Hurt hitting the high end

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The upper echelon of income earners, once regarded as somewhat immune to general economic woes, is starting to feel the pain of living in a city with the nation's highest foreclosure rate, local luxury home brokers said.

Banks and lenders bought back 87 properties valued at $1 million or more this year in Las Vegas, with 17 bank-owned homes in that price range on the current Multiple Listing Service, Tom Love of The Tom Love Group reported. Last year there were only 18 bank repossessions of homes over $1 million.

The MLS also shows 29 short sales, or homes offered at less than the mortgage balance owed.

Nine foreclosures and 11 short sales of million-dollar-plus homes have been recorded this year, Love said.

"We definitely see it's spiraling into the high end of the market," Love said. "There's some big-name people in town with (foreclosure) homes on the market. People that were not expected to be affected have been. Like they say, the bigger they are, the harder they fall."

Preforeclosure filings nationwide surpassed 1.25 million through July, up 88.6 percent from a year ago, California-based Foreclosures.com reported. Nevada leads the nation with 59.1 preforeclosure filings per 1,000 households, up 126 percent from 2007, followed by Arizona (54.9), Florida (48.3) and California (25.2).

Ken Lowman, owner and broker of Luxury Homes of Las Vegas, said he's seeing a few luxury home foreclosures, primarily homes that were purchased at the peak of the market in 2005 and 2006 and usually in the older luxury communities.

In many cases they were semicustom homes that sold for $800,000 and $900,000 and then appreciated to $1.1 million and $1.2 million. Now they've gone back under $1 million.

Lowman said there were a few speculative builders who didn't have "staying power" when the market shifted, leaving brand new luxury homes in foreclosure.

"I believe the credit crunch has taken many of our luxury buyers out of the market because they can no longer get financing," Lowman said. "We also see move-up buyers out of the market because they cannot sell their present home."

Lowman said the statistics don't look too bad yet. Of the 7,363 listings in Las Vegas that are bank repossessions, 16 are over $1 million and two are over $3 million. Of the 8,692 short-sale listings, 29 are over $1 million and none is over $3 million.

In the past 12 months, only 10 of the 12,470 bank-owned home sales were for $1 million or more.

"The higher end was the last in the chain to be impacted by the general malaise and is probably going to be the last to be affected by foreclosures," housing analyst Larry Murphy of SalesTraq said.

A custom home lot in the master-planned Southern Highlands community was recently foreclosed upon by Wells Fargo bank for $486,777, which could be an indicator of foreclosures coming in the luxury market, Murphy said.

He counted 2,839 new foreclosures in August, nearly triple the number from the same month a year ago.

Foreclosure Magazine showed eight homes for sale at more than $1 million, including six in the southeast valley and Henderson. Prices ranged from just over $1 million for a five-bedroom, 5,861-square-foot home in the southeast to $4.85 million for a six-bedroom, 10,723-square-foot home on three-fourths acre, also in the southeast.

University of Nevada, Las Vegas, economist Keith Schwer said housing market problems started to develop in mid-2006, but crippling credit problems didn't appear until October 2007.

"So what we're really saying is we've seen foreclosures in the high end occurring as the economy went down as opposed to foreclosures as the overall housing market goes down," Schwer said.

Bob Reeve of Realty One Group said he doesn't see stability until the economy absorbs the adjustable-rate mortgages that are due to reset in the next two years.

"Owners suck up the higher payments or they walk," he said.

Outstanding adjustable-rate mortgages total about $500 billion in the United States, with about 60 percent of them in California, a recent Credit Suisse report shows. Monthly option recasts are expected to accelerate starting in April from $5 billion to a peak of about $10 billion in January 2010.

Bank-owned properties, or real-estate owned, are continuing to set the pace in sales as well as leading the way to the bottom in prices, Frank Nason of Residential Resources said. As of Sept. 14, REOs comprised 32 percent of total listings in Las Vegas and account for 2,200 pending sales.

"It's got to be hitting everybody," Nason said. "If they bought in '04, '05 and '06, they're wondering how long it's going to be, if it's going to be decades before they get back to the price they paid."

Alexis McGee of Foreclosures.com said: "Short-term, there's no question that the foreclosure outlook is grim. But longer term, there is promising news. Foreclosures tend to peak well after the housing market has bottomed, which may be forming as we speak."

The National Association of Realtors' Pending Sales Index on previously owned homes, an indicator of existing home sales, was up 5.3 percent in June over May, its highest point since October 2007. New-home construction is down in a big way, another positive sign as the supply overhang works to catch up with buyer's demand, McGee said.

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