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Hospitality is Back

BY JAMES BROCK - MARCH 18, 2024

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Ahmed Elassy, general manager of the AC Hotel by Marriott Los Angeles South Bay. (Photo by Thomas Wasper)

If you asked **Imran Ahmed** back in 2020 what keeps him up at night, the general manager of the **Long Beach Marriott** would probably blurt out a laundry list of issues he was grappling with – his guests were quarantining at home, all meeting and event bookings had been cancelled or postponed and his hotel was in a midst of a \$20 million renovation.

“During the lockdown we had nothing going on,” he said. “Spending money when you’re not making money (was) very difficult.”

But these days, with a robust 2023 behind him and this year’s reservations sustaining the growth pace, Ahmed’s problems are good ones to have.

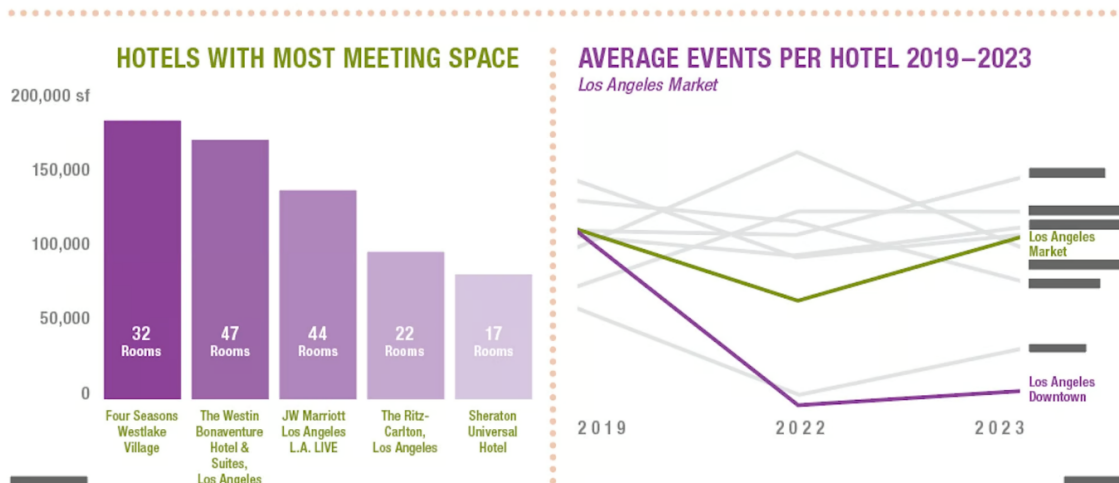
“The only thing that would keep any general manager up all night now is how will you beat these numbers next year,” he said.

Long Beach Marriott is among a group of hotels located outside of Downtown Los Angeles that have rebounded from the pandemic and then some. The uptick in their business includes meeting and events bookings, which in 2023 were 11% higher on average than in 2019, according to **Knowland Group**, a Virginia-based company that provides business-development products and services to the hospitality industry. The so-called secondary markets include properties in Hollywood, Beverly Hills, El Segundo, Santa Monica, South Bay and Long Beach, as well as in Southeast and East Los Angeles.

Data collected by Knowland analysts shows that from 2019 to 2022 the decline of hotel bookings for meeting and events was 68% for downtown and about 28% for the entire county of Los Angeles. From 2022 to 2023, Los Angeles County has “basically recovered based on the rise in non-downtown bookings.” In 2023, “it recovered to just 4% shy of 2019, whereas the downtown area of L.A. continues to struggle at about 61% of 2019 activity,” according to Knowland.

A similar scenario has played out for meetings and events held at Los Angeles County’s three convention centers, which were not included in Knowland data sets. The Los Angeles Convention Center in downtown concluded its fiscal-year 2023 with an operating profit of \$8.7 million, which is on par with the pre-pandemic revenue, according to the facility’s annual report. However, the center posted a nearly 23% dip in event bookings when compared to 2019, according to **Lodging Analytics Research and Consulting** in New York.

Long Beach Convention and Entertainment Center also hosted fewer events last year than in 2019 – 240 compared to 300 – but the events lasted longer and had higher attendance, which resulted in an uptick in annual revenue, according to Visit Long Beach.



Their smaller counterpart in Pasadena likewise had a good year.

“While we haven’t yet returned to the pre-pandemic levels of activity, the progress we’ve witnessed in Pasadena’s event landscape is very promising,” **Kristin McGrath**, Visit Pasadena’s executive director, said in a statement. “In 2023, we saw a 107% increase in events at the Pasadena Convention Center since reopening in 2021. We anticipate exceeding 2019 levels in 2024.”

Tourism is an economic engine

Full tourism recovery – domestic, overseas, and meetings and conventions – is top of mind for **Adam Burke**, president and chief executive of the **Los Angeles Tourism and Convention Board**, who described the event business as “the unseen driver of L.A.’s economy.”

“In 2019, professional meetings and events generated \$24 billion in local business sales ... and of that \$24 billion, \$8 billion, or fully a third, is conventions and trade shows at the Los Angeles Convention Center,” Burke said. “The Knowland data very much tracks with ours. What we are seeing is (meetings that don’t utilize the convention center) are having a very strong recovery, particularly in the corporate segments, in key verticals like tech, medical and pharma, and that’s why you’re seeing in the broader L.A. region very robust recovery in the meeting segment.”

