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BUSINESS PRESS

Unlike the Kevin Costner film, "Field of Dreams," if you build a luxury high-rise condominium, the buyers don't necessarily come. Demand for posh vertical living has softened somewhat during the past six months. It has resulted in several valley-wide project cancellations, including such recent casualties as the Hard Rock's \$1.4 billion, 1,420-unit Flats, Bungalows, and Residences at Harmon Avenue and Paradise Road, and The Curve's 389 units at Durango Road and the Beltway.

And those two follow on the heels of last year's R.I.P list that saw Related's 514-unit Icon at 200 Convention Center Drive; Diversified Real Estate Concepts' 825-unit Aqua Blue at 4178 Koval Lane; Freddie Schinz's 568-unit Krystal Sands at Las Vegas and Riviera boulevards; and Victor Altomare's 945-unit Ivana at Las Vegas Boulevard and Sahara Avenue all bite the dust.

"The pace of sales has started to show signs of softness as foot traffic at sales offices, unit reservations and the number of contracts are slowing," said Jeremy Aguero, principal of Applied Analysis. "Experience, location and branding will be the key to success for specific projects." Others,

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meanwhile, are flipping projects for a quick buck, capitalizing on the valley's rapid land value appreciation. Altomare, for example, sold the .68-acre parcel for his planned 21-story, 236-unit Liberty Tower condo project along the Strip in early January for \$5.5 million. The deal resulted in a 600 percent mark up over its original \$900,000 purchase price in 2004, county records show.

Diversified Real Estate Group similarly sold off its 50-acre, 2,400-unit Urban Village project at Las Vegas Boulevard South and Pyle Avenue to Centex Destination Properties, a division of Centex Homes, in December for an undisclosed price.

'A WEB SITE AND A DREAM'

"There are a lot of guys out there with a Web site and a dream, positioning things to flip over to genuine developers," said John Restrepo, principal of

Restrepo Consulting Group, a local real estate research firm. "The current gold-rush mentality has attracted several speculators, causing a low percentage of projects to get built."

Only 23 percent of the Las Vegas Valley's 98 condo projects were under construction in the fourth quarter, reported Applied Analysis, a local business advisory firm. There were 210 condo towers combining for 61,000 units planned or announced in the fourth quarter, yet only 72 of those towers, or 15,600 units, were actually underway.

"Only 35 to 40 percent of future projects are expected to move forward by 2010," said Brian Gordon, principal of Applied Analysis. "There is insufficient market demand to absorb all of the units currently in the development pipeline."

Long start dates and extended sales cycles have raised suspicions about slow-moving projects like the 413-unit Sandhurst Tower at Iron Horse Court and Grand Central Parkway and Majestic's 442-unit Conrad condo-hotel at 2955 Las Vegas Boulevard South, both of which were first announced over a year ago. Securing a bank construction loan is often tied to hard contract sales. It's a fact that has led to sliding project schedules. Spiraling building costs have also caused many developers to return to the drawing board since the unit sale prices aren't high enough to justify construction.

FAST-RISING PRICES

"We go out to interview the developers as much as possible upfront because building costs are rising so fast that if the sale prices are out of kilter with reservations then the project runs a high risk," said Bruce Hiatt, owner of Luxury Realty Group.

The high-rise survivors thus far are mostly projects attached to a Strip property or situated along the resort corridor, which accounted for 51 percent of all proposed projects in the fourth quarter with 92 towers totaling 33,800 units.



The Residences at MGM Grand are proceeding according to plan as Tower C is at its 7th story and rising.

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Condo-hotels underway in the area include:

- * 1,727-unit, three-tower The Residences at MGM Grand at Tropicana Avenue and Koval Lane;
- * 255-unit Platinum at Flamingo Road and Koval Lane;
- * 1,282-unit Trump International Hotel & Tower at 3128 Las Vegas Boulevard South;
- * 2,200-unit, two-tower Cosmopolitan at Las Vegas Boulevard and Harmon Avenue.

Strip-area condos rising include:

- * 71-unit Metropolis at Debbie Reynolds Drive and Desert Inn Road;
- * Hallier Properties' 1,017-unit Panorama Towers at 4631 Dean Martin Drive;
- * Fifield Co.'s 900-unit Allure at Las Vegas Boulevard near Sahara Avenue;
- * 632-unit Turnberry Towers at Paradise Road and Karen Avenue;
- * Del American's 880-unit Vegas Grand at Flamingo Road and Swenson Street;
- * 405-unit Sky Las Vegas at Las Vegas Boulevard south of Sahara Avenue;
- * 2,800 units at MGM Mirage's \$7 billion Project CityCenter along Las Vegas Boulevard, between the Monte Carlo and Bellagio.

"The suburban high-rise market faces a challenge because it won't attract investors like the Strip, it will only draw locals," said Hiatt. "We've been happy to see some project failures because it has changed the supply and demand balance enabling the market to become more stable."

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