



Hotels at Indian Casinos - 2014

by Matthew S. Robinson

As of December 31, 2013, there were 186 Indian casinos with hotel properties with a combined total of almost 44,500 rooms - an average of 239 rooms per casino. As presented in Table 1, during 2013, an additional 18 Indian casinos added hotel properties, with several other Indian casinos also completing expansions of existing hotels for a total increase of almost 2,800 additional rooms at Indian casinos in the U.S. - over a 6% annual increase in room supply and almost an 11% annual increase in the number of Indian casinos with hotels - the largest in a decade.

During 2015, four new Indian casino hotels are anticipated, and another three hotel expansions at existing Indian casinos are expected to commence operations, adding more than 1,700 rooms. During 2016, four new Indian casino hotels are anticipated and at least one other hotel expansion at existing Indian casinos is expected to commence operations, adding over 1,700 additional rooms. This is just shy of the 200 total Indian casinos with hotels mark and the 50,000 room count mark for total hotel rooms at Indian casinos in the U.S.

Table 1. Annual Hotel Room Growth at Indian Casinos (As of December 31, 2013)

Year Ending	(forecast) 2016	(forecast) 2015	(estimate) 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Hotel Rooms	49,558	47,835	46,097	44,497	41,736	39,275	38,554	36,849	34,223	30,529	29,164	27,412	25,182	22,835
Percent Change	3.6%	3.8%	3.6%	6.6%	6.3%	1.9%	4.6%	7.7%	12.1%	4.7%	6.4%	8.9%	10.3%	37.5%
Indian Casinos w/Hotels*	198	194	190	186	168	160	157	150	142	135	129	126	117	107
Percent Change	2.1%	2.1%	2.2%	10.7%	5.0%	1.9%	4.7%	5.6%	5.2%	4.7%	2.4%	7.7%	9.3%	30.5%
Rooms/Indian Casino	250	247	243	239	248	245	246	246	241	226	226	218	215	213
Percent Change	1.5%	1.6%	1.4%	-3.7%	1.2%	0.0%	0.0%	1.9%	6.6%	0.0%	3.9%	1.1%	0.9%	5.3%

*Almost 40 Indian casinos have more than one hotel. Accordingly, the actual number of individual hotels is greater.

Source: KlasRobinson Q.E.D.

During 2014, another four Indian casinos will open new hotels, with another three expanding their existing properties for a combined total of 1,600 additional rooms. 2015 and 2016 also are expected to experience similar growth.

Table 2. Indian Casinos with Hotels - Summary by Size

(As of December 31, 2013)

Range of Rooms	Casinos with Hotels	Average No. Gaming Positions	Average No. Hotel Rooms	Positions Per Hotel Room
<100 Rooms	58	573	59	9.8
100 < 200 Rooms	54	1,196	133	9.0
200 < 300 Rooms	26	1,946	240	8.1
300 < 400 Rooms	14	1,966	328	6.0
400 < 500 Rooms	13	2,195	437	5.0
500 < 1,000 Rooms	17	3,282	677	4.8
1,000 or more Rooms	4	6,275	1,473	4.3
Total/Average	186	1,534	239	6.4

Source: KlasRobinson Q.E.D.

The number of Indian casinos with hotels varies significantly by number of rooms per property. As presented in Table 2, of the 186 Indian casinos with hotels in operation by the end of 2013, the largest segment by size are those with less than 100 rooms (58 properties) and those with between 100 and less than 200 rooms (54 properties). With respect to the number of gaming positions per hotel room, the ratio ranges from 4.3 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 is 6.4 gaming positions per hotel room.

While occupancy rates and actual realized average daily room rates are not published for Indian casinos, the hotel components generally perform at occupancy levels between 65 and 90 percent, with average rates between \$70 and \$150. At the same time, advertised room rates or "rack rates" for Indian casino hotels are available. Table 3 on the next page shows rack rate data for hotels at Indian casinos by size. Because many Indian casinos have multiple hotel properties, the rack rates are based on the individual 234 hotel properties, rather than the 186 Indian casinos with hotels.

Table 3. Hotel Rack Rates – Summary by Size

Range of Rooms	Hotels at Indian Casinos	Weekday Rack Rate Range				Weekend Rack Rate Range			
		Low	High	Average	Median	Low	High	Average	Median
< 100 Rooms	89	\$40	\$319	\$99	\$93	\$40	\$419	\$120	\$110
100 < 200 Rooms	63	\$35	\$250	\$113	\$107	\$45	\$329	\$147	\$135
200 < 300 Rooms	34	\$70	\$209	\$132	\$129	\$90	\$409	\$181	\$169
300 < 400 Rooms	17	\$60	\$239	\$137	\$129	\$75	\$469	\$208	\$216
400 < 500 Rooms	15	\$40	\$244	\$107	\$105	\$70	\$319	\$145	\$129
500 or more Rooms	16	\$69	\$249	\$146	\$148	\$116	\$599	\$229	\$199
Total	234	\$35	\$319	\$116	\$109	\$40	\$599	\$155	\$135

Source: KlasRobinson Q.E.D.

