

Survey ranks Las Vegas best place to buy home

BY HUBBLE SMITH
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With prices at 20-year lows, Las Vegas ranks as the best city in the country to buy a home instead of renting, a survey by San Francisco-based Trulia.com real estate listing service shows.

Home ownership beats renting in 74 percent of 50 major U.S. cities included in Trulia's Summer 2011 Rent vs. Buy Index, which compares the cost of buying and renting a two-bedroom apartment, condo or townhouse.

Joining Las Vegas in the top five cities are Detroit; Mesa, Ariz.; Fresno, Calif.; and Arlington, Texas.

Las Vegas came in with a price-to-rent ratio of 6, based on Trulia's median list price of \$58,000 divided by \$9,700 for 12 months of rent, or about \$800 a month.

"It wasn't too much of a surprise, especially when we look at the foreclosure rate and the unemployment rate so high," Trulia spokeswoman Daisy Kong said Tuesday. "What's interesting is Las Vegas has been pretty consistently at 6 the last three times we looked at the numbers since January, whereas other places like Miami we saw rise from 6 to 13."

It's still less expensive to buy in Miami, but the rent-to-buy ratio increased 112 percent as foreign investors and a freeze on foreclosures have created a "mini-buying boom," Kong said.

About half of Las Vegas home sales are cash-only transactions, and many involve foreign investors, she said.

"We look at international buyers, and I know Canada and China are the top countries looking at Las Vegas on our site," Kong said.

Las Vegas has always been a great city to buy vs. rent, though the pendulum swung the other way when home prices skyrocketed, said Realtor Tim Kelly Kiernan of ReMax Extreme. He said he now has an older single-family home in

escrow for \$35,000, or about a \$320 monthly mortgage payment, with a VA-backed loan.

"If you can qualify for a mortgage, it makes sense to buy if you can," Kiernan said. "You can get an FHA with 3½ percent down; you buy a condo for \$40,000, \$50,000, \$60,000, your payment would be ridiculously low. The whole thing is the creditworthiness of buyers."

Some banks are making loans for \$30,000 to \$40,000, something they would not have done in the past, Kiernan said.

Housing analyst Larry Murphy of Las Vegas-based SalesTraq agrees that Las Vegas real estate prices have over-corrected and are undervalued. He used an example of buying a home for \$100,000, renting it out for \$900 a month and getting return on investment of almost 11 percent.

"Homes in Las Vegas are a bargain by any criteria you want to apply -- comparative price approach to other cities, cost to replicate, investment approach," Murphy said. "That's why we're selling 50,000-plus resale homes each of the past two years. The only problem is, you need cash to be a buyer in this market because of high unemployment and lenders who don't really want to lend."

While Standard and Poor's credit downgrade of Fannie Mae and Freddie Mac has shaken consumer confidence in the housing market, it hasn't destroyed the dream of home ownership, Trulia spokesman Ken Shuman said.

However, homebuyers who are ready and qualified to buy face an uphill battle with lending, he said.

"Today's record-low mortgage rates have actually made banks less enthusiastic about approving residential mortgage applications," he said. "Until a middle ground on lending practices can be met, many highly qualified buyers may be forced to be renters for now."

A lot of prospective homebuyers are "on the fence" about renting or buying in today's market, Kong said.

Should they take advantage of falling home prices and low mortgage rates, or should they continue to rent until the economy stabilizes?

"Price alone should never be the sole factor in deciding to purchase a home," Kong said. "Instead, buyers should first ask themselves if they plan to live in the home for at least seven to 10 years, can make monthly payments on the house and have enough cash in the bank for a down payment and an additional six to

eight months worth of mortgage payments."

If so, then the cost of buying a home definitely outweighs renting, she said.

In cities with a price-to-rent ratio of 21 or greater, the cost of home ownership is much greater than renting.

The five cities where it's clearly better to rent than buy are New York; Fort Worth, Texas; Omaha, Neb.; Seattle; and San Francisco.

Contact reporter Hubble Smith at hsmith@reviewjournal.com or 702-383-0491.

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