

# Is Las Vegas' housing market ready to make a comeback?

By Les Christie

November 9, 2011: 5:53 AM ET



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Las Vegas has suffered through the housing market bust like a few other places, but still has further to fall.

NEW YORK (CNNMoney) -- Las Vegas has suffered through the housing bust like few others places and still has further to fall. But these days many real estate investors and home buyers are betting that it's poised to stage a comeback.

Sin City's metro area led the nation in mortgage defaults for 22 straight months through August and home prices plunged a whopping 60% from their 2006 peak, according to RealtyTrac. And prices still have further to fall. Financial analytics company, Fiserv, projects home prices in Las

Vegas could fall another 16% by next June.

But to investors and home builders, there are enough positive signs to start betting on Vegas now.

Home sales, especially of bank repossessions, have picked up significantly. Nearly 36,000 homes have been sold so far this year through September 30, an 11% increase compared with the same period in 2010, according to Lawrence Yun, chief economist for the National Association of Realtors.

As a result, inventory of both new and existing homes has shrunk significantly over the past year. Currently, there are about 10,000 single-family homes on the market, according to David Tina, general manager of Realty One Group, a Las Vegas real estate broker. With the current sales pace near 5,000 units per month, that's just a two-month supply. Typically, those are inventories seen in extremely healthy markets.

"I think the turnaround will be slow, but new

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home pricing is close to its bottom," said Tina.

And things are looking up. The metro area added 200,000 new residents since the bust first hit in mid-2006, an 11% jump or more than twice the national growth rate.

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Part of the recent influx is due to job growth. The local economy has recorded job gains in several industries, including the hotel and restaurant trades, health and education, business services and retail, according to Metrostudy, a financial analytics firm. In September, the unemployment rate fell to 13.6% from 15.6% 12 months earlier, the ninth biggest decline among U.S. metro areas.

Still, there is a steady stream of foreclosures coming onto the market and dragging prices lower. Yet, investors remain unfazed.

Glenn Plantone, a Vegas-based broker and investor who deals mostly in foreclosed properties these days, said he's seen an influx of foreign buyers, especially from Canada and China. Last year, he brokered 25 sales but this year he's already up to 65.

"I'll triple my business this year," he said.

In fact, the beaten down prices are exactly why investors are starting to nab the properties now, explained Ken H. Johnson, a professor of real estate at Florida International University. Homes cost about one-third less in Vegas than the national average based on median prices compared with median incomes.

For investors who are willing to stick it out there's a lot of potential.

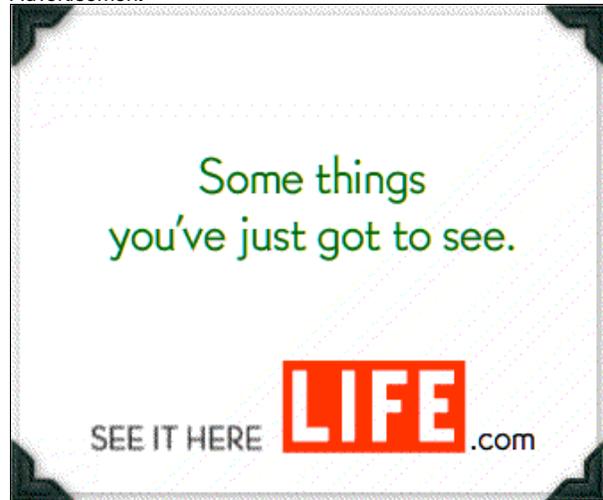
"Las Vegas has been hammered, but as the [economy] recovers, the upside in the market there will be significant," said Adam Coffey, a business executive who bought a second home in town last year.

Las Vegas' low cost of living, warm, dry climate and its attractions, make it a destination, especially for retirees and people looking to buy vacation homes. "For adults, Las Vegas represents Disney World," said Coffey, "It's the place where adults go to have fun."

The biggest headwind the Vegas housing market faces is that nearly two-thirds of all homeowners owe more on their mortgage than their homes are worth.

According to CoreLogic data, 63.3% of homeowners there are underwater on their mortgages. As a group, Las Vegas mortgage borrowers owe about 20% more on their mortgages than the value of their homes. Many will lose their homes to foreclosure.

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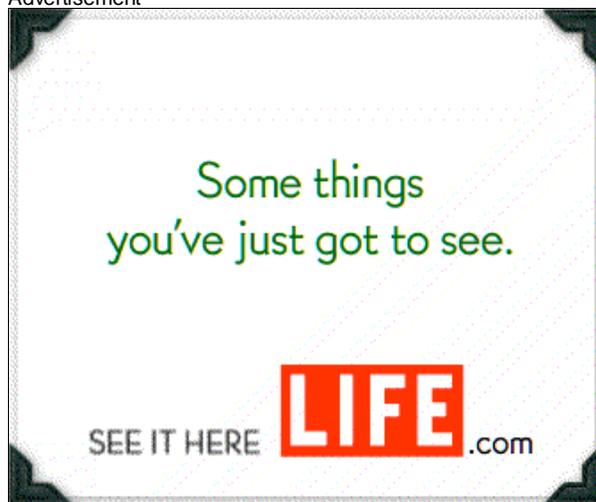
But for all of those who lose their homes, there are others who see it as an opportunity. More than 50% of all sales in town are foreclosures, said Plantone.

Recently, he had a client who made bids on 40 different bank-owned properties. He was outbid each time. The investor wound up buying four new 1,400 square-foot homes in North Las Vegas for \$140,000 each instead. He rents them out for \$1,495 a month apiece, which give him immediate returns on his investment.

Once the housing market recovers he could sell the properties for a healthy return, too. It's hard to beat those kinds of odds. [Find](#)

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