



# Reaching Beyond the Gold



**The Impact of the Olympic Games on Real Estate Markets**

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## The Impact of the Olympic Games on Real Estate Markets

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## 1.0 Introduction

As globalisation intensifies, competition between the world's major cities increases. Nowhere is this competition revealed more dramatically than in the selection contest for the Olympic Games and other major world sporting events.

Events of this magnitude present cities with an unprecedented opportunity to showcase themselves to a huge global audience. It is estimated that the Sydney 2000 Olympic Games were the most watched event in history, with 3.7 billion of the world's four billion people tuning in at some point during the 16 days of the Games<sup>1</sup>.

The level of interest in securing the 2008 Games suggests a common theme: city governments around the world believe that hosting the Olympics will produce short and long-term benefits for their city. The stakes are raised by the self-evident fact that only one of the short-listed bid cities (Beijing, Istanbul, Osaka, Paris or Toronto) will realise these benefits, when the International Olympic Committee (IOC) announces the 2008 host city in July 2001.

Although jobs and revenue are created in the short-term, the greatest effects of the Olympics are seen in longer-term changes in the host city's urban form and governance: urban regeneration, the creation of Olympic villages; improvements to city infrastructure; growth in tourism and convention business; and heightened awareness of environmental and sustainable development issues.

This paper examines these legacies for four recent Olympics hosts - Seoul (1988), Barcelona (1992), Atlanta (1996) and Sydney (2000) - and anticipates potential impacts for Athens (2004).

The paper also examines anticipated benefits from the real estate perspective, profiling the impact of hosting the Games on the hotel, office, retail and residential sectors. What lessons can be learnt from this experience and what are the implications for future hosts of major world events? The leverage opportunities are explored in this paper and applied not only to the 2008 Olympic bid cities, but to other cities hosting major world events.

## 2.0 Summary of Major Findings

Major implications that can be drawn from the experiences of the past four Olympic host cities are as follows:

- The hosting of the Olympics (and other major world events) has a significant and varied **impact on the real estate market**, but these impacts are largely indirect and are experienced over a long timeframe. More direct, short-term impacts, are largely focused on the hotel and tourism sector. Real estate impacts tend to be a consequence of decisions driven by other motivations, such as image and self-promotion, which provide indirect benefits to the sector.
- The **motivation for hosting** the Olympics clearly varies between cities. More established cities (eg Atlanta, Sydney or Paris) are less concerned with geo-political considerations than less developed cities (Seoul, Barcelona or Beijing). Despite these differences, one common goal can be identified; the desire to attract global capital flows. The consequences of this for the real estate market will vary. In the context of mature, service based economies such as Atlanta and Sydney, the focus is on attracting convention business and office-based activities of regional and global organisations
- The **direct real estate implications** of hosting major events depend upon the size and relative maturity of the local property market. These impacts appear greater on smaller and less mature markets. On this basis, it could be expected that the Athens Games will result in a more significant direct impact on the city's real estate market than those held in Atlanta and Sydney.



City Skyline, Athens

<sup>1</sup> Australian Tourist Commission

- **The key to the success** (or otherwise) of hosting major events such as the Olympics is largely dependent upon the ability of the city to leverage off the images and perceptions created during the event itself and to continue delivering on the dream long after the circus has left town. How well can the city take advantage of the transient and fickle world focus? How indelible are the images? How can they best be sustained? All of these are questions a host city must answer in a strategic approach to leveraging the event.
- A major **long-term impact** of hosting the Olympics is the opportunity it provides to influence the pattern of urban development through investment in infrastructure and environmental improvements. One of the greatest challenges facing Athens is how it can use the 2004 Games to address the city's current transport and environmental problems. This will not only determine the success of the Games themselves, but also the degree of long-term benefit they confer on the birthplace of the modern Olympic movement.
- The **fierce competition** to host future events such as the 2008 Olympics, World Cup, Winter Olympics and the Asian Games suggests many cities relish the challenges involved in converting the short-term exposure into long-term benefits. It is difficult to overstate the magnitude of these potential benefits.

According to supporters of Beijing's bid for the 2008 Olympics, the Games would provide massive and far-reaching implications for the social fabric of the world's largest nation. One commentator suggests, "Winning the right to host the Olympics would strengthen the forces of liberalism and hasten the pace of change in China. It would help not hurt the cause of human rights"<sup>2</sup>. The idea that a 17 day event can affect such profound change is staggering.

### 3.0 Different Cities, Different Contexts

Context is important. Differences in geography, time, technology, size and nature of the host country's economy render direct comparisons erroneous. It is therefore important to understand the overall circumstances that constitute the backdrop against which to assess the impact of the Olympics on the local property market.

While Table 1 shows there are important differences between recent host cities, one common theme also emerges: the desire of host cities to raise their international profile.

<sup>2</sup> Frank Ching, Let Beijing Host the 2008 Olympics, Far Eastern Economic Review, (Oct 2000)

Table 1: Contextual Framework

|                  | Size of economy (US\$GDP per capita) <sup>1</sup> | Economic Status/ Maturity                                | Political System  | Country Risk Score <sup>2</sup> | Real Estate Transparency <sup>3</sup> | City Status                       | Primary Objectives of Hosting the Olympics                        |
|------------------|---|--|---|---------------------------------|---------------------------------------|-----------------------------------|---|
| <b>Seoul</b>     | \$15,733  | Fast developing manufacturing based economy.             | Young democracy/ previously isolated.                                       | 2.37                            | 3                                     | National Capital                  | National prestige. Opening of economy to outside world.           |
| <b>Barcelona</b> | \$18,535  | Declining region within EU. Manufacturing based economy. | Spain is a parliamentary monarchy. Regional (Catalona) political dimension. | 1.59                            | 3                                     | Provincial Capital                | Regional economic development.                                    |
| <b>Atlanta</b>   | \$33,889  | Prosperous regional centre with service-based economy.   | Federal democratic republic.  | 1.32                            | 1                                     | Regional hub within South East US | Regional prestige. Economic development.                          |
| <b>Sydney</b>    | \$22,627  | Mature but relatively small service-based economy.       | Federal democracy.  | 1.39                            | 1                                     | Commercial centre of Australasia  | International positioning. Promote tourism/ convention industry.  |
| <b>Athens</b>    | \$13,555  | Developing economy. Recently admitted to EU.             | Parliamentary Republic.   | 1.89                            | 5                                     | National Capital                  | Promote tourism/ convention industry. Environmental improvements. |

<sup>1</sup> EIU as reported in LaSalle Investment Management – Investment Strategy Annual 2001

<sup>2</sup> World Markets Online - LaSalle Investment Management

<sup>3</sup> LaSalle Investment Management (5 tiers from 1= Transparent to 5 = Opaque)

### Seoul

The Korean government used the Seoul Olympics (1988) as a key component of its strategy to open up the country to the world. The two principal sectors of the economy to benefit from this strategy were tourism and manufacturing, which is partially a reflection of the stage of economic maturity of the Korean economy at that time.

### Barcelona

A prime motivation for Barcelona's bid to host the 1992 Olympics was the need for a catalyst to boost the local economy of the Catalonia region and to undertake major urban regeneration. The urban infrastructure had suffered as a result of the gradual decline of the local economy and the city was seeking a boost in line with Spain's recent admission into the European Union (EU) in 1986.

### Atlanta

National or regional pride was much less of a factor in driving Atlanta's bid for the 1996 Olympics. Of greater importance was the perceived boost the Games would provide to the city's economy (following in the footsteps of the hugely profitable 1984 Games in Los Angeles). Given the service-based nature of the local economy, the Atlanta Games were aimed at attracting corporate business, both in terms of one-off events (conventions, sporting events, etc) and relocations of office activities. While Seoul and Barcelona were seeking to attract business from overseas, the principal target of Atlanta's campaign was US corporates.

### Sydney

As with previous host cities, Sydney's bid for the 2000 Games was based on the belief that the Olympics would provide a major boost to the state economy. Reflecting the mature nature of the economy and the relatively small domestic market within Australia, key target sectors included international tourism and the attraction of regional (Asia Pacific) service-based activities. In the same way that Seoul used the 1988 Games to raise the international profile of the City, global positioning was a key driving factor behind Sydney 2000.

### Athens

The opportunity to "reinvent" Athens as a modern city for the third Millennium appears to be the underlying motivation to host the 2004 Olympic Games. The Olympics provides Athens with the opportunity to improve the environmental quality of the city, promote Greek culture and develop new tourism infrastructure.

## 4.0 Long Term (Indirect) Influences on Real Estate Markets

One of the common arguments raised by cities bidding to host the Olympics is that the benefits will be both far reaching and long-term. It is therefore important to consider the nature of these indirect influences on the real estate market before examining the more direct and immediate impacts on specific market sectors.

### 4.1 Economic Impacts

While it is certainly possible to quantify the direct cost and revenue streams, identifying all of the indirect spin-offs and isolating the specific impact of the Olympics on regional economies is at best an imprecise exercise and not the intention of this paper. A review of the various economic impact studies prepared on the Seoul, Barcelona, Atlanta and Sydney Games does however, reveal three common themes.

#### i. The scale of the numbers is huge

It is estimated that the Sydney Olympics will add approximately US\$4.3 billion to the Australian GDP and create as many as 100,000 full time jobs over the twelve-year period from 1994 to 2006. Equally impressive figures have been cited for the Seoul, Barcelona and Atlanta Games. While the data in Table 2 is not directly comparable, given differences in methodology and scope of the studies between cities, it does illustrate the large positive economic impacts generated by each of the past four Olympics. The total of US\$16.6 billion of investment generated by the Barcelona Games was sufficient to delay (but not prevent) the Barcelona economy from suffering the impact of the economic downturn that swept Europe in the early 1990's. The Seoul Olympics acted as an important catalyst, promoting Korea as one of the leading Asian Tiger economies.

