

# UK Large Arena Market and Growth Scenarios 2018-2040

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## Executive Summary

PwC recently prepared a report, commissioned by OVG, looking at UK Arenas and the Manchester market. It drew on the latest available data and intelligence. PwC identified consistent growth in the UK live entertainment market and recognised the role of new investment in driving market growth in the UK large arena market.

The report was commissioned in the context of OVG developing an arena in Manchester at the Etihad campus, close to the city centre. The OVG proposition will provide a 20,000 capacity venue, extendable to 23,500 for certain events.

The PwC report sets out the evidence in support of further growth in the UK arena market:

- a) There has been growth in both the live music and arenas markets in the UK, with the latter supported by growth in (a) sports and (b) family events and the development of a number of new innovations in event formats, alongside the stable core music events. 2014 to 2018 also shows growth in a number of emerging live event formats.
- b) The emergence of new events such as Esports provides a broader and more diverse pool of options that arenas can target when scheduling events, which can add significant value in locations where multiple arenas operate in close proximity.
- c) There is historical evidence of supply-led growth in the arena market. New arena openings have delivered most of the growth in ticket revenue and event numbers since 2013-2014, which suggests that market growth has been primarily supply-led.
- d) Like-for-like arenas also demonstrated growth over this period suggesting that new arenas are additive to the market and not simply taking attendees from existing sites.
- e) All the available evidence suggests that the market and live entertainment market will continue to grow. Intelligence derived from discussions held by PwC with promoters reinforce this view.
- f) All the available evidence suggests that the UK market should be able to sustain new arena developments and that a new state-of-the-art arena in Manchester should be well placed to exploit this market potential.

Crucially, the report whilst setting out the importance of new arena provision in supporting growth, also provides examples of cities with two successful arenas, including London and Birmingham. This report has served as the basis for developing growth scenarios which combine growth in the UK arena market and the role of high quality new arenas in stimulating growth, as well as providing confidence that cities and regions can support multiple venues.

There are 12 major arenas in the UK with a seating capacity of over 10,000. These are based in the major cities, primarily London and the regional capitals. A number of the arenas are long established, originally developed to host sporting events, before adapting to also accommodate music and family entertainment events.

The large arena market is dominated by the leading city regions, reflecting their catchment areas and capacity to attract and accommodate visitors. These are: London, with two large arenas, a third in planning and a number of smaller arena type venues; Manchester, with one large arena; Birmingham, with two large arenas and Glasgow, with one very successful large arena and two smaller arenas/venues.

In reviewing the market segments and new trends, the PwC research concluded that the growth in sports and family events offers a greater potential pool of events when considering a two arena model, and that Esports could provide an opportunity for events growth in addition to a number of other emerging trends. PwC consider that the required growth to support a number of new arenas in the longer term (outside of like-for-like growth) appears to be well aligned with current industry projections.

The PwC conclusions and baseline figures have been used to develop three growth scenarios covering the 2018-2040 period to set out the increase in tickets sales across the UK as a whole, and in sub regional markets. The scenarios take account of 4 new arenas – the Sphere in London, OVG in Manchester and two upgraded/replacement arenas in Gateshead and Cardiff or Bristol, with a significant increase in capacity.

## Growth Scenarios: Summaries

The PwC research conclusions on growth in sports and family events have influenced the growth scenarios, along with the new arena effect and the two arena model.

All of the trends identified by PwC are reflected in the three growth scenarios which have been prepared by ekosgen:

1. The first growth scenario – Trend and Market Intelligence Based – is considered to be the most conservative and takes account of trends in ticket sales and event numbers over the most recent period, and longer term, as well as market intelligence with regard to trends in key sectors.
2. The second scenario – Trend Based and New Arena Boost – is considered to be the most realistic for investment planning purposes and takes account of trends in ticket sales and event numbers and builds in a new arena effect, which also incorporates market intelligence with regard to trends in key sectors.
3. The third growth scenario – New Arenas and New Market – while credible is considered to be ambitious, accounting for trends in ticket sales and event number and builds in a new arena effect, while incorporating market intelligence with regard to trends in new categories such as esports which could begin to introduce significant numbers of new tickets sales.

**Scenario 1** is a conservative estimate, based on key assumptions which are below the evidence provided by long term growth rates, new arena development and forecast trends in the major market segments. While a lower growth rate may emerge for a few of the twenty years, it is unlikely to reflect the long term growth rate of the large arena market in the UK. The low growth rate of Scenario 1 would not be consistent with the research which has underpinned the investment decisions of four separate business cases for new arenas in London, Manchester, Cardiff or Bristol and Newcastle/Gateshead.

**Scenario 2** is the most likely of the three scenarios, although there may be fluctuations in the growth pattern over the full twenty year period between 2020 and 2040. The growth rates are boosted by the new arena effect, although with four new arenas, two of which are large arenas in key markets, there is every prospect of new investment delivering a further step change in the large arena market.

**Scenario 3** produces the highest growth rates and volumes of ticket forecasts. It does, however, depend upon the full new arena impact and sustained growth in a number of new markets, such as Esports, where the scale of future event activities are much less certain, and even with growth could merely replace the decline of some smaller sub sectors of the market.

**Ticket Sales Growth Rates By Scenario and Market Category**

|              | 2018-2030 CAGR |             |             | 2031-2040 CAGR |             |             |
|--------------|----------------|-------------|-------------|----------------|-------------|-------------|
|              | Scenario 1     | Scenario 2  | Scenario 3  | Scenario 1     | Scenario 2  | Scenario 3  |
| Music        | 1.3%           | 1.5%        | 1.8%        | 1.2%           | 1.4%        | 1.5%        |
| Family       | 1.7%           | 2.3%        | 2.4%        | 1.5%           | 2.1%        | 2.2%        |
| Sport/Esport | 6.0%           | 8.0%        | 9.0%        | 4.5%           | 6.0%        | 7.2%        |
| Other        | 0.5%           | 1.0%        | 2.0%        | 0.5%           | 0.8%        | 1.7%        |
| <b>Total</b> | <b>1.9%</b>    | <b>2.5%</b> | <b>3.0%</b> | <b>1.8%</b>    | <b>2.5%</b> | <b>3.1%</b> |

The increase in tickets sales under the three growth scenarios are set out in the table below. On balance, while Scenario 3 is ambitious, a more prudent basis for investment planning would be provided by Scenario 2, incorporating the impact of four new arenas, including two very large capacity arenas.

#### Scenarios Attendance Figures

|            | CAGR      |            | 2018   | 2030   | 2035   | 2040   |
|------------|-----------|------------|--------|--------|--------|--------|
|            | 2018-2030 | 2031-2040* |        |        |        |        |
| Scenario 1 | 1.9%      | 1.8%       | 12,684 | 15,902 | 17,354 | 19,021 |
| Scenario 2 | 2.5%      | 2.5%       | 12,684 | 17,114 | 19,281 | 21,923 |
| Scenario 3 | 3.0%      | 3.1%       | 12,684 | 18,121 | 20,969 | 24,595 |

Scenario 2 is the most likely outcome of the three scenarios and delivers a further step change in the large arena market, benefiting all of the UK arenas, in every region.

#### Distribution of Growth: Growth in the UK Markets

In all three growth scenarios, all of the UK markets benefit from increased ticket sales, reflecting growth in the main market segments as well as the increased capacity provided by new arenas. The North, with two new arenas, one of which is a very large capacity arena, will benefit from increased tickets sales in all of its markets. The increased ticket sales nationally benefits from the boost to the capacity in the two major markets – London and Manchester – with very large capacity state-of-the-art new arenas.

#### UK Market<sup>1</sup>: Ticket Sales Growth 2018-2030 and 2035 by Growth Scenario

|                                | Scenario 1 |            | Scenario 2 |            | Scenario 3 |            |
|--------------------------------|------------|------------|------------|------------|------------|------------|
|                                | 2030       | 2035       | 2030       | 2035       | 2030       | 2035       |
| London+ 1 new arena            | +850,000   | +1,150,000 | +1,100,000 | +1,650,000 | +1,300,000 | +2,000,000 |
| North + 2 new arenas           | +1,200,000 | +1,650,000 | +1,750,000 | +2,470,000 | +2,100,000 | +3,080,000 |
| Midlands                       | +400,000   | +550,000   | +500,000   | +800,000   | +700,000   | +1,050,000 |
| Devolved Nations + 1 new arena | +600,000   | +950,000   | +880,000   | +1,230,000 | +990,000   | +1,550,000 |

<sup>1</sup> A small proportion of growth has been allocated to smaller arenas.

#### Growth in the Northern Markets

In all three growth scenarios all of the arenas in the North will record an increase in tickets sales. The growth in the Manchester market reflects the size of the market and the impact of a large, purpose built state-of-the-art venue consistent with the market positioning of The O<sub>2</sub> in London, while Gateshead is introducing a new venue on a par with the SSE Hydro in Glasgow, allowing the North East to capture a larger share of the market.

#### Northern Market: Ticket Sales Growth 2018-2035

|                                  | Scenario 1 |          | Scenario 2 |            | Scenario 3 |            |
|----------------------------------|------------|----------|------------|------------|------------|------------|
|                                  | 2030       | 2035     | 2030       | 2035       | 2030       | 2035       |
| Manchester                       | +600,000   | +850,000 | +900,000   | +1,270,000 | +1,050,000 | +1,530,000 |
| Liverpool                        | +100,000   | +150,000 | +160,000   | +225,000   | +210,000   | +310,000   |
| Leeds/Sheffield                  | +175,000   | +250,000 | +250,000   | +350,000   | +320,000   | +500,000   |
| Newcastle/Gateshead <sup>1</sup> | +325,000   | +400,000 | +440,000   | +625,000   | +520,000   | +740,000   |

<sup>1</sup> In addition to the circa 250,000-300,000 likely to transfer from the existing arena.

The mid-point between Scenario 1 and 2 also indicates that the Yorkshire market will be consistently above 1m tickets sales per annum, with sufficient growth to sustain the existing two arenas and the new arena in the North East will allow Gateshead to deliver a very successful new venue.

Under all three growth scenarios the Manchester market will see an increase in ticket sales to a level where a second arena is required to accommodate demand, taking account of the current arenas capacity and regular programme of events with annual ticket sales of between 800,000-1,000,000.

## **Manchester: A Two Arena City**

The ability of Manchester to sustain two arenas is linked to the economic success of the region over the last 15 years. Manchester continues to become increasingly popular due to both the employment and lifestyle offers, with the move to a service based, high growth and highly connected city influenced by clustering and agglomeration, with a return to urban living, providing a highly skilled younger workforce. Manchester is growing quicker than other major UK cities and this will be further boosted by the continued growth in commercial, residential and hotel development in the city.

PwC conclude that all the available evidence suggests that the UK market should be able to sustain new arena developments and that a new state-of-the-art large arena in Manchester will be well placed to exploit this market potential; PwC show that only 1.1% pa would be required by 2030 to support new arena developments which are planned in the UK including a second arena in Manchester, which they conclude was not unreasonable.

The growth scenarios and emerging market trends requires the city to provide the music, sports and family entertainment markets with new high quality facilities to maintain and increase its share of the UK market. Without a second arena, the city will fall behind the other major cities in the UK, permanently losing its historic leading role as the major out of London location for music and concerts. There is already evidence of Manchester losing share and value and this would be expected to continue in future.

## **Economic Benefits**

There are significant economic benefits from the growth of the UK large arena market and the new investment planned for London, Manchester Cardiff and Gateshead. These benefits are distributed across the UK helping to meet the social and economic objectives of Local Authorities and Local Enterprise Partnerships, as well as national government.

PwC's report reinforces the conclusion that two arenas in Manchester should co-exist successfully. There are a number of examples where arenas have been brought forward within a single catchment area – Birmingham, Leeds and Sheffield and London – and all have responded through a differentiation in events mix between the venues both where the arenas in question are jointly or separately controlled.

There is no example of any arena in the UK having to close when a new arena has been brought forward within a single catchment area.

There is a clear opportunity for Manchester to capture increased growth in the arena market in terms of employment and spend in the local economy (see accompanying report). The proposed new £350m arena will provide Manchester with a next generation, state-of-the-art large arena which matches the best in Europe and the US, re-establishing the city's leading role as a destination for arena performances and will complement the announced intention of the existing arena operators to bring forward investment to update the facilities. Manchester would also be able to use these facilities and the enhanced capacity of the new arena to host franchise teams in the UK and European Leagues and international tournaments in the leading arena sports building further on Manchester's global brand of sport.

## **A Manchester Imperative**

The relative decline in market share, and the existing arena's inability to match the performance of other leading arenas, is in sharp contrast to Manchester's ever increasing strength as an engine of growth for the nation and one of the most significant sporting, cultural and entertainment centres in the world with an associated destination infrastructure as the second most visited city in England. Without a second arena the city will not have the diary flexibility and event capacity to take advantage of the step change in the arena market, unable to match the scale and quality of capacity of other city regions in the UK, with the prospect that London will become even more dominant in the entertainment market thus undermining the economic potential of Manchester as the national priority for rebalancing the national economy.

## Introduction

PwC recently prepared a report, commissioned by OVG, looking at the UK arenas and Manchester market. It drew on the latest available data, including market assessment reports, and a number of Manchester specific reports. PwC identified consistent growth in the UK live entertainment market and recognised the role of new investment in driving market growth in the UK large arena market.

The report was commissioned in the context of OVG developing an arena in Manchester at the Etihad Campus, close to the city centre. The OVG proposition will provide a 20,000 capacity venue, extendable to 23,500 for certain events. The distinguishing features of the new purpose built arena are:

- Flexibility of design, catering for a wide variety of events, with a realisable capacity much greater than the existing arena;
- Proximity/accessibility of seating, with the audience closer to performers and improved sightlines and acoustics;
- Pre/post event experience, with event space designed to provide an immersive experience on arrival and after-show space which can help to stagger the egress;
- Food and beverage, with premium food offering, with wider range of bars and food offer, with a greater emphasis on social space; and
- Exceptional VIP offering, with a choice of suite and club seating and access to bars, casual and fine dining.

The new venue will benefit from the transport links already in place, with direct access to the city centre through the Metrolink tram.

### Ambitions for a New Manchester Arena

The proposed new £350m arena will:

1. provide Manchester with a next generation, state-of-the-art large arena which matches the best in Europe and the US, re-establishing the city's leading role as a destination for arena performances.
2. provide the north of England with an arena which matches the capacity, facilities and success of The O2 in the music, entertainment and sports market, helping to rebalance the UK's leisure and visitors market.
3. make available new facilities and capacity, which alongside the existing arena will allow, will allow Manchester to bid for major events and to host franchise teams in UK and European leagues and international tournaments in the leading arena sports as they develop over the next ten years, building on Manchester's global brand in sport.
4. establish Manchester as one of the world leading centres for Esport arena events.
5. provide a venue which provides new facilities for emerging markets in music and family entertainment, including technically complex productions.
6. pioneer new and innovative formats in arena productions across music, sport family, comedy and talk.
7. work with other facilities and venues in the city to support festivals, tournaments and multi-performance programmes for music, entertainment and sport.

This report looks at the extent to which arena market ticket sales will grow over the next ten and twenty years to support two arenas in Manchester.

The PwC conclusions provide the foundation for developing scenarios of how the UK arena market could develop over the next ten and twenty years, taking account of proposals to develop a new generation of arenas across the UK.

These scenarios focus on the increase in audiences which UK arenas could accommodate, underpinning the sustainability of both new and existing arenas. It is noteworthy that no arena has ever closed as a result of a lack of events and audience, although a number have re-purposed as new or increased capacity is provided. At the time the O2 opened in 2007 it was assumed that Wembley Arena would struggle and may be under threat, but in the last year it enjoyed its most successful ever year.

## **PwC Report: The Arena Market**

The headline conclusions from PwC are set out below, along with how they have influenced the development of scenarios.

*1 In the last five years, there has been growth in both the live music and arenas markets in the UK, with the latter supported by growth in sports and family events and the development of a number of new innovations in event formats.*

PwC have analysed both 2014-2018 performance, using the National Association of Arenas data covering 22 UK arenas, as well as market intelligence for various market segments, including music and Esport. This conclusion has influenced the development of all three scenarios, with family and sport assumed to grow faster than music, taking account of increased competition in the music market from festivals and stadiums. The report also highlights the potential of Esport.

With regard to music, PwC note that in terms of the global market, while emerging markets now provide more opportunities for performers to tour outside of Europe, the UK remains one of the most popular global locations to perform, and the UK market has seen growth in new genres with performances from K-Pop and J-Pop (Korea and Japan). Another important factor is the growth of international music tourism, with cities with good international airports likely to benefit, effectively London and Manchester in the UK context.

In terms of European trends the European Arena Association in its 2016-2018 report notes that confidence is particularly high in European markets, with promoters expecting the market to grow in future years, driven by an increase in variety of events, the proposed construction of new arenas and incremental increases in attendance and ticket prices.

*2 Market sources and promoter discussion support a continuation of historical growth*

PwC reported that the various sources reviewed and discussion with promoters expected continued market growth and as these forecasts covered existing arenas only, a higher rate of growth was likely when new arena capacity becomes available from 2023 onwards. In addition, discussions with promoters identified an expectation that market innovation in event format and content will support market growth.

PwC also note that the new arena proposed by OVG will offer a number of distinctive features from the current arena, particularly where it is restricted due to its age and design (e.g. flexibility, external space/wider facilities), which may be beneficial in attracting new events and formats currently not hosted in the city. The capacity constraints of the existing arena is reflected in the PwC analysis, with less than 10% of shows at the existing arena from 2014 to 2018 achieving greater than 15k attendees.

*3 There is historical evidence of supply-led growth in the arena market*

This important conclusion has influenced the need to take account of planned new arenas for London, Manchester, Newcastle/Gateshead and Cardiff (or Bristol), all of which intend to open 2023/24, in developing growth scenarios. PwC identify a market uplift effect from The O2 and Liverpool Arena openings (2007 and 2008); and subsequently from the Leeds and Glasgow arenas in 2013, and this is reflected in the data for the sector.

The location and capacity of the new venues have influenced the growth scenarios and distribution of growth across UK arenas. The new venues will increase capacity in the UK's two major markets –

London and Manchester – while other strengthen capacity in two distinct markets – Cardiff/Wales and Newcastle/Gateshead and the North East, both of which are currently served by old fashioned arenas.

The proposal for four new arenas in the UK follows the trend in a number of European countries and the U.S. to provide large modern arenas with the capacity to accommodate more technical productions, with larger social/circulation space.

*4 Manchester Arena is second only to The O2 in terms of attendance, but has been losing market share.*

For many years, Manchester Arena ranked as the second busiest arena globally, using the Pollstar produced data and league tables on the global music and live entertainment market. This is no longer the case and the SSE Hydro in Glasgow is ranked higher than the Manchester Arena in the recent Pollstar rankings. The ability of Glasgow to be ranked higher than the Manchester, with an arena capacity of 13,600, compared to the larger Manchester Arena, highlights the extent to which a new, modern arena can stimulate growth.

The Manchester Arena does, however, continue to attract large numbers each year, although it has been losing market share. There is evidence of some events being unable to use the Manchester Arena, due to either diary constraints or technical considerations. Although often bracketed along with The O2, the London arena accommodates a much larger seated audience and a broader range of activities and events, attracting a large number of events which are unique to London i.e. they do not tour other arenas. The O2 also dominates the residency market, where performers provide a number of shows at a single venue. Like other long established arenas in the UK, market innovation and emerging formats have presented new challenges to the facilities available at the Manchester Arena.

## New Arenas

The PwC report looks at the importance of new arenas to market growth and the potential for two arena cities, including the capacity of Manchester to support two arenas. The headlines findings are summarised below.

*5 Evidence suggests that the UK market should be able to sustain new arena developments and that a new state-of-the-art arena in Manchester will be well placed to exploit this market potential.*

Market growth will require an increase in total event numbers which will be supported by emerging forms of market content and the planned new arenas for London, Manchester, Newcastle/Gateshead and Cardiff (or Bristol), all of which intend to open 2023/24, will play a major role in facilitating growth.

The location and capacity of the new venues have influenced the growth scenarios and distribution of growth across UK arenas. The scenarios considered are based on the conclusions of the PwC report and test the extent to which audience growth is sufficient to support new arenas.

*6 Other “two arena regions” support our conclusion that a new arena in Manchester should provide a fillip for growth in the overall market.*

PWC cite Birmingham as an example of two arenas operating successfully, achieving growth in revenues and events. Sheffield and Leeds in the Yorkshire market and London are also used as other examples of a successful two arena market. Leeds and Sheffield have adapted to a two arena scenario, with the older venue increasing its sports specialism, including the most successful ice hockey franchise in the UK. As previously noted, the report also notes that there are a number of events not currently hosted in Manchester due to either availability or suitability of existing facilities.

PwC also highlight examples of two arenas where there is a single ownership and others where two arenas compete. In both circumstances, both arenas remain commercially viable as venues adapt to market opportunities.

*7 The new arena proposal include a number of features , such as flexibility of space large flat floor, external concourse space and a range of catering options that are distinctive from the existing city centre arena.*

The new generation of arena are based on purpose built venues, designed with changing market requirements in mind, including emerging markets such as Esport. As such, they differ considerably from the older generation of venues which were built for sports and subsequently adapted for music and family events. The success of the Glasgow SSE Hydro is partly attributed to the specification of the venue and its flexibility.

Two planned new arenas in Cardiff and Newcastle/Gateshead have opted to develop new purpose built arenas, rather than try to adapt or modernise an old arena. In the case of Newcastle/Gateshead the existing arena will be redeveloped for another use.

*8 Manchester continues to grow in popularity as a tourist destination and remains important for touring artists.*

This important conclusion and its full implications, is discussed in this report. Since the arena opened in 1995, Manchester has been transformed, with a much larger population and employment base, substantial investment in sports and cultural facilities and a large increase in hotels and visitor accommodation.

Manchester has also seen a rise in sports related events, with two world famous football clubs, both of which have increased their spectator capacity, as well as the Old Trafford cricket ground. Cultural attractions have also been improved, contributing to the development of a very strong visitor and tourism economy.

## Other Key Points

The PwC report raises a number of issues which are directly relevant to the proposal for a new arena in Manchester. These are:

**Missed Opportunities:** In discussions with industry professionals PwC identified a number of event opportunities which could have been held in Manchester but were not secured owing to a restriction at existing venues. The events included high profile, high attendance events in tennis, netball, and athletics. There is also the residency market which has been successfully established by the O2.

**Arena Evolution:** Over the course of the last two decades, UK arenas have evolved from relatively simplistic structures with sporting facilities to more complex premium facilities focused on live music which are designed to target more engaged audiences and meet changing expectations and experiences.

The need for flexibility of arena layouts and the availability of modern technology is becoming increasingly important as the complexity of touring shows develops, allowing arenas to make best use of their theoretical capacity and accommodate the greatest possible attendances.

**Iconic Venue:** if the new arena could be seen as an iconic venue, similar to The O2 in London, there may be the potential to increase the catchment area to a 90 or 120 minute drive time, which could increase its potential catchment pool by up to c.10m people.

These points highlight opportunities which are already being missed and the potential for an iconic new arena to increase events and ticket sales and expand the catchment area.

## Conclusions

The PwC report sets out the evidence in support of further growth in the UK arena market:

- a) There has been growth in both the live music and arenas markets in the UK, with the latter supported by growth in (a) sports and (b) family events and the development of a number of new innovations in event formats. 2014-2018 reflects a period of relative stability, and growth in a number of emerging live event formats.
- b) The emergence of events such as Esports provides a broader and more diverse pool of options that arenas can target when scheduling events, which can be supportive in locations where multiple arenas operate in close proximity.

- c) There is historical evidence of supply-led growth in the arena market. New arena openings have delivered most of the growth in ticket revenue and event numbers since 2013-2014, which suggests that market growth has been primarily supply-led.
- d) Like-for-like arenas also demonstrated growth over this period suggesting that new arenas are additive to the market and do not simply take attendees from existing sites.
- e) Evidence suggests that the UK market should be able to sustain new arena developments and that a new state-of-the-art arena in Manchester will be well placed to exploit this market potential.

