

# Vegas property still in demand at USD 20 mln an acre

Los Angeles – Prices are more than USD 20 million an acre, but investors are still betting that increasingly scarce Las Vegas Strip properties might be worth accumulating.

Business is booming in the popular gambling center. In particular, the success of the year-old Wynn Las Vegas and plans for some big projects are putting the focus on the northern section of the Strip, where several vacant and underdeveloped parcels of land remain.

Among the new multi-use projects under way are Boyd Gaming Corp.'s Echelon Place on the 63-acre site of its Stardust Hotel and Casino and MGM Mirage Inc.'s 66-acre CityCenter development.

Also, developer Phil Ruffin in April announced plans to build an upscale Swiss-themed resort to replace the aging New Frontier, which sits across the Strip from the Wynn property.

„A collection of new developments gives others the confidence to put money in the ground,“ said Deutsche Bank analyst Bill Lerner.

Farther south on the Strip, Harrah's Entertainment Inc. last year bought the Imperial Palace for about USD 20 million an acre. The company is keenly interested in acquiring Boyd's Barbary Coast casino located between two of its other properties, the Flamingo and Bally's.

Last month, Aztar Corp., whose casinos include the Strip's Tropicana, stopped a bidding war by accepting a USD 1.9 billion takeover offer from hotel and casino operator Columbia Sussex Corp. Some Wall Street analysts put the price for the flagship property at USD 30 million an acre.

„We think additional Las Vegas Strip real estate acquisitions/transactions will likely be announced in the near term in the \$ 20-million-an-acre range,“ Bear Stearns analyst Joe Greff said in a recent research note. „We think properties with suitors include Westward Ho and Sahara.“

Gary Tharaldson, owner of the 15-acre site of the former Westward Ho casino next to the Stardust, said: „I’d probably sell at that price.“

The hotel owner and developer said he bought out joint venture partner Centex Corp. in March in a deal that valued the property at USD 170 million. At the time, he intended to build a casino, hotel and condo complex.

„But (land) prices are getting crazy and construction costs are going up,“ Tharaldson said. „I’m still debating, do I want to be in the casino business or not?“

Analysts say two companies already in the casino business, unsuccessful Aztar suitors Pinnacle Entertainment Inc. and Ameristar Casinos Inc., still want to enter the Las Vegas market.

„Strategically, Las Vegas is, of course, of interest to us, but I can’t tell you whether we will be there next year or five years from now,“ said Pinnacle spokeswoman Pauline Yoshihashi.

Among other available properties, the Sahara consists of several parcels totaling around 55 acres, part of which adjoins the 27-acre site of a former water park.

The Sahara, which is owned by the family of late casino entrepreneur William Bennett, has been on the market for several months.

Al Hummel, chief executive of the property, referred inquiries about the sales process to real estate broker CB Richard

Ellis. Officials there were not available for comment.

### **Room for more Casinos**

Despite the surge in capacity, most analysts expect travel demand for Sin City to keep pace.

Debt rating agency Standard & Poor's expects a 30 percent increase in Las Vegas hotel rooms by 2010, but sees the industry handling that with relative ease as long as the economy remains healthy.

„Historically, Las Vegas has been able to absorb increases of this size,“ S&P analyst Michael Scerbo said in a report.

Several coming projects, including the Palazzo Resort from Las Vegas Sands Corp. and Encore from Wynn Resorts Ltd., are aimed at affluent customers who would be less vulnerable to economic downturns, Scerbo added.

Bear Stearns' Greff said the emergence of a significantly affluent class in Asia also bodes well for Las Vegas properties catering to high-end customers.

Meeting and convention attendees currently make up about 15 percent of visitors to Las Vegas. The city, which is expanding convention space by 60 percent, aims to boost that ratio to 20 percent by 2009.

„The convention bureau expects to get 43 million visitors a year by 2009,“ Deutsche Bank's Lerner said. „That's what New York City gets.“