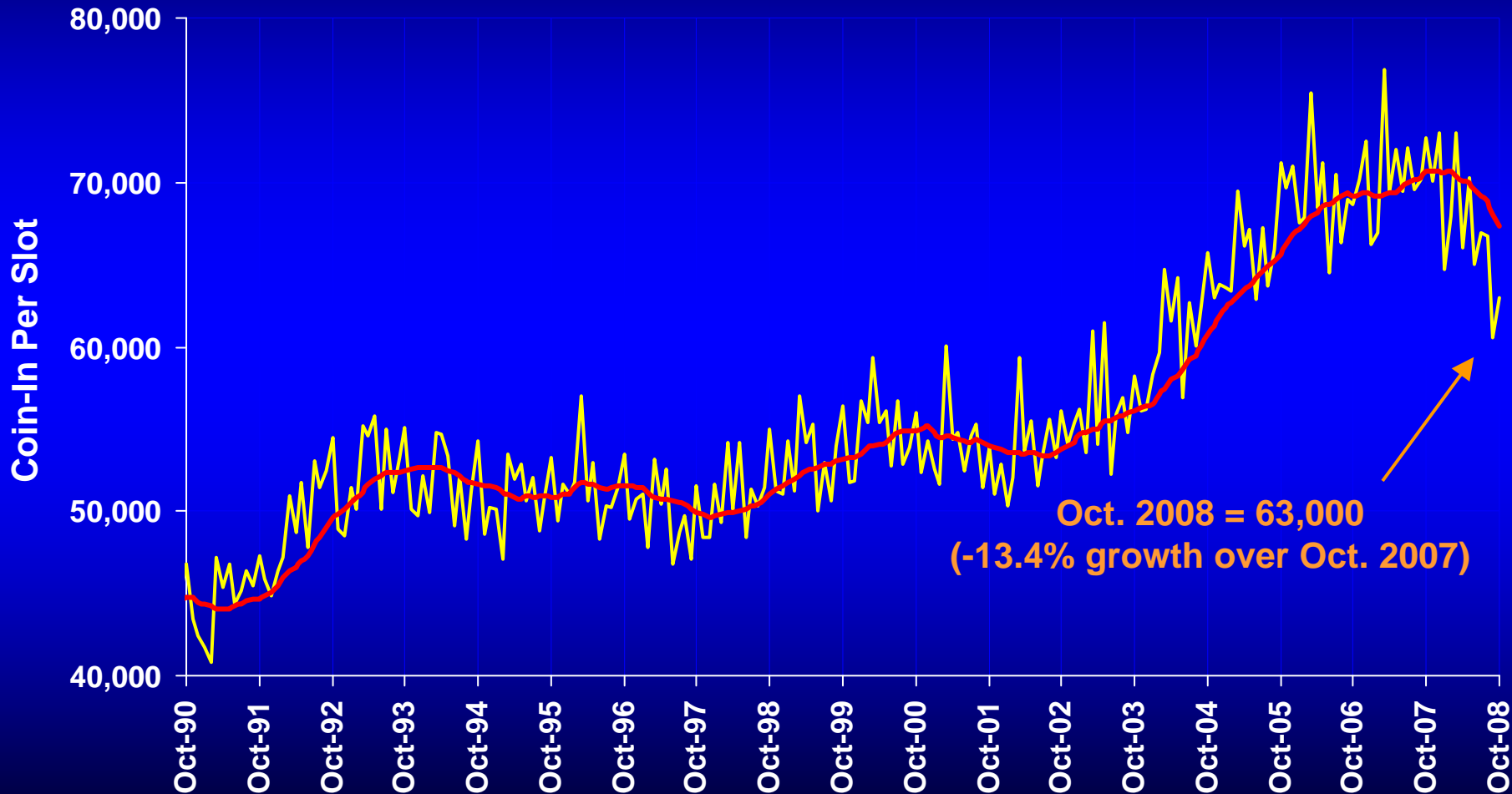
McCarran Annual Passengers 1990 – 2007, & 2008



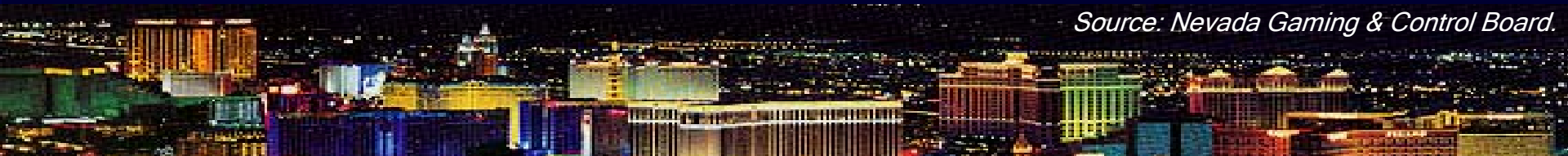
Resort Industry Investment: Will They Come? 2008 – 2010 & Undetermined



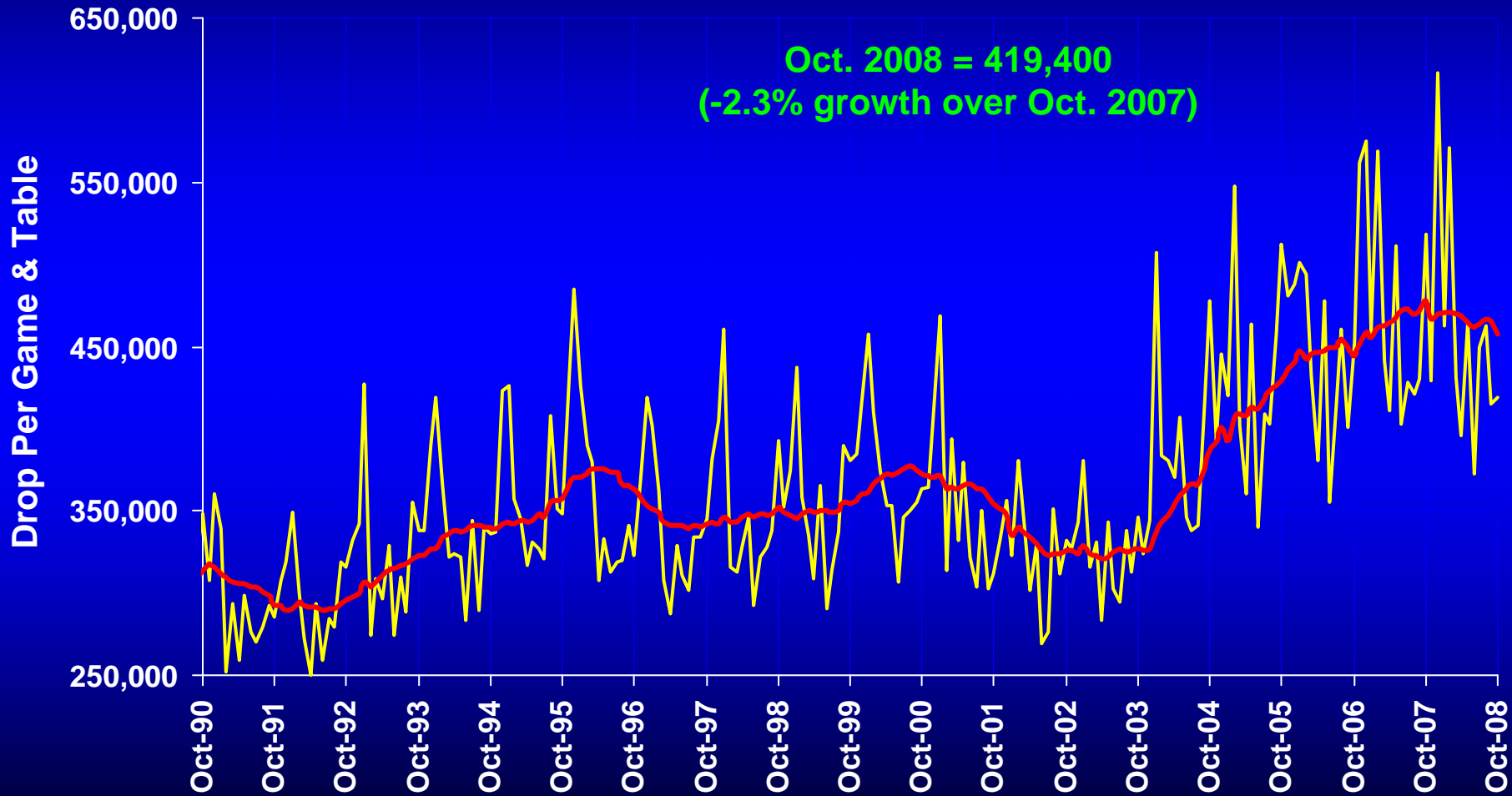
Clark County Gaming Coin-In Per Slot Statistical Count, 10/1990 – 10/2008



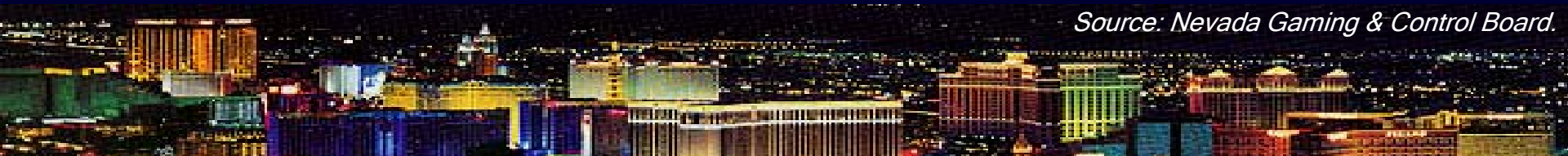
Source: Nevada Gaming & Control Board.



