

U.S.

Houston-Area Hotel Occupancy Likely to Surge in Wake of Harvey

Analysts and hotel owners are projecting higher-than-usual occupancy in the coming months, based on experience with past disasters



Submerged vehicles outside a Motel 6 in Port Arthur, Texas, on Thursday. PHOTO: EMILY KASK/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Chris Kirkham

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Demand for hotel rooms in Houston and nearby cities is expected to surge in coming months, as displaced families seek temporary housing and a cadre of relief workers, insurance adjusters and contractors descend on the area.

There are no official estimates yet of how much of the region's hotel-room supply was damaged by Hurricane Harvey, but analysts and hotel owners are projecting much higher-than-usual occupancy in the coming months, based on experience with disasters such as Hurricane Katrina in Louisiana and superstorm Sandy on the East Coast.

Already as the disaster was unfolding last week, hotels that remained open in the Houston area were scrambling to keep up with a crush of calls and walk-in inquiries from residents escaping floodwaters.

At the Hilton Garden Inn in the southwest Houston suburb of Sugarland, Texas, general manager Honorio Ray estimated the hotel fielded nearly 1,000 calls as the storm was bearing down.

“The phone was ringing every second,” he said. “It was crazy.”

As the situation worsened, Mr. Ray said the hotel was taking in as many guests as possible, rolling out portable beds and allowing people to sleep in conference rooms once guest rooms were filled. As some guests leave the hotel to inspect their homes, he said he is receiving more inquiries from contractors, insurance companies and other relief personnel.

Initial reports from major hotel chains including Hilton Worldwide Holdings Inc. and Marriott International Inc., along with owners such as RLJ Lodging Trust and Xenia Hotels & Resorts Inc., suggest limited damage in the area. But in the aftermath of a disaster it can be difficult for hotels to resume full operations because of the impact on hotel staff.

A report released last week by CBRE Hotels research is projecting a 15% increase in nightly hotel demand for the next four months in Houston, Austin, San Antonio and Dallas-Fort Worth, with Houston expected to see the largest increase.

Past storms offer evidence that hotel occupancy surges after disasters. Following Hurricane Katrina in August 2005, surrounding metro areas including Atlanta, Houston and Dallas all saw an average 20% increase in demand in the following three months, according to CBRE.

The occupancy rate in Houston rose as high as 86.5% in October 2005, up from 59% a year earlier. New Orleans saw gains in occupancy and demand, but the storm destroyed such a huge portion of the room supply that many residents had to stay in other cities.

Despite the major uptick in demand in cities like Houston, average daily rates after the storms generally don't increase dramatically. Experts said that is because many rooms are filled by government employees on a fixed rate, or residents who have temporary fixed-rate assistance from the Federal Emergency Management Agency.

That helps put a check on rising rates, plus hoteliers don't want to be blamed for price gouging—something that governors and attorneys general watch closely in the aftermath of disasters.

“You always have the odd one-off stories,” said Jan Freitag, a senior vice president at STR Inc., a data provider that tracks the hotel industry. “But in general I think the hotel industry is eager to portray themselves as helpers rather than hurters.”

Chip Young, chief operating officer of Presidian Hotels & Resorts, a hotel management and development company based in San Antonio, said his properties in that metro area are already

seeing an influx of families from Houston. He said the company keeps pricing in line with typical rates this time of year and is willing to work with guests who may have difficulty paying.

“We don’t want to do anything that would negatively impact folks who are already going through a pretty difficult situation,” he said. “The immediate thing is to get people in, get them off the ropes and get some sense of normalcy in their lives.”

Because Texas’s hotel market is so vast, CBRE is projecting that increased occupancy and demand will have an overall positive impact on the industry’s overall U.S. performance. That equates to an additional \$430 million in anticipated revenue, boosting the overall U.S. fourth-quarter growth in room revenue to 4.4%, up from an original forecast of 3.5% growth.

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