

CH Johnson Study: Comparative Financial Analysis San Jose McEnery Convention Center versus Peer Cities

Summary

Comparing San Jose to Competing Convention Centers

In an effort to provide a fair comparison to other convention centers of similar size that San Jose competes with on a regular basis, Team San Jose hired CH Johnson Consulting, Inc., a firm of nationally recognized industry experts with over 20 years of experience in the conference/convention, hotel, tourism, and general real estate consulting fields.

The study is based on data provided by each participating convention center providing a true comparison of revenue and expenses by each destination. Many convention centers have integrated operations with theaters and other facilities, like San Jose. CH Johnson Consulting, Inc., delineated convention center operations fairly and researched each convention center's operation in detail to ensure a fair comparison.

The convention centers included in the study are:

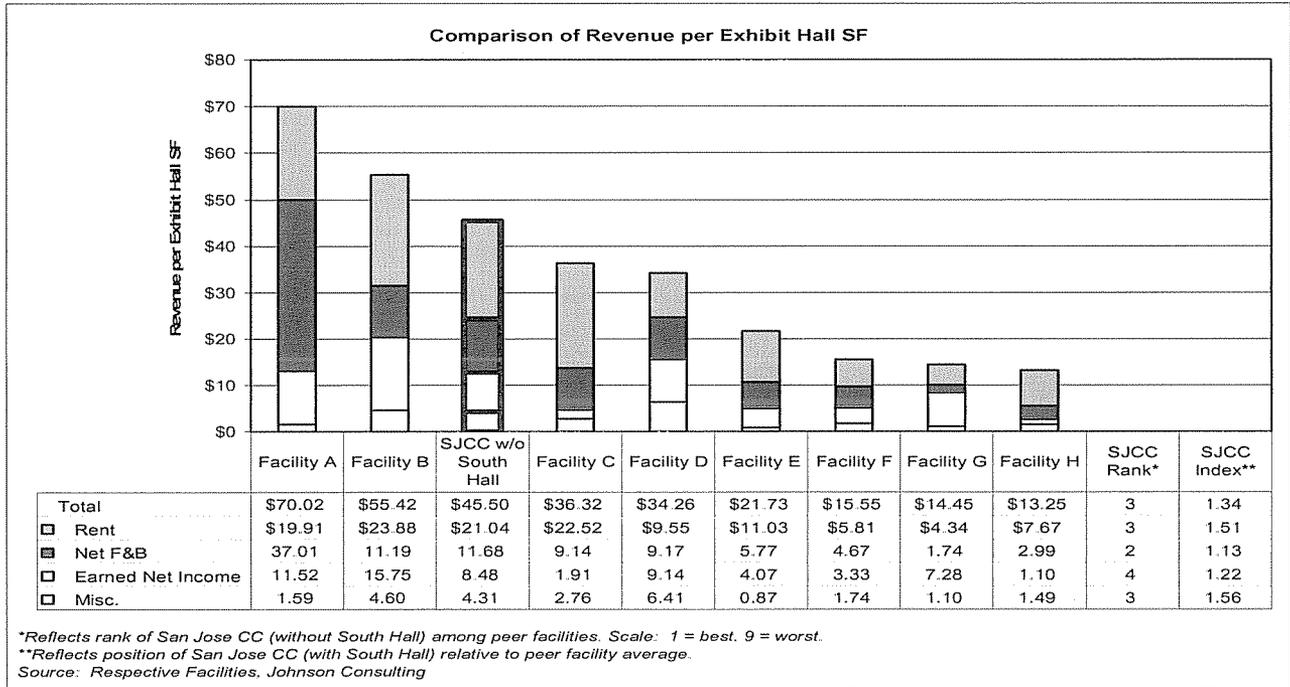
- Oregon Convention Center
- Austin Convention Center
- Sacramento Convention Center
- Washington State Convention Center
- The Salt Palace (Salt Lake City, Utah)
- Kansas City Convention Center
- Long Beach Convention Center
- Reno Convention Center

The total size and square footage of the facilities show a need for San Jose to upgrade and expand in order to stay competitive in the industry. Based on the study, San Jose has the third smallest exhibit hall and the smallest ballroom in the group. San Jose continues to work hard to keep the convention business we have while trying to attract new business. A number of key conventions have moved to other destinations as they have grown too large to stay in San Jose.

