

MARKET SNAPSHOT: DALLAS-FORT WORTH

SEPTEMBER 2021



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STRENGTHENING RECOVERY FUELED BY A FAVORABLE BUSINESS ENVIRONMENT

The Dallas area has arguably been the most resilient large hotel market in the country, especially when compared to similarly-sized metros like Chicago, Boston, San Francisco, and Seattle.

OVERVIEW

Dallas has been one of the top performing markets in STR's Top 25 through 2020 and 2021 for several reasons, and it's one of the markets in which our clients remain most interested. In this update, we share key facts and figures on what makes the Dallas-Ft. Worth metropolitan area (DFW) such an attractive hotel market in which to operate and invest.

The Dallas region has arguably been the most resilient large hotel market in the country, especially when compared to similarly-sized metros like Chicago, Boston, San Francisco, and Seattle. Much of what made DFW an attractive operating and investment market before the pandemic was made even more apparent throughout 2020 and 2021. The area's business-friendly local and state governments, lower costs of living and doing business, temperate climate, central location within the U.S., ample air lift, and plentiful real estate have shone throughout the COVID-19 outbreak. Also, while many markets were harmed by strict state and local government mandates throughout the pandemic, DFW has benefited from less intrusive governmental policies. These broader social and economic considerations have had a very direct effect on hotel performance, and thereby, investments.

Dallas has been one of the top performing markets in STR's Top 25 through 2020 and 2021 for several reasons, and it's one of the markets that our clients ask about most frequently. Similarly, Fort Worth has performed relatively well through this tumultuous period and is poised for continued RevPAR growth.

