



SEPTEMBER 2010 ★ ISSUE NINE ★ VOLUME TWO

Nevada is not an economic island. A national recovery is a condition precedent to the State's economic improvement, with particular emphasis on neighboring California which accounted for roughly one-third of both population in-migration and visitor trips during the past decade. The nation as a whole is showing signs of improvement. Gross domestic product continues to expand, growing at an annual rate of 1.6 percent

in the second quarter; private employment is trending upward, adding 67,000 jobs in August; purchasing managers are adding orders and manufacturers are ramping up production; retail spending has climbed for two consecutive months; housing prices appear to be stabilizing; and inflation remains in check. Talk of a double dip recession is becoming increasing less common, as most observers seem to favor a slow and steady pattern of recovery.

Given Nevada's relative dependence on California, a closer look at the neighboring state is warranted. The Golden State, like Nevada, continues to lag the nation, but is showing signs of closing the gap. Coastal Southern California did report net job increases during the first six months of 2010, buoyed by growth in leisure, hospitality and other services. Inland regions of the state continue to report losses, resulting in a projected job loss rate statewide of 0.7 percent and keeping California's unemployment rate elevated at 12.3 percent; however, forecasters are

projecting a 1.9 percent growth rate in 2011. While California's aggregate personal incomes remain 1.3 percent below pre-recession levels (Q4 2007), California did report personal income growth during both the fourth quarter of 2009 (0.52 percent) and the first quarter of 2010 (0.90 percent). Also worth noting, housing prices in California increased by 2.9 percent during the past 12 months, the fastest rate of expansion reported in the United States according to the Federal Housing Finance Agency's Housing Price Index. While California continues to have major metropolitan areas in both the top ten (e.g., San Jose and Anaheim) as well as those in the bottom ten (e.g., Madera), current conditions are a marked improvement over what was being reported one year ago.

Nevada's own economy has yet to reflect much in the way of positive momentum. The state continues to rank first nationally in the rate of job losses as well as the overall rate of unemployment. Incidence of foreclosure, bankruptcy and delinquency are

at or near the nation's highest and both the Reno-Sparks and Las Vegas metropolitan statistical areas rank among the top 10 housing markets in the United States in terms of price declines during the past 12 months (Reno-Sparks fifth worst in the nation at -17.3 percent; Las Vegas tenth worst in the nation at -13.9 percent).

Bright spots in the Nevada economy include gains in tourism activity during the past 12 months and the expectation of further improvements over the next year. Statewide visitor volume totaled 44.6 million during the past 12 months, up nearly one percent from the 44.3 percent reported for the same period of the prior year. Several large gaming operators have offered tempered optimism that the second half of 2010 and 2011 will see marked improvements in both visitor count as well as visitor mix, with encouraging advanced bookings and a return of convention and meeting travel. Particularly notable was a comment by MGM Resorts International chairman and CEO Jim Murren that June was "an important month" because it was the first time since October 2007 that revenue per available room (or RevPAR) was up year-over-year for its Strip resorts.

It is likely that improvements in the national and regional

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State of Nevada ECONOMIC INDICATORS

Monthly Indicator Series	Most Recent Data Available	INDICATOR VALUES			GROWTH RATES	
		Current Period	Previous Period	Same Period Previous Year	vs. Previous Period	vs. Same Month Previous Year
Nevada Employment	Aug-10	1,107,600	1,108,300	1,127,400	-0.1% ▼	-1.8% ▼
Nevada Unemployment Rate	Aug-10	14.4%	14.3%	12.6%	0.1% ▲	1.8% ▲
Nevada Initial Unemployment Insurance Claims	Aug-10	20,969	20,990	24,996	-0.1% ▼	-16.1% ▼
Nevada Residential Housing Units Permitted	Jul-10	434	722	553	-39.9% ▼	-21.5% ▼
Nevada Taxable Retail Sales	Jun-10	\$3,330,806,752	\$3,133,840,329	\$3,341,711,750	6.3% ▲	-0.3% ▼
Nevada Gross Gaming Revenue	Jul-10	\$829,673,883	\$763,692,390	\$872,687,562	8.6% ▲	-4.9% ▼
Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers	Jun-10	3,761,956	3,788,399	3,784,819	-0.7% ▼	-0.6% ▼
Clark County/Washoe County Visitor Volumes	Jul-10	4,064,394	3,839,378	3,913,102	5.9% ▲	3.9% ▲
Nevada Hotel/Motel Occupancy	Q1 2010	72.6%	70.9%	74.8%	1.7% ▲	-2.2% ▼
Nevada New Business Creation	Q1 2010	-959	-549	-1,054	-	-
Nevada Housing Price Index (Q1 1980 = 100)	Q2 2010	226.0	233.2	267.1	-3.1% ▼	-15.4% ▼
Nevada Foreclosures - Active	Aug-10	10,119	10,354	9,377	-2.3% ▼	7.9% ▲
Nevada Foreclosures - New	Aug-10	2,409	2,899	2,777	-16.9% ▼	-13.3% ▼
State of Nevada Personal Income	Q1 2010	\$25,457,750,000	\$25,284,750,000	\$25,542,250,000	0.7% ▲	-0.3% ▼

