

# Phoenix Convention Center Feasibility & Future Study Update

October 31, 2022





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Mr. John Chan  
Director  
Phoenix Convention Center and Venues  
100 North Third Street  
Phoenix, Arizona 85004

Dear Mr. Chan:

Conventions, Sports & Leisure International (CSL) has completed an update of various elements of the previously prepared Futures Study for the Phoenix Convention Center and Surrounding Hospitality Assets prepared in 2019. The original Study provides recommendations designed to maintain and enhance Phoenix Convention Center (PCC) market capture through near and long-term space and site planning, hotel development, and destination enhancement. This update presents current research in the areas of industry trends, the competitive landscape, and the resulting implications on future PCC investment scenarios

The attached report update is designed to guide long term planning for future PCC, hotel and other hospitality investment. We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

*CSL International*

CSL International



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# INTRODUCTION & BACKGROUND

# 1

# BACKGROUND & SITUATION

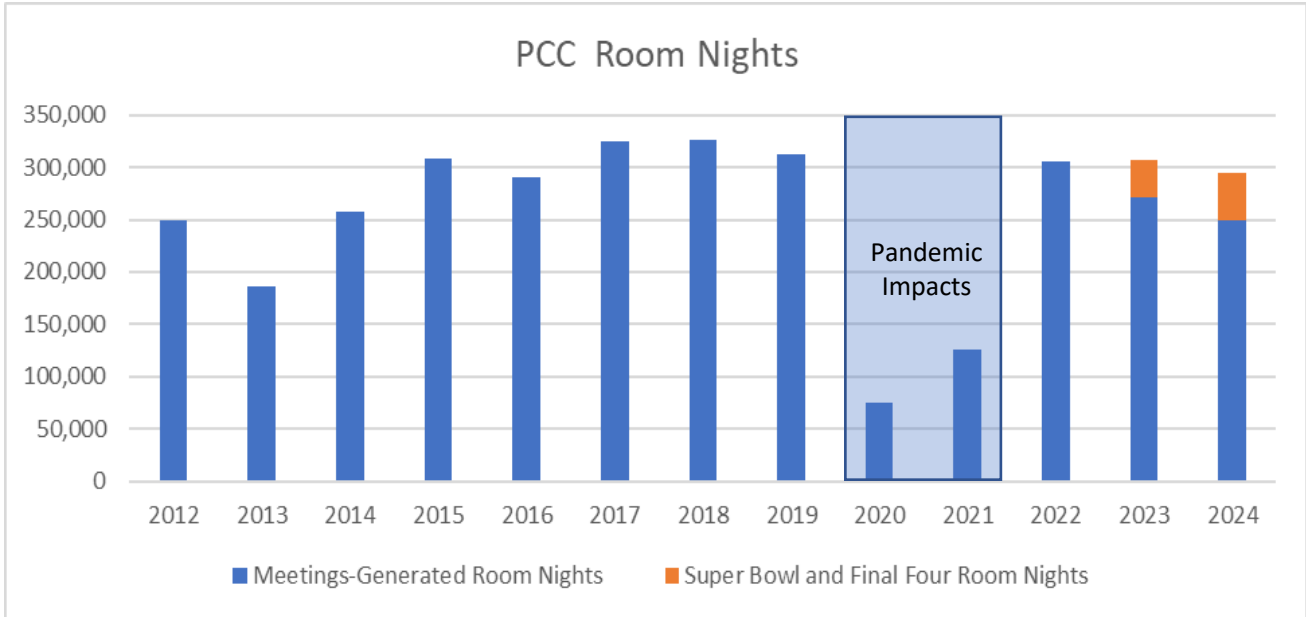
## Introduction & Background

Conventions, Sports & Leisure International (CSL) has completed a targeted update of various elements of the previously prepared Futures Study for the Phoenix Convention Center and Surrounding Hospitality Assets, prepared in 2019. The original Study provides recommendations designed to maintain and enhance Phoenix Convention Center (PCC) market capture through near and long-term space and site planning, hotel development, and destination enhancement.

This update presents current research in the areas of industry trends, the competitive landscape, and the resulting implications on future PCC and surrounding hospitality development scenarios.

As part of the update, we reviewed the room night generation and projections for meeting events held at the PCC. As noted in the exhibit below, PCC-generated room nights, measured by Visit Phoenix, approximated 300,000 annually in the five years prior to the Pandemic. Starting in 2022, room night generation again reached the 300,000 plateau, sustaining this level through 2024 based on current definite bookings.

