



# The Leisure Sector: Investment and Development

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What are we talking about?



Official dictionary definition: 'Use of free-time for enjoyment'

A better one might be: 'Gaining and sharing experiences'



Not one sector but many...



- |                      |                                    |
|----------------------|------------------------------------|
| Restaurants          | Coffee shops                       |
| Bars                 | Dessert Parlors                    |
| Pubs                 | Escape rooms                       |
| Hotels               | Zip-wires/ape frames               |
| Gyms                 | Kids-play                          |
| Health Studios       | Trampoline Parks                   |
| Cinemas              | Gaming arcades                     |
| Bowling Alleys       | Casinos/ Bingo                     |
| Indoor rock-climbing | Laserquest                         |
| Night clubs          | Adventure mini-golf                |
| Live music venues    | Ping pong and beers!               |
| Theatres             | Darts and beers!!                  |
| Live Comedy          | Canadian axe throwing and beers!!! |
| Ski-slopes           | The list keeps getting longer....  |

No...I'm not kidding....



## Key Statistics



The sector now generates revenues of £223bn per annum.

£1 in every £5 in the UK spent on leisure.

£50bn of revenue growth in past decade from 2006.

1 in ten of the population are employed in the sector.

Leisure spend has been rising faster than general consumer spend.

In the past 40 years spend has increased by 400%.

Sources: ONS, KF, Savills

## This leisure thing is quite new, isn't it?



1950/60s stuff!

- Post war
- Rationing
- Industrial rebuilding
- US pulling ahead



1970s Tough!

- Recession
- Strikes
- Unemployment
- Bonkers fashion!



Leisure starts to evolve as we know it...



1980s/1990s emergence

- Consumerism
- Working women
- Parents as taxis
- The Yanks are coming!
- Hollywood blockbusters



Short quiz!

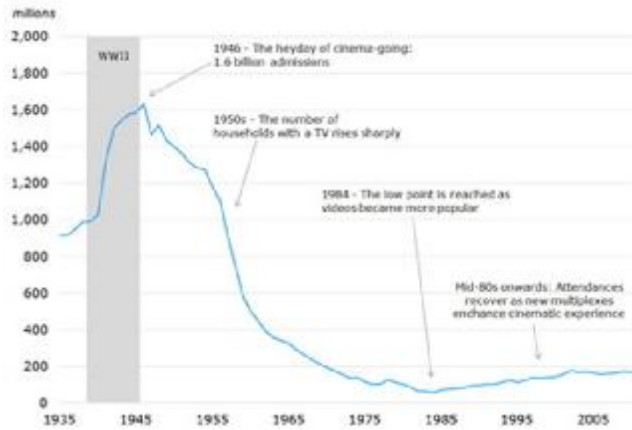


Highest annual cinema admissions figure in UK history?

- A: Sub-500 million
- B: 500 million – 750 million
- C: 750 million - 1.5 billion
- D: Over 1.5 billion



## UK Cinema attendance



- 2016 admissions: 168m revenues, £1.35 billion
- Blockbusters critical providing 80% of revenues
- Most films make their money in the first 3 weeks
- 50% taken by cinemas in the UK. 50% for distributors/producers etc

## Leisure comes of age

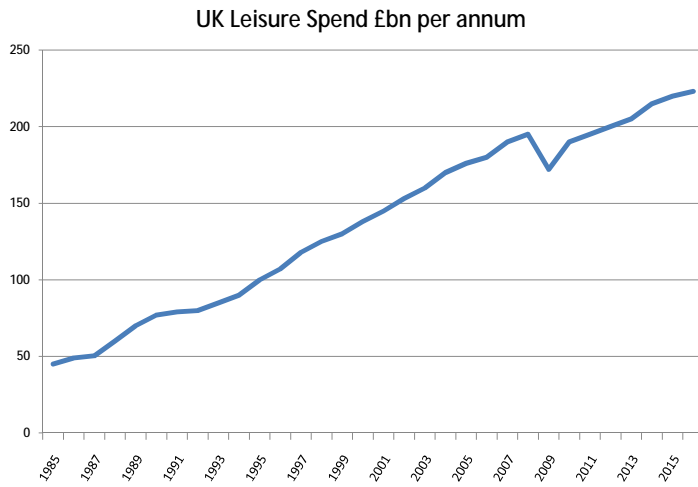


### 00's and the millennials

- Leisure not a luxury
- Experience more important than stuff
- The internet & social media



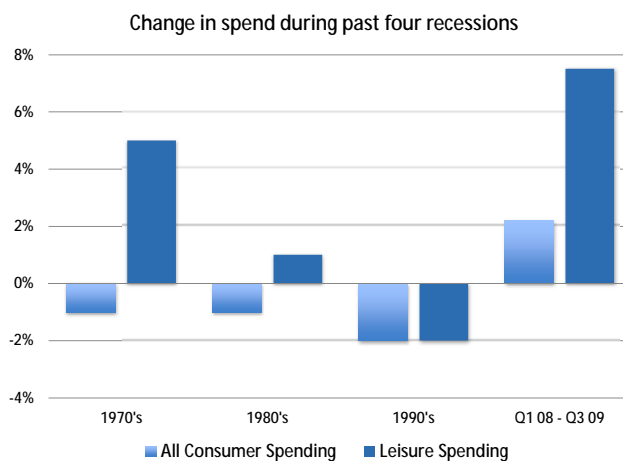
### Leisure spend since the 1980s



Source: ONS, KF

- Apart from 2009 it has seen consistent growth.
- Recovered more quickly than retail.

