



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

Economic Outlook Breakfast

September 8, 2016

The State of the Hospitality Industry in Rhode Island

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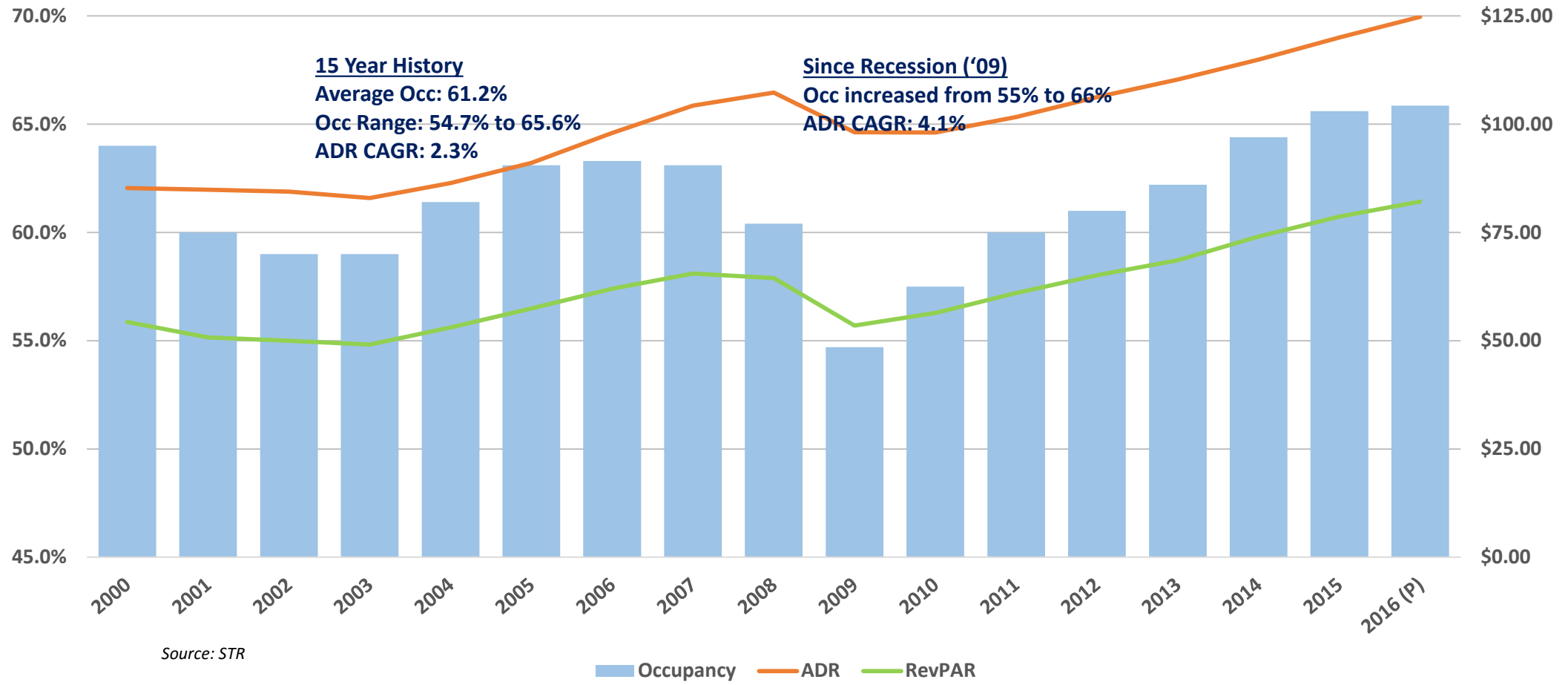
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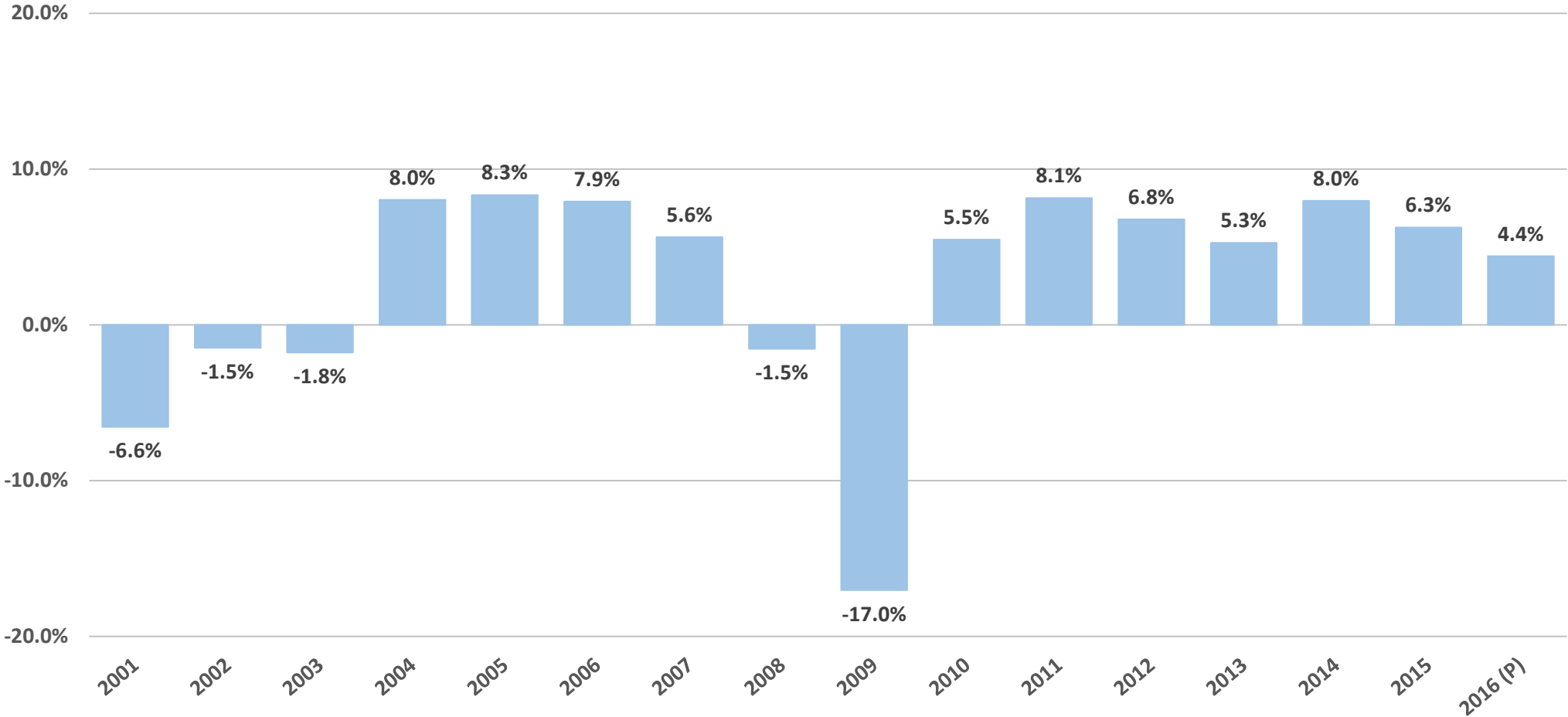


