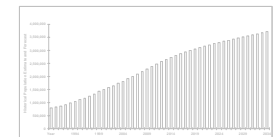


## Market IQ

Presents:

# THE SOUTHERN NEVADA ECONOMY AND HOUSING MARKET

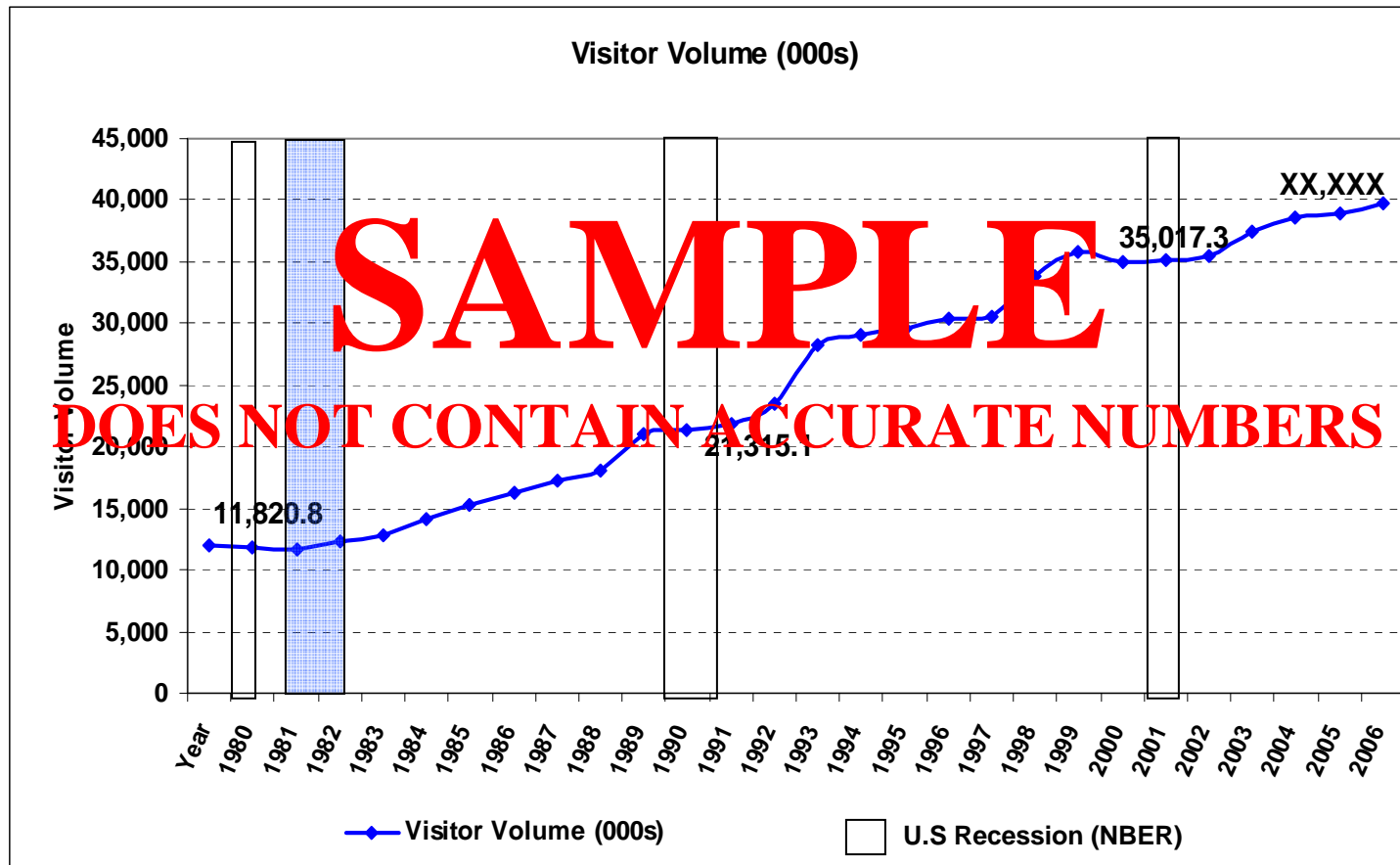
Updated July 2008



## Key Drivers

Southern Nevada is becoming increasingly economically diverse, however it remains heavily reliant on tourism.

→ Visitor Volume has had a solid upward trajectory, short-run declines are rare.

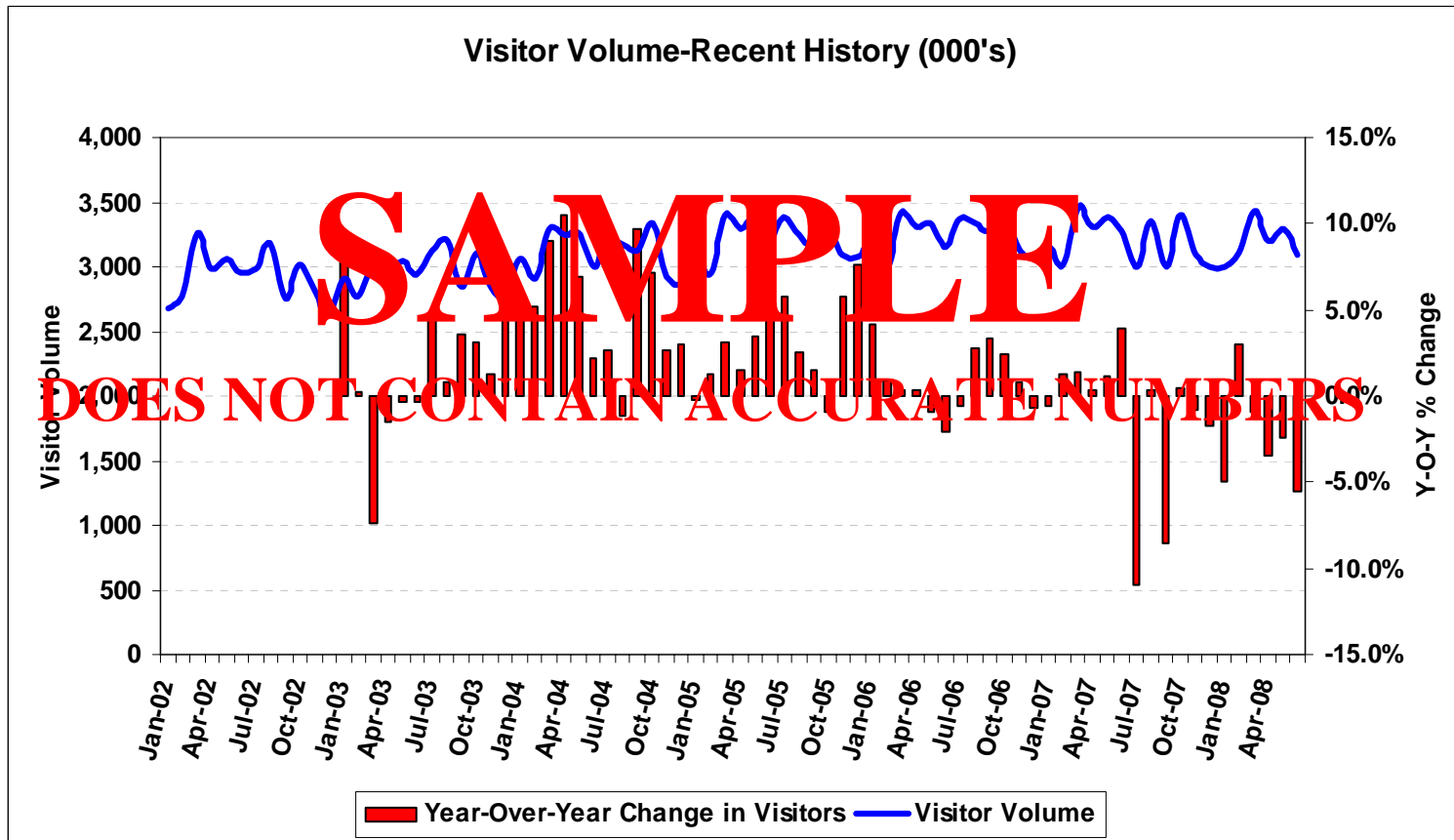


Source: Las Vegas Convention and Visitors Authority.

## Key Drivers

Visitor volume has dampened in recent months.

- While Seasonality has always been present, the Monthly Series shows the impact of turbulence in the national and local economy. The weakness in the dollar has made Las Vegas a bargain for some foreign travelers, offsetting some domestic declines.

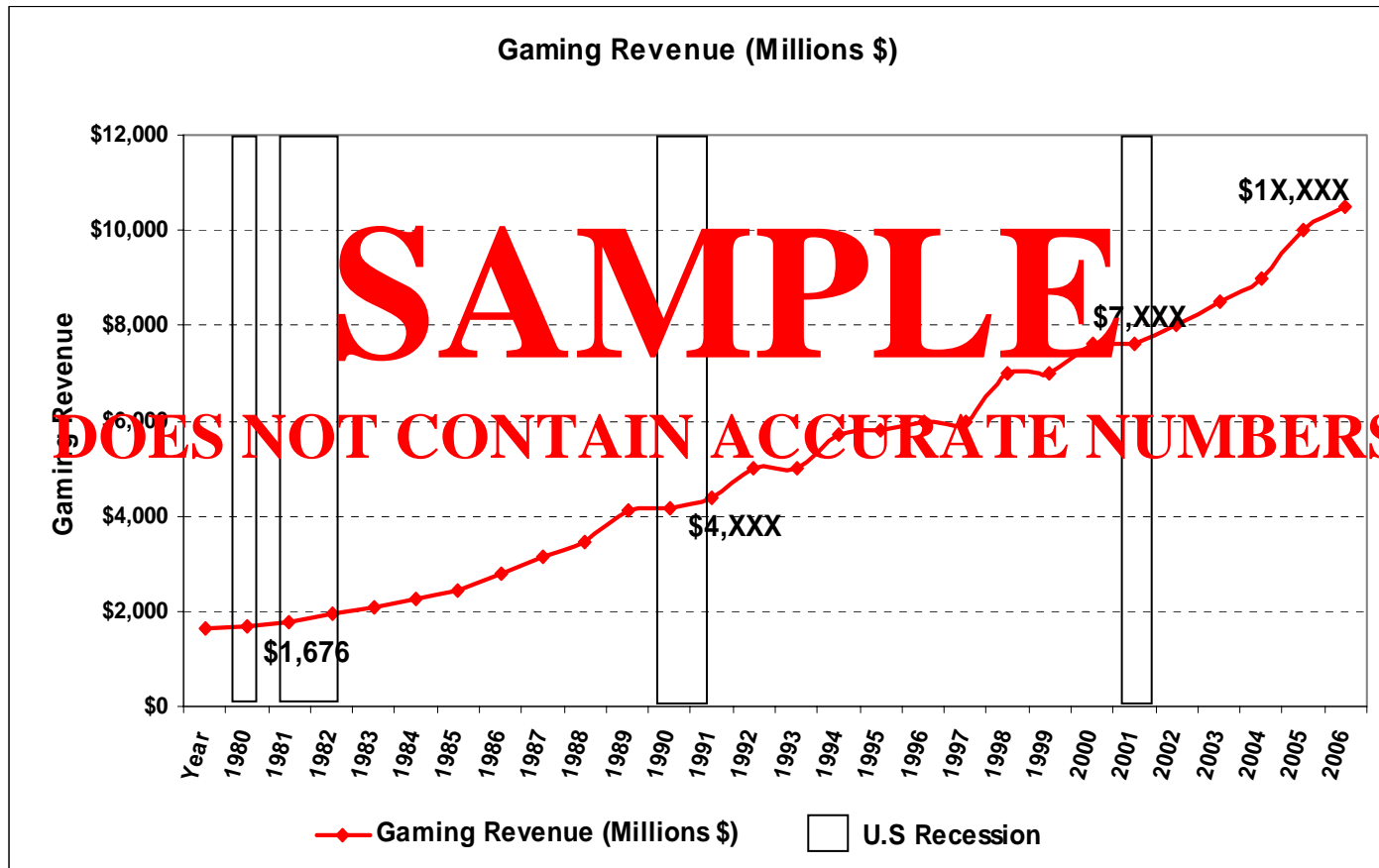


Source: Las Vegas Convention and Visitors Authority.

## Key Drivers

Gaming revenue is a key source of income for Las Vegas and the State of Nevada

→ Related to Visitor Volume, Gaming Revenue has had a solid upward trajectory, short-run declines are rare.

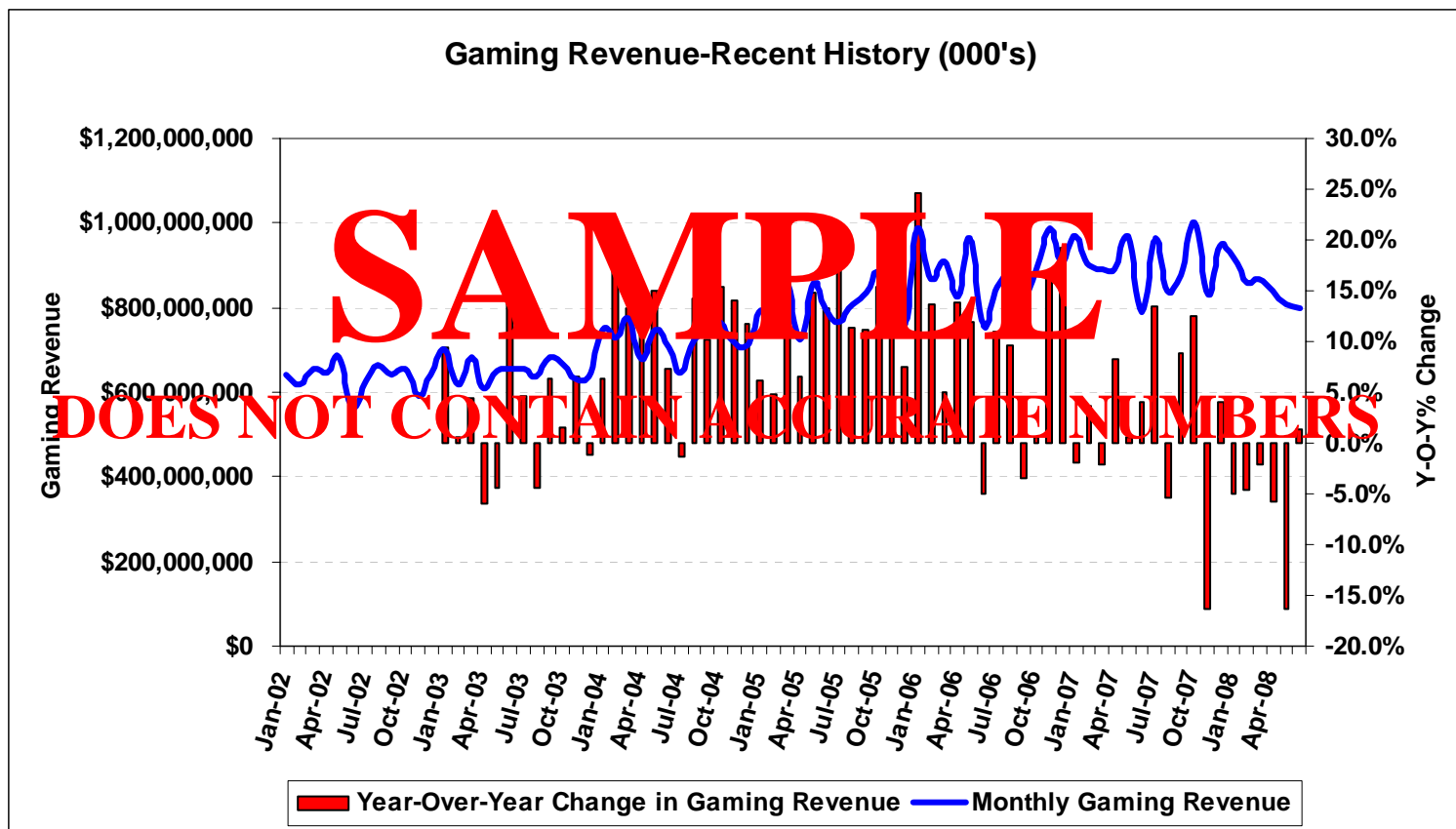


Source: Las Vegas Convention and Visitors Authority.

## Key Drivers

Gaming revenue experienced substantial increases from 2004 to 2006 and has leveled off in recent months

→ Related to Visitor Volume, Gaming Revenue has been impacted by employment, credit and fuel costs.

