

Jun. 04, 2008

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Homeowners, you can almost touch bottom

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REVIEW-JOURNAL

Are we there yet? Are we there yet? Are we there yet?

That's not just an endless series of queries from road-weary kids on summer vacation. It's also become the plaintive cry of local homeowners desperately seeking the bottom of a housing market that has shed more than 20 percent of its value in the last year.

Las Vegas homeowners could have their answer soon.

A Monday report, plus a few springtime indicators thrown in for good measure, hints that the city's housing market may be at or near its nadir.

The latest House Prices in America study from Massachusetts research firm Global Insight and Ohio bank-holding company National City Corp. showed Southern Nevada's first move toward housing-market undervaluation since the companies launched their joint report in 2004.

At \$232,600 in the first quarter, the median home price in Las Vegas fell 3.1 percent below the value that historical market trends establish as sensible or healthy, the House Prices in America analysis said.

That's compared to the 22.9 percent overvaluation the market saw in the first quarter of 2007, when the median price came in at \$286,100.

It's also down from the fourth quarter's \$258,900 median price and 9.2 percent overvaluation.

At its highest point, in the third quarter of 2006, the Las Vegas market was overvalued by 30.4 percent.

Today's valuation statistics mean housing prices in Las Vegas have returned to their 23-year "historic norms" based on household income, population density, interest rates and other factors, said Richard DeKaser, chief economist for National City.

Las Vegas also placed well below several regional markets in its valuation ranking. Los Angeles, for example, remains 15.4 percent overvalued at its median price of \$432,200.

Phoenix, with a median price of \$224,900, is 20.2 percent overvalued, the report said. Salt Lake City is 16.1 percent overvalued at a median of \$265,700. Reno has reached equilibrium, with its median price of \$251,500 coming in at 0.2 percent below its historic norm.

"I would describe Las Vegas as a fairly valued market," DeKaser said. "It presents fair purchasing

opportunities for home buyers. And if prices are fairly valued, I would think it's a reasonable time to buy, if you're making your decision based on whether you find an area attractive for family, friends, employment opportunities and climate. People should not be making these (buying) decisions based on the view that they're going to gain 20 percent a year for the next 20 years."

Despite the Las Vegas market's foray into negative historical-pricing territory, DeKaser stopped short of calling Las Vegas homes undervalued.

National City classifies the range between 15 percent above the pricing baseline and 15 percent below it as fairly valued, so the city has a way to go before it's positioned for significant appreciation jumps.

But Las Vegas no longer occupies a spot on National City's "watch list," a roster of markets risking price declines of 10 percent or more for two years or longer.

"One thing which is clear is that the majority of Las Vegas' price correction is now behind it," DeKaser said.

Local observers said the Global Insight/National City analysis makes sense.

Researchers at Sullivan Group Real Estate Advisors recently assessed where local new-home prices would be if the Las Vegas market had appreciated at normal rates of 5 percent to 7 percent a year since 2002. They found prices would be around \$256,000, a difference of just a few thousand dollars compared with the \$260,000 median new-home price industry researcher Hanley Wood shows now, said Ken Perlman, vice president of Sullivan Group.

That indicates a return to sustainable pricing trends.

"It's a positive sign that the market is headed in a direction where we might see some stabilization," Perlman said. "It suggests buying a home in Las Vegas is becoming more of a reasonable proposition. I do agree the biggest price declines are behind us."

Add local home builder Tom McCormick to the list of believers.

He comes armed with statistics: Las Vegas posted a 68 percent increase in resale closings from December to April. Median asking prices on existing homes stabilized at \$230,000 in March and April. Resale inventory fell from 14 months to 11 months in April.

Such figures likely mean the faltering housing market will even out soon, he said.

"I know what it costs to build a home, and these homes can't be replaced at the prices they're being sold for. We builders have been arguing for a long time that we can't build homes at the prices they're being sold for. By definition, (the decline) can't go farther."

But analysts aren't so sure the price declines have ended.

Brian Gordon, a principal in local economic-research firm Applied Analysis, said he sees potential for additional value cuts. But future pricing declines probably would be "modest," Gordon said, and buyers who plan to live in their homes for a year or more are "less likely to be harmed by any additional devaluation."

"We're certainly approaching the bottom at this point."

Gordon's firm predicts the market will reach its low point by year's end. It'll "drag along the

bottom" for six months to a year, with flat asking prices, and return to single-digit appreciation by late 2009 or early 2010.

Perlman said he also foresees a leisurely recovery pace. Sales could stay sluggish for several more months as buyers, spooked at the prospect of potential price drops, sit on the sidelines a little longer. And tightened credit markets for consumers looking to borrow remain a "wild card," he said.

DeKaser said his analysis can't forecast how much more local prices might fall, or when the valuation slide might stop.

But he did offer this general prognosis: "We're much closer to the bottom than the top."

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LAS VEGAS HOME PRICES

House prices in Las Vegas have fallen into undervalued territory, according to new data from research firm Global Insight and bank National City Corp. It's the first time in five years that statistics from the first quarter have shown undervalued housing prices here:

First quarter of each year

	2004	2005	2006	2007	2008
Local median price	\$296,000	\$259,800	\$290,200	\$286,100	\$232,600
Value change from historic norm	+3.7%	+20.7%	+29.9%	+22.9%	-3.1%

Source: Global Insight/National City Corp.

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