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Playing games:
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Retail Research Point of View

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point of view

In recent years, the list of places to go out for a night with friends includes a growing number of off-the-wall options. From throwing axes and playing Ping-Pong to solving murder mysteries and entering alternate virtual realities, new competitive socializing concepts are expanding in both urban shopping streets and suburban centers.



Landlords, eager to create excitement and drive traffic to their centers, are cautiously optimistic about this new crop of concepts. While video game arcades and entertainment center revenue in the United States is forecasted to grow only slightly at an annualized rate of 0.8 percent through 2023, according to IBISWorld, we believe competitive social concepts are positioned for stronger growth. They often look quite different from arcades, rely more heavily on food and beverage sales to earn their profits and offer experiences that, unlike video games, cannot be replicated at home.

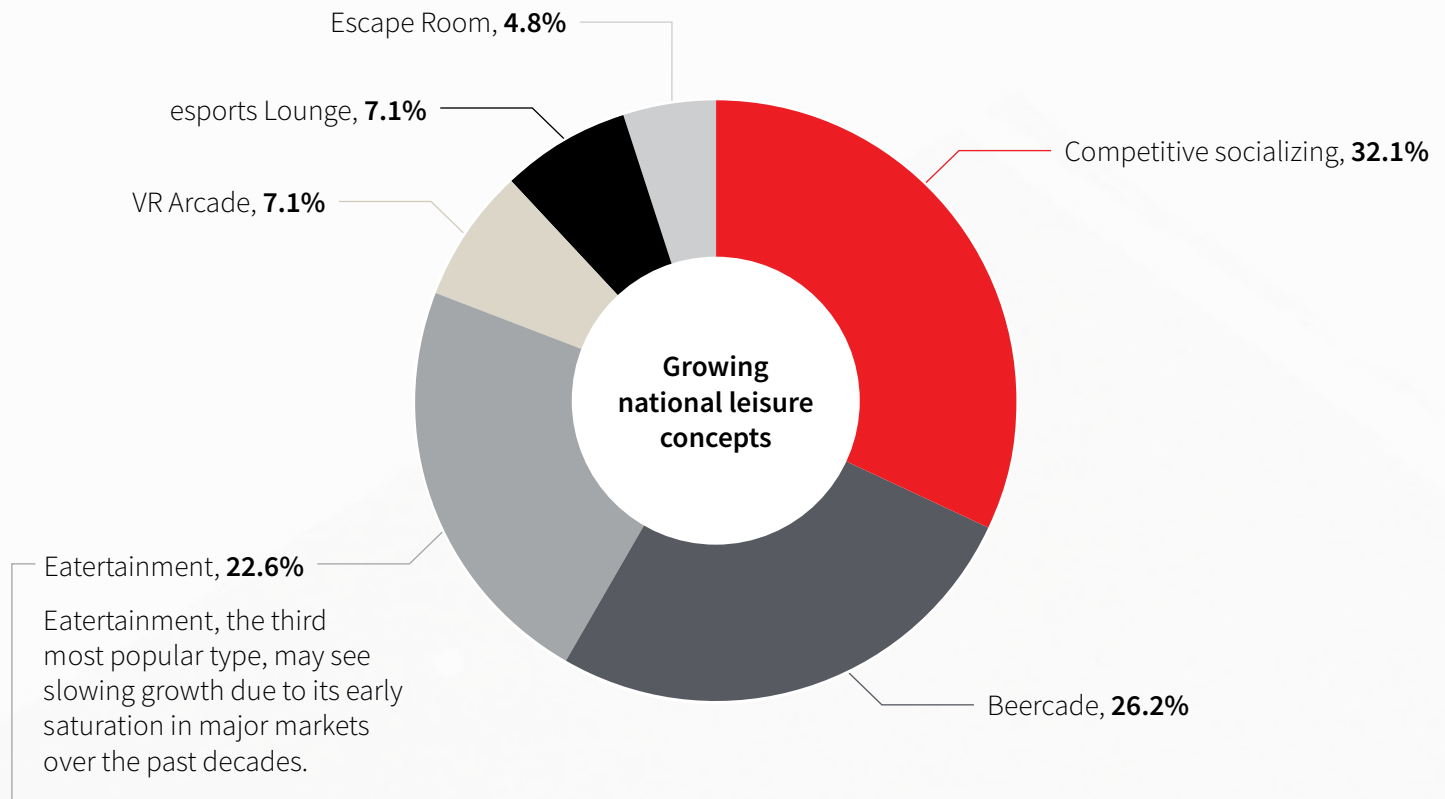
This report is a first step in understanding the competitive social landscape. What are these concepts? Who are they meant to appeal to? Where are they opening locations? For this study we identified 84 leisure tenants with over 600 locations across the U.S. and clustered them into seven distinct groups.