Even considering the impact of the Super Bowl in 2023 and the Final Four in 2024, these data suggest the resiliency of the convention industry nationally, and the consistency of the positioning of the Phoenix market within the industry.





2

INDUSTRY  
TRENDS

## 2 INDUSTRY TRENDS

Many indicators, including employment, consumer purchases and wages, suggest that the national economy rebounded sharply from the downturn caused by the Pandemic. Current conditions suggest a plateau in the economy, while hiring remains strong.

A large collection of data suggests that the health of the convention industry, like nearly all industries, has historically been linked to the strength and fluctuations of the overall U.S. economy. This “linkage” is a fundamental premise of any analysis of future convention industry performance. To address the question of future industry trends, it is important to consider how the future performance of the economy and the convention industry will respond in the post COVID period.

The Center for Exhibition Industry Research (CEIR) is a nonprofit organization whose mission is to advance the growth, awareness and value of exhibitions in the United States. The annual CEIR Index Report is developed to provide an objective measure of the annual performance of the exhibition industry.

The CEIR Index Report measures year-over-year changes in three key metrics of industry performance:

- Square Feet of Exhibit Space Sold
- Number of Exhibiting Companies
- Professional Attendance

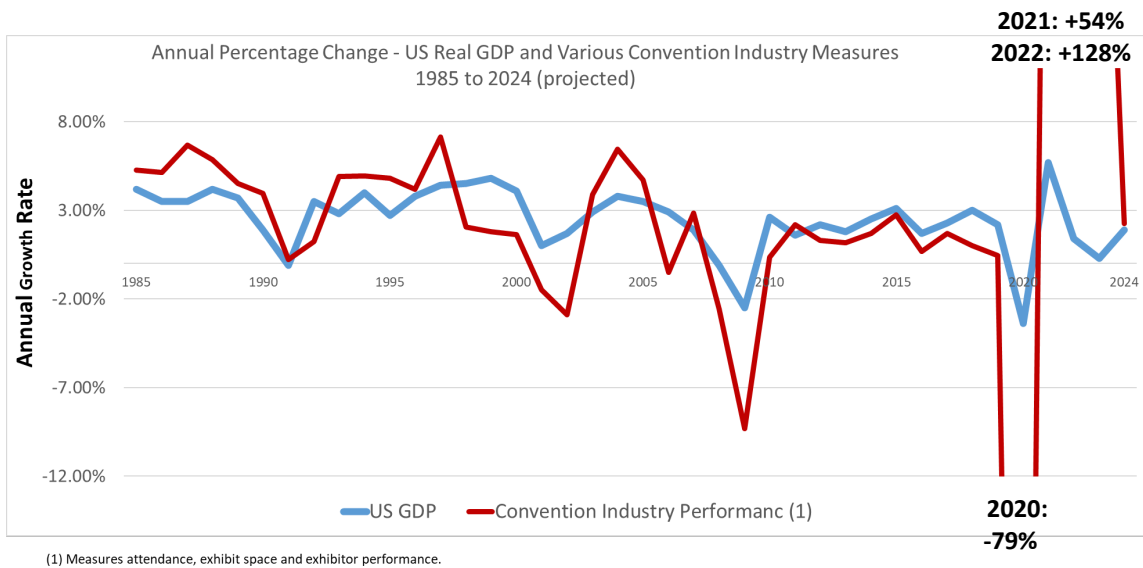
The industry’s performance within these three metrics was calculated from data provided by more than 13,000 industry conferences, conventions, and tradeshows that utilize more than 3,000 net square feet of exhibit space in off-site public and private event facilities. The CEIR Index Report displays and analyzes actual and projected event-specific data through 2022, though the COVID-19 pandemic has significantly impacted these projections. As such, the analysis on the next page analyzes actual exhibition industry performance through 2019, with a focus on historical exhibition industry rebounds following substantial downturns in the U.S. economy.



## 2 INDUSTRY TRENDS

The U.S. economy appeared to be on solid footing prior to the COVID-19 outbreak. An historical perspective focusing on changes to GDP growth relative to the national convention industry may be useful in assessing the longer-term impact of the COVID-19 pandemic. As outlined in the chart below, broad industry changes, characterized by retraction and expansion in exhibition, convention, conference, tradeshow and meeting demand have taken place during the past 37 years, with projections for 2022 to 2024.

