

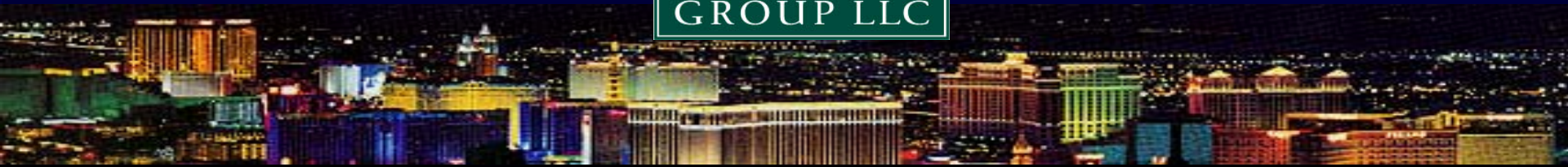
Southern Nevada Economic Briefing



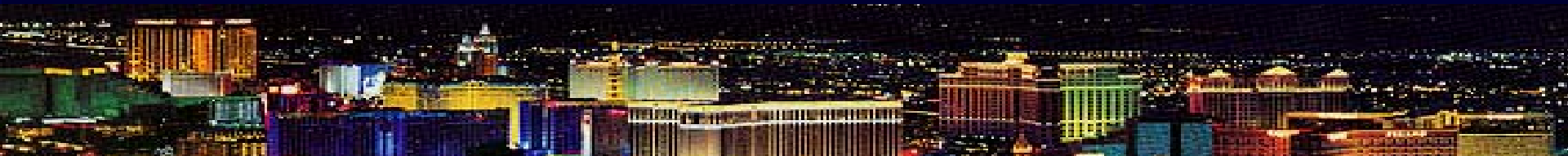
Roundtables
August 19 & 20, 2009

Prepared by:

RESTREPO
CONSULTING
GROUP LLC



The National Economy

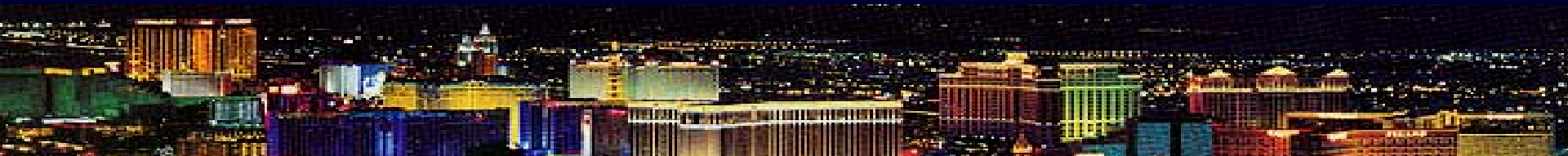


Getting Through The Grief Cycle: Consumer & Business Confidence

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

The Great Recession

- Only two positions today: “cash or fetal”
- Recession in full swing
Finally most market players are at acceptance stage
- The culprits
Real estate asset collapse, cheap & easy credit, consumer confidence/spending, debt loads
- What's next?
Are we at bottom or is it just “Premature Exhilaration”?

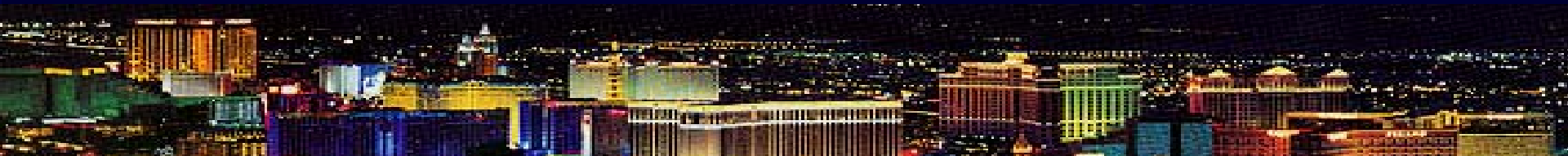


National Indicators

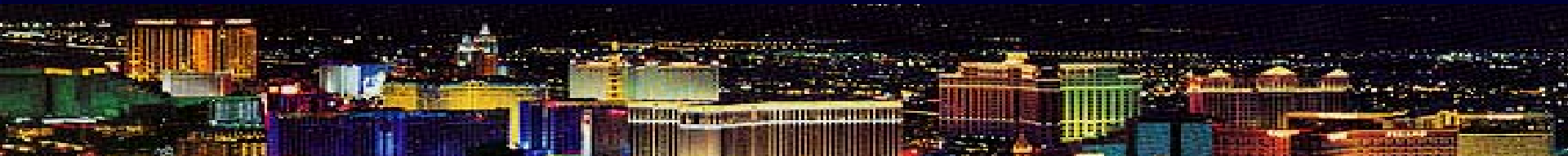


Some Important National Indicators

- Length of Recession: 22 months
- Change in GDP (Q2, 2008 - Q2,2009): -2.4%
- ISM Manufacturing Index (8/08 - 8/09): +7.3%
- Consumer Conf. Index (9/08 - 9/09): -13.5%
- Personal Savings Rate (7/08 - 7/09): +61.5%
- DOW (9/08 - 9/09): -10.2%
From low (2/08 - 9/09) : +37.9%



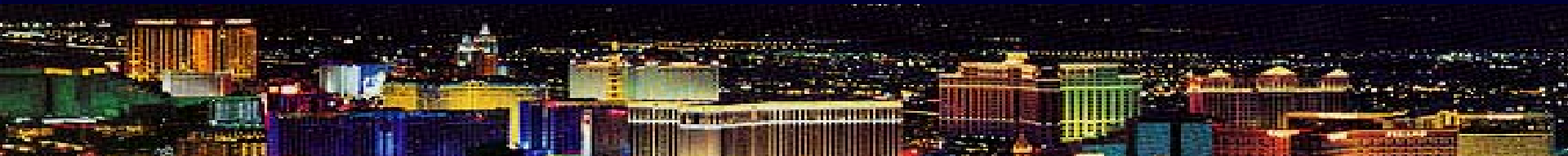
The Clark County & Nevada Economies



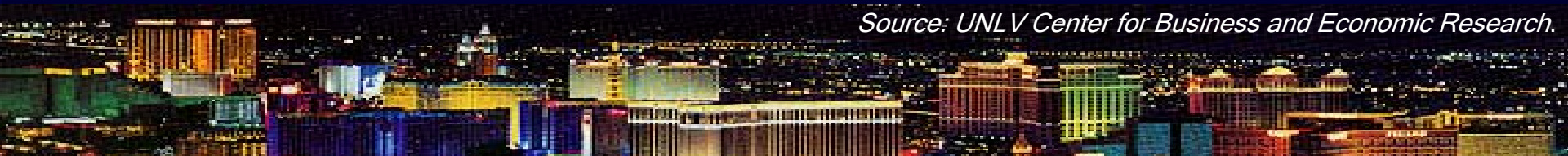
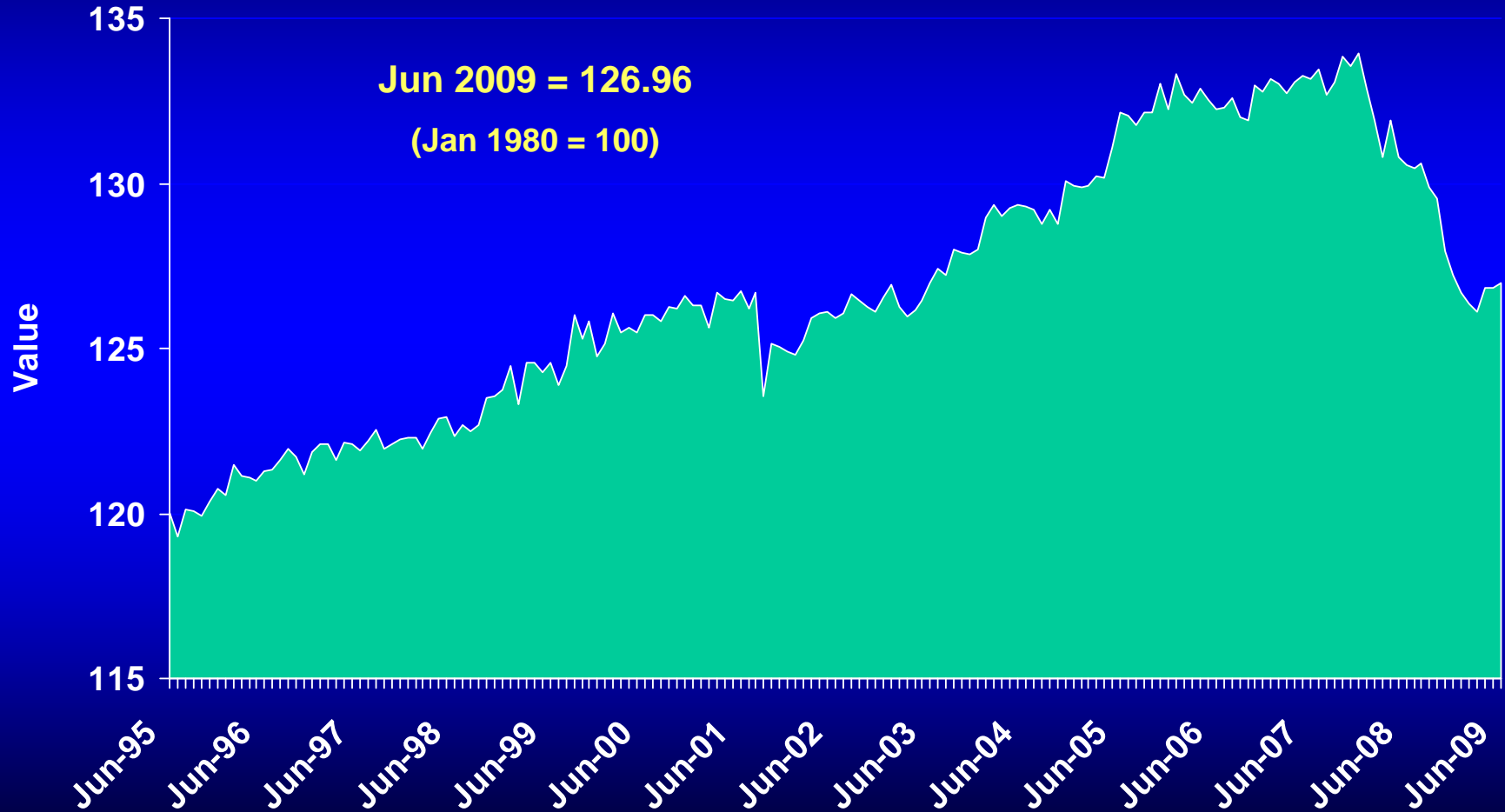
1995-2005: Southern Nevada's "The Gilded Age"

