

# *Southern Nevada Economic Briefing*

The Risk Management Association



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Prepared by:

RESTREPO  
CONSULTING  
GROUP LLC



# *The National Economy*

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## 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: What a Year

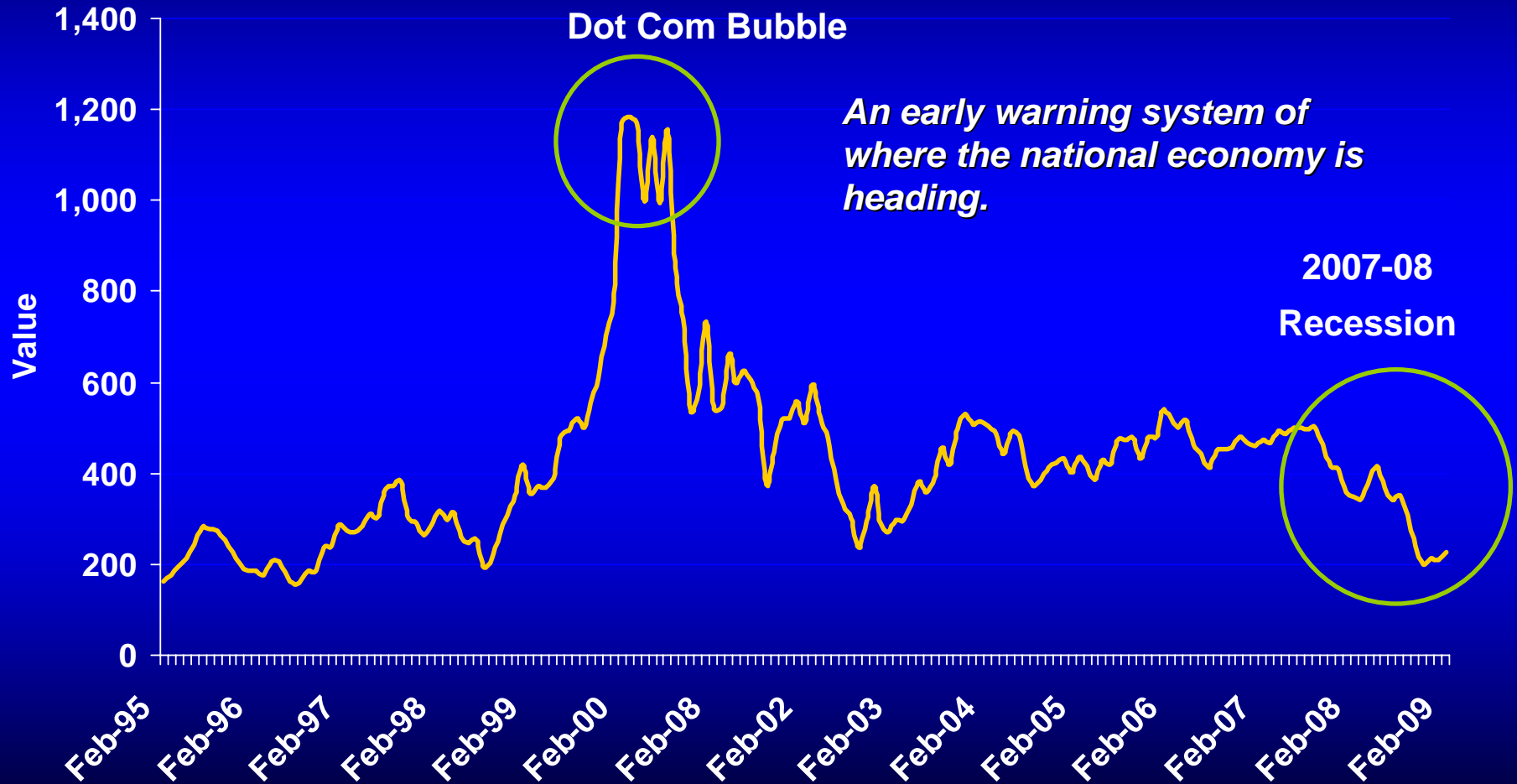
- ✓ “Only two positions out there: cash and fetal”
- ✓ Recession in full swing, but many market players were denial
- ✓ What went wrong?
  - 3 major problems: housing, credit markets & consumer confidence
- ✓ What’s next?
  - Where is the bottom
  - Recovery will come, but when?



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



# Semi-Conductor Sector Index: 2/1995 – 2/2009



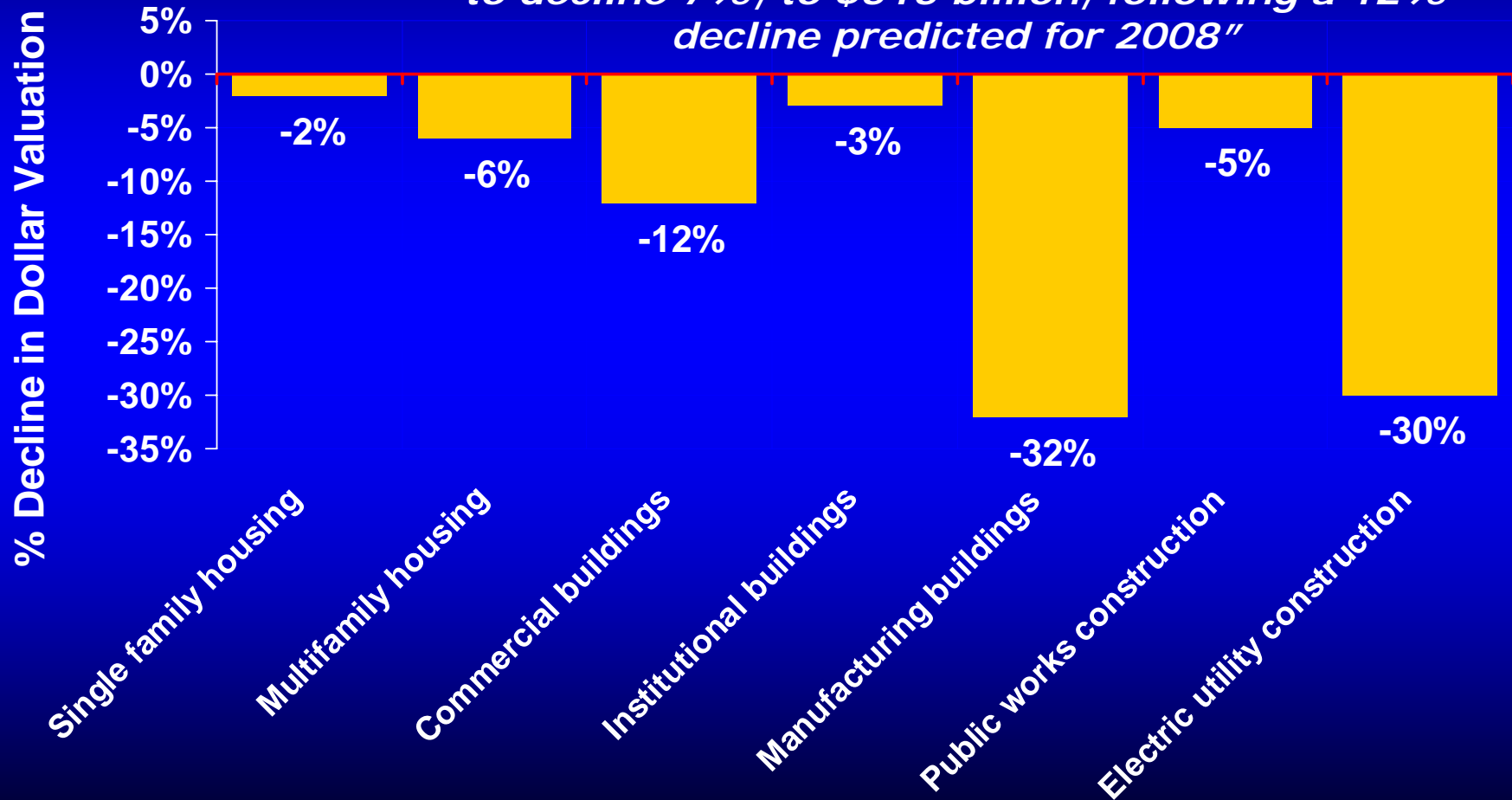
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Source: Philadelphia Stock Exchange.



