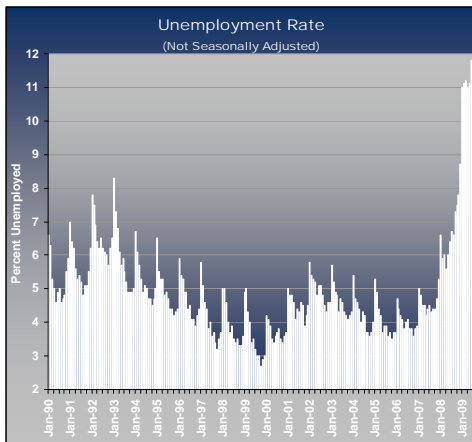


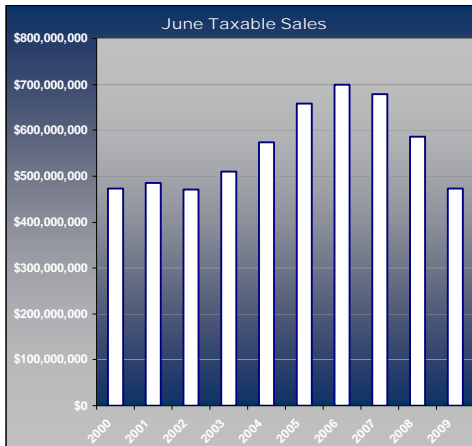
The first half of 2009 has been brutal for Washoe County. Declining employment, tax revenues, and home values have delivered a tremendous shock to the area's residents and businesses.

Except for *natural resources and mining* jobs, which remained flat, every major industrial category in the Reno MSA lost jobs over the year, and some of the losses were huge. By mid-2009, the Reno-Sparks area had earned the dubious distinction of leading the nation in percentage loss of **construction jobs**, which were down 5,800 in June compared to a year earlier – a 33% decline in an industry that has already shed over half of its jobs since the market's peak. Washoe County's construction employment peaked at 25,500 jobs in June 2006; in June 2009, there were just 11,600 construction jobs.



Record levels of **unemployment** in Washoe County have been the hallmark of 2009 after ramping up significantly during 2008. The Truckee Meadows began 2009 with a 9% unemployment rate – itself a shocking number -- and steadily increased to 12% by mid-year. Compared to the average rates in 2006 (4%) and 2007 (4.6%) Washoe County's rising unemployment is certainly cause for alarm because the degree of uncertainty people have about their jobs directly impacts their spending in the economy, putting more pressure on businesses' ability to maintain staffing, and starts a vicious cycle that's difficult to break.

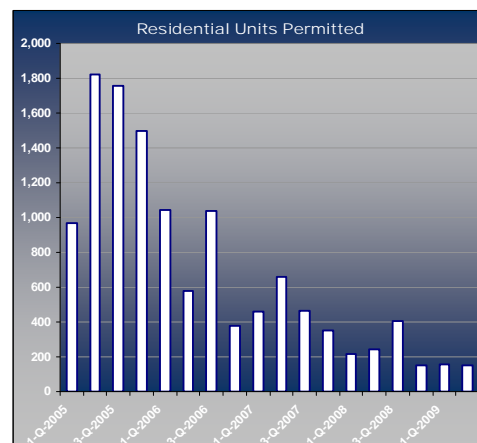
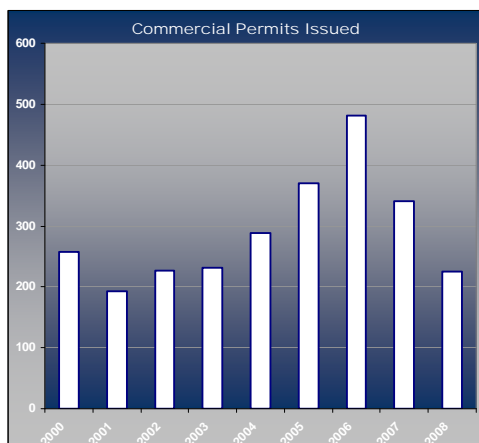
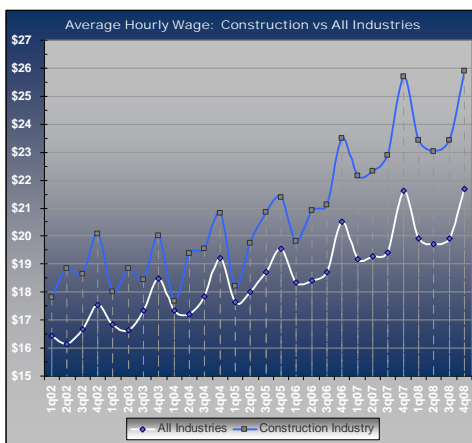
The number of people fully exhausting their **unemployment benefits** without being able to find a new job was up 174% from June of last year...over twice as many people (10,323 people statewide) were unable to find alternate employment before their unemployment benefits ran out in June 2009. Construction occupations remain the fastest growing and overall largest contributors to the pool of people seeking unemployment insurance.



