



Hotels in Indian Country - 2006

by Matthew S. Robinson

For the past several years, KlasRobinson Q.E.D. has conducted a survey on the growth of hotels at Indian casinos in the United States. Since its last survey in January 2005, an additional eight Indian casinos have opened hotels, bringing the total number of Indian casinos with hotels to 125 properties. These new hotels, combined with expansions and/or additional hotel properties at existing Indian casino hotel operations, bring the total number of hotel rooms at Indian casinos to 27,876 rooms.

As presented in Table 1, of the 125 Indian casino with hotels, the largest segment by size are those with fewer than 100 rooms (43 properties), followed by those with between 100 and fewer than 200 rooms (37 properties). With respect to the average size of hotels at Indian casinos, the average Indian casino hotel has increased in size to approximately 223 rooms. This can be compared to an estimated 215 rooms per property in January 2005. With respect to the number of gaming positions per hotel room, the ratio ranges from 4.9 to 9.3, with the general pattern being smaller properties having higher ratios and larger properties smaller ratios. The average overall ratio of gaming positions per hotel room is 6.4.

According to our survey, of the existing 125 Indian casinos with hotels, an estimated 33 properties (more than 25%) have expanded

Range of Rooms	Casinos with Hotels	Average No. Gaming Positions	Average No. Hotel Rooms	Positions Per Hotel Room
<100 Rooms	43	599	65	9.3
100 < 200 Rooms	37	1,015	132	7.7
200 < 300 Rooms	15	1,728	234	7.4
300 < 400 Rooms	9	1,988	336	5.9
400 < 500 Rooms	4	2,188	443	4.9
500 < 1,000 Rooms	15	2,996	586	5.1
1,000 or more Rooms	2	9,264	1,558	5.9
Total/Average	125*	1,435	223	6.4

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

Source: KlasRobinson Q.E.D.

the number of hotel rooms, ranging in size from only a dozen or so additional rooms to more than 1,400 additional rooms over the course of several expansions at Foxwoods since opening its original hotel property. In addition, 36 of the existing Indian casinos with hotels (almost 30%) are planning hotel room additions at their hotels, ranging in size from fewer than 50 new additional rooms to more than 800 rooms, once again at Foxwoods. This does not include numerous hotel projects under construction or planned at Indian casinos which currently do not have hotels.

With respect to hotel proximity in relation to the casino itself, 92 of the 125 Indian casinos with hotels (almost 74%) are physically connected, with another 23 hotel properties (more than 18%) situated adjacent to the casino. The remaining 10 lodging properties are located off-site and range in distance from several city blocks up to ten miles from their respective casinos.

Location

Indian casinos with hotels are located throughout the United States. As shown in Table 2, the State of California continues to have the largest number of Indian casinos with hotels, followed by Minnesota, Michigan, Wisconsin and Arizona. With respect to the total number of hotel rooms at Indian casinos, California also has the largest number of total hotel rooms, followed by Minnesota, Connecticut, Michigan and Arizona. Several significant changes have occurred since January 2005. Arizona and New Mexico passed Wisconsin in terms of total

Rank (Total Rooms)	State	Indian Casinos with Hotels	Total Rooms	Average No. Gaming Positions	Average No. Hotel Rooms	Positions Per Hotel Room
1	California	20	4,192	1,825	210	8.7
2	Minnesota	13	3,818	1,684	294	5.7
3	Connecticut	2	3,116	9,264	1,558	5.9
4	Michigan	12	2,466	1,293	206	6.3
5	Arizona	10	1,662	673	166	4.0
6	New Mexico	8	1,454	1,053	182	5.8
7	Wisconsin	11	1,451	975	132	7.4
8	New York	2	1,212	4,135	606	6.8
9	Mississippi	2	1,071	2,857	536	5.3
10	Florida	3	1,052	2,139	351	6.1
11	Oregon	6	1,021	1,065	170	6.3
12	Louisiana	2	932	3,055	466	6.6
13	Washington	6	830	718	138	5.2
14	North Carolina	1	574	3,632	574	6.3
15	North Dakota	5	544	728	109	6.7
16	South Dakota	7	459	298	66	4.6
17	Nevada	1	455	1,041	455	2.3
18	Oklahoma	5	420	1,103	84	13.1
19	Kansas	1	297	1,397	297	4.7
20	Idaho	2	267	1,138	134	8.5
21	Iowa	2	258	1,226	129	9.5
22	Colorado	2	125	600	63	9.6
23	Montana	1	112	42	112	.4
24	Alabama	1	88	562	88	6.4
Total/Average		125	27,876	1,435	223	6.4

Source: KlasRobinson Q.E.D.

