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Advisory Group



rhode island
hospitality

Economic Outlook Breakfast

October 21, 2008

**The State of the Hospitality Industry in
Rhode Island**

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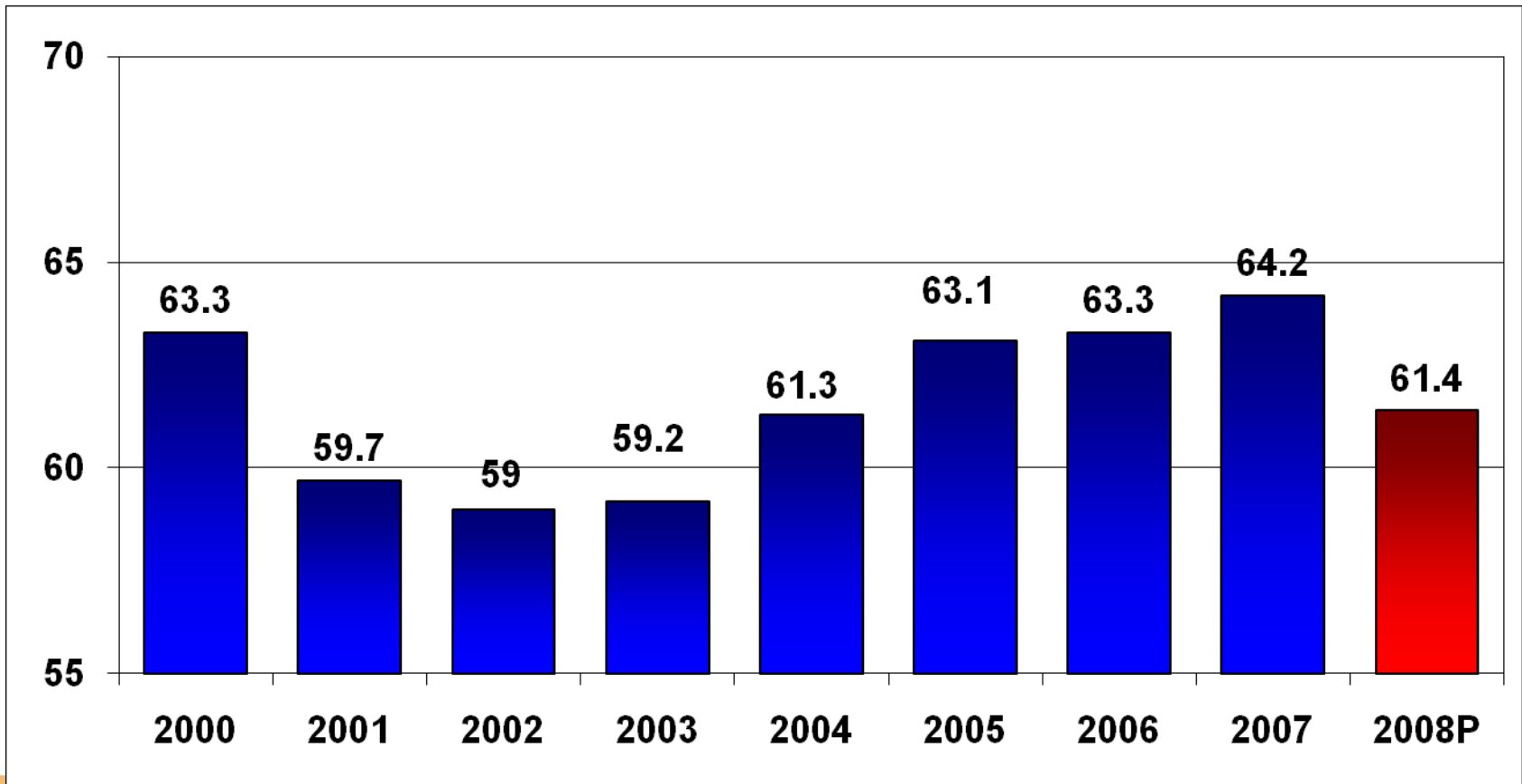
NATIONAL LODGING MARKET





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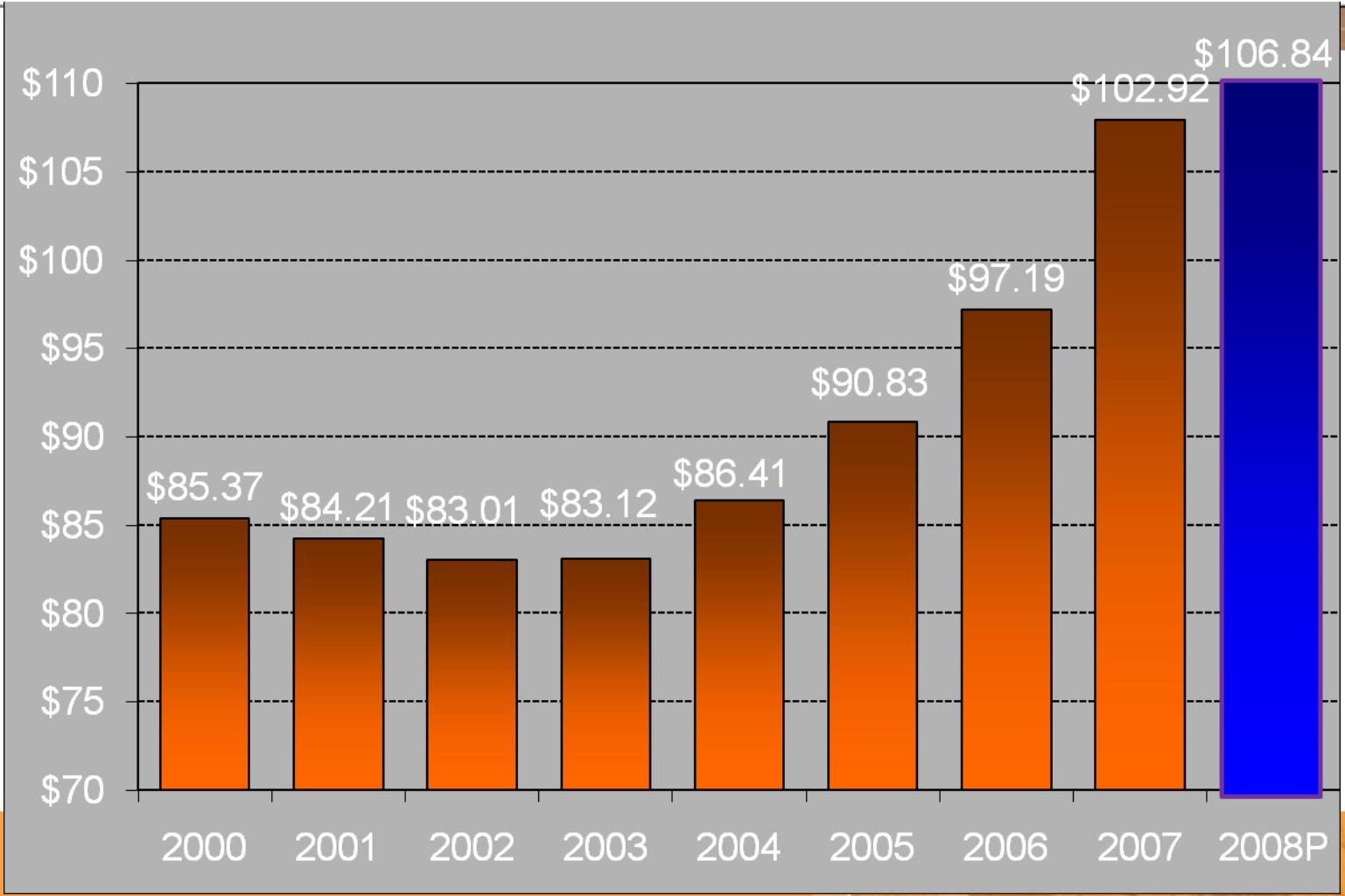
U.S. Occupancy Percent 2000 – 2008P





