

GREATER LA & OC

Play to Win: The Rise of Video Games & Esports in Greater Los Angeles & Orange County

REPORT

CBRE RESEARCH
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CBRE



Key Findings

The Sector

Gaming is a fast-growing and rapidly changing sector that is creating strong demand for commercial real estate across asset classes.

2.7B

people across the world play video games

5.0%

global user-base increase year-over-year due to the pandemic.

\$1.0B+

Revenue expected to generate globally by Esports in 2021

\$1.6B

Revenue expected to increase globally by Esports in 2024

347%

Professional Esports teams globally has increased since 2010

~380K SF

Esports venue space completed construction in U.S. since 2017

126K SF

Arena space expected to complete construction in 2021 and beyond

The Region

The Greater Los Angeles/Orange County region of Southern California is one of the dominant hubs of gaming content creation and esports.

3.1M SF

GLA/OC office space for game developers & publishers in 2020

68%

Footprint growth in the last 5 years



GLA/OC has several video game companies headquartered in the region, including Riot Games (makers of League of Legends) and Activision Blizzard (creators of Call of Duty and World of Warcraft).

60

Esports teams are active in North America as of 2021

16

Esports teams are active in GLA/OC as of 2021

6/10

Esports teams by value are headquartered in the GLA/OC region.

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Section 1: The Global Video Game Landscape
The video game industry has quickly evolved over the last four decades, growing into a media empire rivaling film in revenue. In this section, we explore the industry's recent growth, its user-base, and revenue generation on a global scale.

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Section 2: The Shape Of GLA/OC's Video Game Landscape
The GLA/OC region of Southern California houses an impressive tech and media presence with video game developers and publishers taking up a sizeable amount of regional office space. Here, we examine the amount of space these companies occupy locally and highlight the biggest companies that call the region home.

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Section 3: Esports
Competitive gaming has exploded in popularity in recent years, emerging as a near-billion dollar industry in 2020. In this section, we take a closer look at how many teams exist globally, regionally, and the opportunities Esports creates for commercial real estate.



01 — The Global Video Game Landscape

Video games have come a very long way since their inception. They started as a curio among electrical engineers who used repurposed military equipment to make dots move across radar screens. Soon, games like Pong and Pac-Man had become cultural phenoms. The video game industry has been moving at a breakneck speed over the last forty years, and it has become a major pillar of the entertainment consumed. Much of the sector’s growth is centered in Southern California, creating strong demand for regional commercial real estate. This paper will explore how the sprawling video game industry has influenced the commercial real estate landscape of the Greater Los Angeles and Orange County (GLA/OC) region, the expansion the industry is making into competitive sports, and the opportunities this new venture presents for the region and beyond.

How Big is Video Gaming on a Global Scale?

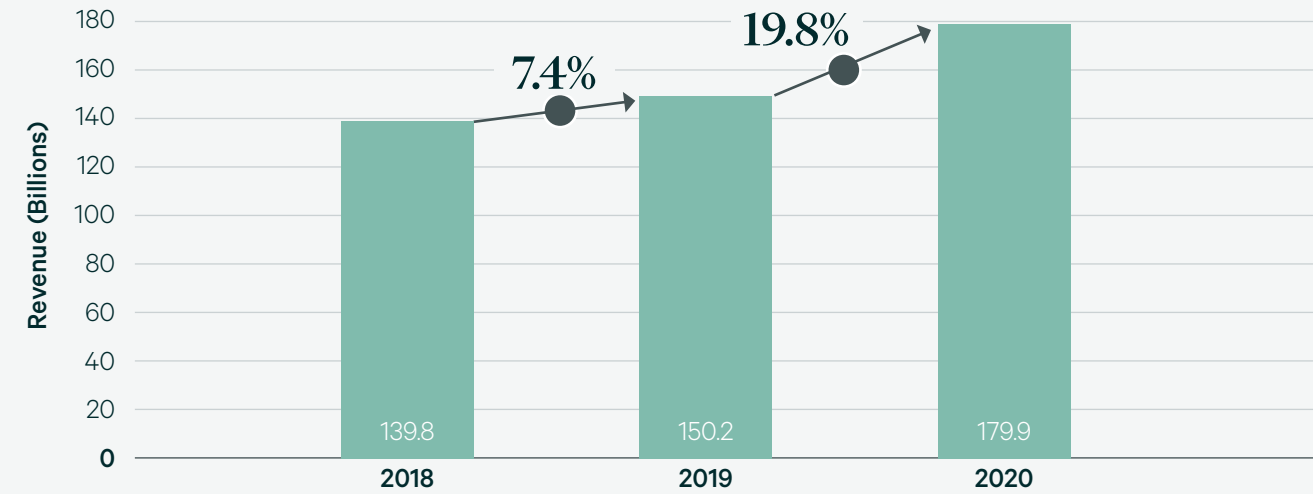
Video games are far from a niche industry: according to data from industry data provider Newzoo, as of 2020, approximately 2.7 billion people, or 35% of the world’s population, play video games on one or more platforms. With large swathes of people forced to stay home to avoid spreading the Coronavirus over the last year and a half, many people turned to streaming video on demand (SVOD) and video games to pass the time, resulting in the user-base increasing 5% from 2019 to 2020.

Video gaming also wields significant and growing economic power. In 2020, global video game revenue increased 20% year-over-year to \$174.9 billion¹. That is more than the \$100 billion in revenue generated by the global film industry in 2019² and greater than the \$75 billion brought in by American professional sports.³

As the appetite for games increases, so too does the number of games published each year. Steam, a platform for games to be published digitally for PCs, recorded over 10,000 new games published on their platform--both professional and independent--in 2020. Though Steam does not account for sales of physical games, the volume of new releases each year is staggering compared to other forms of media."

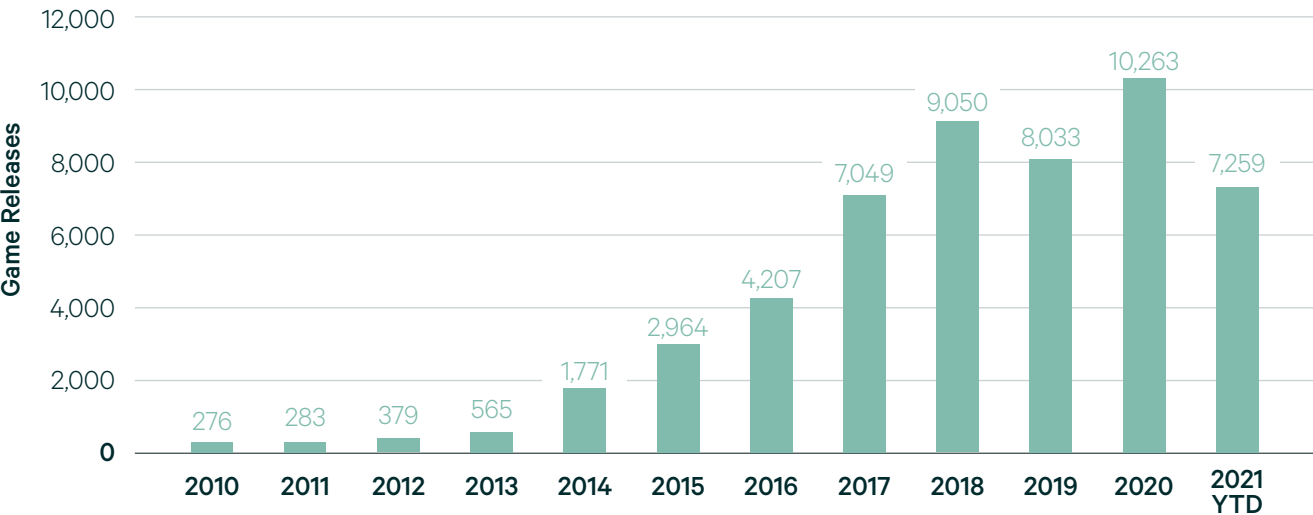
1. Source: International Data Corporation (IDC), 2021.
2. Source: Motion Picture Association of America (MPAA) 2020 THEME Report.
3. Source: PwC MoneyTree, 2021.

FIGURE 1: GLOBAL VIDEO GAME INDUSTRY REVENUE (\$/BILLIONS)



