

Global Survey of Attractions and Covid-19: Disconnect between Operators and Landlords

By Oliver Cully, Howard Samuels & Lanne Bennett, 18 May 2020

Recently completed survey conducted between late April and mid-May, finds that Location Based Entertainment (LBE) attractions do not expect to resume normal business until the next 13-24 months. This poses a clear challenge with landlords whose current support measures (if they are offered at all), are limited to 3-6 months of rent reduction or rent deferrals.

Hong Kong based Scallywag Entertainments and USA based Samuels and Company, Inc. conducted an online survey of 37 Location Based Entertainment (LBE) companies operating 570 attractions across more than 30 countries. The purpose of the survey was to assist the LBE sector in understanding current responses to the COVID-19 Pandemic, including potential rent relief from landlords; securing Government assistance; labour issues; and procedural protocols for re-opening. The survey also touches on the short to medium term future anticipated by the LBE community.



Survey Participant: Puttshack has 3 attractions in the UK

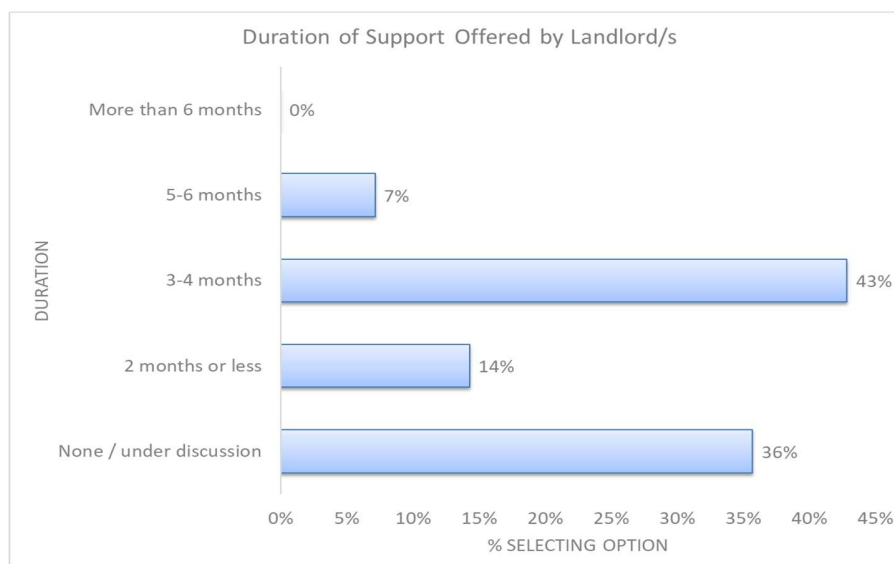
Key findings of the Survey:

- Most landlords are offering delayed rather than reduced rents seeking to ‘kick-the-can down the road’.
- For companies receiving rent reductions, these range from less than 25% up to 100%, with no geographical correlation.
- 64% of those surveyed are benefiting from Government delayed tax payments, but only 36% from actual tax reductions.
- Redundancies have been actioned at 32% of companies, but most opting instead for voluntary and involuntary furloughing for now.
- Temporary pay reductions also prevalent with 58% of companies activating measure
- Most LBE companies plan for staff mandatory temperature checks and masks but policies less consistent for customers.
- 78 new attraction projects on hold globally.

Landlord Support

Regarding real estate rents, the survey asked attraction companies what their landlord / landlords are doing to support their business. Whilst many responses indicate a willingness of landlords to reduce or suspend rents for 3-4 months on average, which underlines the overall positive and increasingly symbiotic relationship between landlords and attractions, a significant minority of landlords are offering nothing at all.

The survey also asked attractions how long before they expect their businesses to return to the new normal and answers reveal that less than 11% of Companies think this will happen within 6 months. The answers most cited were 13-18 months and 19-24 months.



