

Builders suffer as housing slump hits home

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By [Brian Wargo / Staff Writer](#)

Two of the top 20 builders in Las Vegas are in such a financial crunch that a guessing game has started as to which companies will be left standing in Southern Nevada by the end of this year.

Last week Chicago-based Kimball Hill Inc. filed a report with the Securities and Exchange Commission saying it has "substantial doubts about whether we will be able to continue as a going concern." The privately held firm ranked 16th in sales in Las Vegas with 354 sales through the end of November and was unlikely to match the 449 sales in 2006.

Also last week Touse Inc., which operates in Las Vegas as Engle Homes, announced it has failed to make its semiannual interest payment due Jan. 15 on less than \$200 million in principal and is considering options for restructuring the debt. The builder was ranked 18th in Las Vegas in 2006 with 375 sales.

"I think you can take a list and put it up on the wall and throw darts at it and see who is going to be here next month," said Dennis Smith, president of HomeBuilders Research.

Even builders in much better positions are laying off employees, a reflection of their financial woes. Pulte Homes laid off 50 employees in Las Vegas last week, sources familiar with the layoff said. The company wouldn't confirm an exact number.

Kimball Hill's warning about filing for bankruptcy was ominous, pointing out it is in talks with lenders. It said it is late in repaying \$500 million in loans, and lost \$220 million last year. It announced it's in the process of cutting jobs and selling properties to raise money.

Kimball Hill targets first-time and second-time home buyers in 17 markets, including Las Vegas, Chicago, Dallas, Houston, Sacramento and Tampa, Fla. The firm reported it delivered 400 homes in Nevada the year-ending in September at an average price of \$370,000, down 35 from 2006.

"Kimball is still selling here and closed on 20 homes last month, but it is not doing well nationally," Smith said.

Kimball Hill officials declined to comment while it's trying to reach an agreement with its bank.

Kimball Hill's Nevada operation posted revenue of \$171.8 million, but the earnings loss before taxes was \$9.4 million, according to the SEC filing. By contrast, its Midwest operation reported an \$89 million loss, followed by losses of \$79 million on the Pacific Coast and \$33 million in Florida. Texas posted the only gain at \$5.4 million.



Kimball Hill Homes offices are at Eastern Avenue and Interstate 215.

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Something has to give in Las Vegas, said Tim Sullivan, president of San Diego-based Sullivan Group Real Estate Advisors. Housing starts are half the amount of two years ago, and in theory that means there should be half of the builders and half of the employees. It won't go that far, but there are problems because builders aren't generating the sales needed to pay their land acquisitions debts, Sullivan said.

"Those loans are being called due, and that is putting them in a position where they have to change their business significantly or go out of business," Sullivan said. "We are not going to see every builder go out of business, but some are going to leave the industry - that goes for public and private (companies) alike."

Las Vegas housing analyst Steve Bottfeld said any bankruptcy that might occur is because of problems with the market nationally rather than locally. Builders' Las Vegas offices, with a few exceptions he declined to name, prepared well for the downturn by cutting inventory.

"These guys in Las Vegas took the downturn much more seriously," Bottfeld said. "What's happening is not a good sign for the building industry, but it is not unexpected. There are going to be some casualties at the national level."

The problems with Kimball Hill aren't a reflection on the Las Vegas housing market but what's happening in other parts of the country, said Tom McCormick, president of Las Vegas-based Astoria Homes.

Kimball Hill had 91 employees in Las Vegas, according to the most recent In Business Las Vegas Book of Business Lists. Engle Homes had 70 employees.

Pulte acknowledged some changes.

"We continue to adjust our business to the current market conditions just like any other business," said Richard Dix, Pulte's mountain area president.

Dix wouldn't speculate on which builders may leave the market. He said despite the housing downturn, Las Vegas is fortunate that it has a strong economy that continues to grow in jobs and population.

"The great thing about being in Las Vegas is that we are going to rebound faster than most of the country," Dix said.

Some analysts, however, aren't expecting that to pick up until 2009 at the earliest when new resorts open on the Strip.

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