PROPERTY DEVELOPMENT

number of rooms, shifting to fifth and sixth greatest number of hotel rooms, respectively. New York made tremendous gains passing Mississippi, Florida, Louisiana, and Oregon, moving from 12th to 8th position with respect to total number of hotel rooms. Perhaps the greatest shift was in North Carolina with the completion of the second hotel tower at Harrah's Cherokee Casino and Hotel, moving North Carolina from 21st to 14th. Harrah's Cherokee Casino and Hotel also recently announced another major expansion that will include a third hotel tower, further increasing the total number of rooms for North Carolina. On a regional basis by state, the ratio of gaming positions per hotel room ranges from a low of 0.4 to a high of 13.1. The significant variance is not simply a factor of a given state's competitive supply and demand which certainly has some impact on the ratio, but also due to compact restrictions in certain states that include caps on the number of gaming devices per tribe and/or gaming facility.

Services and Amenities

With some 125 Indian casinos currently with hotels, there is a vast array of services and amenities available amongst the

various lodging properties as shown in Table 3. One apparent trend is the larger the size of hotel property, the greater the likelihood in the amount of available services and amenities. At the same time, certain services and amenities, such as the development of a marina or golf course may be precluded by the lack of proximity to a body of water or availability of significant amounts of developable land. Furthermore, certain types of services and amenities may not be appropriate for the market position or quality level desired by a particular property.

Franchise and Affiliation

To date, the vast majority of Indian casinos with hotels continue to be operated by the tribes themselves. At the same time, some tribes have sought the assistance of outside companies for their management expertise, quality standards, name-brand recognition and/or national reservation system. There are currently 16 Indian casinos with hotels (approximately 13%) that carry a national hotel franchise/affiliation. These hotel franchises include Best Western (6), Radisson (2), Microtel Inn & Suites (2), Hyatt (1), Sheraton (1), Homewood Suites (1), Ramada (1), Hilton Garden Inn (1) and Quality Inn (1). Two

Table 3. Hotel Service and Amenity Summary

(As of March 2006)

Room Range Category	< 100	100 < 200	200 < 300	300 < 400	400 < 500	500 < 1,000	1,000 or more	Total*
Number of Casinos with Hotels	43	37	15	9	4	15	2	125
Suites as Percentage of Total Rooms	12%	14%	12%	9%	11%	11%	13%	12%
Meeting Space	77%	92%	87%	100%	100%	100%	100%	88%
Spa	2%	14%	33%	67%	25%	67%	100%	24%
Golf Course	2%	32%	47%	67%	25%	53%	50%	29%
Marina	12%	14%	20%	0%	50%	20%	0%	14%
Movie Theatre	0%	0%	7%	0%	25%	0%	0%	2%
RV Park	23%	49%	27%	44%	50%	40%	0%	35%
Bowling	7%	0%	7%	11%	0%	0%	0%	4%
Gas Station	53%	49%	60%	78%	50%	47%	0%	54%
Indoor Pool	44%	62%	47%	56%	75%	53%	100%	54%
Outdoor Pool	19%	35%	33%	44%	25%	80%	100%	36%
Jacuzzi/Hot Tub	49%	76%	67%	78%	100%	87%	100%	68%
Waterpark/Water Features	2%	5%	7%	11%	0%	27%	0%	7%
Sauna	16%	46%	33%	44%	25%	60%	0%	36%
Steam Room	5%	8%	13%	33%	0%	33%	100%	14%
Fitness Center	30%	59%	87%	89%	75%	93%	100%	60%
Arcade	30%	41%	33%	56%	50%	47%	100%	39%
Childcare	7%	11%	27%	44%	50%	40%	100%	20%
Airport Shuttle	0%	11%	47%	44%	75%	73%	100%	25%
Concierge	0%	8%	47%	44%	25%	33%	100%	18%
Valet Parking	26%	65%	93%	100%	100%	100%	100%	63%
Dry Cleaning	2%	8%	20%	22%	25%	33%	100%	14%
Gift Shop	51%	86%	93%	100%	100%	100%	100%	78%
Business Center	7%	5%	27%	33%	75%	87%	100%	24%
In-Room High Speed Internet	26%	38%	53%	89%	75%	93%	100%	48%
In-Room Mini-Bar	0%	0%	13%	44%	25%	40%	100%	11%
Room Service - Limited	26%	70%	93%	100%	100%	100%	100%	65%
24-Hour Room Service	2%	14%	33%	44%	75%	80%	100%	26%
Redeem/Earn Players Club Points	70%	92%	93%	89%	75%	87%	100%	83%

*Percentage in total column is for all hotels combined.

