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An Achievable Goal
Stadiums, Arenas and Urban Regeneration

May 2002

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Executive Summary

- On their own, stadia are unlikely to underpin regeneration goals, and should be viewed as part of a holistic approach to mixed use regeneration. Of fundamental importance is the need for any stadium or arena to have a sustainable business model. When this is delivered such an iconic building can be a powerful catalyst for destination and value creation, which over time, can be expected to meet regeneration aspirations.
- With uncertainty over the specific and viable longer-term business operations of the stadiums for the World Cup 2002, we remain unconvinced that the mechanisms are yet in place for the World Cup to have a widespread and enduring regeneration effect.
- The lessons learnt this year in Japan and South Korea and from past sporting events, will highlight what this means for the towns and cities that host future major sports events. For example the approach of the host cities in Euro 2004 in Portugal and World Cup 2006 in Germany.
- Closer to home with much of UK Club Football experiencing severe financial problems, we expect clubs and their partners, such as local authorities, to further focus on the positive role stadiums can play in their businesses and communities.

Introduction

For four weeks this June the eyes of the world will be on Japan and South Korea as they host the Football World Cup. Equally as dazzling as the skills of Zidane, Figo, Beckham and Ronaldo will be the stadia.

Jones Lang LaSalle's Strategic Consulting team advise on some of the World's largest mixed use development schemes, frequently incorporating stadiums, arenas or other such iconic buildings. Below we provide a commentary on the framework needed for stadiums and arenas to successfully contribute towards urban regeneration aspirations and generate positive real estate impacts.

“If you build them they will come”

In the late 1980's and throughout the 1990's there was an increased recognition amongst business and city authorities of the value, sometimes quantifiable other times not, of sports stadiums as a tool for urban regeneration. Increasingly major sports facilities are seen as a mainstay of urban regeneration and city repositioning aspirations. This is driven by a city's desire to raise its profile, make a step change in external and internal perceptions of itself and improve its real estate product in an attempt to attract business and people and become a winning city.

On their own such iconic buildings are unlikely to underpin regeneration goals, but as part of a holistic approach to mixed use development can provide a powerful catalyst for value creation and thus urban regeneration. Key factors that should be considered when incorporating a stadium into an area for mixed-use regeneration include:

The urban and economic context

- This sets limits and identifies what the possible achievements might be.

A defined vision and master-plan

- What type of place is the location going to be and is there a “route map” of how to achieve this?

Demand forces

- Where would demand come from in the future and how could the location best align with these trends?

Transportation

- This will have a major impact upon the scale and nature of demand.

Competitive context

- How does the location compare to other locations, what is the positioning in terms of city authorities and landowners.

Real Estate Product

- What type of residential, office, leisure and retail concepts could be introduced? Would these align with demand trends and offer synergistic value with the stadium. Furthermore what branding opportunities are there?

Development Structure

- What are the alternate joint venture structures that might be considered.

Credibility, Deliverability and Sustainability

Of fundamental importance in any arena, stadium, or cultural development is the need for a credible, sustainable and deliverable business model. When this element is missing value is unlikely to be created hitting long run regeneration aims. However when such buildings are considered as part of a holistic package, destination and value creation are likely to be achieved, delivering a powerful connection between business, city authorities and communities.

City authorities clearly have numerous roles to play in meeting stadium development and regeneration goals. One significant influence city authorities have is how they view different uses that may or may not have synergies with the stadium. This is important, as it is likely to determine whether or not the stadium business model is sustainable. An enlightened city authority which adopts a flexible approach, within its planning framework, to uses that have synergies or are perhaps ancillary to the stadium is likely to see stadium wins. Such as:

Destination Creation

- From low value brownfield land to a vibrant neighborhood with increased footfall and potential 24/7 operation.

Quality of life

- Community pride and provision of leisure and community facilities.

Exposure

- Unquantifiable value through the projection of a "place".

Economic

- Raising of real estate values will provide the opportunity to attract higher value uses generating new employment opportunities, for example, by capturing the sports tourism £, \$, €, ¥ etc.

Critical mass

- Opportunity to capture the fusion of leisure, entertainment and retail uses to meet heightened consumer expectations – “it’s about experience”.

Japan and South Korea 2002

Cities in both Japan and South Korea have developed stunning new stadiums and in some cases done so with urban regeneration and economic development in mind. The South Korean organisers are in little doubt that the regeneration impact of the World Cup will be large. In the summary document which outlines their expectations of the World Cup, they stated that the new stadiums would act as a magnet for investment and regeneration in the 10 host cities. They expect the stadia “to become tourist attractions in their own right, not only for their facilities but also as outstanding and original works of architecture”. The organisers state that the various stadia will be re-developed after the World Cup tournament to include multi-media cinemas, swimming pools, restaurants, hypermarkets and sporting goods outlets.

