



Atlantic City Tourism Performance Indicators (AC-TPI) 2016 4th Quarter

Prepared by
Brian J. Tyrrell, Ph.D.

Supported by
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Executive Director



LLOYD D. LEVISON INSTITUTE
OF GAMING, HOSPITALITY & TOURISM

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Acknowledgements

The Lloyd D. Levenson Institute of Gaming, Hospitality & Tourism (LIGHT) and the authors of the Atlantic City Tourism Performance Indicators (AC-TPI), Dr. Brian Tyrrell and Dr. Rummy Pandit, would like to thank the many individuals and organizations in the Atlantic City region and throughout New Jersey for their contributions to this report. In particular, the New Jersey Casino Control Commission was invaluable in providing the bulk of the data for this report. The Casino Reinvestment Development Authority and the New Jersey Division of Gaming Enforcement were instrumental in helping to revise the current version of the AC-TPI. Indeed, STR, Incorporated contributed heavily as well to the updated version of the AC-TPI, providing supply figures to adjust the Atlantic County Lodging Fee, as well as supplying non-casino Occupancy, Average Daily Rate and Revenue per Available Room data. The LIGHT advisory board members' contributions were instrumental to the completion of this report and their ongoing support is much appreciated. Their review, feedback and encouragement are evident throughout this report and it quite simply could not have been completed without their support. Finally, we'd like to thank Sarah Grady, Assistant Director for LIGHT, for her careful review of the report. Thanks to all who contributed in the past and those that will likely add to that contribution in the future. We are indebted to you for your insight and assistance.

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Introduction

For several years, the Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism (LIGHT) has been producing the Atlantic City Tourism Performance Indicators (AC-TPI) as a quarterly report describing non-gaming revenue for the Atlantic City region. The impetus for the report was the changing dynamics with respect to gaming supply in the U.S. northeast, particularly following the introduction of Pennsylvania gaming in 2006. The increased competition for the gaming dollar resulted in significant gaming dollar losses for the Atlantic City region. However, there continued to be growth in non-gaming revenue for the Atlantic City region, growth that was not garnering attention in light of the regional declines in gaming.

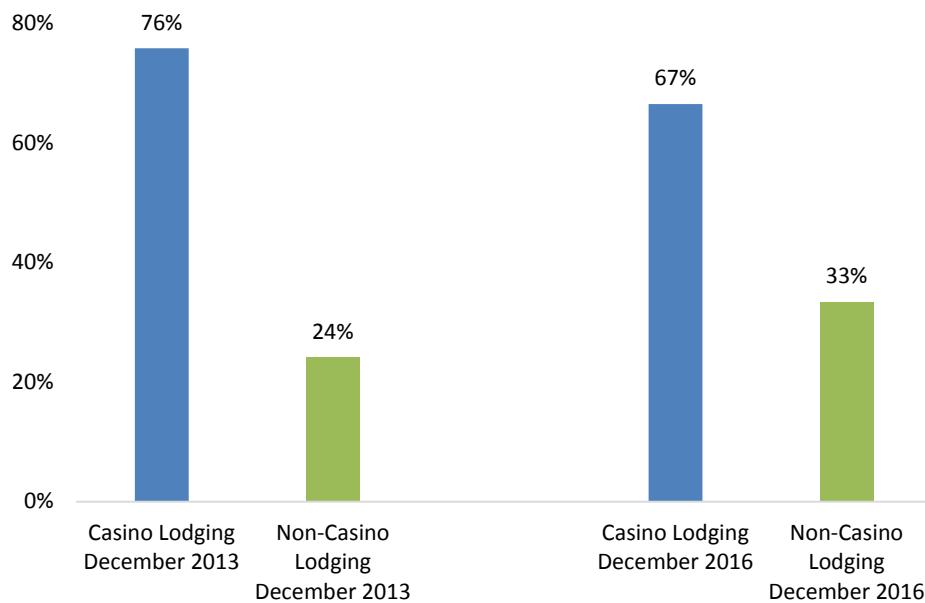
The dynamics changed again in 2014, this time internal to the resort, as four casinos (Atlantic Club, Showboat, Revel and Trump Plaza) ceased operation during the calendar year. The AC-TPI analyzed changes in three taxes whose combined revenues were driven either exclusively (the Atlantic City Casino Parking Fee) or significantly (Atlantic County Lodging Fee and the Atlantic City Luxury Tax) by revenue generated at casino properties in Atlantic City. Since there were significantly fewer parking spaces and hotel rooms at casino properties, these fees undoubtedly would be lower. Yet much of the business from these four closures remained captured by the Atlantic City casino market. Per property performance for the remaining casinos in the Atlantic City market increased. This restructuring of the local marketplace dynamics required a change in the manner in which the AC-TPI captures performance of non-gaming for the Atlantic City region.

