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LAS VEGAS CASINO AND HOTEL MARKET OUTLOOK 2021

Shannon S. Okada, MAI
Managing Director, Gaming

HVS Gaming
8545 W. Warm Springs Road, A-4 #336
Las Vegas, Nevada 89113

The impact of the COVID-19 pandemic on the Las Vegas economy has been extremely harsh given the market's reliance on visitation and conventions. Following five consecutive years of accommodating more than 42 million visitors, Las Vegas hosted just over 19 million people in 2020 (the lowest number of visitors since 18.1 million in 1989). While vaccination rollouts have begun in Nevada, measures to curb the spread of the COVID-19 virus remain in place. Continued weak performance is anticipated through the first half of 2021. Thereafter, the recovery of travel and general economic performance is expected to accelerate as vaccines, medical therapies, and public confidence support the beginning of the return to pre-pandemic levels. Fortunately, construction is classified as an essential business in Nevada and has continued throughout the pandemic. New developments will contribute to the eventual recovery of the market.

COVID-19 PANDEMIC

On March 17, 2020, Nevada's Governor Steve Sisolak ordered the closure of Nevada's nonessential businesses and urged residents to implement social-distancing measures to reduce spreading the COVID-19 virus. The Las Vegas economy was devastated in April and May 2020 due to the shutdown of businesses. Governor Sisolak authorized certain businesses, including restaurants, barbershops, hair salons, and most retail businesses, to reopen with limitations beginning May 9, 2020, and Nevada began its emergence from the pandemic shutdown. Nevada's casinos were allowed to reopen on June 4, 2020, with restrictions. The initial guidelines from the Nevada Gaming Control Board (NGCB) for the reopening of casinos included requirements such as reducing casino capacity by 50%, physical distancing at slots and table games, using personal protection equipment (PPE), and cleaning surfaces frequently.

On November 22, 2020, Governor Sisolak ordered stricter requirements on mask usage and a rollback on permitted crowd sizes in both public and private settings given the surge in the number of COVID-19 cases. Requirements effective November 24, 2020, which remained in place through February 14, 2021, included the following:

- Masks usage when around someone who is not part of your immediate household, whether indoors or outdoors.
- Restaurants and bars limited to 25% capacity, with no more than four people per table; reservations are required, and no walk-ins are allowed.
- Gaming operations restricted to 25% capacity and operated pursuant to rules issued by the NGCB. Gyms/fitness centers, dance and martial arts studios, museums, art galleries, libraries, zoos, aquariums, arcades, racetracks, bowling alleys, miniature golf, and amusement/theme parks limited to 25% capacity.
- Public gatherings limited to 50 people, or to 25% of capacity, whichever number is lower.
- Private gatherings limited to ten people from no more than two households, whether indoors or outdoors.
- Indoor malls and retail stores allowed to operate at 50% capacity limit.

Due to declines in the number of active COVID-19 cases and the local positivity rate, changes to restrictions aimed at limiting the spread of COVID-19 were relaxed as of February 15, 2021, and included the following:

- Restaurant capacity increased to 35%, with no reservations required.
- Capacity at casinos, places of worship, gyms/fitness centers, dance and martial arts studios, arcades, racetracks, bowling alleys, and pool halls (and other venues providing similar activities) increased to 35%.
- Capacity at libraries, museums, art galleries, zoos, and aquariums increased to 50%.
- Public gatherings and event limits increased from 10 to 100 individuals, or 35% capacity. Venues eligible for large gatherings capped at 20% of total fixed seated capacity, with strict social-distancing requirements.

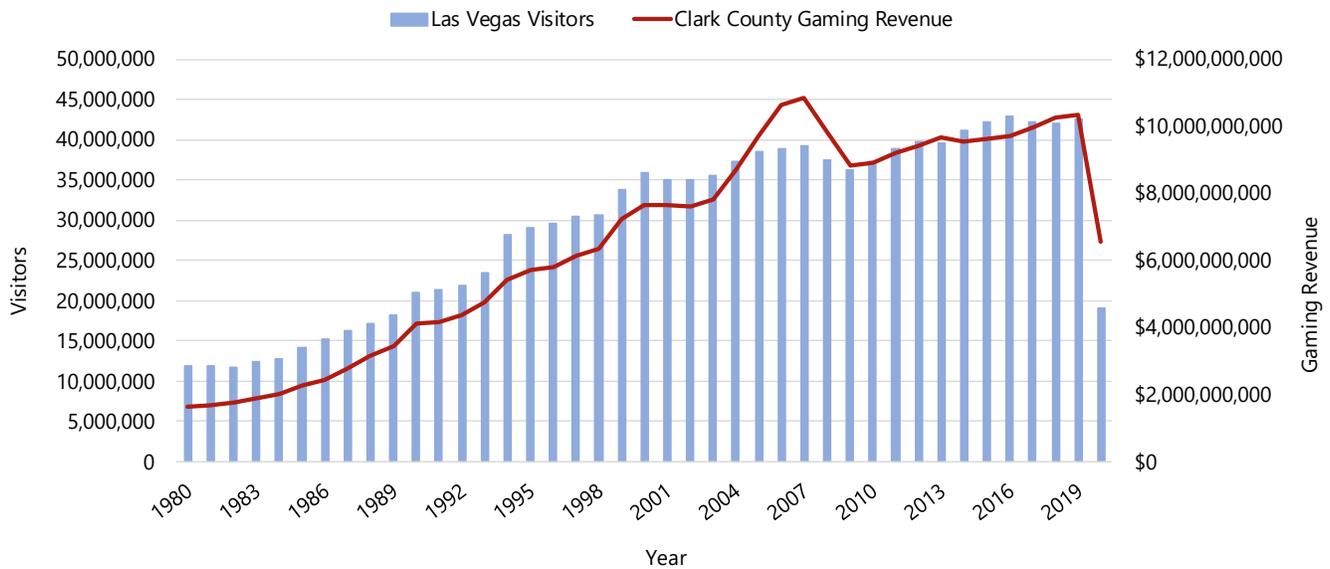
Beginning March 15, 2021, businesses operating at 35% capacity will be allowed to move back to 50% capacity, and public gatherings and event limits are expected to be increased to 250 people, or 50% capacity.

On January 21, 2021, President Joe Biden signed an executive order that adds safeguards to international travel and requires masks on planes, ships, and other public transportation. The executive order also requires international travelers to show proof of a recent negative COVID-19 test before entering the U.S. and follow Centers for Disease Control (CDC) guidelines to quarantine once they arrive. International travelers are asked to stay home at least seven days if they get tested again, or ten days if they do not get tested. The CDC issued an order that took effect on February 1, 2021, requiring travelers to wear a mask on public transportation in the U.S.; specifically, passengers on airplanes, trains, buses, subways, ships, ferries, taxis, and ride-shares must wear a mask that covers their nose and mouth from entrance to exit. Additionally, people must wear masks on the premises of transportation hubs such as airports, train and subway stations, bus and ferry terminals, seaports, and ports of entry. Masks must stay on while people await, board, travel, and disembark public transportation. While the new mandates could be the beginning of the return of international travel, the order may have only a minimal impact on Las Vegas visitation or COVID-19 infection rates given that Nevada has enforced public mask usage since June 2020.

As of February 21, 2021, Clark County had reported 224,597 COVID-19 cases and 3,798 related deaths, representing the majority of Nevada’s total 291,145 cases and 4,882 fatalities. The state’s two-week positivity rate, the percentage of people tested who are confirmed to have the disease caused by COVID-19, had decreased from a high of 21.7% on January 13, 2021, to 9.6% as of February 21, 2021. While the importance of the lives lost and human suffering due to COVID-19 cannot be understated, the following graph illustrates the deep impact that the virus had on the county in terms of visitors and gaming revenues in 2020.



Table 1 – Historical Las Vegas Visitors and Clark County Gaming Revenues (1980–2020)



Source: Las Vegas Convention and Visitors Authority

As illustrated above, the number of visitors to Las Vegas in 2020 (19,031,000) was the lowest since 1989 (18,129,684), and Clark County gaming revenue in 2020 (\$6.5 billion) was the lowest since 1998 (\$6.3 billion).

