



**Pinnacle**  
Advisory Group

# OUTLOOK 2011

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# NATIONAL LODGING MARKET

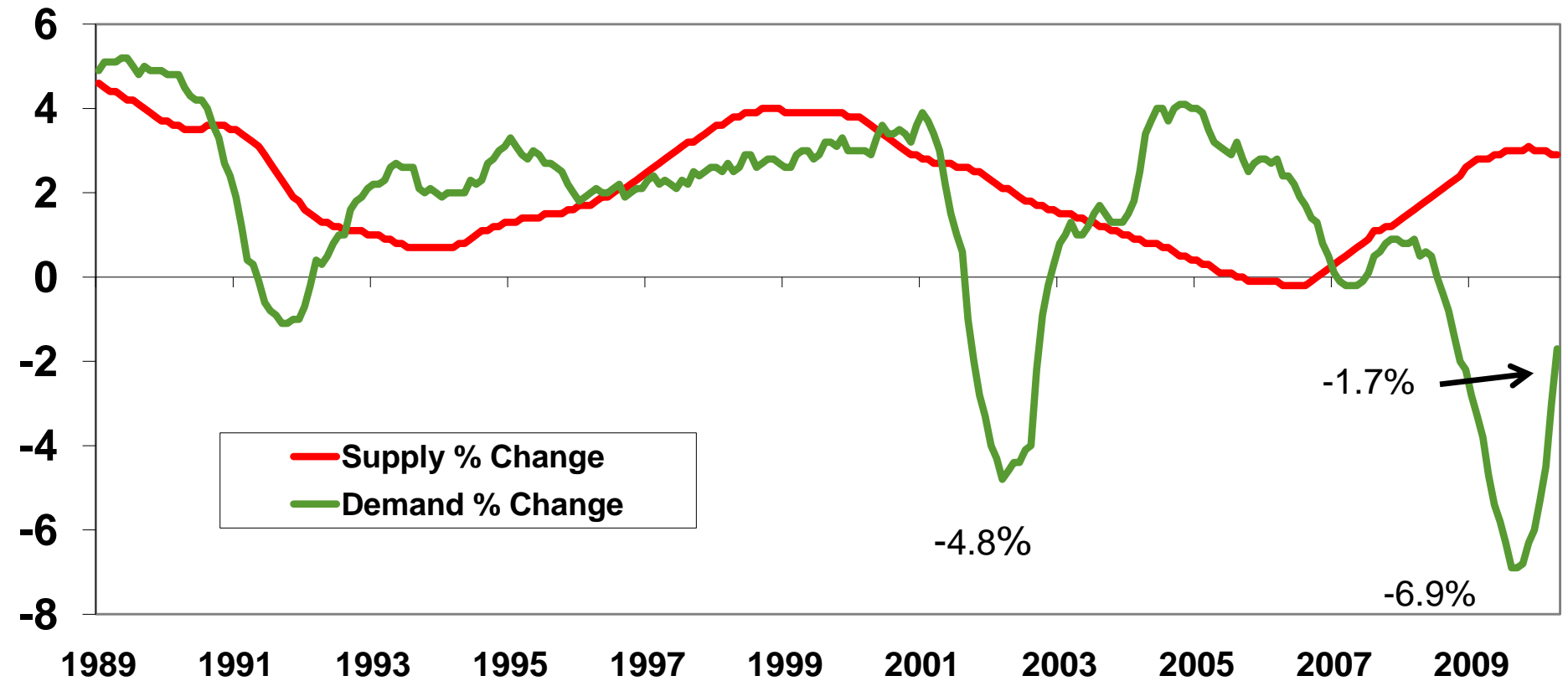
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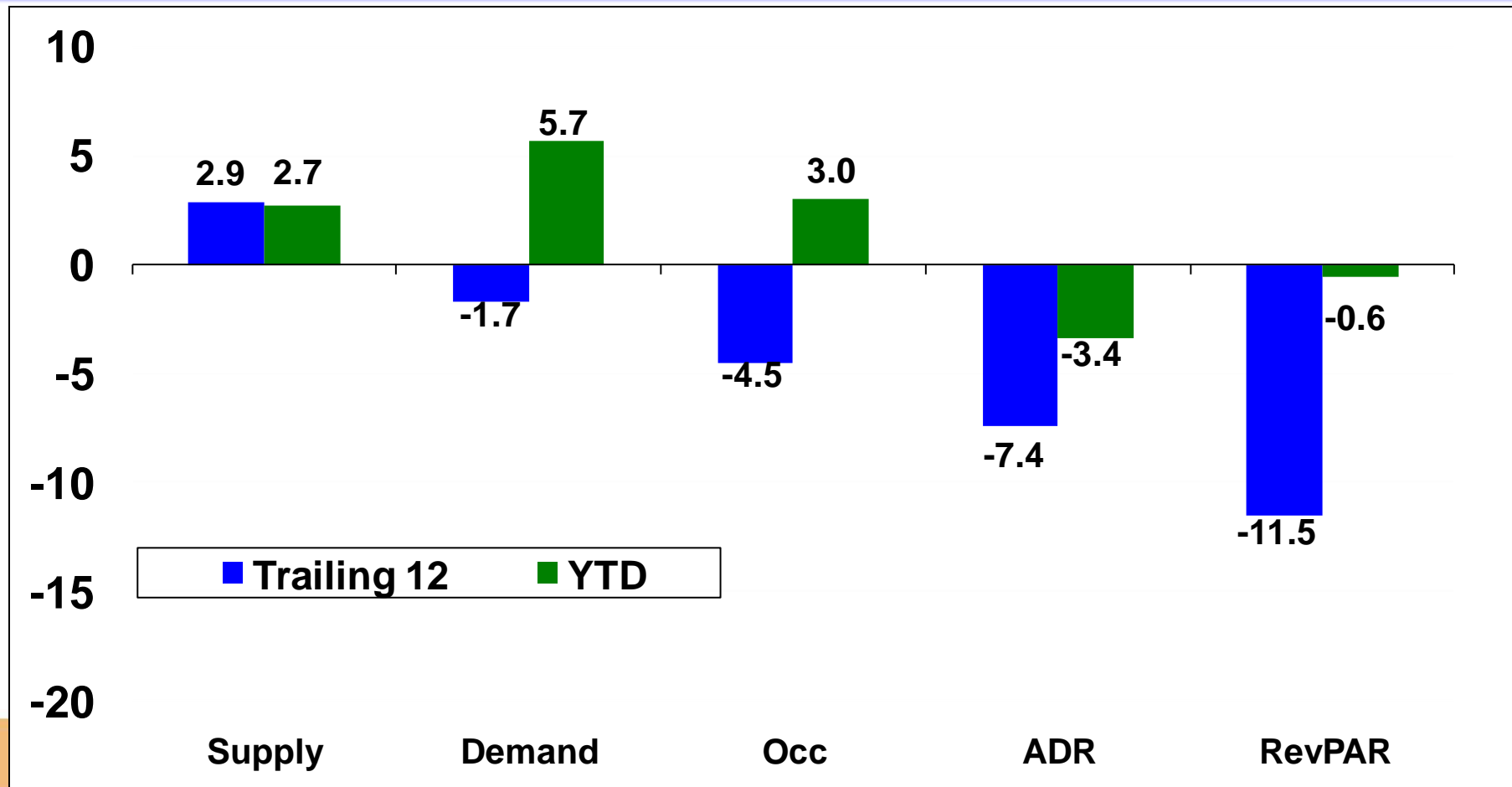
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## US Room Supply/Demand Percent Change 12 Month Moving Average

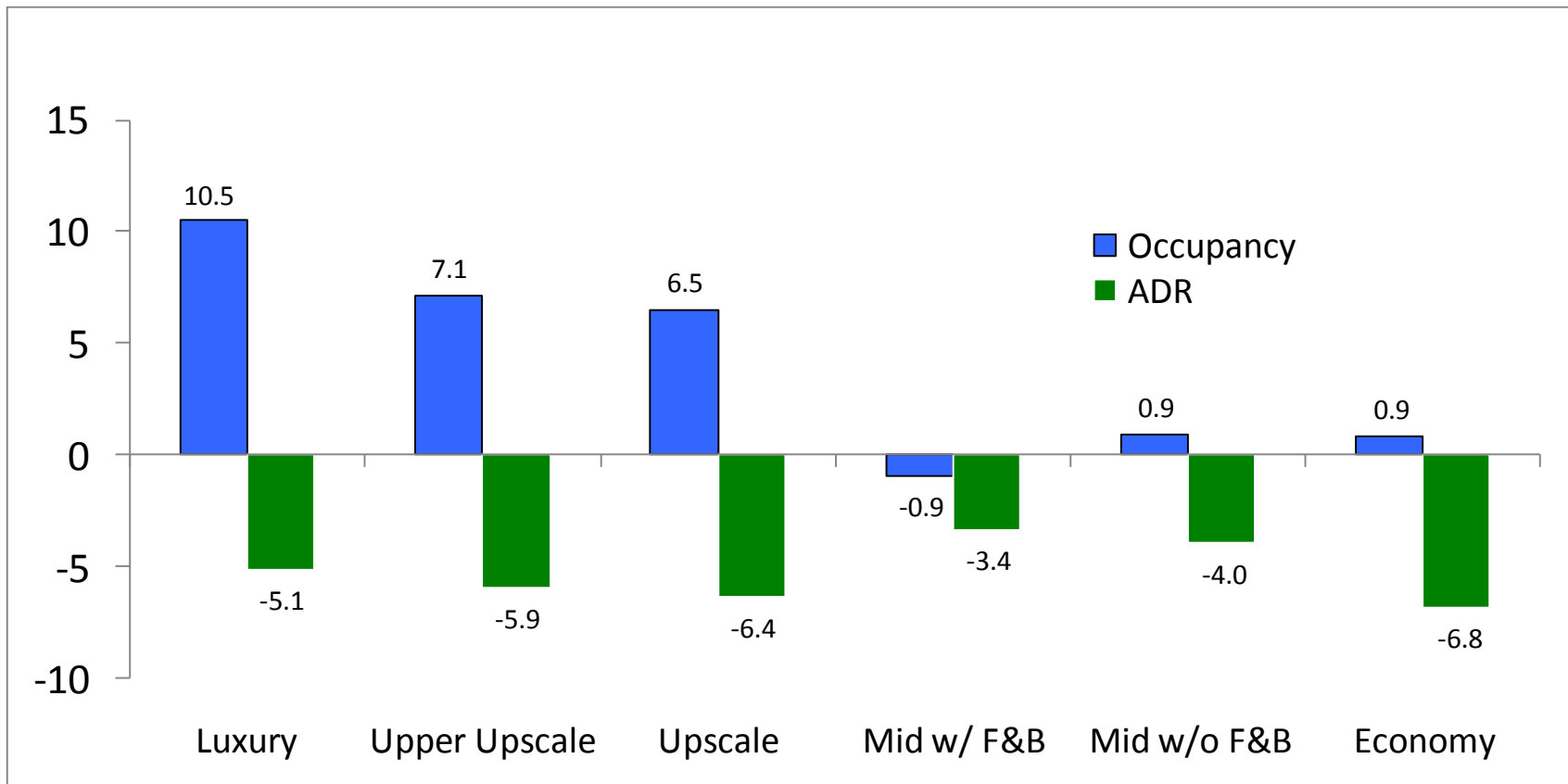


\*Through April 2010

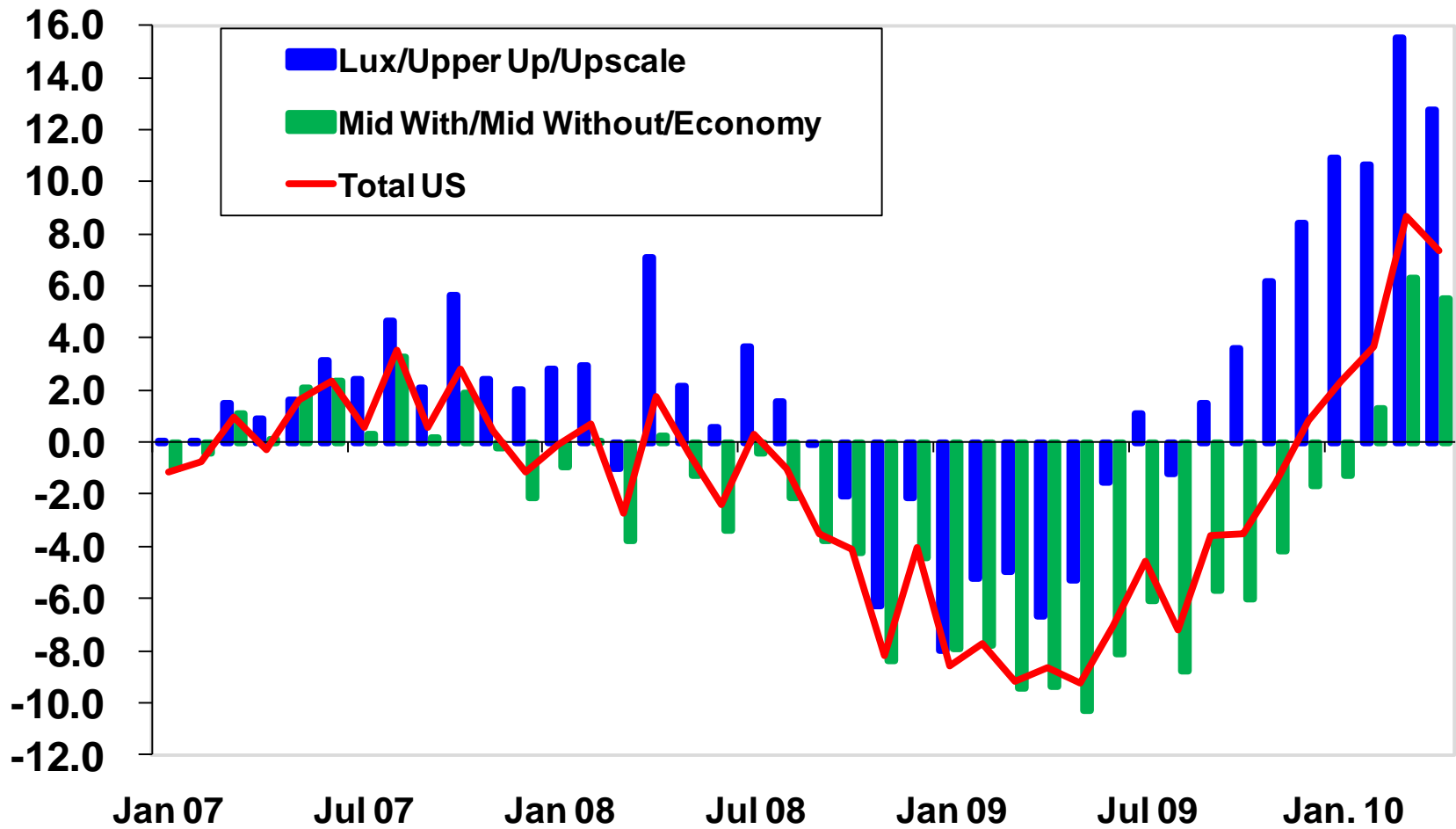
## US Key Performance Indicators Percent Change April 2010



