Economic INsight℠

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RESTREPO CONSULTING GROUP LLC

Economic Indicator Declines Continue to Set Records in March

THIS MONTH

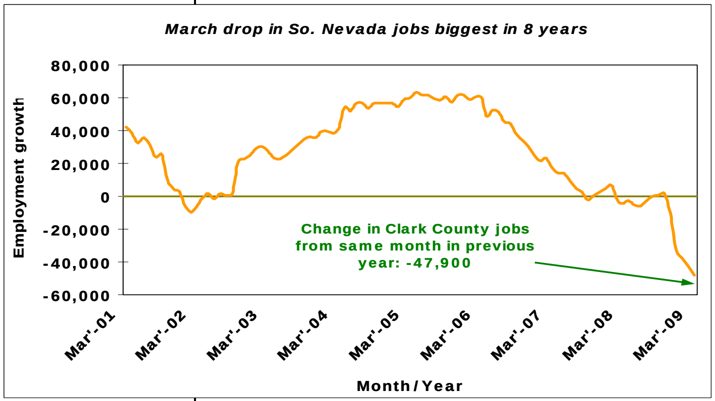
We report in this month's *Economic INsight℠* that our 4 indicators continued to worsen. The Southern Nevada economy declined again in March. We are now in the 16th month and there is little consensus by the experts and observers as to when the national economy will start to see a sustained recovery. While there was an upturn in consumer confidence according to the Conference Board, there is also a rising concern over three waves of problems – housing interest rate resets, automobile loan problems and commercial real estate defaults.

> *"If you had to focus on just one statistic to tell you when we will see a sustained recovery, what would you focus on? It would be job growth."*

TOTAL JOB CHANGE

In March, the Nevada Department of Employment, Training and Rehabilitation ("DETR") reported that Clark County lost 47,900 establishment-based jobs compared to March 2008, dropping -5.2% to 875,700. This was the largest year-over-year drop in the last 8 years. Additionally, there were 2,900 fewer jobs recorded in March compared to this February, about the same as the January-February drop. However, we should note that March's establishment-based job estimate was 189,700 higher than that recorded in March 2000 (686,000 jobs). So on a net basis, more jobs have been created in Clark County in the last 8+ years than have been lost.

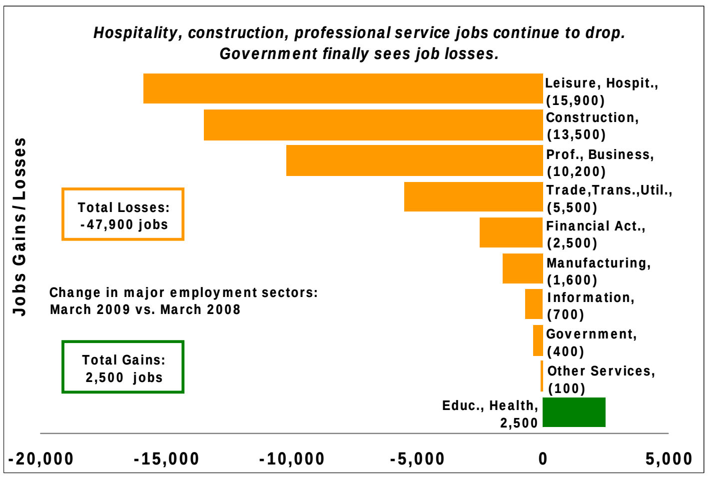
Regarding Clark County's unemployment rate, the official report estimate was 10.4% in March, a doubling of the 5.2% recorded in March 2008, or a jump of 100%. Our research indicates that Clark County's actual rate is substantially higher, if discouraged and forced part time workers are included. In February, the Nevada unemployment rate was also 10.1%. At the same time, Clark County's labor force grew by 2.88% from 974,900 to 1,002,900, down from the February-February change of 4.3%. Like last month, the reasons remain the same - college graduates entering the job market; retirees returning to work, because of financial need; non-working spouses seeking work to help the family; and population growth.



JOB CHANGE BY INDUSTRY

The DETR reported the loss of 50,400 jobs in 9 of the 11 major employment sectors this March compared to March 2008. Leisure and Hospitality, Construction and Professional and Business Services continued to lead. Government finally joined the group with job losses, with a drop of 400 employees. Resource jobs remained unchanged.

This March, 2,500 jobs were added in 1 of the 11 sectors, year-over-year. As mentioned, the result was a net job loss of 49,800 jobs versus March 2008. The single gain was 3.8% over March 2008 in Education and Health (includes private colleges like the University of Phoenix) and Health employment.

