



*Voice of Rhode Island's Lodging,
Restaurant, and Tourism Industry*

Economic Outlook Breakfast

September 9, 2015

The State of the Hospitality Industry in Rhode Island

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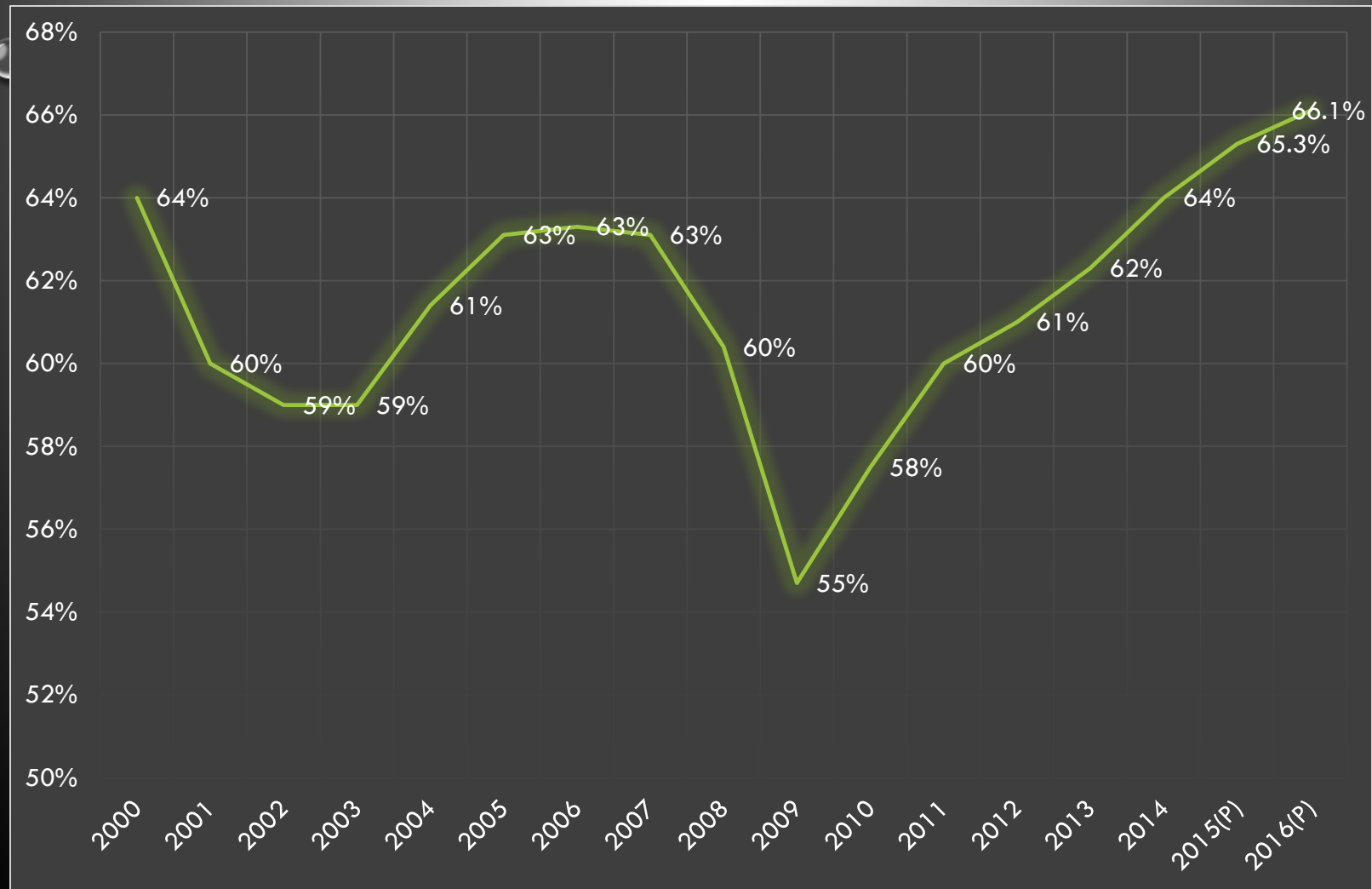
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NATIONAL LODGING MARKET

U.S. Occupancy 2000–2016(P)