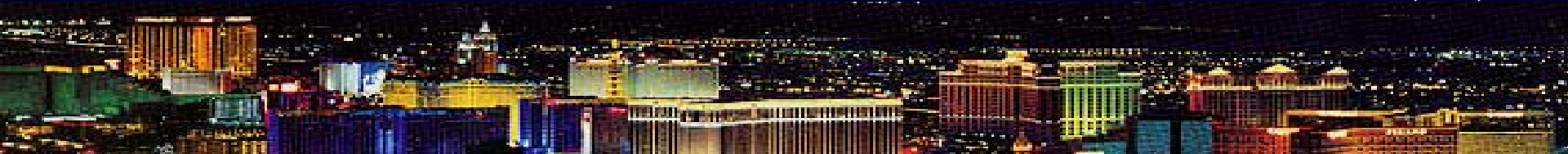
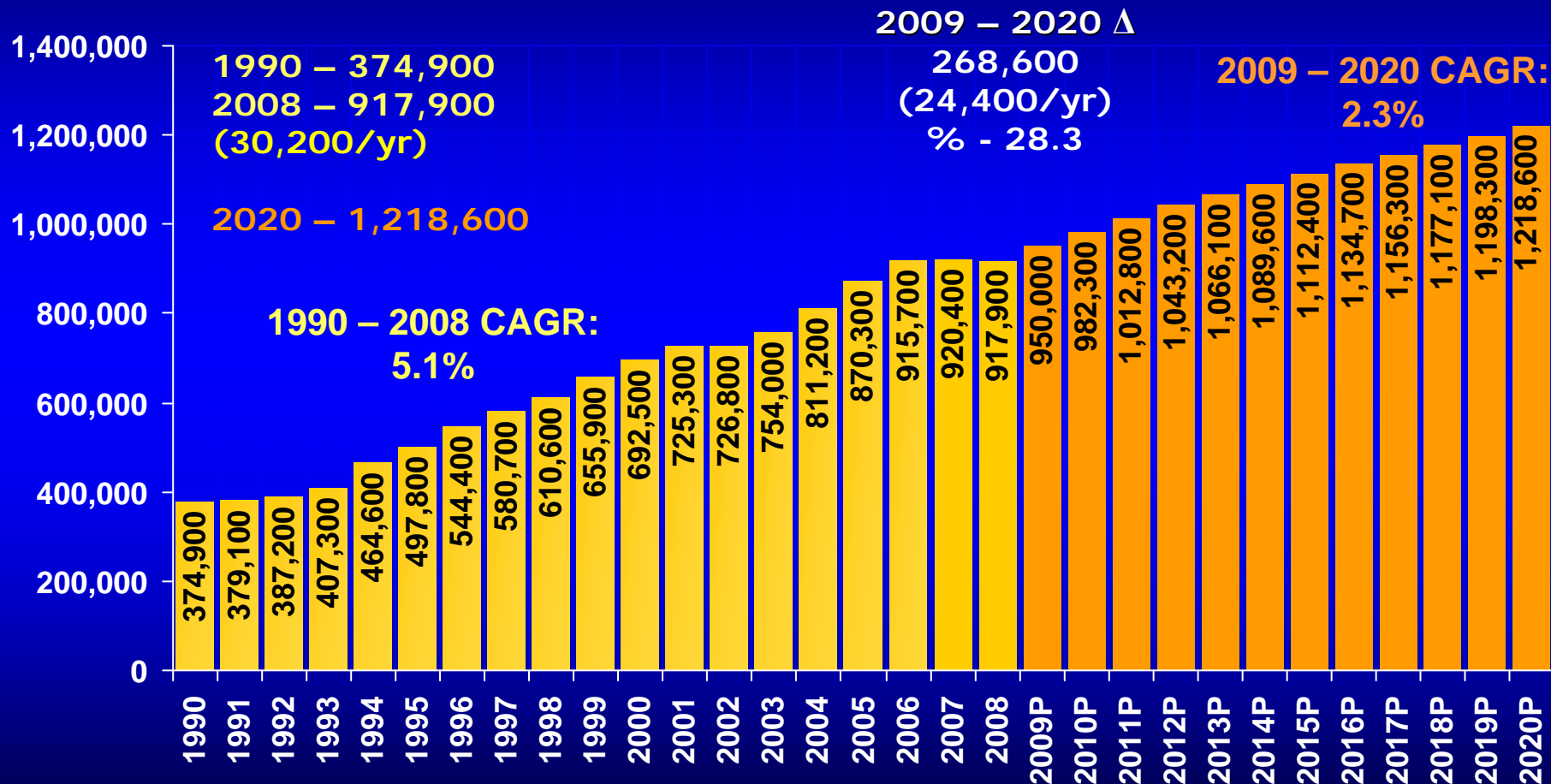
Clark County Gaming Drop Per Game & Table Statistical Count, 10/1990 – 10/2008



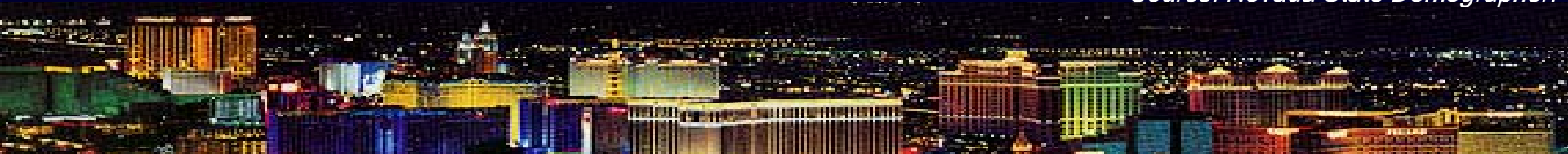
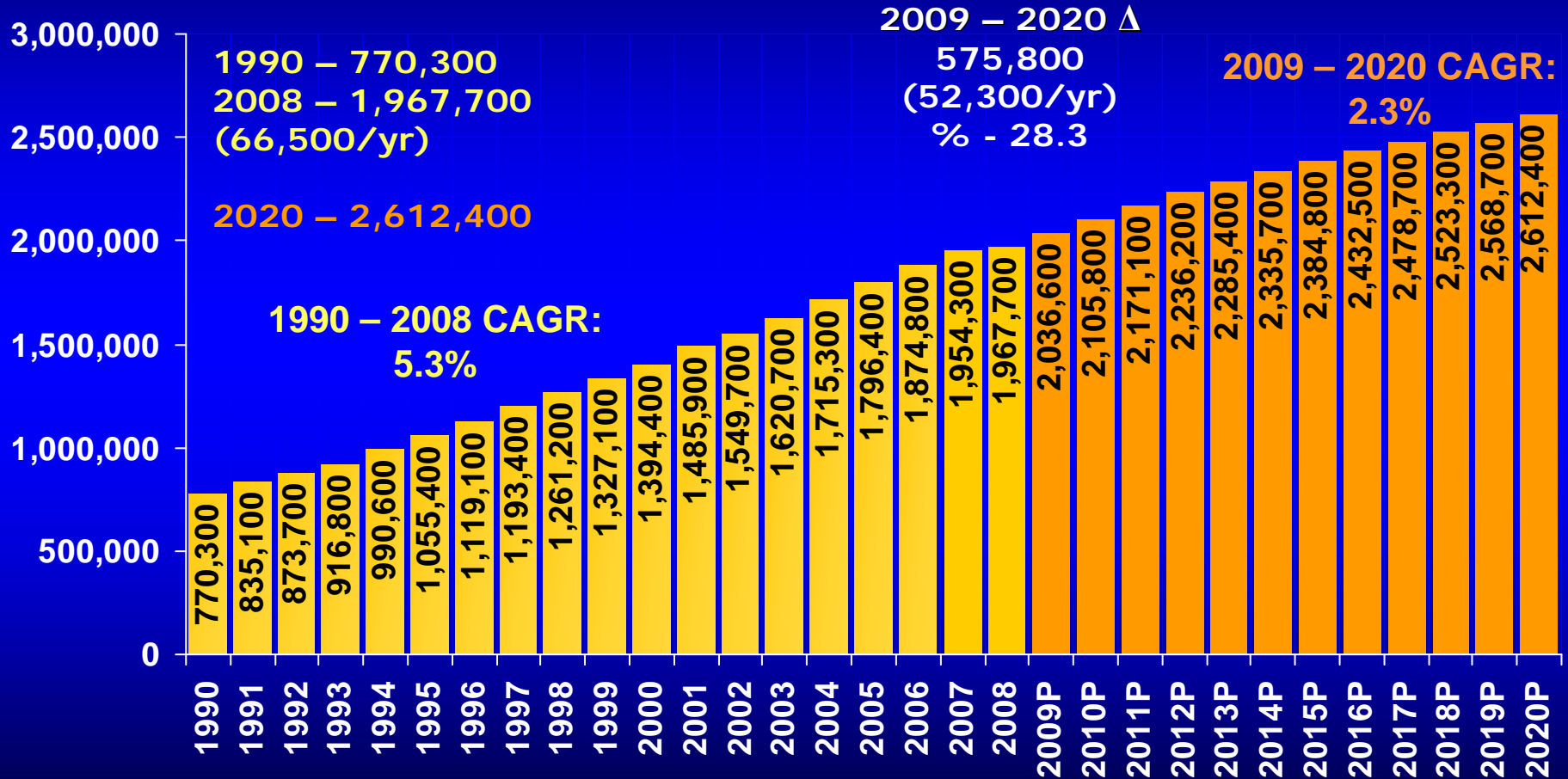
Source: Nevada Gaming & Control Board.