Whether or not these concepts have a sound business model to ensure delivery and sustainability is currently difficult to ascertain. What is clear is that advances in recent years have seen the development, technological and operational risks of multi-purpose stadiums reduce. This means that a broader range of facilities and activities can be accommodated thus raising the possibility of delivering a sustainable business model.

In hoping that the World Cup will provide such widespread regeneration benefits the 2002 organisers are, to a large extent, treading new ground. In contrast to the Olympics, which have often been used as a catalyst for regeneration on a larger scale the only significant example of the World Cup being used in this way is the Stade de France in St Denis, Paris (see Case Study section).

Similar hopes have been expressed by both the Japanese organisers and local governments who bid keenly in a series of domestic competitions for the right to host matches. In Japan, local governments even got embroiled in highly complex and highly expensive competitions for the right to host team training camps for the duration of the World Cup.

Despite the positive example from the last World Cup, our research suggests it is unlikely that the long-term regeneration impact on the 2002 hosts will be significant. The 2002 tournament is spread widely between two nations and over 20 host cities – the largest number of different locations ever used for the World Cup. This means most cities host a maximum of three or four matches and these are often day visits from the major cities. Therefore there is no concentrated impact on any one city for the month of the World Cup and at the end of the tournament there is no specific real estate legacy other than the actual stadium. This is a contrast to the Olympic Games where the impact on one location is more intense as illustrated by the example of Stadium Australia (see Case Study section).

Furthermore, in general, the 2002 World Cup has avoided venues in major cities. For instance, the largest Japanese cities to host any games are Osaka and Yokohama with no games held in Tokyo. Though Seoul is being used as the centre-piece of the event in South Korea, a number of smaller locations will also host matches. It is these smaller, less economically developed areas

that are hoping for the biggest regeneration boost. However, it is these areas that we suspect may be the most disappointed.

In Japan and South Korea the new facilities generally appear to show questionable business plans for post-World Cup use. There are a large number of broad plans such as the "multi-purpose cultural centre" planned for the Suwon World Cup Stadium in South Korea. However comparing these plans to the key factors necessary for successful regeneration we suspect that key issues such as the urban and economic context, demand forces and the competitive context for the city have been neglected.

Saitama – The 2002 Winner ?

A notable exception to this appears to be Saitama in Japan where the Saitama Stadium 2002 will form part of a new urban development project. Called the Saitama New Urban Centre and covering a total area of nearly 50 hectares, the masterplan includes the cities of Urawa, Omiya and Yono. The project aims to create a new urban zone with a surface area of 1.8 m² providing potential employment for around 60,000 people. The urban context appears to have been fully considered. The proposed development (located 24 km north of Tokyo) will play an important role in the reorganisation of the Greater Tokyo metropolitan area and is aimed at helping alleviate problems caused by an excessive concentration of urban facilities in the central district of the national capital. A new express highway and a brand new railway station are being built to provide efficient access to the new urban centre.

Future Implications

Going forward it will be interesting to see how Portuguese and German cities seek to use the 2004 European Championships and 2006 World Cup respectively as a tool for regeneration. As highlighted Japan and South Korea have very much "started from scratch", in constructing state of the art stadiums. With football much more culturally ingrained and a broad range of existing stadia in Portugal and Germany, stadium construction will not be on the scale seen in Japan and South Korea. However we feel that where new stadiums are proposed in Lisbon, Porto, Aveira, Bragga and Faro (Portugal) and Hamburg, Leipzig, Frankfurt and Munich (Germany) the city fathers will be keen to incorporate these stadiums into regeneration projects.

Elsewhere in Europe, Scotland and the Republic of Ireland at the end of May 2002 are due to submit a combined bid for the 2008 European Championships. Clearly in terms of stadiums, regeneration and property opportunities the thoughts highlighted in this report will equally apply.

In the case of UK club football, problems with TV rights and spiraling wage costs are forcing clubs to undertake a fundamental review of their business models. Football clubs and their joint venture partners will look to their stadiums to play an increasingly central role in their business generation. Recent developments at: Bolton - The Reebok Stadium, Sunderland - The Stadium of Light and proposed developments for Arsenal, Manchester City, Liverpool and Everton, being indicative of the role stadiums can have in regeneration, property development and community engagement.

