

# **CASINO GAMING AT LAKE TAHOE: THE REALITIES**

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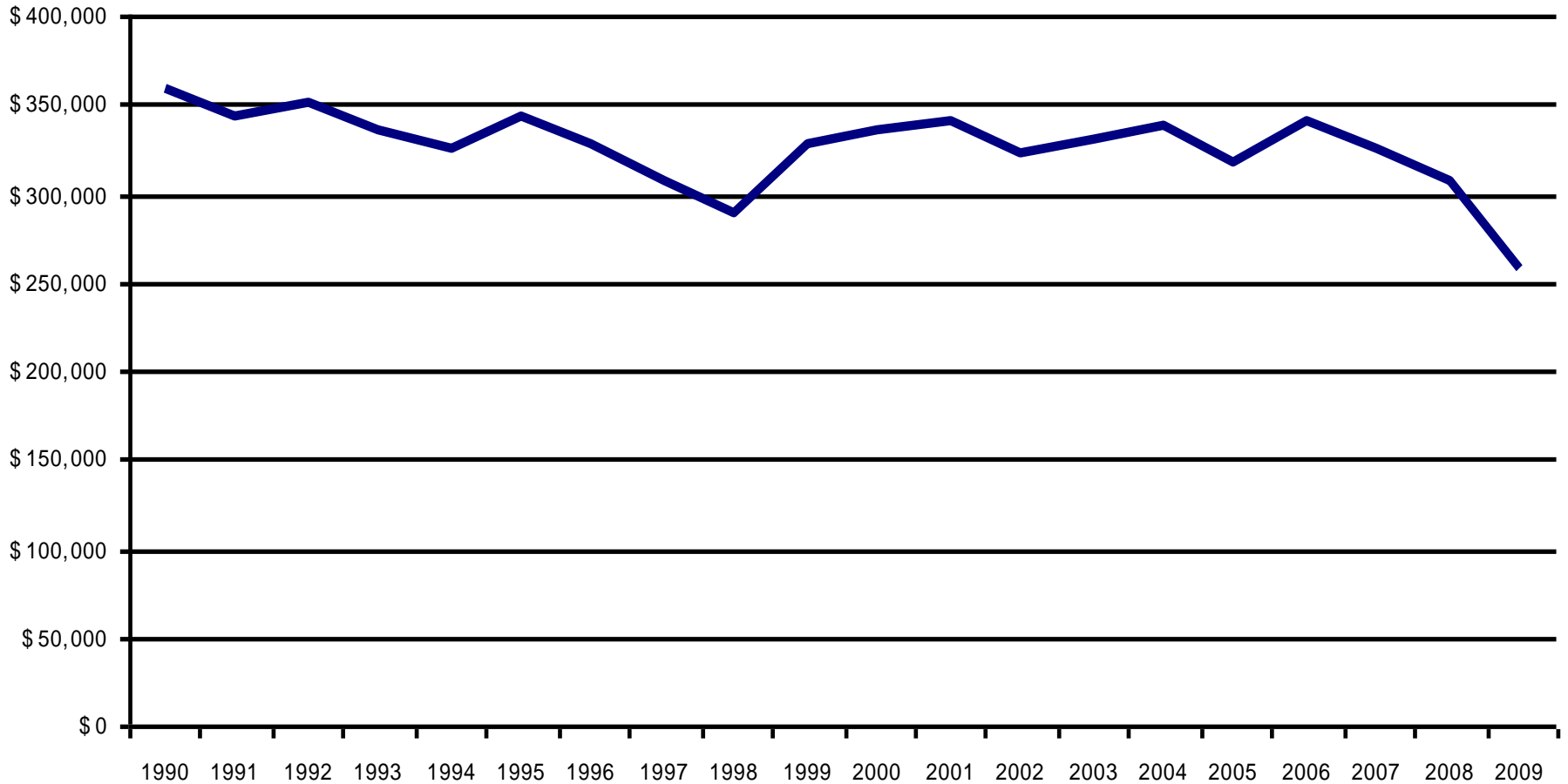
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# **UNDERSTANDING THE ECONOMIC REALITIES OF GAMING AT SOUTH LAKE TAHOE**

