

What's on the Horizon for Real Estate Investing in Las Vegas

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Pat Vassar, Ignite Funding's Director of Underwriting, has over 15 years of experience in real estate analysis and underwriting. Most of that time has been dedicated to identifying quality borrowing entities and underwriting real estate development projects in regions like Ignite Funding's hometown, the Las Vegas Valley.

Since 2011, Mr. Vassar has helped Ignite Funding garner respect as a timely and dependable lender in the Vegas Valley. This has put Ignite Funding in a position to work with various notable developers on a regular basis, including Harmony Homes, Blue Heron, Edward Homes, and Dapper Companies. To date, Ignite Funding has financed over 550 real estate investments funded with over \$400 million in investor capital in Nevada alone.

Today we share an exclusive interview with Mr. Vassar where he provides his outlook on real estate development and trends he is seeing in financing throughout the U.S and the Vegas Valley.

Q: Are we seeing an impact on financing real estate development due to increased inflation and interest rates?

A: While the inflation rate is extremely high and the Fed continues to raise interest rates, in theory, this would increase borrowing costs. However, in practice we are not seeing this have any effect on the rates for commercial lending, yet. Developers that are looking for financing can still find affordable rates. That's why we haven't seen a dramatic shift in developers slowing down on the acquisition, horizontal development, or construction side of things.

Q: What segments of the real estate market are being impacted by increased inflation and interest rates?

A: The segment of real estate market that has really been hampered is the residential market for entry-level housing and the major construction projects, which is anything over \$200 million dollars. The entry-level homebuyer is very rate sensitive because they must be able to afford the monthly payment. They are also affected by increasing house prices. When rates and/or housing prices go up, it is no longer is affordable for the entry-level homebuyer to finance a home.

If we see another .5% increase in the interest rates or another 5% increase in home prices on a national level, we will be at the most unaffordable home price on record in U.S. history that we know of since they didn't start tracking these statistics until around the 1950s. On the other end of the spectrum, the higher-end or luxury home market has been minimally affected because those homebuyers are less reliant on financing and can typically purchase with cash.

Q: How have these trends affected Ignite Funding's lending strategy throughout the Western U.S., including the Las Vegas Valley?

A: We foresee that these impacts to the entry-level homebuyer are not going to be alleviated anytime soon, which has led us to not lend as much or at all to entry-level homebuilders. These obstacles are going to be a very hard hill for them to overcome and unfortunately there some rough waters ahead for those builders.

This has caused us to increase our shift away from residential home development to commercial development projects.

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