

Massachusetts Casinos: Assessing Impacts on Commercial Real Estate Conditions

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SEIGMA: THE EFFECTS OF CASINOS IN MASSACHUSETTS

ECONOMIC AND FISCAL ANALYSIS

2011 Expanded Gaming Act

- Allows for resort style casinos in three geographically diverse regions
- No more than one casino in each region
- Allows for one slots parlor statewide (not geographically restricted)
- Requires an annual research agenda



Economic and Fiscal Research: Three Phases

Baseline analyses

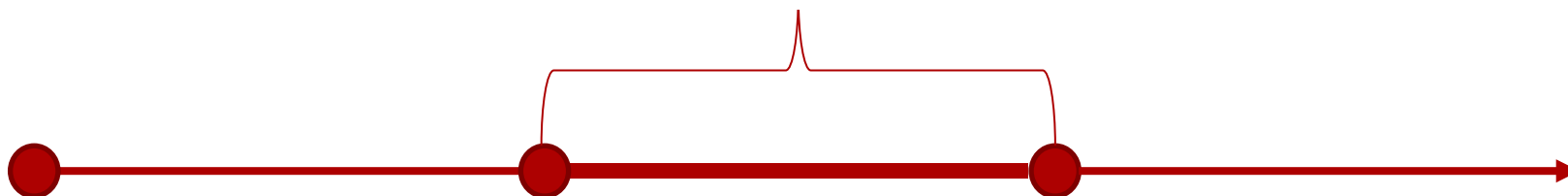
- Tracking economic and fiscal conditions before gaming facilities



Economic and Fiscal Research: Three Phases

Development/Construction

- Measuring impacts as construction occurs at each gaming facility



Economic and Fiscal Research: Three Phases

Operations

- Measuring and monitoring impacts from operations of gaming facilities



Economic and Fiscal Research: Three Elements of Impacts

Casino Industry Impacts

- Casino Workforce
- Casino Operating & Construction Spending
- Patrons
- Government & Fiscal Impacts (GGR; HSC Payments)
- Lottery

Economic & Community Impacts

- Local Business Indicators
- Resident Indicators
- Labor Force Indicators
- Real Estate & Housing
- Community Comparisons

