



2009: The Year of Living Dangerously

THIS MONTH

2009 has definitely started “with a whimper” for the Southern Nevada economy. We report in January’s *Economic INsightSM* that our 4 indicators continued their steep downward trajectory (Note: Starting this month we have revised our median home price indicator by showing new home and resale prices). Our economy continues to be economically and fiscally assailed. The daily flood of bad news from all over the world is very debilitating; and the bottom of this morass remains illusive. At this time, it is anybody’s guess whether the Federal stimulus package will be the antidote that is needed, or if it’s only the “end of the beginning”. Unfortunately, there appears to be a “keystone cops” quality about Washington’s strategy, thus far, to solve the economic and financial crisis. At least the Dow Jones Industrial Average seems to be showing some signs of coming out of the coma . . . at least for now.

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TOTAL JOB CHANGE

In December, the State of Nevada reported that Clark County shed 15,500 establishment-based jobs compared to December 2007, dropping 2% to 917,400. Additionally, November’s jobs were 4,600 lower than this November’s numbers.

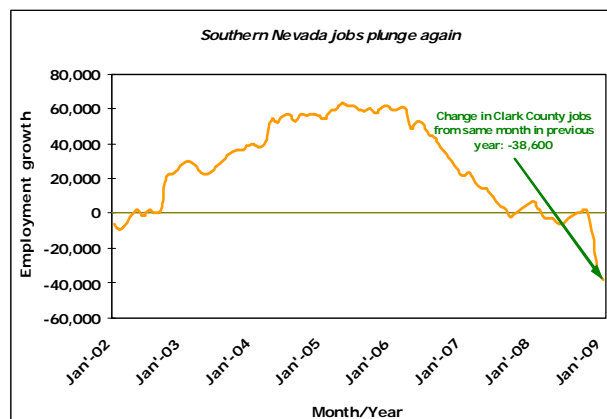
In January, the Nevada Department of Employment, Training and Rehabilitation (“DETR”) reported that Clark County shed 38,600 establishment-based jobs compared to January 2008, dropping -4.2% to 880,900. Additionally, January’s jobs were 18,800 lower than this December’s numbers. The January decline was more than 2 times the job loss recorded in December.

The national recession, in its 14th month, worsened in January. The breakdown of consumer spending and business investment continued, further extending the Southern Nevada recession. The U.S. economy has lost nearly 3.6 million jobs since the recession began in December 2007. U.S. employers cut nearly 600,000 jobs in January; the biggest monthly loss in 34 years, and the unemployment rate reached 7.6%. Additionally, the Conference Board recently

projected that two million jobs will be lost in 2009.

The major question remains: How long will it take for the most recent Federal stimulus package to benefit us here in Southern Nevada? Some say by the end of 2009. Unfortunately, the data and trends don’t support this hope thus far.

Regarding Clark County’s unemployment rate, the official report estimate was 10%, in January, 4.4 points higher than the 5.6% recorded in January 2008. This equates to a jump of 79%. Our research indicates that Clark County’s actual rate could be as high as 13%, if discouraged and forced part time workers are included. In January, the Nevada unemployment rate was 9.4%. At the same time, Clark County’s labor force grew by 4.5% from 972,100 to 1,015,500, for a variety reasons (college graduates entering the job market, retirees returning to work because of financial need, non-working spouses seeking work and population growth).

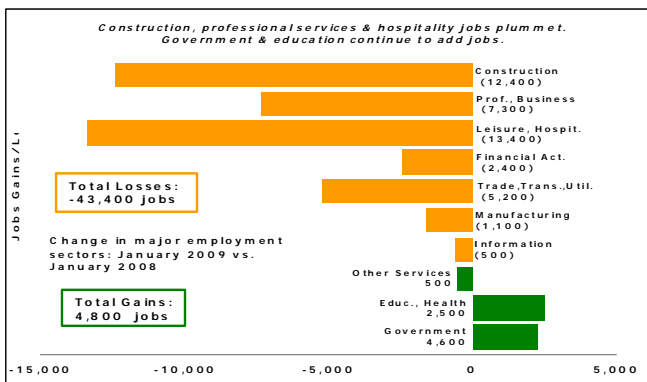


JOB CHANGE BY INDUSTRY

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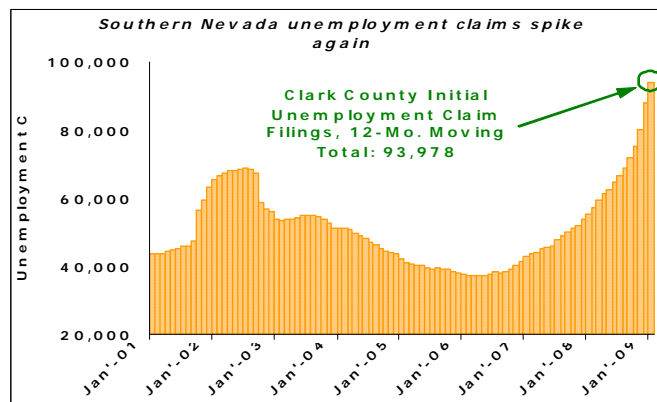
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UNEMPLOYMENT CLAIM FILINGS

The State of Nevada recorded nearly 94,000 initial unemployment claim filings in Clark County during the 12-month period ending January 2009. This was 6.7% higher than the change recorded for the 12-month period ending December 2008 (88,072 filings). However, the year-over-year change this month was 70% above the year-over-year increase noted in January 2008.