The disconnect suggests that once the current landlord support measures run out by the middle to end of the summer, many attractions may find themselves with rents returning back to normal whilst their businesses are either still closed, or they have reopened but operating at considerably lower visitation that pre-pandemic. This will increase pressure on companies already hemorrhaging money.

Another scenario, highlighted by comments from responders, is that landlords may lean increasingly on the “kick the can down the road” approach by delaying rents rather than cancelling them, with the hope that the consumer market picks up later this year. Whilst greatly preferable for attractions in comparison to continuing to pay full rents now, this will likely delay their ability to return to profitability. And neither landlords, nor LBE companies, seem to have any plans in the event the pandemic continues to expand (which is unique to today’s pandemic crises than the previous seismic events of 9/11 or global financial collapse of 2008-2009). Additionally, consumer behaviour will be dramatically changed given the months long quarantine and greater use of online shopping.

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For the Companies that are receiving rent reductions, the survey reveals that these differ greatly, ranging from less than 25% right up 100% and with little geographical correlation, suggesting that rent reduction deals are being negotiated on a case by case basis with landlords, with little in the way of standardization across markets. Efforts by industry organisations such as IAAPA, TEA and ICSC may help to encourage some best practices across the industry but are unlikely to be widely adopted any time soon.

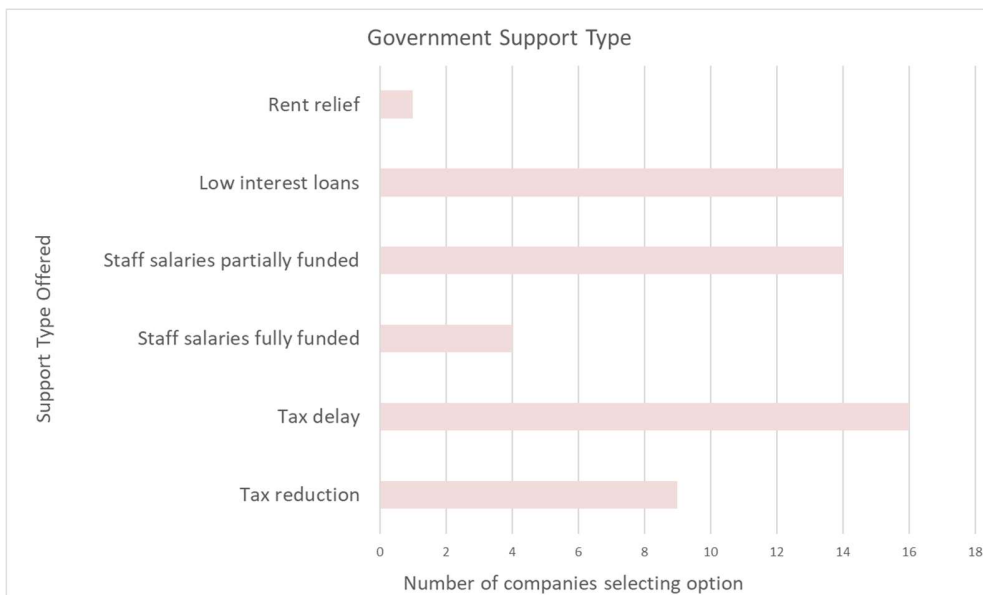


Survey Participant: Monopoly Dreams Hong Kong

Government Support

In addition to the types of assistance being offered by landlords, the Survey explored how Governments are supporting the sector. Broadly speaking, Government support can be placed into three brackets: tax relief, staff salaries part or fully funded, and low interest loans.

With taxes, 64% of attraction companies indicate that they are benefiting from delayed tax payments, whilst considerably less, 36%, from actual reductions in tax. Interestingly, these reductions and delays do not appear to be universally applied even within the same countries. In the United States for example, 8 companies indicated that they are benefiting from these measures whereas 13 do not, suggesting that different States may be applying tax support differently.