Given the parallels between GDP changes and changes in various measures of the convention industry, we would expect future industry growth to continue to mirror the overall health of the economy. In recent pre-Covid years (2010 to 2019), a modest and steady growth pattern was seen with both real GDP and various convention industry metrics. With uncertainty as to the state of the economy over the next 24 months, trends in convention industry demand are also uncertain. However, over the longer term, and as economic growth is established, the magnitude of the convention industry is likely to match pace with overall economic growth.



Source: U.S. Bureau of Economic Analysis, Conference Board, St. Louis Fed, Center for Exhibition Industry Research, CSL research, 2022.

The pandemic took a significant toll on the U.S. exhibition industry. As U.S. GDP decreased by over three percent in 2020, the exhibition industry's total attendance, square footage, and revenues decreased by nearly 80 percent due to the COVID-19 pandemic. Beginning in 2021, measures of industry performance increased by 50 to 60 percent from the 2020 lows. Projections for 2022 show an approximate 128 percent in overall convention industry measures, followed by percentage growth in the mid 30's in 2023, and a return to steady modes growth of two to three percent beginning in 2024.

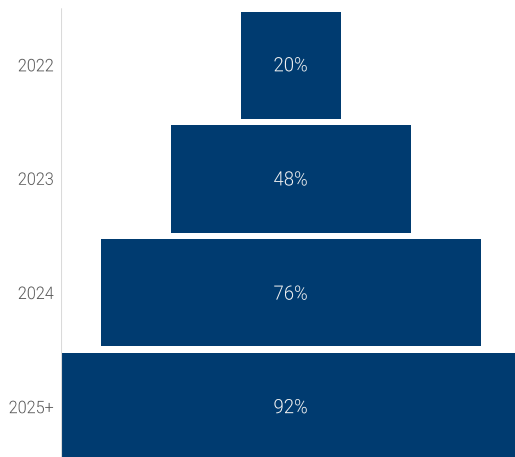
These growth projections would see overall convention industry measures at approximately four to five percentage points above the pre-Covid levels recorded in 2019.



## 2 INDUSTRY TRENDS

Recent survey research conducted by CSL of national convention planners focused on identifying the year in which planners expect the convention industry to largely return to pre-pandemic conditions. Seventy-six percent expect a return to pre-pandemic conditions by 2024, while 92 percent expect a return by 2025 or later.

Survey of Convention Planners  
Expectation of the year the convention industry  
will return to pre-pandemic conditions



Source: CSL survey of national convention planners, 2021.

Beyond external economic trends, the convention and tradeshow industry landscape continues to evolve and expand, with the potential for longer term Pandemic related impacts. The increasing importance placed on the adoption and use of technology, the physical design and flexibility of facility space, and the emphasis on authentic and unique destination experiences, among other elements, are indicative of the future trends within the industry as a whole.

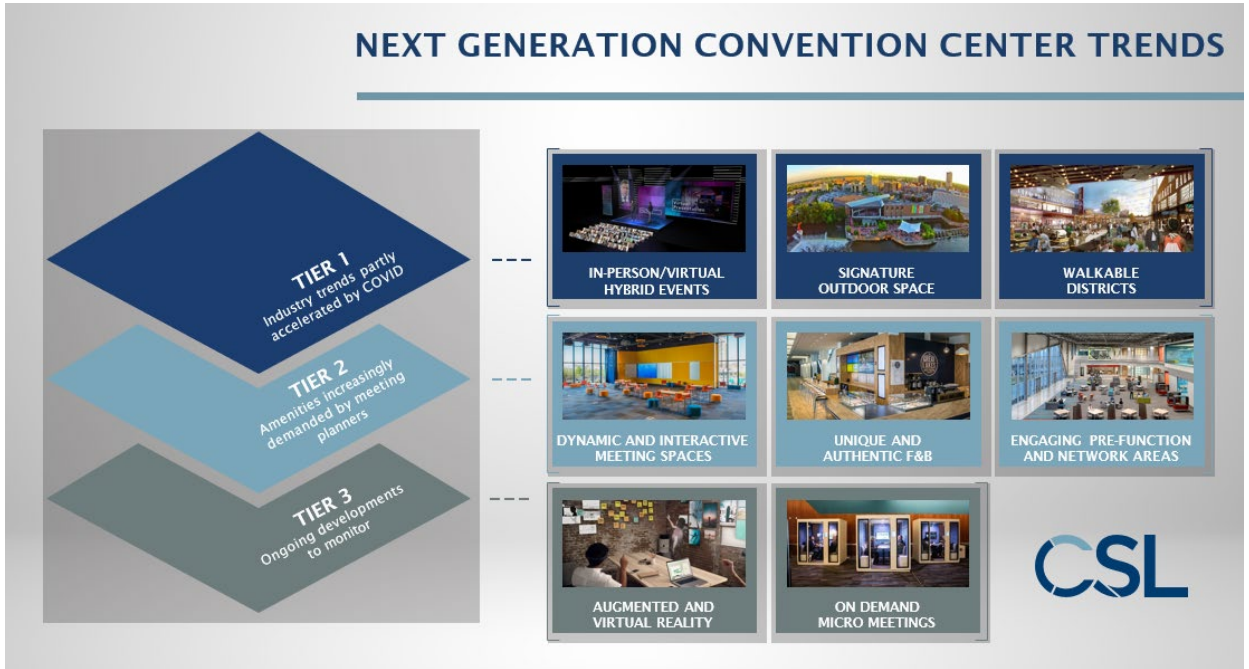
As with any product in any industry, continual investment is required to respond to these trends and to evolving customer and industry demands. Planning a convention center expansion requires a future-focused approach to market-supported design and technology investments in an evolving and highly competitive environment. The remainder of this section summarizes our assessment of future initiatives that should be considered for any future convention development in order to address the constantly evolving convention industry.

