

NEVADA'S Economy

A monthly report produced for COMMERCE REAL ESTATE SOLUTIONS by Stephen P. A. Brown, PhD, Center for Business & Economic Research University of Nevada, Las Vegas

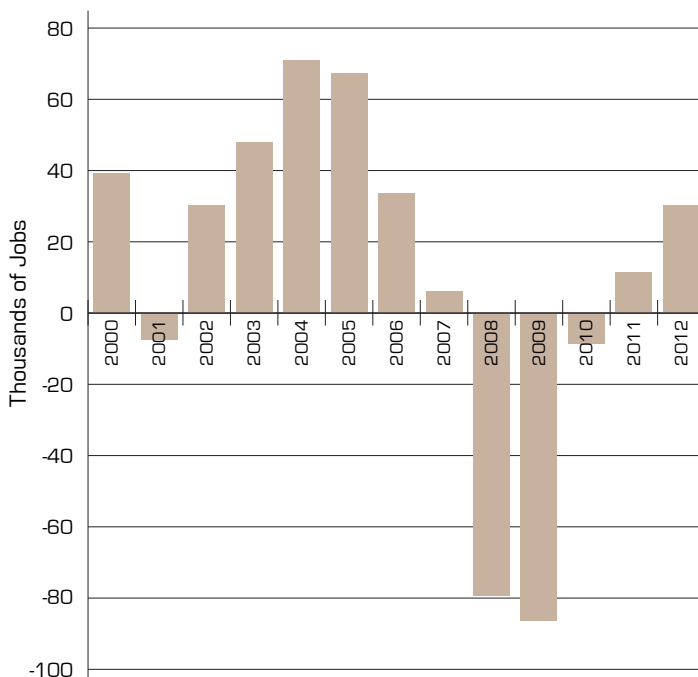
ISSUE 26 FEBRUARY 2013

To receive this newsletter by e-mail,
please subscribe at
www.comre.com/subscribe

THE NEVADA ECONOMY SHOWS RENEWED STRENGTH

Nevada economic activity accelerated sharply in 2012. After posting job losses of 79.7 thousand, 86.7 thousand and 8.5 thousand in 2008, 2009 and 2010, respectively, the Nevada economy created just 11.2 thousand jobs in 2011 (*Chart 1*). According to recently revised data, the Nevada economy created 29.3 thousand jobs for a 2.6 percent growth rate in 2012. That rate of growth put Nevada well ahead of the U.S. figure of 1.7 percent for 2012 and in fourth place among the states for the fastest rate of employment growth in the United States, behind North Dakota, Utah and Texas.

Chart 1 Nevada Job Creation



Source: Author's calculations and Nevada Department of Employment, Rehabilitation and Training

In comparison to the 2001-2007 expansion, Nevada's growth rate may seem a little weak. During that 73-month period, Nevada's employment grew at a nation-leading 3.7 percent annual rate, while the U.S. economy added jobs at only a 0.9 percent annual rate.