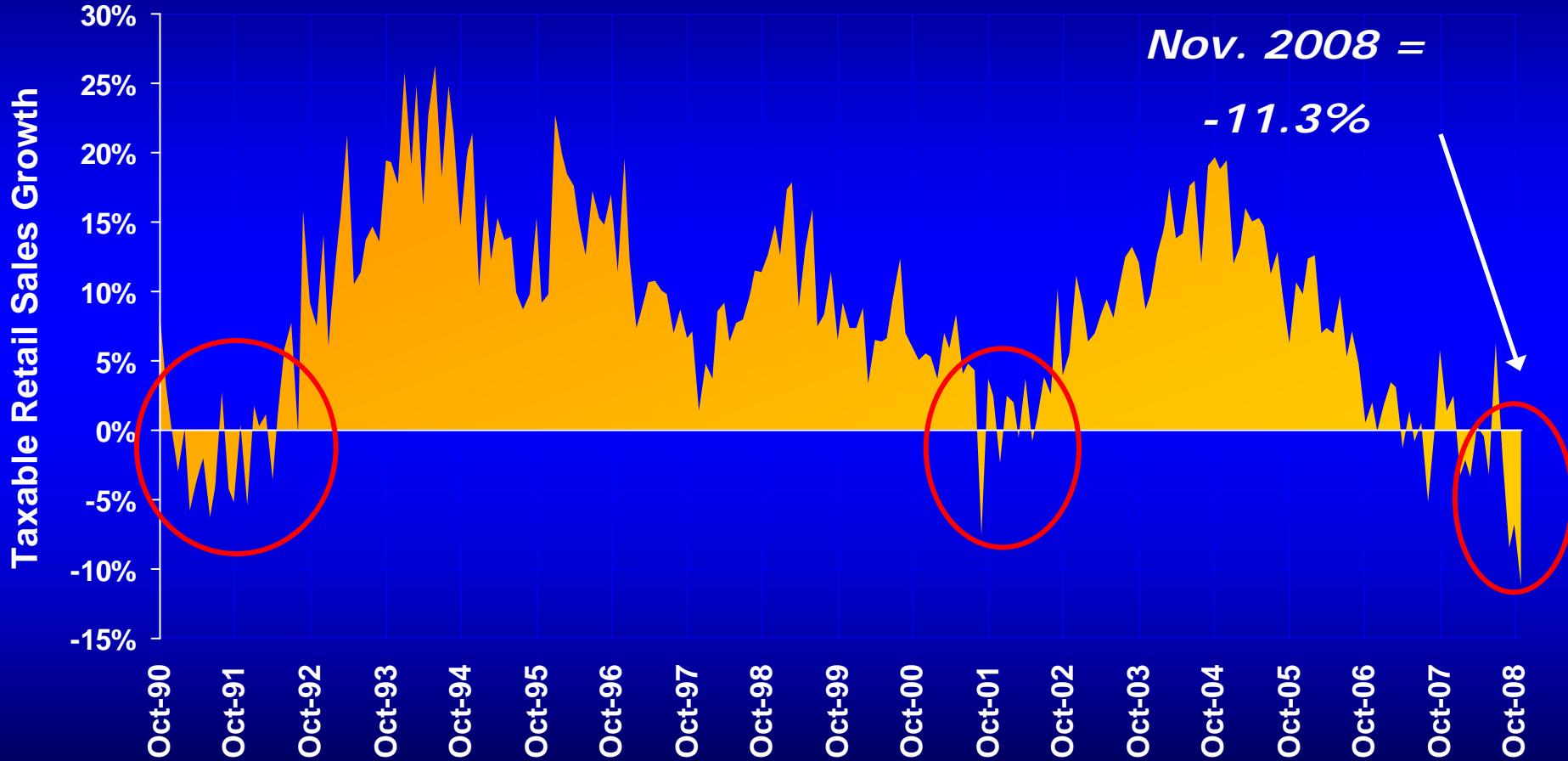
Clark County Employment: Growth Will Continue 1990 – 2020P



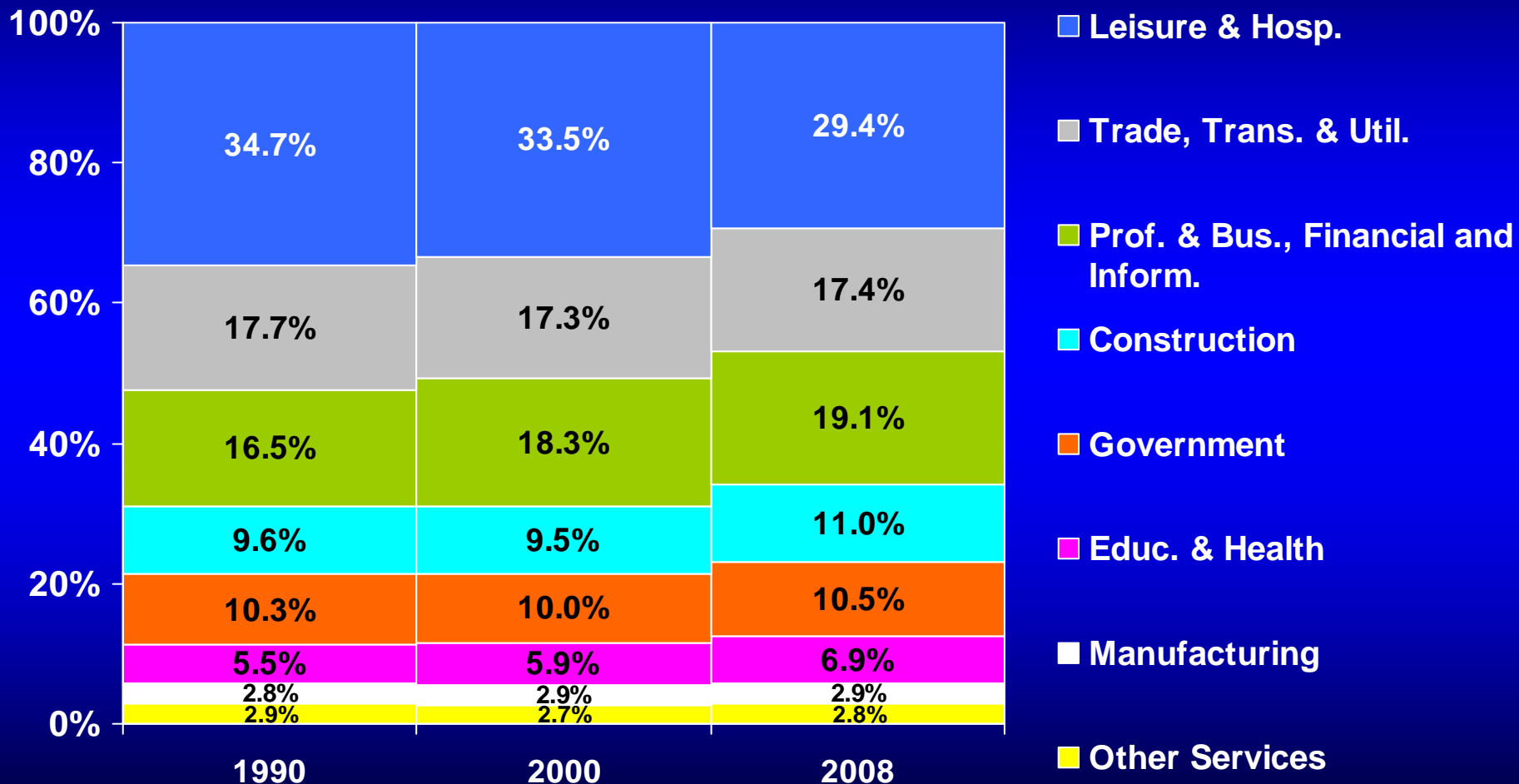
Clark County Population: Largely Driven By Economy, 1990 – 2020P