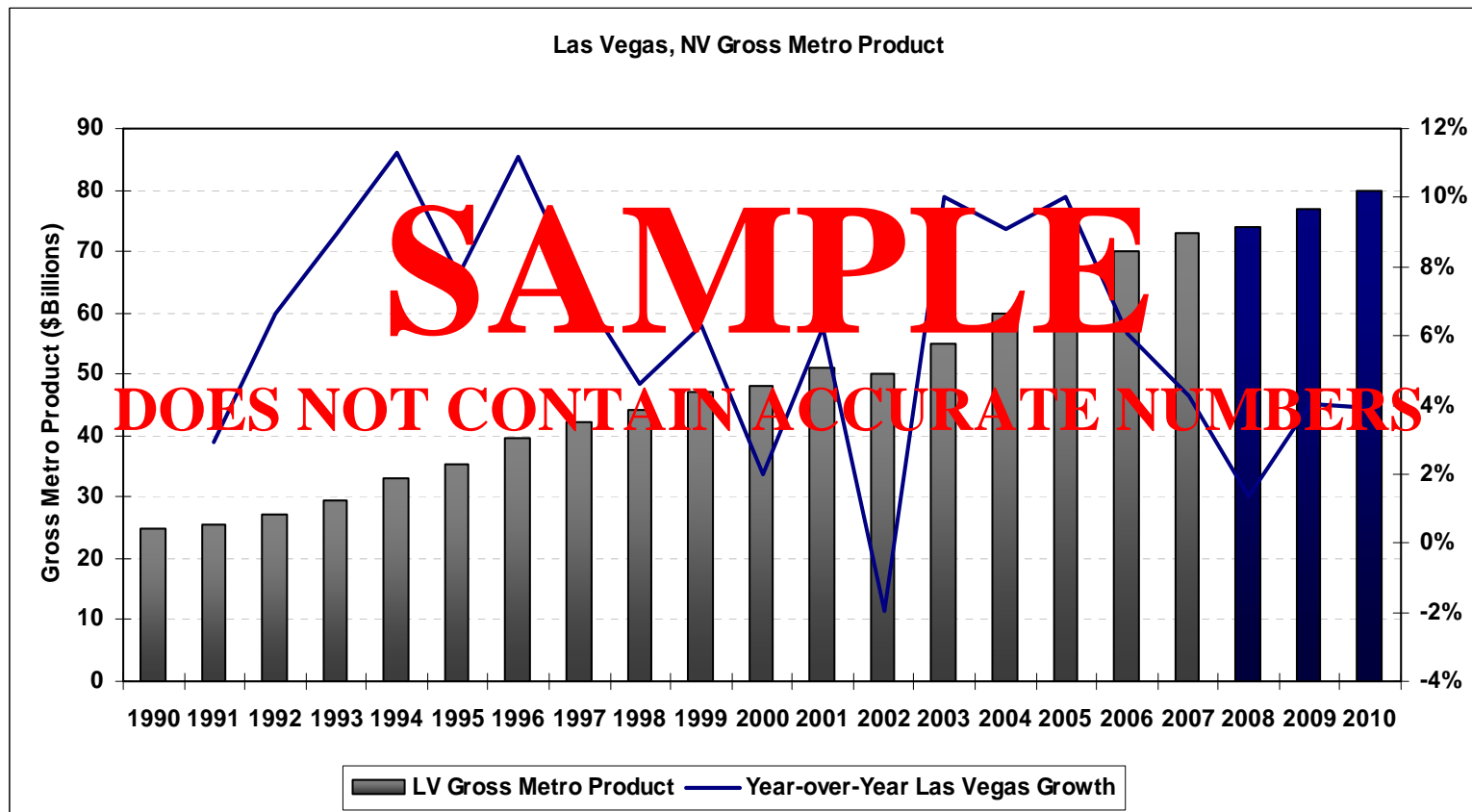


Source: Las Vegas Convention and Visitors Authority.

## Key Drivers

The 1990's saw immense economic growth, at times up to XX%!

→ As the Southern Nevada economy matures, solid growth is expected to continue.

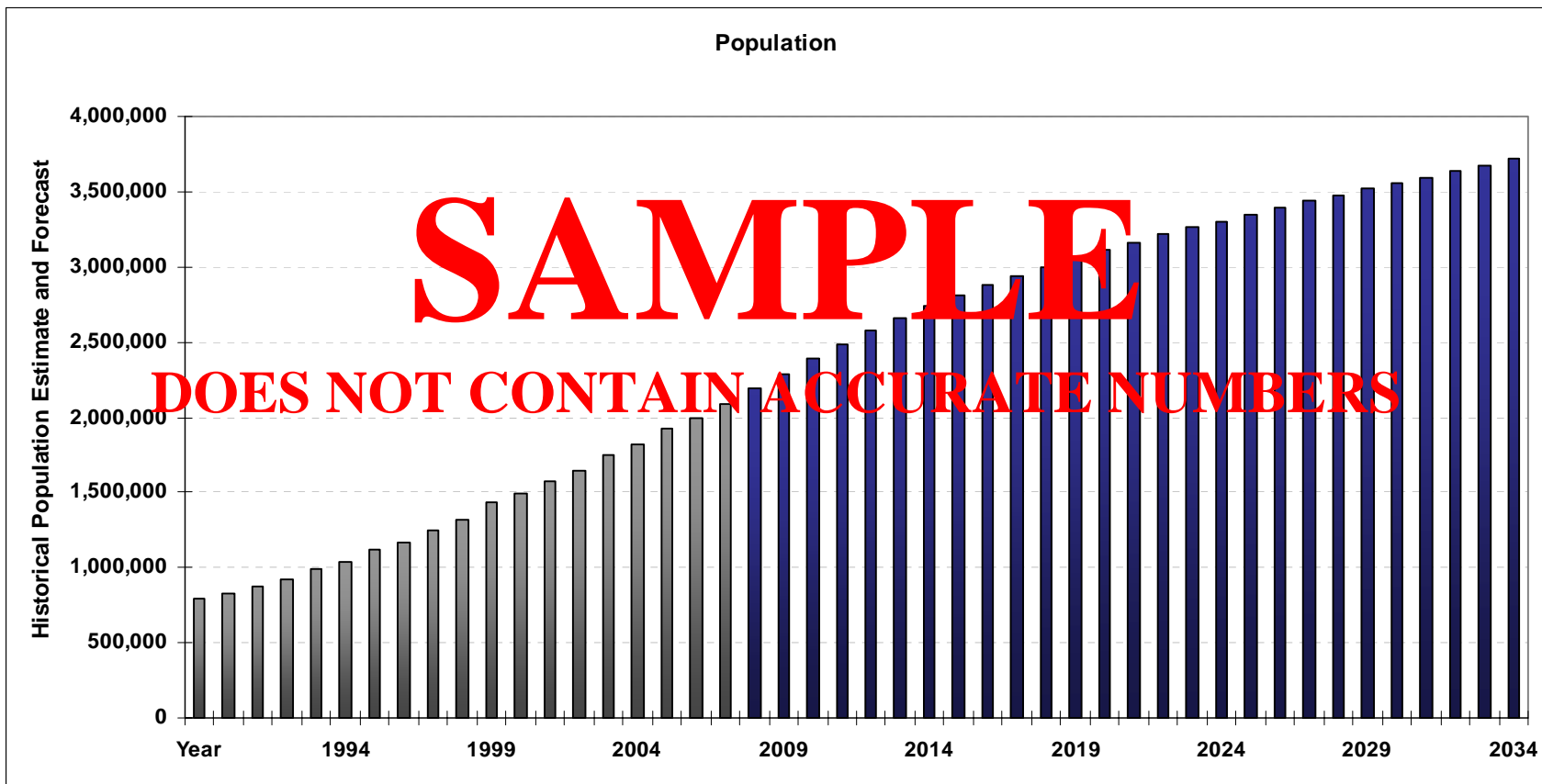


Source: Moody's.

## Key Drivers

Clark County population growth has been one of the greatest urban growth stories of the past generation.

→ While annual percentage increases are expected to moderate, population is forecasted to increase by XX% from 2007 to 2015.

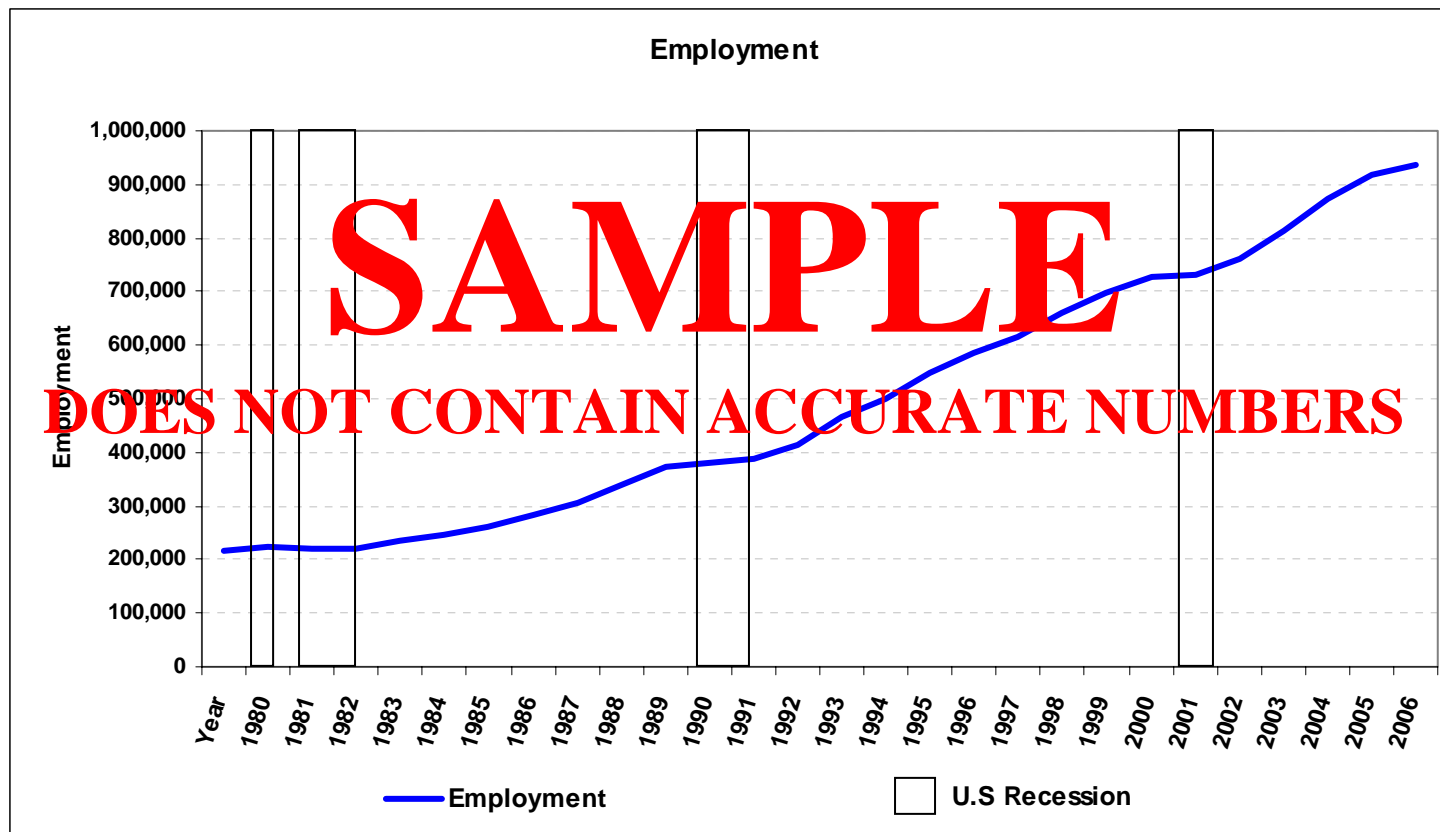


Source: Clark County Comprehensive Planning, Center for Business and Economic Research.

## Key Drivers

Employment growth has been consistently strong.

- Employment has historically quickly recovered from national recessions and continued its upward path. Clark County has averaged over XX,000 annual new jobs over the past decade (1997-2007).

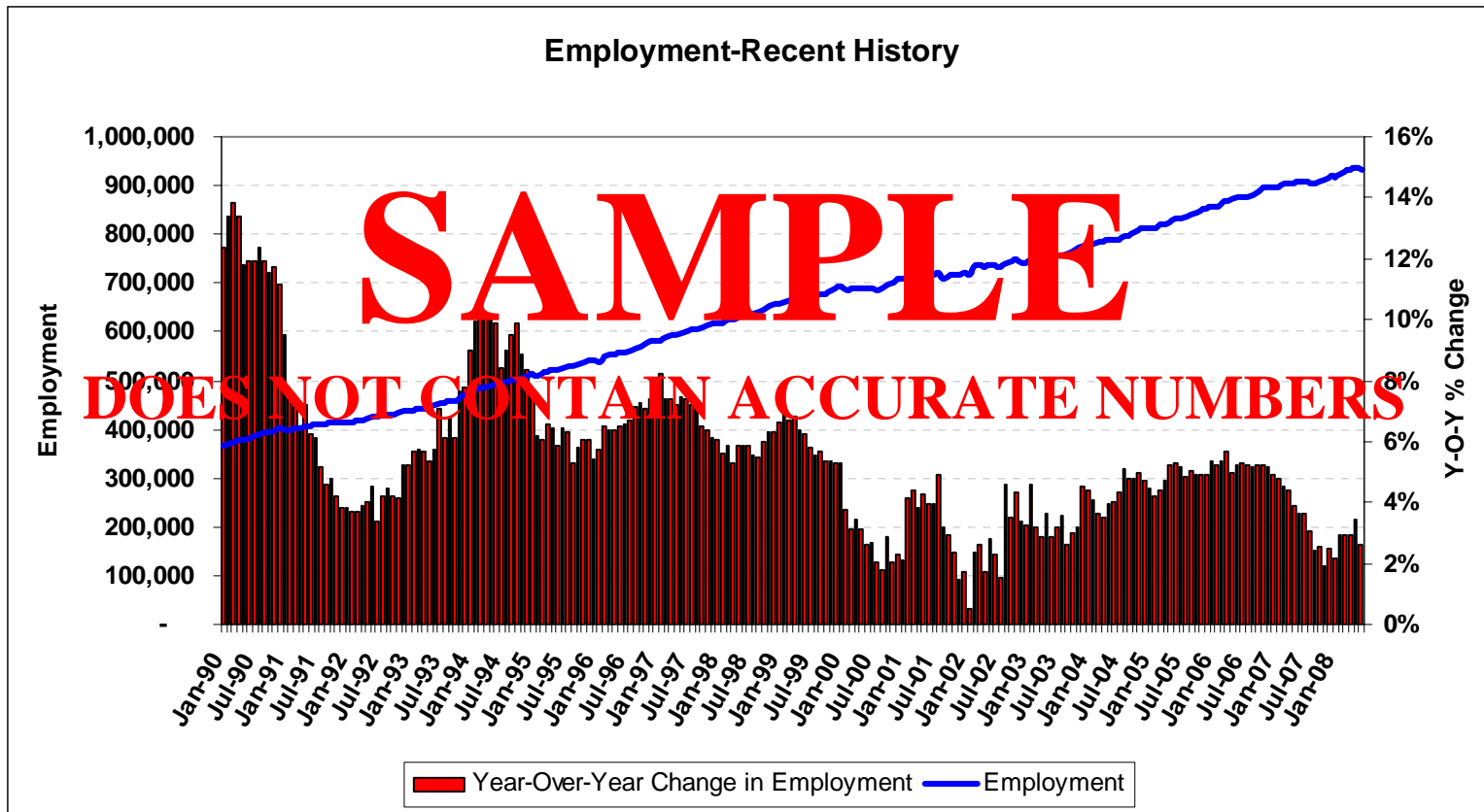


Source: Moody's economy.com, Deutsche Bank, UNLV School of Architecture. Las Vegas Convention and Visitors Authority.

## Key Drivers

Recent employment growth has remained strong but has moderated in recent months.

- The Las Vegas area still remains a top destination for employment seekers, continually increasing the labor force and buoyed by hotel openings such as Palazzo. Encore, Aliante Station and the Eastside Cannery will be opening soon and require a substantial workforce.

