

Southern Nevada Economic Briefing

NAIOP Chapter Leadership & Legislative Retreat
Washington D.C.
February 8-11, 2009

Prepared by:



The National Economy

2



The Grief Cycle: Consumer & Business Confidence

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

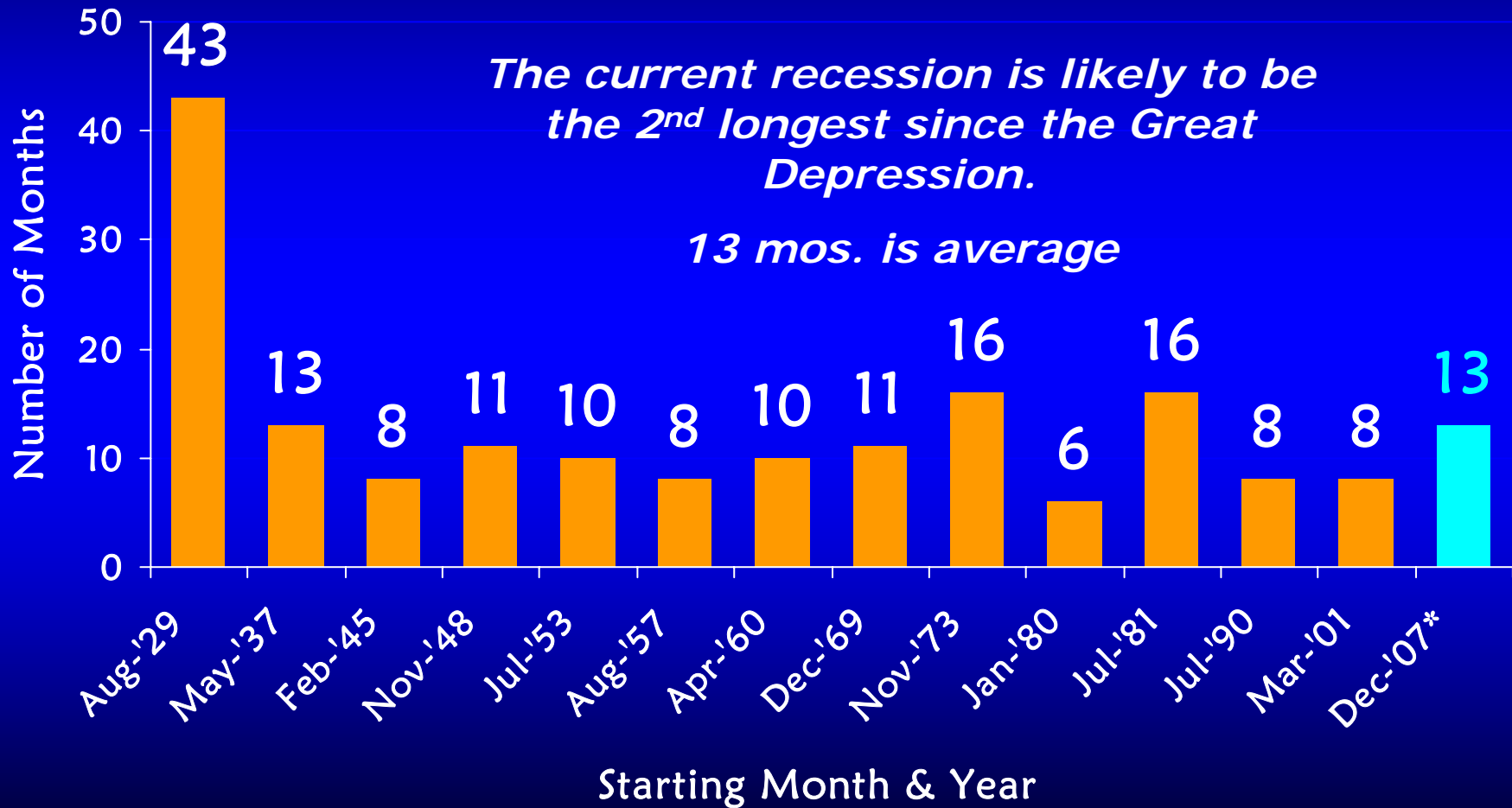


2008 - That was the year that was

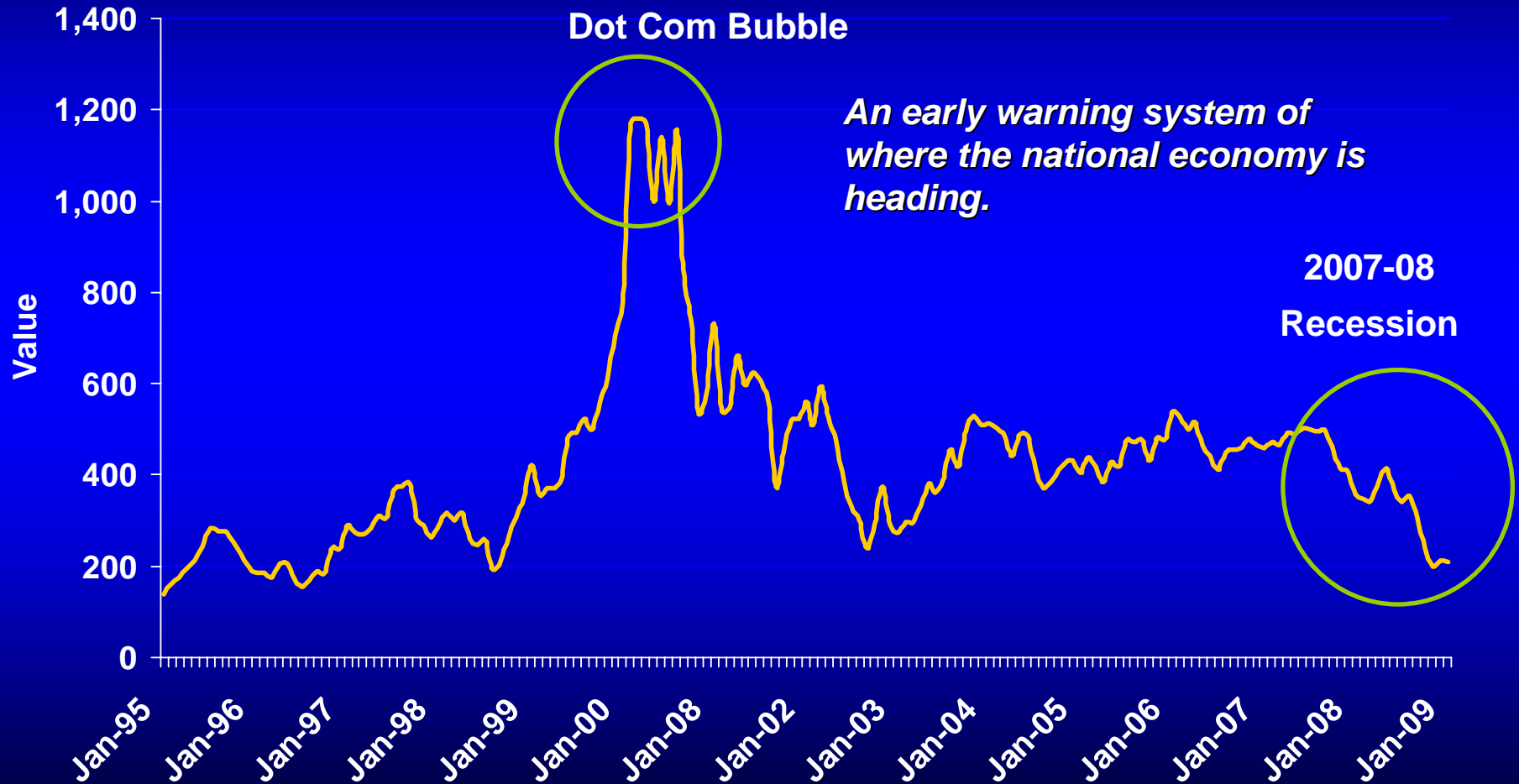
- ✓ **“Only two positions out there: cash and fetal”**
- ✓ **Recession in full swing, but many market players were denial**
- ✓ **What went wrong?**
 - 3 major problems: housing, credit markets & consumer confidence**
- ✓ **What's next?**
 - Where is the bottom**
 - Recovery will come, but when?**



