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RBC®

TEAM BUILDING

The Rise of Sports-Anchored, Mixed-Use Districts

THE SPORTS INDUSTRY'S $100+ BILLION GROWTH ENGINE

What do artificial intelligence, quantum computing, and sports-anchored, mixed-use districts have in common? Each have the potentially to fundamentally alter the trajectory of businesses and industries that play important roles in people's daily lives.

Sports-anchored, mixed-use districts (SMDs) should be the $100+ billion future growth engine for the sports industry. The building of new sports venues and the surrounding commercial, residential, retail, and community developments can substantially impact how sports teams generate revenue and increase team values while transforming the lives of people that live, work, and travel to these areas.

Adam Grossman
Company Advisor

Caryn Rosoff
SVP, Sports & Brand Insights

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KLUTCH Sports in collaboration with RBC is proud to examine the sport industry's rapidly evolving $100+ billion growth engine. While KLUTCH Sports Group and RBC will not examine every topic that touches SMDs, our combined goal is to use our expertise, network, and analysis to demonstrate the pivotal role that SMDs can play in the future of how investors, owners, executives, public officials, local communities, and fans engage with the sports industry.

REAL ESTATE IS IMPACTING THE FUTURE OF TEAM OWNERSHIP

Investors continue to commit substantial equity and debt capital to sports franchises as they have consistently outperformed equity markets, particularly in North America, and have been uncorrelated with U.S. markets. As the multi-billion dollar media rights agreements for many major professional sports leagues have been recently renegotiated, there are few verticals that can drive valuations in the same way.

This reality is increasingly driving team owners to consider two additional avenues for franchise value enhancement and financial returns: stadium refurbishment or new builds to dramatically enhance the fan experience and in-market revenues; and investment in the mixed-use real estate developments surrounding these venues.

Looking at prospective ownership consortiums, there are increasingly more real estate-focused bidders in the mix today than previous decades. While public vs. private venue funding may be up for debate, both franchise owners and municipalities have recognized the transformational potential of sports-anchored districts incorporating hotels, retail, entertainment and office spaces that can drive economic activity beyond game days.

We are pleased to be able to share these insights with our clients, helping them to dive deeper into the rise of SMDs and their growing significance in the global sports ecosystem. We also want to thank the team at KLUTCH Sports Group for their incredible collaboration in producing this industry-leading research.

Luana Harris
Managing Director
RBC Sports Advisory

Ben Winograd
Vice President
Enterprise Strategic Client Group

Photo: mbbirdy/E+ via Getty Images

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Major-League Sports Venue Renovations and New Projects in Various Planning Stages

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Stadium Leases Expiring Between 2030–2039

$100B+

In Capital Investment Opportunity Over the Next 15 Years

EXECUTIVE SUMMARY

Long considered the ultimate symbol of wealth and success, the prestige of professional sports-team ownership has a new and emerging "teammate" in the form of out-sized financial returns from adjacent, lifestyle-focused, live-work-play real estate developments (SMDs). These SMDs add an important new dimension to professional sports ownership.

Case in point: Mark Cuban sold 72.3% ownership of the Dallas Mavericks to the Adelson family in December of 2023. While a substantial amount of money, the $3.5B that Cuban reportedly secured from the Adelsons potentially undervalued the team. When asked why Cuban sold the team when he did and for a "discounted" price, Cuban stated, "And so you see other teams in all sports…talking about doing real estate development. That's just not me. I wasn't going to put up $2B to get an education on building. If we're able to build a Venetian-type casino in Dallas with an American Airlines Center in the middle of it, the valuation is $20B. But I own 27% of that."

Dallas is not an isolated situation. Many other existing SMDs leverage sports venues as the anchor of larger development projects, including the Atlanta Braves' The Battery and the Green Bay Packers' Titletown. Our research suggests that we are still in the early stages of this phenomenon. In North America alone, there are at least 37 major-league venue renovations and new projects in various planning stages; data in line with the fact that 40 existing stadium leases will expire between 2030 and 2039. Extend this reality out to the UK Premier League clubs, and other global sports properties, and we see a capital investment opportunity upwards of $100B+ over the next 15 years.

In getting to know this new "teammate," this report explores the growing importance of SMDs and answers the following questions:

1. Why are investors interested in sports ownership and what are potential challenges in enterprise valuation accretion?
2. What are SMDs and why are sports industry leaders pursuing them?
3. How are SMDs being funded today?
4. What is the potential return on investment (ROI) for SMDs and how can stakeholders take steps to maximize ROI?

Team Building answers these questions by leveraging the insights and experience of industry leaders that have been engaged in these types of projects such as RBC, Klutch Sports Group, PwC, the City of Arlington, and ROSSETTI. In addition, we feature case studies on sports teams that have, are, or will be considering SMD projects such as the Green Bay Packers, Texas Rangers, San Diego Padres, Ottawa Senators, New York City FC, and Salt Lake Bees.

Within this report, all monetary figures are reported in USD.

Featured Case Studies

Green Bay Packers / Titletown
New York City FC
Ottawa Senators
Salt Lake Bees
San Diego Padres
Texas Rangers / Arlington Entertainment District

Collaborators

PwC
City of Arlington
ROSSETTI
Monarch Collective

Photo: Thomas Barwick/Stone via Getty Images

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Why are investors interested in sports ownership and what are challenges in enterprise valuation accretion?

Pro Sports Teams: An Increasingly Attractive Asset Class

While the sports industry has always generated significant attention from fans, media, and sponsors, sports properties have not traditionally been a focus for institutional capital. Historically, sports teams have been primarily operated by families who consider their ownership as stewards of multi-generational, community assets. Owners historically tended to focus on the non-financial returns of team ownership, including team prestige and on-field success.

However more recently, sports teams have increasingly become an attractive alternative asset class for sophisticated investors and institutional capital. This generally started in the early 1990s and 2000s when seasoned business operators began taking majority ownership positions and applying their previous business experience to maximize valuations. Examples include Jerry Jones (Dallas Cowboys), Jeff Lurie (Philadelphia Eagles), Mark Cuban (Dallas Mavericks), and John Henry (Boston Red Sox).

The demand for sports team ownership increased in the mid to late 2000s with the growth of media rights deals at international, national, and regional levels. Many major professional sports leagues were able to negotiate increasing media rights fees, while many local sports teams in North America were able to generate lucrative agreements with regional sports networks (RSNs). For instance, Guggenheim Baseball Management bought the Los Angeles Dodgers for a then-record $2.15B in 2012, which per Forbes grew to $5.45B twelve years later. This increased valuation is largely attributable to the team's 25-year, $8.35B local television agreement that was signed in 2013.

Several other fundamental factors also served to positively impact team valuations, including:

- Long-Term, Consistent Revenues – Many team revenue streams are known and have relatively low year-over-year volatility. Team revenues are often augmented by league-wide revenue from media rights, ticketing, partnership, events, and data agreements with money largely distributed among teams
- Innovation – Technological advances have increased the ability for leagues and teams to reach audiences outside of their home markets
- Cost Certainties – Many sports leagues have established operational cost controls for teams with strict penalties for violations
- Demand Limitation – Sports leagues have strict rules that limit the number of teams that can participate in a league with both male and female sports leagues now attracting 8 or 9-figure expansion fees for new entrants

Annual Average Returns by Asset Class (%) –Q4 2024

ASSET CLASS	3 YEAR	5 YEAR	10 YEAR	20 YEAR
Sports (RASFI)	20.3	14.4	15.2	12.3
Global Equities	5.9	10.6	9.8	8.2
U.S. Equities	8.9	14.5	13.1	10.4
Fixed Income	-4.3	-0.9	1.7	N/A
Commodities	-0.7	4.7	2.8	2.9

Sports franchise ownership is now in a situation where nearly every revenue source is fully-optimized and a turbo-charged cog in an increasingly well-oiled business machine. The result has been a proven level of valuation growth and resiliency over the years. In fact, the Ross-Arctos Sports Franchise Index (RASFI) analysis of the largest North American leagues reveals some particularly interesting realities about sports-team investment returns:

- They generally drive higher returns than equity, fixed income, and commodities asset classes
- They have low value volatility
- They are uncorrelated with equities markets
- They have proven to be largely recession and disaster proof (e.g. sports leagues and teams captured at least 85% of revenues even during the COVID-19 pandemic)

These factors are true for both majority and minority investments. Minority-stake investments are often acquired at a discount, given their passive investment realities, yet still realize full-value during a change-of-control ownership transaction. This compelling financial dynamic has increasingly attracted a sophisticated pool of institutional investors.

Past performance does not guarantee future results.

Crupi, Anthony. "Ohtani's Payday Fueled by Dodgers' Lucrative Local TV Business." Sportico.Com.
Jogia, Saajan. "F1 Rumor: The Shocking Cost of Cadillac's Entry into Formula 1 Revealed." F1 On SI, 26 Nov. 2024.
"Los Angeles Dodgers on the Forbes MLB Team Valuations List." Forbes.
"Ross-Arctos Sports Franchise Index: Methodology ." Michigan Ross, Arctos Partners, LP and Stephen M. Ross School of Business at the University of Michigan, May 2024. Shields, Ben, and Bratches, Sean R.H.. ESPN Navigates a New World Order. MIT Sloan School of Management, 25 July 2024.

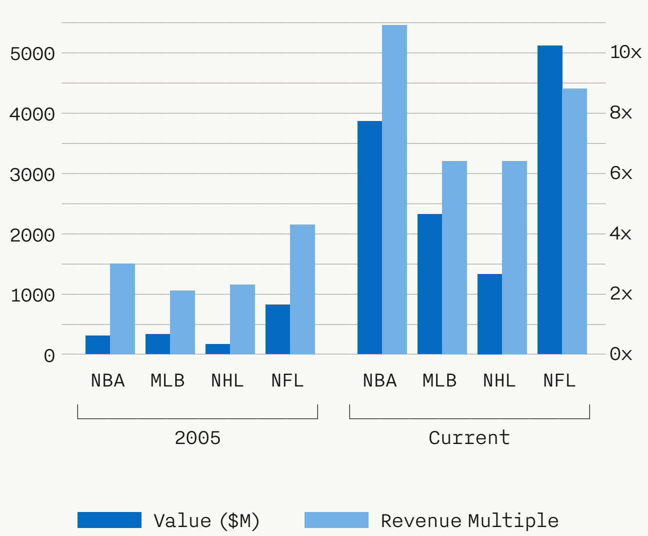
Pro Sports Teams: Potential Headwinds

The same thing that initially made sports teams attractive investments also potentially make future valuation growth more challenging. Traditional revenue streams are well-known, have largely matured, and have already been priced into future team valuations as seen through the rapid increase in average revenue multiples across the following North American sports leagues (see right).

A substantial portion of most sports teams' revenue comes from league-level agreements; however, there are hurdles for potential growth across these revenue streams. For example, many professional sports leagues already have negotiated long-term media rights deals, and the likelihood of continued fee increases has been reduced given that the economics of these agreements are challenging for many sports rights holders. Even if teams grow their revenue streams, most (if not all) are subject to revenue sharing as determined by each league's rules and collective bargaining agreements (CBAs). Similar to league-wide revenues, team revenues face similar challenges to continued long-term growth. For example, regional sports networks and local distribution deals are challenged with the decline of Pay-TV consumption.

