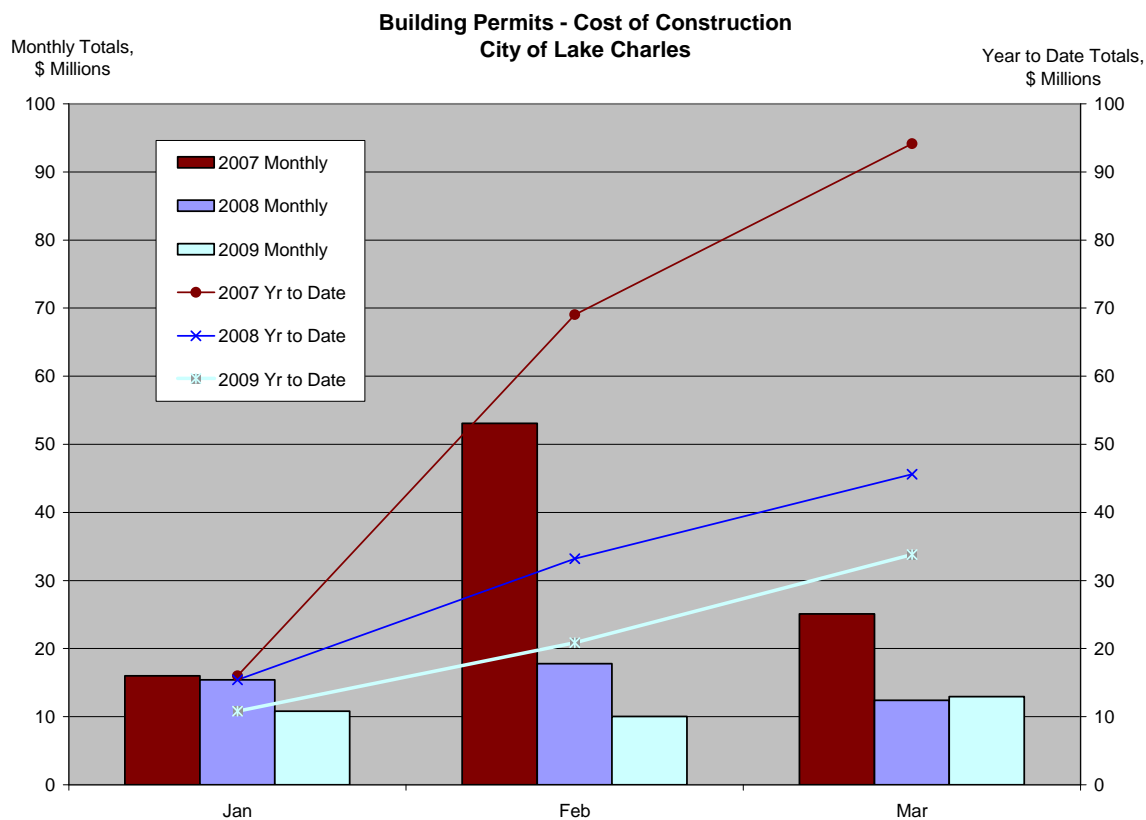


First Quarter 2009 Update

Building Permits—City of Lake Charles

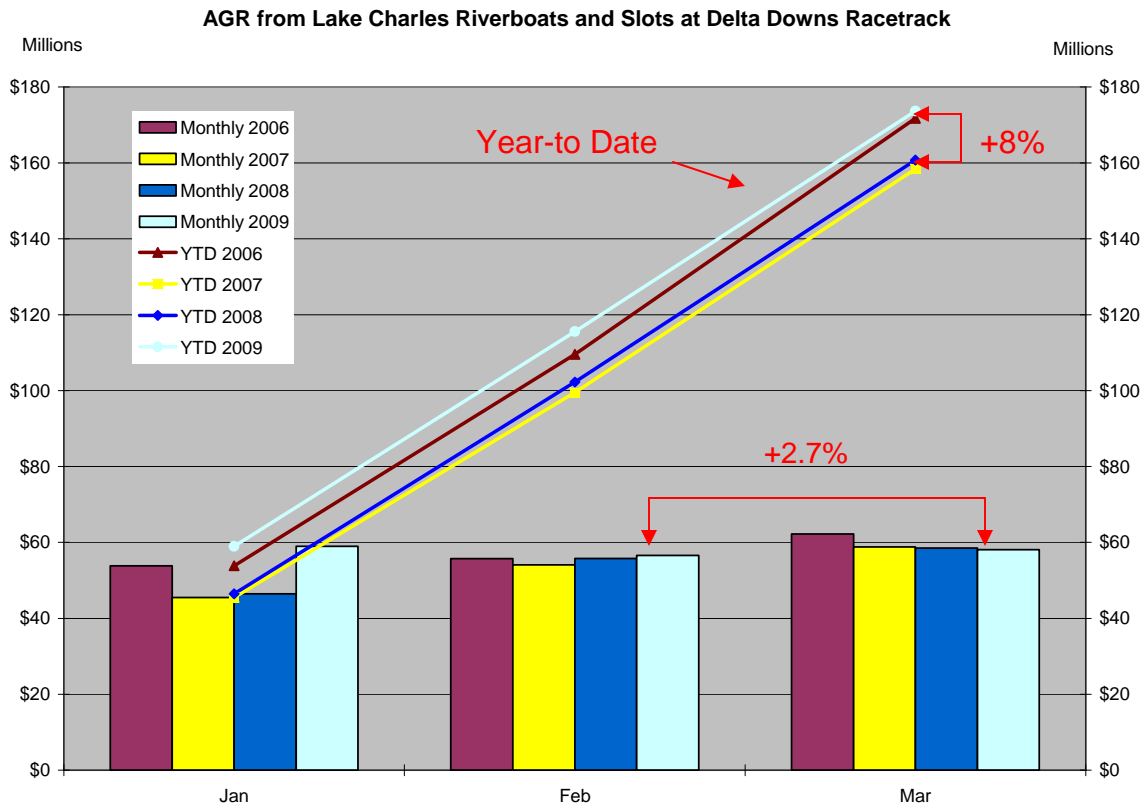
The dollar value of building permits issued in the City of Lake Charles increased from about \$10 million in February to about \$13 million in March of 2009. Same month comparisons in the chart that follows also show a slight increase from the March 2008 figure. However, the year-to-date figures for the first quarter of 2009 are about \$12 million lower than in the same period of 2008 and about \$60 million (almost two-thirds) lower than in the first quarter of 2007.