The skyrocketing **unemployment rate** in Nevada will ultimately add fuel to the foreclosure fire, which will prolong the economic malaise. With many households dependant on two incomes to pay the bills, all it takes is one wage earner losing a job or having hours cut to put the family in a bind. In many cases, this second wave of foreclosures will be on properties in middle to upper class neighborhoods with prime mortgages – a far different client than those involved with the first wave of foreclosures over the past two years.

An avalanche of **defaults, foreclosures, and short sales** has had a devastating effect on the housing market in Washoe County. Although the problem is not unique to Northern Nevada – indeed, there are several states grappling with the same issues – it is one that will likely be with us for the next couple of years. In 2006, there were only 106 foreclosures for the entire year in Washoe County. Then there were 750 in 2007 – a 600% increase which, at the time, seemed unbelievable – then 2,445 homes were foreclosed by the banks in 2008. Through the first half of 2009, it appears as if it will be another record breaking year for foreclosures.

Continued...



Existing home prices have fallen so much – down another 31% through the first half of 2009 – that it has put tremendous pressure on the area's new home builders, many of whom have simply stopped building altogether. **New home sales** for the first half of 2009 were down 58% from 2008, and **new condo sales** were down 85%. Most home builders would rather not compete with all of the bank-owned homes on the market and are holding off with much of their plans until the economy begins to recover. A quick scan of the planning commission minutes in any locale reveals a steady stream of builders applying for time extensions to keep their tentative maps from expiring. **Existing home sales** were up 45% in the second quarter from the previous year, and up 60% from the 1st quarter 2009. There have been consistent increases in existing home sales over the past few quarters, but the **median sales prices** have been falling precipitously each quarter -- 2q09 median prices were nearly 1/3 lower than they were a year ago.

With no state income tax to help pay the bills in Nevada, **sales tax revenues** and **gaming tax revenues** are absolutely critical to the state's ability to cover its costs – the only other major source of revenue for the state is property tax revenue. Unfortunately, the recession has taken its toll on each of these sources of revenue for the state, leaving the Nevada's budget in shambles. Washoe County's **taxable sales revenues** were 21% lower during the first half of 2009 compared to 2008. **Taxable gaming revenues** for Washoe County were down another 14% through the first half of 2009 after falling 11% hit in 2008. As of June 2009, Washoe County's gaming revenues had been decreasing for 24 consecutive months, which led to an additional 12% drop in **hotel/gaming employment** in Washoe County this year

The Center for Regional Studies is an economic development collaborative between the University of Nevada, Reno, College of Business Administration, and the Nevada Small Business Development Center. The Center serves the State of Nevada with data and market analyses designed to help a business select a location for operations, understand current market trends, and predict where the local economy is headed. For more information about the Center, please call us at 775-784-1771 or visit us online at www.nvdata.org.

