

HVS Hotel Market Intelligence Report: Frisco, Texas

January 3, 2012 / By J. Carter Allen



Located some 30 miles north of Dallas, Frisco, Texas has become a model city for planned development. The U.S. Census Bureau named Frisco one of the three fastest-growing cities in the U.S. over the past decade. Amidst the worst of the recent recession, Forbes named Frisco as the seventh-best place to relocate¹ and Money ranked the city among the Top 100 Best Places to Live.² The following article provides an overview of the economic growth the area has seen and the impact it's had on the Frisco lodging market.³ The following article provides

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Economic Snapshot

In the middle of the past decade, Frisco experienced strong economic growth and the creation of some 10,000 jobs, helped in large part by the efforts of the Frisco Economic Development Corporation (FEDC). The market lost thrust in the recent recession, but the local economy is again building steam. In 2010 alone, Frisco saw over 33 new commercial projects representing approximately \$265 million in potential new capital investment and an estimated 3,465 jobs. AmeriFlex, Oracle USA, Sheplers, GENBAND US LLC, and other companies have relocated either headquarters or new facilities to Frisco.⁴ A multitude of corporate headquarters, upscale mixed-use developments, and leisure venues make Frisco attractive for these corporate relocations and new residential developments, which have in turn helped keep unemployment well below the metro, state, and national averages. The following table details unemployment statistics for Frisco over the past ten years.

UNEMPLOYMENT STATISTICS

Year	City of Frisco	Dallas-Fort MSA	Worth	Texas	U.S.
2001	3.3 %	4.7 %	5	4.7	4.7 %
2002	4.9	6.5	6.4	5.8	
2003	4.9	6.6	6.7	6	
2004	4.1	5.8	6	5.5	
2005	4.3	5.2	5.4	5.1	
2006	4.0(E)	4.8(E)	4.9(D)	4.6	
2007	3.6(E)	4.3(E)	4.4(D)	4.6	
2008	4.4(E)	5.0(E)	4.9(D)	5.8	
2009	7.1(E)	7.8(E)	7.6(D)	9.3	
2010	7.2(E)	8.3(E)	8.2(D)	9.6	
<i>Recent Month – October</i>					
2010	7.0 %	8.0 %	7.9 %	9.6	9.6 %
2011	6.1	8.0	8.0	9.0	

Source: U.S. Bureau of Labor Statistics

New Developments and Frisco's Growing Population

The population of Collin County, where Frisco resides, has grown by leaps and bounds over the past 20 years, and the area's growth rate through 2015 is expected to more than double that of the state or nation. Collin County's wealth index, a cumulative measurement of standards of living that includes net worth of individuals and households, has remained stable in recent years, registering an impressively high level post-recession in 2010. Among other things, a higher wealth index tells potential developers and businesses that a market may be able to support projects like full-service hotels, high-end shopping complexes, and upscale residential and mixed-use developments.

Summary

Frisco, Texas has had a swell of new residents, real estate projects, and businesses over the past decade, and this has helped hoist the city's hotel market before and since the recession.

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Numerous real estate projects, from offices to residences, have recently sprung up in Frisco to accommodate the influx of residents and businesses. According to city officials, 2010/11 building permits for single-family housing increased by 4%, and commercial building permits were up 14% over the previous fiscal year. This course of active development is set to continue into the next few years, with planned acreage for ongoing multi-family and mixed-use projects less than 10% complete as of late 2011. One of these projects, from developer Amlı Residential, will include 335 units close to the Dr Pepper Ballpark, the home of the Frisco RoughRiders, the Double-A affiliate of the Texas Rangers.

Population growth extending north from Dallas through Frisco is anticipated to bring more development along the Dallas North Tollway corridor. According to city economic development officials, mixed-use office, residential, retail, and medical developments are expected to occur along this corridor, which should support further development in the hotel sector. Construction began on the 136,000-square-foot Forest Park Medical Center in early 2011. The development, located at the southeast corner of Main Street and the Dallas North Tollway, is expected to be complete in the summer of 2012. In addition, Gearbox Software will be relocating its corporate headquarters to Frisco Square, a mixed-use development featuring office space, retail, apartments, and dining located south of the intersection of the Dallas North Tollway and Main Street; the square also hosts Frisco's city hall and library. Gearbox Software will be the lead tenant of an eight-story, 100,000-square-foot new building, whose cost is estimated to be \$60 million. ⁵

Hotel Demand

Trends in occupied office space are among the most reliable indicators of lodging demand, as firms that occupy offices often attract commercial visitors who stay in local hotels. In August of 2011, the FEDC issued a request for proposals to develop much needed Class A office space; the group reports that developers have shown interest in moving forward, though nothing has been finalized as of year-end 2011.