- Irrational Exuberance

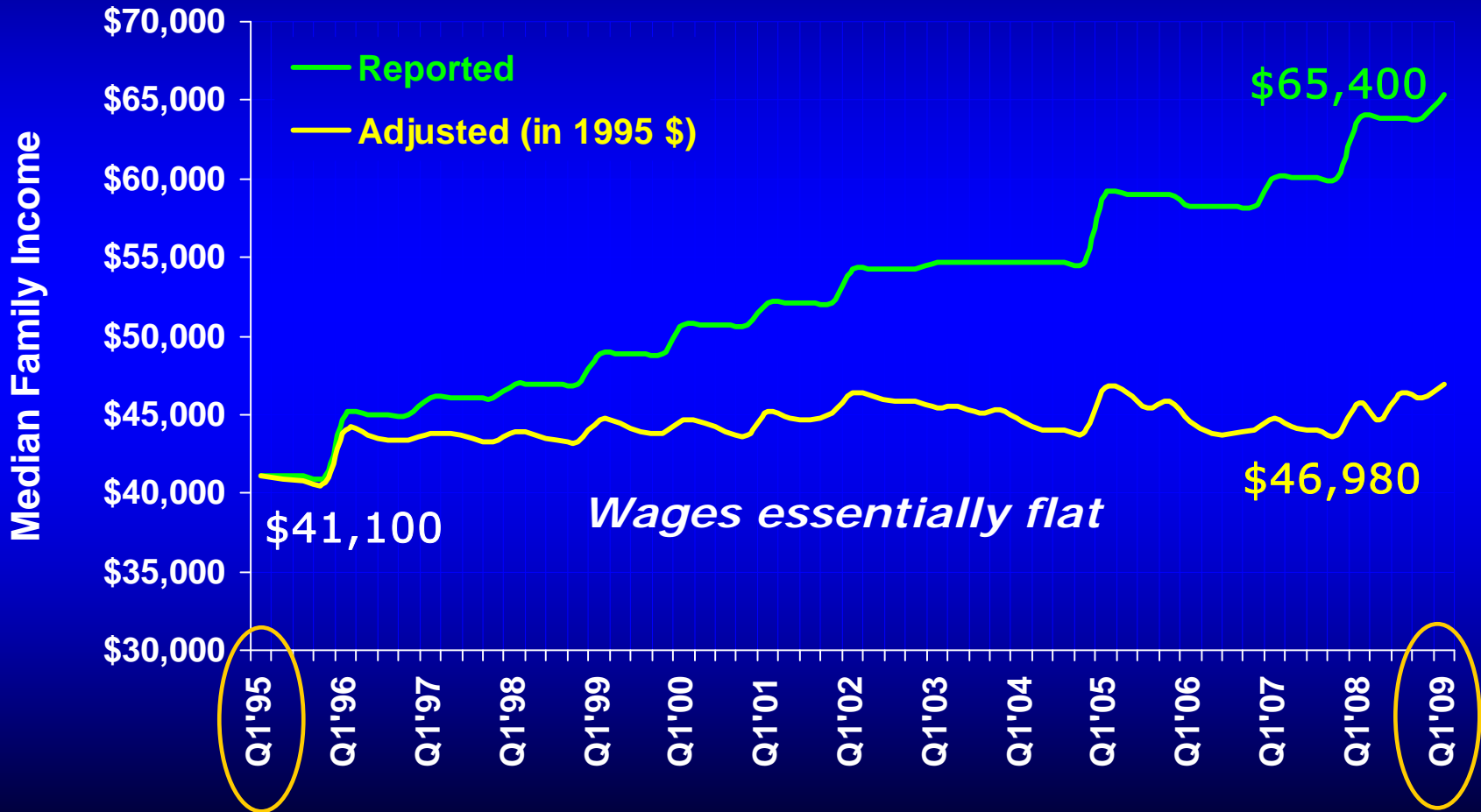
- "Chain of Blame"
 1. *Real Estate Industry*
 2. *Valley Boosters Gone Wild*
 3. *Analysts Turned Cheerleaders*
 4. *Media Drinking the Kool-Aid*
 5. *Cheap & Easy Credit by Lenders*
 6. *Buyers & Sellers, & last but not least*
 7. *All of US*



Southern Nevada of Leading Economic Indicators: 6/1995 – 6/2009



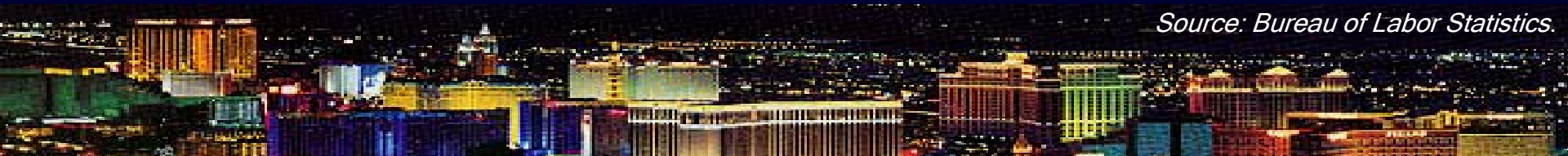
Clark County Median Family Income Reported vs. Inflation-Adjusted (in 1995 \$): Q1, 1995 – Q1, 2009



U.S., Nevada & Clark County Job Growth: 5/1991 – 5/2009



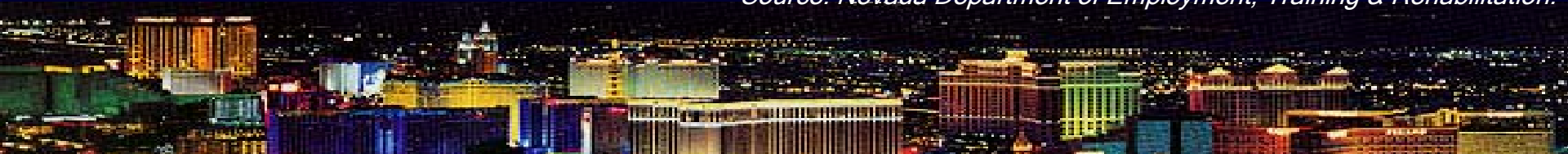
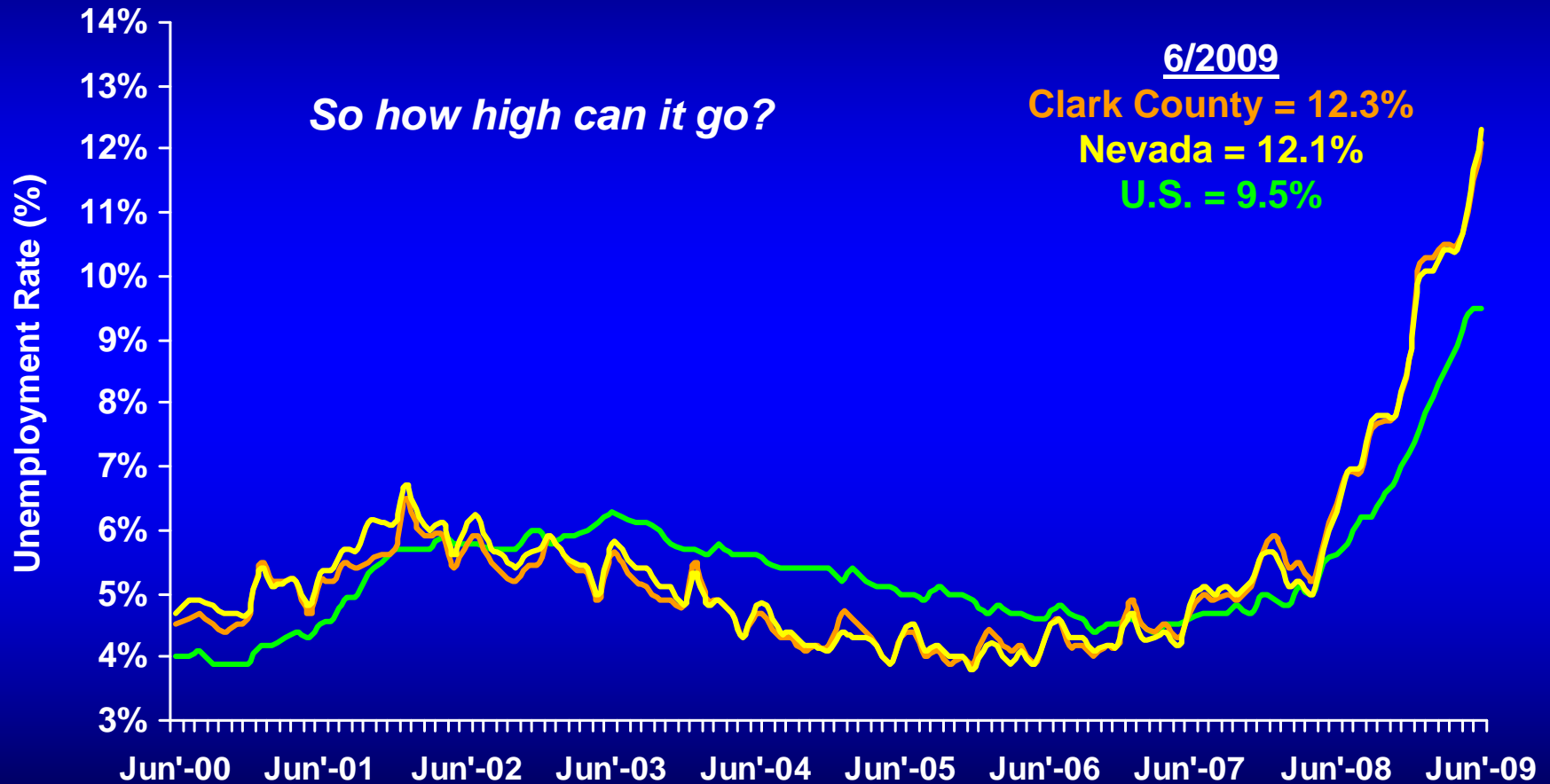
Source: Bureau of Labor Statistics.



of Approved First-Payment Unemployment Claims 6/2000 – 6/2009 (12-Mo. Annualized Totals)



