Introduction

The Olympic Games is a mega-event, a spectacle of the largest proportions; one that directly involves tens of thousands of people – including athletes, official delegates, Olympic representatives, volunteers, media personnel, spectators and, indirectly, an audience of billions through media exposure.

With the Russian city of Sochi hosting the XXII Olympic Winter Games in February 2014, it’s an ideal time to review what the Russian Federation can expect well after the Olympics has closed and what impact this may have on the local real estate market.

» When a city wins the right to host the Winter Olympic Games, what is the effect upon its urban landscape and what role do the Olympics play in creating or influencing a host city’s legacies?

» Is it possible to stimulate investment and revive or reinvent a city and its hinterland using the Winter Olympic Games as a catalyst?

» To what extent can this reshape the demand and supply of local, and nationwide real estate?
Potential for Urban Change

With a costly and complex bidding and planning process that takes up to a decade before the actual event, the logic behind hosting the Olympic Games is primarily to facilitate/drive change - be it urban, economic, cultural or social or most typically a mix of the above.

It is not just about the construction of specialised facilities as cities use the Olympics to accomplish other urban objectives that last much longer than the life-cycle of the Games.

Previous Games show that host cities undergo major transformations, expending huge resources into improving, constructing and creating what the International Olympic Committee (IOC) refers to as legacies, which remain in the host city and it’s hinterland for decades.

While some legacies can be imposed by the IOC, such as transport and telecommunication upgrades, most host cities will have an agenda, historically ambitious, that will potentially catapult urban change for the long term.

In order to better understand the potential legacy impact of the Sochi Olympics, this paper will examine the legacy aspects of the five most recent Winter Olympic Games Cities:

» Lillehammer, Norway [1994],
» Nagano, Japan [1998],
» Salt Lake City, United States of America [2002],
» Turin, Italy [2006] and
» Vancouver, Canada [2010].

The report will address the motivation behind the desire to host, analysing the pros and cons of the host role in an attempt to draw down some of the lessons to be learned.

Firstly, let’s look at what Sochi has planned and built in preparation for the 2014 Winter Olympics event.
Sochi’s Transformation into an Olympic City

Unlike the many previous Olympic host cities, Sochi did not have any competition venues in situ. It was specifically lacking international-quality alpine, ski jumping and sliding facilities, and for that matter the infrastructure and logistics to support it. They had had to build everything from scratch. And, they have.

11 new winter sports venues, numerous shopping malls, hotels, multi-storey car parks, apartment buildings, office buildings, medical centres, schools and even a University have been constructed. All of this has been supplemented by new infrastructure and transport systems including a new offshore terminal to allow cruise ships and yachts to dock as well as cargo.

The largest proportion of investment has not been in the winter sports venues but in infrastructure. Sochi’s Olympic Winter Games concept is structured between two clusters, Sochi Olympic Park (Coastal Cluster) and Krasnaya Polyana (Mountain Cluster), approximately 50 kms apart. A new highway and high capacity mountain railway corridor between the two clusters has cost more than the Lillehammer, Nagano, Salt Lake City and Turin Winter Olympic Games combined.

The city has been remodelled; new transportation routes have been added and existing routes upgraded and extended. With more than 350 kms of new roads, 200 kms of railway lines, 55 new bridges, 22 tunnels, new thermoelectric power stations and 17 electric power substations, engineering and sewerage networks the remodelling of Sochi has been colossal.

It is clear that since winning the bid to host in 2007 the level of urban and regional development activity has been extraordinary. Although the Government has directed the planning process, there has been large private sector investment to facilitate the transformation for the 2014 Games and beyond. According to the IOC initial capital investment projections for the entire project (2006-2014) were funded 60% by public sources and 40% by private investment.

With this high-scale level of planning, infrastructure and development in mind, how does Sochi compare with other Winter Olympic host cities before it, in terms of what has been built and the motivation behind what has been delivered?
Why host the Olympics?

The Motivation

If we look to previous host cities of the Winter Olympic Games, it is important to understand the motivation behind bidding to host. What was the focus? What were these cities hoping to achieve? After all, the bidding process, whether it is successful or not, can cost the city millions of dollars. It is a contract, whereby the host city is obliged to fulfil the caveats, conditions and costs of their bid.

» LILLEHAMMER’S [1994] main motivation was regional development and tourism growth.

» In the case of TURIN [2006] it was urban regeneration and increasing economic competitiveness through the creation of a new urban identity.

