Draft Copy
For Discussion Purposes

March 21, 2005

Mr. William D. Talbert, III
President and CEO
Greater Miami Convention & Visitors Bureau
701 Brickell Avenue, Suite 2700
Miami, Florida 33131

Dear Mr. Talbert:

We have completed a report outlining the findings of our engagement with the Greater Miami Convention and Visitors Bureau ("GMCVB") to update particular areas of the Miami Beach Convention Center ("MBCC") feasibility study originally conducted in 2001. The attached report presents our research, analysis and findings, and is intended to assist the GMCVB in providing project representatives with updated information that will assist in evaluating future MBCC facility development/improvement options.

The areas of update focused on as part of this analysis include recent developments in competitive facility construction, recent operating characteristics of the MBCC and an overview of trends that may impact any future facility development. The analysis presented herein is based on estimates, assumptions and other information developed from industry research, booking data provided by the MBCC, market data provided by the GMCVB and analysis of competitive and comparable facilities and cities. The sources of information, the methods employed and the basis of significant estimates and assumptions are stated in the report. Furthermore, all information provided to us by others was not audited or verified and was assumed to be correct.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

Conventions, Sports & Leisure International
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Table of Contents

I. Updated Competitive & Comparable Facility & Community Analysis

This chapter provides an updated review of the various physical characteristics and resources of the same set of competitive and comparable facilities and communities that were detailed in CSL's previous analysis. The objective of this overview is to isolate current trends and conditions with respect to competitive and comparable facility development.

The set of facilities analyzed in the 2001 study and the update presented herein are as follows: It should be noted that both the Greater Ft. Lauderdale/Broward County Convention Center and the Tampa Convention Center were not included in the 2001 analysis.

- Anaheim Convention Center
- Atlantic City Convention Center
- Boston Convention & Exhibition Center
- Colorado Convention Center
- Dallas Convention Center
- Ernest N. Morial Convention Center (New Orleans)
- George R. Brown Convention Center (Houston)
- Georgia World Congress Center (Atlanta)
- Greater Ft. Lauderdale/Broward County Convention Center
- Henry B. Gonzalez Convention Center (San Antonio)
- Kansas City Convention Center
- Los Angeles Convention Center
- Minneapolis Convention Center
- Moscone Convention Center (San Francisco)
- Orange County Convention Center (Orlando)
- San Diego Convention Center
- Tampa Convention Center
- Washington Convention Center (Washington, D.C.)

Within this section, various exhibit, meeting, ballroom/general session and hotel space characteristics are reviewed.

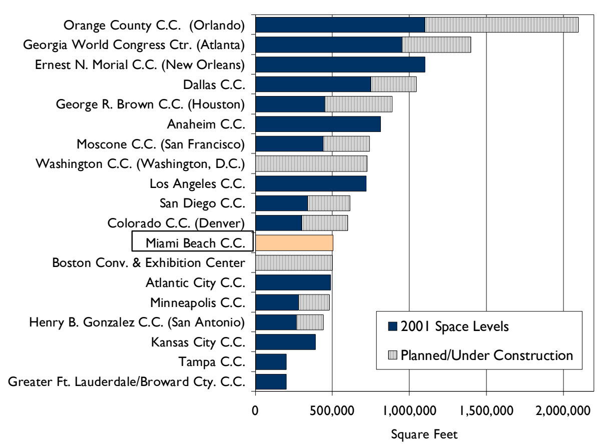
Exhibit Space

There are two types of exhibit space offered at the facilities reviewed: prime space and gross space. Prime space refers to the dedicated exhibition area that is column-free or with minimal columns, has high ceilings, utility grids and other such amenities. Gross space refers to the total area that can be used for exhibits, and often includes surrounding areas such as lobbies, meeting space, ballrooms and other such space.

For purposes of this analysis, we have tracked exhibit space levels provided at each of the comparable and competitive facilities since CSL's previous analysis in 2001. Exhibit I-1 presents a comparison of total prime exhibit space offered among the set of competitive and comparable facilities reviewed, highlighting both 2001 and 2005 space levels. For both, exhibit space that is either in the planning stages or is under construction is depicted in white with dashed lines.

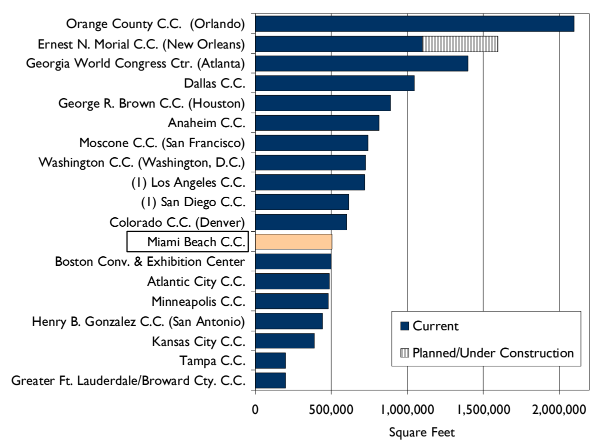
Exhibit I-1
Comparison of Prime Exhibit Space –
Competitive & Comparable & Facilities

Space Offerings - 2001



Average = 489,000
Median = 442,000

Space Offerings - 2005



Average = 734,100
Median = 616,000

(1) Convention center is discussing potential long-term expansion, although no square footage levels have been determined.
Note: Expansion at New Orleans' Morial C.C. has been delayed.
Average and median calculations are based on existing space inventory.
Sources: Facility management, floorplans and industry publications, 2001 & 2005

When the research was conducted in 2001 for the last feasibility study, 11 of the 17 facilities reviewed were either planning or conducting an expansion (Orlando, Atlanta, Dallas, Houston, San Francisco, Washington D.C., San Diego, Denver, Boston, Minneapolis and San Antonio). Over the past four years, all of these projects have been completed, and currently, there is only one venue among the comparable and competitive set that is significantly into the planning stages for a major expansion effort--New Orleans' Ernest N. Morial Convention Center. The project has been delayed and no projected completion date has been set. Taken together, this information is perhaps a preliminary indication that the growth in supply of major market convention space is beginning to level off, particularly in markets with exhibit space over 500,000 square feet.

Having said this, the facility development that took place between 2001 and today is significant, and will impact the event mix, event size and event levels for the MBCC going forward.

Over the four-year period since the pervious CSL study, the largest expansion project took place at Orlando's Orange County Convention Center, which opened a $750 million addition in 2003 that added approximately 972,000 square feet of exhibit space and 100,000 square feet of meeting space, as well as support space, a 1,500-foot pedestrian connector bridge and nearly 5,000 on-site parking spaces. The Center currently offers over 2 million square feet of exhibit space.

