Preliminary Briefing - Nature of the Reno Casino Hotel Market

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Harrison Price Company

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THE NATURE OF THE RENO CASINO HOTEL MARKET

Prepared for

CIRCUS CIRCUS
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- Clark County is about 1.9 times bigger than the 50-mile market around Reno (Washoe)
- Income is slightly higher in Washoe
- Median age is slightly older in Washoe
- Ethnicity is less in Washoe
- Household ownership is higher in Washoe
- Household size (# persons) is slightly less in Washoe

Table 1

RESIDENT MARKET COMPARISON

	Reno 50-Mile Ring	Clark County
1992 Population (000)	420.8	795.8
Percent Caucasian	89.6%	80.7%
Percent African American	1.8%	9.4%
Percent Non-Caucasian	10.4%	19.3%
Median age (years)	35.4	33.7
Home Ownership	56.2%	50.5%
Household Size	2.46	2.53
Median Household Income ($000)	34.3	33.3
Median Family Income ($000)	40.4	38.4

- Las Vegas annual visitor growth (overnight visitors) 9 years 1982-1991 is 7.0% per year

- Washoe County annual visitor growth based on the old data series (includes day visitors) 1980-1990 is 1.8%

- Las Vegas overnight visitor market is 5 times Washoe overnight visitor market

- Annual growth of overnight visitation in Washoe (indicated by room inventory) is negligible in recent years

(1)	1988	24,275 rooms
	1992	24,881 rooms
	i.e., growth is nil 1988-1992	
(2)	1980	17,755 rooms
	1988	24,275 rooms
	1989	24,456 rooms

Indicated annual growth is 3.62%, 9 years 1980-1989
or 3.99%, 8 years 1980-1988

- i.e., growth in Washoe 1988-1992 was nil. No major new product on the scene except El Dorado addition in 1989.

Table 2

ANNUAL VISITOR VOLUME

		1991 (millions)	**1992 (millions)**
(1)	Washoe County[1]	4.540	4.448
(2)	Las Vegas	21.300	22.000 (est.)
	% (1) to (2)	21.3%	20.2%

1 Why did Dr. Eadington reduce reported Washoe visitation from 7.2 million in 1990 to 4.54 million visitor levels in 1991 and thereafter? What was the reason? It was apparently:

- 2.1 persons per room in hotels versus 2.6 total party size
- 3.0 days stay in hotels vs. 2.7 days stay for all visitors
- Exclusion of 9 percent day visitors
- The resulting difference = $\frac{2.1}{2.6} \times \frac{2.7}{3.0} \times 0.91$

  = 34% reduction
- i.e. 7.2 X 0.66 = 4.7 million

Conclusion: Eadington was right.

The visitor market in Reno/Sparks is different than Las Vegas on these points:

- It is slightly older (2.3 years)
- Private ground arrivals are 58 percent in Reno/Sparks, 49 percent in Las Vegas
- Air arrivals are 31 percent in Reno/Sparks, 41 percent in Las Vegas
- Other public transportation accounts for 11 percent in Reno/Sparks, 11 percent in Las Vegas
- There are more younger people in Las Vegas (24 percent under 30) compared to Reno/Sparks (10 percent under 30).
- There are more retired people in Las Vegas (31 percent to 25% in Reno/Sparks)

Similarities are noted in:

- Median income ($44.3K vs. $44.0K)
- Length of stay (3.1 nights for both)
- Number in party (2.5 and 2.6)
- First-time visitor segment (18 percent and 21 percent).

Table 3

VISITOR DEMOGRAPHY
1991

	Reno/Sparks	Las Vegas
Median Age (years)	49.2	46.9
Median Income ($000)	44.3	44.0
Retired (percent)	25	31
Professional (percent)	24	---
Σ Length of Stay (nights)	3.1	3.1
Σ Number in Party	2.5	2.6
Air Arrival (%)	31	41
Arrival by Private Car (%)	55	43
Arrival by Charter Bus (%)	8	11
RV Arrival (%)	3	6
Other Arrival (%)	3	---
	100 %	101 %
First-time Visitor (%)	18	21
Under 21 (%)	NA	12
Under 30	10	24
Percent Caucasian	NA	89

- Reno is more of a gambling crowd, 18 percent to 13 percent primary motivation
- Average hours gambled is 5.8 in Reno/Sparks and 5.0 hours in Las Vegas
- Recreation is a greater primary motivation in Las Vegas (61% to 46%) but both are high.