» Interestingly, Salt Lake City [2002], Vancouver [2010] and Nagano [1998] did not specifically outline an objective in urban regeneration.

» SALT LAKE CITY had a slightly ambiguous set of legacy goals which included promoting environmental awareness, to become the national centre for recreational and competitive sports, and to support general economic growth. Before winning the right to host the 2002 Games, Salt Lake City first bid for the 1972 Games, which was won by Sapporo in Japan and again for the 1998 Games which were won by Nagano in Japan.

» VANCOUVER’S legacies were focused on creating social and cultural change and promoting tourism growth. They too had a specific legacy objective to become the national centre for recreational and competitive sports and aimed to attract major sport companies to relocate there. Indirectly this did create transport and infrastructure legacies but with a metropolitan population of circa 2.1 million people, Vancouver is the largest urban centre to ever host a Winter Olympic Games. Its size makes it an unusual case and not entirely comparable to the other Winter Games hosted since 1994.

» NAGANO has been considered as a host city by Japan on three occasions, though internal competition with other Japanese alpine cities including Sapporo and Nikko meant it wasn’t successfully put forward as a nominee until the bidding for the 1998 Games. This bid did not specifically identify legacy outcomes in urban regeneration in the bidding or hosting process. Rather, its legacy was environmental and technological. Nagano was the first Winter Olympic Games to have a dedicated website and broadcast the Games on the Internet.

Whilst it is clear post-event outcomes for hosting the Winter Olympic Games may include urban transformation, or that this may occur as a result, achieving this was not the main motivation/desired outcome for most previous host cities. In fact, over time it has become increasingly less important, overtaken by commercial aims to create national centres of excellence for recreational and competitive (winter) sports and to attract major sport companies to relocate to these host cities – notably Salt Lake City and Vancouver - in order to help drive economic growth. Promoting tourism and environmental awareness also feature highly on the agenda.

Sochi’s Mega-Events

Legacies of the 2014 Winter Olympics

This appears to have been taken on board by the Russian Sochi bid team. According to the IOC (2007), the legacies of the Sochi Games include the desire to:

» Transform Sochi into a year-round tourist destination by maximising both summer and winter tourism,

» Develop Russia’s first world-class ski resort, to create a national centre for winter sports, and

» Implement a philosophy for investing domestically for the future.

The entire concept of the 2014 Winter Olympic Games for Sochi is embedded within the Russian Federal Target Programme (FTP). The motivation behind the concept was to create a legacy that extends well past the needs of the actual Games. Whilst the Games can be used as a means of accelerating urban and infrastructure change, the scale of the efforts required mean that what has been developed needs to be protected for the long term and sustained through several cycles. An important distinction between Sochi and the most recent Winter Olympic Games discussed in this paper is Russia’s success in securing not one but two more mega-events.

In 2010 the Russian Federation secured a seven year deal to host the Russian Formula 1 Grand Prix in Sochi. The season begins in October 2014 and the new circuit, which will run around the venue used for the Olympic Games, will be completed after the 2014 Winter Olympic Games. Sochi will also be one of the Russian host cities for the 2018 FIFA World Cup. Matches will take place in the Fisht Olympic Stadium. Fisht was built for the Winter Olympics opening and closing ceremonies. After the Olympics and Paralympics, the stadium will require significant work to modify it and complete it in order to facilitate the legacy requirements for football and other entertainment events which is no different to the facilities created for the rent London Olympics in 2012.
The scale of new planning, infrastructure and development resulting from hosting the Winter Olympic Games has led to an indirect objective to generate urban, city and regional transformation. This was clearly no accident. When Russia had selected Sochi to compete for the right to host, President Vladimir Putin had personally lobbied the bid. The region had already been targeted for development by the Russian FTP which ‘carried an investment volume of US$12 billion (RUB 314 billion) in case Sochi won the Olympics and of US$4.5 billion (RUB 123 billion) in case it failed’ (Muller, 2011).

The aim of the FTP was to modernise the region by creating new infrastructure in rail, road, telecommunications, energy, accommodation, and to construct sports venues. So the development of the Sochi area would have taken place irrespective of the 2014 Olympic Winter Games, albeit with a reduced level of investment and undoubtedly, impetus. It is to this extent that Sochi shares similarities with the city of Turin, which had a strategic ‘urban’ plan in place and used the games as a catalyst to spark change.

