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More can qualify for homeownership in Las Vegas

By HUBBLE SMITH
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Housing affordability for Las Vegas is the best it has been in 30 years, California-based real estate consultant John Burns said Wednesday.

And Las Vegas home prices have never been more affordable in relation to income, correcting back to 2000 levels, said Burns, who has been studying the market since 1981.

Housing cost-to-income is 19 percent in Las Vegas, based on a median home price of \$133,800 in April, John Burns Real Estate Consulting reported.

"A lot of cabdrivers and hotel workers below the median income have a chance to become homeowners for the first time in a long time," Burns said from Irvine, Calif. "I think they realize that for \$700 a month, they can own a home in Las Vegas."

Housing affordability has returned across the nation with most states in the 20 percent to 30 percent range of housing cost-to-income, according to Burns' report. The cheapest area is Saginaw, Mich., at 12 percent, followed by Pine Bluff, Ark., and Danville, Ill., at 13 percent.

The most expensive is San Francisco at 66 percent. Other California areas above 50 percent include Orange County, San Luis Obispo and Santa Cruz.

Burns' housing affordability barometer runs from zero for most affordable to 10 for least affordable. Las Vegas and Carson City registered 0.0 in the current cycle, while Reno came in at 0.7. On the high side were Albuquerque, N.M., at 4.5; Denver at 3.9; and San Francisco and San Diego at 3.4.

"Vegas is now appearing on a lot of radar screens as a very affordable housing market," said Kevin Orrock, vice president of development for the master-planned Summerlin community.

He cited a similar housing opportunity index from the National Association of Home Builders that ranked Las Vegas fifth among 70 Western cities in the fourth quarter. Eighty-five percent of households earning a median income of about \$53,000 can afford a home here, Orrock said.

"This might be the highest index we've seen in 20 years," he said. "It comes down to people feeling good about their job and consumer confidence."

Few homes under \$300,000 could be found in Summerlin two years ago, including condos and townhouses, he said. Now that product is available at prices starting around \$185,000, or \$100 to \$120 a square foot.

The return of housing affordability has reduced the time homes sit on the market for sale, said Constant Tra, associate director at the Center for Business and Economic Research at University of Nevada, Las Vegas.

Nearly 60 percent of single-family residential units sold in the fourth quarter spent less than 30 days on the market, the Greater Las Vegas Association of Realtors reported. That percentage dropped to about 50 percent

in the first quarter.

"The continued trend toward increasing housing affordability and decreasing time on the market is a sign that market forces are at work and that the excess housing supply is being absorbed," Tra said. "This trend needs to continue in order for the Southern Nevada housing market to reach the recovery stage."

Burns reported 4,294 single-family building permits for Las Vegas in the past 12 months and 6,399 total permits, about 16 percent of peak activity from a few years ago. Las Vegas lost 50,600 jobs, roughly 6 percent of total work force, taking the unemployment rate to 13.9 percent.

While Las Vegas home prices have fallen to more affordable levels, prospective buyers who plan to live in the home are being edged out by investors with cash.

"I think that's going to change," Burns said. "There's tremendous investor appetite because prices have overcorrected. That's the reality of the market. There's a thing called a shadow inventory of homes that have defaulted but are not for sale yet."

"The Obama administration and the Treasury have these programs that require mediation for loan modifications and don't allow the bank to take the title. Banks are trying to restructure the loans and can't, and the administration says, 'Try this program. Try that program.' You're going to start seeing distressed homes on the market in the next year," the real estate consultant said.

Paul Merski, senior vice president and chief economist for Washington, D.C.-based Independent Community Bankers of America, said the nation has experienced two consecutive quarters of gross domestic product growth and small dip in unemployment.

Interest rates are still attractive at around 6 percent, he said.

"I'm sure you get a lot of bang for your buck right now in Las Vegas, based on the number of homes for sale," Merski said.

Las Vegas leads the nation with one foreclosure filing for every 90 households largely because people took out "exotic" financing during the housing bubble.

Community banks often carry home loans on their balance sheets rather than sell them off to secondary markets, so they didn't make a lot of zero-down, adjustable-rate mortgages that borrowers couldn't pay back, Merski said.

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HOUSING AFFORDABILITY

| Metro | Median | Cost as % of income | Affordability |
|----------------|-----------|---------------------|---------------|
| Las Vegas | \$133,800 | 19 | 0.0 |
| Boise, Idaho | \$142,572 | 22 | 0.3 |
| Reno | \$180,000 | 26 | 0.7 |
| Phoenix | \$131,900 | 20 | 1.4 |
| Los Angeles | \$315,000 | 45 | 2.2 |
| Salt Lake City | \$202,295 | 26 | 2.7 |
| San Diego | \$358,500 | 46 | 3.4 |
| San Francisco | \$642,000 | 66 | 3.4 |

| | | | |
|-------------------|-----------|----|-----|
| Denver | \$215,000 | 28 | 3.9 |
| Albuquerque, N.M. | \$194,000 | 34 | 4.5 |

SOURCE: John Burns Real Estate Consulting

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