## Chain Scales Occupancy / ADR Percent Change April 2010 YTD



## Appears To Be A Top Down Recovery...

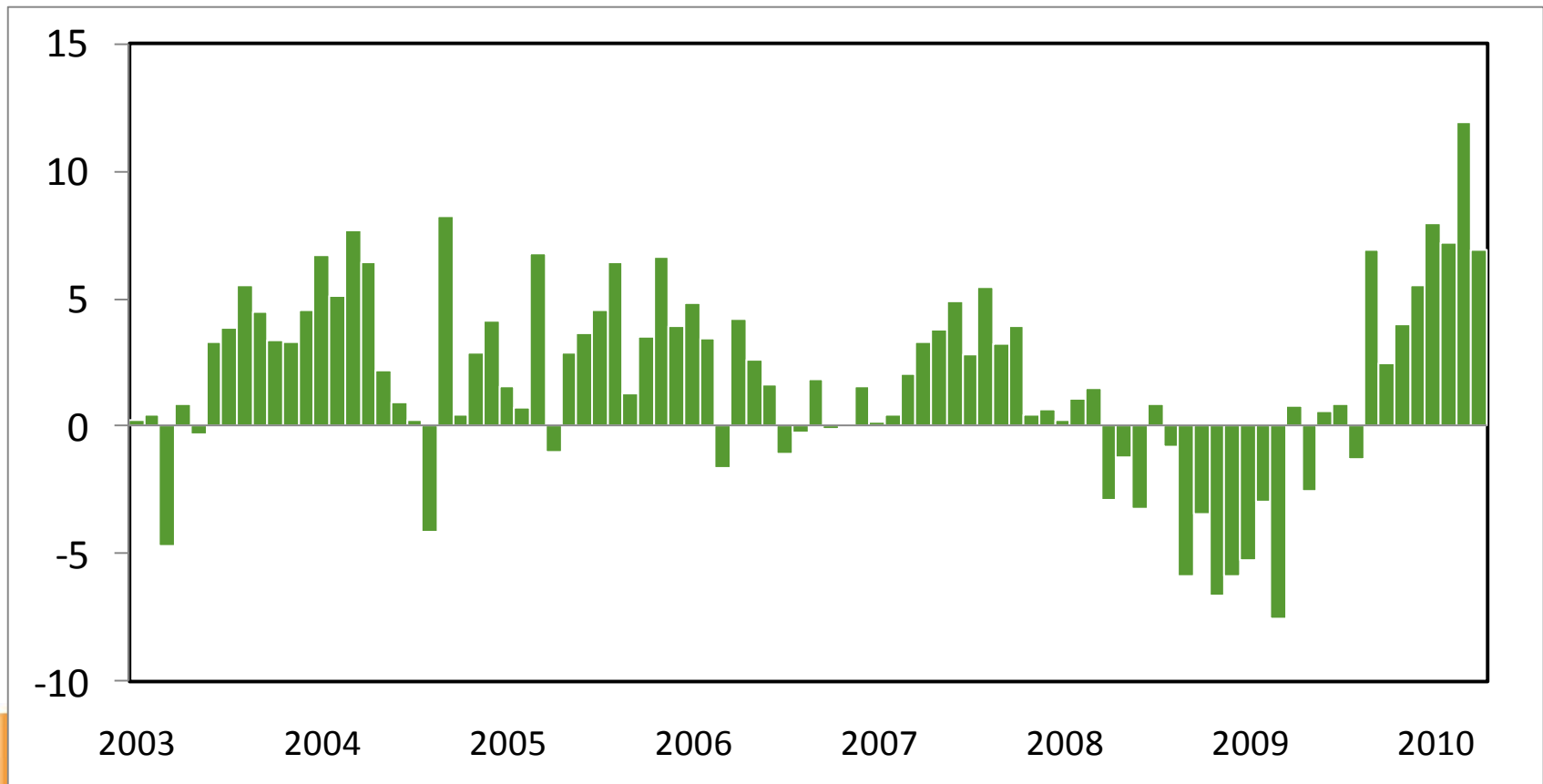


U.S. Chain Scales  
Demand % Change by Month through April 2010

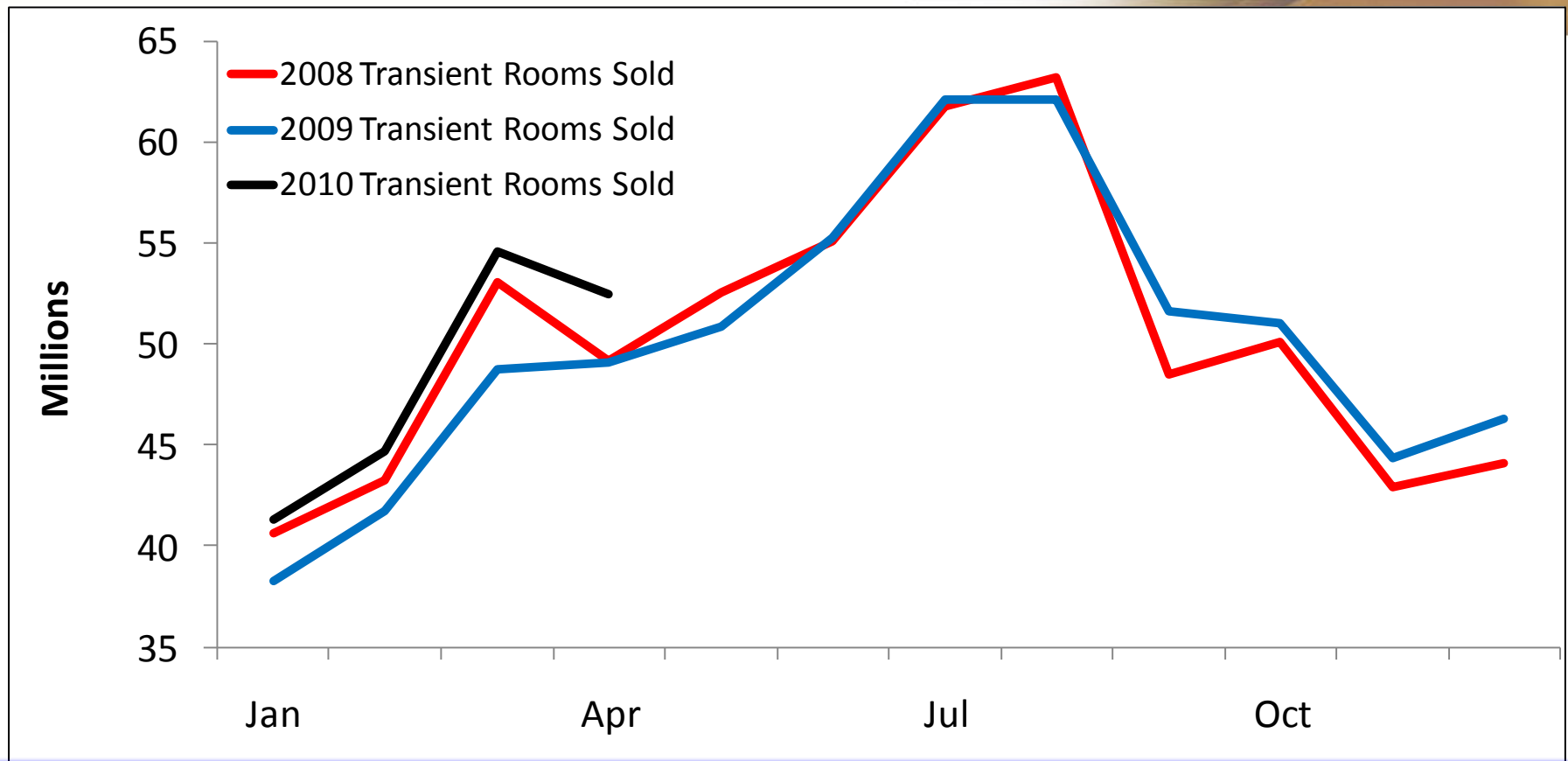
Source: Smith Travel Research



## Total United States – Transient Segment Room Demand Percent Change Jan 2003 – April 2010



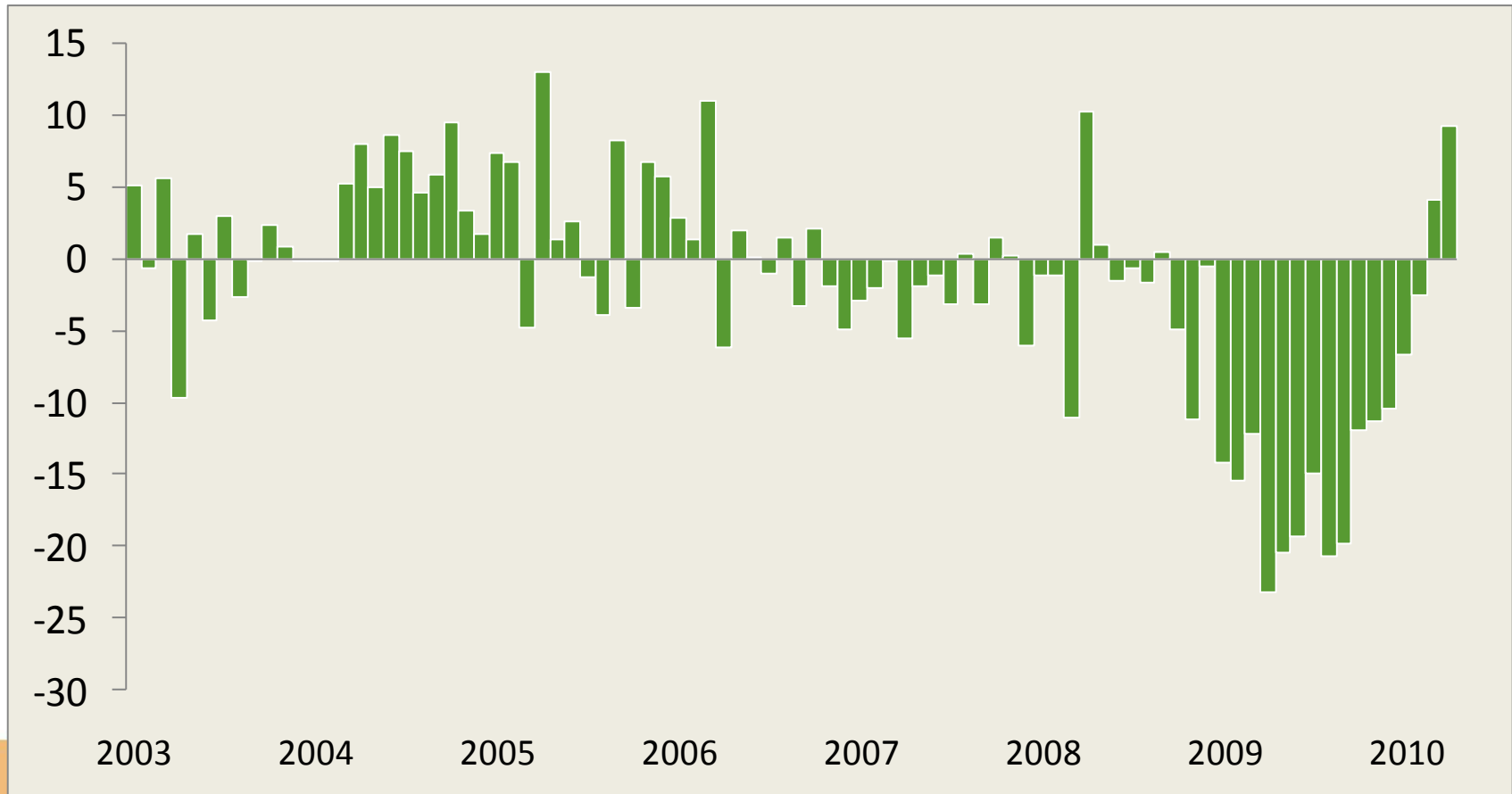
## Transient Room Demand Recovering



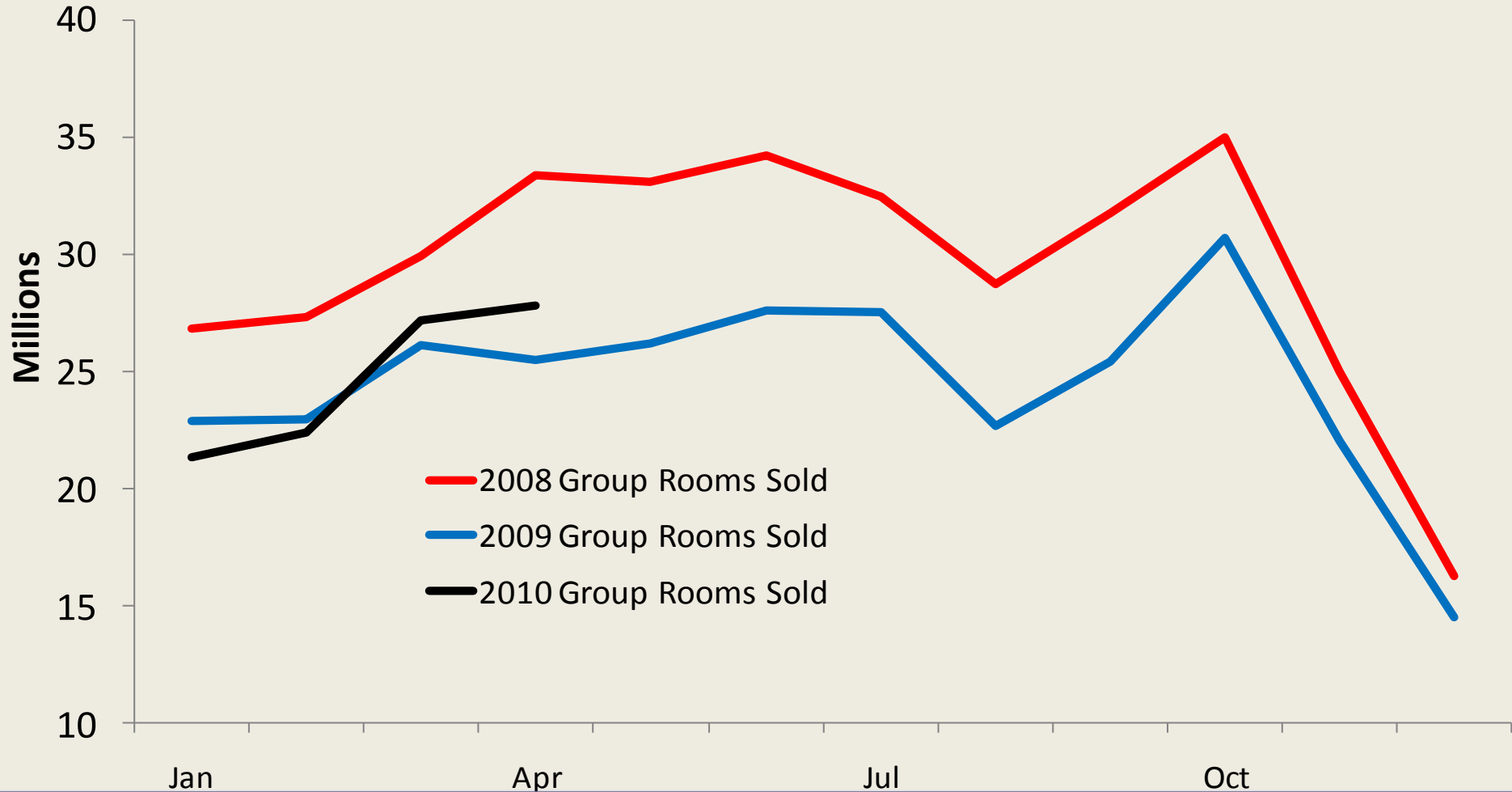
**Total United States**  
**Upper Tier Hotels = Luxury / Upper Upscale Chains & Upper Tier Independents**



