

SECTION III

MEETINGS MARKET ANALYSIS

A. INTRODUCTION

The overall meetings market is a portion of what is known in the industry as the "audience support business", characterized by a broad spectrum of meeting and assembly events. In general, the industry can be defined as including all activities that provide entertainment or educational benefits to large audiences. Accordingly, an understanding and analysis of the national meetings market, and an understanding of the regional and local meeting facilities, are key components of determining the sufficiency of demand for a potential convention center in Las Cruces, New Mexico. We have also given consideration to the performance trends of meeting facilities and full-service hotels in Las Cruces in formulating our conclusions.

B. OVERVIEW OF THE NATIONAL MEETINGS MARKET

1. Event Types

The following list of event types, i.e., those events where people meet for business, education, or pleasure, combine to make the meetings market. The four major types of events are as follows:

- **Conventions** are privately held meetings of professional groups and associations, which commonly occur in hotels or convention centers, and are attended by association members and/or affiliations wishing to exchange ideas. A convention can consist of a single meeting or a number of meetings and typically requires an exhibit room, meeting rooms, and a ballroom. Conventions often produce trade shows to merchandise products and services. Conventions are considered "high impact" events when attendees stay several nights in the host city, generating increased hotel, restaurant, retail, and transportation revenues.
- **Trade Shows** are similar to conventions with exhibits, but tend to be more exhibit-intensive in that they have fewer meetings, if any at all. Trade shows are private groups or associations that meet to buy and sell products. As trade shows hold increasing numbers of concurrent meetings during the event, they are

becoming less distinguishable from conventions. Compared to conventions, trade shows tend to attract greater numbers of attendees whose average stay is shorter. Convention and trade show markets are further distinguished by the fact that trade shows often attract more of their attendees from large metropolitan areas.

- **Consumer Shows**, sometimes referred to as public shows, are events quite similar to trade shows, with the exception that the audience is the general public. Consumer shows are public exhibitions to market goods and services to local residents. As attendees are nearly always local residents, they have a smaller impact on the local economy than those attending trade shows. Examples of this type of show would include home and garden, boat, car, recreation vehicles, hunting, gun collector, craft, and antique shows.
- **Civic Events** relate to community or institutional activities such as graduations, family entertainment, circuses, sporting events, rodeos, and concerts. These events almost exclusively attract local residents.

2. National Market Profile

a. Introduction

PKF Consulting has gathered published research on the industry in order to compare, evaluate, and analyze the characteristics and trends of conventions and trade shows over the past few years. A primary source of data is information published by trade journals representing or promoting the industry. Well-known industry publications include *Meetings and Conventions*, *Successful Meetings*, and the International Association of Assembly Managers' *Industry Profile Survey*.

Each of these publications tracks statistics for the industry and publishes pertinent data. *Meetings and Conventions* sponsors a survey of association executives and meeting planners (who are subscribers) on a biennial basis, with the most recent issue being 1998 that summarizes 1997 data. This survey is well designed and professionally conducted, resulting in extensive statistical information on meetings and

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conventions. Similarly, *Successful Meetings* maintains a computer file of meeting planners referred to as the *SM/Databank*, which can be accessed for reliable statistical data.

M&C - Meetings & Conventions, along with the Reed Travel Group, has been conducting a survey every two years of meeting planners since 1974. The survey provides the travel industry with data on the number of meetings, expenditures, attendees, and the characteristics of meeting planners. The following was reported in the most recent report published in 1998.

The national meetings industry experienced a slight improvement in 1997 as compared to 1995 in the number of total events and total attendance, while total expenditures grew significantly, at 5.7 percent compounded annually. According to the *Meetings Market Report, Meetings and Convention's* readers held 984,700 events in 1997, which is a decrease from the 1,001,600 meetings that were held ten years ago. However, attendance and expenditures increased over the ten-year period at compounded annual rates of 0.7 percent and 3.8 percent, respectively.

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Total Meetings Market 1987 - 1997					
	1987	1995	1997	Annual Growth Rate 10 Years 2 Years	
Number of Meetings	1,001,600	983,600	984,700	(0.2%)	0.1%
Attendance	74,300,000	77,400,000	79,500,000	0.7%	1.3%
Total Expenditures	\$28,900,000,000	\$37,400,000,000	\$41,800,000,000	3.8%	5.7%
Source: <i>The Meetings Market Report - Meetings & Conventions Magazine 1998</i>					

The *Meetings Market Report* sub-divides the market into three categories: corporate meetings, association meetings, and large conventions, as summarized in the following table. As can be noted, the majority of meetings are corporate (79.6 percent), but the largest expenditures are from the convention category (40.0 percent), as corporations are having frequent, yet cost-efficient, meetings.

1997 Meetings Market Summary						
	Meetings	Percent	Attendance	Percent	Expenditures	Percent
Corporate	783,900	79.6%	49,900,000	62.8%	\$10,800,000,000	25.8%
Associations	189,500	19.2%	17,900,000	22.5%	\$14,300,000,000	34.2%
Conventions	11,300	1.2%	11,700,000	14.7%	\$16,700,000,000	40.0%
Source: <i>The Meetings Market Report - Meetings & Conventions Magazine 1998</i>						

b. Conventions

As highlighted above, conventions attract only 14.7 percent of total attendance but contribute 40.0 percent of total expenditures. The convention category has shown a slight decline in attendance between 1995 and 1997, yet the number of events has rebound during that same period. Between 1987 and 1997, however, both attendance and expenditures grew. It should be noted that the slight decrease in convention expenditures from 1995 to 1997 is partially attributable to the fact that 1995 was a record year for that category.

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Conventions						
	1987	1995	1997	Annual Growth Rate 10 Years 2 Years		
Number of Meetings	12,700	10,900	11,300	(1.2%)	1.8%	
Attendance	10,700,000	13,000,000	11,700,000	0.9%	(5.1%)	
Total Expenditures	\$11,800,000,000	\$16,800,000,000	\$16,700,000,000	3.5%	(0.3%)	
Source: <i>The Meetings Market Report - Meetings & Conventions Magazine 1998</i>						

c. Association Meetings

Association meetings (national, regional, and state) experienced growth in all categories in 1997, particularly in the two years from 1995 to 1997, when attendance increased by 8.9 percent annually.