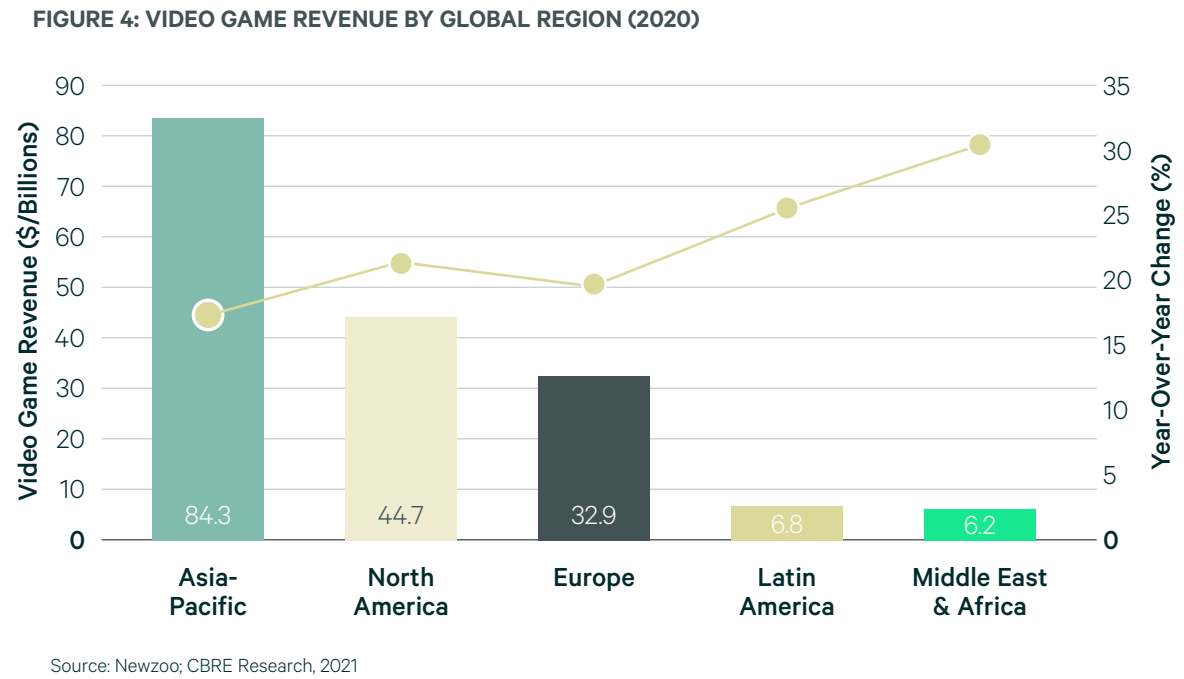
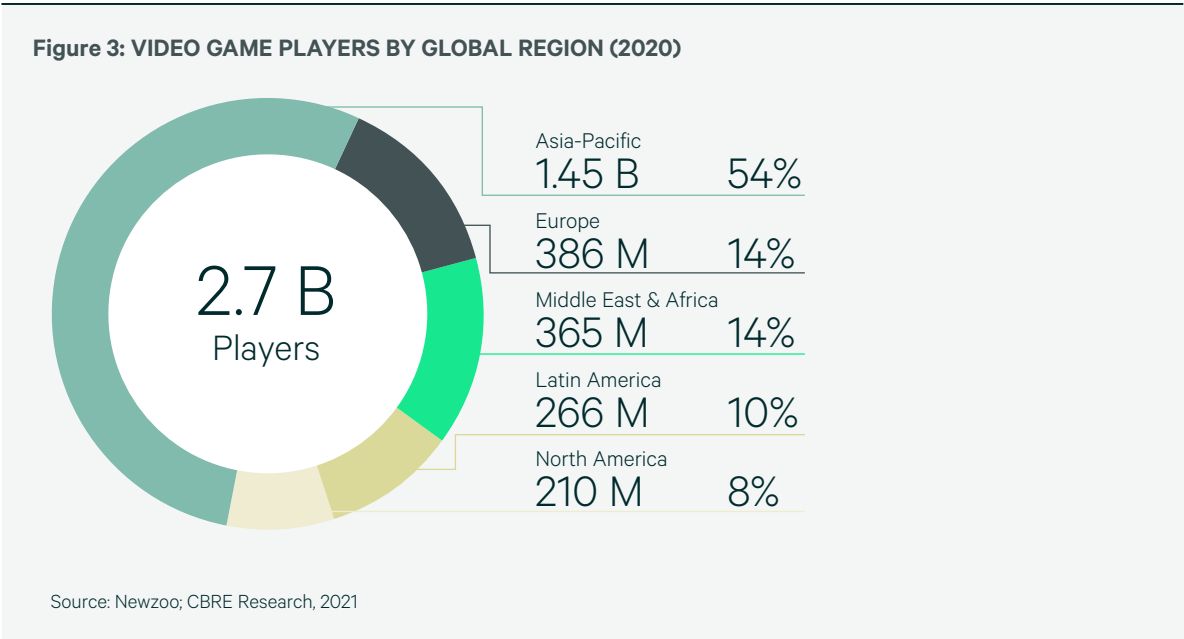
Source: International Data Corporation (IDC); CBRE Research, 2021

FIGURE 2: VIDEO GAMES PUBLISHED ON "STEAM" GLOBALLY BY YEAR



*Note: 2021 Data Through Mid-September.
Source: SteamSpy; CBRE Research, 2021.

Of the nearly 3 billion people who play games, Asia Pacific accounts for 54% of the global player-base. North America has a relatively small share of worldwide gamers, though despite its size, the region generates a considerable amount of revenue for the global video game market. In 2020, \$44.7 billion in revenue was generated in North America—or 26% of the global video game revenue that year. Due to a combination of more people playing games during the pandemic and the release of new console hardware toward the end of 2020, year-over-year revenue in North America increased by 21.4%.





02 ————— The Shape of GLA/OC's Video Game Landscape

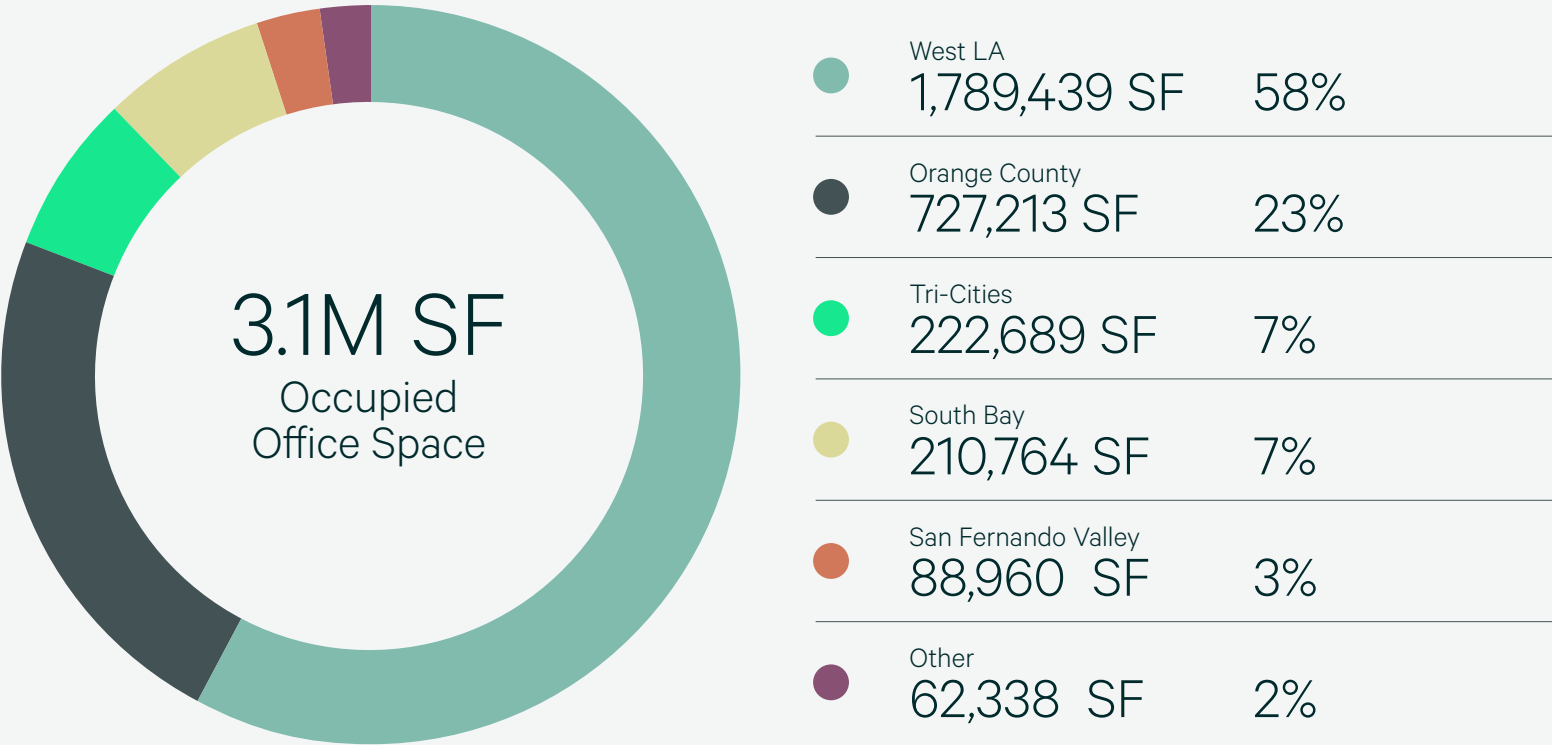
Commercial Real Estate

For more than three decades, the Greater Los Angeles/ Orange County region has been the center of a confluence between tech and media—leading to an ever-expanding industry focused on producing interactive entertainment with cutting-edge technology. The rich talent pool—coupled with the region’s long history as an incubator for emerging entertainment technologies—has positioned GLA/OC as the preeminent destination for the video game industry.

Tech and media companies occupy 22.6 million square feet of office space in the GLA/OC region, according to [CBRE’s 2020 GLA/OC Tech & Media Book](#). Video game developers and publishers comprise 3.1 million square feet—or 14%--of the regional tech footprint. As the industry continues to balloon in size and pressure mounts on developers to deliver the most cutting edge and graphically intensive games, the need for additional space has grown. It is estimated that the overall size of the regional video game footprint has grown by 68% in the last five years, according to leasing data gathered by CBRE.

The region’s video game footprint is primarily centered in West Los Angeles—a submarket that has long been a preeminent hub for tech and media companies. Of the 13.2 million square feet of office space in West Los Angeles occupied by tech and media firms, video game developers and publishers make up 1.8 million square feet—more than any other tech category.

FIGURE 5: VIDEO GAME INDUSTRY OCCUPIED OFFICE SQUARE FEET BY SUBMARKET (2020)



Source: CBRE Research, 2021.

