



Staging a Comeback

Published June 8, 2020

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INDUSTRY INTERVIEW:

**Helping Valley Residents
Combat Housing Insecurity**

Stacey Lockhart
Executive Director
HopeLink of Southern Nevada

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The Macro View



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David Grana is a financial writer based in Las Vegas. He has worked as a content writer for the Financial Times in London and Institutional Investor in New York. David established Vegasnomics for the purpose of hosting the Las Vegas Property Development & Infrastructure Conference - a vehicle that delivers tangible information on the property market to real estate professionals. Just like the complex issues that he has covered in his conversations with portfolio managers from the investment management industry, Vegasnomics brings complex economic and financial issues to the forefront of real estate professionals' minds.

The Micro View



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Pam Junge grew up in Las Vegas and has made real estate her profession since the age of 17. Her vast knowledge spans title and escrow practices, private and commercial lending and every possible type of commercial and residential transaction. Most recently, Pam has pursued her passion of bringing technology and transparency to the home buying and selling process and aligned with eXp Realty, the fastest growing real estate firm in the country. Pam leads a dynamic team of commercial and residential agents on a platform built from three decades of providing consumers trusted services. Her mission is to grow industry leaders and real estate professionals through six core values - community, innovation, service, sustainability, collaboration and fun.

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Last week was a difficult one to get through. The destruction of many neighborhoods across the US, along with the eruption of emotions and opinions, were compounded with our existential concerns over the future of our economy and society.



Property insurance and security will be added to the already rising operational costs of many businesses.

And while many of us wondered when the incendiary social media arguments and boarding up of businesses would end, we got smacked in the face with the unexpected: promising economic news. That left me with nothing short of a Frank Drebin moment - specifically the scene from the original *Naked Gun* when he blocks two smacks across the face from each of Jane's hands, only to be smacked by a third. Classic.

Bond issuances are on the rise globally. According to a Moody's report that was released late last week, US dollar-denominated investment grade bond issuances were up 43.7%, while high-yield issuances were up 21.4% for Q1 2020, relative to the previous quarter. This contrasts with Q1 2019, where dollar-denominated investment grade bonds were down by 3% and high-yield grew by only 7.1%. In addition, the US high-yield default rate for April 2020 was 5.4%, compared to April 2019's 2.8% and a Q1 2021 projection of 13.3%.

"In very simple terms, companies are increasing their borrowing at an accelerated pace because of the low interest rates."

In very simple terms, companies are increasing their borrowing at an accelerated pace because of the low interest rates. However, the risks are high, since the future outlook for many businesses is still very nebulous. Remember that many (if not most) publicly traded companies have opted out of providing guidance on earnings. That could put some of these bond holders in a precarious spot, and taking it a step further, it could have some repercussions for these companies' landlords.

Just put yourself in the shoes of Simon Property Group, which announced that it is suing The Gap for missed rental payments totaling \$65.9 million during the COVID-19 pandemic closures. This is the same retailer that had issued \$2.3 billion in bonds in early May, which were backed by real estate and intellectual property.



The Gap's credit rating was downgraded by Moody's to Ba2 and was already in high-yield territory. Shopping mall and shopping center landlords will, undoubtedly, be keeping their eyes on this situation, and for good reason.

In spite of the opening of some Las Vegas casinos as early as Thursday at 12:01am, the national jobless claims that were released later that day were still uncomfortably high, clocking in at 1.877 million. This was demoralizing, to say the least, and only seemed to add to the already emotionally crushing week.

"...it is still a much better figure than the original projection, and if business and consumer demand strengthens, has the potential to be a sign of strength for the economy."

And then...it happened - the Frank Drebin moment. The May unemployment report, which was projected to be an earth-shattering 20% came in at 13.3%. While this number is still high, relative to our pre-pandemic 50-year low unemployment rate, the increase in 2.5 million jobs in May was that glimmer of hope that none of us - not even the most erudite of economists - saw coming.



Leslie Nielsen as Lieutenant Frank Drebin in *The Naked Gun*.

