Mid-Year 2015 Austin Hotel Trends
Austin Hotel & Lodging Association

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Presentation Outline

I. The Economy

II. Lodging Forecasts – U.S.

III. Lodging Forecasts - Austin

IV. Austin Submarkets

United States: Economic Outlook

	Employment	Personal Income	GDP	CPI (Inflation)
2014	1.9%	2.6%	2.4%	1.6%
2015F	2.2%	4.4%	3.1%	0.6%
2016F	2.3%	4.4%	3.5%	2.6%
2017F	1.5%	3.6%	2.8%	2.7%
2018F	0.8%	2.8%	2.4%	2.7%
2019F	0.5%	1.8%	1.9%	2.5%

Austin: Economic Outlook

	Employment	Personal Income	GMP	CPI (Inflation)
2014	4.2%	4.3%	5.2%	1.8%
2015F	2.8%	5.4%	5.3%	0.7%
2016F	3.0%	3.8%	5.2%	2.7%
2017F	2.8%	4.5%	5.2%	2.8%
2018F	2.6%	5.1%	4.9%	2.8%
2019F	2.1%	4.2%	4.3%	2.6%

Source: Moody's Analytics, April 2015

Unemployment Comparison*

	2013	2014	March 2015
United States	**7.4%**	**6.2%**	**5.6%**
Texas	**6.2%**	**5.1%**	**4.2%**
Austin	**5.1%**	**4.2%**	**3.3%**
Dallas/Fort Worth	**6.0%**	**5.0%**	**4.0%**
Houston	**6.0%**	**4.9%**	**4.2%**
San Antonio	**5.7%**	**4.6%**	**3.7%**