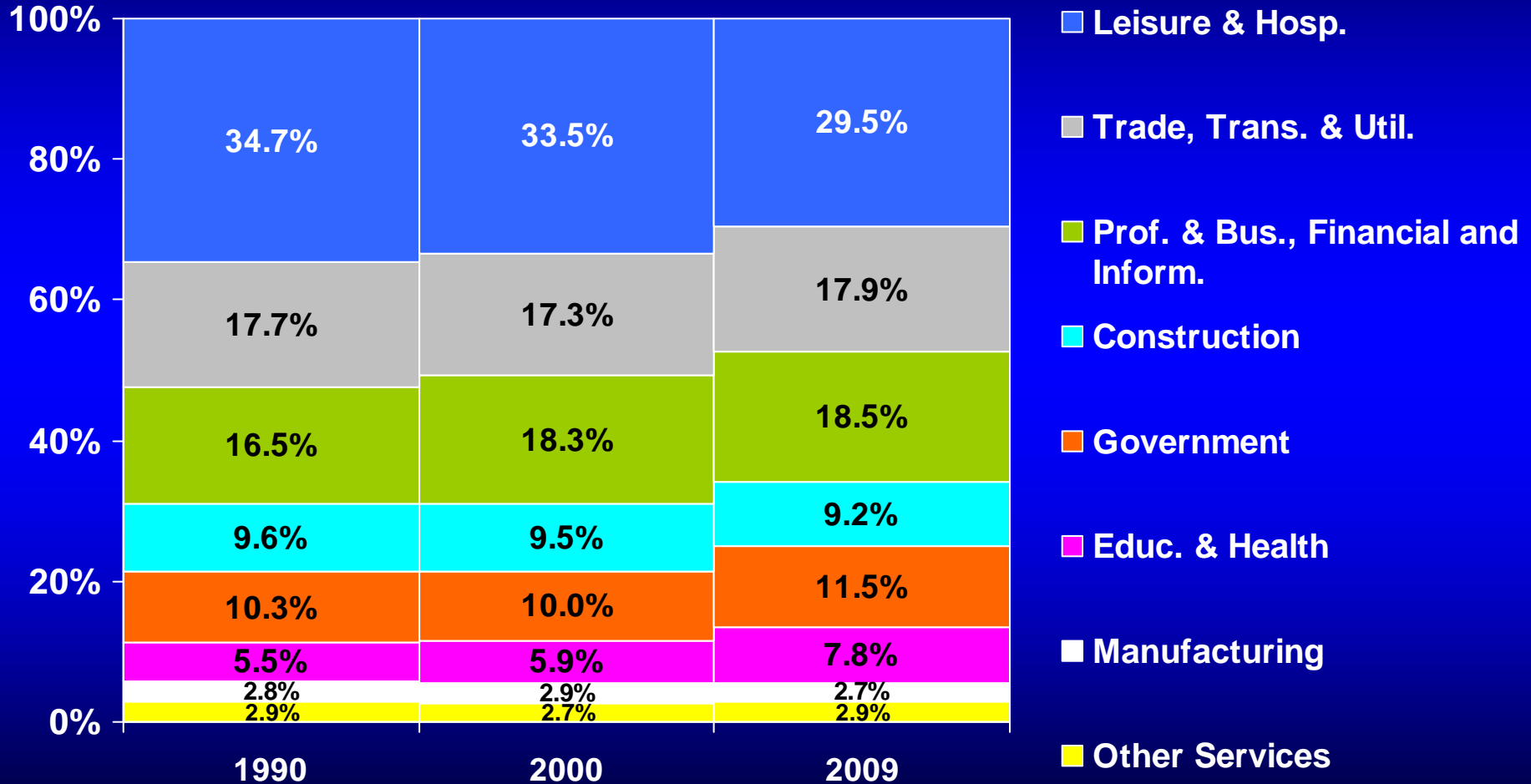
Clark County, Nevada & U.S. Unemployment Rates 6/2000 – 6/2009



Are We Diversifying? Major Job Sectors 1990, 2000 & 2009 (mid-year)

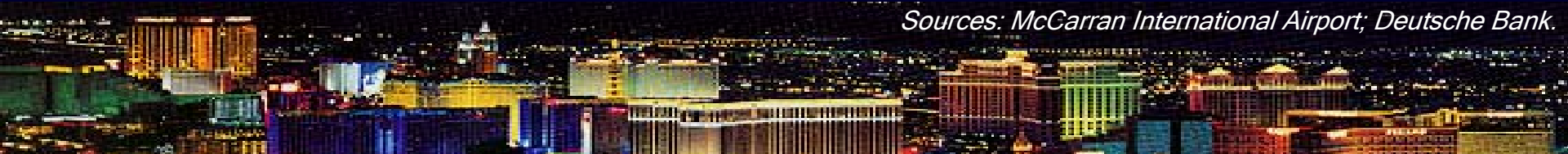
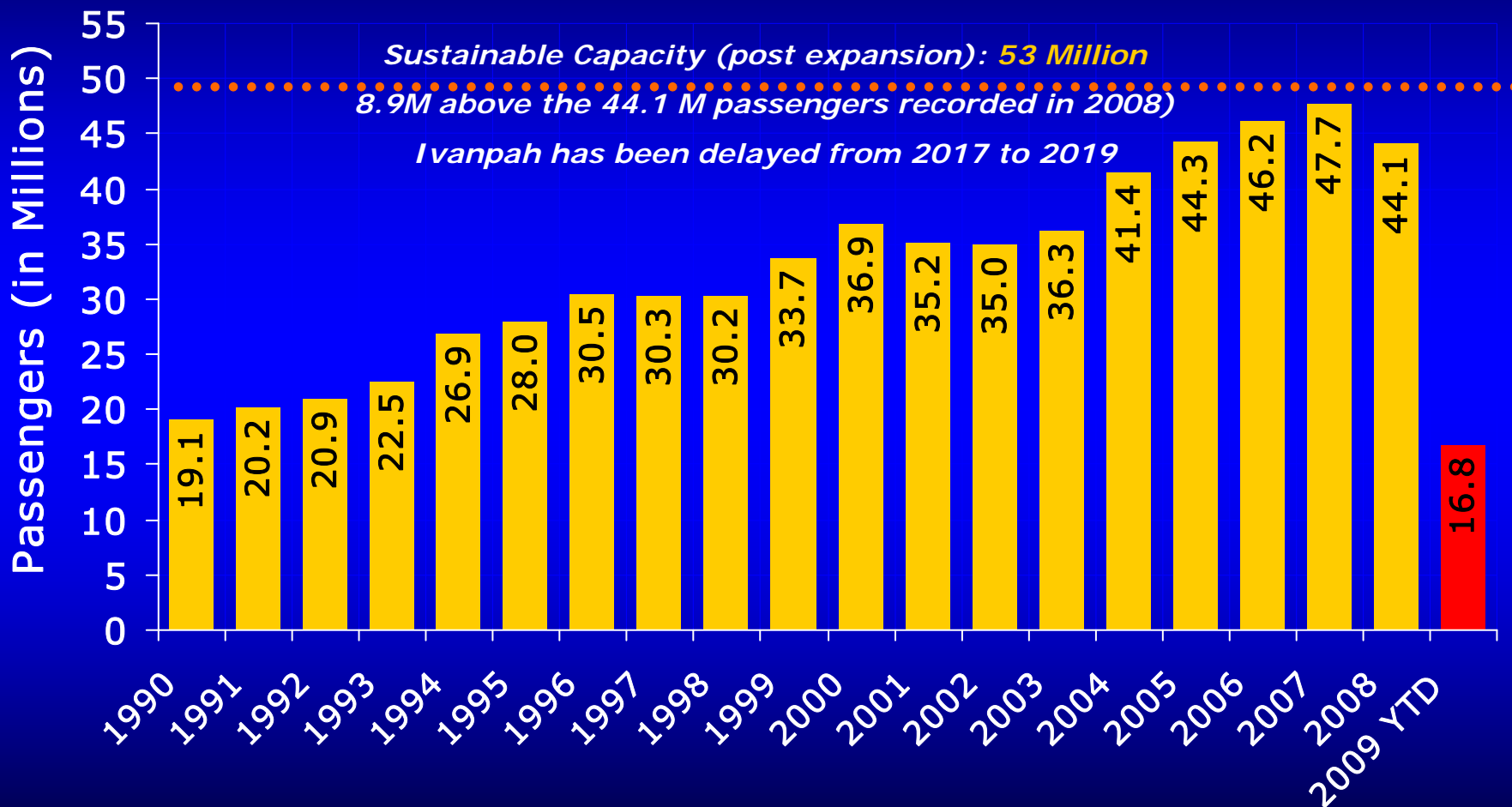
Leisure & Hosp.

and Construction hit the hardest



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

McCarran Annual Passengers 1990 – 2008, & 2009 (YTD May)



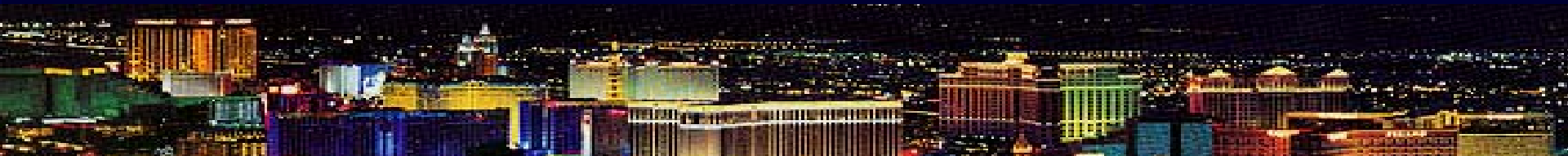
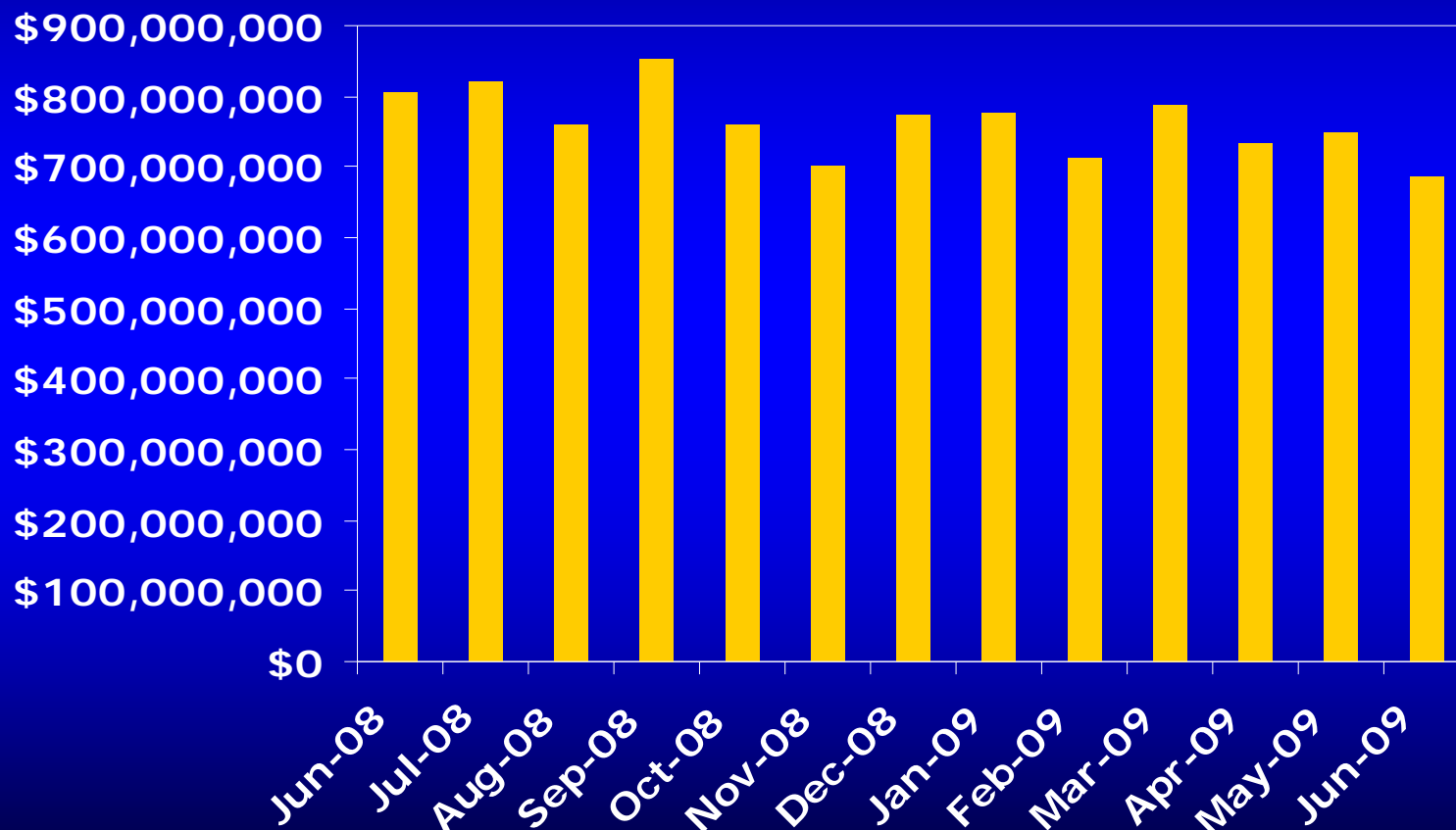
Resort Industry Investment: Will They Come?

