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New Convention Center Faces Intense Competition

It was recently reported that projected bookings at the new David L. Lawrence Convention Center exceed the number of bookings at other new convention centers such as Boston and Washington, D.C. Not widely understood, however, is that the new center faces an extremely difficult challenge just to match the bookings at the old, smaller David L. Lawrence center.

As it stands now, the 57 events booked through 2008 will bring in a total of 226,040 attendees, for an average annual attendance of about 32,000 people. The bulk of the scheduled attendees will come in 2003 and 2004. However, in neither of these years does attendance approach the numbers in the 1990s, which brought in an average of 116,000 attendees annually. It is obvious that the Convention and Visitors Bureau has a lot of work to do.

It is also important to note that only 17 of the 57 booked events require more than 131,000 square feet of exhibit space. Why is that square footage figure important? That was the total exhibit square footage at the old center. That means that 40 of the booked events could have been held at the old center. In fact, none of the 57 shows currently booked will come close to utilizing all of the 330,000 square feet at the new center.

Why are convention centers, particularly new ones, seeing such weak bookings? The answer could well be a massive over-supply of convention space that is developing in the face of declining growth in demand.

Trade Show Week, an organization that collects, analyzes, and reports on data concerning the convention and trade show industry notes that as of 2000, of the top 50 convention markets, 21 convention centers were expanding and 3 new centers were being built. Expansions of existing facilities and new venues in Kissimmee, Boston, and Pittsburgh will add 7.6 million square feet of exhibit space. When complete, there will be 32 million square feet of exhibit space in these markets, an increase of 31 percent. Pittsburgh's new center represents a mere one percent of this total and will rank Pittsburgh 39th out of the top 50 convention centers.

The latest game of convention space leapfrog has been largely justified by feasibility studies that never seem to see a shortage of demand for any city that wants to construct/expand its publicly-funded convention center. Many of these studies have been overly optimistic. Take the case of Charlotte, where policy makers were told that a new convention center would generate 528,000 hotel room nights per year. The actual number came in at 170,000. Similarly, New Orleans added 400,000 square feet of exhibit space in 1999 to capture additional convention demand only to see attendance rates fall to 1995 levels.

On the other side of the state, Philadelphia is in the final stages of approving a significant expansion of the Pennsylvania Convention Center, which was completed in 1993, even though attendance has fallen from 1997 levels. These are but three examples of cities undertaking expansion based on studies that argue for more space. Every city apparently believes it can grab a larger market share, which of course cannot happen.

Meanwhile on the demand side, attendance, number of events, and space demand have shifted to very slow growth rates. For instance, from 1989 to 1994, U.S. and Canadian convention attendance grew 41 percent; over the next six years, 1995 through 2000, it grew by a mere 9 percent. Space use and number of events experienced similar slow growth rates in recent years. The effects of September 11th on the convention business still resonate. Business travel, hotel stays, hotel investment and air travel, factors vital to the state of the convention industry, have dropped substantially from a year ago. It remains unclear when a return to faster growth in convention attendance will occur. In light of the slow rate of increase even before September 11th, it could be an uncomfortably long time.

Obviously, a chasm is developing between supply and demand that will create fierce competition among convention centers. This mismatch will likely continue in cities both large and small across the nation. Thus, Pittsburgh's new center will face intense competition for many years.

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