The continuing rise of this critically important indicator remains a major drag on Southern Nevada’s economic recovery. Until this indicator shows a persistent decline (of at least 6 months), the state and local economies will remain in a profound recession.

The ongoing challenges facing the Southern Nevada resort industry, the driver of the economy, does not bode well for a slow down in unemployment claim filings in 2009.

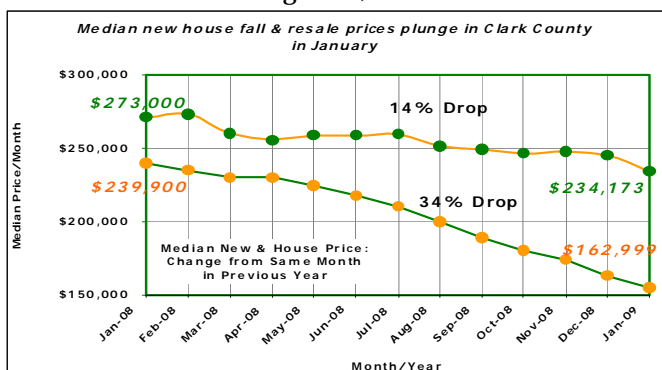


MEDIAN NEW HOME & RESALE PRICE

Most recent numbers released by Home Builders Research (“HBR”) show a 34% drop in the median resale home price and 14% in the median new home price in Clark County when comparing January 2009 to January 2008. As noted previously, until this all-important indicator shows an upturn of at least 6 months, our housing market will remain extremely weak, prolonging the recession. That said, it appears that the rate of decline in new home prices is starting to taper off, a welcome sign. This is largely due to the dramatic decline in housing starts.

On the positive side, this decline has made the housing market more affordable since December’s median house price is back to the new home median of \$233,360 in April 2004. In the case of resales, January’s price is near the \$163,500 recorded in May 2003. Essentially, 4 - 6

years of paper equity has been wiped-out by the housing market crash. In the long term, a return to some level of



affordability is positive for the economy, because it can assist in the region’s economic diversification efforts. However, in the short to intermediate terms, it is very traumatic to the market, since it is the direct cause and a dreadful reflection of the current recession.

HBR reported 2,536 resale home closings this January versus 1,488 in January 2008, a healthy rise of 70%, however, according SalesTraq, 64% of these sales were bank-owned homes. That’s why we continue to see a decline in the median price. In the case of new home closings, there were 284 units sold in January 2009 versus 746 in January 2008, a 62% drop. This is largely a sign of the dramatic drop in new home construction. Additionally, total home sales for the 12 months ending this January were 40,216 compared to the 38,520 during 12 months ending January 2008, a slight rise of 4.4%.

FURTHER THOUGHTS

If the recession continues into April of this year, it will be the 2nd longest downturn in modern times, surpassed only by the Great Depression. Obviously, we are not likely to see employment and GDP declines seen in the 1930s. Nevertheless, as we have repeatedly noted, that consumer and business confidence as well as spending continue to plummet.

The paradox of the situation, at least in the short term, is that the logical decision of many households and businesses to save and conserve cash has a negative impact on the overall economy, because it reduces demand for goods and services. That said, the prospect that over the long-term, personal and business attitudes towards savings improve is a major benefit to the sustainability of the economy.

As we have noted: The national recession, now in its 14th month, worsened in January. The breakdown of consumer spending and business investment continued, further extending the Southern Nevada recession. The U.S. economy has lost nearly 3.6 million jobs since the recession began in December 2007. U.S. employers cut nearly 600,000 jobs in January, the biggest monthly loss in 34 years. Moreover, the unemployment rate reached 7.6%. Additionally, the Conference Board recently projected that two million jobs will be lost in 2009. Clearly, the current situation is the result of a bubble-driven economy, globally, nationally and locally.

As we noted last month, we expect to see the following in 2009:

1. This recession will be known as the “Great Recession of 2008”.
2. By the Spring/Summer of 2010, Washington will announce a second stimulus package.
3. The Federal Reserve and the U.S Treasury will continue to try all manner of strategies and tactics, including reducing interest rates and additional bank regulation until “something sticks.”
4. Deflation, not inflation, is becoming a very real concern, because of the disintegration of consumer spending and business investment globally.

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. In Nevada, we will likely see higher taxes, further spending cuts, a more effective budget stabilization fund created, reduced public services and a range of tax exemptions eliminated or lowered when the Legislature convenes this session.
7. As we've repeatedly written, Las Vegas and Nevada have a long history of bouncing back from economic downturns. It's just that this particular recovery will not be "V" shaped.

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 96.4% of all jobs in Clark County in January 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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