RevPAR % Change - Top 25 Markets

2015		2016		2017		2018		2019		2020		Jun 2021 T-12	
Market	RevPAR Δ	Market	RevPAR Δ	Market	RevPAR Δ	Market	RevPAR Δ	Market	RevPAR Δ	Market	RevPAR Δ	Market	RevPAR Δ
Tampa	13.8%	Los Angeles	10.8%	Houston	10.5%	Minneapolis	6.8%	Phoenix	4.5%	Norfolk	(34.7%)	Norfolk	73.9%
Phoenix	12.8%	Norfolk	8.2%	Orlando	10.0%	Philadelphia	6.1%	Denver	4.3%	Tampa	(37.6%)	Tampa	50.8%
Nashville	11.1%	Nashville	8.0%	Detroit	6.0%	Miami	6.0%	San Fran.	4.2%	Phoenix	(38.0%)	Saint Louis	48.2%
Dallas	10.0%	Atlanta	6.0%	Tampa	5.5%	San Diego	5.7%	Atlanta	3.4%	Miami	(41.4%)	Miami	40.4%
Orange Cty.	9.4%	Tampa	6.0%	Nashville	5.4%	Chicago	5.2%	Tampa	3.0%	Fort Worth	(44.8%)	Fort Worth	39.3%
Atlanta	9.3%	Dallas	5.7%	Seattle	5.3%	Phoenix	5.0%	Orange Cty.	3.0%	Detroit	(45.6%)	Nashville	37.8%
Orlando	9.1%	Fort Worth	5.4%	Norfolk	4.9%	Norfolk	4.3%	Norfolk	2.9%	Houston	(46.4%)	Denver	35.8%
Los Angeles	8.8%	Minneapolis	5.1%	Phoenix	4.1%	San Fran.	4.3%	Nashville	2.8%	Atlanta	(47.9%)	San Diego	34.1%
Seattle	8.8%	Philadelphia	5.1%	Washington	3.9%	Boston	4.0%	Oahu Island	2.5%	Dallas	(49.6%)	Chicago	32.2%
San Diego	8.6%	Washington	4.9%	Atlanta	3.8%	New Orleans	3.9%	Saint Louis	2.1%	San Diego	(50.8%)	Atlanta	29.6%
Boston	7.9%	Orange Cty.	4.3%	San Diego	3.6%	Detroit	3.8%	Washington	1.2%	Los Angeles	(52.6%)	Philadelphia	28.8%
Denver	7.9%	Phoenix	4.1%	Orange Cty.	3.5%	Fort Worth	3.5%	Philadelphia	0.7%	Orlando	(52.8%)	Houston	28.7%
Fort Worth	7.7%	Detroit	3.8%	Saint Louis	2.8%	Orange Cty.	3.2%	Los Angeles	0.2%	New Orleans	(53.6%)	Dallas	26.4%
San Francisco	7.5%	San Diego	3.8%	Denver	2.6%	New York	3.0%	Fort Worth	(0.2%)	Orange Cty.	(53.7%)	Los Angeles	22.9%
Norfolk	7.4%	San Fran.	3.6%	Fort Worth	2.1%	Atlanta	2.5%	Dallas	(0.3%)	Saint Louis	(54.2%)	Detroit	20.0%
Chicago	6.9%	Saint Louis	2.9%	Boston	1.8%	Nashville	2.0%	Orlando	(1.1%)	Philadelphia	(54.9%)	Minneapolis	19.2%
Detroit	6.6%	Seattle	2.9%	Oahu Island	1.7%	Los Angeles	1.9%	New Orleans	(1.4%)	Oahu Island	(58.5%)	Orange Cty.	19.1%
Miami	6.0%	Denver	2.8%	Miami	0.8%	Oahu Island	1.6%	Chicago	(1.6%)	Denver	(59.2%)	Boston	16.3%
Minneapolis	5.8%	Oahu Island	2.5%	Los Angeles	0.7%	Orlando	1.4%	Detroit	(1.9%)	Nashville	(61.2%)	Seattle	14.6%
Philadelphia	5.5%	Orlando	1.9%	New York	(0.3%)	Tampa	0.8%	Miami	(2.1%)	Washington	(63.1%)	Orlando	12.7%
Washington	5.4%	Chicago	0.1%	Dallas	(0.4%)	Seattle	0.7%	San Diego	(2.1%)	San Fran.	(64.0%)	Phoenix	12.3%
Saint Louis	5.3%	Boston	(0.6%)	New Orleans	(0.5%)	Dallas	0.4%	Boston	(2.3%)	Minneapolis	(64.2%)	New York	3.9%
Oahu Island	4.1%	New Orleans	(1.1%)	Chicago	(1.7%)	Denver	(0.2%)	Minneapolis	(2.4%)	Seattle	(65.9%)	Washington	2.7%
New Orleans	3.4%	New York	(1.8%)	San Fran.	(2.4%)	Saint Louis	(0.3%)	Houston	(3.4%)	New York	(67.7%)	Oahu Island	(3.6%)
New York	(1.7%)	Miami	(5.5%)	Philadelphia	(2.7%)	Washington	(3.2%)	New York	(3.5%)	Chicago	(67.9%)	New Orleans	(5.6%)
Houston	(3.3%)	Houston	(12.4%)	Minneapolis	(3.6%)	Houston	(7.7%)	Seattle	(4.0%)	Boston	(71.3%)	San Fran.	(35.5%)

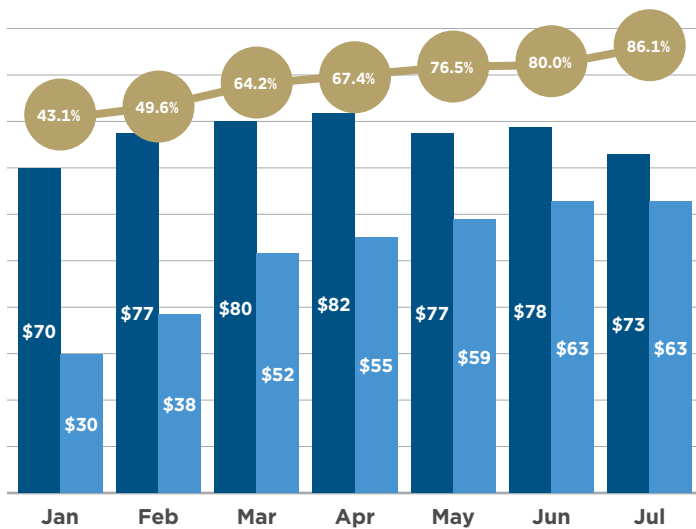
PERFORMANCE

Much of the Dallas metro's outstanding hotel performance is attributable to occupancy, an indication of the area's resilient demand base. Notwithstanding the impressive occupancy performance, however, the occupancy/ADR equilibrium must still be reestablished.