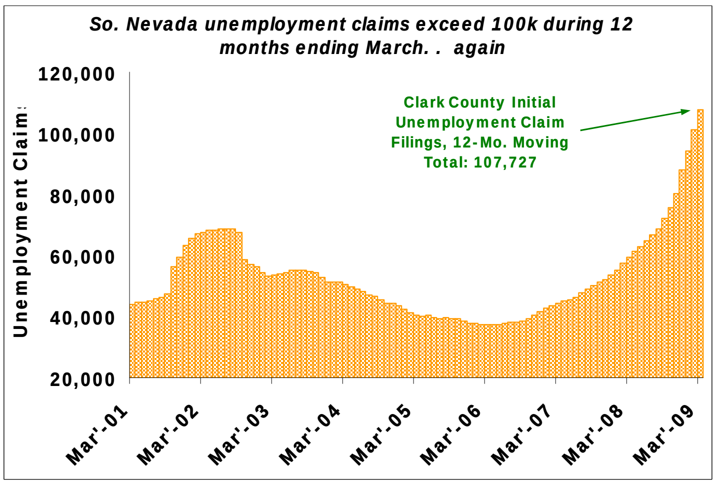


Note: Natural Resources saw no change.

UNEMPLOYMENT CLAIM FILINGS

The State of Nevada recorded more than 107,000 initial unemployment claim filings in Clark County during the 12-month period ending March 2009. This is the second month in a row that Southern Nevada saw annual unemployment claims exceeding 100,000. This equated to the largest year-0ver-year increase (81%) in the last 8+ years.

Once again, until this indicator shows a persistent decline (of at least 6 months), the state and local economies will remain in recession. The significant problems plaguing the Southern Nevada resort industry will, in our opinion, continue to put upward pressure on monthly unemployment claim filings in 2009 and 2010.



Hopefully, the rates of monthly filings we saw in 2008 and into this past March will start moderating. However, at this point, we are not encouraged based on the news and statistics.

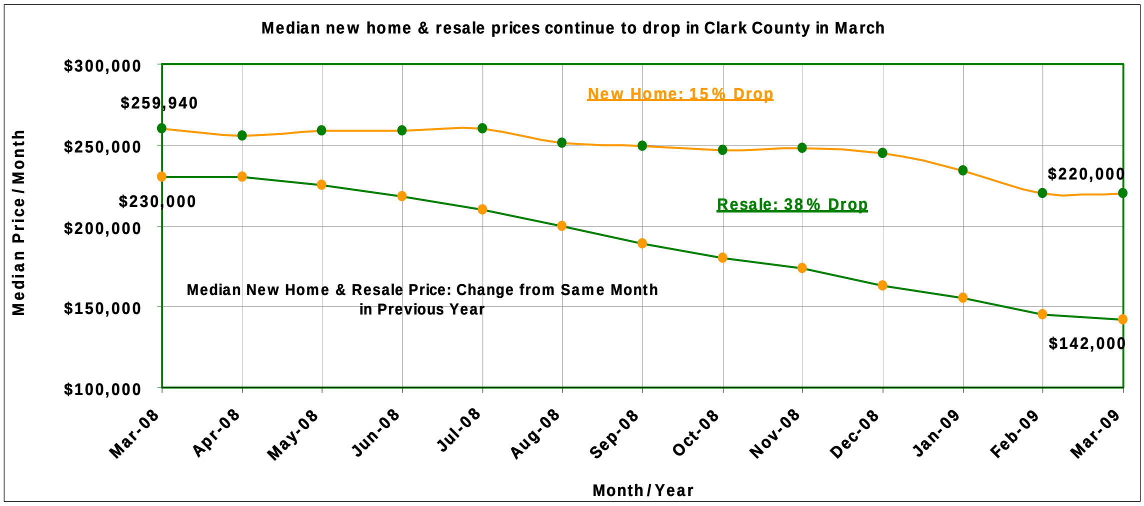
MEDIAN NEW HOME & RESALE PRICE

March numbers released by Home Builders Research ("HBR") show another 38% drop in the median resale home price and 15% in the median new home price in Clark County, when comparing March 2009 to March 2008. The median home price for new homes and resales combined was $152,320 in March, a 36% drop from March of 2008. Once again, at least 6 months of price increases are needed for a sustained rebound. That said, it is good news that the rate of decline in new home price moderated this month.

As we have noted, the one bright spot is that housing affordability has improved considerably. March's median new house price of $220,000 is back to just below the March 2004 level of $225,000. In the case of resales, March's price of $142,000 is now the same as March 2002. As we have noted, in the long-term, a return to affordability is very important to our local economy. However, in the short to intermediate-terms, it is very traumatic to consumer and business confidence.

