

Homeowner affordability fuels suburbs

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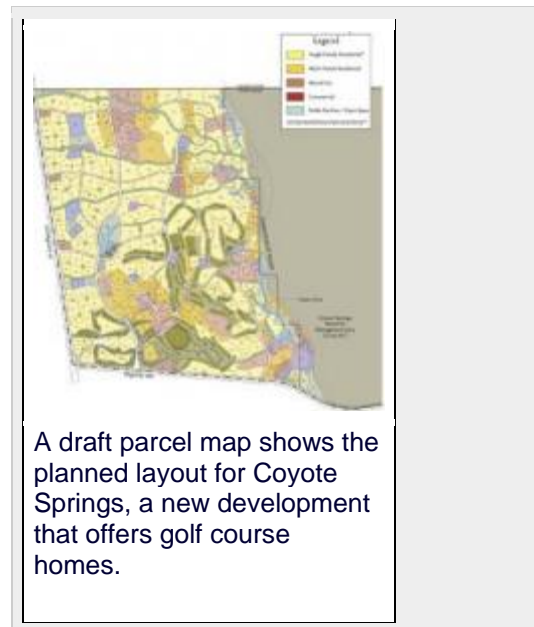
Rising property prices, escalating construction costs and a shrinking local land inventory has local homebuilders looking at places like Pahrump, Mesquite and Coyote Springs as the next bedroom communities to Las Vegas. Vacant property values now average about \$800,000 per acre and higher in the Vegas area, and building costs have increased 14 percent or more during the last year alone.

Homebuilders subsequently are giving rural communities outside the valley more serious consideration. The land is still cheap and plentiful. Local officials are welcoming. Permitting is faster. And there are fewer water restrictions.

Pulte Homes, for example, recently broke ground on a 2,014-acre master-planned community in Mesquite, 80 miles northeast of Las Vegas. The development, called Anthem Mesquite, will consist of 4,600 single-family, detached homes built around an 18-hole golf course designed by Gary Panks. Las Vegas, by contrast, has a golf course construction moratorium in effect because of drought conditions.

"We chose to develop in Mesquite primarily because of what the land offered us," said Steve Wethor, president of Pulte Homes' Las Vegas North Division. "We began looking in outlying markets because the price of land in the Las Vegas Valley has become so high that it is not economically feasible for us to develop large active adult communities in Las Vegas at this time."

Pulte is hoping homebuyers will follow them to Mesquite, which currently has about 20,000 residents. But that number is expected to grow by 23 percent during the next few years. Affordability will play a key role in its future growth. Average Mesquite homes cost about \$120,000, the city reports, which is 61.3 percent less than those in Las Vegas.



A draft parcel map shows the planned layout for Coyote Springs, a new development that offers golf course homes.

"In 2005, the median household income was \$47,741, while median new home prices were \$309,990," said John Restrepo, principal of Restrepo Consulting Group, a Las Vegas real estate research firm. "Home sale prices have increased 148 percent during the past decade, outpacing income growth by five times, making it increasingly harder for working families to own a home."

Homebuyers may also be drawn to the idea of getting more "bang" for their buck. Anthem Mesquite will feature single-story detached homes from 1,200- to 3,000-square-feet in size, with average densities of 4.5 units per acre. Las Vegas, by comparison, is increasingly offering three-story single-family detached homes with 14 units per acre and zero lot lines.

A bigger footprint, larger lots and golf course access are highly desirable homeownership points that increase resale value. Mesquite homes can additionally offer yards with turf. Grass is no longer available on most new Las Vegas homes because of water restrictions.

William Lyon Homes has already found success with its 900-acre, 3,200-home Mountain's Falls community in Pahrump. Single-story homes are priced from the low \$200s to mid \$300s.

"There's a tipping-point when homebuyers will drive that extra distance for a larger lot and bigger home that's 40 to 50 percent cheaper," said Terry Connley, William Lyon's vice president of Nevada Operations. "It really comes down to a lifestyle question that buyers ask themselves. I believe Pahrump will be a major contributor to the Las Vegas housing market over the next five to 10 years."

Pardee Homes similarly is testing the rural waters with its Coyote Springs development, 60 miles northeast of Las Vegas. Construction on the 13,100-acre, 10,000-home first phase began in early April. It, too, will offer homes built around a championship golf course. Residences will be single and double stories from 1,100- to 4,500-square-foot in size. The first homes are expected to come online in summer 2007. There will also be multiple outdoor swimming and lap pools as well as lagoons and water slides. Water features, no longer available in Las Vegas, serve as yet another highly desirable attraction for the new development.

"This is going to be a different place to live for young trailblazing families," said Jim Rizzi, Pardee's director of community development. "We are forecasting that sale prices will be 20 to 30 percent below a comparable community in North Las Vegas."

The 43,000-acre Coyote Springs Valley is being developed by a Harvey Whittemore-led investment group, with Pardee overseeing the residential master-planned portions.

"Outlying areas where entry-level housing is still affordable are becoming the new bedroom communities to Las Vegas," Restrepo said. "As valley home prices continue to escalate, people could soon be forced to commute in order to have a better lifestyle. Unless more affordable housing occurs as a result of improved BLM land auction processes and added developer incentives, places like Mesquite, Pahrump and Coyote Springs will become popular alternatives for workforce home ownership."