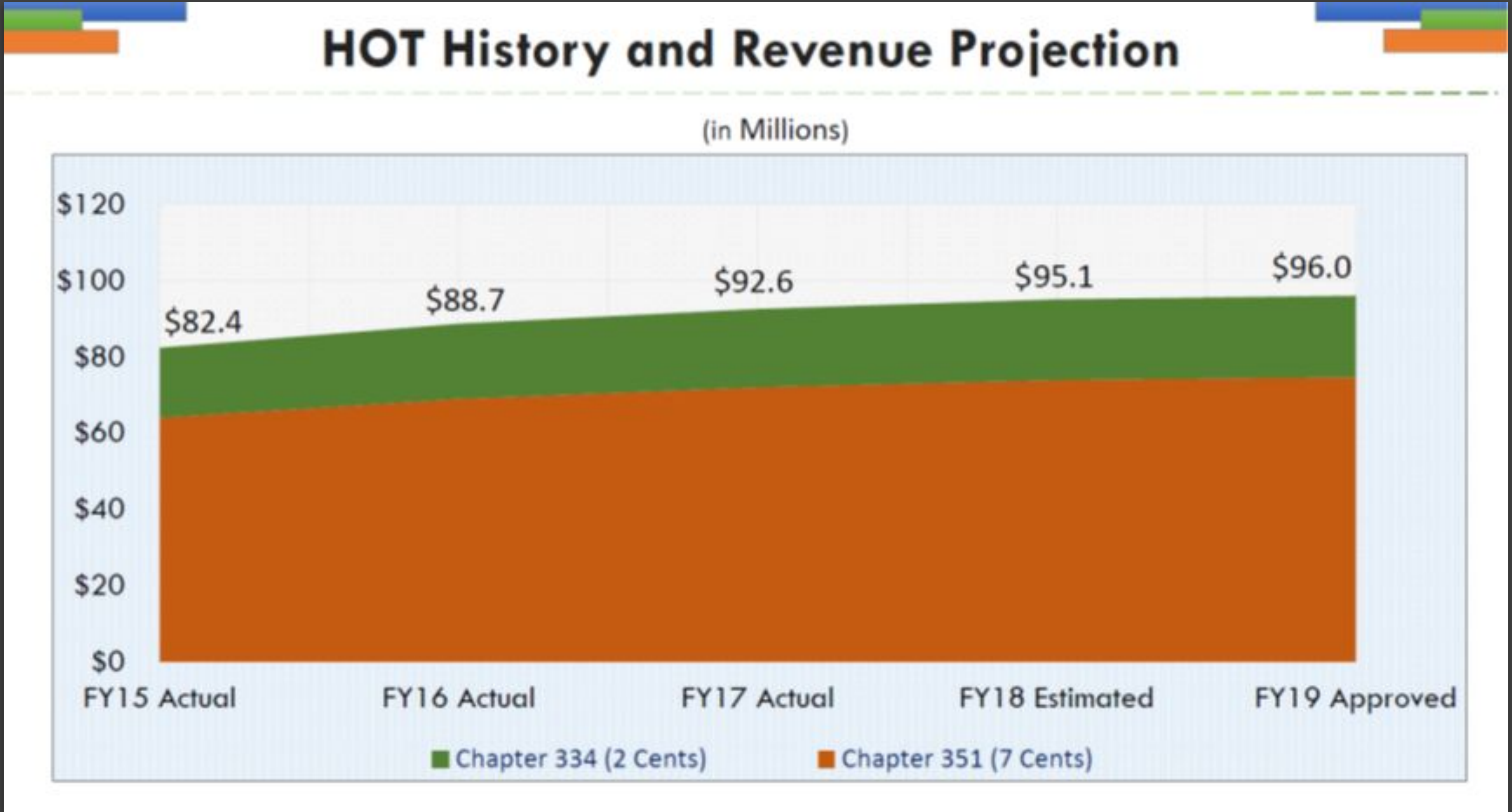
VISIT AUSTIN

Presentation to Austin Tourism Commission

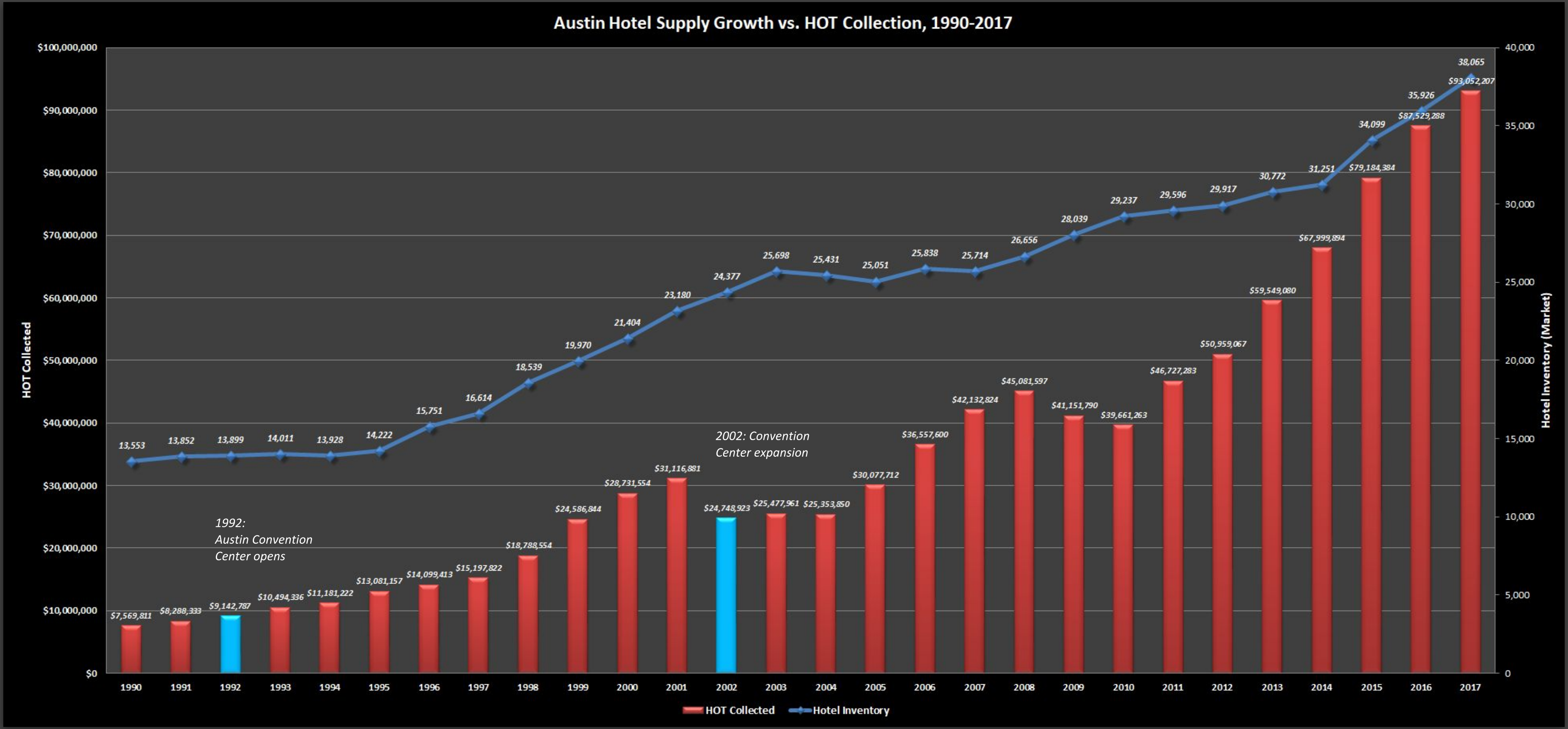
March 18, 2019

VISIT Austin

CHRISTINE CRAMER
Director of Market Analysis & Research



Hotel Occupancy Tax revenue is projected to grow 7.6% statewide in the next two years, according to the Biennial Revenue Estimate released by the State Comptroller's office on January 7, 2019, in advance of the 86th Texas Legislature.


Austin Hotel Supply Growth vs. HOT Collection, 1990-2017
HOT Collected
Hotel Inventory (Market)
$100,000,000
$90,000,000
$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
$7,569,811
$8,288,333
$9,142,787
$10,494,336
$11,181,222
$13,081,157
$14,099,413
$15,197,822
$18,788,554
$24,586,844
$28,731,554
$31,116,881
$24,748,923
$25,477,961
$25,353,850
$30,077,712
$36,557,600
$42,132,824
$45,081,597
$41,151,790
$39,661,263
$46,727,283
$50,959,067
$59,549,080
$67,999,894
$79,184,384
$87,529,288
$93,052,207
13,553
13,852
13,899
14,011
13,928
14,222
15,751
16,614
18,539
19,970
21,404
23,180
24,377
25,698
25,431
25,051
25,838
25,714
26,656
28,039
29,237
29,596
29,917
30,772
31,251
34,099
35,926
38,065
1992:
Austin Convention
Center opens
2002: Convention
Center expansion
HOT Collected
Hotel Inventory

