



## CONVENTION CENTER EXPANSION ANALYSIS SAN DIEGO CONVENTION CENTER

SAN DIEGO, CALIFORNIA

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**SUBMITTED TO:**

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Mr. Brian Hughes  
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Re: San Diego Convention Center  
San Diego, California

Atlanta  
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Buenos Aires  
Dubai  
Hong Kong  
Lima  
London  
Madrid  
Mumbai  
New Delhi  
Sao Paulo  
Shanghai  
Singapore

Dear Mr. Hughes:

Attached you will find our Report on the Convention Center Expansion Analysis for the San Diego Convention Center ("SDCC"). As you requested, we have proposed a building program and evaluated the impact of a proposed expansion on San Diego's ability to attract convention center business.

Phase III expansion of the SDCC has been a topic of study and discussion since 2001. Our study demonstrates that need for expansion has become increasingly urgent. We reviewed previously published studies, evaluated the SDCC's competitive position, assessed current and future levels of event demand, analyzed space utilization, evaluated event planner interest, gathered detailed information on lost convention business, and estimated the impact of an expansion on the hotel market.

We recommend a building program that would add nearly 400,000 square feet of rentable exhibit, ballroom, and meeting space to the SDCC. Key conclusions of our study include the following.

- The City should maximize the addition of exhibition, ballroom, and meeting space while remaining within the parameters of the Coastal Commission's approval of the previous expansion plan. Particularly, the SDCC should maximize the flexible function space that serves the conventions with highest room night and spending impact.
- An expansion would allow the SDCC to attract approximately 50 more annual events inducing 380,000 new room nights to the San Diego market and bringing 1.1 million attendees to the city.
- SDCC events currently add approximately \$220 million in annual room revenue to the San Diego hotel market. The proposed expansion would increase rooms revenue in the hotel market by \$123 million.



Convention, Sports & Entertainment  
Facilities Consulting  
Chicago, Illinois

We certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. Please let us know if we can provide any additional services.

Sincerely,  
HVS Convention, Sports & Entertainment  
Facilities Consulting

A handwritten signature in black ink that reads "Thomas Hazinski".

Thomas A Hazinski  
Managing Director

A handwritten signature in black ink that reads "Jorge Cotte".

Jorge Cotte  
Associate



# 1. Introduction and Executive Summary

## Nature of the Assignment

San Diego TMD Corporation engaged HVS to assess the feasibility of expansion of the San Diego Convention Center (“SDCC”). Various forms of SDCC expansion have been proposed and discussed since the first study in 2001. But, for a variety of reasons, these plans have not come to fruition. Previous studies have analyzed San Diego’s convention market potential, proposed building program concepts, and estimated the economic benefits of SDCC expansion.<sup>1</sup> This feasibility study updates the prior analyses and advances expansion planning. This report provides an updated building program recommendation and assesses the impact of SDCC expansion on the City of San Diego.

We address the following questions:

- What expanded building program would allow the SDCC to maximize its demand potential?
- How much would an SDCC expansion increase convention activity in San Diego?
- How would SDCC expansion affect hotel market performance in the City of San Diego?

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<sup>1</sup> Prior studies include: *Long-Range Strategic Analysis for the San Diego Convention Center*, Price Waterhouse Coopers, October 2001; *Update of Long-Range Strategic Plan for the San Diego Convention Center*, Price Waterhouse Coopers, December 2005; *San Diego Convention Center Phase 3 Concept Feasibility Study*, Tucker Sadler, February 2007; *Update of Long-Range Strategic Plan for the San Diego Convention Center*, Price Waterhouse Coopers, December 2007; *Market Feasibility and Impact Analysis for the Proposed San Diego Convention Center Expansion*, ERA/AECOM, May 2009; *San Diego Convention Center Expansion and Hotel Project*, Piper Jaffray and Convention, Sport and Leisure, June 2009; *Financial Operating Analysis for the Expanded Convention Center*, Convention, Sport and Leisure, September 2009; *Refined Analysis of Additional Business Capture Derived from a Potential Expansion of the San Diego Convention Center*, AECOM, December 2010; *Market Demand and Economic Impact Analysis for Potential San Diego Convention Center Expansion*, Convention, Sport and Leisure, August 2015; *Report on Proposed Joint Development of a Stadium-Convention Center*, HVS, September 2016.



## Description of the SDCC

The San Diego Unified Port District (the “Port”) owns the SDCC site and leases the land and the building<sup>2</sup> to the City for \$1.00 per year. The City manages the SDCC under an agreement with the Port. The City established the San Diego Convention Center Corporation to manage and operate the SDCC on its behalf.

The SDCC is in the City’s Marina District adjacent to the Gaslamp Quarter, a historic San Diego neighborhood that features some of the most notable restaurants and cultural attractions in the area. Near the primary business center of the city, hotel supply is abundant. Three major hotels adjacent to the Convention Center, the Manchester Grand Hyatt, Marriott Marquis San Diego Marina, and the Hilton San Diego Bayfront provide over 4,000 guest rooms.

**AERIAL VIEW OF THE SDCC**



## San Diego’s Market Position

San Diego is one of the premier convention destinations in the U.S. A comparison of San Diego’s destination attributes with its competitors demonstrates San Diego’s primacy in the national and international convention markets. We compared San Diego among its primary national competitors on key destination selection criteria. To assess the degree of difference among the destinations in our sample, we standardized the difference between each destination score and the average score of the entire sample using z-scores<sup>3</sup>. See the figure below.

<sup>2</sup> A City finance authority owns the Phase II expansion of the SDCC but ownership reverts to the Port upon retirement of all outstanding debt in 2028.

<sup>3</sup> For each criterion, we calculated a z-score, which indicates how many standard deviations a score is from the mean.  $Z = (X - \mu) / \sigma$  where Z is the z-score, X is the value of the criteria for a given city,  $\mu$  is the mean of the values for all cities in the sample, and  $\sigma$  is the standard deviation of the scores.



**FIGURE 1**  
**COMPARISON OF SAN DIEGO WITH COMPETITIVE CONVENTION DESTINATIONS**

Destination	Adjacent Hotel Capacity	Airport Capacity	Airport Proximity	Hotels in Walking Distance	Resident Population	Retail Outlets	Restaurants	Event Planner Preference	Travel Cost	Overall Z-Score
San Francisco	1.4	(0.1)	0.2	1.9	2.4	2.0	2.1	(0.1)	(2.3)	0.83
<b>San Diego</b>	<b>2.0</b>	<b>(1.2)</b>	<b>1.1</b>	<b>0.9</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(0.0)</b>	<b>1.8</b>	<b>0.4</b>	<b>0.55</b>
Denver	(0.3)	(0.0)	(1.1)	1.2	(0.1)	(0.2)	0.1	0.6	0.3	0.05
Philadelphia	(1.5)	(0.8)	0.3	0.6	1.2	0.7	1.3	(1.6)	0.0	0.03
Los Angeles	(0.8)	1.0	(0.2)	(1.0)	0.4	2.1	0.1	(1.1)	(0.3)	0.02
Orlando	1.0	(0.4)	0.2	(0.9)	(1.0)	(0.9)	(1.2)	1.7	1.2	(0.03)
Atlanta	(0.5)	1.6	0.5	(1.0)	(0.5)	(0.4)	(0.3)	(0.0)	0.5	(0.03)
Chicago	0.1	1.5	0.5	(0.7)	(0.3)	(0.8)	(1.0)	0.2	(0.0)	(0.06)
Washington	(0.7)	(0.4)	(1.5)	0.4	1.0	(0.0)	1.2	(0.3)	(0.4)	(0.09)
New Orleans	0.5	(1.5)	(0.1)	(0.7)	(0.9)	(0.3)	(0.3)	0.7	0.4	(0.24)
Anaheim	0.2	1.2	(2.0)	0.8	(0.8)	(0.8)	(1.0)	(0.7)	0.8	(0.26)
Phoenix	(0.8)	(0.4)	1.1	(0.7)	(0.7)	(0.8)	(0.8)	(0.6)	0.9	(0.32)
Boston	(0.6)	(0.6)	1.2	(0.8)	(0.7)	(0.3)	(0.2)	(0.4)	(1.7)	(0.45)