Trailing 12-Month Indicator Series	Most Recent Data Available	INDICATOR VALUES			GROWTH RATES	
		Current Period	Previous Period	Same Period Previous Year	vs. Previous Period	vs. Same Month Previous Year
Nevada Employment (1)	Aug-10	1,121,592	1,123,242	1,184,275	-0.1% ▼	-5.3% ▼
Nevada Unemployment Rate (1)	Aug-10	13.5%	13.3%	10.2%	0.2% ▲	3.2% ▲
Nevada Initial Unemployment Insurance Claims (1)	Aug-10	24,563	24,899	28,338	-1.3% ▼	-13.3% ▼
Nevada Residential Housing Units Permitted (2)	Jul-10	6,846	6,965	8,893	-1.7% ▼	-23.0% ▼
Nevada Taxable Retail Sales (2)	Jun-10	\$37,772,067,115	\$37,782,972,113	\$42,086,614,362	0.0% ▼	-10.3% ▼
Nevada Gross Gaming Revenue (2)	Jul-10	\$10,284,499,095	\$10,327,512,774	\$10,666,636,174	-0.4% ▼	-3.6% ▼
Las Vegas/Reno-Tahoe Enplaned/Deplaned Passengers (2)	Jun-10	43,635,735	43,658,598	45,341,464	-0.1% ▼	-3.8% ▼
Clark County/Washoe County Visitor Volumes (2)	Jul-10	44,744,469	44,593,177	44,332,982	0.3% ▲	0.9% ▲
Nevada Hotel/Motel Occupancy (1)	Q1 2010	75.6%	76.1%	78.4%	-0.5% ▼	-2.8% ▼
Nevada New Business Creation (2)	Q1 2010	-2,633	-2,728	-217	-	-
Nevada Housing Price Index (1)	Q2 2010	237.9	248.2	285.7	-4.1% ▼	-16.7% ▼
Nevada Foreclosures - Active (1)	Aug-10	8,659	8,597	9,050	0.7% ▲	-4.3% ▼
Nevada Foreclosures - New (2)	Aug-10	32,005	32,373	33,276	-1.1% ▼	-3.8% ▼
State of Nevada Personal Income (2)	Q1 2010	\$101,831,000,000	\$101,139,000,000	\$102,169,000,000	0.7% ▲	-0.3% ▼

Notes: (1) Trailing 12-month averages. (2) Trailing 12-month totals.

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economy will first be reflected in Nevada's tourism industry. Today, people are traveling more, but budgeting less per trip. While an encouraging trend overall, it required many Las Vegas properties to reposition themselves from a marketing standpoint and re-

set expectations from a financial standpoint. This process is on-going. Should these trends continue, stabilization in other sectors of the economy are expected to follow, with particular improvement in the trade, transportation and services; professional services; warehousing

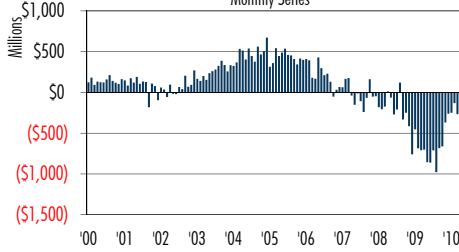
and other services sectors. Substantial overages in the residential, commercial and industrial markets are likely to depress the region's construction sector for a longer period, with few, if any, appreciable gains expected during the next five years. 📉

