
CONVENTION CENTER HOTEL: MARKET IMPACT STUDY

December 10, 2012



KEY QUESTIONS

- ♣ **Is OCC achieving its goals?**
- ♣ **What is the State of the Convention Industry?**
- ♣ **Does OCC Hotel make difference in Portland?**
- ♣ **Is OCC Hotel a good ROI for Portland?**
- ♣ **Is the Hyatt/Mortenson proposal reasonable?**
- ♣ **Do Convention Hotels impact existing hotels?**
- ♣ **What could be the impact in Portland?**

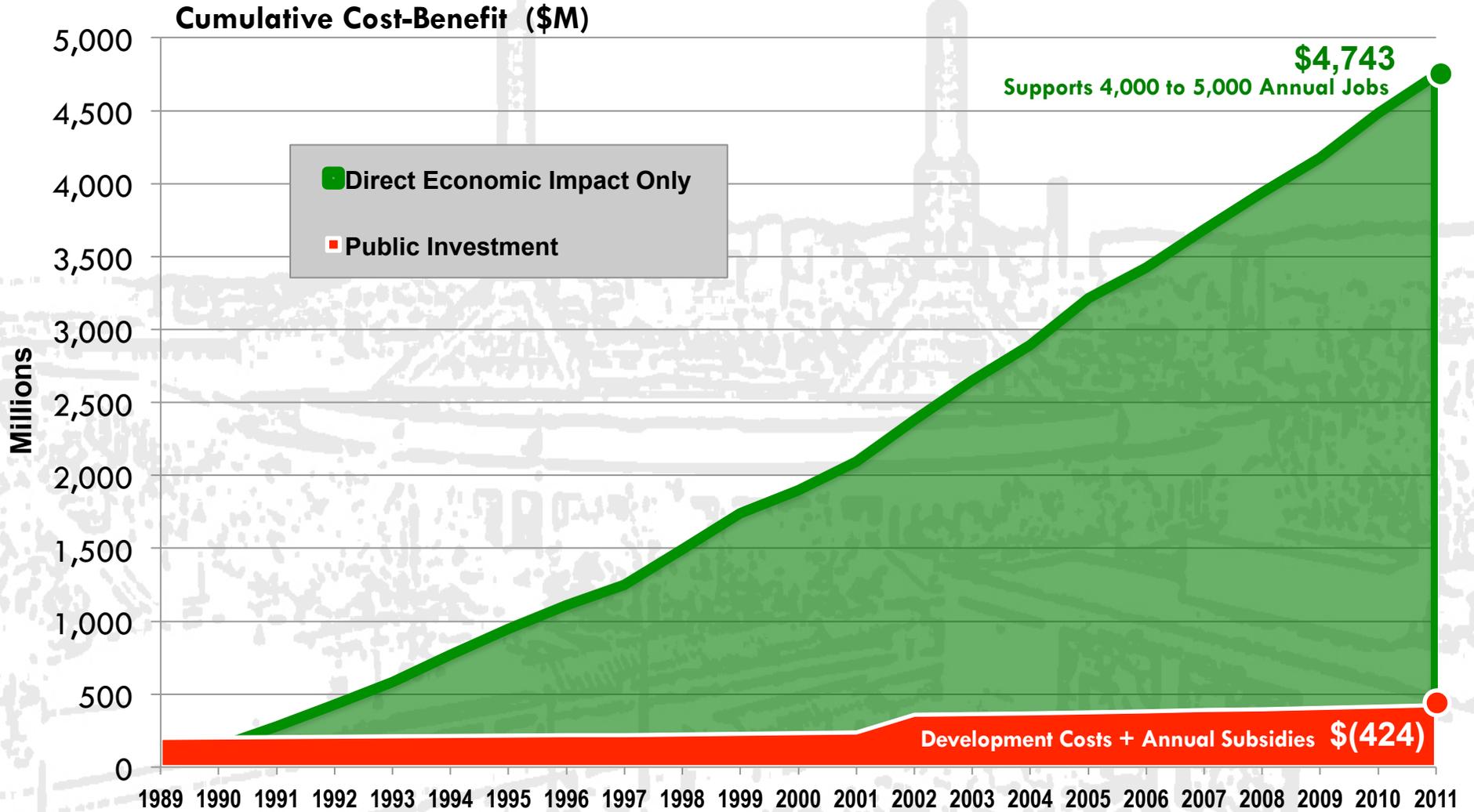


Is OCC Achieving Goals?

OCC MISSION STATEMENT

“To maximize economic benefits for the metropolitan region and the state of Oregon while protecting the public investment in the facility.”

OCC Cost-Benefit



Source: KPMG, Crossroads; CIC Research; OCC; PDC.

IMPETUS TO STUDY: LOST BUSINESS

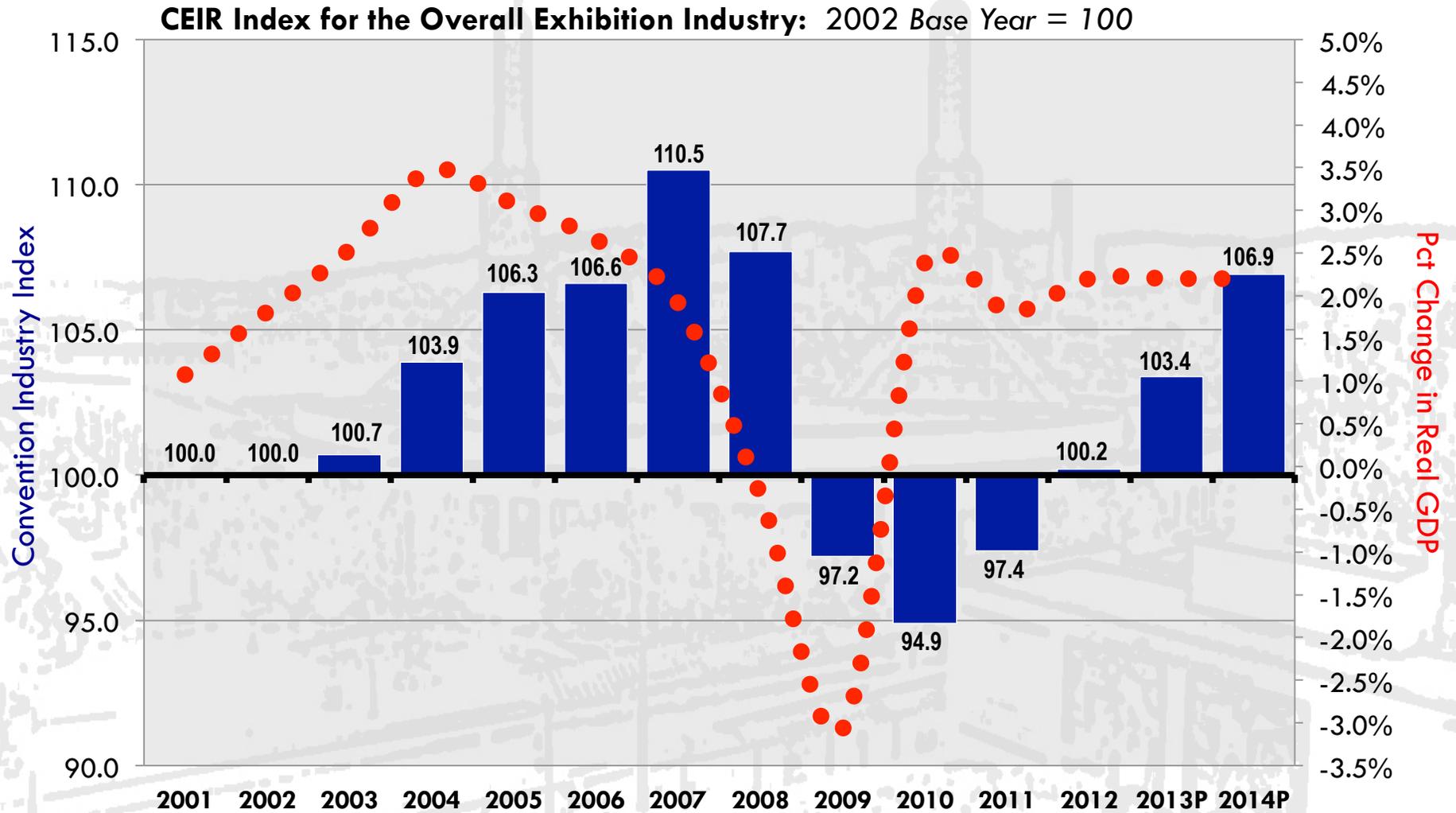
- ♣ **In past 5 years, Travel Portland reports approximately 847,000 potential room nights were lost where lack of “Convention Hotel” was cited as the primary issue by the Event**