NATIONAL LODGING MARKET

Historic Market Performance



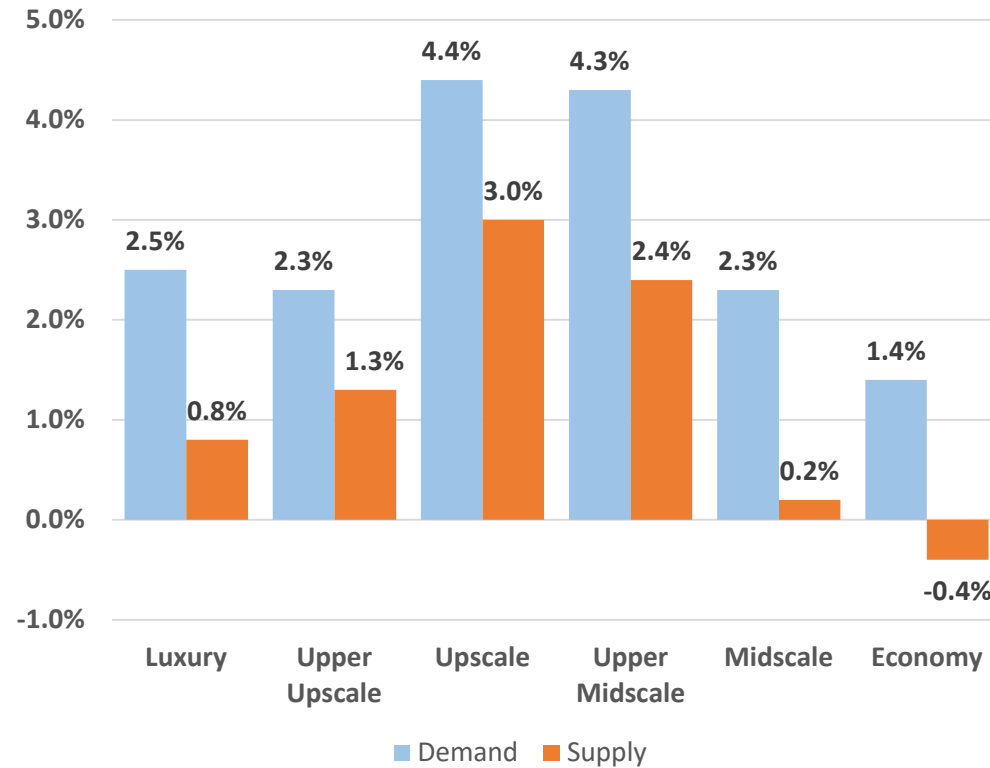
RevPAR % Change



Source: STR

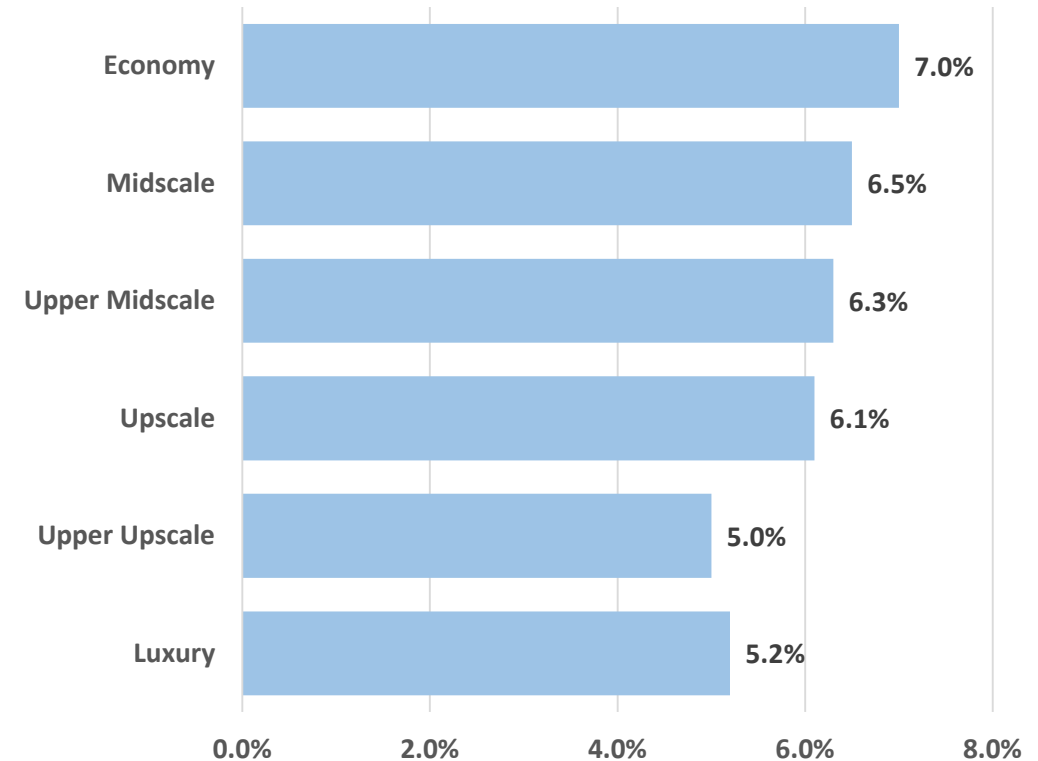
2015 Performance by Class

2015 Supply vs. Demand by Class

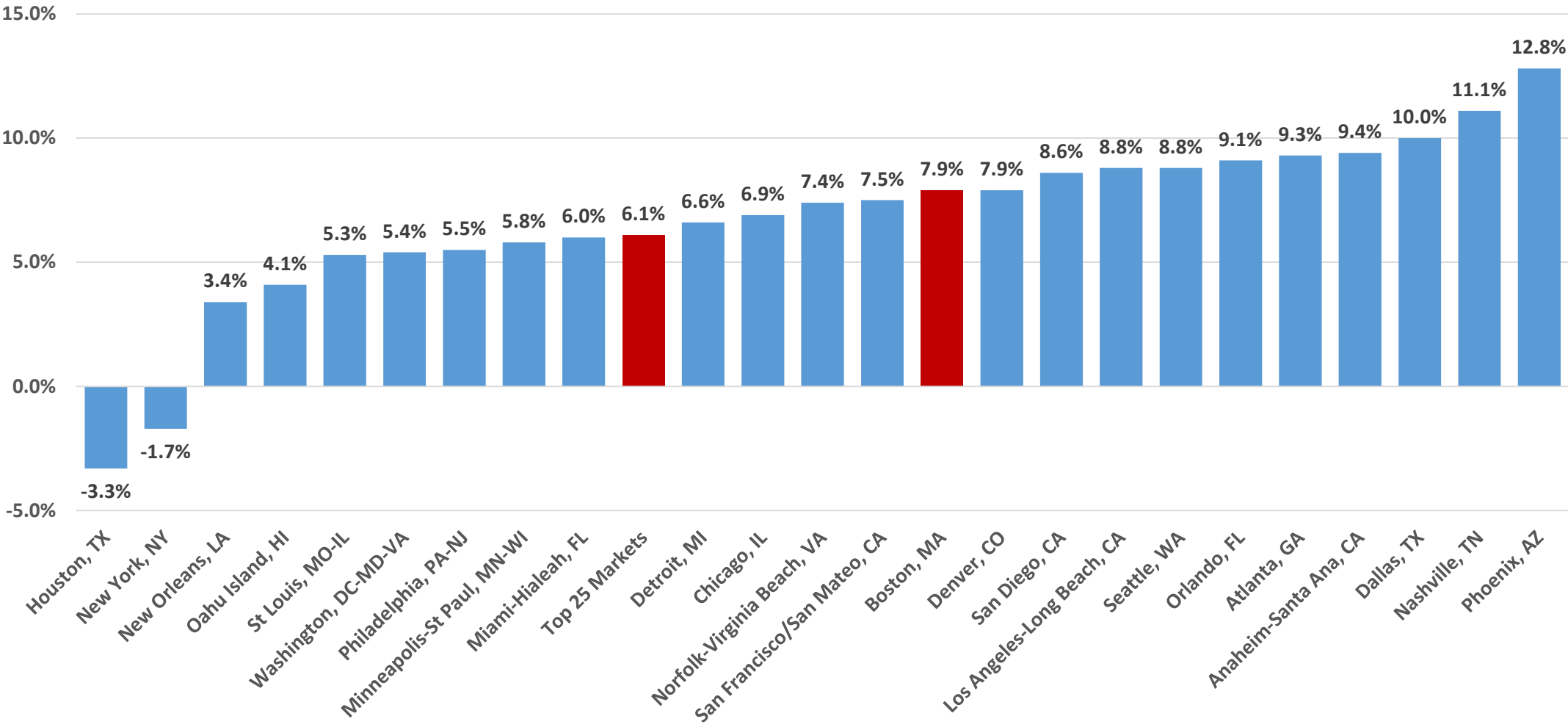


Source: STR

2015 RevPAR % by Class