What we find most interesting, however, is the fact that institutional investors, wealthy families, and high net-worth individuals are still clamoring for ownership stakes despite industry observers believing that many of the underlying revenue streams may have fully matured (particularly media-rights). While many ownership groups are looking to the refurbishment of stadiums and arenas as a means of optimizing local revenue sources, there is a savvy pool of investors who are increasingly focused on a much larger investment opportunity for value creation – sports-anchored, mixed-use districts (SMDs).

Average Increase in Revenue Multiples Across North American Sports Leagues



Pro Sports Teams' Traditional Revenue Streams vs SMDs

	LEAGUE-LED (NATIONAL & INTERNATIONAL)	TEAM-LED (LOCAL LEVEL)	SPORTS-ANCHORED, MIXED-USE DISTRICTS
REVENUE STREAMS	• Broadcast/Media Rights • League Sponsorships • Global Content & Data	• Local Broadcast/Media Rights • Team Sponsorships • Ticketing & Suite Licensing • Game Day Concessions and Parking • Team Merchandise	Real estate development returns generated from a mix of residential, retail, commercial, hotel & conference facilities, hospitality, and other community-focused facilities and venues
REVENUE SHARING	Generally shared amongst all league teams	Varying levels of League-share and Team-level capture and retention	Returns are fully retained by the owner/developer

ARCTOS INSIGHTS . Future of Sports Media: An Update.
Shields, Ben, and Bratches, Sean R.H.. ESPN Navigates a New World Order. MIT Sloan School of Management, 25 July 2024.
"The Breakout by Arctos." The Breakout by Arctos.
"Warner Bros. Discovery and NBA Reach Agreement to Expand Long-Standing Partnership." NBA.com.

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What are sports-anchored, mixed-use districts (SMDs) and why are sports industry leaders pursuing them?

SMDs: A Catalyst for Material Revenue Growth and Value Creation

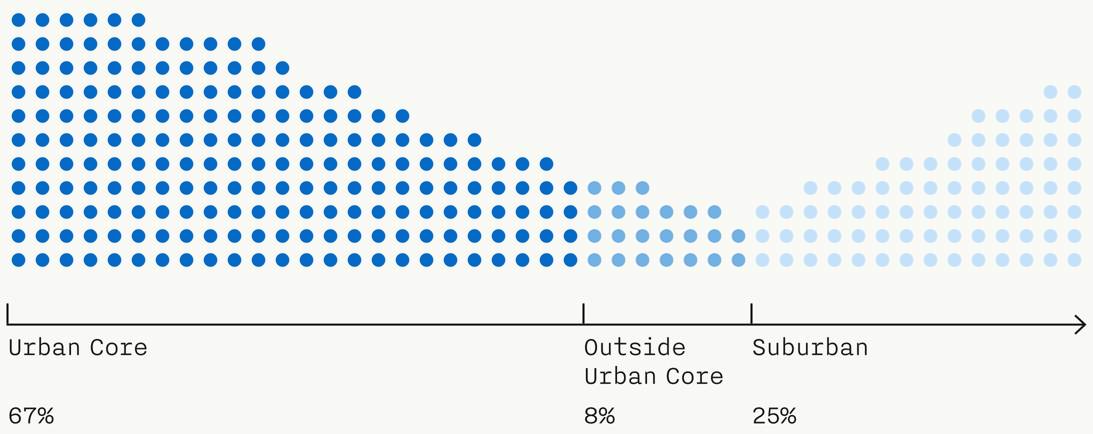
Representing the intersection of sport and commercial real estate, SMDs are transforming and revitalizing many urban and suburban landscapes. However, it is important to distinguish planned SMDs from the more ad hoc "naturally occurring" districts that have emerged around pre-existing, long-standing venues in urban city cores (e.g. the areas around Wrigley Field and Fenway Park).

Per ROSSETTI & KLUTCH's research, SMDs are mostly urban-centric and 72% are less than 50 acres. It appears we're also in the early stages of a development boom, with only 20% of the 260 venues in the Big 5 North American sports leagues currently situated in SMDs. This is further supported by the count of 37 SMDs that were announced across the Big 5 North American sports leagues in 2024.

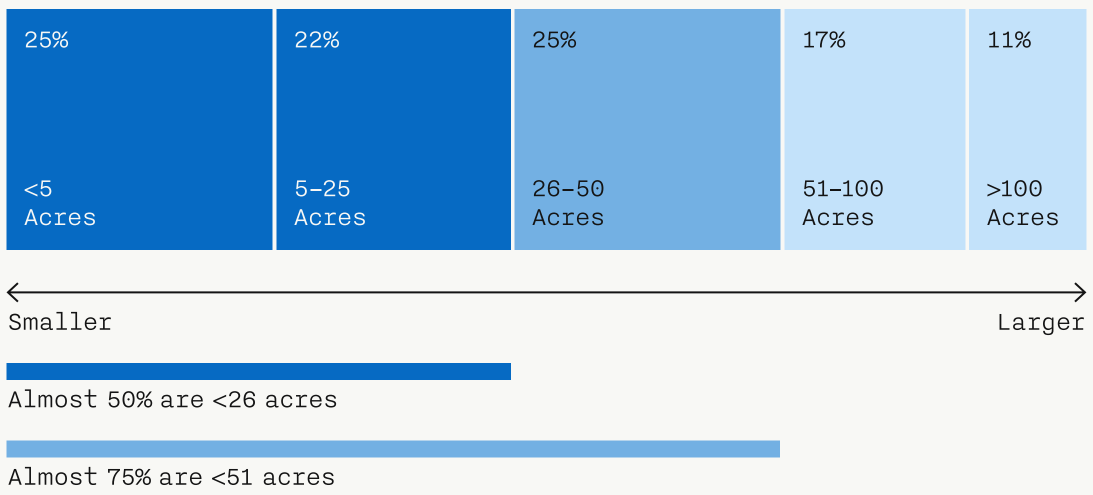
What are Sports-Anchored, Mixed-Use Districts (SMDs)?

	WHAT	WHY
Sports-Anchored ...	Stadiums, arenas, venues, practice facilities, corporate offices, or training centers anchored by a sports tenant	Guaranteed calendar of events and association with a brand that fans and consumers are passionate about
Mixed-Use ...	Some combination of residential housing, retail shops, commercial offices, bars & restaurants, hotels & conference facilities, etc.	Mixed-use locations serve to heighten the experiences of consumers by increasing foot traffic and dwell times surrounding games and district events
Districts	Generally comprised of several acres of land, these areas include community-focused facilities and venues such as park space, amphitheaters, community centers and recreational facilities	Provide important components for people choosing active, lifestyle-focused, live-work-play communities

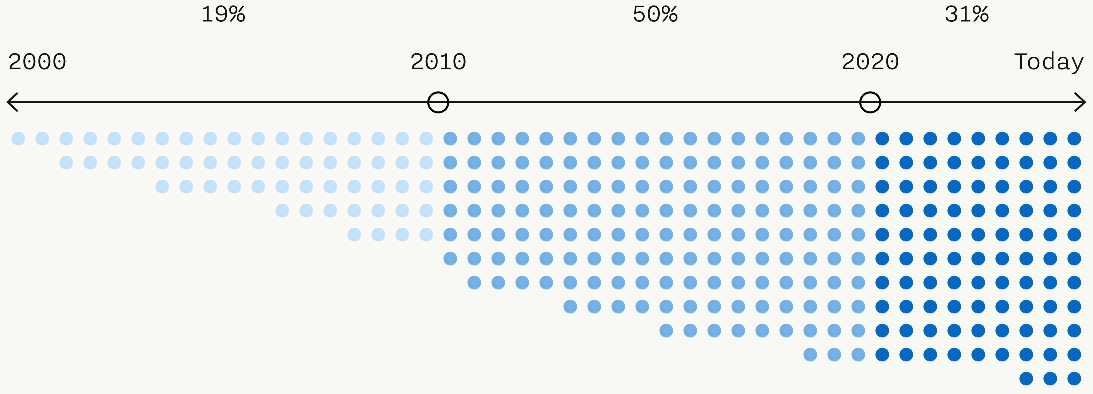
Location Context



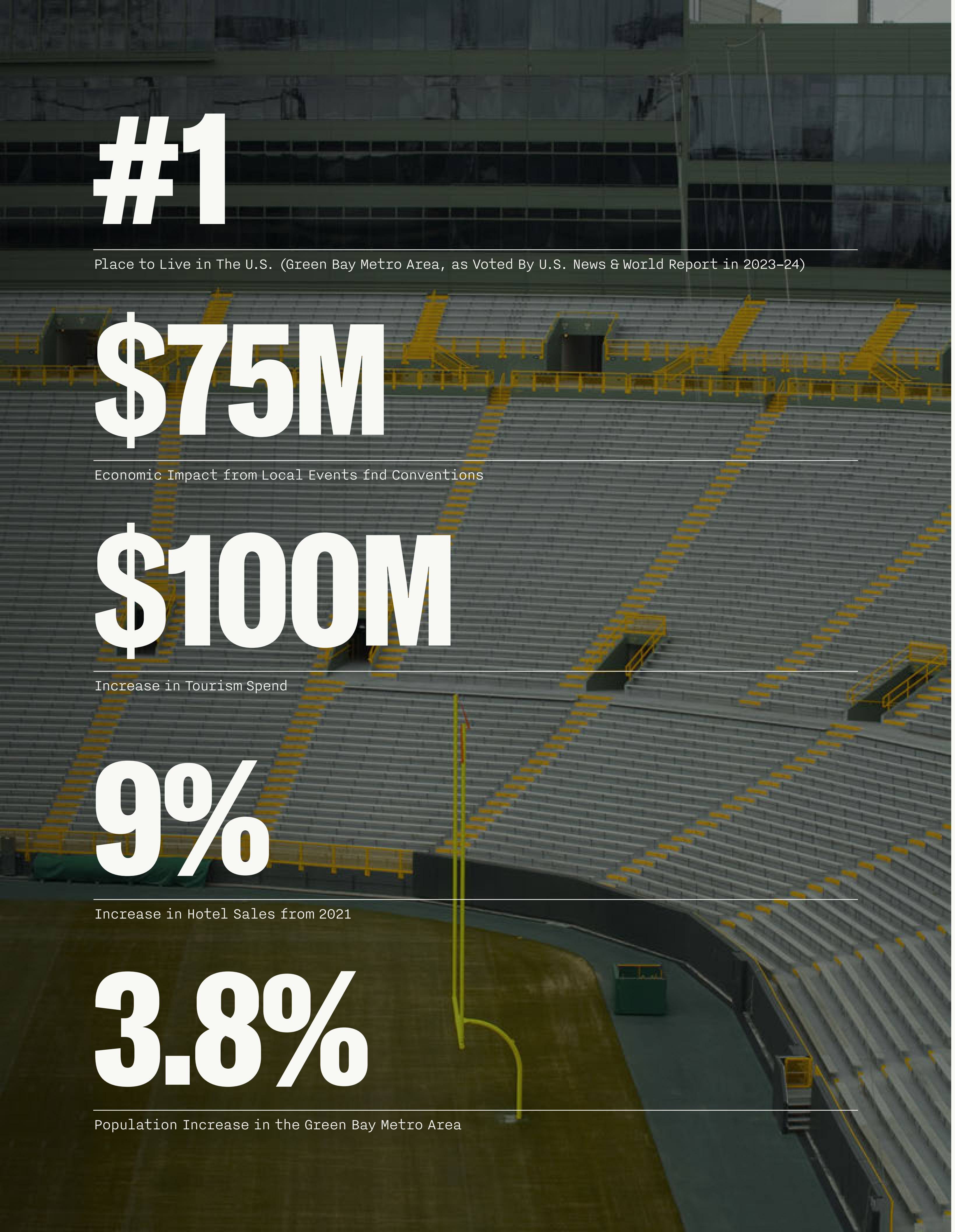
District Size



Year Opened



ROSSETTI | Sports Global Detroit Local. https://www.rossetti.com/.



