



REPORT

Savills Research

UK Retail & Leisure – Winter 2019

Competitive Socialising & Emerging Concepts in Leisure

savills



In association with
The Leisure Property Forum LPF

Competitive Socialising

has had a lot of press coverage in the last 18 months, but what is it and what brands does it cover?

Savills has collaborated with the **Leisure Property Forum (LPF)** on this very issue because we agreed that a comprehensive review was needed of the latest emerging leisure trends.

There are a number of formats and we accepted early in this process that a definition of Competitive Socialising that had full consensus from the market would be hard to reach. In undertaking this review Savills & LPF have assessed four submarkets and identified over 50 mini golf, 90 bar&game, 50 VR, and 145 'Against-the-clock' experiences (escape room) in locations across the country. The reality is that these numbers will be quickly outdated.

In this fast paced sector we are seeing an increase in venues in prominent leisure schemes and shopping centres. The highly fragmented nature of this sector means that operators need only a handful of sites to become a genuine contender as a national brand.

The growth across all of the competitive socialising market is a good counter narrative to other parts of the market and while some concepts have been around for decades it is clear that the growth we are witnessing now is closely tied to advances in technology and consumer preferences.



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Flight Club, London

Benefits of Competitive Socialising

An offer that is good for landlord, tenants and consumers?

- | | | |
|--|--|--|
| 1 Significantly increases dwell time and extends customer reach | 4 Good experiences increase loyalty | 7 Provides a safe boost to the evening economy |
| 2 Brings people together socially and creates footfall | 5 Social media and marketing presence as visitors share their experiences | 8 Supports and is supported by other F&B and leisure operators located close by |
| 3 Atmosphere and buzz improves the overall offer in the venue | 6 Increased F&B sales enhance income and rent affordability | 9 Helps diversify offer and income within locations |

“ The highly fragmented nature of this sector means that operators need only a handful of sites to become a genuine contender as a national brand. ”

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Market Context

Consumer change and technological development are driving growth

The UK proposition

There has been much discussion around competitive socialising, but what is it? Does it include family leisure, or is just related to a wet-led offer. Arguably it includes any venue or occasion that brings people together to play a game. In order to provide some focus to this report, we have avoided including long established brands and instead focus on concepts that have only emerged relatively recently.

The market is diverse and fragmented, with a large number of independents and operators pushing to become a brand. We have identified 170 operators, 340 locations, and just 3 brands with more than 10 sites. While London tends to lead the UK with new leisure trends, the current suite of emerging brands are truly UK wide. It's an exciting area and truly entrepreneurial.

Up to 12 months ago expansion had been slow, with operators being reluctant to take on too much debt through over expansion, but this doesn't mean that brands lack an appetite for growth. 2018 saw the market turn a corner, with several brands looking to expand more aggressively. Immotion VR opened 10 sites, 8 brands opened mini golf courses and 20 escape rooms opened in shopping centres and leisure schemes. Speaking to operators it is clear that this trajectory will continue for at least the next few years.

Drivers for change

So what is driving these brands forward and why now? Consumers are quickly evolving their wants and needs and while this is contributing to challenges in the retail sector, it is seeing a diversion of spend to leisure, now accounting for 14.3% of consumer spend. Millennials are reported to be spending less on products and more on on-demand experiences and the memories they create. In fact, this trend is likely to actually be typical across most demographic groups and there is little doubt from the increase in leisure brands that participation is up across the country.

This increase in demand is being met by a stream of entrepreneurs who have the energy and creativeness to build a brand, and advances in social media and technology that are driving new concepts forward in a way that wasn't previously possible.

Competitive socialising is on one hand counter-culture to people's lives going online as it brings people together socially into the real world, but on the other hand it provides exactly the kinds of experiences that people love to share on social media.

There is no doubt that this is an exciting growth area, but is this a temporary phenomenon, will it become saturated and what place does this new offer have in institutional landlord spaces (i.e. off the high street)?

Diversification vs specialisation

This market is likely to quickly become congested. We're starting to see growth in specialist operators who look to provide a world class concepts that will keep them ahead of the competition. However, reserving an element of flexibility around formats is important too. Brands and schemes that have the opportunity to diversify their offer, either through F&B, or a range of different games/experiences are likely to enhance their chance of success.

These trends have not gone unnoticed by existing leisure operators. Namco Funscape already have a foothold in various shopping centres and leisure schemes across the country and are able to reconfigure their large units to trial new formats and keep the offer fresh. In several schemes they are now offering an escape room and VR concepts.

In more wet-led locations, brands like Lane 7 and Roxy Ballroom are bringing together different competitive socialising and bar game formats under one roof in order to be able to provide a full evenings' entertainment and thus extending dwell times.

In the future will we see 'mega brands' that can flex the offer and evolve with trends? Grosvenor Casino's have recently agreed a tie in with Immotion VR and Hollywood Bowl are introducing mini golf to some of their venues.



Urban Mini Golf

There are 53 venues across the country, with many more in the pipeline. Who are the key operators and where are they locating?

Concept

Mini Golf has traditionally been a stalwart of the holiday seaside destination, where families brave the British weather and knock balls around concrete courses with increasing frustration, before reconciling the inevitable family disputes by heading for a 99 Flake.

This stereotype is being turned on its head as a revolution is seeing the concept head indoors and increase its appeal through the use of innovative design, imaginatively themed layouts, neon lighting, technology and often banging tunes. The only ice-creams on show may well be those seen floating in a cocktail.

For this report we have coined this growing subsector *Urban Mini Golf* to distinguish from the traditional outdoor crazy golf that has been around for decades. The sector is split between family entertainment and bar/night club venues. In both cases operators are bringing a fresh approach to the concept and locating in high footfall shopping and leisure destinations in the major towns and cities across the country. Game play is excellent, with wide appeal due to previous experience not being critical.

Operators

In the family sector, **Mr Mulligans** are the largest operator with 12 locations nationally, having first opened sites adjacent to golf courses in a bid to increase take up of the sport by young people. In 2014, they opened a venue in Stevenage Leisure Park. The brand now have 7 shopping and leisure scheme locations, with 6 more pipelined for 2019/2020 and plans to reach 25 sites in five years.