Originally, the AC-TPI settled on the three taxes for two main reasons. First, the taxes were publicly available and therefore easily verified. Second, because of some unique characteristics of the market place, certain measures that are commonly used to measure hotel performance were not available for the Atlantic City region. Specifically, many destinations describe the dynamics of their local hospitality industry using lodging Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR). STR, Incorporated solicits owners of lodging properties to supply operating performance on either a monthly or a daily basis, and the provider in turn receives, for a fee, feedback on their performance relative to their local competitive set. Destinations can purchase the

data to describe their total performance over time, and many regularly do. Unfortunately, for the Atlantic City region, the casino hotels do not participate in this program. The Trend Reports for the region thus do not capture the most significant driver of revenue for the Atlantic City region, namely the casinos.

Still, the Trend Report does capture a significant portion of the non-casino lodging in the Atlantic City region. Since the closure of the four casino properties in 2014, that portion of the local lodging industry has grown significantly. Figure 1 shows that the month prior to the first of the four closures, December 2013, non-casino lodging accounted for 24% of the Atlantic City region (Atlantic County N.J.). One year later, after all four closures, the December 2014 non-casino lodging accounted for 29% of lodging in the Atlantic City region. More recently, the Taj Mahal and its 2,010 rooms closed increasing the percentage of non-casino lodging to 33% of the lodging market for the Atlantic City region.

Figure 1: Casino Compared to Non-Casino Lodging Rooms for the Atlantic City Region, Before and After the 2014 and 2016 Casino Closures



Thus, there is a growing need for performance measures for the Atlantic City region that separate out the performance of the non-casino lodging industry and report the Occupancy, ADR and RevPAR that STR, Incorporated provides. While it will certainly not suffice alone to describe lodging performance, it can supplement our use of the Atlantic County Lodging Fee which does capture the performance of the casino properties in Atlantic City.

Indeed, in choosing to begin including the Occupancy, ADR and RevPAR of non-casino lodging in the Atlantic City region, we provide a balance to the AC-TPI which has always reported the Atlantic City Casino Parking Fee, a casino-only fee. We additionally removed the Atlantic City Luxury Fee from the AC-TPI, a measure that we had previously included as it captures some entertainment and beverage revenue, but for which there is significant overlap with the Atlantic County Lodging Fee. That the Luxury Fee was primarily generated from the sale of lodging meant the two fees tracked very similarly and thus represented duplication.

Further, to account for the changing supply of casino parking spaces and casino lodging rooms, the two fees that we previously included in the report, the Atlantic City Casino Parking Fee and the Atlantic County Hotel Fee, will be reported as the figures per available supply. Such reporting will assist in signaling changing dynamics moving forward, while still providing comparable base-line performance given the significant changes over time to the supply of both.

The current version of the Atlantic City Tourism Performance Indicators (AC-TPI) now provides a much clearer picture of the performance of non-gaming revenues on a per property basis for the Atlantic City region. The enhanced measures provide insight into not only non-gaming tourism performance measures, but can now also distinguish between casino-only measures (Atlantic City Casino Parking Fee) and non-casino measures (STR, Incorporated figures for Occupancy, ADR and RevPAR). Meanwhile, we retain a measure of the entire Atlantic City region's tourism performance by retaining the Atlantic County Lodging Fee. The current report details performance of all these measures through December 2016.

Atlantic City Casino Parking Fee

The Atlantic City Casino Parking Fee data is provided by the NJ Casino Control Commission (NJCCC). This figure serves as a surrogate for transportation, assuming that if the number of vehicles taxed has gone up or down, then so too will other expenditures on transportation to and from, as well as within, the resort. The tax is described by the NJCCC as:

"By law, casinos remit a fee of \$3.00 per day for each parking space used by patrons in their facility. \$0.50 of the parking fee is deposited into the Casino Revenue Fund, with the remaining \$2.50 forwarded to the Casino Reinvestment Development Authority for public projects in Atlantic City. The commission audits and certifies the amounts payable by each casino under the law."

The amount collected under the fee, charged to patrons of the casino hotel parking garages, is necessarily influenced by the number of available parking spaces. Over the past 10 years there have been some significant changes to the supply of casino hotel parking spaces. Figure 2 shows that the monthly supply, calculated as the number of available parking spaces times the number of days in the month. The largest gain during that time

frame occurred following the opening of Revel, adding more than 7.6 thousand daily parking spaces, an increase of 237 thousand total available spaces (18%) for December 2012 compared to December 2011.

In mid-January 2014, the Atlantic Club closed, reducing the supply by 1.4 thousand daily parking spaces. Three more casinos closed in September of 2014; the Showboat and Revel, both at the beginning of the month, followed by Trump Plaza in mid-September. The impact of these three closures further reduced the daily parking spaces available at casino hotels in Atlantic City by 2.6 thousand, 3.4 thousand and 7.6 thousand respectively. An additional 6.3 thousand spaces were closed in October of 2016 with the closure of the Taj Mahal. The most recent monthly supply figures for casino parking spaces in Atlantic City indicate there were 0.9 million available parking spaces in December 2016, the same number available one year ago after the final closures.

