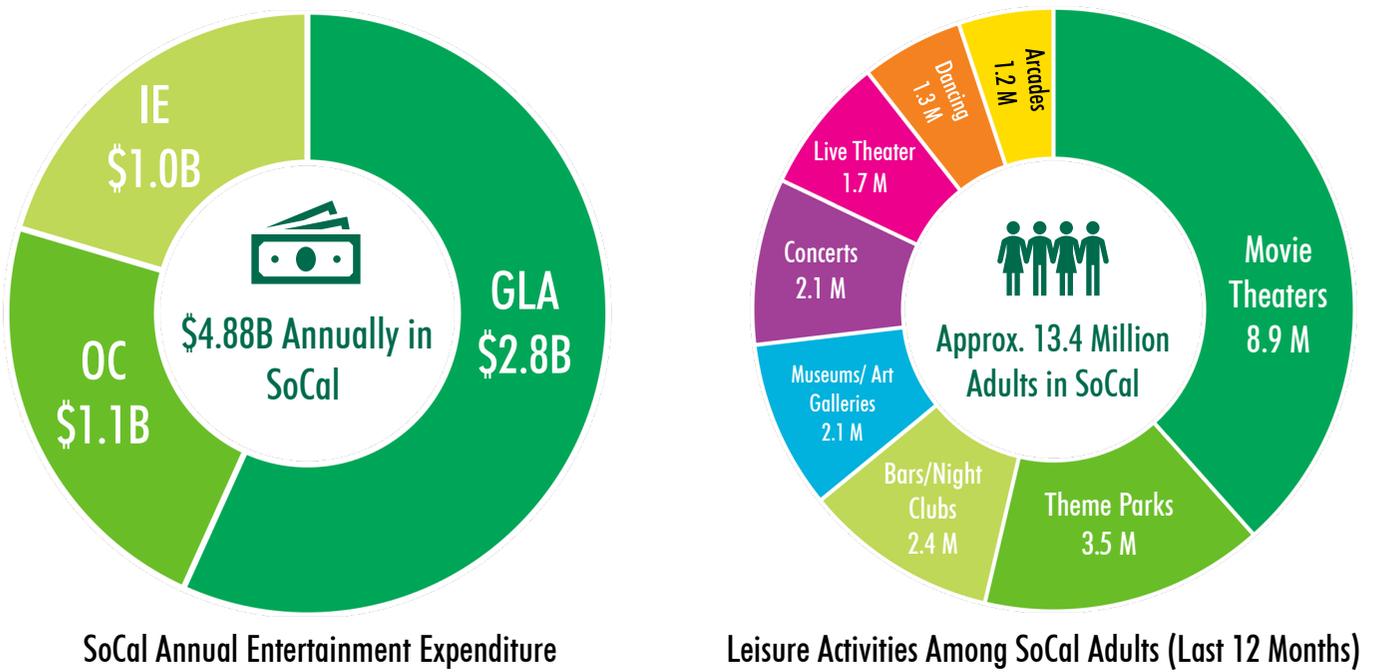


# SoCal adults just want to have fun; retailers are happy to oblige

Entertainment-based retail is nothing to sneeze at in the Southern California (SoCal) region. The rise in entertainment and recreation since 2008 resulted in 5.1 million sq. ft. leased by entertainment retail at an average rate of 463,000 sq. ft. per year. As Figure 1 illustrates, 13.4 million adults in the region spend approximately \$4.88 billion annually on a wide variety of activities from catching the latest blockbuster in theaters to having a night on the town at a few nightclubs, or losing a few quarters at the local arcade.

Figure 1: Annual Entertainment Expenditure & Leisure Habits Among SoCal Adults



Source: ESRI, CBRE Research, December 2018.

Why are so many adults spending more time out of the house on leisure activities? Much of it has to do with the demographic makeup of the SoCal region. Millennials (adults born between 1981 and 1998) and GenZ (born between 1999 and 2016) make up more than half of the population in the region. Both generational groups place much more value on experiences and interactivity and have shed most old cultural norms when it comes to having fun into adulthood. According to Accenture’s 12th Annual Holiday Shopping Survey, Millennials are projected to spend approximately \$658 billion, or \$779 per person, on average this holiday season. Nearly 50% of respondents (up from 45% in 2017) claimed that they would be spending their money on experiences or service gifts.

Retailers are eager to find ways to transform their customers from passive consumers into active participants and Figure 2 shows how some have accomplished this.

Figure 2: Popular Forms of Interactive Retail

 <p><b>Smartphone Apps &amp; Games</b></p> <p>Popular smartphone app <i>Pokémon Go</i> encourages users to visit “Poké Stops,” which are often real world locations, such as parks, or retailer such as a coffee shop. GameStops are often used as Poké Stops and the video game retailer has claimed that walk-in traffic and sales have doubled since the app debuted in 2016.</p> <p>Other retailers and brands have used scannable QR codes to unlock games, prizes and more in order to better engage their consumers on a more personal level than ever before.</p>	 <p><b>Augmented / Virtual Reality</b></p> <p>Virtual reality (VR) is still a fledgling technology, but is expected to be a \$75 billion industry by 2021.</p> <p>In April 2018, Fox Next opened a VR experience at the Outlets at Orange. In the game, a group of participants are outfitted with VR headsets, weapons, and sensors, and then led through an obstacle course where they must fend off video game alien baddies. Many companies see VR as a chance to bring video gaming out of the living room and into the retail space.</p>	 <p><b>Escape Rooms</b></p> <p>First popularized in Asia, escape rooms have exploded in popularity across the U.S., and SoCal, over the last few years.</p> <p>The premise is simple: a group of participants are locked in a room and must solve a series of puzzles in order to “escape.” No two escape rooms are alike and can vary wildly in theme, complexity, and production design. Rooms can also be changed so that repeat visitors are always in for something new.</p>	 <p><b>Trampoline Parks</b></p> <p>Activity centers are not just for kids anymore. The \$1.0 billion industry has ballooned to over 700 locations globally since 2004 and is expected to keep growing.</p> <p>Trampoline parks contain a wide variety of physical activities beyond trampolines such as ziplines and rock climbing.</p> <p>Trampoline parks have also been popular among landlords looking to backfill former big box retail space.</p>
--	---	---	--

Source: Forbes, Variety, Xola, LA Times, CBRE Research, December 2018.

Shifting consumer preferences for innovation and experiential retail will ensure these entertainment retail tenants are in demand for years to come as one of SoCal’s ‘Fantastic Five.’ What does the future hold for these vaunted retail heroes? Stay tuned!