Monthly Indicator Series

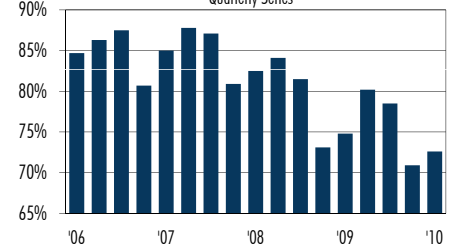
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Nevada Economic Indicators

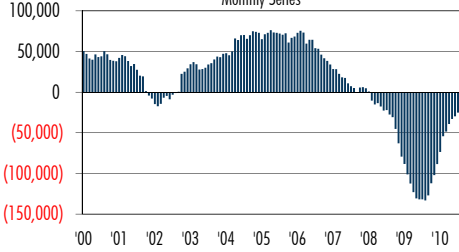
Nevada Taxable Retail Sales Growth
Monthly Series



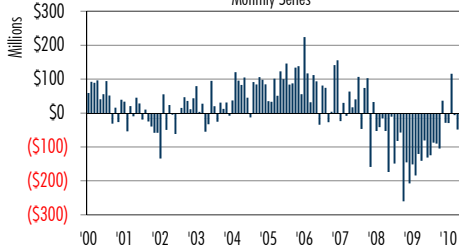
Nevada Hotel/Motel Occupancy
Quarterly Series



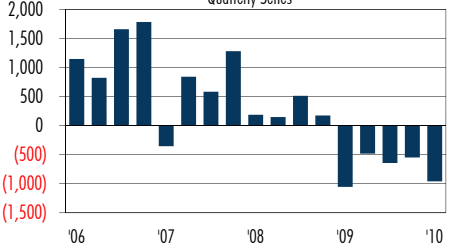
Nevada Employment Growth
Monthly Series



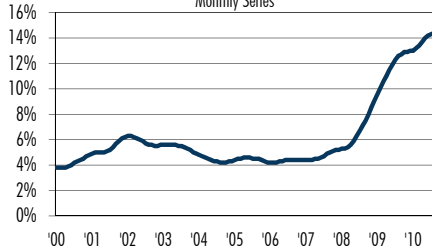
Nevada Gross Gaming Revenues Growth
Monthly Series



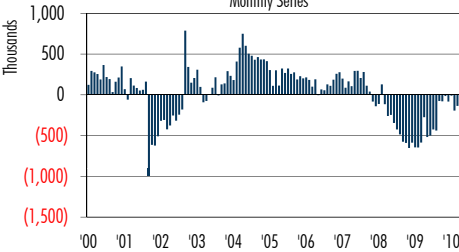
Nevada New Business Creation
Quarterly Series



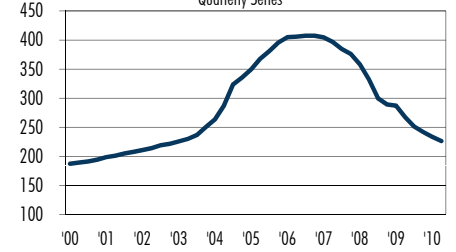
Nevada Unemployment Rate
Monthly Series



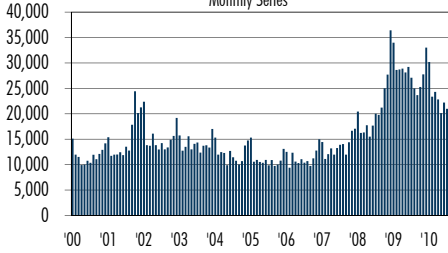
Growth in Las Vegas/Reno-Tahoe Passenger Counts
Monthly Series



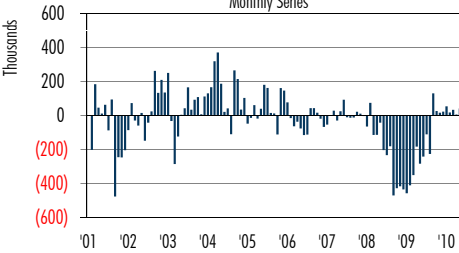
Nevada Housing Price Index
Quarterly Series