Building permits for construction activities beyond the Lake Charles city limits are not captured in the reported data. Most new industrial related construction activity occurs beyond the Lake Charles city limits with permits issued by Calcasieu Parish.

Gaming Revenue from Riverboats and Slots at Delta Downs Racetrack

Adjusted gross receipts (AGR) measure the difference between “dollars paid-in, and dollars paid-out” from the L’Auberge and Isle of Capri riverboat casinos near Lake Charles and from the slot machines at the Delta Downs racetrack casino near Vinton. Monthly AGR from these important segments of the local gaming industry was about \$58 million in March 2009—up by 2.7% (\$1.5 million) from the previous month.



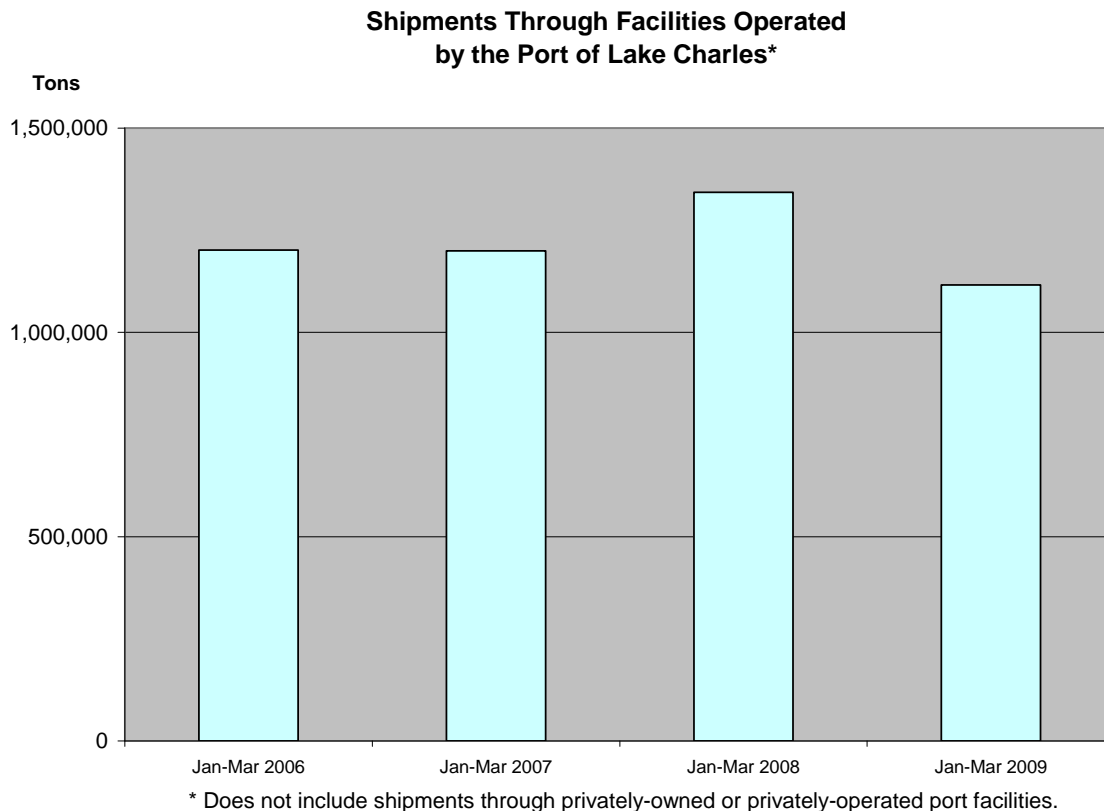
Same month comparisons show a big burst of activity in January 2009 is primarily responsible for a nearly \$13 million (8%) gain in year-to-date AGR during the 2009 first quarter period compared to the 2008 first quarter.

When comparing first quarter AGR performance in the most recent four years, it is interesting to note that the “second best” first quarter in 2006 was only \$1.9 million (1%) less than the “best” first quarter in 2009. During the last four years, the highest first quarters each followed a major hurricane impact season for the Gulf Coast region—after Hurricanes Katrina and Rita in the fall of 2005, and after Hurricanes Gustav and Ike in fall of 2008. In each case it would appear that the gaming industry in Calcasieu Parish captured a portion of the post-hurricane recovery spending.

Port of Lake Charles Shipments

Cargo tonnage shipped through facilities owned and operated by the Port of Lake Charles declined by nearly 17% during the first quarter of 2009 in comparison to shipments during the same period a year earlier.

