

# Entertainment District Market Study **Draft Report**

East Harbor Island, San Diego

November 2023

# Market Area

## East Harbor Island Study Area, San Diego



# Subject Property

East Harbor Island Study Area, San Diego

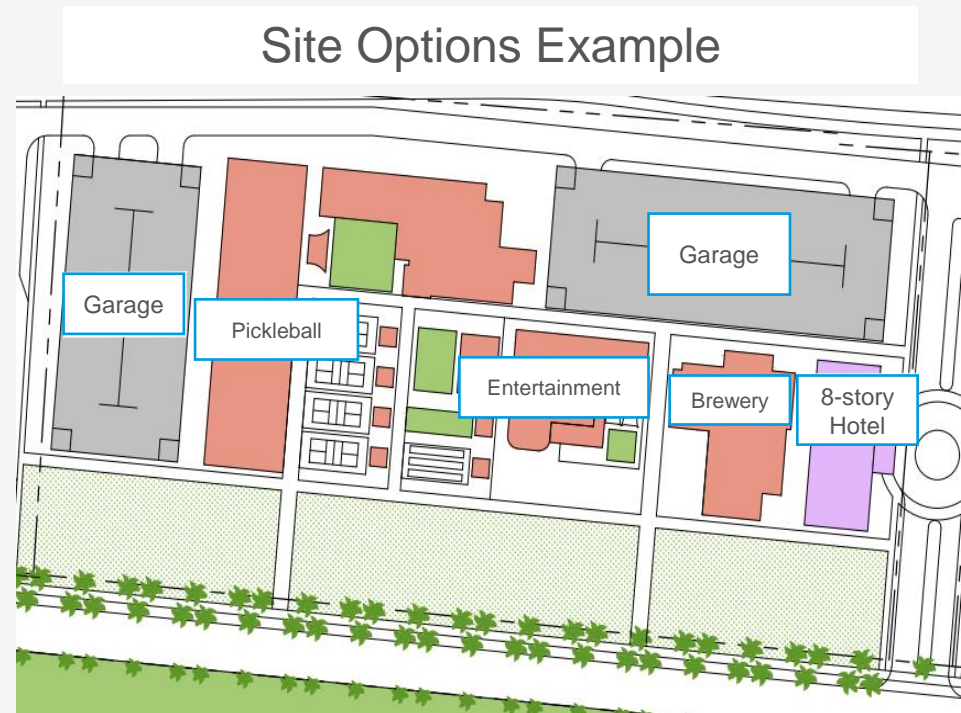
- Walking Distance from:
  - Airport (17.9m visitors)
  - 1,264 Hotel Rooms
  - 2,230 Slips



# Site Details

## East Harbor Island Study Area, San Diego

- The site has a total developable area of approximately 4.7 acres (203,569 sf)
- It can be split up into different parcel sizes depending on the incoming uses



# Sample of Local Eatertainment Uses

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- **Bowlero** in Chula Vista & San Marcos
- **Dave and Busters** in Carlsbad & Mission Valley
- **Coin-Op Game Room** in Gaslamp, North Park
- **Punch Bowl Social** in East Village
- **Dyno Bar** near Airport
- **Coin Haus (21+)** La Mesa
- **The HUB (Pickleball)** Spring Valley
- **Skateworld San Diego** Linda Vista
- **Boomers** Vista

# Eatertainment Companies

RSG identified the following (noted with number of US locations):

| Pickleball                     | Combined Concepts/Other | Ping Pong            | Bowling             | Mini Golf      | Arcade                |
|--------------------------------|-------------------------|----------------------|---------------------|----------------|-----------------------|
| Camp Pickle (0*)               | Viewhouse (4)           | Spin (Ping Pong) (9) | Pinstripes (13)     | Popstroke (7)  | Coin-op Game Room (5) |
| Crush Yard (1)                 | Throw Social (2)        | Ace Eat Serve (1)    | Pinstack (5)        | Puttshack (9)  | Two Bit Circus (2)    |
| Chicken N Pickle (8)           | Flight Club (6)         | Ace Bounce (1)       | The Painted Pin (2) | Swingers (2)   |                       |
| GoodBounce Pickleball Yard (2) | Off the Wall (6)        |                      |                     | Urban Putt (2) |                       |
| Volli (3)                      | Homerun Dugout (1)      |                      |                     |                |                       |
| Electric Pickle (2)            | Area 15 (1)             |                      |                     |                |                       |
| At Fault (0*)                  | Beat the Bomb (1)       |                      |                     |                |                       |
| Smash Park (4)                 | Whirlyball (5)          |                      |                     |                |                       |
| Pickled Bar (1)                | LumberjAxes (5)         |                      |                     |                |                       |

\*Companies noted with 0 have locations proposed and/or in progress

# Eatertainment Company Locations

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With these companies as our focal points for study, we identified the markets in which they operate the most:

**States:**

- Texas
- California
- Florida
- Colorado
- Illinois

**Cities:**

- Denver, CO
- San Francisco, CA
- Austin, TX
- Dallas, TX
- Houston, TX
- Oklahoma City, OK
- Atlanta GA
- Chicago, IL
- Glendale, AZ
- Orlando, FL