Association Meetings						
	1987	1995	1997	Annual Growth Rate 10 Years 2 Years		
Number of Meetings	181,700	175,600	189,500	0.4%	3.9%	
Attendance	16,300,000	15,100,000	17,900,000	0.9%	8.9%	
Total Expenditures	\$10,000,000,000	\$12,000,000,000	\$14,300,000,000	3.6%	9.2%	
Source: <i>The Meetings Market Report - Meetings & Conventions Magazine 1998</i>						

According to *Meetings and Conventions* magazine, for the past 14 years, meeting expenditures have risen and fallen alternatively every two years, but the gains have exceeded the biennial dips. *Successful Meetings* magazine reports that the growth or decline in association meetings is attributable to social, economic, or cultural changes, such as:

- *Problems that beset an industry or association leading to specialized conferences or the emergence of completely new associations;*

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- *Technology and increased specialization in the professional societies; and*
- *Government law and regulations.*

Although association meetings in 1997 had an average attendance of 95 people, this average can vary quite significantly from one state to another. To put this in perspective, 95 people seated classroom-style would require less than 1,500 square feet of meeting space (applying the industry rule-of-thumb of 15 square feet per person). Approximately 87 percent of the meeting planners surveyed utilized hotel meeting space for their meetings in 1997, which indicates their preference for meeting and sleeping at the same location.

The average length of time necessary to plan an association meeting was nine months, but venues are often selected years in advance. The average duration of an association meeting was 2.3 days, the shortest being regional and local chapter meetings (1.7 days) and the longest being professional and technical meetings (3.0 days). As will be discussed later, most relevant to the proposed facility in Las Cruces are association meetings.

d. Corporate Meetings

Corporate meetings, the highest-volume meeting type, decreased in volume every surveyed year from 1989 to 1997. Corporate meetings showed the only decline in meetings volume of all the event types from 1995 to 1997, but also showed the largest increase in total expenditures for the same period. This expenditure increase follows a pattern of biannual increases and decreases not unlike that regarding total meetings expenditures described earlier. However, the increase is a positive sign that companies are once again willing to spend money on meeting functions.

Corporate Meetings					
	1987	1995	1997	Annual Growth Rate 10 Years 2 Years	
Number of	807,200	787,100	783,900	(0.3%)	(0.2%)

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Meetings	47,300,000	49,300,000	49,900,000	0.5%	0.6%
Attendance	\$7,100,000,	\$8,600,000,	\$10,800,000,	4.3%	12.1%
Total	000	000	000		
Expenditures					

Source: *The Meetings Market Report - Meetings & Conventions Magazine 1998*

Corporate meetings in 1997 had an average attendance of 65 people. The average duration of corporate meetings in 1997 was 2.8 days, however, this includes incentive trips, which are typically held at destination resorts. Training seminars, professional/technical meetings, management meetings and sales meetings average about 2.6 days in duration. Over 75 percent of all corporate meetings nationwide draw under 100 attendees. According to the *1998 Meetings Market Report*, facility types utilized for corporate functions varied, with the most popular being hotels, resorts, and conference centers.

3. Seasonality

Having identified the types and sizes of meeting events, it is important to determine when they typically meet. The marked seasonality of the convention and exhibition industry has been thoroughly documented. According to the *Meetings Market Report*, Fall and Spring are the most popular months for association meetings. The least popular are the Winter and Summer months. This seasonality stems from the avoidance of extreme weather, or not wanting to conflict with vacation schedules.

4. Teleconferencing

It is possible that technological advances in the area of communications will affect the preceding profile of conventions and trade shows. Teleconferencing has become the catchword of the meetings and convention industry during the last ten years. Although the cost of teleconferencing continues to fall while the quality of it simultaneously rises, little can replace the personal interaction that occurs during an association meeting. However, the corporate meetings market is susceptible to a loss in event frequency due to videoconferencing. Very small meetings in particular can now be held using telephone or video conferencing equipment. Teleconferencing is one likely reason that corporate meeting frequency has fallen over the last eight years.

5. Summary of National Meetings Market

The increase of meeting activity is a positive sign for the meetings industry. Consistent increases in expenditures and attendance in the face of decreasing event volume suggests that companies and meeting planners are saving money by consolidating functions and spending more money on them. In other words, many associations and companies are increasingly emphasizing regional meetings over state or local functions through consolidated meetings. Corporate functions, which have not seen an increase in volume since 1989, have remained relatively unchanged in size, but have grown substantially in terms of expenditures.

C. ANALYSIS OF REGIONAL COMPETITIVE FACILITIES

1. Overview

The following table and section profiles 11 facilities that were identified as competing for association meetings, banquets, consumer shows, and to a lesser extent, corporate meetings, in small-to-medium sized cities in the Southwest. As indicated, the range of square feet of net meeting space (excluding foyer, back-of-house, patio space, etc.) for the 11 facilities is from 10,167 square feet in Farmington, New Mexico, to 585,000 in San Antonio, Texas. The average annual attendees range from approximately 60,000 per year at the Sweeney Convention Center in Santa Fe, New Mexico, to 740,000 attendees per year in Amarillo, Texas. The base rental rates (excluding audio-visual equipment and set-up costs) for an exhibit hall range from a low of \$200 per day in Farmington to a high of \$11,700 per day in Albuquerque.

For purposes of analysis, we have focused on convention centers located in cities that are more comparable to Las Cruces in terms of overall image, profile, population, and commercial base. As such, we have focused our analysis on eight cities (El Paso, Lubbock, Amarillo, Santa Fe, Roswell, Farmington, Taos, and Ruidoso). The cities of San Antonio, Tucson, and Albuquerque, although still competitive, have a much higher regional and national profile, and, therefore, were considered to be less of a benchmark regarding a potential convention center in Las Cruces. These eight cities have convention centers with an average size of approximately 40,000 square

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feet of net meeting space, an average attendance (of those indicated) ranging from 60,000 to 740,000, and maximum capacities ranging from 700 to 8,000 attendees. The average size of exhibit hall is approximately 22,500 square feet, and the ratio of exhibit space to total net meeting area is nearly 60 percent. Of note is that the majority of facilities have lodging within close proximity, an important criterion, in site selection for meeting planners, as will be highlighted later.