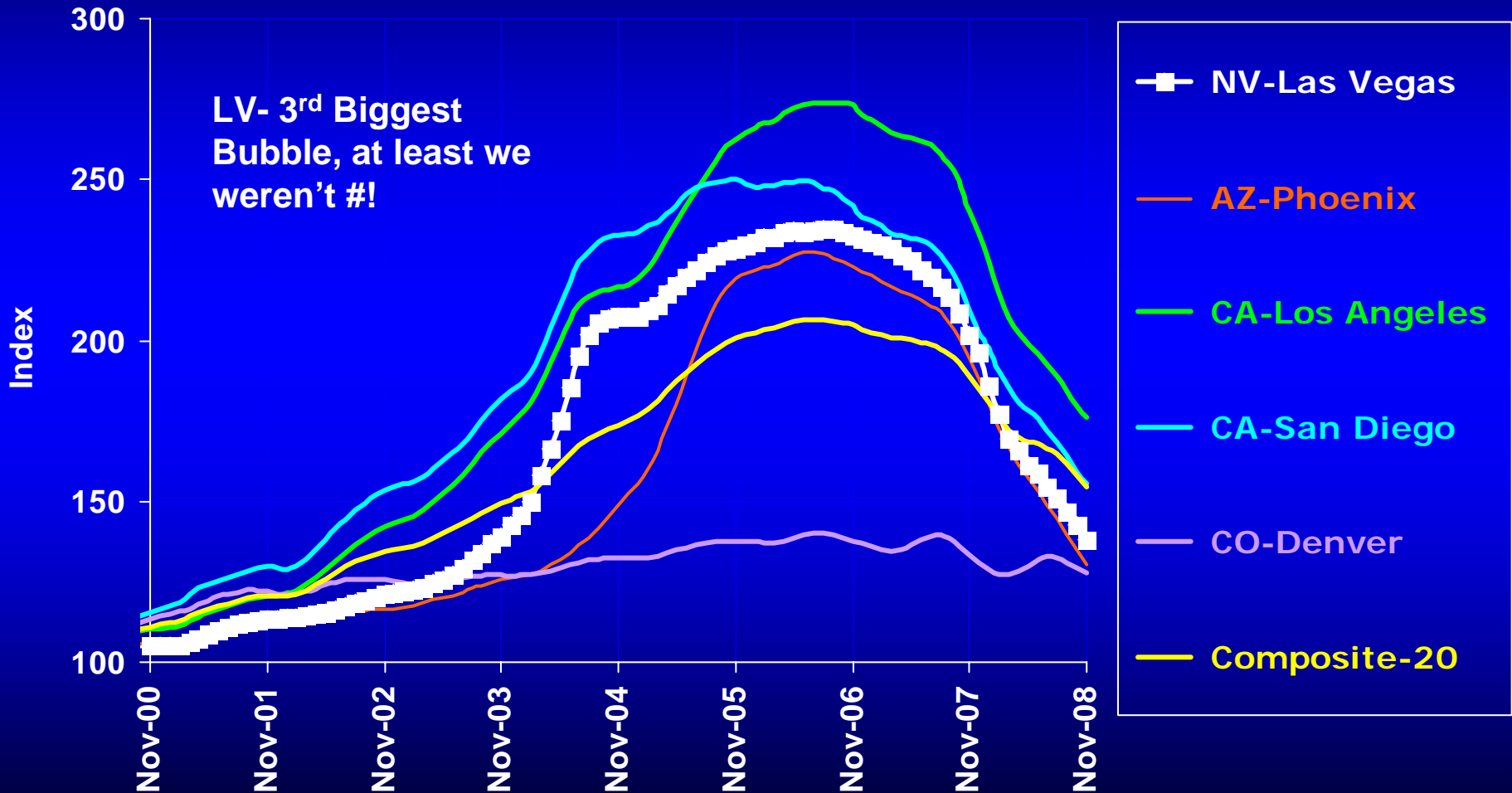
# 2009 Construction Outlook: Overall U.S. Construction Starts Forecast Declines 2009 vs. 2008

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



# S&P / Case-Shiller Housing Price Index

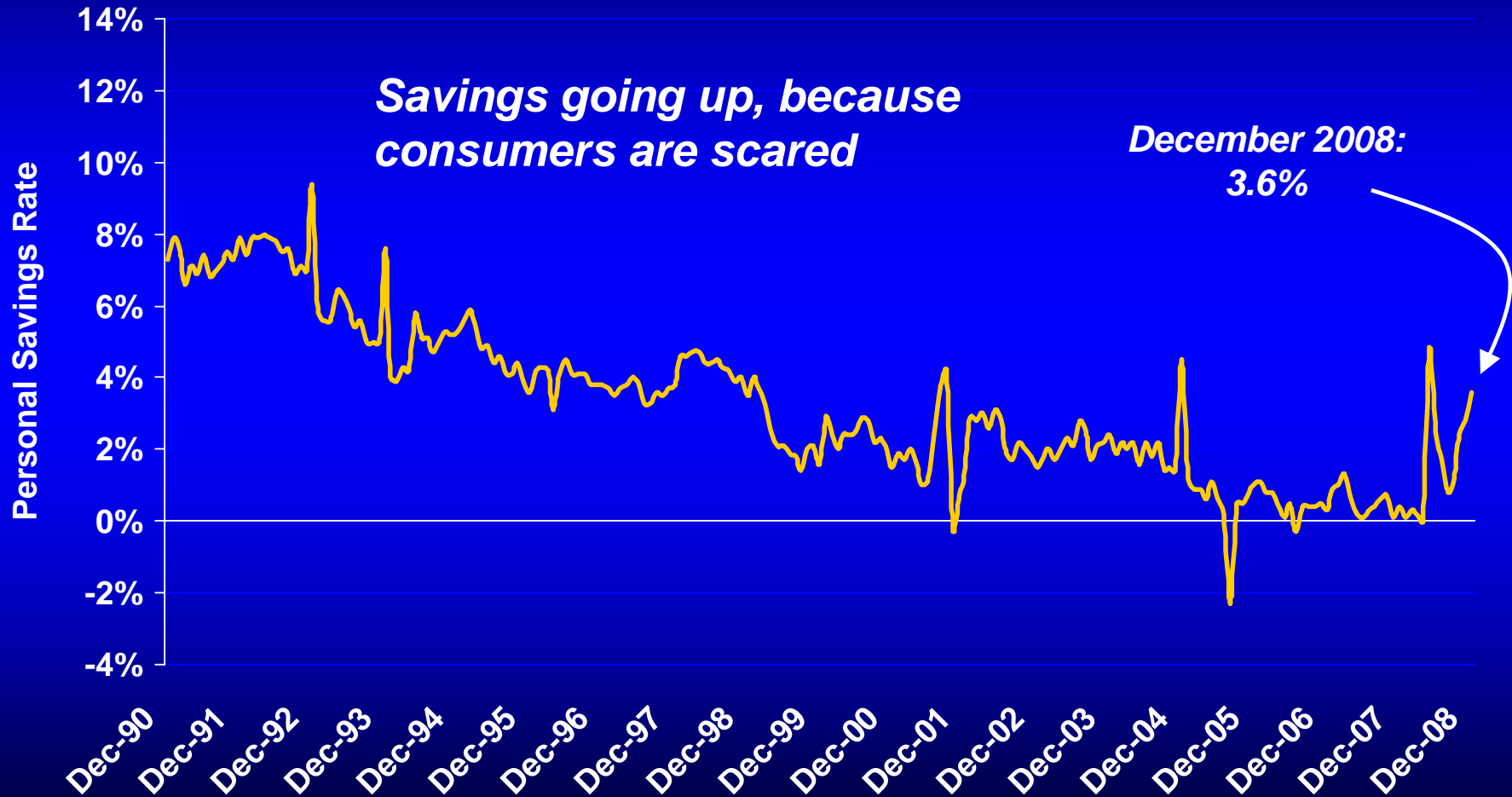
## Select Southwestern U.S. MSAs: 11/2000 – 11/2008



But the news isn't all bad . . .



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

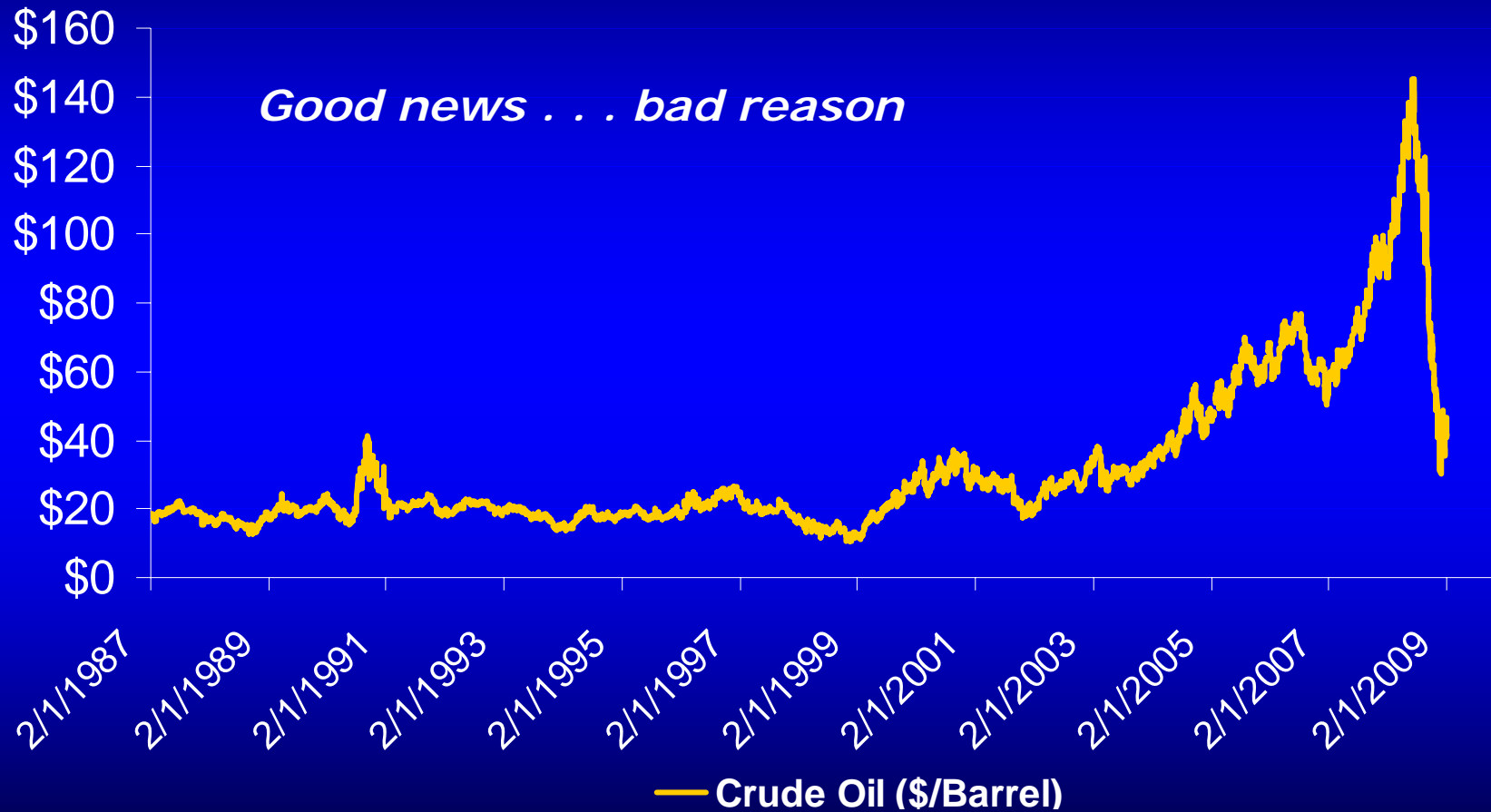


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Source: U.S. Department of Commerce; Bureau of Economic Analysis.



