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HOUSING SEMINAR: Las Vegas real estate 'is in the toilet'

Crystal Ball panelists say bottom yet to be reached

By JENNIFER ROBISON
REVIEW-JOURNAL

Southern Nevada's housing market hasn't found its bottom and could suffer further in coming months, a panel of real estate experts said Thursday.

At the quarterly Crystal Ball housing outlook at Texas Station, home builders, real estate brokers and marketing consultants talked about how to survive hard times as analysts shared fresh evidence of an ongoing housing correction.

"The truth as I see it today is that the real estate market in Las Vegas is in the toilet," said Larry Murphy, president of real estate research firm SalesTraq. "And the sad probability is that it will stay in the toilet a while longer."

That's because the city's housing market hasn't finished recovering from the excesses of 2004, 2005 and 2006.

Top among those overindulgences: Local builders put up many more homes than the market needed, Murphy said. Annual new-home deliveries peaked in 2005 at 38,000, even as Southern Nevada required just 25,000 new homes to meet consumer demand.

That overbuilt market is correcting. Builders will construct only 11,000 new homes in 2008. That should jump to 15,000 units in 2009, and return to 25,000 yearly sales in 2011, Murphy said.

New-home construction isn't the only housing indicator that continues to adjust.

Housing prices spiked in 2004 and 2005, thanks in part to easy money flooding the market in the form of interest-only mortgages and no-documentation loans.

"You could get a loan for a dead horse" at the market's pinnacle, Murphy said.

The funding surplus helped push the median price of a resale home from $140,000 in 2001 to more than $275,000 by early 2006, including a $100,000 gain from 2004 to 2006. Since then, the market has shed that $100,000 increase, and the median price rests where it was five years ago, at $186,000.

It's tough to predict where prices will go from there, Murphy said, but he noted that the market "turned on a dime" in 2004 and went skyward, with values jumping 40 percent in the first six months of the year.

"Don't be surprised if the market turns on a dime upward," Murphy said. "Also, don't be surprised if it doesn't."

In the near term, at least, prices will likely continue to drop. Credit those falling values to rising foreclosures.

Home sales in Las Vegas grew every month in 2008 through September when compared with 2007, but in recent months, two of every three closings involved foreclosures or short sales. And with bank-owned homes selling for an average of $35,000 less than their counterparts, they're dragging down values marketwide.

Panelists at Thursday's seminar wouldn't forecast how long foreclosure sales will consume such a big chunk of the local market. Murphy did note that banks own more than 14,000 area homes that they've not yet listed, as they hold back on sales to prop up values on repossessed homes.

Though they wouldn't pinpoint a time frame on market improvements, panelists said today's malaise won't last forever.

Job growth will press on as resorts open late this year and in 2009. The new positions will lure new residents, and those locals will in turn need homes, Murphy said. As residents arrive and the market's excesses correct, home sales and prices should stabilize and eventually return to normal growth patterns.

But some panelists said the city's real estate professionals must adjust to a new normal.

No longer can builders throw up the same floor plans year after year all over the valley and merely wait for buyers to materialize, said Tom McCormick, president of Astoria Homes.

"During the boom, we all did the same things, and we all made the same money," he said. "During the bust, we all did the same things, and now we're all getting creamed.

"What if a consumer product kept its same basic design for three years, made only minor enhancements, had the competition copy the best ideas and was available indefinitely? What result would you expect?"

Consumers expect constant improvements in the goods they buy, and they respond to product scarcity, McCormick said. Astoria's executives will keep those factors in mind as they plan the company's future.

Real estate brokers must adapt too, said panelist Mark Stark, chief executive officer and owner of Prudential Americana Group, Realtors.

It didn't always matter during the city's boom times whether agents, banks and consumers dotted every I and crossed every T, because failure proved virtually impossible, Stark said. Profits rose regardless of proficiency.

Agencies need to rethink operations today, though. Stark advised attendees to meet change with flexibility, tally up all of their strategic options, focus on opportunities rather than challenges and dispel "limiting beliefs" that hold them back. Stark said his decision to remain "an optimistic realist" helped him weather business troubles that culminated in Prudential Americana's 2007 bankruptcy. The brokerage emerged from bankruptcy in July.

"If I thought misery would help you, I'd stand up here and tell you to be depressed," Stark said.

Panelist Steve Bottfeld, executive vice president of real estate research firm Marketing Solutions, also went upbeat.

"There's never been a better time to buy in Las Vegas," Bottfeld said. "I'm not going to live to see a better time to buy."

Contact reporter Jennifer Robison at jrobison@reviewjournal.com or 702-380-4512.

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