Crucially, the report also sets out the importance of new arena provision in supporting growth, providing examples of cities with two successful arenas. This report has served as the basis for developing growth scenarios which combine growth in the UK arena market and the role of new arenas in stimulating a step change in the market.

### **This Report**

This report, by ekosgen, has been commissioned by Oak View Group (OVG), the global venue development, advisory and investment company for the sports and live entertainment industries, which is promoting proposals to execute a large indoor arena at Eastlands in East Manchester which would be a second similar arena in the city.

The report builds upon the PwC report and is specifically designed to test the need for a second arena in Manchester with regard to: (a) historic growth in the large arena market in the UK; (b) evidenced trends which will have a significant influence on the future growth of the UK market; (c) having regard to Manchester's position as one of Europe's premier destination centres and a global centre for sport, culture and entertainment; and (d) how a new arena could succeed without undermining the viability of the existing arena. A separate report evaluates the economic impact of a second arena at the campus in Eastlands.

## UK Arena Market

### Large Arena Market

There are 12 major arenas in the UK with a seating capacity of over 10,000. These are based in the leading cities, primarily London and the regional capitals. A number of the arenas are long established, originally developed to host sporting events, before adapting to also accommodate music and family entertainment events.

The O2, which recorded ticket sales of 2m in 2018, is the largest and arguably the best quality arena in the UK. While Manchester Arena has a potential capacity of 20,000, the configuration of the facility often reduces capacity to less than 15,000 due to internal limitations, and only a very small proportion of events record this level of ticket sales. Relative to purpose built, modern arenas, it has more limited ancillary facilities for customers including food and beverage when compared to the more modern arenas, and its footprint is compromised by its location.

Pollstar provides key data for arenas worldwide, although there are some arena events and attendances that do not report.

| UK Arenas over 10,000 Seating Capacity |                      |        | Average Annual Ticket Sales 2014-2018 |              |
|----------------------------------------|----------------------|--------|---------------------------------------|--------------|
| City                                   | Name                 | Opened | Seating Capacity                      | Ticket sales |
| London                                 | The O2 Arena         | 2007   | 20,000                                | 1,600,000    |
| Glasgow                                | SSE Hydro            | 2013   | 13,000                                | 980,000      |
| Manchester                             | Manchester Arena     | 1995   | 21,000                                | 950,000      |
| Birmingham                             | Arena Birmingham     | 1991   | 16,000                                | 520,000      |
| Birmingham                             | Genting Arena        | 1980   | 14,000                                | 480,000      |
| Leeds                                  | First Direct Arena   | 2013   | 13,000                                | 480,000      |
| London                                 | SSE Arena Wembley    | 1934   | 12,500                                | 440,000      |
| Belfast                                | SSE Arena Belfast    | 2000   | 11,000                                | 380,000      |
| Newcastle                              | Metro Radio Arena    | 1995   | 11,000                                | 360,000      |
| Sheffield                              | FlyDSA Arena         | 1991   | 13,500                                | 350,000      |
| Nottingham                             | Motorpoint Arena     | 2000   | 10,800                                | 325,000      |
| Liverpool                              | Echo Arena Liverpool | 2008   | 11,000                                | 300,000      |

Source: Pollstar

Manchester Arena was, for many years, the ground breaking venue for arenas in the UK and played a key role in establishing the large indoor arena market. It was recognised as one of the busiest arenas in the world, a must-play venue for UK, European and global tours.

The opening of The O<sub>2</sub> was instrumental in elevating the UK arena market to a new level, and from 2013, two new arenas in Glasgow and Leeds lifted the market to a further level.

The large arena market is dominated by the leading cities, reflecting their catchment areas and capacity to attract and accommodate visitors. These are:

- London, with two large arenas, and a number of smaller arena type venues.
- Manchester, with one large arena.
- Birmingham, with two large arenas.
- Glasgow, with one very successful large arena and two smaller arenas/venues.

The new purpose built arena at Leeds has boosted the Yorkshire market, supported by the longer established Sheffield Arena, and together they now account for over 800,000 ticket sales per annum.

Nottingham, Newcastle, Belfast and Liverpool operate with much smaller audience numbers, reflecting more limited catchment areas, and in some cases, older venues with more limited capacity.

The arena market for the 12 largest UK arenas has averaged circa 7m over the 2014-2018 period, with a high of 7.5m in the busiest year. Growth in ticket sales has been modest over this period and this is reflected in the ticket sales per event, which have declined over the period. This is not a major surprise given the fall in earnings over the period.

### Real wages highest since 2011

Average weekly wages, adjusted for inflation



Source: Office for National Statistics

The more muted growth in ticket sales between 2014-2018 has been offset by increased ticket prices i.e. those attending events have been prepared to pay more, although as PwC noted, there may now be more resistance to further ticket price increase. Manchester events produce higher average ticket prices when compared to other regional arenas.

The average number of tickets per event has been highest in London, although Manchester is regularly the highest performing arena outside of the capital (circa 8,000 per event). A lower number of events per annum has, however, displaced the Manchester Arena in the rankings, with Glasgow now featuring in the top 4 global of Pollstar's global league table. Manchester's ability to deliver high numbers per event reflects the PwC conclusions on the strength of Manchester and its market pull.

While London hosts a much larger number of music events than any region, Birmingham and Yorkshire, both with two arenas now host a much greater number of events than Manchester (which supports the PwC point in regard to missed opportunities for Manchester).

| UK Arenas over 10,000 Seating Capacity |                      |               |      |      |      |      | Events 2014-2018  |                  |
|----------------------------------------|----------------------|---------------|------|------|------|------|-------------------|------------------|
| City                                   | Name                 | Event Numbers |      |      |      |      | Event Numbers     |                  |
|                                        |                      | 2014          | 2015 | 2016 | 2017 | 2018 | 2014-2018 Average | Market           |
| London                                 | The O2 Arena         | 77            | 75   | 77   | 106  | 111  | 89                | 146 <sup>1</sup> |
| London                                 | SSE Arena Wembley    | 54            | 54   | 56   | 54   | 66   | 57                |                  |
| Birmingham                             | Arena Birmingham     | 55            | 51   | 59   | 61   | 71   | 59                | 104              |
| Birmingham                             | Genting Arena        | 51            | 36   | 43   | 41   | 53   | 45                |                  |
| Glasgow                                | SSE Hydro            | 72            | 71   | 67   | 86   | 91   | 77                | 77 <sup>2</sup>  |
| Manchester                             | Manchester Arena     | 68            | 60   | 67   | 68   | 78   | 68                | 68               |
| Leeds                                  | First Direct Arena   | 46            | 40   | 52   | 78   | 74   | 58                | 90               |
| Sheffield                              | FlyDSA Arena         | 35            | 34   | 28   | 38   | 27   | 32                |                  |
| Liverpool                              | Echo Arena Liverpool | 70            | 49   | 48   | 37   | 38   | 48                | 48               |
| Belfast                                | SSE Arena Belfast    | 37            | 40   | 35   | 39   | 59   | 42                | 42               |
| Newcastle                              | Metro Radio Arena    | 47            | 42   | 39   | 44   | 50   | 44                | 44               |
| Nottingham                             | Motorpoint Arena     | 49            | 39   | 42   | 46   | 43   | 44                | 44               |

Source: Pollstar

<sup>1</sup> Excludes events at two smaller NAA member arenas and <sup>2</sup> Excludes events at Braehead Arena and Scottish Events Campus, both NAA members

While the SSE Hydro in Glasgow now hosts more events than Manchester, the gap would be even wider if the two smaller Glasgow arenas were included in the event data.

The major cities outside of this group are Cardiff and Bristol both of which are “capitals” in their own right: Bristol for the south west of England and Cardiff for Wales. Cardiff has the Motorpoint Arena which functions as a concert venue and an exhibition and conference centre, with a seating capacity of 5,000, much less than the large arena group, while Bristol has been trying to develop proposals for a new arena for some time.

Cardiff recently announced plans by the City Council for a new 15,000 capacity arena, which would put Cardiff on a par with the UK's other leading cities, while YTL have submitted a proposal for a 17,000 seat arena at Filton, 5 miles outside the city centre, converting aircraft hangars at a former airfield. This development needs to test the sequential planning test and Highways England has formally objected to the development on the basis of its effect on four motorway junctions.

## Smaller Arenas

There are a number of other arenas in the UK. The National Arena Association (NAA) has 22 members, including the 3Arena in Dublin. A number of the smaller arenas serve more limited markets given their location, such as Plymouth and Aberdeen, although the latter has just opened a replacement conference and events arena with an increased capacity.

A number of the arenas are dual purpose, providing capacity for sports and entertainment events and also conferences and conventions. This dual role reduces the audience numbers and ticket sales in Cardiff and Bournemouth.

| Smaller UK Arenas 10,000 and under |                                  |        |                  |
|------------------------------------|----------------------------------|--------|------------------|
| City                               | Name                             | Opened | Seating Capacity |
| Plymouth                           | Pavilion                         | 1991   | 2,500            |
| Brighton                           | The Brighton Centre              | 1977   | 4,500            |
| Glasgow                            | Scottish Events Campus           | 1985   | Various          |
| Glasgow                            | Braehead                         | 1999   | 5,200            |
| Coventry                           | Skydome                          | 1999   | 4,000            |
| Cardiff <sup>1</sup>               | Motorpoint                       | 1993   | 5,000            |
| London                             | Alexandra Palace                 | 1863   | 7,000            |
| London                             | Royal Albert Hall                | 1871   | 5,000            |
| Derby                              | Derby Arena                      | 2015   | 3,500            |
| Aberdeen <sup>2</sup>              | P&J Live                         | 2019   | 10,000           |
| Bournemouth                        | Bournemouth International Centre | 1984   | 6,500            |
| Milton Keynes                      | Marshall Arena                   | 2014   | 4,500            |

<sup>1</sup> Could possibly be re-purposed when Cardiff Bay Arena opens.

<sup>2</sup> Opened in 2018

Alexandra Hall and the Royal Albert Hall provide additional capacity in London for smaller arena events, while Braehead and the Scottish Events Campus provide a similar function for Glasgow. In the Glasgow case, Braehead has allowed the city to host Davis Cup matches.



Investment in arenas has been shown to support greater ticket sales. For example, in the three-year period between 2010 and 2012 average annual attendance for the Birmingham Arena was circa. 299,000 per annum. While, in the three years (2015 to 2017) following the £26m redevelopment of the Arena, completed at the end of 2014, the average annual attendance was around 519,000 according to Pollstar data. This represents a 73% uplift in annual ticket sales following investment.

PwC analysis also reports that openings of new arena's, in the case of Leeds and The O2 Arena, has helped to catalyse investment in existing arena's in close proximity to new facilities. Since OVG's interest in bringing forward a second arena in Manchester has been made public, the existing arena operator has indicated that it is considering new investment plans to update the facilities.

### New Arena Effect

The introduction of increased capacity led to a step change in the total ticket sales of the large arena market. In the case of the O2, which quickly reached 1.5m ticket sales, the effect was to increase the market by over 45%.

The Leeds and Glasgow Arena also had a considerable impact, assisting the post 2013 market to new level, with Glasgow quickly reaching one millions ticket sales per annum. These two arenas increased the market by over 20% (from a larger base).

The planned new opening of two very large capacity arenas, one of which is in London and two replacement/increased capacity arenas suggests a new arena market uplift effect of between 25%-30% from 2034/2024 onwards.

### The UK Baseline

Pollstar produces an annual arena league table which is often cited as a measure of each arena's success. Manchester Arena was for a period ranked in the top 3 arenas globally, although it has been overtaken in recent years by Glasgow's SSE Hydro.

The Pollstar data covers mainly music and concerts, and does not fully capture some other arena events, notably in sport. In addition, a small number of arenas have stopped reporting all of their data to Pollstar.

The National Arena Association provides the most authoritative source of total events and ticket sales for their UK arena members, including both large and smaller arenas. It provides a baseline position for 2018, and four year trends from 2014.

Although the NAA does not provide a breakdown of tickets sales by arena, it does break the national market into the four main categories. The figures from the National Arena Association, reviewed by PwC, highlighted a very strong growth in sports, as well as growth in both family entertainment and music, with total ticket sales of 12.684m in 2018.

#### NAA Attendance Figures (in 000's)

|              | 2014  | 2015  | 2016  | 2017  | 2018  | CAGR  |
|--------------|-------|-------|-------|-------|-------|-------|
| Music        | 7,209 | 7,739 | 7,046 | 8,253 | 7,342 | 0.5%  |
| Family       | 2,083 | 2,133 | 2,080 | 1,883 | 2,177 | 1.7%  |
| Sport/Esport | 910   | 1,120 | 1,234 | 1,227 | 1,372 | 10.8% |
| Other *      | 2,381 | 1,707 | 713   | 2,395 | 1,793 | -6.8% |

\* Includes comedy, which accounts for the variability year or year, dependent upon headline acts undertaking national tours

Each of the four markets has been reviewed to assess recent performance and new trends which are likely to influence market growth over the medium and long term – 2018-2030 and 2031-2040.

## Market Segments

### Introduction

In exploring past trends and new developments in each of the major market segments, there are a number of underlying factors which have to be taken into account in understanding long term and recent trends and the likelihood of growth in future years. These are:

- (1) **Population/audience growth** - the population of the UK is projected to increase by 3.0 million (4.5%) from an estimated 66.4 million in mid-2018 to 69.4 million in mid-2028. England's population is projected to grow more quickly than the other UK nations: 5.0% between mid-2018 and mid-2028, compared with 3.7% for Northern Ireland, 1.8% for Scotland and 0.6% for Wales. By 2043 the UK population will reach 72.4m.

These projections suggest a natural underlying growth rate for arena audiences of circa 0.3%-0.35% per annum, and this will be greater in a number of the regional markets in England.

- (2) **Increasing incomes** – UK household incomes are now forecast to increase over the coming years, returning to the long term trend of growth, after an atypical period of stagnation and real decline in the 2014-2018 period, with income growth increasing the leisure £ available to consumers. Incomes are also increasing at a time of record employment in the UK.
- (3) **Better consumer experience**: The O<sub>2</sub> with a large capacity and 2m tickets sales and Glasgow with a 13,000 capacity and over 1m ticket sales have shown that high quality arenas can attract record audiences on a regular basis. This coincides with other market research of the increasing expectation of consumers for a better experience for live entertainment events. This new arena effect, meeting higher consumer expectations, will underpin higher levels of growth compared to recent trends.
- (4) **Improving access to arenas** – improving public transport has allowed more consumers within existing catchment areas to access arena events, compared to ten years ago, with further improvements planned over the next ten years. This effect is greatest in those arenas and cities which have significantly improved public transport by bus, rail and urban tram networks.

**All of these factors will combine over the next ten years to change the conventional metrics of penetration rates and propensity to attend arena events. This change needs to be factored in to future growth scenarios.**

### A Second Centre of Gravity

The O<sub>2</sub> arena plays a role which is unique in the UK market – (a) it provides a strong programme for the audience in its catchment area (Greater London) and (b) an extended catchment area for a large number of events which are unique to the venue/UK, attracting audiences from all over the UK. This second role links to its residency market and other London only events in music and sport (one in three O<sub>2</sub> events only play London). In the latter category, the ATP Tour Finals, with over 200,000 ticket sales, in the best known sports example.

The scale and quality of the OVG arena provides Manchester with a true 21,000 capacity venue, providing the north of England and the north Midlands with an O<sub>2</sub> equivalent arena, with the opportunity for northern audiences to attend events not available in other regional arenas.

This opportunity was identified in the PwC report where the potential for a number of events to reach a wider catchment area audience of circa 15m, without displacing events or audiences for other regions. A second centre of gravity for these unique events would be an important part of the Government's ambition to rebalance the national economy.

## Music/ Concerts

NAA figures relate to musicians and touring artists – with pop and rock being the biggest genres – in addition to orchestras, choirs and certain musical theatre events. There is cyclicity in arena concerts depending on which major tours/ performers are playing at arenas that year and which artists are playing at stadia/festivals.

Although the events and attendance growth rates are relatively low for this four year period, the live music sector has grown strongly over the longer term, suggesting this short term trend in arenas may reflect other factors such as the lack of new capacity being provided in the 2016-2018 period, and as such is not representative of the direction and scale of growth in the future.

| Music Concert Market |          |          |          |          |          |      |
|----------------------|----------|----------|----------|----------|----------|------|
|                      | 2014     | 2015     | 2016     | 2017     | 2018     | CAGR |
| Events               | 1,101    | 1,111    | 1,087    | 1,121    | 1,098    | 0.1% |
| Revenue ('000s)      | £326,654 | £365,921 | £320,523 | £438,508 | £397,597 | 3.8% |
| Attendance ('000s)   | 7,209    | 7,739    | 7,046    | 8,253    | 7,342    | 0.5% |

Source: NAA and PWC

Some 29.8 million people attended live music events in 2018 a 2% rise from 29.1 million in 2017 according to The Music by Numbers 2019 report, which states

*“Live music in the UK continues to be a great success story. Every year the sector shows growth”.*

Strong demand for live music is reflected in the ability for the market to sustain arena ticket price rises, between 2014-17 music event ticket prices rose by around 7.6% across European arenas, while audiences grew.<sup>1</sup>

The Mintel UK Concerts and Festivals report shows a CAGR of 6.7% in the live music ticketing market between 2014 and 2018, which covers the wider live music industry including stadia and festivals. Drawing on their market database, and official sources (ONS, BoE), growth forecasts are estimated which include both ticketing and ancillary spend. Three growth scenarios for 2019-2024 are presented by Mintel, with the base case CAGR of 5.9%, slightly below their 2014-2018 CAGR of 6.5%, a minimum case of 3.4% and a best case of 8.2%.

Mintel highlights the importance of festivals, which have continued to grow in their popularity with the range and scale of festivals in the UK expanding. However, as the table below shows, the festival season is relatively short (June to August), and only the four or five largest festivals feature performers which could headline a large arena event or tour. In summary, the success of UK festivals, which occur typically through the summer months, does not necessarily take away from the supply of headliners playing at UK arenas, since the majority of artists playing festivals are unlikely to perform at arenas, while those who do will not perform at UK festivals every year.

| Major UK Festivals     |               |      |                       |             |        |
|------------------------|---------------|------|-----------------------|-------------|--------|
| All Points East        | London        | May  | NASS Festival         | Bath        | July   |
| Glastonbury            | Somerset      | June | TRNSMT Festival       | Glasgow     | July   |
| Parklife               | Manchester    | June | Latitude Festival     | Southwold   | July   |
| Junction 2 Festival    | London        | June | Boardmasters Festival | Newquay     | August |
| Isle of Wight Festival | Isle of Wight | June | Kendal Calling        | Penrith     | August |
| Download Festival      | Derby         | June | Boomtown              | Winchester  | August |
| Lovebox                | London        | June | Creamfields           | Daresbury   | August |
| BST Hyde Park          | London        | July | Reading Festival      | Reading     | August |
| Y Not Festival         | Park District | July | Leeds Festival        | Leeds       | August |
| Wireless Festival      | London        | July | Wilderness Festival   | Oxfordshire | August |

While Music Festivals are an important part of live entertainment, UK Music 2017 reported total audiences of 4m, compared to 25m for music concerts (at all type of venues). The most popular

<sup>1</sup> IQ Magazine, EAY 2016, 2017 and 2018

Festivals are Glastonbury, Reading and Leeds offering multiple opportunities for headline acts, while a number of other events have limited audiences.

The Mintel report also highlights stadia tours, a market which Manchester benefits from, with three large stadia available. As with festivals, stadia tours favour summer programmes.

It is unlikely that the Mintel base case CAGR of 5.9% revenue growth between 2019-2024 can be reached solely by increased ticket prices. There is already evidence of consumer resistance to ticket prices, and 5.9% CAGR would result in a ticket price increase of 35% over five years. Between 2014-2018 ticket prices increase by much lower levels – Manchester (+12%) , Liverpool (+23%), Glasgow (+12%) and Sheffield (+11%). In order to reach the base case of 5.9% revenue growth, increased audiences and events will be required to contribute to the overall revenue growth.

PwC also noted the challenge of depending solely on increased ticket prices to increase revenues: *“the growth in music events revenue has been led by an increase in ticket prices, rather than an increase in event numbers or attendance figures. It should be considered to what extent further price inflation is sustainable, and will be continue to be accepted in the market in future years.”*

The PwC Entertainment and Media Outlook suggests the global live music market (which also includes festivals and stadia events) had a CAGR of 3.2% between 2014 and 2018. The report suggests the global live music market will continue to grow at this rate between 2019 and 2023.

### New Markets

There are a number of new emerging markets which will boost audience numbers at UK arena music and concert events. These are:

**Arena Festivals:** The success and growth of the festival market is well evidenced and has supported a new type of live music arena event: the arena festival. Examples include Bluesfest held at The O2 and Dublin's 3Arena as well as the Country to Country festival held at The O2, 3Arena and Glasgow's SSE Hydro.<sup>2</sup>

**New Genres of Music** such as K-Pop, as well as J-Pop, have become increasingly popular in the UK, with bands and artists such as BTS, Super Junior, G-Dragon, Blackpink, Monsta X and Got 7 performing at UK arenas over recent years.

**Niche Music:** There are opportunities from growing niche music types, for example SSE Arena Wembley's John Drury has said that some niche music types are “becoming more mainstream and much bigger in production values and audience size” referencing the broad Latin genre.<sup>3</sup>

**First Time Headliners:** While there is a large pool of artists playing UK arenas who have toured for many year or decades, there continue to be first time headliners adding to the array of music events in UK arenas each year, for example in 2019: Khalid, on his first UK tour, played two nights at The O2 Arena, as well as playing at Glasgow's SSE Hydro, Arena Birmingham and First Direct Arena Leeds; Post Malone performed at Manchester Arena, The O2 London, Glasgow's SSE Hydro and Birmingham's Resorts World Arena on his first European tour; Travis Scott played at London's The O2; and the K-Pop girl group Blackpink played their first ever UK tour performing at Wembley SSE Arena and Manchester Arena. Artists such as Billie Eilish and Sam Fender amongst others have announced their first ever headliner UK arena Tours for 2020.

The emerging markets will allow arenas to contribute to growth in the wider music market and avoid over-reliance on a limited number of headliners.

<sup>2</sup> IQ Magazine, EAY 2019

<sup>3</sup> IQ Magazine, EAY 2018

## **A Growing Market for Music**

UK arenas have benefited from an increasing population over the past twenty years. As an illustration, in 1995, the year the Manchester Arena opened, the UK had a population of 58m, and by 2018 this had increased to 66.4m. The population of the UK is projected to increase by 3.0 million (4.5%) by 2028 reach 72.4m by 2043.

The introduction of new arenas is likely to help stimulate the music market, with new more flexible space able to accommodate larger audiences providing venues for more technical productions, as well as more welcome/circulation and food and beverage space.

The music and concert category in the large arena market is likely to grow in terms of revenue, events and ticket sales over the next ten and twenty years. Arenas offer the scale and quality of facilities to give audiences a premium experience.

With audience growth of circa 4% and circa 9% over the next ten and twenty years, improvements in terms of capacity and facilities, and emerging markets, further growth is likely to increase ticket sales from over 7m in 2017, to over 8.5m by 2030 and over 9m by 2035.

Increasing population, increasing incomes, larger and higher quality venues, improving access by public transport, increasing demand for live music and new headliners, festivals and genres.

