HVS Market Pulse: Hawaiʻi Convention Center

Introduction

The State of Hawaiʻi and the Hawaiʻi Convention Center (HCC) are uniquely positioned in the US convention and meetings market. This market analysis explores the advantages and disadvantages of the HCC's position in the convention industry. HVS analyzes the differences in the types of events, event attendance, room nights, and the financial operations between the HCC and comparable mainland convention centers.

It is often said that a great tourism market makes a great convention market. While this may be true of US mainland destinations, island convention destinations tell a different story. The logistical challenges of shipping event materials to Hawaiʻi, the cost of airfare for out-of-state attendees, and the perception of Hawaiʻi as a paradise vacation destination, and not a meetings destination, makes hosting large conferences, conventions, and consumer shows at the HCC more complex and expensive than hosting an event in a mainland convention center.

Honolulu Market Area

Honolulu is part of the greater Oʻahu economy, which is fueled in large part by the tourism industry, as well as by the government and military sectors. The year-round moderate climate is highly conducive to agriculture, especially the production of sugar cane, pineapples, macadamia nuts, and a multitude of exotic flowers. The City and County of Honolulu encompasses the island of Oʻahu and several minor outlying islands, including all of the Northwestern Hawaiʻian Islands. Therefore, according to the Guinness Book of World Records, Honolulu is technically the longest city in the world.

Hawaiʻi, the Aloha State, was admitted to the union as the nation's 50th state in 1959. Hawaiʻi consists of eight major islands and 124 minor islands, which form a chain extending more than 1,600 miles across the mid-Pacific Ocean. The islands are either volcanic in origin or are small coral atolls. These islands have an aggregate land area of 6,425 square miles, with a total of 750 miles of coastline. Honolulu, the state's capital and its largest city, is about 2,400 miles southwest of San Francisco and the United States mainland. Hawaiʻi's eight major islands total ±4,112,000 acres of land, with the six primary islands accounting for approximately 98.0% of this area. Presented in order of descending size, these six primary islands are: Hawaiʻi ("the Big Island"), Maui, Oʻahu, Kauaʻi, Molokaʻi, and Lānaʻi. The seventh island in size, Niʻihau, is privately owned. Kahoʻolawe, the eighth island, is presently uninhabited, and was previously used for military practice.

Hawaiʻi Convention Center

The HCC opened in 1998 and is the largest exhibition center in the state. It is located adjacent to the popular Waikiki District in Honolulu on the island of Oʻahu. With approximately 343,000 square feet of total function space, it's size ranks in the mid-range of venues in the United States. The exhibition hall of approximately 204,000 square feet is supported by a 35,000 square foot ballroom, and 104,000 square feet of meeting space. Over 15,000 hotel rooms are within a mile of the facility, but no hotel is immediately adjacent. The HCC is owned by the Hawaiʻi Tourism Authority ("HTA") that conducts the sales and marketing efforts of the HCC and contracts the operations to a management company. Originally operated by SMG, AEG began its first full year of operations in 2014.

Demand Analysis

Trends in event bookings at the HCC show how facility and HTA staff have responded to the unique challenges they face in booking events. The figure below shows the number of events at the HCC, by event type for the years 2008 through 2017.

FIGURE 1
ANNUAL NUMBER OF EVENTS AT HCC BY EVENT TYPE

Events	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assembly	34	33	27	30	15	16	12	15	15	15
Banquet	24	16	8	14	11	24	30	32	32	30
Conference	11	16	15	9	8	21	12	17	15	15
Consumer Show	14	12	12	11	12	21	21	22	21	23
Convention	18	15	16	22	18	13	12	16	12	16
Meeting	48	47	51	60	58	54	64	51	59	54
Other	16	21	21	28	26	20	24	28	32	25
Tradeshow	5	4	3	1	2	1	3	5	2	3
Total	170	164	153	175	150	170	178	186	188	181

Source: HCC as classified by HVS

The overall number of events has been slightly higher in recent years and the mix of event types has changed since 2008. Notably, the number of conventions and assemblies have declined while the number of banquets, conferences, and consumer shows have increased.

HVS analyzed the attendance at each type of event as shown in the figure below.

