

Could Private Motorsports be Gaming's Next Super Amenity?

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Here at The Innovation Group, we've been spending a great deal of time contemplating what the future holds as the world emerges and recovers from the COVID-19 pandemic. Like the rest of the domestic gaming industry, we've watched iGaming experience incredible growth in the wake of stay-at-home orders and brick-and-mortar casino closures, with total year-to-date domestic iGaming revenue increasing nearly 200% through June to over \$634 million.

Outside of the gaming industry, we've watched New Yorkers trade apartments in high rises for homes with backyards in the suburbs¹, mall landlords begin negotiations with Amazon to turn bankrupt anchor stores into fulfillment centers², and RV sales reach record levels³.

While we recognize not all of these trends will hold, we'd be naïve to think that the pandemic won't cause lasting changes in consumer (and gamer) tastes and preferences. We do believe that brick-and-mortar gaming will recover to pre-COVID levels by adapting (as it has in the past) and resume growth. Our stance is supported by the strong recovery in regional markets throughout the United States. For many gaming resorts in the U.S., though, the casino is just one of many components intended to generate revenue and repeat business. Even before COVID-19 we saw gaming resorts evolving their non-gaming footprints to cater to new tastes and preferences through TopGolf, Brooklyn Bowl, and similar "Super Amenities." What about property footprints outside of the gaming floor moving forward? How will non-gaming amenities need to evolve in the age of social distancing?

This article explores one unique and emerging development concept that is positioned to perform well in the age of social distancing, garage condos and private motor track developments. Largely unknown to many, garage condo and private motorsports track developments, have been in existence for more than 10 years and continue to grow in popularity both domestically and abroad. The developments aim to create a new, unique real estate market and country club-like experience for motor enthusiasts.

The Innovation Group recently completed a feasibility study for a standalone, private motorsports track and garage condo development. After digging into the industry, realizing the financially attractive opportunity these developments offer, and comparing them to traditional non-gaming amenities, an obvious question arose: do these private motorsports and garage condo concepts fit into gaming-led resorts and, if so, how?

Industry Overview

The concepts of garage condos and private motor tracks have come to fruition to serve both the needs and wants of motor enthusiasts. As the industry has evolved, these concepts exist both independently and together in a single development footprint.

Garage Condos

For car lovers, the garage condo concept can fulfill needs ranging from extra storage for vehicles to office and entertainment space, or an outright second home. In an article published by Hagerty in February 2019⁴, Gordon McCall, a founder and developer of the Monterey Motorsports Park, notes, "I think it comes down to the fact that

¹ <https://www.wsj.com/articles/connecticut-suburbs-coronavirus-new-york-real-estate-houses-for-sale-weston-fairfield-11594558882>

² <https://www.wsj.com/articles/amazon-and-giant-mall-operator-look-at-turning-sears-j-c-penney-stores-into-fulfillment-centers-11596992863>

³ <https://kutv.com/news/coronavirus/rv-sales-at-a-record-high-amid-pandemic>

⁴ <https://www.hagerty.com/articles-videos/articles/2019/02/22/car-condo-storage-solutions>

the car market is still very strong, and people have limited space at home, regardless of how modest or lavish their home situation might be.” While the need for extra space has been a driver for the storage industry for decades, in many cases, garage condo developments offer much more than an additional garage to store vehicles.

The garage condo concept offers potential buyers the opportunity to purchase a connected garage unit—typically ranging from 600 to 2,000 square feet—in a common interest community. Condos vary in price, but generally range from the low-\$100,000s to more than \$500,000. Owners purchase an unfinished shell and complete the buildout themselves with typical buildout budgets ranging from the low-\$100,000s to more than \$1 million. The high initial purchase prices these unfinished spaces command offer an attractive return to developers.

Private Motorsports Tracks

Private motorsports tracks operate similarly to other private social club concepts. While golf clubs and country clubs offer an upscale experience for socializing and networking targeted to golf and tennis enthusiasts, private motorsports tracks aim to offer the same experience for car lovers. Members typically pay an initiation fee as well as annual membership dues in exchange for access to the private track and/or motorsports club—along with corresponding amenities—and a dedicated amount of annual track time. Depending on the membership type, development size, quality, and amenity offering, initiation fees at motorsports tracks range from under \$10,000 to more than \$100,000. Actual track lengths at these developments range from one to more than five miles.

Garage Condos & Private Motorsports Tracks

While garage condos and private motorsports track developments have existed, independently, for more than a decade, the combination of garage condo communities and private motorsports tracks are a relatively nascent concept. There are currently fewer than 50 of these developments across the United States, which aim to offer the “best of both worlds” to motor enthusiasts – a place to store and enjoy their vehicles while connecting with like-minded car lovers in the context of these development’s broader range of amenities. Off-track offerings include everything from owner clubhouses and event spaces to food-and-beverage outlets. In some cases, like the Thermal Club in Thermal, California, multimillion-dollar mansions have also been built around the development’s private test tracks.

Industry Sales Data

There is currently little to no data publicly available on the garage condo and private motorsports track industries’ overall sales, occupancy, and membership count trends, among other key performance indicators. Despite the lack of data availability, The Innovation Group was able to triangulate a high level of both garage condo unit and membership sales trends for select developments through various media articles. Based on the published dates of each article, we were able to estimate the number of garage condo units and/or memberships sold since the development began its sales efforts and/or since the last sales update. Like traditional condo developments and time shares, these developments typically begin selling units and memberships well before opening or even breaking ground, which provides an attractive financing tool for developers. A selection of the sales trends we compiled around key developments follows.

