

# Moving in the Right Direction

It's been asked time and time again...is the real estate market *really* on the verge of turning around? While actual evidence suggesting the real estate market is officially back on track is debatable, one thing is certain: significant market indicators are beginning to trend in the right direction. And these trends are making history...

Supply and demand levels are beginning to shift toward much more palatable levels. Simply put, available inventory is down, while the number of homes now under contract and pending sales are up. According to local economics firm Applied Analysis, the week of September 21, 2009 marked the 36th out of the 38 weeks so far in 2009 where available housing inventory declined (see chart below.) When measured against statistics from 2008, available inventory has declined by 47.5%.<sup>1</sup>

Home Builders Research, another local housing market research firm, counted 426 recorded new home sales during August in the Las Vegas metro area, which is an increase from 407 the month prior. For resale homes, August figures reflected 3,833 recorded sales, which represents a 52.1% increase from this exact timeframe in 2008.<sup>2</sup>

If these sales patterns continue, Las Vegas is on pace to record over 40,000 resale closings this year. Even more astounding, if the total resale figure happens to reach 42,000, this year would mark the fourth all-time highest total of recorded resales in Las Vegas history.<sup>3</sup>



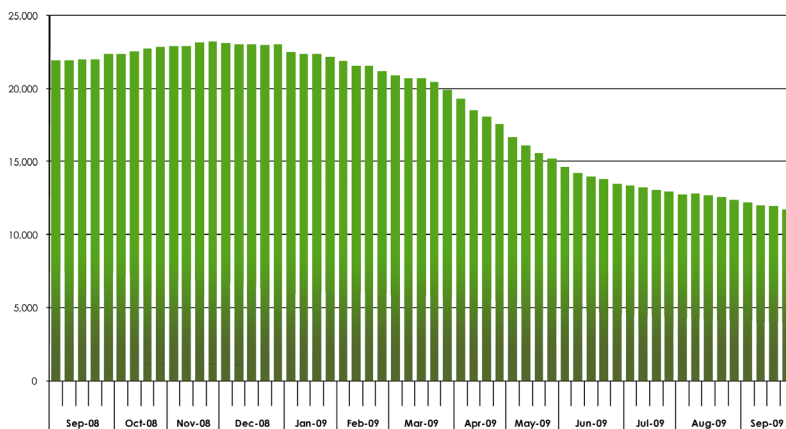
## Buyer Incentives

A key element factoring into several buyers stepping forward is the \$8,000 First-Time Home Buyer Tax Credit Program. Under this program, a qualified "first-time home buyer" is defined as an individual who has not owned a home in the past three years. To be considered for this program, the buyer must purchase a home between January 1, 2009 and December 1, 2009. The tax credit amount per buyer is calculated by multiplying 10% of the home's total sales price, not to exceed \$8,000.<sup>4</sup>

With the deadline of the \$8,000 tax incentive rapidly approaching, many potential buyers have developed a new found sense of urgency to find a home and get it under escrow. According to Paul Harris, President of Residential Capital Mortgage Corporation, October and November expect a spike in sales nationwide as buyers attempt to take advantage of this program before it expires.

"We are hopeful that the program will be extended by the federal government to allow additional buyers to get off the fence to absorb available inventory," said Harris. "I think we're all in agreement that it would be great if they could extend the tax credit to include all homebuyers in the program, and not solely those that are first-timers."

**Greater Las Vegas Area  
 Weekly Number of "Available" Listed Homes**



Source: Applied Analysis, *Market Watch*, September 28, 2009

<sup>1</sup> Source: Applied Analysis, *Market Watch* September 21 & 28, 2009

<sup>2</sup> Source: *Las Vegas Housing Market Letter*, July & August 2009 issues

<sup>3</sup> Source: *Las Vegas Housing Market Letter*, June 2009 issue

<sup>4</sup> Source: [www.federalhousingtaxcredit.com](http://www.federalhousingtaxcredit.com)

Another trend Harris has witnessed has been a frustration from many pre-approved buyers who identify “available” foreclosed and short-sale properties they wish to purchase, only to find that they are in line behind what sometimes amounts to dozens of prior offers. Such bidding wars, combined with slower response times from banks to make moves on non-cash offers, has slowed the process for a number of transactions throughout the valley. “Right now we have 70 buyers who are ready, willing, and able to buy a home who cannot find one,” said Harris.