* Not seasonally adjusted

Source: Texas Work Force Commission

Factors Affecting US Economy

- Worldwide Instability

- Price of Oil & Gas

- 2016 Election

- Economic Cycle

Presentation Outline

I.   The Economy
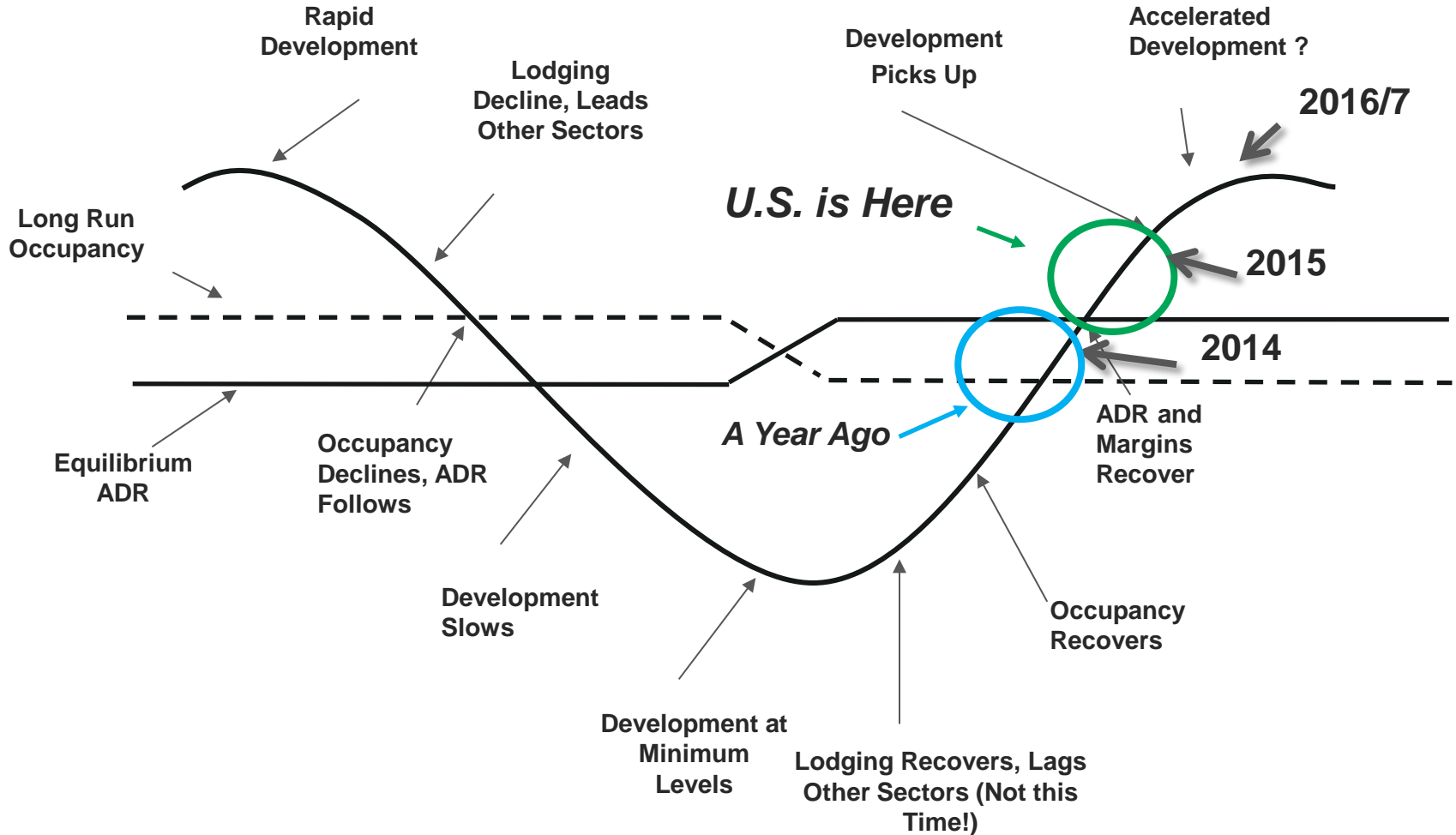
II. **Lodging Forecast – U.S.**

III. Lodging Forecast - Austin

IV. Austin Submarkets

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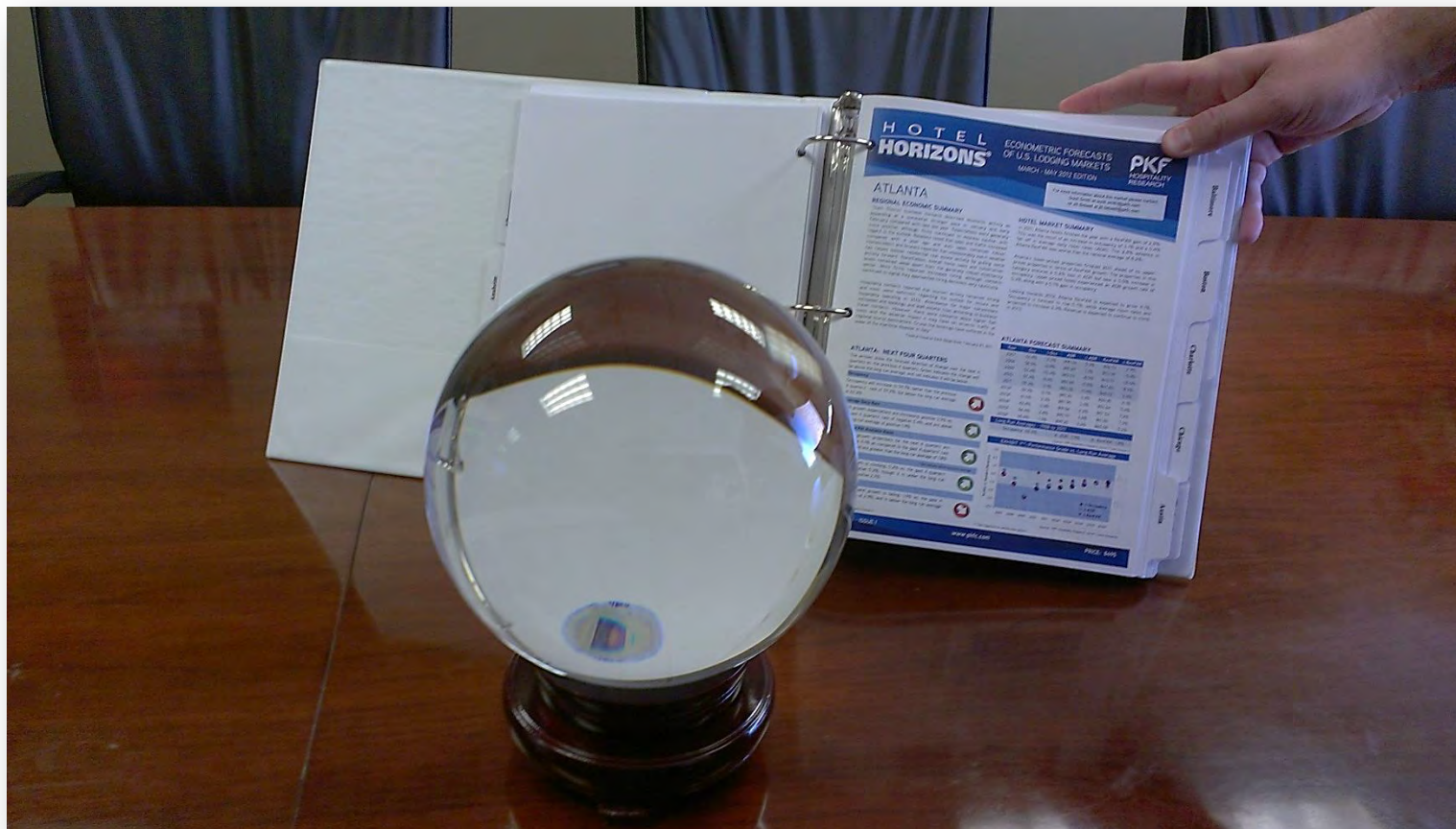
- Econometric Forecasting Model
  - Smith Travel Research – historical lodging data, pipeline data
  - Moody's Economy.com – economic forecasts

- Five-Year Forecasts of Supply, Demand, Occupancy, ADR, RevPAR
  - 61 Major U.S. Markets

- Updated Quarterly

The Hotel Market Cycle

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Rapid Development

Lodging Decline, Leads Other Sectors

Development Picks Up

Accelerated Development ?

