

Wynn Resorts cashes in on Everett casino in \$1.7 billion deal

Written by Administrator

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Wynn Resorts is selling off its Encore Boston Harbor casino property in Everett, though patrons shouldn't notice any difference at all.

On Tuesday, Wynn announced a \$1.7 billion sale to Realty Income, a large real estate investment trust, and aims to use the proceeds, in part, to help fund development plans across Broadway from the casino. But no, Wynn isn't going anywhere: The Las Vegas-based casino operator will lease the Encore property from Realty Income, starting at \$100 million a year, escalating slightly each year, essentially to keep pace with inflation.

Chief executive Craig Billings said the sale-leaseback will free up cash, to invest in Wynn's expansion in Everett as well as a recently announced casino resort project in the United Arab Emirates, and to retire some higher-cost debt. The transaction is expected to close at the end of the year and will likely be one of the biggest commercial real estate deals in Massachusetts in 2022.

Wynn had spent \$2.6 billion to develop and build the casino, which opened in June 2019. The 3 million-square-foot complex, which sits on nearly 35 acres, includes a 671-room luxury hotel, 3,900 gaming positions, and a 2,800-space parking garage.

The company also has ambitious plans for 13 acres it owns across Broadway from the casino.

For the first phase of development there, Wynn has proposed a 2,300-car garage, a nearly 1,000-seat events venue, and a 20,000-square-foot restaurant space, to be connected to the casino property via a footbridge over Broadway. The Massachusetts Gaming Commission is currently weighing whether that project should be regulated as casino land. This could limit the seating capacity of the venue Wynn could build there, although the company has already downscaled its plans from an initial proposal of 1,800 seats, to stay just under the state casino law's 1,000-seat threshold. At least two hotels and more restaurants are expected in later stages of the Broadway development.

Wynn has the option to sell this land across the street, also to Realty Income, for up to six years after the casino sale-leaseback closes. Although this is the first such deal for Wynn,

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sale-leasebacks are becoming increasingly common in the casino industry. MGM Resorts sold its casino in Springfield, for example, for \$400 million last year to MGM Growth Properties, and then leased it back.

Billings emphasized in a conference call with analysts that the Everett sale-leaseback was not being driven by a short-term need for cash. Instead, it was a result of the company looking at the cost of debt, such as raising money through the bond market, and weighing that against the lease costs, among other things.

“We weren’t in the market just to raise cash, right?” Billings said. “This was a cost-of-capital question first and foremost.”

He praised the Everett casino’s 3,400-person workforce, pointing out that the casino posted a record operating profit of \$68 million in the final quarter of 2021.

“The team in Boston has really done a tremendous job, particularly in the casino, but we’re just getting started,” Billings said. “Our next phase of growth in Boston will be driven by [gambler] database growth ... and through our upcoming expansion project across the street.”

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