



# 2020 HOUSTON HOTEL MARKET FORECAST

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TEAM INTRODUCTION

# UNITED STATES – TIME OF UNCERTAINTY

Political Unrest

2020 Election

Worldwide Pandemic

Covid-19 Vaccine

Travel Bans

Fires, Hurricanes, Earthquakes

Economic Recovery

Stimulus Package

Stock Market

Potential Recession



# HOUSTON ECONOMY – DRIVING FORCES

Global Trade

International Commerce

Healthcare

Energy

Convention Activity

Sports & Performing Arts

Space Exploration

# HOUSTON MARKET FACTORS 2020 - 2021

Return of International Travel

Balance of Energy Supply/Demand

Recovery of Oil Prices

Increase in Employment

Return of Convention Activity

Increase in Convention Attendance

Slowdown of New Hotel Supply

Return of Entertainment Venues

Return of Sports Fans

# HOUSTON MARKET HIGHLIGHTS

## GREATER HOUSTON PARTNERSHIP – ENERGY

Dealing with low prices, excess supply, declines in drilling, permitting hurdles and weak demand overall.

As of June 2020, energy down 25,000 jobs since December 2019.

Rig count hit 244 in August 2020, down 691 rigs from August 2019.

Oil prices hovering around \$40 per barrel; need \$49, not expected until 2021.

Global oil demand to reach pre-pandemic levels in 2022.

Houston energy industry to stabilize pre-Covid in 2021, now in 2024.

# HOUSTON MARKET HIGHLIGHTS

## GREATER HOUSTON PARTNERSHIP – HOUSTON RECOVERY

PMI hit 34.6 in April, back to 47.9 in July, 45 is expansion.

Airport passenger activity dropped by 90% in April, down only 75% in July.

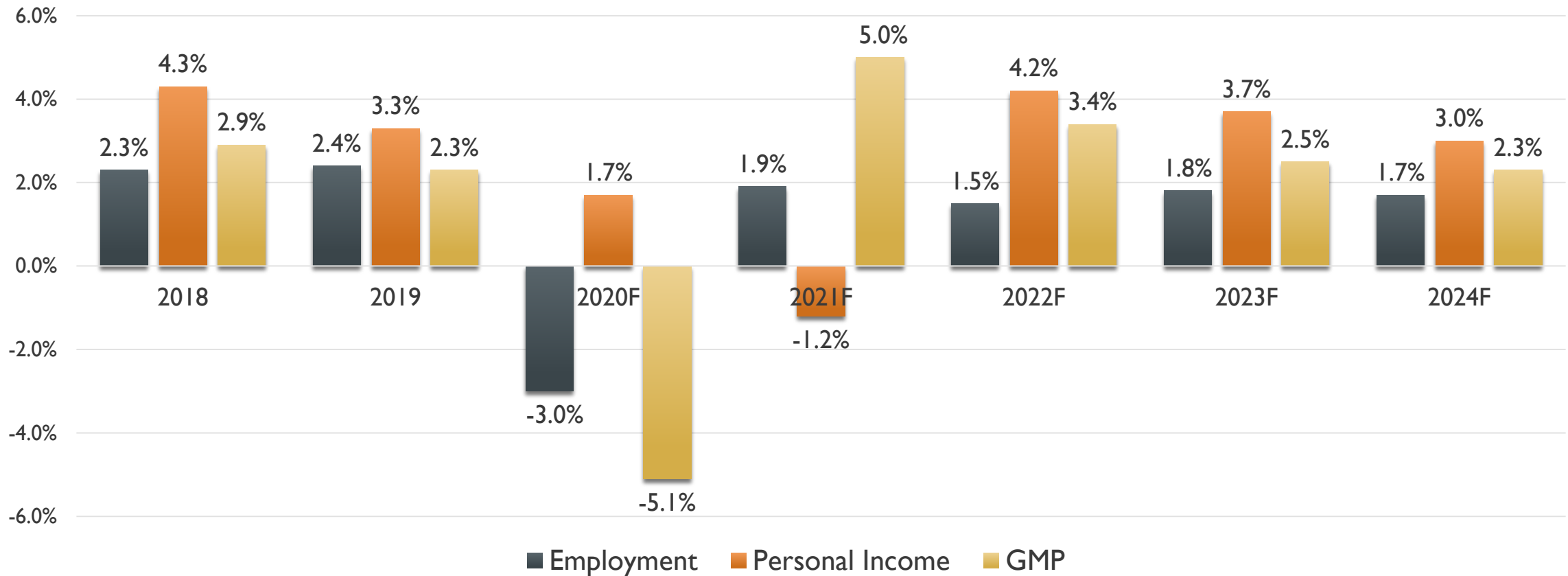
Convention activity to reach compression levels pre-Covid in 2021, now estimated in 2024.

Houston 5th largest metro but ranks 10th in jobs lost and 8th for jobs gained.

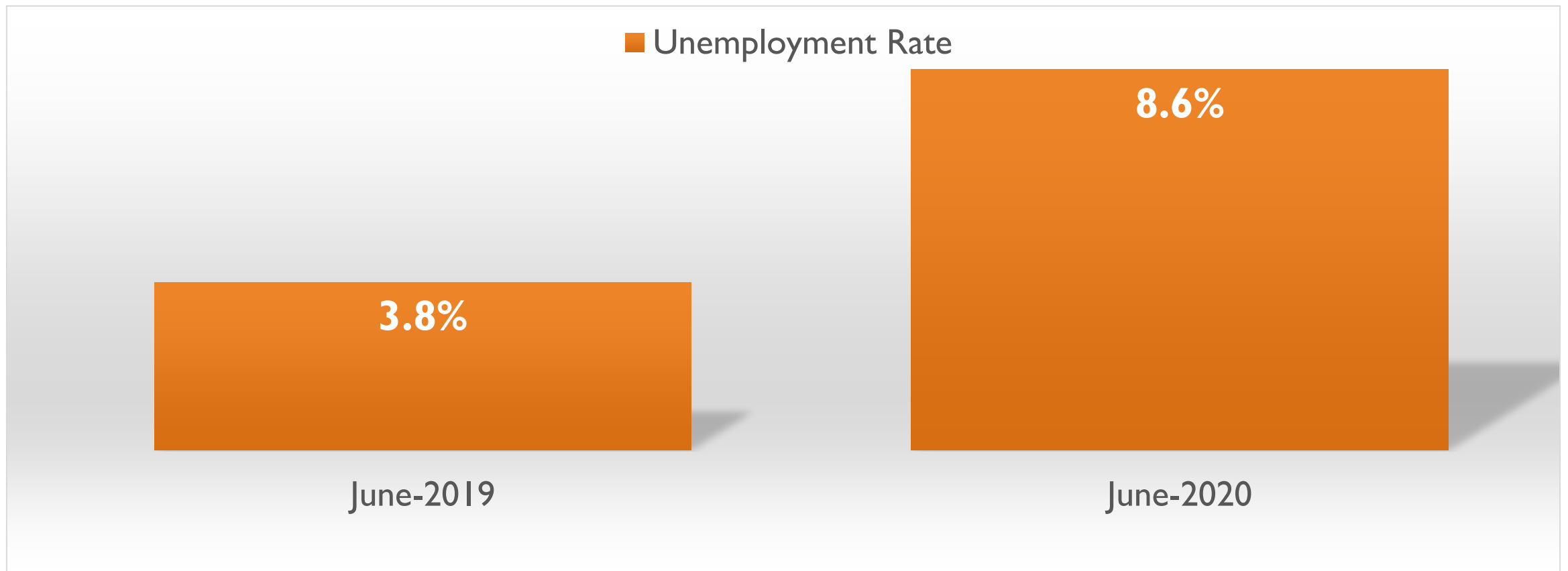
Houston received \$9.4 billion in PPP loans supporting 700,000 jobs.