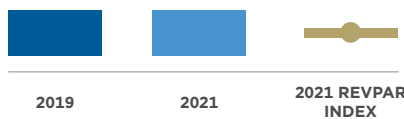
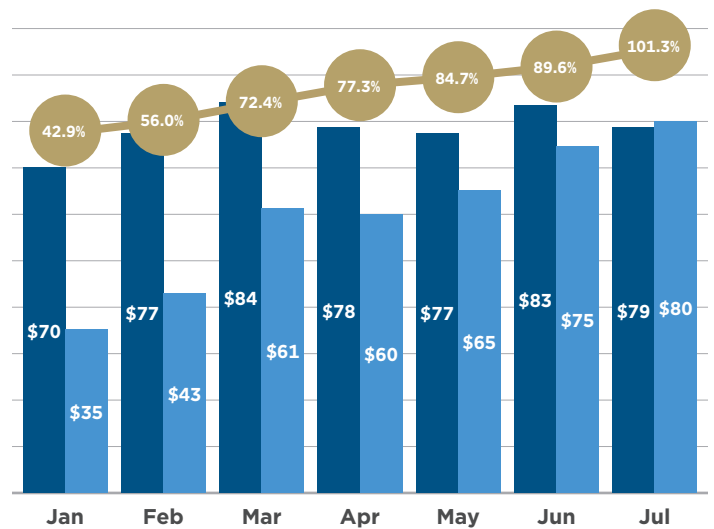
Even pre-pandemic, Dallas-Fort Worth was a relatively low RevPAR market. With notable recent and pending high-end hotel openings (Marriott Uptown, Thompson Downtown, JW Downtown, Harwood Uptown, InterContinental CityPlace, Four Seasons Turtle Creek, and others), Dallas should finally have the luxury supply to warrant higher rates across the market.

All told, the Dallas-Fort Worth region is on a steady path towards reaching pre-pandemic performance, with some submarkets having already met or exceeded 2019 RevPAR results in recent months.

Dallas Performance 2019 vs 2021



Fort Worth Performance 2019 vs 2021



Note: Fort Worth generally covers the western half of the metroplex, and Dallas generally covers the eastern half.



DEMAND DRIVERS

Corporate Segment Pickup

Transient, and especially Leisure Transient, has buoyed the market throughout the pandemic, but DFW has also been among the most active markets in the country in terms of office space utilization during that time.

Corporate hubs like Downtown Dallas, Downtown Fort Worth, Plano, and Southlake are seeing employees back in the office, which is leading to some increases in the all-important Corporate Transient segment.

DFW houses facilities for behemoth technology companies such as Microsoft and Amazon, businesses that have thrived throughout 2020 and 2021. Additionally, many firms continue to relocate to Texas, and, specifically to the DFW suburbs, citing a favorable business environment. Financial services stalwart Charles Schwab, for example, officially relocated its corporate headquarters last year from San Francisco to Westlake, a suburb of Fort Worth, spurring ancillary growth in the area.

Surprising Group Business

While Transient demand continues to drive most hotel business, Group has contributed a meaningful share of RevPAR increases across the region. Large events, including major sporting contests and conventions, have been added back to the calendar in recent months.