He added that the city has a number one port and a number two airport in the nation, “but nine out of 10 of the top 250 conventions that happen every year in the U.S. meet in just 20 destinations, and L.A. is not one of them, and there is just one simple reason – because we have our West and South (halls) so separate we cannot take any citywide convention that requires more than 350,000 square feet of contiguous meeting space ... As a result, our convention center is tied for 21st place in the nation with Kansas City. And that’s something we have to fix with a sense of urgency. We have one of the nation’s most robust, innovative and diverse meeting packages, but, unfortunately, we have a 50-year-old convention center that cannot accommodate the larger groups that would really allow us to be competitive.”

The events at the convention centers are often booked years in advance. Over the five-year period from 2015 through 2019, some 171 potential conventions did not come to L.A. due to the configuration of space at the convention center, with an estimated loss of \$2.8 billion in economic impact within the city, according to the tourism and convention board.

A recent missed opportunity was the American Association for Cancer Research’s annual convention, which usually draws high attendance and fills lots of hotel rooms. The association moved its 2025 event to Chicago, resulting in a loss of \$36.9 million in total business sales and \$1.7 million in local tax revenues for L.A.

“Right now, we’re fundamentally uncompetitive, and at same time all of our major competitors have either completed their modernizations and expansions or are about to,” Burke said.

The proposal for the L.A. Convention Center’s expansion calls for connecting the South and West halls over Pico Boulevard to create a 700,000-square-foot building, according to the Department of City Planning. Funding options the Los Angeles City Council is considering include a partnership with the convention center’s operator, **Anschutz Entertainment Group Inc.**, which also owns the Los Angeles Galaxy, the Crypto.com Arena, and has an interest in the Los Angeles Kings.

“We’re very fortunate – you don’t get to work twice with the same proven business partner all that often,” Burke said. “Mr. (Philip) Anschutz has said that he will put up \$1.2 billion of his own capital to enter into a private-public partnership with the city that would modernize and expand our center and get it done by the end of 2027.”

Post-pandemic upgrades

Strategic investments made prior to the pandemic enabled the Long Beach Convention and Entertainment Center to forge ahead through the tough times and post an uptick in revenue last year. They include upgrades to the complex's "turnkey" spaces – the Pacific Ballroom, Pacific Gallery, the Cove and Terrace Theater Lobby and Plaza – such as installing permanent trusting lighting and artwork so event planners don't have to rent them and can reallocate their budgets to food and beverages expenses that have been on the rise.

The spaces also provide a different vibe than most traditional convention meeting rooms, which is what today's event planners and attendees are seeking, according to **Steve Goodling**, president and chief executive of the **Long Beach Convention and Visitors Bureau**.

"We hosted a TED conference for five years, and we watched how TED did meetings and a conference, and basically what they did is they created collaborative spaces and memorable evening events," Goodling said. "We took their formula and deployed that at (the convention center). So our facility is filling the need of today's planners – and more importantly, today's attendees – who want an experiential event and one (where they can) network and collaborate."

Long Beach Marriott also benefited from timely upgrades. The hotel chain in 2020 and 2021 renovated and modernized all of the property's 310 rooms and meeting room space, plus ballroom pre-function area and hallways. The courtyard was expanded into an outdoor venue that can accommodate 170 people, while its Garden Terrace patio, which previously could hold 20 to 60 people, can now accommodate as many as 180 people as an outdoor event venue.

"All this did cost us a pretty penny, but we were ready when the business rolled back," Ahmed said. "2023 was one of the best years that our hotel has seen ever. Then 2024 started out with a bang. We are looking good for Q1, Q2 and Q3. The Q4 is still out of our booking window, but up until Q3, September of 2024, we are on the right track, ahead of pace in rooms and in meetings, on social ... and corporate events."

Challenges owners are now facing

When the **AC Hotel by Marriott Los Angeles South Bay** opened in July of 2019, it got off to a good start – the Los Angeles Air Force Base was within walking distance, and LAX a short drive north. The hotel also drew bookings from visitors to nearby Silicon Beach and professional sports arenas such as SoFi Stadium and Kia Forum.

"We were sold out within two days from opening," said General Manager **Ahmed Elassy**.

After the Covid shutdown ended, leisure travel began a slow rebound, but corporate bookings were still sparse, Elassy said. Pivoting to meetings and events helped fill in the revenue gaps.

“We started paying attention more to the group (reservations),” he said, adding that bookings included companies hosting “Thirsty Thursday” parties and other bonding events to encourage their work-from-home employees to get back in the office.

“2022 (was) definitely stronger than 2021, and 2023 overall was a stronger year, but we did see a little bit of a shortfall there in parties and events given the fact that in 2022 there are a lot of hotels that were closed so we kind of took over a little bit over our fair share of the market there,” he said.

Gaining new business required another pivot. Hotels usually showcase their meeting space offerings via Virginia-based **Cvent Holding Corp.**'s Supplier Network and similar web-based platforms, which enable event planners to search thousands of venues, send requests for proposals and compare bids.

But after pandemic-related layoffs in 2020 and 2021, the meeting-planning tasks were often left to operation leaders who didn't have professional relationships and who searched for properties via Google and other search engines, Elassy said. “We started our own Google ad campaigns; posting our event space on different (social media) channels; and opened up a Yelp account.”

And while the pandemic woes are somewhat of a distant memory, other factors influencing bookings these days include the spike in the minimum wage that “leads to the increases of the price of guest rooms compared to other counties,” as well as abundance of office space that some developers are reconfiguring into private-event venues, Elassy said.

He echoed Burke's concerns regarding the L.A. Convention Center's capacity.

“When you lose a massive business like this, all these big boxes in Downtown L.A. are competing with us for the crumbs,” Elassy said. “Market is not as easy as it used to be prior to the pandemic.”