#1

Place to Live in The U.S. (Green Bay Metro Area, as Voted By U.S. News & World Report in 2023-24)

$75M

Economic Impact from Local Events fnd Conventions

$100M

Increase in Tourism Spend

9%

Increase in Hotel Sales from 2021

3.8%

Population Increase in the Green Bay Metro Area

CASE STUDY

Green Bay Packers

Titletown District is a 45-acre mixed-use development next to Lambeau Field that opened in 2017 and welcomes nearly one million visitors annually. The Packers have invested over $300 million into the SMD that provides year-round activities for residents and tourists. The shopping and entertainment destination was built around a public plaza, and includes a hotel, restaurants, sports medicine facility, bank, ~300 residences, offices and a 10-acre park featuring a snow-tubing hill, skating rink, playgrounds and a football field.

Commercially, the space has driven several unique brands partnerships ranging from traditional plaza and playground entitlements with Hy-Vee and Shopko Optical, to office tower naming rights with U.S. Venture. Microsoft even partnered with the Packers to launch an on-site venture capital firm (TitletownTech), which is reported to have $95 million in assets under management. All these TitleTown partnerships contributed to the Packers generating a record breaking $654 million in team revenue during the 2023 season.

The development is also widely known to have played a pivotal role in helping the Packers secure the 2025 NFL Draft, which is expected to drive $100M in revenue. Not only will this be the first time Green Bay hosts the NFL Draft, but it will be the smallest market to ever host the event. Other meaningful success metrics attributed towards Titletown are:

- Green Bay Metro Area was voted the #1 in place to live in the U.S. by U.S. News & World Report in 2023-24
- Economic impact of $75M from local events and conventions
- $100M increase in tourism spend
- Hotel sales increased 9% from 2021
- Population increased 3.8% in the Green Bay Metro Area

Source: ROSSETTI, Matt. President, ROSSETTI.

Photo (left): Joe Ferrer/Shutterstock.com
Photo (above): "Packers vs Jets" by Phil Roeder is licensed under CC BY 2.0.

Doing Well By Doing Good

SMDs represent a large-scale opportunity to create attractive public-private partnerships when managed appropriately. Team owners can invest incremental capital alongside a pre-existing sports team asset to potentially generate attractive financial returns that stand outside of league revenue sharing requirements. In turn, alignment between team owners, public officials, local leaders, organizations, and citizens throughout the development and zoning process provides the opportunity to positively impact their communities with the long-term benefits associated with SMD investment.

> There is now a much greater willingness by ownership groups to invest [additional] capital in real estate and infrastructure.
>
> This direct investment approach allows for the ability to unlock new revenue streams both in premium experiences and mixed-use development.
>
> — Tim Katt
> *Managing Director, Sports and Entertainment, Transwestern*

SMDs allow team owners to capture and generate incremental value from new revenue sources.

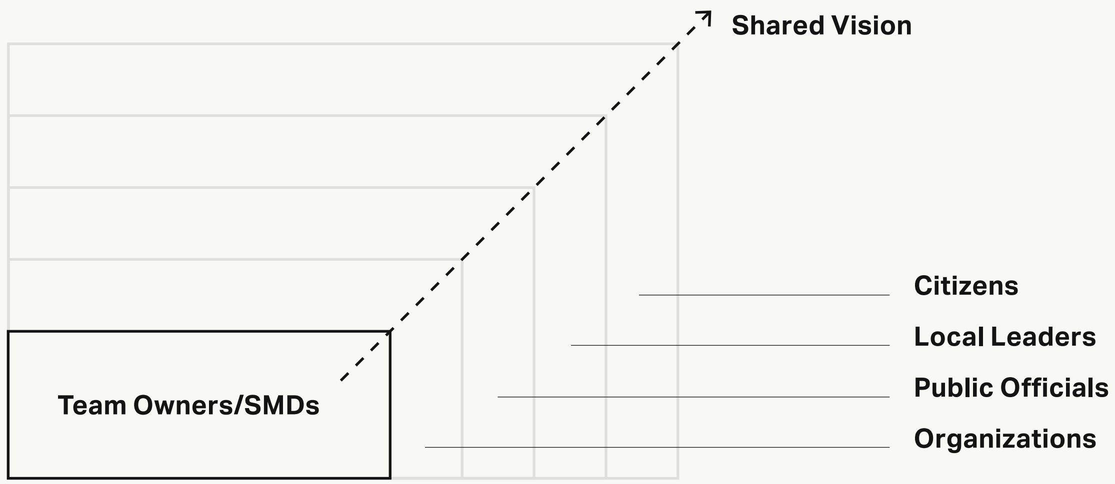
Stadium-Related Benefits:

- Enhance top sponsorship tiers (naming rights and foundational partners)
- Improve premium offerings
- Increase seating capacity
- Augment game-day experience (improved concessions, sightlines, etc.), increasing ticket prices
- Increase the number of live events (e.g. concerts) subsequently increasing rental and concessions revenue and more
- Attract a younger, less price sensitive fan base – PwC found that younger fans are 1.4x more likely to attend a live sports event than older fans and pay an average of $70 more per ticket
- Improve the ability to attract major domestic and international events (championship games, all-star games, World Cups, and Olympics) which are a net benefit for communities as well

District-Related Benefits:

- Generate return outside of league revenue sharing parameters
- Create additional partnership opportunities
- Improve consumer foot-traffic and dwell time
- Provide additional community engagement opportunities

Alignment on SMDs Creates a Large-Scale Opportunity for Public-Private Partnerships



Katt, Tim. Managing Director, Sports & Entertainment, Transwestern.
PwC Research. Engaging Younger Sports Fans: How Today's Trends Can Inform Tomorrow's Investments.

CASE STUDY

Ottawa Senators & LeBreton Flats

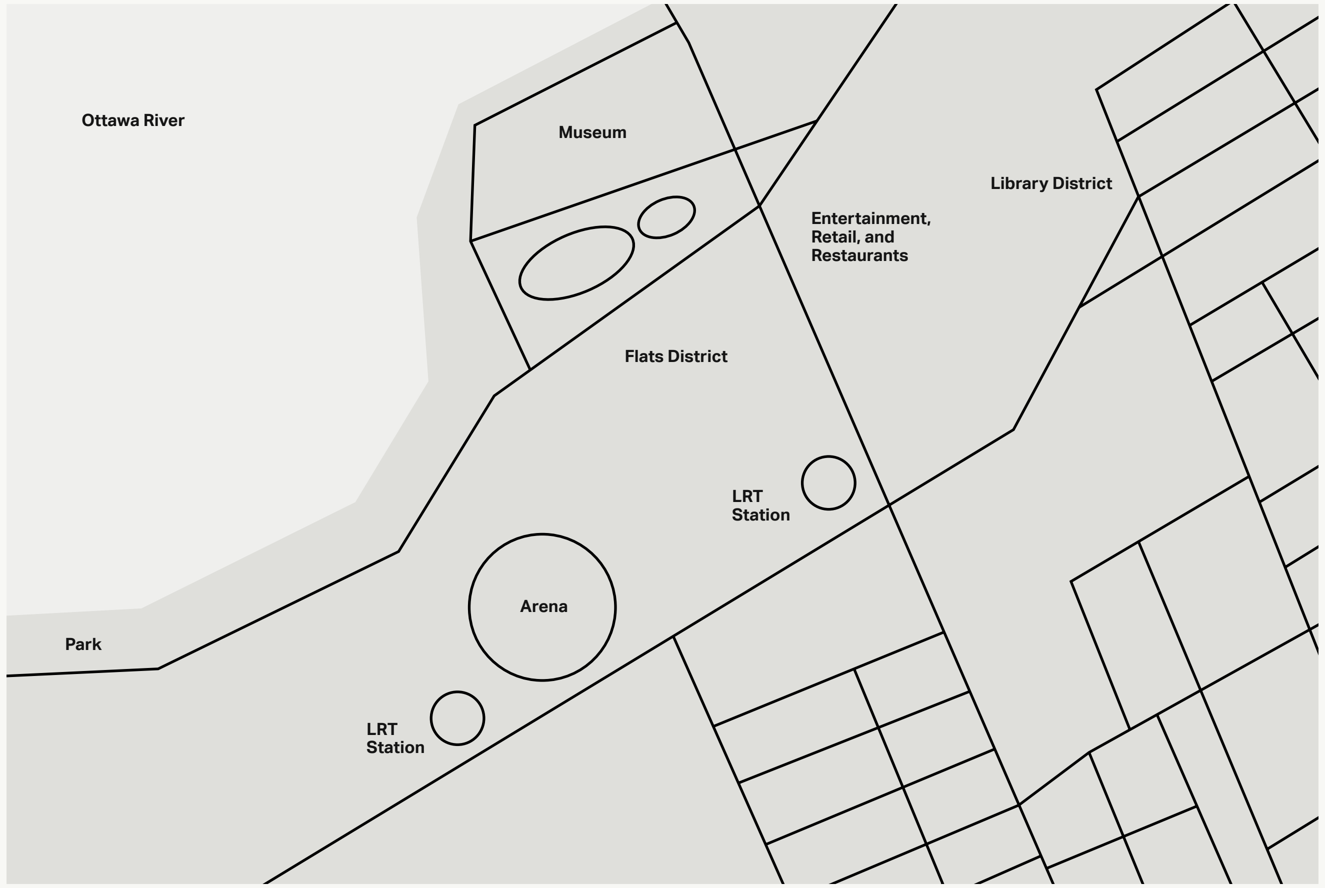
The Ottawa Senators have reached a deal with the National Capital Commission to move to LeBreton Flats and build a downtown arena and mixed-use district. The project is expected to be privately funded, and the team is purchasing 10-acres of land. Plans for the SMD include several amenities and services including restaurants, bars, shopping, a winter garden, and other forms of entertainment. Additionally, there will also be apartments/ residential units, office buildings, hotels, and more.

