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Data and Dialogue About the Nevada Economy
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- Proposed Interstate 11 Grows

Question of The Month: The Tesla Incentives

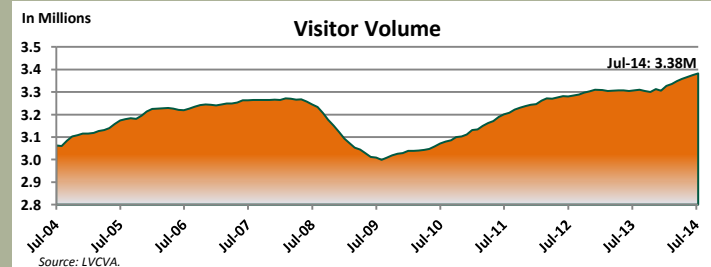
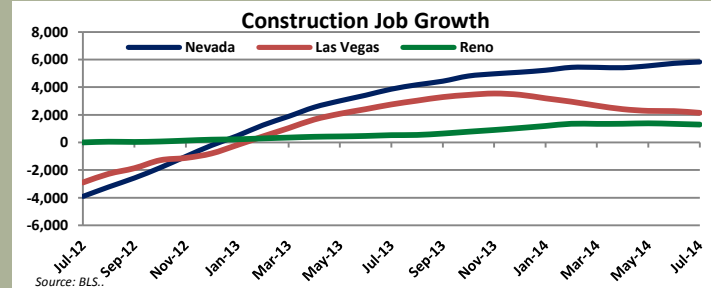
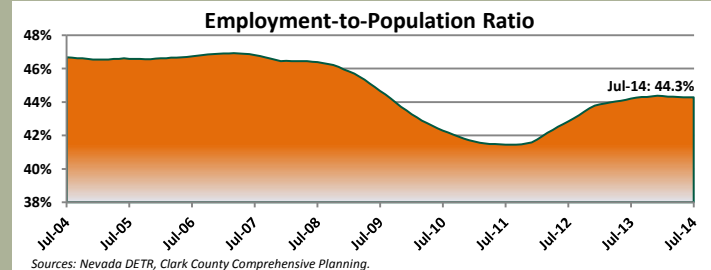
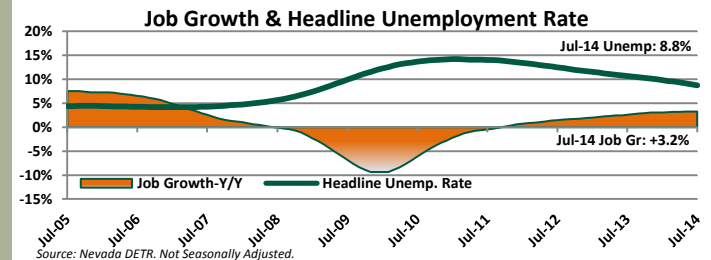
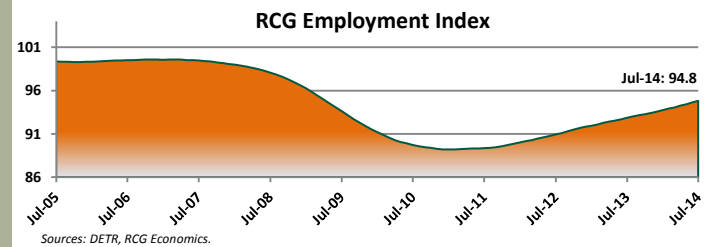
Deep Dive on Five

Indicator	Trend	Indicator	Trend
RCG Employment Index	Green	30-Yr. Fixed-Rate Mortgage	Green
Job Growth & Unemployment	Grey	Case-Shiller Home Price Index	Green
Employment-to-Population Ratio	Grey	Housing Affordability Index	Red
Construction Jobs	Grey	Taxable Retail Sales	Green
Visitor Volume	Green	Avg. Weekly Earnings	Green
Hotel RevPAR	Green	Avg. Weekly Hours Worked	Grey
Gaming Revenue net Baccarat	Green	Electric Meter Hookups	Green
Total Home Sales	Grey	Total Jobs	Green
Median Home Price	Green		

