

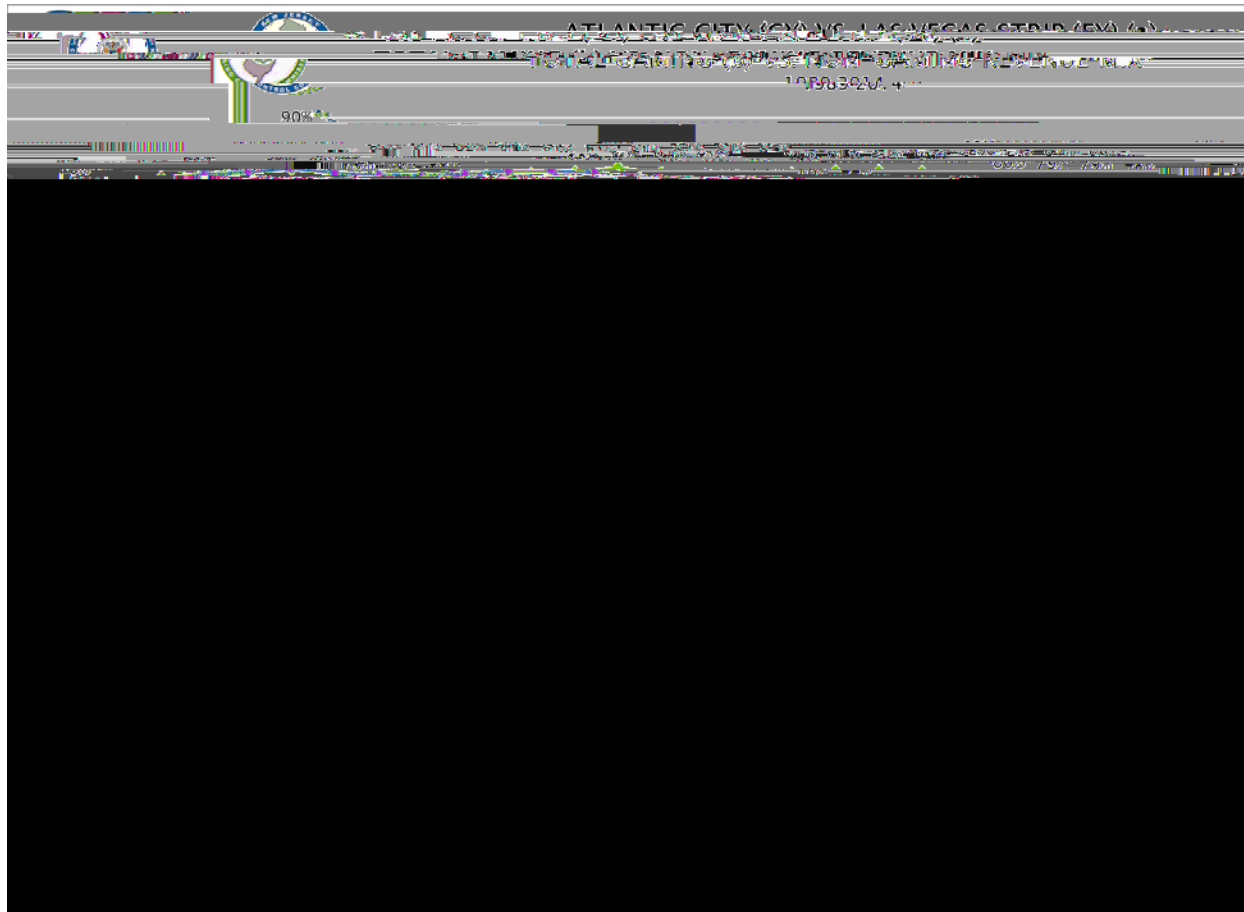
Reshaping the Physical and Economic Landscape of Atlantic City

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For the first time in 10 years, Atlantic City casinos saw a year-over-year increase in total gaming win. This break in the city's decade-long losing streak, attributed to the rapidly growing internet gaming market, is encouraging but not necessarily the answer to the city's long-term success.

This change in trajectory is visually more apparent if we look at Figure 4, which graphically displays the transition within Vegas and A.C.

Figure 4



Source: CCC

However, this change in focus has not always been voluntary for Atlantic City's casinos, five of which have closed in the last three years.

When casinos close, there is more at stake than gaming revenues. The impact of the five casino closures is also felt in the loss of non-gaming revenues from parking, lodging, dining and entertainment. As reported in the New Jersey Casino Control Commission Annual Report, non-gaming revenue from casino properties declined by 7.4 percent in 2014 and 12.3 percent in 2015. This decline is related to the loss of approximately 6,453 casino hotel rooms as well as similar losses in the parking (21,437 spaces lost), dining (approximately 50 establishments lost) and other amenities (entertainment venues, bars, lounges and spas) offered by these properties.

Current operators have adapted to these losses, learning to do more with less. In 2013 (before the first casino closure), casino hotels reported an Average Daily Rate (ADR) of \$99.30 and Revenue Per Available Room (RevPAR) of \$76.86. In 2015 (after the first four closures), those numbers were \$102.77 and \$82.98 respectively. In 2016 ADR was \$105.61 and RevPAR \$86.07.

For comparison, ADR/RevPAR for non-gaming hotels in Atlantic County was \$107.04/\$49.94 in 2013 and \$116.90/\$52.33 in 2015. The substantially lower RevPAR rates for the non-gaming hotels are related to the occupancy rate which was 46.7 percent in 2013 and 45.1 percent in 2015. Casino Hotels reported occupancy of 77.4 percent and 80.8 percent for the same years. Casino hotel occupancy in 2016 was 81.5 percent.

Other performance indicators such as the Casino Parking Fee and the Atlantic County Lodging Fee (both calculated on a per 100-unit basis) paint a similar picture of cautious growth and recovery. Figure 5 shows the 12-/0 pc 0.01 Tw 34.3 0 Td [[2 (i)-2 0 Tc ke0 (g)]TJ -0.004 Tc 077.4 per Tw 0

Figure 6: 12-Month Trailing Total for the Atlantic County Lodging Fee per 100 Rooms, December 2005 to September 2016

Source: The Lloyd D. Levenson Institute, AC-TPI 2016 Q3

These statistics can only go so far in describing the current environment in Atlantic City and have limited usefulness when predicting the city's future. Even comparison to Las Vegas falls short when suggesting changes for future development and growth. It shouldn't be forgotten that Atlantic City is a unique community with a history and identity of its own. Atlantic City has many assets which, though perhaps currently underutilized, could become major drivers of revenue and visitation. Certainly, Atlantic City has one thing in particular which Las Vegas and Pennsylvania do not, a beach.

Despite recent setbacks, New Jersey's shore communities continue to make significant contributions to the state's tourism industry. As recorded in the 2016 Economic Impact of Tourism in New Jersey report, Atlantic and Cape May counties contributed 31 percent of the state's \$41.9 billion in direct tourism sales revenue for 2016 and Atlantic County continues to lead the state in total direct tourism sales and direct tourism employment. According to The Press of Atlantic City, the state's leading tourism counties, Atlantic and Cape May, possess 40 miles of coastline and about 15 resort towns between them, further underlining the importance of South Jersey's beaches in the tourism equation.

Many of the same elements that make a destination appealing to visit also contribute to its appeal as a destination for conventions, trade shows and meetings. The opportunity exists to develop and expand Atlantic City as a destination attractive for both leisure and business travelers. Expanding the current conventions and meeting spaces and i

