

2016 Austin Hotel Trends

Austin Hotel & Lodging Association

September 22, 2016

AUSTIN OVERVIEW

- **40 Surveys – Deep Concern About Supply**
 - Supply Reaching Saturation
 - Occupancy Down / ADR Starting to Decline
 - Market Demand Still Strong
- **Remember Forecasts are Averages**
 - Each Hotel Affected Differently – Some Up/Some Down
 - New Hotels Above Market ADR – Skews Average
- **Austin Hotel Horizon Forecast**
 - Based on Historical Patterns – ADR Slightly High
- **Austin Submarket Forecast**
 - Based on Survey Responses – ADR Slightly Lower
- **NORMALIZATION Finally Taking Place!!!**

PRESENTATION OUTLINE

I. The Economy

II. Lodging Forecasts

III. Austin Submarkets



PHOTO: THINKSTOCK

FACTORS AFFECTING ECONOMIC FORECASTS

- **Collapse in Energy & Other Commodity Prices**
- **Presidential Election**
- **Global Terrorism**
- **Chinese Economic Slowdown**
- **Value of U.S. Dollar**
- **U.S. Monetary Policy Normalization**

UNITED STATES: ECONOMIC OUTLOOK

	Employment	Personal Income	GDP	CPI (Inflation)
2015	2.1%	4.3%	2.4%	0.1%
2016	1.7%	2.7%	2.1%	1.3%
2017	1.2%	3.3%	2.9%	2.4%
2018	0.8%	4.5%	2.6%	2.8%
2019	-0.2%	2.8%	1.9%	2.8%
2020	0.4%	2.0%	1.4%	2.5%

Source: CBRE Economic Advisors, July 2016

AUSTIN MSA: ECONOMIC OUTLOOK

	Employment	Personal Income	GMP	CPI (Inflation)
2015	4.6%	5.8%	5.1%	-0.3%
2016	3.6%	2.9%	2.9%	1.0%
2017	1.9%	3.6%	3.5%	2.2%
2018	1.4%	5.0%	4.4%	3.0%
2019	1.1%	4.2%	3.8%	3.0%
2020	2.0%	3.9%	3.4%	2.6%

Source: CBRE Econometric Advisors, July 2016

UNEMPLOYMENT COMPARISON*

Unemployment Comparison*

	2011	2012	2013	2014	2015	Jun-16
United States	8.9%	8.1%	7.4%	6.2%	5.3%	5.1%
Texas	7.8%	6.7%	6.2%	5.1%	4.5%	4.8%
Austin	6.6%	5.7%	5.1%	4.2%	3.4%	3.3%
Dallas/Fort Worth	7.6%	6.6%	6.0%	5.0%	4.1%	4.0%
Houston	7.8%	6.6%	6.0%	4.9%	4.6%	5.5%
San Antonio	7.1%	6.3%	5.7%	4.6%	3.8%	4.0%

* Not seasonally adjusted

Source: Texas Work Force Commission

B. Rich
HEDGEYE



HELP!
I'VE
FALLEN
AND I
CAN'T
GET UP

OIL INDUSTRY FORECAST

- **Oil Boom from 2011 Thru 2014**
- **Oil Price Drop in 2015**
- **Oil Prices Remain Low Through 2016**
- **Oil Markets Begin Rebalance in Mid-2017**
- **Drilling & Hiring Returns in 2018**
- **Industry Rebounds in 2019 & 2020**

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HOTEL HORIZONS®

- **Econometric Forecasting Model**
 - **Smith Travel Research – historical lodging data, pipeline data**
 - **CBRE Econometric Advisors – economic forecasts**
- **Five-Year Forecasts of Supply, Demand, Occupancy, ADR, RevPar**
 - **60 Major U.S. Markets**
- **Updated Quarterly**

UNITED STATES: 2ND QUARTER 2016

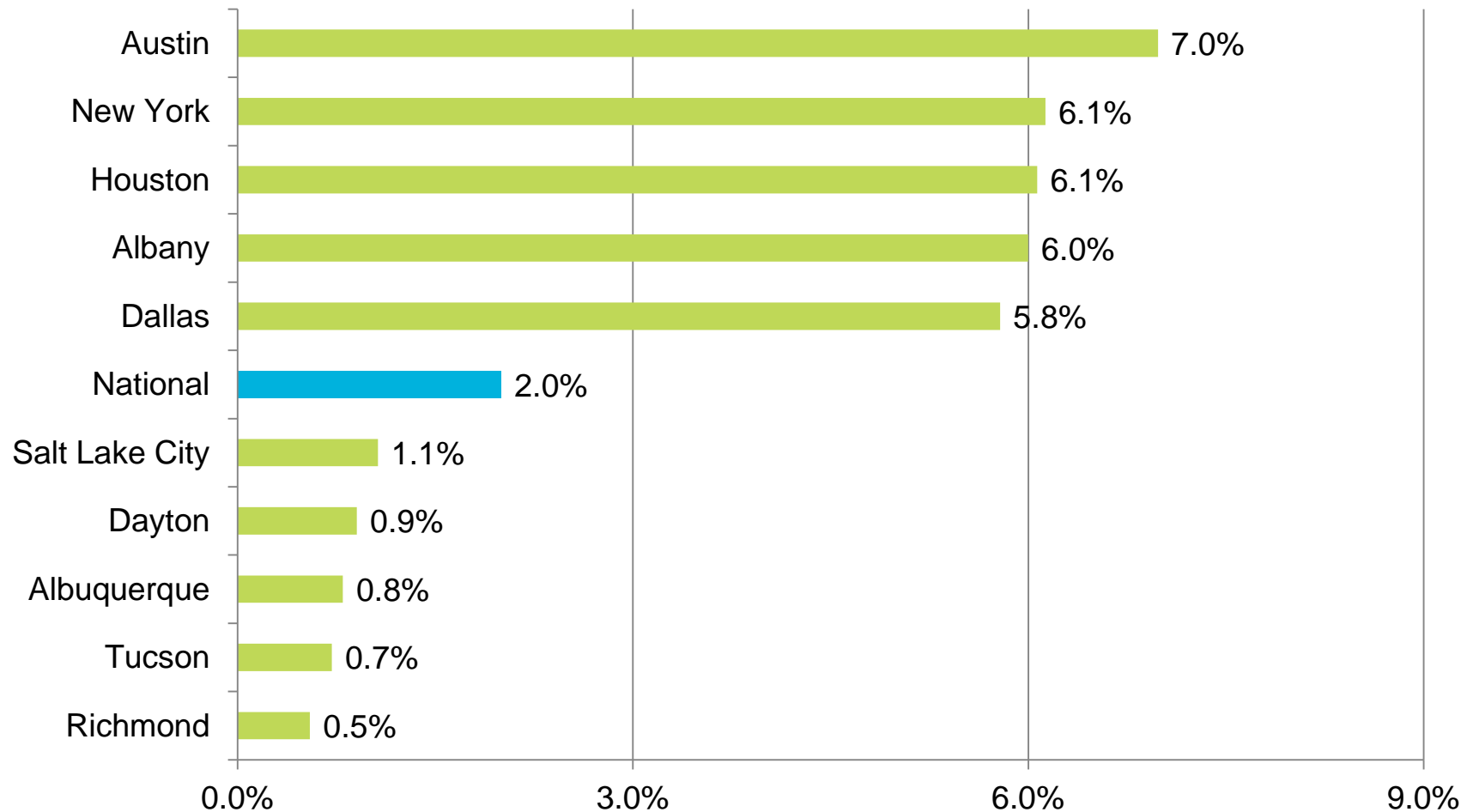
 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	1.9%	0.4%	0.6%	0.7%	1.1%	1.6%	2.0%	2.2%	2.3%	2.3%
Demand	2.0%	2.7%	2.0%	4.1%	2.7%	1.7%	1.8%	2.0%	2.3%	2.2%
Occupancy	62.1%	61.4%	62.2%	64.4%	65.4%	65.5%	65.4%	65.3%	65.3%	65.2%
ADR	3.1%	4.2%	3.7%	4.6%	4.5%	3.5%	4.1%	3.9%	3.4%	3.5%
RevPAR	3.3%	6.7%	5.2%	8.2%	6.2%	3.6%	3.9%	3.7%	3.4%	3.4%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