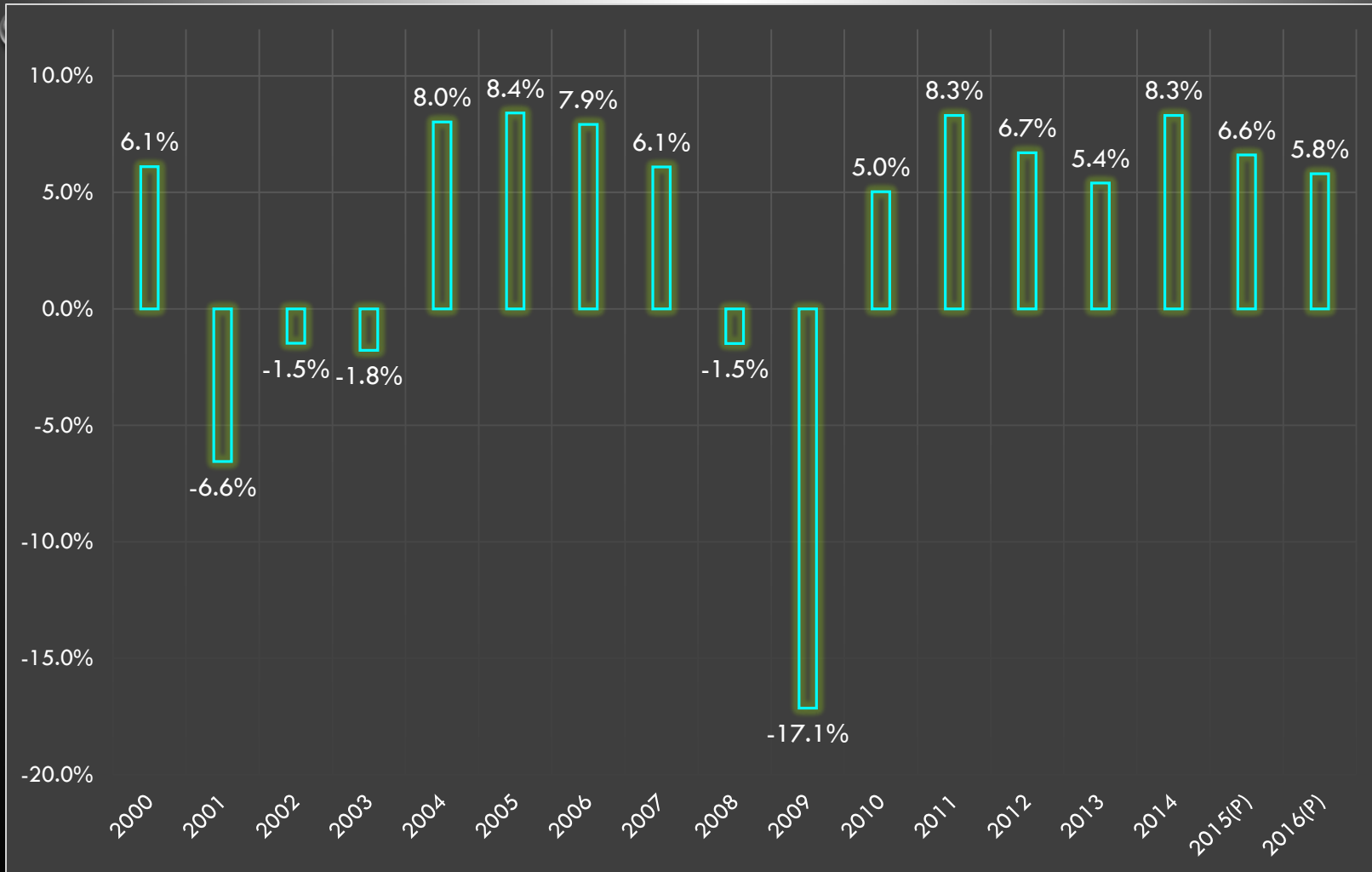
U.S. Average Daily Rate 2000-2016(P)



U.S. RevPAR 2000– 2016(P)



U.S. RevPAR Percent Change 2000 – 2016(P)



NEW SUPPLY

- Total number of hotels in the STR active pipeline as of May 2015 was up 11.7% compared with the same time the prior year. This equates to 3,509 projects with 425,896 rooms. This includes hotels In Construction, Final Planning, and Planning.
- Upscale and Upper Midscale chains dominate overall construction activity.
- New York City has the largest number of rooms under construction with 13,300 rooms which represents about 10% of the US total.
- Long term (20 year) average growth rate for new supply is 1.7% CAGR. In 2014, US hotel supply increased .9%. YTD May 2015, new supply is up 1.0%.