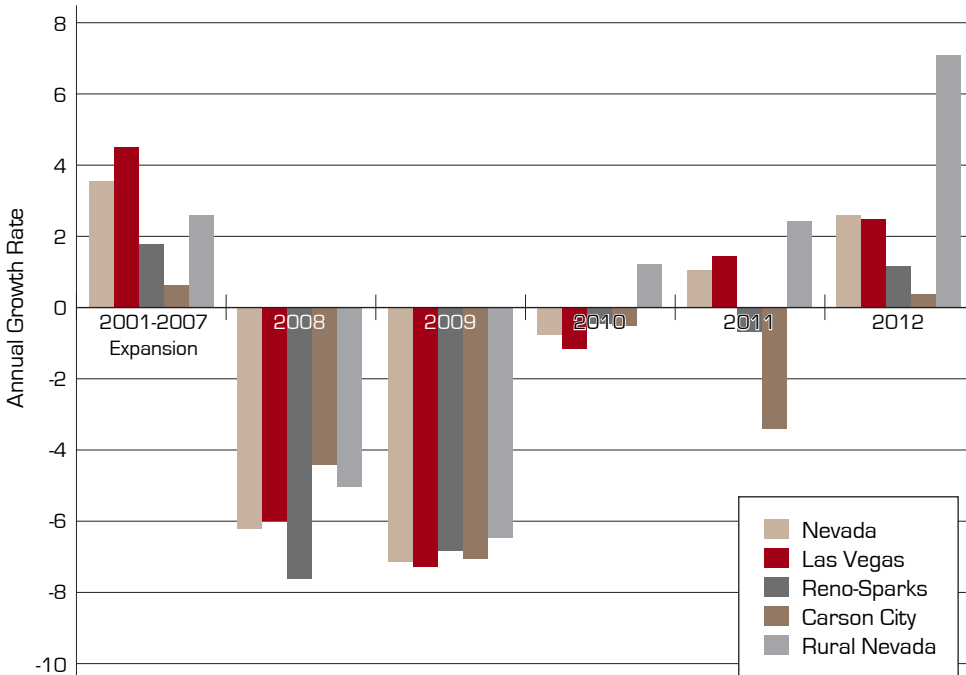
Where's the Job Growth?

We normally think of Las Vegas as setting the pace for Nevada's job growth, but looking only at Las Vegas renders only a partial view of Nevada economic activity. In 2012, Las Vegas employment grew at a slightly slower rate than the state's, and Reno-Sparks and Carson City showed sluggish employment growth (*Chart 2*). Measured in growth rates, rural Nevada showed the strongest employment gains—particularly in those areas of the state where mining is important.

This report is commissioned by
Commerce Real Estate Solutions
info@comre.com • 801-322-2000

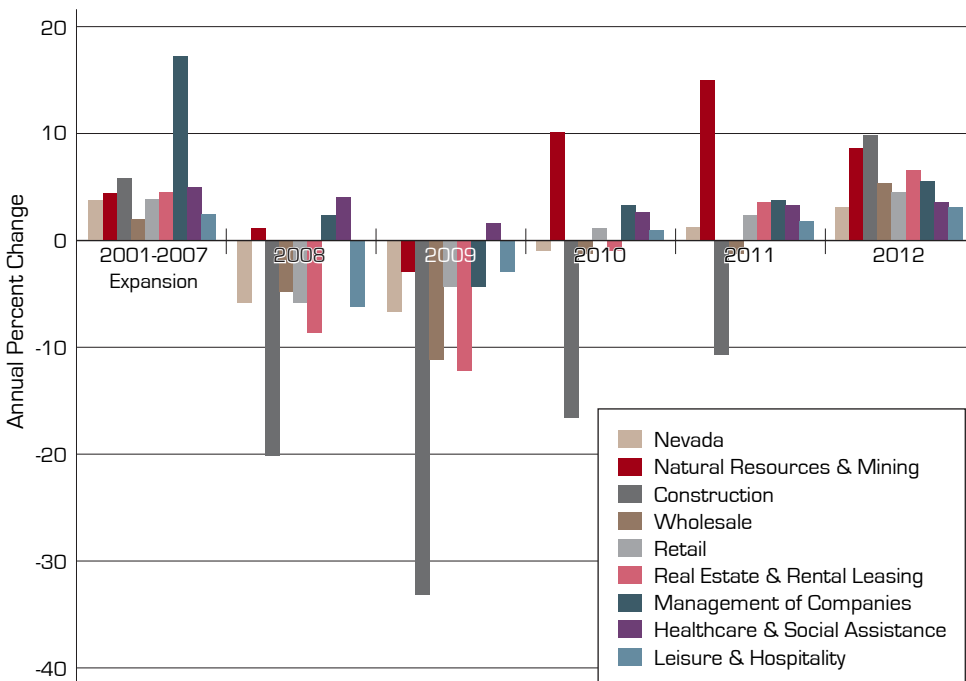


Chart 2 Nevada Job Creation by Region



Source: Author's calculations and Nevada Department of Employment, Rehabilitation and Training

Chart 3 Nevada Job Creation by Selected Industry



Source: Author's calculations and Nevada Department of Employment, Rehabilitation and Training

Las Vegas led the state in employment growth during the 2001-2007 expansion, with an average annual growth rate of 4.4 percent. Since 2007, however, Las Vegas employment outpaced the state's employment only in 2011. Moreover, rural Nevada has been the leader in state employment growth since 2008.