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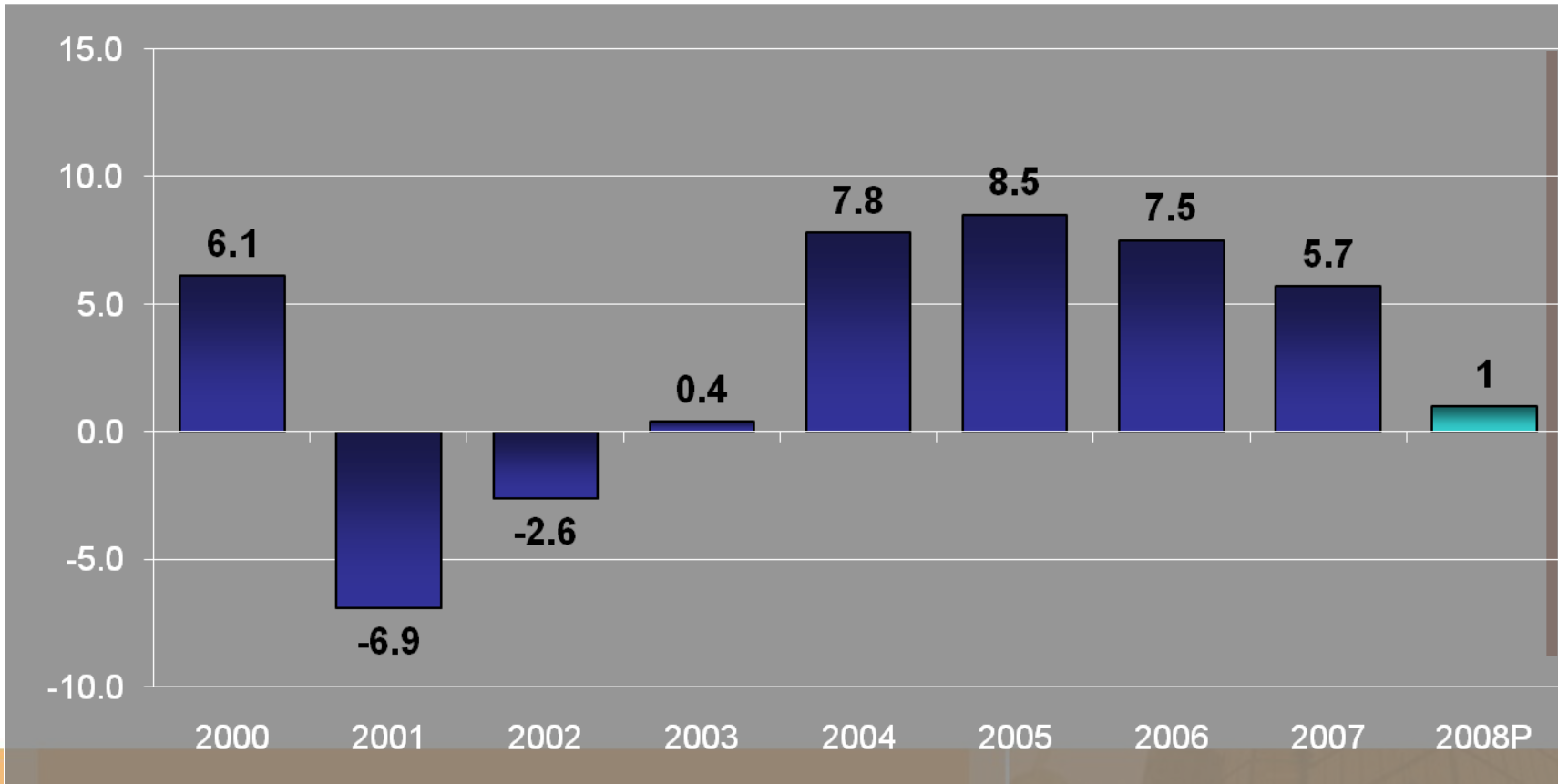
U.S. Average Daily Rate 2000 – 2008P





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U.S. RevPAR Percent Change 2000 – 2008P



Source: Smith Travel Research



Total U.S. Pipeline September 2008 vs. 2007

| <u>Phase</u> | <u>% Change</u> |
|---------------------|-----------------|
| In Construction | 0.7% |
| Final Planning | 87% |
| Planning | 14% |
| <u>Pre-Planning</u> | <u>28%</u> |
| Total | 19% |

Current Financial Crisis Could Hold Future Supply in Check



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US Lodging Forecast*

| <u>2009</u> | <u>Occ</u> | <u>ADR</u> | <u>RevPAR</u> |
|-------------|------------|------------|---------------|
| STR | 60% | \$110.60 | \$66.36 |
| Pinnacle | 59% | \$108.00 | \$63.72 |

***As of September 2008**



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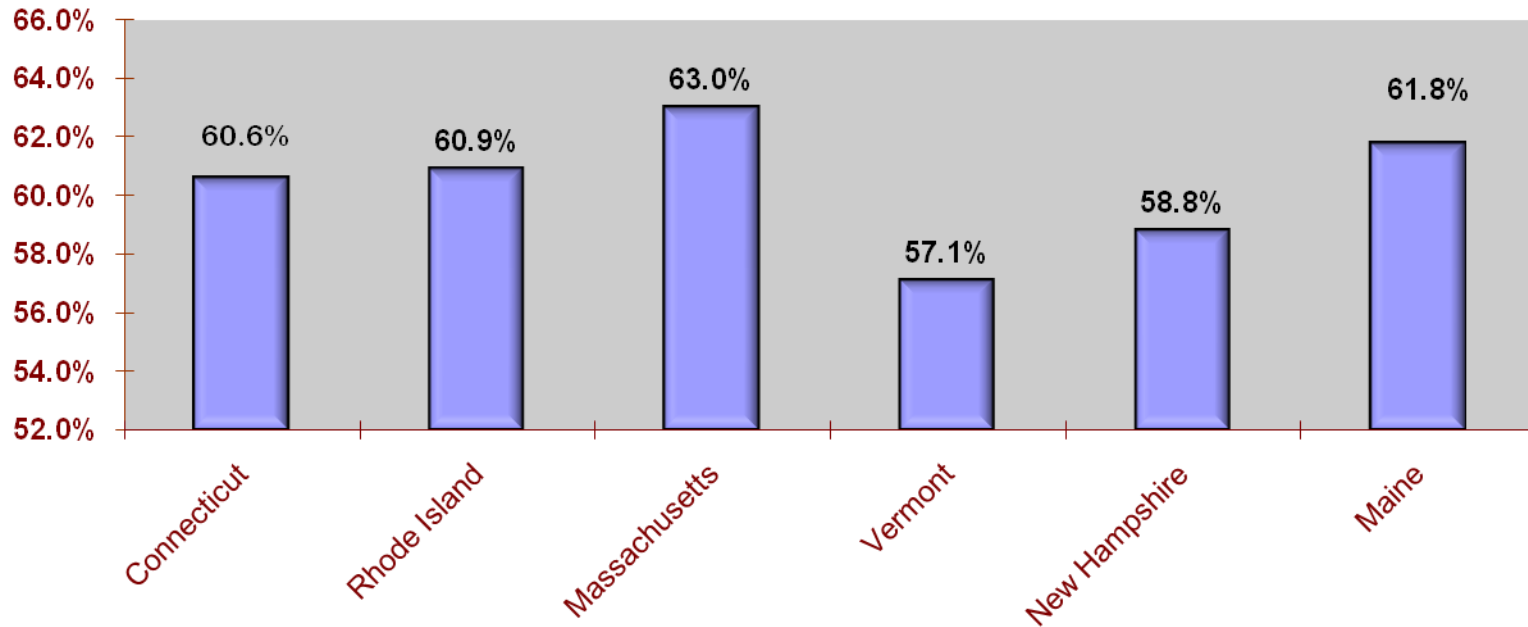
NEW ENGLAND LODGING MARKET





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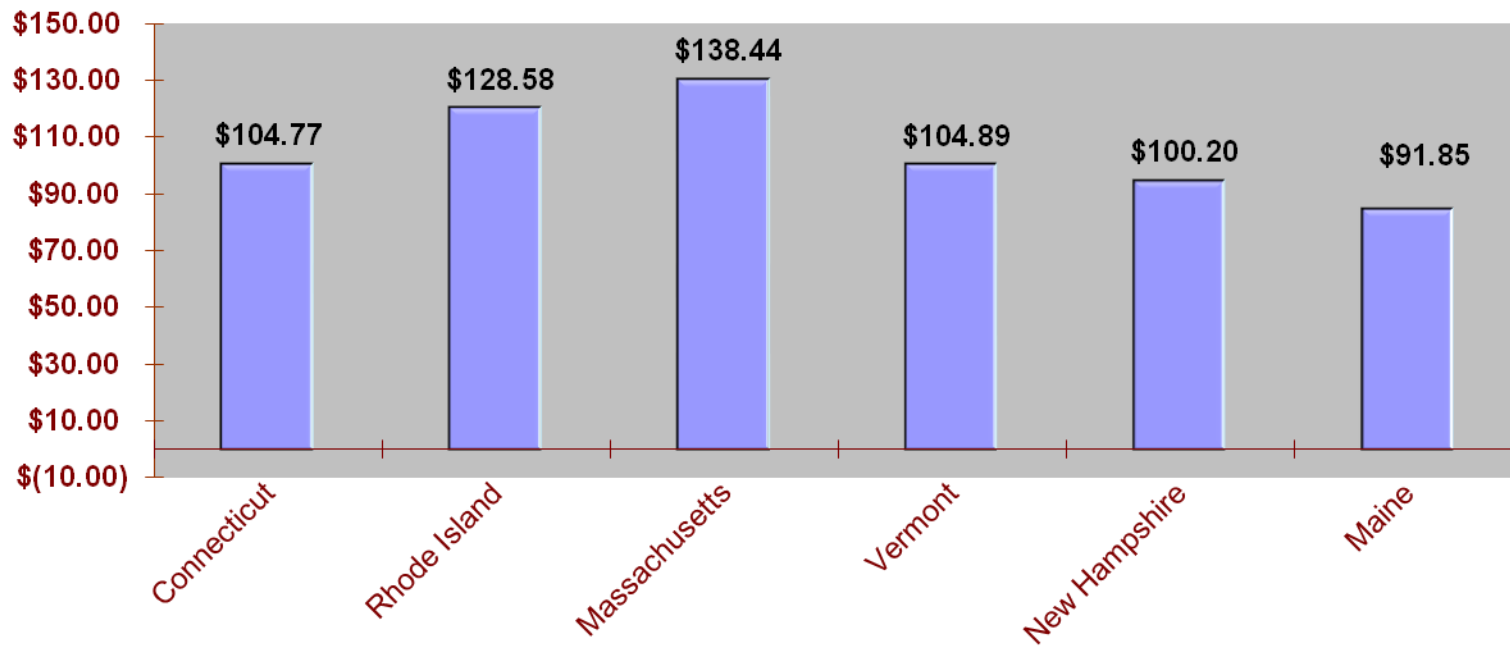
New England Occupancy - 2007