The study excluded South Hall from the space and revenue comparisons. As a stand alone structure, separate from the convention center South Hall adds 80,000 square feet of space. However, the space is unique and not contiguous with the rest of the exhibit space in the convention center. In addition, the construction of the space is not complete, the flooring of the building is not graded, the structure does not provide strength for rigging and bathrooms are not installed in the facility. All of these items provide challenges in renting the space and do not provide a good comparison to other convention center's exhibit space.

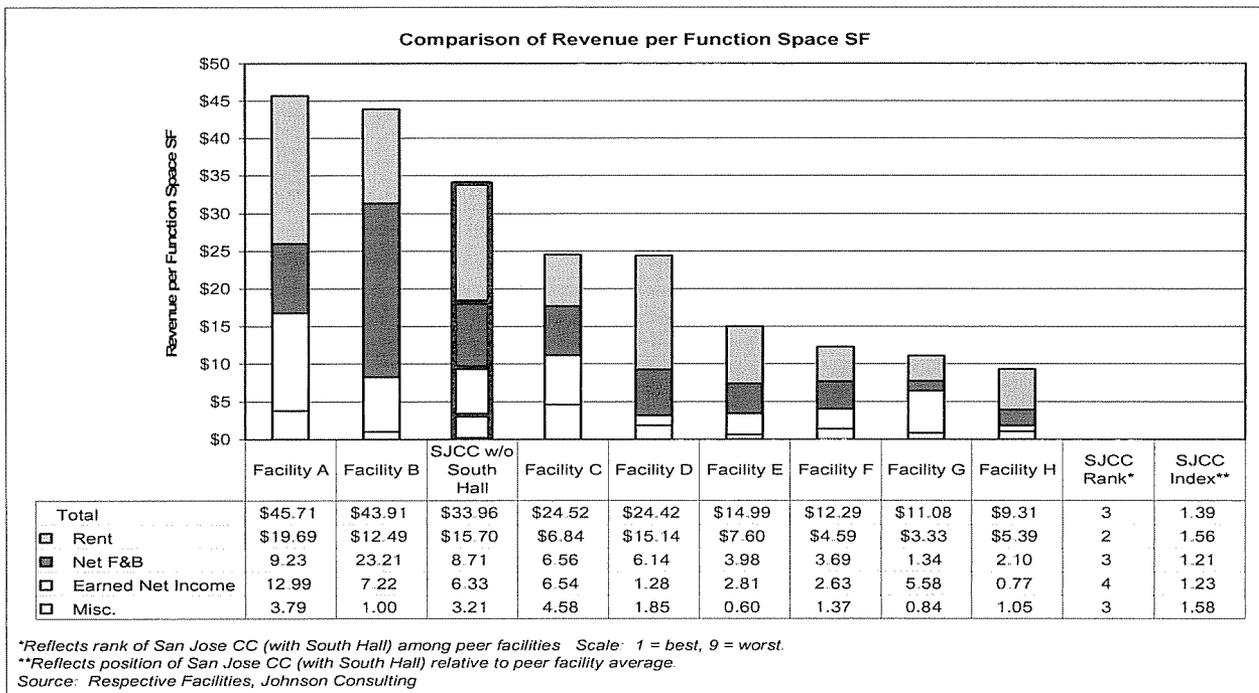
Comparing San Jose's Revenue to Competing Convention Centers

1. The first chart below highlights San Jose's ranking against revenue per exhibit hall square footage.



San Jose ranks the third highest in revenue per exhibit hall square footage and based on function space square footage.