## Sport/Esport

Sports events made up around 11% of UK arena ticket sales in 2018. Sports events had the strongest growth out of any of the events categories, driven by Boxing, Darts, and Other – which primarily consisted of MMA/UFC events.

| Sports Market      |         |         |         |         |         |       |
|--------------------|---------|---------|---------|---------|---------|-------|
|                    | 2014    | 2015    | 2016    | 2017    | 2018    | CAGR  |
| Events             | 222     | 285     | 303     | 281     | 334     | 10.8% |
| Revenue ('000s)    | £29,066 | £37,573 | £51,188 | £45,959 | £50,489 | 15.0% |
| Attendance ('000s) | 910     | 1,120   | 1,234   | 1,227   | 1,372   | 10.8% |

Source: NAA and PWC

There are seven traditional sports which will help to drive arena growth ticket sales: ice hockey, tennis, darts, boxing, MMA, basketball and netball. All of the sports have ambitious growth plans, and a number have introduced new formats over the years to boost spectator numbers and attract TV coverage.

|                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Ice Hockey</b> | <p>The sport accounted for the largest share (38%) of sport arena events in 2018 and is now a well-established market. Between 2014 and 2018 audiences for Ice Hockey at arenas reported CAGR of 8.1%. PwC report there were 126 events and an attendance of 433,000 for Ice Hockey within UK arenas in 2018.</p> <p>The Elite Ice Hockey League (EIHL) is the UK's main ice hockey league, with 10 teams from across the UK. The following arenas SSE Arena Belfast, FlyDSA Arena Sheffield, Braehead Arena, Coventry Skydome and The Motorpoint Arena Nottingham host their home teams in the EIHL, while in places such as Manchester and Cardiff the arenas are not used by the teams. The 1997 game between the Sheffield Steelers and Manchester Storm holds the record for the largest audience with 17,245 at the Manchester Arena. Across the whole 2018/19 season in the EIHL, EIHL playoffs and Challenge Cup there were 384 games with total attendance of circa 1,111,728.</p> <p>During the EIHL 2018/19 season, over 180,000 fans watched the Sheffield Steelers, the most watched team, over 30 games. There is the potential for the new arena at Cardiff or a Manchester arena to support their home teams to play in arenas and capture larger audiences.</p> |
| <b>Tennis</b>     | <p>Tennis is already a well-established market in the UK accounting for 14% of annual arena sports audiences, and reported 20% growth in events and a marginal fall in audience numbers between 2014 and 2018. Indoor arenas are used across Europe for various men's and women's tennis tournaments each year. For example the Paris Masters (part of the ATP Tour Masters 1000 tournaments) and Rotterdam Open (part of the ATP Tour 500 tournaments) take place in indoor arena each year over eight days, which in 2018 attracted of 141,000 and 122,846 spectators respectively. The Next Gen ATP Finals, which feature the top male players under 21, currently take place over five days in Milan. There are only two arenas capable of hosting these events The O2 and the new Manchester arena.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Darts</b>      | <p>Events and audiences for darts in arenas have grown significantly over recent years, with a 20.4% CAGR in audiences in the four years prior to 2018. This fast growing market, has helped to drive growth in sports arena audiences, with an audience of 186,000 in 2018.</p> <p>There are a number of annual tournaments which take place in the UK attracting large audiences and sell out shows. The successful annual Unibet Premier League takes place in arenas across the UK, now in its 16<sup>th</sup> year, has 21 events scheduled for 2020, 12 of which are taking place in the UK's largest arenas. Alexandra Palace has hosted the darts World Championship since 2007. The latest World Championship took place across 16 days and attracted an audience more than 80,000.</p> <p>Other annual tournaments held in the UK include World Matchplay and Grand Slam of Darts, while the World Grand Prix is held in Dublin and the World Cup of Darts takes place in Germany. Highlighting the potential of the market, a record breaking audience of 20,210 attended the Veltins Arena in Gelsenkirchen for the one-day German Darts Masters in 2018.</p>                                                                                                        |
| <b>Boxing</b>     | <p>The sport has seen a significant surge in audiences in arenas in the UK, with events selling out Manchester Arena and The O2. Arena boxing audiences have grown significantly: between 2014 and 2018 a CAGR of 20.6% was recorded, growing from 80,000 in 2014 to 169,000 in 2018. Reflecting the popularity of boxing in the UK, the 2017 Anthony Joshua vs Wladimir Klitschko fight sold out at Wembley Stadium in 25 minutes, attracting a crowd of 90,000 fans. The ability to attract such large audiences, highlights the growth potential in the arena market. Various Fight Nights, Championship Boxing, Combat Fight Series, Super Series, Ultimate Boxer events take place throughout the year in the UK.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

|                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>MMA</b>        | <p>Mixed Martial Arts (MMA) is a key growth market for UK arenas. The sport has seen a significant increase in the number of events taking place across the UK over recent years. Alongside high profile events such as UFC, which now sells out at The O2 Arena in minutes, Cage Warriors and Bellator, other MMA events such as Rise of Champions, Sparta Fight Series, Battle Arena, BKB 21 reflect a growing core audience in the UK for MMA. British broadcasters are latching onto the sports evident popularity, supporting its growth, the first being BT Sports in 2013. More recently deals announced with Channel 5, Sky Sports and BBC are likely to further support market growth in the future, expanding the reach of its growing fan base.</p> <p>A growing number of MMA gyms and UK talent is supporting this expanding market. Head of Sales at Liverpool's Arena was cited in the 2018 EAY highlighting the popularity of combat sports, in particular referencing the MMA event <i>Cage Warriors</i> which returned to the Arena.</p> |
| <b>Basketball</b> | <p>The NBA is hugely popular in the UK which is the No. 1 European market for NBA League Pass, the subscription service for the complete season of regular season games. There has been a number of NBA season and pre-season exhibition games playing UK arenas. The NBA's annual London game, which featured the Washington Wizards and the New York Knicks in 2019 sold out the 20,000-seat The O2 in an hour.</p> <p>British Basketball League currently has 11 teams, with games mainly taking place in the UK's smaller arenas and sports facilities, with the play-off finals in The O2.</p> <p>The O2 hosted the euroleague final in 2013, although there is not currently a British team in the euroleague plans for a UK franchise have been ongoing, with the potential for a team to join in the future. Current euroleague average audiences are around 8,000.</p>                                                                                                                                                                            |
| <b>Netball</b>    | <p>The popularity of netball in the UK has surged,<sup>4</sup> further helped by the 2019 Vitality Netball World Cup<sup>5</sup> which was held at the M&amp;S Bank Arena in Liverpool, over 10 days, with a record breaking 112,000 tickets purchased, and all England games selling out.</p> <p>The UK's Netball Superleague is also growing in popularity, and features 10 teams across the UK, with more than 90 games taking place in the 2019 season. The next Season Opener, taking place at Arena Birmingham this year is expected to draw more than 8,700 fans.<sup>6</sup> Fran Connolly, CEO of England Netball, said: <i>"It is absolutely clear that success at an elite level drives growth across many aspects of the sport and it's hugely reassuring to see the successes of the Vitality Roses now filtering down to positively impact our domestic ticket-buying audiences within the Vitality Netball Superleague."</i></p>                                                                                                            |

Over recent years a number of sports have been adapted to develop arena events. Arenas can provide a great atmosphere for events attracting around 8,000 - 12,000 fans, which would be lost in stadia. Past events have included:

- Star Sixes, an indoor 6-a-side football competition with former professional players. A world cup was held at The O2 Arena in 2017 and a regional edition of the tournament was held in Glasgow's SSE Hydro in 2019.
- Rugbyx, an international five a side rugby union tournament was held in 2019 in The O2.
- Titans of Cricket, a 2-hour Twenty20 competition with top cricketers from around the world, held in 2011 in The O2.
- Tie Break Tens, a fast paced first-to-ten-points tennis games featuring world-class players, events have taken place round the world with London's Royal Albert Hall hosting in December 2015.
- Arenacross – is indoor motocross racing. Arenacross has taken place in arenas across the UK.

To date the majority of these events have been held in London, in part reflecting the lack of large scale arenas with sufficient facilities to support large scale sports events, where practice warm up space and changing facilities of scale are required. This will change as more purpose built, modern arenas are provided.

<sup>4</sup> <https://www.bbc.co.uk/sport/netball/42140492>

<sup>5</sup> <https://www.uksport.gov.uk/news/2019/10/02/netball-world-cup>

<sup>6</sup> <https://www.netballsl.com/2020/02/11/season-opener-2020-set-to-draw-the-largest-crowd-for-a-day-event-in-uk-netball-history/>

In addition, there is potential for some of these events to transform into leagues, which would provide a significant number of events for arenas, and additional income for players.

### Athletics

Another potential sports market which could deliver ticket sales growth is athletics. The UK currently hosts a number of major championships and there is the potential to increase this market by providing larger and more suitable indoor arenas with the associated support facilities needed to hold 3 and 4 day championship events.

### Esports

Esports is a key growth area for the arena market, with revenues and audiences in the UK continuing to grow as the market transitions towards online/mobile gaming. The Newzoo 2019 Global Esports Market Report, finds “*the global Esports audience will grow to 453.8 million worldwide in 2019, a year-on-year growth of +15.0%*”. Esports are often linked to particular games, such as *League of Legends*, *Counter-Strike*, *Fortnite*, and *Dota 2* or platforms such as Twitch.

The PwC Entertainment and Media Outlook 2019-2023, reports revenue of £22m in 2018 for Esports, up from £4m in 2014, and sets out projection for revenue to continue to grow at a CAGR of 20.1% between 2019 and 2023.

Tournaments are increasingly taking place in arenas. The General Manager of NEC Group, which operate the two Birmingham arenas, states “We’ve held three e-sports events this year across NEC Group venues: *Insomnia64*, *Insomnia65* and *ESL: Dota 2* which brought in combined audiences of over 70,000 people. I can only see this growing into more events in the future”. At London’s SSE Wembley, Esports accounted for 5% of total events in 2018.<sup>7</sup> The 2018 League of Legends World Championship Finals in South Korea attracted an audience of 50,000 fans along with tens of millions following the event online.<sup>8</sup>

A report by Architecture firm HOK and software company SAP, acknowledges that “In addition to online gaming, demand for arena-based tournaments is also increasing, opening up multibillion-dollar opportunities”. The report suggests that while events have been successfully held at arenas and stadiums originally built for traditional live sports and entertainment events, the expectations of Esports ‘tech-savvy’ fans are for “*curated, immersive, and highly social experiences*”, highlighting the desire for ‘greater connectivity’ and ‘hospitality-driven environments’.

This sector in particular provides significant potential for arenas, and supports the need for upgraded and new state-of-the-art facilities able to incorporate the latest technologies and provide excellent customer experiences. Esport has the potential in the medium term to account for 10%- 15% of ticket sales in new arenas by 2030.

### Conclusion

The introduction of new arenas is likely to help stimulate the sports market, with new more flexible space providing venues with more technical facilities, as well as more welcome/circulation and food and beverage space. The sports market is likely to grow strongly in terms of revenue, events and ticket sales over the next ten and twenty years, powered by a number of team/league sports and the fast growing Esports, with a combination of regular league fixtures boosted by one off events and championships.

With audience growth of circa 4% and circa 9% over this period, added to brand and event franchises, further growth is likely to increase UK ticket sales to over 3m per annum by the 2030s.

Increasing population, increasing incomes, larger and higher quality venues, improving access by public transport, increasing demand for a large number of sports, new sports, exceptional growth of Esport and capacity to accommodate international and global sports tournaments and events. There is the clear market potential for arena facilities particularly in Cardiff and Manchester to support their home teams to play in arenas and capture significant larger audiences.

<sup>7</sup> IQ Magazine, EAY 2019

<sup>8</sup> <https://www.bloomberg.com/news/features/2018-11-04/inside-the-world-cup-of-e-sports>

## Family

Family events are often connected to successful TV programmes and movies from global brands such as Disney and Marvel. The category typically makes up around 25%-30% of all arena events, and includes major annual events such as Disney on Ice, Cirque du Soleil and Strictly Come Dancing, that regularly take up several nights at individual arenas.

Children's events such as Walking with Dinosaurs, Jack and the Beanstalk and Paw Patrol were also key to driving growth in the number of events in 2018.

| Family Market      |         |         |         |         |         |      |
|--------------------|---------|---------|---------|---------|---------|------|
|                    | 2014    | 2015    | 2016    | 2017    | 2018    | CAGR |
| Events             | 523     | 523     | 524     | 578     | 673     | 6.5% |
| Revenue ('000s)    | £73,768 | £79,151 | £79,967 | £73,562 | £88,579 | 4.7% |
| Attendance ('000s) | 2,038   | 2,133   | 2,080   | 1,883   | 2,177   | 1.7% |

Source: NAA and PWC

Popular entertainment and sports entertainment events like World's Strongest Man, WWE and Harlem Globetrotters also fall under this category and regularly tour UK arenas.

The FlyDSA Arena Sheffield highlights the strength of the family category in the 2018 EAY referencing events such as

*Dancing on Ice,*  
*Fast & Furious Live,*  
*Walking with Dinosaurs,*  
*Paw Patrol* and  
*Cirque de Soleil.*

Belfast Arena also cite family as a key growth sector referencing the success of *Marvel Universe Live!*, *Cirque de Soleil*, and *Fast & Furious Live*.

Manchester and London are well established arenas for the family market, reflecting their large catchment areas.

Building on huge success on TV, events such as

*Blue Planet II Live,*  
*Planet Earth II Live,*  
*Our Planet Live in Concert,*  
*Ru Pauls Drag Race* and  
*Mrs Brown Boys.*

are also touring UK Arenas. The addition of these TV related events to arena programmes suggests a strong growth market exists.

Films accompanied with live orchestras are another emerging genre. The Head of Sales at the Liverpool Arena states that "*Live film screening with accompanying orchestras are proving popular*" which is supported by the artistic and commercial director at London's Royal Albert Hall: "*we are continuing with our hugely successful films with live orchestra strand, which has expanded this year to some incredible titles – including Start Trek, Star Wars and The English Patient.*"<sup>9</sup>

There are a number of sources of regular family entertainment making use of large arenas, and these will be a continual source of repeat and new productions. These are

- BBC
- Disney

<sup>9</sup> EAY 2018

- Disney Marvel

In addition, Cirque de Soleil regularly updates its productions to continually tour in arenas in the UK.

The introduction of new arenas is likely to help stimulate the family market, with new more flexible space providing venues for more technical productions, as well as more welcome/circulation and food and beverage space.

The family category is expected to grow in terms of revenue, events and ticket sales over the next ten and twenty years, powered by BBC, Disney and Marvel. With audience growth of circa 4% and circa 9% over this period added to brand and event franchises, further growth is likely to increase ticket sales towards the 3m per annum mark in the 2030s.

|                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increasing population, increasing incomes, larger and higher quality venues, improving access by public transport, increasing demand for current and new products/shows from global brands. |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Other Market

Other key forms of content for arenas includes comedy – which makes up the majority of the *Other* category in the NAA data – as well as dance, awards and miscellaneous events such as motivational speakers and conventions. Although the smallest of the four market categories, the other market provides a substantial number of arena events and in peak years, in excess of 2m ticket sales.

| Other              |         |         |         |         |         |       |
|--------------------|---------|---------|---------|---------|---------|-------|
|                    | 2014    | 2015    | 2016    | 2017    | 2018    | CAGR  |
| Events             | 354     | 257     | 132     | 344     | 272     | -6.4% |
| Revenue ('000s)    | £79,065 | £56,581 | £24,979 | £81,483 | £67,093 | -4.0% |
| Attendance ('000s) | 2,381   | 1,707   | 713     | 2,395   | 1,793   | -6.8% |

Source: NAA and PWC

While the other category is an important source of events for UK arenas, there is more variability year to year in terms of events and ticket sales, although 2016 now looks like an outlier. Ticket sales are partly dependent upon the number of headline comedians with multi city/multi night performances. This affects the CAGR calculation, with the 2014-2018 figure of -6.8% in contrast to the 2014-2107 figure of +0.5% and a 2015-2018 figure of +0.2%

Comedy accounts for 80% of the other category, while the miscellaneous category has shown strong growth in the 2014-2018, and now accounts for circa 20% of attendances. This includes motivational speakers and conventions and conferences, where there is the potential for further growth. As with comedy, some of this growth is driven by a small number of leading personalities.

| Other              |       |       |      |       |       |        |
|--------------------|-------|-------|------|-------|-------|--------|
|                    | 2014  | 2015  | 2016 | 2017  | 2018  | CAGR   |
| Comedy             | 1,949 | 1,382 | 360  | 1,979 | 1,379 | -8.3%  |
| Dance              | 158   | 49    | 101  | 97    | 71    | -18.1% |
| Misc.              | 274   | 275   | 252  | 319   | 343   | +5.8%  |
| Attendance ('000s) | 2,381 | 1,707 | 713  | 2,395 | 1,793 | -6.8%  |

Source: NAA and PWC

The UK arena market benefits from a large number of comedians able to fill arena venues. While individual popularity varies over the course of a career, and some performers alternate between arenas and large theatres, the most powerful headline acts are capable of delivering a six figure audience to a single large arena. Peter Kay did 15 nights at The O2 in 2014, following on from his 2010 tour which sold 1.2m tickets, while Michael McIntyre recently sold out 20 nights. In Manchester, Peter Kay's 2018-19 national tour with 100 dates had sold out 22 nights at the MEN Arena when it was cancelled for personal reasons (making a considerable impact on the 2018 audience and event numbers).

### Headline Comedians

|                  |                |                 |
|------------------|----------------|-----------------|
| Peter Kay        | Jimmy Carr     | Russel Howard   |
| Michael McIntyre | Al Murray      | Frankie Boyle   |
| Lee Evans        | John Bishop    | Mickey Flanagan |
| Bill Connelly    | Eddie Izzard   | Jack Dee        |
| David Baddiel    | Frank Skinner  | Ben Elton       |
| Russel Howard    | Sarah Millican | Jack Whitehall  |
| Steve Coogan     | Russel Peters  | Russell Brand   |
| Alan Carr        | Trevor Noah    | Ricky Gervais   |

The 2019 European Arena Yearbook, highlights the trend for more private and corporate events for international companies have been held in arenas, as suggested by First Direct Arena who reported that *"Bigger companies and organisations are becoming increasingly aware of the ability to host large conferences, exhibitions and dinners in the arena environment"*. In addition London's Alexandra Palace reported a significant increase in the number of large international companies hosting events at the venue.

Other new forms of content, such as talk shows and live podcasts, have emerged, drawing in significant audiences. This has been seen with successful events such as Michelle Obama's tour and Peter Crouch's *Crouchfest*. YouTubers also provide great potential for future content. The General Manager of NEC Group, who operate both Birmingham arena's, is quoted in the 2018 EAY stating "*The YouTube 'live' market is definitely an area of growth, and will undoubtedly be a strong genre in the future*".

Although the smallest of the four market categories, the other category to grow in terms of revenue, events and ticket sales over the next ten and twenty years, although there is likely to be more variability year on year. With audience growth of circa 4% and circa 9% over this period, added to growth other the miscellaneous category, further growth is likely to increase ticket sales well above 2m per annum.

|                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increasing population, increasing incomes, larger and higher quality venues, improving access by public transport, increasing demand for current and emerging comedy headliners and new formats around talk. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## New Investment Driving Growth in the Arena Market

As noted earlier, PwC have identified the role of new investment in driving market growth in the UK large arena market and these arenas supported growth on top of underlying growth in existing arenas, while statistics show that between 2014 and 2018 there has been growth in the UK live music and arena markets, with estimates suggesting growth in the range of 3.6% to 6.5%, during a time in which there was no significant new arena openings.

A number of PwC conclusions have influenced the growth scenarios and the allocation of growth across the UK. These are:

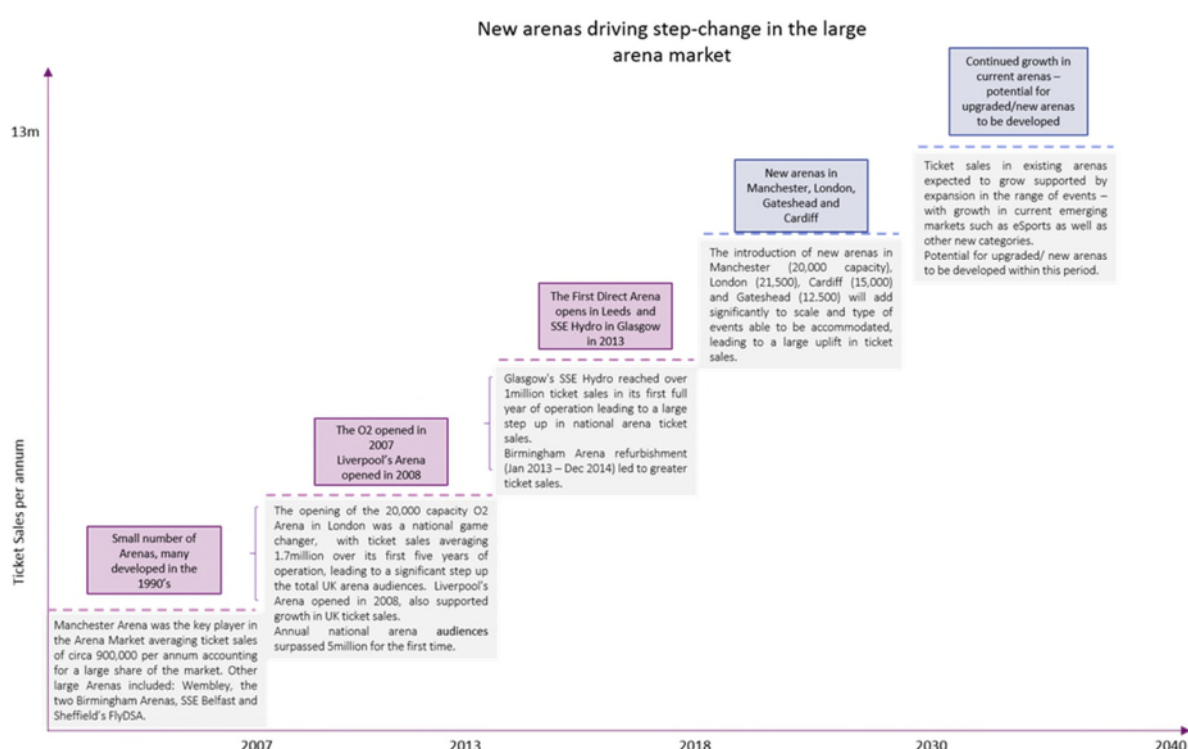
*Market sources and promoter discussion support a continuation of historical growth*

*Evidence suggests that the UK market should be able to sustain new arena developments and that a new state-of-the-art arena in Manchester will be well placed to exploit this market potential.*

*Other “two arena regions” support our conclusion that a new arena in Manchester should provide a fillip for growth in the overall market.*

There are a number of plans for the development of new arenas, and some others at an earlier stage. The investment plans for major new arenas reflect where the market is strong. The total investment costs of the proposed new arenas are in excess of £1bn, indicating a high degree of confidence in the arena market, and a belief that the market is under-supplied and in some cases, served by outdated facilities.

The potential for new investment to drive growth in the large arena market is set out below in diagram.



There are a number of forecasts which show a strong performance for arenas and live entertainment. While some of these forecasts are global and refer to live music more widely they provide an indicator of overall market growth, helping to inform UK arena growth scenarios.

The Global Ticket Market 2017–2021 report by Technavio, suggests a CAGR of the live music ticketing sector will average 6.92% from 2016 to 2021, while sports events will have a CAGR of 5.88%, over this time period. The report overview suggests emerging markets such as within Asia, Africa and South America are likely to grow faster than North America and Europe.

The Technavio Ticket Market by Event Type, Source, and Geography - Forecast and Analysis 2020-2024, report estimated that *“The global ticket market size has the potential to grow by USD 37.86 billion during 2020-2024, and the market’s growth momentum will accelerate throughout the forecast period.”* The report highlights the reasons for growth within sports events market being due to: *“the rising popularity of various sports such as football, table tennis, cricket, and basketball. As a result, the sales of tickets for sports events is increasing. These factors are contributing to the ticket market size growth in the sports events segment.”*

The European Arena Association, estimates CAGR in the UK & Ireland arena market (made up of the 22 NAA arenas) of 2.2%, however this does not include growth from new entrants in the market, of which four have been identified in the UK - London, Manchester, Cardiff and Gateshead.

PwC’s UK Arenas and Manchester Market added to national and global market assessment with promoter discussions supporting a continuation of historical growth and evidence suggests that the UK market should be able to sustain new arenas developments. PwC concluded that a new state-of-the-art arena in Manchester will be well placed to exploit this market potential.

The PwC research conclusion that the growth in sports and family events offers a greater potential pool of events when considering a two arena model, and Esports could provide an opportunity for events growth has influenced the scenarios.

the three scenarios identified by Ekosgen are:

1. The first growth scenario – Trend and Market Intelligence Based – is conservative and takes account of trends in ticket sales and event number over the most recent period, and longer term, as well as market intelligence with regard to trends in key sectors.
2. The second scenario – Trend Based and New Arena Boost – is realistic based on the evidence, taking account of trends in ticket sales and event numbers and builds in a new arena effect, which also incorporates market intelligence with regard to trends in key sectors.
3. The third growth scenario – New Arenas and New Market – is credible and takes a more optimistic view, accounting for trends in ticket sales and event number and builds in a new arena effect, while incorporating market intelligence with regard to trends in new categories which could introduce significant numbers of new tickets sales.

