THE LAS VEGAS HOUSING MARKET LETTER

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The back end of the current housing cycle is a real pain for all who are associated with the housing industry. This "correction", or slump, or slide, or dip, or whatever you want to call it is deeper and longer than most expected. It will get better, but until sales and permits improve it will continue to be very painful for a lot of folks and businesses.

Once again, we are reminded how large and vital the housing industry is to the local, regional, and national economies. Directly or indirectly, it affects everyone. In addition to those that work in the housing industry, almost all businesses and services eventually feel changes due to consumers adjusting their spending habits. Decreasing housing values affect everyone.

RECORDED NEW HOME SALES - In April there were 1,568 recorded new sales. This brings our year to date tally to 6,772, which is a year over year **decline of a staggering 5,323 recorded sales or 44 percent.**

The "traditional" product types (single family detached and attached) accounted for 1,162 new home recorded sales in April. This brought their annual count to 5,144, which is a year over year change (decrease) of 4,173 sales or 45 percent.

There were 214 high rise condominiums that recorded sales in April. All but one of the transactions was at the Sky Las Vegas tower on Las Vegas Boulevard. The average price of the high rise condo units at Sky was $729,009. The median price was $647,181.

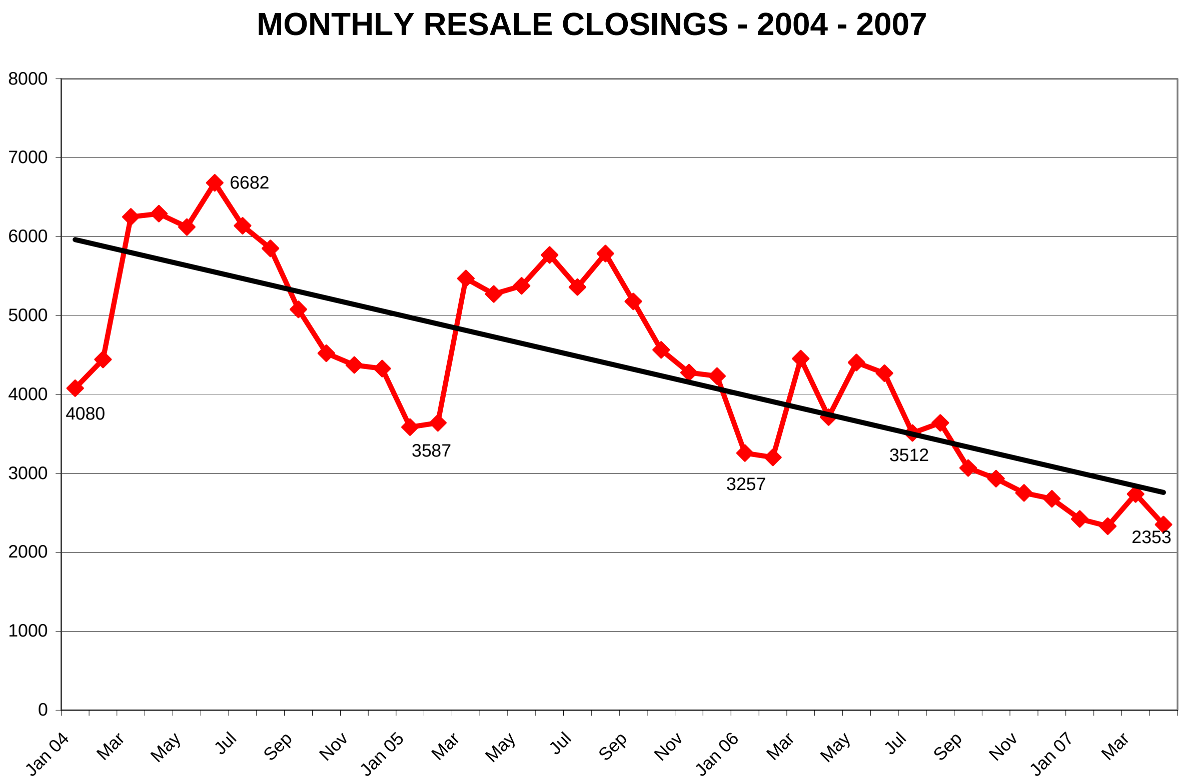
NEW HOME PERMITS – The permitted units in Henderson, Las Vegas, Clark County, and North Las Vegas in April totaled 1,804. It brought our 2007 tally to 6,210, a year to year decrease of 3,853 or 38.3 percent. We think the 2007 monthly pace will increase A LITTLE during the summer months, but not much. It appears to us the 2007 new home permit tally for the Las Vegas metropolitan area will now barely reach 20,000 units. If we reach 20,000 permits, that would be a year over year change (decline) of about 3,200 units or 13.8 percent. The reason for the smaller annual decline by the end of 2007 is because the drop in building permits didn't begin until the 2nd quarter of 2006. So, from this point going forward in 2007 we will see the annual comparison start to decrease.