U.S. HOTEL MARKETS - SUPPLY

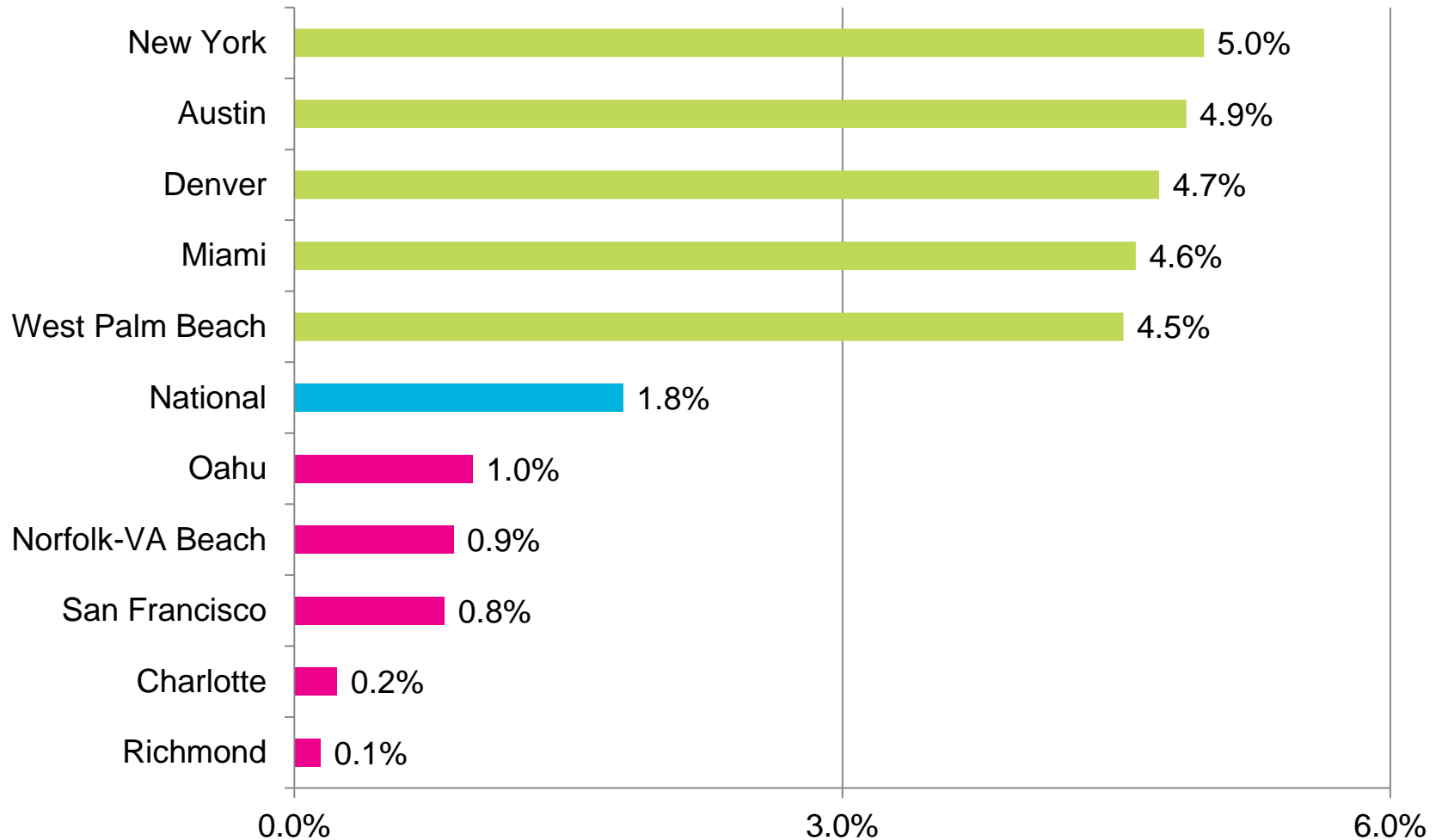
FORECAST CHANGE – 2016 TO 2017



Source: CBRE Hotels' Americas Research, 2nd Qtr 2016 *Hotel Horizons*® reports

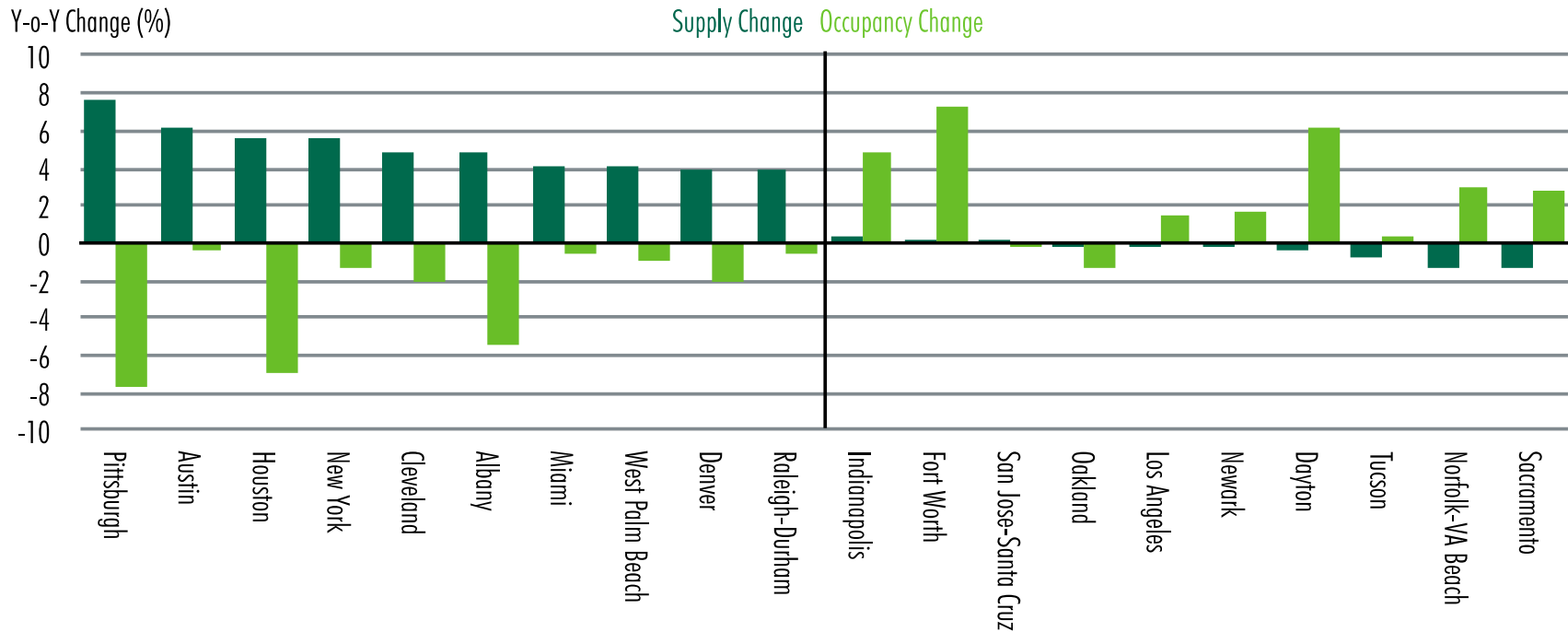
U.S. HOTEL MARKETS - DEMAND

FORECAST CHANGE – 2016 TO 2017



Source: CBRE Hotels' Americas Research, 2nd Qtr 2016 *Hotel Horizons*® reports