For countries with a more uniform tax system though, such as France, the differences are harder to explain. Government policy may differ depending on the attraction type, but since the survey has been completed anonymously this cannot be verified easily. Also, it is feasible that answers may differ based on the involvement and knowledge of the responders or not in their respective tax departments.

“Half of all companies say they are taking advantage of low interest Government or Government backed loans”

After tax support, the most prevalent measure in place is Government support with staff salaries – this appears to apply primarily in the United States, United Kingdom and EU countries. Only in the USA are some operators benefiting from staff salaries being fully funded. Elsewhere in the USA and the UK and EU countries, companies are received partial funding for staff salaries.

Half of all companies say they are taking advantage of low interest Government or Government backed loans.

Overall, many Governments are assisting location-based entertainment companies by offering them support to help ‘carry them over’ until the markets stabilize. Although some companies are not receiving such support either because they are not eligible or because no such schemes exist.

Not surprisingly, further financial support is top of the agenda for attraction companies when they were asked what else Governments can do to support them. Just under half of respondents to the Survey identified this as their priority. There is also a desire from the sector for Governments to take greater leadership in setting guidelines to landlords regarding rent adjustment and there was even the suggestion that Governments should legally enforce rent reductions. How these measures might be applied though, is far from clear.

Other requests include Government guaranteeing working capital, requiring banks to allow delays in loan payments and further tax relief. There was also a call for Governments more generally to plan for the tourism sector.

Impact on LBE Attractions and Customers

As with most businesses that rely on in person visitation from customers, the attractions sector has been hugely affected by current events. Most of the businesses surveyed are closed - at the time of the survey only attractions in Mainland China, South Korea and one in France were open and the Survey companies reported some 78 new attraction projects on hold.

“78 new attraction projects on hold”

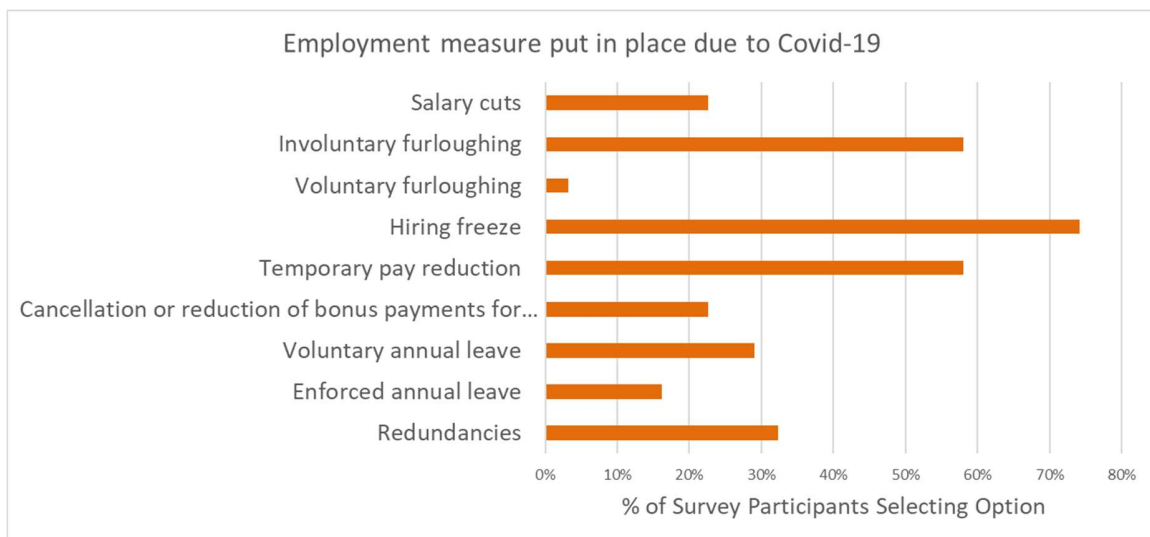
The situation though is evolving quickly and attractions even in the last week have reopened in Hong Kong that are indicated in the survey as closed. Attractions in USA and Europe have started setting plans for reopening in June. It is likely that at the time of publishing of this research, some of the answers relating to the current operating status of attractions may be out of date. However, the overall picture is clear, that globally, nearly all attractions are closed, and if not, they will have only recently reopened.

