

COVID-19's Impact on the San Antonio Lodging Market

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Prior to the COVID-19 pandemic, **Downtown San Antonio** was enjoying a decade of revitalization and growth. The year 2020 was poised to be a banner year, spurred by the **Henry B. Gonzalez Convention Center's** \$325-million renovation and expansion, which was completed in January 2016. Data provided by the **Texas Comptroller of Public Accounts** indicate that hotel revenue across the San Antonio-New Braunfels MSA declined by roughly 53% in 2020. RevPAR for the MSA remained relatively stable in 2018 and 2019, before plummeting approximately \$40 in 2020 to a historical low of \$37. New hotel supply increased by almost 2% in 2020, compared to a nearly 4% increase in 2019. Despite COVID-19's significant impact on the lodging industry, various development projects in and around San Antonio are expected to fuel a strong recovery.



Major Area Developments

- In late 2019, **Weston Urban** and **KDC** opened the **Frost Tower**, the city's first downtown tower in more than 30 years; **Frost Bank** occupies nearly 300,000 square feet. The former Frost Bank building, located adjacent to the new tower, is slated to undergo a \$140-million renovation in 2022.^[1] In November 2020, **Jefferson Bank** broke ground on a 230,000-square-foot office tower just north of Downtown, near the historic **Pearl Brewery**. Weston Urban is also developing a 32-story, mixed-use tower in the CBD, slated for completion in 2023.^[2]
- In November 2020, the **Texas A&M University System Board of Regents** approved a 100,000-square-foot building on the University's **San Antonio campus**. The \$53-million building will house the school's **College of Business** and a library; construction is expected to be complete by July 2022.^[3] In January 2021, the **University of Texas at San Antonio (UTSA)** broke ground on the \$90-million, 167,000-square-foot **School of Data Science and National Security Collaboration Center**; construction should be finished mid-year 2022.^[4] **San Antonio College** broke ground on a \$13-million, 20,000-square-foot science building on its downtown campus in February 2021; construction is scheduled for completion in the fall of 2022.^[5] Other developments under construction in the education sector within the greater MSA include **Palo Alto College's** 47,000-square-foot **Southside Education and Training Center**^[6]; **University of the Incarnate Word's** 1,308-acre, mixed-use development^[7]; **St. Philip's College's** \$11.1-million Bowden Campus Center^[8]; and UTSA's 95,000-square-foot, \$42-million **Roadrunner Athletics Center of Excellence**.^[9]

Summary

The COVID-19 pandemic has negatively affected hotels in the greater San Antonio market since early March 2020, similar to most cities in the United States. How far has the San Antonio hotel market fallen? When is group demand expected to rebound? What will the recovery look like?

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COVID-19 Impact

- Along with the gradual rise in COVID-19 infection rates, travel restrictions and remote-work models led to a devastating effect across the entire San Antonio economy. Downtown San Antonio has been without its typical throng of convention attendees and leisure tourists since April 2020. The decline of retail and restaurant businesses, as well as limited meetings at the majority of commercial and corporate entities in the CBD, is further evidence of the effects of COVID-19. The recovery of San Antonio's group segment is anticipated to be gradual, constrained by reduced business travel budgets and meeting/event planners' hesitance to book large-scale events amid the ongoing pandemic. As of March 2021, officials at the Henry B. Gonzalez Convention Center reported approximately 25 meeting and events booked for the remainder of 2021, with nearly 85,000 attendees expected. Historically, the facility has typically hosted around 90 citywide events that draw approximately 400,000 total attendees each year. However, a stronger convention calendar is anticipated in 2022, which will support recovery for the Downtown submarket that year.



