# 2014 Texas Trends® Hotel Industry Report

## Hotel Association of Tarrant County


October 9, 2014

PKF
CONSULTING
USA
A CBRE COMPANY

# Presentation Outline

PKF CONSULTING USA
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I. The Economy

II. Lodging Forecasts

III. Fort Worth Forecasts

IV. Hotel Market Cycle

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# United States: Economic Outlook

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| | Employment | Personal Income | GDP | CPI (Inflation) |
|---|---|---|---|---|
| **2013** | 1.7% | 1.7% | 1.9% | 1.5% |
| **2014** | 1.8% | 2.4% | 1.7% | 1.9% |
| **2015** | 2.3% | 4.3% | 3.7% | 2.2% |
| **2016** | 2.4% | 4.7% | 3.3% | 2.5% |
| **2017** | 1.6% | 3.5% | 2.9% | 2.9% |
| **2018** | 0.6% | 2.2% | 2.2% | 2.8% |

Source: Moody's Analytics, July 2014

# Fort Worth: Economic Outlook

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| | Employment | Personal Income | GMP | CPI (Inflation) |
|---|---|---|---|---|
| **2013** | 2.7% | 2.1% | 2.8% | 1.6% |
| **2014** | 2.8% | 2.6% | 4.4% | 2.2% |
| **2015** | 3.9% | 6.3% | 6.7% | 2.4% |
| **2016** | 3.7% | 5.9% | 5.9% | 2.7% |
| **2017** | 2.7% | 4.3% | 5.4% | 3.0% |
| **2018** | 1.8% | 3.2% | 4.6% | 2.9% |

Source: Moody's Analytics, July 2014

# Unemployment Comparison*

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| | June 2013 | June 2014 |
|---|---|---|
| United States | 7.5% | 6.3% |
| Texas | 6.9% | 5.5% |
| Austin | 5.7% | 4.4% |
| Dallas/Fort Worth | 6.7% | 5.4% |
| Houston | 6.7% | 5.4% |
| San Antonio | 6.6% | 5.1% |

*** Not seasonally adjusted**

Source: Texas Work Force Commission

# What Could Derail the Economy?

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- Unpredictable World Event
- Price of Oil & Gas
- International Crises

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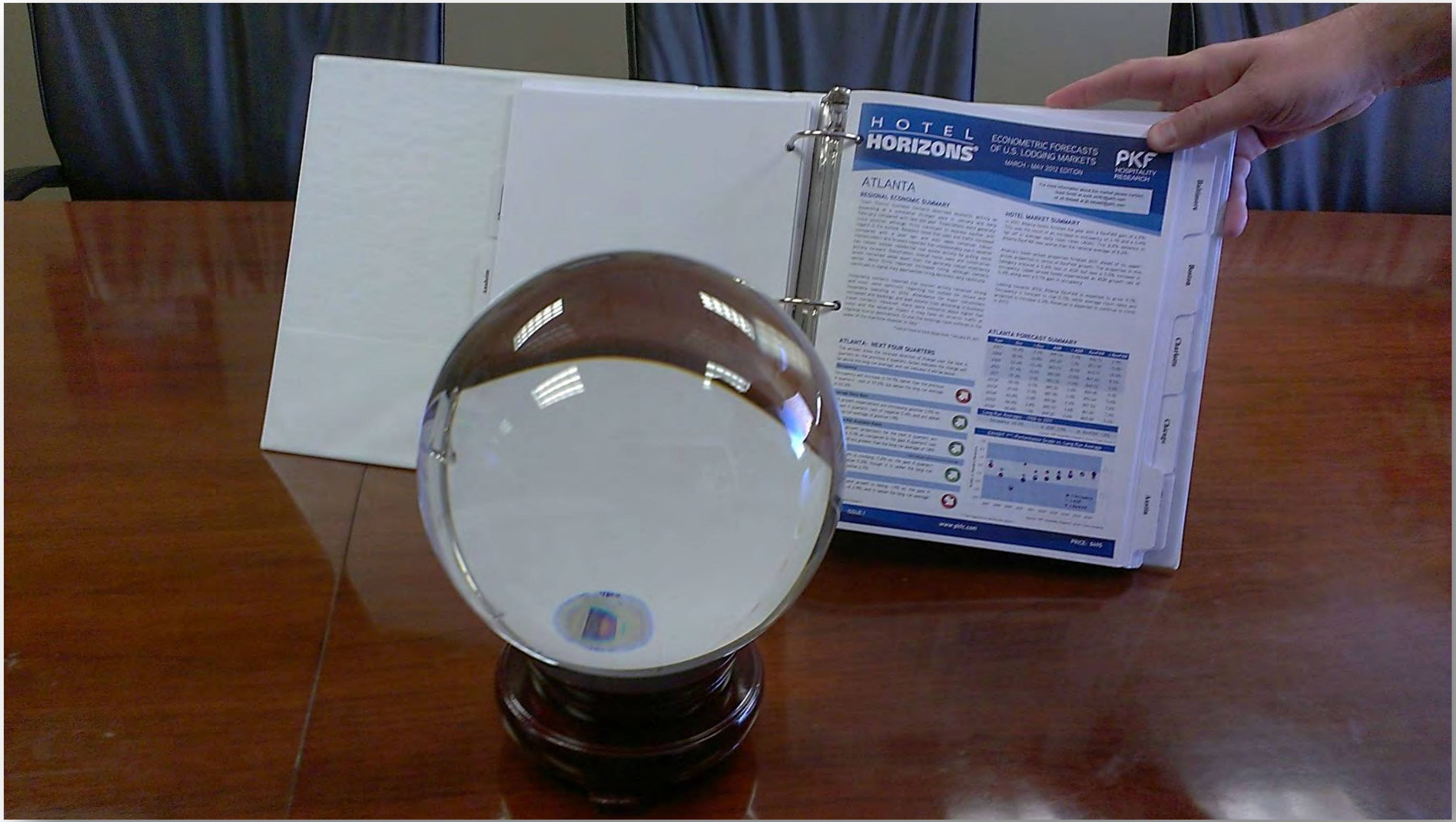

