# (RE) Play
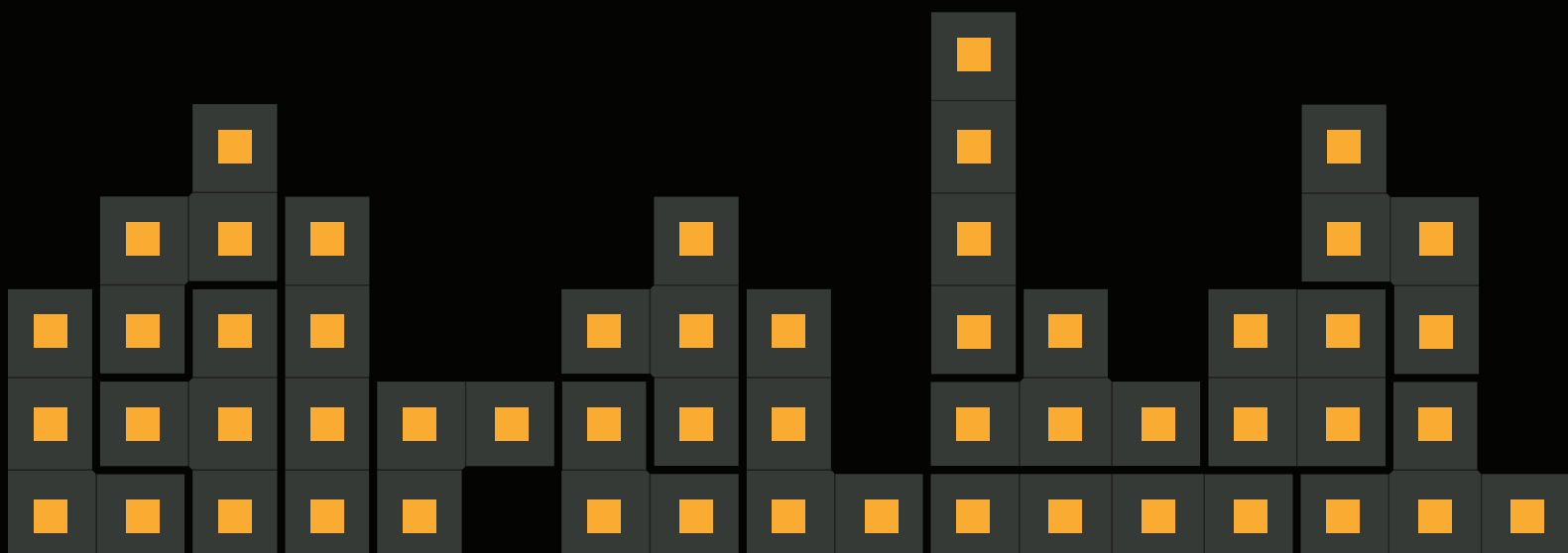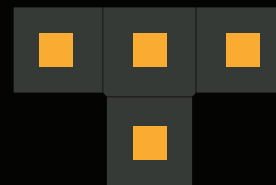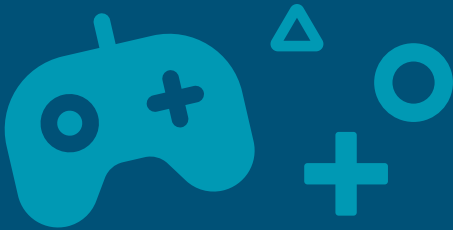
**2023** | The UK gaming sector, its extraordinary growth trajectory & future real estate requirements | knightfrank.com/research

Knight Frank

IN CONJUNCTION WITH ukie

# Foreword

Gaming is the largest home entertainment industry in the UK

The UK gaming sector employs 47,000 people

There are over 3bn active gamers worldwide and the UK is set to be the world's biggest gaming nation by 2027

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The UK gaming sector is experiencing rapid growth and transformation. There are now over 2,200 active gaming companies in the UK, from indie developers to major publishers. The UK is the largest video games market in Europe and is forecast to achieve global dominance by 2027.

With this expansion comes increased demand for real estate, as gaming companies require spaces aligned to their specialised needs and rapid transformations. In 2022 alone, office take-up from the gaming sector rose 45% compared to a year earlier.

This report provides essential intelligence for real estate professionals seeking to capitalise on this emergent source of demand. We provide a clear definition of the sector, outline key leasing trends and detail the real estate implications of sector changes.

For occupiers, the report offers best practices around using real estate to attract talent, enable creativity, and build flexible portfolios resilient to change. Locational analysis of talent availability, academic centres, power and data centre infrastructure, the presence of established and high-growth companies and digital connectivity provides data-driven insight for site selection.

Whether you are a landlord looking to win gaming occupiers or an occupier plotting your real estate strategy, we hope you find the research valuable. We welcome your feedback on the key themes and would be delighted to further discuss the findings.

(RE) PLAY

# Contents

**Special thanks to**

ADT Workplace

Electric Square

nDreams

Rebellion

SideQuest Meta

Soul Assembly

Sumo Digital

The Data City

PitchBook

Ubisoft

Ukie

## LEVEL ONE

# Rules of the game

We begin by defining the sector and its key characteristics.

# SIX THINGS YOU NEED TO KNOW ABOUT THE GAMING SECTOR

## 1. The gaming sector comprises 8 sub-sectors

| DEVELOPER | PUBLISHER | HARDWARE MANUFACTURER AND SOFTWARE PRODUCER | DISTRIBUTOR/ GAME LAUNCHER |
|---|---|---|---|
| A company that designs and executes the creation of games. Companies range from a few people to international studios. Some developers are tied to a specific publisher, and others will self-publish. | A company that publishes and markets games that are either developed internally or externally. They invest in projects and developers. They work closely with the developer to ensure the game is being created as agreed. Publishers will often partner with or acquire independent game developers. | A company that develops and manufactures the hardware and software solutions required to create and play games. Examples include graphic cards, headsets, consoles, and virtual, augmented, and mixed-reality technologies. | A company that distributes games via a game launcher or online storefront. Or via physical copies sold online or through physical retailers. |
| **EXAMPLE COMPANIES:** <br> • Codemasters (subsidiary of Electronic Arts) <br> • Sumo Digital <br> • Rebellion <br> • Creative Assembly | **EXAMPLE COMPANIES:** <br> • Electronic Arts <br> • Ubisoft <br> • Take-Two Interactive <br> • Activision Blizzard | **EXAMPLE COMPANIES:** <br> • Nvida <br> • Nintendo <br> • Sony <br> • Meta | **EXAMPLE COMPANIES:** <br> • Steam <br> • Amazon Games <br> • GAME <br> • Apple |

| CULTURE | ESPORTS | GAMING + | BROADER ECOSYSTEM AND INFRASTRUCTURE |
|---|---|---|---|
| Books and magazines, streaming content, community and discussion groups, film, TV and soundtracks, and merchandising. | A form of competition using games. Within this segment, you have companies focused on: talent management, platform and hosting, broadcasting, streaming and social. | Gaming and its associated technologies are converging with other industries, such as life sciences, fitness, leisure, retail and education. | The sector is supported by various third parties, including academia, accelerators and incubators, professional services, outsourced providers, industry bodies and media and marketing agencies. |
| **EXAMPLE COMPANIES:** <br> • YouTube <br> • Nintendo Studios <br> • Twitch <br> • Reddit | **EXAMPLE COMPANIES:** <br> • Fnatic <br> • Fanduel <br> • Epic Games <br> • Gfinity | **EXAMPLE COMPANIES:** <br> • Immersive Gamebox <br> • Oxford VR <br> • Burberry <br> • Nike | **EXAMPLE COMPANIES:** <br> • Ukie <br> • TIGA <br> • British Esports <br> • Escape Technology |

Note that companies often operate across multiple sub-sectors.

