

# OUTLOOK 2015



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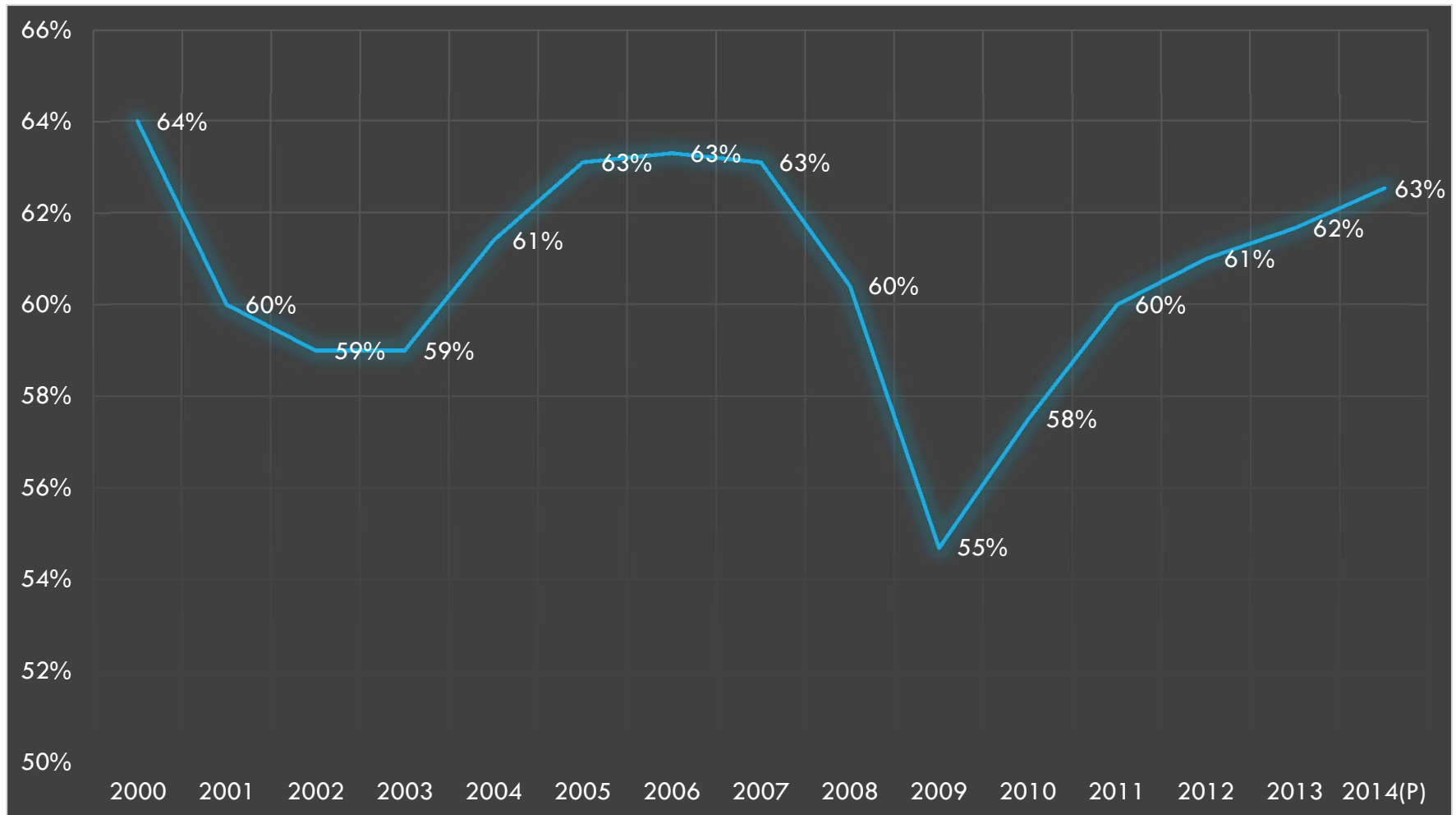
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# NATIONAL LODGING MARKET

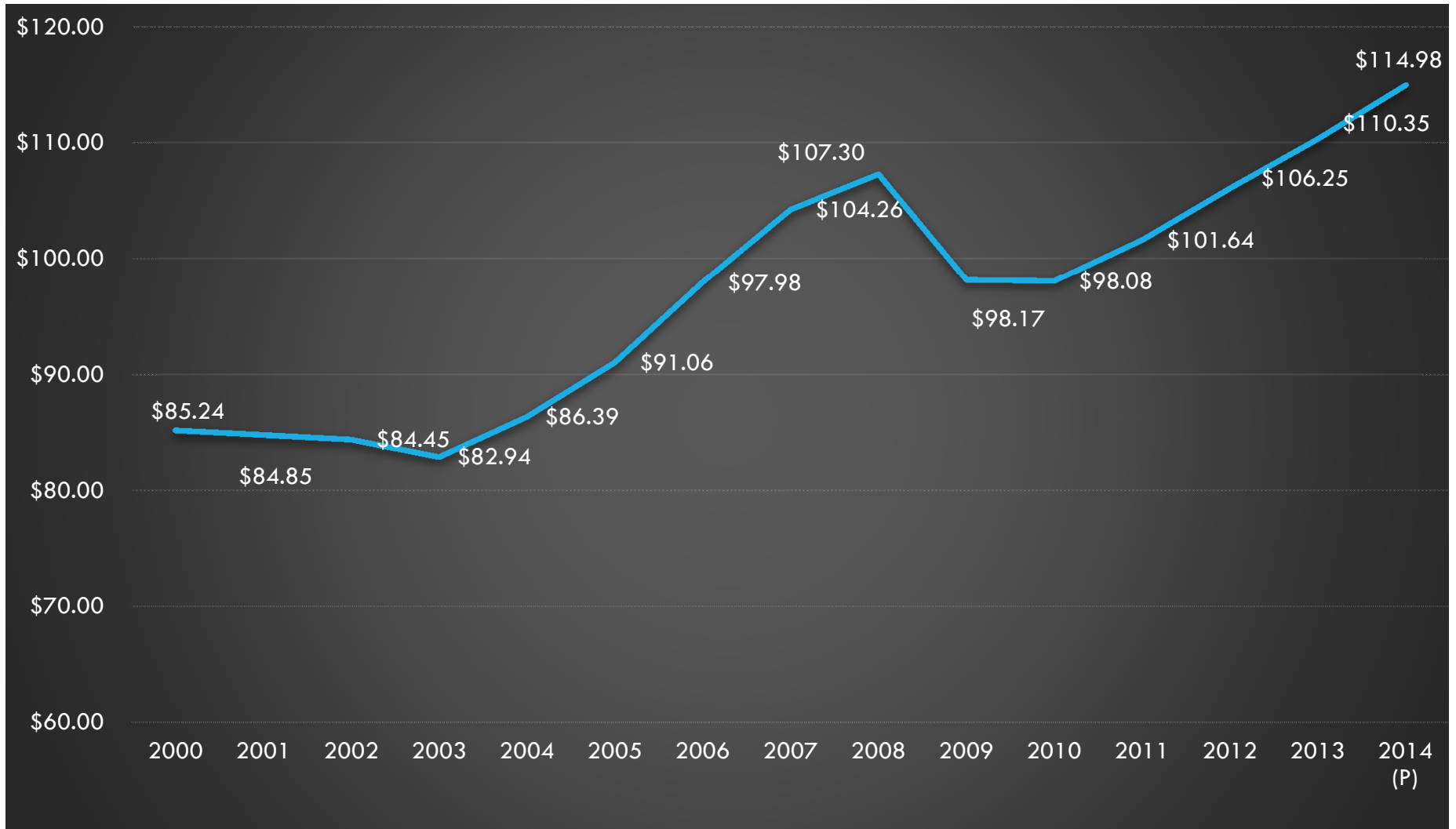
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## U.S. Occupancy 2000–2014(P)