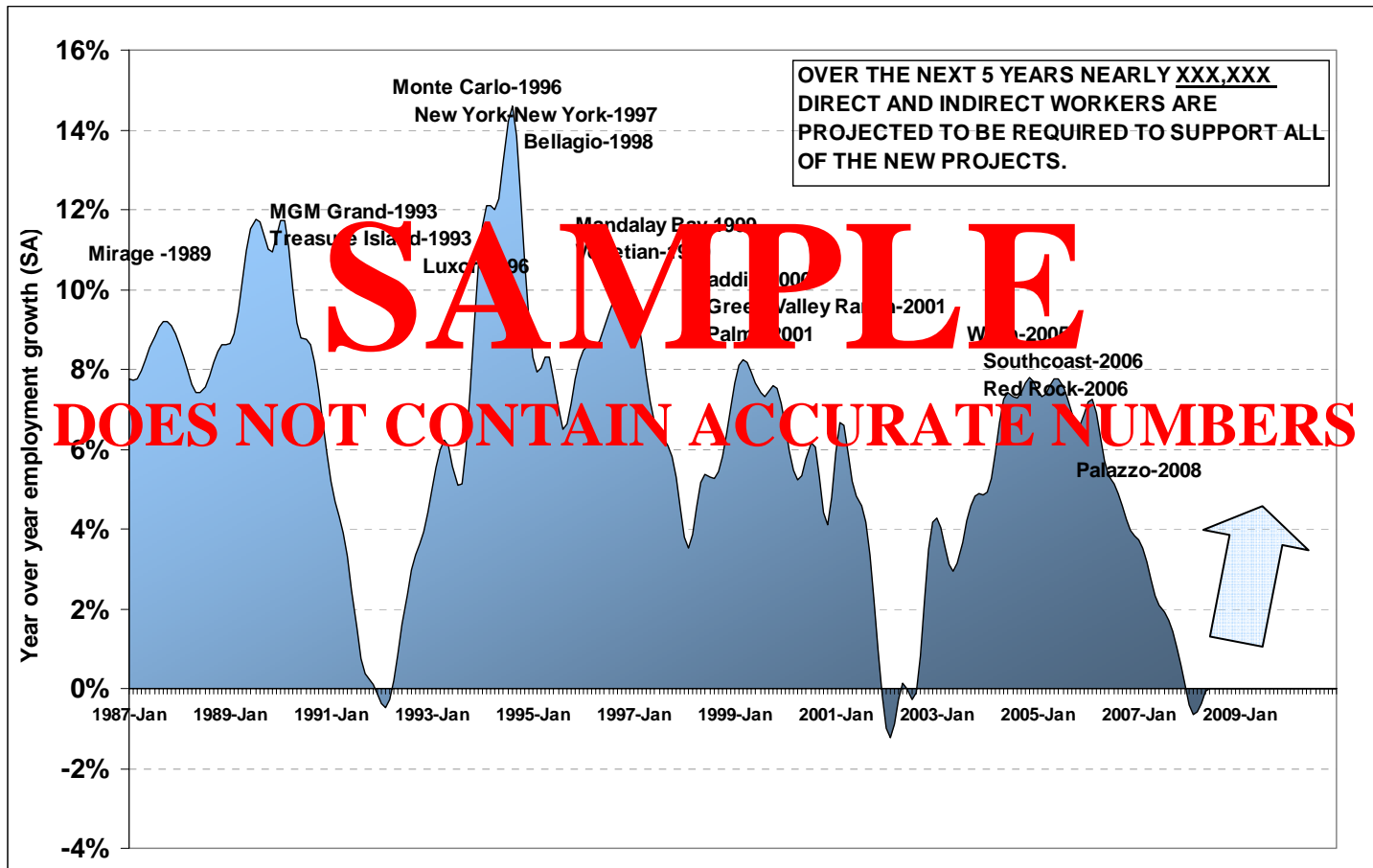


Source: BLS. Not seasonally adjusted.

## Key Drivers

New resort construction has preceded immense employment growth.

→ By 2011, XX,XXX new hotel/motel rooms are expected to be delivered. This amounts to approximately \$XX.X Billion of development.

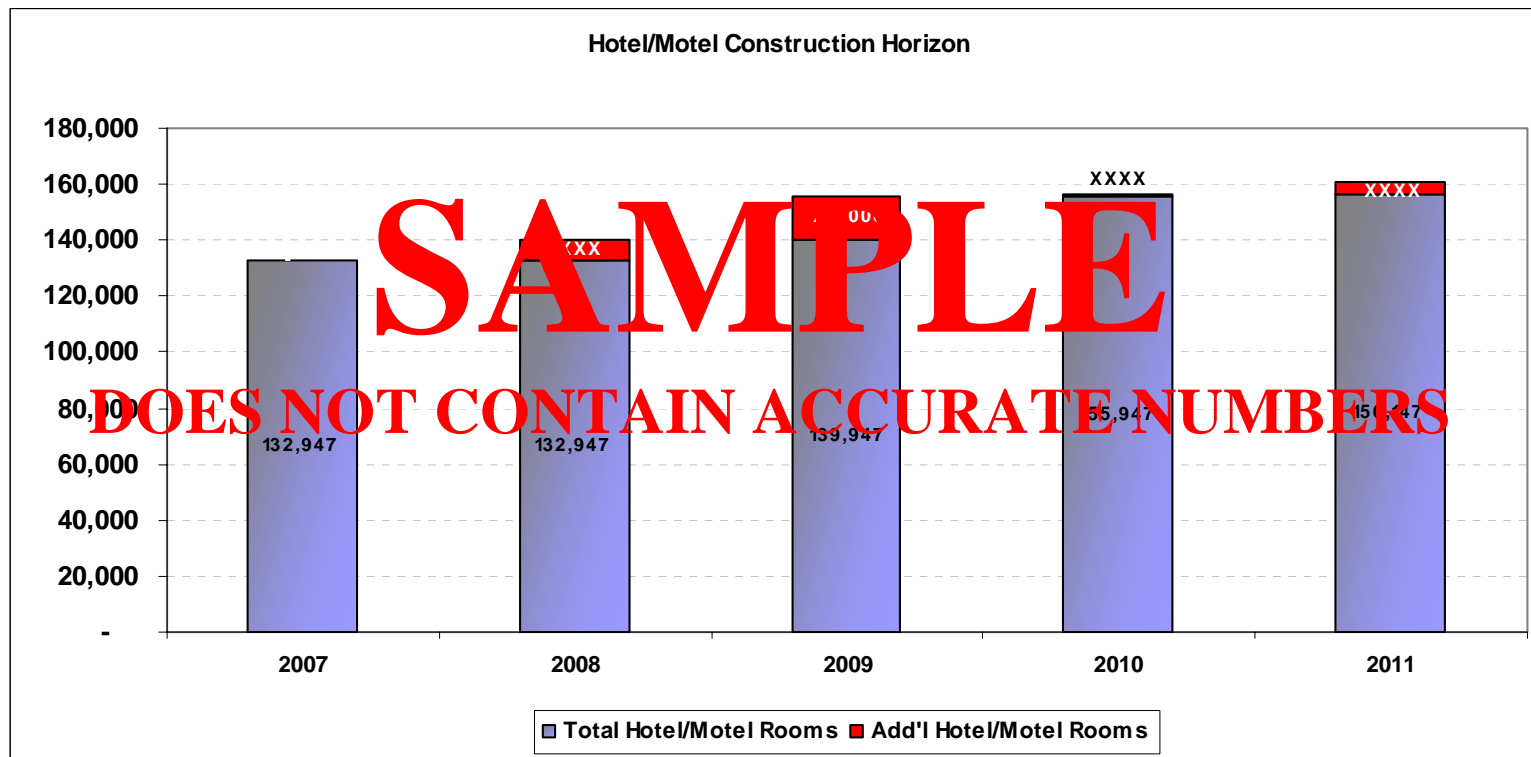


Source: Moody's economy.com, Deutsche Bank, UNLV School of Architecture. Las Vegas Convention and Visitors Authority.  
Note: Seasonally Adjusted.

## Key Drivers

A heavy increase in new hotel & motel rooms is expected in 2009.

- Much of this construction is underway, such as CityCenter, M Resort, Spa and Casino and Fontainebleau. Encore at Wynn and Aliante Station are expected to be completed towards the end of 2008.

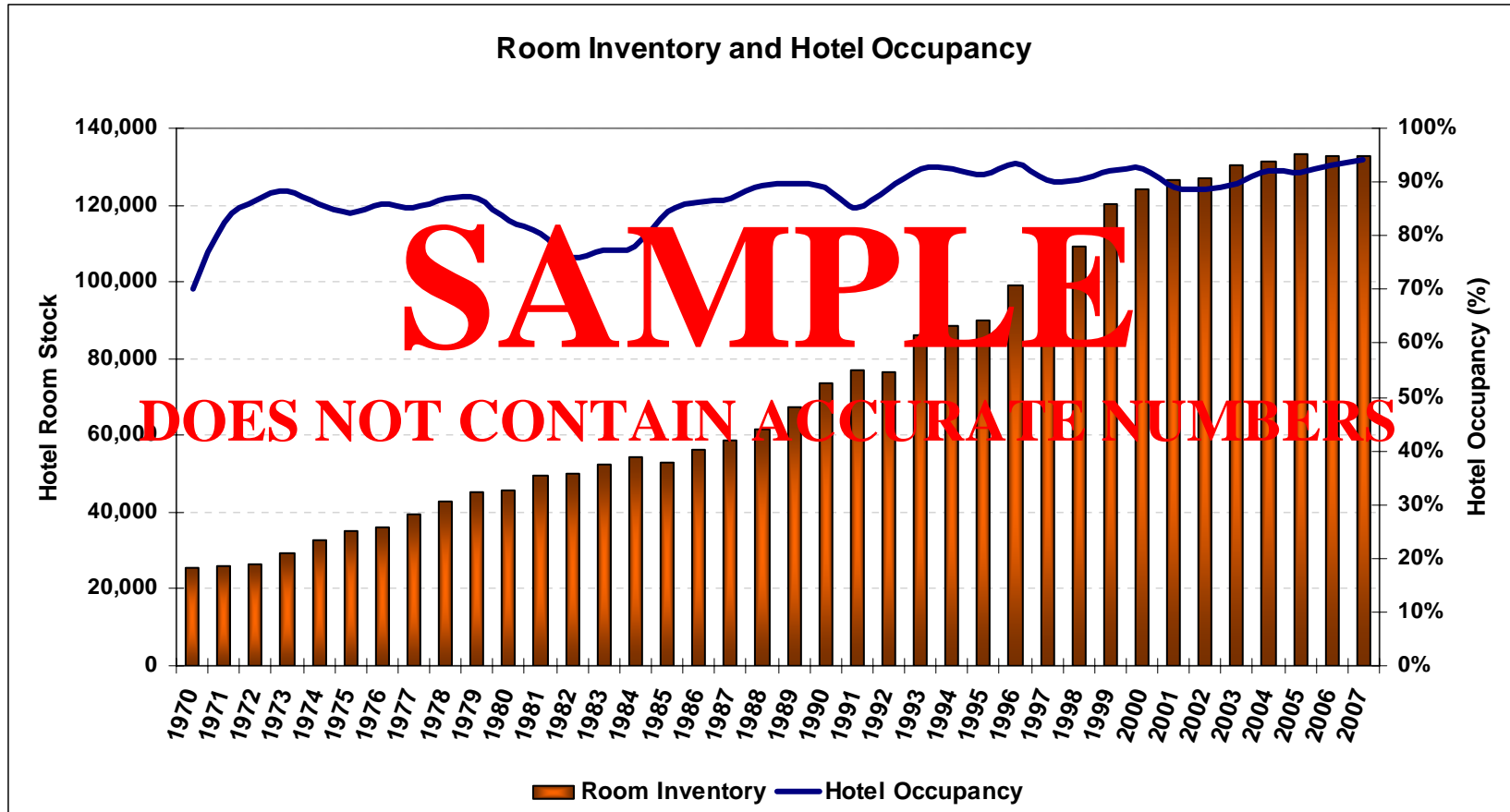


Source: The Las Vegas Convention and Visitors Authority.

## Key Drivers

The hotel industry, as well as many industry observers, is confident in the success of new resorts in the next few years.

→ While inventory has increased substantially in some years, occupancy has remained incredibly strong.

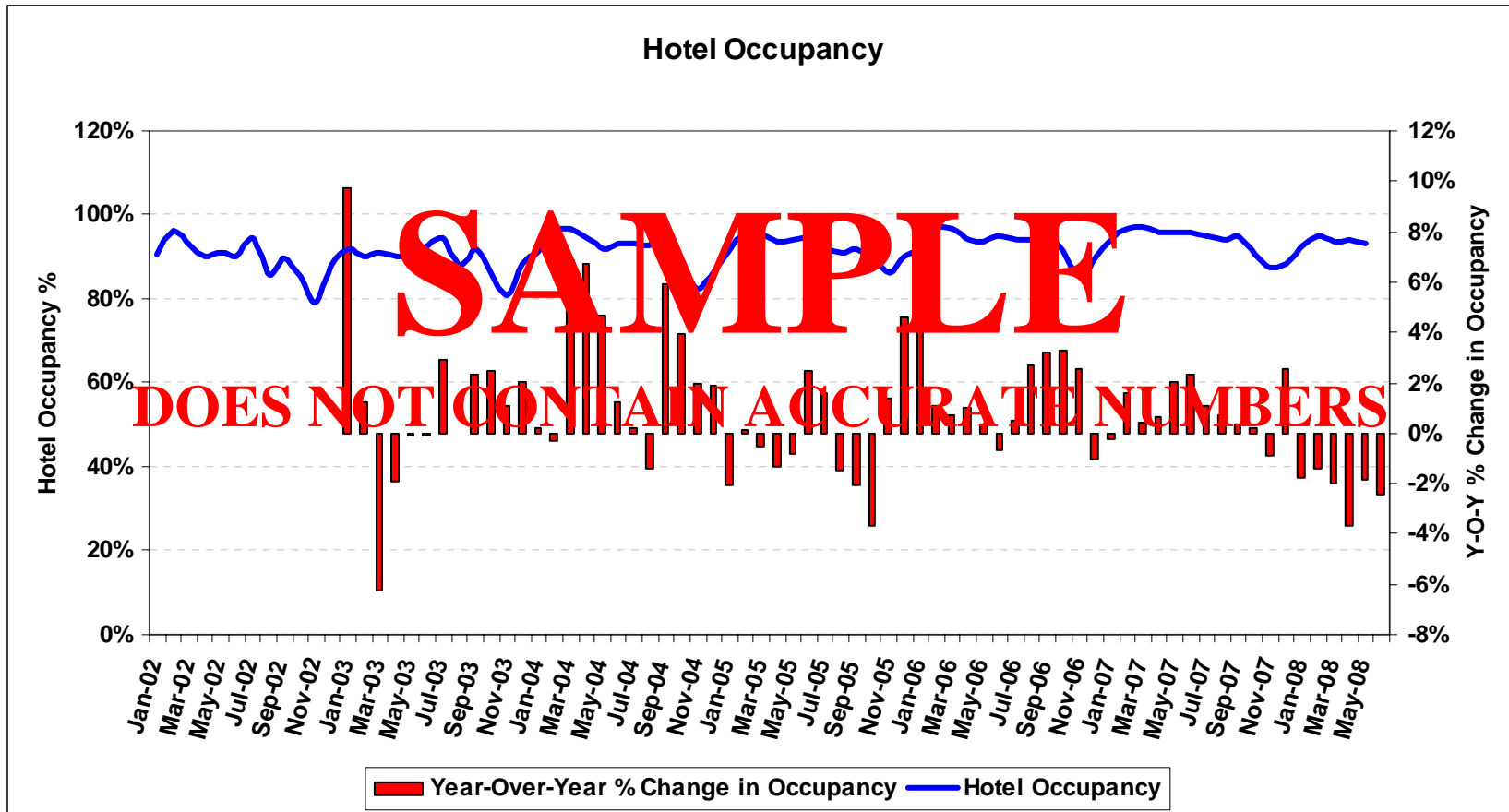


Source: Moody's economy.com, Deutsche Bank, UNLV School of Architecture. Las Vegas Convention and Visitors Authority.

## Key Drivers

Hotel occupancy has remained consistent, with some year-over-year declines in recent months.

- Recent Y-O-Y declines are measured from 2007, which was quite a good year. Hotels are also able to quickly adjust room rates as to keep occupancy at high levels.

