

Convention Center & Event Industry Outlook



Board of Directors Retreat Meeting March 2014

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Objectives

- Industry Size & Growth
- Competitive Industry
- Event Producer & Client Requirements
- Convention Center Management Trends
- Trends to Watch
- Q&A

Industry Size & Growth

465

of Convention Centers in the U.S. & Canada

93 mil

Total Exhibition Space Supply in the U.S. & Canada

3.1%

2013 U.S. & Canadian Center Revenue Growth

3.0%

2013 Convention & Exhibition Net Sq. Ft. Growth

4,500

Major Convention & Exhibitions in the U.S. & Canada

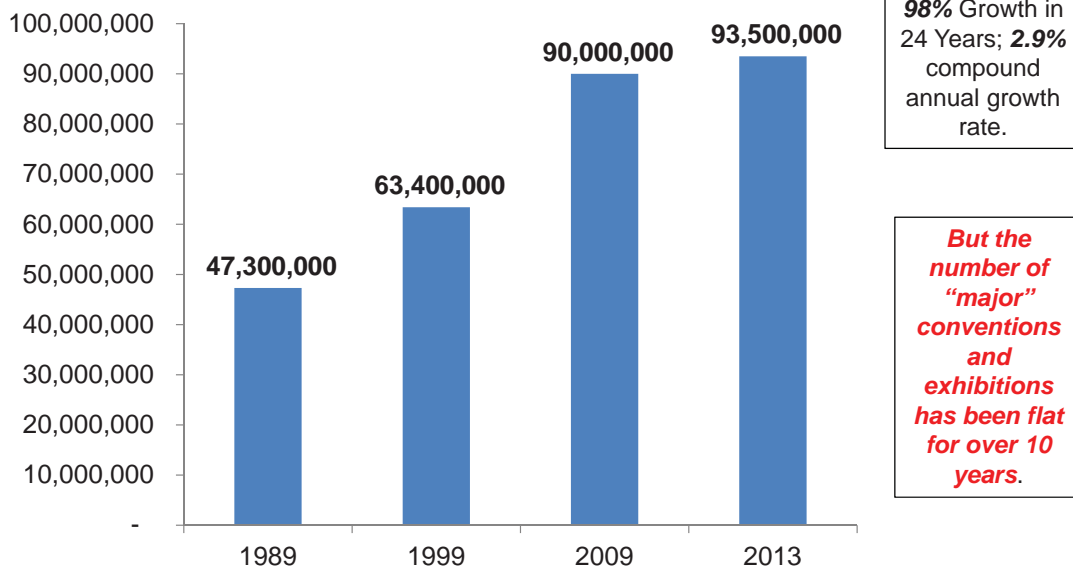
There are also tens of thousands of smaller conferences, meetings and special events.

Source: Red 7 Media Research & Consulting; CEIR

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Key Issue: A Very Competitive Industry

Convention Center Exhibit Space Supply Sq. Ft. in the U.S. & Canada



Source: Red 7 Media Research & Consulting; TSW – Millions of Square Feet of Exhibit Space

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Recent Venue Development Projects, Beside SDCCC

