Taking the Pulse of the Nation's Largest Hotel Markets

September 19, 2019 / *By Rodney G. Clough*

On recent visits to Las Vegas to host an internal training meeting at Mandalay Bay and then to complete a consulting engagement at a suburban limited-service hotel, I found the city to be extremely active. This was reflective in the statistics for the hotel market, with citywide occupancy approaching 90%, according to the Las Vegas Convention and Visitors Association. There were no discernable signs of the city's heightened activity slowing down, yet. With all this talk of a pending economic slowdown and lackluster RevPAR growth nationwide, I thought I would check with some of my firm's C&V leaders to see what they have to say about their respective markets and the current pulse (hot, mild, or cooling) in their backyards. As the recaps below show, most aren't slowing down yet.

The Hot Markets

Atlanta

Atlanta led the nation's major markets in RevPAR growth through mid-year, having benefitted greatly from hosting Super Bowl LIII in February. The city's supply pipeline looks increasingly robust, but continued development efforts in Downtown and Midtown, combined with Atlanta's emergence as a top-tier convention destination, have kept revenues strong in 2019. – **Adam Lair, HVS Atlanta**

Austin

Spurred by explosive growth in the high-tech industry, Austin continues to absorb substantial new room inventory at an impressive rate. The convention center is operating at capacity thanks to the entry of two 1,000-room hotels, and the South by Southwest (SXSW) Conference & Festivals hit another record attendance high of roughly 415,000 people from more than 150 countries in March 2019. – **Shannon Sampson, HVS Austin**

Charleston

Tourism continues to grow in Downtown Charleston and so does the number of hotels. While occupancy has declined with the recent addition of new supply, such as the opening of the Hotel Bennett, average rate has remained steady, and more and more outside developers are looking to build or own a hotel in the Historic District. Furthermore, for the fifth year in a row, Charleston has been negatively affected by storms, with the governor calling for a mandatory evacuation ahead of Hurricane Dorian, causing the downtown hotels to shut their doors. – **Heidi Nielsen, HVS Charleston**

Dallas-Fort Worth

The development landscape in the greater Dallas area is wide and active, spanning from the CBD to the northern suburbs; the metropolitan area has welcomed significant amounts of new hotel supply with only modest contractions in occupancy and, despite some slowdown, ADR growth remains positive. In addition to existing corporations reinvesting in their facilities, the DFW area has laid a welcome mat of aggressive incentives, complemented by the State's lack of a state income tax or corporate income tax; in turn, the area has attracted new corporate giants such as Toyota, Liberty Mutual, and Uber, as well as professional sports organizations such as the PGA of America. New hotel product continues to elevate the market, bringing new and returning brands to the Metroplex. – **Kathleen Donahue, HVS Dallas**

Denver

The majority of the Denver hotel market is still not showing signs of slowing down and continues to be one of

Summary

HVS C&V leaders offer the pulse of their markets heading into the fall season. Out of 23 markets discussed, ten are rated as hot, nine are rated as mild, and the remaining four are rated as cooling.

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the nation's leading major markets in RevPAR growth in 2019. The city is coming off of a very strong spring and summer convention season, and significant levels of demand has been infused into the market by the recently opened Gaylord Rockies Resort & Convention Center. The success of the Gaylord has resulted in plans for a sizable expansion of the property. However, not all the submarkets in Denver are growing. Some markets like the Cherry Creek area, which has experienced the openings of several new hotels in the past year, are realizing the impact of the influx of new supply, including lower occupancy levels. However, the various submarkets being affected by new supply should recover quickly because of the strong underlying demand dynamics. – **Brett Russell, HVS Denver**

Nashville

Is there any city hotter than Nashville right now? Recent announcements from Amazon, EY, Smile Direct Club, AllianceBernstein, and Philips to add 9,300 combined jobs in Nashville have continued to buoy occupancy levels despite a nation-leading new supply pipeline of over 125+ hotel projects. Moreover, Nashville International Airport's ongoing $1.2-billion expansion continues to make it more accessible nationally, nearly doubling airport traffic from a decade ago, and eventually internationally, upon the opening of a new international arrivals' terminal in 2020. – **Jai Patel, HVS Nashville**