# HOUSTON MSA – ECONOMIC OUTLOOK 2<sup>ND</sup> QUARTER 2020



# UNEMPLOYMENT COMPARISON



## AIRPORT ACTIVITY

Type	Month of July 2019	Month of July 2020	Percent Change	YTD-2019	YTD-2020	Percent Change
DOMESTIC	4,297,768	1,237,129	-71.2%	27,865,565	12,173,801	-56.3%
INTERNATIONAL	1,173,882	129,727	-88.9%	7,110,198	2,665,851	-62.5%
TOTAL	5,471,650	1,366,856	-75.0%	34,975,763	14,839,652	-57.6%

## CONVENTION ACTIVITY OVERVIEW

- 2019 Best Year – 13 > 3,000, 5 > 5,000, Total 30
- Goal – 15 > 3,000, 7 > 5,000, Total 30+
- Reach Goal Pre-Covid in 2021, Now Estimated in 2024
- Groups now need more space & attendance is down 40% to 50%
- 92% of all cancellations in 2020 & 2021 have been rebooked

# CONVENTION ACTIVITY

## ROOM NIGHTS BOOKED AS OF AUGUST 31, 2020

Year	Definite Room Nights	Target Room Nights	Amount Over/(Under)	Tentative Room Nights
2020	157,991	696,012	(538,021)	66,909
2021	493,499	615,483	(121,984)	417,221
2022	439,519	542,624	(103,105)	302,177
2023	261,484	458,704	(197,220)	275,291
2024	217,393	323,413	(106,020)	404,237

# CONVENTION ACTIVITY

## CITYWIDE CONVENTIONS AS OF AUGUST 2020

Year	1,500 to 2,999 Attendees	3,000 to 4,999 Attendees	5,000+ Attendees	Total
2020	3	3	0	6
2021	10	9	3	22
2022	12	4	5	21
2023	7	2	2	11
2024	9	3	2	14

# HOUSTON HOTEL MARKET FORECAST







## FORECAST ASSUMPTIONS

- No new surge in Covid cases
- Vaccine is available by end of 2020 & distributed by mid-2021
- Business activity gets back on track by mid-2021
- Non-essential US travel is allowed

It is difficult to estimate the exact effect of the pandemic on hotel demand until it is known when business & “non-essential” travel will resume.

## 2020 MONTHLY OCCUPANCY & ADR HOUSTON MSA

MONTH	OCCUPANCY	ADR
JANUARY	57.8%	\$101.51
FEBRUARY	65.3%	\$105.95
MARCH	42.2%	\$87.00
APRIL	24.8%	\$58.92
MAY	32.1%	\$64.40
JUNE	38.7%	\$71.26
JULY	37.5%	\$70.60
AUGUST	42.6%	\$74.52

## 2020 HOTEL OPERATING PERFORMANCE BY TYPE OF HOTEL

### YEAR-TO-DATE JUNE 2019 VS YEAR-TO-DATE JUNE 2020

TYPE OF HOTEL	Occupancy			ADR			RevPAR		
	2019	2020	Percent Change	2019	2020	Percent Change	2019	2020	Percent Change
UPPER-PRICED	69.9%	32.6%	-53.3%	\$165.57	\$157.04	-5.2%	\$115.67	\$51.18	-55.8%
MID-PRICED	63.7%	37.3%	-41.4%	\$108.08	\$95.99	-11.2%	\$68.86	\$35.84	-48.0%
LOWER-PRICED	60.4%	50.9%	-15.8%	\$67.26	\$55.62	-17.3%	\$40.63	\$28.29	-30.4%
<b>TOTAL</b>	<b>64.2%</b>	<b>40.1%</b>	<b>-37.6%</b>	<b>\$111.97</b>	<b>\$93.02</b>	<b>-16.9%</b>	<b>\$71.92</b>	<b>\$37.29</b>	<b>-48.1%</b>

## ADDITIONS TO SUPPLY – BY TYPE

TYPE OF HOTEL	2020	2021	TOTAL
UPPER-PRICED	608	267	875
MID-PRICED	1,471	1,729	3,200
LOWER-PRICED	195	37	232
<b>TOTAL</b>	<b>2,274</b>	<b>2,033</b>	<b>4,307</b>

# 2020 ESTIMATED OCCUPANCY & ADR

## HOUSTON MSA

QUARTER	ACTUAL OCCUPANCY	ADR
1st QTR 2020	54.0%	\$105.92
2nd QTR 2020	26.2%	\$66.51
<b>AVERAGE</b>	<b>40.1%</b>	<b>\$93.02</b>
MONTH	ESTIMATED OCCUPANCY	ADR
JULY	38%	\$71.00
AUGUST	43%	\$75.00
SEPTEMBER	45%	\$80.00
OCTOBER	40%	\$80.00
NOVEMBER	40%	\$80.00
DECEMBER	35%	\$75.00
<b>AVERAGE</b>	<b>40.2%</b>	<b>\$76.83</b>
<b>2020 AVERAGE</b>	<b>40.1%</b>	<b>\$84.93</b>

# HOUSTON HOTEL MARKET FORECAST

	2018	2019	2020F	2021F	2022F	2023F	2024F
Supply	3.9%	3.8%	2.8%	2.4%	0.5%	0.5%	1.0%
Demand	-2.4%	3.3%	-33.6%	28.0%	16.6%	4.0%	6.1%
Occupancy	62%	62%	40%	50%	58%	60%	63%
ADR	\$111	\$106	\$85	\$92	\$102	\$108	\$112
RevPAR	-9.0%	-4.7%	-48.4%	35.3%	28.6%	9.5%	8.9%

# HOUSTON HOTEL MARKET FORECAST

## UPPER-PRICED HOTELS

	2018	2019	2020F	2021F	2022F	2023F	2024F
Supply	6.2%	3.6%	3.1%	1.3%	0.5%	0.5%	1.5%
Demand	5.7%	3.3%	-57.0%	60.0%	20.0%	11.0%	8.0%
Occupancy	67%	67%	29%	46%	56%	62%	66%
ADR	\$160	\$160	\$136	\$140	\$146	\$156	\$164
RevPAR	-2.3%	-0.6%	-63.0%	60.0%	26.0%	17.0%	12.0%

# HOUSTON HOTEL MARKET FORECAST

## MID-PRICED HOTELS

	2018	2019	2020F	2021F	2022F	2023F	2024F
Supply	3.5%	5.0%	3.5%	3.1%	1.0%	0.5%	1.0%
Demand	-4.6%	3.8%	-35.0%	30.0%	18.0%	4.5%	3.5%
Occupancy	62%	61%	39%	50%	58%	61%	63%
ADR	\$109	\$105	\$90	\$94	\$98	\$103	\$108
RevPAR	-11.7%	-5.4%	-47.0%	30.0%	22.0%	10.0%	8.0%



# HOUSTON HOTEL MARKET FORECAST

## LOWER-PRICED HOTELS

	2018	2019	2020F	2021F	2022F	2023F	2024F
Supply	2.4%	2.8%	0.3%	-0.5%	0.0%	0.0%	0.5%
Demand	-5.2%	3.5%	-13.0%	11.0%	8.0%	5.0%	2.0%
Occupancy	59%	59%	52%	55%	58%	60%	61%
ADR	\$73	\$66	\$57	\$60	\$63	\$66	\$68
RevPAR	-14.4%	-9.5%	-25.0%	16.0%	12.0%	9.0%	5.0%

# HOUSTON HOTEL MARKET FORECAST

## DOWNSIDE SCENARIO

	2018	2019	2020F	2021F	2022F	2023F	2024F
Supply	3.9%	3.8%	2.8%	2.4%	0.5%	0.5%	1.0%
Demand	-2.4%	3.3%	-36.9%	21.3%	22.8%	6.0%	4.5%
Occupancy	62%	62%	38%	45%	55%	58%	60%
ADR	\$111	\$106	\$83	\$90	\$100	\$105	\$110
RevPAR	-9.0%	-4.7%	-52.1%	28.4%	35.8%	10.7%	8.4%

