HVS

MARKET REPORT

How Convention Centers Change Hotel Markets

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To measure the impact of convention center events, HVS analyzes daily hotel occupancy and ADR data to evaluate how convention events affect overall lodging revenues across entire markets and submarkets. We demonstrate how the impact on hotel occupancy and room rates varies based on market conditions.

Convention centers can have a significant influence on local hotel markets by concentrating large volumes of visitor demand into relatively short periods of time. Traditionally, analyses of convention center impacts on hotels have focused on estimating the number of hotel room nights generated by convention events and then multiplying those room nights by an assumed average daily room rate ("ADR"). While this approach provides a straightforward estimate of lodging demand, it oversimplifies the complex dynamics that occur within hotel markets during major events. Consequently, traditional methods do not accurately portray the relationship between a convention center and its host market.

Hotel Market Compression Analysis

HVS applies a more comprehensive methodology that evaluates how convention-related events affect overall hotel market performance. Rather than relying solely on estimated room night generation, HVS analyzes daily changes in hotel occupancy and average daily room rates ("ADR") during convention center event days using multiple years of hotel market and convention center event data. This analysis can measure impacts across entire cities or within individual submarkets. Further, the approach shows that the generation of room revenues generated by convention events varies by day of week, month of year, and event type. The HVS methodology incorporates statistical testing to quantify the level of confidence associated with the estimated impacts.

This approach provides important advantages over traditional room-night estimation.

- First, it avoids the inherently difficult and often unreliable task of counting the net number of room nights directly attributable to convention events. Not all convention attendees use room blocks or stay in hotels. The reporting of actual room block pick-up may not capture all visitors to a specific convention.
- Second, the HVS methodology captures broader hotel market dynamics, including the displacement of other lodging demand caused by supply constraints and elevated pricing during peak event periods.

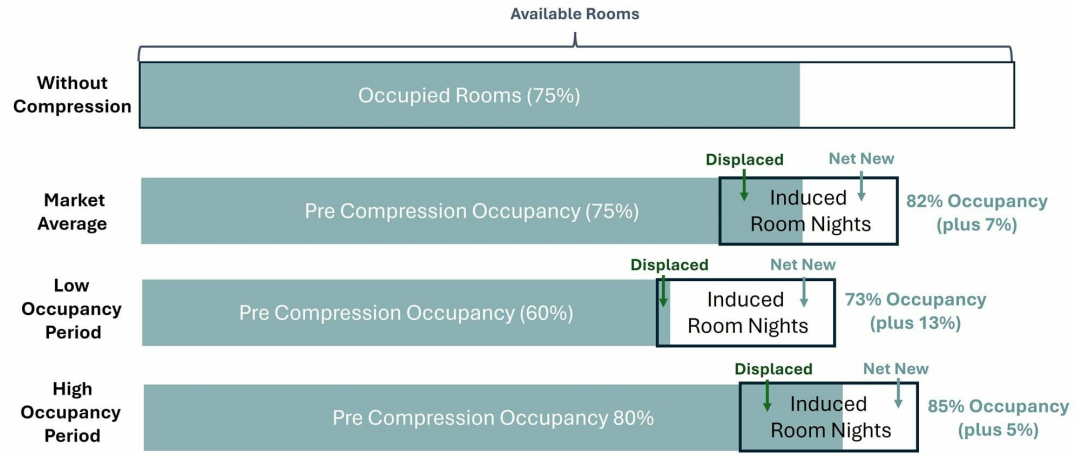
- Importantly, the HVS methodology measures the additional hotel revenue generated through increases in ADR, an impact that is ignored by conventional analyses focused only on occupied room nights.

Occupancy Compression

Convention events influence hotel markets by creating periods of occupancy compression, a condition in which demand for hotel rooms increases hotel occupancy while the available room supply remains constant. In the San Diego hotel market, during periods of pre-compression occupancy levels of 75%, a convention event increases overall occupancy to roughly 82%, representing a seven-percentage-point increase. In Austin, Texas, we observed that occupancy changes from 64% on non-event days to 71% on event days (also a seven-percentage point increase). In Louisville, a market with annual occupancy rates lower than Austin or San Diego, events at the Kentucky Exposition Center increase market occupancy by approximately ten percentage points.

In a market operating under average conditions, convention events often induce a combination of new and displaced demand. In these scenarios, some convention-related room nights represent genuinely new visitation to the market, while other travelers who would have otherwise visited the destination may be displaced by higher room rates or limited availability. Although displacement occurs, the event still produces meaningful incremental hotel demand and revenue growth.

Occupancy Impact Scenarios



Source: HVS Analysis of a San Diego Hotel Occupancy

The occupancy effects of convention events are generally more significant during lower occupancy periods. In San Diego, with pre-compression occupancy of approximately 60%, convention demand increases occupancy levels to roughly 73%, representing a thirteen-percentage-point gain. Because more unused hotel inventory is available during these periods, a larger share of convention-related demand represents net new room nights rather than the displacement of existing travelers. As a result, convention activity during off-peak periods can substantially improve hotel performance, support higher utilization of lodging assets, and generate incremental visitor spending that would not otherwise occur.

