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BYLINE

What to Say?

According to most experts, we are dead in the water. Yes, we have the highest foreclosure rate in the country. Yes, we are extremely cautious about the state of commercial real estate and the banking establishments here. Yes, we have one of the highest unemployment rates in the country at 13.3%. Yes, our visitation by tourists is down close to 6%. Yes, our air traffic is down over 11%. And on top of all that, we are opening another approximately 10,000 hotel rooms. Something has to give. The world, not just Las Vegas, is going through an extreme devaluation that is taking time. How long? Not sure. But I do remember that the

early 80's recession took 4-5 years to get some normalcy. The early 90's took 4-5 years to get some normalcy. So, let's say this started in at the end of 2006. So, we still have some recession adjustments to make. Then what happens?

VALUE.

Do you really believe that Las Vegas is just going to disappear? The national occupancy rate for hotels today is around 50-55%. We are running at close to 83% with weekends running at 90%. The competition for the tourist dollar is going to intensify in the next couple of years making Las Vegas again an affordable value. Today, we are a steal value. I have been to

The Strip on a Tuesday afternoon and was just amazed at the number of tourists during the day walking the streets. The cost of our real estate, all kinds, are going for below replacement costs! Readers, that cannot continue. The majority of the investors today are saying I no longer want .05% to 1.5% for my cash savings, but where do I go? Well, many of them are buying real estate based on the fundamentals. One: Below replacement cost. Two: Positive cash flow. Three: Cap Rate, although Cash Flow has superseded Cap Rate. These are times one can prosper from others problems.

WE ARE NOT GOING TO DIE!

FAST FACTS

Las Vegas Strip

As of August, 2009 Y-T-D

Visitor Volume

24,451,231 Down 5.8%
Better than 6.9% last report

Room Inventory

141,420 Up 2/7%

Conventions Attendance

3,165,750 Down 30.2%

Occupancy Levels

82.7% Down 6.2%
Weekends 90.0% Same

Total Room Nights

28,325,076 Down 3.8%
Better than 4% last report

Gaming Revenues

\$3,641,545,000 Down 13.6%
Clark County
\$5,882,474,000 Down 12.4%

Airline Passengers

27,278,537 Down 11.3%
Better than 11.9% last report

Daily Auto Traffic

85,552 Up 2.3%
Better than .04% last report



APT SALES 2009 3rd QTR COMPARSION

FOUR PLEX	2007	2008	2009	%CHG
# OF BLDG	147	150	284	+89%
# OF UNIT	588	600	1136	+89%
\$ VOL. MIL	\$64.2	\$49.3	\$44.4	-10%
PRICE UNIT	\$109.2 THOU	\$82.1 THOU	\$39.1 THOU	-52%

FOUR PLEXES:

2009: 47% are repo's, 46% foreclosure purchases (primarily all cash deals) 4% resales and 4 short sales. There are 189 for sale at an average sales price of \$67k per unit (and dropping fast). SCARY PART: There are still many more NOD's pending. MOST DEALS ARE ALL CASH. Great returns! And more are coming. The great majority are repo's and short sales (heading into repo status). There are no signs of a normal market at this time. CAN YOU BELIEVE THAT ONE FOUR-PLEX SOLD FOR \$10,000 CASH.

100+ UNIT	2007	2008	2009	%CHG
# OF BLDG	34	13	9	-31%
# OF UNIT	9678	3592	1781	-50%
\$ VOL. BIL	\$1.071	\$292.0	\$61.8	-79%
PRICE UNIT	\$110.7 THOU	\$81.3 THOU	\$34.7 THOU	-57%

100+ UNITS:

2009: 4 REPO'S, 3 THAT LOOK LIKE FORECLOSURE SALES AND 2 RETAIL.

MORE ARE COMING.

NOTE REDUCTION IN \$ VOLUME AND PRICE PER UNIT.

5-99 UNIT	2007	2008	2009	%CHG
# OF BLDG	42	28	31	+11%
# OF UNIT	933	603	867	+44%
\$ VOL. MIL	\$67.1	\$46.2	\$49.8	+8%
PRICE UNIT	\$71.9 THOU	\$76.7 THOU	\$57.5 THOU	-25%

5-99 UNITS:

2009 Sales: 17 are repo's, 4 are purchased repo's and 10 retail.

Most repo and NOD's product is in the 5 to 50 unit range are in tough areas.