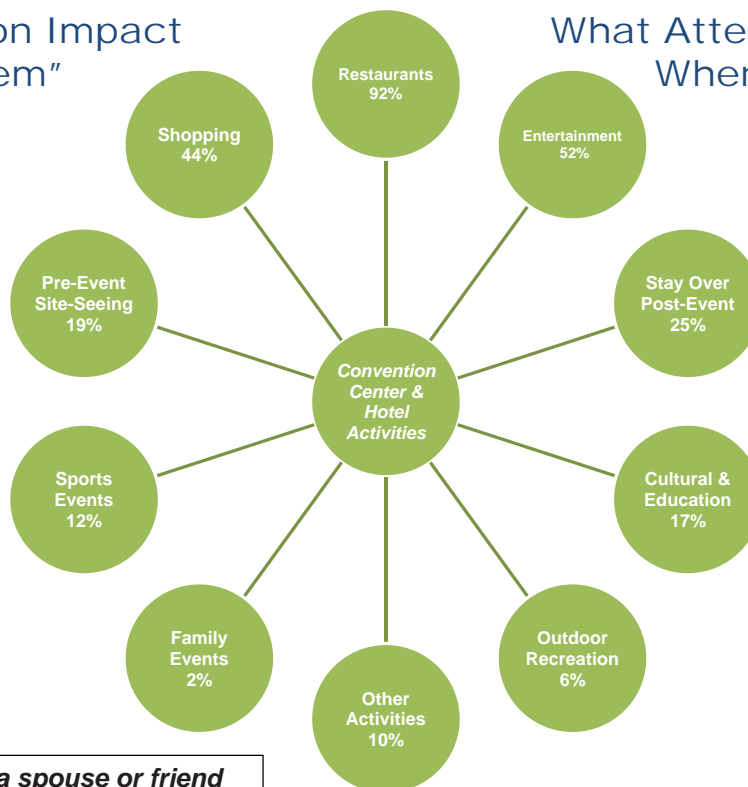
- New 350,000 sq. ft. **Nashville Music City Convention Center** opened in 2013 music district.
- **Cleveland Medical Mart & Convention Center** -- new permanent medical mart “showrooms” next to new 300,000+ sq. ft. convention center to opened in 2013.
- **Mosccone Center** – planning to add 200,000 sq. ft. of exhibition and meeting space.
- **Las Vegas Convention Center** -- embarking on long delayed major renovation and upgrade project.
- **Los Angeles Convention Center** – new 200,000 sq. ft. hall to replace similar sized hall area to make way for 68,000-seat “Farmers Arena”.
- **Anaheim Convention Center** – building, renovating 100,000 “Grand Plaza” outdoor space.
- **Boston Convention & Exhibition Center** – considering expansion and renovation and new hotels.
- **Javits Center** in New York added about 100,000 sq. ft. of exhibit space recently.
- **New Orleans Ernest N. Morial Convention Center** -- recent renovation.
- **Metro Toronto Convention Centre** considering major mixed use development with hotels.
- And other projects...

Source: Red 7 Media Research & Consulting

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Convention Impact “Ecosystem”

What Attendees Do When in Town



17% bring a spouse or friend

Source: Red 7 Media Research & Consulting

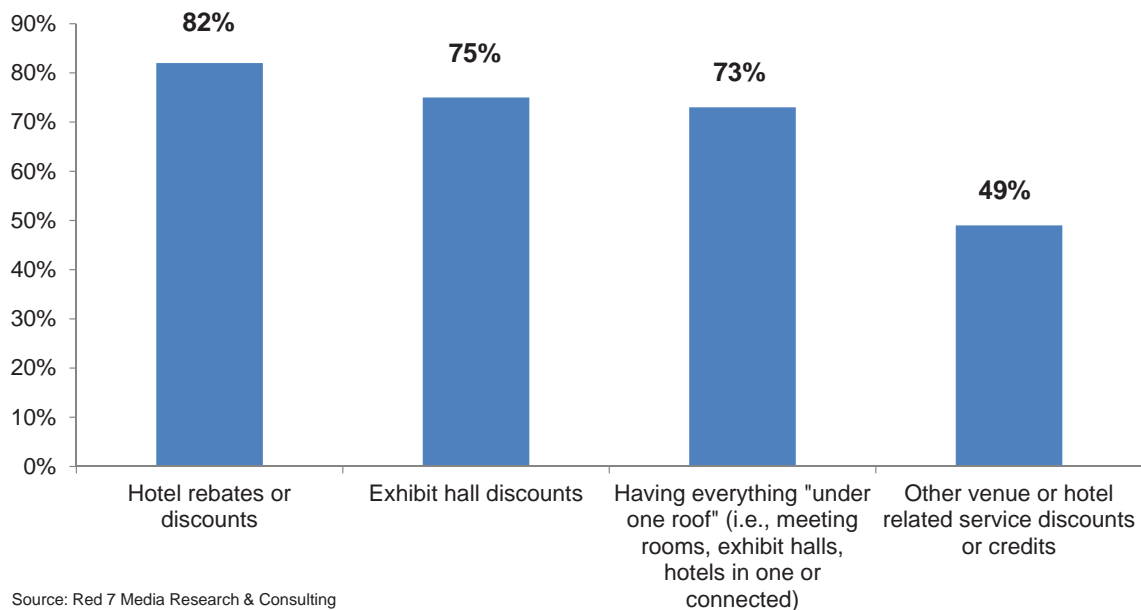
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Event Producer & Client Requirements