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2. Profile of Convention Centers in New Mexico

a. Albuquerque Convention Center

Located in central New Mexico, along the Rio Grande, Albuquerque's Convention Center is the major meeting facility for the State of New Mexico. The center completed a renovation and expansion in 1990, and currently has a total of 168,000 square feet of net meeting space and 106,200 square feet of exhibition space. The convention center is divided into a two-story West Complex and East Complex. The convention center has a maximum capacity of approximately 9,000 attendees at one time. The facility has been successful since the renovation and basically drives the downtown hotel market. According to city officials, the lack of hotel rooms within walking distance of the convention center has resulted in lost business and is a significant source of concern for the city. Albuquerque has therefore been an advocate for additional hotel supply downtown to better support the convention center in booking business. Specifically, it would like to see at minimum another 400 rooms in the area to add to the existing 803 rooms that are in close proximity to the facility (within eight blocks).

Nearly 70 percent of current conventions at the center are national, and the Albuquerque Convention and Visitors Bureau is currently focusing its marketing efforts on attracting more regional and state association business. Base rental rates for the exhibit hall range from \$5,400 to \$11,700 per day, while the base rental fee for meeting rooms varies from \$200 to \$680 a day.

b. Ruidoso Convention & Civic Events Center

The Ruidoso Convention & Civic Events Center brings in numerous meetings and conventions to Lincoln County. The Ruidoso facility has 24,320 square feet of net meeting space and 14,994 square feet of exhibition space. Several portable walls offer 14 different combinations for meetings and conventions ranging from 540 square feet to 2,537 square feet. Meeting rooms and the exhibit hall combined provide seating for 2,444 persons theater style, 1,800 in banquet rounds, or a capability of 130 booths for exhibitions. The city is fairly small with only 8,500 people and is located in south central New Mexico, just north of Las Cruces. Ruidoso benefits from its scenic location in the Sierra Blanca mountain region, hence the convention

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center's average annual attendance of approximately 98,000; however, the city lacks hotel rooms in proximity to the convention center. Base rental rates for the exhibit hall range from \$250 to \$625 per day, while the base rental fee for meeting rooms varies from \$75 to \$185 a day.

c. Roswell Convention & Civic Center

The City of Roswell is located approximately 175 miles northeast of Las Cruces and has a current population of 48,000 people. The Roswell facility has a total of 20,000 square feet of net meeting space and 13,000 square feet of exhibition space, but has a limited number of hotel rooms within close proximity. The facility has a maximum capacity of 2,000 and an average overall utilization level of 106,000 attendees annually. Roswell has a number of local attractions such as the Bottomless Lakes and Bitter Lake, and the International UFO Museum and Research Center. Base rental rates for the exhibit hall range from \$250 to \$500 per day, while the base rental fee for meeting rooms varies from \$50 to \$100 a day.

d. Sweeney Convention Center (Santa Fe)

The Sweeney Convention Center is located in Santa Fe, New Mexico, with a population of approximately 69,300 people. The convention center is located in the downtown area and has approximately 550 hotel rooms within close proximity. The Santa Fe facility has 17,814 square feet of net meeting space and 10,000 square feet of exhibition space. The center's main floor offers 10,000 square feet of space to accommodate 80 trade show booths, banquets for up to 700 people, or theater-style seating for 1,200. Each of the five meeting rooms provides more than 1,300 square feet of floor space with seating for approximately 150 people.

The daily base rental fee for the entire facility is \$700 which includes all labor for setting up and breaking down, chairs and tables, as well as minimal audiovisual equipment. The convention center has a program set up with local hotels to encourage associations to book with the Sweeney Convention Center. Participating hotels donate one dollar per room per night for each of the attendees, going towards reducing the convention center rental fees. Of note is that hotels in Santa Fe participate in this "program" on a voluntary basis only.

e. Taos Convention Center

The Taos Convention Center is located in a ski resort area situated within the Carson National Forest in northcentral New Mexico. The Taos facility has a total of 17,500 square feet of net meeting space, and has 7,500 square feet of exhibition space, but only has some 380 rooms within close proximity. It has a maximum capacity of 700 attendees at one time. Base rental rates for the exhibit hall range from \$520 to \$600 per day, while the base rental fee for meeting rooms varies from \$84 to \$130 a day.

f. Farmington Civic Center

Farmington is located in northwestern New Mexico, approximately 30 miles south from the State of Colorado and approximately 50 miles east from the Arizona and Utah borders. The city has a current population of approximately 40,000. The Farmington Civic Center is the smallest convention facility in the region, with 10,167 square feet of net meeting space and 7,434 square feet of exhibition space. The maximum capacity for the center is 1,200, and the center has an average annual attendance of 85,000. There are approximately 500 hotel rooms within close proximity to the convention facility. Base rental rates for the exhibit hall range from \$200 to \$750 per day, depending whether the group is a corporate group or a non-profit organization. The base rental fee for meeting rooms varies from \$20 to \$50 a day.

3. Profile of Competitive Convention Centers Outside of New Mexico

Apart from those convention facilities located in New Mexico, there are five other regional centers that would compete in varying degrees with a proposed convention facility in Las Cruces. These facilities include: the Amarillo Civic Center, El Paso Convention Center, Lubbock Memorial Civic Center, and the San Antonio Convention Center, all located in Texas; and the Tucson Convention Center in Arizona.

The ***El Paso Convention Center***, the most proximate facility to Las Cruces, has a total of 68,400 square feet of net meeting space and 60,000 square feet of exhibit space, which renders a ratio of 88 percent of exhibit space to net meeting space. The El Paso Convention Center, with a 50 percent utilization rate, is also expanding its facilities with the addition of 20,000 square feet of exhibit space expected to be completed by 2001.

The **Amarillo Civic Center** has 95,297 square feet of net meeting space and 26,700 square feet of exhibition space, attracting approximately 740,000 attendees annually. The Amarillo facility is currently adding 65,000 square feet of meeting space.

