

The ABC's of Selecting The Right Entertainment Space

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One of the biggest challenges in opening an entertainment facility today is the real estate selection process. If you've done this before, you know that every offering has its own set of pluses and minuses. In well-established areas, there may simply not be an option for "ground up" development, but instead the retrofit of an existing facility proves to be the only alternative. With a real estate boom experienced throughout much of the country in recent years, the task of securing an effective venue has been even more challenging. Funding deadlines, investor commitments, and a general need to commence cash flow generation place a great deal of pressure on would-be lessees and purchasers, which can result in a poor site choice or inferior building selection. To aid in the process, below are a few tips to narrow the search more effectively:

Physical Location and Presentation

By far, one of the most critical decisions relates to the selection of a facility location within a targeted area. How is the facility accessed by road networks? Can the building be seen from the road? What type of signage is permitted on the building and does a brightly lit pad sign exist along the roadway? Does the core volume of traffic pass directly in front of the building or must patrons use an access road to reach the building? Can traffic from each direction easily enter the facility?

It's important to understand the characteristics of the immediate area. In particular, an analysis of the traffic pattern and flow will tell you a lot about consumer habits. Spend some time in the car and drive to the proposed building from points north, south, east, and west to determine the most common routes used by area residents. Identify geographic limitations, such as bottlenecks, bridges, one-way streets, railroad crossings, and any other natural or artificial barriers that might prevent patrons from easily accessing the proposed site.

Value of Adjoining Tenants

If the site under consideration is not a freestanding structure, special attention should be taken in understanding the business operations of surrounding tenants. Whenever possible, attempt to obtain an exclusivity provision from the landlord or site developer that prevents future tenants from offering similar forms of entertainment within the site's geographic boundaries. The exception that will typically apply relates to food service, as few landlords will generally accept food exclusivity due to the broad-based nature of the segment.

Some adjoining tenants may actually enhance the volume of business at the proposed site. Big box retailers, clothing stores, children's care centers, and fast food retailers generally create a fair amount of traffic, from which your facility can benefit. Joint promotions with adjacent tenants can also help to cross-market each other's products, and allow the entertainment facility to reach full operating capacity sooner. One exception to this is a condition whereby the adjoining tenants "cannibalize" patrons to the point where the entertainment center is completely overlooked. As such, examine these operations carefully to determine what impact, positive or negative, they will have on entertainment.

Rental and Purchase Costs

The location looks fabulous. The nearby tenants all get five stars. It seems like everyone in town ends up at this site every week. Essentially a dream come true...until the occupancy price is stated. The expansion of big box retail and mid-layer specialty stores has driven rents and purchase prices through the roof. Many of our clients are shocked to learn that pad sites on many existing retail complex properties are leasing well above \$30/foot or "selling" at \$500,000 or more to gain simply the rights to develop the pad. These are not entertainment center-friendly numbers, although it's easy to be blinded by the positive attributes of such venues. To pay rents at this level, your entertainment facility must do a lot of business - all the time. Rent is, in fact, the number one challenge for most entertainment centers and in many cases represents the most significant monthly expenditure.

Proper balance is important. You'll need to know what an entertainment facility, constructed in line with your available budget, is capable of generating in the form of sales revenues. The feasibility study becomes the most critical tool in evaluating this condition, and helps to gain perspective on which sites are truly acceptable and achievable. The final site

will probably give up some exposure to the "shiny gem", but ultimately, it will fall reasonably within the facility's budget limitations and offer the opportunity for future growth.

Assessing The Interior

Every site looks great - until you begin dropping amusement attractions on them. This is the point at which you begin to notice the shortcomings - ceilings that are too short, columns that are almost always in the way, floor and wall treatments that you would have been better off without, and entrances and exits that were designed for uses other than the current one. Retrofitting a building can get expensive, and in some cases, prove to be more trouble than its worth. Retrofitting requires regulatory approvals, some of which may require other services to be performed before consideration. You may find yourself on a first name basis with township planning boards, boards of adjustment, building inspectors, EPA, DEP, and other regulatory bodies. Such approvals could delay the start of a project for months, and in some cases, years. In the end, it might have been better to start with a facility that more closely matched the needs of an entertainment center. Everything that was saved in rent was paid in legal, architectural, and contracting fees.

Get Help

Not sure if the space is right for you? Call in the cavalry now, before too much time and money has been spent on a dead end. Assemble a solid team composed on your legal advisor, entertainment consultant, and building contractor, each of whom can sift through the details to determine whether the proposed site offers the optimum mix of attributes. In a short period of time, these professionals can confirm permitted uses, easements and physical constraints, traffic patterns, and entertainment suitability, and package the development plan into a structured budget. Once this phase is complete, the would-be buyer can proceed with confidence, newfound knowledge, and a clear assessment of the site's strengths and weaknesses. Sure, these services are not without cost, but two years from now, you'll be glad you made a small investment to ultimately protect the big one. Choose wisely!

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