**Table 2: Summary of Economic Impact**

|                              | Estimated Net Economic Impact (US\$ bn)* | Size of economy (GDP US\$ bn)** | % Impact |
|------------------------------|--|---------------------------------|----------|
| <b>Seoul<sup>1</sup></b>     | \$2.6                                    | \$182.0                         | 1.4%     |
| <b>Barcelona<sup>2</sup></b> | \$16.6                                   | \$577.3                         | 2.9%     |
| <b>Atlanta<sup>3</sup></b>   | \$5.1                                    | \$7,388                         | 0.07%    |
| <b>Sydney<sup>4</sup></b>    | \$4.3                                    | \$429.1                         | 1.0%     |

\* All figures in US\$, based on average exchange rates during Olympic Year  
 \*\* GDP in Olympic Year.

<sup>1</sup> Source: Do Young Pyun, Economic Impact of the Seoul Olympic Games, International Olympic Academy (IOA) 1999.

<sup>2</sup> Source: Ferran Brunet, An Economic Analysis of the Barcelona 1992 Olympic Games.

<sup>3</sup> Source: Jeffrey Humphries and Michael Plummer, The Economic Impact of Hosting the 1996 Summer Olympics, University of Georgia 1999.

<sup>4</sup> Source: NSW Treasury, Economic Impact of the Sydney Olympic Games, Research and Information Paper 1997.

**ii. Positive net economic impact**

The revenue generated by the Olympics tends to exceed the direct cost of hosting the Games. The extent of any such positive net impact is, however, heavily dependent upon the level of new infrastructure required and how this spending is treated within the financial appraisal.

Seoul, Barcelona and Sydney adopted a mixed public/private sector model. In Seoul, the Government contributed approximately 50% of the US\$3.5 billion spent on the Games, and benefited from the estimated US\$460 million surplus. In Barcelona’s case, the government financed approximately 65% of the total cost (US\$5.3 billion) of the Games. While the Sydney Games were funded privately (through sponsorship, TV rights and ticket sales) they were underwritten by the State Government, which financed the construction of Olympic facilities. It is estimated the public sector contributed 60% of the total cost of US\$1.3 billion. By contrast, Atlanta largely followed the private sector model developed by Los Angeles in 1984 with little public sector investment.

**iii. While positive, the direct net benefit is relatively insignificant**

The US\$4.3 billion that the Olympics are estimated to have injected in to the Australian economy between 1994 and 2006 is equivalent to just 1% of the National GDP in 2000. Similarly, the contribution of the Sydney Games equates to less than 0.15% of total Australian GDP between 1994 and 2006. Not only is the economic impact relatively insignificant, it is also heavily focused in the host city itself. In fact, other regions of the host

nation have actually experienced a net reduction in economic activity as a result of “expenditure switching” associated with the Games, particularly in relation to travel and tourism.

The Barcelona Games are estimated to have generated the greatest economic benefit, adding US\$16.6 billion to the Spanish economy between 1986 and 1993. Even so, this equates to just 2.9% of the Spanish GDP in 1992. As would be expected, the Atlanta Games had the least significant economic impact, given the massive size of the US economy.

**iv. Economic Implications for Athens**

Greece is economically smaller than any of the past four host nations, with GDP of approximately US\$130 billion in 2000. As such it is likely that hosting the 2004 Olympics will have a relatively large impact on the overall economy. The approved budget for Olympic related government expenditure (2000-2004) is US\$5.3 billion, which is itself equivalent to 4.1% of the current GDP. The overall impact on the economy will be significantly in excess of this figure. A recent study by the IOBE<sup>3</sup> found that tourism, construction, telecommunications, transport, along with finance and business services such as translation, will be the major beneficiaries. This study forecasts that 150,000 additional jobs will be created and public sector revenues will receive a boost of US\$1.3 billion from the Athens Olympics.



Olympic Facilities, Barcelona

<sup>3</sup> Foundation for Economic and Industrial Research (IOBE), Athens (2000)

## 4.2 Olympic Legacies

Arguably the greatest impact of the Olympics is not on the local economy, but on the urban form and governance of the host city. In the short-term, there are certainly benefits to the local economy and the city's social landscape, with a carnival-style atmosphere present in the lead-up and during the Games. However, the real benefits are measured in the long-term. This paper examines five of these major long-term legacies: urban regeneration; the creation of Olympic Villages which often serve as new neighbourhoods; improvements to city infrastructure; the increasing emphasis on the environment/sustainable development; and growth in the tourism and convention industries.

### i. Urban Regeneration

Capitalising on the Olympics to revitalise run down urban areas is a theme common to all four recent host cities. The regeneration of increasingly run-down urban edges was an explicit aim of the Seoul and particularly the Barcelona Games. In Seoul, the Chamsil area south of the Han River was suffering from major environmental and flooding problems. In Barcelona, the sea front area offered challenges typical of many urban areas characterised by declining port/rail transport and associated warehouse/industrial uses.

While not assuming the same degree of prominence, the Atlanta and Sydney Games also sought to use the Olympics as a catalyst to revitalise declining inner areas. In Atlanta, the challenge was to reverse the flight to the suburbs and regenerate poor inner-city neighbourhoods.

Atlanta has experienced many of the classic problems of urban sprawl in recent years – serious traffic



City Skyline, Atlanta

congestion, poor air quality and declining inner city areas. The seriousness of these problems has now been recognised and the city is making a determined effort to revitalise inner city areas. The area around Centennial Olympic Park is currently experiencing a revival, with demand for residential “loft” apartments, telecom hotels and high tech offices. If this trend can be leveraged, the full benefit of the 1996 Olympics may finally be realised, more than five years after the flame was extinguished in Atlanta.

The Sydney Games were hosted on a 760-hectare site at Homebush Bay, a previously neglected middle ring riverside wasteland. Before the Olympics were secured, the Homebush area comprised an unusable swamp and a mix of semi-urban uses including a brick works, an abattoir and a munitions dump. As a result of the Games, this area now boasts one of the largest and best serviced new residential communities in Sydney.

Within Athens, the Olympic program features a number of bold urban regeneration projects, which aim to enhance the cultural and environmental elements of the city. Such projects include:

- Rehabilitation of almost 300 ha. of disused quarries, 250 ha. of old garbage tips and 600 ha. of former army camps;
- Establishment of park, recreation and environmental education areas covering 250 ha. of urban space (including the remodelling of 60 dry and seasonal river beds into landscaped parks);
- The unification and enhancement of major archaeological sites;
- The remodelling of residential districts in the centre and outskirts of the city.

### ii. Olympic Villages

One of the specific means by which Olympic Games impact on urban development is through the design, location and form of the Olympic Village. According to Francesc Munoz<sup>4</sup> “The study of Olympic Villages throughout this century, is the study of the history of ideas about how to develop the city, how to plan it and how to manage it”. Much can be learned from an

<sup>4</sup>Francesc Munoz, *Historic Evolution and Urban Planning Typology of the Olympic Village*. Department of Geography, Barcelona University (Aug 1998)



Estadio Olímpico, Barcelona

examination of the residential accommodation built in conjunction with the Olympics.

In both Seoul and Barcelona, the development of Olympic Villages was a key part of the urban regeneration objectives of the Games. Full-scale new urban centres were therefore constructed including not just housing but also supporting retail and other community facilities. These villages are now both fully integrated in their respective metropolitan areas. A somewhat different approach was adopted in Atlanta, with most of the athletes being housed within the campuses of various universities (most notably the Georgia Institute of Technology). While the Games therefore largely utilised existing infrastructure, some additional facilities were built including a shopping mall and two residential towers, which have subsequently been used by Georgia Tech.

In Sydney, the Olympic Village of Newington comprises 2,000 residential dwellings that will eventually house 5,000 people and form the world's largest solar powered settlement. A number of other innovative concepts have been incorporated in to this project. Some of the units were sold prior to the Games on "sale and leaseback" arrangements. This allowed for their use by athletes during the Games period. Other units were portable and have been removed from the site and erected elsewhere following the Games.

The Athens Olympic Village occupies 80 ha. at the foot of Mt Parnitha and will incorporate three zones. The International zone, providing general facilities during the Games, will be converted to retail, commercial and community use. The Residential zone, which will accommodate the athletes and officials, will provide long-term housing integrated by a town centre. The Olympic Park zone is being developed as an ecological park and after the Games will serve as a recreational facility for the residential village.

### iii. Improvements to Urban Infrastructure

Another major benefit of hosting the Olympics is the chance it offers to develop new infrastructure projects, or at the very least bring forward the construction of planned projects, from which the host city benefits long after the Games have moved on.

The most obvious additions to the urban fabric are new stadia and other facilities built specifically for the Olympics. These facilities generate ongoing income for cities through the attraction of subsequent major sporting events. A classic case of this is the Seoul Olympic stadium, which will be a major venue for the 2002 Soccer World Cup. The Atlanta Olympic stadium has become the new home for the Atlanta Braves baseball team and has helped place Atlanta on the map as a leading sporting venue. In addition to hosting the 2000 Superbowl and the 2000 All Star Baseball game, the city has also been selected as one of the venues for the NCAA Basketball play-offs.

The benefits derived from new stadia are, however, of much less significance than the more general infrastructure improvements generated by a successful bid to host the Olympics. Most recent host cities have learnt from the costly mistakes of earlier hosts and have sought to minimise investment in temporary facilities for the Games themselves while maximising investment in long-term projects.