Even prior to the COVID-19 pandemic, CSL's research had shown that the increasing Millennial and Gen-Z convention and tradeshow attendee base was creating new demands and expectations of event facility design and programming. The next generation of event attendees will require greater flexibility in how meetings are conducted, how information is delivered, and how technology is used. Greater emphasis is being placed on the ability of a destination to offer a unique, authentic and productive experience.

At the same time, the COVID-19 pandemic has accelerated the demand for specific convention facility elements, including hybrid event capabilities, space for outdoor functions, and safe and walkable environments in desirable (but not overcrowded) urban locations. It is critical to consider how planner preferences and attendee behavior may be impacted in the short- and long-term as the event industry "returns to normal".

The image on the following page as well as the discussion presented throughout the remainder of this section detail industry trends that should be addressed as part of PCC planning, including several initiatives that management has already initiated to respond to these trends.

# 2 INDUSTRY TRENDS



### Pre- and Post-COVID Convention Center Trends

Event planners and attendees are increasingly emphasizing the facility/destination attributes described below. Current and emerging trends that have been addressed by PCC management are summarized below, followed by additional trends that will impact future PCC investment.

**Outdoor Event Space** – Planners increasingly using terraces, rooftops, patios, and pavilions for off-site events and general sessions. The Canyon on 3rd project represents a successful response of the outdoor function space trend. Continued outreach to customers as to future refinements to the configuration, connectivity, technology and other aspects of the space should be undertaken.



## 2 INDUSTRY TRENDS

**Unique and Authentic F&B** – Static food courts are being replaced by locally owned pop-ups and food halls, brewpubs, coffee shops and other f&b establishments. The new Brewpub located at the PCC represents a trend-forward investment that helps to address this trend.



**Walkable Districts** – Vibrant, safe and navigable districts around a convention center are nearly as important as event space square footage. Markets such as San Antonio and San Diego set a pace for the type of districts that help drive convention market capture. These areas include a density of restaurants, bars, attractions, street performers, public art, significant lighting and landscaping, scooter docks and electric vehicle shuttles. The area around the existing PCC does not lend itself to this type of walkability.

**Dynamic Meeting Spaces** – As the event attendee demographic changes, opportunities to experiment with new types of meeting space are being explored at center’s throughout the North America. Extensive audio/visual capabilities, ability to create unique meeting sets, and a variety of FF&E options help support creative and interactive breakout sessions.

**Flexible Pre-Function Space** – The traditional lobby and pre-function spaces at many convention centers can be hard-scaped, somewhat stark, with perhaps a few seating areas. Newer lobby designs emphasize prefunction areas as an integral component of the learning and networking experience. Numerous working “pods” are created allowing attendees to create their own informal meetings. Digital screens can be placed in strategic seating areas to help facilitate informal working sessions. The space becomes highly active during an event, extending the overall event experience throughout the center.

**Virtual/Hybrid Events** – The Pandemic launched a massive interest in virtual events, replacing nearly all in-person conventions and meetings held throughout the world. Significant discussion has taken place as to how the hybrid concept will be incorporated into future live events, if at all. It is possible that the economics of including a hybrid component as part of traditional events will mature, requiring convention centers to accommodate venue features that could include turnkey broadcast and production spaces that can help create a dynamic, even interactive and highly produced event content that attracts a significant virtual audience. The economic model may involve a cost/revenue sharing approach that provides the center and A/V provider with a share of virtual audience subscriber fees in exchange for limiting the cost of creating the production content.



