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Dear Client:

During the year just concluded, 2,200 hotel rooms were added in the Austin marketplace. This is huge – a 7% increase in inventory during 2015. So did this glut of new hotel rooms overwhelm the market and hurt existing hotels? Not on your life. In fact, hotel room demand and occupancy increased dramatically.

In many markets, such an increase in rooms could be disastrous. Not in Austin. Why? **Bob Lander**, the longtime president/CEO of the Austin Convention & Visitors Bureau, explained: **“I said for several years, to just about anyone who would listen, that the demand for our product was sufficiently diverse that with the right kind of new inventory we would see new business, particularly from groups that heretofore could not consider Austin as a meeting venue.”**

Was he ever right! Even after this sizable increase in rooms, the overall occupancy increased over a very good 2014 by two percentage points – from 72% to 74% and the average rate increased citywide by 6.3%. **“So, the big news is the demand,”** Lander pointed out. **“City demand went up over 8% over the prior year and went up a whopping 15.5% downtown.”**

“By the way, occupancy downtown was right at 78% for the year,” noted Lander. **“Even with all the additional rooms our overall annual occupancy surpassed every other major city in Texas, Phoenix, Atlanta, Indy, New Orleans, Chicago, Nashville and many others.”**

Check those city names. They all pride themselves on being travel destinations. And, Lander added, **“We were right in the ballpark with the perennial leaders in our competitive set of San Diego, Seattle and Denver.”**

Pretty good company when you compete for the travel dollar. So what does the future hold? After all, more hotel rooms – a lot of them – are under construction or planned as we speak. **“The only thing holding us back from moving it to the next level is the size of our convention center,** said Lander. **“We have positioned ourselves to really take advantage of an economic engine that many cities would do anything to have.”** Such as, Bob? Check out the next item, Lander talks about a new phase of business that is impacting Austin’s hotel occupancy, future bookings -- and a possible expanded convention center.

The Austin City Council, with a lot on its plate already, may soon tackle the expensive proposition whether to expand the highly-successful Austin Convention Center. It will cost big bucks, but should pump even more dollars into the Austin economy. And a new “fledgling Austin industry” could be an indicator of future success.

As indicated in the previous story, **visitors are a big generator of revenue for the Austin economy.** As we have reported many times over the past few years, **visitor spending is clean revenue.** Tourists, convention goers, etc. have a great experience in Austin, support local jobs by spending big money, then they go home and we do not incur various ongoing expenses such as educating their children. **Cities worldwide go to great lengths for these dollars.**

Yeah, but, don't most of those dollars have a limited impact because they go to hotels, restaurants, bars, and retailers? True, these businesses get a lion's share of visitor spending. But they pay big property taxes and **employ thousands of locals.**

And these locals pay rent or mortgage payments, buy furniture and groceries, go to movies, get haircuts, buy jeans and school supplies, pay taxes – and so forth. Visitor dollars are spread throughout Austin and surrounding suburbs where employees live.

The longtime president/CEO of the Austin Convention and Visitors Bureau **Bob Lander points to a new source of Austin visitor revenue and this “industry” shouldn't even be labelled as “fledgling” yet.** The new **UTAustin Dell Medical Center** is in the final stages of construction.

“Medical meetings alone are up over 150% thanks to the new medical school and our partnership with them,” Lander told us. And DellMed will not even be open for business until later this year. Think about the potential for attracting meetings, vendors, medical pros as DellMed gets up to speed and matures.

“We are in good shape as we look into the future with bookings ahead of projected pace through 2022,” Lander noted. But, as to whether the Austin Convention Center will be expanded, he asked “how much are we willing to leave on the table with our lack of action?”

Speaking of visitors, which big event had the most attendance in 2015? And which event turned out more local residents? The two events are different, but both numbers are big.

