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## More Growth Questions about the Las Vegas Locals Gaming Market

Economic data from federal agencies and gaming data from the Gaming Control Board suggest the current recovery in the Las Vegas area is moving slower than a previous post-recession recovery.

Zachary Poppel  
 (702) 387-7069  
 zpoppel@unitehere.org

Ken Liu  
 (702) 387-7001  
 kliu@unitehere.org

Marc Falcone, Red Rock's CFO, told the Nevada Gaming Control Board in January 2016 that, "we think we are in the early stages of recovery, particularly in the locals business,"<sup>1</sup> Yet economic data from federal agencies and gaming data from the Gaming Control Board suggest the current recovery in the Las Vegas area is moving slower than a previous post-recession recovery.

According to the National Bureau of Economic Research, there have been two recessions so far in the 21<sup>st</sup> century: one in 2001 and another that ended in June 2009.<sup>2</sup> Four years after the first recession, Station Casinos opened its Red Rock Casino Resort & Spa. Four years after the second recession, Station Casinos' founding family is cashing out \$460 million through the Red Rock Resorts IPO.

### Comparing Recoveries in Las Vegas Economy

Post-Recession Growth	Population ↑	Average Weekly Wages ↑	Number Employed ↑
<b>2002 – 2006</b>	22.3%	19.2%	24.5%
<b>2011 – 2015</b>	9.4% (through Aug.)	3.6% (through 3Q15)	13.5% (through 3Q15)

Recovery after the 2001 recession meant that, from 2002 to 2006, the population of the Las Vegas Valley grew by 22.3%, the average weekly wages of Clark County residents grew by 19.2%, and the total number of employed Clark County residents grew by 24.5%.<sup>3</sup> During the current recovery, from 2011 to 2015, the population of the Las Vegas Valley grew by 9.4%, the average weekly wages of Clark County residents grew by 3.6%, and the total number of employed Clark County residents grew by 13.5%.<sup>4</sup>

Post-Recession CAGR	Population ↑	Average Weekly Wages <sup>5</sup> ↑	Number Employed ↑
<b>2002 – 2006</b>	5.2%	4.6%	5.6%
<b>2011 – 2015</b>	2.3% (through Aug)	0.3% (through 3Q15)	3.2% (through 3Q15)

Another way to compare these two sets of indicators would be to look at the growth rates. Following the 2001 recession the population grew at a compound annual rate of 5.2% and the number of people employed grew at a compound annual rate of 5.6%. In the four years after the more recent recession, not only did wages grow at a slower rate, but Las Vegas area population and the number of people employed grew at compound annual rate of 2.3% and 3.2%, respectively.

### Recoveries and Tighter Slots in Las Vegas Locals Market

Post-Recession Growth	Slot Unit Count	Slot Handle	Slot Handle Avg Monthly Growth
<b>Dec. 2002 – Dec. 2006</b>	↑18.7%	↑36.2%	\$19.8 million
<b>Dec. 2011 – Dec. 2015</b>	↓11.5%	↑ 1.1%	\$0.66 million

In the Las Vegas locals gaming market, from December 2002 to December 2006, slot unit count grew by 18.7%, while slot handle climbed by 36.2% at an average of \$19.8 million per month over the four-year period.<sup>6</sup> In the current era, from December 2011 to December 2015, slot unit count declined by 11.5%, while slot handle climbed by 1.1% at an average of \$660,000 per month.<sup>7</sup>

Furthermore, we identify a potential limit to the current recovery in terms of the slot win percentage, i.e., how tight the slots are. From December 2011 to December 2015, total slot revenue amount grew 23.5%, while the slot unit count declined and slot handle was stagnant.<sup>8</sup> This growth in market-wide gaming revenue was made possible because slots got tighter. Overall slot win rates (by the house) in the market went from 4.39% in December 2011 to 5.36% in December 2015,<sup>9</sup> while slot win per unit per day rose 40%, from \$75 per unit per day in December 2011 to \$105 per unit per day in December 2015.<sup>10</sup>

Growing casino revenue through tighter slots has its limits. The addition of more slot units, by comparison, indicates confidence in expanding demand. As noted in a [previous report](#), when casino operators see their customers spend more on slots, they put more slots out on the floor. This was the case between 2004 and 2006 when slot wagers in the locals market rose by 20%, and owners added 7,343 slots to the market.