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# COMPETITIVE & COMPARABLE CENTER REVIEW

# 3

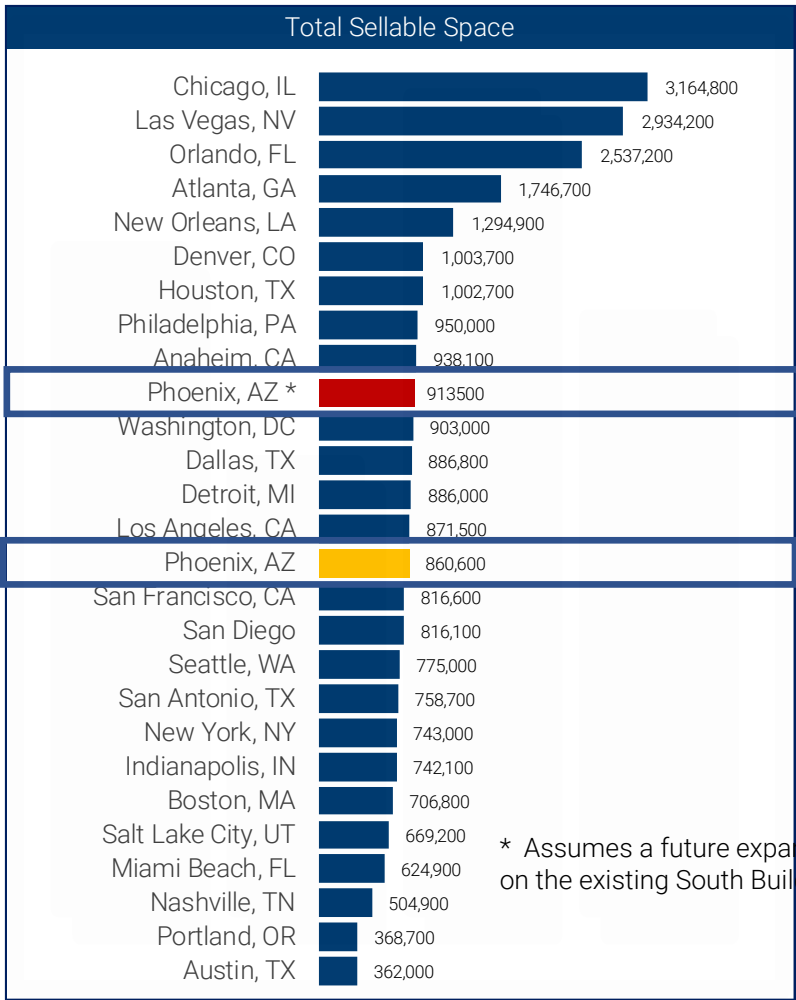
## COMPETITIVE & COMPARABLE VENUES

### Total Sellable Space

We have updated the analysis of competitive and comparable convention centers, focusing on numerous metrics including sellable space (exhibit, meeting and ballroom space) as summarized in the following chart.

Of the top 26 competitive and comparable convention markets reviewed, the PCC ranks 14<sup>th</sup>. If the South Building is removed and replaced with the high range recommendation included in the previous study (150,000 square feet of exhibit space at the upper hall level, in addition to 40,000 square feet of new meeting space), the sellable PCC square footage increases to 913,500. This increases the PCC ranking from 14<sup>th</sup> to 10<sup>th</sup>. Note that any future PCC expansion of this size is predicated on new headquarter hotel inventory and increases to existing PCC exhibit space occupancy levels. We also note that if the South Building were to be replaced by other development that does not include added PCC space, the PCC ranking would be comparatively low among the competitive and comparable venue set.

These data suggest that the existing PCC space ranks near the median in total sellable space, but would rank lower in terms of largest contiguous exhibit space due to the multi-level exhibit space configuration. We also note that if the South Building were to be replaced by other development that does not include added PCC space, the PCC ranking would be comparatively low among the competitive and comparable venue set.



\* Assumes a future expansion of the PCC on the existing South Building site.

Source: Comparable facility websites and management, 2022.

