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Latest sale item may be new home

Pair of big house builders aims to clear backlogs by offering price cuts

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Two major home builders are joining the growing ranks of companies slashing prices on new construction in a bid to reduce standing inventory.

Lennar Corp. and Pulte Homes are offering price breaks of tens of thousands of dollars in seasonal sales events that run through Sunday. Lennar is lopping off as much as 20 percent, or up to \$200,000, from asking prices on local inventory ready to close before the company's fiscal year ends Nov. 30. And with its nationwide "Monster Sale," Pulte is lowering prices 15 percent on homes in its Pulte division, and \$55,000 on properties through its Del Webb subsidiary.

Prices at Pulte's Easton Place community, for example, ranged from \$311,000 to \$336,000 before Friday. The typical home in the neighborhood was going for around \$250,000 Friday morning, though, said sales agent Troy Goff. One home available for move-in within 30 days was listed at \$231,000. Buyers at the community, which is in northwest Las Vegas inside the Providence master plan, are also getting 6 percent toward closing costs. Pulte is barring resales for at least one year to discourage investors from snapping up the deals.

The Monster Sale drew Liberty Realty sales associate Tommy Hong and his client, Tung Nguyen, to Easton Place Friday morning to look at models.

Hong and Nguyen had visited the community once before, but Hong thought the sale meant the community warranted a second look.

"The time to buy is now, because the market can't get lower," Hong said. "Interest rates are down. Things will stabilize. It will be slow, but the market won't keep dropping."

Builders said they hope their sales convince other Realtors and home shoppers that this weekend is a good time to put money down on a new place.

Sasha Jackowich, a spokeswoman for Michigan-based Pulte, said the builder's officials planned the Monster Sale because the company has held several sales promotions in recent months that worked well at bringing in buyers.

Vicki Zoot, marketing director of Lennar's local division, said it's a tradition for Miami-based Lennar to hold an annual year-end sale "to some degree."

Pulte's and Lennar's weekend price cuts follow efforts by other builders to move inventory in a sluggish housing market.

New Jersey-based K. Hovnanian Homes, which doesn't build in Las Vegas, sheared more than 20 percent from its prices in September in states including Florida, California, New York and New Jersey. Local builder Astoria Homes pared prices by as much as \$200,000 for a sales event from Oct. 12-14.

It's also not Pulte's first foray into significant price reductions. The builder cut prices on its local homes by as much as \$100,000 in 2004; the lower prices resulted in lawsuits from several buyers who'd purchased homes at higher prices. Jackowich said company officials don't expect similar lawsuits following the Monster Sale because

the price cuts aren't across the board, as were the 2004 reductions, but rather on select lots and existing homes. In addition, many builders in the local market are running sales promotions on any given weekend, so Pulte's price breaks aren't as uncommon as the 2004 cuts, Jackowich said. The company will "address situations" with buyers in backlog who haven't closed on their homes should they ask about Monster Sale prices, she added.

Ken Perlman, vice president of Sullivan Group Real Estate Advisors, said the most recent round of discounts is reasonable, and if they draw out buyers, more such sales might follow.

A recent Sullivan Group survey of incentives in the Las Vegas new-home market found that the typical value of inducements to buy was around 8 percent of a house's value, so a price break of 15 percent to 20 percent is especially competitive, Perlman said. Plus, straight cost reductions are more effective at ginning up sales than are goodies such as free swimming pools or vacations.

"What they're doing is a good first step in generating sales," Perlman said. "You want to help people sitting on the fence because they might not have been able to afford a home, or because they've been afraid of where the market was going. Builders have used different tactics, but really, lowering prices makes the difference."

An oversupply of new construction is forcing adjustments in the market, Perlman said. Builders in the Las Vegas Valley pulled more than 120,000 new-home construction permits from 2003 to 2005, and as those homes have come online from 2005 to 2007, new-home sales have dropped in almost every month since May 2005. Numbers from research firm Hanley Wood show the Las Vegas market had a standing inventory of 6,000 new homes at the end of August, the latest month with available statistics. Yet, builders sold just 998 homes in August, less than a quarter of the 4,400 units they moved at the market's peak in May 2005. That leaves builders with six months of inventory at current sales rates.

"We borrowed demand from the future and now we're paying for it," Perlman said. "We sold homes in 2004 and 2005 to people who would have bought in 2007. We sold to people who shouldn't have been buying then, who weren't qualified. Today's price drops signify that builders understand the situation and they're taking action to deal with it."

As he weighed cashing in on that action, Nguyen toured the models at the 170-home Easton Place and went on a golf-cart tour of the three lots with available homes. Would a price cut of around \$80,000 convince him to buy that standing home for \$231,000?

"I like the floor plan," he said, "but I want the price to drop even more."

Nguyen's comment could be a familiar refrain to local builders by Sunday's end. Just as consumers, worried they'd end up priced out of the market, raced to buy homes in 2005, now they're concerned about jumping in before they know just how low prices will go, Perlman said.

The solution? Stop thinking of a home as an investment.

"Buyers need to view a home as a great place to live and a great place to raise their families," Perlman said. "They need to look at today's prices and understand that if it's a home they like and a home they can afford, it's a good time to buy and get back into the marketplace. People want to predict that lowest point and buy there. Theoretically, only one person buys at the absolute bottom of the marketplace, and we'll already be past that bottom once we figure out where it was."

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