Pandemic affects Las Vegas luxury housing market

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Las Vegas stands to benefit from a new wave of buyers who were influenced by the coronavirus pandemic, especially on the luxury side. They can be called COVID buyers.

The outbreak of COVID-19 locked down people in their houses where they worked productively out of a home office, and that has prompted some companies and executives to realize more of their employees can work remotely. And if you can work remotely, why not live anywhere you want to live in the country?

The trend was highlighted in a June report from John Burns Real Estate Consulting: "The shift to staying home has given many people the opportunity to work from wherever they want. … State-of-the-art technology will make an even bigger difference now, as people are looking to relocate out of expensive areas. Salt Lake City, Las Vegas, Boise, Portland and Phoenix are all experiencing surges in California buyers, some of whom have been greenlighted to work from home permanently."

And that trend is happening at a great time for Las Vegas as the reopening of casinos across the state June 4 has brought in luxury buyers who like to stay in five-star hotels when they're out home shopping.

The Las Vegas new-home market is already showing signs of recovery when overall net new-home sales in late May and early June, although down from the pre-COVID-19 sales, matched or surpassed the previous year.

Traffic through model homes continues its upward trend for the past eight weeks.

On the luxury side, the number of homes closed at $1 million and above on the Multiple Listing Service — which are mostly existing homes — was 53 in May, the second-highest total for any month in 2020. The high was 58 in March, but that fell to 17 in April, according to Las Vegas Realtor Forrest Barbee. More luxury closings are in the works.

Las Vegas Realtor Rob Jensen issued a report Thursday that said the luxury real estate market is having a "late-spring bloom." As of May 31, 111 guard-gated properties were reported under contract, up from 97 in May 2019, he said.

There were 49 under contract for $1 million and above, matching May 2019. The totals break down to 38 under contract from $500,000 to $750,00; 24 under contract from $750,000 to $1 million; 27 under contract from $1 million to $2 million; and 22 under contract from $2 million and above, according to the report.

Work from home

Lesley Deutch, a principal with John Burns Consulting, said what's happening is "COVID saying you can work from home and that's a real opportunity now, but I also think it's the effect of people wanting more space. You can afford more space in markets like Vegas. What surprised us was it wasn't just entry-level homes we were seeing the demand but luxury homes. I have heard stories of people trading up on their luxury homes to have more space. May saw that trend accelerate."

Deutch pointed to the announcements in May out of Silicon Valley. Twitter and Square CEO Jack Dorsey said employees can continue working at home forever. Facebook CEO Mark Zuckerberg also said employees may continue working from home and is taking applications for remote positions. The one catch is Zuckerberg said those employees who relocate may have their salaries adjusted for their new locale.

People are using Zoom and other services to stay in contact with offices and hold remote meetings from their work-at-home setups. Relocating out of expensive markets, such as San Francisco and Los Angeles, not only reduces housing costs but any long commutes and should benefit Reno and Lake Tahoe in Northern Nevada too. Companies see it as an opportunity to reduce expensive office space they lease.

"I don't think the whole world will start working from home," Deutch said. "I do think there will be a shift. … When people buy their next home or first home, they'll consider home office space and quieter areas. I don't think you're talking about a complete reversal of where people work, but I think you will start to see a little more. Entry-level, move-up and luxury will also have that aspect of work-from-home."

Ken Lowman, broker/owner of Luxury Homes of Las Vegas, said that trend has been evident from the impact on people's work lives caused by the coronavirus. Before COVID-19 shut down the economy, Lowman said about one-third of his buyers were from California. That's up to half now, he said.

Lowman said the strongest interest is among buyers looking for homes priced between $800,000 and $1.2 million and those $3 million and above.

"More of them can work from their homes, and Las Vegas being a more affordable environment, (they can come here) and get their work done remotely," Lowman said.

"They were still coming because of tax reasons, but this is something to allow people to come sooner than they may have otherwise. It allows some people to come that wouldn't if they were not allowed to work from home. I've seen pharmaceutical companies and tech companies and companies that service the tech industry, movie production companies and people from Southern and Northern California."

Kristen Routh Silberman, a Realtor with Sotheby's International Realty, said having more people working from home with high-tech setups will "make a difference for Las Vegas for sure. Now, Las Vegas has to step up our game because we're competing with Florida and other tax-free states," she said.

"I'm on call with Sotheby's agents all over the United States, and we are seeing mass exodus from New York, California and Chicago, where taxes will be raised," Routh Silberman said.

"They don't need to stay in those big cities anymore because they can work from wherever."