M1 Concourse

The M1 Concourse development in Pontiac, Michigan broke ground in June 2015 and opened its first phase in August 2016. We were able to find multiple sales updates for the development through our online media research. According to various articles, sales efforts began in November 2014 for M1 Concourse. Data suggests there was strong demand for Phase 1. As of March 2015, the development had sold 70% of the 80 total garage condo units planned and all 80 units were sold out by the time the construction broke ground. The next published sales update occurred in June 2016, which indicated all 57 additional Phase 2 units had sold out. The final sales update we found was in regards to the 94 units included in Phase 3. In March 2019, M1 Concourse had sold through 43 of the 94 Phase 3 units.

Pricing for the unfinished shell units ranged from \$165,000 to more than \$1 million across all three development phases, with units ranging in size from 500 to 1,300 square feet. All private garage owners were required to purchase a membership to M1 Concourse with an initiation fee of \$20,000 and an annual dues commitment of \$3,950. Each member is guaranteed six hours per week of track time plus unlimited access to area amenities, including a clubhouse, events center, shops, restaurant, and service centers.

M1 Concourse | Phase 1
Broke Ground: June 2015
Sales Efforts Initiated: November 2014

| Date | Sales update | Total Units Available | Total Units Sold | % Sold |
|---------------|--|-----------------------|------------------|--------|
| May 2014 | 475 people have reserved garage/condos | 80 | 0 | 0.0% |
| November 2014 | Garage condos sales begin | 80 | 0 | 0.0% |
| March 2015 | 56 of 80 Phase 1 garage condos sold | 80 | 56 | 70.0% |
| June 2015 | All 80 Phase 1 garage condos sold out | 80 | 80 | 100.0% |
| June 2016 | Sold out of all 57 Phase 2 garage condos | 137 | 137 | 100.0% |
| March 2019 | Sold 180 garage condos | 231 | 180 | 77.9% |

Source: M1 Concourse, Various media



Motorsports Park

Source: Company Website



Area 27

Based in Penticton, British Columbia and offering memberships only (i.e., no garage condo units available for sale), Area 27 Motorsports Park broke ground in December 2015 and opened in June 2017. We have assumed membership sales efforts began six months prior to groundbreaking. The development opened in September 2017. The only published sales data we found occurred in January 2018 and indicated all 300 memberships were sold, indicating that the development sold through all available memberships by its eighth month of operations.

Membership initiation fees ranged from \$55,000 to \$65,000, with annual dues ranging from \$3,000 to \$4,000. Amenities include a clubhouse, locker rooms, pro shop, and restaurant.

Area 27 Motorsports Park
Broke Ground: December 2015
Sales Efforts Initiated: June 2015*

| Date | Sales update | Total Memberships Available | Total Memberships Sold | % Sold |
|--------------|-------------------------------------|-----------------------------|------------------------|--------|
| June 2015 | Sales efforts begin | 300 | 0 | 0.0% |
| January 2018 | Sold out all 300 family memberships | 300 | 300 | 100.0% |

Source: Area 27, Various media; *Assumed sales effort commencement date

Monterey Motorsports Park

Located in Monterey, California, Monterey Motorsports Park broke ground in August 2018. We have assumed sales efforts began in December 2017 for this trackless garage condo community. By February 2018, media on the development indicates that 30%, or 26 garage condo units, were sold. The next sales update was noted in various media articles surrounding the opening of the development, which occurred in January 2020. At this point, 52 of the total 86 garage condo units were sold. Unfinished garage condos range in size from 687 to 2,195 square feet and are priced from \$242,000 to \$777,000.

Monterey Motorsports Park
Broke Ground: August 2018
Sales Efforts Initiated: December 2017*

| Date | Sales update | Total Units Available | Total Units Sold | % Sold |
|----------------|---------------------------|-----------------------|------------------|--------|
| December 2017* | Sales efforts commence | 86 | 0 | 0.00% |
| February 2020 | 30% of garage condos sold | 86 | 26 | 30.00% |
| January 2020 | 60% of garage condos sold | 86 | 52 | 60.50% |

Source: Monterey Motorsports Park, Various media; *Assumed sales efforts began

A Fit for Casino Resorts?

While hard quantitative data is limited for motorsports development concepts, the data shared above as well as numerous anecdotal accounts suggests these concepts generate attractive returns for developers.

Are they the right fit for a casino resort, though? A number of key factors must be weighed to answer this question. Before even considering how gamers and resort patrons will interact with a concept like this, an existing development must have enough land to entertain a motorsports development. Garage condo-only developments typically have unit counts in the range of 50 to 150, with an average size of about 1,000 square feet per unit. Add on a private track, which average three miles in total distance, and virtually every casino resort in major metropolitan area is excluded. However, many regional and local properties have access to adjacent land, whether property-owned or available for purchase, that could support developments of such size.

If land availability isn't an issue, then a gaming operator and/or developer's next likely concern is the potential of taking gamers away from the casino floor. Actual track time at private tracks ranges from two to four hours. Tracks that have a clubhouse average total visitation times of four to eight hours. If having a private track means taking away quality gamers for a full day, this development concept may not be as attractive for gaming operators and developers. Though a gaming floor could serve as an attractive "clubhouse" for these motorsports guests. On top of this, garage condo owners often use their units as weekend getaway destinations. If these garage condos could effectively increase your hotel key count while being financed by high value guests and gamers, the proposition begins to look much more appealing.

Plus, in the age of social distancing, driving a Ferrari on a private racetrack, alone (or with passengers you came to the track with) sounds like one of the best activities you can do.