These significant shifts in the number of parking spaces presents a challenge when analyzing the Atlantic City Casino Parking Fee over time. Particularly with the most recent closures, simply examining the total fee provides little insight about per property performance relative to driving

Figure 2: Atlantic City Casino Parking Supply, January 2005 to December 2016

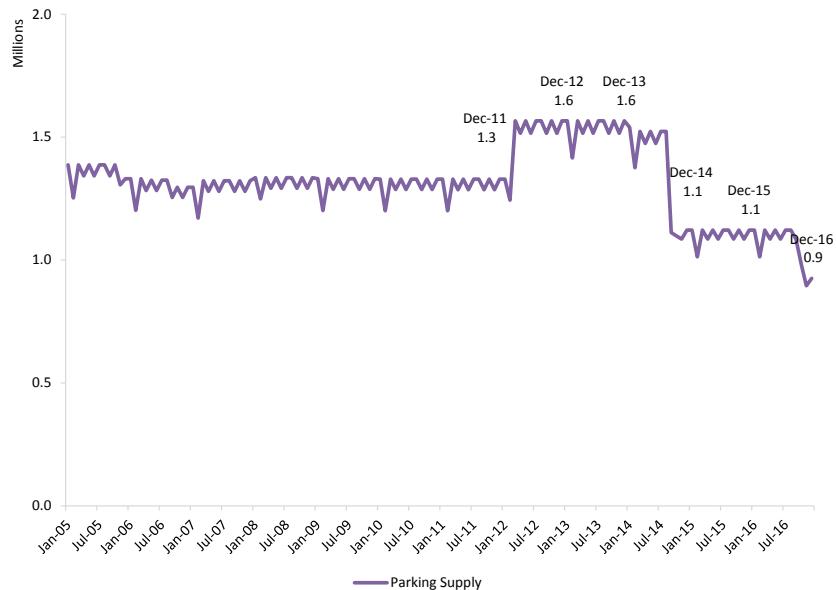
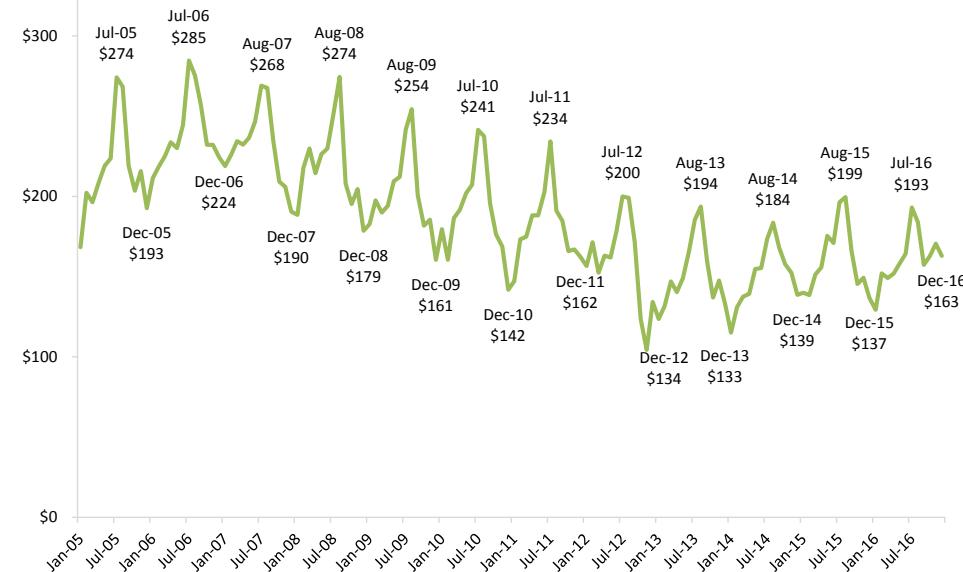