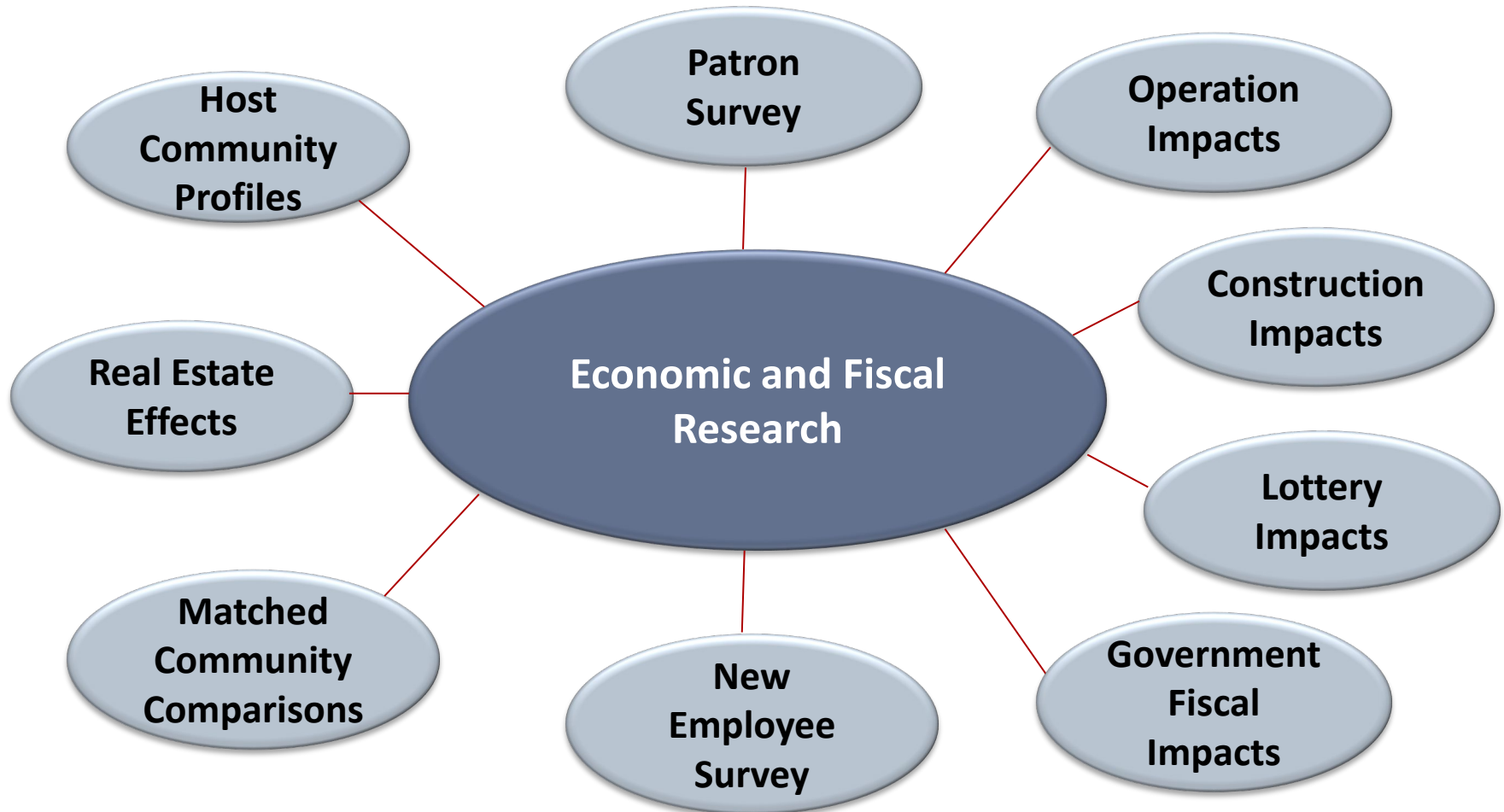
Special Topics

- Legalized sports gambling
- Impact on tourism
- Horse-racing
- COVID-19 Impact on the Industry
- Others?

SEIGMA 2.0

- Continue tracking and analyzing key legacy topics
- Enhance engagement
 - community outreach and involvement
 - dissemination of reports
 - collaboration and involvement in research
- Additional topical flexibility for research portfolio
 - special topics
 - ad hoc reports
 - stakeholder ideas

Economic and Fiscal Research: Activities Measuring Impacts



SEIGMA: ANALYSIS OF COMMERCIAL REAL ESTATE IMPACTS

Summary

- Research to assess how commercial real estate conditions have changed in the host and surrounding communities since the expansion of gambling in Massachusetts
- Topics studied include inventory, vacancy, lease rates, and sales prices

Method

- The SEIGMA team used proprietary CoStar data to obtain insight into commercial real estate conditions
- Assessing commercial real estate conditions can be more difficult than assessing residential real estate conditions
 - Small sample size
 - Infrequent sales
 - Very little public data

Method

- Many factors beyond the casino can affect commercial real estate conditions
- The SEIGMA team compared trends in the host community to the surrounding communities and the Commonwealth
- Divergences in trends corresponding to key dates may be evidence of casino impacts
- Our report contains a chapter for each host community

Context/Summary of Findings

- When casino gambling was legalized, many expected the casinos to induce new real estate investment which would dramatically transform local commercial real estate landscapes
- Looking back on the last decade, it is clear that the casinos operate in a broader ecosystem of economic activities, and in the context of a state experiencing robust economic recovery following the Great Recession

Context/Summary of Findings (continued)

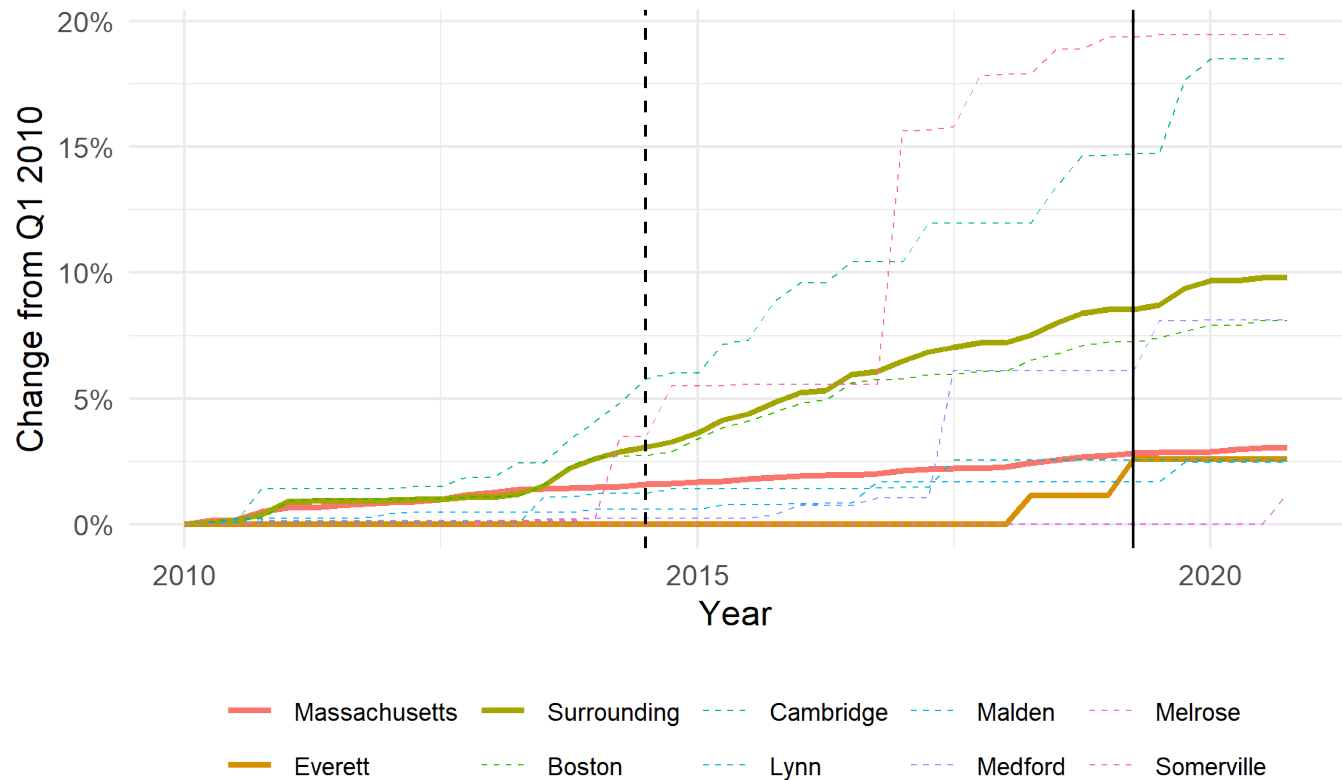
- Commercial real estate markets have tended to be strong in all three host communities, as well as the surrounding communities and the Commonwealth as a whole
- While the casinos may have played a role in strengthening local real estate markets, we do not see any dramatic divergences from the statewide trend
- That said, there are important differences in real estate conditions between host communities

