

Atlantic City Tourism Performance Indicators (AC-TPI)

2015 1st Quarter

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• 1 2 3 4 5

The image displays a complex musical score consisting of approximately 12 staves. The notation is dense and includes various rhythmic values, stems, and beams. A prominent feature is the frequent use of the number '5' as an annotation, often placed above or below specific notes or groups of notes. The score is arranged in a vertical column, with the staves overlapping slightly. The overall appearance is that of a technical or experimental musical composition.

For several years, the Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism (LIGHT) has been producing the Atlantic City Tourism Performance Indicators (AC-TPI) as a quarterly report describing non-gaming revenue for the Atlantic City region. The impetus for the report was the changing dynamics with respect to gaming supply in the U.S. northeast, particularly following the introduction of Pennsylvania gaming in 2006. The increased competition for the gaming dollar resulted in significant gaming dollar losses for the Atlantic City region. However, there continued to be growth in non-gaming revenue for the Atlantic City region, growth that was not garnering attention in light of the regional declines in gaming.

data to describe their total performance over time, and many regularly do. Unfortunately, for the Atlantic City region, the casino hotels do not participate in this program. The Trend Reports for the region thus do not capture the most significant driver of revenue for the Atlantic City region, namely the casinos.

Still, the Trend Report does capture a significant portion of the non-casino lodging in the Atlantic City region. Since the closure of the four casino properties in 2014, that portion of the local lodging industry has grown significantly. Figure 1 shows that the month prior to the first of the four closures, December 2013, non-casino lodging accounted for 24% of the Atlantic City region (Atlantic County N.J.). One year later, after all four closures, the December 2014 non-casino lodging accounted for 29% of lodging in the Atlantic City region. Thus, there is a growing need for performance measures for the Atlantic City region that separate out the performance of the non-casino lodging industry and report the Occupancy, ADR and RevPAR that STR, Incorporated provides. While it will certainly not suffice alone to describe lodging performance, it can supplement our use of the Atlantic County Lodging Fee which does capture the performance of the casino properties in Atlantic City.