Later sections of this report assess how the growth in the national market under each of the growth scenarios is likely to be distributed across the UK, taking account of new capacity.

| PwC Report and Growth Scenarios                                                                                                                                                                                                                   |                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PwC Report                                                                                                                                                                                                                                        | Growth scenarios                                                                                                                                                                                                              |
| There has been growth in both the live music and arenas markets in the UK, with the latter supported by growth in (a) sports and (b) family events and the development of a number of new innovations in event formats.                           | Sport and family events underpin ticket growth in Growth Scenario 1.                                                                                                                                                          |
| There is historical evidence of supply-led growth in the arena market. New arena openings have delivered most of the growth in ticket revenue and event numbers since 2013-2014, which suggests that market growth has been primarily supply-led. | The step up in growth to Scenario 2, particularly for live music, reflects the development of four new arenas in various parts of the UK, including two very large arenas in the two largest markets – Manchester and London. |
| The emergence of such events such as Esports provides a broader and more diverse pool of options that arenas can target when scheduling events, which can be supportive in locations where multiple arenas operate in close proximity.            | The growth of Esport plays a major role in Growth Scenario 3, the high growth scenario, along with the introduction of other new markets.                                                                                     |

## Scenario 1: Trend and Market Intelligence Based

The first growth scenario – Trend and Market Intelligence Based – takes account of trends in ticket sales and event number over the most recent period, and longer term, as well as market intelligence with regard to trends in key sectors. The assumptions are based on:

1. A slight upward adjustment to the most recent trends (2014-2018) in music/concerts, more consistent with longer term trends from 2012-2018, refining the ticket sale growth scenario to reflect future trends drawn from a number of specialist reports and agencies.
2. Applying the 2014-2018 ticket sales growth rate for the family category from the 2014-2018 data, partly reflecting the lack of specialist intelligence highlighting longer term trends.
3. Reducing the 2014-2018 10.8% ticket sales growth rate for sport, to a still significant 6% growth rate.
4. Amending the 2014-2018 -6.8% growth rate for the other category (currently mainly comedy) to reflect the variability of the category dependent on major national tours by a small number of headline artists, to reflect a modest longer term growth rates and emerging potential of new formats, including talk. The revised estimate of 0.5% is very modest.

The ticket sales growth rate have been adjusted downward for the second period - 2031-2040 - to reflect the impact of compound growth and the danger of over forecasting in the later years.

| Scenario 1: Trend/Market Intelligence Based |             |             |               |               |               |               |
|---------------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
|                                             | CAGR        |             | 2018          | 2030          | 2035          | 2040          |
|                                             | 2018-2030   | 2031-2040*  |               |               |               |               |
| <b>Music</b>                                | 1.3%        | 1.2%        | 7,342         | 8,573         | 9,086         | 9,630         |
| <b>Family</b>                               | 1.7%        | 1.5%        | 2,177         | 2,665         | 2,875         | 3,102         |
| <b>Sport/Esport</b>                         | 6.0%        | 4.5%        | 1,372         | 2,761         | 3,440         | 4,287         |
| <b>Other</b>                                | 0.5%        | 0.5%        | 1,793         | 1,904         | 1,952         | 2,001         |
| <b>Total</b>                                | <b>1.9%</b> | <b>1.8%</b> | <b>12,684</b> | <b>15,902</b> | <b>17,354</b> | <b>19,021</b> |

\* Assuming no additional arenas built between 2031-2040

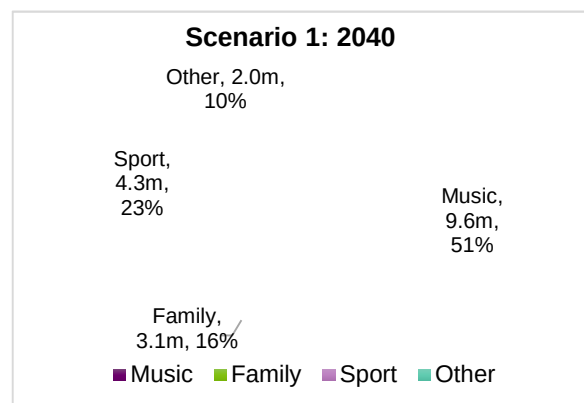
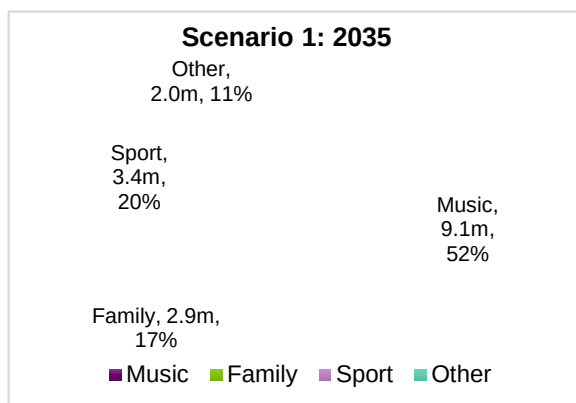
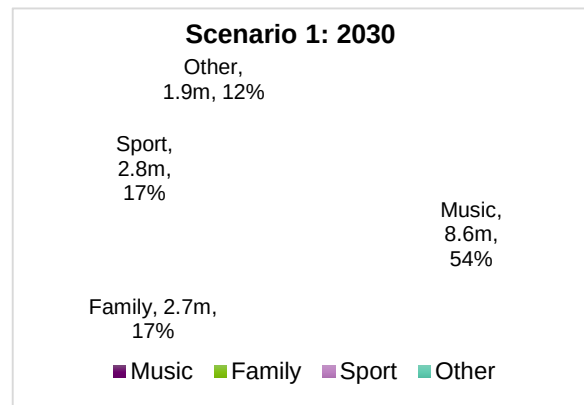
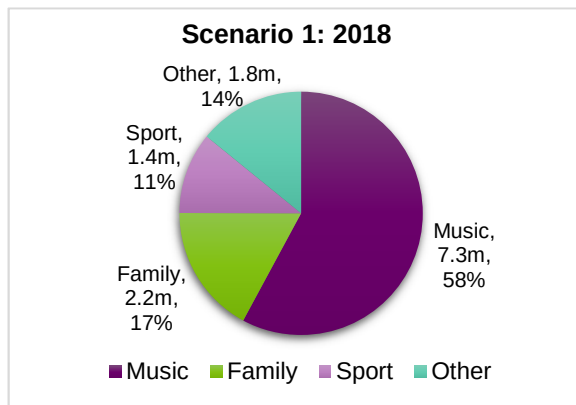
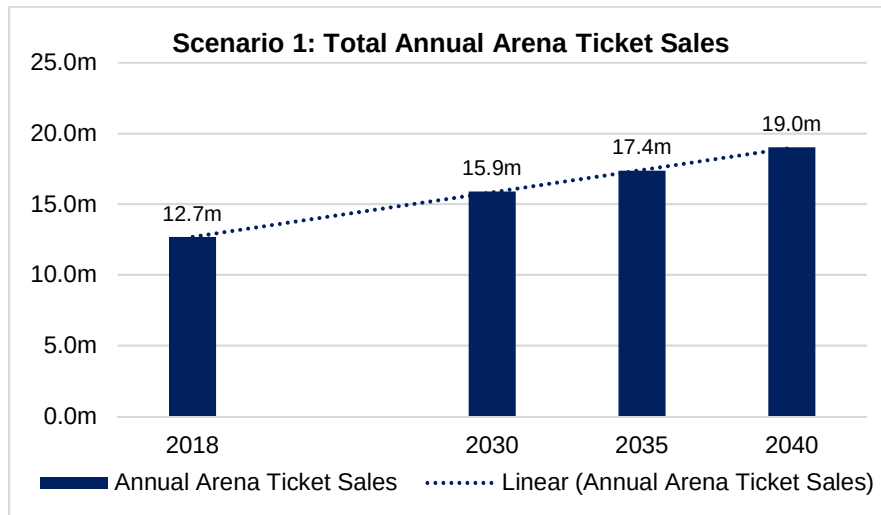
The scenario based on Trends and Market Intelligence sets out UK growth in large arena ticket sales of 15.9m by 2030, increasing to 19.0m by 2040. The 2018-2030 uplift would be 3.22m ticket sales, and further uplift of 1.45m by 2035 and finally 1.66m by 2040. In effect, this scenario results in an increase in ticket sales of no more than 50% over the forecast period.

In this first scenario, sport makes an increased contribution to the total market, from 11% in 2018 to 17% by 2030, going up to 23% by 2040. By 2030, sport will have overtaken the family category in terms of tickets sales at large arenas in the UK.

The increase in ticket sales is relatively conservative, given the increase in the population over the next twenty years, increase leisure expenditure, and the potential in each of the four sub sectors set out in earlier chapters of this report.

In particular, this scenario makes little provision for the exceptional potential of Esports and the likelihood of professional sports increasing their use of large arenas for both one off and regular events in large arenas.

When account is taken of increasing population, increasing incomes, and a boost from the larger and higher quality venues, the growth rates by market segment are very low, implying limited impact of the other factors which are driving growth in each market.



## Scenario 2: Trend Based and New Arena Boost

The second scenario – Trend Based and New Arena Boost – is conservative but takes account of trends in ticket sales and event numbers and builds in a new arena effect, which also incorporates market intelligence with regard to trends in key sectors. The assumptions are based on:

1. An upward adjustment to the most recent trends (2014-2018) in music/concerts, taking account of longer term trends 2012-2018 and the added capacity in the largest UK concert/music markets, Manchester and London, and the scale and quality of the new facilities. This amended growth rate is in line with future trends drawn from a number of specialist reports.
2. Applies a slightly higher ticket sales growth rate for the family category from the 2014-2018 data, reflecting the potential of national and international brands such as Disney and new entrants to develop new products.
3. Increases the sport ticket sales growth to 8% (and 6% subsequently), still below the 2014-2018 10.8% ticket sales growth rate, taking account of the very strong sports market in Manchester and the potential of several new state-of-the-art arenas to attract regular and international sports events.
4. Increasing the very modest 0.5% growth rate used in Scenario 1 to 1.0% to reflect the potential for new formats to generate new events and ticket sales.

The new arena effect incorporates four new arenas, two of which are purpose built replacement arenas, and two are large scale and nationally significant.

Estimated ticket sales growth rate for each category for 2031-2040 have been adjusted downward for the second period to reflect the impact of compound growth and the danger of over forecasting in the later years.

| Scenario 2: Trend Based and New Arena Boost |             |             |               |               |               |               |
|---------------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
|                                             | CAGR        |             | 2018          | 2030          | 2035          | 2040          |
|                                             | 2018-2030   | 2031-2040   |               |               |               |               |
| <b>Music</b>                                | 1.5%        | 1.4%        | 7,342         | 8,778         | 9,387         | 10,038        |
| <b>Family</b>                               | 2.3%        | 2.1%        | 2,177         | 2,860         | 3,169         | 3,510         |
| <b>Sport/Esport</b>                         | 8.0%        | 6.0%        | 1,372         | 3,455         | 4,623         | 6,187         |
| <b>Other</b>                                | 1.0%        | 0.8%        | 1,793         | 2,020         | 2,103         | 2,188         |
| <b>Total</b>                                | <b>2.5%</b> | <b>2.5%</b> | <b>12,684</b> | <b>17,114</b> | <b>19,281</b> | <b>21,923</b> |

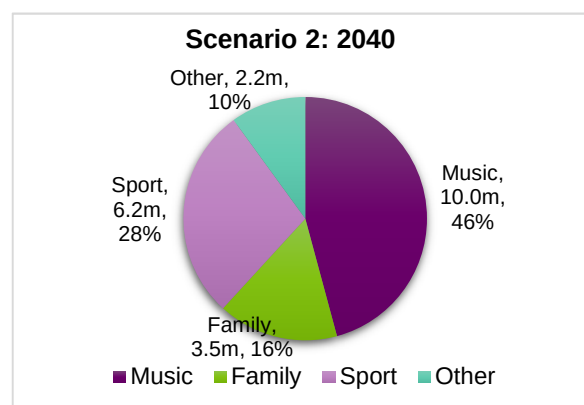
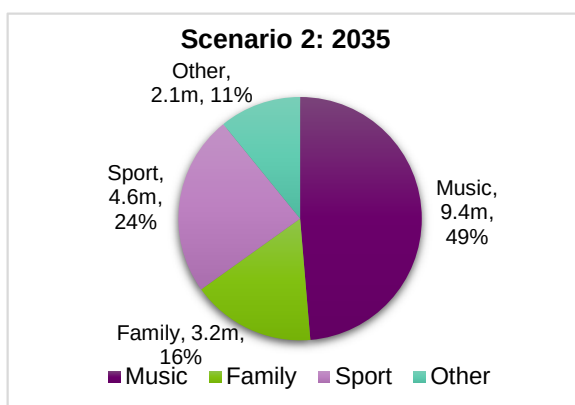
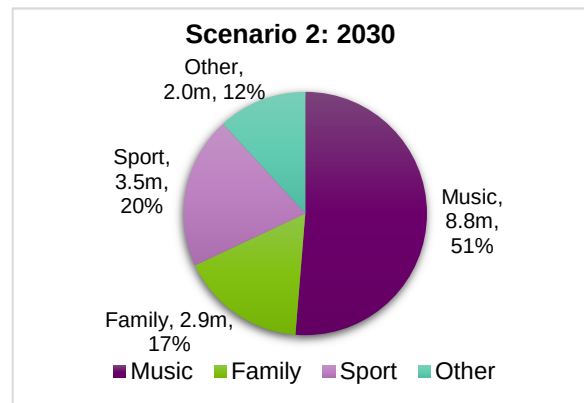
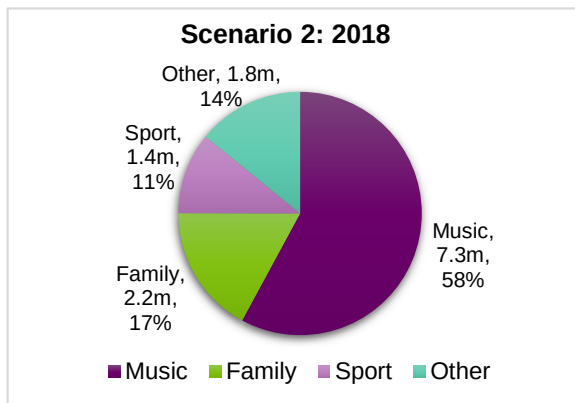
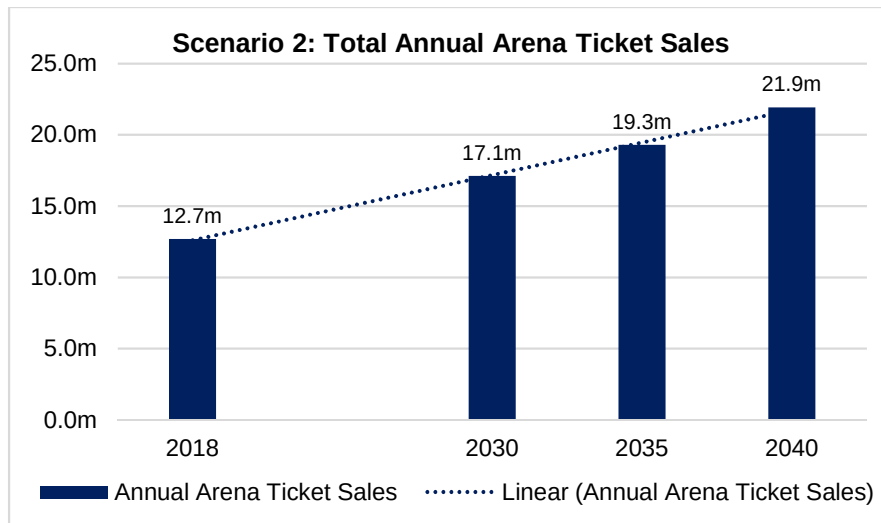
Under Scenario 2 for UK growth in large arena ticket sales results in an estimate of 17.1m by 2030, increasing to 19.3m in 2035 and then 21.9m by 2040. In effect, this scenario results in an increase in ticket sales of no more than 73% over the forecast period.

In this scenario sport makes an increased contribution to the market, from 11% in 2018 to 20% by 2030, going up to 28% by 2040. By 2027, sport will have overtaken family in terms of tickets sales at arenas.

The estimated increase of 2.5% CAGR is dependent on healthy ticket sales growth in each of the four categories.

The scenario does, however, show that by 2040 while music ticket sales will exceed 10m per annum, music will account for less than half of all ticket sales at large arenas.

Takes account of increasing population, increasing incomes, and the evidence of the full boost impact from a significant increase in larger and higher quality venues, and some of the other factors which are driving growth in each market.



### Scenario 3: New Arena and New Markets

The third growth scenario – New Arenas and New Market – takes a more optimistic view, accounting for trends in ticket sales and event number and builds in a new arena effect, while incorporating market intelligence with regard to trends in new categories which could introduce significant numbers of new tickets sales. The assumptions are based on:

1. A further upward adjustment to the new arena scenario reflecting the full potential of the added capacity in the largest UK concert/music markets, Manchester and London, and the scale and quality of the new facilities, including the new arenas in Cardiff and Gateshead.
2. Applying a marginally higher ticket sales growth rate for the family category from the 2014-2018 data, reflecting the potential of national and international brands such as Disney and Marvel to develop new products.
3. Increases the sport ticket sales growth to 9% to take account of the potential for Esports and team based professional sports, also taking account of the very strong sports market in London and Manchester and the potential of two large scale a new state-of-the-art arenas.
5. Increasing modest growth rate used in other to 2% to reflect the potential for new formats to generate new events and ticket sales, in particular celebrity led talk, education and science events.

This scenario is based on new forecasts taking advantage of the technical facilities and scale of audiences available in the new arenas, as well as venues such as the SSE Hydro in Glasgow and FlyDirect Arena in Leeds.

| Scenario 3: New Arena and New Markets |             |             |               |               |               |               |
|---------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
|                                       | CAGR        |             | 2018          | 2030          | 2035          | 2040          |
|                                       | 2018-2030   | 2031-2040   |               |               |               |               |
| <b>Music</b>                          | 1.8%        | 1.5%        | 7,342         | 9,095         | 9,812         | 10,568        |
| <b>Family</b>                         | 2.4%        | 2.2%        | 2,177         | 2,894         | 3,220         | 3,583         |
| <b>Sport/Esport</b>                   | 9.0%        | 7.2%        | 1,372         | 3,859         | 5,463         | 7,734         |
| <b>Other</b>                          | 2.0%        | 1.7%        | 1,793         | 2,274         | 2,474         | 2,619         |
| <b>Total</b>                          | <b>3.0%</b> | <b>3.1%</b> | <b>12,684</b> | <b>18,121</b> | <b>20,969</b> | <b>24,595</b> |

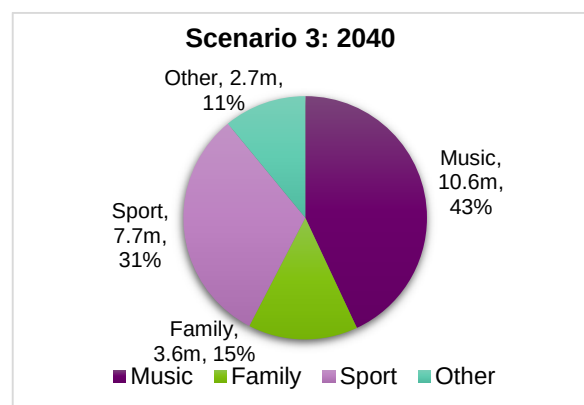
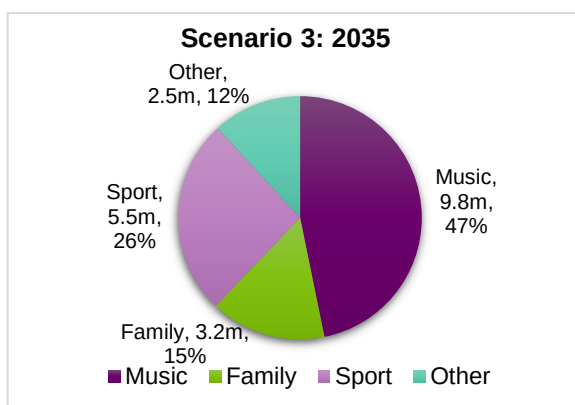
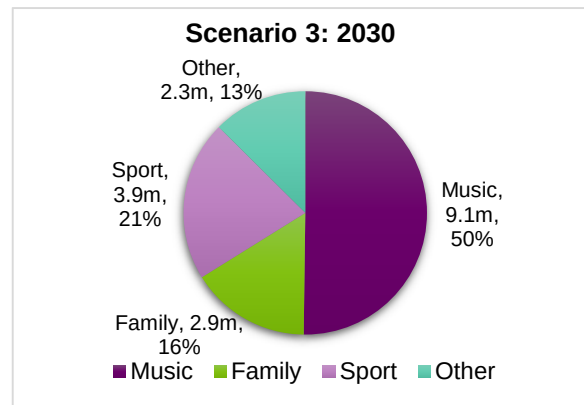
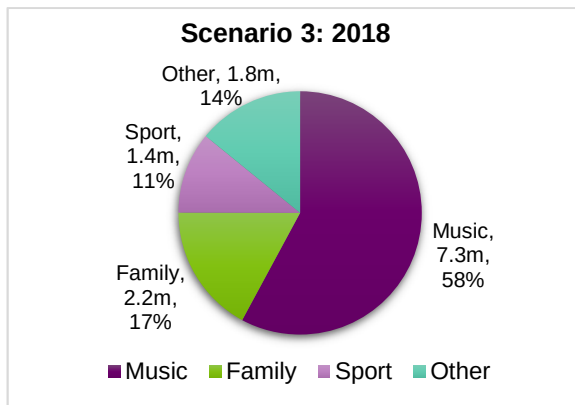
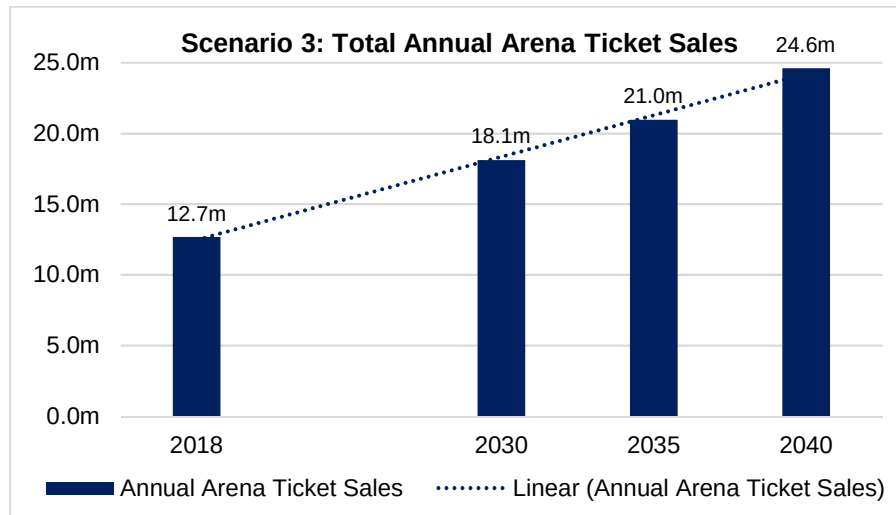
The scenario set out UK growth in large arena ticket sales of 18.1m by 2030, increasing to 21m by 2035, and then 24.6m by 2040. In effect, this scenario results in an increase in ticket sales of no more than 93% over the forecast period.

In this scenario sport makes an increased contribution to the market, 21% by 2030, going up to 31% by 2040.

The estimated increase in ticket sales assumes a number of emerging trends are realised in full, including emerging markets in new categories.

The scenario does, however, show that by 2040 while music ticket sales will exceed 10m per annum, music will account for less than half of all ticket sales at large arenas.