2016/7

U.S. is Here

2015

2014

Long Run Occupancy

ADR and Margins Recover

Equilibrium ADR

Occupancy Declines, ADR Follows

A Year Ago

Development Slows

Occupancy Recovers

Development at Minimum Levels

Lodging Recovers, Lags Other Sectors (Not this Time!)

10

United States: 1st Quarter 2015

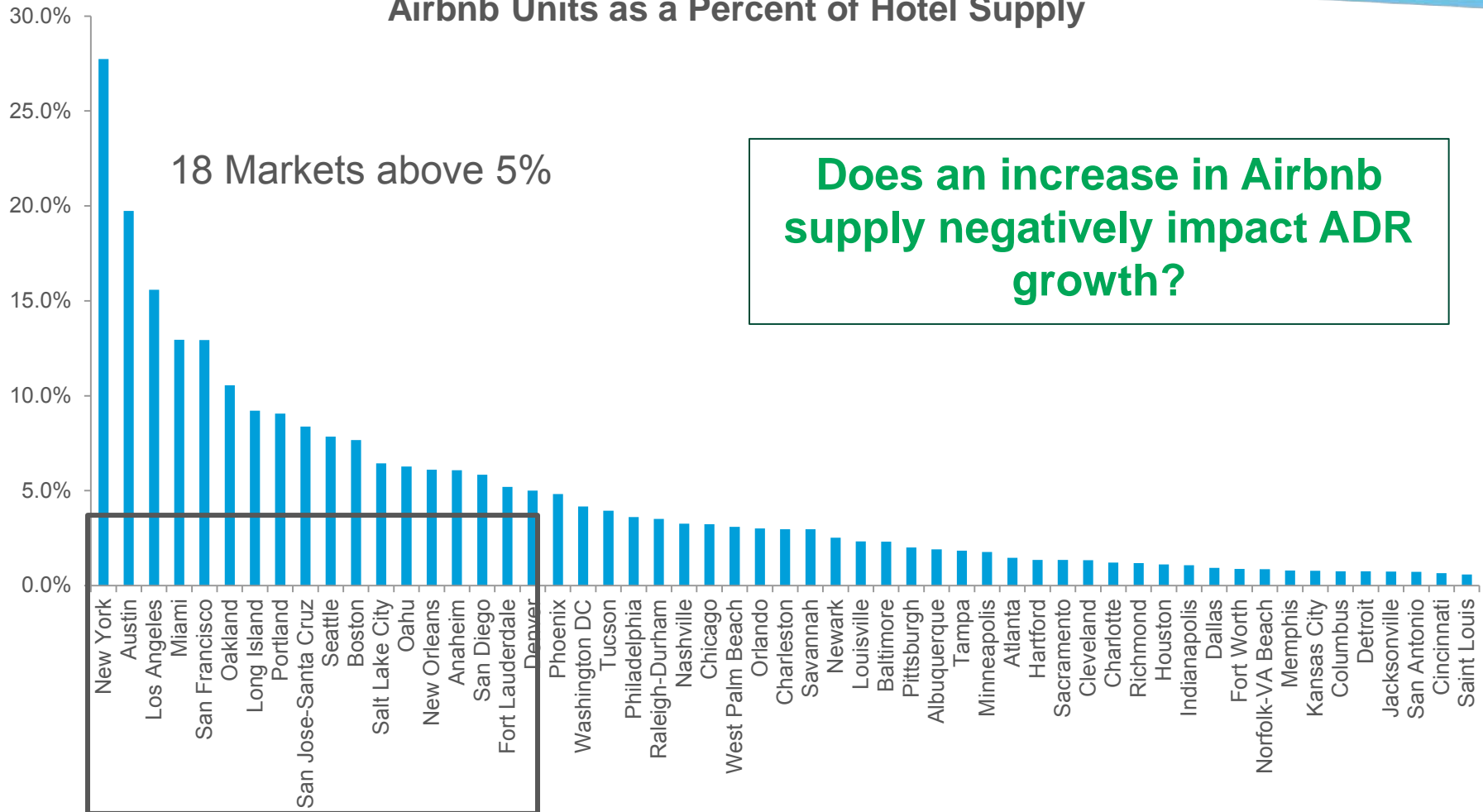**PKF** CONSULTING USA
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⬭ = Below/Above Long Run Average

	Long Term Average	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Supply	1.9%	0.5%	0.4%	0.7%	0.8%	1.2%	1.8%	2.3%	2.5%	2.6%
Demand	2.1%	4.7%	2.8%	2.0%	4.4%	3.1%	2.3%	1.1%	1.5%	1.3%
Occupancy	61.9%	60.0%	61.4%	62.2%	64.4%	65.7%	66.0%	65.2%	64.5%	63.7%
ADR	2.9%	3.8%	4.2%	3.9%	4.5%	5.2%	6.4%	5.2%	4.2%	3.4%
RevPAR	2.9%	8.1%	6.6%	5.2%	8.2%	7.2%	6.8%	4.0%	3.2%	2.1%