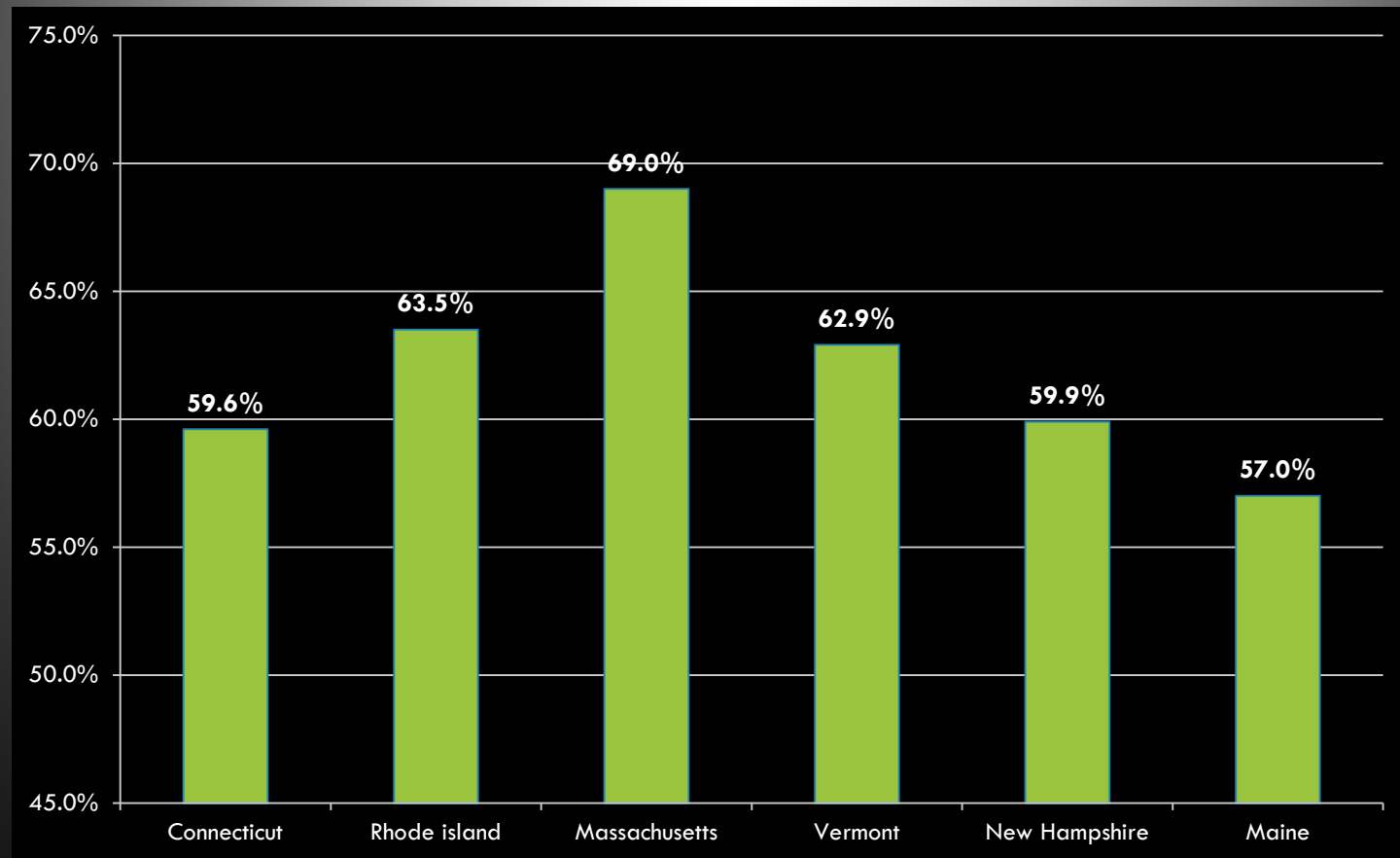
TAKEAWAYS

- Industry fundamentals remain solid. The US Lodging market has the highest room demand ever as well as highest annualized occupancy.
- Supply growth is on the rise (1.3%(P) in 2015). By 2017 supply growth may exceed long term average.
- Demand growth continues to outpace supply and remains reasonably healthy.
- ADR growth continues to be the driver of RevPAR growth (5.2% in 2015 and 5.0% in 2016). Note that long term ADR growth is approximately 2.9%.
- RevPAR forecasts are positive: 6.6% in 2015 and 5.8% in 2016.
- 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 2017.

