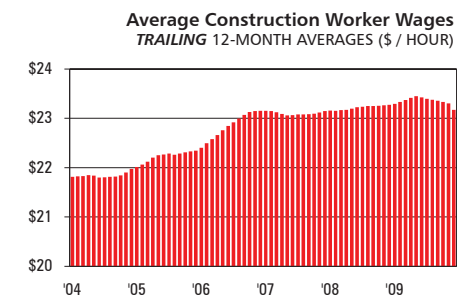
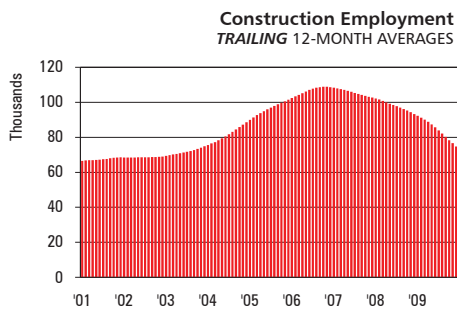
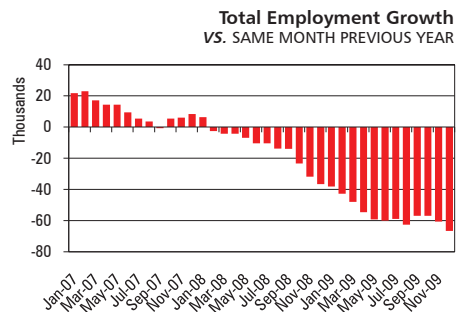
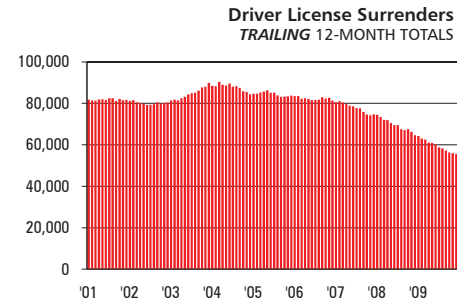




# Southern Nevada Construction Industry Quarterly Market Briefing

## AGC SOUTHERN NEVADA Indicator Series



SOUTHERN NEVADA'S ECONOMY SHOWED ONLY MODEST SIGNS OF IMPROVEMENT during the fourth quarter of 2009, with strong existing home sales and sustained increases in visitor volume being two bright spots in an otherwise dismal economic picture. The construction industry continues to bear the full force of the economic downturn, reporting elevated vacancies, negative absorption, falling prices and a 27.2-percent decrease in total employment during 2009. With

some trade groups reporting unemployment rates of 50 percent, Nevada's construction industry accounts for roughly 7.5 percent of the employed labor force and one-third of all displaced workers receiving unemployment benefits (i.e., 25 percent construction and extraction and 8 percent skilled labor).

Beyond the key economic indicators, other challenges facing the state took center stage as the Nevada State Legislature met in its 26th Special Session from February 23 through March 1. The principal reason for the session was an \$888 million state General Fund shortfall; however, other issues including a Supreme Court decision potentially impacting water rights and the state's ailing economy also found their way onto the legislative agenda.

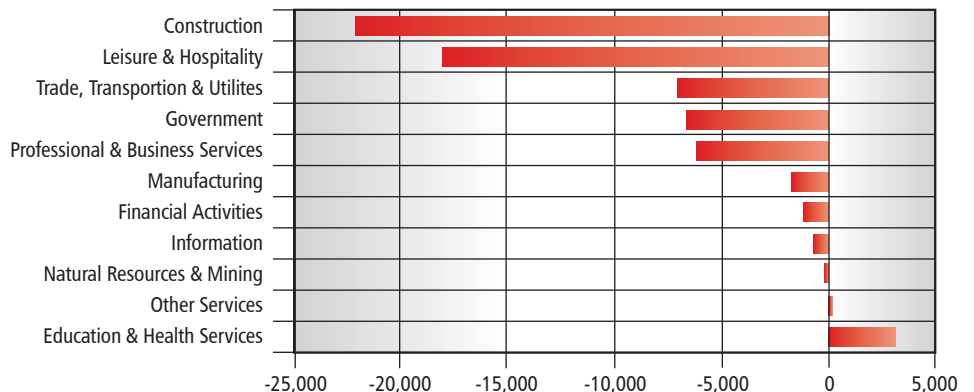
Legislators left few rocks unturned in developing a stop gap solution to the state's budget shortfall. While some particularly heart-wrenching cuts to the state's neediest elderly, children and dis-