Positive	Neutral	Negative
10	6	1

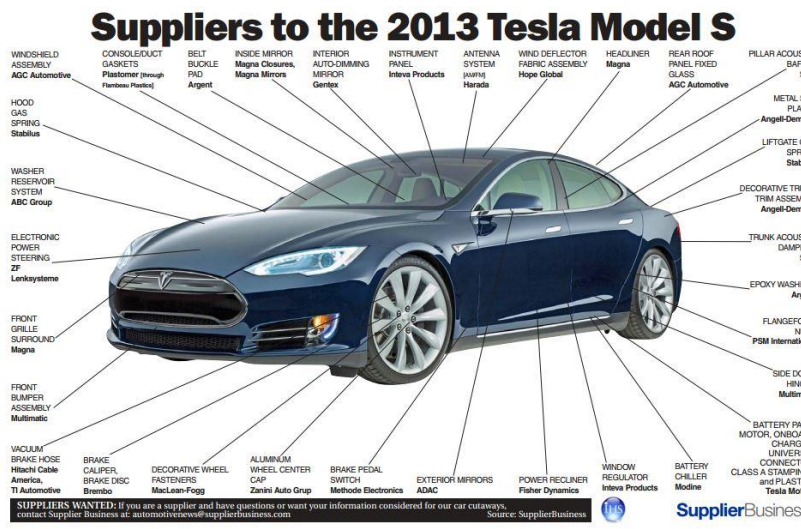
The color green dominates our economic indicators this month as the slow-but-mostly-steady recovery continues. Having completed one full sentence without mentioning the "T" word, we can't help but notice the frenzy surrounding the Tesla deal. Yes, it is great publicity for the state. Yes, it is true economic development because of the type of economic activity promised by Tesla. Yes, it is a complicated and expensive deal. Yes, I want the model S. Yes, we sound like "yes men" for Tesla and the package of incentives.

Actually, we will leave debate on the incentives to others and, instead, attempt to educate our readers a bit more about this new corporate citizen (see our [Question of the Month](#) on page 3!). Remember, what we want for Nevada is economic development, not necessarily just diversification. Replacing low wage jobs with other low wage jobs may be diversification but it's not development. Development speaks to the quality of the new economic activity.



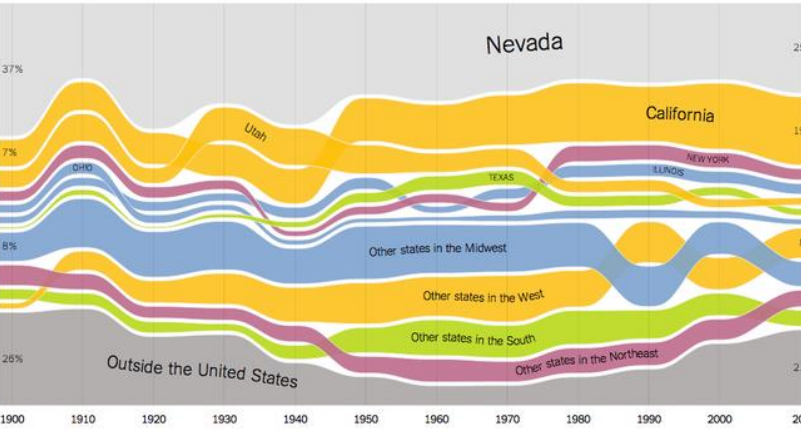
[Tesla](#) began selling its first model in 2008 and currently employs about 5,900 people, mostly near its headquarters in Palo Alto, California. According to FactSet, Elon Musk owns 28,000,000 shares, or 22.7% of the outstanding shares of the company, which is valued today at approximately \$7.8 billion. That makes the entire company worth about \$34 billion. Compare that to General Motor's market capitalization of \$53 billion.

To be sure, Tesla is a remarkable company and is led by an even more remarkable man. Few know that [Elon Musk](#) is considered the inspiration for the character of Tony Stark in the Iron Man films, portrayed by Robert Downey Jr. Portions of the films were actually filmed in the SpaceX Factory, another Musk venture. Born in South Africa, Musk emigrated to the United States because he felt that it is a place "where all things are possible," a philosophy that seems to mesh well with that of Nevada. ■



