

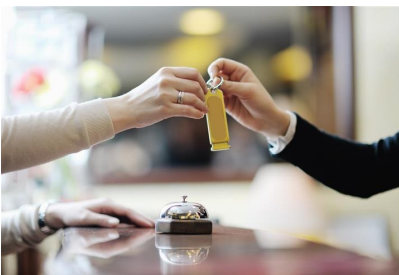
Hotel Industry: Occupancy Rates Going Up

There were a few major changes over the last few years to the fundamental structure of the Texas hotel industry. Over the course of 2012, the state was able to bring in \$8.1 billion in revenue. This accounted for a 10.2% increase in total revenue over the previous year. This should provide encouragement to many hotel operators, who likely have been waiting for this kind of turnaround. A breakdown of these data actually reveals some vital information.



After a cursory look at the existing data, most people are interested in the occupancy rates and how they have changed over the years. Operators will be impressed to hear that there were over 90 million different room nights that were sold throughout the state in 2012. This may provide confidence to many operators to increase their marketing tactics, since the demand may be on the rise in the future. There was also a corresponding increase in the amount of occupancy that was reported. The state saw an increase of 2.8 percentage points, which brought the total up to 62.3% in 2012 (59.5% in 2011).

Third quarter 2013 occupancy increased slightly to 63.6%, up 0.5 'points' from last year. This level is well above the long term Texas average of 60%. In Oil & Gas counties statewide, third quarter occupancy averaged 64.8 %, up 0.3 points from 64.5% last year. This may help the hotel operators streamline the way that they prepare for guests heading in to the vicinity.



As to the revenue of hotels in 2013, Texas lodging room revenues gained 7% to \$2.256 billion in the third quarter of the last year (compared to a 10.2% increase for all of 2012 and 12.9% in 2011). Clearly, the rate of revenue and unit gains is slowing statewide, with a significant slowing in the 62% of the market that is outside Oil & Gas areas. Oil & Gas counties reported an increase of 9.5% in revenues in Q3 while other counties reported only 5.4% gain in revenues over 2012. At 13.2% and 11.7% increases, Houston and Austin results were strong. Dallas – Fort Worth gained 5% but San Antonio had no revenue growth.

In all, these trends should encourage many operators about the future of the Texas hotel industry. There

are quite a few different opportunities emerging for hotels in the region. The general trend of the hotel rates for the state has actually started to approach levels not seen since before 2009.

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