- **The South and North Lake Tahoe casino industries declined by about half between 1990 and 2007**
- **The effects of the recession, as well as proliferation of gaming opportunities, has removed another 30% of the business at Lake Tahoe since 2007**
- **These trends will not reverse themselves, regardless of what is built at South Lake Tahoe or North Lake Tahoe**
  - **This is widely known by all major gaming companies and financial institutions**

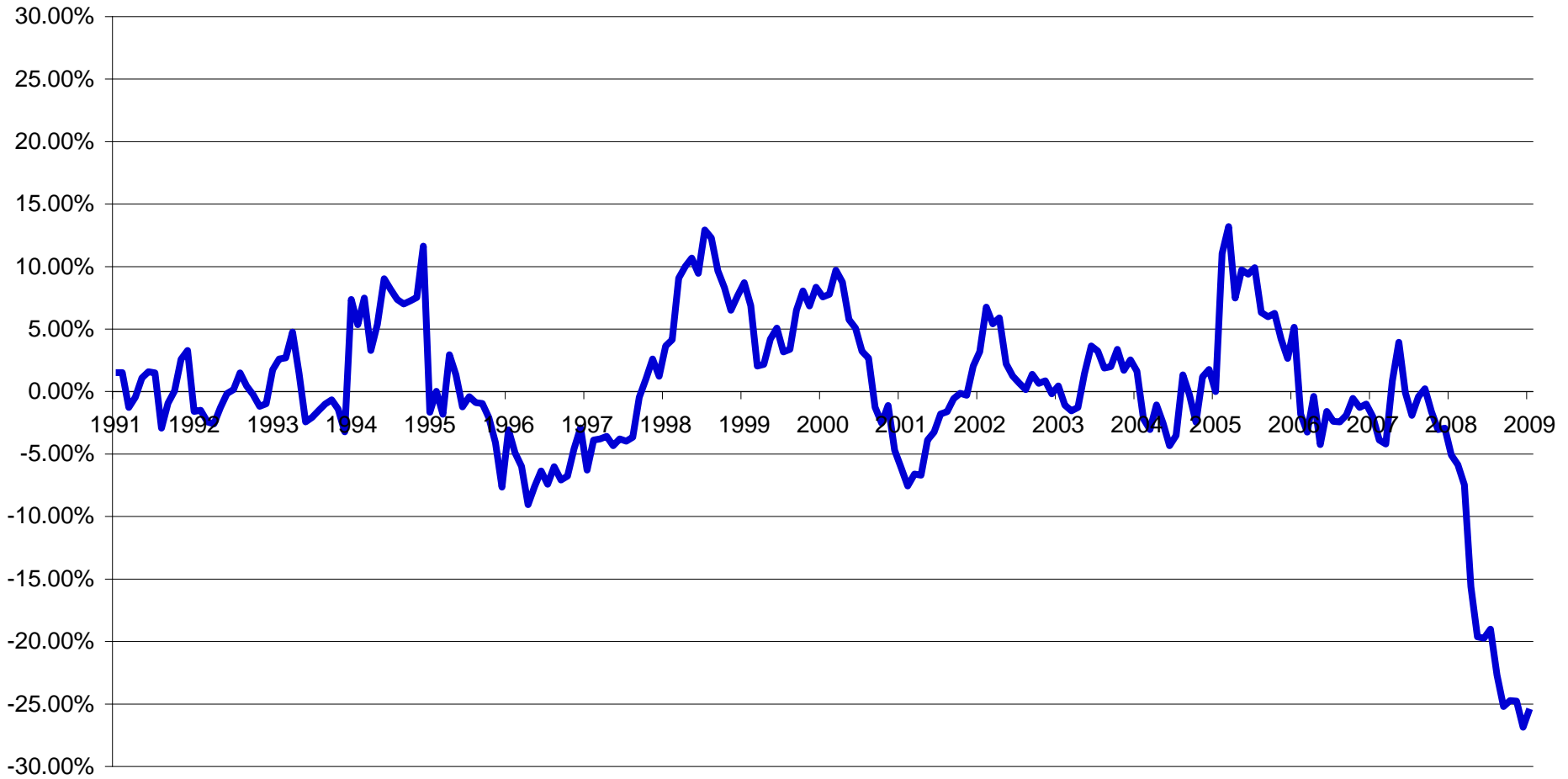
# SOUTH LAKE TAHOE GAMING REVENUES

## (\$ thousands) 1990-2009



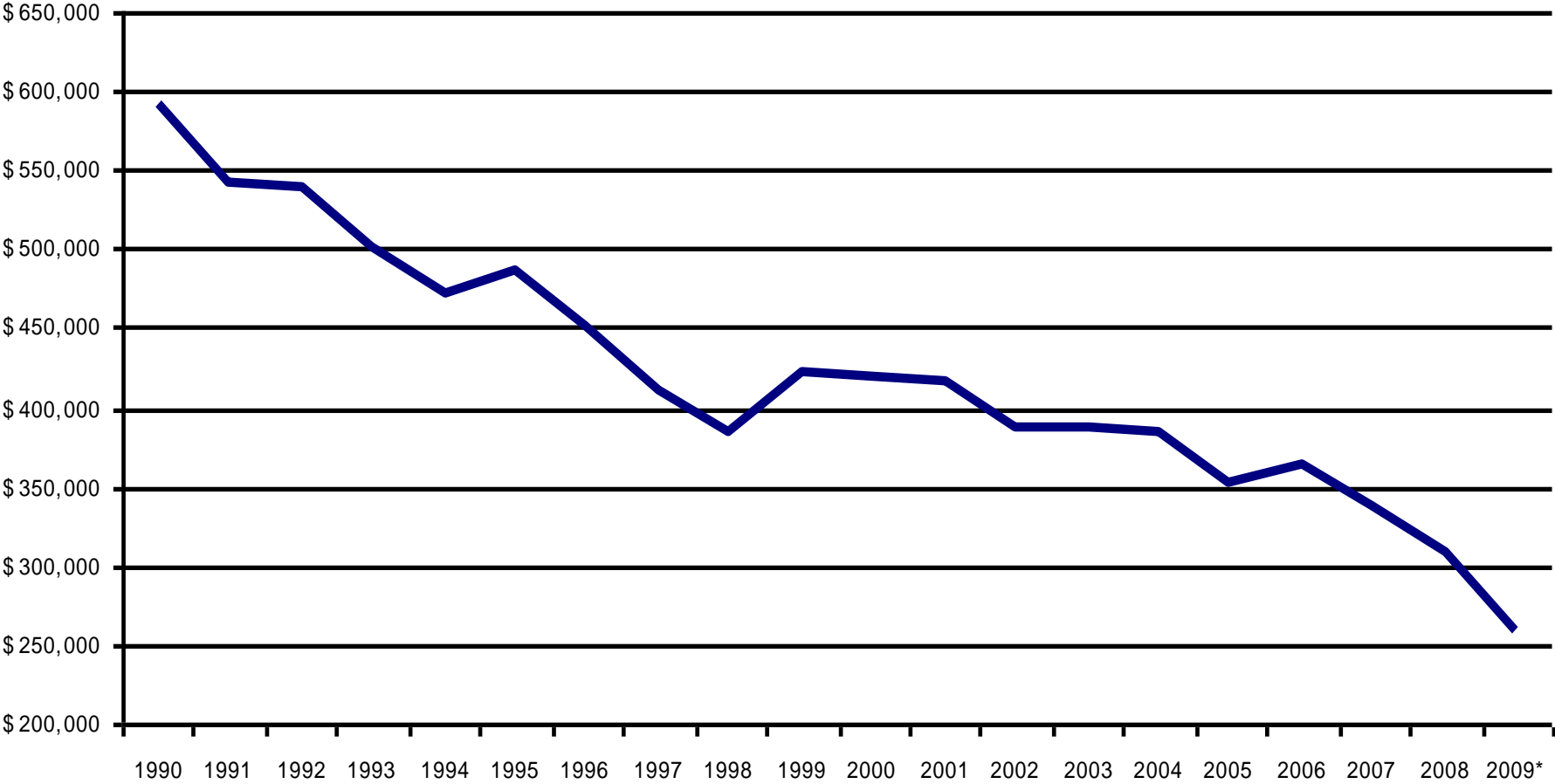
# SOUTH LAKE TAHOE GROSS GAMING REVENUE GROWTH 1990-2009