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

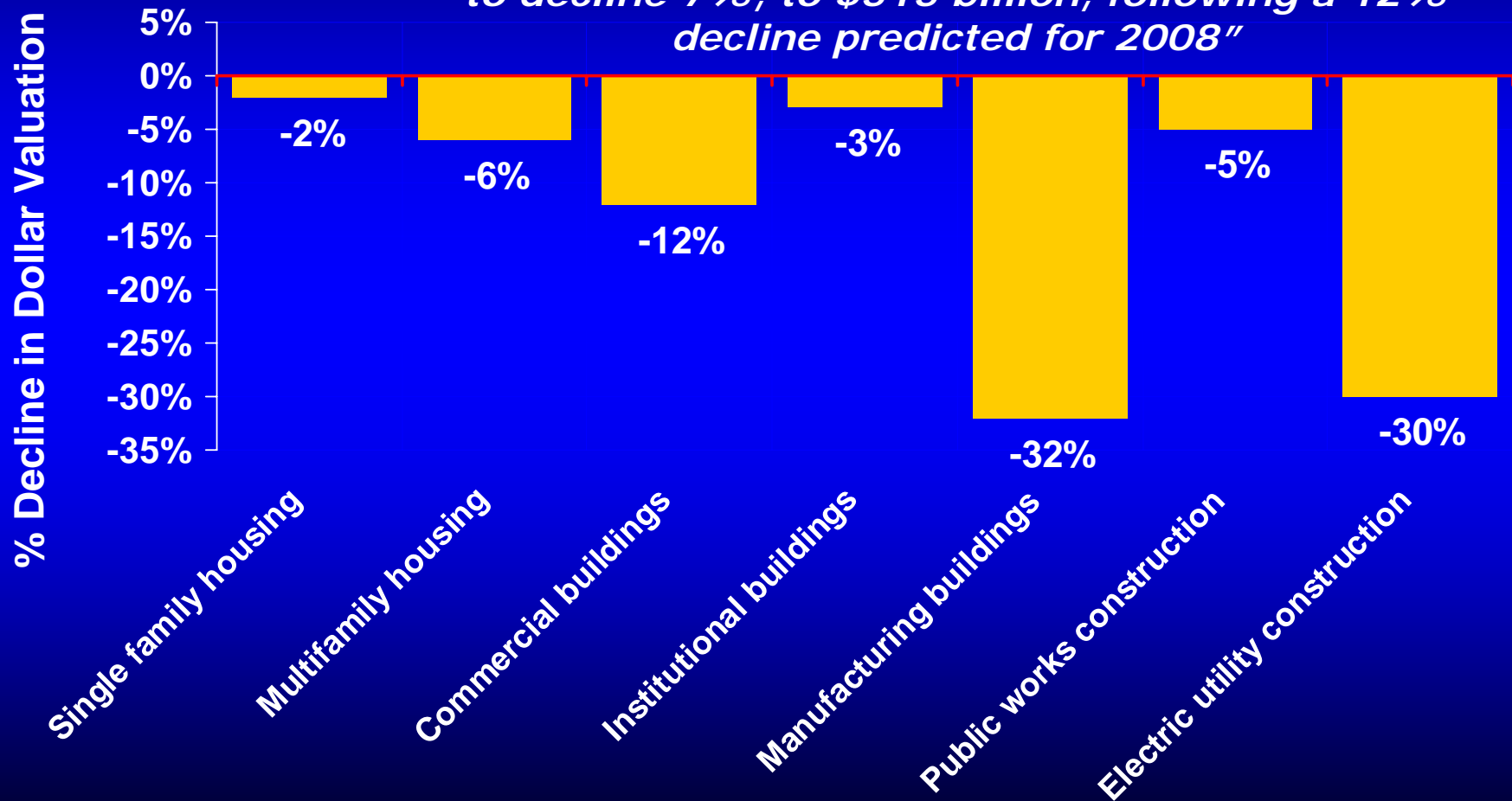


Semi-Conductor Sector Index: 1/1995 – 1/2009



2009 Construction Outlook: Overall U.S. Construction Starts Forecast Declines 2009 vs. 2008

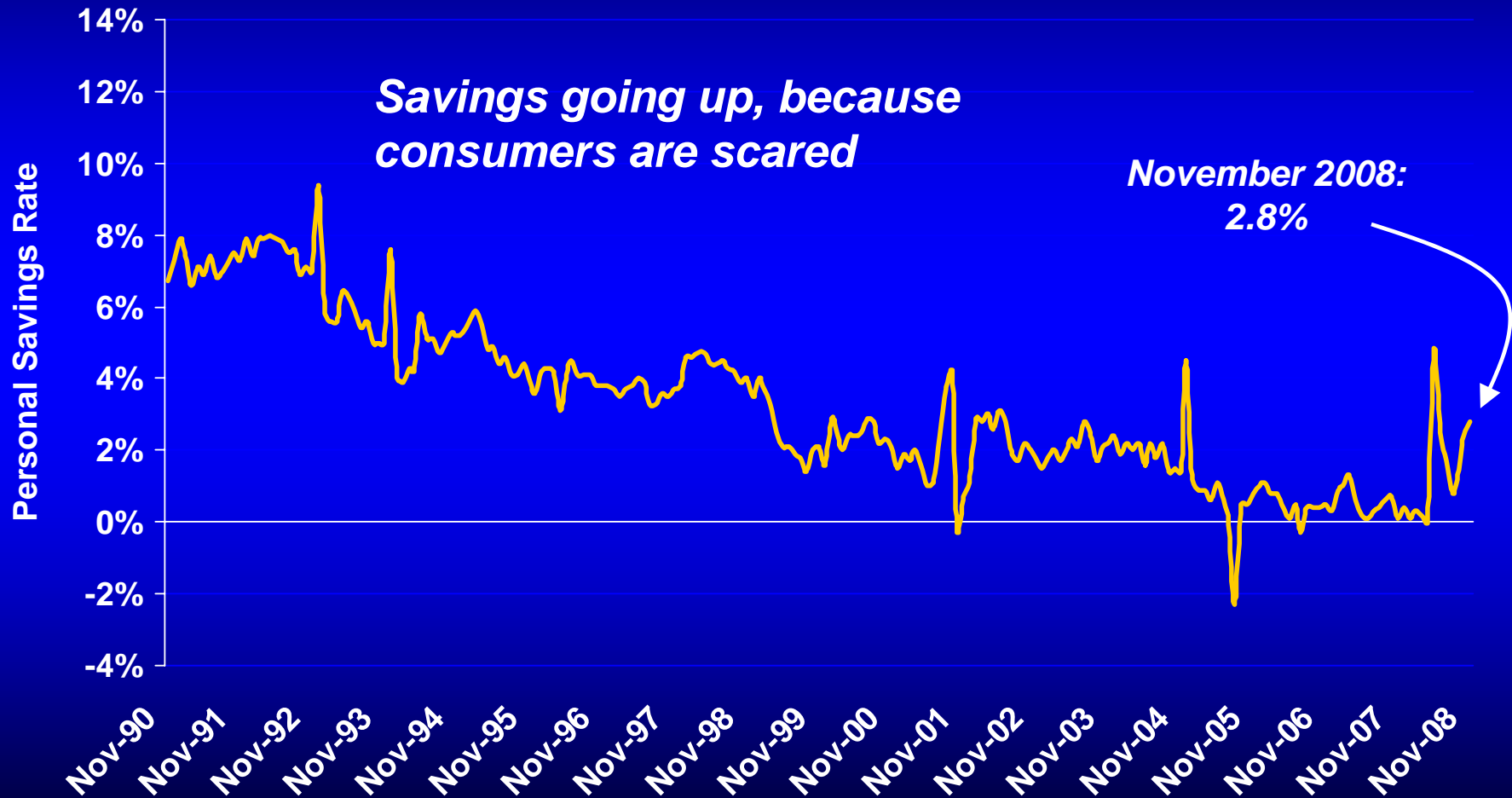
"The level of construction starts in 2009 is expected to decline 7%, to \$515 billion, following a 12% decline predicted for 2008"