By CBRE’s estimation, 142 unique video game developers and publishers reside in the GLA/OC region as of 2020. Some of the most prominent video game companies in the world, such as League of Legends developer Riot Games (778,000 square feet), and World of Warcraft and Call of Duty creator Activision Blizzard (750,000 square feet) are headquartered in the region. This pair of heavy-hitting companies are among the top 5 video game developers in the world by global revenue, pulling in approximately \$1.7 billion and \$8.1 billion, respectively, in 2020.

Video Game Company Spotlights



Name	Riot Games
Location	Santa Monica, CA
Headquarters	Santa Monica, CA
Submarket	West LA
Sq. Ft. Occupied	780,000
Revenue	\$1.7 billion (2020)
Year Founded	2006
Known For	League of Legends, Valorant

Headquartered in Santa Monica, CA, Riot Games has grown into one of the most profitable video game developers in the world in just fourteen short years. The company made its name with its breakout title, League of Legends, a game which popularized the ‘multiplayer online battle area’ (or MOBA) genre of games and spawned dozens of competitive Esports league across the globe—many of which Riot manages. Riot is spread out among 24 offices across the world with its largest office located in Santa Monica. In 2011, Chinese technology and media conglomerate Tencent purchased a 93% stake in the company for \$400 million. Today, Riot is a fully owned subsidiary of Tencent and continues to develop popular games, such as the recent free-to-play shooter Valorant.



Name	Activision Blizzard
Location	Santa Monica, CA / Irvine, CA
Headquarters	Santa Monica, CA / Irvine, CA
Submarket	West LA / Greater Airport
Sq. Ft. Occupied	750,000
Revenue	\$8.1 billion (2020)
Year Founded	1979 (Activision), 1991 (Blizzard Entertainment)
Known For	Call of Duty, Guitar Hero, Skylanders, World of Warcraft, Overwatch, Candy Crush Saga

Founded by former programmers from Atari, Activision has grown into one of the largest and most profitable video game companies in the world—spanning dozens of smaller studios under its umbrella. One of these is Blizzard Entertainment; the legendary creators of several iconic computer games of the last two decades, including World of Warcraft and the popular Esports platform Overwatch. The two juggernauts of gaming merged in 2008 after Activision purchased Blizzard’s parent company Vivendi Games. Today, Activision Blizzard is widely seen as the epicenter of the global Esports movement with many of its games used for competitive play.



Name	Sony Interactive Entertainment (SIE)
Location	Santa Monica, CA
Headquarters	San Mateo, CA
Submarket	West LA
Sq. Ft. Occupied	300,000
Year Founded	1993
Known For	PlayStation family of hardware

Up until the 1990s, the Tokyo-based Sony was synonymous with audio and visual technology. That all changed in 1995 with the debut of the company’s first foray into home video game hardware with the PlayStation, an ambitious CD-based gaming device aiming to upset a market that had, up until that point, been dominated by Nintendo and SEGA. Today, SIE is one of the leading developers of home video game hardware. Currently, SIE oversees the research and development of new hardware and manages developers and publishers for their platform.

Video Game Company Spotlights



Name	Electronic Arts (EA Games)
Location	Santa Monica, CA
Headquarters	Redwood City, CA
Submarket	West LA
Sq. Ft. Occupied	122,000
Revenue	\$5.5 billion (2020)
Year Founded	1982
Known For	Battlefield, The Sims, Mass Effect, Apex Legends, FIFA, Madden NFL

Electronic Arts was founded in 1982 by former Apple employees with a simple objective: elevate the designers and programmers by promoting them as “artists” who utilize an electronic canvas. More than three decades later, EA has grown much from its humble beginnings to become the second largest gaming company by revenue in the world. Today, the company has offices in GLA/OC and abroad with several more development studios under its umbrella. EA has found considerable success with its exclusive licensing deal with the National Football League (NFL) and the Fédération Internationale de Football Association (FIFA).



Name	Santa Monica Studio
Location	Santa Monica, CA
Headquarters	Santa Monica, CA
Submarket	West LA
Sq. Ft. Occupied	80,000
Revenue	\$80 Million (2020)
Year Founded	1999
Known For	God of War

Santa Monica Studio is a subsidiary of Sony Interactive Entertainment and develops content exclusively for the PlayStation family of hardware. The company is widely known as the creators of the God of War franchise and its Greek god-slaying protagonist, Kratos. Beyond God of War, the studio has a prolific history as an incubator for aspiring game creators and small independent studios by giving them a significant signal boost on the worldwide market.



Name	Insomniac Games
Location	Burbank, CA
Headquarters	Burbank, CA
Submarket	Tri-Cities
Sq. Ft. Occupied	67,000
Revenue	\$80 Million (2020)
Year Founded	1994
Known For	Spyro the Dragon, Ratchet & Clank, Marvel's Spider-Man

Like Santa Monica Studios, Insomniac Games is a subsidiary of Sony Interactive Entertainment (SIE) and develops software exclusively for the PlayStation family of hardware. The company rose to fame with its breakout hits Spyro the Dragon and Ratchet & Clank franchises.

Video Game Company Spotlights



Name	Jam City, Inc.
Location	Culver City, CA
Headquarters	Culver City, CA
Submarket	West LA
Sq. Ft. Occupied	65,000
Year Founded	2010
Known For	Legends: Rise of the Hero, Panda Pop, Cookie Jam

Jam City was founded by former executives from social media platform MySpace and media conglomerate 20th Century Fox to capitalize on the ever-growing mobile gaming market. Jam City primarily develops games for mobile devices and sells them through the Google Play Store or Apple’s App Store. The company has seen recent success in making licensed games based on popular movie and television franchises from Disney, Universal Pictures, and Warner Brothers.



Name	Obsidian Entertainment
Location	Irvine, CA
Headquarters	Irvine, CA
Submarket	Greater Airport
Sq. Ft. Occupied	40,000
Year Founded	2003
Known For	Alpha Protocol, Fallout: New Vegas, Pillars of Eternity, The Outer Worlds

Obsidian was founded in mid-2003 by former developers of Black Isle Studios—the makers of legendary role-playing games such as Fallout. In 2018, the studio was acquired by Microsoft and became part of the Xbox Game Studios umbrella.



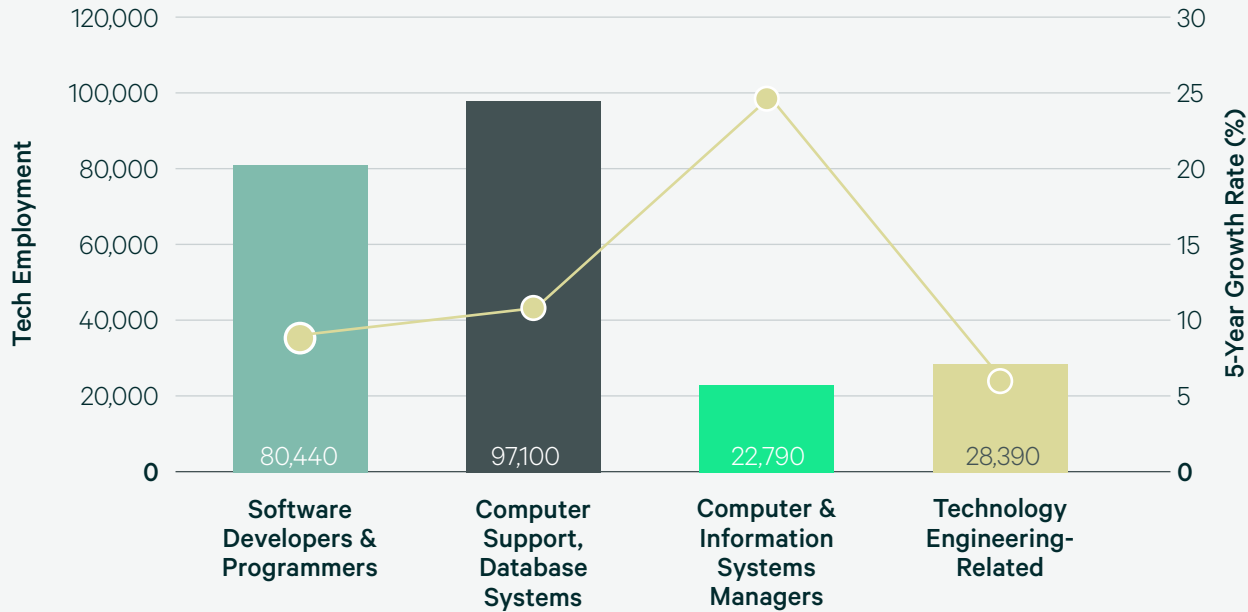
Name	Square Enix USA
Location	El Segundo, CA
Headquarters	Tokyo, Japan
Submarket	South Bay
Sq. Ft. Occupied	36,000
Revenue	\$2.3 billion (2020)
Year Founded	Square (1983), Enix (1975)
Known For	Final Fantasy, Dragon Quest, Tomb Raider, Life is Strange

The Japanese company has a long history of creating epic role-playing adventures, including the Final Fantasy and Dragon Quest franchises. Today, Square Enix is one of the largest video game publishers in the world with several companies under their umbrella, including arcade game maker Taito and Eidos Interactive, the owners of Tomb Raider.

Employment & Tech Talent

Video game makers have long flocked to the region for its rich supply of tech- and media-savvy talent. According to [CBRE's 2021 Tech Talent report](#), the GLA/OC region was ranked the fifth largest market by tech talent pool. As of 2019, approximately 229,000 people were employed in a tech-related industry. Regional tech talent has grown by 18.6% over the last five years. Occupations that specialize in computer programming, such as Computer & Information Systems Managers and Software Developers & Programmers, exhibited the largest growth over the last five years: 24.8% and 9.5%, respectively.