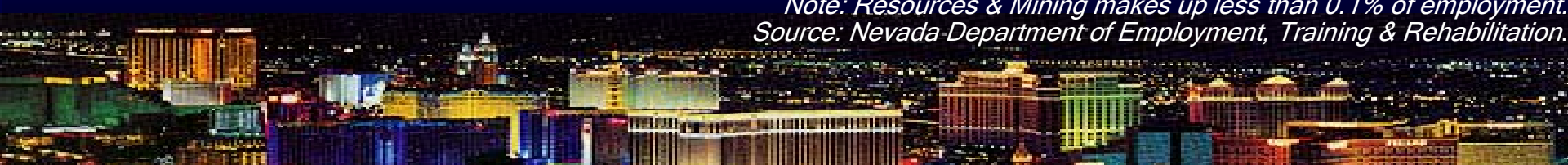
Clark County Taxable Sales Growth Rate 11/1990 – 11/2008



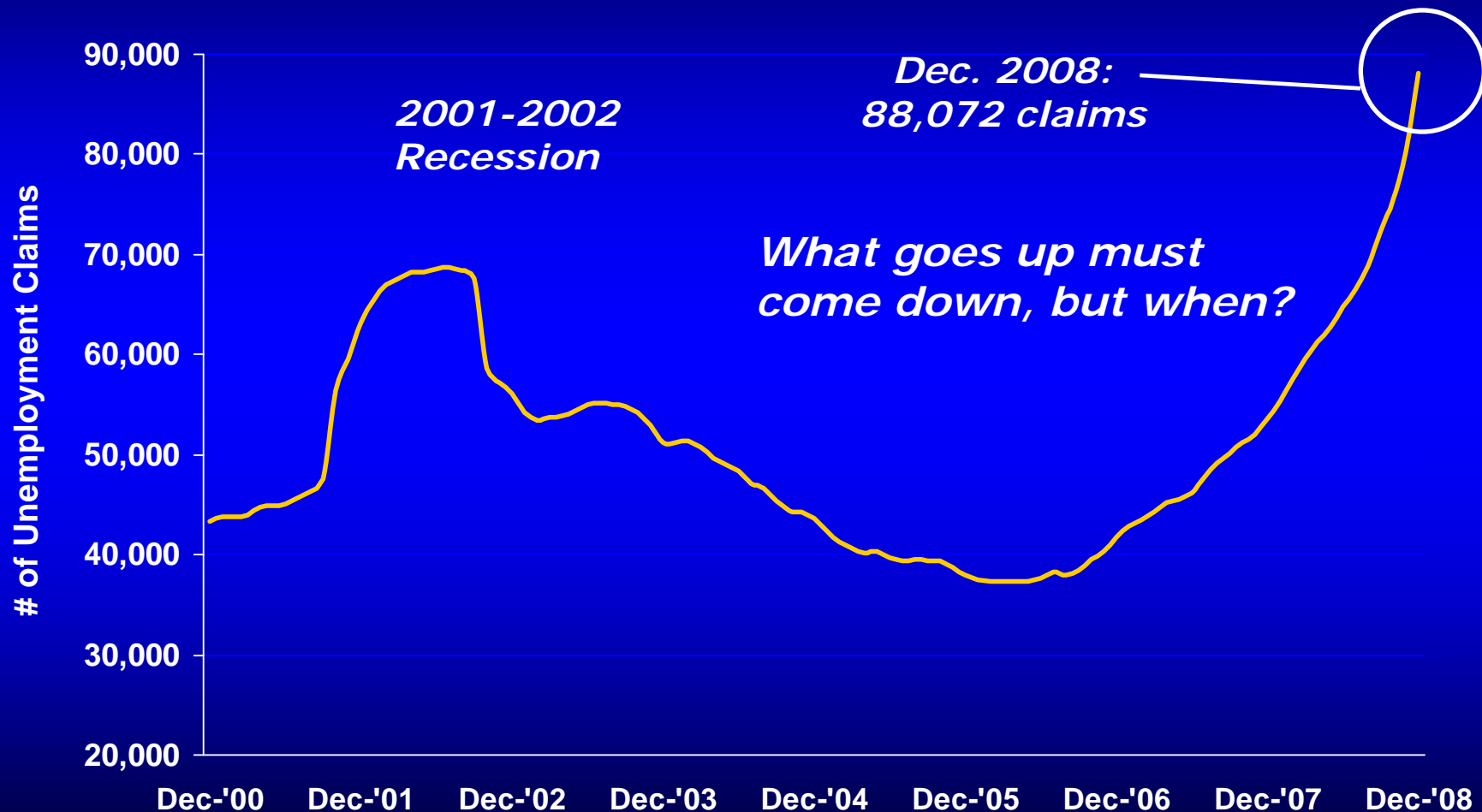
Are We Diversifying? Major Job Sectors 1990, 2000 & YTD 2008



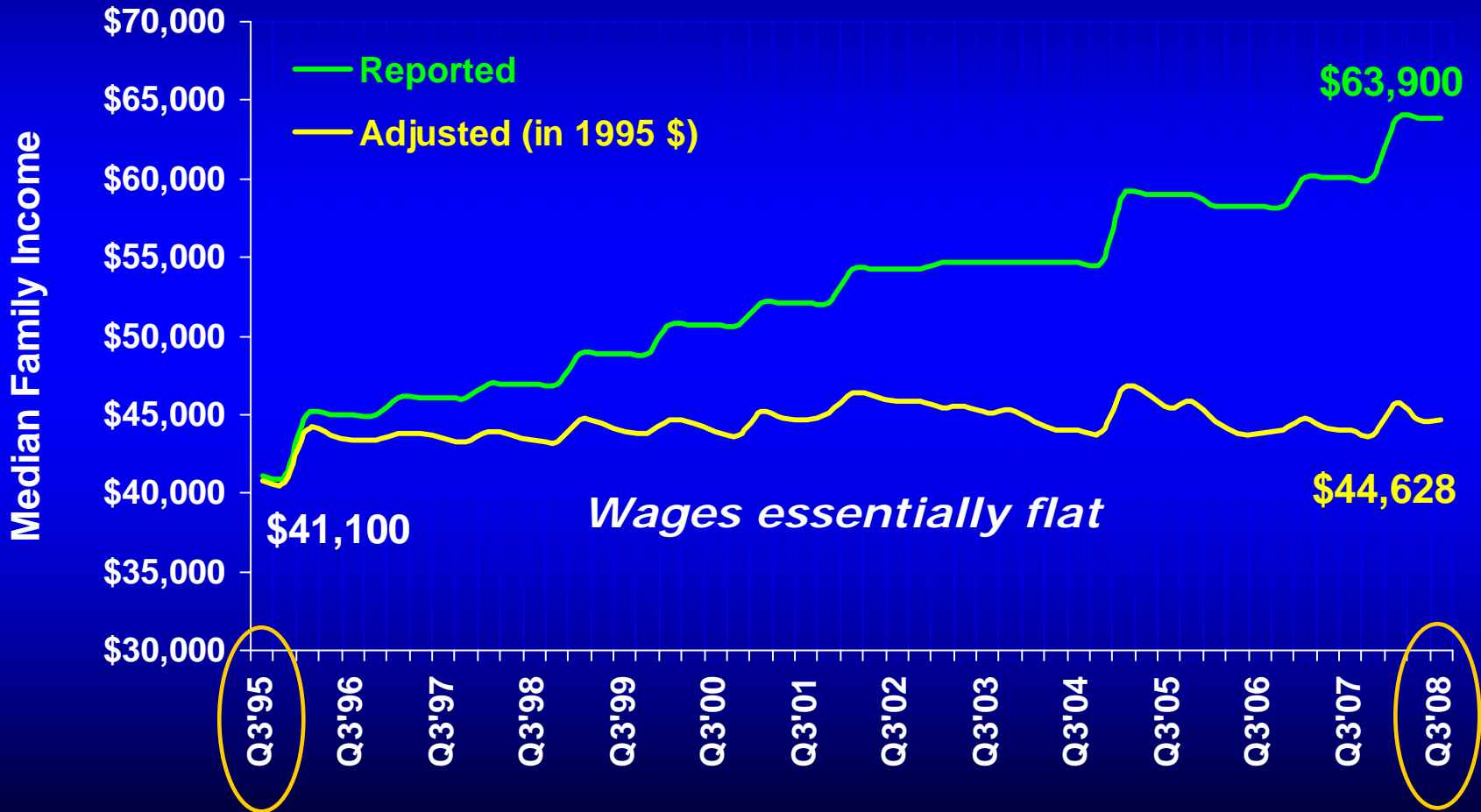
Note: Resources & Mining makes up less than 0.1% of employment.
Source: Nevada-Department of Employment, Training & Rehabilitation.



