

Yokohama Enters Japan Casino Contest

Written by Administrator

Tuesday, 03 September 2019 04:30 -

A casino resort would add more sparkle to Yokohama's waterfront.

Getty

The biggest and richest region in Japan has placed its first bet on casinos. On August 22, [Yokohama Mayor Fumiko Hayashi announced her city of 3.7 million will attempt to win an integrated resort license](#), ending years of uncertainty on the casino question. Yokohama is the first area to declare itself an IR contender in the National Capital region that includes Tokyo. Bringing the region's 40 million residents, nearly a third of Japan's population, to the table is a seismic event that immediately shuffled the competition for the three IR licenses.

Within hours of news breaking about Yokohama, the world's largest casino company in terms of market capitalization, Sheldon Adelson's [Las Vegas Sands, declared it would drop its pursuit of an IR in Osaka](#)—the center of Japan's second-largest metropolitan area—in favor of an IR in Yokohama or Tokyo, which has subordinated any IR interest as it focuses on staging the Summer Olympic Games in 2020.

LVS was among 22 respondents to Yokohama's August 2018 IR request for information process, a list that included casino operators Caesars Entertainment, Wynn Resorts, Melco Entertainment, MGM, Galaxy Entertainment, Genting Singapore, Sega Sammy—a 45% partner in Incheon's Paradise City IR with South Korea's Paradise Group—and several real estate developers. Investment bank CLSA report, *It's Almost Raining Yen*, identifies railway operators Keikyu and Tokyu, Mitsubishi Estate and Mizuho Bank as potential Yokohama consortium partners.

Las Vegas Sands, creator of Singapore's widely admired Marina Bay Sands integrated resort, abandoned efforts for a casino license in Osaka to focus on Yokohama and Tokyo. (Ore Huiying/Bloomberg)

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After Yokohama and LVS showed their hands, [Caesars announced it would abandon its Japan quest](#). The Las Vegas giant is being swallowed by much smaller Eldorado Resorts in \$17.8 billion deal. A U.S. regional operator that's gaining its first Vegas exposure, Eldorado wants to focus on creating domestic synergies and cutting the deal's \$13.5 billion debt burden. Lawrence Ho's Melco group announced it would be opening an office in Yokohama, its third in Japan. Ho has pledged to move Melco's

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headquarters to Japan if it wins an IR license.

Yokohama, the capital of Kanagawa Prefecture, is worth the excitement. Beyond demographics, it's a short ride from Haneda Airport, Japan's busiest airport and most convenient international gateway. Yokohama is well connected to northern neighbor Tokyo, population of 9.4 million, by road and rail, as well as to the rest of Japan. One consultant requesting anonymity voices concern that Tokyo residents may not come to Yokohama on weeknights simply to gamble, but the regional market's size will enable the IR to host world class entertainment and events. Domestic and international connectivity also bodes well for MICE: each IR is required to have a 100,000 square meters (1.1 million square feet) of convention and exhibition facilities. Investment advisors Sanford Bernstein estimates revenue at a Yokohama IR could reach ¥880 billion (\$8.3 billion).

CLSA believes that a Yokohama consortium would need assurances that it would have a period of exclusivity, in other words, that Tokyo would not build an IR until the second licensing period, at least seven years after initial licenses are granted. However, given that Singapore has two IRs for a metropolitan area, including Johor Bahru in Malaysia and Batam in Indonesia, of less than 10 million, two IRs for 40 million in (another) one of the world's richest regions hardly seems unreasonable.

Yamashita Pier, near the Bay Bridge, is the favored site for Yokohama's integrated resort.

Muhammad Cohen

Yokohama has identified Yamashita Pier as its IR location. The 47 hectare (116 acre) site in the shadow of the Yokohama Bay Bridge is convenient to the city's Chinatown and waterfront attractions. But [waterfront businesses have formed the Yokohama Harbor Transport Association to oppose the IR](#), though the broader Yokohama Chamber of Commerce and Industry supports it. After shattering gender barriers as a business executive, Mayor Hayashi was first elected in 2009. Backed by Prime Minister Shinzo Abe's Liberal Democratic Party, Hayashi suggested exploring an IR back in 2014. But during her 2017 campaign for a third term, she declared herself undecided on IRs.

Less than two weeks after the IR decision, Hayashi already faces backlash from political foes and citizens groups, including threats of a recall election. The majority of Japanese oppose IRs, with Osaka an apparent exception. Politicians can expect similar reactions from their constituents until the Abe government and IR backers, including casino operators, expend genuine effort to inform the public about the potential benefits of integrated resorts. Preliminary

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experiments indicate that approach can work, but it requires a lot more effort that sponsoring performances and exhibitions.

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