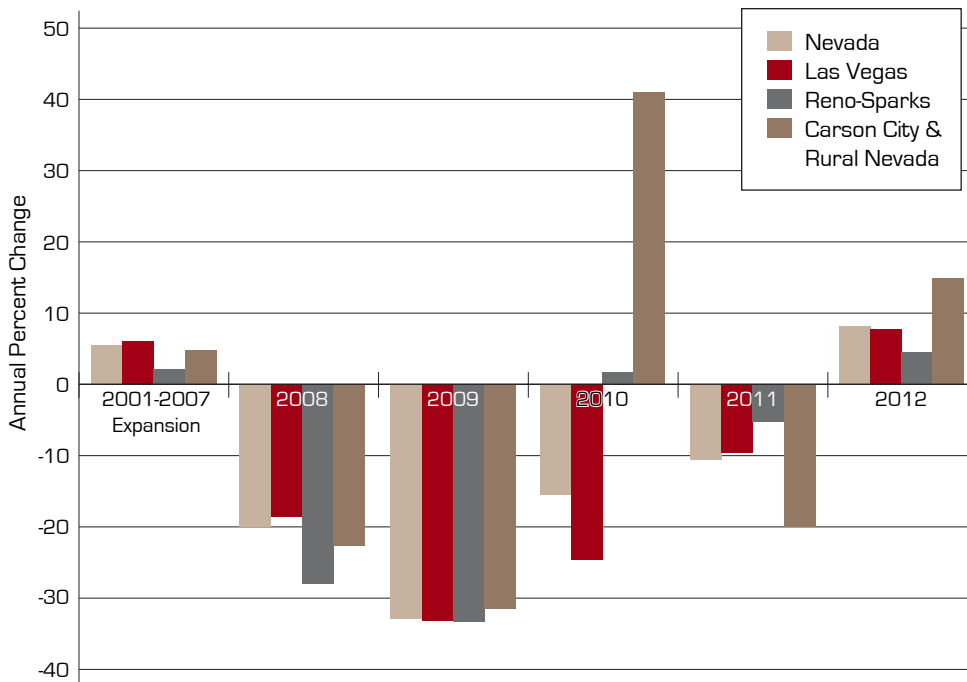
What Industries Are Creating the Jobs?

A number of Nevada's industries are showing strong growth (*Chart 3*). Construction and natural resources and mining were the two industries showing the strongest employment growth in 2012. Other sectors showing robust growth were wholesale and retail trade, real estate and rental leasing, management of companies, and healthcare and social assistance. Increasing by 2.5 percent, employment in leisure and hospitality was just a little behind overall state employment growth.

The strong growth of the natural resources and mining sector has helped drive the growth in rural Nevada during the current recovery. Although this sector has generally outperformed the Nevada economy since 2001, it also has helped push rural Nevada ahead of the state's overall employment growth since 2008.

Rural Nevada is also contributing strength to construction in Nevada (*Chart 4*). Given the relative size of Las Vegas, we would not be seeing gains in

Chart 4 Nevada's Construction Job Creation by Region



Source: Author's calculations and Nevada Department of Employment, Rehabilitation and Training

Nevada construction employment without a rebound in Las Vegas construction. Nonetheless, the growth rate of construction employment in rural Nevada is running well ahead of the state's.

The Nevada Economy Shakes Off Its Torpor

In 2012, the Nevada economy added 29.3 thousand jobs for a 2.6 percent growth rate. That growth rate put Nevada well ahead of the U.S. growth rate of 1.7 percent for 2012. Given its size, renewed strength in Las Vegas played an important role in the Nevada's economic resurgence. Reno-Sparks and Carson City showed only weak employment growth. In contrast, rural Nevada showed a higher rate of employment gains than the state as whole.