# Total United States – Group Segment Room Demand Percent Change Jan 2003 – April 2010



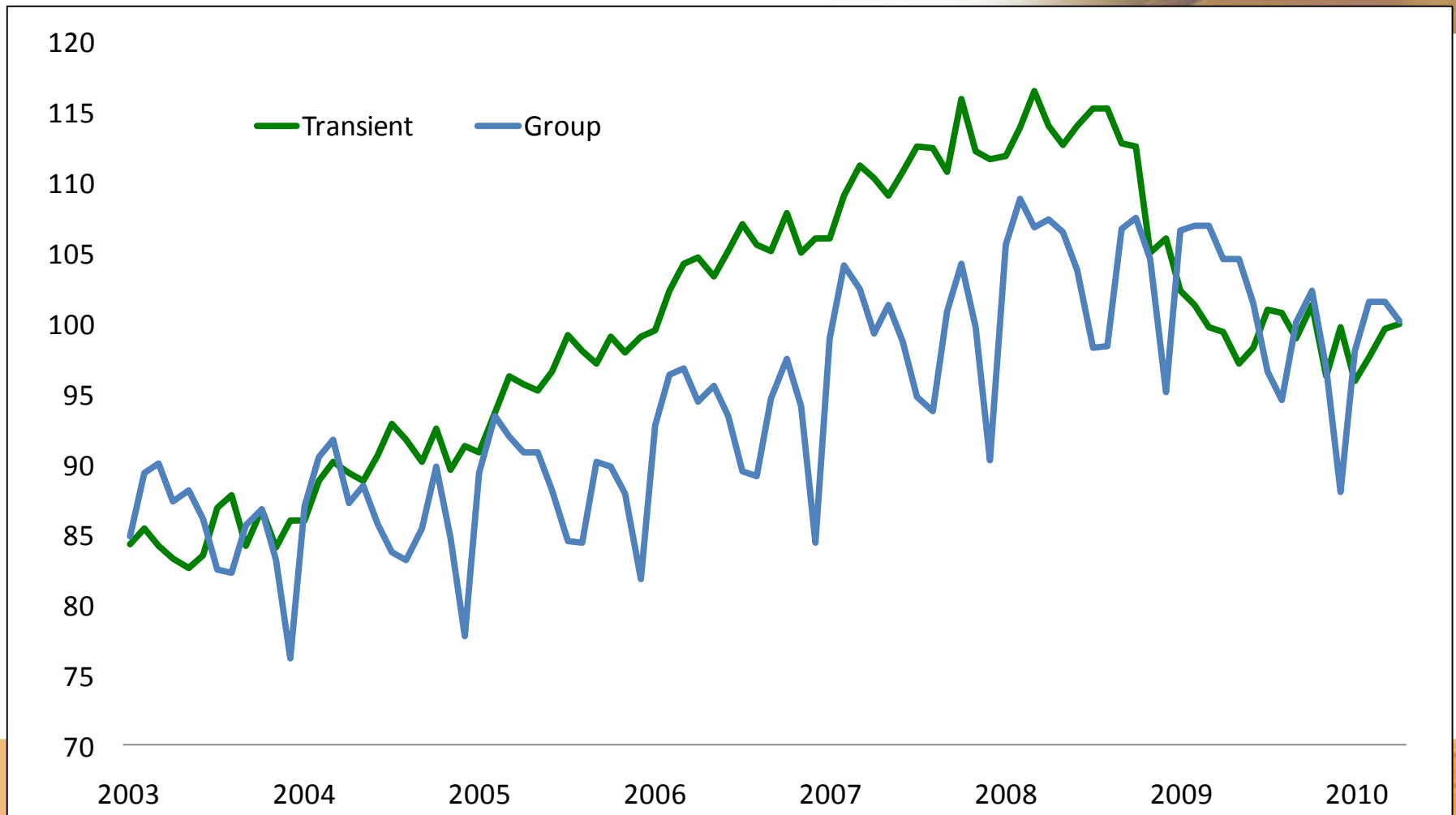
# Sluggish Group Room Demand Has Major Implications For The Industry



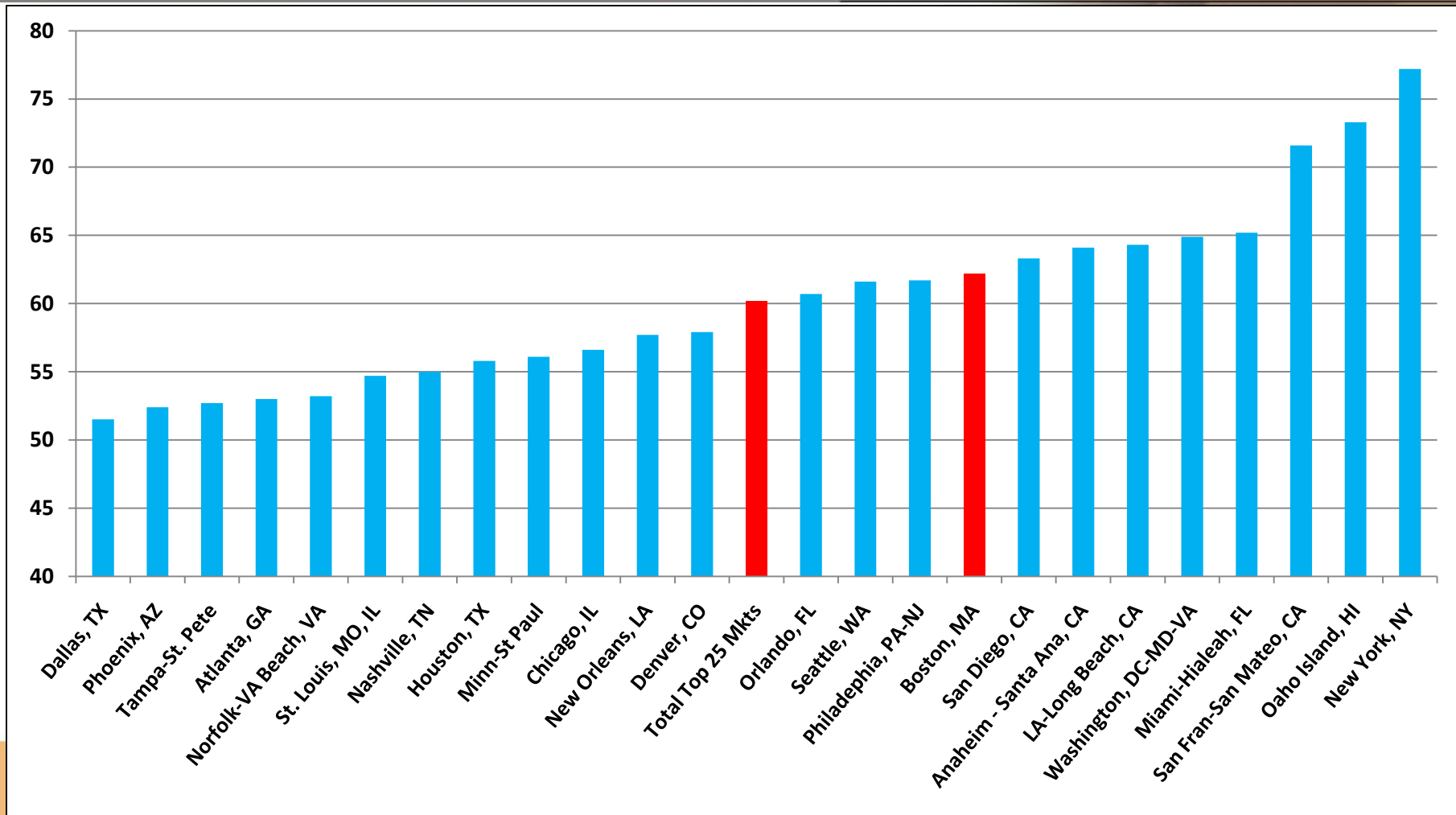
**Total United States**

**Upper Tier Hotels = Luxury / Upper Upscale Chains & Upper Tier Independent**

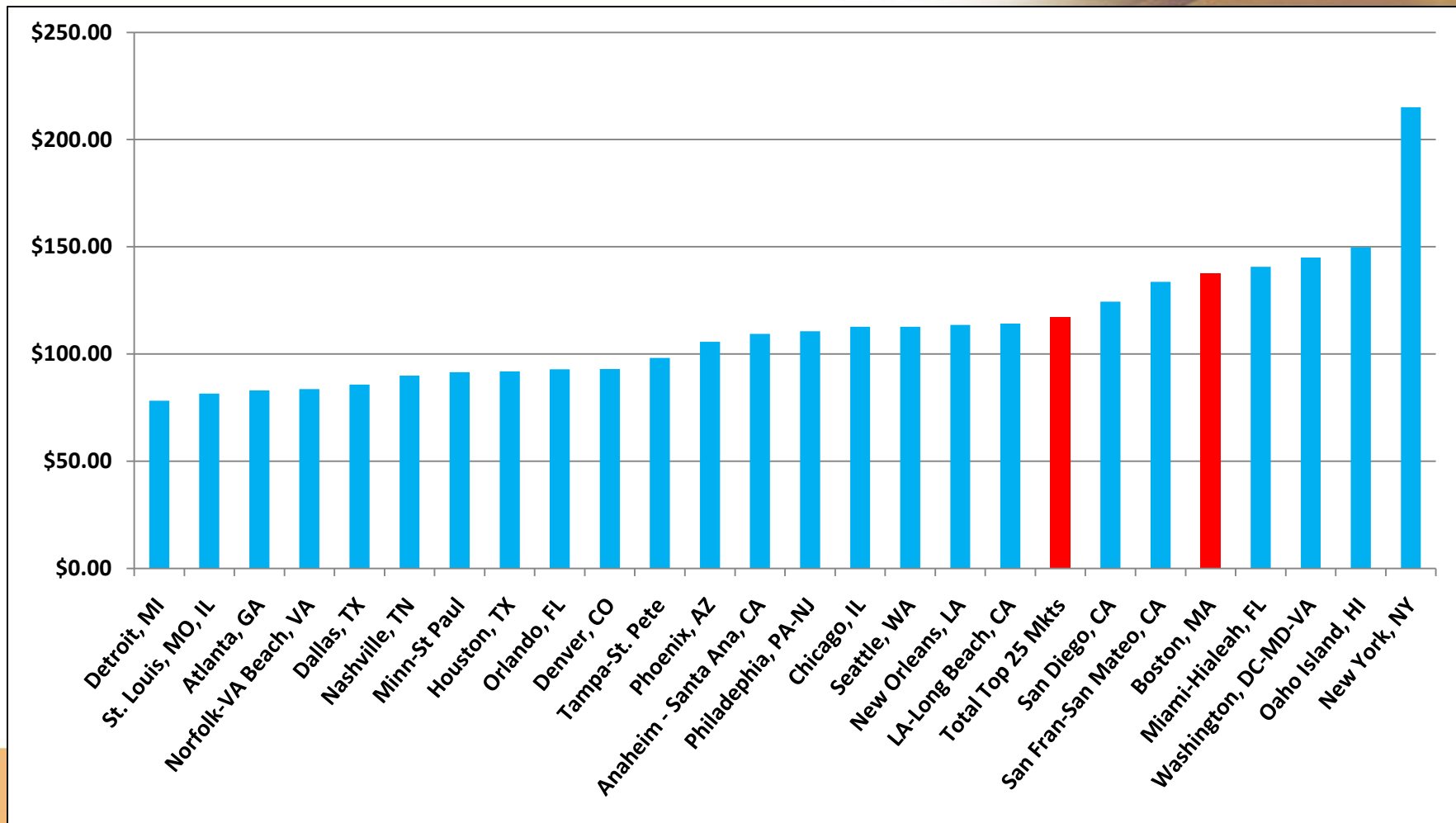
# Total United States – Transient vs. Group Monthly ADR (\$) Jan 2003 – April 2010



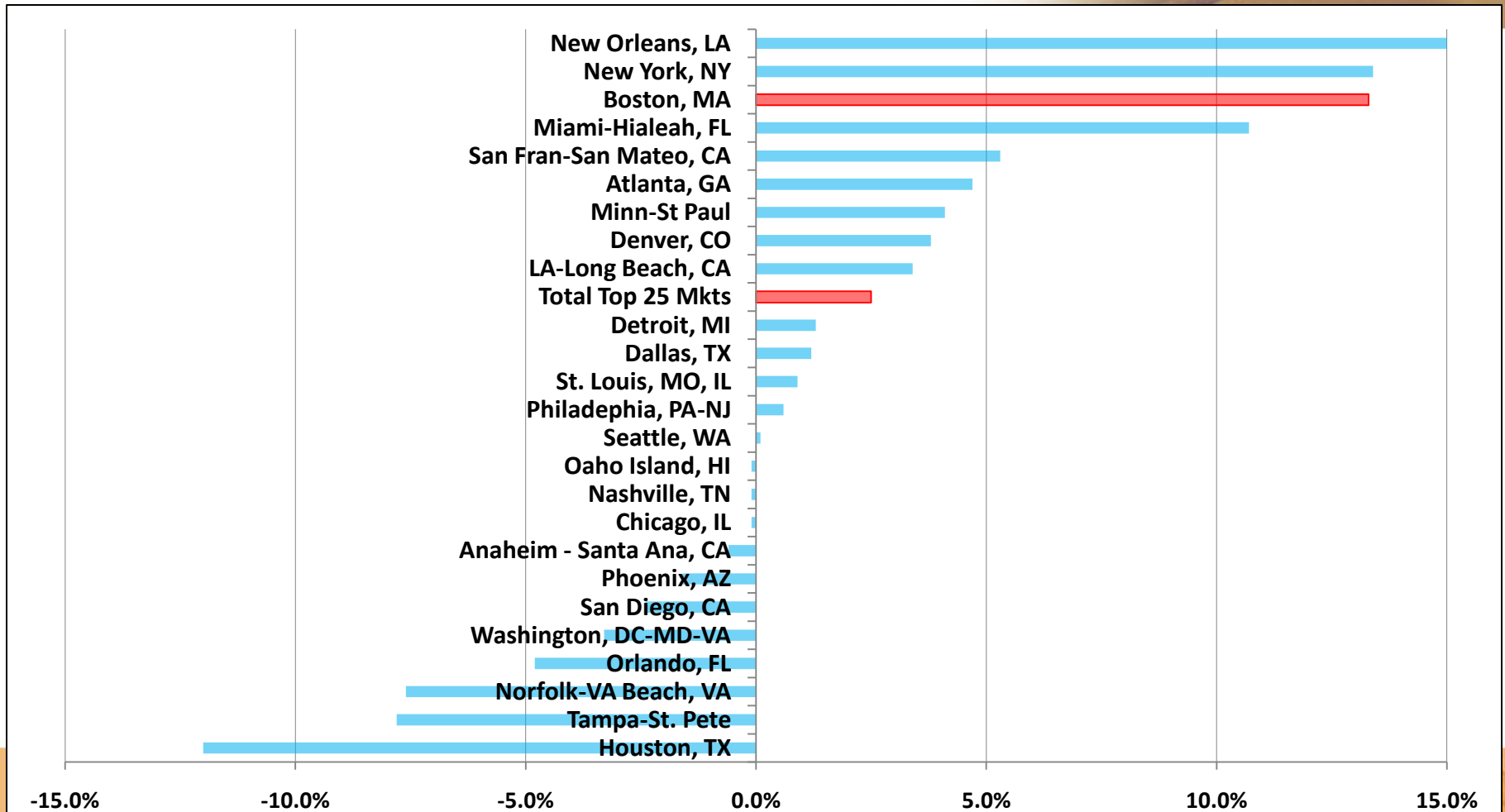
## Top 25 Market Areas – Occupancy Percent 2009