The State of the Industry

STATE OF THE INDUSTRY

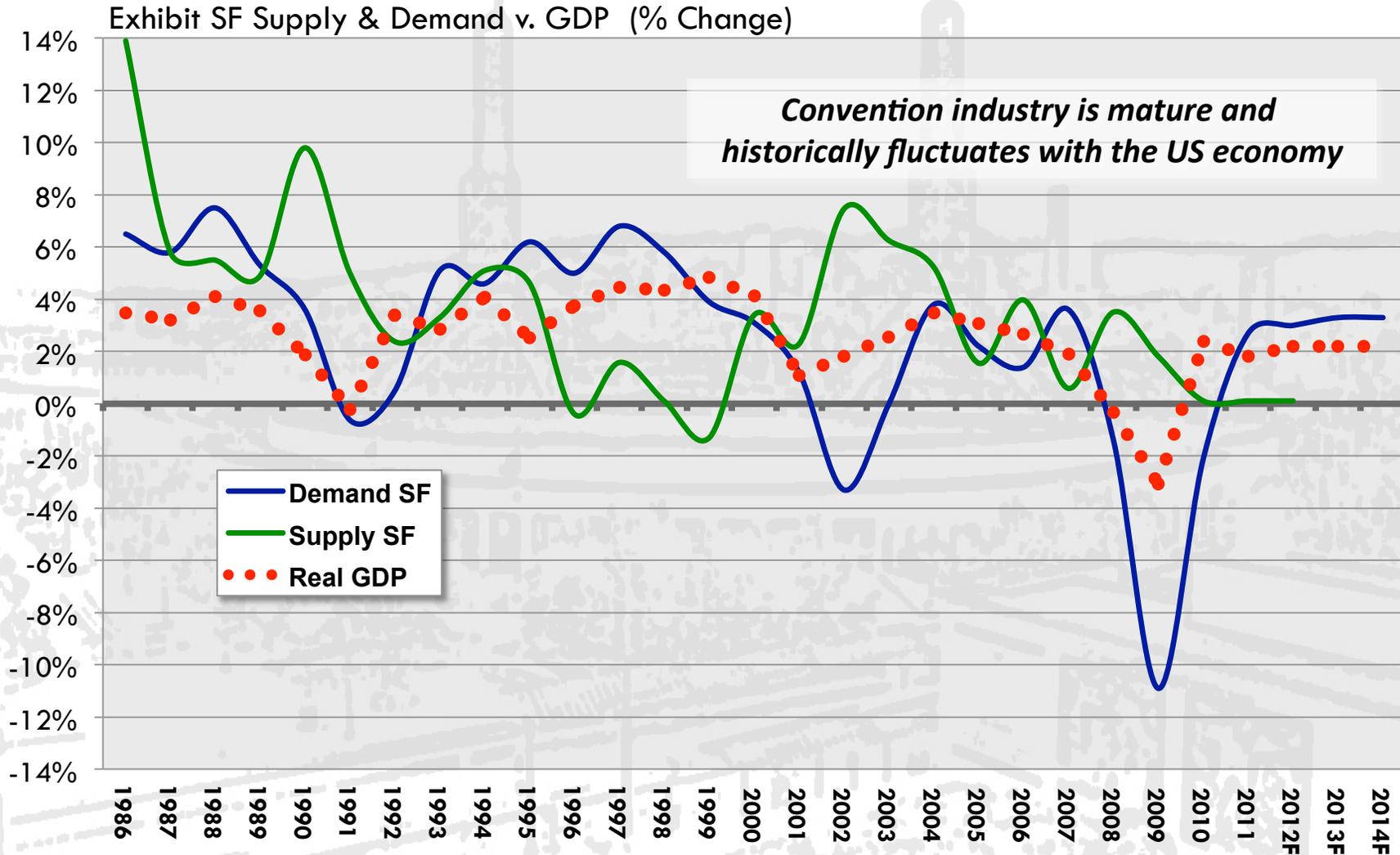
US Convention Center Market



Source: Center for Exhibition Industry Research; Bureau of Economic Analysis; CBO.

STATE OF THE INDUSTRY

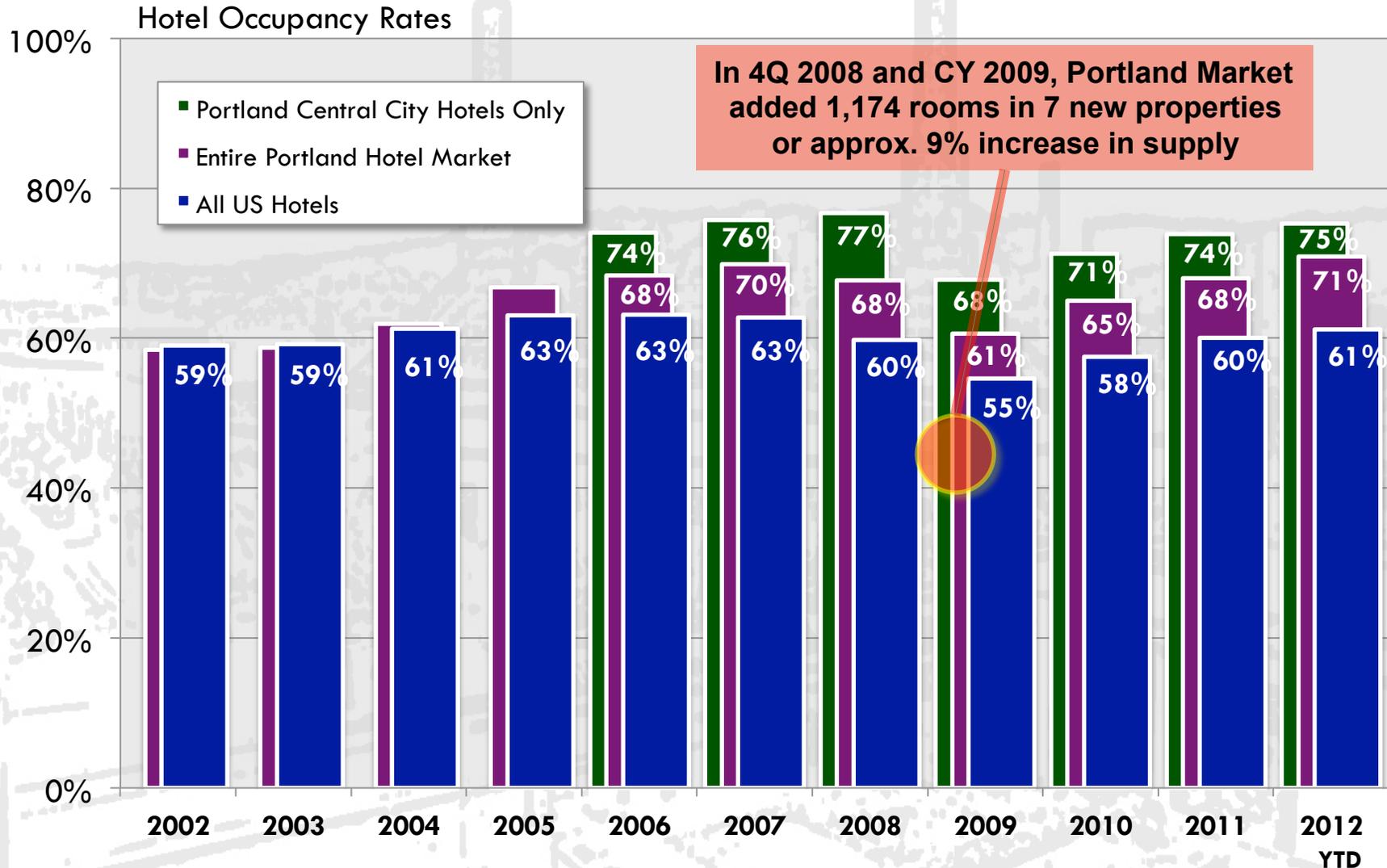
US Convention Center Market



Source: Center for Exhibition Industry Research; CBO; Bureau of Economic Analysis; TradeShow Week; PwC.