Similarly, **Paradise Island Adventure Golf** have 7 shopping centre and leisure scheme locations. In total there are 11 operators with multiple locations that focus on the family entertainment market, predominantly from high footfall locations and with a close affinity with retail.

Several brands are pushing in a different direction, aiming to capitalise on the lucrative bar market by attracting Millennials and Urban Professionals on a night out. **Junkyard Golf** launched their first night club style site in a temporary unit in Manchester in 2015 and now have 4 venues, with a 5th opening in Liverpool One in March 2019. Their high profile move to Westgate Oxford in 2017 has helped to improve their covenant and perception to landlords, which is paving the way for more opportunities. At present Junkyard Golf believe there is potential for 40 locations across the country.

In London, Swingers and Puttshack have developed premium concepts. Their fit out costs are high and require significant landlord contributions, but they are creating world class venues with excellent playability and environments that ooze sophistication. Swingers are located in the City and have recently opened in the West End.

Puttshack arrived with acclaim to Westfield London in 2018 with has sites in London Bank and Lakeside Shopping Centre in the pipeline, with a plan for 25 sites within five years. The brand are developing their own technology and building their courses in-house to manage the supply chain and reduce their costs to market.

Swingers, has received backing from private investment firm Cain International. The deal will provide substantial capital for expansion with a number of openings targeted for Swingers in North America and the launch of a second Competitive Socialising concept in the UK.

Benefits for landlords

Typical requirements are 15,000-25,000 sqft across the operators. This may have meant limited opportunities available in the past because many landlords simply wouldn't have had this amount of available space at the appropriate rent. However, landlords are seeing the advantages of bringing mini golf into their schemes to increase the variety of offer whether for family entertainment in the case of Paradise Island and Mr Mulligans, or drawing a young adult crowd and enhancing the evening economy in the case of Junkyard Golf and Puttshack.

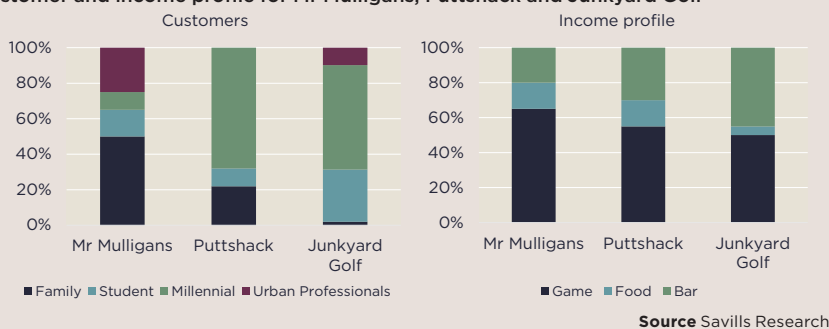
There are also several examples of landlords bringing in golf to large units that have become vacant from CVA or administration. Swingers have taken a floor in the BHS unit on Oxford Street and Mr Mulligans are taking space in the House of Fraser unit in High Cross Shopping Centre, Leicester. A few years ago a D2 operator taking such prominent space either on the high street or in a shopping centre would have been unthinkable. In today's rapidly changing consumer market it provides landlords with an opportunity to diversify and freshen the offer.

Landlords have brought these into schemes to provide diversity and supplement a wider offer. However, for standalone operators the question over which customers are the target market and what is the main source of income, is an important consideration.

For the family market the mini golf game itself represents the biggest source of income for operators, but F&B is becoming increasingly important as it provides greater revenues that in turn can support paying higher rents and access markets that would otherwise be unviable. For Junkyard Golf and Puttshack F&B income accounts for 45-50% of income.

BRAND INSIGHTS

Customer and income profile for Mr Mulligans, Puttshack and Junkyard Golf



53
Locations

5 key
Brands

19 in
Schemes

Locations identified nationally. Brands are operators with 3+ locations. Schemes refer to locations in a shopping centre or leisure scheme

LOOK OUT FOR

Puttshack

The impressive site in Westfield London has a casino theme and utilises the same tracking technology used by Flightclub and Bounce. Now developing licence to roll out the concept & tech globally.

Junkyard Golf

Vibrant bar-orientated locations moving into prime city centre schemes following launch of Westgate Oxford in 2017. 4 venues and growing with Liverpool One open from March 2019.

Mr Mulligans

Has 12 venues across the country. The offer has evolved from outdoor to indoor where F&B are a more significant part of the offer. The latest has just opened in Broadway Plaza, with the 13th opening in Basildon in March.

Paradise Island

Family offer located in 7 distinguished shopping centre and leisure parks across the country, with the latest opening in Rushden Lakes in 2019.

Swingers

2 sites in central London. A premium experience for Millennials and Urban Professionals, with bar and street food. Plans to expand offer into UK and to North America.



“In today’s rapidly changing consumer market Urban Mini Golf provides landlords with an opportunity to diversify and freshen the offer.”



Bar & Game

Several of these brands are what really caught the attention of the media with the rise of competitive socialising. Which brands are proving the most innovative?

Concept

These concepts are all about bringing together groups of friends to play a game over a drink. When put like that it doesn't sound new, but the popularity of socialising that doesn't just revolve around standing in a bar but instead is based around an activity, is on the increase. Lots of different concepts are emerging and sites tend to be in major city centres where there is a ready supply of young people and office workers.

The F&B component (particularly the bar) is really important for most brands in this subsector as it can account for over 85% of income. In turn this naturally skews the demographics to a higher proportion of Millennials and Urban Professionals, with students often being absent due to the cost of participation and only older families typically engaging due to the bar/club environments.

Operators

If ever there was a pastime that epitomises a bar game that has been enjoyed for generations it is darts. **Flight Club** have revolutionised the offer while tapping into nostalgia. The game itself remains uncomplicated, but the modern spin is made through clever use of technology, excellent customer service and a great environment. Fit-out costs are above average by some margin, but their venues appeal to clientele who wouldn't want to be seen in a gritty pub, but are delighted to play in a trendy bar. Given the investment involved, Flight Club are willing to sign longer leases than many of the operators we have talked, which will appeal to Landlords.

