

HVS Market Pulse: Arlington, Texas

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Both the hotel landscapes in North and South Arlington continue to evolve as the city remains an entertainment capital of the state and as new commercial development helps spur new hotel construction.

Arlington: History as a Popular Texas Playground

Arlington's Entertainment District neighborhood is deep rooted within the sports and entertainment industries. Six Flags Over Texas opened in 1961, followed by Six Flags Hurricane Harbor (opened as Wet 'n Wild) in 1983. Seven Seas Marine Life Park operated in the early 1970s on what is now the site of the Sheraton hotel, with some original structures incorporated into the hotel's physical plant. In 1994, the \$191-million Globe Life Park in Arlington replaced Arlington Stadium, which had served as the home for the MLB Texas Rangers from 1972 to 1993. The 2009 opening of the \$1.3-billion AT&T Stadium, formerly Cowboys Stadium and home to NFL Dallas Cowboys, once again transformed the Entertainment District. Aside from sporting events, the AT&T Stadium is a large producer of room nights for hotels via concerts and other special events. Additionally, in 2010, the International Bowling Museum & Hall of Fame opened in Arlington.

Texas Live! Rendering at Completion



Source: texas-live.com

The newest catalyst in the area is the \$250-million Texas Live! sports/entertainment complex, which is under construction on seven acres of land between AT&T Stadium and Globe Life Park in Arlington. The initial phase (restaurants, bars, retail establishments, and an outdoor concert venue) of Texas Live! opened in August 2018, and a 300-room Loews Hotel will

open in August 2019; the new, \$1.1-billion stadium for the Texas Rangers is set to open in 2020. Moreover, in October 2019, Arlington unveiled a \$10-million transformation of its convention center to create a 100,000-square-foot “e-sports” venue within the facility. The Esports Stadium Arlington includes a 2,500-seat stadium with 90-foot LED stage display and theatrical lights and sound; a broadcast and production studio; a gaming lobby with fully furnished computers; eight team training rooms; a VIP player lounge; and a modular breakout space for press, catering, and VIP lounges. West of the Entertainment District, Downtown Arlington has also been a focus of redevelopment and revitalization.

Supporting the growing Entertainment District landscape, the ongoing \$233-million Interstate 30/State Highway 360 Interchange project will replace existing cloverleaf turnpike configurations with modern direct connect interchanges; State Highway 360 is also undergoing a widening project.

Local Economy

While the entertainment, retail, and tourism industries represent significant sources of revenue and employment for the area, manufacturing plays a chief role in the area's economy. General Motors (GM) has an assembly plant in Arlington that has been in operation for over 50 years. Arlington Logistics Center, a new automotive supplier park built by GM, is located on the former site of the Six Flags Mall. In October 2018, Bell unveiled its expanded Flight Research Center; this South Arlington facility houses many of the Fort Worth-based newest technology and innovations, including the Bell V-280 Valor, 525 Relentless, V-247 Vigilant and the Autonomous Pod Transport (APT). The University of Texas at Arlington (UTA) also represents a significant source of employment in the area. UTA has a student population of roughly 42,000, offering more than 180 degree programs in an extensive range of disciplines. UTA opened its \$125-million, 220,000-square-foot Science, Engineering Innovation and Research building in September 2018.

Hotel Landscape & Lodging Metrics

The North Arlington lodging market has long been serviced by three primary full-service hotels—the 311-unit Sheraton, the 308-unit Hilton, and the 200-room Crowne Plaza—complemented by a variety of limited- and -select-service hotel options. A Holiday Inn opened in 2008, and just north of the city limits, the former independent Admiral Hotel was converted to a DoubleTree by Hilton in December 2016. The City of Arlington has instituted development requirements for hotel construction; for example, full-service hotels must have a minimum of 200 rooms, 10,000 square feet of meeting space, a restaurant with a full-service kitchen, room service, and recreational facilities, among other requirements. Additional restrictions in place include the prohibition of limited-service hotel development in the Entertainment District Overlay District. New supply under construction in the North Arlington lodging market includes an Aloft, set to open in May 2019, and the Loews Hotel at Texas Live!, scheduled to open in August 2019. Proposed projects also include a Drury Hotel near Lincoln Square (outdoor mall) and an AC Hotel by Marriott at Momentum Park. Lastly, construction of a new full-service hotel and convention center has been rumored within the market.

The South Arlington lodging market, once dotted with mostly limited-service hotels along Interstate 20 and around the Parks Mall at Arlington, has expanded in recent years, largely paced by retail expansions near the Park Mall at Arlington and Arlington Highlands lifestyle shopping center, as well as new warehouse/distribution centers. The Arlington Municipal Airport, a "reliever" airport for corporate, cargo, and recreational pilots, is also located in this neighborhood and is home

to Bell Helicopter. New hotels that opened in 2016 and 2017 include a Homewood Suites by Hilton and a Hilton Garden Inn, respectively. New supply under construction in the South Arlington lodging market includes a Fairfield Inn by Marriott, set to open in June 2019, and a dual-brand SpringHill Suites by Marriott/TownePlace Suites by Marriott, anticipated to open in 2020. Proposed projects in the South Arlington lodging market also include brands such as Aloft, Tru by Hilton, and Home2 Suites by Hilton.

In general, occupancy in the North Arlington hotel market has hovered in the low 70s for the last several years, with levels estimated closer to 70% in the most recent year, as new supply in the South Arlington market has drawn some demand away from hotels located in the northern part of the city. Market participants also report that the conversion of the convention center into an “e-sports” venue has resulted in a reduction of group room nights. ADR for higher-quality limited- and select-service hotels is estimated to average roughly \$115, while the premier full-service hotels are achieving rates near the \$145 mark. While new hotel products are on the horizon, increased leisure demand associated with the opening of Texas Live! should help offset supply increases; occupancy is expected to register in the high 60s in the near term.

Within the South Arlington market, occupancy performance is similar to North Arlington, estimated near 70% for the market as a whole. Higher-quality limited- and select-service hotels in this market are achieving estimated ADRs in the \$120 range, reflecting these hotels’ newer facilities when compared to the North Arlington supply. Occupancy in this market should continue to grow modestly, supported by the premier hotel products and brands entering the market, including the dual-brand SpringHill Suites by Marriott/TownePlace Suites by Marriott, which will include ample meeting/event space and an expanded, upscale recreational area.

The city’s highly popular mix of tourism attractions should continue to drive strong visitation during the summer months, while established institutions will supply consistent economic benefits to the city. The city’s Entertainment District and Downtown neighborhood are both being reimagined with new development and revitalization efforts, triggering an increased hotel bed base.

HVS continues to regularly consult in this city, with the Dallas office serving the Dallas/Fort Worth Metroplex and greater North Texas markets. Kathleen Donahue, a Senior Vice President in the Dallas office, is ready to assist you on any consulting need you may have. Eric Guerrero with HVS Brokerage can also discuss any Dallas/Fort Worth Metroplex asset you may be considering selling in 2019.