of Clark County Unemployment Claims 12/2000 – 12/2008 (12-Mo. Annualized Totals)



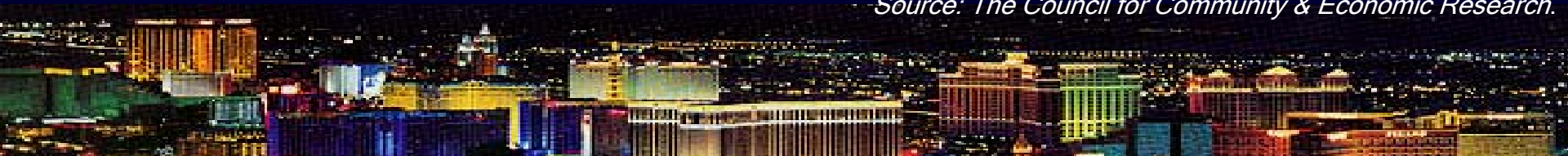
Clark County Median Family Income Reported vs. Inflation-Adjusted (in 1995 \$): Q3, 1995 – Q3, 2008



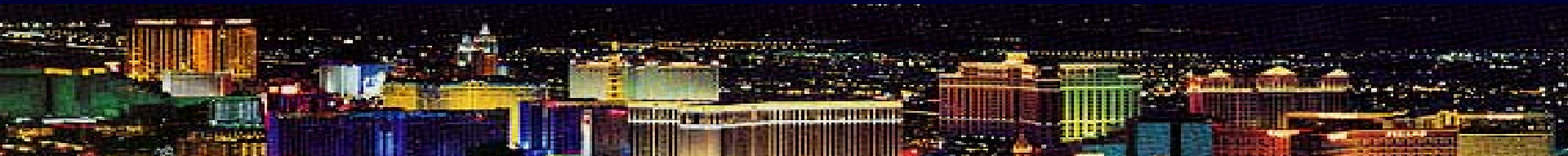
Las Vegas Cost of Living Index Q4, 2008

Cost of Living Index	Items Index Costs	Grocery Items	Housing	Utilities	Transp.	Health Care	Misc. Goods & Serv.
Las Vegas, NV	107.9	101.0	129.1	93.8	102.6	104.3	98.2

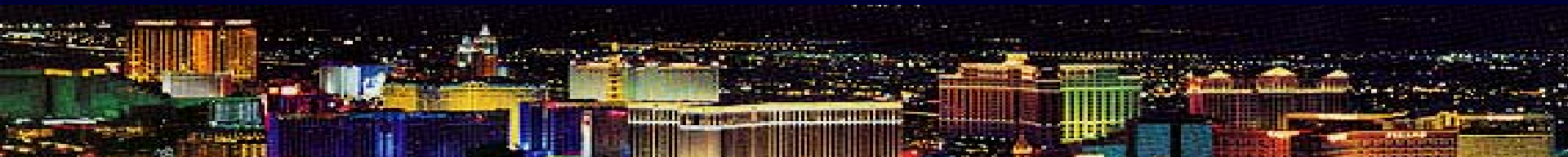
LV is almost 8% Higher than National Metro Area Average of 100



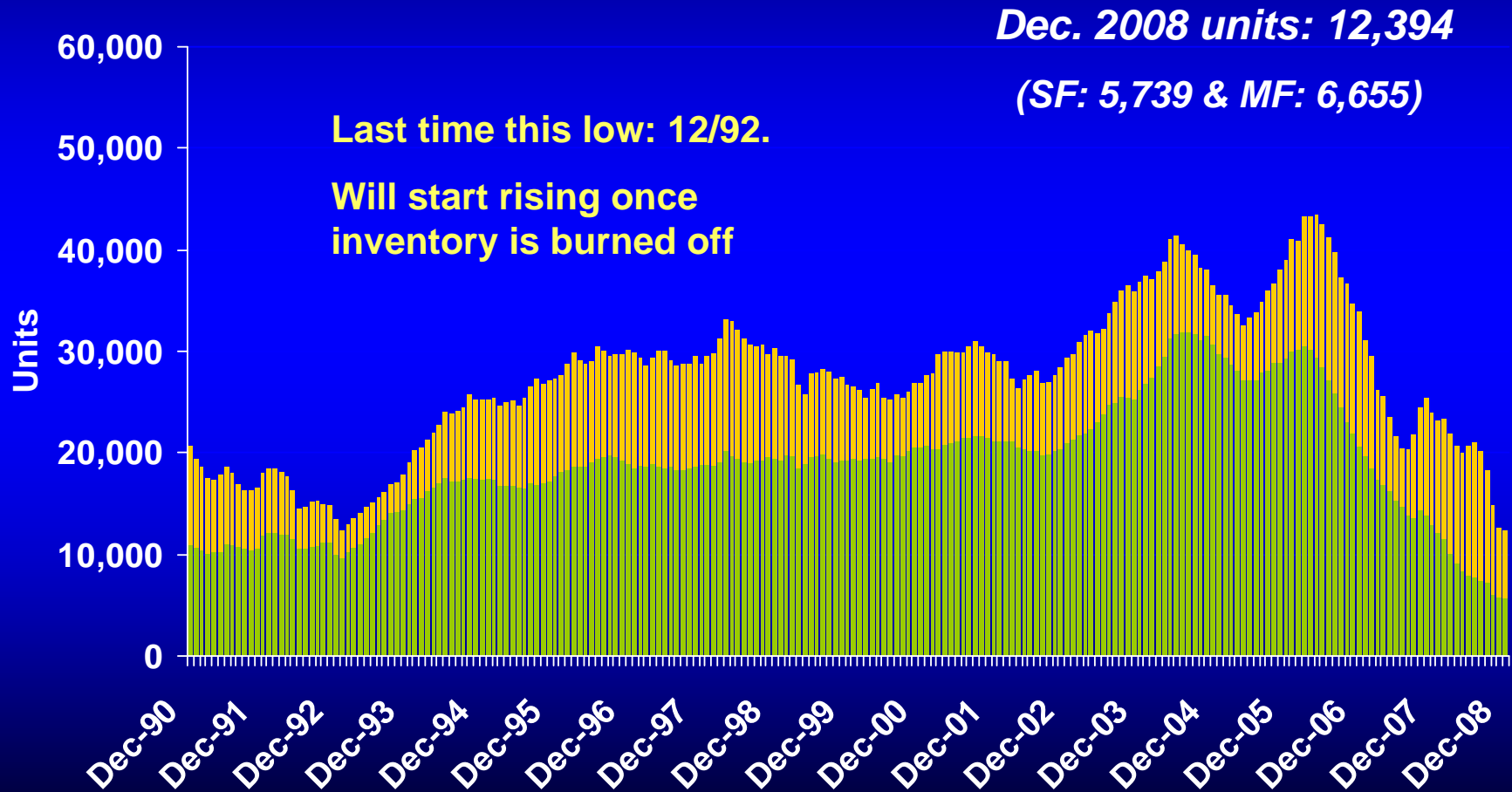
The Real Estate Markets



The Residential Market



Clark County Residential Units Permitted Single Family & Multi-family 12/1990 – 12/2008 (12-mo. annualized totals)

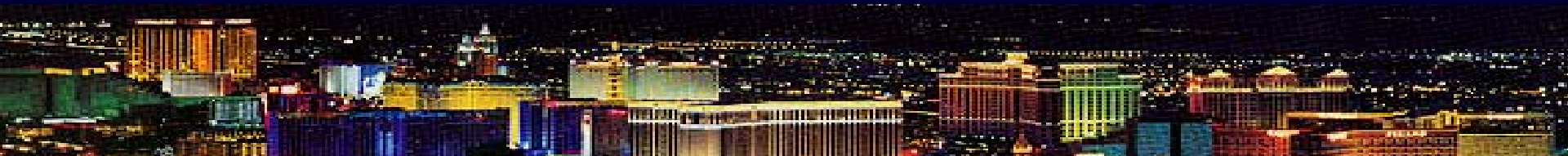


Clark County Housing Price : Median HH Income Ratio Q3, 1991 – Q4, 2008*



*Ratio values were not available in Q2, 2002 to Q3, 2003.
Sources: National Association of Home Builders; Wells Fargo.