Type	Definition	Example(s)	Avg. size (s.f.)
Competitive Socializing	Single-game activities like mini golf, darts or Ping-Pong, usually with food and adult beverages	Bad Axe, Punch Bowl Social, SPiN, AceBounce	15,685
Beercade	A wide range of craft beers on tap and assortments of vintage arcade games that often cultivate feelings of 80s and 90s nostalgia	Barcade, 16 Bit Bar+Arcade, Headquarters Beercade, Emporium	6,944
Eatertainment	Multiple games and experiences under one roof with a blend of food and drinks that often caters to all ages	Dave & Buster's, GameWorks, Pin Stripes, FTW	37,474
VR Arcade	Spaces with virtual reality headsets and gaming stations for people to experience computer-generated worlds	VR Junkies, Digital Reality Games, Head Games VR, Lucid VR	2,174
Esports Lounge	A community for gamers to come together to play online games like "League of Legends," "Overwatch" and "World of Warcraft"	PLAYlive Nation, Meltdown Bar, Howie's Game Shack, Ignite Gaming, Gameyard LLC	10,108
Escape Room	Dedicated rooms where players must solve a series of puzzles and riddles using clues, hints and strategy	Escape Reality, Boda Borg, Breakout	10,428

Competitive socializing and eSport lounges are growing in popularity

Competitive socializing concepts like Punch Bowl Social and Bad Axe have become the most popular leisure tenants in the U.S. market, overshadowing more well-known eatertainment concepts like Dave & Buster's. These kinds of tenants are taking 32.1 percent of the leisure market.

Today, esports lounges only make up 7.1 percent of leisure tenants in the U.S., but we expect their numbers will grow. Improving technology, better graphics and the low cost of entry of online gaming will help eSports attract more players and spectators. According to WePC, the video game market is expected to be worth over \$90.0 billion by 2020.



playing games

More than half of leisure tenants locate on urban retail corridors and 70.4 percent of them are beercafe and competitive socializing establishments. These concepts take advantage of the smaller spaces that are generally found along urban corridors and they enjoy the proximity to nearby office workers looking for happy hour locations. On average, leisure concepts take 10,820-square-foot spaces along urban corridors.

Eatertainment and competitive socializing tenants are largely in freestanding retail spaces. We found eatertainment establishments average 37,000 square feet, while the size of competitive socializing establishments is approximately 16,000 square feet. Due to the nature of the business, both concepts require more capital and need more space for amusements such as bowling alleys, pool tables and arcade games. In addition to gaming, both of these concepts have a full-service restaurant, which requires additional space.

Few leisure concepts are choosing to locate in malls, apart from Dave & Buster's and Round One, which have been backfilling vacant anchors. About 2.0 percent of esports lounges and VR arcades are taking mall space, but as these concepts continue to expand in the U.S., more may choose to locate within malls to capitalize on the existing foot traffic.