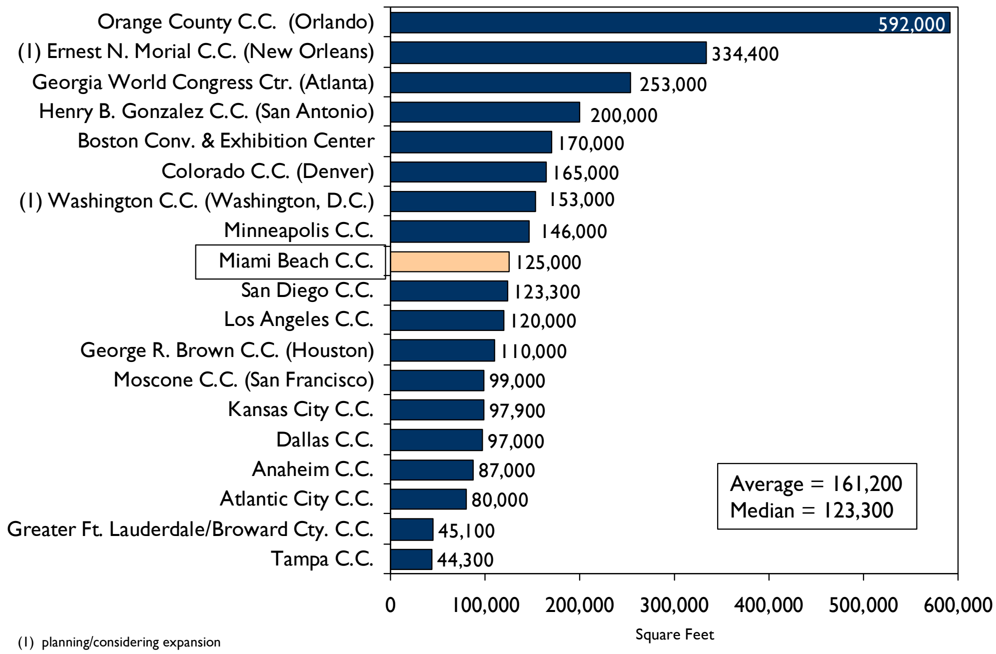
The 502,700 square feet of exhibit space incorporated at the Miami Beach Convention Center ranks 12th of the 19 competitive and comparable facilities reviewed and approximates 68 percent of the average of 734,100 square feet of prime exhibit space found at the identified competitive and comparable facilities. Among venues incorporating fewer than one million square feet of exhibit space, an average approximately 608,000 square feet is provided.

Meeting Space

Sufficient modern meeting space is very important in attracting and accommodating events in the convention, conference and meetings industry. Event organizers see it as an important factor in their selection of host cities. Meeting space is typically highly flexible (sub-divisible) with high-end acoustics, event technology and separate service corridor access. In today's convention environment, the holding of educational sessions, training seminars, general sessions and related functions is an increasingly critical event component. To the extent a facility offers lower levels of meeting space, there can be difficulties in competing for large association and corporate conventions.

Exhibit I-2 on the following page compares square footage levels of convention center meeting space offered among the set of venues reviewed.

Exhibit I-2
Comparison of Meeting Space –
Competitive & Comparable Facilities



(1) planning/considering expansion
Sources: facility management, floorplans and industry publications, 2001 & 2004

As presented in the exhibit, the amount of meeting space offered in competitive and comparable facilities ranges from approximately 44,300 square feet in Tampa to 592,000 square feet in Orlando, Florida. The Miami Beach Convention Center ranks ninth among the 19 facilities reviewed, at approximately 125,000 square feet.

The meeting space at the MBCC is equivalent to approximately 78 percent of the average square footage of 161,200 square feet, and is nearly equal to the median square footage of 123,300 square feet among the competitive and comparable facility set.

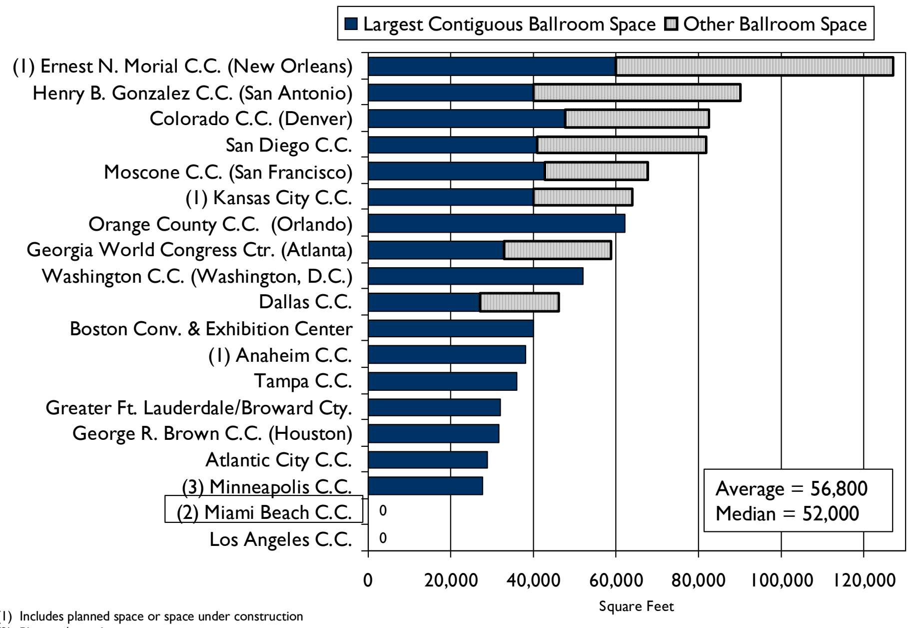
Ballroom/General Session Space

Ballroom/general session space is also an important characteristic that event planners review when selecting a potential facility. Planners have increasingly placed a premium on such space in their selection of host cities. In general, traditional ballroom/general session space is desirable in that it tends to keep event delegates in the convention center during large assembly and food function periods. Further, adjacent hotel ballrooms may be occupied with unrelated events that may prevent their use by convention center events.

Development of dedicated, state-of-the-art ballroom/general session space has taken place in many recently-built centers, while many older centers do not offer dedicated ballroom/general session space.

Exhibit I-3 below compares the square footage of convention center ballroom/general session space among the primary competitive and comparable facility set. Data presented depicts the largest contiguous ballroom space, with other or "junior" ballroom space depicted in white with dashed lines.

Exhibit I-3
Comparison of Ballroom/General Session Space –
Competitive & Comparable Facilities



(1) Includes planned space or space under construction
(2) Planning/considering expansion
(3) Uses a section of exhibit hall for a 50,000-square foot ballroom/general session space
Note: Average and median calculations include current space levels among all facilities offering ballroom/general session space.
Sources: facility management, floorplans and industry publications, 2001 & 2005

Upon completion of its planned expansion, the Ernest N. Morial Convention Center (in New Orleans) will offer the most such space, at 127,000 square feet. Of the reviewed facilities providing dedicated ballroom/general session space, approximately 56,800 sellable square feet is incorporated on average. Two facilities, the Miami Beach Convention Center and the Los Angeles Convention Center, offer no dedicated ballroom/general session space, although both facilities have future plans for ballroom/general session space addition.

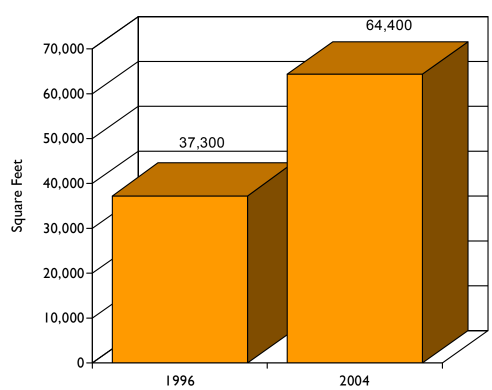
In terms of amount of largest contiguous ballroom/general session space offered, Orlando's Orange County Convention Center currently provides a 62,200-square foot ballroom/general session area, ranking first among the competitive and comparable facility set. Kansas City currently provides the smallest ballroom/general session area, at fewer than 24,000 square feet; however, renovations and technology upgrades at the Kansas City Convention Center will be completed in 2005, while the new 40,000-square foot ballroom/general session space is scheduled to open in late 2006. The addition will also incorporate more than 35,000 square feet of pre-function/registration space.