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NEW ENGLAND LODGING MARKET

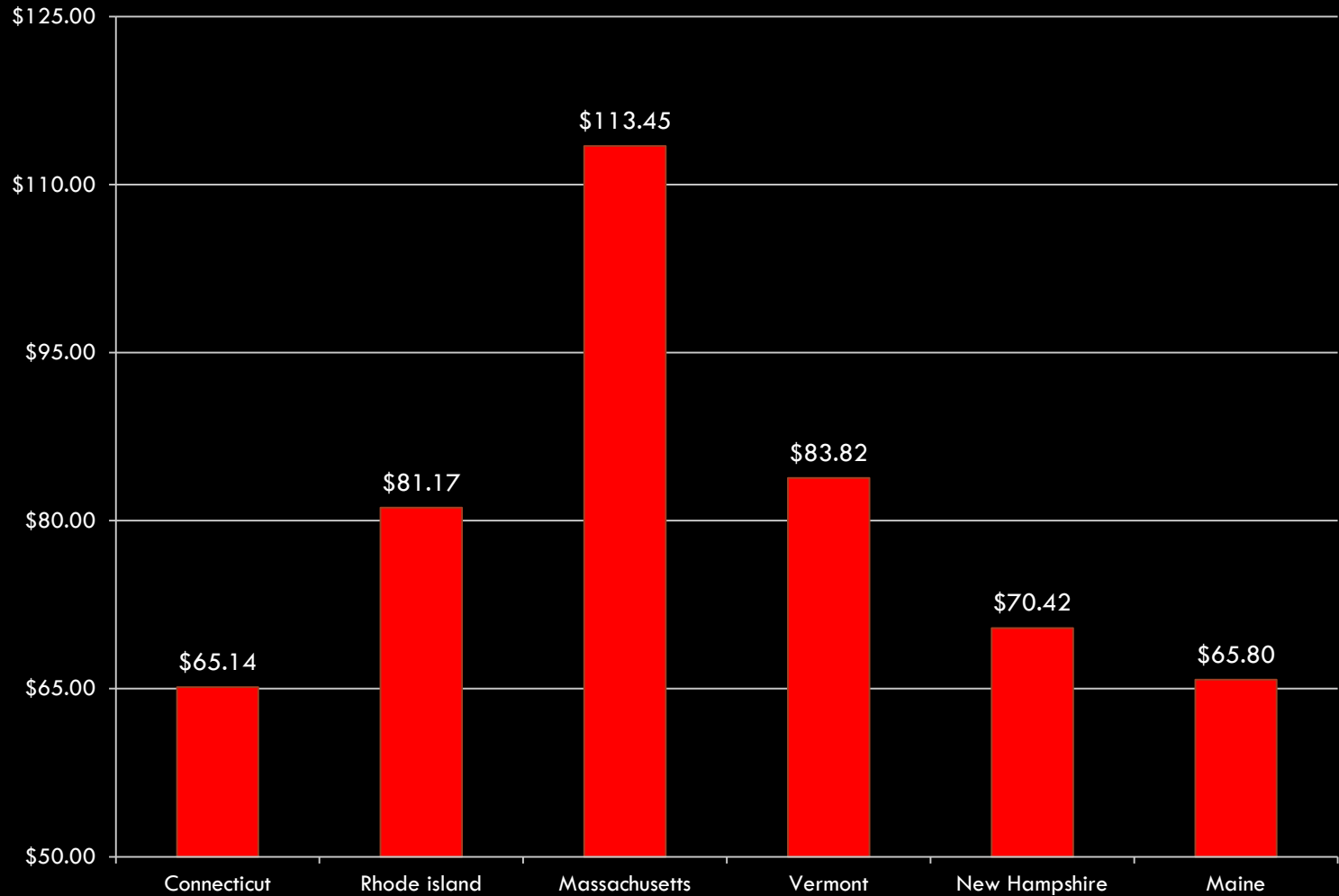
NEW ENGLAND OCCUPANCY 2014



NEW ENGLAND AVERAGE DAILY RATE - 2014



NEW ENGLAND REVPAR – 2014



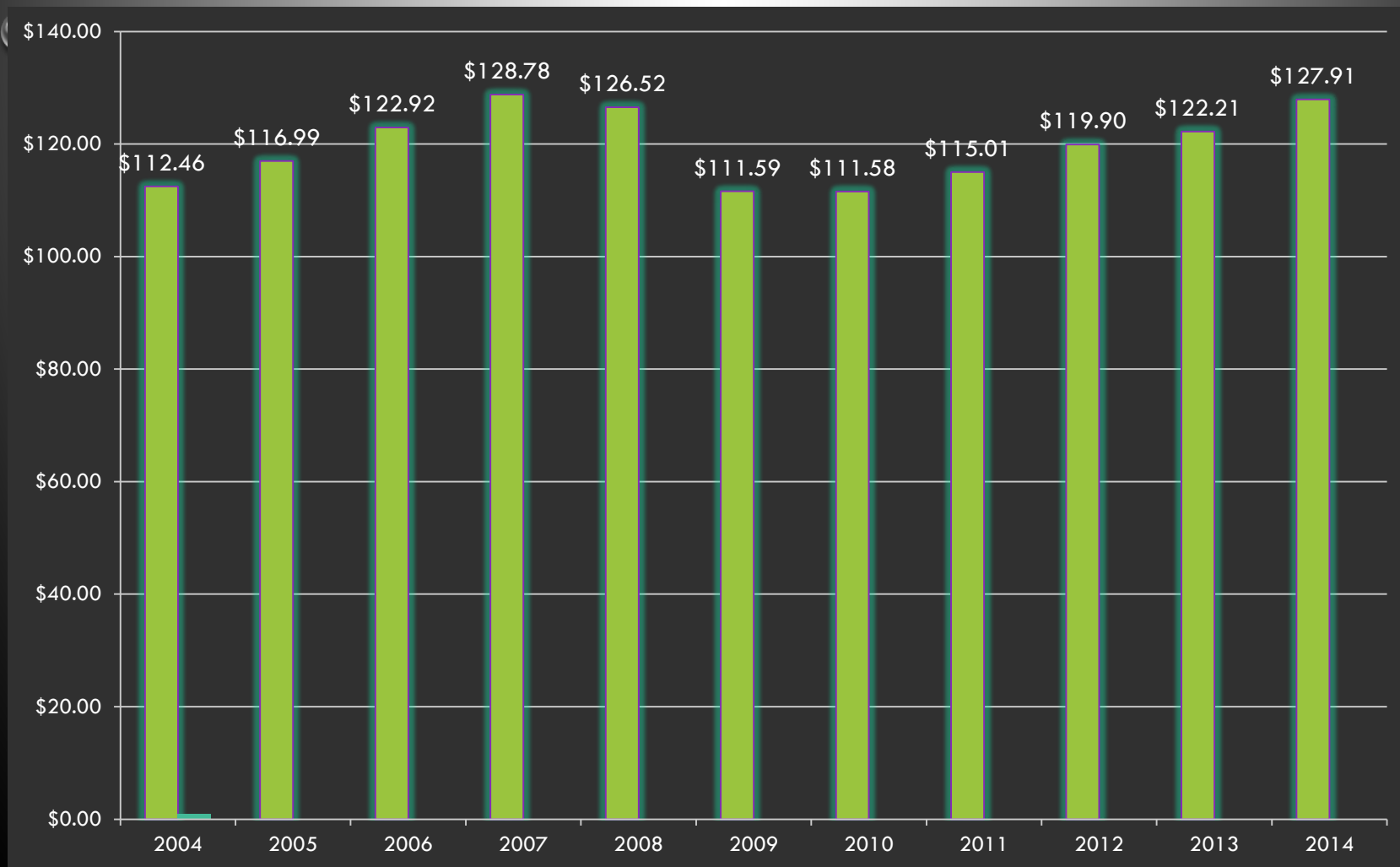
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RHODE ISLAND LODGING MARKET