The **Lubbock Memorial Civic Center**, with 376,000 attendees using the facilities annually, has 67,334 net meeting space and 40,000 square feet of exhibition space.

The **San Antonio Convention Center** is located in the most populated city of those cities analyzed for the regional competitive facilities analysis, with close to 1.1 million people. The San Antonio Convention Center has 585,000 square feet of net meeting space and 240,000 square feet of exhibit space, attracting approximately 575,000 attendees annually.

Lastly, the **Tucson Convention Center** has a total of 144,580 square feet of net meeting space and 89,760 square feet of exhibition space, and attracts an average of 200,000 attendees annually. The center is located in Tucson, Arizona, which has a population of 520,300.

D. CONVENTION CENTERS IN OTHER SECONDARY/TERTIARY CITIES

For further analysis, and mainly serving as a reference point, this section provides an overview of a sample of convention centers located in other secondary and tertiary Western U.S. cities. As can be noted in the table on the following page, the total net meeting space ranges from 24,000 square feet at the Yakima and Modesto convention centers, to 89,000 square feet at the Oakland Convention Center. The average square feet of net meeting space is 55,100 square feet, while the average square feet of exhibit space for the eight facilities is approximately 35,100 square feet.

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Insert Table of Comparative Analysis of Small/Medium sized
western U.S. Cities

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The Modesto Center Plaza has the least amount of exhibit space with 9,600 square feet, whereas the Oakland Convention Center has the largest exhibit space, with 73,000 square feet. The average ratio of exhibit space to net meeting space is 60.5 percent, and the average annual attendees range from approximately 150,000 attendees per year at the Oakland Convention Center to 500,000 attendees per year at the Lane County Convention Center in Eugene, Oregon. The average annual attendees are approximately 284,400 for the five convention facilities that reported their number of attendees. It should be noted that the Meydenbauer Center in Bellevue, Washington, is currently undergoing an expansion of 100,000 square feet. Lastly, all of the convention centers have lodging facilities within close proximity.

E. MEETING FACILITIES IN LAS CRUCES

1. Corbett Center - New Mexico State University

The Corbett Center at New Mexico State University (NMSU), which opened in the mid-1960s, is currently the largest meeting facility in the City of Las Cruces with a total of 20,339 square feet of net meeting space. The Corbett Center, with capacities of 230 to 1,200 attendees, has an 11,289-square-foot ballroom with a capacity of 1,200, as well as eight meeting rooms ranging from 300 square feet to 2,021 square feet. The center also offers an auditorium, a computer center, a convenience store, bookstore and gift shop, full-service post office, and free parking. The NMSU Student Union which houses the Corbett Center, has three levels with the meeting and convention facilities located on the third level, with a cafeteria and student union located on the first and second levels. Base rental rates for the Corbett Center for non-university events are \$30 per day for one meeting room that seats 16 to 18 people, \$150 for the use of one ballroom for one day, and \$250 for the use of the auditorium for one day. The following table provides a summary of the historical trends in the performance of the facility between fiscal year 1991 and 1997.

Corbett Center Performance 1991/92 to 1997/98						
			Event Type			
Fiscal Year	Total Events	Total Attendees	New	Repeat	University Event	Public

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1991/92	97	20,397	14	83	56	41
1992/93	134	18,749	35	99	79	55
1993/94	133	26,724	33	100	68	65
1994/95	128	32,460	43	85	59	69
1995/96	130	19,387	31	99	79	51
1996/97	194	23,787	75	119	120	74
1997/98	220	40,832	73	147	107	113
CAGR ⁽¹⁾	14.6%	12.2%	31.7%	10.0%	11.4%	18.4%

⁽¹⁾ Compound Annual Growth Rate

Source: **Corbett Center**

The total number of events per year has increased from 97 events in 1991/92 to 220 events in 1997/98, at a compound annual growth rate (CAGR) of 14.6 percent. The average number of events between 1991/92 to 1997/98 was 148 events. The total number of attendees has also been growing from a count of 20,397 in 1991/92 to 40,832 in 1997/98, at a CAGR of 12.2 percent. The average number of attendees over this period was 26,048 per annum, while the average event size is 176 attendees (26,048 attendees divided by 148 events). The majority of the events at the Corbett Center are non-profit and SMERF (sports, military, educational, religious, and fraternal) repeat events. Very few state associations hold meetings at the facility, as there are no commercial attractions in the immediate vicinity. In addition, there are limitations regarding the serving of liquor on campus, and dorm accommodations are available when school is out. Nonetheless, there has been an increase in the number of new events. In 1991/92, there were only 14 new events held. By 1997/98 this number grew to 73 new events, at a CAGR of 31.7 percent. As can be noted, fiscal year 1997/98 experienced an increase of approximately 17,000 attendees. This was partially attributed to the Family Motor Coach Association convention, which generated close to 15,000 attendees.

2. Pan American Center - NMSU

The Pan American Center is the second venue facility located on the NMSU campus. It is an indoor arena that seats a maximum capacity of 13,000. The Pan American Center was originally built as a basketball arena, and is used primarily for sporting activities as well as for concerts. The facility purchased a staging system to accommodate some concerts, however, the staging space lowers the occupancy to less than 13,000 and it also lacks easy access for the production necessary to present a large event. Some of the largest events held at the Pan American Center include a two-day Garth Brooks performance that

attracted approximately 12,500 each night, a Gloria Estefan concert that had 9,600, and a performance by George Strait that had 10,900 attendees.

3. Dickerson's Barn

Dickerson's Barn is located in the southwest portion of Las Cruces, along Picacho Avenue. The 33,000-square-foot facility hosts five consumer shows per year with approximately 1,000 attendees per event. The shows that book at Dickerson's Barn on a regular basis are an antique show, a gun show, a home builders event, a trade show, and an agricultural show.

4. Sertoma Bingo Hall

Lastly, the Sertoma Bingo Hall, which has a capacity of 600 people, offers another small meeting facility alternative in Las Cruces.

