



THE PLASENCIA GROUP | Market Insights

**DOWNTOWN AUSTIN:
RevPAR RECOVERY
IS IN THE WORKS**





Photo: Justin Wallace on Unsplash

Since the onset of the pandemic, Austin, Texas, has been a darling market across all real estate asset classes, and in particular, the hospitality industry. Innumerable companies moved to or expanded their presence in the city, and teams of new residents now call Austin home. Real estate investors of all types rushed to enter the market in the immediate wake of the Covid-19 pandemic, and it remains one of the most sought-after investment destinations in the country based on our recent discussions with active hotel buyers.

RECOVERING FROM THE PANDEMIC / NEW SUPPLY “DOUBLE-WHAMMY”

Our conversations regarding Austin have taken a slightly different turn of late, as RevPAR growth, particularly in the CBD, has been lackluster recently. When looking at the CBD’s February 2024 TTM RevPAR (\$173.47), it is somewhat surprising to see that it is actually lower than the CBD’s February 2020 TTM RevPAR (\$177.97), just before the pandemic.

The most glaring reason for this apparent sluggishness is the wave of new supply that was delivered simultaneously with the onset of the Covid-19 pandemic. This “double whammy” had a meaningful negative effect on the performance of existing hotels, flooding the market with new supply in a time when demand was globally crippled. That said, since then, demand has more than recovered to pre-pandemic levels, and now the absorption of new supply is in full swing.

Austin CBD
Hotel Submarket
since February 2020

2,322
New Hotel Rooms

Nearly
850,000
Additional Available
Room Nights Annually

20%
Increase in Supply



Autograph (Otis) |
AC Austin

Downtown Austin

Canopy by Hilton
Austin Downtown

Austin Proper
Hotel

Thompson | Tommie
Austin

Austin Marriott
Downtown

Hotel Magdalena

The Loren
at Lady Bird Lake

NEW HIGH-END HOTEL SUPPLY IN DOWNTOWN AUSTIN

Hotel	Keys	Opened
Marriott	613	Mar-21
Thompson Tommie	422	Jan-22
Autograph (Otis) AC	347	Feb-20
Proper	238	Dec-19
Canopy	140	Jul-20
Loren	108	Oct-22
Magdalena	89	Oct-20
COMING SOON 1 Hotel	251	2026

HIGH-END NEW SUPPLY LIFTS ADR CEILING

Promisingly, the CBD's TTM ADR has increased by \$27 from February 2020 to February 2024. Average daily rates across Downtown Austin should only continue to grow as recently added hotels, especially the newer high-end properties listed above, continue to establish themselves.

The CBD's ADR will be further advanced when the pending 1 Hotel is delivered in 2026. It is one of the only projects that remains in Austin's hotel development pipeline, and it will be the tallest tower in Texas once it opens. Other pending hospitality projects in the CBD are select-service hotels that should be absorbed quickly.



Photo: Tomek Baginski on Unsplash

NEW CONVENTION CENTER MEANS SHORT-TERM PAIN, LONG-TERM GAIN

One additional hurdle for the Downtown hotel submarket in the immediate future is the \$1.6 billion redevelopment of the Austin Convention Center. The project will involve demolishing and rebuilding the Convention Center – a process that will take several years. This will certainly have a meaningful detrimental effect on group business in the city over this period, as the Convention Center will be completely offline. However, when the new, larger, state-of-the-art Convention Center opens in 2028/2029, the city will be at the top of every meeting planner’s list. Long term, this is a massive positive for the local hotel market.

DOWNTOWN AUSTIN REMAINS APPEALING INVESTMENT DESTINATION

All told, while there have been some hurdles in the recent past and there may be more in the near future, we continue to view Downtown Austin as one of the most attractive hotel submarkets in the country for long-term investment. The pending expansion and redevelopment of the convention center is arguably the biggest reason for long-term confidence.

Read more ...

Check out our past reports on the market to see other reasons to be optimistic about Austin!

[*Market Snapshot: Austin & San Antonio*](#) / [*Austin: The Next Austin*](#)

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About The Plasencia Group

In 1993, The Plasencia Group was formed to provide hotel and resort owners investment advisory services at a personal level. Thirty years and hundreds of engagements later, we still have the privilege of making our clients successful with the passion, access, and certainty they’ve come to expect. Our firm offers investment sales, asset management, development and renovation management, debt and equity sourcing, and advisory services to hotel and resort owners throughout North America.

Contact us today if our experienced advisory team can assist you in evaluating your current portfolio and strategizing for the weeks and months ahead. We look forward to the opportunity to serve you.

(813) 932-1234
info@tpghotels.com
tpghotels.com