DOWNTOWN SHARE OF TOTAL HOTEL REVENUE

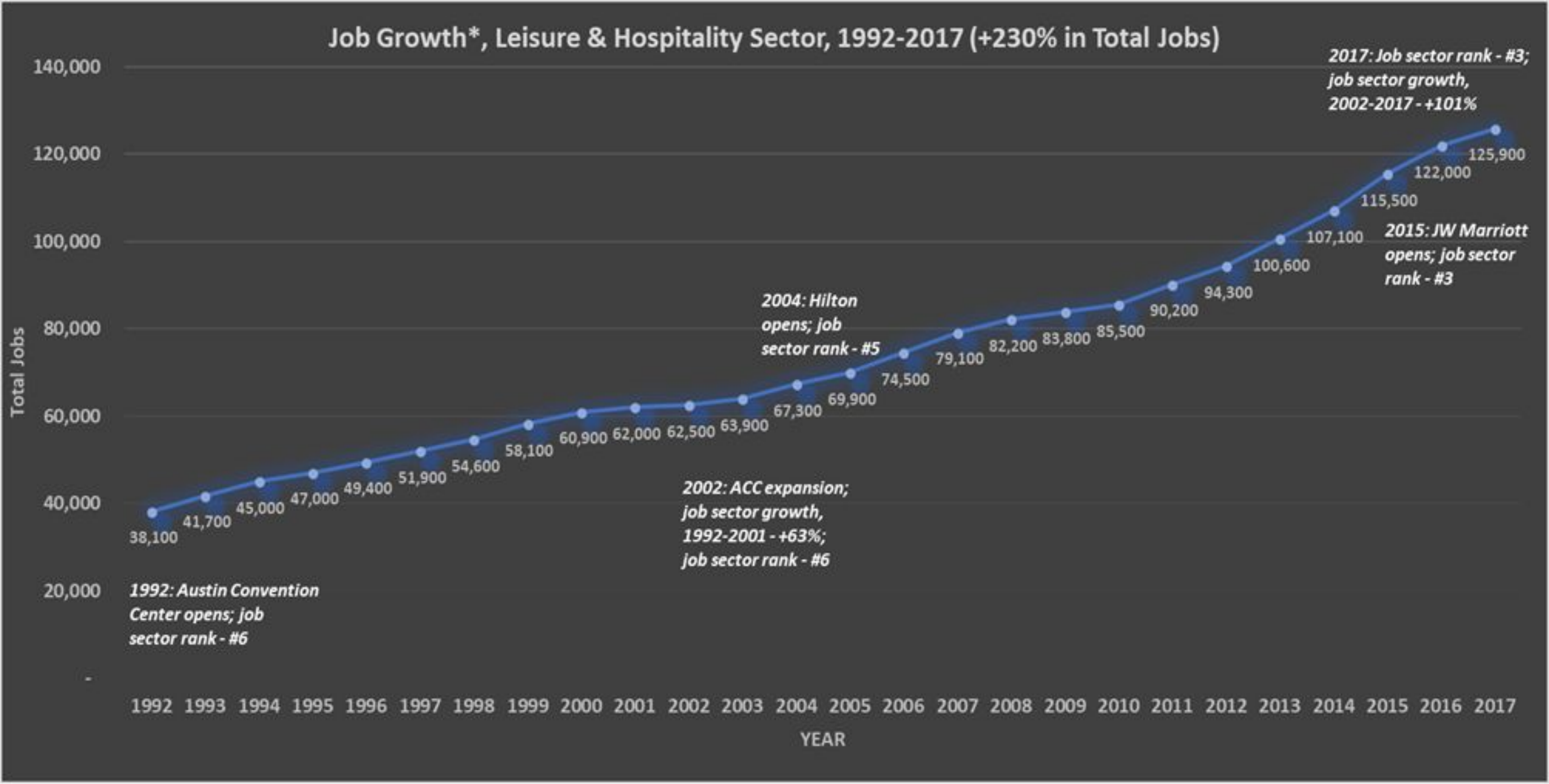
2018
58% Revenue; 27% Hotel Supply

2017
54% Revenue; 25% Hotel Supply

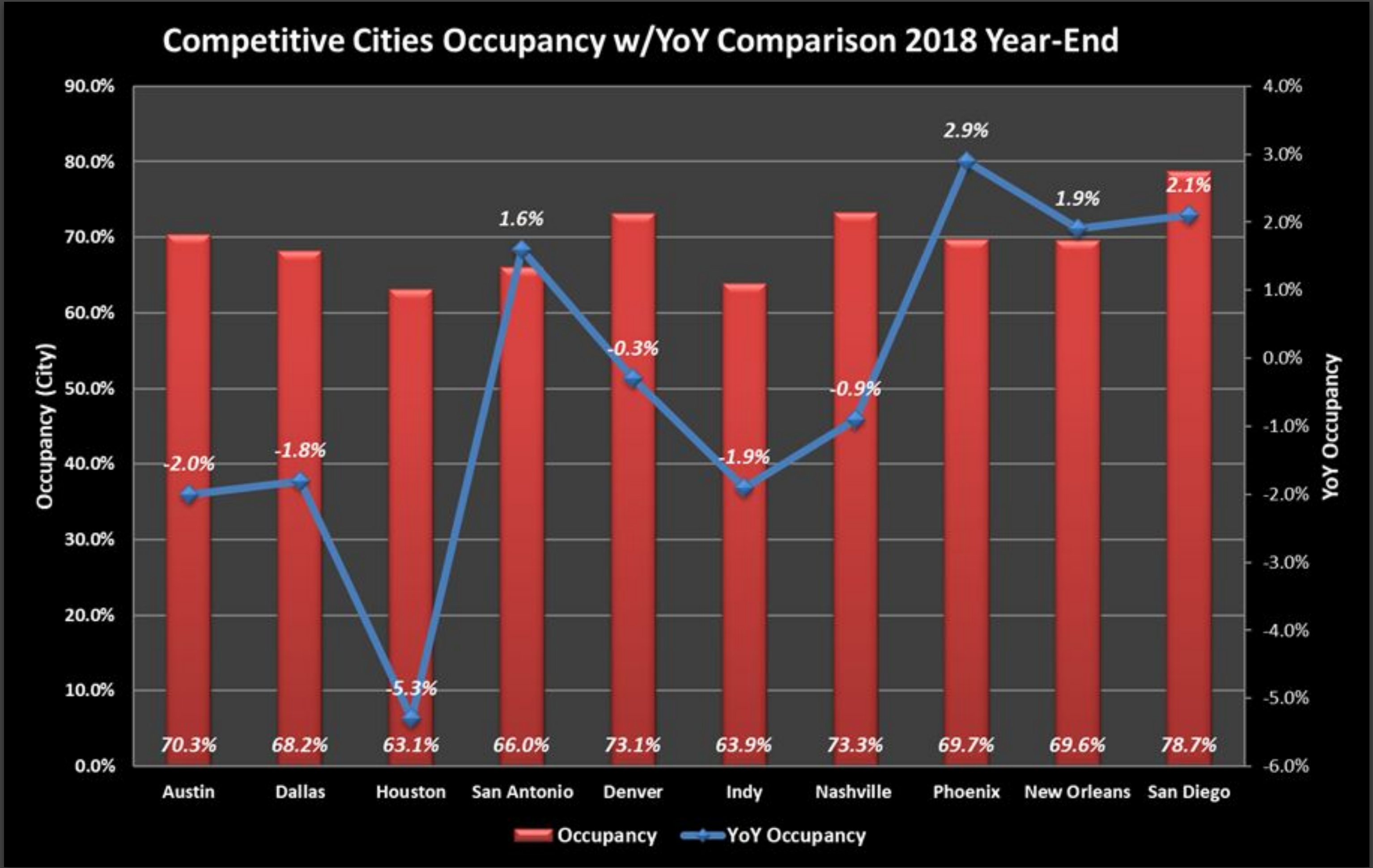
2016
52% Revenue; 25% Hotel Supply

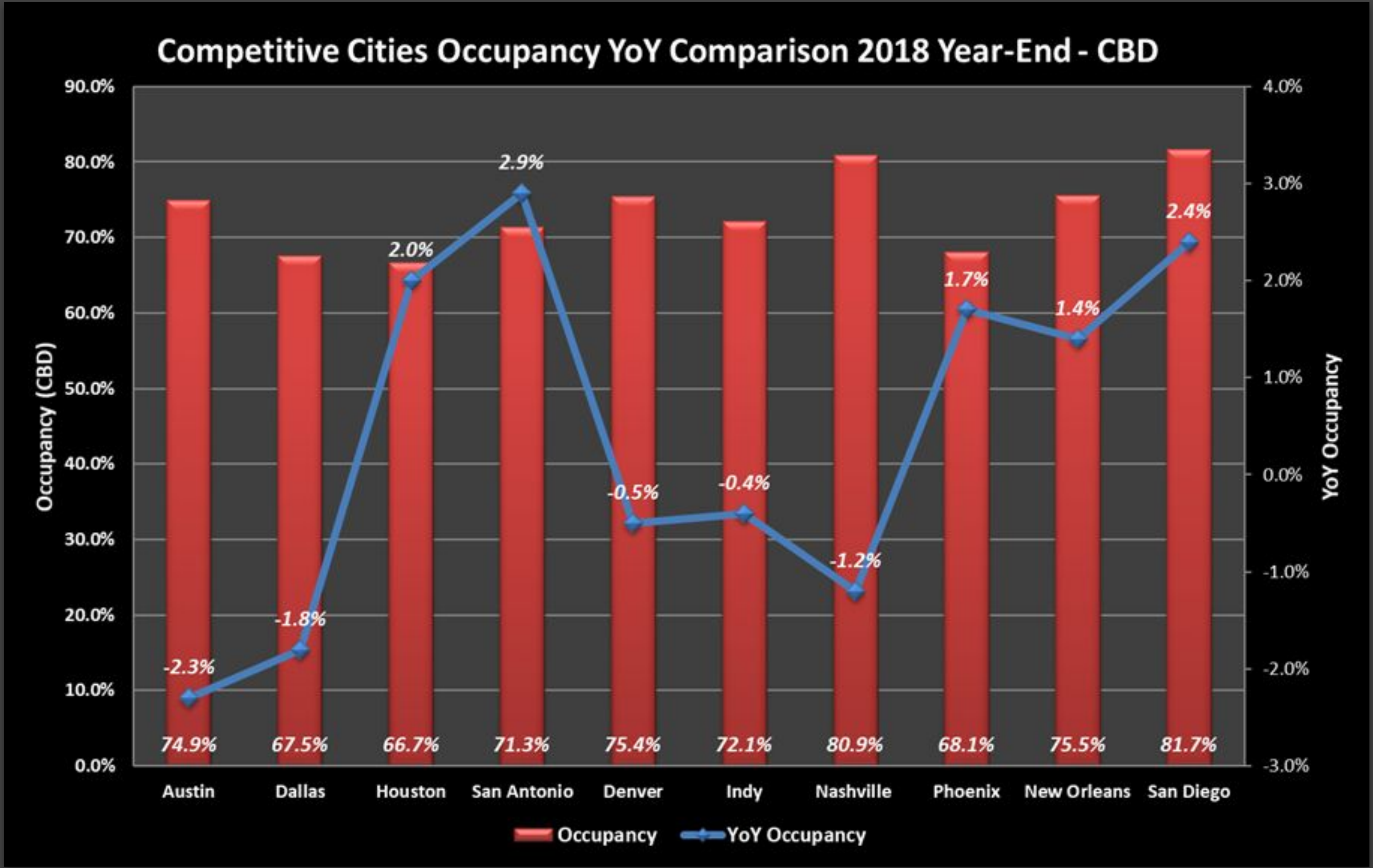
2015
49% Revenue; 26% Hotel Supply

2014
47% Revenue; 22% Hotel Supply



*Source: Greater Austin Chamber of Commerce - Texas Workforce Commission; U.S. Bureau of Labor Statistics


Competitive Cities Occupancy w/YoY Comparison 2018 Year-End
Occupancy (City)
YoY Occupancy
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
Austin 70.3% -2.0%
Dallas 68.2% -1.8%
Houston 63.1% -5.3%
San Antonio 66.0% 1.6%
Denver 73.1% -0.3%
Indy 63.9% -1.9%
Nashville 73.3% -0.9%
Phoenix 69.7% 2.9%
New Orleans 69.6% 1.9%
San Diego 78.7% 2.1%
Occupancy
YoY Occupancy