# HOUSTON MSA SUBMARKET FORECAST



# FACTORS AFFECTING SUBMARKETS

Effects of Covid-19

Amount of New Supply

Upper vs Mid vs Lower-  
Priced Ratio

Effects of Oil & Gas Industry

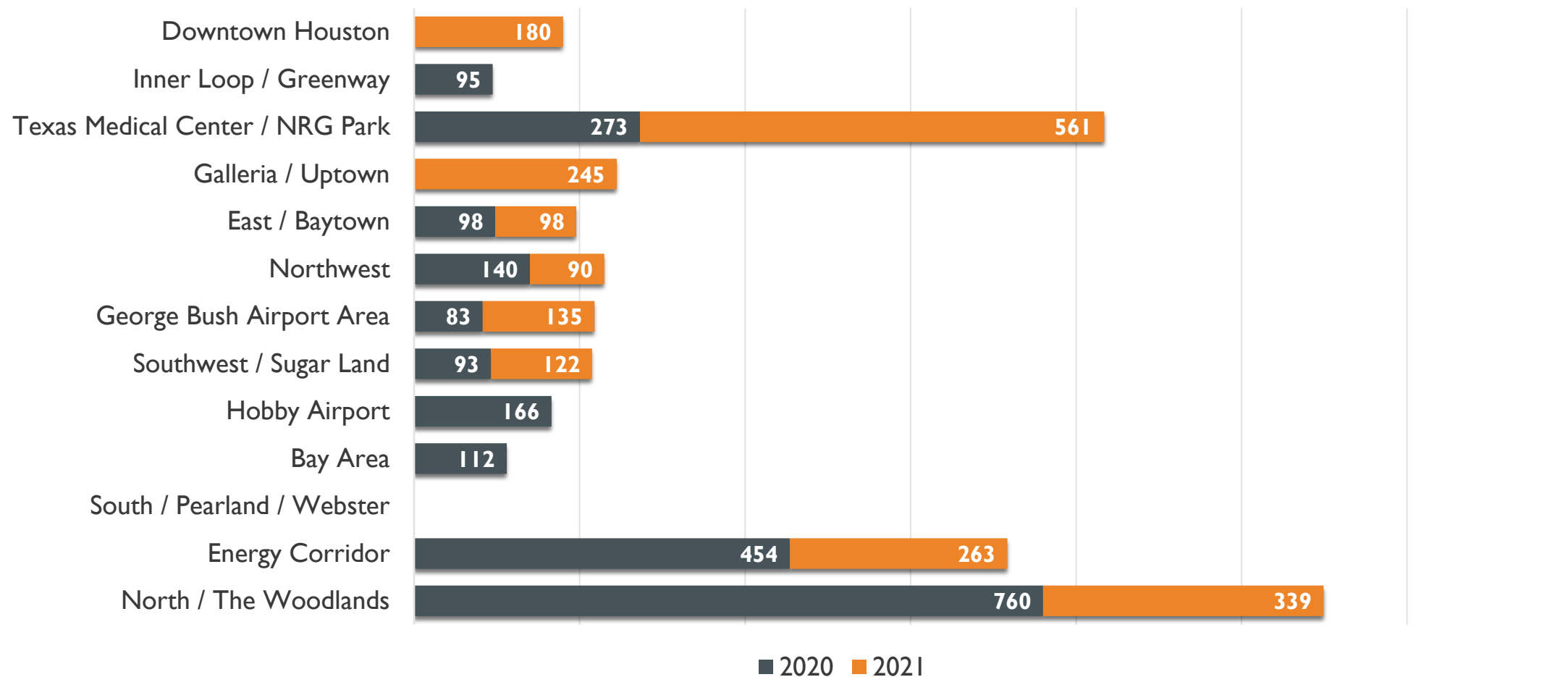
Amount of Convention  
Compression

# HOUSTON MSA HOTEL HISTORICAL PERFORMANCE BY SUBMARKET

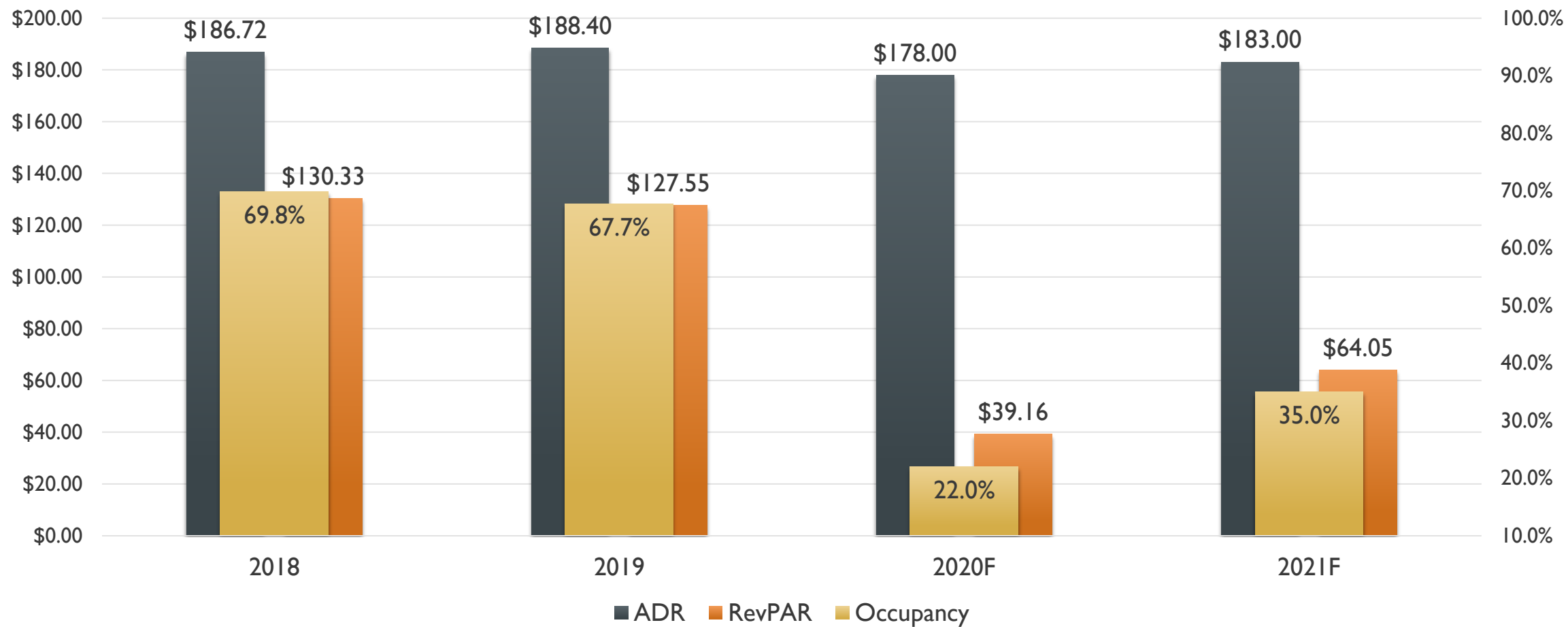
## YEAR-TO-DATE JUNE 2019 VS YEAR-TO-DATE JUNE 2020

Submarket	Occupancy		Percent Change	ADR		Percent Change
	2019	2020		2019	2020	
Downtown Houston	71.7%	31.2%	-56.5%	\$196.41	\$191.48	-2.5%
Inner Loop / Greenway	66.7%	38.6%	-42.1%	\$98.33	\$83.13	-15.5%
Texas Medical Center / NRG Park	59.6%	37.0%	-37.9%	\$132.64	\$115.50	-12.9%
Galleria / Uptown	67.2%	35.2%	-47.6%	\$143.31	\$127.87	-10.8%
East / Baytown	61.4%	45.1%	-26.6%	\$83.30	\$73.24	-12.1%
Northwest	59.0%	42.1%	-28.7%	\$85.90	\$70.31	-18.2%
George Bush Airport Area	66.7%	43.5%	-34.8%	\$87.65	\$73.89	-15.7%
Southwest / Sugar Land	59.8%	42.1%	-29.6%	\$79.27	\$68.55	-13.5%
Hobby Airport	61.7%	43.5%	-29.6%	\$81.01	\$67.00	-17.3%
Bay Area	66.3%	45.2%	-31.9%	\$91.80	\$78.55	-14.4%
South / Pearland / Webster	64.7%	47.3%	-26.8%	\$93.54	\$77.40	-17.3%
Energy Corridor	63.4%	39.6%	-37.5%	\$99.33	\$85.05	-14.4%
North / The Woodlands	64.3%	41.8%	-35.1%	\$108.65	\$88.14	-18.9%
<b>TOTAL</b>	<b>64.2%</b>	<b>40.1%</b>	<b>-37.6%</b>	<b>\$111.97</b>	<b>\$93.02</b>	<b>-16.9%</b>