The two-weekend **Austin City Limits Music Festival** topped the list with an estimated 450,000 attendance. And the two-week holiday **Trail of Lights** attracted more local residents, 400,000. Following on the list as compiled by the *Austin Business Journal*, the 10-day **South by Southwest Conferences & Festivals** (310,725), the 2-week **Rodeo Austin** (255,000) and the 3-day **Formula 1 US Grand Prix** (224,011).

Is Austin, as a city, future-ready? Yes, according to an in-depth academic analysis. And Austin is one of the best in the US. But, hold on. This analysis is not based on the standard criteria, such as jobs, environment, tech, live music, quality of life, etc. You've seen all those rankings over recent years. This is different. This has to do with an "attitude," an "approach," even an ideological underpinning.

You know, it is one thing to crunch the economic numbers. And Austin has fared very well when you do that. **But what is that "special something" that only a few cities can claim, that maybe you can't put your finger on?** That was at the core of a "Future Ready Economies Model" by which US major cities were measured. Here they are:

- The ability to attract people who are engaged in and open to **lifelong learning that drives innovation.**
- Businesses that thrive in **collaborative environments.**
- **Infrastructure that provides platforms** for people to engage, collaborate, learn and innovate.

HIS Economics was commissioned to find proxy indicators that define those characteristics in major US cities. **"We're very confident these cities will grow faster in the next five to ten years than most other cities,"** said **James Diffey**, *HIS Economics* Group Managing Director for US Regional Services. The rankings revealed no definitive formula for achieving future readiness, though education figured prominently.

So, what are the top US cities by this measure? The Top 15, in order: San Jose ... San Francisco ... Washington DC ... Boston ... **#5 Austin** ... Raleigh ... Seattle ... Denver ... Portland ... **#10 Dallas-Fort Worth** ... New York City ... Minneapolis-St. Paul ... **#13 Houston** ... Atlanta and Charlotte. Quite a lineup.

The insights and criteria were developed at the **"2015 Strategic Innovation Summit: Enabling Economies for the Future,"** hosted by Harvard University and sponsored by Dell. *HIS* intends to release an index for *international* rankings in the next few months.

Austin luxury homes, priced at more than a million dollars, continue to sell at a brisk pace according to the Texas Association of Realtors. Okay, just how brisk?

The luxury home sales in Austin **increased a whopping 16.3% in sales volume year-over-year.** It took a while for the pricier homes to sell – almost two months longer than the typical home. But the median price, \$1,381, 252, was apparently worth the wait for home-sellers.

A few minutes ago, we told you about the amazing economic impact anticipated upon final completion of the new UT Austin Dell Medical School. If you haven't recently noticed the fast pace of building underway on the campus, have we got a view for you.

Check out this link to a **drone flyover video** <https://youtu.be/EiI3V4Z4414>. It only takes 1:15 minutes of your time. But it shows the scope of the project. The video is pretty impressive. **And, it shows evidence why the DellMed buildings are scheduled to open this year.** The close-up drone video was taken in December 2015, so changes have occurred in the succeeding weeks, but mostly on the interiors.

Significantly, the 14+-acres (roughly six blocks) adjacent to DellMed at 15th and Red River, could ultimately far exceed the construction shown by this flyover video. **This prime real estate, when it is developed, will become one of downtown Austin's largest mixed-use projects.** It will be a private enterprise project complementing DellMed, and will be guided by the board of the Travis County entity, Central Health.

Here's an important update for Orangebloods: the status of the search for BEVO XV, the new Longhorn mascot.

This message was sent to alums of the Silver Spurs organization charged with finding a new mascot, following BEVO XIV's untimely recent death: "We've identified a couple of strong candidates, but are still very much in the search process. **We will likely be updating everyone on our plans to select and unveil BEVO in the coming months.**"

There should be a lot of hoopla when BEVO XV is trotted out this year. After all, **this will be the 100th anniversary of a Longhorn steer as a mascot.** You can probably look for a retail line of products featuring BEVO, major TV coverage at sporting events, etc.

Dr. Louis Overholster says his people skills are fine; it's his tolerance for idiots that needs work!

Sincerely,



Editor/Publisher