



2008 is Southern Nevada's Toughest Year in a Long Time

THIS MONTH

It has been a very tough year for the Southern Nevada economy. This month's Economic INsightSM reports that our 4 indicators worsened during the 12 months ending in November 2008. Our economy continues to be battered by dismal national and global economic news. It appears that each day brings a series of bad economic reports from around the world. When will we actually see the economic clouds break is anybody's guess. However, we continue to tell our clients to hope for the best for a relatively quick recovery starting at the end of 2009, but to plan for the worst until we see measurable improvements in the 4 indicators.

"So what does all mean for Southern Nevada? It means that we continue to have relatively healthy economic prospects for the long-term, but that we are experiencing a sea change in our economy and our community."

TOTAL JOB CHANGE

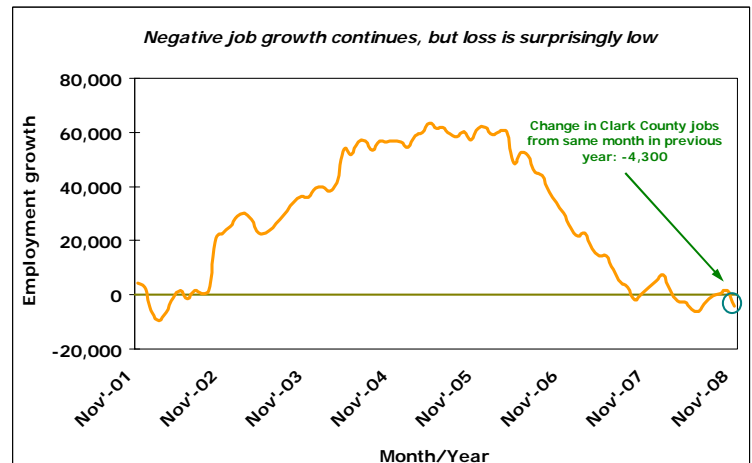
The state of Nevada reported in November that Clark County saw a loss of 4,300 establishment-based jobs compared to November 2007, growing slightly to 927,900. Additionally, November's jobs were slightly lower (-800) than this October's numbers.

The Clark County economy continues to be severely impacted by the global economic recession. The spiraling down of consumer and business confidence, as well as spending, continued to stifle investment, dragging down the Clark County and Nevada economies. Recently, Toyota reported its first operating loss in 71 years, because of plunging demand. The company is reporting a \$1.7 billion loss this year through March. Additionally, China, according to the Wall Street Journal, is seeing labor strikes around the country, because of rising layoffs and bankruptcies. The Journal also reported a group of 12 real estate trade groups are asking the Treasury to be part of the \$200 billion bailout of car loans, credit

card debt and student loans, as part of the \$700 billion Troubled Assets Relief Program ("TARP").

The major question remains: When will the current and proposed stimulus packages emanating from Washington benefit us here in Southern Nevada? Some say by the end of 2009. Unfortunately, the data and trends don't support that hope thus far.

As to the local unemployment rate, the officially reported estimate was 7.9%, 2.7 percentage points higher than the 5.2% recorded in November 2007. This equates to a spike of 49% and is the highest rate seen in Southern Nevada in over 20 years. In November, the Nevada and U.S. unemployment rates were 8% and 6.7%, respectively. By all accounts, the official rate for Clark County is an undercount of the actual rate, which is likely to be in the lower double-digits at this time.