Turin Strived for Urban Regeneration and a New Identity

Until the late 1980s the city of Turin in north-west Italy was considered an industrial powerhouse. With an economic foundation built upon the automotive industry, the city had potentially isolated its identity to a “one-company town”. By the early 1990s, the industrial sector was declining, unemployment rising and Turin was facing political upheaval. In 1993 a new Mayor was directly elected by Turin for the first time. The reform paved the way for political stability and the new Mayor set three long-term but critical objectives, including, an urban plan, a strategic plan and the right to host the Winter Olympic Games in 2006.

In 1995, the city produced a master plan, its first in 50 years, providing a basis from which Turin could be reconfigured to better support the economic diversification and reorientation that was needed, moving from a monocentric city that was centred around FIAT factories, to a denser, better connected, polycentric metropolis (Colantonio et al, 2013). The 2006 Winter Olympic Games was a turning point for the city of Turin. It not only rebranded Turin to a worldwide audience - according to the IOC it was the most lucrative and successful sponsorship program in Italian history at the time - the event resulted in US$1.02 billion being invested into the city’s infrastructure plus a further US$523 million invested into housing, offices and commercial sites compared to just US$654 million invested into sporting facilities (Bondonio et al, 2006).

The Turin Olympics played an important role in development and redevelopment of buildings and facilities for the events and also greatly improved accessibility within the city itself. Most of the Olympic facilities and infrastructure were located in the southern part of the city offering a chance to renew industrial areas and abandoned buildings – nearby the Lingotto area – built in 1961 for the Centenary Celebration of Italian Unity (De Steffani et al, 2011). Ambitious plans to convert around 2.1 million square metres of industrial brownfield land into housing areas, commercial facilities and public services was enough to spur a boom in the private building sector.

In a report produced in 2011, it was found the number of building permits issued had doubled from 888 in 1981-1994 to 1,762 in 1995-2007 (Bondonio et al, 2006). Around 800 Olympic village apartments were used to relieve public housing or sold on the housing market after the Games.

Whilst new development encompassed road, rail and digital infrastructure, another key feature of the legacy plan was the opportunity to develop and promote tourism well after the actual mega-event. This was linked closely with the city’s urban and strategic plans, and sports events.
Perhaps the best summary of the transformation of the city was by a Canadian politician in a 2009 article in The Tyee (an independent British Columbia online magazine), when Geoff Meggs described Turin as coming of age and shedding its image as Italy’s Detroit.

‘...the city that tourist guides passed over, the butt of countless jokes in the chaotic run-up to the Games, had invited the world, impressed its visitors, strutted its stuff and turned a page.’

Whilst it has been generally agreed that the city of Turin was revived, it was costly. Turin surpassed the record set by Nagano in 1998 clocking in as the most expensive Winter Olympic Games when it was hosted eight years later. However, it is important to bear in mind that the motivation behind Turin’s bid to host the Games related to urban regeneration and infrastructure development to create a new urban identity and legacy. It’s quite clear that the 2006 Games added momentum to the Turin city master plan and triggered ongoing urban transformations to stimulate and deliver a legacy of economic growth and a new urban identity. Even though the success of the transformation came at a cost and left the city with a small deficit, it is a legacy that stands today.

The Case of Lillehammer

Of the five Winter Olympic Games reviewed for the purposes of this paper, the town of Lillehammer in Norway stands out as an example of where reality bites. In the two years after the Games, 40% of the full service hotels in Lillehammer went bankrupt and two new large alpine facilities were sold for less than US$1 to prevent bankruptcy because of unrecovered bad debt (Tiegland, 1999).

When Lillehammer won its bid in 1988 to host the 1994 Games it had a population of just 23,500. This compares to 900,000 in the host city of Turin, or 360,913 in Nagano and more than 400,000 in Sochi. As a result, the local community lacked most of the necessary facilities and infrastructure, having only 3,500 tourist beds and almost no major sports or alpine ski facilities. Unlike Vancouver with venues stretching over a 120 kilometre zone, Lillehammer was planned to be a compact event with most venues expected to be within walking distance of each other. Similarly to Turin, yet less strategically planned, regional development - predominantly through tourism - was the main motivation behind hosting the Games in Lillehammer. The so called compact Games turned into a mega-event and within six months the small town could not cope with the size or foot the bill which had now been capped by the Government.