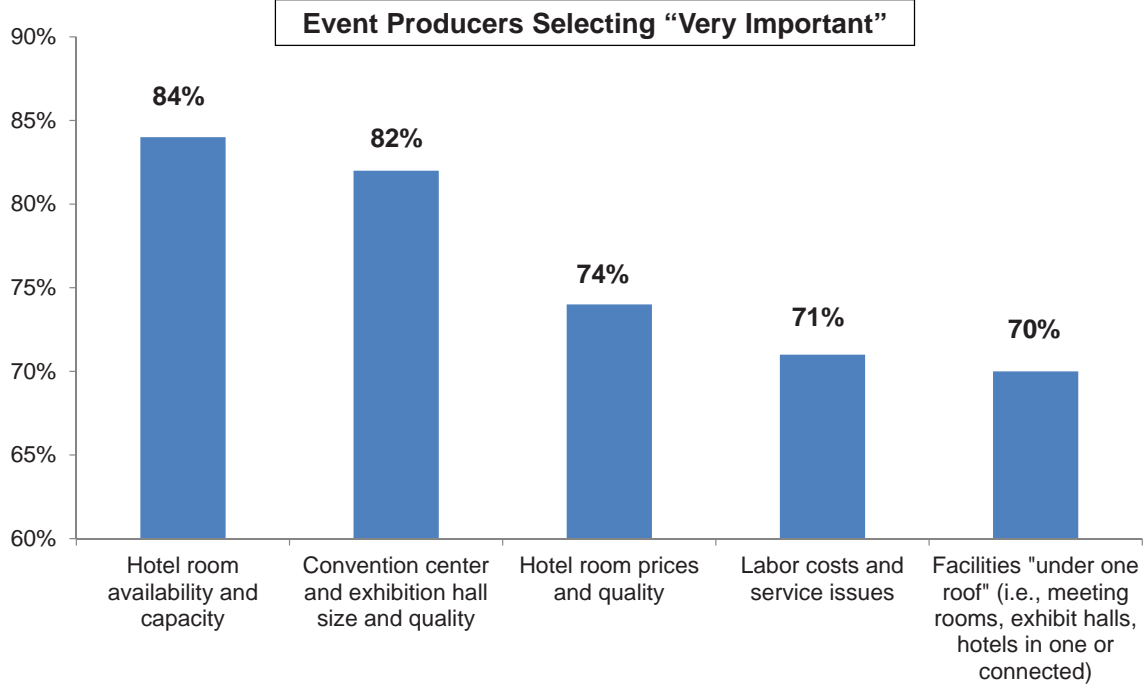


Convention & Exhibition Producer Site-Selection: What is Needed in Proposals from Venues, CVBs and Hotels?

Exhibition producers expect discounts and negotiate strongly. It is still a buyer's market for convention center space in North America.