Competitive Cities Occupancy YoY Comparison 2018 Year-End - CBD
Occupancy (CBD)
YoY Occupancy
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-2.3%
-1.8%
2.0%
2.9%
-0.5%
-0.4%
-1.2%
1.7%
1.4%
2.4%
74.9%
67.5%
66.7%
71.3%
75.4%
72.1%
80.9%
68.1%
75.5%
81.7%
Austin
Dallas
Houston
San Antonio
Denver
Indy
Nashville
Phoenix
New Orleans
San Diego
Occupancy
YoY Occupancy

STR MARKET SEGMENTATION - 2018 YEAR-END OCCUPANCY

	Year to Date											
	Transient			Group			Contract			Total		
	This Year	Last Year	% Change	This Year	Last Year	% Change	This Year	Last Year	% Change	This Year	Last Year	% Change
Occupancy (%)												
Sunday	33.2	34.6	-4.2	18.5	17.9	3.3	2.5	2.4	1.8	54.2	55.0	-1.5
Monday	38.4	40.0	-4.1	25.2	25.3	-0.5	2.5	2.4	0.8	66.0	67.8	-2.6
Tuesday	41.8	44.0	-4.9	28.4	28.6	-0.7	2.4	2.4	0.7	72.7	75.0	-3.1
Wednesday	42.7	44.8	-4.6	28.0	28.9	-3.3	2.5	2.4	2.2	73.2	76.1	-3.9
Thursday	42.1	43.3	-2.9	26.4	27.1	-2.8	2.5	2.5	2.3	70.9	72.9	-2.7
Weekday	39.6	41.3	-4.1	25.3	25.6	-1.0	2.5	2.4	1.5	67.4	69.3	-2.8
Friday	48.9	50.5	-3.2	23.7	23.2	2.3	2.6	2.4	5.2	75.1	76.1	-1.3
Saturday	55.7	56.5	-1.5	21.7	20.4	6.1	2.4	2.4	3.9	79.8	79.3	0.6
Weekend	52.3	53.5	-2.3	22.7	21.8	4.1	2.5	2.4	4.6	77.4	77.7	-0.3
Total	45.1	46.7	-3.4	22.8	22.7	0.2	2.4	2.3	4.5	70.3	71.7	-2.0

**Group rooms represent 32% of total room consumption*

STR MARKET SEGMENTATION - 2018 YEAR-END ADR

	Year to Date											
	Transient			Group			Contract			Total		
	This Year	Last Year	% Change	This Year	Last Year	% Change	This Year	Last Year	% Change	This Year	Last Year	% Change
ADR												
Sunday	127.67	126.66	0.8	153.92	148.43	3.7	72.38	71.51	1.2	134.09	131.29	2.1
Monday	137.77	137.09	0.5	150.63	145.98	3.2	74.18	73.80	0.5	140.30	138.13	1.6
Tuesday	143.37	143.59	-0.2	151.46	146.31	3.5	76.46	74.72	2.3	144.32	142.43	1.3
Wednesday	141.56	142.28	-0.5	148.89	146.06	1.9	75.61	75.01	0.8	142.14	141.58	0.4
Thursday	136.17	135.77	0.3	148.59	146.75	1.3	74.97	73.82	1.6	138.62	137.77	0.6
Weekday	137.74	137.54	0.1	150.49	146.58	2.7	74.71	73.76	1.3	140.21	138.64	1.1
Friday	139.74	138.32	1.0	151.41	150.77	0.4	77.64	75.27	3.2	141.31	140.11	0.9
Saturday	140.46	138.88	1.1	155.38	153.55	1.2	76.13	75.27	1.1	142.54	140.77	1.3
Weekend	140.12	138.62	1.1	153.31	152.08	0.8	76.90	75.27	2.2	141.94	140.44	1.1
Total	136.47	136.20	0.2	155.51	151.40	2.7	80.65	78.61	2.6	140.76	139.19	1.1

**Group ADR is 14% higher than Transient ADR*

Austin, TX STR Key Performance Indicators (KPIs) 5-Year Overview *(Year-End Measurements)*

Occ = Occupancy; **ADR** = Average Daily Rate; **Demand** = Rooms Sold
RevPAR = Revenue Per Available Room

MARKET

Year	Occ	YoY Occ	Comp Set Rank*	ADR	YoY ADR	Comp Set Rank	YoY Demand	YoY RevPAR
2018	70.3	-2.0	5	140.76	1.1	5	3.5	-0.9
2017	71.8	-0.6	5	139.16	0.2	5	5.4	-0.4
2016	72.3	-2.0	5	138.85	3.1	4	4.3	1.1
2015	73.8	1.9	4	134.76	6.3	4	8.0	1.9
2014	72.4	1.3	4	126.78	6.6	4	3.6	1.3

**Out of 12*

CBD

Year	Occ	YoY Occ	Comp Set Rank*	ADR	YoY ADR	Comp Set Rank	YoY Demand	YoY RevPAR
2018	74.9	-2.3	6	223.73	1.6	2	10.0	-0.8
2017	76.5	0.1	4	219.91	0.9	1	4.7	0.9
2016	76.5	-1.3	4	217.99	1.4	1	11.7	0.1
2015	77.5	-2.3	N/A	214.88	5.4	N/A	15.5	3.1
2014	79.3	1.1	N/A	203.69	8.2	N/A	2.0	9.4

