



Gambling on the Mediterranean

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There are more gaming options in the region than expected, but things are about to change with massive projects planned for Greece and the Emirates



On July 11, the operators of City of Dreams Mediterranean (COD Med) held their official grand opening on the island of Cyprus, and to many in the gaming industry it heralded the introduction of the first integrated casino resort in the Mediterranean region.

It was generally assumed by many in the industry, particularly those residing in the United States and East Asia, that prior to the opening, Southern Europe did not offer the kinds of gaming,

dining, lodging and entertainment found in Las Vegas, Macau or Singapore, and that the market was, until that point, underserved.

In reality, the Mediterranean region had long offered a diverse mix of casino gaming that targets both residents and international visitors. It is home to one of the world's oldest continuous operating casino, a wide variety of slot halls and small casinos located in hotels, and some of the world's most attractive integrated casino resorts.

The Mediterranean region stretches from Egypt to the French Riviera. It includes Egypt, Lebanon, the Republic of Cyprus, Northern Cyprus, Greece and Monaco, as well as portions of France and Italy. As governments in the region seek to expand their tax base and attract international tourism, more integrated casino resort developments are expected, with Athens most likely the next candidate. Nevertheless, before developers begin to invest in new properties, it is worth taking a look at what is there today.

The Republic of Cyprus

City of Dreams is located within the Republic of Cyprus (ROC), an island nation in the eastern Mediterranean Sea. ROC occupies approximately two thirds of the island's land mass and is a member nation of the European Union. This designation is important because it means that ROC is a part of Europe, even though the northern portion of the island is not.

The ROC has a population of 1.3 million, and is a favored vacation destination for Israelis, Eastern Europeans, Arabs and Russians. It is expected that these visitors will make up the primary markets for COD Med.



The primary point of entry into the ROC is through Larnaca International Airport. COD Med is located near the city of Limassol, approximately 75 kilometers (46 miles) south of the airport, and the journey is primarily on a four-lane divided highway.

Melco Resorts, owner of COD Med, first entered the Cyprus market four years ago as the country's exclusive casino operator with three modestly sized slot halls and one additional casino with slots and five table games. Those properties allowed the company to test a variety of games and identify those that appeal to the local population. City of Dreams opened with 500 lodging units, an 80,000-square-foot casino with approximately 750 slot machines, 32 table games and 30 poker tables, and extensive banquet and meeting space. It pays a 15 percent gaming tax.

City of Dreams Mediterranean bills itself as Europe's first and only integrated casino resort, and while technically true, that statement ignores the fact that there are several comparable casino resorts 120 kilometers (75 miles) away in Northern Cyprus, and nearly equidistant from Larnaca International Airport.

Northern Cyprus: The Unrecognized Country

Northern Cyprus is a country that, to much of the international community including the European Union and the United Nations, does not exist. A military conflict dating back 50 years divided the island into two parts, with Northern Cyprus essentially falling under the protection of Turkey.



The primary way into Northern Cyprus (officially called the Turkish Republic of Northern Cyprus) is by crossing an overland border called the Green Zone through Nicosia. Flying into Northern Cyprus' civilian airport, Ercan International Airport, is particularly problematic. International flights are banned, with Turkey being the sole exception. Any flight into Northern Cyprus from another country must make an intermediate stop in Istanbul. Turkish passport holders must fly into Ercan since they may be refused entry into the Republic of Cyprus.

Most visitors from outside of Turkey choose to fly into Larnaca International Airport, drive an hour to the border, and then travel an additional 30 minutes to the coast where they can find a dozen casinos, including several very attractive integrated casino resorts that rival the offerings at COD Med. The Turkish side of Nicosia also offers approximately six casinos, and they have long catered to locals from the ROC side of the border. In total, there are about 30 casinos in Northern Cyprus.

The coastal region of Kyrenia contains a number of stunning casino properties. Premium properties include the Merit Royal Hotel and Casino and Cratos Premium Hotel and Casino. The Merit Royal is comprised of three distinct interconnected hotels and a massive casino with approximately 1,000 slot machines and 50 table games. In addition to a casino and five-star hotel, Cratos also features a 3,000-seat amphitheater and 1,000-person-capacity nightclub in addition to their casino. Service standards, dining and amenities are on the same level as some of the world's best casino-hotels, as operators leverage Turkish culture in their service delivery. Ironically, most of the gaming industry does not even know these places exist.