5. Overview of Hotels in Las Cruces with Meeting Facilities

a. Hilton

The Hilton Las Cruces has approximately 9,000 square feet of meeting space, including a 5,000-square-foot banquet room. The hotel has a total of 206 rooms and opened in 1986. In 1998, approximately 15,800 room nights, or 30 percent of demand at the hotel were derived from the group meetings segment. In 1998, the meeting facilities attracted primarily corporate meetings, as well as various associations, government organizations, and educational groups.

b. Holiday Inn

The Holiday Inn Las Cruces has meeting facilities that can accommodate a capacity of 800 people. The hotel has 6,250 square feet of meeting space, and there are a total of nine meeting rooms. Group demand makes up approximately 35 percent of room nights generated at the hotel. Of the 35 percent, 20 percent are directly related to NMSU. Most meetings held at the Holiday Inn are derived from agricultural associations, military organizations, church groups, as well as corporate training sessions.

c. Best Western Mesilla Valley Inn

The Best Western Mesilla Valley Inn has approximately 6,000 square feet of meeting space and can cater to a party of up to 700 people. Approximately one third of the hotel's demand comes from the group segment. Of the group segment, 17 percent are meeting and conference related, and 16 percent are social events. The Best Western Mesilla Valley has a total of seven meeting rooms that are available for meetings and functions.

d. Other Hotels With Meeting Facilities

There are four other hotel meeting facilities in Las Cruces that generate some meeting demand. The **Days Inn** has 1,500 square feet of meeting space for a capacity of 220 people. Most of the meeting demand groups are social, military, educational, religious, and fraternal (SMERF). Approximately 30 percent of the utilization of the meeting facilities are from festivals and weddings, as well as sports teams.

Lastly, the **Hampton Inn**, the **Best Western Mission Inn**, and the **SpringHill Suites** by Marriott provide meeting rooms for up to 175 people.

6. Conclusion

The dated Corbett Center at NMSU has capacities for meetings ranging from 280 to 1,000 attendees, the majority of which are religious groups, sports and band camps, as well as university department-related demand. The Dickerson's Barn, which is unattractive and in a generally remote area of Las Cruces, hosts only five trade shows per annum, while the Pan American Center provides no meeting space. Lastly, the Hilton Inn and the Holiday Inn, which are dictated by their size, cater to smaller corporate groups.

Based on the facts gathered and our analysis of existing meeting space in Las Cruces, it is evident that the city has a limited and scattered inventory of high-quality, dedicated meeting space. Moreover, Las Cruces lacks a large exhibit hall to attract national, regional, and state associations. Therefore, a modern, strategically located convention center is deemed necessary in Las Cruces to accommodate current and potential levels of meeting demand in the Southwest.

F. FUTURE SUPPLY OF CONVENTION CENTERS

1. Las Cruces

The Las Cruces Home Builders Association, a tax-exempt organization, is proposing an events center to be located on North Main Street on a 7.5-acre site near the Citizen's Bank branch building. The building, which has yet to attain approval from the Las Cruces planning authorities, is proposed to be approximately 45,000 gross square feet, with some 5,000 square feet for offices, 5,000 square feet for kitchen, storage, and equipment rooms, and 35,000 square feet usable for events, exhibits, and meeting rooms. The budgeted cost is approximately \$2.5 million, to be funded by private capital.

As will be discussed in Section IV, this site has poor visibility and accessibility to highways, and is not proximate to lodging facilities. We understand that the Home Builders Association is requesting that the City Council endorse the project and approve Industrial Revenue Bonds for financing; however, this request has yet to be approved.

2. Regional Area

As was previously discussed in this section, there are three expansion projects of convention centers under development in the Southwest. The El Paso Convention Center is adding 20,000 square feet of exhibit space to its already existing 68,400 square feet of net meeting space. Another convention facility, the Amarillo Civic Center, is adding 65,000 square feet to its facility. The San Antonio Convention Center is currently adding 715,000 square feet of meeting space. It should be noted that approximately 243,000 square feet of exhibit space and 42,000 square feet of ballroom space were added and opened on September 15, 1999. The addition to the San Antonio Convention Center will be complete in 2001, at which time a total of 1.3 million square feet of meeting space will be available.

G. LAS CRUCES HOTEL MARKET

1. Introduction

In the following section, we review the existing stock of lodging facilities in Las Cruces and comment upon their long-

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term suitability for servicing the convention market. As part of our field research, we inspected the primary hotels in Las Cruces, and conducted interviews with hotel management. Information gathered and analyzed include the mix and seasonality of demand, rate structures, occupancy, and average room rates in the market, the number of guest rooms available for conventions, the status of proposed hotel projects, and the outlook for the local lodging market.

2. Existing Hotel Supply

The primary hotel supply in the City of Las Cruces is comprised of a total of 1,790 units. The majority of the hotels are limited-service facilities that cater predominantly to the leisure market. Key information for each of these hotels is presented in the following table. A map detailing the location of each of these properties in Las Cruces is presented on the following page.

Primary Hotel Supply - Las Cruces, New Mexico					
Property	Year Opened	Number of Rooms	Published Room Rates		Amenities
			Single	Double	
Comfort Inn	1996	38	\$43	\$43	E
Holiday Inn Express	1997	53	\$79	\$79	E
Super 8	1985	60	\$40	\$40	E
Comfort Suites	1996	61	\$55	\$55	E
Sleep Inn	1997	63	\$54-77	\$59-82	E
Best Western Mission Inn	1946/79	66	\$46-54	\$50-58	A,C,E
Fairfield Inn	1996	78	\$50	\$50	E
Plaza Suites	1975	86	\$45-57	\$45-58	E
Baymont Inn & Suites	1996	92	\$49	\$53	E
SpringHill Suites	1996	101	\$59	\$59	C,D,E
Coachlight Inn	1979	108	\$40	\$40	E
Holiday Inn	1975	110	\$59-99	\$64-104	A,B,C,D,E
Motel 6	1980	118	\$45	\$45	E
Hampton Inn	1985	119	\$54-58	\$59-63	C,E
Days Inn	1974	129	\$45	\$45	A,C,E
La Quinta	1985	139	\$59-67	\$67-75	E
Best Western Mesilla	1974/83	167	\$52-62	\$58-75	A,C,E
Valley Inn	1986	202	\$67-107	\$77-117	A,B,C,D,E
Hilton					
Total	-	1,790	-	-	-
Amenities Codes					
A - Restaurant(s)					
B - Lounge					
C - Meeting Rooms					
D - Exercise Room					
E - Swimming Pool					
Source: <i>Management of Individual Properties and 1999 Hotel & Travel Index</i>					

Map of Las Cruces and the hotel market.