Conversely, convention events occurring during already high occupancy periods tend to generate smaller net increases in

occupied rooms. When the San Diego market is operating near 80% occupancy prior to compression, a convention event increases occupancy to approximately 85%, representing only a five-percentage-point increase. Under these constrained conditions, a larger share of convention demand displaces other lodging demand because hotel room availability is limited. While these events still contribute to higher hotel revenues through elevated ADR and compression pricing, they generate fewer net new room nights relative to events held during softer demand periods.

ADR Compression

Convention events affect hotel markets not only by increasing occupancy levels, but also by creating pricing compression that allows hotels to raise ADR. As hotel occupancy approaches capacity, hotels gain greater pricing power as they implement dynamic pricing strategies that increase room revenue. Our analysis demonstrates that convention-related demand can significantly influence ADR performance, particularly during periods of high occupancy compression.

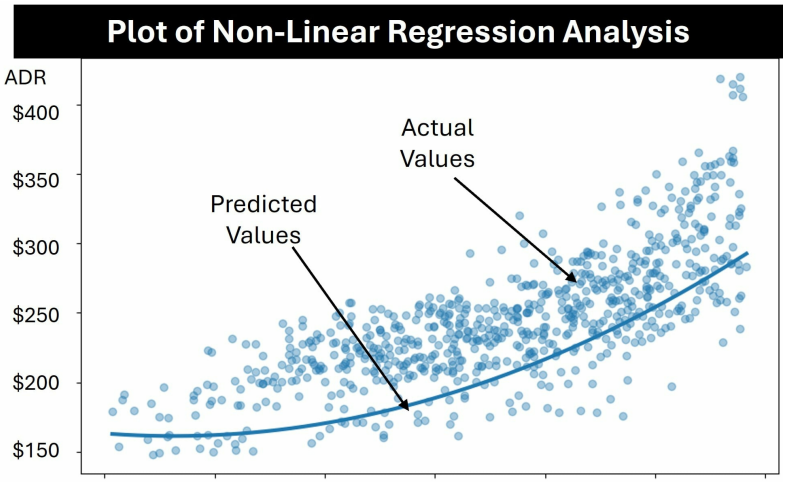
A large share of convention center room nights is booked well in advance of the event. Hoteliers agree to set aside room blocks at favorable rates, usually years before the event occurs. These room blocks provide hotel revenue managers with a secure base level of occupancy, allowing them to maximize revenue from the remaining available rooms. But the impact of dynamic pricing is felt throughout the hotel market and is not constrained to hotels providing room blocks.

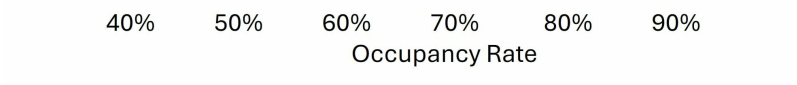
Dynamic Pricing Effects

While it is important to separately understand occupancy and ADR compression, it is the interaction of these two effects that primarily drives the rooms revenue impacts of convention centers. As compression increases, hotels experience not only higher occupancy levels, but also stronger pricing power, resulting in increases in ADR and total lodging revenue.

Statistical analysis of daily hotel occupancy and ADR data indicates that the relationship between occupancy and room rates is non-linear. During periods of relatively low occupancy, ADR tends to increase gradually as additional demand enters the market. Hotels operating with substantial unused inventory have limited ability to materially raise prices because room supply remains readily available and competition among hotels remains high.

Relationship between Occupancy and ADR





Source: HVS Regression Analysis of San Diego's Hotel Market

As occupancy levels rise and hotel markets become increasingly compressed, ADR growth accelerates sharply. The regression analysis of the San Diego market shown above demonstrates that room rates increase at a much faster pace once occupancy levels move into higher compression ranges, generally above approximately 75% to 80% occupancy.

This pattern is consistent with the dynamic pricing practices widely employed throughout the hotel industry. Revenue management systems continuously adjust room rates based on projected occupancy, market demand, and remaining inventory. Convention events often concentrate large numbers of visitors into short time periods in which the room supply is constant, intensifying compression within the hotel market and triggering stronger ADR growth than would occur under normal demand conditions.

As a result, the economic impact of convention events extends beyond simply generating additional occupied room nights. Even when some convention demand displaces other travelers during highly compressed periods, convention events produce significant incremental hotel revenue through higher room pricing. In high-occupancy markets, this pricing effect is the largest component of hotel room revenue generation. This dynamic is not represented in traditional methodologies that focus solely on estimating occupied room nights.

Conclusion

Convention centers play an important role in stabilizing and enhancing hotel market performance. By attracting demand during lower occupancy periods, convention activity helps improve seasonal balance within hotel markets, increases the utilization of existing lodging supply, and supports stronger overall hotel revenues and economic activity within the destination. By attracting demand during high occupancy periods, convention activity supercharges room rates throughout the market and for all types of guests.

The HVS methodology further recognizes that convention events do not affect hotel markets uniformly. The magnitude of hotel market compression can vary substantially depending on the type of event, its size, seasonality, and the days of the week during which it occurs. By analyzing actual market performance patterns across multiple dimensions, HVS provides a more nuanced, data-driven, and accurate assessment of how convention center activity influences hotel occupancy, pricing, and overall lodging revenue within a destination.