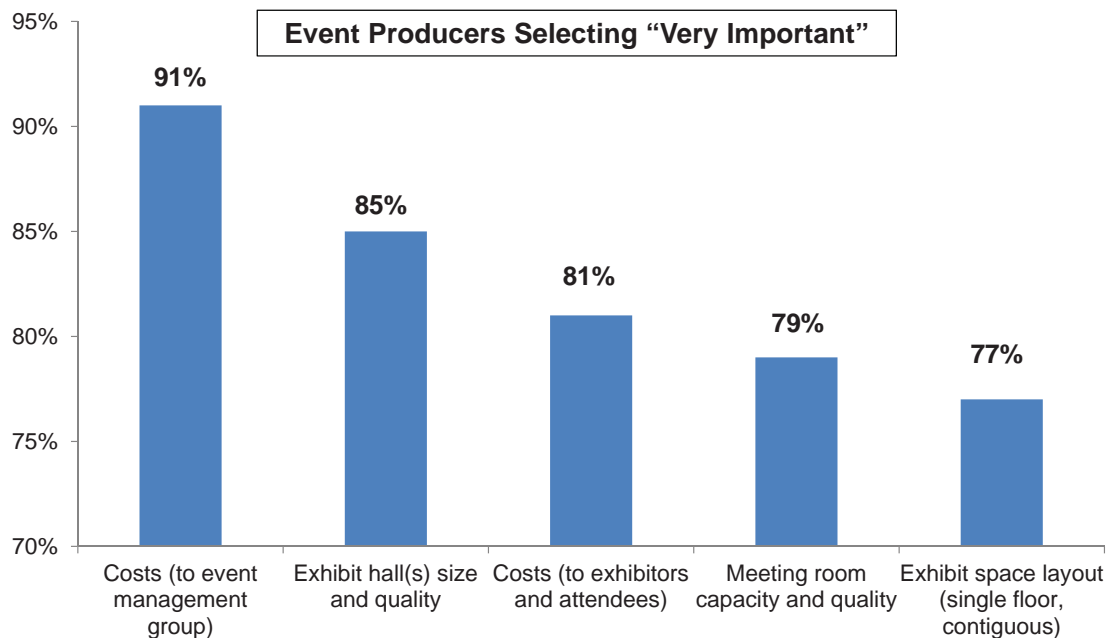
Site-Selection: Top Host City Criteria



Source: Red 7 Media Research & Consulting

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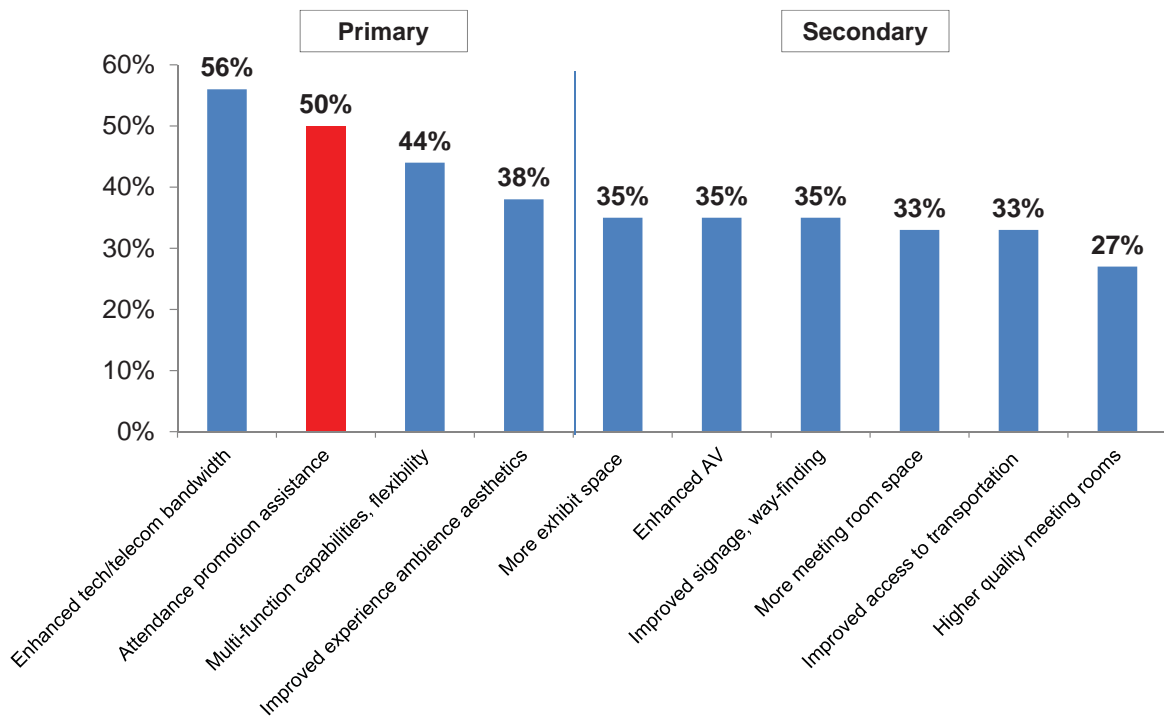
Site-Selection: Top Venue Criteria