Nevada Economic Conditions

Revised data show that U.S. economic growth slowed in fourth quarter 2012, with U.S. real GDP increasing at a 0.1 percent annual rate. The weakness was driven by decreases in federal government spending, inventory investment and exports. Housing markets, business fixed investment and consumer spending remained reasonably strong. Nevada's economy showed favorable signs with gains in retail spending, employment and construction. January gaming revenues were well below a year earlier.

U.S. Economy Shows Signs of Accelerating in First Quarter 2013

Revised estimates for fourth quarter 2012 show U.S. real GDP growing at an annualized rate of 0.1 percent. Private inventory investment, federal government

spending, and exports made negative contributions. The reduction in federal government spending comes after a surge in defense spending during third quarter, as a response to possible sequestration. In addition, Europe's problems are affecting the United States in the form of weak exports. Personal consumption

Story continues after graphs



NEVADA'S ECONOMY FEBRUARY 2013

| Table 1 | U.S. | Date | Units | Current | Previous | Change | Year Ago | Change |
|---------|------------------------|---------|-------------------|----------|----------|--------|----------|--------|
| | Employment | 2013M02 | million, SA | 135.046 | 134.810 | 0.2% | 133.080 | 1.5% |
| | Unemployment Rate* | 2013M02 | %, SA | 7.7 | 7.9 | -0.2% | 8.3 | -0.6% |
| | Consumer Price Index | 2013M02 | 82-84=100, SA | 231.2 | 231.1 | 0.0% | 227.6 | 1.6% |
| | Core CPI | 2013M02 | 82-84=100, SA | 232.1 | 231.5 | 0.3% | 227.7 | 1.9% |
| | Employment Cost Index | 2012Q4 | 89.06=100, SA | 116.7 | 116.3 | 0.3% | 114.7 | 1.7% |
| | Productivity Index | 2012Q4 | 2005=100, SA | 111.3 | 111.8 | -0.5% | 110.7 | 0.5% |
| | Retail Sales | 2013M01 | \$billion, SA | 416.6 | 416.1 | 0.1% | 399.2 | 4.4% |
| | Auto and Truck Sales | 2013M01 | million, SA | 15.22 | 15.33 | -0.7% | 13.93 | 9.3% |
| | Housing Starts | 2013M01 | million, SA | 0.890 | 0.973 | -8.5% | 0.720 | 23.6% |
| | Real GDP*** | 2012Q4 | 2005\$billion, SA | 13,656.8 | 13,652.5 | 0.1% | 13,441.0 | 1.6% |
| | U.S. Dollar | 2013M02 | 97.01=100 | 99.590 | 98.935 | 0.7% | 98.103 | 1.5% |
| | Trade Balance | 2013M01 | \$billion, SA | -44.448 | -38.144 | 16.5% | -52.288 | -15.0% |
| | S and P 500 | 2013M02 | monthly close | 1,514.68 | 1498.11 | 1.1% | 1365.68 | 10.9% |
| | Real Short-term Rates* | 2013M01 | %, NSA | -3.20 | -3.13 | -0.1% | -3.27 | 0.1% |
| | Treasury Yield Spread* | 2013M02 | %, NSA | 1.88 | 1.84 | 0.04% | 1.94 | -0.06% |

| Table 2 | Nevada | Date | Units | Current | Previous | Change | Year Ago | Change |
|---------|--------------------|---------|-----------------|---------|----------|--------|----------|--------|
| | Employment | 2013M01 | 000s, SA | 1,165.3 | 1,158.7 | 0.6% | 1,136.5 | 2.5% |
| | Unemployment Rate* | 2013M01 | %, SA | 9.7 | 9.8 | -0.1% | 12.0 | -2.3% |
| | Taxable Sales | 2012M12 | \$billion | 4.344 | 3.636 | 19.5% | 4.216 | 3.0% |
| | Gaming Revenue | 2013M01 | \$million | 909.18 | 943.30 | -3.6% | 1,038.41 | -12.4% |
| | Passengers | 2013M01 | million persons | 3.490 | 3.605 | -3.2% | 3.531 | -1.2% |
| | Gasoline Sales | 2012M12 | million gallons | 86.28 | 93.26 | -7.5% | 86.05 | 0.3% |
| | Visitor Volume | 2013M12 | million persons | 3.929 | 3.926 | 0.1% | 3.858 | 1.8% |