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



## And the Job Outlook?



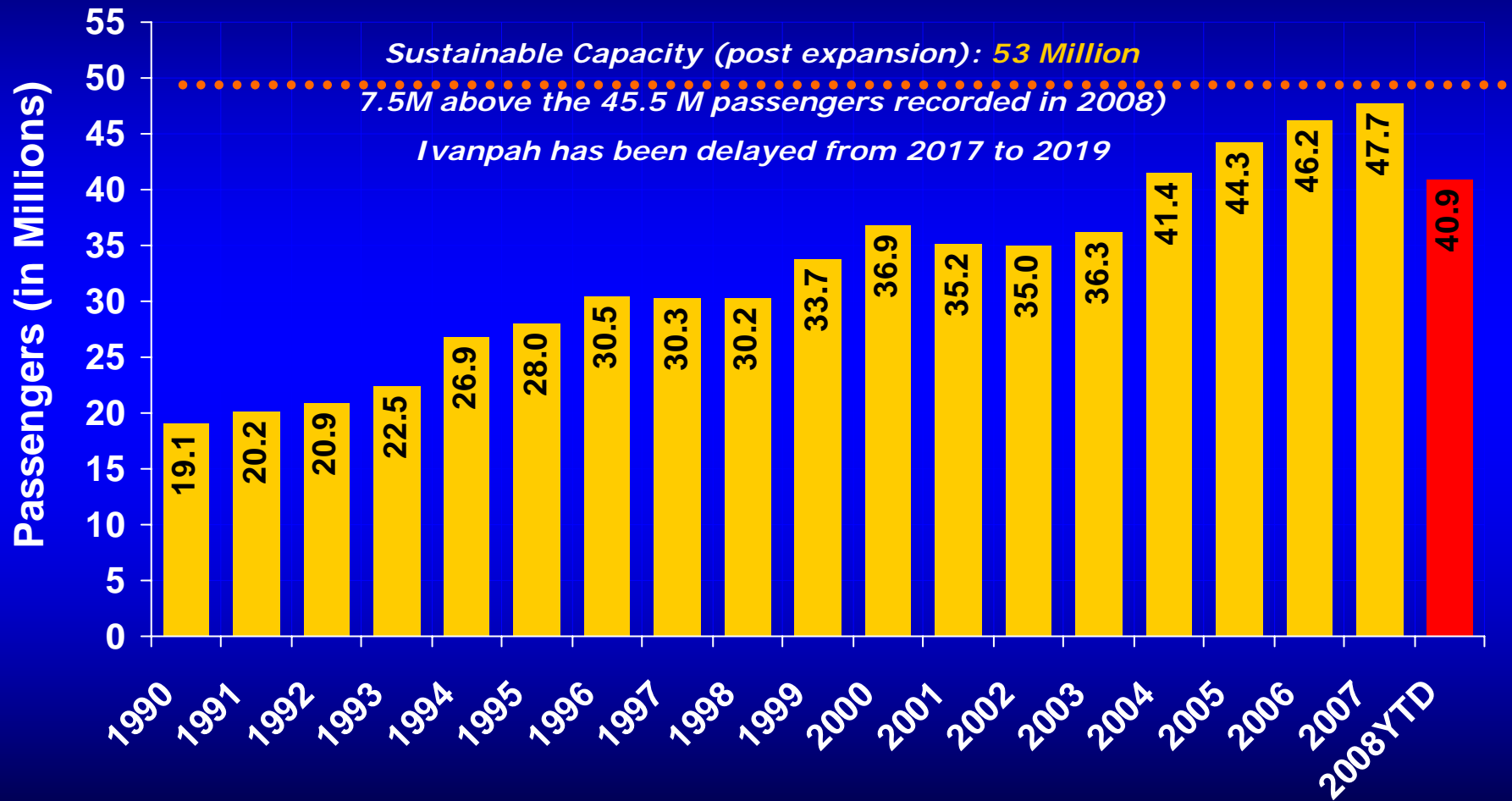
# *The Clark County & Nevada Economies*



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



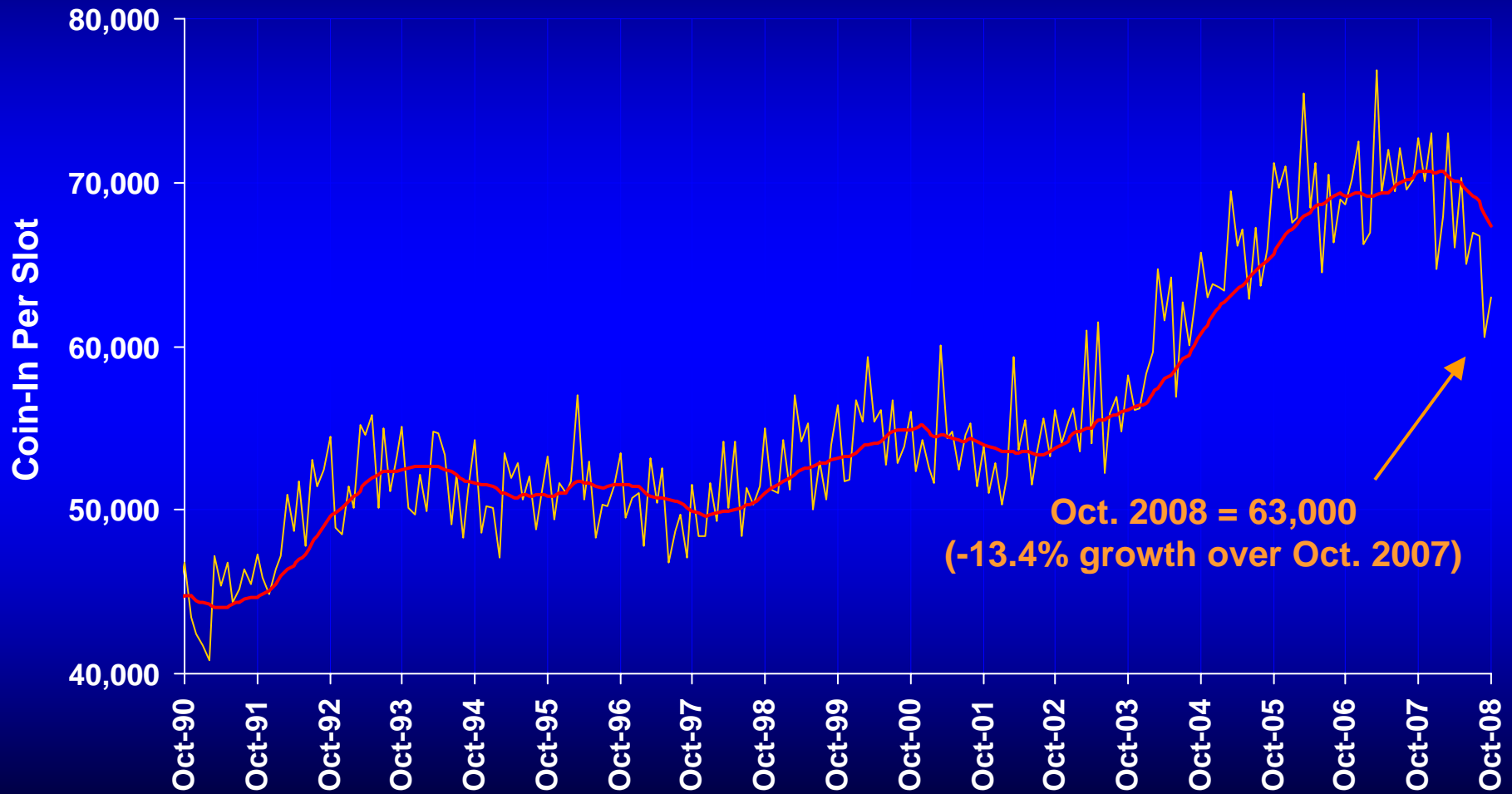
# McCarran Annual Passengers 1990 – 2007, & 2008 (YTD November)



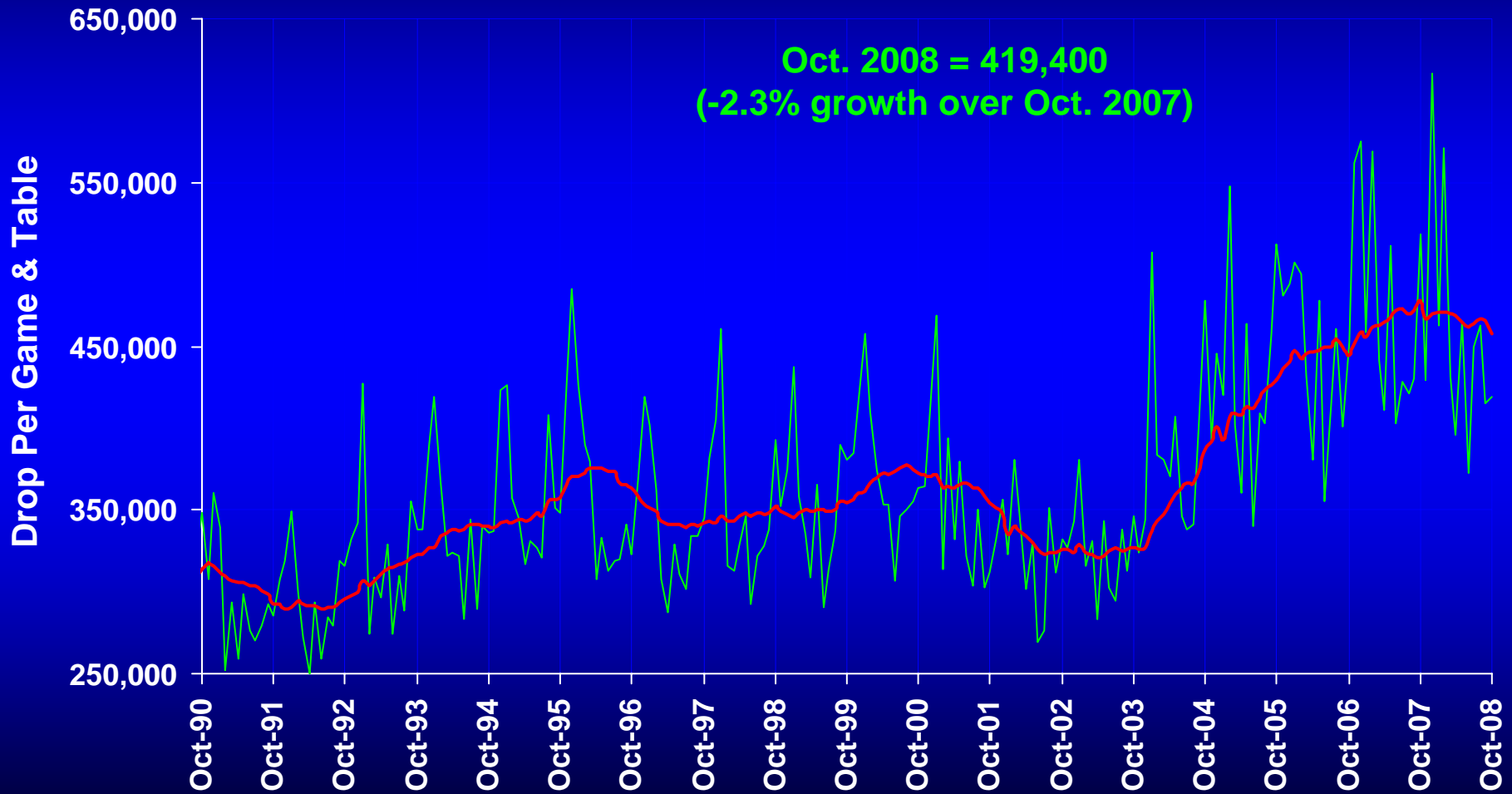
# Resort Industry Investment: Will They Come? 2008 – 2010 & Undetermined