Takes account of increasing population, increasing incomes, and the evidence of the full boost impact from a significant increases in larger and higher quality venues, and all of the factors which have the poteital to drive growth in each market, notably the exceptional growth in Esports.



## Robustness of the Growth Scenarios

The three scenarios set out earlier highlight the range of tickets sales which will underpin the large arena market in the UK in future years. As with all projections, there is a degree of uncertainty, although the time frames involved 10, 15 and 20 years allow for temporary fluctuations in the market.

The variations between the totals is quite narrow up until 2030, thereafter Scenarios 2 and 3 set out a higher rate of growth, as the new arenas, completed between 2023-2025, gather momentum, and new markets, such as Esports, increase activities.

The growth rate assumption for each market segments across the three scenarios are not substantial, although the effect of compound growth, leads to a significant variation in the size of each market in the later period. In order to guard against optimism, the growth rates in the second period (2031-2040) have been reduced, recognising the greater uncertainty over the later period.

|              | 2018-2040   |             |             |             |             |             |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
|              | 2018-2030   |             |             | 2031-2040   |             |             |
|              | Scenario 1  | Scenario 2  | Scenario 3  | Scenario 1  | Scenario 2  | Scenario 3  |
| Music        | 1.3%        | 1.5%        | 1.8%        | 1.2%        | 1.4%        | 1.5%        |
| Family       | 1.7%        | 2.3%        | 2.4%        | 1.5%        | 2.1%        | 2.2%        |
| Sport/Esport | 6.0%        | 8.0%        | 9.0%        | 4.5%        | 6.0%        | 7.2%        |
| Other        | 0.5%        | 1.0%        | 2.0%        | 0.5%        | 0.8%        | 1.7%        |
| <b>Total</b> | <b>1.9%</b> | <b>2.5%</b> | <b>3.0%</b> | <b>1.8%</b> | <b>2.5%</b> | <b>3.1%</b> |

**Scenario 1** is a conservative estimate, based on key assumptions which are below the evidence provided by long term growth rates, new arena development and forecast trends in the major market segments.

While a lower growth rate may emerge for a few of the twenty years, it is unlikely to reflect the long term growth rate of the large arena market in the UK.

The low growth rate of Scenario 1 would contradict the market research which has underpinned the investment decisions of four separate business cases for new arenas in London, Manchester, Cardiff and Newcastle/Gateshead.

**Scenario 2** is the most realistic of the three scenarios, although there may be fluctuations in the growth pattern over the full twenty year period between 2020 and 2040.

The growth rates in Scenario 2 are dependent upon increasing audiences and incomes, growth in each of the four market segments, boosted by a new arena effect, although with four new arenas, two of which are large arenas in key markets, there is every prospect of new investment delivering a further step change in ticket sales in UK the large arena market.

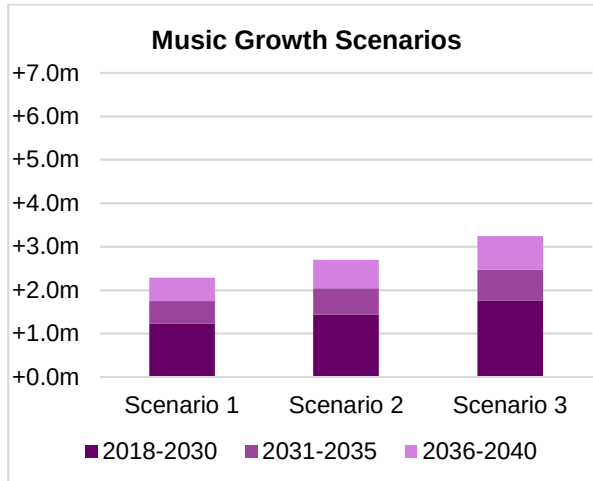
**Scenario 3** produces the highest growth rates and volumes of ticket forecasts. It does, however, depend upon the full new arena impact and sustained growth in a number of new markets, such as Esports, where the scale of future event activities are much less certain, and even with growth could merely offset the decline of some smaller sub sectors of the market. In essence Scenario 3 requires all of the factors which could lead to growth to be realised.

**Music Market Growth: Ticket Sales**

Scenario 1 is conservative, given the impact on the music market of two very large, purpose built arenas in the most important concerts markets in the UK, while Scenario 2 more fully incorporates this effect, along with new, bigger and better arenas in Newcastle and Cardiff.

Scenario 1 has been influenced by the 2014-2018 music concert data, although this was a period where real wages were stagnating, impacting on leisure expenditure.

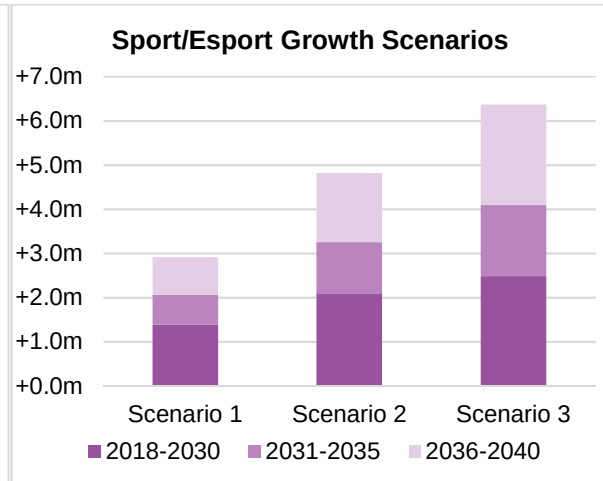
Scenarios 2 and 3 are more in line with a number of the music market forecasts set out in some industry specific reports, recognising that the forecasts increase in revenues will require more events and increased ticket sales, as well as some increase in ticket prices (where there is evidence of consumer resistance to price increases).

**Sports/Esport Growth: Ticket Sales**

All three scenarios use growth rates below the 2014-2018 estimate (10.8%). Scenario 1 is conservative, given recent performance and the plans of a number of sports events and the potential of Esports.

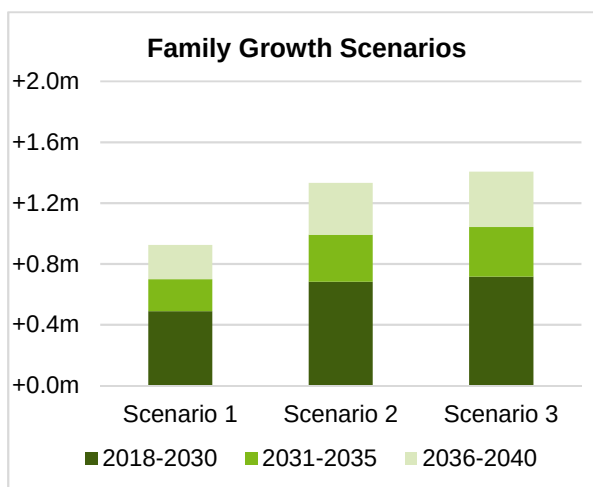
The two very large, purpose built arenas in the most important sports markets in the UK influence Scenario 2, along with new, bigger and better arenas in Newcastle and Cardiff considerably increasing the availability of high quality venues to accommodate larger sports events.

Scenarios 3, which sets out a very large rise in sports tickets sales requires the establishment of a number of professional team based sports with regular fixtures and Esports to develop a major national programme of events

**Family Market Growth: Ticket Sales**

Growth in the family market was identified by PwC in their recent report as a major source of future market growth.

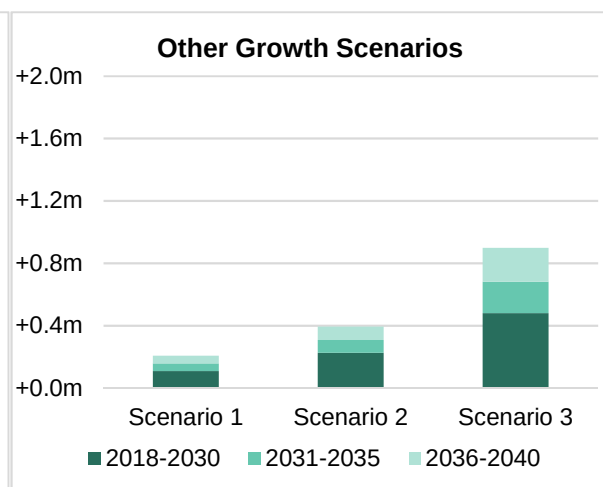
The family market is dominated by TV and film based derivatives, based on original productions by the BBC and Disney. These two organisations are a regular source of events and spin-offs, supporting both Scenarios and 1 and 2. Both Scenarios 2 and 3 assume some new entrants into this market, including the potential of franchises such as Marvel, to translate film based brands into touring arena based shows.

**Other Market Growth: Ticket Sales**

The other market is by far the smallest market for large areas in the UK. It is currently very dependent on headline comedians on national tours.

The dependence on a limited number of headline acts accounts for the variations year to year and the size of the market.

Scenario 3, which is the most ambitious assumes a large increase due to new forecasts, notably celebrity talks (such as Michele Obama) and documentary and educational type events, such as climate emergency, natural history or science.



## Capacity and Distribution of Growth

The National Association of Arenas has some 22 members in the UK, with O2 and Manchester Arena the largest in the UK. There is now considerable variation in the quality of arenas, and a number have a more restricted seating number than the headline capacity number. A feature of the UK market is the number of arenas which were built for sports and convention activities.

| UK Large Arenas                |                          |                                                                                                                                                                                                                                                                                                                        |
|--------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| City                           | Name                     | Description                                                                                                                                                                                                                                                                                                            |
| <b>London Market</b>           |                          |                                                                                                                                                                                                                                                                                                                        |
| London                         | The O2 Arena             | Opened in 2007, a world class facility, benefiting from the original investment for the Millennium Dome, the highest capacity in the UK.                                                                                                                                                                               |
| London                         | SSE Arena Wembley        | Wembley Arena is a long established indoor Arena adjacent to Wembley Stadium. The Arena attracts events covering music, comedy, family entertainment and sport. It has a 12,500-seat capacity.                                                                                                                         |
| <b>Midlands Markets</b>        |                          |                                                                                                                                                                                                                                                                                                                        |
| Birmingham                     | Arena Birmingham         | Arena Birmingham is an indoor arena and sporting venue, owned by the NEC Group, which opened in 1991. It has a flexible capacity of almost 16,000 spectators and has played host to world class music, sport, comedy and family events.                                                                                |
| Birmingham                     | Resorts World Arena      | The Resorts World Arena is a multipurpose indoor arena located at the National Exhibition Centre (NEC) in Solihull. It has a capacity of 15,685 seats. The venue was built as the seventh hall of the NEC complex and opened in 1980.                                                                                  |
| Nottingham                     | Motorpoint Arena         | Opened in 2000, Motorpoint Arena is a multi-use indoor arena joined with the National Ice Centre. The arena is the biggest live entertainment venue in the East Midlands.                                                                                                                                              |
| <b>Northern Markets</b>        |                          |                                                                                                                                                                                                                                                                                                                        |
| Liverpool                      | M&S Bank Liverpool       | The M&S Bank Arena is a multi-purpose indoor arena in the city centre, with a capacity of 11,000, which hosts live music, comedy performances and sporting events. It is part of the Liverpool event campus, and opened in 2008 as part of the City of Culture programme.                                              |
| Manchester                     | Manchester Arena         | The Manchester arena was constructed in 1994/1995 as part of the city's unsuccessful bid for the 2000 Summer Olympics. Although it was built as a US style sports arena it quickly became one of the most successful arenas in the world. It has an operational capacity of circa 16,000 (nominal capacity of 21,000). |
| Leeds                          | First Direct Arena       | Opened in 2013, with a capacity of just under 13,000, with an ambition to become one of the busiest arenas in Europe. Located close to the city centre.                                                                                                                                                                |
| Sheffield                      | FlyDSA Arena             | The Sheffield Arena was built to host the World Student Games, opening in 1991. It can accommodate audiences from a theatre style 3,500 up to a 13,600 capacity.                                                                                                                                                       |
| Newcastle                      | Utilita Arena            | Opened in 1995 and originally focused on sport before focusing on music and conventions. Currently operated by SMG and the development of the new arena as the Sage in Gateshead will see the current arena being re-developed.                                                                                        |
| <b>Devolved Nation Markets</b> |                          |                                                                                                                                                                                                                                                                                                                        |
| Belfast                        | SSE Arena Belfast        | Opened in 2000 as a Millennium project, the arena has a capacity of circa 11,000 and attracts music, sports and facility events. It is also used for national events.                                                                                                                                                  |
| Glasgow                        | SSE Hydro                | Opened in 2013, part of the Scottish Events Campus, with the SEC's flagship conference space, the 'SEC Armadillo', offers five interconnected exhibition and meeting rooms with a combined area of over 22,000m <sup>2</sup> . The campus also has a 1,183 – 3,000-seater auditorium.                                  |
| Cardiff                        | Motorpoint Arena Cardiff | The Motorpoint Arena is an indoor exhibition centre and events arena, opened in 1993. The Main Arena offers 4,500m <sup>2</sup> of exhibition space. Full capacity can reach 7,500, in a standing layout and 5,000, for a fully seated event.                                                                          |

## New Arena Investment and Market Signals

In terms of large arenas, there is a new phase of planned investments, with four new arenas expected to open in the 2023-2025 period, further increasing the UK's capacity to accommodate large events. Some of the new developments are, or are likely to be, replacement arenas for poorly performing or outdated arenas. As noted earlier, a number of the existing arenas were designed for sport and subsequently adapted for concerts, while others were conceived as dual purpose – entertainment events and conventions and exhibitions.

### New Eastlands Arena in Manchester

Oak View Group (OVG), a large US investment company is set to develop a new arena in Manchester, based within the Etihad Campus, home to Manchester City Football Club. The new arena will have a capacity of 20,000 (with the possibility to extend to 23,500 for certain events) and will complement the current state-of-the-art facilities in Eastlands, growing its offer as a sports, leisure and entertainment destination.

The proposed £350m arena will include a flexible seating arrangement, able to cater for a wide variety of events such as music concerts, sporting events and family entertainment shows in addition to a large hospitality space, bars and food outlets, and good transport access by the current transport links between the Etihad Campus and Manchester City Centre.

The availability of wider sporting facilities based on the campus provides further opportunity for the proposed arena to cater for new sporting events which other arenas do not have the capacity for. This includes larger sporting tournaments such as the ATP Tour Finals, World Championships, Arena Sports and the Netball World Cup and International Series.

In addition to this new major investment, the operators of the existing arena have announced a proposed refurbishment, suggesting confidence in the long term viability of the venue.

### MSG Sphere London

The Madison Square Garden (MSG) Sphere is a potential new development to be based in Stratford, East London across from The Olympic Park and The Westfield Shopping Centre. The proposed arena is set to have a capacity of 21,500 (17,500 seated, with 21,500 from a mixture of seated and standing).

The site is set to feature a spherical shape some 120 metres wide and 90 metres high, designed to offer attendees an immersive experience, providing a screen which covers more than half of the interior of the sphere and the largest and highest resolution LED screen in the world. Other immersive features include adaptive acoustics, a haptic system to allow for guests to feel as part of their experience; and wireless connectivity. The Sphere will also offer guests with outdoor spaces for adults and children; an outdoor gym; a 450 seat restaurant; retail space; a café; and a smaller venue for music clubs/nightclub.

The ambition for the MSG Sphere is to be “a *global destination for arts, music and entertainment*” making sure that everyone has the “*best seat in the house*”. MSG Group are keen for the Sphere to offer wide variety of bespoke entertainment, expecting up to 300 event days per year. Types of events include, music and circus events as well as Esports.

### Gateshead

The site for the new £260m waterfront complex on Gateshead Quays including a 12,500 seat arena provides a high profile setting, directly opposite the Millennium Bridge on the banks of the River Tyne and at the heart of Newcastle Gateshead Quayside, between the Sage Gateshead and BALTIC Centre for Contemporary Art, across the river from Newcastle City Centre.

The scheme, developed by Ask Real Estate and PATRIZIA UK and designed by HOK, includes 6,300m<sup>2</sup> of conference and exhibition space together with additional 2,800 m<sup>2</sup> of flexible meeting space. Extensive public realm links all buildings including the 12,500-capacity indoor arena, hotels and restaurants.

The new complex and arena will be operated by SMG, which operates the current Motorpoint Arena (which will be redeveloped). John Sharkey, executive vice president of SMG Europe said: *we're delighted to be working with Gateshead Council on this exciting scheme, to move our established business across to such an iconic, central location. We look forward to working with a range of national*

*and regional partners, to bring more entertainment, conferencing and exhibitions to Gateshead Quays and cement its reputation as a world-class leisure and cultural destination.*

## Cardiff

Cardiff City Council has been given approval to acquire the Red Dragon Centre in Cardiff Bay to begin a significant redevelopment plan. The acquisition of the Red Dragon Centre will form part of a wider plan by the Council to invest £500m in a mixed development scheme across the 30-acres of land in the Cardiff Bay area.

This development includes £100m for the construction for the arena, with further plans to include 18,600m<sup>2</sup> of retail space; 4,650m<sup>2</sup> of restaurant/ bar space; 4,200m<sup>2</sup> of leisure space; 3,700m<sup>2</sup> of office space; a 350-bedroom hotel; a 2,000 space multi-story car park; and waterfront apartments as part of the wider development.

The 15,000 capacity arena would become the largest in the Welsh capital, double the current capacity at the Motorpoint Arena and aims to attract events such as large music/ entertainment and sporting event. Arena construction has been set a target date for June 2023 with the site being open for businesses by Christmas in the same year.

## YTL Arena Bristol

The Malaysian investment firm, YTL Developments, has submitted a planning application to transform the Brabazon hangars at a former airfield into a state-of-the-art music venue, with a 17,000 seating capacity. The wider development includes plans for over 2,500 new homes as well as new schools and health facilities. The wider split is shared between Bristol City Council and South Gloucestershire Council.

Bristol and South Gloucestershire Councils will be jointly responsible for making £100million worth of infrastructure improvements around the Filton area. This includes a Temple Meads to Brabazon station rail link and a new metrobus route which will go directly through the new Brabazon neighbourhood.

Highways England have said that the size and nature of the development proposals which 'have the potential to impact on the safe and efficient operation of the Strategic Road Network (SRN) and particularly the M5 junctions 15, 16 and 17 and junction 1 of the M32', and the arena also has to pass a sequential development test.

In terms of developing growth scenarios, the assumption is that London, Manchester, Gateshead and Cardiff will be deliver new capacity from 2023 or 2024, but that Filton Arena may be delayed to address serious infrastructure challenges or may not pass the sequential test. If the new arena does go ahead it is likely to have some impact in terms of the London, Birmingham and Cardiff markets, but not of a scale to threaten the viability of existing and new arenas.

## Other Market Signals

Over the past 18 months, a number of existing arenas have reported record businesses and/or very strong attendance numbers.

|                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The O2            | London's The O2 recorded another record year with over 2m tickets sold for the venues shows. The 20,000-capacity arena hosted 209 performances of music, comedy, sport and entertainment in 2018 (from Ticketing Business news)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| SSE Wembley Arena | The SSE Arena, Wembley has reported 2018 as its busiest year on record since reopening in 2006, welcoming one million visitors through its legendary doors. 157 performances took place at London's most intimate arena in 2018, getting crowds closer to the action at a host of unforgettable events including the world premiere of the Golden Globe winning film <i>Bohemian Rhapsody</i> , three sold out 'in the round' nights for Arcade Fire, the televised final of <i>The X Factor</i> , the biggest independent pro wrestling event in England for 30 years in the form of <i>PROGRESS</i> 'Hello Wembley', the first ever all-nighter from drum'n'bass legend Andy C, the biggest ever Bollywood event held at the arena from Arijit Singh, an exclusive Smashing Pumpkins show, George Ezra's biggest headline concert to date and a sold out show for Slayer as part of their historic final world tour. |
| Glasgow           | SEC Press release: Described as the jewel in Glasgow's crown, the SSE Hydro, celebrated its fifth birthday having surpassed all expectations since the £125 million (€139m) arena                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | opened in 2013. The 13,000-capacity venue hosted 639 event performances, attracting more than 5.2 million visitors in its five years. These numbers have consistently seen the Hydro rank among the top five venues globally,                                                                                                                                                                                                                                                                            |
| Leeds      | In a chart just released by industry body Pollstar in 2018, First Direct Arena was ranked as the 6th busiest arena venue in the world and the 4th busiest in the UK. Tony Watson, Director of Sales, Marketing and PR commented <i>"the first direct arena team is delighted that their hard work in driving ticket sales and attracting the biggest names in the UK This has had a massive positive economic impact, not only for the arena but for the Leeds and West Yorkshire region as a whole"</i> |
| Birmingham | NEC Group press release <i>"Attendance at the group's two arenas, Genting Arena (soon to be renamed the Resorts World Arena) and Arena Birmingham, grew 17% in 2017–18, to over 1.6m, bolstered by performances by Drake, Ed Sheeran, Lady Gaga, Mickey Flanagan, John Bishop, Disney on Ice and Strictly Come Dancing."</i>                                                                                                                                                                             |

## Market Confidence and Increased Capacity

The four new arena investments outlined earlier have an estimated value in excess of £1bn, highlighting a high level of investor confidence in the large arena market. The Gateshead and Cardiff Bay developments are designed to put these cities on a par with the Scottish Events Campus and the SSE Hydro, now one of the most successful arenas in the world.

Both Gateshead Sage and Cardiff Bay Arena provide new capacity in two major cities/regional capitals where arena tickets sales and events are relatively low when compared to other cities. This partly reflects the nature of their current arenas and more limited seating capacity. There is the potential for the existing arenas to re-shape their offer or re-purpose their facility.

The other two new arenas will increase capacity, into the two most significant markets in the UK – London and Manchester. By 2022/2023 London will not have increased its arena capacity since 2007 when The O2 opened, while Manchester will not have increased its large arena capacity for nearly 30 years, in spite of the remarkable growth in the city's economy and the leisure/visitor economy.

The scale of new arena investment planned for the 2020s is unparalleled in the UK, reflecting very strong confidence by cities and investors in the arena market. The previous two phases of new investment have each added circa 30,000 of new capacity. The new developments will add circa 60,000 capacity, albeit two of the new arenas are effectively replacement/enhancements to capacity in regions with more limited facilities and low levels of tickets sales (Newcastle/Gateshead and Cardiff).

The confidence around new arenas reflect the statements made by existing arenas about recent success with regard to revenues, events and ticket sales. These statements present a picture of a healthy, growing market, with the potential for a number of arenas to help accommodate growth across the UK.

## Competition: Arena Operators

In terms of supply, the UK large arena market is dominated by one company, ASM Global, after the merger of AEG and SMG, incorporating AEG's two large arenas with a combined capacity of over 30,000 and one of Europe's most successful large arenas, The O2 and SMG's three large arenas in the north of England, and Belfast with a combined total capacity of circa 52,000.

The other major providers are:

1. NEC Group: with two arenas and a combined capacity of 25,000 dominating the Midlands market.
2. SEC: with a total capacity of circa 20,000, including facilities of the Scottish Exhibition Centre, dominating the Scottish market.

If the new large arena investments take place, the level of competition will increase significantly to the benefit of the industry and consumers. Currently ASM Global dominates the UK markets with 6 arenas under their control.

