

ESPORTS VENUES

FROM THE BACKGROUND INTO THE LIMELIGHT

Status quo & outlook on a strategic growth area



PROFESSIONAL SPORTS VS. SHOOTER GAMES
YOUTH & POP CULTURE VS. NICHE TOPIC
LONG-TERM PHENOMENON VS. SHORT-TERM HIGH
ALONE IN FRONT OF THE SCREEN VS. STADIA & ARENAS

eSports: loved by some and mocked and/or not understood by others. eSports polarizes. And at the same time, eSports is pushing more and more into the middle of society and out of the basement and kids rooms onto the biggest stages of the world. Reason enough to take an objective and systematic look at home of electronic sports - eSports Venues

The eSports market is booming worldwide – even in Europe! Almost every day we read new success stories about increasing numbers of gamers and eSports enthusiasts, big brands entering the market as sponsors or investors, growing media coverage and new platforms as well as even more and even bigger eSports events.

But what about the real estate infrastructure to give this mega-trend a suitable home in the long term? What kind of real estate does eSports need for its various events, which requirements do the various event types have for the event location and what are major challenges and opportunities for the future?

This white paper is dedicated to these questions in order to shed light on a topic that is still hardly noticed in Europe but both is essential for the further development of eSports and offers great opportunities for the development and operation of real estate with eSports or gaming-related usage due to the predicted sustained growth of eSports.

The aim of this white paper is not to communicate another personal opinion or subjective feeling in order to fuel the hype without reflection. It is rather to discuss the topic of eSports Venues systematically and objectively with regard to its current status and future perspectives. For this purpose, it is necessary to clearly define basic terms in order to clarify or avoid misunderstandings, misinterpretations and myths that occur again and again. Based on this, we have developed an initial typology for eSports events in order to take into account the diversity of the market and the correspondingly different requirements for real estate with eSports- or gaming-related use - so-called **“eSports Venues”**. We have deliberately avoided any form of checklist, ranking or manual in order not to give the impression of a “blanket solution”. It is more important to us to use objective figures and practical best cases to point out possible solutions that fit to the individual character of each venue project.

Our thanks go to all the experts from the various stakeholders in eSports who have shared their knowledge with us. They all help us to look at the topic from different perspectives, to draw a holistic picture and thus provide an impetus for the development of successful eSports Venues that meet the needs of owners, users and visitors.

We are looking forward to many exciting discussions about the home of electronic sports – the eSports Venues.



Tristan Schmedes
Drees & Sommer, Team Sports and Entertainment,
Manager eSports



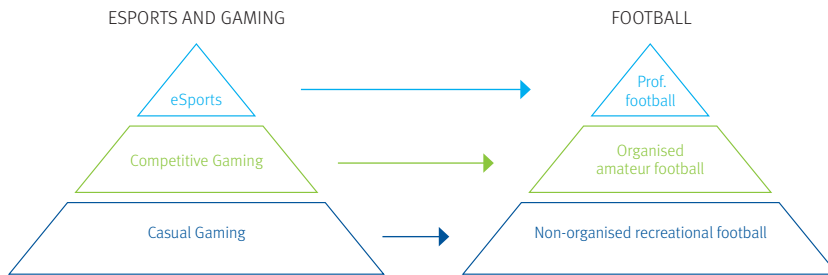
Dr. Nicolas Gaede
Managing Partner CSIGHT

ESPORTS IN EUROPE – MARKET OVERVIEW & GROWTH POTENTIAL

“The term **eSports** refers to “the competitive playing of video or computer games, especially on computers and consoles, according to defined rules”.

Source: ESBD 2018

In the context of the term eSports, a distinction must be made according to the level of professionalisation between casual gaming (the “popular sport”), competitive gaming (the “ambitious amateur sport”) and eSports (the “professional sport”):



Analogy to the structuring of the phenomenon of eSports and Gaming

The global turnover of professional electronic sports through e.g. sponsoring, media rights, ticketing, merchandising as well as prize money and so called publisher fees amounted to over **1 billion** USD for the first time in 2019. Compared to the previous year, this represents a growth of more than **26%**.