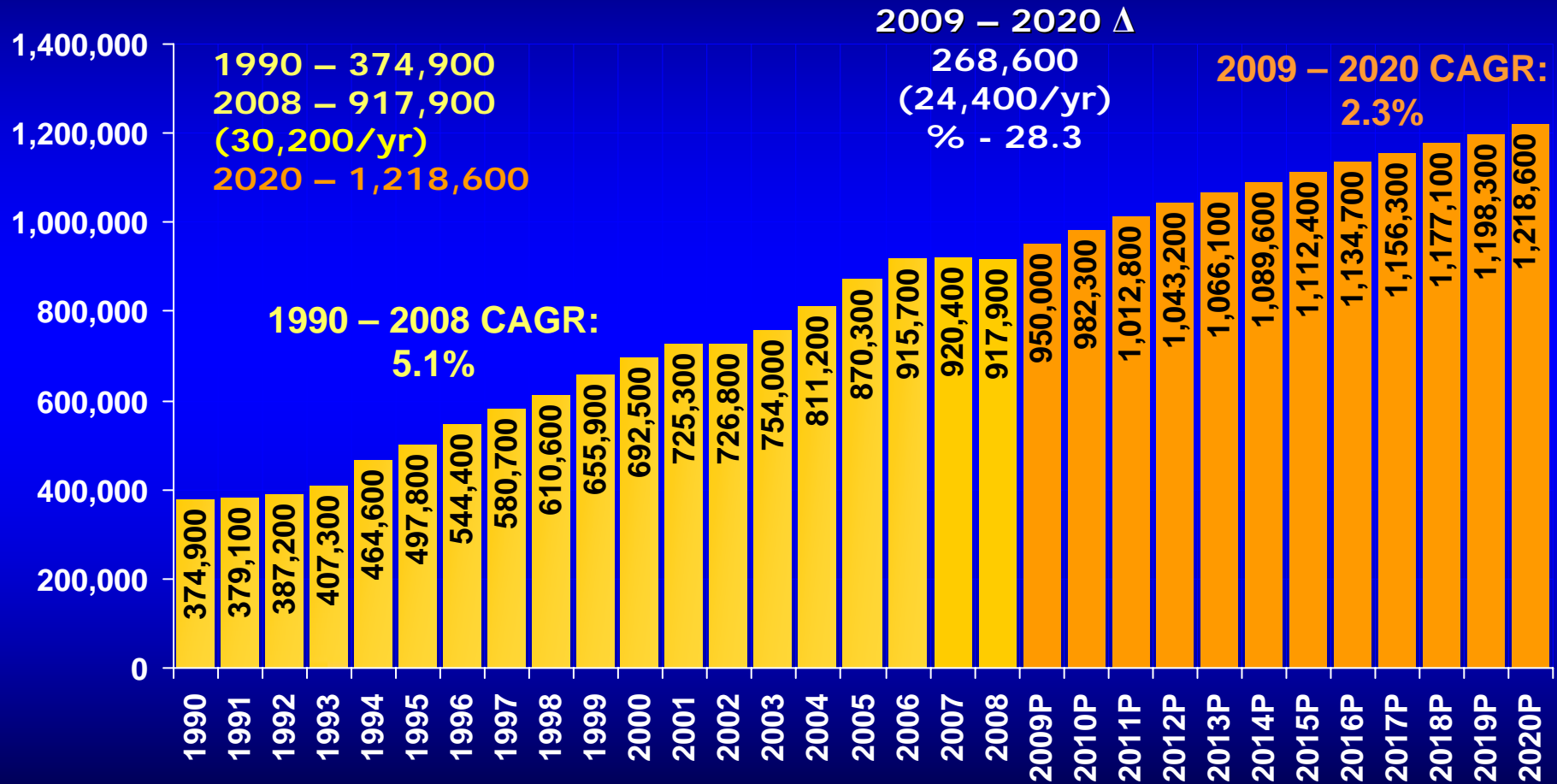
# Clark County Gaming Coin-In Per Slot Statistical Count, 10/1990 – 10/2008



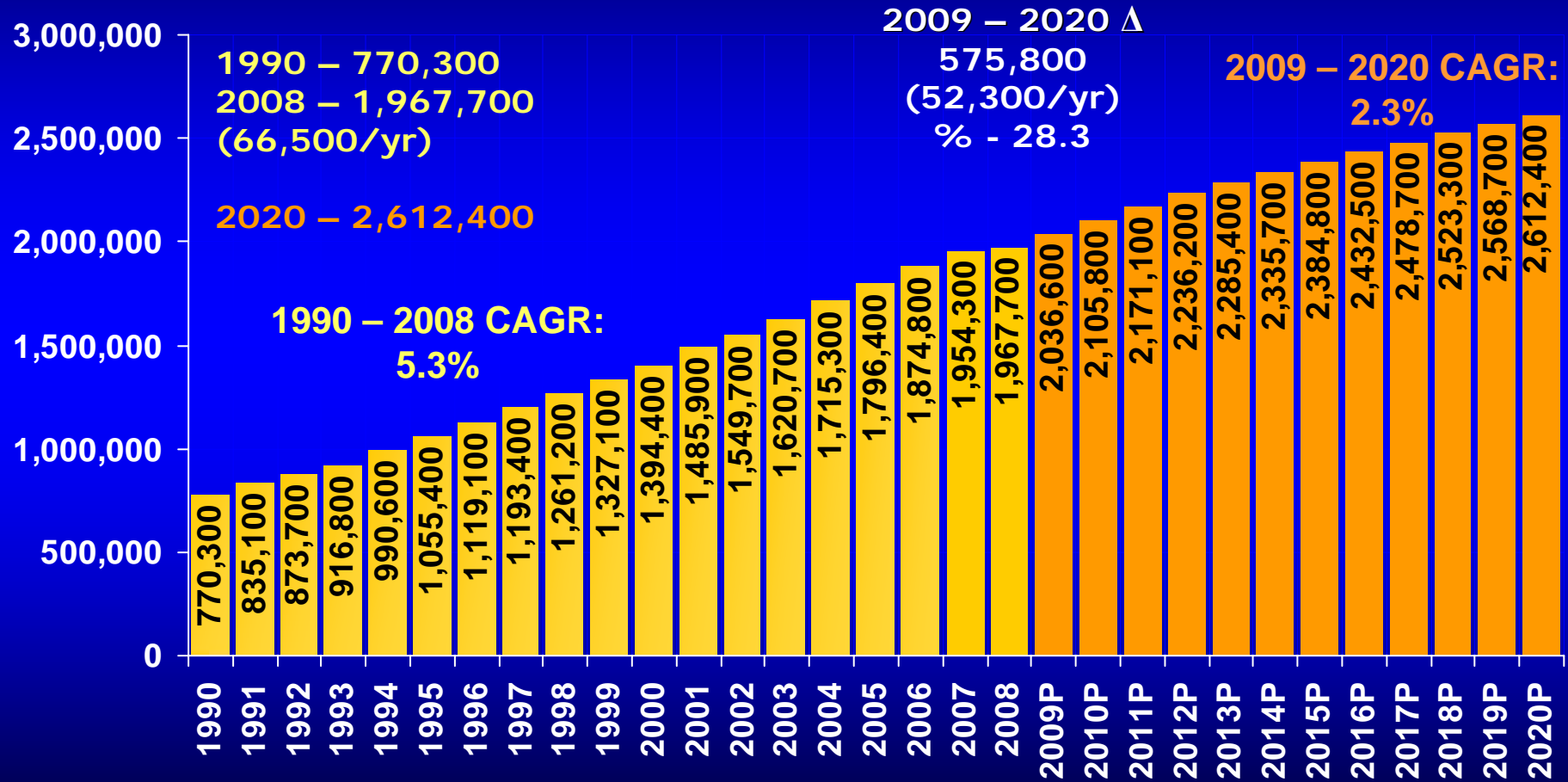
# Clark County Gaming Drop Per Game & Table Statistical Count, 10/1990 – 10/2008