The Korean government used the Seoul Games as the catalyst to undertake a number of crucial long-term infrastructure upgrades including the expansion of the Kimpo International Airport, the construction of new roads and underground stations and improvements to the telecoms infrastructure of Seoul. Many of these projects would not have occurred so quickly without the Olympics.

Atlanta spent a total of US\$1 billion on capital works to accommodate the Olympics. Major capital works undertaken for the Atlanta Games included an upgrade of the Hartsfield International Airport and new telecommunication infrastructure, which has resulted in Atlanta being ranked as the second most wired city in the US. While the telecommunications aspects of the Atlanta Games themselves were generally regarded as something of a disaster, with much of the infrastructure not being completed on schedule, this investment has subsequently helped attract technology-based companies to the city.

Atlanta's Olympic related telecommunications infrastructure (known as Sonet) was the largest optical fibre network ever to be provided for a single event. It included more than 450,000 fibre-optic cable miles (enough to circle the globe 18 times), which linked 36 locations in nine cities to the International Broadcast Centre in Atlanta. The majority of the 45 separate rings service two areas of the city - the downtown area (location of the Olympic Park) and Midtown (location of the Olympic Village at Georgia Tech).

While Sydney has built the largest ever Olympic stadium (with a temporary capacity of 110,000), the major benefit to the city is not the new sports facilities, but additional investment in the city's transport and telecommunications infrastructure.

The successful handling of the telecommunications aspects of the Sydney Games, not only provided a major boost to the international credibility of the technology providers (co-ordinated by the national telco - Telstra), but also provided Sydney with a long-term inheritance

in the form of significant extensions and enhancements to the city's fibre optic network. Telstra's Millennium Network includes a total of 4,800 km of fibre optic cable, linking 105 locations but focused on a ring between the Sydney CBD and Olympic Park in the City's inner western suburbs. As a result of this investment, the Homebush Bay area is poised to become a focal point for Internet Data Centres within Sydney.

Among the important transport projects that were brought forward by the Sydney Olympics were:

- a new Airport rail-link, which was completed at a cost of US\$500 million;
- the Eastern Distributor road linking the airport to the CBD;
- a US\$350 million expansion of Sydney Airport;
- another US\$220 million in other capital projects (including new parks, widening of footpaths and new street furniture), aimed at smartening up central Sydney.

Athens also plans to complete a raft of new infrastructure to support the 2004 Olympics. Major infrastructure projects include the new Athens International Airport, Athens ring road and a new Athens Metro. There are also considerable funds being spent on revitalising major tracts of the city precinct. The IOC had previously expressed concerns with the lack of progress on these major public works but is now satisfied that they will be completed prior to the 2004 Games.



Hellinikon Olympic Complex, Athens

**iv. Greening the Games**

Environmental considerations are becoming a major issue in the selection of cities to host the Olympics. The International Olympic Committee added “Environment” to “Sport” and “Culture” as the third principal of the Olympic movement in 1994.

One of the major reasons for Sydney’s successful bid for the 2000 Games was the environmental quality the city offers to athletes and visitors alike. Unlike Atlanta and Athens, Sydney scores highly in terms of both air and water quality. The organisers played to this strength and marketed Sydney 2000 as the *Green Games*, involving Greenpeace and other environmental groups in the preparation of the bid and subsequent development of Olympic facilities.

Sydney’s enviro-friendly Olympic infrastructure includes the Olympic Village, the world’s largest solar powered settlement. Many of the stadia produce their own power (the main Olympic site at Homebush houses 19 solar collectors with a capacity to produce 160,000kw hours pa), with excess power being fed directly into the State electricity grid. International benchmarks have also been established in respect to waste reduction, water re-use and the selection of recyclable materials within Olympic facilities. The other major environmental selling point of the Sydney Games was the high level of public transport usage that was achieved, with virtually all trips to the main Olympic venues being serviced by public transport.

Athens has a significant opportunity to use the Olympics as a catalyst to improve the city’s current pollution problems. Greenpeace classifies Athens as the most polluted city in the EU and is dubbing Athens the “Brown Olympics”. The organisers of the Athens Games have recognised the seriousness of the challenges they face and have identified the need to make significant environmental improvements as an integral objective of its overall Olympic program. In addition to the significant increases in public space in the city, a number of major transport related projects have been identified. Together these aim to reduce private car usage by 250,000, thereby reducing atmospheric pollution by 35%. These projects include:

- New Athens International Airport;
- Athens ring road;

- New Athens metro;
- Pedestrianisation and bans on private cars in large parts of the city centre;
- Further improvement to public transport including re-introduction of tram services;
- Improvements in fuel quality;
- Extension and modernisation of testing stations which monitor air quality;
- Creation of “Europe’s largest park” on the site of the current airport at Hellenikon.

The importance of environmental issues is of critical importance to the cities vying for the 2008 Games. In responding to criticisms concerning the current level of atmospheric pollution, Beijing city officials have proposed a massive environmental program, promising that Beijing will have cleaner air than Paris by 2008. These environmental imperatives are not unique to the summer Olympics. The incumbent host of the 2002 winter Olympics, Salt Lake City, plans to ensure environmental friendliness during their Games by planting two million trees worldwide by Olympics-time.

**v. Tourism Promotion and the Convention Sector**

The long-term payback of hosting the Olympic Games for a host city’s tourism and convention industries is potentially profound. Sydney provides perhaps the best example of how to leverage the Games for the benefit of a city’s tourism industry, with the Olympics being used to transform the country into a living postcard.

The Sydney 2000 Olympics has been widely recognised as the biggest marketing event in the nation’s history. The Australian Tourist Commission (ATC) estimates the Games have generated a massive US\$2.4 billion worth of publicity for Sydney and Australia between 1997-2000, with a total of 18,000 media attending the Games themselves. The ATC has acted as a catalyst for this exposure, with a four-year (US\$232 million: A\$360 million) promotion campaign to capitalise on the Games. This has involved (among other initiatives):

- promotions with Olympic sponsors which are estimated to have generated an additional A\$160 million worth of publicity for Australia;

- a major media program which included the Visiting Journalists Program that generated almost A\$2.3 billion in publicity.
- striking long-term relationships with the world’s biggest broadcasters (eg NBC) to showcase Australia’s diverse regions and attractions during the lead up to the Games.

An early indication of the success of the tourism promotion campaign is provided by data recently released by the Australian Bureau of Statistics, which shows that total visitor arrivals for 2000 were up by 11%, to 4.9 million. Interestingly, the highest monthly total (565,000 arrivals) was achieved in December 2000, three months after the Olympics. According to the Australian Tourist Commission “the Olympic Games were the icing on the cake for Australian tourism, driving a surge in visitor arrivals in the last three months of the year.....the celebrity status that we now enjoy as a result of the Olympic Games is definitely beginning to pay dividends for Australian Tourism.”<sup>5</sup>

The Olympics are widely recognised as a strong growth driver for a city’s convention market. The Games not only provide a legacy of world class sporting, tourism, convention and general infrastructure, it also demonstrate the city’s ability to host major world class events, a massive bonus for the convention market.

The convention industry has been a major winner from Sydney’s successful bid to host the 2000 Olympics. Since Sydney was announced as the to host city for the Games, the Sydney Convention and Visitors Bureau (SCVB) has won over 210 events which will attract more than 250,000 delegates and inject more than A\$1 billion into the city’s economy. The SCVB’s bid win average increased 34% following the decision in 1993 that Sydney would host the Games.

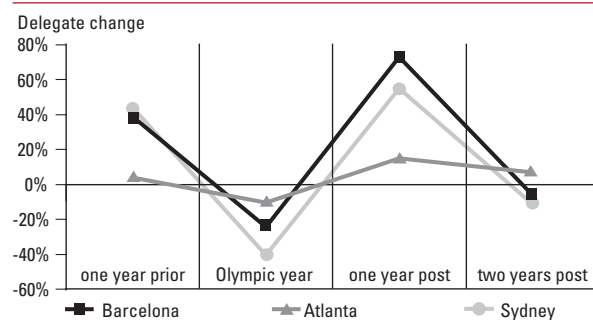
Despite a sizeable decline during the Olympic year, international delegate numbers often reach record levels in the year following the Games, as evidenced by Figure 1. In Barcelona, convention demand increased by 29% in the year following the 1992 Olympics. Figure 1 probably

understates the growth in international convention demand in Atlanta (as the available data includes both international and domestic delegates, with the latter sector likely to have experienced a significantly lower growth rate). Although statistical information is not available for Seoul, anecdotal evidence suggests the 1988 Olympics acted as a major stimulant to the convention sector.

The benefits to the convention sector are not, however, confined to the years immediately surrounding the Games. The growth in facilities (both convention and hotel) and exposure has long-term payback benefits with Barcelona achieving a 21% pa. compound growth in international convention delegates between 1992-1997.

Athens’ convention market is relatively undeveloped and the city is currently one of the few modern capital cities lacking a major purpose-built convention centre. A key objective of Athens’ Olympic bid is to spur the development of new convention facilities. A major centre is currently being built adjacent to the Athens Concert Hall. Athens also plans to establish a city convention bureau, a highly recommended strategy to leverage off the massive potential provided by the Olympics.

Figure 1: Convention Delegate Growth Pre, During and Post Olympic Games



Note: Atlanta refers to international and domestic delegates while Sydney and Barcelona refer to international delegates only

Source: Respective Convention Bureaux; Jones Lang LaSalle Hotels

<sup>5</sup> John Morse, Managing Director, Australian Tourist Commission

## 5.0 The Olympic Effect by Real Estate Market

The major impacts of the Olympics on real estate markets are reflected in the legacies outlined in Section 4. There will, nevertheless, also be more direct and short-term impacts on property market indicators such as construction activity, take-up levels, occupancy rates, rentals and prices.

