

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

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NEVADA ECONOMY MORE FIRMLY IN RECOVERY THAN PREVIOUSLY REALIZED

New employment numbers released in March by the State of Nevada Department of Education, Training and Rehabilitation (DETR) show that Nevada's economy fared better in 2010 and 2011 than earlier estimates had indicated. The Nevada economy did not shed as many jobs in 2010 as was previously thought and it added more jobs in 2011 than was previously thought.

The revised data show that the Nevada economy is more firmly in recovery than was previously realized. Similar patterns are found in the revised numbers for the Las Vegas and Reno-Sparks metropolitan areas.

When the economy is in the final stages of a downturn and the initial stages of a recovery, substantial upward revisions of employment data are fairly common. Nevada's monthly employment data are obtained through DETR's surveys of Nevada businesses. New businesses tend to form as the economy shifts from decline to growth. When DETR rebases its data—as it does every March—it better accounts for the new business formations and closures that have occurred during the past year. The revised data better capture the actual progress of the Nevada economy.

Revising Nevada History

According to the old data, Nevada lost 13,400 jobs (1.2 percent) in 2010 and gained 3,500 jobs (0.3 percent) in 2011. According to the revised data, Nevada lost 10,100 jobs (0.9 percent) in 2010 and gained 13,100 jobs (1.2 percent) in 2011. Over the two-year period, the difference in employment amounted to an additional

Change in Nevada Employment December 2009 to December 2010

Sector	Old Data	Revised Data	Difference
Total Employment	-13,400	-10,100	3,300
Goods Producing	-12,600	-10,200	2,400
Natural Resources	800	1,200	400
Construction	-11,100	-10,600	500
Manufacturing	-2,300	-800	1,500
Service Producing	-800	100	900
Private Service Producing	1,100	3,600	2,500
Trade, Transportation, and Utilities	-4,400	500	4,900
Information Services	-200	-400	-200
Financial Activities	-2,400	-600	1,800
Professional and Business Services	2,700	1,300	-1,400
Education and Health Services	1,500	2,700	1,200
Leisure and Hospitality	3,300	1,100	-2,200
Other Services	600	-1,000	-400
Government	-1,900	-3,500	-1,600

Sources: DETR; CBER calculations

12,900 jobs (1.2 percent).

As shown in *Table 1*, DETR made relatively small revisions to the 2010 Nevada data, increasing total employment by 3,300 jobs (0.3 percent). The upward revisions are concentrated in manufacturing, trade,

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transportation, utilities, and financial activities. Downward revisions are concentrated in professional and business services, leisure and hospitality, and government.

As shown in *Table 2*, the revisions to the 2011 Nevada data were more substantial, increasing total employment by 9,600 jobs (0.9 percent). Large upward revisions are found in natural resources, trade, transportation, utilities, financial activities, leisure and hospitality, and other services. Notable downward revisions are found in construction, education, and health services.

Both the old and the revised data show that leisure and hospitality made solid contributions to Nevada's employment growth in 2011. Together, the private service-producing sectors contributed 20,600 new jobs in Nevada during 2011. Construction, manufacturing, financial activities, and government suffered job losses.

Revising Las Vegas History

According to the old data, Las Vegas lost 14,500 jobs (1.8 percent) in 2010 and gained 4,300 jobs (0.5 percent) in 2011. According to the revised data, Las Vegas lost 11,500 jobs (1.2 percent) in 2010 and gained 9,500 jobs (1.2 percent) in 2011. Over the two-year period, the difference in employment amounted to an additional 8,200 jobs (1.0 percent).

As shown in *Table 3*, DETR made relatively small revisions to the 2010 Las Vegas data, increasing total employment by 3,000 jobs (0.4 percent). The upward revisions are concentrated in trade, transportation, utilities, and financial activities. Downward revisions are concentrated in construction, and professional and business services.

As shown in *Table 4*, the revisions to the 2011 Las Vegas data were more substantial, increasing total employment by 5,200 jobs (0.7 percent). With the exception of leisure

Change in Nevada Employment December 2010 to December 2011

Table 2	Sector	Old Data	Revised Data	Difference
	Total Employment	3,500	13,100	9,600
	Goods Producing	-1,600	-2,800	-1,200
	Natural Resources	500	2,000	1,500
	Construction	-1,300	-4,700	-3,400
	Manufacturing	-800	-100	700
	Service Producing	5,100	15,900	10,800
	Private Service Producing	10,600	20,600	10,000
	Trade, Transportation, and Utilities	-1,700	2,400	4,100
	Information Services	-200	100	300
	Financial Activities	-3,500	-600	2,900
	Professional and Business Services	2,300	1,900	-400
	Education and Health Services	3,000	1,200	-1,800
	Leisure and Hospitality	9,800	13,700	2,900
	Other Services	900	1,900	1,000
	Government	-5,500	-4,700	800