Washoe County Indicators			INDICATOR VALUES			GROWTH RATES		
			Current Month/Quarter	Previous Month/Quarter	Same Month/Qt Previous Year	vs. Previous Month/Quarter	vs. Same Month/Quarter	
Employment	Total (Reno MSA)	Aug-09	197,100	196,900	215,200	0.1% +	-8.4%	-
	Natural Resources and Mining	Aug-09	400	400	300	0.0% =	33.3%	+
	Construction	Aug-09	11,200	11,200	17,100	0.0% =	-34.5%	-
	Manufacturing	Aug-09	12,900	13,000	14,200	-0.8% -	-9.2%	-
	Trade/Transportation/Utilities	Aug-09	46,800	46,800	48,200	0.0% =	-2.9%	-
	Information Services	Aug-09	2,600	2,600	2,800	0.0% =	-7.1%	-
	Financial Activities	Aug-09	9,200	9,300	9,700	-1.1% -	-5.2%	-
	Professional/Business Svcs.	Aug-09	24,200	24,100	27,100	0.4% +	-10.7%	-
	Education/Health Svcs.	Aug-09	20,700	20,900	21,000	-1.0% -	-1.4%	-
	Leisure/Hospitality	Aug-09	34,300	34,500	39,000	-0.6% -	-12.1%	-
	Other Services	Aug-09	7,100	7,000	7,300	1.4% +	-2.7%	-
Government	Aug-09	27,700	27,100	28,500	2.2% +	-2.8%	-	
Unemployment	Rate Not Seasonally Adjusted (Reno MSA)	Aug-09	12.4	12.2	6.6	1.6% -	87.9%	-
Wages	Avg. Hourly Wage, All Industries	4q-08	\$ 21.68	\$ 19.90	\$ 21.63	8.9% +	0.2%	+
	Avg. Hourly Wage, Construction Industry	4q-08	\$ 25.90	\$ 23.43	\$ 25.70	10.5% +	0.8%	+
Gaming	Taxable Gaming Revenue	Jun-09	\$ 69,241,000	\$ 74,916,000	\$ 76,004,000	-7.6% -	-8.9%	-
Taxable Sales	Total Taxable Sales	Jun-09	\$ 472,109,488	\$ 441,842,044	\$ 585,398,294	6.9% +	-19.4%	-
	Taxable Construction Sales	Jun-09	\$ 16,840,861	\$ 11,878,144	\$ 25,810,015	41.8% +	-34.8%	-
	Taxable Retail Sales	Jun-09	\$ 316,888,703	\$ 294,963,467	\$ 378,427,147	7.4% +	-16.3%	-
	Taxable Auto Sales	Jun-09	\$ 48,975,288	\$ 44,782,906	\$ 67,222,515	9.4% +	-27.1%	-
Airline Activity	Total Passengers Enplaned/Deplaned	Jun-09	347,880	312,441	403,441	11.3% +	-13.8%	-
	Total Pounds of Cargo On/Offloaded	Jun-09	7,870,143	7,619,402	8,893,972	3.3% +	-11.5%	-
Housing	New Single Family Home Sales	Aug-09	21	39	79	-46.2% -	-73.4%	-
	Existing Single Family Home Sales	Aug-09	247	257	170	-3.9% -	45.3%	+
	Median Sales Price of New Single Family Homes	Aug-09	\$ 239,000	\$ 241,520	\$ 302,458	-1.0% -	-21.0%	-
	Median Sales Price of Existing Single Family Homes	Aug-09	\$ 182,500	\$ 185,000	\$ 251,250	-1.4% -	-27.4%	-
	Newly Foreclosed Homes	Jul-09	351	324	246	8.3% +	42.7%	+
	Sales of Previously Foreclosed Homes	Jul-09	302	347	167	-13.0% -	80.8%	+