

When [casino gambling is legalized](#) in Japan, we're going to see an all-out spending war among resort operators because it could become the world's most lucrative market. And because of the potential Japan offers casino operators, the feeding frenzy they promise could also make it the most expensive gambling market in the world.

How much is too much?

The big casinos certainly want to spend big. **Las Vegas Sands** ([NYSE:LVS](#)) says a new integrated resort in Japan will cost anywhere from \$6 billion to \$10 billion, two to three times more than it spent on building its brand new French-themed Parisian resort in Macau.

MGM Resorts

(
[NYSE:MGM](#)
)

says it, too, could spend \$10 billion for a new casino in Japan, quadruple the cost of its MGM Cotai that's scheduled to open later this year.

Wynn Resorts

(
[NASDAQ:WYNN](#)
)

hasn't put a price tag on it yet, though it spent over \$4 billion to open the Palace in Macau last August, but CEO Steve Wynn says the opportunity is "thoroughly delicious."



Image source: Getty Images.

Yet they're going to face intense pressure from other operators too, including hospitality and casino investor Hard Rock International, which is looking for a Japanese partner to take a 40% stake in a project, **Galaxy Entertainment**, and **Melco Crown Entertainment** ([NASDAQ:MPE](#)), which says it is willing to outspend everyone else to be first in Japan. Chairman and Chief Executive Officer Lawrence Ho was recently quoted saying his casino was ready to "absolutely spend whatever we need to win."

Written by Administrator
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Bigger is better

The reason everyone is willing to go all-in when it comes to Japan is because analysts peg the opportunity there at as much as \$40 billion, or about what Macau generated at its peak. Yet last year, after a 26-month skein following a regulatory crackdown that threw the region off kilter, casinos pulled in less than \$29 billion. Although the Chinese enclave is in the midst of a recovery, having posted six straight months of higher, year-over-year gaming revenues, it's likely not going to reach those pre-crackdown highs again, at least not anytime soon.

Moreover, the number of licenses issued is likely to be very limited. Analysts at Japanese brokerage **Nomura** say there are likely to be just two or three licenses issued, so someone willing to spend the most or publicly search for Japanese partners is trying to get an edge over world-class casino operators like Sands, MGM, and Wynn.

However, it could turn out to be a situation similar to what occurred in China, where just three licenses has mushroomed into about 40 casinos from six operators as regulators began [carving up the prizes](#) into sub-licenses.

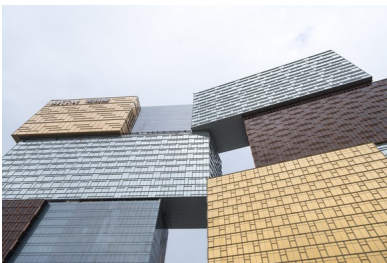


Image source: MGM Resorts.

More slices per pie

Chinese billionaire Stanley Ho's 40-year reign over the Chinese casino market ended when the government put out for a bid for three concessions in 2002. That saw **SJM Holdings** and Wynn easily win two of them, while a feud between Sands and Galaxy almost knocked both out of the running. Regulators resolved the dispute between them by awarding Galaxy the license and giving Sands a sub-license, which the gaming commission then used as the premise to create two more sub-concessions, one each for the licenses held by SJM and Wynn. One went to MGM, the other to Melco Crown, so it's possible we'll see such division occurring in Japan, too.

Will Japan Be the World's Biggest -- And Most Expensive -- Casino Market? -- The Motley Fool

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Politicians began churning the waters for casino gambling when they passed enabling legislation in December, the first of a two-step process that still requires the specifics of licensing, investment, location, and taxation to still be passed. Analysts think there are several years to go before the doors of the first Japanese casino opens.

That will give the resort operators plenty of time to pad their war chests and angle for position as they bid for the opportunity to make Japan the biggest and most expensive gambling market in the world.

[Rich Duprey](#) has no position in any stocks mentioned. The Motley Fool has no position in any of the stocks mentioned. The Motley Fool has a [disclosure policy](#).

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