FIGURE 6: GLA/OC TECH EMPLOYMENT AND 5-YEAR GROWTH RATE



Source: CBRE "Scoring Tech Talent in North America 2021"; CBRE Research, 2021

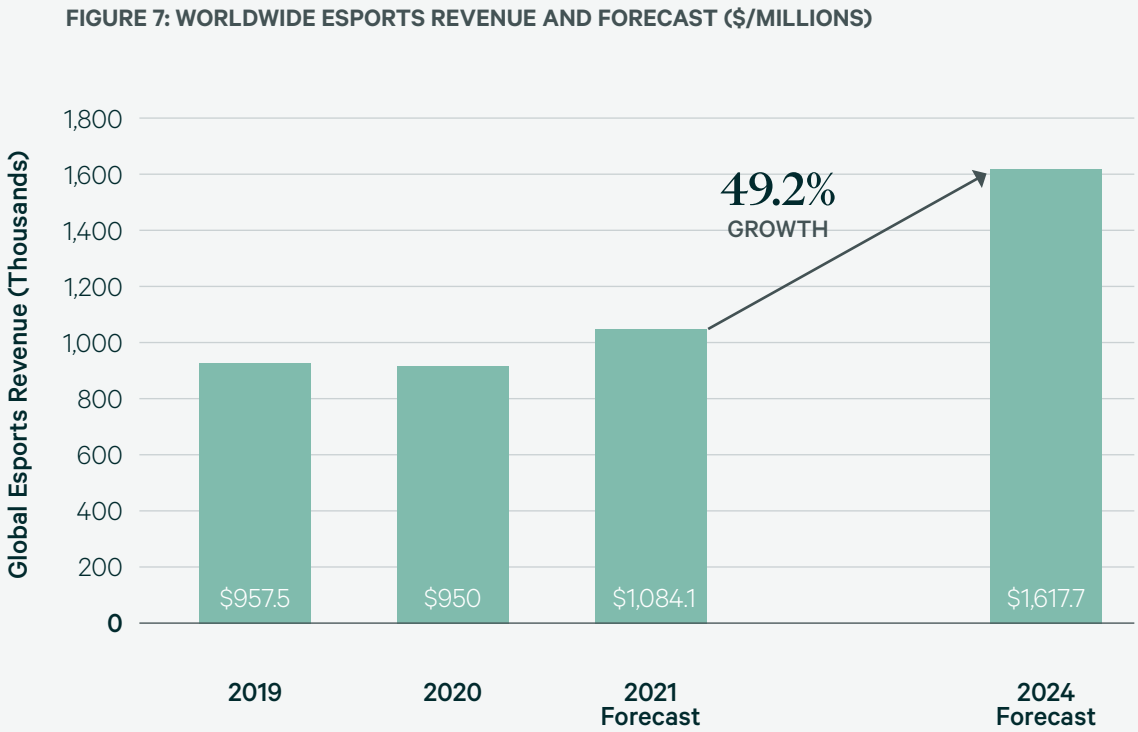


03 — Esports

What is “Esports”?

To some, competitive video gaming, better known as “Esports,” may appear to be a more recent trend. But, Esports has been around in some form since the genesis of video games themselves. Space War, widely considered to be the first video game ever made, was used for a competition among students and staff at Stanford University in 1972. Other in-person competitions took place as video games entered the home console market, such as Atari’s Space Invaders competition in 1980 and the Nintendo World Championships in 1990 which were held at Universal Studios Hollywood.

In the mid-1990s, competitive gaming started a major growth spurt. The wide adoption of the internet allowed games to be played online and connected players from vast distances. Internet cafes popped up around the world, allowing gamers without high-end computers or decent internet connections to compete. As the internet landscape changed and computer tech advanced at a rapid rate, the barrier to entry for competitive gaming shrank in equal measure. The advent of streaming platforms, such as YouTube and Twitch, allowed gamers and competitors to broadcast their bouts to an audience of millions across the globe.

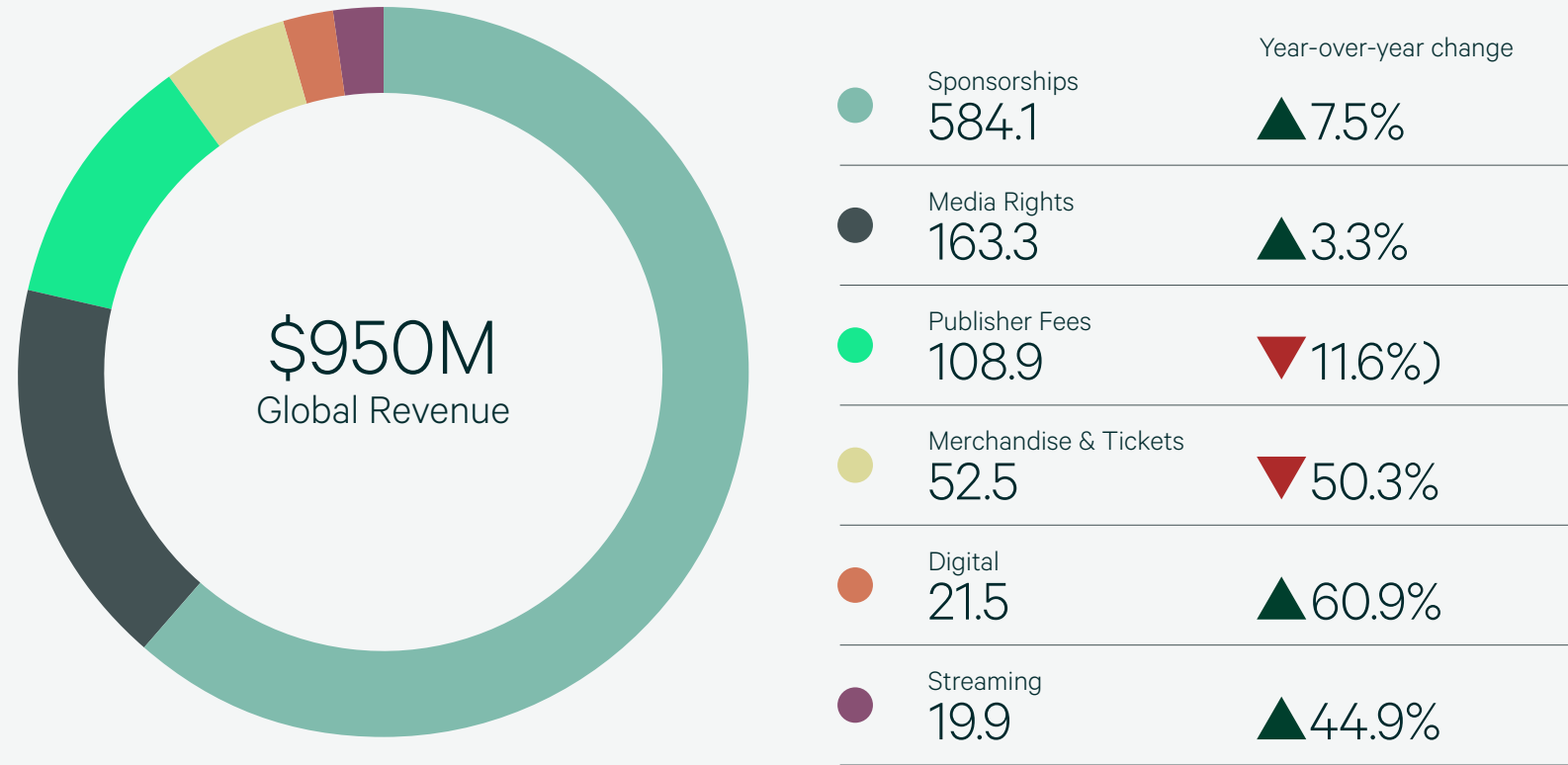


Source: Newzoo; CBRE Research, 2021

Esports has come a long way since those first Space War tournaments at Stanford. As of 2020, revenue from competitive gaming totaled \$950 million globally. The industry's digital presence has allowed Esports to remain mostly insulated from disruption during the spread of the Coronavirus pandemic. Global revenue from 2019 to 2020 only dropped by 1.1% as most in-person venues were shuttered and competitions relocated online. Despite the challenges of the pandemic, the Esports industry is expected to continue growing with global revenue surpassing \$1.0 billion in 2021 and increasing an additional 49.2% by 2024, according to Newzoo. The sector's resilience is helped by the fact that the bulk of the industry's revenue comes from corporate sponsorships, brand deals, and licensing fees rather than through in-person ticket sales. Due to the effects of the Coronavirus pandemic, digital and streaming revenue increased 60.9% and 44.9%, respectively, in 2019 and 2020.

Esports organizations have also captured intense interest from outside investors. According to Pitchbook, the Esports sector has raised over \$4.8 billion in venture capital over the past five years.

FIGURE 8: ESPORTS REVENUE STREAMS (2020)



Source: Newzoo; CBRE Research, 2021.

495 million people across the globe viewed an Esports competition either online or in-person in 2020—an increase of 11.7% year-over-year. According to Newzoo, the number of casual and avid Esports viewers is expected to climb at a rate of 9.3% annually to 646 million people globally by 2023. Much of this is due to how popular competitive gaming is among younger generations. According to Nielsen, 77% and 71% of Gen-Z and Millennial gamers, respectively, watched on average 6 hours of video game content a week on a streaming platform such as Twitch or YouTube. The rate of growth for Esports viewership is expected to surpass that of some traditional U.S. sports, such as baseball and basketball, by the end of 2021.