## 2. There are 7 main stages in games development

PLANNING

PRODUCTION

PRE-LAUNCH

POST-LAUNCH

1  2  3  4  5  6  7

PRE-PRODUCTION

TESTING

LAUNCH
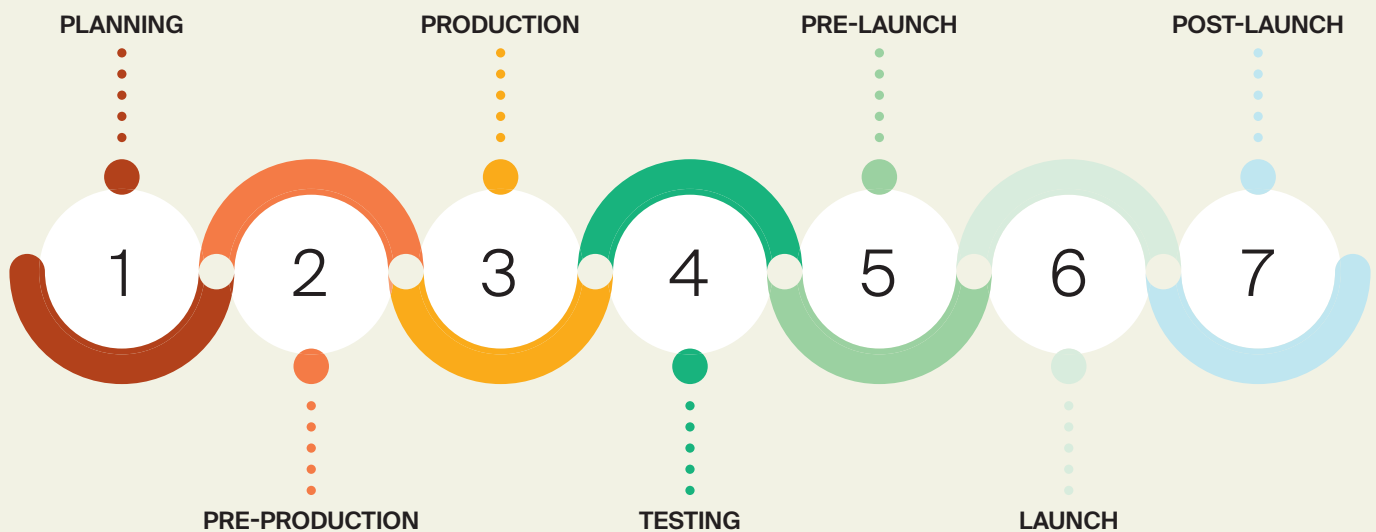
Source: GameMaker

## 3. The length of time and number of people required to make a game varies

Big-budget games can take anywhere between three and five years to develop. Mobile games usually have a much shorter development cycle. Some games can be made with a handful of people, but more complex games require thousands of people. Call of Duty, for example, had 3,000 people working on it.

## 4. The sector encompasses a broad range of jobs and skills requirements that include

LEAD GAME DESIGNER ENVIRONMENT ARTIST DEVOPS
TOOLS PROGRAMMER
SENIOR LEVEL DESIGNER ENGINEER
PROGRAMMER
SENIOR PROGRAMMER
VFX ARTIST
GAMEPLAY PROGRAMMER
SENIOR ANIMATOR
SENIOR TECHNICAL ARTIST
SOFTWARE ENGINEER SENIOR PRODUCER
ANIMATOR PRODUCER SENIOR GAME DESIGNER
GAME DESIGNER
SENIOR ENVIRONMENT ARTIST TECHNICAL ARTIST
UI ARTIST GRAPHICS PROGRAMMER SENIOR GAME DESIGNER
NETWORK PROGRAMMER
SENIOR CHARACTER ARTIST
LEAD PROGRAMMER
SENIOR VFX ARTIST
TECHNICAL DIRECTOR
ART DIRECTOR
LEAD ENVIRONMENT ARTIST

Source: Games Jobs Live

## 5. 98% of companies in the sector are SMEs

**250+ employees**
**2%**

**50-249 employees**
**6%**

**10-49 employees**
**14%**

**1-9 employees**
**78%**

Source: The Data City. An SME is a company that has less than 250 employees. Where employee information was available.

## 6. 82% of companies in the sector are either at seed, start-up or scale-up stage, but the UK is also home to a number of large international players

- Seed: 5%
- Start-up: 47%
- Scale-up: 30%
- Established: 18%

**The UK is home to international names such as**
Activision Blizzard, Microsoft, Epic Games and Meta

**As well as thriving UK grown companies such as**
Rockstar North, Codemasters, Rebellion and Sumo Digital
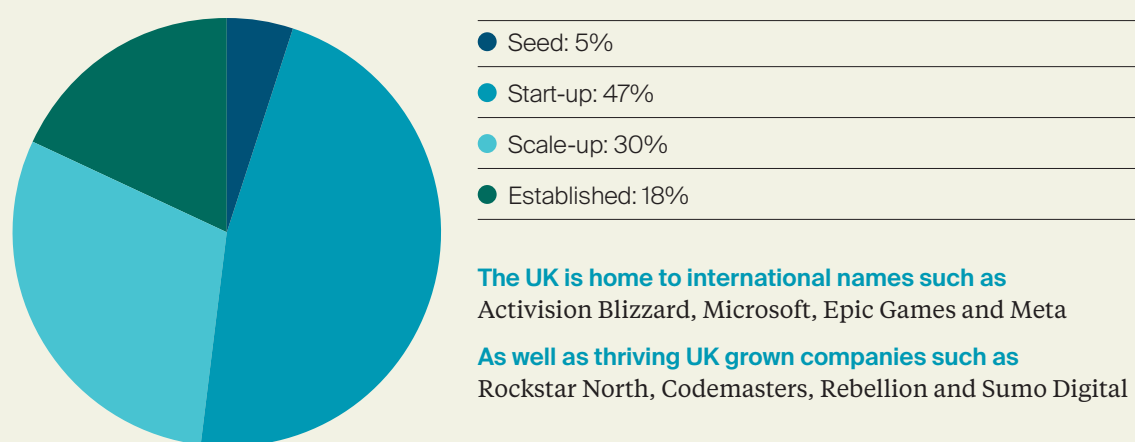
Source: The Data City. Only includes companies with a growth stage classification.

### IMPLICATIONS FOR REAL ESTATE

- Applying a granular sector definition reveals the true strength and vitality of the UK gaming sector and the depth of occupational demand
- Developing, publishing, and distributing games covers multiple stages and functions. Occupiers will have different specialist real estate requirements, depending on where they operate in the value chain. Examples include soundproof rooms, motion capture rooms, games testing areas, multiple screens, quiet areas for programmers and flexible spaces that can be adapted according to the work being done
- The sector needs a wide range of skills from mathematics to computer science and creative writing. Location decisions will need to be aligned to these talent requirements
- Whilst this report focuses on office space, it is essential to note that the sector has other real estate requirements, including leisure and retail space, events space, manufacturing and logistics facilities and data centres

**LEVEL TWO**

# Where are we now?

A look at leading indicators to quantify the sector's performance and leasing activity.