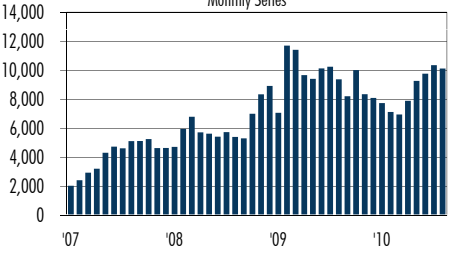
Nevada Initial Unemployment Insurance Claims
Monthly Series



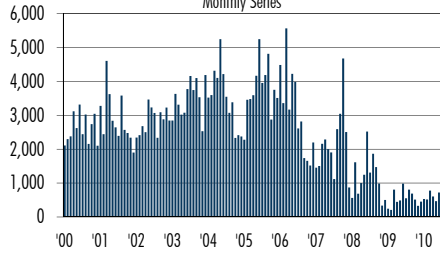
Nevada Visitor Volume Growth
Monthly Series



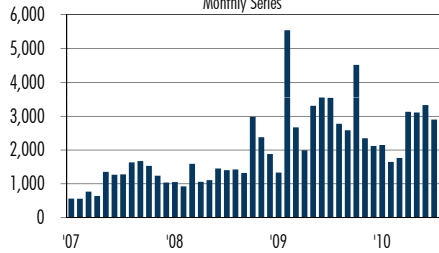
Nevada Foreclosures - Active
Monthly Series



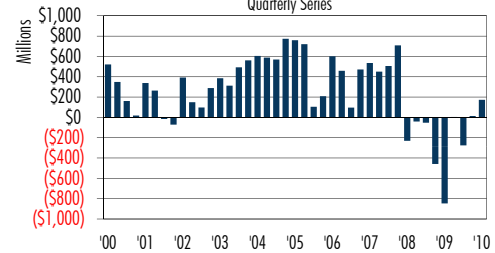
Nevada Residential Housing Units Permitted
Monthly Series



Nevada Foreclosures - New
Monthly Series



State of Nevada Personal Income Growth
Quarterly Series



Methodology: Applied Analysis ("AA") was retained to summarize and analyze a series of key economic indicators on a recurring basis. Relevant data were obtained from AA's internal databases as well as national, regional and local data providers, including, without limitation, state and local governments. While we have no reason to doubt the accuracy of any of the data reported, we have not performed an audit or assurance procedures on these data, and as such, we cannot attest to their completeness.

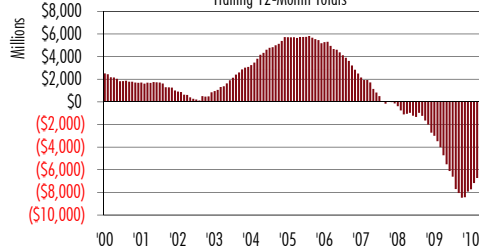


Trailing 12-Month Indicator Series

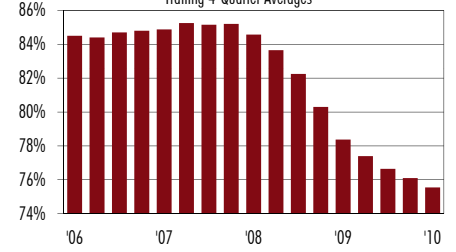
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Nevada Economic Indicators

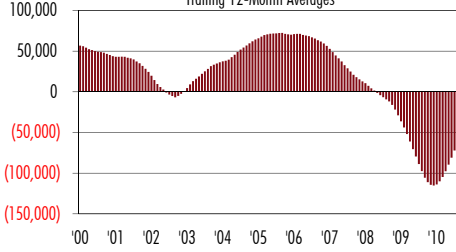
Nevada Taxable Retail Sales Growth
Trailing 12-Month Totals



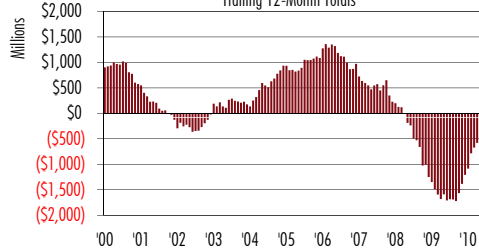
Nevada Hotel/Motel Occupancy
Trailing 4-Quarter Averages