# Comparing Markets to San Diego

## Population & Household Size (sorted largest to smallest population)

- Wide range of population sizes. San Diego is in the larger population size group
- Most growth rates are under 1% and comparable to SD
- Average HH and family sizes are comparable across the board

| City          | Population | Annual Growth Rate | Average Household Size | Average Family Size |
|---------------|------------|--------------------|------------------------|---------------------|
| Chicago       | 2,733,494  | - 0.2%             | 2.3                    | 2.3                 |
| Houston       | 2,365,578  | 0.5%               | 2.5                    | 2.5                 |
| San Diego     | 1,401,675  | 0.4%               | 2.6                    | 2.6                 |
| Dallas        | 1,310,845  | 0.3%               | 2.4                    | 2.4                 |
| Austin        | 1,007,847  | 0.9%               | 2.2                    | 2.2                 |
| San Francisco | 885,932    | 0.2%               | 2.3                    | 2.3                 |
| Denver        | 737,963    | 0.8%               | 2.2                    | 2.2                 |
| Oklahoma      | 707,577    | 0.7%               | 2.5                    | 2.5                 |
| Atlanta       | 518,950    | 0.9%               | 2.0                    | 2.0                 |
| Orlando       | 323,217    | 1.6%               | 2.4                    | 2.4                 |
| Glendale      | 253,836    | 0.2%               | 2.8                    | 2.8                 |



# Comparing Markets to San Diego

## Income and Spending (sorted highest to lowest median incomes)

- Second to San Francisco, San Diego has the highest median HH income
- Similarly, San Diego is the second in terms of spending on dining out and entertainment
- Percentage of income spent on entertainment and dining out annually is comparable across the board

| City          | Median Income (HH) | Spending - Dining Out | Spending – Entertainment | Percentage of Income Spent Entertainment + Dining Out |
|---------------|--------------------|-----------------------|--------------------------|---|
| San Francisco | \$129,536          | \$6,638               | \$6,362                  | 10%   |
| San Diego     | \$96,517           | \$4,725               | \$4,616                  | 10%   |
| Denver        | \$85,243           | \$4,482               | \$4,302                  | 10%   |
| Austin        | \$82,380           | \$4,441               | \$4,211                  | 11%   |
| Atlanta       | \$79,837           | \$4,552               | \$4,366                  | 11%   |
| Chicago       | \$68,246           | \$3,818               | \$3,643                  | 11%   |
| Glendale      | \$65,889           | \$3,189               | \$3,135                  | 10%   |
| Orlando       | \$61,031           | \$3,492               | \$3,323                  | 11%   |
| Oklahoma City | \$60,401           | \$3,053               | \$3,096                  | 10%   |
| Dallas        | \$58,898           | \$3,664               | \$3,425                  | 12%   |
| Houston       | \$57,116           | \$3,500               | \$3,303                  | 12%   |

# Comparing Markets to San Diego

## Businesses (sorted most to least total businesses)

- Most interviewees stated they don't have a particular target demographic in mind. Their aim is to appeal broadly across all demographics and age groups
- Interviewees were interested in other businesses, particularly retail and dining, being nearby
- San Diego is second in hotels and in the top three for total businesses, retail, and eating & drinking businesses

| City          | Eating & Drinking Businesses | Hotels & Lodging | Retail Businesses | Total Businesses |
|---------------|------------------------------|------------------|-------------------|------------------|
| Houston       | 10,186                       | 991              | 18,070            | 141,434          |
| Chicago       | 7,094                        | 363              | 8,683             | 83,031           |
| San Diego     | 5,049                        | 518              | 7,700             | 73,737           |
| Dallas        | 4,070                        | 388              | 7,485             | 62,995           |
| San Francisco | 4,167                        | 480              | 4,988             | 54,427           |
| Austin        | 3,501                        | 359              | 5,120             | 50,218           |
| Denver        | 2,452                        | 239              | 3,795             | 34,537           |
| Oklahoma City | 1,698                        | 263              | 3,839             | 31,507           |
| Atlanta       | 2,093                        | 196              | 2,860             | 27,152           |
| Orlando       | 1,553                        | 190              | 2,559             | 25,083           |
| Glendale      | 501                          | 27               | 916               | 5,891            |

# San Diego Demographics Summary

- San Diego City has a population of approximately 1.4 million people
- The annual population growth rate is 0.35% (2023-2028 estimate), comparable to the other markets
- The percentage of household income spent on entertainment and dining out is about 10%, over \$9,300 a year on average.
- This percentage is comparable to the other markets where eatertainment companies are opening up
- San Diego is second in hotels and in the top three for retail and eating & drinking businesses

| Average Annual Household Spending (2023) |                |
|--|----------------|
| Dining Out                               | 4,725          |
| Entertainment                            | 4,616          |
| <b>Total</b>                             | <b>\$9,341</b> |

# California Expansion Interest

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To gauge expansion interest in San Diego, RSG reached out to the development officers. We inquired about:

- Expansion interest in California and San Diego
- Target audience
- Site selection criteria
- Co-tenant preferences
- Typical or desired lease terms

# Prospective Tenant Outreach Status

12 responses as of November 22, 2023

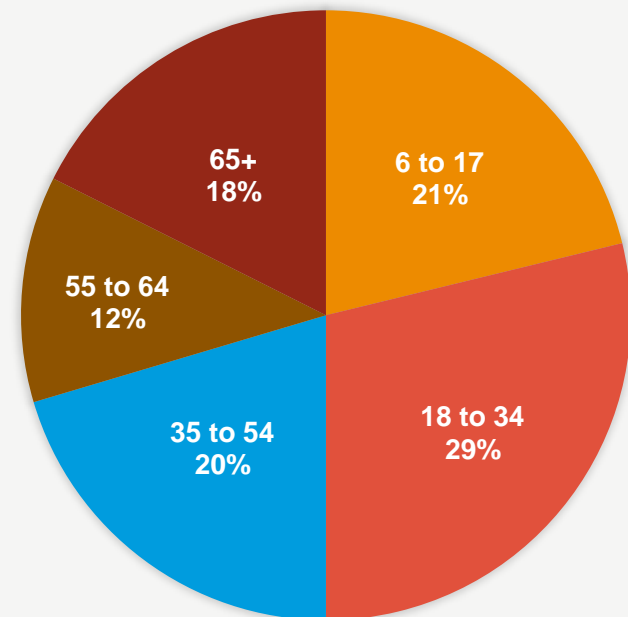
| Tenant Concept          | Interest Confirmed by RSG       | Interested in Discussing / Scheduling Call | RSG Reached Out, No Response Yet  | Not Interested |
|-------------------------|---------------------------------|--|---|----------------|
| Pickleball              | Camp Pickle<br>Chicken n Pickle | Volli<br>GoodBounce                        | Crush Yard<br>At Fault<br>Smash Park<br>Pickled Bar   |                |
| Mini Golf               | Puttshack<br>Popstroke          |  | Swingers  |                |
| Bowling                 |                                 |  | Pinstripes  | Pinstack       |
| Arcade                  |                                 |  | Two Bit Circus<br>Coin-Op Game Room   |                |
| Ping Pong               |                                 | SPIN                                       | Ace Bounce  | Ace Eat Serve  |
| Combined Concepts/Other | Padel California                | Beat the Bomb                              | Throw Social<br>Viewhouse<br>Flight Club<br>Homerun Dugout<br>LumberjAxes<br>Off the Wall<br>Area 15<br>Beat the Bomb | Whirlyball     |