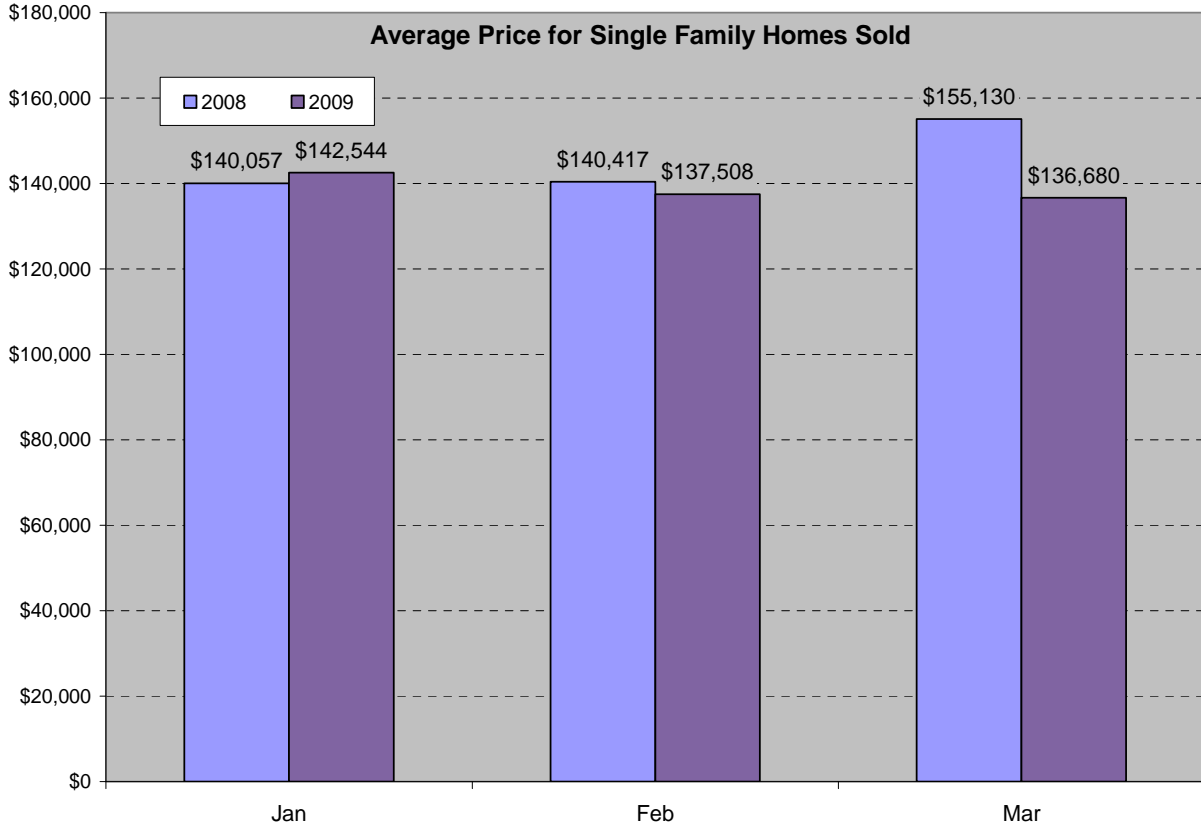
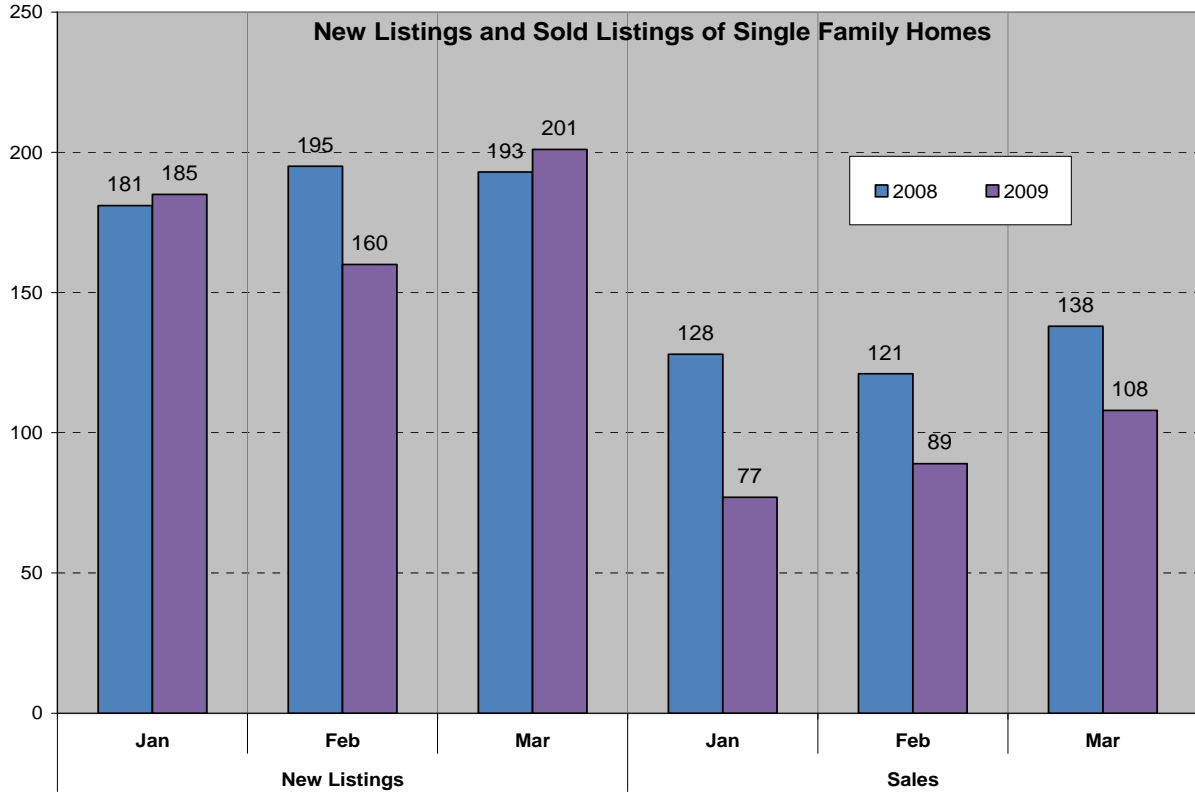
While bagged cargo shipments were up by 34%, bulk cargo shipments (primarily petroleum coke) declined by 23%. Historically, bulk cargo shipments have accounted for about ten times more total tonnage than bagged cargo shipments.



The data reported does not include shipments through privately-owned or privately-operated port facilities in the Lake Charles Harbor and Terminal District. Most notably, since hurricane Rita, tonnage information has been unavailable for imports of crude oil to local refineries (through privately-owned port terminals in the District).

Real Estate Activity

Statistics comparing regional real estate activity are provided by the **Southwest Louisiana Association of Realtors**. The following two charts track the number of new listings of single family homes, the number of single family homes sold, and the average sale price for single family homes sold in each of the first three months of 2009 (along with comparison figures for the same months of 2008).



Observations:

- ☺ The number of homes sold trended upward from month to month during the first quarter of 2009—from 77 in January, to 89 in February, to 108 in March.
- ☹ However, there were fewer homes sold during each of the first three months of 2009 than during the same months of 2008.
- ☺ Negative gaps between same month sales in the previous year have narrowed considerably—from 51 (40% fewer) in January, to 32 (26% fewer) in February, to 30 (22% fewer) in March.
- ☺☹ The month to month average sale price for single family homes trended downward in the first three months of 2009—from \$142,544 in January, to \$137,508 in February, to \$136,680 in March. This trend could be viewed as encouraging or discouraging--depending on whether you are a potential home buyer or seller.

