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REAL ESTATE BRIEFS

Posted February 20, 2017 - 6:27am

Local high-rise condo market on rebound



Mark Pordes Owner, Florida-based Pordes Residential



BY THE NUMBERS

- 420 condo sales in 16 high-rise towers
- 297 sales in five condo-hotel projects
- 717 total sales in 2016
- 14.5 percent higher than 2015's 626 sales
- \$389, average price per foot for Las Vegas high-rise condos
- \$1,100 to \$1,500

**By BUCK WARGO
SPECIAL TO LAS VEGAS BUSINESS PRESS**

The Las Vegas high-rise condo market is on the rebound. The market was hard hit with the onset of the Great Recession a decade ago that kept many prospective buyers from closing on sales as financing dried up and some who did buy suffered foreclosures. Developers were hard-pressed to find buyers for their units and turned them into rentals or sold them in bulk to hedge funds and investors who are finding the market has turned in their favor. Las Vegas-based SalesTraq reported 420 sales of condominium units among 16 high-rise towers it monitored in 2016. There were another 297 sales in five condo-hotel projects bringing the total to 717, according to SalesTraq. That's 14.5 percent higher than 2015, when there were a total of 626 sales.

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* \$1,100 to \$1,500, average price per foot for California high-rise condos

SOURCE: Las Vegas-based SalesTraq

nothing epitomizes the high-rise turnaround more than the sales of existing units at Veer Towers, the twin 37-story towers part of MGM Resorts International's CityCenter development. Veer Towers opened in 2010 among the last high-rises built before the market collapse.

In December 2012, MGM sold 427 of the 670 units in the two towers to New York-based Ladder Capital Finance Holdings. The cut-rate sale was for \$119 million or about \$278,000 per unit — about \$300 per square foot reported at the time.

In its latest report, SalesTraq said Veer led the way in 2016 in high-rise residential sales at 87 with an average unit closing cost of \$563,975 or \$569 per square foot. The research firm reported 73 sales at Veer in 2015 with an average price of \$525,446 or \$537 a square foot.

Mark Pordes, owner of Florida-based Pordes Residential, a partner with Ladder that handles sales and marketing of the Veer, said only 51 units remain and those should be sold by the end of the summer. That's a long way from 2011 and 2012 when a dozen or more units were sold each year, Pordes said.

"I have been there when it looked like the Wild West and everything was blowing around in the wind," Pordes said. "It's come back very strong."

Pordes said there's a mix of buyers that includes local wealthy professionals from Henderson and outlying parts of the valley who want a one-bedroom weekend retreat. Half of the buyers are Californians from Los Angeles, San Diego and San Francisco seeking second homes for the weekend and for family retreats.

Pordes said out-of-state buyers recognize the value since Veer units a decade ago were selling for \$850 to \$1,000 per square foot. In addition, there's little high-rise condo supply available along or near the Strip, he said.

"The Mandarin (Oriental at CityCenter) has been sold through," Pordes said. "The Martin and Palms (Place) have been sold through. You have some condo properties in downtown, but that's a lower to mid-market price point and different buyer. Our buyer is the luxury buyer, and we have the best inventory available left to be purchased and saved the best for last (with Strip views)."

Wells Fargo Senior Economist Mark Vitner said condo sales are rising sharply in comparison to a slight gain in single-family homes because there are more bargains available in the condo market.

"There's decent value when you think of what it cost to construct these high-end premier condominium units," said Brian Gordon, principal of research firm Applied Analysis. "They're selling at a more reasonable price point for traditional buyers to enter the market."

Gordon said there are no plans to build any high-rise projects at this time because the cost would be so much higher than what existing units are being

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sold.

The increased interest in the luxury condo market has prompted real estate agents like Bruce Hiatt to come back to the Southern Nevada market. Hiatt, the owner of Luxury Realty Group, left a stagnant market and opened an office in San Diego four years ago and focused on the California luxury market in 10 cities along the coast. He reopened his office in Las Vegas in 2016 to take part in what he saw as a rebound in the luxury market, especially high-rise condos that had been slow to recover.