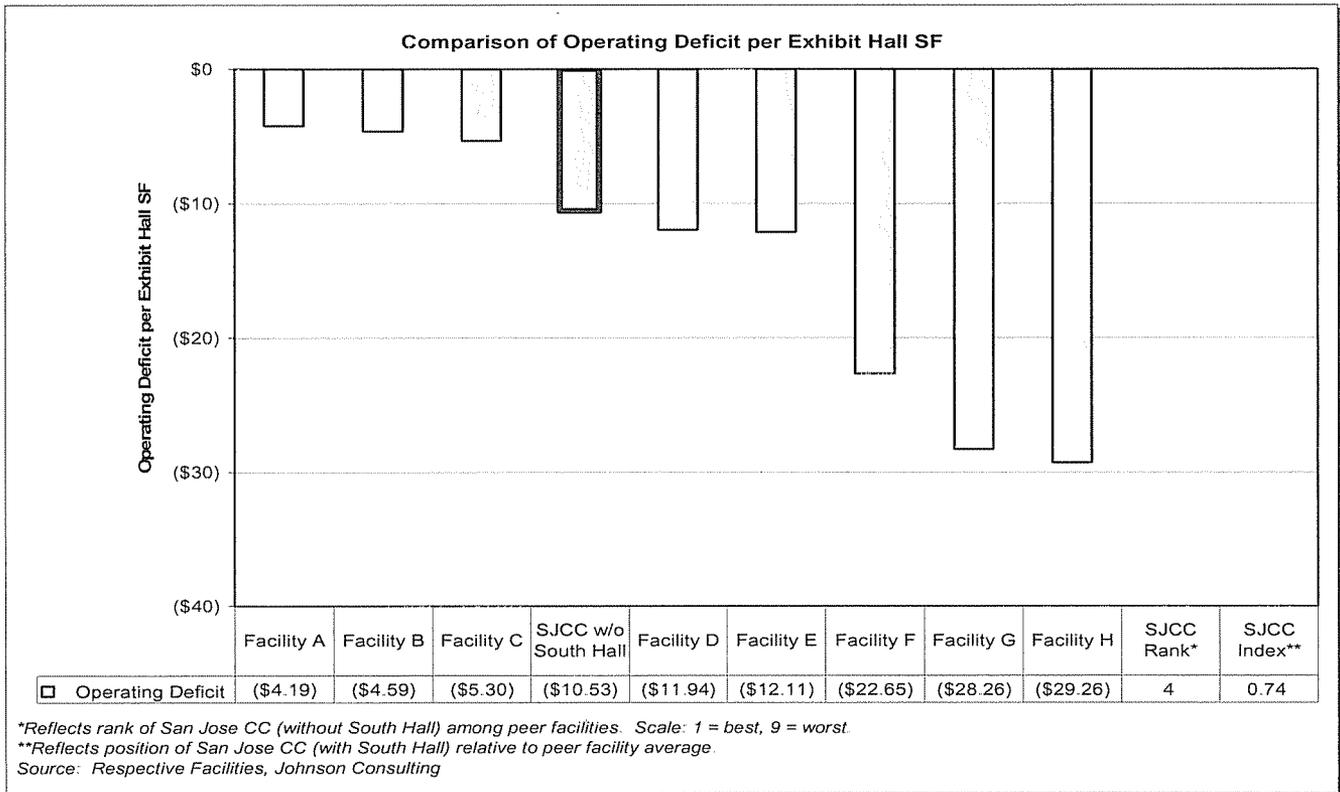
2. The next chart compares San Jose against competitors based on Function Space per square footage.



San Jose ranks the third highest in revenue per exhibit hall square footage and based on function space square footage.

