

‘Summer is looking good’



Chris Kosor, general manager of Origin Austin, gives a tour of the nearly completed hotel Tuesday, May 17. The Origin Austin hotel broke ground in July 2022 amid the pandemic. Now, nearly two years later, tourists are returning and business travel is inching back.

Austin hotels ready for a travel rebound

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When Origin Austin hotel broke ground in the Mueller neighborhood in July 2020, no one could predict when — or even whether — the travel market would bounce back from COVID’s brutal blow.

Nearly two years later, tourists are returning and business travel is inching back. Summer hotel bookings in Austin are on the upswing, and Origin, which opens in June, is ready.

“We offer a really fun and cool way to explore Austin and we think people are ready to get out and do that,” said Christopher Kosor, general manager of Origin Austin, which is the first boutique hotel in the mixed-use Mueller development. “After a couple of years when the whole industry was worried, we are feeling very confident.”

A new report on Austin’s hotel performance during the first quarter of the year offers reason for hope — but also shows that a full recovery has yet to arrive.

The findings of the report from Source Strategies, a San Antonio-based hotel consulting firm that tracks the Texas market, include:

- Occupancy for hotels in the Austin-Round Rock metro area was 64%, up 21% over the same period in 2021, but still down 17% from 2019, before the coronavirus pandemic struck.
- The average room rate was \$161, a 61% increase from 2021 and a 9% increase over 2019.
- Revenue per available room — a key industry metric — was \$103, a 100%



The new Origin Austin hotel is scheduled to open in June in the Mueller development. Area hotel operators say they expect the summer to bring strong occupancy numbers. BRIANA SANCHEZ PHOTOS/AMERICAN-STATESMAN

jump from 2021 and a 9% decline from 2019.

Paul Vaughn, senior vice president at Source Strategies, said the numbers suggest the Austin hotel sector is poised for a strong summer.

“Austin has been the hottest lodging market in the state for more than 10 years, and while we’re still waiting for all that demand to fully return, summer is looking good,” he said.

That’s what the operators of Fairmont Austin hotel are counting on. Summer is not typically the downtown hotel’s busiest time — that occurs during special events such as Formula One races and festivals like South by South-

west, when the 1,048-room hotel becomes a temporary home to throngs of out-of-towners.

But this year, Fairmont is seeing an increase in bookings from both tourists and businesses, said Nenad Praporski, Fairmont Austin’s general manager.

“There are a lot of business groups that postponed meetings, and now they need to meet but can’t find space available in the fall,” he said. “So they’re filling hotels through the summer, which we didn’t see pre-pandemic.”

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Business travel slower to recover

Austin has long been attractive to hotel developers because it has had what the industry calls a seven-day market — attracting tourists on weekends and business travelers Monday through Thursday.

“It’s the Tuesday stay that a hotel needs to help balance the books,” Vaughn said. “Austin’s base of global tech companies has delivered that.”

But the coronavirus pandemic crushed that once reliable mid-week business. Due to the pandemic’s persistence, many businesses are still holding off on traveling and planning large meetings and conventions.

Business travel — including individual, corporate, group and government — is the largest source of revenue for U.S. hotels. During the past two years, the industry has lost an estimated \$108 billion in business travel revenue, according to a recent report by the American Hotel & Lodging Association.

Austin hotels this year are projected to see their revenue 28% below pre-pandemic levels, with the report estimating the market will end 2022 down more than \$244 million from 2019.

Large business gatherings aren’t expected to come back in full force until 2023 and 2024, according to global commercial real estate services firm CBRE.

Austin, which doesn’t depend heavily on huge conventions, is seeing increased interest from smaller groups, said Steve Genovesi of Visit Austin, the city’s convention and visitors’ bureau.

“Most of our meetings at the convention center are mid-sized versus the mega events you might see in Chicago,” he said. “We are seeing an incredible amount of short-term demand for 200- to 300-person meetings wanting to book in the next two to three months. People want to network and get back to selling to customers.”