The large arena market will see an increase in venues, capacity and quality over the next 5 to 7 years as major new investment introduce purpose built state-of-the-art venues. As with previous investments, this is likely to lead to a further step up in audiences.

| UK Large Arena and Operators 2025 |                      |                            |                                                   |
|-----------------------------------|----------------------|----------------------------|---------------------------------------------------|
| City                              | Name                 | Operator                   |                                                   |
| London Market                     |                      |                            |                                                   |
| London                            | O <sup>2</sup> Arena | ASM Global                 | Multi arena Operator                              |
| London                            | SSE Arena Wembley    | ASM Global                 |                                                   |
| London                            | Sphere               | MSG                        | New market entrant                                |
| Midland Markets                   |                      |                            |                                                   |
| Birmingham                        | Arena Birmingham     | NEC Group                  | Also operates the National Exhibition Centre      |
| Birmingham                        | Genting Arena        | NEC Group                  |                                                   |
| Nottingham                        | Motorpoint Arena     | Nottingham Ice Centre      | Local operator                                    |
| Northern Markets                  |                      |                            |                                                   |
| Liverpool                         | Echo Arena Liverpool | ACC Liverpool Group        | Local operator                                    |
| Manchester                        |                      | OVG                        | New market entrant                                |
| Manchester                        | Manchester Arena     | ASM Global                 | Multi arena operator                              |
| Leeds                             | First Direct Arena   | ASM Global                 |                                                   |
| Sheffield                         | FlyDSA Arena         | Live Nation UK             | Also operates Cardiff Arena and O2 Academy venues |
| Gateshead <sup>1</sup>            | TBA                  | ASM Global                 | Multi arena operator                              |
| Devolved Nation Markets           |                      |                            |                                                   |
| Belfast                           | SSE Arena Belfast    | ASM Global                 | Multi arena operator                              |
| Glasgow                           | SSE Hydro            | SEC                        | Operates the Scottish Events Campus               |
| Cardiff1                          | Cardiff Bay          | Out to tender <sup>1</sup> |                                                   |

<sup>1</sup> Likely to be a replacement, purpose built arena for existing multi use limited seating capacity Motorpoint Arena

<sup>2</sup> Current Motorpoint Arena operated by Live Nation UK

The new venues will also increase the competition in the supply side, including two new major companies into the UK market – the Madison Square Garden Company in London and OVG in the north of England.

## Distribution: Scenario 1 Trend and Market Intelligence Based

The estimate based on Trends and Market Intelligence sets out UK growth in large arena ticket sales increasing to 15.9m by 2030, and subsequently 19m by 2040. The 2018-2030 uplift would be 3.22m ticket sales, and further uplift of 1.45m by 2035 and 1.66m by 2040.

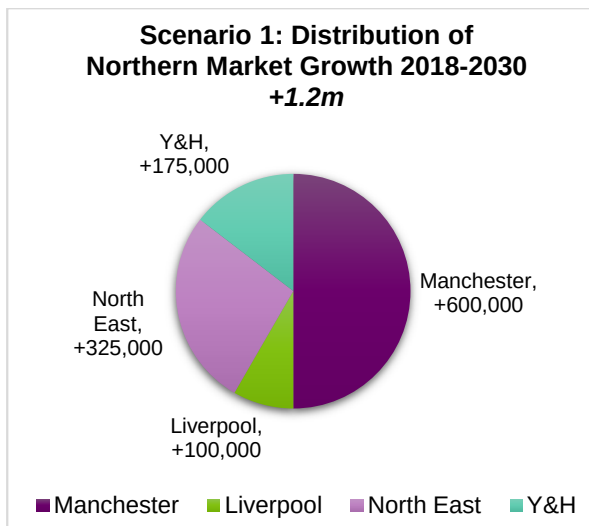
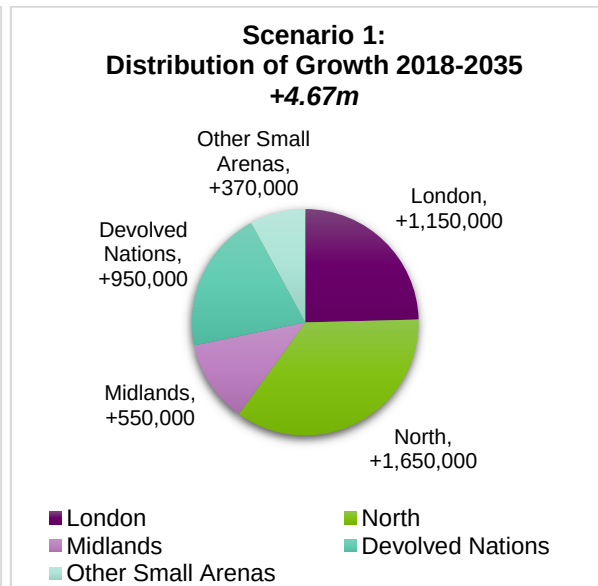
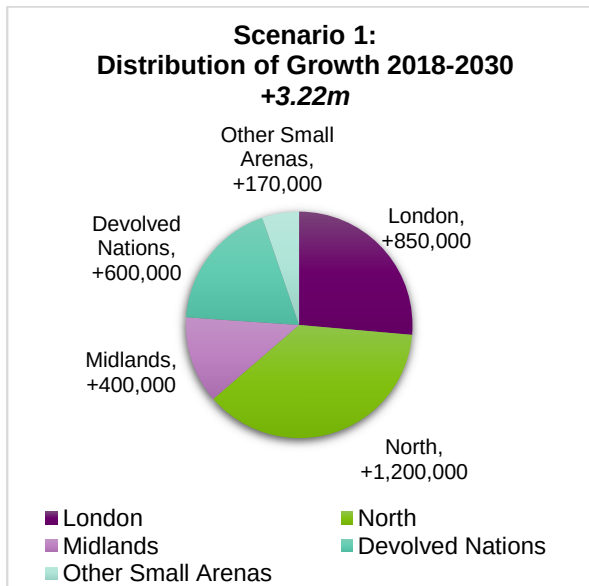
| Scenario 1: Trend/Market Intelligence Based |             |             |               |               |               |               |
|---------------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
|                                             | CAGR        |             | 2018          | 2030          | 2035          | 2040          |
|                                             | 2018-2030   | 2031-2040*  |               |               |               |               |
| <b>Music</b>                                | 1.3%        | 1.2%        | 7,342         | 8,573         | 9,086         | 9,630         |
| <b>Family</b>                               | 1.7%        | 1.5%        | 2,177         | 2,665         | 2,875         | 3,102         |
| <b>Sport</b>                                | 6.0%        | 4.5%        | 1,372         | 2,761         | 3,440         | 4,287         |
| <b>Other</b>                                | 0.5%        | 0.5%        | 1,793         | 1,904         | 1,952         | 2,001         |
| <b>Total</b>                                | <b>1.9%</b> | <b>1.8%</b> | <b>12,684</b> | <b>15,902</b> | <b>17,354</b> | <b>19,021</b> |

\* Assuming no additional arenas built between 2031-2040

London will account for 26% of the additional uplift of 3.22m by 2030, with the largest share, 37% taken by the six northern arenas of which two will be new arenas. Manchester is likely to account for circa 50% of the uplift in the Northern market, and Gateshead will see an increase from the quality of its new arena, which is also likely to absorb much of the current Motorpoint Arena ticket sales.

| UK Arenas                |                       |                                                                                                                          |         |                                                                                                     |         |
|--------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------------------------------------|---------|
| City                     | Name                  | 2030                                                                                                                     | + 3.22m | 2035                                                                                                | + 1.45m |
| London Market            |                       |                                                                                                                          |         |                                                                                                     |         |
| London                   | O <sup>2</sup> Arena  | Adds circa 850,000, with world class new music Arena                                                                     |         | Adds a further circa 300,000, with world class new arena                                            |         |
| London                   | SSE Arena Wembley     |                                                                                                                          |         |                                                                                                     |         |
| London                   | Sphere                |                                                                                                                          |         |                                                                                                     |         |
| Midlands Markets         |                       |                                                                                                                          |         |                                                                                                     |         |
| Birmingham               | Arena Birmingham      | Adds 400,000, with over 75% in Birmingham                                                                                |         | Adds 150,000, with two thirds in Birmingham                                                         |         |
| Birmingham               | Genting Arena         |                                                                                                                          |         |                                                                                                     |         |
| Nottingham               | Motorpoint Arena      |                                                                                                                          |         |                                                                                                     |         |
| Northern Markets         |                       |                                                                                                                          |         |                                                                                                     |         |
| Liverpool                | Echo Arena Liverpool  | Adds 1,200,000, with growth likely in all arenas. Circa 50% of growth in Manchester and significant uplift in Gateshead. |         | Adds 450,000, with growth in all arenas and Yorkshire to regularly reach 1m ticket sales per annum. |         |
| Manchester               | New Arena             |                                                                                                                          |         |                                                                                                     |         |
| Manchester               | Manchester Arena      |                                                                                                                          |         |                                                                                                     |         |
| Leeds                    | First Direct Arena    |                                                                                                                          |         |                                                                                                     |         |
| Sheffield                | FlyDSA Arena          |                                                                                                                          |         |                                                                                                     |         |
| Gateshead <sup>1</sup>   | TBA                   |                                                                                                                          |         |                                                                                                     |         |
| Devolved Nation Markets  |                       |                                                                                                                          |         |                                                                                                     |         |
| Northern Ireland         | SSE Arena Belfast     | Adds 100,000                                                                                                             |         | Adds 100,000                                                                                        |         |
| Scotland                 | SSE Hydro             | Adds 150,000                                                                                                             |         | Adds 100,000                                                                                        |         |
| Wales                    | Cardiff Bay New Arena | Adds 350,000                                                                                                             |         | Adds 150,000                                                                                        |         |
| Other NAA Smaller Arenas |                       |                                                                                                                          |         |                                                                                                     |         |
| Various                  | Various               | 170,000                                                                                                                  |         | 200,000                                                                                             |         |

While new arenas will benefit from an uplift in their respective markets, the overall growth is below the full new arena effect described earlier in the report.



### Trend and Market intelligence Ticket Sales: Distribution of Growth

The scenario based on Trends and Market Intelligence sets out UK growth in large arena ticket sales of 15.9m by 2030, increasing to 19.0m by 2040. The 2018-2030 uplift would be 3.22m ticket sales, and further uplift of 1.45m by 2035 and finally 1.66m by 2040.

In this scenario sport makes an increased contribution to the market, from 11% in 2018 to 17% by 2030, going up to 22% by 2040. By 2030 sport will have overtaken the family category in terms of tickets sales at large arenas in the UK.

The scenario increase in ticket sales is relatively conservative, given the increase in the population over the next twenty years, increasing leisure expenditure, and the potential in each of the four sub sectors set out in earlier chapters of this report.

London will account for 26% of the additional uplift of 3.22m by 2030, with the largest share, 37% taken by the six northern arenas of which two will be new arenas. Manchester is likely to account for circa 50% of the uplift in the northern market, and Gateshead will see an increase from the quality of its new arena, which is also likely to absorb much of the current Motorpoint Arena ticket sales.

|                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| London<br>+850,000 by 2030<br>+1,150,000 by 2035                                                                                       | With the success of The O2 Arena and the new Sphere opening in 2023/24, with a 20,000 capacity in the most advanced, sophisticated arena in Europe, ticket sales in London will increase.<br>This relatively low growth rate, is sufficient to support a new arena in London, particularly if the 2035 figure is applied                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Midlands<br>+400,000 by 2030<br>+550,000 by 2035                                                                                       | Birmingham: With two long established arenas, both operating at circa 50%-60% of the Manchester and Glasgow arenas, Birmingham has the capacity to accommodate 75%-80% of growth in the wider Midlands market, which will take the city consistently over the 1m tickets sales per annum by 2030.<br>The smaller arena at Nottingham will also record some growth                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Northern Markets<br>+1,200,000 by 2030<br>+1,650,000 by 2035<br><br>Merseyside<br>Manchester and Lancashire<br>Yorkshire<br>North East | With six arenas, including two new arenas, the northern geography includes three regions and there is a degree of separation in the regional markets, with Newcastle/Gateshead serving the North East, and Leeds and Sheffield serving Yorkshire. While there is a degree of overlap between Greater Manchester and Yorkshire, the Pennines is a major barrier.<br>There is scope for competition between Manchester and Liverpool, and Manchester and Leeds, although Manchester Arena considerably outperforms the other arenas.<br>Manchester and Lancashire, the strongest market outside of London, move to two arenas will see an increase of 600,000 additional ticket sales by 2030 and 850,000 by 2035.<br>Merseyside, through the M&S Bank Arena Liverpool will see an increase of 100,000 additional ticket sales by 2030 and 150,000 by 2035.<br>Yorkshire with two arenas, including the more modern purpose built Leeds Arena, will benefit from circa 175,000 ticket sales by 2030 and 250,000 by 2040, taking Yorkshire consistently over the 1m ticket sales figure, with the majority of the uplift likely to be in Leeds, a larger population centre with a better arena.<br>The new arena in the North East will see an increase of 325,000 ticket sales by 2030, increasing to 400,000 by 2035. It is likely to inherit some/all of the events at the existing multi-purpose arena (although these numbers are quite low). |
| Northern Ireland<br>+100,000 by 2030<br>+200,000 by 2035                                                                               | A very specific market, with a successful venue – SSE Arena Belfast (at the smaller end of the large arena market, in terms of ticket sales).<br>An additional 200,000 ticket sales by 2035 would increase the sustainability of the arena.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Scotland<br>+150,000 by 2030<br>+250,000 by 2035                                                                                       | The success of the SSE Hydro continues, although at 1.1m tickets sales already, the ability to accommodate significant events and ticket growth is likely to involve other facilities at the Scottish Event campus. A new arena in Aberdeen will capture some of the growth set out in the other category, as well as possibly capturing some market share from the Hydro.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Wales<br>+350,000 by 2030<br>+500,000 by 2035                                                                                          | The new Cardiff Bay Arena will capture an uplift in ticket sales of 350,000 supporting an uplift in Wales, also reaching parts of south west England and West Midlands. It is likely to inherit some/all of the events at the existing multi-purpose Motorpoint Arena Cardiff (although these numbers are quite low).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Other<br>+170,000 by 2030<br>+370,000 by 2035                                                                                          | The nine other arenas most of which have smaller annual ticket sales, will record uplift on current performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

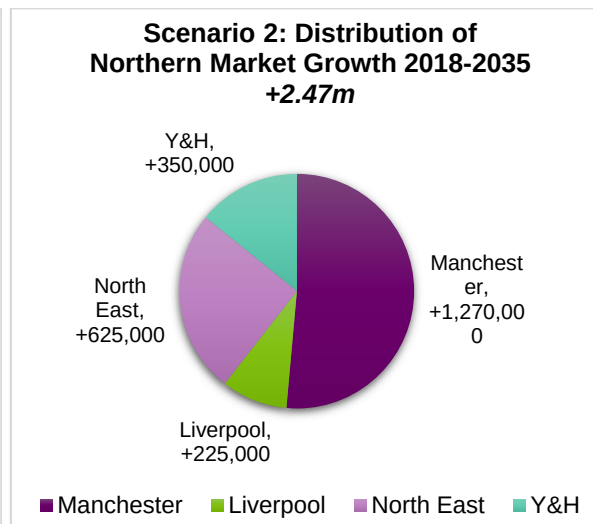
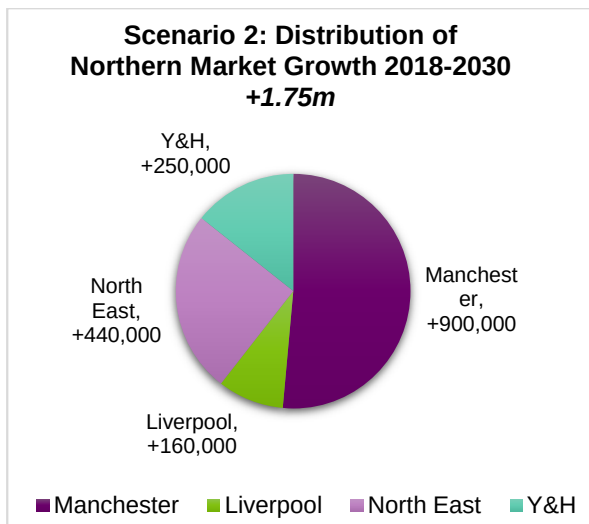
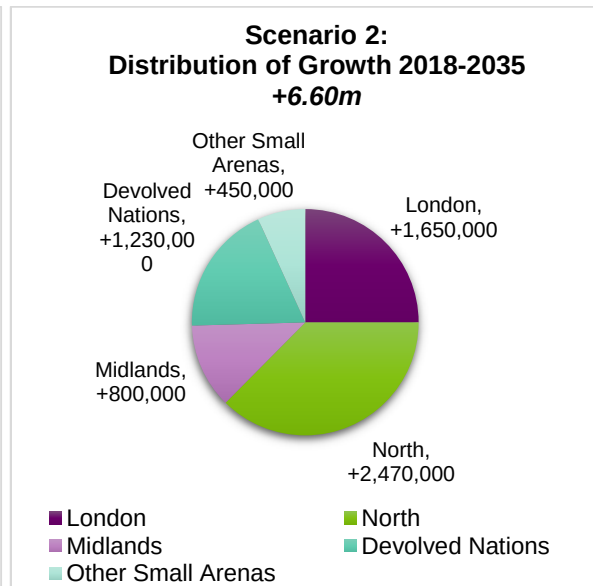
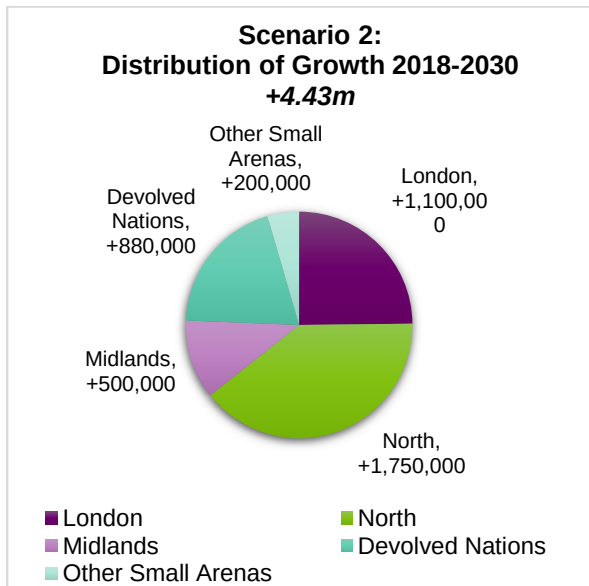
## Distribution: Scenario 2: Trend Based and New Arena Boost

The scenario based on Trends and New Arena Boost sets out UK growth in large arena ticket sales of 17.1m by 2030, increasing to 21.9m by 2040. The 2018-2030 uplift would be 4.43m ticket sales, and further uplift of 2.16m by 2035 and a further 2.644m by 2040.

| Scenario 2: Trend Based and New Arena Boost |             |             |               |               |               |               |
|---------------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
|                                             | CAGR        |             | 2018          | 2030          | 2035          | 2040          |
|                                             | 2018-2030   | 2031-2040   |               |               |               |               |
| <b>Music</b>                                | 1.5%        | 1.4%        | 7,342         | 8,778         | 9,387         | 10,038        |
| <b>Family</b>                               | 2.3%        | 2.1%        | 2,177         | 2,860         | 3,169         | 3,510         |
| <b>Sport/Esport</b>                         | 8.0%        | 6.0%        | 1,372         | 3,455         | 4,623         | 6,187         |
| <b>Other</b>                                | 1.0%        | 0.8%        | 1,793         | 2,020         | 2,103         | 2,188         |
| <b>Total</b>                                | <b>2.5%</b> | <b>2.5%</b> | <b>12,684</b> | <b>17,114</b> | <b>19,281</b> | <b>21,923</b> |

London will account for 25% of the additional uplift of 3.22m by 2030, with the largest share, 40% taken by the six northern arenas, of which two will be new arenas. Manchester is likely to account for circa 50% of the uplift in the northern market, and Gateshead will see an increase from the quality of its new arena, which is also likely to absorb much of the current Motorpoint Arena ticket sales.

| UK Arenas: Scenario 2: Trends and New Arena Boost |                          |                                                                                                                                                                            |         |                                                                                                     |         |
|---------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------------------------------------|---------|
| City                                              | Name                     | 2030                                                                                                                                                                       | + 4.43m | 2035                                                                                                | + 2.17m |
| London Market                                     |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| London                                            | O <sup>2</sup> Arena     | Adds circa 1,100,000, with world class new music arena                                                                                                                     |         | Adds a further circa 550,000, with world class new arena                                            |         |
| London                                            | SSE Arena Wembley        |                                                                                                                                                                            |         |                                                                                                     |         |
| London                                            | Sphere                   |                                                                                                                                                                            |         |                                                                                                     |         |
| Midlands Markets                                  |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Birmingham                                        | Arena Birmingham         | Adds 500,000, with over 75% in Birmingham                                                                                                                                  |         | Adds 300,000, with two thirds in Birmingham                                                         |         |
| Birmingham                                        | Genting Arena            |                                                                                                                                                                            |         |                                                                                                     |         |
| Nottingham                                        | Motorpoint Arena         |                                                                                                                                                                            |         |                                                                                                     |         |
| Northern Markets                                  |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Liverpool                                         | Echo Arena Liverpool     | Adds 1,750,000, with growth likely in all arenas. Circa 50% of growth in Manchester, significant uplift in Gateshead, Yorkshire regularly reach 1m ticket sales per annum. |         | Adds 720,000, with growth in all arenas and Yorkshire to regularly reach 1m ticket sales per annum. |         |
| Manchester                                        | New Arena                |                                                                                                                                                                            |         |                                                                                                     |         |
| Manchester                                        | Manchester Arena         |                                                                                                                                                                            |         |                                                                                                     |         |
| Leeds                                             | First Direct Arena       |                                                                                                                                                                            |         |                                                                                                     |         |
| Sheffield                                         | FlyDSA Arena             |                                                                                                                                                                            |         |                                                                                                     |         |
| Gateshead <sup>1</sup>                            | Replacement Arena        |                                                                                                                                                                            |         |                                                                                                     |         |
| Devolved Nation Markets                           |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Belfast                                           | SSE Arena Belfast        | Adds 150,000                                                                                                                                                               |         | Adds 100,000                                                                                        |         |
| Glasgow                                           | SSE Hydro                | Adds 230,000                                                                                                                                                               |         | Adds 100,000                                                                                        |         |
| Cardiff                                           | Likely replacement Arena | Adds 500,000                                                                                                                                                               |         | Adds 150,000                                                                                        |         |
| Other NAA Smaller Arenas                          |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Various                                           | Various                  | 200,000                                                                                                                                                                    |         | 250,000                                                                                             |         |



## Scenario 2: Trend Based and New Arena Boost Ticket Sales: Distribution of Growth

The scenario based on trends and the New Arena Boost sets out UK growth in large arena ticket sales of 17.1m by 2030, increasing to 21.9m by 2040. The 2018-2030 uplift would be 4.43m ticket sales, and further uplift of 2.17m by 2035 and finally 2.64m by 2040.

In this scenario sport makes an even larger contribution to the market, from 11% in 2018 to 20% by 2030, going up to 28% by 2040. By 2027 sport will have overtaken the family category in terms of tickets sales at large arenas in the UK.

The scenario increase in ticket sales is relatively conservative, given the increase in the population over the next twenty years, increase leisure expenditure, and the potential in each of the four sub sectors set out in earlier chapters of this report.