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#### Notes

<sup>1</sup> Marc Falcone, speaking at Nevada Gaming Control Board, Special Meeting, January 21, 2016: “I do think we are encouraged by the backdrop of the economy. We do expect to experience additional growth. We think we are in the early stages of recovery, particularly in the locals business, and we are enthusiastic and excited about the backdrop, what we see economically and how that can translate into further growth across all revenue categories in our business today.”

<sup>2</sup> National Bureau of Economic Research, [US Business Cycle Expansions and Contractions](#) (last accessed 4/21/16).

<sup>3</sup> According to the Clark County Demographer, in December 2002, the population of the Las Vegas Valley Urban Area was 1,522,117. In December 2006, it was 1,860,495. See Clark County Comprehensive Planning Demographics, [Historic Population Growth Rates, Clark County/Las Vegas Valley, Average Population and Growth Rates, 1990-2013](#) (last accessed 4/21/16). According to data from the U.S. Bureau of Labor Statistics, average weekly wage for Clark County, total, all industries, was \$648 in 2002 and \$772 in 2006. These figures are based on quarterly average weekly wage data for Clark County, total, all industries available in the BLS [QCEW State and County Map for Nevada](#) (last accessed 4/21/16). The same QCEW database shows that the number of people employed in Clark County, all industries, all ownerships in 4Q 2002 was 740,177. In 4Q 2006 it was 921,480.

<sup>4</sup> According to the Clark County Demographer, in December 2011, the population of the Las Vegas Valley Urban Area was 1,901,103 (Clark County Comprehensive Planning Demographics, [Historic Population Growth Rates, Clark County/Las Vegas Valley, Average Population and Growth Rates, 1990-2013](#)). As of August 2015, Clark County Demographer put [the population of the Las Vegas Valley Urban Area](#) at 2,080,254. According to data from the U.S. Bureau of Labor Statistics, average weekly wage for Clark County, total, all industries, was \$818 in 2011 and \$847 through 3Q 2015. These figures are based on quarterly average weekly wage data for Clark County, total, all industries available in the BLS [QCEW State and County Map for Nevada](#) (last accessed 4/21/16). The same QCEW database shows that the number of people employed in Clark County, all industries, all ownerships in 3Q 2011 was 804,977. In 3Q 2015 it was 913,386.

<sup>5</sup> CAGR figures based on BLS [QCEW State and County Map for Nevada](#) average weekly wage for Clark County, total, all industries, was \$681 in 4Q 2002, and \$815 in 4Q 2006. Same BLS database shows BLS average weekly wage for Clark County, total, all industries was \$833 in 3Q 2011 and \$843 in 3Q 2015.

<sup>6</sup> Nevada Gaming Control Board provide [Gaming Revenue Information](#) reports. Based on these reports, slot unit count in December 2002 was 45,787 and in December 2006 it was 54,355. Slot handle (also known as slot wagers) is calculated by dividing win-amount by win-percent, with win-amount and win-percent being metrics provided in the

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Gaming Revenue Information reports. Slot handle for December 2002 was \$2.627.6 million, and in December 2006 it was \$4,579.3 million.

<sup>7</sup> Slot unit count in December 2011 was 52,726. In December 2015 it was 46,663. Slot handle in December 2011 was \$2,793.7 million. In December 2015 it was \$2,825.2 million.

<sup>8</sup> Nevada Gaming Control Board's Gaming Revenue Information reports show that casino revenue from slots (win-amount) was \$122.7 million in December 2011. In December 2015 it was \$151.5 million.

<sup>9</sup> Nevada Gaming Control Board's Gaming Revenue Information for December 2011 and December 2015.

<sup>10</sup> Slot win per unit per day is calculated by dividing the win-amount by the number of units by the days in a month.