Indeed, in choosing to be perfo

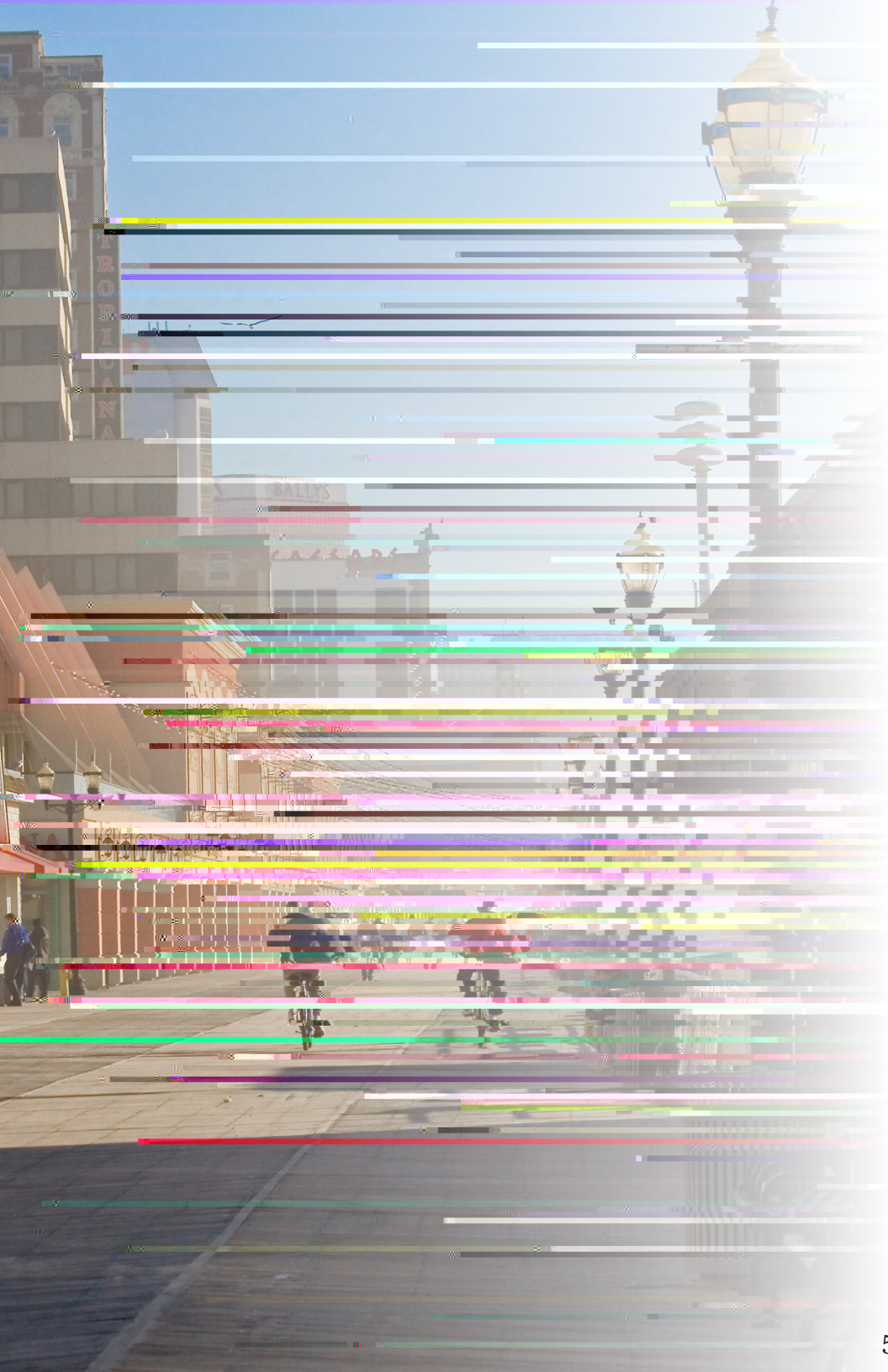


high (labeled above the data series) and the annual low (below the data series) for each of the past 10 years. Highs occur in July or August, with the best recorded month occurring in July 2006 (\$285) and the current 12 month best occurring in August 2014 (\$184). Typically, the slowest month is recorded in the winter months, the exception being March 2012 (\$152) and November 2012 (\$104), the latter of which being the result of Hurricane Sandy. The highest annual low recorded was in January 2007 (\$219). The low in the past twelve months was recorded in February 2015 (\$141).

Figure 4 shows the year over year change in the Atlantic City Casino Parking Fee per 100 parking spaces for the prior 12 months. Following the closures of the final three properties in September of 2014, significant gains were seen in revenue when examining the tax on a per parking space basis. Double-digit gains were realized in March 2015 (12%), and three of the past six months (to include October 2014 and January 2015). Per property performance has increased on average for each month during the past ten months, dating back to the final casino closures of 2014. Clearly not all of the business previously captured by the Atlantic Club, Showboat, Revel and Trump Plaza was lost from the Atlantic City region, results that are in keeping with recently reported figures for gaming revenue in Atlantic City on a per property basis.

Given the seasonal nature of the Atlantic City Casino Parking Fee (see Figure 3), it is perhaps easier to visualize the long term trend by examining the 12 month trailing total for the fee. Figure 5 shows the 12 month trailing total for the Atlantic City Casino Parking Fee per 100 parking spaces. The 12 months ending in May 2007 produced the highest Atlantic City Casino Parking Fee per 100 parking spaces at \$242. The per available space fee accelerated its decline after the opening of Revel in March 2012. Since the last of the closures in 2014, however, this figure has been on the rise. This perhaps signals a balance on the supply and demand characteristics in the wake of the decrease in supply. In June of 2015 the twelve month trailing total averaged \$162, 8.7% higher than the June of 2014 figure (\$149).

Continuing to monitor the Atlantic City Casino Parking Fee on a per 100 parking space basis will prove useful in determining if the per p3(y b)-g space baa(a



The Atlantic County Lodging Fee, the Atlantic County portion of the State Occupancy Fee, is utilized in this report to get a clearer picture of lodging performance for the region. While this figure is not Atlantic City specific, there is general consensus that the Atlantic City tourism market impacts the hotel industry throughout the county and thus is a reliable measure of the Atlantic City tourism economy. The figure is released by the NJ Division of Taxation and is described as:

