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Appliances, upgrades, landscaping -- it's all 'free'

Builders turn to cornucopia of incentives to help keep valley's home inventory moving

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



Rob Tuvell of Pardee Homes displays an upgrade option available for new home buyers. Pardee Homes is one of the many home builders offering incentives for buyers, including \$10,000 in upgrades.
Photo by Ruben D. Luevano.

Two years ago, when home builders ruled the roost in Las Vegas, there was no competitive need for them to leave a dime on the table for real estate agents or buyers.

Home buyers might get a small break on financing if they went through the builder's preferred lender. As for free upgrades and options, no way. Those were used to increase the price of the house.

Now that the tide has turned to a definite buyer's market in Las Vegas, the list of builder incentives has grown long and plentiful.

Pardee Homes is giving away a free washer, dryer and refrigerator and 2-inch miniblind package with new home purchases at its Acacia subdivision.



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A home in the Reston subdivision of Pardee Homes in Aliante is seen recently. Pardee offers closing credit with the builder's lender as an incentive for home buyers.

Photo by Ruben D. Luevano.

Kimball Hill is offering a 10 percent cooperative fee, or commission, to agents on standing new home inventory and \$15,000 to \$25,000 toward a pool on all homes closed by Sept. 30 at Cascade at Mountain's Edge.

D.R. Horton is offering 6 percent co-op on a 60-day close, along with \$10,000 in upgrade options with builder lender, at Cactus Hills Square.

Homes by Concordia at Pleasant Valley include side- and rear-yard fencing, front landscaping, rock, plants and irrigation system.

Engle is paying \$20,000 toward closing costs or options for homes purchased through the builder's lender. Avante upped the ante to

\$25,000 in closing costs or upgrades with builder lender.

These are but a small sampling of incentives offered at some of the 500 new home communities in the Las Vegas Valley.

Median new home prices up to \$337,272 in July, a 16.3 percent increase from a year ago, Las Vegas-based housing research firm SalesTraq reported. Some real estate professionals say median prices would be much lower if builder incentives were factored out.

John Hatch of Venture Realty Group in Las Vegas said the highest concession he's seen at a new home tract was \$48,000 on a \$352,000 home on top of a 6 percent commission.

"The sales price was recorded as \$352,000 and not the \$304,000 which in my mind is actually what the home sold for," he said. "My question is, 'Does this accurately represent the market?' I think not."

On the resale side, Hatch said he has seen sellers give 6 percent of the sales price or more in favor of the buyer. These concessions have recently become the norm and not the exception, he said.

SalesTraq President Larry Murphy looked at new-home brochure prices for 1,990 homes of all types in Las Vegas and found that 1,565 had no price change, 323 had a price increase and 101 had a price decrease.

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"So the people who say new home prices are falling are right 5.1 percent of the time. Those who say prices have stabilized are right 78.6 percent of the time. And those who say prices are rising are also right 16.2 percent of the time," Murphy said.

"Of course, one has to also consider the fact that most new home communities are offering some serious incentives today, and the argument can be made that these incentives are the equivalent of a price reduction," he added. "However, that's only half true, in my opinion, because the incentives are often in the form of free options and upgrades and their value is quoted in retail value, while the true cost to the builder is wholesale value."

Pardee is installing upgraded features in homes that are near completion and discounting the price for those upgrades up to \$20,000 in select houses, said Klif Andrews, vice president of community development for the California-based home builder.

Another popular incentive from Pardee is 3 percent financing that starts with 2 percent in the first year and adds a point in the second year.

"So we basically buy down the rate for the buyer," Andrews said. "The flipside is we have communities where there are no incentives. Arrowhead at Sunrise (Highlands) and Sierra at Sunrise. They haven't had many new-home communities out there."

Pulte is including free one-year golf membership at Pinehurst Golf Course at Silverstone Ranch in the northwest valley, one of only a few Pulte communities offering incentives.

"It helps them get a benefit from the lifestyle they've bought into," Pulte Vice President of Sales and Marketing Jeff Galindo said. "We're trying to maximize the value for consumers, to find things that are important to our customers. What we didn't want to do is indiscriminately discount the price of our houses. When we have had incentives, they were primarily in one-of-a-kind situations."

Builder incentives make it tough for sellers of existing homes, local resident Glenn Goodman said.

His home on Ghost Rider Court in northwest Las Vegas has been on the market for four months. He changed Realtors after just three showings in three months and cut his price by \$41,000 to \$400,000.

"Not only do we have the lowest-priced home of this model by \$11,000, we still have no showings," Goodman said. "Existing home owners cannot compete against builders that offer lots of free upgrades and nice incentives to Realtors. If I were looking for a home at this moment, I doubt that I would even buy my home. In fact, I will sell this house for significantly less than what I could have sold it for two years ago."

Realtors are going to take their clients to the larger "co-ops," Goodman said, so the only incentive he can think of offering is a bigger commission.

He figures the oversupply of homes from builders will last for a few more months. Many homes in the existing inventory will be taken off the market due to seller frustration, he said.

"I see this as no different than a good stock that has had a good run, such as Apple Computer," Goodman said.

The "dynamic duo" of incentives and higher costs are draining the profits of publicly traded home builders, Susquehanna Financial Group home-building analyst Stephen East said.

"Regardless of what metric one uses, the profitability of these builders took it on the chin in the (second) quarter and will only get worse over the next several quarters," he said.