The move from the current suburban Canadian Tire Centre location to downtown will radically change the gameday experience. The number of game attendees that ride on public transit is expected to increase from 5% to 50% with the new arena's location at the nexus of the LRT lines. Furthermore, LeBreton Flats is expected to become a year-round destination for fans and tourists alike. Located near the banks of the Ottawa River and less than one kilometer from Parliament Hill, the development will be ideal for concerts, outdoor events, and programming.

The team estimates that the central downtown location will drive 50-75 additional events per year outside of their scheduled NHL home games due to its proximity to the Ottawa-Gatineau population, new LRT line, and 10,000+ hotel rooms. The demand will be met with an expanded calendar of events with French language performers and events, 2+ additional sports teams (hockey, lacrosse, basketball etc.), and numerous University & College events (the LRT connects the University of Ottawa, Carleton University and Algonquin College).

The project's economic impact is expected to be considerable, with Senators' surveys currently showing that 30% of event attendees come from outside of Ottawa to attend sports events and shows. Estimates have not been finalized, but the team expects at a minimum to drive 9,000 FTEs and $420M+ in economic impact during construction, and an additional 1,800 FTEs and $120M+ in annual impact through the arena and district operations. While site plans are still under development, these figures are conservative and could even increase by 40-50% per the team's estimations.

Source: Leeder, Cyril. President & CEO, Ottawa Senators Hockey Club.



New Builds Can Reap Benefits for Local Communities & Governments

While they can have a substantial impact on sports team stakeholders, SMDs can have several benefits for the local communities where they are built as well. This starts from a financial and economic perspective where local governments can realize an uptick in property and sales taxes from those that move to and spend money within the SMD. SMDs provide reasons for people outside to the community to visit. Not only will they attend games or events, they will spend money on restaurants, bars, hotels, and local travel.

SMDs also can stimulate job growth within local communities. Originally, SMDs were praised for generating temporary jobs, primarily in construction, but faced criticism for the lack of permanent employment opportunities. Increasingly, sports teams are now moving towards the creation of hundreds, if not thousands, of permanent jobs through SMD projects. New York City FC is expected to create 1,550 permanent jobs on top of the 14,200 construction jobs for its build of Etihad Park and surrounding mixed-use development.

SMDs can also help government achieve its aims to facilitate community development for all. More recent SMD projects typically provide millions of dollars to local, minority and women-owned contractors during the builds. Northwestern University has spent $27M as of October 2024 on these types of contracting commitments for its Ryan Field renovation. Mixed-used projects also frequently become the catalyst for community development, including:

- Youth sports and recreational facilities
- Community center buildings
- New park development
- Community cultural investment including new theaters and art centers

"New York City FC and Etihad Airways Announce Etihad Park." New York City FC.
Northwestern Now Staff. Ryan Field Redevelopment Announces $133 Million in Minority Contracts to Date.

CASE STUDY

Salt Lake Bees (MiLB)

In 2025, the Larry H. Miller Company will open its Downtown Daybreak development in South Jordan, Utah, located in the fast-growing southwest part of Salt Lake County. This new regional urban center will provide jobs, housing diversity and affordability, retail and dining options, and sports & entertainment venues with affordable and family-friendly entertainment options.

The 200-acre project will include a privately funded $140M ballpark managed by Miller Sports + Entertainment (MSE). The Ballpark at America First Square, home of the Salt Lake Bees, will anchor Utah's first-of-its-kind sports and entertainment district.

The SMD sits within the 4,100-acre Daybreak master planned community, owned by Larry H. Miller Real Estate. Downtown Daybreak is expected to attract over 1 million visitors annually with entertainment including a cinema entertainment center with movie theaters, games, bowling, scratch kitchens; outdoor ice-rink; outdoor amphitheater with live concerts and performances; retail; restaurants; office space; housing and more.

Ownership has a strong track record across several community investments due to their ability to build community trust. The Downtown Daybreak project is no different, with millions of private investment dollars spent on meaningful community and infrastructure improvements. The Larry H. & Gail Miller Family Foundation has granted $25 million to bring a county regional arts center to the area as well.

Overall, the SMD is expected to:

- Address 15%+ of Utah's housing shortage with 4,724 residential units, 10.6% of which are affordable and include deeply affordable and workforce housing
- Create a walkable, bikeable and transit connected community with increased transit access and ridership with a new transit stop
- Generate 9,000 direct jobs, including 7,000 office jobs
- Encourage water conservation and stewardship of land within the development

Source: Miller Sports + Entertainment and Larry H. Miller Real Estate

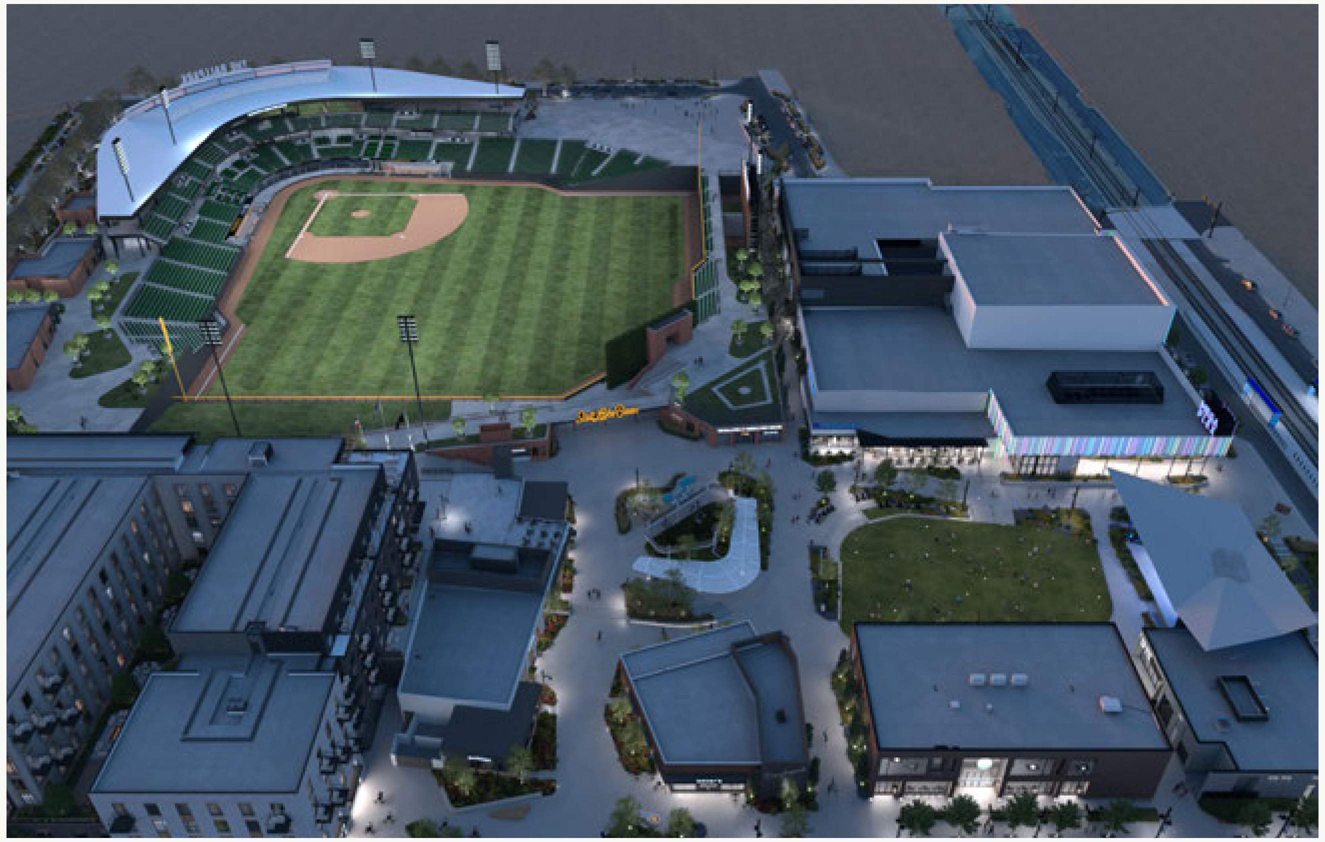


Photo: Courtesy of Salt Lake Bees

CASE STUDY

New York City FC

Willets Point was a long-neglected area of New York City, with acres of empty space and unrealized potential. New York City FC needed a home, and New York City needed more housing and public space for residents – making this an ideal match for both the club and the City of New York.

The Etihad Park project is a novel SMD that combines critical community needs with state-of-the-art infrastructure. The soccer-specific stadium opens in 2027 and will be entirely privately financed by New York City FC. The first ever all-electric stadium in MLS will serve as the cornerstone of the landmark $3 billion redevelopment of Willets Point, including:

- Etihad Park: New York City FC's 25,000-seat stadium and NYC's first-ever soccer-specific stadium
- 2,500 units of all-affordable homes, the largest 100-percent affordable, new construction housing project in New York City in 40 years
- A brand new 650-seat public school
- 115,000 square feet of public space
- A new 250-key hotel
- Neighborhood-serving, ground-floor retail shops

New York City FC expects the SMD to generate $6.1B in economic impact over the next 30 years. Furthermore, the stadium was designed to be a resource for the surrounding community, inspired by the club's core belief of empowering better lives through soccer. Whether it's providing meeting space for community organizations, hosting farmers markets and other businesses that will be open on non-matchdays, or other events, Etihad Park will bring tremendous benefits for Queens and New York City.

In addition to the impact it will have on the Willets Point community, the Etihad Park SMD enables New York City FC to transition from a tenant to their own soccer-specific stadium that the club operates, which will dramatically impact revenue streams. The club will have the ability to intentionally curate and control experiences and host non-New York City FC events (concerts, USWNT & USMNT soccer matches, etc.).

A new stadium project also enables the club to secure more sponsorship inventory than ever before and give brands a once in a generation opportunity to put their thumbprint on a world class venue. New York City FC will be working with a select group of partners on founding partnership opportunities, anchored by various landmark positions within the stadium. The team will also have hospitality spaces primely positioned for a soccer stadium, a physical team store for the first time, and more.

The club credits ongoing dialogue with the local community officials combined with a focus on making the community at the heart of the project as key contributions to the SMD moving forward. In particular, New York CIty FC worked closely with New York City Council Member Francisco Moya (the local council member whose district Etihad Park falls under) who was a true champion of this project, the Mayor of the City of New York and the Borough President of Queens.

Etihad Park will be part of a vibrant new neighborhood. It'll also help form a premier sports hub in New York City, with the New York Mets' Citi Field across the street and the USTA's Billie Jean King National Tennis Center just a few minutes' walk away. That comes with foot traffic and natural interest in the area that is truly unmatched, especially in a city like New York.

Source: Sims, Brad. CEO, New York City FC.

Photos: Courtesy of New York City FC

The Opportunity in Venue Renovations Continues to Grow

As part of our research, ROSSETTI and KLUTCH identified that through December 2024, a minimum of 37 SMDs have been announced across major North American professional sports. This is an incredibly impressive figure before even considering any global mixed-use development (e.g. Camp Nou, Estadio Universitario, Hangzhou International Sports Centre), or minor league, college, and high schools projects.

Not every development will require the $2B+ cost it will take to build the Buffalo Bills' new Highmark Stadium or the proposed $7B for the 1901 project using the Chicago Bulls' and Blackhawks' United Center as the anchor.