Orlando

August marked another milestone for Orlando, as the highly anticipated Star Wars: Galaxy's Edge opened at Disney's Hollywood Studios and as Universal Orlando unveiled its next theme park, Universal Epic Universe, which will be Orlando's eighth theme park. These new attractions are expected to have a profound impact on the area's correlating economics. Despite a very strong dollar and some global economic headwinds, Orlando continues to experience growth in visitation from core markets such as Canada, the United Kingdom, and Brazil, while domestic visitation increased through the first half of the 2019. The meeting and conventions industry marked another excellent year, creating a $7.1-billion economic impact locally. – **Don Stephens, HVS Orlando**

Phoenix

Phoenix continues to exhibit extraordinary growth, with RevPAR growth outpacing the national average. Despite declining MLB Spring Training attendance this year, area hotel operators have been able to push rate more than most major markets. Furthermore, new development has increased in certain outlying submarkets, such as Mesa and Gilbert and the West Valley. – **Michael Smithson, HVS Phoenix**

San Francisco

San Francisco is experiencing a record convention year following the reopening of the renovated and expanded Moscone Center in January 2019. While occupancy has moderated since its peak in 2016, average rates continue to exhibit robust growth, bolstered by the economic strength of the greater San Francisco Bay Area. The recent September 2019 opening of the Chase Center, home to the Golden State Warriors, is expected to attract additional leisure demand. – **John Berean, HVS San Francisco**

Tampa

The Tampa Bay market remained one of the nation's front runners for RevPAR growth through mid-year 2019. Tampa's Central Business District is amid revitalization, including major projects such as the $3-billion Water Street Tampa and the $500-million Midtown Tampa developments, both of which will include additional hotel inventory. In 2021, the Super Bowl will return to Tampa for the third time, and the event is expected to induce demand and bolster RevPAR growth for the year. – **Mallory White, HVS Tampa**

The Mild Markets

Boston

MILD – The fundamentals of Boston remain strong, and the city continues to serve as a top-tier destination for both leisure and business travelers from domestic and international origins. However, from a lodging perspective, RevPAR in Boston had realized nominal growth at the mid-year mark, with RevPAR expected to remain generally flat by year-end given the inception of new supply, coupled with a lighter convention schedule; one-time events that caused spikes in lodging demand in 2018 (e.g., the Boston Red Sox winning the World Series, the Boston Bruins playing in the Stanley Cup, and the Merrimack Valley gas explosions) may not necessarily occur again in 2019. Nevertheless, Boston's high barriers to entry and diversified economic base should enable the city to remain highly desirable for lodging investment opportunities. – **Brian Bisema, HVS Boston**

Chicago, IL

After a record year in 2018, Chicago's lodging market struggled in the first half of 2019. Travel into the city was greatly affected by the Polar Vortex during the first quarter, compounded by lower convention demand than the prior year. Conversely, the summer was strong, with high average rates and strong occupancy, despite an increase in supply. The strong demand trends bode well for Downtown Chicago going forward, with very low supply growth expected through the end of 2019 and in 2020. However, rising property taxes and new labor laws are anticipated to threaten profit margins going forward. – **Stacey Nadolny, HVS Chicago**

Cincinnati

Cincinnati is beginning to cool after a period of extended growth. With eleven hotels opening in the urban core in the past five years, ADR growth has slowed. The long-term outlook remains positive, though, as economic investment continues in the airport and uptown submarkets, highlighted by the $1.49-billion Amazon Prime Air cargo hub scheduled to open in 2021. – **Brian Arevalo, HVS Cincinnati**

New Orleans

Following a record year for tourism in New Orleans' tricentennial year of 2018, occupancy and ADR levels have remained relatively stable in 2019. The summer and fall convention seasons are softer than those experienced last year, as major events from March through June 2018 helped to bolster the slow summer season that year. The market should heat up over the next few years, as a new airport and more cruise lines encourage visitation to the city; in addition, the introduction and ramp-up of more upscale brands and major sporting events will allow for renewed growth in the market going forward. – **Lauren Hock, HVS New Orleans**

Philadelphia

MILD – Despite hitting a new RevPAR peak in 2018, the greater Philadelphia lodging market has experienced a slight softening in 2019, particularly in terms of occupancy. Nonetheless, the growing transient demand base, as well as healthy convention bookings, should help drive rate growth through the near- to mid-term, especially with the continued entrance of several high-end hotels slated to open through 2020. – **Jerod Byrd, HVS Philadelphia**