RHODE ISLAND OCCUPANCY 2004-2014



RHODE ISLAND AVERAGE DAILY ROOM RATE 2004-2014



RHODE ISLAND REVPAR 2004-2014



RHODE ISLAND YEAR-TO-DATE JULY COMPARISON

	<u>2014</u>	<u>2015</u>	
Occupancy	60.9%	66.6%	
ADR	\$125.10	\$131.56	
RevPAR	\$76.14	\$87.64	Up 15.1%

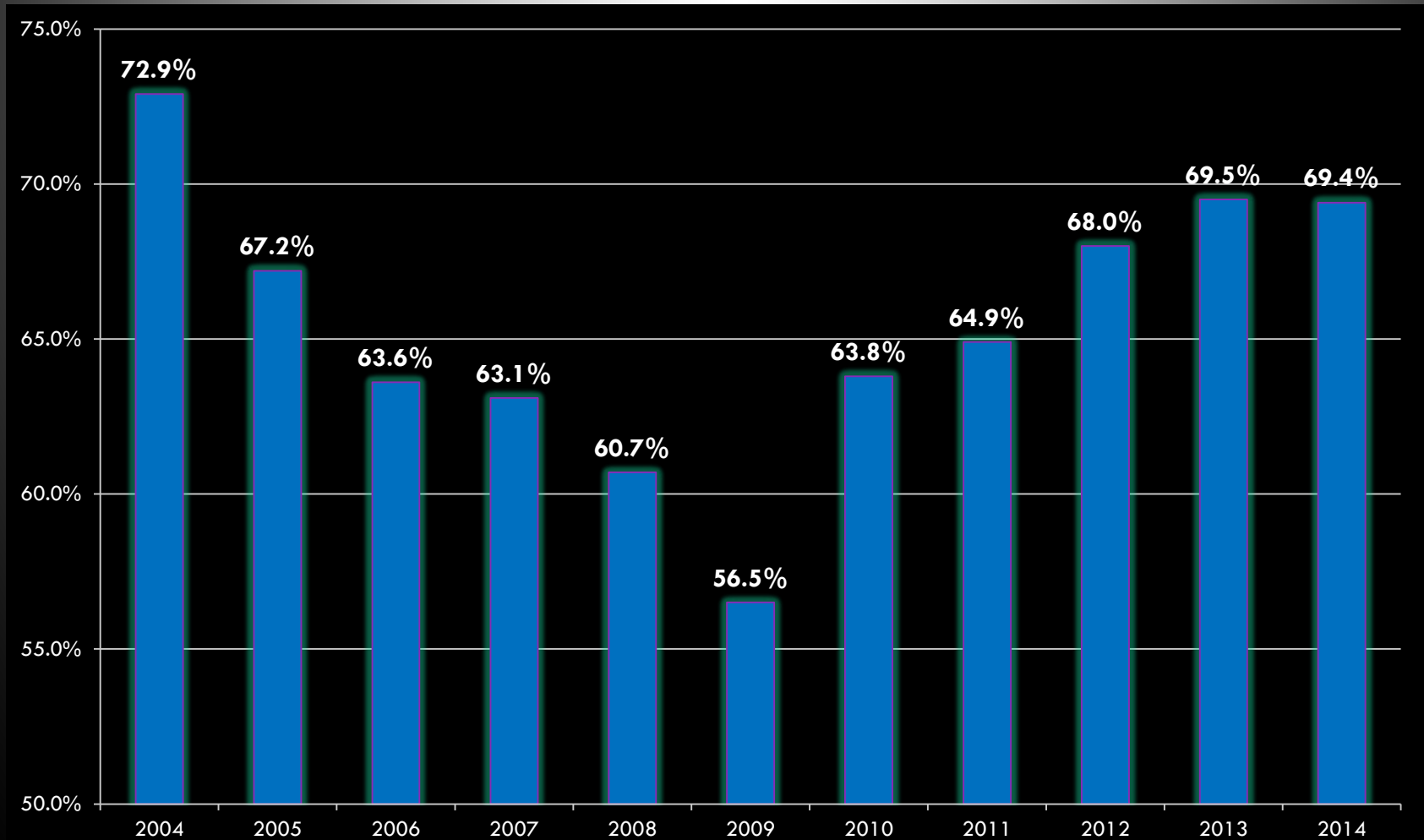
Source: Smith Travel Research

As noted above, the lodging market in Rhode Island is doing exceptionally well. The following slides will discuss other areas in the state. South County (which has not been analyzed) is also having a great season driven by good weather, strong recovery and rebuilding following the lasting effects of Hurricane Sandy.