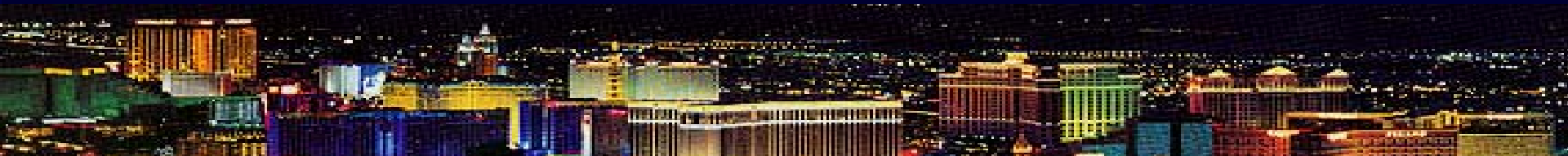
The Commercial Markets



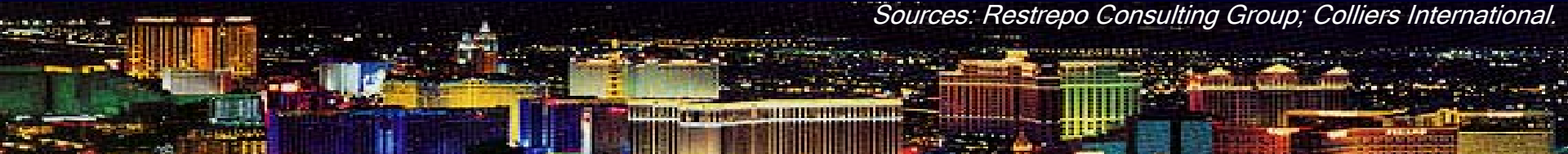
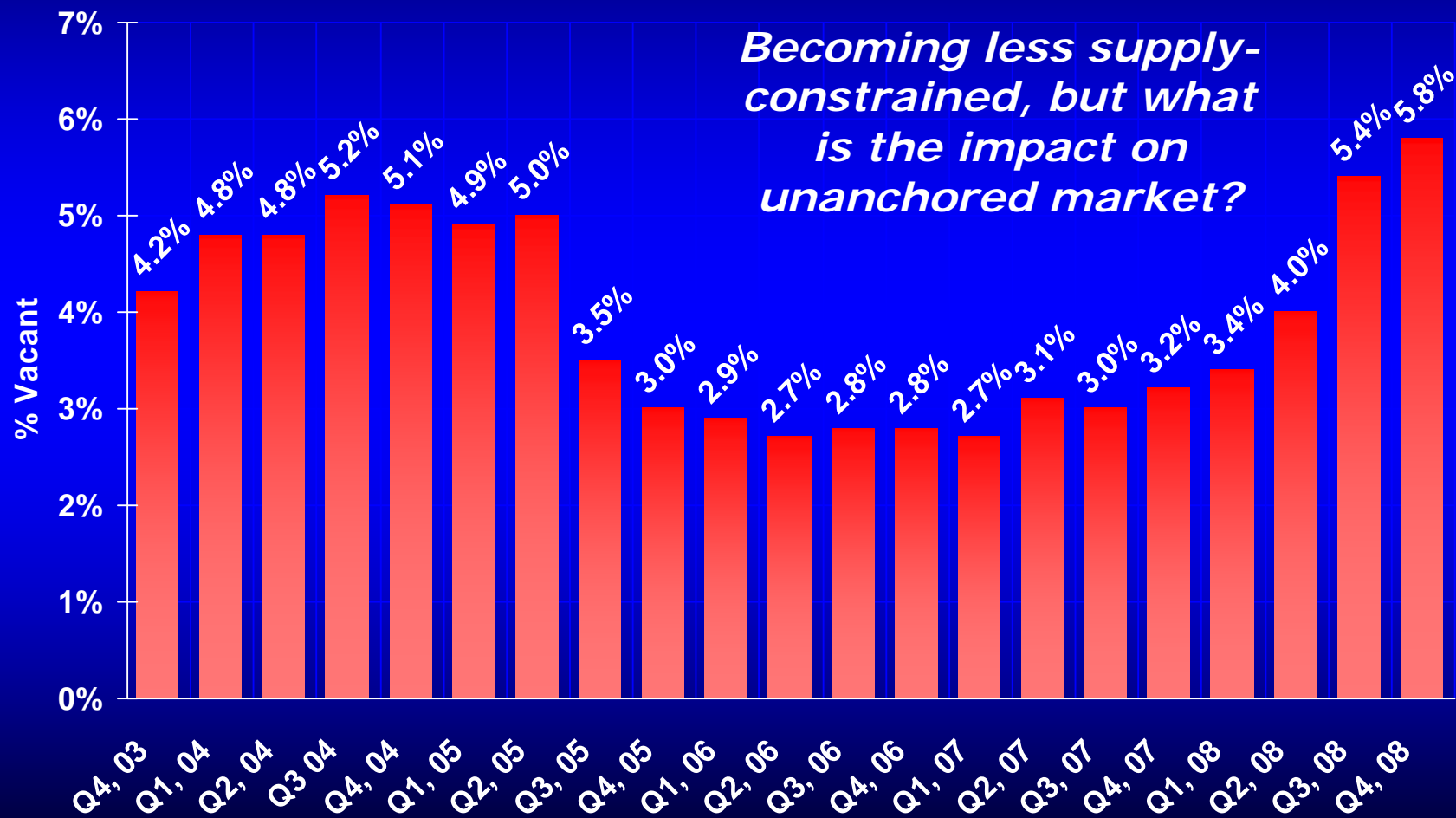
Anchored Retail Market

Q4, 2008 Snapshot

	Las Vegas Valley
Inventory ➡	42.0 M sf
Vacancy Rate ➡	5.8%
Rent \$PSF ➡	\$2.04
Net Absorption (past 4 Q) ➡	1.0 M sf
Completions (past 4 Q) ➡	2.2 M sf
Under Construction ➡	2.4 M sf
Planned ➡	2.0 M sf