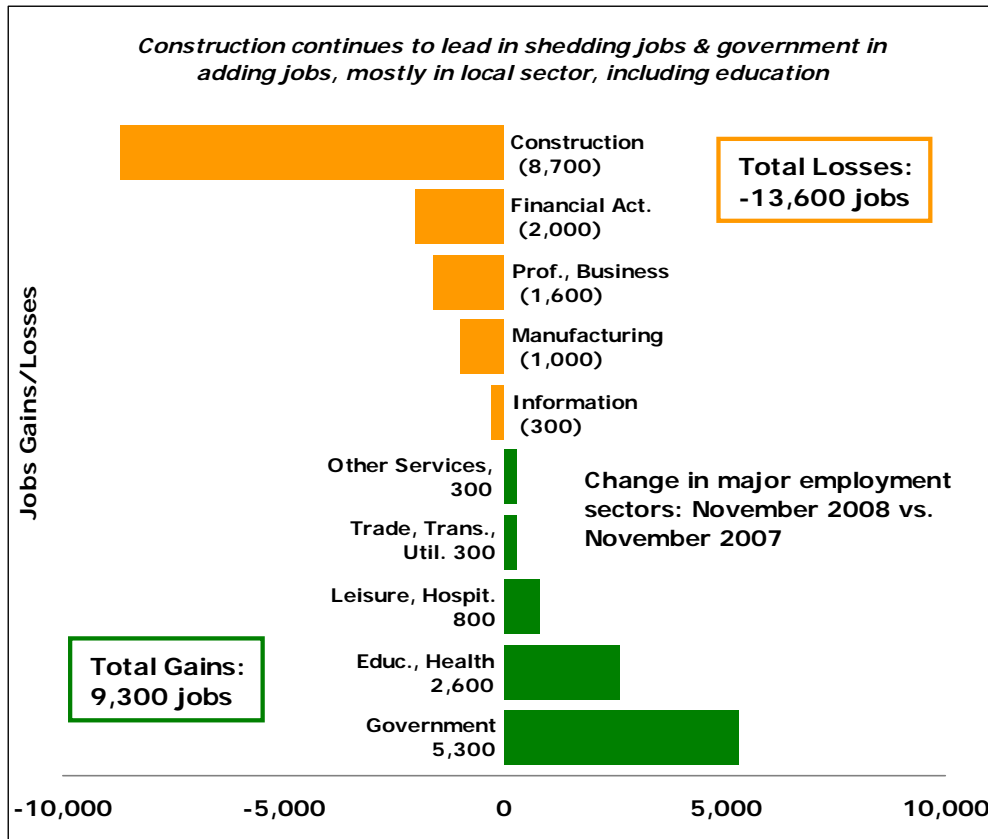
JOB CHANGE BY INDUSTRY

The Nevada Department of Employment, Training and Rehabilitation ("DETR") reported the loss of 13,600 jobs in 5 of the 11 major Clark County employment sectors compared to November 2007. This is a deterioration over the 11,900-job loss posted this past October versus October 2007. Most of these losses were in the Construction and Financial Activities sectors, followed by Professional and Business Services, Manufacturing and Information Services. Natural Resource jobs remained the same.

On the other hand, there was a gain of 9,300 jobs in the 5 remaining sectors, year-over-year. The largest gains were in the Government (primarily in local government, including the Clark County School District) and Education and Health; followed by Leisure and

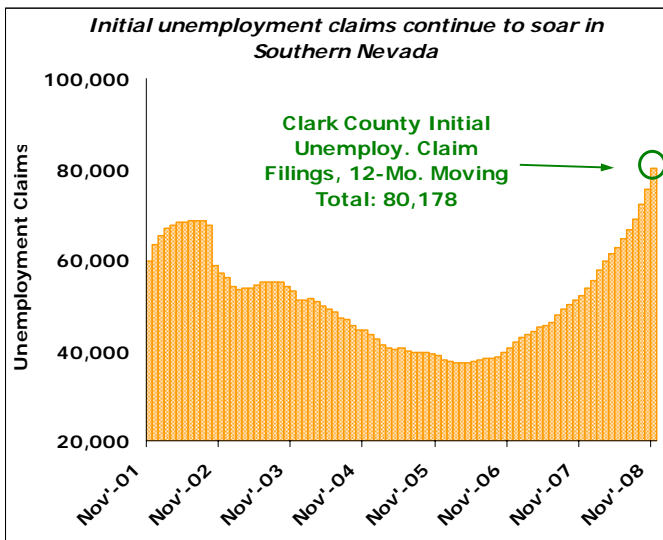
Hospitality; Trade, Transportation and Utilities; and the Other Services. As noted, the result was a net job loss of 4,300 jobs relative to November 2007. In the case of Government employment, there were 5,300 additional jobs, representing 57% of the job gains in November.

As noted previously, the global economic malaise continues to spread. The credit markets are expected to stay very constrained and the Southern Nevada economy will be adversely effected by these conditions in 2009 and, more than likely, 2010. Our opinion remains unchanged: The local economy will not see a sustained recovery until 2011, especially if see a wave of commercial real estate foreclosures, as well as auto loan, student loan and credit card defaults.



UNEMPLOYMENT CLAIM FILINGS

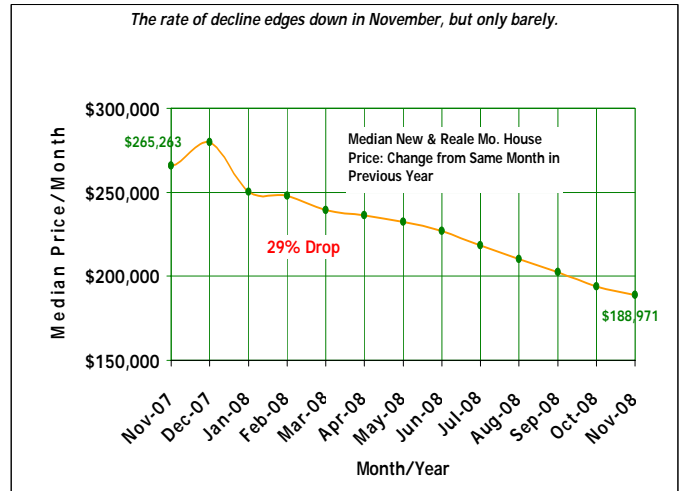
The State of Nevada recorded 80,178 initial unemployment claim filings in Clark County during the 12-month period ending November 2008. This was 54% higher than the change recorded between October 2006 and November 2007 (51,972 filings). The year-over-year change in November was also higher than the 47% year-over-year increase noted this October. The upsurge of this critically important indicator is very troubling, especially since these filings appear to continue unabated.