Table Tennis participation is, according to Sports England, up a third in the last decade. Many bars around the country are now choosing table tennis tables over pool and several pop-ups have evolved out of renewed interest in the sport. **Bounce** have brought the concept up a notch, with their bar/club format, again using technology to track ball movement to add a digital component and range of different formats to the game.

Whistlepunks have axe-throwing sites in London, Birmingham and Manchester, with two more planned for 2019. The game price is above average for the sector because the nature of the sport means that instructors are required to ensure safety and provide a personal experience. In their existing sites peak hours are at capacity and 98% of custom is pre-booked. Venues at present don't include licences, which is unusual compared to other formats in this sub-sector given that bars can be highly lucrative. However, this is very much on the agenda for future sites including the latest in Bristol.

Shuffleboard is a cross between table top curling and shove-ha'penny, is very playable and becomes extremely competitive. The main brand behind this offer is Liverpool based **SHUFL**, who supply over 700 tables across Europe. In the UK, shuffleboard is available in 34 venues across the country, but if you haven't seen their signage above the door it's because they franchise the product out to bars and pubs who then rent the tables to customers. Greene King, Brewdog, Stonegate Pub Company and Bierkeller are among the chains who have adopted SHUFL.

There has even been a pop-up croquet bar called Mallet and Hoops and a curling bar at Roof East, a roof top venue, both in London and both with the aim of offering something novel and intriguing to consumers that have an abundance of alternative venues to choose from.

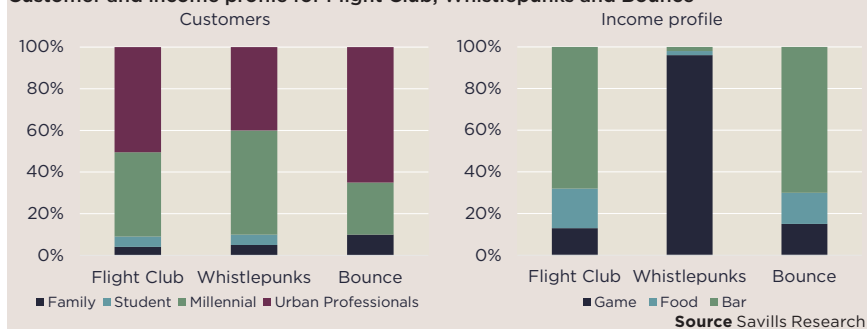
Evolution of offer

Several brands have taken this a step further by incorporating a number of different games under one roof. **Roxy Ballroom** has 6 locations, **Lane7** has 4 sites trading, but 2 new sites in the pipeline for 2019. Roxy has table tennis, shuffleboard, beer pong and pool, with the recent addition of mini golf. Similarly, Lane7 is a bowling operator that has extended its offer to bring together a range of karaoke, table tennis, beer pong, pool, arcades and mini golf. The key benefit for these operators is that multi-activities can provide a full evening's entertainment, with the potential of capturing more bar spend without the need for a churn in footfall. Both brands have grown their businesses in the North of England and are spreading further north and south with their expansion plans.

New formats will continue to appear in the coming years' as entrepreneurial operators come up with new and novel ideas. Several very popular pop-up bingo operators have inspired the founders of Flight Club, Puttshack and Bounce to plan a new venture, **HiJingo Bingo**; "bingo for the Millennial generation". The concept will "infuse technology with the traditional number play to unlock a ground-breaking twist on bingo and shaking up Britain's socialising scene".

BRAND INSIGHTS

Customer and income profile for Flight Club, Whistlepunks and Bounce



On the back of this vibrant scene, many bar venues across the country are introducing more gaming options within their venues, but will this result in a difference in quality of experience between the specialists and the adopters? Consumers are savvy and increasingly hard to please, returning to those brands that provide the best experience, or seeking the new and latest offer.

90
Locations

9 key
Brands

2 in
Schemes

Locations identified nationally. Brands are operators with 3+ locations. Schemes refer to locations in a shopping centre or leisure scheme

LOOK OUT FOR

Bounce

The Ping Pong operator Bounce have two sites in London and another in Chicago. Looking to secure 10 more UK sites c.7,000-12,000 sqft in a variety of location types where there is a good supply of urban professionals.

Flight Club

Possibly the go-to venue for Xmas parties last December, with 4 dart-themed sites already open and plan for a further 15-20 in 5 years in units 6,000-11,000 sqft in key high street markets.

Whistlepunks

Urban axe-throwing is proving a real crowd pleaser, with sites already in London, Birmingham and Manchester and two more in pipeline for 2019. Requirements range 2,500-6,500 sqft.

Lane7

Very sleek boutique bowling operator with up to 6 different game concepts under one roof, as well as a strong F&B offer. 4 sites already from Birmingham to Aberdeen, with 7 more on the way.

HiJingo Bingo

The team who brought Bounce & Puttshack are planning a new venture. The bingo concept will be "something like Who Wants To Be A Millionaire, the X Factor and a rock concert".



Bounce, London



Roxy Ballroom, Nottingham



Flight Club, London



Whistlepunks, Manchester

“ There is a huge increase in activity based social entertainment experiences. It is all about having a fun social experience. ”



Virtual Reality & Gaming

VR has been around for decades, but never really taken off. This is changing fast as the tech is advancing at a rate of knots, with several brands now vying for space.

Concept

VR venues are growing rapidly across the globe; there are reportedly over 3,000 venues in China alone. In the UK Savills has identified over 50 locations and 40 operators in major regional cities and many others will have fallen below our radar. National provision is estimated to have doubled since 2017 and will continue this trajectory as technology, concepts and brands develop. There are currently only 15 sites identified within institutional landlord schemes and few brands are genuinely looking for expansion as they are still trying to work out the market. This makes it a tough call for landlords who can see some potential in adding them to their line-up, but don't know who to go with.

New independent operators are appearing all the time. Businesses typically offer multiple games, and experiences for up to 6 players. While great fun, the number of quality games is limited, particularly those offering multiplayer experiences, and this may reduce appeal for some. Low cost for participation is resulting in higher take-up from students than other emerging leisure concepts, wide family and Millennial appeal, but lower take up from urban professionals and corporate groups.