Source: Red 7 Media Research & Consulting

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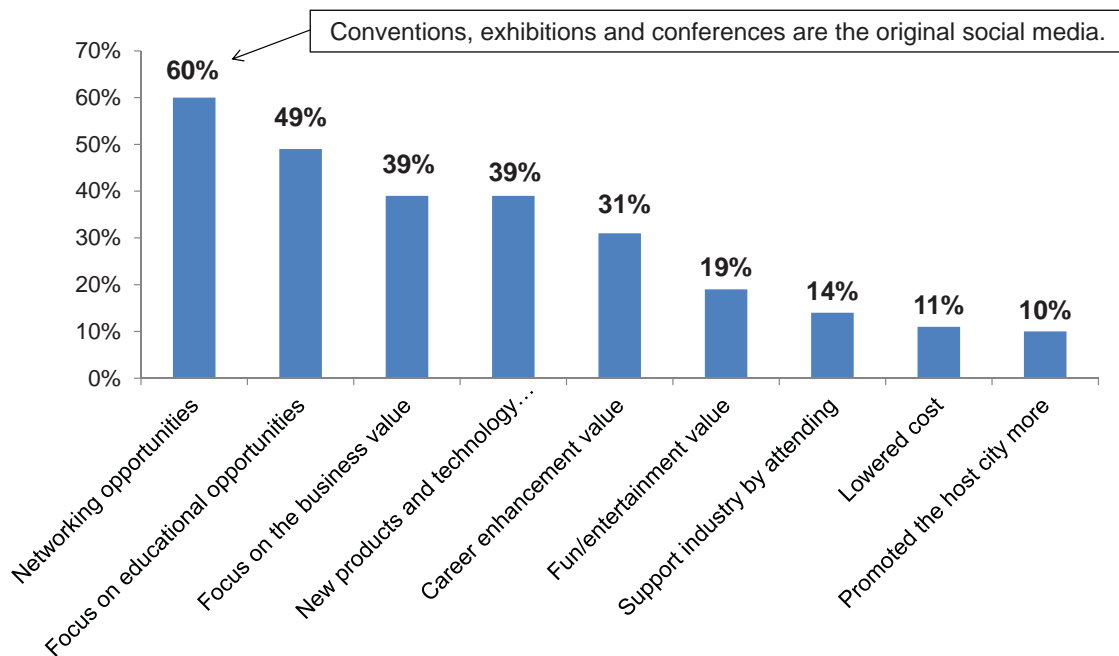
How Event Management Venue Needs are Changing



Source: Red 7 Media Research & Consulting

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How Event Producers are Changing the Way they Present Value to Attendees