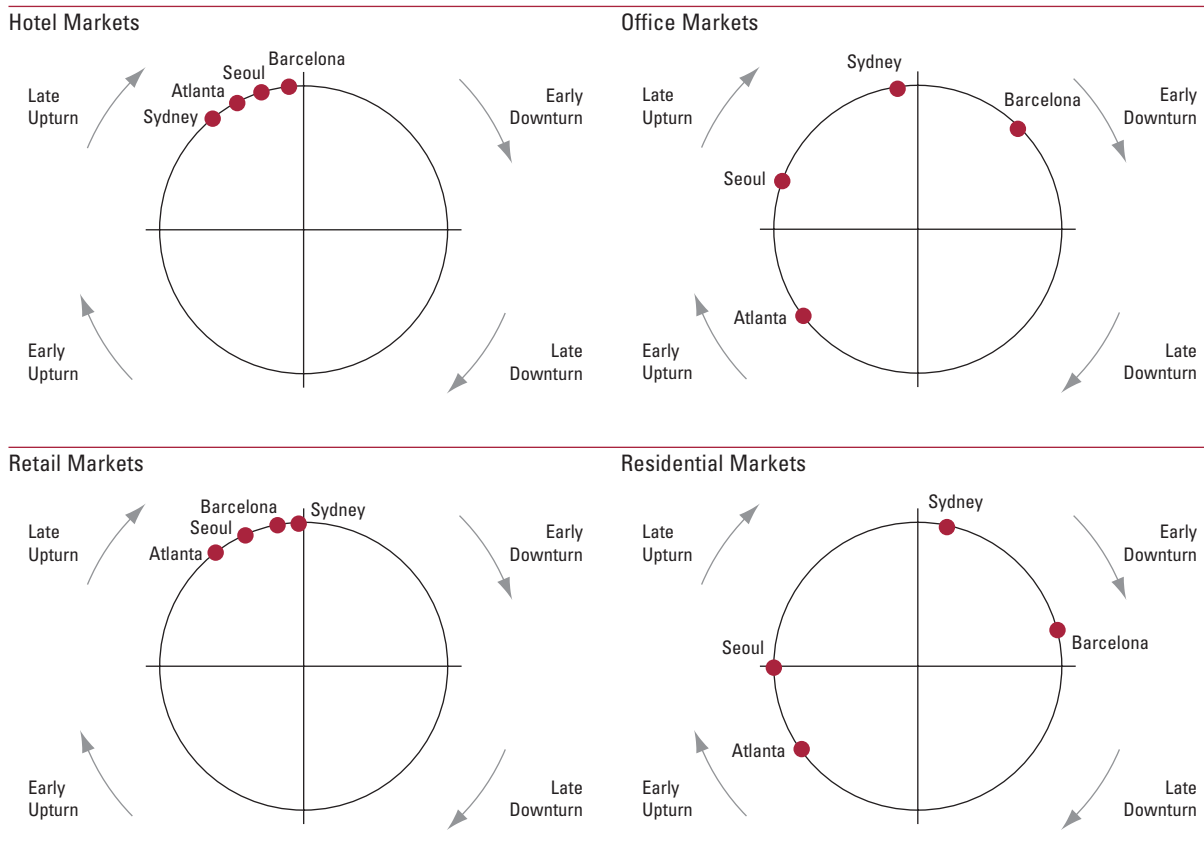
Not surprisingly, recent Olympics have had a varying effect on different sectors of the property market. The extent and timing of these impacts has also varied between cities. Just as it is important to review the different economic and political status of host cities, it is also important to place the real estate markets into some form of contextual framework. For this purpose and to provide a means of comparison, Figure 2 shows the position of each city and each property market sector on its real estate market cycle at the time of their Olympics.

As might be expected, the greatest consistency lies within the **hotel** industry, with all four host cities approaching the peak of their market cycle in their

respective Olympic years. Hotel markets have tended to slip over the crest relatively quickly following the Games, reflecting a softening of performance as a result of the artificial peak created in the Olympic year. However, the markets tend to recover quickly, creating a strong growth position for the years following the Games in which general market cycle influences prevail.

In the **residential** market, while Seoul and Barcelona experienced rapid increases in housing prices and rentals in their respective Olympic years, Atlanta and Sydney experienced little or no Olympic related boost. The true “Olympic-effect” on the residential sector is not in prices, but in the development of new districts within the Olympic precinct. The varied position of the four cities on the property clock also suggests that the Olympics are not the over-riding factor influencing **office** markets. Of all the sectors studied, the Olympics probably has the least lasting impact on the **retail** markets of host cities, although they do result in a short-term boost to retail spending from increased tourism.

Figure 2: Real Estate Market Cycles in the Olympic Year

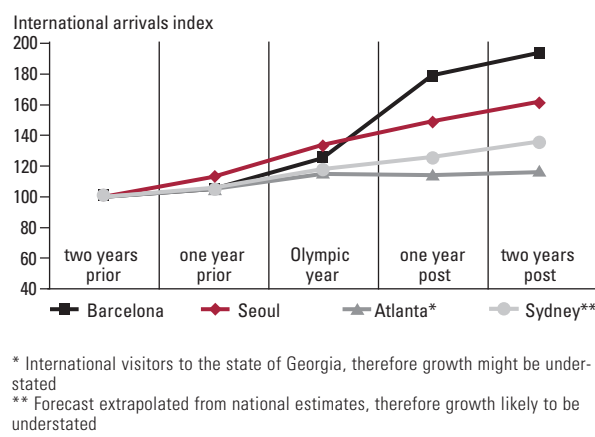


Source: Jones Lang LaSalle

### 5.1 Hotel Market

The hotel sector is clearly the most affected by the Olympic Games due to the direct impact of Olympic related visitor arrivals and the resulting demand for short-term accommodation. As outlined below, the precise nature of this impact has however varied between host cities due to a number of factors including the maturity of the local tourist market, the degree of Olympic induced hotel supply and how well the region leveraged the Games for its tourism industry.

Figure 3: International Visitor Growth Pre, During and Post Olympic Games



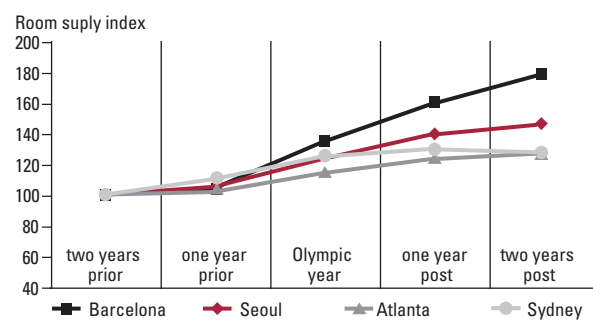
Source: Jones Lang LaSalle Hotels; Respective Tourism Bureaux

Seoul recorded marked growth in inbound arrivals of 18.1% during the Olympic year, with this growth being sustained over the following two years. Prior to the Olympics, Korea only had a very modest inbound visitor sector, with the Games providing an important catalyst in the "opening up" of the country to the international market. Barcelona on the other hand experienced a contraction in visitors during the Olympic year, arguably a result of perceived congestion. Atlanta used the Olympics to leverage its convention business registering a record number of conventions the year immediately following the Games however, similar to Barcelona, tourism growth during the Olympic year was limited.

Sydney has and will continue to enjoy substantial tourism gains from the Olympics. Arrivals to Australia (with Sydney the number one destination) increased by 11% during 2000 to 4.9 million and Sydney Airport also registered a record level of 9.9 million passenger movements during 2000, an increase of 7.5% on the previous year. Similar to its predecessors, Sydney is forecast to experience a record year of conventions in 2001.

The Olympics also appear to have a major impact on a city's hotel room stock. All four host city's experienced growth in room supply in the two years leading up to the Games and the Olympic year itself, with much of this concentrated in the international standard segment ie. four star and above. A comparison of changes in total hotel supply over the five years surrounding the Olympics (Figure 4) underscores this dramatic growth. Room supply almost doubled in Barcelona, while it increased by an average of 35% in Atlanta, Seoul and Sydney. In many cases, construction was brought forward for completion within the "Olympic window". While this increase in room capacity provides a strategic advantage for a city in terms of its ability to attract and host major events, it may result in a short-term oversupply (as was the case for Barcelona).

Figure 4: Room Supply Increase Pre, During and Post Olympic Games



Source: Jones Lang LaSalle Hotels; Respective Tourism Bureaux

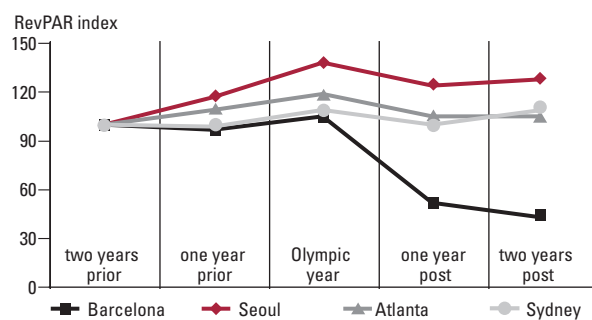
The combined effect of supply and demand resulted in some interesting occupancy movements. All host cities suffered a decline in average occupancies during the Olympic year, largely due to the increased level of room supply. Occupancy levels have typically recovered in the years following the Games.