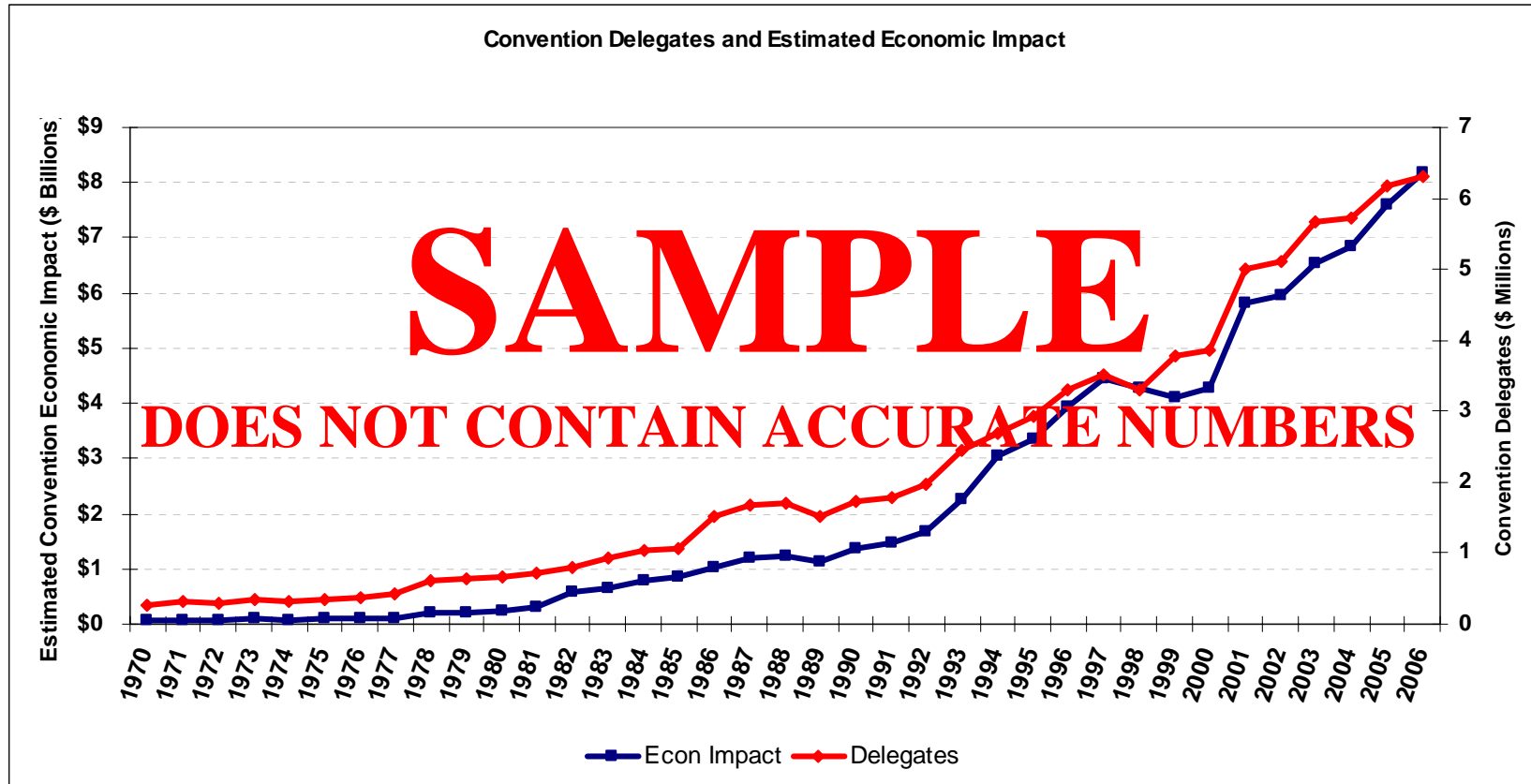


Source: Las Vegas Convention and Visitors Authority.  
Note: Hotel occupancy does not include motels.

## Key Drivers

The convention industry is also an important and solid performer within the Las Vegas Economy.

→ Nearly X million square feet of additional convention space is expected to be delivered by 2011.

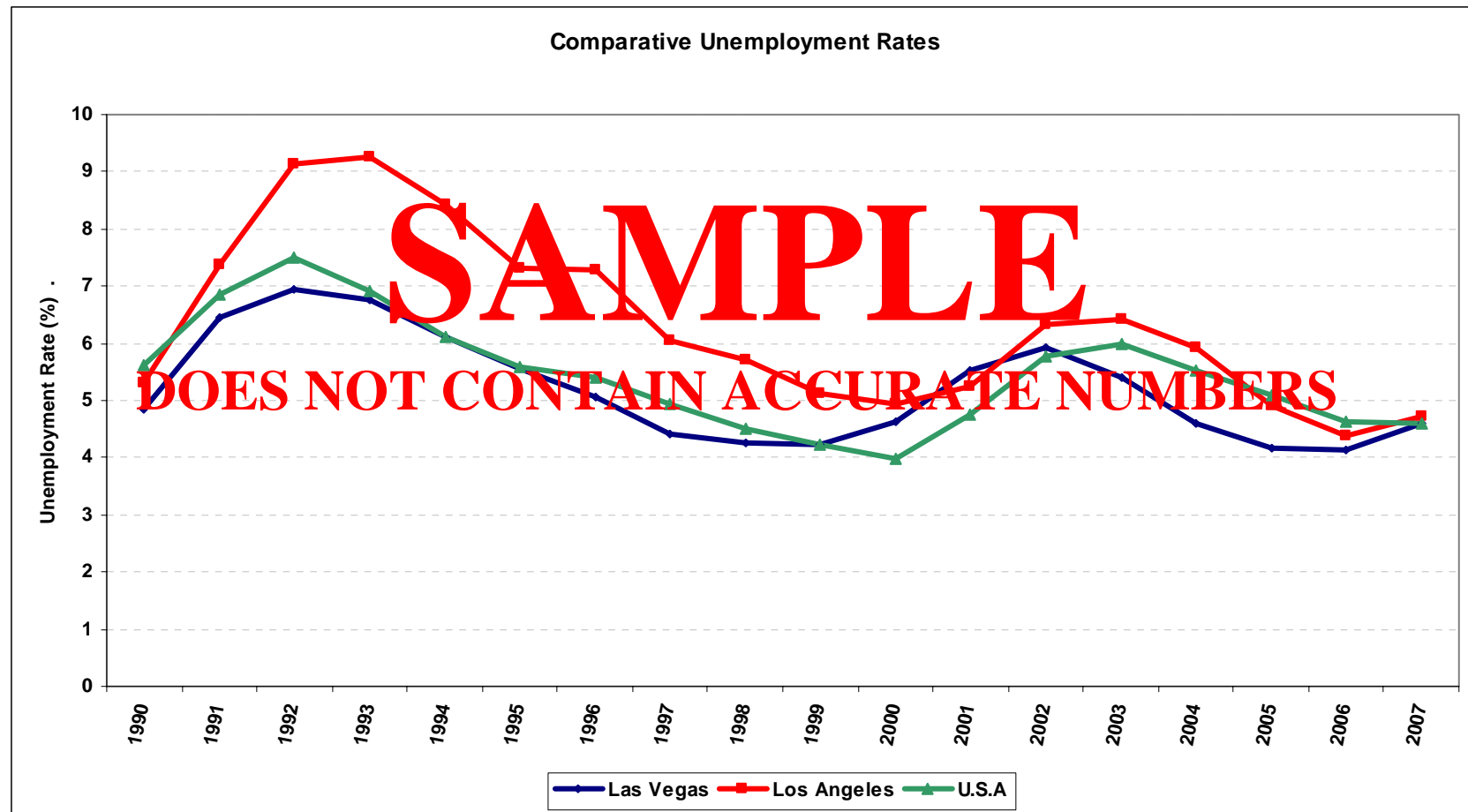


Source: Las Vegas Convention and Visitors Authority.

## Key Drivers

The Las Vegas MSA, which largely consists of Clark County, has historically experienced below average unemployment rates.

→ Las Vegas unemployment rates have traditionally been below that of the U.S and Los Angeles, which has served as an employment draw for Las Vegas.

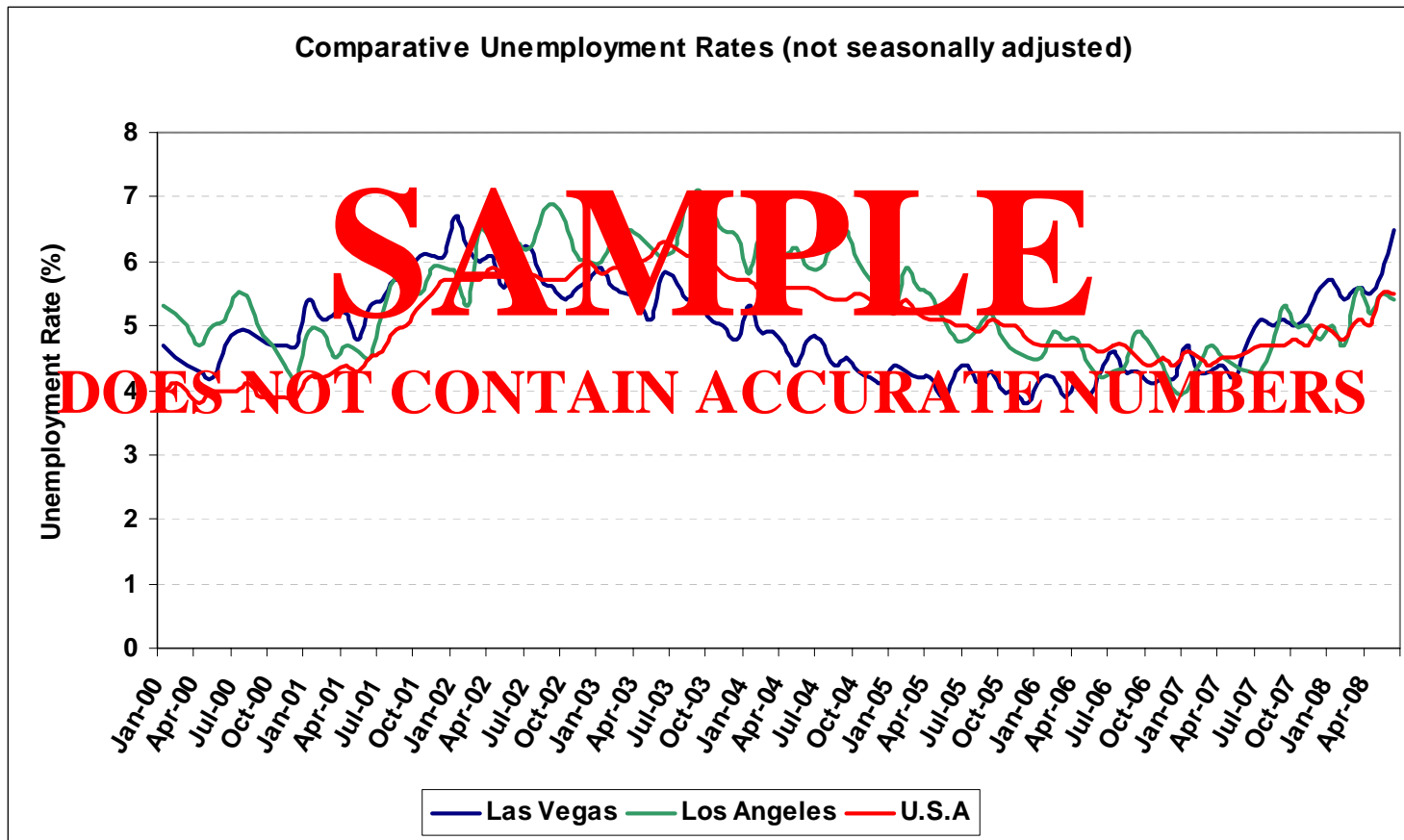


Source: BLS. Seasonally Adjusted.

## Key Drivers

Recent trends show convergence in comparative unemployment rates with increases in recent months for Las Vegas.

- Local employment has been impacted by a decline in employment in construction, financial activities and professional and business services. The labor force has also increased in Las Vegas by X% in the first half of 2008.

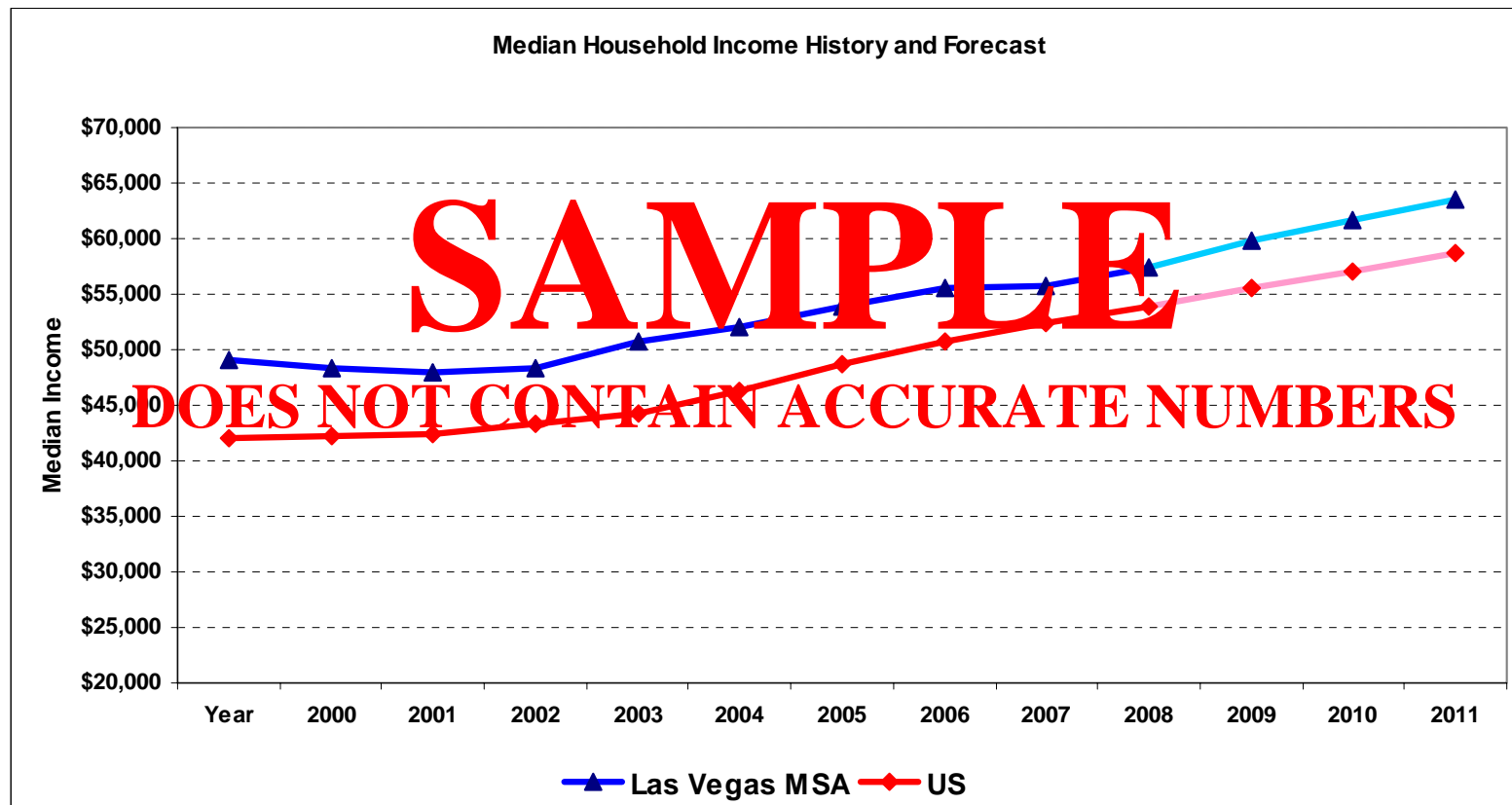


Source: BLS. Nevada Department of Employment, Training and Rehabilitation

## Key Drivers

The Las Vegas MSA median Household income has been surpassing that of the U.S average.

→ In 2006, the Las Vegas MSA median Household income was XX.X% higher than the U.S average.

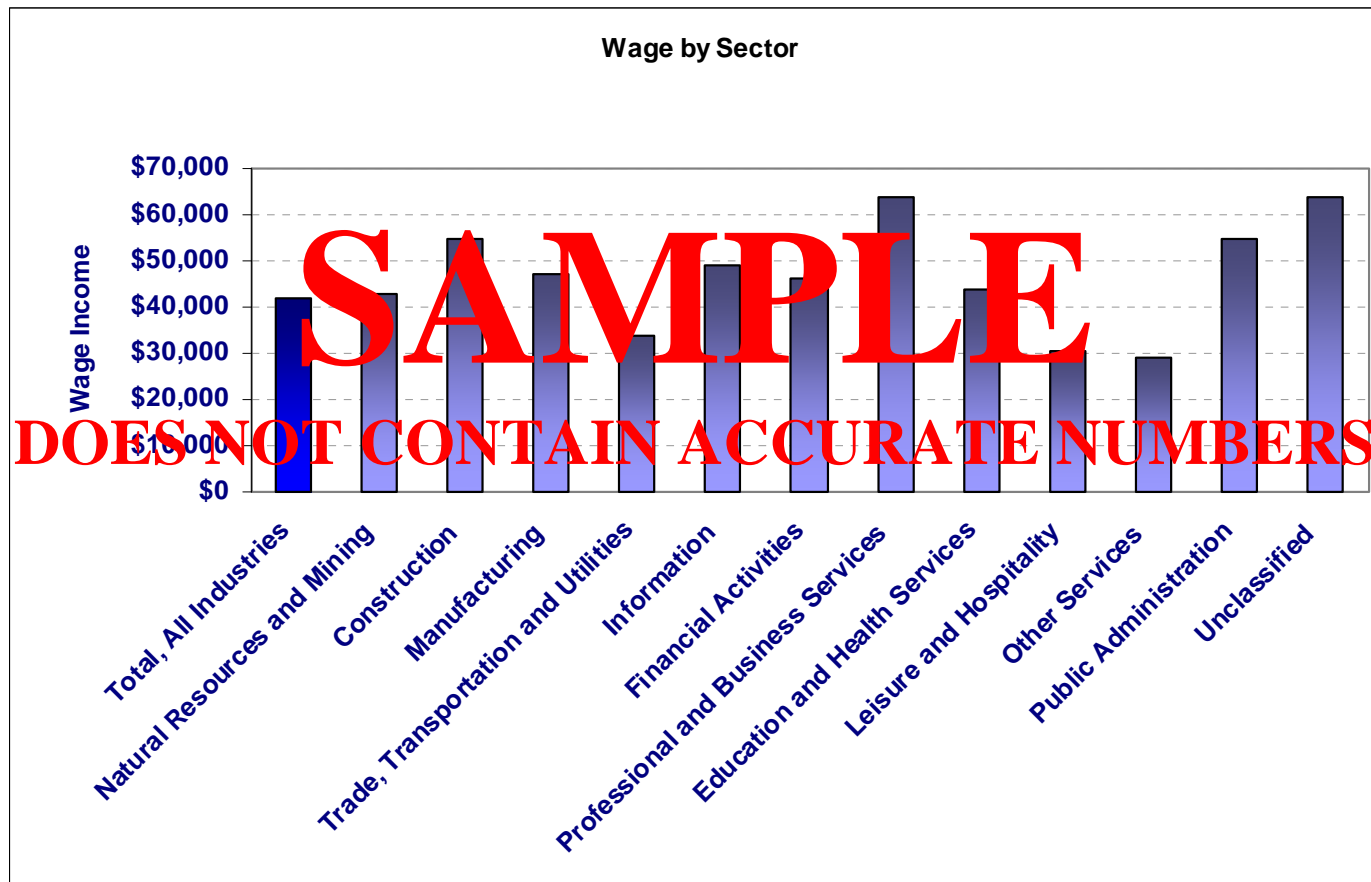


Source: BLS.