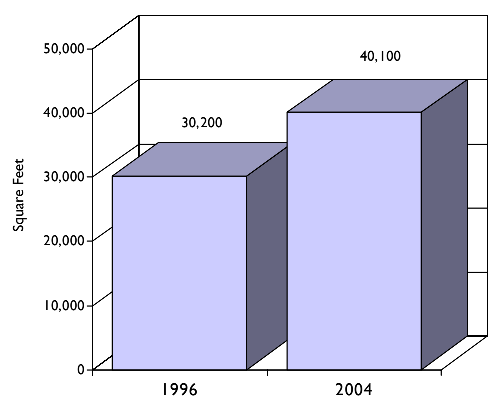
Historically, the MBCC has utilized either exhibit or meeting space for on-site general session and food functions, while many events have used the largest nearby hotel for such activities. The lack of ballroom/general session space within the Center is a competitive disadvantage of the facility when competing for various association, corporate and other events.

Based on past CSL interviews with planners of major national convention and tradeshow events, a significant portion of planners either prefer or require dedicated ballroom and/or general session space. In recent years, these facilities have become highly desired space in convention centers, due both to their flexibility in hosting many types of activities and the changing nature of the event industry itself. The ballroom of past years is today programmed with general session lectures, many of which receive and/or broadcast digital content.

The fact that one-half of the competitive and comparable convention facilities have added ballroom or general session space since the CSL study in 2001 is of significant importance. Recent research conducted by CSL indicates a relatively dramatic shift in the mix of space offered in "state-of-the-industry" convention centers throughout the country. Specifically, the space offerings of 14 major U.S. convention centers that have undertaken recent expansion were analyzed. Such ballroom development trends are further explored in Exhibit I-4 on the following page, which explores both the average square footage of total facility ballroom space and the average square footage of the largest ballroom among 14 major U.S. convention centers that have undertaken expansion since 1996.

Exhibit I-4
Ballroom Development Trends –
Competitive & Comparable Markets



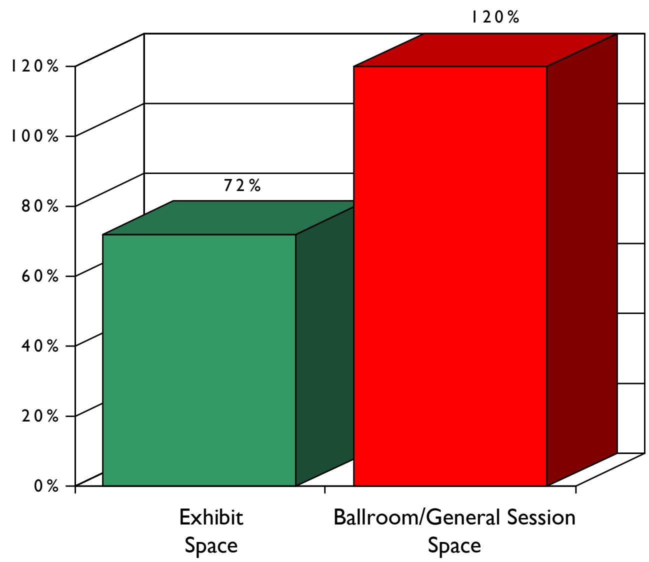


NOTE: 14 major U.S. convention centers that have undertaken expansion since 1996 were analyzed. Figures for both years only reflect centers that possessed at least one ballroom. Four of the 14 centers reviewed did not possess a traditional ballroom in 1996, while all facilities currently integrate at least one ballroom.
Source: Facility floorplans, 1996 & 2004

As noted, the average ballroom/general session square footage has increased by nearly 10,000 square feet since 1996. Combined with other "junior" ballroom areas, the total ballroom/general session space at the centers reviewed exceeds 64,000 square feet, up from 37,300 square feet in 1996.

Exhibit I-5 on the following page presents a summary of the percentage increase in square footage by type of space since 1996. Again, results are based on the same set of 14 major U.S. convention centers that have undertaken expansion since 1996.

Exhibit I-5
Percentage Increase in Square Footage by Type of Space Since 1996



NOTE: Data reflects figures from 14 major U.S. convention centers that have undertaken expansion since 1996.
Includes figures from 3 facilities that did not possess traditional ballrooms in 1996.
Source: Facility floorplans, 1996 & 2004

As noted above, convention center expansions in recent years have resulted in a 72 percent increase in exhibit space, with a corresponding 120 percent increase in ballroom/general session space. This is further indication of the relative importance of the varied functions that are being held in such ballroom/general session areas.

This data begins to underscore the importance of added meeting and ballroom space with any future MBCC enhancement. Such enhancements would ideally yield a higher proportion of meeting and ballroom space to exhibit space than is currently offered. In the 2001 feasibility analysis conducted by CSL, it was recommended that a 50,000-square foot multi-purpose general assembly/banquet hall be pursued. This should be considered a minimum level. Plans that had been discussed for up to 100,000 square feet of added multi-use space may be desirable given the recent steady growth in MBCC event activity, as summarized later in this update.

Hotel Characteristics

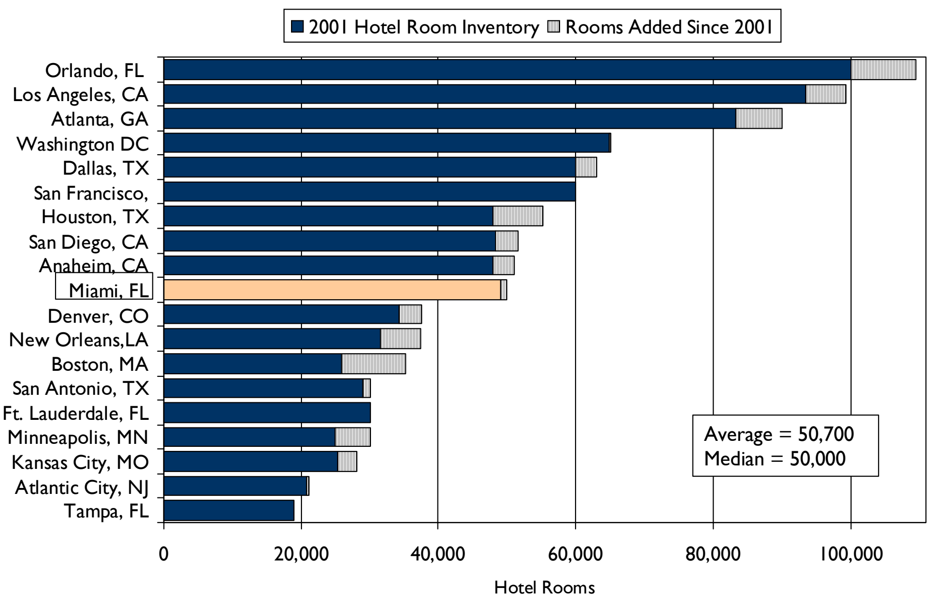
The availability of hotel rooms to serve the requirements of the convention industry is a critical factor in the success of a public assembly facility. The inventory of hotel rooms in a community is measured in many different ways, including the following:

- total inventory of rooms;

- inventory of committable rooms (rooms that hotels will commit for an event);
- rooms within walking distance; and
- other such measures.