## 12 Month Moving Average

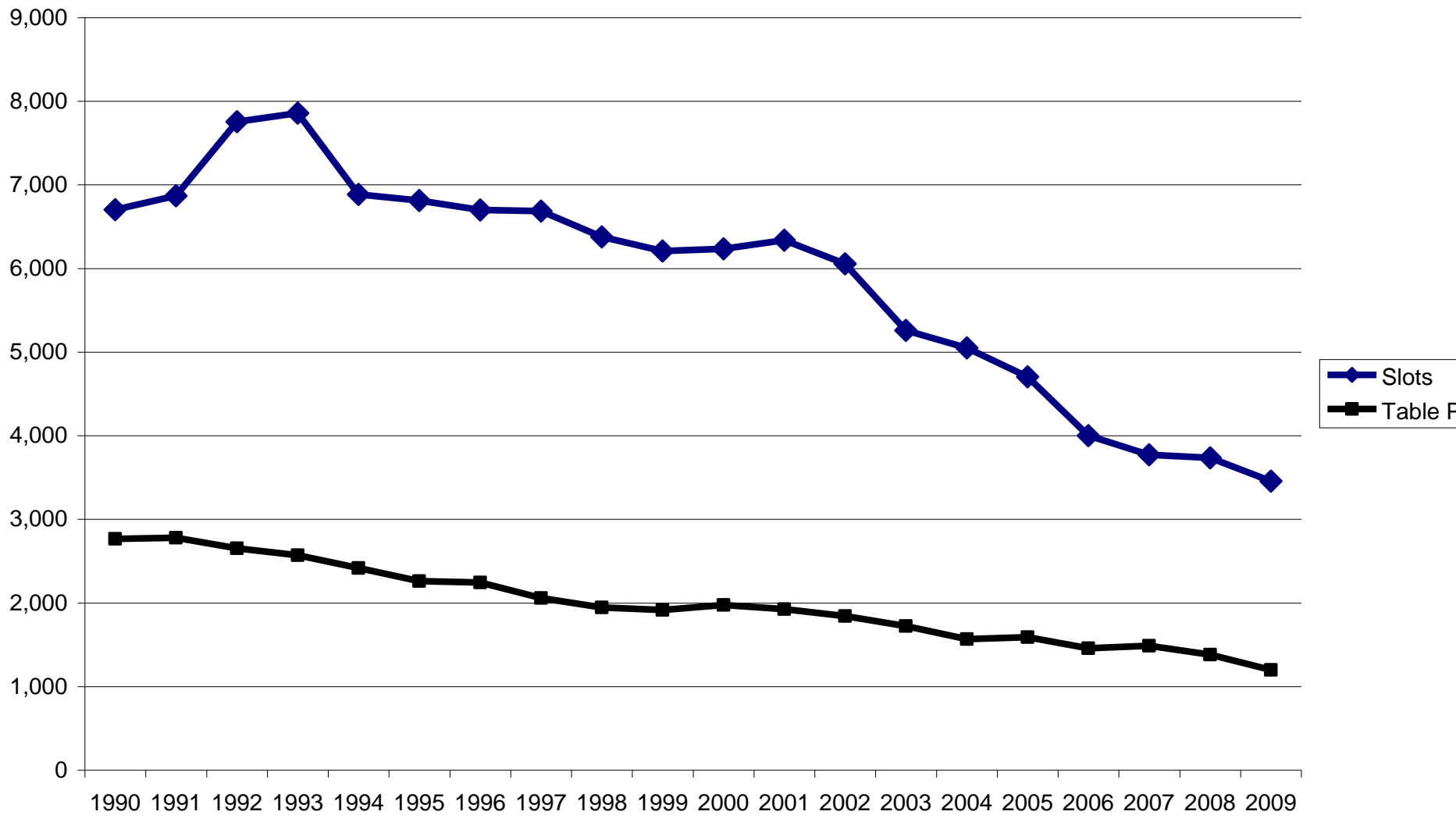


# SOUTH LAKE TAHOE