



Las Vegas Homebuyers Are Bidding Up Prices in Collapsing Economy

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by Prashant Gopal

Nowhere is the widening gap between real estate and the real economy more apparent than in Las Vegas, where tourism is in ruins, wages are plunging and home prices just keep rocketing higher.

The median price for a single-family house in August jumped almost 10% from a year earlier to \$335,000, according to a report from the Las Vegas Realtors. By comparison, annual price growth in February, the month before Covid 19 emptied out casinos, hotels and restaurants, was 6.7%.

For buyers from high-cost markets in California or New York, drawn by record-low mortgage rates and Nevada's lack of income tax, a wager on a Vegas home looks like a sure thing right now. But in less than a year, those bets could sour as owners resell those properties and send prices falling.

Among large U.S. housing markets, Las Vegas is the riskiest by a wide margin, according to an analysis by CoreLogic Inc., which projects that by next July, prices will be down by 7.8%. So far, values have been pushed up by a shortage of supply, with available listings falling 40% in August from a year earlier.

"A lot of sellers are asking me the same question: How is my neighbor's house going under contract in two days, but I pick up the local newspaper and it's all doom and gloom for the economy?" Shay Stein, a Redfin agent in Las Vegas, wrote in a blog post. "It's because there's so much more demand than supply."

Distressed Sales

Frank Nothaft, chief economist at CoreLogic, forecasts that over the next year, Vegas will no longer have a scarcity of listings. Unemployed homeowners may be forced to sell at distressed prices when the federal mortgage forbearance program expires for many borrowers in March, Nothaft said. The Vegas area's jobless rate was 16.4% in July, almost four times the level of a year earlier.

Also, if a vaccine begins to get the virus under control, owners who have been staying put during the pandemic may decide to sell, he said.

Las Vegas prices are increasingly out of line with incomes that were slashed by the pandemic shutdowns, Nothaft said. Still, he doesn't expect the outcome to be as bad as the 2008 crash.

"I expect price declines to be temporary," he said. "They will turn around and start to rise gradually after that."

Meanwhile, Tony Vane, a Realtor with Berkshire Hathaway Nevada Properties, has 13 houses under contract and may have to farm out business to other agents because he has so many showings on weekends, including customers from out of state who come by car and by plane.

One of his listings, a four-bedroom house with a swimming pool and room for a recreational vehicle, drew 15 offers in three days and sold for \$360,500 -- \$11,500 above the asking price, he said.

"It has just been gangbusters," Vane said.

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