Lodging Industry Rebound as Driver for Local Recovery

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Takeaways

• The hospitality industry has been hit particularly hard by the COVID-19 pandemic.
• Except those downtown convention and conference hotels, motels in Corpus Christi have fared relatively better than those in other cities.
• The area’s beaches and coastal environment will likely continue to attract visitors in the face of the pandemic.

Businesses in the leisure and hospitality sector have been disproportionately hit by the COVID-19 pandemic. According to the data from the Bureau of Labor Statistics, hotels and restaurants in the United States experienced a 34% drop in employment last year, the largest decline among all industries. Job losses from these businesses in Corpus Christi were relatively more severe, given the area’s high exposure to tourism.
After the Fall

The statewide lockdown in April was immediately followed by a reduction of 15,300 hospitality jobs in the Corpus Christi metro area, accounting for nearly 60% of all local job losses in that month. When the state economy was reopened again in May, this sector gained back 4,900 jobs, which were responsible for more than 90% of the total employment gain in the area. By the end of the year, employment in that sector remained about 20% below the pre-pandemic levels.

On March 10, Texas became the first state to run any business without a capacity restriction. This policy reversal would likely offer a short-term boost to local restaurants and bars, but the implication for the local lodging industry is less clear.

Lodging Industry

In 2020, the average U.S. hotel lost $1.4 million in room revenues. Currently, the occupancy rates among different types of hotels/motels, from economy to luxury, are still below 50%, compared to above 60% in 2019.
There are about 110 hotels/motels in the city of Corpus Christi. Before the pandemic began, a total of over 2,300 people worked in these businesses. This hard-hit lodging industry also has a high concentration of the workforce that is Hispanic (55%) and female (65%), exacerbating the uneven impact of the pandemic on the low-income and minority groups locally.

The majority of hotels/motels in Corpus Christi are relatively small by the national standard, with 60 to 80 rooms. The average local hotel earned $1.2 million in revenues in 2019. The three hotels downtown are the largest, together accounting for more than 30% of hotel revenues and employment within the city.

The number of employees at the largest hotel, Omni, is more than 30 times the 12 employees for a typical hotel/motel in the area. Those downtown convention and conference hotels rely on transient and group business travels that have been hit much harder than leisure travels in 2020. Most other local hotels/motels in Corpus Christi target leisure travelers, and they experienced relatively fewer revenue losses last year.
According to STR data reports, the overall hotel occupancy rate was about 54% for Corpus Christi in January, substantially higher than the U.S. average of 39.3%. Still, the local occupancy rate is currently about 10 percentage points below the pre-pandemic level. Other than lower occupancy that has resulted in fewer room nights sold, hotels have lost revenues by reducing their daily room rates exceeding 20%. These two factors together have resulted in an average decline of 34% in revenue per room since the pandemic began. This translates into a $62 million revenue drop in the Corpus Christi lodging industry.

**Disastrous Performance Elsewhere**

Yet the decline of the lodging business in Corpus Christi has been modest as compared with other metro areas in Texas. During the third quarter of 2020, hotel revenue shortfalls among most Texas metro areas were around 70% compared to the same period in 2019, while the drop was less than 20% in Corpus Christi and other coastal cities like Galveston, according to Source Strategies.

For the year of 2020, hotel room revenues in Texas were down 41%. While the major metro areas lost as much as 55%, Corpus Christi’s revenue decline was the least at 8.3%.
Beaches

The relatively better performance of Corpus Christi’s lodging industry is attributable to its beaches and marine activities year-round. As reflected by the surge of beachgoers during the last Labor Day weekend and other major holidays last year, people have become more willing to flock outdoors to mitigate the risk of contracting the coronavirus.

So, while the drastic reduction in business travelers have disproportionately hit downtown hotels, motels in the area have fared relatively better.

Business vs. Leisure

Corpus Christi’s lodging industry is poised to recover more swiftly than other cities’. Over 90% of its out-of-town visitors come from within the state, and 97% of them travel to Corpus Christi by vehicle. These visitors can avoid all the challenges to air and long-distance travel that will not likely disappear at least within this year.
As predicted by hotel industry experts, hotels in smaller drive-to markets will likely continue to outperform larger cities as a result of rising demand from vacationers during the pandemic. Corporate and group business travels are widely expected to remain depressed at least through the rest of the year. The number of leisure trips, however, will likely increase as those who are not able travel for business might be more inclined to travel for vacation.

Staycation has become increasingly popular. Hoteliers in Corpus Christi will likely capitalize on the emerging pent-up demand for places with wide-open spaces and natural beauty, especially beaches.

Most hotels and motels in the area have already benefited from the boom during this year's Spring Break. The number of spring breakers coming to Corpus Christi surged from the last year's, despite many universities and schools across the nation had cancelled the weekly holidays. A number of local hotels in fact experienced nearly full occupancy. Hotel occupancy in most major travel destinations in Texas and Florida also showed dramatic improvement, surpassing even the 2019 levels.
Work from Home Anywhere

Along with a shift of housing demand from large metro areas, like Houston and San Antonio, to suburban and rural communities, home-sharing and short-term rental activities through such platforms as Airbnb are expected to grow significantly in the near term. Since the April lockdown, remote work has become more popular among companies. As employees are able to work from anywhere, they will likely seek out homes with more space and amenities, like waterfront properties. So, the growing remote-work trends will further expand the hospitality sector in Corpus Christi.

The short-term rental market has already grown rapidly, particularly in the coastal communities. Data from AirBNB suggest more than 1,700 short-term rental units from private homes within the city of Corpus Christi, the majority of which are located on North Padre Island. In 2020, the city’s hotel room revenues dropped 20%, but those short-term rentals’ revenues were up 13%. The revenue gains among short-term rentals were even higher in the resort communities of Rockport and Port Aransas.
As the travel and lodging industries await the end of the COVID-19 pandemic, recovery worldwide is likely to be slow. A hospitality consultant at STR, Jan Freitag, predicts that despite a solid rebound from last year’s depths, half of the hotel rooms in the U.S. will stay empty in 2021. Business on average will be back to normal by the end of next year.

But again, barring any unexpected surge in the coronavirus outbreaks in the state of Texas, the hospitality industry in Corpus Christi should continue to outperform those of inland cities.

The contribution of the hospitality industry to the overall economy’s recovery is recognized again in the latest "jobs report." According to the Bureau of Labor Statistics' initial estimates for February, the U.S. added 379,000 jobs, far more than economists' consensus forecast. Hotels and restaurants alone added 355,000 positions, making up over 90% of the total employment gain in that month.

If the Spring Break is any guide, then the coming summer season will be another springboard to uplift Corpus Christi's tourism as well as its overall economy.

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