

MGM buys parcels for new center

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MGM Mirage, which is currently building the massive \$7 billion Project CityCenter on 66 acres on the south Strip, has assembled the acreage to construct a similar and potentially larger development on the Strip's northern end.

The Las Vegas-based casino operator will announce this morning it has finalized two Strip land acquisition deals worth a combined \$575 million that will give the company more than 100 contiguous acres for development stretching north from Circus Circus Drive to Sahara Avenue.

As part of the plans, MGM Mirage said it will refurbish the aging Circus Circus.

"This land assemblage creates a very interesting and exciting opportunity for our company to create an integrated resort complex on the north end of the Strip," said MGM Mirage President and Chief Financial Officer Jim Murren.

MGM Mirage will spend \$444 million to purchase a vacant 25.8-acre parcel from Gordon Gaming Corp., the current owners of the Sahara.

The site, on the northwest corner of the Strip and Sahara Avenue, is one of the boulevard's last major undeveloped locations. It once housed the original El Rancho Vegas, one of the first hotel-casinos in Las Vegas, which was destroyed by fire on June 18, 1960.

In addition, MGM Mirage is spending \$131 million to acquire a 7.6 acre parcel from Concord Wilshire Partners, a Southern California real estate developer that had announced plans last year to build a hotel-casino on the oddly shaped site in conjunction with the publishers of Maxim Magazine.

Both transactions are expected to close by May.

MGM Mirage acquired Circus Circus and its 68-acre site in 2005 as part of a \$7.9 billion buyout of the Mandalay Resort Group. Circus Circus includes the hotel-casino, a low-rise motel, the Adventure Dome theme park and a recreational vehicle park.

The newly acquired land parcels, which average about \$17 million an acre, connect with Circus Circus.

"What's exciting about this purchase is that it fully unlocks the value of the Circus Circus land," Murren said.

MGM Mirage expects to eliminate the recreational vehicle park and the low-rise motel, allowing for 44 acres to be combined with the newly purchased 34 acres.

Murren said the 78 acres on the north Strip could hold the same potential as Project CityCenter, located between the Monte Carlo and Bellagio which began construction last year.

The development will include a hotel-casino, boutique hotels, high-rise residential and a retail, dining and entertainment district.

Murren said that unlike CityCenter, which MGM Mirage is financing, the company would take a different approach and seek partners to develop the north Strip location.

"We had so much interest in CityCenter from so many different resources that we believe this development allows us to bring in new financial and strategic partners," Murren said.

"We have an opportunity to bring into the mix new ideas, new brands, new customer bases and new marketing approaches. There is such an increased level of interest to get into Las Vegas, that we believe entities will want to partner up with MGM Mirage. This will create an opportunity for our shareholders to monetize a fair amount of our real estate holdings."

Murren said an enhanced Circus Circus would play an important role in the new development. The casino's customer base, he said, is expanding. Casinos that cater to the middle income customers, like the Stardust, have been eliminated from the market and others are expected to soon follow.

He said the 3,700-room casino, which generates about \$80 million annually in cash flow, would receive a makeover.

"We intend to do with Circus Circus what we've done with the rest of our properties," Murren said.

MGM Mirage operates 10 casinos on the Strip, more than any other gaming company.

"We're going to put some money into it and enhance and expand it over time," Murren said. "Circus Circus will be a gateway to our new development, similar to what Monte Carlo is to Project CityCenter."

Murren didn't yet have a timetable for the north Strip development but said it was conceivable work could begin before CityCenter is completed.

Gaming analysts have targeted development opportunities on the northern end of the Strip as the next wave of potential Strip development, stretching from Convention Center Drive to Sahara Avenue.

In March, Los Angeles-based SBE Entertainment Group, in partnership with San Francisco-based Stockbridge Real Estate Funds, agreed to acquire the 1,720-room Sahara and its 18-acre Strip parcel from Gordon Gaming for an undisclosed price.

Sources said the deal was valued at between \$300 million and \$400 million. The transaction is pending approval of Nevada gaming regulators.

John Knott, executive vice president of the Global Gaming Group for CB Richard Ellis, which handed the sale of the Sahara to SBE and the vacant site to MGM Mirage, said the casino company might have been spurred by the Sahara deal.

SBE Entertainment has said it plans to renovate the resort, adding nightclubs, restaurants and other enhancements.

"When they saw what (SBE) is planning, I think that might have motivated them along," Knott said. "There is a lot of activity all of a sudden on the north end of the Strip."

Boyd Gaming Corp. is expected to unveil designs by June for its \$4.4 billion Echelon development that will be constructed on the site of the demolished Stardust.

Earlier this week, the company planning to build the \$2.8 billion Fontainebleau sold a nearly 20 percent ownership to Australia's largest gaming operator, increasing the likelihood the announced 63-story, 3,889-room hotel and casino could soon be under construction.

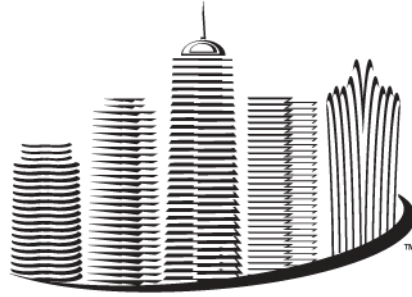
"There has been a great deal of energy injected into the north end of the Strip and our 78 acres could be right in the middle of all that," Murren said.

He added the company had taken an interest in the Sahara land a few months ago.

The Sahara's vacant land parcel was one of three locations in conjunction with the casino that was controlled by Gordon Gaming, which was founded by the late gaming pioneer William Bennett when he bought the aging resort in 1995.

Gordon Gaming still controls an 11.3 acre parcel on Paradise Road across from the Sahara that Knott said remains on the market.

Concord Wilshire spent \$90.25 million in 2005 to acquire four small parcels that made up the site acquired by MGM Mirage. The developers ran into opposition from the owners of Sky Las Vegas, a neighboring high-rise condominium development because the Maxim might have blocked views of Sky residents.



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