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As highlighted previously, there are seven hotels in Las Cruces that provide meeting facilities, the largest being the Hilton Inn, Holiday Inn, and the Best Western Mesilla Valley Inn. Most hotels in Las Cruces have an affordable rate structure as they charge an average of approximately \$62.00 per night. The number of rooms range from 38 units at the Comfort Inn to 202 rooms at the largest hotel, the Hilton Inn. The total average number of rooms is 99 units. Over the period from 1996 to 1997, there were seven new hotels that entered the hotel market, adding a total of 486 rooms.

3. Historical Market Performance

The following table summarizes the overall growth in supply and demand of the hotels in the City of Las Cruces, the resulting occupancy levels, and the average daily room rates for the period 1993 through 1998, as well as our estimates for 1999.

Historical Growth of Rooms Supply and Demand Hotel Market in Las Cruces, New Mexico 1993 to 1998 and 1999 (Estimated)							
Year	Annual Available Rooms	Percent Change	Total Annual Demand	Percent Change	Occupancy Percent	Average Daily Room Rate	Percent Change
1993	461,725	-	329,679	-	71.4%	\$45.49	-
1994	461,725	0.0%	335,059	1.6%	72.6%	\$46.65	2.6%
1995	465,221	0.8%	358,700	7.1%	77.1%	\$49.12	5.3%
1996	513,905	10.5%	351,369	(2.0%)	68.4%	\$50.41	2.6%
1997	632,085	23.0%	357,369	1.7%	56.5%	\$48.91	(3.0%)
1998	653,350	3.4%	384,917	7.7%	58.9%	\$47.62	(2.6%)
1999E ⁽¹⁾	653,350	0.0%	385,500	0.1%	59.0%	\$47.50	(0.2%)
CAGR	6.0%	-	2.6%	-	-	0.7%	-

⁽¹⁾ Estimated
 Source: **PKF Consulting and Smith Travel Research**

As summarized in the previous table, the year-end 1999 estimated occupancy level for the hotel market in Las Cruces is approximately 59.0 percent, with an estimated corresponding ADR of \$47.50. The supply was generally stable between 1993 and 1995, with a surge in supply taking place in 1996 and 1997, as six new hotels with 425 rooms opened in the market. In 1996, there was a growth of 10.5 percent, and in 1997 there was a 23.0 percent growth in hotel inventory. Overall, hotel supply has grown at a CAGR of six percent from 1993 to 1998.

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Occupancy levels have been impacted with the new rooms opening up in the market. In 1995, hotels reached their highest occupancy at 77.1 percent. As the new supply entered the market, occupancy fell to a low of 56.5 percent in 1997. However, since 1997, occupancy levels have increased slightly to 59.0 percent by year-end 1999 (estimated). Of note is that both occupancy and ADR in Las Cruces would most likely increase materially with the opening of a convention center. Average daily room rates (ADRs) increased slightly between 1993 and 1996, then started to decline between 1997 and 1998, attributed to the new supply entering the market. For year-end 1999, the ADR is estimated to be approximately \$47.50, a decrease of 0.2 percent over 1998.

4. Hotel Market Demand by Segment

The demand captured by the Las Cruces hotel market is oriented predominantly towards the leisure segment. A summary of the market segmentation is illustrated in the following table for 1999 (estimated).

Hotel Market Segmentation - Las Cruces, New Mexico								
Percentage (1999)				Annual Room Nights (1999)				
Leisure	IBT⁽¹⁾	Government	Group Meetings	Leisure	IBT⁽¹⁾	Government	Group Meetings	Total
50%	25%	15%	10%	192,800	96,400	57,800	38,500	385,500

⁽¹⁾ Individual Business Traveler
Source: **PKF Consulting and Smith Travel Research**

5. Future Hotel Supply

Based on discussions with city planning officials, there are presently no proposed lodging properties that are expected to be developed in Las Cruces. Local hoteliers have heard of a proposed 40-room Microtel to be built in the city, but no definitive plans are on record.

6. Conclusion

The previous section indicated that the Las Cruces hotel inventory is clustered in specific portions of the city (see map on Page III-17), mainly situated in the southern portion

of the city. Moreover, as highlighted earlier, the vast majority of the competitive convention centers are situated within close proximity to hotel rooms, an important site selection criterion to most meeting planners. As will be discussed in Section IV of this report, these two variables have been taken into consideration in presenting our site and facility recommendations.

H. CONVENTION CENTER DEMAND IN NEW MEXICO

1. Categories of Demand

In the process of analyzing demand in order to estimate facility usage and to make facility recommendations for a proposed convention center, it is important to first identify the different categories of meetings demand. According to our experience in the industry, there are three main categories of demand that a proposed convention center could attract:

- **Demonstrated demand** is that which can be qualified by examining the utilization levels at competitive venues.
- **Unsatisfied demand** is that which is presently turned away or "lost" at the area's competitive facilities due to capacity constraints (lack of available dates), or space constraints (insufficient square footage).
- **Induced demand** is that which does not presently seek to be accommodated in the area under study. For example, if a city (such as Las Cruces) has never had a convention center facility, there are potential users, such as state associations and consumer shows organizers that have not considered hosting large events in the area due to a lack of suitable space. These event planners could be persuaded to host events in a proposed facility.

2. Sources of Potential Demand

Demand for convention centers in New Mexico emanates from a variety of generators. Based on our interviews with regional convention centers and statewide meeting planners, demand is derived from four sources, or segments: local, state, regional/national groups, and consumer shows.

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Local meeting demand is generated by **banquets, social, and civic functions** and small associations desiring space for regularly scheduled membership. Social and banquet functions include weddings, quinceñeras, job fairs, high school reunions, and college alumni gatherings, among others.