Market Center Resilience

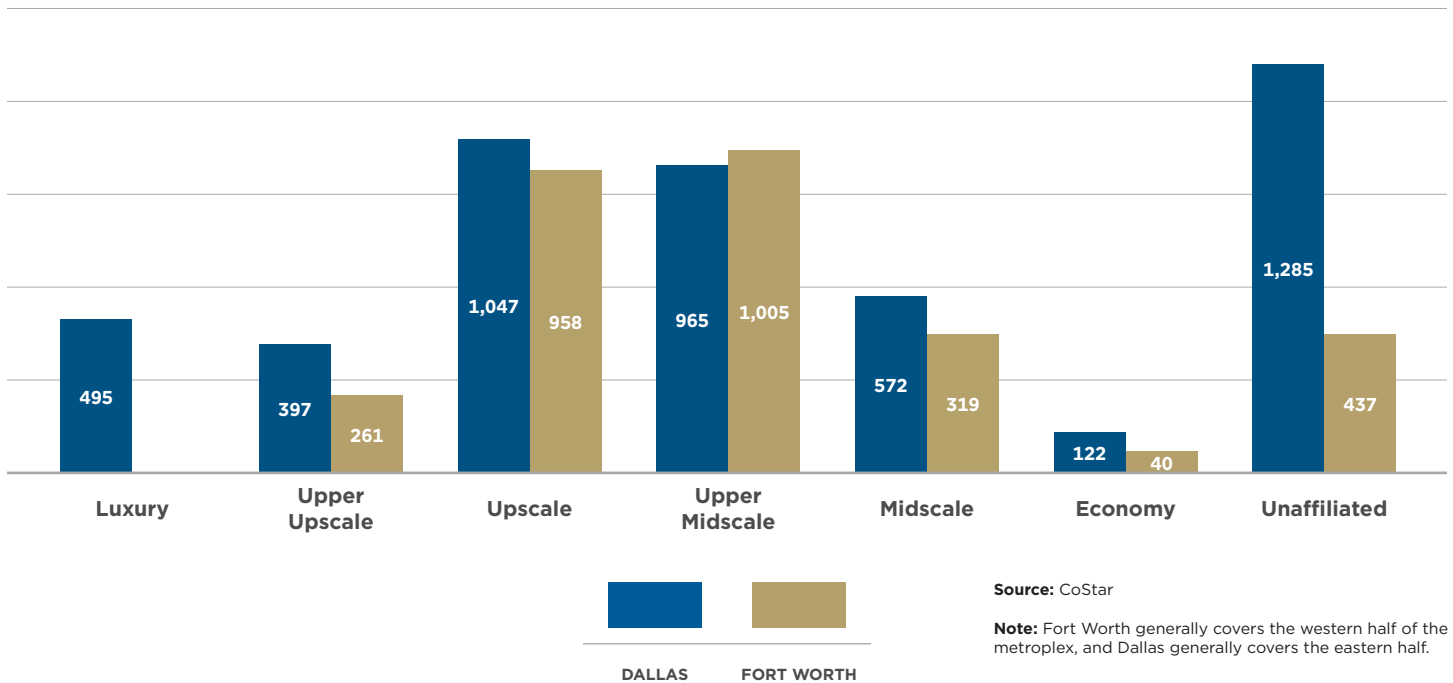
Dallas Market Center, a wholesale marketplace facility, is a unique demand driver that has remained open throughout the COVID-19 crisis. Vendors and buyers have continued to meet in the sprawling Market Center complex throughout the pandemic. While typically not considered a superior demand generator, Market Center is nonetheless another great example of a steady source of demand for the Dallas area.



SUPPLY

Much has been made of the lack of barriers to entry in Texas, but the pandemic has somewhat diminished lodging development in general. As previously mentioned, much of the new supply in the works is in a higher ADR echelon that is likely to ultimately benefit the broader market. There are also smaller, select-service projects planned, but many are in under-supplied suburban markets and should not greatly impact existing hotels.

Total Rooms Under Construction by Chain Scale



RECENT TRANSACTIONS

While there has been plenty of transaction activity in the economy and midscale select-service space, especially in the DFW suburbs, there hasn't been much to speak of when it comes to full-service asset trades in Dallas' top submarkets. One of the primary reasons for the slowdown in transaction activity is that owners aren't too keen on selling well-performing assets when others in their portfolio aren't nearly as strong. That said, Dallas has been among the most active transaction markets for other real estate types since the pandemic started, and it is only a matter of time before hospitality follows suit. Hotels adjacent to any form of leisure demand, be it waterfront, golf, sporting or other event venues, or shopping, will be especially attractive.