Local home buyers have never had more choices, Greater Las Vegas Association of Realtors President Linda Rheinberger said. More than 20,000 existing homes were listed for sale in July, an increase of 33 percent from a year ago.

With the pace of sales slowing and the supply of homes increasing, builders are offering all sorts of incentives to entice buyers, Rheinberger said. Sellers of existing homes are also being more flexible, offering to pay a portion of closing costs or throwing in amenities in some cases to sell their homes more quickly.

"Right now we have the perfect climate for buyers," Rheinberger said. "We have reasonable interest rates, a healthy local economy and more housing options than ever before."

Those options include apartments converted to condominiums, which are also having to offer incentives, said Ken Baxter of Performance Marketing

Associates. He's been selling Bella Vita condo conversions near Decatur Boulevard and Flamingo Road since early 2004.

Buyers are no longer accepting "as is" conditions, he said. They expect these converted units to be totally renovated. Units at Bella Vita come with new Whirlpool appliances, granite countertops, maple cabinets and crown molding. Up to \$5,500 in closing costs are paid on select two-bedroom units.

"The whole market's flattened out," Baxter said. "It's a buyer's market. I think the incentive craze went for two quarters and now they realize they just want the value."

Home prices are stabilizing, but not dropping, the Greater Las Vegas Association of Realtors reports. After leading the nation in home appreciation during 2004 and 2005, Las Vegas' median price of a single-family home increased by just 1 percent in July to \$310,000.

Statistics don't tell the whole story about the local housing market, Hatch said. The 5 percent increase reported in June would lead one to believe that housing prices are actually up, he said.

"On the surface, this sounds pretty good. What this figure does not reflect are the new-home builders and resale sellers' concessions," Hatch said. "If you consider sellers' concessions, you would find that the sellers' gross sales price adjusted for concessions actually negates this published jump in prices. The actual figure is quite probably negative."

Kurt Lehman of Realty One Group said competition from home builders is a big reason he hasn't been able to sell many listed homes lately. He's lowered his commission and said more and more buyers are asking him to do that up front.

How can existing owners compete with the builders right now? They're different arenas, Lehman said.

"How would you compete with selling your 2004 Acura against the dealership with its financing incentives, new car warranty, service department, plus the ether high induced by that new-car smell? Aside from promoting the obvious advantages of buying a resale home -- it's already finished, landscaping and window coverings are complete -- are you familiar with all the extra co-ops to buyer's agents, allowances for upgrades, contributions to buyer's closing costs and reductions of price

that are being offered already on resale homes?" he said.

One seller is offering a free 1979 Mercedes-Benz 450SLC two-seat convertible with the purchase of his one-bedroom, 736-square-foot townhouse on the east side for \$110,000.

As a GLVAR member, Lehman said he receives 15 to 20 e-mails a day from other agents, all offering incentives on their listings.

Corporate brokers and so-called "experts" often quoted in news articles are putting their "spin" on the local housing market, Lehman said. "Unfortunately you always end up citing the median price, as if it has some actual meaning. It doesn't," he said.

Debi Averett of Phoenix-based Housingdoom.com said home prices may still be rising in Las Vegas, but that doesn't mean there's no housing bubble here.

"Bubbles have a front and back side," she said. "Prices go irrationally up before they come down. Prices have continued to rise in many markets across the country, as sales have dropped off. This has generally been a phenomenon caused by entry-level buyers being priced out of the market and larger homes being sold."

The rush to buy pricey homes in Las Vegas is slowing as inventory rises, she said. Sales of new homes dropped 41 percent in July, SalesTraq reported.

Home builders continued to build in Las Vegas even after they sold so many homes to investors and speculators over the past three years, Bruce Hiatt of Luxury Realty Group said.

"They knew such homes would be flipped and greatly add to our inventories," he said. "Many promised to control the number of investor purchases but clearly that did not happen. Many new home builders added riders to their contracts to take legal action if a buyer was actually an investor in disguise, so where are all the court cases on that subject?"

"We are now seeing the results of this so-called managed process by the new home builders of investor purchases of new homes. So knowing the inventories would build up given so many investors were allowed to buy new homes, why didn't the new home builders slow down earlier, which would have created a normal market in the single-family homes for Las

Vegas?"

NEW HOME INCENTIVES

BUILDER	SUBDIVISION	INCENTIVES
Southwest Homes	Ansedonia	Up to \$20,000 incentives on last remaining homes
Meritage	Yellowstone	5 percent co-op on standing inventory
Ryland	Belford	\$20,000 toward design center, special financing
DR Horton	Twilight	3 percent toward closing costs with builder lender
Pardee	Springdale	\$5,000 closing cost credit with builder lender
Avante	Pecos Park	\$25,000 toward closing cost or upgrades with lender
Kimball Hill	Capella	Free membership to Henderson recreation center
Lennar	Eagle Canyon	Special buyer incentives and commissions
American Invsco	Meridian	HOA and taxes paid for two years
Toll Brothers	Hidden Canyon	Swimming pool included with some plans
Warmington	Esplanade Metro	Extra \$5,000 incentive on Plan A
Innovative	Mesa Verde	\$2,000 Visa gift card, six months HOA
American West	Royal Highlands	\$15,000 to \$25,000 co-op on list price
Pulte	Silverstone Ranch	Golf membership included

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