These closures have obviously had a detrimental impact on the financial situation of attractions with only 10% indicating that they have insurance in place (that they can rely on) fully or partially protecting them against the economic fallout of closures. This means attractions have little or no financial safety net and are having to do everything they can to survive. Employment measures have been the most visible of these.

Labour Impact & Measures

Despite Government support efforts, unemployment rates have been skyrocketing across the board including within the attractions sector. In the US alone, unemployment rates in March of 2020 were 4.4% but just one month later in April 2020, they have been reported at 14.7%* and continue an upward trend.

32% of attraction companies surveyed have reported making redundancies but arguably more surprising is that 68% have not. Three quarters of companies have initiated a hiring freeze whilst many have also opted for involuntary furloughing and temporary pay reductions have been put in place by 58% of companies.



What will be interesting to track is to what extent this will change, and redundancies increase as Western Governments end support for funding of staff salaries whether partial or in full. It is not unreasonable to expect significant further layoffs across the industry based on current sentiment.



Andretti Karting – USA’s Karting attraction company is one of 37 globally to participate in Survey

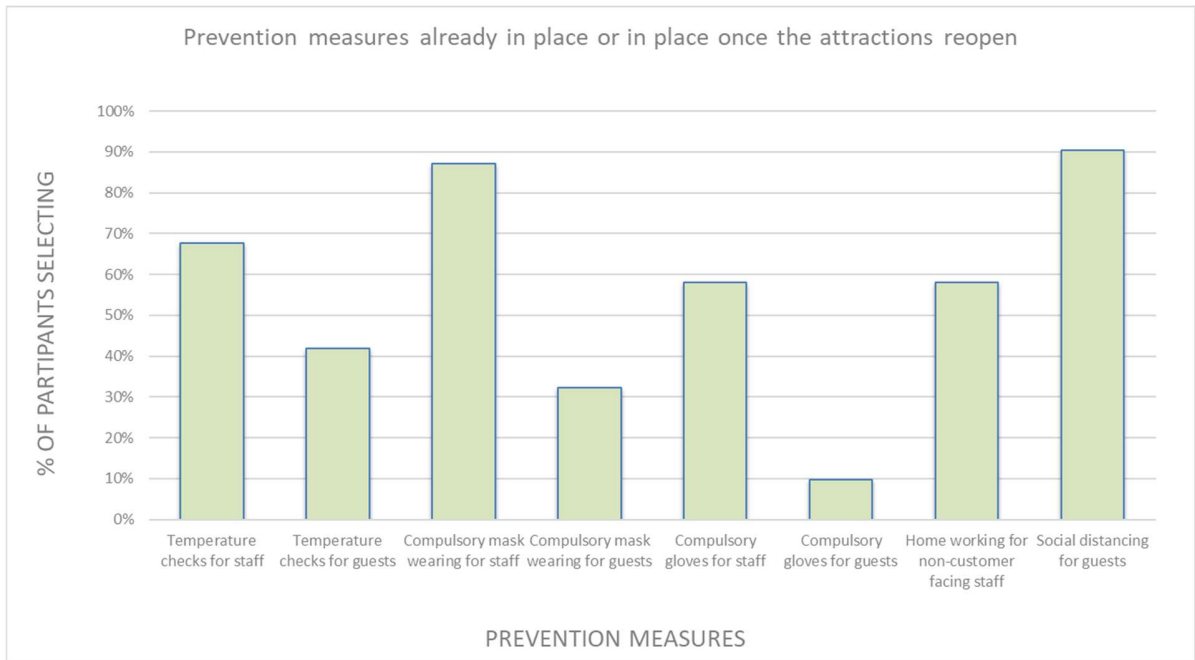
Attraction Protocols and Measures

Attraction companies are working hard to create a welcoming and safe environment for their customers and staff once they reopen. This makes both health-sense and economic-sense too, since logically, attractions that can build a reputation for operating a safe and sanitized environment should benefit from higher and repeat visitation. Despite employment reductions and other staffing cost saving measures, 7 companies have indicated that they have increased cleaning personnel by an average of 14% whilst 20 other companies have opted to utilize existing team members to increase cleaning.