With so many people stuck at home during the pandemic, many tuned in to digital media as a way of passing the time. According to Nielsen, during the early months of the pandemic in 2020, the number of hours watched on Twitch ballooned from 13 million to 31 million in the U.S. Additionally, Nielsen observed that 33% of the hours viewed were among the most popular games in Esports, including Fortnite, League of Legends, and Counter-Strike: Global Offensive.

FIGURE 9: GLOBAL ESPORTS AUDIENCE (MILLIONS)

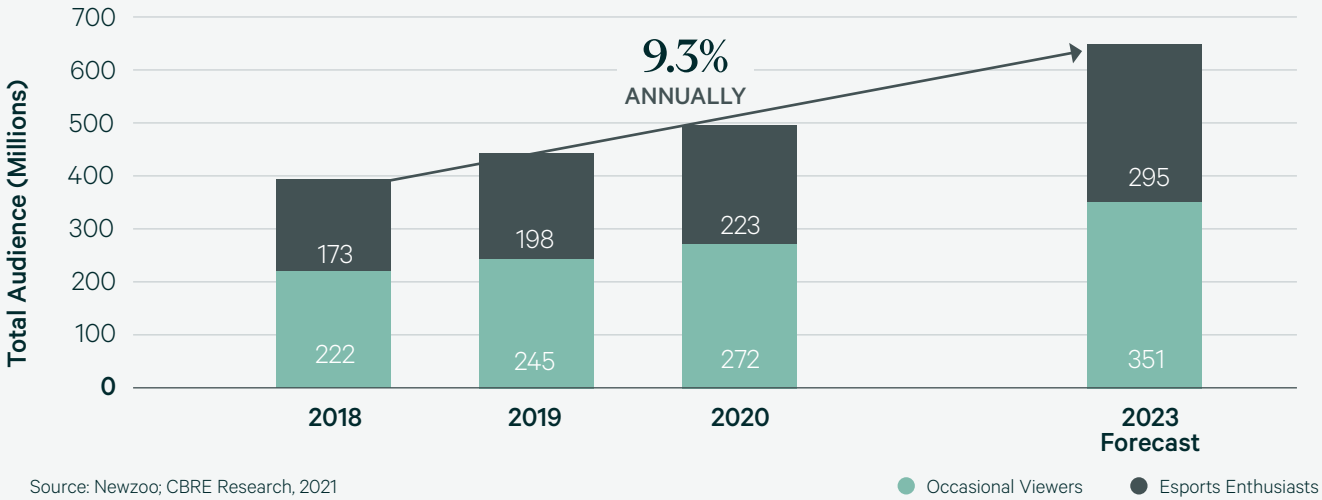


FIGURE 10: HOURS WATCHED DAILY ON TWITCH (Q1 2020)

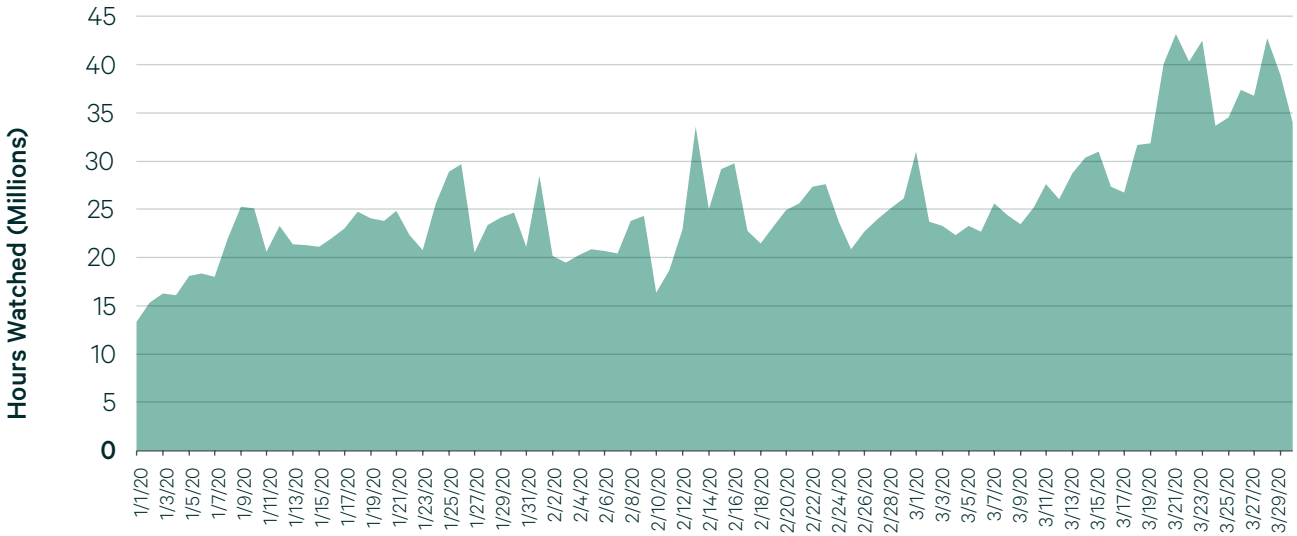
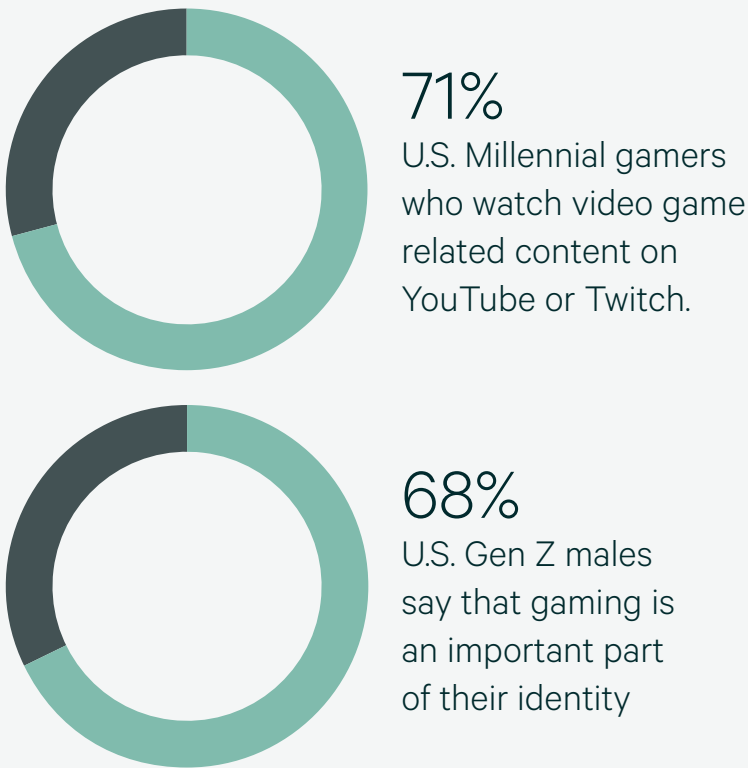
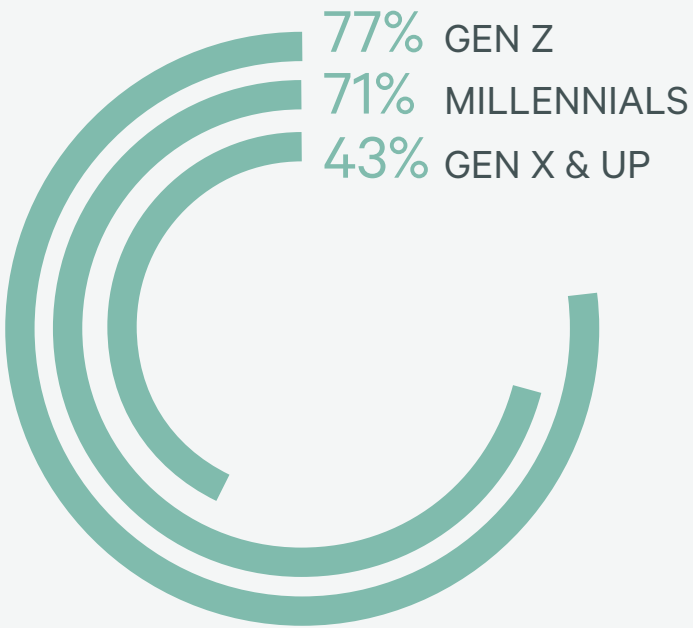


FIGURE 11: U.S. VIDEO GAME AND ESPORTS DEMOGRAPHICS



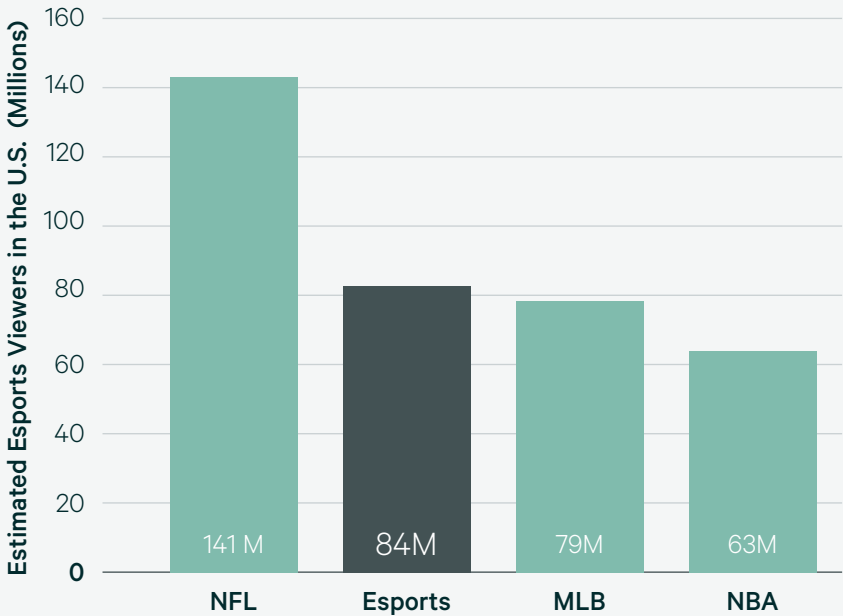
Source: Nielsen; Whistle; CBRE Research, 2021.