Sources: HVS, respective airports, Esri, Google Maps, CSL Event Planner Survey, and Corporate Travel Cost Index

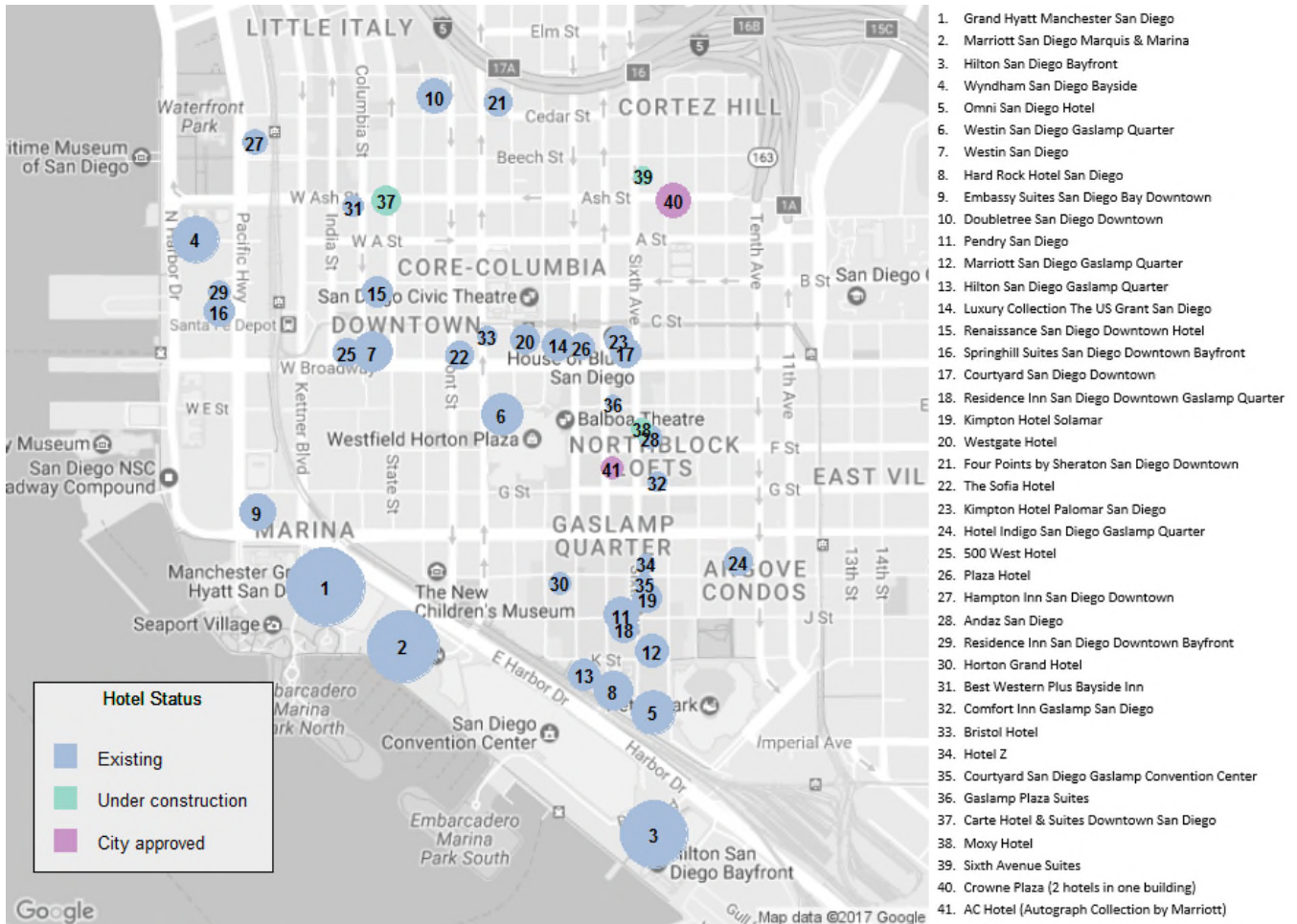
Combining all criteria into an overall score for destination appeal, San Diego ranks a close second to San Francisco, and both cities rank well above their nearest competitors. Notably, San Diego ranks first in event planner preference which may be the most important criteria.

**Adjacent Hotel Capacity** – We defined adjacent hotel capacity as the total hotel rooms in lodging properties within 0.1 miles of the convention center that could provide a significant room block for convention events. The SDCC has more adjacent hotel room capacity than any of its competitors.

**Hotel Rooms within Walking Distance** – San Diego ranks third among its competitors in the number of hotel rooms that support convention activity. These include hotels that STR classifies as upper mid-scale or better. The figure below shows the hotel properties that support the SDCC.



**FIGURE 2  
ROOM SUPPLY**



**Airport Proximity** – The SDCC ranks second behind Boston in its proximity to its primary airport.

**Airport Capacity** – We measure airport capacity by the number of annual passengers in primary and secondary airports in each city. San Diego ranks 12 of 13, which is the only criteria on which it is below the average of its competitors. For convention events, San Diego’s proximity to the Los Angeles International Airport (“LAX”) mitigates this disadvantage because LAX provides excellent national and international air access with a quick connection to San Diego International Airport.



**Resident Population** – A sizable and vibrant resident population positively influences a convention center district by creating active streets and supporting retail, restaurant, and entertainment venues within the District. San Diego ranks fifth in population within a 20-minute walking distance of the SDCC.

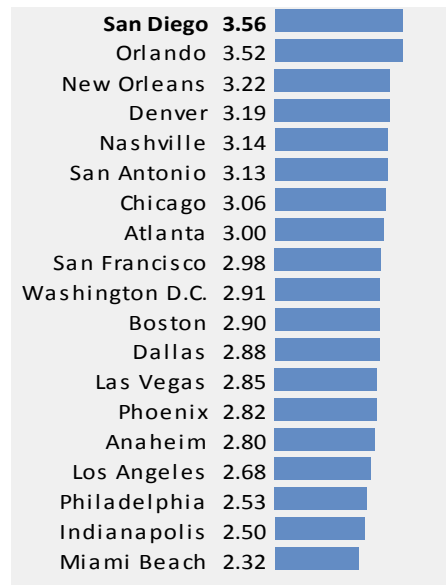
**Retail Outlets** – San Diego ranks fifth in the number of retail outlets within a 20-minute walk of its convention center.

**Restaurants** – San Diego ranks fifth in the number of restaurants within a 20-minute walk of its convention center.

**Event Planner Survey Scores** – Event planner survey data further reinforces the top ranking of San Diego.

The figure below shows how event planners rank San Diego on a scale of one to five, with one meaning the least attractive and five meaning the most attractive.

**FIGURE 3**  
**SURVEY RESPONDENT DESTINATION RATINGS**



Source: CSL 2015

Event planners exercise a great deal of control over destination selection. Consequently, their perceptions are critically important to the ability to attract events. The objective measures discussed above do not fully capture the quality of the visitor experience in each destination, whereas event planner preferences do.