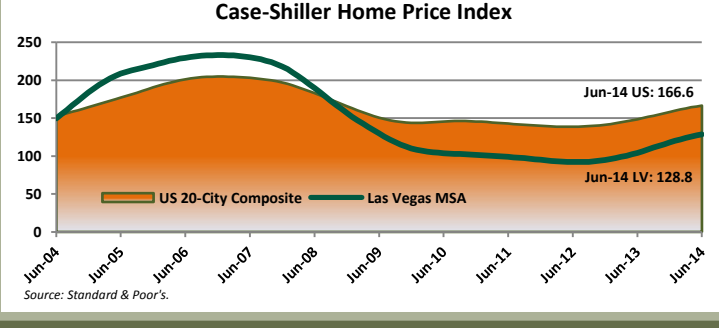
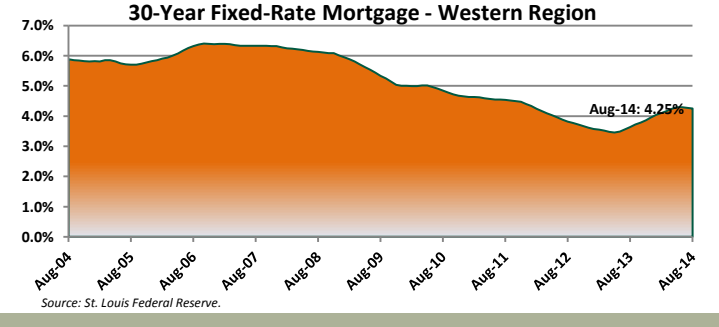
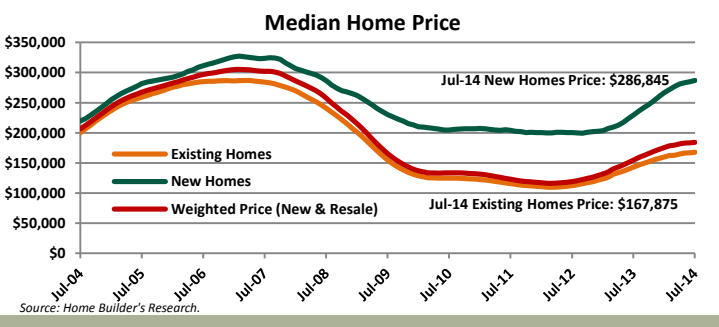
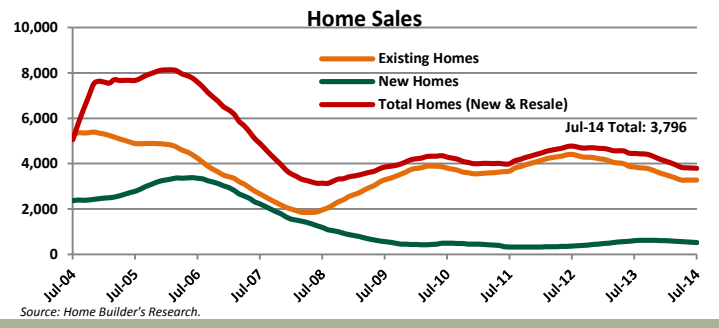
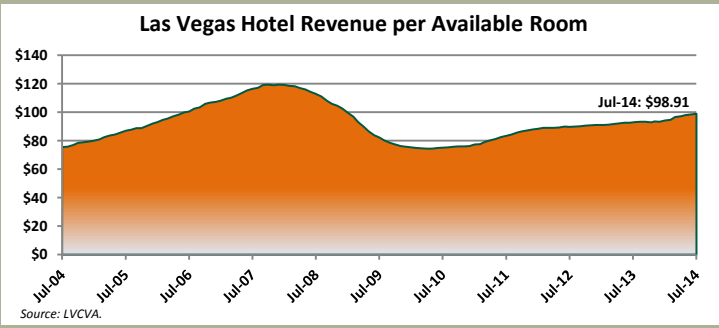
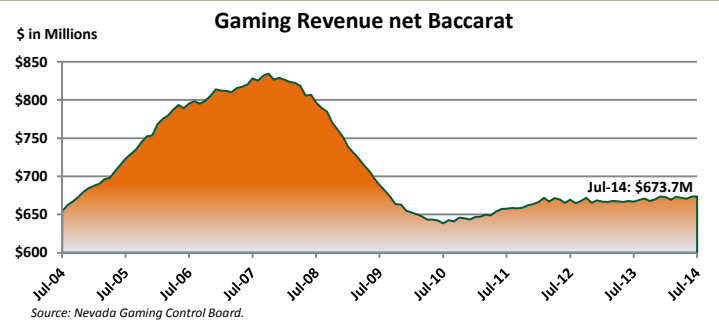
To The Point

Ever wonder **where all of these people came from?** Here's a great graphic showing where people in Nevada [were born](#) and how the pattern has changed over the years. Only 25% of Nevadans are natives and 21% are foreign-born.