Source: Smith Travel Research

## U.S. Average Daily Rate 2000-2014(P)



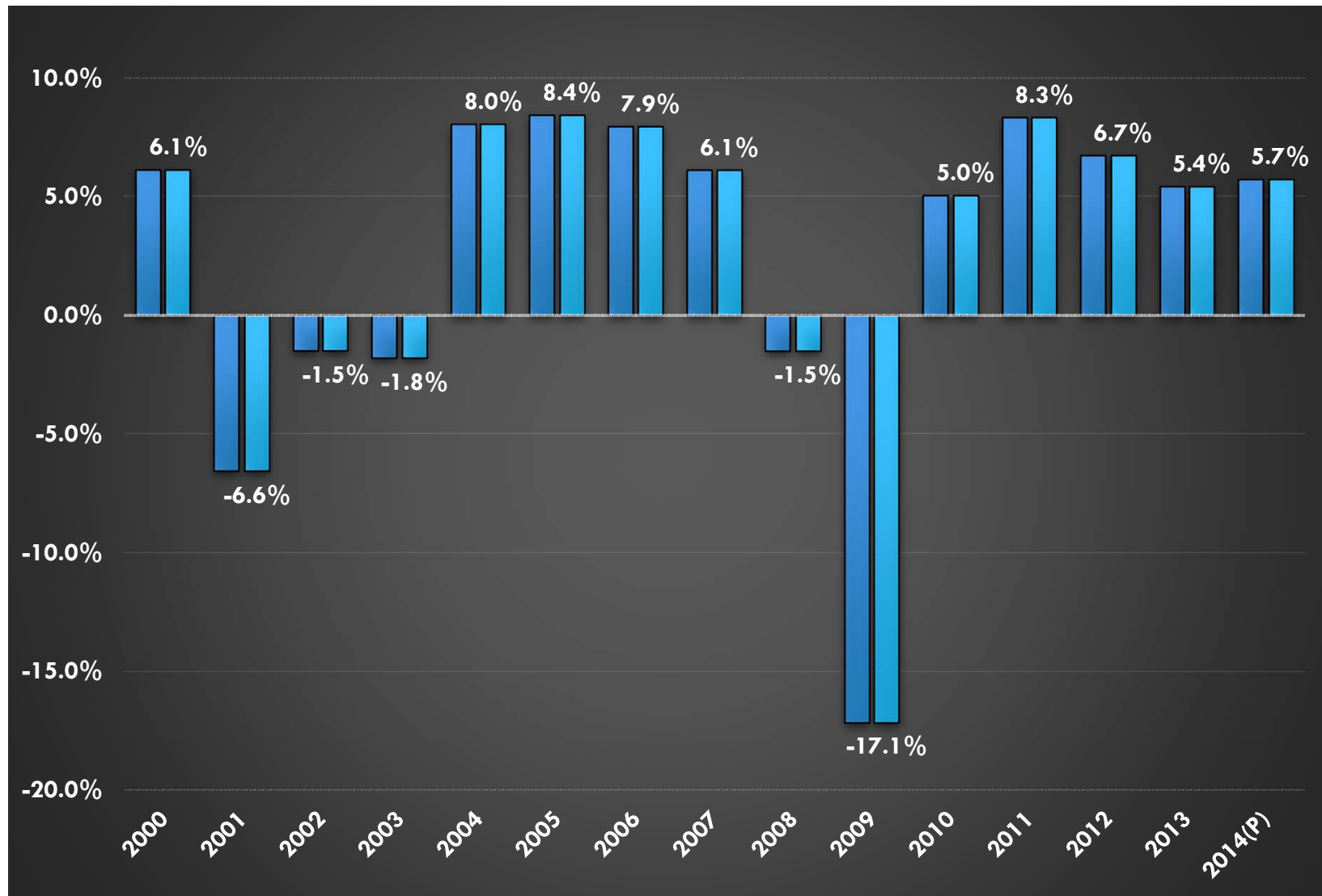
Source: Smith Travel Research

## U.S. RevPAR 2000– 2014(P)



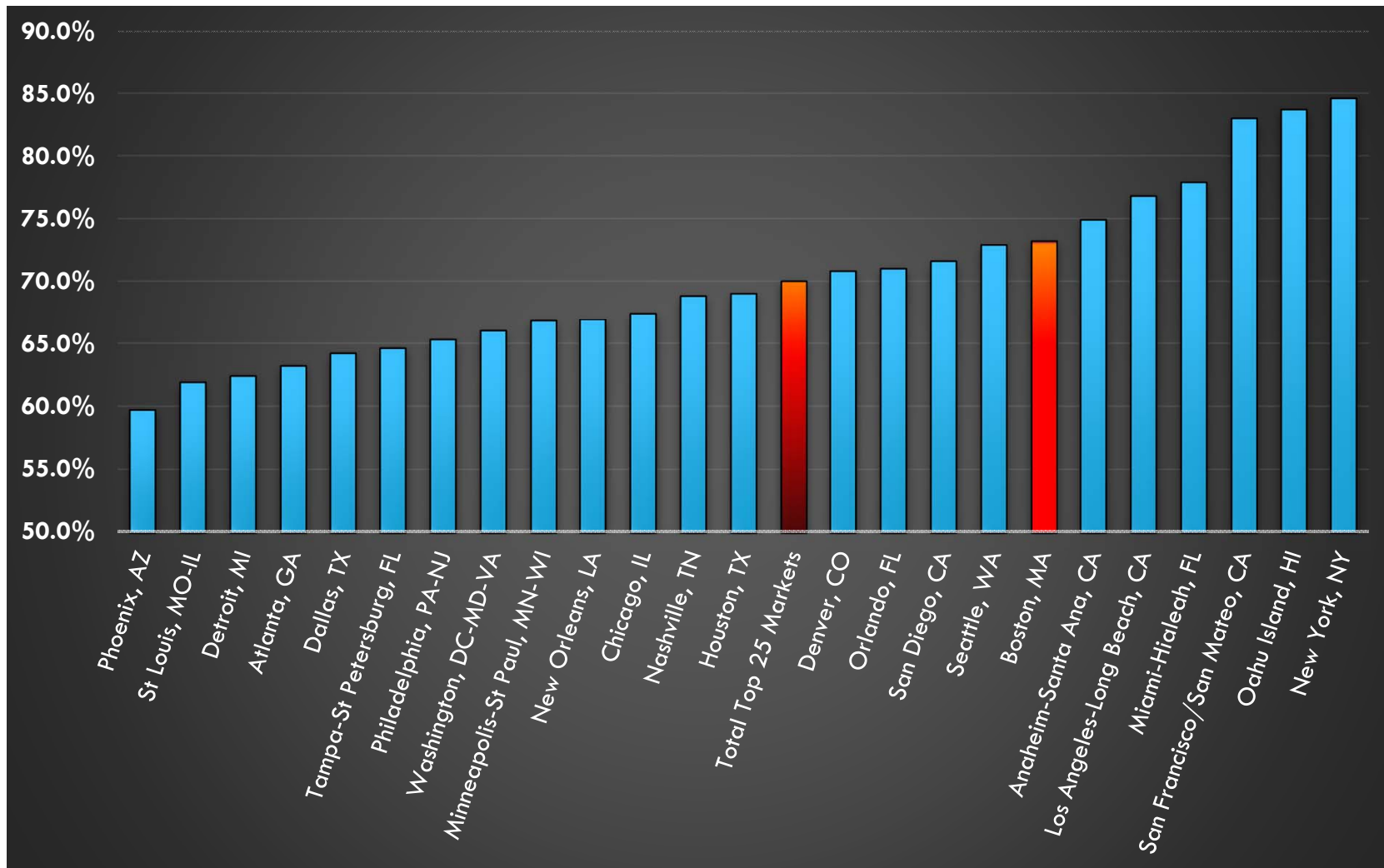
Source: Smith Travel Research

## U.S. RevPAR Percent Change 2000 – 2014(P)



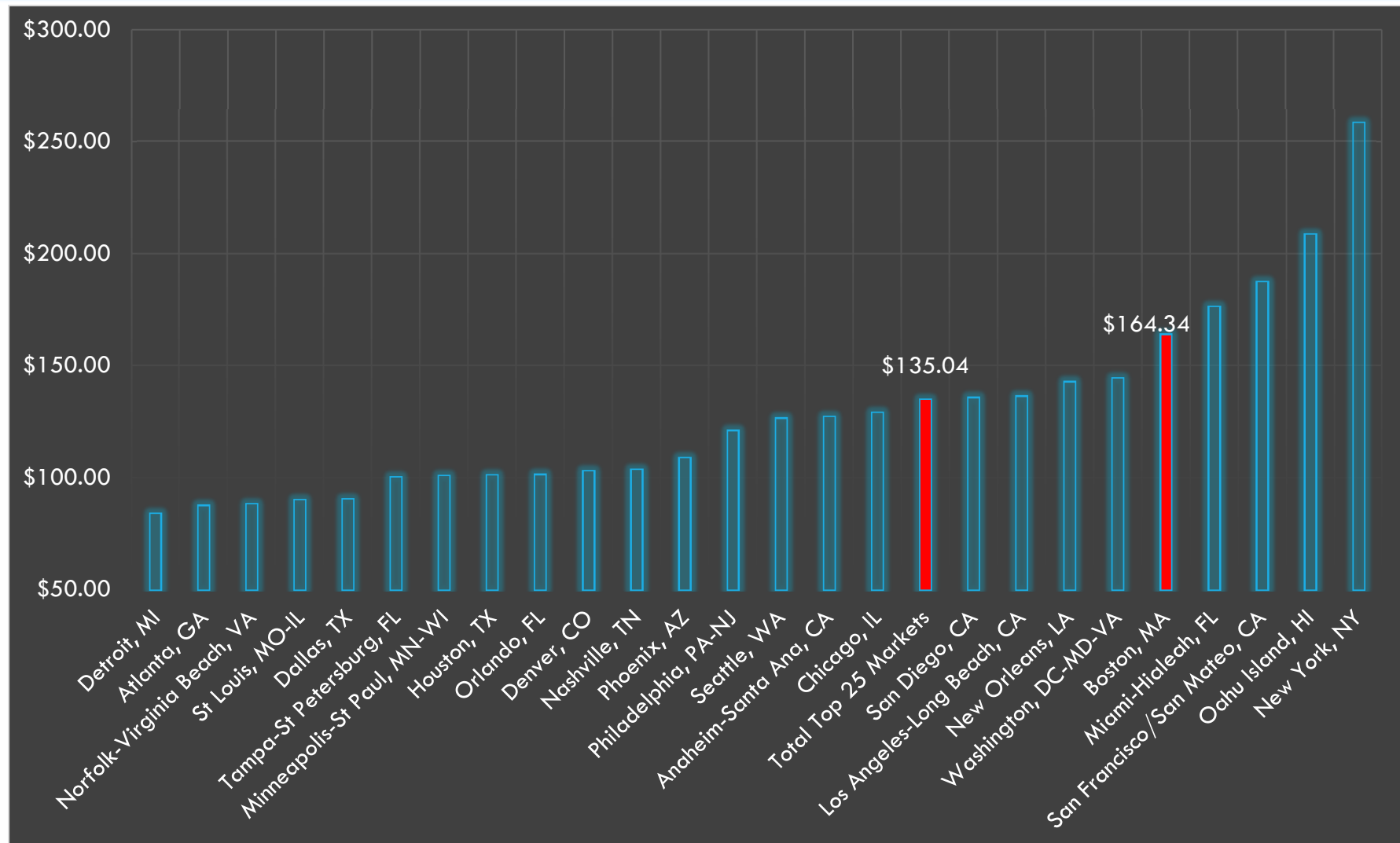
Source: Smith Travel Research

## Top 25 Market Areas – Occupancy Percent 2013



Source: Smith Travel Research

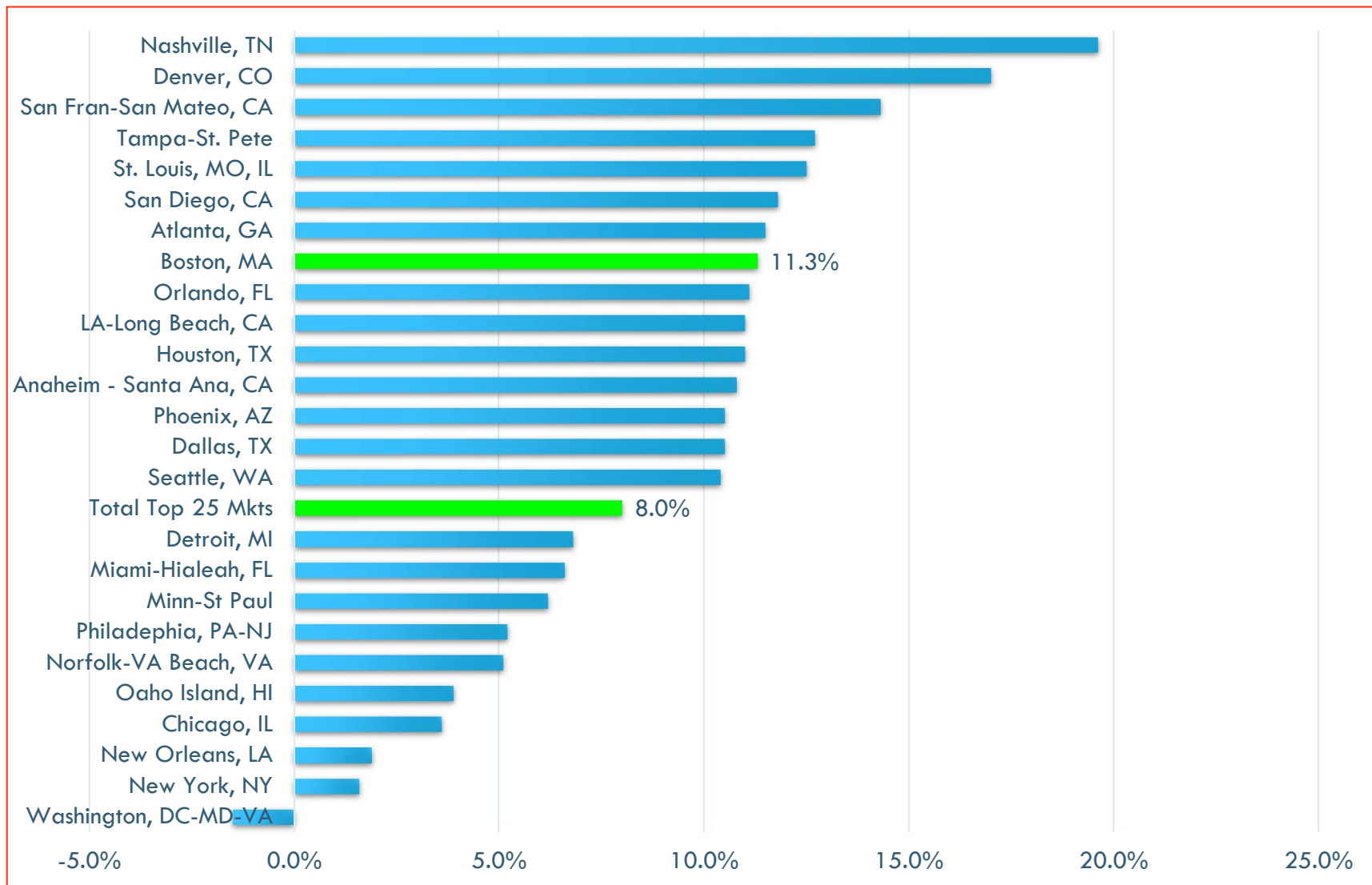
## Top 25 Market Areas – Average Daily Rate - 2013



Source: Smith Travel Research



## Top 25 Market Areas Change in RevPAR Through YTD May 2014



Source: Smith Travel Research



## NEW SUPPLY

- Total number of hotels in the STR active pipeline as of May 2014 was up 17.6% compared with the same time last year. This includes hotels In Construction, Final Planning, and Planning.