Case Studies

Stade De France, St Denis, Paris



The Stade de France has helped to breath new life into a traditional industrial and increasingly rundown suburb of northern Paris. Built for the 1998 World Cup, the Stade de France is now the home of French football and rugby teams and also provides one of Europe's largest athletics venues. In addition to the headline grabbing sports events, a variety of one off events combined with ancillary leisure, retail and business facilities have added to the vitality of the area. In tandem with the development of metro and RER rail links, the Stade de France has helped to reposition St Denis for the 21st century. The improved environment and vitality of the area has seen St Denis start to register as a significant suburban office location, with a major increase in the development pipeline.

Stadium Australia, Homebush, Sydney



Developed on the site of a former munitions facility, brick works and abattoir the Homebush area now boasts one of the largest and best serviced residential communities in Sydney. Located 12 km from downtown Sydney, Stadium Australia was the centre-piece of the stunning 2000 Olympics. The masterplan for the 40ha site not only included the stadium and associated facilities but provision of 1,200 residential units and associated retail, leisure and community facilities (which are largely complete) to cater for an eventual population of over 5,000.

Since the Olympic Games, Stadium Australia has been remodeled to accommodate a broader range of sports and one off events that includes: Rugby League and Union, Australian Rules Football, Soccer, Cricket and American Football.

Jeju Island, South Korea



Strategic Consulting advised on a leisure led mixed use development on Jeju Island, leading an economic development strategy to position the Island as a "free international city" based on tourism, logistics and financial services. Strategic Consulting's recommendations related to an integrated tourism strategy to broaden the international appeal of the island. This includes developing a program of year round events many of which could take advantage of the new Jeju World Cup stadium, that FIFA consider to be one of the most stunning in the world. After the World Cup is over the stadium facilities will include a cultural and tourist exhibition centre, a tourist information centre, IMAX cinema, food court and aquarium.

Strategic Consulting's efforts appear to be have been highly regarded by Sven Goran Eriksson and the England squad. Prior to the World Cup, David Beckham, Michael Owen et al have been based on the island, taking advantage of the world class sports and leisure facilities the island now offers.

The Millennium Dome, Greenwich, London



The UK Government advised by Strategic Consulting, has signed heads of terms and expects to shortly conclude the transaction with an international consortium to secure a world class future for the Millennium Dome and the Greenwich Peninsula.

The consortium, Meridian Delta Limited comprises Lend Lease Corporation (Australia), Quintain Estates and Development (UK) and the Anschutz Entertainment Group (USA). Anschutz will provide a 20,000 capacity state of the art arena inside the Dome, along with leisure and entertainment facilities. Lend Lease and Quintain, in a joint venture with English Partnerships (a UK Government regeneration agency), will regenerate 76 ha of land for over 1 million m² of residential, office, retail and community space and so creating a comprehensive new quarter for London.

Wembley, London



A commentary on stadiums and what they can mean for cities would not be complete without a mention of probably the world's most famous stadium. There are many reasons why the redevelopment of Wembley into a venue befitting London's leading global city status has been delayed. What is clear is that without it London is missing a significant element of its real estate product offer and is arguably losing out on the unquantifiable profile that such an iconic building offers. The successes of Stadium Australia, the Stade de France, Millennium Stadium, Cardiff, have illustrated how stadia can help in the regeneration, positioning and branding of a city.

Within a London context, the Mayor of London argues:

"The new stadium is vital for the economic regeneration of Northwest London, which has suffered some of the highest levels of deprivation in the country, with unemployment running at twice the national average."

Strategic Consulting

Jones Lang LaSalle's Strategic Consulting team continue to be involved in new development concepts that establish destinations, including many regeneration schemes that incorporate a stadium or arena component. Our key role being to articulate the development and asset strategy and what this means in terms of urban regeneration and real estate opportunities. Our track record includes:

Earls Court Olympia Arena – London, Galgenwaard Stadium – Utrecht; Chicago Bears – Chicago; Melbourne Docklands & Colonial Stadium, Stade de France – Paris, Wembley – London, Jeju Island – South Korea, Millennium Dome & Greenwich Peninsula – London, Kings Dock – Liverpool, Aquatic Stadium – Hong Kong, Eastlands Development & Commonwealth Games Facilities – Manchester, Lambton Harbour - Wellington, Plaz Merdeka – Kuala Lumpur.

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This report originates from a document produced by **Jones Lang LaSalle Tokyo** on the economic and real estate impacts of the 2002 World Cup. The complete document is one of our "*Global Insights*" research publications and is titled:

"Home Advantage – The Impact of the World Cup on Real Estate Markets"

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