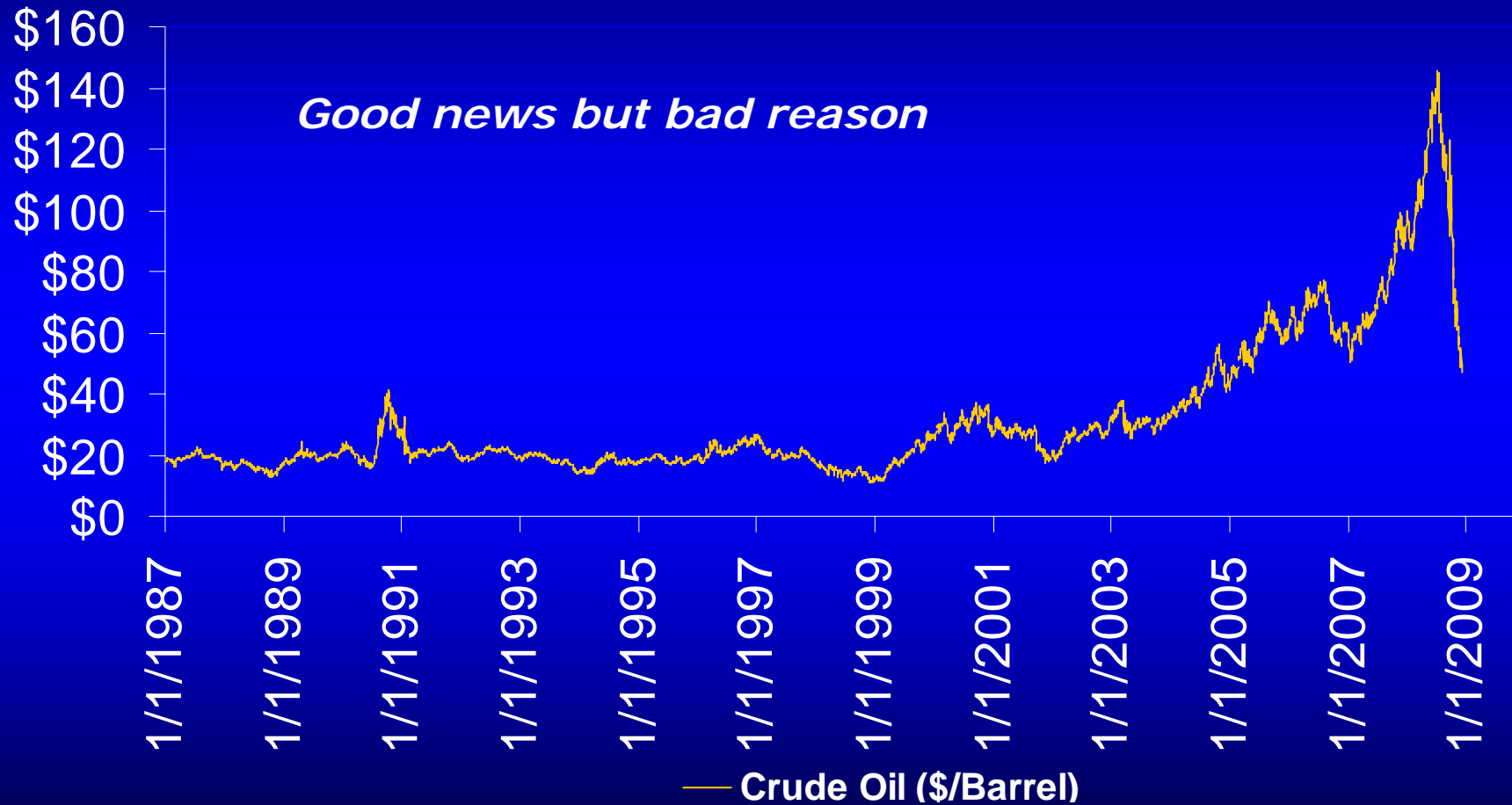
But the news isn't all bad



U.S. Personal Savings Rate as a % of Disposable Income 11/1990 – 11/2008



U.S. Average Crude Oil Spot Price/Barrel 1/1987 – 1/2009



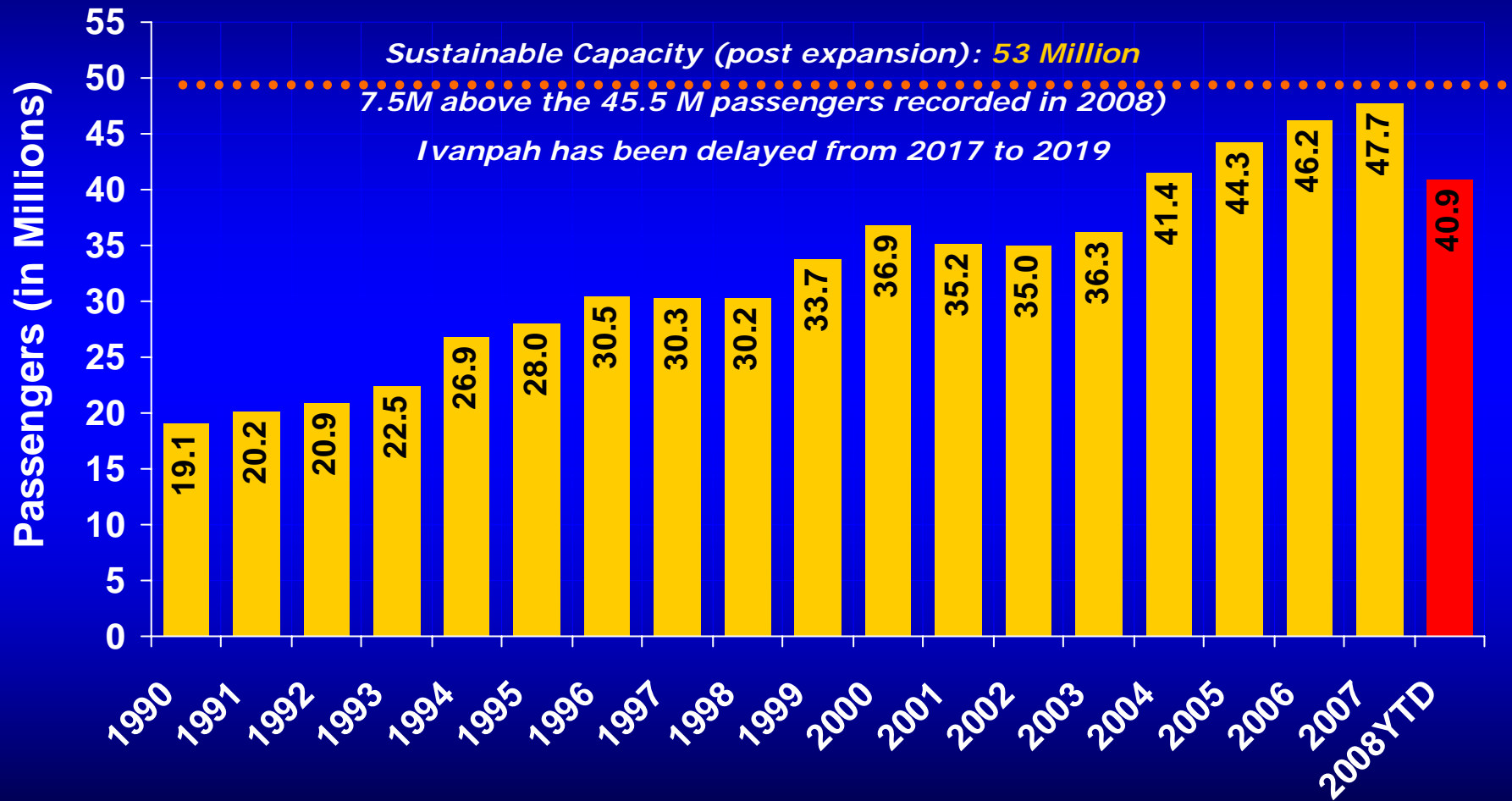
The Clark County & Nevada Economies



