



Hotels at Indian Casinos - 2010 Update

by Matthew S. Robinson

As of December 31, 2009, there were 150 Indian casinos with hotel properties. Combined, these Indian casinos had almost 36,500 rooms or an average of 246 rooms per casino. Not only has the number of Indian casinos with hotels increased annually, so has the average number of rooms per casino. As of year-end 2002, there were an average of 203 rooms at Indian casinos with hotels. By year-end 2009, the average number of rooms at Indian casinos with hotels increased to 246 rooms. This information is presented in Table 1.

Table 1. Annual Hotel Room Growth at Indian Casinos

Year Ending	2011 (forecast)	2010 (estimate)	2009	2008	2007	2006	2005	2004	2003	2002
Total Hotel Rooms	40,118	38,662	36,849	34,223	30,529	29,164	27,876	25,182	22,835	16,612
Percent Change	3.8%	4.9%	7.7%	12.1%	4.7%	4.6%	10.7%	10.3%	37.5%	N/A
Indian Casinos w/Hotels*	162	157	150	142	135	129	125	117	107	82
Percent Change	3.2%	4.7%	5.6%	5.2%	4.7%	3.2%	6.8%	9.3%	30.5%	N/A
Rooms/Indian Casino	248	246	246	241	226	226	223	215	213	203
Percent Change	0.6%	0.2%	1.9%	6.6%	0.0%	1.4%	3.6%	0.9%	5.3%	N/A

*Almost 20 Indian casinos have more than one hotel. Accordingly, the actual number of individual hotels is greater.

Source: KlasRobinson Q.E.D.

An additional seven Indian casinos are expected to open hotels by year-end 2010. There are also several Indian casinos currently with hotels that are in the process of expanding their existing hotels or building additional hotel properties. Combined, we expect the development of over 1,800 new hotel rooms at Indian casinos by year-end 2010. In 2011, an additional five Indian casinos are expected to open new hotels. There are also a number of Indian casinos already with hotels that will be expanding their existing hotels or building additional hotel properties. Combined, we expect the development of almost 1,500 additional new hotel rooms at Indian casinos by year-end 2011.

The forecast above is considered conservative and is based on actual projects currently under construction or new projects and expansions that have somehow been paid for. As many of us are all too painfully aware of, the “economic downturn” has postponed or downsized numerous projects that previously were financially viable. Depending on the “thawing” rate of credit markets, the number of completed new projects and expansions can, and hopefully will, increase beyond our year-end 2011 forecast.

Table 2 presents a breakdown of Indian casinos with hotels by number of rooms. Of the 150 Indian casinos with hotels, the largest segment by size are those with between 100 and less than 200 rooms (45 properties), followed by

those with less than 100 rooms (41 properties). With respect to the number of gaming positions per hotel room, the ratio ranges from 5.1 to 9.8, with the general pattern being smaller properties with higher ratios, larger properties with smaller ratios - the average overall ratio of gaming positions per hotel room being 6.7 gaming positions per hotel room.

The preceding two tables have presented the number of Indian casinos with hotels, not the number of individual hotels. Almost 20 Indian casinos have more than one hotel with several having multiple hotel properties.

By offering more than one hotel, these casinos are able to accommodate not only more overnight guests, but a broader range of guests by offering different levels of lodging at various price points. Combined, there are 178 hotels at the 150 Indian casinos with lodging.

With respect to quality, it is difficult to compare the various properties due to vast differences in not only size, but services and amenities. The most comprehensive found to date is the annual AAA ratings survey which evaluates over 60,000 properties in North America. The American Automobile Association (AAA) rates the overall quality in a lodging’s amenities and service by number of diamonds ranging from one to five.