London will account for 25% of the additional uplift of 4.43m by 2030, with the largest share, 40% taken by the six northern arenas of which two will be new arenas. Manchester is likely to account for circa 50% of the uplift in the North, and Gateshead will see an increase from the quality of its new arena, which is also likely to absorb much of the current Motorpoint Arena ticket sales.

|                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| London<br>+1,100,000 by 2030<br>+1,650,000 by 2035                                                                                     | With the success of The O2 Arena and the new Sphere opening in 2023/24, with a 20,000 capacity in the most advanced, sophisticated arena in Europe, ticket sales in London will increase significantly.<br>This growth rate, is sufficient to support a new arena in London, with some growth in the existing arenas.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Midlands<br>+500,000 by 2030<br>+800,000 by 2035                                                                                       | Birmingham: With two long established arenas, both operating at circa 50%-60% of the Manchester and Glasgow arenas, Birmingham has the capacity to accommodate 75%-80% of growth in the wider Midlands market, which will take the city consistently over the 1m tickets sales per annum by 2030.<br>The smaller arena at Nottingham will also record growth.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Northern Markets<br>+1,750,000 by 2030<br>+2,470,000 by 2035<br><br>Merseyside<br>Manchester and Lancashire<br>Yorkshire<br>North East | With six arenas, including two new arenas, the northern geography includes three regions and there is a degree of separation in the regional markets, with Newcastle/Gateshead serving the North East, and Leeds and Sheffield serving Yorkshire and the Humber. While there is a degree of overlap between Greater Manchester and Yorkshire, the Pennines is a major barrier.<br>There is scope for some competition between Manchester and Liverpool, and Manchester and Yorkshire Leeds, although Manchester Arena considerably outperforms the other arenas.<br>Manchester and Lancashire, the strongest market outside of London, and moving to two arenas will see an increase of 900,000 additional ticket sales by 2030 and 1,270,000 by 2035.<br>Merseyside, through the M&S Bank Arena Liverpool will see an increase of 160,000 additional ticket sales by 2030 and 225,000 by 2035.<br>Yorkshire with two arenas, including the more modern purpose built Leeds Arena, will benefit from circa 250,000 ticket sales by 2030 and 350,000 by 2035, taking Yorkshire and the Humber consistently over the 1m ticket sales figure, with the majority of the uplift likely to be in Leeds, a larger population centre with a better arena.<br>The new arena in the North East, could see an increase of 440,000 ticket sales by 2030, increasing to 625,000 by 2035. It is likely to inherit some/all of the events at the existing multi-purpose arena (although these numbers are quite low). |
| Northern Ireland<br>+150,000 by 2030<br>+250,000 by 2035                                                                               | A very specific market, with a successful venue – SSE Arena Belfast (at the smaller end of the large arena market), in terms of ticket sales.<br>An additional 250,000 ticket sales by 2035 would increase the sustainability of the Arena.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Scotland<br>+230,000 by 2030<br>+330,000 by 2035                                                                                       | The success of the SSE Hydro continues, although at 1.1m tickets sales already, the ability to accommodate significant events and ticket growth is likely to involve other facilities at the Scottish Event campus. A new arena in Aberdeen will capture some of the growth set out in the other category, as well as possibly capturing some market share from the Hydro.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Wales<br>+500,000 by 2030<br>+650,000 by 2035                                                                                          | The new Cardiff Bay Arena could capture 500,000 ticket sales by 2030 delivering a step change in Wales, also reaching parts of south west England and West Midlands. It is likely to inherit some/all of the events at the existing multi-purpose Motorpoint Arena Cardiff (although these numbers are quite low).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Other<br>+200,000 by 2030<br>+450,000 by 2035                                                                                          | The nine other arenas most of which have smaller annual ticket sales, will record a notable uplift on current performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

This scenario takes account of Eastlands location of a second arena allows Manchester to offer training, warm up/warm down and space for athlete welfare (such as physiotherapy) to support major athletics, tennis international multi sports and multi team events.

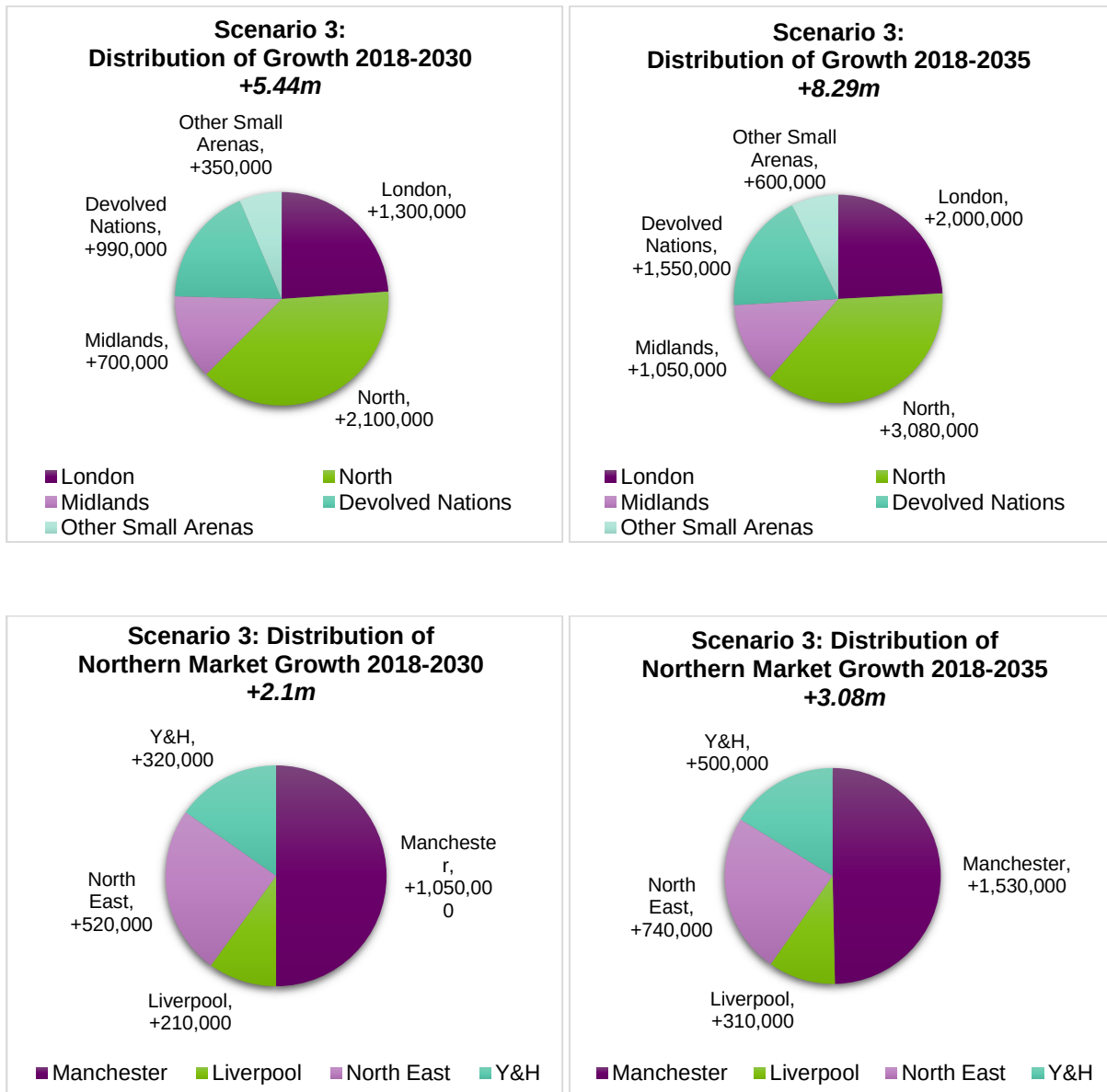
## Distribution: Scenario 3: New Arena and New Markets

The scenario based on New Arenas and New Markets sets out UK growth in large arena ticket sales of 18.1m by 2030, increasing to 24.6m by 2040. The 2018-2030 uplift would be 5.44m ticket sales, and further uplift of 2.85m by 2035 and 3.62m by 2040.

| Scenario 3: New Arena and New Markets |             |             |               |               |               |               |
|---------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
|                                       | CAGR        |             | 2018          | 2030          | 2035          | 2040          |
|                                       | 2018-2030   | 2031-2040   |               |               |               |               |
| <b>Music</b>                          | 1.8%        | 1.5%        | 7,342         | 9,095         | 9,812         | 10,568        |
| <b>Family</b>                         | 2.4%        | 2.2%        | 2,177         | 2,894         | 3,220         | 3,583         |
| <b>Sport/Esport</b>                   | 9.0%        | 7.2%        | 1,372         | 3,859         | 5,463         | 7,734         |
| <b>Other</b>                          | 2.0%        | 1.7%        | 1,793         | 2,274         | 2,474         | 2,619         |
| <b>Total</b>                          | <b>3.0%</b> | <b>3.1%</b> | <b>12,684</b> | <b>18,121</b> | <b>20,969</b> | <b>24,595</b> |

London will account for 24% of the additional uplift of 5.4m by 2030, with the largest share, 40% taken by the six northern arenas of which two will be new arenas. Manchester is likely to account for circa 50% of the uplift in the northern market, and Gateshead will see an increase from the quality of its new arena, which is also likely to absorb much of the current Motorpoint Arena ticket sales.

| UK Arenas Scenario 3: New Arenas and New Markets |                          |                                                                                                                                                                            |         |                                                                                                     |         |
|--------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------------------------------------|---------|
| City                                             | Name                     | 2030                                                                                                                                                                       | + 5.44m | 2035                                                                                                | + 2.85m |
| London Market                                    |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| London                                           | O <sup>2</sup> Arena     | Adds circa 1,300,000, with world class new music Arena                                                                                                                     |         | Adds a further circa 700,000, with world class new arena                                            |         |
| London                                           | SSE Arena Wembley        |                                                                                                                                                                            |         |                                                                                                     |         |
| London                                           | Sphere                   |                                                                                                                                                                            |         |                                                                                                     |         |
| Midlands Markets                                 |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Birmingham                                       | Arena Birmingham         | Adds 700,000, with over 75% in Birmingham                                                                                                                                  |         | Adds 350,000, with two thirds in Birmingham                                                         |         |
| Birmingham                                       | Genting Arena            |                                                                                                                                                                            |         |                                                                                                     |         |
| Nottingham                                       | Motorpoint Arena         |                                                                                                                                                                            |         |                                                                                                     |         |
| Northern Markets                                 |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Liverpool                                        | Echo Arena Liverpool     | Adds 2,100,000, with growth likely in all arenas. Circa 50% of growth in Manchester, significant uplift in Gateshead, Yorkshire regularly reach 1m ticket sales per annum. |         | Adds 980,000, with growth in all arenas and Yorkshire to regularly reach 1m ticket sales per annum. |         |
| Manchester                                       | New Arena                |                                                                                                                                                                            |         |                                                                                                     |         |
| Manchester                                       | Manchester Arena         |                                                                                                                                                                            |         |                                                                                                     |         |
| Leeds                                            | First Direct Arena       |                                                                                                                                                                            |         |                                                                                                     |         |
| Sheffield                                        | FlyDSA Arena             |                                                                                                                                                                            |         |                                                                                                     |         |
| Gateshead <sup>1</sup>                           | Replacement Arena        |                                                                                                                                                                            |         |                                                                                                     |         |
| Devolved Nation Markets                          |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Belfast                                          | SSE Arena Belfast        | Adds 215,000                                                                                                                                                               |         | Adds 160,000                                                                                        |         |
| Glasgow                                          | SSE Hydro                | Adds 250,000                                                                                                                                                               |         | Adds 200,000                                                                                        |         |
| Cardiff                                          | Likely replacement Arena | Adds 525,000                                                                                                                                                               |         | Adds 200,000                                                                                        |         |
| Other NAA Smaller Arenas                         |                          |                                                                                                                                                                            |         |                                                                                                     |         |
| Various                                          | Various                  | 350,000                                                                                                                                                                    |         | 250,000                                                                                             |         |



### Scenario 3: New Arena and New Markets Ticket Sales: Distribution of Growth

The scenario based on New Arenas and New Markets sets out UK growth in large arena ticket sales of 18.1m by 2030, increasing to 24.6m by 2040. The 2018-2030 uplift would be 5.44m ticket sales, and further uplift of 2.85m by 2035 and finally 3.62m by 2040.

In this scenario sport makes a significant contribution to the market, from 11% in 2018 to 21% by 2030, going up to 31% by 2040. By as early as 2026 sport will have overtaken the family category in terms of tickets sales at large arenas in the UK.

The scenario increase in ticket sales is relatively ambitious, however the increase in the population over the next twenty years, alongside an acceleration in leisure expenditure, and the potential in each of the four sub sectors set out in earlier chapters of this report, it is not impossible.

London will account for 24% of the additional uplift of 5.44m by 2030, with the largest share, 39% taken by the six northern arenas of which two will be new arenas. Manchester is likely to account for circa 50% of the uplift across the northern market, and Gateshead will see an increase from the quality of its new arena, which is also likely to absorb much of the current Motorpoint Arena ticket sales.

|                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| London<br>+1,300,000 by 2030<br>+2,000,000 by 2035                 | With the success of The O2 Arena and the new Sphere opening in 2023/24, with a 20,000 capacity in the most advanced, sophisticated arena in Europe, ticket sales in London will increase significantly.<br>This high growth rate, is more than sufficient to support the new arena in London and growth in the existing arenas.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Midlands<br>+700,000 by 2030<br>+1,050,000 by 2035                 | Birmingham: With two long established arenas, both operating at circa 50%-60% of the Manchester and Glasgow arenas, Birmingham has the capacity to accommodate 75%-80% of growth in the wider Midlands market, which will take the city well over the 1m tickets sales per annum by 2030.<br>The smaller arena at Nottingham will also record growth.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Northern Markets<br>+2,100,000 by 2030<br>+3,080,000 by 2035       | With six arenas, including two new arenas, the northern geography includes three regions and there is a degree of separation in the regional markets, with Newcastle/Gateshead serving the North East, and Leeds and Sheffield serving Yorkshire. While there is a degree of overlap between Greater Manchester and Yorkshire, the Pennines is a major barrier.<br>There is scope for competition between Manchester and Liverpool, and Manchester and Yorkshire Leeds, although Manchester Arena considerably outperforms the other arenas.                                                                                                                                                                                                                                                                                                            |
| Merseyside<br>Manchester and Lancashire<br>Yorkshire<br>North East | Manchester and Lancashire, the strongest market outside of London, moving to two arenas will see an increase of just over 1m additional ticket sales by 2030 and 1.5m by 2035.<br>Merseyside, through the M&S Bank Arena Liverpool will see an increase of 210,000 additional ticket sales by 2030 and 310,000 by 2035.<br>Yorkshire with two arenas, including the more modern purpose built Leeds Arena, will benefit from circa 320,000 ticket sales by 2030 and 500,000 by 2035, taking Yorkshire well over the 1m ticket sales figure, with the majority of the uplift likely to be in Leeds.<br>The new arena in the North East, will see an increase of 520,000 ticket sales by 2030, increasing to 740,000 by 2035, in addition to capturing some/all of the events at the existing multi-purpose arena (although these numbers are quite low). |
| Northern Ireland<br>+215,000 by 2030<br>+375,000 by 2035           | A very specific market, with a successful venue – SSE Arena Belfast (at the smaller end of the large arena market, in terms of ticket sales).<br>An additional 375,000 ticket sales by 2035 would significantly increase the sustainability of the arena.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Scotland<br>+250,000 by 2030<br>+450,000 by 2035                   | The success of the SSE Hydro continues, although at 1.1m tickets sales already, the ability to accommodate significant events and ticket growth will need to involve other facilities at the Scottish Event campus. A new arena in Aberdeen will capture some of the growth set out in the other category, as well as possibly capturing some market share from the Hydro.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Wales<br>+525,000 by 2030<br>+725,000 by 2035                      | The new Cardiff Bay Arena is likely to capture the 525,000 uplift in ticket sales by 2030, representing a major a step change in Wales, also reaching parts of south west England and West Midlands. The new arena is likely to inherit some/all of the events at the existing multi-purpose Motorpoint Arena Cardiff (although these numbers are quite low).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Other<br>+350,000 by 2030<br>+600,000 by 2035                      | The nine other arenas most of which have smaller annual ticket sales, will record a notable uplift on current performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

This scenario takes account of Eastlands location of a second arena allows Manchester to offer training, warm up/warm down and space for athlete welfare (such as physiotherapy) to support major athletics, tennis international multi sports and multi team events; and the establishment of Manchester as a leading centre for Esport.

## Distribution of Growth

The distribution of growth between the major regional markets is summarised below:

- London, the largest city market in the UK, reflecting its role as a global city. The new arena will allow London to capture between 24%-26% of large arena market growth between 2018 and 2040. This proportion is affected by the introduction of new arenas elsewhere in the country.
- Midlands, covering two regions, with two long standing arenas in Birmingham, and a smaller mixed used arena in Nottingham. Capturing some 12% of large arena market growth between 2018 and 2040 will allow at least one of the Birmingham arenas to reach 1m ticket sales per annum, with all three arenas recording growth.
- The North includes three regions, with a number of submarkets, with the estimates of 37%-40% of the UK's large arena market growth between 2018 and 2040 reflecting a new large state-of-the-art arena in Manchester, the largest northern market, and Gateshead/Newcastle, building on the success of the Leeds, Manchester and Liverpool arenas.
- The Devolved Nations, covering the three devolved administrations, the new arena at Cardiff Bay will provide a new arena effect, supporting the success of the Belfast and Glasgow arenas. With at estimated 20% of UK growth, the new arena helps the three nations to secure a significant proportions of the UK's growth.
- While the other smaller arena growth numbers are estimated at between 3% and 5%, the numbers will be important to some of the smaller arena in various part of the UK.

The distribution of growth between the major regional markets is summarised below:

- Manchester, the largest northern market, with a reputation for music and sports, with two arenas, one of which will be on a par with the largest and most sophisticated arenas in Europe, capturing 20% of national growth, some 50% of growth in the wider northern market, reflecting the large visitor accommodation and its place at the heart of the transport networks.
- Yorkshire with two arenas, including the more modern purpose built Leeds Arena, will account for 15% of growth in the northern market, taking Yorkshire and the Humber consistently over the 1m ticket sales figure, with the majority of the uplift likely to be in Leeds, a larger population centre with a better arena.
- Merseyside will account for some 10% of market growth in the northern market, reflecting its position at the west of the market and close proximity to the Manchester arenas.
- The North East is scenario to account for 25% of growth in the wider northern market, reflecting the lack of nearby competition to the new Gateshead arena and the quality of the new development.

## Overlap in the Northern Markets

PwC in their recent market review found that there was an industry consensus that the target audience for arenas was within one hour peak drive time (with the exception of major artists). This resulted in a Manchester market of 5.8m, and a Leeds market of 6.4m. These numbers are similar to Birmingham, with a 5.6m-6.2m catchment.

Of the 5.8m people in the Manchester catchment, only 25% can reach the Leeds Arena in a one hour drive time, indicating very limited cross over. In contrast the overlap between Leeds and Sheffield arenas is 60%-70% and circa 80% for the Birmingham arenas. In effect, Manchester and Leeds do not combine into a single market, while Leeds and Sheffield combine into a single Yorkshire market.

Only 44% of the Manchester catchment audience can reach the Liverpool arena, while 71% of the Liverpool catchment population can reach the Manchester arena, suggesting that while Manchester Arena reaches a very large part of its neighbour's catchment area, the reverse is not true.

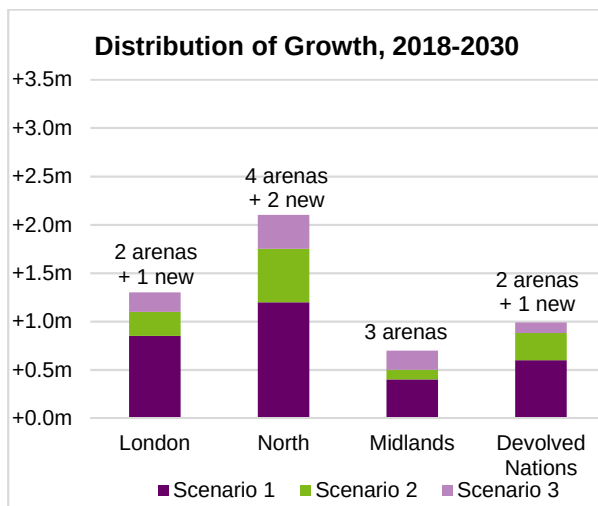
There is however the potential for the Manchester catchment area to expand to 90 or 120 minute drive time, increasing the catchment population by circa 10m. This possibility has been explored earlier in this report, along with changes to penetration rates within catchment areas (see Page 15).

**UK Market Growth 2018-2030**

Market growth is concentrated in London and the northern markets, boosted by two 20,000+ purpose built arenas, with the north further boosted by new arena and events development in the north east.

Scenario 1 produces sufficient market growth to accommodate new arena provision, but at the lower end of investor expectations.

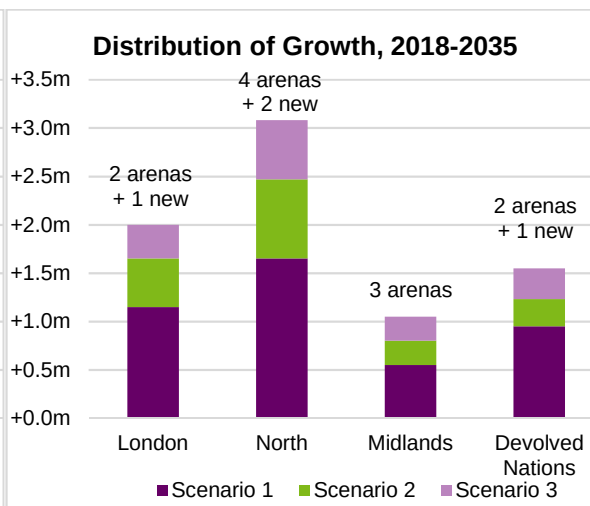
Scenario 2 produces sufficient growth for both new and existing arenas, with sport producing a greater proportion of ticket sales.

**UK Market Growth 2018-2035**

The additional five years of growth allows Scenario 1 to produce additional market growth to accommodate new arena provision.

Scenario 2, with additional growth year, produces sufficient growth for both new and existing arenas, with sport producing a greater proportion of ticket sales.

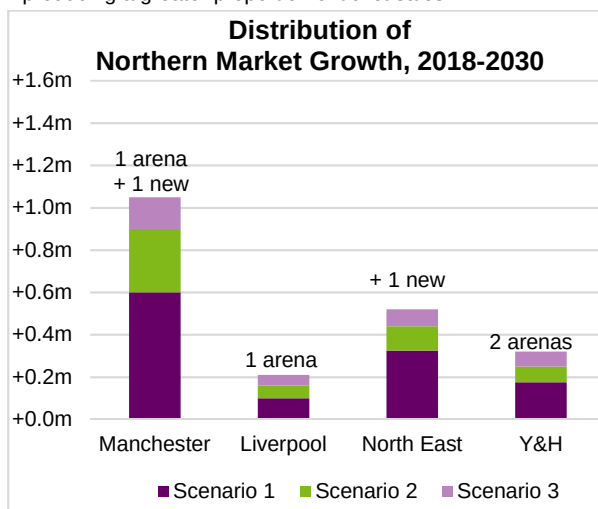
By 2035 Scenario 3 would provide a case for the further upgrading of current, older UK arenas, with the potential for new arenas in some locations.

**UK Market Growth 2018-2030**

Market growth is concentrated in Manchester, boosted by Manchester's 20,000+ purpose built arenas, and the North east with the Newcastle/Gateshead new arena and events development (and benefiting from transferred business).

Scenario 1 produces sufficient market growth to accommodate new arena provision, but at the lower end of investor expectations and some limited growth for other arenas.

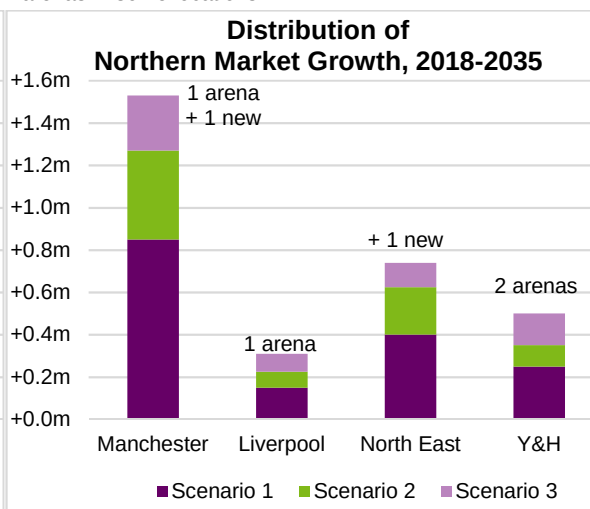
Scenario 2 produces sufficient growth for both new and existing arenas, weighted towards the new arenas, with sport producing a greater proportion of ticket sales.

**UK Market Growth 2018-2035**

The additional five years of growth allows Scenario 1 to produce additional market growth to more fully accommodate new arena provision and growth in other arenas.

Scenario 2, with additional growth years, produces sufficient growth for both new and existing arenas, with sport producing a much greater proportion of ticket sales. Scenario 2 would allow all of the markets to reach record levels of ticket sales by the early 2030s.

By 2035 Scenario 3 would provide a case for the further upgrading of current, older UK arenas, or possibly new arenas in some locations.



## Manchester

### Strategic Context

This section looks at how the Manchester economy has changed over the past twenty years and how these changes will play a part in allowing the visitor and leisure market to accommodate a second large arena in the city.