Clark County & U.S. Unemployment Rates 11/2000 – 12/2008



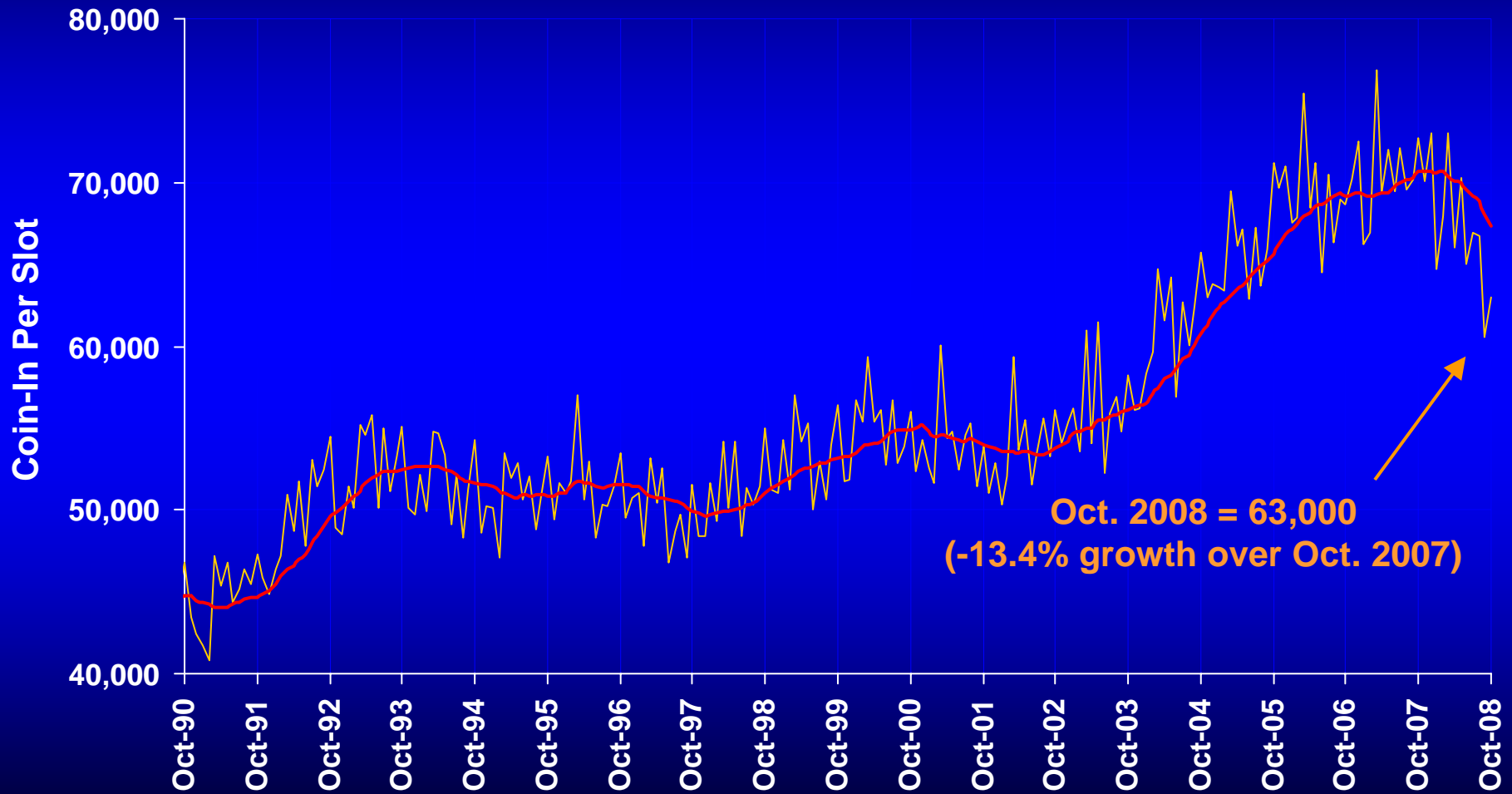
McCarran Annual Passengers 1990 – 2007, & 2008 (YTD November)



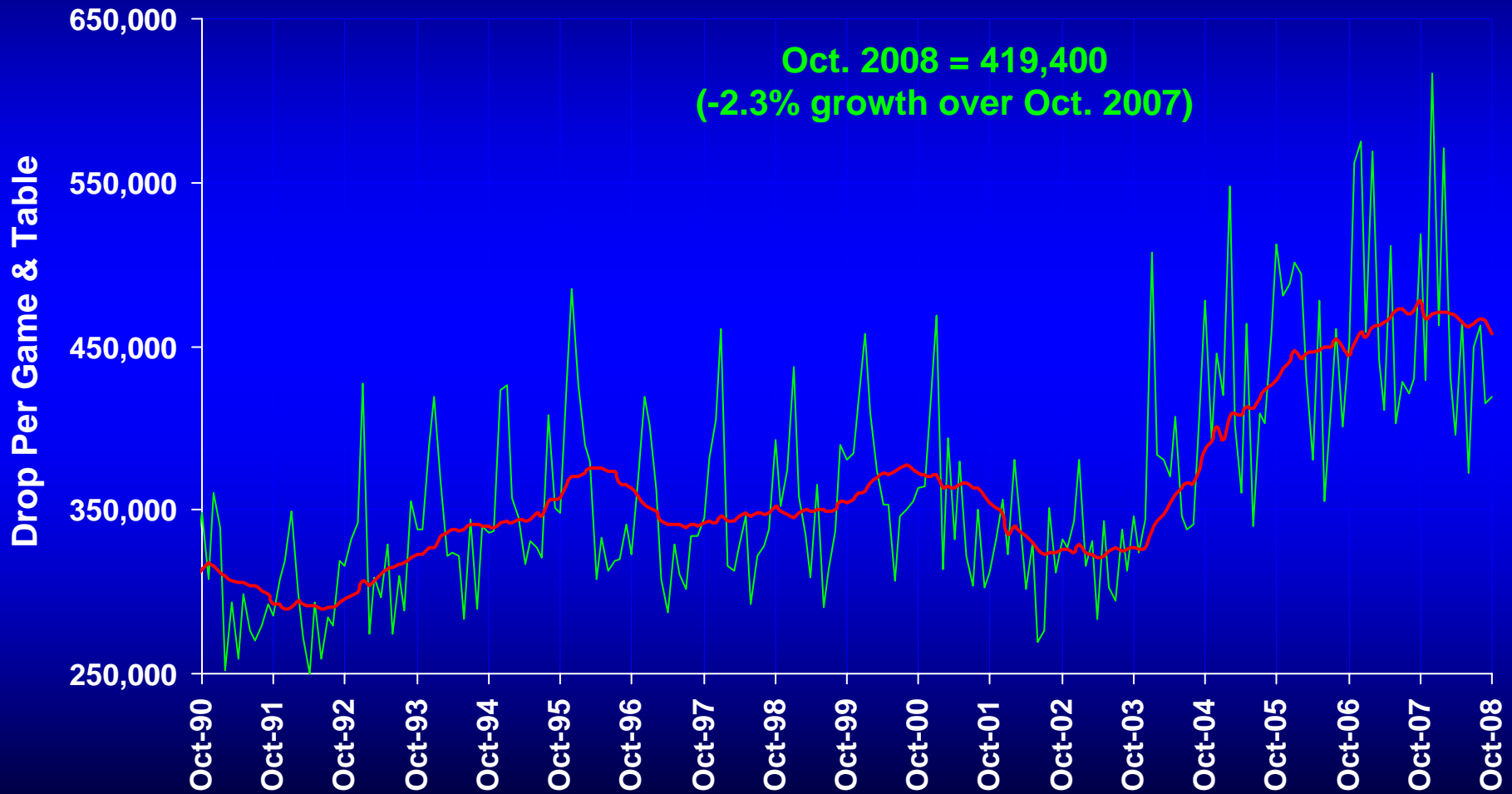
Resort Industry Investment: Will They Come? 2008 – 2010 & Undetermined