Visitation

The entire southern Nevada economy is heavily dependent on the gaming, hotel, and convention industries, which rely upon the volume of visitors to the market. Visitation to Las Vegas remained above 42 million each year from 2015 through 2019 before the impact of the COVID-19 pandemic in 2020 when the total number of Las Vegas visitors declined 55.2%. The following table illustrates the number of visitors to Las Vegas from 2005 through 2020.



Table 2 – Las Vegas Visitors (2005–2020)

Year	Total Visitors	% Change
2005	38,566,717	3.2 %
2006	38,914,889	0.9
2007	39,196,761	0.7
2008	37,481,552	(4.4)
2009	36,351,469	(3.0)
2010	37,335,436	2.7
2011	38,928,708	4.3
2012	39,727,022	2.1
2013	39,668,221	(0.1)
2014	41,126,512	3.7
2015	42,312,216	2.9
2016	42,936,100	1.5
2017	42,214,200	(1.7)
2018	42,116,800	(0.2)
2019	42,523,700	1.0
2020	19,031,100	(55.2)
CAGR (2005-2019):		0.7 %
CAGR (2015-2019):		0.1
CAGR (2005-2020):		(4.6) %
CAGR (2015-2020):		(14.8)

Source: Las Vegas Convention and Visitors Authority

Visitation to the market has been affected by numerous factors, including health concerns, closures of businesses, capacity restrictions, travel restrictions, event cancellations, and home-state quarantines related to the COVID-19 pandemic. Declines in visitation to Las Vegas coincided with the closure of nonessential businesses, including casinos, on March 17, 2020. The Las Vegas Convention and Visitors Authority (LVCVA) has attributed the biggest drain to visitor volume in 2020 to the lack of convention business. In addition, many annual events, including the National Collegiate Athletic Association (NCAA)’s men’s basketball national championship tournament (March Madness), the ten-day National Finals Rodeo (NFR), which was moved to Dallas and away from Las Vegas for the first time since 1985, and the citywide New Year’s Eve celebration, were canceled in 2020. Fortunately, the NFR is expected to return to Las Vegas in 2021 and is contracted to remain in Las Vegas through 2025.



The following table sets forth a breakdown of visitors to Las Vegas by month in 2019 and 2020.

Table 3 - Las Vegas Visitors by Month

Month	2019 Visitors	2020 Visitors	% Change
January	3,412,100	3,545,100	3.9 %
February	3,189,900	3,333,200	4.5
March	3,697,100	1,531,100	(58.6)
April	3,542,000	106,900	(97.0)
May	3,691,100	151,300	(95.9)
June	3,607,400	1,065,100	(70.5)
July	3,685,900	1,438,000	(61.0)
August	3,579,000	1,537,400	(57.0)
September	3,475,900	1,704,300	(51.0)
October	3,668,100	1,856,900	(49.4)
November	3,509,800	1,514,500	(56.8)
December	3,465,700	1,247,200	(64.0)
Total	42,524,000	19,031,000	(55.2) %

Source: Las Vegas Convention and Visitors Authority

Between April and October 2020, the change in percentage gradually improved from a decline of 97% in April to one of 49.4% in October. However, in November 2020, visitation was 56.8% less than in November 2019 due to increasing COVID-19 cases across the U.S. and tighter travel restrictions. Increasing COVID-related safety restrictions in late November and the cancellation of the NFR in December contributed to a greater decline in December 2020.

McCarran International Airport experienced a significant decrease in airport passenger traffic in 2020 because of the COVID-19 pandemic, with passenger volume plummeting 56.9% from the level reached in 2019. All international flights were canceled within weeks of the COVID-19 pandemic; as of mid-December 2020, only three flights to/from Mexico and one to/from Canada were available. With no conventions, business travel has been nearly nonexistent. Currently, weekend leisure travelers constitute the bulk of visitors. The following table illustrates the number of McCarran International Airport passengers from 2005 through 2020.



Table 4 – McCarran International Airport Passenger Traffic

Year	Passengers	Change
2005	44,267,370	6.8 %
2006	46,304,376	4.6
2007	47,729,527	3.1
2008	44,074,642	(7.7)
2009	40,469,012	(8.2)
2010	39,757,359	(1.8)
2011	41,479,814	4.3
2012	41,667,596	0.5
2013	41,857,059	0.5
2014	42,885,350	2.5
2015	45,389,074	5.8
2016	47,435,640	4.5
2017	48,500,194	2.2
2018	49,646,118	2.4
2019	51,537,638	3.8
2020	22,201,479	(56.9)
CAGR (2005-2019):		1.1 %
CAGR (2015-2019):		3.2
CAGR (2005-2020):		(4.5) %
CAGR (2015-2020):		(13.3)

Source: Las Vegas Convention and Visitors Authority

The Clark County Board of Commissioners has approved changing the name of the airport from McCarran International Airport to Harry Reid International Airport, and the request is expected to be submitted to the Federal Aviation Administration in March 2021.

Average daily traffic among the three major freeways leading to Las Vegas (Interstate 15, U.S. Highway 95, and the 215 Beltway) was down 12.5% in 2020 compared to 2019. However, average daily traffic increased in September, October, and November of 2020 over 2019 levels, which may be early evidence of pent-up demand. The decline exhibited in December 2020 compared to December 2019 is likely due to the increased COVID-related safety restrictions implemented in November 2020 and the cancellation of the NFR.



Table 5 – Average Daily Auto Traffic – All Major Highways (Estimated)

Month	2019	2020	%
	Average	Average	Change
January	106,519	107,045	0.5 %
February	103,828	106,675	2.7
March	120,402	85,194	(29.2)
April	125,756	56,699	(54.9)
May	124,723	84,775	(32.0)
June	128,774	111,805	(13.2)
July	135,889	122,299	(10.0)
August	124,641	119,950	(3.8)
September	117,399	119,950	2.2
October	120,938	125,281	3.6
November	115,148	116,004	0.7
December	118,909	106,582	(10.4)
Total	120,244	105,188	(12.5) %

Source: Las Vegas Convention and Visitors Authority

Continued weak performance is anticipated through the first half of 2021. Thereafter, the recovery of travel and general economic performance is expected to accelerate, as vaccines, medical therapies, and public confidence support the beginning of the return to pre-pandemic levels. The recovery is anticipated to continue in 2022 and 2023. The expectation of recovery over the long term remains, as recent travel activity demonstrates that many Americans are eager to travel (as conditions permit).

GAMING DEMAND

The gaming industry has been severely affected by the COVID-19 pandemic globally. In the U.S., the biggest gambling market globally, all land-based casinos were closed at one point in 2020. Most states eased restrictions over the summer, but with the rate of infection rising in the fourth quarter of 2020, some states required land-based casinos to close again.

According to statistics from the Nevada Gaming Control Board (NGCB), gross gaming revenue from all non-restricted¹ gaming venues in Clark County totaled \$6.5 million in 2020 compared to \$10.36 billion in 2019, reflecting a 36.8% decline. This is the lowest amount of gaming revenue for Clark County since 1998. While gaming revenue in Clark County in January and February 2020 was 2.8% higher than in January and February 2019, the mandated closure of Nevada’s casinos due to the COVID-19 pandemic on March 18, 2020, resulted in a severe contraction in the industry. While casinos were allowed to reopen at 50% capacity on June 4, 2020, the downturn in revenues remained significant. In November 2020, Governor Sisolak implemented further restrictions to curb the surge in the COVID-19 virus, including limiting casino capacity to 25%, which further impeded revenue growth in December 2020. The historical number of visitors, gaming revenue, and gaming win per visitor for Clark County for 1994 through 2020 are set forth in the following table.

¹ “Restricted” locations are venues, such as taverns, with 15 or fewer slot machines that are incidental to the main business of the venue.