Top 25 Markets, RevPAR % Change 2015



Source: STR

YTD Performance Through July 2016

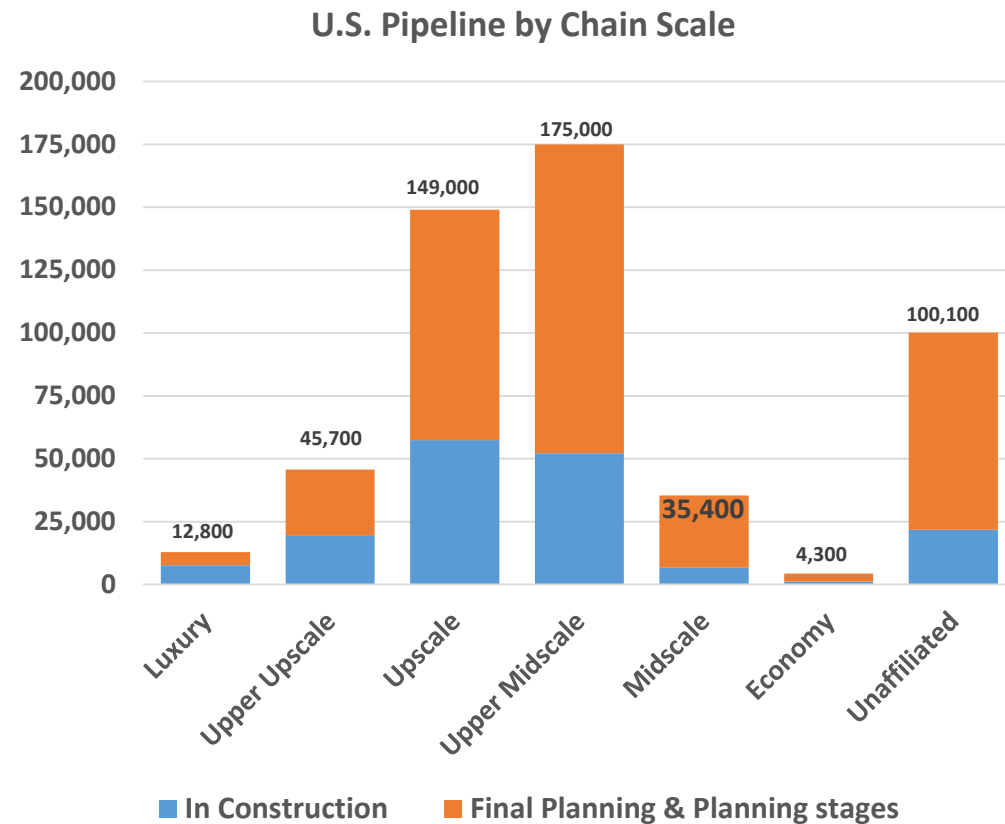
	July 2015	July 2016	% Change
Occupancy	66.5%	66.4%	-0.1%
ADR	\$120.13	\$123.93	3.1%
RevPAR	\$79.71	\$82.23	3.0%

YTD RevPAR growth is the lowest since the recovery started in 2010.