Sources: DETR; CBER calculations

Change in Las Vegas Employment December 2009 to December 2010

Table 3	Sector	Old Data	Revised Data	Difference
	Total Employment	-14,500	-11,500	3,000
	Goods Producing	-13,400	-13,600	-200
	Natural Resources	0	-100	-100
	Construction	-11,800	-12,800	-1,000
	Manufacturing	-1,600	-700	900
	Service Producing	-1,100	2,100	3,200
	Private Service Producing	9,600	12,400	2,800
	Trade, Transportation, and Utilities	1,900	5,800	3,900
	Information Services	-100	0	100
	Financial Activities	-2,200	-1,000	1,200
	Professional and Business Services	3,100	1,600	-1,500
	Education and Health Services	3,300	3,600	300
	Leisure and Hospitality	3,900	3,200	-700
	Other Services	-300	-800	-500
	Government	-1,800	-1,400	400

Sources: DETR; CBER calculations

Change in Las Vegas Employment December 2010 to December 2011

Table 4	Sector	Old Data	Revised Data	Difference
	Total Employment	4,300	9,500	5,200
	Goods Producing	-900	-1,700	-800
	Natural Resources	0	0	0
	Construction	-600	-2,100	-1,500
	Manufacturing	-300	400	700
	Service Producing	5,200	11,200	6,000
	Private Service Producing	8,800	14,600	5,800
	Trade, Transportation, and Utilities	-1,000	1,900	2,900
	Information Services	-300	0	300
	Financial Activities	-3,600	-1,300	2,300
	Professional and Business Services	1,400	1,700	300
	Education and Health Services	2,100	900	-1,200
	Leisure and Hospitality	9,400	10,300	900
	Other Services	800	1,100	300
	Government	-3,600	-3,400	200

Sources: DETR; CBER calculations

and hospitality, all the service-producing sectors saw upward revisions, with the largest gains found in trade, transportation, utilities, and financial activities. Construction saw a large downward revision.

Both the old and the revised data show that leisure and hospitality made sizable contributions to Las Vegas employment growth in 2011. Together, the private service-producing sectors contributed 14,600 new jobs in the Las Vegas metropolitan area during 2011. Manufacturing added another 400 jobs. Construction, financial activities, and government suffered job losses.

Revising Reno-Sparks History

According to the old data, Reno-Sparks lost 1,100 jobs (0.6 percent) in 2010 and lost another 2,600 jobs (1.4 percent) in 2011. According to the revised data, Reno-Sparks lost 900 jobs (0.5 percent) in 2010 and another 300 jobs (0.2 percent) in 2011. Over the two-year period, the difference in employment amounted to 2,500 jobs (1.3 percent).

As shown in *Table 5*, DETR made relatively small revisions to the 2010 Reno-Sparks data, increasing total employment by 200 jobs (0.1 percent). The upward revisions are concentrated in manufacturing, trade, transportation, utilities, financial activities and government. Downward revisions are concentrated in professional and business services, leisure and hospitality, and other services.

As shown in *Table 6*, the revisions to the 2011 Reno-Sparks data were more substantial, increasing total employment by 2,300 jobs (1.2 percent). With the exception of government, all service producing sectors saw no change or upward revisions. The largest gains were found in trade, transportation, and utilities, financial activities, and leisure and hospitality. Construction saw a large downward revision.

Both the old and the revised data show that leisure and hospitality made sizable contributions to Reno-Sparks employment growth in 2011. Together, the

Change in Reno-Sparks Employment December 2009 to December 2010

Table 5	Sector	Old Data	Revised Data	Difference
	Total Employment	-1,100	-900	200
	Goods Producing	-200	300	500
	Natural Resources	100	100	0
	Construction	100	200	100
	Manufacturing	-400	0	400
	Service Producing	-900	-1,200	-300
	Private Service Producing	0	-800	-800
	Trade, Transportation, and Utilities	-1,400	-700	700
	Information Services	0	-200	-200
	Financial Activities	-300	100	400
	Professional and Business Services	-600	-900	-300
	Education and Health Services	500	400	-100
	Leisure and Hospitality	1,800	1,200	-600
	Other Services	0	-700	-700
	Government	-900	-400	500

