STADIUMS FOR PROFESSIONAL SPORT: BUSINESS OR PHILANTHROPY?

Play the Game,
Aarhus, Denmark
26/10/2015

Analyst Jens Alm
DANISH FA STADIUM REQUIREMENTS

- Introduced 2003

“A stadium that within all areas are of high quality, will attract more spectators and thus financial resources to the owner and/or license applicant. It allows possibilities to fund future stadium facilities and serves as a major source of income forms for the license applicant” (Danish FA, 2015, p. 39)

- Floodlight
- Safety/security
- Conditions for press and media
INVESTMENTS IN STADIUMS TARGETED ELITE SPORT

- A majority of the stadiums are publicly owned
- Few private stadiums
- €406 million in stadiums since 2000¹
- Mostly public investments

¹Based on surveys from 2007 and 2014
HIGH POLICY PRIORITY TO PROVIDE GOOD FACILITIES FOR ELITE SPORT (%) (N=34)

Source: Alm (2014)
INVESTMENTS IN STADIUMS TARGETED ELITE SPORT AS A PUBLIC TASK (%) (n=34)

Source: Alm (2014)
EXPERIENCED A PRESSURE FROM CLUBS OR THE FA TO MEET THE STADIUM REQUIREMENTS (%) (n=54)

Source: Alm (2014)
MADE INVESTMENTS TO MEET THE STADIUM REQUIREMENTS FROM CLUBS OR THE FA (%) (n=54)

Source: Alm (2014)
STADIUM RENTAL AGREEMENTS IN DENMARK

STADIONLEJE I DANMARK

Notat om danske superligaklubbers lejeforhold

Søren Bang, Jens Alm og Rasmus K. Storm

Notat / Juni 2014
MUNICIPAL OWNED STADIUMS

- Randers
- Viborg
- Aarhus
- Aalborg
- Silkeborg
- Esbjerg
- Haderslev
- Odense
- Slagelse
- Furesø

Play the Game

www.playthegame.org
MAJOR VARIATIONS IN THE AGREEMENTS – FIXED RENTS (2014) (€)
## RENTAL AGREEMENTS (2014) (€)

<table>
<thead>
<tr>
<th>Club [Municipality]</th>
<th>Fixed rent</th>
<th>Variable rent</th>
<th>Costs for commercial rights</th>
<th>Payment for usage and maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>AaB [Aalborg]</td>
<td>134,000</td>
<td>0,67 per spectator. Between 2680 to 5560 per game</td>
<td>147,500 for catering/commercial plus 40,000 for naming rights</td>
<td>-</td>
</tr>
<tr>
<td>RFC [Randers]</td>
<td>241,200</td>
<td>14,740 per additional game</td>
<td>-</td>
<td>Electricity consumption over a set limit</td>
</tr>
<tr>
<td>VFF [Viborg]</td>
<td>134,000</td>
<td>-</td>
<td>6700 yearly for naming rights</td>
<td>-</td>
</tr>
<tr>
<td>SIF [Silkeborg]</td>
<td>107,200 -147,440</td>
<td>-</td>
<td>343,130 for naming rights</td>
<td>Pitch heating</td>
</tr>
<tr>
<td>EFB [Esbjerg]</td>
<td>277,180</td>
<td>-</td>
<td>-</td>
<td>48,255 for maintenance , part of the fixed rent. Expenses for certain level of consumption</td>
</tr>
<tr>
<td>SønderjyskE [Haderslev]</td>
<td>67,980</td>
<td>-</td>
<td>-</td>
<td>Usage: Yes</td>
</tr>
<tr>
<td>OB [Odense]</td>
<td>281,470</td>
<td>Additional costs at more than 20 games</td>
<td>-</td>
<td>OB owns through parent company part of the stadium</td>
</tr>
<tr>
<td>FCV [Slagelse]</td>
<td>125,590</td>
<td>-</td>
<td>-</td>
<td>Costs for energy consumption</td>
</tr>
<tr>
<td>FCN [Furesø]</td>
<td>227,860</td>
<td>Fee on entrance revenues over 335,100</td>
<td>Costs for naming rights (price not provided)</td>
<td>Partly for usage</td>
</tr>
</tbody>
</table>
# REVENUE IN RELATION TO FIXED RENT (€)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AaB [Aalborg]</td>
<td>134,000</td>
<td>11,326,723</td>
<td>134,000</td>
<td>18,399,510</td>
<td>134,000</td>
<td>10,026,620</td>
</tr>
<tr>
<td>RFC [Randers]</td>
<td>241,200</td>
<td>9,867,590</td>
<td>180,960</td>
<td>7,425,590</td>
<td>-</td>
<td>2,350,820</td>
</tr>
<tr>
<td>SIF [Silkeborg]</td>
<td>107,200 - 147,440</td>
<td>9,726,350</td>
<td>134,050</td>
<td>4,552,460</td>
<td>0</td>
<td>3,857,570</td>
</tr>
<tr>
<td>Efb [Esbjerg]</td>
<td>277,180</td>
<td>16,277,500</td>
<td>116,620</td>
<td>7,933400</td>
<td>41,000</td>
<td>5,077500</td>
</tr>
<tr>
<td>SønderjyskE [Haderslev]</td>
<td>67,980</td>
<td>6,106,000</td>
<td>16,755</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OB [Odense]</td>
<td>281,470</td>
<td>23,951,550</td>
<td>22,7880</td>
<td>27,443,000</td>
<td>214,470</td>
<td>5,885,270</td>
</tr>
<tr>
<td>FCV [Slagelse]</td>
<td>125,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FCN [Furesø]</td>
<td>227,860</td>
<td>22,140,210</td>
<td>187,660</td>
<td>9,844450</td>
<td>-</td>
<td>4,533,000</td>
</tr>
</tbody>
</table>
BUT HOW MUCH DO DANISH CLUBS PAY IN COMPARANCE TO OTHERS?