RESALES - The news from the resale segment in April was also sobering. We counted 2,353 recorded transactions, which brought the 2007 total to 9,847. This translates to an **annual change (decline) of 4,781 or 32.6 percent.**

The news from the Greater Las Vegas Association of Realtors is also "more of same." The number of the TOTAL listings increased to 28,420. This included 22,242 single family detached and 6,178 condo/townhome listings. According to the MLS, they are still saying that approximately 40 percent of the active listings are vacant. This is the same statistic that we were able to verify almost 6 months ago after analyzing the data. Are we to believe that the number of empty listings hasn't changed during 2007? This will have to be scrutinized further, because we find it hard to believe that sellers are sitting on empty properties this long.

The TOTAL HOME SALES DOLLAR VALUE FOR UNITS SOLD THROUGH THE GLVBR IN APRIL decreased from March by 11 percent, and year to year by 35 percent.

The length of time that homes sold in April were on the market generally decreased from March, but was still higher than one year ago.



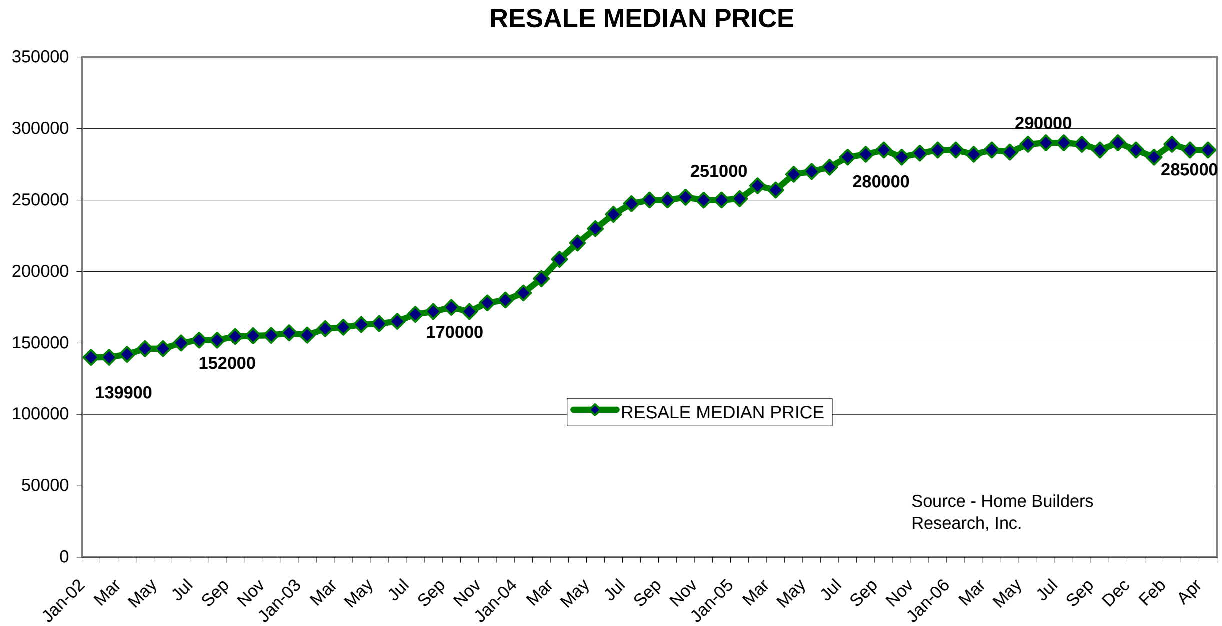
There was some **good news** from the MLS data, which is the number of NEW single family detached listings in April **decreased** month to month by 8.9 percent and year to year by 5.2 percent. The number of NEW condo/townhome listings decreased month to month by 14.8 percent, however they increased year over year by 4.5 percent.

One of the primary differences in inventory of new homes and resales is that most of the larger home builders will slash prices to whatever it takes to sell standing unsold homes. It's more difficult for the smaller builders to match these price incentives, so it is crucial for them to keep unsold standing inventory at a minimum. It is impossible for home owners to compete with the price reductions of the larger home builders. Owners who are leveraged can't cut their price much without losing money (sometimes a lot of it) on their investment. We were told by a client that Lennar Homes sent a letter to companies they do business with offering a 30 percent discount on any of their standing inventory homes if they close escrow by the end of May. Let us do some math for you … if a home is priced at $500,000 you could get a $150,000 discount and purchase it for $350,000. Wow. The discount on a $750,000 home would be $225,000. Wow, again. This is a primary reason that the resale segment will normally take longer to "correct". There are more of them, and they can't (or won't) lower prices to match the new home discounts.

NEW HOME MEDIAN PRICES IN APRIL – The median price of the recorded new home sales in April was $318,346. This translates to a **year over year decrease of $10,356 or 3.1 percent.**

When we omit the high rises and apartment conversions the median price becomes $313,000 which is a year over year decrease of $37,615 or 10.7 percent.

