



HOTEL OWNERS

ACADEMY™





**NORTH TEXAS
REGIONAL MEETING**



NORTH TEXAS REGIONAL EDUCATION SESSION

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Industry Update by CBRE



CBRE HOTELS

The World's Leading Hotel Experts.



Jeffrey Binford
Director
CBRE Hotels





The Dallas Lodging Market



Submarket Performance

SUBMARKET COMPARISON MID-YEAR 2018

ALL HOTELS

Dallas Hotel Submarket Analysis

Mid-Year 2018 Compared to Mid-Year 2017

Submarket	Occupancy		ADR		RevPAR	
	Percent	Pt. Change	\$ Amount	% Change	\$ Amount	% Change
CBD / Market Center	72.2%	1.2%	\$162	4.9%	\$117	6.7%
Addison / LBJ	70.3%	-2.5%	\$98	1.0%	\$69	-2.5%
Farmers Branch / Stemmons	71.3%	-0.1%	\$88	3.6%	\$63	3.5%
West Plano / Frisco	67.4%	-2.0%	\$74	2.5%	\$50	-0.4%
East Plano / Richardson	67.9%	-2.2%	\$87	0.3%	\$59	-2.8%
Denton/Lewisville/McKinney	68.8%	-3.3%	\$87	2.7%	\$60	-2.0%
Irving North	77.0%	2.3%	\$116	1.9%	\$90	5.0%
Irving South / Grand Prairie	69.3%	0.9%	\$103	1.9%	\$72	3.1%
South / East	67.3%	-1.2%	\$71	2.3%	\$48	0.5%
Average / Change	70.6%	-0.7%	\$111	3.6%	\$78	2.5%

Source: STR, Inc.

Market Factors

HQ2?

DALLAS AREA MARKET FACTORS

Hotel Additions

- 2018 – 4,694 rooms
- 2019 – 9,700 rooms
- 2020+ – 3,701 rooms
- Hospitality employment up 6% YOY, 3 x national pace, due to business travel, not tourism

Corporate Activity / Relocations

- Decelerating, but still active
- Office construction will likely slow
- Core professional services continues to rise at above average pace, contributing to gains in high-wage jobs
- Residential prices up 7%+ over past year, 60% since 2011, still increasing
- Arrival of well-paid employees = population growth 3X national avg.

Watchlist:

- Downtown Dallas is alive and well, Uptown better
- Rowlett Lagoon Park? (and Prosper?)
- Irving - Verizon's Hidden Ridge and Texas Music Factory
- I-35 Corridor north of LBJ Fwy to Denton
- Grapevine – Hotels, Water Park
- Arlington - \$5B Sports related Developments
- West End accumulation of properties
- Design District - snooping for hotels
- Dallas Midtown?
- Deep Ellum – Epic, et.al.
- Convention/entertainment centers
- Hospital Hotels
- Re-purposing buildings for hotels



Active Pipeline

DALLAS PIPELINE - BY THE NUMBERS

Properties	Factor	Rooms
	<u>STATUS</u>	
187	TOTAL Dallas Pipeline	24,120
3	Abandoned	250
3	Deferred	261
5	Unconfirmed	4
65	Planning	8,436
62	Final Planning	7,900
51	Start	6,853
	<u>PRICE TIER</u>	
73	Upper	12,325
114	Lower	11,795
	<u>TIMELINE</u>	
13	No Dates	2,183
34	Open by YE 2018	4,238
59	Open by YE 2019	8,493
81	Open 2020 and Beyond	9,206

Dallas Lodging Forecast: All Hotels

	Long Run Average	2015	2016	2017	2018F	2019F
Supply	2.4%	1.1%	2.2%	3.7%	5.4%	6.3%
Demand	3.4%	5.1%	3.4%	1.1%	4.5%	5.4%
Occupancy	62.0%	70.5%	71.3%	69.6%	68.9%	68.3%
ADR	2.4%	5.8%	4.5%	2.3%	2.5%	2.0%
RevPAR	3.5%	10.0%	5.8%	-0.3%	1.6%	1.2%

Source: CBRE Hotels' Americas Research - Hotel Horizons® June – August 2018; STR

Dallas Lodging Forecast: Upper-Priced Hotels

	Long Run Average	2015	2016	2017	2018F	2019F
Supply	2.6%	2.3%	3.3%	4.8%	5.6%	6.0%
Demand	3.5%	5.3%	3.0%	2.3%	5.8%	5.3%
Occupancy	64.3%	71.5%	71.4%	69.6%	69.7%	69.3%
ADR	2.5%	4.9%	3.5%	1.1%	1.9%	2.2%
RevPAR	3.5%	7.9%	3.2%	-1.4%	2.1%	1.5%


Source: CBRE Hotels' Americas Research - Hotel Horizons® June – August 2018; STR

Dallas Lodging Forecast: Lower-Priced Hotels

	Long Run Average	2015	2016	2017	2018F	2019F
Supply	2.3%	0.1%	1.2%	2.7%	5.3%	6.5%
Demand	3.5%	5.0%	3.8%	0.0%	3.3%	5.4%
Occupancy	60.2%	69.6%	71.3%	69.5%	68.2%	67.5%
ADR	2.1%	7.5%	6.9%	3.3%	2.4%	1.8%
RevPAR	3.5%	12.6%	9.6%	0.6%	0.5%	0.8%

Source: CBRE Hotels' Americas Research - Hotel Horizons® June – August 2018; STR

Dallas - Closing Thoughts . . .

