Business News

Not Everyone Can Win in Vegas Real Estate Game

Actor George Clooney is backing out of a $3-billion project. But well-established players are going strong.

By Annette Haddad, Times Staff Writer
June 6, 2006

Success in real estate, they say, depends on location, location, location. In Las Vegas, it's also timing, branding and lots of cash.

Some of the newest high-profile luxury condominium projects in Sin City have been folding like a house of cards. The latest to throw in his hand was actor George Clooney, who announced an agreement with his partners Monday to sell his stake in a proposed $3-billion condo-casino project near the Strip.

Clooney and other latecomers are learning that they can't compete with big-name casino-hotels for workers, building materials and brand identity.

But other ambitious high-rise housing and hotel projects from well-established players are going strong, thanks to their deep pockets and access to experienced developers. Others are benefiting from having entered the game earlier in the boom.

Despite a Vegas housing market that has slowed along with other once-hot spots, these luxury condos on or near the Strip are finding buyers among local residents looking to move up as well as business and leisure travelers seeking second homes, local analysts said.

Communities away from the Strip, such as Summerlin to the west, also are beginning to sprout high-rises as the supply of developable land becomes more scarce.

What's keeping these projects alive and well is continuing growth in the region's gaming economy. That in turn has attracted new residents, keeping Las Vegas one of the nation's fastest-growing regions and fueling a continuing real estate boom.

Local residents have grown wealthy from their rising home equity and builders have turned the region into one of the hottest new-home markets in the nation. That further boosts employment growth.

But just like at the poker tables, not everyone can stay in the game. New York-based developer Related Cos. cited rising construction costs and slowing sales in unloading its 25-acre, 11-tower Las Ramblas condominium, hotel and casino project, backed by Clooney and his business partner, Rande Gerber.

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Clooney originally pitched the project in August as a resort with a classic, tuxedo-and-martini feel. On Monday, Clooney said that he was disappointed by the sale.

"I'll donate my profits from the sale to the African Debt Relief Project," Clooney said in a statement. "And I guess I'll find someplace else to gamble."

Related sold the Las Ramblas project to Edge Group for $202 million, still more than double the $90 million it paid less than two years ago. Edge is developing the adjacent W Las Vegas condo-hotel project for Starwood Hotels & Resorts Worldwide.

The Related-Clooney project becomes the eighth high-rise condo project to be shelved or put on hold in the last year.

Only about half of the 31,000 condo units under construction or planned in the so-called resort corridor that includes the Strip are expected to be completed, said Brian Gordon of Applied Analysis, an independent Las Vegas real estate market research firm.

"There is a shortage of qualified developers with the financial wherewithal to pull these projects off," Gordon said. Also, he said, "a significant number of sites may not have the resources to bring some of the projects to fruition."

Demand is there for expensive condos, contended Edge Group President Adam Frank. "But the projects have to be thought through because of the costs of building," he said.

"We can afford to spend more to build a casino-resort because we can generate cash indefinitely into the future," Frank said.

In many ways, Frank is part of the reason the Vegas condo market is showing stamina. He was among the thousands who thronged to the region because of a booming real estate market. After commuting from Los Angeles for six years, Frank last year purchased his own condo unit in a high-rise overlooking the Strip.

About 50 projects are planned for the resort corridor within one mile of the Strip, according to Applied Analysis. Brand is a key selling point.

"The more well known you are, the better," said Bruce Hiatt, a condo broker who owns Vegas-based Luxury Realty Group. "People are more selective today."

That has propelled companies such as Starwood, which is new to the Vegas hotel market, as well as existing resorts.

MGM Mirage Inc. is finishing up a three-tower, 1,500-unit luxury condo project on the site of its former amusement park behind the MGM Grand. More than 1,000 units have been sold. MGM also is developing Project CityCenter, which will include more than 2,500 condo or condo-hotel units in addition to a boutique hotel and retail center.

The Palms is building a 600-unit condo-hotel tower behind its casino-hotel.

Other high-rises not associated with hotel brands have reported robust sales, particularly those that entered the market before 2005 in the early stages of the Vegas high-rise boom.

Panorama Towers, a three-tower, 1,000-unit project overlooking the Strip, has sold 90% of its units, some for as high as $12 million.

Panorama Towers developer Laurence Hallier credited its success to two factors.

"First, we were early to the market at a time when there were few high-rise projects," he said. "The other major factor for us is our view. A view of the Strip is like having an ocean or Central Park view."

Even away from the Strip, luxury condos are in demand. Consider Queensridge, which bills itself as the first vertical custom home community in suburban Las Vegas. Backers of the four-tower, 18-story complex say that almost half the units — which start at $1.6 million and climb to $20 million — have been sold, mostly to people who already live in the area.

"Custom homeowners are tired of yard and house maintenance," said broker Hiatt. "They have money and they want to live in a nice residence with lots of amenities."

Nonetheless, like most other once-scorching housing markets, Las Vegas is cooling off, particularly for new homes including condos, townhomes and single-family residences. Year to date, sales were down 31% in Clark County, and the cancellation rate rose 25% from the same period a year earlier, according to industry research firm Hanley Wood Market Intelligence.

But one bright spot appears to be the Strip. During the first quarter, the median price of homes in the ZIP Code that encompasses the Strip nearly doubled, to $363,000, while sales jumped 136%, according to real estate research firm DataQuick Information Systems.

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The Associated Press was used in compiling this report.