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**What do N.J. Division of Gaming Enforcement’s 2016 Q4 numbers
tell us about the health of Atlantic City’s casino industry?**

For the quarter ended Dec. 31, 2016 current casino operators saw a 5.9 percent increase in total revenue (the industry as a whole was down 0.6 percent) over the prior year. Gaming revenue for the same period (table games, slots and internet gaming) totaled \$608.5 million, a 1.32 percent increase over 2015. Non-gaming revenue for the fourth quarter of 2016 totaled 195.3 million, a decline of 5.74 percent over 2015. The chart below shows the relationship between gaming and non-gaming revenue as a percentage of total revenue for the fourth quarter of 2016 compared to the same period in 2015.

<i>Revenue in Millions</i>	<i>2016 Q4</i>	<i>% of total revenue 2016 Q4</i>	<i>2015 Q4</i>	<i>% of total revenue 2015 Q4</i>
<i>Table Games</i>	161.1	20	154.6	19.1
<i>Slots</i>	396.1	49.3	405.8	50.2
<i>Internet/Online</i>	51.9	6.4	40.1	5
<i>Total Gaming</i>	608.5	75.7	600.5	74.3
<i>Rooms</i>	85	10.6	89.4	11.6
<i>Other Sources</i>	110.3	13.7	117.8	14.1
<i>Total Non-Gaming</i>	195.3	24.3	207.2	25.7
<i>Total Industry Revenue</i>	803.8		807.7	

Source: New Jersey Division of Gaming Enforcement (DGE) Monthly and Quarterly statistical reports

The comparison of 2016 to 2015 reveals noteworthy shifts in the gaming/non-gaming revenue share for 2016 (75.7 percent / 24.3 percent) and 2015 (74.3 percent / 25.7 percent). At first glance it appears as though non-gaming revenue has lost ground. However, the closure of the former Taj Mahal at the beginning of October 2016 had perhaps a more significant impact on non-gaming rather than gaming revenue for the quarter. Taking into consideration the loss of 14.7 percent (1,973) of the casino industry’s supply of hotel rooms and a number of restaurants and other non-gaming venues, it is remarkable that the decline in non-gaming revenue isn’t greater.

Casino hotel operators responded to the reduced supply of rooms by raising their average daily rate (ADR) by nearly 4 percent from \$98.09 in 2015 to \$101.92 in 2016. When coupled with an increased occupancy rate, from 74.1 percent in 2015 to 80 percent in 2016, operators saw an incredible 12.19 percent or \$8.86 increase in revenue per available room (RevPAR) from \$72.68 in 2015 to \$81.54 in 2016. For comparison the 2016 RevPar for hotels in Las Vegas was

\$109.37, a 4.1 percent increase over 2015 and for the U.S. hotel industry, the average RevPar was \$74.25, an increase of 3.2 percent over 2015.

While the increase in RevPAR is a subtle form of growth, the growth of internet gaming has been far from subtle. A comparison of 2016 and 2015 table games, slots and internet gaming revenues as percentages of total revenue reveals the increasing importance of internet gaming. In 2015 internet gaming represented 5 percent of total quarter revenue, in 2016 that number is 6.4 percent. Table games also increased in revenue share from 19.1 percent to 20 percent in 2016. Slots however, declined in importance dropping from 50.2 percent in 2015 to 49.3 percent in 2016. These differences, however minute, mirror anticipated trends for an industry slowly shifting focus toward millennial gamblers who favor table games over slots, and contribute to a growing audience of online gamblers.

So what does this mean for Atlantic City? It means that while the closure of five casinos over the past three years represented a significant hit to both gaming and non-gaming business, casino operators have found ways to grow despite the limitations of brick-and-mortar properties.

The most notable area of growth has been in internet gaming. Internet gaming, which requires only a very limited amount of brick-and-mortar infrastructure to operate, continues to grow year-over-year. Casino operators and their internet partners are able to sustain the relatively rapid growth of the internet gaming industry (after some early growing pains) because that growth is not limited by the availability of land-based resources.

Non-gaming businesses however, require bricks and mortar, and have had to become more efficient with existing resources. This efficiency, demonstrated by the 12.19 percent growth in RevPAR, has the potential to deliver significant gains in the long run. While the limits of land-based resources will prevent non-gaming businesses from having the same meteoric ascent as internet gaming, a period of steady redevelopment of Atlantic City's brick-and-mortar infrastructure is likely to fuel stable and sustainable growth in the non-gaming market.

What the N.J. Division of Gaming Enforcement's quarterly numbers cannot show us are the impact of former casino properties and non-casino properties on Atlantic City's total non-gaming revenue. As the city adds more hotel rooms, restaurants, attractions, conference and meeting spaces and other non-gaming amenities the gaming/non-gaming split for the city as a whole seems to shift, slowly but surely, toward a more diverse and balanced economic mix of gaming and non-gaming businesses.