Source: STR



New Supply – June 2016



Source: STR

JUNE 2016 PIPELINE (Under Contract):
522,300 rooms in 4,241 projects



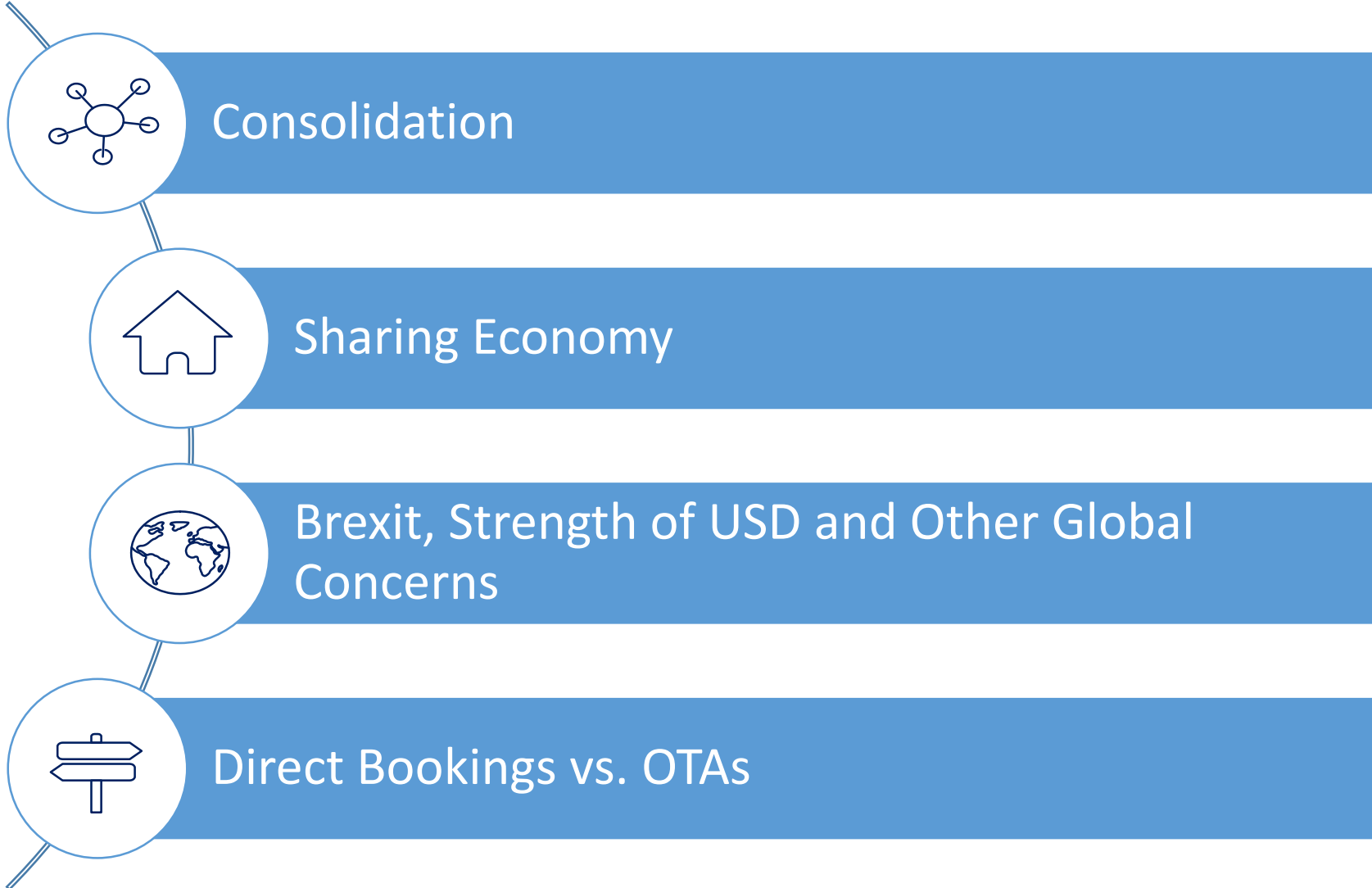
22.6% increase in rooms under contract compared to
June 2015

32% of rooms under contract are under construction
(166,400)

Upper Midscale and Upscale make up 66% of rooms under
construction



Hot Topics



Key Takeaways

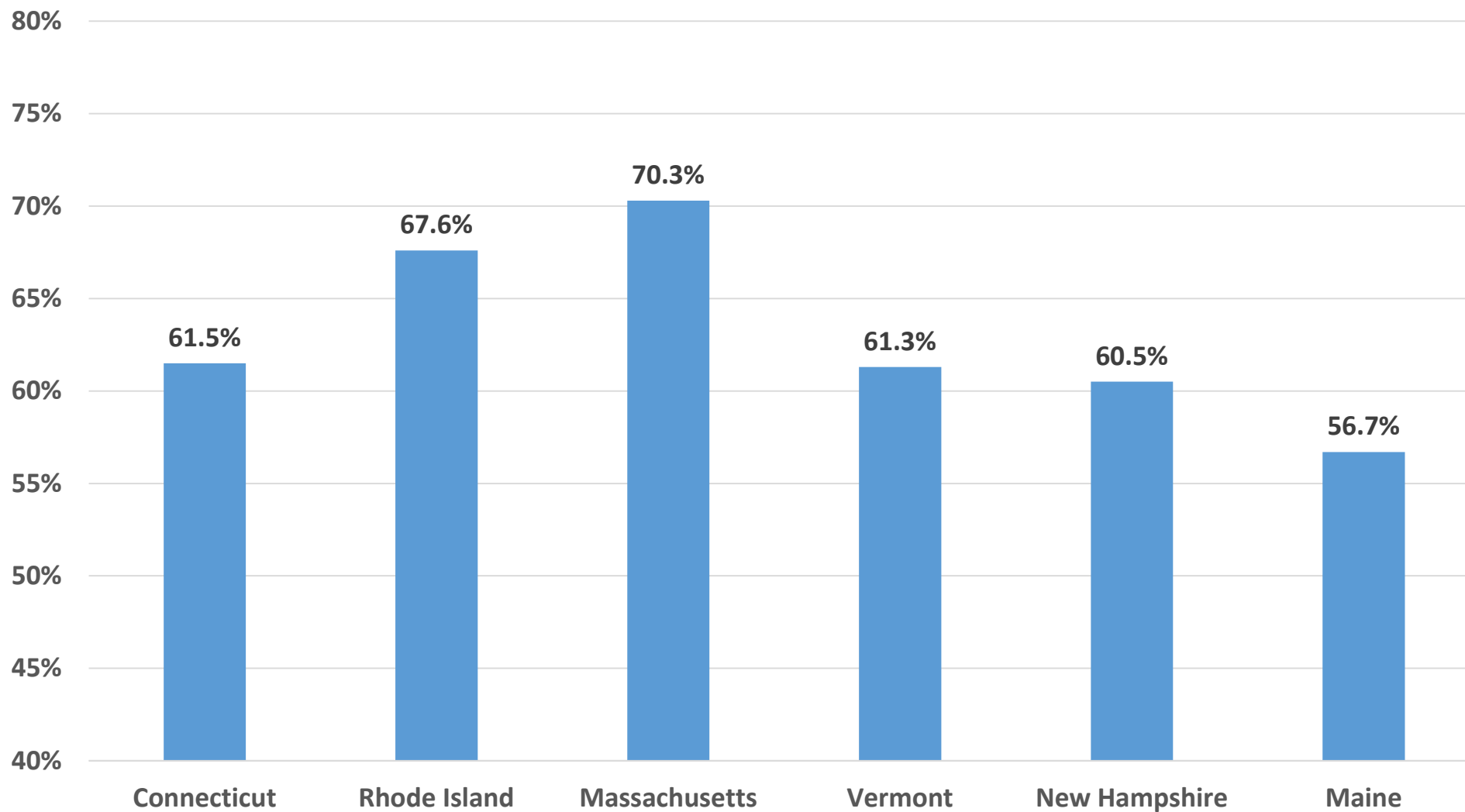
- Keep in mind in that 2015 was by far the highest Occ and ADR ever recorded.
- Hotel revenue growth will slow in 2016, and continue through 2017. This growth will be driven entirely by ADR growth.
- Occupancy is expected to remain flat in 2017 due to supply growth catching up to demand growth for the first time since the recession in 2009.
- Among the chain scales, upper upscale is expected to see the strongest RevPAR growth year-over-year, followed by luxury. Midscale could see the weakest growth.
- Major gateway cities and top 20 markets will face is growing supply from the sharing economy, particularly through Airbnb.