# Hotel Horizons®

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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
  - 55 Major U.S. Markets
- Updated Quarterly

# United States: 2nd Quarter 2014

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= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 1.9% | 1.7% | 0.5% | 0.4% | 0.7% | 0.9% | 1.3% | 1.7% | 2.1% | 2.4% |
| Demand | 1.9% | 7.2% | 4.7% | 2.8% | 2.2% | 4.5% | 2.2% | 1.6% | 1.1% | 0.4% |
| Occupancy | 61.9% | 57.5% | 59.9% | 61.3% | 62.2% | 64.4% | 65.0% | 64.9% | 64.3% | 63.0% |
| ADR | 3.0% | 0.0% | 3.8% | 4.2% | 3.9% | 4.5% | 5.7% | 5.9% | 5.4% | 4.1% |
| RevPAR | 3.0% | 5.4% | 8.1% | 6.6% | 5.4% | 8.2% | 6.7% | 5.8% | 4.3% | 2.1% |

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

# 2015 US Hotel Industry Achievements

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- Six consecutive years of increasing occupancy, the longest since 1988.
- An occupancy level of 65%, the highest level of occupancy ever recorded by STR, Inc.
- 14 of the 55 markets in the *Hotel Horizons*® universe will achieve their highest occupancy levels in the past 25 years.
- 49 of 55 markets are above their long run average occupancy level.

# Net Supply Change 2009 vs. 2015

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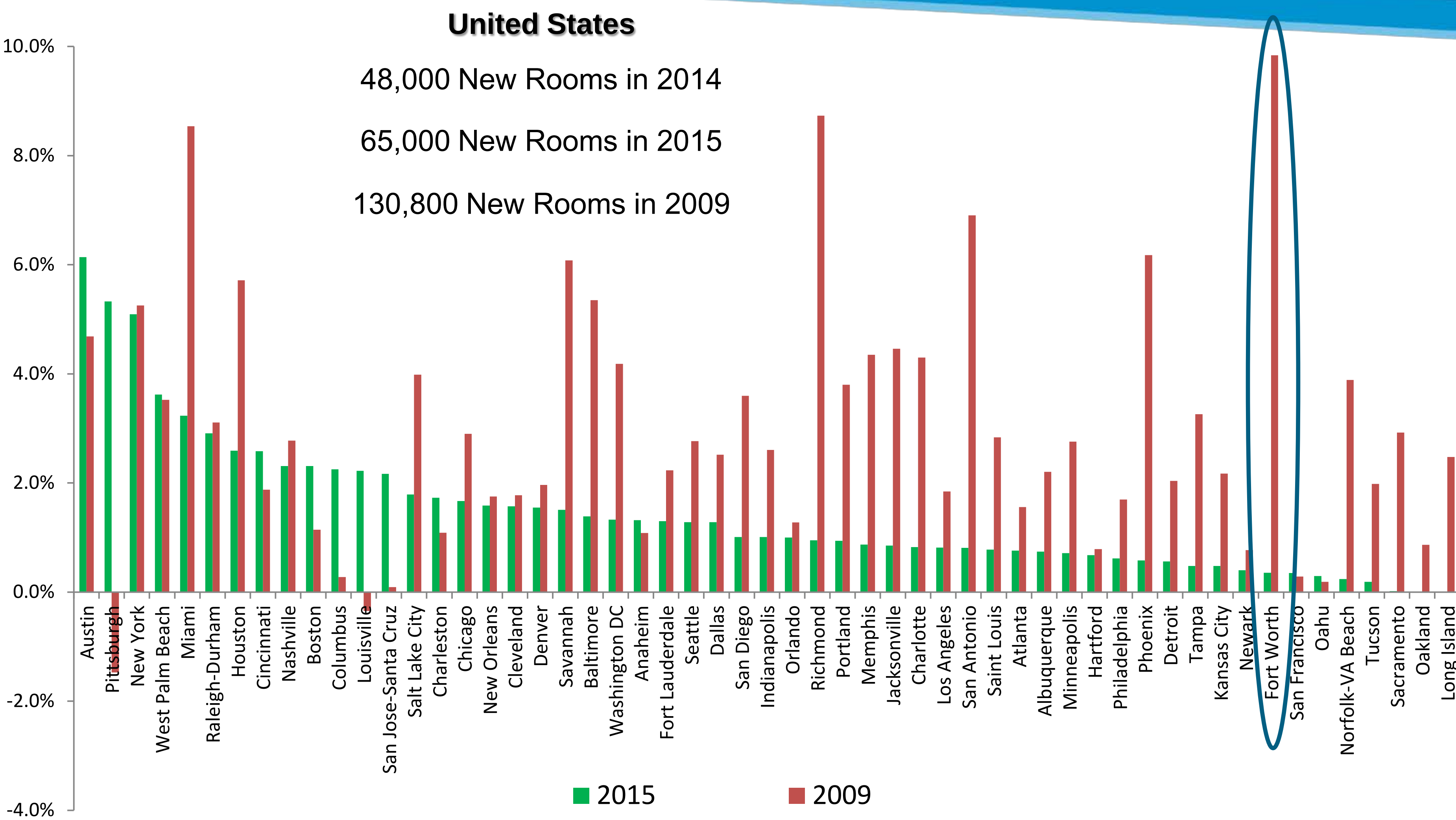


Source: PKF-HR Hotel Horizons® September-November 2014 Edition, STR, Inc..