Projects' Cost (\$B) by Scheduled Completion Year 2009 – 2011 & Undetermined

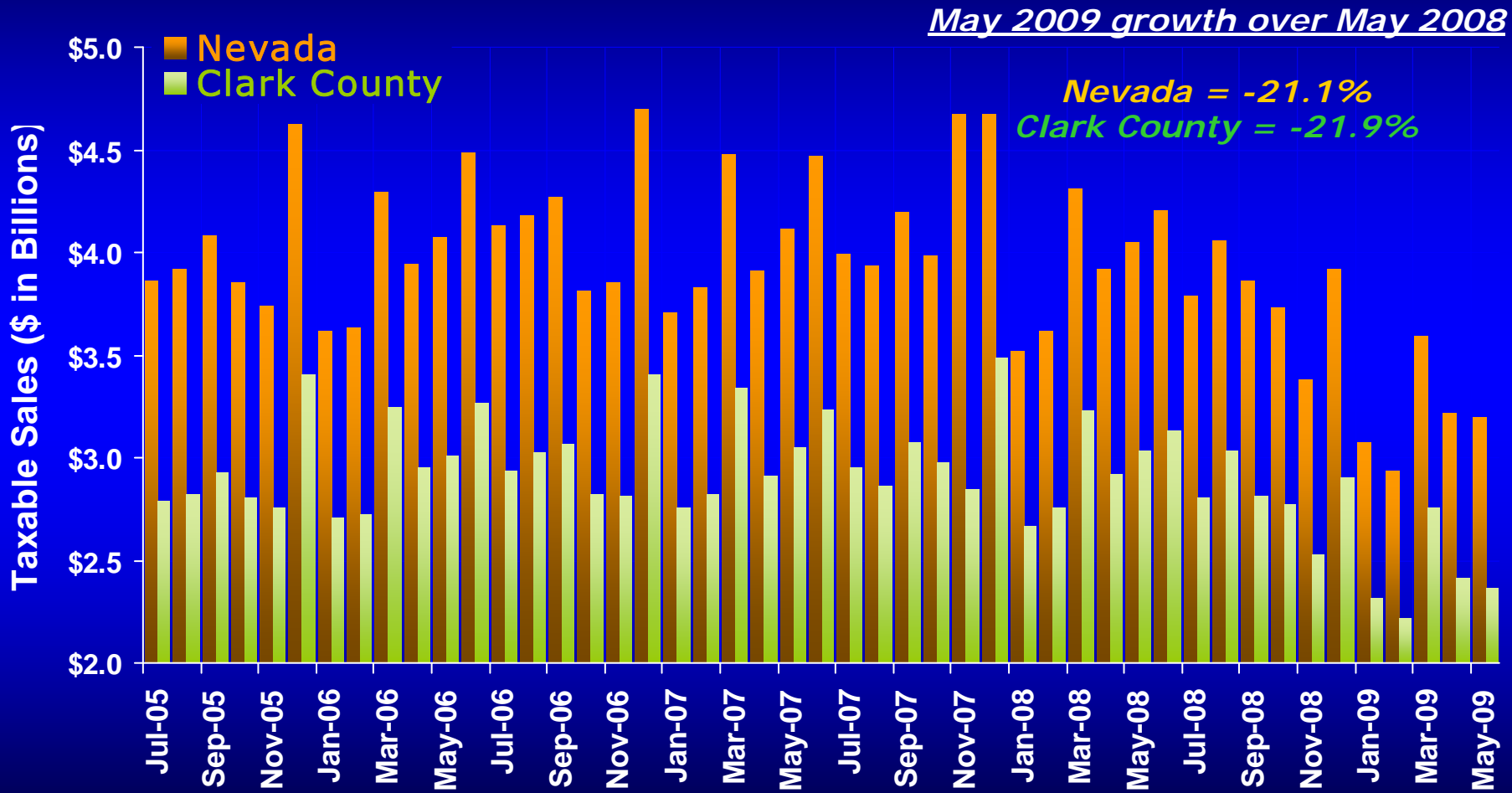


Clark County Gaming Win: 6/2008-6/2009

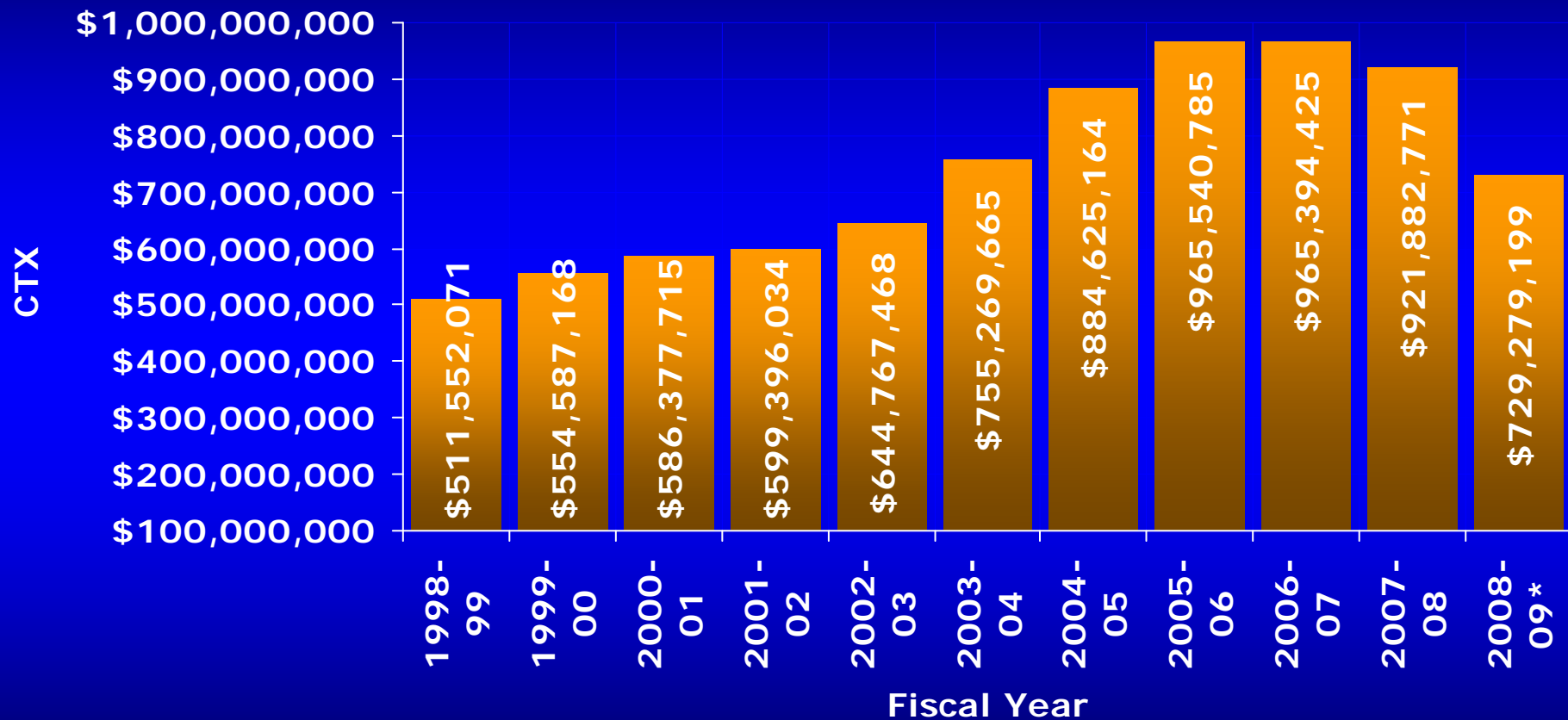
6/2008: \$806M 6/09: \$688M Chg.: -15%



Clark County & Nevada Taxable Sales 7/2005 – 5/2009



Clark County Consolidated Tax Distribution Fiscal Years 1989-99 to 2008-09*

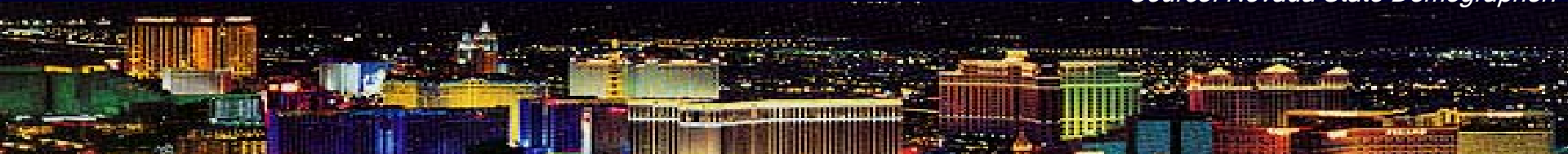
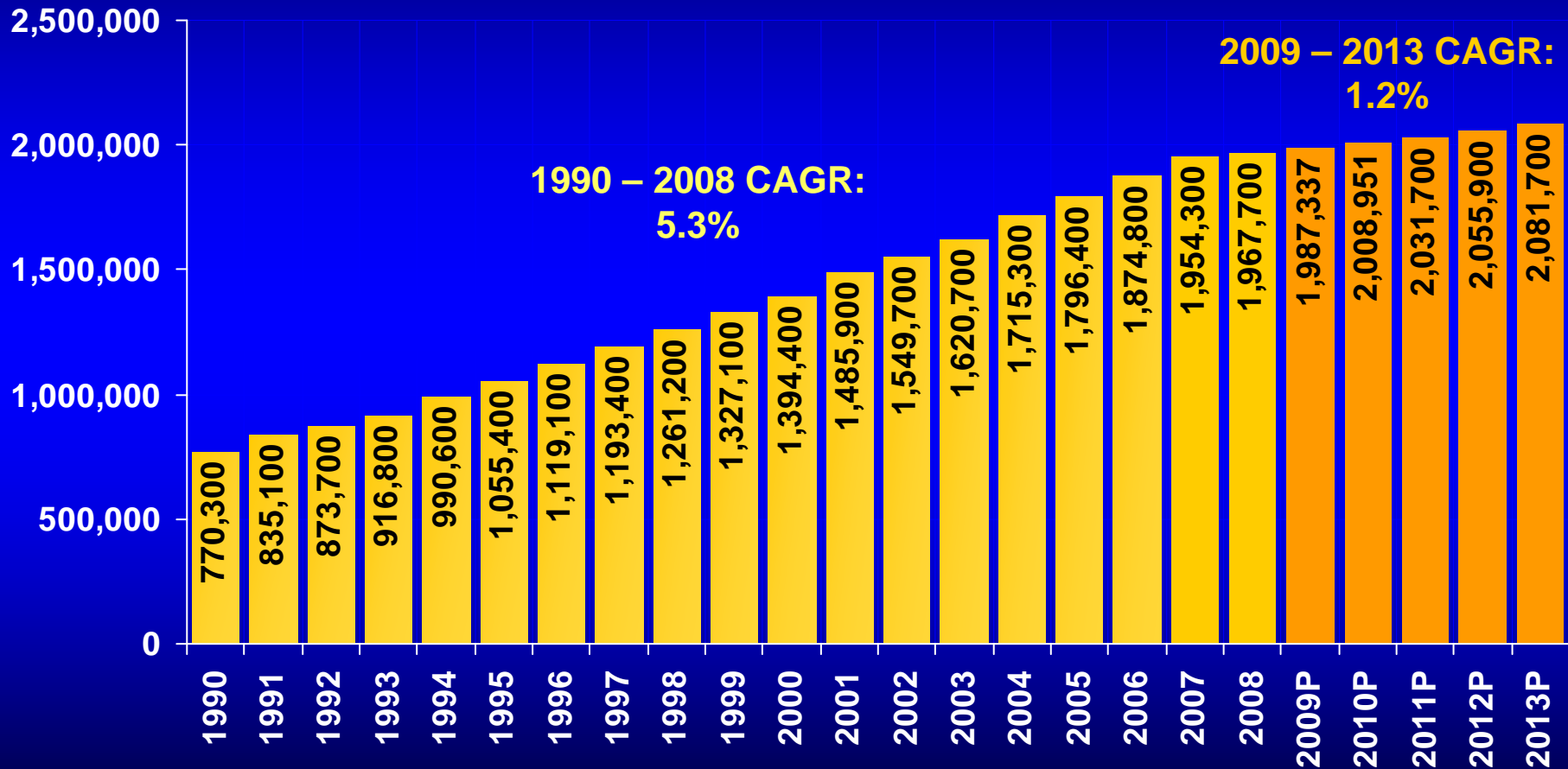