Sources: DETR; CBER calculations

Change in Reno-Sparks Employment December 2010 to December 2011

Table 6	Sector	Old Data	Revised Data	Difference
	Total Employment	-2,600	-300	2,300
	Goods Producing	-200	-900	-700
	Natural Resources	0	-100	-100
	Construction	100	-700	-800
	Manufacturing	-300	-100	200
	Service Producing	-2,400	600	3,000
	Private Service Producing	-1,300	1,800	3,100
	Trade, Transportation, and Utilities	-1,000	400	1,400
	Information Services	-200	0	200
	Financial Activities	-600	-100	500
	Professional and Business Services	-1,000	-900	100
	Education and Health Services	200	200	0
	Leisure and Hospitality	1,300	2,200	900
	Other Services	0	0	0
	Government	-1,100	-1,200	-100

Sources: DETR; CBER calculations

private service-producing sectors contributed 1,800 new jobs in the Reno-Sparks metropolitan area during 2011. Natural resources, construction, manufacturing, financial activities, professional and business services, and government suffered job losses.

Table 7

U.S.	Date	Units	Current	Previous	Change	Year Ago	Change
Employment	2012M02	million, SA	132.697	132.470	0.2%	130.676	1.5%
Unemployment Rate	2012M02	%, SA	8.3	8.3	0.0%	9.0	-0.7%
Consumer Price Index	2012M01	82-84=100, NSA	227.5	227.0	0.2%	221.0	2.9%
Core CPI	2012M01	82-84=100, NSA	227.7	227.2	0.2%	222.6	2.3%
Employment Cost Index	2011Q4	89.06=100, SA	114.7	114.2	0.4%	112.8	1.7%
Productivity Index	2011Q4	2005=100, SA	111.0	110.8	0.1%	110.7	0.2%
Retail Sales	2012M02	\$billion, SA	407.805	403.508	1.1%	382.974	6.5%
Auto and Truck Sales	2012M02	million, SA	15.04	14.13	6.4%	13.24	13.6%
Housing Starts	2012M01	million, SA	0.699	0.689	1.5%	0.636	9.9%
Real GDP***	2011Q4	2000\$billion, SA	13,429.9	13,331.6	3.0%	13,216.1	1.6%
U.S. Dollar	2012M02	97.01=100	98.121	99.843	-1.7%	97.880	0.2%
Trade Balance	2012M01	\$billion, SA	-52.565	-50.421	4.3%	-47.521	10.6%
S and P 500	2012M02	monthly close	1,365.68	1,312.41	4.1%	1,327.22	2.9%
Real Short-term Rates*	2012M02	%, NSA	-3.21	-3.27	0.1%	-3.27	0.1%
Treasury Yield Spread	2012M02	%, NSA	1.88	1.94	-0.1%	3.45	-1.6%

Table 8

Nevada	Date	Units	Current	Previous	Change	Year Ago	Change
Employment	2012M01	000 employees	1,117.0	1,137.1	-1.8%	1,106.2	1.0%
Unemployment Rate*	2012M01	%, NSA	13.0	12.9	0.1%	14.3	-1.3%
Taxable Sales	2011M12	\$billion	4.216	3.394	24.2%	4.063	3.8%
Gaming Revenue	2012M01	\$million	1,038.41	855.66	21.4%	877.41	18.3%
Passengers	2012M01	passengers	3,493	3,531	-1.1%	3,532	-1.1%
Gasoline Sales	2011M12	million gallons	90.07	86.05	4.7%	89.76	0.3%
Visitor Volume	2012M01	million visitors	3,859	3,660	5.4%	3,869	-0.3%

Table 9

Clark County	Date	Units	Current	Previous	Change	Year Ago	Change
Employment	2012M01	000 employees	803.1	814.9	-1.4%	797.2	0.7%
Unemployment Rate*	2012M01	%, NSA	13.1	13.3	-0.2%	14.4	-1.3%
Taxable Sales	2011M12	\$billion	2.992	2.474	20.9%	2.732	9.5%
Gaming Revenue	2012M01	\$million	925.49	742.37	24.7%	761.35	21.6%
Residential Permits	2012M01	units permitted	317	550	-42.4%	578	-45.2%
Commercial Permits	2012M01	permits	21	13	61.5%	26	-19.2%
Passengers	2012M01	million persons	3,176	3,204	-0.9%	3,165	0.3%
Gasoline Sales	2011M12	million gallons	61.12	58.75	4.0%	63.10	-3.1%
Visitor Volume	2012M01	million visitors	3,398	3,162	7.5%	3,385	0.4%