Source: PKF Hospitality Research – Hotel Horizons® Report, Smith Travel Research
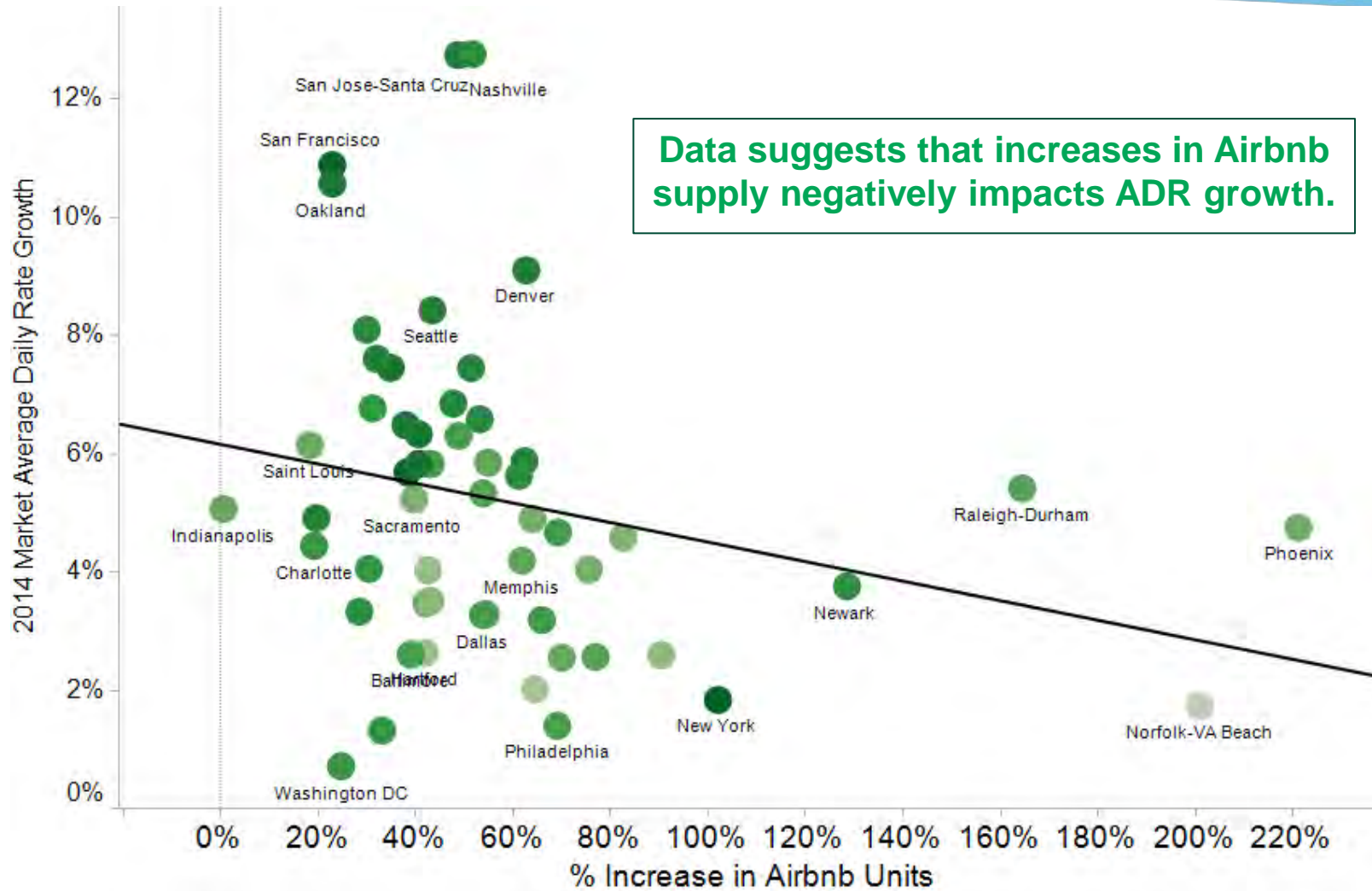
- New York MSA – 22,000 to 25,000

- Houston MSA – 8,000 to 10,000

- Austin MSA – 6,000 to 8,000

    - Outlying Markets – 1,500 to 2,000

Increasing Threat from Airbnb?

Airbnb Units as a Percent of Hotel Supply

18 Markets above 5%

Does an increase in Airbnb supply negatively impact ADR growth?

