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Tourism Insider

Benjamin Spillman  
bspillman@reviewjournal.com • 477-3861

## Repositioning as Miracle Mile Shops works magic for mall

It's first dispense with the "Desert Passage" jokes.

A few years ago the pejorative fit the old Desert Passage mall, which was as close to a shopping mausoleum as one could get on the bustling Strip.

The mall, part of the former Aladdin at Las Vegas Boulevard and Harmon Avenue, was better known for the fake rainstorm that passed for a water feature than as a legitimate shopping destination.

That was the situation Aby Rosen, David Fuchs and David Edlstein bought into when they acquired the mall under the name Boulevard Invest in 2004.

At the time, retail occupancy at the shopping center was 74 percent and the Strip was looking toward new and upcoming luxury shopping centers like those at the Las Vegas Sands' The Venetian and Palazzo.

Plans to revive the Desert Passage under a new name, Miracle Mile Shops, were viewed in some quarters as a halfhearted solution to the woes of a struggling mall.

Today, however, it appears the face-lift worked.

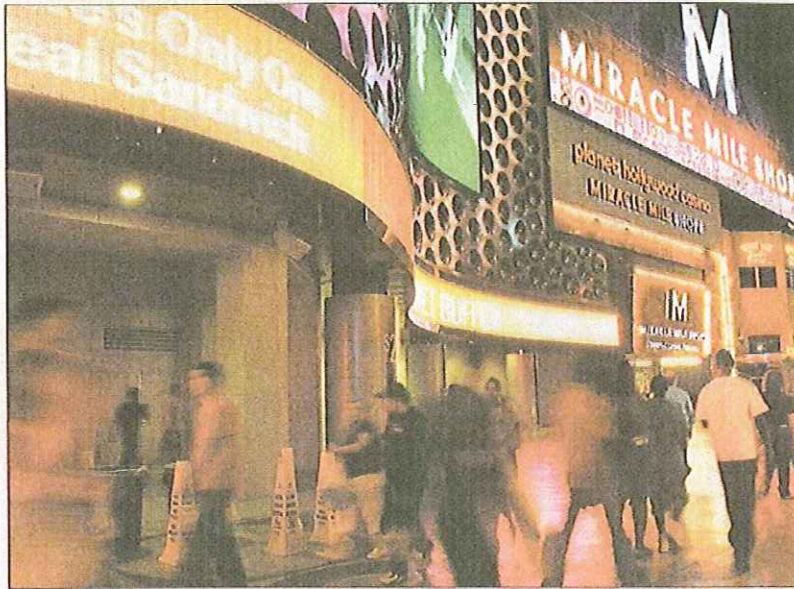
Occupancy in the mall, which is owned separately from the Planet Hollywood resort, is around 93 percent, sales in May were up 16 percent despite a decline in gambling revenue throughout Las Vegas and foot traffic is about 57,000 people per day, up 25 percent from 2004.

Mall managers say sales are averaging nearly \$800 per square foot, and the goal is to raise that figure to \$1,000, despite the emerging recession.

In addition to the remodel, the mall managers brought in more entertainment, restaurants such as Trader Vic's, and opened 59 new stores since 2004, including 12 first-to-market retailers such as H&M and DC Shoes.

But the biggest contributor to the revival might be simple economics. While real estate prices on the Strip were going through the roof, the Miracle Mile owners kept rent relatively low, which attracted retailers with prices and appealed to regular Las Vegas customers.

They were able to do it because they spent just \$240 million to acquire the mall, compared with more than \$1 billion combined General Growth Properties spent to purchase the Grand Canal Shoppes in The Venetian and later Shoppes at Palazzo from Las Vegas Sands Corp.



"We don't have the kinds of requirements that some of the new developments have, when you consider what their debts are," said Russ Joyner, general manager of Miracle Mile. "We feel we can be competitive from a rent structure standpoint."

Joyner said sales at the mall have increased for the last 14 months. Of course, all economic indicators suggest the next 14 months will be tougher than the last.

How Miracle Mile fares in hard times will be a much better gauge of the effectiveness of the populist business plan.

While Miracle Mile management is out touting what it sees as good news for their business, General Growth Properties is facing a rising tide of bad news.

The company is the second-largest real estate investment trust in America and is heavily invested in Las Vegas retail.

In addition to the malls at The Venetian and Palazzo hotel-casinos, it owns Fashion Show on the Strip, a half-interest in the mall that will be part of the Echelon resort

and the Shops at Summerlin Centre now under development.

By 2010 the company expects to have 7 million square feet of retail in the Las Vegas Valley.

But exposure to a crashing real estate market and slow consumer spending is pushing General Growth stock down near its 52-week low, which is less than \$30 per share.

Critics say the situation could get worse. Stock analyst Reggie Middleton of New York, who is betting the company will continue to falter, has published lengthy online critiques of General Growth and said it may be forced to sell some of its high-value real estate.

The critique painted General Growth in the same light as amateur investors who got caught up in the real estate bubble only to be left holding the bag when it burst.

"They have much too much debt for their cash flow. And quite a few of their properties are underwater," Middleton said.

Of course, Middleton is a short-

A remodel and a new mix of restaurants and retailers has dramatically boosted foot traffic — and sales — at the Miracle Mile Shops at the Planet Hollywood Resort. Mall owners Boulevard Invest said the mall is attracting locals as well as Strip visitors.

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seller and has plenty to gain if General Growth's stock drops further.

"I rode it on the way up, and I'm trying to ride it on the way down," he says.

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The vacation-booking Web site Vegas.com is reaching further into the pockets of consumers even as they are out and about on the Strip.

The company is launching a mobile service that will allow tourists to use their phones to browse for show times, prices, schedules and reviews then connect to an operator who can land them tickets.

The service is simple. Once a customer finds a show, he or she can click on it and be instantly connected to a phone operator who takes credit card info to purchase tickets.

Confirmation can be sent to the customer's phone by e-mail.

The service is called Box Office in Your Pocket. The Web site is also launching Mobile Concierge.

That service connects customers to concierge services that Vegas.com offers at more than 70 locations.