Olympia, Helsingborg, Sweden

Photo: JKAB Arkitekter

Nordjyske Arena, Aalborg, Denmark

Photo: Friis & Moltke Architects

Falcon Alkoholfri Arena, Falkenberg, Sweden

Photo: Municipality of Falkenberg

Blue Water Arena, Esbjerg, Denmark

Photo: DR Syd
## DENMARK vs. SWEDEN

<table>
<thead>
<tr>
<th>Club [Municipality]</th>
<th>Inhabitants</th>
<th>Championships</th>
<th>Stadium capacity</th>
<th>Average attendance the last five seasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>AaB [Aalborg]</td>
<td>207,805</td>
<td>Four</td>
<td>13,800</td>
<td>7286</td>
</tr>
<tr>
<td>EFB [Esbjerg]</td>
<td>115,446</td>
<td>Five</td>
<td>17,181</td>
<td>6674</td>
</tr>
<tr>
<td>HIF [Helsingborg]</td>
<td>136,653</td>
<td>Five</td>
<td>16,500¹</td>
<td>9952</td>
</tr>
<tr>
<td>FFF [Falkenberg]</td>
<td>41,000</td>
<td>Zero</td>
<td>5500²</td>
<td>2044</td>
</tr>
</tbody>
</table>

¹The stadium is under construction and will open 2017. The new capacity will be 15,000.
²The stadium is under construction and will open 2017.

<table>
<thead>
<tr>
<th>Club [Municipality]</th>
<th>Fixed rent</th>
<th>Variable match day</th>
<th>Commercial rights/catering/naming rights</th>
<th>Maximum payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>AaB [Aalborg]</td>
<td>€134,000</td>
<td>€0,67 per spectator. Between €2,680 to €5,560 per game</td>
<td>€187,500</td>
<td>€416,020</td>
</tr>
<tr>
<td>EFB [Esbjerg]</td>
<td>€277,180</td>
<td>-</td>
<td>-</td>
<td>€277,280 + costs for the usage of LED-banner &amp; big screens</td>
</tr>
<tr>
<td>HIF [Helsingborg]</td>
<td>€21,370³</td>
<td>From 5,000 spectators and upwards the club pays between €2,14 to €10,68 per game</td>
<td>€160,260 plus €1 per spectator and game</td>
<td>€1,388,960</td>
</tr>
<tr>
<td>FFF [Falkenberg]</td>
<td>€286,270⁴</td>
<td>-</td>
<td>Possibility to sell the naming rights included in the rent</td>
<td>€286,270</td>
</tr>
</tbody>
</table>

³The numbers applies to the refurbished stadium. Current fixed rent is €395,320 and the maintenance costs are €641,060.
⁴Current fixed rent at the old stadium is €91,180.
## Revenue in Relation to the Rent (€)

<table>
<thead>
<tr>
<th>Club</th>
<th>Rent 2014</th>
<th>Revenue</th>
<th>Percentage of the revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>AaB</td>
<td>394,113¹</td>
<td>11,326,723 (2013)</td>
<td>3.5%</td>
</tr>
<tr>
<td>EfB</td>
<td>277,180</td>
<td>16,277,500 (2013)</td>
<td>1.7%</td>
</tr>
<tr>
<td>HIF</td>
<td>136,653</td>
<td>8,384,473 (2014)</td>
<td>12.5%</td>
</tr>
<tr>
<td>FFF</td>
<td>286,270²</td>
<td>2,862,716 (2014)</td>
<td>10%</td>
</tr>
</tbody>
</table>

¹The variable rent in the total rent is based on 6393 (average attendance) x 0.63 (fee per spectator) x 17 (games in the league per season)

²The rent is based on the new rental agreement between the municipality and the club
CONCLUSIONS

- An increase of the revenues
- Municipal benevolence to provide good conditions for the local club(s)
- Major variation in the rental agreements
- EfB, OB & AaB have the highest rental costs...
- ...but pay less in relation to a comparable Swedish club
Questions?

Play the Game Conference
Marselis Hotel
26/10/2015

Analyst Jens Alm
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REFERENCES


KEY ELEMENTS IN THE AGREEMENTS

- **Fixed rent** – could be price regulated or downgraded if the club is regulated
- **Variable rent** – may depend on number of spectators, entrance fees or number of games
- **Commercial rights** – may for example cover payment for catering, commercial and naming rights
- **Maintenance** – may for example cover expenses to electricity, water and pitch maintenance
- **Other** - offsetting the clubs’ cofinancing of stadiums in the agreements or more complex constructions (e.g. Aarhus)
DISCREPANCY BETWEEN THE CAPACITY REQUIREMENTS AND THE ACTUAL NEED

Average attendance 2010/11 – 2014/15

* Playing at private owned stadiums
** Playing at semi-private owned stadiums

Source: Superstats.dk
BUT WHAT ABOUT THE RENTAL AGREEMENTS?
Strong correlation between players expenses and sporting success (e.g. Szymanski & Smith, 1997; Szymanski, 2015)

“A stadium that within all areas are of high quality, will attract more spectators and thus financial resources to the owner and/or license applicant. It allows possibilities to fund future stadium facilities and serves as a major source of income forms for the license applicant” (Danish FA, 2015, p. 39)
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