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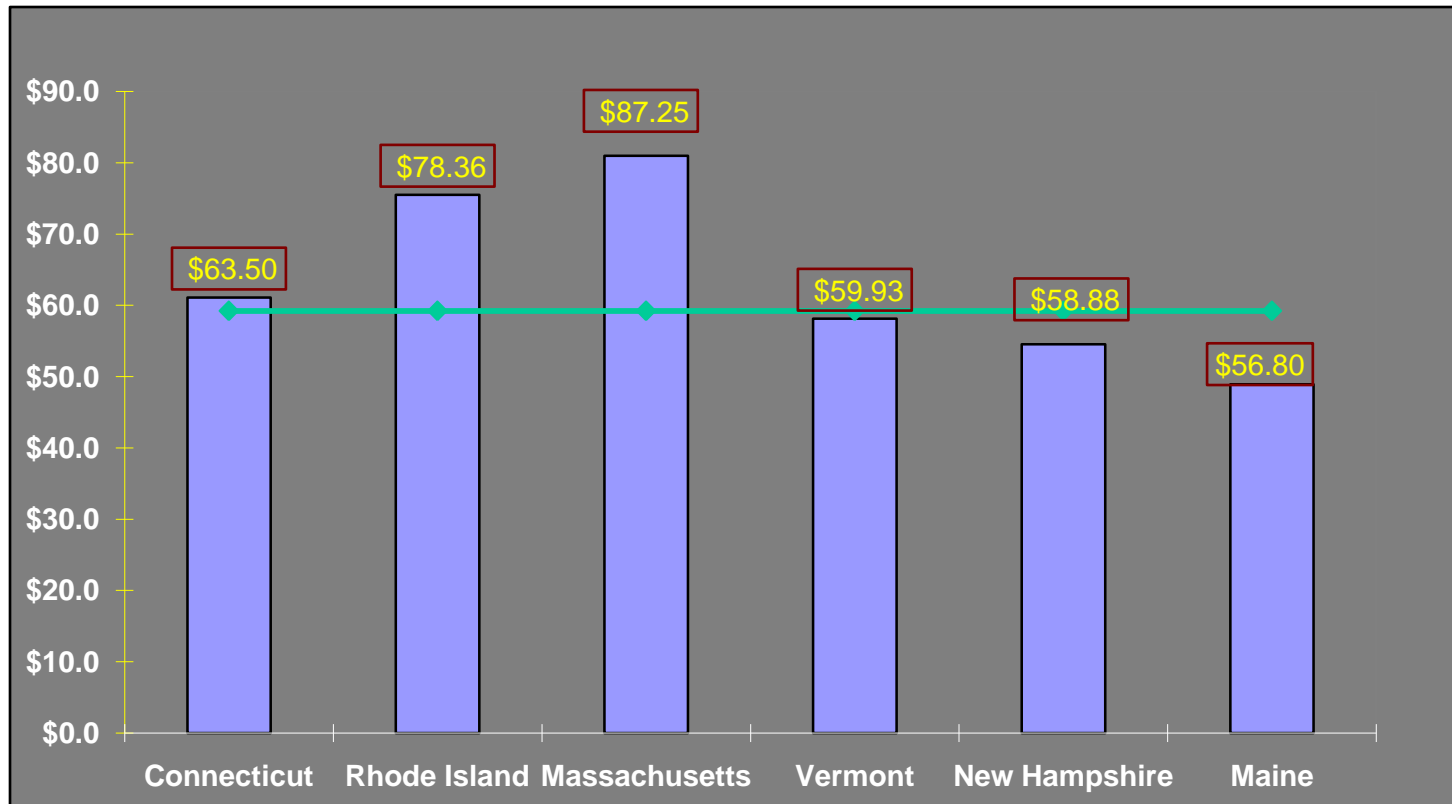
New England Average Daily Rate - 2007