**Out of 12*

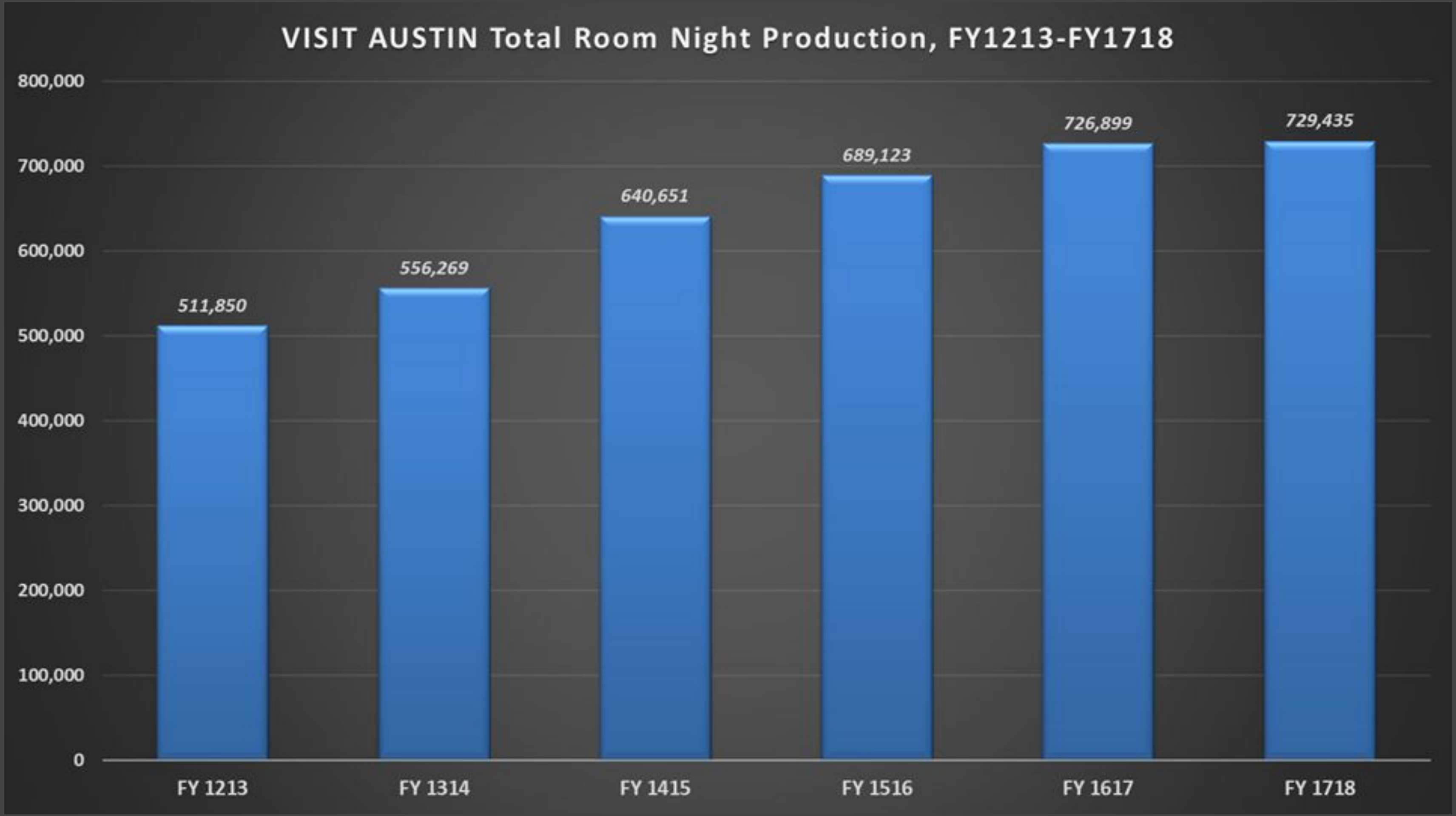
AUSTIN COMP SET MARKETS

Atlanta
Dallas
Denver
Houston
Indianapolis
Nashville
New Orleans
Phoenix
San Antonio
San Diego
Seattle

Source: Smith Travel Research

STR AUSTIN HOTEL MARKET REGIONS 2018 YEAR-END KPIS

Austin Market Geographic Tracts	Year to Date - December 2018 vs December 2017								
	Occ %	ADR	RevPAR	Percent Change from YTD 2017					
	2018	2018	2018	Occ	ADR	RevPAR	Room Rev	Room Avail	Room Sold
Austin CBD, TX	74.9	223.73	167.60	-2.3	1.6	-0.8	11.8	12.7	10.0
Austin US-290/I-35 Area, TX	70.3	91.80	64.57	-1.3	0.7	-0.5	-2.6	-2.1	-3.3
South Austin/Airport, TX	72.9	124.87	91.00	-0.0	-4.9	-4.9	-2.1	2.9	2.9
Austin Northwest/Arboretum, TX	73.1	125.96	92.03	-2.5	0.4	-2.1	0.4	2.6	0.0
Round Rock/Georgetown, TX	67.1	92.73	62.27	-1.2	-0.8	-2.0	0.5	2.5	1.3
San Marcos/Austin Surrounding, TX	54.2	92.21	50.02	-5.4	-4.9	-10.0	4.2	15.8	9.5


VISIT AUSTIN Total Room Night Production, FY1213-FY1718
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
511,850
556,269
640,651
689,123
726,899
729,435
FY 1213
FY 1314
FY 1415
FY 1516
FY 1617
FY 1718

IN-HOUSE VS. CONVENTION CENTER BOOKED ROOM NIGHTS

FY 17/18
65% In-house; 35% Convention Ctr (253,747)