Image Source: Puttshack, London



Image Source: TopGolf, Alpharetta, GA

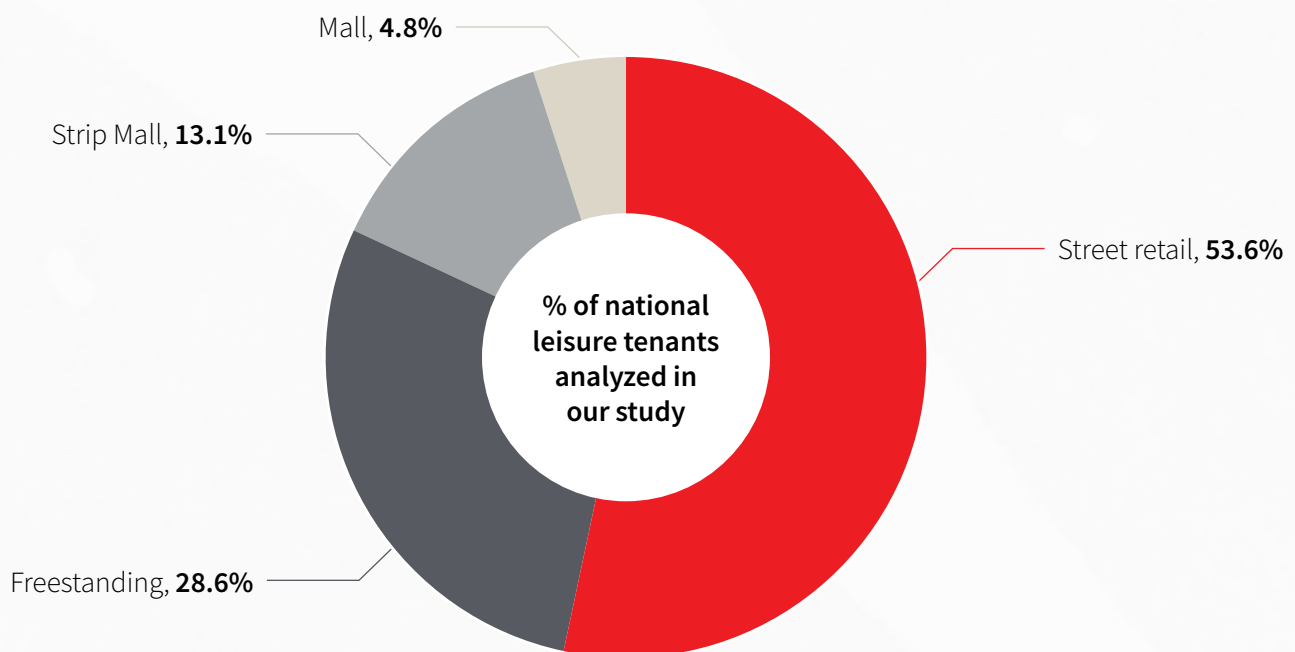




Image Source: Barcade® Philadelphia, flickr.com

Competitive Socializing

Competitive socializing locations are organized around a single game and generally offer an elevated food and beverage program. Activities include shuffleboard, Ping-Pong, bowling or darts. Activities are central to the experience and blend with the F&B offerings to create a lively, social environment, appealing to a largely millennial base. Many of these establishments are open for a late-night crowd and are exclusively for those over the age of 21.



Image Source: Shutterstock

Case Study

Bad Axe Throwing

Bad Axe Throwing brings a traditional Canadian backyard to urban settings. The concept first opened in 2014 in Burlington, Ontario, then expanded to over 20 urban markets across Canada and the U.S. Bad Axe Throwing has recently opened in Colorado Springs, CO; Richmond, VA; and Syracuse, NY. The proposed Kansas City, MO, location is expected to open in 2019 and will be one of the largest to date, with over 6,000 square feet.

Beercades

Beercades offer quality craft beer selections, good food (upon which most of their profitability relies), and vintage arcade games. Initially, the target audience was nostalgic older-millennials and Gen Xers who grew up playing “Pac-Man,” “Space Invaders” and “Street Fighter”. But now a new generation of patrons are interested in the social environment and retro games that beercades provide.

Most beercades are in neighborhoods with an established bar scene, capitalizing on existing visibility and foot traffic. Beercades are popping up in major markets across the U.S. and are independently owned.



Image Source: Barcade® Brooklyn, flickr.com

Case Study

Barcade

Barcade is one of the first beercade concepts and opened in 2004 in Brooklyn. There are six locations in the tri-state area and two locations under construction in Los Angeles and Detroit, with more in planning stages. Barcade has a wide selection of games from the early 1980s to the early 1990s and generally has between 40 and 60 games to choose from at a time.