STATE OF THE INDUSTRY

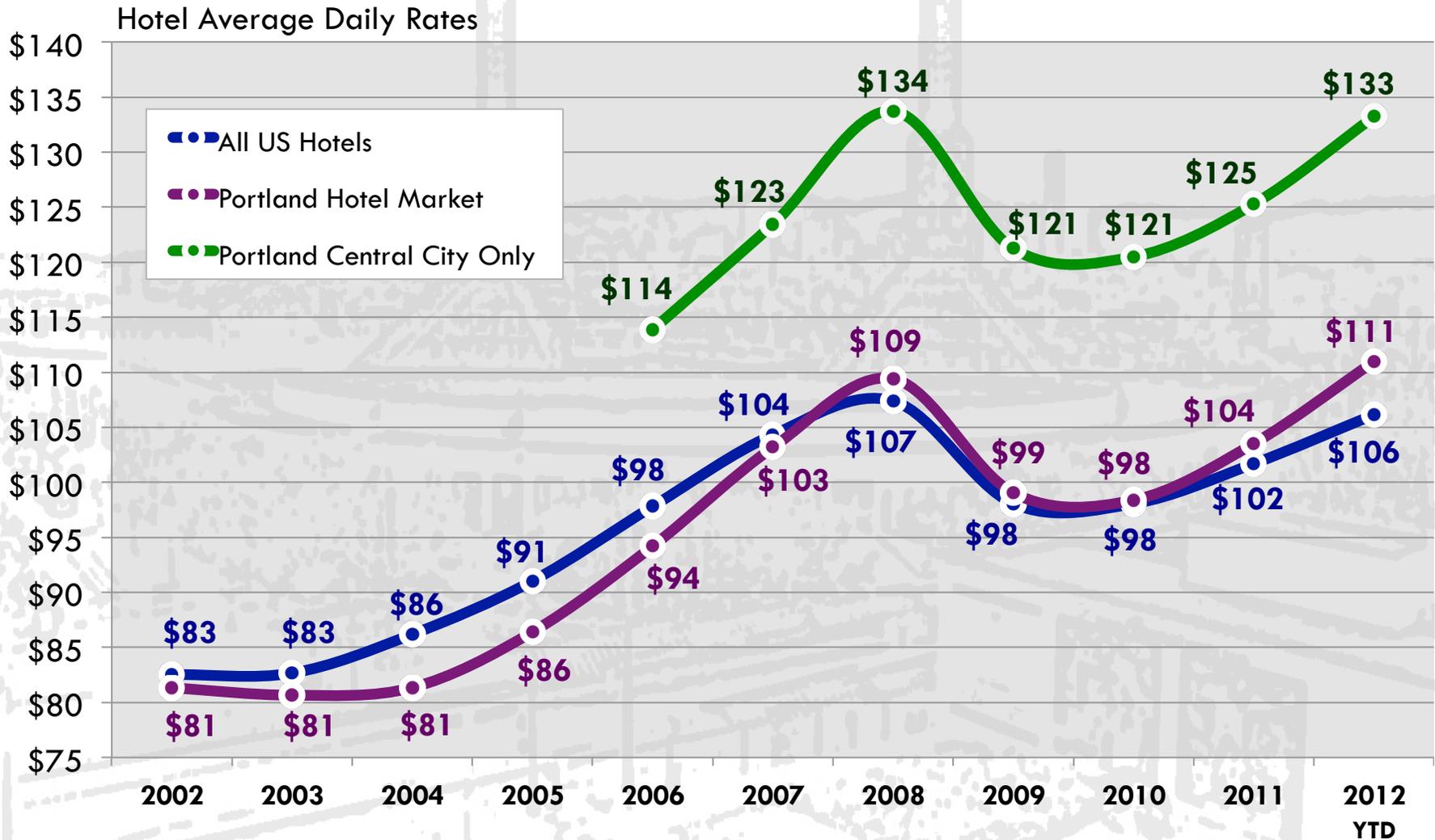
US v. Portland Hotel Market



Source: Smith Travel Research.

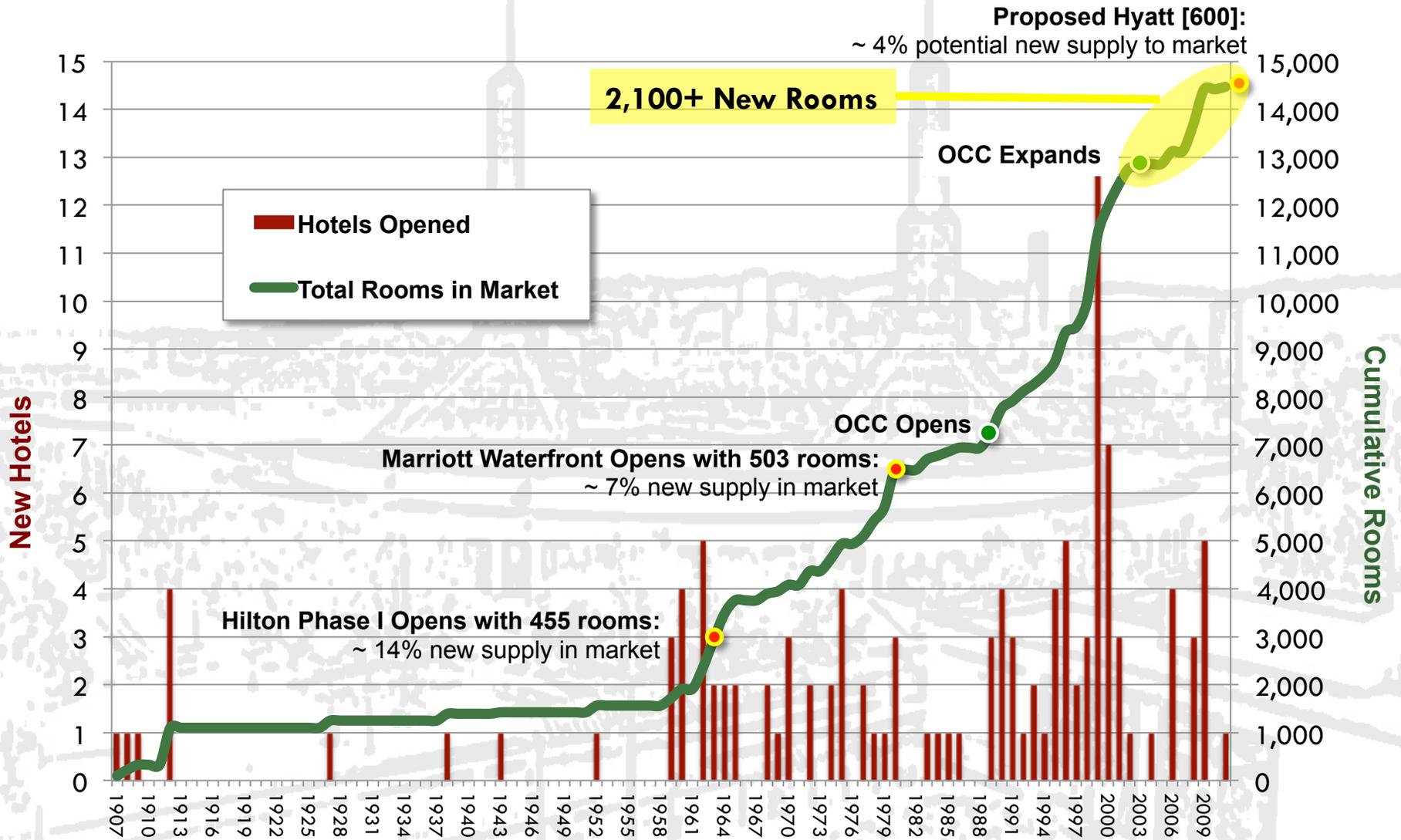
STATE OF THE INDUSTRY

US v. Portland Hotel Market



Source: Smith Travel Research.

PORTLAND HOTEL SUPPLY



Source: Smith Travel Research, Individual properties.