Year-to-date comparisons for the January through March (1st Quarter) period in 2009 and 2008 are shown in the table that follows.

Single Family Home Real Estate Activity: Comparison 1st Quarter 2009 and 2008		
	Jan-Mar, 1st Qtr 2009	Jan-Mar, 1st Qtr 2008
Number of New Listings	546	569
Number Sold	273	384
Dollar Volume of Sales	\$37,910,805	\$55,701,237
Average Sales Price	\$138,867	\$145,055

Source: Southwest Louisiana Association of Realtors

In comparison to the same period a year ago, during the first quarter of 2009 the total number of single family homes sold declined by nearly 29%. The average sale price for single family homes fell by a much more modest 4.3%.

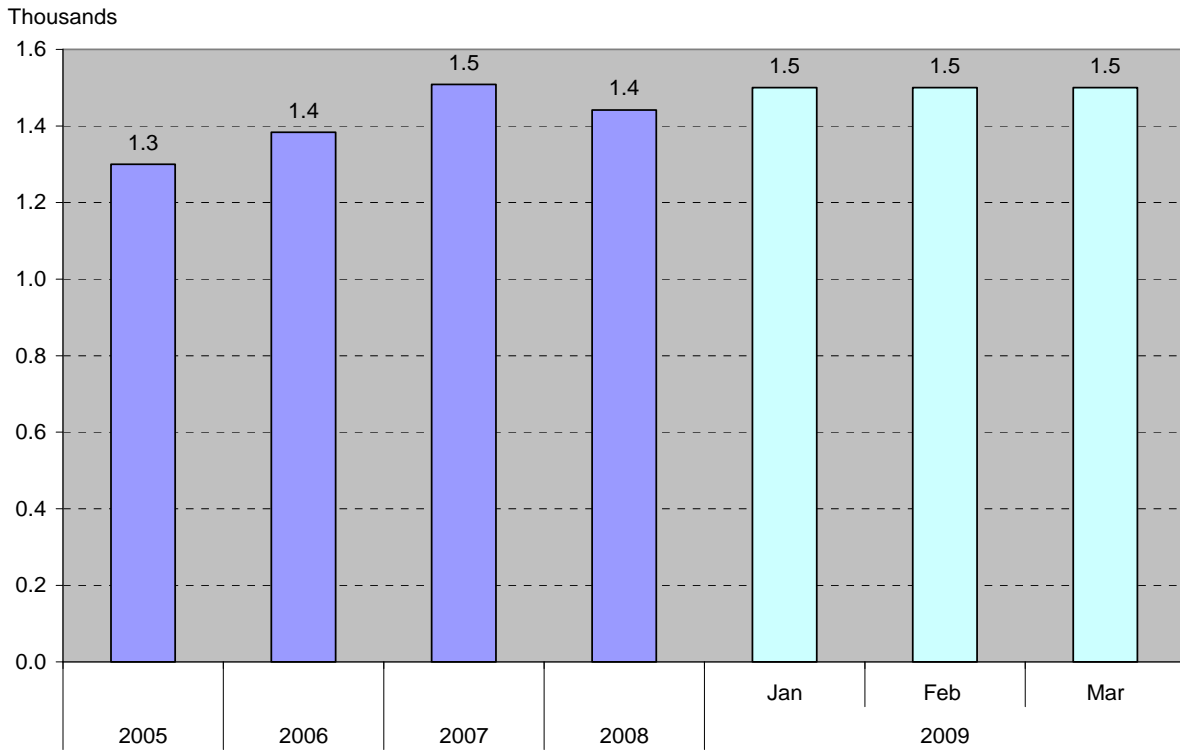
Taxable Sales

Complete first quarter information on taxable sales in Calcasieu Parish is not yet available—but so far, so good. Total taxable sales during January 2009 were up by 4.2% compared to the same month in 2008, and taxable sales during February 2009 were by 1.6% compared to February 2008. Year-to-date (January through February) sales were up by 2.9%. When figures for March become available (most likely by mid-May), they will be reported in a ***Drew Center Economic Snapshot*** report.