Table 6- Clark County Visitors, Gaming Revenue, and Gaming Win per Visitor

Year	Total Las Vegas Visitors	% Change	Total Clark County Gaming Revenue	% Change	Total Clark County Gaming Revenue per Visitor	% Change
1994	28,214,362	---	\$5,430,651,000	---	\$192	---
1995	29,002,122	2.8 %	5,717,567,000	5.3 %	197	2.4 %
1996	29,636,361	2.2	5,783,735,000	1.2	195	(1.0)
1997	30,464,635	2.8	6,152,415,000	6.4	202	3.5
1998	30,605,128	0.5	6,346,958,000	3.2	207	2.7
1999	33,809,134	10.5	7,210,700,000	13.6	213	2.8
2000	35,849,691	6.0	7,671,252,000	6.4	214	0.3
2001	35,017,317	(2.3)	7,636,547,000	(0.5)	218	1.9
2002	35,071,504	0.2	7,630,562,000	(0.1)	218	(0.2)
2003	35,540,126	1.3	7,830,856,000	2.6	220	1.3
2004	37,388,781	5.2	8,711,426,000	11.2	233	5.7
2005	38,566,717	3.2	9,717,322,000	11.5	252	8.1
2006	38,914,889	0.9	10,630,387,000	9.4	273	8.4
2007	39,196,761	0.7	10,868,464,000	2.2	277	1.5
2008	37,481,552	(4.4)	9,796,749,000	(9.9)	261	(5.7)
2009	36,351,469	(3.0)	8,838,261,000	(9.8)	243	(7.0)
2010	37,335,436	2.7	8,908,574,000	0.8	239	(1.9)
2011	38,928,708	4.3	9,222,677,000	3.5	237	(0.7)
2012	39,727,022	2.1	9,399,845,000	1.9	237	(0.1)
2013	39,668,221	(0.1)	9,674,404,000	2.9	244	3.1
2014	41,126,512	3.7	9,553,864,000	(1.2)	232	(4.7)
2015	42,312,216	2.9	9,617,671,000	0.7	227	(2.2)
2016	42,936,109	1.5	9,713,930,000	1.0	226	(0.5)
2017	42,214,200	(1.7)	9,978,503,000	2.7	236	4.5
2018	42,116,800	(0.2)	10,250,555,000	2.7	243	3.0
2019	42,523,700	1.0	10,354,892,000	1.0	244	0.1
2020	19,031,100	(55.2)	6,541,300,000	(36.8)	344	41.2
CAGR (1994 to 2019):		1.7 %		2.6 %		0.9 %
CAGR (2010 to 2019):		1.5		1.7		0.2
CAGR (2015 to 2019):		0.1		1.9		1.7
CAGR (1994 to 2020):		(1.5) %		0.7 %		2.3 %
CAGR (2010 to 2020):		(6.5)		(3.0)		3.7
CAGR (2015 to 2020):		(14.8)		(7.4)		8.6

Source: Nevada Gaming Control Board, Las Vegas Convention & Visitors Authority, HVS

Based on the foregoing data and reports by operators in the market, it appears that visitors have been expending more money on gambling on a per-capita basis since the declaration of the pandemic. Despite the significant decline in gaming revenue in 2020, the Clark County gaming win per visitor increased 41.2%, which is not unexpected given that other options for visitors to expend money, including entertainment and food and beverage, have been limited because of capacity restrictions; thus, most visiting Las Vegas in 2020 came to gamble.

There have been previous periods over the past 25 years during which the Las Vegas gaming market contracted. In 2001/02, the gaming market contracted because of the economic recession and the events of September 11; gaming revenues for the Clark County market declined in 2008 and 2009 given the effects of the Great Recession; and the Chinese government’s anti-corruption campaign, which began in 2014, affected the market that year. However, the decline in gaming revenues exhibited by the market in 2020 because of the closure of the state’s casinos, as well as the decline in travel and visitation, due to the COVID-19 pandemic is unprecedented.

The NGCB segments gaming revenue by location, and Clark County’s gaming revenue can be segmented into primarily visitor-based markets, specifically the Las Vegas Strip, Downtown, and Laughlin, with the balance of the county generally representing areas that primarily generate gaming revenues from local residents. Clark County gaming revenues for 2018 through 2020 have been allocated to these segments in the following table.

Table 7- Clark County Gaming Revenue by Location

Year	Clark County ('000s)	% Change	Las Vegas Strip ('000s)	% of Total	% Change	Downtown ('000s)	% of Total	% Change	Laughlin ('000s)	% of Total	% Change	Balance of County (Clark County Less LV Strip, Downtown, and Laughlin) ('000s)		
													% of Total	% Change
2018	\$10,250,612	-	\$6,588,499	64.3 %	-	\$649,941	6.3 %	-	\$509,126	5.0 %	-	\$2,503,046	24.4 %	-
2019	10,355,717	1.0 %	6,587,454	63.6	(0.0) %	684,922	6.6	5.4 %	512,233	4.9	0.6 %	2,571,108	24.8	2.7 %
2020	6,540,892	(36.8)	3,733,427	57.1	(43.3)	464,201	7.1	(32.2)	366,676	5.6	(28.4)	1,976,588	30.2	(23.1)

Source: Nevada Gaming Control Board

The Las Vegas Strip segment, the largest in Clark County, is the most visitor-dependent and experienced the largest decline in revenues in 2020 compared to 2019. The Downtown and Laughlin segments also experienced higher declines than the balance of the county, which is expected given that the locals gaming market is less dependent on out-of-town visitation and convention guests and is consistent with the quicker recovery generally being exhibited by regional gaming venues relative to destination resorts nationwide.

While the NGCB does not release the identities of the properties in each segment, the wide range of casino hotels in the Las Vegas Strip segment likely includes iconic properties on the Las Vegas Strip, such as The Mirage, Caesars Palace, Venetian/Palazzo, Wynn Las Vegas/Encore, Bellagio, and MGM Grand; lower-tier properties on the Las Vegas Strip, such as the Tropicana and Sahara; and properties such as the Rio Las Vegas and Palace Station, which are not located on South Las Vegas Boulevard but in the general area. The Las Vegas Strip 2020 gaming revenue of \$3.73 billion was the lowest overall total since 1996 (\$3.58 billion). The following table sets forth composite data for properties in the Las Vegas Strip segment with annual gaming revenue of more than \$1.0 million (“Las Vegas Strip \$1 Million and Over Submarket”), segmented among gaming devices (slots), table games, and other gaming.



Table 8- Gaming Revenue by Segment (Las Vegas Strip \$1 Million and Over Submarket)

Year	Gaming Devices			Total Table Games			Other Gaming			Total Win	
	Win (\$000)	% Change	% of Total	Win (\$000)	% Change	% of Total	Win (\$000)	% Change	% of Total	Win (\$000)	% Change
2002	\$2,436,944	-	52.4 %	\$2,065,438	-	44.4 %	\$148,206	-	3.2 %	\$4,650,588	-
2003	2,557,445	4.9 %	53.8	2,037,714	(1.3) %	42.8	161,884	9.2 %	3.4	4,757,043	2.3 %
2004	2,864,116	12.0	53.7	2,294,213	12.6	43.0	173,364	7.1	3.3	5,331,693	12.1
2005	3,170,703	10.7	52.6	2,653,550	15.7	44.0	206,999	19.4	3.4	6,031,252	13.1
2006	3,434,308	8.3	51.4	2,997,317	13.0	44.8	254,405	22.9	3.8	6,686,030	10.9
2007	3,501,997	2.0	51.3	3,091,195	3.1	45.3	232,020	(8.8)	3.4	6,825,212	2.1
2008	3,212,789	(8.3)	52.5	2,712,652	(12.2)	44.3	195,717	(15.6)	3.2	6,121,158	(10.3)
2009	2,807,051	(12.6)	50.6	2,560,937	(5.6)	46.2	178,908	(8.6)	3.2	5,546,896	(9.4)
2010	2,788,456	(0.7)	48.3	2,801,831	9.4	48.5	182,827	2.2	3.2	5,773,114	4.1
2011	2,886,994	3.5	47.6	3,010,648	7.5	49.6	168,104	(8.1)	2.8	6,065,746	5.1
2012	2,906,747	0.7	46.9	3,107,784	3.2	50.1	188,686	12.2	3.0	6,203,217	2.3
2013	2,911,865	0.2	44.8	3,398,204	9.3	52.3	188,291	(0.2)	2.9	6,498,360	4.8
2014	2,909,936	(0.1)	45.7	3,250,831	(4.3)	51.0	207,829	10.4	3.3	6,368,596	(2.0)
2015	3,061,695	5.2	48.2	3,076,933	(5.3)	48.5	207,431	(0.2)	3.3	6,346,059	(0.4)
2016	3,122,521	2.0	49.0	3,055,291	(0.7)	47.9	195,738	(5.6)	3.1	6,373,550	0.4
2017	3,216,232	3.0	49.8	3,027,942	(0.9)	46.9	213,924	9.3	3.3	6,458,098	1.3
2018	3,307,340	2.8	50.2	3,044,175	0.5	46.2	235,532	10.1	3.6	6,587,047	2.0
2019	3,442,304	4.1	52.3	2,881,420	(5.3)	43.8	260,775	10.7	4.0	6,584,499	(0.0)
2020	2,001,876	(41.8)	53.7	1,581,006	(45.1)	42.4	145,037	(44.4)	3.9	3,727,919	(43.4)
CAGR (2002 to 2019):		2.1 %			2.0 %			3.4 %			2.1 %
CAGR (2010 to 2019):		2.4			0.3			4.0			1.5
CAGR (2015 to 2019):		3.0			(1.6)			5.9			0.9
CAGR (2002 to 2020):		(1.1) %			(1.5) %			(0.1) %			(1.2) %
CAGR (2010 to 2020):		(3.3)			(5.6)			(2.3)			(4.3)
CAGR (2015 to 2020):		(8.1)			(12.5)			(6.9)			(10.1)

