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High-rise condo sales at CityCenter a mixed bag



JUSTIN M. BOWEN

A look at the new model condos April 14, 2010, at the Mandarin Oriental Las Vegas at CityCenter.

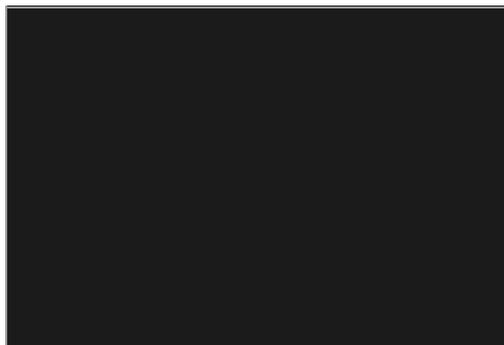
By **Buck Wargo (contact)**, In Business reporter
 Fri, Nov 12, 2010 (3 a.m.)

In a high-rise market hurting for sales, success has been redefined.

The closing of high-rise condominiums at CityCenter has beaten expectations, even though it trimmed prices 30 percent a year ago and only one-third of those under contract were completed.

Closings have slowed to a trickle in the past two to three months, but MGM Resorts International has no plans to cut prices further to boost transactions. Instead, CityCenter has turned to leasing residential condos and reverting unsold condo hotel rooms to its own supply as a way to generate additional revenue.

Mandarin Oriental model condos



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CityCenter projects it will have closed on 435 condominium units by the end of November out of 2,387 units it had on the market. The 435 closings is about a one-third conversion rate of the 1,300 units CityCenter had under contract to sell this year when it starting closings.

Grant Govertsen, an analyst with Union Gaming Group, said the sales of the rest of the units will be measured in years rather than months, but not all the news is bad.

"I'd say the number of units that closed likely exceeded some investors' expectations," Govertsen said. "That those that did close were well above the market average price sure speaks to the quality of the project."

Tony Dennis, executive vice president of CityCenter's residential division, said the pre-existing contracts have been completed and the rest of the sales won't close.

"We look at it as the cup being half-full, or in this case, one-third full," Dennis said. "We thought it'd be lower but we outperformed the pundits and even surprised ourselves. We would've liked to have done better, but everyone thought we would do 10 or 20 percent."

CityCenter said the sales generated \$364 million with an average closing of \$860,500, or about \$860 per square foot.

Dennis said there were 24 new sales contracts over the past 12 months with an average price of \$800 per square foot.

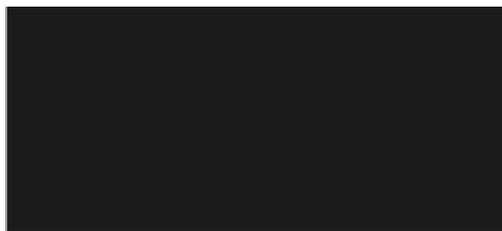
"We're at the bumpy bottom and the market demand is soft. That we've done two dozen new sales is incredible for Las Vegas," Dennis said.

One housing analyst, Steve Bottfeld, executive vice president of Marketing Solutions, also labeled the CityCenter sales a success given what is the worst real estate market in Las Vegas' history.

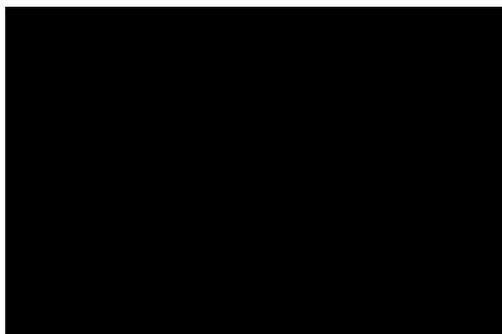
"I think the problem was uncertainty about the economy," Bottfeld said. "A number of people who once were in a position to buy were not in a position to buy. If you look at virtually any other high rise on the Strip, what you discover is these are better sales figures on a monthly basis than any other building on the Strip right now. Considering where the market is, you've got to consider this a good performance."

According to Las Vegas-based SalesTraq, more than 4,000 high-rise units remain unsold along the Strip. Those units include:

- Trump Tower – 327 closings of 1,282 units
- Turnberry Towers – 346 closings of 636 units.
- Sky Las Vegas – 332 closings of 409 units.
- One Queensridge Place – 138 closings of 219 units.
- Allure – 282 closings of 428 units.
- Juhl – 35 closings of 346 units.
- Newport Lofts – 162 closings of 168 units.
- Panorama north tower – 70 closings of 372 units.



The Residences at Mandarin Oriental



The Residences at Mandarin Oriental unveiled the first finished models of their condominiums Wednesday. They range from 1,000 to 4,000 square feet and are priced up to \$8 million.