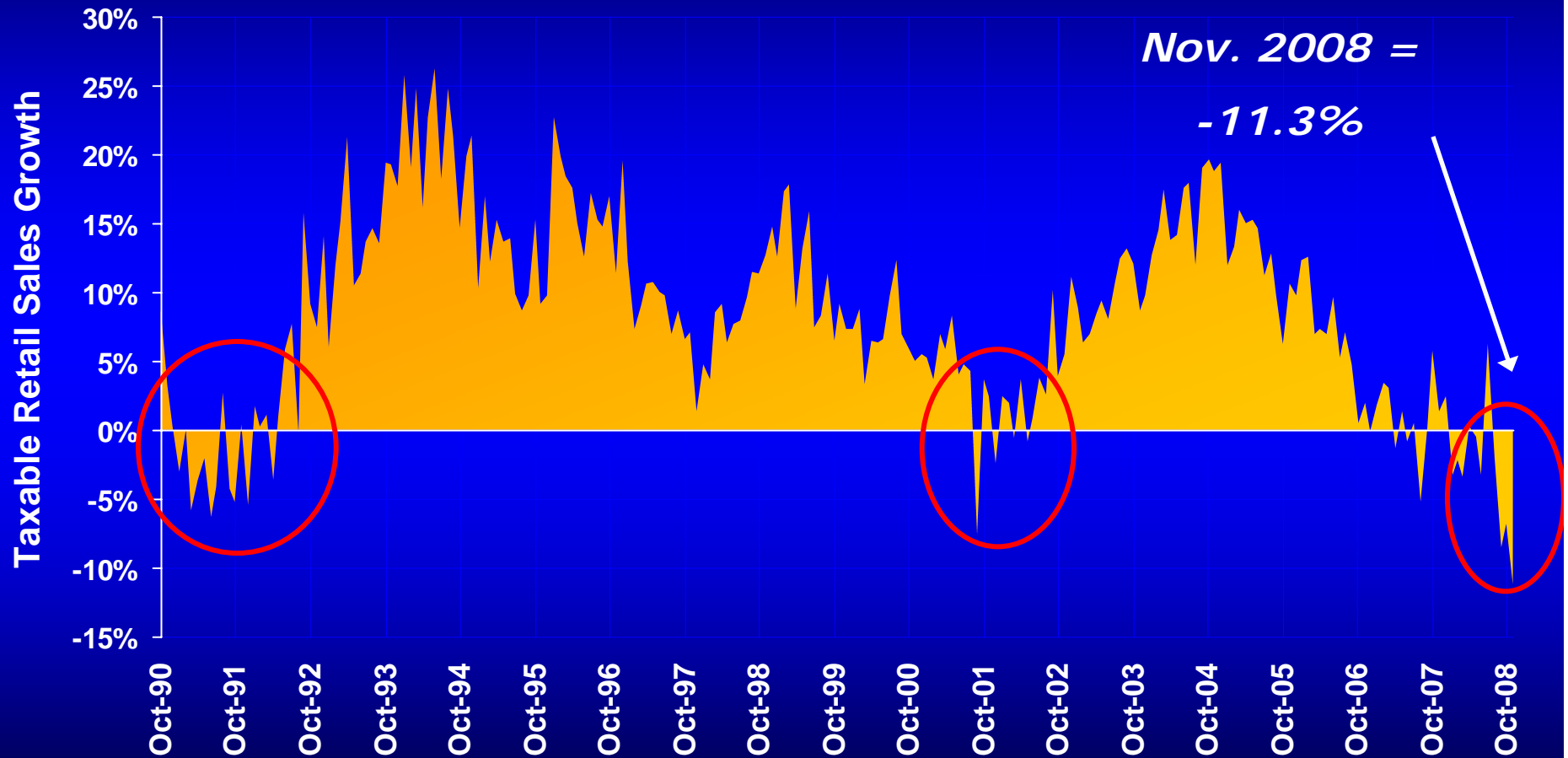
# Clark County Employment: Growth Will Continue 1990 – 2020P



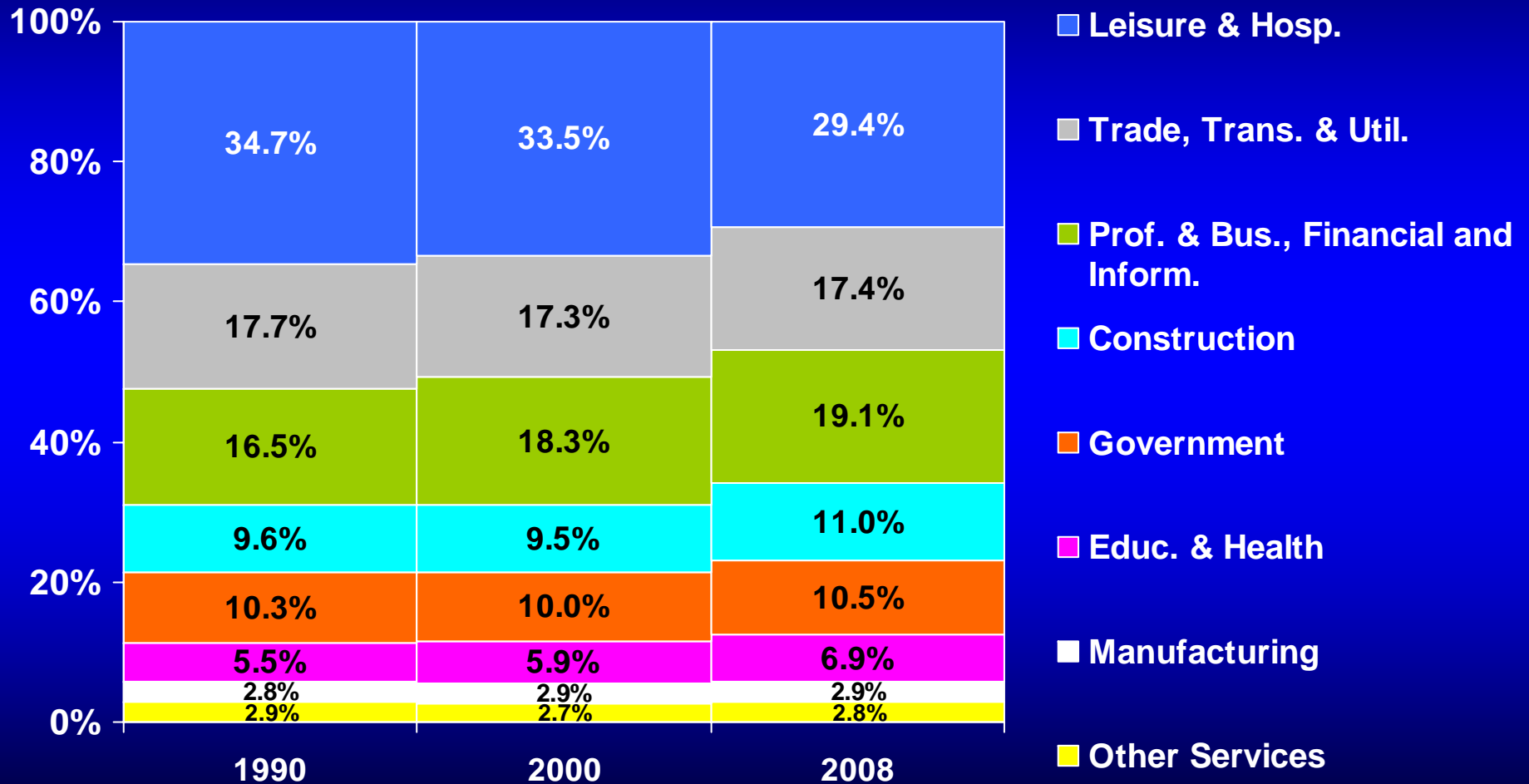
# Clark County Population: Largely Driven By Economy, 1990 – 2020P



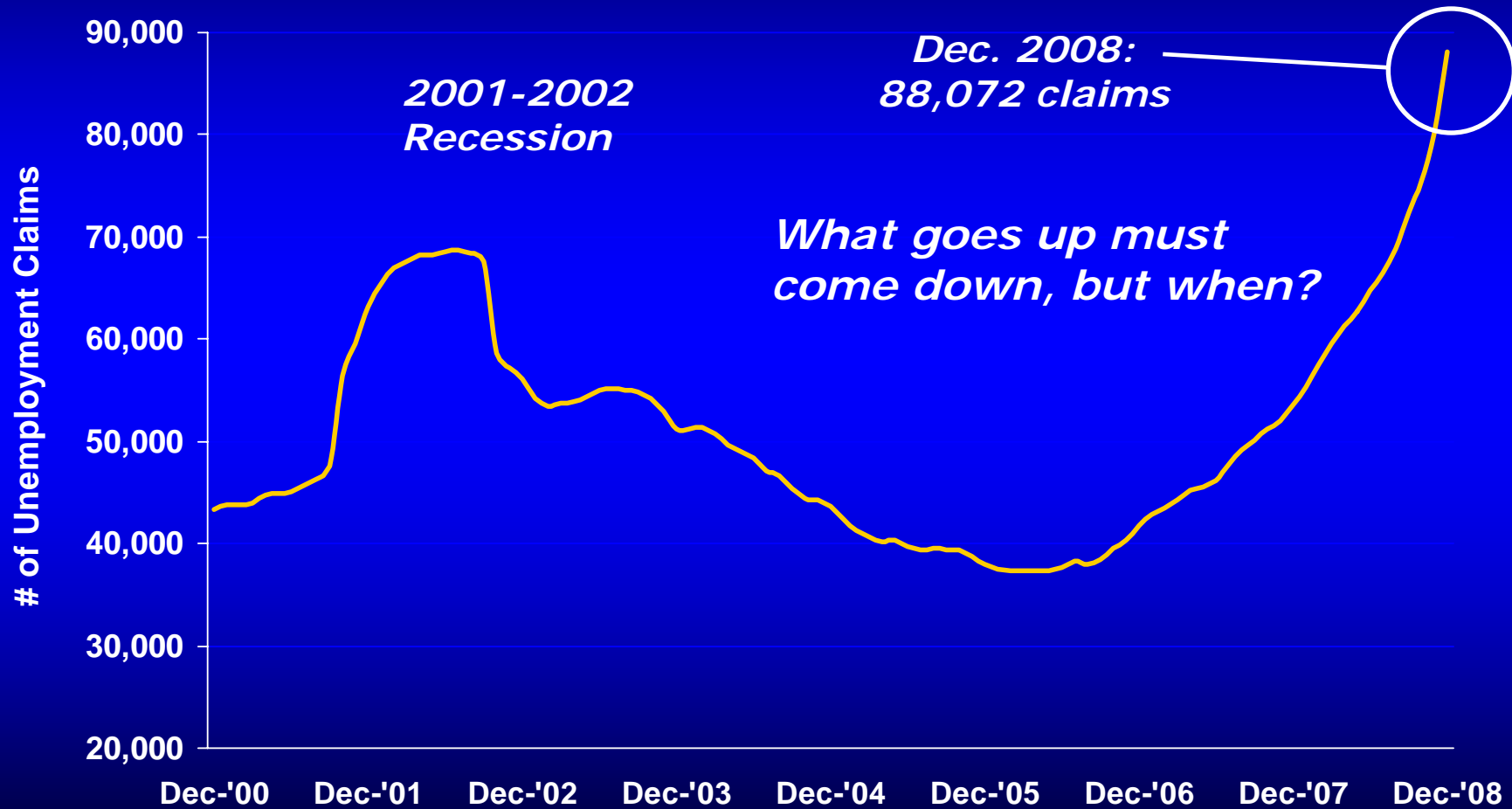
# Clark County Taxable Sales Growth Rate 11/1990 – 11/2008