Source: Nevada Gaming Control Board

Gaming revenue for the Las Vegas Strip \$1 Million and Over Submarket continues to come primarily from slot machines (53.7%) and table games (42.4%), with additional revenue generated by keno, race books, sportsbooks, and live card games (3.9%). The greater revenue decline exhibited in table games in 2020 relative to slots is likely due to the elimination of international visitors that, in general, play more table games than slots. It is important to note that fluctuations in the win amount for Las Vegas Strip \$1.0 Million and Over Submarket can result because of the number of properties that fall below the \$1.0 million gaming revenue threshold during a given period.

Gaming revenue is expected to rebound in the post-vaccine period, driven primarily by pent-up demand and gaming-customer database mining. The gaming industry is also very reliant upon the overall strength of the economy, and pre-pandemic levels will be dependent on the rate of improvement exhibited on national and worldwide levels.

LODGING MARKET

In 1989, the last calendar year that Las Vegas welcomed less than 19 million people, the market's guestroom inventory was 67,391. As of December 2020, the Las Vegas Convention and Visitors Authority (LVCVA) reported total guestroom inventory of 143,117, with several properties, including the Palms Casino Resort and Main Street Station, still closed. The numerous casino-resort properties that have been built since 1989 include the Bellagio, City Center, Cosmopolitan, Luxor, MGM Grand, Venetian/Palazzo, and Wynn/Encore, among others.

Prior to the COVID-19 pandemic, the Las Vegas lodging market enjoyed occupancy levels well above the U.S. average; however, occupancy has since declined significantly given the severe downturn in travel and lack of convention business. In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, most casino hotels in Las Vegas initially ceased operations on March 17, 2020, while a few properties remained open as essential businesses. While most casino hotels have since reopened, some are waiting until demand recovers more substantially. Boyd Gaming has not opened two Las Vegas properties, including Main Street Station, and Red Rock Resorts is keeping four Las Vegas properties closed, including the Palms Casino Resort. Several Las Vegas Strip properties, including Encore, Mandalay Bay, The Mirage, Park MGM, Palazzo, and Rio, are currently limiting hotel operations to the weekends due to low demand during the week. The drop in demand is expected to be temporary, and demand levels should recover and improve as travel restrictions are rescinded and economic activity rebounds. For example, MGM Resorts International has announced that hotel operations at Mandalay Bay, The Mirage, and Park MGM will reopen seven days a week effective March 3, 2021, with some entertainment shows reopening in late February/early March 2021, in accordance with state guidelines. Performance data for all Las Vegas hotels from 2005 through 2020 are summarized in the following table.

Table 9 – Las Vegas Guestroom Inventory, Occupied Rooms, Occupancy, ADR, and RevPAR

Year	Inventory	% Change	Total Rooms Occupied	% Change	Total Occupancy	Overall ADR	% Change	Overall RevPAR	% Change
2005	133,186	1.3 %	43,362,698	2.0 %	89.2 %	\$103.12	14.9 %	\$91.98	15.6 %
2006	132,605	(0.4)	43,415,540	0.1	89.7	119.66	16.0	107.34	16.7
2007	132,947	0.3	43,867,192	1.0	90.4	132.09	10.4	119.41	11.2
2008	140,529	5.7	42,967,252	(2.1)	86.0	119.19	(9.8)	102.50	(14.2)
2009	148,941	6.0	41,986,134	(2.3)	81.5	92.93	(22.0)	75.74	(26.1)
2010	148,935	(0.0)	43,365,743	3.3	80.4	94.91	2.1	76.31	0.8
2011	150,161	0.8	45,654,165	5.3	83.8	105.11	10.7	88.08	15.4
2012	150,481	0.2	46,479,707	1.8	84.4	108.08	2.8	91.22	3.6
2013	150,593	0.1	46,191,449	(0.6)	84.3	110.72	2.4	93.34	2.3
2014	150,544	(0.0)	47,497,234	2.8	86.8	116.73	5.4	101.23	8.5
2015	149,213	(0.9)	47,896,317	0.8	87.7	120.67	3.4	105.84	4.6
2016	149,339	0.1	48,485,632	1.2	89.1	125.96	4.4	112.28	6.1
2017	146,993	(1.6)	47,663,200	(1.7)	88.6	127.35	1.1	112.78	0.4
2018	147,238	0.2	47,452,600	(0.4)	88.2	128.85	1.2	113.54	0.7
2019	149,422	1.5	48,300,100	1.8	88.9	132.62	2.9	117.90	3.8
2020	143,117	(4.2)	21,201,479	(56.1)	42.1	120.31	(9.3)	50.65	(57.0)
CAGR (2005-2019):		0.8 %		0.8 %			1.8 %		1.8 %
CAGR (2010-2019):		0.0		1.2			3.8		5.0
CAGR (2015-2019):		0.0		0.2			2.4		2.7
CAGR (2005-2020):		0.5 %		(4.7) %			1.0 %		(3.9) %
CAGR (2010-2020):		(0.4)		(6.9)			2.4		(4.0)
CAGR (2015-2020):		(0.8)		(15.0)			(0.1)		(13.7)

Source: Las Vegas Convention and Visitors Authority, HVS

Despite annual increases in revenue per available room (RevPAR) since 2010, RevPAR had not yet reached the annual peak levels achieved in 2007 before the current downturn. From 2019 to 2020, occupied rooms decreased by 56.1%, while average daily rate (ADR) decreased by 9.3%. Overall, RevPAR decreased 57.0% in 2020 compared to 2019. In the absence of convention business, lodging demand in Las Vegas is currently being driven primarily by leisure demand, and occupancy levels remain the highest on the weekends. In 2019, weekend occupancy registered 94.9% while midweek occupancy was 86.3%, reflecting a difference of

8.6 percentage points; however, in 2020, weekend occupancy registered 52.8% while midweek occupancy was 37.4%, a difference of 15.4 percentage points.

According to information from the LVCVA, projects totaling over 8,000 new guestrooms are in various stages of development. The following table sets forth the hotels that have recently opened, are under construction, or are in the stages of early development in the Las Vegas market.

