



Master plans out, townhomes in

Builders said to target urban core, valley outskirts

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By HUBBLE SMITH

A fundamental shift is occurring in the type of housing offered in Las Vegas, a real estate executive said Wednesday at the Four Seasons.

Largely due to land availability and cost, home builders are pursuing alternatives to the traditional suburban master-planned community, Ken Perlman, vice president of San Diego-based Sullivan Group, said at a market outlook for about 100 home builders, developers and real estate professionals. They're looking at high-density infill locations closer to the core of the city and single-family, detached homes on the outskirts of the Las Vegas Valley.

When Las Vegas went from a market defined by single-family homes in the suburbs to an urban market with luxury high-rise condos, a lot of housing types got "skipped" along the way, Perlman said. What's now emerging are townhomes with 15 to 20 units an acre, he said. It's a creative way to keep densities high and prices at bay, he added.

"Developers still reap the benefits of higher density where land values are justified, yet they can build and sell these units at \$250 a square foot instead of \$350 a square foot, capturing a larger percentage of the home-buying market," Perlman said.

Orange County and San Diego have noticed of this housing type, boosting its popularity in Southern California, he said.

Las Vegas is part of a nationwide renaissance toward urban living, Perlman said. The baby boomer generation is no longer interested in taking care of homes. Many boomers want the amenities of a luxury high-rise and have the discretionary income to make it happen.

Demand was at an all-time high for high-rises, but as construction costs and land prices surged and labor shortages took their toll, developers started looking at different methods of building. Even as developers focused on lower-cost building, mid-rises were still selling at as much as \$350 a square foot.

"There's only select locations in this market that can support those price points," Perlman said.

The south Strip is one of those areas, where mid-rise condo projects such as Manhattan, Boca Raton and Loft 5 are selling at \$350 to \$400 a square foot.

Developers and builders who are exploring ways to maintain density and control costs are considering "wrap" residential units, which are configured around a parking structure above ground to avoid costly subterranean parking. Density for these "wrap" units is typically 40 to 80 units to the acre.

"Wrap" residential units, which are already popular in Orange County, are now emerging in Las Vegas with projects such as Paxton Walk, Sullivan Square, Urban Village and Echelon at Centennial Hills.

Las Vegas' housing market is still solid, even in these times of slower sales and moderating price appreciation, Sullivan Group President Tim Sullivan said. The three-year outlook for Las Vegas is great, he said.

"You've got restricted land, people still want to be here and it's Vegas. You might get jaded by what the outside world thinks of Vegas, but Vegas is a magnet," Sullivan said.

Key indicators for the market are sales activity, unsold inventory and leveling of prices.

"Pure elasticity is back," he said. "Elasticity is when prices go up, demand goes down. What happened in Vegas is prices went up and demand went up. That goes against all the economic gods. There should be elasticity in the market."

Although sales of new homes have slid 37 percent from a year ago, Las Vegas could still register 28,000 closings, which would be the third-best year on record, Sullivan noted.

The downturn is targeted not only toward Las Vegas. It's being felt throughout the Southwest, including Phoenix, San Diego and Riverside, Calif.

The difference is Las Vegas has the upper hand, Sullivan said. What will sustain the market is its relatively good value when compared to surrounding "feeder" markets in Southern California.

However, the pain isn't going away soon. Look for reduction in prices and home builder incentives to continue well into 2007, Sullivan said.

Operating profit growth for home builders sank from 44 percent in 2004 and 47 percent in 2005 to an estimated negative 18 percent this year and negative 52 percent in 2007, Credit Suisse, an investment bank, reported.

How are home builders coping? Some have laid off staff, Sullivan said; others shrank their business and are now walking away from deals or renegotiating deals.

"There's a symbiotic relationship between the consumer, the home builder and land owners," he said.