*Does a Convention Hotel
Make a Difference in Portland?*

MEETING PLANNER SURVEY

- ♣ **In November 2012, SAG surveyed 1,172 Meeting Planners**
- ♣ **Represented Regional/National Events**
- ♣ **135 Total Responses Received**

PORTLAND'S CONVENTION & HOTEL PACKAGE



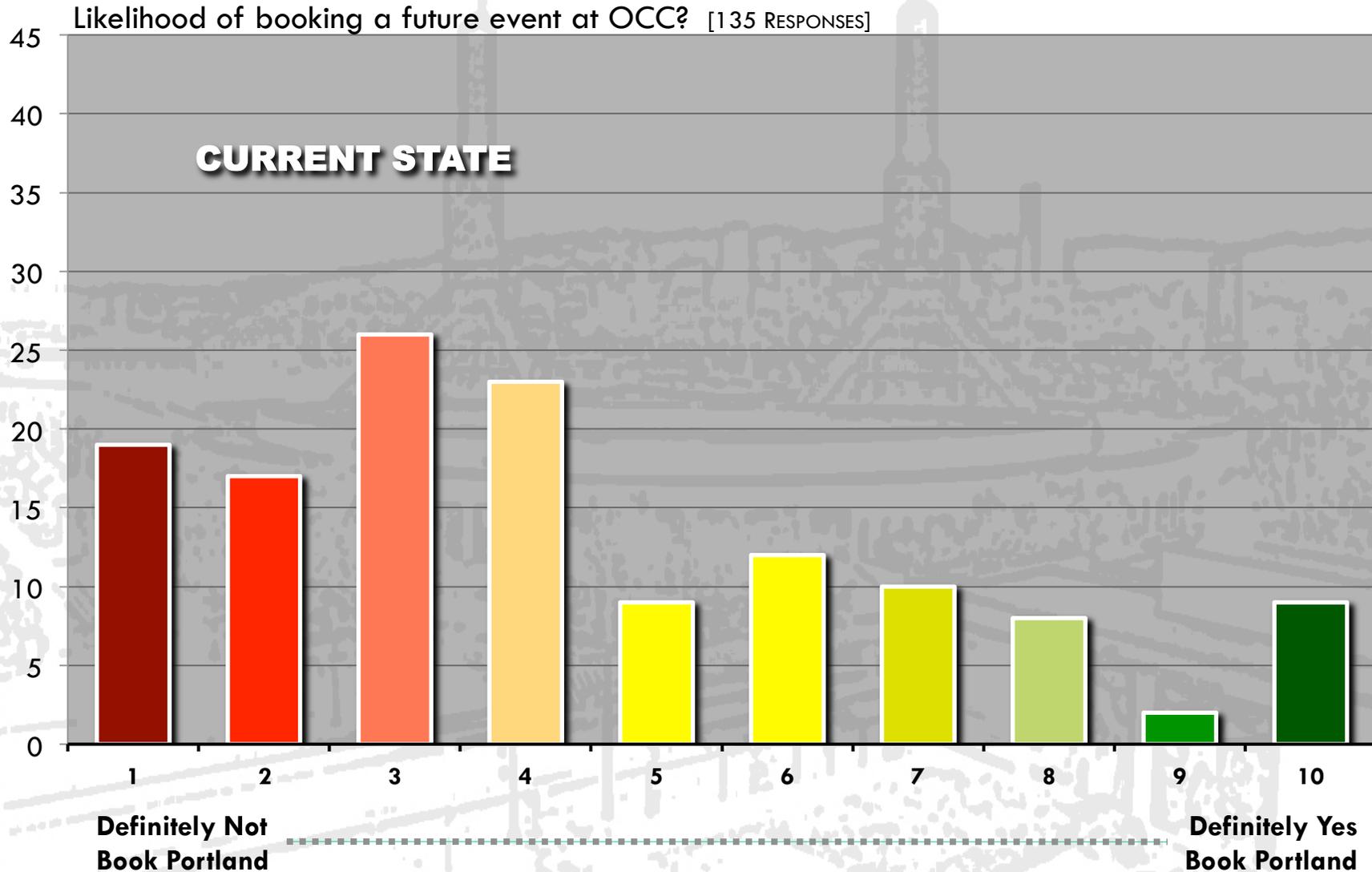
Convention Center Space	
	Square Feet
Exhibit Space	255,000
Grand Ballroom	34,200
Junior Ballroom	25,200
Break-Out Meeting Space	55,000

Free Light Rail Shuttle – 1.5 miles to Downtown

Convention Area Hotels		Rooms
A	Red Lion Hotel	174
B	Marriott Courtyard	202
C	Crowne Plaza	241
D	Hilton DoubleTree	477
E	Residence Inn by Marriott	168
Total		1,262

Select Downtown Area Hotels		Rooms
1	Hilton Hotel	782
2	Marriott Waterfront	503
3	The Nines - Starwood Luxury Collection	331
4	The Benson Hotel	287
5	Embassy Suites	276
6	Marriott City Center	249
7	Hotel Monaco by Kimpton	224
8	Westin Hotel	205
Total		2,857

MEETING PLANNER SURVEY



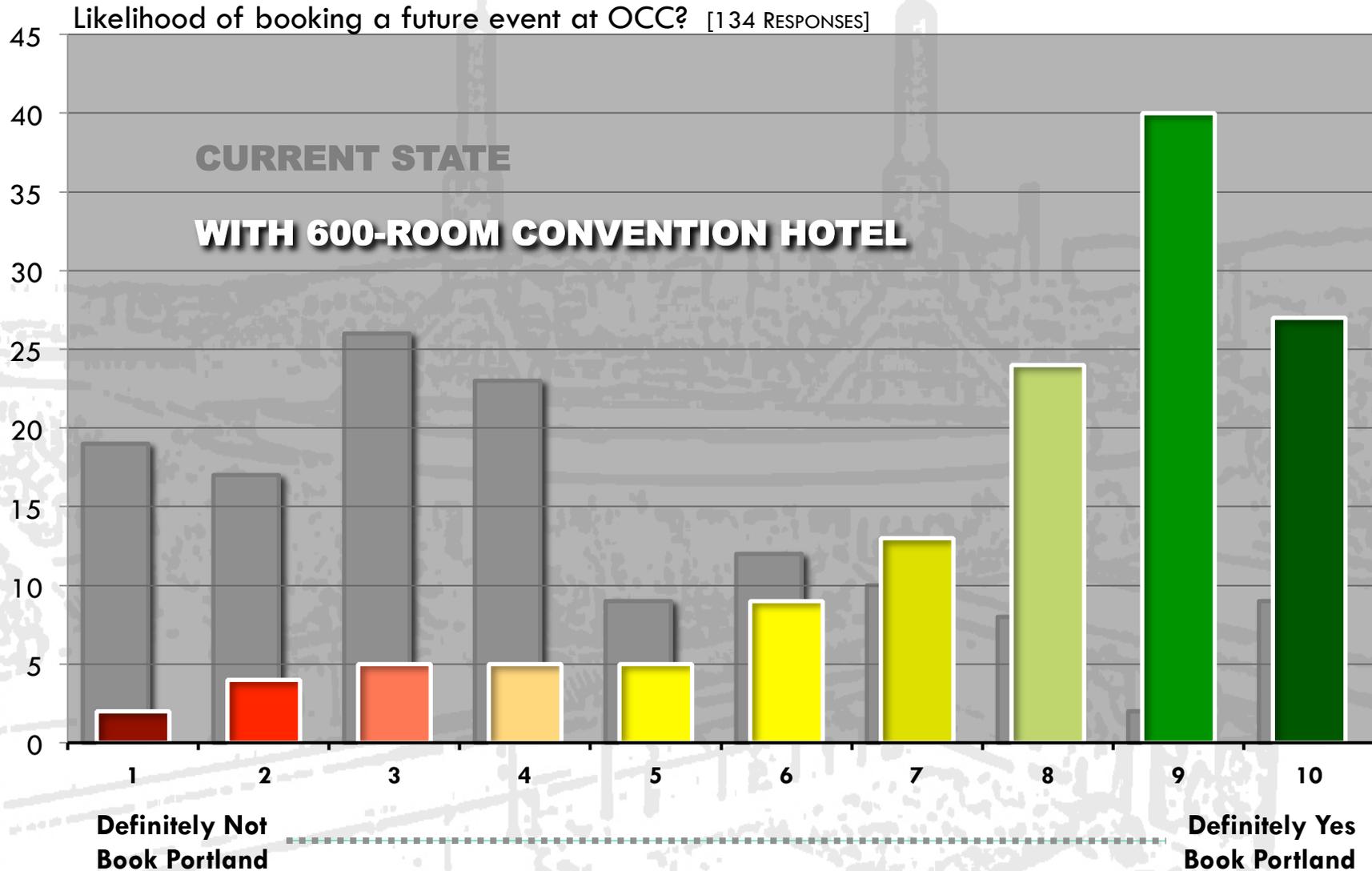
Source: SAG Meeting Planner Survey.