Everett

- **Everett's commercial real estate inventory and average lease rates have risen since the casino was announced**
- Casino-related real estate impacts are difficult to differentiate in the context of a booming regional real estate market
- Relatively isolated location of Encore Boston Harbor may limit “ripple effect” investment
- Everett is a much more dense community than the other host communities, and land there is much more intensively utilized

Inventory (Commercial Square Footage) in Everett

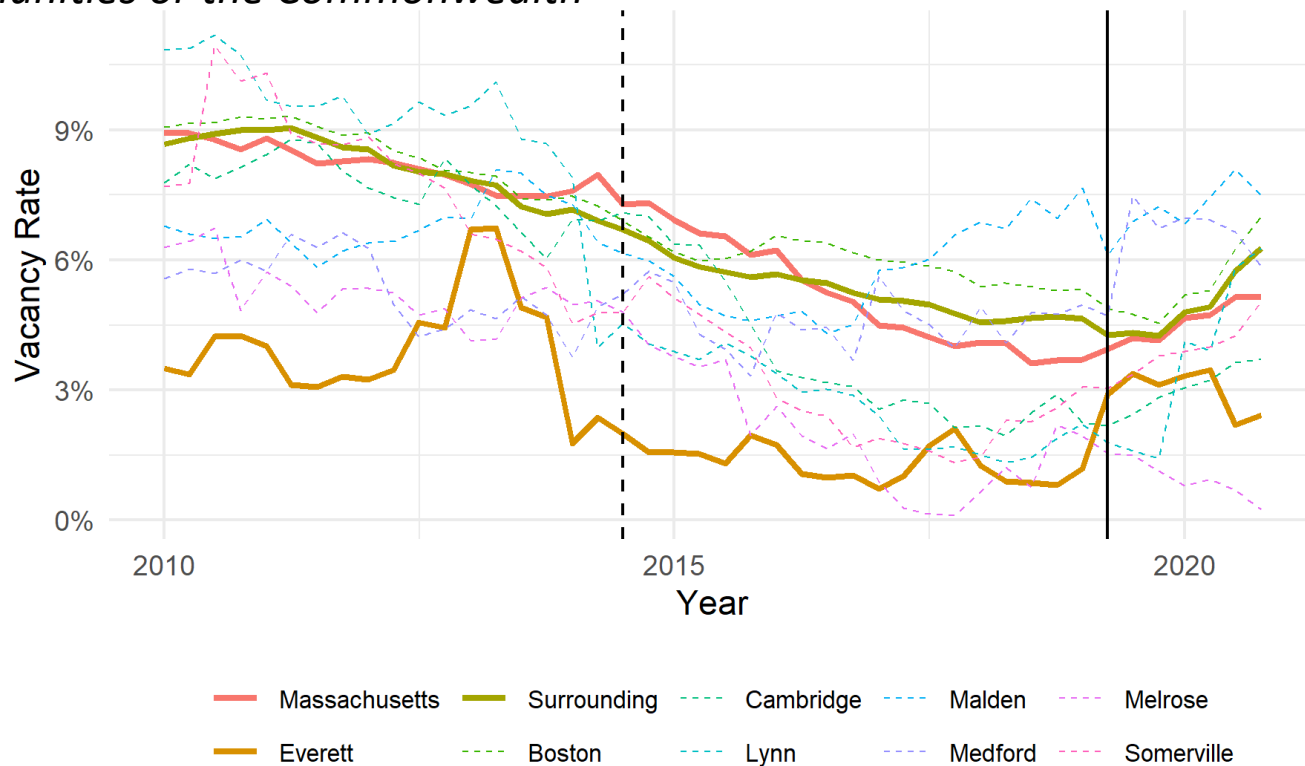
Most of the growth in Everett took place leading up to the opening of the casino and is likely casino-related



