

Deal for land may inspire building

MGM Mirage buy could boost Strip investment

By HOWARD STUTZ
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Development opportunities on the Strip's north end created by MGM Mirage's land acquisitions might entice some of the casino operator's new foreign-based joint venture partners to invest in Las Vegas.

Gaming analysts lauded MGM Mirage's announcement Thursday that the company is spending \$575 million to buy two vacant Strip land parcels.

When combined with underused real estate that now houses portions of the company's Circus Circus hotel-casino, MGM Mirage said it now has a 78-acre site for future development.

Some analysts speculated the company could master-plan a development on the scale of the massive \$7 billion Project CityCenter, which MGM Mirage is building on the Strip's south. CityCenter, which will house a 4,000-room hotel-casino, also includes boutique hotels, high-rise residential and a retail, dining and entertainment complex.

"While plans to develop this land may not be imminent, we believe this land purchase gives MGM Mirage a greater foothold at the north end of the Strip and additional long term development options," Deutsche Bank gaming analyst Bill Lerner said.

MGM Mirage said it was too early to determine what it would do with newly acquired land.

"We see this as an opportunity to not only harness the power of our portfolio, but also as a means to expand and enhance the operations of our valuable Circus Circus property for years to come," MGM Mirage Chairman Terry Lanni said in a statement. The company plans to renovate and expand the 3,700-room but aging Circus Circus.

Jefferies & Co. gaming analyst Larry Klatzkin said the land deals gave investors a view of MGM Mirage beyond CityCenter, which is expected to open in 2009.

"Adding to the value we see in MGM Mirage is our vision of where we see it going as a company over the next five years," Klatzkin said. "It is a radical new way to look at MGM Mirage with the end result being a stronger and more valuable company."

Brian Gordon, a partner Applied Analysis, a Las Vegas-based financial consulting company, said MGM Mirage could spend up to 24 months master-planning the site.

"Based on the initial wave of construction we're seeing right now, it could be the next decade before we see any construction," Gordon said. "The market will look much different than it does now."

Lerner said he thought that if one or more of MGM Mirage's joint-venture partners in other markets find developing on the north Strip viable, development could accelerate.

Last year, the company entered into deals to explore non gaming-type business opportunities with a company from the People's Republic of China and the Mubadala Development Co. of Abu Dhabi, United Arab Emirates.

Also, MGM Mirage has a joint-venture casino and hotel development deal with Mashantucket Pequot Tribal Nation, which operates the Foxwoods hotel-casino in southeastern Connecticut.

"If one of the company's joint venture partners wants to get involved in the north Strip, you might see a shovel in the ground before CityCenter is completed," Lerner said. "This is a tremendous opportunity for MGM Mirage because a joint-venture partner would probably bring the bulk of the necessary capital."

The cost of construction has risen dramatically along the Strip, stalling the development of some projects. But Lerner didn't think MGM Mirage would have any difficulty with the building process.

"I think no matter when MGM Mirage comes to market with a new project announcement, I think they will be slotted on top of other prospects," Lerner. "They are a gift that keeps on giving. They won't have any trouble finding a general contractor or all the operating labor."

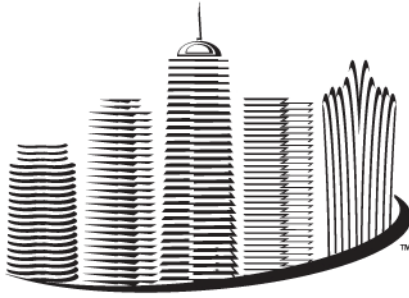
Development activity is now centering on the north Strip, thanks to MGM Mirage's land purchase, the sale announced in March of the Sahara to a Los Angeles-based entertainment company, anticipation that the \$2.8 billion Fontainebleau may begin construction, and Boyd Gaming Corp.'s plans for the \$4.4 billion Echelon on the site of the demolished Stardust.

Clark County Commissioner Chris Giunchigliani, who represents the north end of the Strip, said the newly acquired MGM Mirage site, with access off Sahara Avenue, Industrial Road and the Strip, could help immediately alleviate some traffic concerns.

"There is a lot of activity going on that can spur some meaningful planning, which has to be a key piece to the whole puzzle," Giunchigliani said.

A refurbished Sahara and development on the MGM Mirage land could lead to pedestrian crossovers, currently found at most major Strip intersections, she added.

"There is a tremendous opportunity here with all the discussion surrounding development surrounding the north Strip, to bring new people to the table," Giunchigliani said.



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