Oregon Convention Center

Proposed 600-room Convention Hotel

MEETING PLANNER SURVEY



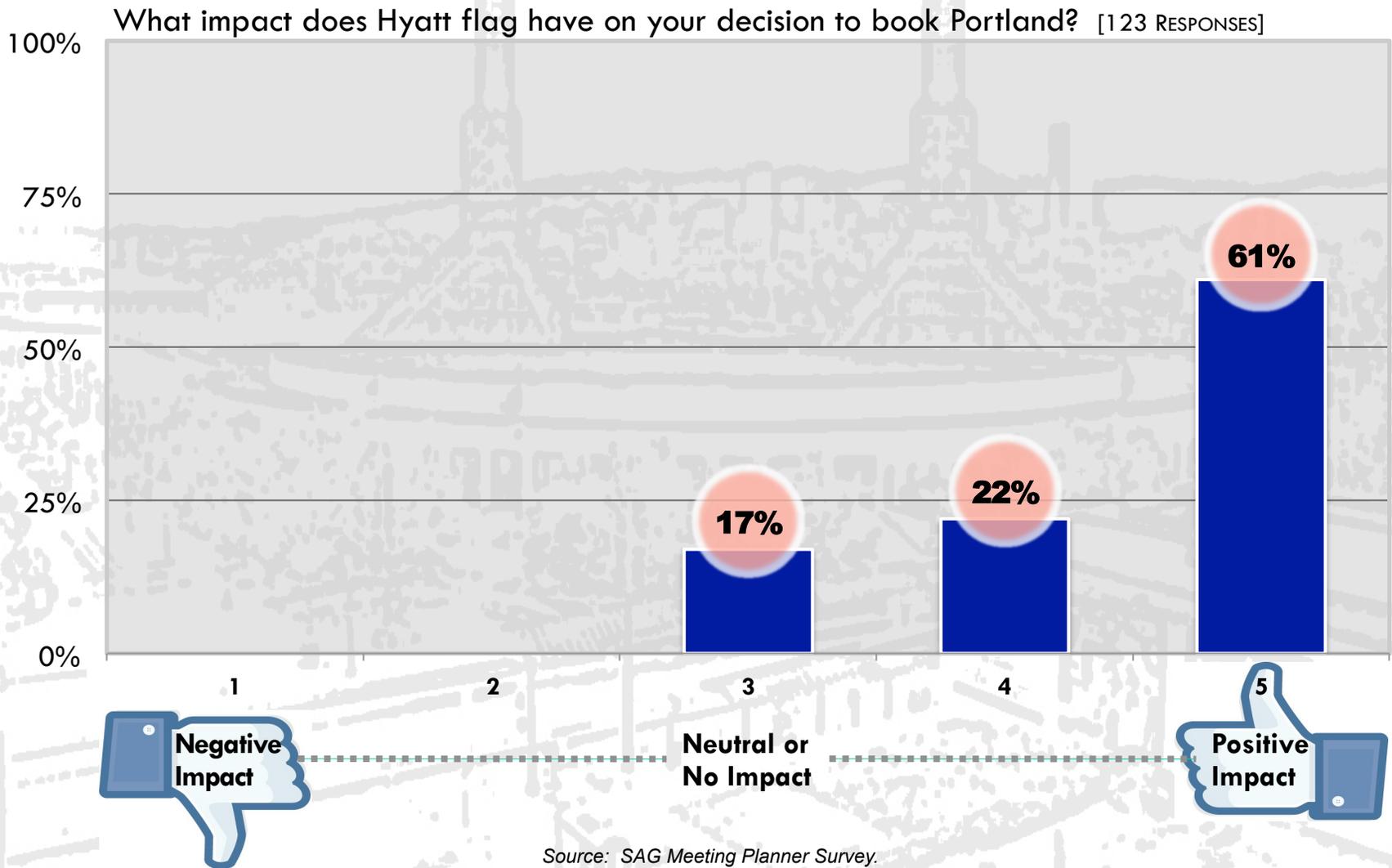
Source: SAG Meeting Planner Survey.

MEETING PLANNER SURVEY

[Groups going from 1 to 7 “Without” to 10 “With” OCC Hotel]

- ♣ Association Management Center
- ♣ Association of Medical Air Services
- ♣ Connect MarketPlace
- ♣ National Association of College & University Food Services
- ♣ Society of Quality Assurance
- ♣ TAPPI PEERS Conference (Paper & Pulp Industry)
- ♣ United Natural Foods, Inc.
- ♣ University of Florida Office of Conferences & Institutes
- ♣ Veterans of Foreign Wars of the United States

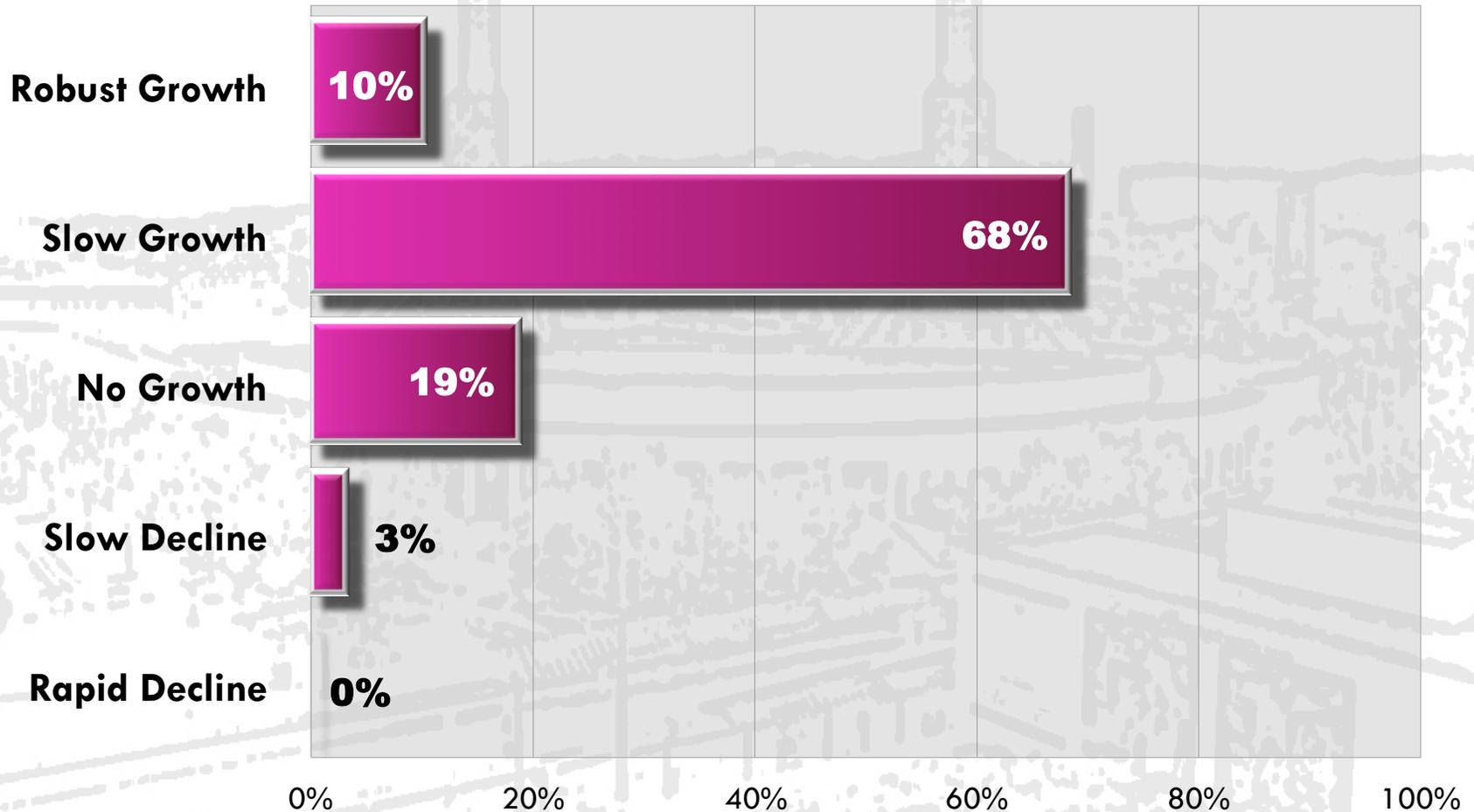
MEETING PLANNER SURVEY



Source: SAG Meeting Planner Survey.

MEETING PLANNER SURVEY

Given the recent recession and changes in the economy, how does your event most likely view its future? [129 RESPONSES]



Source: SAG Meeting Planner Survey.