To date most operators have utilised HTC Vive headset technology and the range of games available. This has given entrepreneurial enthusiasts the opportunity to buy kit at relatively affordable prices, so start-up costs can be low and space

requirements to install each piece of kit are the size of a bedroom. However, with Vive Pro kit now available for under £1,000, it may not be long before consumers have these in their own home.

What sets some operators apart is those that can provide an experience that cannot be had at home as well as enabling a social experience. Technology is the key differentiator in this market, with the quality of experience evolving quickly.

Operators

VRX Gaming's offer in Bristol includes the Virtuix Omni Treadmill. It is the latest VR technology, which lets you walk through a virtual world whilst walking in the real world. When you step inside the treadmill you are secured on a harness and wear special shoes.

VR Simulators in Glasgow bills itself as Europe's first 5D racing centre with full motion chairs and the ability to race against 12 others. There are even fans so you feel the wind in your face.

Manchester based **Immotion VR** have been developing their own brand of simulators, driving machines, guns and cinema pods, which adds to the sensory experience with full motion feedback from the equipment. This significantly enhances the immersion into the experience. The consoles are aesthetically designed to appeal to a wide range of consumers and to look good in a shopping centre mall.

Immotion VR are arguably the only VR brand that has emerged to date in the UK and their statistics demonstrate how successful VR can be. The brand opened their first site in Cabot Circus in March 2018 and in the first 6 weeks saw 4,000 visitors each paying £30 per hour. Since then aggressive expansion plans have seen openings in 10 venues in major shopping centres in 2018 and a further 60 locations targeted in the UK as well as Europe, US and UAE. Recently a concession tie in has been agreed with Grosvenor Casinos. Shopping centre venues are a mixture of units and mid-mall pop-ups, the latter perhaps showing an experimental stage while both landlord and operator test the market.

One brand has recently opened its first UK venue in intu Nottingham, having already gained a global presence in 13 countries.

Zero Latency's offer has an important differentiator from other UK operators in that players can 'free roam' around a large playing arena and interact with 8 other players in the VR world.

Benefits for landlords

Like other emerging leisure sectors, the often perceived view is that VR-arcades do not typically need to be in prime locations and can take units that might be compromised for other uses, offering opportunities for landlords to fill underutilised space. Or do they? Several operators have indicated to us that less visible units are less effective than those that can tap into passing trade, with up to 95% of customers from 'walk-ins' rather than advanced online booking.

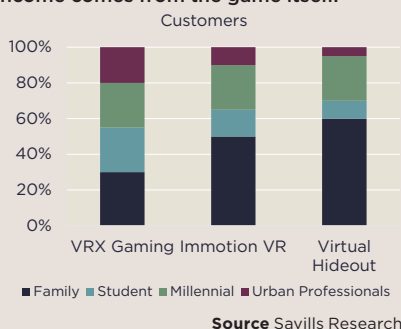
Opportunities for taking underutilised space is perhaps more about creative marketing than visibility. Pop-ups may be good for gauging interest in the short term, but have limited longevity and do not provide a serious income to landlords. One advantage is that unit sizes required are small, with operators anticipating around 2,000-4,000 sqft. Kit is not fixed so actual fit out costs can be low and there is the potential for landlords to move the offer around. With new VR/AR tech in the coming years VRX see the potential to create a VRX Arena which will require 6,000 sqft to enhance group participation.

Complementing retail

Game are carving their own niche in group participation in the gaming sector with **Belong**, which provides gaming arenas in 21 Game store locations. This fast growing concept is fairly specialised and unique, appealing to regular gaming enthusiasts of which there is no shortage. There is already a global market in online gaming and people can play in the comfort of their own home, but Belong have identified that many gamers enjoy the benefit of social and tangible engagement with like-minded players. Each Belong venue runs its own mini-leagues, but players can also compete as a team against other venues. The brand is planning to expand across the Game store portfolio.

BRAND INSIGHTS

Customer profile for VRX Gaming, Immotion VR and Virtual Hideout. 100% income comes from the game itself.



50+
Locations

40+
Operator

15*
in
Schemes

Locations identified nationally. Operators identified end 2018. Schemes refer to locations in a shopping centre or leisure scheme (*excludes Belong).

LOOK OUT FOR

Immotion VR

In just 12 months and already with 10 shopping centre sites in the bag, the operator has quickly become the UK's number one brand. Big plans for further expansion with operations already in Europe, US and UAE.

VRX Gaming

One site so far in Bristol, but the operator really makes the most of technological developments in the VR sector, with excellent use of machinery that enhance the overall immersiveness of the experience.

Belong

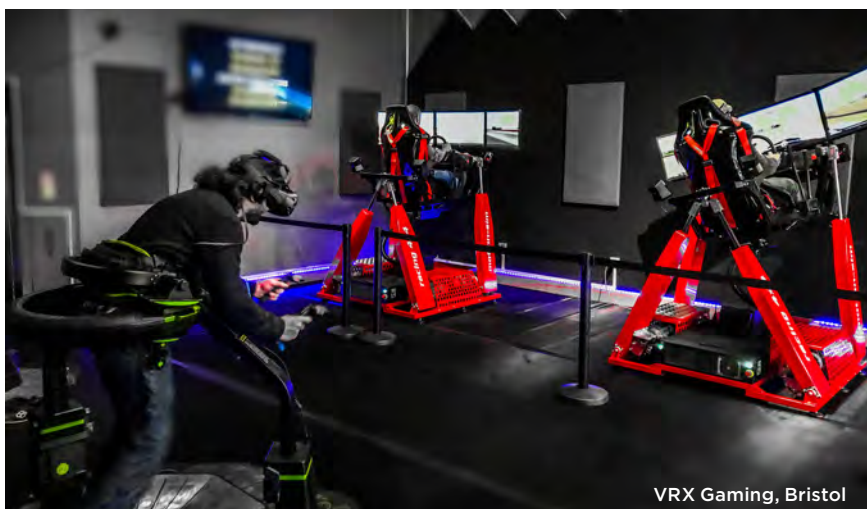
Tapping into a strong and loyal network of gamers, Belong have 21 arenas located in existing Game stores, building a community that can compete with each other or against other stores. More sites planned.