Source: PKF Hospitality Research, Airbnb

Increasing Threat from Airbnb

Data suggests that increases in Airbnb supply negatively impacts ADR growth.
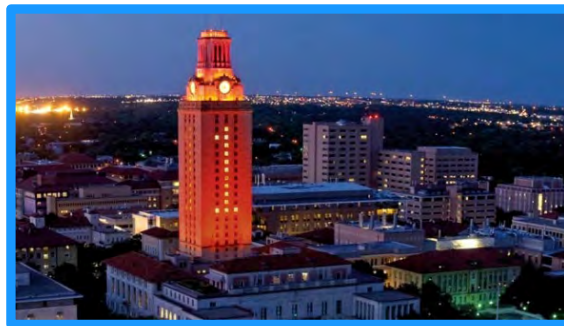
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Austin – Supply / Demand Analysis

- Occupancies and Rates at All Time High

- New Supply is Over Due

- Supply On the Way – Too Much of a Good Thing?

- Demand Growth is Strong

- New Induced Convention Demand

- Occupancies and Rates Will Normalize

- Austin Will Continue to be Austin!!!

Austin – Local Demand Factors

- Continued IT Expansions
  - Apple – 3,600 jobs – American Operations Center
  - HID Global - 200 jobs - New Plant & Headquarters
  - Websense – 500 jobs – Relocate Headquarters from California
  - Rackspace Hosting – 600 new jobs – new location

- Residential Housing Boom

- Sports Activity – Professional?

- Circuit of the Americas

- Airport Expansion

- Festivals / Events
  - SXSW
  - Austin City Limits
  - Many Others

- Convention Activity
  - JW Marriott – NOW OPEN

- Convention Center Capacity

- Hotel Additions – Labor

- Reduced Compression

- Government – Decrease in Oil Tax Revenues

Austin Comparison – 2014

	All Hotels		Upper Priced		Lower Priced	
	6/2014 Estimate 2014	Actual 2014	6/2014 Estimate 2014	Actual 2014	6/2014 Estimate 2014	Actual 2014
Supply	2.4%	2.2%	2.6%	2.6%	2.3%	2.0%
Demand	3.4%	3.6%	3.3%	3.8%	3.6%	3.5%
Occupancy	72.0%	72.4%	77.2%	77.6%	68.1%	68.6%
ADR	6.9%	6.6%	7.0%	6.2%	6.7%	7.0%
RevPAR	7.9%	8.0%	7.7%	7.5%	8.1%	8.6%

Source: PKF Consulting, STR

Austin Comparison – 2015

	All Hotels		Upper Priced		Lower Priced	
	6/2014 Estimate 2015	3/2015 Estimate 2015	6/2014 Estimate 2015	3/2015 Estimate 2015	6/2014 Estimate 2015	3/2015 Estimate 2015
Supply	6.0%	6.7%	11.8%	12.2%	1.6%	2.6%
Demand	5.3%	5.2%	8.0%	8.3%	3.0%	2.7%
Occupancy	71.5%	71.4%	74.5%	74.9%	69.0%	68.6%
ADR	4.7%	4.9%	3.3%	4.3%	4.9%	3.1%
RevPAR	4.1%	3.5%	-0.3%	0.7%	6.3%	3.2%

Source: PKF Consulting, STR

Austin Comparison – 2016

	All Hotels		Upper Priced		Lower Priced	
	6/2014 Estimate 2016	3/2015 Estimate 2016	6/2014 Estimate 2016	3/2015 Estimate 2016	6/2014 Estimate 2016	3/2015 Estimate 2016
Supply	3.1%	9.1%	4.2%	11.0%	2.2%	7.6%
Demand	2.0%	5.6%	2.0%	6.1%	2.0%	5.1%
Occupancy	70.8%	69.1%	73.0%	71.5%	69.0%	67.1%
ADR	1.7%	2.5%	1.0%	2.4%	3.0%	2.0%
RevPAR	0.7%	-0.9%	-1.1%	-2.1%	2.8%	-0.3%

Source: PKF Consulting, STR

Austin Comparison – 2017

	All Hotels		Upper Priced		Lower Priced	
	6/2014 Estimate 2017	3/2015 Estimate 2017	6/2014 Estimate 2017	3/2015 Estimate 2017	6/2014 Estimate 2017	3/2015 Estimate 2017
Supply	2.1%	7.6%	2.3%	8.6%	1.9%	6.8%
Demand	1.5%	5.1%	2.0%	5.2%	1.0%	5.0%
Occupancy	70.3%	67.5%	72.8%	69.2%	68.3%	66.0%
ADR	1.6%	2.2%	1.0%	2.2%	2.0%	2.1%
RevPAR	0.9%	-0.2%	0.7%	-1.1%	1.1%	0.4%

Source: PKF Consulting, STR

Austin: 1ST Quarter 2015

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	Long Term Average	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Supply	3.2%	2.4%	0.7%	2.8%	2.2%	6.7%	9.1%	7.6%	5.4%	3.5%
Demand	4.3%	6.9%	3.2%	7.4%	3.6%	5.2%	5.6%	5.1%	4.0%	3.3%
Occupancy	66.5%	66.7%	68.3%	71.4%	72.4%	71.4%	69.1%	67.5%	66.6%	66.4%
ADR	4.1%	5.9%	7.7%	5.4%	6.6%	4.9%	2.5%	2.2%	2.1%	1.8%
RevPAR	5.4%	10.5%	10.4%	10.2%	8.0%	3.5%	-0.9%	-0.2%	0.7%	1.6%