FIGURE 12: SHARE OF GAMERS WHO WATCH GAMING VIDEO CONTENT



Source: Nielsen; CBRE Research, 2021.

FIGURE 13: ESTIMATED ESPORTS VIEWERS IN THE U.S. VERSUS OTHER PROFESSIONAL SPORTS ORGANIZATIONS (2021)

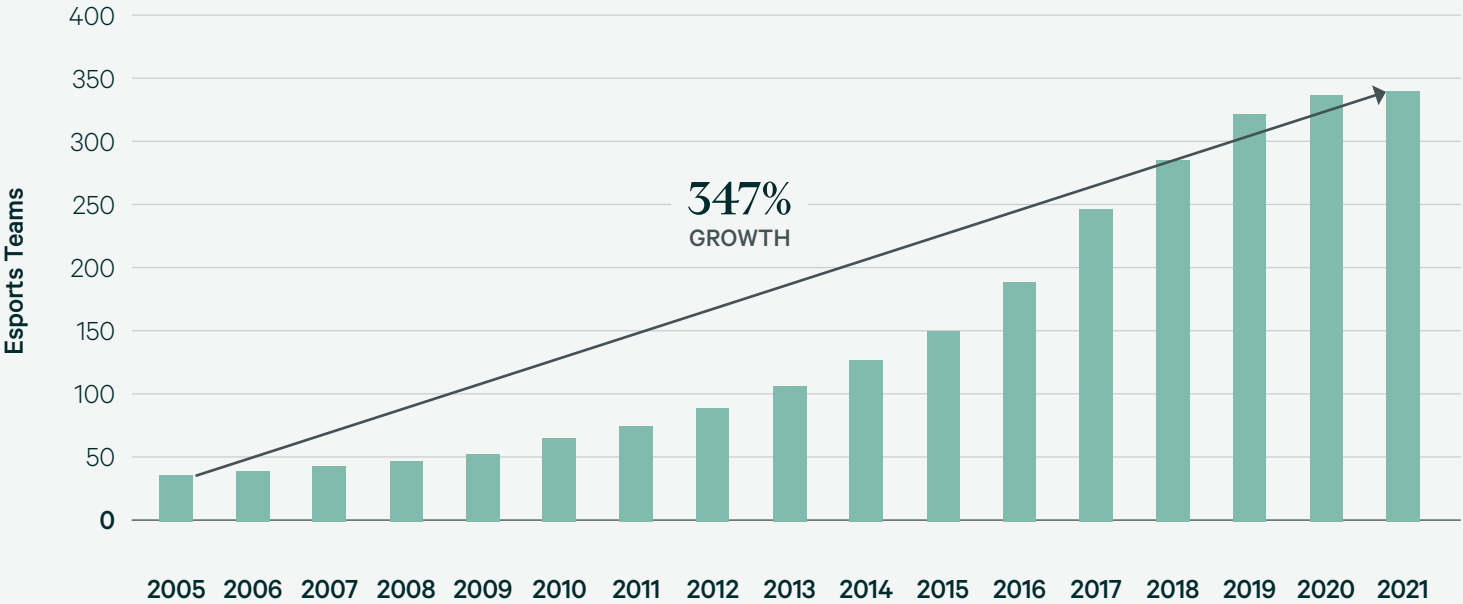


Source: MBA@Syracuse; Activate, inc.; CBRE Research, 2021.

Esports Teams

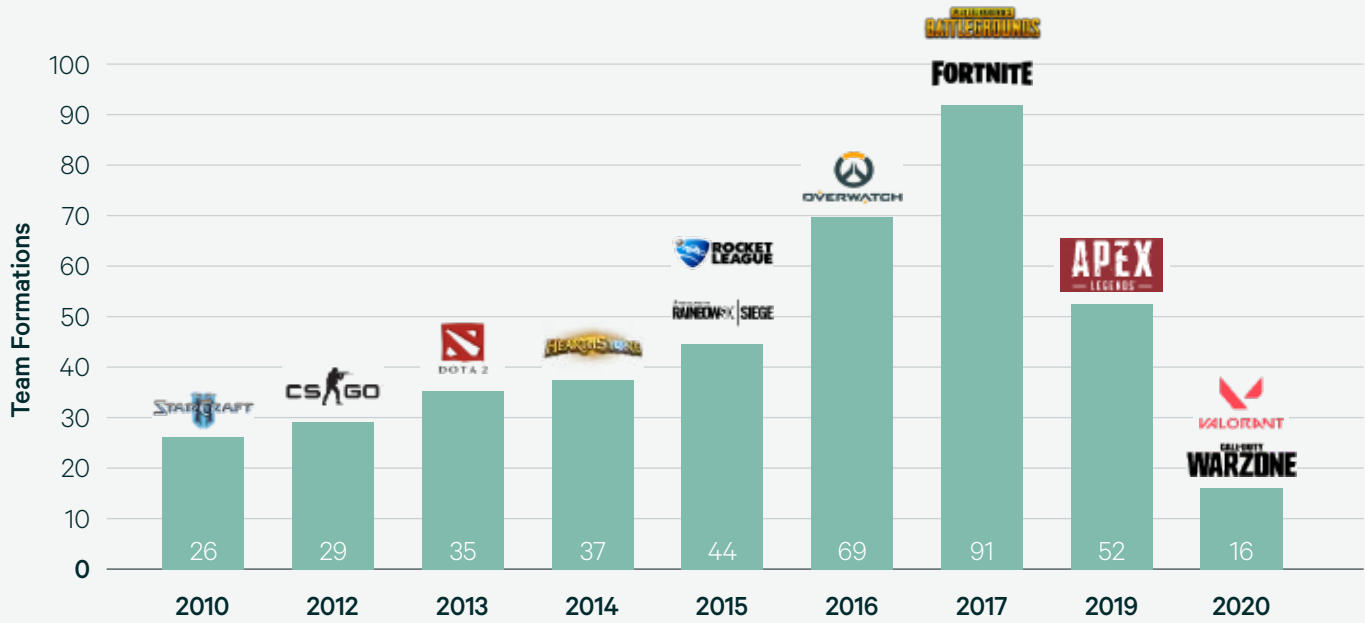
The number of professional Esports teams across the globe has increased dramatically as the sector matures. Since 2010, the number of active teams has ballooned 347%. Sudden spikes in growth from 2010 to 2020 directly coincide with the releases of popular games utilized for competitive play. 2017 was the most active year on record for team formations, coinciding with the rise of the “battle royale” genre popularize by the releases of PlayerUnknown’s Battlegrounds (PUBG) and Epic Games’ Fortnite Battle Royale.

