

Hotel Rooms Remain In Short Supply Throughout Wyoming's Energy Corridors

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U.S. oil and gas industries have gravitated to Wyoming's vast stores of natural resources in recent years, heightening their activities and increasing their workforces in the state. Although operations have proliferated, facilities to accommodate the population influx remain too scarce, priming certain regions of Wyoming for a lodging boom.

The western portion of Wyoming is reported to house the largest known reserve of methane gas in the world, while coal deposits in the northeastern portion of the state supply more than one-third of the nation's coal. These reserves exist in a state with a small population, at 515,004^[1] in 2006; furthermore, the reserves are located in areas far from the state's two largest cities of Cheyenne and Laramie, with respective populations of 55,314 and 25,688 in 2006. Wyoming is the least populated state in the U.S., having even fewer residents than the District of Columbia. Natural resource exploration in the state has prompted a population surge and the beginning of a transformation of the state's lodging industry.

Geologic formations within Wyoming's Overthrust Belt fuel profitable production of natural gas. The massive methane deposits found there have prompted plans for a multi-billion-dollar network of pipelines in the state. The majority of the natural gas mining and pipeline growth is occurring in the neighboring counties of Sweetwater and Sublette. Sublette County contains the majority of the natural gas deposits, while Sweetwater County and the cities of Rock Springs and Green River serve as gateways to the reserve areas of Wyoming.



Sweetwater County contains two coal power plants, the Jim Bridger Power Plant and the Black Butte Coal Company. These massive power facilities are major providers of electricity to the western United States. The Jim Bridger Power Plant is expected to add an additional electrical generating unit to its four existing units.^[2] According to Patricia Robbins, Director of the Sweetwater Economic Development Association, the project is in the feasibility phase, and if approved would create approximately 2,500 temporary and permanent jobs plus an additional 500 jobs once the new unit is fully operational.

A recent report^[3] cites that the natural gas industry employs one out of every two workers in Sublette County,^[4] and one out of every two dollars spent in the county comes from the industry.^[5] The Bureau of Land Management expects the industry to grow yet another 20% to 30% by 2010.^[6]

Summary

Wyoming's booming energy sector has intensified considerably in the last decade, which has translated into a critical need for hotel rooms.

2 Comments

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This unprecedented growth in Sweetwater and Sublette Counties has prompted critical needs within the housing sector, a situation that the cities of Rock Springs and Green River, with over 33 residential subdivisions currently under construction, are striving to address.

Located in the northeastern part of the state, the economy of Gillette and the Powder River Basin is highly dominated by the area's rich coal reserves. This area of Wyoming accounts for more than 35% of the nation's coal production, which in turn accounts for approximately 15% of the nation's electric energy. Four coal-fired power plants and two natural-gas power plants currently operate in Gillette. New coal-fired power plants under development include:

- Black Hills Corporation's 90-megawatt Wygen II plant
- Two Elk Generation Partners' 310-megawatt plant
- Basin Electric Power Cooperative's 250-megawatt plant

Major coal producers already in the area include:

- Rio Tinto Energy America
- Powder River Coal Company
- Thunder Basin Coal Company
- Foundation Coal West

The following table illustrates unemployment data for Campbell County, which contains the city of Gillette, Sweetwater County, Wyoming, and the nation:

Year	Campbell County (NE)	Sweetwater County (SW)	Wyoming	U.S.
1997	56 %	50 %	48 %	4.9 %
1998	55	50	49	4.5
1999	63	52	49	4.2
2000	40	31	38	4.0
2001	40	27	39	4.7
2002	42	30	42	5.8
2003	41	37	45	6.0
2004	33	31	39	5.5
2005	30	27	37	5.1
2006	25	21	32	4.6

Source: U.S. Department of Labor

Unemployment in these parts of Wyoming has fallen dramatically in the past decade, concurrent with the rise in energy industry activity. This activity is generating unprecedented occupancy levels in these regions due to a limited lodging infrastructure and the prohibitive distance from the state's major population centers and established room supply. Companies have even gone so far as to build their own lodging facilities given the lack of suitable hotels proximate to their operation sites.

Occupancy and average rate in the southwestern Wyoming market have been steadily increasing since 1996. New hotels have easily been absorbed, as the market sells out almost one-half of the year; year-to-date, occupancy for the stronger branded properties has remained well above the 85% mark. The market is busiest on weekdays, which in turn commands the highest rates. Weekend occupancy remains strong, as activity in the region is prevalent seven days a week and extended-stay demand is high.

