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**At Real Estate Seminar, Sullivan Group Maintains That Las Vegas Remains a Hot Bed  
For In-Migration, Despite Signs of a Slowing Market**

Real estate advisors give home builders a lesson in standing out from the crowd

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LAS VEGAS – Sullivan Group Real Estate Advisors presented on the state of the housing market – both locally and regionally – to Las Vegas area, real estate-oriented businesses at last week’s Sullivan Seminar in Las Vegas. Sullivan Group, who provides in-depth analytical reports and strategic planning services to the nation’s housing industry, briefed the crowd on where the Las Vegas market is headed and how home builders can defy sluggish home sales.

While southern California home prices have topped the charts and have sent price sensitive Californians packing, Las Vegas has been one of the “magnet metros” capturing the fallout. A major indication of future household growth is defined by where people are moving. And while 45% of projected U.S. population growth will be occurring in four states, Nevada is projected to continue growing at the fastest rate. Specifically, Nevada’s population is expected to more than double in the next 20 years, with a 114% growth rate. “In-migration flow and job growth are fueling the Las Vegas market,” said Tim Sullivan, who presented at the Sullivan Seminar and is president of Sullivan Group.

“And out of the top 10 places that people are migrating from, California cities account for at least four of them. With 35 million people over-crowding the California markets, state income taxes, and the substantially higher cost of homes in the state, Las Vegas will remain a comparatively strong market for California buyers looking for attainably priced new homes,” added Sullivan.

In addition, in 2004, Las Vegas had 37.4 million visitors, up 5.2% from the year before, while 2005 brought in 38.6 million visitors, up 3.2% from 2004. “That creates an

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amazing economic impact and there is nothing like it anywhere else in the nation," said Sullivan.

Yet as Las Vegas's popularity soars and home prices continue to go up, home buyers will begin to look in the outlying areas. Sullivan said that bedroom communities can evolve into full-fledged metro areas, but it may take 10-20 years. "Consider Valencia as it evolved north of Los Angeles from 1975 to the 1990s, Temecula's relationship to San Diego in the 1980s and 1990s, and Pinal County's explosion as part of Phoenix's growth over the last 10 years as examples," he noted. "What we can learn from them is that any area one-to-two hours from Las Vegas with available water and entrepreneurial land owners can develop." Right now, bedroom communities turning the corner - as they become affordable alternatives to Las Vegas - include Pahrump, Mesquite, the Coyote Springs area, Primm and Mojave County, Arizona.

Sullivan, who gave an overall picture of the housing market, said, "Compared to last year, we will generate lower total new home sales, nationally and in Las Vegas, in 2006. But at the same time, 2006 will still be among the strongest three or four years of new homes sales ever." The same holds true for the resale market, except this segment has a greater supply, and provides a more affordable alternative to new homes. "In most markets, resale homes offer significant competition to new home sales because some of the best locations and closest-in neighborhoods have been built out for years," said Sullivan.

Signs that the market is putting on the brakes are that investors/flippers have fled the market because the ability to quickly sell a property has subsided; the resale market has over three months supply and days on market averages 50+ days; builders are being more selective and are willing to walk away from deals; and incentives are back - the latter being an indication of market strength:

- Strong market: No Incentives
- Sustaining: Financing buy-downs or incentives to use in-house lender
- Softening: Give-aways such as free flooring, options or upgrades, and larger broker co-ops
- Correction: Price reductions

“In 2006, we are going through corrective measures,” Sullivan said. The Sullivan Group conducted a survey of 54 projects in Las Vegas – where 52% were being marketed by public entities and 48% by private builders – days before the seminar, and found that builders are offering incentives. While 96% of the public builders are offering incentives, 75% of the private builders are doing the same. Half of the projects surveyed are also allowing investors to come back – something you couldn’t find 18 months ago.

Though the incentives identified in the survey equal a value of \$12,000-\$13,000 in some shape or form, Las Vegas incentives aren’t nearly as much as in other metropolitan areas. “If you consider certain projects in unique neighborhoods, there is still opportunity. And although we’re seeing price reductions in pockets, it’s not everywhere,” said Ken Perlman, who presented at the Sullivan Seminar and is vice president of Sullivan Group. Perlman noted that a few subdivisions are trying to close out units and are offering incentives that were typically higher than the value defined in the survey.

With the housing market starting to slow, however, Sullivan Group made it clear that “sameness” is a bad word. Out of 120 high density projects that are planned to be built in Las Vegas, Sullivan Group estimates 30 or 40 will move forward. That’s why homebuilders need to be creative in product design and placemaking to stand out. Sullivan said, “The difference between the attached product that succeeds and one that fails lies in the home builder’s ability to offer creative product. Along with appropriate pricing, two-car direct access parking, interiors that accentuate volume and light, and clever and plentiful storage are just a few considerations.”

Jack Haynes, vice president of Countrywide Home Loans, who gave a financial market update, also suggested that home builders pay closer attention to two segments of the population: the multicultural buyer, as they’re an increasing percentage of the population, and the baby boomer, because that’s where the money is.

“When you’re talking about differentiating yourself, you have to understand the buyer,” said Sullivan. “Home builders need to show how the community appeals to the buyer’s lifestyle; that the lifestyle they’re creating in the community fits their targeted niche.” Setting themselves apart by product, location and activities allows builders to

connect with their buyers and show them the value of the property - thereby minimizing price reductions and sustaining their profit margins.

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*Sullivan Group Real Estate Advisors provides strategic planning services to the nation's housing industry. Whether lenders, developers, public agencies or homebuilders, Sullivan Group Real Estate Advisors allows its clients to make critical business decisions about land uses and other market-driven decisions. A division of the Ryness Company, Sullivan Group Real Estate Advisors has four offices in San Diego, Danville, Sacramento and Phoenix, while its parent company, Ryness, has nine offices in CA, AZ, NV and WA. In the past 30 years, Ryness has been involved in the planning, design, marketing and sales of more than 225,000 residential units in over 3,000 mixed-use communities.*

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