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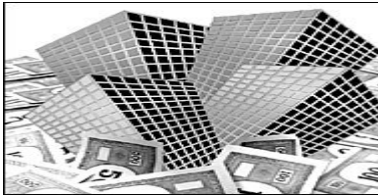
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Sky Rise Scrutiny

T.R. Witcher examines the myths and realities of Vegas condomania

By [T.R. Witcher](#)



The future of Las Vegas is rising on the wrong side of the freeway. It's rising amidst a barren, workmanlike sprawl of office parks, warehouses and train tracks just west of I-15, along the aptly named Industrial Road.

It's here that developers Andrew Sasson and Laurence Hallier are building the Panorama Towers, a duo of curvy, aqua-blue, condominium high-rises that have distilled the Urban Lifestyle. The nearly identical buildings, with 646 condominiums between them, each have distinctive notches that read like parks in the sky. (A third tower has a wavy façade and a deep ocean-blue tint to its glass.) In front of the first two towers will rise low-slung parking decks, which will meet Industrial with a frontage of shops—a small market, dry cleaners—and glassy lofts. On the back side, town homes will frame a heavily landscaped pool. What those buyers will lose in views to the Strip or the mountains, they will gain in the intimacy and greenery of their surroundings. In short, Panorama has been designed as a chic city within a city, offering something for everyone—provided you've got \$275,000, the starting price to get in the door.

Despite the lonely location, both towers quickly sold out. Paul Scaringe, Panorama's VP of Sales, insists the location is perfect—he boasts that he can get from valet

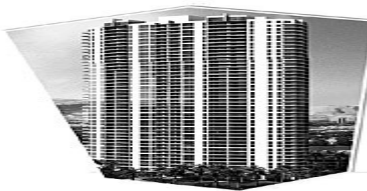
parking at Bellagio back to Panorama, across the Harmon Avenue overpass, in a few minutes. It's close, but out of the way. The Rio is just up the street; the Palms is close by. Just south, Stations Casino has purchased a large parcel of land in anticipation of a major casino project. Dead ahead, the maw of the Strip will soon be transformed into MGM-Mirage's mammoth City Center project.

"Do you want to be on Convention Center Drive during Comdex?" he asks, about other condo projects on the east side of the I-15.

And just last week, in the clearest sign of the area's rising fortunes, the county renamed Industrial Road Dean Martin Drive.

Urban-Themed Vegas

There's no doubt that Las Vegas is going up. The Valley nets tens of thousands of new residents each year. Land has become more expensive. The edges of the Valley are filling up. Single-family home lots are shrinking throughout the city, says Scaringe. The first two Panorama towers occupy 8.5 acres—a developer couldn't fit even 100 homes on that land, let alone more than 600.



All observers agree that in the next five years, thousands of high-rise condo units will debut in Sin City. But let's be clear: Las Vegas is in no danger of being Manhattanized. Just for a quick point of reference, about 1.5 million people live in Manhattan on about 34 square miles. (That's 44,000 people stuffed into a single square mile.) There are almost 6,000 high-rises in New York. The Las Vegas Valley, on the other hand, sprawls for about 500 square miles, has roughly the same population, and has less than 200 high-rises.

There are many ways to describe what Manhattanization means, its complex serendipities, but the easiest way may be this example: You step on to a street in most parts of Manhattan, it's late, and you need a carton of milk and a pack of cigarettes before you go home. In Manhattan you simply walk in any direction, without much thought, because you know you'll find one of a countless number of nameless bodegas or convenience stores in any direction within a minute. It takes more than a few dozen high-rises to Manhattanize a community. A lot more.

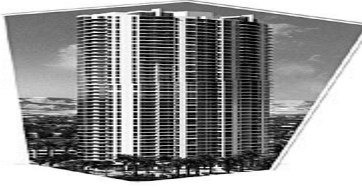
"We haven't hit like New York where people look at this as a permanent lifestyle," says Sarah Prinsloo, president of Related Prinsloo Realty Services. That may be the ultimate goal for Downtown—certainly that is what Mayor Oscar Goodman is pushing for—but in the resort corridor, where the majority of Vegas' new high-rise condos will rise, we're better off abandoning Manhattanization as being an overstatement.

Instead, Las Vegas' new infatuation with residential skyscrapers should be viewed as an extension of the city's story this far—a glitzy entertainment center catering to tourists and thrill-seekers from all points of the compass.

The condo boom essentially represents a new sort of "resort." Instead of theming other cities like Venice and Paris (or New York) in huge casino resorts, the city's coming residential towers would, in effect, theme Las Vegas itself as an urban center.

Investor Gambit

They bear fancy names like Club Renaissance and Majestic. The Summit. Sky. Icon. No tricked-out theme park facades here. Just tall, gleaming glass totems to both snowbirds and the jet-set crowd, those people who, in the words of Mayor Goodman, want to own a little piece of the city.