Table 4

TRIP MOTIVATION
1991

	Reno/Sparks	Las Vegas
Gamble	18 %	13 %
Business	8	10
Convention	7	6
Marriage/Wedding	3	---
Friends/Relatives	6	5
Special Event	3	2
Recreation/Entertainment/Vacation	46	61
Other	10	3
	101 %	101 %
Hours Gambled Per Day	5.8	5.0

- Las Vegas is much more effective in long distance tourism

- They are equal on foreign percentage but Las Vegas is world-wide; Washoe foreign visitation is almost all Canadian

- 13 Western states generate 71 percent of Reno/Sparks; 56 percent of Las Vegas

- Rest of U.S. is 17 percent in Reno/Sparks; 32 percent in Las Vegas

Table 5

WHERE DOES THE VISITOR COME FROM?
(1991 percent)

	Reno/Sparks	Las Vegas
Canada	11.7	5
England	----	2
Germany	----	2
France	0.5	1
Other Foreign	----	2
Total Foreign	12.2	12
West		
California	45.5	
Oregon	9.4	
Washington	9.8	
Arizona	1.3	
Colorado	1.0	
Hawaii	0.2	
Nevada	2.6	
Idaho	1.2	
Total West	71.0	56
East		
New York	0.7	
Pennsylvania	0.2	
Total East	0.9	10
Midwest		
Illinois	0.7	
Ohio	1.1	
Total Midwest	1.8	18
South		
Florida	1.6	
Texas	2.4	
Total South	4.0	16
Other U.S. (not spread in East, Midwest, South)	10.1	---

- Seasonality is slightly more pronounced in Washoe County. The first and fourth quarters generate 44 percent of the year's visitation. In Las Vegas that number is 48.7 percent.

- Both markets are relatively even but January and December are sub-standard in Reno.

- Las Vegas is the world's most even tourist market; Reno is probably second.

Table 6

TYPICAL SEASONALITY OF VISITATION
(Visits in 000)

	Washoe		Las Vegas	
	Number	Percent	Number	Percent
January	288		1,526	
February	319		1,633	
March	356		1,853	
	963	21.2	5,012	23.5
April	384		1,828	
May	398		1,828	
June	409		1,698	
	1,191	26.2	5,354	25.1
July	436		1,840	
August	476		1,934	
September	439		1,794	
	1,351	29.8	5,568	26.1
October	417		1,909	
November	331		1,696	
December	287		1,775	
	1,035	22.8	5,380	25.2
$\sum$	4,540		21,315	100.0

- In terms of casino win per occupied room night, Las Vegas and Reno are about equal ($155 to $151)

- Sparks at $195 is high because of high drop in trade and relatively low room count

- Tahoe at $203 benefits from high room support in the second home residence market plus intercept advantage from the Bay Area

Table 7

GAMING COMPARISONS
1991

	Laughlin	Las Vegas
Casino Revenues ($ millions)	463.4	3,496.9
Occupancy (hotels/motels %)	91.0	80.3
Number of Rooms (hotels/motels)	8,203	76,879
Number Occupied Room Nights (000)	2,724.6	22,532.9
Win/Occupied Room	$170.08	$155.19

	Sparks	No. Tahoe
Casino Revenues ($ millions)	114.9	35.7
Occupancy (hotels/motels %)	72.2	60.1
Number of Rooms (hotels/motels)	2,241	800
Occupied Rooms	590.6	175.5
Win/Occupied Room	$194.55	$203.42

	Washoe County	Reno
Casino Revenues ($ millions)	843.6	647.2
Occupancy (hotels/motels %)	72.9	74.0
Number of Rooms (hotels/motels)	18,919	15,878
Occupied Room Nights (000)	5,034.1	4,288.6
Win/Occupied Room	$167.58	$150.91

Major conclusions (Reno vs. Las Vegas):

1. Reno is, by two years average age, an older resident market

2. Reno has a slightly stronger resident economy in terms of income and home ownership

3. Las Vegas has an international reach, 5 times the visitor volume, over twice the annual growth rate in the visitor market.

4. Reno visitor market demography is a wash with Las Vegas on income, length of stay, size of party. Las Vegas has more retirees (31 percent to 25 percent); more under 30 (24 percent to 10 percent). Reno is 2.3 years older in the visitor market.

5. Ground access is more important in Reno, air relatively greater in Las Vegas.

6. The Reno visitor crowd is more wagering-driven (18 percent primary motivation to 13 percent). The gamble time is longer (5.8 hours to 5.0 hours).

7. The primary sources of business reflect the greater reach of Las Vegas:

	Reno	Las Vegas
Western States	71 %	56 %
Foreign	12	12
Other U.S.	17	32
	100 %	100 %

8. Both are even markets with light seasonality. Las Vegas is number one in the world in this regard. Reno is probably number 2, right behind it.

9. Reno and Las Vegas are essentially even in win per occupied hotel/motel rooms ($151 to $155).

10. No one has gone after this market with a glamour project in the manner of the Las Vegas approach to product innovation and quality.