



**Pinnacle**  
Advisory Group

# OUTLOOK 2010

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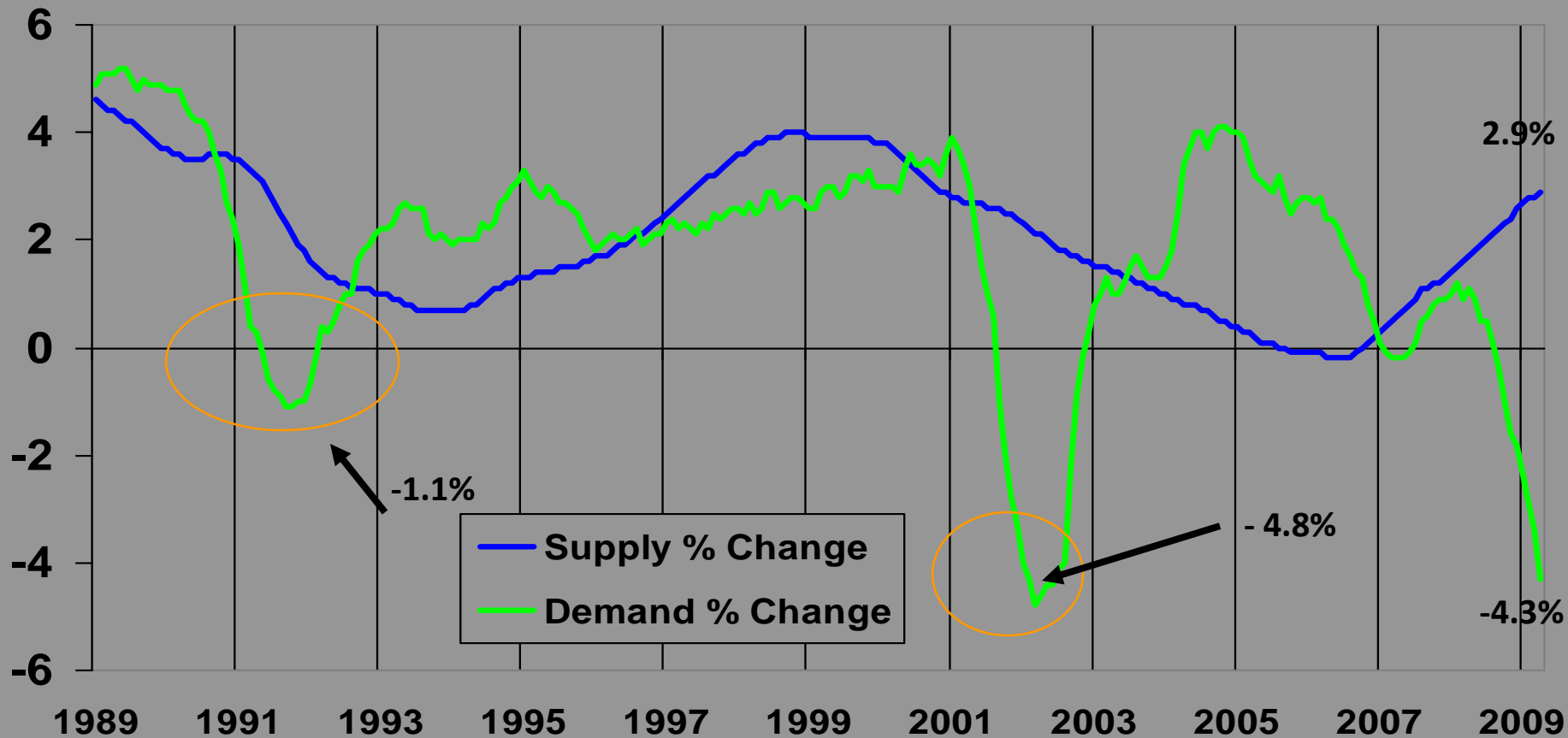
# NATIONAL LODGING MARKET

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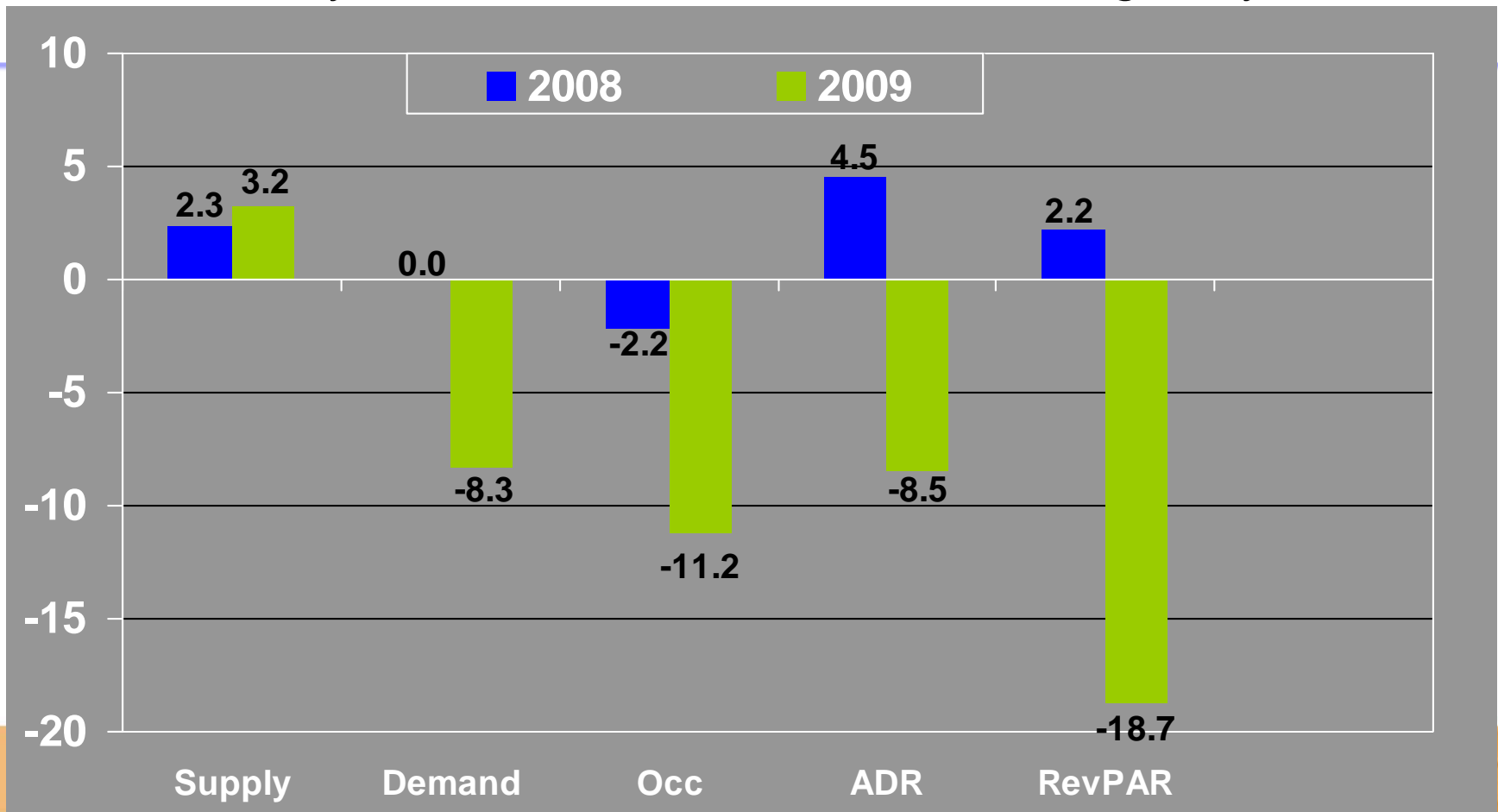