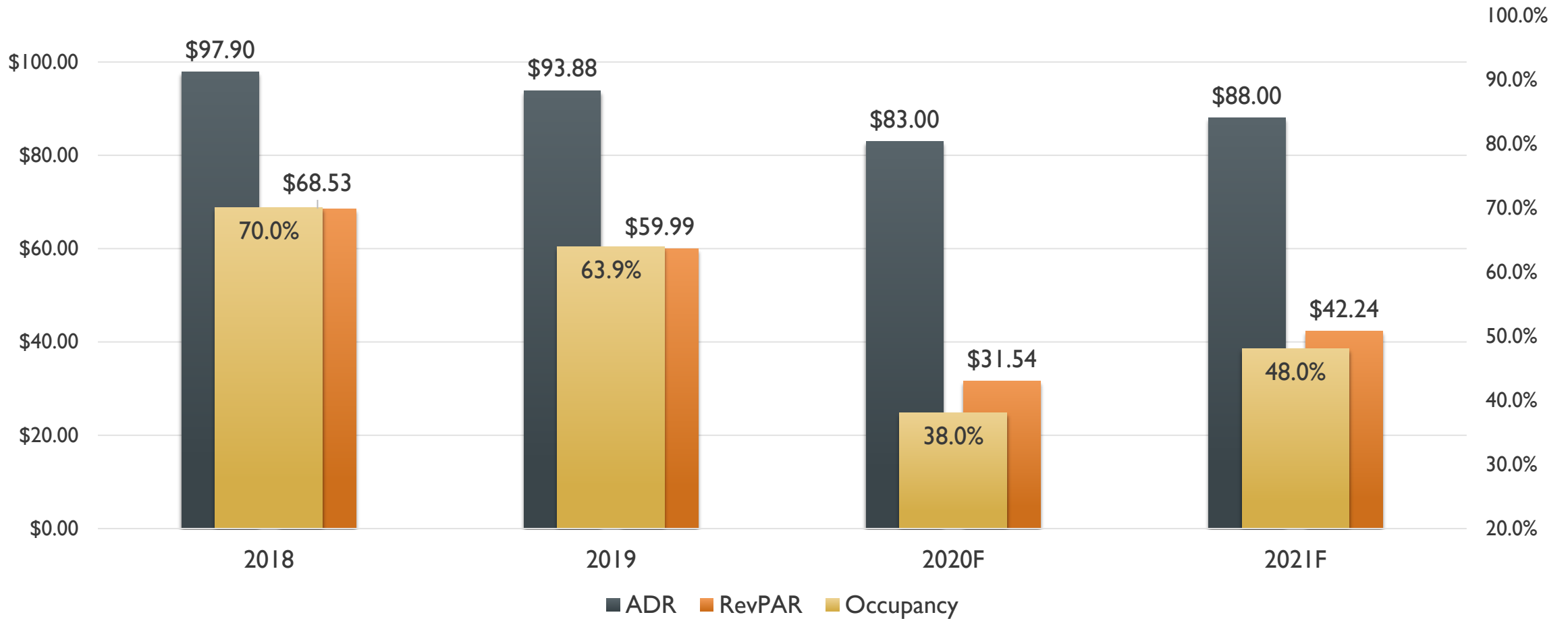
# ADDITIONS TO SUPPLY BY SUBMARKET



# DOWNTOWN HOUSTON

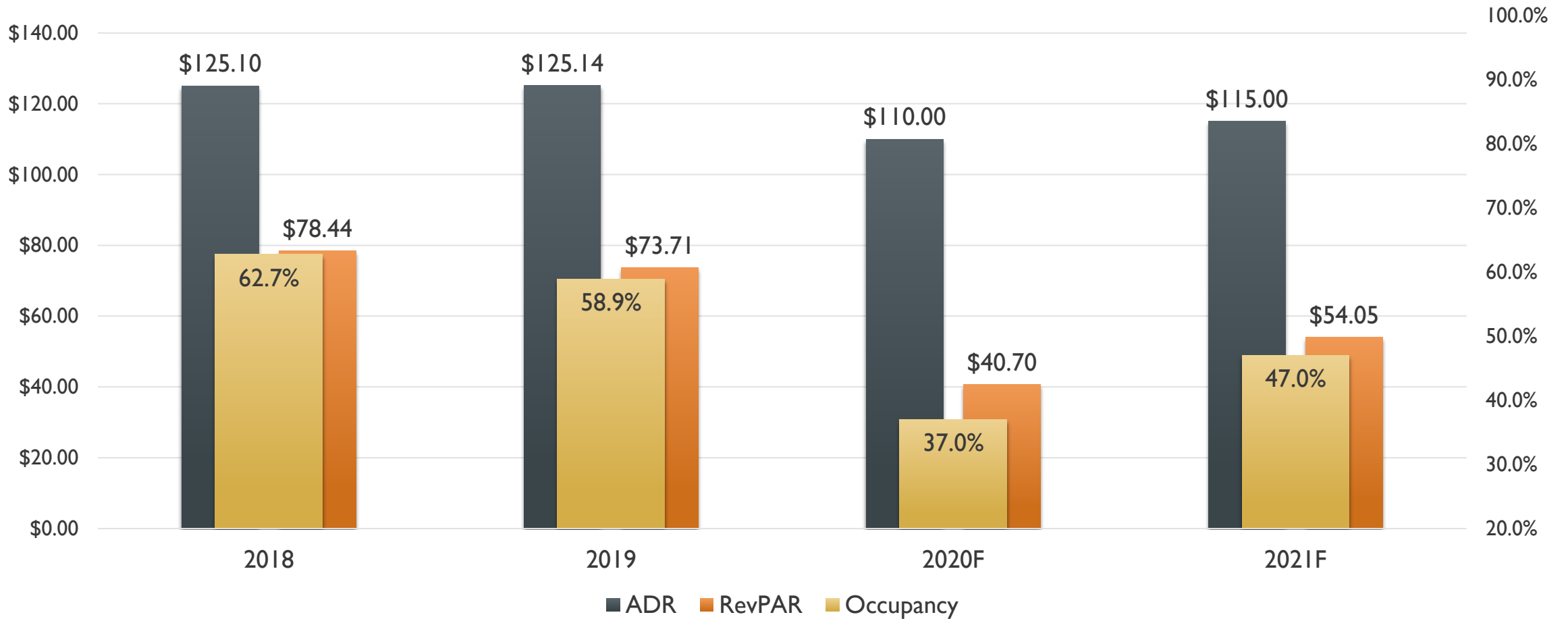


# INNER LOOP / GREENWAY

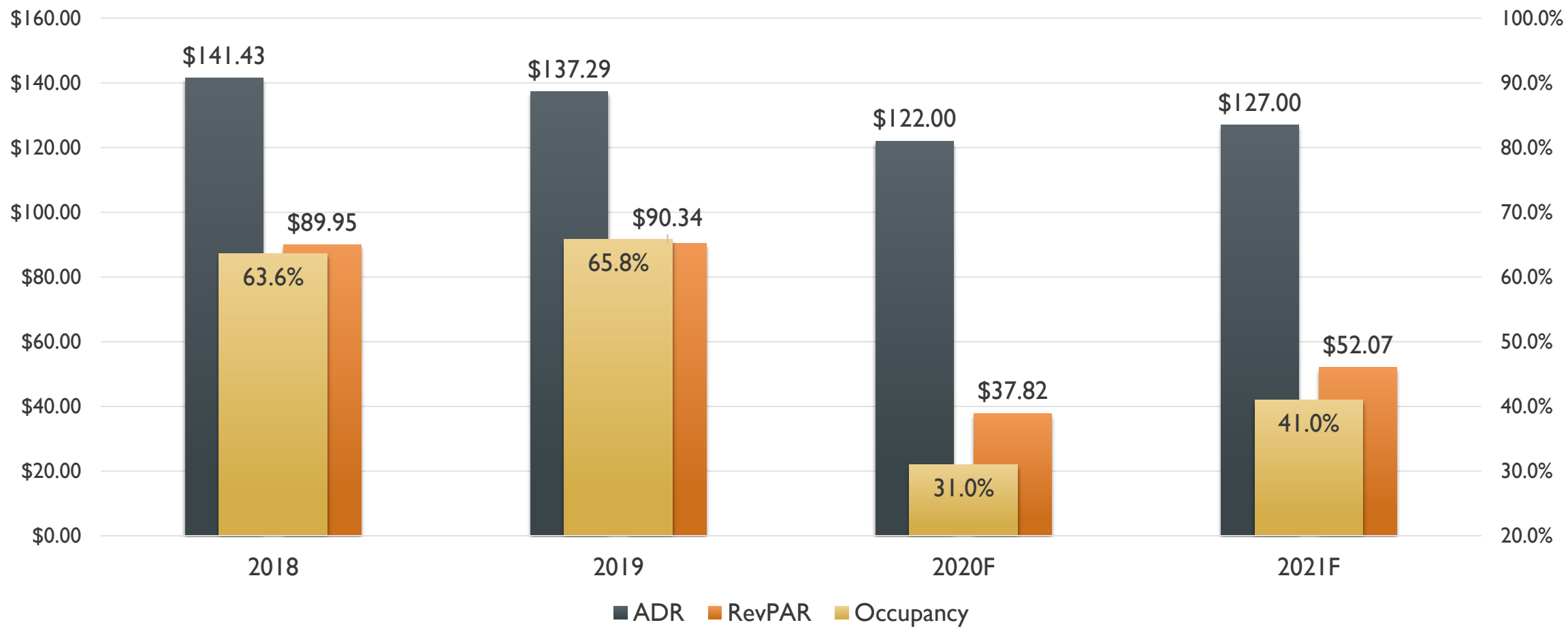




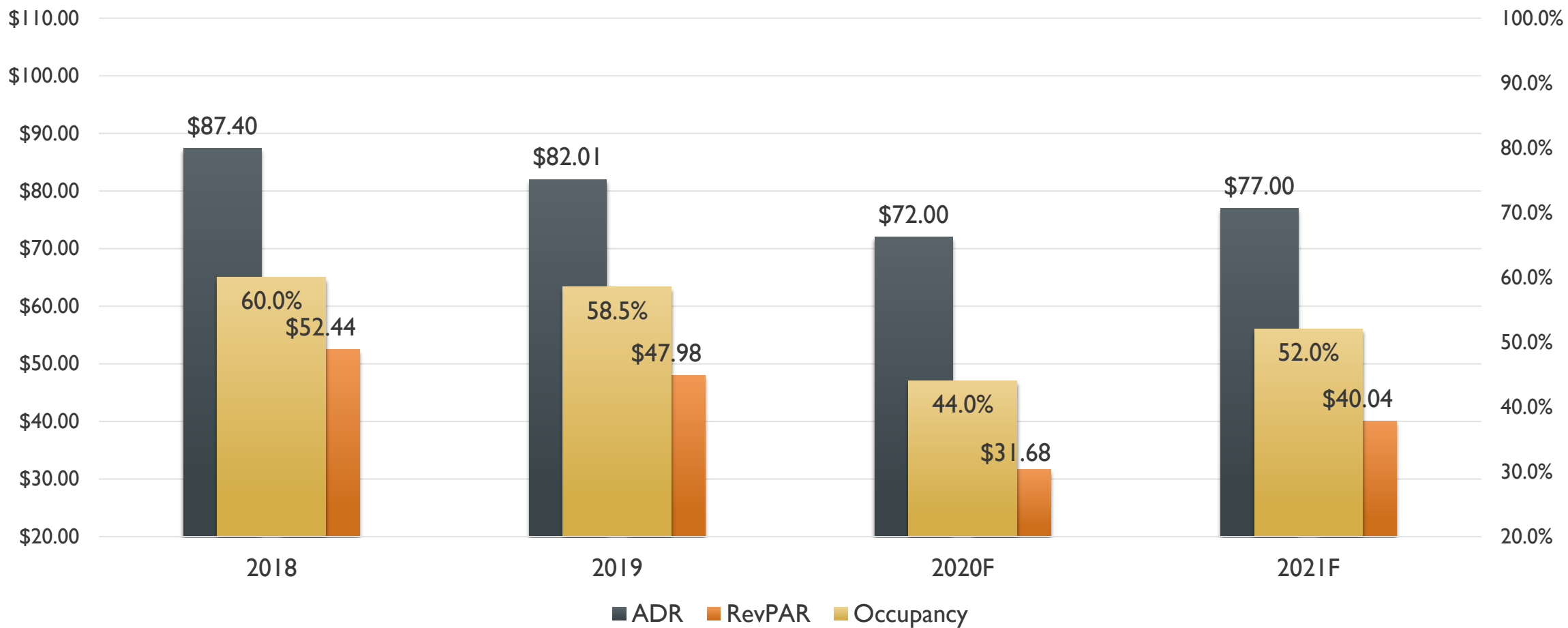