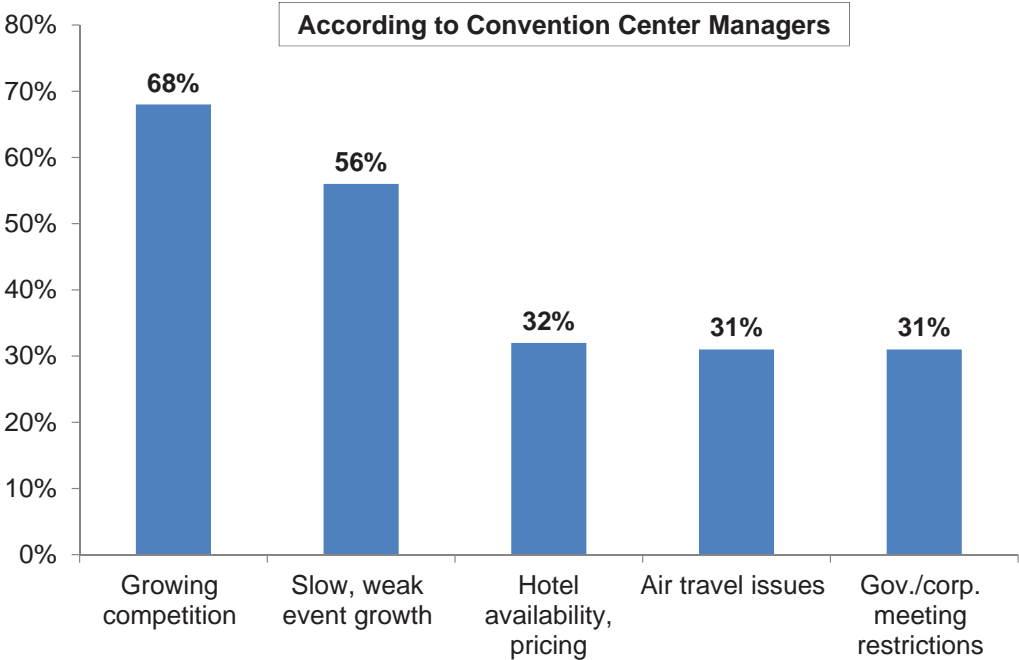
Source: R7M Research & Consulting

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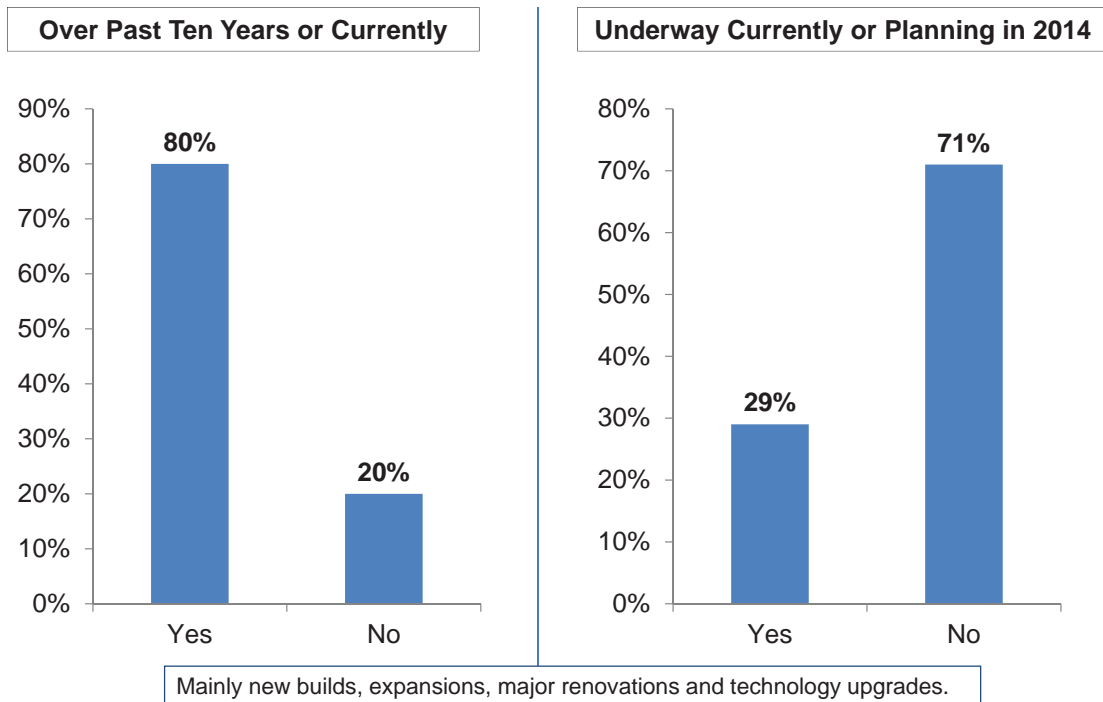
Major Convention Center Trends



Risks to Convention Center Growth Worldwide



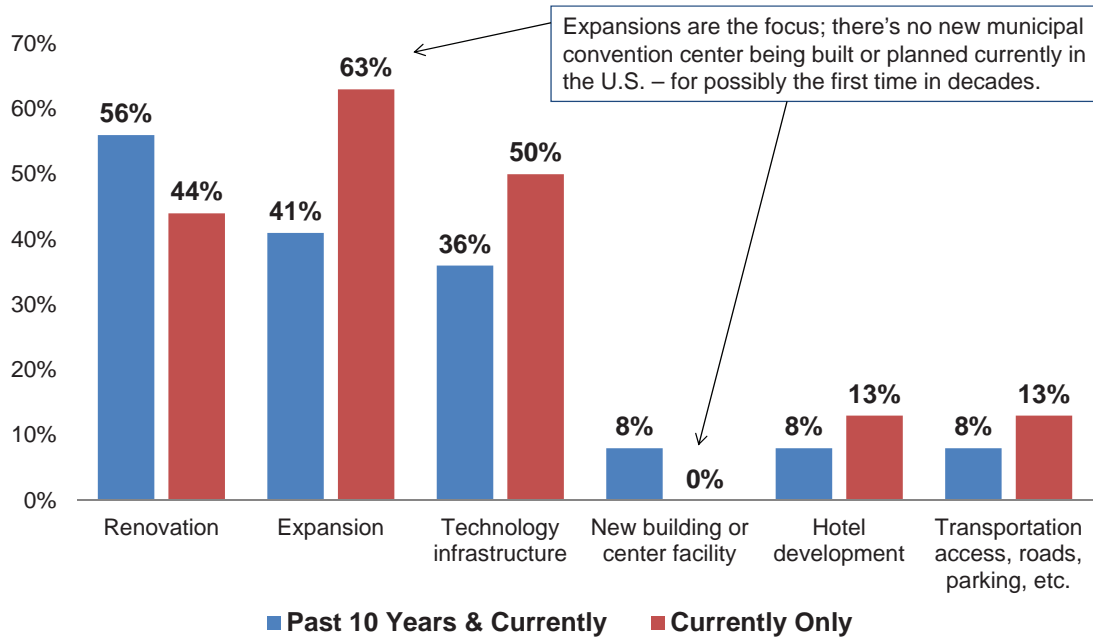
Major Convention Center Capital Investment Projects