However, almost every project will require hundreds of millions of dollars to complete, and the 37 SMDs will cost tens of billions to finance. The capital costs for sports venues and SMDs means that ownership groups and sports executives are looking for sources of capital from traditional and non-traditional sources. We explore multiple different private and public financing options that sports team are considering in the next section.

Women's Sports Represents an Untapped Area

Women's professional sports is projected to generate $2.35B globally in 2025, a 25% increase over 2024. Consistently growing viewership bolstered by new media rights deals, loyal and engaged fans, a wave of new owners, and emerging superstars have elevated the women's game to new heights. Alongside this growth, there has been an explosion of investment in new training facilities, particularly across the WNBA - the Indiana Fever, Las Vegas Aces, Seattle Storm, Phoenix Mercury, Chicago Sky, Dallas Wings, WNBA Portland, Toronto Tempo, Los Angeles Sparks and Golden State Valkyries have all opened or announced plans for new training facilities.

The NWSL expansion team Boston Legacy FC is among the few to announce a new stadium project, and it has been announced that the new NWSL Denver team plans to build a new stadium and district as well. Furthermore, the KC Current's new stadium has been an overwhelming success: the privately financed $117M project was the first ever stadium purpose-built for a professional women's sports team. The team secured a lucrative 10-year naming rights agreement with railway giant, CPKC, and hosted the 2024 NWSL Championship in the stadium's inaugural season. All of these factors helped contribute to the ~$40M in revenue the team generated in 2024, which was a 200% increase over 2023.

The KC Current were also a first mover in women's sports with their April 2024 announcement of a 20-acre SMD that is expected to cost about $800M. The destination will provide fans a place to go pre and post-game, and is expected to revitalize the nearby waterfront with retail, entertainment and restaurants, as well as 1,000 residential units and 20,000 square feet of office space.

Despite the 37 SMDs in the U.S. pipeline across men's sports, there have been few announcements across the women's game. Monarch Collective is a $200M+ fund looking to help change that dynamic by investing in women's sports teams, leagues, and rights-based adjacencies. Managing Partner Jasmine Robinson shared two reasons forthe lack of SMD investments in women's sports to-date:

- Women's sports often have immediate needs for new facilities given the historic underinvestment in teams and leagues. SMDs typically require longer lead time planning than a standalone venue or practice facility. While men's teams can use venue and facility upgrades, their need for the facility is not as urgent as women's teams.
- Women's sports teams have not yet experienced many of the revenue maturation concerns facing men's teams. Growth in the core team and league revenue streams is rapid, so stagnating growth is less of a motivator.

Robinson said she expects that the dynamic will naturally shift over time, meaning that women's teams will more frequently have similar development goals and timelines as men's teams. This is one reason why existing women's professional leagues, like the WNBA and NWSL, and new leagues, like Unrivaled Basketball League and Pro Volleyball Federation, are some of the more attractive investment opportunities across sports and media. These relatively young properties have experienced rapid increases in investment and value over the last 12-24 months.

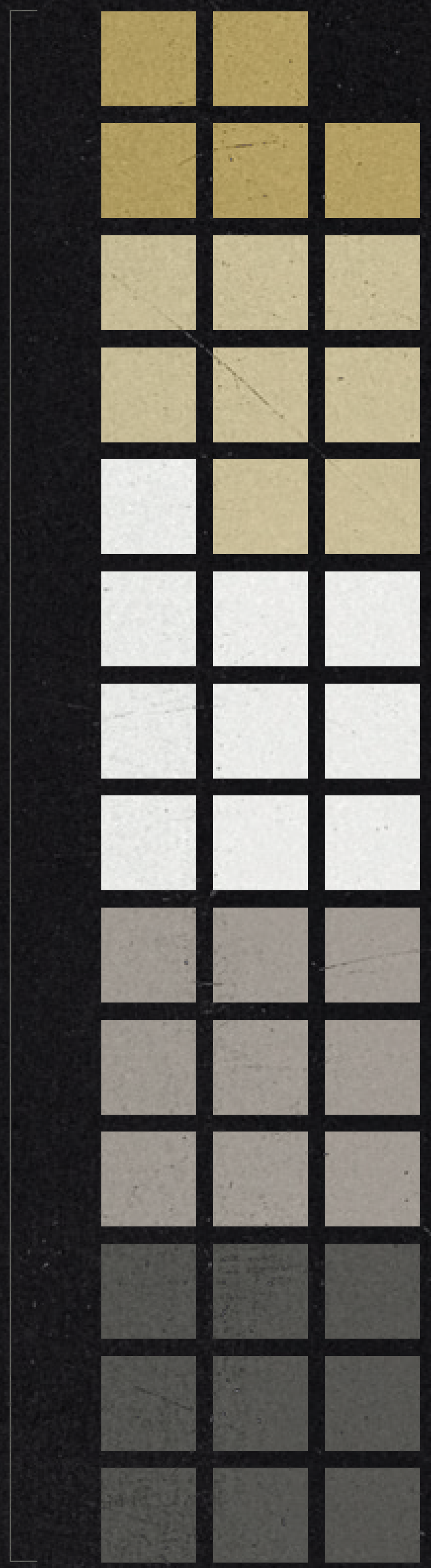
Andrews, Jim. "KC Current Stadium Naming Deal Is on the Right Track." TicketManager, 24 Oct. 2023.
Haskel, Jenny, et al. "Beyond the Billion-Dollar Barrier: Charting the next Phase of Growth". Deloitte, 2025.
Lloyd-Hughes, Theo. "How Did Denver Become the NWSL's 16th Expansion Team?" SI, 9 Jan. 2025.
Robinson, Jasmine. Managing Partner, Monarch Collective.
Pirrone, Chris. "The Buffalo Bills' New Stadium Is Designed with the World's Largest Heated Roof to Withstand Buffalo's Snowfall." Buffalo Bills On SI, 19 Dec. 2024.

SMDs in the Development Pipeline (Either Planned or Proposed)

37
Total SMDs

41
Major League Sports Teams

*Indicates SMDs to be shared by multiple teams and are only counted once in the total 37 SMDs



MLS: 5
Austin FC, Verde Square
DC United, Parcel B
FC Cincinnati, West End
Inter Miami, Miami Freedom Park
Minnesota United, United Villages at Midway

MLB: 8
Baltimore Orioles, Camden Yards Area
Houston Astros, Astros District
New York Mets, Metropolitan Park
Las Vegas Athletics, Ballpark
Philadelphia Phillies, South Philadelphia Sports Complex*
Pittsburgh Pirates, Plaza
Tampa Bay Rays, Historic Gas Plant District
Washington Nationals, Nationals Park Hub

NHL: 10
Anaheim Ducks, Anaheim District/ocV!BE
Atlanta, The Gathering at South Forsyth
Calgary Flames, Rivers District
Carolina Hurricanes, Arena District
Chicago Blackhawks, The 1901 Project*
Colorado Avalanche, Ball Arena SMD*
NY Islanders, Belmont Park Redev't
Philadelphia Flyers, South Philadelphia Sports Complex*
Ottawa Senators, LeBreton Flat Development
Pittsburgh Penguins, Lower Hill Redev't

NFL: 9
Arizona Cardinals, The District of Sportsman's Park
Chicago Bears, Arlington Heights or Chicago - Museum Campus
Indianapolis Colts, Eleven Park
Jacksonville Jaguars, "Lot J" District
Philadelphia Eagles, South Philadelphia Sports Complex*
Tennessee Titans, East Bank
Cleveland Browns, Brook Park
Las Vegas Raiders, The Stadium District
Los Angeles Rams, Hollywood Park

NBA: 9
Atlanta Hawks, Centennial Yards
Charlotte Hornets, Performance Center
Chicago Bulls, The 1901 Project*
Denver Nuggets, Ball Arena SMD*
LA Clippers, Intuit Dome Entertainment District
Orlando Magic, Westcourt
Philadelphia 76ers, South Philadelphia Sports Complex*
Cleveland Cavaliers, Global Peak Performance Center
Detroit Pistons, Henry Ford Detroit Pistons Performance Center

ROSSETTI | Sports Global Detroit Local.
"The 1901 Project." The 1901 Project, 16 Jan. 2025.

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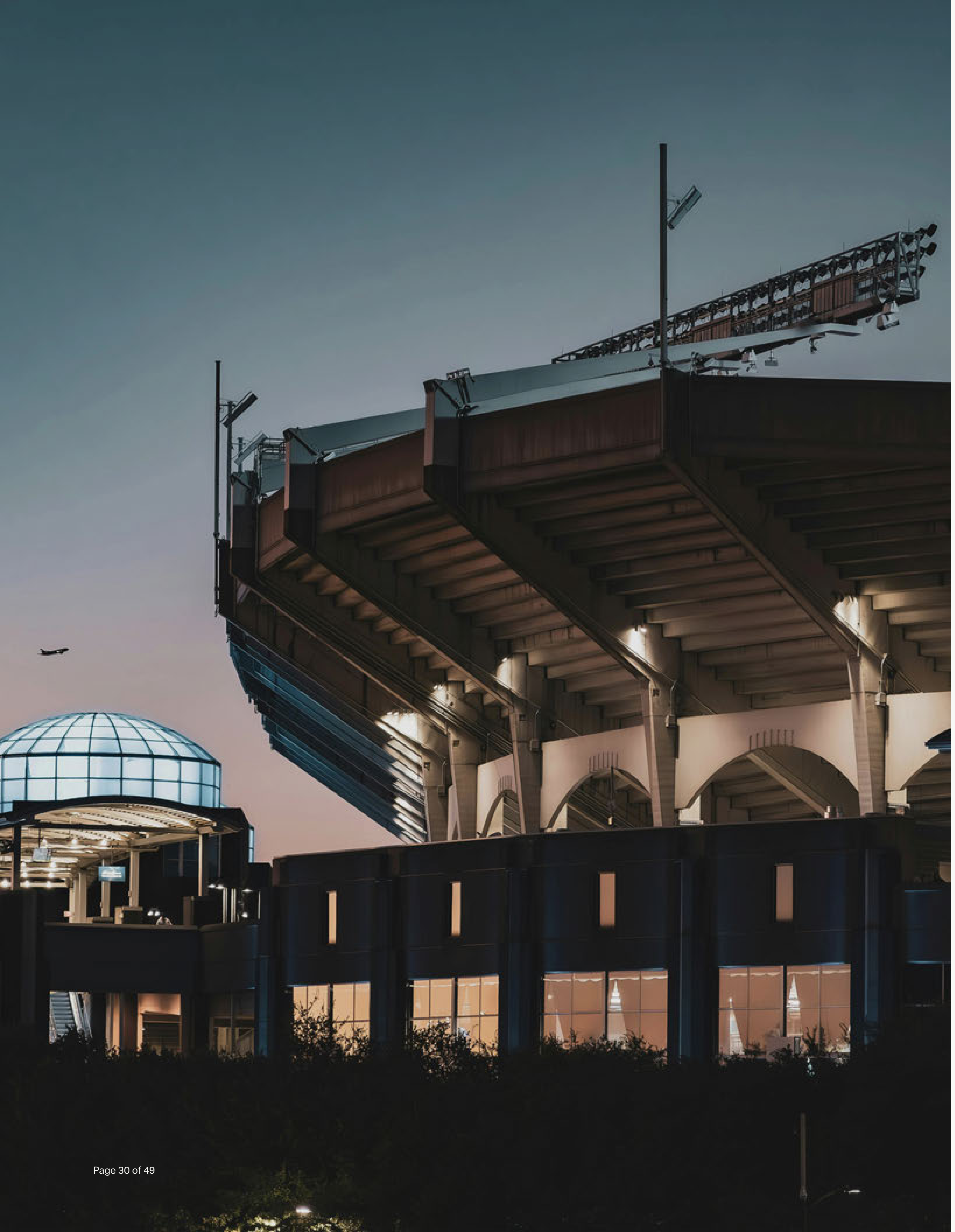
03

How are SMDs being funded today?