HBR also reported 3,220 resale home closings this March versus 1,899 in March 2008, a jump of 69%. However, according to SalesTraq, 66% of existing home sales were bank-owned in March. That's why we continue to see a decline in the median price. In the case of new home closings, there were 491 units sold this March versus 869 in March 2008, a 43% drop, and 10 points lower than February's decline. This is largely a function of the size of the resale inventory and dramatic drop in new home construction.

Additionally, total home sales for the 12 months ending this March were 41,825 compared to the 36,160 during 12 months ending March 2008, a very healthy rise of 16%, and nearly double last month's change. The elimination of unsold inventory is critical to the return of price stability as long as we recognize that not all purchases are of equal value to the market. What is needed are purchases by homebuyers, not purchases by investors and speculators. This will only occur in any meaningful way when the job market improves.



FURTHER THOUGHTS

If you had to focus on just one statistic to tell you when we will see a sustained recovery, what would you focus on? It would be job growth. It is that simple. As long as the job market remains weak, all other indicators are secondary in importance, with the possible exception of credit, which has a "circular" relationship with job growth. However, at the end of day, job growth IS the primary indicator of the economy's health. It sounds very basic, but I am often surprised how many people (except those that have lost their jobs, or are worried about losing their jobs) forget this simple fact.

The recession continued to worsen in March compared to the same month in 2008, with the rate of decline in job losses being higher than recorded in February. The major issues currently facing Southern Nevada have not changed: a resort industry in turmoil and a potentially tall wave of commercial real estate defaults (which we think will peak in 2010).

As we noted last month, this April marks the 17th month of the recession, making it the second longest downturn in modern times. The U.S. economy has lost nearly 5.1 million jobs since the recession began in December 2007. And according to the U.S. Bureau of Labor Statistics, 3.3 million of the losses occurred in the last 5 months. In March, alone, U.S. employers shed nearly 663,000 jobs, and the official unemployment rate reached 8.5%.

What is our list of March "indicators to watch" in 2009. We will add and subtract from the list each month as necessary:

1. The resort industry is likely to see one or more major restructurings before the end of the year.

2. Deflation, not inflation, continues to be a very real concern, because of the disintegration of consumer spending and business investment globally.

3. Whoever thinks that Southern Nevada will escape the national tidal wave of commercial real estate loan defaults will be disappointed. One the other hand, 2009 is a great year to be a tenant or a buyer (assuming you can get the capital).

4. The rate of new home and resale closings has been improving each month since March 2008 and we expect this continue through 2009 because of historically low interest rates. This will go a long way in stabilizing home prices, but we still need primary homeowners.

5. Oil and other commodity prices will continue to remain low, because of the worsening global economic outlook, functioning as a tax cut for Nevada residents.

6. Nevadans could see the highest tax increases and greatest spending cuts in its history when the legislature convenes this summer.

7. As we have repeatedly written, Las Vegas and Nevada will not be **"V"** shaped recovery this time around. Again, it's all about job growth. And a sustained recovery will not be seen in Southern Nevada until sometime in 2001 … assuming the job market improved dramatically.

About the Publication

The data included in our Economic INsightSM are provided by the Nevada Department of Employment, Training & Rehabilitation ("DETR") and Home Builders Research ("HR"), and analyzed by RCG. There can be up to a two-month lag in the release of some of the data. The job (establishment-based) estimates are derived primarily from the data reported via unemployment insurance ("UI") tax reports that nearly all employers are required to file with the State of Nevada. The historical monthly estimates are revised by RCG each month as DETR revises its previous calculations. The job estimates included herein represented approximately 97.4% of all jobs in Clark County in March 2009.

Restrepo Consulting Group LLC

Restrepo Consulting Group LLC is the most established and prominent Nevada-based urban economics and real estate consulting firm in the state. John Restrepo, principal of the firm, has been providing economic, demographic, real estate market and public policy research services research in Nevada since 1988. RCG advises a variety of public and private organizations. The firm uses its deep expertise in regional economics, demographics, modeling, market analysis and database management to assist its clients. RGC has prepared numerous demographic and economic forecasts, highest and best use studies, market analyses, and regional economic reports. The firm's other services lines include financial advisory services, public policy research, strategic planning, and gaming industry consulting. The firm is sought after by many of Nevada's most prominent companies and public agencies. RCG has offices at 3960 Howard Hughes Parkway, Suite 130 89169, and can be reached at 702.967.3188. The firm's website can be accessed at: www.rcg1.com.

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