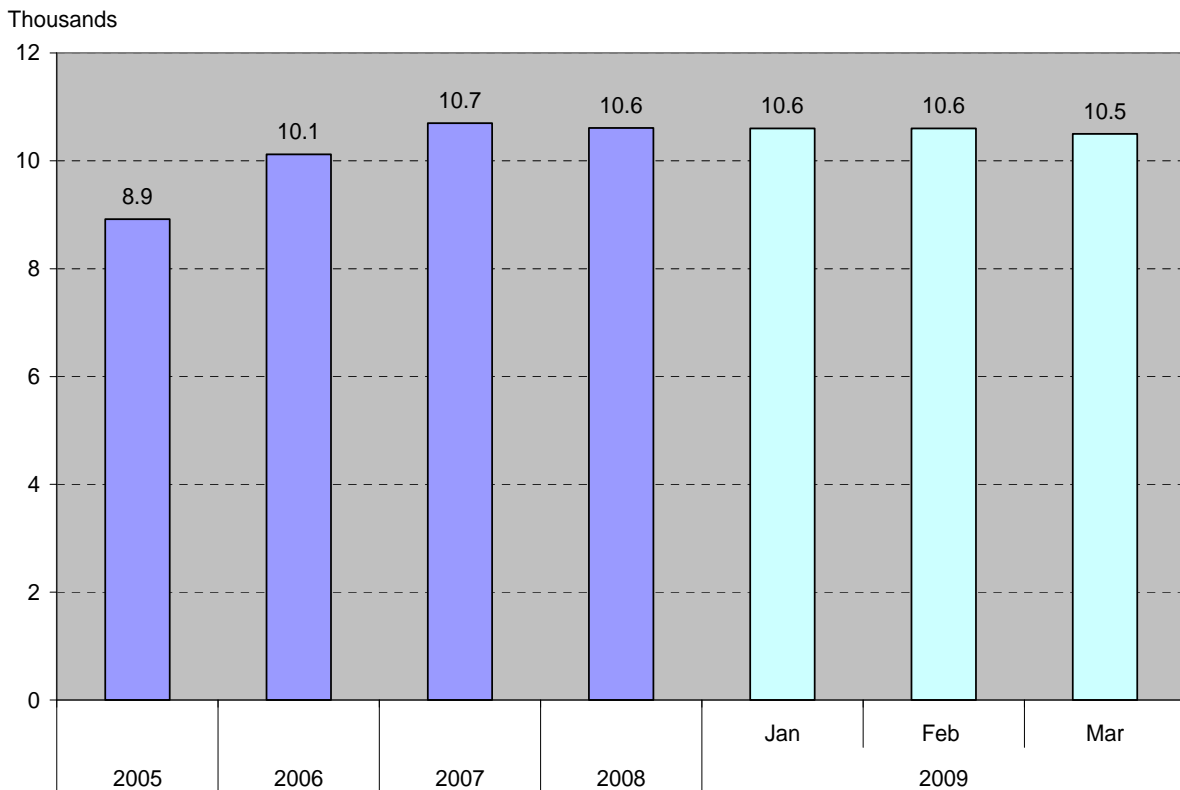
Nonfarm Employment

Saving the best regional economic indicator news for last—the following series of eight charts demonstrate that, ***in the midst of a major national economic recession, nonfarm employment in Calcasieu and Cameron Parishes is holding up very well.*** Each chart in the series compares the average annual level of employment during the most recent four years (2005, 2006, 2007, and 2008) with monthly employment during the first quarter of 2009 (January, February, and March). While the charts tell the story, a brief review can be found at the end of the series.

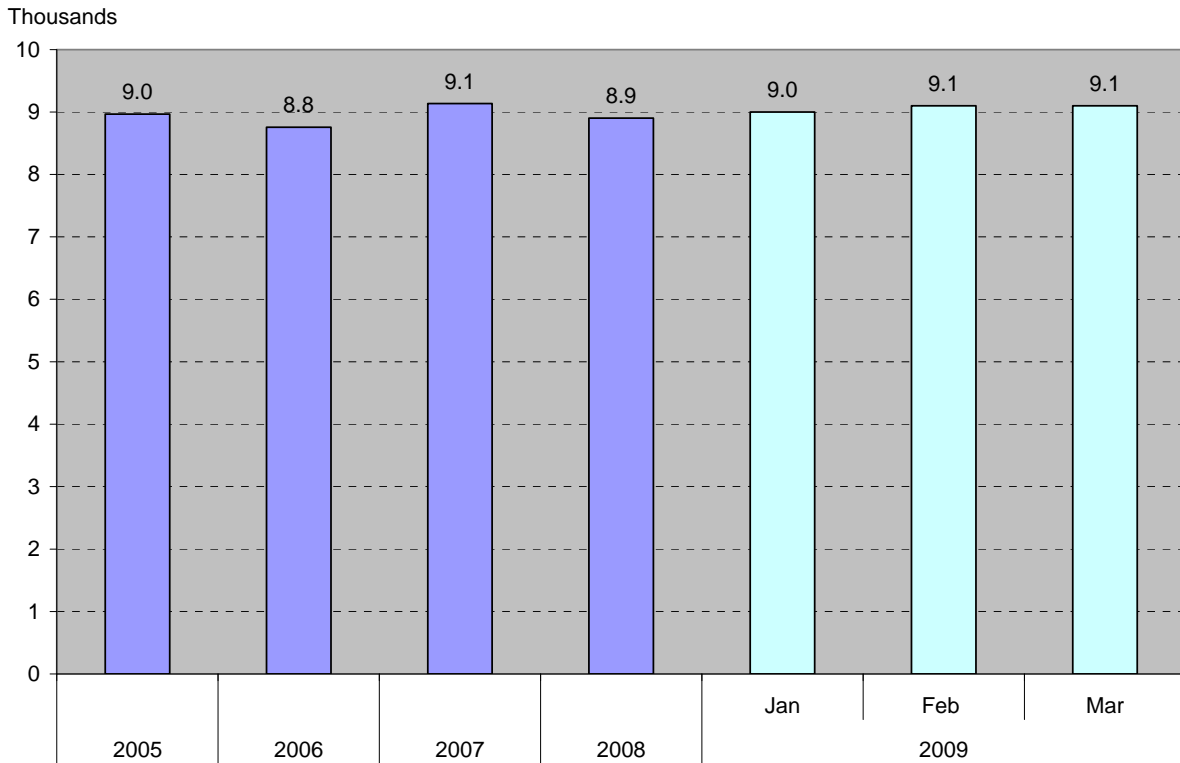
Natural Resources and Mining Employment, Calcasieu & Cameron Parishes



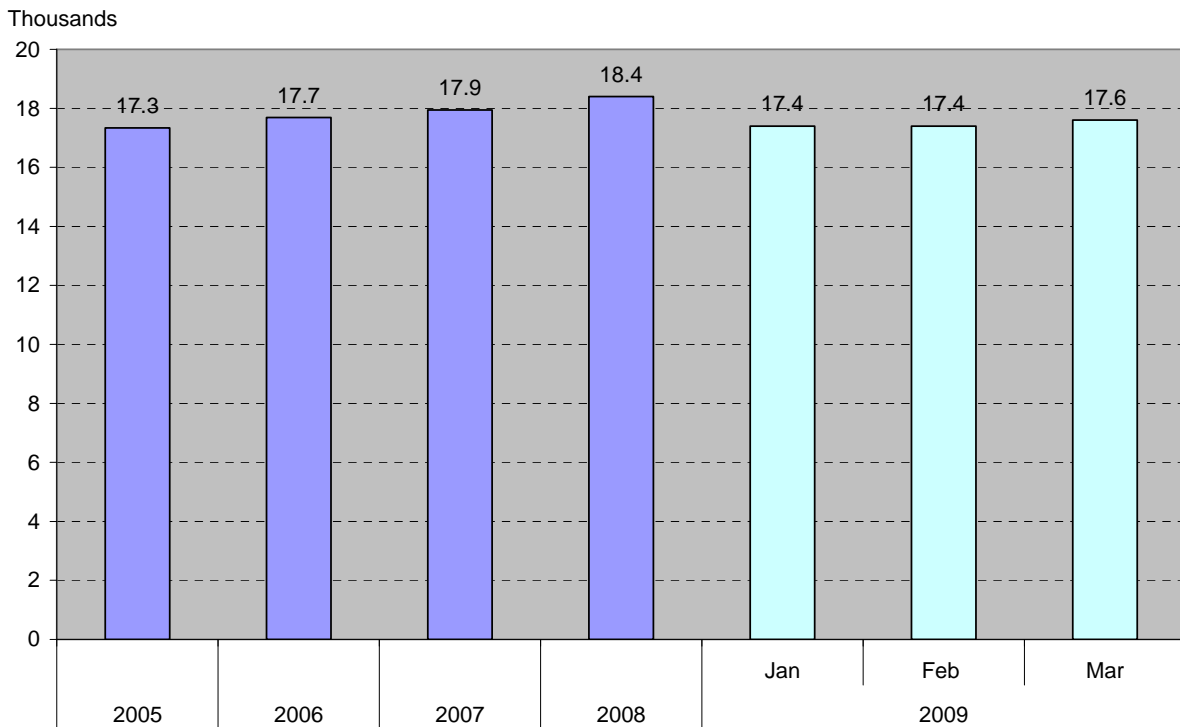
Construction Employment, Calcasieu & Cameron Parishes