## Top 25 Market Areas – Average Daily Rate 2009



## Top 25 Markets RevPAR Percent Change May 2010 YTD

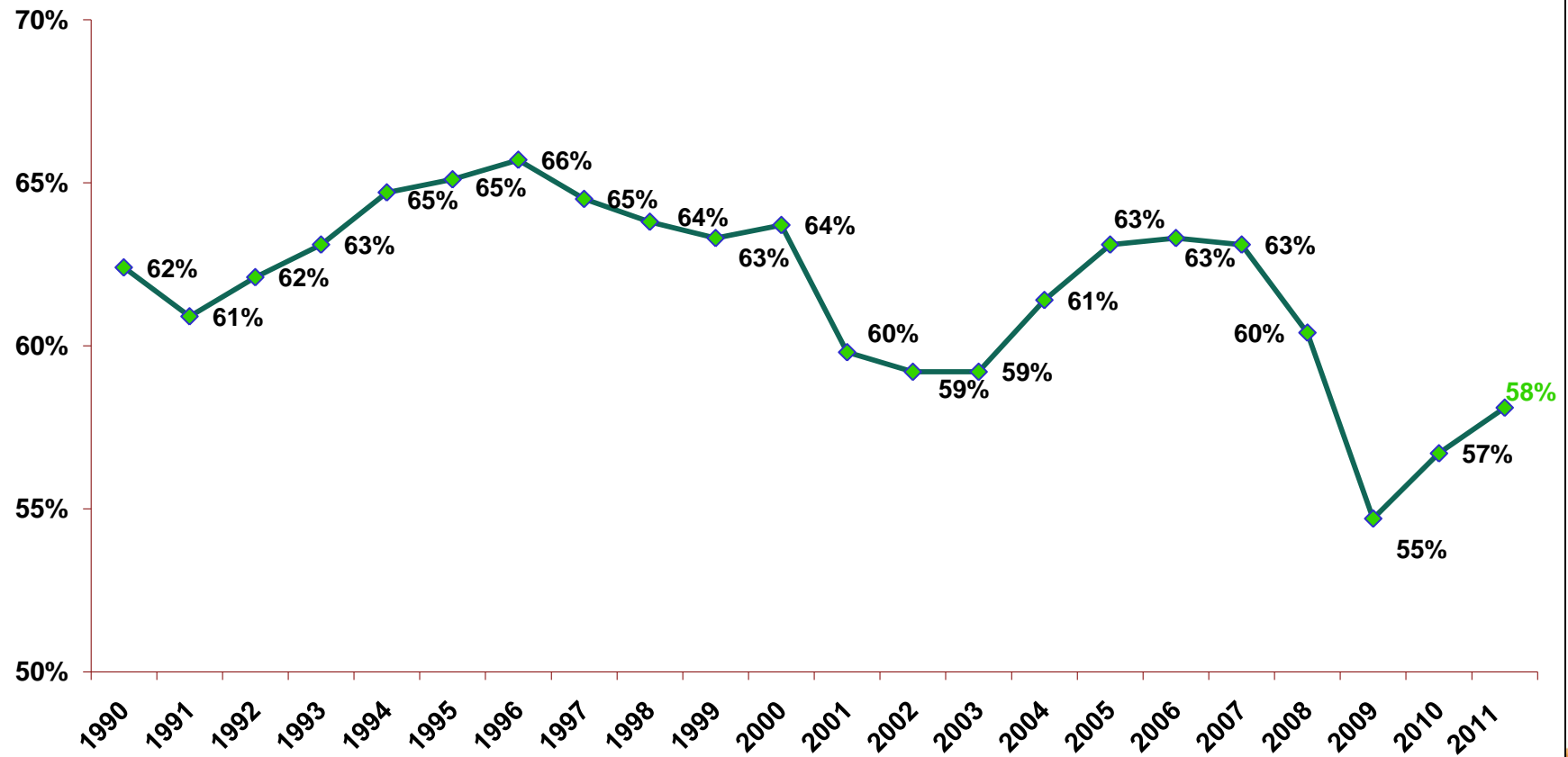




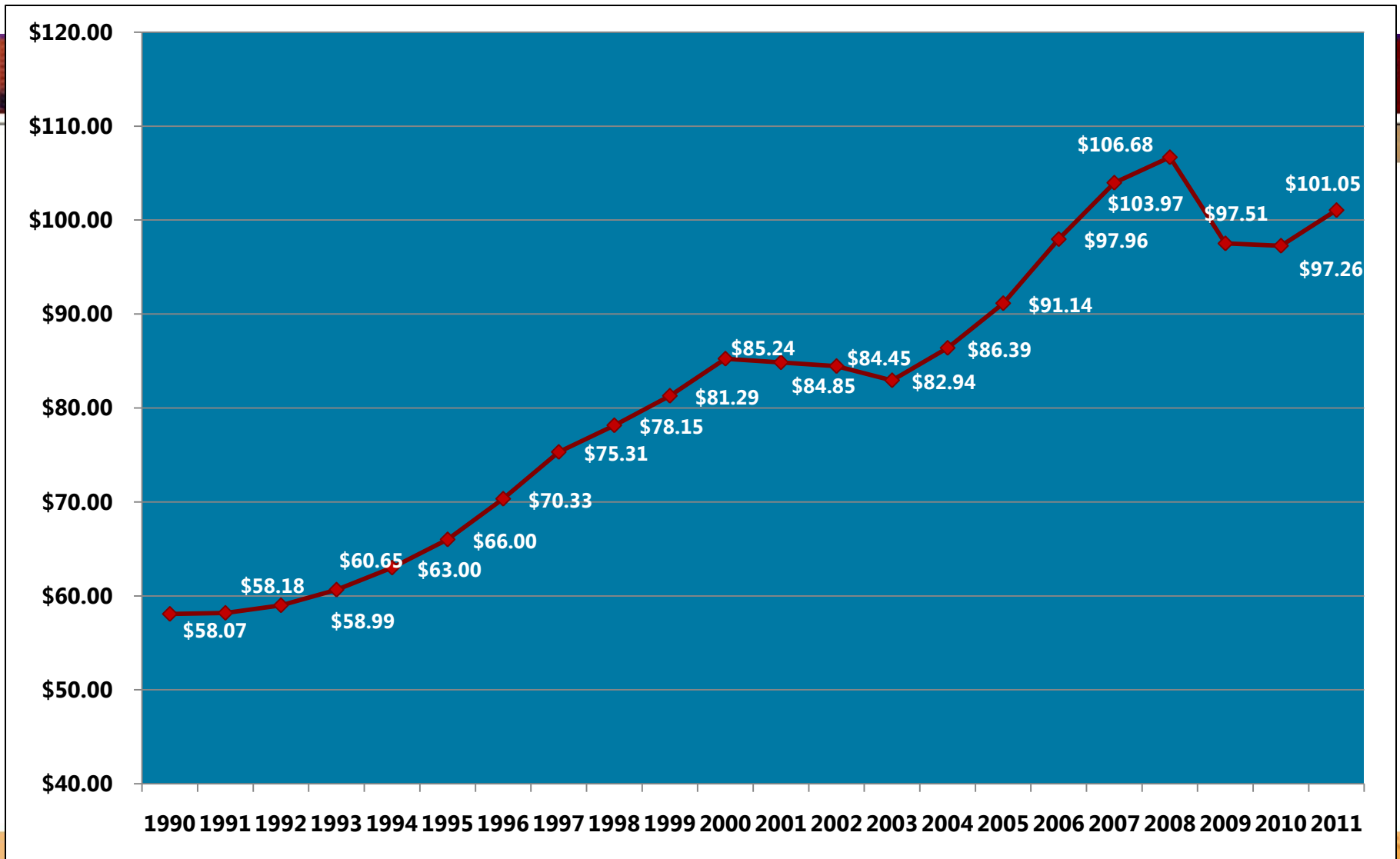
## Total United States Active Development Pipeline - Rooms Change From Last Year

<u>Phase</u>	<u>April 2010</u>	<u>April 2009</u>	<u>Difference</u>	<u>% Change</u>
In Construction	77,404	170,242	-92,838	-54.5%
Final Planning	72,723	65,641	7,082	10.8%
Planning	216,953	297,685	-80,732	-27.1%
Active Pipeline	367,080	533,568	-166,488	-31.2%
Pre-Planning	107,872	141,313	-33,441	-23.7%
Total	474,952	674,881	-199,929	-29.6%

## U.S. Occupancy 1990 – 2011(P)



# U.S. Average Daily Rate 1990 – 2011(P)





## U.S. RevPAR 1990 – 2011 (P)





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## 2009/2010 National Lodging Industry Takeaways

- Global Hotel Industry Recovers
- Demand is Back – Pricing is Not
- RevPAR Growth all Occupancy Driven
- Room Rate Growth Trajectory Will Determine Magnitude of Recovery



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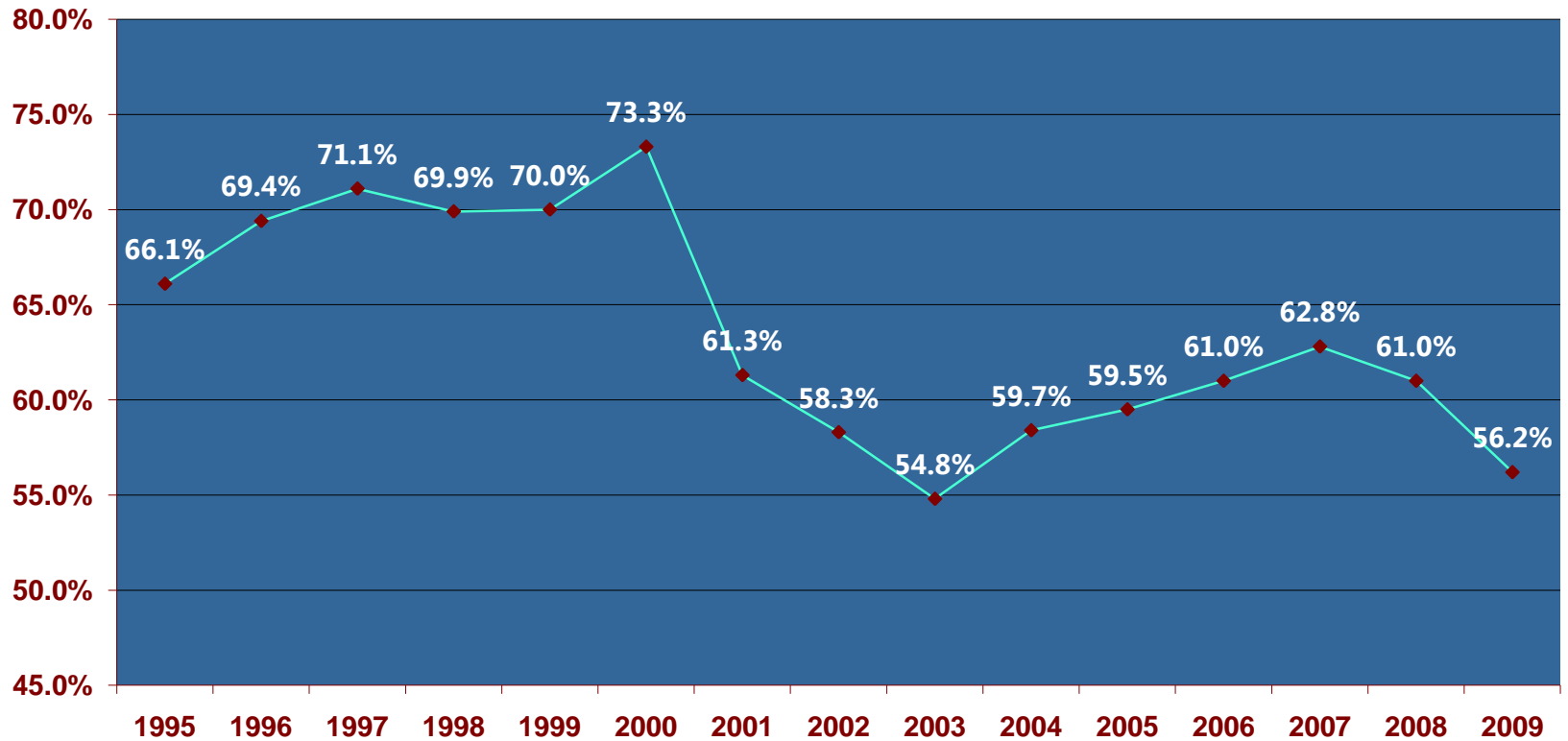
# SUBURBAN BOSTON LODGING MARKET





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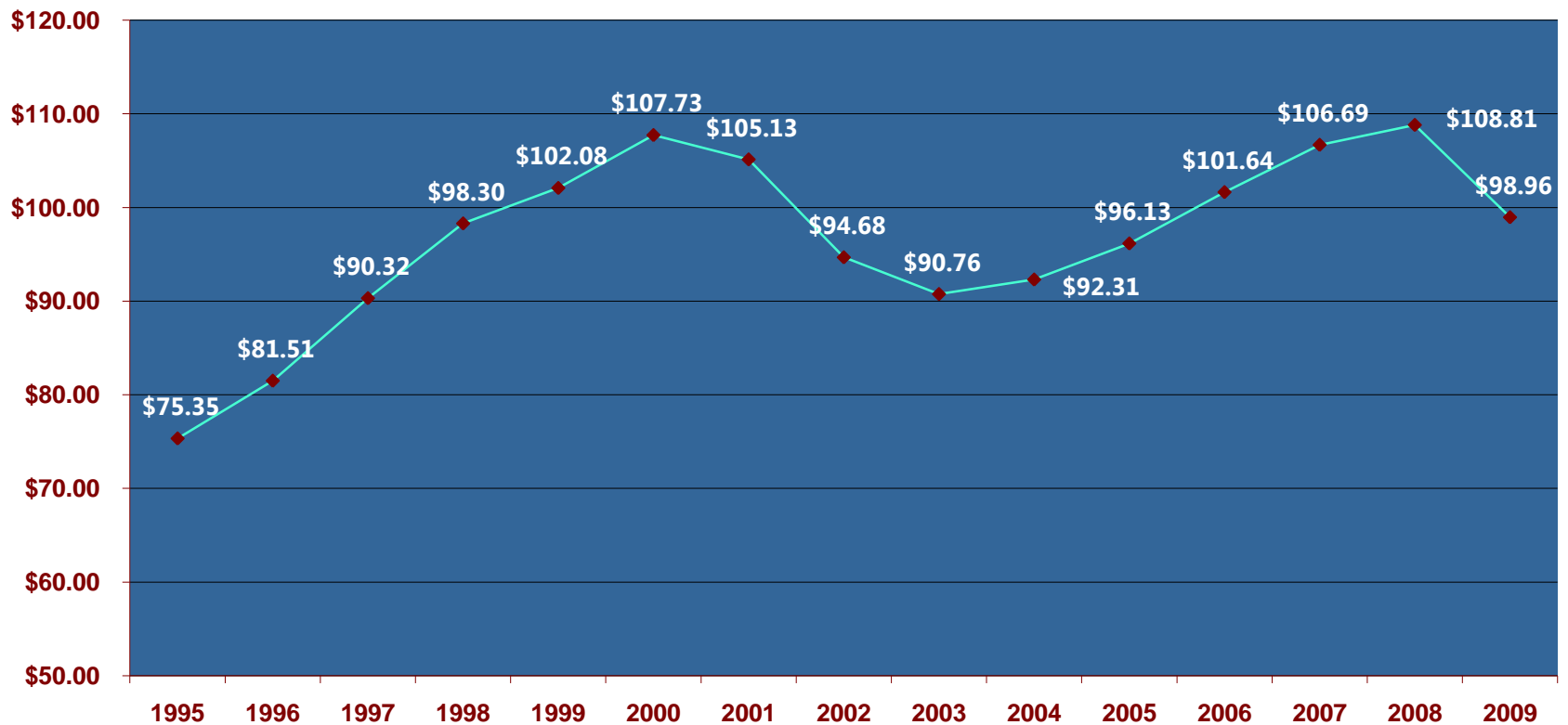
## Suburban Boston Occupancy 1995 - 2009