*What Is the Projected ROI of a
Convention Hotel in Portland?*

ECONOMIC & FISCAL IMPACT: PROPOSED OCC HOTEL

ECONOMIC IMPACTS

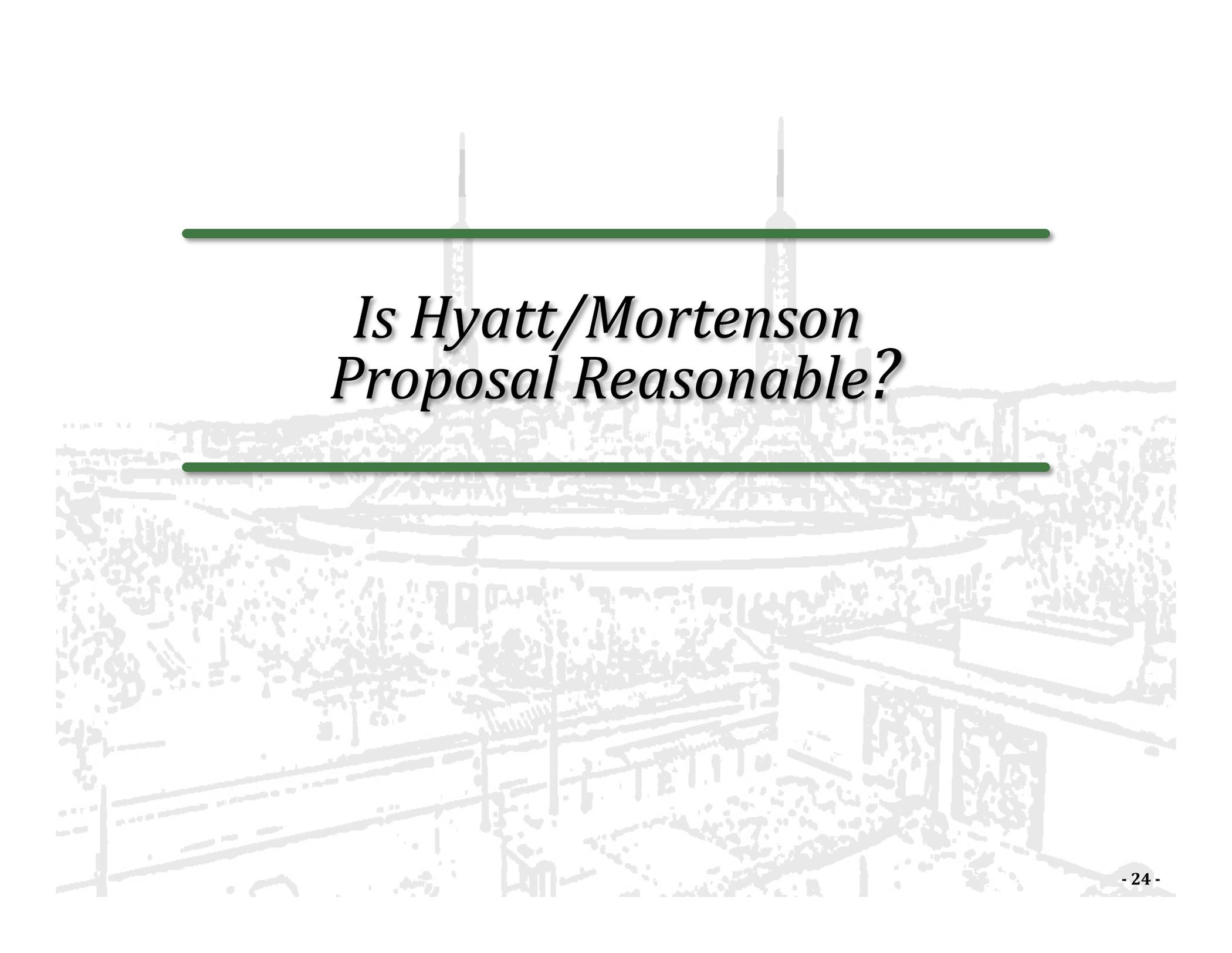
	Construction	Annual Operations
Spending		
Direct	\$182.8m	\$69.6m
Indirect & Induced	137.4m	51.6m
Total Spending	\$320.2m	\$121.2m
Jobs	2,200	950



FISCAL IMPACTS - 32 YR PERIOD*

	Total	NPV
City	\$95.1m	\$21.1m
Other Local	17.6m	8.4m
Metro	13.3m	5.2m
County	24.9m	11.9m
State	179.2m	80.8m
Total Fiscal Impact	\$330.1m	\$127.4m

* Includes construction period.
Source: Mortenson, IMPLAN, DMAI, SAG.

The background of the slide is a light gray architectural rendering of a large stadium or arena. Two prominent, tall, slender towers rise from the center of the stadium's roof structure. The rendering shows the stadium's seating bowl, surrounding walkways, and various architectural details. Two thick, dark green horizontal lines are positioned above and below the main text, framing it.

*Is Hyatt/Mortenson
Proposal Reasonable?*

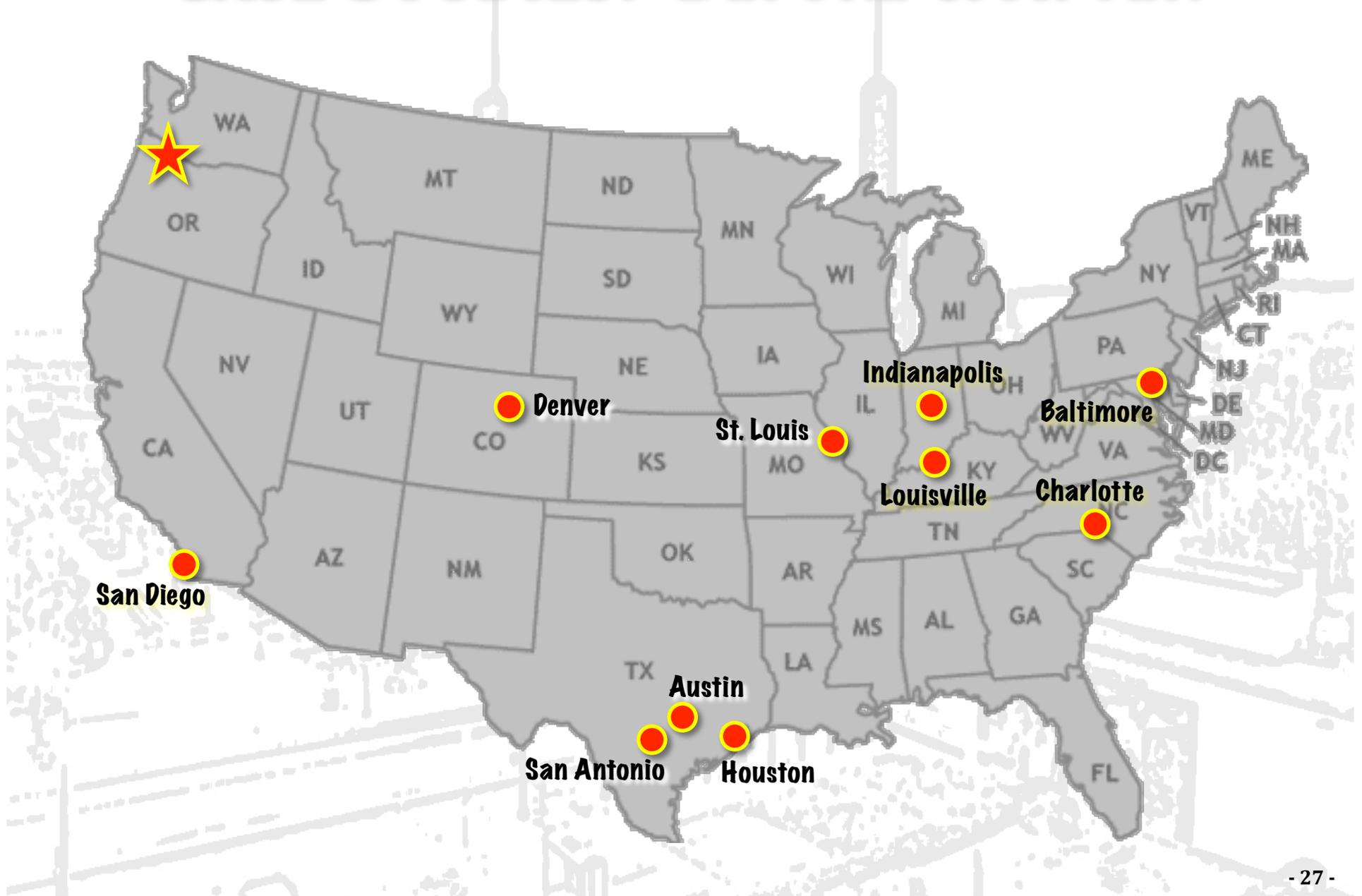
THE HYATT DEAL

- ♣ **Early stage of project – costs, financing and returns not yet determined**
- ♣ **More analysis is required as design, construction costs and financing are determined and budget is fine-tuned**
- ♣ **Public sector invests in meeting space & the room block agreement**



