

# Las Vegas Sands says may sell Macau retail into fund

Las Vegas Sands Corp might spin off billions of dollars of Macau retail assets into a property fund, but is under no pressure for a quick sale despite problems funding ambitious casino expansion, an executive said.

The company, which runs the giant Venetian Macao casino and is building more hotels and casinos in the territory, floated the idea of selling its shops into a listed property trust a couple of years ago.

But with stock markets tanking in the last year, hitting real estate investment trusts (REITs) hard, Las Vegas Sands is now considering packaging the property into a fund for institutional investors. „It’s something we’ll look at, whether it’s a wholesale fund or a REIT,“ David Sylvester, the company’s head of retail in Asia, told Reuters in an interview.

Las Vegas Sands has 1.3 million sq ft of leased retail space at its Grand Canal Shoppes, attached to the Venetian casino, and at the newly opened Four Seasons Hotel next door.

The firm is also building another 850,000 sq ft shopping center, scheduled to open by the end of 2009 on the Cotai Strip – reclaimed land that Las Vegas Sands Chairman Sheldon Adelson has vowed to turn into a „neon alley“ of hotels, casinos and entertainment venues.

„We’re talking multiples of billions of dollars,“ Sylvester said, declining to give an exact value of what he thought the retail assets were worth. He added that Las Vegas Sands would retain a controlling stake in any fund. „We don’t want to sell them off because we want involvement,“ he said. „Obviously we’d like to have a majority share so we can manage it.“

Adelson, the son of a cab driver who built a casino empire in Las Vegas before turning to the Chinese gambling enclave of Macau, injected his own capital into Las Vegas Sands last month through the purchase of USD 475 million of convertible senior notes.

He told Reuters at the time that Las Vegas Sands was reconsidering efforts to obtain USD 5.25 billion in financing for the Cotai Strip and was likely to instead seek smaller-scale financing for individual projects.

Analysts say the firm needs about USD 1.5 billion to complete projects on two plots of land on the Cotai Strip, and is likely to find refinancing of its Macau debt difficult, or at least expensive. „I know that funding is an issue, and we're sorting it out as a group,“ Sylvester said. „But it's not creating a fire sale.“

However, investors would be eager to buy into the retail assets, Sylvester added. „All the way through we've had property investors interested,“ he said. „It's blue-chip retail in Asia, which is hard to get your hands on because it's closely held.“

With the likes of De Beers, Chanel and Louis Vuitton as tenants, the Four Seasons is raking in us\$ 160 per sq ft in retail rent each year, while the Venetian Macao is taking USD 130. Retail makes up about a fifth of total revenue at the Venetian Macao. For the full year the Venetian Macao's revenue is forecast to reach USD 1.97 billion, according to JPMorgan analysts.

Macau's casino revenue had been growing at break-neck speed since 2002, when it allowed foreign operators to compete with a former monopoly owner Stanley Ho.

But revenue fell 3.5 % in September from a year earlier because Chinese authorities restricted visa approvals for people traveling to the former Portuguese enclave, the only place in China where casinos are legal.

Beijing has become increasingly nervous about Macau because of its impact on society and its use by corrupt officials to launder money, analysts say. Sylvester said the Venetian was better placed than most casinos, because only 27 % of its visitors were from mainland China. „With the integrated resort model, based on a three-night stay, we’re deliberately going for the broad Asian market,“ he said.

The average stay now for those who book a hotel room at the Venetian Macao is just under two nights, Sylvester added.