Table 10 – Potential Las Vegas New Hotel Supply

Name of Property	Completed/ Anticipated Completion Date	Address	Estimated Number of Rooms
Fairfield Inn & Suites Airport South	2020	Bermuda Road & Warm Springs	105
TownePlace Suites Airport South	2020	355 E. Warm Springs Road.	115
Hampton Inn & Suites	2020	355 E. Warm Springs Road.	150
Home2 Suites	2020	755 Sierra Vista Drive	100
Downtown Grand Hotel & Casino	2020	206 N. 3rd Street	495
Circa Resort & Casino	2020	18 E. Fremont Street	512
Hampton Inn Las Vegas Strip South	2020	7850 Giles Street	115
2020 Total			1,592
Resorts World Las Vegas	2021	3000 S. Las Vegas Boulevard	3,500
Hotel Cloe'	2021	Coolidge Avenue / Main Street	74
Skyline Hotel & Casino	2021	1741 N. Boulder Highway	41
2021 Total			3,615
TownePlace Suites	2022	Frontage Road/Nexus Way	120
Delta Hotels by Marriott	2022	3883 W. Flamingo Road	284
Element Las Vegas	2022	6605 S. Las Vegas Boulevard	119
SpringHill Suites	2022	Tropicana Avenue/Kelch Drive	170
AC Hotel by Marriott	2022	Polaris Avenue/Dewey Drive	225
AC Hotel by Marriott	2022	Grand Central Parkway/Sympho	322
Element Las Vegas	2022	Grand Central Parkway/Sympho	119
Aloft Hotel	2022	6605 S. Las Vegas Boulevard	136
Astral Las Vegas	2022	3961 S. Las Vegas Boulevard	620
2022 Total			2,115
Majestic Las Vegas	2023	305 Convention Center Drive	720
The Drew Las Vegas	2023	2755 S. Las Vegas Boulevard	3,719
Mardi Gras Hotel and Casino	2023	3500 Paradise Road	700
2023 and Beyond Total			5,139
Total Recently Opened/Planned Guestrooms			12,461

Source: Las Vegas Convention and Visitors Authority, HVS

Although significant new guestroom supply is slated to enter the market, not all announced projects are expected to be developed. Projects are often proposed, but changes in plans or cancellations of planned projects are common in the Las Vegas market. The two major casino-resort properties in the pipeline are the Resorts World Las Vegas and The Drew Las Vegas. The 3,500-key Resorts World Las Vegas is expected to open mid-year 2021 and is anticipated to benefit the market overall given that the Genting Group's worldwide network of gaming facilities will enable it to cross-market its brand and induce new visitation.

However, as of late February 2021, the status of The Drew Las Vegas is not clear due to a recent transfer of ownership of the partially constructed property to a partnership between a Koch Industries subsidiary and Fontainebleau Development.

Due to limited amenities, current capacity constraints, social-distancing recommendations, and other COVID-19-related measures currently in place, hotel owners, operators, and investors anticipate continued weak performance through the first quarter of 2021 relative to historical levels. The rollout of COVID-19 vaccinations, increased herd immunity, improved perceptions regarding travel, and the return of conventions should help to increase hotel occupancy throughout the year while ADR remains stable. The opening of Genting’s Resorts World Las Vegas, while adding inventory that will need to be absorbed by the market, is expected to help the Las Vegas Strip market maintain ADR given the anticipated high-quality improvements and positioning of the property. However, as a result of the multiple variables in play, the near-term outlook is best described as uncertain. The hospitality sector, in general, and Las Vegas, in particular, is expected to recover at an accelerating pace as vaccines, medical therapies, and public confidence support a return of travel. Based on historical trends in both hotels and casino-resort properties in the market, occupancy is projected to eventually return to relatively high levels, while ADR and RevPAR may experience slow growth as the market recovers and absorbs the anticipated new supply.

CONVENTION MARKET

Conventions, which help to drive midweek business for the Las Vegas market, have been forced to cancel or postpone plans because of the COVID-19 pandemic. With these cancellations, revenue is lost not only from event fees and ticket sales, but also from gambling, hotel room nights, food and beverage, retail, and other expected sources. Convention visitors, who often have expense accounts, tend to spend more than average tourists. For example, the Consumer Electronics Show convention held in January 2020 brought in roughly 170,000 attendees and had an estimated total economic impact of \$291.4 million in 2020. The National Football League (NFL)’s 2020 draft was to be hosted in April 2020 at the new, 550,000-square-foot Caesars Forum Convention Center but was canceled; the economic impact of the NFL 2019 draft held in Nashville, Tennessee, was estimated at \$224 million. In 2019, Las Vegas attracted a record 6.65 million convention attendees. The LVCVA reported a 74.0% decline in the number of convention attendees in 2020, to 1.7 million, with no attendees since April. The following table details convention attendance in the market by month since 2016.

Table 11 - Las Vegas Convention Attendance by Month

Month	2016 Attendance	Percent Change	2017 Attendance	Percent Change	2018 Attendance	Percent Change	2019 Attendance	Percent Change	2020 Attendance	Percent Change
January	767,726	12.5 %	736,000	(4.1) %	612,900	(16.7) %	683,400	11.5 %	717,100	4.9 %
February	607,787	10.5	620,200	2.0	690,000	11.3	748,600	8.5	760,300	1.6
March	668,716	21.2	757,400	13.3	652,400	(13.9)	552,200	(15.4)	249,800	(54.8)
April	575,981	14.9	505,800	(12.2)	563,800	11.5	529,500	(6.1)	0	(100.0)
May	428,031	(1.2)	514,600	20.2	489,100	(5.0)	520,800	6.5	0	(100.0)
June	466,350	30.3	486,300	4.3	500,600	2.9	514,000	2.7	0	(100.0)
July	351,791	16.5	507,000	44.1	408,000	(19.5)	498,800	22.3	0	(100.0)
August	554,319	(5.1)	548,400	(1.1)	646,500	17.9	657,800	1.7	0	(100.0)
September	614,924	16.2	463,600	(24.6)	437,800	(5.6)	459,400	4.9	0	(100.0)
October	505,603	(16.4)	687,200	35.9	665,600	(3.1)	525,300	(21.1)	0	(100.0)
November	520,404	(7.0)	530,600	2.0	613,300	15.6	603,200	(1.6)	0	(100.0)
December	248,984	6.1	289,100	16.1	221,800	(23.3)	356,100	60.6	0	(100.0)
Total	6,310,616	7.1 %	6,646,200	5.3 %	6,501,800	(2.2) %	6,649,100	2.3 %	1,727,200	(74.0) %

Source: Las Vegas Convention & Visitors Authority

The LVCVA had planned to unveil its recently completed, \$980-million expansion of the Las Vegas Convention Center, along with The Boring Co.’s new, \$52.5-million, underground people-mover system with autonomous electric vehicles, in January 2020 with the Consumer Electronics Show, but the show was canceled because of COVID-19. In addition to the Las Vegas Convention Center’s 1.4-million-square-foot West Hall expansion, MGM Resorts International, Wynn Resorts, and Caesars Entertainment have also recently added new convention space. The aforementioned Resorts World Las Vegas is also expected to open with significant convention space.

The first large-scale trade show planned for the Las Vegas Convention Center’s new West Hall is the World of Concrete 2021, which is expected to have 50,000 attendees, if it can be held as planned in June 2021. The National Association of Broadcasters (NAB)’s annual gathering was rescheduled from April to October in 2021; the show had been planned for April 2021 after the 2020 show was canceled. The 2019 NAB show, with approximately 90,000 attendees, had an estimated economic impact of \$153.3 million. Convention business is crucial to Las Vegas’s recovery, and the industry is anticipated to rebound to pre-pandemic levels eventually. However, the recovery timeline will be dependent on control of the COVID-19 virus and relaxation of related restrictions. Initially, there may be hybrid conferences as the market recovers (i.e., with some attendees attending live while others attend virtually), which will help the convention industry but may not drive as much ancillary revenues for the market given that fewer people would be physically present.