Like with every piece of data that economists present, this one comes with its own caveat. The first is that this jobs report may have had a classification error, which may bring that unemployment number up to 16.1%, however, that is still being debated by policy experts. Regardless, it is still a much better figure than the original projection, and if business and consumer demand strengthens, has the potential to be a sign of strength for the economy.

The downside to this could be that policy makers could pullback on another stimulus package, which may have negative effects for some households whose jobs may not be coming back for a long time, if at all. So before I go declaring this a full on victory, I will instead call it a spark that may kick-start what could be the beginning of an economic comeback.

Lastly, I'd like to wrap up this week's Marco View with a heartfelt nod to the allied troops who landed on the beaches of Normandy 76 years ago to defend the world from tyranny. Thank you all for your contribution to humanity and may no one forget the sacrifice that you made for posterity. Stay safe everyone!



The D-Day Normandy landings on June 6, 1944.



The Micro View

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The one thing that has remained true throughout the trying events of the recent months is the unrelenting determination of a little city called Las Vegas. It was named in 1829 by Rafeal Rivera, a Mexican trader traveling on the Old Spanish Trail from Santa Fe to southern California. Rivera discovered a shortcut along the route that passed by springs bubbling up from an artesian aquifer. He decided to call this little patch of paradise “Las Vegas” for its life-saving water and soul-soothing greenery. Fast forward almost a couple hundred years and, although the landscape has changed, it’s safe to say, that same little city is still a breath of fresh air dashed with permission to let loose to all that pass through. And they just can’t stay away.



Statue of Rafael Rivera

As the 4th day of the month drew near, tensions grew tight in the city and the fear of yet another 2020 punch in the face was palpable. But in true Las Vegas spirit, the people came. They came from out of state and from down the street to celebrate, commune and to be “normal.”

"The visitor demand to date has far outpaced expectations, and several casino companies have already ramped up scheduled openings that they previously projected much later dates for."

After 78 days of silence, the Strip came to life again. Fox 5 News recently interviewed incoming travelers at McCarran International and the sentiment was overwhelming - we're not afraid of living with coronavirus and we want to get back to living our life. Some tourists expressed relief that Vegas is not quite as busy right now and were looking forward to really enjoying their vacations here.



Showgirls at Caesars Palace welcoming guests for the grand reopening.

A spokesperson for McCarran anticipated 190 incoming flights on Friday alone. The visitor demand to date has far outpaced expectations, and several casino companies have already ramped up scheduled openings that they previously projected much later dates for. MGM Resorts International, which reopened Bellagio, MGM Grand and New York-New York on Thursday, is already planning a fourth reopening this week, with Excalibur set to welcome back guests on June 11, followed by Aria's reopening slated for July 4.

While the city that never sleeps wakes from her slumber, we have to wonder how quickly we can resume all that makes Las Vegas truly sparkle with the magic only she can cast. Showrooms are still dark, nightclubs are ghost towns and, in a move that personally hit me the hardest, the Smith Center published last week that the setback had been so devastating to the non-profit arts center that they've established a Road to Reopening Fund.

"Our doors have been closed for months now, and we remain dark indefinitely," Smith Center President and CEO Myron Martin said in an emailed newsletter Wednesday. Social distancing is undoubtedly taking a toll on those types of venues that draw people (physically) near and close to one another. But wait (head tilt sideways).



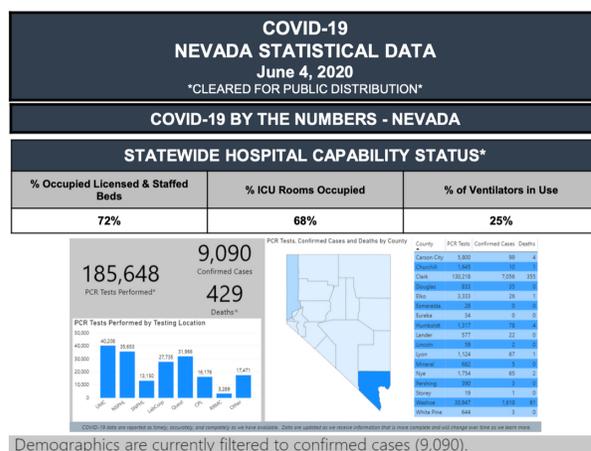
Even the gladiators are prepped for new social distancing measures.