TOP CURRENT SUPPLY GROWTH WITH OCCUPANCY CHANGE



Source: STR, Inc., Q2 2016.

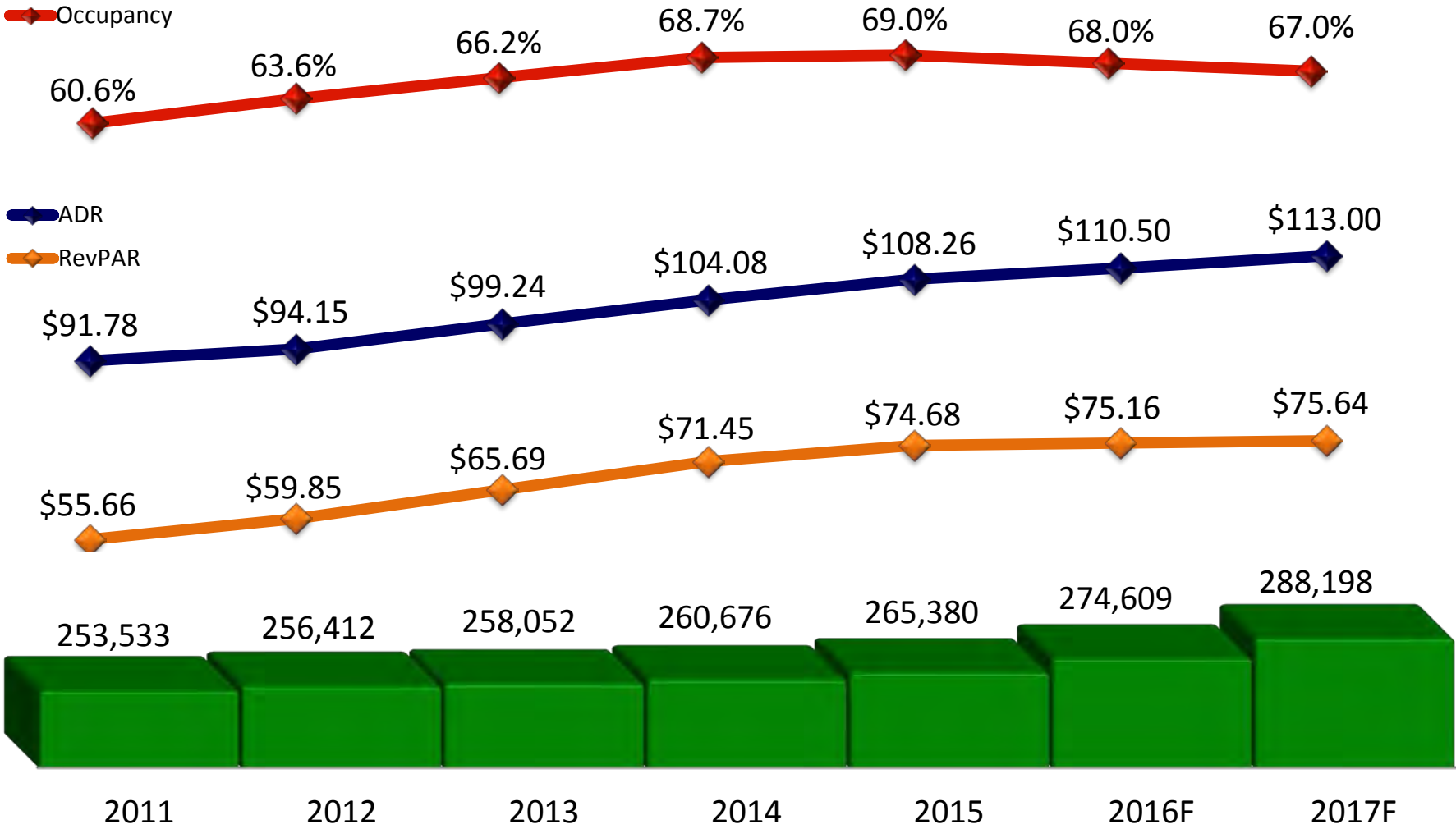
- Supply growth is often a good predictor of falling occupancy. Pittsburgh, Houston and Albany hotel markets felt the effects of supply growth the most, whereas Austin had the second highest gain in supply but flat occupancy .