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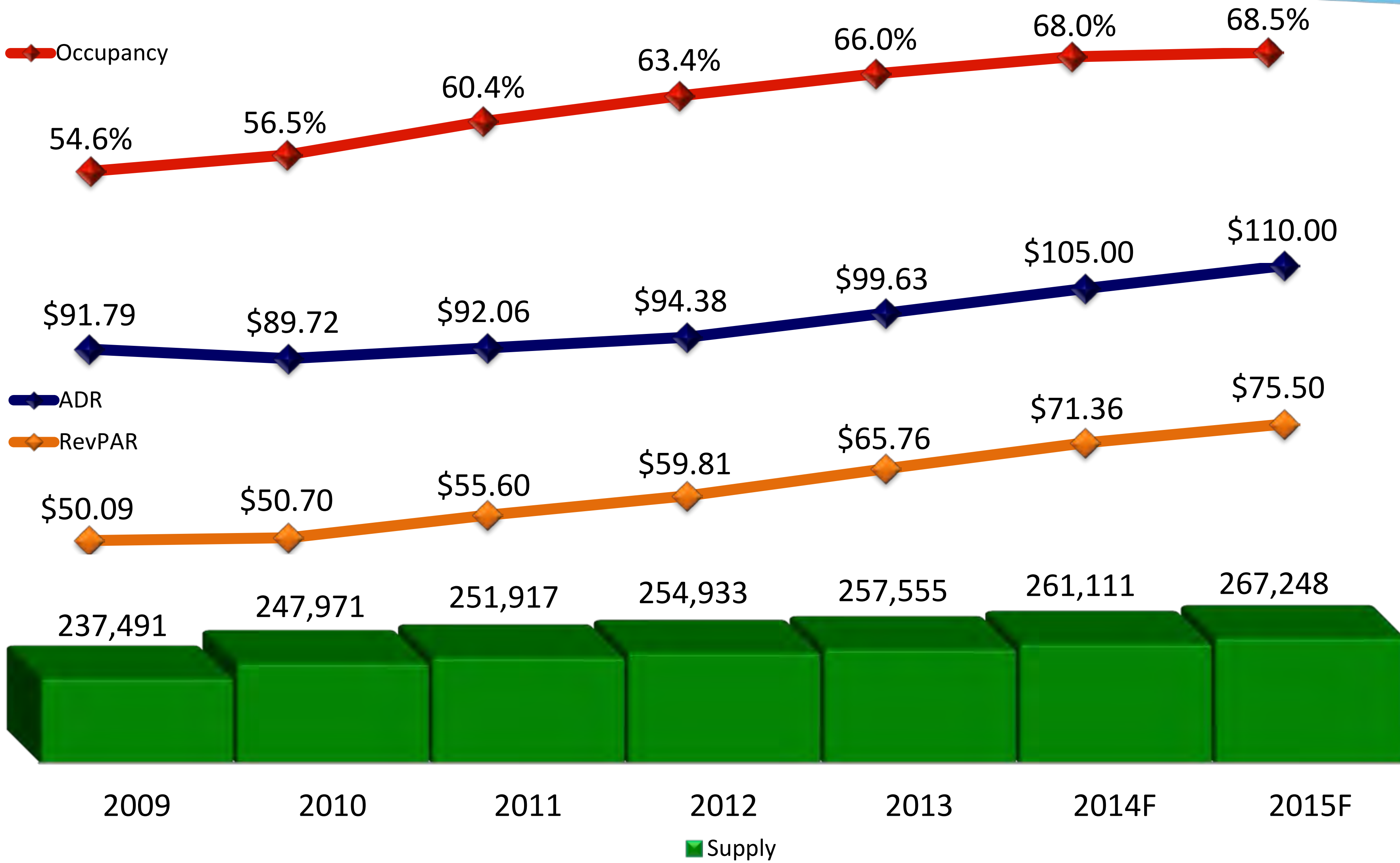
# Texas: 2nd Quarter 2014



# Austin: 2nd Quarter 2014

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= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 3.3% | 4.8% | 2.4% | 0.7% | 2.8% | 2.4% | 6.0% | 3.1% | 2.1% | 2.4% |
| Demand | 4.3% | 10.3% | 6.8% | 3.1% | 7.7% | 3.4% | 5.3% | 2.0% | 1.5% | 1.0% |
| Occupancy | 66.2% | 63.7% | 66.5% | 68.0% | 71.3% | 72.0% | 71.5% | 70.8% | 70.3% | 69.4% |
| ADR | 4.0% | -2.6% | 5.9% | 7.9% | 5.5% | 6.9% | 4.7% | 1.7% | 1.6% | 2.0% |
| RevPAR | 5.3% | 2.6% | 10.5% | 10.4% | 10.5% | 7.9% | 4.1% | 0.7% | 0.9% | 0.6% |

