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IN FOCUS:
CHEYENNE, WYOMING

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Cheyenne, Wyoming's hotel market and economy lean on cornerstones like energy production and manufacturing while shifting focus to high-technology and corporate clientele. Demand from these sources, along with significant performance gains, have driven a push for more hotels.

Highlights

- Cheyenne's economy is strong and growing, and the benefits of the income-tax free state of Wyoming are extremely attractive to residents and business owners.
- Cheyenne's transition into the high-tech industry is in full gear and continuously evolving, making for a positive outlook for job growth and the city's economy as a whole.
- Annual events like Cheyenne Frontier Days, along with venues like the Big Country Speedway, serve as major generators of leisure demand in the city.
- Average rate for Cheyenne hotels has risen markedly since 2009, and occupancy has realized strong performance in the past several years. As a result of the growth in demand, five new hotel projects are confirmed or under construction in the city.

Introduction

Just ten miles north of the Colorado border, Cheyenne, capital of Wyoming, caps the northern end of the Front Range Urban Corridor, a region extending along the eastern face of the Rocky Mountains. Nicknamed the “Magic City of the Plains,” Cheyenne bears marks of paradox: it is the most populous city in the nation’s least populous state, and a frontier city deeply entrenched in the culture, history, and economy of the American West while building diverse inroads into forward-looking areas such as transportation and technology. Among *Forbes’* 2013 list of “Best Small Places for Business and Careers,” Cheyenne ranked 33rd for overall job growth, and the city’s expanding economy and favorable business climate are evidenced by unemployment levels well below the national average. For a “small place,” Cheyenne’s prospects loom large. This article will examine some of the major developments in the city and how they are transforming the landscape for local hotels.

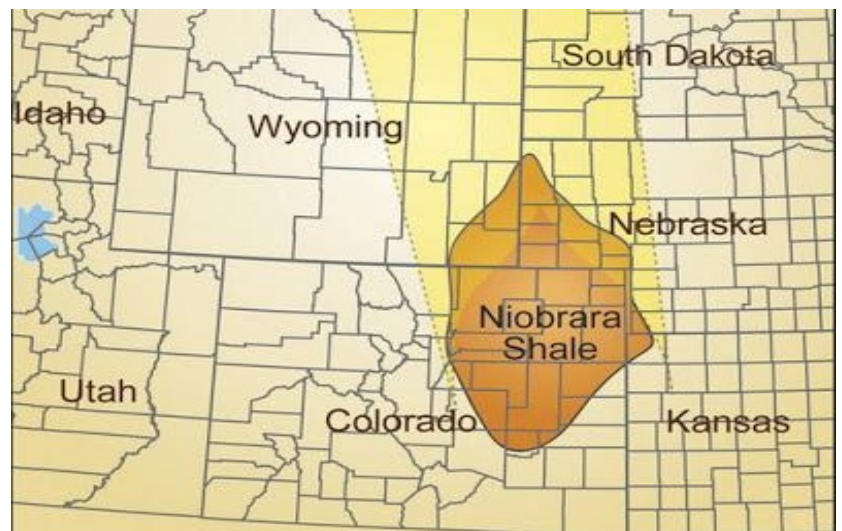
Key Industries and Economic Sectors in Cheyenne

Being the capital of Wyoming and home to F.E. Warren Air Force Base, Cheyenne’s economy is underpinned by a strong government and military presence. F.E. Warren Air Force Base, one of four strategic missile bases in the United States, and the Wyoming National Guard are among the area’s top employers; the Wyoming National Guard has reportedly increased its force by over 65% in the past two years. The federal government has more than 3,000 non-military employees in Cheyenne, and state government employs nearly as many. Sequestration, which had put a choke on military and government funding, ended in late 2013; hence, demand from the government sector is expected to gain strength in the near future.



Transportation and manufacturing go hand in hand, and recent expansions in Cheyenne show how these industries are interlocked. SWAN Ranch Business Park, the major industrial park in Cheyenne, is currently served by the Burlington Northern Santa Fe Railway Company. Discussion of potentially connecting the Union Pacific Railroad to this business park is underway, which speaks to Cheyenne’s investment in facilitating the transportation of goods and supplies. In 2014, Magpul Industries, a firearm accessories and device manufacturer and distributor, announced it would be relocating to Cheyenne and constructing a new 100,000-square-foot facility. Furthermore, Crown Holdings, Inc., formally announced plans to relocate to SWAN Ranch Business Park, and Searing Industries completed a 200,000-square-foot facility in Cheyenne in early 2014.

