

PESSIMISM PERSISTS

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A struggling housing market, flagging consumer spending and waning job growth have curbed optimism among once-ebullient business owners and managers.

In a December survey that the Review-Journal and the Las Vegas Business Press sent to local trade groups and businesses, 51.8 percent of participants said they expect an excellent or a good year ahead.

That number is down considerably from results in the two previous years, when roughly 94 percent of people who answered the Review-Journal's questionnaires predicted good or excellent times.

Gauging attitudes offers a glimpse into the business decisions executives will make. A negative outlook can become a self-fulfilling prophecy, as business owners who expect a down year often hire fewer workers and scale back on marketing to wait out a soft economy. Broad pessimism could yield slower overall expansion.

Brian Gordon, a principal for economic consulting firm Applied Analysis, said this year's dimmer views don't surprise him.

For one thing, he said, a sickly real estate market has undermined consumer confidence and chipped away at household wealth, so locals aren't lavishing discretionary dollars on casinos and retailers the way they used to. Throw in regular news reports about skyrocketing foreclosures or tumbling home prices, and perception combines with reality to squelch expectations.

Survey respondent William "Biff" Leonard has a front-row seat to the consumer meltdown that's shaking up stock markets and pinching retail sales.

Leonard is a federal bankruptcy trustee for the Nevada district, and he said the indicators he sees on the job point to a poor year ahead for the local economy.

The volume of bankruptcies Leonard handles has returned to the pre-reform levels of 2004, as real estate professionals ranging from sales agents to home inspectors look to erase debt. Workers in trades such as plumbing and carpentry are visiting Leonard in growing numbers, as are inexperienced investors who bought multiple properties with exotic mortgages. Credit-card debt among filers has jumped from a typical \$10,000 two years ago to as much as \$50,000 or \$100,000 now.

Worse still, the mean age among filers in Leonard's case load dropped from around 50 a few years ago to 44 today. Clients as young as 21 tell Leonard their financial troubles began with outsized home loans and too much charge-card debt. The trend suggests that even the youngest consumers enjoyed easy access to big credit lines they couldn't afford, Leonard said, and it reveals a widespread carelessness among banks that will continue to snake through the economy in 2008.

Survey participant Matthew Saltzman, a shareholder in the Las Vegas law firm Kolesar & Leatham, agreed that an ongoing "sharp correction" in the housing market will keep a lid on the local economy's growth in the coming year. And a relatively slow year for resort openings could also cloud 2008's prospects. The job formation resulting from 45,000 new hotel rooms here in the next five years "won't be in full gear" until 2009, Saltzman noted. Between a slack housing market and postponed help from the gaming sector, Saltzman predicted only a fair 2008.

Yet many business executives and managers hold out hope for 2008.

Their optimism comes partly from a belief that certain subsectors of the local economy will perform well in the next 12 months. They also expect aggressive moves into fresh lines of business to buffer them against a sagging commercial climate.

Debbi Somers, president of Somers Furniture, said in the survey that she expects an excellent year ahead, with additions to the Las Vegas Convention Center foretelling gains in exhibition business for her company's furniture-rental division.

But Somers isn't relying on trade-show leases alone to boost sales in 2008. Her business just completed the manufacturing and installation of more than 800 pieces of furniture inside 40/40 Club, a sports bar and lounge that rapper Jay-Z opened inside the new Palazzo. It was the first time the company made "every stick" of furniture inside a venue, and finishing the task gave Somers the

confidence to chase new business designing and building custom banquettes, chairs and couches for entire commercial projects. Somers has already submitted bids to several new prospects. The added orders could help Somers Furniture double its sales in 2008, she said.

Some of the revenue stream at Kolesar & Leatham will also come from a different pool in 2008.

A stumbling housing market took a big toll on the firm's land-buying practice. But surging bankruptcy cases and business litigation have replaced the lost billings. Kolesar & Leatham should turn in "modest" growth as the firm's varying disciplines compensate for weaker spots in the practice, Saltzman said.

Even some Realtors are planning for a turnaround in 2008.

Survey participant Joe Stewart, a Realtor and co-owner of the Stewart Team home-sales brokerage, said queries on available listings have "doubled or tripled" in the last month when compared with inquiries three months ago. And although the Stewart Team's average number of listings has dropped from a normal 15 or 20 properties at a time to just four properties now, he expects listings to shoot back into the teens by April or May. Stewart is even talking about adding administrative help in the third quarter to accommodate the influx of new business.

Why the good cheer?

Builders are restraining new construction, so buyers will have little choice but to absorb existing homes languishing on the market, Stewart said. Plus, falling median prices will lure more prospective buyers back into the market. The local population is still growing as well, so demand for homes shouldn't decline substantially in the year.

"We're creating a lot of jobs, and people are moving here," Stewart said. "I don't care if people buy or rent. They need a place to live."

Southern Nevada's real estate market is "at the bottom of the trough," he added.

But Somers tells business owners they needn't outlast the economy's nadir to begin expanding again.

Even lethargic economies offer growth opportunities for entrepreneurs who refuse to let bleak prognoses harness efforts to gin up new business.

It's a lesson Somers said she learned after the terrorist attacks of Sept. 11, 2001,

when the convention industry tanked. The trade-show businesses that survived the downturn stayed alive via diversification, she said.

"You can't stay in the office waiting for the phone to ring," Somers said.

"You have to aggressively go after new business and change your company's philosophy. What isn't being handled that you can do? You kind of have to go with the flow," she said. "See where the economy is flowing and go that way. Otherwise, you get stagnant."

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