# FDIC State Profile

**Summer 2004**

# Nevada

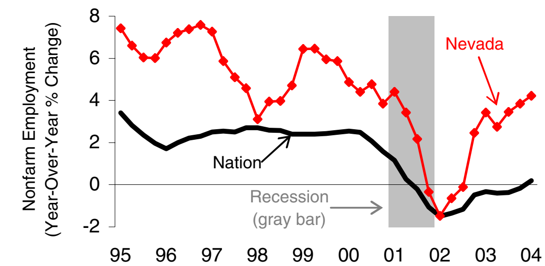
**Employment in Nevada expanded 4.2 percent year-over-year during first quarter 2004, the fastest rate among the 50 states.**

- The construction, professional and business services, and retail trade sectors were the strongest contributors of new jobs in the state in early 2004 (See Chart 1).
- The leisure and hospitality sector, which accounts for 27 percent of the state's total jobs, expanded by 1.8 percent during first quarter 2004. Jobs in the sector were boosted by growth in visitors and gaming activity (See Chart 2). Clark County, which includes Las Vegas, experienced a 2.5 percent year-over-year visitor increase during fourth quarter 2003, but Washoe County, which includes Reno and North Lake Tahoe, experienced a nominal, albeit improving visitor growth rate of 0.5 percent.

**Commercial real estate (CRE) vacancy rates remained high, but stable in the Las Vegas metropolitan statistical area (MSA).**

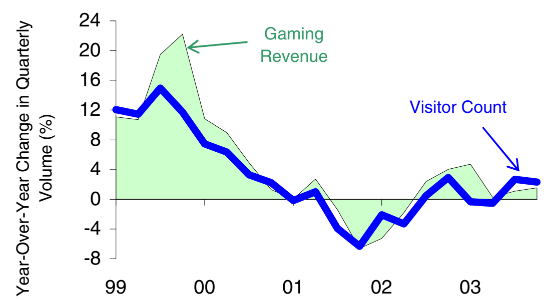
- ***Torto Wheaton Research*** reported that Las Vegas office vacancy rates declined slightly to 15.0 percent in first quarter 2004, down from 15.2 one-year earlier. Industrial vacancy rates fell modestly from 12.0 percent to 11.5 percent over the same period. Office and industrial vacancy rates remained significantly higher than cyclical lows attained in the mid-1990s, but are comparable to rates reported across the nation's major real estate markets. Multifamily vacancy rates showed the most improvement among major property types during the year ending fourth quarter 2003, declining from 7.3 percent to 6.6 percent.
- According to the ***Nevada Commission on Tourism***, hotel demand in the MSA also continued to improve. The fourth quarter 2003 total occupancy rate in Las Vegas was 82 percent, higher than fourth quarter rates in 2001 and 2002, yet still below the fourth quarter peak of 85 percent in 2000.
- As of March 2004, the median CRE loan-to-Tier 1 capital ratio among Nevada's established community institutions had climbed to 542 percent, up slightly from a year

Chart 1: Nevada Employment Growth Continued to Outpace the Nation



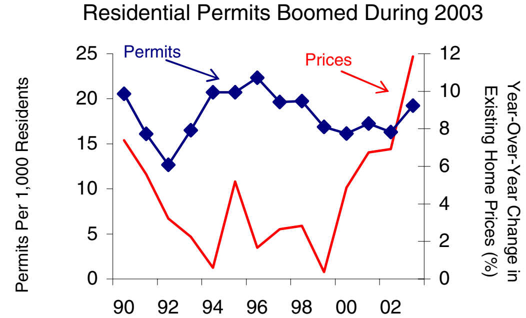

Sources: Bureau of Labor Statistics; National Bureau of Economic Research

Chart 2: Nevada's Gaming Revenue and Visitor Counts are Strengthening




Source: Nevada Commission on Tourism

Chart 3: Nevada's Home Prices and Residential Permits Boomed During 2003




Sources: Office of Federal Housing Enterprise Oversight; Census Bureau earlier.[1,2] The group's median concentration in construction and development (C&D) loans, one of the traditionally higher-risk components of CRE lending, increased to 161 percent of Tier 1 capital in early 2004, more than triple the 52 percent median ratio reported by MSA-based established community institutions nationwide.