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## SECTOR PERFORMANCE: GROWTH ACROSS THE UK

Whilst the impact of current economic and geopolitical headwinds are evident in some of the latest performance indicators, sustained venture capital funding, increased access to gaming-related courses and robust company incorporation rates indicate that the sector is well positioned for future growth.
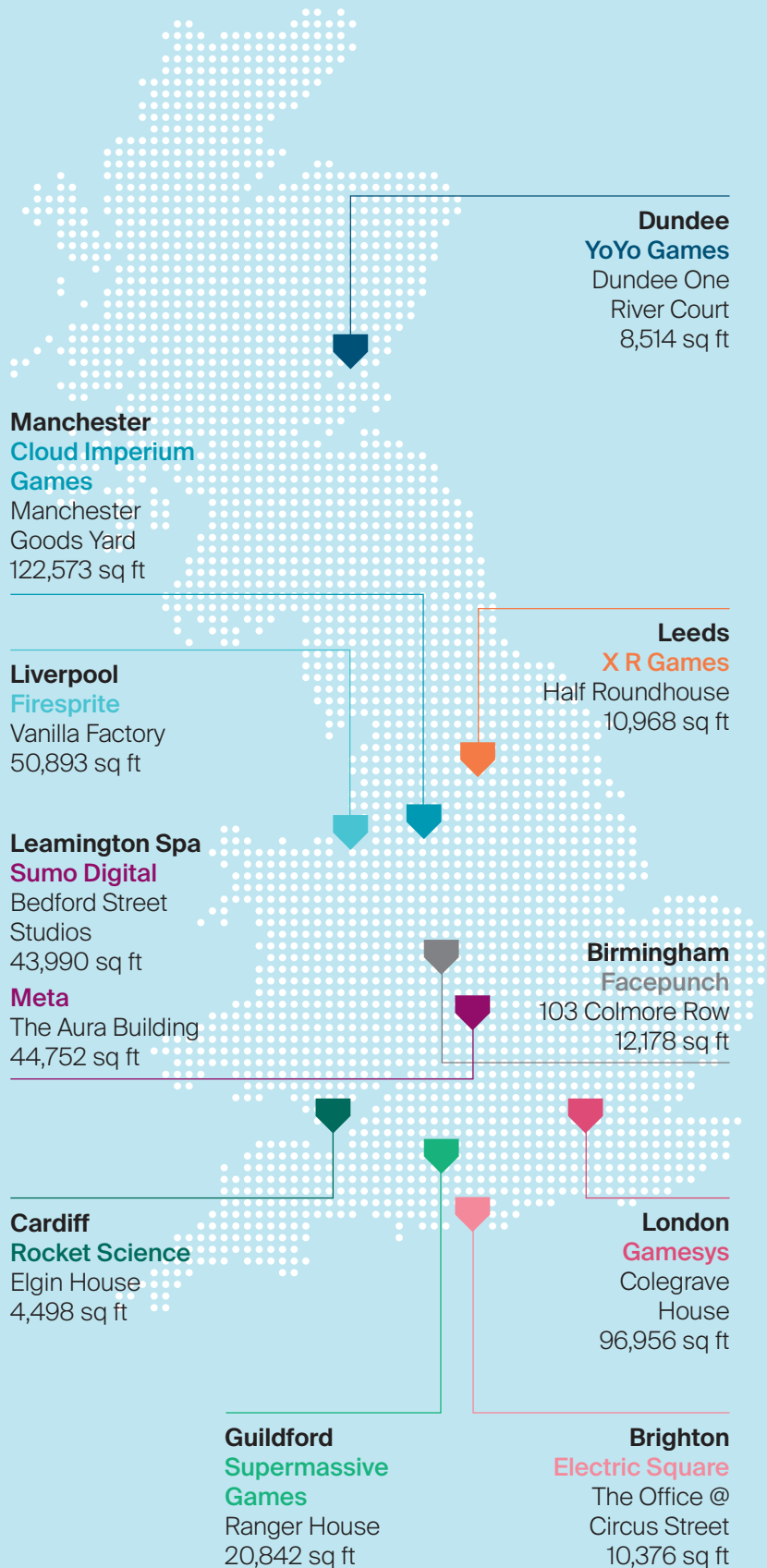
### Venture capital

Venture capital funding into UK gaming companies reached a record high in 2022 and H1 2023 was the second highest H1 by deal value over the past five years. This is significant for real estate because investment in the sector translates into leasing activity as companies use the capital raised to expand.
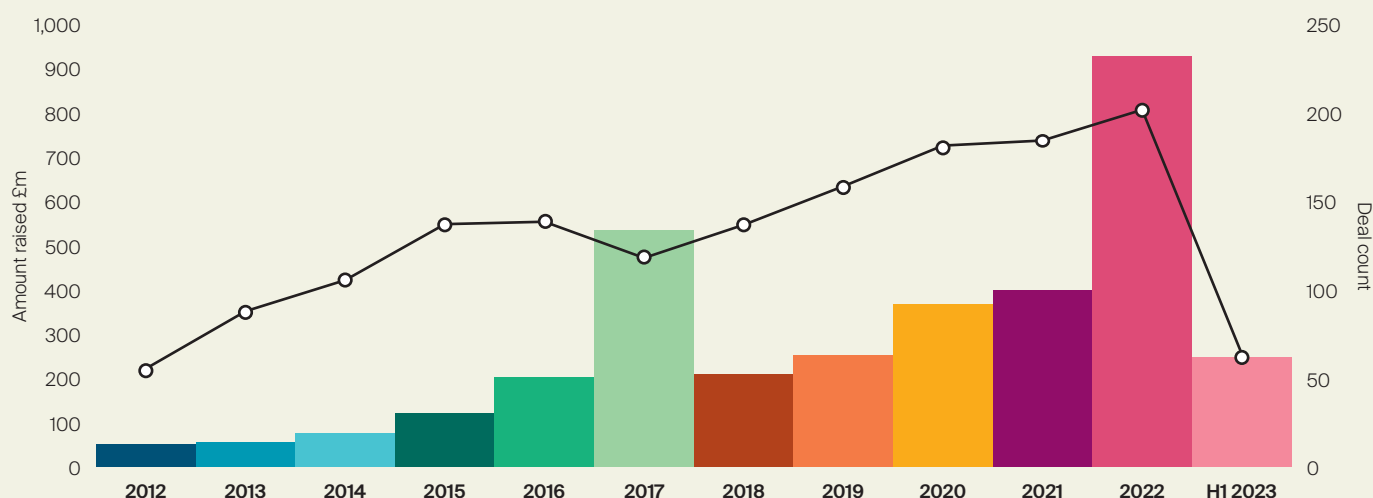
### M&A

Whilst deal activity has fallen since the high of 2021, there have been a number of significant deals either completed or progressing. Examples include Tencent Holdings acquisition of Sumo Digital and Microsoft's proposed $70bn acquisition of Activision Blizzard, which is ongoing. As M&A activity increases, a real estate dimension invariably emerges. This was certainly the case for Gamesys, who acquired 96,956 sq ft at Colegrave House in London. The expansion came less than two months after US casino entertainment firm Bally's Corporate acquired the business.