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

# Dallas: 2nd Quarter 2014

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= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 2.5% | 2.7% | 0.8% | 1.4% | 0.3% | 0.6% | 1.7% | 1.9% | 2.8% | 3.4% |
| Demand | 3.4% | 9.5% | 9.1% | 4.8% | 5.7% | 5.4% | 3.3% | 3.2% | 2.9% | 2.5% |
| Occupancy | 60.7% | 54.5% | 59.0% | 61.0% | 64.2% | 67.3% | 68.3% | 69.2% | 69.2% | 68.6% |
| ADR | 2.1% | -2.6% | 3.4% | 1.1% | 5.1% | 5.0% | 6.5% | 5.4% | 4.0% | 3.2% |
| RevPAR | 3.1% | 3.9% | 11.9% | 4.4% | 10.7% | 10.0% | 8.2% | 6.8% | 4.1% | 2.3% |

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

# Houston: 2nd Quarter 2014

PKF CONSULTING USA
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= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 2.5% | 6.1% | 1.8% | 0.9% | 0.6% | 1.5% | 3.0% | 2.8% | 2.5% | 1.8% |
| Demand | 3.9% | 5.4% | 10.6% | 10.4% | 6.2% | 4.1% | 2.2% | 2.0% | 1.5% | 1.1% |
| Occupancy | 61.8% | 55.0% | 59.7% | 65.4% | 69.1% | 70.8% | 70.3% | 69.8% | 69.1% | 68.6% |
| ADR | 3.0% | -4.0% | 2.6% | 3.7% | 7.8% | 7.0% | 4.1% | 1.4% | 1.6% | 1.9% |
| RevPAR | 4.6% | -4.6% | 11.5% | 13.6% | 13.8% | 9.7% | 3.3% | 0.7% | 0.6% | 1.1% |

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

# San Antonio: 2nd Quarter 2014

PKF CONSULTING USA
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= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 3.4% | 8.5% | 2.5% | 1.6% | 0.5% | 1.4% | 1.1% | 1.2% | 2.4% | 3.3% |
| Demand | 3.6% | 12.4% | 7.1% | 5.5% | -0.1% | 2.9% | 2.8% | 2.8% | 2.5% | 3.0% |
| Occupancy | 65.0% | 58.2% | 60.8% | 63.2% | 62.8% | 63.8% | 64.8% | 65.8% | 65.9% | 65.7% |
| ADR | 3.0% | 0.3% | 0.1% | 1.3% | 4.8% | 1.9% | 3.9% | 3.4% | 3.0% | 3.0% |
| RevPAR | 3.4% | 4.0% | 4.6% | 5.2% | 4.2% | 3.5% | 5.6% | 5.0% | 3.2% | 2.7% |

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

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# Fort Worth – Local Demand Factors

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- Corporate Activity
  - Bell Helicopter – civilian helicopter
  - Lockheed F-35–Australia (58) & Turkey
  - GM – increased production
  - BNSF – add 200
  - William Sonoma – 100 jobs
  - Texas Quality Beverage – 300 jobs
- Wright Amendment – 2014
- American/US Airways
  - More Flights
  - Expand to Latin America
- 2014 NCAA Men’s Final Four
- 2015 NCAA Football Championship
- Academy of Country Music
- Convention Activity
  - Fort Worth: Below Pace
  - Arlington: Above Pace
- Strong Housing Market
- Per Diem Rate Up $4 to $144

# Fort Worth: 2nd Quarter 2014

PKF CONSULTING USA
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= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 3.1% | 3.7% | 1.3% | 1.2% | 0.5% | 1.5% | 0.3% | 2.1% | 3.8% | 4.4% |
| Demand | 3.5% | 7.7% | 7.1% | 3.0% | 3.9% | 3.7% | 3.3% | 2.7% | 2.8% | 2.7% |
| Occupancy | 60.9% | 56.1% | 59.3% | 60.3% | 62.3% | 63.7% | 65.5% | 66.0% | 65.3% | 64.3% |
| ADR | 3.2% | -0.9% | 1.1% | -1.4% | 1.5% | 4.3% | 4.4% | 3.8% | 3.8% | 3.3% |
| RevPAR | 3.8% | 2.8% | 6.9% | 0.3% | 4.9% | 6.6% | 7.5% | 4.5% | 2.8% | 1.6% |

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

# Fort Worth: Upper-Priced

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= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 5.6% | 4.4% | 0.5% | 2.7% | 1.2% | 1.8% | 0.0% | 2.7% | 4.7% | 5.0% |
| Demand | 6.2% | 13.0% | 8.0% | 2.4% | 2.9% | 3.5% | 2.0% | 2.1% | 3.3% | 3.0% |
| Occupancy | 68.0% | 64.1% | 69.0% | 68.8% | 70.0% | 71.1% | 72.5% | 72.1% | 71.2% | 69.9% |
| ADR | 3.3% | -2.0% | -0.6% | -2.5% | 2.1% | 4.6% | 5.0% | 4.0% | 3.8% | 3.3% |
| RevPAR | 4.0% | 6.1% | 6.9% | -2.8% | 3.8% | 6.3% | 7.1% | 3.5% | 2.4% | 1.4% |