For purposes of this analysis, the total inventory of rooms within each of the competitive and comparable markets and the hotel rooms at headquarters hotel(s) has been assembled. Exhibit I-6 details the range of total available hotel rooms in each of the markets, as estimated by each community's Convention and Visitors Bureau, as of January 2004. The number of rooms added since 2001 is depicted in white with dashed lines.

Exhibit I-6
Comparison of Total Hotel Rooms –
Competitive & Comparable Markets



Note: 2001 hotel inventory for Atlantic City, Tampa and Ft. Lauderdale is not available.
Source: CVB management and industry publications

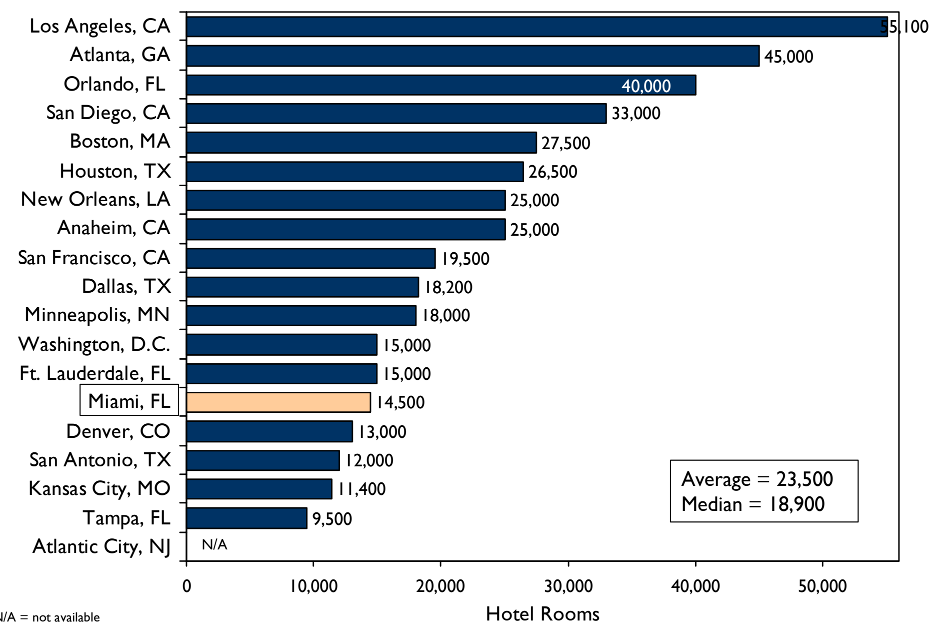
As shown, there is a wide range in the number of hotel rooms in the markets reviewed, with Orlando, Florida offering the greatest hotel inventory at approximately 109,600 total rooms market-wide, up nearly ten percent over the four-year period. The approximate 50,000 total hotel rooms available in Miami ranks at the median of the competitive and comparable set. At the time of the 2001 study, it was estimated that 49,000 guestrooms existed in Miami.

On average, approximately 4,000 hotel rooms were added to each community over the four-year period, representing an approximate eight percent increase. This compares to an estimated gain of 1,000 hotel rooms in the Miami area, which translates to a two percent increase in guestroom inventory. Planned and active conversion of portions of the existing hotel inventory into condominiums will impact the local room supply growth in the greater Miami market.

An important aspect in attracting convention, conference and tradeshow events is the availability of *committable* hotel rooms in the local market and, specifically, those close to the Center. In general, the industry market share gained by a convention facility cannot expand beyond the capacity of the local hotel base.

While the committability of rooms within hotels will vary depending on season and day of week, Exhibit I-7 below presents the total committable hotel rooms in the community for the same selected group of competitive and comparable cities.

Exhibit I-7
Comparison of Total Committable Hotel Room Availability – Competitive & Comparable Markets



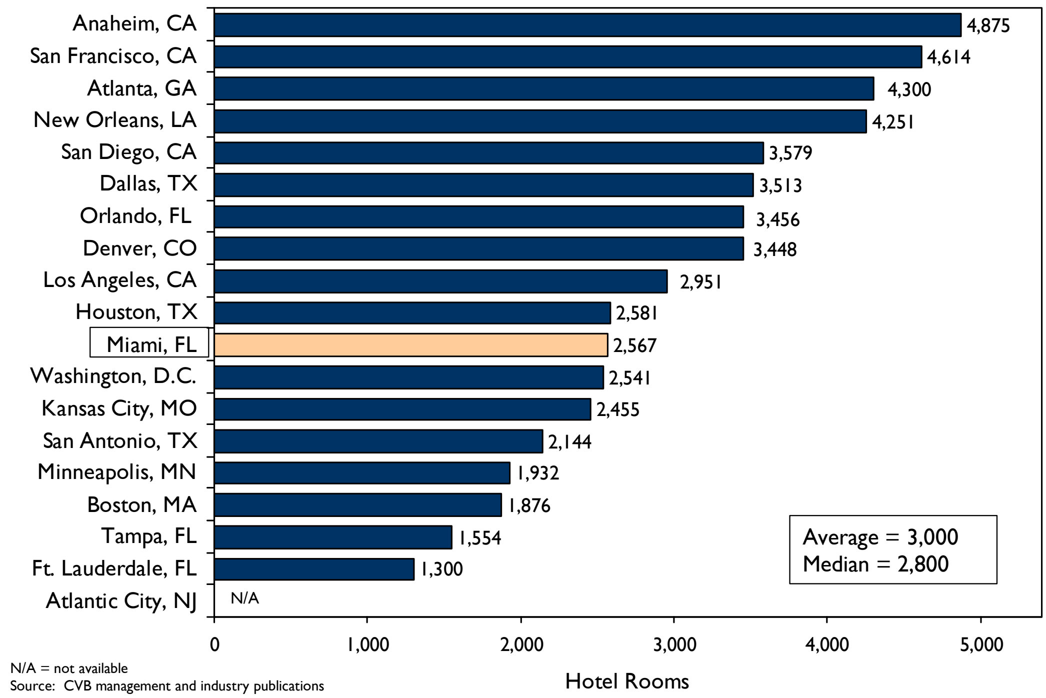
N/A = not available
Source: CVB management and industry publications

Of the estimated 50,000 total guestrooms in the Miami area, approximately 14,500 are considered to be committable to event planners in the form of room blocks, ranking 14th among the 19 markets reviewed. This amounts to approximately 29 percent of total inventory. Los Angeles ranks first, offering a total of more than 55,000 committable rooms city-wide. The average number of committable rooms for the cities reviewed is nearly 23,500.

Events drawn to Miami are often those that are looking for a collection of high-end, unique properties. The MBCC may be challenged to accommodate very large events requiring minimal number of properties located adjacent to or very near the Center.

We have also measured the hotel inventory of the three largest hotel properties within one mile of the convention center as demonstrated in Exhibit I-8.