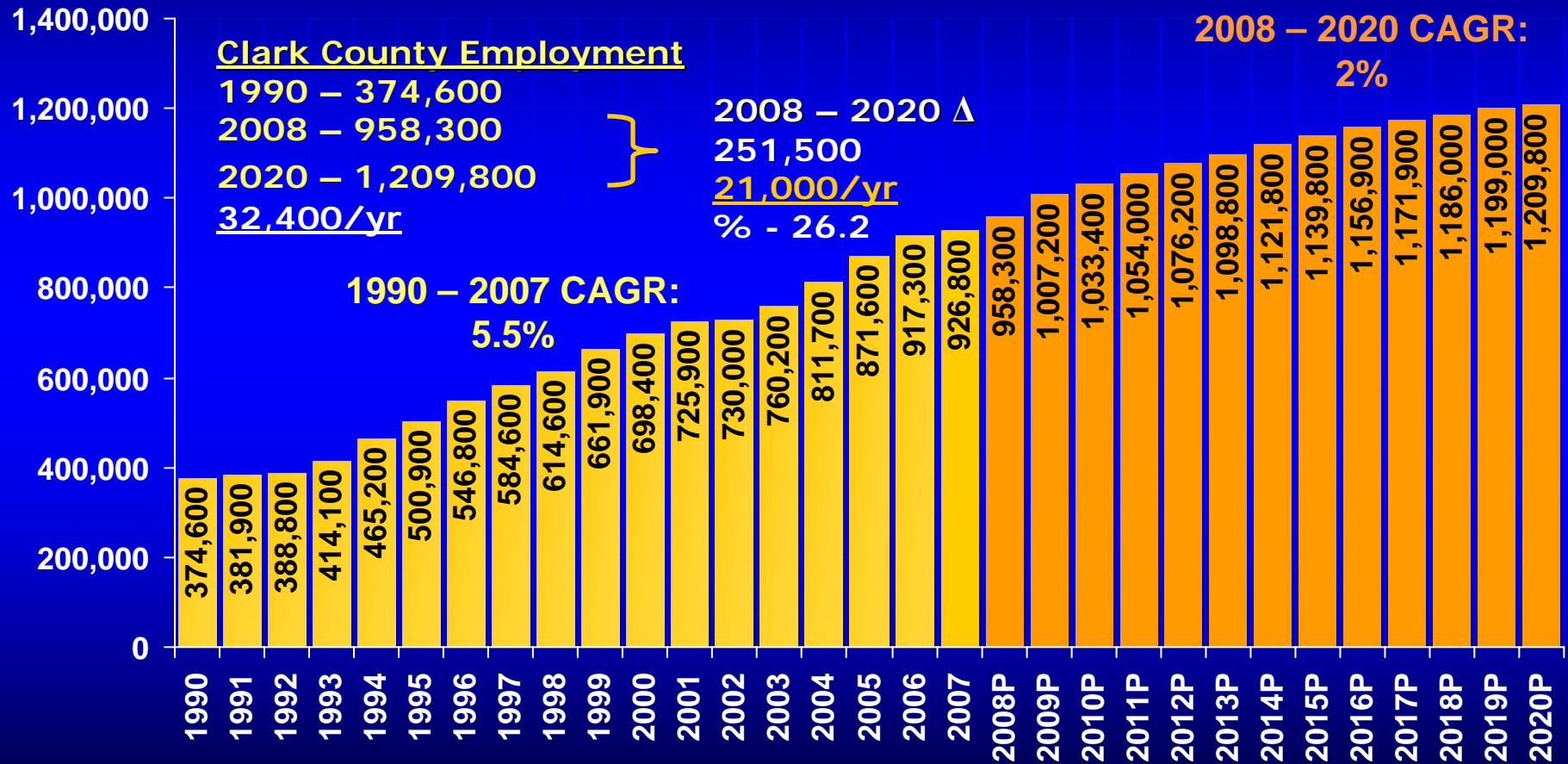
Clark County Gaming Coin-In Per Slot Statistical Count, 10/1990 – 10/2008



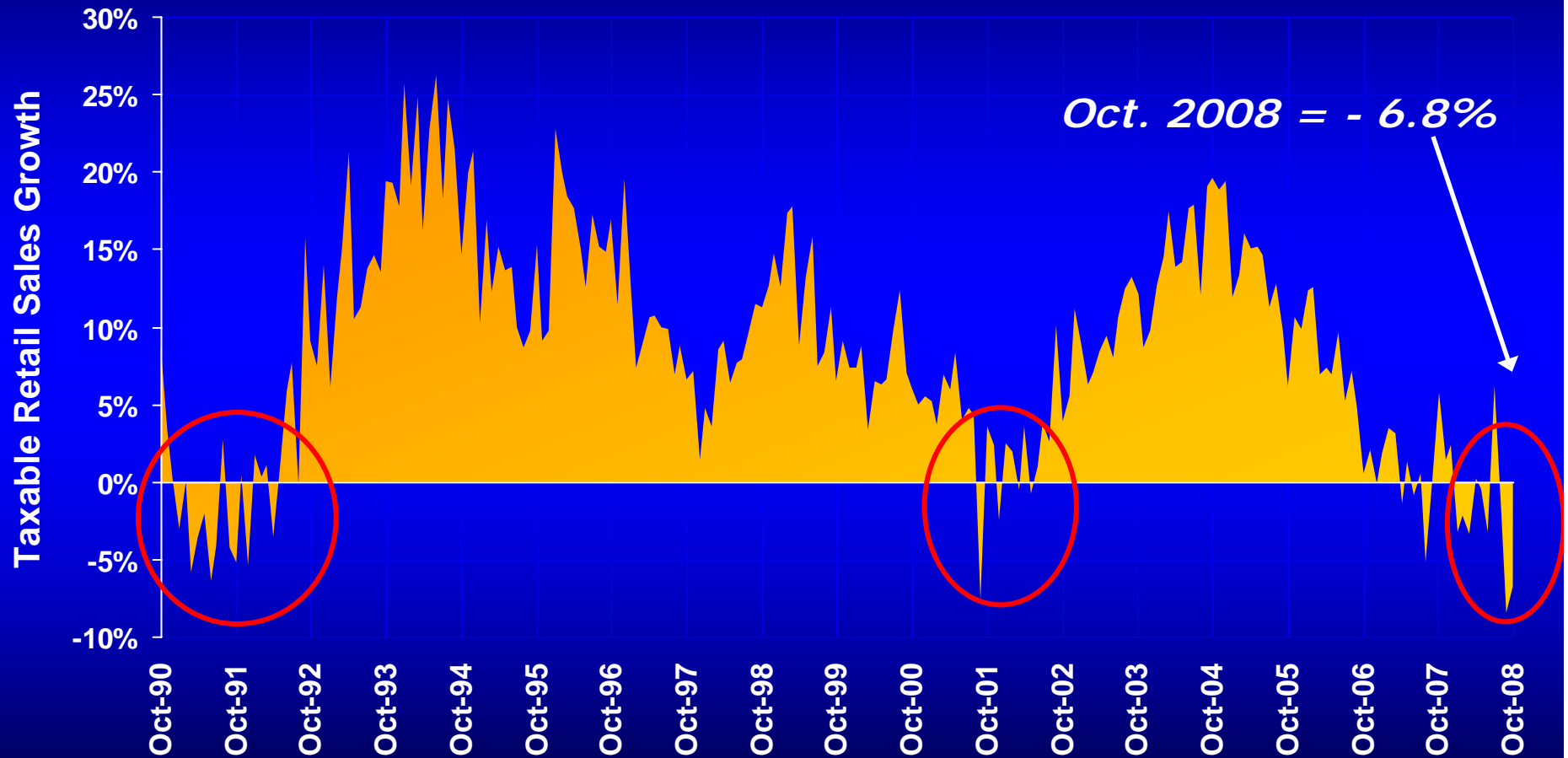
Clark County Gaming Drop Per Game & Table Statistical Count, 10/1990 – 10/2008