## Key Drivers

The Las Vegas area has become increasingly reliant on high-skilled jobs.

→ Several occupations are in the range that can meet the more stringent home loan criteria .

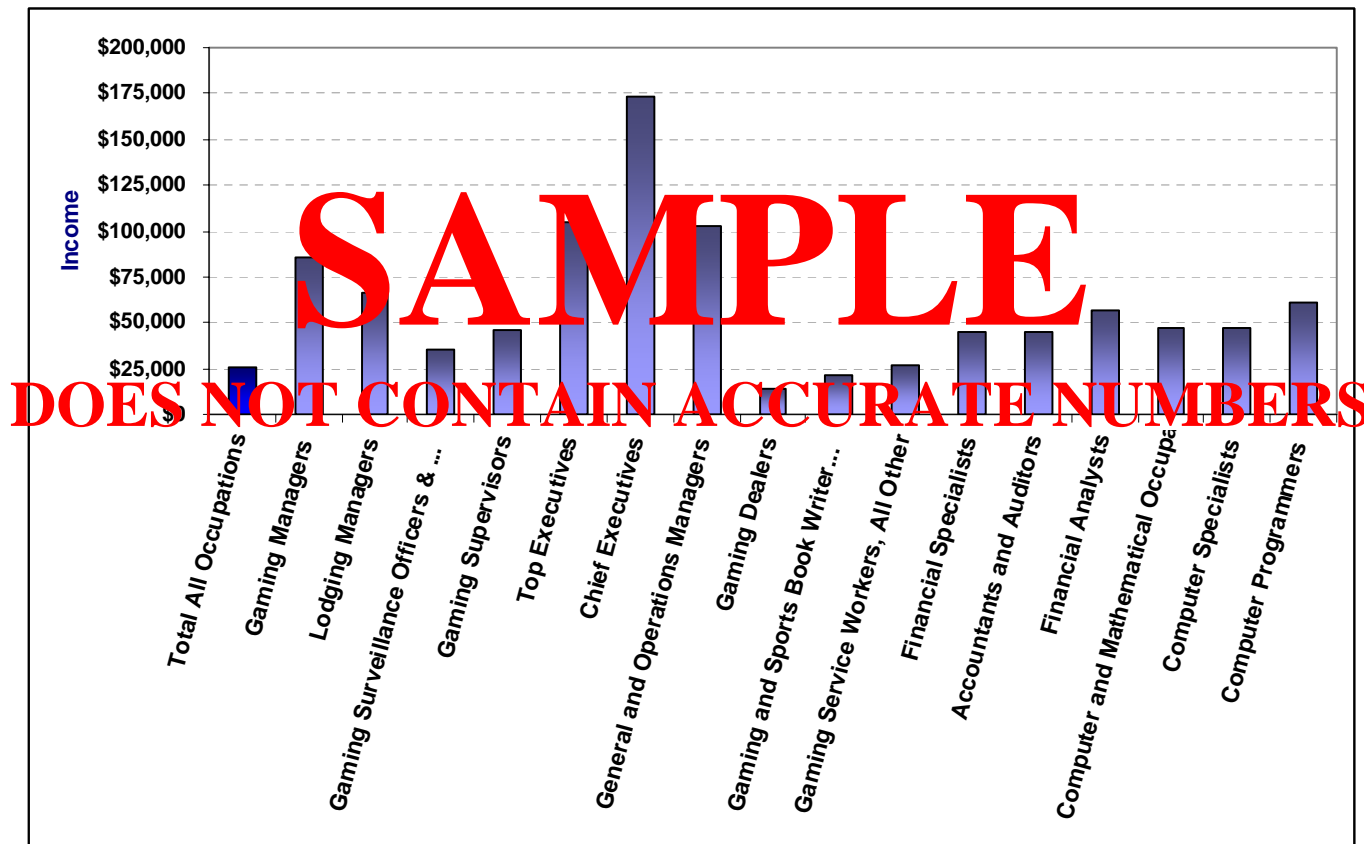


Source: Nevada Department of Training and Rehabilitation, Q4 2007.

## Key Drivers

The hotel and casino industry is also requiring high-skilled labor.

- Workers on the gaming floor, such as dealers and pit bosses, are likely to have very understated incomes due to a high percentage of their incomes being derived from tips.

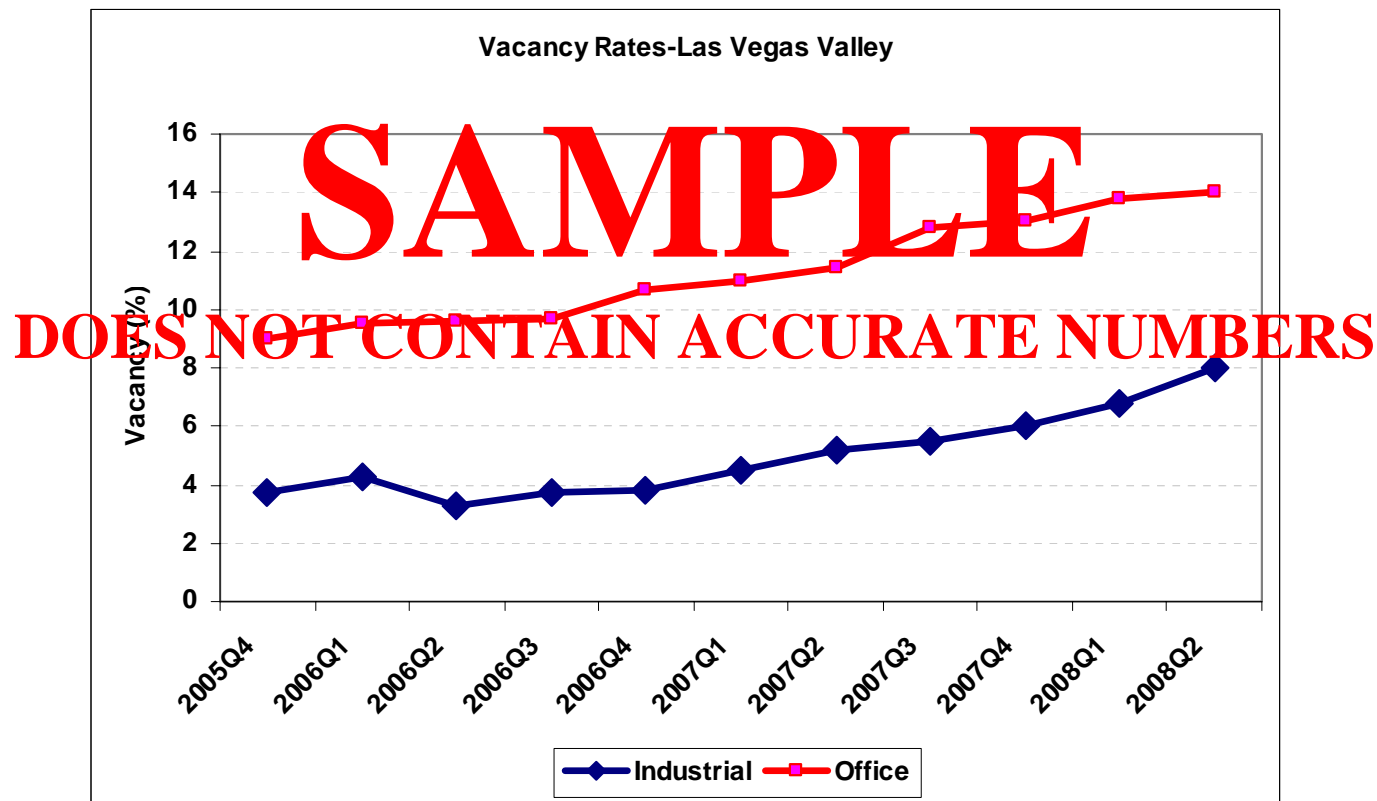


Source: Nevada Department of Training and Rehabilitation, Q4 2007.

## Key Drivers-Commercial

Recent vacancy rates indicate that some softening has occurred in the commercial property market, however, industrial vacancy rates are coming off of a period of very low vacancy. Office is being affected by changes in the credit and real estate markets and recent completions. Some tenants are holding off signing leases until they feel more comfortable with business conditions.

- Industrial space has been a hot issue in recent years as vacancies had been unhealthily low (little room for business expansion) while land values for industrial zoned land increased substantially. Further, adequately sized parcels have been difficult to acquire.

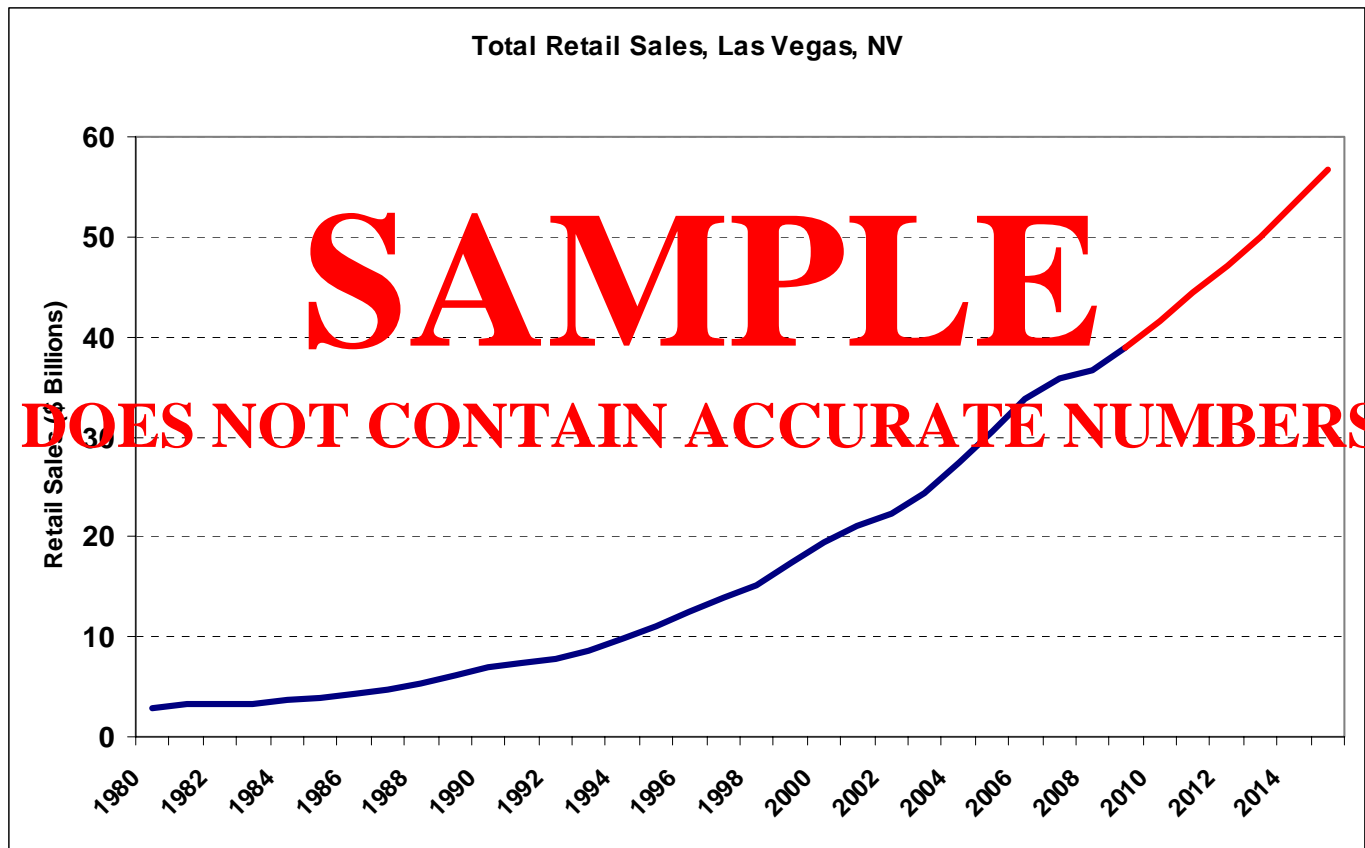


Source: Grubb & Ellis.

## Key Drivers-Commercial

Retail Sales have been a consistent growth series, with little volatility.

→ In 2007, retail sales were slightly disappointing, however, retail sales are expected to continue to be a strong component of the Las Vegas economy.

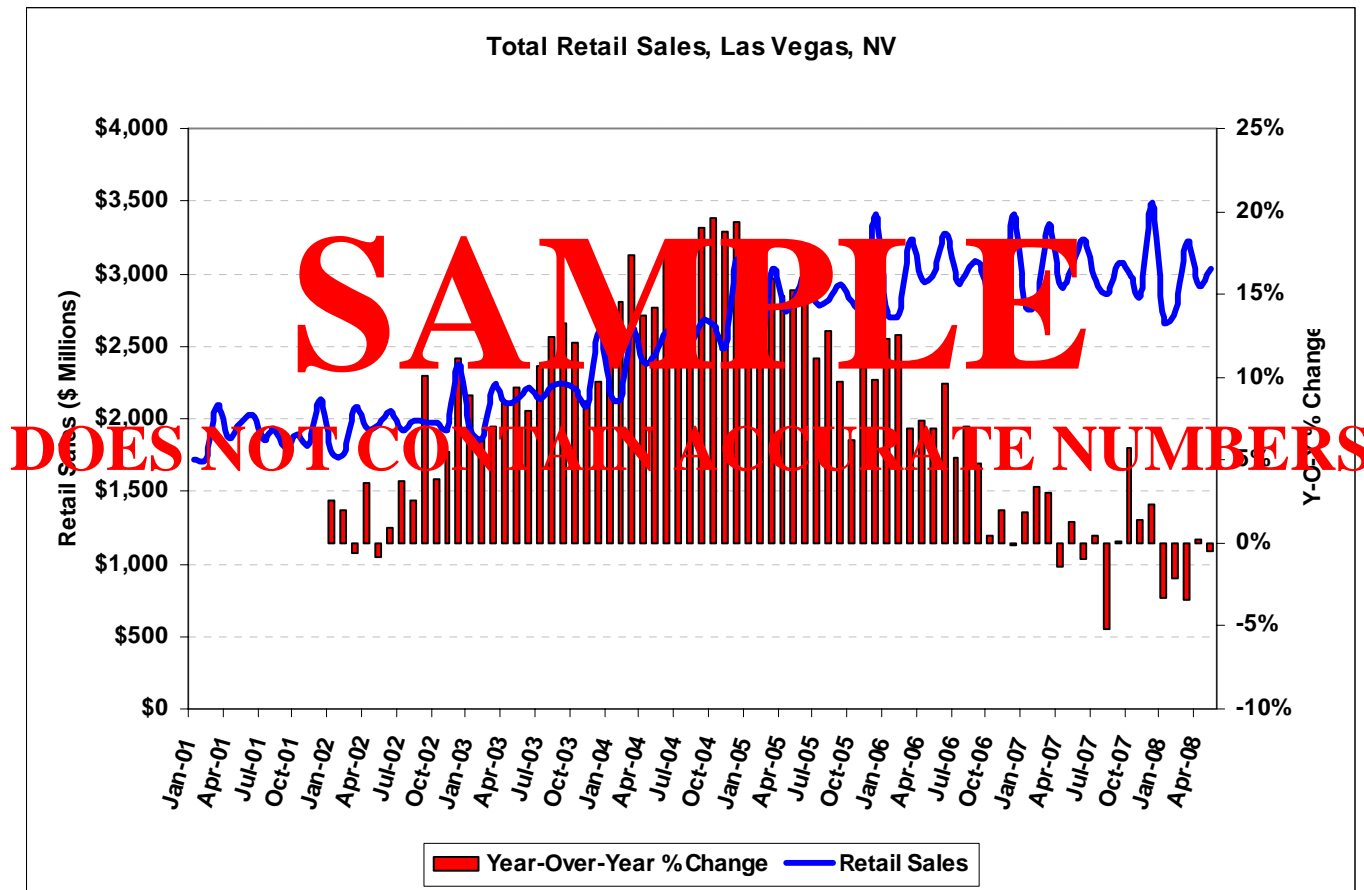


Source: Economy.com.