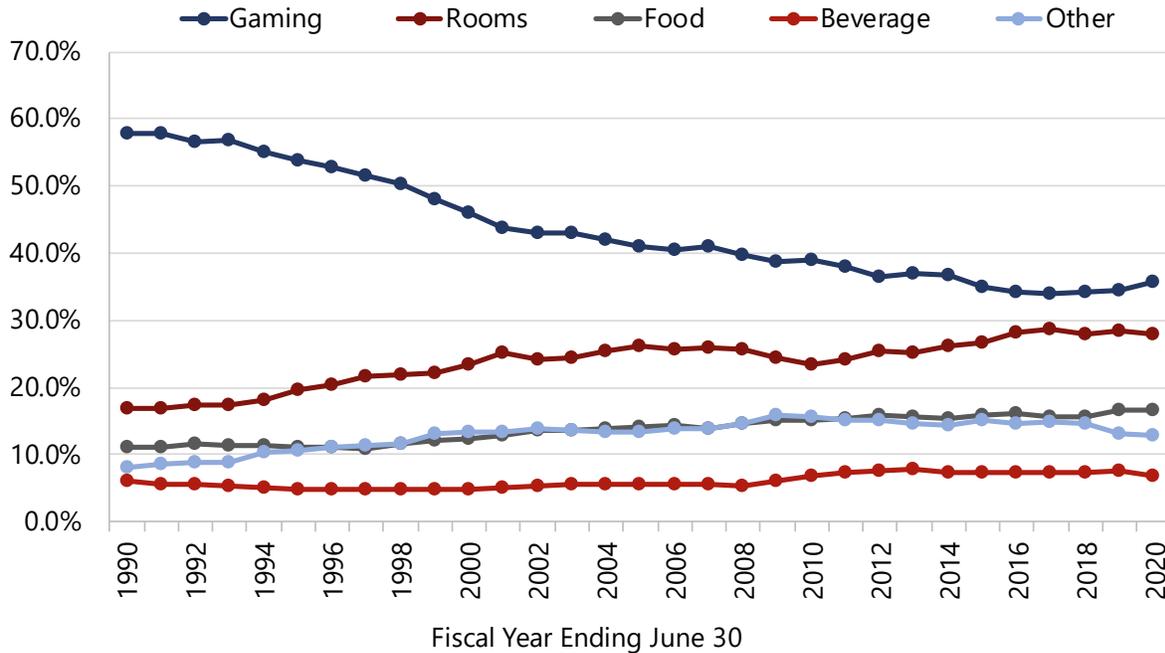
LAS VEGAS STRIP \$1.0 MILLION AND OVER INCOME AND EXPENSES

Annually, the Nevada Gaming Abstract from the NGCB provides combined financial information reported by nonrestricted Nevada gaming licensees grossing \$1 million or more in gaming revenue for the fiscal years ending June 30. The Nevada Gaming Abstract for 2020 includes the 78-day time frame between March 17 and June 4, 2020, during which the casino hotels were shut down due to the COVID-19 pandemic. Although the data provide additional insight into the impact on the performance of the area properties, many operators in the Las Vegas community maintained payroll for extended periods, during which fixed expenses continued to be incurred while essentially no revenue was being generated.

In fiscal 2019/20, gaming remained the biggest source of revenue for the Las Vegas Strip \$1 Million and Over Submarket. Gaming revenue for the properties in this submarket increased to 35.8% in the fiscal year ending June 30, 2020, from 34.5% in fiscal 2018/19. While gaming revenue as a percentage of total revenues grew in the most recent fiscal year, the percentage of total revenue for rooms, beverage, and other revenue declined. The departmental percentages of total revenue for the Las Vegas Strip \$1 Million and Over Submarket for fiscal years 1989/90 to 2019/20 are illustrated in the following graph.



Table 12 - Departmental Percentages of Total Revenue: Las Vegas Strip \$1.0 Million and Over



Source: Nevada Gaming Control Board

The following table sets forth the composite income and expense data for the Las Vegas Strip \$1.0 Million and Over Submarket for fiscal years 2018/19 and 2019/20, as provided by the NGCB (excluding depreciation and amortization). It is noted that “Other G & A” expense decreased from \$1.6 billion in 2018/19 to -\$1.7 billion in 2019/20, which is likely the result of the sales of the Bellagio, Mandalay Bay, and MGM Grand during fiscal 2019/20 from MGM Resorts International to joint ventures, with large gains recognized given the “disposal” of those assets.



Table 13 – Composite Income and Expense Statements – Las Vegas Strip \$1.0 Million and Over

Fiscal Year Ending June 30	2019/20				2018/19				
Number of Licences:	41				44				
Occupancy:	79.4%				92.1%				
Average Rate:	\$185.03				\$180.19				
RevPAR:	\$146.98				\$166.02				
Days Open:	365				365				
Average Daily Available Rooms:	71,834				87,983				
Occupied Rooms:	20,827,676				29,588,129				
	\$ ('000s)	% Gross	PAR	POR	\$ ('000s)	% Gross	PAR	POR	
REVENUE									
Gaming	\$4,932,981	35.8 %	\$68,672	\$236.85	\$6,452,368	34.5 %	\$73,336	\$218.07	
Rooms	3,853,824	28.0	53,649	185.03	5,331,575	28.5	60,598	180.19	
Food	2,275,802	16.5	31,681	109.27	3,081,996	16.5	35,029	104.16	
Beverage	940,828	6.8	13,097	45.17	1,400,045	7.5	15,913	47.32	
Other	1,781,168	12.9	24,795	85.52	2,448,545	13.1	27,830	82.75	
Total Revenue	13,784,602	100.0	191,894	661.84	18,714,527	100.0	212,706	632.50	
DEPARTMENTAL EXPENSES**									
Gaming	1,836,018	37.2	25,559	88.15	2,273,933	35.2	25,845	76.85	
Rooms	1,412,505	36.7	19,663	67.82	1,775,702	33.3	20,182	60.01	
Food & Beverage	2,511,378	78.1	34,961	120.58	3,261,045	72.8	37,064	110.21	
Other	810,688	45.5	11,286	38.92	1,087,382	44.4	12,359	36.75	
Total Departmental Expense	6,570,589	47.7	91,469	315.47	8,398,063	44.9	95,451	283.83	
DEPARTMENTAL INCOME									
	7,214,013	52.3	100,426	346.37	10,316,465	55.1	117,255	348.67	
UNDISTRIBUTED EXPENSES									
Unallocated Payroll	1,071,424	7.8	14,915	51.44	1,207,718	6.5	13,727	40.82	
Advertising and Promotion	140,517	1.0	1,956	6.75	197,685	1.1	2,247	6.68	
Music and Entertainment	183,378	1.3	2,553	8.80	282,070	1.5	3,206	9.53	
Energy	218,421	1.6	3,041	10.49	243,211	1.3	2,764	8.22	
Complimentary	1,657,893	12.0	23,079	79.60	2,172,636	11.6	24,694	73.43	
Bad Debt Expense	160,563	1.2	2,235	7.71	60,763	0.3	691	2.05	
Total	3,432,195	24.9	47,779	164.79	4,164,083	22.3	47,328	140.73	
HOUSE PROFIT									
	3,781,818	27.4	52,646	181.58	6,152,382	32.9	69,927	207.93	
Fixed Charges									
Taxes - Real Estate	139,782	1.0	1,946	6.71	121,015	0.6	1,375	4.09	
Taxes and Licenses - Other	76,066	0.6	1,059	3.65	96,006	0.5	1,091	3.24	
Rent of Premises	76,281	0.6	1,062	3.66	84,837	0.5	964	2.87	
Equipment Lease	11,986	0.1	167	0.58	13,762	0.1	156	0.47	
Other G & A	(1,712,729)	(12.4)	(23,843)	(82.23)	1,591,126	8.5	18,084	53.78	
Total	(1,408,614)	(10.2)	(19,609)	(67.63)	1,906,745	10.2	21,672	64.44	
NET INCOME BEFORE DEPRECIATION, AMORTIZATION, FEDERAL INCOME TAXES, AND EXTRAORDINARY ITEMS									
	\$5,190,432	37.7 %	\$72,255	\$249.21	\$4,245,637	22.7 %	\$48,255	\$143.49	
Rooms Revenue as a % of Gaming Revenue		78.1 %				82.6 %			
F & B Revenue as a % of Gaming Revenue		65.2				69.5			
Other Revenue as a % of Gaming Revenue		36.1				37.9			

** Departmental expenses are expressed as a percentage of departmental revenues

Source: Nevada Gaming Control Board

As expected, all departments reflected lower revenues and higher expense ratios in the most recent fiscal year. House profit declined from \$6.2 billion, or 32.9% of total revenues, in 2018/19 to \$3.8 billion in 27.4% of total revenues in 2019/20.

RECENT MAJOR DEVELOPMENTS

Construction was permitted to continue in Nevada throughout the pandemic because it is an essential business for the state. In addition to the expansion of the Las Vegas Convention Center, several major projects, including Allegiant Stadium and Circa, were completed in 2020.