# 3

## COMPETITIVE & COMPARABLE VENUES

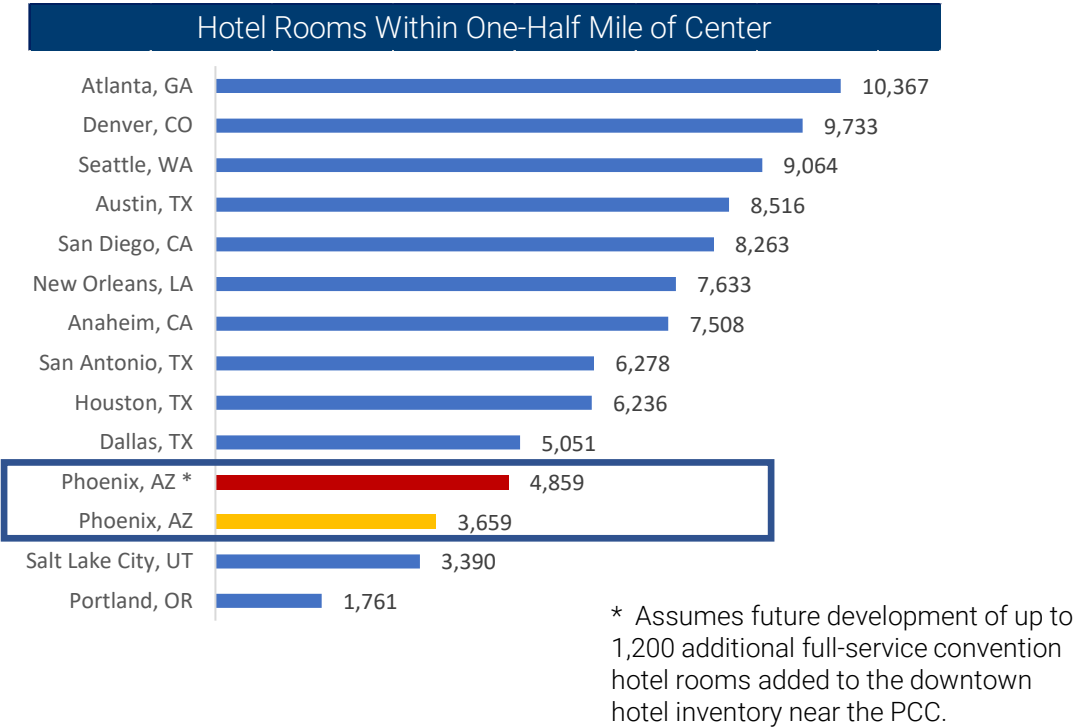
### Hotel Rooms Within One-Half Mile of Center

Event planners will focus on the availability of walkable, committable, convention-quality hotel rooms as a critical destination selection factor. For large events, a shuttling system will often be used to access hotels outside a walkable range, however a measure of hotel rooms within one-half mile of a center is a useful comparative metric when reviewing the relative effectiveness of a markets hotel inventory.

As noted in the following chart, the room count within one-half mile of the PCC ranks low against the set of competitive and comparable convention centers reviewed. Several markets were excluded from this assessment (Chicago, Las Vegas, Orlando, for example) due to the unique nature of the respective center and hotel inventory.

The lack of available hotel inventory near the PCC puts Phoenix at a competitive disadvantage. As noted in the original 2019 study, additional headquarter hotel rooms very proximate to the PCC would likely be needed to support future growth in convention industry market capture. Even with the addition of a new 1,200 room headquarter hotel near the PCC, the Phoenix ranking remains low. Any redevelopment of the South Building site should include the potential for such a headquarter hotel project.

To address this over time, we would expect that the private sector would develop hotels of various room counts and brands over time in the downtown area. This would begin to address a shortage of hotel rooms needed to generate increased PCC event market capture



# 3 COMPETITIVE & COMPARABLE VENUES

## A Changing Competitive Landscape

As noted in previous charts, several markets are planning major investments in convention center, hotel and other assets designed to increase market capture. Dallas is in the process of securing architects and project managers for an approximate \$2 billion project to tear down the existing center and develop an entirely new venue and surrounding hospitality district. Seattle is about to open the more than \$1 billion second center, forming a large convention campus with the existing center. Las Vegas just opened a \$1 billion expansion adding 1.4 million square feet of sellable space. New Orleans is investing in a major \$175 million overhaul of the existing center space, including the addition of significant new ballroom and meeting space. Denver will soon open a \$233 million ballroom and outdoor terrace project.

Markets such as San Diego, Los Angeles, Orlando and Washington D.C. are in the planning stages for major new projects.

This type of on-going competitive and comparable project development sends a clear message to markets such as Phoenix that the notion of a major investment in the convention, hotel and destination product should be considered as a necessary future initiative, and that whatever takes place on the South Building site should include a very robust component of this type of convention and hospitality industry density.