Kickstarter is "the world's largest funding platform for creative projects." Here are a couple of interesting Nevada-based projects that have successfully financed their projects on the site: [Barbell Denim](#) a premium jeans manufacturer and [Pegasus Touch](#), a 3D laser printer developer.

The nightclub business in Las Vegas has grown enormously. This is a fascinating and [brief video](#) from Forbes profiling Marquee Club at the Cosmopolitan.

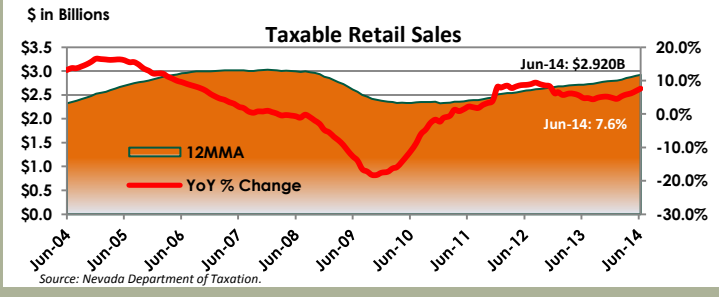
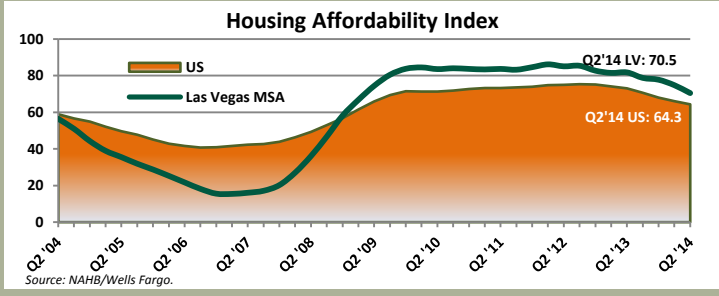


New Jersey [considers ending](#) Atlantic City's monopoly on gaming. Meanwhile, Las Vegas economy [beats](#) Atlantic City in just about all respects.

