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Banks, buyers loath to seal condo deals

A few bright spots, but closing process slows overall



TIFFANY BROWN

Residents enjoy the pool recently at Panorama Towers, where condo sales have not stalled. The twin high-rises have closed escrow on 99 percent and 95 percent of their units since 2006 and 2007, respectively.

By **Liz Benston (contact)**
Saturday, July 12, 2008 | 2 a.m.

Selling high-rise condominiums in this town and closing escrow on them are separate challenges in today's economy, a Sun analysis has found.

Although purchase contracts have been signed on most units in the most prominent high-rises, the escrow process has slowed to a crawl as lenders move cautiously in making loans.

Of 2,558 units that opened escrow this year in projects of 50 or more units, 77 percent are still in escrow. Of 3,095 units in this category that opened escrow in 2007, a third are still in escrow.

"If it was three months before, it's now taking six months," said Richard Lee, a vice president with First American Title Co. in Nevada. "We're dealing with lending requirements we haven't seen before. Banks are afraid of their own shadow right now."

For example, the new Trump International has effectively sold out because almost all units are held with deposits by prospective owners, brokers say. Yet escrow has closed on fewer than 20 percent of the

Condo and Condo-hotel Units Breakdown

[Take an in-depth look at how well Vegas's condo and condo-hotel units are faring in the current economic downturn.](#)

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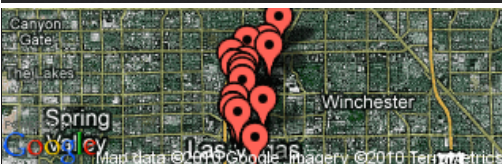
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DEALS & DISCOUNTS

1,282 units since the escrow process began in February, according to the Sun's review of county assessor records.

The first of two completed Turnberry Towers, which began closing units in July 2007, has closed escrow on roughly 84 percent of units. The second tower, where closings began in April, has closed on about 17 percent of units.

Not all condo sales have stalled, of course.

The twin Panorama Towers have closed escrow on 99 percent and 95 percent of their units since escrows began closing in 2006 and 2007, respectively. Among the units not yet closed are ones owned by early investment speculators who are trying to sell them and discovering that escrow now takes several months longer than is typical.

And at Palms Place, where sales opened this year and many of the 599 condo-hotel units are more than halfway through the escrow process, more than 100 were purchased outright with cash.

But for the rest of us, escrow closings have slowed as banks, reeling from the global credit crunch, are more cautiously examining the transactions.

Mortgage lenders nationwide are requiring larger down payments, which could mean forking over an extra \$50,000 or \$100,000. And nervous banks are attempting to reconcile appraisals lower than what the properties were worth earlier appraisals, when the buyers signed their presump sales contracts.

"Given the volatility in certain markets across the country, we are being careful we understand the market value of properties and we're taking extra time to evaluate appraisals," especially areas hit hard by foreclosures, Bank of America spokesman Terry Francisco said.

After automating the escrow process years ago when home values were strong, Wells Fargo is returning to the days when it required buyers to document their income and credit worthiness in greater detail, said Jonathan Taylor, regional sales manager in Nevada and Oregon for Wells Fargo Home Mortgage.

During those prolonged escrows, some buyers are forfeiting deposits to exit contracts they can no longer afford, advertising units for sale on Craigslist or even letting them go into foreclosure, developers and brokers say.

Some buyers are thankful for the bank delays because they are reluctant to take possession of a condo or condo-hotel unit during the typically slow summer months amid the tourism decline, hoping for higher rental fees or lower interest rates if and when the market improves.

Rather than defaulting on buyers who are having trouble closing escrow, developers are letting delays slide, allowing buyers to further negotiate with their banks or finding other ways to ease the process.

For example, Allure is providing down-payment assistance, and at his tower, Donald Trump and his adult children are helping to find new buyers for financially stressed buyers who need to walk away from their contracts and down payments.

"We're saying, 'This isn't your fault, it isn't our fault, and we're going to do everything we can to help you close,'" said Jack Wishna, a minority investor in the Trump tower. "He's got a lot of his own money in this project and it's the largest in his portfolio. He's not selling, converting (condos to hotel rooms) or walking away from this."

One sign that Trump buyers are choosing to play a waiting game rather than jump ship is the fact that only a few of the more than 1,200 people who put down deposits have abandoned them because they can no longer afford their units, he said.

The slowdown in real estate sales has been magnified in Las Vegas, where condo-building hype and official reports suggested a far greater boom than what occurred. The sense that Las Vegas was being saturated with condo projects has scared off some buyers and made others more reluctant to close on their units, developers and brokers say.

"It doesn't take a genius to figure out that Las Vegas never could have supported as many as 100 condos and condo-hotel towers," said Jim Butler, a Los Angeles lawyer specializing in condo-hotels. The unsupportable condo-craze hype has somewhat overshadowed the value of select high-quality projects with long-term investment potential in Las Vegas, he said.

As the condo-building craze found traction more than three years ago, developments comprising some

of suite deal with condo-hotels (1-2-2006)

Beyond the Sun

- Trump International Hotel & Tower
- Panorama Towers
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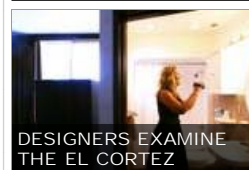


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90,000 condo units were announced — and most never moved beyond news releases and Web sites. Some developers opened sales offices and sold units to try to secure financing. Others that received financing were canceled when banks tightened credit requirements.

“If developers lacked a kick-butt location, a recognized brand or weren’t out of the ground by January 2006, they were headed for trouble,” Las Vegas broker Aaron Auxier said.

The Las Vegas Valley has roughly 10,000 condo and condo-hotel units in projects with more than 50 units. An additional 8,100 are under construction or nearly complete, with more than 6,200 of those units destined for the Strip’s core, adding to the nearly 1,700 units there — a relatively low figure given the size and growth of Las Vegas, developers say. These figures are much lower than those in recently published reports, which erroneously include small projects far from the Strip and those with little to no chance of success, developers say.

After the next wave of towers opens on the Strip in the next couple of years, “you’re not going to see much in new high-rise (condo) construction on or near the Strip” because land, labor and construction prices continue to rise during this slump, pricing residential developers out of the market, said Bruce Weiner, president of Florida-based condo giant Turnberry Associates. Of the 15 existing and under-construction high-rise residential towers on the Strip in the next few years, Turnberry will have built nine.

Sun reporter Alex Richards conducted the research for this story.

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