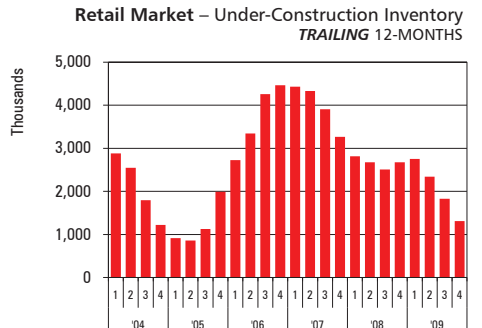
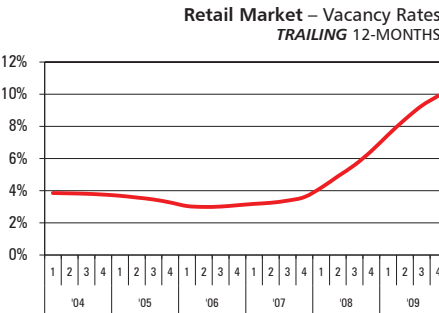
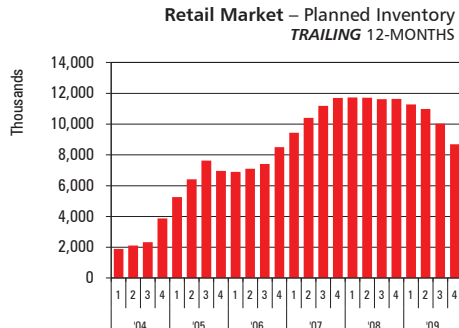
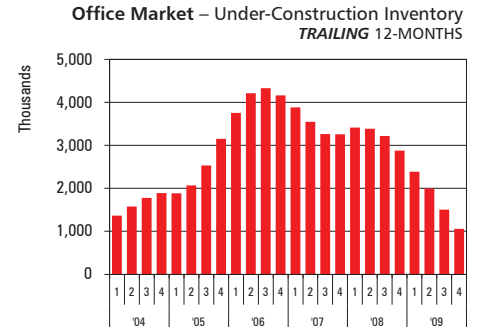
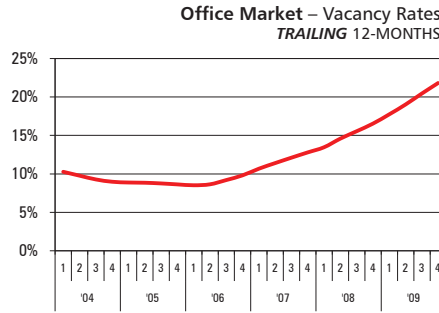
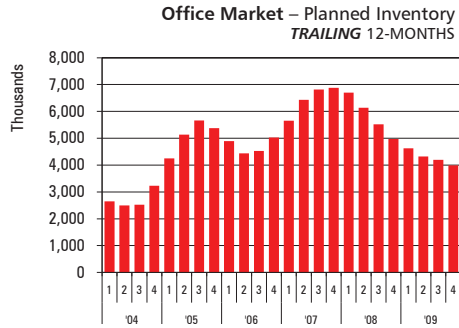
abled were avoided, significant reductions were made to the budget in nearly every major area. Preliminary estimates place direct programming cuts at approximately \$315 million, including 10 percent reductions for most state agencies and a more modest cut of 6.9 percent for K-12 and higher-education programs. How these reductions will ultimately translate into reduced services is unclear at this point, although legislators were clear that keeping as many state employees working as possible was paramount in their decision-making process. The state estimated that going to a four-day work week starting July 1, 2010 would save approximately \$5 million, significantly less than earlier estimates because one-day-per-month furloughs mandated by the Legislature in 2009 were not required to increase from one eight-hour day to one ten-hour day.