## US Room Supply/Demand Percent Change 12 Month Moving Average



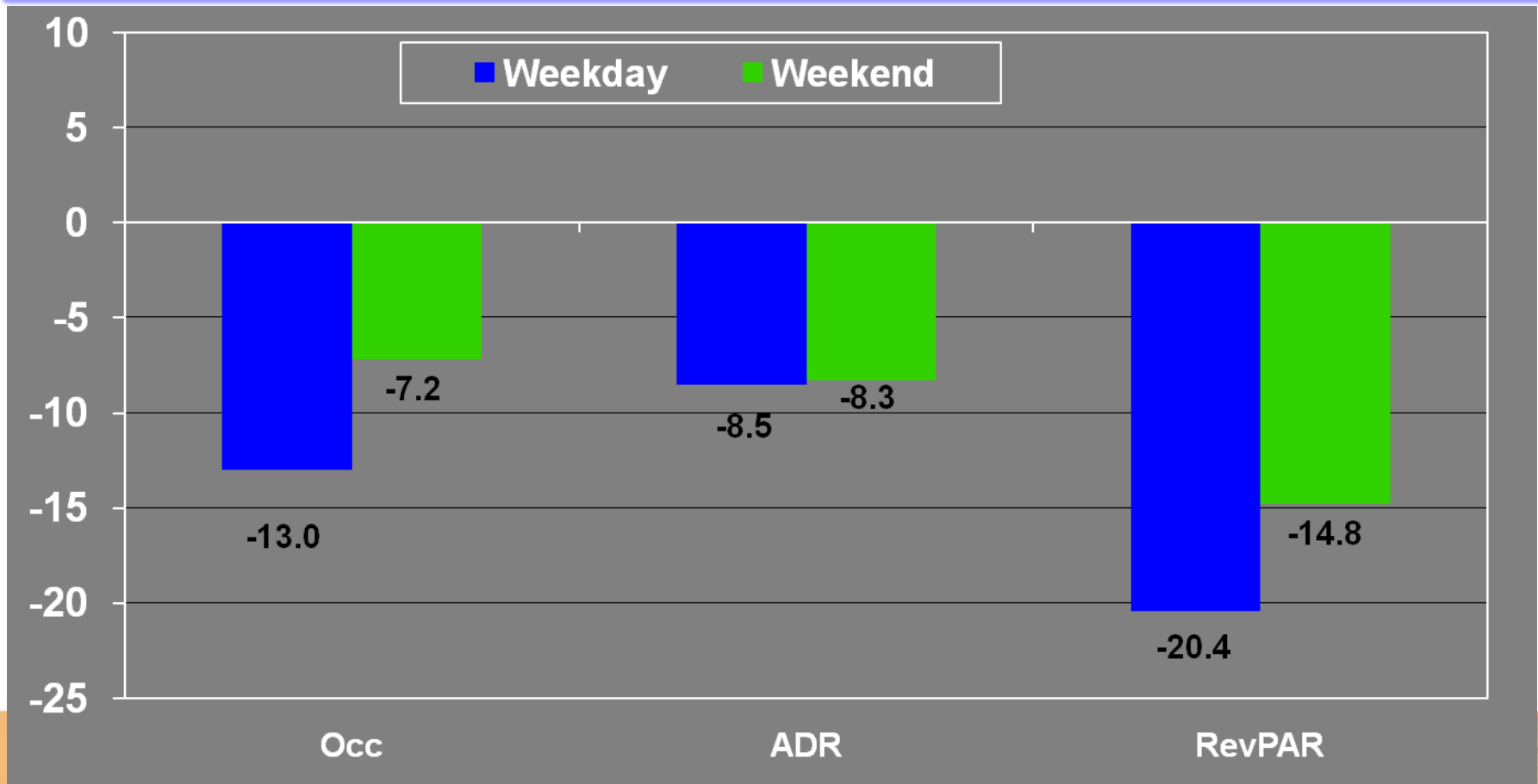


## US Key Performance Indicators Percent Change May





## Weekday / Weekend Percent Change - May 2009 YTD

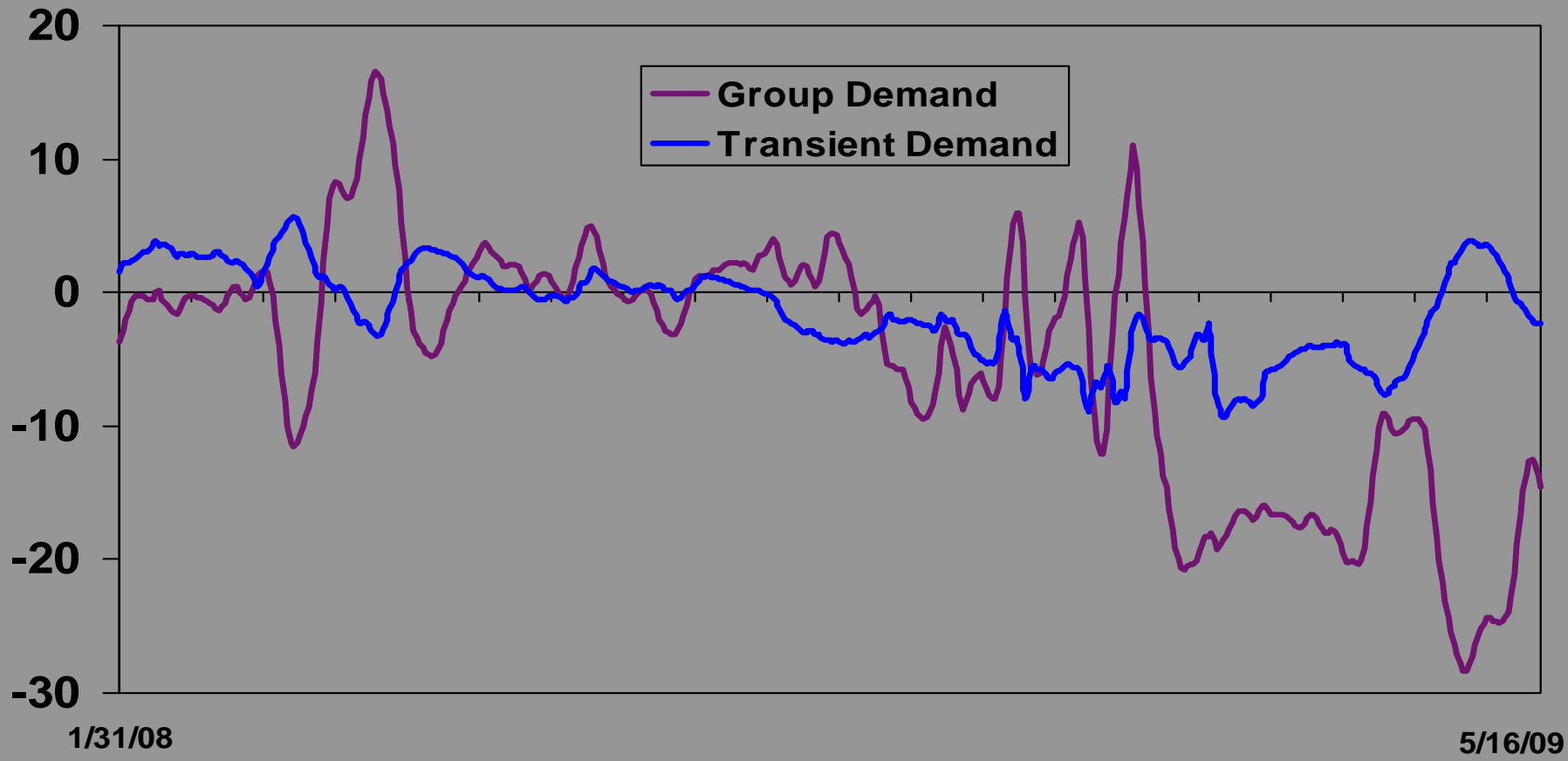






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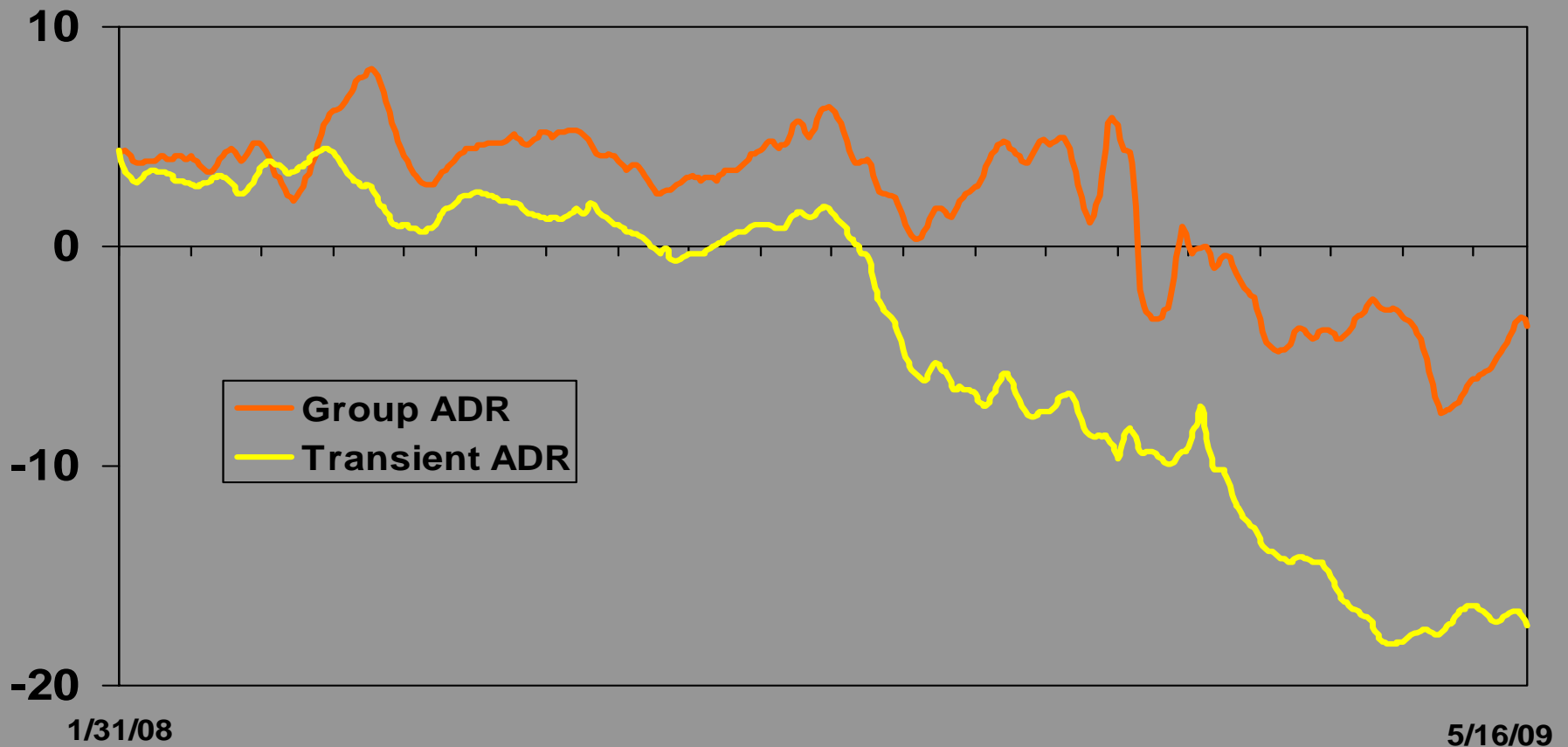
### Group & Transient Demand Change: 1/31/08 – 5/16/09 (28Day Avg)





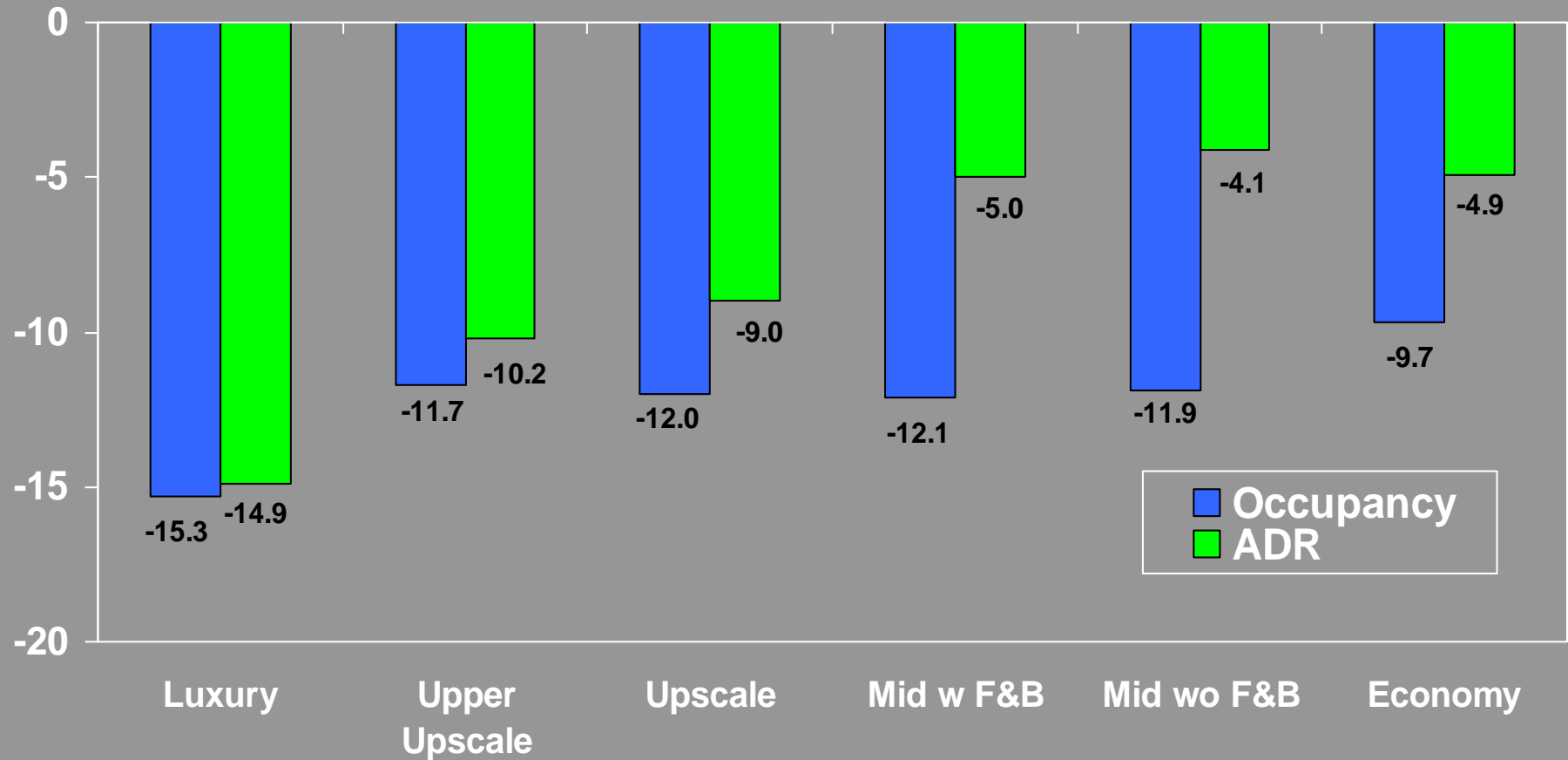
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Group & Transient ADR % Change: 1/31/08 – 5/16/09 (28Day Avg)