While occupancy levels have fallen in all markets in the Olympic year, all host cities have experienced a substantial increase in average daily rate (ADR) during the Olympic year. The average increase in ADR has been 22.6%, with Sydney recording a below average increase of 11.1%. Not surprisingly, all host cities recorded a decline in ADR in the year after the Olympics, with Barcelona registering an extremely sharp fall.

The increased room rates have generally been sufficient to offset lower occupancies (the result of increases in supply), as a result, all recent host cities

have recorded an increase in hotel performance as measured by revenue per available room (RevPAR) during the Olympic year (Figure 5). Movements in hotel performance in the post-Games period have varied significantly as the markets have resumed their normal cycle. Sydney is the only market where RevPAR in the second year after the Games is expected to be higher than during the Olympic year itself. In contrast Barcelona saw RevPAR tumble by almost 60% in the two years following the Games, reflecting an oversupplied market in a recessionary environment.

Figure 5: Hotel Performance (Revenue per available room - RevPAR)



Source: Jones Lang LaSalle Hotels; Respective Tourism Bureaux

Athens is confident of leveraging the Olympics to the benefit of its tourism industry. Latest statistics show Greece achieved a 5.0% growth in international visitors to 11.5 million generating US\$5.5 billion in revenue in 1999. One of the existing constraints on tourism growth is the lack of quality room supply. This situation is likely to change rapidly with the Olympics stimulating significant levels of additional hotel construction in Athens. The city is already witnessing a spate of refurbishments, although it appears new development is largely being delayed to coincide with the Olympics.

Athens appears likely to follow a similar trend to past host cities in terms of its hotel occupancy levels, with the degree of movement being largely dependent on the extent of new supply additions. Athens is likely to have an additional stimulant to both room rates and performance (RevPAR) growth, given the increase in quality room stock likely to enter the market around the time of the Olympics in 2004.

## 5.2 Residential Market

There are two potential impacts of the Olympics on the residential market. A short-term boost to rentals and prices in certain localities and a longer-term impact in terms of new centres and the upgrading of housing stock.

The extent of any short-term impact on rents and prices appears to be dependent upon the size and maturity of the housing market in the host city. While Seoul and Barcelona experienced rapid increases in housing prices and rentals in their respective Olympic years, Atlanta and Sydney experienced little or no Olympic related boost. Of the four recent host cities, the impact on the residential market was most pronounced in Barcelona, where the Olympics is cited as a major contributor to increases in residential values of between 250% and 300% over the period 1986 – 1993.

Average house prices in Sydney have increased by approximately 50% between 1996 and 2000, but this has been almost entirely due to general market influences. A recent study of house price data by Macquarie Bank<sup>6</sup> found that prices in the Olympic Corridor increased by less than 0.5% above the Sydney average over the past four years, leading to the report being entitled *Olympics, What Olympics?* Similarly, while Atlanta has been one of the top performing residential markets in the United States in recent years, this owes much less to the Olympics than to other factors such as the strength of the local economy and the related increase in population.

However, the major impact of the Olympics on the residential sector is not on prices or rents, but in the development of new districts around the Olympic corridor. Once again this impact was most pronounced in Barcelona where residential construction increased by 23% between 1988 and 1991, compared to increases of 5% in the hotel and 12% in the office markets.

The most obvious impact for Seoul and Barcelona was in the development of their Olympic Villages, which comprised full-scale new urban centres. While of a smaller scale, Sydney's residential market has also seen an Olympic-injection of residential stock via the creation of Newington Village, (a 2,000 dwelling suburb) and a number of other residential projects that have been developed in the Olympic corridor.

<sup>6</sup> Macquarie Bank, Market Research Paper, Olympics What Olympics?, Sydney (Aug 2000)

Atlanta largely used existing facilities to house athletes and as such did not experience the mass residential construction around its Olympic precinct. The Olympics did, however, have a considerable influence on the location of demand by helping to create a more attractive inner city residential environment through improvements to transport facilities, retail amenities and public areas, such as parks and pedestrian walkways.

If the experience of the past four Games is a guide, Athens can be expected to experience a more pronounced Olympic related impact on the residential market than either Atlanta or Sydney. Work has recently commenced on the Olympic village in Western Athens, but a greater impact is likely to result from the decision to build a new airport to service the Olympics, to the east of the city at Mesogeia. Delays in implementing effective planning controls have resulted in largely unchecked urban sprawl between the city and the new airport, with as much as 15,000 acres of agricultural or forestry being developed (into mainly residential) over the past 10 years. Environmental groups claim this unplanned development will worsen the city's already serious traffic congestion and pollution.

### 5.3 Office Market

As with the residential markets, the impact of the Olympics on the office market in recent host cities has been mixed. The impact is greatest in smaller, less mature markets. The Olympics serve as a major city promotion campaign, but unless there are sufficient sound business reasons to support it eg, infrastructure, business environment, skilled labour, this is unlikely to result in the attraction of significant international capital.

In Barcelona, the Olympic inspired economic boom of 1986-1990 led to a major increase in construction of office space in what was a relatively immature market (25% of the current CBD stock of approximately 850,000 m<sup>2</sup> was built between 1988-1993). As with other relatively young markets, the success of early projects stimulated excess construction and vacancies increased from 0.7% in 1989 to 10.4% in 1992. The office market peaked in 1991, with rentals declining by almost 50% in the light of increasing supply. It was not until 1994-1995, that the market once again reached equilibrium.

Both Sydney and Atlanta were experiencing strong economic growth and positive office market conditions at the time of their Olympic Games. The direct impact of the Games proved to be relatively modest. In Atlanta's case, approximately 20,000 m<sup>2</sup> of office space was leased on a short-term basis for Games related activities, out of a CBD stock of some 2.2 million m<sup>2</sup>. The indirect impact of the Games is more difficult to assess. According to Atlanta's mayor, Bill Campbell "The Olympics was not the sole catalyst for Atlanta's amazing growth over the past 10 years, but it was certainly an important impetus in the overall growth of Atlanta during the 1990's"<sup>6</sup>.

The Atlanta office market has continued to grow strongly since 1996, with more than 520,000 m<sup>2</sup> of office space absorbed across the metro area in 1998. The prospects for the Sydney market over the next one to two years also look very strong with vacancy rates in both the CBD (4.2%) and major suburban markets currently at their lowest for more than a decade. The extent to which the Olympics contributed to these booms is difficult to isolate. Atlanta and Sydney have both succeeded in attracting major corporate office occupiers. The Olympics may not have been an explicit factor in the majority of these business decisions, but the ability of the cities to leverage off the increased awareness resulting from the Olympics would have contributed to their success.

The Australian and New South Wales state governments joined forces to lead "Investment 2000", a four-year inward investment promotion campaign in the lead up to the 2000 Games. This program claims to have attracted a total of 45 companies to establish facilities in Australia (with investment totalling US\$297 million and 1,150 jobs). A further 44 companies are also said to be considering establishing offices in Australia<sup>7</sup>. While again it is difficult to isolate the influence of the Olympics from other factors, the increased international exposure it generated is likely to have contributed to the city's success in attracting 150 overseas companies to establish their regional headquarters in Sydney between 1995 and 2000.

A more direct and long-term benefit to the office market is the major improvement in transport and telecommunications infrastructure, which the Olympics has helped create in both Sydney and Atlanta. Both cities improved or extended their airports and built new roads,

<sup>6</sup> Bill Campbell (Mayor of Atlanta) quoted in the Atlanta Business Chronicle (March 1999)

<sup>7</sup> Investment 2000, Report quoted in Australian Financial Review (11/12/2000)

rail and telecommunications systems to support the Olympics. These factors would certainly have helped attract office occupiers subsequent to the Games.

Athens is a relatively immature office location and is therefore not likely to attract the same level of international office occupiers as Sydney or Atlanta. If the Olympics result in significant new levels of office construction, the market may witness the same negative impacts as Barcelona, with increased vacancies and falling rentals

#### **5.4 Retail Market**

Of all the sectors studied, the Olympics probably has the least lasting impact on the retail market. With the exception of Barcelona (which saw a 20% increase in the stock on modern retail space between 1990 and 1995), the Olympics has not resulted in significant levels of additional construction in this sector.

The most direct impact has been a short-term boost to retail spending resulting from increased tourism. Retail sales in Atlanta are estimated to have received a US\$2 billion boost in 1996, expanding at twice the national average in the Olympic year. Similarly, the Australian Bureau of Statistics estimates the Sydney Olympics resulted in a net increase of US\$95 million in retail turnover in the month of September 2000 alone.

A number of major trends can be identified in respect of the Olympic impact on the Sydney retail. Most of the additional sales were recorded in the CBD market and in locations close to Olympic venues. Centres in other locations within Sydney reported little change in sales in

September with anecdotal evidence suggesting some retailers actually saw a decline in trade due to changed spending patterns and the longer school holidays introduced as a result of the Olympics.

The Olympics also resulted in major changes in the pattern of spending between different sectors of the retail market. The major beneficiaries in Sydney were the clothing and soft-goods sector (souvenirs) and the hospitality and services sector (take away food). These sectors saw turnover increase by US\$88 million in New South Wales for the month of September 2000. Other sectors of the market saw a decline in turnover due to switching of expenditure eg. from fresh food to fast food and restaurants.

Entertainment precincts such as Darling Harbour received a major boost in spending. This was the main Olympic “party precinct” with restaurants, bars and nightclubs registering record levels of business during the Olympics. While business has fallen away greatly since the Games (and a number of high profile restaurants have closed their doors), surviving retailers in Darling Harbour are reporting higher turnover than before the Olympics, as more local residents have rediscovered this precinct.