*Note: The dashed line denotes the awarding of a license to operate a casino.
The solid line denotes the opening of the casino.*

Commercial Vacancy in Everett

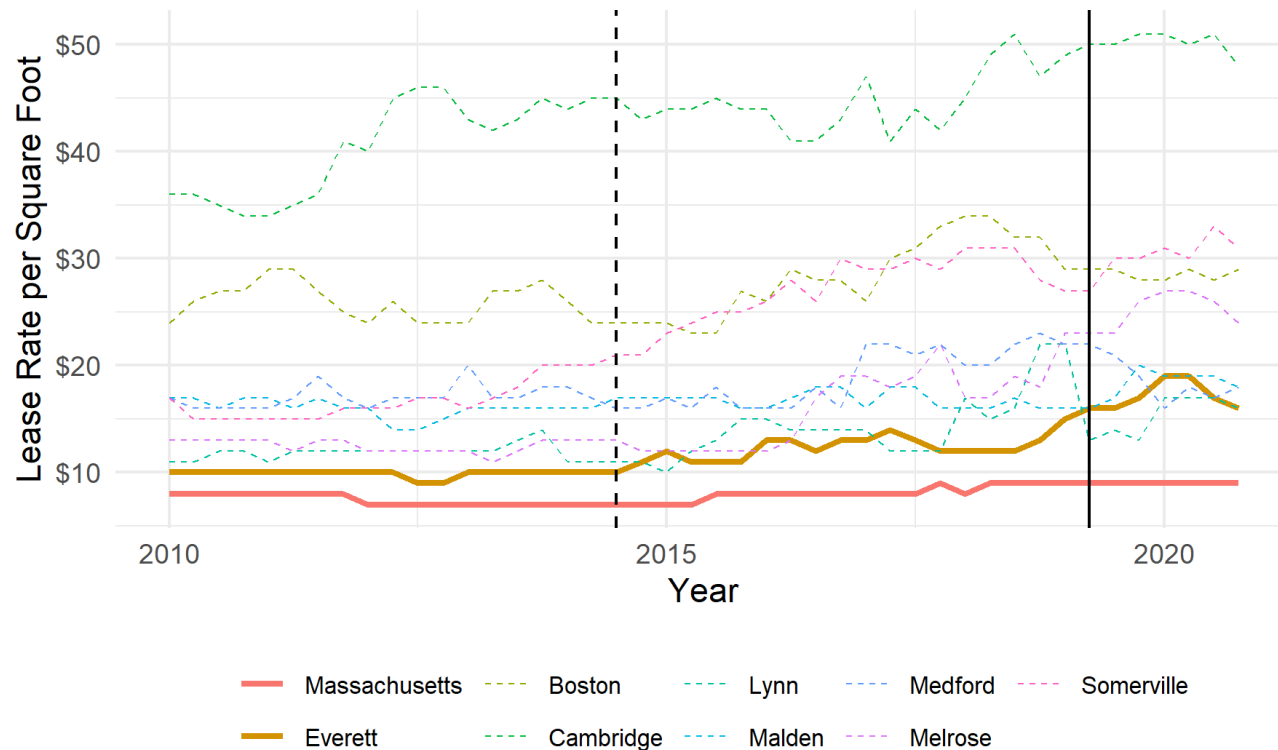
Vacancy rates in Everett have been persistently lower than in the surrounding communities or the Commonwealth



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Commercial Lease rates in Everett

Inflation-adjusted lease rates have steadily risen in the years before and after the casino opening, with a small dip as the COVID-19 pandemic approached



