



MGM MIRAGE

Game On, Game Off

HOWARD KOZLOFF

Las Vegas's nongaming options continue to shape the gambling capital's environment.

IT ONCE WAS A DESERT OUTPOST THAT EARNED its moniker of Sin City, home to gambling, showgirls, and the like. But Las Vegas is no longer solely the domain of dice, cards, and slots. Though still very much a gambling and gaming mecca, more so than any other city in the United States, it is also a functioning and growing city of 2 million people. Gamblers from southern California and elsewhere, both domestically and internationally, keep flocking to Las Vegas. But so, too, do the businesses, conventions, vacationers, and revelers who may never take a seat at the card tables or roulette wheels. In fact, beginning in 2003, for the first time, total nongaming revenue surpassed gaming revenue in Clark County.

It took nearly 70 years to get to that point. Gambling was legalized in Nevada in 1931, upon the signing of a bill by then-Governor Fred Balzar. The first legal gambling hall in 1931 was the Northern Club, located on Fremont Street. Gaming revenue for the state approached

\$70,000 in the first two years. Today, gaming revenue in Clark County alone is over \$10.5 billion per year.

The Strip was created in the early 1940s with the opening of El Rancho, and solidified several years later with the opening of Bugsy Siegel's Flamingo Hotel. According to the Las Vegas Convention and Visitors Authority (LVCVA), Howard Hughes ushered in the next development boom during the late 1960s with the introduction of corporate financing to the Las Vegas landscape. Later on, the first of the megaresorts, the Mirage, opened in 1989, paving the way for what is now the standard casino/hotel product type along the Strip.

In spite of recent reports of a slowing condominium market, Las Vegas is booming, and not only because of its world-famous Strip. According to the LVCVA, 5,000 people move to Las Vegas every month, making it one of the fastest-growing cities in the country. However, much like Hollywood is an entertainment center for Los

Mandalay Bay's hotel complex includes a Four Seasons hotel with 424 rooms in Mandalay Bay's main hotel tower and a separate all-suite tower, THEhotel at Mandalay Bay, with another 1,117 suites.



The lounge (far left) in the nongaming THEhotel. A living room (left) in one of the suites in the boutique hotel.

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Angeles, the Strip is a component attraction of a much larger city and region.

By no means is the economic, social, historical, and cultural significance of the Strip to be downplayed; it is still a primary driver of activity in the region. But, it can no longer claim to be the only show in town. Popular mainstays, such as Cirque du Soleil and big-name performers like Elton John and Celine Dion, share the glamour of the Strip with and within the casinos. Also, the popular convention center, no matter how big it grows, cannot seem to find enough days in a year to fill the demand for its space. This means that the more than 46 million people who enplaned or deplaned at Las Vegas's McCarran International Airport in 2006 are not all gamblers.

In the "Las Vegas Visitor Profile, Calendar Year 2006, Annual Report," prepared by GLS Research for the LVCVA, only 11 percent of first-time visitors and 13 percent of repeat visitors cited gambling as their primary reason for visiting Las Vegas. While this does not mean that only 11 or 13 percent of visitors gambled, it does demonstrate what the primary motivating factors for a visit to Las Vegas may be. In fact, GLS's report cites that 87 percent of visitors did gamble while in town, with an average gambling budget of over \$650 per person.

In the same GLS study, "vacation and pleasure visitors" ranked dining and restaurants as more important

factors than gambling in deciding to visit Las Vegas. "Seeing resort properties" was placed at the same level of importance as gambling, with shows and entertainment falling close behind.

There certainly are some nongaming visitors who will nevertheless want to be a part of the casino experience. But there is no paucity of visitors who shun the gaming experience for one more aligned with business or other types of leisure. GLS's study reveals that 99 percent of survey respondents stayed overnight, with an average stay of more than three nights. With high-rise casino hotels seemingly dominating the hospitality sector, the question is: Where do all of these nongamblers sleep? Without the pomp and glitz of their casino/hotel counterparts, nongaming hotels in Las Vegas have been multiplying.

In 1984, the first major nongaming hotel—the Alexis Park—opened in Las Vegas. Situated on Harmon Avenue, just west of Paradise Road and across from the Hard Rock Casino and Hotel, it consists of 500 suites located amid 20 acres (8.1 ha) of resortlike amenities. The two-story hotel comprises 400,000 square feet (37,161 sq m) on two stories, leaving plenty of acreage to create an oasis-like setting.

Bob Schulman, chairman and chief executive officer of Montecito Communities, developed the Alexis Park as a reaction to his frequent visits to the Sands and Caesar's Palace, both Las Vegas landmarks. The complicated and time-consuming check-in process and maze leading from the front desk through the casino and eventually up to a room inspired Schulman to create the resort. It was not without controversy, however, as it was built at a time when all hotels in Las Vegas had become high rises and included a casino component.

Instead, the Alexis Park offered an atmosphere reminiscent of Palm Springs amid a lush setting to cater to a range of visitors, which would evolve to include business travelers, movie stars, and others who did not wish to navigate through the "casino ordeal," including those without the will power to avoid the gambling tables. With convention space included within the hotel's confines, businesspeople could focus on the business at hand and relax during their off time. Schulman followed the Alexis Park's success next door only



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rooms in Las Vegas. Clearly, gaming still dominates the lodging choices, but that does not dissuade some of the biggest names in the hotel business from establishing outposts in Las Vegas.