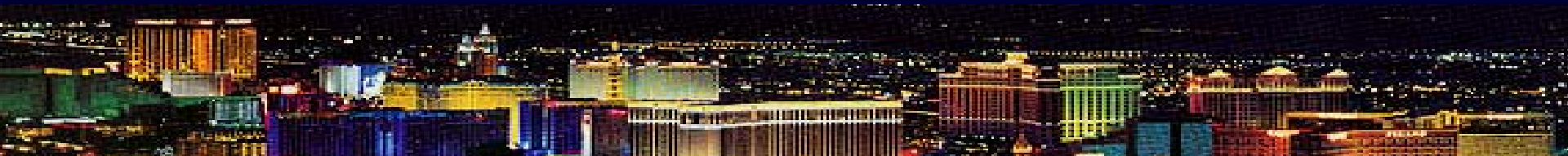


Valley Anchored Retail Vacancy Q4, 2003 – Q4, 2008

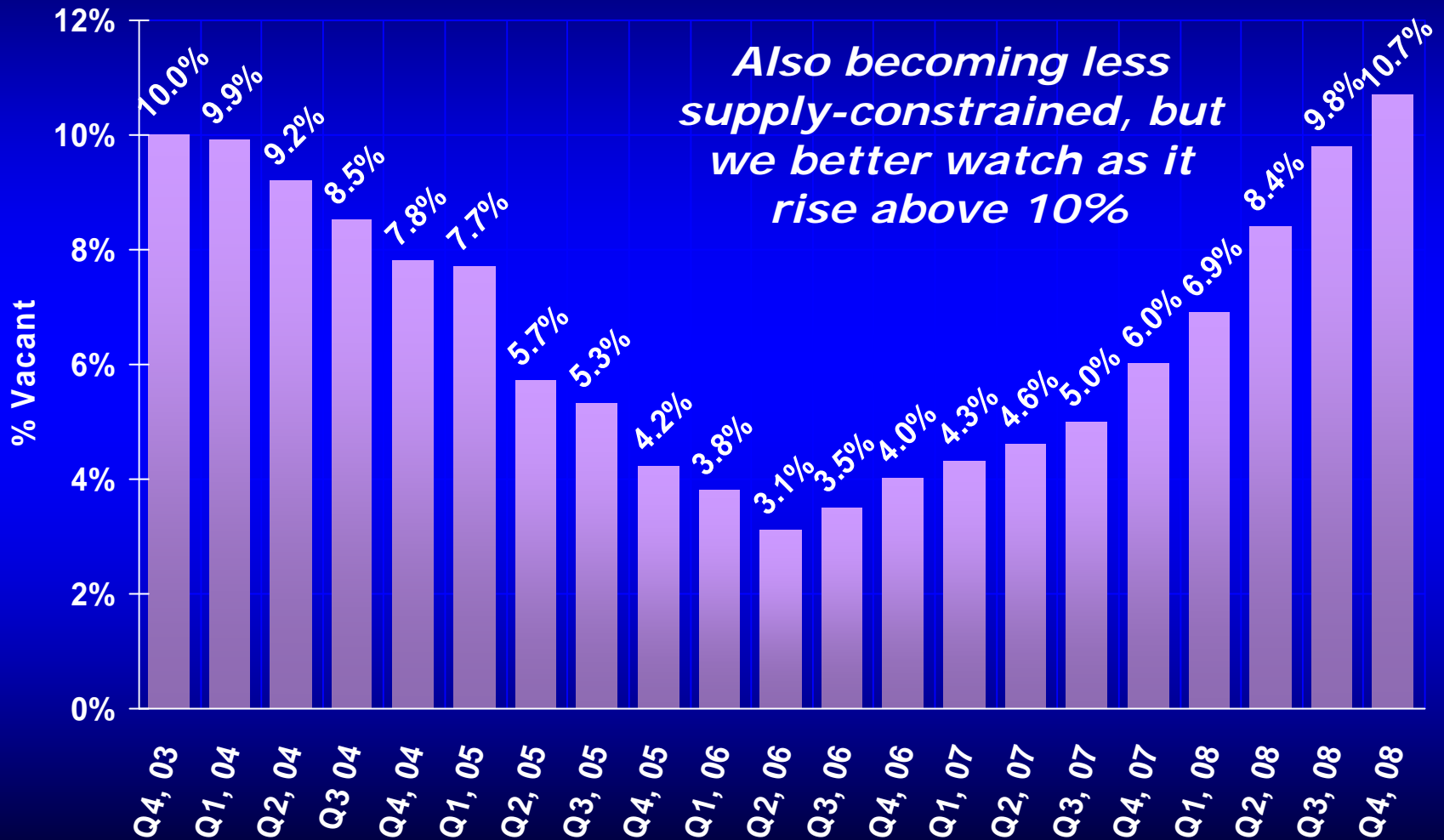


Industrial Market Q4, 2008 Snapshot

	Las Vegas Valley
Inventory ➔	104.7 M sf
Vacancy Rate ➔	10.7%
Rent \$PSF ➔	\$0.73
Net Absorption (past 4 Q) ➔	-813,889 sf
Completions (past 4 Q) ➔	4.4 M sf
Under Construction ➔	1.1 M sf
Planned ➔	2.7 M sf



Valley Industrial Vacancy Q4, 2003 – Q4, 2008

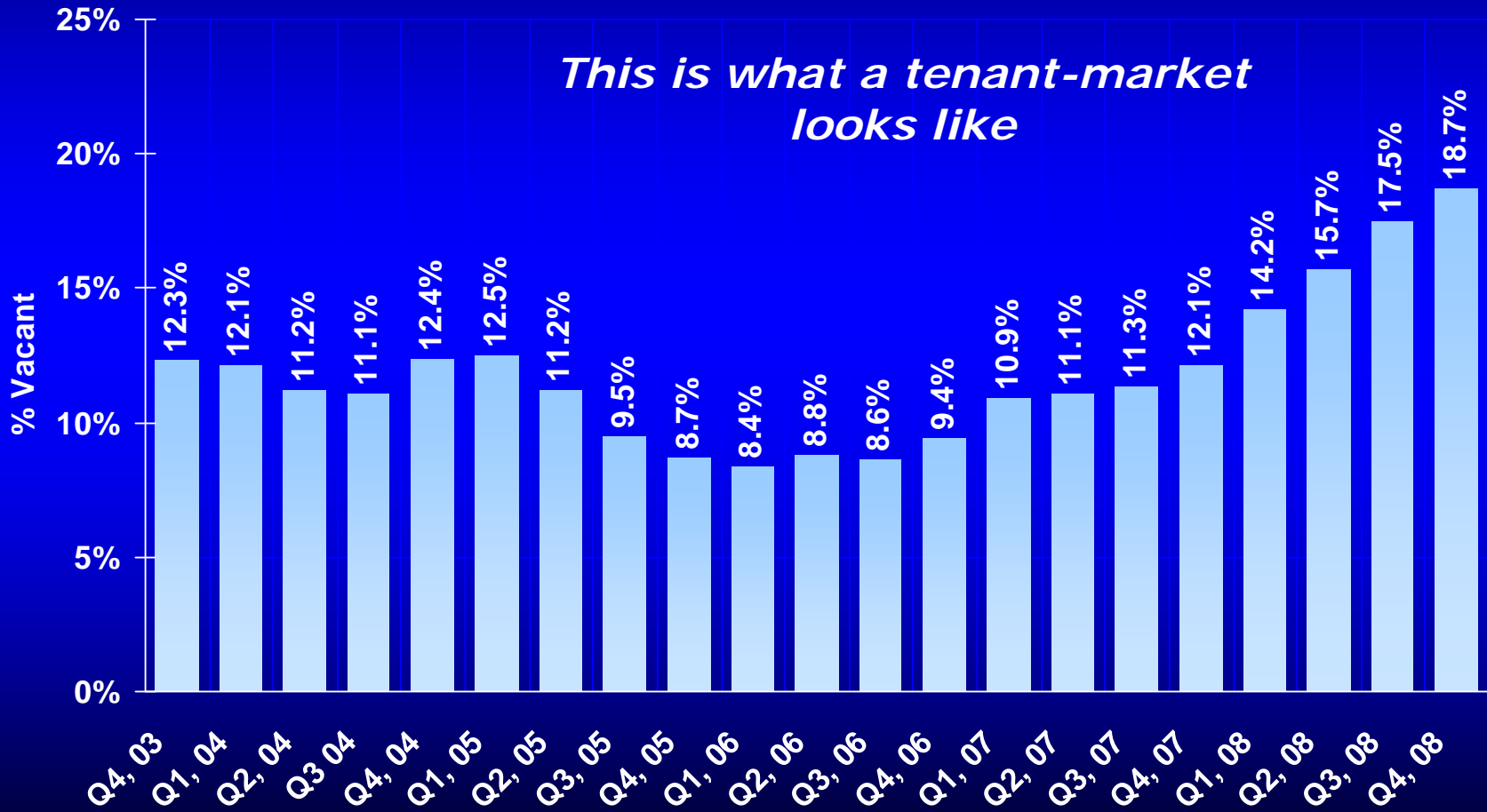


For-Lease Office Market Q4, 2008 Snapshot

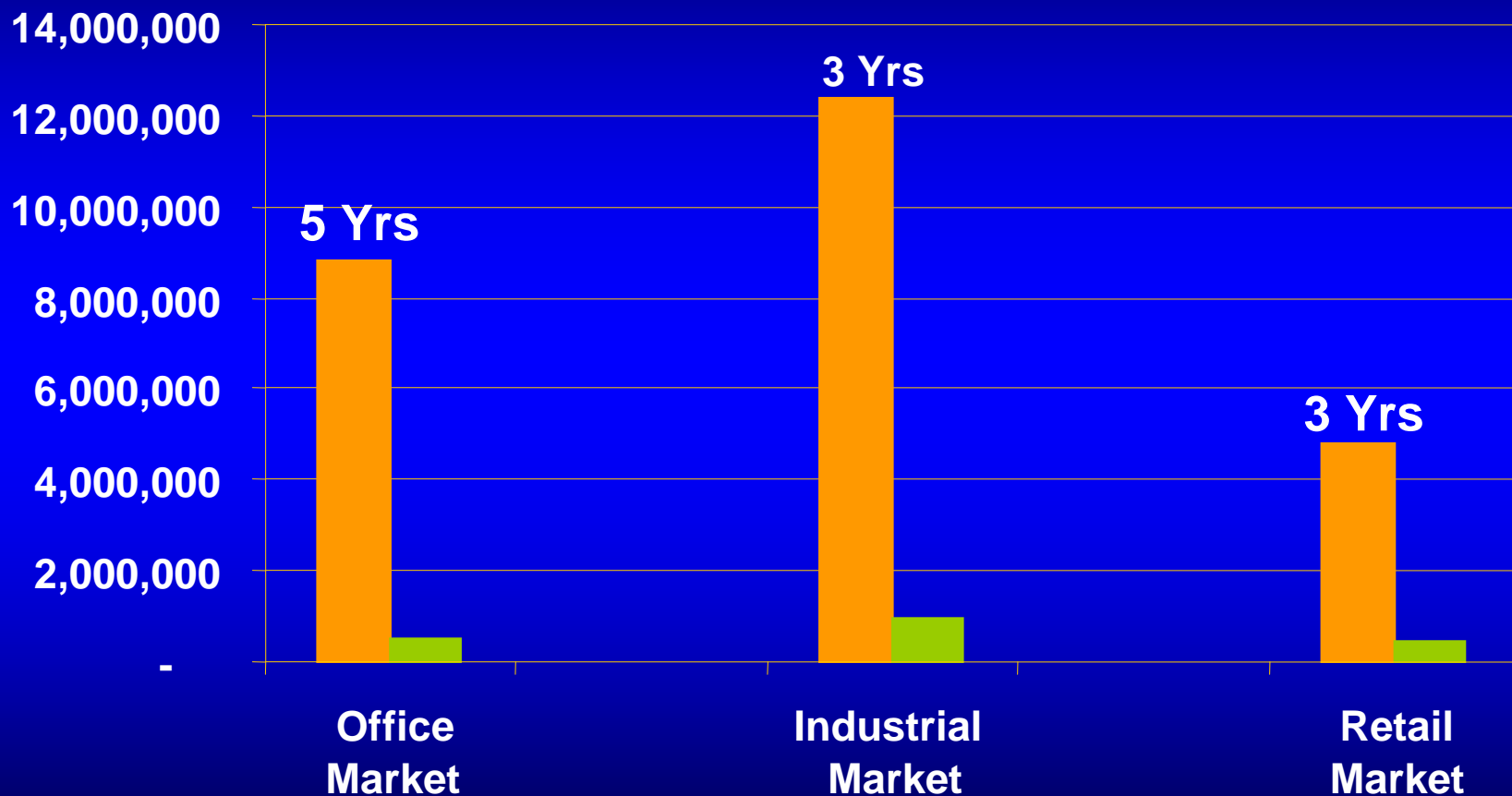
	Las Vegas Valley
Inventory ➔	39.0 M sf
Vacancy Rate ➔	18.7%
Rent \$PSF ➔	\$2.40
Net Absorption (past 4 Q) ➔	-1.2 M sf
Completions (past 4 Q) ➔	1.6 M sf
Under Construction ➔	1.4 M sf
Planned ➔	340,800 sf