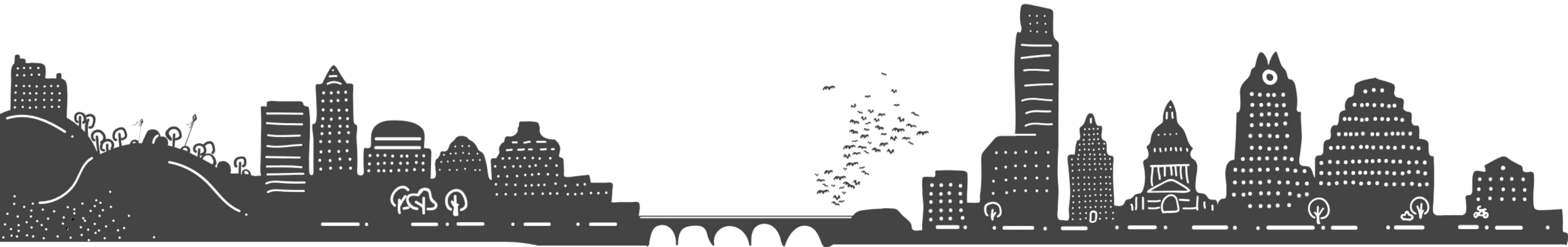
FY 16/17
69% In-house; 31% Convention Ctr (224,688)

FY 15/16
62% In-house; 38% Convention Ctr (264,921)

FY 14/15
54% In-house; 46% Convention Ctr (296,530)

FY 13/14
57% In-house; 43% Convention Ctr (239,017)

FY 12/13
59% In-house; 41% Convention Ctr (211,848)



TAP 8-YEAR PACE, 2018 YEAR-END (CONVENTION CTR vs. PRIMARY PEER SET)

THE TAP REPORT

Austin
Convention Center

Period Ending December 31, 2018
Report Date: January 28, 2019

Austin Room Nights	2018	2019	2020	2021	2022	2023	2024	2025	Total
Definite Room Nights	306,123	280,383	260,828	174,277	104,875	49,771	16,000	33,081	1,225,338
Pace Targets	301,423	290,482	263,345	214,325	114,703	66,887	36,566	16,888	1,304,619
Consumption Benchmark	301,423	301,423	301,423	301,423	301,423	301,423	301,423	301,423	2,411,384
Pace Percentage	102%	97%	99%	81%	91%	74%	44%	196%	94%
Total Demand Room Nights	2,008,802	2,090,503	1,628,054	1,311,501	1,104,594	464,593	346,567	206,398	9,161,012
Lost Room Nights	1,702,679	1,810,120	1,367,226	1,137,224	999,719	414,822	330,567	173,317	7,935,674
Conversion Percentage	15%	13%	16%	13%	9%	11%	5%	16%	13%
Tentative Room Nights	0	23,101	101,298	165,700	175,270	155,151	143,607	74,385	838,512

Peer Set R/Ns: Austin, Denver, Nashville, New Orleans, San Antonio

	2018	2019	2020	2021	2022	2023	2024	2025	Total
Definite Room Nights	2,651,107	2,357,025	2,129,178	1,732,149	1,784,266	1,326,177	1,152,756	909,535	14,042,193
Pace Targets	2,518,606	2,455,015	2,204,780	1,933,841	1,583,910	1,254,020	992,560	753,305	13,696,037
Consumption Benchmark	2,518,606	2,518,606	2,518,606	2,518,606	2,518,606	2,518,606	2,518,606	2,518,606	20,148,848
Pace Percentage	105%	96%	97%	90%	113%	106%	116%	121%	103%
Total Demand Room Nights	13,575,413	12,932,106	11,578,318	9,348,529	7,435,364	5,146,005	4,813,611	3,306,900	[illegible]
Lost Room Nights	10,924,306	10,575,081	9,449,140	7,616,380	5,651,098	3,819,828	3,660,855	2,397,365	[illegible]
Conversion Percentage	20%	18%	18%	19%	24%	26%	24%	28%	21%
Tentative Room Nights	0	278,930	813,574	858,461	963,578	1,031,148	990,155	792,856	5,728,702

AUSTIN FACILITY SIZE/HOTEL SUPPLY NATIONAL RANK

FACILITY SIZE

#56

HOTEL SUPPLY

#25

Source: Trade Show Executive; Smith Travel Research

AUSTIN PROJECTED HOTEL SUPPLY INCREASE

- <u>Current*</u>
  Austin Market: ~39,000 (39,632)
  Austin CBD: ~10,000 (10,660)

- <u>By 2019</u>
  Austin Market: 40,781
  Austin CBD: 11,651

- <u>By 2020</u>
  Austin Market: 42,779
  Austin CBD: 12,659

**As of January 2019*

NASHVILLE MUSIC CITY CENTER: AN EXPANSION CASE STUDY

Convention Center Expansion Case Study
Music City Center - Nashville, TN

Facility Specs	Meeting Rooms	Largest Ballroom	Exhibit Space	Total Space
Nashville CC - May 2013	N/A	N/A	119,000	475,000
Music City Ctr - May 2018	90,000	57,000	353,000 (+197%)	2,100,000 (+342%)
Austin CC - May 2013-Present	58,000	40,000	247,000	881,400