Source: PKF Hospitality Research – Hotel Horizons® Report, Smith Travel Research

Austin: Upper-Priced

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◯ = Below/Above Long Run Average

	Long Term Average	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Supply	4.1%	2.9%	0.2%	2.1%	2.6%	12.2%	11.0%	8.6%	4.9%	1.4%
Demand	5.4%	7.0%	2.5%	5.1%	3.8%	8.3%	6.1%	5.2%	3.8%	2.0%
Occupancy	70.4%	72.7%	74.4%	76.7%	77.6%	74.9%	71.5%	69.2%	68.5%	68.9%
ADR	4.3%	6.3%	8.3%	6.1%	6.2%	4.3%	2.4%	2.2%	1.8%	1.8%
RevPAR	5.7%	10.5%	10.8%	9.3%	7.5%	0.7%	-2.1%	-1.1%	0.7%	2.4%

Source: PKF Hospitality Research – Hotel Horizons® Report, Smith Travel Research

Austin: Lower-Priced

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	Long Term Average	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Supply	2.7%	2.0%	1.1%	3.3%	2.0%	2.6%	7.6%	6.8%	5.8%	5.2%
Demand	3.7%	6.8%	3.7%	9.4%	3.5%	2.7%	5.1%	5.0%	4.1%	4.4%
Occupancy	64.0%	62.1%	63.8%	67.6%	68.6%	68.6%	67.1%	66.0%	64.9%	64.4%
ADR	3.4%	5.0%	7.4%	6.2%	7.0%	3.1%	2.0%	2.1%	3.0%	3.1%
RevPAR	4.6%	9.9%	10.2%	12.5%	8.6%	3.2%	-0.3%	0.4%	1.3%	2.3%

Source: PKF Hospitality Research – Hotel Horizons® Report, Smith Travel Research

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IV. **Austin Submarkets**

Submarket – Supply / Demand Analysis

- Majority of New Supply in CBD
- Large Increase in Outlying Markets
- Compression Will Return to CBD
- Compression Will Reduce CBD Supply Impact
- Induced Convention Activity Will Reduce Impact
- Reduced Compression Will Impact Other Markets
- Each Market & Each Hotel Affected Differently
- South / San Marcos - Unique Situation
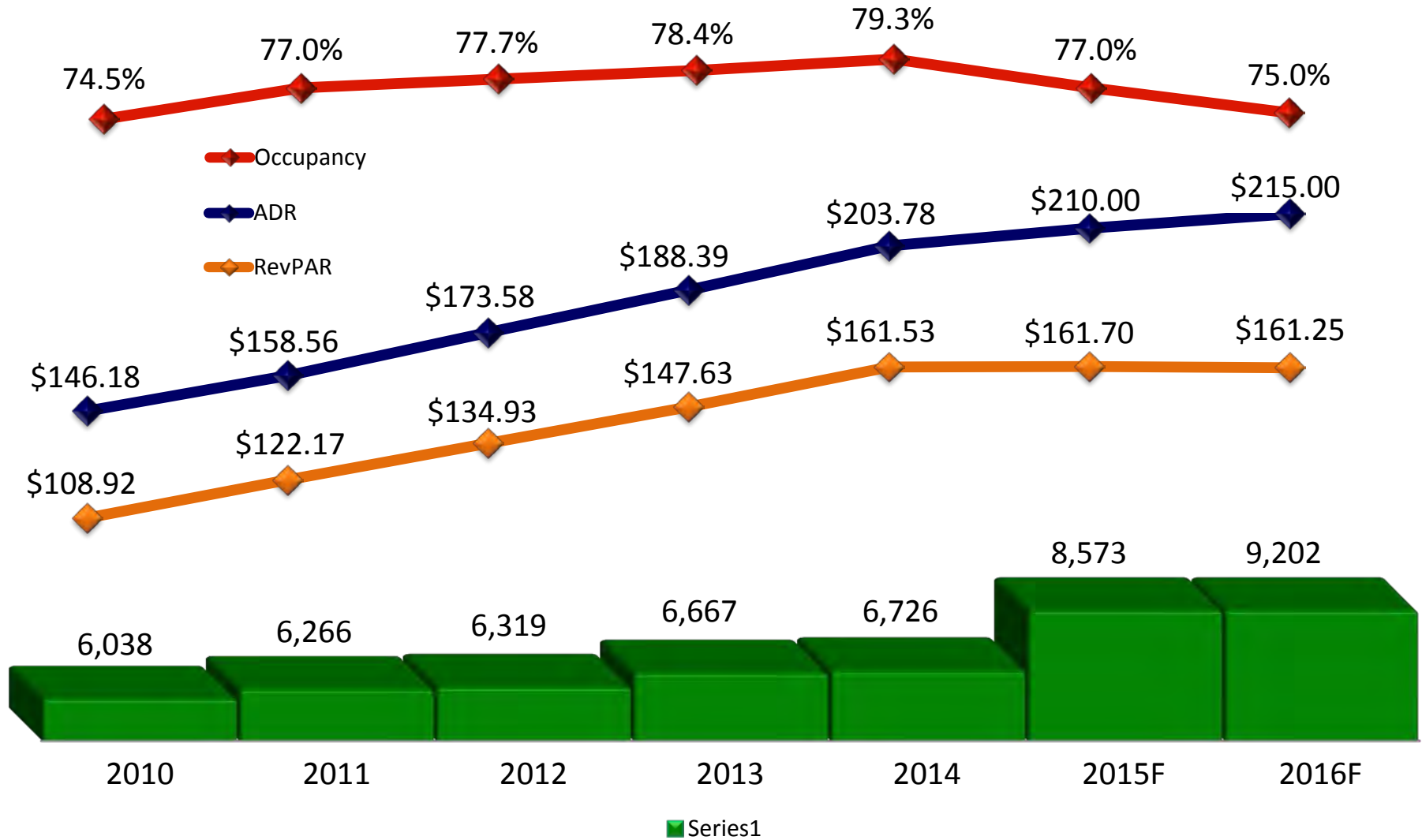- Consider Redefining STR South Boundaries