Consequently, the so called compact plans for event venues were expanded to include other nearby towns across five different municipalities. Maybe this is where it all began to go wrong. Travel times between the venues increased and despite the majority of events being located near railway lines, the willingness to travel between locations was low.

It is interesting to note that in planning for the 2014 Games in Sochi, a compact design was sought although it has been organised in two separate clusters – the coastal cluster and the mountain cluster.

In 1986 it was decided that the summer and winter Olympics would no longer be held in the same year and subsequently, the Games planned for 1996 were brought forward two years, the year that Lillehammer hosted. It has not been suggested that this had any impact. On the contrary, the Games were considered one of the most successful with the best winter weather and successful broadcast and marketing programs. The town of Lillehammer just didn’t have the big city advantage of Salt Lake City, Turin or even Nagano and logistically was ill equipped to handle the size of the event.

Without doubt, when the Games were over Lillehammer and the neighbouring towns did not have the population numbers to support the development of facilities for the Games, putting the region at risk of oversupply. One of the arguments supporting the success of creating legacies is the longevity of it well after the Games are over. So while the Games fast tracked improvements to local telecommunications, rail, water and sewerage systems, which the IOC says would have otherwise taken 20 years, the number of venues created could not feasibility be used by such a small population afterwards.
Financing the Olympics is considerable and in almost all cases budgets submitted in the bid have been exceeded. Sochi for example budgeted US$12 billion (RUB 314 billion) when it won the right to host the Games in 2007. By 2010, this had increased to roughly RUB 950 billion, circa US$30.6 billion (Bloomberg, 2013) and official 2013 estimates put the investment at closer to US$50 billion. There is no doubt that planning for a mega-event in order for it to be a success requires a significant amount of strategizing, research and pre and post-event forecasting, but the reality of the long-term results can be quite different, as per Lillehammer.

Capital Investments for Winter Olympics 1992-2014 [billion US $*]

Using the Olympic to Boost Investment - Can it be done & is it worth it?

Tourism has historically remained elevated for a couple of years after the Games because of the sponsorship and marketing of the Games. The point being, there is a long period of opportunity which starts well before the actual event and one that has the potential to linger well after the event has finished; the so called legacy. This is clearly one aspect which the Sochi bid team have worked closely on, by tying in the Formula 1 Grand Prix and FIFA World Cup as subsequent hosting events many years down the line.

Aside from increasing tourism, can we trace any other economic changes in host cities, specifically property investment and occupational demand as a result of hosting the Winter Olympics?

Infrastructure and Real Estate Investment

Naturally, infrastructure improvements are a major precursor to attracting investors, developers and occupiers. Locating venue clusters to stimulate urban growth in a particular area, to redevelop a brownfield site or regenerate a neighbourhood is a development strategy Olympic hosting cities have frequently used (Kassens-Noor, 2013). Even a transport legacy has the potential to change the urban landscape through transit oriented development design, creating or enhancing existing transit corridors into long term growth corridors for investment.

As a result, there can be an immediate benefit for logistic and industrial operators in a host city. Improved local transport infrastructure allows for greater connectivity between industrial and commercial areas and can enhance access to freight corridors, road, rail and seaports raising the profile of a location. In addition, hosting the Games now requires updating modern telecommunications technology, which is highly appealing to current and future occupiers.

While the Olympics Games has the potential to generate more than a billion dollars in income it can also generate billions in debt. More often than not, the Winter Olympic Games have run up a loss. Famously the Nagano Olympics left a debt equivalent to more than US$20,000 per household. Vancouver’s 2010 Games carried indirect and direct costs of US$7.631 million (CAD$7.771 million) (OGI-UBC, 2013) and Salt Lake City around US$1.3 billion in 2002, albeit less than the US$1.9 billion budgeted. That said, hosting the Games is not just about hosting a sporting event, there is always another agenda where the long term economic benefits may outweigh the hosting costs.
Firstly, let’s look a little closer to home at the impact of the **2012 EUROPEAN FOOTBALL CHAMPIONSHIPS (EURO 2012)** as this provides some insight into the potential economic benefits to the host country, particularly when the country lacks the infrastructure necessary to meet the requirements of a mega-event. Prior to winning the bid to host EURO 2012, Poland’s public transport and infrastructure was underdeveloped - with a significant gap between the standard of infrastructure compared to other developed countries in Central and Eastern Europe. In modelling the impact of EURO 2012 on the Polish economy, it has been found that accelerated investment in infrastructure development has led to a more rapid development of the economy’s capacity (Borowski et al, 2013). With a renewed focus on infrastructure and modernisation, the market became more accessible - notably to the wider European logistics supply chain – FDI increased, labour market conditions improved and economic growth received a short term boost.

