

IN THE LAP OF LUXURY

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Luxury homes in Las Vegas have held their value in a declining housing market in which one in every 44 homes has entered some stage of foreclosure, a local appraiser said.

"I'm not so sure at \$1 million, but at \$1.5 million and up, it's stronger today than it has ever been in this city," Scott Dugan of R. Scott Dugan Appraisal said.

He rattled off two \$17 million sales last year in Shadow Creek and MacDonald Ranch, a \$12 million transaction in Queensridge, a \$10 million penthouse purchased at Panorama Towers and a \$9 million home closing at TPC Summerlin.

Before that, Dugan hadn't seen a sale at \$9 million or \$10 million since 1998 at Spanish Trail.

The average price for homes that sold at \$1 million or more in 2007 was \$1.87 million, up from \$1.62 million in 2006, data from the Greater Las Vegas Association of Realtors show.

Price per square foot increased from \$244 in 2003 to \$344 last year. The highest-priced sale went from \$4.2 million in 2003 to \$17.4 million in 2007 for a 4.6-acre Shadow Creek estate.

"Even last year, when everything else wasn't doing well, the \$1 million-plus homes were actually moving," said Christine McNaught, who founded Melia Realty Group in 1996 and merged with Windermere Real Estate this year. She did \$30 million in mostly luxury home sales in 2007.

The mortgage credit crisis doesn't affect buyers in the luxury market as much as those in the lower and middle markets, said Ken Lowman, broker and owner of Luxury Homes of Las Vegas.

He sold four homes priced at more than \$5 million in the past eight months, each of them for cash.

"These buyers don't seem to care about economic fluctuations," Lowman said. "They are very discriminating in their choice and expect near-perfection."

Lowman brokered the sale of a \$5.8 million home in The Ridges subdivision of Summerlin in 51 days.

Sales of \$1 million homes in Las Vegas dropped to 413 in 2007, compared with 541 in 2006, the Realtors association reported. The number jumped from 158 in 2003 to 402 in 2004 and has remained above 400 each year.

The "ultraluxury market," or homes priced at more than \$3 million, had 13 closings in the first quarter, compared with eight in the same quarter a year ago, Lowman said.

The luxury segment from \$1 million to \$3 million is not looking quite as good, he said. Sales dropped to 53 in the first quarter from 123 a year ago.

Homes that were valued at or near \$1 million, including tract homes in upscale neighborhoods, have dropped back below the seven-figure threshold, resulting in fewer luxury sales, Lowman said.

Steve Hawks of ReMax Platinum said the luxury housing market is about to be butchered in the "million-dollar

massacre."

He said so-called "jumbo loans" have all but dried up because of the massive amount of mortgage fraud that found Las Vegas at the center of an FBI investigation. Jumbo rates have increased by a point or two and the borrower has to put down 15 percent to 25 percent, Hawks said.

New research from TowerGroup, a Needham, Mass.-based research and consulting firm, predicts that losses from mortgage fraud will reach \$2.5 billion in 2008 and that comparable losses will continue for several years.

Homes with artificially inflated values are now going into foreclosure or short sale, Hawks said.

"We're in the first inning of the million-dollar market plunge," he said. "We see some examples already. Several guard-gated communities that have a high amount of vacant homes, short sales and bank-owned (homes) are starting to pop up slowly."

The hardest-hit sector will be semicustom homes in guard-gated communities, Hawks said. Homes in those areas that were going for \$1 million to \$1.5 million are now listed for \$600,000 to \$800,000 and will probably drop to \$500,000 or \$600,000, he said.

Though not as prevalent as they are in the lower markets, "mortgage walkers" are letting banks take back high-end homes, Hawks said. His partner has a Seven Hills foreclosure home in escrow for \$750,000 that was once valued at \$1.4 million.

After seeming impervious to the main market's woes of the past two years, homes in the \$5 million-plus range have come down an estimated 10 percent to 15 percent in the past two quarters and are likely to shed another 10 percent over the next 12 months, Barron's Online reported, based on data from Housing Predictor of Destin, Fla.

Even with negative headlines in the daily news, truly influential individuals have "staying power" and desire to live in the city's finest homes, said Tom Love, broker and branch manager of Realty Executives in Las Vegas.

"In recessions and real estate slowdowns, the accomplished who have designed a life still have a need to achieve their goals," Love said.

He's found fewer price reductions in the high-end market than he has in the lower to middle markets in Las Vegas.

"Sure, there have been some bubbles that have been overbuilt and overhyped such as Strip high-rise condos," Love said, "but the authentic custom-built homes in the best neighborhoods in Vegas still sell."

Cory Frey, loan officer with Southern Fidelity Mortgage, funded construction loans for four custom homes in The Ridges ranging from \$1.3 million to \$4 million.

"This is the strongest residential area in the valley," he said of the guard-gated community west of the Las Vegas Beltway, in the upper elevations near Red Rock Canyon. "The major makeup is the city's elite and business captains. I just had a comp (comparable sale) at \$750 a square foot and some are over \$1,000 a square foot."

Good quality homes in The Ridges will always bring top dollar, said Chris Finlay, president of Palm Canyon Development. The custom builder has nine homes under construction there, including the 10,500-square-foot Dunn home that will be featured in October's Parade of Homes.

A three-acre custom home site in The Ridges recently sold for \$9 million, or about \$3 million an acre, the highest price ever for a lot in that area, Lowman said. The buyer is reportedly the founder of Oakley sunglasses.

"You can just imagine the home that will be built on that site," Lowman said.

Lowman is marketing the \$80 million Canyon Edge development for Alpha Land Development at the top of Green Valley Parkway in Henderson. Forty-four semicustom homes, set on terraces to maximize views of the Strip, range from 4,000 square feet to 6,000 square feet with prices starting at \$1.4 million.

He said Canyon Edge will "raise the standard of modern living to a whole new level for those seeking the ultimate in modern sophistication."

Windermere's McNaught said she has 15 listings over \$1 million in Anthem Country Club, Southern Highlands, MacDonald Highlands and The Ridges. She recently showed a 6,800-square-foot, five-bedroom home in Anthem with a Tuscan flair, a custom theater, game room and intricate woodwork.

Buyers in the luxury market can expect stability for about two years, not the "rocket ride" to huge returns on investment, Love said. They may be less willing to stretch their budget into an expensive home when appreciation has slowed and even turned negative.

"This does take a small segment of buyers out of the market and it does not create the type of stratospheric trend line and panic-buying that we've seen in the past," Love said.

Appraiser Dugan said he doesn't think Las Vegas will see any real home value appreciation for three to five years while the market works through the for-sale inventory.

Reports about high inventory are misleading because they don't include pending and contingent sales, which have increased from about 3,000 a month last year to 6,600 in May, he said.

The number of resale homes on the market, those listed by Realtors on the Multiple Listing Service, declined by 41 units during the third week of May to 22,508, reported Applied Analysis, a Las Vegas financial consultancy. The latest inventory count reflects the eighth consecutive week of decline, taking 1,361 units off the market since March 24, and is at its lowest level since March 2007.

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