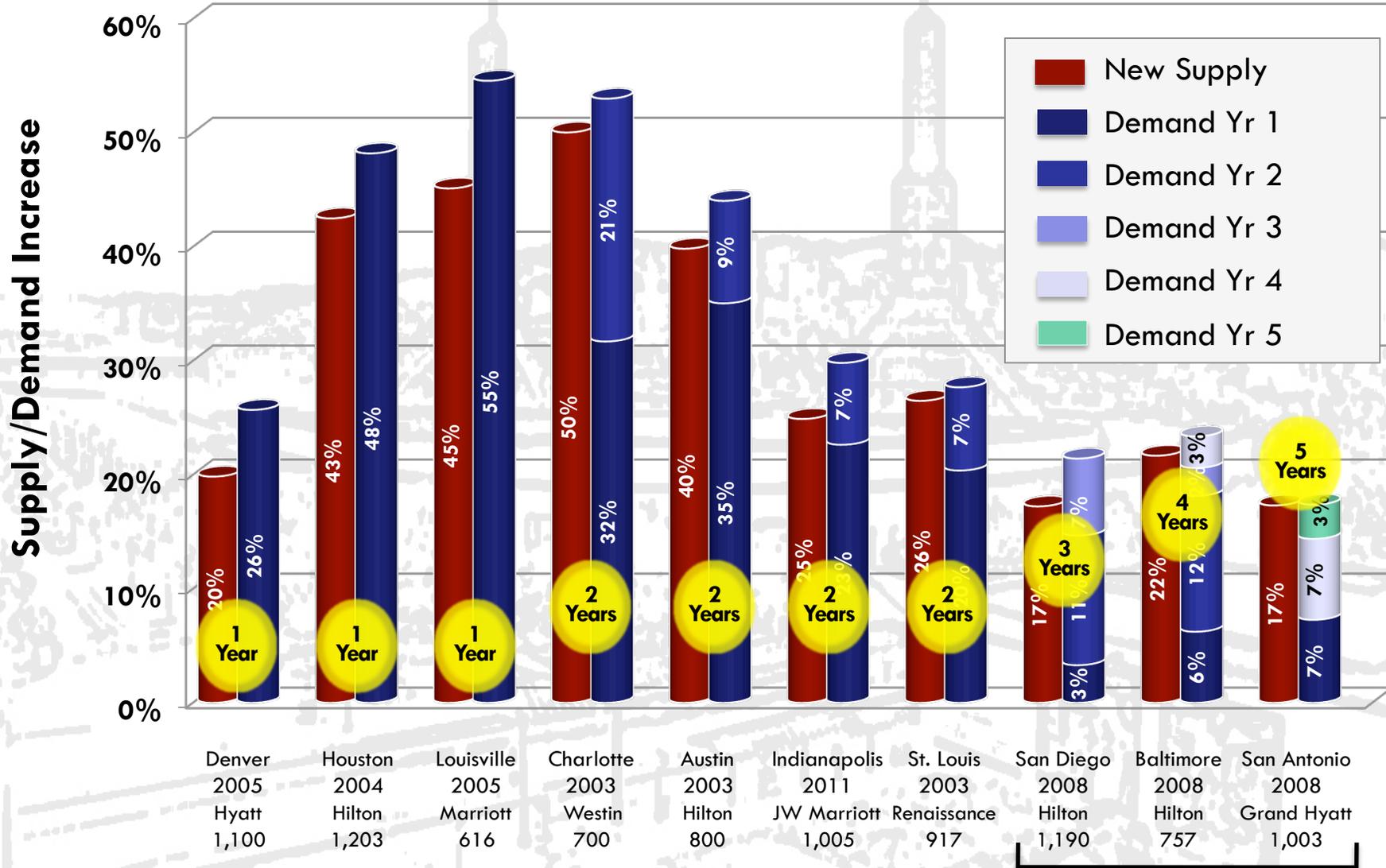
*Do Convention Hotels Impact
their existing Hotel Market?*

CASE STUDIES: *BEFORE & AFTER*



CASE STUDIES: *SUPPLY & DEMAND*

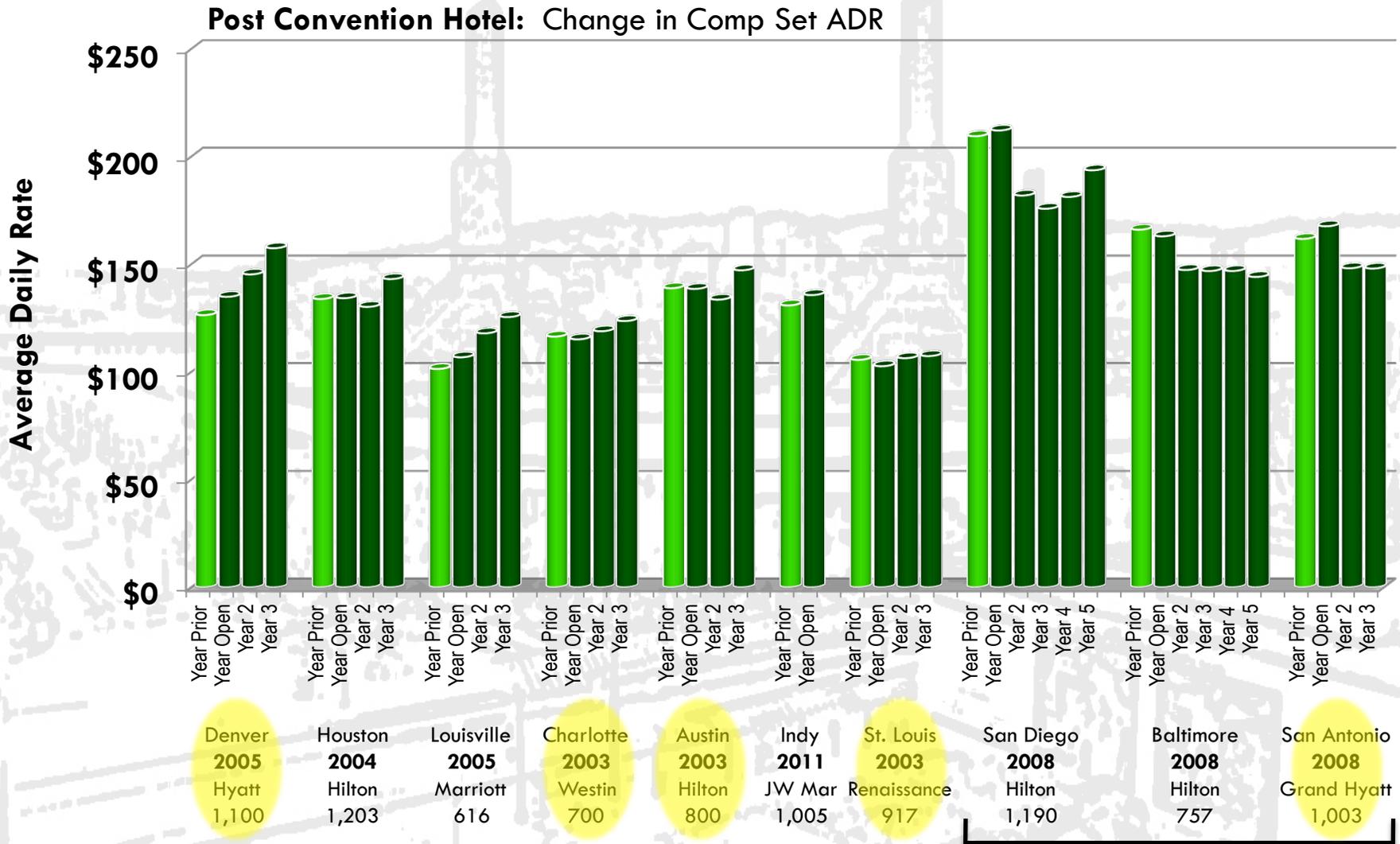
Convention Hotel "Comp Set": Time to Recovery



Source: Smith Travel Research.