A number of larger conferences are also coming to Austin this summer. Next month, Consensus 2022, an event focused on cryptocurrency, is expected to draw up to 10,000 developers, creators, investors, policymakers, artists and academics. Keller Williams Realty, meanwhile, plans to bring thousands of at-



The new Origin Austin hotel in the Mueller development is a five-story, 120-room property that includes high-end suites as well as rooms with bunk beds that can sleep up to six people. BRIANA SANCHEZ/AMERICAN-STATESMAN

tendees to the Austin Convention Center in August.

Even with the return of some face-to-face events, it’s too soon to tell whether business travel — especially by individuals or small teams — will ever surpass pre-pandemic levels, Vaughn said.

“We’ve had this experience using (video conferencing application) Zoom and there are a lot of companies that have bragged to shareholders about how much money they have saved,” he said. “There will be some pressure on companies to limit business travel. Fifty percent of travel may not come back because Zoom has proven you can do without it.”

New projects on the way

As the hotel industry begins to emerge from the pandemic-induced downturn, Austin is being targeted by a number of luxury brands looking to enter the market.

When it comes to new hotel openings in 2022, Austin is second only to New York, according to a Lodging Econometrics report.

Of the top 50 markets in the U.S., New York is expected to have 77 hotels with 10,934 rooms, for a 9% growth rate. Austin is next with a forecast of 26 hotels with 3,387 rooms on the way, the report said.

In downtown Austin, 6,800 hotel rooms have opened since 2015, with 2,200 of those having opened in the

past two years, according to commercial real estate firm CoStar Group.

The new projects come as the Austin region is experiencing exponential growth. The influx includes many high-income newcomers who are moving from more expensive housing markets and are taking jobs in Austin’s surging tech sectors, industry experts say.

Tesla and Oracle have relocated their corporate headquarters to Austin, and companies including Apple, Facebook, Google, Amazon are all expanding here.

Recently announced downtown luxury towers include the Conrad Austin and Conrad Residences Austin, a Hilton-brand hotel and condo development near the Austin Convention Center. The building is expected to be 65 stories, which would make it the second-tallest on the skyline.

“Over the past few years, there has been a huge growth in Austin with major tech brands now calling this city home,” said Brad Stein, president of project developer Intracorp Texas. “Conrad Residences Austin will serve this demand for new luxury housing and increased tourism.”

Also coming soon is a 17-story citizenM hotel, which is rising in a former parking lot in the heart of downtown at Colorado and Seventh streets. The hotel is expected to open in 2023.

“As an exciting cultural center and an influential tech and business hub, Austin has been on our radar for years,” said Ernest Lee, citizenM’s managing direc-

tor for the Americas. “Now, with the city’s emergence as one of North America’s most significant destinations for knowledge workers, it is cementing its place on the national stage.”

Other Austin downtown hotel projects in the works include two Hyatt-brand hotels at Fifth and Brazos Streets. Recently opened is boutique luxury hotel Thompson Austin, a 229-room property on San Jacinto that includes the smaller 193-unit tommie Austin at the same location.

With so many hotels coming online, Origin Austin, which is in Mueller’s booming Aldrich Street retail district, is aiming to set itself apart by providing a laid-back local experience for visitors who want to go beyond typical tourist attractions, Kosor said.

The five-story, 120-room property includes high-end suites as well as rooms with bunkbeds that can sleep up to six people. Nearby are restaurants and entertainment, parks and green spaces, the Thinkery children’s museum and the Texas Farmer’s Market at Mueller.

Target clients include families, outdoor aficionados and those traveling with pets, small groups like bachelor and bachelorette parties and business travelers drawn by the proximity to corporate employers.

“It’s about getting guests out and about and seeing the city in a different kind of way,” Kosor said. “We’re trying to give our guests an experience of what Austin has to offer.”