

DEVELOPMENT: Buying into Vegas

Nations invest in projects to get piece of local building boom

BY HUBBLE SMITH
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Cannery, Eastside Cannery
Developer: Cannery Casino Resorts
Foreign investor: Crown Ltd.
Country: Australia
Amount: \$1.8 billion
Interest: 100 percent



Fontainebleau
Developer: Turnberry Associates
Foreign investor: Crown Ltd.
Country: Australia
Amount: \$250 million
Interest: 20 percent



CityCenter
Developer: MGM Mirage
Foreign investor: Dubai World
Country: Dubai
Amount: \$2.7 billion
Interest: 50 percent

Las Vegas has never been short on cash. From the mob to Wall Street, investors have shelled out billions of dollars in a show of faith in the city's gambling-based economy.

These days money is coming more and more from foreign sources.

Last year, Dubai World invested \$2.7 billion to gain 50 percent interest in CityCenter and put \$2.4 billion into MGM Mirage stock. Elad Properties of Israel paid \$1.2 billion for the 40-acre New Frontier property.

Australia-based Crown Ltd. made a fast-track entry into the U.S. gaming market with its \$1.8 billion buyout of Cannery Casino Resorts, which includes the Cannery in North Las Vegas and the Eastside Cannery under construction on Boulder Highway at the former Nevada Palace site.

Crown also acquired a 20 percent stake in Fontainebleau on the Strip for \$250 million and bought into the former Wet 'n Wild site for \$22.5 million.

Kazuo Okada, founder of Japanese pachislot and pachinko machine maker Aruze Corp., owns a 20 percent share of Wynn Resorts.

"I think it's certainly evident of the broad appeal Las Vegas has in the international marketplace," Las Vegas Chamber of Commerce spokeswoman Cara Roberts said. "Even in a down economy, business people are looking to this region with strong business prospects."

With the U.S. dollar weakening against foreign currencies, international investors are snapping up many of the Strip's high-priced condos, as well.

Aaron Auxier, a broker with Luxury Realty Group, said the national press often misunderstands what's happening on the Strip when it reports about Las Vegas real estate. More than \$1.5 billion in condo sales show that CityCenter has an "ever increasing appeal to a global audience," he said.

Foreign buyers are also looking for second homes in Las Vegas.



New Frontier
Developer: Phil Ruffin
Foreign investor: Elad Properties
Country: Israel
Amount: \$1.2 billion
Interest: 100 percent



A view of MGM Mirage's under-construction CityCenter. Last year, Dubai World, the investing arm of the Persian Gulf state, invested \$2.7 billion to gain 50 percent stake in the giant mixed-use Strip project.
Photo by [Jeff Scheid](#)/Review-Journal File Photo

Realtor Robin Camacho of American Realty & Investments said she has a Canadian client who owns a home in Southern Highlands and now wants to buy a condominium in Summerlin. The National Association of Realtors reported that one in five Realtors has sold a home to a foreign buyer in the past year.

Land values in downtown Las Vegas have quadrupled to about \$8 million an acre in the last four to five years as investors recognized potential in an area largely ignored by local developers.

Tamares Group, headquartered in Liechtenstein, is the largest private land holder downtown after acquiring a 40-acre mixed-use site along with the Plaza hotel and Las Vegas Club. Tamares purchased the portfolio in 2004 from Jackie Gaughan, one of downtown Las Vegas' gaming pioneers.

The investment was made knowing that Las Vegas is one of the country's fastest-growing cities and that a regeneration plan was under way throughout downtown, said Harry Braunstein, Tamares' general counsel in New York.

"We saw tremendous potential not just in the entire valley, but in particular downtown," Braunstein said. "Although it's been slow to mature, we are big believers that it will happen. We bought out our partners. Our holdings are very diverse downtown. We're part of the East Fremont entertainment district and we just submitted a proposal for a residential property on east Fremont Street."

International investment has reached suburban projects such as Sullivan Square, a 16-acre mixed-use development by Glen, Smith & Glen near Durango Drive and the Las Vegas Beltway. Making its first venture into Las Vegas, Harcourt Developments of Ireland has committed \$800 million in construction financing for the project.

"We are aware that the property market is in a bit of down time at present across the (United) States, but people are still moving to Vegas to live at a rate greater than anywhere else in the U.S.," Harcourt Director Mike Murphy told the Review-Journal. "After we came to see the project on the ground, we agreed that Sullivan Square had the look of a winner."

Israeli money is behind One Queensridge Place and Queensridge Village being built at Rampart Boulevard and Alta Drive, said Yohan Lowie, chief executive officer of Executive Home Builders. He said the credit crunch has "decimated" foreign investment now.

Tom Climo, a Las Vegas economic consultant educated in England, said foreign capital invested in Las Vegas increases local gross domestic product and disposable income.

"This means Vegas residents are better off than they would be without foreign capital," he said. "What you worry about is the longer-run scenario where foreign ownership stigmatizes sustainable local employment in favor of the transfer of employment to foreign-based personnel, the lack of unionization which goes with that as well as attendant loss in job quality, distortions of investment in planning

Real estate appraiser Shelli Lowe of Integra Realty Resources said she appraised a proposed high-rise site on Sahara Avenue, east of the Strip, for an investment group from Spain. The 13-acre site, now home to the 200-unit Palms Apartments, was purchased last year for \$24 million.

The buyers aren't planning to "flip" the property for a quick profit, said Jason Glasgow, a California broker who negotiated the deal. They've developed more than 3,000 high-rise condos in the United States in the past 10 years.

Opportunities to develop projects within walking distance of the Strip will continue to present themselves in Las Vegas as "more reasonable, thoughtful operators" enter the market, Glasgow said.

Despite a high foreclosure rate and declining home prices, land values in Las Vegas are not dropping, appraiser Lowe said.

"Not if they're commercially oriented," she said. "We're doing a piece that's selling for \$30 million an acre across from the Mandalay (Bay), so we're still seeing large prices paid for commercial and industrial property."

John Vorshek, regional manager for Marcus & Millichap brokerage in Las Vegas, said his office has closed two commercial deals with different foreign investors this year.

A group from Hong Kong with holdings in California bought a 92-unit apartment complex for \$18.4 million. It was an all-cash transaction and closed in 28 days.

"Unbelievable," Vorshek said.

Durango Commons retail center was sold to a Korean group for \$7 million, he said.

"They flew over and looked at the property and asked all the right questions about vacancy and leasing and household income," he said. "Why Las Vegas? We're the most known city in the world."

Generally speaking, the "smart money" is buying in Las Vegas right now and some of that capital is coming from overseas, said Charles Clawson, president of Noble Title in Las Vegas.

"With the dollar so weak, foreign investors have much greater purchasing power than they might normally have," he said. "That greater purchasing power, combined with the distressed real estate market, makes real estate investments in Las Vegas very attractive to foreigners."

They're also investing in Las Vegas technology. BetBrokers of London signed a letter of intent to acquire operating assets of Winning Edge International, a Las Vegas-based sports handicapping Web site, for \$6.5 million.

The Association for Competitive Technology released a report in 2006 on the importance of direct foreign investment, particularly for small and mid-sized enterprises.

"Innovative technology startups -- an important engine of economic growth -- are especially dependent on a constant flow of capital which can be invested into the research and development that often leads to breakthrough new products," co-author Nora von Ingersleben wrote. "With the United States facing the worst financial crunch and crisis since the Great Depression, it is much harder for start-ups to raise capital to develop innovative new products."

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