"I saw this coming trend and wanted to be back in the forefront again like we were on the rise before," Hiatt said. "We're bullish on condos becoming of interest to buyers wanting a second home."

California high-rise prices have recovered from the housing crash and luxury condo units are selling for \$1,100 to \$1,500 per square foot, Hiatt said. SalesTraq reports a price per square foot of \$389 for the 16 Las Vegas residential condos it tracks, and Hiatt said the prices will not only attract second-home buyers but investors as well.

"When you're looking at California's price per square foot, it's incredibly high right now compared to what you get here in Las Vegas," Hiatt said. "There hasn't been strong marketing to educate buyers that you can live on the Strip or near it for far less than California. People who want a second home in San Diego can pay \$1.3 million for a one-bedroom versus \$400,000 in Las Vegas. Which one would you buy? I would take three here, and that's why we're starting to see demand pick up."

Hiatt said interest in properties is picking up because it's easier to get financing for condos today, especially as the number of rentals decrease and renovations are made. He said the reliance on rentals during the downturn brought in residents who damaged amenities or who weren't seen as desirable by prospective buyers. Homeowners' associations are tougher on who can rent condos today, he said.

"I've walked into a building where the floor reeked of weed," Hiatt said. "I would have buyers say they're not going to buy in this building."

The 25-story Ogden, the former Streamline Tower in downtown Las Vegas, is touting itself as the only condo and first since 2008 to offer buyers Fannie Mae financing options. That means first-time buyers can put down as low as 3 percent, and 10 percent for second-home buyers. Investors can buy with 25 percent down.

The ownership said it got the Fannie Mae because it has a limited number of investor owners, renters, is well-maintained and doesn't have any lawsuits dealing with construction defects.

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Previously, buyers had to pay with cash or put down as much as 50 percent, and Ogden buyers can now get low rates on 30- and 15-year fixed-rate mortgages, said Uri Vaknin, a partner with KRE Capital whose company in partnership with Dune Real Estate Partners and Northcap, purchased the Ogden in 2013.

The group also owns Juhl in downtown Las Vegas, One Las Vegas on the far South Las Vegas Boulevard, and Spanish Palms on the west side. The group recently sold Loft 5 in the south valley late last year for \$51.5 million, he said.

Vaknin said Las Vegas is in for a surge in sales in the condo market because of the value compared to other markets. Prices fell 65 percent to 75 percent but are still 30 percent off while other markets have gained back their values and exceeded them, he said.

A one-bedroom starts at \$239,000 and units go for as high as \$699,000, and Vaknin said he's confident the Ogden will sell out this year.

"People in Las Vegas aren't seeing it, but people on the outside are," Vaknin said. "Tourism is increasing and the Lucky Dragon was the first new casino to open. What I like to say is Las Vegas is to the condo market what Neiman Marcus calls their last call sale."

Another person who's bullish is Randy Char, the broker and president of Char Luxury Real Estate, which handles the marketing and brokerage for the sale of units owned by San Diego-based Pathfinder Funds. In September, the asset management group acquired 64 units at the 409-unit Sky Las Vegas on the Strip for \$18 million.

The units, which range from 1,000 to 1,800 square feet, are selling today between the \$300,000 and \$600,000 range, Char said. SalesTraq said 26 units were sold in Sky Las Vegas in 2016.

Char said millennials are interested in condo living because they don't want a large home with a backyard and high maintenance that goes with it. They want the lifestyle of what Las Vegas Boulevard has to offer, and the opening of Lucky Dragon and future opening of Resorts World Las Vegas will make the north end of the Strip even more attractive, Char said.

"We're the Entertainment Capital of the World. It's only going to get better with the professional sports and everything else that's coming," Char said. "It's going to give more demand to the high-rise market, and that's good when there's no high-rises being built."

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