

Feb. 10, 2008
Copyright © Las Vegas Review-Journal

BY CRANES ON LANE, ECONOMY WILL GAIN

Strip construction boom may be just what Las Vegas needs to add jobs, prosperity

By HOWARD STUTZ
REVIEW-JOURNAL

In Washington, D.C., leaders have been discussing economic stimulus packages, trying to figure out ways to jump-start the nation's sagging financial picture and calm fears of a recession.

Las Vegas has its own way of surviving economic downturns -- build more Strip resorts.

History has shown the Las Vegas economy rebounds from any economic slump when the Strip goes through a building boom.

Observers believe today's extensive Strip makeover will be no exception. Some 40,000 new hotel rooms are in phases of planning and construction along Las Vegas Boulevard that will keep a construction work force employed through 2012.

When the projects are completed, roughly \$30 billion will have been invested and the Strip's room capacity will have jumped 30 percent.

Deutsche Bank, in a report to investors, said the building boom will create upward of 120,000 new jobs. The Las Vegas Convention and Visitors Authority said the room inventory expansion could boost room tax collections to more than \$571.8 million annually, 30 percent higher than the current collections. The tourism bureau said it expects Las Vegas to attract 43 million visitors by 2010, a 10 percent increase over the 2007 projection of more than 39 million.

A SHOT IN THE ARM

Gaming analysts, economists and casino industry leaders said the employment and tax dollars fueled by the resort openings will give the Las Vegas Valley a well-needed boost.

"When you look at the annual employment growth, naturally the largest historical trends flourish during the openings of major resorts," said Brian Gordon, a partner in Las Vegas-based Applied Analysis, a financial consulting firm.

"The impact has a ripple effect that has proven itself time and time again. Businesses not associated with the gaming industry experience that effect," Gordon said.

The increase in Strip resort employment means more jobs in other areas: professional services, retail, commercial services -- all needed to service an increase in the Las Vegas Valley's population.

Residential home sales are off roughly 44 percent. Taxable sales are down and consumer spending has dwindled, Gordon said, which is partly attributable to the national economic climate. Much of those conditions are expected to change, he said, with expansion in the resort corridor.

"Las Vegas is like no other market," Gordon said. "There are really not any other comparisons."

Craig Shute, managing director of commercial real estate firm CB Richard Ellis, said the general business community is expecting the economic bump associated with the Strip expansion. The commercial real estate market is still healthy in Las Vegas, Shute said. Additional resorts could create additional demand for office space.

"You can see the correlation pretty closely," Shute said. "The resorts will create a lot of jobs. That's going to extend into other areas as well."

Las Vegas Sands Corp. opened the \$1.9 billion Palazzo in January. The \$2.1 billion Encore, a resort being built by Wynn Resorts Ltd. adjacent to the company's Wynn Las Vegas, is expected to open by the end of the year. This spring, the 1,282-unit Trump International Hotel & Tower is expected to open, but the project does not include a casino.

Analysts, however, point toward the end of 2009 as the target date when the greatest impact could be felt.

In November of that year, MGM Mirage is expected to begin opening its multibillion-dollar CityCenter development on the Strip's southern end between Bellagio and Monte Carlo. The 77-acre site includes a 4,000-room hotel-casino, three boutique hotels that will include high-priced residential condominiums and a luxury condominium-only development. The hotels and condos will connect with a retail, entertainment and dining complex.

CityCenter, which has now been estimated to cost between \$8.1 billion and \$8.4 billion, has been billed as the largest and most expensive private commercial construction project ever in the United States. When it opens, it is expected to provide jobs for more than 12,000 workers.

"The sheer impact of CityCenter is hard to compare because we've never seen a project of this magnitude," Gordon said.

MGM Mirage President and Chief Operating Officer Jim Murren knows the business community is eagerly awaiting CityCenter.

"The Las Vegas economy in general is suffering," Murren said. "It's a pretty daunting responsibility for us, but one we're willing to shoulder."

In 2010, the \$2.9 billion Fontainebleau development on the Strip's north end is expected to open with some 4,000 hotel rooms and condominiums, along with Echelon, Boyd Gaming's \$4.8 billion, multiple hotel development.

In the ensuing years, the Crown Las Vegas, Elad's Plaza project and a joint-venture development between MGM Mirage and Kerzner Holdings International are expected to be completed.

If history is a barometer, then the Las Vegas resort building boom will translate into employment growth, both inside and outside the hotel-casino industry.

According to figures from the Nevada Department of Employment, Training and Rehabilitation and supplied by Applied Analysis, in 1990, following the openings of The Mirage and Excalibur, more than 41,600 jobs were created, both tourism-related jobs and positions in other businesses and industries.

Four years later, the openings of the Luxor, MGM Grand and Treasure Island fueled an expansion that created 59,700 new positions.

In 1996, after Monte Carlo, New York-New York and Stratosphere opened, 52,300 jobs were created. The 1998 and 1999 openings of Bellagio, Mandalay Bay, The Venetian and Paris Las Vegas resulted in 51,300 new jobs hitting the marketplace.

"The general economy will pick back up by the end of 2009, maybe even before," Shute said. "You can't build all these resorts and not staff them."

Murren said the new development figures don't include the \$1 billion the company plans to spend on renovations to its older Strip casinos. Most of the reinvestments will be directed toward nongaming amenities, Murren said, such as restaurants and nightclubs, which also have staffing needs as well.

Of the 12,000 jobs MGM Mirage is creating at CityCenter, about 6,000 workers will come from other MGM Mirage properties, meaning those resorts losing workers will have to fill vacant jobs.

The job hiring may stretch up and down the Strip at casinos losing workers to the newer resorts.

"A project of CityCenter's magnitude creates significant employment," Murren said. "It also creates new businesses and new industries into the market. It's a much more intensive development than building another Bellagio next to Bellagio."

Murren said development on the Strip also means there could be a boost for locals casinos as well through an influx of new residents coming to work at the Strip resorts.

"My buddies Frank and Lorenzo Fertitta (majority owners of Station Casinos) always give us a hug and tell us to keep going," Murren said. "What's good for us is good for them."

This story first appeared in the Business Press. Howard Stutz writes for the Business Press' sister publication, the Las Vegas Review-Journal. He can be reached at hstutz@reviewjournal.com or 477-3871.

Find this article at:

<http://www.lvrj.com/business/15490346.html>

Check the box to include the list of links referenced in the article.

Copyright © Las Vegas Review-Journal, 1997 - 2008

Go Green! Subscribe to the electronic Edition at www.reviewjournal.com/ee/