

Resort, mall hoping you'll feel the same

Planet Hollywood, Miracle Mile Shops hope to create seamless user experience

By **ARNOLD M. KNIGHTLY**

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The separate owners of Planet Hollywood Resort and the adjoining Miracle Mile Shops share a common goal. They want both parts of the 34-acre Strip property to feel like one seamless resort.

"Our objectives are to keep the people that are sleeping with us on-site for a decent part of their stay and to have sufficient attractions to bring other people to visit us," said Robert Earl, co-owner of Planet Hollywood Resort.

The property is following a blueprint set forth by Caesars Palace and its Forum Shops and The Venetian and its Grand Canal Shoppes. The malls at both hotel-casinos are owned

by nongaming companies.

"The more integration between the various elements at that Planet Hollywood campus, the more potential the property has to succeed," said Brian Gordon, a principal at Applied Analysis, a Las Vegas financial consulting company. "For the customer, it needs to be a pleasurable experience and a seamless transition. That will ultimately increase visitation and length of stay by customers."

Boulevard Invest, a partnership between New York City-based real estate firm Tristar Capital, and the New York-based real estate operator RFR Holding, bought the shopping

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Official expects sales to climb



CRAIG L. MORAN/REVIEW JOURNAL

By rebranding the Shops at Desert Passage to the new Miracle Mile Shops, the owners expect the mall to integrate better with the neighboring hotel-casino, the remodeled, rebranded Planet Hollywood Resort.

► **SEAMLESS:** Sales per square foot expected to rise

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center for \$240 million in January 2004.

It would not be a stretch to say the Moroccan-themed Shops at Desert Passage at the Aladdin was a financial disappointment almost from the day it opened in 2000. Although it never fell into bankruptcy, as did the adjoining Aladdin, the developers did sell it for \$60 million less than it cost them to build after three years.

"When we bought it there was a very cloudy picture," said David Edelstein, president of the shopping center's co-owner Tristar Capital. "It was a troubled property that had a bad reputation. It was losing tenants with cash flow half of what it was supposed to be."

With the center only 60 percent occupied and sales of only \$400 per square foot, Edelstein said he saw an opportunity because of the mall's location on the Strip and the adjoining 6,000 space parking garage.

The partnership spent \$50 million to redevelop the interior to give the mall a more modern look. Brighter lights and a marble floor were added.

The outlook is different now for the renamed Miracle Mile Shops at Planet Hollywood Resort.

One of the largest problems facing the hotel-casino and mall was poor access from the Strip and between the shopping center and the casino, Edelstein said. The three main access points between the casino and the retail shops were dark and improperly signed.

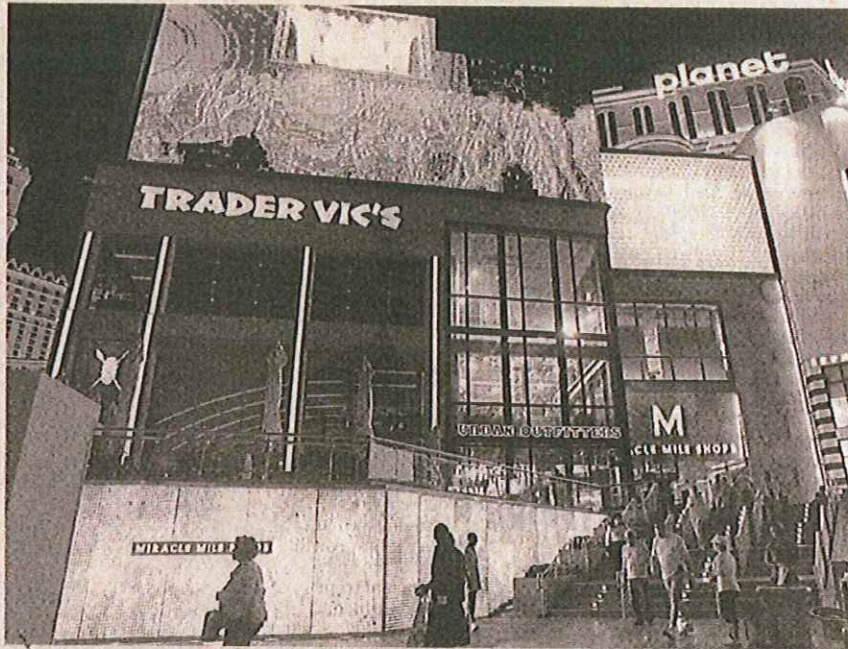
But new escalators into the property and large light-emitting-diode screens on the Strip will now help lure customers into the hotel-casino.