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

# Fort Worth: Lower-Priced

PKF CONSULTING USA
A CBRE COMPANY

= Below/Above Long Run Average

| | Long Term Average | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|---|
| Supply | 2.2% | 3.4% | 1.8% | 0.5% | 0.1% | 1.4% | 0.5% | 1.8% | 3.4% | 4.1% |
| Demand | 2.4% | 4.4% | 6.5% | 3.4% | 4.6% | 3.9% | 4.1% | 3.1% | 2.5% | 2.5% |
| Occupancy | 58.4% | 51.7% | 54.1% | 55.7% | 58.1% | 59.6% | 61.7% | 62.6% | 62.1% | 61.1% |
| ADR | 2.3% | -3.0% | 3.1% | 0.5% | 1.4% | 4.1% | 4.5% | 4.0% | 3.5% | 3.0% |
| RevPAR | 2.7% | -2.1% | 7.8% | 3.5% | 5.9% | 6.7% | 8.3% | 5.4% | 2.7% | 1.4% |

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

# Fort Worth Summary

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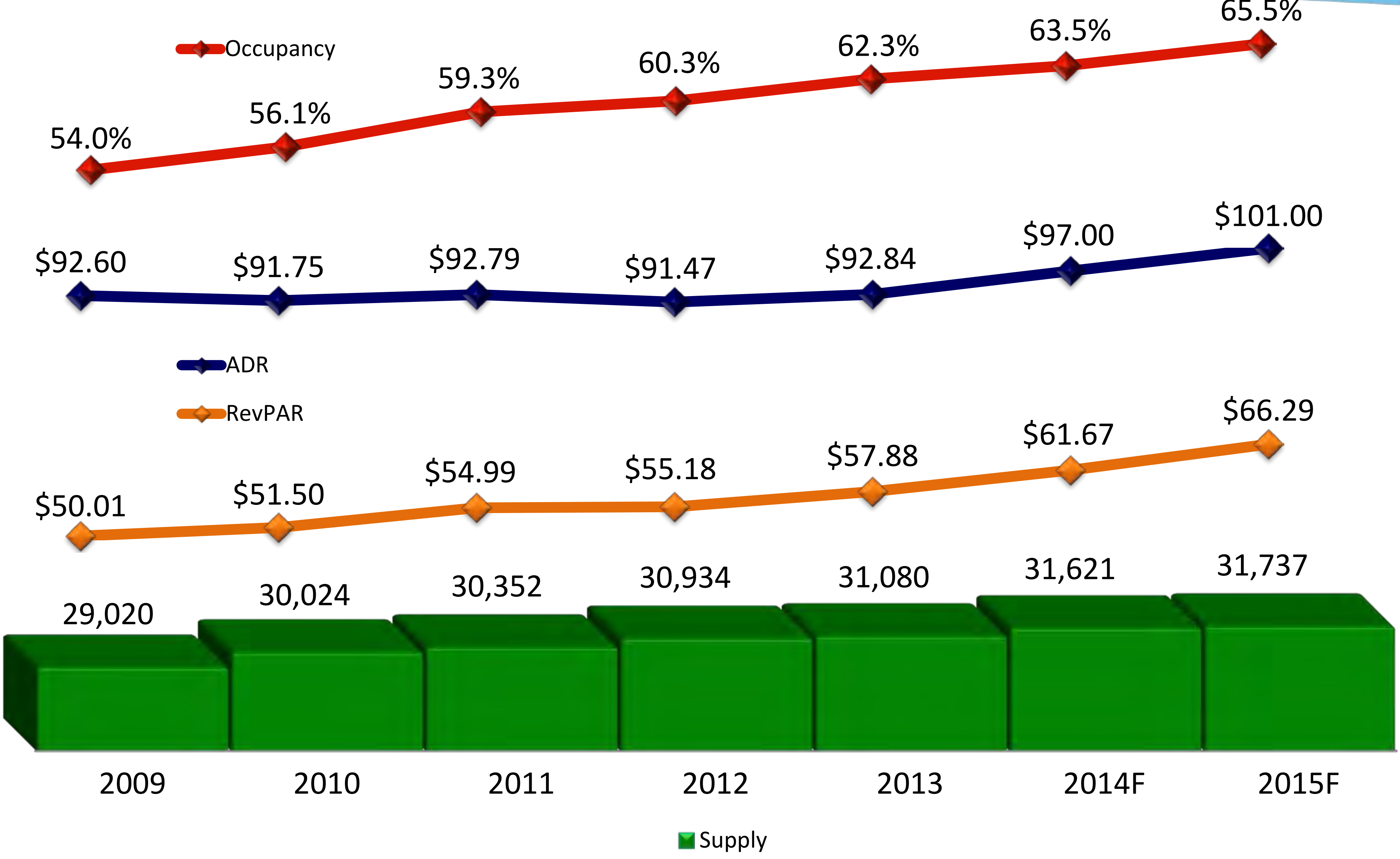

