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Real Estate Is Buoyant As Continued Job Creation Keeps Buyer Interest High

By Meta L. Levin

When Greg McClenon looks out of his new condo unit in Las Vegas, he loves what he sees. That's because Mr. McClenon, a securities analyst from San Jose, Calif., bought in Sky Las Vegas, a new 45-story, 450-unit building under construction at the north end of the glitzy Las Vegas Boulevard, known as "The Strip."

Although he has yet to move in, Mr. McClenon has been able to haul his camera to his 28th-floor corner unit and snap away. "I have a 210-degree view from some angles," he says. "I can see all the way down The Strip."

Buoyed by continued job creation and a steady influx of new people, the residential real estate market in Las Vegas continues to be strong, with many new buyers heading for high-rise and mixed-use buildings. Las Vegas Boulevard, known for its casinos and night life, is becoming home to an increasing number of, well, homes, as luxury residential and mixed-use high-rise buildings change the landscape of the city.

Faced with a dwindling supply of available land, developers began thinking vertical, and in the past four years proposed more than 100 mid- and high-rise condominium and condo-hotel projects. Presales were brisk, but analysts recommended caution, some predicting that only 30% of the planned projects would be built. Some failed, but a significant number survived.

Between 2002 and 2005, Las Vegas was one of the biggest residential home markets in the U.S. Like the rest of the country, the market is slowing—the number of sales was down 23.5% during the second quarter of this year compared with the same period in 2005, according to figures compiled by the National Association of Realtors. Yet those numbers don't tell the entire story.

"There is an underlying support factor of continued job creation and people moving into Las Vegas," says Lawrence Yun, a NAR economist based in Washington. "The fact that sales are down this much implies that perhaps 2004 and 2005 were artificially inflated." In 2004, NAR statistics show that housing prices in Las Vegas rose 48.7%. Now, however, second-quarter price appreciation is a less frenetic 6.3%, and preliminary third-quarter figures suggest it was essentially flat, says Mr. Yun. Inventory, especially with the high rises, continues to grow, turning Las Vegas into a buyers' market.

"Housing was overvalued," says Linda Rheinberger, president of the Greater Las Vegas Association of Realtors. "During 2004 and 2005, we had to hang onto our chairs with price appreciation. It was crazy."

That kind of market attracted many investors, especially to the condos, driving prices up. As the market corrected, those who had hoped to make a quick buck began disappearing.

"The investor market for real estate has dried up considerably in the past year," says Bob Hamrick, who with his wife owns Coldwell Banker Premier Realty in Las Vegas and is a broker for MGM Mirage's City Center project. Many early investors saw opportunities to buy in the high-rise condominium projects at low preconstruction prices and flip quickly earning a 30% to 40% profit, Mr. Hamrick says.

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Although condo prices continue to appreciate, the pace is decelerating and investors have given way to second and third-home buyers, as well as those who are looking to make the area their primary residence.

Mr. McClenon says that he and his wife originally viewed their purchase as an investment opportunity, but changed their minds as they spent more time in the area and the market changed. A 75-minute flight from their home in San Jose allows the couple to slip in and out of town several times a year to attend conventions, see shows and take advantage of other attractions. "We love Las Vegas," says Mr. McClenon. Economic reality means that he will rent out the condo unit for now, but eventually will use it as a second home.

People continue to flood into Las Vegas, ensuring the market will not dry up. New job creation is robust, growing 5.9% in 2006, compared to a national average of 1.3%. The population now sits at 1.8 mil-

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lion people, with 49,200 people moving into the area in the last year. NAR's Mr. Yun notes that in the past 10 years the population has doubled with no sign of slowing and these new residents need a place to live.

Pennsylvania resident Elliot Titcher and his wife bought in Sky Las Vegas originally as an investment, but frequent trips to Las Vegas have netted Mr. Titcher a business opportunity. A certified public accountant based in Amber, Pa., Mr. Titcher now has a satellite office in Las Vegas. "Every time I go out there I get more business," he says. He's also happy about his real estate investment. The nearly 1,300-square-foot two-bedroom, two-bath condo has increased in value despite the real estate slow down, and, although he still views it as an investment, with the office and a new membership in the Las Vegas Valley Bicycle Club, he is putting down some roots.

According to Audrey Oswell, COO of the Cosmopolitan Resort Casino, a \$2 billion project

scheduled to break ground this month, the price of units has risen since it first opened for sale. The Cosmopolitan began selling in May 2005 and is 80% sold, although Ms. Oswell says that the volume is down slightly in recent months. Unlike Sky Las Vegas, the Cosmopolitan includes both hotel rooms and condo-hotel rooms. A popular option in Las Vegas, the condo-hotels allow buyers to own and use a hotel room, which is rented out like a regular hotel room when the owners are not there.

While some of the new projects tout their Las Vegas Boulevard addresses, others, like the four-building Panorama Towers advertise their "just off Strip" locations as quieter. As if to underscore their desirability, Paul Scaringe, Panorama Towers's vice president of sales, notes that they sold out the first 320-unit building within four weeks in 2003, the 328-unit Tower II in six weeks during 2004, and the third 378-unit Tower III in eight weeks during February 2005. "We thought it would take two

years to sell the first tower," he says. This year, Panorama offered a resale program in Tower I and ended up helping investor buyers sell units comprising 20% of the building.

High-rise sales executives are finding the dollar's relative weakness against other world currencies and Las Vegas's reputation as a popular destination for foreign tourists means that they are selling internationally. "Asians are oriented toward high-rise living," says Ron Snyder, managing director of Rise Realty, the official sales agent for the \$850 million Pinnacle Las Vegas managed-resort condo project. "They understand the benefits of it." Nearly 40% of buyers in the MGM Residences project are from overseas, notes Bruce Hiatt, whose blog promotes condo living in Las Vegas. He has buyers from Russia, South Africa, Asia and Europe.

"We have gorgeous weather, a low cost of living and no state income tax," says Mr. Katz. "That makes Las Vegas very attractive to people and companies."