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New England RevPAR - 2007



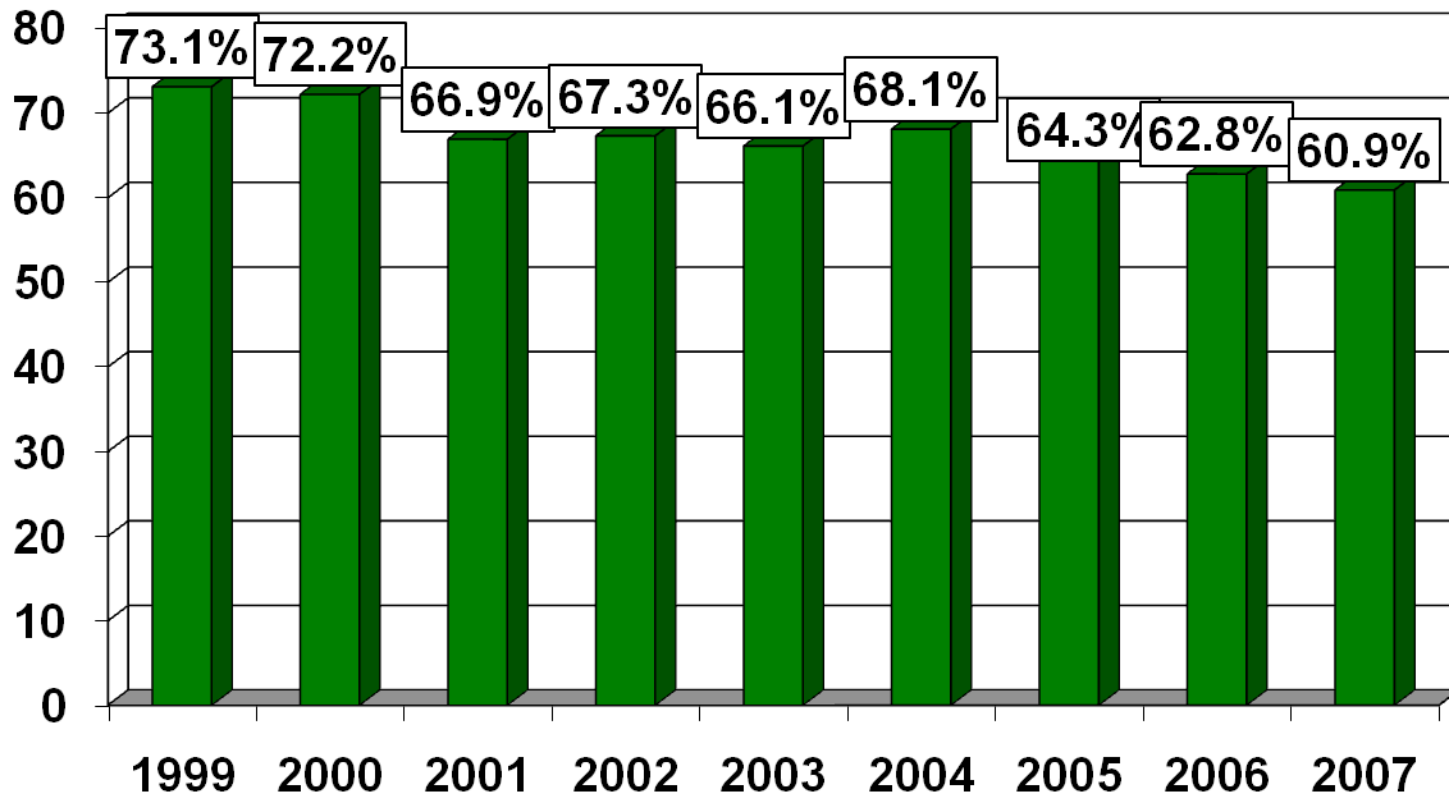


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RHODE ISLAND LODGING MARKET

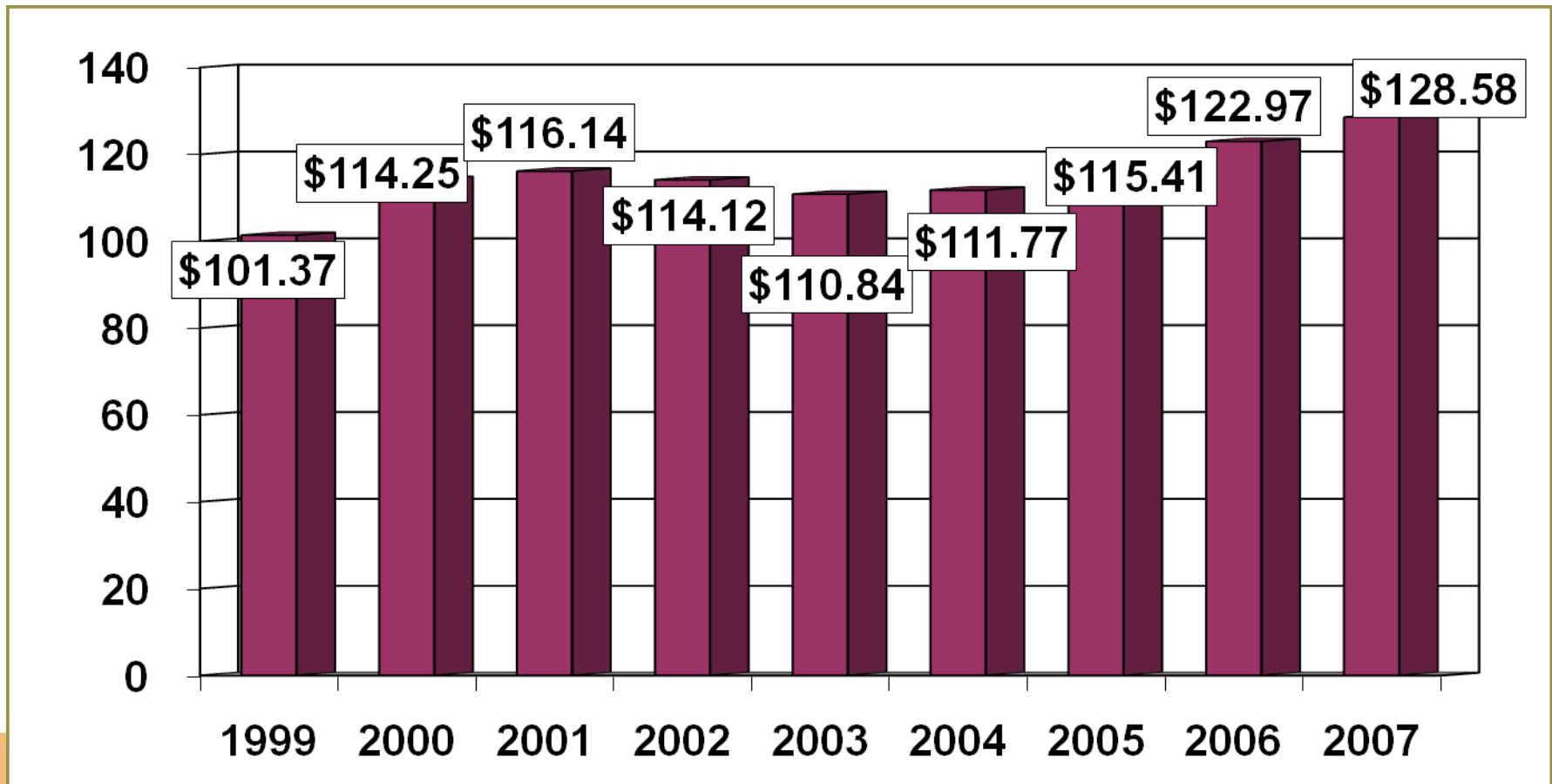


Rhode Island Occupancy 1999-2007



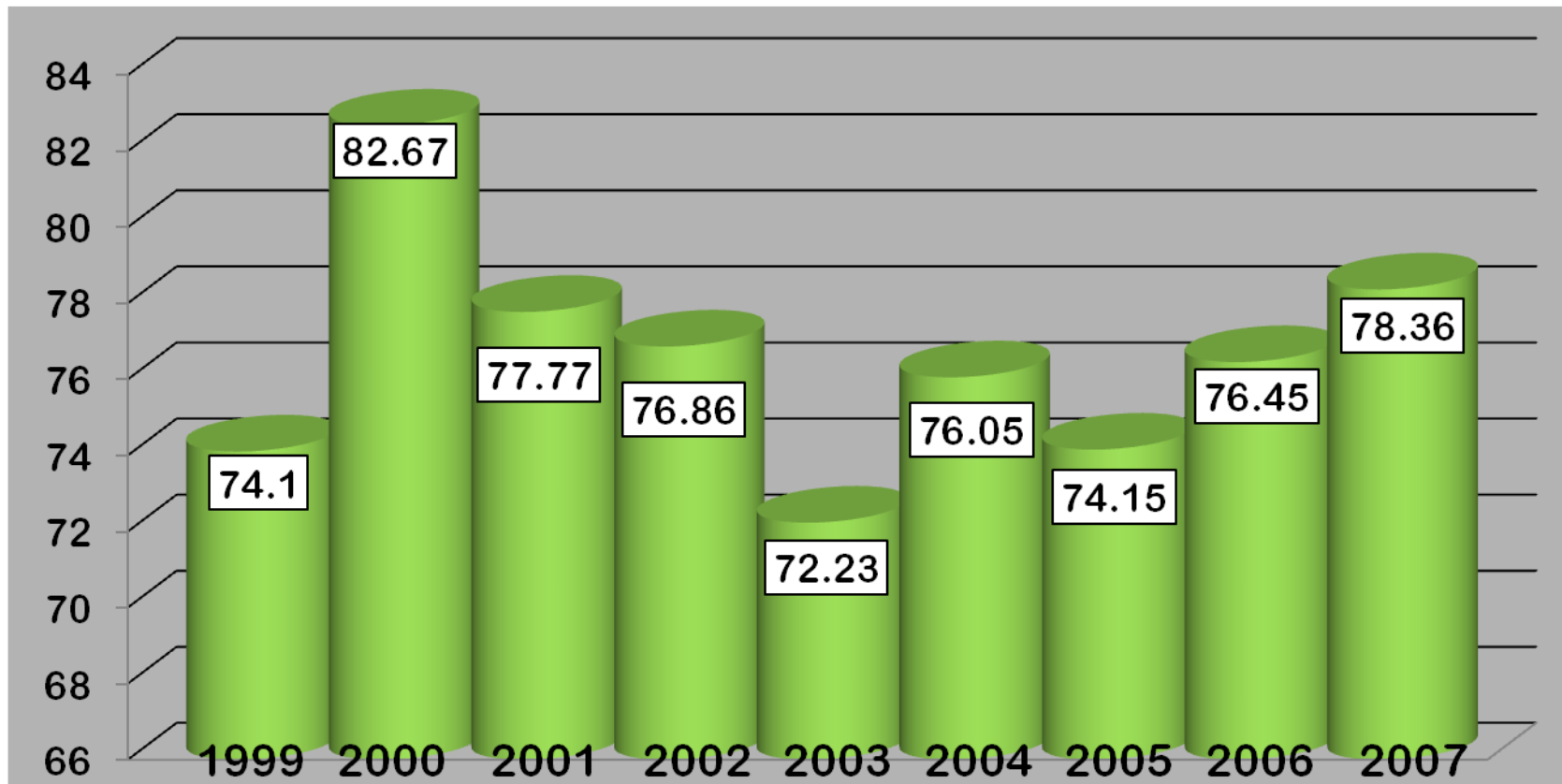


Rhode Island Average Daily Room Rate 1999-2007





Rhode Island RevPAR 1999-2007





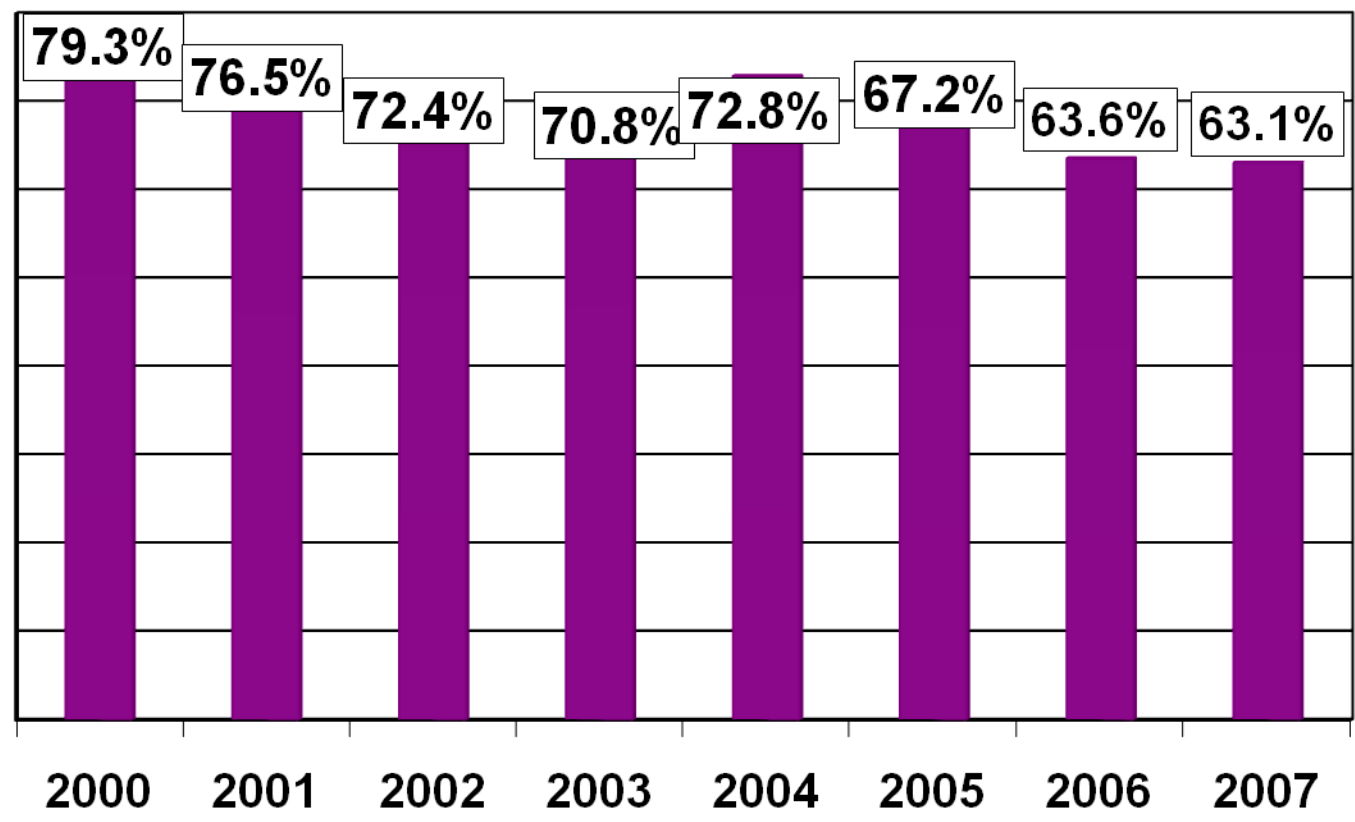
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CITY OF PROVIDENCE LODGING MARKET