Table 2. Indian Casinos with Hotels - Summary by Size

(As of December 31, 2009)

Range of Rooms	Casinos with Hotels	Average No. Gaming Positions	Average No. Hotel Rooms	Positions Per Hotel Room
<100 Rooms	41	635	65	9.8
100 < 200 Rooms	45	1,155	130	8.9
200 < 300 Rooms	22	1,978	237	8.4
300 < 400 Rooms	10	1,970	340	5.8
400 < 500 Rooms	12	2,405	439	5.5
500 < 1,000 Rooms	18	3,196	632	5.1
1,000 or more Rooms	2	9,692	1,546	6.3
Total/Average	150	1,647	246	6.7

*Almost 20 Indian casinos have more than one hotel. Accordingly, the actual number of individual hotels is greater.

Source: KlasRobinson Q.E.D.

Table 3. AAA Diamond Rating by Size of Indian Casino Hotel
(As of December 31, 2009)

Range of Rooms	Hotels at Indian Casinos	Average No.					Hotels Not Rated
		1♦	2♦	3♦	4♦	5♦	
<100 Rooms	59	-	11	16	1	-	31
100 < 200 Rooms	51	-	6	21	-	-	24
200 < 300 Rooms	28	-	-	12	6	-	10
300 < 400 Rooms	14	-	2	5	4	-	3
400 < 500 Rooms	10	-	1	8	-	-	1
500 or more Rooms	16	-	-	4	10	-	2
Total/Average	178	-	20	66	21	-	71

Source: AAA and KlasRobinson Q.E.D.

Following are the diamond level ratings utilized by AAA:

Five-Diamond Rating: Lodgings provide the ultimate in luxury and sophistication. Physical attributes are extraordinary in every manner. Service is meticulous, exceeding guest expectations and maintaining impeccable standards of excellence. Extensive personalized services and amenities provide first-class comfort.

Four-Diamond Rating: Lodgings are refined and stylish. Physical attributes are upscale. The fundamental hallmarks at this level include an extensive array of amenities combined with a high degree of hospitality, service and attention to detail.

Three-Diamond Rating: Lodgings offer a distinguished style. Properties are multi-faceted, with marked upgrades in physical attributes, amenities and guest comforts.

Two-Diamond Rating: Lodgings appeal to family travelers seeking affordable yet more than the basic accommodations. Facilities, decor and amenities are modestly enhanced.

One-Diamond Rating: Lodgings typically appeal to the budget-minded traveler. They provide essential, no-frills accommodations and basic comfort and hospitality.

The AAA diamond ratings are for individual hotel properties, not groups of hotels under one name or operation - such as a casino with more than one hotel. While AAA has not evaluated every individual hotel at Indian casinos, it does provide a good benchmark for how hotels and resorts at Indian casinos stack up against one another. Of the 178 hotels at Indian casinos, approximately 60 percent have been reviewed and rated by AAA. Of the 107 rated hotels at Indian casinos, 20 hotel properties (18.7 percent) received a two-diamond rating, 66 hotel properties received a three-diamond rating (61.7 percent) and 21 properties (19.6 percent) received a four-diamond rating. Table 3 presents a summary of hotels at Indian casinos by size and by diamond ranking.

None of the reviewed hotel properties at Indian casinos received either a one-diamond rating or five-diamond rating.

Why no five-diamond rating, you ask? There are fewer than 100 five-diamond hotels and resorts in the entire country - the majority of which are Four Seasons and Ritz Carlton hotel and resort properties. As of the 2010 AAA survey, there were only six five-diamond casino hotel properties in the entire United States and all are located in Las Vegas. These include Bellagio, Encore Las Vegas, Skylofts at the MGM Grand, The Palazzo Resort Hotel Casino, The Venetian Resort Hotel Casino and Wynn Las Vegas.

Even in the wake of the recession, hotel development will continue at Indian casinos, albeit at a more moderate pace, through continued expansion of existing properties and development of all-new hotels. Not only are the hotels at Indian

casinos getting larger, but higher in quality with a broader range of services and amenities. And this will continue. ♣

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