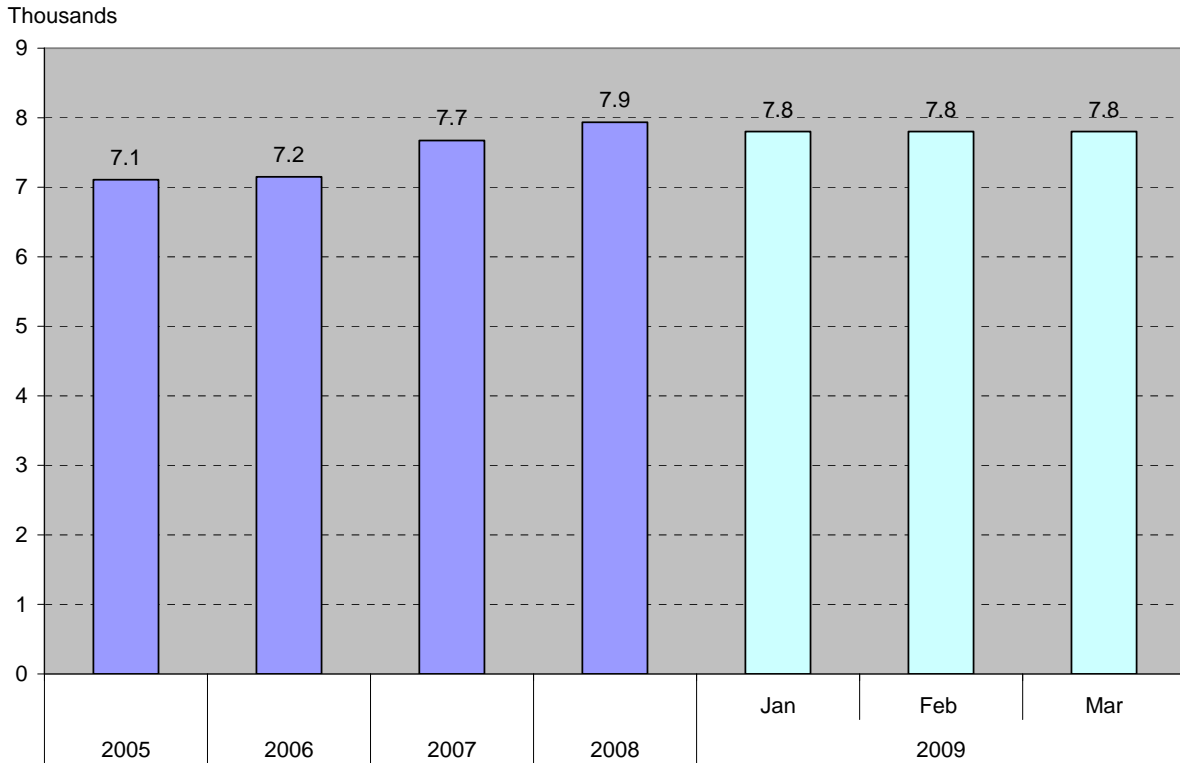
Manufacturing Employment, Calcasieu & Cameron Parishes



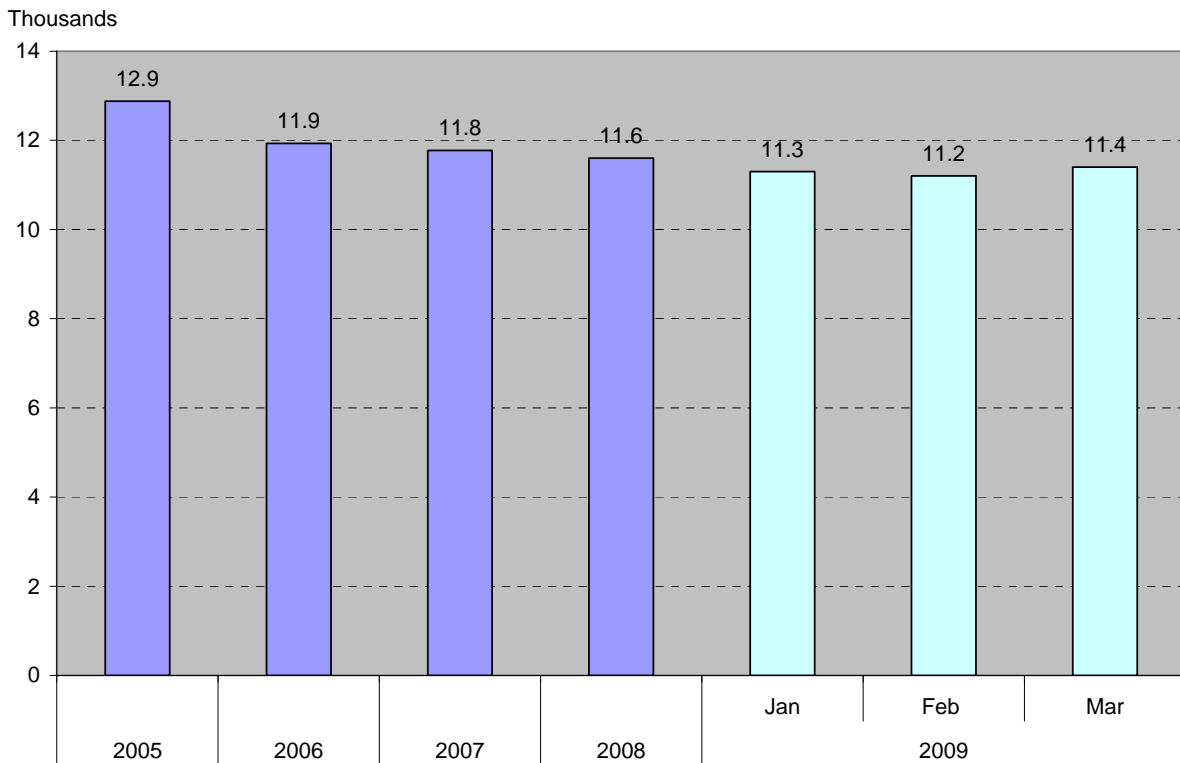
Trade, Transportation and Utilities Employment, Calcasieu & Cameron Parishes