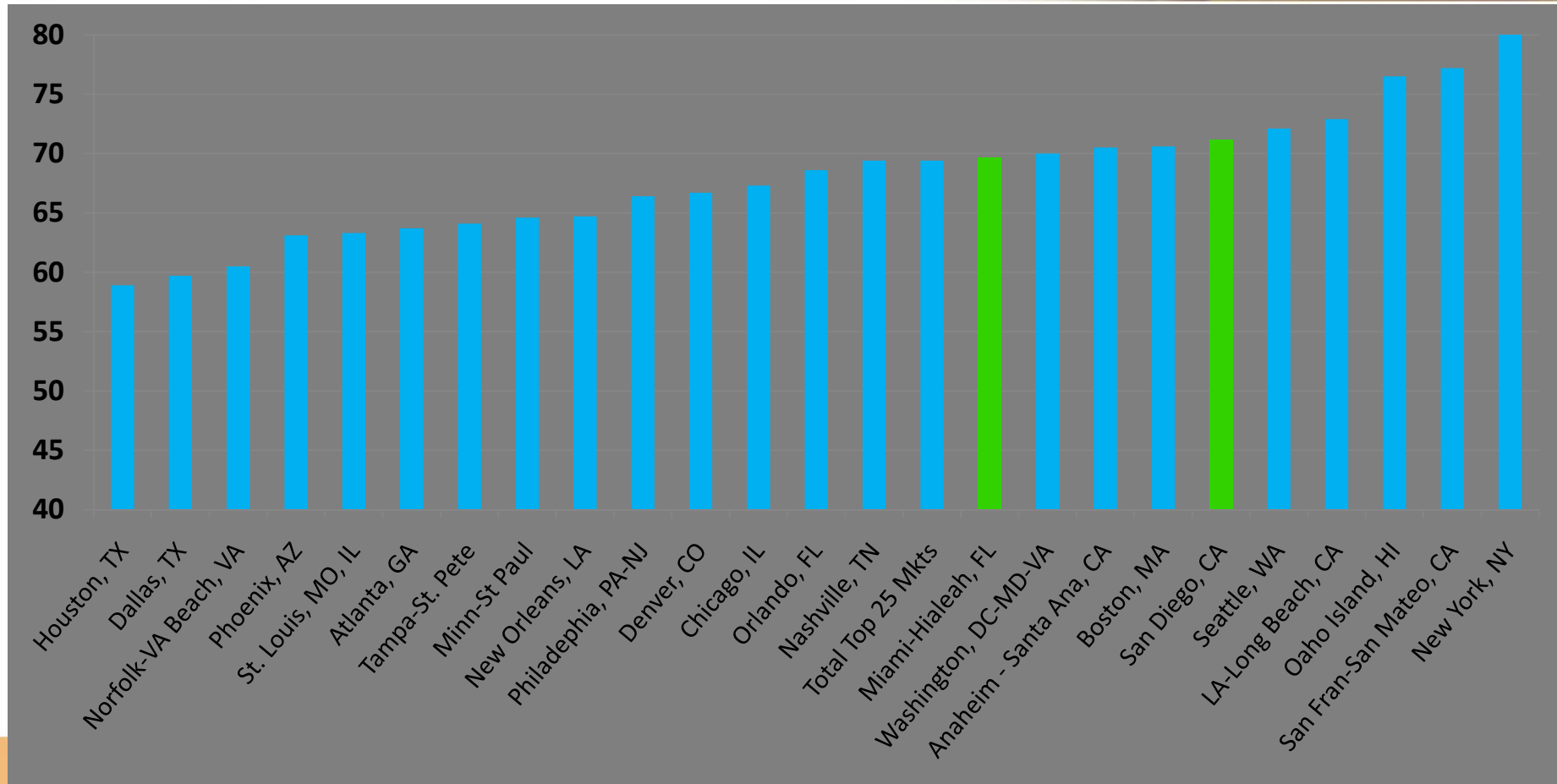


## Chain Scales Occupancy/ADR % Change May 2009 YTD





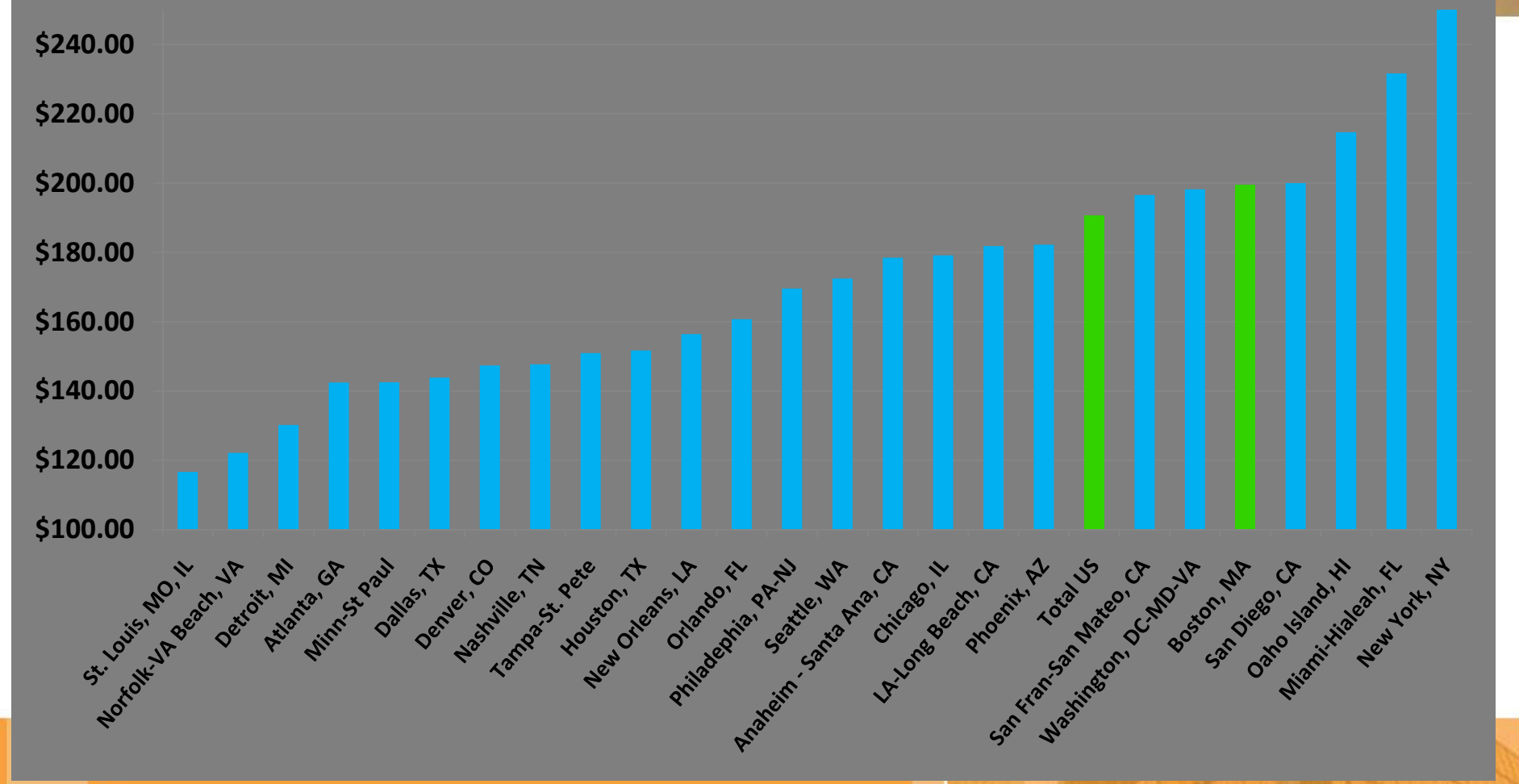
# Top 25 Market Areas – Occupancy Percent 2008





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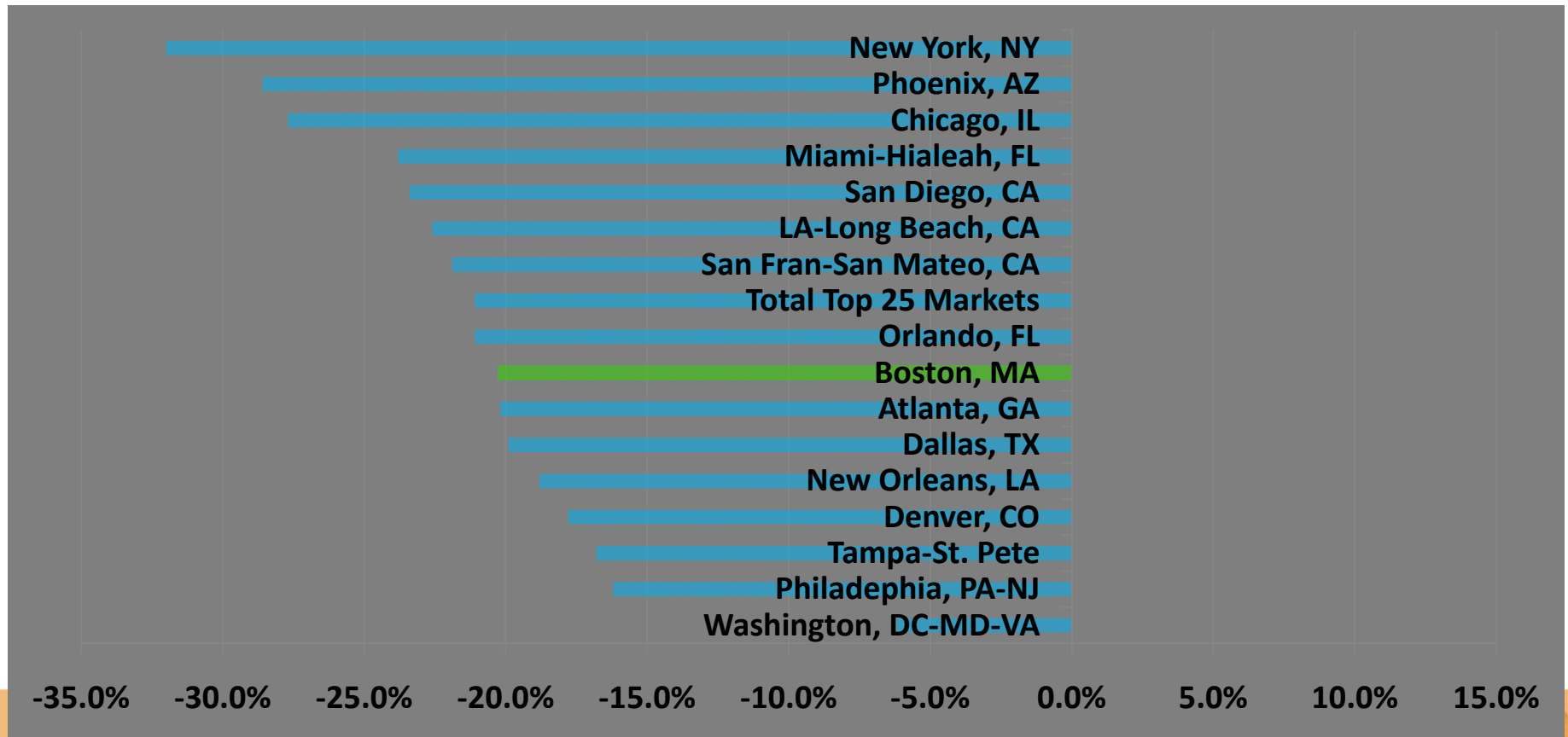
## Top 25 Market Areas – Average Daily Rate 2008





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## Key 15 Markets RevPAR Percent Change May 2009 YTD