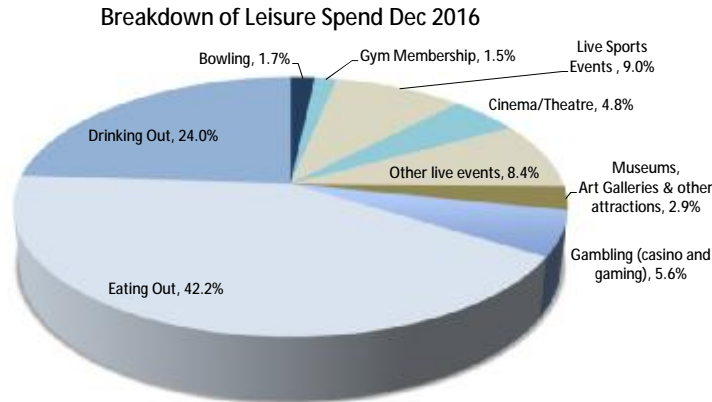
### Leisure spend outperforms in recessions



Source: ONS, Savills

- Leisure has low price points and increasingly is seen as an item of core spend
- Consumers can make savings elsewhere if needed (Lidl, Primark, Internet)

## Leisure spend - current breakdown



Source: ONS, KF

- Mainstream sectors represent over 75% of the market
- Eating out and drinking out make up over 66% of sector

## The psychology of leisure



Gilovich, Killingworth and Kumar

This study showed we get greater satisfaction from experiences than ownership/buying items

- Anticipation
- Sharing is acceptable
- No shame in showing off

- 'Nowners'
- The sharing economy
- Digital purchases – possession or experience

61% of 18-34 year olds picked experiences over possessions but so did a similar proportion of older age groups



The mass market restaurant market is cooling due to over-expansion and some large brands losing their way...

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**BYRON**  
PROPER HAMBURGERS

**Jamie's**  
ITALIAN



**OTIUM**

However, successful formats are still expanding and the rest of the sector is as strong as ever...

Hot sectors right now...

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Trampolines slowing but still growing...





### Hot sectors right now...

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Dessert parlors



### Hot sectors right now...

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Bars, cocktails and craft beer



## Competitive socialising

A high growth area with multiple operators setting up in the sector

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## The power of 'live'

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## From the web to reality

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## Dual purpose venues?

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Grind in London is a coffee shop in the day and a bar at night. Black Sheep are another example.

## Why are real estate investors attracted to leisure?



Provides long leases with 20-25 years still common.

Provides fixed uplift or RPI linked reviews.

Seen as immune to internet/tech disruption unlike retail.

Investors seeking to diversify from shopping centres/retail parks.

Past IPD performance has been robust with the sector holding up well in market slumps in the 70s, early 90s and 2008/09.

Voids run below other sectors at 3-4% in strong markets and 5-6% in recessions.

An income-led sector which is attractive to investors in this cycle.

Low value per sq ft levels due to low affordable rents. Existing units often at below replacement levels.

## Leisure Property Sector



The sector is becoming mainstream although many big investors have less than 5% of the portfolios in the sector.

Many institutional investors now have leisure allocations and no longer hide it in retail. M&G's actuaries have recommended an allocation of 15%.

The mainstream investment market is small with 600m-£1bn of transactions each year. This excludes pubs, hotels and operational leisure which create a further £2-5bn of transactions.

Yield range is huge from 3.5% to 12% but most assets are in the 5.5%-7% range. JLL and CBRE have prime leisure at 5-5.25% NIY.

Prime assets that have come on the market have seen very strong bidding.



### Prime sees increasing investor demand



<p>£108m 6%</p>	<p>£65m 5.2%</p>
<p>£14m 5%</p>	<p>£13.47m 5.47%</p>

### Looking forward – Macro push factors



- Single person / HMO households
- Internet freeing us from necessity shopping
- The grey pound





## Future trends in leisure

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- Mega cities/smaller living areas
- Desire to socialise in new ways
- More activity/health awareness
- New concepts to multiply
- Increasing tourism



There is another large trend coming up fast...

## Now...

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Circa 1million people work  
in call centres in the UK



850,000 people drive for a living in the UK

## The near future...



A.I. systems handling all calls 24/7. No waiting, no 'on-hold' music, no "checking with my manager..."



Autonomous vehicles – taxis, buses, lorries & vans. Cheaper, faster and safer.

## The next industrial revolution more leisure time?

- Mass under-employment?
- Basic universal income?
- More retraining/students?
- More part-time work/study?
- Job sharing – Multiple jobs?
- 3 / 4 day week?



# Q&A

