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Real Estate and Development

Agents get protection on tower condominium sales

By [Jennifer Shubinski / Staff Writer](#)

When a condominium project bites the dust, whether it's for poor planning or little interest, it's not just the buyers who get hurt.

The real estate agent who steered them in that direction gets a double whammy — once to the agent's credibility in the eyes of the client and second to the commission that should have been earned.

"As a broker it's disheartening to put in all that time and effort to come up short," said David Ezra, broker/owner of Ezra International Realty.

He estimates that his agents and others in Las Vegas have lost millions of dollars in unpaid commissions.

Despite the losses, most real estate agents are not seeing red. A handful of Las Vegas condominium projects are paying commissions before their completion and are including clauses that don't demand the money back should the project fail.

The Trump International Hotel & Tower actually amended its contracts after speaking with local real estate agents, said Jack Christie, vice president of sales and marketing.

"Having been in this town for 10 years and working for American Nevada Company for four years and at Lake Las Vegas, it really became apparent to me that broker cooperation is the key to success," he said.

When units were first sold at Trump's Las Vegas project, commissions were paid out in staggered fashion — one third (equal to 1 percent) after the contract had been signed, another one third after the second deposit was due and the final one third at close of escrow.

After the fallout of a handful of condominium towers in Las Vegas and after hearing the negative impacts on agents, the Trump group amended the contract so that the commissions are non recourse, Christie said.

"If in event a buyer chose to not proceed, we will not charge back the commission we have advanced them," he said.

The developer also would not demand back any commissions if for some reason the project stalled, which Christie said is unlikely, given that construction of the tower has reached the 17th level.

Other condominium projects are also staggering commissions from inception to delivery of the unit.

Cosmopolitan, One Las Vegas, Sky Las Vegas and Streamline said they are all paying nonrecourse commissions to real estate agents in installments before the respective project is completed.

AmLand Properties LLC's One Las Vegas paid out more than \$1 million in commissions this week to agents — some received up to 50 percent of their commissions, which are also not refundable to the developer, said Chet Nichols, broker/principal.

"Now that we are under construction we will not continue our program with this next release of first phases, but it (early commissions) will be effective for all future phases for which we contract, including building No. 3 this fall," he said.

Gina Jackson, director of sales and marketing at Sky Las Vegas, said up the first two nonrecourse commission installments have been paid out. The final payment will be paid at close of escrow, she said.

"The agents that are bringing business to the project are important," she said. "It's important to reward them, they are doing a lot of work upfront."

Todd Grotstein, director of Prudential Americana Group Realtors' high rise division, said the group does a lot of due diligence before taking on a condo tower as a client and before recommending buyers to projects. One of the criteria Grotstein looks at is the project's commission structure.

"One of the major things we look for, depending on different stages, is the developer's background and their willingness to pay commissions up front that are non recourse to real estate agents, either our own or outside agents," he said. "If a developer is unwilling or unable to pay upfront, that's a big warning sign that the project may not move forward."

Grotstein is the exclusive listing agent for the Cosmopolitan and Streamline towers. He said both projects are paying real estate agents in three installments leading up to close of escrow on units.

He said agents in Las Vegas and nationwide lost out on commissions when projects such as Icon, Ivana Las Vegas, and Hard Rock canceled the project or halted sales.

"The commissions were either not paid or they were paid with the caveat that if the development does not move forward, they have ability to take money back," Grotstein said. "That doesn't work real well."

Bruce Hiatt, broker/owner of Luxury Realty Group, said not paying commissions up front, or not having paying out nonrefundable commissions, is a liability to real estate companies who collect the payments on behalf of their agents.

"We want to give the advanced commissions to Realtors right away, but it's a risk," said Hiatt, who also now interviews every developer about the feasibility of his project.

In other news:

Apartment rental vacancies continue to fall, the Las Vegas office of CB Richard Ellis reported.

In February, the apartment vacancy was 3.29 percent, down from 4.64 percent in January, the group reported.

ZIP code 89144 on the west side of the valley had the highest apartment vacancy in February at 10.94 percent. ZIP code 89156 in the east part of the valley reported the lowest vacancy — 0 percent. Properties in ZIP code 89135 did not respond to the report.

- The median sales price of a single-family house sold in the Las Vegas Valley was \$314,950 in March, an annual increase of 6.8 percent from the previous year and up \$5,950, or 1.9 percent, from \$309,000 in February, the Greater Las Vegas Association of Realtors reported.

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