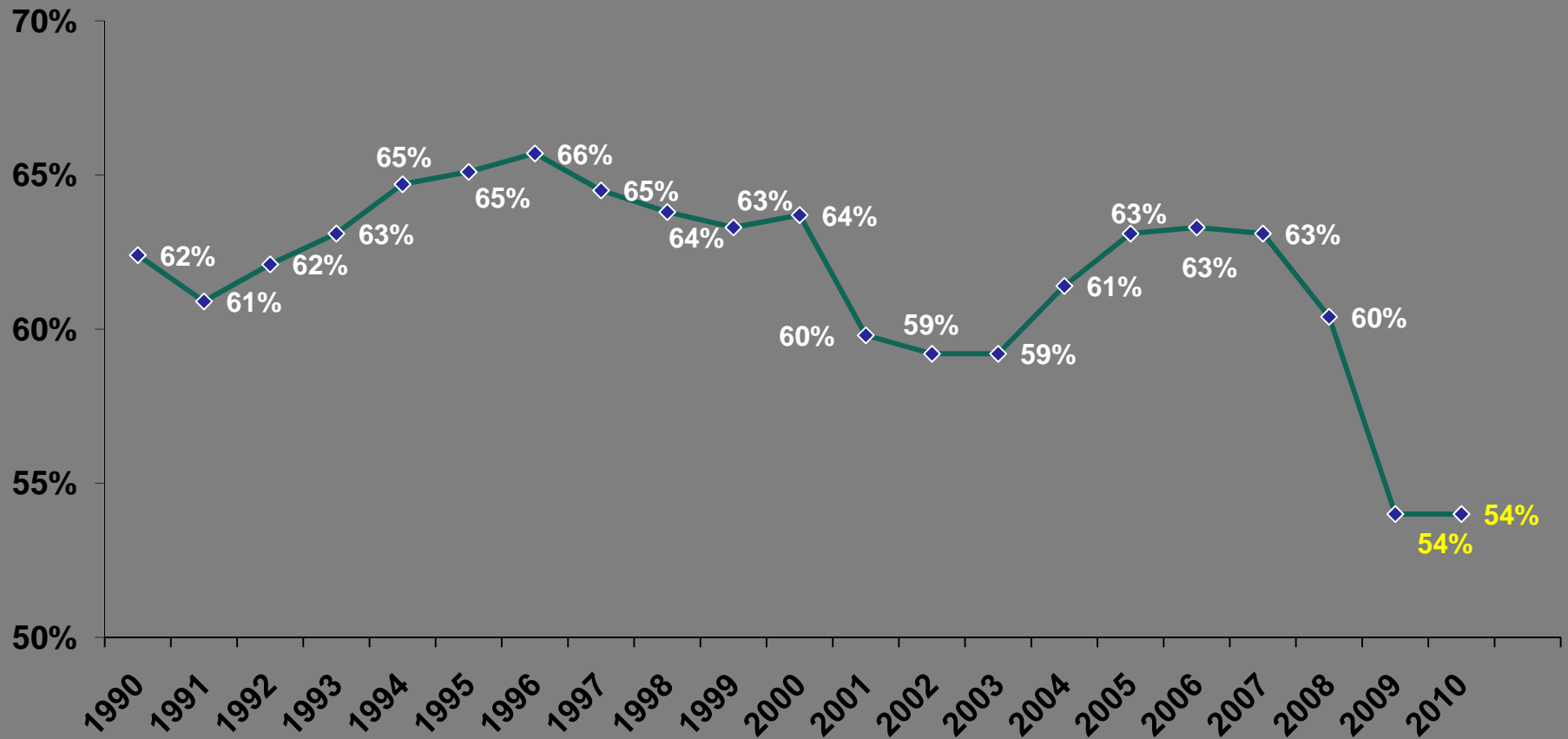


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## Total US Active Development Pipeline

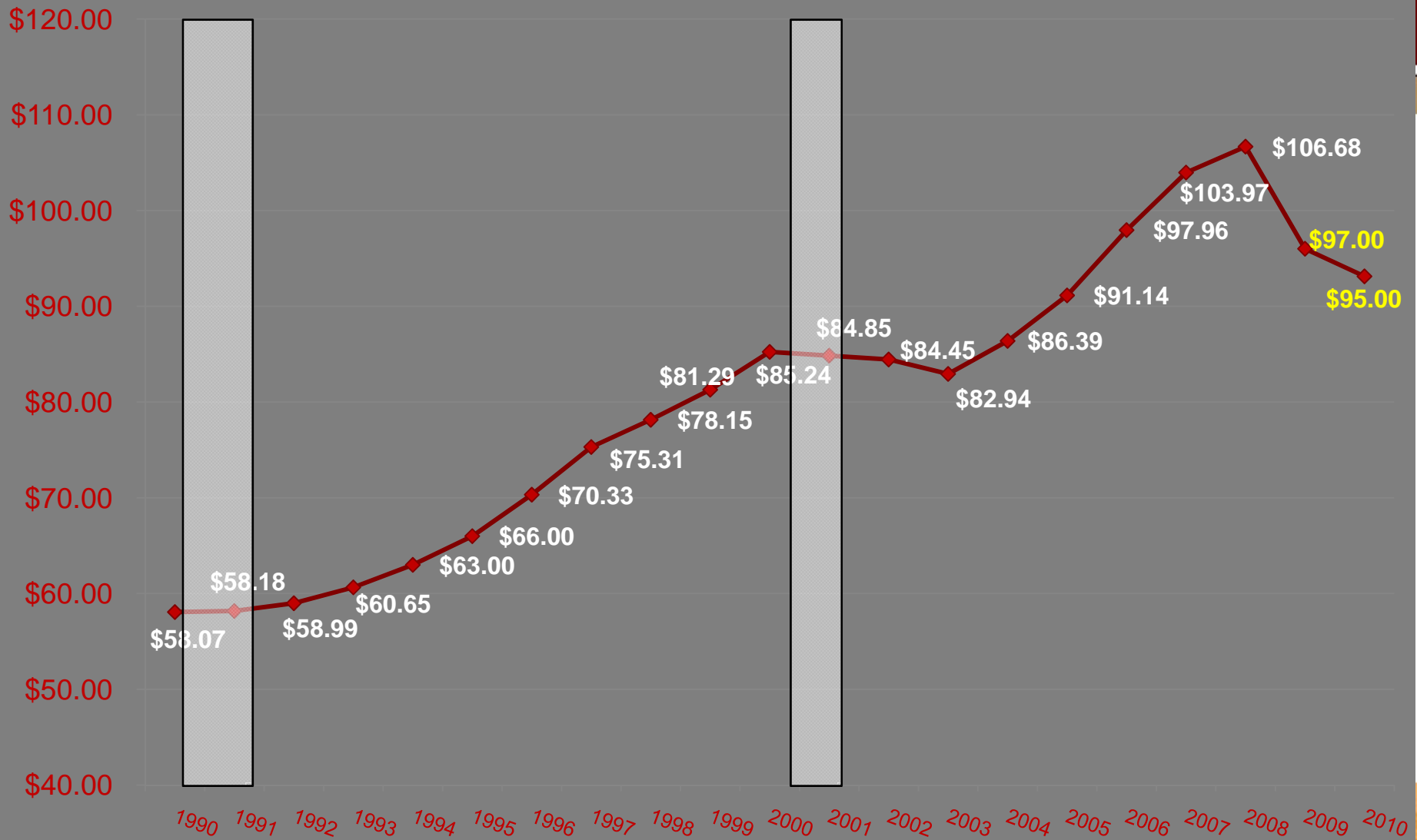
<u>Phase</u>	<u>April 2009</u>	<u>April 2008</u>	<u>Difference</u>	<u>% Change</u>
In Construction	170,242	203,492	-33,250	-16.3%
Final Planning	65,641	111,412	-45,771	-41.1%
Planning	297,685	349,212	-51,527	-14.8%
<b>Active Pipeline</b>	<b>533,568</b>	<b>664,116</b>	<b>-130,548</b>	<b>-19.7%</b>
Pre-Planning	141,313	154,070	-12,757	-8.3%
<b>Total</b>	<b>674,881</b>	<b>818,186</b>	<b>-143,305</b>	<b>-17.5%</b>

# U.S. Occupancy 1990 – 2010(P)





# U.S. Average Daily Rate 1990 – 2010(P)



## U.S. RevPAR 1990 – 2010(P)



## 2009/2010 National Lodging Industry Takeaways

### Negatives:

- Deep recession – impacting all demand segments
- Rapidly declining demand – causing rate declines
- Rate cuts will be felt for years
- Larger drop in RevPar – luxury hurt the most
- Hotel values eroding – increasing number of mortgage defaults



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## 2009/2010 National Lodging Industry Takeaways

### Positives?

- New supply will slow considerably
- Travelers looking for value
- Timing of recovery unknown – but closer than we were yesterday



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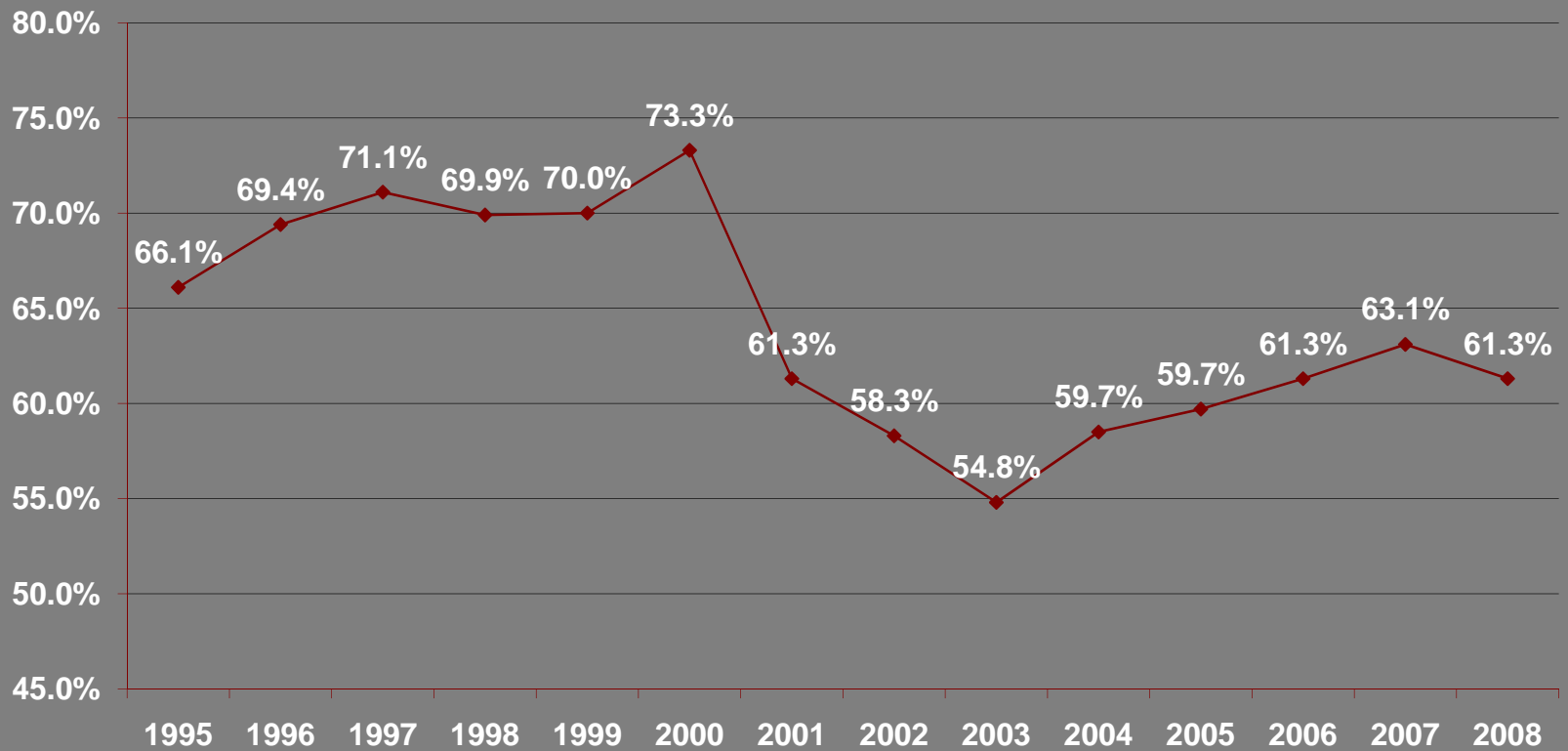
# SUBURBAN BOSTON LODGING MARKET