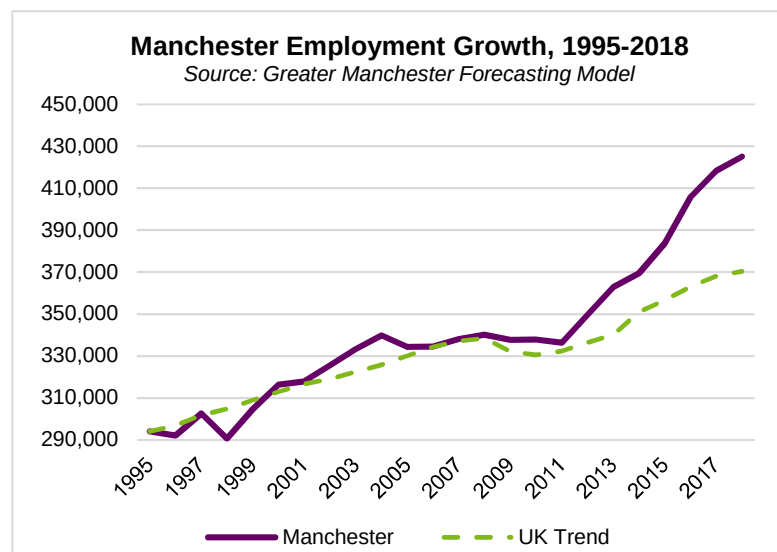
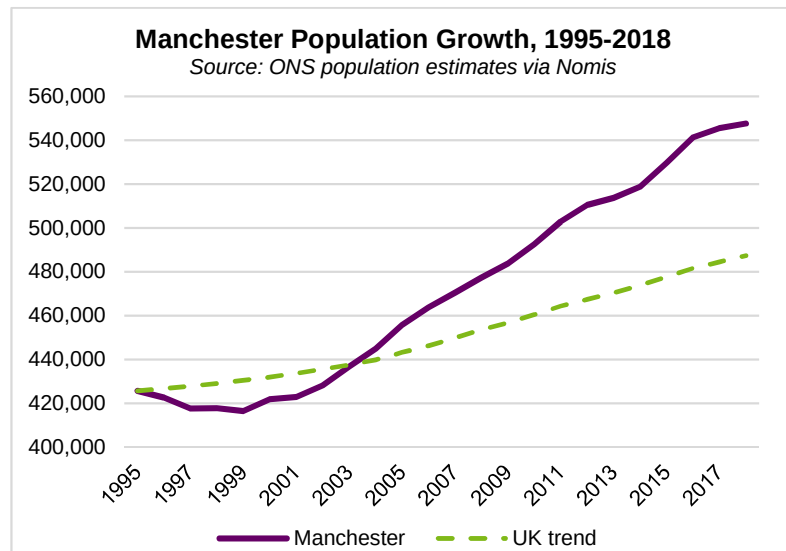
#### Manchester: A Growth City

Manchester Arena opened in 1995, a time when the city was home to 425,000 people and employment stood at 294,000. Over the past two decades, the city has undergone a rapid transformation, becoming one of the most dynamic and fastest growing centres in Europe and England's most important economic centre outside of the capital.

Between 1995 and 2018, Manchester's population has boomed with an additional 122,000 residents in the city – an uplift of 29%.

An increase in the working age population has been the main driver of this growth, with an additional 118,000 residents aged 16-64 – representing an uplift of 44%, compared to just 13% across the UK. Central to this growth has been increasing employment opportunities and growing attractiveness of the city as a place to live and work. This highlights the strength of Manchester in attracting and retaining people of working age to live in the city.

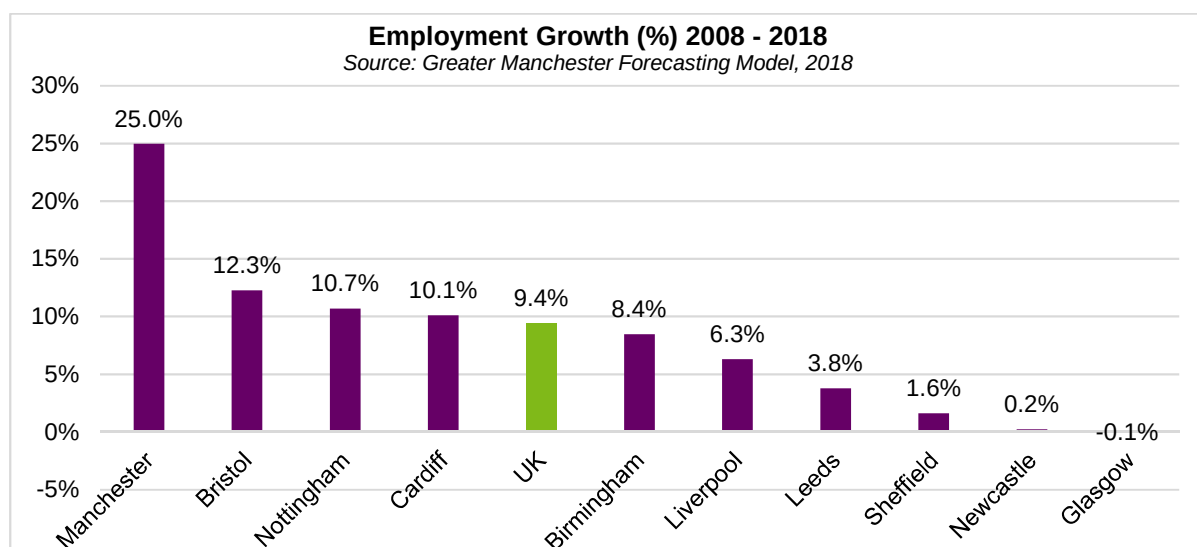
Manchester continues to lead the way in catering for an increasing metropolitan population. Entire new neighbourhoods are in development redefining the parameters of the city centre as it pushes outwards and upwards driving record levels of construction as found in the Deloitte Manchester Crane Survey. The anticipated level of residential delivery over the next 3 years is due to exceed the previous 10 years combined.<sup>10</sup> Over the next 5 years circa 32,000 units are expected to be delivered in the city centre - of which over 50% are currently on-site.



Manchester has experienced a significant uplift in employment since 1995, growing by 44% between 1995 and 2018, with growth far outstripping the UK average (26%).

Looking at the past decade, Manchester has experienced rapid growth in employment, growing by 25% between 2008 and 2018, with growth far exceeding the national average (9.4%) as well as employment growth in all other major cities outside of London.

<sup>10</sup> Deloitte, Manchester Crane Survey 2019



Manchester continues to become increasingly popular due to both the employment and lifestyle offers, with the move to a service based, high growth and highly-connected city influenced by clustering and agglomeration, with a return to urban living, providing a highly skilled younger workforce. The Economist's Global Liveability Index for 2019 ranks Manchester the number one place to live in the UK.

The economic momentum, now well established, has been driven by a diverse and fast growing population and workforce.

Over the next 20 years, population growth in Manchester is expected to continue to outstrip the growth rate of the population nationally, with over 100,000 additional residents expected by 2038. With a population of only 420,000 in 2000, the city's population will be in excess of 650,000 by 2038 as further employment growth attracts highly skilled migrants.

Over this time period growth in Manchester's working age population is expected to be substantial, with an additional 54,200 residents (+13.9%) aged between 16 and 64, while across the UK the working age population is expected to shrink by around 570,000 (-1.4%). This highlights the momentum and strength of Manchester in continuing to attract and retain people of working age to live in the city.

The Greater Manchester Forecasting Model (GMFM) predicts 67,570 additional jobs (+15.9%) will be created over the 20 year period from 2018 to 2038, accounting for 60% of jobs growth in Greater Manchester. Manchester is expected to outperform jobs growth across the UK (6.1%), as well as in comparison to all major cities in the UK outside of London, emphasising its economic importance and the opportunity for new developments and leisure offers to support the city to fulfil its potential.

### **Young, Diverse and Skilled**

Manchester is characterised by a relatively young population with almost 60% of its residents under 35, compared to under 43% of England (minus London's) population in this age group. Over 70% of its population is of working age, compared to 64% in the wider region and 62% nationally. Those aged between 16 and 49 dominate the working age population, accounting for 82% of the working age population compared to 72% in Greater Manchester and 69% across the country.

In addition, Manchester has a **significant student population**, one of the largest concentrations of students in Europe, with over 73,000 students studying across its universities, providing the city with an enormous supply of new graduates each year across a wide range of subjects who can contribute to future economic growth. A high graduate retention rate of around 50%, a rate second only to London, reflects a positive undergraduate experience and the availability of good quality jobs in a wide range of occupations and sectors in the city in addition to the city's cultural and leisure offers.

### ***A Highly Connected City***

Converging on Manchester, the northern cities are linked by a network of 14 key rail corridors. The inter-urban and inter-regional services are supplemented by express services to the north and south of the country, making Manchester one of the most important rail hubs in the country, and also one of the most accessible cities.

Improvements to the conurbations transport network and infrastructure has acted as a catalyst for new development and regeneration.

Manchester Piccadilly received a five-year £100m refurbishment and was extensively modernised between 1998 and 2002. It is now the busiest train station in the North West, with over 27.7 million passengers using the station in 2017/18.<sup>11</sup> While, Manchester Victoria benefited from a significant three-year £48.5m redevelopment under the £1bn Northern Hub project, reopening in October 2015. In 2017, the £85m Ordsall Chord line was completed, linking Manchester's three main stations together, providing direct links from across the North to Manchester Airport.

These significant improvements have led to growth in the capacity of the stations, expanding access to employment opportunities across the region, supporting access to wider and deeper labour markets for businesses. Since 2010, station usage in each of the city centres trains stations – Manchester Piccadilly, Oxford Road, Victoria has increased by around 30%.

Increased services and improved journey times planned for services to Leeds, Sheffield, Liverpool and Preston, will add to the effective reach of the city centre travel to work market. These reflect both Northern Hub and, in the future, HS3 investment, with reduced journey times and increased frequency of services improving the connectivity to Manchester city centre. The improved intercity connections strengthen the business and leisure linkages across the northern economy.

MetroLink has transformed public transport in Manchester and is at the heart of Greater Manchester's passenger infrastructure, allowing some 40 million passenger journeys each year. Major investment over the past 20 years has allowed for a huge expansion of the network. In 1999-2000, £160m was spent to extend the line to Salford Quays and Eccles. Between 2009-2014, the Oldham and Rochdale Line, the East Manchester Line, the South Manchester Line and the Airport Line, as well as a new Media City stop was added to the network. In 2017, the Second City Crossing put a new MetroLink line through the city centre, increasing the capacity and strengthening the resilience of the network, stops at Exchange Square and St Peters Square now allow for those arriving at the refurbished Victoria Station with a fast onward transport link to other parts of the conurbation. The MetroLink now provides more than 60 miles of track, serviced by 120 trams and calling at 93 stops, making it the most extensive urban transport network outside of the capital. A new Trafford Park line is under construction expected to be complete this year, the last of the £2bn MetroLink expansion which has taken place of the last decade.

Investment into the now expansive MetroLink network has supported regeneration of various parts of the city. In Chorlton the MetroLink signalled sales values increases of around 30% in the period since the stop opened in 2011. While in East Manchester, MetroLink has played a central role in creating, establishing and differentiating the Ancoats and New Islington neighbourhoods.

There are a number of plans to continue expand the services, supporting a fast growing population and linking the wider city region. 'Our Network' is the new transport plan for Greater Manchester to create an integrated, modern and accessible public transport system similar to the seamless single system in London, reaching and connecting all of Greater Manchester's Local Authorities. This includes expanding MetroLink, introducing 'tram trains', improvements to the bus network, £160m investment in walking and cycling infrastructure, and Park and Ride improvements. This includes the ambition to extend MetroLink to Stockport. TFGM are developing a business case for extending the Manchester Airport line, using a £2.1m grant from central government.

<sup>11</sup> Office of Rail and Road, 2017/18 estimates of station usage



Fifteen minutes from the city centre by rail and access by tram, Manchester Airport, with 28m passengers per annum, is the UK's third largest airport. The airport has flights to 200 destinations, including Amsterdam, Paris, Frankfurt, New York, Dubai, Singapore and Hong Kong as well as 15 UK cities. The airport, which is agreed to be on the HS2 network, is likely to continue to grow in its size and importance.

#### Airport Terminal Passengers

| Airport                 | Passengers | % share of all airports |      |
|-------------------------|------------|-------------------------|------|
|                         | 2017       | 2012                    | 2017 |
| Manchester              | 27,773,303 | 8.9                     | 9.8  |
| Birmingham              | 12,982,180 | 4.0                     | 4.6  |
| Glasgow                 | 9,894,845  | 3.2                     | 3.5  |
| Bristol                 | 8,233,387  | 2.7                     | 2.9  |
| Liverpool (John Lennon) | 4,896,603  | 2.0                     | 1.7  |
| Leeds Bradford          | 4,074,500  | 1.3                     | 1.4  |
| Cardiff Wales           | 1,464,180  | 0.5                     | 0.5  |

Source: Civil Aviation Authority

Manchester's economy has benefited from new investment at Manchester Airport, now one of the most important employers in the city.

The £1bn Manchester Airport Transformation Programme is currently being delivered which will expand Terminal 2 by 150%, add two new security halls equipped with the latest technology and 3,800 additional car parking spaces.

Airport City is a £1bn development which will be delivered over the next 10-15 years, with offices, advanced manufacturing and logistics facilities with Enterprise Zone status, along with hotels and retail. In total some 5 million square feet of new business space planned, with significant hotel development anticipated to take advantage of Airport location.

## How New Investment has transformed the Leisure Economy

### Visitor Economy

Manchester is the third most visited city in the UK by international visitors, behind London and Edinburgh, and the City has seen a 21% rise in the number of international visits since 2005. In 2018, there were 1.6m international visits to Greater Manchester, the majority of which – 1.4m – took place in Manchester. The Irish Republic, USA, Norway, Germany and China provide a particularly strong volume of holiday and miscellaneous visits, followed by Italy, France, Spain and the Gulf countries.

Manchester's visitor economy is supported by its cultural, sport and entertainment offers. Manchester has one of the largest museum sectors and the highest concentration of producing theatres outside London, and an international reputation for sport and music. The hospitality and tourism sector is boosted by activity within its visitor economy which has grown significantly in recent years, driven by both domestic and overseas markets.

The growth in hotel accommodation and the high occupancy rate reflects Manchester's sport and entertainment offer supporting the city break market with visitors spending two or three days in the city, reinforced by a strong retail, food and beverage and cultural offer.

Culture is key to developing Manchester's international profile, and its overall social and economic offer. As a result, there has been a significant redevelopment of the City's cultural infrastructure in the last 15 years and the growing presence of an effective group of local arts leaders.

Government and Arts Council England support for the development of Factory will build on the work of the Manchester International Festival and help to re-balance cultural investment in the UK.

| Cultural Investment   |                                       |                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Central Library       | 2 million visitors p.a. <sup>12</sup> | <b>£48m</b> refurbishment, reopening in 2014. The library is now one of the most visited libraries in the UK attracting around two million visitors per year. The Library reported there has been 8.3 million visitors, 1.14 million items borrowed, 250,000 people attending special events and activities since its reopening in 2014.                          |
| Whitworth Art Gallery | 321,269 visitors p.a.                 | <b>£15m</b> transformation in 2015, doubling it in size and creating new spaces, has significantly enhanced its role as a cultural visitor destination. The Gallery has an extensive internationally significant collection of works including wallpaper and textiles, a unique collection of Outsider Art and international contemporary works.                  |
| HOME                  | 287,000 visitors p.a.                 | The <b>£25m</b> arts complex, opened in spring 2015, an international centre for contemporary visual art, film and theatre, engagement and creative learning, creative industries and digital innovation. The new purpose built venue at First Street includes two new theatres which are a platform for new, commissioned work and five screens.                 |
| Factory               | 1 million p.a. (estimate)             | A new £100m+ culture venue, supported by Arts Council England providing world class theatre and immersive, warehouse space with the capacity to accommodate audiences of up to 5,000. Building on the success of the Manchester International Festival, Factory will provide a range of events, exhibitions and shows which highlight new events and productions. |

A number of new sports facilities were built for the 2002 Commonwealth Games held in Manchester, as part of the Sportcity development including the City of Manchester Stadium, the National Squash Centre and the Manchester Aquatics Centre, in addition to the Manchester Regional Arena, which has been used for British athletics trials and the annual Paralympic World Cup held in Manchester since 2005.

The significant investment into new facilities and infrastructure for the Commonwealth games, created jobs and supported the regeneration of the East Manchester. The investments helped change the image and perceptions of East Manchester, supporting private investment from large multinationals and housing developers. A 2002 report by Cambridge Policy Consultants, suggested *"the transformational impact of Sportcity, in particular in re-positioning East Manchester as an attractive area to invest, would*

<sup>12</sup> <http://www.manchesterlibrarytrust.org/>

*not have been possible without the Games*". Sportcity now hosts for over 400 events each year and receives over 4,500,000 visits annually.<sup>13</sup>

| Sports Investment                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| City of Manchester Stadium (currently known as the Etihad Stadium) | The stadium was built for the 2002 Commonwealth Games at a cost of <b>£112m</b> . After the Games, around £40m was invested to turn it into a football stadium – now the home of Manchester City FC. In 2014-2015 the stadium's capacity was expanded to over 54,000 seats.                                                                                                                                                                                         |
| National Squash Centre                                             | The <b>£3.5m</b> National Squash Centre constructed for the 2002 Commonwealth Games, is part of the Sportcity complex. The facilities include six courts and one glass-walled show court.                                                                                                                                                                                                                                                                           |
| Manchester Aquatics Centre                                         | <b>£32m</b> Aquatics Centre, built in 2002 for the commonwealth games, now attracts approximately 1.2 million visitors per year. It is the home of the GB water polo team hosting around 15 major events per year. The centre has been host to a number of international swimming events and galas and is the training facility for the British Paralympics Swimming Squad.                                                                                         |
| Manchester Regional Arena                                          | The <b>£3.5m</b> Manchester Regional Arena was originally the warm-up track for the Commonwealth games. The arena is now Manchester's top athletics facility, hosting British athletics trials and the Paralympic World Cup since 2005. The arena is home to various local athletics clubs and the regional HQ for UK and England Athletics. The facilities are used by elite and professional athletes as well as the development of a strong community programme. |
| Old Trafford Stadium                                               | <b>£42m</b> expansion in 2006 added 8,000 seats, taking the total capacity of the stadium to around 76,000, with average attendance of 74,879. Old Trafford Stadium is one of the most visited stadiums in the UK.                                                                                                                                                                                                                                                  |
| National BMX Centre                                                | The <b>£24m</b> centre was built in 2011, building on the success of the velodrome to allow Manchester to cover all of Olympic cycling's indoor events and training requirements.                                                                                                                                                                                                                                                                                   |

Investment in sports stadiums and facilities has boosted the Manchester visitor and leisure economy.

In total, Manchester's facilities provide over 300 sports and entertainment events each year with an estimated audience of 6.3m. A considerable number of spectators at events come from other regions of the UK, and internationally from Europe and the Far East.

Along with the conferences hosted by Manchester Central, these events are responsible for the high occupancy rates in the city centre hotels.

### Summary

The Manchester context, highlights its key role as a major destination outside of the capital, and growth prospects suggest its importance is likely to grow, as it continues to outperform other major cities over the next two decades.

The conurbation has benefited from significant investment in its cultural and sports assets, transport and infrastructure and key districts and neighbourhoods over the past two decades. It is important that this momentum is maintained over the next 20 years to continue to secure new investment and support the rebalancing of the national economy, in the light of increasing competition from other cities, and a tendency for major investment to be focused on London.

<sup>13</sup> <http://sportcity-manchester.com/>

## Conclusions

### In summary:

1. The UK has an important large arena market for live entertainment, with music/concerts, family entertainment and sport driving demand. While other European and US cities have been improving the scale and quality of their arenas, there has been no new arena provision in the UK since 2013 and no significant investment in arena facilities in Manchester for over 20 years.
2. PwC recently prepared a report, commissioned by OVG, looking at UK Arenas and the Manchester market. It drew on the latest available data and intelligence. The report was commissioned in the context of OVG developing an arena in Manchester at the Etihad campus, close to the city centre. The OVG proposition will provide a 20,000 capacity venue, extendable to 23,500 for certain events.
3. PwC identified consistent growth in the UK live entertainment market and recognised the role of new investment in driving growth in the UK large arena market. PwC also identified trends in new markets notably in relation to Sport/Esport
4. Between 2006 and 2018 new arena provision in the UK increased the scale of the new arena ticket market by 45% from 2007 onward and subsequently over 20% from 2013 onwards in two phased as new arena investment boosted the market, supporting jobs and GVA growth across the UK.
5. Manchester was a market leader in the large arena market for many years, although the introduction of the O<sub>2</sub> and the Glasgow and Leeds arena has contributed to Manchester losing market share, in spite of a growing visitor and leisure market and a very successful economy. Manchester's market share has also reduced because of the natural design constraints of the existing arena, including its lack of flexibility to accommodate the changing formats associated with live entertainment, artist preferences, the economics associated with the venue and particularly during crucial periods of the year it can still be difficult to secure optimal dates. Less than 10% of shows at existing arena from 2014 to 2018 achieved greater than 15,000 attendees
6. There is clear evidence of new arenas generating incremental market growth and several examples of two arenas operating on a commercially viable and complementary basis within the same city or within significantly overlapping catchment areas – Leeds and Sheffield; Birmingham; and London. These scenarios also demonstrate situations where arenas have adapted to a complementary offer either through market competition (Leeds / Sheffield) or through a common promoter being in place (Birmingham).
7. There are now four arenas at an advanced stage of development, scheduled to open in 2023/2024. This includes two very large capacity arenas in London and Manchester, providing next generation, state-of-the-art large arena which match the best in Europe and the US. There has been no increase in capacity in Manchester since 1995 and in London since 2006, and the four planned arenas represents an unparalleled level of investment.
8. Three growth scenarios have been developed setting out conservative, realistic and ambitious growth scenarios, including a new arena effect. All of these scenarios produce sufficient growth to support the various new arena developments in the UK, while providing additional growth for existing arenas.
9. All three growth scenarios produce demand figures for Manchester which require a second, high quality arena. The ability of Manchester to sustain two arenas is linked to this demand and the economic success of the last 15 years, with the increased capacity re-establishing the city's role as an internationally recognised centre for music and entertainment.
10. The OVG proposals will provide Manchester and the wider region with an arena which matches the capacity, facilities and success of London's O2 arena in the music, entertainment and sports market, helping to rebalance the UK's leisure and visitor market.

11. A new state-of-the-art venue would increase event numbers and attendances in the city and attract new and more diverse events re-establishing the city's leading role as a destination for arena performances.
12. There are new market opportunities for Manchester to host more major international artists, host franchise teams in UK and European leagues and international tournaments in the leading arena sports as they develop over the next ten years, building on Manchester's global brand in sport and establish Manchester as one of the world leading centres for esports arena events and to provide a venue which provides new facilities for other emerging markets in music and family entertainment, including technically complex productions.
13. Manchester as the second most visited City in England has all the essential characteristics to support a larger visitor economy alongside its continued strength as an economically diverse and successful international city with a global reputation for sport, culture and entertainment.
14. A new best in class Arena will add significantly to the assets of the City and capitalise on the international visitor market supported by the Airport.
15. The growing national market in leisure and entertainment demands that a new large arena is provided unless the economic potential of the City is to be significantly compromised.
16. The analysis in this report shows that not only should OVG's arena proposals be supported as a sustainable proposition in market terms but that it will generate significant benefits for the Manchester economy as a whole with over 85% of net additional benefits captured by the City Centre.
17. Without a second arena Manchester's market share will continue to fall with a result that a growing market will more likely than not have to be accommodated in London with the real prospect of an even greater proliferation of large arena facilities further strengthening an already strong economy.
18. The economic impacts of the OVG proposals are developed further in a separate report which shows the estimated net additional benefits to be captured by Manchester and the City Centre as a result of the implementation of the proposals; and the significant lost opportunities for growth as a result of the present situation when one single arena which effectively operates at near optimal capacity now is allowed to continue without a second arena at the Etihad Campus.
19. The priority to re-balance the national economy demands that a new large arena is delivered in Manchester as soon as possible.