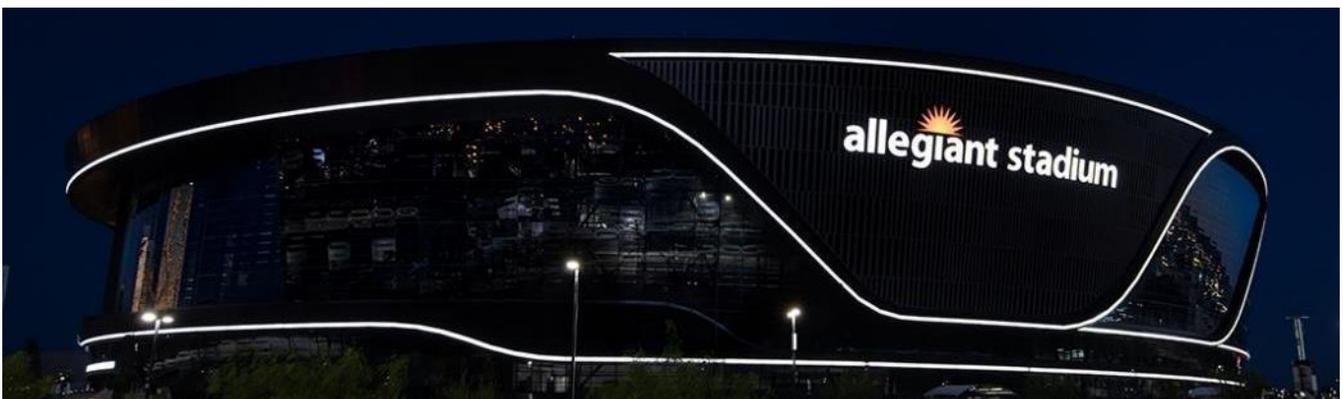
LAS VEGAS MONORAIL AND THE BORING COMPANY

The LVCVA purchased the Las Vegas Monorail and its 3.9-mile elevated transit system for \$24.26 million in December 2020. The attractive component of the purchase was that the Las Vegas Monorail held a noncompete clause on a competitor building a transportation system on the east side of the Las Vegas Strip. The LVCVA will now be able to allow The Boring Company (TBC) to develop an estimated 15 miles of tunnels for a new system that will use Tesla vehicles to transport customers to various Las Vegas locations. When the spread of the coronavirus subsides, the LVCVA is expected to operate the monorail system. The monorail is an important transportation option, as it typically moves nearly 5 million people annually, many of whom are attendees of meetings and trade shows at the Las Vegas Convention Center. LVCVA representatives have indicated that the trains on the monorail system will need to be replaced within the next eight to ten years at an estimated cost of \$200 million, citing that it is not likely to replace the trains and estimating that it will cost \$11 million to decommission the monorail system. The hope is to have TBC's system or other mass transportation mode in place at that point.

Land-use applications filed by TBC show one route that would transport riders to resorts on the Las Vegas Strip, Allegiant Stadium, Downtown Las Vegas and, potentially, McCarran International Airport. A planned second line would transport riders around Caesars Entertainment resorts only, including Caesars Palace, Paris, the LINQ, Bally's, the Cromwell, Harrah's, and Planet Hollywood. In February 2021, Clark County Commissioners approved Resorts World's plans for a proposed passenger station and tunnel to be built by TBC; similar plans have been submitted on behalf of Wynn Las Vegas and Circus Circus Hotel & Casino.

ALLEGiant STADIUM

The \$2-billion Allegiant Stadium, the new home of NFL's Raiders, was completed in time for the 2020 NFL season. Allegiant Stadium seats 65,000 fans for football games and is expandable to 72,000 for larger events. Although the stadium was completed in time for the 2020 NFL season, fans were not allowed to attend games because of the COVID-19 pandemic. Despite not being able to host fans for the entire 2020 NFL season, Allegiant Stadium and Las Vegas were featured during national television broadcasts of Raiders games during the 2020 season, which helped to keep the city in the minds of potential future visitors.



Source: allegiantstadium.com

The NFL has canceled this season's Pro Bowl, which was scheduled for January 31, 2021, at Allegiant Stadium, and will award Allegiant Stadium the 2022 Pro Bowl instead. Allegiant Stadium is also a contender to host the Super Bowl in 2024. The University of Nevada – Las Vegas football team is expected to play at the stadium in the future. A Garth Brooks concert, the first live music show scheduled at Allegiant Stadium, which was originally rescheduled from August 22, 2020, to February 27, 2021, has been rescheduled to July 10, 2021, due to COVID-19 restrictions.

A stadium district is being discussed for the area, which could include restaurant, bar, retail, hotel, and living spaces, leading to interest in vacant land in the area. Diversified Partners founder Walt Brown Jr. acquired a vacant, 1.8-acre parcel at the southeast corner of Russell Road and Polaris Avenue, just south of the stadium, for \$10.8 million on December 28, 2021, with the reported intention of developing an In-N-Out Burger restaurant. The property is located in a highly visible spot with the potential for a high volume of foot traffic once fans are allowed to attend football games or other ticketed events.

CIRCA

Circa Las Vegas, the first new resort in Downtown Las Vegas since 1980, opened in late 2020. The 1.25-million-square-foot property features 777 guestrooms, a two-story sportsbook with seating capacity for 1,000 guests, and an amphitheater pool. As Downtown's tallest building, Circa was built on the city block site that once included the former Las Vegas Club Hotel, several smaller casinos, and a strip club. Circa's 982-space parking garage is located across Main Street and is connected to the resort via an above-ground pedestrian bridge.

CAESARS FORUM

In March 2020, Caesars Entertainment completed Caesars Forum, a 550,000-square-foot conference center with 300,000 square feet of first-class meeting space, although it has yet to open because of the COVID-19 pandemic. The venue includes two 108,000-square-foot pillarless ballrooms, with bridge connections to Harrah's Las Vegas Casino & Hotel, the LINQ, and the LINQ Promenade.

DOWNTOWN GRAND HOTEL & CASINO'S GALLERY TOWER

The Downtown Grand's all-new, 495-room Gallery Tower opened in September 2020. The tower's seven guest floors provide a boutique hotel experience and bring the property's total guestroom inventory to 1,124 rooms. The Gallery Tower also includes three 1,500-square-foot Presidential Suites with eighth-floor views of the city.

VIRGIN LAS VEGAS

The redevelopment of the former Hard Rock Las Vegas continued through the pandemic. The reopening date for the property as the Virgin Las Vegas was initially scheduled for the fall of 2020; however, in September, the opening date was reset to January 15, 2021. Subsequently, property representatives announced that the opening would be delayed until March 25, 2021, due to the market conditions because of the ongoing pandemic. The renovated property is expected to offer a rebranded casino, remodeled hotel rooms, several new restaurants, and new amenities upon opening. Mohegan Gaming & Entertainment has been approved by the Nevada Gaming Commission to operate the Virgin's casino component, which will be known as the Mohegan Sun Casino at Virgin Hotels Las Vegas.

TRANSACTIONS

Following the closing of the sale and leaseback transaction involving the Bellagio in November 2019, whereby ownership interests in the Bellagio were transferred to a joint venture entered into with subsidiaries of The Blackstone Group for consideration totaling approximately \$4.25 billion, MGM Resorts International and The Blackstone Group entered into another joint venture pursuant to which ownership interests in the MGM Grand and Mandalay Bay were contributed for total consideration of \$4.6 billion. The MGM Grand/Mandalay Bay sale, which was announced in January 2020, closed in February 2020. MGM Resort's real estate investment trust, MGM Growth Properties, owns 50.1% of the joint venture, while Blackstone's subsidiaries control 49.9% of the joint venture. MGM Resorts International leases back the MGM Grand and Mandalay Bay and continues to operate the casino-resort properties, as it does with the Bellagio.