We are, by all accounts publicly known, set to open up a stadium that holds 68,000 bodies in very close proximity in August, along with CES, Las Vegas' largest annual trade show, which announced last week its comeback in January 2021. We're moving forward at lightning speed according to the body count dipstick. While economic recovery may hold some venues back, it appears COVID-19 will not.

"Consumer confidence remains strong amongst first time homebuyers and we're beginning to see the urban migration to our wide open city."

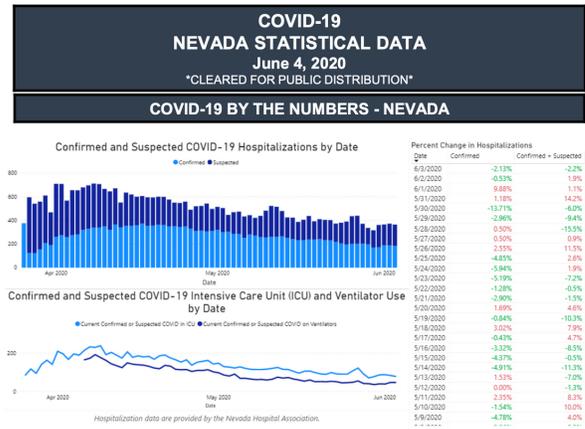
For the first time since March, Centennial Hills hospital reported zero inpatients with COVID-19 on Thursday, June 4. Certainly a day of celebration! There has been a markedly consistent downward trend in cases. The governor's office said that Wednesday marked day 39 of the COVID-19 test positivity rate decreasing, and day 43 of decreasing COVID-19 hospitalizations.

The tides have turned and we're making phenomenal headway against this awful disease.



Demographics are currently filtered to confirmed cases (9,090).

All housing economic factors are coming in surprisingly well and, frankly, almost too good to be true. But I've never been one to look a gift horse in the mouth. The national unemployment numbers staggered economists from one coast to the other with a whopping 2.5 million jobs gained in May, bringing the overall jobless rate to 13.3% - a far cry from the projected 20%+.



Locally, we're finally seeing pandemic unemployment funds being distributed to gig workers and independent contractors. While these numbers are promising and indicate a trajectory to recovery, it would be remiss to deny that there are certain jobs that just won't come back.

What's being coined "The Great Labor Reallocation of 2020" will be further defined in the near future by companies continuing to resize their operations, automate certain positions, streamline management and define office space and how and when it's used. Mortgage accounts in forbearance dropped from 10% across the nation to 8.9%, the first decline in numbers since the onset of the pandemic. Clark County reported upwards of 200 Notices of Default filed in the months of February and March, however, April came in at only 5. This number is muddled by the forbearance directive, and we will likely not have an accurate depiction of this reality for months to come. The overall message here is that we're in recovery by all accounts known.

The Las Vegas housing market continued to remain stable last week. While new homes on the market ticked slightly upwards again from the week prior, we still remain at a good balance of supply and demand. The "extra" supply is a natural migration due to pent up demand from sheltering in place, and not large enough to be of any concern at this time. Consumer confidence remains strong amongst first time homebuyers and we're beginning to see the urban migration to our wide open city.

A random encounter yesterday led me to a nice gentleman named Ben, who recently fled from New York City. Originally from Israel, he moved to the States ten years ago. His plan was to move to Las Vegas some time in the near future, however, the coronavirus expedited that plan tenfold. In his own words, "You will see many more of us moving to your town. There is no longer a need to be in the city and I can work from anywhere."



And as people flock here, there will undoubtedly be those that must flee elsewhere due to financial duress. It will likely take years to efficiently tally those numbers and net the city's population increase or decrease perpetuated by the pandemic.

All indicators point to... well, status quo. I fully understand that this is not typical, sensational reporting. But in my eyes, the fact that we could emerge from the recent events of the world in a status of "business as normal" is, in fact, sensational to me.