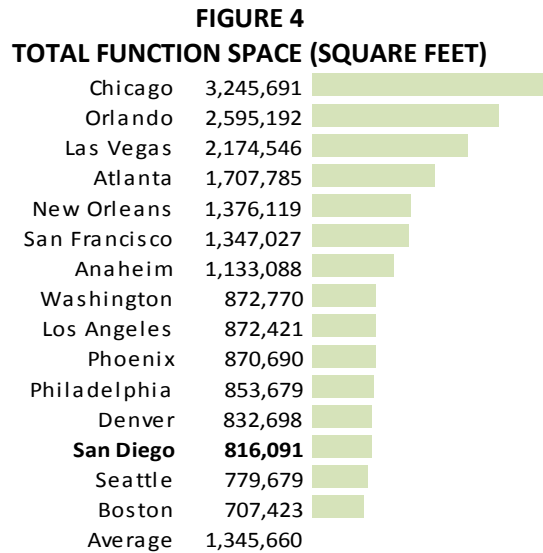




Event planners also weigh some destination selection criteria as more important than others.

**Availability of Function Space**

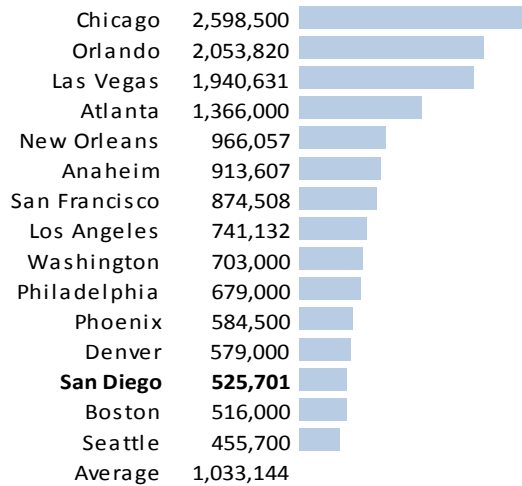
While event planners rank San Diego as the best convention destination, the SDCC has less available function space than most of its competitors. The SDCC currently supports convention activity by providing 525,701 square feet of contiguous exhibition space, two ballrooms with a total of 81,661 square feet, 122,400 square feet of meeting space and the 90,000 square foot Sails Pavilion. The figure below shows how the SDCC ranks among its competitors with respect to the total amount of available function space<sup>4</sup>.



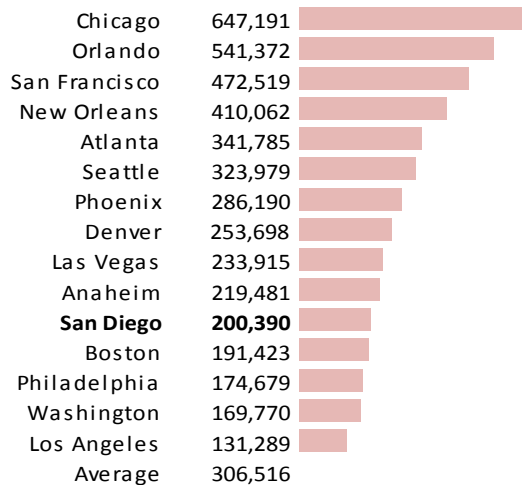
<sup>4</sup> Function space includes exhibit halls, ballrooms, meeting rooms, and other rentable floor areas. Approved expansions have been added to existing spaces.



#### AVAILABLE EXHIBIT SPACE (SQUARE FEET)



#### BALLROOM AND MEETING SPACE (SQUARE FEET)

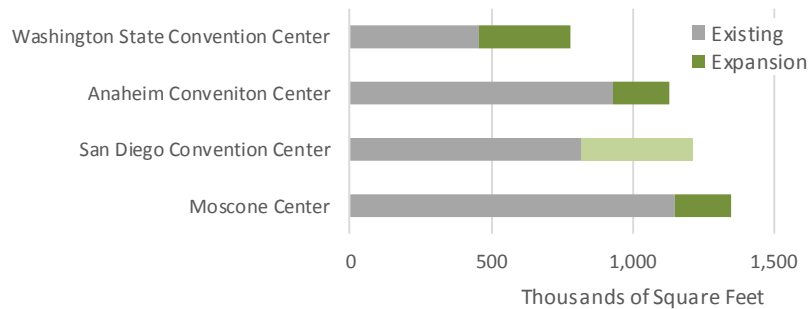


Despite being a highly desirable meeting destination, San Diego lags many of its competitors in all categories of function space.

Three competitors on the West Coast are expanding—the Washington State Convention Center in Seattle, the Moscone Center in San Francisco, and the Anaheim Convention Center in Anaheim.



**FIGURE 5  
TOTAL FUNCTION SPACE  
OF EXPANDING WEST COAST VENUES**



Seattle will nearly double its building size with the addition of 322,500 square feet (250,000 exhibit, 60,000 ballroom, and 125,000 meeting). Moscone is adding 140,000 square feet of exhibition space to make North and South buildings contiguous, a 60,000 square feet ballroom, and additional meeting rooms. The Anaheim Convention Center is adding 200,000 square feet of flexible “multipurpose” space across two levels. The bottom level will be contiguous with existing exhibit space, and the top level will be a carpeted, column-less space that functions as ballroom or meeting space.

**WHAT BUILDING PROGRAM WOULD ALLOW THE SDCC TO MAXIMIZE ITS DEMAND POTENTIAL?**

**Building Program  
Recommendations**

As we will demonstrate in our demand analysis, the expansion of the SDCC needs to meet the dual goals of 1) accommodating larger events that occupy the entire building and 2) increasing capacity to host simultaneous events that occupy part of the building. Most events that generate significant lodging demand require a combination of exhibition, ballroom, and meeting spaces. The current capacity only allows for two simultaneous mid-sized events. The expansion should provide the function space for as many as three simultaneous events and overall capacity to retain and attract large events that occupy the entire building.

The figure below shows the amounts of function space in the SDCC.



**FIGURE 6  
CURRENT BUILDING PROGRAM**

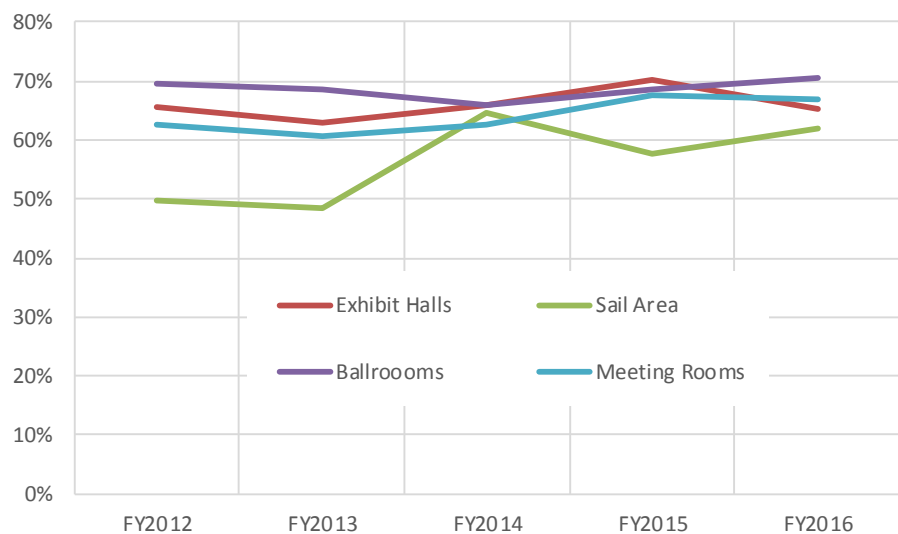
Function Space	Floor Area (SF)
<b>Exhibit Halls</b>	
A	48,613
B1	72,642
B2	36,043
C	92,040
D	58,725
E	43,350
F	54,638
G	54,808
H	64,842
<b>Total Exhibit Hall</b>	<b>525,701</b>
<b>Sail Area</b>	<b>90,000</b>
<b>Ballroom 1</b>	
A	10,573
B	10,607
C	5,291
D	4,508
E	4,508
F	5,294
<b>Total Ballroom 1</b>	<b>40,781</b>
<b>Ballroom 2</b>	
A	13,100
B	6,950
C	6,950
D	13,706
<b>Total Ballroom 2</b>	<b>40,706</b>
<b>Meeting Rooms</b>	
Upper Level West	36,428
Upper Level East	59,680
Mezzanine Level	22,651
<b>Total Meeting Rooms</b>	<b>118,759</b>
<b>TOTAL FUNCTION SPACE</b>	<b>815,947</b>

Source: SDCC



The following figure shows the occupancy of the SDCC from 2013 through 2016 as measured by the average percentage of days each type of space is used per year.

