

## What a deal!

In the event that you missed a recent newsworthy major Las Vegas casino hotel sale transaction, the partially completed Fontainebleau Resort Las Vegas was acquired in August 2017 for US\$600 million by a joint venture that included Witkoff and New Valley.

The seller in the transaction, Carl Icahn, who purchased the stalled bankrupt project in February 2010 for US\$148 million, is known for successful contrarian ventures. Quadrupling an investment within a seven-year hold is the epitome of “buy low and sell high” brilliance for which Icahn is known.



The Fontainebleau, stalled amid construction in 2011 / Getty Images

The 68-story Fontainebleau Resort Las Vegas long has been a symbol of the economic damage caused by the great recession of the past decade. The original development, announced in 2005, envisioned a sister property to the famed Fontainebleau Miami Beach, with 3,875 hotel rooms, condominium units and a casino.

Reportedly, when the development was halted in 2009, roughly US\$2.0 billion had been invested in the project and an additional US\$1.2 billion was required to complete it, for a total cost basis of approximately US\$3.2 billion. When Icahn purchased the property in 2010, it was

at a fraction (roughly 7.4%) of the actual cost previously invested.

Las Vegas, a major American metropolitan area advertised as the Entertainment Capital of the World, is internationally renowned for its gambling, shopping, dining and nightlife. Published data indicates that hotel rooms on the Las Vegas Strip are occupied 92% of the time with an average nightly rate of US\$142.

A US\$1.4 billion expansion and renovation of the Las Vegas Convention Center is anticipated to be completed in 2023, and is slated to add 600,000 square feet of meeting space, and annually draw 1 million additional visitors to the area. An all in basis of roughly US\$1.8 billion, or US\$500,000 per unit for a brand new iconic lodging facility on the Strip, is approximately half of the reported replacement cost, and in my opinion, a compelling investment thesis.

The Fontainebleau Resort Las Vegas, what a deal!

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