Solds strongly influenced by two repo's for about \$22-23 million for 196 units that were condo conversions that never happened.

TOTAL SALES	2007	2008	2009	%CHG
# OF BLDG	224	191	324	+70%
# OF UNIT	11200	4795	3784	-21%
\$ VOL. BIL	\$1.203	\$387.5	\$156.0	-60%
PRICE UNIT	\$107.4 THOU	\$80.8 THOU	\$41.2 THOU	-49%

TOTAL SALES:

NOTE: The number of NOD's continues to climb meaning there are going to be more repo's. The bigger properties are starting to fall. All apartment numbers are skewed today because we have very few regular deals. Everything is being influenced by the current recession and lack of financing.

Commercial Loan Modifications

By Devin Lee
Access Mortgage
702-369-8618

THIS ARTICLE PERTAINS TO 5+ UNIT APARTMENT BUILDINGS ONLY.

Loan modifications are all the rage these days and everyone is looking for one on their house. What about your investment property(5+Units)? Well, it can be done and you should investigate this option as early as possible, if you are having trouble making your mortgage payments on your property or are foregoing necessary repairs and improvements to the property because cash flow is tight. Ultimately, lenders really do not want to be property owners, so you both have an issue to resolve.

I don't mean to say that this process is easy or clear in any way. All lenders have different appetites for working new terms with their borrowers and different methodologies in their work-out scenarios. Some lenders may not be responsive at all. I personally, have found that if packaged properly, many lenders are willing to work with their borrowers, so ultimately there will be a better outcome for both parties. The end goal for the lender is the highest return.

My experience is that when documented properly that lenders are usually willing to review a loan file for solutions other than foreclosure. Generally, if working with the borrower will net a higher net present value to the lender, they are willing to at least consider the options. On the other hand, some lenders still can't see the fire through the smoke and may be absolutely unwilling or possibly unable by regulatory restrictions to "do the right thing." Unfortunately, post foreclosure many of these same institutions realize that it was not the highest return situation. I am sure some of this will change over time, but this continues to be a moving target with lots of intricate parts. No one case seems to be the same, but success is possible in this arena. The real keys are understanding the institutions motivations and documenting the possible outcomes in such a way that they are convinced that a work out with the borrower is best and highest return for them. That is the challenge for me in every negotiation. Actually convincing lenders that their initial reaction to follow loan documents and procedures to foreclose will not produce the highest return is an ominous task but is absolutely possible in many cases.

HEARD ON THE STREET:

September, 2009

***Apartment Vacancy Survey
(100+ unit complexes)***

By CB Richard Ellis, Las Vegas

Overall = 11.40% ↑

Class A = 8.56% ↑

Class B = 12.14% ↑

Class C = 13.65% ↑

2006 Y-T-D Average = 5.21%

2007 Y-T-D Average = 7.68%

2008 Y-T-D Average = 8.76%



Many of the apartment specialists believe that these numbers are still not reflecting all the concessions and vacancies being experienced today.

Surprisingly our apartment inventory has increased by 3,771 units (2%) in 2009. Primarily all class A product. See full demographic report go to www.mbelnick.com

October, 2009

Just reported: 352 units, next to Summerlin, sold for \$36.8 million in March, 2006 for condo conversion. It just sold as a short sale for \$15.6 million CASH. That is \$44,318 per door. A private party purchased the property.

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WOW! SOME GOOD NEWS

The city of Las Vegas has been given 'AA' ratings on it's general obligation bonds by S & P. Cited good management and fiscal policies. Quote: "the local economy's recent significant downturn is a credit concern, but we believe the city's strong long-term economic fundamentals still hold true, including the city's (and county's) reputation as one of the leading national and international tourism and entertainment destinations."

Update:

There have been 14 four-plex sales up to the 20th of October. The average sales price per door was \$23,000. 11 of the 14 deals were for cash. Three were conventional loans. They were all repo sales from lenders.