*2008-09 FY incomplete. Includes 11 months only (July 2008 - May 2009). June 2009 unavailable 08/05/2009.

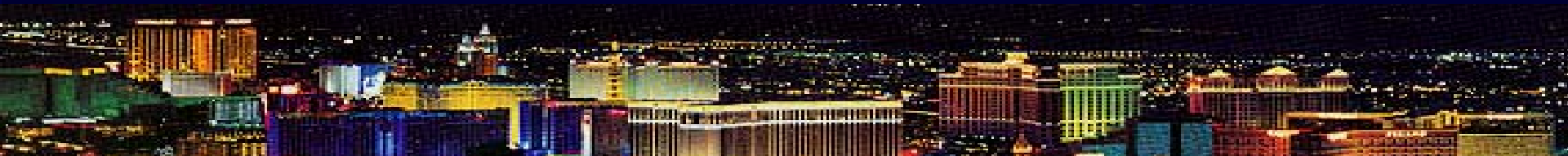
Consolidated tax distributions to Nevada counties including cigarette tax, liquor tax, BCCRT, SCCRT, RPTT and GST.

Source: Nevada Department of Taxation.

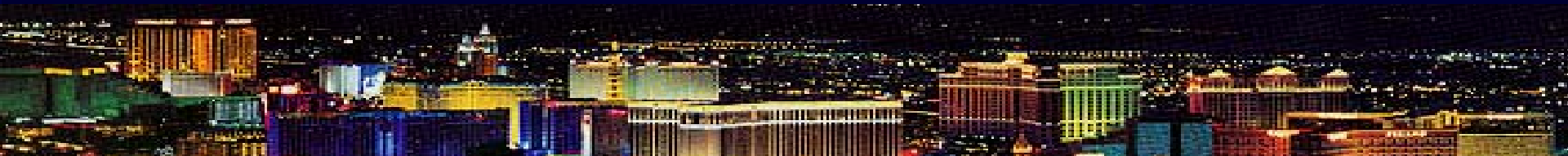
Clark County Population: 1990 – 2008 Estimates & 2009 – 2013 Projections



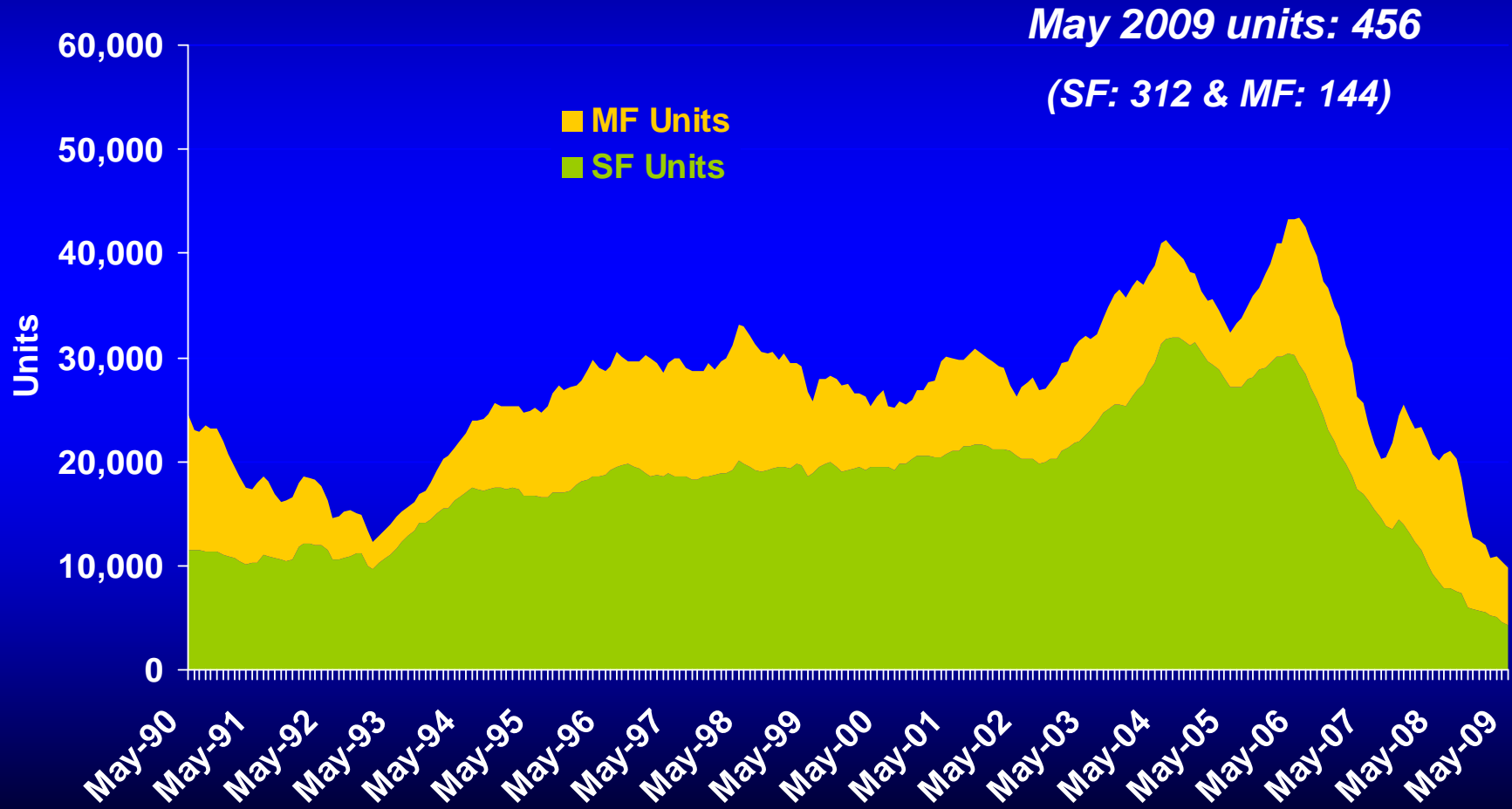
The Real Estate Markets



Residential



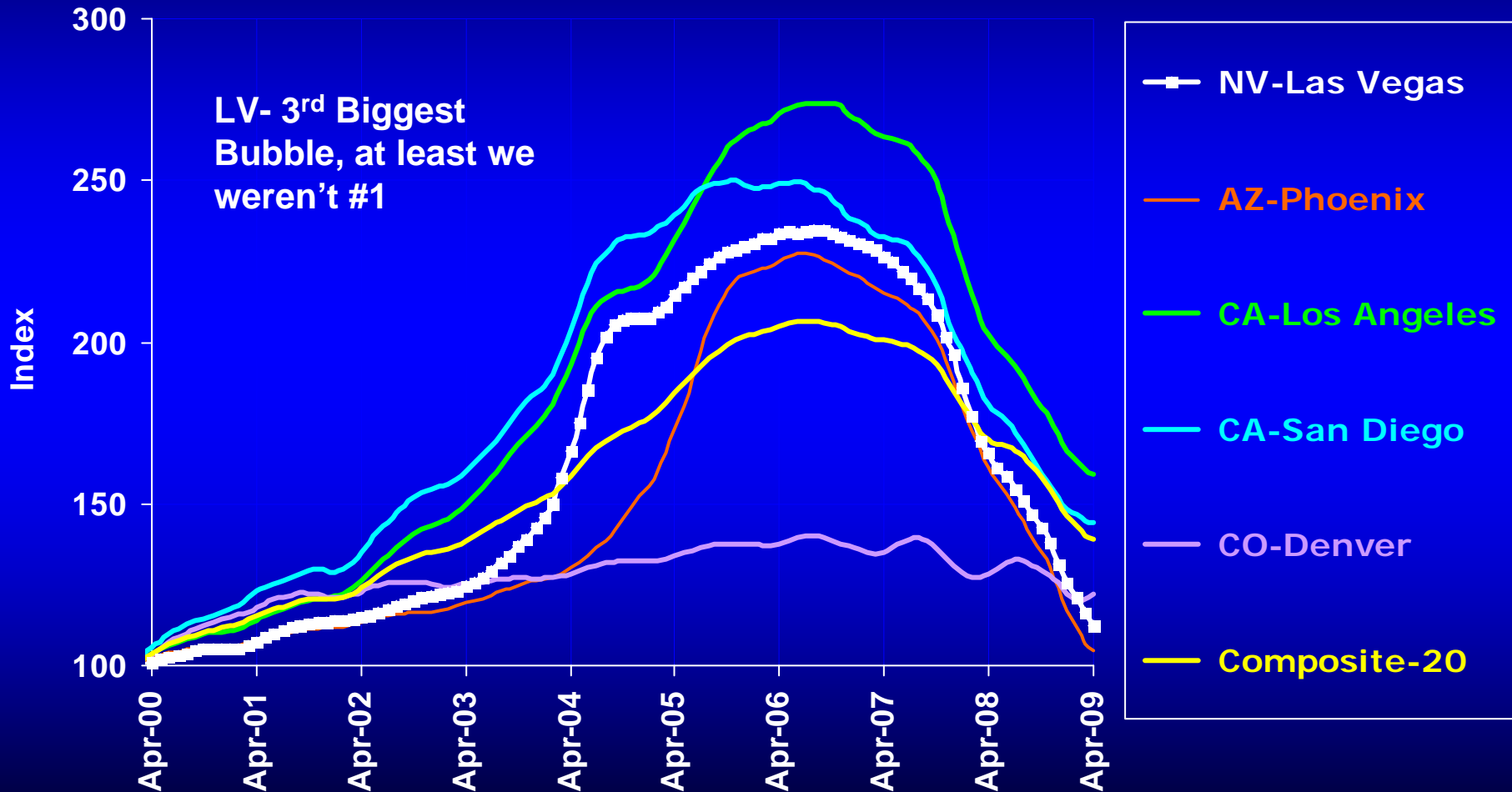
Clark County Residential Units Permitted Single Family & Multi-family 5/1990 – 5/2009 (12-mo. Annualized Totals)



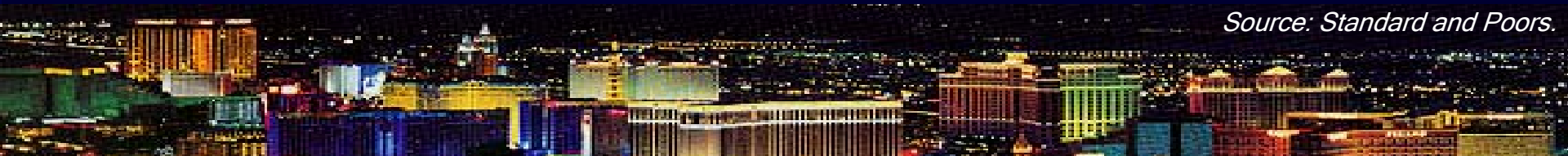
Source: U.S. Department of Commerce; Bureau of Economic Analysis.