**FIGURE 7  
OCCUPANCY BY TYPE OF SPACE**



Source: SDCC

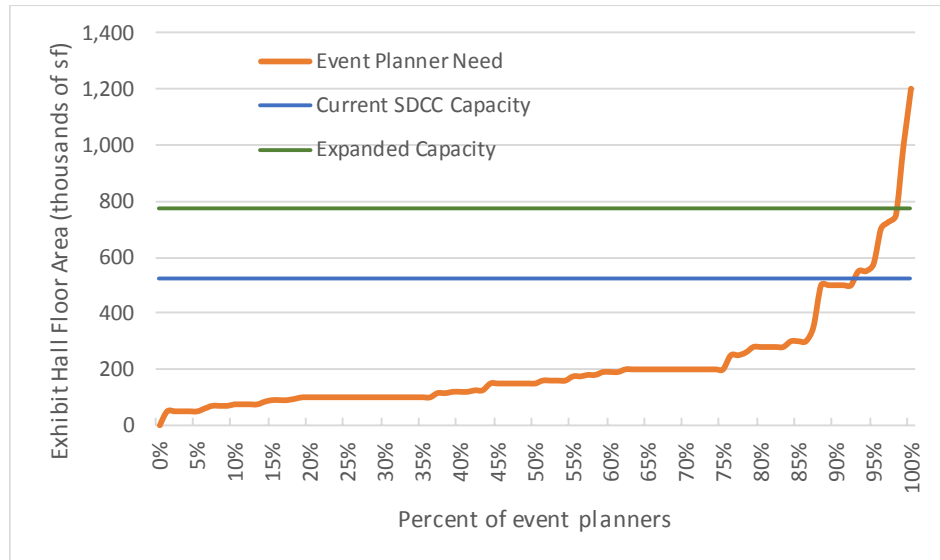
Given the seasonal nature of convention business, the lack of event demand during holiday periods, and inevitable gaps between events, 70% is the maximum practical occupancy of exhibition hall space. The SDCC achieved that level of occupancy in fiscal year 2015. The ballrooms are the most frequently used space and exceed 70% occupancy. The 90,000-square foot Sail Area has had the lowest level of occupancy primarily due to its inflexibility and technical limitations.

### Exhibit Hall Capacity

Exhibit space of 525,000 limits the SDCC's ability to accommodate events. The figure below shows the distribution of exhibit hall space requirements for national organizations.



**FIGURE 8**  
**DISTRIBUTION OF EXHIBIT SPACE NEED BY NATIONAL ORGANIZATIONS**



Source: CSL Event Planner Survey

The existing SDCC exhibition space can meet the requirements of approximately 91% of national events. But as a premier convention destination, San Diego could capture a subset of large groups that require more than 525,000 square feet of exhibition space. Exhibit hall capacity of 735,000 contiguous square feet of space would allow the SDCC to capture 96% of the market. This 5% increase is critical to the SDCC because it is necessary to retain some existing events and to attract events that increase room night impact. While a 5% increase in market share may seem small, the attendance and room night impact of a single new large event could be greater than many smaller events.

**Ballroom Capacity**

With two ballrooms, the SDCC currently has capacity to host two simultaneous events that require a combination of exhibit, ballroom, and meeting space. The two 41,000-square foot ballrooms have a capacity for approximately 2,100 persons in a banquet setting, which is too small for many events. Average attendance for events is approximately 6,700 persons, and many events require a banquet setting for 4,000 to 5,000 persons. Currently, exhibit hall space is required to accommodate assemblies and large banquet events.

Convention demand is highly seasonal. To increase its capacity to absorb available demand during peak seasons, the SDCC needs capacity to accommodate three simultaneous events. A third ballroom would support the banquet requirements of high impact convention events that require exhibit, ballroom, and meeting space.





The ballrooms in the adjacent Hilton and Marriott hotels are not available for this purpose. Interviews with hotel managers revealed that their ballroom space is reserved primarily for in-house groups. Some of these in-house groups are events that occur in conjunction with SDCC events.

We recommend a new ballroom of up to 80,000 square feet—twice the size of the existing ballrooms. This ballroom could accommodate a banquet with 4,500 to 5,000 persons and free up exhibit space that is currently used for this size of event.

**Meeting Space Expansion**

Throughout the industry, meeting space needs have grown faster than exhibit or ballroom space requirements. As industries diversify, the need for information exchange among smaller groups has increased. This is particularly true for medical and pharmaceutical industry events, which are key demand drivers for San Diego. Meeting space provides breakout space for larger conference and convention events and supports stand-alone meetings as well as food and beverage functions. Meeting room blocks should maintain a separation of attendee and service access.

The following figure shows the average floor area required by events that require the simultaneous use of exhibit, ballroom, and meeting space.

**FIGURE 9  
AVERAGE FLOOR AREAS USE IN SQUARE FOOT DAYS BY EVENT TYPE**

Event Type	Exhibit Hall	Ballroom		Meeting Space	
	per event	per event	% of Exhibit Hall	per event	% of Exhibit Hall
Conventions (medical)	885,650	211,957	24%	515,534	58%
Conventions (non-medical)	494,451	115,520	13%	286,370	32%
Corporate Event	373,022	96,746	11%	228,724	26%
National Trade Show	411,957	71,055	8%	155,429	18%
Local Trade Show	43,905	11,883	1%	26,865	3%
Consumer Show	472,813	87	0%	18,863	2%

High impact medical events use the largest proportions of ballroom (24%) and meeting space (58%). Non-medical conventions also require substantial amounts of ballroom and meetings space. The addition of 111,000 square feet of meeting space would allow the SDCC to accommodate increasing meeting space demands.

**Coastal Commission Plan**

In 2010, the San Diego Convention Center Corporation submitted a concept plan to the Coastal Commission for approval for a Phase 3 Expansion of the Convention Center. In September 2012, the Port published an environmental impact report on the expansion that included 220,150 square feet of exhibit hall space, 101,500 square feet of meeting rooms, and a 78,470-square foot ballroom. Throughout the

following year, the Port made its case to the Coastal Commission arguing that associated improvements from the project would increase public access and enjoyment of the coast. Despite a negative recommendation from staff, the Port made its case directly to the Coastal Commission board, and on October 10, 2013, the 11 voting members ruled that the project did not deny or restrict access to the coast or coastal amenities. This decision subsequently withstood a legal challenge.

**RENDERING OF THE COASTAL COMMISSION APPROVAL PLAN**



Source: civitasinc.com

**Building Program  
Summary**

The figure below compares the HVS recommendations with prior recommendations and the plan approved by the Coastal Commission.



