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Less Vegas: The Casino Town Bets on a Comeback

By Joel Stein

The real estate mistakes on the Strip were made in miniature by thousands of Vegas homeowners. To see the real devastation, I have to leave the line of casinos along the Strip and drive to where people in Las Vegas actually live. I head out to spend the day with real estate agent Brooke Boemio, a bouncy, sweet, recently remarried 31-year-old mom whom I met years ago when I was on another assignment. Boemio is doing great during this recession. In fact, she's never had a job that paid as well: she made more than \$100,000 last year. Even better, she's willing to show me how messed up the real estate scene is.

Boemio specializes in short selling, in a particularly Vegas way. Basically, she finds clients who owe more on their house than the house is worth (and that's about 60% of homeowners in Las Vegas) and sells them a new house similar to the one they've been living in at half the price they paid for their old house. Then she tells them to stop paying the mortgage on their old place until the bank becomes so fed up that it's willing to let the owner sell the house at a huge loss rather than dragging everyone through foreclosure. Since that takes about nine months, many of the owners even rent out their old house in the interim, pocketing a profit. ([See pictures of modernist houses available for rent.](#))

Tons of people were doing this, but there were consequences. Renters were being evicted, through no fault of theirs, with a couple of days' notice when the house finally went on the market. People are now paying a premium to live in apartment buildings, which in Vegas are almost always owned by a corporation. Sure, short selling damages the sellers' credit rating, but they just bought a new house, so they don't care.

It's an entire city of John Dillingers, feeling guiltless for stealing from the banks. Boemio is well aware that short selling isn't ethical and is exacerbating Vegas' economic problems. People, she believes, should make their payments, accept their paper losses and ride out the crash. "Guess what, a_____s of Las Vegas. That's what gambling is about. That's what investing is about," she says. "It's greedy. But we're all doing it. Because why not?" It's very hard, she says, to suffer as the one honest person in a town of successful con artists.

In fact, last year Boemio and her new husband did it themselves, paying \$279,000 for a house nicer than their old one, which cost nearly twice as much. They stopped making payments on the old one as soon

as they signed their new mortgage. "I make people happy all day with foreclosures. Now I want to be happy too," she says. The new house, like so many she deals with, was trashed by the previous owners, who were angry at being foreclosed on. The doorknobs, hinges and copper wiring were stolen, as were the appliances and carpet. The owners even left their dogs behind. (Abandoned pets have become a huge problem for local shelters.) "You couldn't walk into that house without holding your nose to keep you from vomiting," Boemio says. She and her husband had to spend \$7,000 on appliances and carpet to qualify for a Fannie Mae loan.

She's driving this morning to try to sell an apartment, with her husband along as protection. He's been accompanying her into potentially shady situations ever since she entered a for-sale house with a key only to be greeted by a squatter with a gun who fired a warning shot.

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The apartment she's trying to sell today is in Newport Lofts, a doorman building with a pool, gym and clubhouse on the roof, which, the custodian tells us, haven't been used by anyone in months. Newport Lofts is one of a cluster of several luxury condos that were supposed to be part of a revitalization of the downtown area. Apartments in Newport Lofts — Boemio's client, an out-of-town investor, paid \$600,000 for one — are now listed for as little as \$179,000. And this particular apartment isn't exactly in great shape. A squatter slipped past the doorman and, even more impressively, got a locksmith in to switch the lock and give her keys.

The squatter left behind no bed, but she did leave stained bath mats, towels, flip-flops, Chinese-takeout remnants, Sun-kist soda cans, prescription medicine, old mail and some used airline tickets to Miami. Boemio casually walks around all of it, occasionally laughing. The buyer's agent — a woman in a Gucci scarf and sunglasses — is a little more freaked out, trying to figure out how much this mess will cost to clean up. Which is strange, since she's offering \$250,000 on behalf of her overseas client — \$70,000 more than the asking price. There are no other buyers. Boemio goes over the offer three times with the Gucci lady to make sure she understands exactly what is going on. Gucci lady, she figures out, is just trying to score an extra \$2,100 in commission and is screwing over her client for \$70,000. ([See high-end homes that won't sell.](#))

It is lawless right now in the Wild West. There's even a real estate agent (and the figures and details are slightly changed here to protect him) whose out-of-town investor demanded that the agent find a way to cover some of the losses he was taking on the \$60,000 down payment he'd sunk into a house. So the agent created a separate contract, never shown to the bank, that said the new buyer had to purchase a \$60,000 Persian carpet from the seller — a check his mortgage company, which was sucking up hundreds of thousands of dollars in losses on the short sale, would never see. When the buyer — who was happy just to get a deal on the house — asked if the Persian carpet was really worth \$60,000, the agent looked at him as if he were insane. "I bought it at Wal-Mart," the agent told him. Now all the friends of the investor who got his \$60,000 back are asking the agent to pull the same scam for them. And he's doing it.

Leaving the condo with the sale apparently finished, Boemio drives into a huge subdivision in western Las Vegas, one of the hardest-hit areas. The houses look nice enough, but every third one has a for-sale sign, and there are almost no cars in any of the driveways. She picks a house at random, and we go to the back. She figures the odds are high that a squatter has left a door or window open. Indeed, the bathroom window has already been pried open, and the screen is bent, so I bend it a little more and squeeze myself through onto the toilet seat and then open the porch doors and let Boemio and her husband in. There's a Rolodex's worth of real-estate-agent business cards on the kitchen counter, but this home has been sacked and stripped: black mold creeps across the ceiling and walls near the pipes where the washing machine had been; paint is angrily splattered on the walls, including an artistic flourish

of purple handprints. They're almost all like this, Boemio says. The police can't stop it because people have the right to trash their home while they still own it. This is what an empire looks like when it falls. ([See pictures of TIME's Wall Street covers.](#))

The recession has hit everything from philanthropy to stripping to the solvency of Nevada. Because Nevada has no income tax and relies almost entirely on taxing casino owners, the state is nearly bust. Governor Jim Gibbons, a Republican, whom only 11% of voters say they would re-elect, tried to turn down federal stimulus money, was accused of cheating on his wife and lost control of the legislature, having his vetoes overridden more times than any other Nevada governor. Budget cuts have closed the only hospital cancer wing for uninsured patients. "We're on the bottom of every bad list," says Steven Horsford, majority leader of the Nevada senate and de facto head of Nevada's government, who tried and failed to enact a corporate income tax. The state is so desperate, the legislature even considered a state lottery. Which is about as good a revenue plan in Nevada as opening a literary salon.

The devastation has spread into every aspect of Vegas. The city has lost the Las Vegas Art Museum, its oldest one. Strippers, who are facing less extravagant tippers and floods of newly unemployed women from other cities flying in to audition, are shelling out more than \$100 for online classes at a site called StripandGrowRich.com to hone their sales tactics. There are lifeless shopping malls everywhere; Neonopolis, the \$100 million, 250,000-sq.-ft. downtown mall, has almost no open stores left.

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If it's this bad, why, then, does every Vegasite I meet still talk as if he or she is about to go on a winning streak? The people in Vegas aren't nearly as depressed as those in far less devastated cities. "This is a town built on hopes and dreams, and people don't give up hopes and dreams when there's a recession," says Neal Smatresk, executive vice president and provost at the University of Nevada at Las Vegas. Anyone who has ever stood at a craps table knows that losers always believe they're one roll of the dice from starting a winning streak.

Courtesy of JB Goodwin