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By Hubble Smith

An executive of a California company that purchased three apartment complexes in Las Vegas predicts escalating demand and waiting lists for apartments by the end of the year.

Randy Friend, co-founder and principal of the Anaheim, Calif.-based Eagle Real Estate Group, said Friday he plans to upgrade the 1,259-unit portfolio purchased for \$82.5 million with \$5 million in capital expenditures and keep it for three to five years.

He said that should be sufficient time to meet the company's goal, which is to reposition the properties and produce above-market returns.

"It's supply constraint," Friend said of market dynamics that will help achieve those results.

"You've got the critical mass, more than 1.5 million population and 4,000 driver's licenses issued every month. There's over 13,000 apartments slated for condo conversions and another 5,000 slated for demolition. By the end of the year, you're going to have a waiting list for apartments," he said.

Eagle bought The Creeks in northeast Las Vegas, 344 units with rents from \$525 to \$810 a month; The Woods in northwest Las Vegas, 192 units with rents from \$550 to \$700; and The Springs near the Strip, 723 units with rents from \$525 to \$810.

Picerne Development, a major builder and owner of apartments in Las Vegas, purchased Summit at Sun Ridge apartments at 11000 S. Eastern Ave. for \$36.2 million.

The 368-unit property in Henderson "has everything an investor needs for long-term hold," said Chris Fontane, a broker with Fuller and Co. in Denver who represented the seller.

Picerne assumed a loan at 7.7 percent interest until 2010, but still sees future value in the deal, Fontane said.

The seller, an investment group headed by Jan Storey of Evergreen, Colo., in turn purchased two new luxury developments from Picerne located in Litchfield, Ariz., and Avondale, Ariz., a total of 555 units for \$56.8 million.

Carl Sims of Hendricks and Partners in Las Vegas negotiated the sale of the 532-unit Sundance Village apartments at 6500 W. Charleston Blvd. for \$26.9 million to a limited partnership from Portland, Ore.

He also sold the 360-unit Cabo apartments in Henderson for \$31.2 million to VIF Broadstone Green Valley of Phoenix and the 316-unit Cameron apartments at 4600 Sirius Ave. in Las Vegas for \$14.9 million to Cameron Apartment Homes of Encinitas, Calif.

"We're now considered part of L.A. as far as buyers go," Sims said.

Las Vegas normally has about 37 apartment sales a year, he said. Last year, there were a record 43 sales of major apartment buildings (100 or more units) and the number is up to 65 so far this year.

The flurry of sales activity was spurred by reports that apartments being converted into condominiums will deplete the market of more than 10,000 units over the next two years.

With dwindling vacancies, rents are expected to soar.

Average monthly rent in Las Vegas ranges from \$661 in the central city to \$845 in the Green Valley and Henderson area, said Chris Bentley, principal of the Bentley Group.

He recently brokered the sale of the 456-unit Grand View Apartments at 4225. W. Viking Road for \$23.2 million, or \$50,877 a door.

The property's central location enabled the buyer, Southern Nevada-based Mega Ventures II, to own 18 acres close to the popular Palms and the gaming corridor, Bentley said.

Apartment inventory in Las Vegas at the end of June was estimated at 162,000 units, a 1.6 percent increase from June 2003. That's off from the average annual growth of 2.7 percent over the past five years, Bentley said.

Occupancy is at 95.6 percent, up 3.1 percentage points from a year ago.

That has allowed Las Vegas to register its best rent change performance in several years, Bentley said. Market rents climbed an average of 3.2 percent during the first half of the year.

Alan Molasky, president of Las Vegas-based Ovation Development, said apartment rents remained relatively flat as 6,000 new units were brought onto the market each year.

"There was very little room to raise rents when you can go right into a home," he said at a recent panel discussion about Las Vegas' commercial market. "But when you compare the cost of ownership versus rental, it's quite a difference in the cost of owning a home."

Molasky said he has some reservations about the condominium conversion craze.

"I sold condos and I can tell you I was sued on every one of them. I know you do not have apartment insurance when you convert to a condo and the construction defect thing, I'm not sure that's been resolved," he said. "I'm going to wait until I get past the seven- or eight-year period of lawsuits."

Molasky said he gets calls everyday from investors as far away as New York with \$100 million to invest in the Las Vegas apartment market.

"It's as strong as I've ever seen it," he said.