Revenue sweeps from funds held in state agency trust accounts added just

*Continued on back cover...*

### Average Change in Las Vegas Employment – Q4 2009





**MONTHLY SERIES**

**INDICATOR VALUES**

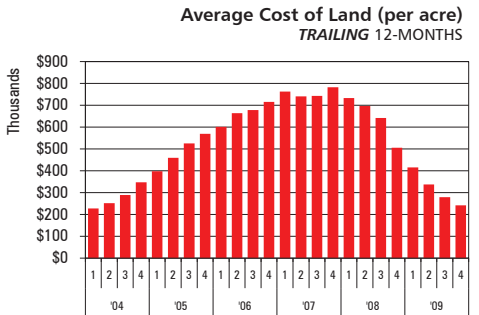
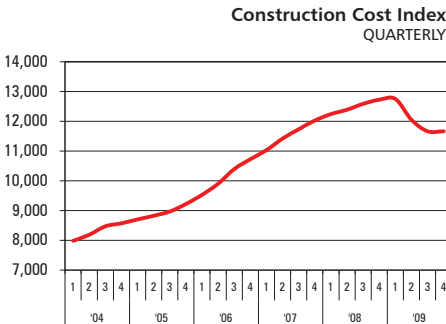
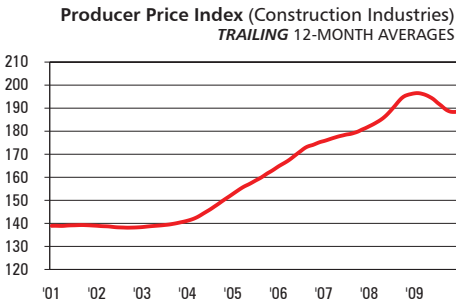
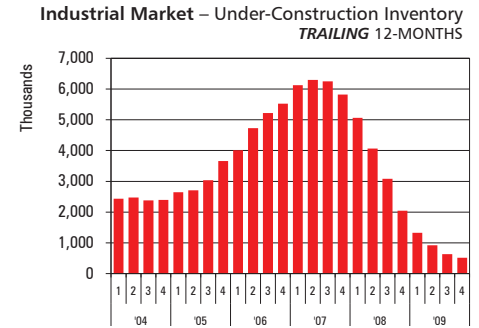
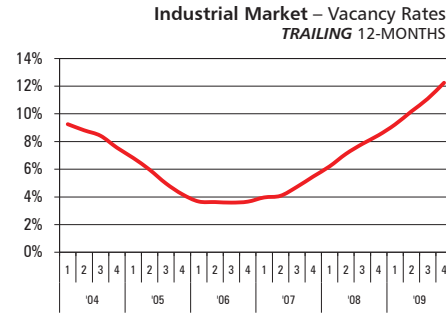
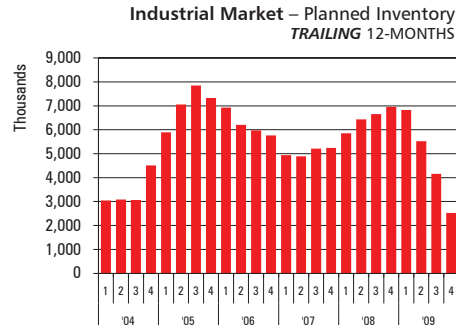
**GROWTH RATES**