- Rooms under construction are up 41.5% compared to same time last year.
- Long term average growth rate for new supply is 1.9%. In 2013, US hotel supply increased .7%. In 2014 and 2015 supply is expected to increase 1.2% and 1.6%, respectively.

## TAKEAWAYS

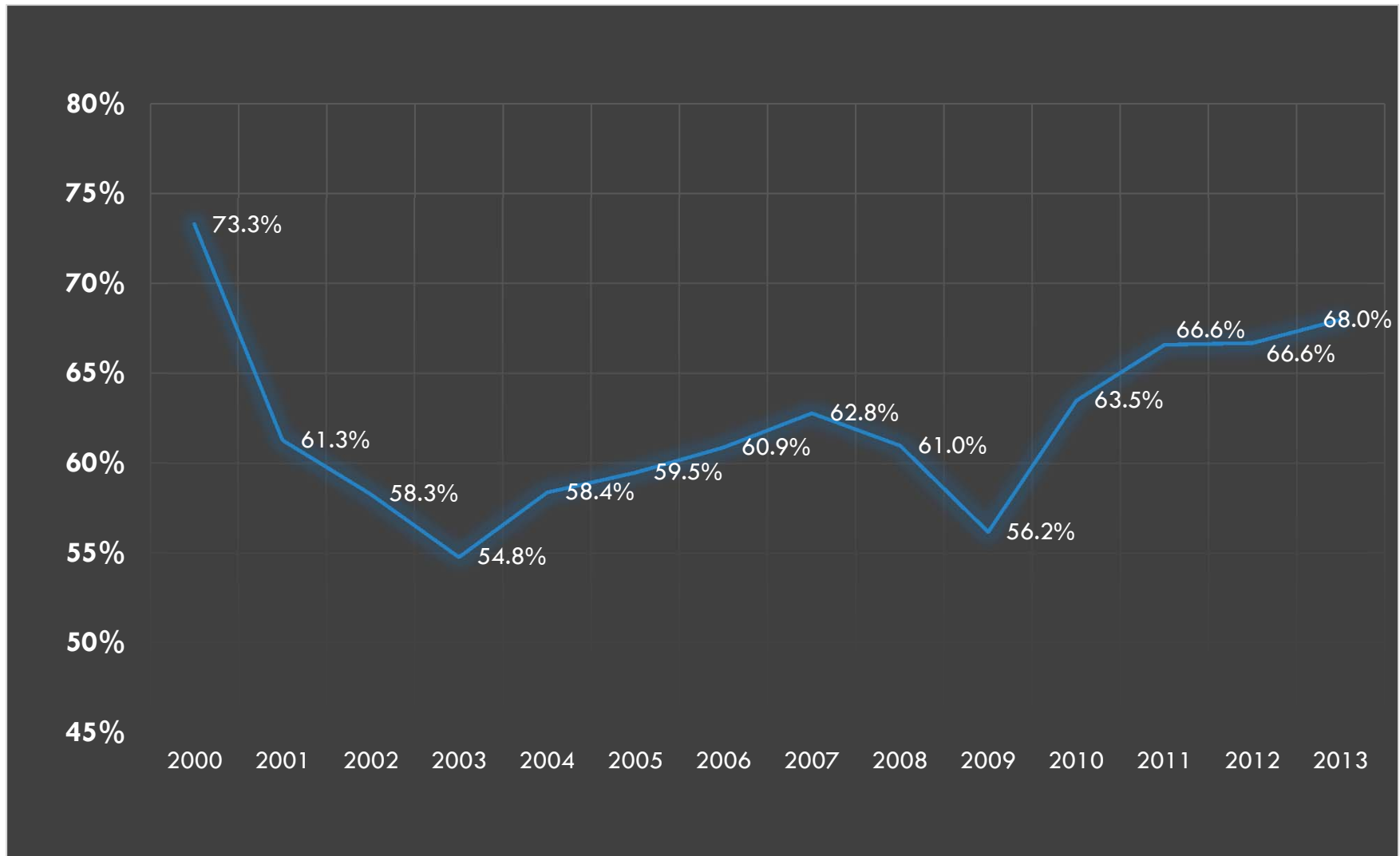
- Industry fundamentals remain solid.
- Supply growth remains modest (1.2% in 2014), but is building. By 2016 supply growth may exceed long term average.
- Demand growth continues to outpace supply and remains reasonably healthy (2.6% in 2014; 2.2% in 2015).
- ADR growth continues to be the driver of RevPAR growth (4.2% in 2014 and 4.3% in 2015). Note that long term ADR growth is approximately 2.9%.
- RevPAR forecasts are positive: 5.7% in 2014 and 4.9% in 2015.
- Barring an economic downturn or unforeseen factors, the lodging market will continue in the “up cycle” and many forecasters expect this trend to continue into 2016.