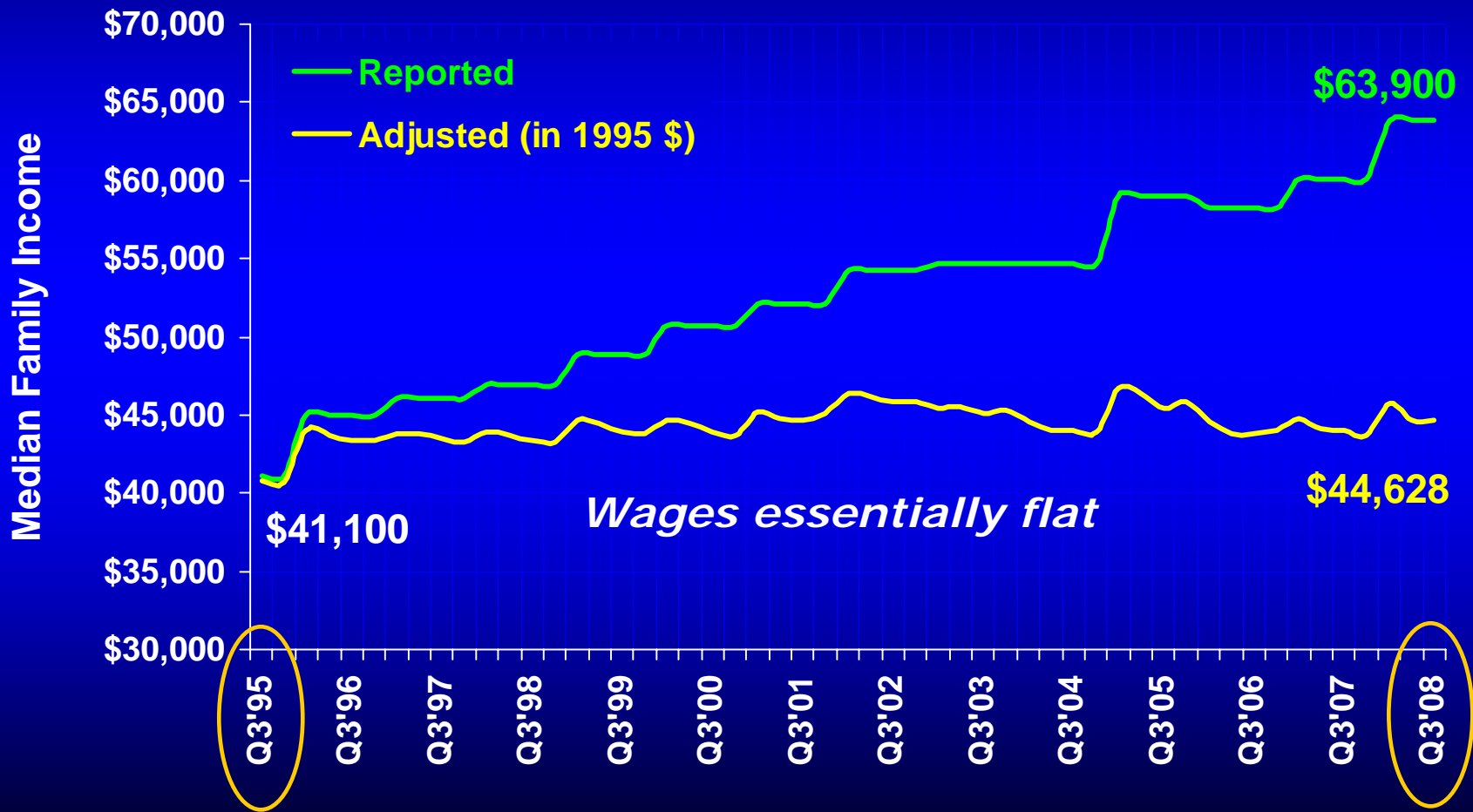
# Are We Diversifying? Major Job Sectors 1990, 2000 & YTD 2008