Opened in Recession

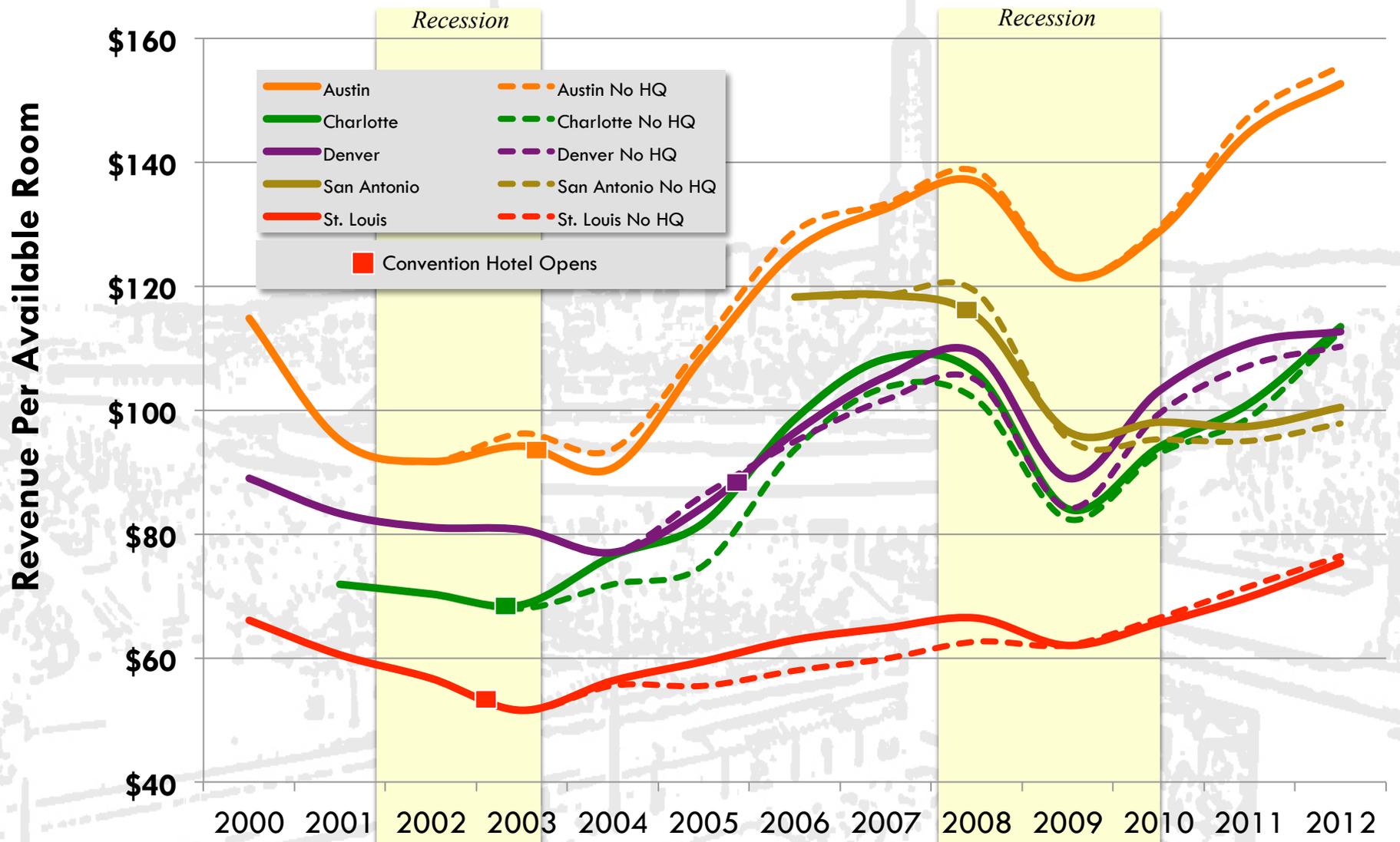
CASE STUDIES: *COMP SET ADR*



Source: Smith Travel Research.

Opened in Recession

CASE STUDIES: *COMP SET* REVPAR



Source: Smith Travel Research.



*What is the Projected Impact
of OCC Hotel Impact on
Portland Hotel Market?*

NEW CITY-WIDE DEMAND

- ♣ **Based on the meeting planner survey, and as further supported by the TAP Analysis and Travel Portland lost business reports, the presence of a 600-room Convention Hotel could help Portland attract approximately 5 to 10 new convention groups annually**
 - **Average group size ~ 4,000 total room nights per event**
 - **Equates to 20,000 to 40,000 new convention group room nights in Portland market**

NEW HYATT IN-HOUSE DEMAND

- ♣ **Hyatt hotels worldwide sales team**
 - 147 Account Executives
 - 22 Sales offices worldwide
 - Average \$27M in rooms revenue for convention hotels
- ♣ **Hyatt in-house team produces approximately 70% of all group business for its convention hotels**
 - SAG projected 50% to 70%
- ♣ **Hyatt estimates approximately 100,000 total group room nights annually at Portland Hyatt Regency**
 - Could generate 50,000 to 70,000 new group room nights in Portland hotel market

HYATT CASE STUDY: DENVER

- ♣ **Pre-Booking:** Hyatt Worldwide Sales Office pre-booked over \$108M worth of group business for the Denver Convention Hotel from 2003 through 2005
- ♣ **Post-Opening:** To date, WWSO has over \$193M in revenue booked through 2017
- ♣ **WWSO Contribution:** In Denver, the WWSO contributed between 70% and 88% of new group demand business

IMPACT ON PORTLAND MARKET

- ♣ **The proposed OCC Hotel could generate significant new room nights for the Portland hotel market:**

– New OCC City-Wide Groups:	20,000 to 40,000
– New Hyatt In-House Groups:	<u>50,000 to 70,000</u>
– TOTAL:	<u>70,000 to 110,000</u>

- ♣ **Assuming a total of 80,000 new room nights, the impact on Portland's market-wide occupancy:**

– Year prior to OCC Hotel:	72.2%
– Year 1 with OCC Hotel:	72.1%
– Year 2 with OCC Hotel:	73.6%



Summary

SUMMARY

♣ Is OCC achieving its goals?

- The OCC accomplishes its mission of generating economic impact for the metro region
- Lost business reports claim that a large convention hotel could further the OCC mission

SUMMARY

♣ What is the state of the convention industry?

- The convention and hotel industries have nearly fully recovered from '08-'09 economic recession
 - Majority of meeting planners see at least slow to moderate growth in their events foreseeable future
- The Portland hotel market, particularly the Central City area, continues to be robust, leading the national average annually by 10% to 15% occupancy points over past 7+ years
 - Total room demand in the market increased an average of 87,000 room nights each year from 2001 to 2012

SUMMARY

♣ Does OCC Hotel make a difference in Portland?

- Survey of 135 meeting planners substantiate the lost business reports and responded that the proposed OCC Hotel would make a difference in their selection process

SUMMARY

♣ Do convention hotels impact existing hotels?

- Case studies of other comparable convention hotel projects support the projection that the proposed OCC Hotel could be absorbed into the Portland marketplace within the first few years of operations

SUMMARY

♣ What could be the impact in Portland?

- Meeting planner surveys, Hyatt in-house sales team, and other sources suggest the proposed OCC Hotel could further growth in the overall market by 70,000 to 110,000 room nights each year
- Based on the projections, the impact of the proposed OCC Hotel on existing market wide occupancy in Portland would be negligible (-0.1%) in the first year of operations, and overall market occupancy would increase by 1.4% in year 2

SUMMARY

♣ What could be the impact in Portland? (cont.)

- The incremental economic impact generated by the new demand brought on by the proposed OCC Hotel exceeds \$120M annually
- Only a large convention hotel offering a significant and proximate room block would enable Portland to garner the potential new demand

SUMMARY

♣ Other Considerations?

- With the 75%+ occupancy rates in Central City area, other new (albeit smaller) hotels are highly likely to be built anyway but would strictly cannibalize the existing market demand
- In last decade, over 2,100 new rooms in 22 new hotels were added to the Portland market with an average size of less than 100 rooms per hotel
 - Not what the meeting planners need to select Portland

SUMMARY

♣ Other Considerations? (cont.)

- Ultimately, the “arms race” will come down to destination appeal:

Does Portland believe in its uniqueness and ability to attract?