	Most Recent Data Available	Current Month or Quarter	Previous Month or Quarter	Same Month or Quarter Previous Year	vs. Previous Month or Quarter	vs. Same Month or Qtr. Previous Year
<b>Drivers License Surrenders (Population Growth)</b>	Dec-09	4,311	4,031	4,656	6.9% ▲	-7.4% ▼
<b>Employment</b>						
<b>Total</b>	Dec-09	833,000	842,800	899,700	-1.2% ▼	-7.4% ▼
<b>Construction</b>	Dec-09	63,000	67,700	86,500	-6.9% ▼	-27.2% ▼
Construction of Buildings	Dec-09	11,000	11,600	15,800	-5.2% ▼	-30.4% ▼
Specialty Trade Contractors	Dec-09	47,900	51,500	62,000	-7.0% ▼	-22.7% ▼
Foundation & Exterior Contractors	Dec-09	11,000	13,000	15,900	-15.4% ▼	-30.8% ▼
Finishing Contractors	Dec-09	10,800	12,300	15,700	-12.2% ▼	-31.2% ▼
<b>Commercial</b>						
Permits Issued	Dec-09	17	20	23	-15.0% ▼	-26.1% ▼
Value Permitted	Dec-09	\$151,400,265	\$32,231,224	\$16,067,114	369.7% ▲	842.3% ▲
<b>Office Market</b>						
Vacancy Rate	Q4 2009	23.0%	22.6%	17.6%	0.4% ▲	5.4% ▲
Under-construction Inventory	Q4 2009	414,814	462,861	2,202,234	-10.4% ▼	-81.2% ▼
Planned Inventory	Q4 2009	3,830,629	3,913,629	4,667,232	-2.1% ▼	-17.9% ▼
<b>Retail Market</b>						
Vacancy Rate	Q4 2009	10.0%	9.9%	7.5%	0.1% ▲	2.5% ▲
Under-construction Inventory	Q4 2009	809,760	809,760	2,894,956	0.0% ◆	-72.0% ▼
Planned Inventory	Q4 2009	6,654,239	7,592,239	12,034,523	-12.4% ▼	-44.7% ▼
<b>Industrial Market</b>						
Vacancy Rate	Q4 2009	13.7%	12.6%	9.1%	1.1% ▲	4.6% ▲
Under-construction Inventory	Q4 2009	-	462,000	449,944	-	-
Planned Inventory	Q4 2009	1,061,414	1,796,460	7,573,463	-40.9% ▼	-86.0% ▼
<b>Residential</b>						
Single Family Units Permitted	Dec-09	348	272	160	27.9% ▲	117.5% ▲
Multi-family Units Permitted	Dec-09	34	27	308	25.9% ▲	-89.0% ▼
Residential Value Permitted	Dec-09	\$42,668,362	\$34,364,088	\$36,677,734	24.2% ▲	16.3% ▲
Apartment Vacancy Rates	Q4 2009	9.9%	8.9%	8.0%	1.0% ▲	1.9% ▲
<b>Hospitality</b>						
Occupancy Rate	Dec-09	71.3%	78.4%	73.3%	-7.1% ▼	-2.0% ▼
Rooms Currently Under-construction	Q4 2009	9,942	11,047	19,873	-10.0% ▼	-50.0% ▼
No. of Rooms W/Announced Compl. Dates	Q4 2009	20,776	20,911	26,667	-0.6% ▼	-22.1% ▼
<b>Construction Costs</b>						
Average Cost of Land (Per Acre)	Q4 2009	\$243,368	\$225,999	\$391,877	7.7% ▲	-37.9% ▼
Construction Cost Index	Q4 2009	11,663	11,663	12,724	0.0% ◆	-8.3% ▼
Prod. Price Index - Const. Industries	Dec-09	190.2	189.8	189.5	0.2% ▲	0.4% ▲
Average Construction Worker Wage	Dec-09	\$21.85	\$22.97	\$23.38	-4.9% ▼	-6.5% ▼
Taxable Construction Spending	Dec-09	\$131,154,547	\$147,198,173	\$241,459,405	-10.9% ▼	-45.7% ▼