Meeting and group demand is also important to Frisco hotels. The Frisco Conference Center offers over 90,000 square feet of flexible space. The conference center and the adjacent Embassy Suites hotel were built in 2005, through a public-private partnership between the City of Frisco and John Q. Hammons Hotels & Resorts. The local convention and visitors bureau reports that the center hosts many regional and national conferences, and many local hotels benefit from overflow from the Embassy Suites.

Major shopping venues are a draw for leisure travelers, and such venues in the area include Stonebriar Centre (a 1.6-million-square-foot, high-end shopping mall) and the Centre at Preston Ridge (a big-box retail center anchored by Best Buy, Super Target, and Old Navy). Popular retailers, such as Sam Moon Trading Company and IKEA, continue to bring in visitors from throughout the region. The City of The Colony recently announced a joint public-private partnership with Warren Buffet's Berkshire Hathaway to develop a 1.2-million-square-foot furniture store on 433 acres west of the Stonebriar Centre along State Highway 121. Construction on this potential \$1.5-billion project is scheduled to begin in the spring of 2012, with the first phase opening by May of 2015. ⁶

Pizza Hut Park, home to the FC Dallas major league soccer team, includes a stadium with more than 21,000 seats and 17 championship-quality soccer fields. The 140-acre facility is utilized more than 300 days every year for tournaments, concerts, and other events, hosting an estimated 1.4 million spectators and participants annually. It should be noted that Pizza Hut Park's naming rights expire on December 31, 2011; therefore, the City has chosen to name the venue FC Dallas Park until an entity buys the naming rights.

Hotel Supply

Frisco and the surrounding cities of Allen, McKinney, and Plano offer over 65 hotels and 7,600 guestrooms. Primary development in Frisco has been in the limited-service and select-service segments on the west side of the city, near the intersection of the Dallas North Tollway and State Highway 121. Hotel development in Frisco peaked in 2007/08 when six hotels offering over 700 rooms entered the market. Four of these properties stand within one-half mile of each other off Parkwood Boulevard, between Gaylord Parkway and Warren Parkway. This location provides easy access to major thoroughfares and is proximate to the city's major demand generators such as the Frisco Conference Center, the Dr Pepper StarCenter ice arena, and the Dr Pepper Ballpark.

In July of 2011, Magnolia Lodging broke ground on the most recent hotel project in Frisco, the Home2 Suites by Hilton. The 122-unit, all-suite extended-stay hotel is being built on a site northeast of the intersection of State Highway 121 and Parkwood Boulevard. The Frisco Home2 Suites is the eleventh representative of the relatively new Hilton brand; it is expected to open in mid- to late 2012. ⁷

Conclusion

There's a lot of recent and ongoing development in Frisco, and for the sake of perspective, it's important to note that the area's economy still hasn't reached the growth rate it enjoyed prior to the recession. Frisco's diverse economy and well-established corporate headquarters have helped stabilize unemployment rates and push relatively healthy levels of leisure, commercial, and group demand to area hotels. Given the tremendous growth in population, influx of new business, and development in the commercial and residential sectors, "Texas' Rising Star" seems poised to continue its ascent.

¹ Population Distribution and Change: 2000 to 2010; 2010 Census Briefs, Issued March 2011

² Forbes.com, "America's 25 Best Places To Move," July 2009

³ Money Magazine, August 2008

⁴ Frisco Economic Development Corporation

⁵ Frisco Press Release; Jobs, Development Coming to Frisco, Texas; November 2011

⁶ Omaha World Herald, Texas business climate lures the Mart, by Leia Mendoza and Steve Jordan

⁷ Magnolia Lodging press release, July 2011

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