

HVS Gaming Services Division Featured Clients and Engagements

Proposed City of Dreams Development Project

Cotai, Macau, China

Deutsche Bank retained HVS to perform an appraisal of the proposed City of Dreams for project financing. The objective of the appraisal was to develop four opinions of market value for the subject development: "as is" as of the date of inspection, "prospective" as of the date of completion of the first phase of the development, "prospective" as of the date of completion of the second phase of the development, and "prospective" as of the date the proposed development reached a stabilized level of operation.

HVS analyzed the Macau gaming market to assess the future operating performance of the proposed City of Dreams. This task was particularly challenging because the local inventory of table games and slots was projected to increase significantly over the near term. HVS utilized a win-per-visitor-day analysis tied to the anticipated growth in total visitation to Macau in order to forecast marketwide gaming demand. The key element in the analysis was

**Clients:**

Deutsche Bank

Project Type:

Proposed Casino, Four Hotels, and Leased Retail

Project Scope:

- Site analysis
- Market area overview
- Surveys and interviews with gaming officials, local and regional tourism professionals
- Gaming and hotel supply and demand projections
- Forecasts of Income and Expense
- Discounted Cash Flow Analyses
- USPAP Conforming Appraisal and Appraisal Report

Results

Comprehensive appraisal for project financing provided to private bank for underwriting purposes

Role

Appraiser

Date of Service

2006

the anticipation of longer lengths of stay by visitors as the area evolves into a resort gaming destination. The hotel market in Macau, Hong Kong, and surrounding Mainland China markets was also investigated to assess the impact of the projected increase in Macau hotel supply over a five-year period.

Once the future gaming revenues were projected for the Macau gaming market, the anticipated amount of gaming revenue for the proposed City of Dreams was forecast based on our analysis of market factors at play in Macau, including projected visitation, anticipated new supply,



and the changing profile of the Macau visitor. Our analysis involved the following steps: 1) forecasting the allocation of gaming win per segment, i.e., VIP table games, mass games, and slots; 2) calculating win per unit per day for each segment; 3) estimating penetration rates for the proposed City of Dreams by segment; and 4) deriving gaming revenue for the property.

The development of four hotel products—the Crown Towers, Hard Rock, Grand Hyatt, and Hyatt Regency—in two phases required consideration of the impact of the segmented customer base.

Size:

- **Casino:**
 - 423,000 sq. ft. gaming area
- **Crown Towers Hotel:**
 - 534,000 sq. ft. building area
 - 264 hotel rooms
 - 9,000 sq. ft. meeting space
- **Hard Rock Hotel:**
 - 348,000 sq. ft. building area
 - 374 hotel rooms
 - 13,000 sq. ft. meeting space
- **Hyatt Hotel:**
 - 478,000 sq. ft. building area
 - 620 hotel rooms
- **Grand Hyatt Hotel:**
 - 407,000 sq. ft. building area
 - 350 hotel rooms
 - 88,000 sq. ft. meeting space