As a result, the economic gains of hosting EURO 2012 are considered larger and longer lasting than in the previous host countries of Portugal, Austria and Switzerland. In particular, the logistics market across the country has benefitted from high levels of demand since the decision to award the games to Poland and Ukraine in 2007.

**Poland Industrial/Logistic Take-up 2006-2013 [thousand m²]**

![Graph showing industrial/logistic take-up in Poland from 2006 to 2013.](image)

At a more micro level, Vancouver experienced a shift in occupier trends as a result of the infrastructure implemented for the Games.

In 2010, it was found that properties located within 500 metres of the new Canada SkyTrain line were in high demand with availability rates at significantly lower levels compared to those outside the 500 metre perimeter. This is highlighted in the table below ‘Vancouver Metro SkyTrain’.

### Vancouver Metro ‘SkyTrain’

**SKYTRAIN < 500 M**

<table>
<thead>
<tr>
<th>Property</th>
<th>Market</th>
<th>Availability Rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadway Plaza</td>
<td>Broadway</td>
<td>0.9%</td>
</tr>
<tr>
<td>Broadway Tech Centre</td>
<td>Burnaby</td>
<td>8.7%</td>
</tr>
<tr>
<td>4789 Kingsway</td>
<td>Burnaby</td>
<td>3.0%</td>
</tr>
<tr>
<td>Three West Centre</td>
<td>Richmond</td>
<td>0.0%</td>
</tr>
<tr>
<td>Central City</td>
<td>Surrey</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**SKYTRAIN > 500 M**

<table>
<thead>
<tr>
<th>Property</th>
<th>Market</th>
<th>Availability Rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospect Centre</td>
<td>Broadway</td>
<td>28.7%</td>
</tr>
<tr>
<td>Canada Way Business Park</td>
<td>Burnaby</td>
<td>54.3%</td>
</tr>
<tr>
<td>Willingdon Park</td>
<td>Burnaby</td>
<td>29.5%</td>
</tr>
<tr>
<td>Airport Executive Park</td>
<td>Richmond</td>
<td>38.8%</td>
</tr>
<tr>
<td>Crestwood Corporate Centre</td>
<td>Richmond</td>
<td>25.3%</td>
</tr>
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* Only Grade A Properties have been included in the survey.
** The availability rate incorporates both headline and sublease space.

Source: Colliers International Metro Vancouver British Columbia Report Q4 2010

As a result of this marked shift in demand, many of the business parks located off the SkyTrain introduced dedicated shuttle services to transport tenants between the property and station in order to compete.

### Definable Real Estate Benefits

- Improvements in infrastructure – roads, networks and tourism facilities/hotels
- Increase in tourism demand in all cities concerned, short and long term
- Increase in number of jobs, short and long term especially Turin, Salt Lake City and Vancouver
- Increase in occupier demand from sports companies and national sports bodies in Salt Lake City and Vancouver
- Increase in speculator/developer investment through private/public partnerships – areas used for development have been typically underutilised or brownfield lands, therefore potentially more affordable – generated value growth opportunity – Turin, Vancouver, Salt Lake City
Investment Volume Trends

In reviewing investment flows in the previous Winter Olympic host cities, data availability is limited to the most recent Games – Vancouver in 2010.

Change in Investment Trends Year over Year [y-o-y changes; %]

The figure above illustrates a significant jump in transactions in 2010 - in both Vancouver and Canada - so first impressions suggest that the hosting of the Olympics has had a significant part to play in driving investment volumes during the year of the event.

However, it is worth noting that for the period 2007 through to 2013, investment volume trends for Vancouver have remained relative to national trends. Notably, the year Vancouver hosted the Olympic Games the country was characterised by a renewed confidence and a much stronger economy following the crisis of 2008. Fuelled by record low interest rates and a marked improvement in the availability of debt, almost all asset classes showed a transactional volume increase. During 2010 there were also a number of extremely large retail and portfolio transactions as investors sought to reweight portfolios and divest non-core assets.

In summary, it appears that the uplift in transactions is predominantly coincidental, rather than Olympics driven, with Vancouver having maintained a similar level of investment volumes for the past three years.