Exhibit I-8
Comparison of Total Rooms of Three Largest Hotels within One Mile of Convention Center – Competitive & Comparable Markets



N/A = not available
Source: CVB management and industry publications

The three largest hotels within one mile of the Miami Beach Convention Center (the Royal Palm Resort, Loews Miami Beach and the Fontainebleau Hilton Miami Beach), offer a total of approximately 2,567 rooms, ranking 11th of the 19 markets analyzed. This data highlights a potential limitation of the market relative to larger destinations in attracting large trade-oriented events which tend to require large adjacent headquarter hotel properties. Recent increases in MBCC bookings have focused more on the convention market with an attendee base looking for a broader set of unique properties as found in the greater Miami area.

II. Current Facility Characteristics and Utilization Analysis

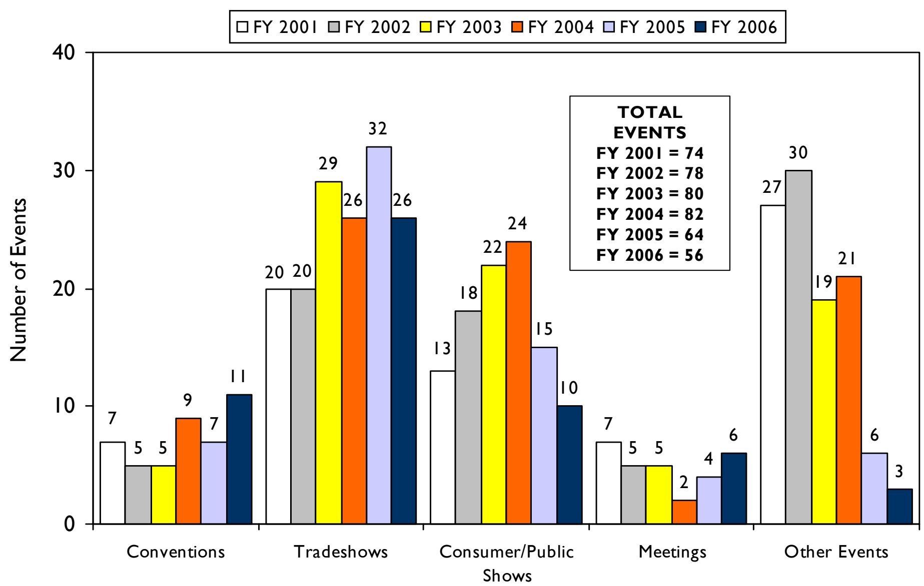
The purpose of this section is to inventory and analyze the historical operations of the Miami Beach Convention Center, including data subsequent to the 2001 report. Understanding both past and future utilization levels, event mix and other such characteristics of the facility is important to provide a basis from which to evaluate short and long-term market demand characteristics.

It is important to note the following three facts as we proceed with this section:

- Event bookings from FY 2005 and beyond include both definite and tentative events.
- The annual period used in this analysis runs from July 1st through June 31st of the following year.
- Future event levels and corresponding data presented in this section are representative of booking data provided by MBCC management as of January 2005.

Since its completion, the MBCC has hosted a variety of events, including conventions, tradeshows, public shows, food and beverage functions, conferences, meetings and other such events. Exhibit II-1 presents a detailed summary of the total number of both past and future events hosted at the MBCC from FY 2001 through FY 2007.

Exhibit II-1
Total Events Hosted –
Miami Beach Convention Center (FY 2001 – FY 2006)



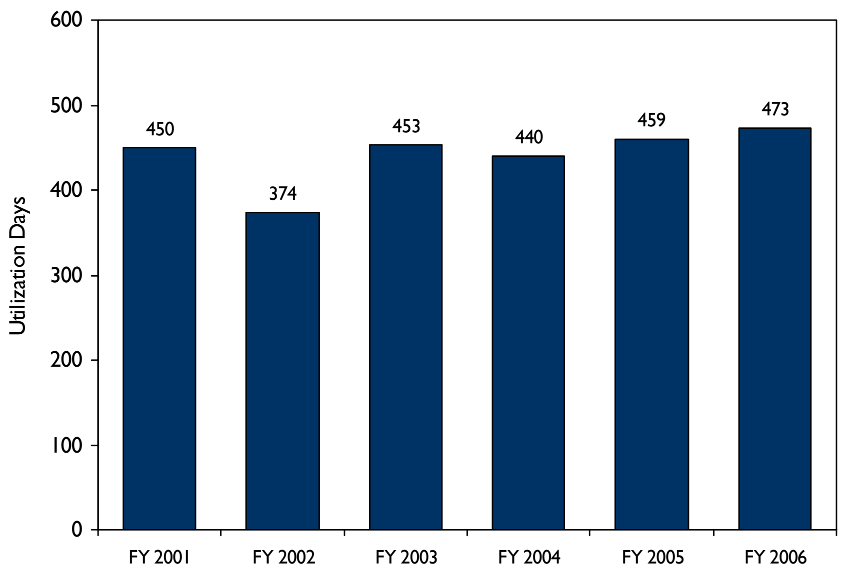
Note: Event bookings from FY 2005 and beyond include both definite and tentative events.
Source: Facility Management, 2005

As shown on the previous page, the total number of events hosted by the MBCC has remained fairly constant in recent years, generally in contrast to the recent declining economic/industry market conditions. The total number of events held at the Center has increased each of the past four years, averaging nearly 80 events per annum. Specifically, the facility has hosted a total of 82 individual events in FY 2004, the highest total of the six-year period reviewed. Event bookings for both 2005 and 2006 are strong, with 64 and 56 events pre-booked, respectively. The decline in total events after 2004 is largely indicative of the fact that a number of short-term, often smaller "other event" bookings will serve to "fill in" available dates.

Very importantly, in looking closely at past MBCC event levels, convention and tradeshow event levels have increased in number over the past few years, with continued strong bookings going forward. These events are most important to a convention center and its market, as they generate the greatest amount of economic impact among the five identified event types. As shown, the facility hosted approximately 24 public shows during FY 2004. While these events support overall Center utilization levels and financial operating performance, with few exceptions, they do not generally contribute to significant room night generation and corresponding economic impact for the community.

Exhibit II-2 below presents the total number of utilization days (including move-in, event and move-out days) by event type for the same six-year period.

Exhibit II-2
Summary of MBCC Utilization Days
(FY 2001 – FY 2006)

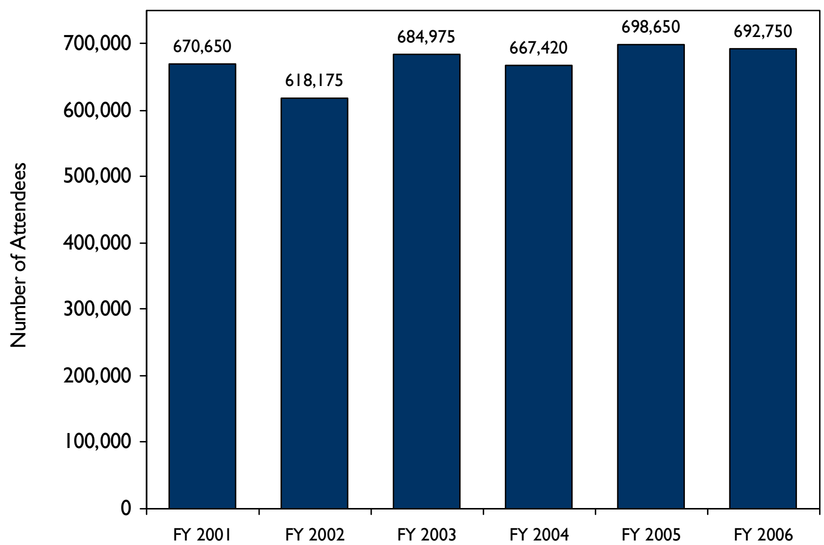


Note: Event bookings from FY 2005 and beyond include both definite and tentative events.
Source: Facility Management, 2001 & 2005

As presented, the number of utilization days is projected to increase over each of the next two fiscal years. Following the events of September 11, 2001 and the resulting downturn in the economy, total utilization days at the Center declined to 374 in FY 2002. However, by FY 2006, this number is expected to increase to 473 days (a number that will likely further grow as short-term bookings "fill in" available dates), representing an approximate 26 percent increase over FY 2002 levels. The number of utilization days per annum at the MBCC has averaged approximately 442 over the six-year period reviewed.