On a year-to-date (“YTD”) basis, 73,411 claims were filed in Clark County versus 46,880 filings during the same period in 2007, an increasingly worrisome 57% ramp up. This rise was 5 percentage points over what was recorded during the 12-month period ending this October. Filings also rose by a little over 16% this November compared to this past October. Until this indicator shows a sustained decline (of at least six months), the Clark County and Nevada economies will remain in a deep recession.

MEDIAN NEW HOME & RESALE PRICE

The median house price in Clark County plunged 29% between November 2008 and November 2007, a 1-point drop over the 30% falling off noted last month. By comparison, the decline for the same month in 2006 and 2007 was 13%. On a YTD basis, the median price decreased by \$61,472 or by 24.5% from the \$250,443 recorded by Home Builders Research in January. For the same period in 2007, the drop was \$36,325 or -12%. The change between this November and October was -2.6%, an improvement over last month. As noted previously, until this all-important indicator shows a steady upturn for at least six months, the housing market will remain extremely weak, stretching-out the recession in Clark County and Nevada.



The housing market experienced somewhat higher absorption this November compared to November 2007. According to HR, there were 3,161 new and resale home closings this November versus the 2,796 in November 2007, a moderate rise of 13%. However, on a YTD basis there were only 35,958 closings in 2008 versus 37,745 for the same period in 2007, a 5% decline. This was a very slight change for the better compared to the 6.5% fall recorded in October. The change between November and October was a negative 821 units, a very significant dive compared to the 49-unit drop recorded between October and September. So, month-over-month absorption took a big hit, largely due to continued bad economic news combined with a seasonal decline as we entered the Christmas season. At this point, it doesn't appear that December will look any better.

FURTHER THOUGHTS

November represented another month of declining economic conditions in Southern Nevada. As we noted at the beginning of this month's Economic INsightSM, the near breakdown of consumer and business confidence and spending, continues to stifle investment, further dragging down the Clark County and Nevada economies. And the dismal business news from around the globe isn't helping. Three cases in point:

- Recently, Toyota reported its first operating loss in 71 years, because of plunging demand. The company reported a \$1.7 billion loss this year through March.
- China, according to the Wall Street Journal, is seeing labor strikes around the country, because of rising layoffs and bankruptcies.
- The Journal also reported a group of 12 real estate trade groups sent a letter asking the U.S. Treasury Secretary Paulson to include commercial development industry in the \$200 billion car loan, credit card debt and student loan bailout process, as part of the \$700 billion TARP.

Additionally, according to a recent release by the Census Bureau, "Nevada, which had been among the four fastest-growing states each of the last 24 years, grew 1.8 percent and ranked eighth over the most recent period." The period in question was July 2007-July 2008. On the other hand, the Census Bureau, also noted that, "Six of the 10 fastest-growing states from 2007 to 2008 were Rocky Mountain states: Arizona, Colorado, Idaho, Nevada, Utah and Wyoming." This is very good news and speaks to the good fortune Nevada has being located in the very desirable Southwestern U.S.

So what does all mean for Southern Nevada? It means that we continue to have relatively healthy long-term economic prospects, but that we are experiencing a sea change in our economy and our community. In other words, it's a change that is not likely to revert any time soon, if ever, to the frenzied growth of the 1990s and early 2000s. It also means, as we have often said, that until consumer confidence and spending are restored for a sustainable period of time, we are in for a plodding recovery.

There are some in Southern Nevada who are pinning all, if not most, of their hopes on a massive Federal bailout in 2009 for a sustained recovery starting at end of 2009. We don't entirely disassociate ourselves from them in the sense that a Federal bailout, no matter how distasteful under most economic/business cycles, is absolutely necessary now in view of the unparalleled nature of the crisis.

But we think it's unlikely to be a quick fix, especially when it comes to helping local economies. The reason: The current recession and financial crisis are unmatched in size and complexity. The problem is not restricted to the U.S. and, at this point, appears to be spreading rapidly around the world to rich and poor countries alike.

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 employment data reported on unemployment insurance (“UI”) tax reports that nearly all employers are required to file with the state of Nevada. The job estimates included herein represented approximately 91% of all jobs in Clark County in November 2008, a drop of 8 percentage points from this past October.

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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. RCG 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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