S&P / Case-Shiller Housing Price Index

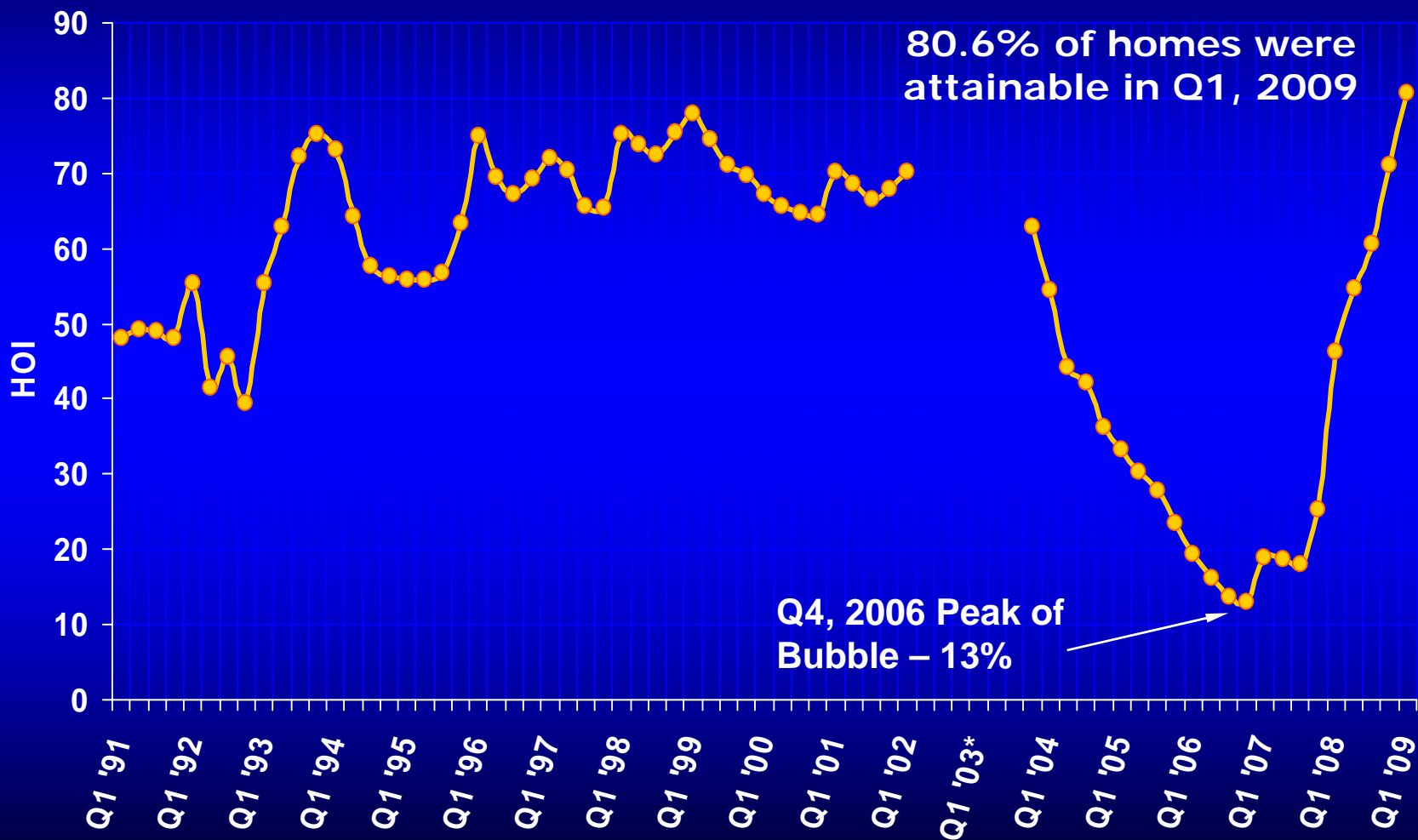
Select Southwestern U.S. MSAs: 4/2000 – 4/2009



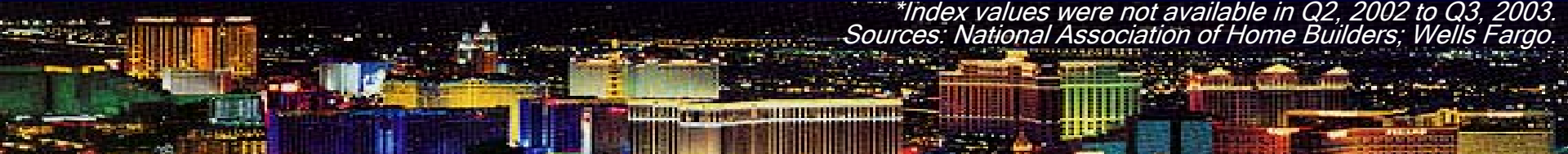
Source: Standard and Poors.



Clark County Housing Opportunity Index Q1, 1991 – Q1, 2009 *

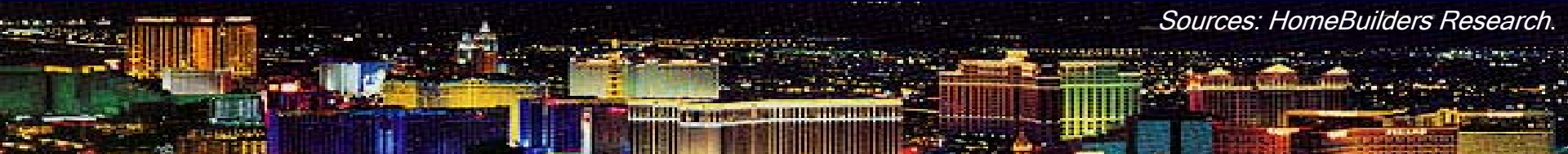
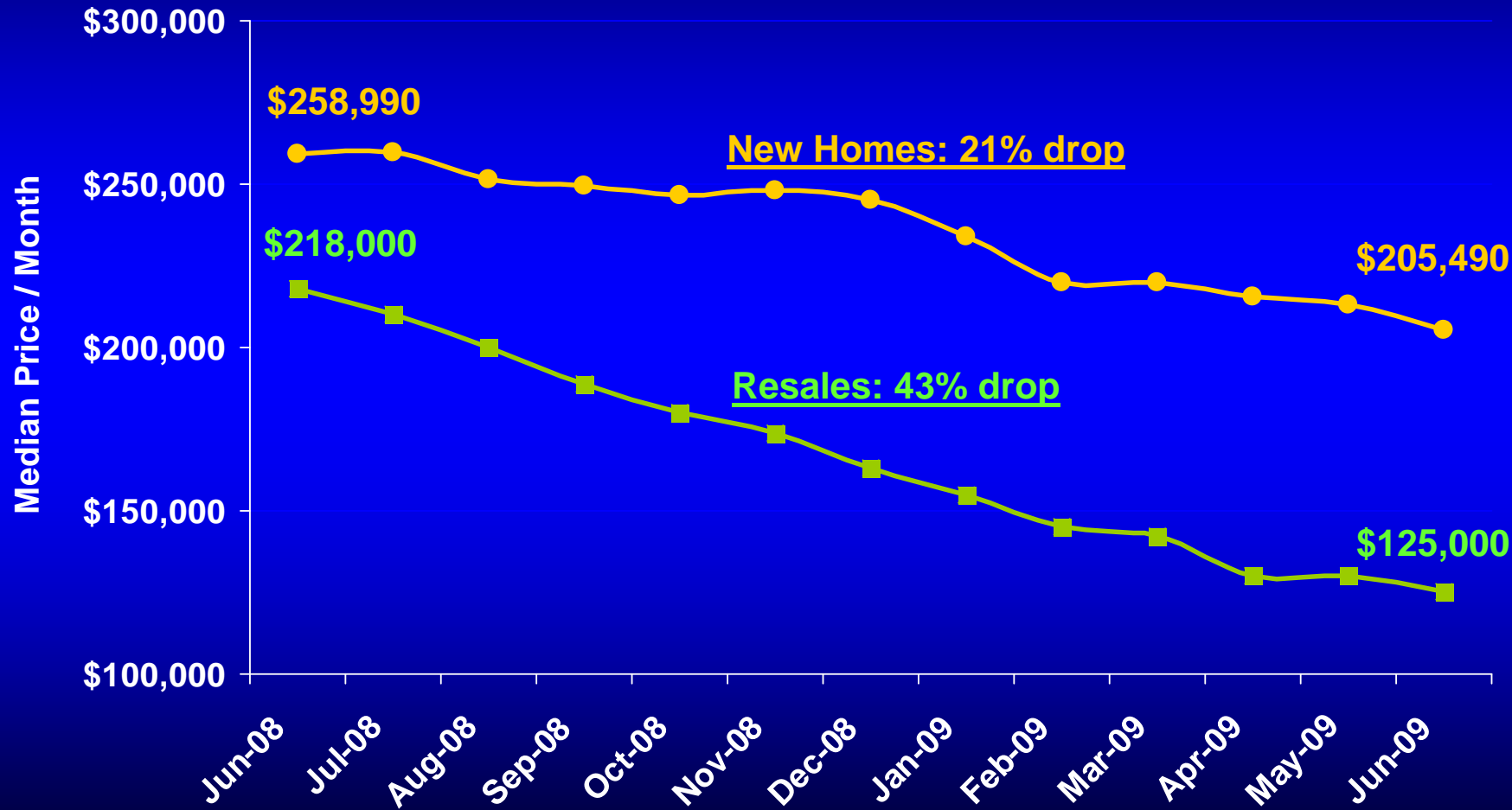


*Index values were not available in Q2, 2002 to Q3, 2003.
Sources: National Association of Home Builders; Wells Fargo.