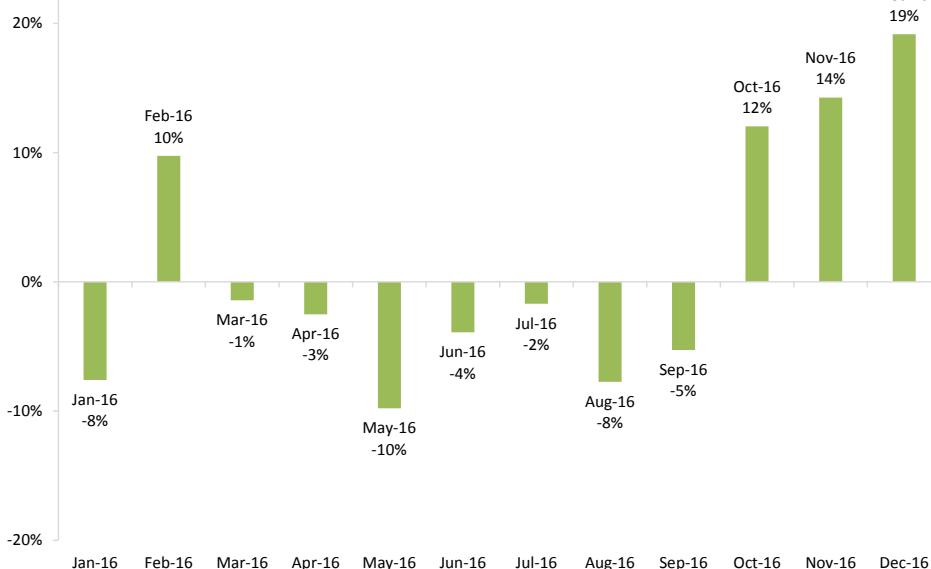
Figure 3: Atlantic City Casino Parking Fee per 100 Parking Spaces January 2005 to December 2016



visitation to the remaining casinos. In order to account for this, we present, in Figure 3 (previous page), the Atlantic City Casino Parking Fee on a per supply basis (per 100 parking spaces) utilizing the figures displayed in Figure 2 (also previous page). Figure 3 is labeled with the annual highs (labeled above the data series) and the most recent month (December) for each of the past several years. Highs occur in July or August, with the best recorded month occurring in July 2006 (\$285) and the current 12 month best occurring in July 2016 (\$193). Typically, the slowest month is recorded in December or January, the exception being November 2012 (\$104), being the result of Hurricane Sandy. The most current data show that December 2016 (\$163) was up significantly from December 2015 (\$137).

Figure 4 shows the year over year change in the Atlantic City Casino Parking Fee per 100 parking spaces for the prior 12 months. Following seven straight months of declines, the remaining casino parking garages collected more revenue on a per space basis for the remaining three months of the year. The closure of the Taj Mahal generated more traffic at the resorts remaining casino properties. All three months of October (12%), November (14%) and December (19%) were quite positive.

Figure 4: Year over Year (YoY) Change in the Atlantic City Casino Parking Fee per 100 Parking Spaces, January 2016 to December 2016



Given the seasonal nature of the Atlantic City Casino Parking Fee (see Figure 3), it is perhaps easier to visualize the long term trend by examining the 12 month trailing total for the fee.

Figure 5 shows the 12 month trailing total for the Atlantic City Casino Parking Fee per 100 parking spaces. The 12 months ending in May 2007 produced the highest Atlantic City Casino Parking Fee per 100 parking spaces at \$242. The per available space fee accelerated its decline after the opening of Revel in March 2012. Following the closures in 2014, this figure rose for several months through August of 2015 when it had a near term peak of \$162. The figure then was down slightly for close to a year, but is currently on the rise again at \$161 for the month of December 2016. How much of the Taj Mahal business exemplified by the casino parking fee remains with the other casino properties in the resort is not a straightforward question to answer.

Figure 5: 12 Month Trailing Total for the Atlantic City Casino Parking Fee per 100 Parking Spaces, December 2005 to December 2016





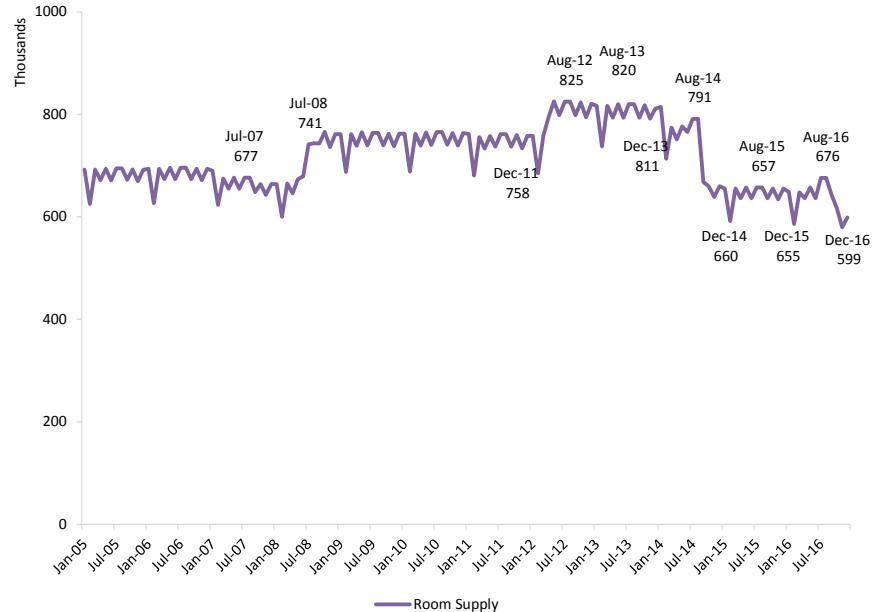
Atlantic County Lodging Fee

The Atlantic County Lodging Fee, the Atlantic County portion of the State Occupancy Fee, is utilized in this report to get a clearer picture of lodging performance for the region. While this figure is not Atlantic City specific, there is general consensus that the Atlantic City tourism market impacts the hotel industry throughout the county and thus is a reliable measure of the Atlantic City tourism economy. The figure is released by the NJ Division of Taxation and is described as:

