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Builder not afraid of big bad bubble

Developer plans high-end community in Henderson amid signals of housing slowdown

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The timing doesn't seem right for Ian Peltier to be developing a high-end custom home community on the lower slopes of Black Mountain in Henderson.

Residential construction is slowing around the nation. In April, the seasonally adjusted rate of single-family construction spending was the lowest since December, Associated General Contractors of America chief economist Ken Simonson said.

Even Las Vegas, one of the hottest real estate markets in the country for the past five years, has seen an 8 percent decline in new home building permits through the first six months of the year, local firm Home Builders Research reported.

A reduced pace of home construction is expected in four of five U.S. regions covered in McGraw Hill's Construction Outlook 2006. The West is forecast to drop 9 percent from a very healthy 2005 as overpriced housing markets in that region are affected by reduced demand arising from higher mortgage rates, according to McGraw Hill.

Peltier, 36, president of Escana Properties, is not deterred by the reports. He came from a sagging economy in Michigan to Las Vegas, the second fastest-growing big city in America from 2000 to 2005.

"We were very fortunate to find a piece of land like we did," he said of the 5-acre parcel purchased for \$2.5 million a year ago. "We certainly couldn't duplicate it today."

Peltier plans to develop the La Luz gated community with 17 estate homes priced from \$1.5 million to \$2 million. Construction is expected to begin in September and the first homes completed in July 2007.

Final maps have been secured for La Luz, grading is completed and installation of retaining walls and other on-site improvements are under way near Horizon Ridge and Viento Puntero.

Homes are selling for about \$280 a square foot, which Peltier said is "an amazing price" considering the custom offerings such as Wolf appliances and rooftop fire pits that are standard at La Luz. Each home comes with a three-car garage and basement, something not often found in Las Vegas.

"We did extensive soil testing," Peltier said. "It's one of the risks we took. We're doing a small, boutique community. It's not always as cheap as other home builders want to do."

The homes are being designed by Michael Knorr and Associates, known for creating luxury homes for Las Vegas celebrities Siegfried and Roy and top casino executives.

Peltier said the architecture is unique to this area, appealing to both emotion and intellect. It's contemporary and very linear, in the style of Palm Springs, Calif., he said.

"I think we'll see the style of single-family homes change," he said. "You'll see more diversity."

Dennis Smith, president of Home Builders Research, said it's not a good time to be opening a new home subdivision in Las Vegas, which is on the deflation side of the housing bubble right now.

"If you had your choice between doing it now and a year ago, I'd do it a year ago," he said.

For some custom home builders, especially smaller builders, the time line for development may have played out, Smith said.

"The clock's ticking on financing, investors want a return. So it's basically at the point of either pull the permits and start construction or he sits tight," Smith said. "Some larger builders are basically sitting tight and selling what they've got. They've been told not to go out and buy new land right now."

Pulte Homes, the second-largest home builder in Las Vegas, is showing discipline by aggressively changing its strategy on land acquisition and speculative building, Susquehanna Financial Group home building analyst Stephen East said.

"On the land side, there is virtually a moratorium on new land purchases," he said.

Pulte Chief Executive Officer Richard Dugas commented that the company has land positions it "can capitalize on for years."

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