

Condos at Strip hotels can make future redevelopment challenging

By [Bailey Schulz](#) Las Vegas Review-Journal
February 6, 2021 - 7:51 am

Las Vegas' skyline has never been stable.

In the '90s and 2000s, the desert oasis-themed properties built during the city's mob era were demolished to make room for bigger, more lavish properties.

Wynn Las Vegas replaced the Desert Inn, the Bellagio was built on the ashes of the Dunes, and The Venetian now offers gondola rides where the Sands once stood.

Demolition has been one of Las Vegas' go-to methods for a refresh, but certain aspects of Las Vegas' skyline today will be here to stay, thanks to a condominium trend that started in the 2000s. Real estate experts say the individually owned units inside the properties will make them difficult to tear down.

"Las Vegas does have a history of reinventing itself over the years. The market has seen a number of properties being torn down in an effort to replace it with something bigger, better and more innovative," Applied Analysis partner Brian Gordon said. "For those locations that have these individually owned

condominium units, that development alternative becomes much more challenging.”

‘Difficult to tear down’

A dozen-plus high-rise condo buildings are spread across the tourist corridor. Some — like Turnberry Towers and Juhl — are purely residential. Others are attached to hotels, like Palms, MGM Signature, Trump International, Vdara and Waldorf Astoria.

Gordon said the hotel-condo trend first took off in Las Vegas in the early- and mid-2000s, when land value and construction costs were soaring.

Developers needed to find a way to help finance their projects, and condos offered a simple solution. Properties could sell individual units to frequent travelers who agreed to put their unit back in the rental pool a certain number of times throughout the year.

“Costs were escalating, land values were elevated, and demand for Las Vegas amenities and resort properties was high,” Gordon said. The “for-sale condominium component (helped) fund that infrastructure.”

That financing trend died out when the market came crashing down during the Great Recession. Dreams of the “Manhattanization” of Las Vegas faltered as several planned high-rise, mixed-use properties were nixed in the mid-2000s. Other projects pivoted operations: The Cosmopolitan of Las Vegas, for instance,

canceled condominium sales in 2008 and converted the units into hotel rooms after its original developer defaulted on a loan and Deutsche Bank took over.

While there are fewer condominium properties in Las Vegas than originally planned, those that did make it to completion seem to be here to stay.

“Those properties will be more and more difficult to tear down,” said Uri Vaknin, a partner at private equity firm KRE Capital LLC who oversees five condominium properties in Las Vegas. “You have to get almost complete buy-in from ownership based on Nevada law.”

Layer to Las Vegas’ history

Gordon said condominiums “add an additional layer of complexity” to Las Vegas’ redevelopment activities. He expects the city’s current condominium towers to be around for at least the next decade.

Their longevity could be good for Las Vegas, Vaknin said. As the chair of The Neon Museum’s board of trustees, Vaknin said the buildings could help bolster the city’s architectural history.

“As we’ve matured as a city ... we’re also seeing the importance of the history of our city,” he said. “Part of what we know about Las Vegas is it is constantly evolving. At the same time, we want to keep some of the stuff that makes Las Vegas, Las Vegas. We don’t want to lose our identity.”

Brendan Bussmann of research and management consulting firm Global Market Advisors said these mixed-use properties have loyal customers who prefer the space and amenities compared with the traditional hotel offerings.

“There are individuals out there that ... enjoy that product,” he said. “Some people want that larger (room) that has a kitchen” when they visit Las Vegas.

Vaknin added that many of the condo-hotel hybrids lack the heavily-themed designs seen in other structures, which could help them avoid going out of fashion longer.

“There will always be (demolitions),” Vaknin said, but “I don’t think a place like CityCenter will be obsolete for decades and decades to come.”

Spokespeople for MGM Resorts, which owns 50 percent of CityCenter, declined to comment for this story. A spokesman for Red Rock Resorts, which owns Palms Place, also declined to comment.

Las Vegas: a ‘unique market’

Unlike the historic high-rises in New York or Chicago, many structures in Las Vegas last just decades.

The Landmark was open 26 years before it was imploded. Dune’s South Tower was around for only 15. Desert Inn’s Palms Tower lasted seven.

For a city used to seeing buildings toppled over after only a few decades, condominiums could throw a wrench in the city’s’ go-to method for a face-lift.

“We’re accustomed to seeing properties torn down after a few decades,” Gordon said. “That seems to be something that’s fairly unique to this particular market given the evolutionary nature of the resort industry as a whole.”

Perhaps no one knows this better than Mark Loizeaux, president of Controlled Demolition Inc. The Maryland-based business has been tearing down Las Vegas resorts since the Dunes implosion in 1993.

Loizeaux orchestrates implosions all over the country, but Las Vegas has provided a steady stream of business over the years. The Riviera's 2016 implosion was the company's 28th or 29th Las Vegas project — at this point, it's hard to keep track.

“Las Vegas is a very unique market,” Loizeaux said. “Nowhere else are people so aware of the value of time.”

Loizeaux said he has been approached with inquiries on three “iconic” Las Vegas structures in recent months but wasn't able to share names because of nondisclosure agreements.

“I don't see (implosions) immediately on the horizon,” he said.

Despite redevelopment challenges tied to Las Vegas condos, Gordon said the city will continue to evolve.

“These particular buildings will last much longer than we've seen among other sites up and down the Las Vegas Strip, just by a function of their ownership,” he said. “But that doesn't mean other properties without a residential component won't ultimately turn over or be redeveloped with time.”

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