Egypt and Lebanon

Egypt has a modest casino industry with the majority concentrated in Cairo. They are small by Western standards, owing in large part to the fact they are open only to foreign passport holders. Gaming capacity averages 15 tables and 40 slot machines. A total of 20 casinos operate out of Cairo's five-star hotels. They essentially lease space within their respective hotels and act as an amenity to hotel guests. Casinos in turn house their premium players in those hotels. These intimate settings provide the staff with the ability to focus on their high-end customers, providing them with the personalized escape their players seek.

Casino du Liban is Lebanon's sole casino property. With approximately 600 slot machines and 60 table games, it is a favored destination for gamblers from nearby Arab nations.

The Riviera

A number of casinos can be found along the coast of France, Italy and Monaco. The Casino de Monte-Carlo is owned and operated by the Societe des Bains de Mer, a public company in which the government

of Monaco and the royal family have a majority interest. It opened in 1865, and is one of the oldest legal casinos in the world. While Monaco residents are prohibited from gambling, the wealthy residents residing along the Côte d'Azur along with a steady stream of tourists willing to pay €18 to enter the casino provide sufficient business volume to keep the casino busy.

The French Riviera, which surrounds Monaco, contains a number of casino properties. They too are modest in size and are usually located within five-star hotels. They attract a mix of locals and tourists.

Greece

Greece has a very mature gaming industry. The country contains six operating casinos, with the largest one in Thessaloniki housing 900 slot machines and 80 table games. The tax rate is 20 percent. One of the most successful operators is Regency Entertainment, which operates the casino and the Hyatt Regency Hotel in Thessaloniki as well as Casino Regency Mont Parnes. The latter is located near Athens on top of the Parnitha mountain range. It is accessible via a modern cable car system. In addition, Greece contains 25,000 VLTs with 9,000 serving the Athens market. VLT facilities are scattered across the city with each housing approximately 50 machines.



A massive mixed-use development is planned for the former Athens Ellinikon Airport. The €8.2 billion project, promoted as the largest urban regeneration project in Europe, will include a mix of office, residential, retail, lodging, sports facilities, and an integrated casino resort. Hard Rock International was selected as the operator after a contentious bidding process. The IR is expected to contain 3,500 lodging keys, a 10,000-seat arena, conference and meeting space, and 160,000 square feet of gaming.

Athens has a population of 3.1 million and is a center of tourism, particularly during the peak summer months. An integrated casino resort with only one casino competitor located on top of a mountain makes for a reasonably compelling business case. Granted, 9,000 VLTs dilute the local gaming market a bit, but as the sole integrated casino resort, Ellinikon could attract a substantial amount of visitation from the surrounding Mediterranean region; however, recent developments have put additional financial pressure on the project.

In April, the owners of the Mont Parnes Casino received permission to relocate their casino to a location in the northeastern suburbs of Athens, adjacent to one of the city's busiest shopping malls. The area known as Marousi offers direct access to the regional transportation network and the surrounding

demographics are excellent. In exchange for permission to move, Regency will turn over ownership of the €32 million cable car system, a 1,000 space parking garage, and mountaintop hotel and casino to the government, which had long sought to integrate the property into the national park system.

Regency Entertainment will invest several hundred million euros to build a new casino. In addition, the new project will include a hotel, restaurants, and event venues, all necessary components of a successful locals casino.

More recently, lenders have asked Hard Rock International and GEK TERNA, Hard Rock's development partner, for an additional €120 million on top of what they had previously agreed to invest in the project. It remains to be seen how the project proceeds.

The Future of Gaming in the Mediterranean



Casino gaming in the Mediterranean continues to evolve. Future phases to City of Dreams Mediterranean will continue to attract more gamers from nearby countries. The casinos in Northern Cyprus continue to invest in what is already an outstanding mix of gaming and lodging products. Tourism volume into Northern Cyprus is expected to get a significant boost with the possibility of new flights from Germany and the United Kingdom. Also, looming in the not-too-distant future is the \$4 billion Wynn Casino Resort in the United Arab Emirates. Any forecast of

future gaming revenues in the Southern Mediterranean must factor in these changes. Gambling in the Mediterranean is about to get a lot more interesting.

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