Zero Latency

This global leader in 'free-roam', multiplayer VR has 24 global locations in 13 countries. Up to 8 players can play at the same time in a warehouse space where they are free to roam and interact. First UK site was intu Nottingham in 2018.

Sandbox

Sandbox are in 6 countries in North America and Asia with 3 more opening in 2019. Significant investment and prominent international locations likely to help build a global presence, including UK.



💡 When Immotion VR opened its first site in Bristol in March 2018, its first 6 weeks saw 4,000 visitors each paying £30 per hour. 💡



Against-the-clock Experiences

Put people in a room, give them a challenge and start the clock. If the essence of competitive socialising is to bring people together to share an experience and create memories, this is it.

Concept

Escape rooms dominate this sector. Teams of up to 6 people are locked in a room and using items they find through a series of clues and puzzles the aim is to escape before the clock runs down. The scenarios are wide ranging, from a detective's office, nuclear bunker, zombie apocalypse, sinking pirate ship, or the Wild West. The concept is simple, break out within an hour to win. Either way most visitors leave with a smile on their face.

These concepts may have first been derived by problem solving nerds, but make no mistake, these experiences have mass appeal. While females outweigh males in terms of participation and have a better success rate, there is no age, gender or fitness bias. Corporate and urban professional uptake is significant, accounting for more than 1/3 in some cases. As corporate groups tend to look for a higher quality offer, this prices out some people; students typically account for fewer than 10% of customers.

You know a concept has hit a trend when it is embraced by national mainstream leisure operators. Locked In a Room have partnered in Center Parcs and Merlin have introduced an escape room in Warwick Castle. These take a concept usually geared towards adults and provide something that can be enjoyed by the whole family; families now average around 22% of participation in the sector.

With 145+ locations and more than 60 operators it is a very fragmented market. Savills forecast that at the end of 2020 there will be more than 200 locations nationwide.

Competition is increasing rapidly, with 24 different escape rooms identified in London, followed by 11 in Manchester and 10 in Edinburgh.

Some operators are concerned that the ease of replicating an escape room, but with low quality experience, fit out and safety, will result in a flooded market. As we are already seeing in the congested trampoline market, local saturation will result in a flight to quality. For landlords considering these concepts in their schemes this will serve to make certain operators more appealing to them and their visitors.

Operators

Four brands have emerged so far that by the end of 2019 are expected to account for over 25% of the market.

Clue HQ and **Escape Reality** are the only brands with more than 10 UK sites; ClueHQ with 18. Both began life in industrial units and railway arches, where space was cheap. Escape Reality recently opened in Printworks Manchester, which is a move to them taking space in higher footfall locations and tapping into the lucrative city centre market. There are a further four schemes in the pipeline as well as franchises in US, UAE and India.

Escape Hunt have 8 UK sites, which are most notable in that they are all located in prominent city centre schemes or high streets. The company has invested significantly in improving the offer and its game design studio has partnered with a production company to ensure the same

quality is distributed across its global network.

Locked In A Room have 4 venues and while there are several regional players with more sites, the brand develop far larger capacity venues compared to any other brand. They adopted an approach to target large corporate groups by having identical rooms that adds competition between different teams and subsequently are able to take groups of up to 78 players. This tactic has helped to increase occupancy levels during the week and subsequently 75% of their market is the high spending corporate or urban professional groups.

Benefits for landlords

Landlords are realising that with relatively low set up costs and flexible space requirements, escape rooms provide a useful way to increase occupational efficiency of underutilised space, while providing an additional appeal for the scheme as a whole. In turn, space requirements are evolving; 4,000-7,000 sqft the typical footprint for a brand seeking space in a shopping centre or leisure scheme. Franchising is allowing operators to grow quickly into new markets and with it are building a strong brand and track record that inevitably increases appeal to landlords.

Physical against-the-clock experience concepts tap into our nostalgia. There was a **Crystal Maze Live** concept during the heyday of the TV series, but these fell out of favour when the programme left our screens. The revitalised offer available in London and Manchester allows you to experience the full game show experience for yourself, is booked up well in advance and the game play doesn't disappoint. Similarly, there is a **Krypton Factor** concept rumoured for 2020.

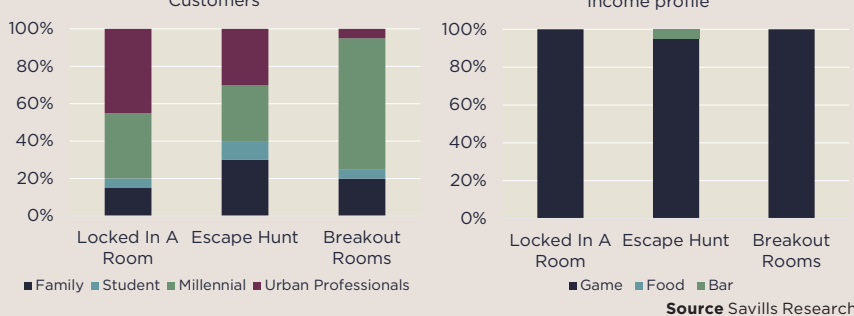
Evolution of offer

IP deals are starting to gain presence in the sector and have the potential to significantly increase the audience and appeal. Coming up in 2019, Escape Hunt are launching a Dr Who experience to various sites and **Time Run** will open a fully immersive Sherlock Holmes escape experience, both from tie-ins with the BBC.

Food & beverage is not high on the agenda for most operations. Operators are generally of the view that their offer forms part of a wider evening or afternoon's entertainment and therefore is supported by (and supports) other F&B businesses in the area. However, with the growing group bookings market, bars are starting to feature. These are not intended to significantly increase dwell, but help to complete the overall experience. If there is one thing in common with all "against-the-clock" experiences, the first thing people want to do after the game is talk about it and share it on social media.