"Legislation enacted in 2003 (P.L. 2003, c. 114) imposed a 7% State Occupancy Fee on the rent for every occupancy of a room in a hotel, motel or similar facility in most New Jersey municipalities, between August 1, 2003 and June 30, 2004. For occupancies on and after July 1, 2004, the Fee was reduced to 5%. A hotel/motel is a building regularly used and kept open for the lodging of guests, including bed and breakfasts, inns, etc. The State Occupancy Fee is imposed on the room rentals that are currently subject to the 7% New Jersey sales tax and is in addition to the sales tax. Special Rate Provisions: Since Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest, and North Wildwood already impose local taxes or fees on hotel/motel occupancies, the new State Occupancy Fee is imposed at a lower rate in ... Atlantic City (1%)..."

The same challenges that confront the continued reporting of the total revenue generated under the Atlantic City Casino Parking Fee also affect the reporting of the Atlantic County Lodging Fee total revenue. Namely, the closure of the four casinos in 2014 greatly reduced the supply of rooms in the Atlantic City region. Figure 6 (next page) shows the Atlantic County monthly lodging room supply from January 2005 through December 2016, figures drawn from the STR, Incorporated Trend Report. Notable increases in the supply can be seen in May 2012 with the opening of the Revel. Conversely, notable decreases in the supply occur in February 2014 following the closure of the Atlantic Club (809 rooms), and again following August 2014, after which time the remaining three closures of the Showboat (1,329 rooms), Revel (1,339 rooms) and Trump Plaza (906 rooms) occurred. In October of 2016 the Taj Mahal would close taking the inventory down 2,010 rooms further for a monthly total in December of 2016 of 599 thousand. Over a year after the 2014 closures, the room supply for the month of December 2016 was 599 thousand (19,321 daily).

Figure 6: Atlantic County Monthly Lodging Room Supply, January 2005 through December 2016



The supply of rooms displayed in Figure 6 is used to calculate the Atlantic County Lodging Fee on a per 100 room basis in Figure 7. Figure 7 is labeled with the annual high (labeled above the data series) and the annual low (below the data series) for each of the past ten years. Similar to the Atlantic City Parking Fee described earlier in this report, highs occur in July or August. Unlike the parking fee however, the best recorded month occurred only recently in July 2016 at \$111. Lows occur in December or January, with the notable exception of the Hurricane Sandy impacted month of October 2012 (\$42). Otherwise, the highest annual low recorded was in December 2005 (\$44). The low for the past twelve months was recorded in December 2016 (\$39), and that figure was up from each of the past two years.

Figure 8 shows the year over year change in the Atlantic County Lodging Fee per 100 rooms for the prior 12 months. The April 2016 positive gain stand in contrast to the parking revenue figures for the same month analyzed in the previous section. Like the parking figures, however, May 2016 (-8%) was the lowest performing month when comparing year over year figures. Importantly, following the closure of the Taj Mahal in October, significant gains were realized for the final three months of the year.

Figure 7: Atlantic County Lodging Fee per 100 Rooms, January 2005 to December 2016