Table 10

Washoe County	Date	Units	Current	Previous	Change	Year Ago	Change
Employment**	2012M01	000 employees	185.7	192.3	-3.4%	184.8	0.5%
Unemployment Rate*	2012M01	%, NSA	13.0	12.4	0.6%	14.2	-1.2%
Taxable Sales	2011M12	\$billion	0.579	0.430	34.7%	0.546	6.0%
Gaming Revenue	2012M01	\$million	53.73	58.47	-8.1%	57.26	-6.2%
Residential Permits	2012M01	units permitted	95	30	216.7%	51	86.3%
Commercial Permits	2012M01	permits	11	6	83.3%	5	120.0%
Passengers	2012M01	million persons	0.259	0.281	-7.8%	0.300	-13.7%
Gasoline Sales	2011M12	million gallons	14.49	13.13	10.4%	13.45	7.7%
Visitor Volume	2011M12	million visitors	0.278	0.323	-14.1%	0.299	-7.0%

*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

Nevada Economic Conditions

U.S. economic activity strengthened in fourth quarter 2011. Strong employment and consumption growth portends a fairly robust first quarter, but indicators that more closely track GDP—such as personal income—show a possible weakening. Nevada's tourism and gaming continue to drive the state's economic recovery. Nevada's construction sector is bumping along bottom. Seasonal factors contributed to reduced Nevada employment in January.

U.S. Economy Shows Relatively Robust Growth

According to the second estimate, U.S. real GDP grew at an annualized rate of 3.0 percent during fourth quarter 2011, which represents a substantial gain over the third-quarter rate of 1.8 percent. Consumption spending and inventory investment were particularly strong. Residential investment showed stronger growth, but business fixed investment slowed. U.S. nonfarm employment rose by 227,000 jobs in January, and the unemployment rate held steady at 8.3 percent as labor force participation increased. Consumer confidence and consumer sentiment both increased in February. After slipping in December, sales of existing homes rebounded in January, reaching 0.7 percent above a year earlier. Sales of new homes slipped in January, but were 4.7 percent higher than a year earlier. Personal consumption expenditures increased in January for the seventh straight month, and retail sales rose in February for the ninth straight month. The Kansas City Financial Stress Index continued downward in February and dropped slightly below its long-run average, suggesting that financial headwinds to U.S. economic growth have mostly abated, *Table 7*.

Nevada Economy Shows Uneven Growth

The Nevada economy continues to show uneven signs of growth. With a seasonal gain in January, visitor volume was 0.3 percent lower than a year earlier. Gaming revenue was 18.3 percent higher in January than a year earlier, mostly as the result of strong baccarat play on the Las Vegas Strip. Taxable sales were up by 3.8 percent in December above a year earlier. From December 2010 to December 2011, Nevada saw a gain of 13,100 jobs (1.2 percent), mostly the result of gains in leisure and hospitality, trade, transportation,

utilities, business services, health and education services, and other services. Employment declined seasonally in January. The Nevada unemployment rate increased seasonally from 12.9 percent in December to 13.0 percent in January, *Table 8*.

Clark County's Economy Growing at a Faster Pace

Clark County's economy continues to expand at a faster pace than the state's. Compared to a year earlier, visitor volume was up by 0.4 percent in January. Gaming revenues were up by 21.6 percent over the same period, as the result of strong baccarat play. Taxable sales for December were 9.5 percent above those for the same month a year earlier. Residential construction permits dropped from December to January, and commercial construction permits rose from a low level. From December 2010 to December 2011, employment in the Las Vegas metropolitan area increased by 9,500 jobs (1.2 percent). Employment took a seasonal decline in January. The Las Vegas unemployment rate fell from 13.3 in December to 13.1 percent in January, *Table 9*.

Washoe County's Economy Remains Weak

Washoe County's economic conditions remain mostly weak. Compared to a year earlier, January visitor volume and gaming revenues were down by 7.0 percent and 6.2 percent, respectively. Residential and commercial construction permits rose in January. Reno-Sparks employment fell by 300 jobs (0.2 percent) from December 2010 to December 2011, and took a further decline in January. The Reno-Sparks unemployment rate rose from 12.4 percent in December to 13.0 percent in January, mostly as the result of seasonal factors, *Table 10*.

Nevada Economic Outlook in Brief

Driven by strong gains in consumer spending and inventory investment, national economic conditions improved in fourth quarter. Spending and employment growth remain relatively strong in early 2012. Nevada's tourism, hospitality, and gaming industries continued to grow—as did other parts of the Southern Nevada economy. Nevada's real estate and construction sectors remain close to bottom. In Washoe County, some favorable signs are seen in construction.

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