

POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

February 7, 2006

Volume 6, Number 8

An Update on Pittsburgh Convention Center Attendance

The new David Lawrence Convention Center has been completely up and running since September 2003. It actually opened for business on a limited basis in October 2002. Viewed by some as the “sensible” portion of the Regional Renaissance Plan, it was built on the premise that a new center with better amenities and more square footage of exhibit space (330,000 over the old 131,000) would allow Pittsburgh to compete better in the convention market and bring in a greater number of visitors.

From October 2002 through the end of 2005, attendance at shows not open to the public was 415,345, about 120,000 on a yearly average basis. Since the center was completely opened in September 2003 attendance has totaled 332,280.

Full year attendance was 161,650 in 2004 and 151,730 in 2005. The 2004 figure represents the single best year for non-public show attendance in the last fifteen years at either the old center or the new center while 2005 attendance actually fell below the 1992 attendance of 153,325 at the old, smaller center.

Based on this short time frame, can any conclusions be drawn about the performance of the new convention center? It might be too early to tell. However, one way to appraise the situation is to compare business against that of the last few eight years of operation at the older, smaller center. Recall that the argument for building the new center was that the old center was not big enough or glitzy enough to attract conventions, which has become more competitive as space around the country increases while demand stagnates or falls.

From 1992 through 1999, there were 315 non-public meetings with 927,910 attendees. That’s about 116,000 attendees annually on average over the last eight years at the old center. And bear in mind that in the later years bookings had to decline in preparation for demolition. In any event, to equal the business of the 1990s, the new center will have to bring in 595,630 additional attendees, or about 99,000 per year, from 2006 through the 2011. That should be doable.

But the real question is whether attendance will rise commensurately with the increase in the size of the center. If we look at attendance on a square footage basis, we see that it will take a Herculean effort to equal the business that took place in the 1990s. With an

annual average attendance of 116,000 and 131,000 square feet of exhibit space, the attendees per square foot ratio was 0.88.

If we look at the first two full years of business at the larger center, average attendance was just over 156,000. Considering that there is two and a half times more square footage of exhibit space now, the attendees to square foot ratio over the first two years is 0.50.

In order to get that ratio up to the 0.88 level, attendance per year would have to be in the range of 300,000. It would obviously have to be significantly higher to exceed the 0.88 ratio set at the old center. This is a more than reasonable goal for the new center. Indeed, to be truly successful, the new center attendance to square foot ratio should be greater than 0.88. Hitting the goal of 300,000 visitors per year will be very quite difficult in the current convention market, where there is a lot of supply of space and relatively weak demand.

The issues that are presenting themselves now are in line with the predictions we made in our 2002 report on the convention center and its place in the industry. We noted that the trend of numerous cities building or expanding their centers and the plunging demand in convention business would present problems for Pittsburgh's center to attract the type of business needed to cover its costs, thus requiring a higher subsidy from the hotel tax or some other source. Recall too that the center was originally projected to cost \$250 million and ended up costing almost \$400 million.

All told, it is clear that taxpayers are not getting anything resembling a reasonable return on their investment with the level of business taking place at the center. Nor is it likely they will if history to date is any guide.

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