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Plans to build 46-story condominium hotel canceled

By [HUBBLE SMITH](#)
[REVIEW-JOURNAL](#)



Diversified Real Estate Concepts' plans to build a condo hotel at this Koval Lane site have been canceled.

Photo by [Craig L. Moran](#).

Plans to build a 46-story condominium hotel at the site of the Super 8 motel on Koval Lane have been canceled, the developer said Wednesday.

Michael Peterson of Chicago-based Diversified Real Estate Concepts said he's decided not to go through

with the \$600 million Aqua Blue at this time based on current market conditions.

Rising costs for construction materials, specifically steel and concrete have jeopardized several high-rise projects in Las Vegas.

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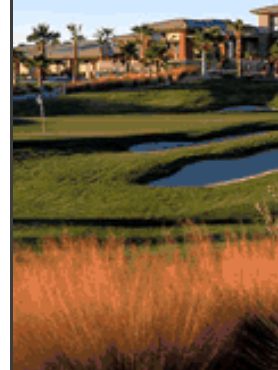
"It's a touchy situation," Peterson said. "I had a beautiful project planned. Michael Jordan and I have been friends for 10 years, but he was not a partner."

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Jordan, the former NBA superstar, was going to have a high-end restaurant and fitness and health spa at Aqua Blue.

Peterson said he entertained offers to sell the 3.6-acre site three weeks ago and struck an agreement with Waterton Associates, another Chicago group.

"We're buying the Super 8 motel and our plan is to keep that operational," said David Schwartz, chief executive officer of Waterton Associates. "The site is entitled for 800 units and will make a great redevelopment site for someone. We're more of investors, not developers."

Schwartz said Waterton has been in the Las Vegas market since the mid-1990s and recently sold three apartment properties to a California investor. He was looking for a 1031 Exchange opportunity and heard that the developer of Aqua Blue needed money.

Diversified Real Estate Concepts is building the Platinum condo-hotel on Flamingo Road, one block east of Koval, with a scheduled opening in April, Peterson said.

The demise of Aqua Blue follows other Las Vegas high-rise projects that have crumbled before they were built, including Krystal Sands and Vegas Grand, though the latter has been repriced and continues to progress in development.

Another project that's been put on hold is the Majestic, a condo-hotel backed by Conrad Hilton that was planned for the site of the former La Concha motel on the Strip.

Bruce Hiatt, broker and owner of Luxury Realty Group in Las Vegas, said developer Lorenzo Doumani stopped all sales on the project because of rising construction costs.

"He went through several contractors coming in with very high bids. He felt there's a greed factor going on right now," Hiatt said. "He fears if he sells any more units now, he'll be underpricing himself."

Luxury condominium development is among the top 10 economic trends in Las Vegas, said Brian Gordon, principal of Applied Analysis, a local real estate research firm.

There are some 50,000 units and 105 buildings in various planning stages, including 29,000 units in the resort corridor, within a mile of the Strip. They're priced from \$200,000 to \$7 million.

"While those are phenomenal numbers, we don't know how much will be developed," Gordon said. "That's a key consideration. Construction costs are playing a key role in these high-rises. A lot of these projects advertise that they're 75 (percent) to 80 percent sold out. Why do they need 30 billboards?"

Gordon said much of the high-rise sales activity is by investors who reserve units at multiple projects with refundable deposits. When it comes time to "go hard" on a contract, usually at the start of construction, many investors will pull back their other deposits, he said.

"We take these real skeptically, if they're going to be built or not," said Mike Dean, owner of M.J. Dean Construction. His company is building Sky Las Vegas and Panorama Towers and has been contracted by The Related Cos. for Icon.

"We put a lot of time into these," he said. "Right now, there's so much preconstruction work in these projects. Everybody wants a schedule. Condos are a Catch-22. You can't build until you sell, then you can't sell for what they're built for. They're expensive to build."

Gunther Gedsl, owner of <http://www.manhattanization.com/>, a Web site dedicated to the high-rise market in Las Vegas, said several projects are having trouble with sales and construction costs.

"For example, Majestic, even though it's backed by Hilton, the problem is their sales agents were let go," he said. "One thing I like about Majestic, they're going to raise

prices but they're not going to pull a Vegas Grand. They're not going to raise prices for those locked in, so anyone in there already just made money. I can really appreciate that."

Doumani objected to plans for Icon, which is situated on Convention Center Drive just to the south of his Majestic project and would block his views of the Strip. The Clark County Commission approved the Icon plans in April over Doumani's objections.

"The positive thing is at least you know where the obstruction is going to be," Gedsl said. "Take the Allure tower (on Sahara Avenue). It's got a great view now, but how do you know what's going to be around you in eight to 10 years?"

Hiatt of Luxury Realty said he's taking time-share projects such as Aqua Blue off his listings because his clients want the option of full-time occupancy. In condo-hotels such as Aqua Blue and Platinum, the owners can only stay for 29 consecutive days at a time and then must vacate their unit.

"Three to five years from now, when you're competing with resales, it'll be potentially difficult to resell competing dead on with Sky (Las Vegas) and Turnberry," he said. "You're got to look down the line."

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