According to a study commissioned by the Deutsche Bank and released earlier this month, there are more than 37,000 proposed condominium and hotel-condo units planned for construction on the Strip and Downtown through 2010. The report—as well as other observers—estimates that no more than 30 or 40 percent of these units will get built; nevertheless, that would mean between 9,000 and 13,000 units entering the market in the next five years.

What's driving this? Demand, for one thing. "Las Vegas is extremely hot right now in terms of national and international travelers seeking out Las Vegas as a destination," says Brian Gordon, principal analyst with Applied Analysis. "Developers are looking to capitalize on that interest in the market." Employment growth is up 7.6 percent, while unemployment is below the national average at 4 percent.

But people have been doing that for years. Why now? Money, of course. Las Vegas' housing boom has made land more and more expensive. Between the last quarter of 2002 and the last quarter of 2003, the price of land in the area rose 32 percent; between 2003 and 2004 it rose a whopping 149 percent. "The average price per acre is about \$520,000 Valley-wide," Gordon says. "It's getting fairly costly for developers of residential and commercial projects."

"If they're going to pay so much for that land they have to have more density," adds Chuck Kubat, a vice president for Howard Hughes Corporation and a member of the Clark County Growth Task Force, which recently authored a new mixed-use ordinance designed to shape future growth. "That's what's driving this."

Some developers and analysts knew this high-rise growth was inevitable, but no one, it seems, gauged just how big the wave would be. "I don't think anyone could have speculated two years ago that there would be 40,000 units, but I don't think anyone predicted a 50 percent increase in home values either, which happened at the same time," says Gordon.

The city's condo towers are tapping a very particular market. As Las Vegas' profile as an It City has risen, a group of wealthy buyers want a piece of the action. Nevada has no income tax, an appeal for wealthy Americans who live elsewhere but want to establish a second or third residence in Nevada for tax purposes. The weak dollar makes investing in the U.S. appealing to foreigners. And a wobbly stock market makes real estate look more enticing. Investors are "making long-term diversification decisions," says Keith Schwer, an economics professor at UNLV. "Putting money into property would be one way to do that."

Nearly two-thirds of the proposals are for high-end projects. International buyers may come in time, and there are local buyers, as well, but not a large number of them. For now most of the people snapping up Vegas' condo towers are from—where else?—Southern California. "If we didn't market anywhere but California we would be successful," says John Riordan, VP of sales for Turnberry Towers.

Reinventing Miami

When ICON Las Vegas The Condominium, a twin tower project rising off of Convention Center Drive, hosted its opening party on March 31, it sold out the 248 units in its first tower in 48 hours. Within a few weeks its next tower will begin taking reservations. Sarah Prinsloo, who is overseeing sales for the project, expects the building to start construction before the year is out.



ICON's sales office shares the same building as an indoor skydiving place, but where the latter is filled with teenagers and buzzes with energy, the ICON office soothes the soul with six flat-panel screens, gorgeous tile and breezy white drapes. A total of 514 units are planned for both towers, and the units will all face the Strip. Like the Panorama towers, a parking podium and street-side retail will front the first Icon high-rise. Units at the ICON are going from between \$450,000 to \$1.5 million. As she leads me through a kitchen model outfitted with teak cabinets that automatically slow down before closing and sleek Bosch appliances, Prinsloo tells me, "We're not just building a high-rise, but incorporating it as a work of art."

It's a far cry from the late-'90s, when Prinsloo sold units at Irwin Molasky's boutique condo project, the Park Towers. There it took four years to sell 84 units. But the underlying model for the new boom is the same, and it's not Manhattan. Try Miami instead.

Molasky, Prinsloo remembers, looked at condos across the country and considered Miami "like going to Harvard Business School of High-Rises." Vegas' sister city of hedonism has emerged as a glamorous, sexy global city—at least by perception—filled with celebrity mansions, hopping nightlife and a general sense of pleasure without shame. Not unlike Las Vegas.

Miami, says Turnberry's Riordan, essentially invented the luxury condominium in the '50s. Which was why Turnberry was able to jump onboard ahead of the curve when its first Turnberry Place tower opened in 1999. "We're South Florida developers, Miami developers. This is a product that's been popular down there since the mid-'70s." Riordan saw similarities between Miami then and Vegas today. Both were maturing as international resort cities. Both had marketable amenities—the ocean and the Strip. "As Las Vegas grew and as the growth became more and more upscale, we knew that there would be people looking to live near the Strip. We saw a tremendous void here. It wasn't a high-risk deal for us."

Turnberry's original three towers near the convention center were marketed to an older demographic than the glut of new towers. They were also bigger—most of the units in Turnberry's two new towers will be smaller than 2,000 square feet. But Turnberry opened the door, and fittingly, it's not the only project with South Florida connections. The Related Company, developers of ICON, are based there, as well. Arquitectonica, Miami's most famous architectural firm, is designing a few buildings in town, including the Cosmopolitan, a sleek condo project on the Strip. And while the lead designers of the Panorama Towers are based in Los Angeles, the buildings' turquoise lines look like they belong on Biscayne Bay.