Is it possible that as human beings and as a city, despite the ups and downs and disagreements, we're harnessing post traumatic growth and only emerging better because of it? It's an interesting thought I've been pondering as I'm truly humbled by this city's perseverance in staging one of the biggest comebacks of all time. I know the fight isn't over and we have a long way to go, but once again, I find myself so grateful to live in this incredible town I call home - the breath of fresh air to all who pass through. Stay safe and healthy out there. Until next week, stay **#vegasstronger**.



INDUSTRY INTERVIEW:
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Stacey Lockhart

Executive Director

HopeLink of Southern Nevada

Website: link2hope.org

Stacey Lockhart is Executive Director of HopeLink of Southern Nevada, which provides housing, shelter, case management, referrals and in-house-funding all over the Las Vegas Valley. She has worked in higher education and nonprofits for the past 30 years, including The Shade Tree, where she led the organization through a \$2.5 million renovation and facility upgrade. She had previously worked with Easter Seals and for U.S. Figure Skating before moving to Southern Nevada in 2017.

What is HopeLink's mission and how does the organization carry it out?

Our mission is to prevent homelessness, preserve families and provide hope when households are going through difficult financial situations. Our aim is to prevent families and seniors from losing their homes and ending up on the streets, which is a solution that can sometimes cost as little as \$500. We would rather that than have them lose their homes, which can become a more difficult problem to resolve. Getting someone that is already on the streets into housing can cost upwards of \$21,000.

We are able to help with rent, utility or food assistance, and for most families that we work with, they are able to find financial stability in as little as 3 to 6 months. In cases where a person or family does not qualify, we have partner organizations that we can refer them to, who will likely be able to help them. Applicants that do qualify for assistance from HopeLink are assigned a case manager from day one, who sees them through the process, until the day that they are back on their feet and no longer in need of aid.

"The current state of housing insecurity is far greater than what we saw in 2008, so it's very important that we engage the community through awareness."

Since the COVID-19 pandemic, what has demand been like for HopeLink's services?

Since the shelter-in-place orders came into effect, the volume of demand has increased dramatically. We have had most of our staff working from home and a skeleton crew operating out of our office. The number of people that we served in April doubled. We helped 500 clients and were able to cut over 300 checks to landlords and utility providers. And while we would have normally received food from ThreeSquare, because of COVID-19 we had to seek alternatives and turned to social media to access supply. Smith's supermarkets really stepped up by providing a \$40,000 grant, half of which we used to purchase gift cards for our clients, so that they could buy fresh, nutritious food.

Our phones ring off the hook from the moment we open the office, and have often had to ask people to call back the following day. We've digitized our files and have even established a portal on our website so that we can review applicant documents while complying with social distancing. Many of our current clients are not typical of our usual applicants, in the sense that they are seeking short-term rental and utility assistance as a result of the hardship that they are enduring because of the current economic conditions. Suffice to say, our staff has been working very hard.

What additional challenges do you see ahead for Southern Nevada residents and for HopeLink?

We're grateful that the eviction moratorium has been extended until July, which gives many people facing financial hardship some sense of relief.

However, we can see this increase in demand continuing, and we are in dire need for funding to address this spike. The current projections are that 30% of people that have been furloughed or unemployed will not be going back to work immediately, and that hotel occupancy will not likely come back to the pre-COVID levels, so our services are projected to be in high demand at least through the end of the calendar year. Southern Nevadans are going to need to catch up on their rent payments and then keep up with them. If we don't get funding in place quickly, I see evictions on the rise beginning at the end of July. With shelters currently at full capacity, this could escalate quite quickly.

I think we also need to be aware that, given the current economic conditions, this could easily happen to anyone. The current state of housing insecurity is far greater than what we saw in 2008, so it's very important that we engage the community through awareness.

How can the community get involved with HopeLink?

Cash donations are greatly appreciated so that we can help people pay their rent and utilities. Donations of goods and services are always appreciated as well. This includes facemasks, hot meals, and dry goods. Even feminine hygiene products and adult diapers, which can be quite costly, are greatly appreciated. In essence, anything that we can provide to our applicants, which can help them reduce their financial burden until they get back on their feet, is helpful.

Navigating the New Normal in the Property Market.



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