**FIGURE 10  
COMPARISON WITH PRIOR RECOMMENDATIONS**

Function Area	Existing SDCC	Prior Recommendations			HVS
		AECOM	Coastal Commission Plan	CSL	
<b>Proposed Expansion</b>					
Exhibit Hall		224,000	219,000	209,000	209,000
Ballrooms		80,000	79,000	60,000	79,000
Sail Area		0	0	0	0
Meeting Spaces		181,000	101,000	102,000	111,000
<b>Total</b>		<b>485,000</b>	<b>399,000</b>	<b>371,000</b>	<b>399,000</b>
<b>Total Floor Areas</b>					
Exhibit Hall	526,000	750,000	745,000	735,000	735,000
Ballrooms	81,000	161,000	160,000	141,000	160,000
Sail Area	90,000	90,000	90,000	90,000	90,000
Meeting Spaces	119,000	300,000	220,000	220,500	230,000
<b>Total</b>	<b>816,000</b>	<b>1,301,000</b>	<b>1,215,259</b>	<b>1,186,500</b>	<b>1,215,000</b>

Compared to the AECOM proposal, our recommendation places more emphasis on increasing the amount of flexible ballroom space and less on meeting and exhibition space. If designed properly, sub-divisions of the ballroom may serve as breakout meeting space when needed. Compared to the plan approved by the Coastal Commission, our recommendation decreases the expansion of exhibit space by 10,000 square feet with a corresponding increase in meeting space.

The HVS expansion recommendation would dramatically improve the balance of exhibit, ballroom, and meeting space in the SDCC. The figure below compares the SDCC ratio of function spaces to exhibit space to its competitors before and after expansion.



**FIGURE 11  
COMPARISON OF SDCC WITH PRIMARY COMPETITORS\***

Venue	Ballroom Ratio	Meeting Room Ratio	Total Function Space Ratio
Washington State Convention and Trade Center	27%	44%	71%
Moscone Convention Center	13%	41%	54%
<b>SDCC with Proposed Expansion</b>	<b>22%</b>	<b>31%</b>	<b>53%</b>
Phoenix Convention Center	20%	29%	49%
Ernest N. Morial Convention Center	13%	29%	42%
Boston Convention & Exhibition Center	8%	29%	37%
<b>San Diego Convention Center</b>	<b>13%</b>	<b>19%</b>	<b>33%</b>
Colorado Convention Center	14%	16%	30%
Orange County Convention Center	3%	23%	26%
Pennsylvania Convention Center	13%	12%	26%
Georgia World Congress Center	4%	21%	25%
McCormick Place	9%	16%	25%
Walter E. Washington Convention Center	7%	17%	24%
Los Angeles Convention Center	4%	14%	18%
Anaheim Convention Center	5%	10%	15%

\*Includes proposed expansions of respective venues.

The proposed expansion would move San Diego from a relatively low 33% to a 53% ratio of function space to exhibition space.

Capacity for expansion of the SDCC on its current site is limited. The proposed expansion of the SDCC provides the last opportunity for growth in the contiguous convention center space in San Diego. Further concept planning by a qualified architectural and planning firm will be necessary to determine the configuration of the building program. During this concept planning process, every effort should be made to maximize the amount of rentable function space and remain within the constraints of the plan approved by the Coastal Commission.

**HOW MUCH WOULD AN SDCC EXPANSION INCREASE CONVENTION ACTIVITY IN SAN DIEGO?**

**SDCC Event Demand Analysis**

The San Diego Tourism Authority (“SDTA”) and SDCC book events into the convention center. The SDTA is San Diego’s destination and convention marketing organization and is primarily responsible for long-term bookings (18 months or more in advance of the event). The SDCC is principally responsible for short-term bookings (18 months or less in advance of the event). The following figure shows the number of annual short- and long-term booked events with corresponding attendance and room block size.



**FIGURE 12  
HISTORICAL AND FUTURE  
EVENT ACTIVITY**

Fiscal Year	Events	Attendance	Room Block Size*
2013	149	767,562	731,531
2014	152	782,000	703,624
2015	172	808,403	690,588
2016	158	824,276	737,155
	<i>Booked events</i>		
2017	125	932,818	843,699

\*Room block size is the total number of room nights reserved for SDCC events in formal room block agreements

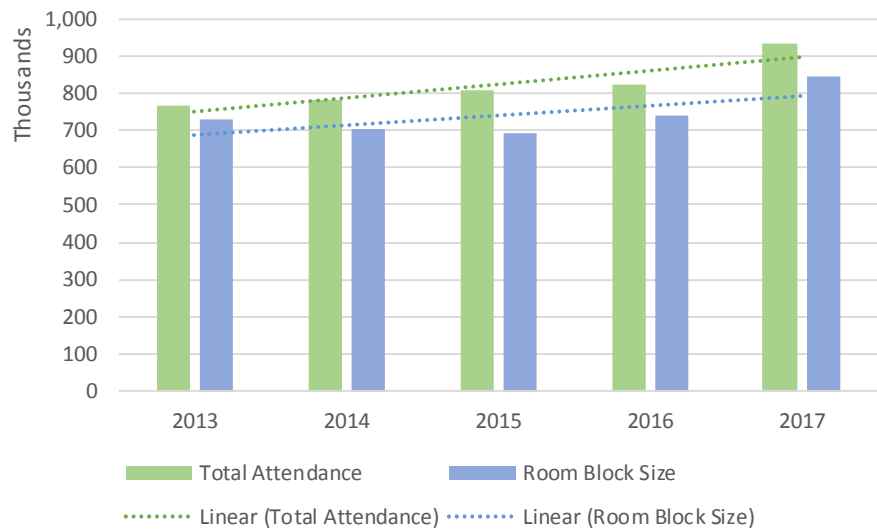
Source: SDCC and SDTA

For fiscal year 2017, the SDTA and SDCC booked events that require room blocks with a total of 840,000 room nights. The SDCC is home to several nationally and internationally renowned events including San Diego Comic-Con International, the American Society of Hematology, the Society for Neuroscience, the American Urological Association, Cisco Live!, and the Esri User Conference.

The following figure illustrates the five-year trends of events and room nights booked at the SDCC from 2013 through 2017.



**FIGURE 13**  
**EVENTS AND ROOM BLOCKS**



Source: SDCC and SDTA

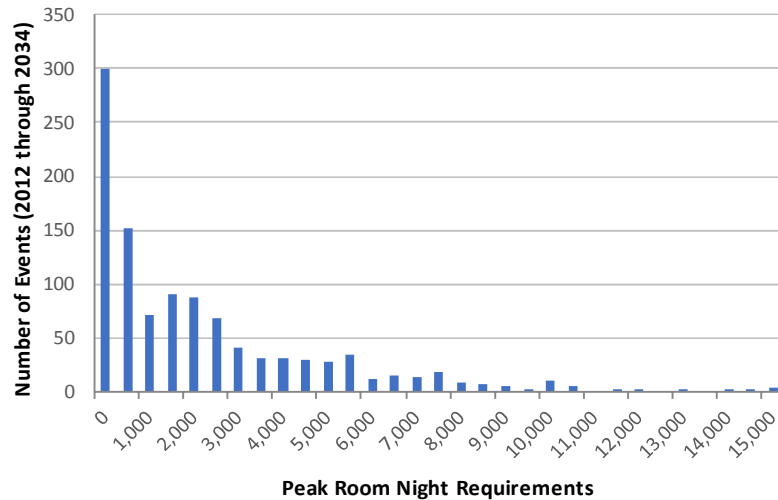
Room block size and attendance have continued to grow from 2013 and 2017, but attendance has grown slightly faster than the room blocks reserved to accommodate attendees. This disparity in growth rates may reflect an increased use of alternative hotel booking channels such as on-line travel agencies and Airbnb.

The following figure shows the peak room block distribution for events booked between 2012 and 2016.