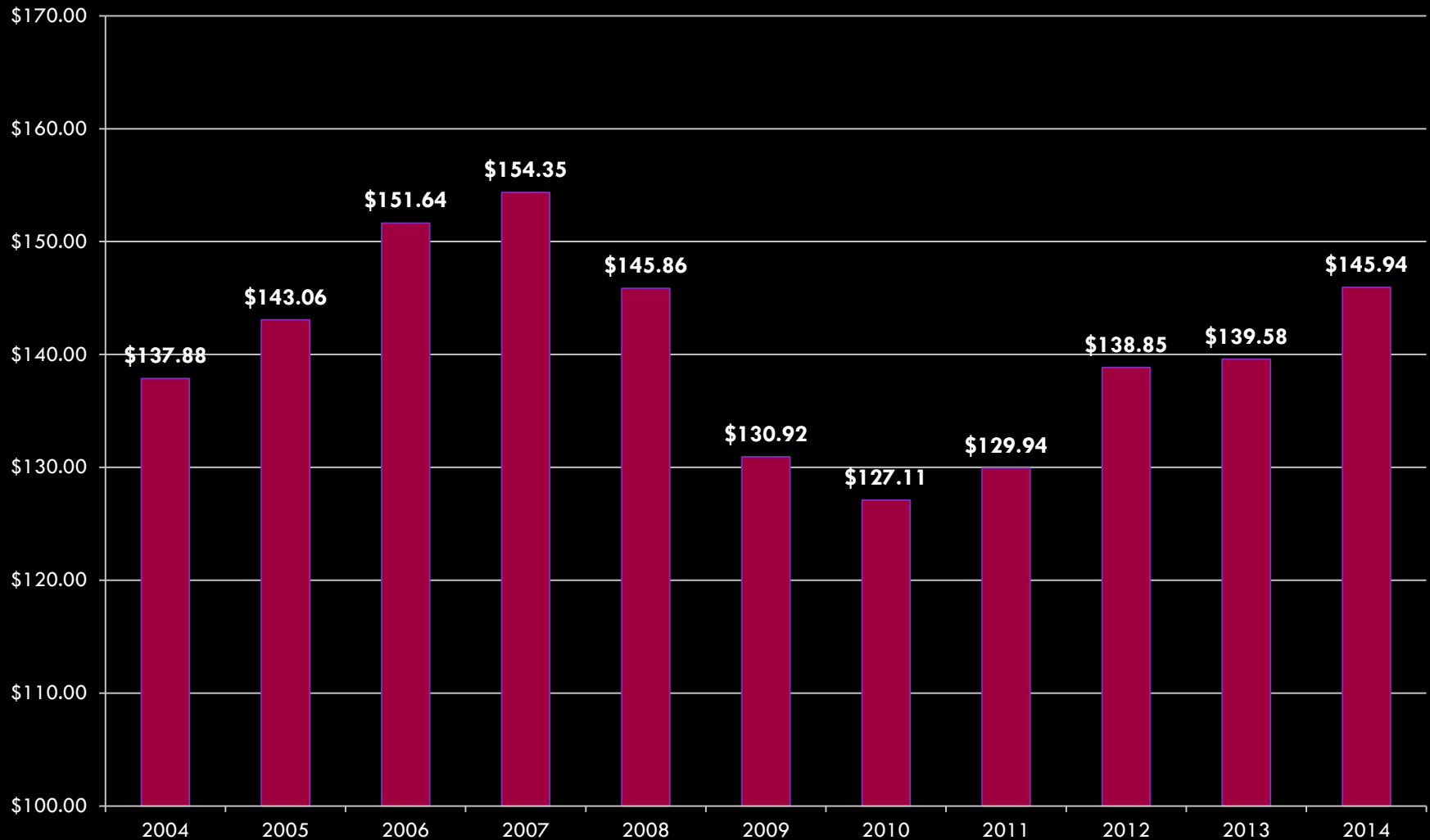
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CITY OF PROVIDENCE LODGING MARKET

PROVIDENCE OCCUPANCY 2004-2014



PROVIDENCE AVERAGE DAILY ROOM RATE 2004-2014



PROVIDENCE REVPAR 2004-2014



PROVIDENCE YTD JULY 2015

	<u>2013</u>	<u>2014</u>	<u>2015</u>	
Occupancy	67.8%	66.8%	70.3%	
ADR	\$137.87	\$144.86	\$156.78	
RevPAR	\$93.44	\$96.78	\$110.25	<i>Up 13.9%</i>
			YTD July	
			DC	Up 8.5%
			Phil	Up 4.2%
			Boston	Up 10.2%
			NY	Down 1.9%

Source: Smith Travel Research

PROVIDENCE - FUTURE

- Convention
- Office Market
- Other Demand Factors
 - New Supply
 - Projections

PROVIDENCE CONVENTION CENTER ROOM NIGHTS - 2015

Tap Report

- Q4 2015 Definite Rooms Are 3% Behind Of The Pace Target
- 2015 is 9% Behind The Pace Target

Convention Center (Booked by PWCVB)

- 2014 – 46 Groups, 56k Room Nights, 141k Attendees
- 2015 – 63 Groups, 76k Room Nights, 149k Attendees
- 2016 – 41 Groups, 48k Room Nights, 69k Attendees

Sports Tournaments – Represent About 35% Of Convention Demand
2015 Very Positive; 2016 Expect Declines

PROVIDENCE – DOWNTOWN OFFICE MARKET (CLASS A, B, C)

	Vacancy
11/30/04	8.5%
12/31/05	10.1%
12/31/06	11.2%
12/31/07	14.8%
12/31/08	15.2%
12/31/09	17.2%
12/31/10	18.9%
12/31/11	15.9%
12/31/12	16.0%
12/31/13	16.2%
12/31/14	15.6%