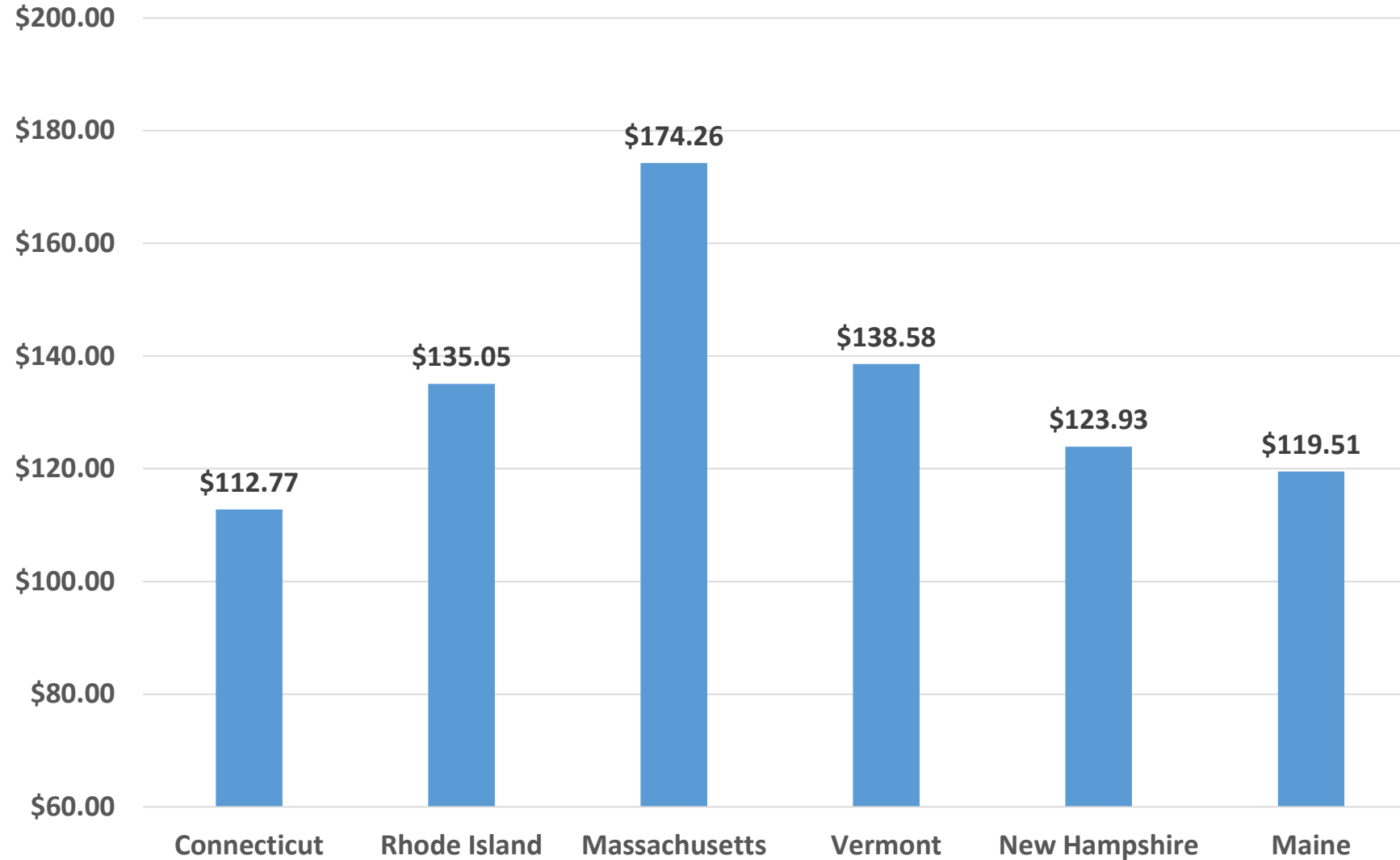
A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City. The buildings are made of glass and steel, with their windows reflecting the sky. The perspective creates a sense of height and scale. The image is in grayscale, with a blue border around the central text area.