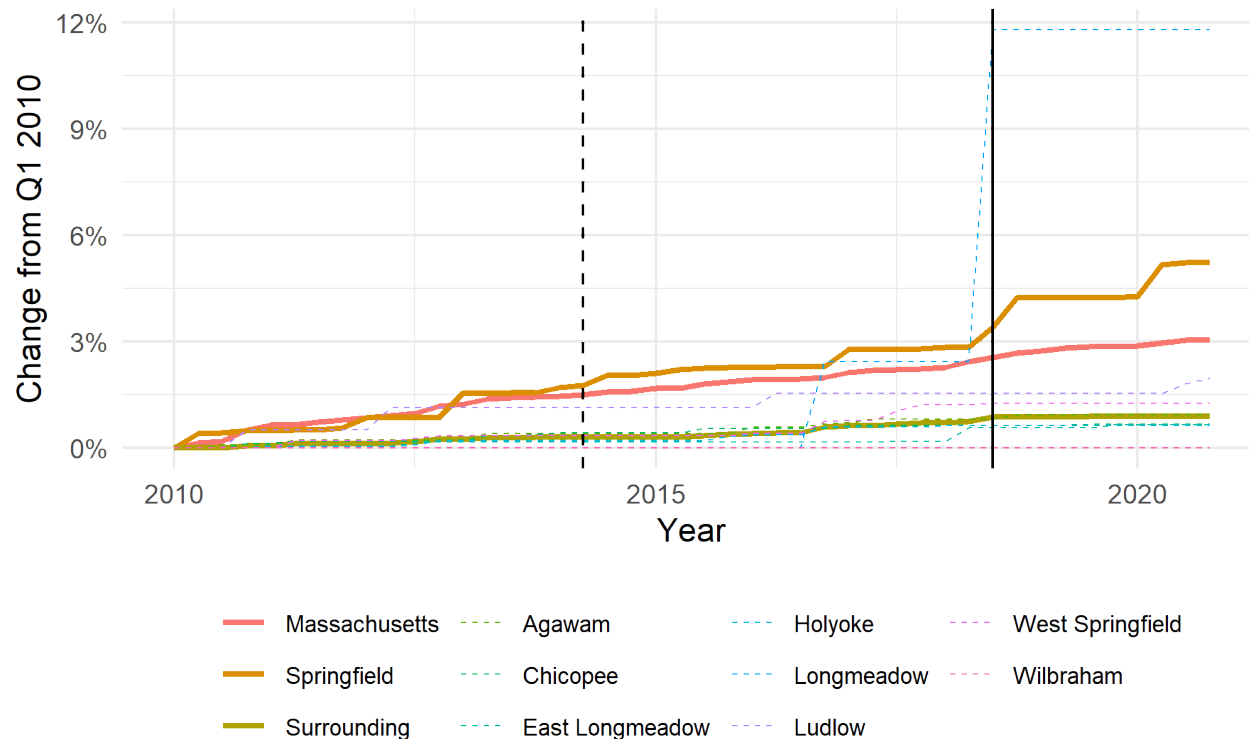
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Springfield

- **Data suggest that demand for commercial real estate in Springfield has risen, and the casino may play a role in that**
- Inventory, vacancy rates, and lease rates have all risen over the last decade
- MGM Springfield's downtown location may amplify impacts
- Economic recovery from the Great Recession came a bit later in Springfield, and other important economic development projects likely played a role

Inventory (Commercial Square Footage) in Springfield

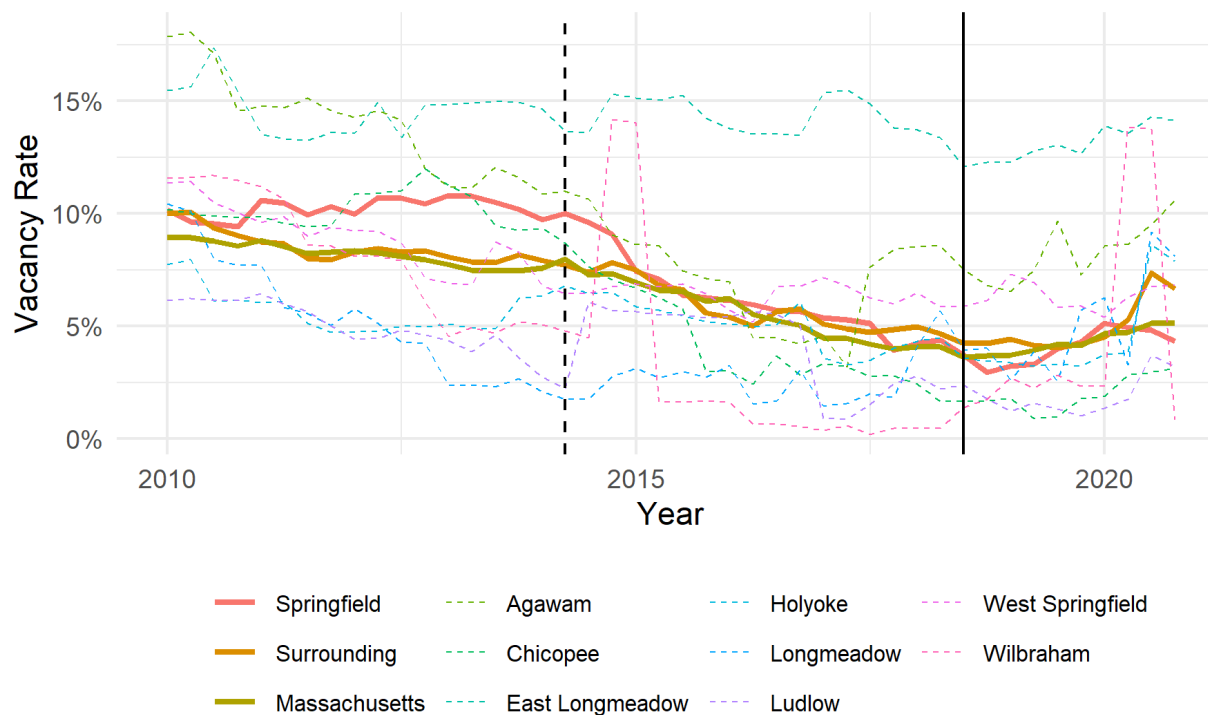
Springfield's commercial real estate square footage has risen at a faster rate than that of the Commonwealth, and much faster than its surrounding communities