# SUBURBAN BOSTON LODGING MARKET

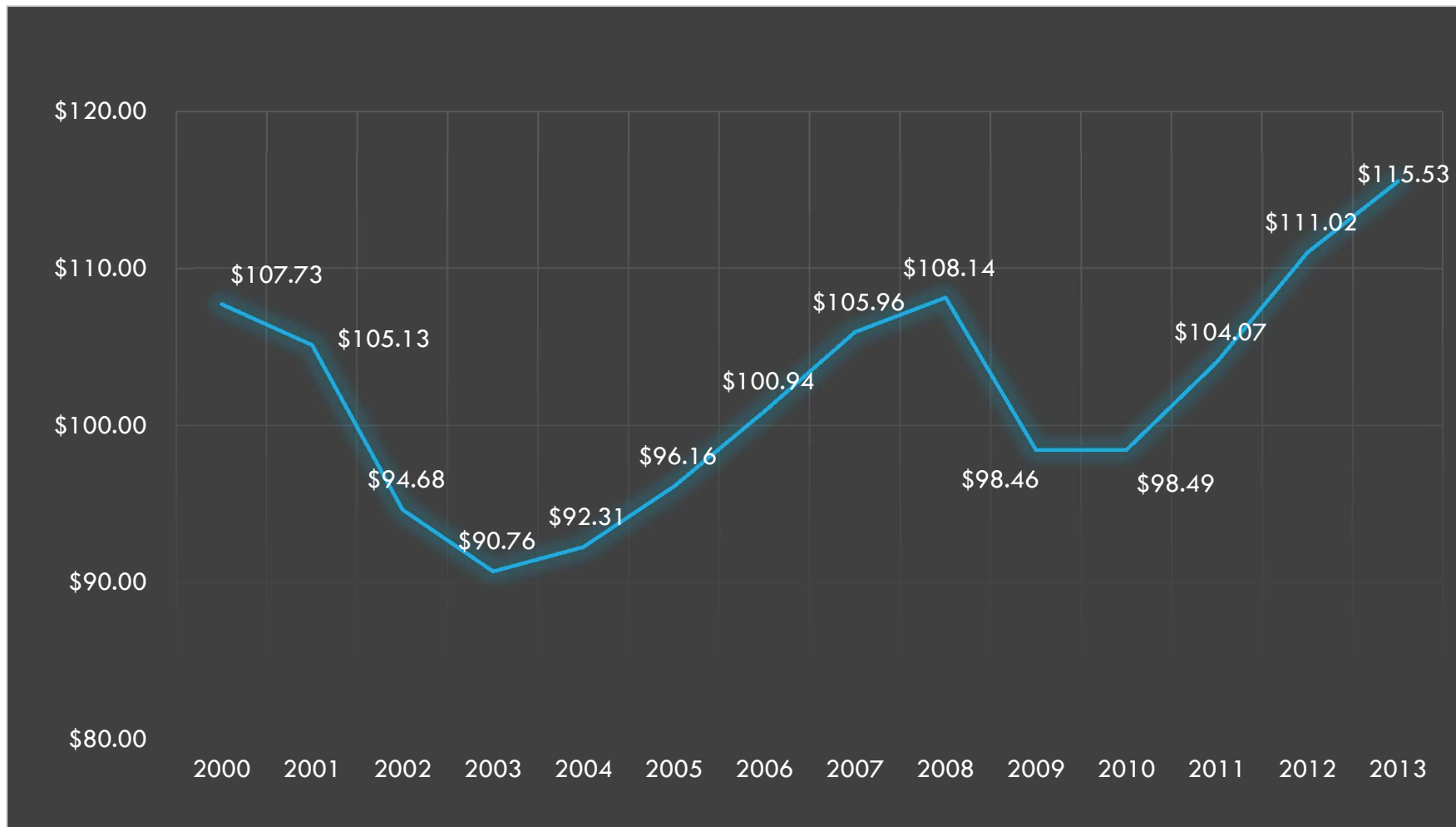
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## Suburban Boston Occupancy 2000-2013



Source: Smith Travel Research (PAG defined area)

## Suburban Boston Average Daily Rate 2000-2013



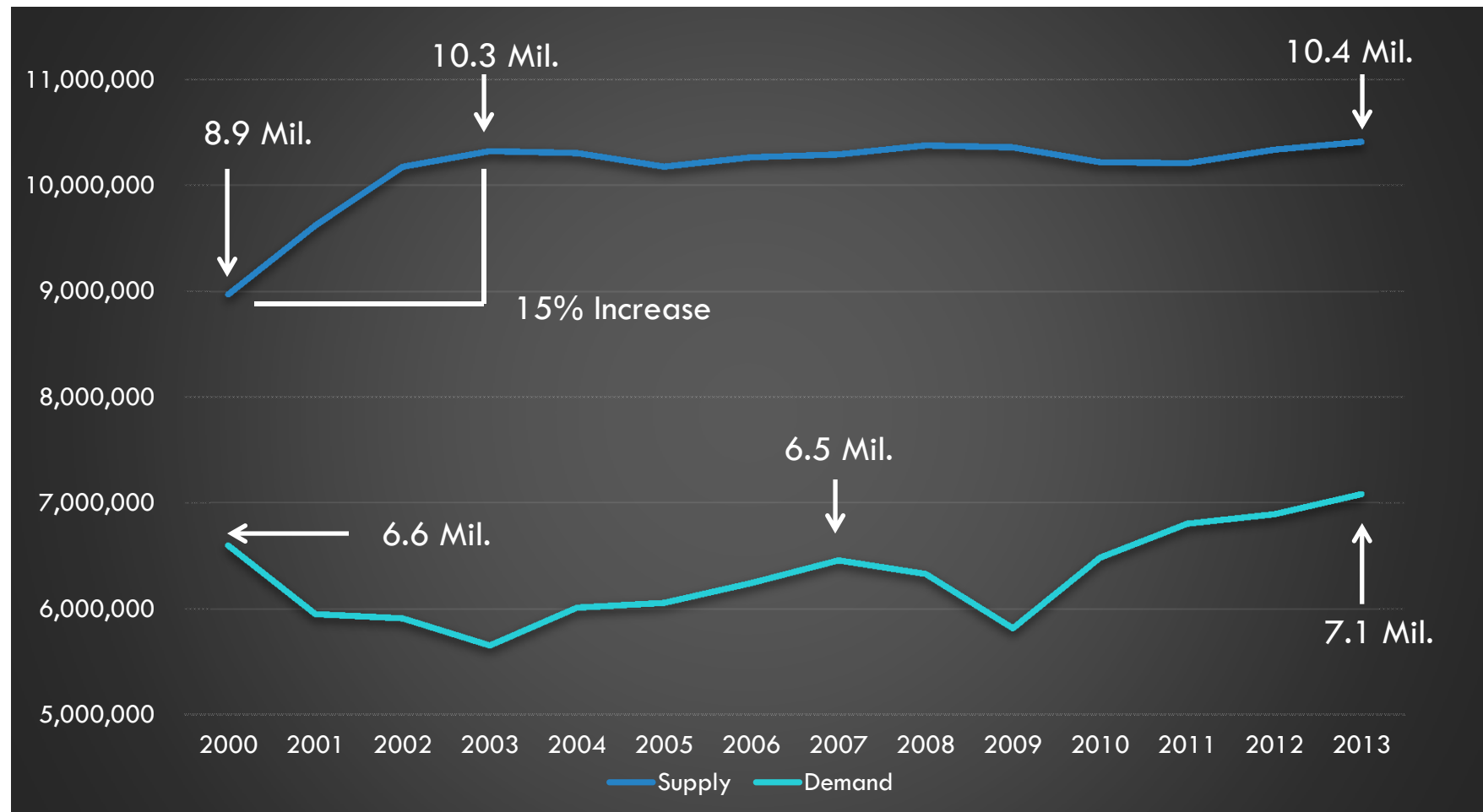
Source: Smith Travel Research (PAG defined area)

## Suburban Boston RevPAR 2000-2013



Source: Smith Travel Research (PAG defined area)

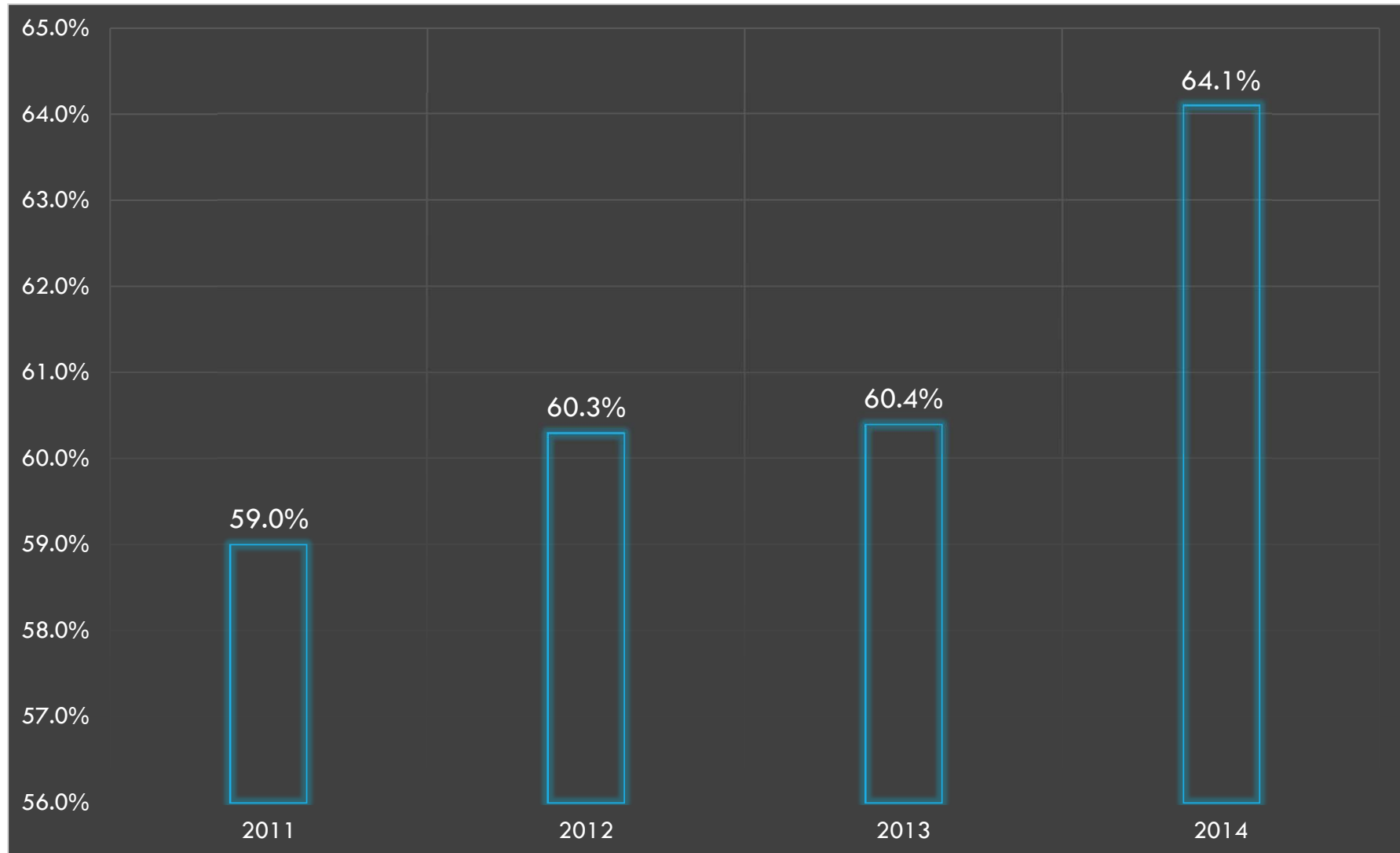
## Suburban Boston Supply and Demand 2000-2013