## Key Leasing Transactions



**Dundee**
YoYo Games
Dundee One
River Court
8,514 sq ft

**Manchester**
Cloud Imperium Games
Manchester Goods Yard
122,573 sq ft

**Leeds**
X R Games
Half Roundhouse
10,968 sq ft

**Liverpool**
Firesprite
Vanilla Factory
50,893 sq ft

**Leamington Spa**
Sumo Digital
Bedford Street Studios
43,990 sq ft
Meta
The Aura Building
44,752 sq ft

**Birmingham**
Facepunch
103 Colmore Row
12,178 sq ft

**Cardiff**
Rocket Science
Elgin House
4,498 sq ft

**London**
Gamesys
Colegrave House
96,956 sq ft

**Guildford**
Supermassive Games
Ranger House
20,842 sq ft

**Brighton**
Electric Square
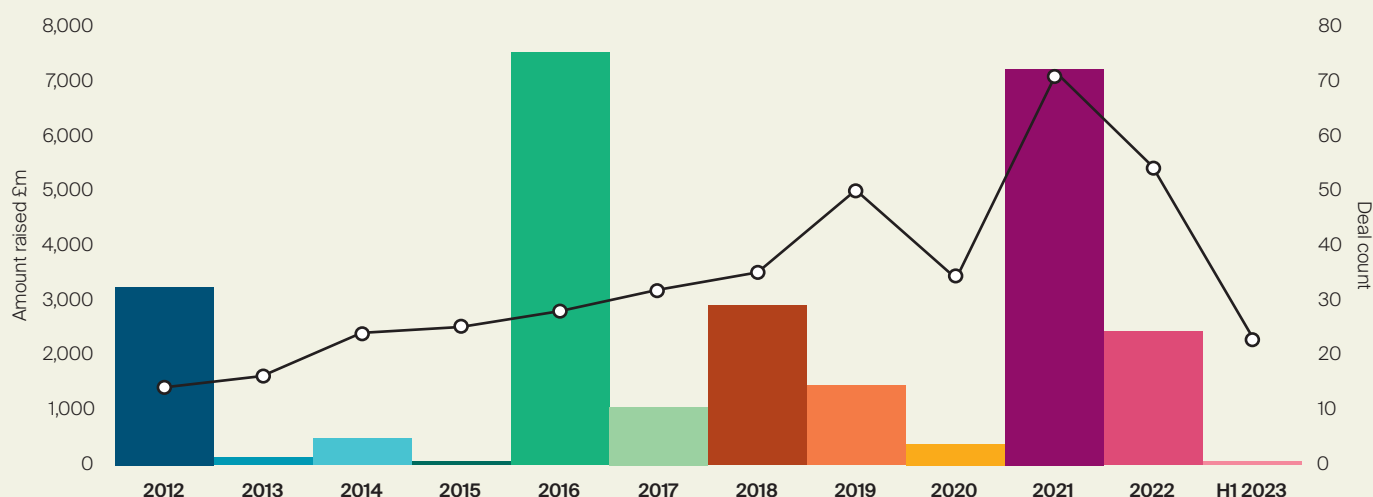The Office @ Circus Street
10,376 sq ft

## UK gaming sector venture capital funding



Source: PitchBook. HQ location UK – target only. Sectors: Entertainment software, cloud gaming, digital avatars, blockchain gaming, esports, gaming.

## UK gaming sector M&A activity



Source: PitchBook. HQ location UK – target only. Sectors: Entertainment software, cloud gaming, digital avatars, blockchain gaming, esports, gaming.
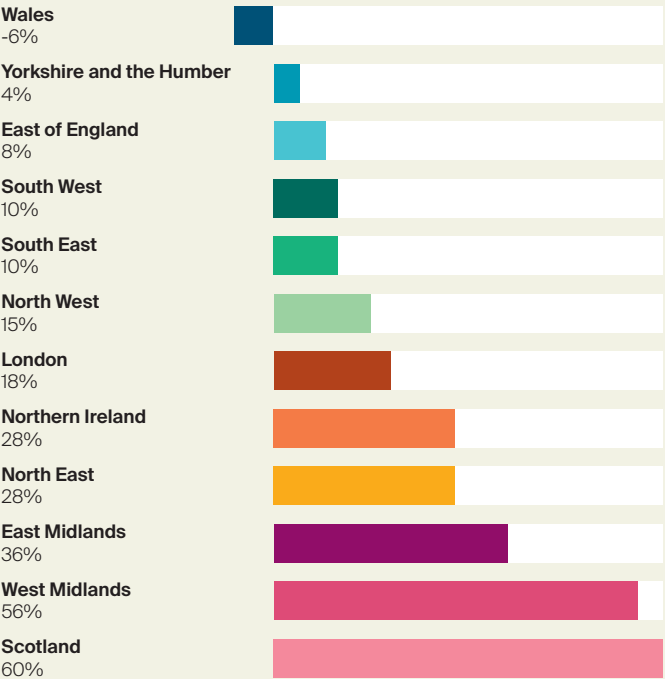
## Top five UK gaming M&A deals (2018 - present)

| TARGET | ACQUIRER | DEAL DATE | DEAL SIZE £ | TARGET LOCATIONS |
|---|---|---|---|---|
| Gamesys | Bally's | Oct 2021 | £2.00bn | London |
| Playdemic | Electronic Arts | Sept 2021 | £1.01bn | Manchester |
| Sumo Digital | Tencent Holdings | Jan 2022 | £941.28m | Nottingham, Sheffield, Leeds, Leamington, Warrington, Newcastle |
| Codemasters | Electronic Arts | Feb 2021 | £873.20m | Southam and Birmingham |
| Hutch | Modern Times Group | Dec 2020 | £206.86m | London and Dundee |

Source: PitchBook. HQ location UK. Sectors: Entertainment software, cloud gaming, digital avatars, blockchain gaming, esports, gaming.
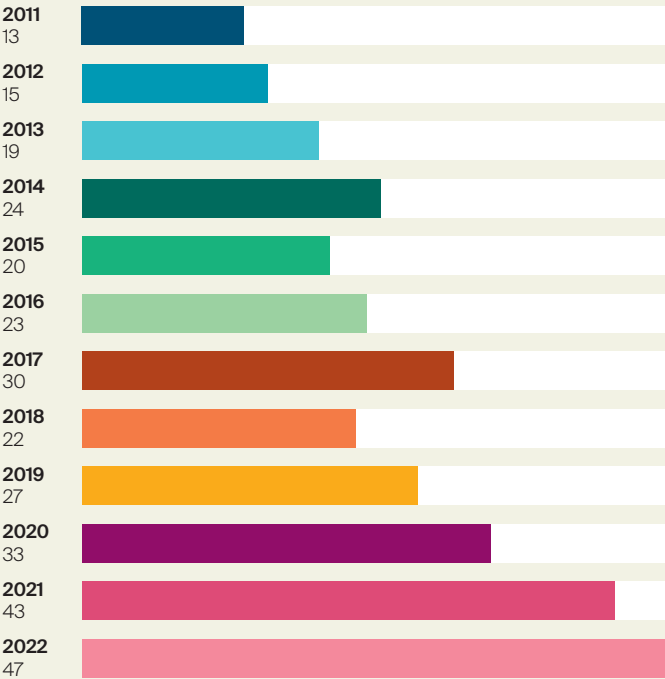
## Employment/talent

UK gaming sector employment has grown 57% since 2017. Scotland, the Midlands and the North-East have seen the largest increases in employment.