NEW ENGLAND LODGING MARKET

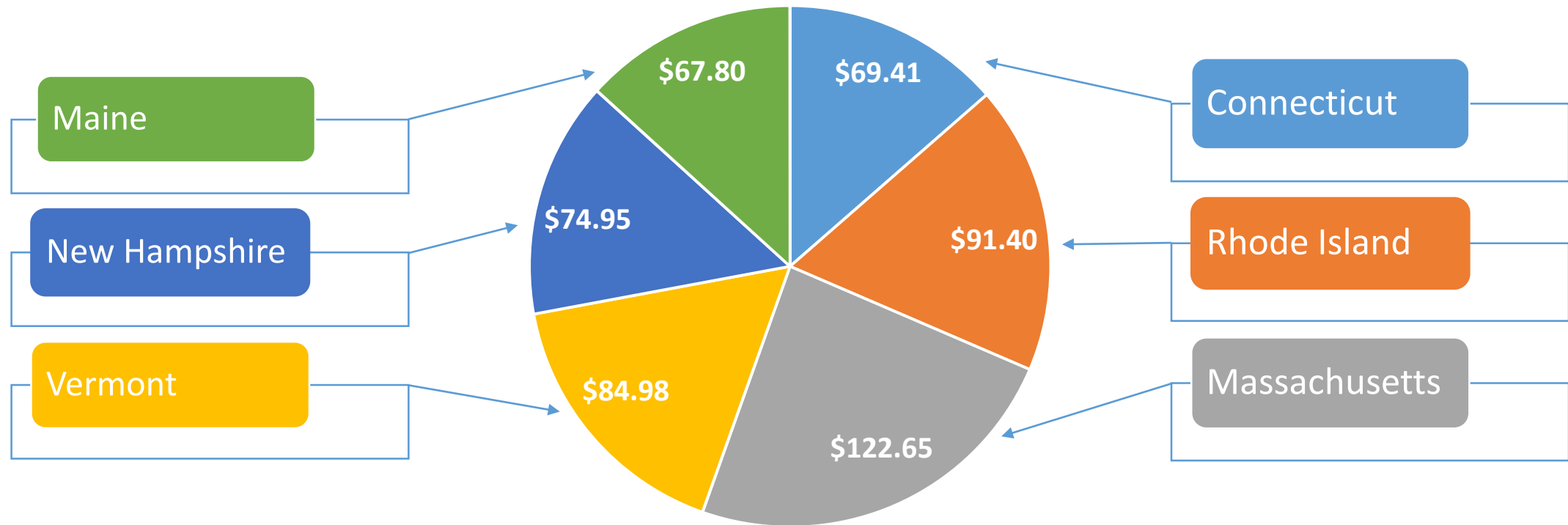
New England Occupancy 2015



New England Average Daily Rate - 2015



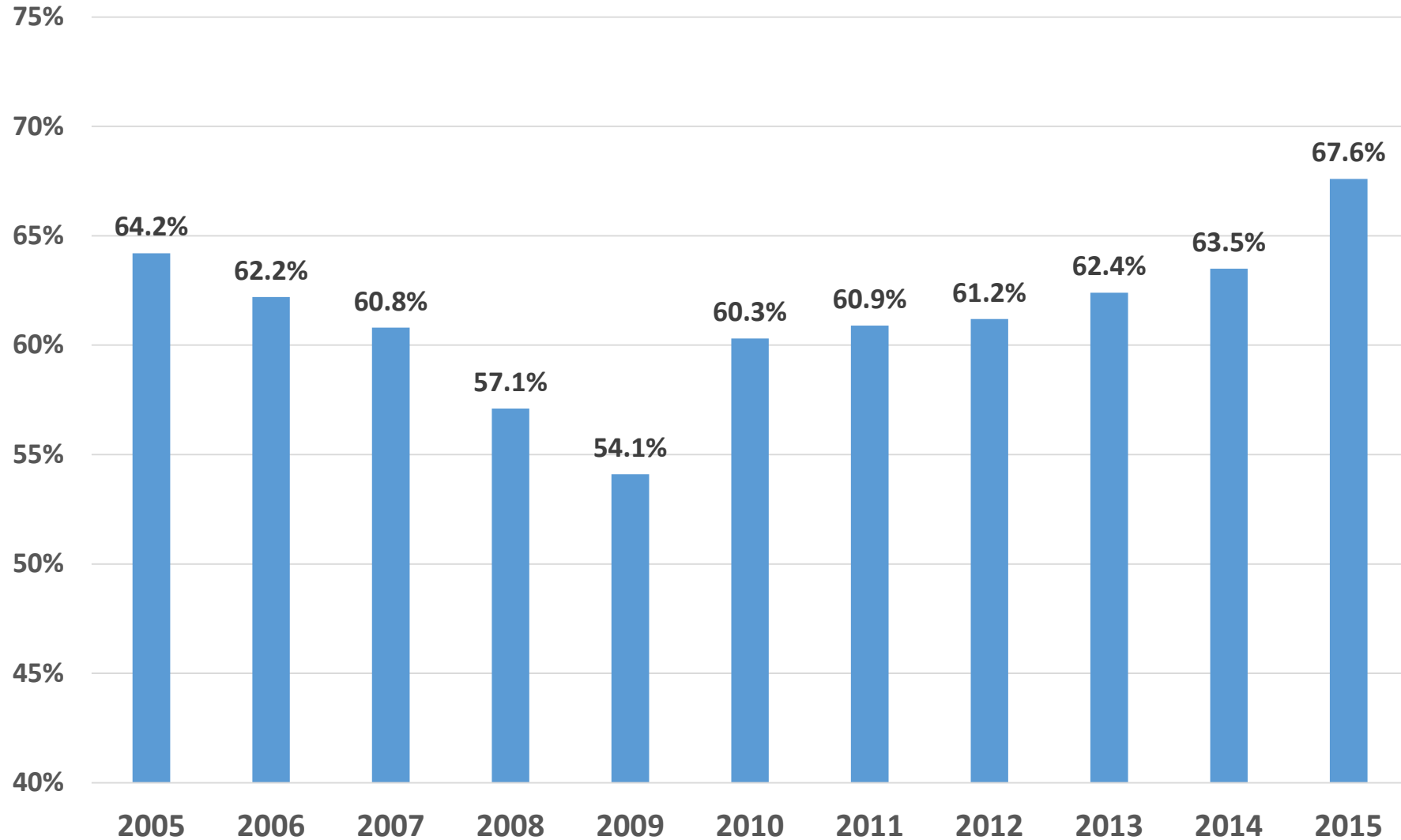
New England RevPAR – 2015



A low-angle, upward-looking photograph of several tall