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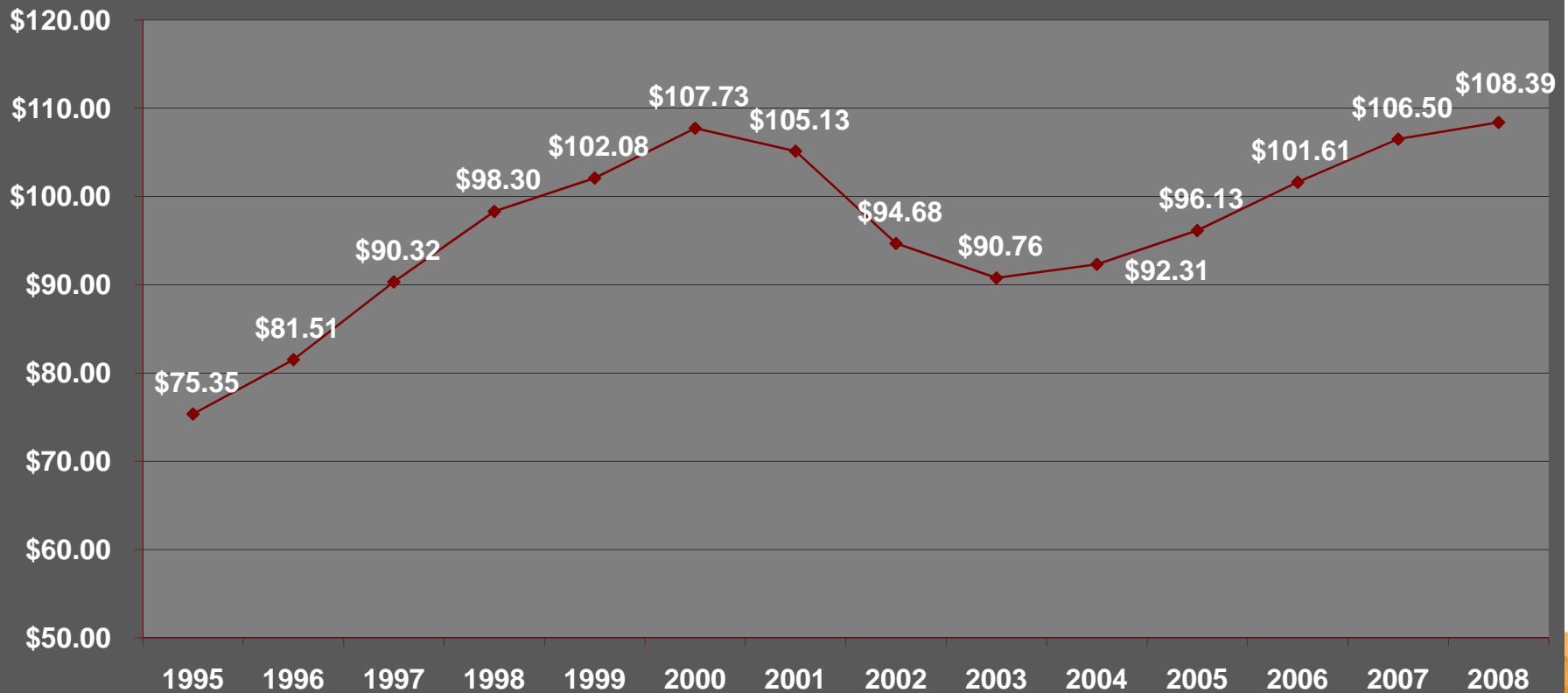
## Suburban Boston Occupancy 1995 - 2008





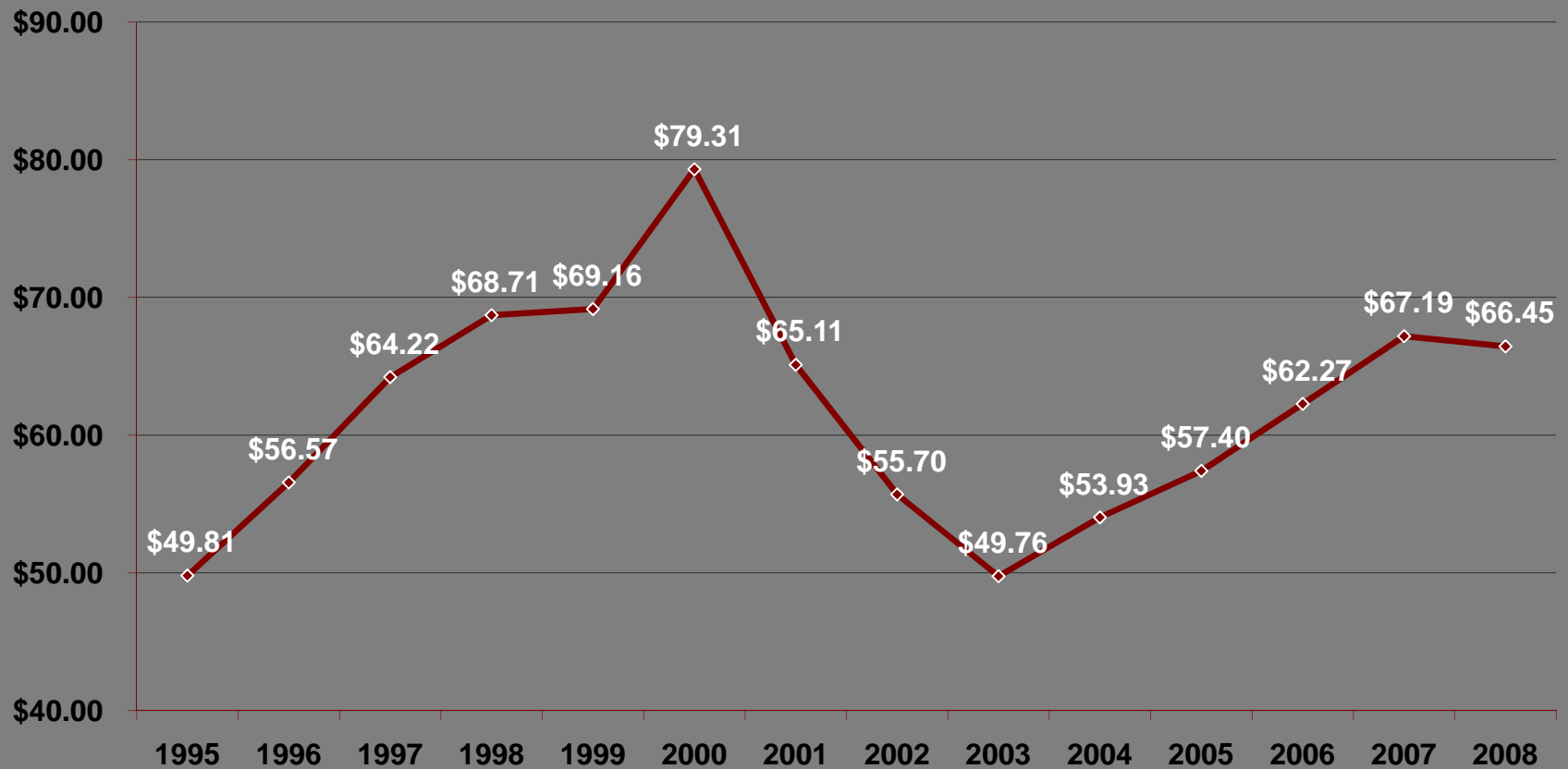
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## Suburban Boston Average Daily Rate 1995-2008



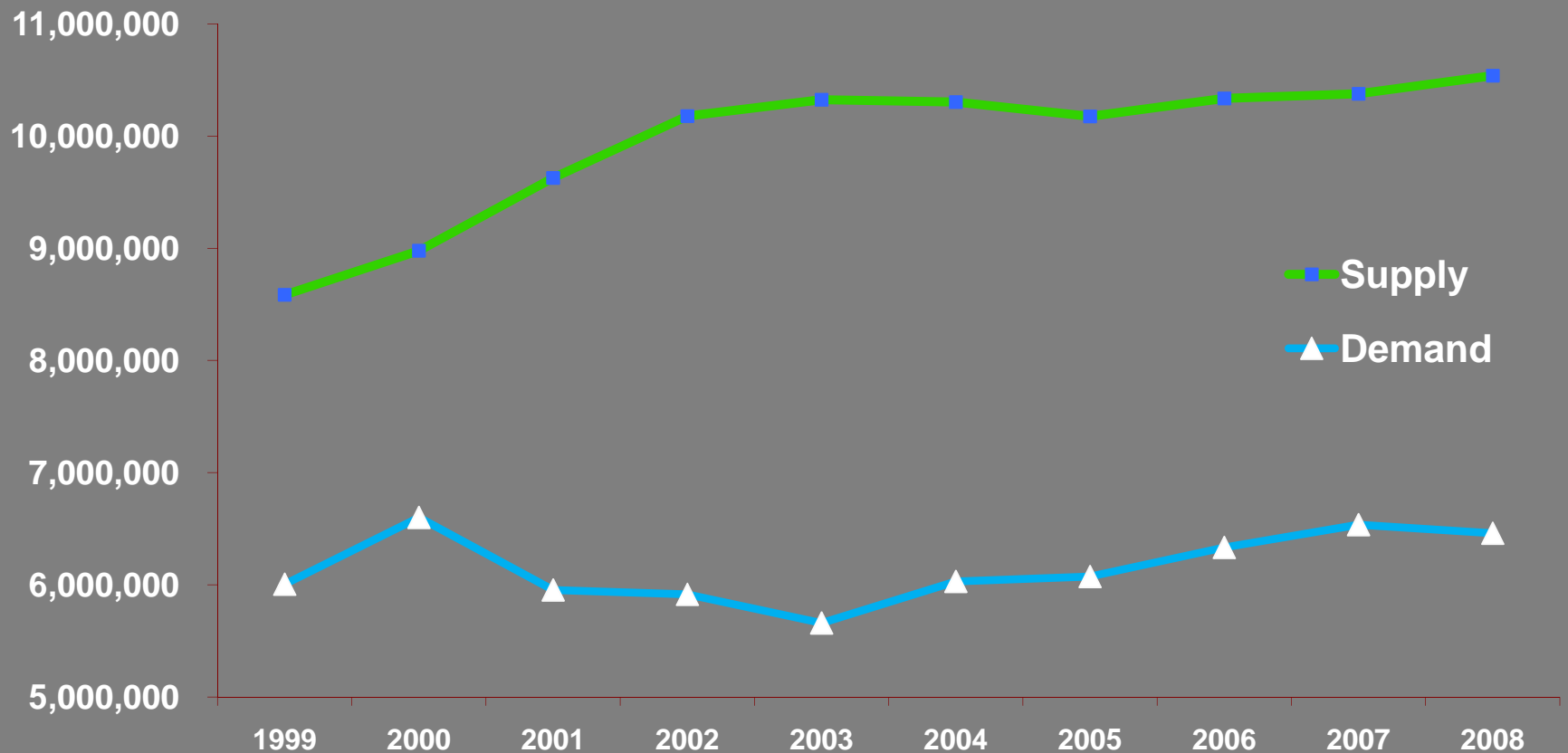
Source: Smith Travel Research/Pinnacle Advisory Group