### % change in gaming sector employment 2017 to 2019

| Region | % change |
| --- | --- |
| **Wales** | -6% |
| **Yorkshire and the Humber** | 4% |
| **East of England** | 8% |
| **South West** | 10% |
| **South East** | 10% |
| **North West** | 15% |
| **London** | 18% |
| **Northern Ireland** | 28% |
| **North East** | 28% |
| **East Midlands** | 36% |
| **West Midlands** | 56% |
| **Scotland** | 60% |

Source: Ukie

### Number of employees in the UK gaming sector, thousands

| Year | Employees |
| --- | --- |
| **2011** | 13 |
| **2012** | 15 |
| **2013** | 19 |
| **2014** | 24 |
| **2015** | 20 |
| **2016** | 23 |
| **2017** | 30 |
| **2018** | 22 |
| **2019** | 27 |
| **2020** | 33 |
| **2021** | 43 |
| **2022** | 47 |

Source: United Kingdom; Department for Digital, Culture, Media and Sport (UK); Office for National Statistics (UK); 2011 to 2022; all filled jobs, includes employed and self-employed. Using their sector definition, computer games.

## LEASING ACTIVITY: RISING DEMAND

### A snapshot of recent gaming sector leasing activity

UK leasing volumes within the gaming sector have increased in line with the sector growth quantified in the previous section. In 2022, UK gaming sector take-up reached c. 437,000 sq ft, a 45% increase from 2021.

In H1 2023, take-up in the UK gaming sector totalled c. 98,000 sq ft.  In contrast to the portfolio rightsizing seen in other sectors, several deals in 2022 were expansion-led. Firesprite, for example, relocated to significantly larger premises in Liverpool. The company was acquired by Sony Interactive Entertainment in 2021. Cloud Imperium leased 87,130 sq ft of space at Manchester Goods Yard in 2021, followed by a further 35,443 sq ft in 2022. Tripledot Studios took 12,840 sq ft of space in London in 2021, before increasing their footprint to 23,696 sq ft earlier this year. Rockstar expanded its geographical footprint, occupying 11,577 sq ft of space in Edinburgh in 2022, and leasing a further 7,445 sq ft in Leeds in 2023.

Analysis of recent leasing transactions reveals that gaming occupiers are open to taking space in unique, repurposed buildings. Examples include Sumo Digital, who pre-let 43,990 sq ft in a converted House of Fraser department store at the heart of Leamington Spa and X R Games, who moved into converted railway buildings in Leeds.

Additionally, Electric Square's new home at The Office @ Circus Street, Brighton, provides grade A award winning space built on the former derelict municipal fruit and vegetable market. The development aims to establish a hub for the creative, digital and technology industries, whilst preserving the area's rich history.

## Company Growth

### Top 20 UK locations by number of companies

There are 2,276 trading gaming companies in the UK, an increase of 31% since 2016. These companies are spread across the UK with clusters in cities that include London, Manchester, Leamington Spa, Brighton and Guildford.

# 2,276

trading gaming companies in the UK, an increase of 31% since 2016

Source: Ukie

The UK has academic strengths in gaming, with 140 academic institutions across the UK now offering gaming-specific courses.

In 2015, TIGA (The Independent Game Developer's Association) launched an accreditation scheme to certify games-specific courses based on their ability to teach the skills required by the industry. As of March 2023, the following universities received TIGA accreditation for their courses.

# 140

There are 140 academic Institutions across the UK offering gaming-specific courses

- Abertay University, Dundee (6 courses).
- Anglia Ruskin University (3 courses)
- Bournemouth University (2 courses)
- Birmingham City University (1 course)
- Brunel University (1 course)
- Norwich University of Arts (2 courses)
- Portsmouth University (4 courses)
- Sheffield Hallam University (2 courses)
- University of Gloucestershire (2 courses)
- University of Hertfordshire (1 course)
- University of the West of England (2 courses)
- University of the West of Scotland (1 course)
- Staffordshire University (9 courses)
- City University London (3 courses)

# £7.05bn

The UK video game consumer market value in 2022 was £7.05bn.

## Revenues

The UK video games market decreased slightly in 2022. However, the 2022 total was 17% ahead of pre-pandemic levels and remained above the projected growth for 2020 to 2022 based on 2019 data.

Source: Ukie

## IMPLICATIONS FOR REAL ESTATE

- The sector is poised for further growth, which will translate into occupational demand

- Tracking events that are likely to trigger a real estate requirement, such as funding or M&A, will enable early identification of prospective occupiers as well as provide insight into emergent hotspots

- The supply-side must deliver spaces aligned to the requirements of SME's that have the potential to scale-up at pace

- Occupiers should track leading talent indicators and industry clustering to make best-in-class location decisions. Conversely, supply-side companies should conduct the same analysis to identify prime investment locations

**LEVEL THREE**

# Where are we heading?

What are the future drivers of demand and how will these influence future real estate requirements and the development of future gaming hotspots?

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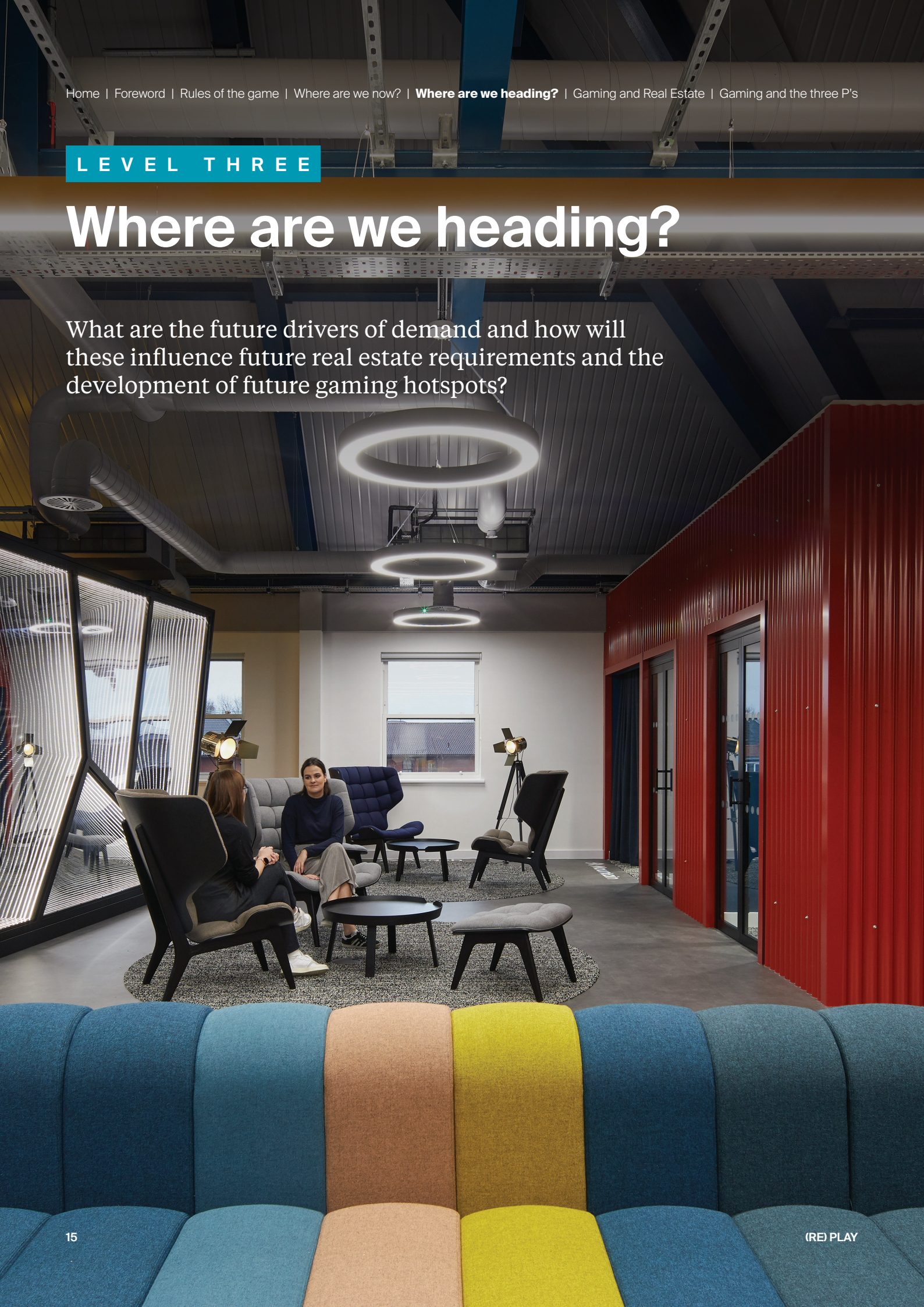
## DRIVERS OF DEMAND