**FIGURE 14  
PEAK ROOM NIGHT DISTRIBUTION**



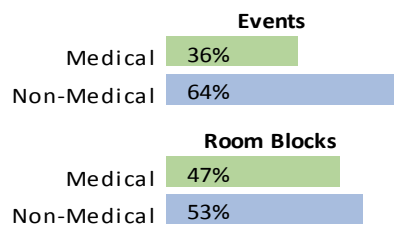
Source: SDCC and SDTA

As is typical in the industry, most convention center events are small, and some do not generate any room blocks. This demand pattern demonstrates the need to host simultaneous smaller events during peak event demand seasons. The expansion should enable the SDCC to host three simultaneous mid-sized events that require between 1,500 to 5,000 peak room nights.

**High Impact Business**

Medical and pharmaceutical industry conventions (“medical events”) are some of the most valuable events in terms of room night generation and visitor spending. The SDCC attracts a large share of these industry events. The following figure compares the events and room block sizes for medical and non-medical conventions booked by the SDTA for the period 2012 to 2034.

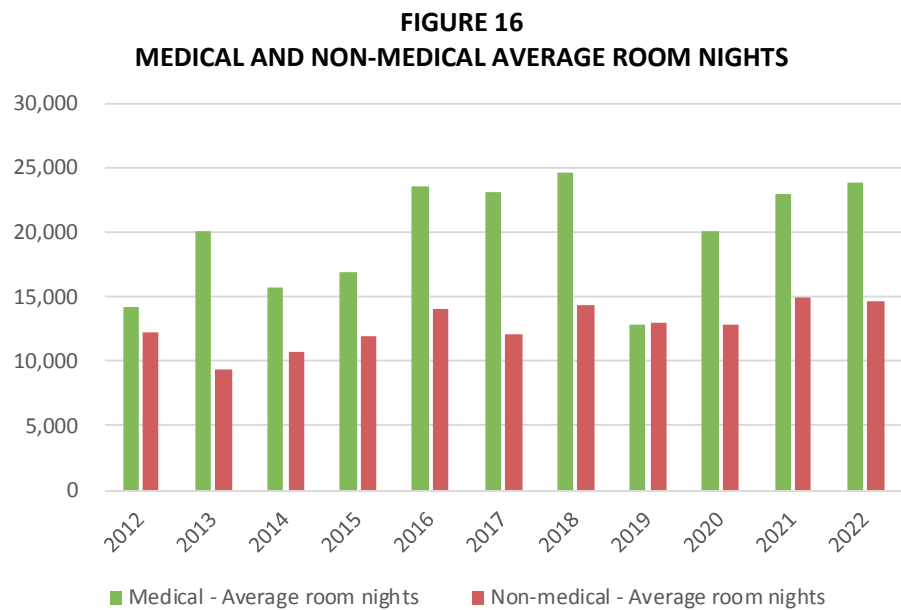
**FIGURE 15  
MEDICAL AND NON-MEDICAL EVENTS**



Source: SDTA events book between 2012 and 2034



Medical events make up 36% of total long-term bookings, but nearly half (47%) of room nights. The following figure shows the average room nights generated by the two types of events.



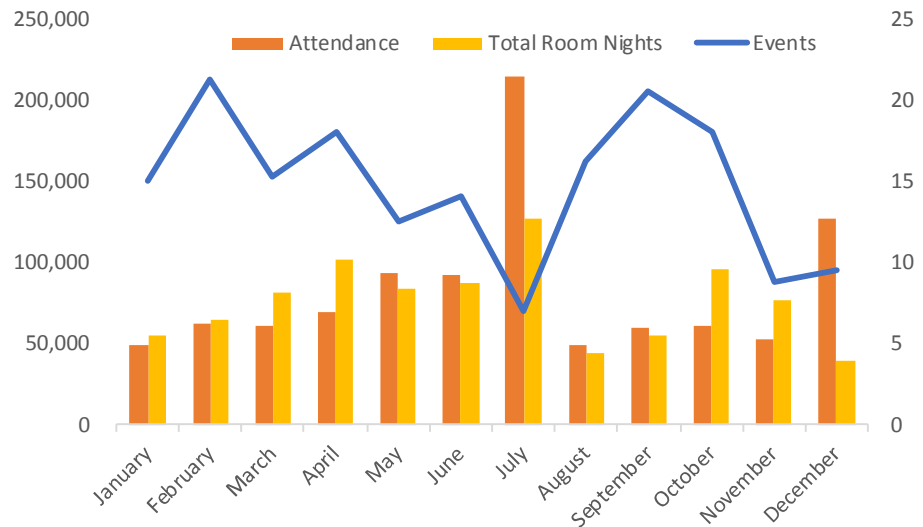
Medical events require simultaneous use of exhibit, ballroom, and meeting space and the meeting room requirements tend to be much more expansive than for non-medical events. The expansion should address the need for sufficient meeting space to host simultaneous medical events.

### Seasonal Patterns of Event Demand

The following figure shows the seasonality of events, attendance, and room nights by month.



**FIGURE 17  
SEASONALITY OF EVENTS**



Sources: SDTA and HVS

July has peak attendance because Comic-Con occurs during this month. Events and room nights peak in the spring and fall months and push the SDCC to capacity. In an expanded facility, the ability to host three simultaneous events would allow the SDCC to add events during high demand periods.

### Lost business analysis

The SDTA and SDCC provided HVS with a list of events lost between 2013 and 2016. Lost business includes events that tentatively reserved dates at the SDCC but ultimately decided not to come to the venue. The list contains events that would have occurred from 2013 through 2032 and includes approximately 2,100 events and over ten million room nights. Some events tentatively reserved dates, in multiple years with the understanding that they would rotate to San Diego in one of those years. Consequently, there is some double counting in the lost business data. The following figure shows a summary of the number of lost events and room nights for the period analyzed.

The following figure shows amounts of SDCC business that was lost in 2013 through 2016 for all future booking years.



**FIGURE 18  
LOST BUSINESS**

Year Lost	Events	Total Room Nights
2013	443	2,553,796
2014	494	2,301,500
2015	585	3,271,887
2016	586	2,876,029

Source: SDCC

Over the past four years, the SDCC has lost an average of 527 events and 2.75 million room nights. These events are lost for a variety of reasons. Nearly 58% of them are lost due to date and space conflicts at the SDCC.

A sub-set of lost business includes large events that have outgrown the SDCC because of its failure to expand. The figure below lists these events.

**FIGURE 19  
LOST EVENTS DUE TO LACK OF EXPANSION**

Event	Peak Room Nights	Total Room Nights	Attendance
Event A	14,000	65,000	30,000
Event B	6,000	23,000	23,000
Event C	5,000	21,000	18,000
Event D	3,000	13,000	8,000
Event E	4,000	14,000	23,000
Event F	2,000	10,000	4,000
<b>Total</b>		<b>146,000</b>	<b>106,000</b>

Source: SDTA

Over 145,000 room nights have been lost because six former customers have outgrown the venue. Additional existing business is at risk if the SDCC does not expand. The figure below lists the existing events that will be lost in future years without expansion. We excluded the event names to protect the identity of these events.



**FIGURE 20**  
**POTENTIAL LOST BUSINESS DUE WITHOUT FUTURE EXPANSION**

Event	Peak Room Nights	Total Room Nights	Attendance
Event A	16,000	66,000	33,000
Event B	9,000	54,000	2,000
Event C	10,000	54,000	30,000
Event D	8,000	35,000	19,000
Event E	7,000	35,000	26,000
Event F	7,000	31,000	18,000
Event G	6,000	28,000	14,000
<b>Total</b>		<b>303,000</b>	<b>142,000</b>

Source: SDTA

The City of San Diego will lose seven events from existing customers that generate over 300,000 room nights if the SDCC does not expand.

The STDA has identified 18 groups that have not held their event at the SDCC due to size constraints but could do so if the SDCC expands. See the figure below.