In terms of the policies companies are putting in place across their attractions, whilst masks are currently the subject of some controversy in the United States, especially at family attractions; nearly all attractions outside of the United States are requiring staff to wear masks and are also conducting daily temperature checks of staff. Additionally, nearly 60% require staff to wear gloves. The application of these policies though, decreases significantly when applied to guests, with temperature checks, compulsory mask wearing only intermittently applied and only three companies in the survey indicating they are requiring that guests wear gloves.

“nearly all attractions outside of the United States are requiring staff to wear masks”

The most frequently applied protocol however is social distancing, with nearly all attractions across all geographies having some level of social distancing process in place. To support these efforts, for non-frontline staff, most companies are also still allowing or encouraging their staff to work from home



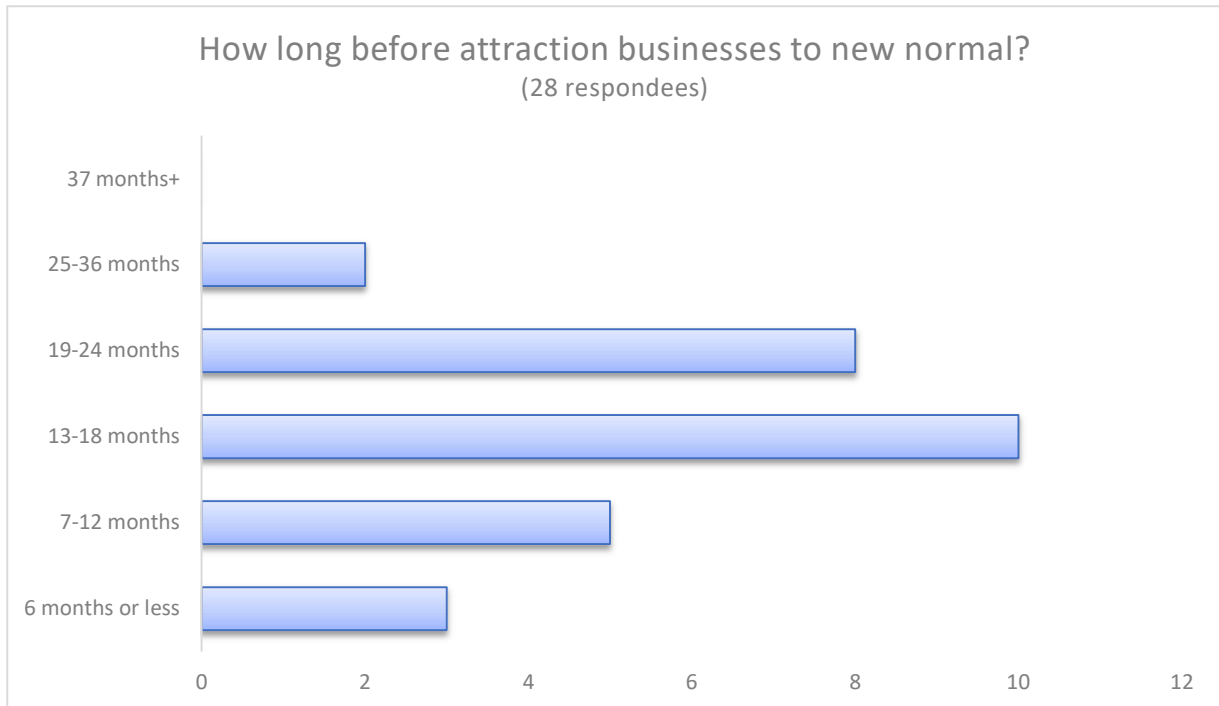
Short to Medium Term Outlook for Global LBE Attractions