Dallas-Fort Worth Select Single-Asset Transactions

Since January 1, 2020

Date	Property Name	City	State	Keys	Built	Purchaser	Seller
Dec-20	Hilton Dallas Southlake Town Square	Southlake	TX	248	2005	Driftwood Capital	Hobbs & Curry
Feb-20	Residence Inn Fort Worth Cultural District	Fort Worth	TX	149	2005	LCRE Group	The Blackstone Group Inc.
Mar-21	Magnolia Dallas Downtown	Dallas	TX	325	1922	NewcrestImage	Stout Street Hospitality
Jun-21	Hilton Garden Inn Dallas Richardson	Richardson	TX	125	2008	MCR Hotels	Dwight Curry
Jan-21	Hampton Inn & Suites Dallas Richardson	Richardson	TX	101	2017	David Sterling Brown	Icon Lodging
Sep-21	The Sinclair, Autograph Collection	Fort Worth	TX	164	1930	NewcrestImage	Twain Financial Partners
Aug-21	Crowne Plaza Dallas Near Galleria Addison	Addison	TX	428	1984	Undisclosed	ASAP Expo, Inc.
Aug-21	Fairfield Inn & Suites Dallas Love Field	Dallas	TX	91	2021	Bijal Hospitality, LLC	Amit Patel
Jul-21	Holiday Inn Plano The Colony	The Colony	TX	122	2016	Viren Patel	Texas Western Hospitality
May-21	Holiday Inn Express & Suites Dallas NW Farmers Branch	Dallas	TX	104	2018	Lakshmi Hotel Group Inc	Bijal Hospitality
Feb-21	Hyatt House Dallas Frisco	Frisco	TX	132	2016	Pyramid Advisors	NewcrestImage
Sep-20	Holiday Inn Express & Suites Arlington I-20 Parks Mall	Arlington	TX	102	1995	Anuradha Puligundla	Q Hotels, LLC
Mar-20	Holiday Inn Express & Suites Mesquite	Mesquite	TX	73	2002	Hemant Patel	Nitin Tiwari
Feb-20	Homewood Suites Fort Worth North at Fossil Creek	Fort Worth	TX	137	1999	NewcrestImage	The Blackstone Group Inc.
Feb-20	Holiday Inn Bedford DFW Airport Area West Bedford		TX	243	1974	Blue Star Hospitality	Boxer Property
Feb-20	Homewood Suites Dallas Allen	Allen	TX	114	2010	MCR Hotels	Alireza Mourirahimi
Jan-20	Homewood Suites Dallas Arlington South	Arlington	TX	101	2016	Business Radio Licensing	DPG Partners

Source: CoStar, The Plasencia Group

Note: Sale prices are not required to be reported in Texas, so limited data is publicly available.

The Plasencia Group ("TPG") has compiled the above information from sources deemed reliable, and the information is presumed to be accurate. However, TPG does not warrant that the information is accurate, up-to-date or complete. Use of this information without verification from independent sources is at your own risk.

SUBMARKET DYNAMICS



Investors often ask about which submarkets merit attention, and the good news for the Dallas metro is that there are exciting opportunities in every corner of the region. Highlights include:

Downtown/Uptown Dallas

The introduction of high-end brands such as Thompson and Virgin are lifting the top end of ADR for the Downtown market, a rising tide that should lift all brands in the Central Business District. A number of additional high-end flags are expected to enter this submarket in the coming years, which should further elevate Dallas' RevPAR profile while making it more competitive with other major markets.

Downtown Fort Worth

While Fort Worth houses quite a bit of corporate activity, it benefits from significant leisure demand emanating from the Sundance Square and Stockyards areas.

Plano/Frisco

The amount of momentum in the corporate realm in the northern suburbs of Dallas is quite evident. The PGA golf resort development in Frisco is an excellent example, and will only serve to better the outlook going forward.

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*that The Plasencia Group
has been active in Texas since 1993?*

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and counting in the Lone Star State.*

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