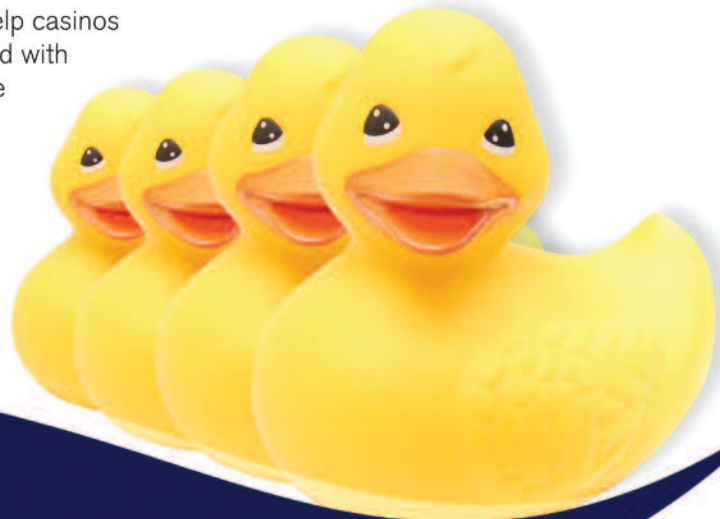
Not surprisingly, rack rates are higher for weekends, when casino hotels are generally full, than for weekdays where occupancy levels can vary greatly. There is a general trend toward higher rates at larger hotels, consistent with the typically broader range of facilities and amenities available. It is important to remember that the rack rates listed are not the same as the average daily room rates actually paid at

the hotels. The most significant factor affecting the difference between rack rates and average rates in casino hotels is the percentage of “comp” rooms for high value gamers, which can range from under 25% to over 75% depending upon the market and size of property.

The rate paid by the casino department to the hotel department for “comped” rooms is set by management at some reasonable lower level than full rack rate to maintain the validity of cost and profit percentages in both the casino and the hotel. Other factors affecting the difference between rack and average rates include other special discounts and promotions and seasonal and daily rate adjustments to manage yield.

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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 system to date is the annual AAA ratings survey. The AAA Diamond Rating Process is North America's premier hotel rating program. To apply for evaluation, properties must first meet 27 essential requirements based on member expectations – cleanliness, comfort, security, and safety. Properties selected for evaluation must demonstrate the strict quality guidelines required to be AAA approved.

In comparison, of the 86 reviewed hotels affiliated with Indian casinos, more than 38% have achieved a four-diamond rating.

As previously discussed, there is a general trend toward higher rates at larger hotels. At the same time, there are several smaller upper-end resort properties at Indian casinos that also offer a wide range of supporting amenities at a high quality level and price point. As presented in Table 4, there is one hotel with less than 100 rooms and three hotels with less than 200 rooms that have achieved a four-diamond rating.

Table 5 shows rack rate data for hotels at Indian casinos by AAA diamond rating. There is a direct correlation between quality level and rack rate – the better the quality, the higher the rack rate. It's not the size, but the quality that really matters, at least when it comes to hotel rack rates at Indian casinos. At the same time, quality is a relative term and specific to any given market. In some cases, a four-diamond hotel property

Table 4. AAA Diamond Ratings by Size of Individual Casino Hotel Property
(As of December 31, 2013)

Range of Rooms	Hotels at Indian Casinos	Diamond Rating					Hotels Not Rated	
		*	**	***	****	*****	Count	Percent
< 100 Rooms	89	-	4	10	1	-	74	83.1%
100 < 200 Rooms	63	-	1	20	3	-	39	61.9%
200 < 300 Rooms	34	-	-	6	10	-	18	52.9%
300 < 400 Rooms	17	-	-	6	6	-	5	29.4%
400 < 500 Rooms	15	-	1	3	3	-	8	53.3%
500 or more Rooms	16	-	-	2	10	-	4	25.0%
Total	234	-	6	47	33	-	148	63.2%

Source: AAA and KlasRobinson Q.E.D.

Properties that are AAA approved are assigned a rating of one to five AAA Diamonds, ranging from simple to luxurious. The Diamond ratings indicate the extensiveness of services, amenities, and décor provided.

Similar to rack rates, 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 234 hotels at Indian casinos, more than 35% have been reviewed and rated by AAA. Table 4 presents a summary of hotels at Indian casinos by size and by diamond ranking.

Of the 86 AAA rated hotels at Indian casinos (compared to only 74 a year ago), six hotel properties (7%) received a two-diamond rating, 47 hotel properties received a three-diamond rating (54.7%) and 33 properties (38.4%) received a four-diamond rating. Overall, the average (mean) diamond rating for hotels at Indian casinos is 3.3 diamonds with a median rating of 3 diamonds. Of the more than 29,000 hotels approved by AAA, only 5.3% make the four-diamond list.

Table 5. Rack Rates at AAA Rated Hotels – Summary by Diamond Rating

Diamond Rating	Rated Hotels at Indian Casinos	Weekday Rack Rate Range				Weekend Rack Rate Range			
		Low	High	Average	Median	Low	High	Average	Median
One Diamond	-	-	-	-	-	-	-	-	-
Two Diamond	6	\$35	\$109	\$65	\$53	\$45	\$109	\$78	\$77
Three Diamond	47	\$60	\$249	\$129	\$120	\$75	\$279	\$160	\$149
Four Diamond	33	\$105	\$319	\$169	\$159	\$129	\$599	\$264	\$244
Five Diamond	-	-	-	-	-	-	-	-	-
Total	86	\$35	\$319	\$141	\$129	\$45	\$599	\$196	\$185

Source: AAA and KlasRobinson Q.E.D.

could be of too-high a quality for a casino's potential overnight customers, many of whom could be more value-oriented, preferring to save their money for the machines rather than the rooms. In other cases, a three-diamond hotel could be by far the nicest hotel property in a market. When considering a particular quality level for a hotel property, it is essential the hotel is built for the market and customer. ♣

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