- The median past-due CRE loan ratio among established community institutions decreased from 1.43 percent to 0.09 percent between first quarter 2003 and first quarter 2004.

**Home sales and construction activity were robust during 2003, but could slow prospectively.**

- Nevada's existing home prices grew nearly 12 percent year-over-year in fourth quarter 2003, as low interest rates and strong job growth spurred housing demand. Residential construction also boomed (See Chart 3). In fact, Nevada authorized 19 new residential building permits per thousand residents in 2003, a faster pace than any other state in the nation and three times the national rate. The current pace of residential construction may not be sustainable because of the combined effects of rapid construction and rising prices.

- Housing demand has recently outstripped supply, pushing up land values and new home prices.[3] The Bureau of Land Management administers 67 percent of acreage in Nevada, which places some constraint on the availability of immediately developable land. In addition to rising land prices, home prices are also being pushed upward by rising input prices. In March 2004, softwood lumber and steel producer price indices were up 24 percent and 16 percent, respectively, relative to year-earlier levels. Such rising costs could pressure builder cash flows, especially if home sales volume slows.

**Nevada's personal bankruptcy rate stabilized while foreclosure starts eased further in late 2003.**

- In 2003, roughly 9 out of every 1,000 people living in Nevada filed personal bankruptcy, comparable to previous years. The state's personal bankruptcy rate remains one of the highest nationwide.

- During the same period, Nevada's quarterly foreclosure start rate eased to an average of 0.44 percent, only slightly above the national average of 0.42 percent.

- First quarter 2004 past-due and charged-off consumer and 1-4 family real estate loan ratios remained low among most Nevada-based established community institutions. Sound loan performance may partially reflect stronger household liquidity and the lack of portfolio seasoning in the wake of high mortgage cash-out refinancing activity over the past few years.

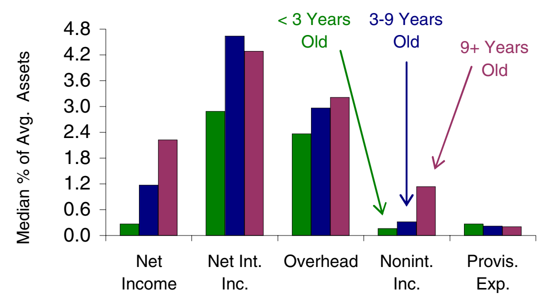
**Earnings reported by Nevada-based insured institutions improved through first quarter 2004, because of higher net interest margins, lower relative overhead burdens, and lower provision expenses.**

- The median return on average assets (ROA) ratio reported by insured institutions based in Nevada increased to 1.20 percent in early 2004, up from 0.91 percent one-year earlier, and significantly above the national median of 1.02 percent.

- Year-to-date through March 2004, earnings varied among insured institutions, depending on age and asset niche. ROA ratios remained lower, albeit improved, among banks and thrifts under 9 years old, which represented nearly two-thirds of the state's insured institutions (See Chart 4).

- Institutions in operation longer than 9 years reported a very high median ROA of 2.23, a reflection of their specialization in high-yielding credit-card loans or fee-rich mortgage banking.

Chart 4: Credit Card Loan Exposures Drove Profits Higher among Older Insured Institutions




Source: Nevada Bank and Thrift Call Reports (March 31, 2004)

[1]CRE loans include construction, multifamily, and nonfarm-nonresidential mortgages.
[2]Established community institutions are defined as insured institutions opened more than three years, with total assets of less than $1 billion. The definition also excludes industrial loan companies and other specialty institutions.
[3]Brennan, Lyle, "The Sky's the Limit: High Land Prices Affect Everyone," Nevada Business Journal, May 2004.