Image Source: Shutterstock



Eatertainment

Arcades or sports-themed games are at the core of entertainment's value. Locations adjust their offerings throughout the day to appeal to various audiences. Daytime operation mainly caters to kids or corporate events while some concepts, like Dave & Buster's and GameWorks, run into the evening with restricted 21+ access.



Image Source: Shutterstock

Case Studies

Dave & Buster's

Dave & Buster's has maintained a national presence for over 30 years with more than 100 locations across the country. Due to its longevity in the market, Dave & Buster's has established itself in primary and secondary markets and has plans to expand to tertiary markets with 11 new locations.

The Rec Room

The Rec Room is Canada's rapidly expanding eatertainment concept, owned by Cineplex Entertainment. It first opened in 2016 in Edmonton and has expanded to four other locations across Canada with four additional locations opening this year. Each location has Canadian-inspired cuisine, virtual reality experiences, a hall that hosts live entertainment, and video and redemption gaming.



Image Source: The Rec Room



Image Source: The Rec Room



Image Source: Shutterstock

VR Arcades

The buzz surrounding virtual reality gaming has enticed consumers into VR arcades that allow people to immerse themselves in computer-generated worlds. VR technology has been slow to take off for home-use because of high-priced headsets and lack of space for a full-scale, immersive experience and as a result, people are flocking to these arcades to try out the technology. On average, VR arcades take up a fraction of the space the other leisure concepts require, at about 2,170 square feet, and often only offer two to three experiences at a time.



Image Source: Shutterstock

Case Study

VR Junkies

The games at VR Junkies come from developers all over the world. It is the holder of the largest collection of licensed virtual reality games. VR Junkies opened its first location in West Valley, Utah, and has 12 locations across the U.S. and one international location in Auckland, New Zealand. The company started in malls but has recently expanded to street retail.



Image Source: GameWorks

Esports Lounges

Gamers have been called, perhaps unfairly, “basement dwellers” but esports may be changing that. esports lounges allow players to compete in a physical space with other gamers. esports lounges are the fastest-growing concept, with an existing 149 locations and at least 15 in the pipeline for 2019. Popularity for esports has grown thanks to easy accessibility, the rise of technology and improving gaming graphics. The act of watching people play trending games like “Overwatch,” “League of Legends,” “World of Warcraft” and “Dota 2” has also grown in popularity, and esports lounges provide a social setting in which to do this. Additionally, these lounges allow people access to a fully equipped gaming desktop through various membership plans.



Image Source: GameWorks

Case Study

PLAYlive Nation

PLAYlive Nation has become one of the largest gaming center chains in the U.S. Each location has high-end gaming stations and a large library of games to choose from. Most are situated in malls or power centers and double as a store where general gaming merchandise is sold. The first PLAYlive Nation location opened its doors to the public in 2011, and there are 109 locations nationwide. An additional 61 locations are expected to open in 2019. Cities included in the expansion are Portland, San Diego, Houston and Sacramento.

Escape Rooms

Escape rooms were first established in 2010 and stem from “escape-the-room” games where groups must work together to solve clues. Each room is theatrically staged to create the ultimate Instagram post, and the need to share these experiences over social media has propelled the growth of escape rooms. Escape rooms have appeal for corporate bonding activities and for birthday parties. Markets like Los Angeles have seen marketing partnerships with films such as Jack Reacher, Tomb Raider and Jumanji.



Image Source: Shutterstock

Case Study

Escape Reality

At Escape Reality, escape room games are movie-inspired, with rooms themed around pirate adventure, Alice in Wonderland and science fiction dystopia. The franchise started in the United Kingdom and expanded to 15 international locations, with two U.S. locations in Las Vegas and Chicago. Escape Reality is opening four other locations in the U.K. and is looking for partnered expansions into these countries: Canada, Denmark, France, Germany, Ireland, Italy, Netherlands, South Africa, Spain and Sweden.



Image Source: Shutterstock

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