Team & Venue Financing

Even though they have the potential to deliver substantial ROI, SMDs have historically been considered expensive and complex endeavors to undertake. Despite this, the number of SMDs has increased substantially over the past twenty years. To fully appreciate the extent of the financial engineering that goes into the business of sport and SMDs, it is important to break down the components across each of the three core teammates – teams, stadiums and SMDs – and the various types of capital available for these initiatives.

Financing Needs

- Team Financing
- Stadium Financing
- SMD Financing

Financing Types

- Equity Capital
- Debt Capital
- Private Credit
- Public Support

Team Financing

Professional sports teams were historically the domain of wealthy individuals or families as equity owners, with one individual designated as the controlling owner. The ownership landscape fundamentally changed in 2006 when three American funds bought a majority stake in soccer team Paris Saint-Germain. This opened the door to an entire class of ownership prospects in the form of institutional investors (private equity firms, alternative asset managers and fund managers) and sovereign wealth funds.

However, it was not until 2019 that the Big 5 North American sports leagues began to allow private equity firms to invest equity capital into sports teams, and only still with minority ownership positions. This was done to facilitate capital investment in teams, stadiums and SMDs, while also allowing for liquidity given that the dramatic increase in team valuations reduced the pool of available buyers. We note that Arctos Partners, Ares, Sixth Street, Blue Owl and other investment firms have now raised multi-billion dollar funds dedicated to investment in the professional sports industry and sports-team owners.

Stadium Financing

Similar to the significant run-up in team valuations, RBC's stadium financing experts note a similar and dramatic increase in costs associated with stadium construction and financing. For example, while 20 years ago major professional sports venues were being built for ~$500M, they note that the San Francisco 49ers are spending an expected $250M to upgrade Levi's Stadium for Super Bowl LX (game played in 2026) after having spent $3B-$4B in public and private capital for the initial building of the stadium completed for the 2014 season.

However, unlike team ownership financing structures, new stadium builds and renovations are more likely to be funded via debt financing.

SMD Financing

The size and sophistication of new SMDs almost always necessitate a team ownership group to take on institutional-level financing partners. As private equity firms increasingly participate in sports team ownership, they bring with them access to larger sources of capital. This money has been used to finance SMDs given the persistent interest from private credit and high-net-worth individuals looking to maximize yield in a likely declining interest rate scenario.

Coffey, Brendan. "Sports Grow From Private Equity Afterthought to Booming Market." Sportico.Com, 16 May 2024.

Leveraging Debt Capital

When it comes to debt financing, different lenders have proprietary approaches to determine interest rates on loans, but one commonly used approach is called the interest coverage ratio:

Earnings Before Interest and Taxes (EBIT)

Total Interest Expenses on the Company's Outstanding Debts

The higher the ratio, the lower the interest rates and payments given the lower loan default risk

There are clear reasons why debt capital has historically been used to finance sports venues rather than SMDs. Namely, it is easier to project revenues for sports venues given the historical precedent most sports teams have set - highly predictable ticket sales, partnership revenues, food and beverage and other associated costs. These revenues and costs can be used to more accurately model interest rates and default risks.

SMDs, on the other hand, cannot be easily secured by existing assets other than land, and do not have known or easily predictable revenues. While the natural inclination is to treat SMDs as real estate projects, there is often less appetite to finance these projects because:

- There are no existing mortgages and tenants to determine net operating incomes (NOI)
- Sports team owners usually do not fully own the commercial or residential real estate developments
- It is harder for traditional banks to determine default risks and interest rates with no "known" financial metrics

However, this does not mean that traditional banks will not participate in financing SMDs, just that it is a more difficult process given banks' risk tolerance. As such, SMD loans may look more like the following:

- Provide on average \$200M–\$300M in debt capital with a five-year term, though we note substantial variances on amounts and term lengths
- Participating banks will often use their own balance sheets with a view to refinancing after 3-5 years by other lenders once the SMD build is complete. These other lenders are typically institutional investors (insurance companies or private credit firms) that come in via a private placement

Private Credit's Potential Sports Impact

Given the noted challenges for traditional banks in providing debt financing for SMDs, such investments now represent an interesting opportunity for one of the largest global asset classes – private credit. With over \$2T raised by institutions and funds for alternative debt asset investments from entities including insurance firms, pensions/retirement funds, endowments sovereign wealth, family offices and ultra-high-net-worth investors, private credit has gained substantial traction as a source of "more flexible" capital.

Private credit has gained in popularity because of its:

- Ability to use different metrics and valuation methodologies
- Different fee structures and capital requirements than banks
- Potentially longer-term time horizons

In fact, one potential challenge for many private credit firms is finding enough opportunities to deploy credit where extra yield can be generated without assets being too risky. To that end, we believe that SMDs may provide an excellent opportunity to deploy private credit for the following reasons:

- Alignment of team views of "generational assets" with fund/real estate counterparties views of 5–10 year time horizons
- SMD investment opportunities should become even more attractive from a yield and return perspective in a declining interest rate environment, as currently forecasted
- Sports team owners' willingness to pay relatively higher interest rates given their expectation of making up to 30% internal rates of returns (IRRs) on SMDs

SMDs Backed By Public Support

While private credit and traditional lenders can be attractive sources of capital, sports teams do have access to public capital as well. For hundreds of years, the relationship between sports organizations and their surrounding communities has run very deep. These relationships became a catalyst to use public funds to help support the costs of building sports venues and mixed-use facilities.

Towns, cities, states, and countries have typically relied on debt, such as municipal bonds, to finance these projects given they can issue or accumulate debt at much lower interest rates than sports team owners (and are also tax-free investment products). Local governments can also increase taxes (generally some form of tax on entertainment and leisure activities) and use this money to provide a low or zero interest loan to sports organizations. Sports teams historically have frequently leveraged either or both options.

More recently, governments, community groups, and voices in the media have all questioned committing public resources to sports organizations given a perceived or actual lack of return on investment. There are instances where municipal entities have remained in debt for decades after paying for sports venue construction, including South Africa (World Cup 2010), and the City of Montreal (Olympic Stadium).

That does not mean that SMDs do not provide value to communities outside of financial results. SMDs can serve as catalysts for further community investment, help maximize the value of existing real estate investments, drive increases in tourism, and build awareness for a local community. The area surrounding an SMD can be boosted by investors funding a variety of non-gameday activities in their communities, such as youth tournaments, concerts, festivals, farmers markets, and other events.

Reducing risk and increasing benefits of public investment into sports organizations, however, is increasingly a primary goal when it comes to maintaining or increasing public support for SMDs. More specifically, municipalities have been largely dependent on tourism, real estate development, and taxes to fund SMDs. Sports teams can more clearly demonstrate how they drive significant return on their SMD investment, particularly when they are primarily or solely reliant on these revenue streams for success.

We highlight two case studies to show how communities have benefited from SMD and sports venue investments with the Arlington Entertainment District and San Diego Padres. There are many SMDs in development where sports teams have secured millions of dollars in public financing, including the Tennessee Titans and Orlando Magic. It is our expectation that public financing will continue to be a viable option for many sports teams in the appropriate circumstances.

Cohen, Charles, et al. "Fast-Growing \$2 Trillion Private Credit Market Warrants Closer Watch." IMF Blog, 8 Apr. 2024.
Rein PHD, Irving; Shields, Ben; and Adam Grossman. The Sports Strategist: Developing Leaders for a High-Performance Industry. Oxford University Press, 2017.

CASE STUDY

Arlington Entertainment District

The Arlington Entertainment District (AED) is a $3.9B public/private development that demonstrates why local governments will provide financial support to SMDs. The development originally began with the idea of building a shopping center around Globe Life Park (the former home of the Texas Rangers and now called Choctaw Stadium) in the early 2000s. Over the next 20 years, AT&T Stadium (Dallas Cowboys), Globe Life Field (Texas Rangers), and Choctaw Stadium became anchor venues for Texas Live!, hotels, bars, and restaurants in a SMD in Arlington.

The United Football League (UFL) has also announced it is signing a lease agreement for an 111,409 square-foot headquarters in Arlington. A new luxury apartment complex called One Rangers Way is also under development. According to Texas Rangers CFO Kelli Fischer, One Rangers Way already has a 93% occupancy rate with leases comparable to units in Dallas and Fort Worth and substantially higher than similar units in Arlington.

AED has created billions of dollars of economic impact in Arlington. The city has stated that its annual tourism spend was at $2.8B from 15.6M visitors in 2023 – 2x what the city generated ten years ago. The city of Arlington is also benefiting from tourists paying a 9% Hotel Occupancy Tax (HOT). The funds generated by dollars spent largely from tourists "are used to market and promote the City of Arlington as a convention and tourism destination." The 10-year increase in tourism revenue shows that HOTs do not substantially depress tourism and likely serve as a revenue multiplier for the city given it has millions of incremental dollars to promote Arlington to more tourists.

The sports venue anchors have also served as catalysts for tourism outside of regular season gamedays. AT&T Stadium has and will host the College Football Playoffs and FIFA World Cup games in addition to concerts, Supercross, Monster Truck, and food events. Globe Life Field hosted the 2024 Major League Baseball (MLB) All-Star Game that generated a projected $85M "in direct and indirect economic impact" according to the Arlington Convention & Visitors Bureau and Arlington Sports Commission.

The city of Arlington understood this potential for value creation as it was building the AED. In the mid 2010s, the Rangers strongly considered moving to a new stadium in Dallas with a retractable roof given that many of its fans resided in the city. Arlington recognized that a move would be "crippling" to the AED and over the course of a year, negotiated the terms to provide $500M in public funding for Globe Life Field. "The City of Arlington is like no other, and it always has a 'Yes, how can we help attitude,'" Fischer said. "There is no question that the stadium and the AED are real money for the Rangers. Any team that does not have non-sports revenue will not be as valuable as one that does. This adds value to the team whether it is performing well or not."