TEXAS SUPPLY ADDITIONS – 2015 THRU 2017

TEXAS MSA	NUMBER OF ROOMS
HOUSTON	11,300
AUSTIN	7,300
DALLAS	5,800
SAN ANTONIO	1,700
FORT WORTH	1,400
TOTAL	27,500

TEXAS SUMMARY



DALLAS MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.4%	1.4%	0.3%	0.2%	1.2%	2.9%	5.8%	4.5%	3.1%	2.2%
Demand	3.5%	4.7%	5.5%	5.8%	5.3%	4.7%	4.2%	3.6%	2.0%	1.9%
Occupancy	61.4%	61.1%	64.3%	67.8%	70.6%	71.9%	70.8%	70.1%	69.3%	69.1%
ADR	2.3%	1.1%	5.0%	3.4%	5.8%	5.5%	5.4%	4.4%	3.3%	2.9%
RevPAR	3.6%	4.5%	10.5%	9.1%	10.0%	7.4%	3.8%	3.4%	2.1%	2.6%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

FORT WORTH MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.9%	1.1%	0.4%	1.6%	0.4%	0.4%	3.3%	3.1%	2.3%	2.2%
Demand	3.6%	2.8%	4.0%	4.3%	4.5%	2.9%	2.3%	3.2%	2.9%	2.4%
Occupancy	61.2%	60.4%	62.6%	64.3%	66.9%	68.6%	67.9%	67.9%	68.3%	68.5%
ADR	3.4%	-1.3%	1.2%	7.5%	3.5%	2.0%	2.9%	3.7%	2.8%	2.4%
RevPAR	4.1%	0.4%	4.8%	10.4%	7.7%	4.5%	1.9%	3.7%	3.4%	2.7%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

HOUSTON MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.5%	0.9%	0.6%	1.3%	2.3%	5.8%	6.1%	3.1%	2.5%	2.3%
Demand	3.7%	10.4%	6.4%	5.1%	-2.6%	-2.0%	3.4%	5.6%	5.9%	4.6%
Occupancy	62.4%	65.6%	69.3%	72.0%	68.5%	63.4%	61.8%	63.3%	65.4%	66.8%
ADR	3.1%	3.9%	7.8%	6.0%	1.7%	-1.7%	-0.1%	2.0%	3.7%	5.0%
RevPAR	4.5%	13.6%	13.9%	10.0%	-3.2%	-8.9%	-2.7%	4.4%	7.1%	7.3%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

SAN ANTONIO MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	3.1%	1.4%	0.3%	0.5%	0.0%	2.1%	2.0%	2.1%	1.8%	2.0%
Demand	3.5%	5.3%	-0.4%	3.3%	0.0%	1.9%	1.4%	2.6%	2.8%	2.7%
Occupancy	65.0%	63.5%	63.1%	64.9%	64.9%	64.7%	64.3%	64.6%	65.3%	65.7%
ADR	3.0%	1.4%	4.5%	2.4%	3.2%	2.6%	2.2%	3.0%	2.5%	2.1%
RevPAR	3.5%	5.3%	3.8%	5.3%	3.3%	2.4%	1.6%	3.5%	3.5%	2.8%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

AUSTIN – LOCAL SUPPLY & DEMAND FACTORS

- **Continued IT Expansions**
 - **Apple – 3,600 jobs – American Operations Center – Open 2017**
 - **2016 – 6% Increase in IT and Professional Services Jobs**
 - **Influx of Highly Educated Labor Force**
- **Healthcare – UT Dell Medical School**
- **2017 – Legislative Year**
- **Convention Activity Increase**
 - **Hilton / JW Marriott / Westin**
 - **Fairmont – Open August 2017**
 - **Proposed 600-room Marriott**
- **Convention Center at Capacity**
- **Hotel Additions**
 - **2015 – 1,850 rooms**
 - **2016 – 2,500 rooms**
 - **2017 – 2,950 rooms**
- **Market Conditions**
 - **Supply Reaching Saturation**
 - **Occupancy & Rates Declining**
 - **Existing Hotels Most Impacted**
 - **New Hotels Above Market ADR**
 - **Each Hotel & Market Different**
- **Reduced Compression**
- **Government – Decrease in Oil Tax Revenues / Per Capita**

QUARTERLY REVPAR CHANGE BY SUBMARKET

Submarket	2015		2016	
	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr
South/San Marcos	4.6%	2.6%	-4.8%	-0.4%
Central Business District	0.6%	-7.6%	-4.2%	1.3%
North Austin	12.5%	8.5%	0.4%	5.5%
Round Rock/Georgetown	8.8%	4.7%	0.9%	7.1%
Northwest	12.8%	4.4%	2.8%	5.3%
Average Change	8.2%	3.3%	0.3%	4.6%

Source: STR

SUBMARKET COMPARISON—YTD 2nd QTR 2016 BY OCCUPANCY

Submarket	Occupancy		ADR	
	Pt. Change	% Change	\$ Change	% Change
Central Business District	-2.8	-3.4%	\$4.37	2.0%
South/San Marcos	-2.6	-3.6%	\$1.40	1.1%
North Austin	-0.5	-0.6%	\$3.23	3.5%
Northwest	0.3	0.3%	\$4.49	3.7%
Round Rock/Georgetown	2.3	3.2%	\$0.82	0.9%
Average Change	-1.0	-1.4%	\$5.34	3.9%

Source: STR

AUSTIN MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	3.3%	0.7%	2.8%	2.3%	5.9%	7.0%	7.0%	4.8%	3.6%	3.5%
Demand	4.5%	3.2%	7.5%	3.6%	8.0%	5.1%	4.9%	3.3%	3.0%	2.6%
Occupancy	66.8%	68.3%	71.5%	72.4%	73.8%	72.5%	71.1%	70.0%	69.6%	69.0%
ADR	4.2%	7.7%	5.3%	6.4%	6.4%	4.4%	3.7%	3.3%	2.6%	2.7%
RevPAR	5.5%	10.4%	10.1%	7.8%	8.5%	2.6%	1.6%	1.8%	2.0%	1.8%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