PROVIDENCE OTHER FACTORS

- Economic Outlook – Modest Growth Anticipated
- New Lodging Supply – No New Supply in 2015/2016

PROVIDENCE – PROJECTIONS

2015 – 71% @ \$156: REVPAR - \$110.76

2016 – 71% @ \$163: REVPAR - \$115.73

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WARWICK LODGING MARKET

WARWICK OCCUPANCY 2004-2014



WARWICK AVERAGE DAILY ROOM RATE 2004-2014



WARWICK REVPAR 2004-2014



Source: Smith Travel Research

WARWICK YTD JULY 2015

	<u>2013</u>	<u>2014</u>	<u>2015</u>	
Occupancy	66.5%	67.2%	71.8%	
ADR	\$86.47	\$89.77	\$94.57	<i>Up 5.4%</i>
RevPAR	\$57.49	\$60.32	\$67.88	<i>Up 12.5%</i>

Source: Smith Travel Research

WARWICK – FUTURE

Issues

- Unemployment – Substantial Improvement
- Airport Factors – YTD Passengers – Down Slightly
- Office Market – 12.6% Vacancy – Lowest Rate Since 2006
- Industrial Market – 9.2% Declining Vacancy
- New Supply – No New Supply
- Other – Mall Continues to Improve/More Tenants
- Economy Continues to Improve