| Table 3 | Clark County | Date | Units | Current | Previous | Change | Year Ago | Change |
|---------|---------------------|---------|-----------------|---------|----------|--------|----------|--------|
| | Employment | 2013M01 | 000s, SA | 836.4 | 834.0 | 0.3% | 817.0 | 2.4% |
| | Unemployment Rate* | 2013M01 | %, Smoothed SA | 9.8 | 10.4 | -0.6% | 13.1 | -3.3% |
| | Taxable Sales | 2012M12 | \$billion | 3.171 | 2.602 | 21.9% | 2.992 | 6.0% |
| | Gaming Revenue | 2013M01 | \$million | 802.50 | 825.67 | -2.8% | 925.49 | -13.3% |
| | Residential Permits | 2013M01 | units permitted | 621 | 505 | 23.0% | 317 | 95.9% |
| | Commercial Permits | 2013M01 | permits | 19 | 11 | 72.7% | 21 | -9.5% |
| | Passengers | 2013M01 | million persons | 3.178 | 3.311 | -4.0% | 3.205 | -0.8% |
| | Gasoline Sales | 2012M12 | million gallons | 59.52 | 64.04 | -7.1% | 58.75 | 1.3% |
| | Visitor Volume | 2013M01 | million persons | 3.227 | 3.325 | -2.9% | 3.162 | 2.1% |

| Table 4 | Washoe County | Date | Units | Current | Previous | Change | Year Ago | Change |
|---------|---------------------|---------|-----------------|---------|----------|--------|----------|--------|
| | Employment** | 2013M01 | 000s, SA | 191.6 | 191.0 | 0.3% | 190.3 | 0.7% |
| | Unemployment Rate* | 2013M01 | %, Smoothed SA | 10.2 | 10.8 | -0.6% | 12.6 | -2.4% |
| | Taxable Sales | 2012M12 | \$billion | 0.552 | 0.454 | 21.6% | 0.579 | -4.7% |
| | Gaming Revenue | 2013M01 | \$million | 52.69 | 58.47 | -9.9% | 53.73 | -1.9% |
| | Residential Permits | 2013M01 | units permitted | 84 | 83 | 1.2% | 95 | -11.6% |
| | Commercial Permits | 2013M01 | permits | 10 | 14 | -28.6% | 11 | -9.1% |
| | Passengers | 2013M01 | million persons | 0.268 | 0.248 | 7.9% | 0.281 | -4.9% |
| | Gasoline Sales | 2012M12 | million gallons | 13.02 | 13.95 | -6.7% | 13.13 | -0.8% |
| | Visitor Volume | 2013M01 | million persons | 0.321 | 0.291 | 10.2% | 0.323 | -0.8% |

*Growth data represents change in percentage rate

**Reflects the Reno-Sparks MSA which includes Washoe and Storey Counties

***Recent growth is an annualized rate

Sources: Nevada Department of Taxation; Nevada Department of Employment, Training, and Rehabilitation; UNR Bureau of Business and Economic Research; UNLV Center for Business and Economic Research; McCarran International Airport; Reno/Tahoe International Airport; Las Vegas Convention and Visitors Authority; Reno-Sparks Convention and Visitors Authority; U.S. Department of Commerce; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Federal Reserve Bank.

Note: NSA = Not Seasonally Adjusted, SA = Seasonally Adjusted

expenditures, business fixed and residential investment all made positive contributions for fourth quarter.