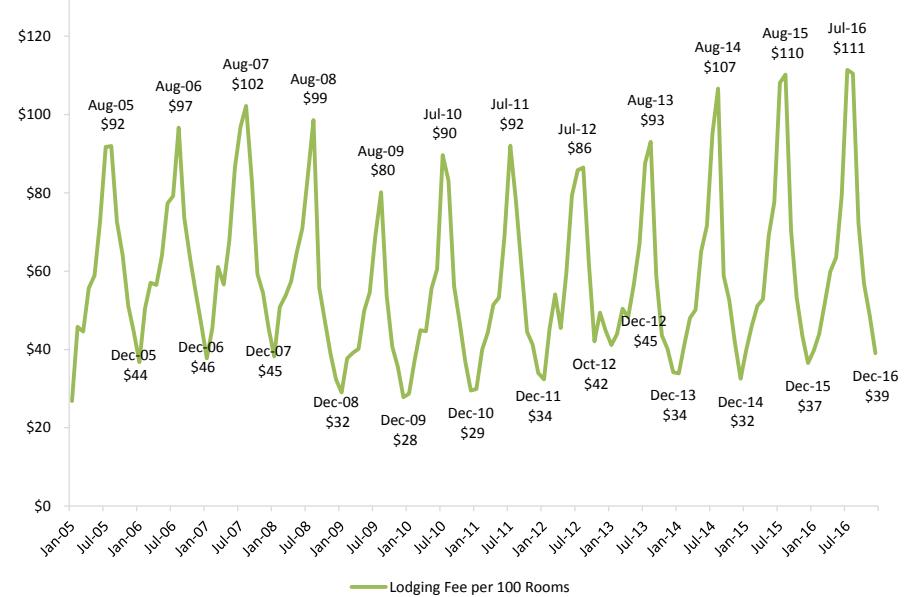
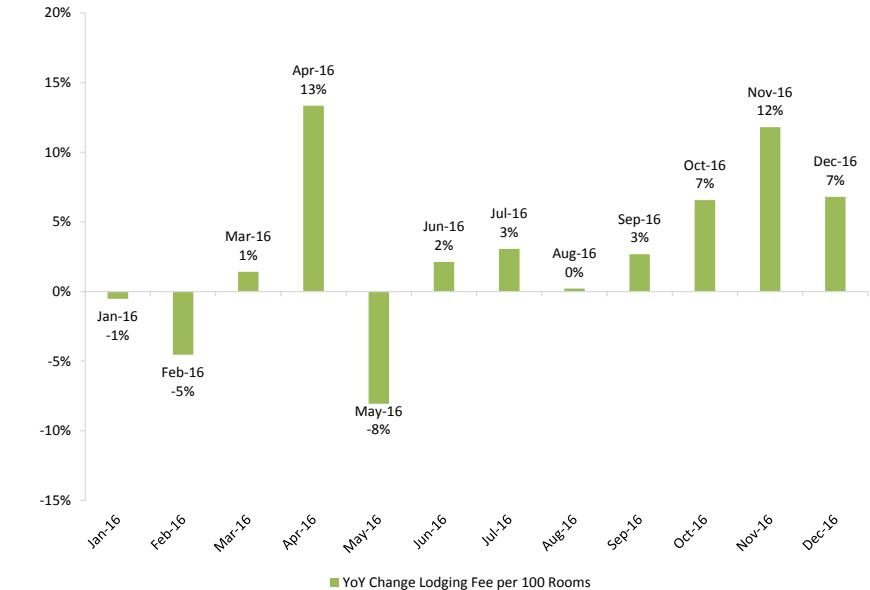


Figure 8: Year over Year (YoY) Change in the Atlantic County Lodging Fee per 100 Rooms, January 2016 to December 2016





Altogether, the lodging market in Atlantic County experienced moderate year over year gains (3.4%).

Given the seasonal nature of the Atlantic County Lodging Fee (see Figure 7), it is again easier to visualize the long term trend by examining the 12 month trailing total for the fee. Figure 9 shows the 12 month trailing total for the Atlantic County Lodging Fee per 100 rooms. The 12 months ending in December 2007 produced the highest Atlantic County Lodging Fee per 100 rooms for a December at \$665. On a per property basis, declines have given way to increases. The twelve months ending in December 2016 averaged \$655, or 3.4% higher than the twelve months ending in December 2015 (\$634). This per room performance stands as the second best December 12 month figure since December of 2007, and is on a trajectory to surpass all highs regardless of the month.

Figure 9: 12 Month Trailing Total for the Atlantic County Lodging Fee per 100 Rooms, December 2005 to December 2016



Non-Casino Lodging Performance in Atlantic County: Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)

Data drawn from the STR Incorporated Trend Report provide valuable insight to the Atlantic City Tourism Performance Indicators (AC-TPI): Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR). These three measures have long been a staple of analyzing lodging performance and have been adopted by numerous destination marketers across the globe in analyzing the health of a tourist destination's lodging industry. While these measures are not available for the casino properties in Atlantic City, they do provide valuable information nonetheless for the non-casino lodging properties in the Atlantic City region (Atlantic County).

Figures 10 through 12 provide STR, Incorporated figures from the Trend Report, showing Occupancy, ADR and RevPAR for the most recent 12 month year over year performance. The period was largely positive for all three performance measures, each having experienced year over year gains in ten of twelve months. The month of May was the notable exception for Occupancy

Figure 10: Year over Year (YoY) Change in Atlantic County Occupancy, January 2016 to December 2016