Other trends

There is another trend Las Vegas will see: people who were close to retirement or edged into it by the coronavirus and locked down in their home pushing their dream forward to retire in a warm-weather climate and state such as Nevada, which has no income tax.

Deutch said there has been demand from empty nesters and retirees saying: "This is the time. I'm living in a smaller place. I can afford more. I can have outdoor areas, which is really important to people right now. They were on the verge of retiring or thinking about retiring and went ahead and did it. These markets are seeing the positive effect. It is COVID-driven. It's not a new trend but an acceleration of existing trends. You were seeing in Vegas that movement from California before, but I think with COVID and the pandemic, it's accelerating that trend quicker than we would have ever imagined. But who would have imagined all of this."

Andrew Smith, president of Home Builders Research, said he can foresee that trend in Las Vegas. After being cooped up in their homes, people are looking for change and suggested those who were close to retirement and lost their jobs will be ready, he said.

"They're thinking they can go someplace warmer, and this is the last straw and I was about to retire and now I got laid off and am retired, so it's time to move," Smith said.

Deutch said this trend is likely to impact older millennials who have just now having children and need more space for their families.

"That has brought it to the forefront," Deutch said. "You have seen a lot of people move out of apartments into new homes because they are looking for more space. It is a combination of young and old. Everyone has had a very similar experience of being in their home, whatever that experience is. They're going to start thinking about what their next home is going to be like or how they're going to remodel their existing home. I think that will continue."

Routh Silberman said another trend is emerging since New York and California haven't committed to starting school yet. Luxury buyers are looking to Nevada because their schools will be reopening in the fall, she said.

"COVID-19 has had a profound change on people," Routh Silberman said. "If home is where your heart is and home is where your shelter is and home is where you are going to spend a lot of time, while you might have been willing to wait another year or do something, people want to make a move and get on with their life. Why wait. Money is still super cheap."

Routh Silberman said they've started to see more prospective California buyers return in late May as the Las Vegas economy opened and expects the reopening of casinos to have a greater impact on the luxury market.

"The velocity we were showing before, we are showing now again," Routh Silberman said. "The buyers are coming back, and it's 75 percent back. The toughest thing is getting people in. Most people are driving in because the airlines aren't stable enough with flights. Our luxury buyers aren't into staying at a Motel 6 or nongaming hotel because they're not as luxurious. They want to stay at the Wynn or Bellagio and make it more fun and exciting. We didn't have that four- and five-star accommodation until this past weekend."

In late March and April, Lowman said he had luxury buyers cancel their plans to come to Las Vegas for home-shopping trips because they had no place to stay or flights to come here.

"Now, that they're up and running, they're starting to come back in," Lowman said. "We're not quite back to where we were. Right after May 1, I started to see it steadily increase, and it's been steadily increasing ever since. We're not quite back to where we were before this happened, but it looks like we're going to get there."

For the new-home market, Smith said for the week ending June 7, there were 222 net sales, which includes 272 sales and 50 cancellations. It was 186, 159 and 98 net sales the previous three weeks. In the first week ending in June 2019, there were 173 net sales, including 29 cancellations.

Before Gov. Steve Sisolak announced the closure of nonessential businesses, Smith said, there were 329 net sales for the week ending March 8 when Las Vegas had some of the strongest new-home sales since before the Great Recession, which started in 2008.

“The demand was already there, and it never went away,” Smith said. “There have been increases for the past four weeks. Four weeks ago the cancellation rate was 45 percent. This past week it was 18 percent. Anything under 20 percent is normal. As things are, today, it’s looking a lot better for sure, but it’s not all that expected, and (what) people felt might happen (with the economy and casinos reopening and people going back to work). Barring any major unknowns popping and hopefully as more businesses are able to reopen and rehire, people will be able to get back into the housing market.”

Based on traffic and mortgage applications, that looks to be the case.

For the week ending June 7, there were 3,100 people going through new model homes, Smith said. It was 3,600 in the first week of June 2019, he said. It was 826 for the week ending April 12. It rose in subsequent weeks to 1,277, 1,666, 1,958, 2,078, 2,623, 3,069, and 3,081 ending May 31.

The most recent weekly report from the Mortgage Bankers Association said nationwide home loan applications were up 13 percent over the same week in 2019. Housing analysts said pent-up demand and low interest rates are fueling a quick recovery in homebuying as economies reopen.

This past week, mortgage rates fell below 3 percent with 5 percent down, according to Mosi Gatling, a sales manager with Loan Depot.

“This is definitely the lowest ever, which is amazing because they didn’t go this low during the housing crisis,” Gatling said.