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Commercial Vacancy in Springfield

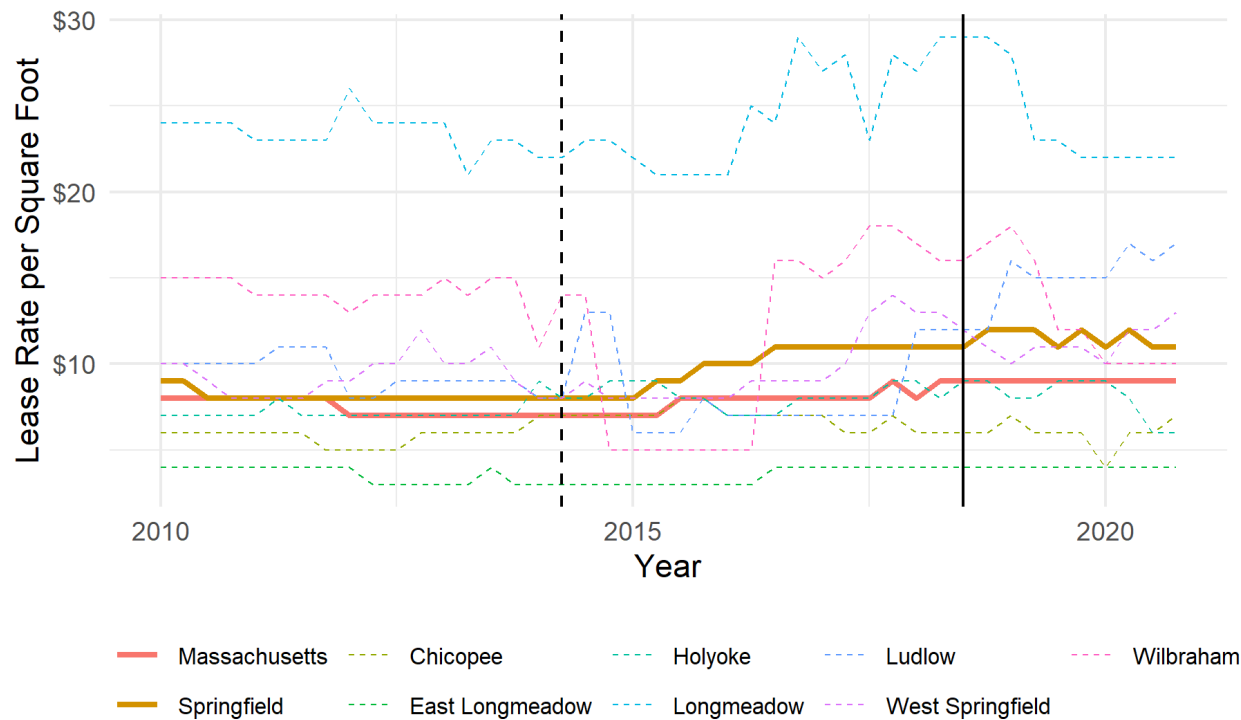
Springfield's commercial vacancy rates have fallen since before MGM Springfield was announced, although that is in line with the statewide and regional trends



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Commercial Lease Rates in Springfield

Springfield's inflation-adjusted commercial lease rates rose on average since MGM Springfield was announced, and have been fairly stable since