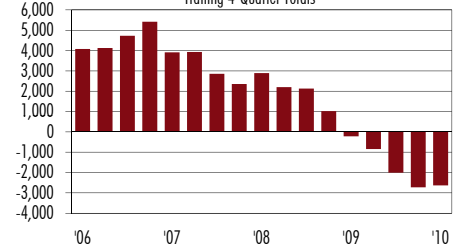
Nevada Employment Growth
Trailing 12-Month Averages



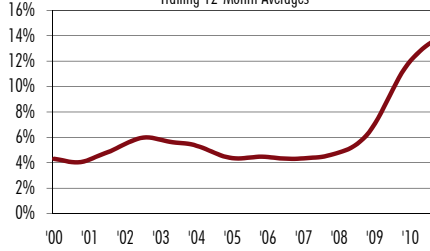
Nevada Gross Gaming Revenues Growth
Trailing 12-Month Totals



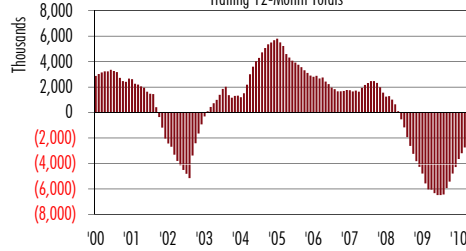
Nevada New Business Creation
Trailing 4-Quarter Totals



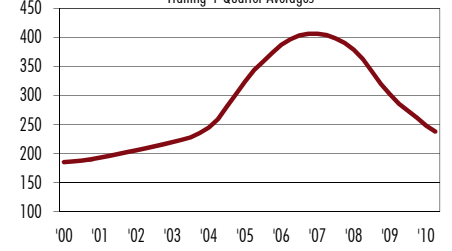
Nevada Unemployment Rate
Trailing 12-Month Averages



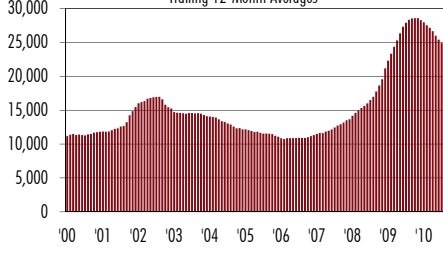
Growth in Las Vegas/Reno-Tahoe Passenger Counts
Trailing 12-Month Totals



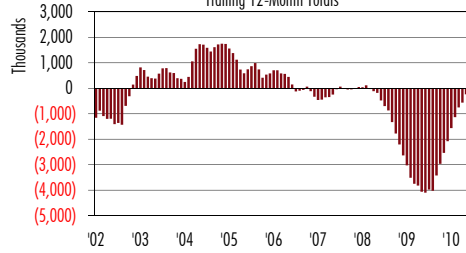
Nevada Housing Price Index
Trailing 4-Quarter Averages



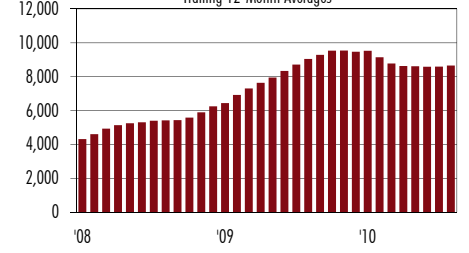
Nevada Initial Unemployment Insurance Claims
Trailing 12-Month Averages



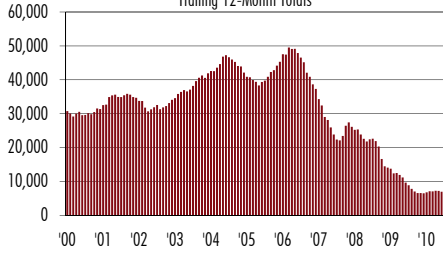
Nevada Visitor Volume Growth
Trailing 12-Month Totals



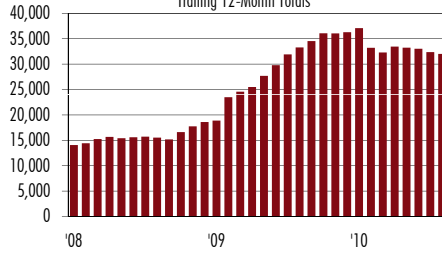
Nevada Foreclosures - Active
Trailing 12-Month Averages



Nevada Residential Housing Units Permitted
Trailing 12-Month Totals



Nevada Foreclosures - New
Trailing 12-Month Totals



State of Nevada Personal Income Growth
Annualized Averages