REAL GAMING REVENUES

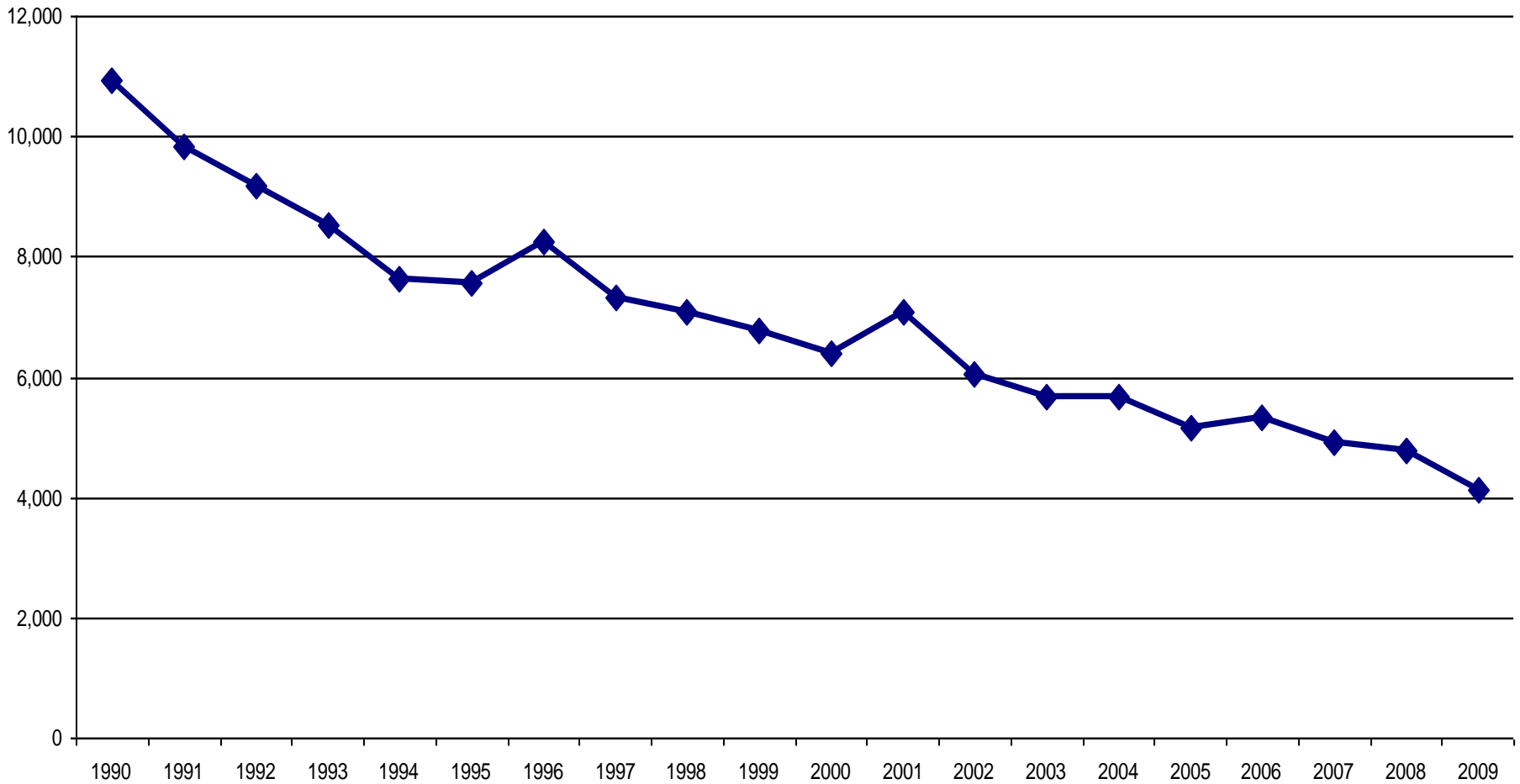
## 1990-2009 (2009 dollars)