## Suburban Boston RevPAR 1995 - 2008



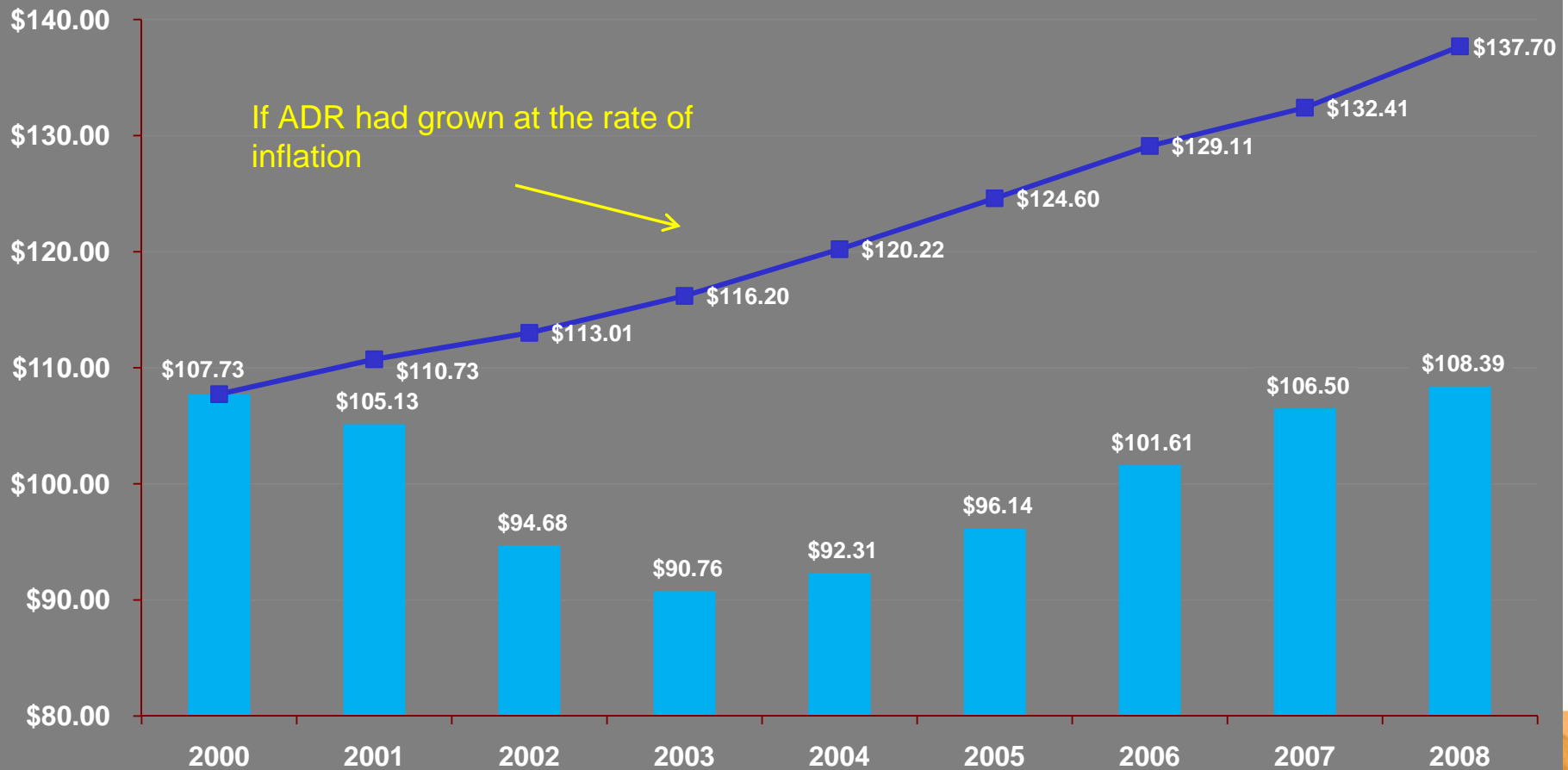


## Suburban Boston Supply and Demand 1999 - 2008





## Suburban Boston ADR versus Inflation Adjusted 2000-2008

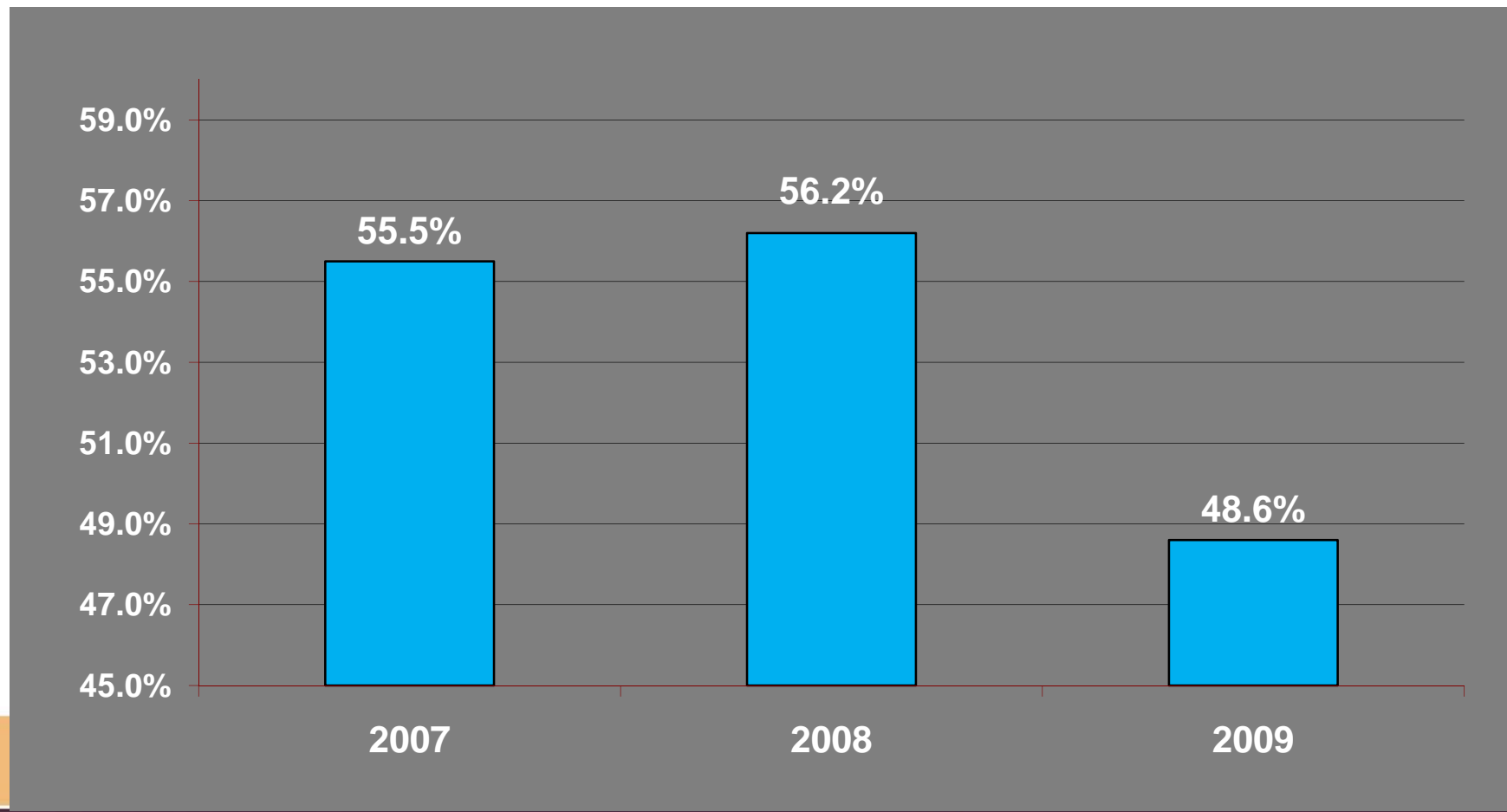






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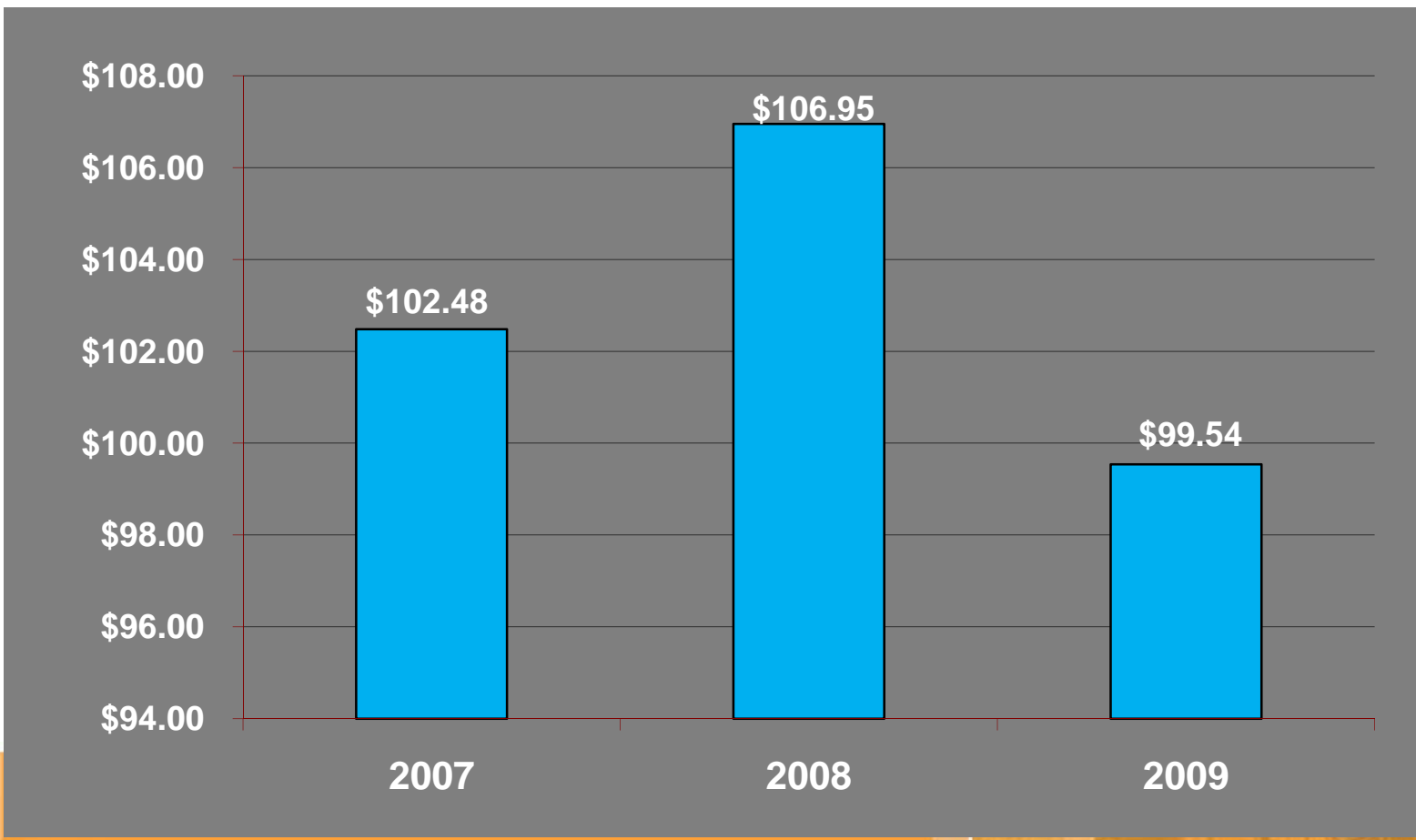
## Suburban Boston Occupancy YTD May 2007-2009





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## Suburban Boston Average Daily Rate YTD May 2007-2009





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## Suburban Boston RevPAR YTD May 2007-2009





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## Suburban Boston Supply Changes 2009/2010

Conversion:  
Sheraton Newton to a Crowne Plaza 2009



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## Suburban Boston 2009/2010

- Stimulus projects – will increase tenant demand when development occurs
- Office vacancy – 21% in 1991 and 25% in 2001 recessions
  - 2009 (projected) – 20%
- Future developments on hold
- No compression
- No new supply
- Room rates will continue to drop with declining demand
- Provide value – survive through recession





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## Suburban Boston Projections 2009

	2008	2009	% Change
Occupancy	61.3 %	56%	-8.7%
Average Rate	\$108.39	\$102.97	-5.0%
RevPAR	\$66.44	\$57.66	-13.2%



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## Suburban Boston Projections 2010

	2009	2010	% Change
Occupancy	56%	56%	0.0%
Average Rate	\$102.97	\$99.88	-3.0%
RevPAR	\$57.66	\$55.93	-3.0%



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# BOSTON CAMBRIDGE LODGING MARKET