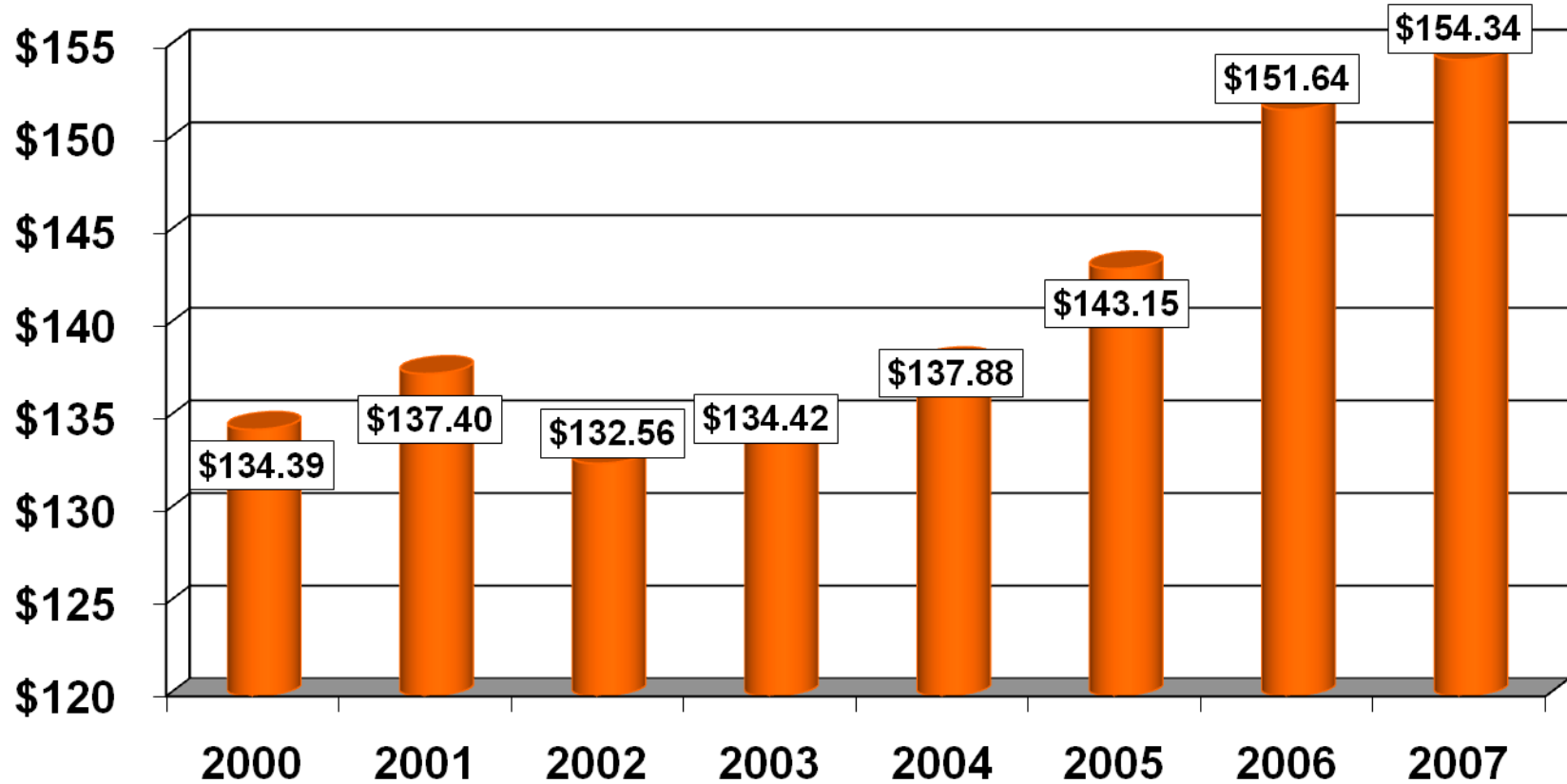


Providence Occupancy 2000-2007



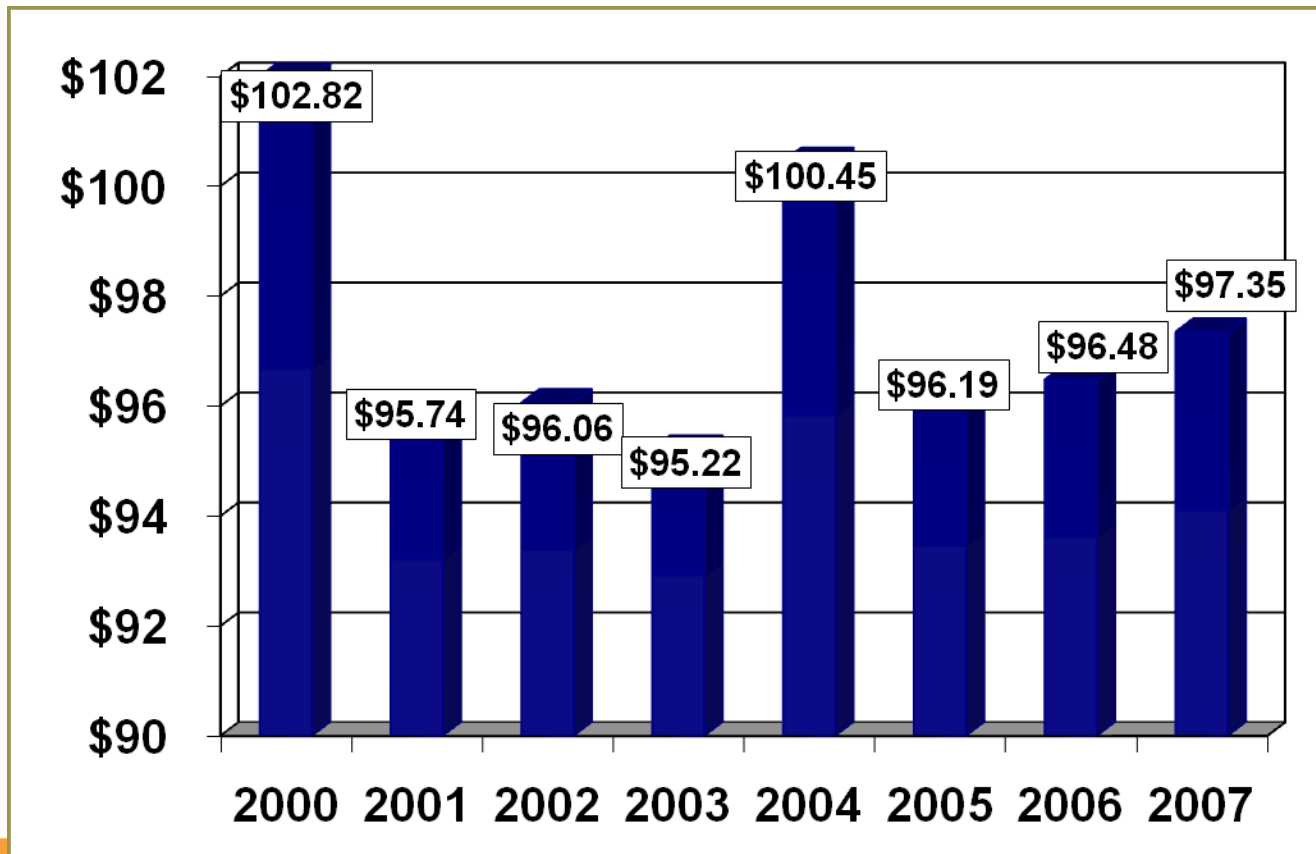


Providence Average Daily Room Rate 2000-2007





Providence RevPAR 2000-2007





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Providence Seasonality Factors