Another clear trend in Sydney was that the Olympic related retail boost was focused on centres which are accessible from public transport nodes, with spending being transferred away from automobile based suburban centres. The increased use of public transport during the Olympics may be one of the most profound and long lasting implications of the Games on the Sydney real estate market. The challenge is how to prolong this re-discovered faith in public transport and extend it to other trips formerly undertaken by car.



Sydney Olympic Park, Homebush

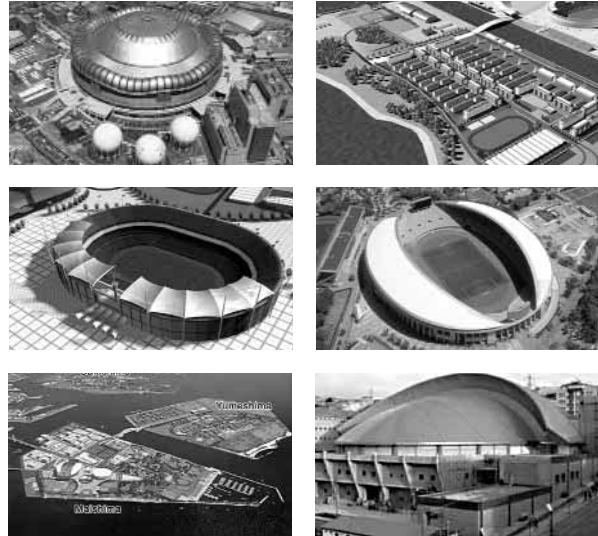
## 6.0 Implications for Host Cities

### 6.1 The 2008 Olympic Bid Cities

On 13 July 2001 at the 112th IOC Session in Moscow, the IOC members will elect the Host City for the Games of the XXIX Olympiad. The five cities short-listed for the honour are Beijing, Istanbul, Osaka, Paris and Toronto.

To place each city into context, a concise analysis follows. This details each market’s status, the likely Olympic-induced impact on the economy and property markets, along with a summary of factors for and against the nomination of the city as the 2008 Olympic host.

The IOC Evaluation Commission recently delivered its final report prior to the July election. This report rated the Beijing, Paris and Toronto bids as excellent, with no particular major risks. Key findings from this report for each city are detailed in Table 4.



Built and proposed Olympic facilities in the 2008 bid cities

Table 4: Summary of IOC Evaluation Commission Report

| City            | Bid Driver                              | Key Positives  | Key Negatives   |
|-----------------|---|--|---|
| <b>Beijing</b>  | Government                              | Good sports concept with complete Government support     | Environmental and population/economic growth challenges       |
| <b>Paris</b>    | City/NOC with strong government support | Good use of existing facilities                          | City theme means a complex urban Olympic Village site         |
| <b>Toronto</b>  | NOC/Government                          | Legacy of facilities and good transport links            | Capacity of private/public sector to deliver facilities       |
| <b>Istanbul</b> | NOC                                     | Unique Olympic Law which provides finance for facilities | Financial ability to construct facilities and transport links |
| <b>Osaka</b>    | City                                    | Excellent venues and proven ability                      | Financial implications and traffic congestion                 |

Source: IOC Evaluation Commission Report, April 2001  
 NOC: National Olympic Committee

## Beijing

|                             |   |
|-----------------------------|---|
| <b>Motto</b>                | New Beijing, Great Olympics   |
| <b>Major Selling Points</b> | Green Olympics<br>Hi Tech Olympics<br>Peoples Olympics<br>Means for reform (political and economic) |

### Stock Take

|                          |   |
|--------------------------|---|
| <b>Population</b>        | 13.8 million (2000)   |
| <b>GDP per Capita</b>    | US\$2,700 (2000)  |
| <b>Office Stock</b>      | 2,500,000 (2000)  |
| <b>Retail Stock</b>      | 1,200,000 (2000)  |
| <b>Residential Stock</b> | 11,400 units and villas of international quality (2000)                     |
| <b>Hotel Stock</b>       | 23,232 rooms in 50 properties of international standard ie. 4-5 star (2000) |

### Impact on the Economy

|                   |  |
|-------------------|--|
| <b>Short-Term</b> | Given the size (US\$1.1 trillion in 2000) and growth rate (8% in 2000) of the Chinese economy, the direct impact of hosting the Olympics will be negligible on the national economy, but it would have an impact on the local Beijing economy. |
| <b>Long-Term</b>  | The indirect impact in terms of boosting trade and further opening-up of the Chinese economy over the longer term is tremendous.   |

### Impact on Real Estate Markets

|                              |   |
|------------------------------|---|
| <b>Hotel Market</b>          | Beijing has a relatively well developed international hotel sector, however the Olympics would likely induce further construction of 4-5 star properties in the years leading up to the Games.  |
| <b>Office/Retail Markets</b> | Little direct impact, but will stimulate further demand as part of the opening of the economy to overseas corporates.   |
| <b>Residential Market</b>    | Olympic Village will become an attractive new residential neighbourhood (80 hectares).  |
| <b>Urban Regeneration</b>    | Government is promising major environment improvements, particularly to atmospheric quality. They will also create a major new urban park covering 760 hectares. The implications to Beijing's urban form include the creation of a new focal point at the northern extreme of the city's Central Axis. |

### Pros and Cons

| Pros   | Cons  |
|--|---|
| World's most populous nation                                     | Current problems with environment (pollution) |
| China has never hosted the Olympics                              | Current traffic congestion                    |
| Strong Olympic history   | Human rights issues                           |
| China was ranked third in the medal tally at the Sydney Olympics | Potential US opposition                       |
| China offers huge new trade opportunities                        | Population and economic growth challenges     |
| Urban infrastructure in place – airport and major expressways    |   |
| Government financial guarantees                                  |   |

## Istanbul

|                             |   |
|-----------------------------|---|
| <b>Motto</b>                | The Meeting of Continents                       |
| <b>Major Selling Points</b> | Crossroads of Asia and Europe<br>Youthful Games |

### Stock Take

|                       |   |
|-----------------------|---|
| <b>Population</b>     | 9.4 million (2000)  |
| <b>GDP per Capita</b> | US\$6,720 (1998)  |
| <b>Office Stock</b>   | 80,000 m <sup>2</sup> of Grade A stock (2000)                             |
| <b>Hotel Stock</b>    | 4,650 rooms in 12 properties of international quality ie.4-5 star (2001). |

### Impact on the Economy

|                   |  |
|-------------------|--|
| <b>Short-Term</b> | Given the relative size of Istanbul's economy, the Games would have a considerable short-term economic impact, through massive public sector spending on Olympic-related infrastructure. |
| <b>Long-Term</b>  | This will depend on the city's ability to use the Games as a catalyst to open its economy to international markets. Areas of concern include inflation and large budget deficits.        |

### Impact on Real Estate Markets

|                              |   |
|------------------------------|---|
| <b>Hotel Market</b>          | The international hotel market is relatively limited, therefore success in winning the 2008 Games is likely to result in a significant level of new development.  |
| <b>Office/Retail Markets</b> | Will be impacted more by the performance of the general economy rather than the Olympics.   |
| <b>Residential Market</b>    | Olympic Village would become a new 5,000 dwelling residential neighbourhood to the North East of Istanbul.  |
| <b>Urban Regeneration</b>    | Creation of a new Olympic Park (584 hectares), located to West of the City. There remains potential problems with uncontrolled urban development/sprawl to the west of the city between the airport and the Olympic precinct. |

### Pros and Cons

| Pros  | Cons  |
|---|---|
| Geographic location – the only city in the world located on two continents (Asia and Europe)        | Geographic proximity to Athens (2004 Games)   |
| Strong tourist attractions incorporating history and culture  | Political instability   |
| Strong Olympic tradition  | Security concerns   |
| Recently extended airport (Ataturk)   | Human rights record   |
| Olympic stadium is under construction (capacity of 80,000)  | Uncertainty regarding the financing and completion of planned infrastructure  |
| Olympic Law (1992) – streamlines development process in line with principles of the Olympic Charter | Olympic facilities are more dispersed than other bid cities: IBC to main stadium is 13km; Olympic Village to main stadium is 3km. |
| Experience from unsuccessful bids for 2000 and 2004 Games   | Major earthquakes have negatively impacted visitor perceptions of Turkey  |

## Osaka

|                             |   |
|-----------------------------|---|
| <b>Motto</b>                | Sports paradise Osaka   |
| <b>Major Selling Points</b> | Athlete centred Games<br>Community support<br>Olympics for the people of the world<br>Environmentally friendly Olympics |

### Stock Take

|                          |  |
|--------------------------|--|
| <b>Population</b>        | Osaka Prefecture 8.8 million, Osaka City 2.6 million (rising to 3.8 million during the day) (2000) |
| <b>GDP per Capita</b>    | US\$71,870 (1997)  |
| <b>Office Stock</b>      | 9,200,000 m <sup>2</sup> (2001)  |
| <b>Retail Stock</b>      | 2,800,000 m <sup>2</sup> (1999)  |
| <b>Residential Stock</b> | 1,100,000 units (1998)   |
| <b>Hotel Stock</b>       | 8,500 rooms in 14 properties of international standard ie. 4-5 star (2000)                         |

### Impact on the Economy

|                   |  |
|-------------------|--|
| <b>Short-Term</b> | The Bank of Japan estimates a positive impact of US\$6.5 billion in 2008 alone. Total budget for the Games is US\$28 billion.      |
| <b>Long-Term</b>  | In view of the size and already international nature of the Japanese economy there are unlikely to be any major long-term impacts. |