1. Occupancies will gradually decrease from 2016 highs due to new supply, but remain above the long run average of 62.0%
 2. Average Daily Room Rates are expected to increase annually, but at a rate lower than the long term average of 2.4%
 3. RevPAR increases will be driven by ADR, NOT Occupancy (Drive Rate!)
 4. Emerging markets reduce compression in established markets
 5. Dallas economic indices and performance consistently outperform state and US, and is expected to continue
 6. Fundamentals remain solid for most hotel markets, including Dallas
 7. Hotel construction will continue; the threat of overbuilding is the exception and not the rule
 8. Revenue growth helps cushion labor cost issues. Profit growth will remain good, not great
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The Ft. Worth Lodging Market



Submarket Performance

SUBMARKET COMPARISON MID-YEAR 2018

ALL HOTELS

Fort Worth Hotel Submarket Analysis

Mid-Year 2018 Compared to Mid-Year 2017

Submarket	Occupancy		ADR		RevPAR	
	Percent	Pt. Change	\$ Amount	% Change	\$ Amount	% Change
CBD / I-820 West	73.1%	0.2%	\$140	3.3%	\$103	3.6%
North	76.9%	1.6%	\$116	0.9%	\$89	3.1%
Arlington	70.0%	-0.3%	\$114	6.9%	\$80	6.5%
Bedford / Grapevine	75.7%	1.6%	\$106	4.1%	\$80	6.3%
South / West	67.4%	3.4%	\$81	2.3%	\$55	7.8%
Average / Change	72.2%	1.5%	\$108	2.9%	\$78	5.1%

Source: STR, Inc.

Market Factors

HQ2?

FORT WORTH AREA MARKET FACTORS

Fort Worth/Tarrant County

- American Airlines
- Lockheed/Government Contracts
- Oil & Gas
- Dickies Arena
- Industrial Growth
- Office Absorption
- Convention Center
- Healthcare Mfg./Employment
- Stockyards redevelopment
- Clearfork
- Affordable Housing
- Firestone & Robertson Distillery

Arlington

- Entertainment area
- Repurpose Stadium
- Covered Stadium
- Texas Live!
- Loews Hotel
- Convention Center?
- GM SUV Expansion
- Commerce Center

Grapevine

- Corporate Relocations
- Hotels, Hotels, Hotels



Active Pipeline

FORT WORTH PIPELINE - BY THE NUMBERS

Properties	Factor	Rooms
<u>STATUS</u>		
99	TOTAL Fort Worth Pipeline	13,327
0	Abandoned	0
3	Deferred	554
3	Unconfirmed	500
42	Planning	5,791
33	Final Planning	3,992
19	Start	2,490
<u>PRICE TIER</u>		
48	Upper	7,621
51	Lower	5,706
<u>TIMELINE</u>		
12	No Dates	500
10	Open by YE 2018	1,130
32	Open by YE 2019	4,208
57	Open 2020 and Beyond	7,989

Ft. Worth Lodging Forecast: All Hotels

	Long Run Average	2015	2016	2017	2018F	2019F
Supply	2.8%	0.3%	0.2%	2.7%	3.0%	5.1%
Demand	3.6%	4.2%	4.0%	3.4%	4.0%	3.7%
Occupancy	61.8%	66.8%	69.4%	69.8%	70.5%	69.6%
ADR	3.2%	3.7%	1.4%	1.5%	2.8%	1.4%
RevPAR	3.5%	7.8%	5.3%	2.1%	3.8%	0.0%

Source: CBRE Hotels' Americas Research - Hotel Horizons® June – August 2018; STR

Ft. Worth Lodging Forecast: Upper-Priced Hotels

	Long Run Average	2015	2016	2017	2018F	2019F
Supply	4.8%	-0.7%	1.5%	6.4%	2.3%	7.4%
Demand	5.5%	3.3%	2.9%	6.5%	3.9%	4.6%
Occupancy	67.6%	71.9%	72.9%	73.0%	74.2%	72.3%
ADR	3.3%	3.9%	0.4%	-1.4%	1.7%	0.3%
RevPAR	4.1%	8.1%	1.8%	-1.3%	3.3%	-2.3%


Source: CBRE Hotels' Americas Research - Hotel Horizons® June – August 2018; STR

Ft. Worth Lodging Forecast: Lower-Priced Hotels

	Long Run Average	2015	2016	2017	2018F	2019F
Supply	2.0%	0.9%	-0.6%	0.5%	3.5%	3.8%
Demand	2.8%	4.9%	4.6%	1.4%	4.1%	3.1%
Occupancy	59.5%	63.9%	67.3%	67.8%	68.3%	67.8%
ADR	2.5%	4.1%	3.7%	3.3%	4.4%	2.3%
RevPAR	3.4%	8.2%	9.2%	4.1%	5.1%	1.6%

Source: CBRE Hotels' Americas Research - Hotel Horizons® June – August 2018; STR

Ft. Worth – Closing Thoughts...

- 1. Occupancies will continue to increase this year. New supply will reduce occupancies through 2021**
 - 2. Supply increases expected to be higher than past 5 years**
 - 3. Average Daily Room Rates should increase, but at a rate lower than the long term average of 3.2%**
 - 4. RevPAR will be flat - any increases will be driven by ADR, NOT Occupancy (Drive Rate!)**
 - 5. Room night demand is expected to increase at healthy rates, just not as healthy as new supply after 2018**
 - 6. Mid-year occupancies are looking strong . . . Take advantage while you can!**
 - 7. Fort Worth economic indices and hotel performance typically outperform state and US, and is expected to continue. Upper-Priced hotels lag the US, in terms of occupancy, rate and RevPAR changes**
 - 8. Overall, fundamentals remain solid for most hotel markets, including Fort Worth. Supply and demand are generally in balance, occupancies, rates and RevPAR increasing**
- 



Brand Choice



Our Moderator and Panelists

Meet the Experts



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