**FIGURE 21**  
**TARGET GROUPS THAT REQUIRE EXPANSION**

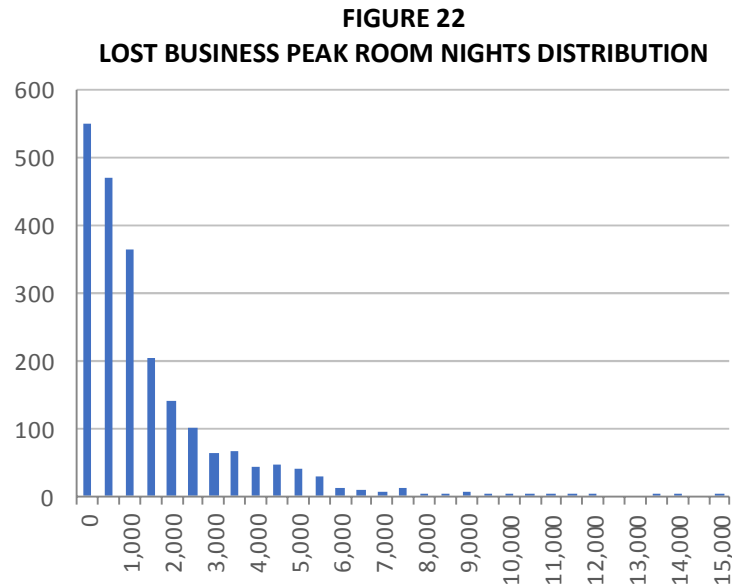
Event	Peak Room Nights
Event A	13,000
Event B	10,000
Event C	10,000
Event D	9,000
Event E	8,000
Event F	8,000
Event G	8,000
Event H	7,000
Event I	6,000
Event J	5,000
Event K	5,000
Event L	5,000
Event M	5,000
Event N	5,000
Event O	5,000
Event P	5,000
Event Q	4,000
Event R	4,000

Source: SDTA



The 18 groups that would fit into an expanded SDCC could generate approximately 118,000 room nights.

In addition to targeting large groups like those shown above, the SDCC could seek business from many smaller groups if it had more capacity to host simultaneous events. The following figure shows the distribution of peak room nights for lost events.



Over 90 percent of events lost have less than 4,000 peak room nights, and over 75 percent have less than 2,000.

The figure below shows the average amount of lost business by month and projections of the amounts that could be recovered due to an expansion of the SDCC.





**FIGURE 23**  
**ESTIMATED RECOVERY OF LOST BUSINESS**  
**DUE TO SDCC EXPANSION**

Month	Annual Lost Due to Space & Date*		Estimated Recovery Rate	Potential Lost Business Recovery	
	Events	Room Blocks		Events	Room Blocks
Jan	21	97,891	15%	4	15,000
Feb	35	217,695	12%	5	26,000
Mar	26	82,282	20%	4	16,000
Apr	24	127,402	20%	4	25,000
May	25	127,803	20%	5	26,000
Jun	26	162,545	15%	4	24,000
Jul	13	85,221	15%	2	13,000
Aug	18	94,283	25%	5	24,000
Sep	28	179,267	17%	5	30,000
Oct	37	263,324	12%	6	32,000
Nov	23	103,251	30%	6	31,000
Dec	9	44,616	15%	2	7,000
<b>Total</b>	<b>284</b>	<b>1,585,578</b>		<b>52</b>	<b>269,000</b>

\*Based on long-term business lost from 2013 through 2016.

Sources: SDCC and SDTA, Projections by HVS

We estimate that an additional 52 events per year could generate nearly 270,000 new room nights. In addition to recovering lost business, the SDCC could attract new large events that do not currently fit into the venue.

### Event Demand

HVS projected event demand under two scenarios, with and without the proposed expansion. The difference between the levels of event demand, attendance and room night generation provides the basis for estimating the impact of an SDCC expansion. Under the no expansion scenario, we expect that San Diego will lose two large convention events per year because they will outgrow the venue. The large events (see Figure 18) do not recur annually at the SDCC. Rather they rotate among various destinations. The SDCC may book some smaller events during the periods in which the lost large events would have been scheduled, but these events will generate fewer room nights. In the expansion scenario, the SDCC will retain existing large business, attract new large events, and recover a substantial amount of business previously lost due to date and space conflicts.

The figure below compares the two scenarios.



**FIGURE 24**  
**PROJECTED EVENTS AND ATTENDANCE (STABILIZED YEAR)**

	No Expansion	Expansion	Change
<b>Events</b>			
Conventions (non-medical)	44	57	13
Conventions (medical)	15	21	6
Conferences	3	6	3
Corporate Event	7	11	4
National Trade Show	1	2	1
Local Trade Show	8	10	2
Consumer Show	7	9	2
Meeting/Seminar	48	70	22
Community Event	17	17	0
F&B Event (Banquet)	5	5	0
ComicCon	1	1	0
<b>Total</b>	<b>157</b>	<b>210</b>	<b>53</b>
<b>Total Attendance</b>			
Conventions (non-medical)	243,400	373,800	130,400
Conventions (medical)	119,400	186,100	66,700
Conferences	5,300	12,300	7,000
Corporate Event	23,300	42,000	18,700
National Trade Show	4,000	9,100	5,100
Local Trade Show	16,500	20,600	4,100
Consumer Show	140,300	180,300	40,000
Meeting/Seminar	30,300	43,800	13,500
Community Event	69,400	69,400	-
F&B Event (Banquet)	2,600	2,700	100
ComicCon	129,000	175,000	46,000
<b>Total</b>	<b>783,500</b>	<b>1,115,100</b>	<b>331,600</b>

In a stabilized year of demand, we estimate that an expanded SDCC will attract approximately 50 more events than in the scenario without expansion. With more large events and the expansion of existing events average attendance levels will also grow. Annual attendance could grow to 1.1 million.

Room night demand would grow primarily due to the increased capture of high impact convention events as shown in the figure below.



**FIGURE 25  
PROJECTED SDCC ROOM NIGHTS**

Type	No Expansion	Expansion	Change
Conventions (non-medical)	306,400	470,700	164,300
Conventions (medical)	247,100	385,100	138,000
Conferences	18,100	41,600	23,500
Corporate Event	49,000	88,600	39,600
National Trade Show	2,700	6,200	3,500
Local Trade Show	1,200	1,500	300
Consumer Show	1,200	1,500	300
Meeting/Seminar	3,500	5,100	1,600
Community Event	1,000	1,000	0
ComicCon	59,200	70,700	11,500
<b>Total</b>	<b>689,400</b>	<b>1,072,000</b>	<b>382,600</b>

An expanded SDCC could induce approximately 383,000 room nights into the market. Medical and non-medical convention events account for most of the growth in room nights. The induced lodging demand includes: 1) the recovery of 270,000 room nights of lost business, 2) the attraction of new 60,000 new room nights from large events that cannot fit into the SDCC, and 3) the avoidance of loss 53,000 room nights of existing business. The next section of this report provides an analysis of how these additional room nights will increase room revenues throughout the City of San Diego.

**HOW WOULD SDCC EXPANSION AFFECT HOTEL MARKET PERFORMANCE IN THE CITY OF SAN DIEGO?**

While most out of town attendees to SDCC events, stay in the downtown area, the room nights generated by these events affect the room rates and occupancy of the entire city. A hotel market phenomenon called “compression” occurs when high occupancies in one or more hotels increases occupancy and room rates in other hotels. Our analysis reveals large and statistically significant room rate and occupancy compression due to SDCC events.

The following figure shows room night supply, room night demand, revenue, and average daily room rates (“ADR”) in the various sub-markets in the City of San Diego for the calendar year 2016.