> The Arlington Entertainment District is a powerful economic engine for the city, serving as a unique niche within the broader field of economic development. Successful planning and development of sports and entertainment districts go far beyond the simple "build it and they will come" model of the past. It's a sophisticated process that blends multiple disciplines, a synergy I affectionately call "eventonomics."
>
> —Gus Garcia
> *Director of Economic Development*
> *Office of Economic Development*
> *City of Arlington*

Modern entertainment venues are no longer just places to watch games, matches, or events—they are strategically designed ecosystems. They thrive through collaborations involving public-private partnerships (P3s), precise planning and zoning designs, form-based code, district overlays, input from sports franchises, transportation experts, city management, economic development specialists, and the creative planning and use of current and future local, state, and regional incentives, often supported by private equity investment.

These venues are shifting their focus from maximizing attendance (ticket revenue) to maximizing diversified revenue streams.

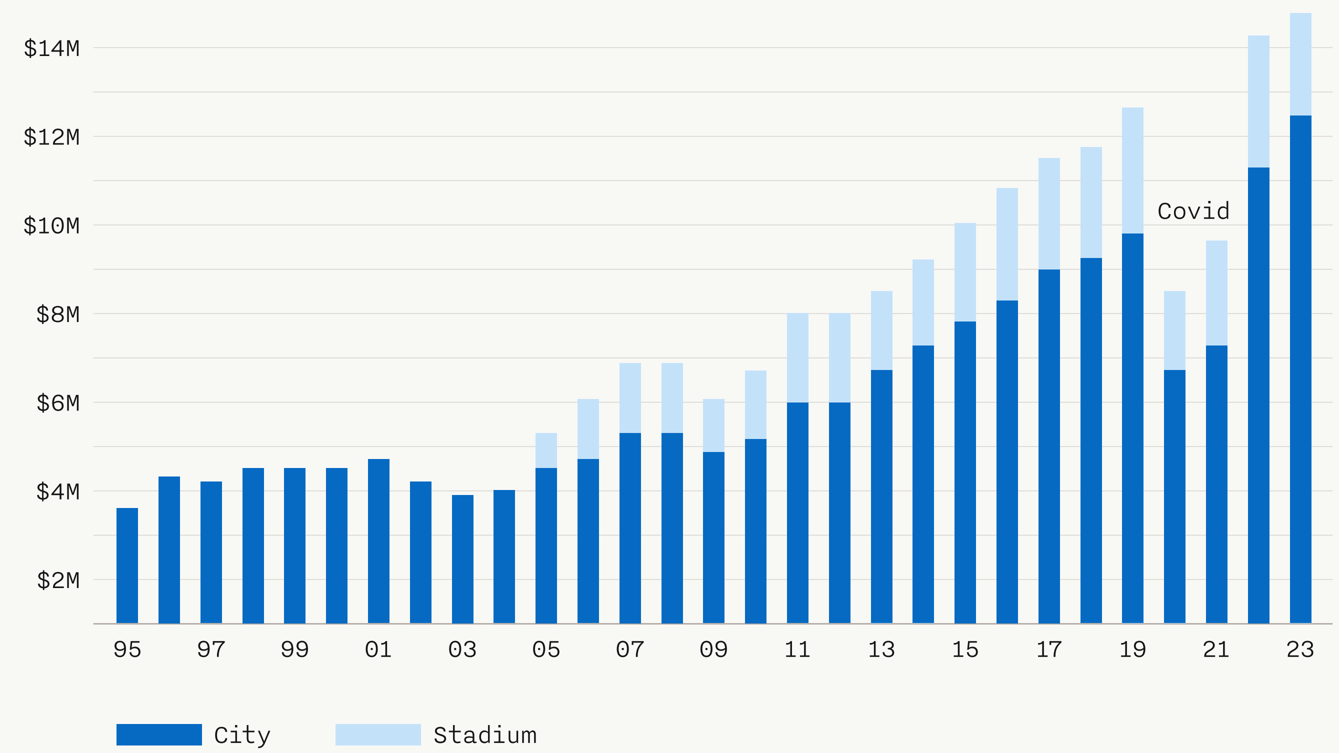
The design of surrounding developments—hotels, restaurants, retail spaces, and experiential attractions—add layers of profitability. Every event within the district brings a unique set of economic opportunities and community benefits, making alignment with the city's vision, comprehensive plan, venue stakeholders, and consumer needs critical to long-term success.

These new entertainment hubs are more than event centers—they serve as shopping, hotel, retail, media, and event streaming hubs, contributing to the evolving landscape of sports and events commerce. Eventonomics is an emerging and integral business model shaping the future of destination-driven economic growth. Arlington is definitely a case study in this field.

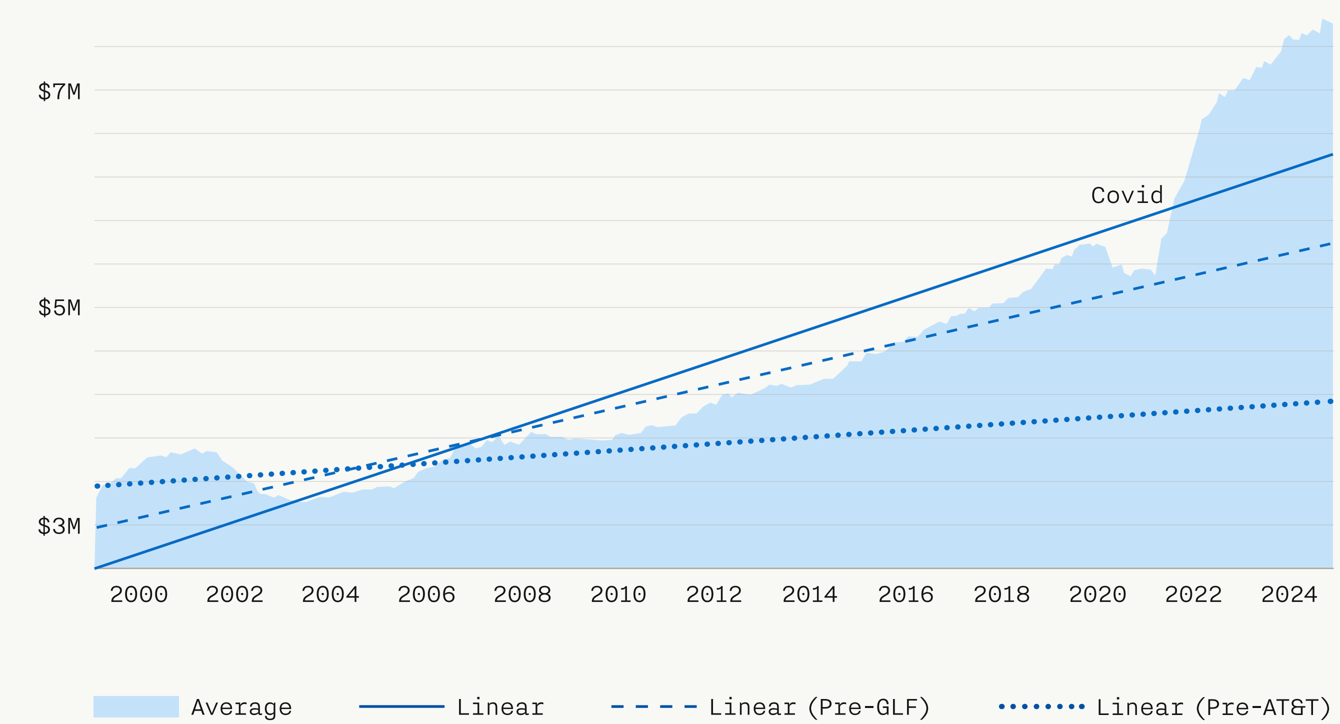
Source: Fischer, Kellie. CFO, Texas Rangers.

"Frequently Asked Questions". ArlingtonTX.
Garcia, Gus. Director of Economic Development, City of Arlington.
Murray, Lance. "Arlington Could Score Millions in Economic Impact from 2024 MLB All-Star Game." Arlington Report, 10 July 2024.
Preston, Quincy, and David Seeley. "15.6 Million Visitors and Growing: What's Next for Arlington's Entertainment District." Dallas Innovates, 9 Jan. 2025.
Seeley, David. "Rangers, Cordish Cos. 'Top Off' One Rangers Way Apartments Near AT&T Stadium and Globe Life Field." Dallas Innovates, 11 June 2024.

Annual Taxes By Year From Arlington Entertainment District



Moving Monthly Averages, General Fund Sales Tax Receipts, 1-Year Average



CASE STUDY

San Diego Padres & Petco Park

Petco Park's construction achieved the dual goal of creating a modern venue for the Padres while creating new economic opportunities in San Diego. The total construction price of the venue was $474M, with then Padres owner, John Moores, "shouldering" $150M of the cost. An additional $60M was provided for infrastructure development for land near the stadium in the Gaslight district, which had been "one of the city's most blighted areas". Moores was responsible for the construction around Petco Park and still controls much of the property in the area.

Building a district with Petco Park as the anchor spurred a flurry of new private construction activity. By 2007 (three years after the ballpark opened), redevelopment projects worth approximately $4.25B had been completed, were underway, or were planned. Of these projects, $4B were privately funded, including $1.2B in hotel, residential, retail, and parking structures near the venue.

A total of 16,000 residential units have also been built, with another 3,500 planned. Add in 1.6M square feet of office space, with another 1.8M square feet under construction. Property values increased by over 400% in the area around the ballpark with Downtown San Diego Partnership showing that foot traffic in the area is 35% higher during the baseball season than it is in other months. "You see people filling the sidewalks way before the game starts, and then staying way later," Downtown San Diego Partnership Director of Economic Development Nathan Bishop said. "That helps explain the kind of energy and investment we've seen from it."

Stanford Graduate School of Business has a case study on the success of publicly financed sports venues. In particular, the authors focused on how Petco Park became an example of how a new stadium can catalyze other development. The project "turned out to be a huge success for the Padres, the City of San Diego, and the taxpayers of the City."

There are potential downsides for a publicly-financed relationship from a team perspective. This financing can lock ownership into long-term contracts that make it relatively difficult to even threaten relocation. In the current case for the Padres, a move "can't be contemplated by contract with the city of San Diego until 2034...or until the city's bond debt is scheduled to be retired in 2032."

Yet, the benefits for all stakeholders often can outweigh the costs when relationships are created and executed effectively. Petco provides more than 100 days of events throughout the year with thousands of extra people coming downtown.

Aarons, Jared. "Petco Park Celebrates 20 Years of Reinvigorating Downtown." ABC 10 News San Diego KGTV, 28 Mar. 2024.
Bloom, Barry M. "Padres Ownership Fight Continues Long-Running Soap Opera." Sportico.Com, 9 Jan. 2025.
Davila, Antonio, et al. "San Diego Padres: PETCO Park as a Catalyst for Urban Redevelopment." Stanford Gaduate School of Business, 2008.
"Petco Park Celebrates 20 Years of Reinvigorating Downtown." ABC 10 News San Diego KGTV, 28 Mar. 2024.
Rein PHD, Irving; Shields, Ben; and Adam Grossman. The Sports Strategist: Developing Leaders for a High-Performance Industry. Oxford University Press, 2017.

> [The project] turned out to be a huge success for the Padres, the City of San Diego, and the taxpayers of the City.
>
> —Stanford Graduate School of Business

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04

What is the potential return on investment (ROI) for SMDs and how can stakeholders take steps to maximize ROI?