Source: Smith Travel Research (PAG defined area)



## Suburban Boston Occupancy YTD May 2011-2014



**Source: Smith Travel Research (PAG defined area)**

## Suburban Boston Average Daily Rate YTD May 2011-2014



Source: Smith Travel Research (PAG defined area)

## Suburban Boston RevPAR YTD May 2011-2014



Source: Smith Travel Research (PAG defined area)



## Suburban Boston Supply Changes 2014-2015

### 2014

- 140-room Town Place Suites Chelsea (November)
- 85-room Holiday Inn Express and Suites Norwood (December)

### 2015

- 128-room Holiday Inn Chelsea (April)
- 130-room Homewood Suites Brookline (June)
- 96-room Holiday Inn Express and Suites Gloucester (July)
- 152-room AC Hotel Medford (Q4)

## Suburban Boston Office and R&D Trends

	Square Feet Supply	Vacancy
Inner Suburbs	5.8 Million	10.2%
Route 128	76.8 Million	17.1%
Route 495	49.1 Million	23.8%

Source: As of March 31, 2014 (Colliers)



## Suburban Boston Office Trends



- Suburban office vacancies expected to decline steadily in 2014 and 2015.
- Improving market fundamentals are providing confidence to local corporations and leading to expansions.
- Tighter vacancies are driving up rents and pushing demand further out to I495.
- Continued growth in tech and biotech industries is driving suburban office recovery.
- Healthcare and tech firms dominate the region's expansion.



## Suburban Boston Lodging Demand 2013-2014



- Given continued economic improvements, Leisure Demand will show modest improvement. This segment continues to be rate sensitive, but with more capacity issues, rate growth above inflation is expected.
- Reasonably strong improvements in the local office markets allow for strong weekday demand. Capacity is driving rate improvements throughout the suburban market. Stronger growth in the inner suburbs; more anemic in outer suburbs.
- Group demand is mixed; some markets are seeing modest improvement and others report nominal growth.
- Capacity in peak periods, coupled with higher room rates in Boston, will continue to drive rate increases above inflation.

## Suburban Boston Projections 2014




	2013	2014	% Change
Occupancy	68%	69.5%	2.2%
Average Rate	\$115.53	\$121.31	5.0%
RevPAR	\$78.59	\$84.31	7.3%

Source: Pinnacle Advisory Group



## Suburban Boston Projections 2014



	2014	2015	% Change
Occupancy	69.5%	70%	0.7%
Average Rate	\$121.31	\$127.37	5.0%
RevPAR	\$84.31	\$89.15	5.7%

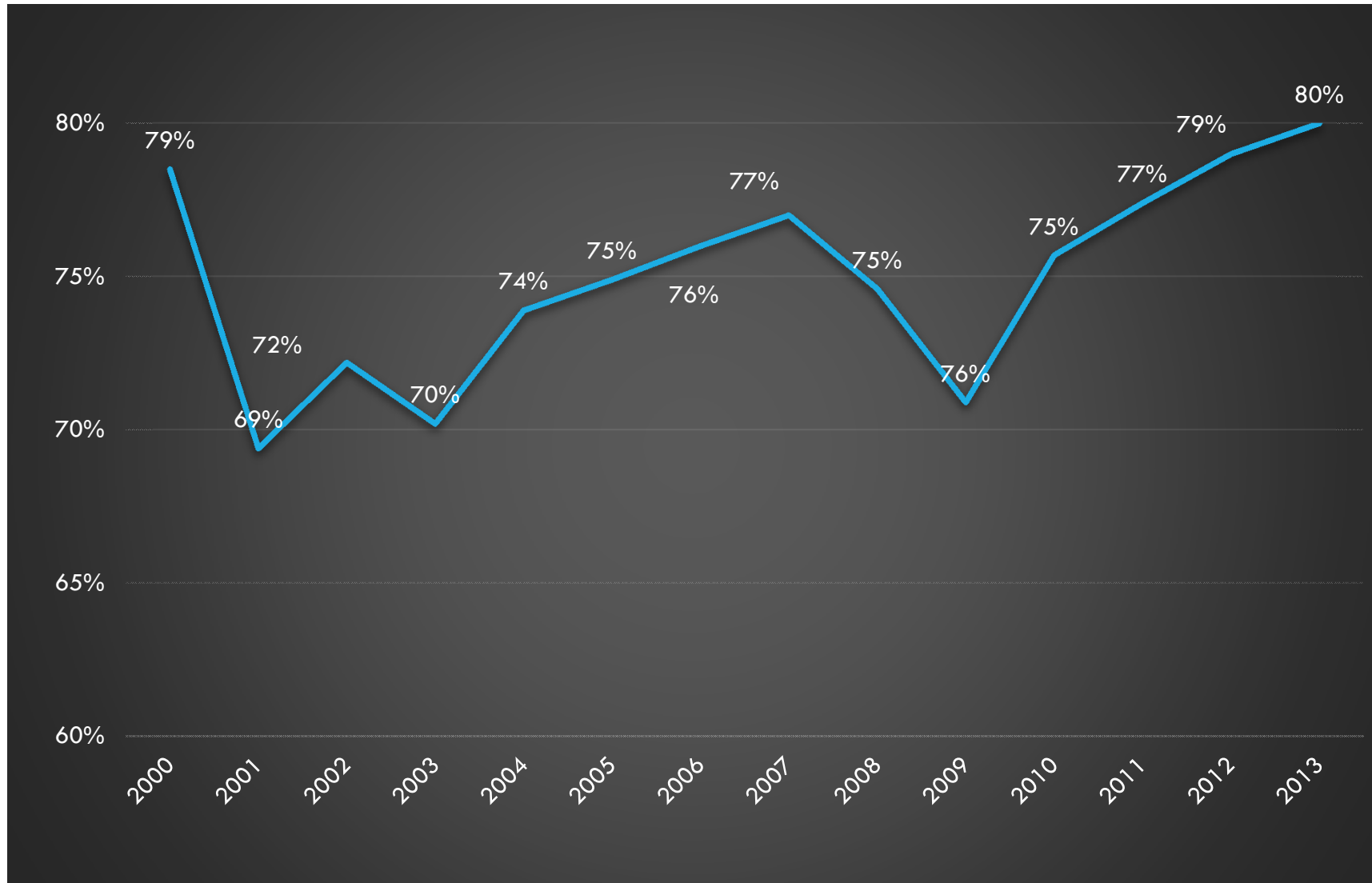
Source: Pinnacle Advisory Group



# BOSTON CAMBRIDGE LODGING MARKET

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## Boston / Cambridge Occupancy 2000-2013



