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News

Mohegan Sun in Conn. announces retail expansion

By Stephen Singer on June 25, 2013

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UNCASVILLE, Conn. (AP) — Connecticut's Mohegan Sun casino announced Tuesday its first major expansion in five years with a \$50 million project calling for more retail space, featuring a New England food market, a multiplex movie theater, bowling and clothing stores.

The Indian-run casino faces falling slot revenue and intense competition in the Northeast, but is betting on the improving economy as it prepares to break ground later this year on the 200,000-square-foot project it calls the Downtown District. The project is expected to open in 2015.

Mitchell Etes, chief executive officer of the Mohegan Tribal Gaming Authority, which also runs the Mohegan Sun at Pocono Downs in Wilkes Barre, Pa., said financing and tenants are in place. The project is intended to draw customers who want to shop as much as play the slots, he said.

"Now, people come here to game and shop. I think you'll have a certain amount of people when this is finished, they're going to come here to shop and game," Etes said. "It's somewhat semantical but it opens you up to a whole new market of customers who are both your retail and gaming."

Etes said the new retail space, in addition to the current 130,000 square feet of stores and restaurants, will help boost entertainment at the Mohegan Sun that includes women's basketball and concerts. The new American Athletic Conference announced two weeks ago that its 2014 tournament will be at the Mohegan Sun in Connecticut.

The numerous attractions are "self-fueling," Etes said.

"It becomes another reason to come here for a concert. It becomes another reason for us to make the basketball tournament more successful," he said.

The casino's neighbor and competitor, Foxwoods Resorts Casino, also is planning a retail expansion. It's in a partnership with Tanger Outlets, but has not yet detailed its plans.

Quentin N. Pell, spokesman for Tanger, said the retail space will offer an attraction for those who may not want to gamble.

"It's for everyone in the family. If not gaming, you can find something of value," he said.

The two Indian casinos in Connecticut say competition, primarily in New York City, and the recession and weak economic recovery have cut into revenue. From January to May, slot revenue at the Mohegan Sun was \$3.11 billion, down 7 percent from \$3.34 billion in the first five months of 2012.

Massachusetts is licensing three resort casinos that will also feature large-scale retail attractions. The Mohegan Sun is competing for a license in Palmer, Mass., and Foxwoods is seeking a license in Milford, Mass.

Keith Foley, an analyst at Moody's Investor Service, said the casinos have little choice but to expand into retail and other attractions.

"It's defensive. Keep what you have," he said. "It's to keep their customer there so the customer doesn't go somewhere else."

Foley said that 80 percent of casino revenue generally is from gambling and that the retail portion does not drive revenue but brings in customers.

"Casinos are offering people more and more reasons to come there," he said.

Still, if casinos expand their presence in retail as gambling revenue declines, it suggests that the gambling side of the casino business is not working, Foley said.

Etess said retail will spur the Sun's casino side of the business.

"If we have a really super successful retail establishment here, a destination here, it's going to drive our gaming revenue," he said.

Mark Rivers, president of Bronson Cos., a Los Angeles development firm that is financing the project in a partnership, said credit is easing as the economic recovery gathers steam.

"I think it's a signal, as well, of an economy that is starting to turn around," he said. "Capital markets are opening up, retailers are expanding again. It's a time of optimism and opportunity."

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