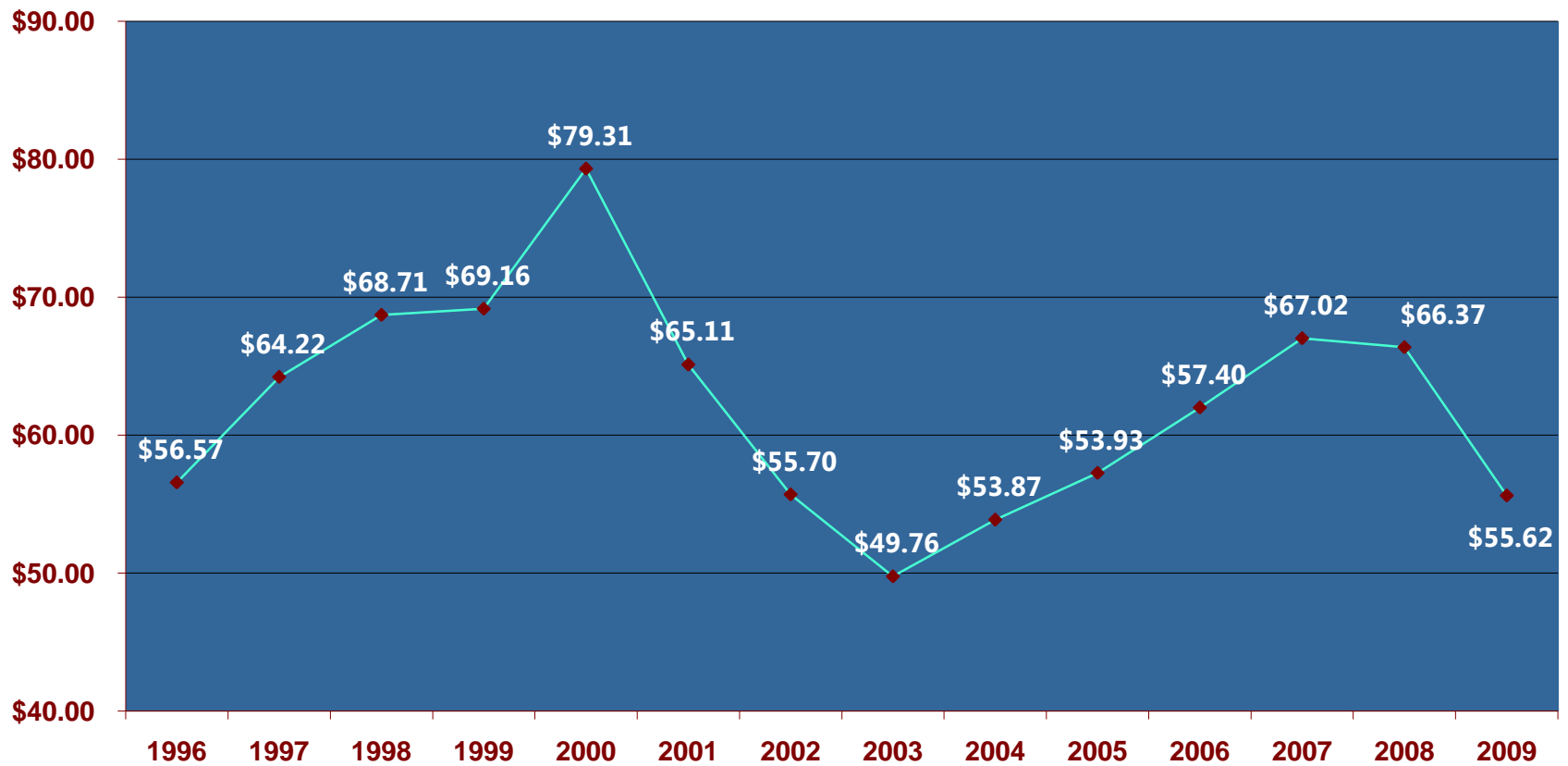


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## Suburban Boston Average Daily Rate 1995-2009

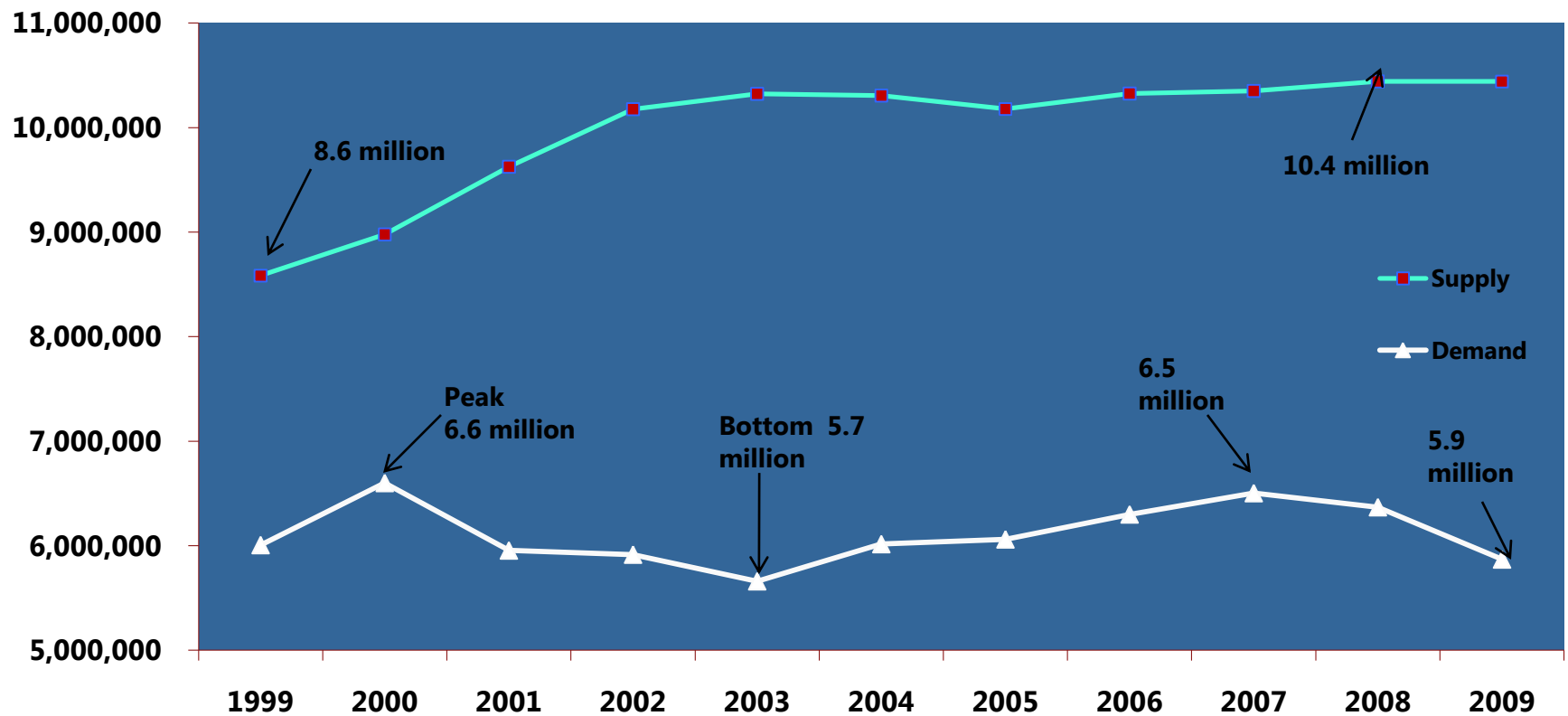


## Suburban Boston RevPAR 1996 - 2009





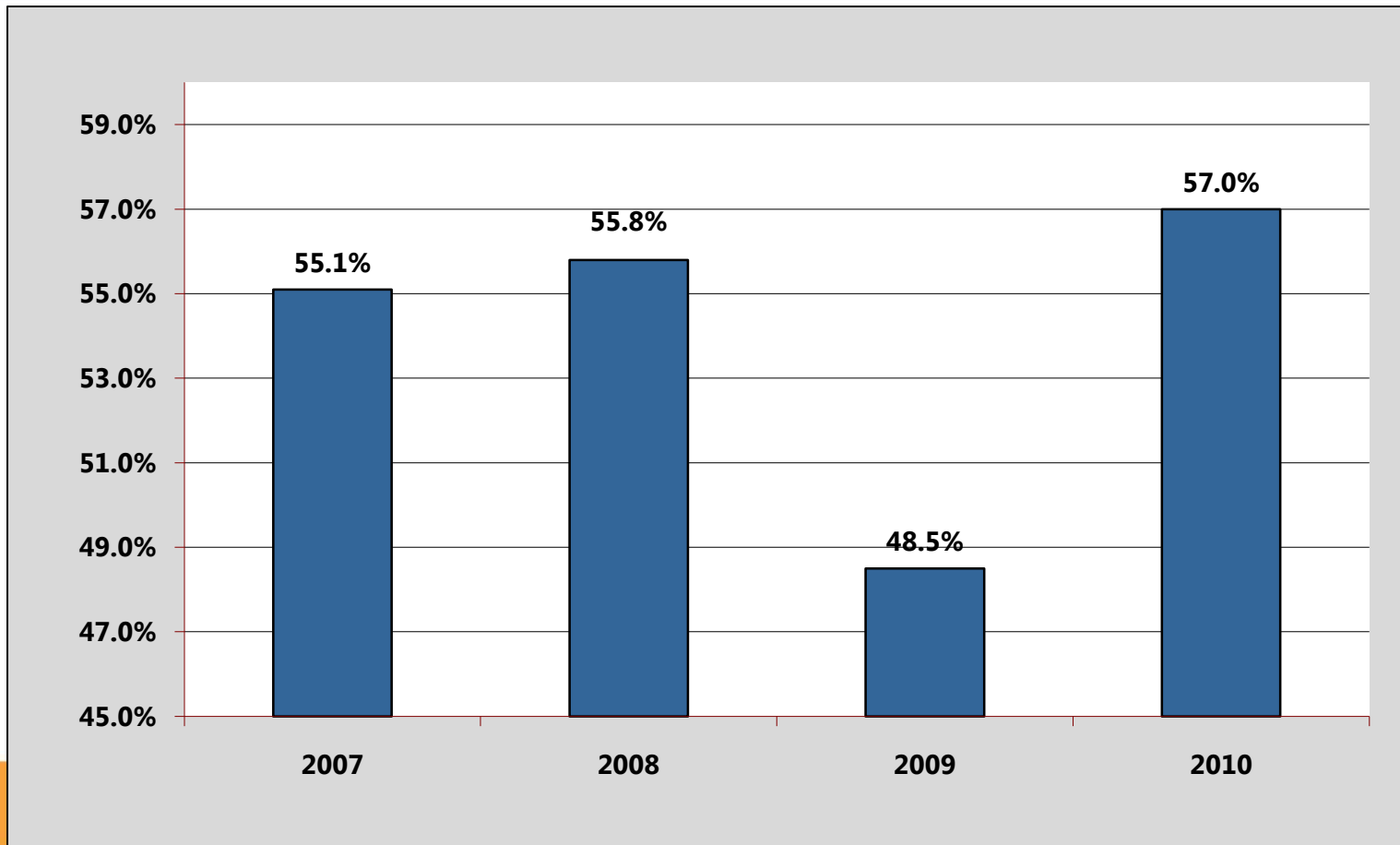
## Suburban Boston Supply and Demand 1999 - 2009





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## Suburban Boston Occupancy YTD May 2007-2010

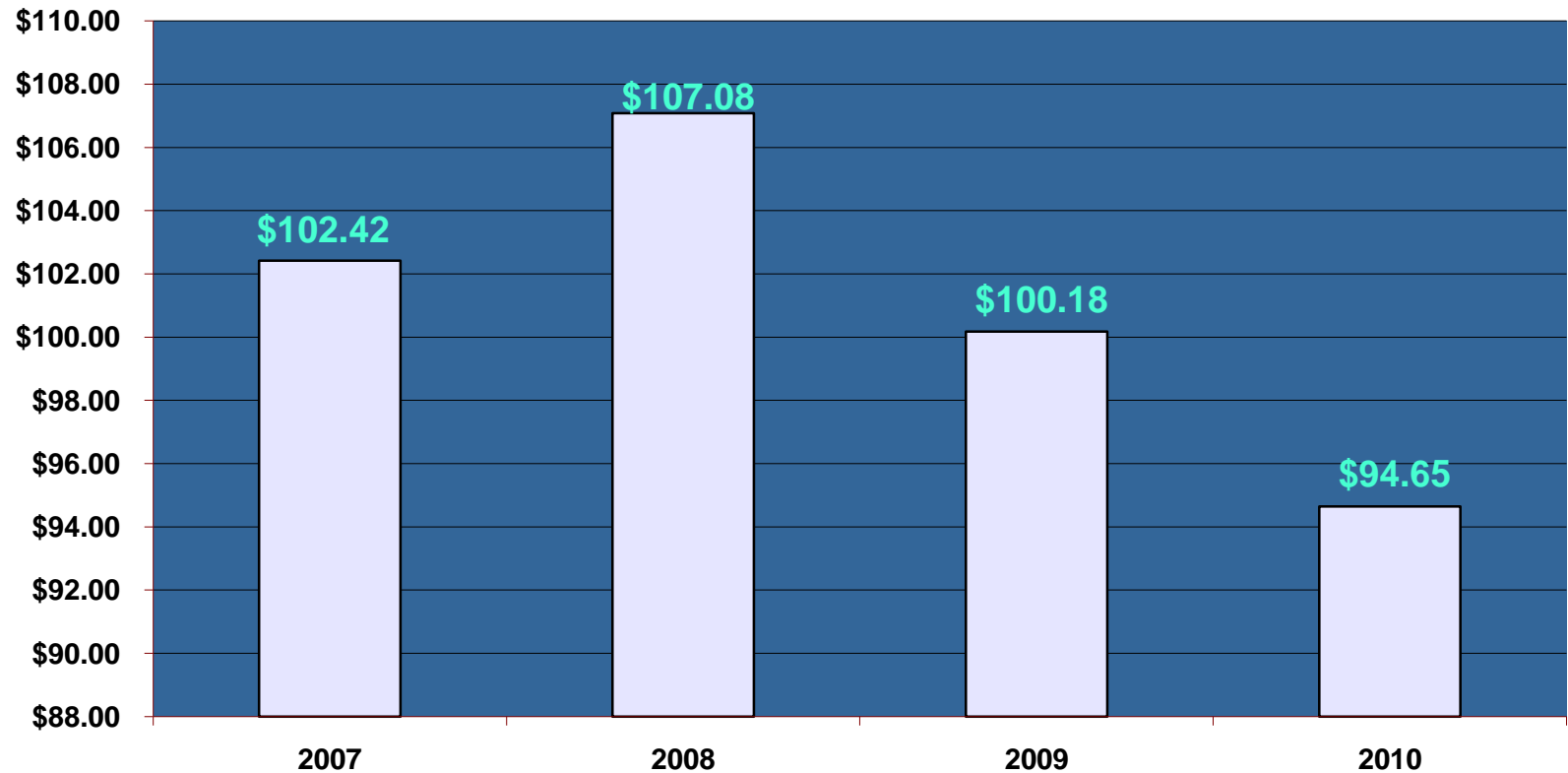






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## Suburban Boston Average Daily Rate YTD May 2007-2010

