

HVS Market Pulse: Lake Charles Metro Area

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Southwest Louisiana (SWLA) comprises Allen, Beauregard, Calcasieu, Cameron, and Jefferson Davis Parishes, situated in the Acadiana and Central regions of Louisiana. Altogether, these parishes contain nearly 100 open hotels with approximately 9,900 rooms; 23% of the room inventory was opened in the last five years. SWLA's location on the Gulf Intracoastal Waterway has made this region favorably situated for the energy industry, and the petrochemical and liquified natural gas (LNG) industries represent its economic mainstay.



The following article outlines the impact of industrial growth in Metro Lake Charles on the area's hotel industry.

Lake Charles MSA

SWLA's only metropolitan area, Lake Charles, covers Cameron and Calcasieu Parishes. The network of interstates and highways has encouraged the growth of advanced manufacturing, aerospace, agriculture, healthcare, hospitality, gaming, LNG, and petrochemical businesses. Lake Charles is popularly termed the Festival Capital of Louisiana because it holds more than 75 festivals and events each year and is a popular stopping point between Houston and New Orleans for travelers on Interstate 10. The Lake Charles metropolitan area's room inventory has expanded by over 48% in the last decade to over 70 open hotels with roughly 7,900 rooms, primarily due to increasing demand from the petrochemical and LNG industries. Moreover, the maritime, aerospace, and gaming industries have also contributed to increasing the hotel demand base.

Although other Louisiana hotel markets have been affected by the downturn in crude oil prices that began mid-year 2014, the continued expansion in petrochemical and LNG industries in SWLA has buoyed this area's economy and mitigated the impact of any substantial downturn. According to the SWLA Economic Development Alliance, over \$43 billion in industrial plant projects and other facilities were under construction at year-end 2017, and over \$65 billion in projects are in various approval stages. This surge in capital spending and industrial activity has significantly grown hotel demand in the Lake Charles metropolitan area.

Economy

Petrochemical and Liquid Natural Gas Industries

The Lake Charles metropolitan area is home to sixteen chemical plants, two refineries, one LNG export facility, and three industrial gas-processing plants. Major capital projects under construction include the following:

- The construction of Sasol's \$11-billion chemical complex began in 2012. According to the SWLA Economic Development Alliance's December 2017 report, the facility was reported as 80% complete; the phased

Summary

Other Louisiana hotel markets have been affected by the downturn in crude oil prices that began mid-year 2014; however, recent expansions in the petrochemical and liquified natural gas industries have mitigated the impact of a significant downturn.

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commissioning of the plant is scheduled to begin in the second half of 2018. The facility will reportedly create 1,150 jobs, while an additional 1,000 contractors are expected for support upon opening.

- In 2016, LACC LLC, a joint venture between Lotte Chemical and Axiall Corporation, began the construction of a \$3-billion chemical manufacturing facility. The project is anticipated to create 215 new direct jobs and 1,892 new indirect jobs. The mono-ethylene glycol (MEG) plant is expected to be the largest MEG plant in the U.S. when operations begin in 2019.
- Juniper GTL LLC opened a \$100-million LNG plant in Westlake during the second half of 2017; it is North America's largest commercial Fischer-Tropsch facility, converting natural gas into ultra-high-quality pure waxes used in construction materials, adhesives, and consumer goods.
- The construction of Cameron LNG's \$10-billion liquefaction export facility began in Hackberry in 2015; operations are scheduled to begin in 2019.

Port of Lake Charles

Calcasieu River Ship Channel spurred the industrial growth of the SWLA area; today, the Port's activities continue to bring jobs, commerce, and investment, creating the reputation of an energy corridor. The Port of Lake Charles is a major employer in Lake Charles and reputed as the twelfth-busiest port in the United States.

In the first ten months of 2017, Port of Lake Charles was rated as one of the fastest-growing major seaports in the U.S. given a 60% year-over-year increase in activity. According to a December 2017 report in *Forbes*, exports from the Port of Lake Charles increased \$1.99 billion through October 2017. The growth is largely attributed to LNG exports, which increased by 237% to \$1.83 billion over the same period.

Aviation

The city's Chennault International Airport is the site of Chennault Industrial Airpark, a multi-tenant development specializing in aircraft maintenance, repair, and overhaul (MRO). In December 2017, the City of Lake Charles approved the relocation of the adjacent Mallard Cove Golf Course to enable the expansion of the airport's cargo-handling capacity. The \$250- to \$350-million project is planned to include two rail-served warehouses, four aircraft hangars, a light-industrial park, a business park, new cargo-handling equipment, new roads, and rail infrastructure.

Healthcare

SWLA has five healthcare facilities: Beauregard Memorial Hospital, Christus Lake Area Hospital, DeQuincy Memorial Hospital, Jennings American Legion Hospital, and Lake Charles Memorial Health System. The construction of a \$19-million behavioral health hospital in South Lake Charles began in 2016, adjacent to the Memorial Hospital for Women campus. The first phase is scheduled to open in the summer of 2018, including a 28-bed adult unit and a 14-bed adolescent unit. The second and third phases are planned to include an additional 28-bed unit and a psychiatric outpatient medical office building.