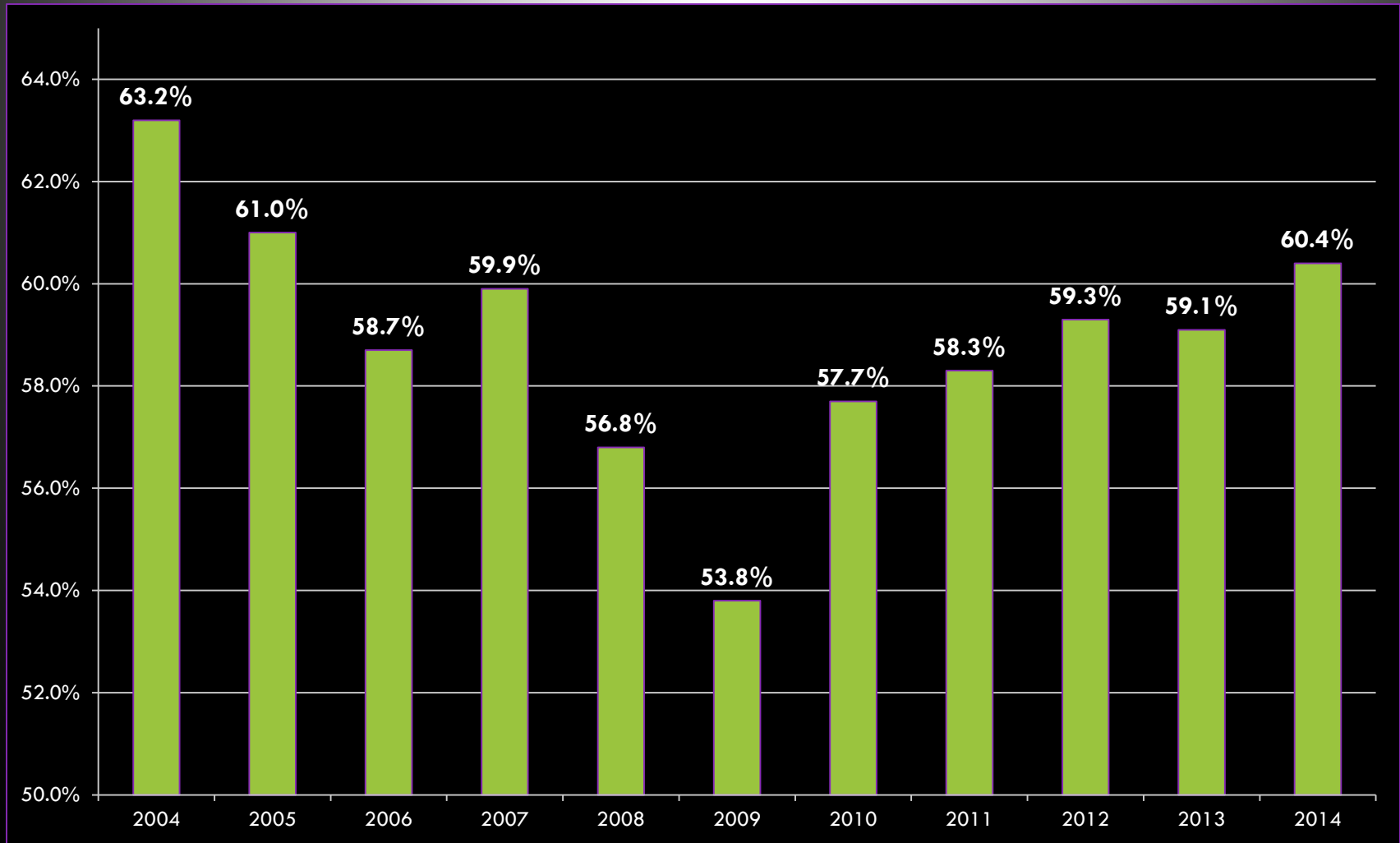
Projections

- 2015: 71% @ \$96.00: REVPAR - \$68.16
- 2016: 72% @ \$100: REVPAR - \$72.00

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NEWPORT LODGING MARKET

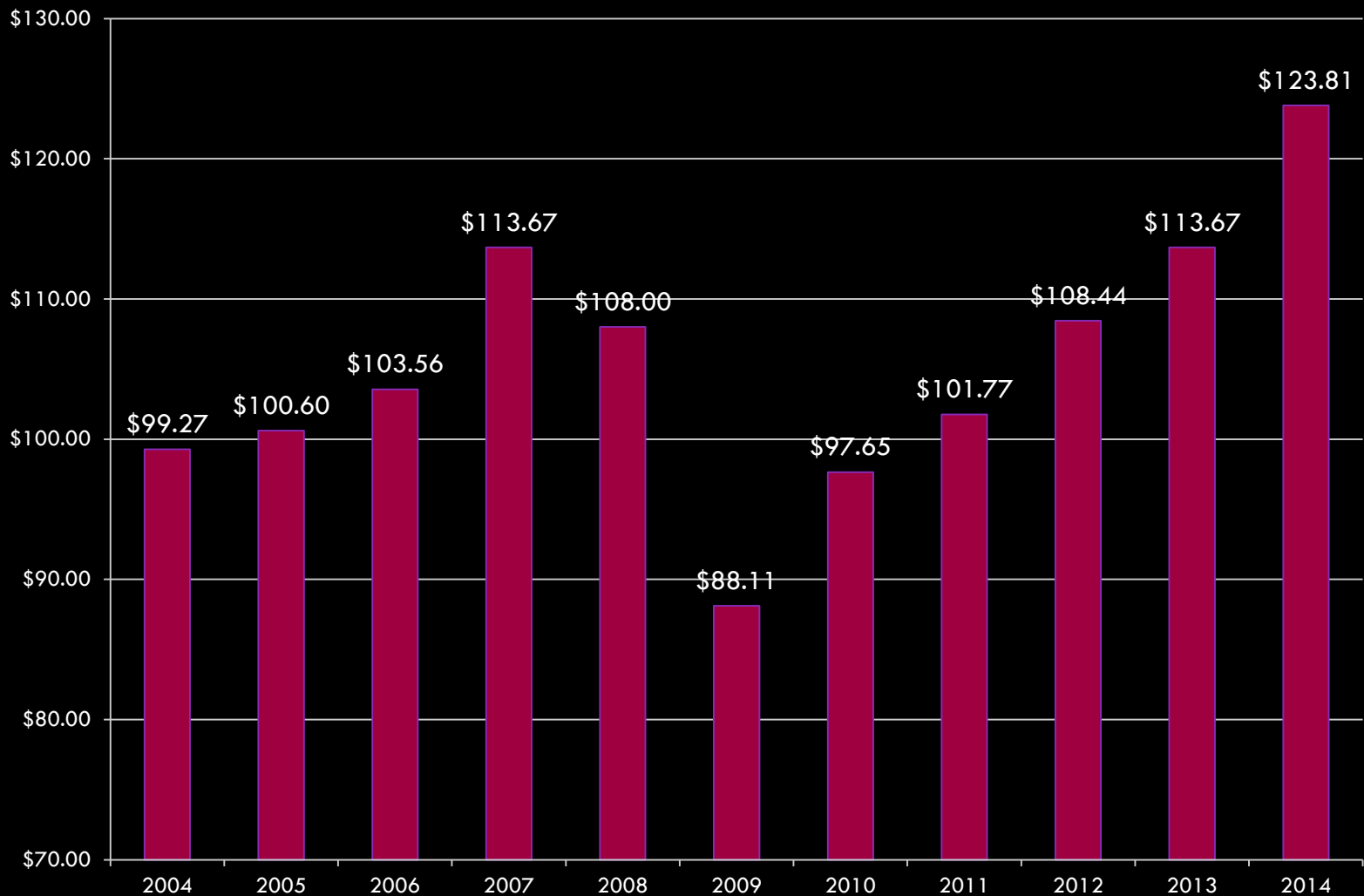
NEWPORT OCCUPANCY 2004-2014



NEWPORT AVERAGE DAILY RATE 2004-2014



NEWPORT REVPAR 2004-2014



NEWPORT YTD JULY 2015

	<u>2013</u>	<u>2014</u>	<u>2015</u>	
Occupancy	56.2%	56.2%	63.2%	
ADR	\$182.64	\$172.75	\$203.80	Up 5.7%
RevPAR	\$102.71	\$108.31	\$128.78	Up 18.9%

Source: Smith Travel Research

NEWPORT – FUTURE

Issues:

- New Supply
- 200 Room Hotel Planned For Naval Station – Open Spring 2017
 - Marriott Re-Opened April 2015
 - Possible Hotel at Newport Grand
 - Hotel Viking – Rooms May Be Offline With Renovation

International Visitors – 18% of all Visitors are International

Group/Meetings Market – Continue to See Re-bound

Volvo Race (May 2015) – a Success

Government Demand – Slowly Improving

Gas Prices – Positive for Driving Traffic

Projections:

2015 – 63% @ \$215: RevPAR - \$135.45

2016 – 61% @ \$225: RevPAR - \$137.25

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