

Spotlight: Nevada

BY IVANNA C. SUKKAR



THE RECESSION HIT NEVADA HARD, WITH THE STATE LEADING THE NATION IN FORECLOSURES and bankruptcies, not to mention having the country's second-highest commercial delinquency rate this past October. But there could be a bright spot on the horizon for Nevada in its glitziest city.

CityCenter — an \$8.5 billion, 67-acre complex on the Las Vegas strip — opened this past December, and some view it as a potential panacea for the city's and state's economic woes. Fully funded by MGM MIRAGE Inc. and financially uncertain Dubai World, the complex features four hotels, gaming, condos, a retail center and more. The Las Vegas Convention and Visitors Authority predicts it could help boost the city's visitor stays by 5 percent this year, and it may add 12,000 jobs to the city.

Others disagree on its impact, citing a 29.2-percent dip in room-tax revenues in the second quarter of 2009 from the same period in '08. CityCenter's new 6,000 hotel rooms — plus 7,000 rooms coming from three other hotels in the next year and a half — could tax the city's inventory and adversely affect other Vegas hotels, researchers at the University of Nevada, Las Vegas, say.

Most agree, though, that what happens in Las Vegas will not stay there. Nevada's overall economy depends highly on the city's — and CityCenter's — success.

Key Sector: Gaming

Legal in Nevada since 1931, gambling is the state's primary source of revenue. According to the Nevada Gaming Commission, as of 2005, there were more than 2,900 issued licenses to conduct gaming or to manufacture gaming devices. The state's top 12 private employers, in fact, are casino-hotels.

This past October, however, gaming wins — or casino revenue from players — were down more than 11 percent in the state compared to October 2008, according to the Nevada Gaming Commission.

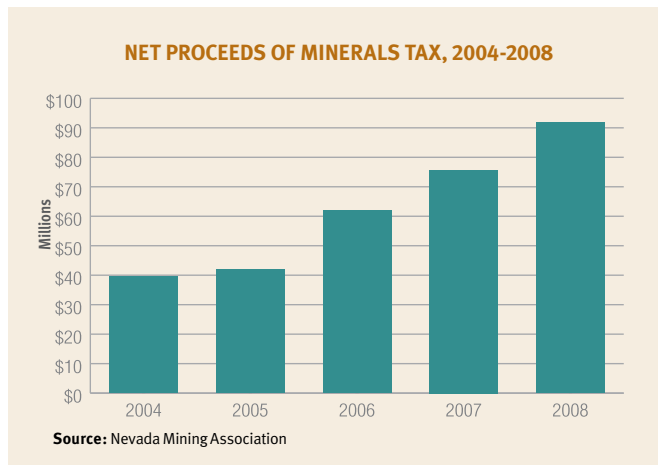
Top five private employers: 1. Wynn Las Vegas, 2. Bellagio LLC, 3. MGM Grand Hotel and Casino, 4. Mandalay Bay Resort and Casino, 5. Caesars Palace

Mining Industry's Stable Impact

Although it comprises only about 2 percent of the state's gross domestic product, mining is an important sector of Nevada's economy, particularly in rural areas. The state produces more than 75 percent of U.S. gold and is the world's third-leading gold-producer, according to a report from the University of Nevada, Reno. It also is a leading producer of silver, copper and construction aggregate.

With gold prices at about \$1,100 per ounce this past November, Nevada's mining areas are benefiting economically. Unemployment rates for Elko County, Lander County and Eureka County, for instance, were well below the state average this past November.

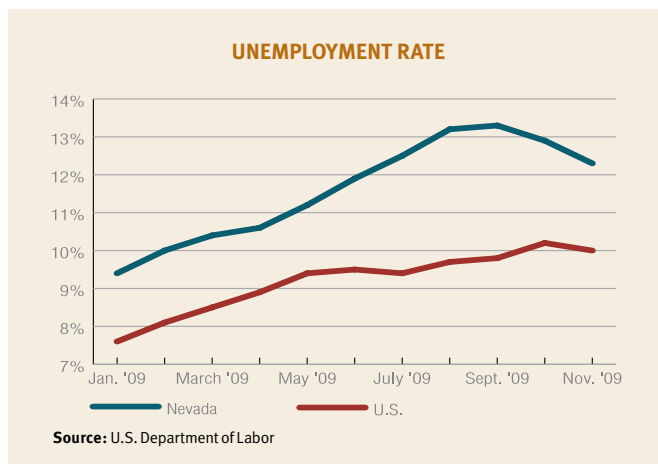
In addition, according to the Nevada Mining Association, mining companies pay an industry-specific property tax based on the value of ore.



Unemployment

Nevada's unemployment rate tracked two to three points above the national rate for the first 11 months of 2009.

The state's unemployment rate was 12.3 percent this past November, down from 12.9 percent in October but up from the previous November's 8 percent. Its record-high unemployment rate was this past September's 13.3 percent, according to U.S. Department of Labor statistics.



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3 Regions to Watch



Reno: It has seen its fair share of drops in tourism and gaming, but Reno is planning its rebirth. The City Council this past December approved a program to help small businesses relocate to its downtown. The council's plan includes offering small loans for businesses via federal grant money.

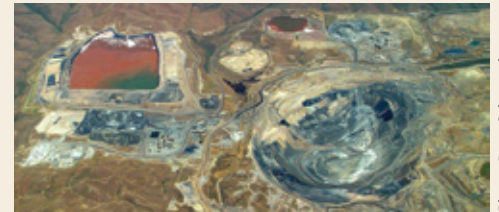


Photo: Dave Schumacher

Elko County: This northeastern Nevada county benefits from its strong mining industry and the current high price of gold. Home to eight of the state's mines, oil fields and geothermal plants, Elko County had the lowest unemployment rate in the state this past November at 5.9 percent — less than half the state's rate.



Yerington: Although Lyon County reported the state's highest unemployment rate among counties in November, at 14.5 percent, its county seat may soon see renewed copper-mining activity. Vancouver, British Columbia-based Nevada Copper Corp. announced this past December that it would study its Pumpkin Hollow copper-development property just east of Yerington to determine if it could work as a copper mine.

What the Locals Say



"We expect that by the end of the year, we should start to pick up. In 2011, we expect some marginal improvement to unemployment and gaming revenue, but the economy will be a smaller economy than 2007."

— MARY RIDDEL, INTERIM DIRECTOR, UNIVERSITY OF NEVADA, LAS VEGAS, CENTER FOR BUSINESS AND ECONOMIC RESEARCH

Sources: CB Richard Ellis; Colliers Las Vegas; *Las Vegas Business Press*; Las Vegas Convention and Visitors Authority; *Las Vegas Sun*; *Nevada Business Magazine*; Nevada Department of Employment, Training and Rehabilitation; Nevada Gaming Commission; Nevada Mining Association; *Reno Gazette-Journal*; University of Nevada, Las Vegas; University of Nevada, Reno; U.S. Census Bureau; U.S. Department of Labor