The changes coincide with a \$1 billion renovation of the Planet Hollywood Resort, which will hold its grand opening celebration Thursday, Friday and Saturday.

OpBiz, a partnership between Planet Hollywood founder Earl, private-equity investment firm Bay Harbour Management and Starwood Hotels and Resorts, owns the property.

Edelstein said transforming the casino and shops has been a challenge, requiring decisions from both ownership groups.

"In terms of a working dynamic, it's been terrific," Edelstein said. "Like all good relationships we have our disagreements, but ultimately we work them all out."



The owners expect Miracle Mile Shops to top the \$700 in sales per square foot the former mall earned. CRAIG L. MORAN/REVIEW JOURNAL

Earl agrees with Edelstein. He said it took time for the owners to get to know and trust each other.

"Both groups started a little wary of each other," Earl said. "It's now evolving into a seamless transaction where we are not worried where the people are on the property. As long as the collective offering is good enough, you will wander around."

The previous Arabian theme will still be noticeable in some areas of the retail center and on the south side of the property facing Harmon Avenue. Russ Joyner, general manager of the shopping center since May 2004, said some of the Moroccan themes were "salvageable," although renovations at the shopping center will continue over the next few years.

Boulevard Invest retained the help of New York City-based Robert K. Futterman & Associates to address occupancy concerns at the mall. Today, the new owners say occupancy is near 90 percent and that the mall has added nearly 45 new tenants since the ownership change.

Two new Strip-front stores,

the 12,000-square-foot Urban Outfitters and the 15,000-square-foot Polynesian-inspired restaurant Trader Vic's have recently opened. H&M and Ben Sherman are two of the newest additions to the 170 stores and 15 restaurants in the Miracle Mile Shops.

The 475,000-square-foot Desert Passage was originally opened by Trizec Properties at a cost of \$300 million in 2000. The opening coincided with the opening of the similarly themed \$1.4 billion Aladdin.

Developers expected the mall to compete with the Forum Shops at Caesars and the Grand Canal Shoppes at The Venetian. But Desert Passage's popularity lagged that of the more modern Strip shopping centers.

The center also had trouble finding a retail identity. The Sept. 11, 2001, terrorist attacks didn't help the selling of an "Arabian Nights," theme, Edelstein said.

"To take something that is already built and has all the problems these two properties had and fix them while remaining open is an enormous undertaking," Edelstein said.

"We had to work together to do it."

The shop's owners no longer view themselves as competing for the high-end customers at Caesars Palace and The Venetian. Now, they say, the shopping center aims to appeal to a more mass-market audience.

The former Desert Passage averaged nearly \$700 in sales per square foot in 2006, the International Council of Shopping Centers reports.

Although that figure exceeds the national average of \$392 per square foot, it is a far cry from the estimated \$1,400 per square foot of the Forum Shops at Caesars and \$1,000 per square foot at the Fashion Show mall, the council reported.

Edelstein projects sales to continue climbing, to \$800 per square foot this year and \$1,000 per square foot in the next few years.

"I didn't think we'd get here this fast," he said. "A lot of the credit goes to what Robert (Earl) is doing with the overall property."

Contact reporter Arnold M. Knightly at aknightly@reviewjournal.com or (702) 477-3893.

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