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Apartment crunch produces record low vacancies

Investors see bigger profits in condo sales

BY TONY ILLIA

Condominium conversions, investor activity and tear downs created a supply drought in the Las Vegas Valley apartment market in the first quarter, according to Michael Belnick, an apartment specialist with REMAX Commercial Real Estate. The result was a record low 3.29 percent vacancy rate, down from the valley's standard 5 percent.

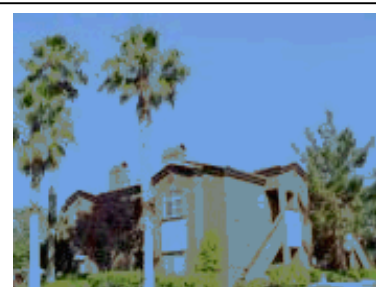
There were 150 apartment complexes, totaling 5,604 units, sold in the first quarter, or 80 fewer properties than the previous year. The sales brought \$535.7 million in revenue, which is \$288.7 million less than in 2005. But the sale price climbed to an average of \$95,600 per unit, marking a valley record. Prices are now \$10,000 per unit more costly than a year ago and 46.5 percent higher than in 2004.

"There is a definite market slowdown due to the limited supply of product left to sell," said Belnick. "Every number is down except for pricing."

Nevada West Development recently paid \$37.7 million, or \$134,921 per unit, for the 280-unit Chapel Hill apartments at 9620 W. Russell Rd. There were only 40 sales of apartment complexes with 100 units or more during the first quarter, due to limited available quantities and apartment-to-condominium conversions.

There have been 2,190 converted condo sales through March, reported Dennis Smith of Home Builders Research Inc., a Las Vegas residential analyst. It now accounts for 24.5 percent of the total home sale market in the valley.

Southern Nevada's rapid population growth has attracted throngs of real estate investors seeking a quick buck with apartment-to-condo conversions. Eagle Real Estate Group, for example, recently sold out its 560-unit Sedona condominium complex, located at 9000 S. Las Vegas Blvd. The firm purchased the 26.2-acre apartment community, named Camden Harbor, in January 2005. It completed \$1.4 million in conversion upgrades last March. The project earned \$122.6 million for a 135 percent cash return on investment.



Eagle Real Estate Group recently sold the Sedona condominium complex for a 135 percent return on investment after making \$1.4 million in conversion upgrades. Such sales are depleting the apartment supply in the Las Vegas Valley.

There's more to come. Roughly 4,450 rental units will be converted for sale this year, said Spencer Ballif, an apartment specialist with CB Richard Ellis. And those follow on the heels of 14,700 converted units in the past two years. About half of those units are owner-occupied, with the other half being sublet from investors.

Rents, as a result, averaged \$882 per month in the first quarter, a 2 percent increase from the previous quarter, and they are expected to climb another 6 to 8 percent before year's end. Landlords, meanwhile, are offering few rent concessions and offering shorter leases due to their ability to raise rates.

"We are still seeing things tightening on the vacancy side," Ballif said. "A lot of investment sale activity has slowed because of rising interest rates and a scarcity of product. But the market outlook generally remains very healthy."

PROJECTS

General Design & Construction is performing \$133,764 worth of remodeling on the Skyline Restaurant and Casino at 1741 North Boulder Highway, Henderson. Work on the 12,500-square-foot facility, owned by car dealer Jim Marsh, is scheduled to finish in July.

MILLION-DOLLAR DEALS

Pulte Homes bought 2,000 acres of land in Mesquite, 80 miles northeast of Las Vegas, for \$79 million, or \$39,500 per acre, from River West. Colliers International's Patrick McNaught represented the buyer. Pulte is building a 4,600-home master-planned community on the property.

Story Book Homes bought five acres of land at the northwest corner of Conn Avenue and Tioga Way in Las Vegas for \$3.5 million, or \$700,000 per acre, from Cactus Highlands/Strimling/Rudnick. Colliers International's Scott Gragson, John Kilpatrick and Robert Torres represented the seller.

Argyris Enterprises bought a 3,912-square-foot retail building at 3820 E. Craig Road in North Las Vegas for \$2.4 million, or \$613 per square foot, from Highway 15 LLC. MBA Associates' Abdus Asif represented the seller, and Grubb & Ellis' Nelson Tressler represented the buyer.

Rainbow Furniture signed a five-year, \$1.379 million lease for 14,900 square feet of retail space at 1250 S. Rainbow Blvd. Grubb & Ellis' Tressler represented both the tenant and the lessor, Keith-Warm Springs LLC. The reported average rent equals \$1.54 per square foot.

Asian Fusion Hotpot signed a 10-year, \$1.221 million lease for 3,731 square feet at 6125 Fort Apache Rd., Las Vegas. Grubb & Ellis' Tressler represented the lessor, Lynden Square LLC and Ameridream's John Brown represented the tenant. The reported average rent equals \$2.73 per square foot.