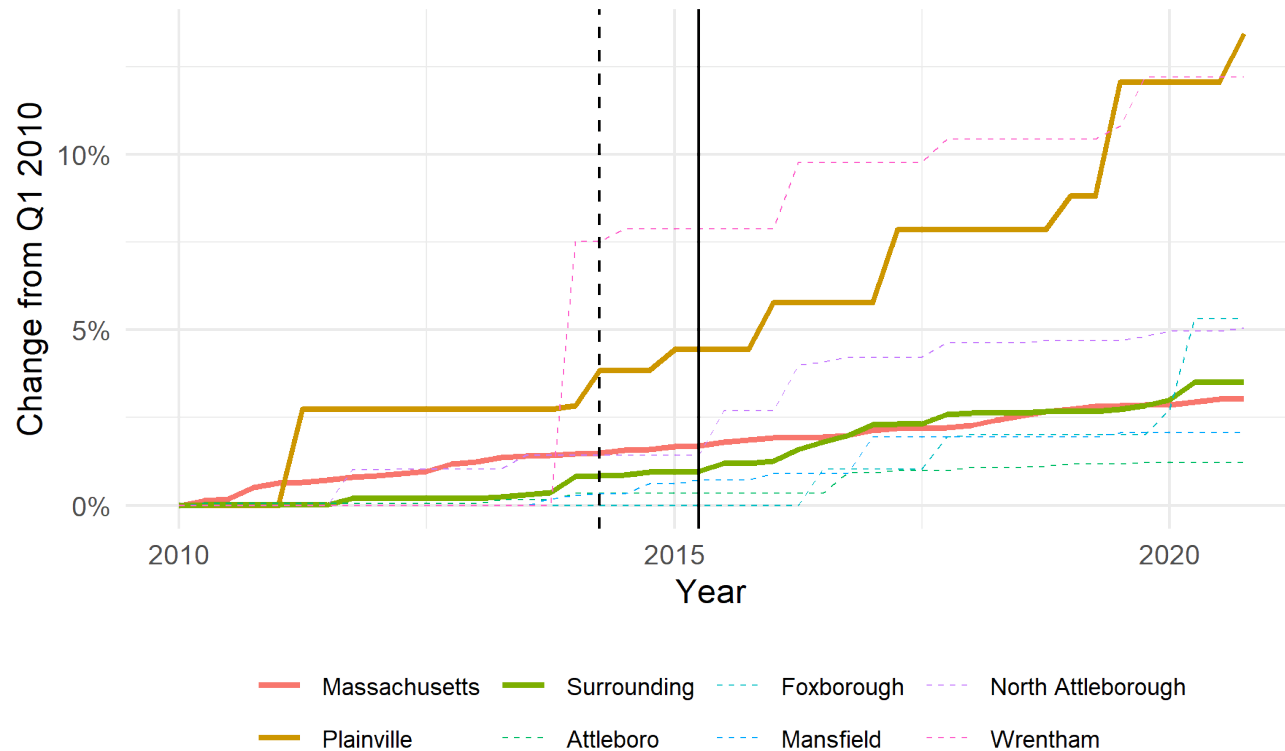
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Plainville

- **Plainville's commercial real estate trends mirror those of the area in many respects, and the impact of the casino is difficult to discern**
- Proximity to Boston, Worcester, and Providence makes it ideal for large consumer attractions
- Small communities with few commercial buildings leads to volatile trends

Inventory (Commercial Square Footage) in Plainville

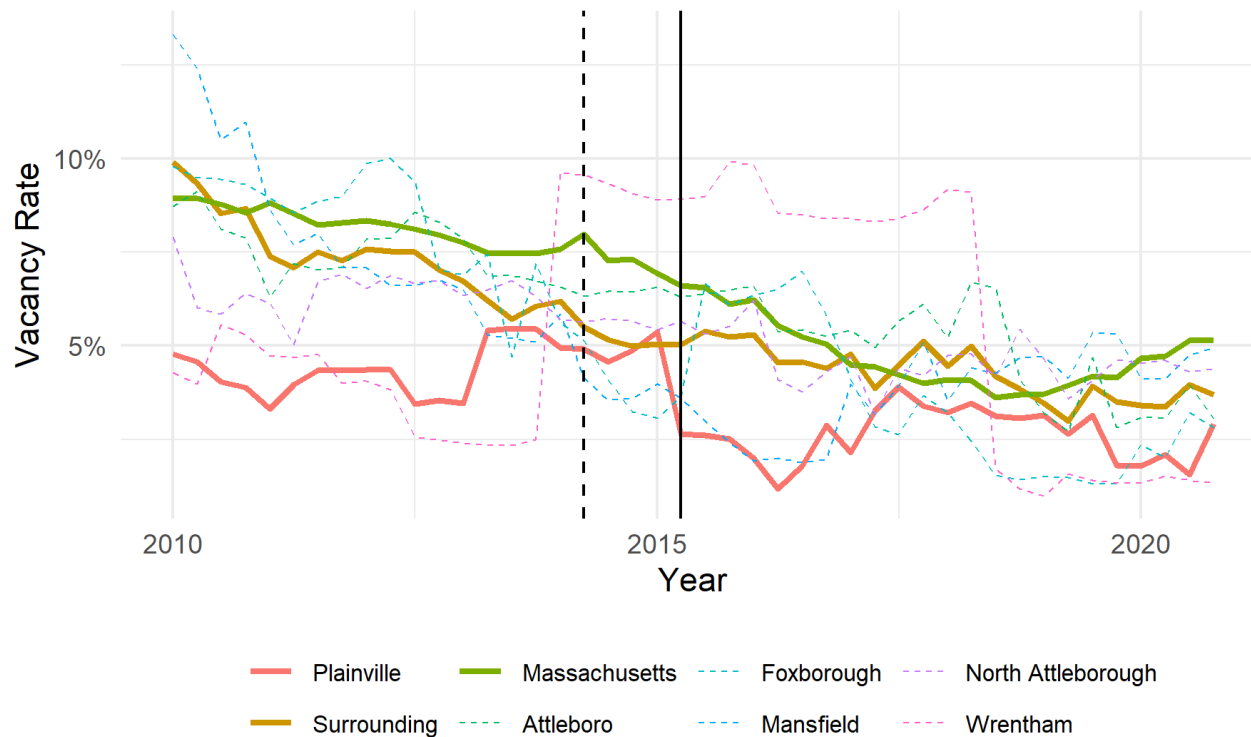
Even more so than in Springfield, Plainville's commercial real estate square footage has risen at a faster rate than that of the Commonwealth, and surrounding communities



