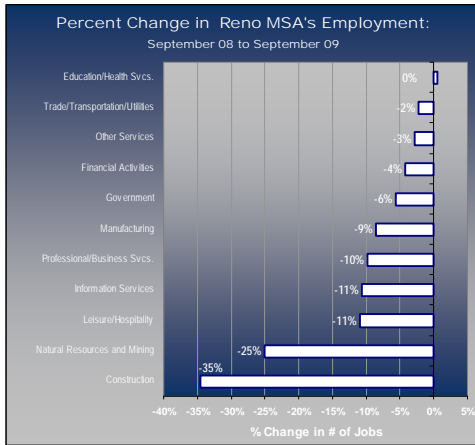


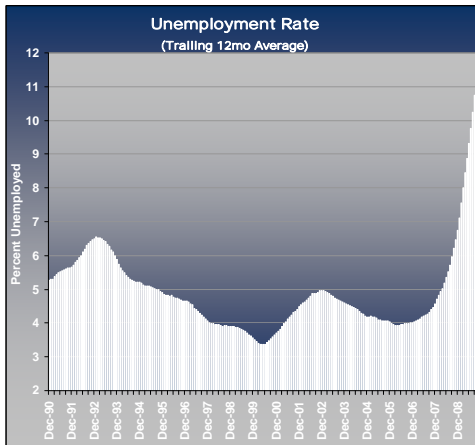
Economic Indicators

Washoe County, 3rd Quarter 2009



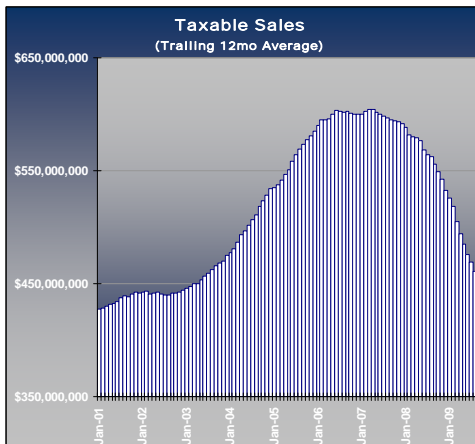
After a disastrous first half of the year, it appears like Washoe County's economy might be on the verge of staging a recovery in the coming months. Sure, there is still a TON of bad news to go around, but data from the close of the 3rd quarter 2009 also began to reveal some encouraging trends in the economy.

Home foreclosures and Notices of Default have been trending down over the past few months after peaking in July and August. These are critical statistics that have been driving the area's median home prices down month after month, so it's especially good news to see these two numbers receding. That's not to say that we're out of the woods yet in terms of distressed housing, but it certainly is a step in the right direction.



After posting double-digit year-over-year declines for past couple of years, Washoe County's median home prices appear to be reaching their bottom at around \$170,000. Generally, an area's median home price hovers around 2.5-3 times the area's median income, so Washoe County's 2009 income estimate of \$67,500 puts the current median home resale price right in line with historical norms. The market will almost certainly overcorrect as it struggles to gain traction, but the double-digit declines should be behind us.