If we look at other types of mega-events such as the 2000 Summer Olympic Games in Sydney, Australia, we can see that the tangible legacy of new infrastructure can potentially expand the use of Olympic sites to stimulate long term urban development and investment.

In this case the Sydney Olympic Park area was divided into four major zones which included an urban core, an urban district, a metropolitan park and waterfront development with parklands. Encompassing an area that spanned some 640 hectares Sydney Olympic Park is twice the size of Sydney’s CBD. One of the key issues for the Olympic Park was its progression from public to private sector use. The Sydney Olympic Park Authority (SOPA) was established in July 2001 to manage the public assets of Sydney Olympic Park and capitalise on its legacy. In the lead up to the Games, a number of sites were sold by auction. Many were acquired by institutional owners, including pension funds and listed property trusts. Since the Games, the SOPA has approved more than A$1.4 billion in development projects.

In 2001, GPT Property Trust acquired Quad Business Park (a four stage integrated office development) for A$15.5 million - they later went on to complete the office development with a total 23,400m² NLA over four buildings. Since 2001, GPT has expanded its investment to over A$155 million through the development of the park and acquisition of other sites within the precinct. It is estimated that they now have development capacity of more than 200,000m² for new commercial office, retail and industrial space.

INVESTMENTS VANCOUVER VS. CANADA

<table>
<thead>
<tr>
<th>YEAR</th>
<th>VANCOUVER VOLUME (BILLION €)*</th>
<th>VANCOUVER NO. PROPERTIES SOLD</th>
<th>CANADA VOLUME (BILLION €)*</th>
<th>CANADA NO. PROPERTIES SOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.19</td>
<td>126</td>
<td>10.51</td>
<td>599</td>
</tr>
<tr>
<td>2009</td>
<td>0.97</td>
<td>77</td>
<td>4.30</td>
<td>285</td>
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<tr>
<td>2010</td>
<td>1.86</td>
<td>130</td>
<td>12.60</td>
<td>811</td>
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<tr>
<td>2011</td>
<td>1.78</td>
<td>182</td>
<td>14.97</td>
<td>1,055</td>
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<tr>
<td>2012</td>
<td>2.22</td>
<td>137</td>
<td>17.88</td>
<td>1,156</td>
</tr>
<tr>
<td>2013</td>
<td>1.73</td>
<td>113</td>
<td>16.55</td>
<td>899</td>
</tr>
</tbody>
</table>

* Values are based on currency conversion rates of the year the deal closed.

Source: Real Capital Analytics/ Colliers International
Summary

The Olympics is a global brand; it is prestigious and opportunistic. The Olympics is a way of supporting new business, jobs growth and providing a means of attracting new investment funding while accelerating improvements to the built environment to sustainably accommodate future growth in the actual city. Essentially, the goal to host is to make the city an attractive place for private investment to help drive economic growth.

As we have seen in this discussion, undertaking the project to host the Olympic Games can generate a number of issues for the host city and its country. Whilst this ranges from the most obvious debt overhang and burden to tax payer to the underutilisation of Olympic venues, other critical negative legacies can emerge and linger for many years to come. What we can determine from reviewing the case studies is that hosting the Olympic Games is not about short term gain. It’s about understanding the investment that is required not only afterwards but at least a decade beforehand to ensure that the mega-event leads to a long term legacy of city renewal through infrastructure development, land regeneration, inward investment, tourism and ultimately economic growth.

Hosting the Olympics will raise the stature of the city and its home country. However, it is clear a host city needs to have the framework to support it, not just logistically but intrinsically with finance and investment as well as public and private support which can take years. As we have seen with Turin, a key variable in this success is the ability of the host country to master plan and align the mega-event with the long term interests, capabilities and amenities of its country.

The plan and bid for Sochi appears to have taken many of these factors into account. By developing new facilities, it should help boost tourism short-term via winter sports and longer term through the redevelopment and re-use of the facilities for the Formula 1 Grand Prix and 2018 FIFA World Cup. By developing new infrastructure, it will help improve facilities in the city and hinterland for local and regional occupiers. This should contribute to the improvement of Russia’s tourism development, stimulating latent and growing demand beyond the short term stimulus of the games.
POTENTIAL LEGACIES FOR SOCHI
– THE PROS

» **Upgrading shore infrastructure** - has helped to deliver the high volume of building materials required to allow construction. The project has also created docking capabilities for international cruise and passenger ships. Cruise liners are expected to dock during the games and serve as floating hotels. The upgraded Seaport also has a yacht marina.