Source: KlasRobinson Q.E.D.

other Indian casinos with hotel properties that previously had national hotel franchises did not renew their franchise agreements. In addition, there are six Indian casinos with hotels (approximately 5%) that carry a national casino franchise/affiliation. These include Harrah's (4) and Hard Rock (2).

As presented in Table 4, Indian casinos with hotels that carry national hotel franchises/affiliations on average are smaller than non-affiliated/franchised properties with respect to both the number of hotel rooms, gaming positions and gaming positions/hotel room. While several of the Indian casinos that carry national hotel franchises/affiliations fall within the larger room range categories, 75% of franchised/affiliated hotel properties have fewer than 200 rooms and 50% have less than 100 rooms. In the vast majority of cases, particularly with Indian casinos that carry national hotel franchises/affiliations with fewer than 100 rooms, these properties are located in remote areas in which the casino hotel not only accommodates gaming patrons, but non-gaming patrons visiting the area as well, seeking name-brand accommodations. While a national hotel franchise/affiliation is not necessarily a guarantee for quality, national hotel franchises have certain requirements with respect to quality of facilities, services and amenities.

Indian casinos with hotels that carry national casino franchises/affiliations on average are much larger with respect to the number of hotel rooms and the number of gaming positions in comparison with non-affiliated/franchised properties. In fact two of the top ten largest hotels at Indian casinos carry a national casino franchise/affiliation with all but one of the six hotels at Indian casinos with a national casino franchise/affiliation having at least 250 rooms. Similar to national hotel franchises and affiliations, national casino franchises and affiliations bring name-brand recognition, as well as a transferable players club amongst their various gaming properties, both tribally-owned and non-tribal casino hotels. In addition, in gaming markets with numerous casino operations, a national casino franchise/affiliation can help differentiate a casino hotel property from its competitors. The same can be true with the upper-end national hotel franchises/affiliations in destination hotel/resort markets.

Quality Level

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 that we have found to date is the annual AAA ratings survey, which evaluates almost 57,000 hotels and resorts in North America. The American Automobile Association (AAA) rates the overall quality in a lodging's amenities and service by number of diamonds ranging from one to five diamonds, with five being the highest ranking.

While AAA has not evaluated every Indian casino hotel, it does provide a good benchmark for how hotels and resorts at Indian casinos stack up against one another. Of the 125 Indian casinos with hotels, more than half (53%) have been

reviewed and rated by AAA. Of the 66 Indian casinos with hotels, 17 hotel properties received a two-diamond rating, 36 hotel properties received a three-diamond rating, and 13 properties received a four-diamond rating. None of the properties received either a one-diamond rating or five-diamond rating. However, as of the 2006 AAA survey, there are fewer than 80 five-diamond hotels and resorts in the United States, the majority of which are Four Seasons and Ritz Carlton hotel and resort properties. While there appears to be a definite correlation between the number of hotel rooms and ratings

Table 4. Franchise & Affiliation Comparison
(As of March 2006)

Category	Casinos with Hotels	Average No. Gaming Positions	Average No. Hotel Rooms	Positions Per Room
Hotel Franchise/Affiliation	16	855	167	5.1
Casino Franchise/Affiliation	6	2,125	404	5.3
Non-Affiliated Property	103	1,485	221	6.7
Total	125	1,435	223	6.4

Source: KlasRobinson Q.E.D.

(the larger the hotel, the higher the rating), there are numerous three and four diamond properties in the lower room ranges. Due at least in part to the more remote locations of many of the smaller properties, many have yet to be reviewed by AAA (more than 80% of Indian casino hotel properties yet to be reviewed have fewer than 200 rooms). In addition, there are several smaller properties that have recently opened and are currently being reviewed by AAA. These newer properties will likely achieve three or four diamond ratings. Accordingly, the jury is still out with respect to whether or not size matters when it comes to quality.

As hotels at Indian casinos continue to expand and new properties are developed, there will likely be an increase not only in size, but in quality of facilities, with additional resort services and amenities becoming more and more commonplace at Indian casino resort destinations throughout the United States. Hotels at Indian casinos in established gaming markets with increasing competitive pressures will likely add and/or improve hotel services and amenities as a means of differentiating their property from their competitor's. At the same time, Indian casinos in emerging markets will add hotels and associated services and amenities as a way of attracting new clientele from greater distances, as well as increasing the length of stay at their casinos. It is only a question of time. ♣

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