FIGURE 14: GLOBAL NET GROWTH OF ESPORTS TEAMS



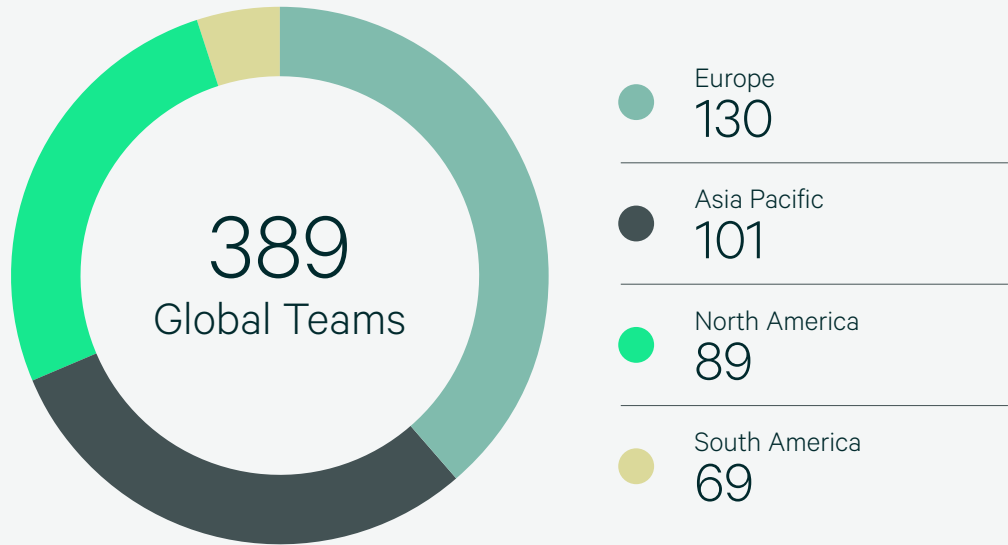
Source: CBRE Research, 2021

FIGURE 15: GROWTH OF ESPORTS TEAMS COMPARED TO MAJOR GAME RELEASES



Source: CBRE Research, 2021

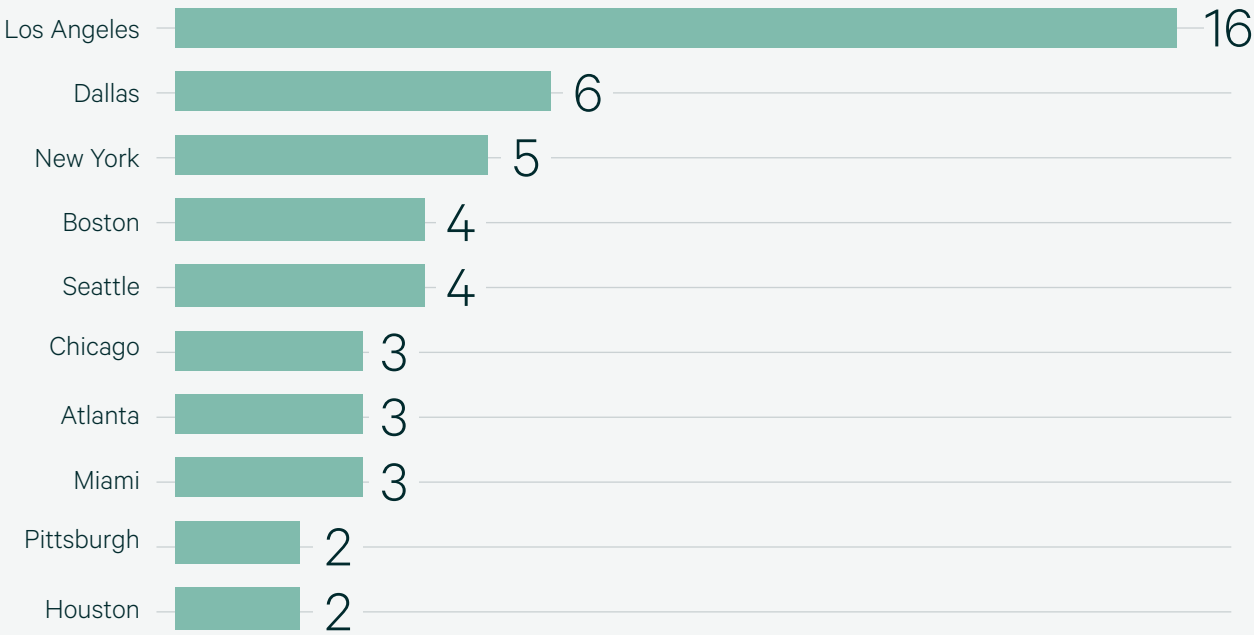
FIGURE 16: NUMBER OF ESPORTS TEAMS BY REGION



Source: CBRE Research, 2021.

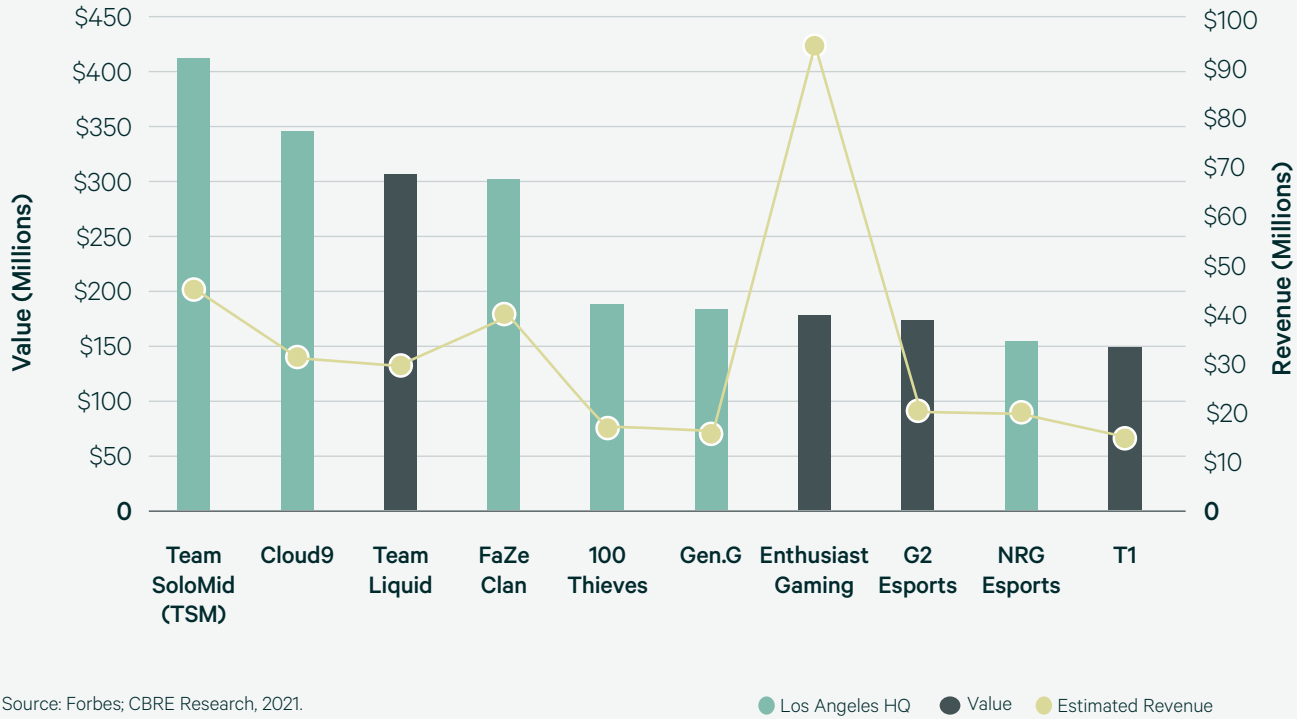
As of 2021, 60 Esports teams are active in North America. Los Angeles has the highest concentration of Esports teams in the U.S. at 16. Much of this is due to Esports teams wishing to cluster close to prominent video game developers and publishers with a regional presence in GLA/OC. According to Forbes, the GLA/OC region is home to six out of the 10 most valuable Esports organizations in the world.

FIGURE 17: TOP TEN U.S. CITIES FOR ESPORTS TEAMS



Source: CBRE Research, 2021.

FIGURE 18: TOP TEN ESPORTS TEAMS BY VALUE (2020)



Source: Forbes; CBRE Research, 2021.

Los Angeles HQ Value Estimated Revenue

Regional Esports Team Spotlights



Name	Team SoloMid (TSM)
Headquarters	Los Angeles, CA
Value (2020)	\$410 million
Estimated Revenue	\$45 million
Tournaments Won*	671
Tournament Revenue*	\$7.2 million
Year Founded	2009
Divisions	League of Legends, Apex Legends, Fortnite, Hearthstone, PUBG, Rainbow Six: Siege, Valorant

TSM (formerly known as Team SoloMid), is the most valuable Esports organization in the world and the largest based in Los Angeles. The organization started in 2009 as a website for the burgeoning League of Legends fandom and later formed into an Esports team. TSM purchased Blitz in 2020; an app with over 10 million subscribers that provides post-match statistics and coaching services. In 2020, TSM opened a 25,000 square foot training facility in Playa Vista.



Name	Cloud9
Headquarters	Santa Monica, CA
Value (2020)	\$350 million
Estimated Revenue	\$30 million
Tournaments Won*	798
Tournament Revenue*	\$10.3 million
Year Founded	2013
Divisions	League of Legends, Fortnite, Hearthstone, Overwatch, Rainbow Six: Siege, Valorant

Headquartered in Santa Monica, Cloud 9 started as a small League of Legends team and has since grown to encompass several divisions. Cloud9 is notable for winning several tournaments in its first year of existence. In 2020, the company secured nearly \$80 million in venture capital funding.



Name	FaZe Clan
Headquarters	Los Angeles, CA
Value (2020)	\$305 million
Estimated Revenue	\$40 million
Tournaments Won*	409
Tournament Revenue*	\$9.9 million
Year Founded	2010
Divisions	Call of Duty, CS : GO, FIFA, Fortnite, PUBG, Rocket League, Rainbow Six: Siege, Valorant

FaZe Clan launched as a popular YouTube channel with a focus on its eccentric ensemble of stars and their exploits while playing popular games. The ‘clan’ would later parlay their popularity into the Esports sphere, utilizing their 230 million social media subscribers as a built-in audience for their matches and tournaments. In 2020, FaZe Clan purchased a \$30 million house in the Hollywood Hills. The 10-bedroom 13,000 square foot space is being utilized as a live-work-play space for the team with gyms, game rooms, personal trainers, and more.

*Note: Esports tournament earnings and wins as of July 2021.
Source: Forbes; Esports Earnings; Various Team Websites; CBRE Research, 2021.

Regional Esports Team Spotlights



Name	100 Thieves
Headquarters	Los Angeles, CA
Value (2020)	\$190 million
Estimated Revenue	\$16 million
Tournaments Won*	127
Tournament Revenue*	\$3.6 million
Year Founded	2017
Divisions	Call of Duty, Fortnite, League of Legends, Valorant

100 Thieves is an Esports organization and gaming lifestyle company. In 2019, 100 Thieves secured \$35 million in venture capital funding to finance the construction of their own creative space. The following year, the team opened a brand new 15,000 square foot headquarters and training facility known as the “100 Thieves Cash App Compound” in Culver City.



Name	Gen.G Esports
Headquarters	Santa Monica, CA
Value (2020)	\$185 million
Estimated Revenue	\$14 million
Tournaments Won*	74
Tournament Revenue*	\$5.7 million
Year Founded	2017
Divisions	Fortnite, League of Legends, NBA2K, Overwatch, PUBG, Valorant

Gen.G (also known as “Generation Gaming”) is a Santa Monica based Esports organization with teams based in the U.S., China, and South Korea. The company was formed by former developers from the video game company Kabam. In 2019, Gen.G opened their own 13,000 square foot training facility in Playa Vista.