Submarket Comparison – 2014

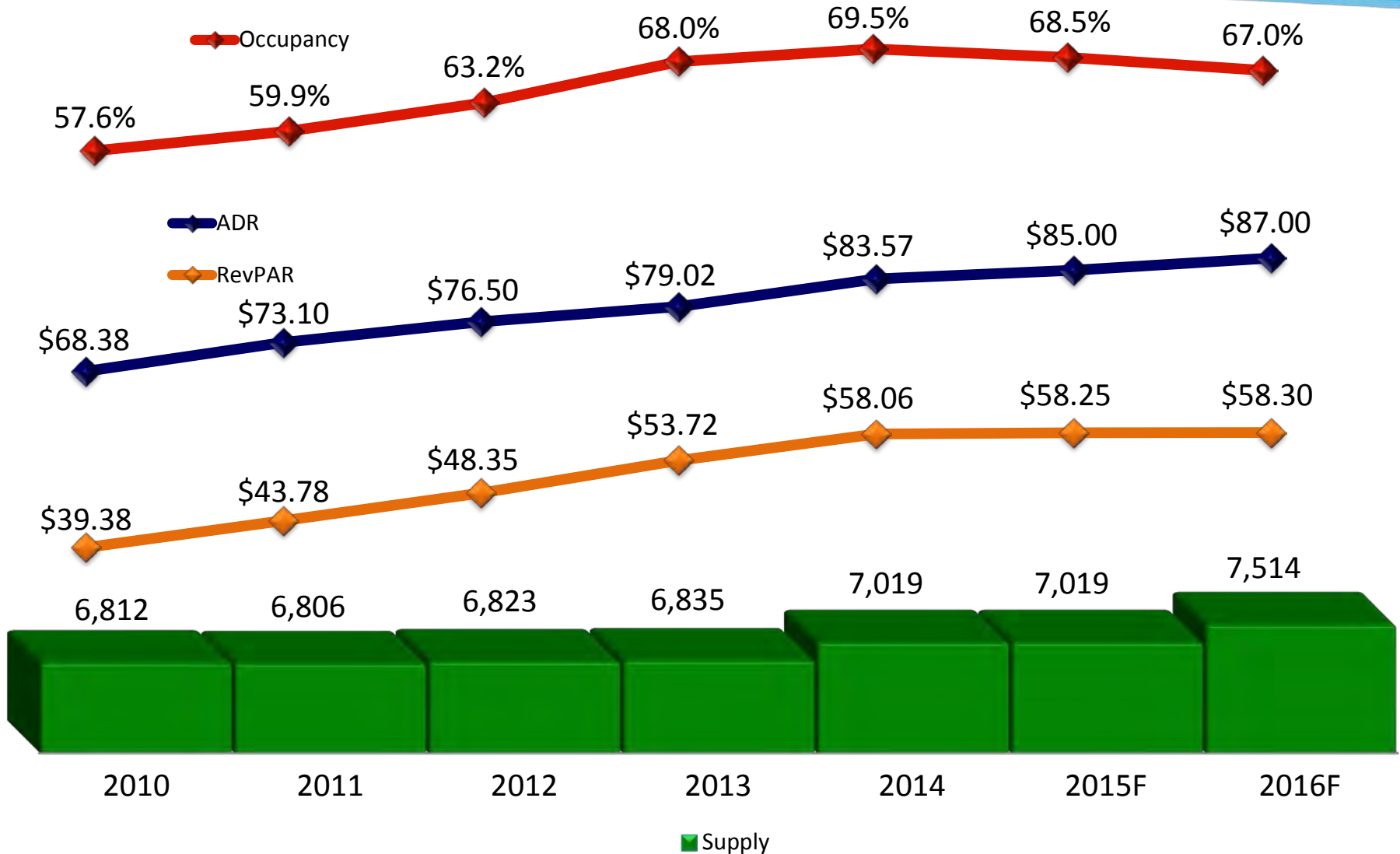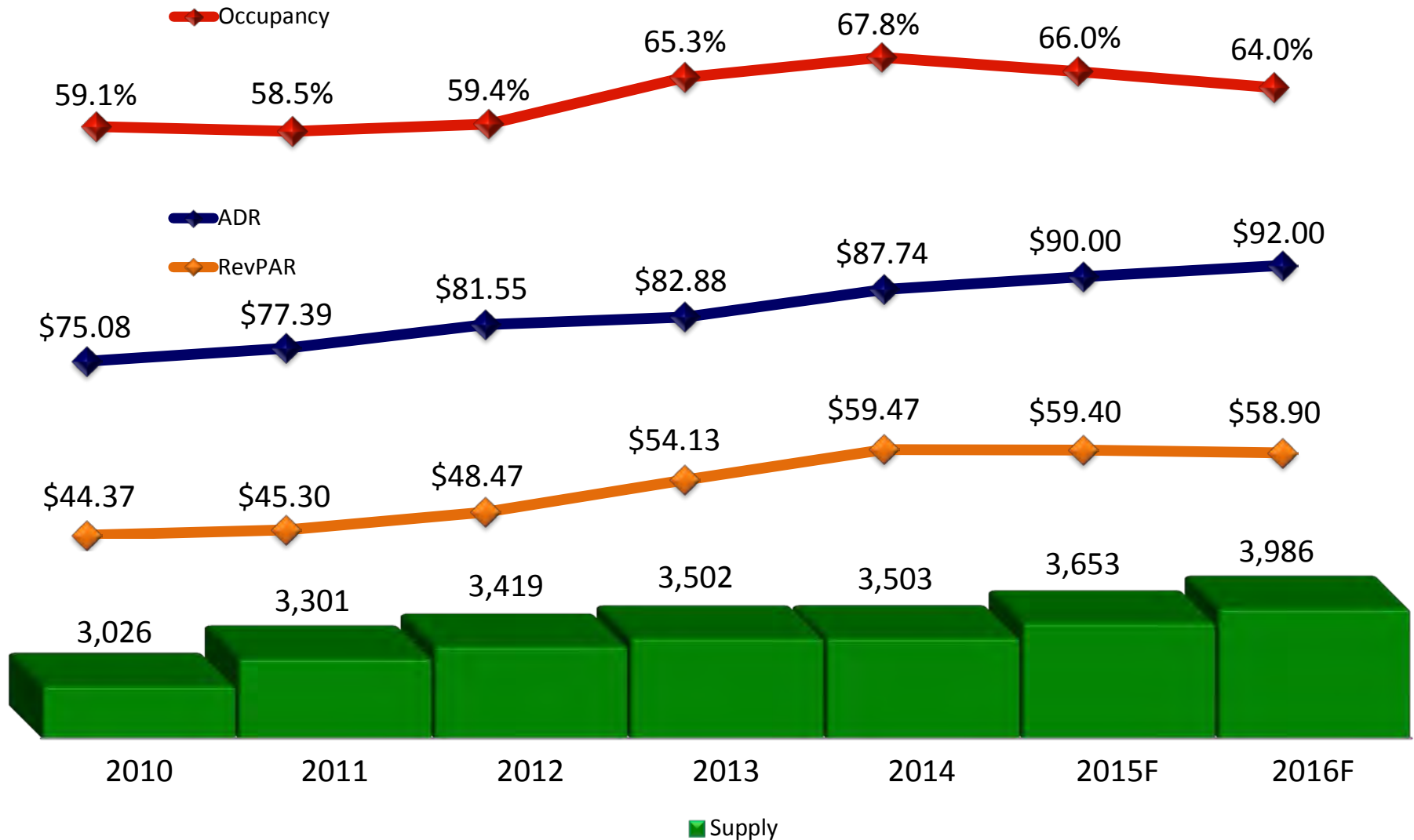|	Occupancy		ADR	
	6/2014 Estimate	**Actual**	**6/2014 Estimate**	**Actual**
Austin CBD	77.0%	79.3%	$205	$204
North Austin	69.0%	69.5%	$85	$84
Round Rock/Georgetown	68.5%	67.8%	$90	$88
Northwest Austin	76.0%	75.1%	$115	$112.50
South Austin / San Marcos	69.5%	69.7%	$120	$119

Source: PKF Consulting, STR

Austin CBD

North Austin

South Austin / San Marcos

Occupancy

60.1% 64.3% 65.6% 67.6% 69.7% 68.0% 66.0%

ADR
RevPAR

$97.37 $100.50 $109.45 $113.34 $118.61 $120.00 $122.00

$58.57 $64.64 $71.84 $76.61 $82.64 $81.60 $80.50

8,047 8,098 8,111 8,451 8,647 8,814 9,637

2010 2011 2012 2013 2014 2015F 2016F

Supply

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