### DALLAS CONVENTION CENTER

A ten-year phased district-wide master plan including a \$2 billion project to build a new convention center.



### SEATTLE CONVENTION CENTER

The \$1.9 billion project will more than double the current convention center's capacity.



### NEW ORLEANS MORIAL CONVENTION CENTER

5-year \$557 million renovation/expansion project.



### COLORADO CONVENTION CENTER

New 80,000-square foot ballroom, 35,000-square foot pre-function area and 20,000-square foot outdoor terrace.



### SAN DIEGO CONVENTION CENTER

Massive expansion, seeking approval for 400,000 sf expansion of the Center, including exhibit, meeting and ballroom space.



### LOS ANGELES CONVENTION CENTER

\$500 million upgrade with 700,000 square feet connecting the South and West Halls, plus 861 new headquarter hotel rooms



### ORANGE COUNTY CONVENTION CENTER

80,000 square feet of ballroom space, 60,000 square feet of meeting space and 200,000 square feet of multipurpose event space.



### LAS VEGAS CONVENTION CENTER

\$1 billion, 1.4 million square foot West Hall expansion, including 600,000 of added exhibit space.

# 3 COMPETITIVE & COMPARABLE VENUES

## A Focus on Sustainability

This update has included a review of industry trends, and certainly a focus on sustainability has gained in importance in the minds of the event planner and attendee. This will be particularly true as the convention industry demographic shift from the current attendee/planner base to newer generations takes place. We have therefore prepared a particularly focused evaluation of sustainability investments at convention centers throughout the country. This assessment can serve as a jumping-off point for future PCC initiatives in the area of sustainability.

### Green/living roof: Javits Convention Center, New York

A 7-acre roof with capacity to absorb seven million gallons of storm water run-off annually. The density and diversity of the green roof reduces heat gain throughout the Center. Management estimates a 25 percent reduction in energy consumption annually. The Center maintains a Director of Energy and Sustainability position on the management team.



### Solar panels: Los Angeles, Salt Lake City, Minneapolis, Portland, Anaheim

In 2018, a 2.21 megawatt, 6,228 panel solar array was opened on the roof of the Los Angeles Convention Center, the largest solar array on any municipal convention center in the United States. The Array generates energy equivalent to 17 percent of the Center's annual energy use. The array will reduce the Center's carbon footprint by 2,554 metric tons annually.



### Composting/waste diversion: Huntington Convention Center, Cleveland

The Center maintains an urban farm on the campus located just outside the main ballroom, growing vegetables and herbs, while housing beehives and livestock that produce honey and eggs. A canning and pickling process preserves on-site grown produce to be used year around. Flowers from the garden are used for food function decoration. Post event, a large-scale grinder converts over 80,000 pounds of food waste into a source of energy.





# 3 COMPETITIVE & COMPARABLE VENUES

## A Focus on Sustainability

### Water recycling: Nashville, Pittsburgh

In Nashville, the 191,000 square foot green roof on the Music City Center helps support water retention in a 360,000 gallon rain water cistern, supplying restrooms, and landscaping/irrigation needs for the complex. The roof structure also accommodates 845 solar panels.





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## KEY FINDINGS AND RECOMMENDATIONS