# TEXAS MEDICAL CENTER / NRG PARK



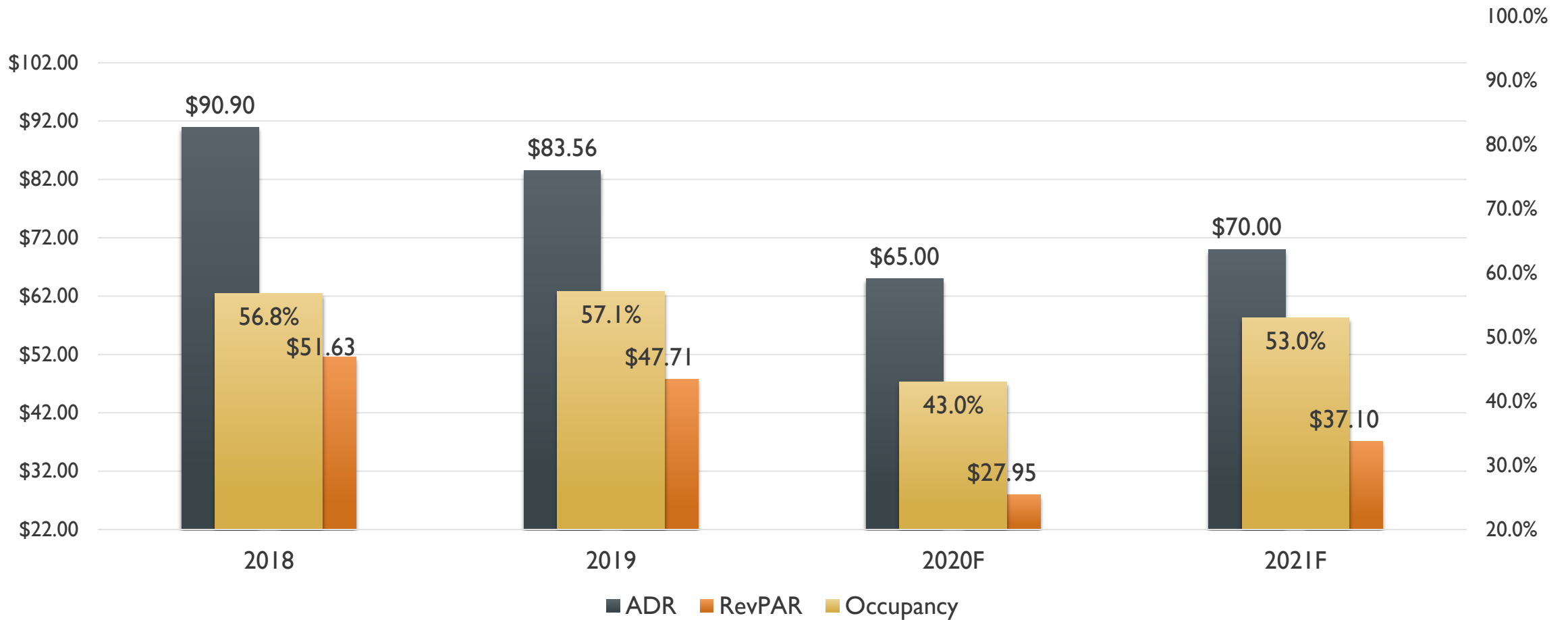
# GALLERIA / UPTOWN



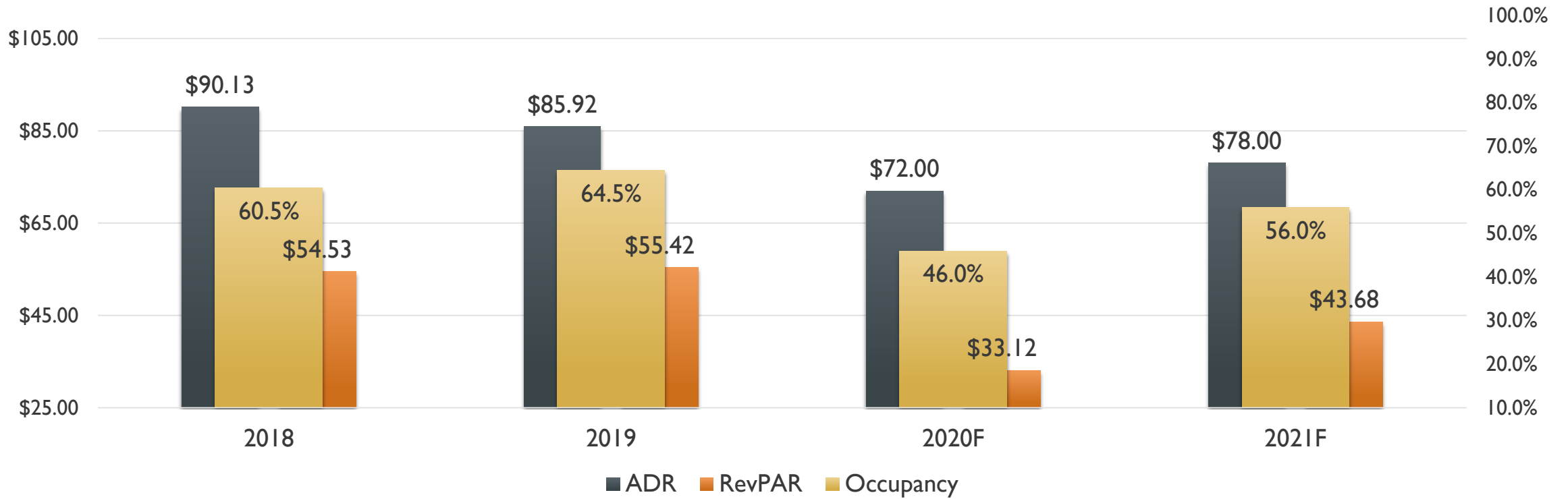
# EAST / BAYTOWN



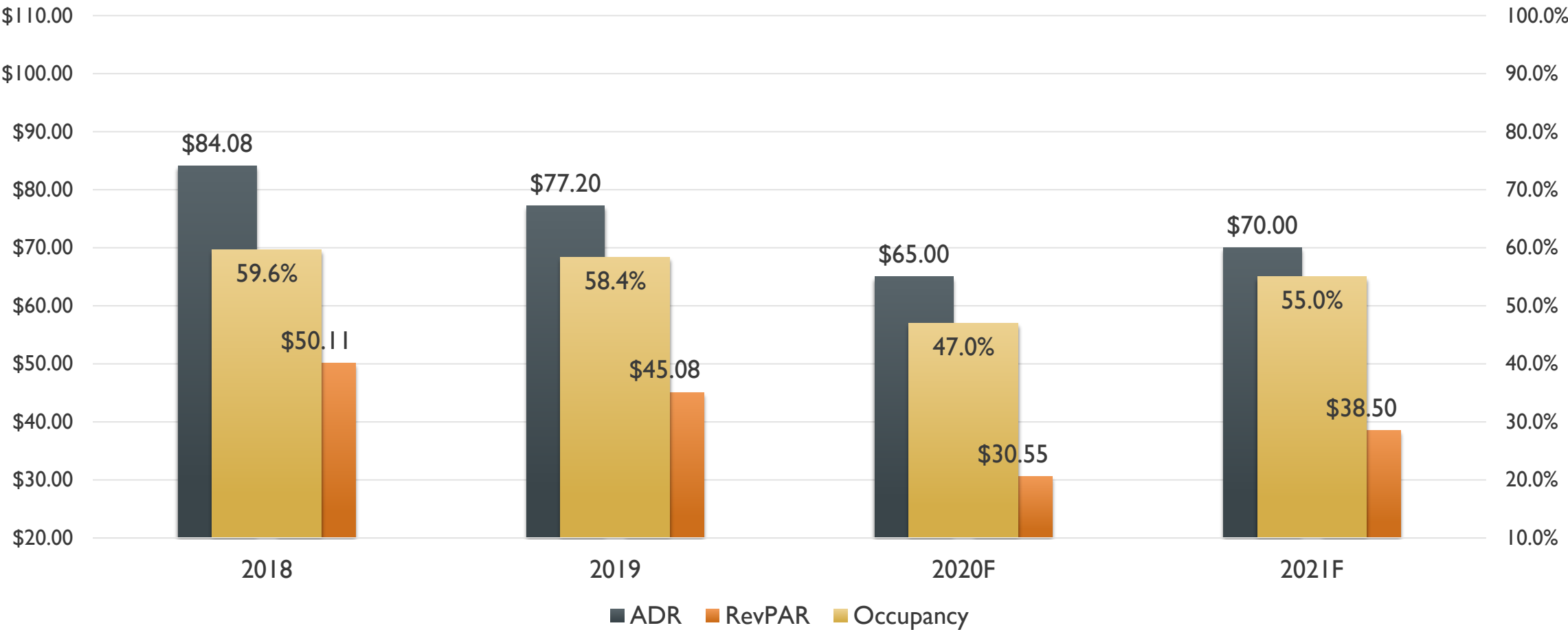
# NORTHWEST HOUSTON



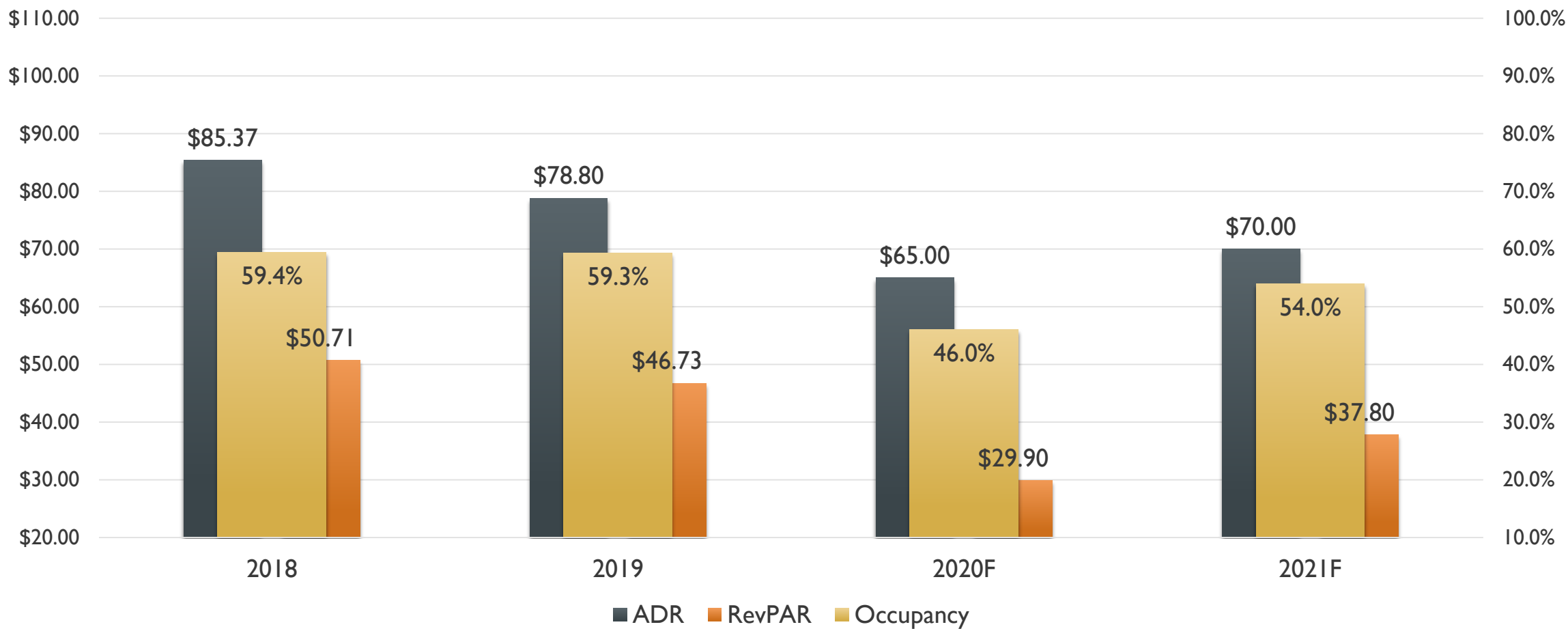
# GEORGE BUSH AIRPORT AREA



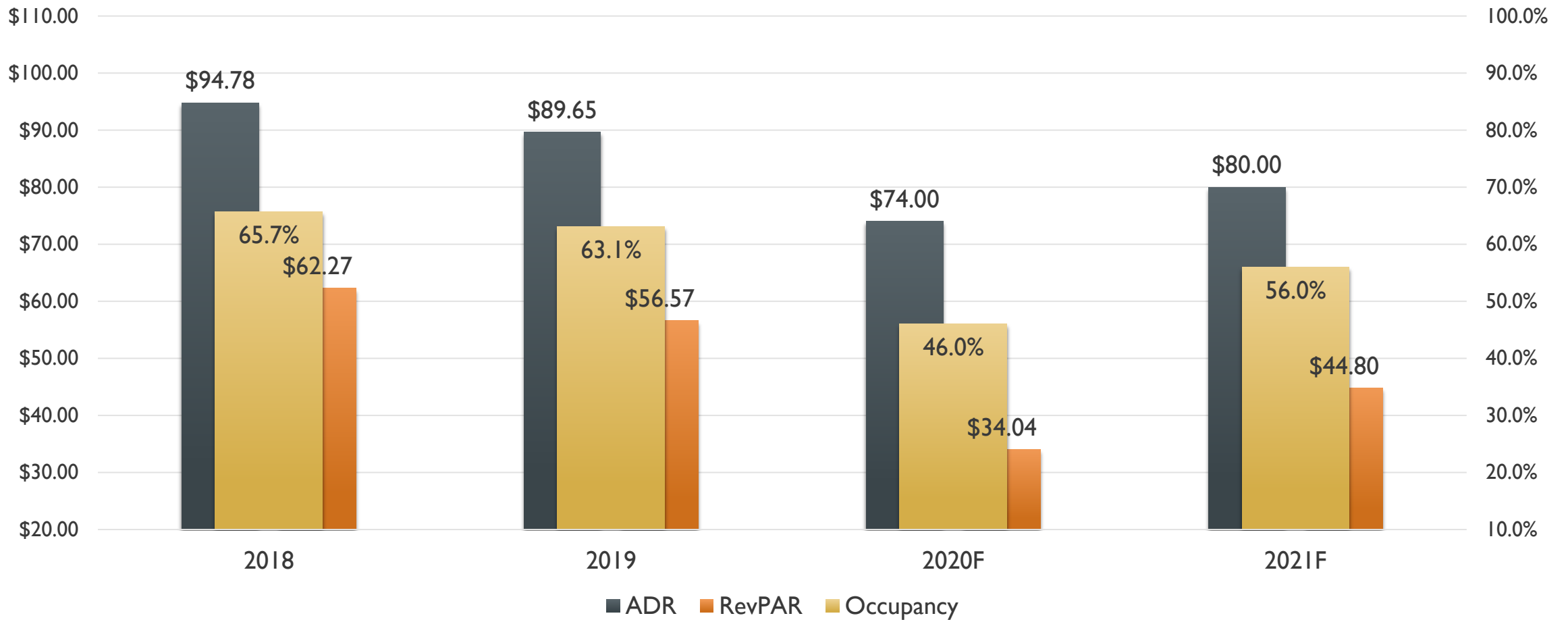
