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Report: Luxury Condo Race Continues

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Project

CityCenter

LLC

A majority of the 2,700 condos at CityCenter have already been pre-sold.

(Read more on the [multifamily market](#).)

LAS VEGAS-Demand for luxury condos here remains below its peak levels of two and three years ago and competitive supply levels have responded to market conditions, according to a new report by Applied Analysis, a locally based business research and advisory firm.

As of the end of the third quarter, approximately 7,200 luxury condominiums had been completed in Las Vegas and an additional 13,000 were under construction. At mid-year, 5,800 units had been completed and 14,100 were under construction. The number of projects for which marketing and pre-sale activities are under way but construction has not yet begun stands at 4,600 units, down from 6,100 units at mid-year.

“While the high-end residential product may appear to some a passing fad, southern Nevada remains underserved compared to other similar markets and, over the longer run, the resort resident concept might very well emerge as a key element of the region’s residential landscape,” says Applied Analysis principal Jeremy Aguero.

If recent history is any indication, no more than half of the nearly 60,000 planned luxury condo units will be built. The report found that while 20,000 units have either been built or are under construction, the same number of units have been cancelled or suspended indefinitely.

"A number of unrealistic development proposals and a frenzy of investor-purchaser activity contributed to the current state of the industry," says Agüero's partner, Brian Gordon. "Luxury residential projects with strong branding, experienced developers, quality locations and sufficient amenities will gain market acceptance and likely survive the current market instability."

Of the units now under construction, a majority have been pre-sold, including more than half of the 2,700 condominiums under construction at MGM Mirage's CityCenter development on the Las Vegas Strip, which isn't set to open until late 2009. Competing with the unsold units are 854 resale units, up from 718 at mid-year. The resale units, which include high-rise units, mid-rise units and 'condotel' units, have an average asking price of \$830,800, or \$624 per sf, unchanged from mid-year. The average sale price for a resale unit in the third quarter was \$539 per sf, up from \$507 per sf at mid-year.

"Given the current pace of sales in the resale market, several years of effective inventory remains available," concludes the report.