## Key Drivers-Commercial

Retail Sales have flattened in recent months.

→ Lately, year-over-year declines are present. Keep in mind, this follows an extremely high growth period.



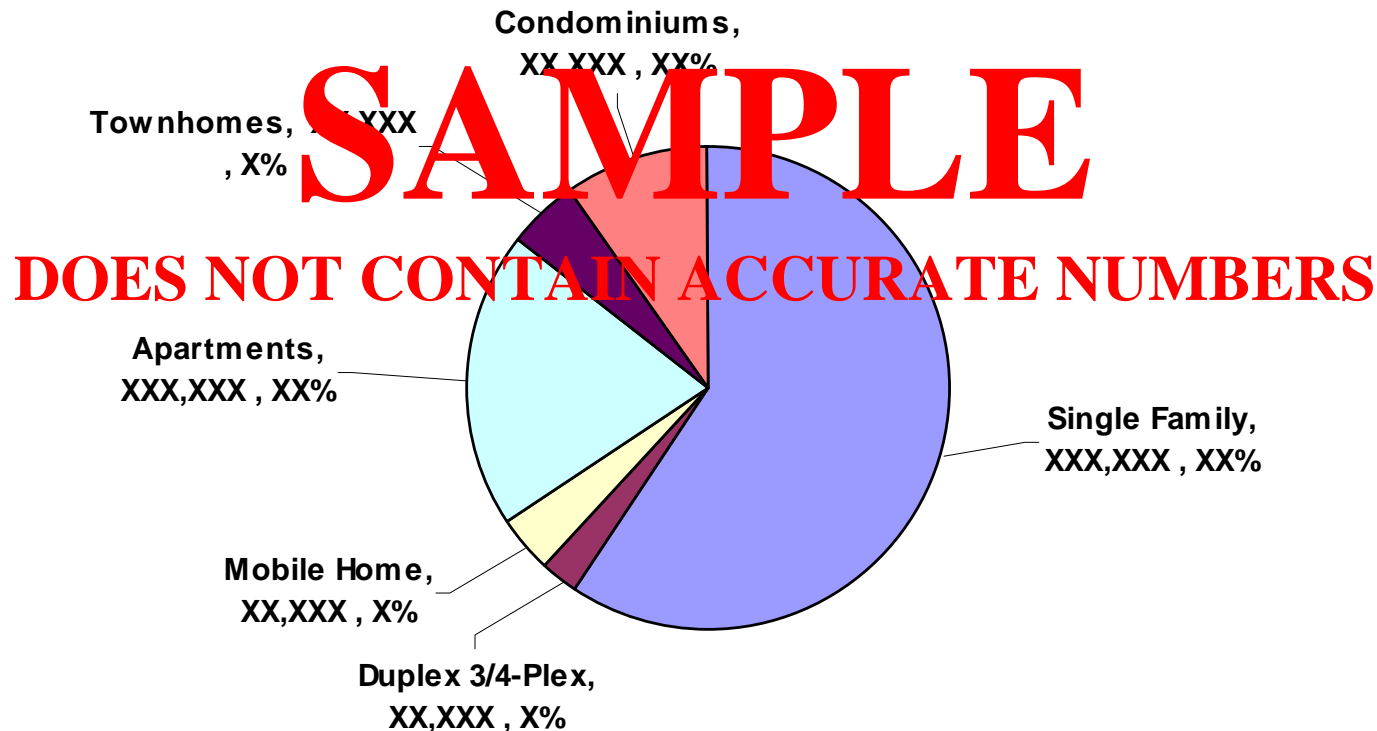
Source: Economy.com.

## Housing Composition

Like many metropolitan areas, single family homes dominate Clark County.

→ Condominiums, a growing segment, still consists of only 10% of the housing stock.

### Housing Unit Composition-Clark County, NV

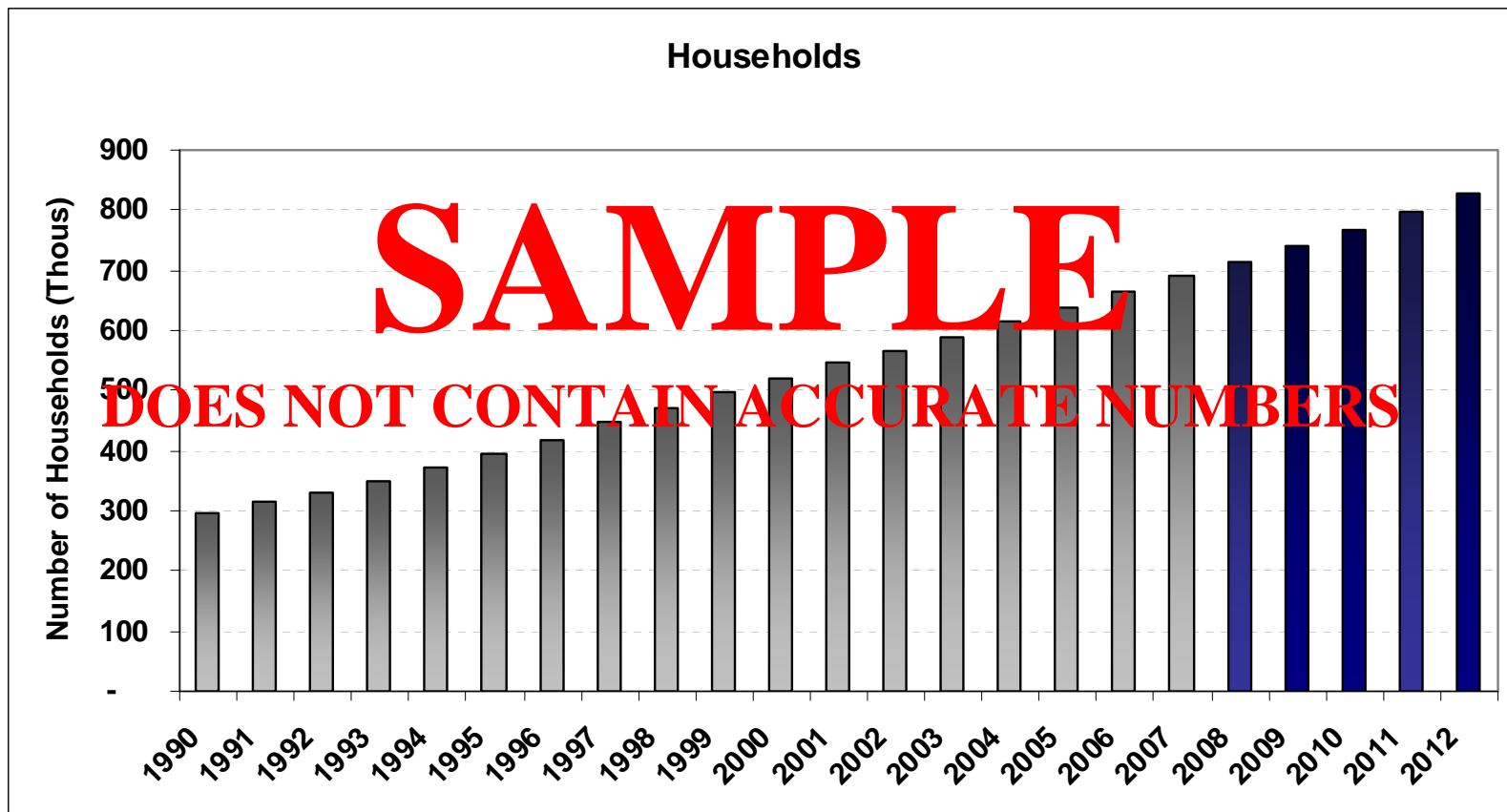


Source: Clark County Comprehensive Planning.

## Housing Demand

Household growth

→ Households grew at a tremendous pace in the 1990's. Since 2000, growth has been very consistent, increasing at an average of X% per year.

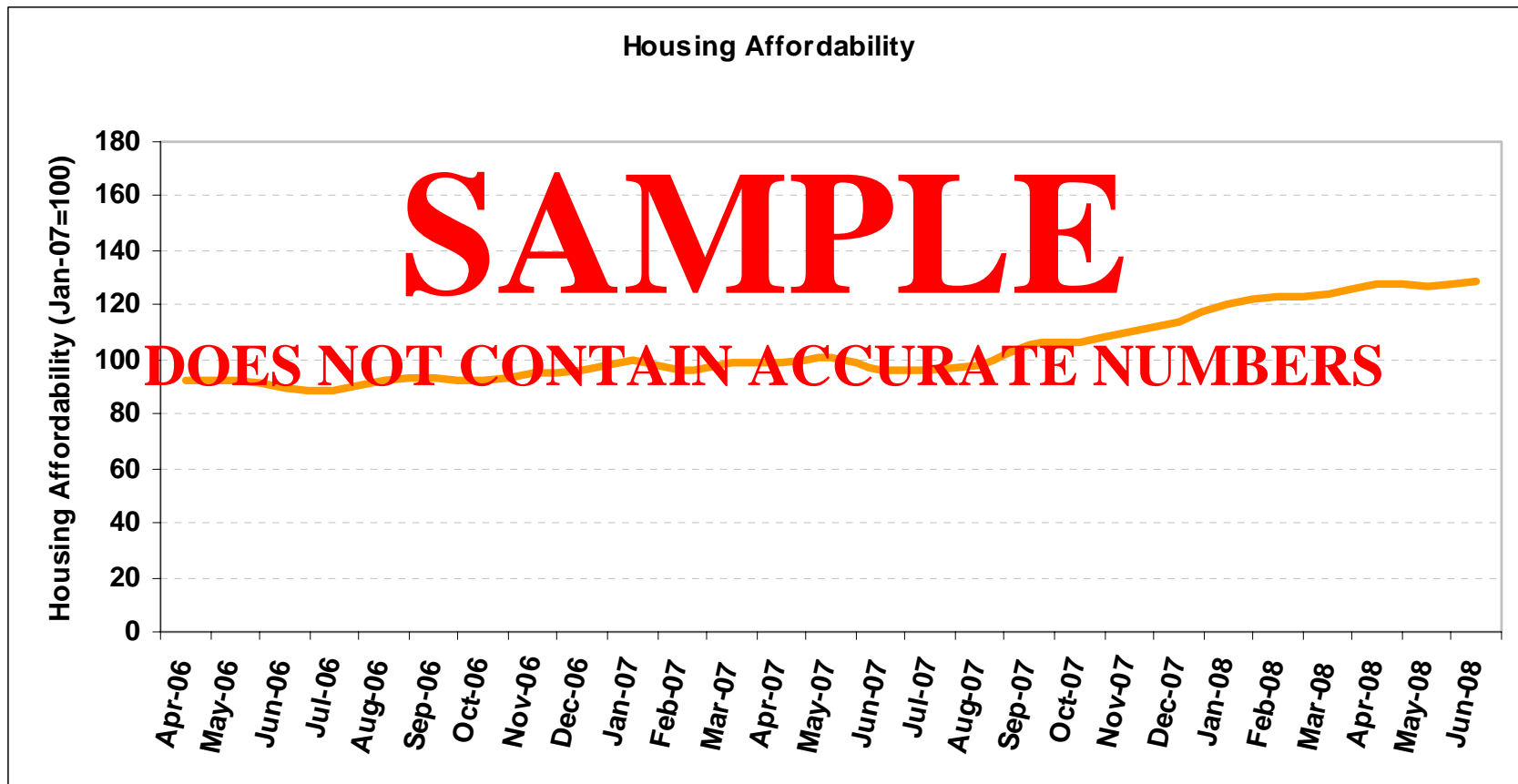


Source: Economy.com, Coldwell Banker Premier Developer Services. 2007 is an economy.com estimate. The Census 2007 American Community Survey will be released in August, 2008.

## Housing Demand

This housing affordability measure shows the degree in which the median income family can afford the median priced home.

→ Housing affordability is on the increase after a period of low affordability. The size of incomes necessary for qualifying are often lower than in 2006 because of lower home prices and interest rates, however credit scores and other documentation are much more important.

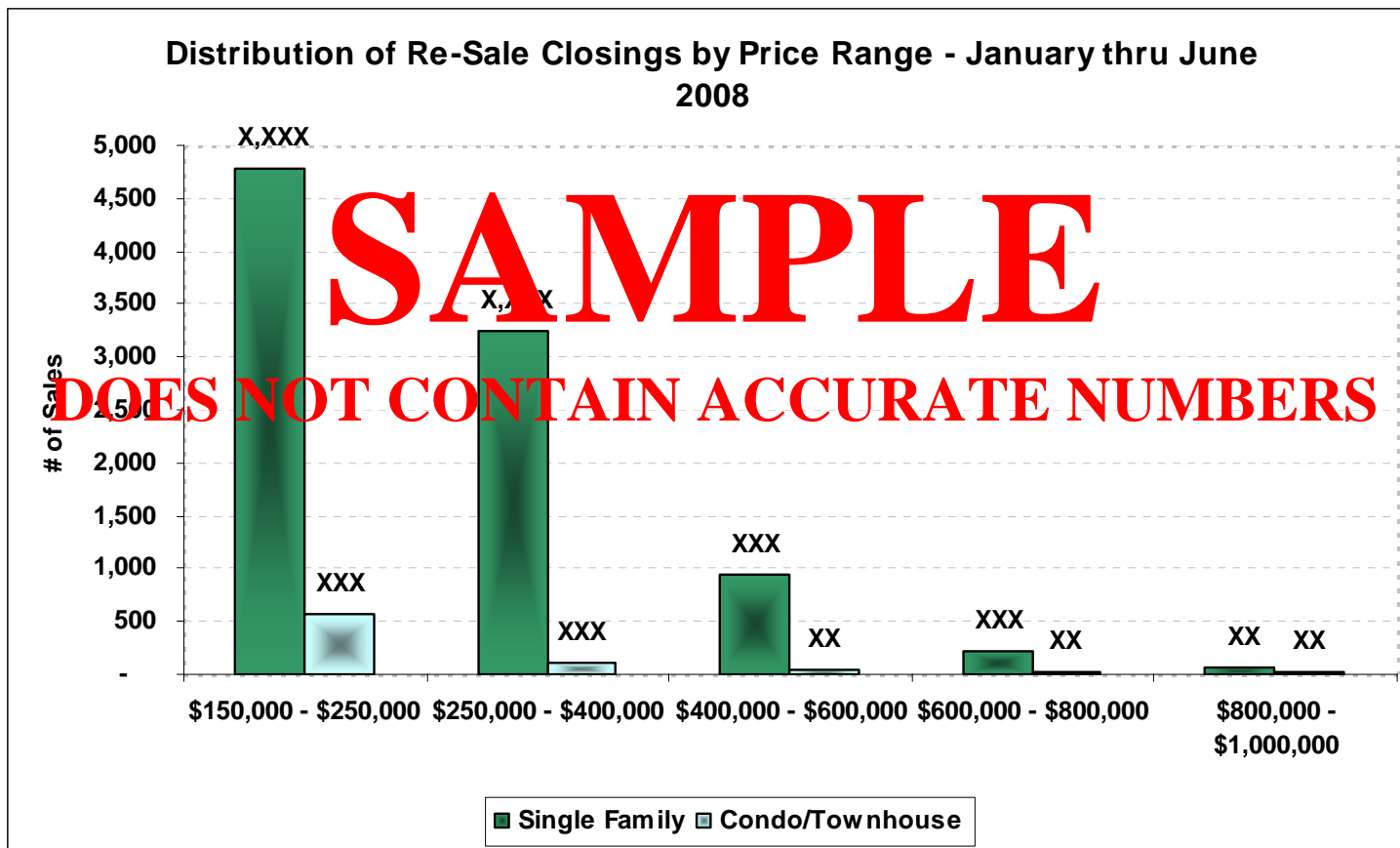


Source: Census, Bankrate.com, Economy.com, National Association of Realtors, Coldwell Banker Premier Developer Services.

## Housing Prices

The majority of homes sold in the re-sale market were in the \$XXX,XXX to \$XXX,000 range.

- Previously, the majority of homes were sold in the \$XXX,000 to \$XXX,000 range. The shift of sales to the \$XXX,000 to \$XXX,000 range shows the impact of foreclosure and short sales as well homebuyers finding some great values in the market.