Weekend/Weekday (Sept. 2005- Aug. 2008)

- Sunday – average 44%
- Monday and Thursday – average 60%
- Tuesday, Wednesday, Friday and Saturday – average 70%

Monthly Averages (prior 12 months)

- Peak (>70%) – Sept. Oct. Aug. – average 71%
- Shoulder (60%-70%) – April, May, June, July, – average 65%
- Off-Peak (>60%) – Nov., Dec., Jan., Feb., March – average 50%



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Providence - Future

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



Comparison of Events by Type – FY2007 – FY2008

| | # of Events FY 2007 | Attendance FY 2007 | Associated RoomNights FY 2007 | # of Events FY 2008 | Attendance FY 2008 | Associated RoomNights FY 2008 |
|---------------------|------------------------------------|-------------------------------|--|------------------------------------|-------------------------------|--|
| Public Shows | 36 | 223,400 | 3,686 | 47 | 204,250 | 4,048 |
| Tradeshows | 21 | 30,300 | 19,510 | 22 | 41,450 | 15,127 |
| Conventions | 12 | 15,100 | 16,972 | 12 | 9,450 | 10,894 |
| Meetings | 169 | 47,310 | 5,832 | 184 | 59,796 | 12,015 |
| Banquets | 89 | 42,450 | 0 | 84 | 24,953 | 2548 |
| TOTALS | 327 | 358,560 | 46,000 | 349 | 339,899 | 44,632 |



Providence – Downtown Office Market

| | Total SF | Vacancy | Absorption |
|----------|-----------------|----------------|-------------------|
| 12/31/99 | 6,035,318 | 12.4% | 4,465 |
| 12/31/00 | 5,908,818 | 11.5% | 129,073 |
| 12/31/01 | 5,704,318 | 13.8% | (18,275) |
| 12/31/02 | 5,736,118 | 12.8% | 53,006 |
| 12/31/03 | 5,399,118 | 9.3% | 125,287 |
| 11/30/04 | 5,737,542 | 8.5% | 124,475 |
| 12/31/05 | 5,437,427 | 10.1% | (117,000) |
| 12/31/06 | 6,664,927 | 11.2% | 184,000 |
| 12/31/07 | 6,049,233 | 14.8% | 116,541 |



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Providence Other Factors

- I-195 Relocation
- Economic Outlook
- Civic Center – Renovation



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Providence – New Supply

- Renaissance Hotel (276 rooms) – Opened May 2007
- Westin Addition (200 rooms) – Opened July 2007
- Hampton Inn (107 Rooms) – 2009
- Other projects rumored – W Hotel, Branded
- Hotel Sierra, Four Points, Holiday Inn, Wingate, Aloft (Dynamo House)



