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Vegas Rising: What economic crisis?

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Apparently Frank Pankratz didn't get the memo. The one about the economy. Mr. Pankratz, a former Canadian, is marketing an ultra high-end condominium project in Las Vegas with floor plans priced from US\$1.8-million to - wait for it - US\$25-million.

Has he not heard that we're in the worst economic crisis since the Great Depression? Did he not see the CNN series *The Fall of the Fat Cats*? US\$25-million? Is Mr. Pankratz serious?

"We love it a lot better when the stars are lined up. It's easier to do business and more fun and more financially rewarding," says the Saskatchewan native. "But these projects, you start them and you are committed to them."

Mr. Pankratz is referring to One Queensridge Place, billed on the project's Web site as "the pinnacle of artistic sophistication." But in a town where dreams are cheap, who'd want to pay that kind of money when the fantasy can be had in the current economic climate for a three-day deep-discount weekend with a free martini and an all-you-can-eat buffet?

According to Mr. Pankratz, lots of people. And the sales at One Queensridge Place would confirm it. About 60 of 218 units remain. Most were purchased before the current downturn - reservations were taken in 2004, ground was broken in 2005 and the first buyers took possession last year. The majority of units are priced from \$1.8-million to \$5.5-million. There are also 28 penthouses and four ultra-exclusive "crown homes," the latter at more than 17,000 square feet each, topping out at \$25-million.

"Despite the economic slump, Vegas remains attractive to luxury homebuyers," says Mr. Pankratz, president of Executive Home Builders, a Las Vegas luxury-home builder. "Typically, high-end housing is a discretionary purchase whether the economy is booming, not booming or

bounding along. We find that quality offerings tend to hold their value and weather the test of time much better than non-unique and non-high-end offerings."

According to the 2008 Annual Wealth Report by property consultants Knight Frank and Citi Private Bank, the market for prime real estate will remain weak through next year, but the medium and long-term outlook is strong for the most desirable properties in the world's prime locations. Las Vegas, the self-proclaimed "world's most exciting city," might be one such spot.

The city's population increased by nearly 60,000 a year for the past decade, but it has been among the worst hit urban areas in the U.S. real estate meltdown. The area population retracted by 10,000 fewer residents in July. Gaming revenue on the Strip was down 5% for the year ending Sept. 30 and nearly 10% for July through September.

The economy is so bad that even the lap dancers in Sin City are complaining. Leigh Sogoloff, who performs at Rick's Cabaret Vegas, recently told Bloomberg News she's making half the income of a year ago.

Nevada has also led the U.S. in foreclosures for nearly two years. The most recent report by Standard & Poor's/Case-Shiller index pegged Las Vegas as the second-weakest U.S. real estate market with an annual price decline of 31.3%. Phoenix was the worst market, with an annual decline of 31.9%. San Francisco was third at 29.5%, Miami fourth with a drop of 28.4% and Los Angeles fifth with a decline of 27.6%. Nationally, home values dropped 16.6%. Dallas fared the best, dropping only 2.7%.

Despite the gloom, Vegas could be among the first areas to rebound, according to real estate market analysts. A combination of demographics, weather and a diversified economy are in its favour, although most don't expect a reversal of fortunes any time soon.

Mr. Pankratz believes in the city's potential because of its potent entertainment draw. In good times, it attracts 40 million visitors a year. It's just a weekend getaway from a 37 million-person market in California, it has 70 golf courses, spas, shopping and nightlife few cities can match, so he says Las Vegas won't be down on its luck for long.

"The economy may be bad, but Madonna was here and there was not an empty seat in house. The downtown restaurants are full. People may not be dropping as much money, but there is a lot of activity."

Vegas also has the advantage of being a city that markets itself better than any other. This month, the Las Vegas Convention and Visitors Authority announced that the entire town of Cranfills Gap, Tex., population 358, will be flown free to Vegas for a weekend. About half the town's citizens will take part.

According to Mr. Pankratz, One Queensridge Place offers the best of two Las Vegas worlds. Located 16 kilometres off the Disneyland atmosphere of the Vegas Strip, it has 200 golf holes within a four-kilometre radius of upper-end residential homes in the upscale Summerlin area, with views to the Red Rock Canyon to the west and downtown to the east. It overlooks the 27-

hole Troon-managed Badlands Golf Course and is nearby the JW Marriott Las Vegas Resort and Spa, Suncoast Hotel and Casino and Red Rock Casino Resort Spa. Most of its units run the width of the buildings.

"Lots of open spaces, great city and mountain views," says Mr. Pankratz. "People come here for three days, have a good time and leave. They don't realize there is another world off the Strip. Vegas has that infrastructure for 40 million tourists a year, but when you live here, you can go to the Strip if you want or leave it. It's there when you want it." The common areas at One Queensridge Place are literally works of art, with walls and floors adorned with pietre dure inlays. Its main lobby is 800 sq. ft. inlaid with more than 30 different types of semi-precious stones, including lapis lazuli, malachite, amethyst, jasper, tiger eye, rose quartz, marble and onyx. The floor has a floral design with more than 150 different flower species from various parts of the world, symbolizing peace and harmony.

"We know there is value in One Queensridge Place. It is virtually gallery-like. Every square foot of public space is a gallery," says Mr. Pankratz. "It's just really a unique and distinctive offering."

The project is adjacent to Tivoli Village, a Mediterranean-influenced shopping, business and restaurant development scheduled to open in late 2009 is being built by a related Executive Home Builders company.

Mr. Pankratz grew up on a farm near Foam Lake, Sask., and attended a one-room schoolhouse before going on to the University of Saskatchewan and later McGill University in Montreal. After an eight-year accountancy career in Montreal, he went to work for Genstar Development in Alberta and Vancouver and then moved to the U.S. He worked on the management teams of several large development companies including Del Webb, developers of the Sun City projects in California and Nevada. He planned to retire in 2001 but was lured back to Las Vegas by Executive Home Builders.

"I was going to ride off into the sunset and retire at 52 but after a few months I went stir crazy. Executive Home Builders approached me and I initially said no, but because of their commitment to quality projects, I agreed."

Economic slowdowns are nothing new for Mr. Pankratz, who kept Sun City attractive to buyers during the 1992 California slump. He says the current malaise is as much mental as economic and he believes people will soon start to shake off the unrelenting bad economic news. Some markets may even see a continuation of the "Obama bounce" that resulted in an increase of market activity in November.

"In the U.S., we've endured two or three years of negativism, going through a morass of Senate and Congressional and presidential elections. Every time we turned on the TV we heard 'liar, liar,' and that doesn't instill a lot of confidence in people. So, that's behind us - not totally, because there is always some level of election - but I think people will start to feel better about things."

Mr. Pankratz says residential developers in the Las Vegas market have virtually stopped building, which bodes well for the near future. "Inventory over the next couple of years will get absorbed and when the turnaround comes, housing could again be in short supply."

The veteran developer has this final take on the U.S. housing scene: "There are opportunities in these kind of markets that smart investors always see. And then there are those who say life only goes on so long and I'm not going to defer my purchase."

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