Source: Smith Travel Research

NASHVILLE MUSIC CITY CENTER: AN EXPANSION CASE STUDY

Music City Center Opened May 2013

	Nashville CBD R12* May 2013	Nashville CBD R12 May 2018	Difference 2018 to 2013	Austin CBD R12 May 2013	Austin CBD R12 May 2018	Difference 2018 to 2013
CBD Inventory	7,241	11,371	52%	6,734	10,567	57%
Demand	2.1 M	3.2 M	55%	1.8M	2.6 M	43%
Revenue	$293M	$709M	142%	$335M	$587M	75%
Occupancy	78.3	81.4	4%	78.6	74.6	-5%
ADR	$142	$221	56%	$181	$221	22%
RevPAR	$111	$180	62%	$142	$165	16%
Projected Inventory Growth			(By 2020) 14,710			(By 2020) ~13,000

**R12 = 12 Month Trailing Average*

NASHVILLE MUSIC CITY CENTER: AN EXPANSION CASE STUDY

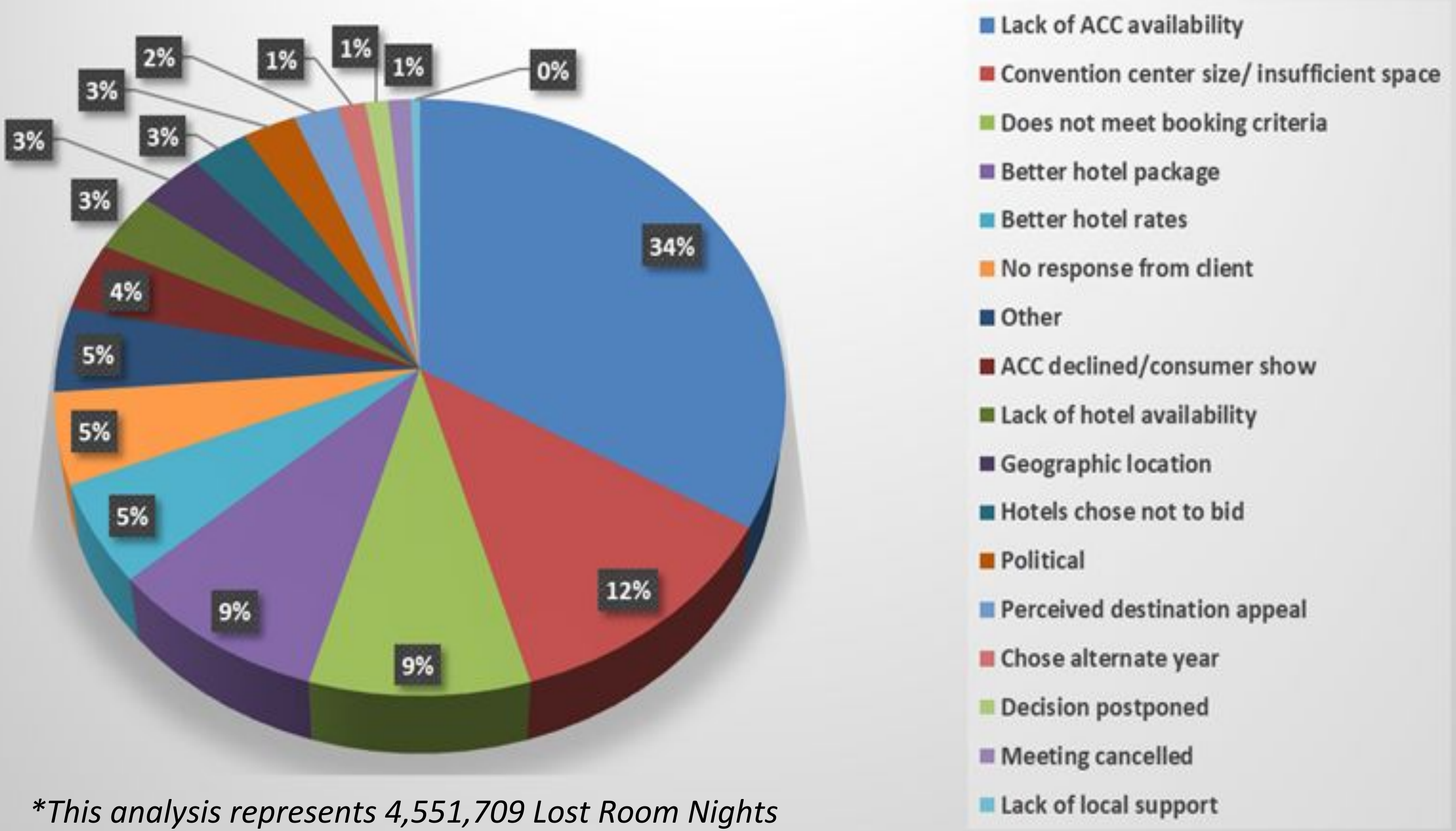
- The opening of Music City Center made a significant impact on hotel performance in the Nashville CBD, particularly in <u>Revenue.</u>

- The current exhibit space capacity in Austin is 70% of Nashville, yet Austin currently has 93% of CBD hotel inventory, and is only achieving 83% of the revenue earnings, compared to Nashville.

- With the anticipated hotel inventory increase in CBD, Austin demand will suffer without a major new demand driver.

- The R12 CBD ADR as of May 2018 in both markets was <u>identical</u>; imagine the potential demand increase, and therefore <u>revenue increase</u> with an expanded convention center.

Convention Center Lost Business/Lost Opportunity*, 2016-2018
All Future Years



**This analysis represents 4,551,709 Lost Room Nights*

QUESTIONS/DISCUSSION

THANK YOU