Occupational demand will be shaped by sector growth alongside a new strategic agenda.

### Sector growth

Whilst not withstanding current headwinds, the gaming sector is primed for impressive growth, with The Data City estimating that UK gaming sector employment could rise to 60,000 by 2025.

**A few key factors are influencing sector growth:**

- UK Government policy at a local and national level (including higher tax-relief for gaming companies and the £50m in funding to support more regional creative clusters)
- Corporate investment activity
- Technological innovation and discovery
- Easing of supply chain issues that held up the availability of next-generation consoles
- Wider availability of high-speed internet connectivity and the roll-out of 5G and 6G
- Open access to development tools and the rise of online publishing lowering barriers to entry
- Growing consumer demand for content
- Release of new games
- Emergent, high-growth sub-sectors

### A new strategic agenda

The gaming sector is being transformed and redefined by the following:

### Immersive gaming

Several gaming companies have developed immersive virtual worlds and realistic games incorporating non-gaming related experiences such as shopping, events, broader entertainment, and social networking. Roblox, for instance, gives users access to virtual retail experiences, different environments and events that include Vans World, a virtual skate park and a shopping experience. Users can create their avatars to navigate around this virtual world.

More sector players will follow suit, resulting in more immersive games as we advance with artificial intelligence (AI), adding to the experience by learning about individual

**The UK Gaming Sector could employ 60,000 by 2025.**

players and adapting gameplay and experiences accordingly.

### Blurred lines

Aspects of gaming and its associated technologies have been applied in several industry sectors. Indeed, around 70% of global 2000 companies already use gamification in some way. For example, Oxford VR use immersive technologies to treat mental health conditions within the healthcare sector. Tech and media companies are also increasingly incorporating gaming into business models, products and services. In September 2022, for example, Netflix opened a game studio in Finland, bringing the total number of gaming studios it operates to six. Netflix has ambitions in the gaming space. In 2021 it launched five titles on its mobile apps. Since then, the company has acquired multiple game studios and launched over 30 mobile games on its platform throughout 2022. This will serve further to expand the shape and size of the sector.

### The evolution of distribution and play

Another critical shift in the sector is how games are distributed and played. Cloud gaming has vast growth potential, with global growth forecasts predicting an increase from $1bn in 2020 to $12bn in 2026 (according to research firm Omdia). In cloud gaming, users play games via remote servers in data centres. Users can stream the game directly to devices instead of downloading and installing games on a PC or console. Big tech companies and leading console makers like Nvidia, Amazon, Sony and Microsoft have already rolled out their cloud gaming services. It is expected that more gaming companies will adopt this model going forward.

Elsewhere mobile gaming has seen phenomenal growth since the launch of the iPhone back in 2007. Data from the ERA shows that consumer spending on mobile/tablet games increased by 29.4% between 2019 and 2021 to reach a total expenditure of £1.54bn. The roll-out of 5G will turbocharge future growth.

The evolution of distribution methods gives rise to new platforms and cross-platform gaming, allowing users to switch and cross-play between multiple platforms. The rise of the platform model is lowering barriers to entry, making it easier for smaller studios to distribute their games. This will be crucial in the sector's broad evolution and high-paced growth. In October 2022, for example, Steam reported that the number of concurrent users on its platform hit 30m.
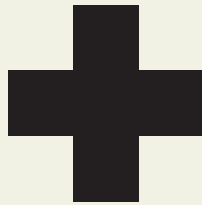
### Next-generation technologies

Hardware is evolving with the growth of next-generation consoles and virtual, mixed and augmented reality technologies. In June 2023, for example, Apple launched its new augmented reality headset. Elsewhere special effects and graphics technologies used in the film industry are now being deployed in the gaming sector, while the advent of better game development tools and advanced AI is lowering barriers to entry, making it easier to develop high-quality games.

### New purchasing models taking off

Purchasing models are also in flux, with subscription, free to play and play to earn on the rise. In the free to play model, gamers can usually access the game at no cost, but have to pay for additional elements, such as access to different levels or features. In comparison, with 'play to earn', gamers can earn rewards from playing. Axie Infinity, for example, is a game where players earn crypto tokens as rewards for battling. The game has 2.8m daily users and a total trading volume of $3.8bn. Companies operating in these fields can further supplement their earnings by adding adverts to games.

### New audiences and demographic changes

The pandemic opened up gaming to new demographics. Nearly half of gamers in the UK are female and the average age of gamers worldwide is now somewhere between 35 and 44. While this report is focused on the UK, there is also a growing population of gamers in emerging markets. Gaming companies must ensure they have diverse thinking that reflects the end user's needs.

# £1.54bn

Data from the ERA shows that consumer spending on mobile/tablet games increased 29.4% between 2019 and 2021 to reach a total expenditure of £1.54bn. The roll-out of 5G will turbocharge future growth.

## Esports, a global phenomenon

Esports, the competitive playing of games, has the potential to become a global phenomenon. Esports audiences on YouTube and Twitch now exceed those of HBO, Netflix, and ESPN combined. Its growth has been boosted by the involvement of traditional sports, such as football, where the Premier League partnered with EA Sports to host the ePremier League. Recognising the growth opportunity, a number of UK locations have outlined plans to become leading esports clusters. This includes Here East in London, Manchester and the West Midlands. In the West Midlands, the Global Esports Federation announced a 10-year agreement to boost esports in the region with plans that include a research centre and a bid to host the Global Esports Games in 2027/28.