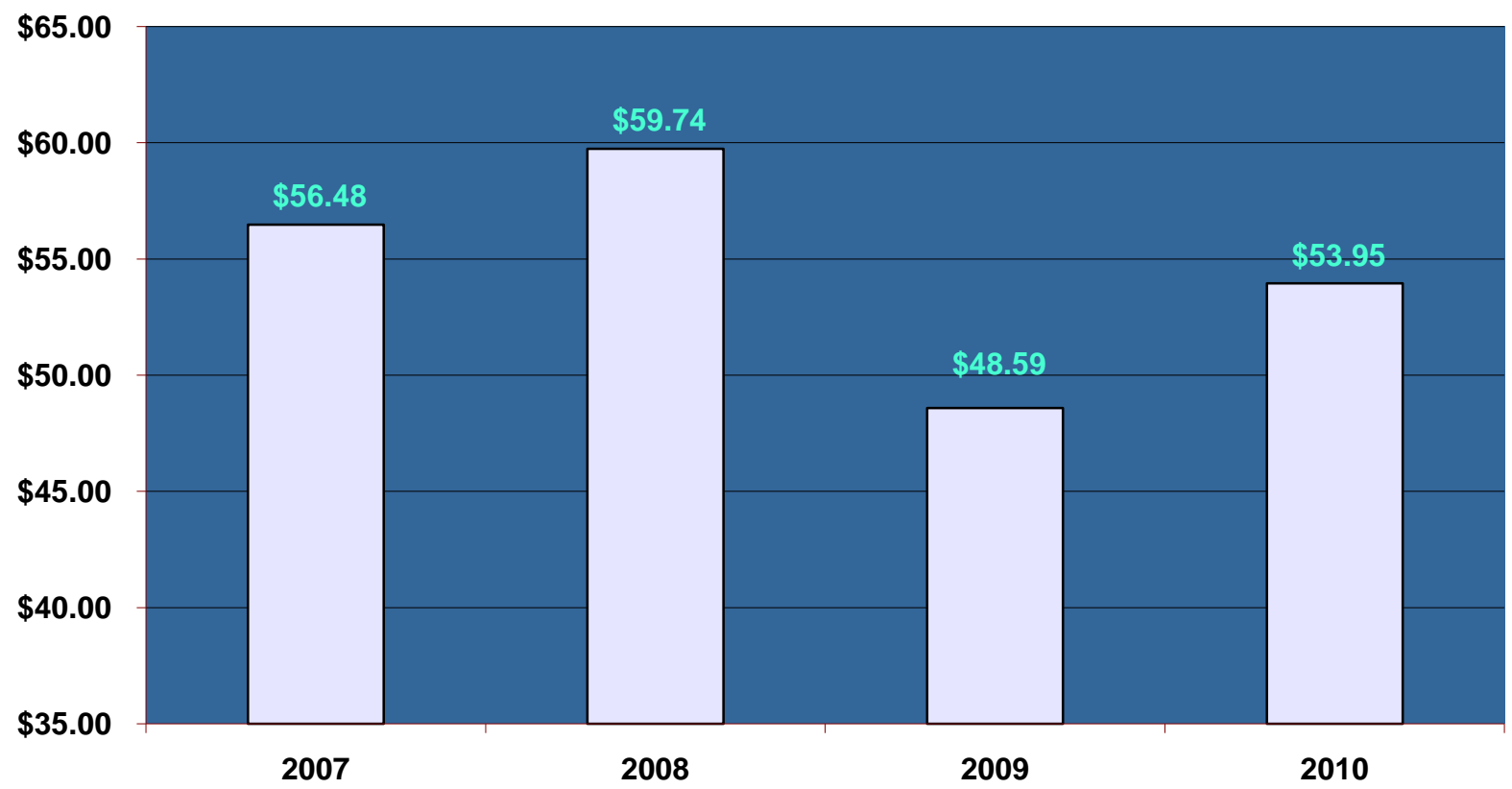






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## Suburban Boston RevPAR YTD May 2007-2010





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## Suburban Boston Supply Changes 2010/2011

Minimal Changes

- Closing for renovations
- Re-Branding



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## Suburban Boston Office Trends

	Square Feet Supply	Vacancy
Inner Suburbs	4.7 Million	11.6%
Route 128	60.2 Million	19.5%
Route 495	24.4 Million	24.2%

Source: As of March 31, 2010 (Colliers)



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## Suburban Boston Office Trends

- 1<sup>st</sup> Quarter 2010 marked 7<sup>th</sup> consecutive quarter of net negative absorption
  - Labor markets are stabilizing
- Jobs lost during recession won't occur until mid-late 2012
  - Vacancy rates will hover 20% for next 2 years
- Technology based companies most bullish on hiring



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## Suburban Boston 2010-2011

- Strong demand growth in Boston bodes well for the suburbs
- Minor compression in 2010
- Corporate transient demand is leading the recovery
- Recovery appears to be pushing out from Boston through Newton / Waltham
- No new supply
- No rate recovery until 2011
- Rate growth in 2011 will be dependent on RFP season





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## Suburban Boston Projections 2010

	2009	2010	% Change
Occupancy	56.2 %	62%	10.3%
Average Rate	\$98.96	\$97.00	-2%
RevPAR	\$55.62	\$60.14	8.1%





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## Suburban Boston Projections 2011

	2010	2011	% Change
Occupancy	62%	64%	10%
Average Rate	\$97.00	\$101.00	4.1%
RevPAR	\$60.14	\$64.64	7.5%



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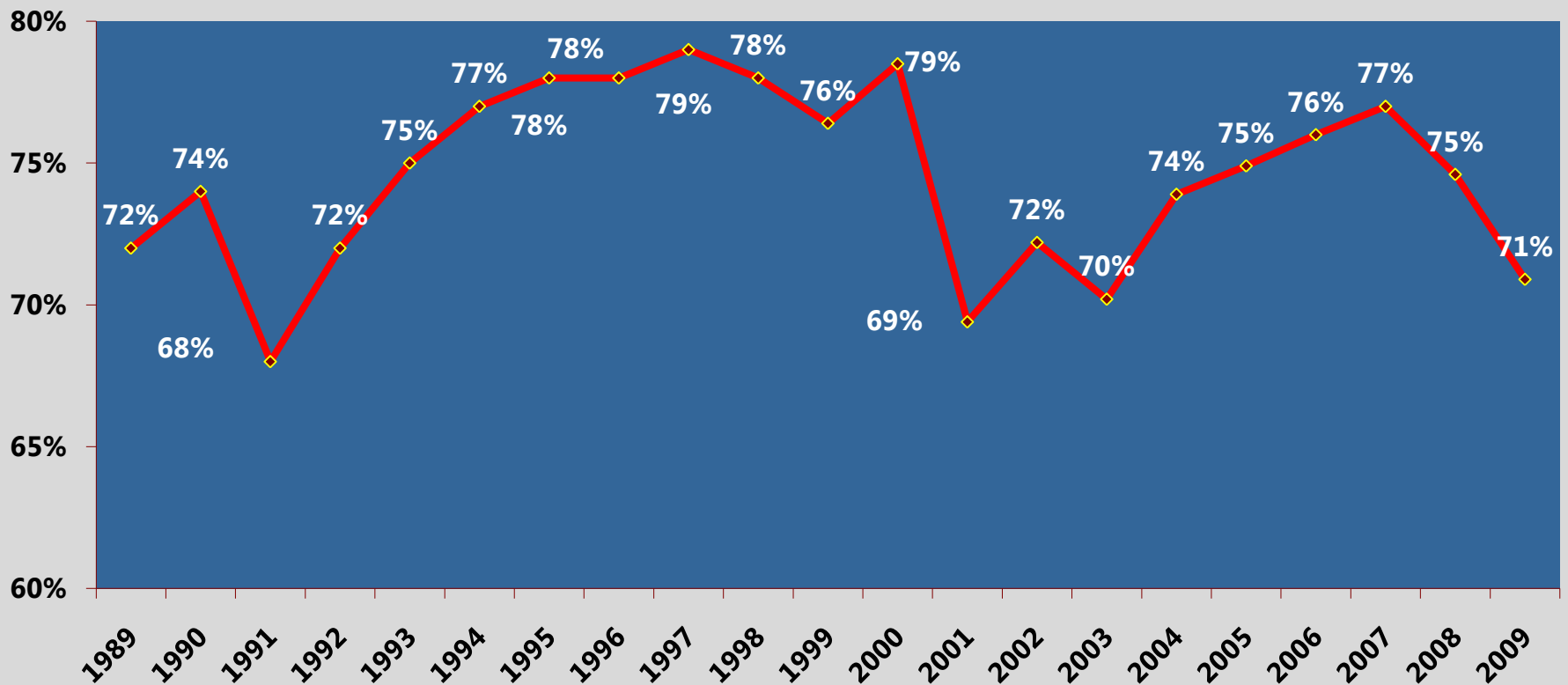
# BOSTON CAMBRIDGE LODGING MARKET

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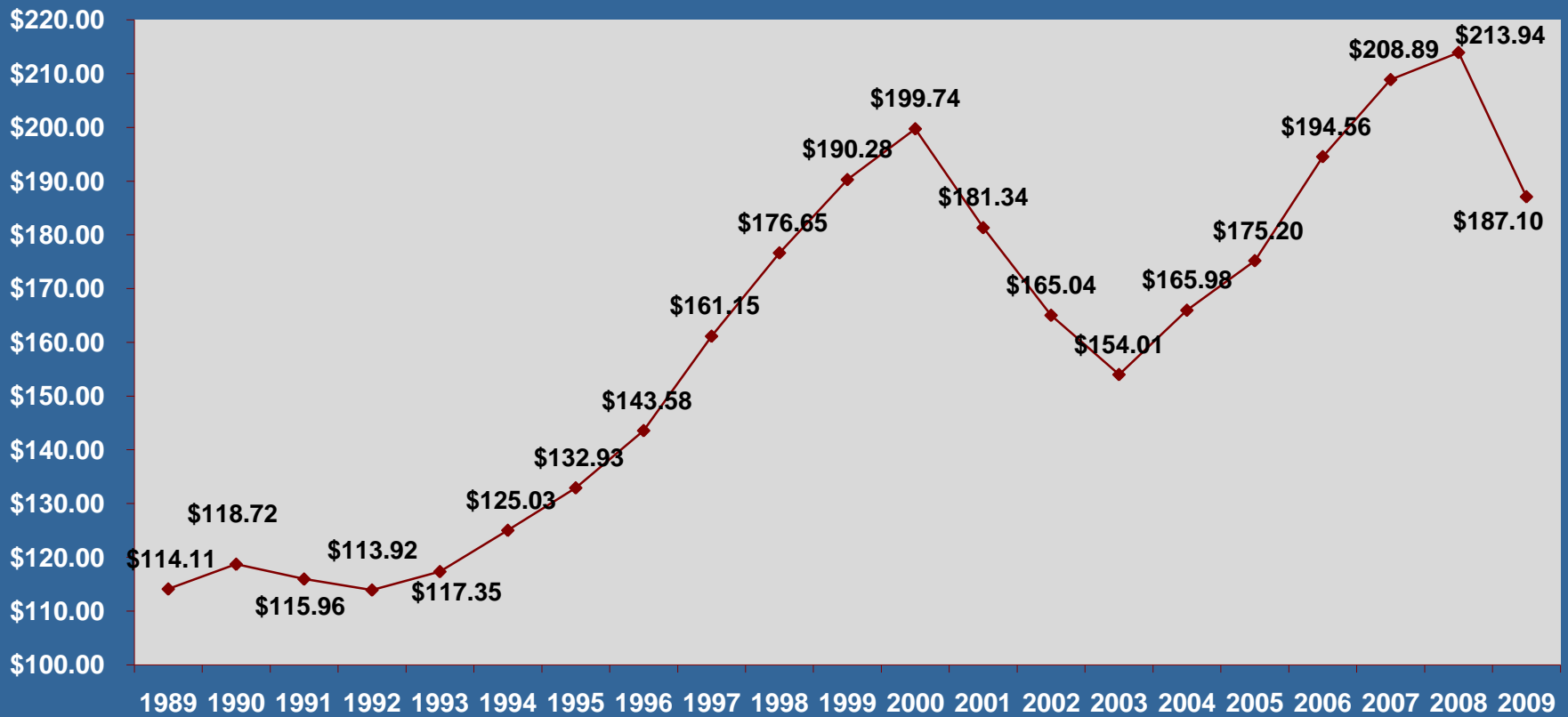
## Boston / Cambridge Occupancy 1989-2009



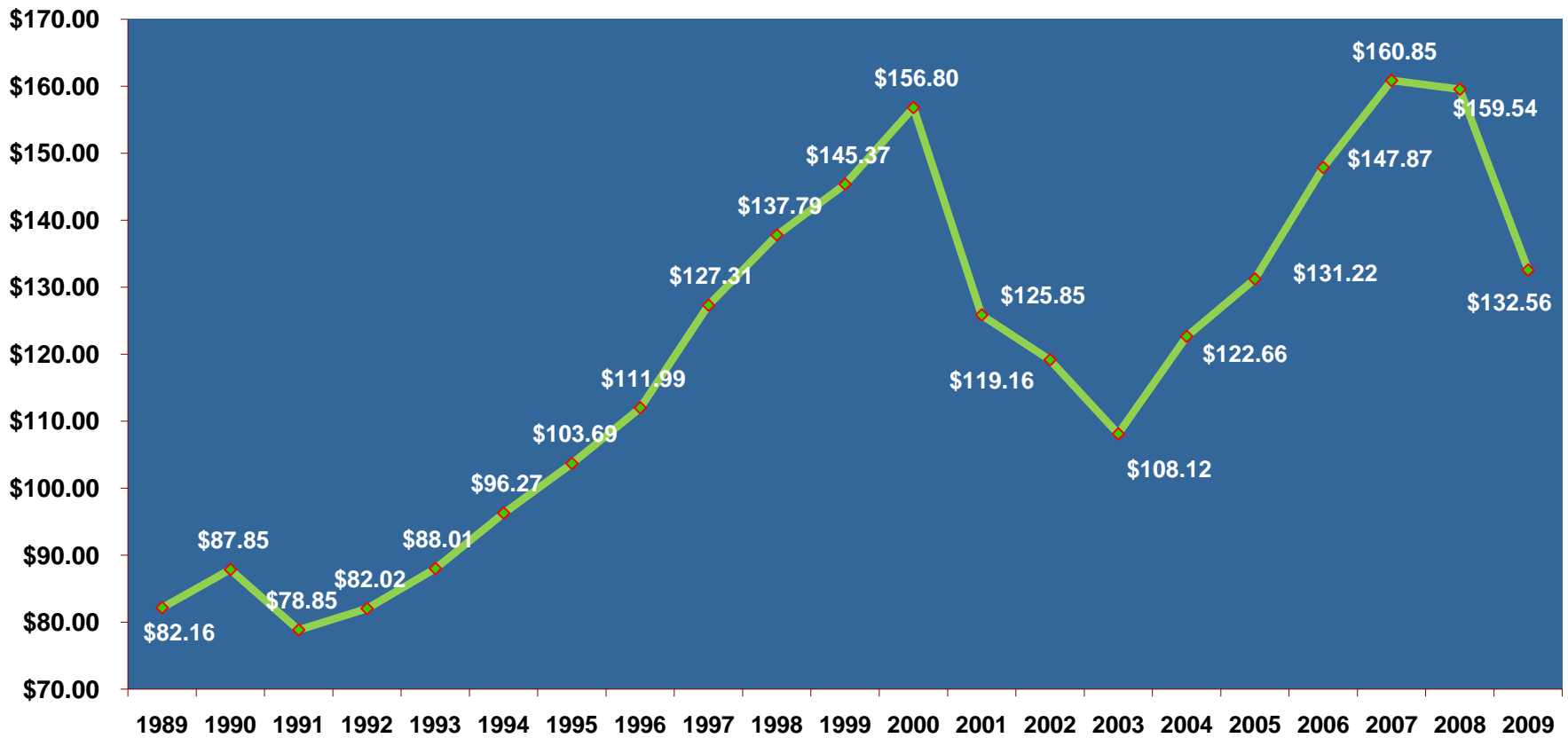


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## Boston / Cambridge ADR 1989-2009