Name	NRG Esports
Headquarters	Los Angeles, CA
Value (2020)	\$155 million
Estimated Revenue	\$20 million
Tournaments Won*	399
Tournament Revenue*	\$5.5 million
Year Founded	2015
Divisions	Apex Legends, Overwatch, Rocket League, Valorant
Known For	Spyro the Dragon, Ratchet & Clank, Marvel’s Spider-Man

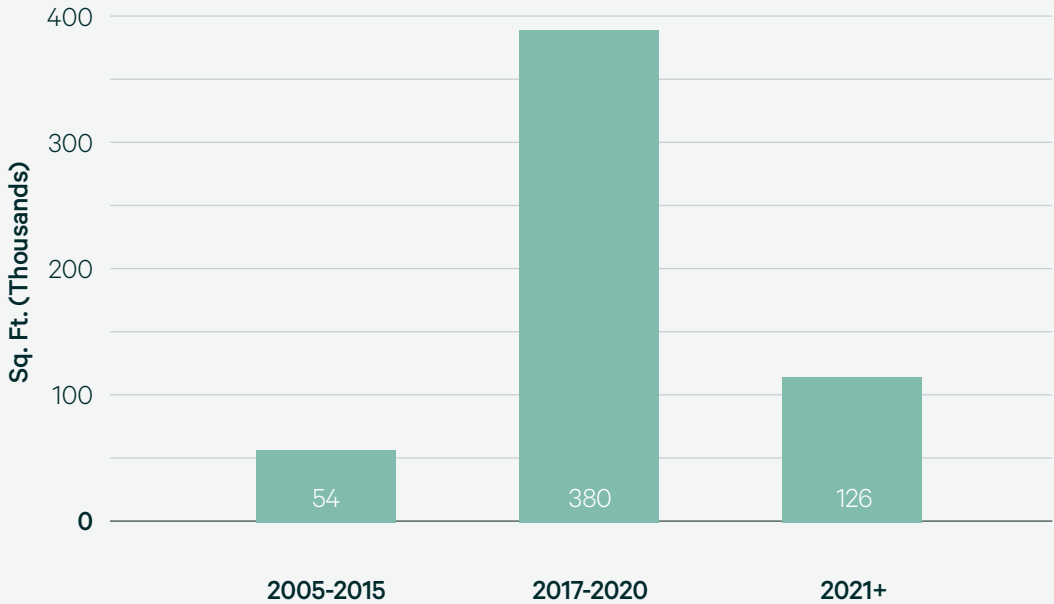
NRG (pronounced “Energy”) is an Esports and social media gaming influencer organization. The team was founded in 2015 by Mark Mastrov and Andy Miller—co-owners of the Sacramento Kings. In late 2020, NRG opened “The Castle,” a 20,000 square foot team house in Los Angeles for training and content creation.

*Note: Esports tournament earnings and wins as of July 2021.
Source: Forbes; Esports Earnings; Various Team Websites; CBRE Research, 2021.

Esports Venues

Esports is very much an industry that was born, raised, and still resides in the realm of cyberspace. But that hasn’t stopped Esports competitions from crossing over into the “real” world at a rapid rate, necessitating the need for dedicated venues where both competitors can play and fans can spectate. Though the concept may seem novel, dedicated Esports venues have existed for some time in China, Korea, and Japan—first as internet cafes, and now as arenas. The concept has gained a considerable amount of momentum in just the last few years. Since 2017, approximately 380,000 square feet of Esports venue space has completed construction across the U.S. Additionally, another 126,000 square feet of arena space is expected to complete construction in 2021 and beyond.

FIGURE 19: COMPLETED AND UNDER CONSTRUCTION ESPORTS VENUES (SF/Thousands)



Source: CBRE Research, 2021

Esports arenas serve multiple functions. Smaller, local venues, such as Esports Arena in Santa Ana (15,000 square feet), have on-site computer equipment for enthusiasts to rent for the afternoon in addition to space for audiences to view streamed tournaments. HyperX Arena in Las Vegas, Nevada (30,000 square feet) uses a similar model in which enthusiasts can game together with friends or watch tournaments in-person or via streaming. Fusion Arena in Philadelphia, Pennsylvania (60,000 square feet) is a \$50 million project that will house the Overwatch Philadelphia Fusion team and act as a training facility for the team.

Abroad, a handful of countries are betting big on the rise of competitive gaming with dedicated space that dwarfs all others. In Toronto, plans are in place to build a new 200,000 square foot Esports arena by 2023. While in China, Esports organization Edward Gaming has started work on a colossal 5.4 million square foot arena in Shanghai with an estimated price tag of \$1.5 billion.

With the ongoing Coronavirus pandemic, most in-person events and tournaments were forced to move online in 2020 and 2021, but Esports enthusiasts remain bullish about returning to in-person events when the pandemic subsides. A study of Esports enthusiasts conducted by Activate Analysis in 2019 found that 40% of those that had attended a live Esports event desired to do so again, while another 35% said that they had not been to a tournament in person, but nevertheless desired to do so in the future.

FIGURE 20: GLOBAL MAP OF ESPORTS VENUES

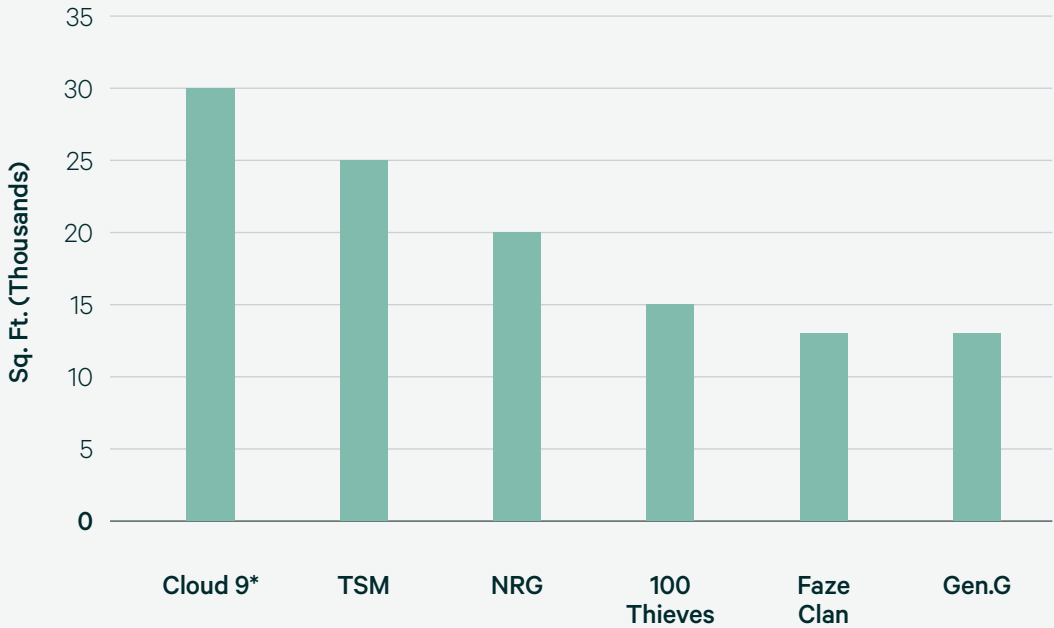


Source: Esports Observer; CBRE Research, 2021.

Real Estate Opportunities and Outlook

With the advent of the Esports sector, the requirements of the video game industry have moved beyond just traditional office space. Esports teams themselves have endeavored to create a new type of creative space for themselves—modeled after popular live-work-play concepts from recent years. The result of which has been mixture of emerging commercial real estate concepts, such as video game “training facilities” and “gaming houses.” The former combines typical office space with familiar live-work-play amenities, such as high-end workstations, sleeping accommodations, gyms, and other recreational facilities. The latter repurposes mid to high-end residential real estate to accomplish the same desired use. The growing need for Esports teams to have their own dedicated space has risen sharply over the last few years. Since 2019, 86,000 square feet of space has been occupied by an Esports organization in the GLA/OC region with an additional 30,000 square feet likely on the horizon.

FIGURE 21: OCCUPIED SQ. FT. BY ESPORTS TEAMS IN GLA/OC



*Note: Sq. ft. is estimated. Project completion delayed due to COVID-19.
Source: CBRE Research, 2021

Opportunities for further growth are not confined to traditional space-uses. Already struggling due to e-commerce competition, mall owners are looking for new ways to fill vacated anchor space after the pandemic subsides. Some owners have looked to Esports to transform former anchors into entertainment venues. In 2019, Simon Property Group, one of the largest mall operators in America, partnered with Allied Esports—an Esports venue operator—to transform vacated mall space into dedicated Esports venues. The first of these transformations is a 13,000 square foot venue at the Mall of Georgia in Buford, GA. Other companies are also looking to aggressively expand into recently vacated retail space. U.K.-based Belong Gaming Arenas announced plans to open over 500 locations in malls and shopping centers across the U.S. starting in 2021.

But repurposing old mall space is not limited to Esports venues; even game makers are eyeing languishing malls for expansion. In early January this year, Epic Games, the makers of Fortnite, purchased the Cary Towne Center Mall for \$95 million in Cary, North Carolina. The 980,000 square foot mall is only two miles from Epic’s current location, yet the company is aiming to transform the old center into its new headquarters with office and recreational space by 2024.

Contacts

Report Contacts

Dan Hunker

Research Analyst
CBRE | Pacific Southwest
Thought Leadership
+1 909 418 2117
dan.hunker@cbre.com

Regional Leadership

Lew Horne

President, Advisory Services
CBRE | Pacific Southwest
+ 1 213 613 3305
lew.horne@cbre.com

Kurt Strasmann

Executive Managing Director, OC & IE
CBRE | Advisory & Transaction Services
+1 949 725 8600
kurt.strasmann@cbre.com