U.S. nonfarm employment continues to rise, gaining 236,000 jobs from January to February. The unemployment rate decreased slightly to 7.7 percent. Housing starts are up substantially year-over-year, and housing prices continue to rise. Auto/truck sales decreased, while retail sales increased for January. Consumer confidence and sentiment have made gains recently. The Kansas City Financial Stress Index remained near its long-run average in February, which suggests no financial headwinds, but bankers say that regulators are inhibiting business lending. Business surveys and anecdotal reports also show businesses delaying investment until after a number of policy uncertainties are resolved (*Table 1*).

Nevada Economy Shows Solid Growth

The Nevada economy evidenced mostly positive signs in late 2012 and early 2013. Seasonally adjusted, statewide employment increased by 28,800 jobs (2.5 percent) from January 2012 to January 2013. The Nevada unemployment rate decreased from 9.8 percent in December to 9.7 percent in January. Visitor volume was 1.8 percent higher in December than a year earlier. Taxable sales continue to show growth, up 3.0 percent from last year. Gaming revenue dropped sharply and is down 12.4 percent from January 2012—mostly the result of decreased table play (*Table 2*).

Clark County Sees Mostly Favorable Economic Signs

Clark County also saw evidence of solid growth in late 2012 and early 2013. Seasonally adjusted, employment increased by 19,400 jobs (2.4 percent) January 2012

to January 2013. The Las Vegas unemployment rate declined, from 10.4 percent in December to 9.8 percent in January. Total passengers at McCarran Airport were down 0.8 percent from a year earlier. Compared to a year earlier, January visitor volume was up by 2.1 percent. Gaming revenue was 13.3 percent lower in January than a year earlier. Clark County's taxable sales for December were 6.0 percent above those from a year earlier. Residential construction permits increased from December to January. Commercial construction permits remained at a low level (*Table 3*).

Washoe County Economy Continues to Struggle

Washoe County showed mostly negative signals with the most recent data. Seasonally adjusted, Reno-Sparks' employment increased by 1,300 jobs (0.7 percent) from January 2012 to January 2013. The seasonally adjusted Reno-Sparks unemployment rate declined slightly, from 10.8 percent in November to 10.2 percent in December. Compared to a year earlier, January visitor volume and total air passengers were both down, by 0.8 percent and 4.9 percent, respectively. Gaming revenues for January were down 1.9 percent from January 2012. Residential construction permits increased slightly in December, while commercial construction permits remained low (*Table 4*).

Nevada Economy in Brief

The U.S. economy experienced slow growth for fourth quarter 2012. Consumer spending and most measures of the housing market are showing continued improvement. A weak national economy is affecting Nevada in the form of weak growth in tourism. Despite the slowing tourism, taxable sales, construction and employment are making strong gains.

This information is provided compliments of

Michael M. Lawson

PRESIDENT AND CEO OF COMMERCE REAL ESTATE SOLUTIONS

Ed Turpin

MANAGING DIRECTOR - BRANCH MANAGER, LAS VEGAS OFFICE

Brian Armon, SIOR, CCIM

MANAGING PARTNER, NORTHERN NEVADA OFFICE

*TO RECEIVE THIS NEWSLETTER BY E-MAIL, PLEASE SUBSCRIBE
AT WWW.COMRE.COM/SUBSCRIBE*

COMMERCE is a regional real estate firm with international ties, dedicated first and foremost to our clients. With the industry's premier professionals, and industry leading technology, our mission is to exceed our clients' expectations through service excellence.

For further information on the Nevada commercial real estate market, visit www.comre.com or call 702-796-7900.



COMMERCE REAL ESTATE SOLUTIONS

3773 Howard Hughes Parkway, Suite 100S
Las Vegas, NV 89169

Tel (702) 796-7900 • Fax (702) 796-7920

www.comre.com

**COMMERCE REAL ESTATE SOLUTIONS
NORTHERN NEVADA**

6121 Lakeside Drive, Suite 205

Reno, NV 89511

Tel (775) 851-9500 • Fax (775) 851-9551

www.comre.com

This report has been prepared solely for information purposes. It does not purport to be a complete description of the markets or developments contained in this material.

The information contained in this report, while not guaranteed, has been secured from sources we believe to be reliable.

