

Market Reports

Las Vegas rebound faces challenges as hotels reopen

08 OCTOBER 2020 7:57 AM

Hoteliers with properties in downtown Las Vegas and on the Strip are planning to bring more rooms online in the fall in anticipation of a pickup in demand, but questions remain.



By [Danny King](#)

LAS VEGAS—Las Vegas hoteliers are putting more rooms back online in hopes that fall travel will start edging hotel occupancy and gaming numbers back towards pre-COVID-19 levels.

Many hotels on the Las Vegas Strip and downtown reopened on 4 June, and others followed in a slow procession, with some hoteliers in early fall preparing to complete reopenings or finish work on new projects.

Caesars Entertainment reopened rooms at its 2,252-room Linq Hotel + Experience on 10 September (the property's gaming floor reopened in July), and plans to start booking rooms at the Cromwell and Planet Hollywood in early October.

MGM Resorts International reopened its Mirage Las Vegas resort in late August, and its Park MGM and Nomad hotels on 30 September. The Park MGM now has the distinction of being the Strip's first smoke-free hotel-casino.

The Tropicana Las Vegas, which is part of Hilton's DoubleTree portfolio, went back online 17 September.

Derek Stevens, owner of the 626-room D Las Vegas Hotel & Casino and 106-room Golden Gate Hotel which both reopened in early June, is preparing to make the city's biggest bet this year by debuting the restaurants, stores and gaming areas at his Circa Resort & Casino on 28 October and bringing the hotel's first 512 rooms online on 28 December.

“I believe there has been and is a tremendous amount of pent-up demand for new product in Las Vegas,” said Stevens, who acquired the old Las Vegas Club site and its surrounding buildings in 2015 for his new-build property. “There’s also pent-up demand for people to get out of the house, and there’s been deferred vacations, so I’m very optimistic.”

Las Vegas, the largest U.S. hotel market with approximately 150,000 rooms, has grappled with spikes in COVID-19 infections after many hospitality-related businesses were given the go-ahead by local officials to reopen.

When firms such as Caesars, MGM Resorts, Las Vegas Sands and Wynn Resorts began reopening their Strip properties in early June, the seven-day average number of new COVID-19 cases in Clark County, which includes Las Vegas, stood at about 100 before spiking to a peak of almost 1,100 in late July, then gradually falling in August, according to data collected by The New York Times. The county’s seven-day average was 333 as of 28 September.

With worldwide travel still reduced, Las Vegas hotel room demand remains substantially below 2019 levels, and the city has faced a sharper drop than the country as a whole. August revenue per available room in the market dropped 60% from a year earlier, as occupancy fell 45 percentage points to 43% and average daily rate declined 18% to \$99, according to the Las Vegas Convention and Visitors Authority, whose officials declined to comment for this story. By comparison, [overall U.S.](#) RevPAR fell 47% year over year in August, as ADR declined 23% to \$102 and occupancy stood at 49%, according to [STR](#), parent company of Hotel News Now.

“We’re seeing a slow progression in the right direction,” said Jeremy Aguero, principal analyst with Las Vegas-based Applied Analysis, who added that the expiration of some unemployment benefits may further slow the recovery. “The next-worst period in Las Vegas history was September 2001, when we saw a 14% decrease in visitor volume. We’re talking orders of magnitude of difference.”

Posing a further challenge to hotel and casino operators is the COVID-19-related protocol required for casinos that have relied on personal interaction between guests and staff as a lure. In addition to employee temperature checks and cleaning and disinfecting protocols, hotel-casino operators have enacted mandates such as reduced capacity to allow for six feet of social distancing; mask requirements for all guests and staff; and restrictions on congregating.

“In the first few weeks, when casinos had to force people to wear masks, it was difficult because a lot of people who were visiting weren’t accustomed to it, and they were a bit more aggressive about giving you a million reasons why they won’t wear one,” Stevens said. “Today, it’s a lot different. Wearing a mask today is far less controversial than it was in June.”

Convention business remains a question mark, particularly for properties on the Strip. In 2019, 6.65 million people attended conventions in Las Vegas, accounting for 16% of the 42.5 million visitors, according to the LVCVA. This year, the city attracted 1.73 million convention visitors before halting conventions in March.

“Las Vegas convention business could remain impaired for some time,” Barclays analyst Felicia Hendrix wrote in a 31 July note to clients. “Without the presence of airlift, the valuable midweek convention/group/business guest, international visitation ... and entertainment, upside in Vegas is likely limited in the near term.”

Still, downtown Las Vegas hotels appear to be faring better than those on the Strip because of less reliance on international travel and conventions. While August RevPAR at downtown Las Vegas hotels fell 55% from a year earlier, downtown Las Vegas gaming revenue was down 22% from August 2019, compared to a 39% drop in gaming revenue on the Strip.

Stevens remains confident in the timing of his five-year Circa project, which is permitted for 777 rooms, though final room and suite count will be determined after the first rooms open in December.

He said his hotels are selling out during the weekends and averaging about 50% occupancy during the week. With health guidelines restricting the number of workers allowed at one time on construction lifts to the upper floors, more workers were redirected to the lower, public floors and sped up the work there, he said.

“The independent traveler is our bread and butter, so we’re fortunate in that situation,” he said, adding that Fremont Street attracts many drive-in travelers from the Midwestern U.S. “The large, group business is going to be a little slower to come back, but we’re seeing heavy demand from the frequent individual traveler.”