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Forecast dim for Las Vegas housing market

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LAS VEGAS – The prices of new and existing homes have been steadily dropping in Las Vegas since mid-2006 and likely will continue to plummet, according to several professional traders and national economists monitoring the valley's real estate market.

Futures contracts on the housing market that trade on the Chicago Mercantile Exchange indicate that Las Vegas, which saw for several years one of the nation's steepest housing price escalations, now is sliding toward the country's largest price decline.

Investors expect current prices to drop 5.6 percent by May, said Justin Walters, co-founder of Bespoke Investment Group LLC, a New York money management and research firm.

Some other housing analysts see the slump continuing well beyond spring, forecasting drops in Las Vegas home prices of much as 15 percent to 20 percent by 2010.

Even with the anticipated decline, local housing prices still will be appreciably higher than when the real estate roller-coaster ride began several years ago.

SalesTraq reported the median price for new homes in the valley in August was \$309,241, 13 percent below its peak in April 2006.

The median existing-home price was \$270,000 in August, down 6.8 percent from its June 2006 peak.

“We have not hit the bottom yet in Las Vegas,” said Tim Sullivan, president of Sullivan Group Real Estate Advisors. “The overriding theme is we have too much supply, a weakening economy, and we have got to figure out a way to survive this downturn.”

At the end of August, there were a record 27,321 resale homes – a 16-month supply – on the Multiple Listing Service, according to SalesTraq.

The increasing supply of homes is exacerbated by foreclosures, with Nevada ranking No. 1 in the country in its foreclosure rate.

More adjustable rate mortgages will reset in early 2008 and those higher interest rates could increase foreclosures. With consumers believing that prices will go lower, there is no motivation for people to buy, Sullivan said. In addition, the credit crunch continues to make it difficult for some to qualify for home loans.

For economists and housing experts, Las Vegas is a leading indicator of national housing trends.

Tumbling home prices in Las Vegas will show how far and fast U.S. property values will fall in 2008 as the housing decline enters its third year, said William Wheaton, an economics professor at the Massachusetts Institute of Technology.

“Las Vegas is an important barometer for where the rest of the nation's home prices are going because it's going to show us how quickly the investors head for the doors,” Wheaton said. “It will put the floor under the housing correction.”

Edward Leamer, an economist at UCLA, predicts a 20 percent slide in prices in Nevada, California and Florida over the next three or four years.

Nevada had one of the biggest price gains and so it will have the biggest drops, said Patrick Newport, chief U.S. economist at Global Insight, based in Lexington, Mass.

He predicted the Las Vegas housing slump could last until 2010 and said prices could fall 15 percent.

The continued predictions of doom and gloom for local housing have drawn the ire of Marketing Solutions Executive vice president Steve Bottfeld, a Las Vegas housing consultant who has long had a sunnier outlook than other analysts.

He predicts a recovery in 2008 as new resorts come on line.

“I am thinking that the price of the new-home segment is very close to the bottom, maybe a point or two to go,” Bottfeld said. “The pricing in the existing-home sector is about where it is going to get.”

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