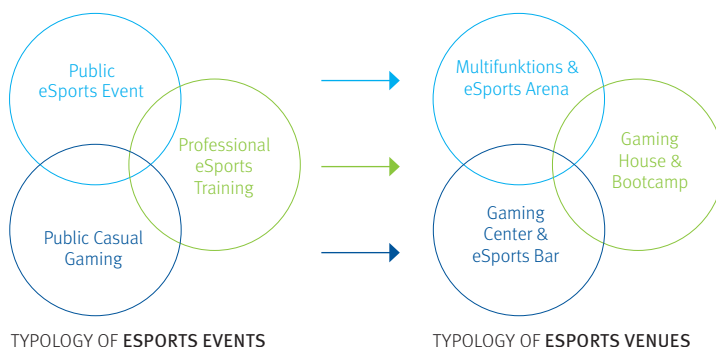
The market growth is mainly due to the constantly growing gaming and eSports community. For example, the eSports audience worldwide has increased by more than **30%** in the past two years to over **450 million** in 2019. This number is expected to rise to almost 645 million by 2022.

In 2019, the **European** eSports market accounted for more than EUR 300 million, only under a third of global sales. **However, sales in Europe have increased by an average of more than 20% per year in recent years as well.**

Neither in Europe nor worldwide is there expected to be any significant change in the development of sales and audience over the next five years - instead, growth is expected to remain above **20%** per year.

In comparison to the classic sports, it must be noted that eSports in Europe is still at the beginning of a very promising development of its sales and spectator numbers. The quality and quantity of real estate with eSports or gaming use, so-called “**eSports Venues**”, therefore is still in its infancy and thus represents an interesting field of action that needs to be examined more closely.

eSports Venues can be divided into three types according to the users from eSports and and their events. Each individual type is briefly introduced on the following pages.



EVENT TYPE “PUBLIC CASUAL GAMING” – VENUE “GAMING CENTER & ESPORTS BAR”

As the developments in the leading gaming markets South Korea, Japan, China or the US show, the cliché of the young nerd who prefers to play computer games alone at home, online and without social connection is in many respects outdated. In fact, it is becoming more and more apparent that gaming is pushing into the middle of society and gamers like to meet in specially designed facilities to either play actively together or just watch other gamers or eSports professionals playing.



Typology of eSports Venues for
Public Casual Gaming

Often these concepts are enriched with food and beverage offers in order to offer visitors a long and comfortable stay. Depending on the focus of the concept, we speak of “**gaming centers**” (with a focus on active gaming) or “**eSports bars**” (with a focus on gastronomy and passive eSports consumption).



Quelle: <https://www.fortressmelbourne.com>

The analysis of the current situation shows that the European market, and the German market in particular, is undersupplied in terms of venues for public casual gaming.

An example from Australia shows in which direction the European market can develop. After its opening this year, the **Fortress Melbourne**, developed and operated by the leading eSports entertainment company Allied Esports and planned by the renowned architectural firm populous, will offer an event area for 200 spectators, more than 160 PC stations for teams and individual players, console gaming rooms, arcade gaming and two eSports bars on an area of almost 2,700 square meters.

” North America and especially Asia, Europe are miles ahead. Even other European countries are ahead of the German market.

Dorian Gorr, Managing Partner,
Veritas Entertainment

It turns out that the biggest challenge in the conception of GAMING CENTER & eSPORTS BARS is the choice of location. Other key aspects for developments in this market segment are the following:

- Gaming Center & eSports bars must and will move to the centers of cities and metropolitan areas, just as gaming is moving into the center of society.
- Creative and target group-oriented event concepts must address the needs of the Generation Y & Z.
- Structural consideration of the specific gaming and event requirements elementary
- Technical equipment not as a “pure necessity”, but as a differentiation and decisive success factor
- Design and architecture with a high priority to appeal to a wide audience and ensure branding
- Addition of individual conspicuous modules to upgrade the facility reasonable

” The number of gaming centers and eSports bars is extremely limited.

Martin Müller, Vice President,
eSport-Bund Deutschland

EVENT TYPE “PROFESSIONAL ESPORTS TRAINING” – VENUE “GAMING HOUSE & BOOT CAMP

With growing sales, the entry of well-known investors and sponsors as well as the lateral entry of experts from the classical sport into eSports, not only the number and size of active eSports organisations but also their degree of professionalisation is constantly increasing. In the course of professionalization, the organizations or “clans” increasingly use facilities where training and club operations take place at a professional level under one roof.

If such a training facility is used exclusively by one clan, it is generally referred to as a “gaming house”. In addition to the dedicated facilities, the market is now offering the first fully equipped eSports Venues to be rented on a temporary basis. In such independent facilities, so-called “boot camps” or performance centres, both eSports professionals and amateur players can train regularly under optimal training conditions or prepare specifically for upcoming competitions.



Typology of Professional eSports Training Venues



Source: <http://www.movistarriders.gg/movistaresportscenter/>

The current situation of the supply of Training Facilities in Europe shows that here the demand is not sufficiently covered, too. From the experts’ point of view, there is a need for high-quality team-owned facilities as well as independent boot camps or performance centres.

