

Las Vegas Adapts to New Economics, New Demographics to Maintain Success

By Jeremy Aguero

The Las Vegas tourism sector has emerged from years of dormancy with a new wave of investment and development. This spring, several major acquisitions in the locals gaming market took place, starting with Boyd Gaming Corporation acquiring the Aliante hotel-casino in North Las Vegas and four days later purchasing both the Cannery Casino Hotel in North Las Vegas and Eastside Cannery Casino and Hotel on Boulder Highway. Less than a month later, Red Rock Resorts, Inc., parent company of Station Casinos, bought The Palms resort, capping a month of acquisitions that totaled \$923 million between the three transactions.

Those acquisitions joined a growing list of ongoing and planned investments throughout the sector, including the \$4 billion Resorts World Las Vegas hotel-casino, the \$1.6 billion Wynn Resorts Paradise Park, the \$450 million rebrand of the Monte Carlo, the \$1.4 billion expansion and renovation of the Las Vegas Convention Center and the \$373 million Lucky Dragon Hotel. In total, more than \$11 billion of investments are ongoing, planned or proposed in southern Nevada over the next three years.

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These acquisitions, expansions and new developments are moving forward because of vastly improved fundamentals in the southern Nevada economy and the tourism industry. Visitor volume, a critically important indicator of the regional and state economies, has been at the heart of that improvement. After reaching a post-recession low of 36.4 million in 2009, visitation has recovered and surpassed previous highs, setting annual records in 2012, 2014 and 2015. Las Vegas visitor volume is on pace to set another record this year, as the trailing 12-month visitation total of 42.5 million in May 2016 was 2.8 percent higher than a year earlier.

The surge in overall visitation has included even stronger growth in the convention segment. Convention attendance in 2015 climbed 9.9 percent to 5.7 million, the most since 2008; trends so far in 2016 indicate more growth in that segment of visitation. Amid these trends, a number of recently completed or planned projects involve adding space to capture more convention and meetings business, such as the recently completed Mandalay Bay Convention Center expansion, the Las Vegas Convention Center expansion and renovation and projects at ARIA and Wynn Las Vegas that will increase convention and meeting space.

The combination of rising visitor volume and the lack of new hotel inventory has pushed average daily room rates to their highest point since 2008. The rise in the average daily rate has been shared across the board by

major Las Vegas properties, which have seen their annual average daily rates climb between 3.4 percent and 18.5 percent over the past 12 months. Annual average hotel occupancy rates in Las Vegas have risen as well, surpassing the 90 percent threshold for the first time since late 2008. Although gaming revenues have remained essentially flat, non-gaming revenues have grown year over year and account for nearly two-thirds of all casino revenue on the Las Vegas Strip. Other rising trends include retail spending by residents and tourists in Clark County, climbing to a record of \$38.9 billion dollars in the 12 months through April 2016, while McCarran International Airport rolling 12-month passenger counts reached 46.4 million in May 2016, the highest level since mid-2008.

This drumbeat of positive news has sparked renewed optimism about the tourism economy while reinvigorating the large-scale investment of the modern era that traces back to the 1989 opening of The Mirage. The opening of the first megaresort started a two-decade building binge that witnessed the number of hotel rooms climb from 82,000 to 149,000 and the total fixed assets of Clark County casino-resorts multiply from \$4.0 billion to \$34.6 billion. As the city grew and evolved, so did the resorts, moving from the broad appeal of a family-friendly locale to a more mature market focused on high-end experiences in dining and entertainment.

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Today, after two decades of building thousands more hotel rooms, Las Vegas is focused on creating more reasons to fill them. The visitor base is more diverse and younger, and their tastes are much different than the generations of visitors who came before them. Gambling, which for decades was the signature draw for Nevada and Las Vegas, has been legalized in 23 other states, and Macau and Singapore have emerged as top international gaming destinations. Amid this increasingly competitive environment, Las Vegas has relied on its ability to remain ahead of the curve and diversify its portfolio of offerings. Entertainment, shopping, high-end dining and nightlife have become as much a part of Las Vegas as slot machines and blackjack tables. In fact, non-gaming revenues are more important today than ever, many evolving from loss-leaders to profit centers.

This transformation and emphasis on Las Vegas as an experience have helped it maintain its position as the top domestic gaming and entertainment destination despite the ubiquity of casino-style gambling around the nation. This ability to transform and adapt will be even more important in the future. Millennials recently surpassed Baby Boomers to become the largest living generation in the U.S.; 23 is the most-common age in America today. Las Vegas has attracted this younger generation through the development of nightclubs, day clubs, pool parties and other experiences that appeal to 20- and 30-somethings. However, when it comes to gambling, the traditional selection of slots and table games has failed

to capture the imagination or dollars of a generation raised on smartphones. Millennials just don't gamble like their parents and grandparents.

Las Vegas is adapting once again through the development of new game technologies and systems that combine gambling with the experience of playing a smartphone game like Candy Crush. Las Vegas is also at the forefront of competitive video gaming, hosting events that fill arenas with spectators watching teams cast spells, swing swords or shoot at each other in their quest for virtual world supremacy. These changes are critical to fostering a new generation of Las Vegas visitors, one that clearly views gambling more as a sport than as entertainment.

The past three decades have witnessed the incredible transformation of Las Vegas in both size and scope. I don't know what tomorrow will bring, but I like our chances and I would not underestimate Vegas's ability to adapt and prosper.

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