On April 16, 2020, Gaming and Leisure Properties Inc., the real estate investment trust formed in 2013 as corporate spinoff from Penn National Gaming, purchased the real property associated with the Tropicana Las Vegas Casino Hotel Resort from Penn National Gaming Inc. in exchange for rent credits of \$307.5 million; the sale had been announced on March 27, 2020. An affiliate of Penn National Gaming continues to operate the casino and hotel business of the Tropicana Las Vegas pursuant to a triple-net lease for nominal rent for the earlier of two years (subject to three one-year extensions) or until the Tropicana Las Vegas is sold. Penn National Gaming will receive 75% of the net proceeds above \$307.5 million if a sale agreement is signed during the first twelve months following closing, and 50% of the net proceeds above \$307.5 million if a sale agreement is signed during the subsequent twelve months following closing. Penn National Gaming will not be entitled to receive any net sale proceeds if the Tropicana Las Vegas is sold after 24 months from closing. The Tropicana Las Vegas was purchased by Penn National Gaming in 2015 for approximately \$360 million.

The casino and casino-hotel transaction market has been negatively affected by the COVID-19 pandemic since mid-March 2020. While opportunistic equity investors continue to seek out deals, and select sources of debt remain available, most owners are reluctant to sell under current market conditions. As such, there have been limited casino-hotel transaction data in Las Vegas to review since the downturn in market conditions, although the entry of special purpose acquisition companies (SPACs) into the gaming sector has generated interest in recent months. Las Vegas-based casino operator Affinity Gaming representatives indicated in January 2021 that the company is searching for acquisition opportunities through a SPAC. Fertitta Entertainment Inc., the parent company of the Golden Nugget brand, and mobile gaming company PlayStudios announced SPAC mergers in February 2021.

The historical pattern of transaction activity and pricing is generally expected to recur as the market moves through the cycle induced by the COVID-19 pandemic. Although the outlook for casino-hotel performance is uncertain at present, investors are accustomed to dealing with the risk of performance volatility and will look for opportunities to buy assets well below replacement cost, with the anticipation of strong asset appreciation and high returns once we move past the current crisis. Most sellers will sit on the sidelines and will wait to sell when price discounts subside, but a rebound in transaction activity could occur quickly once travel resumes. At present, most investors anticipate an accelerating recovery of performance of gaming assets in 2021. The general industry consensus is that hotel values have declined 20% to 35% because of the COVID-19 pandemic, and a similar range would be expected for casino hotels.

FUTURE PROJECTS

Proposed new development projects, including casino-hotel and entertainment options, and redevelopment of existing older casinos are constantly being explored; however, changes in plans or cancellations of planned projects are also common. The following proposed or partially constructed projects are anticipated to provide opportunities for further growth of the Las Vegas market in the future.

BRIGHTLINE WEST

Construction on the high-speed train between Las Vegas and Southern California that was to begin in 2020 has been delayed indefinitely because of financing issues. Late last year, Brightline West postponed a \$2.4-billion bond sale that would have generated the financing for the initial portion of tracks and stations for the \$8-billion project. The company blamed the delay on market instability due to the ongoing COVID-19 pandemic. Given that traffic along Interstate 15 crossing the Nevada/California border can be congested, particularly heading toward Las Vegas on a Thursday or Friday night and entering Southern California on a Sunday night, a high-speed luxury train between the two destinations would appear to be warranted. In addition to the planned Las Vegas–Victorville track, Brightline has also been considering potential links to Rancho Cucamonga and Palmdale, California, where riders could then link to Downtown Los Angeles via Metrolink.

THE DREW LAS VEGAS

The Witkoff Group and New Valley LLC purchased the partially completed Fontainebleau in August 2017 for \$600 million from Icahn Enterprises L.P. The property had been purchased out of bankruptcy in 2010 for \$148 million. Construction of The Drew was put on hold because of the COVID-19 pandemic. In February 2021, Koch Real Estate Investments, in partnership with Fontainebleau Development, announced that it planned to take over ownership of the partially completed casino-resort property for an undisclosed amount. The property was previously anticipated to open in 2023 with a casino, 3,719 rooms, more than 500,000 square feet of convention and meeting space, as well as food and beverage, retail, spa, and nightlife venues.

MSG SPHERE LAS VEGAS

The Madison Square Garden Co. is partnering with Las Vegas Sands Corp. on the construction of the MSG Sphere Las Vegas, which will be built east of the Venetian. The 17,500-seat MSG Sphere will be built for music and entertainment performances and could host eSports competitions and possibly boxing and mixed martial arts. A pedestrian bridge is expected to link the arena with the Venetian, Palazzo, and the Sands Expo Center. Construction of the MSG Sphere was put on hold due to the COVID-19 pandemic but has resumed. The project is now anticipated to be finished in 2023. About 300 workers will be on site every day, and the project has shifted to completing all superstructure concrete and structural steel work, as well as building the steel domed roof. Once the venue is completed, it will feature a 160,000-square-foot wraparound screen. MSG Entertainment expects the MSG Sphere to be the busiest in its portfolio, which includes Madison Square Garden and Radio City Music Hall in New York.

RESORTS WORLD LAS VEGAS

Construction of the \$4.3-billion, 3,500-room Resorts World Las Vegas, being built by Malaysia-based Genting Berhad, has continued through the pandemic and is still anticipated to open in the summer of 2021. Eventually, Resorts World Las Vegas is expected to induce new demand to the Las Vegas market due the numerous cross-marketing opportunities with its parent company's businesses, which includes integrated resorts in the U.S., Malaysia, Singapore, the United Kingdom, and the Bahamas. The Resorts World Las Vegas is being built on the 87-acre site of the former Stardust/proposed Echelon, which it purchased from Boyd Gaming for \$350 million in 2013. The property is being developed with an Asian theme, and Resorts World Las Vegas is anticipated to partner with Singapore-based entertainment company Zouk Group on a variety of nightlife, entertainment, and dining options. The *Las Vegas Review Journal* reported that Resorts World received approximately 85,000 applications for the 6,000 positions expected to be available, a testament to the current market conditions in Las Vegas as much as the quality of the parent company's reputation.

CONCLUSION

Vaccines have been developed and inoculations have begun. Las Vegas' recovery is dependent on the velocity of the return of visitors and midweek meeting and group business. Continued weak performance is anticipated through the first half of 2021 until vaccinations are rolled out and/or herd immunity reaches a level where a relaxation of preventive measures is warranted, and people feel safer returning to normal activities. The prevailing market outlook is that the direct impact of the pandemic on the tourism, convention, and gaming sectors will affect demand at varying levels through the remainder of 2021. The recovery of travel and general economic performance should accelerate as vaccines, medical therapies, and public confidence support the beginning of the return to pre-pandemic levels. A gradual recovery in the Las Vegas market is anticipated to occur thereafter. However, the situation is unprecedented and remains highly uncertain, as the widespread availability of the vaccine has yet to be determined, public acceptance of medical solutions is unclear, and a return of confidence in traveling safely are unknown.

As the world defeats and eventually recovers from the effects of COVID-19, Las Vegas will be here to welcome the pandemic-induced fatigued masses. In addition to providing over 140,000 guestrooms, under normal circumstances, the market provides a wide variety of leisure options including casinos, food and beverage, entertainment, and shopping venues, along with a large amount of meeting and convention space. Forty Las Vegas establishments have made *Forbes* magazine's 2021 list of five-star, four-star, and recommended resorts, restaurants, and spas. New, large-scale developments in the professional sports and entertainment fields will prove to be major draws once the virus is contained and people are again allowed to gather in large groups. New and renovated convention space awaits those that miss the face-to-face interaction of in-person conferences. Las Vegas is expected to generate demand from local, national, and international sources at various price points once conditions allow for the return of safe travel from around the world.





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About the Author



Shannon S. Okada, MAI, Managing Director of Gaming with HVS, is based in Las Vegas, Nevada. His experience includes appraisals and feasibility studies for existing and proposed hotels, resorts, and casinos. He holds a Master of Science degree in Hotel Administration from the University of Nevada Las Vegas, Master of Business

Administration and Juris Doctor degrees from Pepperdine University, and a Bachelor of Business Administration degree in Marketing & Management from the University of Hawaii.

Contact Shannon at (702) 308-4210 or sokada@hvs.com.

HVS Gaming Division

8445 W. Warm Springs Road, A-4 #336, Las Vegas, NV
89117 USA