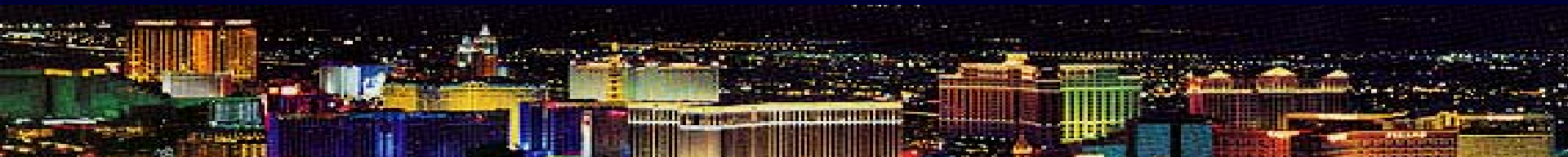


Clark County Median New Home & Resale Price

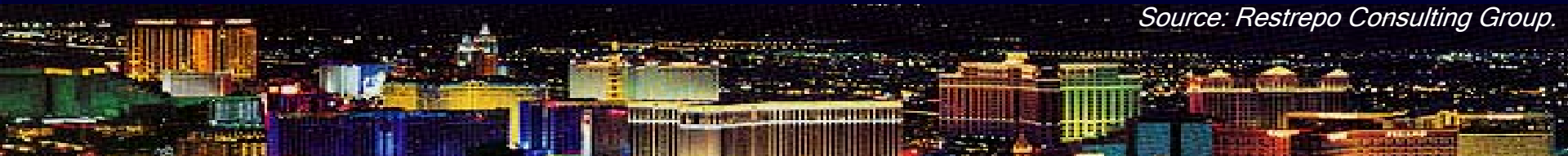
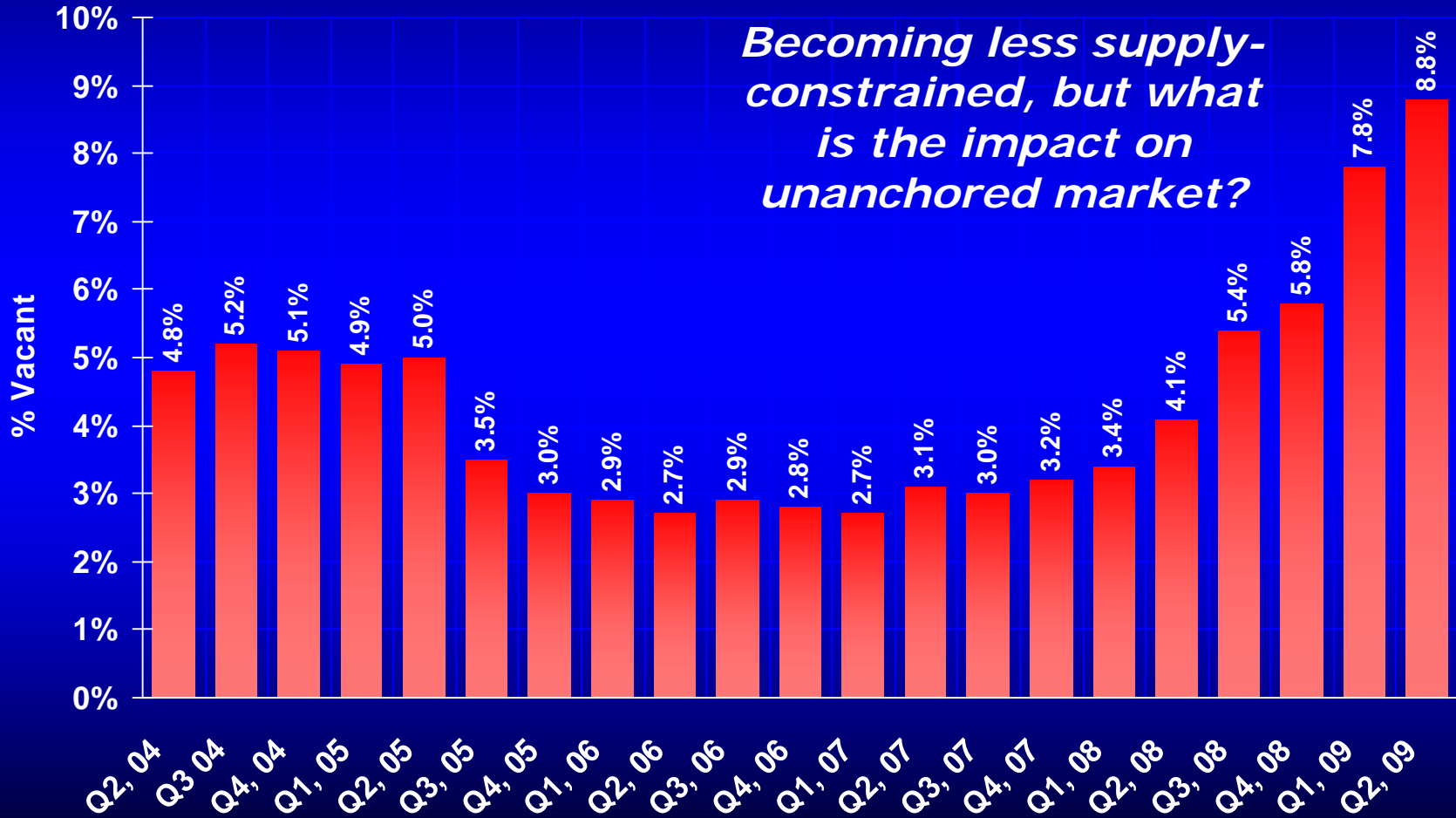
Change from Same Month Previous Year: 6/2008 – 6/2009