FIGURE 2
TOTAL EVENT ATTENDANCE AT THE HCC BY EVENT TYPE

Attendance	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assembly	27,225	24,545	21,870	14,150	19,555	14,320	10,570	13,790	11,220	15,315
Banquet	14,730	10,120	6,100	6,890	6,193	19,505	26,584	25,285	21,895	19,601
Conference	12,750	15,140	16,695	7,490	7,520	21,424	26,383	15,750	15,526	13,406
Consumer Show	97,000	90,700	94,000	91,900	93,100	148,290	147,002	150,962	161,039	146,359
Convention	54,400	40,355	66,750	102,628	69,450	40,148	39,706	98,679	64,923	60,071
Meeting	13,600	18,443	18,327	22,577	24,175	23,632	29,428	24,434	29,719	37,981
Other	17,250	17,752	15,330	26,505	20,380	10,900	26,623	19,427	30,944	20,966
Tradeshow	12,100	6,600	1,900	400	1,150	500	1,645	2,384	719	3,832
Total	249,055	223,655	240,972	272,540	241,523	278,719	307,941	350,711	335,985	317,531

Source: HCC as classified by HVS

The increase in attendance levels since 2013 reflects the shift toward more consumer shows, banquets, and other events that primarily attract local audiences. Convention attendance has varied from approximately 40,000 to over 100,000. The booking of one or two high impact events in any given year can cause this amount of variation.

Room Night Generation

Data on the actual consumption of room nights per event is not available, but the HCC tracks the requested room blocks per event. While an imperfect measure of room nights consumed, as attendees may book hotel rooms outside the requested room block and may stay for pre- and post-event activities, this information approximates the number of room nights generated annually by events at the HCC.

HVS analyzed the requested room nights for each type of event as shown in the figure below.

FIGURE 3
REQUESTED ROOM NIGHT GENERATION BY THE HCC

Room Nights	2013	2014	2015	2016	2017
Assembly	3,000	3,000	5,468	5,229	300
Banquet	0	17,300	17,312	9,012	8,319
Conference	9,150	35,608	3,000	5,300	4,250
Consumer Show	6,750	12,431	6,380	15,655	15,657
Convention	75,198	65,450	190,517	94,872	70,572
Meeting	14,603	18,528	19,216	23,707	28,838
Other	450	230	955	7,577	5,515
Tradeshow	0	0	2,075	0	0
Total	109,151	152,547	244,923	161,352	133,451

Source: HCC as classified by HVS

Conventions have, by far, the largest impact on hotel lodging. While room night generation varies greatly from year to year, there has been no discernable pattern of growth or decline since 2013. This analysis demonstrates that the HCC faces a highly volatile market. The difference between a high demand year and a low demand year depends on attracting a few large convention events.

Comparable Venues

To compare the performance of the HCC with convention centers on the mainland US, HVS identified seven convention centers that have similar amounts of function space as the HCC and in cities with similar sized populations as Honolulu. Those seven venues, their location, function space, and population are shown below.

FIGURE 4
COMPARABLE VENUES

Venue	City	State	Function Space	Population
David L. Lawrence Convention Center	Pittsburgh	PA	423,046	302,407
Hawaii Convention Center	**Honolulu**	**HI**	**343,118**	**350,395**
Huntington Convention Center of Cleveland	Cleveland	OH	318,225	385,525
Duke Energy Convention Center	Cincinnati	OH	296,972	301,301
Tampa Convention Center	Tampa	FL	278,767	385,430
Birmingham-Jefferson Convention Complex	Birmingham	AL	277,605	210,710
Devos Place	Grand Rapids	MI	234,000	198,829
Raleigh Convention Center	Raleigh	NC	212,061	464,758

Sources: Respective Venues, U.S. Census Bureau

The HCC has the second most function space available among the set of comparable venues and Honolulu has the fourth largest population.

The table below shows the average number of events by event type for the HCC and the set of mainland convention centers. The data is from 2011-2017. Data from 2018 was not included because it is not a full year of data.

Event Mix Comparison

FIGURE 5
AVERAGE NUMBER OF EVENTS (2011-2017)

Event Type	HCC	Mainland Average
Assembly	17	6
Banquet	25	48
Conference	14	13
Consumer Show	19	17
Convention	16	30
Meeting	57	108
Other	26	98
Tradeshow	2	7
Total	175	327

Source: Respective Venues

The HCC hosted approximately half as many events annually as the average of comparable mainland convention centers. There were eleven more assembly events at the HCC, which includes graduations and public speakers, and approximately the same number of conferences and consumer shows. However, there were significantly more banquets, conventions, meetings, and tradeshows at the set of mainland convention centers.

Local area businesses and not-for-profit groups generate meetings and banquets events. The surrounding area in Honolulu is limited by the island of O‘ahu, its population, and business presence. The mainland convention center cities have a larger business presence and sprawling suburbs from which they can draw banquet and meeting demand.

Attendance

Comparison following table compares the average event attendance at the HCC and the set of mainland convention centers.