## M&A

Finally, a flurry of mergers and acquisitions (M&A) and partnerships activity is actively reshaping the gaming industry. M&A deals with a gaming company headquartered in the UK reached £2.4bn in 2022. Large companies are eager to acquire intellectual property to grow their portfolios.

So, the stage has been set. The UK gaming sector is primed for further growth and widespread transformation. What does this mean for the real estate requirements of those companies navigating the opportunity this sector presents?

## IMPLICATIONS FOR REAL ESTATE

- The sector is changing at a pace. Real estate portfolios need the flexibility to adapt to changing business models and talent requirements and accommodate high-velocity growth

- M&A in gaming will be a continued theme, albeit in the context of growing anti-trust concerns. Whilst acknowledging that a merger or acquisition can often lead to disposal activity, it can also result in relocation or reorganisation, both with obvious real estate implications

- Emergent sub-sectors of gaming and the arrival of new entrants will generate a rich source of future real estate demand. There is also the opportunity to create new clusters focused on these sub-sectors

- Continual elevation of the customer experience is key to success. Studio spaces should catalyse customer-centricity and innovation

# Gaming and Real Estate: Moving to the next level

A definitive guide to what gaming occupiers want from their real estate going forward.

# OCCUPIER CHECKLIST – CRAFTING YOUR WORK SPACE

| CONSIDERATIONS | BUILDING SPEC AND LOCATION | FIT OUT |
|---|---|---|
| • Changing working practices | • Characterful buildings that promote creativity | • Adequate plug sockets |
| • Talent acquisition and retention | • Fast and resilient connectivity | • Agile, flexible workspaces |
| • Catalysing collaboration, culture, customer-centricity and community | • Access to talent pools | • Bold, playful and immersive environments which provide a real experience and sense of fun |
| • Rapid business transformation | • City/town centre locations | • Health and wellbeing to the fore |
| • Accommodating growth | • Adequate power and cooling capability | • Social spaces |
| • Technological advancements | • Reliable energy supply | • Specialist space: audio rooms, motion capture studios |
| • New entrants and increased competition | • Proximity to Data centres, Cloud availability zones and Internet exchanges | • Dynamic spaces that are resilient to change |
| • New gaming preferences | • ESG credentials | • Spaces for different uses |
| • Creating the best content | | |
| • Economic headwinds and access to funding | | |
| • M&A | | |
| • Employee demands – purpose, ESG, health and wellbeing, flexibility, learning and development | | |
| • Online security | | |

The gaming sector has a number of established real estate requirements, including:

- Infrastructure – power intensive, cooling requirements.

- Specialist settings. Examples include: sound-proof rooms and game testing rooms.

- Creative spaces tailored to brand identity and culture.

- Flexibility to scale-up and down and bring inter-disciplinary teams together.

However, as gaming companies transition into a new operational reality, real estate requirements are evolving at pace. There are four specific trends here:

1. Aligning to new workstyles.

2. New and complex infrastructure requirements, with a sharpened focus on power loading to

As gaming companies transition into a new operational reality, real estate requirements are evolving at pace.

the building in addition to resilient, secure connectivity.

3. Attracting and retaining talent.

4. The rise of the ESG agenda.

## 1. ALIGNING TO NEW WORKSTYLES

First, sector players are aligning real estate to more flexible workstyles. From the conversations we have had with gaming companies, it is clear that hybrid working is becoming established as the norm, but that there are clear differences when it comes to implementation. From letting individuals decide when and where they work to encouraging staff to come in for set days to setting different expectations for different roles.

A common theme regarding the challenges of remote working was the loss of informal

interaction that leads to moments of great creativity and problem solving. Concerns were also raised regarding social isolation, data security, culture, training, and coordination.

Whether gaming companies adopt hybrid, remote, in person or a variation of both most companies we spoke to are revisiting or planning to review the office's role, accelerating the redesign of their space with a stronger focus on collaboration, socialisation, connection, creativity, flexibility and the user experience. In practice, this means offering a variety of work settings, bringing elements of the home into the office to create greater levels of comfort, and more social areas, occupation of inspiring spaces and buildings and proactively ensuring that workspaces support health and wellbeing.

## 2. NEW AND COMPLEX INFRASTRUCTURE REQUIREMENTS

Second, infrastructure requirements are changing in line with technological advancements.

From a digital perspective, the principal need is for access to on-demand servers, storage and fast low-latency connectivity. Offices located in well-connected areas carry favour. The building itself also needs to be able to demonstrate strong digital connectivity, digital resilience and sufficient power to maintain operations. Even short periods of downtime could mean projects stalling, disruption to user experience and ultimately lost business and reputation.

The digital infrastructure stretches beyond studio and the HQ building. Underpinning the sector is a complex digital ecosystem, combining data centres, networks and in some instances, peer-to-peer connected gaming. Collaboration with third parties ensures access to scalable facilities for growth, resilient and diverse fibre connectivity and allows application developers to benefit from secure, reliable infrastructure and a technical support team.

Moving forward, the relationships cemented in this ecosystem will only become more critical. Virtual Reality and Artificial Intelligence are increasingly entering the gaming experience. Both process large amounts of data, all of which need to be supported with agile, mission-critical infrastructure. The need for power and network connectivity will only become greater as will the need for customisable infrastructure. This means that the location

choice by gaming companies will not only be defined by the attributes of cities and the merits of the constituent buildings, but also the ease of access to the required partners that support this increasingly complex ecosystem.

## 3. ATTRACTING AND RETAINING TALENT

Third, it was widely acknowledged in our conversations with industry insiders that hiring and retaining the best talent has become more challenging. Reasons for this included Brexit, increased competition and a disconnect between industry and academia around skills requirements. From a real estate perspective, gaming companies are doubling down on talent-led location and design decisions.

Factors such as:

- housing affordability
- quality of life
- local amenity provision
- transportation links
- the strength of academia and
- depth of experienced talent pools

will be high on the checklist when making location decisions. Workspaces are being curated to draw in and retain talent. Think amenity-rich spaces, wellness facilities and features, inspiring design, healthy building and office design and work settings aligned to user needs.

## 4. THE RISE OF THE ESG AGENDA

Finally, ESG. The most prominent sector-level ESG initiative is the UN Playing for the Planet Alliance, whose members have committed to reducing their emissions. As part of this initiative, UKie, the UN Playing for the Planet Alliance and Games London launched a Green Games Guide designed to help companies improve their approach to sustainability. It recognises that real estate has a key role to play in reducing emissions.

Looking at the E of ESG through a real estate lens, the gaming sector has a particular challenge regarding significant power requirements that don't align with the specification of highly sustainable buildings. 24% of space occupied by gaming companies currently fails to meet proposed 2027 MEES regulations of an EPC C or above. This increases to 51% for the proposed 2030 requirement of an EPC B or above.

