



Economic soothsayer Jeremy Aguero presented his usual thorough look into southern Nevada's future, wowing attendees at the May 14 Framing Contractors Association luncheon at Texas Station.

Aguero, principal at Applied Analysis, began his presentation with the obvious.

"During the last 12 to 18 months the construction industry has suffered," said Aguero matter-of-factly. "The general line of thinking is that southern Nevada has hit some sort of breaking point. Or worse, that the growth experienced over the last two decades is gone. While others say this is one in a series of economic downturns. Where are we?"

Aguero said in order to determine where we are we first need to look at population growth and its demand factor.

Based on drivers' license surrenders, southern Nevada has grown by only 6,010 people in 2008, the smallest growth in 10 years. But Aguero cautions the last decade was southern Nevada's highest in terms of population increase, with the peak of that growth occurring in 2004.

Aguero followed up with a few predictions from a chart he admits bankers love – and he hopes it provides a realistic glance of the future.

"Southern Nevada will have 3.5 million people by 2020 and will be completely built out by 2030," said Aguero. And Aguero reminded luncheon-goers that it hasn't always been smooth sailing population-wise for southern Nevada. In fact, from 1971 to 2007, population growth was marked by erratic trends.

Aguero noted power grid connections as another popular means to measure population growth. "At 14,114, 2007 is the weakest year of power grid connections in a decade. Just to give you an idea, these numbers were double in 2004 and 2005," said Aguero. "Now one thing we do a good job of tracking is who is coming into Nevada, but we are poor when it comes to tracking when they leave. So we try to ascertain this figure through the location cited when people pay their taxes."

Aguero said recently there has been a substantial increase of migration in and out which he attributes to the soft economy. "During this 12- to 18-month time frame, 10,000 jobs have been lost in the construction industry," said Aguero. "People move to Las Vegas because of wage and job availability. We can safely expect that when we lose jobs, we are also going to lose people."

When further discussing employment growth, Aguero said government is the fastest growing segment of southern Nevada's economy. "There are so many jokes, I don't know which one to use," chuckled Aguero. "Government employment growth remains stable despite a correction underway in the economy and despite 2,400 fewer people being employed today than there was a year ago."

What's on the horizon? Aguero reminded the audience that Project City Center was due to come on line in a year or so. Its completion, he said, will require 12,500 workers to operate the property.

Of course everyone's favorite subject was growth in taxable spending. Aguero said that as of February 2008 southern Nevada's economy has lost \$169 million in consumer spending.

"Between 1980 and 2008 we saw a series of economic cycles. We are settling into the middle of a recession now, and by all appearances it would seem that we are halfway through it," said Aguero. "So far in 2008, we have issued only 10,252 single-family housing permits. Can we sustain only permitting this small number of permits annually? There is not a

chance in hell. After all, we are the Paris Hilton of communities. We are the community that every other community loves to hate.”

Aguero noted that 22,549 houses on the market is significantly better than the 29,000 houses on the market in the fourth quarter of 2007. Aguero prophesized the bottom of the market arriving by November of this year.

Southern Nevada, according to Aguero, is experiencing a historically high 14-percent vacancy rate in its office space, and as a result foresees difficulty in getting office complex projects to pencil.

Aguero said, “Apartment rental growth is at 92.7 percent down from 96 percent in 2005 because people are renting homes instead of apartments. And southern Nevada’s hotel occupancy rate has dropped to 90 percent, which is still phenomenal when compared to the national hotel occupancy average of 65 percent.”

Aguero wrapped up his doom and gloom, we-are-officially-in-the-soup speech despite the sunshine on the horizon outlook with a potent lesson. “Southern Nevada is not recession-proof,” he said.