

Business

with THE WALL STREET JOURNAL SUNDAY.

LAS VEGAS REVIEW-JOURNAL • SUNDAY, NOVEMBER 14, 2004

SECTION E

HOUSING MARKET

Looking Up

Developers wonder about depth of local high-rise condo market

By HUBBLE SMITH

REVIEW-JOURNAL

Irwin Molaasky knew he could sell 84 luxury condominiums for half a million dollars or more when he built Park Towers at Hughes Center five years ago.

Dim Soffer proved the Las Vegas high-rise condo market was at least 700 units deep with Turnberry Place, which recently broke ground on its fourth tower on Paradise Road.

They hushed the skeptics.

Now, with the list of

proposed high-rises growing to 70 or 80, questions abound.

How deep is the luxury condo market in Las Vegas? Who are the buyers? Where are they coming from? More importantly, how are all of these projects being financed?

"The big question is which ones will ever be built," said John Riordan, vice president of sales for Turnberry. "Number one, a lot of these people are from outside of the market without any experience building this and don't understand the costs."

▶ SEE CONDOS PAGE 5E

"The big question is which ones will ever be built. Number one, a lot of these people are from outside of the market without any experience building this and don't understand the costs."

JOHN RIORDAN
VICE PRESIDENT OF SALES FOR TURNBERRY

► CONDOS: Some officials wonder whether all

of the planned projects will ever get built



ISAAC BREKKEN/REVIEW-JOURNAL

From left, Andrew Sasson, Leonardo DiCaprio and Laurence Haillier pose for photos last month at a groundbreaking ceremony for the Panorama Towers high-rise condominium complex. DiCaprio bought a condo there.

CONTINUED FROM PAGE 1E

As for the financing, some call it "creative."

Brian Neiman, founder of The Formula in Fort Lauderdale, Fla., said he has about 220 private investors who will purchase 30 percent of all units in a high-rise condo at "first-day" prices.

In return, he requires the developer to guarantee price increases that will provide him with a 15 percent "spread."

"Other developers might feel that's too aggressive and will allow us to buy at a 15 percent discount," Neiman said during a recent meeting of high-rise developers, investment bankers and sales and marketing executives.

"We don't care. We simply want the 15 percent spread between what we pay and what the other 70 percent of owners pay."

Stephen Zadrick, chief executive officer of CenterPoint, the Miami company that sponsored the forum at the Aladdin, said he'll finance the marketing and advertising costs of a project, including building a sales center, in exchange for completed units.

CenterPoint also requires the developer to use its preferred vendors.

Zadrick said he wouldn't drop a quarter in a slot machine in Las Vegas, but he'll put anywhere from \$500,000 to \$5 million into a high-rise condo project.

"If you compare what we do with early stage or mezzanine financing, we don't charge interest, we take back some of the units at preferred pricing," Zadrick said.

"Most mezzanine financiers are looking to get their money back with a return in the high teens or twenties. We'll take it back in product in the project. The developer doesn't have to pay us back. More importantly, it shows our confidence in the project."

CenterPoint has about 30 proposals in Las Vegas, of which 12 are actual contracts and two or three are expected to close under the terms proposed, Zadrick said.

One of them is Las Vegas Central, two 46-story towers planned for Sierra Vista Avenue, south of the convention center between Swenson Street and Paradise Road.

Las Vegas has barely scratched the surface of the luxury condo market, said Bruce Langson, a Las Vegas native and developer of Las Vegas Central.

He said there's a 20,000-unit deficit of this product in Las Vegas.

"They're coming from all over the country," Langson said of the buyers. "We're looking for residents that live here in Las Vegas, not investors. Turnberry is a wonderful place and I compliment them on what they did, but that's not what we want to do. I think this is the new home for locals in Las Vegas."

Stacey Gualandi, a Los Angeles-based reporter for the television show "Inside Edition," purchased a one-bedroom condominium at Vegas Grand for \$225,000.

"I just like the look of it," she said of the 880-unit mid-rise luxury condo being developed by Florida-based Del American at Swenson Street and Flamingo Road. "The company backing it is very reputable. It's just been a comfortable process since day one."