# Why Pickleball?

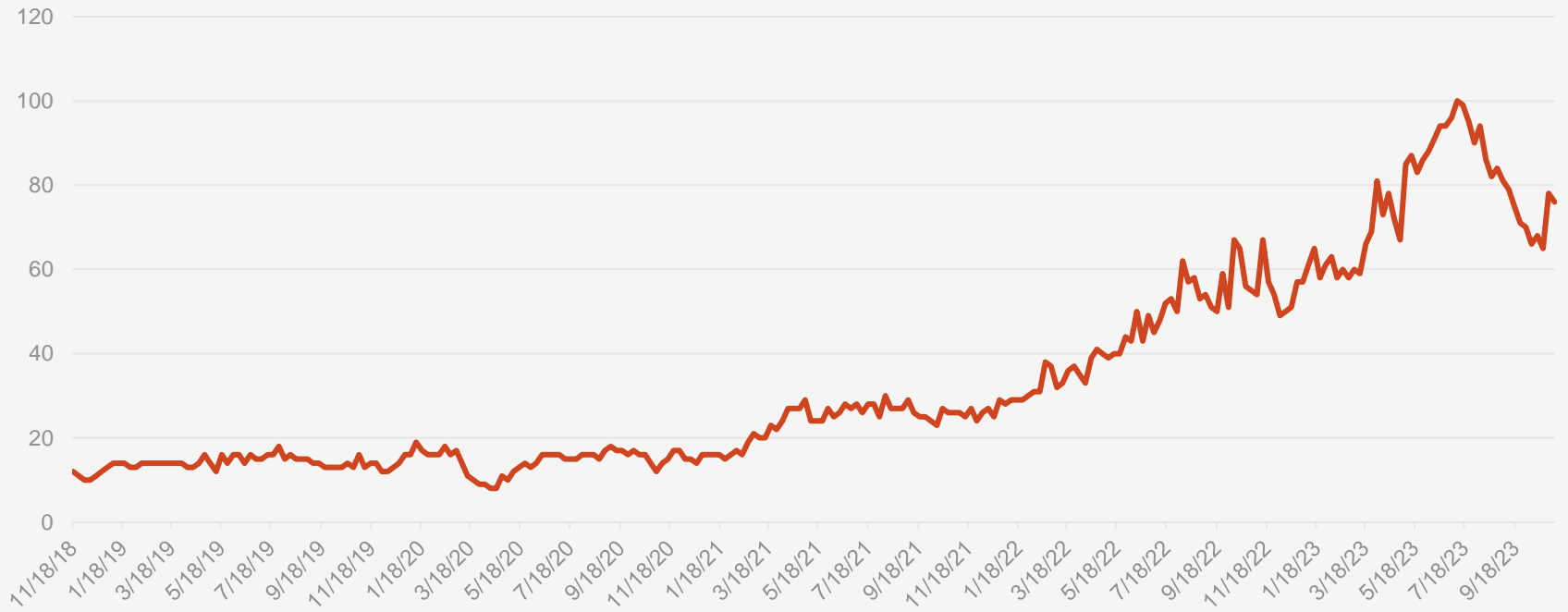
## 2023 Marks the 58<sup>th</sup> Anniversary of the Sport

- There are an estimated 4.8 million people playing pickleball in the US (2021)
- Combined annual growth of 11.5% over past five years
- The average age for all players continues to drop, to 38 years old in 2021, a decrease of 2.9 years from 2020
- Growth of total participants from 2020 to 2021 was the fastest among players under 24 years of age (21%)
- 10,724 known locations in the US, over 44,000 courts

## AGE RANGE OF TOTAL PLAYERS



# Google Searches for “Pickleball”



# Chicken N' Pickle

## Prospective Tenant Details

- 8 existing locations in Texas, Arizona, Missouri, Oklahoma, Kansas, and 7 proposed
- Growth set to take place in Denver, Houston, Dallas, St. Louis, and Las Vegas
- Concentrating on large cities that have a population of 600k in its MSA
- Looking to be an anchor tenant, cotenants can include destination hotels, offices, restaurants, other entertainment brands





# Camp Pickle

## Prospective Tenant Details

- Concept from founder of Punch Bowl Social
- No locations built yet, 2 proposed in Alabama and Denver
- Aiming for 2-3 new locations in 2024
- Further expansion plans for Florida, Maryland, and Texas
- 50,000-75,000 sf sites
- Interested in San Diego area, high foot traffic, space for pickleball courts
- Prefers retail and restaurant co-tenants, also golf concepts, climbing gyms, and breweries



# GoodBounce Pickleball Yard

## Prospective Tenant Details

- 2 locations in Louisville, Kentucky, and Clarksville, Indiana
- Opened both locations in 2023
- Louisville location is 45,000 sf with 6 courts and lounge areas; Clarksville is 16,000 sf with 6 indoor courts
- Interested in discussing expansion in California