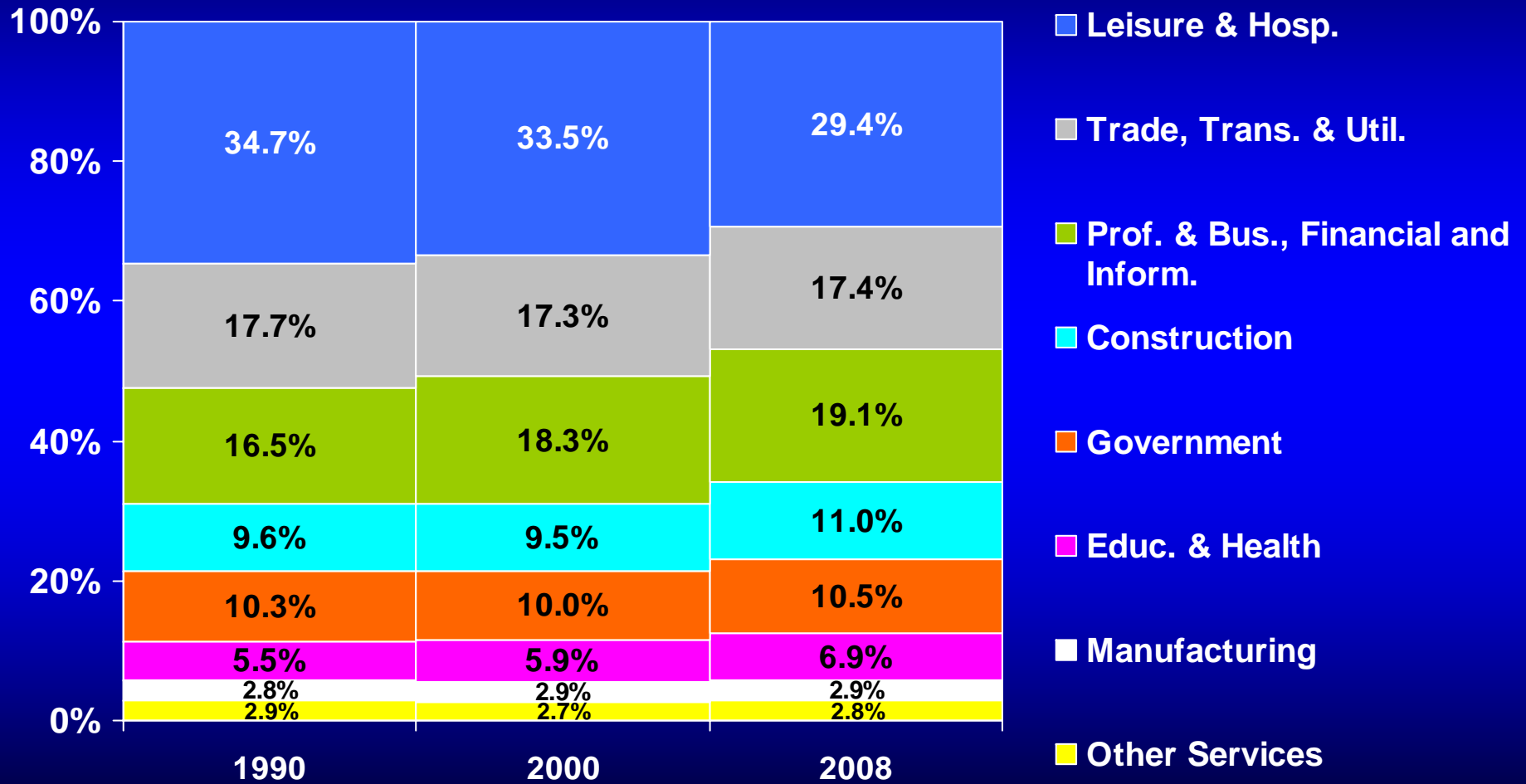
Clark County Job Forecast: May Need To Be Revised, 1990 – 2020P



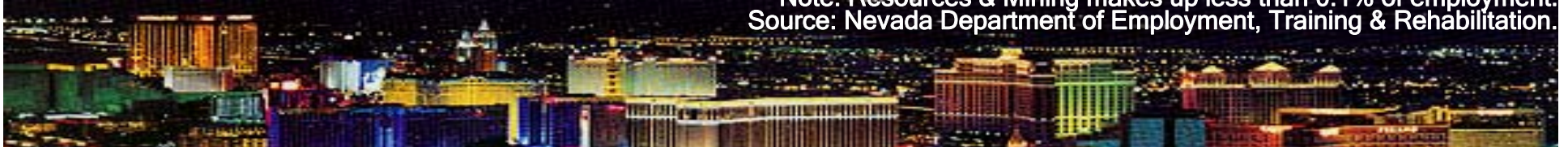
Clark County Taxable Sales Growth Rate 10/1990 – 10/2008



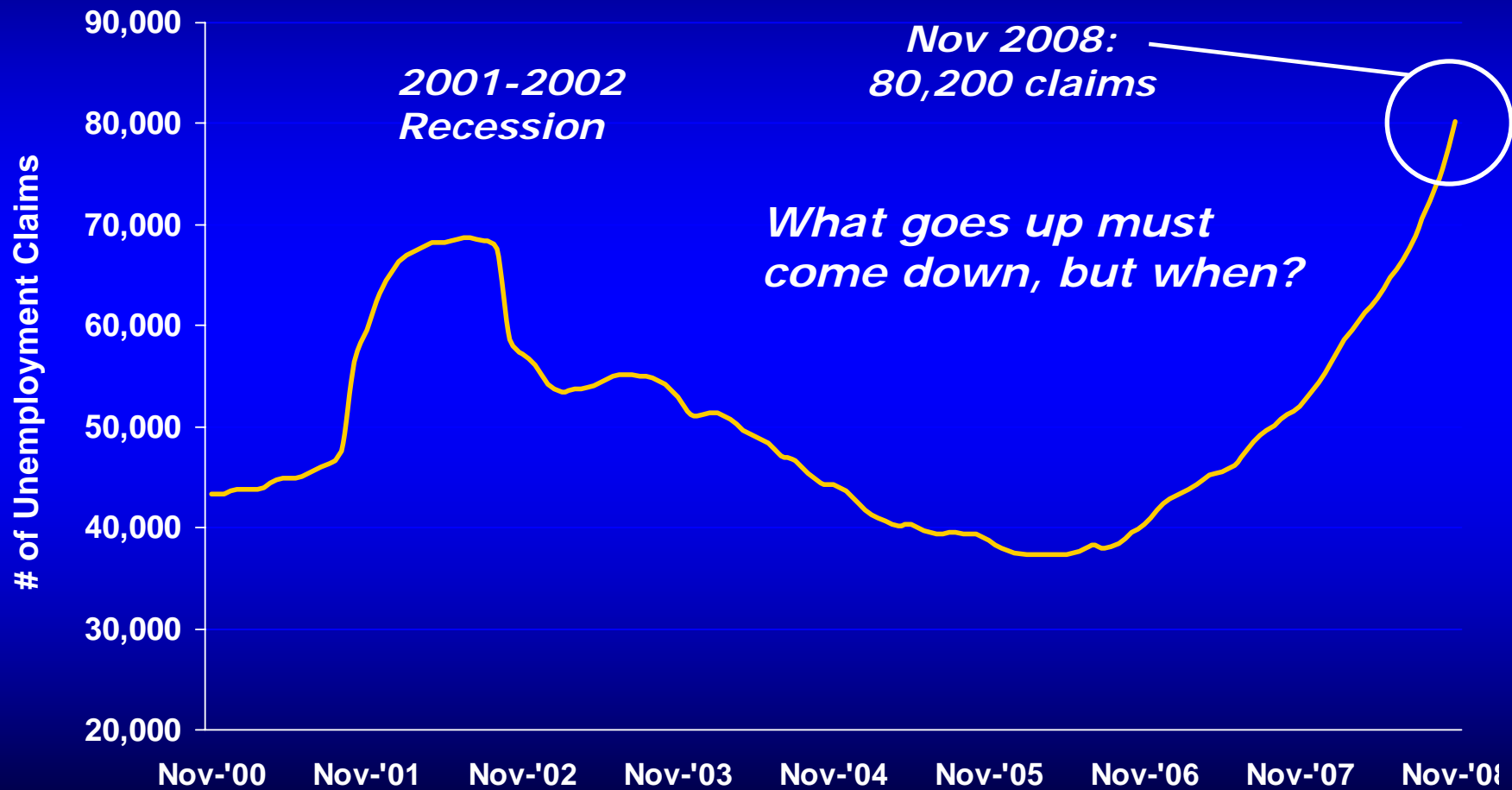
Are We Diversifying #1? Major Job Sectors 1990, 2000 & YTD 2008