The solution to this imbalance of buyer demand for “great deals” on foreclosed homes and limited supply, has led to an uptick in sales traffic at new home subdivisions. With builders adapting cost-cutting measures in order to adjust pricing to compete with foreclosures, buyers are finding newly-minted homes with the latest in building technology, a welcome alternative.

What will eventually happen with the First-Time Home Buyer Tax Credit Program deadline remains to be seen, but in the meantime, increased interest from buyers in the valley, combined with a reduction of available inventory, continues to bode well towards a stabilization of the real estate market.

For more information about qualifying for financing to purchase a home, contact Residential Capital Mortgage Corporation at 866.795.7558 or visit them online at [www.residentialcapitalmortgage.com](http://www.residentialcapitalmortgage.com). **DIG**



# Looking Beyond the Price Tag

## Searching for Good Deals in Today’s Market



*Rocky Derrick, Senior Vice President of CM Capital Services, leads the underwriting division of the company and recently discussed how his team is evaluating opportunities in today’s market.*

We’re beginning to see investors and builders come back to the market to take advantage of reset pricing on assets that were considered unattractive based on higher prices a short while ago. Taking a step back to witness the volatile market

activity does present unique opportunities; however, when making decisions to underwrite an acquisition, development, or construction project, it’s not enough to fund a loan simply because the requested financing amount is a small number compared to the value.

The level of financing requests we receive on a regular basis has significantly increased. For us to consider fulfilling a borrower’s funding request, we first need to evaluate a number of factors about the asset to gauge whether or not we are comfortable loaning, and potentially owning it. A select few of these factors include:

**Borrower Experience** – Not anyone can be a developer. Has the borrower developed and built this product type in the past, and if so, what is his or her track record?

**Project Feasibility** – How viable is the project in the current uncertain market? Is there buyer demand and is pricing realistic and attractive to the end-user? Does the asset have the proper zoning, approvals, and do the surrounding properties enhance or hinder its future use and marketability? Bottom line: does the intent of the borrower’s use of the property make sense today?

**Liquidation Value** – What is the “as-is” value of the property if we were to end up owning it through foreclosure? Is there enough of an equity cushion to warrant our investment in the asset today?

**Exit Strategy** - Take-out financing is extremely difficult to come by in today’s market amid tightened lending restrictions. Because borrowers often look to us for short term financing for development and construction needs, a defined exit strategy detailing how our loan will be paid off is essential.

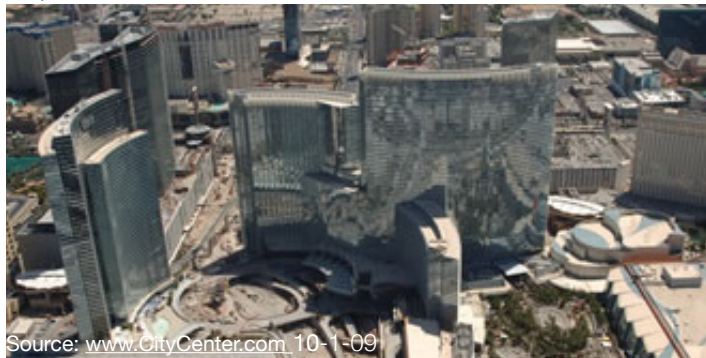
### Apart From the Rest

Many of our borrowers today are taking advantage of distressed real estate buying opportunities where they are acquiring assets from local banks, the FDIC, and distressed sellers at pennies on “yesterday’s values” and well below replacement costs. Due to little or no financing available, they usually have to make all-cash purchases.

A critical factor that sets CM Capital Services apart is our ability to invest in these created opportunities with these borrowers, yet oftentimes at a fraction of what they are valued at today based on our position as a lender. For instance, acquisition deals are typically funded at approximately 65% or less of the purchase price, which itself is arguably well below market value. Given our underwriting criteria, should we decide to invest in a property by funding a loan, we not only have a lower loan-to-value ratio, but solid collateral that we feel could be disposed of in today’s market for an amount to cover our original principal balance. **DIG**

# Opportunities Abound

On September 21, 2009, the Human Resources department of CityCenter began a tall order of extending employment offers to over 12,000 people. CityCenter, the largest privately-funded construction project in the United States, is gearing up to open five of its six properties adorning 76 acres located in the heart of the Las Vegas Strip.