# Volli

## Prospective Tenant Details

- Entertainment and food venue with pickleball and other games
- Two locations in Washington, one coming in Texas
- Indoor locations 24-21k sf at established retail centers



# Popstroke

## Prospective Tenant Details

- Locations in Texas, Arizona, and Florida. 7 existing and 16 proposed
- No specific target demographic, aims to appeal to a wide market
- Interested in California, looking into Southern California sites currently
- Prefers restaurant, entertainment, and other eatertainment co-tenants



# Puttshack

## Prospective Tenant Details

- Mini golf concept
- 9 existing locations including Denver, Atlanta, Chicago, Boston, Houston, Miami
- 12 proposed locations including more in Texas, Georgia, Florida, and Illinois
- Typically about 25-35,000 sf of building area



# SPIN

## Prospective Tenant Details

- Ping Pong with food, beverage, and VIP rooms, teaching pros
- Founded in 2009
- Locations in major cities including NY, Boston, Philadelphia, Seattle, Washington DC, and San Francisco
- Largely indoor locations
- San Francisco ~12,000 sf



# Padel California

## Prospective Tenant Details

- One location in Oceanside and incoming location in Whittier, CA
- First location opened in 2023
- Outdoor locations
- Interested in pickleball cotenants, view other recreation tenants as a positive



# Pros and Cons of East Harbor Island Site

*Preliminary*

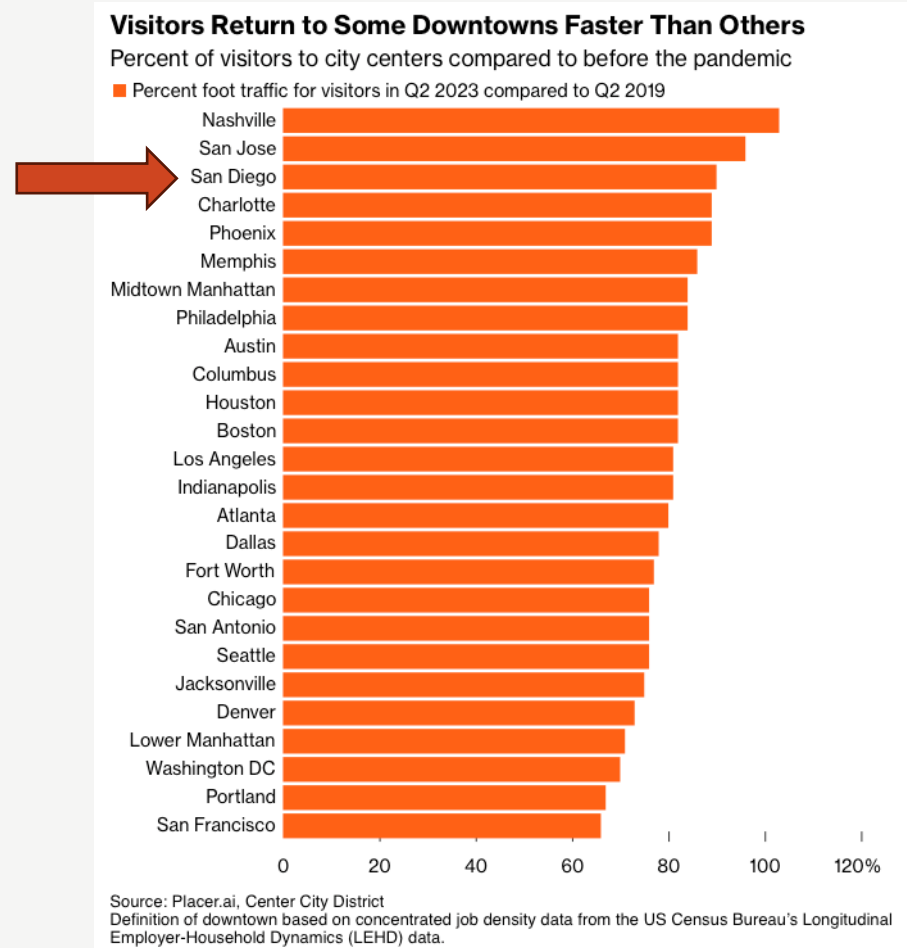
| Pros                        | Cons                                 |
|-----------------------------|--------------------------------------|
| Size of Market Area         | Not Typical Location*                |
| Consumer Spending Potential | Higher operating costs comparatively |
| Visitors                    | Increased Competition                |
| Land Availability           |                                      |
| Waterfront / Location       |                                      |