The energy sector drives a large amount of economic activity, including hotel demand, in and around Cheyenne, and expanding oil and gas operations are expected to fuel more demand in the near term. According to Cheyenne LEADS, a non-profit economic development organization that assists businesses moving to Cheyenne, four new drill sites opened within Laramie County between August of 2013 and March of this year. The number of drill sites in northern Weld County, Colorado, which reaches the border of Wyoming near Cheyenne, increased from 28 to 40. The map illustrates the reach of the area known as the Niobrara Shale, where major crude-oil production operations are underway.



A strong economy and attractive tax incentives have helped lure high-tech firms and data centers to Cheyenne. Microsoft’s new \$180-million data center, currently under construction on the outskirts of the city, will bring an estimated 700 temporary and 30 permanent jobs to the market; Microsoft also plans to expand the center by 350,000 square feet within the next two years. Green House Data is also expanding its data center complex in Cheyenne with the addition of a new 35,000-square-foot facility scheduled for completion by the end of 2014. Construction of the new Cheyenne Prairie Generating Station power plant began in May of 2013. This \$222-million project is anticipated to add 300 construction jobs to the market through the expected completion date of October of 2014.

To ensure the delivery of ample supplies of water and electricity to the surge of new business operations in Cheyenne, the City is constructing a 42-inch main to hook into the existing water supply, and a new natural-gas-fired power plant, mentioned above, is underway in the city’s southeast.

Hotel Occupancy and Average Rate

With the extensive growth of industries across Cheyenne, hotel rooms are in high demand. Laramie County, of which the city of Cheyenne comprises the main part, collects a 4% lodging tax from hotels, and the records chart the overall growth or decline of hotel activity in the county.

The illustrated chart shows lodging tax collections since 2002. The figures illustrate significant growth within the last decade. Revenues grew remarkably in 2011 after having declined during the recent recession. Fiscal Year 2013 stands out, with hotel revenues reaching a record high.

Data gathered by Visit Cheyenne, the city’s convention and visitors bureau, demonstrate the correlation between hotel occupancy and average rate, which has surged since 2009.

Marketing toward corporate business is crucial for hoteliers in Cheyenne. Conversations with local hoteliers revealed contrasting occupancy trends among the city’s hotels: newer hotels that command higher rates are generally reporting occupancies some 10% above those of economy-level hotels. Most hotels in the market report frequent sell-out dates during the summer; hence, the advantage seems to stem from the newer hotels’ ability to capture corporate demand during the slower winter months. A survey conducted by Visit Cheyenne in 2011 showed that approximately 56% of hotel guests are staying for business travel, marking the importance for hoteliers to focus on attracting corporate business to their hotels.