Our analysis of current facility characteristics and utilization also includes a review of MBCC event attendance, as outlined in Exhibit II-3 below.

Exhibit II-3
Summary of MBCC Event Attendance (FY 2001 – FY 2006)



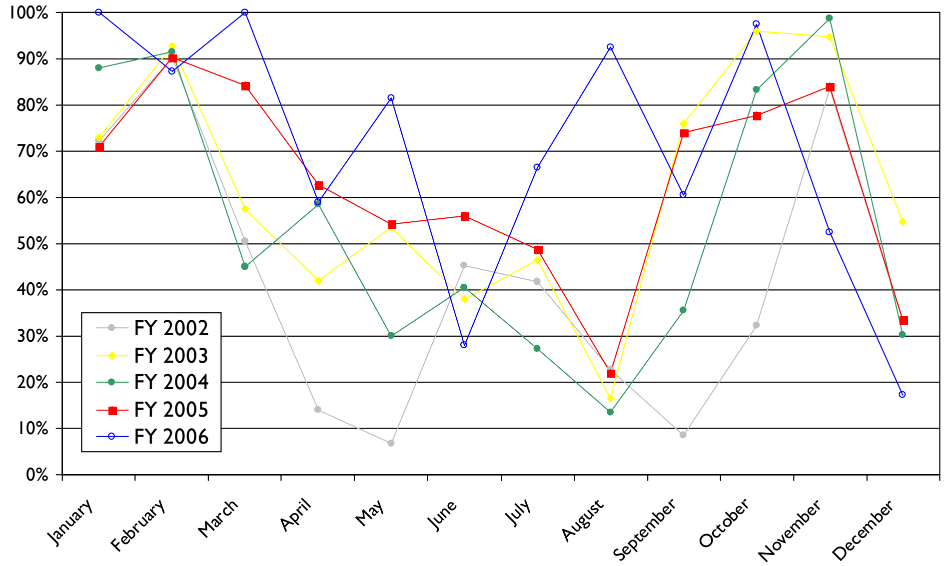
Note: Event bookings from FY 2005 and beyond include both definite and tentative events.
Source: Facility Management, 2005

As presented, attendance at the MBCC has ranged between 618,000 and 699,000 over the six-year period reviewed. Although the number of events projected for FY 2005 is below that of previous years (as outlined previously), attendance is expected to reach a high of nearly 700,000 at the MBCC, based on event planner forecasts. Assuming some level of "fill in" business in 2006, it is quite possible that MBCC attendance could surpass 700,000.

In an effort to further assess historical use patterns, an analysis of usage seasonality by month for MBCC exhibit space has been undertaken. This type of analysis can identify any potential that a significant level of "clustering" in one or two months may have on event levels. A high percentage of use centered in one or two months may indicate that existing exhibit space levels at the MBCC unable to fully accommodate its total demand.

Exhibit II-4 below presents MBCC historical exhibit space utilization at by month for the five-year period spanning FY 2002 through FY 2006.

Exhibit II-4
Historical MBCC Exhibit Space Utilization
By Month (FY 2002 - FY 2006)



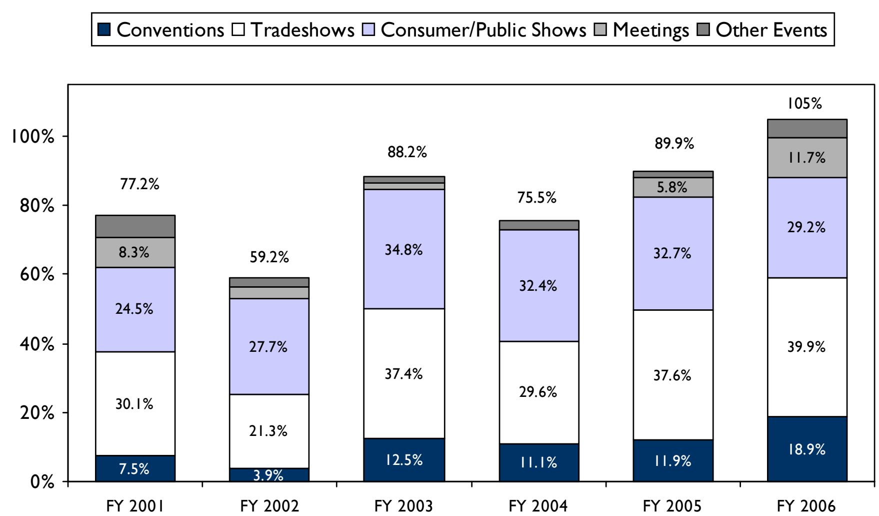
Source: Facility Management, 2001 & 2005

As presented above, the seasonality patterns at the MBCC are consistent with general industry conditions relative to spring and fall peaks in convention, trade and related event activity. Similar to the findings of the 2001 study, usage tends to peak during the months of February and November, in which MBCC exhibit space has frequently being utilized at or above a 90 percent rate over the period reviewed. As noted later in this chapter, added trade event activity has boosted occupancy of the Center, with much of this added occupancy taking place during key convention months. Assuming the overall MBCC demand levels are maintained or increased, the addition of the planned multi-use/general session space will be important to maintain facility inventory to accommodate association and corporate events with significant room-night generating potential.

Our analysis also incorporates a measure of recent and projected exhibit space occupancy within the MBCC. The occupancy of a facility is determined to be within a practical maximum capacity range when the actual occupied space in a facility reaches a level of 70 to 90 percent of total sellable capacity. Below 70 percent occupancy, a facility may be holding excess capacity. Above 90 percent occupancy, a facility has reached "practical maximum capacity" and may be turning away significant business. Total sellable capacity is determined by multiplying the total primary function space of a facility by 365 days and then multiplying the resulting figure by 70 percent. The 70 percent adjustment factor accounts for the reality that a portion of the facility's total capacity is un-sellable due to holidays, maintenance days and inherent booking inefficiencies that result when events cannot be scheduled immediately back-to-back.

Exhibit II-5 presents a summary of exhibit space occupancy percentages for the six-year period spanning FY 2001 through FY 2006. Data is segmented by event type into five primary event categories: conventions, tradeshows and meetings (which generate significant levels of room nights and associated economic impact); and consumer/public shows and other events (which cater more to the local population base).