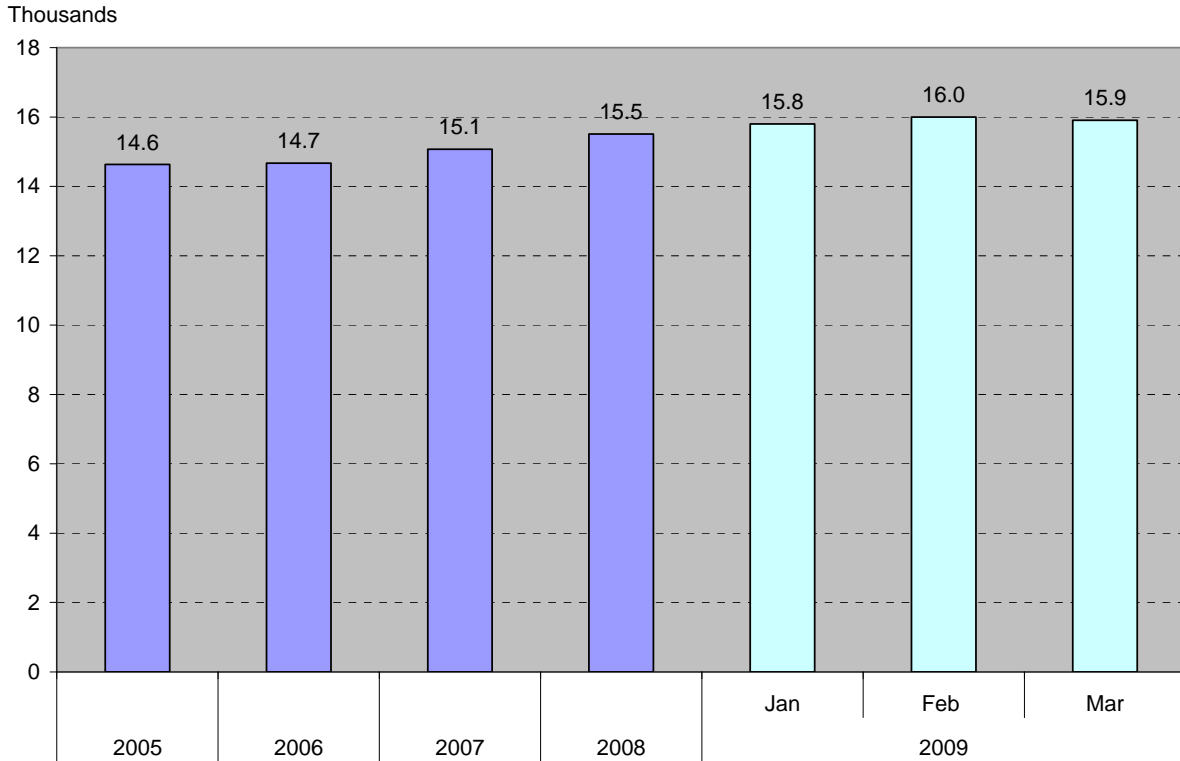
Professional and Business Services Employment, Calcasieu & Cameron Parishes



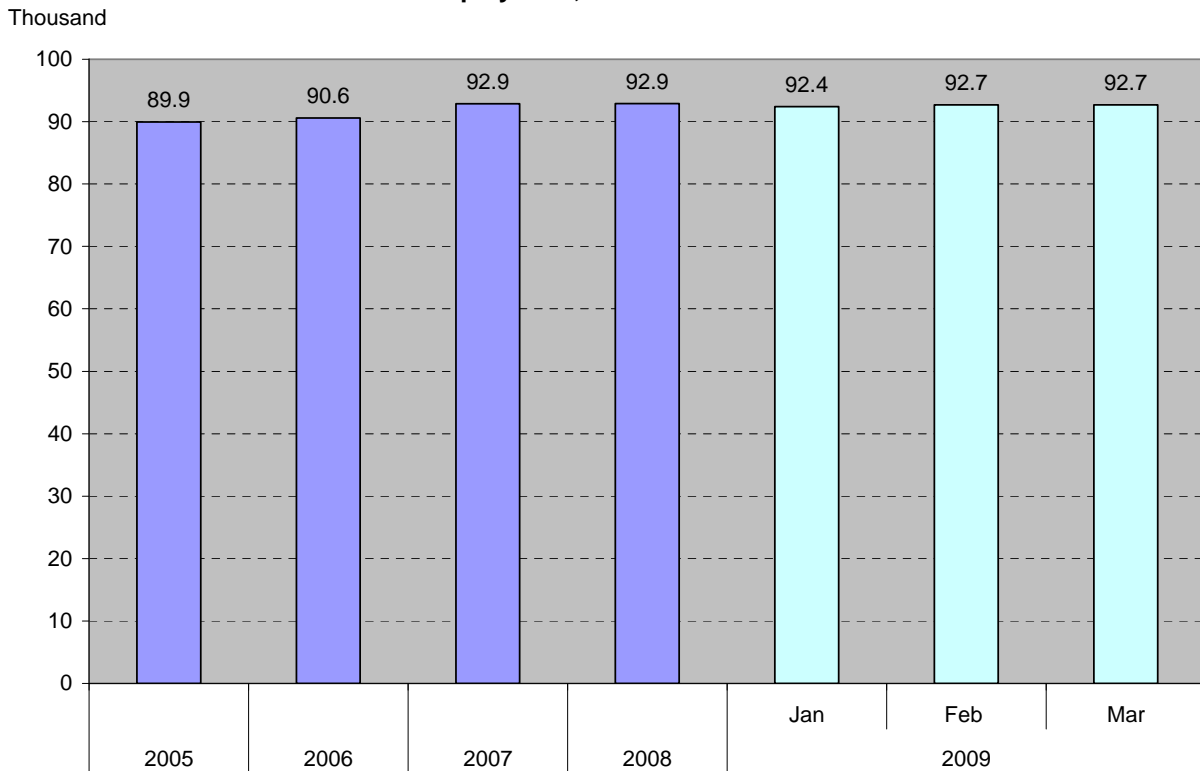
Leisure and Hospitality Employment, Calcasieu & Cameron Parishes