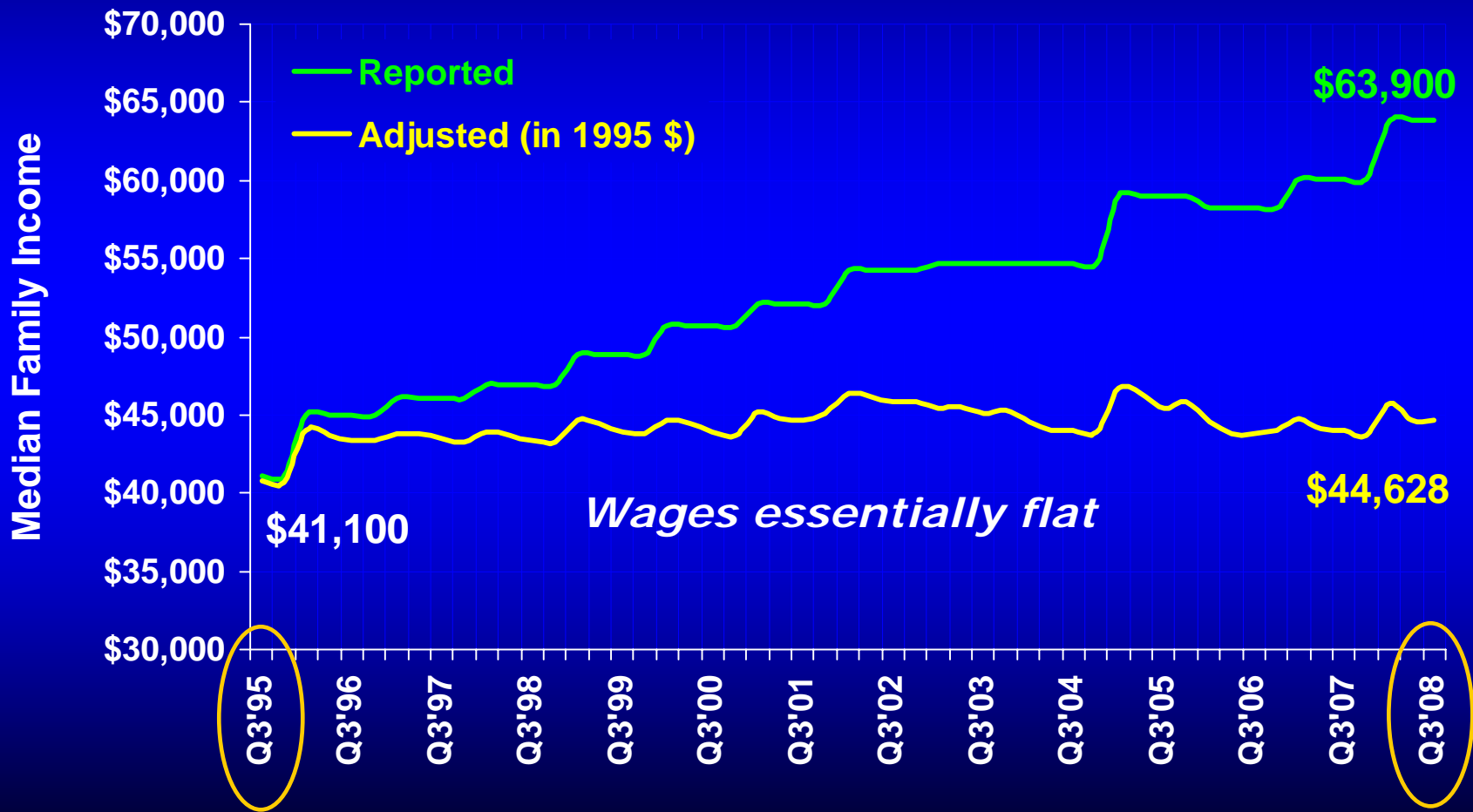
Note: Resources & Mining makes up less than 0.1% of employment.
Source: Nevada Department of Employment, Training & Rehabilitation.



of Clark County Unemployment Claims 10/2000 – 10/2008 (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