### Impact on Real Estate Markets

|                              |  |
|------------------------------|--|
| <b>Hotel Market</b>          | Would require development of additional hotel infrastructure and provide a major short-term boost to local tourist developments eg. Universal Studios (Japan).   |
| <b>Office/Retail Markets</b> | Minimal impact. No major new office or residential supply likely to be generated by the Games. Proposed Olympic precinct is not closely linked to the CBD area.  |
| <b>Residential Market</b>    | Would create an attractive new residential community on the man made island of Yumeshima.  |
| <b>Urban Regeneration</b>    | The major impact would be the creation of three man made islands in Osaka Bay. Maishima Island, location of the Olympic stadium, would be converted into a new park and open air "Olympic Museum" following the Games. |

### Pros and Cons

| Pros  | Cons  |
|---|---|
| Japan is the world's second largest economy   | Olympic venues are scattered across wide area and are not well integrated by public transport |
| Osaka has well developed urban infrastructure, including public transport network and a major new airport | Concerns about the Japanese economy and public sector debts resulting from the Games          |
| Most of the proposed venues are already built   | Traffic congestion and potential delays for athletes  |
| Proven ability within Japan to organise major multi-sport events  |   |
| Osaka is routinely ranked as one of the most attractive cities to live in Asia                            |   |

## Paris

|                             |   |
|-----------------------------|---|
| <b>Motto</b>                | Oui   |
| <b>Major Selling Points</b> | Success in hosting the 1998 World Cup<br>Enthusiastic support from the people of Paris<br>Democratic, multi cultural, free society that believes in the Olympic ideals.<br>Financial and other guarantees from national government<br>Attractive climate for sport<br>Environmental quality |

### Stock Take

|                          |   |
|--------------------------|---|
| <b>Population</b>        | Paris City 2.1 million, Ile de France region 11.3 million (2000)                                  |
| <b>GDP per Capita*</b>   | US\$22,857 (1999)   |
| <b>Office Stock</b>      | 15,450,000 m <sup>2</sup> (2001) in Paris city, 44,000,000 m <sup>2</sup> (2001) in Ile de France |
| <b>Retail Stock</b>      | 53,000 retail stores (1999)   |
| <b>Residential Stock</b> | 1,324,500 dwelling units (1999)   |
| <b>Hotel Stock</b>       | 13,666 rooms in 104 properties of international standard ie. 4-5 star (2000)                      |

\*France

### Impact on the Economy

|                   |   |
|-------------------|---|
| <b>Short-Term</b> | Given the size of the French economy (US\$1.25 trillion), the Olympics is unlikely to have a major impact on the national economy. However, it would have a notable impact on the local Parisian economy by reinforcing its image in comparison with other major European cities. |
| <b>Long-Term</b>  | The direct effect that the 2008 Olympics might have on the local economy depends more on the prevailing economic situation at that time.  |

### Impact on Real Estate Markets

|                              |  |
|------------------------------|--|
| <b>Hotel Market</b>          | This would benefit properties to the north of the city (particularly the new hotels in the Ile de France area) via an increase in demand and the anticipated infrastructure development. It is unlikely there would be significant new hotel development due to the lack of sites, strict planning controls and competition from office use.   |
| <b>Office/Retail Markets</b> | The creation of the Olympic precinct in Saint Denis (North East of Paris) would greatly boost this emerging commercial market. Over 500,000m <sup>2</sup> of new office development is due for completion in 2003-2004. The retail market in Paris inner-city is unlikely to be affected, however the Saint-Denis region will benefit from urban renewal. A major shopping center is also being built on the Peripherique Beltway. |
| <b>Residential Market</b>    | Approximately 50 hectares of the Olympic precinct would be converted to a new residential suburb after the Games.  |
| <b>Urban Regeneration</b>    | The creation of the Olympic precinct would provide the opportunity to cover the existing Peripherique Beltway. This would greatly improve the urban relationship between Paris and its North Eastern suburbs. The Olympic Village would form part of a major urban renewal project involving the reuse of a former industrial area.  |

### Pros and Cons

| Pros   | Cons   |
|--|--|
| Success in hosting 1998 the World Cup  | Proximity of Paris to Athens (2004 Games)  |
| Close proximity of major venues (50% of events within five minutes of the Olympic Village) | Less commercial "spin offs" than in less developed economy                       |
| Use of existing stadium (Stade de France) built for the 1998 World Cup                     | Hosting the Games within a major city means a complex urban Olympic Village site |
| France is a relatively prosperous, open and safe society                                   |  |
| Transport and tourism infrastructure largely in place                                      |  |
| Attractive climate/environmental quality   |  |

## Toronto

|                             |   |
|-----------------------------|---|
| <b>Motto</b>                | Expect the World  |
| <b>Major Selling Points</b> | Convenience – 89% of events within 10 minutes of the Olympic Village<br>Diversity – City of Nations, “the worlds most multicultural city”<br>Commitment – Funding of US\$1.0 billion already secured and most venues built<br>Experience – 50 million visitors to major events since 1985 |

### Stock Take

|                          |   |
|--------------------------|---|
| <b>Population</b>        | Toronto City 2 million, Greater Toronto 4.8 million (2000)                |
| <b>GDP per Capita</b>    | US\$20,580 (2000)*  |
| <b>Office Stock</b>      | 3,412,000 m <sup>2</sup> in CBD, 7,630,000 m <sup>2</sup> in Metro (2000) |
| <b>Retail Stock</b>      | 5,403,400 m <sup>2</sup> (May 2001)                                       |
| <b>Residential Stock</b> | 1,738,000 households in Metro area (2001 Census)                          |
| <b>Hotel Stock</b>       | 34,520 rooms (2000)   |

\*1992 constant dollars

### Impact on the Economy

|                   |  |
|-------------------|--|
| <b>Short-Term</b> | Estimated to generate an additional US\$6.6 billion during 2008.   |
| <b>Long-Term</b>  | Create 110,000 person years of new jobs. Stimulate a US\$1.5 billion waterfront redevelopment. Additional tax revenue estimated at US\$1.4 billion. Long-term tourism spending of US\$6 billion. |

### Impact on Real Estate Markets

|                              |  |
|------------------------------|--|
| <b>Hotel Market</b>          | Would stimulate development of new properties as Toronto is currently under-provided with 4-5 star hotels.   |
| <b>Office/Retail Markets</b> | Little direct impact but would open up new areas along the waterfront close to the CBD. No significant new supply likely to be generated in the retail market, with the impact isolated to a short-term boost to spending in 2008.   |
| <b>Residential Market</b>    | Olympic Village would become new waterfront residential suburb (35 hectare site), within 10 minutes of CBD by public transport.  |
| <b>Urban Regeneration</b>    | A key feature of the Toronto bid is the development of a “6km Olympic Waterfront”. This involves the remediation and opening up of former industrial sites in the Port Lands district, close to the CBD. Major extension to Pearson International Airport and redevelopment of the regional rail hub (Union Station). These projects may have occurred anyway but the Olympics bid has acted as a catalyst in terms of their timing. |

### Pros and Cons

| Pros   | Cons   |
|--|--|
| Close proximity of all major Olympic sites   | Canada has hosted previous Olympics and North America has hosted two recent Games in Los Angeles (1984) and Atlanta (1996) |
| World leading public transport network   | Less supporting tourist attractions than other bid cities  |
| Many venues already built  | Lower levels of trade “spin offs” than in the less developed countries   |
| Strong supporting arts and cultural program  | Ability for the private/public sector alliance to deliver the Village and Waterfront facilities                            |
| Most of the necessary supporting urban infrastructure is in place (except for hotel accommodation) |  |

## 6.2 Beyond the Olympics

Much of the above applies not just to the Olympics, but is equally relevant to cities hosting other major events such as the Winter Olympics, World Expos, the soccer World Cup and the Asian Games. As with the Olympics, these major events can have a sizeable short-term impact on the property market, with the potential for more significant long-term benefits being largely dependent on the city’s ability to leverage off the event.

Evidence of both short-term effects (particularly on the tourism/convention/hotel market), and longer-term effects (ie. infrastructure development and the positioning/profiling of the city), were witnessed during the 1998 World Cup held in Paris. During 1998, international visitor arrivals to Paris increased by 13.1%. It is estimated there were 350,000 international visitors in Paris during the World Cup. This is despite a decline in regular tourists (turned-off by the influx of soccer supporters) and a 19.0% decline in convention participation. Despite the fact that the World Cup attracted primarily lower paying guests, the Quality Hotel segment in Paris performed strongly during the year, with RevPAR increasing by 19.0% during 1998, mainly due to strong growth in room rates.

Among the less direct benefits to Paris were infrastructure developments, such as the new metro station at Stade de France and renovations of the stadiums, which will benefit both the tourism industry and the general community. France also received a great deal of international exposure as a result of the World Cup. Paris is also bidding to host the 2008 Olympics, providing an example of how a city can leverage off earlier investments in terms of both physical infrastructure and also the experience gained in organising major world sporting events, to attract subsequent events.

### (i) Potential Benefits to Real Estate Markets

The potential benefits to real estate markets can be significant, yet history has revealed that the magnitude of these paybacks is varied. Table 5 summarises the key beneficial impacts on real estate markets.