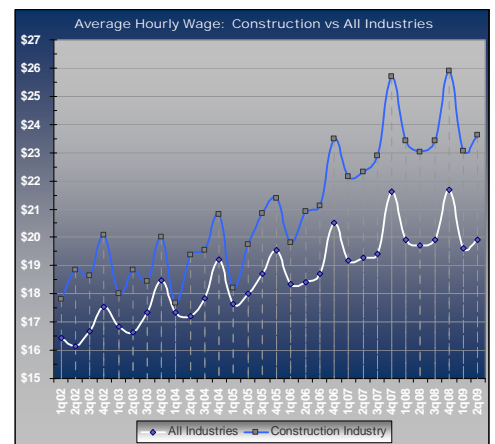
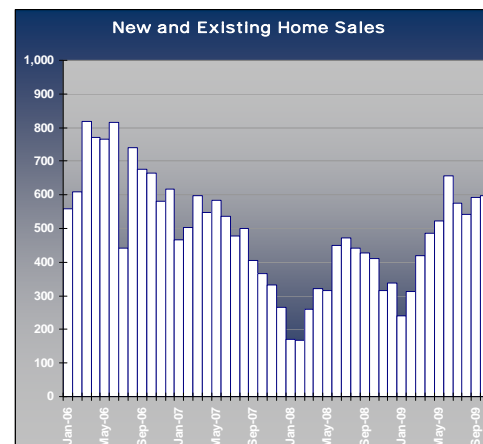
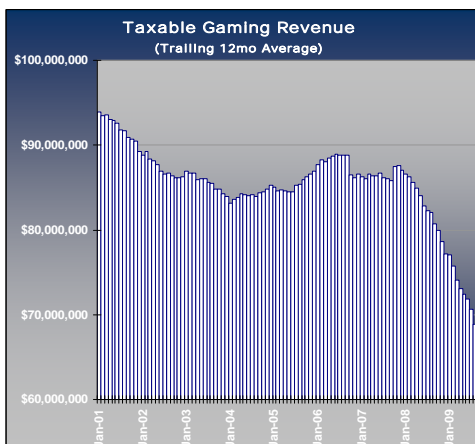
Existing home sales have been strong in 2009 as a result of plummeting prices and generous government incentives to help spur activity. Resales of single family homes were up 50% in the third quarter compared to a year ago, and the number of active listings in the MLS has been steadily decreasing over the past several months. Still, 66% of Washoe County's active listings are for "distressed properties" which require bank approval for sale – and this percentage has been increasing in every month of 2009.



New home sales, however, have barely been registering on the charts, averaging just 45 sales per month in 2009. Prior to the housing boom, Washoe County averaged 250-300 new unit sales per month, so local builders have really struggled to adapt to this new reality. At the current pace, there will be fewer than 600 new homes sold in 2009!

Skyrocketing unemployment has really been the most serious news of 2009 – in September the rate peaked at 13.1% in Washoe County, but has since retreated to "just" 12.4%. So long as people have a real (and justified) fear of losing their jobs, expect all facets of the economy to suffer.

In September, total employment in Washoe County was down 8% from a year earlier, and retail sales, gaming revenue, and tourism have all suffered tremendous losses in 2009 as a result of the contracting labor market. Some of the biggest losers in 2009 have been the construction industry (down 35%), the Leisure and Hospitality industry (down 11%), Professional and Business Services (down 10%) and the Information Services sector (down 10%). There are glimmers of hope out there, so 2010 could bring some much needed relief if the latest dip in the unemployment rate turns into a trend rather than merely a reflection of a shrinking labor market.



Continued...

Economic Indicators

Washoe County, 3rd Quarter 2009

In previous recessions, Washoe County managed to continue attracting out of town visitors without too much of a decline tourism numbers, but this clearly is no ordinary recession and tourists are clearly rethinking their travel destinations. Airline passenger traffic at the Reno-Tahoe International Airport has been down sharply in 2009 – in every month of 2009 passenger counts have been lower than they were for any month in the past 15+ years.

Additionally, drive-in tourism from California was hampered this year by endless road construction on I-80 that made travel through the mountains a nightmare on most days of the week and the fact that California's economy is even more devastated than Nevada's by this recession has also limited Washoe County's ability to bring in tourist dollars this past year.

Taxable gaming revenue from Washoe County casinos has been steadily declining in each quarter since the end of 2007 and posted a 16% decline in the third quarter of 2009 compared to 2008. In five of the last six quarters, the decline has been measured in double digits for Washoe County. Similarly, **taxable sales revenue** has taken a beating over the past two years with double-digit declines every quarter since the third quarter 2008. In 3q09, Washoe County's taxable sales were down 18% from a year earlier.