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Providence – Projections

- 2008 – 60% @ \$148
- 2009 – 60% @ \$150

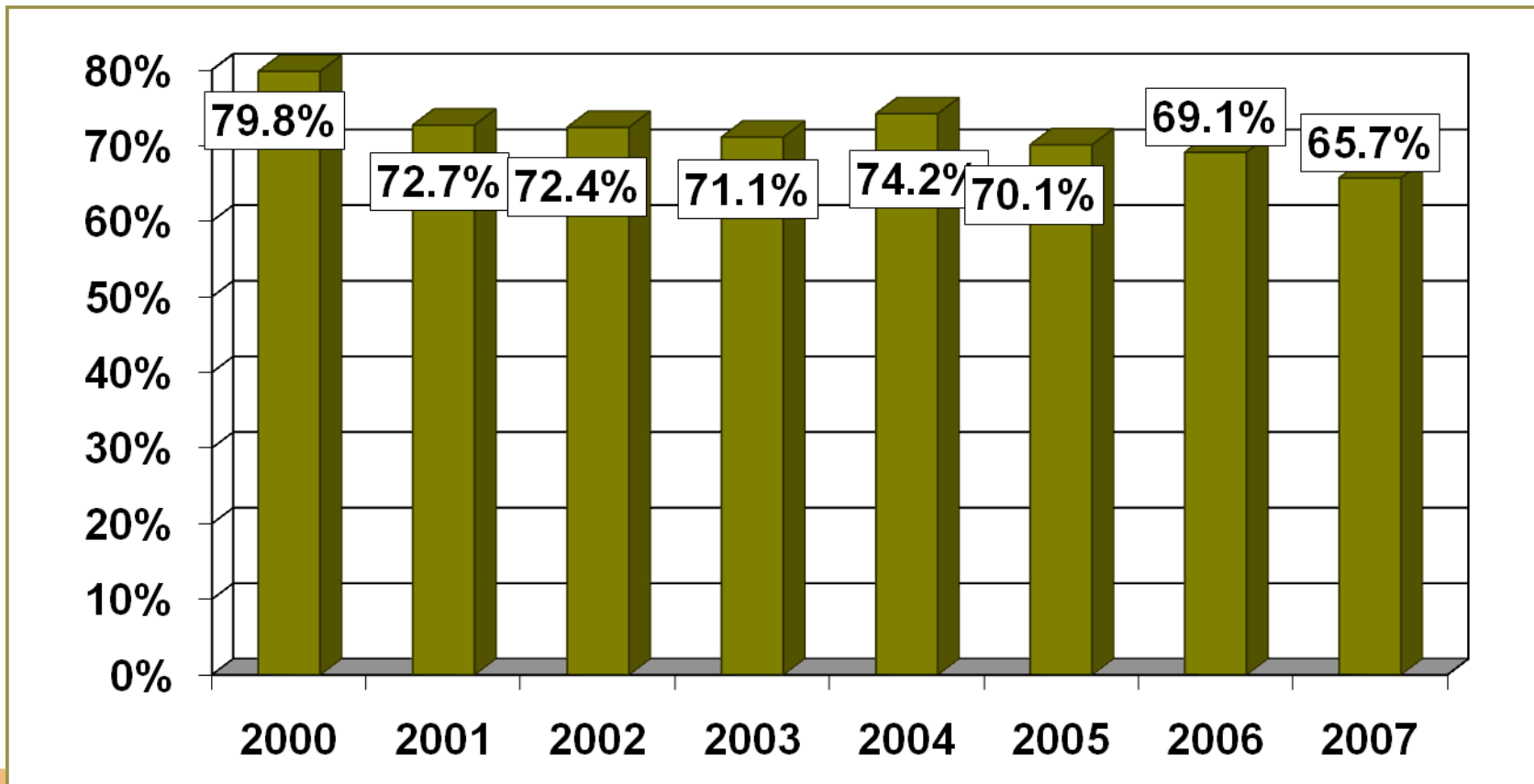


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WARWICK LODGING MARKET

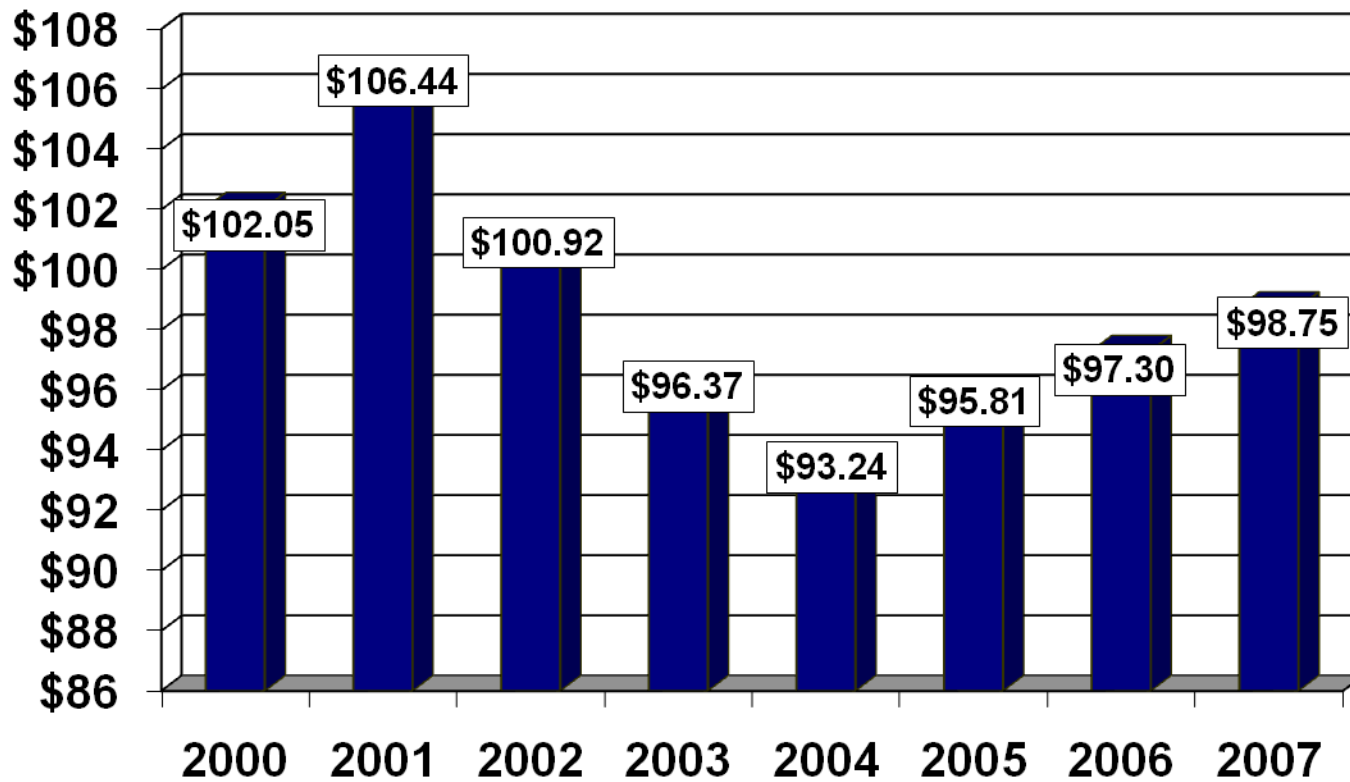


Warwick Occupancy 2000-2007



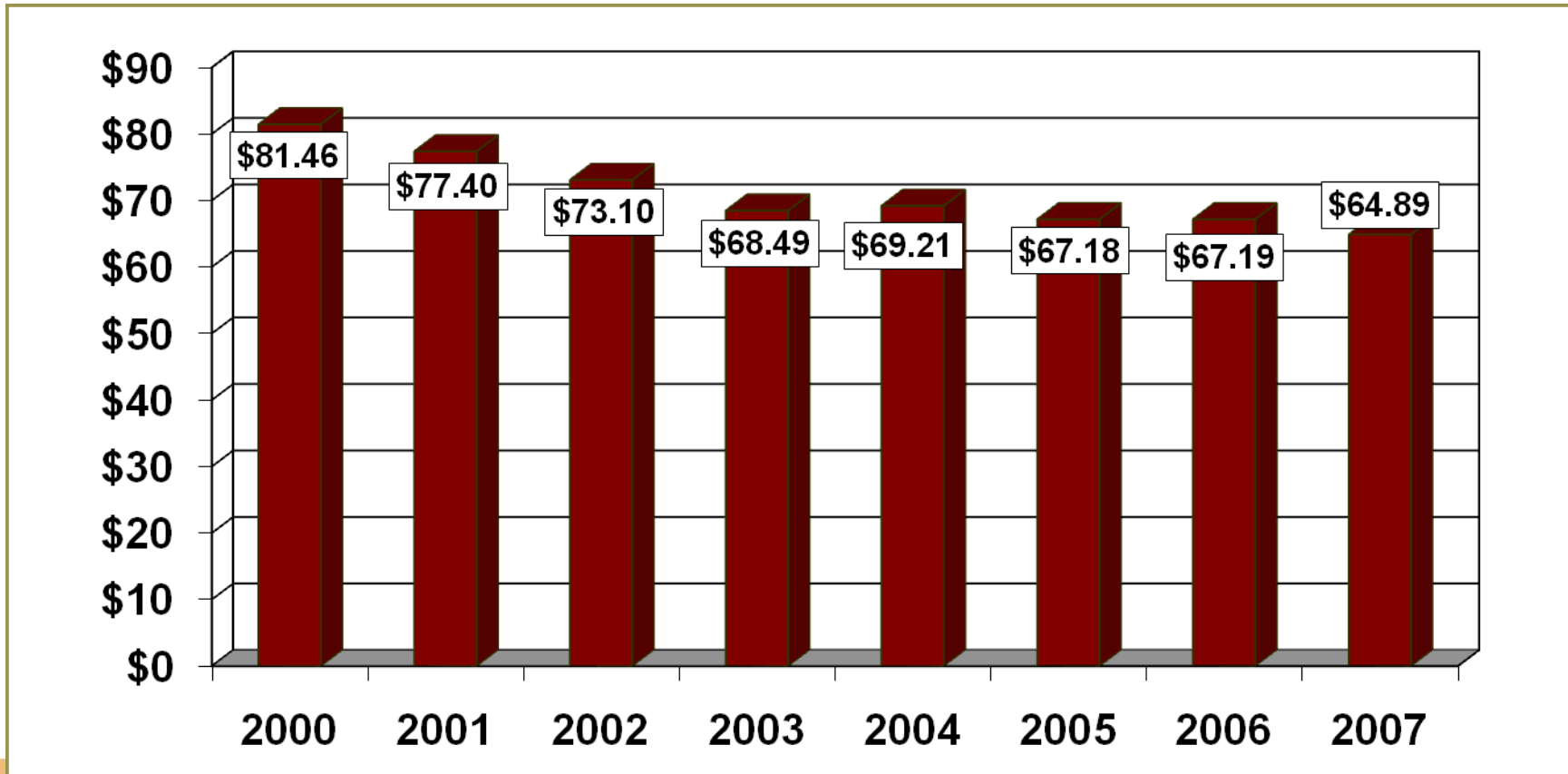


Warwick Average Daily Room Rate 2000-2007





Warwick RevPAR 2000-2007





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Warwick Seasonality Factors

Supply vs. Demand (2002-2007)

- 3.3% new supply
- 1.4% demand

Weekend/Weekday

- Monday through Saturday – average 66% - 3 years ago average was 78%
- Sunday – average 50% - 3 years ago average was 62%



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Warwick – Future

Issues

- Airport Factors – YTD Down 5%
- Intermodal – 2011?
- 164 Room Nylo Opened Summer 2008
- General Demand Slowdown
- Possible Increase in Airport Shuttle Fees

Projections

- 2008: 63% (Occupancy) \$96 (ADR)
- 2009: 63% (Occupancy) \$95 (ADR)