AUSTIN MSA: UPPER-PRICED

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	4.3%	0.2%	2.0%	2.5%	10.3%	11.0%	10.3%	6.1%	4.2%	4.4%
Demand	5.4%	2.6%	5.1%	3.5%	9.1%	8.8%	7.1%	4.1%	3.5%	3.1%
Occupancy	70.6%	74.3%	76.5%	77.3%	76.4%	74.9%	72.7%	71.3%	70.8%	70.0%
ADR	4.3%	8.2%	6.1%	6.0%	6.2%	2.9%	2.9%	3.1%	2.4%	2.6%
RevPAR	5.6%	10.8%	9.3%	7.1%	5.0%	0.8%	-0.1%	1.1%	1.7%	1.3%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

AUSTIN MSA: LOWER-PRICED

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.8%	1.1%	3.3%	2.0%	2.6%	3.7%	4.1%	3.6%	3.0%	2.7%
Demand	3.9%	3.7%	9.6%	3.6%	7.0%	2.0%	2.9%	2.5%	2.4%	2.1%
Occupancy	64.3%	63.8%	67.6%	68.6%	71.6%	70.4%	69.6%	68.8%	68.5%	68.0%
ADR	3.5%	7.3%	6.1%	7.2%	5.9%	3.8%	3.1%	2.9%	2.5%	2.4%
RevPAR	4.9%	10.1%	12.5%	8.8%	10.4%	2.1%	1.9%	1.8%	2.0%	1.8%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

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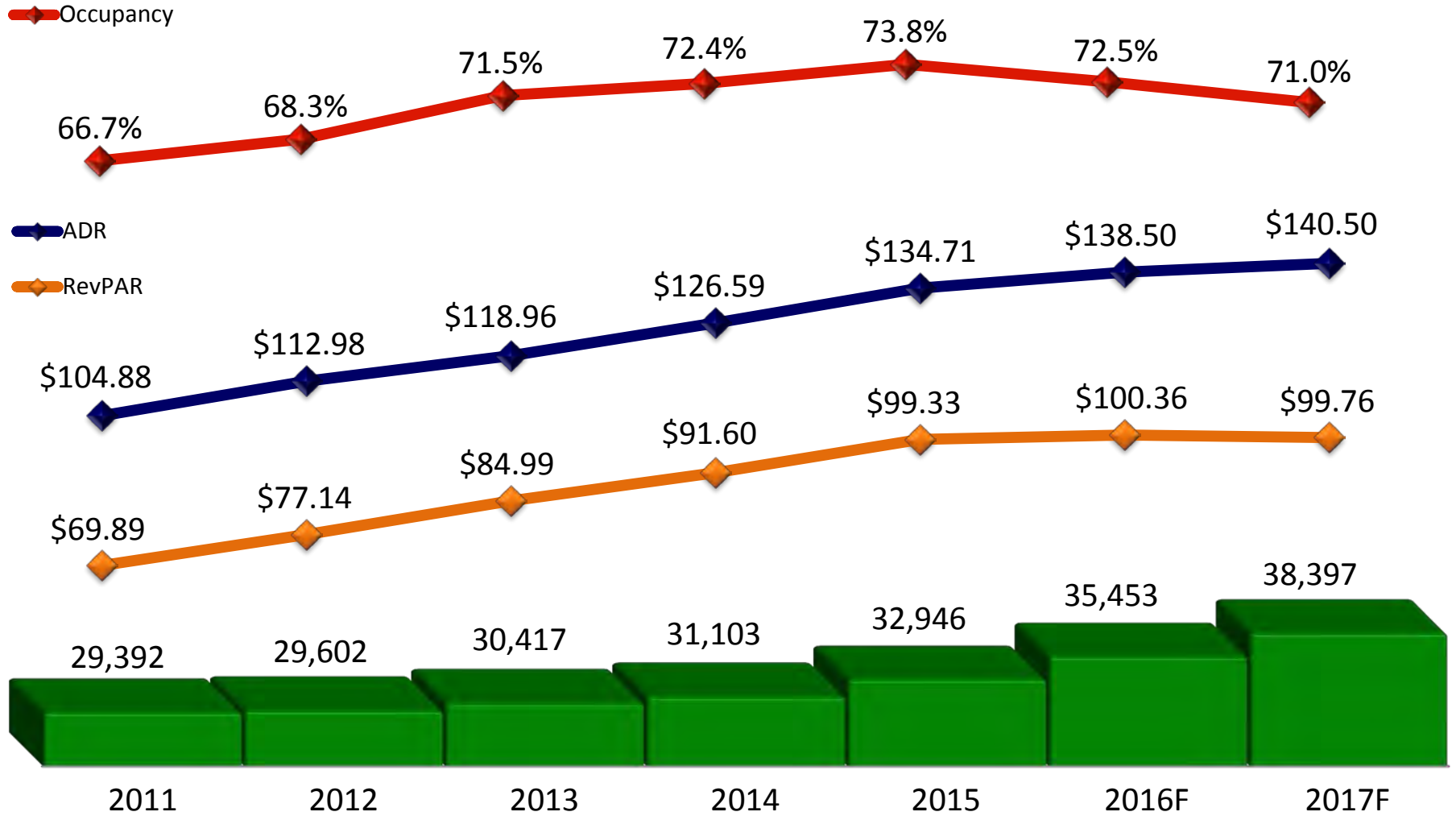