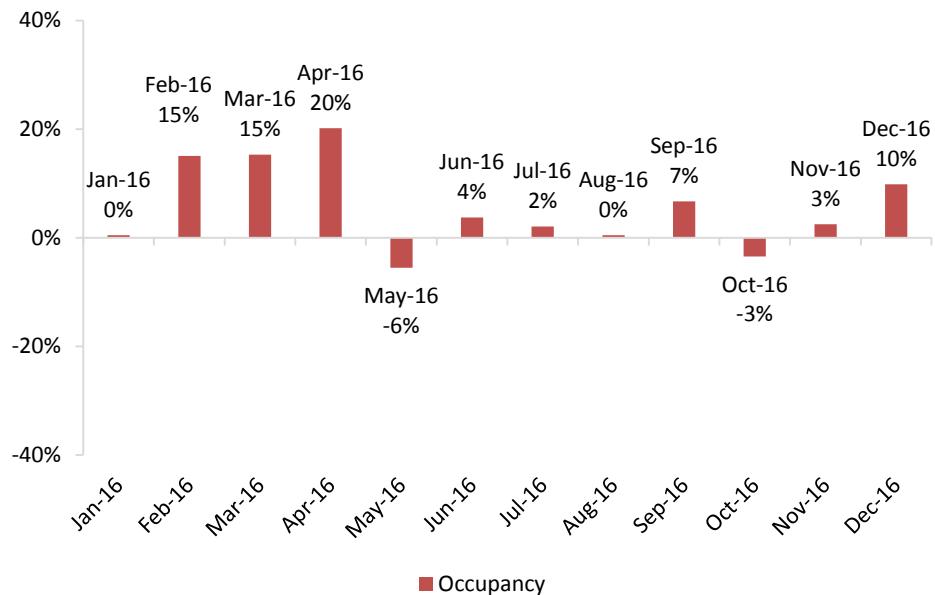


Figure 11: Year over Year (YoY) Change in Atlantic County Average Daily Rate (ADR), January 2016 to December 2016

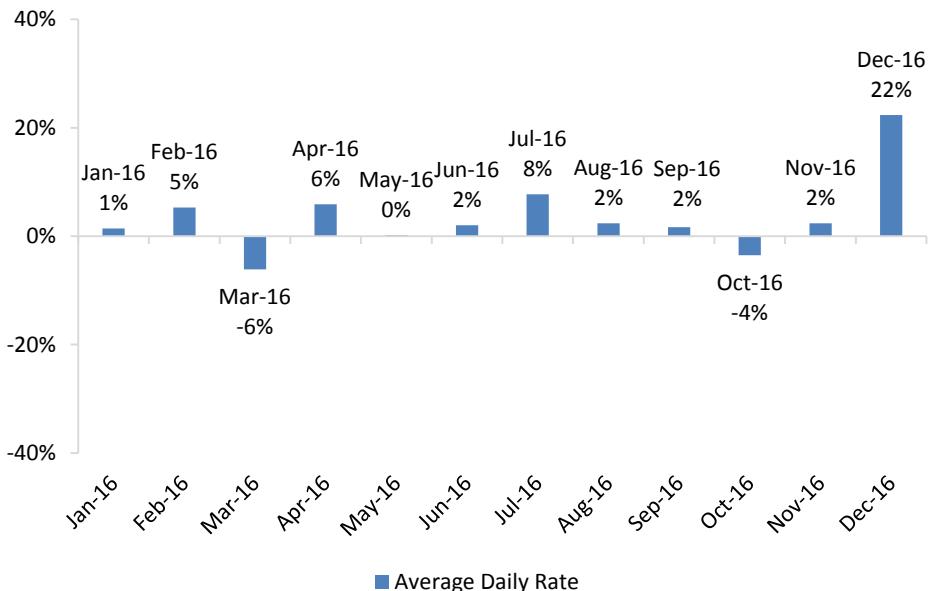
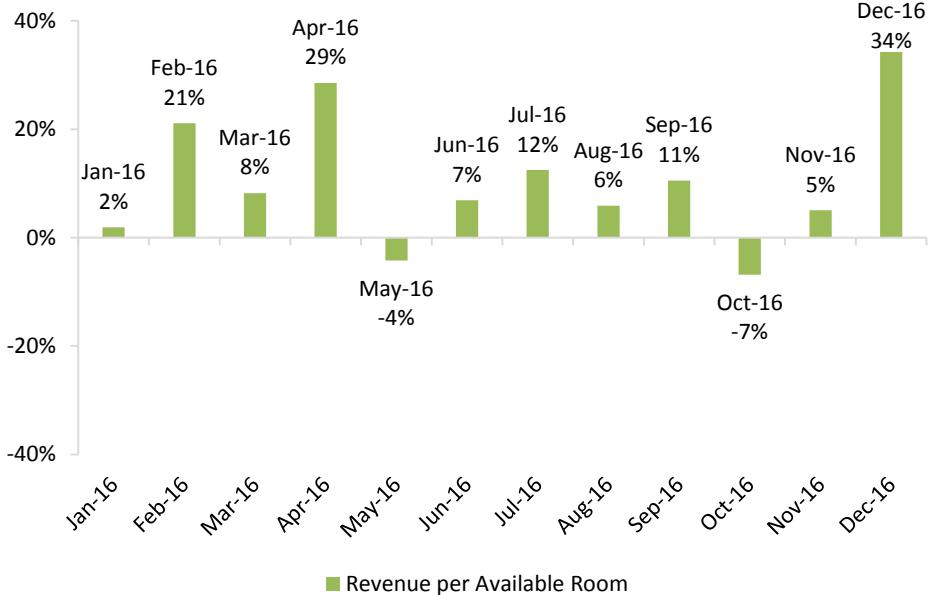