# San Diego Tourism

San Diego has as many nearly as many visitors to downtown as it did before COVID

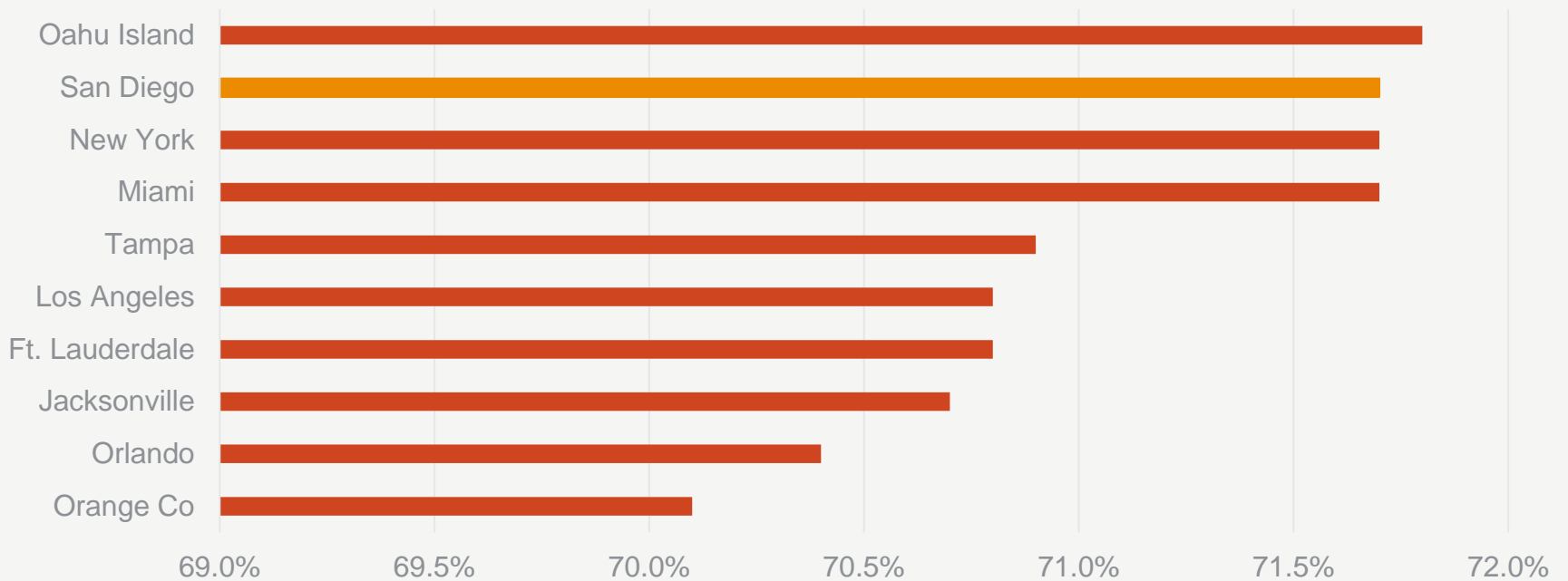
- Total Visitors (2022): 28.2 million
  - Overnight: 16.5m
    - up from 13.8m
  - Day Visitors: 12.3m
    - up from 9.9m
- San Diego International Airport Passengers (YTD thru Sept): 17.9m
  - Up from 16.3m over same period in 2022



# San Diego Hotel Market Rebounding

Hotel occupancy #2 in the US

Occupancy %



# San Diego Hotel Market Conditions

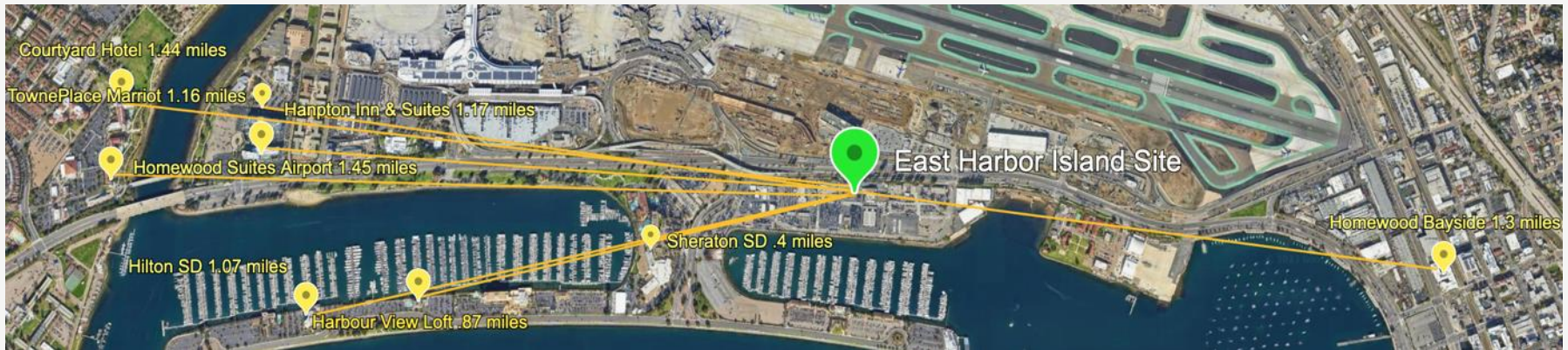
Last 12 Months Through September 2023

- CBD includes East Harbor Island area
- New Construction Limited
  - No new hotels delivered in 2022 and only one in 2023
  - 6 under construction including the Gaylord (1,600 rooms)
  - Fairmont has also announced plans for a 1,168-room luxury hotel

| Class                    | Occupancy    |              | RevPAR          |                 |
|--------------------------|--------------|--------------|-----------------|-----------------|
|                          | Region       | CBD          | Region          | CBD             |
| Luxury & Upper Upscale   | 70.7%        | 74.3%        | \$204.17        | \$214.62        |
| Upscale & Upper Midscale | 78.6%        | 77.1%        | \$143.88        | \$158.78        |
| Midscale & Economy       | 71.6%        | 69.3%        | \$78.59         | \$78.33         |
| <b>Overall</b>           | <b>73.6%</b> | <b>74.5%</b> | <b>\$154.43</b> | <b>\$187.86</b> |