Source: [www.CityCenter.com](http://www.CityCenter.com) 10-1-09

With 12,000 direct gaming and hospitality jobs tied to the CityCenter opening, additional non-industry-related employment opportunities will be created throughout the Southern Nevada area. Estimates vary on just how many new employment opportunities throughout the valley will emerge as a result. According to local economics firm Applied Analysis, every hotel room in Nevada has historically produced anywhere from three to seven jobs throughout the valley. The Nevada State Demographer, however, reports that every hotel room translates into at least one indirect job in the community, such as added teachers, doctors, bankers, etc.<sup>1</sup>

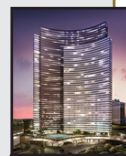
Experts can agree that amid slowed economic conditions, rising job opportunities for unemployed workers will help inject new life into the local workforce and will aid with continued efforts to improve the local economy.

<sup>1</sup>Source: *Las Vegas Sun*, February 16, 2008

The properties of the self-proclaimed "city-within-a-city" that are slated to open in December include:

## **Vdara Hotel** – opening scheduled December 1, 2009:

The Vdara is a 1,543 all-suite non-gaming boutique hotel featuring world-class amenities and a rooftop pool and lounge. The 57-story Vdara is designed to appeal to the upscale consumer who loves everything Las Vegas has to offer, and wants to experience luxury in a non-gaming, non-smoking environment.



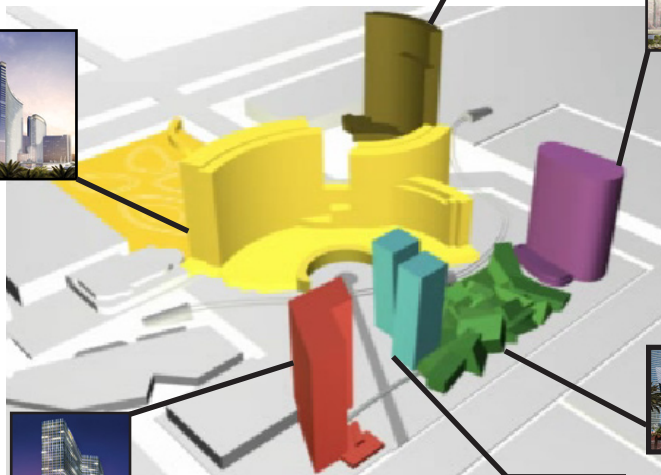
## **\*The Harmon** – opening currently scheduled for late 2010:

Construction on this project has been delayed due to initial findings of construction defects. The design is being altered and buyers who purchased condominiums in the early stages have been offered refunds or opportunities to purchase units in other CityCenter buildings.



## **Aria** – opening scheduled December 16, 2009:

The Aria is a 4,004-room, 61-story hotel-casino featuring several amenities which include 150,000 square feet of gaming, 300,000 square feet of meeting space, 16 restaurants, 10 bars and lounges, an 80,000 square foot two-story spa, three pools and 50 cabanas.



## **Mandarin Oriental** – opening scheduled December 4, 2009:

A 47-story luxury hotel, the Mandarin Oriental features a 23rd-floor sky lobby, 392 suites (227 of which are residential condo units), 42" flat screen televisions in every room, banquet and meeting spaces, a two-story spa facility, state-of-the-art fitness center, and a sky-bridge to the Crystals retail venue.



## **Veer Towers** – opening scheduled December 16, 2009:

As the name suggests, the Veer Towers consists of two 37-story towers leaning in opposite directions. Each tower holds 337 luxury condominium units, and features a top-floor pool, spa, state-of-the-art fitness center, cabanas, and a patio for outdoor entertaining.



## **Crystals** – opening scheduled December 3, 2009:

Designed to become one of the world's premiere shopping destinations, the Crystals is a 500,000 square-foot retail and entertainment district to feature numerous upscale clubs, galleries, retailers and restaurants, including Apple, Tiffany & Co., Versace, and Wolfgang Puck.