Portland

Demand in Portland continues to register strong growth, but reaction to the entrance of nearly 600 new rooms in 2018 has caused some instability, with RevPAR contracting thus far in 2019. The city's influx of new supply will peak in 2020 with the opening of the much-anticipated convention center headquarters Hyatt Regency hotel. The short-term outlook is best described as tepid, as an ever-looming recession and ongoing ADR war are expected to upset nearly ten years of growth among all hospitality-industry metrics. - **Kasia Russell, HVS Portland-Seattle**

Seattle

Seattle's extraordinary economic expansion, attributed largely to Amazon's unprecedented growth, is finally showing signs of normalizing, with the hotel industry at the forefront of change. The 1,260-room Hyatt Regency, which opened in early 2019, has disrupted occupancy levels despite demand remaining positive. Average rates have continued to fall, even during the busy summer months, evidence that the intersection of supply and demand has now occurred, and pricing power is eroding. Nonetheless, investors remain optimistic, as tech-related job growth in Seattle continues and other major projects, such as the opening of Summit at the Washington State Convention Center and the Link light-rail expansion, are contributing positively to the greater Seattle metropolitan area. - **Kasia Russell, HVS Portland-Seattle**

St. Louis

MILD – A stronger convention calendar has helped St. Louis hotels reassert some pricing power in 2019, despite the continuing growth of rooms supply. Looking forward, healthy 2020 performance should be supported by an influx of demand from major events and the opening of new attractions. – **Dan McCoy, HVS St. Louis**

Washington, D.C.

A soft convention calendar, increased supply, and international travel trends have resulted in D.C. hoteliers struggling to maintain occupancy levels in 2019. However, the number of new brands entering the market, as well as the availability of brands, is still enticing for developers. The expected arrival of Amazon HQ2 and healthy conditions in the surrounding areas of D.C. proper have helped buoy the overall market's performance. – **Chelsey Leffet, HVS Washington**

The Cooling Markets

Los Angeles

Los Angeles is showing signs of stability. While the city's manufacturing and trade-related industries have been negatively affected by the ongoing trade war, tourism remains strong. Through mid-year 2019, RevPAR remained flat, as demand growth has been offset by increases in supply, with more new supply anticipated in the horizon. – **Luigi Major, HVS Los Angeles**

Miami

After eight years of RevPAR growth since 2010 (with a Zika-influenced decline in 2016 as the exception), Greater Miami is showing signs of a RevPAR cool-down as the market absorbs the new supply. The Central Dade, South Dade, and Airport/Civic Center submarkets have registered the largest declines; however, the two submarkets that are still indicating RevPAR growth are Surfside/Bal Harbour (HOT) and Miami Beach (MILD). – **John Lancet, HVS Miami**

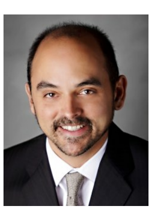
Minneapolis

Despite hosting the NCAA's Final Four tournament, Minneapolis has realized a decline in RevPAR in 2019, partially due to robust gains realized from the Super Bowl in 2018, in addition to the entrance of new supply. Steady demand has offset some of the new supply; however, numerous projects remain in the pipeline, including a 222-room Four Seasons that is currently under construction in Downtown Minneapolis. – **Tanya Pierson, HVS Minneapolis**

New York City

The headline for New York is that supply continues to outpace demand, resulting in the return of negative RevPAR through July 2019 after a brief period of relief in 2018. Unsurprisingly, the city's overall performance continues to be driven by Manhattan, with a larger pipeline than the other four boroughs combined. Some pockets of modest RevPAR growth are interspersed in more supply-resilient subsegments, such as airport hotels and the ultra-luxury sector. – **Chris Fernandes, HVS New York**

About Rodney G. Clough



Rod Clough, MAI, President - Americas, oversees strategy execution throughout 40 Americas locations. He recently brought together all US Valuation Consulting offices under common ownership, and has revolutionized the way the company is led and managed. This group of offices represents over 120 hotel industry professionals and executes over 4,000 assignments a year. Rod has been working in the hospitality industry for 30 years and is a graduate of Cornell's School of Hotel Administration. He is a Designated Member of the Appraisal Institute (MAI) and a state-certified general appraiser. Contact Rod at (214) 629-1136 or .