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Clark — A Rapidly Emerging Gaming-Resort Destination

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September 2, 2021

The search for the next opportunity to develop integrated resorts in Asia remains elusive. Japan, once seen as a market with the potential to exceed the gaming revenues generated in Singapore, is now fading into ignominy as burdensome regulations and political posturing have chased away most of the world’s pre-eminent integrated resort developers. South Korea, with two integrated resort sites under development near Incheon International Airport, continues to hold some promise, but a government regulation that precludes Korean residents from gambling in all but one casino in the country remains a major impediment to the future success of those properties.

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While Macau enjoys continued re-investment by its existing concessionaires, it is doubtful that any new entrants will enter the market as licenses are renewed. The challenge for all major casino developers is identifying market opportunities that will generate sufficient revenues to significantly impact their income statements.

What is often missed in the search for the next great development opportunity are the hidden gems that can be found in Asia's regional markets. One such market is Clark Special Economic Zone in the Philippines.

Clark Special Economic Zone (CSEZ), more commonly known as Clark, is located in Pampanga Province, about 60 miles north of central Manila. Comprised of nearly 80,000 acres, Clark was at one time the United States' largest overseas military base. The US military withdrew in 1991, following the eruption of Mount Pinatubo, and subsequently returned the land to the Philippine government, which in turn passed legislation that made it a special economic zone.

The centerpiece of CSEZ is Clark International Airport, formerly Clark Air Base. With Manila's international airport operating at capacity and unable to expand further, Clark International Airport is expected to grow exponentially in the coming decade. The first of four new terminals is scheduled to open before the end of the year, followed by three additional terminals by the end of the decade. Potential annual passenger capacity is forecast to exceed 100 million.

Clark offers civic planners a unique opportunity. It allows them to take a master-planned approach to tourism, recreation, residential, and commercial development. More importantly, it allows those master-planners to first build the necessary infrastructure to manage long-term development. In addition to the airport's expansion, a new four-lane highway now connects Clark to the National Capital Region (NCR), and a high-speed passenger rail system is currently under construction. Unlike the NCR where highways disgorge vehicles onto crowded and narrow streets, these transportation arteries feed into a series of modern road networks, allowing for the quick movement of people and goods, making it particularly attractive to resort developers. Just as important as infrastructure and large parcels of developable land is the fact that CSEZ offers commercial developers attractive tax breaks.

A brief history of gaming in Clark

Casino gaming started to slowly emerge in the early 2000s with four small hotels adding modestly sized casinos. By 2010, one casino had established a proxy gambling operation, serving off-shore punters. In addition, casinos brought in junket players from the Peoples Republic of China (PRC).

Casino operators in Asia had long been enamored with gamblers from the PRC, and tended to discount the importance of punters from other countries, particularly those from South Korea and Japan. It was only in the last decade that Clark's casino operators responded to increased mass market tourism demand, primarily from South Korea. Koreans were drawn to the region because of Clark's climate, abundance of golf courses, and variety of nightlife. As tourism demand increased, so did airlift from Korea into Clark, which in turn stimulated steady increases in lodging supply and gaming capacity.

Today, Clark's six casinos are rapidly adding lodging and gaming capacity. The Widus Hotel and Casino, one of the first properties to open a casino, recently added a hotel tower under the Marriott flag and is currently undergoing another substantial expansion of its lodging and gaming space.

Royce Hotel and Casino is also undergoing an expansion. In 2014, it offered 12 tables and 175 electronic gaming devices (EGDs). Upon completion of its current expansion, it will feature nearly 300,000 square feet of gaming space, capable of accommodating 150 table games and 1,500 EGDs.

The Midori Clark Casino opened in 2016 with 111 lodging keys, 60 table games and 300 EGDs. It currently is undergoing an expansion with additional plans to add a waterpark and other recreational amenities.

In 2019, the D'Heights Casino opened. As its name suggests, it is located 1,750 feet above sea level in a more mountainous region, northwest of CSEZ. It initially opened with 50 table games and 576 EGDs. Plans call for a Hilton Hotel, Hyatt Regency Hotel, 36 holes of golf, indoor waterpark, and condominiums over a 750 acre land parcel.

Hotel Stotsenberg and its Fortunegate Casino was one of the first properties to open, and remains a modestly sized property with 250 lodging keys, 50 gaming tables and 576 EGDs. It enjoys a location close to the airport.

The next entrant into the Clark gaming and leisure market will be PH Resorts' development branded as The Base. Situated on 18 acres within the CSEZ, it will include 400 lodging keys, 100 gaming tables, and 600 EGDs.

The future

Each of the aforementioned properties are expected to undergo further expansion, and Clark's location, mix of amenities, and access are expected to fuel further casino and lodging development. Joe Pisano, CEO of JADE Entertainment and Gaming Technologies Inc., which has been a service provider and product distributor to casinos in Clark since 2009, predicts that Clark could see a total of 12 casinos by 2030.

With Manila's international airport unable to accommodate increased demand, future international flights are expected to shift to Clark once the pandemic abates, and with that a dramatic increase in tourism arrivals. As that happens, leisure travelers will find that gaming and a variety of recreational activities are within a few minutes of the airport.

While financial returns might not be sizable enough to attract the largest integrated resort operators, they will remain substantial. Over the next 10 years, expect Clark to emerge as a super-regional gaming and leisure hub that offers unique amenities unavailable in Singapore or Macau. It all makes for a pretty good story.
