

# LAS VEGAS BUSINESS PRESS

## **BankUnited blacklists 14 local condo properties Florida bank bases its loan refusals on 'risk-based factors'**

By Tony Illia

Home buyers looking to purchase units at Sky Las Vegas, One Queensridge Place and Panorama Towers won't be running to BankUnited for a mortgage. The Florida-based bank has named those projects and others in a blacklist of 191 luxury condominiums across the country for which it will no longer write loans.

The Business Press obtained a copy of the internal document for "nonpermissible" projects. Although most of the taboo properties are concentrated in Miami, the list also cites 14 Southern Nevada developments, including Allure Las Vegas, The District at Green Valley Ranch and Manhattan Condominiums.

"We do have a list based on a variety of risk-based factors," company spokeswoman Melissa Gracey said. "Our lending guidelines are extremely conservative, similar to those used by Freddie Mac and Fannie Mae."

Turnberry Place, the condo complex that sparked Southern Nevada's high-rise residential building boom, was recently placed on BankUnited's blacklist for bad loan bets. Meridian at Hughes Center and Park Avenue Condominiums are also on the list.

Declining market value, high investor concentration and structural-based litigation are reasons for being blacklisted, the company said. BankUnited also looked at delinquent homeowners' association dues, rising foreclosures and its own exposure in the over-saturated condo market.

"We scaled back on condo lending a few years ago. We don't have a lot of exposure in the condo market," Gracey said. "A lot of these projects have standalone issues. And we want to be very careful."

BankUnited's parent firm, BankUnited Financial Corp., is a publicly-traded lender with \$14.4 billion in assets. The 23-year-old company, listed on the Nasdaq National Market, recently traded at \$5.42 per share, down 80 percent from a 52-week high of \$27.03 per share. On Feb. 19, Wachovia downgraded its stock after BankUnited disclosed a \$65 million writedown to cover bad loans for its fiscal first quarter ended Dec. 31. The company's executive vice president of residential lending resigned, the firm revealed in a regulatory filing.

"The projects blacklisted in Las Vegas are all great projects," said Sam Cherry, developer of Newport Lofts and SoHo Lofts, which are named in the blacklist. "It's easy for a bank that puts out so many nonperforming loans to say they're not going to do it anymore."

Other local projects with a black mark from BankUnited are Meridian at Hughes Center, Park Avenue Condominiums, Turnberry Place and Turnberry Towers. The list, which was last updated Jan. 14, is used to assess lending risk.

"We've never done a deal with BankUnited before," said Guy Penini, chief financial officer of One Queensridge Place. "Our project is still going strong. And we have the funding we need."

Almost 70 luxury high-rise projects were planned in Southern Nevada last year, totaling 45,616 units, reports Restrepo Consulting Group, a local real estate research firm. However, only 10 of those projects have broken ground; and, 27.5 percent have been suspended or canceled. Many were victims of the souring housing market.

Securities backed by subprime home loans seized up last summer as loans defaulted. Wall Street writedowns are expected to surpass \$100 billion, causing wary lenders to shun certain types of lending, particularly loans backed by commercial real estate. In January, New York-based Moody's Investors Service warned that the construction and building industry default rate could reach 12 percent in 2008.

Yet, luxury condos are still hot sellers that command big bucks, Restrepo reports. Almost 90 luxury condos were sold in 2007 with a median price of \$502 a square foot. It marks a 4.9 percent increase over the previous year. Sales of single-family homes, by contrast, dropped 38.2 percent despite a 4.9 percent price decrease.

"We haven't experienced any difficulties with our buyers in obtaining mortgage loans," said Bruce Hiatt, co-owner of Luxury Realty Group, a local high-rise real estate specialist. "This seems like an attempt to minimize future loan risk by devaluing the luxury condo towers placed on BankUnited's list, especially the high-end ones."