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## **Condo conversions still abound in Las Vegas**

### **Former apartments only affordable option for some looking to buy**

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Real estate investor Louis Birdman of Florida-based SunVest Communities remains bullish on condominium conversions in Las Vegas, even as the housing market in general has cooled.

SunVest has sold 1,500 condos so far this year in Florida, Arizona and Nevada, including 400 to 500 units in Las Vegas, he said.

SunVest bought Traverse Point apartments near the Las Vegas Beltway and Stephanie Street for \$40 million last year and is converting to condos starting in the mid-\$100,000s for one-bedroom units.

That project follows SunVest's Latigo at Silverado Ranch, Desert Shores Villas and Southgate condominiums, which is in the closeout phase of sales.

Birdman said escalating land and construction costs have deterred developers from building new apartments here. That's driven existing apartment prices to \$140,000 and \$150,000 a unit, making it difficult for owners to turn a profit at current rental rates, he said.

"Sometimes it's hard for converters to make economic sense of it," Birdman said. "We've seen some deals falling out of contract. There's only so far you can push the market, depending on the area."

Randall Friend, co-founder and principal of Anaheim, Calif.-based Eagle Real Estate Group, profited by converting the Camden Harbor apartments at 9000 Las Vegas Blvd. South into Sedona on the Boulevard condos.

Eagle purchased the 560-unit apartment community in January 2005 for \$67.2 million and had enough sales by September to pay off the lender, Friend said. By October, all investor equity had been returned. The project earned 135 percent cash-on-cash return, he said. Nearly all of the units at Sedona have been sold. Prices ranged from \$168,000 to \$325,000.

Eagle has a 350-unit apartment deal in escrow, but will keep the property as a rental, rather than convert to condos, Friend said.

"That's more of our business plan. This one (Sedona) was out of the box for us," he said. "I like the apartments right now. I think the apartment market is very solid. People need a place to live, and as interest rates go up, it pushes people into apartments."

Long-term demand for multifamily housing is on an upward swing, the National Association of Home Builders reported on its Web site.

Baby boomer lifestyle changes, immigration, housing affordability and the nontraditional composition of households are among factors that will contribute to robust demand for multifamily rental and for-sale housing for several decades, the builders association said.

Condo conversions in Las Vegas were triggered by housing prices that appreciated by as much as 50 percent in 2004 and a shortage of affordable homes available to thousands of new residents relocating here every month, Friend said.

While early conversions such as Bella Vita were starting in the \$90,000s, the median price of a condo or townhome in Las Vegas was \$205,000 in March, up 12.6 percent from a year ago, the Greater Las Vegas Association of Realtors reported.

"I think condo conversions will continue to be a more feasible option for people looking to buy," said Michelle Johnson, sales director for the Coldwell Banker Condo Store in Las Vegas. "As opposed to the higher priced high-rises, and with the median price for all condos continuing to rise, the value provided by conversions makes them more palatable for a lot of buyers."

As long as median home prices and construction costs continue to rise, condo conversions will remain the best value based on price per square foot, she said.

Sedona on the Boulevard was selling at roughly \$200 a square foot in a neighborhood where Park Avenue and Manhattan condos were priced from \$350 to \$400 a foot, Friend said.

"You've got to look at where the rest of the market is," Birdman added. "Comparatively speaking, I'd still consider it (conversions) affordable product. Look at Arizona and Florida. It's even pricier."

Larry Murphy, president of SalesTraq, wonders if conversion prices have peaked. He's showing a dip in March after prices climbed from about \$130,000 in January 2005 to almost \$200,000 in February.

Buyers and investors will determine how deep the niche is for condo conversions, said Mike Gallegos, an apartment broker for The Bentley Group. Properties with the best potential for conversion to condos have probably already been identified, he said.

"I would imagine, given the popularity of condos and the size and scope of the multifamily inventory here, most of the properties that could be converted have been viewed already. That's not to say there aren't more out there," Gallegos said.

SunVest is ready to start marketing the Pinehurst condo conversion in southwest Las Vegas Valley and plans to build two condo towers at 601 E. Fremont Street. Zoning for the first 255-unit tower has been approved, Birdman said.

Rising land costs in Las Vegas have driven some developers to rural areas as a means to build less expensive housing.

Two-bedroom condos at Hawkridge, a 152-unit development in Mesquite, are going for \$170,000, and three-bedroom condos are in the low \$200,000s.

Like Las Vegas, Mesquite has experienced a sharp increase in housing costs, but still offers a resort lifestyle and climate at a reasonable price, said Joyce Knoblauch, developer of Hawkridge.

Also, multifamily builders and developers are snapping up larger tracts than they need and selling off the excess to offset escalating land and construction costs, NAHB reported from an industry conference in Scottsdale, Ariz. Other ways to deflect costs include phasing projects, anticipating price spikes and finding alternative material sources.