# Peer Hotel Analysis

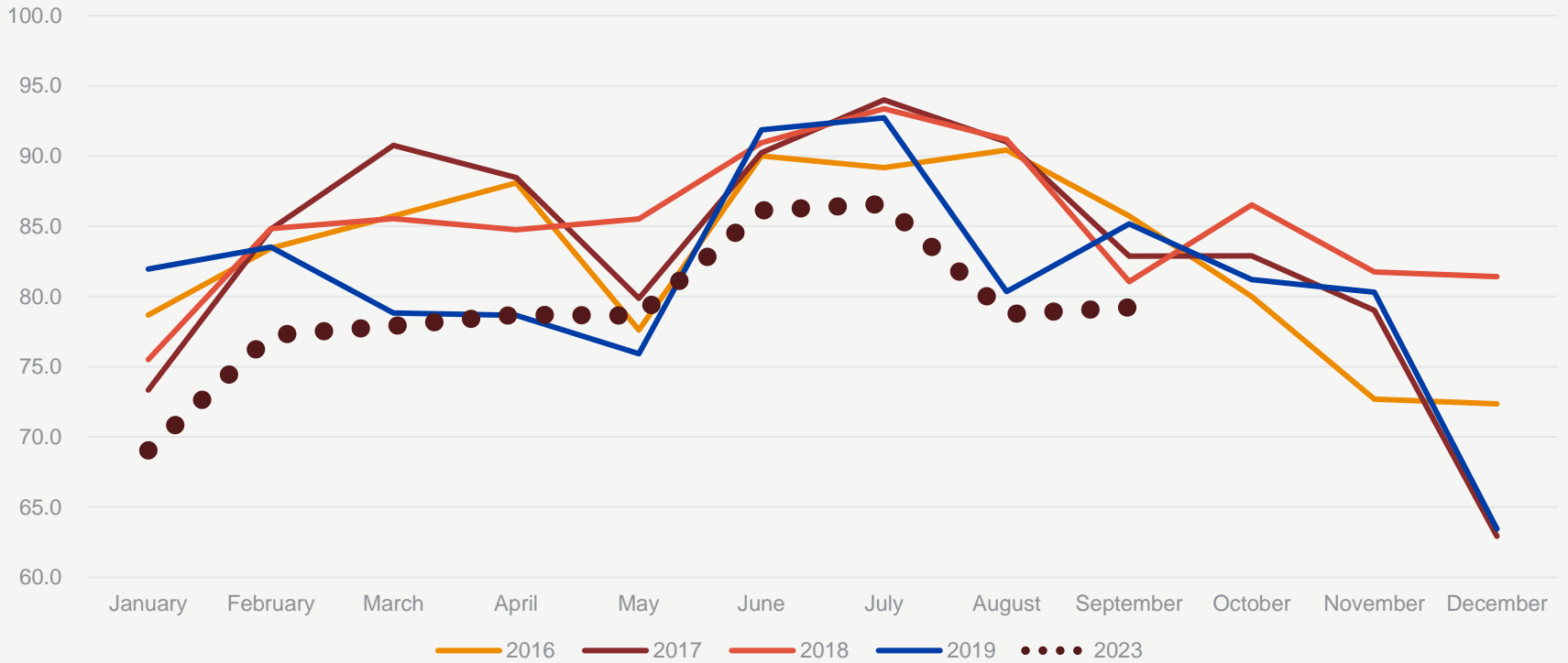
Peer Group – 79.1% Occupancy Rate YTD



| Hotels  | Rooms | Distance   |
|---|-------|------------|
| Sheraton San Diego Hotel & Marina                           | 1,053 | 0.04 miles |
| Hilton San Diego Airport/Harbor Island                      | 211   | 1.07 miles |
| Homewood Suites by Hilton San Diego Downtown Bayside        | 160   | 1.45 miles |
| Homewood Suites by Hilton San Diego Airport Liberty Station | 150   | 1.16 miles |
| Courtyard San Diego Airport Liberty Station                 | 200   | 1.03 miles |
| Hampton Inn & Suites San Diego Airport Liberty Station      | 181   | 1.17 miles |
| TownePlace Suites San Diego Airport/Liberty Station         | 222   | 1.16 miles |