SUBMARKET COMPARISON – YTD 2nd QTR 2016

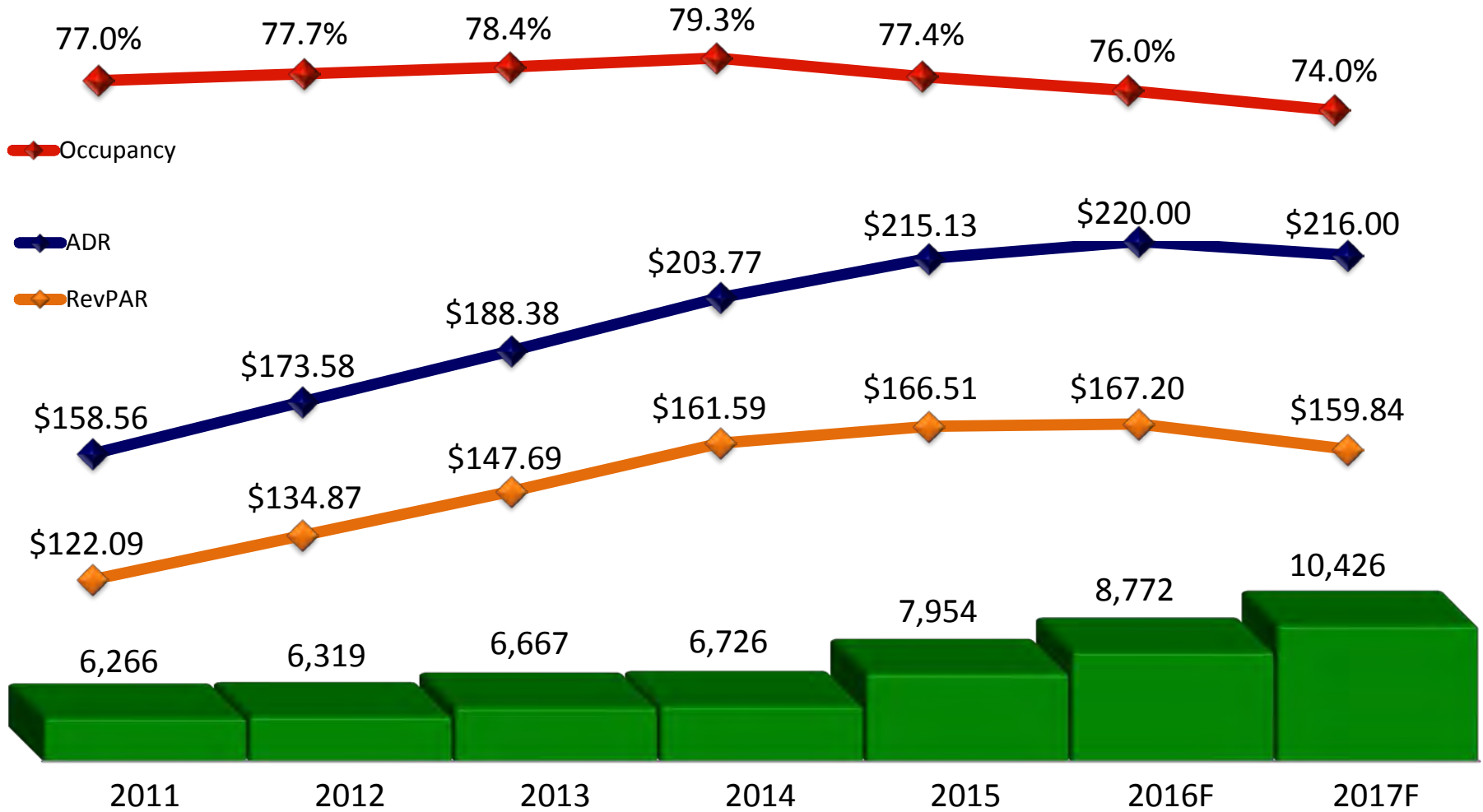
Submarket	Occupancy		ADR	
	Pt. Change	% Change	\$ Change	% Change
Central Business District	-2.8	-3.4%	\$4.37	2.0%
North Austin	-0.5	-0.6%	\$3.23	3.5%
Round Rock/Georgetown	2.3	3.2%	\$0.82	0.9%
Northwest	0.3	0.3%	\$4.49	3.7%
South/San Marcos	-2.6	-3.6%	\$1.40	1.1%
Average Change	-1.0	-1.4%	\$5.34	3.9%

