

Great Las Vegas Investment Properties...But Will They Rent?

Las Vegas, NV

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Real estate prices have fallen over 70% in Las Vegas, and aggressive investors are now flooding back into the market to snatch up bargain properties. Real estate experts are touting the strong cash flow potential that Las Vegas properties now offer. Still, I have found that of the dozens of potential Las Vegas real estate investors I speak to every week, most of them share the same concern: Will I be able to find tenants for my investment properties? This is a great question. Exactly how strong is the rental market in Las Vegas? How long will it take to get your investment home or condo rented? What is the vacancy rate in Las Vegas?

Rental vacancy rates are published yearly and I am still waiting to see the data for 2009. But vacancy rates don't tell the whole story. Because rental vacancy statistics are heavily weighted towards apartment buildings, a high rental vacancy rate for a particular city does not mean that rental homes and condos are necessarily experiencing high vacancy rates. With foreclosure rates in Las Vegas leading the nation for the last two years, many families who are used to living in houses are losing their homes. These families look to rental house and condos to find a new home that fits their lifestyle. So even when overall vacancy rates in Las Vegas have been high, we have continued to see strong demand for rental houses and condos. My personal experience has followed this trend as well. On the 80 plus homes and condos I helped investors purchase last year alone, we are currently running close to a 95% occupancy rate.

It is true that average rents have fallen in Las Vegas over the last two years. But rents have fallen only around 20% while home and condo prices have plummeted over 70% from highs of three years ago. This disparity has created a great cash flow opportunity for investors now entering the deflated market. Homes that were \$300,000 are now selling for \$100,000 and renting for as much as \$1300 a month.

Condos that were \$225,000 in 2007 can be had for \$59,000 and are renting for \$900 per month. Homes and condos are experiencing tremendous cash flow that is well above the 1% rule. (Rents should equal at least 1% of the purchase price in order to cash flow positively.)

In the last year, I have sold to many investors, but one in particular has done something that I believe I will see a lot more of this year. He has cashed out around a million dollars from the stock market, purchased 10 single family homes (all around \$100,000), and is cash flowing hugely at this time. Average rents on his properties are at \$1150 per month and all of his homes are now rented out. If you consider the numbers on his particular investment: Rental income minus taxes, home owners association dues, insurance, minor maintenance, and property management... he is netting about \$800 per month, per house. Multiply this by his 10 properties, and he is netting close to \$8000 per month in returns. This comes to just under a 10% yearly return on investment. I don't know anyone right now who is making 10% per year on their stock portfolio. And these figures don't even take into account the appreciation that he will receive year over year on his properties as the market continues to recover. Nor does it take into account the tremendous tax benefits that come from investing in real estate. Once appreciation takes effect over the course of the next several years, and rents continue to rise, this guy will look like a genius.

This gentleman took a calculated risk and faced his fears about the rental market and is feeling pretty good about it at this time. (Amir, you are my hero.) Now that he has hit his goal of 10 homes, he is planning on buying 10 more over the course of the next year.