BRAND INSIGHTS

Customer and income profile for Locked In A Room, Escape Hunt and Breakout Rooms



145+
Locations

60+
Operator

20 in
Schemes

Locations identified nationally. Operators identified end 2018. Schemes refer to locations in a shopping centre or leisure scheme

LOOK OUT FOR

Escape Reality

With 10 sites nationally, making the transition from industrial units to city centre schemes following opening in The Printworks in 2018. Part of a global network that includes sites in USA, UAE & India.

Escape Hunt

Developed as a franchise model and has grown to 40 sites in 25 countries globally in 5 years. Looking to double UK presence in 2019. Arguably the first brand to break the institutional landlord space, with 6 locations in schemes such as The Light, Cabot Circus and Corn Exchange.

Locked In A Room

Has opened in 5 leisure schemes across the country, including Westquay, Southampton, with several in the pipeline and an eye on 30 sites. One of the largest escape room concepts due to large floorplate and up to 13 rooms. Excellent at serving the corporate market.

The Crystal Maze

Following the success of the TV show in the 1990s, six venues across the country opened their doors to the public, offering a full live experience. Two decades later nostalgic gamers can visit sites in London and Manchester. The latest in Piccadilly Circus in March 2019.

IP Deals

Expect more from big leisure operators like Merlin and Center Parcs, as well as a multitude of IP deals that are linked to popular trends and broaden appeal. Sherlock Holmes and Dr Who in 2019. Next step Harry Potter, Disney or DreamWorks?



Escape Reality, Glasgow



Escape Hunt, Birmingham



The Crystal Maze, Manchester



Locked In A Room, Bristol

💡 Several escape room brands are exploring IP deals to bring the likes of Sherlock Holmes and Dr Who themed rooms into their venues. 💡



Landlord's Perspective

The importance of D2 for many institutional landlords cannot be underestimated. Cinemas and bowling still anchor 70% & 40% of leisure schemes across the country, respectively, but how much space should be assigned to new formats emerging? We have spoken to five of the biggest institutional retail & leisure landlords about their experiences of this growing sector.

1. Uptake

Uptake by institutional shopping centre and leisure scheme landlords has been slow to date, with no company having more than 10 operators across their portfolios. Instead most of the offer in emerging leisure sectors remain in secondary high street and industrial space. However, landlords expect to see a significant growth in the next few years as they become more comfortable with the different formats, the benefits and how they can better utilise space.

The reality is that no-one truly knows where this is going, so landlords are cautiously trialling them because while it is a clear area of growth, some concepts are considered to having better longevity than others. Landlords have to think about the longevity over 10-25 year leases, which is a long time in any consumer market.

There are some concerns too over ease of replication, and experiences in the dining sector has taught them that consumers are very fickle when it comes to the leisure sector.

The market needs key operators to emerge that have gravitas and track record, preferably needing low capital contributions. It is clear that in each subsector there are several brands starting to emerge. These operators are finding that the opportunities presented to them is increasing and a place in a large scheme can represent a significant boost of profile and future covenant for any brand that can secure tenure.

Popups have provided Immotion VR the opportunity to grow rapidly. With 10 units in a single year this is quickly establishing their presence in the sector, while can landlords trial the offer before finding permanent space.

The growth across all of the competitive socialising market is a good counter narrative to the rest of the market, but several landlords are keen to reinforce that this sector is only a very small part of what they are doing and most of the leisure income still comes from cinema and F&B.



Lane7, Middlesbrough

2. Format Considerations

Both demand and opportunities are growing and space is increasingly competitive. One landlord cited a unit that had three operators fighting over a unit that had been vacant for two years, following which other concepts have approached them to come in on the back of an increasingly exciting scheme.

Most landlords are not keen on an offer that has limited appeal. Universal considerations include repeatability and originality and a leisure offer that maximises visitation across different day-parts. While F&B is key for supporting retail and for rental income, leisure uses in turn are excellent for supporting F&B.

Golf is particularly popular due to universal appeal. Several bar chains and established leisure operators like Hollywood Bowl are introducing golf and other competitive socialising concepts into their venues.

The potential for VR is huge, but some landlords think that it still needs to evolve to have mass appeal. VR doesn't need to require much floor area and is very flexible, but while set-up costs can be low the best quality experiences have a high entry level due to the cost of hardware.

Escape rooms are cheap and sustainable, but need to increase appeal to families for shopping centre locations. Several landlords have cited the concern that offer can vary significantly in quality and experience. However, as reliable brands emerge this is becoming less of an issue.

For most shopping centres the family offer is particularly important. However, in some locations other options are viable, like Westfield London, Westgate Oxford and The Light Leeds where the demographic is more skewed to Millennials and students.

Bar game and other concepts where the bar is a core part of the offer often requires external frontage and tends to be tied to an evening activity rather than daytime family audience. Leisure schemes can manage this because they have a late night offer, but it is more of a challenge for shopping centres where there isn't round-the-clock access.



Immotion VR, Manchester



% of sector located in shopping centres and leisure schemes

Source Savills Research



Ghetto Golf, Custard Factory, Birmingham



Locked In A Room, Millenium Square, Bristol

3. Optimising & Repositioning Opportunities

With the department store sector in decline, there is a question over what will be the scheme anchor of the future. The consensus amongst landlords is that variety and depth of offer are the new attractor. Individual F&B, leisure and retail brands can drive footfall but are not an anchor in their own right; it is the variety that creates destination.

Large voids created from exiting stores can present opportunities for leisure brands seeking space close to prime/footfall, but without the rents associated. British Land and Hammerson have already taken back space from M&S and HoF and subdivided the large units into several smaller retail units with prime frontage and leisure space in rear or upper floors. The outcome of this repositioning can produce rental income higher than the original occupier. Intu have stated similar intentions, but all landlords will inevitably have this on their agenda.

In the current market there is increased focus on diversifying space across different income streams. Leisure makes up 2% of one landlord's portfolio (excluding F&B) that we spoke to, so it is more about creating variety than income. This is where emerging leisure brands come in. With the aim of differentiation, Landsec arguably took a bold step to anchor part of its leisure offer in Westgate Oxford with Junkyard Golf, which is a great leap of faith in what was a fledgling operator.