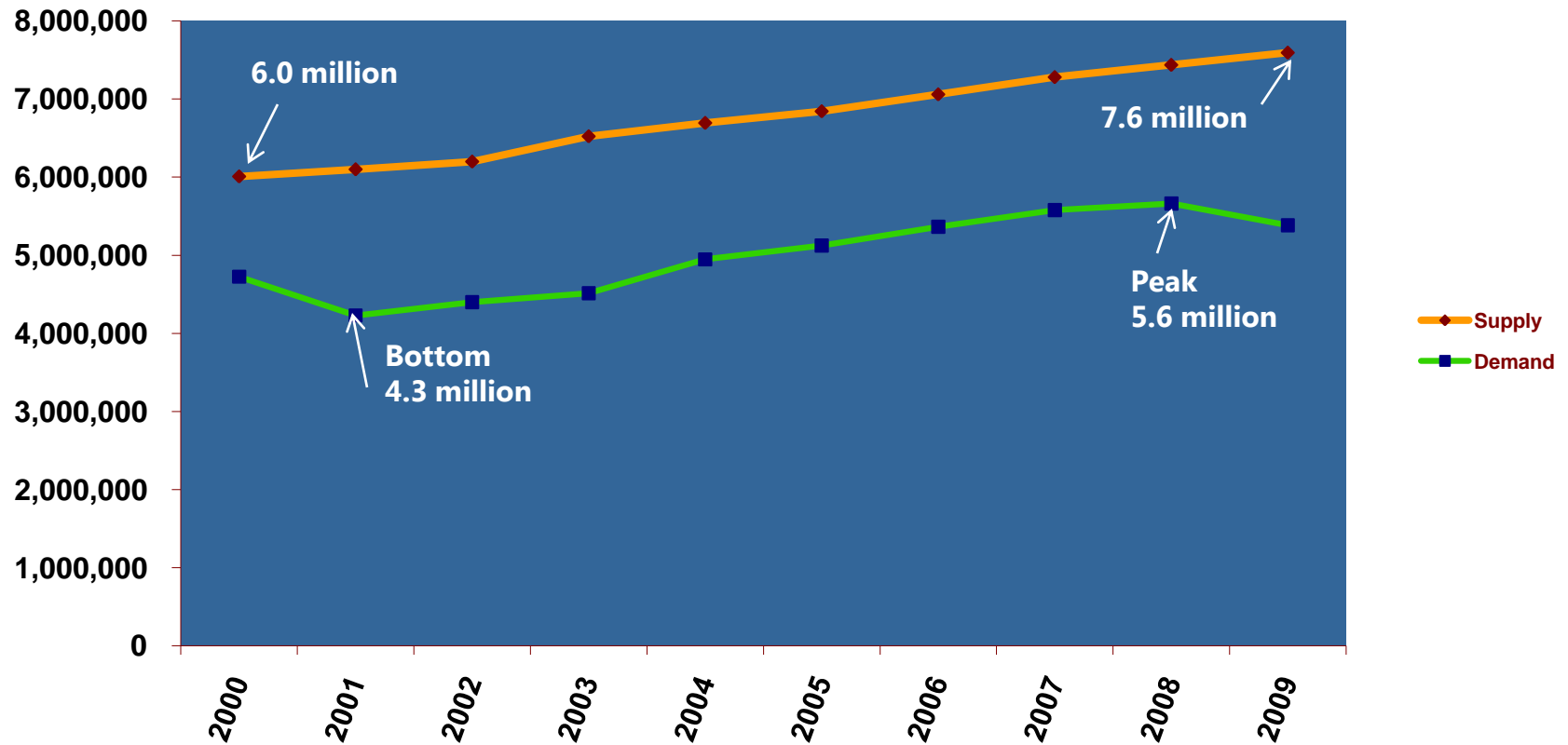
## Boston / Cambridge RevPAR 1989-2009







## Boston / Cambridge Supply and Demand 2000-2009

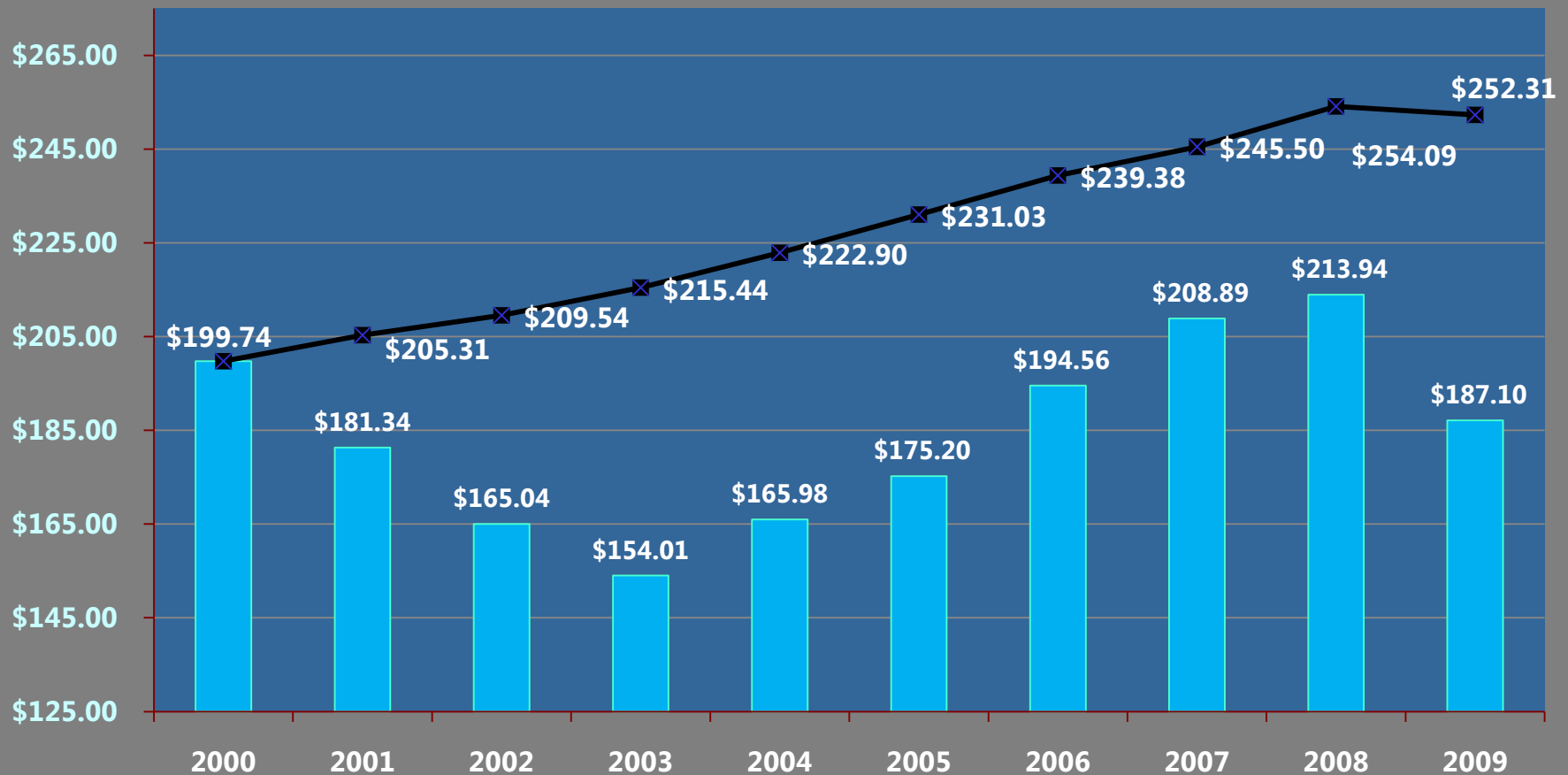






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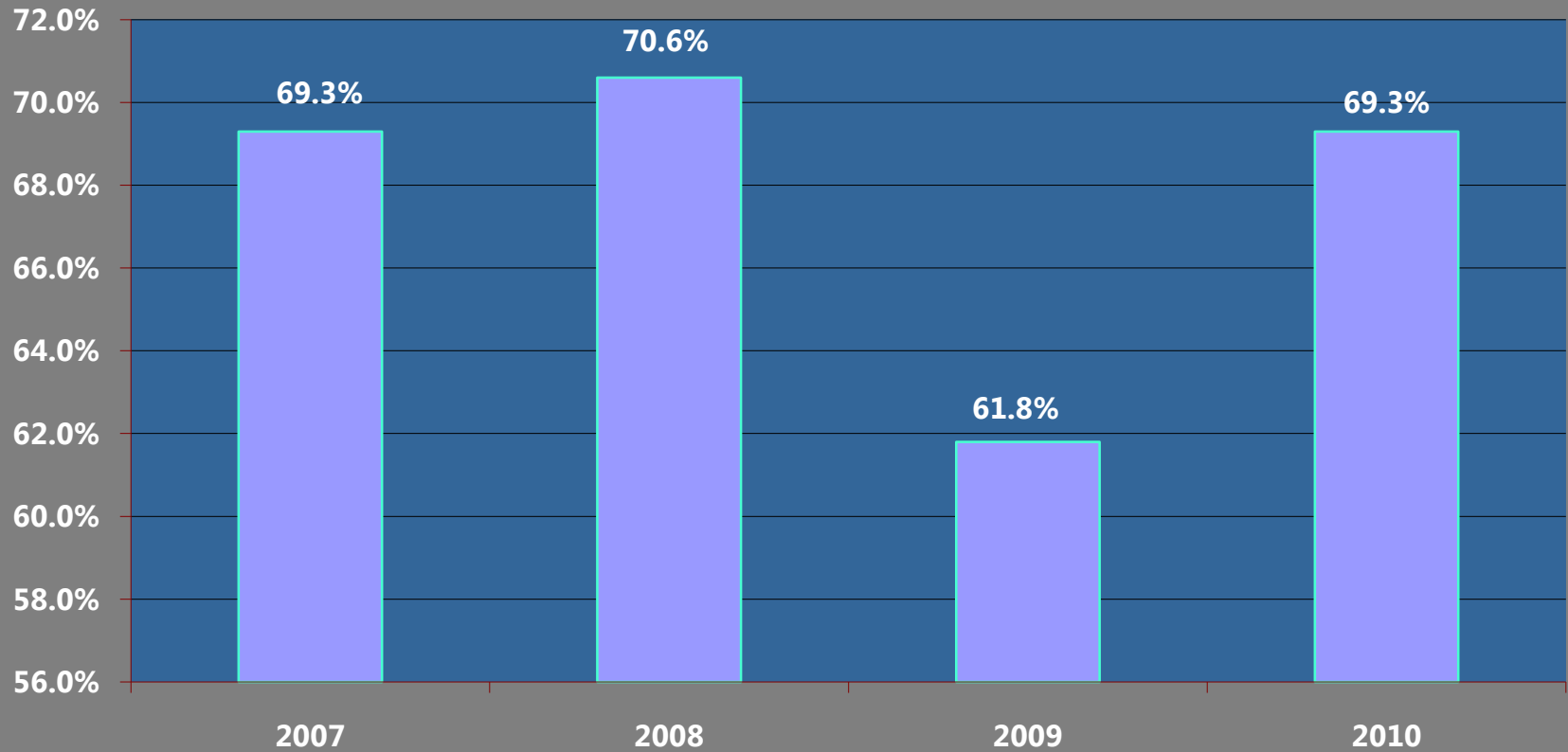
## Boston / Cambridge ADR versus Inflation Adjusted 2000-2009





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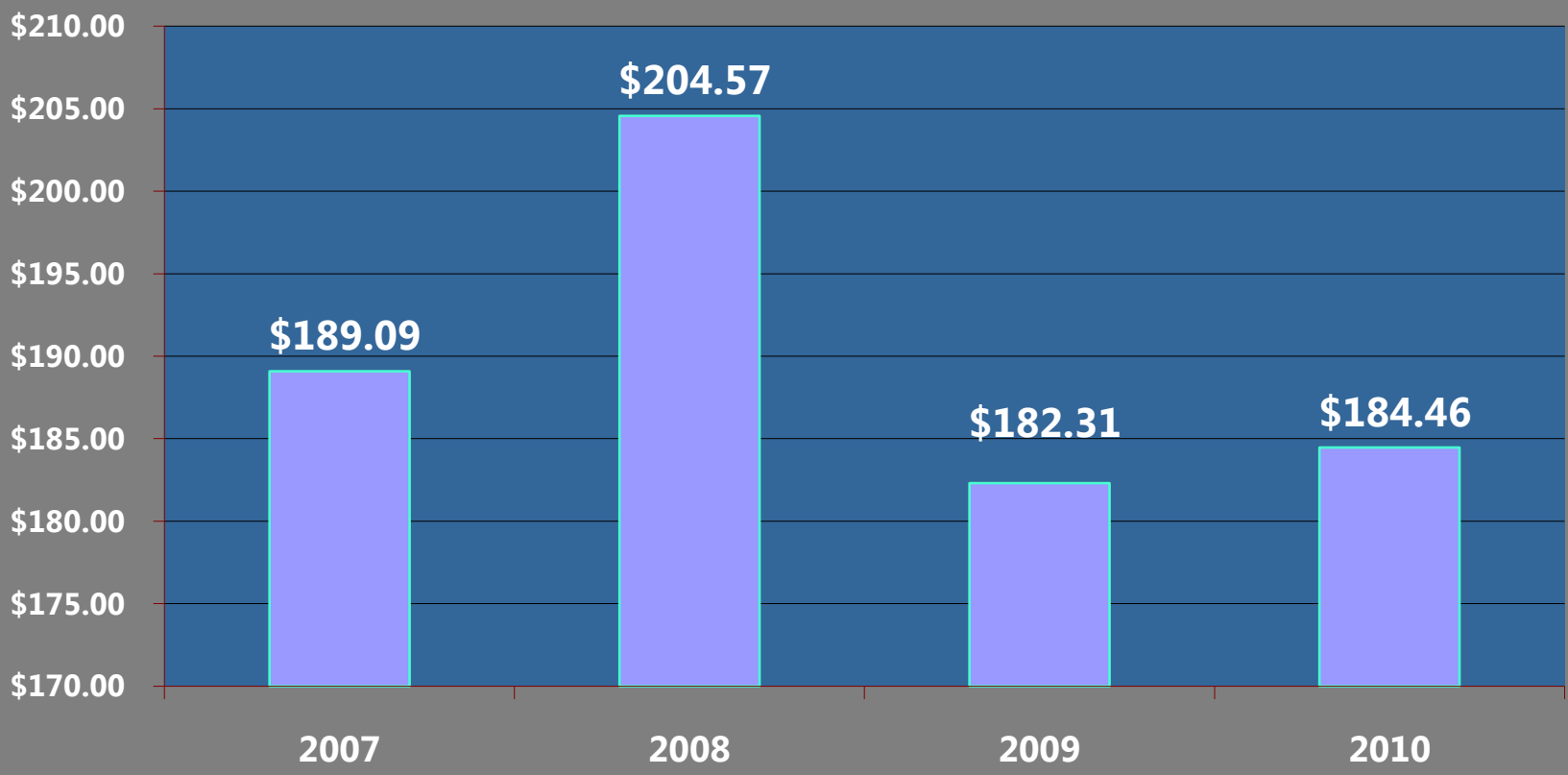
## Boston / Cambridge Occupancy YTD May 2007-2010