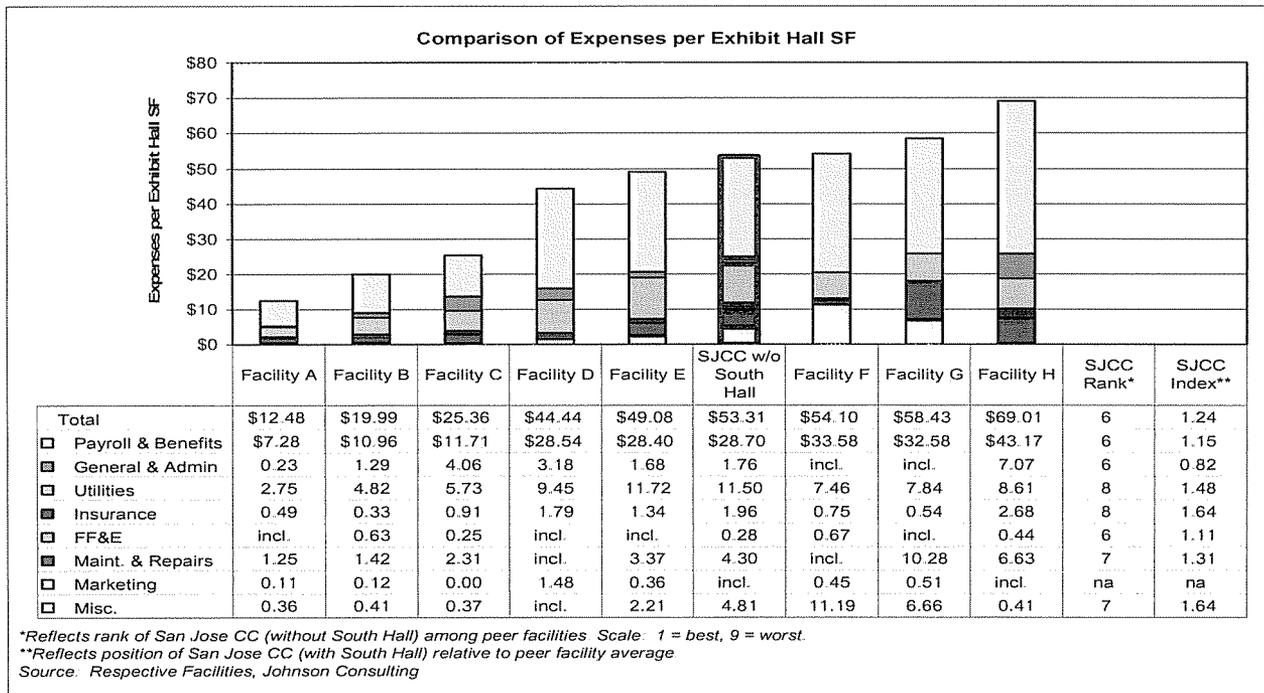
Comparing San Jose's Expenses to Competing Convention centers

Based on the CH Johnson Consulting Inc. study, San Jose fares well when comparing operating loss or operating deficits to competitive destinations. The chart below compares operating deficit per Exhibit Hall square footage.



San Jose has the fourth lowest operating deficit in the competitive set.

The next chart compares expenses per Exhibit Hall square footage by destination.

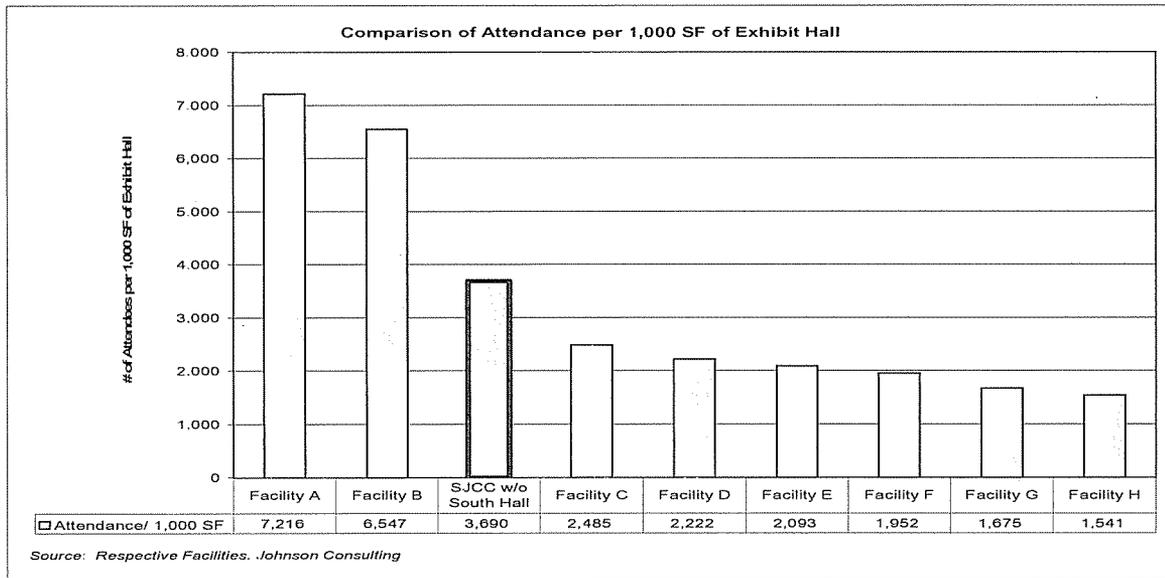


San Jose ranks sixth overall when comparing expenses per Exhibit Hall square footage.