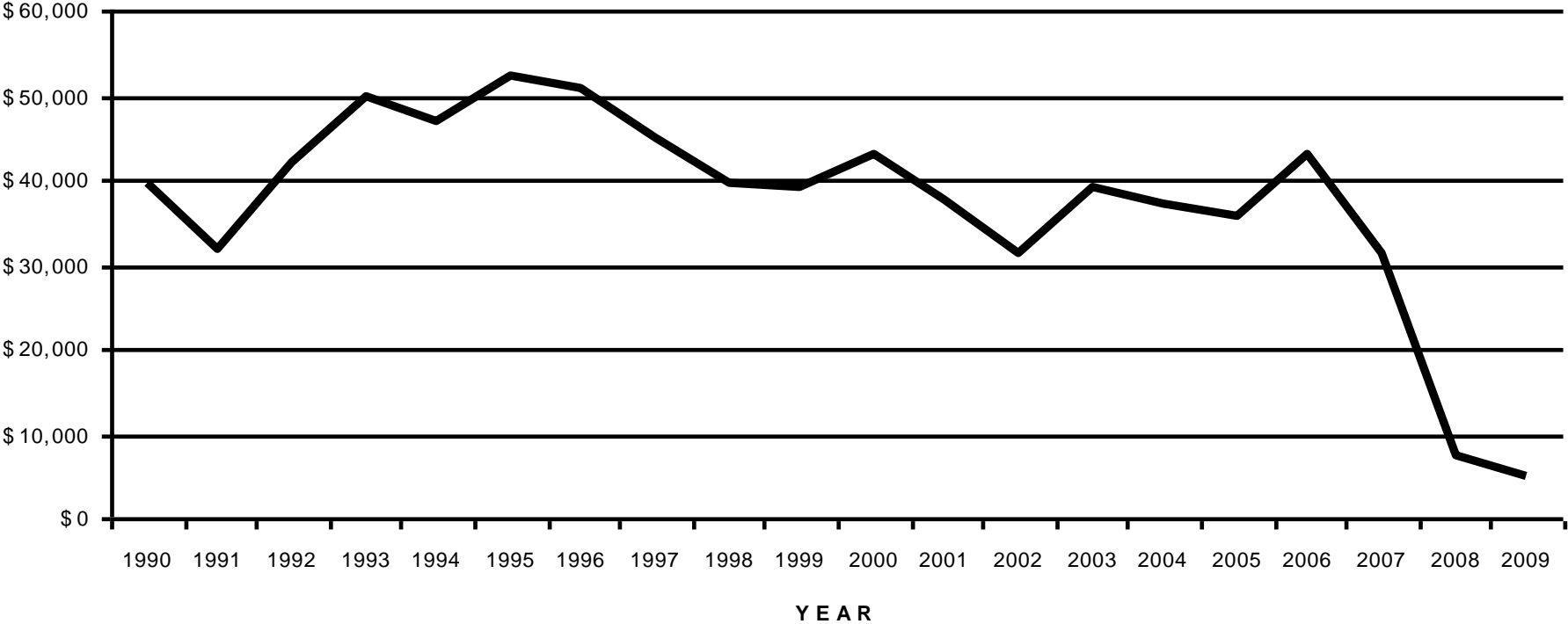
# SOUTH LAKE TAHOE SLOT MACHINES AND TABLE GAME POSITIONS, 1990-2009



