

Las Vegas In Business

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Southern Nevada home sales jump for 12th straight month

By Brian Wargo
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Existing-home sales in March reached their highest level since August 2006, raising the question of how close the Las Vegas housing market is to recovery.

March marked the 12th consecutive month in which existing-homes sales increased on a year-over-year comparison. The 3,626 sales were 86 percent higher than the 1,954 recorded in March 2008, according to SalesTraq.

Consulting firm Applied Analysis reported the number of homes waiting to close at the end of last month spiked to 10,976. Inventory declined by more than 2,600 units in five weeks to nearly 18,000 in April — a 22 percent decline from April 2008.

First-time homebuyers and investors are driving the sales, according to Realtors and analysts.

“These are the two groups you expect to be buying to get the market back on track,” said Ken Perlman, vice president of the Sullivan Group Real Estate Advisors. “It is definitely a positive step that first-time homebuyers are buying these units in what is likely to be a first step on the road to recovery. There are some positive signs, but I don’t know that we are ready to declare a recovery.”

Despite the upswing in sales, many remain cautious. Investors will pull out once foreclosure inventory dwindles and prices



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For sale: A home on Vegas Valley Drive is shown May 3.

rise, and that will shut out some first-time buyers as well. Many potential buyers are worried about losing their jobs. Others who want to buy are having difficulty selling their higher-priced homes and obtaining financing to buy another one.

Prices need to rise for banks to be more comfortable lending, and with a large num-

ber of foreclosures in the pipeline, prices may keep falling, analysts said.

“I prefer to say it is a sign things stopped going down, and the market is trying to pull itself up,” said Dennis Smith, president of Home Builders Research. “But it is going to

SEE HOMES PAGE 17

HOMES

FROM PAGE 1

be a longer recovery than a shorter recovery because prices have to show signs of stabilizing or increasing."

Investors enter a market when they think it is at or close to the bottom, Smith said.

Steve Bottfeld, executive vice president of Marketing Solutions, said that when prices start to rise, buyers will jump in because they don't want to miss an opportunity. But the credit crunch is limiting sales for those who aren't first-time buyers, which would increase sales even more.

"We have yet to begin the recovery," Bottfeld said. "The question is not whether we are on the bottom, but how long are we going to stay on the bottom?"

Many first-time buyers were priced out during the housing boom when prices rose rapidly. But the median price has fallen 53 percent since June 2006 to \$134,900 in March, and doors have opened for many people who buy homes, build equity and move up to a larger home, Perlman said.

"They are replenishing the buyers we haven't had in the market place in a long time because they couldn't afford to get in the market," Perlman said.

Las Vegas hasn't seen this level of affordability since 2001, and low interest rates and a recently ap-

proved \$8,000 tax credit for first-time buyers are giving people impetus to buy.

San Diego-based DataQuick reports Federal Housing Administration loans — a popular form of financing with first-time buyers with a 3.5 percent down payment, accounted for 49 percent of March's purchases. Absentee buyers, who are primarily investors but may include second-home buyers, accounted for 36 percent of March's sales.

Buyers are focusing on foreclosed homes, which accounted for 66 percent of the closings in March with a median closing price of \$127,500.

First-time buyers are realizing they can make house payments that are cheaper than rent, said Linda Reinberger, former president of the Greater Las Vegas Association of Realtors.

With prices down more than half, investors are invading the market because for the first time since 2000, they can "cash flow" homes and condos, Reinberger said. That means they can charge more in rent than they pay a month in mortgage, insurance and taxes.

It's gotten to the point where there are four to five offers on some properties with the winning bid going to those who go over the list price and have the best credit, Reinberger said. Six months ago buyers were asking lenders of foreclosed properties to pay closing costs, but they may lose out on the bid if they



STAFF FILE PHOTO

Upswing in sales: Homes are shown for sale in March at Mountain's Edge off Blue Diamond Road in the southwest valley.

do that now, she said.

The investors are coming from California, Europe and Canada. Because of the difficulty in getting financing, many are buying homes with cash taken out of the stock market, analysts said.

"They are thinking that if they have something in the stock market, it might disappear," said Robyn Yates, broker-owner of Windermere Prestige Properties. "In real estate, you will always have a piece of property. It won't disappear."

Prospective buyers are facing obstacles entering the market. Many are underwater on their current homes and have trouble finding buyers for the prices they are asking. Getting conventional loans re-

mains difficult even for those with good credit and in many cases they need a 20 percent down payment.

Lenders are reluctant to loan money to those who already own a home in Las Vegas, Yates said.

"The lenders are worried that people will walk away from their first house and buy a less expensive one," Yates said. "People have been doing that, and banks have been catching on."

Many are expecting a spike in foreclosures this summer will add even more inventory that will be attractive to first-time buyers and investors. But once that inventory dwindles and prices rise, investors will stop buying and first-time buyers will be priced out again.

Investors who pay \$50,000 in cash for a condo are getting a 9 percent return on their money. Those who put down 20 percent on the same condo are getting an 18 percent return, Yates said.

Mark Stark, CEO of Prudential Americana Group, said 37 percent of his transactions are cash. Normally, 7 percent to 10 percent of deals are cash, he said.

Yates and other analysts called the investors savvy people who are interested in holding the properties long term, earning the rental income and then selling when it appreciates. These aren't people who are coming in to flip properties as happened during the housing boom, and got stuck with them.

"These aren't craps dealers on the Strip," Yates said.

Bottfeld said there are three classes of investors in Las Vegas today. There are the investor groups from places such as California that are buying 20 to 50 homes at a time. Foreign investors are a second group and mom-and-pop investors are the third, he said.

Despite the boost in the existing-home market, new-home sales remain weak. There were about 3,200 fewer closings in the new-home market compared to existing homes in March. The reason is new-home price are about \$85,000 higher than existing homes. Builders are making their homes more affordable, but can't compete against foreclosures.