Factors Affecting the Price of Luxury Suites in Major North American Sports Facilities

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Luxury suites have become a critical element of sport facility design and a key revenue source for most professional sport organizations. In large markets such as New York City, the annual lease price for luxury suites in major sport facilities such as Citi Field, the new Yankee Stadium, and Madison Square Garden may be as high as $800,000 (Thomas & Sandomir, 2008). These venues contain as many as 150 luxury suites (Muret, 2007). Mason and Howard (2008) found that there are over 12,000 luxury suites in the sport facilities housing teams in the big 4 North American sports leagues. Additionally, because luxury suite consumers agree to multi-year leases, they are a much more consistent form of revenue than general ticket sales, parking, merchandise, and concessions. While there is an ample amount of data available in the public press with respect to the number of available suites in major sports facilities and their corresponding market prices, very little academic work has been conducted on the luxury suite market. Mason and Howard (2008) discuss the financial aspects of the luxury suite market, but these authors made no attempt to empirically analyze the factors that may be related to the price of luxury suites. This is in stark contrast to the ample amount of research conducted on sports attendance and its relationship to ticket prices. Coates & Humphreys, 2007; Krautmann & Berri, 2007; and Fort, 2004; just to name a few, incorporated ticket prices into their statistical models of attendance demand.

The purpose of this research is to present an economic model, utilizing multiple regression analysis, that examines the relationship between selected factors and the price of luxury suites for major North American sports facilities. Pricing data for luxury suites was collected from the Association of Luxury Suite Directors annual survey of sport facilities. The midpoint price of luxury suites was selected as the dependent variable for the regression equation. Ten explanatory demographic, economic, and league affiliation factors were incorporated into the pricing model. The sample size was 92 and the final regression equation had an R2 of .347. Factors such as stadium capacity, the number of facilities and teams in the metropolitan market, league affiliation of the facility's tenants, and the number of major corporations in the market were found to be significantly related to the midpoint price of luxury suites in major sports facilities.

The findings of this study may be useful to sport facility marketers who are attempting to determine the appropriate pricing structure for their luxury suites. The model may be used to estimate or predict the appropriate price that should be charged for luxury suites in a specific facility. Marketers may also use these findings to aid in determining if, based on the regression model, the current prices they are charging for their luxury suites are appropriate in comparison to the overall luxury suite market. Additionally, sport managers may be able to use a model such as this to help determine the number of suites to build in a given facility.