Table 5: Potential Benefits

|   |   |
|---|---|
| Increased Profile/Exposure              | Puts the city on the map and provides a chance to showcase its attributes   |
| Short-term boost to economic activity   | Significant but ultimately less important than long-term impact.  |
| Development of new urban infrastructure | Caveat to bring forward spending on major projects.   |
| Opportunities for urban redevelopment   | Major urban redevelopment projects often require an initial catalyst.   |
| Environmental Issues                    | The opportunity for cities to showcase attractive environment (eg Sydney) or significantly improve existing environmental problems (eg Athens). |



Sydney Olympic Park, Homebush



Olympic Stadium, Seoul

**ii. Potential Disadvantages to Real Estate Markets**

The identification of potential problems for real estate markets associated with major events like the Olympics is crucial. Organisers, planners, developers and investors alike must consider the potential disadvantages (as discussed in Table 6) in their organization and investment plans, and develop contingency strategies where relevant.

**Table 6: Potential Disadvantages**

|  |  |
|--|--|
| Increased exposure can be a negative if Games are not as successful as anticipated | Atlanta's failure to complete the entire transport infrastructure on schedule (and a bomb explosion) resulted in negative publicity.   |
| Unrealistic Expectations   | A problem for Atlanta and to a lesser extent Barcelona, where some of the expectations proved overly optimistic.   |
| Short-term overcrowding and pressures on both physical and financial systems       | Range of short-term problems resulting from influx of visitors during the Games period. Problems include overcrowding, pressure on transport systems, disruption to local businesses and inflationary pressures. |
| Diversion of activity and resources from other projects/locations                  | Difficult to quantify but other projects/programs and other geographic locations are negatively impacted by the focusing of resources and budgets on Olympic related projects.                                   |
| Over-development of real estate markets  | Some cities (particularly Barcelona) suffered from over-development of Olympics-inspired real estate projects.   |

**iii. Converting the Potential Benefits**

Some cities have been more successful than others in leveraging from the catalyst provided by the Olympics (or other major world events) to gain significant long-term benefits. The degree to which cities are able to achieve this will depend on a number of different factors, which are analysed in Table 7.

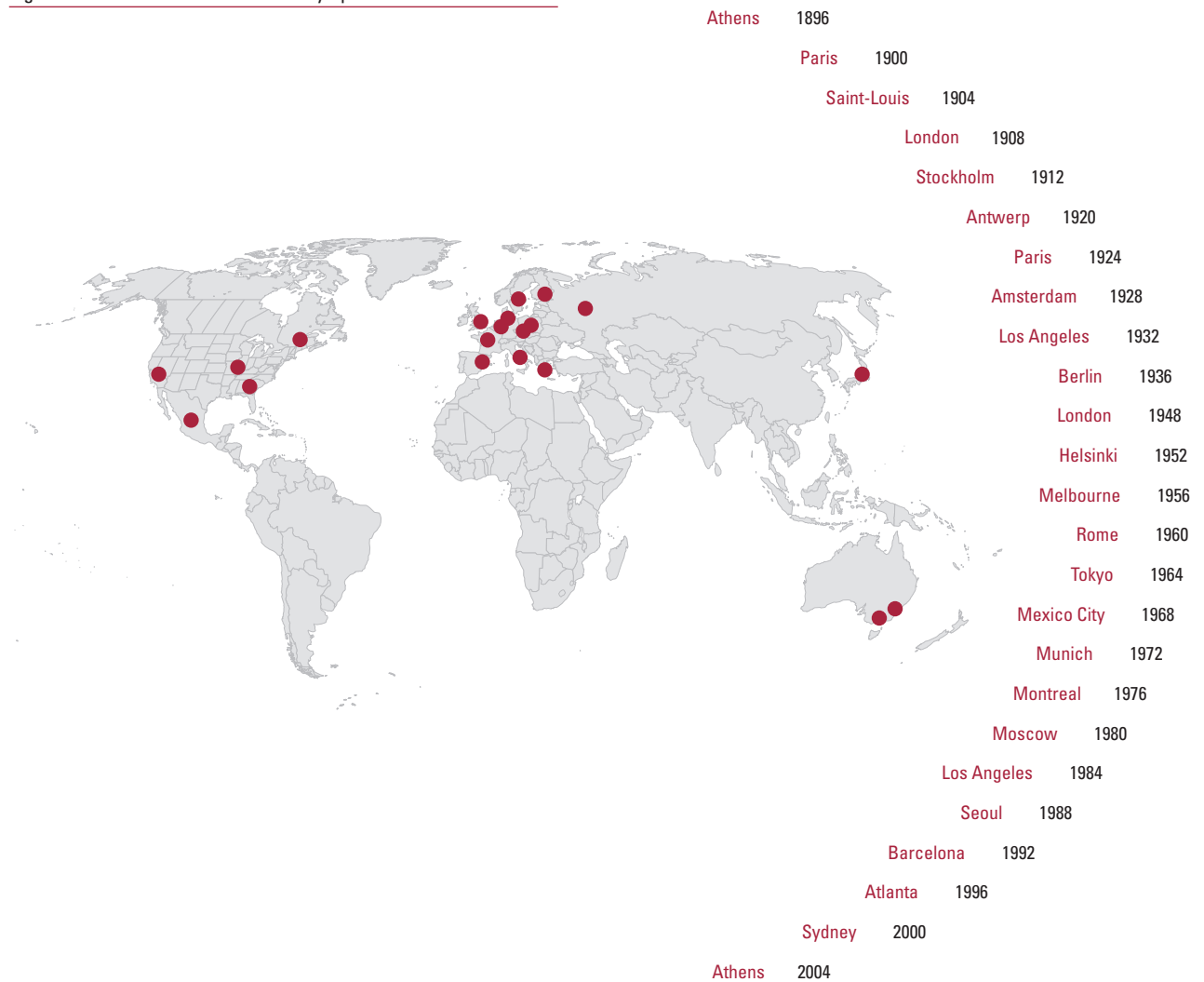
**Table 7: Realising the Benefits**

|  |  |
|--|--|
| Competitive business environment                                       | Quality of the labour force and business infrastructure will be critical in the ability to attract corporate occupiers. Sydney and Atlanta score well in this regard.  |
| Quality of tourism attractions   | Cities with higher quality attractions for international tourists (scenic eg Sydney, cultural eg Athens) are likely to derive stronger long-term tourism benefits than others (eg Atlanta).  |
| Ability to sell Olympic experience to attract other major world events | The ability to re-use physical infrastructure (sporting, transport, etc) and the ability to leverage from the management/organisational experience gained from hosting a successful Games.   |
| Level of tourism infrastructure built for the Olympics                 | A key attraction of the Olympics for Athens is the catalyst it provides to upgrade its tourism infrastructure (especially the airport, hotel and convention facilities). The relative lack of these facilities is currently a major constraint on the local tourism and convention industries. |
| Ongoing promotional campaign   | Recognition of the need for a prolonged and well-funded promotional campaign, continuing well after the event is critical in translating the short-term interest into long-term benefits.  |
| Ability to prolong changed patterns of behaviour                       | A common feature of the Olympics is an increased reliance on public transport. The ability of the city to translate this into a long-term benefit will depend upon the quality of the public transport system and how well this meets non-Olympic patterns of travel.                          |

## 7.0 The Evolution of the Olympic Games

Olympia in Greece was the stage for the first ever Olympic Games held in 776 B.C.. For almost 1,200 years this site played host to the Olympic contest every four years. Baron Pierre de Coubertin brought the modern Olympic Games to life, with the first event held in 1896. From 245 athletes (all men) in 43 events to more than 10,000 athletes in 300 events, by 2000 the Olympics had grown to become the world's largest event. The Olympic symbol (five interlocking rings) supports the true IOC Olympic ideal; that is using sport as the vehicle to bring the world's five continents together in peace and friendship. Figure 6 provides a timeline of the modern Olympic Games.

Figure 6: Timeline of the Modern Olympic Games



## About the Authors

This document was the result of a collaboration between Jones Lang LaSalle's senior operatives across a broad mix of business lines including hotel, office, retail, residential, research, global consulting, investment management, land services and corporate property services. The two lead authors of this paper were Craig Plumb and Melinda McKay.

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Craig Plumb has more than 15 years experience in advising clients in respect of real estate projects in Europe, Asia and Australia.

He is currently a Director responsible for Research within Jones Lang LaSalle's Sydney office. His primary responsibilities include the collection and analysis of data on the Australian real estate market, the preparation of research reports and the supervision of Jones Lang LaSalle's Real Estate Intelligence Service (REIS). This is the leading real estate information service in Australia, provided to approximately 30 leading investors and occupiers. His experience extends also to development consultancy, due diligence/investment advice and urban and regional planning.

He holds a Master of Philosophy, Environmental Planning from Reading University (UK) and a Bachelor of Arts, Geography and Economics from Lancaster University (UK). Craig is a member of the Royal Town Planning Institute (RTPI) and an Associate of the Australian Property Institute (API).

### **Melinda McKay**

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Melinda McKay is responsible for strategic investment research for Jones Lang LaSalle Hotels in the Americas, along with the marketing and tactical execution of global research for Jones Lang LaSalle.

Melinda has almost a decade of experience in the hotel industry and joined the company in 1997. In January 1999, she assumed responsibility for the development of corporate marketing and research services for the newly merged Jones Lang LaSalle Hotels at an Asia Pacific and Global level. In June 2001, Melinda relocated to Chicago. While in Sydney, Melinda was responsible for the development of the company's Asia Pacific research division into today's most pre-eminent

service provider. Along with creating the firm's major research publication, Jones Lang LaSalle Hotels' Digest, she was consulted by Government and leading private institutions.

Prior to joining the firm, she worked with national tourism lobby group, Tourism Task Force and international hotel chain, ITT Sheraton. Melinda graduated with Merit from the University of NSW with a Bachelor of Commerce degree. She is a member of Jones Lang LaSalle's Global Research Board and Global Marketing Committee.



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