Source: STR

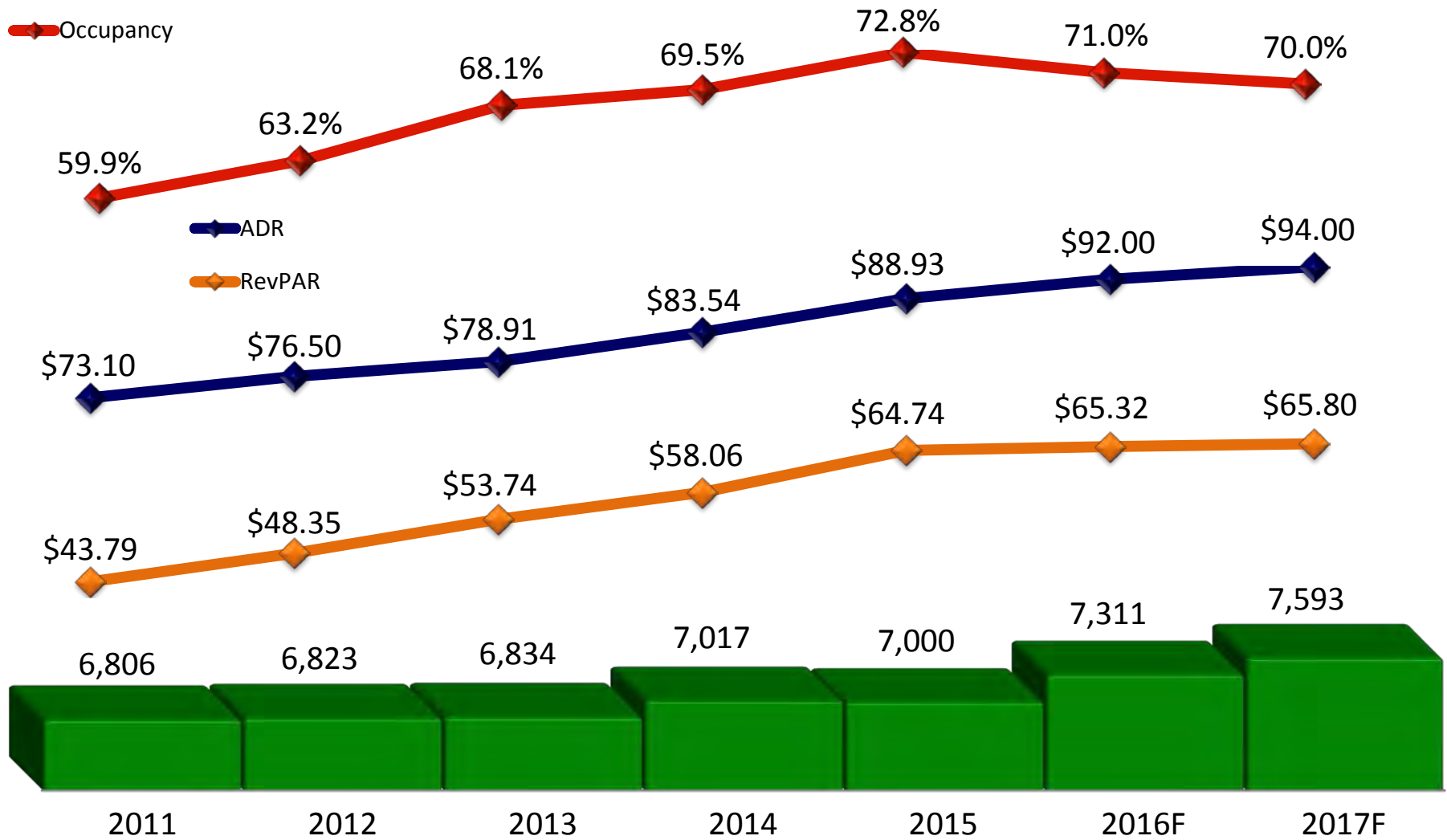
AUSTIN SUMMARY



AUSTIN CBD

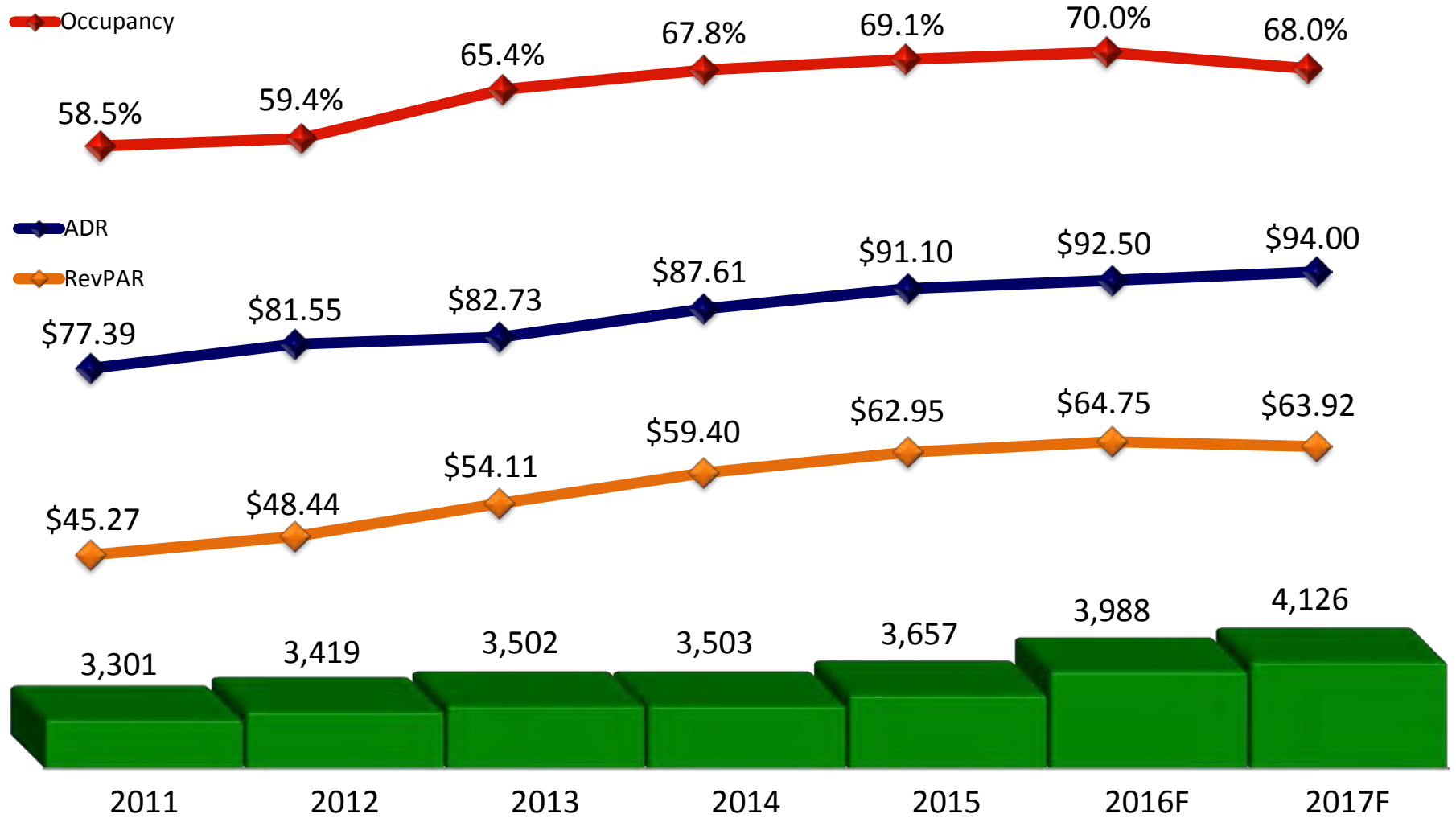


NORTH AUSTIN



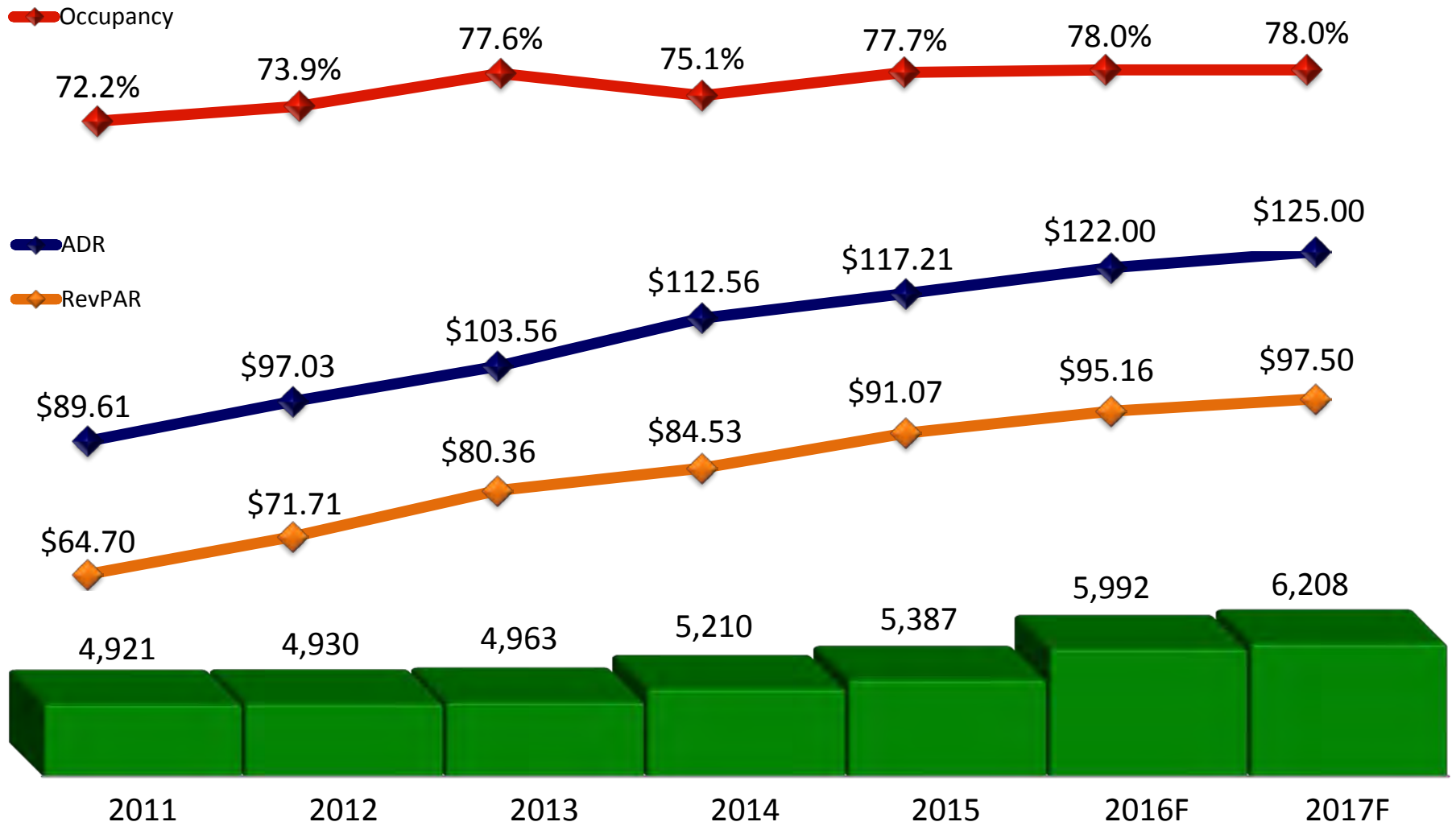
■ Supply