# Downtown / I-820 West

# Downtown / I-820 West

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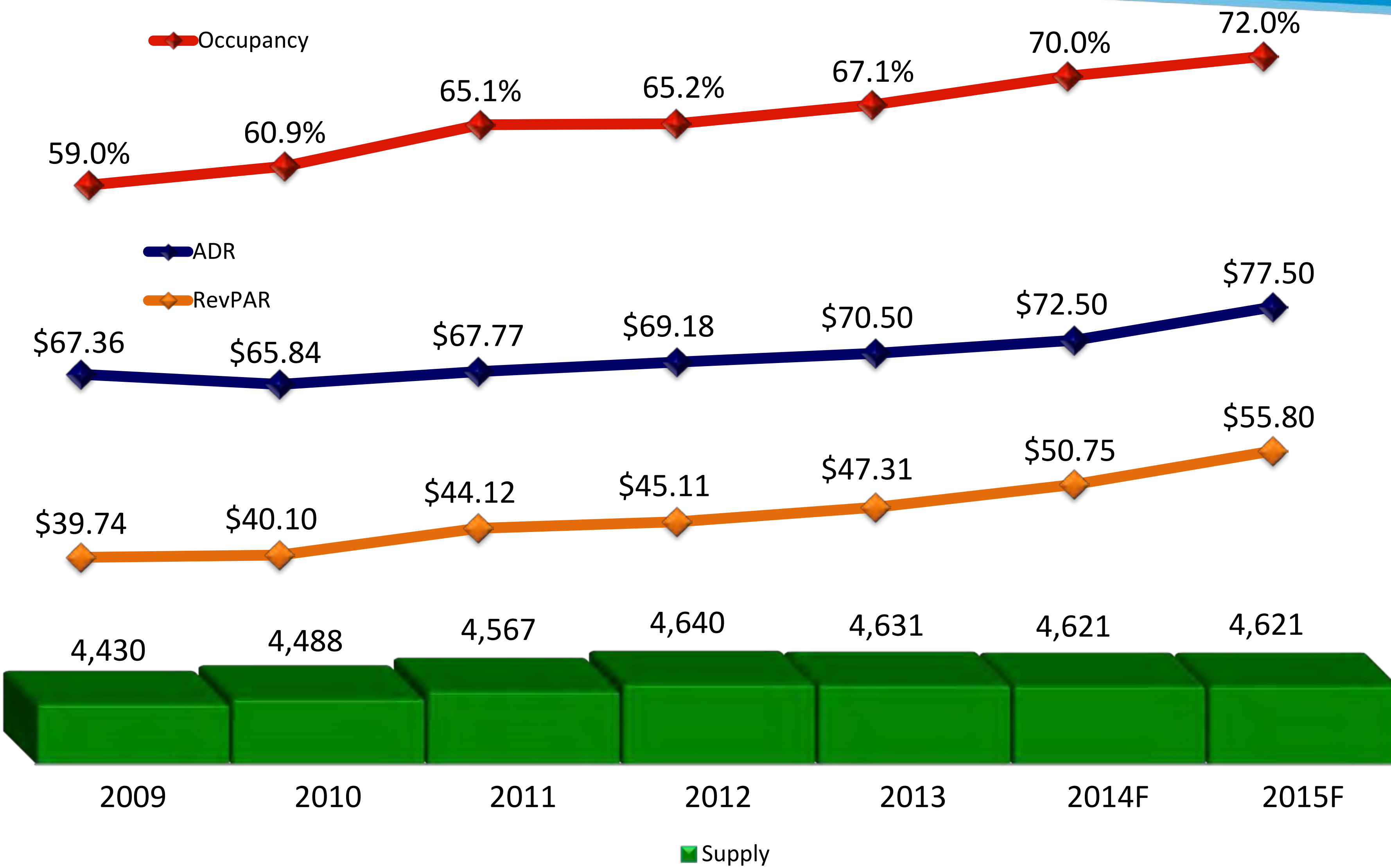
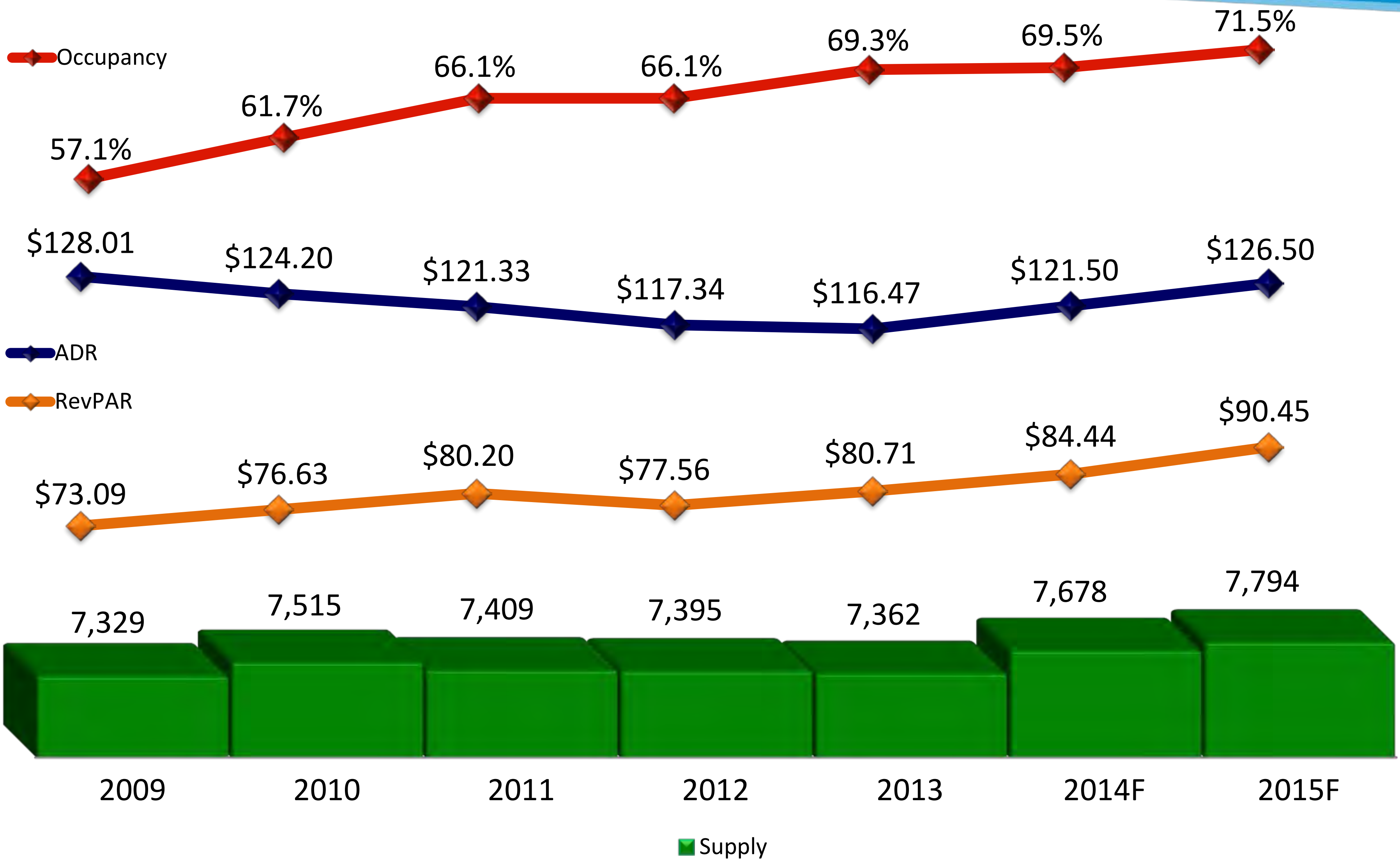
| SUBMARKET | OCCUPANCY | ADR |
|---|---|---|
| DOWNTOWN | DOWN 1 TO 2 POINTS | FLAT TO UP $3 |
| I-820 WEST | UP 2 TO 5 POINTS | UP $4 TO $6 |