Demand for local meeting space in the Las Cruces area appears to be strong as indicated by utilization levels at the NMSU Corbett Center, the 206-room Hilton, and the 110-room Holiday Inn. The White Sands Missile Range, located approximately 25 miles northeast of Las Cruces, generates an average of ten meetings per year, with sizes between ten to 200 attendees. Our research indicates that the average size of local meetings in New Mexico is approximately 250 persons.

State convention activity is currently concentrated in Albuquerque, largely due to the city's large meeting facilities, its central location, and status as the population, governmental, and business center of the state. However, most state groups and associations rotate annual and/or semi-annual meetings to other New Mexico cities in an effort to represent member associations in outlying areas. Other cities that accommodate these meetings are Roswell, Ruidoso, Santa Fe, and Farmington. Las Cruces tends to attract smaller state associations, as it currently does not offer sufficient meeting facilities that could otherwise capture a larger portion of this potential source of demand.

Examples of state groups and associations that conduct large annual and semi-annual meetings include the New Mexico Oil & Gas Association, New Mexico Restaurant Association, and the New Mexico Homebuilders Association, among others. Our research indicates that there are approximately 60 state associations in New Mexico that generate meetings with an average size of 500 attendees. The following table presents a sample of some the state's nearly 60 associations by average attendance.

Potential State Association Conferences in Las Cruces	
Association	Average Attendance
New Mexico Restaurant Association	2,500
New Mexico Women's State Bowling Association	2,000
New Mexico Oil and Gas Association	1,000
New Mexico Homebuilders Association	1,000

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New Mexico Association of Counties	850
New Mexico Square Dancing Association	800
New Mexico Farm & Livestock Bureau	800
New Mexico Veterinary Medical Association	800
New Mexico Women's Slow Pitch Conference	750
New Mexico Municipal League	600
Democratic Party of New Mexico	600
New Mexico Bankers Association	500
Realtors Association of New Mexico	500
New Mexico Library Association	500
New Mexico Math & Science Teachers	500
New Mexico Credit Union League	400
New Mexico Grocers Association	400
New Mexico Hospital & Health Association	350
New Mexico Automobile Dealership Association	300
New Mexico Broadcasters	250
Source: <i>Meeting Planners</i>	

Regional and national meetings and conventions generally encompass a delegate attendance that is multi-state in scope. Regional conventions usually remain within the boundaries of their membership and rotate meetings and conventions among principal cities of a region.

Within New Mexico, Albuquerque and Santa Fe are the primary destinations for regional and national meetings. As will be discussed in Section V of this report, due to the lack of national air service to Las Cruces, it is unlikely that significant numbers of national conventions will consider the city as their principal destination for meetings.

Examples of regional and national groups and associations that have conducted meetings in the state include the United States Environmental Agency, the American Institute of Medical Education, and the American Heart Association. Our research and discussions with meeting planners indicate that regional and national associations convening in New Mexico range in size between approximately 300 and 500 attendees.

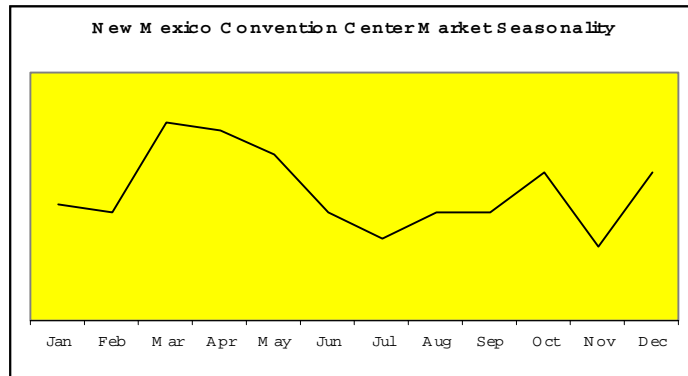
The **consumer show** market has two categories, the first having vendors from the local area that are either hobbyist or retirees, and the other having full-time vendors who will travel as much as 1,200 miles one-way to be an exhibitor. Shows that feature local hobbyist and retirees rarely require a civic center and primarily use churches and schools. Shows

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organized by professional promoters that feature full-time vendors, on the other hand, typically require a civic center with a minimum of 20,000 square feet of exhibit space, but can manage with less space when the demographics do not support a larger show. In smaller venues where more space is required, show planners will set vendors up in the concourse and adjacent meeting rooms. As such, all available space is used for these events.

Consumer shows in New Mexico take place primarily in Albuquerque and Santa Fe, ranging from gem, craft, and antique exhibitions to agricultural equipment and livestock shows. Our research indicates that the size of consumer shows in the region tend to range between approximately 1,000 to 2,000 attendees.

The seasonality pattern of convention center demand in New Mexico is highlighted in the following graph, peaking in March and troughing in the summer months.



Lastly, the vast majority of **corporate meetings** in New Mexico and Las Cruces are held in hotels. It can be assumed that this trend will, for the most part, continue, and that a convention center in Las Cruces would not serve as a primary destination for this segment.

I. LOST CONVENTION BUSINESS IN LAS CRUCES

Lost business is essentially "unsatisfied" demand that cannot be accommodated due to either timing constraints and/or insufficient supply. According to a recent survey conducted by the Las Cruces Convention and Visitors Bureau (LCC&VB), 17 potential conventions were lost to competing cities in the Southwest due to the lack of a convention center in the city. These 17 potential meetings, with a range in size of 50 to 2,000 attendees, would have generated a total of 11,350 attendees, approximately 31,000 hotel room nights, \$1.7 million in hotel room revenue, and \$3.4 million in direct spending in Las Cruces. To that end, a potential convention center in Las Cruces could capture all the indicated lost business, in addition to other unidentified "unsatisfied" demand.

J. OVERVIEW OF MEETINGS DEMAND SURVEY

1. Methodology

In addition to our analysis of the Las Cruces socio-economic dynamics, coupled with our research on the regional and local convention centers presented earlier in this section, we conducted a qualitative survey of selected organizations with demonstrated histories of holding meetings in the state of New Mexico. The purpose of this survey was to determine their preferences, their bases for selecting locations for meetings, and their potential interest in meeting in Las Cruces.