# EMPLOYMENT, SOUTH LAKE TAHOE CASINOS 1990-2009

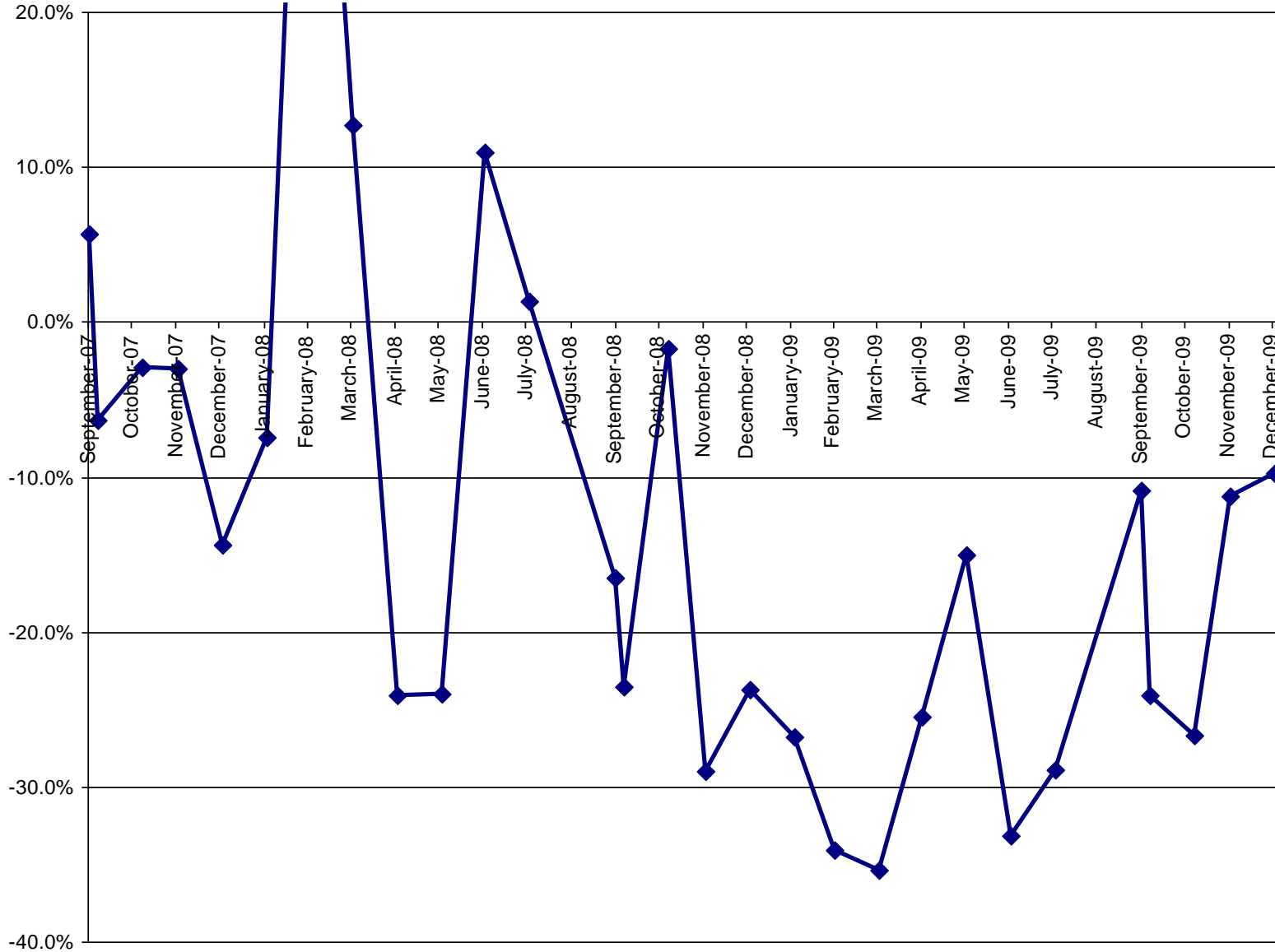


**SOUTH LAKE TAHOE, NET INCOME ADJUSTED  
FOR INFLATION (& mark-to-market)  
(\$ thousands) 1990-2009\***





# SOUTH LAKE TAHOE GAMING REVENUE GROWTH YEAR OVER YEAR 2007-2010



# Regional Competitive Update – Northern California Tribal Casinos

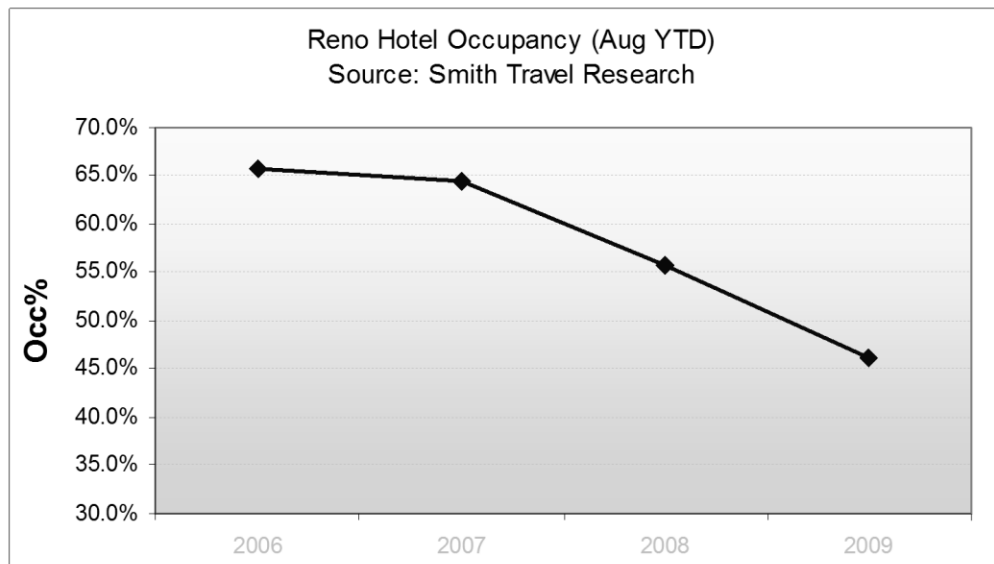
- Fall '08 - Thunder Valley halts expansion project, citing economic downturn
- Dec '08 - Red Hawk Casino opens
- Feb '09 – Thunder Valley axes top 5 executives, including GM/CEO
- Spring '09 – Thunder Valley resumes expansion project, with reduced scope
  - 8 fewer hotel floors, no 3,000 seat performing arts center, smaller garage
  - When completed – 400 rooms, spa and 10,000 sq ft multipurpose space (events, meetings)
- Summer '09 – Promotional war b/t Red Hawk and Thunder Valley begins
- Sept '09 – Jackson Rancheria eliminates bus operations
- Oct '09 – Red Hawk Casino GM exits
- Oct '09 – Cache Creek stops major development project, citing economic downturn

# Competitive Update – Las Vegas

<b>LVCVA STATISTICS</b>				
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009*</b>
<b>Occupancy rate</b>	<b>89.7%</b>	<b>90.4%</b>	<b>86.0%</b>	<b>82.7%</b>
<b>Average Daily Room Rate</b>	<b>\$119.66</b>	<b>\$132.09</b>	<b>\$119.19</b>	<b>\$92.58</b>
<b>Conv. Attendance</b>	<b>6,307,961</b>	<b>6,209,253</b>	<b>5,899,725</b>	<b>4,118,008</b>