For example, Hilton has about 650 total nongaming rooms under its Garden Inn and Grand Vacations Club flags; Marriott has nearly 1,500 rooms under its Residence Inn and Courtyard flags; La Quinta Inn has nearly 600 rooms; and Embassy Suites has approximately 500 rooms. Other recognizable brands include a 190-room Doubletree and over 500 rooms in Hampton Inn hotels. Although individually these nongaming hotels are smaller than their casino-amenitized counterparts, Keith Schwer, director and professor of economics at the Center for Business and Economic Research at the University of Nevada at Las Vegas, recognizes that "these are national firms with substantial resources and staff to undertake expansions with high probabilities of success." As well-known names with well-developed reservations systems, such chains come to Las Vegas with built-in customer bases.

Even some of the upscale chains have an established nongaming presence in Las Vegas, including a 424-room Four Seasons Hotel and a 349-room Ritz-Carlton at Lake Las Vegas. The largest of the nongaming hotels is THEhotel at Mandalay Bay, with over 1,100 rooms and amenities that include a 12,000-seat performance venue. There is also a Renaissance Las Vegas Hotel near the convention center, which, at 548 rooms, is third in size among nongaming accommodations, behind only THEhotel and the 576-room Signature at MGM Grand.

While many of the nongaming hotels are focused on providing simple business amenities, many of them focus on quality. The rooms themselves, service, and nongaming amenities such as pools and spas very often are high quality and luxurious, with the intention of cre-

three years later when he developed St. Tropez, a 150-room nongaming hotel.

Today, Schulman says, he would add more convention and event space for what he calls "insatiable demand" for meetings, weddings, parties, and other private events. However, he also notes that hotels today cannot afford to spread out this close to the Strip; whereas land close to the Strip used to cost less than \$250,000 per acre (\$617,500 per ha), nowadays it can be in excess of \$10 million per acre (\$24.7 million per ha). This gets paid for with height and density. Nonetheless, the Alexis Park was at the forefront of the trend of recognizing Las Vegas's value as a destination for more than just gambling. Schulman estimates, anecdotally, that even the newest gaming developments on the Strip are earning over half of their revenue from nongaming spending.

Today, based on the most recent information available from the LVCVA, there are over 10,000 rooms attributed to nongaming hotels. On the other hand, at year-end 2006, the LVCVA tallied over 130,000 total hotel and motel



Alexis Park offers visitors an atmosphere reminiscent of Palm Springs amid a lush setting.

ating a vacationlike atmosphere. In many, what they do not offer is as important as what they do offer, meaning the absence of a casino and the accompanying pace of the casino can be an amenity in and of itself.

Along the Strip, one of only a few properties without a casino will be the Trump International Hotel & Towers. Scheduled to open in 2008, the development will feature 1,282 condominium hotel units at prices ranging from \$700,000 to \$7 million. Total development cost is estimated at \$500 million and, instead of gaming, will focus on providing resort amenities. A second tower, also comprising 1,282 rooms, is planned to break ground upon completion of the first.

The main drivers for the activity are twofold: the robust hotel market in Las Vegas due to conventions and meetings, and the ever-growing range of nongaming entertainment. The statistics, according to the LVCVA, are staggering. In 2006, nearly 39 million people visited Las Vegas, creating an economic impact of almost \$40 billion. Of that, nearly 24,000 conventions attracted approximately 6.3 million convention delegates. The cumulative nongaming impact of the conventions was \$8.2 billion, an amount equal to Las Vegas's gaming revenue. Clearly, the casino tables are not the only game in town.

Further, overall hotel occupancy for 2006 was an extremely healthy 93.2 percent, with weekend occupancy approaching 95 percent. Nearly 40,000 additional hotel rooms, both gaming and nongaming, are slated to come

online in the next several years to tap into this market, according to the LVCVA.

Jeremy Aguero, principal analyst at Applied Analysis, a financial advisory and economic consulting firm in Las Vegas, attributes the healthy hotel market to a growing convention and business segment. Noting that the city has more of the top 100 conventions than any other municipality in the country, he states that the "convention segment has been growing at a faster clip, has been putting significant upward pressure on room rates, and overall has been stabilizing occupancies."

While conventioners are coming for a purpose irrespective of the Las Vegas location, the city nonetheless has a significant draw and allure. Citing qualita-

tive feedback from a survey of meeting planners, Aguero points out that conventions themselves are more highly attended, by a "healthy margin," when they are held in Las Vegas. Simply put, the Las Vegas brand seemingly is important to conventions. "Las Vegas is to tourism what Coca-Cola is to soda pop—it has global appeal and worldwide recognition," Aguero says.

Las Vegas's worldwide appeal surely rests heavily on its legacy of glitz and enduring energy, much of which is attributable to its gaming atmosphere. The city, however, is evolving into a business and vacation destination for gamblers and nongamblers alike. From Schulman's Alexis Park to THEhotel to Trump's pending development, the casino hotels have begun sharing the spotlight with their nongaming counterparts. **U**

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