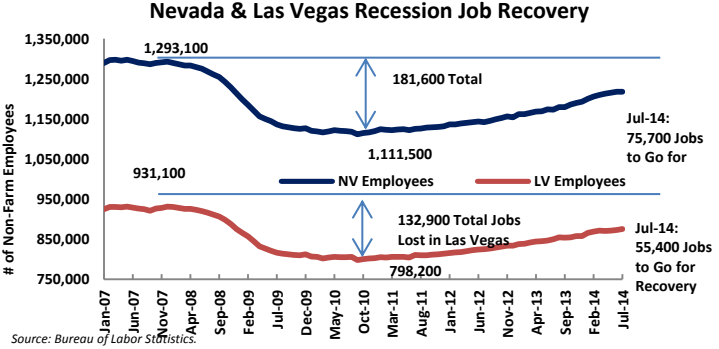
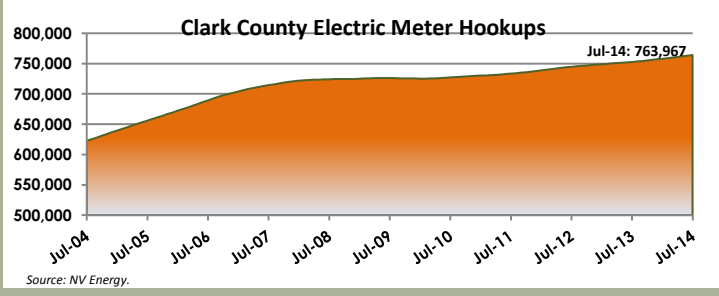
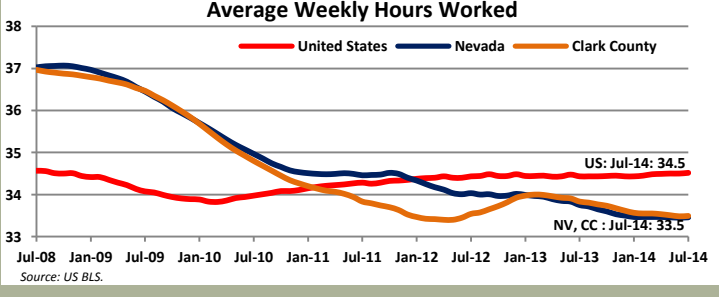
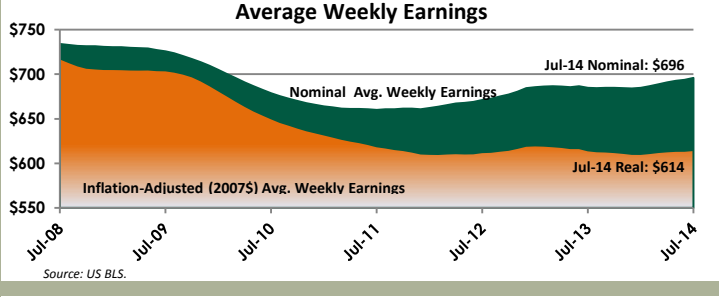
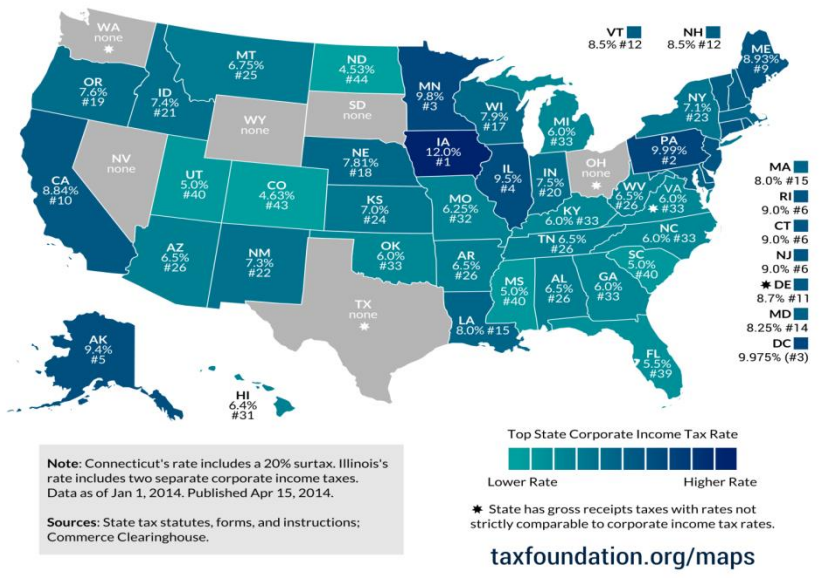
How many of these 38 [essential restaurants](#) in Las Vegas have you tried?

Want to see how a successful organization reports its progress and holds itself accountable? The EDAWN [Dashboard](#) is the model of transparency and accountability.

Legalized sports' betting is likely to spread across the U.S. [according to Bloomberg](#).



Top State Corporate Income Tax Rates in 2014



The [Global Gaming Expo \(G2E\)](#) is coming September 30 to the Sands Expo and Convention Center and expects more than 17,000 attendees.

City Councilman Bob Beers [says the LV Stadium deal](#) has a \$4 million dollar hole in it (from [Ralston Reports](#)).

The FDIC's [report](#) on the state of banking in Nevada.

[Proposed Interstate 11](#) is growing. Now potentially to link Phoenix, Las Vegas and Reno.

Tesla's [battery plant](#) doesn't actually use new technology.

An [interesting blog](#) from local realtors Sean and Emily Gunning who track single family listings closely.

Question of the Month

Is an incentive package of tax abatements, tax credits and discounts on energy prices – like the one created by the State of NV during the negotiations with Tesla -

- The best way to attract new businesses and create jobs
- Required because of strong competition from other states
- An unnecessary give-away
- Picking winners and losers in a way that is unfair

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Deep Dive on Five

Construction Jobs

Construction jobs in Nevada, Clark and Washoe Counties continue to grow, despite job losses in other sectors during the annual summer employment slump. Statewide, there were 6,100 new year-over-year construction jobs in July, bringing the tally up to 63,900. This makes four straight months with over 60,000 construction jobs. However, we are nowhere near the June 2006 peak of 148,800 construction jobs statewide, not that this was sustainable to begin with.