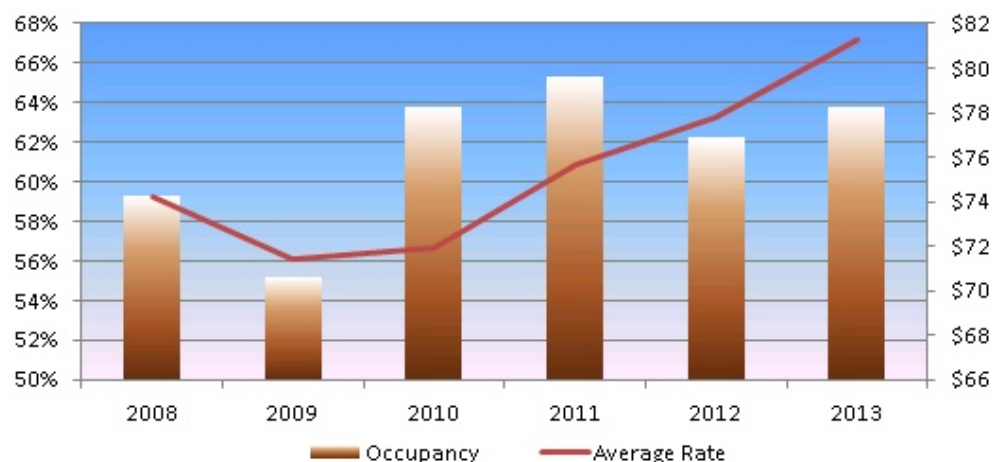
Laramie County Lodging Tax Collections

Fiscal Year	Lodging Tax Revenues	Percent Change*	Percent Change**
2002	\$ 414,688	—	—
2003	\$ 453,126	9.3 %	9.3 %
2004	\$ 655,057	44.6	25.7
2005	\$ 665,764	1.6	17.1
2006	\$ 767,350	15.3	16.6
2007	\$ 915,552	19.3	17.2
2008	\$ 1,177,246	28.6	19.0
2009	\$ 1,102,227	(6.4)	15.0
2010	\$ 1,137,215	3.2	13.4
2011	\$ 1,402,783	23.4	14.5
2012	\$ 1,349,734	(3.8)	12.5
2013	\$ 1,425,438	5.6	11.9

*Annual average compounded percentage change from the previous year
 **Annual average compounded percentage change from first year of data

Source: Wyoming Sales, Use, and Lodging Tax Report

Cheyenne Hotel Occupancy and Average Rate



Source: Visit Cheyenne

New Hotel Supply and Construction in Cheyenne

Approximately 34 hotels and 2,586 total guestrooms are in operation in Cheyenne, and relatively few new hotels have opened in the city over the past five years. New supply includes a My Place extended-stay hotel, which opened at 1920 West Lincolnway in September of 2012. Because of the surge in hotel demand between 2009 and 2013 (as reflected in a nearly 30% increase in lodging revenues), this 64-room addition was absorbed quickly and had only a minor impact on surrounding hotel occupancy levels.

The diversification of Cheyenne's economy, the growing oil and gas demand generated by the Niobrara Shale, and the city's central location along major lines of transportation have generated proposals from hotel developers to Cheyenne's City Planning Commission. As of early March of this year, a Comfort Inn & Suites and TownePlace Suites by Marriott are under construction and expected to open within the next two months.

New Hilton Garden Inn Coming To Downtown Cheyenne

In January of 2014, the Wyoming State Loan & Investment Board approved a loan package for the construction of a walkway connecting a downtown parking garage to a proposed Hilton Garden Inn. This approval marks the overcoming of a major hurdle for developer Spirit Hospitality, which is now set to begin construction of the hotel this summer. Other projects include a proposed Fairfield Inn & Suites by Marriott, which is planned for a site adjacent to the aforementioned TownePlace Suites by Marriott, and a proposed Staybridge Suites, which would be located next to the Frontier Mall in northern Cheyenne. Together, these new hotels would increase the city's hotel supply by nearly 18% over the next two years. The following table lists the proposed hotels, along with developer, room count, and expected opening date.¹

Hotel	Developer	Room Count	Expected Opening
Comfort Inn & Suites	Shortgrass Hospitality	72	April 2014
Towneplace Suites by Marriott	Braxton Development	88	May 2014
Hilton Garden Inn	Spirit Hospitality	121	2015
Fairfield Inn & Suites	Braxton Development	84	2015
Staybridge Suites	Local Group	95	2015
	Total Rooms	460	

In addition to these five new hotel projects, several renovations are underway at existing hotels. A property-wide, multi-million-dollar renovation of the Holiday Inn Express Hotel & Suites commenced in November of 2013; it is slated for completion by April of this year. The hotel's manager reports that, during construction, entire floors of the property have been taken out of inventory to accommodate the comprehensive renovation. Management of the Hampton Inn & Suites, which sits just next door, revealed plans for an expansion of the property in the fall of 2014 that would add 21 guestrooms and 2 new meeting rooms.

Conclusion

Wyoming imposes no income tax, and sales taxes are among the lowest in the nation, two facts that underscore the influx of businesses, workers, and residents to the capital city of Cheyenne. These and other developments, including a track record of very strong performance figures, support a positive outlook for Cheyenne's economy and the local hotel market in particular. The city's economic growth, driven by expanding energy and high-tech operations, has brought about major interest in new hotels to serve the demand. Some of these hotel projects remain on paper, while others have moved to the brick and mortar stage, with a diverse group of limited-service and extended-stay properties under construction or scheduled to begin construction within the next year. With a relatively large increase of new supply in the near future, there is some question about market saturation and the impact on individual hotel profitability. Still, with prudence, informed advice, and a close watch on the developments in the market, there is great potential for Cheyenne hotels, both those existing and those yet to come.

¹ The name of the developer of the Staybridge Suites was not available at the time of writing.



About HVS

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