FIGURE 6
AVERAGE EVENT ATTENDANCE (2011-2017)

Event Type	HCC	Mainland Average
Assembly	859	7,056
Banquet	689	602
Conference	1,106	942
Consumer Show	7,339	11,882
Convention	4,014	3,707
Meeting	441	374
Other	854	3,246
Tradeshow	884	2,562

Source: Respective Venues

The HCC attracted larger banquet, conference, and convention attendance than the mainland convention centers. But the set of mainland convention centers drew significantly larger audiences for assemblies, consumer shows, and tradeshows. The HCC may have fewer conventions, but they are on average larger than at mainland venues. Delegates are willing to travel to Hawaiʻi and the HCC for conventions, but the primary market is for larger and longer events that justify long-haul travel.

Financial Analysis

Comparing the number of events, total attendance, and room nights at the HCC to the set of comparable mainland convention centers offers some background on the challenges faced by the HCC. However, comparing the operating revenue, expenses, and profit will reveal more about the different financial challenges the HCC faces compared to mainland convention centers.

The following figure shows the operating revenue, expense, and operating profit at the HCC and the set of comparable mainland convention centers.

FIGURE 7
OPERATING REVENUE AND EXPENSE

Event Type	HCC	Mainland Average
Operating Revenue		
2011	$12,721,136	$7,640,272
2012	8,954,811	8,337,391
2013	9,450,709	8,570,462
2014	12,874,928	9,957,308
2015	14,236,891	10,287,227
2016	16,047,687	11,392,302
2017	17,563,075	12,402,031
Operating Expenses		
2011	$20,351,786	$9,797,750
2012	17,229,791	8,875,808
2013	16,101,579	9,646,637
2014	17,818,216	11,395,780
2015	17,550,854	11,496,177
2016	19,267,561	12,446,403
2017	21,872,586	12,457,354
Net Operating Income (Loss)		
2011	($7,630,650)	($2,157,477)
2012	(8,274,980)	(538,418)
2013	(6,650,870)	(1,076,174)
2014	(4,943,288)	(1,438,472)
2015	(3,313,963)	(1,208,950)
2016	(3,219,874)	(1,054,101)
2017	(4,309,511)	(55,324)

Source: Various Financial Reports, CAFR's, and Annual Budgets

Comparing the operating revenue of the HCC to the average of the set of mainland convention centers shows that the HCC earned more revenue and grew at a faster rate than at the comparable mainland venues. Since 2012, HCC operating revenue nearly doubled while the set of mainland convention centers grew approximately 50%.

Operating expenses at the HCC were significantly above the average operating expenses at the set of mainland convention centers. This is likely due to the higher price of goods and services in Hawaiʻi than on the mainland. In the last four years, operating expenses have increased consistently at the HCC, while the operating expenses of the mainland convention center set hovered between $11 and $12.5 million.

The net operating income at the HCC was lower than in the set of mainland convention centers. While most convention centers operate at a loss and rely on tax revenue or other form of subsidy, the HCC operated at a larger loss than the set of mainland convention centers. The operating loss at the HCC has decreased since 2011 and 2012, but remains at $4 million a year.

Conclusion

Hawaiʻi, and the HCC, faces three unique challenges: 1) long-haul requirements, 2) relatively high visitor costs and 3) a leisure paradise reputation. These challenges create logistical, cost, and attendance problems for exhibitors, attendees, and planners.

However, the HCC is in one of the most popular tourist destinations in the world, with a consistently pleasant climate, and the facility is well supported by the HTA and the State of Hawaiʻi. The HCC previously relied on high-impact conventions to drive attendance and occupancy, but the market for those events has become more competitive in recent years. Reliance on events with local attendance has proven to be an effective strategy in keeping the HCC busy.

Financially, the HCC earned more operating revenue and had higher operating expenses than the set of comparable mainland convention centers. The HCC has operated at a larger financial loss than the set of mainland convention centers over the period studied. However, from 2011-2016, the HCC has lowered the operating loss year over year.

About HVS

HVS is the only global consulting organization focused exclusively on the hospitality industry. The company is comprehensive in its solutions, but solely focused on success in the complex realm of hospitality.

From a feasibility study when planning to build or buy a property, to advice on an exit strategy–and everything in between–HVS offers a wealth of hospitality intelligence, extensive expertise, a global reach, and local market understanding to help achieve desired results.

From first-time investors looking to purchase a hotel to experienced developers and financial firms collaborating on a complex deal, HVS helps our clients each step of the way.

HVS CONVENTION, SPORTS, & ENTERTAINMENT FACILITIES CONSULTING has performed hundreds of assignments around the world analyzing the feasibility of convention and conference centers, headquarters hotels, arenas, stadiums, event and civic centers, performing arts facilities, hospitality developments, tourism attractions, water parks, entertainment/urban development districts and museums. Our service delivery methods set the industry standard with techniques based on sound economics and rigorous analytical methods.

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