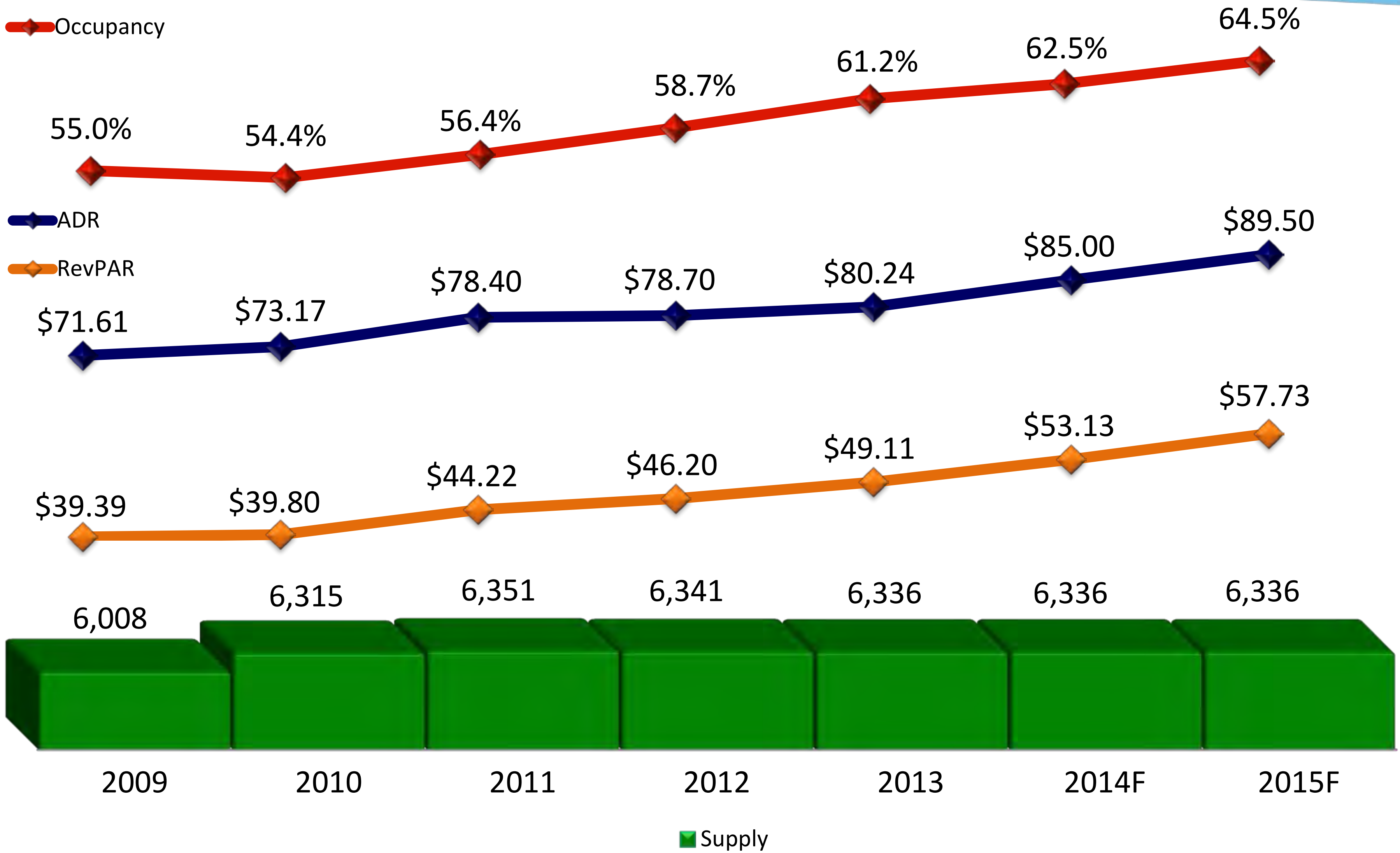
# Fort Worth North



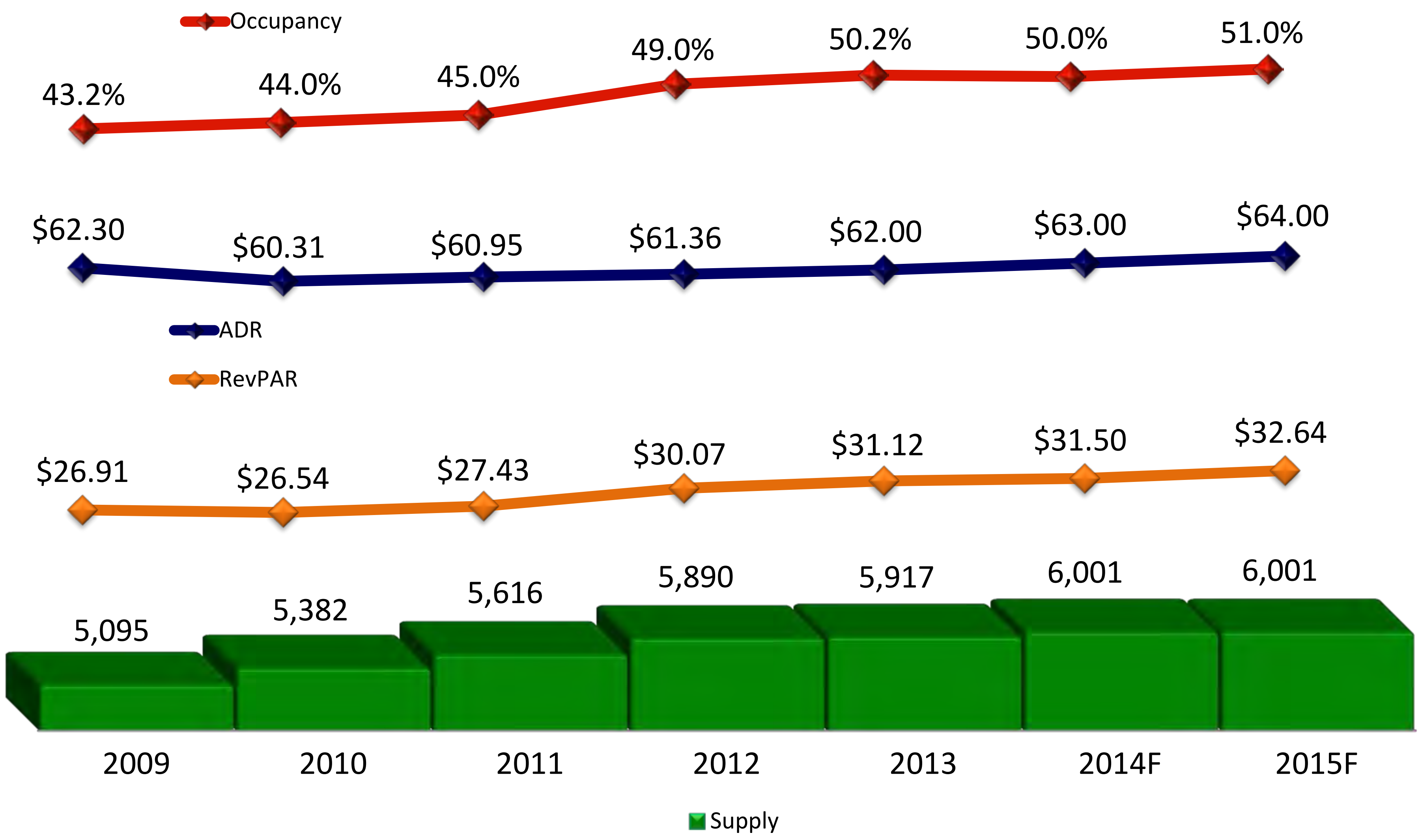
# Bedford / Grapevine



# Arlington


Occupancy
55.0%
54.4%
56.4%
58.7%
61.2%
62.5%
64.5%
ADR
RevPAR
$71.61
$73.17
$78.40
$78.70
$80.24
$85.00
$89.50
$39.39
$39.80
$44.22
$46.20
$49.11
$53.13
$57.73
6,008
6,315
6,351
6,341
6,336
6,336
6,336
2009
2010
2011
2012
2013
2014F
2015F
Supply

# Fort Worth South / West



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HOTEL
HOTEL
Hotel

# Hotel Market Cycle

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## In the Sweet Spot

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# or

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