The combined effects of plummeting property values, taxable gaming revenue, and taxable sales have been devastating for Washoe County's finances (and Nevada's, for that matter). Without the ability to run a deficit to pay the bills, there will almost certainly be deeper cuts to services and staffing in the coming months.

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/Qtr Previous Year	vs. Previous Month or Quarter	vs. One Year Ago
Employment	Total (Reno MSA)	Oct-09	197,500	196,900	212,900	0.3% +	-7.2% -
	Natural Resources and Mining	Oct-09	300	300	400	0.0% =	-25.0% -
	Construction	Oct-09	10,600	10,800	15,700	-1.9% -	-32.5% -
	Manufacturing	Oct-09	12,800	12,800	14,000	0.0% =	-8.6% -
	Trade/Transportation/Utilities	Oct-09	47,000	46,900	48,100	0.2% +	-2.3% -
	Information Services	Oct-09	2,500	2,500	2,800	0.0% =	-10.7% -
	Financial Activities	Oct-09	5,600	9,200	9,600	-39.1% -	-41.7% -
	Professional/Business Svcs.	Oct-09	23,900	24,000	26,800	-0.4% -	-10.8% -
	Education/Health Svcs.	Oct-09	21,100	20,900	20,900	1.0% +	1.0% -
	Leisure/Hospitality	Oct-09	33,800	34,100	37,100	-0.9% -	-8.9% -
	Other Services	Oct-09	6,900	7,000	7,100	-1.4% -	-2.8% -
	Government	Oct-09	29,400	28,400	30,400	3.5% +	-3.3% -
Unemployment	Rate Not Seasonally Adjusted (Reno MSA)	Oct-09	12.4%	13.1%	7.3%	-5.3% +	69.9% -
Wages	Avg. Hourly Wage, All Industries	2q-09	\$ 19.93	\$ 19.63	\$ 19.70	1.5% +	1.2% +
	Avg. Hourly Wage, Construction Industry	2q-09	\$ 23.63	\$ 23.05	\$ 23.03	2.5% +	2.6% +
Gaming	Taxable Gaming Revenue	Sep-09	\$ 72,546,000	\$ 74,916,000	\$ 76,004,000	-3.2% -	-4.5% -
Taxable Sales	Total Taxable Sales	Sep-09	\$ 443,405,280	\$ 465,479,538	\$ 558,729,040	-4.7% -	-20.6% -
	Taxable Construction Sales	Sep-09	\$ 14,443,222	\$ 13,736,384	\$ 24,841,739	5.1% +	-41.9% -
	Taxable Retail Sales	Sep-09	\$ 301,781,835	\$ 337,209,489	\$ 353,900,276	-10.5% -	-14.7% -
	Taxable Auto Sales	Sep-09	\$ 42,825,312	\$ 61,627,665	\$ 57,076,098	-30.5% -	-25.0% -
Airline Activity	Total Passengers Enplaned/Deplaned	Aug-09	345,014	352,504	412,002	-2.1% -	-16.3% -
	Total Pounds of Cargo On/Offloaded	Aug-09	7,929,474	7,967,294	9,763,038	-0.5% -	-18.8% -
Housing	New Single Family Home Sales	Oct-09	38	50	54	-24.0% -	-29.6% -
	Existing Single Family Home Sales	Oct-09	561	542	358	3.5% +	56.7% +
	Median Sales Price of New Single Family Homes	Oct-09	\$ 240,000	\$ 225,950	\$ 277,475	6.2% +	-13.5% -
	Median Sales Price of Existing Single Family Homes	Oct-09	\$ 170,000	\$ 185,000	\$ 225,000	-8.1% -	-24.4% -
	Newly Foreclosed Homes	Oct-09	283	272	254	4.0% -	11.4% -
	Sales of Previously Foreclosed Homes	Oct-09	308	305	199	1.0% +	54.8% +