

CapitaLand strikes Macau casino deal

After two failed attempts to win a casino licence in its home country, local property giant CapitaLand has leapfrogged into Macau – Asia’s gambling heaven – with a deal in its pocket.

The Temasek-linked firm unveiled yesterday that it has taken a 20 per cent stake in Macao Studio City, a new entertainment and casino resort being developed on Macau’s booming Cotai Strip. The site – right opposite Las Vegas Sands’ Sheldon Adelson’s new project – will cost CapitaLand USD 132 million to invest, a sum which could rise to USD 240 million if an application to increase the size is approved.

In its maiden entry into Macau, CapitaLand is partnering Hong Kong-listed eSun Holdings and New Cotai LLC, a consortium of United States-based investors including resort and gaming developer David Friedman. Both its partners will hold equal stakes of 40 per cent each in the venture.

For CapitaLand, the deal is especially sweet, coming exactly a month after it lost the second integrated resort (IR) site in Singapore to Genting International.

Coming after the long-drawn two-year bidding affair here, the Macau deal marks a new phase for the developer’s new resort and leisure arm, which is also eyeing theme park operations in China, India and Thailand.

„It’s not a massive amount of money on CapitaLand’s part, but I think it will be successful because there is a high-growth market in Macau and the joint venture partners are highly credible,“ Merrill Lynch analyst Sean Monaghan told Today.

The 6-million square foot Macao Studio City – located next to the new Lotus Bridge immigration checkpoint linking Macau and

China – will offer luxury hotels, television and film production facilities and retail shops. The groundbreaking ceremony will be held today.

But for the quintessential casino facility, no gambling operator has been picked yet. As neither CapitaLand nor its two partners own a casino licence, it means each of them would have to fork out millions in royalties to the eventual casino operator and have their profits split later, said an industry observer.

There are three main gaming licences in Macau, one awarded each to Stanley Ho's Sociedade de Jogos de Macau (SJM), Galaxy Resorts and Wynn Resorts. The trio can in turn carve out sub-licences to sell to other parties. For the first three quarters of 2006, gaming revenue in Macau even surpassed that of the Las Vegas Strip over the same period, raking in \$ 7.94 billion.

And come 2009, the shape of CapitaLand's shining new dreams in the „Las Vegas of the East“, as CEO Liew Mun Leong termed it, will become clearer.