The flexible requirements of several operators means there are opportunities to fill underutilised or tertiary space in a scheme. However, several landlords have noted that this is an ideal scenario but in fact these opportunities are often thin on the ground, making it a challenge to shoehorn in these new and exciting operators.

Dining is excellent for place making, dwell times and creating a destination and increases retail spend by up to 45%. The leisure mix in turn is important for supporting the F&B offer, particularly outside of 'normal' hours. But this doesn't mean it is a universal solution. The offer needs to be tuned to demand driven by the local demographic. A clever mix can set schemes apart from competition, but there are concerns that leisure could be over embraced and fall victim to the saturation experienced in other leisure sectors.

4. Lease considerations

Rents in this space are typically equivalent to other D2 uses. Agreeing affordable rents is as important to landlords as to operators. Landlords want sustainability and with rents at a level where they can still achieve growth. Arguably this makes it an easier fit for leisure schemes (or office developments) than shopping centres because rents are typically lower than retail.

There is a considerable financial risk for landlords with contributions sometimes exceeding £1m (Some fit-out costs are £2-4m), but the contribution required by different sectors and different brands varies significantly. Premium Bar & Game concepts often see their cost to entry over £2m, several mini golf operators are even higher, while even the more premium escape room operators tend to manage costs below £0.5m. VR venues can be delivered for even less. This clearly has a bearing on the contributions required and the lease lengths agreed.

There are clear pros and cons regarding fit-out costs around quality versus upgradability. A quality of offer is expensive and can't easily be changed if consumer tastes move on, while a cheap build means flexibility around the offer, but may come at the cost of the customer experience.

What is universally agreed is that the offer is more sustainable where the capital contributions and rent are sensible.

Covenants may prove less important than retail for valuation because landlords tend to value the whole asset and have different yield values on start-ups, but the lease length is important. Landlords remain reluctant to sign leases less than 10-15yrs, but some operators want 5yrs. If the operators are nervous, how does this make the landlords feel? Additionally, while landlords still want long leases, this can create nervousness over unproven concepts and longevity of the trend.

Fundamentally, as these brands only tend to account for a small part of a landlord's income and can really help to enhance the vibrancy of the overall offer, landlords will increasingly find ways to bring these concepts into their schemes.

“Variety and depth of offer are the new attractor. A clever mix can set schemes apart from competition.”



Hot Issues

Challenges of developing a unique offer

1 Demographic change

People are drinking less, buying less and want more experiences. This sector is all about creating a different and lasting memory. Customer journey key.

2 Social interaction

Drives this sector, with the most enjoyable and satisfying experiences often being associated with group participation.

3 Food & Beverage

offer can significantly enhance income and plays an important role in being able to locate in more prestigious locations. But both add complexities. Food requires kitchen, extraction and staff, while a bar may require street access if the scheme it is in is not open late.

4 Which customers

are more valuable? An offer with a bar attracts Millennials and Urban Professionals. A family offer has wide appeal, but tends to be more of a day time activity. Both targets may restrict locations a brand can go in to.

5 Technology

Has a significant role in enabling the offer, but social media presence important too and how Instagramable the offer is is an important consideration.

6 Optimising space

Leisure uses provide a fantastic opportunity for landlords in filling underutilised space, or repositioning units that have come back to market following structural change in the retail market.

7 Flexibility

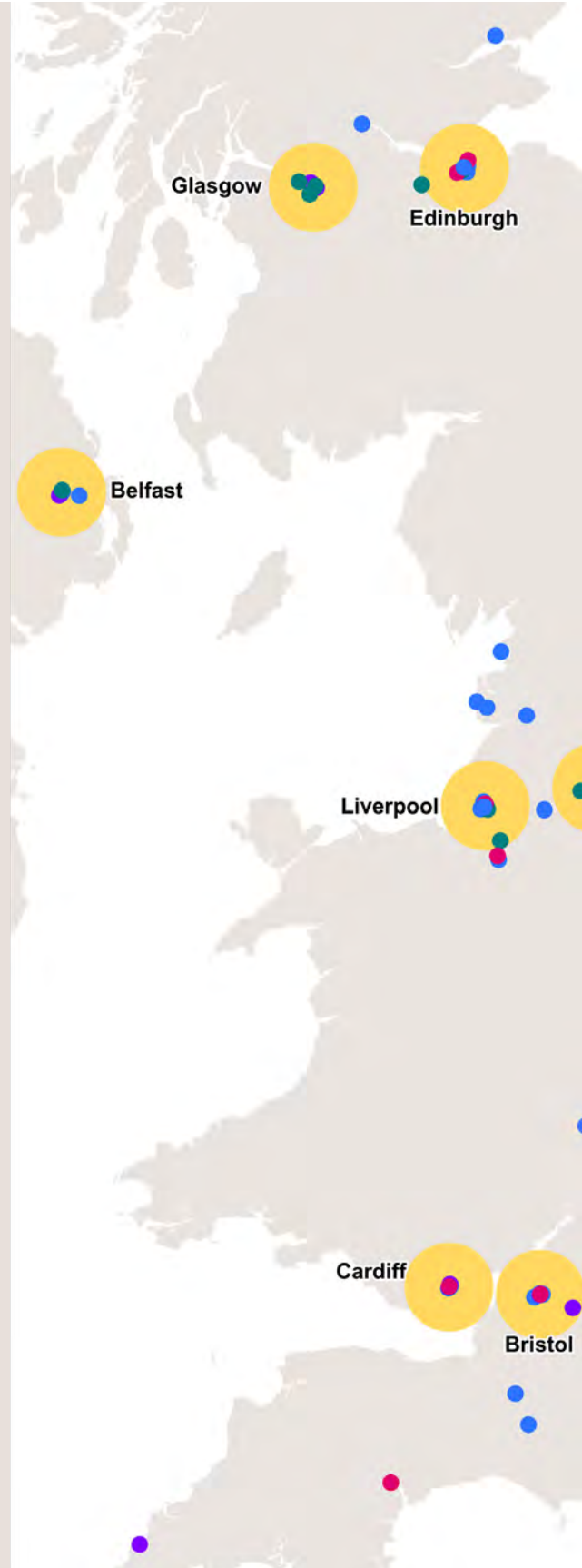
Does a paradox exist where a high quality environment is more appealing, but is not flexible when trends move on. Yet a cheap and flexible fit-out can be adapted, but lacks the same level of experience?