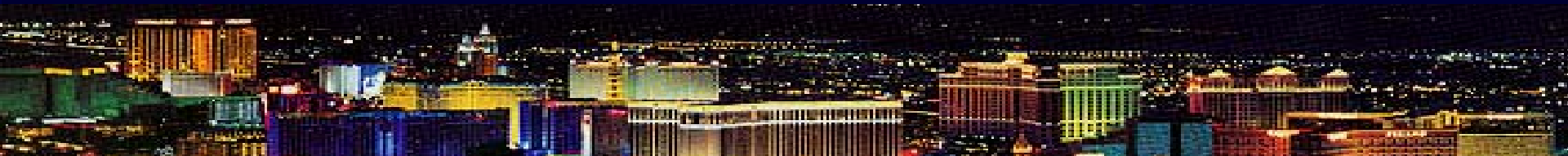
Valley For-Lease Office Vacancy Q4, 2003 – Q4, 2008



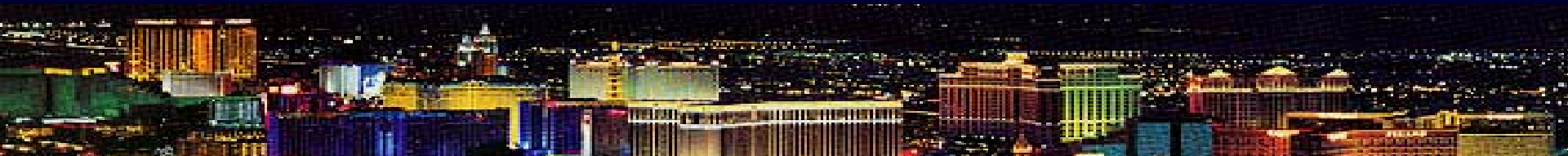
Years of Supply Existing Vacant & Under-Construction



■ Vacant Inventory ■ 16-Qtr Absp

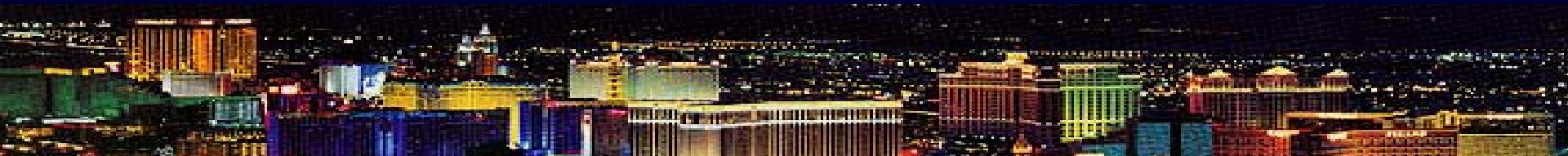


The Causes

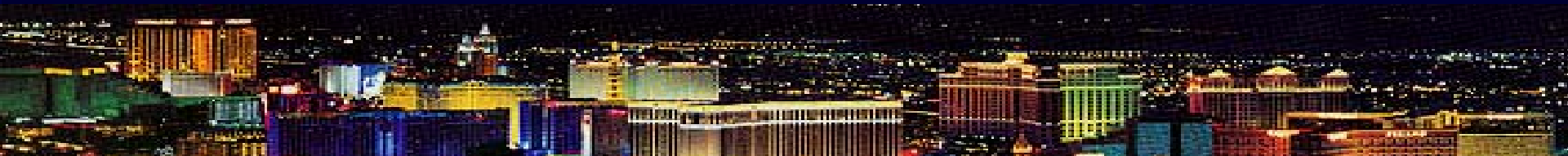


Irrational Exuberance: “Chain of Blame”

- ✓ **Real Estate Industry**
- ✓ **Valley Boosters Gone Wild**
- ✓ **Analysts Turned Cheerleaders**
- ✓ **Media Drinking the Kool-Aid**
- ✓ **Lenders = “Easy Credit” Drug Pushers**
- ✓ **Buyers & Sellers, & last but not least**
- ✓ ***ALL OF US***



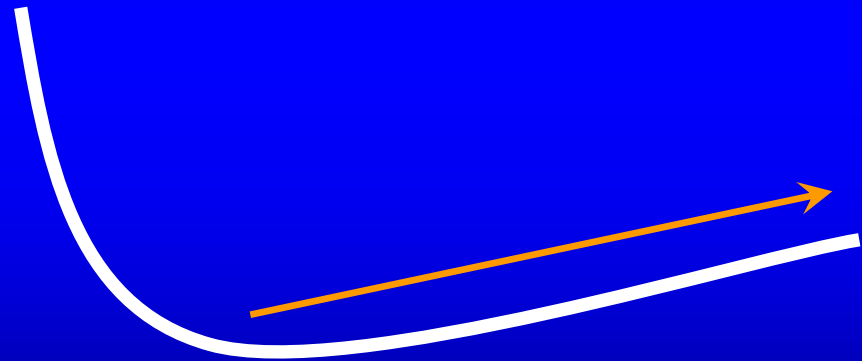
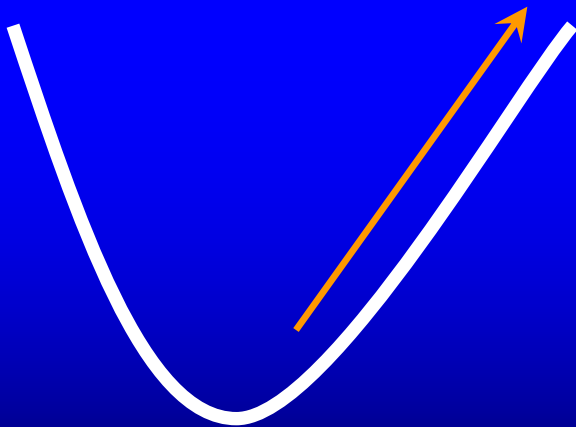
So What's Next?



What will Southern Nevada Recovery Look Like?

1. This....?

2. Or ... This?



RECESSION IS HERE

- Flat is the new “up” cycle
- Consumer weakness will continue until 2011
- Business investment will also lag
- Exports are not enough
- Nevada budget to get worse

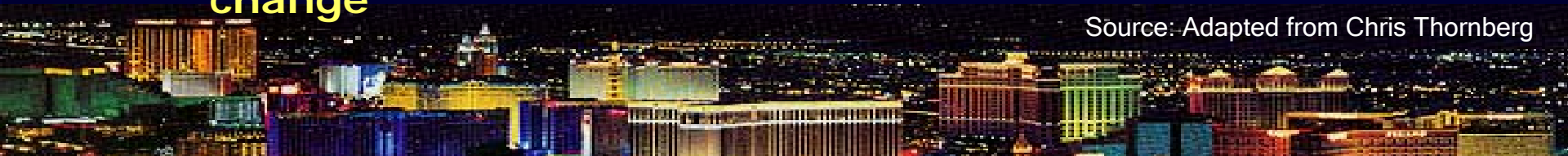
WHAT KIND OF RECESSION?

- Bad, but NOT a depression
- Economic recovery in early-2011
- Sustained housing recovery in 2012

DON'T PANIC

- Recovery is inevitable if delayed
- Fire sales will create opportunities – patience is key
- Low home prices are good for Nevada in long run
- In desperate times comes real change: Real fiscal change

Source: Adapted from Chris Thornberg



For More Information

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