- San Jose has the highest utility expenses. This comparison demonstrates that San Jose has the only facility not renovated or expanded in the competitive set.
- San Jose ranks fourth in payroll and benefits. This comparison is based on basic costs and does not take into account cost of living in each destination. San Jose would be ranked lower if cost of living was included in the comparison.
- Other areas to note are higher maintenance and repair and insurance costs.

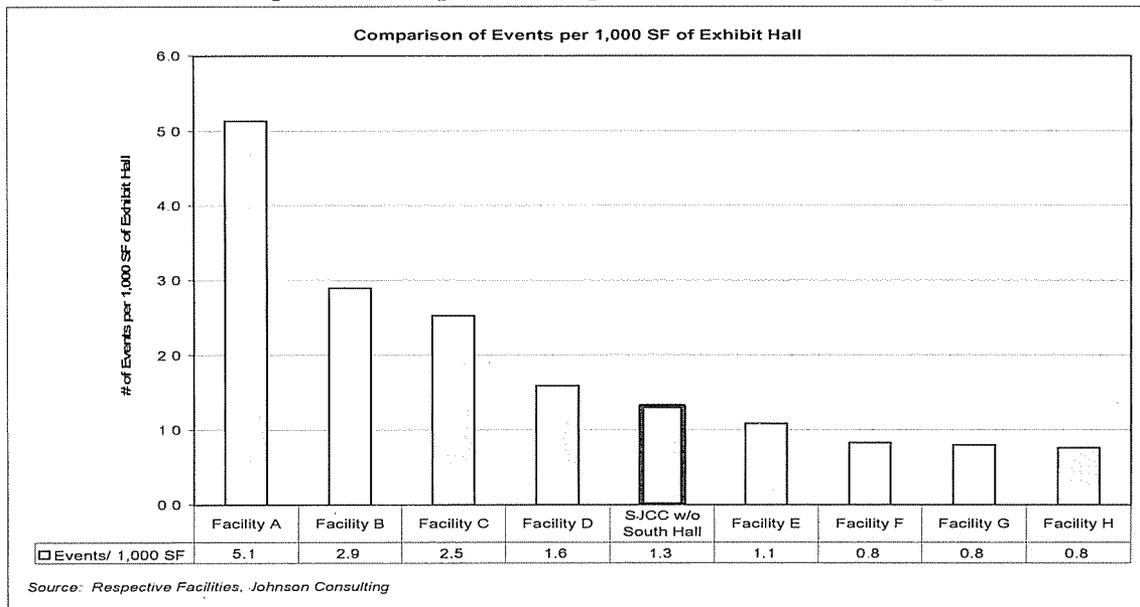
Comparing San Jose Attendance and Number of Events to Competing Destinations

Attendance per 100 square foot of Exhibit Hall space is another good comparison to evaluate success.



San Jose ranks third when comparing attendance per 1,000 square foot of Exhibit Hall space.

The chart below compares events per 1,000 square foot of Exhibit Hall space.



San Jose ranks fifth when comparing events per 1,000 square foot of Exhibit Hall space.

Summary Conclusion

Study Results demonstrate that San Jose competes well against competing destinations:

- Revenue and expenses in San Jose are in line with the comparable average of the eight competing centers.
- San Jose ranks second on food and beverage revenue and third for building rental revenue, when comparing San Jose operating revenues per exhibit hall square footage.
- San Jose ranks fifth among the competitive centers with 1.3 events per 1,000 square feet of exhibit hall.
- San Jose ranks third among the competitive set for attendees, generating 3,690 attendees per 1,000 square feet of exhibit hall.
- When comparing operating deficits, all centers have operating deficits based on the methodology used in the study comparing revenue to expenses. San Jose has the fourth lowest deficit as compared to its competitors.
- San Jose is the third lowest in the pack when comparing full and part-time payroll with benefit employees.
- San Jose has not been renovated or expanded, while all eight competitors have been renovated or expanded during the life of the facilities.
- San Jose has the smallest exhibit hall space and second smallest ballroom.