**FIGURE 26**  
**2016 CITY OF SAN DIEGO HOTEL SUB-MARKETS PERFORMANCE**

Sub Market	Room Night Supply	Room Night Demand	Occupancy Rate	Revenue	ADR
Downtown	5,073,000	4,118,000	81%	\$807,118,000	\$196
Mission Valley	3,267,000	2,532,000	78%	\$306,175,000	\$121
UTC	1,515,000	1,238,000	82%	\$212,901,000	\$172
Pt. Loma - Airport	1,704,000	1,364,000	80%	\$183,039,000	\$134
Mission Bay	1,180,000	946,000	80%	\$168,740,000	\$178
La Jolla Coastal	676,000	516,000	76%	\$118,970,000	\$231
I-15 Corridor	856,000	639,000	75%	\$84,305,000	\$132
<b>City Total</b>	<b>14,271,000</b>	<b>11,353,000</b>	<b>80%</b>	<b>\$1,881,248,000</b>	<b>\$166</b>

Sources: STR and SDTA

In 2016, the hotel market in the City of San Diego generated \$1.9 billion in room revenue. Over 40% of that revenue was generated by downtown hotel properties, which is the sub-market with the most hotel rooms and the second highest rate.

**Compression Analysis**

To analyze the impact of SDCC events on each hotel sub-market we used data sets<sup>5</sup> on daily hotel and SDCC performance for the calendar years 2012 through 2016. We calculated the average daily room rates and occupancy rates on days when the SDCC generated at least 1,200 room nights (“SDCC Event Days”) to days on which SDCC did not.<sup>6</sup> We assume that a room block of fewer than 1,200 room night would not generate significant compression.

The figure below compares the hotel occupancy and ADR on SDCC Event Days and non-SDCC Events Days.

<sup>5</sup> STR provided data on room night supply, room night demand, and ADR for each of the San Diego sub-markets. We combined this data with daily event data provided by the SDTA.

<sup>6</sup> We used a z-test to determine whether the difference in means is statistically significant. Our null hypothesis is that occupancy and room rates are the same on SDCC Event Days as on non-event days. If we reject the null hypothesis, we can accept our alternative hypothesis that the means are not equal. For normally distributed populations, a z-test calculates the probability that the means of two populations are equal. To reject the null hypotheses with 99% confidence (p<.01), the z-score must be greater than 2.58 or less than -2.58.



**FIGURE 27**  
**THE IMPACT OF SDCC EVENT DAYS ON EACH HOTEL SUB-MARKET**

Sub-Market	SDCC Event Days	Non-SDCC Event Days	Difference
<b>Occupancy Rates</b>			
Downtown	85%	73%	13%
Mission Valley	80%	73%	7%
UTC	82%	75%	7%
Pt. Loma - Airport	80%	74%	6%
Mission Bay	80%	74%	6%
La Jolla Coastal	77%	71%	6%
I-15 Corridor	74%	68%	6%
<b>Average Daily Room Rates (ADR)</b>			
Downtown	\$193	\$156	\$37
Mission Valley	\$111	\$104	\$7
UTC	\$164	\$157	\$7
Pt. Loma - Airport	\$127	\$116	\$11
Mission Bay	\$163	\$157	\$6
La Jolla Coastal	\$207	\$205	\$3
I-15 Corridor	\$122	\$118	\$4
From 2012 through 2016, 928 days were SDCC Events Days and 899 days were not.			

Occupancy and rate compression is statistically significant ( $p < .01$ ) in every hotel sub-market in San Diego. The downtown sub-market experiences the most compression with an average 13% increase in occupancy and a \$37 increase in ADR on SDCC Event Days. Other sub-markets experience occupancy increases between 6% and 7% and ADR increases between \$3 to \$11.

We used the percentage change in occupancy to estimate the net number of new room nights that the SDCC brings to the market. Multiplying these new room nights by the ADR on SDCC Event Days yields an estimate of the room revenue impact as shown in the figure below.



**FIGURE 28**  
**REVENUE IMPACT OF NEW SDCC ROOM NIGHTS (IN 2016 DOLLARS)**

Sub-Market	Average Daily Room Supply	Increase in Occupancy	Daily Room Night Increase	Annual Room Night Increase*	ADR on SDCC Event Days	Event impact on rooms revenue
Downtown	13,898	13%	1,761	326,925	\$233	\$76,321,000
Mission Valley	8,949	7%	596	110,542	\$128	\$14,183,000
UTC	4,151	7%	301	55,909	\$179	\$9,986,000
Pt. Loma - Airport	4,668	6%	299	55,483	\$145	\$8,045,000
Mission Bay	3,232	6%	208	38,682	\$184	\$7,116,000
La Jolla Coastal	1,852	6%	115	21,431	\$233	\$4,996,000
I-15 Corridor	2,344	6%	144	26,747	\$136	\$3,639,000
<b>Total</b>	<b>39,095</b>		<b>3,425</b>	<b>635,720</b>		<b>\$120,647,000</b>

\*SDCC Event Days average 185.6 per days per year.

In 2016 dollars, the new room nights generated by SDCC events caused annual hotel room revenues in San Diego to increase by approximately \$121 million. These increases primarily occur in the downtown market but also affect each of the sub-markets.

ADR compression lifts the rate on all room nights in the market regardless of whether these room nights are associated with the SDCC. For example, a transient business traveler staying at a hotel in Mission Valley will pay \$7 more for a hotel room on an SDCC Event Day. The figure below shows the calculation of the revenue impact of ADR compression on SDCC Event Days.

**FIGURE 29**  
**REVENUE IMPACT DUE TO ADR COMPRESSION**

Sub-Market	SDCC Event Day Occupied Room Nights	Less SDCC Room Nights	Increase	Event impact on rooms revenue
Downtown	2,333,000	2,006,075	\$37	\$75,137,000
Mission Valley	1,414,000	1,303,458	\$7	9,623,000
UTC	688,000	632,091	\$7	4,202,000
Pt. Loma - Airport	749,000	693,517	\$11	7,495,000
Mission Bay	519,687	481,005	\$6	2,683,000
La Jolla Coastal	289,000	267,569	\$3	689,000
I-15 Corridor	353,000	326,253	\$4	1,339,000
<b>Total</b>	<b>6,345,687</b>	<b>5,709,967</b>		<b>\$101,168,000</b>

ADR compression increases room revenues in the San Diego market by over \$100 million dollars per year.



In 2016 dollars, over the past five years (2012 through 2016) the SDCC has caused annual hotel room revenues in San Diego to increase by approximately \$221 million. The expansion will increase that impact by generating new room night activity. The figure below shows an estimate of the and expanded SDCC impact on hotel room revenues.

**FIGURE 30  
FUTURE ROOM REVENUE IMPACT  
(IN 2016 DOLLARS)**

Occupancy Compression	\$120.6 million
ADR Compression	\$101.2
Existing Impact	\$221.8 million
Room Nights without Expansion	689,000
New Room Nights with Expansion	383,000
Total Future Room Nights	1,072,000
Percent Increase	56%
Impact of Expansion	\$123.3 million
Total Future Impact	\$345.1 million

As previously estimated, an expanded SDCC would generate approximately 380 thousand net new room nights. This represents a 56% increase in room night demand generated by the convention center. A corresponding percentage increase generates approximately \$123 million more in annual room revenue.

## CONCLUSION

As a premier convention destination, San Diego's growth in the industry is constrained primarily by a lack of convention center space and available dates. Expansion would achieve the dual goals of 1) attracting and retaining large events that occupy the entire building and 2) booking mid-size simultaneous events. Assessment of historical events, lost business, and event planner interest reveals strong future booking potential, particularly in the lucrative medical industry. The positive impact of SDCC expansion would be felt throughout the City as compression of lodging demand would dramatically increase hotel occupancy and rates.