- The city's critical military and government sectors, which serve as a major source of lodging demand, have not been immune to the effects of COVID-19, as the majority of commencement ceremonies, meetings, and training events transitioned from in-person to virtual format in March 2020. The economic impact of **Joint Base San Antonio (JBSA)** on the Texas economy in 2017 was an estimated \$31 million. In 2019, JBSA's economic impact increased approximately 32% to just over \$41 million.^[10] While the economic impact of the military and government sectors has yet to be quantified or published for 2020, market participants report a sizeable decline in demand from these typically reliable sources since the onset of the COVID-19 pandemic.
- Budget, extended-stay, and some midscale hotels in San Antonio performed relatively well through 2020. A surge in positive COVID-19 cases in the summer and fall of 2020 contributed to the uptick in lodging demand for these hotels from quarantining individuals and healthcare workers assisting at local hospitals. In addition, these hotels captured the limited leisure demand available in 2020 given their in-room kitchen facilities. This trend is expected to continue, with extended-stay and lower-rated demand representing the majority of room nights generated through the second quarter of 2021.
- Most activity in the hotel transactions market since the onset of the pandemic predominantly represents limited-service hotels in the greater San Antonio-New Braunfels MSA. The **Omni San Antonio**, the **Hotel Contessa**, the **Hyatt Place San Antonio Northwest Medical Center**, and the **Hyatt Place San Antonio Airport Quarry Market** have been the only non-budget hotel sales to take place since March 2020.
- Improved market conditions are anticipated by the summer of 2021, relative to 2020, as the nation is expected to emerge from pandemic restrictions with the continued rollout and administration of the COVID-19 vaccine.
 - Beginning March 29, 2021, all adults (age 16 and older) in Texas are eligible for the COVID-19 vaccine.

We are confident that the greater San Antonio-New Braunfels MSA will rebound upon the widespread administration of the COVID-19 vaccine, the retirement of group meeting restrictions, and the resumption of corporate, commercial, and government travel.

For more information, please contact **David Bone** or **Shannon L. Sampson** of our south central Texas team.

State of Texas's COVID-19 Guideline Highlights (as of April 1, 2021)

- *In October 2020, the State of Texas expanded the occupancy restriction of most businesses, including restaurants, retail stores, libraries, museums, gyms, offices, and manufacturing buildings, as well as increased the permitted indoor event capacity from 50% to 75% of normal operating limit or total listed capacity, as long as participants wear masks and maintain a six-foot distance.*
- *In January 2021, businesses were mandated to reduce operations from 75% to 50% of total listed occupancy after the greater San Antonio area exceeded its hospitalization threshold. Indoor bar operations were ordered to close, with the exception of bars that have been reclassified as restaurants based on their percentage of revenue from food operations. These operations were permitted to remain open at 50% indoor occupancy.*
- *In March 2021, businesses were allowed to operate at 100% capacity, and an executive order was issued lifting the statewide mask mandate.*
- *The latest Bexar County COVID-19 guidelines are available **here**.*

^[1] Madison Iszler, *San Antonio Express-News*, "**Costs of turning former Frost HQ into city offices now tops \$140 million.**" 12/17/2020. Retrieved 4/1/2021.

^[2] Madison Iszler, *San Antonio Express-News*, "**Jefferson Bank starts work on Broadway tower for new headquarters.**" 11/20/2020. Retrieved 4/1/2021.

^[3] Christina Henderson, *The Mesquite*, "**Construction continues on College of Business and Library Building.**" 3/12/21. Retrieved 4/1/2021.

^[4] Courtney Clevenger, *UTSA Today*, "**UTSA holds virtual groundbreaking for School of Data Science and National Security Collaboration Center.**" 1/25/2021. Retrieved 4/1/2021.

^[5] W. Scott Bailey, *San Antonio Business Journal*, "**First Look: San Antonio College plans \$13M science structure.**" 1/29/2021. Retrieved 4/1/2021.

^[6] Jeannette E. Garcia, *San Antonio Business Journal*, "**Palo Alto College breaks ground on an education and training center in the South Side.**" 2/11/2021. Retrieved 4/1/2021.

^[7] Laura Garcia, *San Antonio Express-News*, "**University of Incarnate Word expanding its Brooks campus.**" 10/2/2020. Retrieved 4/1/2021.

^[8] Skanska USA, **Skanska Tops Out Bowden Campus Center at St. Philip's College in San Antonio, Texas.** 2/1/2021. Retrieved 4/1/2021.

^[9] Kyle Stephens, *UTSA Today*, "**UTSA breaks ground on facility to elevate athletics, provide public space.**" 3/7/20. Retrieved 4/1/2021.

^[10] Glenn Hegar, Texas Comptroller of Public Accounts, **JOINT BASE SAN ANTONIO: Economic Impact on the Texas Economy, 2019.** 2/1/2021. Retrieved 4/1/2021.

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