# Southern Nevada Construction Industry **Quarterly Market Briefing**

**AGC SOUTHERN NEVADA** Indicator Series

F O U R T H Q U A R T E R 2 0 0 9



TRAILING 12-MONTH SERIES		INDICATOR VALUES			GROWTH RATES		
		Most Recent Data Available	Current Month or Quarter	Previous Month or Quarter	Same Month or Quarter Previous Year	vs. Previous Month or Quarter	vs. Same Month or Qtr. Previous Year
<b>Drivers License Surrenders (Population Growth) [1]</b>		Dec-09	55,574	55,919	64,674	-0.6% ▼	-14.1% ▼
<b>Employment</b>	Total [2]	Dec-09	859,850	865,408	915,333	-0.6% ▼	-6.1% ▼
	Construction [2]	Dec-09	74,700	76,658	93,292	-2.6% ▼	-19.9% ▼
	Construction of Buildings [2]	Dec-09	13,242	13,642	17,317	-2.9% ▼	-23.5% ▼
	Specialty Trade Contractors [2]	Dec-09	55,417	56,592	67,883	-2.1% ▼	-18.4% ▼
	Foundation & Exterior Contractors [2]	Dec-09	14,317	14,725	17,983	-2.8% ▼	-20.4% ▼
<b>Commercial</b>	Finishing Contractors [2]	Dec-09	13,117	13,525	17,867	-3.0% ▼	-26.6% ▼
	Permits Issued [1]	Dec-09	264	270	700	-2.2% ▼	-62.3% ▼
	Value Permitted [1]	Dec-09	\$733,705,908	\$598,372,757	\$983,805,210	22.6% ▲	-25.4% ▼
<b>Office Market</b>	Vacancy Rate [2]	Q4 2009	21.8%	20.4%	16.5%	1.4% ▲	5.3% ▲
	Under-construction Inventory [2]	Q4 2009	1,059,048	1,505,903	2,878,217	-29.7% ▼	-63.2% ▼
	Planned Inventory [2]	Q4 2009	3,990,722	4,199,872	4,971,867	-5.0% ▼	-19.7% ▼
<b>Retail Market</b>	Vacancy Rate [2]	Q4 2009	9.9%	9.3%	6.5%	0.6% ▲	3.4% ▲
	Under-construction Inventory [2]	Q4 2009	1,309,952	1,831,251	2,673,024	-28.5% ▼	-51.0% ▼
	Planned Inventory [2]	Q4 2009	8,685,669	10,030,740	11,643,824	-13.4% ▼	-25.4% ▼
<b>Industrial Market</b>	Vacancy Rate [2]	Q4 2009	12.2%	11.1%	8.5%	1.1% ▲	3.8% ▲
	Under-construction Inventory [2]	Q4 2009	521,444	633,930	2,043,166	-17.7% ▼	-74.5% ▼
	Planned Inventory [2]	Q4 2009	2,526,152	4,154,164	6,959,778	-39.2% ▼	-63.7% ▼
<b>Residential</b>	Single Family Units Permitted [1]	Dec-09	3,846	3,658	5,739	5.1% ▲	-33.0% ▼
	Multi-family Units Permitted [1]	Dec-09	1,921	2,195	6,655	-12.5% ▼	-71.1% ▼
	Residential Value Permitted [1]	Dec-09	\$567,829,442	\$561,838,814	\$1,333,275,710	1.1% ▲	-57.4% ▼
	Apartment Vacancy Rates [2]	Q4 2009	9.3%	8.8%	7.2%	0.5% ▲	2.1% ▲
<b>Hospitality</b>	Occupancy Rate [2]	Dec-09	81.5%	81.6%	86.0%	-0.1% ▼	-4.5% ▼
	Rooms Currently Under-construction [2]	Q4 2009	12,194	14,676	24,850	-16.9% ▼	-50.9% ▼
	No. of Rooms W/Announced Compl. Dates [2]	Q4 2009	21,871	23,344	31,495	-6.3% ▼	-30.6% ▼
<b>Construction Costs</b>	Average Cost of Land (Per Acre) [2]	Q4 2009	\$241,274	\$278,402	\$505,169	-13.3% ▼	-52.2% ▼
	Construction Cost Index [2]	Q4 2009	12,031	12,296	12,485	-2.2% ▼	-3.6% ▼
	Prod. Price Index - Const. Industries [2]	Dec-09	188.5	188.4	196.2	0.0% ▲	-3.9% ▼
	Average Construction Worker Wage [2]	Dec-09	\$23.17	\$23.30	\$23.27	-0.5% ▼	-0.4% ▼
	Taxable Construction Spending [1]	Dec-09	\$2,127,340,323	\$2,237,645,181	\$3,330,532,111	-4.9% ▼	-36.1% ▼

[1] TRAILING 12-MONTH TOTALS. [2] TRAILING 12-MONTH AVERAGES.

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under \$200 million to the funding solution, with sweeps from the Clark County School District and wastewater project funds adding an additional \$90 million. Federal support for health and human services programs provided \$105 million. Lower caseloads in some areas, reductions in the amount of state contracts, a new tax amnesty program and the hiring of auditors to collect unpaid taxes each contributed between \$5 million and \$10 million to the budget solution. The balance came from unexpected net proceeds of minerals taxes resulting from skyrocketing prices for precious metals and other minerals as well as a new fee imposed on mining claims (\$26 million), an increase in the fee charged to banks and other mortgage holders when foreclosing on a home (\$13.8 million), higher division of water resource fees, fee increases for gaming license applicants and higher state charges for licensing and broadcasting boxing and mixed martial arts events.

Although the ultimate solution appears to fill the immediate hole, it does little to address the state's broader fiscal challenges. The one-time nature of these and other measures used to cobble together a makeshift budget through the balance of the 2009-2011 biennium will leave the state with a general fund shortfall conservatively estimated at \$2.9 billion when the Legislature reconvenes in its 76th Regular

Session on February 7, 2011.

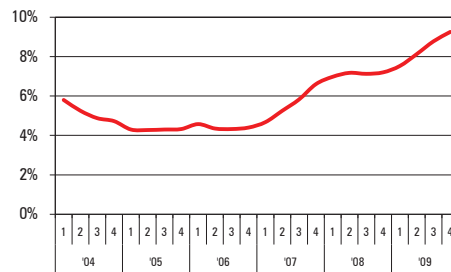
Water resource issues were also addressed during the Special Session. A January 28, 2010 decision of the Nevada Supreme Court created uncertainty around thousands of water rights applications reviewed by the State Engineer between 1947 and 2002. Although the Legislature did not formally address the issue by way of new legislation, the state did provide a fairly clear statement of their intent that applicants should retain their priority standing, that claims should be opened up for full and fair protest hearings and that, if necessary, the Legislature would reconvene in a another Special Session to clarify the law. It is expected that this will limit the uncertainty surrounding southern Nevada's water resource plan created by the Supreme Court's decision.