ROUND ROCK / GEORGETOWN



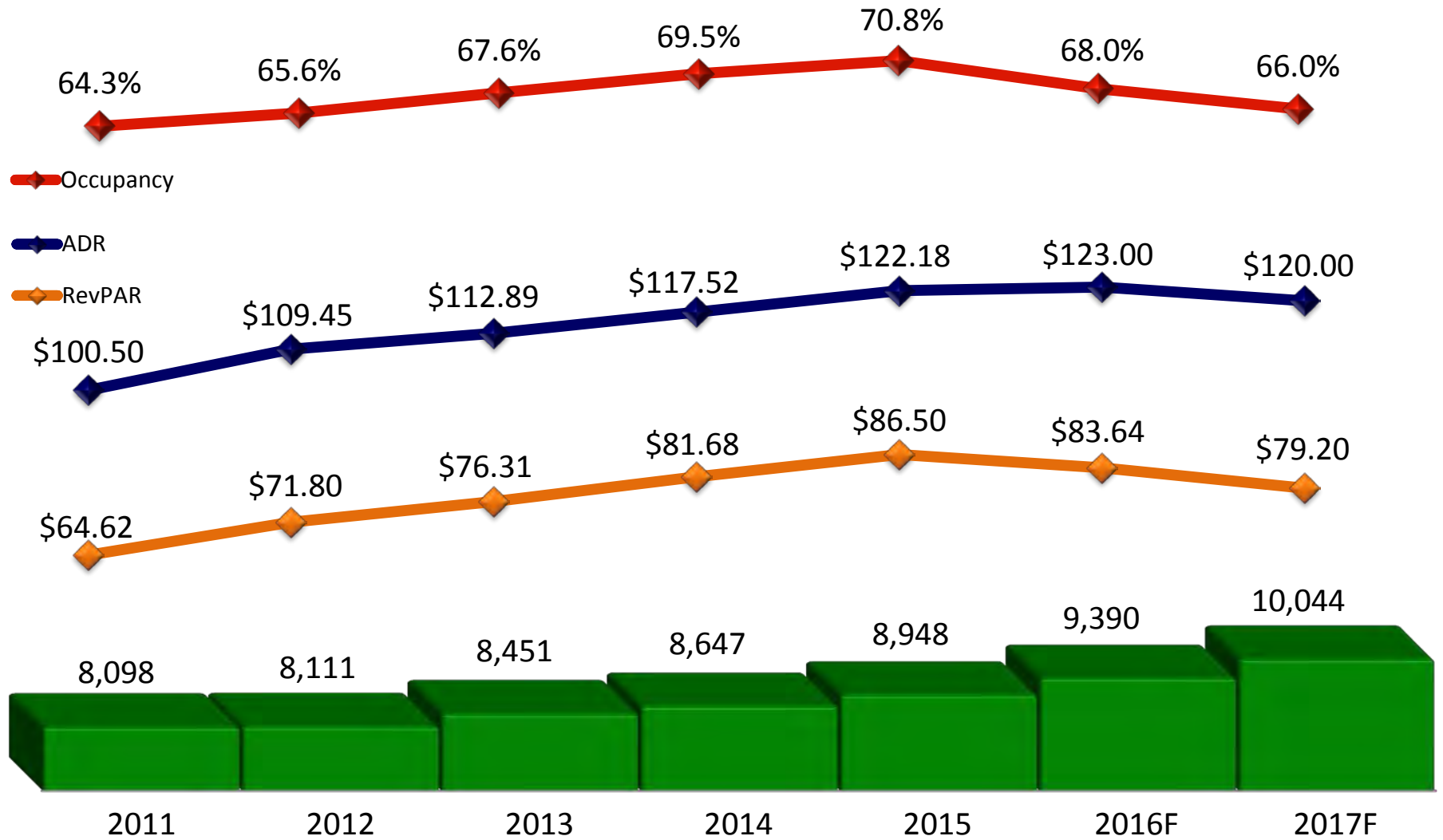
■ Supply

NORTHWEST AUSTIN



■ Supply

SOUTH AUSTIN / SAN MARCOS



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