Source: Pinnacle Advisory Group

## Boston / Cambridge ADR 2000-2013



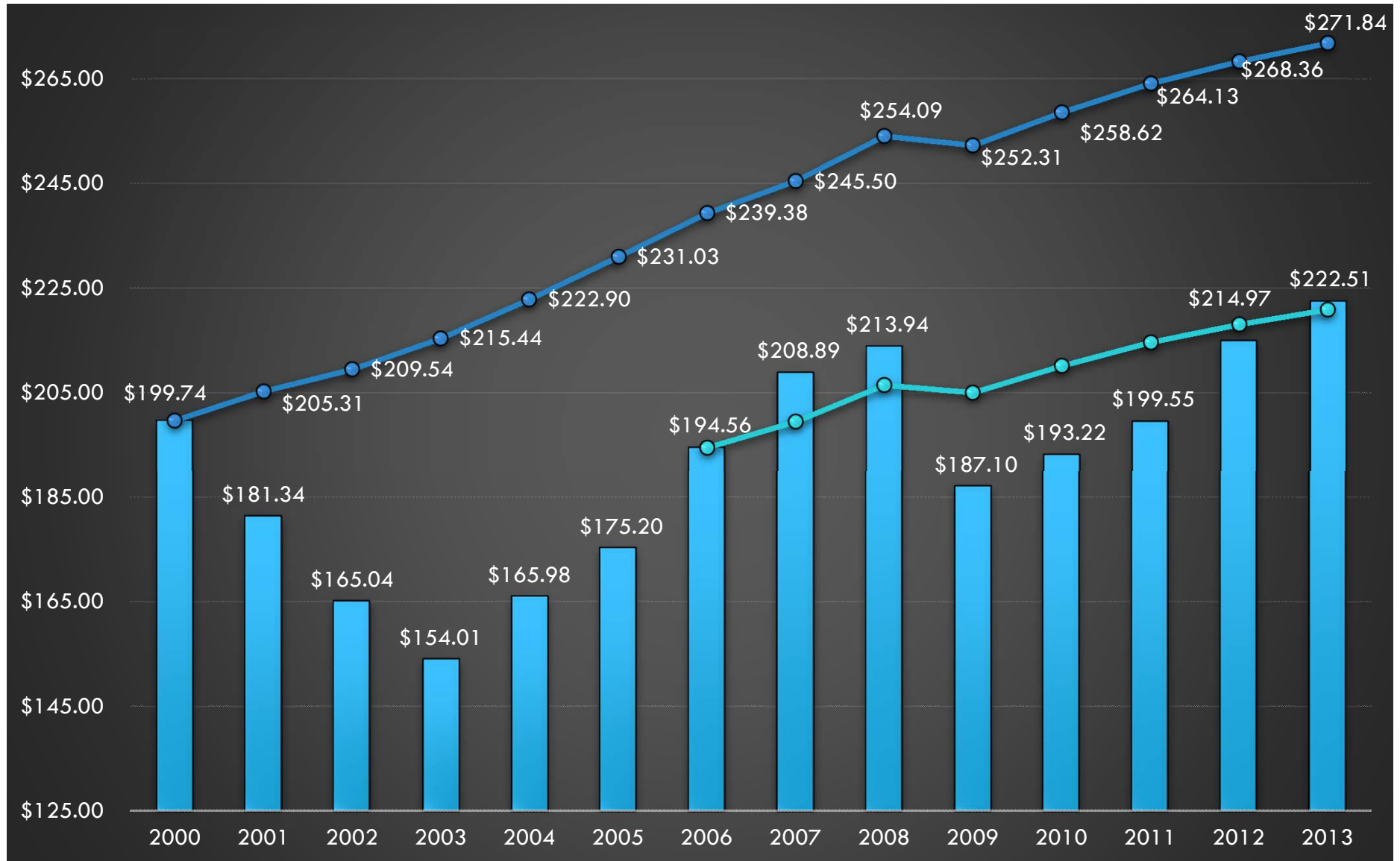
Source: Pinnacle Advisory Group

## Boston / Cambridge RevPAR 2000-2013



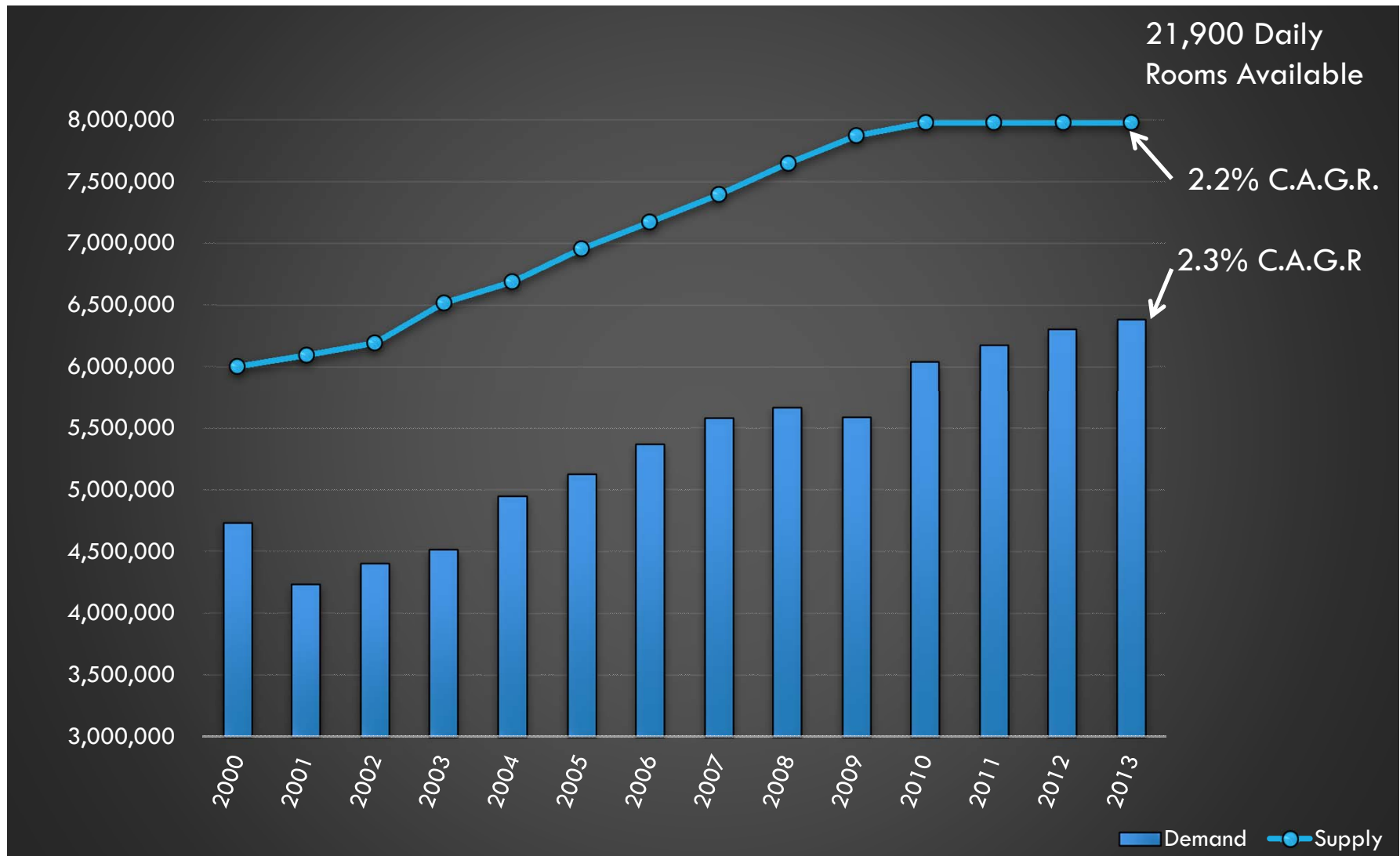
Source: Pinnacle Advisory Group