An example of a well designed training facility is the Movistar eSports Center in Madrid.

The club-owned facility of the Movistar Riders consists of four different training rooms, high-quality lounges and changing rooms, a merchandising store and event stage.

In addition to the requirement for optimal training conditions, the topics of branding, content production and location must be taken into account when developing suitable training facilities. Further learnings in this market segment are:

- The involvement of fans must not be neglected and the gaming houses should be opened to the public in order to exploit further economic potential
- Creative venue concepts include modular room plans, guarantee minimum technical requirements and offer eye-catching content production options
- The design of the venues must also reflect “who is at home here” (brand architecture)
- To guarantee optimal training conditions for maximum sporting success is and remains the ultimate goal

“A good training facility is also characterised by the fact that you can integrate partners, the facility is open to the public and all this can be marketed in a media-effective manner.

Michael Gohlke, Head of Events, G2 Esports

“We regularly have to rent training facilities in other European countries because the supply of suitable training facilities in Germany is qualitatively and quantitatively insufficient.

Jan Domenicus, Chief Business Development Officer, mousesports

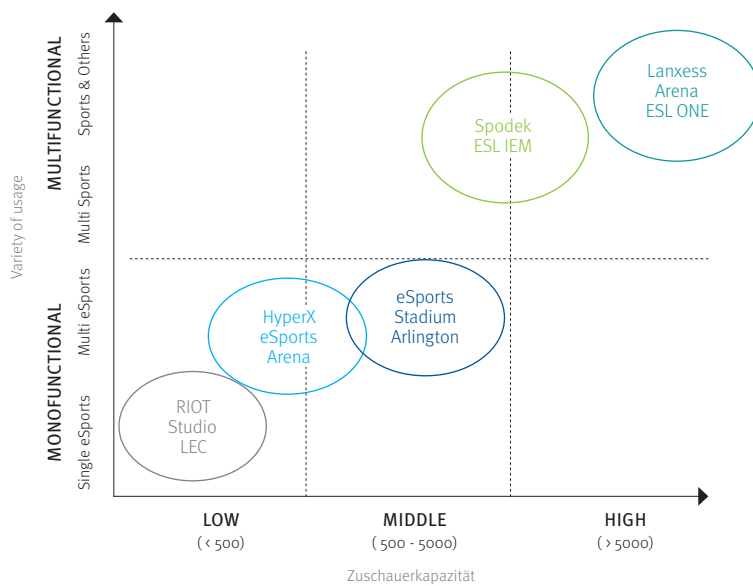
“With regard to branding, the constant reference to our core product football and our home, the Volksparkstadion, is very important to us.

Marleen Groß, Head of Brand & Marketing HSV Fußball AG, person responsible HSV eSports

EVENT TYP “PUBLIC ESPORTS EVENT” – VENUE “MULTIFUNKTIONS- & ESPORTS ARENEN”

The type of public eSports events basically refers to events in which eSports professionals or ambitious amateur athletes compete against each other in front of a public audience in an organized setting.

As with any type of live event, small, medium and large events must be differentiated according to the number of spectators to be expected. Depending on this target size, the venues to be used must be selected. Furthermore, a distinction must be made between mono-functional eSports arenas and multifunctional facilities.



” Even if we disregard the number of titles, it quickly becomes clear that there is currently a growing number of, but still very few, major eSports events.

Chris Hana, Founder and Publisher, The Esports Observer

Typology of Public eSports Event Venues

The analysis of the current state in this segment shows that the well-known major eSports events with more than 5,000 spectators worldwide, but especially in Europe, are the exception. Accordingly, the questioned experts are - in terms of quantity - satisfied with the existing range of classic multifunction arenas.

From a broader perspective, there is a different picture of significantly more events with significantly lower spectator numbers, which should accordingly take place in smaller venues with a capacity of 500 - 5,000 spectators. There is definitely a relevant number of events here already today, which will continue to increase in the future and so far has not been offered enough multi-functional or monofunctional venue solutions in Europe

A good example of such an eSports venue, again, can be found overseas. The HyperX Esports Arena which is located in Las Vegas, offers the opportunity to host events with almost 1,000 spectators on more than 2,700 square meters. The concept of this monofunctional eSports Venue from Allied Esports also includes gaming stations, streaming possibilities and VR applications.

The requirements of the industry for venues to host Public eSports events can be differentiated depending on the arena type (multi-functional or mono-functional). While multifunctional arenas primarily require high-quality technical equipment and the greatest possible flexibility, monofunctional venues are faced with the challenge of developing a sophisticated strategic plan that includes the widest possible range of additional offers adapted small and medium-sized eSports events. Such hybrids represent a concept for the future of this highly sought-after segment.