With travel restrictions set to remain in place for some time, the international tourism market could be non-existent for months and limited, probably for the remainder of 2020. Across the board, attraction companies agreed that they will need to rely more on residents and national visitors for revenue generation in the short term. The survey asked companies for a breakdown of their visitation pre-Covid-19 between tourists and residents to understand how they might cope with the coming period. Overall, just 29% of those surveyed said their companies' customers were mostly residents. The remainder of companies answered that they rely mostly on tourists (25%), are evenly split between tourists and residents (11%) or have a significant number of tourist visitors coming to their attractions (37%). The results suggest that many companies that have in the past relied heavily on visiting tourists will need to adjust their business models to cater to the needs of residents until international and national travel picks up.



Survey Participant: Shannon Heritage has 8 historic and museum attractions across Ireland

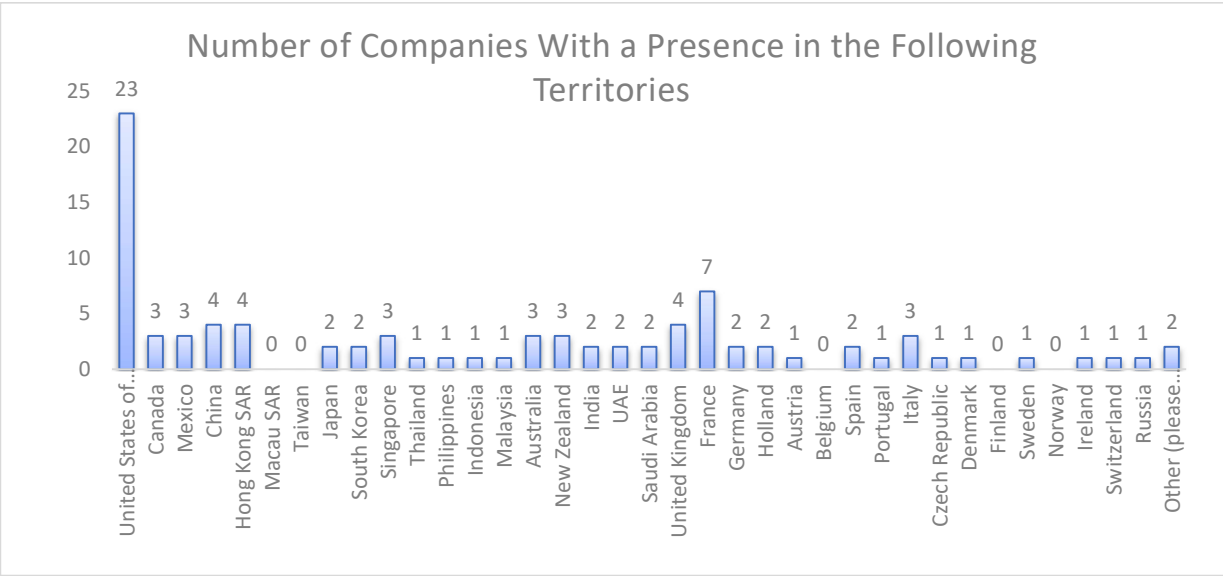
And the million (or multi-billion) dollar question...how long it will be until attractions will arrive at a normal state of business? The Survey asked the question referring to the 'new normal' leaving respondents to decide what this might be. The responses range from less than 6 months up to 25-36 months with the majority settling on 13-24 months.