Sun Archives

- CityCenter condo closings slow in down economy (5-28-2010)
- Lawsuit filed against CityCenter over Vdara condo-hotel units (4-16-2010)
- Mandarin Oriental at CityCenter unveils model condominiums (4-15-2010)
- Art for locals only (4-5-2010)
- CityCenter hotels' features at your fingertips (4-5-2010)
- CityCenter condos may outperform market (2-5-2010)
- CityCenter unveils financing program for condo buyers (12-9-2009)
- CityCenter's Mandarin Oriental makes Vegas debut (12-4-2009)

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CityCenter announced these closing numbers, which SalesTraq confirmed virtually matched their research. They include:

- The high-end Mandarin Oriental, where 205 of 225 units were under contract at the beginning of the year and 61 units have closed, leaving a supply of 164 units.
- Veer, the lower-priced twin towers, had 450 under contract out of 667 units at the beginning of the year. So far, 212 units have closed, leaving 545 units.
- The condo-hotel Vdara had 698 of 1,495 units under contract and has closed on 150, leaving 1,345 units to be sold.

Dennis characterized the closing of Vdara as stronger than expected because he thought it'd be closer to half that because buyers have soured on the condo-hotel market, which has been difficult to obtain financing. CityCenter is returning unsold units to its hotel pool.

Mandarin closings were stronger than expected and Veer closings went as expected, he said.

Bottfeld said it would take until 2012, when the economy recovers, for Veer and Mandarin Oriental to complete their condo sales. The problem Las Vegas faces now is in image problem.

"It's tarnished," Bottfeld said. "It has lost a lot of luster in the public eyes and MGM has to fight to overcome that."

Analysts said sales would have been much worse had CityCenter not announced a reduction in prices of 30 percent in late 2009 to boost sales.

CityCenter also unveiled a program to provide financing to some buyers and help other arrange for the loans they need. Dennis said that program helped make a difference.

"That was a huge benefit to homeowners, and we're glad we did it because that's why we outperformed the market," he said.

Of those who decided to cancel their contracts after depositing 30 percent of the cost, Dennis said CityCenter has refunded a portion of that money, although it could have taken 100 percent. The reason for that was to maintain a relationship with those customers and not be adversarial, Dennis said.

Some analysts have suggested CityCenter has returned about one-fourth of the deposited amount.

Prior to closings, sales contracts were evenly divided between one-third Nevada residents, one-third from California, and one-third from the rest of the country and internationally, Dennis said.

Of the closings, 20 percent were Nevada, 50 percent from California and 30 percent from elsewhere.

Dennis attributes the lower rate among Nevadans to the hard-hit Las Vegas economy that has hurt small businesses and others who were planning on purchasing units, he said.

Luxury real estate broker Bruce Hiatt said the collapse in prices in the Las Vegas housing market made many buyers, especially those based abroad, nervous about closing the deal. A 30 percent discount wasn't enough for them to pull the trigger when other foreclosure high rises are selling for \$130 to \$135 per square foot, he said.

"It's hard to compete against existing properties at that lower price," Hiatt said.

Although bullish about CityCenter's long-term future, Hiatt said it's difficult to know for sure, but suggested 40 percent may have been the magical number to get more people to close.

Dennis said a 40 percent reduction would've generated more sales but not enough, and

CityCenter has no plans to further reduce prices. Prices will stabilize and the economy will improve over time, and interest in

CityCenter remains strong so sales should pick up in the next two to three years, he said.

"We believe CityCenter is built for the long term and not just for today," Dennis said. "The true value hasn't been recognized, and we realize we're playing a patient hand. New buyers today are looking for value and lasting quality."

Before sales are renewed, CityCenter has started leasing condos at Veer and Mandarin Oriental from median prices ranging from \$1.53 to \$2.33 per square foot per month.

Since it started the program in the past two months, it has completed 30 lease deals without publicizing it, Dennis said. That will change with a campaign later this month, he said.

Studios at Veer rent for an average monthly lease rate of \$1,250 to \$1,550 per month while one-bedrooms go for \$1,600 to \$1,850 per month, he said.

THE DAMON POLITICAL REPORT

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At Mandarin Oriental, one-bedrooms rent for \$2,400 to \$2,700 per month and the largest two-bedroom units go for a range of \$3,200 to \$4,300 a month, he said.

Dennis said the rental program has attractive gaming executives and other workers along the Strip, and it's a good way to test the lifestyle without owning.

Starting in January, CityCenter will launch a rent-to-own program that will allow a portion of the rent to go for the deposit, he said.

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Seriously, this Bottfield character thinks that the economy will recover by 2012? That's more delusional than labeling the condo sales at City Center a "success"

By **LivinInLV**
Nov. 12, 2010
7:18 a.m.

FLAG

"until 2012, when the economy recovers, "

That's pretty funny. Who can predict when the economy recovers or if it will ever fully recover? This guy just says "yep, 2012. got my crystal ball out". It's starting to look like there are structural problems in America and Las Vegas is positioned to get the worst of it.

By **goingbust**
Nov. 12, 2010
9:45 a.m.

FLAG

With their 24 new contracts over the past 12 months and 2054 units left to sell, it will only take them 85 more years to sell out.

This is an amazing "success" story. Congrats City Center!

By **Martin9**
Nov. 12, 2010
12:56 p.m.

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