2. Results

With the assistance of the City of Las Cruces, we mailed out 163 questionnaires. Of the 163 questionnaires, 142 (approximately 87 percent) were mailed to organizations based in New Mexico, with the balance being out-of-state. Of the 142 New Mexico-based entities, 59 are professionally-oriented state organizations, such as the New Mexico Restaurant Association and the New Mexico Veterinary Medical Association, while the balance are civic entities or organizations referred to as SMERF groups (social, military, educational, religious, and fraternal).

Of the 163 questionnaires mailed, 16 were considered "null", attributed to returned mail, disconnected phone, etc., rendering a net total of 147 questionnaires. Of these 147 questionnaires, we received 30 responses, translating into an

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approximately 20 percent overall response rate. Of note is that of the 30 responses, 26 were actual questionnaires received and four involved follow-up telephonic interviews with organizations that were not interested in going to Las Cruces. The format and content of this survey, along with a summary of its results, is presented in Addendum D of this report. The key findings of the received surveys are highlighted in the following statements:

- *The largest number of state association meetings attendees in the survey is 725;*
- *The largest number of other organization meetings attendees in the survey is 1,500;*
- *The majority of meetings are currently being held in Albuquerque and Santa Fe;*
- *The majority of all meetings are held in hotels;*
- *The range of hotel room expenditure-per-person is between \$50 to \$200;*
- *The criteria for site selection (in ranking order) are:*

- 1. Meeting room quality;*
- 2. Guest room quality;*
- 3. Proximity to hotel;*
- 4. Price;*
- 5. Air access;*
- 6. Food & beverage quality;*
- 7. Travel time;*
- 8. Golf availability;*
- 9. Other recreation; and*

10. Proximity to shopping/restaurants.

- *A common comment was that a central location within New Mexico is preferred;*
- *Approximately 80 percent of respondents were familiar with Las Cruces;*
- *Close to 55 percent indicated that they would consider Las Cruces for a meeting;*
- *Nearly 38 percent responded that if a convention center was actually built, they would definitely go to Las Cruces for their meeting; and*
- *The majority of the respondents made favorable comments about Las Cruces, highlighting such attributes as good weather.*

3. Survey Conclusions

The responses to the qualitative survey indicate that there is interest in a potential convention center in Las Cruces, and that the city would be a desirable location for group meetings. As highlighted previously, approximately 55 percent of the respondents indicated that they would consider Las Cruces for a meeting. Some concerns, although not insurmountable, were raised in relation to the distance of Las Cruces from a major airport and the generally remote location of the city within New Mexico. However, a factor that is expected to offset this perceived liability is the affordability of Las Cruces as a destination, attracting price sensitive state and regional associations to the city.

K. CONCLUSIONS OF OUR MARKET ANALYSIS

Our analysis of regional and local facilities highlights sufficient "demonstrated" meetings demand in the region, while our qualitative survey indicates the potential for "induced" demand from non-local users for a convention center in Las Cruces. In addition, the analysis performed by the LCC&VB on lost business is indicative of "unsatisfied" demand attributed to insufficient convention center space. The demand that appears to be "unsatisfied" is clearly due to the lack of a suitable meeting facility in the City of Las Cruces.

In summary, it is our opinion that there is sufficient demand in the Southwest to justify the construction of a conference center in Las Cruces. In deriving this conclusion, and in arriving at our facility recommendations that will be presented in Section IV, we took into account the following factors:

- 1. The convention centers located in cities that are more comparable to Las Cruces in terms of overall image, profile, population, and commercial base have facilities with an average size of approximately 40,000 square feet of net meeting space;*

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2. These facilities had an average size of exhibit hall of approximately 22,500 square feet, and a ratio of exhibit space to total net meeting area of nearly 60 percent;
3. The only conference facility in Las Cruces, the NMSU Corbett Center, provides meeting space that is dated and distant from the city's commercial hubs;
4. Las Cruces has lost some 17 potential meetings in recent years that would have generated a total of approximately 11,000 attendees, due to insufficient convention center space;
5. The meeting planner survey brought to light the favorable image Las Cruces has in the Southwest as a potential destination for associations;
6. There are some 60 state associations in New Mexico, with an average size of 500 members;
7. Our interviews with meeting planners indicate that an important portion of demand for a potential convention center in Las Cruces would be generated from the state association meetings segment;
8. The vast majority of corporate meetings in New Mexico and Las Cruces are held in hotels;
9. Other cities in New Mexico experience relatively strong levels of convention demand from attendees that could potentially hold their meetings in Las Cruces;
10. Between 1995 and 1997, the attendance levels for association meetings increased at a CAGR of 8.9 percent on a national basis;
11. The hotel inventory in Las Cruces may be a limiting factor in attracting very large and simultaneous conventions (with more than 2,000 attendees);
12. The hotel inventory in Las Cruces is clustered in specific sections of the city;
13. The State of New Mexico is one of the faster growing regions in the U.S.;
14. Las Cruces is the 11th fastest growing city in the nation;
and
15. Las Cruces does not have direct air transport accessibility, with potential meeting attendees having to travel approximately 45 miles from El Paso International Airport.

Based on the foregoing variables and our market research and analysis, we conclude that there is a need for convention center in Las Cruces, and that such a public facility is market supported.

In analyzing similar-sized cities, and based on our knowledge of the industry, we therefore recommend that a convention center with 40,000 square feet of net meeting space, and approximately 80,000 square feet of gross building area, would be the most effective for Las Cruces. This square footage recommendation is on a par with the average net meeting space at the competitive facilities, which as highlighted in the table on page III-7, comprises approximately 50 percent of gross building area.

Such a facility would also comprise an approximately 25,000-square-foot exhibit hall, reflecting the average of the most comparable convention facilities analyzed in this section, representing an exhibit hall-to-total-net-meeting space ratio of approximately 62 percent.

The proposed size of the convention center in Las Cruces would position the city in terms of net meeting space between the competitive centers of Lubbock, Texas and Ruidoso, New Mexico, and is deemed appropriate given the population base, long term potential, and location of Las Cruces.