

HOSPITALITY

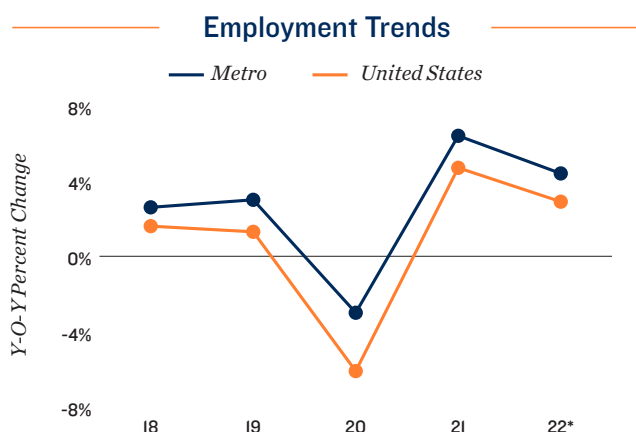
Dallas-Fort Worth Metro Area

MIDYEAR 2022

Tarrant County Positioned to Restore Occupancy Faster than Dallas, Daily Rates Surging in Both

Less extreme drop in business travel aids Fort Worth/Arlington. During the past year ended in May, both Greater Dallas and Tarrant County recorded average occupancy rates that were at least 1,300 basis points stronger than their respective recordings in the prior 12-month period. Relative to their average occupancy measures during the same months of 2019, Tarrant County is about 400 basis points shy, and Greater Dallas is roughly 500 basis points behind. A recent study conducted by AHLA and Kalibri Labs could help explain this variation. The study projects that business travel revenue in Fort Worth will be down just 3 percent in 2022 when compared to 2019, while Dallas will have a decline exceeding 20 percent. The nature of business travel in these two markets contributes to this, as Dallas typically hosts more large-scale and international events, which have been slower to return in the wake of the pandemic.

Daily rates in Tarrant County pass 2019 levels before Dallas. The Fort Worth/Arlington and Dallas hospitality markets each posted annual ADR growth exceeding 30 percent during the yearlong span ended in May. With these increases, the average nightly rate in Tarrant County surpassed its 2019 equivalent by more than 5 percent, while Dallas is within 2 percent of meeting its own mark. A comparatively faster rebound in Fort Worth/Arlington allowed the market to record a higher ADR than its Metroplex counterpart at \$114.36 and \$107.22, respectively. By year-end, the trailing 12-month ADR in Tarrant County is expected to beat Dallas by about 10 percent.



* Forecast
Sources: BLS; CoStar Group, Inc.

Hospitality 2022 Outlook



8,610

ROOMS

under construction

CONSTRUCTION:

Across the past five years, an average of about 7,750 rooms were underway in the Metroplex entering June. That figure is notably higher in May 2022, with the pipeline equating to about 6 percent of the current inventory, one of the largest shares in the nation.



530

BASIS POINT

change in occupancy

OCCUPANCY:

From 2015-2019, the Metroplex held an average occupancy rate above 69 percent. That measure plunged below 45 percent in 2020, but the recovery is in motion. This year's hike augments a 1,480-basis-point lift posted in 2021, approaching 65 percent in 2022.



16.6%

INCREASE

in ADR

ADR:

The second consecutive year of robust occupancy growth, with a total of nearly 32.8 million room nights expected to be booked across 2022, provides a jolt for daily rates. The yearlong ADR in the Metroplex will grow to \$116.44, a new record high.



24.6%

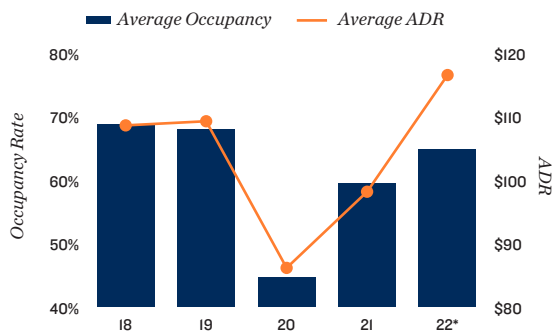
INCREASE

in RevPAR

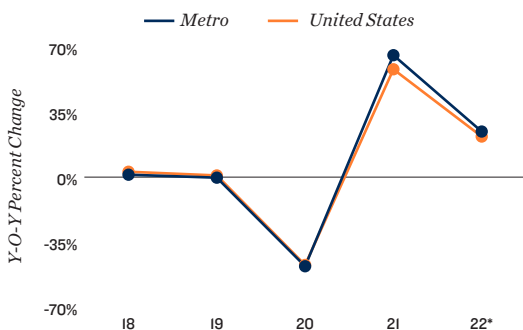
REVPAR:

More room nights will be booked in 2022 than in any other year on record, eclipsing the previous peak set in 2019 by almost 5 percent. This demand enhancement and upward pressure on rates during an inflationary period bring the average RevPAR to \$75.42.

