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## AFTER THE FALLOUT

### Brokers lose money and time after high-rise project plans vanish

By [HUBBLE SMITH](#)  
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Broker Beverly Lacey worked to sell luxury condos in Krystal Sands and Aqua Blue before the projects went bust. Trump International tower, seen here under construction, has a payment structure in place for brokers. Therefore, one broker calls the project the best in town.

Photo by [Clint Karlsen](#).

Yeah, I ate it for a couple hundred thousand in commissions, but you have to move forward."

Lacey is among a handful of brokers

Beverly Lacey will show high-rise luxury condos to clients if that's what they want to see, but she feels obligated to warn them of the challenges and pitfalls exposed by Las Vegas projects that have fallen by the wayside.

Lacey, owner and broker of Vertical Vegas, said she was heavy into sales at Krystal Sands and Aqua Blue last year when developers canceled the projects. It cost her about \$200,000 in commissions.

"Sometimes a dose of reality is a good thing," she said. "You've got to roll with the punches.

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who worked long hours catering to clients and building relationships with developers only to be left hanging over defunct projects such as Krystal Sands, Aqua Blue, Hard Rock Hotel, Ivana Las Vegas, and Icon.

Several lawsuits alleging breach of purchase contract have been filed on behalf of buyers as a result of the Las Vegas high-rise fallout.

Most brokers will never see payment. High-rise failures in Las Vegas reverberated to Wall Street, where financial institutions have become more leery about making construction loans. The failures have also put a crimp in brokers' bank accounts.

"In this market, you look for things that are going to happen," said Todd Grotstein, director of high-rise division for Prudential Americana. "One of the things you look for is if the developer is willing to pay commission to the brokers. If you look at the ones that did not go, consistently most of the ones that did not move forward never paid a dime in commissions."

That's why Grotstein thinks Trump International tower behind the Frontier hotel on the Strip is one of the best projects in town.

Trump has a payment structure in place for the standard 3 percent broker commission, starting with 1 percent paid within 30 days of executing a sales contract and taking a reservation deposit. Brokers get another 1 percent a year later when buyers enter a "hard contract" with 10 percent nonrefundable deposit. The final installment will be paid at the close of escrow.

Trump has paid nearly \$9 million in commissions to brokers so far, said Jack Christie, director of the sales at the 64-story, 1,282-unit tower that's taking shape on the Strip. He said 90 percent of sales have come from outside brokers such as At Home Realty, Ezra International and Prudential Americana.

"We started to hear about unrest, about brokers not being paid," Christie said. "We amended our broker agreement so that if a buyer cancels and



forfeits their deposit, we do not charge back the broker for fees already paid. That was very well received. To be honest, we keep the 10 percent deposit, pay the brokers 2 percent, keep 8 percent and turn around and sell it again."

Bruce Hiatt, owner and broker of Luxury Realty Group in Las Vegas, said he only sells condos that pay advance commissions early in the process; commissions are nonrecourse, meaning they don't have to be paid back if the project fails; the time period from reservation to signed contract by the developer is less than four months; and the first advance fee is paid within two months of signing the contract.

"Very few can play in that game," Hiatt said. "This way we don't waste our time and we earn at least part of the commission if the project doesn't go forward. It's time the high-rise developers realize the game rules have changed and luxury high-rise brokers are onto the game of the land flippers."

Hiatt said he felt misled by developers who used his time and services to pump up the value of their land to flip it. Such situations caused agents to "lose face" with their buyers, many of whom became disenchanted with Las Vegas after their negative experiences.

Lacey managed to salvage a few clients from Krystal Sands after Florida developer Freddie Schinz sold the 3-acre site to Turnberry Associates and walked away with \$46.5 million profit. She put them in the Hard Rock expansion instead.

Developers now have to convert 60 percent to 75 percent of reservations to hard contracts to get construction financing, Hiatt said. He won't help them achieve that goal if they don't pay advance commissions.

"The two I applaud in Las Vegas are Trump and Sky Las Vegas," Hiatt said. "You truly have to investigate these projects to see if they're real. Each project has a different reason for us to recommend a caution notice to our clients."

A number of top-producing brokers got stung when Related Las Vegas canceled Icon in January, said Paul Murad, developer of the proposed Gateway Las Vegas high-rise in downtown Las Vegas.

Some of the brokers had purchased units and were anticipating appreciation gains. Others had clients who bought at Icon and they were counting on commissions and making purchases based on future earnings,

Murad said.

"Realtors were confident that their payday would arrive because companies like Related seldom cancel publicly announced projects," he said. "The buzz Icon created was heard from Miami to San Diego and even from South America and Europe."

Once Icon's cancellation occurred, the Las Vegas Realtor community discouraged clients from buying in another Related project, Las Ramblas on Harmon Avenue. In response, Related increased commissions to 4 percent -- a first in the local high-rise condominium market. Other developers have followed suit, some offering commissions of 5 percent or 6 percent, Murad said.

Las Ramblas, backed by actor George Clooney, also failed and the land was recently acquired by Las Vegas-based Edge Resorts for \$202 million.

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