Government Employment, Calcasieu & Cameron Parishes



Total Nonfarm Employment, Calcasieu & Cameron Parishes



Employment Review

Examining the trends in various categories of nonfarm employment provides more room for confidence in the regional economy—and perhaps one slight surprise. Following the sequence of the preceding charts:

- Natural resource and mining employment has rebounded to 1,500 jobs—the post-hurricane Rita high reached 2007. This category of employment has recently been renamed “mining and logging” in the Louisiana Department of Workforce Development statistics. Locally it means oil and gas extraction jobs.
- Construction employment at 10,500 is within 200 jobs of the post-hurricane Rita high.
- Manufacturing employment is at the post-hurricane Rita high of 9,100 jobs. Wages for manufacturing occupations are generally among the highest paying jobs in this region.
- Trade, transportation and utilities employment provided 17,600 jobs in March 2009—about 800 fewer than the record annual average reached in 2008. Retailing makes up the lion’s share of jobs in this category. A seasonal diminution in retail jobs is to be expected during the first quarter of any year (and especially during a national recession year as some national chain stores close outlets or cut back on employment).
- Professional and business services employment at 7,800 remains within 100 jobs of the post-hurricane maximum.
- Leisure and hospitality employment at 11,400 (a post-Rita low) is perhaps the biggest surprise. Among other occupations, this category includes gaming. Perhaps it is no coincidence that the loss of 1,500 jobs since 2005 in this category of employment is roughly the number of jobs generated by the two riverboats (Harrah’s) that were destroyed during hurricane Rita. The drop in employment in this sector comes despite several expansions at the L’Auberge du Lac Casino Resort as well as construction of numerous new hotels and motels (primarily serving the gaming industry) along the Interstate-10 and Loop-210 corridor through the region.
- Government employment in March was just 100 jobs below the high reported the previous month—but still 400 jobs above the 2008 average annual record. Projected State budget deficits and the effects of attendant cuts in state government spending are likely to curtail future public sector employment opportunities.

The last chart in the preceding series summarizes the overall employment picture for the Lake Charles metropolitan statistical area (Calcasieu and Cameron parishes). Total nonfarm employment grew from an annual average of 89,900 jobs during 2005 to an annual average of 92,900 jobs in 2008. During the first three months of 2009 (while the national economy was losing hundreds of thousands of jobs) the erosion of employment in the Lake Charles area was relatively small--only 200 jobs below the 2008 peak (not seasonally adjusted). Total nonfarm employment remained stable in both February and March at 92,700.

Unemployment rates for the five parishes of Southwest Louisiana in March 2009 were as follows: Allen Parish (9.4%), Beauregard Parish (7.4%), Calcasieu Parish (5.3%), Cameron Parish (5.0%), and Jefferson Davis Parish (4.6%). Elevated unemployment in Allen and Beauregard parishes is associated with reduced demand facing the logging, lumber, and paper products industries—a result of the national recession reducing the demand for building materials and paper. At the end of the first quarter the statewide unemployment rate for Louisiana was 5.7% and the nationwide unemployment rate was 9.0%. (Reported unemployment rates are not seasonally adjusted.)

Summary

The post-Rita decline in the “leisure and hospitality” category of employment should be reversed when Pinnacle Entertainment completes construction of a sister casino resort to be known as Sugarcane Bay. The plans call for adding a second riverboat casino, a second golf course, and additional hotel rooms near Pinnacle’s current L’Auberge du Lac Casino Resort. The Sugarcane Bay expansion is projected to generate 2,000 new permanent jobs when completed. Site work is in progress, but the timetable for the remainder of the project has been delayed due to disruptions in global credit markets. In April, Pinnacle obtained a second extension for implementing its plans from the Louisiana Gaming Control Board and indicated further extensions may be needed if credit conditions do not improve. The most recent extension calls for the Sugarcane Bay project to be completed in December 2010.

Clearly the regional real estate market, some regional construction activities, and some shipping activities at the Port of Lake Charles have been stressed by negative spillovers from the national recession as well as continuing disruptions in global credit markets. However, there is some preliminary evidence that the regional real estate market may be regaining strength. Plans for additional public sector construction expenditures in the near term continue unabated. While credit market problems may delay some private sector construction spending in the near term, the longer term outlook for most of these projects appears to be positive.

Credible local realtors have argued that the recent market weakness is primarily the result of tighter credit requirements and fear created by an unrelenting barrage of negative national economic news since last September. If they are correct, the weakness may not disappear overnight, but recovery could be sooner than pessimists might expect. Evidence to date of continuing strength in the local gaming industry, growth in regional spending, and stable employment should help provide support for more optimistic expectations.

A fair reading of the data suggests it is neither the best of times nor the worst of times for the regional economy. The regional economy of Lake Charles and most areas of Southwest Louisiana and the state continue to out-perform the national economy.

Early next month American Eagle is scheduled to rejoin Continental Express with daily flights into Lake Charles. American Eagle will provide connecting flights to its Dallas-

Fort Worth hub. Continental currently provides connecting flights to its Houston hub. Construction of a new Lake Charles Regional Airport Terminal Building is nearing completion. These developments should also enhance regional employment opportunities.

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