» **New transportation routes** - including a railway terminal, new trains and lines, bridges, tunnels, road networks, a new airport terminal and extension plus extensive power infrastructure and new/upgraded telecommunications. A new high capacity railway connection between Sochi and the alpine cluster has also been constructed.

» **Infrastructure and new development** - has stimulated further land development and private investment, including:

  » Numerous new shopping malls such as Atrium Shopping Mall, Gorky Mall, Moremall, Mandarin Shopping Mall.
  
  » New Olympic hotels - many have been constructed within the Gorky Gorod resort complex in the centre of Krasnaya Polyana cluster which will be used as the Olympic Media Village. It was recently suggested in an article on the New York Times that this number was in the vicinity of 50, around 24,000 rooms.

  » Many of the hotels are adjacent to each other or are positioned along a three block stretch of Odzhonikidze Ulitsa in the city centre which has become known as Hotel Row.

  » New apartment buildings.

» **Tourism and branding** - the Games has acted as a catalyst for attracting other major cultural and sporting events to Sochi including the Formula 1 Grand Prix series and the 2018 FIFA World Cup.

» **National centre for winter sports** - 11 new winter sporting venues have been constructed as well as a world-class alpine resort which might become the best one in Russia.

» **Two Olympic villages** - one located in the new Sochi Olympic Park for ice sport athletes and one in the Krasnaya Polyana mountain zone, located in the Sochi National Park, for snow and sliding sport athletes have been constructed as four-star resort hotels and will be used as tourist resort accommodation post-Games.

» **New media centre** - New IBC building (45,000m²) and main press centre (25,000m²) constructed near Sochi Olympic Park to house up to 15,000 media representatives during the games have the potential to be used as a media hub long term as well as for the upcoming 2018 FIFA World Cup and Formula 1 Grand Prix seven year series.
POTENTIAL LEGACIES FOR SOCHI – THE CONS

In reviewing the impact of mega-events alongside the beneficial impacts, there are clear legacy risks such as with Lillehammer and Nagano. These risks or impacts can be immediate but in most cases take place over time and can include the following:

» **Governance of expenditure and democratic accountability** – there is a risk that with such a massive level of public expenditure focused on the Olympics/mega-event that funding to other local government, and other public agencies (e.g. health, education, social welfare) will be negatively impacted.

» **Legacy of debt** – high cost of Games preparation can potentially lead to higher taxes or levies, particularly when there has been a significant overspend on original estimates as in the case of Montreal Summer Games in 1976 and London in 2012. Debts for the Summer Olympic Games in Montreal in 1976 took 30 years to pay off and were funded through higher taxes including a provincial tobacco levy. London taxpayers are currently paying an annual Olympic tax for the 2012 Games through the precept levied by the Greater London Authority. The levy was first implemented in 2006 and is set to run for 10 years.

» **Risk local sports participation / community sport** – focus on elite sports can begin to outweigh local/community level sports participation, as well as sponsorship and funding from local government.

» **Legacy of new infrastructure** – can also leave behind a collection of semi-redundant sporting venues and transport infrastructure (Coaffee, 2012) that are still operational but now lack funding for improvement.

» **Potential complications from private/public partnerships** – For the 2004 Summer Games in Athens a number of venues lacked clear property right titles. Many private investors who later won tenders are waiting 5-6 years to get new building or restructuring licences (Panagiotopoulou, 2013).

» **Underutilised sporting facilities/new infrastructure** – as well as a potential burden to the tax payer due to the high cost of maintaining the sporting facilities to a world-class standard, many Olympic venues remain underutilised. Reasons include - the cost of maintaining the facility could not be sustained by the government, the venues were constructed for specialised sports that were not traditionally active in the host city or as in the case of Lillehammer, where the population did not exist to use it afterwards.

» **Environmental/ecological damage** – rather than brownfield or underutilised industrial areas, preparations for Sochi have involved using wetlands for some of its Olympic developments speculating a loss to greenery and wildlife.

» **Tourism/branding** – potential security fears can affect the reputation of the host country and impact tourism. Further publicity regarding the cost of the Olympics can also be potentially damaging.
482 offices in 62 countries on 6 continents

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Canada: 42  
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$2 billion in annual revenue

1.12 billion square feet under management

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