<b>En/Deplaned Passengers</b>	<b>46,193,329</b>	<b>47,728,414</b>	<b>44,074,707</b>	<b>39,094,265</b>
<b>PERCENT CHANGES</b>				
		<b>2007</b>	<b>2008</b>	<b>2009*</b>
<b>Occupancy rate</b>		<b>0.8%</b>	<b>-4.9%</b>	<b>-3.8%</b>
<b>Average Daily Room Rate</b>		<b>10.4%</b>	<b>-9.8%</b>	<b>-22.3%</b>
<b>Conv. Attendance</b>		<b>-1.6%</b>	<b>-5.0%</b>	<b>-30.2%</b>
<b>En/Deplaned Passengers</b>		<b>3.3%</b>	<b>-7.7%</b>	<b>-11.3%</b>
<b>*Year to Date through Aug 2009</b>				

# Competitive Update - Reno

- Peppermill (\$500M expansion in '08) and Atlantis (\$50M in '08, \$100M in '10) continue to grow, boosted by strong locals popularity and location to Convention Center/Airport
- RSCVA completes 3<sup>rd</sup> round of budget / staff reductions in Dec '09
  - Planning major “rebrand” of region – Reno Tahoe USA – in 2010 (funding uncertain)
- In 2010, RSCVA estimates 4.5% down in overall cash revenue and 2.0% down in cash ADR (despite the boon of the male bowlers convention – Feb-July 2010)



# **REASONS WHY WE HAVE SEEN THESE TRENDS**

- **Lack of new casinos, and limited new capital investment in existing casino facilities**
- **The proliferation of legal casinos in the region, and especially in Northern California since 1990**
- **Mega-casino developments in Las Vegas since 1989; and**
- **The reduction in airfares and the increase in convenience of flying to Las Vegas**