# # 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*



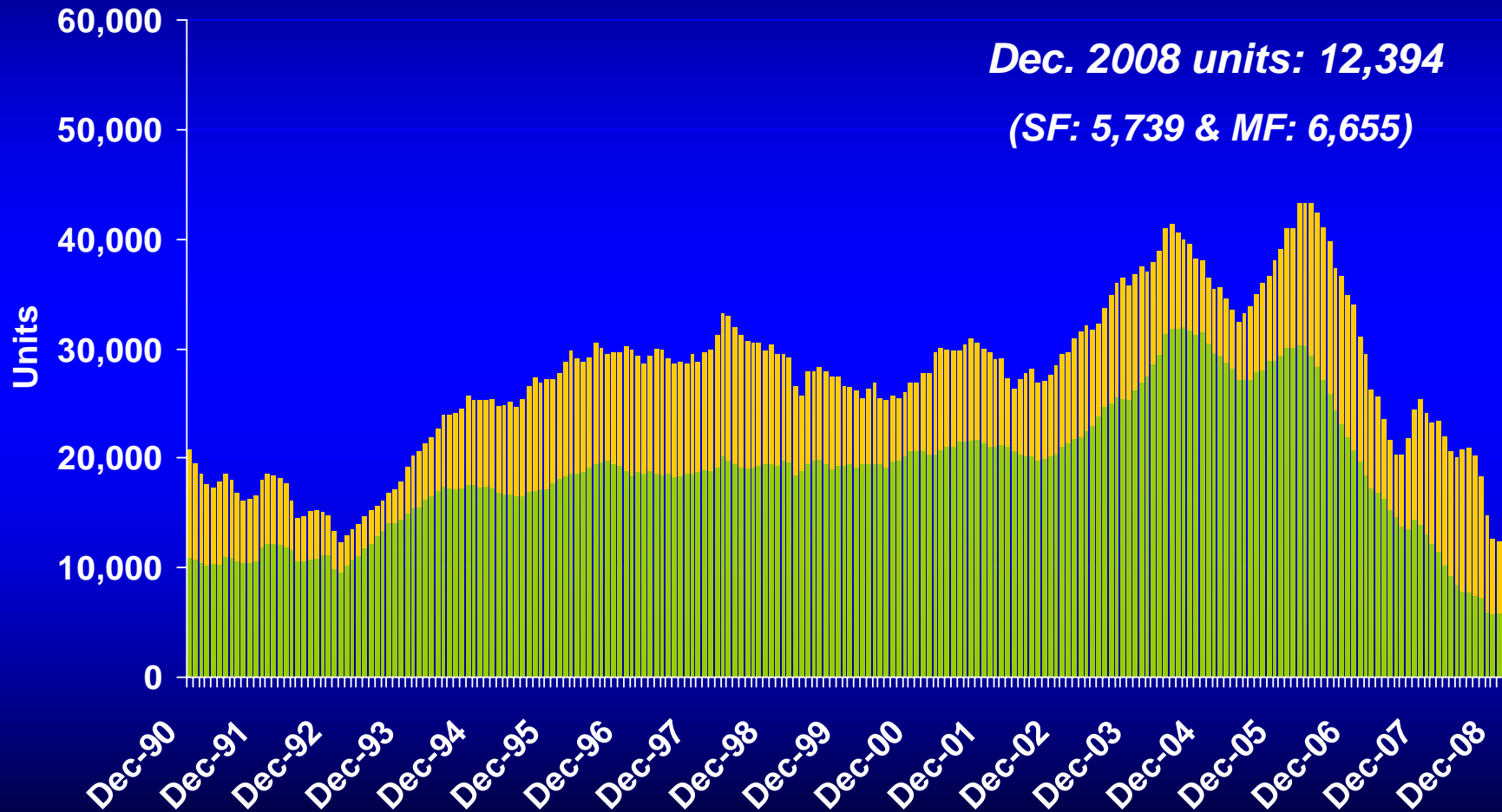
# *The Real Estate Markets*



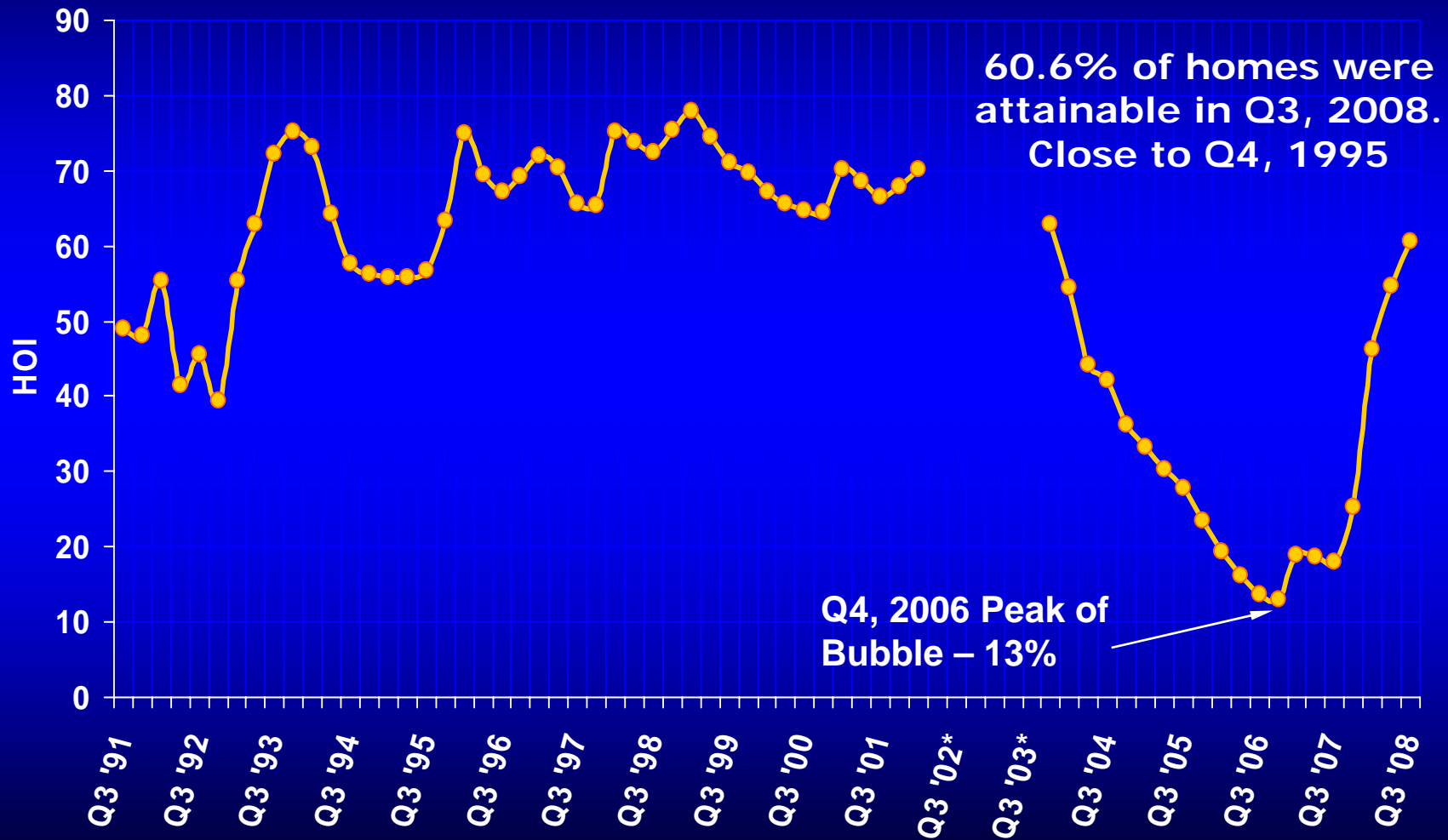
# *The Residential Market*



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



# Clark County Housing Opportunity Index: Q3, 1991 – Q3, 2008 \*



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



# *The Commercial Markets*

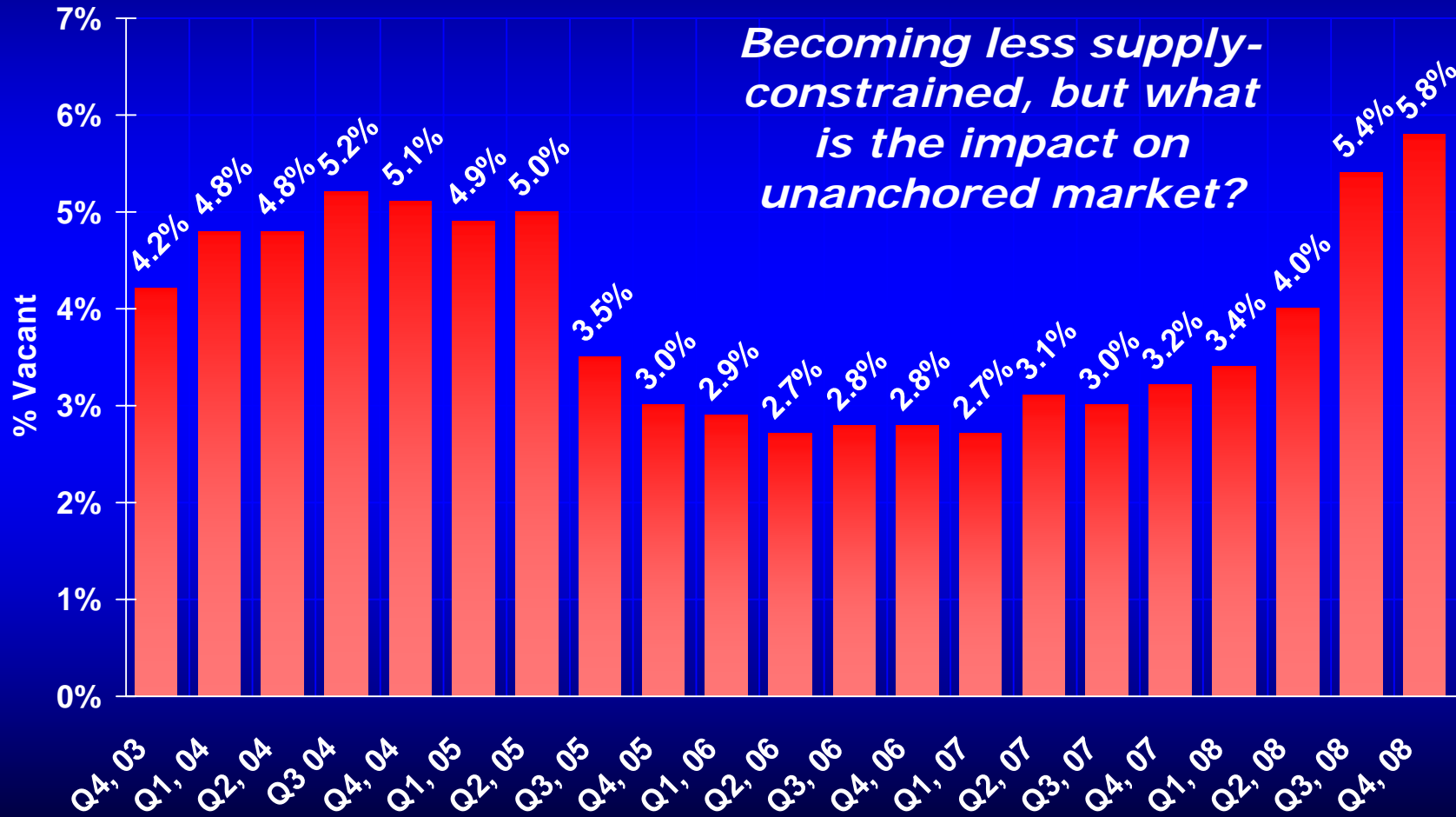


# Anchored Retail Market: Q4, 2008 Snapshot

	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

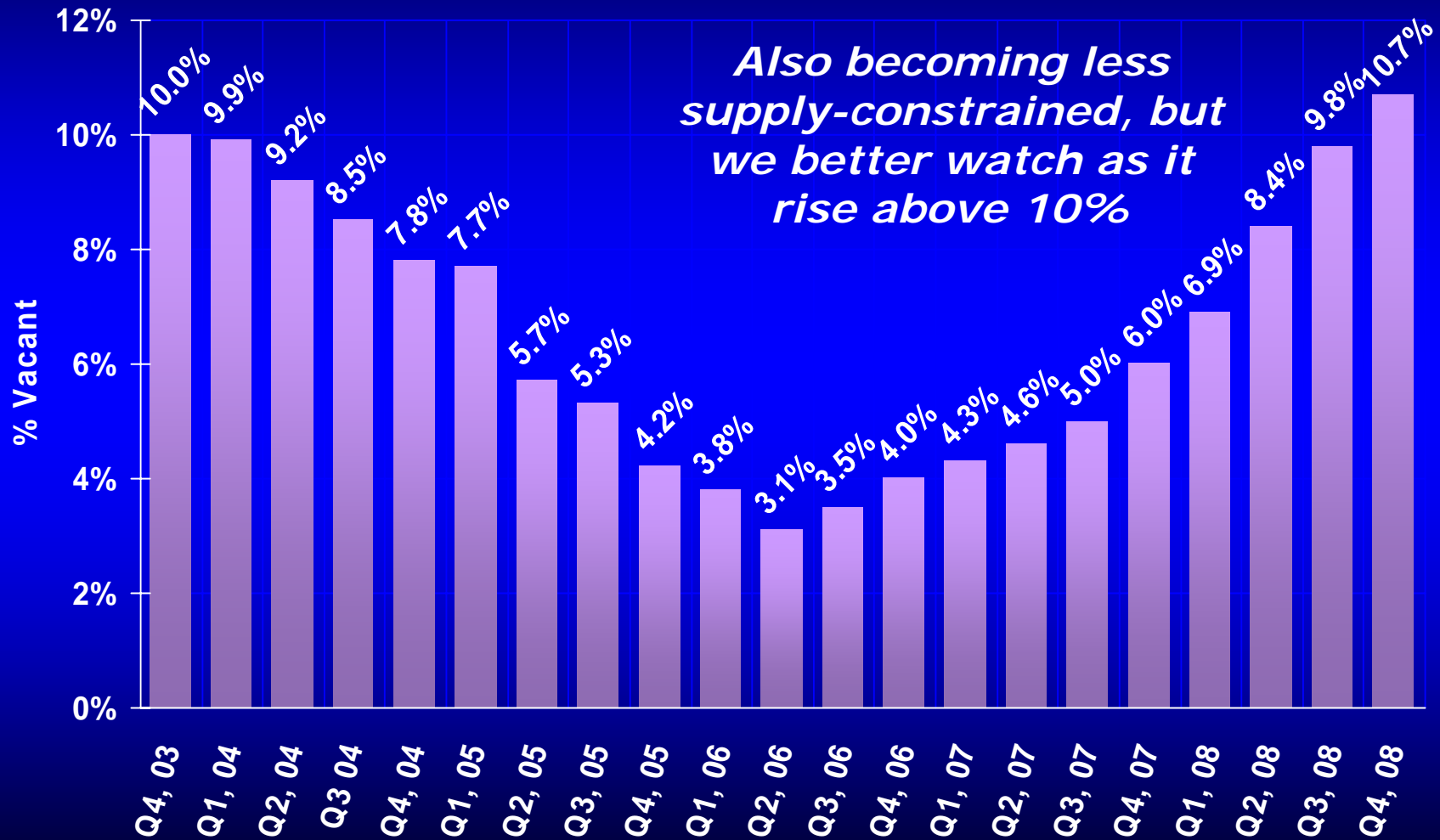


# Industrial Market: Q4, 2008 Snapshot

	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

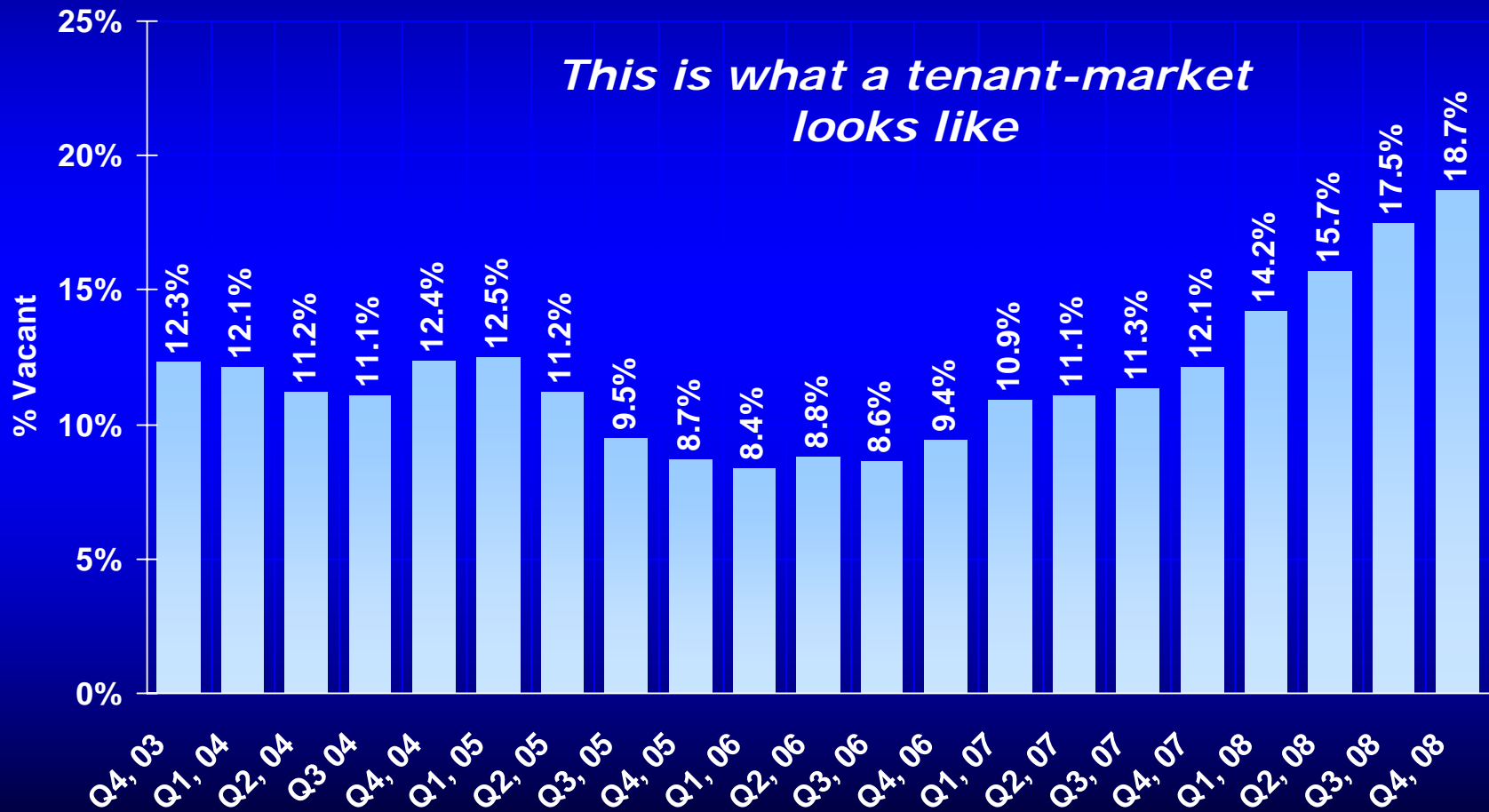


# For-Lease Office Market: Q4, 2008 Snapshot

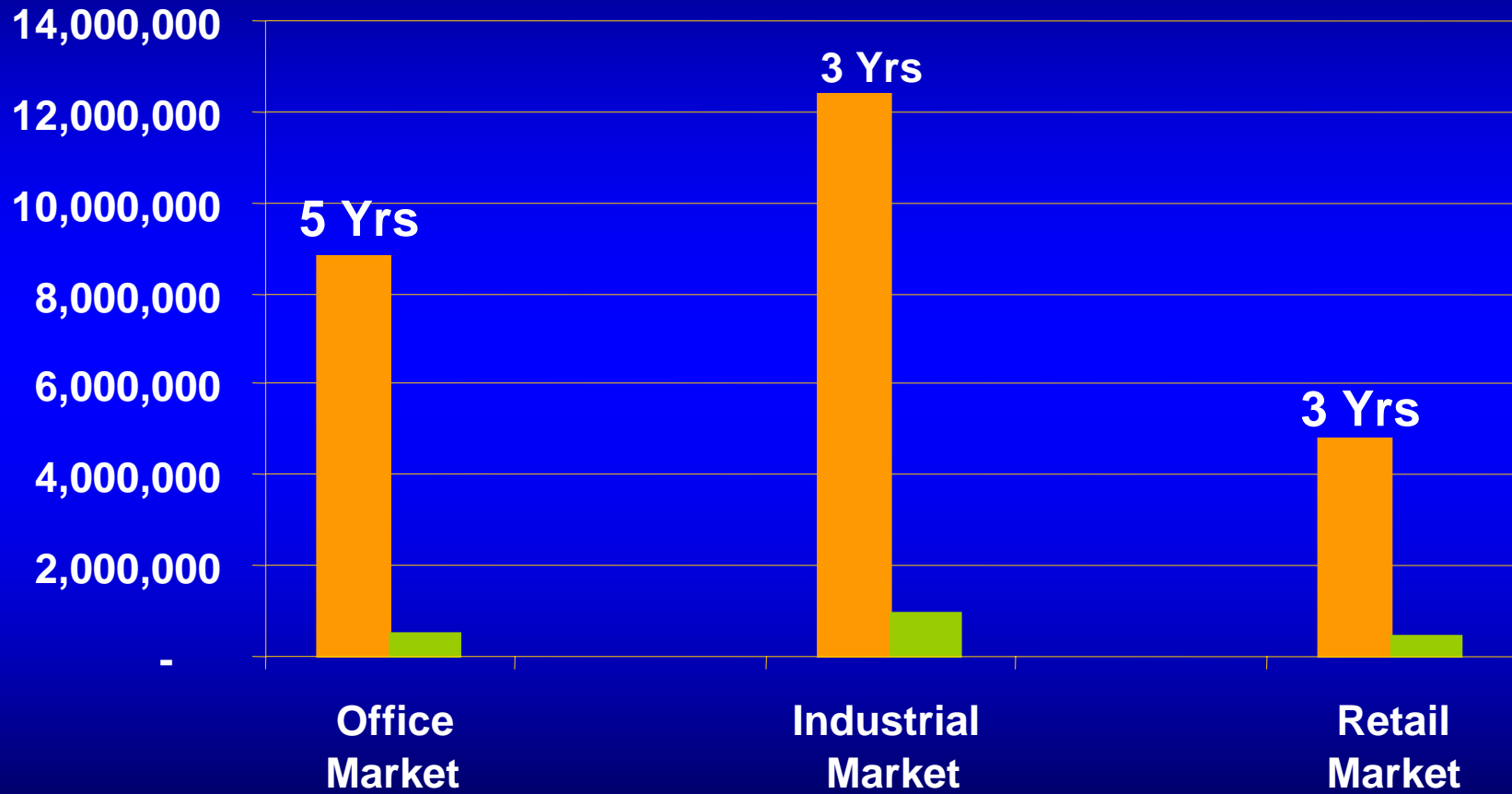