” Above all, there is a lack of dedicated, small and medium-sized locations with spaces for eSport events designed to meet the special requirements of eSports.

Oliver Redelfs, Full Metal Gaming

” The availability of more, larger and high-quality projections in the entire arena must be created.

Ralf Reichert, CEO ESL Events

” Especially with the small event locations, more and better equipped facilities are required.

Moritz Altmann, Head of eSports, Lagardere Sports

5. KEY MESSAGES & TAKE AWAYS

- › The eSports market impresses with relative growth.
- › Absolute sales figures must be handled with care and set into relation.
- › Despite its steady growth, the European eSports market is lagging significantly behind the Asian and US market and is nevertheless or precisely because of this highly attractive for future investments.
- › It is often not yet clear what exactly is being said when talking about eSports, the eSports market and the corresponding eSports venues. Important basic work still needs to be done here. This article therefore offers a first systematization.
- › There is not one market segment for eSports or gaming-used real estate, so-called eSports venues, but 3 different venue types according to the different applications:
 - Event Type “Public Casual Gaming” – Venue “Gaming Center & eSports Bar”
 - Event Type “Professional eSports Training” – Venue “Gaming House & Boot camp”
 - Event Type “Public eSports Event” – Venue “Multifunctional- & eSports Arena”
- › Looking at the venue type of Gaming Centers and eSports Bars, Europe lacks facilities with attractive locations in the city centers, creative usage concepts as well as structural and technical state-of-the-art solutions for the specific requirements and usage behaviour of the constantly growing target group, especially from generations Y & Z.
- › For venues for Professional eSports Training, the future will be to make the facilities accessible to the public, to integrate new usage concepts (e.g. own content production, merchandising etc.) and to implement high-quality brand architecture in order to contribute to the successful branding and commercialization of the venue. while still ensuring optimal training and working conditions for athletes and employees.
- › Venues for Public eSports Events are fundamentally differentiated according to its usage concepts (multi-function vs. single function) and their capacities (small, medium, large). There are very different challenges for future design:
 - Major events primarily take place in multifunctional arenas. There are enough of them for the limited number of events in Europe so far, but the concepts and technical equipment have to be adapted to the needs of the users. This applies in particular to the festival character of the major events and the possibility of technical projections.
 - In the future, an increasingly number of small and medium-sized eSports events will take place in dedicated eSports facilities, which either house different event formats of different titles and organizers or act as “home venues” for a single eSports organisation.
- › Hybrid Venues, which systematically and flexibly combine the various venue types and uses, can be assessed as very promising in terms of economic use. At the same time, however, as specialization advances, special concepts for individual high performers in industry will develop.
- › Crucial for the conceptionally and economically successful further development of the European eSports Venue landscape is a strategic and holistic approach based on a combination of deep eSports industry knowledge, an understanding of user needs, an overview of current market developments as well as expertise in conception, design and implementation of complex real estate projects.



ABOUT THE AUTHORS

CSIGHT

CSIGHT is a strategic management consultancy in the sports and entertainment business with a focus on innovation and growth topics such as esports, Smart Stadium, virtual advertising, investor support as well as target group-specific marketing concepts and strategic sponsoring planning. The advice is always independent and individual, based on real insights gained through many years of practical senior management experience in the international sports business. CSIGHT follows the consulting approach of achieving the project goals of its partners under the aspect of economic efficiency and realising sustainable competitive advantages.

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Drees & Sommer

The leading European consulting, planning and project management enterprise, Drees & Sommer has supported private and public clients and investors for almost 50 years in all aspects of real estate and infrastructure – both analog and digital. The company's 3,700 employees in 43 locations around the world work in interdisciplinary teams to provide support for clients from a wide variety of sectors. All the services provided by the partner-run company take into consideration both economic and ecological concerns. Drees & Sommer calls this holistic approach 'the blue way'.

The Sports & Entertainment team takes a holistic approach to putting sports projects on track for success: The industry experts share their customers' enthusiasm. But at the same time, they approach the projects with objective detachment, providing rational arguments and substantiated results.

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MISSION STATEMENT

Together, Drees & Sommer and CSIGHT support organizations from the eSports and gaming industry as well as companies from the real estate industry in evaluation, design, implementation and operation of real estate with eSports or gaming use. With our customers, we prepare the spatial basis for the outstanding performance of eSports professionals as well as amateur and leisure gamers. In the end, in addition to unforgettable live experiences for the fans of electronic competition, we ensure an economically successful eSports Venue.