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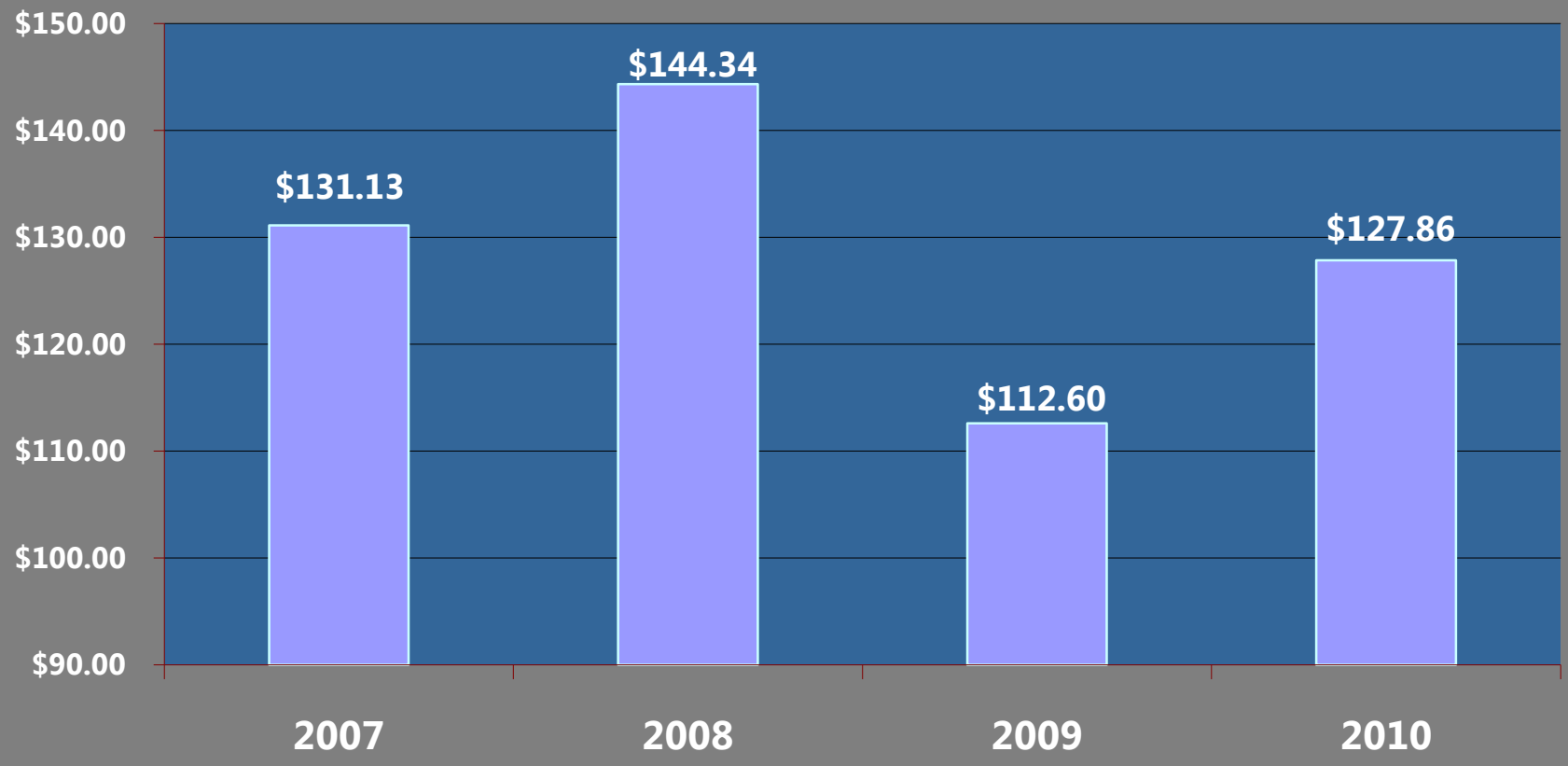
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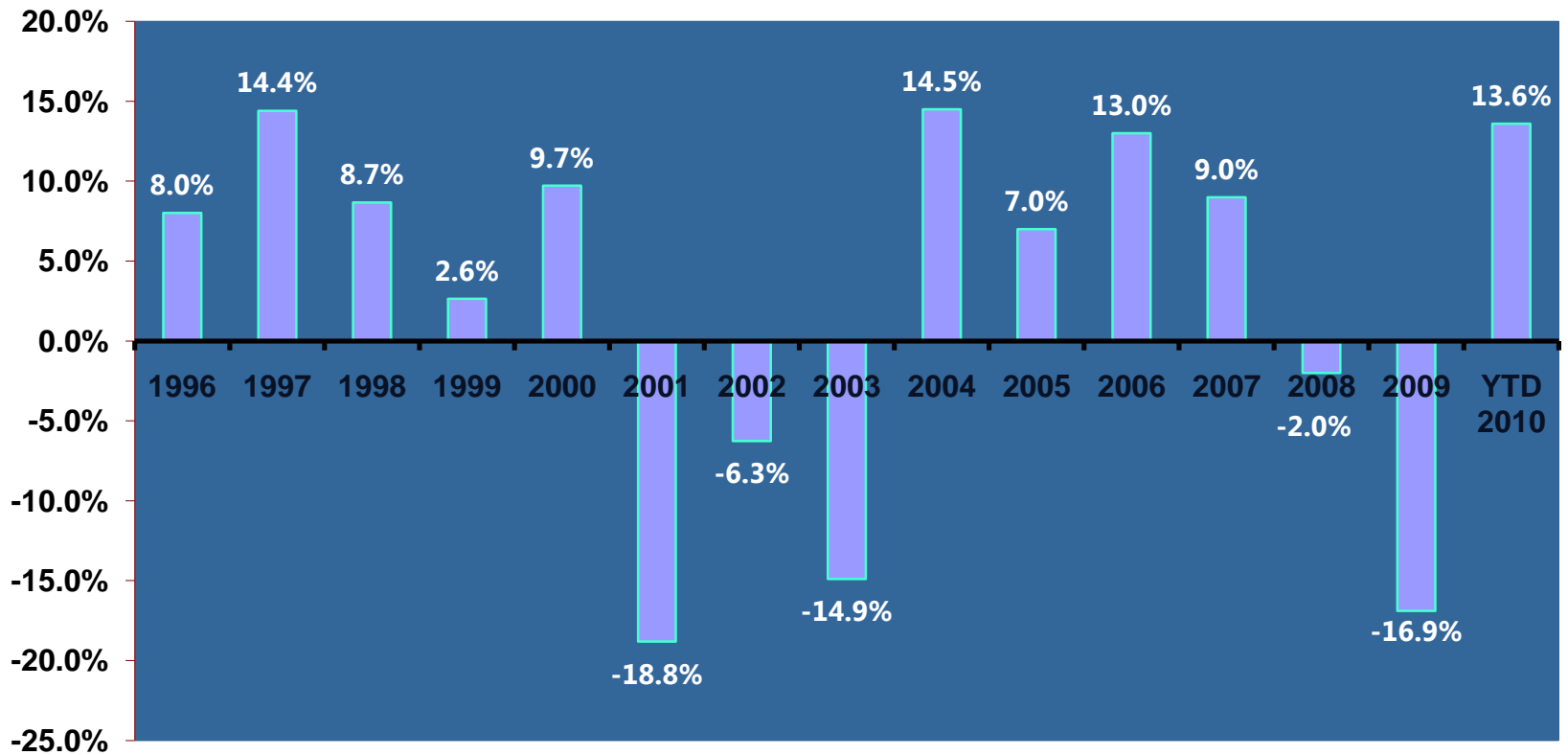
## Boston / Cambridge RevPAR YTD May 2007-2010





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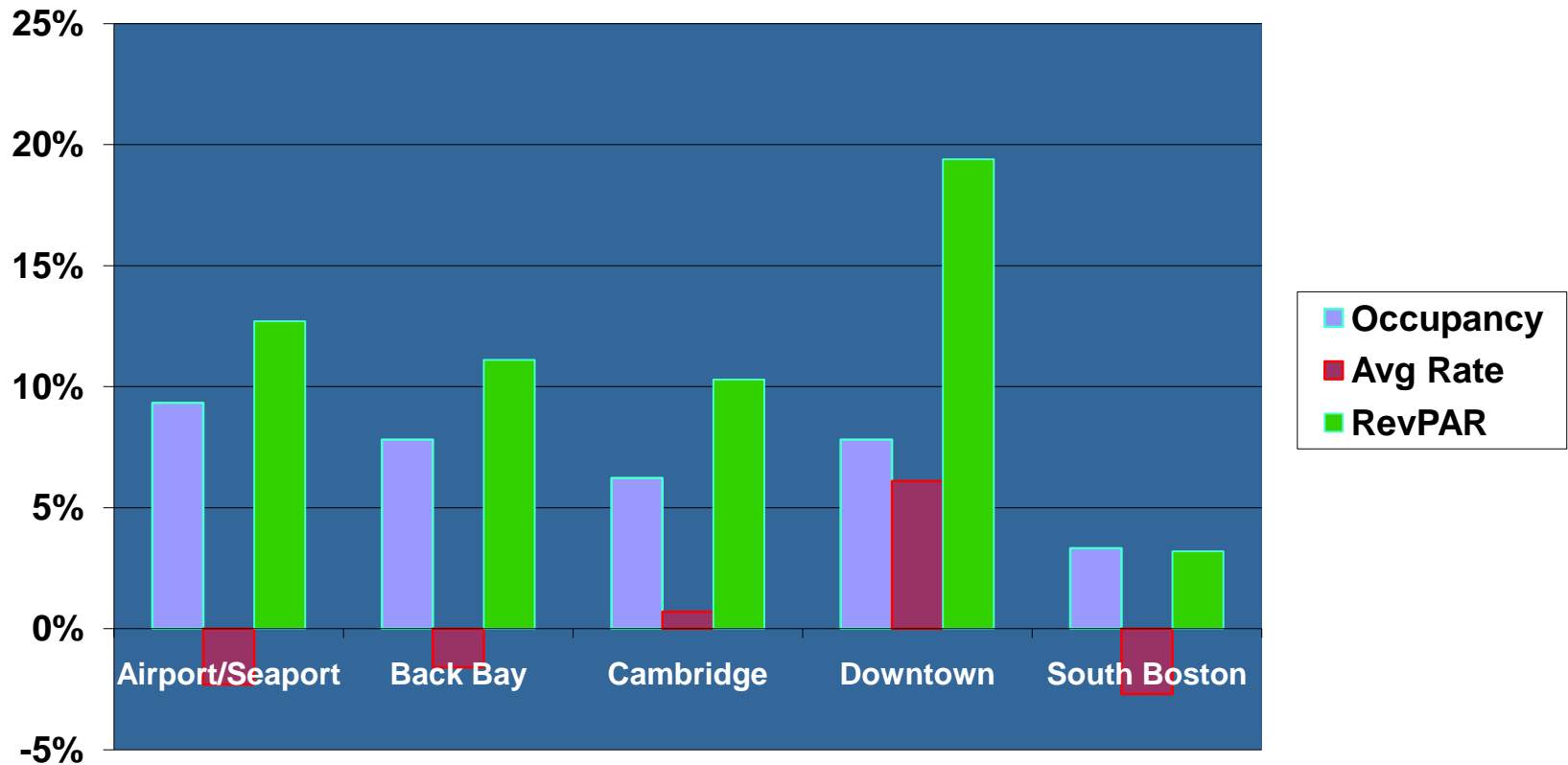
## Boston / Cambridge Change in RevPAR 1996 – YTD May 2010







## Boston / Cambridge Change in Performance by Area YTD May 2010







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## **Boston / Cambridge Supply Changes 2010**

### New Supply

- Hotel Veritas – Cambridge – 30-Rooms – June



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## **Boston / Cambridge Supply Changes 2011**

No New Supply



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## Boston/Cambridge Demand Factors

### Boston Unemployment

2007                      4.4%

2009                      8.1%

May 2010                8.6%

### Logan Stat's Total Passengers

December 2007        28.1 M

December 2009        25.5 M

YTD March 2010        Up 7.1%



## Boston/Cambridge Demand Factors

### Boston Office Market

	Million SF	Vacancy
2007	56.3	8.7%
2009	58	13.0%
March 2010	58	14.7%

Source: Colliers



## Boston/Cambridge Demand Factors

### Cambridge Office Market

	Million SF	Vacancy
2007	10.6	8.9%
2009	10.6	16%
March 2010	10.6	15.9%





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## **Boston/Cambridge Demand Factors**

- Vacancy rates are stabilizing or will increase up to 2% over the next 2 years
  - Development pipeline is stalled
- Pace of further declines in fundamentals will be slower as market nears bottom
  - Pace of recovery is dependant on job recovery





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## **Boston / Cambridge Corporate Demand Trends**

- Primary driver in the recent recovery
- Demand is strong in all segments but Financial Services and Pharma are leading the way
- Strong demand gives operators (in transient hotels) confidence going into RFP Season
  - Companies are hiring consultants for long term project work and some are hiring new employees



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## Boston / Cambridge Group Demand Trends

- Strong pick-up in citywide blocks has bolstered confidence
- Short term pick-up is very strong
- Booking window is still very short but likely to grow longer as occupancy levels rise
- Citywide convention pace is down
- Group booking pace is down



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## Boston / Cambridge Leisure Demand Trends

- Demand remains strong
- Operators are now able to manage rate more effectively
- International demand continues to be important
- US travel remains a value
- Lower rates helped stimulate demand

## Boston / Cambridge Average Rates

- Sellouts drive rates
- Growth has been much stronger than expected
- Strong demand has given operators the upper hand
- Tale of Two Cities – Transient Hotels and Group Hotels
  
- Group hotels are concerned about pace for 2011  
They will discount to “buy” transient demand to off-set weak group demand
  
- Transient Hotels are very positive about Growth and likely to be aggressive in pricing during RFP season



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## **Boston / Cambridge RFP Season**

- Transient hotels are expecting to quote rates 5 to 10 percent above 2010
- Group Hotels are in the 0 to 5 percent range





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## Boston Cambridge Projections 2010

	2009	2010	% Change
Occupancy	71%	76%	7.0%
Average Rate	\$187.10	\$191.00	2.1%
RevPAR	\$132.56	\$145.16	9.5%





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## Pinnacle Operator's Survey 2011 Outlook

- Several regional executives
- Transient hotels – 6 to 8% RevPAR growth
- Group hotels – 2 to 4% RevPAR growth



## Boston Cambridge Projections 2011

	2010	2011	% Change
Occupancy	76%	76%	0%
Average Rate	\$191.00	\$202.50	6%
RevPAR	\$145.16	\$153.90	6%



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