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Commercial Vacancy in Plainville

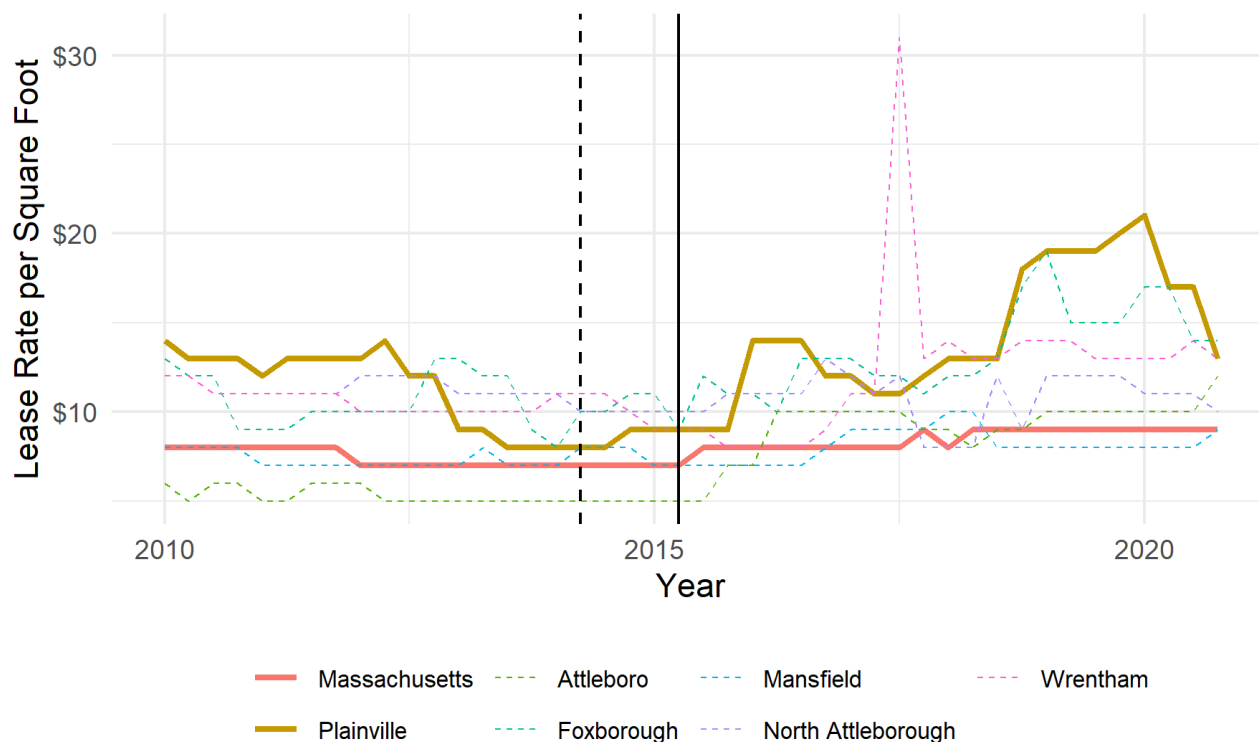
Plainville's commercial vacancy rates have generally been lower than those of the Commonwealth or the surrounding community. They have also been more volatile



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Commercial Lease Rates in Plainville

Plainville's inflation-adjusted lease rates have risen since the casino was first announced, and have recently fallen as more commercial square footage has been developed and the start of the pandemic



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Sales Price Analysis

- The SEIGMA team also did an analysis of commercial real estate sales prices. Findings were largely inconclusive but some findings included:
 - Inflation-adjusted sales price per-square foot for commercial buildings in Everett have steadily risen since 2010
 - Sales prices in Springfield were more stable than in Everett, but the number of commercial real estate sales per year increased substantially over the last decade
 - As a smaller community, trends in Plainville are harder to discern

Host Community Conclusions

- Everett's commercial real estate inventory and average lease rates have risen since the casino was announced
- Data suggest that demand for commercial real estate in Springfield has risen, and the casino may play a role in that
- Plainville's commercial real estate trends mirror those of the area in many respects, and the impact of the casino is difficult to discern

General Conclusions

Overall, expansion of gambling in Massachusetts has not had a dramatic effect on local commercial real estate markets. While commercial real estate conditions in host and surrounding communities have shifted over time, many of these shifts are in line with changes observed regionally or statewide.

Questions and Discussion

Thank you!

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