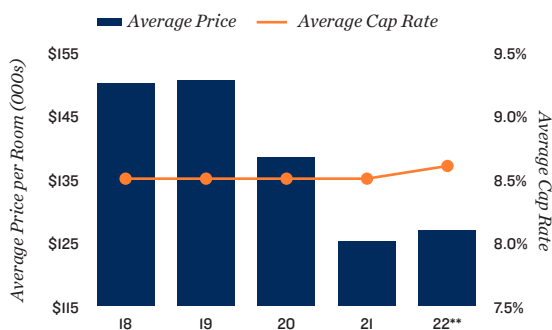
Occupancy & ADR Trends



RevPAR Trends



Sales Trends



* Forecast ** Through May

Sources: CoStar Group, Inc.; Real Capital Analytics

Dallas Office:

Tim Speck Senior Vice President, Division Manager
Tel: (972) 755-5200 | tim.speck@marcusmillichap.com

Fort Worth Office:

Mark McCoy Regional Manager
Tel: (817) 932-6100 | mark.mccoy@marcusmillichap.com

Prepared and edited by:

Benjamin Kunde
Research Analyst | Research Services

For information on national hospitality trends, contact:

John Chang
Senior Vice President, Director | Research & Advisory Services
Tel: (602) 707-9700 | john.chang@marcusmillichap.com

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Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.

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May 2022 - 12-Month Period

OCCUPANCY

1,520 basis point increase in occupancy Y-O-Y

- During the June 2021 to May 2022 period, average occupancy at full service hotels rose by 2,600 basis points. Still, this was the lowest rate among lodging segments at 54.9 percent. The other two exceeded 64.0 percent.
- All five submarkets that comprise Fort Worth/Arlington had rates above 64.0 percent, while four of Dallas' nine submarkets met that criteria.

ADR

28.8% increase in the average daily rate Y-O-Y

- Spanning the 14 submarkets in the Metroplex, each one had annual ADR growth above 15 percent during the yearlong period ended in May. The biggest jumps were in areas harder hit by the pandemic, like the Dallas CBD.
- Compared to pre-pandemic ADR figures, the largest rate climbs have occurred in Fort Worth South/West, Dallas South/East and Arlington.

REVPAR

62.4% increase in revenue per available room Y-O-Y

- RevPAR metrics during the yearlong interval ended in May are bifurcated relative to 2019. The measure was at least 10 percent higher in two submarkets, while falling more than 10 percent in six, mostly in Greater Dallas.
- In the 12 months preceding June, RevPAR surged between 60 and 120 percent in the upper upscale, luxury and upscale hotel segments.

Investment Highlights

- After a lull in deal flow during the early stages of the pandemic, upward momentum in performance metrics in recent quarters and greater forward-looking clarity are generating renewed buyer interest. Additionally, robust economic growth in Dallas-Fort Worth, particularly the volume of corporate move-ins during the pandemic, are poised to lift business travel down the line. These factors and the asset classes' comparatively strong position during inflation, with the ability to adjust rates frequently, has investors across the nation tuned into the Metroplex. Transaction activity from July 2021 through June 2022 rose by 45 percent annually.
- Looking at the first half of 2022, upper upscale and upscale hotels were a buyer favorite, with these types of properties trading in portfolios and on a one-off basis. The two segments were among the most impacted by the pandemic, but have shown rapid improvements in both occupancy and ADR in recent months, attracting buyers chasing upside potential.
- Dallas-Fort Worth's average sale price during the yearlong interval ended in May was \$126,800 per room, which is down about 16 percent from 2019. The average cap rate has been more stable, rising 10 basis points during that same span to 8.6 percent, the lowest among major Texas markets.