Most companies we spoke to are revisiting or planning to review the office's role, accelerating the redesign of their space

**Actions that gaming companies are or can take concerning their office footprint include:**

- Optimising energy consumption, automatic power saving modes, and switching off equipment when unused

- Relocating to buildings with sustainability-focused building certifications (e.g. BREEAM, NABERS, LEED)

- More efficient energy and water use. For example, using LED lights with sensors

- Minimising waste

- Reducing paper consumption

- Sourcing renewable energy

- Recycling and phasing out single-use plastics

- Setting standards for the environmental performance of the real estate portfolio

- Developing sustainable office design principles

- Limiting business travel and incentivising staff to use 'green' transport to and from work

- Enhanced teleconference facilities

- Appointing sustainability stewards in offices and upskilling employees

- Investing in energy and environmental data management systems

- Requesting green lease provisions

- Occupying buildings with wellbeing certifications (e.g. WELL, Fitwel, ActiveScore)

- Completing external accessibility audits across the real estate portfolio

- Occupation of inclusive workplaces

- Proactive social inclusion strategies

- Review data storage policies

- IT and other office equipment; extending hardware lifecycles, reuse and recycling, and more energy-efficient workstations

# VOICE OF THE MARKET

Extracts from over 20 interviews with gaming occupiers on their changing real estate needs.



"44% of developers experienced delays due to Covid and the shift to working from home. Additionally, breaches in security increased, with game content being leaked prior to launch. The office has a vital role to play in ensuring data security as well as bringing multiple teams together to fast-track the game development process".

**Anonymous**

"One of the biggest challenges of remote working is losing the value of informal interaction. We are trying to work out how to recapture this in the new working environment".

**Jason Kingsley OBE, CEO Rebellion**

"Clear and regular communication is required in the creative space. There are challenges with work from home around this".

**Anonymous**

"Working remotely means you lose the hallway conversations. You lose people sitting on a couch and discussing something for an hour or two. You miss the lunch conversations. All of that goes away and becomes scheduled instead of happening naturally".

**Anonymous**

"We are seeing gaming companies transform their studio and office spaces into bold, playful and immersive environments which provide a real experience and a sense of fun for their people".

"We are also seeing greater adoption of agile workspaces. This is really helping to break down barriers created by so many of the team focused on solo-working roles, and also rebuild culture of which has been impacted by the pandemic. All the clients we speak with are looking for various work settings so people can choose to work in whichever setting best suits the task at hand".

**Sophie Smith, Marketing & Communications Manager, ADT Workplace**

"To foster even greater in-person creativity within our teams at Ubisoft Leamington, we recently upgraded the studio – improving the layout, offering a greater variety of work settings through break-out spaces, collaboration desks for 6-8 people, different sized meeting rooms, booths for individual communications and changing meeting rooms into review rooms. In our café area we've also created a living room atmosphere with soft furnishings and relaxation zone, so our teams have a space to connect and share ideas."

**Phil Bale, Operations Manager, Ubisoft Leamington Spa**

"Starting in 2019, the Leamington Spa studio has evolved in a pandemic and post-pandemic environment. This has prompted questions around the purpose of the office and workplace dynamics. For Electric Square the office is about being part of a team, discussing projects and socialising. To enable this, we have a mezzanine area dedicated to social space with desk-space below".

"The quantum of space required is also a challenge. Not only in terms of how much space is needed in a hybrid working environment but also how much space is required to accommodate growth.  With headcount at 60 people the office is too small to accommodate everyone five days a week, but with hybrid working the space works. As we grow, we will look to re-configure the space".

**Nick Harper, Head of Electric Square's Leamington Spa studio**

"We design our offices to be inviting and warm spaces that act as social hubs".

**Patrick O'Luanaigh, CEO nDreams**

# Gaming and the three P's

A look at how PLACE, PEOPLE AND PERFORMANCE drive location decisions and which locations have strengths in each criterion.
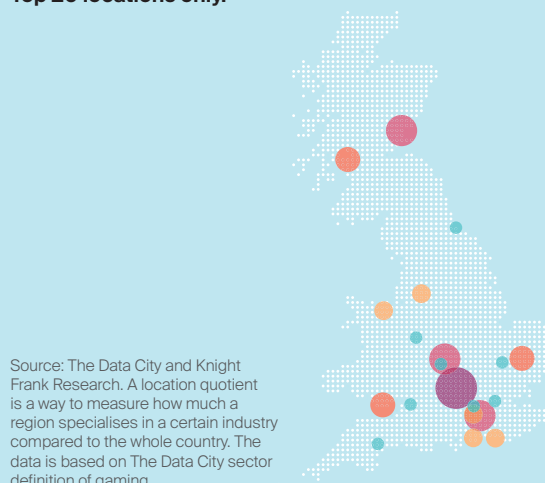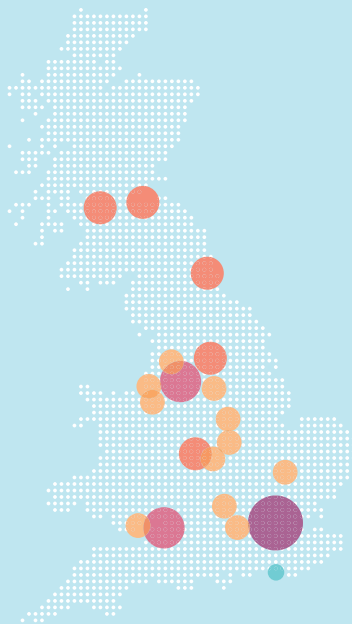
# PLACE

Thriving gaming clusters have grown out of the success of a handful of high-growth companies. These companies became magnets for other industry players. At the same time, ex-employees established their own gaming companies in the same locality.

Places with a higher proportion of high-growth and established gaming companies will be more attractive to gaming occupiers.

**Number of scale-up and established gaming companies by local authority, location quotient. Top 20 locations only.**



Source: The Data City and Knight Frank Research. A location quotient is a way to measure how much a region specialises in a certain industry compared to the whole country. The data is based on The Data City sector definition of gaming.

**Number of professionals with core gaming skills by location. Top 20 locations only.**



Source: LinkedIn Analytics and Knight Frank Research. Based on an analysis of the top UK gaming companies and the most frequently cited skills.



# PEOPLE

Optimal locations must offer access to suitable talent, in the form of both experienced hires and graduates.



# PERFORMANCE

Performance includes buildings or land with higher-density power, fibre availability, low latency, and resilient infrastructure. The Telecoms network and proximity a data centre services - in-built or via third-party provider - are principal considerations when choosing a site or location. Whilst each component will be weighted differently according to organisation, discipline and security needs, each plays a key role in creating a robust digital platform and shaping future gaming companies' strategies.
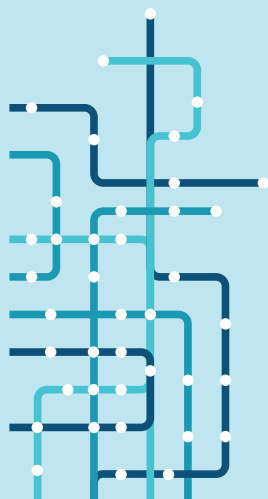
**% of premises with Gigabit connectivity**



- 20
- 40
- 60
- 80
- 100

Source: Ofcom
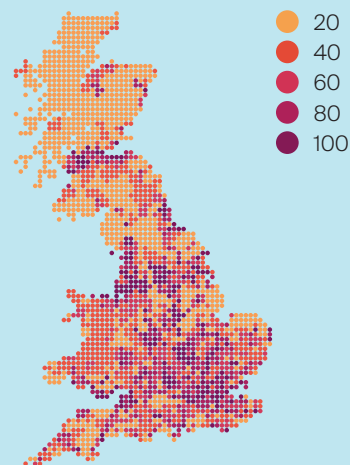
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