8 Differentiation

How do you stand out from the crowd with a unique offer? Crucial for both operators and landlords who need to avoid a situation where in a few years every scheme has a golf, VR and escape room.

9 Diversification

How can brands flex the offer to meet changing needs? Are there advantages to having more than one concept under one roof and being able to entertain for an entire evening?



Top 15 Cities

Provision is heavily weighted to the top UK cities

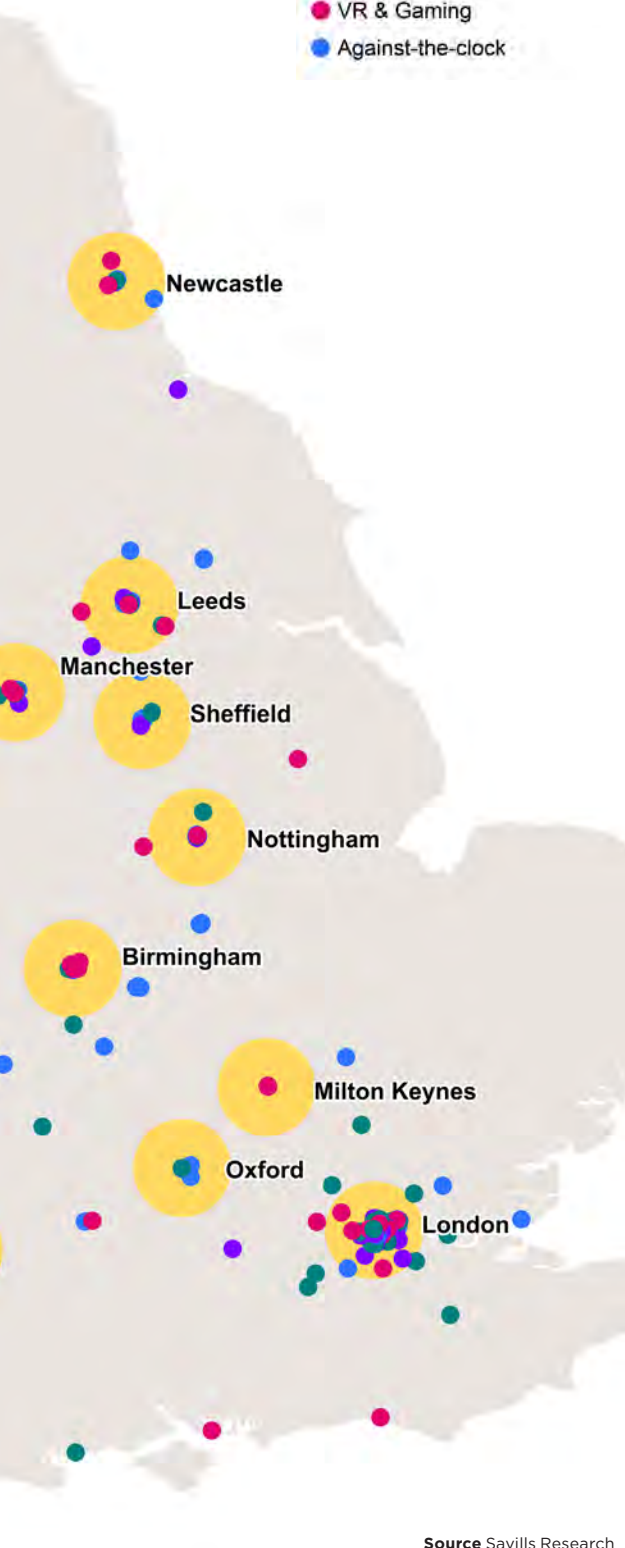
| | Market | Operators | | Market | Operators |
|---|------------|-----------|----|---------------|-----------|
| 1 | London | 91 | 9 | Nottingham | 12 |
| 2 | Manchester | 27 | 10 | Cardiff | 11 |
| 3 | Leeds | 18 | 11 | Glasgow | 9 |
| 4 | Birmingham | 17 | 12 | Sheffield | 8 |
| 5 | Liverpool | 15 | 13 | Belfast | 6 |
| 6 | Edinburgh | 14 | 14 | Oxford | 4 |
| 7 | Newcastle | 13 | 15 | Milton Keynes | 4 |
| 8 | Bristol | 12 | 16 | Leicester | 3 |

Source Savills Research

Find out more...

Competitive Socialising UK Locations

- Bar & Game
- Urban Mini Golf
- VR & Gaming
- Against-the-clock



Source Savills Research



Don't Forget Bowling

Bowling was around long before D2 space was even thought up, has always been on the fringes and is making something of a comeback with an increased quality of experience, more F&B and supplemented with a broader offer.

It still anchors 50% of leisure parks and 16% of in-town leisure schemes, so shouldn't this market narrative also include bowling?

Arguably there is no better example of competitive socialising and with 160 existing bowling lanes in the UK it remains the most mature leisure offer in the UK after cinemas. However, the traditional out of town bowling operation was grown out of the need for large cheap sites, but requiring a drive-to audience.

There is a clear advantage for operators with a smaller format to being able to take their offer into city centres where more Millennials go out with no need for a car. These boutique formats, spearheaded by All Star Lanes and Lane7 are redefining the bowling experience with a wet-led focus.

These disruptors are forcing the big players to up their game, and several of these are using the end of their leases to renegotiate deals with their landlords and often getting further capital contributions. This enables them to reinvigorate their offer with a refit and diversify to include other formats of competitive socialising, such as the addition of mini golf in some Hollywood Bowl venues.

The upshot is that we will see a higher quality of experience across the country as a consequence.



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Leisure Property Forum

The Leisure Property Forum is the leading property forum focusing exclusively on the wider leisure industry, bringing together leisure operators, landlords and consultants across the leisure sector. To find out more:

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