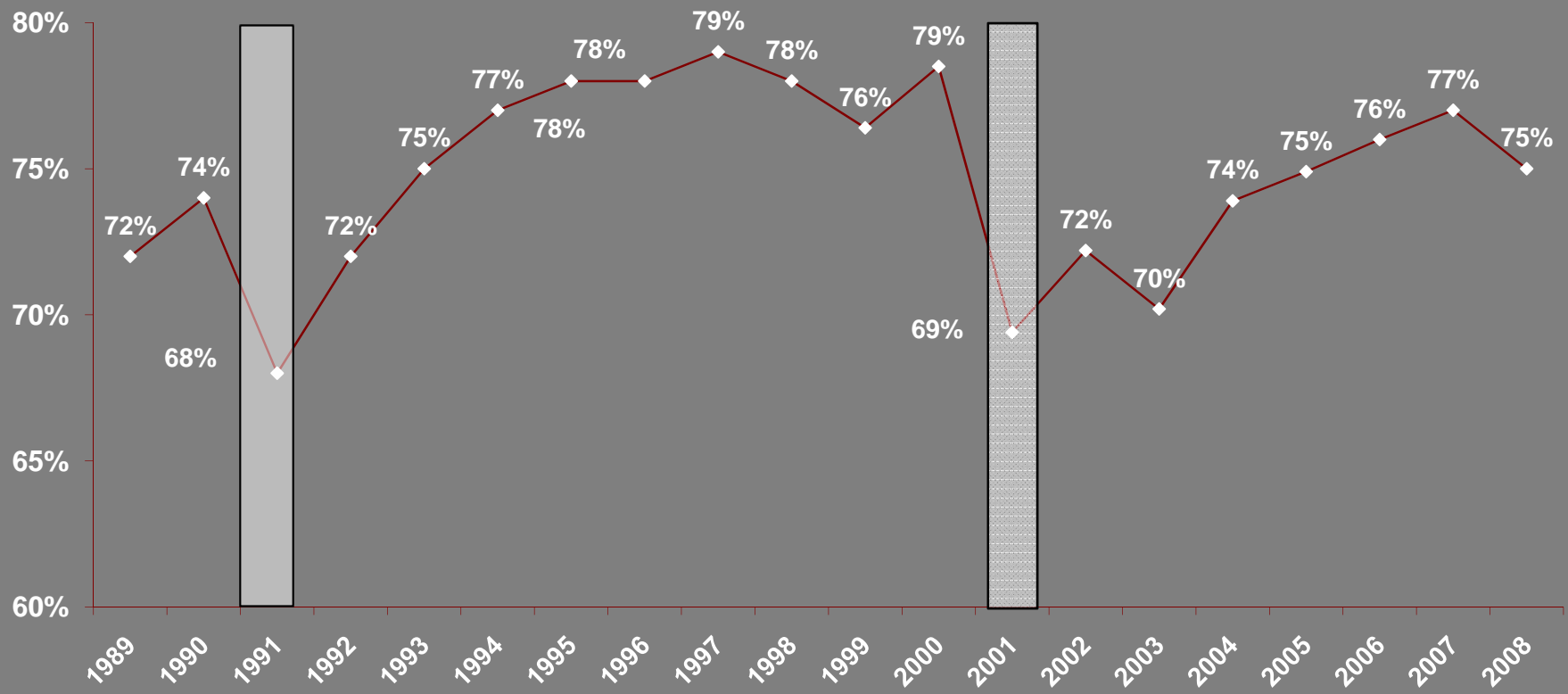
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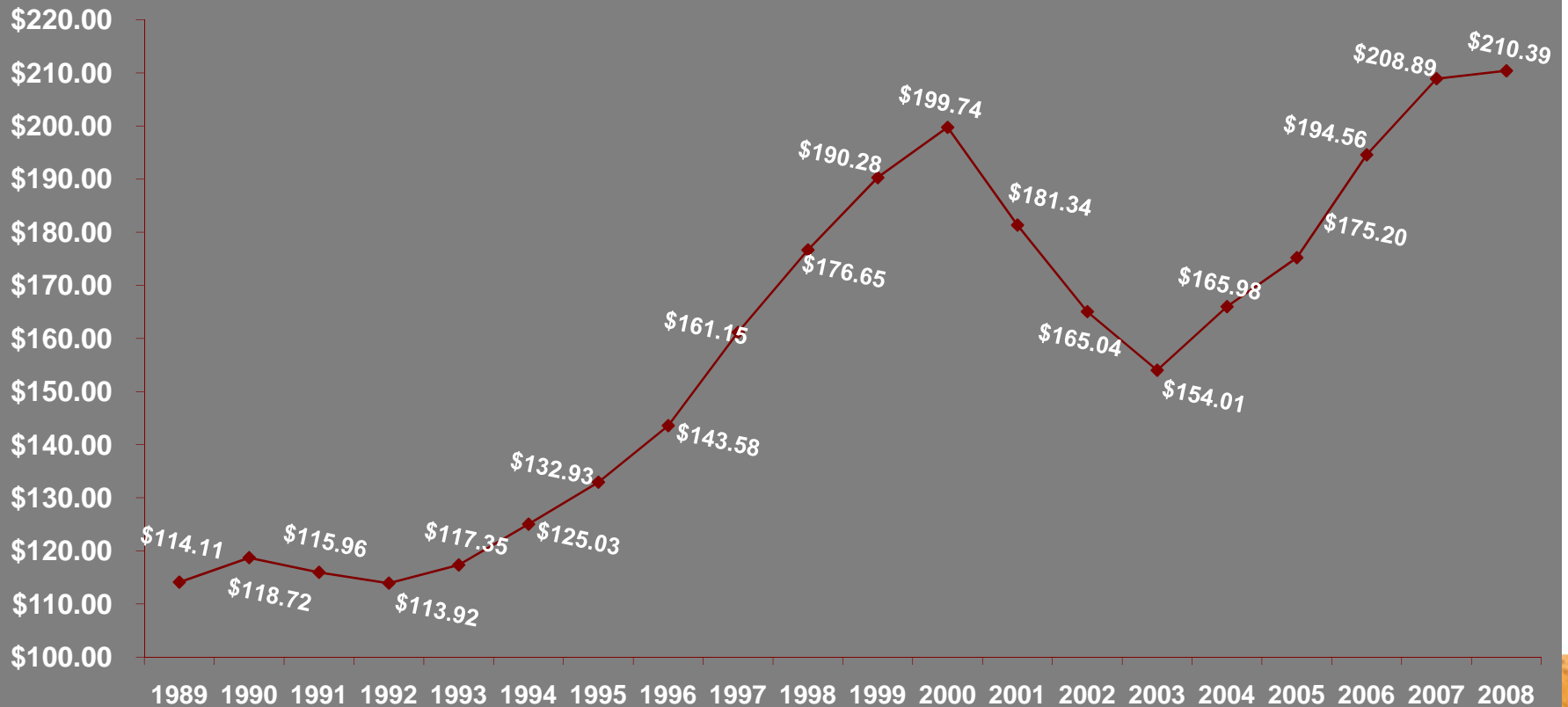
## Boston / Cambridge Occupancy 1989-2008





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## Boston / Cambridge ADR 1989-2008



