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Valley apartment rents dip in third quarter

Instability said to reflect changes in family living arrangements, low cost of homes

BY TONY ILLIA

Local apartment rents fell in the third-quarter as landlords aggressively sought to boost occupancy, Las Vegas-based business advisory firm Applied Analysis said.

Asking rents averaged \$840 per month at the end of September, which is 5.6 percent less than a year ago. The price equals 93 cents per square foot for a 6-cent drop year-to-year, Applied Analysis reported. Pricing discounts helped lift third-quarter occupancy rates to 91.1 percent, up 0.6 percent from the previous quarter, but down 2.6 percent from a year ago.

"Apartment fundamentals remain unstable due to the deteriorating local economic climate, which is lagging behind the broader economy," Applied Analysis Principal Brian Gordon said. "Until sustained job growth returns to Southern Nevada, we will continue to see erosion in performance measures in apartment communities."

Las Vegas unemployment was 13 percent in October, the state Department of Employment, Training and Rehabilitation reports, still nearly double the 7.7 percent it was at in October 2008.

The recession has more people rethinking living arrangements as families and relatives increasing moving in together as cost-saving measures. Diminished job growth also has slowed the influx of new residents into Southern Nevada, thereby reducing rental housing demand.

"Landlords are being forced to lower rents



BILL HUGHES | LAS VEGAS BUSINESS PRESS

Christopher Bentley, president of The Bentley Group, is seen at the Arabella apartments. He said the valley has the same amount of jobs it had in March 2005, but thousands more homes.



COURTESY THE FERRARO GROUP
B & H Construction is building a \$4.7 million Pahrump Justice center upgrade at 1520 E. Basin Road in Pahrump. Construction will

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since the difference between owning a home and renting is minimal. In the past, the focus had been on concessions and offering a month or two free rent," said Christopher Bentley, principal of The Bentley Group, a Las Vegas-based commercial real estate brokerage firm. "We have the same amount of jobs that we had in March 2005, but we now have thousands of more homes."

finish in the spring

The Las Vegas Valley had 20,801 single-family homes listed for sale in the third quarter, equaling about two years of available inventory, the Greater Las Vegas Association of Realtors reports. Median home list prices were \$154,000 at the end of September, or 30 percent less than a year ago.

Las Vegas had the nation's highest metro foreclosure rate in the third quarter, with one in 20 homes receiving a foreclosure notice -- nearly seven times the national average, said RealtyTrac, an Irvine, Calif.-based foreclosure tracking firm. A total of 40,408 Las Vegas properties were foreclosed upon, up 9 percent from the previous quarter and nearly 55 percent higher than a year ago, RealtyTrac reported.

Housing foreclosures and reduced sales pricing, rising unemployment and fewer new residents combined to place downward pressure on apartment rents. Third quarter valley apartment rents consequently dipped to their lowest point in four years, said Hendricks & Partners, a Phoenix-based national commercial real estate brokerage firm.

"There are roughly 121 apartment properties is some stage of foreclosure. Banks are extending loans and pressuring landlords to lower rents and generate revenue to service the debt, which translates into lower rents," Hendricks & Partners apartment specialist Carl Sims said. "Lenders don't want the properties back due to falling property values. We're not going to see any new apartments built for a while because the development cost is more than its value. We have to create job growth before the market returns. We still have a couple of years to go."

PROJECTS

B & H Construction is building a \$4.7 million upgrade to Pahrump's Justice center at 1520 E. Basin Road. The project, designed by JVC Architects, includes a 4,000-square-foot renovation of the district attorney and clerk's offices and an 18,400-square-foot addition for courtroom and administrative space. Construction will finish in the spring.

United Construction is building a \$3.18 million child development center at Nellis Air Force Base in North Las Vegas. Designed by Hershenow + Klippenstein Architects, the 11,200-square-foot facility will care for 80 infants and will include an outdoor play area. The project will break ground in August and open in January 2011.

MILLION-DOLLAR DEALS

The Wine and Liquor Warehouse signed a 10-year, \$1.9 million lease for 6,155 square feet of retail space inside Siena Promenade at 10271 S. Eastern Ave., Suite 101-105, in Henderson. Michael Kammerling and Eric Berggren represented the lessor, Siena 1 Holding LP of Las Vegas. The reported average rent equals \$2.57 per square foot.

Dotty's signed a 10-year, \$1.4 million lease for 3,870 square feet of retail space inside Cheyenne Marketplace at 1360 W. Cheyenne Ave., Suite 112-113, in North Las Vegas. Grubb & Ellis' Nelson Tressler and Michael Zobrist represented the lessor, Cheyenne Marketplace LLC of Las Vegas. The reported average rent equal \$3.01 per square foot.

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