VEGASINC

For Las Vegas renters, pricey resort-like options increasing

By Eli Segall Thursday, December 11, 2014 - 2 a.m.

The Domain apartment complex has quartz countertops, a digital fireplace in the lobby that emits heat, free yoga classes and massages and 50-inch flat-screen TVs in each unit.

The Somerset Hills complex will have a sand volleyball court and dog park. A poolside cabana — dubbed the Cave — will have flat-screen TVs and Xbox gaming systems.

Elysian at the District will have an outdoor movie theater, a pet spa, billiards and arcade room, tanning salon, massage and facial room and, in the units, stainless steel appliances and built-in speakers.

These rental properties, designed to feel like boutique resorts, aren't cheap to live in, and they aren't in flashy Miami, Los Angeles or San Francisco: They're in the Las Vegas suburbs.

Despite the still-sluggish economy, investors are building a burst of higher-end rental complexes with larger units, lots of amenities and much higher prices.

They include the Lennox, which is scheduled to open next week. Its units range from about 850 to 1,800 square feet and cost $1,300 to $2,800 per month. The Gramercy, formerly called ManhattanWest, is scheduled to open Jan. 15 and has apartments ranging from 530 to almost 2,100 square feet. Rents will be from $950 to $3,500 per month.

Domain's monthly rents are between $895 and $1,445. Elysian, opening in mid-January, will likely charge up to $2,500 per month — "hopefully higher," developer Eric Cohen said this summer. Vantage, in Henderson, is charging more than $4,000 a month for its largest units.

By comparison, the average asking rent for a Southern Nevada apartment is $866 a month, according to Colliers International.

High-end rental projects would almost be assured of filling up in wealthier, more established cities. Las Vegas' properties seem off to a good start, but it's unclear how many people want — and can afford — to live in them all, and whether too many developers are chasing a small number of customers.

"No one knows," said broker Patrick Sauter, managing partner of NAI Vegas.

The economy is slowly improving, but wages have dropped hard since the recession and many people likely can't afford the properties. Also, most residents seem to prefer single-family homes.

"I think there are significant risks that there are more projects than there are renters," said Daniel Grimm, developer of Somerset Hills.

At the very least, investors are bringing a dash of style to a market packed with no-frills rental properties. Over the years, suburban developers have provided such perks as fitness centers and small movie theaters, but they're in new territory with the abundance and quality of amenities, not to mention the prices.

"This is a whole other animal," said broker Garry Cuff, a vice president with Colliers.

The apartment business is gaining speed nationally and, though far from roaring, is arguably the best-performing aspect of Las Vegas' commercial real estate market. Investors have been snapping up local properties the past few years — often at heavily reduced prices from the boom years — and building new ones.

They're lured in no small part by the recession's after-effects. Many residents, stung by bankruptcies, foreclosures and short sales, can't get mortgages and have to rent.

Investors acquired roughly 11,700 units, at an average price of $65,000 each, this year through the third quarter, compared to 3,000 units at $42,500 each for all of 2010, according to Colliers. Vacancy rates have dropped from a peak of 11 percent in 2009 to 5.5 percent today, Colliers says.

Developers have opened about 3,500 units a year since 1999, according to CBRE Group. Construction dried up during the recession but is picking up again.

After opening just 367 units last year, investors have completed 1,700 units this year. They are projected to open roughly 5,750 in 2015 and almost 2,000 in 2016, according to CBRE. Development is almost entirely concentrated in the south valley, especially near the 215 Beltway in southwest Las Vegas and the Beltway-U.S. 95 interchange in Henderson, CBRE found.

Land prices and construction costs are rising, so making a profit on a development requires higher rents, and the only way to persuade tenants to pay that much is to throw in more amenities, said Grimm, the Somerset developer.

Moreover, rental rates plunged during the recession, said Domain developer Martin Egbert, who hopes that more amenities will push prices back up.

Egbert's group, Nevada West Partners, perhaps the biggest high-end developer today, has built a few dozen rental properties in the valley since the late 1980s, though never with the level of amenities as now.

They bought land cheap during the recession, picking up 15 development sites in recent years, and want more.

Still, if developers can't find enough renters, they likely won't blight neighborhoods with ghost-town properties. They can just slash rents to lure tenants from cheaper buildings who would jump at the chance for affordable, luxury-style living.

That would empty out the lower-end complexes, though. This chain effect happened during the recession when landlords cut prices to keep buildings filled, said Bob Weidauer, CEO of WestCorp Management Group, a property management firm.

Developers such as Egbert are not targeting the masses. They want people with well-paying jobs who can buy a house but choose not to, people who want to live in a fun atmosphere and don't want to mow the lawn or wait around for the repair guy.

Many such renters are likely young and single or newly married, perhaps wary of the financial havoc that homeownership caused in recent years. But they might also include retirees or empty-nest baby boomers who don't want to deal with a house anymore.

"I don't think that population is (big), but I do believe it exists," said Cuff, of Colliers.

Initial results are promising.

Domain, at Eastern Avenue and Coronado Center Drive in Henderson, opened in January. Just one of its 308 units is vacant.

Dwell, also by Egbert's group, is on Silverado Ranch Boulevard near Bermuda Road and has 376 units. It opened in April and is 90 percent leased, according to management. Prices are $50 a month less than Domain's.

Elysian at Southern Highlands opened a year ago with 255 two-story townhouses with garages and is 96 percent occupied, according to developer Cohen, co-founder of the Calida Group.

Calida has new projects at the District at Green Valley Ranch and at Downtown Summerlin. As Cohen sees it, he can charge higher rents by building near retail centers, restaurants and freeway on-ramps, and by offering a lot of on-site amenities.

"We felt like people would pay a premium for that," Cohen said.

Still, people can only pay so much.

The 110-unit Vantage, a stylish, formerly busted condo project, is apparently charging more than anyone.

Amenities include concierge services, spa, pet park and poolside cabanas, as well as gourmet kitchens and floor-to-ceiling window walls. Available units range from about 1,900 to 3,100 square feet.

It's unclear how many renters have signed on — efforts to get comment from the landlord, Texas-based Pinnacle, were unsuccessful — but with prices now between $2,645 and $4,395 a month, most people in the valley can probably only dream of affording to live there.

"At some number, it doesn't make sense," Grimm said.