# SOUTHWEST / SUGAR LAND



# HOBBY AIRPORT

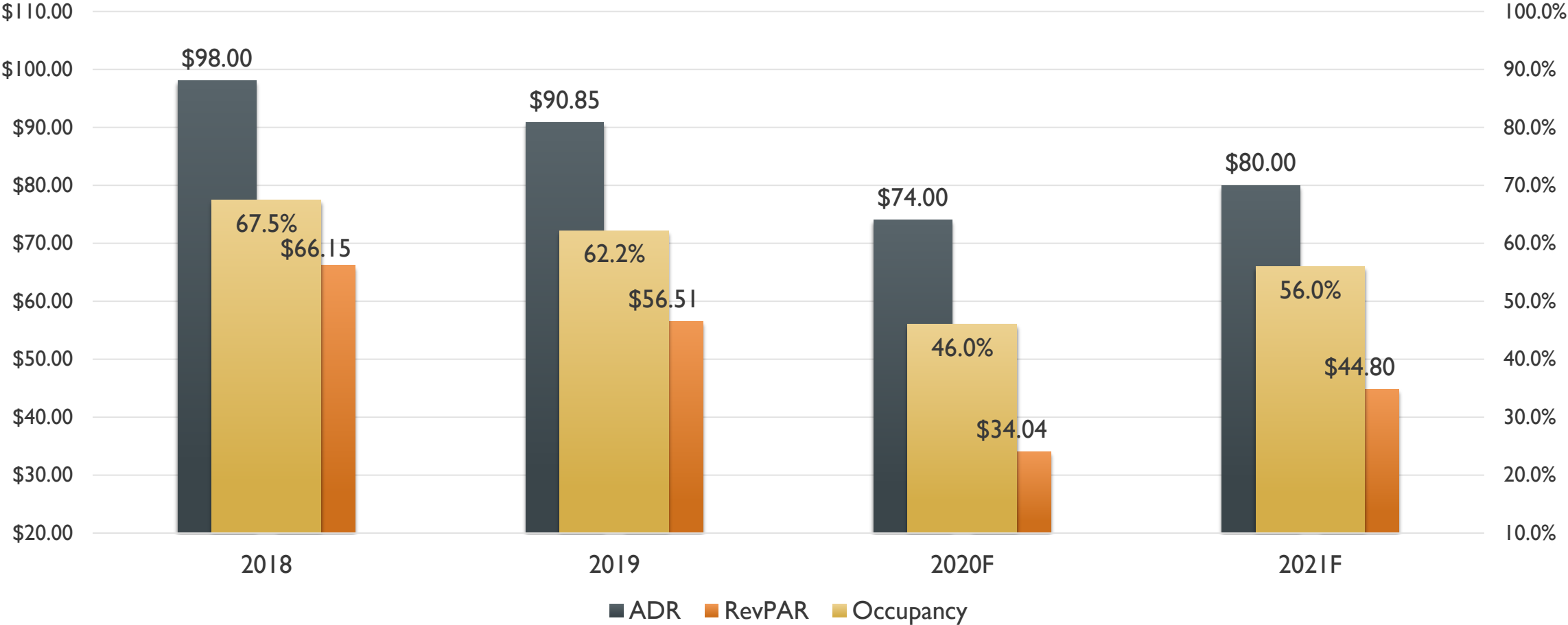


# BAY AREA

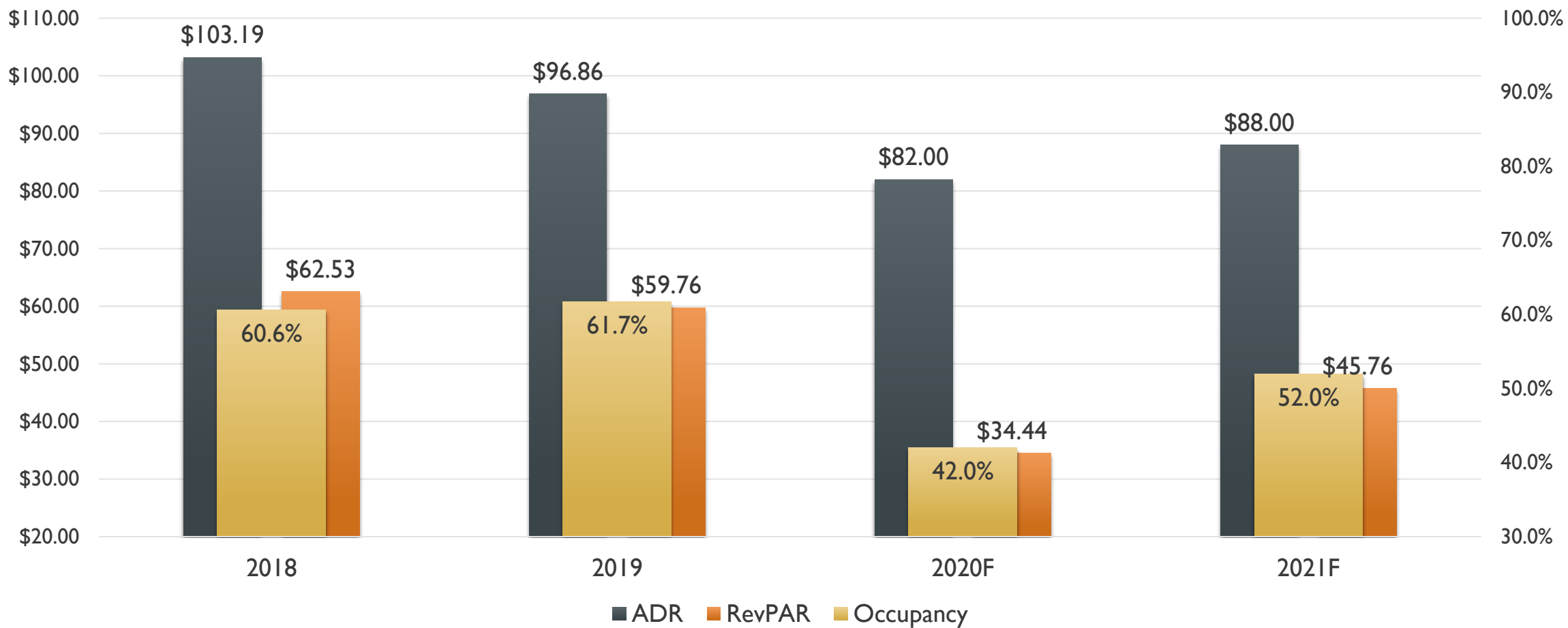




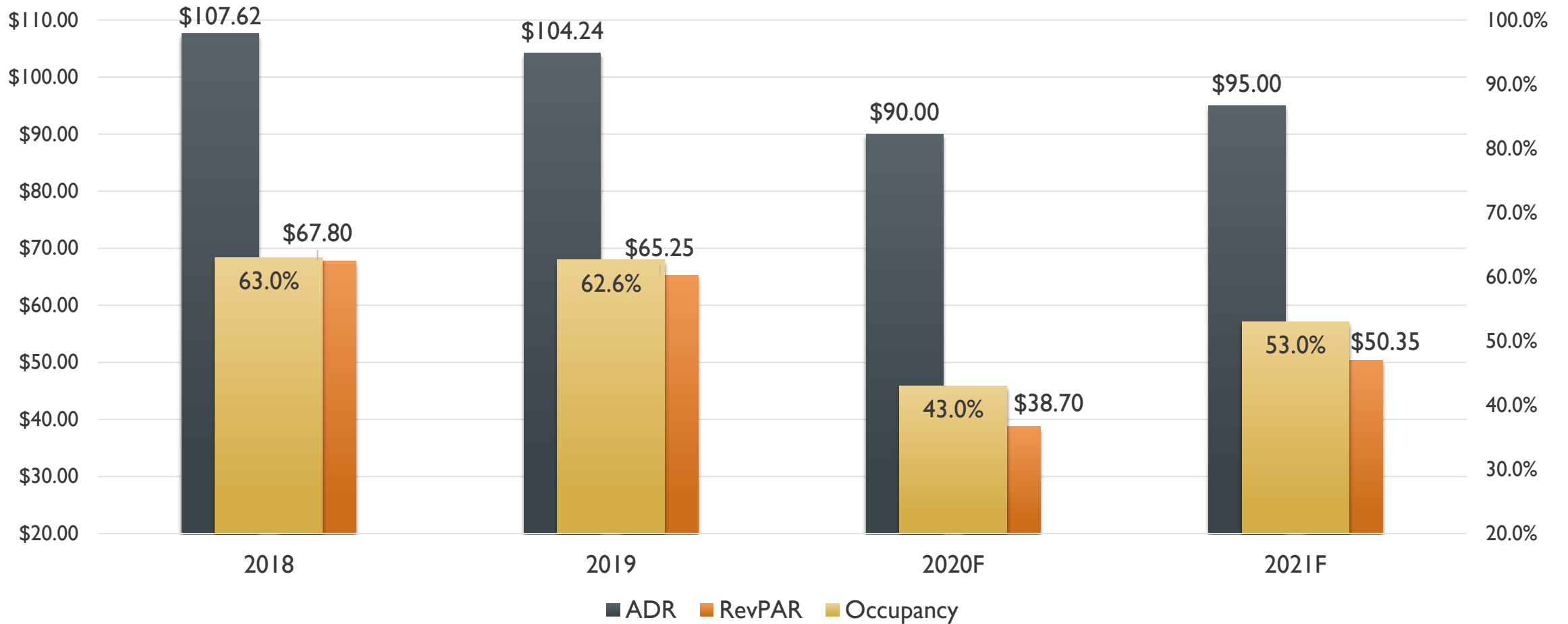
# SOUTH / PEARLAND / WEBSTER



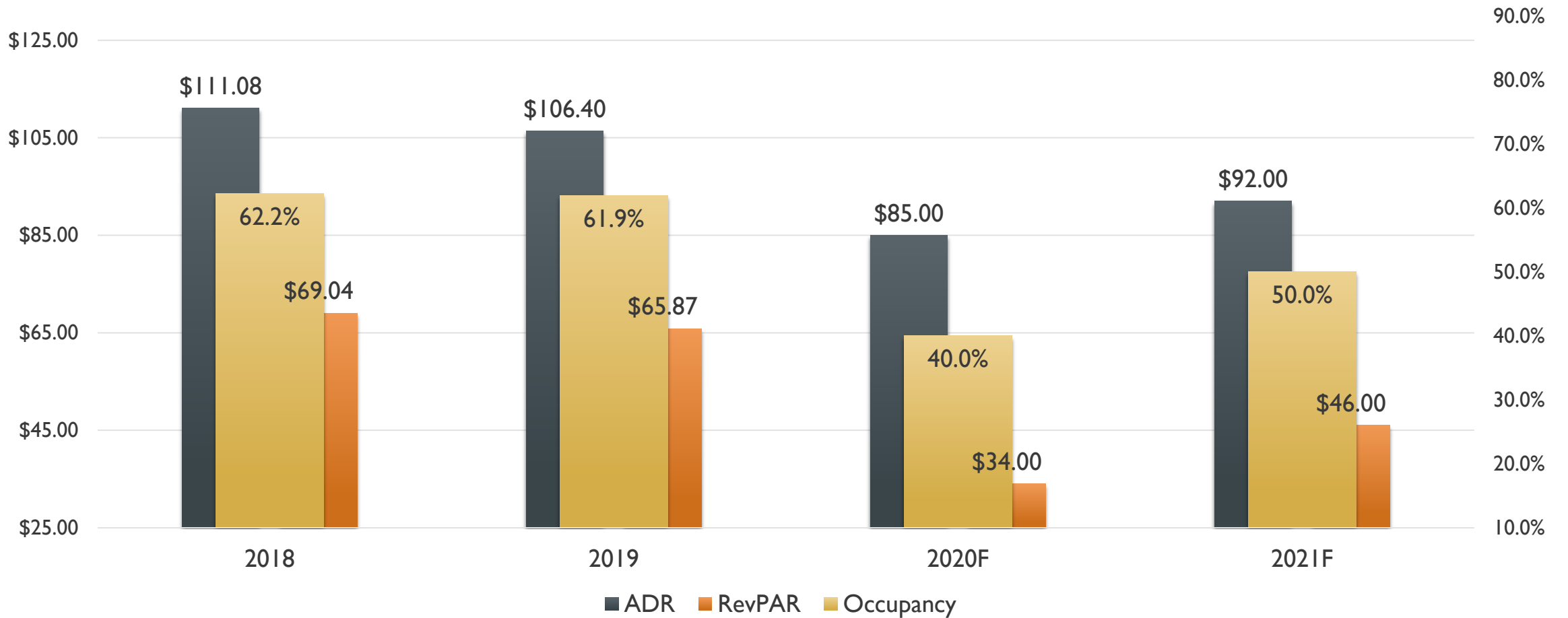
# ENERGY CORRIDOR



# NORTH / THE WOODLANDS



# HOUSTON MSA





## HOW CAN WE HELP?

- Covid-19 Transition Forecasting of Market and Hotel Performance
- Asset Management (for oversight of hotel operations/management)
- Market Repositioning and Rebranding Studies
- Funding options during the downturn for distressed hotels
  - Hotel Purchases
  - Mortgage Purchases
  - Note Paydowns
  - Equity Infusions
  - Capital Stack Restructuring

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## DPC HOSPITALITY

2020 HOUSTON HOTEL MARKET FORECAST

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