

## Houston Attracts More Convention Business

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Wiemer says the overall energy sector's impact is much less than in the mid-1980s.

HOUSTON—As Houston continues to attract more convention business, such as the American Dental Association, more focus is on the hospitality sector of the city. In this **exclusive**, [Robert Wiemer Jr.](#), senior managing director of [The Plasencia Group](#), shares insights into hotel developments, visitor volume, hottest areas and a lesser focus on oil.

**GlobeSt.com: How much have hotel developments increased or decreased year-over-year? Why?**

**Wiemer:** Houston's long-standing relationship with the sometimes cyclical energy sector has also led to a cyclical hotel development history. When the oil and natural gas sector began ramping up in 2011, hotel developers did not ramp up immediately and patiently waited for more definitive indications of a longer-term industry advance. Renewed confidence in the energy sector in late 2012 and into 2013, along with many of Houston's other economic drivers, provided hotel developers with an environment that appeared stable enough to support more hotels throughout the region. The then-upcoming Super Bowl in 2017, coupled with a

convention calendar that was starting to fill as a result of the CVB's very aggressive outreach, offered additional incentive for development. A dearth of hotel rooms in the active CBD, which totaled less than 5,000, also incentivized the development community.

Obviously, had the development community known what was coming in late 2014, it is highly likely that a large number of hotels that are now open would not have been developed. Between 2014 and 2017, Houston's hotel inventory increased approximately 14% and now totals almost 89,000 rooms, according to STR's June 2018 census. Now that the region's energy sector has restructured and recalibrated, STR's construction pipeline as of June 2018 indicates a total of 38 hotels (4,680 rooms) in the pipeline. CBRE's recent forecast, which suggests an average annual RevPAR increase of approximately 4% between 2020 and 2022 for the Houston region, is renewing developers' confidence to keep building.

**GlobeSt.com: How does Houston rank nationally in terms of visitor volume? What is drawing visitors?**

**Wiemer:** For decades, Houston was famously known for NASA, AstroWorld and the Houston Livestock Show & Rodeo. The city's convention segment was almost an afterthought.

When longtime Houston hotelier Nick Massad assumed the chairmanship of the CVB, he had always known the city had the makings of a top-tier convention destination. One of the final pieces was getting the right individual in the marketing slot. Then, the CVB board secured Mike Waterman, a 25-year veteran of Marriott International's sales division.

Visitation figures for the city indicate that almost 22 million people visited Houston in 2017, up from 17.5 million in 2015. Going forward, the CVB reports that its calendar continues to fill, indicating that Massad and Waterman's plans to expand Houston's convention destination footprint are coming to fruition.

**GlobeSt.com: What areas of Houston are most active with regard to development?**

**Wiemer:** Houston's hotel economy encompasses a substantial geographic area, as one would expect for the nation's fourth largest metropolitan area. While geographic definitions can vary somewhat, we generally segment the region into 10 submarkets. During the past few years, the most active areas for development include the CBD, which continues to benefit from an active convention calendar and the 2017 Super Bowl, the Texas Medical Center and the Uptown/Galleria area, home of the city's most popular tourist destination, The Galleria shopping/entertainment complex. The Woodlands has also experienced substantial development, which corresponded with the development of ExxonMobil's new world headquarters in the area.

**GlobeSt.com: What are the latest hotel trends getting a foothold in Houston?**

**Wiemer:** The luxury segment of Houston's hospitality spectrum is expanding rapidly. Tilman Fertitta's new Post Oak Hotel in the Galleria area has reset the luxury bar in this city. In the not-too-distant future, McNair Interests is planning to develop a new Rosewood Hotel in the Galleria area as well. While we've always had a well-represented luxury segment in this city via the Four Seasons, St. Regis, Houstonian and Granduca, these hotels are of an older vintage. However, with new competition, these hotels are updating their offerings as well.

**GlobeSt.com: Does oil still drive the Houston economy and in what ways compared to earlier years?**

**Wiemer:** While the overall energy sector remains a meaningful component of the region's hospitality demand spectrum, its present impact is much less than the mid-1980s. During the 80s, many economists estimated that the energy sector accounted for approximately 75% of the region's economy. While estimates can vary among different groups, most economists generally attribute the energy sector's current contribution to the regional economy at approximately 40%.

We generally identify different submarkets and/or towns or cities as either energy dependent (Midland, Odessa, etc.) or energy related (Houston or various submarkets throughout the Houston region). Further, these components can be segmented between field training, in-house corporate training, etc., as each will have its

distinct stay pattern. In general, though, if an investment entity is not comfortable with the energy metric, certain markets around Texas or certain submarkets in the Houston region will likely be off limits.

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