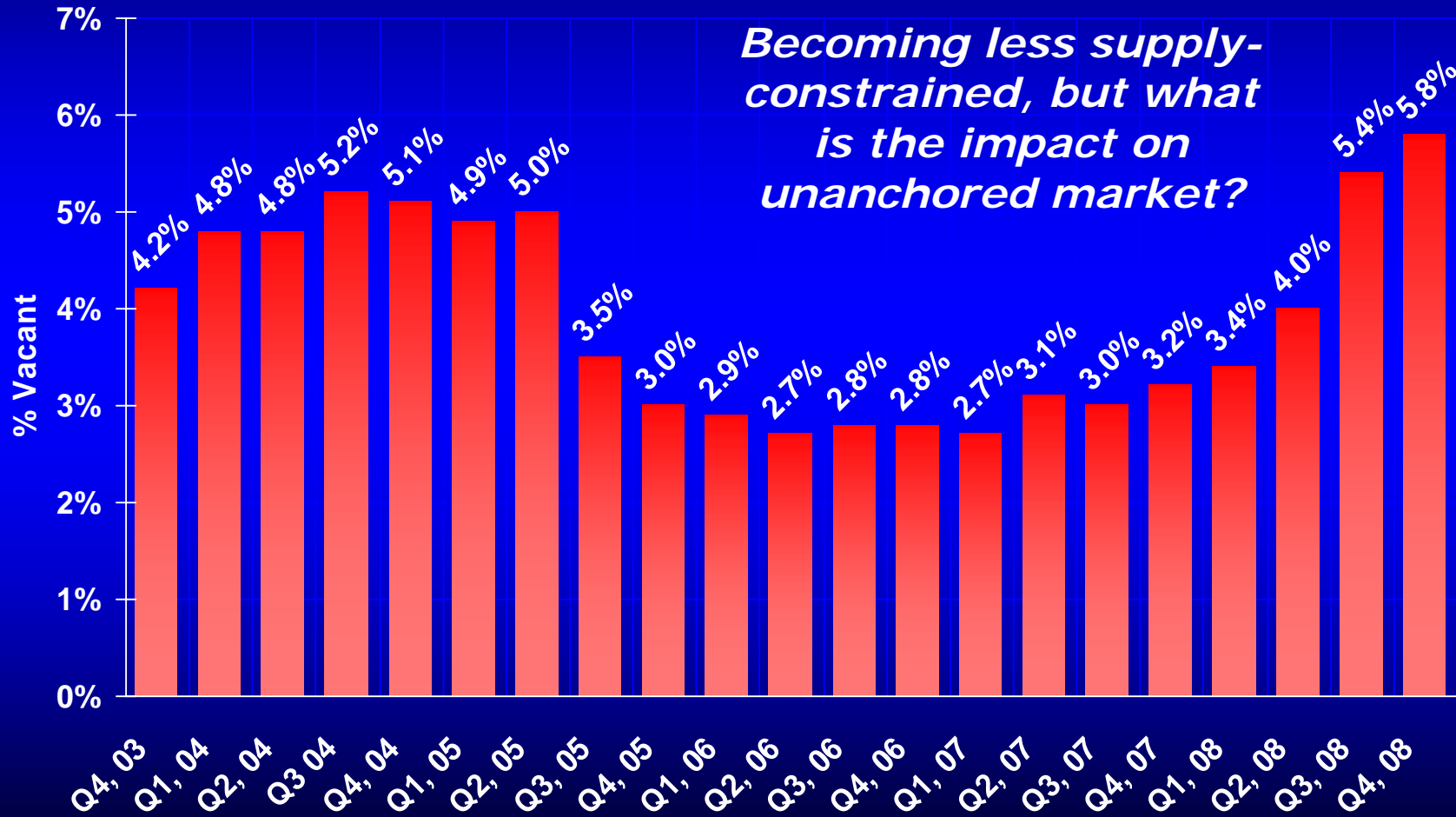


Anchored Retail Market: Q4, 2008 Snapshot

	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

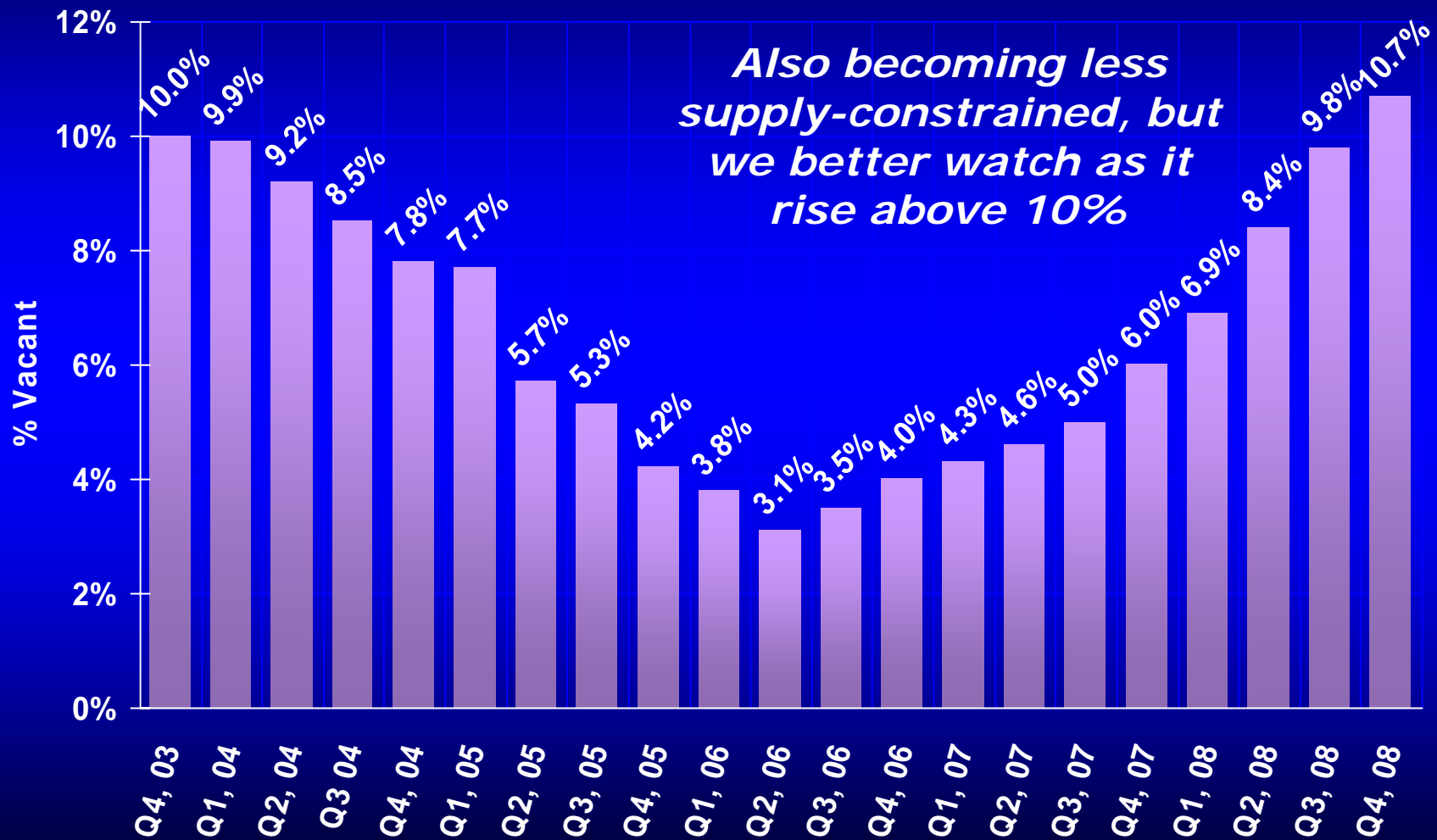


Industrial Market: Q4, 2008 Snapshot

	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

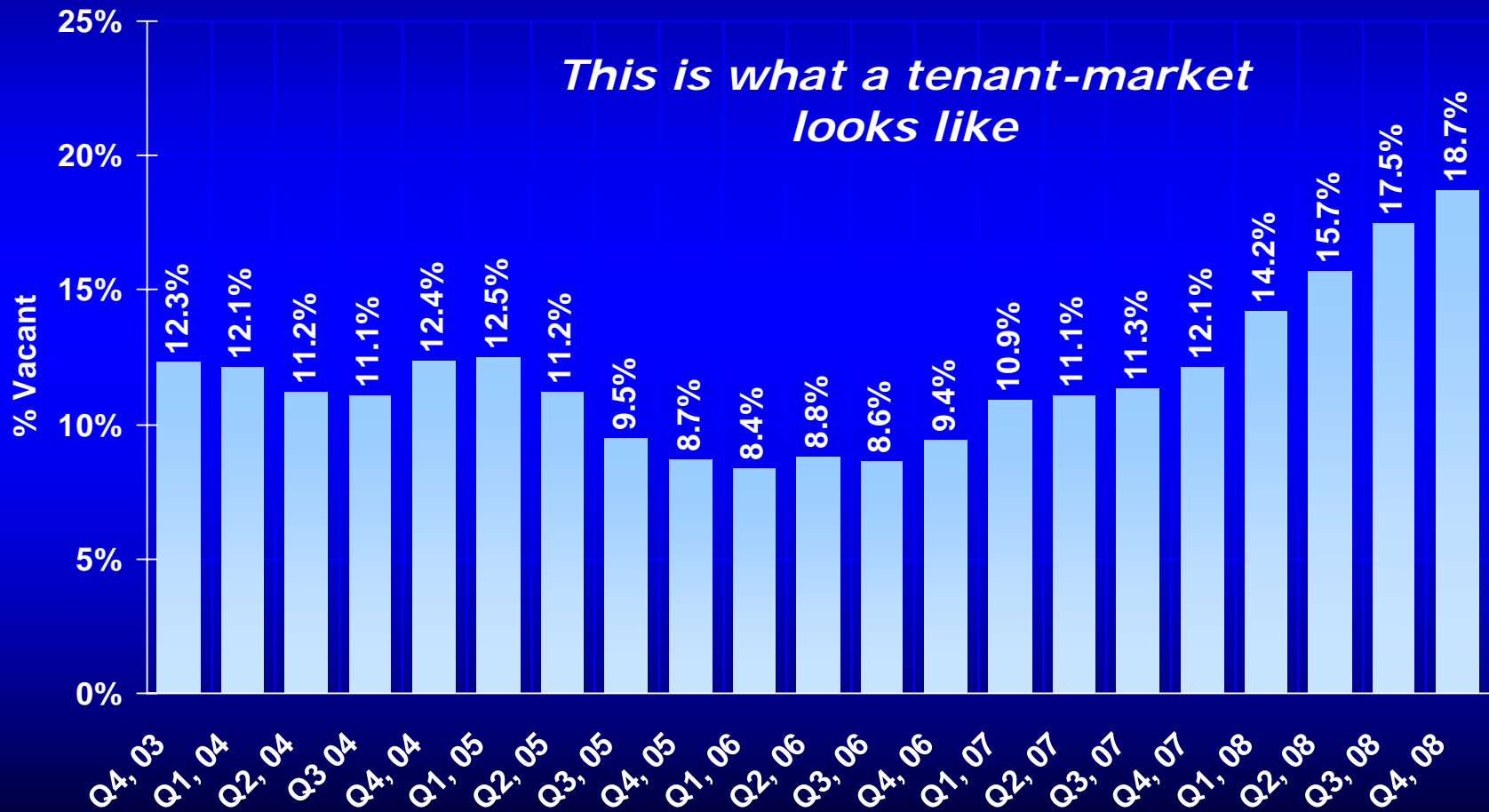


For-Lease Office Market: Q4, 2008 Snapshot

	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



The Causes



Irrational Exuberance: Some of the Players?

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



So What's Next?



In Conclusion

RECESSION IS HERE

- Consumer weakness will continue for some time
- Business investment will also lag
- Exports are not enough
- Nevada budget to get worse

WHAT KIND OF RECESSION?

- Bad, but NOT a depression
- Economic recover in early-2011
- Housing recovery in 2012

DON'T PANIC

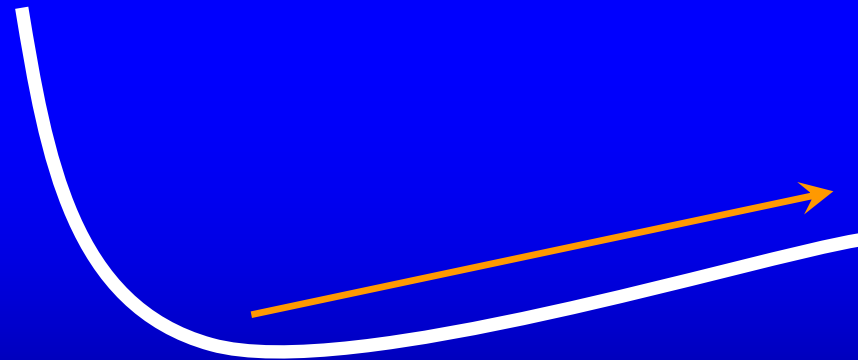
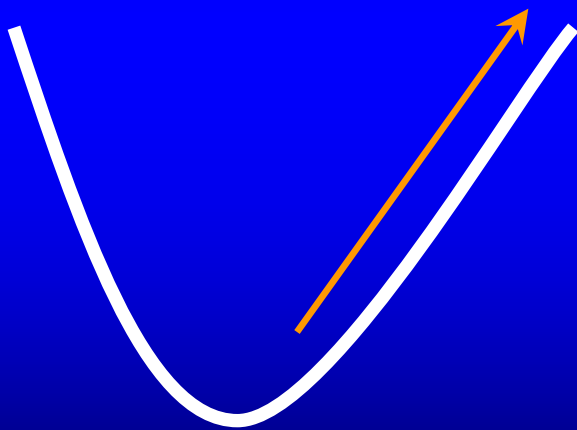
- Recovery is inevitable if delayed
- Fire Sales will create opportunities – patience is key
- Low Home prices are good for Nevada in long run
- In desperate times comes real change: Real fiscal change



What will Southern Nevada Recovery Look Like?

1. This....?

2. Or ... This?



For More Information

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