In Clark County, there was year-over-year growth of 2,200 construction jobs resulting 43,200 jobs for July, which brings us to late-2010 levels. This also makes six months in a row with over 40,000 construction jobs, and for 15 of the last 16 months. Clark County has also seen monthly year-over-year growth of over 1,000 jobs for 18 of the last 20 months.

Washoe County continues to post growth in construction jobs with 400 new jobs since this past July. We expect this trend to continue as the Nevada economy expands, driving the demand for commercial space. Surely, the recent announcement that the Tesla battery plant is coming to Reno will spur direct and indirect construction activity during the next couple of years.

On the residential side, we have seen bit of cooling recently, especially for single family residential in Las Vegas. So down south, we expect commercial construction to drive development activity for the 18 to 24 months. In the north (Reno), we anticipated that the boost will be in commercial and residential construction.

Average Weekly Earnings

On a nominal (not adjusted for inflation) level, average weekly earnings have been fluctuating between \$690 and \$710 for most of the past 12 months. For example, the most recent data available is for July 2014, when the average weekly earnings were \$691. However, average weekly earnings were \$704 in June and \$694 in May.

While the July earnings were 3.8% percent above July 2013, thus, beating the inflation rate of 2.0% percent, they remain significantly below 2007, when weekly earnings averaged \$745. Furthermore, after adjusting for inflation from pre-recession 2007-levels, the July average is only \$603. The unemployment rate will need to further decline and stabilize before companies face enough pressure to raise wages in order to attract qualified employees.

Gross Gaming Revenue

The Nevada Gaming Control Board reported gaming revenue (net of baccarat) of \$666.6 million in July. We use net of baccarat number because it is more indicative of the health of the average U.S. gambler.

While still very weak in the context of the year-over-year growth rates we are seeing in the other indicators, July was the first month with 1% growth since October 2012. As noted, considering that population and visitor volume have both grown at about 1.5% per year over the last two years, this growth in gaming revenue is lagging.

And as of now, there is nothing to suggest that the rate of growth will spike anytime soon. On the other hand, baccarat win has increased an average of 11.2% year-over-year in the last 12 months on a moving average basis, so it appears that the resort industry is successfully attracting wealthy players, especially from overseas.

Housing Opportunity Index

The National Association of Home Builders, in partnership with Wells Fargo, publishes their Housing Opportunity Index ("HOI") every quarter. This index compares home prices to household median income and mortgage rates to gauge the affordability of homes in an area.

In Las Vegas, the Q2, 2014 index was 62.3, a 22% decline in affordability compared to the same time period in 2013. This translates to a 4.4% drop in affordability since last quarter. This is mainly due to two factors: the rapid increase in home prices during the past year, which was largely driven by historically low interest rates, and historically high demand by cash buyers. As of Q2 the Las Vegas HOI is now similar to the national HOI (62.6) as the for-sale market has cooled.

Electric Meter Hookups

RCG uses electric meter hookups as a measure of population growth and household formations in Clark County. The latest estimate shows the total number of active residential meters has been steadily trending up over the past few years.

During the past three years, each month has shown an average year-over-year growth of 1.4%, in line with Census data on population growth. The latest data available is for July 2014, when there were a total of 768,723 total electric meter hookups. The 12-month moving average of electric meter hookups is 763,967. ■

The following are some of the more important real estate indices used in the commercial lending industry.

CURRENT COMMERCIAL MORTGAGE INDICES

as of September 11, 2014

Current Loan Spreads

Lender	Spread	Index	Loan Type	Indicated Rate
Life Company	160-180 bps	10-Year Treasury	10-Year Fixed	4.13-4.33%
CMBS	180-200 bps	10-Year Swap	10-Year Fixed	4.46-4.66%
Agency	175-200 bps	10-Year Treasury	10-Year Fixed	4.28-4.53%
Bank	5 Year Bank Rate		5-Year Fixed	4.00-5.00%
Floating	400-500 bps	90-Day LIBOR	Bridge Floater	4.24-5.24%

Prime Rate- 3.25%



Data compiled by CommCap Advisors. Please visit us at www.commcapnv.com or contact us at 702.792.3700