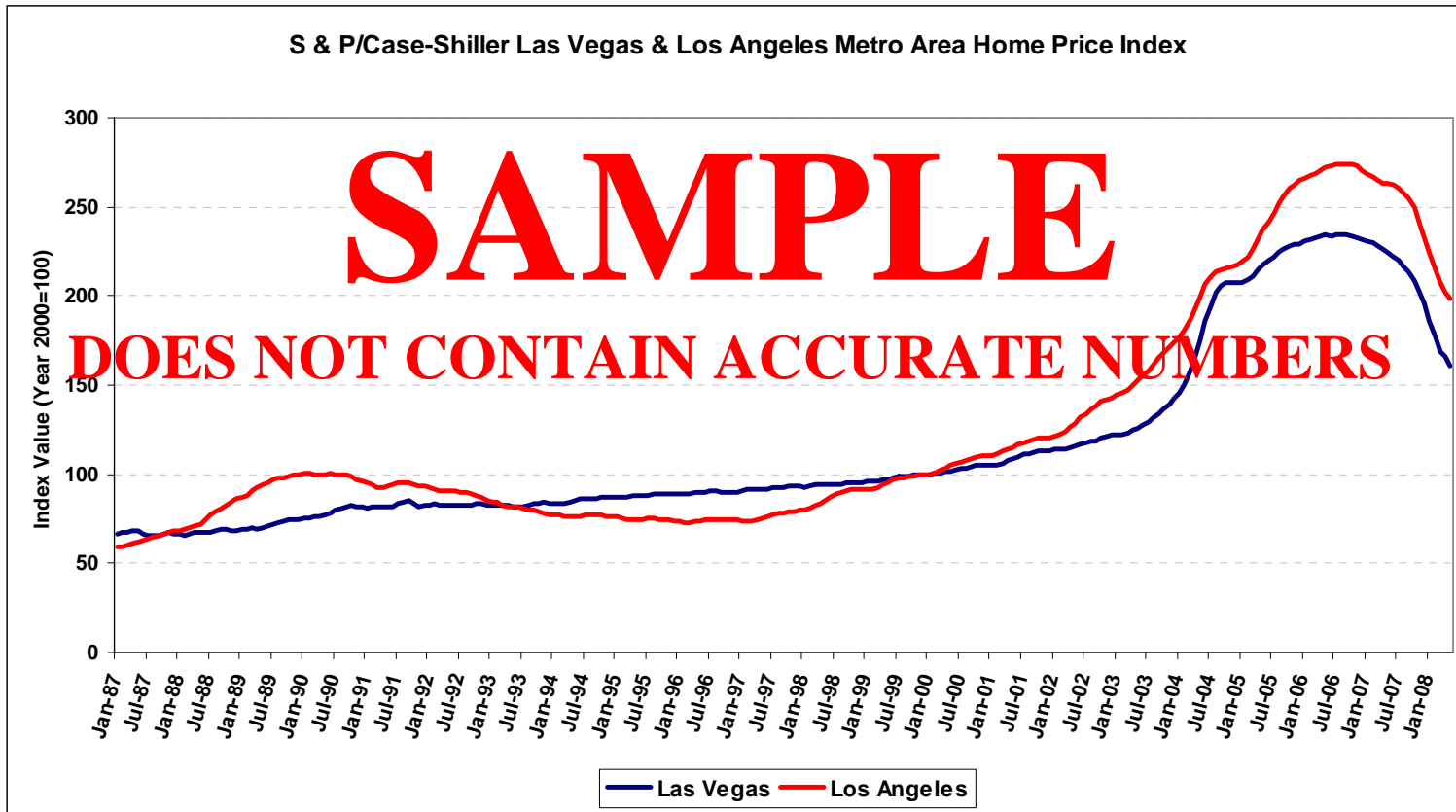


Source: mlxchange.

## Housing Prices

After a long period of stable price increases in the Las Vegas housing market, the past several years have been marked by a large price escalation. This period of escalation is difficult to explain with “typical” fundamentals such as employment, household growth and/or supply constraints.

- While Las Vegas home prices have traditionally taken a stable path, the recent pattern has mirrored that of Los Angeles. Recent months show prices moving towards the pre-bubble trend.

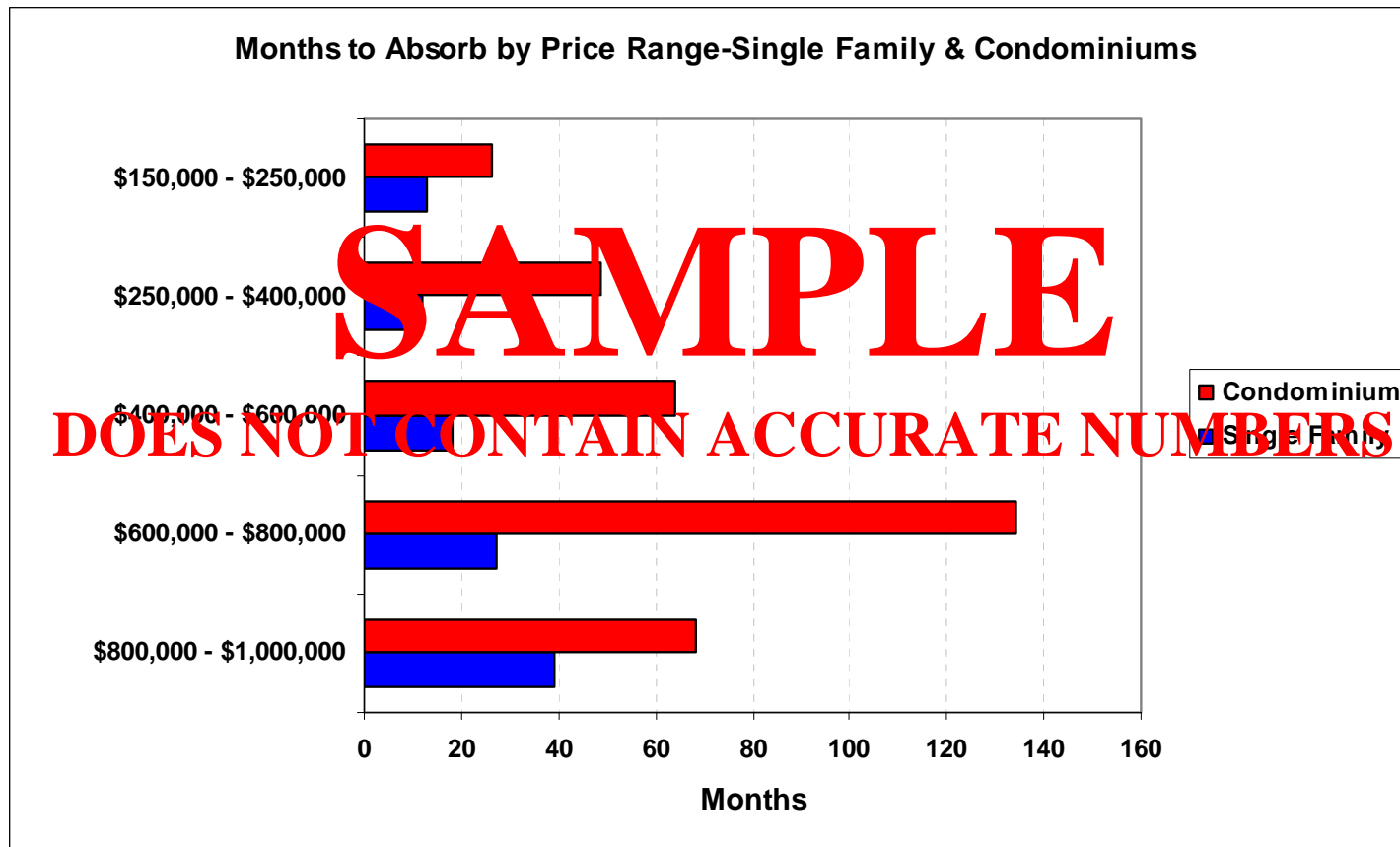


Source: Standard & Poors. Uses repeat sales of single family homes to measure price changes.

## Housing Absorption

Significant inventory remains on the resale market.

→ These figures are estimates of the time needed to sell the current inventory at the absorption rate experienced in the first half of 2008.

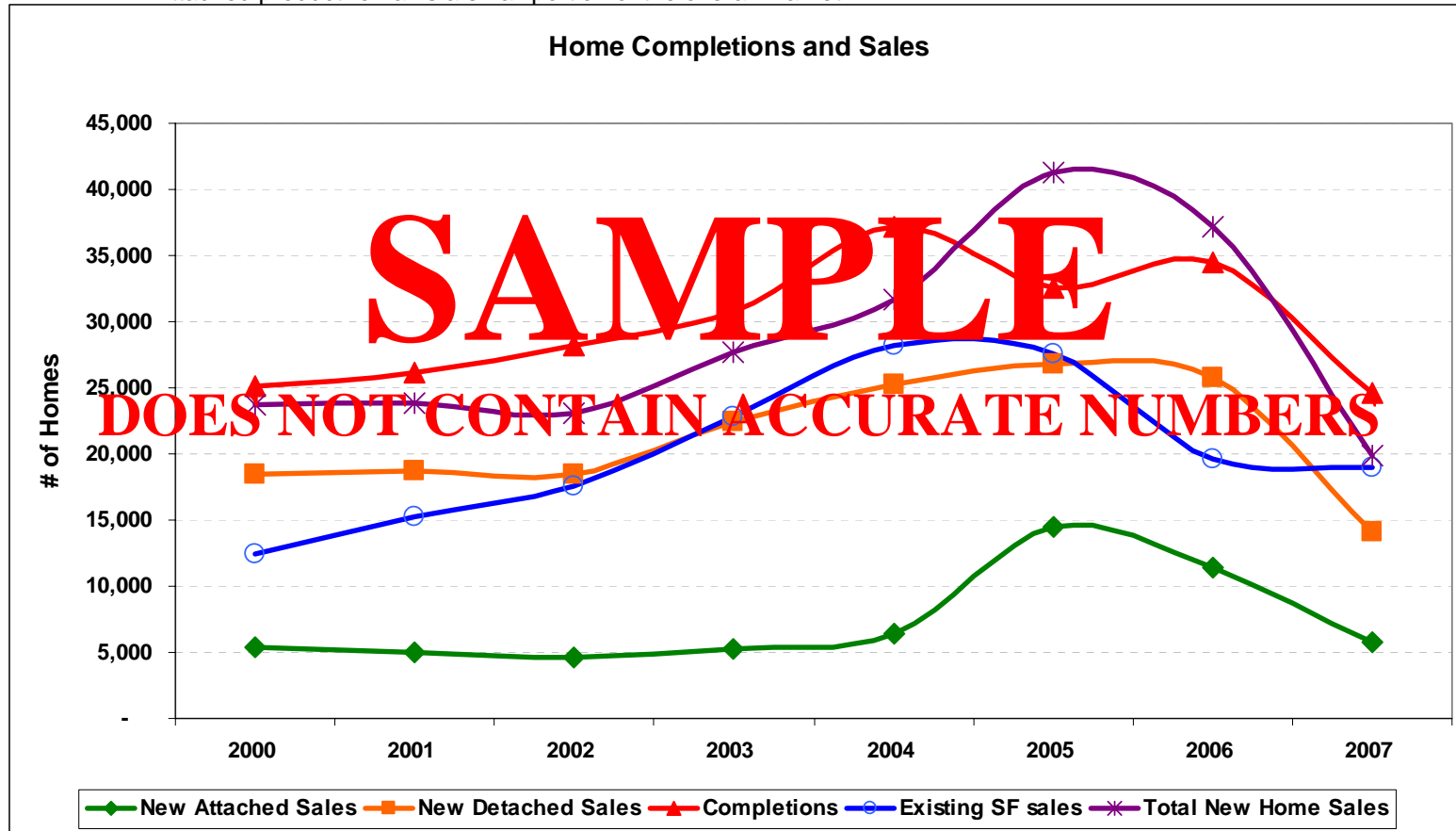


Source: Mlxchange.

## Housing Completions and Sales

Completions had often surpassed new home sales, leaving some inventory on the market for several months. Much of this inventory was absorbed in 2005 and 2006. Significant normalization occurred in 2007.

Attached product remains a small portion of the overall market.

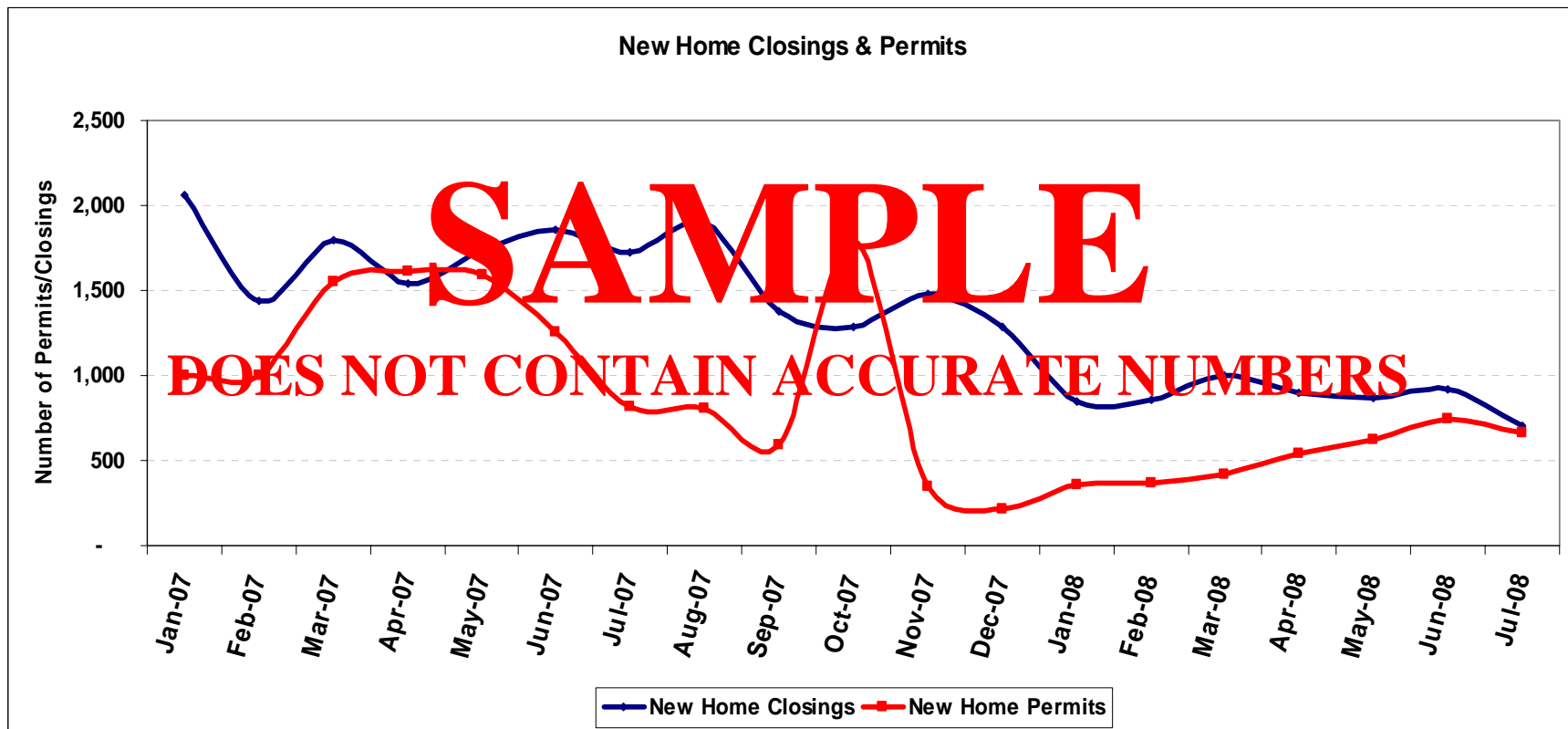


Source: Economy.com, Homebuilders Research, Coldwell Banker Premier. Does not include Condo-Hotel units.

## New Home Closings & Permits

→ New Home closings have been fairly stable in the recent months.

→ Residential permits spiked ahead of the fee increase and has shown a moderate increasing trend in recent months.