Source: Red 7 Media Research & Consulting

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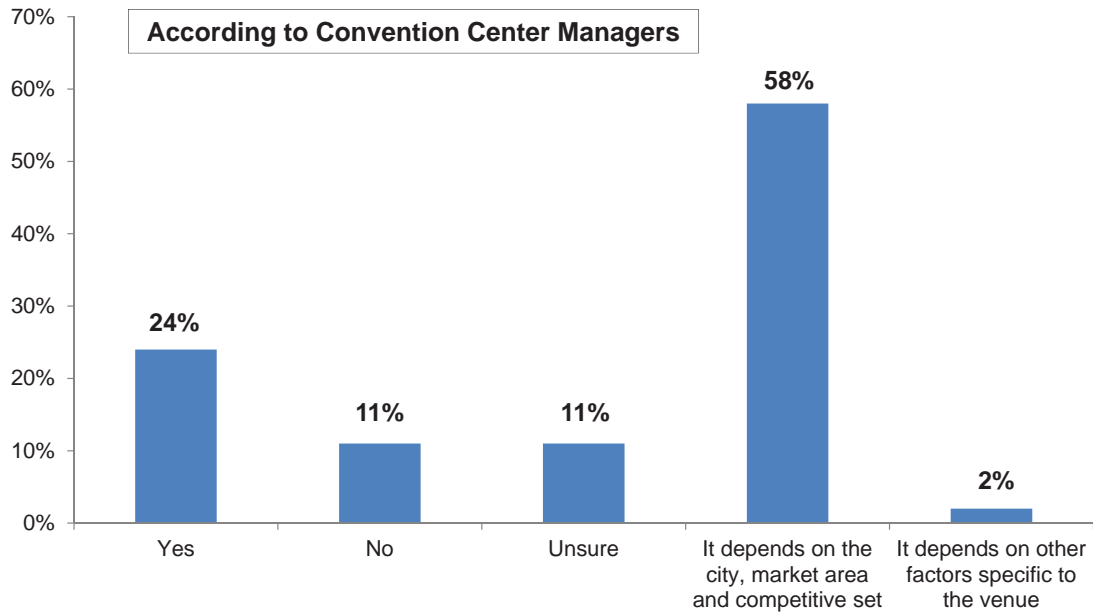
Type of Major Capital Investment Projects Over Past Ten Years or Underway Currently



Source: Red 7 Media Research & Consulting

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Has the Convention Center Industry Over-Built Exhibition Space Over the Past Ten to Fifteen Years?



Source: Red 7 Media Research & Consulting

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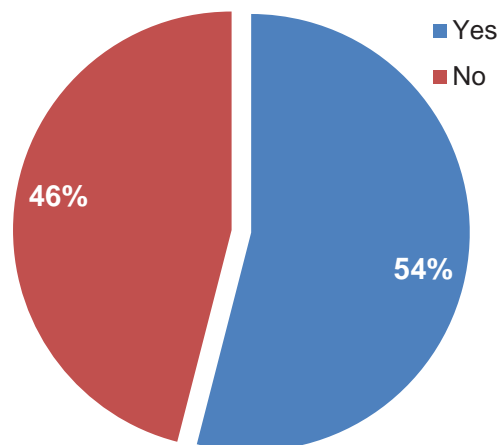
North American Convention Centers with New Revenue Streams Added in 2013

Primary New Revenue Sources

- New events owned by venue
- Sponsorship and advertising
- Signage
- Enhanced F&B, new concessions

Secondary

- Exhibitor and event services
- Parking
- Permanent space lease to corporations
- Office space lease rental



Source: Red 7 Media Research & Consulting

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How Event Producer Clients and Events Changing

| | % of Venue Managers |
|---|---------------------|
| 1.) Requiring more telecom/internet bandwidth, services | 78% |
| 2.) Shorter booking windows | 73% |
| 3.) Increased negotiations | 69% |
| 4.) Requiring higher-quality food and beverage | 62% |
| 5.) Event attendance is growing | 49% |

Source: Red 7 Media Research & Consulting

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What Types of Events and Groups Provide the Best Near-Term Growth Prospects

| | % of Venue Managers |
|--|---------------------|
| Local corporate meetings | 59% |
| Association conferences and meetings | 50% |
| Association conventions with exhibits | 48% |
| Consumer and public shows | 48% |
| Sporting events | 48% |
| Local, regional for-profit exhibitions and trade shows | 36% |
| National or International corporate meetings | 36% |
| Entertainment events | 34% |
| National / International for-profit exhibitions, tradeshow | 30% |
| Governmental events and meetings | 14% |

