

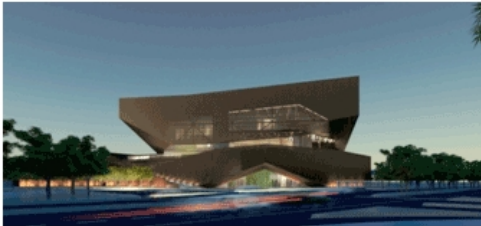
HVS Hotel Market Snapshot: Irving, Texas

May 7, 2010 / By Richard A. Jander

The Byron Nelson Championship, dozens of Fortune 500 companies, and travelers through the world's third-busiest airport have traditionally been fountainheads of hotel demand for Irving, Texas. These sources have slowed over the past 18 months, hurting area hotels. But there's some light along the horizon. The following looks at current and planned developments in Irving and their implications for the city's hotel market.

Convention Center

The 275,000-square-foot Irving Convention Center at Las Colinas is nearly complete. Per Maura Gast, Executive Director for the City of Irving Convention and Visitors Bureau, bookings at the center have already begun, with the first event scheduled for mid-January of 2011.



Rendering of the Irving Convention Center, scheduled for completion in November of 2010

The convention center is part of a 40-acre mixed-use development being constructed along State Highway 114, and the center's completion, scheduled for late 2010, will mark the end of the larger development's first phase. The second phase of development will encompass the Las Colinas Entertainment Center complex, which will feature a 300,000-square-foot venue with a 6,500-seat concert hall, nine live music stages, eleven restaurants, and 12,500 square feet of retail shops. Live Nation Worldwide, the world's largest concert promoter and one of the principals involved in the center, will handle future event bookings. Ground breaking is scheduled for the summer of 2010, with completion by early 2012.

The convention center and complex are ultimately expected to draw some 4.5 million visitors to the area every year. City of Irving officials have just received proposals for the design and construction of a convention center hotel, also part of the development's second phase. According to design plans for the overall development, the hotel will contain approximately 400 rooms and at least 15,000 square feet of meeting space at its scheduled opening in early 2012.

Transportation

The Dallas/Fort Worth International Airport's Board of Directors has approved a \$1.5- to \$2-billion renovation of Terminals A, B, C, and E. The renovations are expected to begin in 2011, after Dallas hosts Super Bowl XLV. Terminal A is scheduled for completion in 2014, with the entire project online by year-end 2017. Airport officials could not release forecasted increases in passenger levels, but did state that significant rises in passenger traffic served as the foundation for the multi-billion-dollar project.

The first phase of the Orange Line, part of the Dallas Area Rapid Transit (DART) light-rail system, is set to reach the Las Colinas Urban Center and the Irving Convention Center complex by December of 2011. The second phase, scheduled for completion by December of 2012, will extend to the Belt Line Road station just west of State Highway 161. If all goes as planned, the Orange Line will extend from D/FW International Airport through Irving to Downtown Dallas by the end of 2013. The Orange Line expansion will facilitate travel between the airport and convention center, which should positively impact commercial, leisure, and meeting and group demand for present and future hotels.

The Crossroads

The Dallas Cowboys have taken up residence at the new Cowboys Stadium in Arlington, and Texas Stadium, their

Summary

Part of the Dallas/Fort Worth Metroplex, Irving's hotel market has lost some ground in the recession. However, new developments and a recovering national economy could shore up demand.

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former home, was imploded at daybreak on April 11, 2010. The 468-acre site, officially known as The Crossroads, will offer one of the premier opportunities for new development in the region.

The Crossroads is located along Loop 12 and traversed by State Highway 114 and Spur 482. Over 803,000 cars pass the site daily, and a Crossroads station is planned for DART's Orange Line upon its completion. While no firm plans exist for the site, city officials would like to see a "signature" development take root. The City has begun rezoning the site and making infrastructure improvements to accommodate redevelopment. Tanger Factory Outlet Centers had plans to build a 380,000-square-foot outlet mall in the northwest corner of State Highway 114 and Loop 12, but has placed the project on hold. Nonetheless, this prime real estate is destined for development and should ultimately prove another major draw for visitors to Irving.

Other Developments

Home to more than 45 Fortune 500 companies, Irving/Las Colinas is the sixth-largest office market in the Dallas/Fort Worth area. Companies headquartered in Irving include Commercial Metals, ExxonMobil, Fluor, and Kimberley-Clark. Rising vacancy rates and declining rental rates have stymied many new developments, but the Irving market isn't stagnant. The Water Street development is underway along Lake Carolyn in the Las Colinas Urban Center and will comprise over 300,000 square feet of retail space, 500 luxury apartments, 250,000 square feet of office space, and one "cutting-edge" hotel. The developers, Gables Residential and Icon Partners, are moving forward with the retail and multi-family portions of the project. The office portion of the development has been placed on hold until the market can support the additional space.

Hotel Landscape

Over the past ten years, the Irving market has added an average of 2,201 rooms, or 1.2% of total supply, per year. Both occupancy and average rate for Irving hotels noted declines from late 2006 through 2008, trends attributed to the weakening of the U.S. economy. Occupancy saw an increase in 2009, though average rate erosion still led to an overall decline in RevPAR. The following table shows the change in RevPAR for Irving hotels from March of 2009 through January of 2010.

Monthly Change in RevPAR by Sector			
	Limited Service	Select Service	Full Service
March-09	16.82%	13.62%	1.46%
April-09	-1.51%	-6.67%	-3.19%
May-09	-2.34%	-15.09%	-7.09%
June-09	13.64%	16.83%	4.71%
July-09	-0.59%	-12.04%	-3.17%
August-09	-13.17%	-8.92%	-6.71%
September-09	-4.82%	3.65%	25.77%
October-09	4.09%	9.07%	-6.14%
November-09	-7.93%	-16.20%	-15.98%
December-09	-6.56%	-11.62%	-19.43%
January-10	3.69%	18.36%	38.92%
Annual	-2.58%	-16.50%	-4.18%

Source: Texas Comptroller of Public Accounts

The select-service sector has born the brunt of the recession, posting a drop in RevPAR nearly four times that of the full-service sector. Limited-service hotels have collectively fared the best overall, though both the select- and full-service sectors realized double-digit RevPAR increases in January.

There are some other positive signs in the market. Corporate demand has risen hand in hand with business growth in the Irving/Las Colinas office market, where supply increased an average of 4.5% over each of the past ten years. Group and leisure demand has been less significant, but the new convention center and entertainment complex should renew the numbers, especially as the national economic engine gains steam. Lastly, Irving's population has grown 5.4% annually over the past ten years. While there is no direct correlation to hotel demand, Irving's expanding population is a strong indication of the fundamental strength of the market.

A limited amount of new supply has recently come or is forthcoming to the market. The 136-room loft hotel opened in June of 2008, followed by the NYLO in July of 2009 and an element hotel in October of 2009. The loft is located just across State Highway 114 from the convention center and Water Street developments. Construction is underway on a 118-room Residence Inn in South Irving.

Conclusion

The recession has hit Irving, but not hobbled it. The city is moving forward with several developments crucial to attracting visitors once the economy recovers. The convention center will be a key draw for group demand, and the entertainment complex, driven by mega-partner Live Nation, should boost tourism. Planned expansions at companies that form Irving's sizable corporate presence are likely to support a recovery of commercial demand, and if city officials score their signature development at The Crossroads, Irving could rival many of the top commercial, leisure, and group markets nationwide.