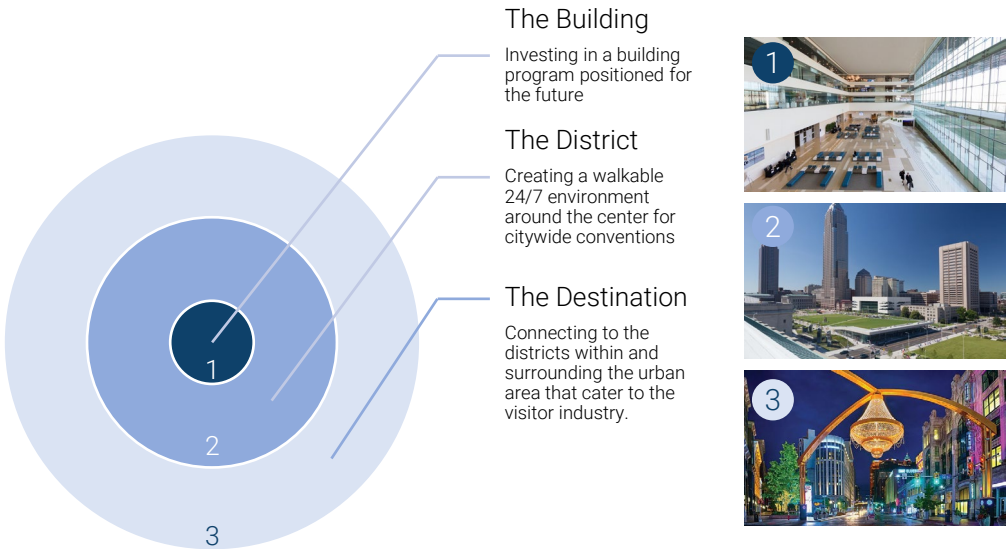
# 4

## KEY FINDINGS & RECOMMENDATIONS

As previously noted, event planners will consider several factors when choosing a destination for a convention, including cost factors, air access, climate and other broad conditions. There are also many direct factors that are considered, and these can generally be thought of in three ways:

- The “Building”, or the physical aspects of the convention center;
- The “District”, or the walkable areas generally surrounding the center, focusing on hotel, restaurant, retail, entertainment and other assets.
- The “Destination”, or the broader urban area focusing on specific entertainment districts that can attract event attendees and visitors.

The following image captures the essence of these three concepts, followed by a description of future steps that should be considered in Phoenix for each area.



### The Building

To stay current with competition, near and long term planning for future PCC investment is critical. There are several important observations contained in the original Study and this update that inform future PCC investment decision, as summarized below:

- Historical PCC exhibit space occupancy has approximated 50 percent annually. These data suggest that a large-scale expansion of PCC space should be considered a mid-to longer term initiative, potentially over the next six to ten years depending on how industry conditions evolve. We note that the actual execution of major expansion projects often takes at least five years to complete. Once occupancy percentages routinely exceed 65 percent, expansion market viability could be restudied.
- In order to increase market capture and PCC occupancy, it will likely be necessary to improve the convention hotel condition in the market, including the eventual development of an added full-service convention quality hotel within close walking distance to the PCC.
- The existing PCC sellable space ranks near the median of the competitive and comparable venue set reviewed. To maintain and enhance a competitive position for the Phoenix market given the significant competitive market investment taking place, future PCC, headquarter hotel and district investment will be required.

## 4 KEY FINDINGS & RECOMMENDATIONS

- The longer term expansion of the PCC will have to take place on parcels adjacent to the existing PCC. The South Building site is the only viable location for future PCC expansion. The site could also accommodate other projects including large hotel, hospitality, office, residential and other development.
- More specifically, a future PCC expansion on the South Building site should target the following components:
  - ✓ Up to 150,000 square foot expansion of upper exhibit hall
  - ✓ Up to 40,000 square feet of added meeting space
- Competitive markets continue to invest in their convention and hotel product, which will place increasing competitive pressure on Phoenix to maintain convention industry market capture.
- Industry trends spurred by generational shifts in event attendees and planners, as well as any lingering Pandemic effects, should be addressed on an on-going basis. The new Brewpub project is a good example of how these trends can be accommodated.

### The District

There are numerous assets within the immediate area of the PCC, including numerous hotels and restaurants. Major venues in the district are shown in the adjacent image.

Conceptual planning should take place in the near term (next 12 to 18 months) that envisions this area as a distinct convention and entertainment district, focusing on:

- ✓ 800 - 1,200 room convention hotel rooms
- ✓ Street-level retail, restaurant & entertainment uses
- ✓ Opportunity to activate 4th Street alignment
- ✓ Opportunity for mixed-use development
- ✓ Walkability, safety, landscaping, signage and other district elements

Amenities including pocket parks, street performers, wayfinding kiosks, monumental public art, artistic lighting/projection experiences, and other elements should be planned for.



# 4 KEY FINDINGS & RECOMMENDATIONS

## The Destination

The concept of connectivity to other destination districts that cater to the visitor (including convention attendees) should be an important component of destination conceptual planning. The image below highlights many of the districts throughout the urban and surrounding area that can contribute to the visitor industry vitality for the Phoenix destination.

Planning efforts should seek to create seamless connections to vibrant nightlife, dining, and landmarks in downtown Phoenix and the surrounding area. Connectivity concepts to be considered include:

- First/last mile transportation (coordinated scooters docks, micro shuttles, etc.).
- Interactive art and nighttime beacons.
- Augmented reality app to guide visitors to various districts.
- Monumental public art used as directional cues.
- Coordinated directional and information kiosks.
- Nighttime lighting installations that guide pedestrian traffic.