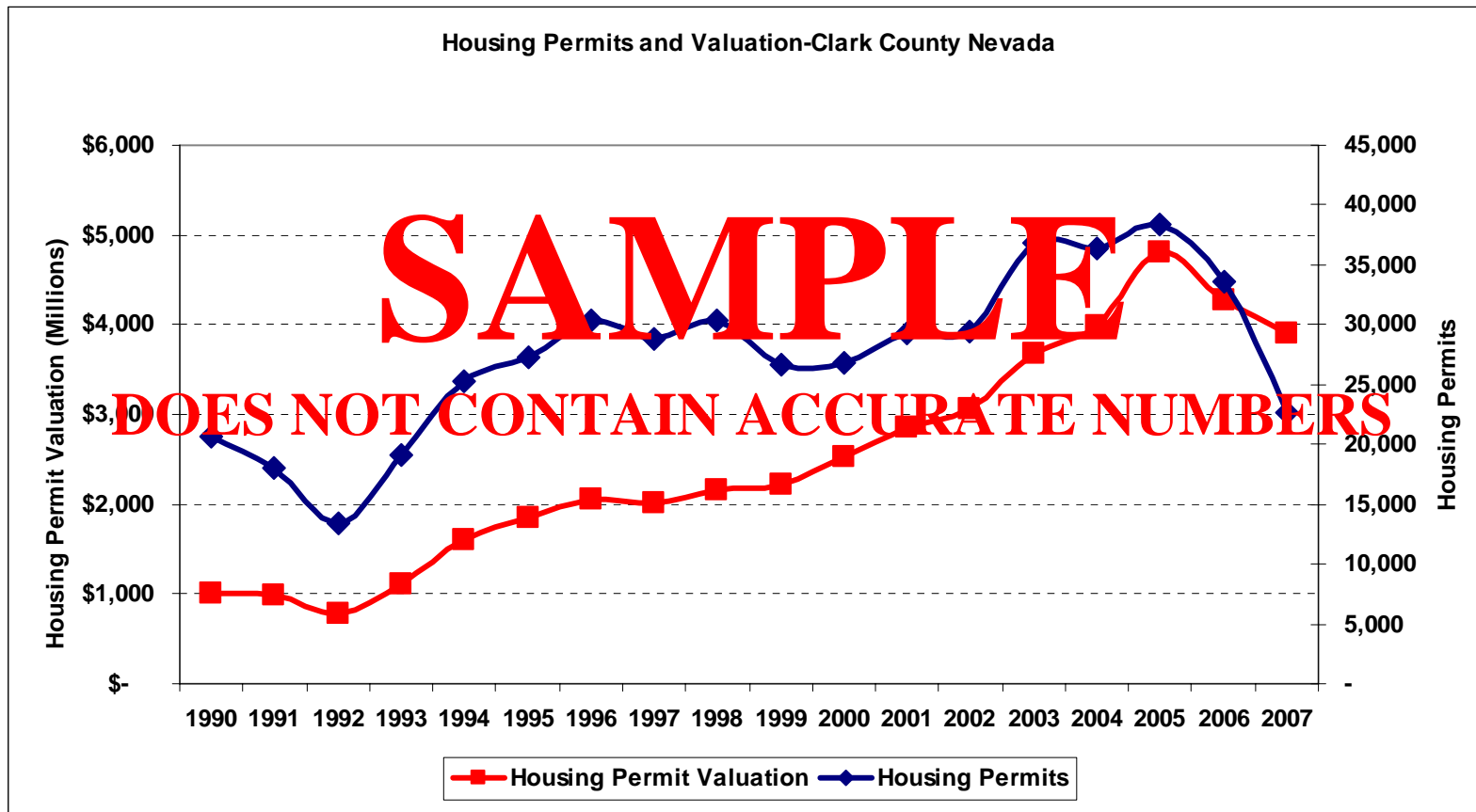


Source: Salestraq, Clark County, City of Las Vegas, City of North Las Vegas, City of Henderson.

## Housing Permits and Valuation

Builders have quickly reacted to the market and pulled far fewer permits in the past year, which is good for the market.

→ The decline in new construction activity will help alleviate some of the standing inventory of new and resale homes.

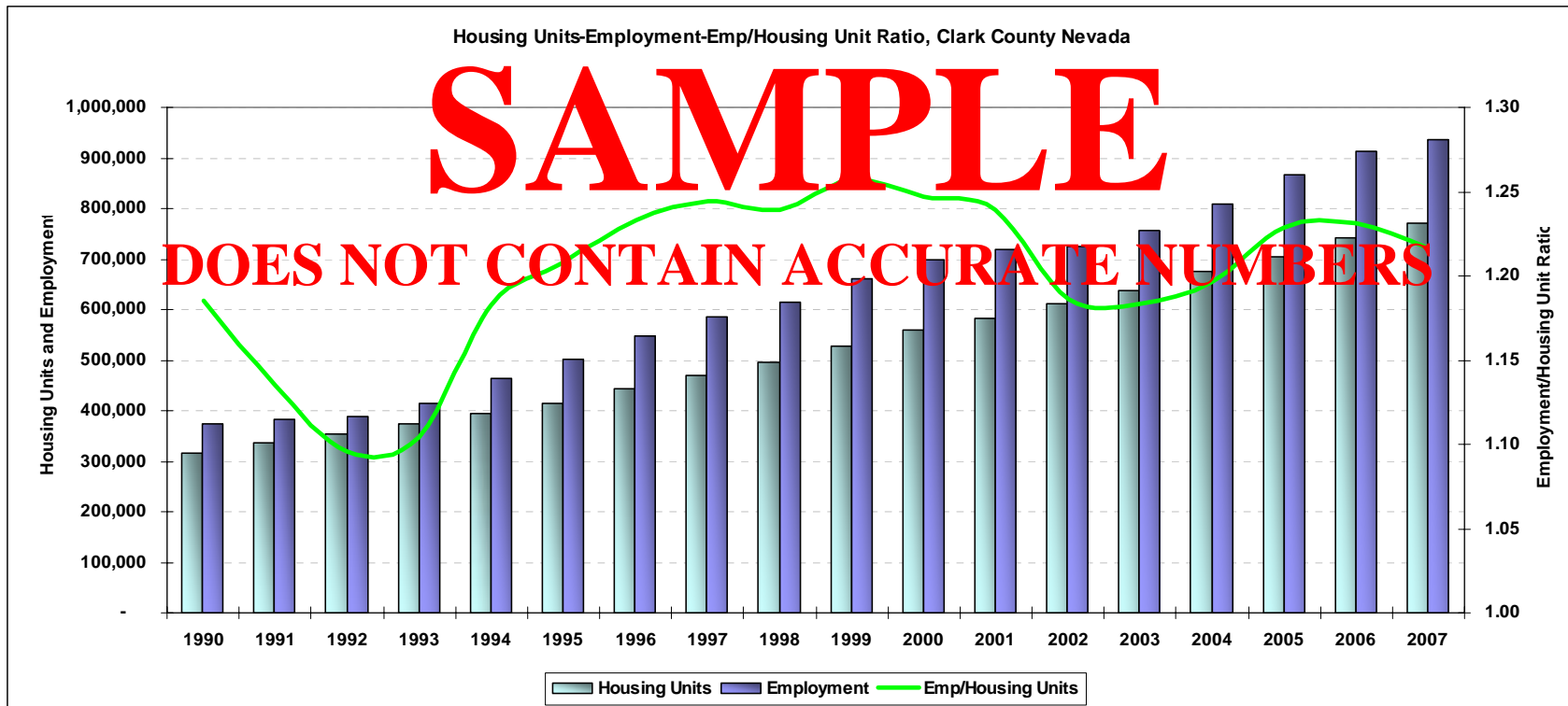


Source: Economy.com, Homebuilders Research, Coldwell Banker Premier.

## Housing-Employment and Housing Units

Although Las Vegas is a heavy second home market and has also seen a lot of speculative activity, long-run housing demand is related to employment. Given Las Vegas's employment potentials, significant new stock will eventually be necessary.

- The 1990's saw significant employment increases and housing stock was lagging in keeping up with increased demand. This was concurrent with significant new resort openings. Recently, the housing stock has increased at a greater pace than employment, causing a decline in the employment-to-housing ratio. With the decline in new home completions and permits, we expect increased employment will help to absorb the current levels of existing inventories and eliminate the overbuilt situation.

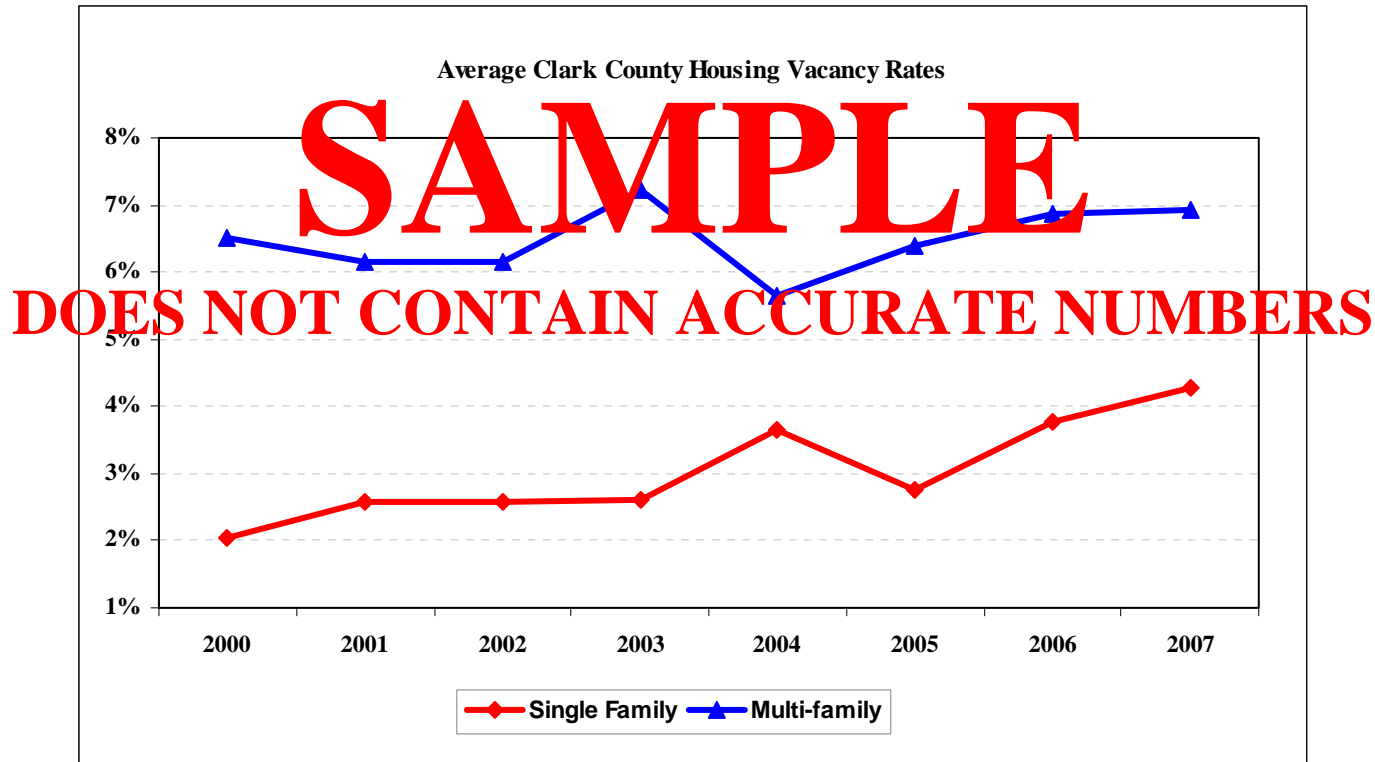


Source: Nevada Department of Training and Rehabilitation, Clark County Comprehensive Planning, Coldwell Banker Premier.

## Housing-Vacancies

A good measure of overall stability in the housing market are vacancy rates.

- While the amount of vacant inventory on the resale market is substantial (accounting for about 13,000 homes), the overall vacancy for multi-family has been fairly stable. Recent vacancy rates for single family homes has climbed in the past two years. However, we must keep in mind that some natural vacancy exists to allow for geographic and house type movement by households. The 2% vacancy in 2000 for single family is probably an extreme low value.

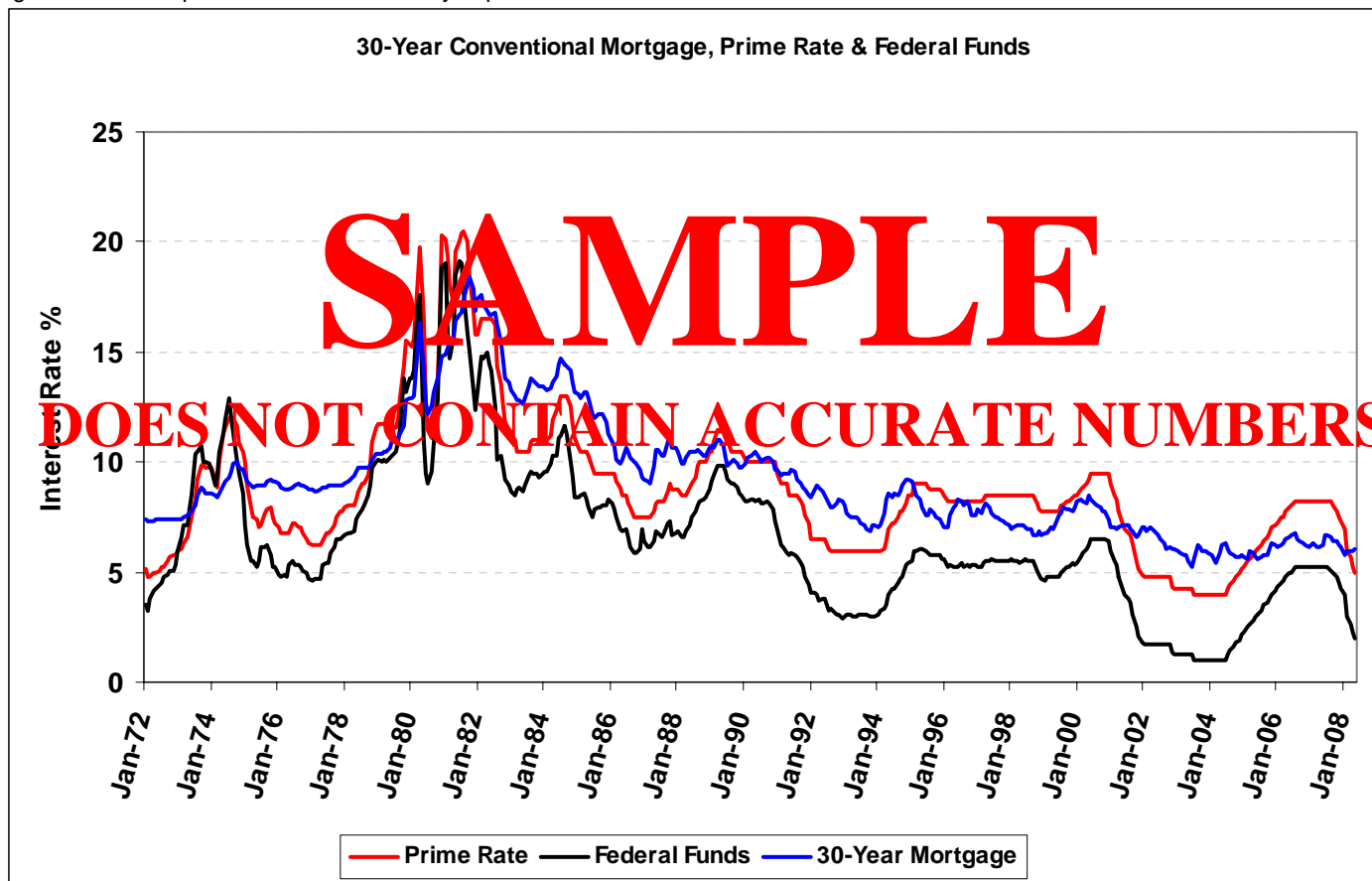


Source: Clark County Housing Vacancy Postal Survey.

## National Factors

Interest rates remain historically low and this corresponds to current affordability measures.

- For home buyers or commercial developers who can obtain credit, the cost of capital is relatively cheap. The bottleneck is that lenders criteria are significantly more stringent and developer track records are very important.



Source: Federal Reserve FRED II.

## Recap & Suggestions

- The Las Vegas region's economic growth is expected to remain soft for the next XX-XX months. Job growth is also expected to be weak until the bulk of new hotels becomes active and the inventory of homes is alleviated and construction jobs are restored.
- Hotels are offsetting some transportation costs by varying room rates. Additionally, weakness in the dollar is often marked by an increase in foreign tourists
- Wages in Southern Nevada's key industries bode well for commercial and residential property success.
- The housing market has been impacted by turbulence in the credit markets as well as weaker job growth and presence of foreclosures.
- Home prices have declined significantly. While this is a problem for highly leveraged organizations or individuals, this price decline, along with historically low interest rates has enhanced affordability for individuals with strong and predictable financial positions.
- Home inventory is still significant, however, new homes make up a small proportion the for-sale inventory.
- We believe the attached market will become increasingly popular as buyers desire the convenience that can be found in well conceived developments closer to urban cores. Highly amenitized, walkable communities will become more favorable to buyers. The desirability of such projects have increased as buyers are factoring energy and transportation costs into their decision making.
- We anticipate a trend towards smaller attached homes built in smaller phases.

**SAMPLE**

**DOES NOT CONTAIN ACCURATE NUMBERS**