	Las Vegas Valley
Inventory ➔	39.0 M sf
Vacancy Rate ➔	18.7%
Rent \$PSF ➔	\$2.40
Net Absorption (past 4 Q) ➔	-1.2 M sf
Completions (past 4 Q) ➔	1.6 M sf
Under Construction ➔	1.4 M sf
Planned ➔	340,800 sf



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



## Years of Supply: Existing Vacant & Under-Construction



# *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***

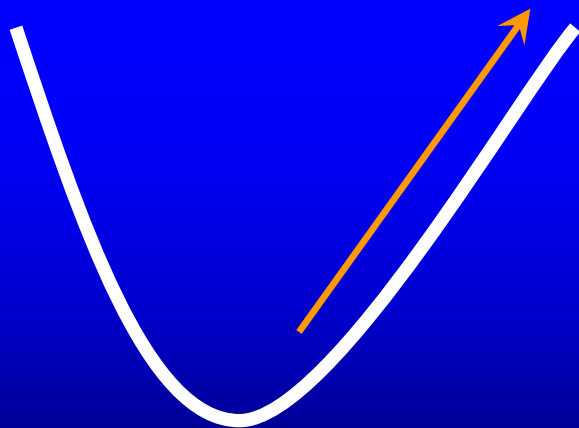


# *So What's Next?*

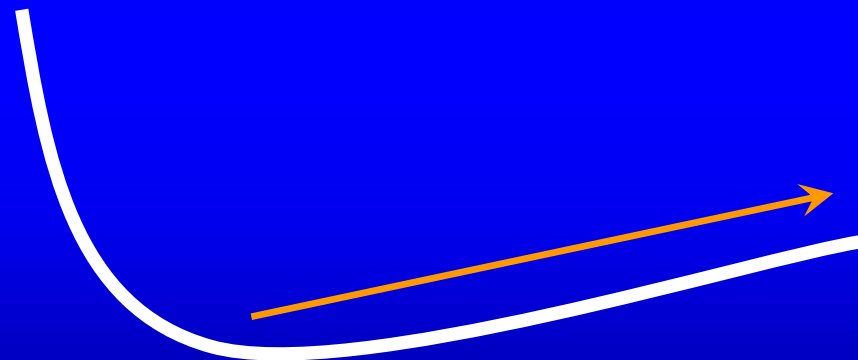


# What will Southern Nevada Recovery Look Like?

1. This....?



2. Or ... This?



# In Conclusion

## RECESSION IS HERE

- 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



# For More Information

## Contact:

John Restrepo  
702-967-3188  
jrestrepo@rcg1.com  
www.rcg1.com

RESTREPO  
CONSULTING  
GROUP LLC