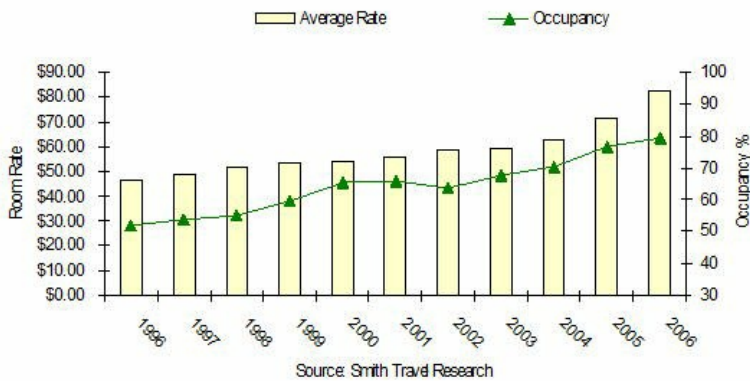
Occupancy, Average Rate, and RevPAR trends in Wyoming's Energy Corridors

Year	Occupancy	Change	Average Rate	Change	RevPAR	Change
1996	52.2 %	—	\$46.83	—	\$24.43	—
1997	53.8	3.2 %	48.99	4.6 %	26.38	8.0 %
1998	55.3	2.7	51.81	5.8	28.65	8.6
1999	59.7	7.9	53.82	3.9	32.11	12.1
2000	65.6	9.9	54.12	0.6	35.48	10.5
2001	65.7	0.2	56.20	3.9	36.93	4.1
2002	63.7	(3.1)	58.93	4.9	37.54	1.6
2003	67.5	6.0	59.59	1.1	40.25	7.2
2004	70.6	4.5	63.02	5.8	44.49	10.6
2005	76.8	8.8	71.17	12.1	54.80	23.1

	2006	2007	2008	2009	2010	2011
Average Annual Compounded Change	79.5	3.5	82.25	15.1	65.41	19.2
Year-to-Date Through May						
2006	72.3 %	—	\$75.34	—	\$64.49	—
2007	73.5	1.6 %	87.98	16.8 %	64.66	18.7 %

Source: Smith Travel Research

Occupancy and average rate in the northeastern Wyoming market have experienced a similar upward trend. The market sells out seven days a week throughout the summer months, and hotels that entered the market several years ago have already been absorbed; year-to-date, occupancy has remained above the 70% mark. The summer months command the highest average rate because of the heightened levels of travel during this season. Only two new hotels are presently under construction, and these are expected to be easily absorbed upon opening.



Wyoming’s energy corridors have emerged as the largest natural gas and coal mining and development areas in the United States. The state has seen an increase in population and commercial development because of this growth, particularly in Sweetwater and Sublette Counties and the Powder River Basin. Lodging trends in these energy corridors have been increasing for over a decade, and most recently, hotels have reached critical capacity. Moreover, while the pipeline for new hotel construction is starting to gain momentum, the hotels being built are relatively small and should be easily absorbed into their respective markets. In sum, natural resource-related operations in Wyoming have paved the way for a lodging boom, and an ever-growing workforce anxiously awaits new supply to meet the demand.

- [1] U.S. Census Bureau, 2006 Population Estimates
- [2] Gearino, Jeff. "Expansion planned at Bridger power plant" **Casper StarTribune.net** 6 (2006) June 2007.
- [3] "Social & Economic Impacts to Sublette County, WY from Natural Gas Development"
- [4] Workforce estimates based on BLS and Wyoming QCEW data
- [5] WY Dept of Revenue Sales and Use Tax Data Fiscal Year 2006
- [6] BLM Pinedale Anticline DEIS (Dec 2006)

About **Desiree M. Flanary**



Desiree Flanary, MAI is a Senior Vice President with HVS Portland. HVS leaders now live in and work from more than 30 markets throughout the North American region, including San Diego, LA, San Francisco, Portland, Seattle, Vancouver, Las Vegas, and Phoenix in the west. Desiree earned her bachelor's degree from the University of Northern Colorado and has front-line hotel experience in both front office and housekeeping operations. Desiree travels and works extensively in the northwestern U.S. and along the West Coast, with a particular emphasis in the Central Pacific region.

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