APRIL RESALE MEDIAN – The median price of the recorded resales in April was again $285,000, the same that it was in March. One year ago the resale median was $283,500, but it has been "hanging around" the $285,000 (up or down a few thousand month to month) figure since September, 2005 or 20 months. The average price of the recorded resales in April was $363,992.



In last month's newsletter we mentioned the "unimpressive" salespeople we found in some condo communities while shopping products. Recently, a local developer we have known for many years called and shared an interesting story. He was hosting an out of state builder looking at active new home subdivisions gathering ideas for a new project in another state. At the same time the out of state builder was also shopping for a home to purchase to use as a second home/investment in Las Vegas. The reason for calling us was to share their observations about the sales people they encountered during their 2 days of visiting model homes.

The local developer told us "in his 30 years in the business he has never been so dismayed with the overall lack of quality" of salespeople he encountered. He said out of almost 20 sets of models they toured only one salesperson "demonstrated" the homes. Only once were they asked to register before leaving. In one instance, they waited to ask questions, and 2 salespeople totally ignored them because "it was 20 minutes before closing." It wasn't due to being too busy, because the parking lot was empty. We have always supported the salespeople. They are criticized in a good market, as being "order takers", and in a bad market they say they are unduly criticized for the lack of sales when it is all due to a lack of buyers. However, when we hear stories from experienced folks in the home building business that they are seeing lazy, uninformed, and overall poor quality salespeople, it should be noted. The salesperson and sales office are consumers' first face to face contact with the home builder. Even if the market is soft, this is when the best salespeople can make themselves very noticeable and valuable. Builders and sales/marketing companies are looking for the best, so the good salesperson will take advantage of the situation.

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They primarily visited models in the southwest part of the valley. The developer told us the only salesperson that demonstrated their homes, was pleasant, answered all their questions, registered them, AND CALLED THEM BACK WITHIN 2 HOURS TO FOLLOW-UP, was one with Storybook Homes.

This out of state builder was very impressed with some of the products he saw. In particular, the high density single family detached communities. In his area of the country (Florida), they don't build homes on lots less than 4000 square feet, so he was excited when he saw the variations of plans that were available on smaller lots. This may allow him to offer homes for lower prices than his competitors.

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Weekly we hear rumors that come from "anywhere and everywhere." We don't like to discuss rumors, but do like to "set the record straight" when we can. Last week somebody called to say "they heard that the upcoming Coyote Springs master plan 60 miles north of Las Vegas was going to be delayed by a year." Pardee, the initial and primary builder at Coyote Springs says they are on schedule for their April, 2008 grand opening. The first golf course is almost completed. It won't be long and you will be hearing of the VIP's playing their first rounds on this beautiful new golf course.

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The Review Journal has reported one of the super projects, The W Las Vegas, has bit the dust. This development was reported to be a $2.5 billion (yes, that is a B) mixed use project with 3,000 hotel-condominiums, 10 restaurants and nightclubs, a 75,000 square foot casino, and 300,000 square feet of convention and meeting rooms space. W Las Vegas was a partnership between The Edge Group and Starwood. It was scheduled to open in 2008, however according to the R.J. the owners said they "could not overcome numerous significant challenges." (That is one of the best generic PR lines we have heard in a long time.)

The interesting thing about this project was the land. Originally The Edge Group bought 22 acres from DR Horton. They were adjacent to the huge 4,000 hotel-condominium project, Las Ramblas (with George Clooney as a partner), which was to sit on 25 acres. After poor pre-sales forced the cancellation of Las Rambles they sold their 25 acres to The Edge Group.

So what is left? 47 acres of prime real estate at the corner of Harmon Avenue and Koval Lane. The Edge Group paid $310,000,000 for the 47 acres. According to the R.J., local brokers believe the land could now be worth more than $550,000,000 - $750,000,000. So, how is this turn of events a bad thing for The Edge Group? Will there be buyers for the land? Just watch. The continued growth on and near the Las Vegas Strip will absorb this land. There are very few (if any) sites this size, with this great location.

Overall, land prices are holding steady in Las Vegas. It is almost surreal because of the softness of the general real estate market. Given these conditions, one would assume land prices should soften. But they aren't. Yes, they have leveled off, and some builders have sold some of their lot inventories, but overall land prices have not declined as many had anticipated. The restricted supply of land has most definitely been the primary factor. In Phoenix, where there is not a land supply issue, the price per acre is "sagging badly", according to our friend RL Brown at Home Builders Marketing.

Our Las Vegas Land Report now contains the zoning designation of each land transaction. We have also started putting the zoning of each subdivision in our Las Vegas Sales Report. This report tracks EVERY new home closing by builder, subdivision, price range, market area, lot size, master plan, and other parameters. It also provides the number of monthly permits by subdivision/builder. We have been publishing this monthly compilation of the Las Vegas new home closing data for 19 years. Virtually every builder and lender receives this report by email or hard copy. Many of the sub-contractors also get the report to keep track of the REAL NUMBERS from the market each month.

Hang in there, it will get better.
Dennis Smith