## Boston / Cambridge ADR Versus CPI 2000 – 2013



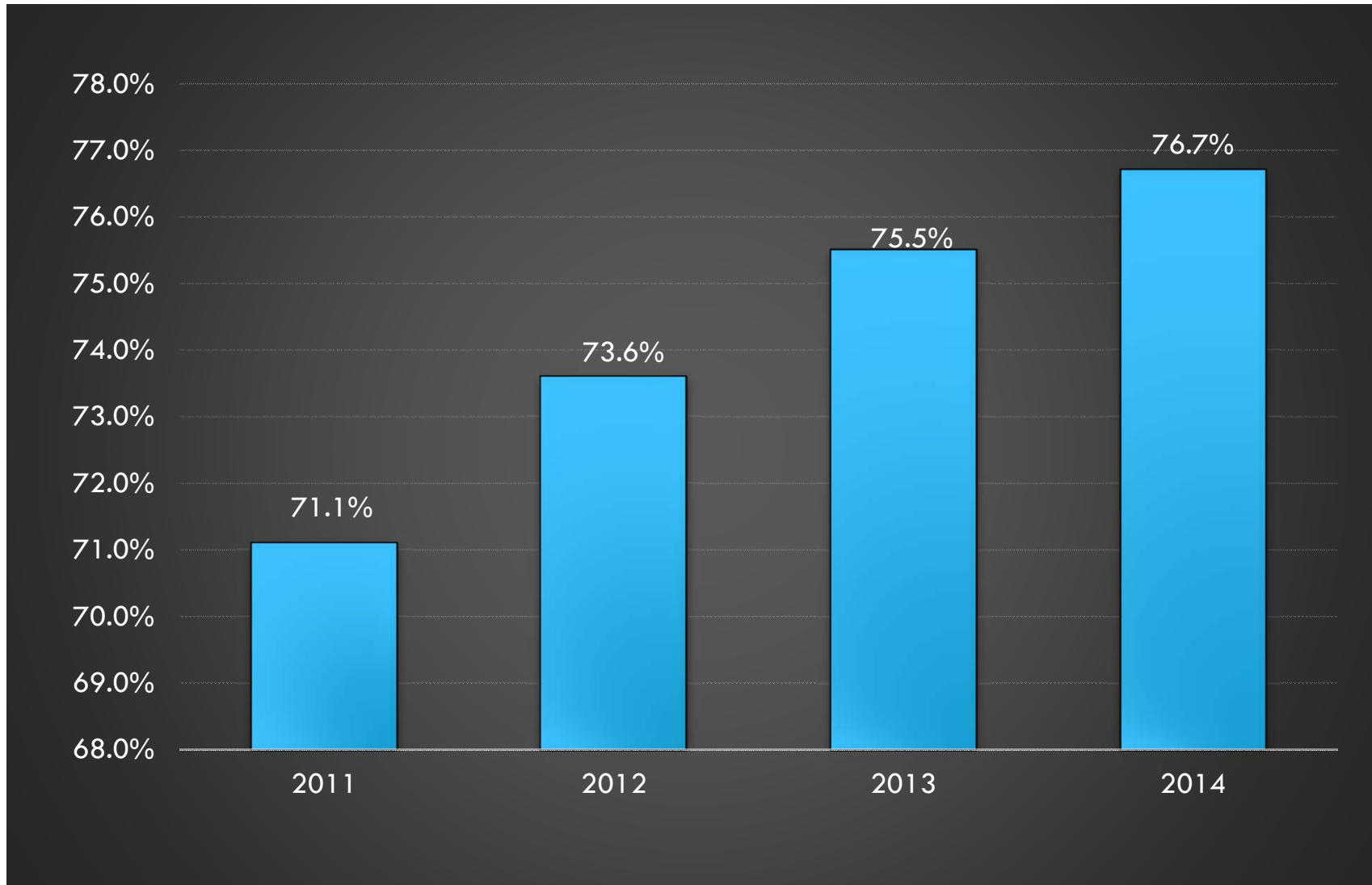
Source: Pinnacle Advisory Group

## Boston / Cambridge Supply and Demand 2000-2013



Source: Pinnacle Advisory Group

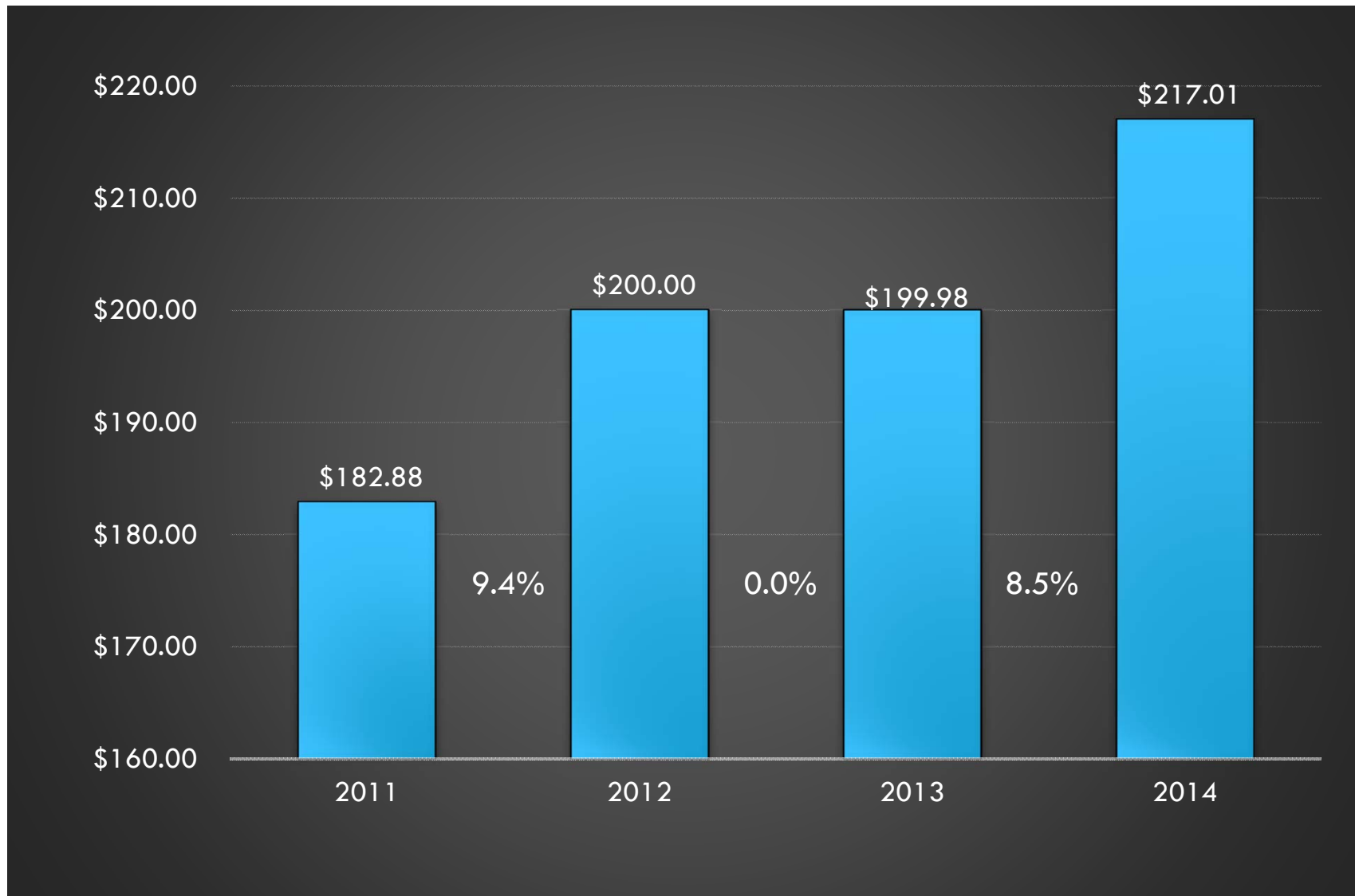
## Boston / Cambridge Occupancy YTD May 2011-2014