Lehman Bros. is financing the \$425 million Vegas Grand

project, as well as One Las Vegas, a 50-story, \$500 million tower planned for Hugh Hefner Drive, next to the Palms.

Another future high-rise resident in Las Vegas is actor Leonardo DiCaprio, who helped celebrate the groundbreaking of Panorama Towers, a \$400 million development by Laurence Hallier and Andrew Sasson on Industrial Road.

The 648-unit project has sold out of its first tower, which will be ready for occupancy in January 2006. A third tower has been announced, adding 314 units.

The 400-foot towers were named for their panoramic view of the Strip and Red Rock Canyon, although there's no guarantee about views in Las Vegas.

Houston developer Randall Davis was first out of the blocks with his \$40 million Metropolis luxury loft condominium on Debbie Reynolds Drive, behind the Greek Isles

hotel and casino. A "topping out" ceremony on the 20 story, 71-unit project was to be held today.

"This market has evolved very rapidly," Molasky Cos. President Richard Worthington said at a high-rise condo panel hosted by the Southern Nevada chapter of Certified Commercial Investment Member.

"For one thing, he said there's not much opposition to high-rises in Las Vegas because it's a relatively new city, approaching its 100th anniversary.

"Usually, in communities that are older, you get more opposition. Look at the Wilshire corridor in L.A. People who've owned homes around there for 30 years come out every time a high-rise is proposed," he said.

"I know at Park Towers, there's concerns about views, traffic and air quality on several high-rise projects over there."

Park Towers residents opposed a high-rise development on Koval Lane and are now taking on Crescent Real Estate Equities, the new owners of Hughes Center who plan to build more than 500,000 square feet of high-rise office space.

"Neighborhood opposition will always be there," said Ed Vance, executive vice president of JMA Architecture, a local firm that's designing 27 of the high-rises in the works.

"It's always been an issue, not just with high-rises. I've been to many town board meetings and I've heard more opposition, to be honest, with nursing homes. But a condo, they look at it and go, 'Uh, OK.' They look so good, sometimes they are the view. And they increase property values."

Victor Altomare, chief executive officer of Trustee Capitol, an Australian company with two projects proposed in Las Vegas, said he crossed the ocean after hearing promises from Las Vegas Mayor Oscar Goodman and city officials about the developer-friendly environment.

"And they delivered," Altomare said. "Clark County, eat your heart out."

He's planning to build the 923-foot Summit on the site of the former Holy Cow brewery and casino within city limits at

Las Vegas Boulevard and Sahara Avenue, a project that will generate \$1 billion in sales.

Altomare said the Summit is a working title only and that, in due course, he will be releasing a brand name for the project.

"The world is looking at Las Vegas. You're going to see a lot more branding in this town. Steve Wynn was the first to do it, to put 'Wynn' on his hotel," he said.

Wynn and Venetian owner Sheldon Adelson built megaresorts in Macau, near Hong Kong, and they're going to funnel big money into Las Vegas, Altomare said.

"If you haven't seen the Asian influx yet, you will. They're an emerging market," he said.

Aaron Yashouafar, CEO of Milbank Real Estate Services in Los Angeles and developer of Sky Las Vegas on the Strip between Circus Circus hotel and Hilton Grand Vacations, shared Riordan's thoughts about the unlikely reality of so many high-rises.

"I seriously doubt that half of them will be completed," he said. "The more we studied the Las Vegas market, we understand there are a lot of dreamis people come up with."

"You have two ingredients needed for successful completion. One is demand for sales or lease up and the other is funding to back construction. Fortunately, we have both."

Yashouafar said he has conventional lenders "ready to come on board with us," as well as OmniNet Capital, a construction finance company owned by his partner, Neil Kadisha.

Mike Castleman, executive vice president of Houston-based Metrostudy, put Las Vegas at the top of the list for cities on the rise in economic growth, higher employment, real estate development and financial growth.

"There is no such thing as a national market average across the United States. That's just not possible. It is regionally driven," he said.

Richard Lee, vice president of First American Title in Las Vegas, said high-rise condominium development is part of the "Manhattanization" of Las Vegas as hundreds of thousands of people move to Las Vegas.

"It's just an amazing increase," Lee said. "And folks, here comes the next million people, so be ready."