Exhibit II-5
Historical MBCC Exhibit Space Square Footage
Occupancy by Event Type (FY 2001 – FY 2007)



Note: Figures based on total square footage utilized. Total square feet per exhibit area was reduced by 30 percent to better reflect total space availability.
Source: Facility Management, 2001 & 2005

Overall exhibit space occupancy at the MBCC has averaged approximately 75 percent over the past four fiscal years. However, based on current bookings, looking forward to FY 2005 and FY 2006, exhibit space occupancy is projected to range between 90 and 100 percent, indicating a full facility and little or no ability for the Center to book additional events.

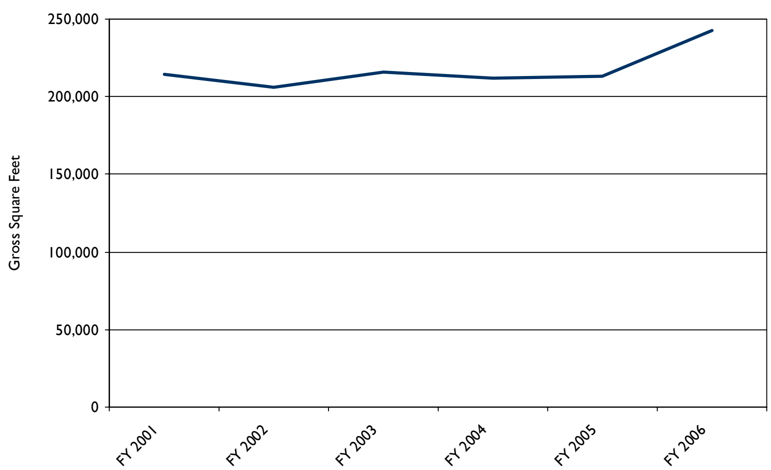
Clearly, convention and tradeshow activity at the MBCC comprise a very important component of exhibit space occupancy, given their ability to generate significant levels of economic impact in the community. In fact, such business will account for more than 50 percent of overall MBCC occupancy in both FY 2005 and FY 2006. Based on conversations with both GMCVB officials and MBCC management, the following conditions were noted as to why event and occupancy figures are projected to increase to record levels.

- Strong rotational association and corporate convention business;
- Increased base of Latin American-themed tradeshows;
- Growing events such as Graphics, Jewelry and Seatrade Shows;
- New, emerging shows such as Boat Builders; and
- The shifting of events from the 286,000-square foot Miami International Merchandise Mart (i.e., Swimwear and Footwear shows).

At the same time, consumer/public shows, which are generally not regarded as large generators of economic impact, have consistently decreased in number and size since FY 2003 and will likely continue to comprise a smaller portion of overall occupancy at the Center, going forward.

Exhibit II-6 details an eight-year summary of the average event size among all events utilizing MBCC exhibit space, in terms of daily gross square feet of exhibit space usage.

Exhibit II-6
Average MBCC Per Event Exhibit Space Usage
(FY 2001 – FY 2006)

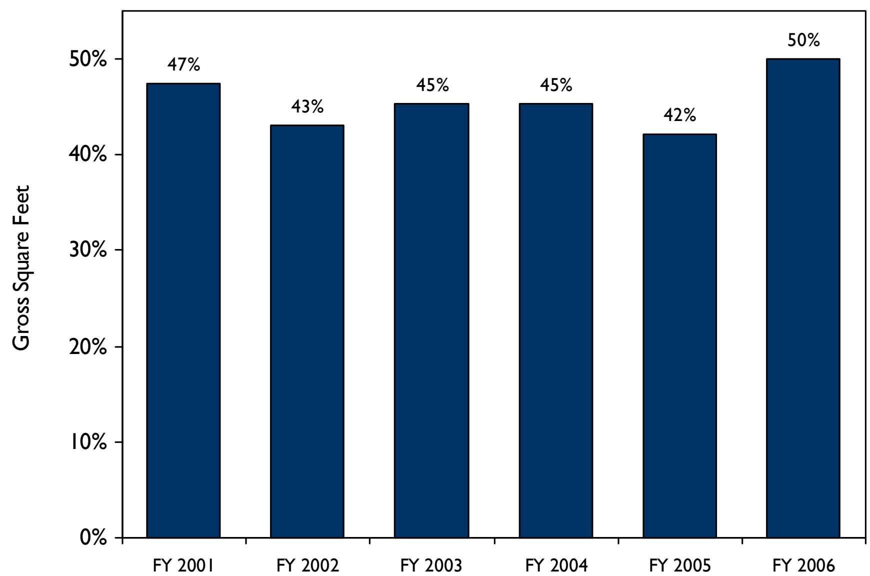


Note: Event bookings from FY 2005 and beyond include both definite and tentative events.
Figures represent average amount of gross square feet of exhibit space occupied per day.
Source: Facility Management, 2005

In terms of exhibit space usage, the average event hosted at the MBCC between FY 2001 and FY 2006 has utilized or plans to occupy approximately 217,400 gross square feet of exhibit space on a per-day basis. The average event size has shown a pattern of relative growth from FY 2004 going forward, ranging between 212,000 and 243,000 gross square feet of space. The average exhibit-based event in FY 2005 approximates 213,000 gross square feet of exhibit space, or approximately 42 percent of the current available exhibit space square footage offered at the MBCC.

Expanding on the idea of exhibit space square footage utilization, we have also measured the percentage of events occupying more than 200,000 GSF of exhibit space for the same six-year period spanning FY 2001 through FY 2006. Results are presented on the following page in Exhibit II-7.

Exhibit II-7
Percentage of Events Occupying More Than
200,000 GSF Exhibit Space (FY 2001 – FY 2006)



Note: Event bookings from FY 2005 and beyond include both definite and tentative events.
Source: Facility Management, 2005

As shown, with the exception of 2006, fewer than 50 percent of all events using exhibit space at the Center require 200,000 gross square feet. This percentage has remained relatively constant over the reviewed period. In aggregate, this data indicates that the Center caters to a wide variety of event sizes, and that smaller events play a critical role in supporting the facility occupancy. Many of these smaller events are accommodated concurrently with other events at the Center.

Taken together, data for past MBCC operations indicate that occupancy, event and attendee levels have effectively sustained a significant industry downturn. In fact, growth in space use has been registered during the reviewed period. The data indicates that further development of ballroom/general session space should be sized at the high end of the targeted range (between 50,000 and 100,000 gross square feet) as previously discussed.

Appendix A Update of Industry Characteristics and Trends

In the past decade, there has been significant development, both public and private, within the conference and convention facility industry. This has occurred within the context of a national economic recession over the past two years, industry consolidation and lingering effects resulting from the events of September 11, 2001, the 2003 SARS outbreak and other conditions.

There are new realities and a shifting of basic demand and supply characteristics that impact the magnitude and market focus for convention center expansions. It is important to assess how these characteristics impact the demand for added convention space in Miami.

Convention events produced by corporations have the potential to fundamentally change the magnitude, space needs, seasonality patterns and event volatility within the industry.

Major national corporations are again producing "private" convention and trade events in order to better control the environment in which their customers view product and services. Space in convention centers is needed to host large general assemblies, displays of products and services, training/motivational sessions and other related functions. As this trend continues to develop, corporations in various economic sectors will slightly reduce their participation in traditional industry events, refocusing resources on the private assemblies and thereby increasing demand for breakout meeting space.