# Nevada at a Glance

| General Information | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
|---|---|---|---|---|---|
| Institutions (#) | 36 | 36 | 37 | 34 | 31 |
| Total Assets (in thousands) | 50,632,058 | 43,357,083 | 38,602,896 | 35,465,584 | 33,430,573 |
| New Institutions (# < 3 years) | 5 | 7 | 12 | 11 | 11 |
| New Institutions (# < 9 years) | 24 | 24 | 27 | 24 | 21 |

| Capital | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
|---|---|---|---|---|---|
| Tier 1 Leverage (median) | 9.21 | 9.46 | 10.31 | 10.96 | 12.48 |

| Asset Quality | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
|---|---|---|---|---|---|
| Past-Due and Nonaccrual (median %) | 0.80% | 1.63% | 1.38% | 1.37% | 2.08% |
| Past-Due and Nonaccrual >= 5% | 4 | 1 | 4 | 2 | 4 |
| ALLL/Total Loans (median %) | 1.21% | 1.34% | 1.28% | 1.41% | 1.51% |
| ALLL/Noncurrent Loans (median multiple) | 2.05 | 2.40 | 2.54 | 1.80 | 2.82 |
| Net Loan Losses/Loans (aggregate) | 3.17% | 1.96% | 1.65% | 2.36% | 2.78% |

| Earnings | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
|---|---|---|---|---|---|
| Unprofitable Institutions (#) | 2 | 5 | 8 | 8 | 9 |
| Percent Unprofitable | 5.56% | 13.89% | 21.62% | 23.53% | 29.03% |
| Return on Assets (median %) | 1.20 | 0.91 | 0.71 | 0.86 | 0.74 |
| 25th Percentile | 0.66 | 0.57 | 0.22 | 0.29 | -0.21 |
| Net Interest Margin (median %) | 4.73% | 4.69% | 4.64% | 5.09% | 5.64% |
| Yield on Earning Assets (median) | 6.03% | 6.36% | 7.05% | 9.33% | 9.41% |
| Cost of Funding Earning Assets (median) | 1.20% | 1.63% | 2.00% | 4.48% | 3.81% |
| Provisions to Avg. Assets (median) | 0.22% | 0.41% | 0.28% | 0.49% | 0.59% |
| Noninterest Income to Avg. Assets (median) | 0.34% | 0.45% | 0.49% | 0.58% | 0.69% |
| Overhead to Avg. Assets (median) | 2.99% | 3.47% | 3.58% | 4.03% | 4.50% |

| Liquidity/Sensitivity | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
|---|---|---|---|---|---|
| Loans to Deposits (median %) | 81.83% | 82.03% | 87.70% | 84.65% | 75.93% |
| Loans to Assets (median %) | 70.30% | 72.01% | 75.62% | 67.82% | 65.56% |
| Brokered Deposits (# of Institutions) | 19 | 17 | 11 | 8 | 4 |
| Bro. Deps./Assets (median for above inst.) | 5.14% | 5.57% | 7.18% | 7.27% | 0.27% |
| Noncore Funding to Assets (median) | 15.81% | 19.99% | 19.70% | 16.46% | 13.32% |
| Core Funding to Assets (median) | 72.20% | 67.25% | 67.07% | 67.68% | 71.12% |

| Bank Class | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
|---|---|---|---|---|---|
| State Nonmember | 24 | 24 | 23 | 20 | 17 |
| National | 7 | 7 | 8 | 8 | 8 |
| State Member | 3 | 3 | 3 | 4 | 4 |
| S&L | 0 | 0 | 0 | 0 | 0 |
| Savings Bank | 2 | 2 | 2 | 2 | 2 |
| Stock and Mutual SB | 0 | 0 | 1 | 0 | 0 |

| MSA Distribution | # of Inst. | Assets | % Inst. | % Assets |
|---|---|---|---|---|
| Las Vegas NV-AZ | 25 | 44,973,270 | 69.44% | 88.82% |
| Reno NV | 7 | 5,364,173 | 19.44% | 10.59% |
| No MSA | 4 | 294,615 | 11.11% | 0.58% |