

## Real Estate and Development

### Condominium demand subsides, projects suffering

By [Brian Wargo / Staff Writer](#)

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The predictions in 2004 and 2005 that Las Vegas couldn't absorb all the condominium projects that were proposed are coming to fruition.

Nearly one-third of the units in proposed luxury condo and condo hotel projects have been stalled or canceled, according to a local analyst.

The report from [Restrepo Consulting Group](#) is more evidence of a condominium slowdown that has shown up in other data as well.

[Restrepo](#) reports that 19 of 69 luxury condo projects or 14,191 of the 45,616 units under construction or proposed have been stalled or canceled. Most have been canceled, reflecting the softness in the market, said [John Restrepo](#), the company's principal.

[Restrepo](#) said there should be enough demand to absorb the 6,616 units in 14 projects under construction. In addition, there is enough demand for the 4,962 to 6,202 of the 24,809 units in 36 projects that have broken ground or are proposed.

Some 70 percent of the projects that have gone vertical are located in the resort corridor.

"A large share of the 36 projects are at best trying to regain their footing and at worst remain on life support because of high construction costs, poor management and location, lack of experience, lack of financing, or a combination," [Restrepo](#) said.

The condos are selling for close to what their listed for, according to [Restrepo](#). The ratio of median sale prices between January and May was 95 percent, which is similar to where it was a year ago, he said.

The statistics show the sales price for high-rise condos was \$750,000, which is 16 percent higher than the price for high-rise condos in the first five months of 2006 when it was \$647,500.

The median sales price per square foot increased 42 percent in the first five months. It was \$375 per square foot a year ago compared to \$531 this year.

The median size of those units sold this year was 1,556, which compares to 1,856 in 2006.

There were 79 closings in the first five months of the year, an increase of 41 percent over the same period a year ago.

As of May 31, there were 672 high-rise condo listings with a median price of \$727,000. The median size of current listings was 1,083 square feet with the listing price per square foot at \$622.

[Restrepo](#) said those who bought condos in 2004 and early 2005 when prices were cheaper have fared the best if they flipped them quickly or sold them recently. Those who purchased in late 2005 or 2006 and wanted to flip them had less flexibility and may have taken a loss.

"Right now, it is soft," [Restrepo](#) said. "It is no different than single family. There are not as many buyers in the market. If you are the seller, more flexibility is the key."

About 15 percent of the condos purchased are serving as primary homes with the remainder going to second homebuyers, investors and speculators, [Restrepo](#) said. Most of the buyers are from outside of the Las Vegas market.

Because of the high cost of building mid-rise and high-rise luxury condo projects in Las Vegas, most will be part of mixed-use developments initiated by the resort industry, [Restrepo](#) said. Project CityCenter will set the pace of this trend, he said.

"While we have a dramatic slowdown in (interest) to these projects, and the velocity of reservations and sales contracts have dropped compared to activity in 2004 and 2005, high-density projects will be an integral part of our urban landscape," [Restrepo](#) said. "But it will sell at a more measured and sustainable pace because of their scale and amenity offerings."

**Spanish View Towers:** The lack of progress on a southwest Las Vegas condo project, Spanish View Towers, has prompted a lawsuit from investors who want their deposits returned, said Terry Coffing, managing partner in the law firm Marquis & Aurbach. He said he represents three members of one family who put down more than \$600,000 in cash to secure a deposit on three condos with the expectation that they would be available in July 2007. He is seeking class-action status for the lawsuit.

Construction was halted last summer pending the developer getting new financing. Last year, there was an out-of-court settlement with other investors.

"This project is more than 18 months behind schedule - there is no construction above the first floor of the first tower and the sad truth is even that floor is not substantially completed," Coffing said. "The project had impressive presales, but now, our clients have heard every excuse for delaying the return of their more than \$600,000 in cash. Construction ceased long ago, and we have learned there is no financing in place to move the project along."

Developer Rod Yanke could not be reached for comment. Three 18-story towers were planned with a combined 444 condos. Prices ranged from \$800,000 to \$6 million.

Coffing said the developer is a defendant in nine lawsuits and faces more than \$30 million in mechanics liens from their failure to pay construction costs.

The company that financed the purchase of the land has set a foreclosure sale, Coffing said.

Another firm attorney, Brian Hardy, said an involuntary bankruptcy petition has been filed by creditors against the project. He said District Judge Elizabeth Gonzalez recently approved an order preventing the developer from access to the bank account that had their client's deposit. He said he doesn't know if any of the money is available.

**CB Richard Ellis markets former Ivana property:** The Las Vegas brokerage has obtained the listing for the two-acre site on the northeast corner of Sahara Avenue and Las Vegas Boulevard in the Las Vegas city limits.

The property, which is owned by Rinkai America, had been listed for sale by Australian developer Victor Altomare whose Ivana Las Vegas bit the dust in December 2005.

The property, which is listed for \$50 million, is entitled for 945 condos, has a non-restricted gaming license with no hotel room requirements, said Michael Parks, a senior associate with CB Richard Ellis.

Parks said a buyer is expected to be in place by the end of June. The visibility of the corner has been enhanced when MGM Mirage acquired the southwest corner of Sahara Avenue and Las Vegas Boulevard. The Sahara Hotel and Casino, opposite the site, is under contract with plans for a major redevelopment, he said.

**Southern Nevada index of leading economic indicators:** The index prepared by the Center for Business and Economic Research at UNLV posted another decline in March as construction, although better than February, remains weak relative to a year ago. The index shows that residential building permits were off 61 percent from March 2006, residential permit values off nearly 65 percent and commercial building permits down 35 percent. Commercial building permit values, however, were up 19 percent.

"We remain hesitant to call for an economic downturn, believing instead that we are moving sideways under a yellow caution flag," said Keith Schwer, the center's director. "In short, current conditions remain far brighter than in the aftermath of 9/11 and less optimistic than the steady growth observed through 2004 and 2005."

Business activity is continuing to grow but at a more measured pace because of the slowdown in home building, the report said. It said the housing sector is likely to remain weak throughout 2007.

**Construction outlook:** Ken Simonson, chief economist for the Associated General Contractors of America, said there has been no letup in commercial construction despite a drag from the housing market. Construction of hotels and resorts jumped 4.5 percent in April and is up 56 percent during the first four months of the year. Other gains were made in office, up 32 percent; communication, up 19 percent; hospitals, up 18 percent; and retail, up 18 percent.

"I think many of these categories will remain robust through 2007, although retail and office construction are vulnerable to a slowdown," Simonson said.

**GLVAR to host Bob Dole:** Former Kansas Sen. Bob Dole will be the featured speaker June 8 at the general membership meeting of the Greater Las Vegas Association of Realtors. Dole will discuss leadership and values in the 21st century. The event runs from 11:30 a.m. until

1:30 p.m. at the Gold Coast, 4000 W. Flamingo Road. Following the luncheon, GLVAR members will have a continuing education class, "The Seller Counseling Session."

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