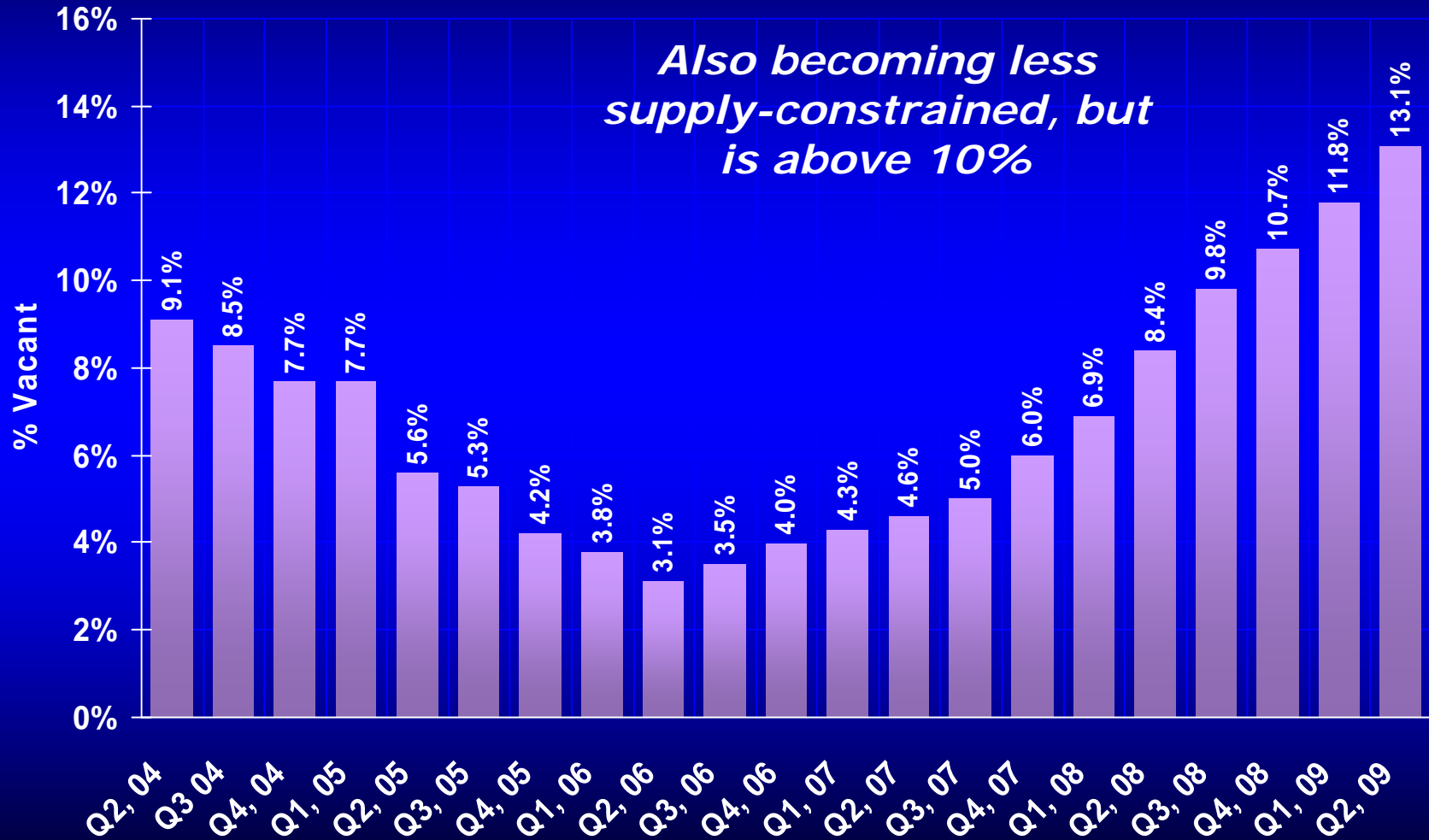
Commercial



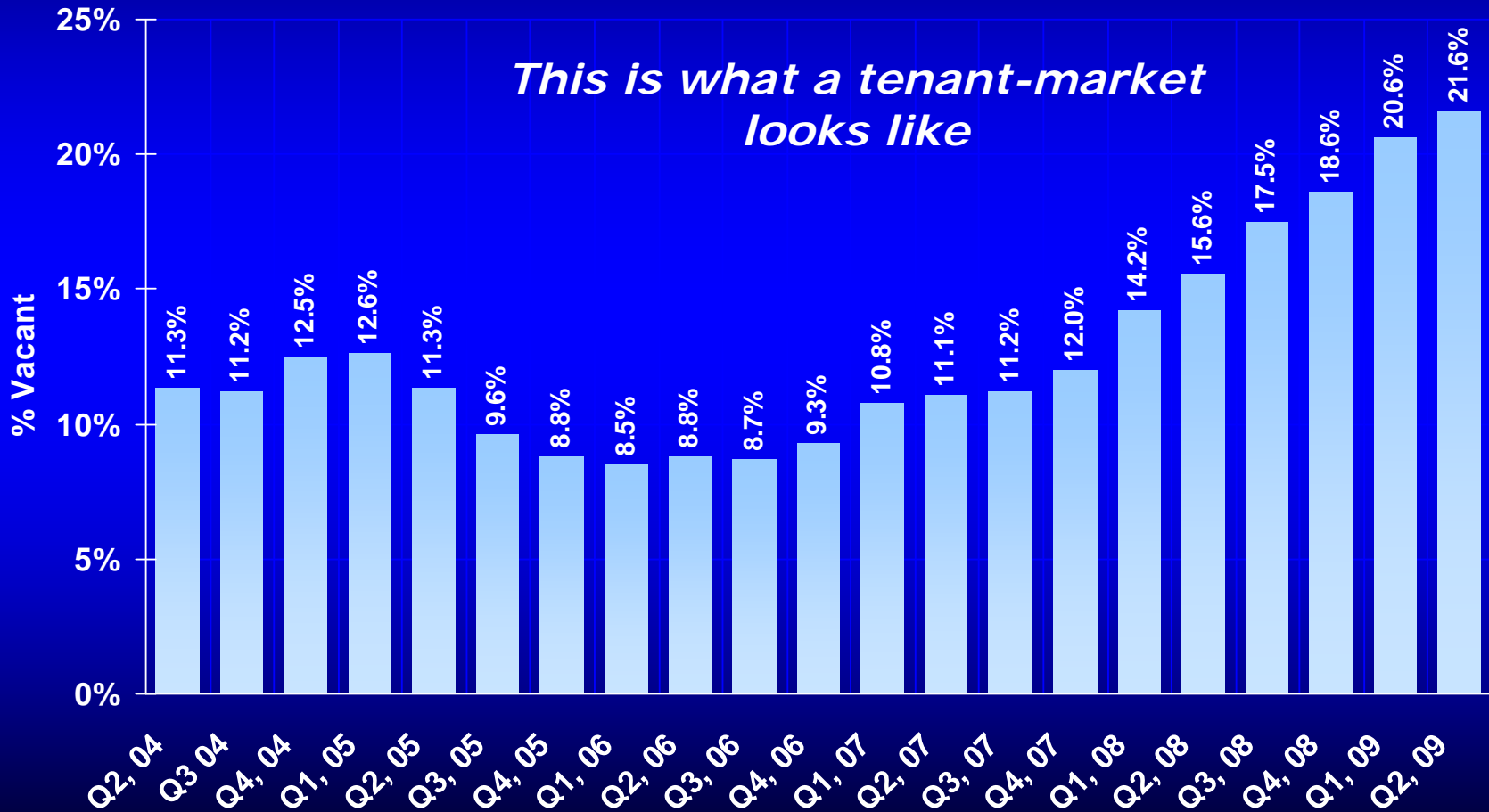
Valley Anchored Retail Vacancy Q2, 2004 – Q2, 2009



Valley Industrial Vacancy Q2, 2004 – Q2, 2009

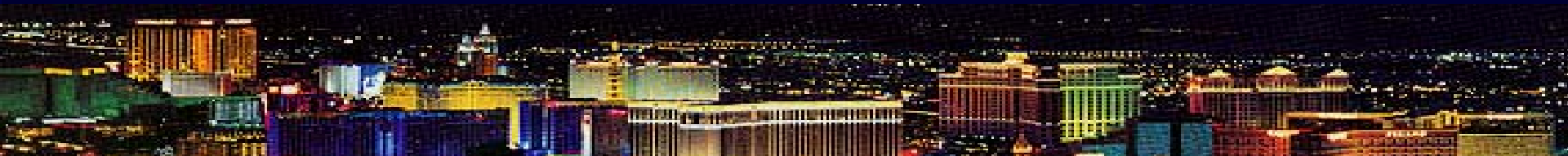
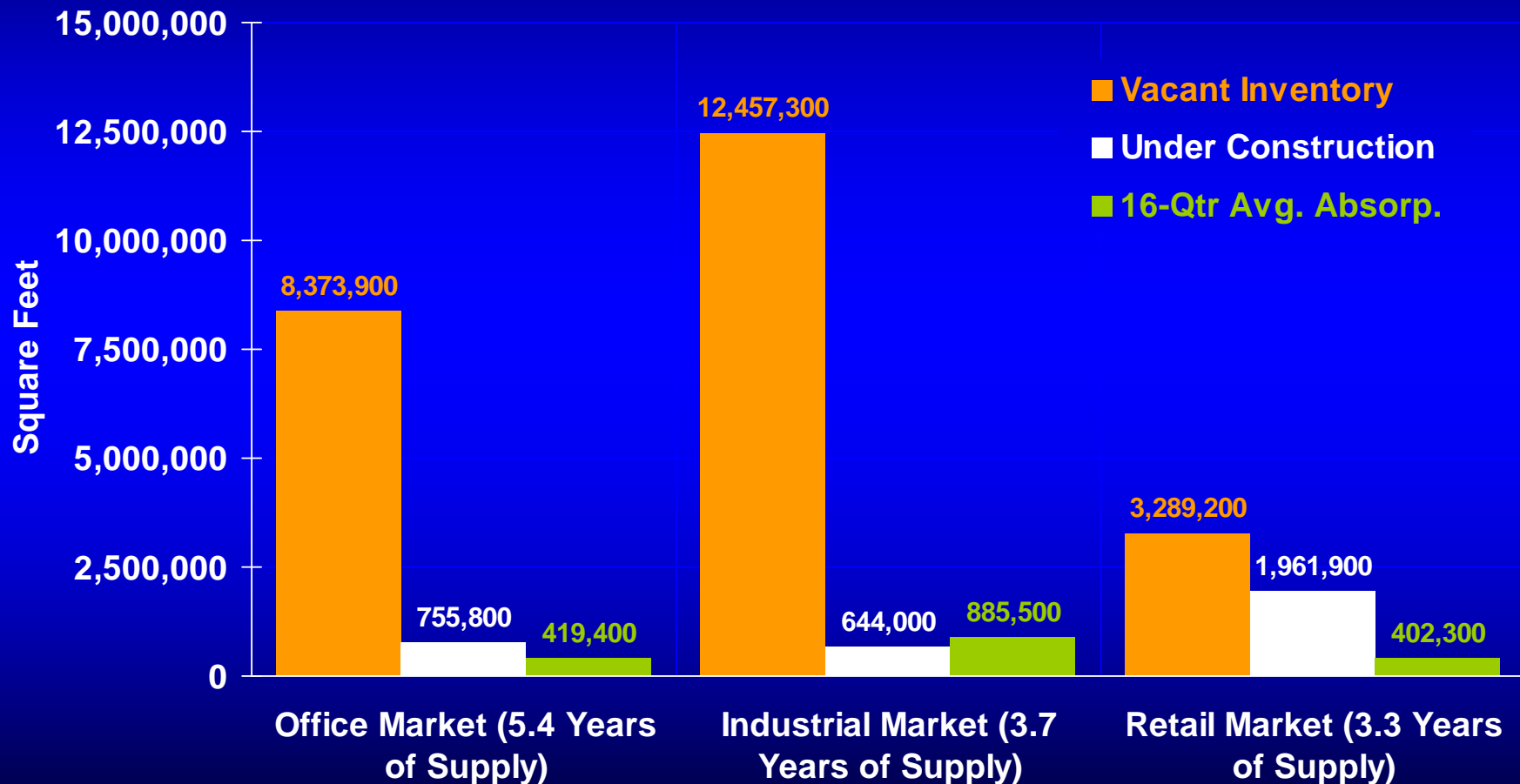


Valley For-Lease Office Vacancy Q2, 2004 – Q2, 2009

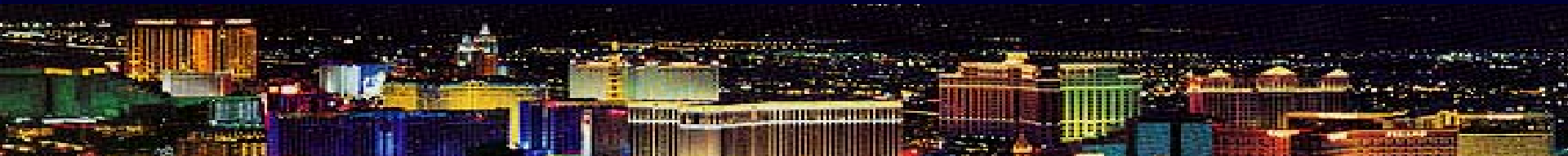


Years of Supply

(Based on Existing Vacant & Under-Construction space, & 16-Qtr Average Absorption)



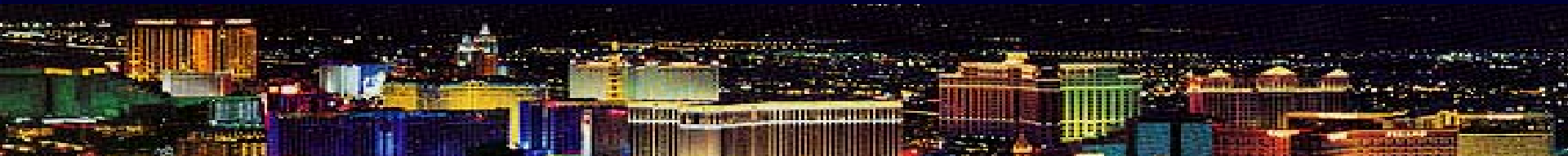
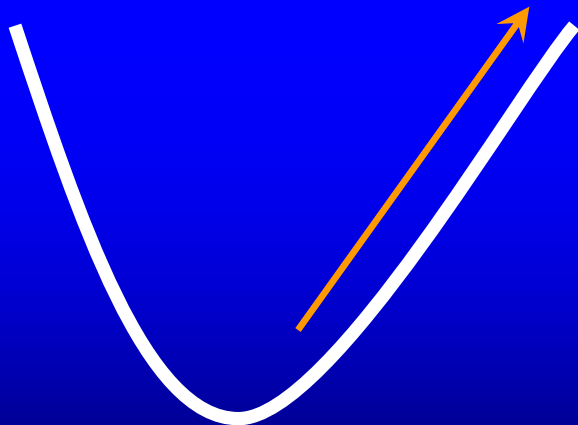
Conclusion



What The Southern Nevada Long-Term Growth Trajectory Look Like

1. The Recent Past

2. The Future



In Conclusion

RECESSION IS HERE

- Flat is the new "up" cycle
- Consumer weakness will continue into 2011
- The other dropping shoes: commercial r.e. & credit cards
- Exports are not enough
- Nevada budget to get worse

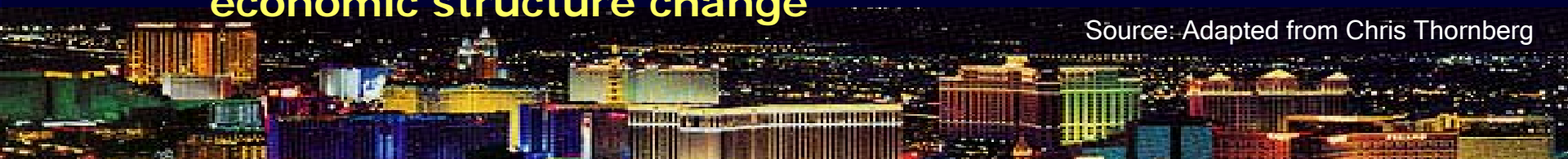
WHAT KIND OF RECESSION?

- Bad, but NOT a depression
- Economic in So. Nevada recovery in early-2011
- Sustained local housing recovery in 2012

DON'T PANIC

- Recovery is inevitable if delayed
- New opportunities will be created
- Low home prices are good for Nevada in long run
- In desperate times comes real change: Real fiscal & economic structure change

Source: Adapted from Chris Thornberg



For More Information

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