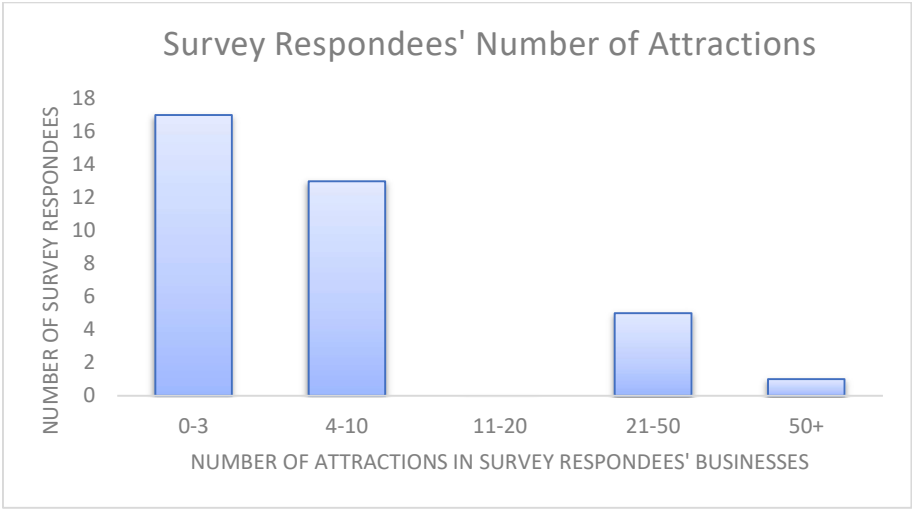
Attraction Companies Surveyed

The businesses surveyed by Scallywag Entertainments and Samuels and Company are positioned across a wide sector of the LBE economy both geographically and by number and size of businesses. Whilst the United States is represented the most by the companies surveyed by a significant margin, when comparing the Americas, EMEA and APAC regions, the split is roughly a third each with 32 companies represented in the Americas, 28 in EMEA and 29 in APAC. The survey was sent primarily to indoor Family Entertainment Centre businesses, but survey responses also indicate Theme Park operators, Water Parks, Aquaria and Museums having taken part.

See chart below for geographies represented in the survey.



The following chart shows that most of those surveyed are operating businesses with 10 or less attractions whilst 5 companies are operating businesses with between 21-50 and one of more than 50. Individuals sent the survey were also asked to respond only for the region in which they personally operate, so it is possible that a small number of the responses may in fact work for the same company in separate regions although close analysis of the answers brings the authors of the survey to conclude that this is the case probably only in one case.



In addition to the number of individual attractions per company, the survey also asked for the number of staff employed by each company. It was found that 32% of the companies surveyed have over 501 staff members, 14% have 301-500 staff members, 16% 151-300 staff, 22% 51-150 staff members and 16% have less than 50. Again, this indicates a broad range of attraction types and business sizes.

A free pdf download of this report may be found at the following websites:

www.scallywagentertainments.com & www.samuelsandcompany.com

About Scallywag Entertainments

SCALLYWAG ENTERTAINMENTS LIMITED is a Hong Kong based, regional consulting company established in early 2019 by commercial real estate exec and former Merlin Entertainments Business Development Director Oliver Cully to support IP owners, attractions, entertainment & leisure businesses set up or expand in the Asia Pacific region. Scallywag Entertainments has representation contracts with LBE companies including Kingswood Camping, BBC Studios and Lappset Creative. www.scallywagentertainments.com

About Samuels & Company

SAMUELS & COMPANY, INC., founded by veteran real estate developer, Howard J. Samuels in 1997. Is a full-service real estate advisory, development and brokerage company based in Los Angeles, California. *Samuels & Company, Inc.* provides services to prominent clients such as Merlin Entertainments Group; Andretti Indoor Karting & Games; McFit Fitness Centers/RLS Group; iFLY-Indoor Skydiving as well as advising select landlords such as NBCUniversal in re-leasing efforts of CityWalk; AEG (Anschutz Entertainment Group) for their *L.A. LIVE project* in downtown Los Angeles. Please see www.SamuelsCompany.com.



*Oliver Cully, CEO
Scallywag Entertainments*



*Howard Samuels, President
Samuels & Company*



*Lanne Bennett, Vice President
Samuels & Company*