This may all be good. Miami's condo development is still going gangbusters, and the city has definitely become a more urban place. Here, the Miami model is working. The developers who spoke to the Weekly for this story asserted that sales were brisk, of course. Turnberry sold out one of its new towers in just a few weeks. And the head of sales for another high-rise project boasted in a press release that his staff "took reservations on literally hundreds of units on our first day despite virtually no advertising and our sales office not yet being opened."

Still, says Riordan, many developers have sold their units too cheaply. "Most of the developers have underestimated the costs to build one of these. They haven't done it before, or they haven't done it in Las Vegas." Developers at the proposed Krystals Sands high-rise project, he says, couldn't get enough units sold to secure financing

and wound up returning deposits to hundreds of disgruntled would-be buyers. The company sold its land to Turnberry.

High-priced condos in Las Vegas are not just a matter of marketing bling.

Construction costs are higher in Las Vegas than Miami, largely because of a stronger union presence. But also developers compete with casinos for labor, and casinos are willing to pay contractors hefty incentives to make sure their projects open on time, so labor can demand higher wages on non-casino high-rise projects.

Still, says Scaringe, "Imitation is the sincerest form of flattery," says Scaringe. "The model has worked. You release a tower, sell it out, and you build it."

Empty, Energy-Sucking Slums?

Though the Deutsche report is bullish on Vegas' growth prospects, it still points out potential down sides with the condo boom. For one, most obviously, continued building could lead to a glut of luxury projects languishing in the heart of the city.

"Other risks include general economic weakness (domestic and Asian) affecting casino visitation to the Strip, terrorism, increased competition in the high-end (upscale) hotel segment and volatility of high-end table play."



In Honolulu in the '80s, says architect Bob Fielden, Japanese speculators purchased property at prices several times what it was worth. Then the Japanese economy crashed, investors pulled out, and "all those towers sat empty for 10 years. These bubbles are bubbles. How long can you sustain them? We're certainly moving faster than we can support ourselves. If the bubble bursts and all of a sudden they're empty and they require local investment to pick those up and move into those, that will cause a negative impact on the city."

Gordon adds that the market could be flooded with units after 2010, when new condos are competing with units that this wave of investors have put back on the market.

But there are more fundamental issues. Namely, what kind of city will emerge?

Architect Brandon Sprague, whose firm is designing some smaller in-fill condo projects, thinks there's a place for a denser, taller Las Vegas. "A lot of people who move here come from an urban place, so why not? But I would hope that as the city is maturing you get more realistically scaled projects for locals to live in."

Connecting these large projects together will be a challenge. "You can have all these neat places but you still have to get in your car to get to them." Planners, he says, are beginning to look at that now. "It's gonna be spotty. That's the nature of a Sunbelt city. There's no master plan. Nobody could have perceived all this growth." Fielden doesn't like the idea of out-of-towners taking a piece of the city's limited natural resources while not living here full-time. "If buildings are sitting empty, then we have to generate electricity to supply air-conditioning, which uses water. It disallows us to take those resources and use them to benefit the community at large."

And don't get him started on some of these splashy designs. "When I look at these projects that are going up, when I see all of the bare glass facing west and facing south, I think about how environmentally conscious were those projects, and what were the developers thinking? We're in the middle of the Mojave Desert where we get more heat and radiation generated from sunlight than anywhere, yet you see that going up everywhere."

The operating expenses of a building over its lifetime, says Fielden, is much more

expensive than the actual construction. "It's pretty hard to apply a sunscreen on the 50th floor on a glass tower."

Benefits for the Public?

Condo high-rises are a win-win for the city and county. Projects generate new tax revenue for both. Water is easier to conserve since it's not being used to irrigate. The Deutsche Bank report expects that new condos around the Strip will help drive revenue at the major casinos.

Although the mayor tells the Weekly that the city has a program to repave and improve streets, Fielden doesn't think the city has fully considered things. "Their eyes are aglow and they have a big smile and they're counting the dollars coming in from building permits. They're rubbing their hands together in glee."

With a monorail system that even the mayor concedes won't be going Downtown soon, no one has talked about the congestion these new towers would create in the core community, or whether these towers will spur retail services in the core city that other residents or casino employees might be able to use.

As it stands now, the reality of life for the rest of us would likely go unchanged—don't expect many families moving to these projects, and don't expect any new schools or libraries. We'll be lucky to see a grocery store. Las Vegas will look and feel heftier, and more glamorous, and we can enjoy the contact high. But unlike the unveiling of some show or new entertainment venue, this new evolution of Las Vegas is not open to the public.

The Strip, for all its glamour and wealth, still has a patina of populism about it. It remains a place where anyone is welcome to enter. The casinos may be privately owned, but in essential ways they function as public space, welcoming everyone to see and be seen, to test their fortunes or just wander through. The creation of a "real city" is admirable, but one hopes that our version of one is not simply a sky-rise enclave for the well-to-do.

Goodman, characteristically, has a more optimistic view. "We haven't seen anything yet. We're in our infancy. We won't even be able to fathom where we are 100 years from now. We'll be one of the world's great residential and cultural cities."