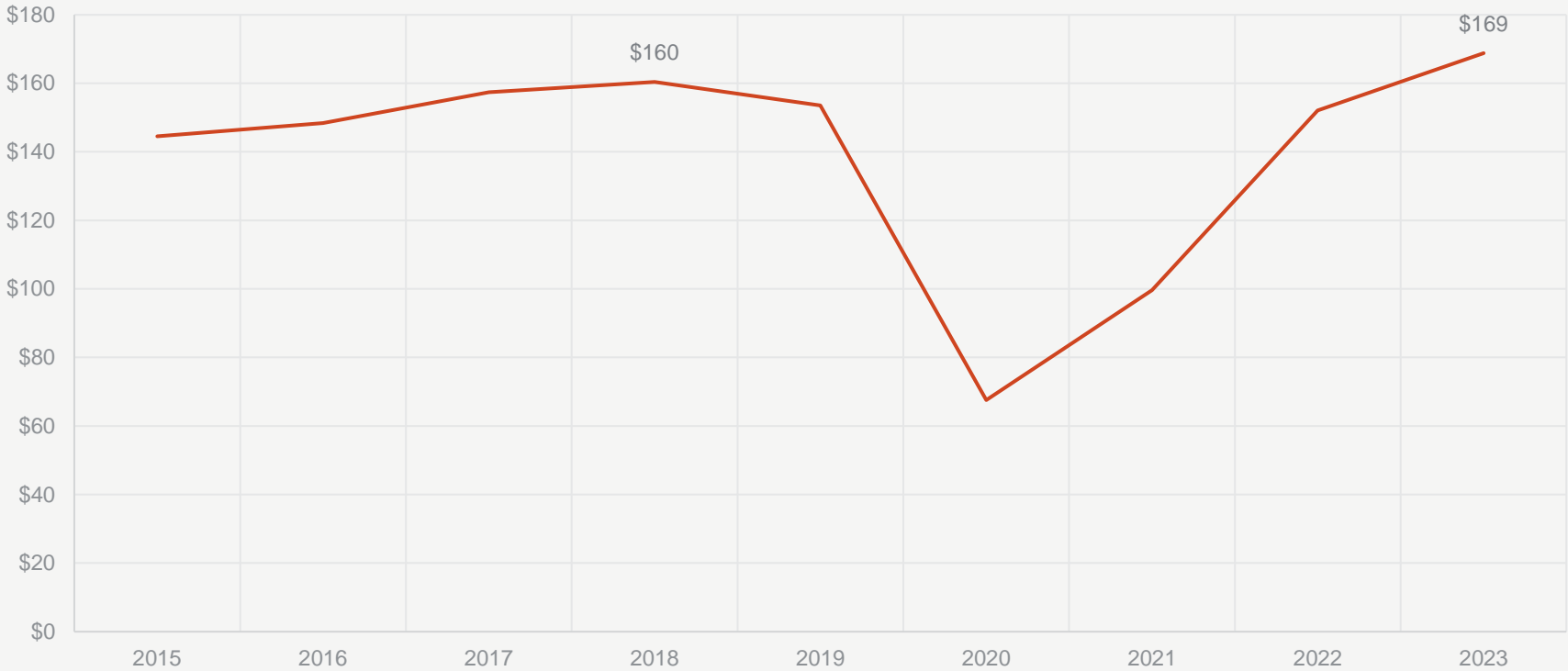
# Monthly Occupancy Rates

2023 YTD vs Pre-COVID Years



# Revenue Per Available Room (“RevPAR”)

Peer Group Results Through September of Each Year



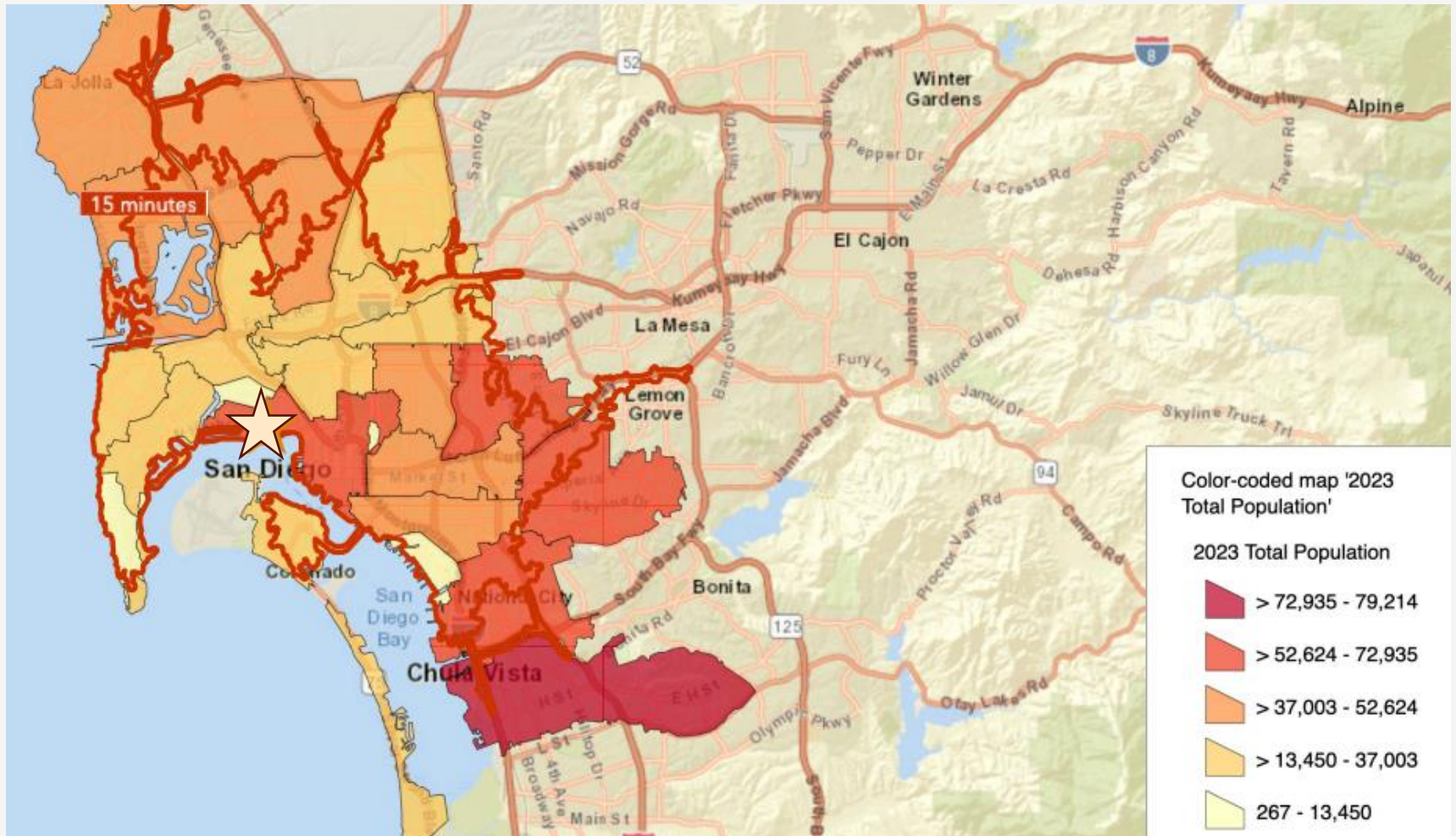
# Total Hotel Revenue Through September

Peer Group Exceeding \$100m, nearly \$18m higher than Pre-COVID Period



# Local Trade Area Population

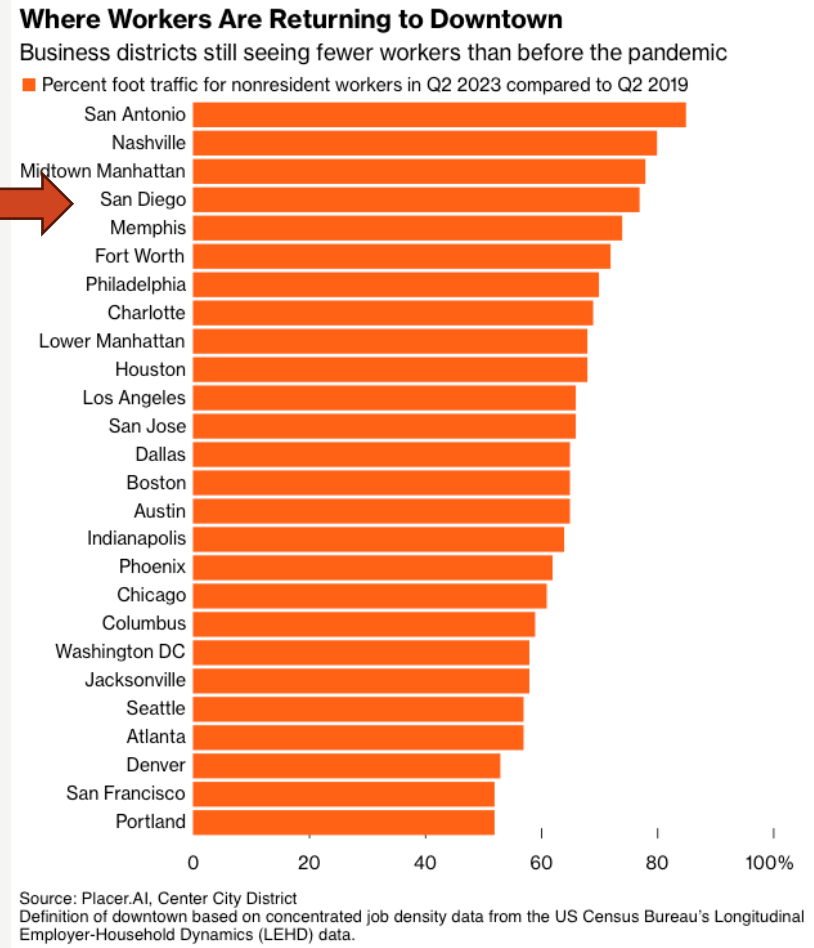
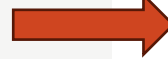
About 500k people within a 15-minute drive time of the site





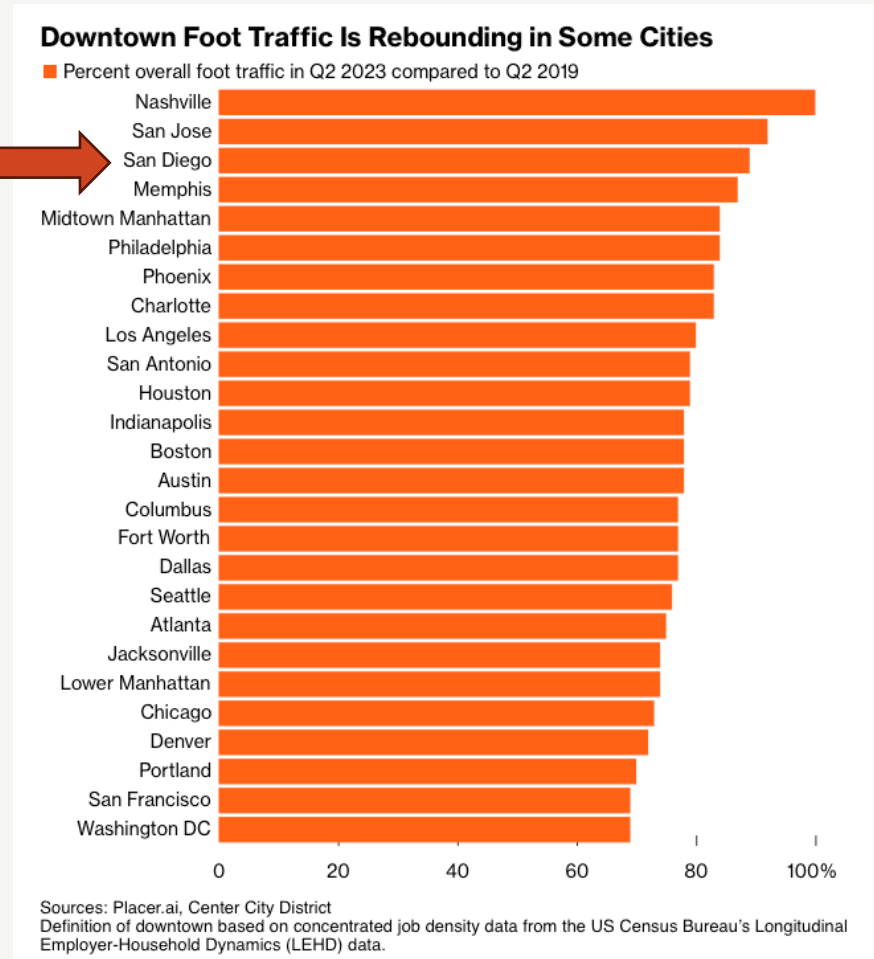
# Office Sector

- Major redevelopment activities include:
  - 10-acre Campus at Horton mixed use project (1 million sf)
  - 1.7m IQHQ Research and Development District ("RaDD")
- Vacancies remain high
  - 26.3% in downtown
  - 11.1% Countywide
- But 77% of the San Diego workforce is back in downtown



# Downtown Activity

- Population of downtown is at 111% of pre-pandemic levels
- 4,400 new apartments have been added in the last 5 years, more than any other San Diego submarket
  - 2,000 units under construction
- With new life science and office space coming, residential demand in downtown should be strong



# What Comes Next?

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## Observations

- Eatertainment interest is evident based on initial outreach
- Downtown and East Harbor Island have competitive advantages
- Land is available for short and long term leasing
- Visitor, Worker, Resident demand is evident
- Location and amenities are compelling
- Interest in public agency leasing uncertain due to limited experience

## Recommendations

- 1) Solicit interest via RFP to users and developers of eatertainment
- 2) Market opportunity at E3 conference in February