

Tyche Bets on the Republic of Cyprus

by Joseph Dimino

The Greek goddess of luck and fortune, Tyche, has begun to turn her gaze to the Republic of Cyprus. Currently, the island is divided between the southern Republic of Cyprus and the Turkish Occupied Areas in the North of Cyprus (TOANC). With casinos first opening in the TOANC in 1998, the region has seen the industry grow significantly, reaching an estimated \$800 million in gaming revenue during 2014. While the TOANC has seen great success, the Republic of Cyprus to this point has not allowed legal gaming in the southern part of the country.

In July 2015, however, the Republic of Cyprus passed legislation aimed to change the legality of casinos in the region. The legislation calls for a two-part selection process in order to determine the operator that will be awarded an exclusive gaming license within the Republic of Cyprus's, which is valid for 30 years.

The first phase of the selection process is the Expression of Interest (EOI), during which operators must prove their knowledge of the Republic of Cyprus market to project the size of the potential gaming and non-gaming markets in the region and must also provide evidence of the company's experience in the industry and overall success.

Once this phase is narrowed down to three contenders, the remaining operators must respond to the second phase, which is the RFP process. In addition to a casino resort business plan and feasibility study, each candidate must also provide a detailed financial analysis and an economic impact study for the site. The deadline for this EOI has been set for December 18, 2015. The Cyprus government has estimated that the results from this first phase will be announced approximately 45 days from the submission date.

Once awarded the gaming license, the selected operator will develop one integrated casino resort (ICR) and may also build up to four additional satellite casinos in districts other than the one in which the main casino resides, only one of which will be permitted to offer table games. While the ICR must feature 1,000 to 2,000 slot machines and 100 to 200 table games, the satellite casinos will only be permitted to offer up to 50 slot machines. In the satellite casino that may legally operate table games, up to five table games may be offered at the facility.

In addition to the gaming floor, the ICR must also feature a mix of non-gaming amenities to drive visitation and incremental gaming revenue to the site. The only required non-gaming amenity is a 500 room hotel, which must exceed the existing five star hotel quality, leaving the proposed mix of non-gaming amenities up to the operator. Typical non-gaming amenities in casino resorts include conference and meeting facilities, food and beverage venues, spas, retail shops, and dedicated entertainment venues. While the district in which the ICR will be located may be decided at the discretion of the licensee, the government requires that the land housing the main casino must be privately owned property.

The Innovation Group has been working closely with a land consortium and separately with developers seeking market entry. As such, we have measured the potential of the Cyprus gaming market, including a revenue forecast of the Cypriot gaming market, where gaming would be expanded to the southern Republic, along with property-level forecasts for proposed ICR sites. This forecast is intended to be utilized in land use and development decisions.