Source: Pinnacle Advisory Group



## Boston / Cambridge ADR YTD May 2010-2014



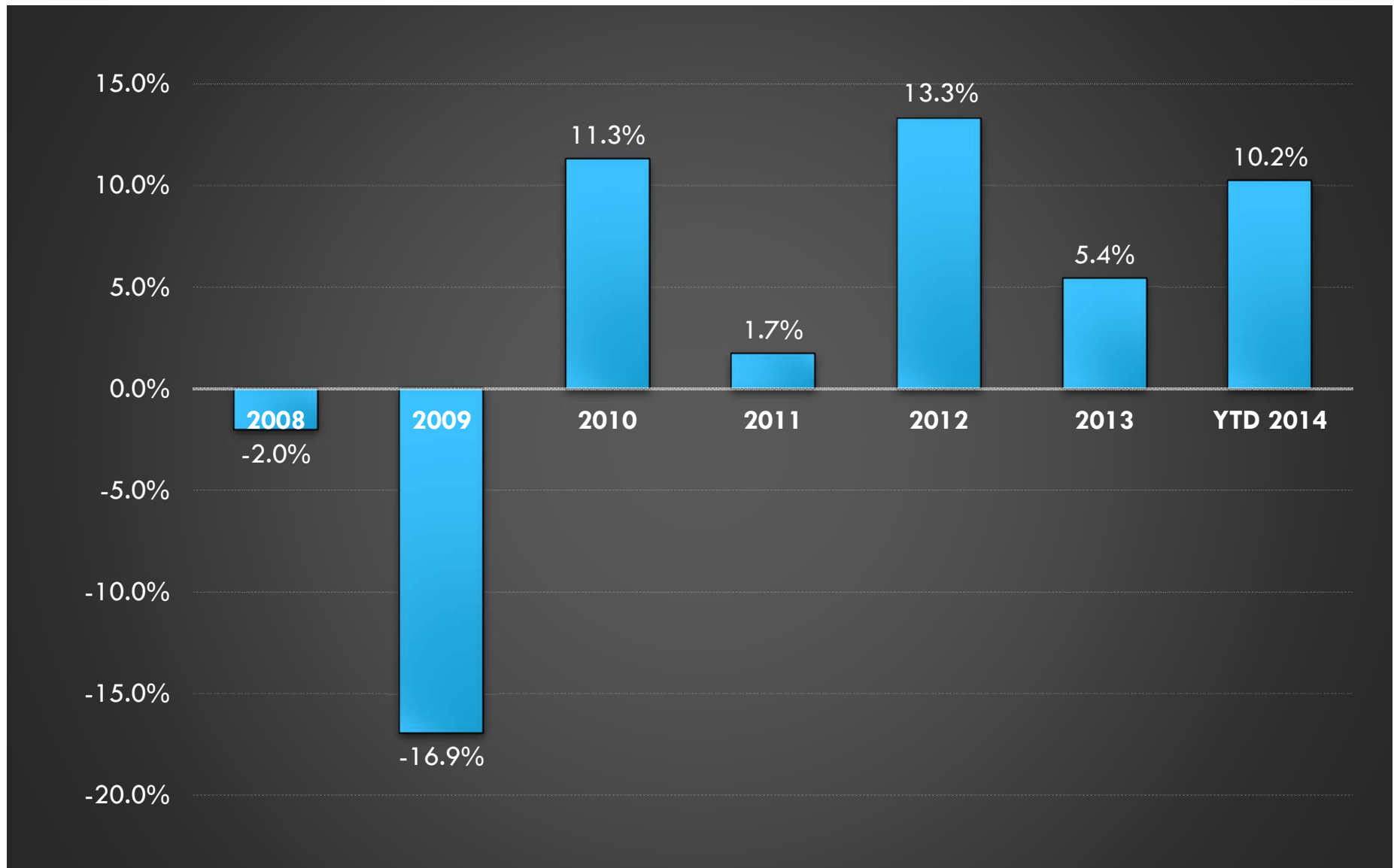
Source: Pinnacle Advisory Group

## Boston / Cambridge RevPAR May 2011-2014



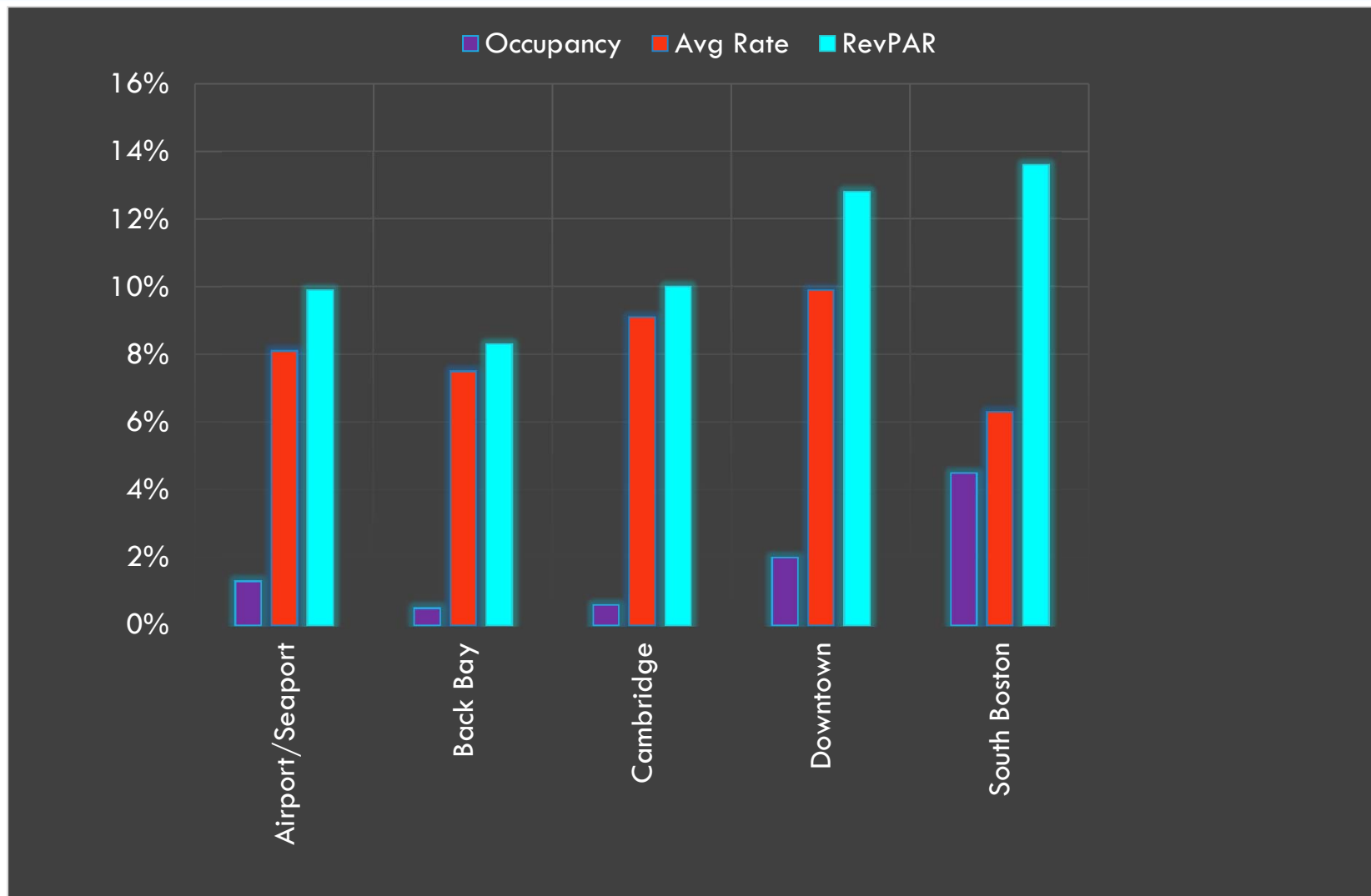
Source: Pinnacle Advisory Group

## Boston / Cambridge Change in RevPAR 2008 – YTD May 2014



Source: Pinnacle Advisory Group

## Boston / Cambridge Change in Performance by Market Area YTD May 2014



Source: Pinnacle Advisory Group



## Boston/Cambridge Supply Changes 2014/2015



2014: 94-room Hotel Verb (Former HoJo's Fenway) (August)

123-room Fairfield Inn and Suites Cambridge (Nov.)

2015: 75-room Porter Square Hotel Cambridge (May)

178-room Hilton Garden Inn Logan Airport (July)

243-room Temple Place Hotel (Q1)

136-room Hotel Envoy (Autograph) (October)

96-room Hotel Commonwealth Expansion (October)

180-room Element (November)

## Boston/Cambridge Demand Factors

Boston Unemployment

Logan Stat's  
Total Passengers

May 2013

5.8%

YTD May 2013

11.6 M

May 2014

4.7%

YTD May 2014

12.1 M



## Boston/Cambridge Demand Factors



### Boston Office Market

	Million SF	Vacancy
March 2013	61	12.8%
March 2014	62.5	12.0%

Source: Colliers (March 2014)



## Boston/Cambridge Demand Factors

### Cambridge Office Market

	Million SF	Vacancy
March 2013	19.9	8.9%
March 2014	20.6	13.1%

Source: Colliers





# Boston/Cambridge Office Demand Factors

## Boston

- Continued positive absorption and declining vacancies anticipated from 2014 to 2018.
- Seaport Office Market – Red Hot with significant growth – Vertex (550K), State Street Bank (500K), Goodwin Procter and PwC (will add 800K).
- Financial District – construction underway for 1.2 m mixed-use at Downtown Crossing.

## Cambridge

- Biotech remains a huge, powerful economic engine
- Lack of office space will drive rental rates
- Office vacancy – 9.1%; Lab vacancy - 17.6% (high vacancy - Vertex moved to Seaport)



## Boston / Cambridge Corporate Demand Trends



- Demand remains strong.
- Some Companies are starting to cap how much their travelers can pay, but most are accepting increases
- Buyers have experienced compression and expect further rate increases.
- Significant increases in Crew rates are pushing this demand to the suburbs.
- Some concern about Project Business starting to taper off.



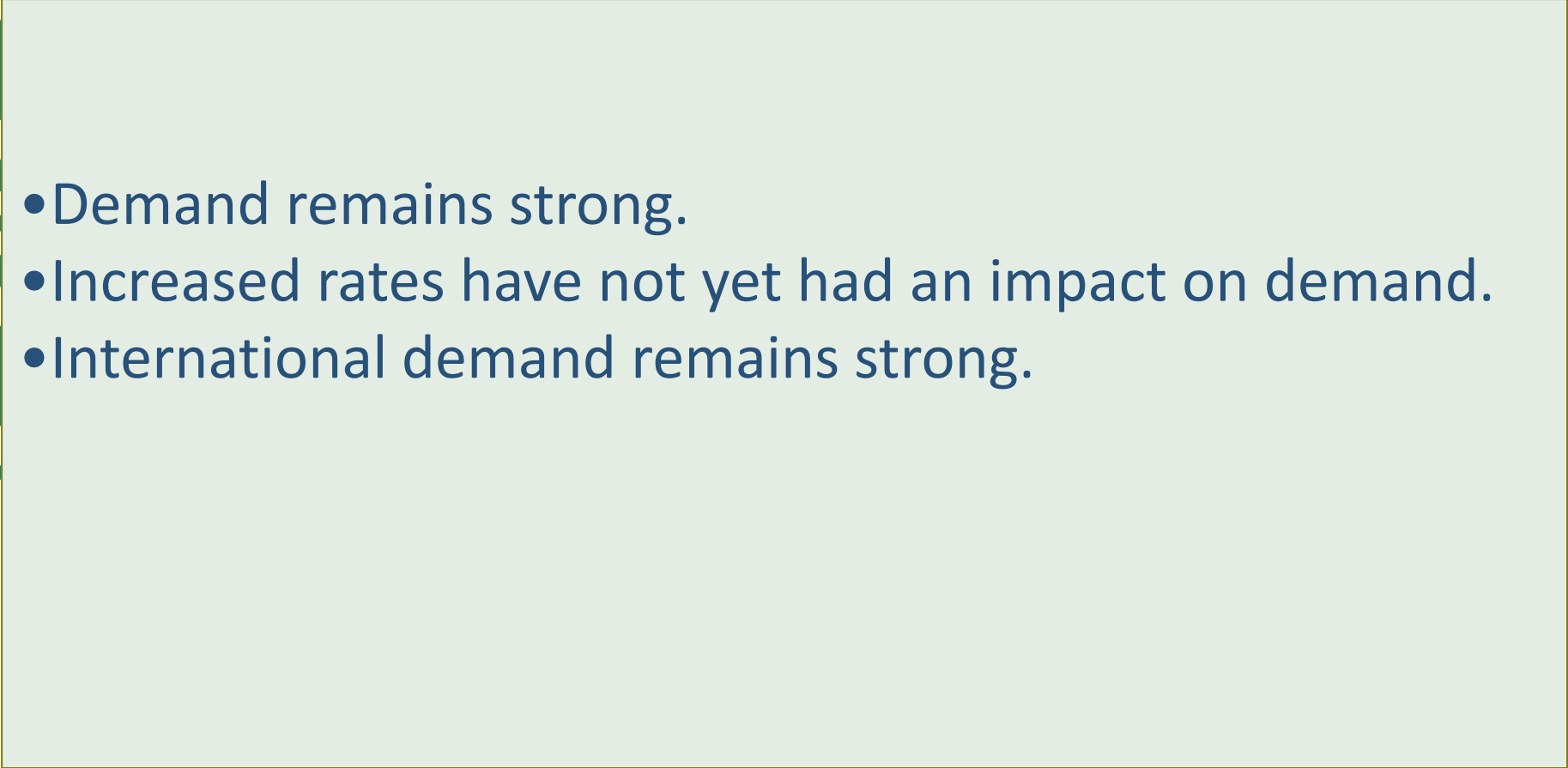
## Boston / Cambridge Group Demand Trends



- 2H 2014 combined Back Bay and Downtown Pace is up 6%
- 2015 combined Back Bay and Downtown pace is up 5%
  - Back Bay is up 7%
  - Downtown is up 3%
- 2015 - Timing and Size of Marathon will have an impact
- 2015 - Timing of Labor Day and Jewish Holidays will impact September



## Boston / Cambridge Leisure Demand Trends

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- Demand remains strong.
  - Increased rates have not yet had an impact on demand.
  - International demand remains strong.



## Boston / Cambridge Average Rates Update

- Current group rates on the books for 2015 are only up 2 to 5 percent.
- Corporate Negotiated rates are expected to be up 6 to 8 percent.
- Retail/Leisure rates are expected to be up 6 to 8 percent.
- Operators continue to shift mix in order to drive rate.



## Boston / Cambridge RFP Season (2015)

Most operators expect to quote rates between 7 and 10 percent and settle to rate increases of 6 to 8 percent.



## Boston Cambridge Projections 2014



	2013	2014	% Change
Occupancy	80%	80%	0.0%
Average Rate	\$222.51	\$239.20	7.5%
RevPAR	\$178.01	\$191.36	7.5%

Source: Pinnacle Advisory Group

## Boston Cambridge Projections 2015



	2014	2015	% Change
Occupancy	80%	80%	0.0%
Average Rate	\$239.20	\$255.94	7.0%
RevPAR	\$191.36	\$204.75	7.0%

Source: Pinnacle Advisory Group





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