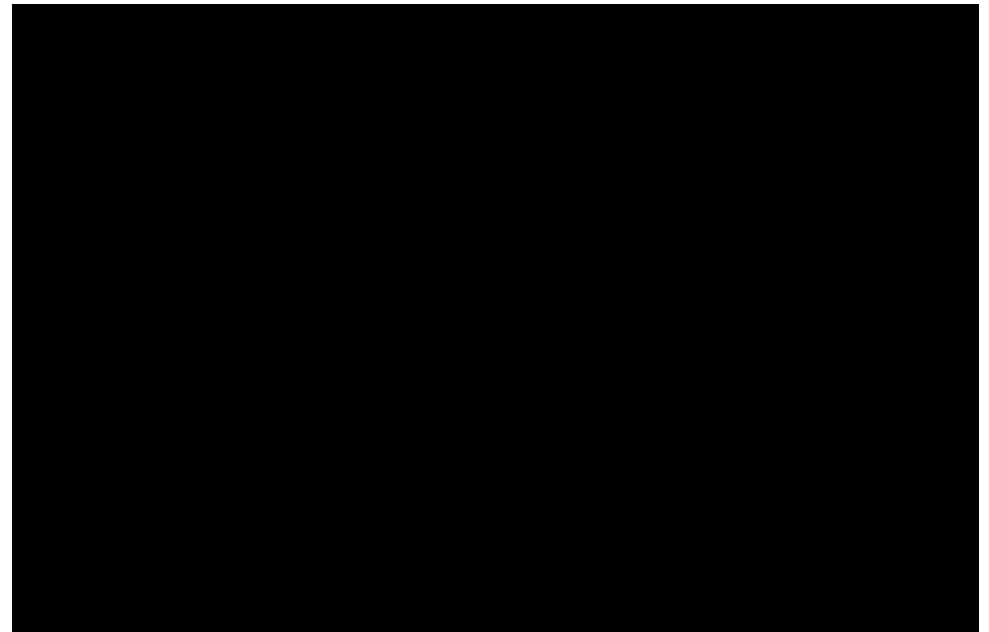
annual high (labeled above the data series) and the annual low (below the data series) for each of the past ten years. Similar to the Atlantic City Parking Fee described earlier in this report, highs occur in July or August. Unlike the parking fee however, the best recorded month occurred only recently in August 2014 at \$106. Lows occur in December or January, with the notable exception of the Hurricane Sandy impacted month of November 2012, following which there occurred a series of months of increased hotel revenue as a result of displaced residents and demand for rooms by those assisting with the recovery efforts. The highest annual low recorded was in December 2005 (\$44). The low in the past twelve months was recorded in December 2014 (\$32).

Figure 8 shows the year over year change in the Atlantic County Lodging Fee per 100 rooms for the prior 12 months. Once again, following the closures of the final three properties in September of 2014, significant gains were had in revenue when examining the tax on a per room basis. Double-digit gains were realized in May

keeping with recently reported figures for gaming revenue in Atlantic City on a per property basis.

Given the seasonal nature of the Atlantic County Lodging Fee (see Figure 7), it is again easier to visualize the long term trend by examining the 12 month trailing total for the fee. Figure 9 shows the 12 month trailing total for the Atlantic County Lodging Fee per 100 rooms. The 12 months ending in February 2008 produced the highest Atlantic County Lodging Fee per 100 rooms at \$671. On a per property basis, declines may have given way to increases. The twelve months ending in March 2015 averaged \$608, or 11.6% higher than the twelve months ending in March 2014 (\$545).

Continuing to monitor the Atlantic County Lodging Fee on a per 100 room basis will prove useful in determining if the per property performance we saw in the final months of 2014 and beginning of 2015 signals a sustainable reversal in this long trend. As previously mentioned, increases in per property performance can induce job and wage growth, as well as reinvestment in the properties, if sustainable.



Atlantic City Tourism Performance Indicators (AC-TPI), Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR). Data are drawn from the STR Incorporated Trend Report. While new to the report, these three measures have long been a staple of analyzing lodging

It is notable that all three measures had at least nine of the twelve months showing positive year over year growth.

The addition of Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) provides valuable insight into non-casino lodging performance in the Atlantic City region. Of these three measures, RevPAR may be of the most value in determining longer term trends in the market place as RevPAR is a combination of both Occupancy and ADR (Occupancy multiplied by ADR is equal to RevPAR). As such, changes in RevPAR will be the summary variable for the non-casino lodging performance measure included in the AC-TPI Snapshot presented in the final section of this report.

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