Source: Red 7 Media Research & Consulting

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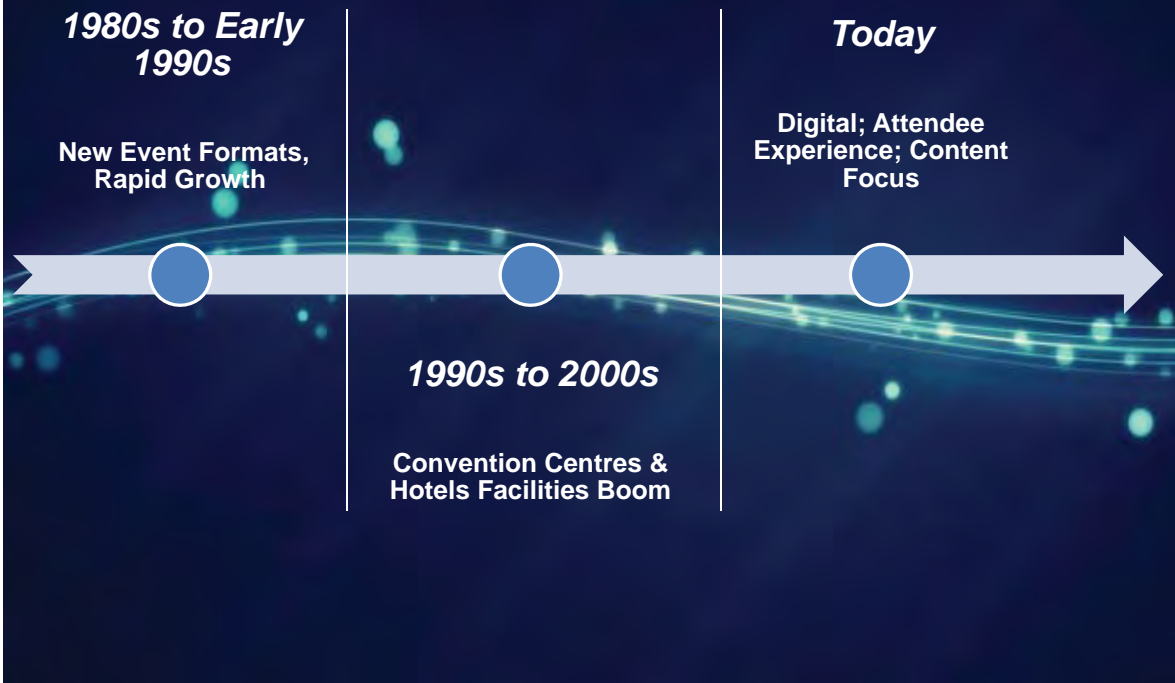
Trends to Watch



Most Important Center Management Issues & Trends

- **Competitor** expansions, new build projects and discounting.
- Client requirements and **negotiations**.
- **Government meeting cutbacks**.
- Search for **new revenue and business models**.
- Sales and marketing focus on **new markets and event types**.
- **Flexibility** and increased **value added** services and enhancement.
- On-going facility **investment**, expansions, renovations and new technology.

Innovation Waves – *Events, Then Centers, Now Attendees...*



Next Innovation Wave – *More Specialized, More Services*

- **Attendee-driven.**
- **Events more specialized and unique.**
- **Enhanced venue services.**
- **More bandwidth required.**
- **More event management and center collaboration.**

Mix Messages – *Many Opportunities & Challenges*

| Opportunities | | Challenges |
|---------------------------------------|---|---|
| Decent recovery over past few years. | ➔ | Modest 2.9% growth expected in '14. |
| Recovery, but very slow, grinding. | | Increasing competition. |
| Corporate meetings growing worldwide. | ➔ | Conventions/tradeshows a little stagnant. |
| Lack of recent new center space. | | Still buyers market; negotiations. |
| New, other revenue streams growing. | ➔ | Core revenue streams under pressure. |
| Hotel development increasing. | | Airline capacity constrained. |
| Content and technology explosion. | ➔ | More IT investment required by venues. |
| Event formats changing. | | Keeping up with rapid change. |

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Q&A