Figure 12: Year over Year (YoY) Change in Atlantic County Revenue per Available Room (RevPAR), January 2016 to December 2016





and RevPAR, being down 6% and 4% respectively. That comports with the performance of the larger lodging industry in Atlantic County to include the casino hotels as was done in the previous section. The twelve months finished remarkably strong, with year over year Occupancy, ADR and RevPAR up in December at 10%, 22% and 34% respectively, clearly a beneficiary of the shrinking room supply. The strong performance for RevPAR experienced over the past several years continues during this twelve month period, with the busy summer months in particular showing strong performance.

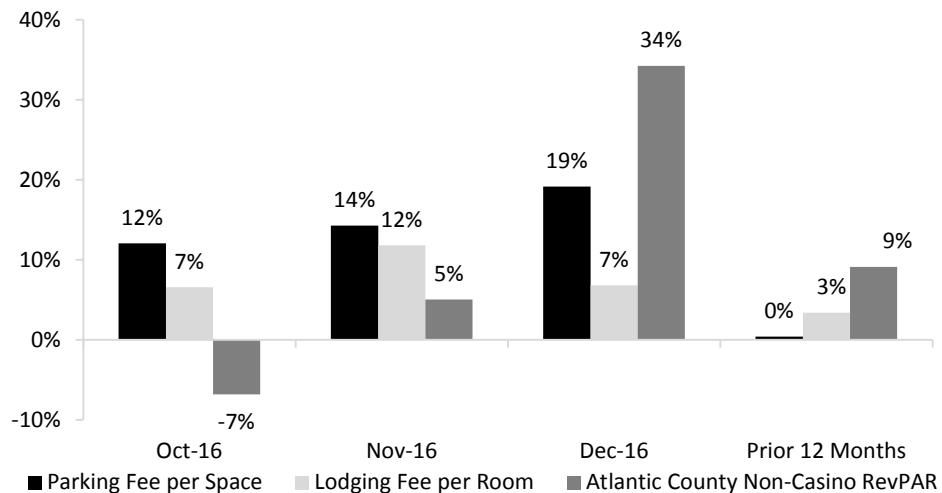
Comparing across sections of this report further, the non-casino hotel performance in Atlantic County evidenced in this section with Occupancy, ADR and RevPAR stands in contrast to the parking fee, this time to a larger degree than the lodging fee. Non-casino hotel performance (Occupancy, ADR and RevPAR) outperformed both the Parking Fee and the Atlantic County Lodging Fee. The non-casino hotel performance (Occupancy, ADR and RevPAR) outpaced Atlantic County lodging fee which measures both casino hotel and non-casino hotel performance. Continued out performance by the non-casino hotel sector may signal that the casino hotels are not capturing growth in demand for lodging accommodations to the same extent that the non-casino hotels are realizing.

The addition of Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) provides valuable insight into non-casino lodging performance in the Atlantic City region. Of these three measures, RevPAR may be of the most value in determining longer term trends in the market place as RevPAR is a combination of both Occupancy and ADR (Occupancy multiplied by ADR is equal to RevPAR). As such, changes in RevPAR will be the summary variable for the non-casino lodging performance measure included in the AC-TPI Snapshot presented in the final section of this report.

2016 4th Quarter Atlantic City Tourism Performance Indicators (AC-TPI) Snapshot

The Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism (LIGHT) has concluded that non-casino Revenue per Available Room (RevPAR) and the Atlantic City Casino Parking Fee and Atlantic County Hotel Fee (both on a per supply basis) can serve as an effective proxy for the performance of the tourism economy in Atlantic City. These measures, or more precisely the year over year change in the monthly figures for these measures, are compiled into an Atlantic City Tourism Performance Indicators Snapshot at the end of each quarter. A more detailed annual report is provided to give the longer term analysis of the Atlantic City tourism economy. We are grateful for the support of STR, Incorporated for supplying the RevPAR figures, the New Jersey Casino Control Commission for providing the Parking Fee, and the New Jersey Treasury for providing the Lodging Fee. The goal of the AC-TPI is to provide key measures with analysis that can describe the results of the resorts current efforts at revitalizing the Atlantic City tourism economy.

Figure 13: 2016 4th Quarter Atlantic City Tourism Performance Indicators (AC-TPI) Snapshot





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