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Business PRESS

Thursday, August 10, 2006

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Tight apartment market fuels higher rents

BY TONY ILLIA

Southern Nevada's apartment market posted a 96 percent occupancy rate in the second quarter, a 1 percent improvement over last year, despite a record number of condominium conversions, teardowns and 7,000 new residents a month, reported Applied Analysis, a Las Vegas-based business advisory firm. Average asking rents, as a result, reached \$848 per unit per month in the second quarter, a 5.3 percent increase from a year ago.

"Southern Nevada's apartment market is seeing continued demand and limited availability," said Brian Gordon, principal of Applied Analysis. "Pricing levels in the for-sale market have held their ground, despite remarkable gains during the past 24 months, putting additional upward pressure on rents."

Roughly 4,450 rental units are expected to be converted into condominiums this year, said Spencer Ballif, a CB Richard Ellis apartment market specialist, following 14,700 conversions during the past two years. American Invesco, for example, recently completed sales at a 678-unit converted apartment complex named The Meridian at 250 E. Flamingo Road.

There were 2,979 apartment-to-condo conversion sales during the first six months of 2006, representing 10.6 percent of the market, according to Dennis Smith, president of Home Builders Research Inc., a Las Vegas-based residential sales tracking firm. Average sale prices were \$137,200 per unit in the second quarter.

"Apartment-to-condominium conversions pricing dynamics continue to be applied on many transactions," Gordon said. "With the for-rent sector well positioned, limited new inventory is expected to create continued strength in average rents and occupancy levels."

Landlords, meanwhile, are offering fewer rent concessions and shorter leases because of their ability to raise rates. The southeast submarket had the valley's highest rents at \$951 per unit



The \$800 million Sullivan Square development will feature 1,300 residential units and office and retail space.

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a month, while the northeast had the lowest rents at \$760 per unit a month, or 88 cents per square foot. Class A space remains highly sought after with a 96.6 percent occupancy rate in the second quarter, and average asking rents of \$960 per unit a month.

The valley's rental inventory, by one count, is now under 180,000 units, or 6.1 percent less than 24 months ago. But relief could come soon from developers like Alliance Residential Co. The Phoenix-based firm is building 834 units' worth of new apartment complexes throughout the valley. It plans to invest up to \$200 million on new rental projects over the next few years, with developable densities of 16 to 40 units per acre.

"Las Vegas continues to face a major shortage of multi-family rental communities," said Dan McCadden, Alliance's Las Vegas managing director. "Population growth, rising interest rates and reduced home price affordability are combining to create an environment favorable to apartment ownership and construction."

PROJECTS

Glen, Smith & Glen Development received \$800 million in construction financing from Dublin-based Harcourt Developments for its 16.5-acre Sullivan Square development at Durango Drive and Sunset Road. Plans call for 1,300 residential units as well as office and retail space. Designed by WPH Architecture, the mixed-use project will also feature a 1.5-acre park and a market street with 25 shops.

TWC Construction is building a \$6 million, 70,800-square-foot office/warehouse facility for VSR Lock at Mountain Vista and Ramrod Avenue, Henderson. The 3.72-acre complex is scheduled to finish by early 2007.

Pecos Horizon LLC received a \$5 million construction refinance loan for a 27,940-square-foot office building in the Coronado Pointe Office Park, 2821 W. Horizon Ridge Parkway, Henderson.

MILLION-DOLLAR DEALS

Tropicana Acquisitions LLC bought a 20,000-square-foot industrial/warehouse building at 4640 S. Valley View Blvd. for \$4.4 million from GMBI.

Charles and Kathleen Moine bought a 17,090-square-foot Rite Aid, 3485 E. Lake Mead Blvd., North Las Vegas, for \$3.25 million from Harlan Land Co.

Gro-Well Brands signed a six-year, \$1.375 million lease for 42,720 square feet of industrial space at 5421 Cheyenne Ave.

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