This phenomenon may actually serve as a drag on long-term exhibit space growth at existing convention and trade events, while at the same time serving to increase the overall number of industry association and corporate events. The growth in the number of events, combined with a comparatively slow growth in average exhibit space needs, balances well with the general focus of the MBCC on multiple overlapping events, versus single, very large exhibit space users.

To address this type of industry change, it will be important to recognize the types of facility amenities that are driving site selection decisions among corporate event planners. Features that emphasize ample, quality meeting space, large general session areas; a generally high-end level of finish, and wireless and other high technology features will be critical in any expansion in order to capitalize on the corporate event trend.

Increasingly, there are other selection criteria beyond the facility.

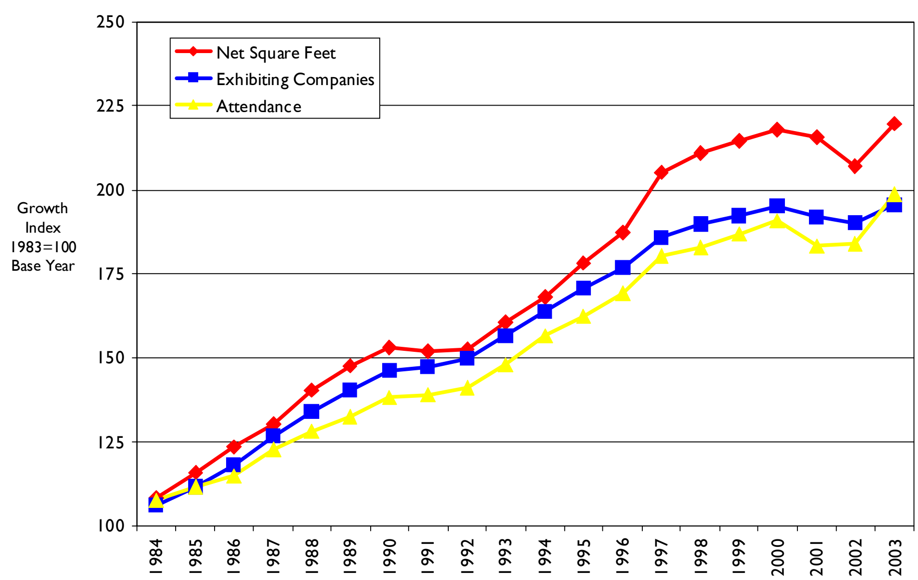
Beyond facility features, event planners will increasingly focus on the ability of a convention center district to meet the entertainment and dining needs of event attendees. In past years, event planners have cited a quality convention center and sufficient hotel inventory as the most critical elements in selecting a destination. This has not changed in recent years; however, it is true that more and more destinations are able to offer such a package.

With the fundamental facility requirements addressed in more and more destinations, the event planner can turn to other features to differentiate between event locations. One of the features often focused on is the availability of an entertainment district that offers event attendees attractive after-hours entertainment. It is this type of element that may drive attendance at an event up incrementally, and any added attendance allows the event planner the opportunity to market a more lucrative event to the exhibitor base. This selection characteristic provides a competitive advantage for marketing the MBCC in conjunction with the Miami Beach and surrounding areas.

Industry publications also indicate future demand growth.

The square footage, number of exhibitors and attendance levels of the convention and tradeshow market has continually grown since 1984, with two primary exceptions: one being a brief two-year period in the early 1990s and the second coming approximately ten years later. More specifically, the industry leveled off in 1990 and 1991 due to a combination of the nationwide economic recession and the Gulf War. By 1992, this decline reversed itself, with growth rates reaching mid-1980s levels. More recently, impacts related to the overall condition of the economy and the events of September 11th, 2001 have had a significant effect on the industry. Exhibit III-1 summarizes tradeshow industry growth since 1984, with 1983 representing the base year of the index.

Exhibit III-1
Convention & Tradeshow Industry Growth



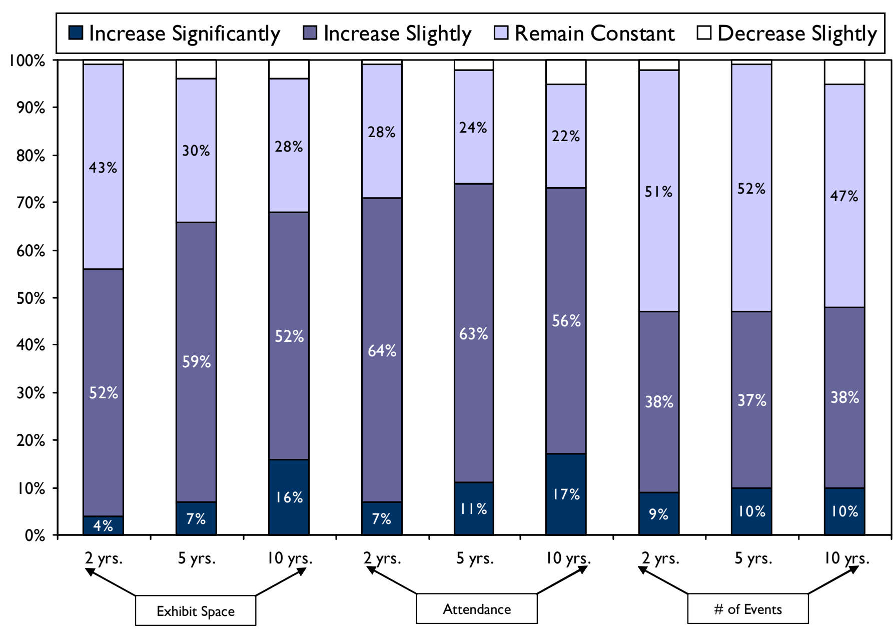
Source: Tradeshow Week, 2004

Between the years 2000 and 2001, three important measures of industry performance (square feet of space use, exhibiting companies and attendance) recorded declines. Beginning in 2002, and continuing through 2003, it appears that key measures of the industry are rebounding. Generally speaking, the data on current industry strength (as generated by CSL and other sources) indicates that the *concept* of a convention/trade event will not likely recede into disuse, rather these events will remain a vital component to the trade of product, the sharing of ideas and the presentation of industry innovations.

Even with potential structural changes, there is optimism as to overall growth patterns over the next several years.

CSL recently conducted extensive analysis on the national convention and tradeshow industry in which event planners were asked how they projected changes to exhibit space needs, event attendance and the number of events produced over the next two, five and ten years. Results are shown in Exhibit III-2.

Exhibit III-2
Expected Changes in Exhibit Space, Attendance & Number of Events – National Conventions & Tradeshows



Source: CSL Interviews, 2004

As shown, among more than 200 respondents, between 56 and 68 percent of planners surveyed foresee exhibit space growth over the next two to ten years with regard to their event(s). Four to 16 percent characterize this space growth as "significant." Similar data is registered for growth in attendance, with more than 70 percent of the national convention and tradeshow market expecting attendance to increase over the next two to ten years.

Approximately 50 percent of planners surveyed project growth in the number of events produced, with between nine and ten percent project this event growth to be significant. For each measure of industry performance, there is very little indication of decline.

This data reinforces the concepts of modest long-term growth in space needs, attendance and event levels within the industry.