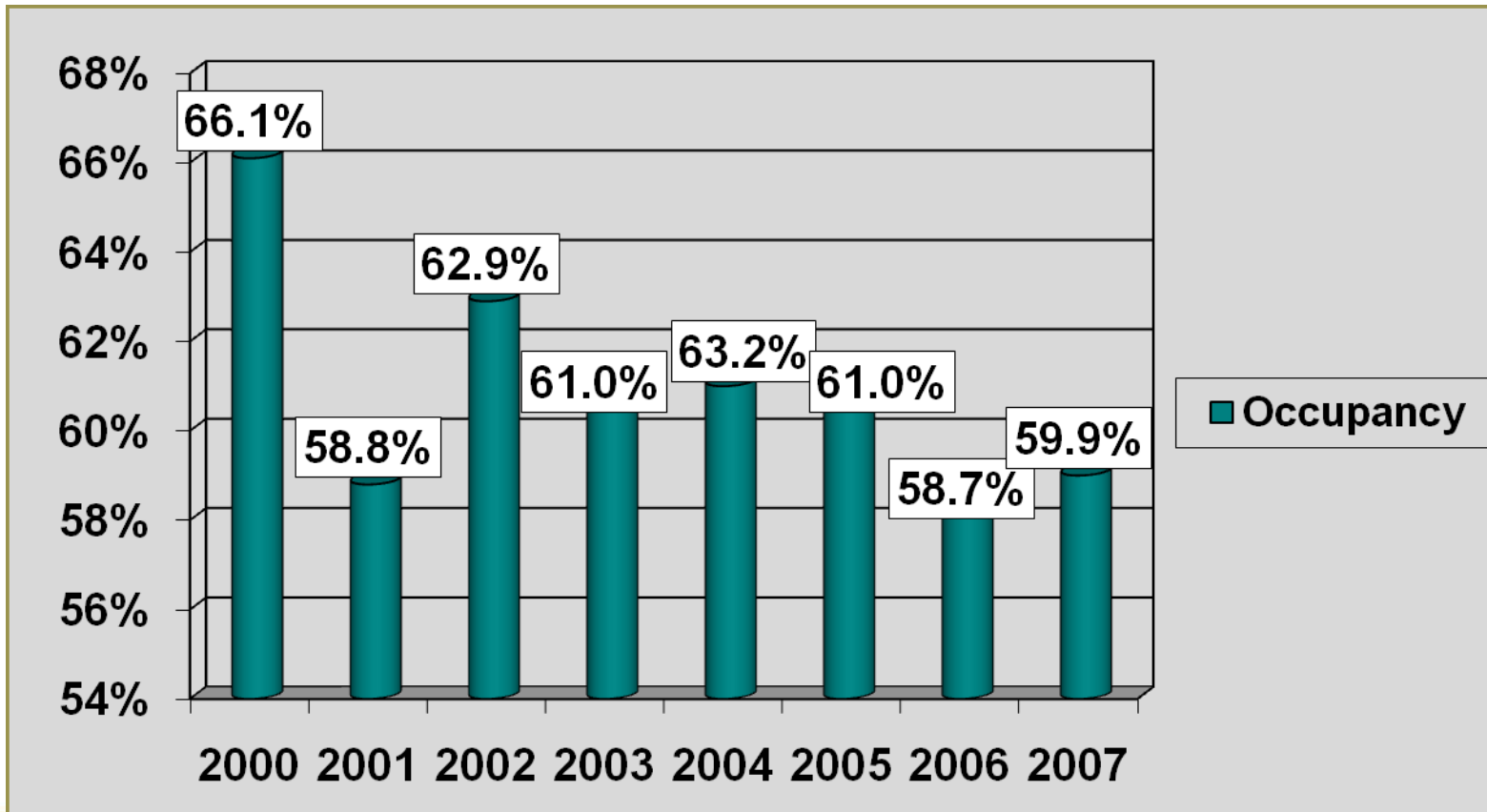


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NEWPORT LODGING MARKET

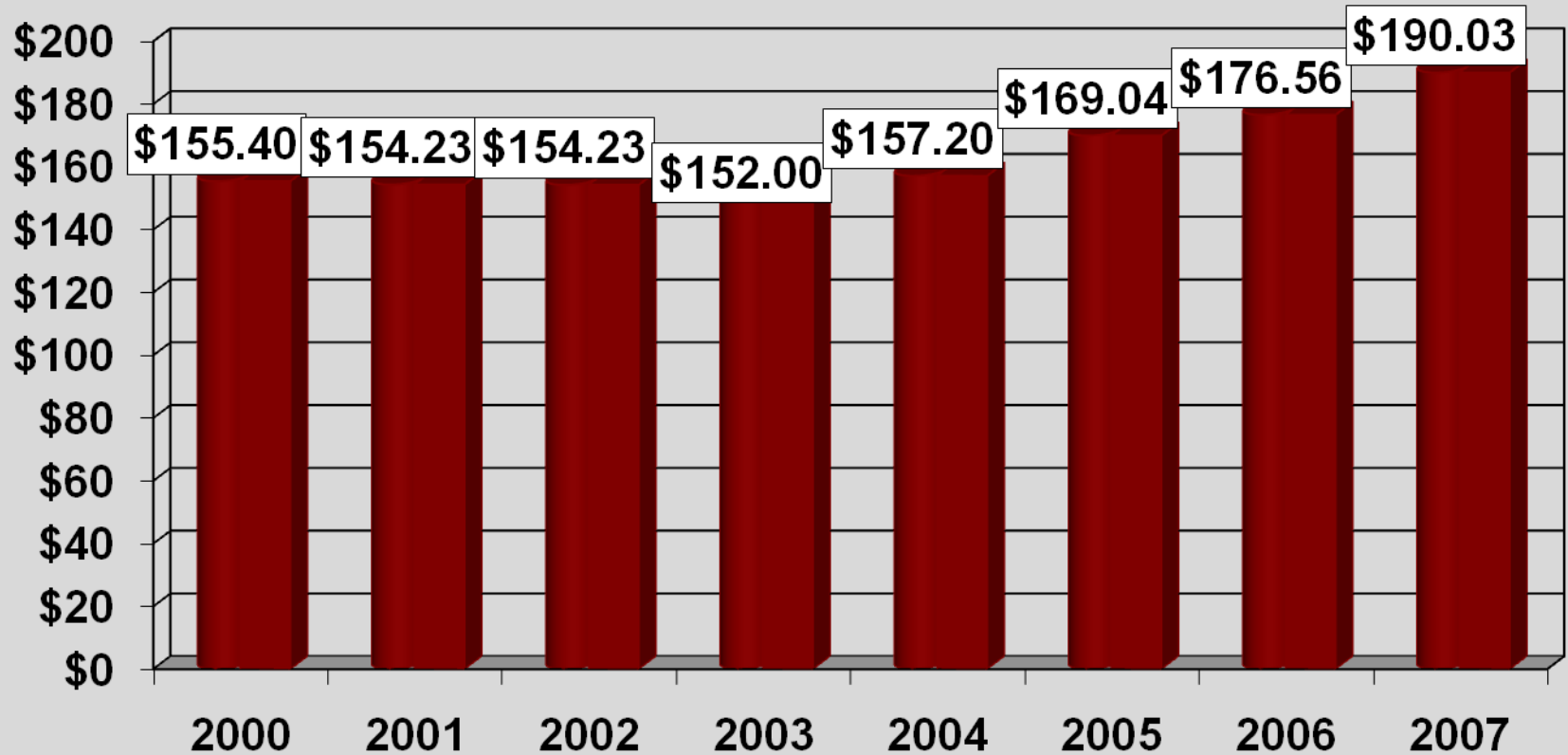


Newport Occupancy 2000-2007





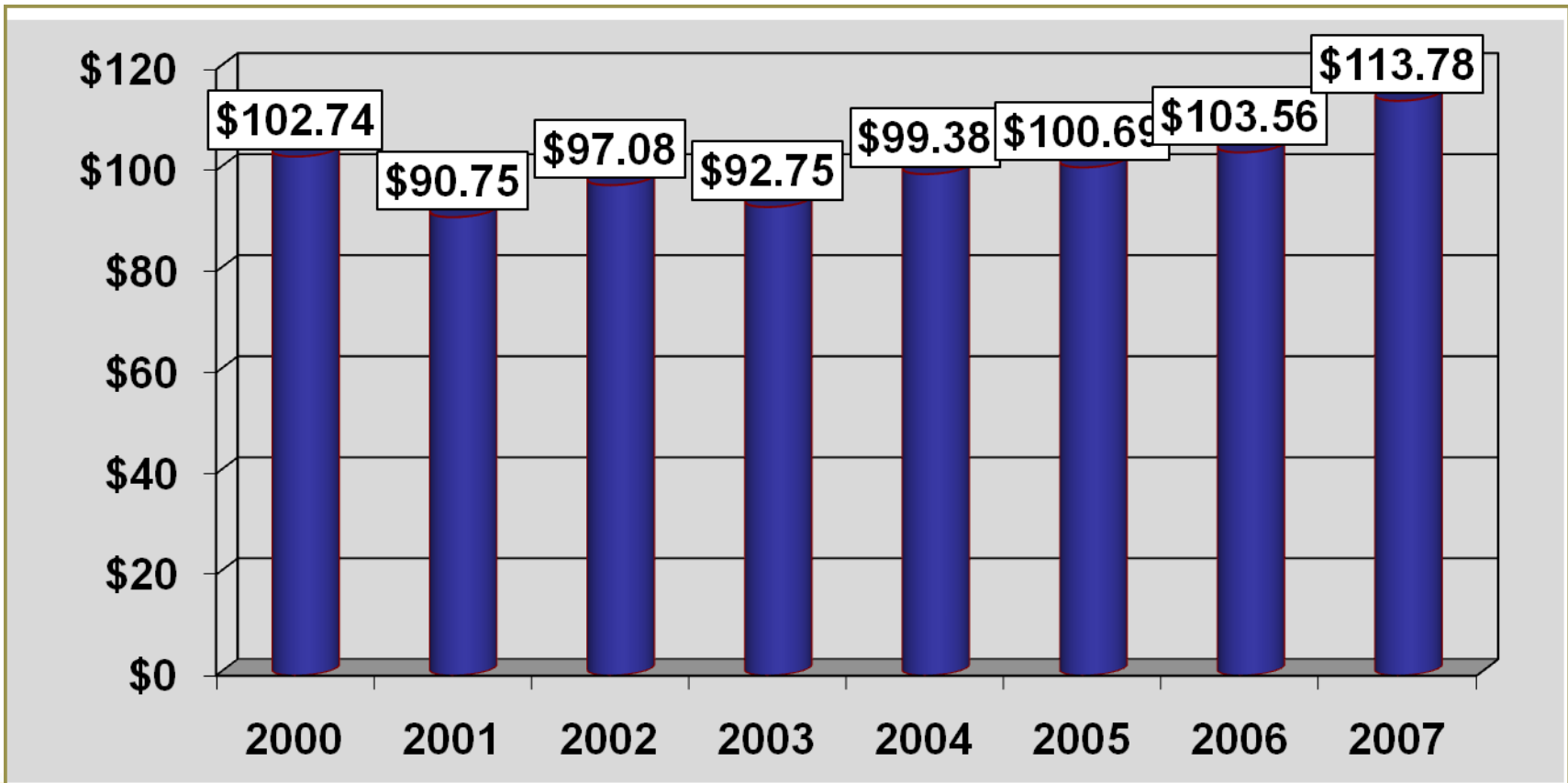
Newport Average Daily Rate 2000-2007





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Newport RevPAR 2000-2007





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Newport Seasonality Factors – Prior 12 Months

Weekend/Weekday

- Sunday through Thursday – average 53%
- Friday/Saturday – average 71%

Monthly

- Peak – June through September – average 79%
- Shoulder – October–November and March–May– average 55%
- Off-Peak – December, January, February – average 35%

ADR

- Peak – average \$229.93
- Shoulder – average \$159.00
- Off-Peak – average \$112.94



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Newport – Future

Issues:

- No New Supply
- Downturn In Economy Is Impacting Leisure Market
- High Gas Prices Have Had Negative Effect
- Alternative Lodging That Is Lower Priced In Neighboring Middletown

Projections:

2008 – 57% @ \$186

2009 – 58% @ \$188



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