Finally, in the waning hours of the Special Session, legislators passed Senate Bill 5. The bill redirected transportation-related fees, allowed the department of motor vehicles to adjust certain charges

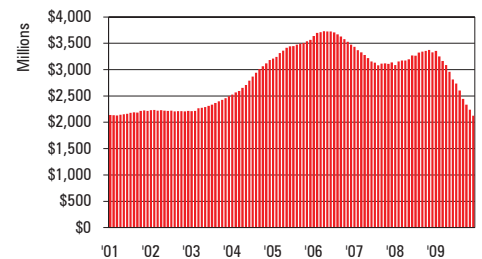
to cover operating costs and eliminated an impending sunset on the portion of the sales tax that goes to transportation projects. This all translates to more than \$1.0 billion in new project funding over the next 20 years, a fair amount of which that can be accessed within the next 12 months helping put some of the 23,000 construction workers who have lost their job in just the past 12 months back to work.

Although there will always be those who look to criticize the state's elected leaders, the state undertook the thankless and nearly impossible task of fashioning a nearly \$900-million plan; and, in roughly one week, emerged with a solution that not only preserves the vast majority of essential state services but also keeps Nevadans working. The Legislature skillfully built a bridge; the road on the other side, however, is fraught with even more difficult and more far-reaching decisions that the state will have no choice but to confront when legislators reconvene in 11 months. **QMB**

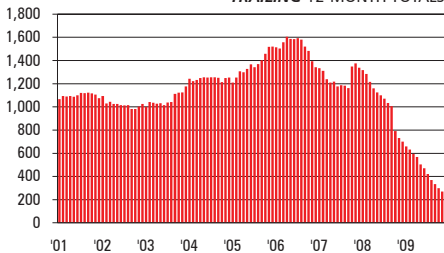
**Apartment Vacancy Rates**  
TRAILING 12-MONTH AVERAGES



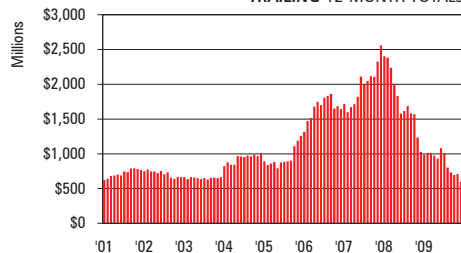
**Taxable Construction Spending**  
TRAILING 12-MONTH TOTALS



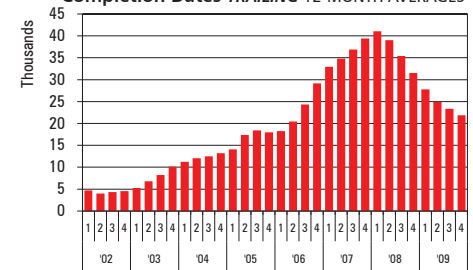
**Commercial Permits**  
TRAILING 12-MONTH TOTALS



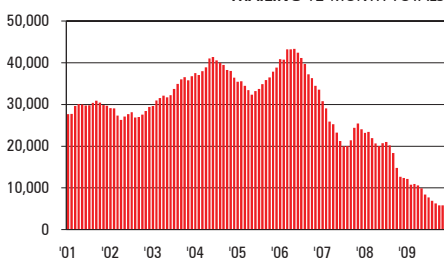
**Commercial Value Permitted**  
TRAILING 12-MONTH TOTALS



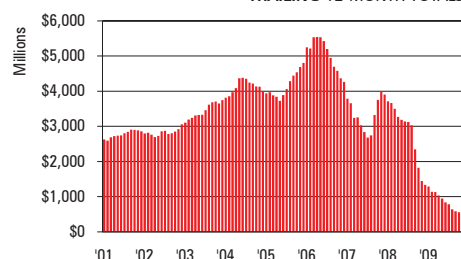
**Number of Hotel Rooms with Announced Completion Dates**  
TRAILING 12-MONTH AVERAGES



**Residential Units Permitted**  
TRAILING 12-MONTH TOTALS



**Residential Value Permitted**  
TRAILING 12-MONTH TOTALS



**Hotel Rooms Currently Under-Construction**  
TRAILING 12-MONTH AVERAGES