What is the Potential ROI for SMDs?

While we have discussed how SMDs could be funded, in this section we will focus more on why SMDs are being funded from a financial perspective. KLUTCH Sports developed a 10-year discounted cash-flow model using data from The Battery Atlanta as the foundation given our access to publicly available information from the Atlanta Braves Holdings, Inc. and Cobb County, Georgia.

The Battery is a SMD located in the Cumberland area of Georgia approximately 10-miles northwest of downtown Atlanta. The below is purely illustrative, and represents a range of upside and downside scenarios, as well as material deviations in certain factors to allow for a broad range of different sized SMDs.

Starting with an examination of cashflows, cost of funding, depreciation, taxes, fees and growth rates, we ran plan scenarios on a host of different variables such as dwell times, visitor density, revenue per dwell minute, etc., and not surprisingly, we found a broad range of outputs:

- IRR ranged from 9.88%–27.3% depending on the combination of input variables
- Operating margins hit as high as 85% depending on residential and commercial occupancy rates
- The combination of margins and tax benefits associated with amortization/depreciation can generate generous levels of free cash flows
- SMD growth rates can materially outpace traditional sports revenue streams
- Real estate driven enterprise multiples are generally higher than other sports-team revenue streams therefore SMDs can help teams attract higher team valuations when using traditional team valuation metrics

The last bullet point is potentially the most important for current and potential sports team owners. SMDs have the potential to provide strong investment returns because of their ability to drive millions of dollars in revenue growth. This enables SMDs to help teams attract higher valuations when using traditional metrics such as price-to-sales or price-to-earnings ratios. In addition, SMD revenues are not typically subject to revenue sharing across major professional leagues. This means any incremental profits generated should solely accrue to the individual sports team, further increasing enterprise valuations.

To achieve these returns, SMD stakeholders need to plan how to maximize district and venue revenues prior to committing to projects. We examine two ways that can help facilitate this process in the rest of this section.

“2023 Year in Review”. The Battery Atlanta, 2023.
“Atlanta Braves Holdings Reports Fourth Quarter and Year End 2023 Financial Results.” Atlanta Braves Holdings, Inc., 28 Feb. 2024.
Damodaran, Aswath. “Home.” Damodaran Online, NYU Stern School of Business, 1 Feb. 2025.
Kellison, Timothy. “Enduring and Emergent Public Opinion in Relation to a Suburban Stadium District: The Case of Truist Park–Battery Atlanta.” Journal of Global Sport Management, vol. 8, no. 4, Oct. 2023.

Ensuring a Positive ROI for Districts

The challenging commercial and retail real estate environment that emerged after the COVID-19 pandemic requires teams to strategically consider how to lease commercial and retail space prior to SMD construction. More specifically, sports teams need to take steps to increase the probability of creating SMDs that will be attractive to commercial and retail tenants given the supply of potential business locations largely exceeds demand.

One recommended step is for sports teams and their investors to comprehensively understand the purchasing behaviors of local fans. Zero and first-party data can be helpful with this type of analysis. Zero-party data is information that fans directly provide to teams (example: responses to survey data) while first-party data is information sports teams collect on fans (example: fan purchase history with team). This data can be helpful as the source for determining who a team’s fans are, and used as the anchor to append additional datasets.

As an example, KLUTCH & PwC’s ROI model was leveraged to analyze the general spending habits of a fanbase through credit card transaction and geospatial data. An anonymous U.S. professional sports team with a SMD was selected as a proxy for this analysis. These data sets are extremely rich and can also be utilized as a foundation for a prospecting list of potential categories and brands to target for leasing space within new SMDs.

Clearly demonstrating that fan and brand overlap is effective for building a business case for leasing. However, integrating these brands into the property itself is a way to show how they can directly grow revenues through SMDs.

General Speding Habits of a U.S. Professional Sports Team Fanbase

CATEGORY	SHARE OF SPEND
Home Services	16.20%
Fashion Retailers	8.60%
Warehouse Clubs	7.20%
Full Service Restaurants	6.40%
Grocery	4.20%
Lodging	3.10%
Medical/Dental/Vision	3.10%
Department Stores	2.80%
TV/Internet	2.20%
Personal Care	2.10%

SMDs can enable businesses to have locations where their customers live and work, as well as drive foot traffic to those locations (particularly on game days). In 2023, 10.3M visitors came to The Battery Atlanta & Truist Park with an average dwell time of 209 minutes. The average MLB game length in 2023 was 140 minutes. That means that millions of visitors spent over an hour in the Braves SMD not watching live baseball games. Furthermore, KLUTCH & PwC have seen SMDs drive 5x times more visitors than sports venues themselves would have driven in a given year. The commercial, retail, and residential businesses are all large beneficiaries of this extra foot traffic and dwell time.

Higher foot traffic and dwell times provide a larger capturable audience, which theoretically translates into highly coveted bottom funnel impact. The KLUTCH & PwC ROI model analyzed a set of sponsors across the sample data set, and was able to determine that during the season retail locations at SMDs were able to drive 99% more revenue and 110% more transactions than the same chain locations in the surrounding market.

Average Visitor Time Spent at The Battery Atlanta & Truist Park in 2023

2023 Year in Review. The Battery Atlanta, 2023.
Adler, David. “Attendance up, Game Time down in Record-Setting ’23 Season.” MLB.com.
KLUTCH Sports x PWC ROI Model.
Peterson, Dana M. “U.S. Commercial Real Estate Is Headed Toward a Crisis.” Harvard Business Review, 23 July 2024.

~80%

Increase in New Venue Naming Rights

~50%

Increase in New Venue Sponsorships

Increase Naming Rights Deals by Up to

58%

by Selling the Campus (Venue + District)

SMDS Can Impact Major Partner Deals by Up to

20%

Potential Increase in Deal Sizes Due to SMD New Builds and Major Transformations

Maximizing Sponsorship Return from SMD Developments

New builds and major transformations have led to substantial commercial upside for teams. Data suggests new build naming rights increase ~80% and sponsorship increase ~50% due to a variety of factors including the enhanced attractiveness of expanded event schedules and broader audiences (e.g. residential and commercial populations).

SMDs capitalize on a full calendar year of events, reach a net new audience, and create new inventory which can increase major partner deal sizes by up to 20%. Additionally, the opportunity to aggregate assets across the sports venue and mixed-use district creates a more expansive naming rights platform (e.g. campus) that can increase facility naming rights deal size by up to 58%.

SMDs also broaden the aperture of potential brand targets. Depending on the sports team's commercial strategy, their assets might serve as a less expensive entry point for brands that want to leverage the association with a team but may not have the budget for traditional sponsorship. SMDs also encapsulate much more than partnerships, and have the potential to unlock additional brand budgets across retail, OOH, community and more.

Finally, when managed appropriately, teams have the opportunity to leverage product, service and technology integrations in SMD developments into meaningful sponsorship revenue. There are over 40 sponsor categories that touch the construction phase of a development. The tiers below provide a few examples of the types of categories that are commonly included:

It is now common practice for teams to integrate spend-back language into their RFP process during the construction phase of their projects. Spend-back can vary greatly but most commonly falls within 3-12% of gross bid, amortized over the partnership term.

If executed effectively, teams can annually generate $1M+ per Tier 1 category, mid-6 figures per Tier 2 category, and low 6-figures per Tier 3 category. Over the past 10 years, 14% of new build founding partnerships have been sourced from these types of categories. This trend validates the out-sized revenue teams have been able to drive across many of these non-traditional categories. In fact, the top construction-phase categories generate 143% more revenue for teams than the typical sponsorship spend within their respective category.

Unsurprisingly, the banking category is in a league of its own. Over the years, teams have expertly leveraged their debt financing to secure outsized returns in the category – 28% more than the typical sponsorship spend in banking, which is incredibly meaningful given it already is often a top spending category.

TIER 1	TIER 2	TIER 3
• Banking • Insurance Brokerage • IT Integrator • Cellular/Wireless/DAS • Payments / Point of Sale	• Appliances / TVs / Displays • Scoreboard & LED Boards • Paint & Coatings	• Security & Control Systems • HVAC & Mechanical • Utility Service • Building Supply • Furniture Supply
Can Generate $1M+ per Category	**Can Generate Mid-6 Figures per Category**	**Can Generate Low-6 Figures per Category**

KLUTCH Sports Deal Value Database.
KLUTCH Sports Exposure Valuation.

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05

Conclusion

The Sports Industry Can Build Its Future Growth

Even as tens of billions of dollars of capital flow into sports investments, the industry faces headwinds that could potentially derail future returns for new investors. For example, many major professional sports leagues' media rights agreements globally have been recently re-negotiated and are less likely to achieve the same fee increases necessary to support similar team enterprise value accretion that has occurred over the past 20 years.

These headwinds are increasingly driving sports owners and industry leaders to consider new avenues to maximize team valuations. When successful, sports-anchored, mixed-used districts (SMDs) enable teams and leagues to create new venue, real estate, commercial, and residential assets. These districts can also amplify existing revenues streams from ticket sales, partnerships, food and beverage, and suite sales. SMDs also enable existing sports team owners to increasingly partner with firms, funds, and high-net-worth individuals with the expertise and desire to take on these projects. SMDs can also provide sports teams the opportunity to make a substantial impact on their communities. Community impact can include permanent job creation, affordable housing creation, community investment (such as the Salt Lake Bees creating a regional arts center), and youth sports development.

That does not mean that all SMDs will be successful. SMDs are complex projects that require relatively long timelines to complete and substantial financial commitments. Private credit can help reduce duration risk by bringing together capital providers with longer-term time horizons and desire to take on riskier projects for higher returns. There has also been a substantial decline in commercial real estate property values since the COVID-19 pandemic. SMD owners and investors can mitigate these risks by targeting potential companies backed by local customer spend analysis and taking direct efforts to drive customers to tenants located in or near their districts.

At least 37 SMDs were announced in Big 5 North American sports leagues through 2024. There are also likely many more projects in development that have yet to be publicly announced. Deloitte predicted that in 2025 over 300 sports stadium renovations or new builds will have begun with only 50% of those occurring in North America and Europe. Not all these stadium projects identified by Deloitte will become complete SMDs, but it does further support our prediction that SMDs will receive $100+ billion in investment over the next 15 years. This scale of the opportunity should make SMD projects one of the single largest growth engines for the entire sports industry for decades to come.

Haskel, Jennifer, et al. "Ambitious Stadium Projects Aim to Bridge Public-Private Investment Goals." Tech, Media & Telecom, Deloitte Insights, 19 Nov. 2024.

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Contributors & Authors

KLUTCH Sports Group

Founded in 2012 by CEO Rich Paul, KLUTCH Sports Group is a premier agency representing some of the world's biggest athletes, brands and rightsholders across major professional sports. Sitting at the intersections of sports, entertainment, and culture, KLUTCH is home to a best-in-class global partnerships, brand consulting and valuation and insights group that connects teams, major leagues and properties with global brands In 2019, KLUTCH partnered with the leading global talent and entertainment company UTA, and in 2024, was named one of GQ's 20 Most Creative Companies in the World.

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