Education

Metro Lake Charles has one four-year university, the McNeese State University, and one community college, SOWELA Technical Community College. In response to the increase in demand for a skilled workforce, resulting from the major capital investments by Sasol in the area, a \$20-million, 67,000-square-foot SOWELA Regional Training Center opened adjacent to Chennault International Airport grounds in 2016. The facility was built to educate and train SWLA's workforce to meet employer demands, specifically related to Sasol's training needs, after the announcement of its ethane-cracker project.

Gaming

Metro Lake Charles is the primary gambling destination between Houston and New Orleans. The area features three riverboat casinos: L'Auberge Casino Resort, Golden Nugget, and the Isle of Capri, as well as the Delta Downs Racetrack Casino Hotel.

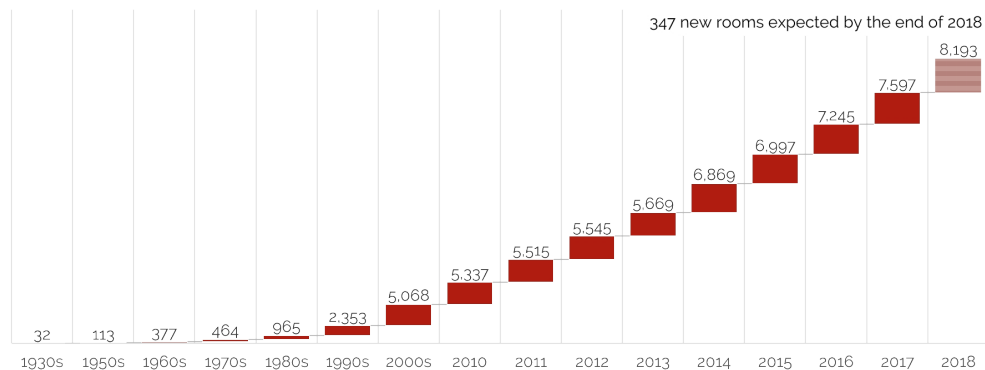
Opened in May 2005, the 1,000-room L'Auberge Casino Resort was touted as the largest gambling establishment in the Lake Charles metropolitan area; the resort includes a riverboat casino, an entertainment event center, and an 18-hole Tom Fazio golf course. However, in the spring of 2017, the 740-room Golden Nugget added a 13-story Rush Tower with 353 rooms to its inventory, bringing the total room count to 1,100 rooms, including private villa suites. Furthermore, in the Louisiana Gaming Control Board's 2017 annual report, the Lake Charles gaming market employed roughly 5,300 people.

Hotel Room Supply

The Metro Lake Charles hotel market offers nearly 70 open non-gaming hotels with nearly 5,000 rooms, dominated by small, nationally branded, economy and midscale limited-service hotels, with very few select-service or full-service hotels. The aforementioned projects in SWLA have spurred interest in hotel development, and developers have aimed to bring more hotel concepts to the area; overall, 2,300 rooms have been added since 2012. Prior to the commencement of Sasol's project in 2012, only the SpringHill Suites by Marriott served as an upscale non-gaming hotel in SWLA; however, three upscale hotels opened between 2014 and 2016.

In 2017, 352 new hotel rooms opened in the market, representing a roughly 7% increase in supply for the year. An additional 249 rooms opened in the first quarter of 2018, and a 98-room Tru by Hilton is scheduled to open in May 2018. This represents a total increase in non-gaming supply of approximately 19% in the metropolitan area over three years. Considering that demand in the market has doubled since the last recession (2008/09), it is anticipated that future supply will only have a modest impact on the market's performance.

Hotel Room Growth Over Ten Years and Proposed and Recent Hotel Openings



Source: HVS, STR

Outlook

SWLA, specifically the Lake Charles metropolitan area, is undergoing an industrial renaissance with the large volume of foreign and domestic investments in energy projects. Nearly \$109 billion in projects were announced in the region from 2012 through December 2017; \$1.9 billion in capital projects have been completed, a little over \$43 billion in projects are under construction, and roughly \$65 billion are pending final approval, as reported by SWLA. The resulting development has reportedly created roughly 18,000 construction jobs and over 10,000 permanent jobs and is anticipated to add nearly 32,000 jobs in the near term.

Demand growth continues to be strong, and although not all announced projects are expected to come to fruition, a steady stream of capital projects is anticipated to continue to boost strong economic growth for Lake Charles and the SWLA region and drive demand for the hospitality industry.

About **Bunmi Adeboye**



Bunmi Adeboye, a Senior Project Manager with HVS Houston, conducts appraisals and feasibility studies for hotels throughout Texas and the Gulf Coast region. Bunmi formerly worked in accounting and guest service roles at the Sheraton Dallas North hotel and as a Revenue Specialist for Hilton Worldwide, analyzing the performance of Hilton-branded properties and implementing strategies to increase room nights and revenue. Bunmi earned a master's degree in Hospitality Management, specializing in Finance, from the University of Houston's Conrad N. Hilton College of Hotel and Restaurant Management.

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