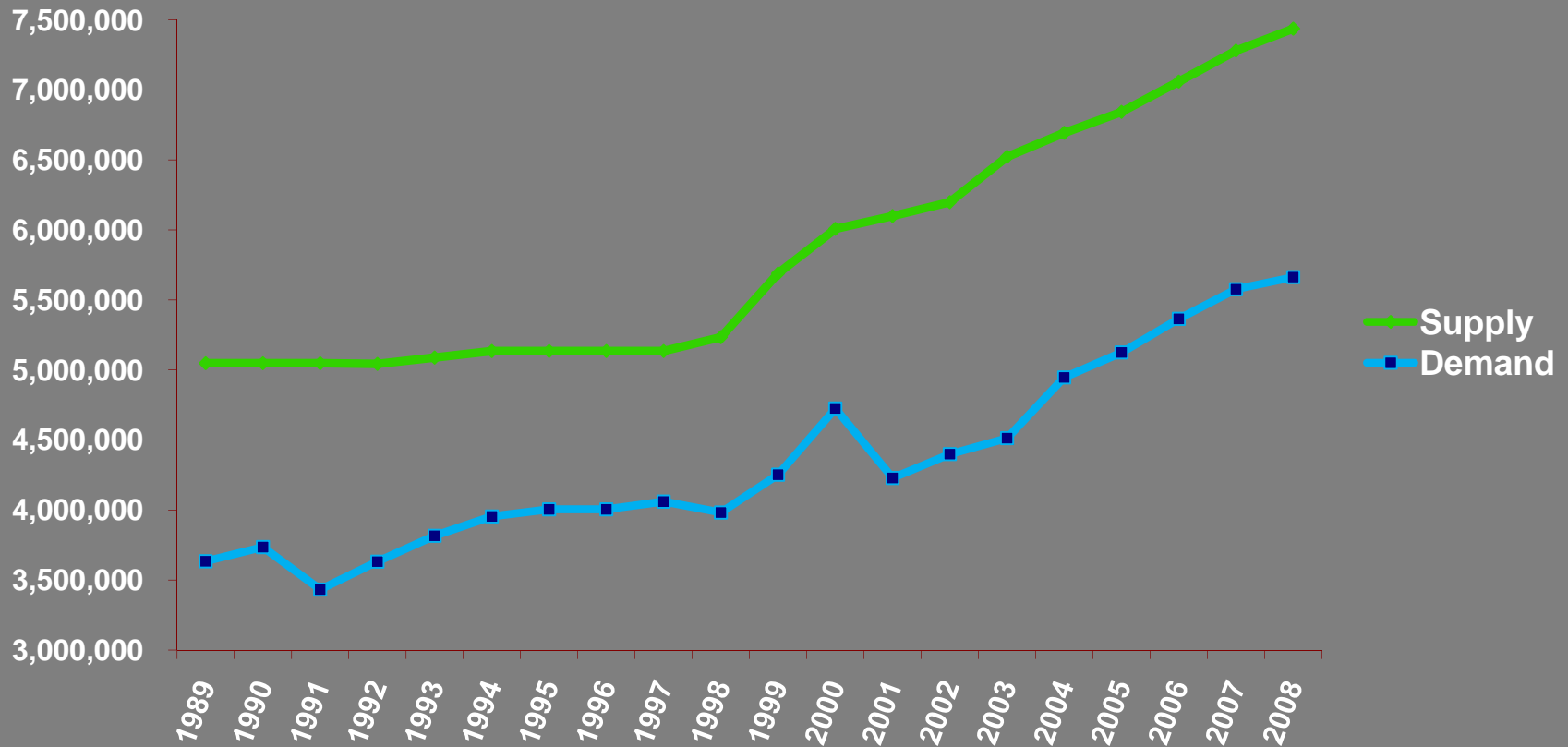


## Boston / Cambridge RevPAR 1989-2008



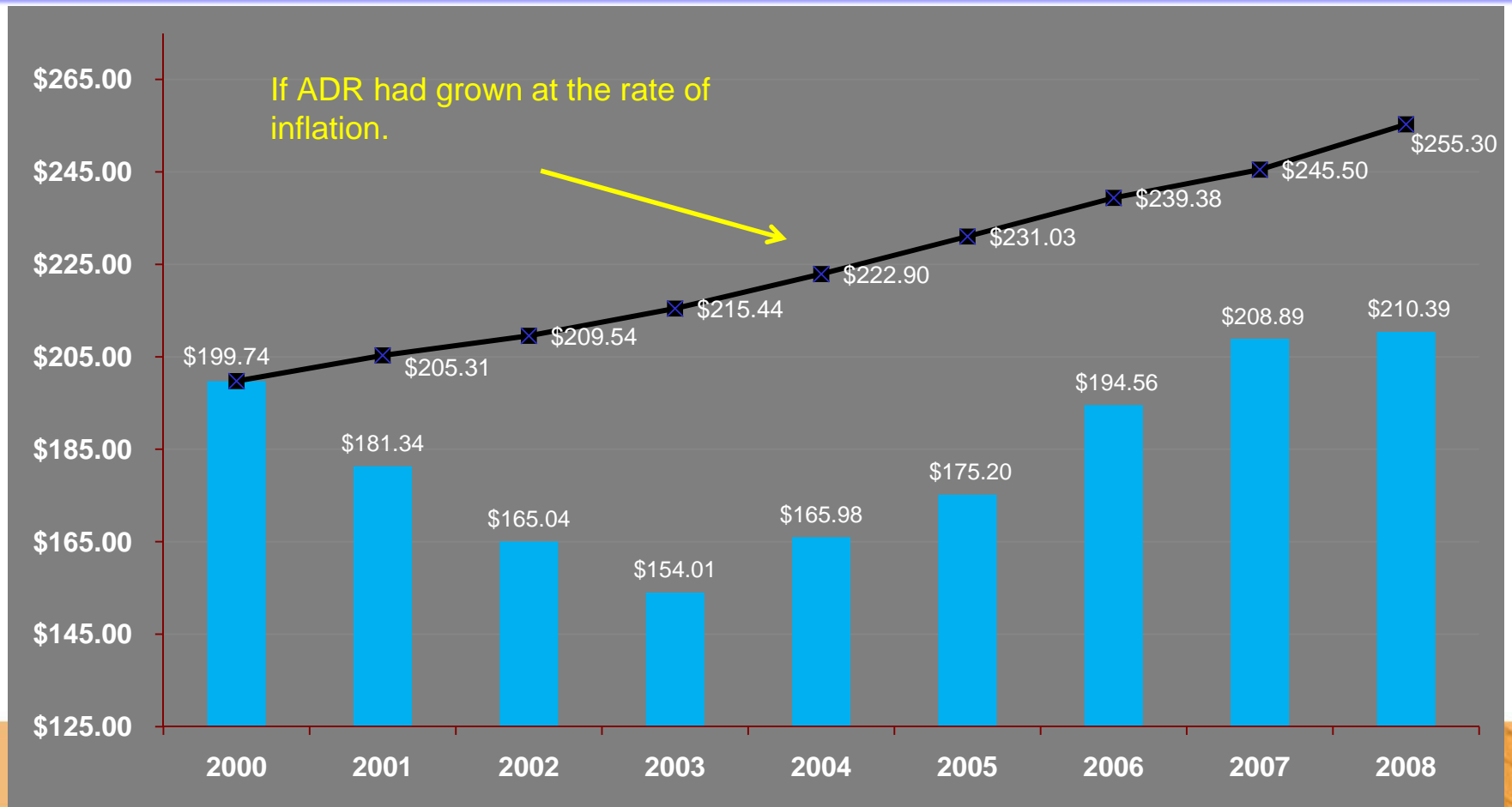


## Boston / Cambridge Supply and Demand 1989-2008P





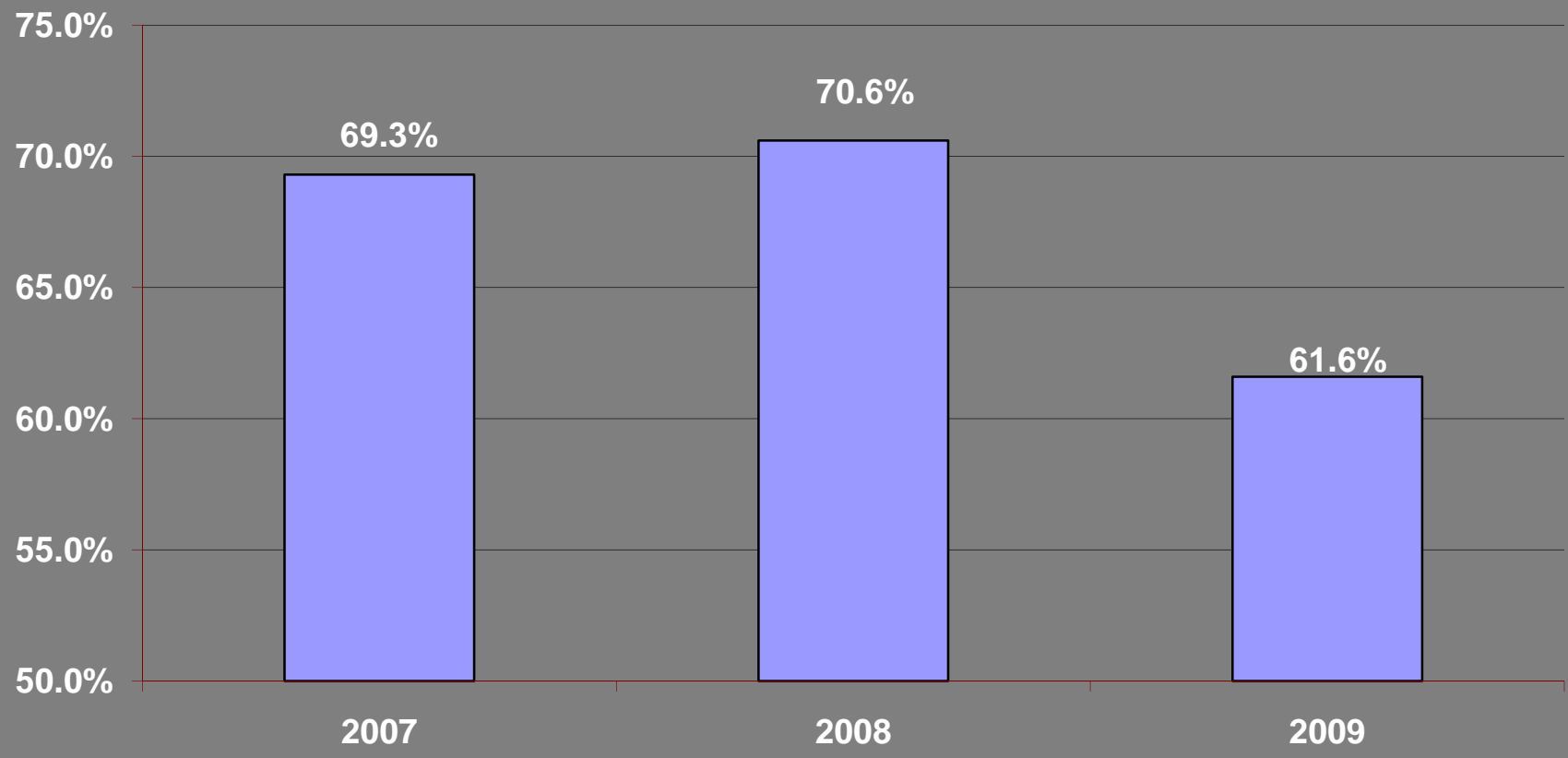
## Boston / Cambridge ADR versus Inflation Adjusted 2000-2008





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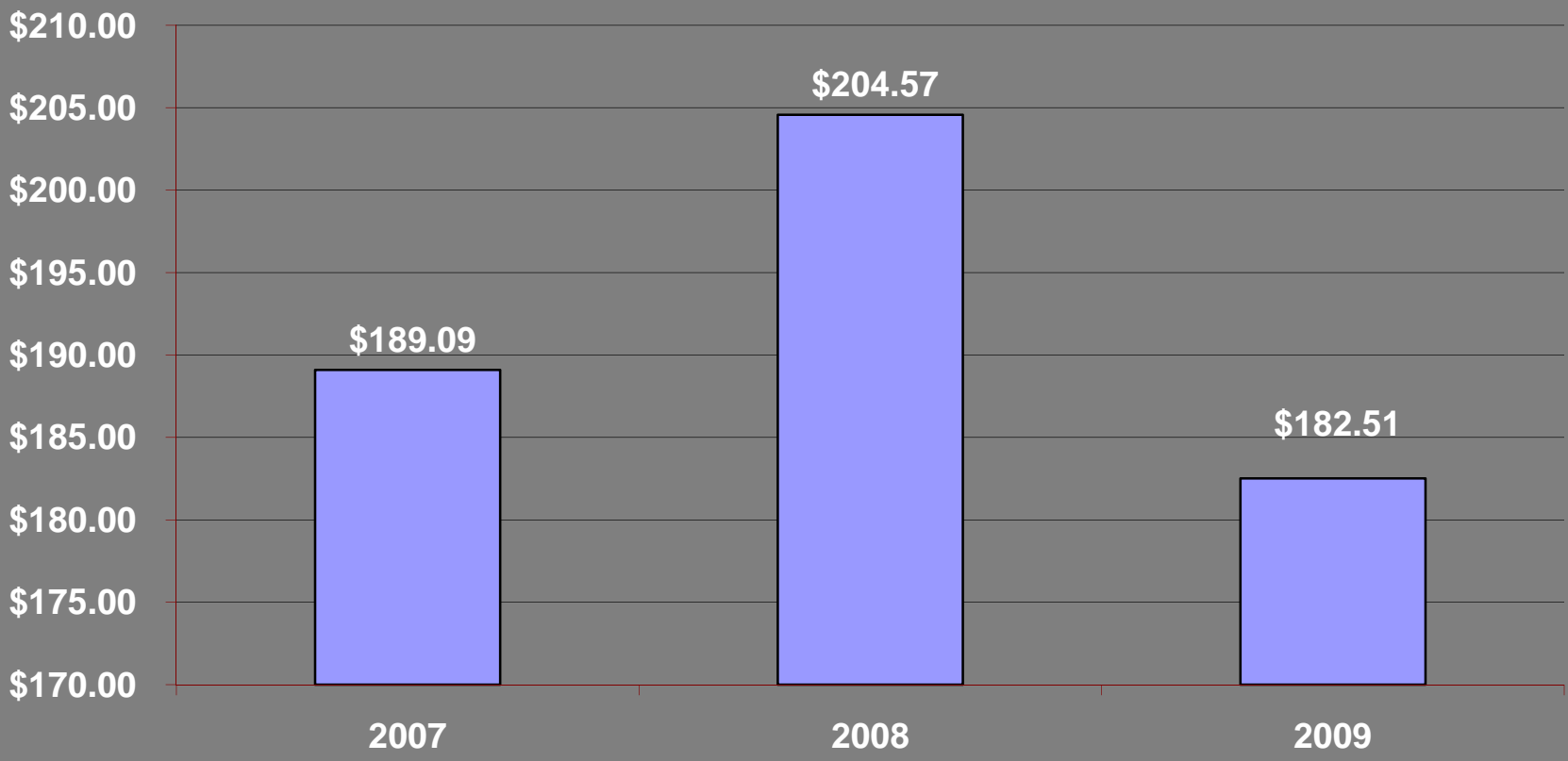
## Boston / Cambridge Occupancy YTD May 2007-2009





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## Boston / Cambridge ADR YTD May 2007-2009







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## Boston / Cambridge RevPAR YTD May 2007-2009





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## Boston / Cambridge Supply Changes 2009

### New Supply

- Ames Building (Morgan's) – Downtown – 113-Rooms – October
  - W Hotel– Theater District - 234-rooms – October



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## Boston / Cambridge Supply Changes 2010

No New Supply

## Boston / Cambridge Demand Factors

- Boston Office Vacancy – 17% in 1991 and 2001 recessions
  - 2009 (projected) – 12.5%; 2010 (projected) – 14%
- Cambridge Office Vacancy – 10% in 1991 and 23% in 2001 recessions
  - 2009 (projected) – 15%
- Job losses in Boston have been less severe here than nationally
- Boston area home prices have declined less than metro area
- Medical & Education – helping to stabilize local economy



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## Boston / Cambridge Demand Factors

- Demand is off in all sectors (corporate, group and leisure)
- International demand is off due to global recession
- Much stronger group pace for 2H 2009 vs 1H 2009
- 2010 Fewer citywides, but more room nights
- Group Pace for 2010 down slightly





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## Boston / Cambridge Average Rates

- Groups are renegotiating
- Corporate Accounts are renegotiating
- Operators are heavily discounting rooms online
- Impact of renegotiated rates will be felt through 2010
- Rates will increase after demand fully recovers



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## Boston Cambridge Projections 2009

	2008	2009	% Change
Occupancy	75%	69%	-8.0%
Average Rate	\$210.39	\$187.25	-11.0%
RevPAR	\$157.79	\$129.20	-18.1%



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## Pinnacle Operator's Survey 2010 Outlook

- Several Regional Executives
  - 4-7% RevPAR Decline



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## Boston Cambridge Projections 2010

	2009	2010	% Change
Occupancy	69%	68%	-1.4%
Average Rate	\$187.25	\$179.76	-4.0%
RevPAR	\$129.20	\$122.23	-5.4%



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When you are doing something fun, an hour feels like a second.  
When you are sitting on a hot coal, a second feels like an hour.  
That's relativity.

-Albert Einstein





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