skyscrapers with glass facades, creating a sense of height and urban density. The image is in grayscale with a blue tint and is framed by a thin blue border.

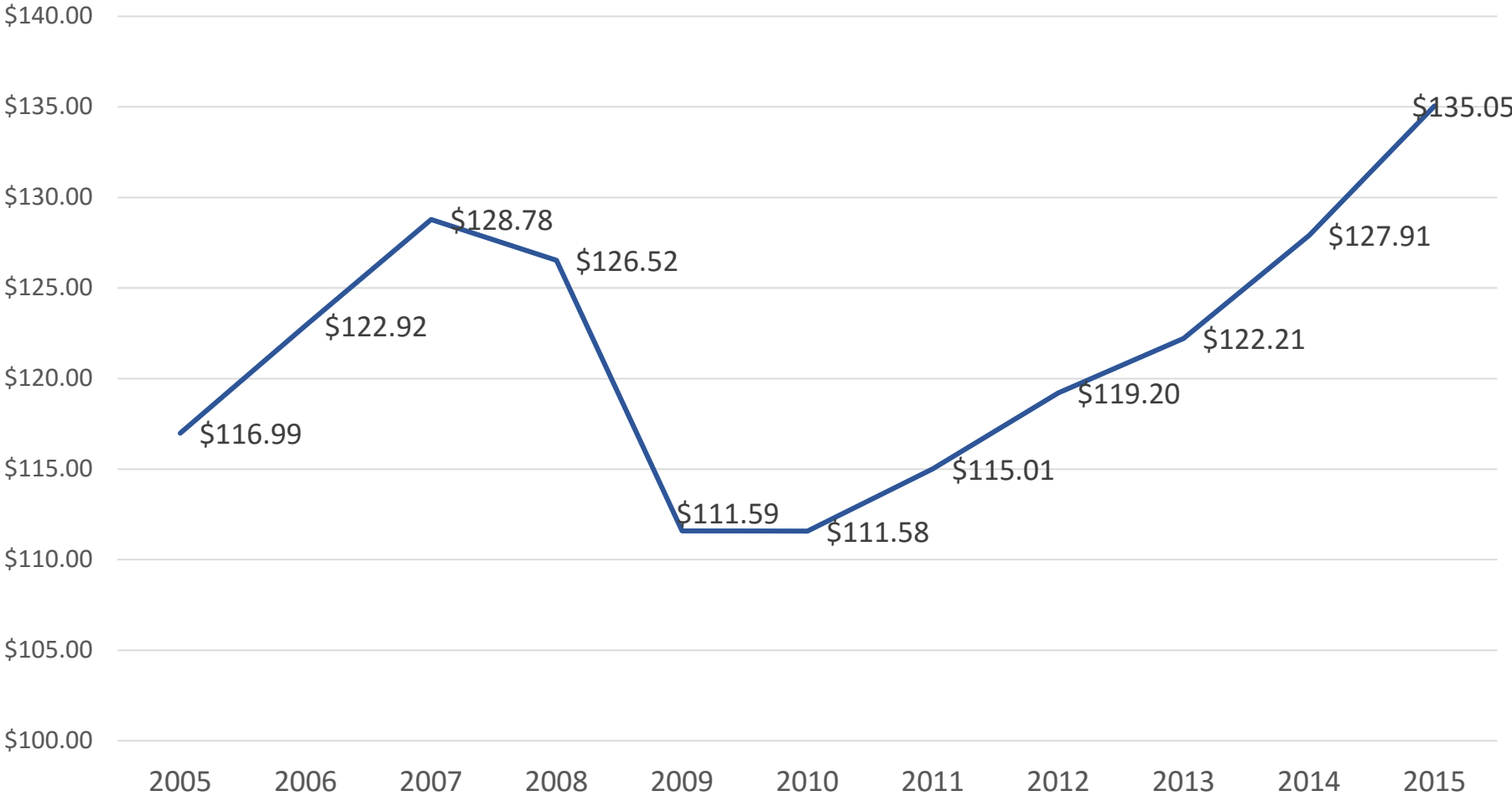
RHODE ISLAND LODGING MARKET

Rhode Island Occupancy 2005-2015



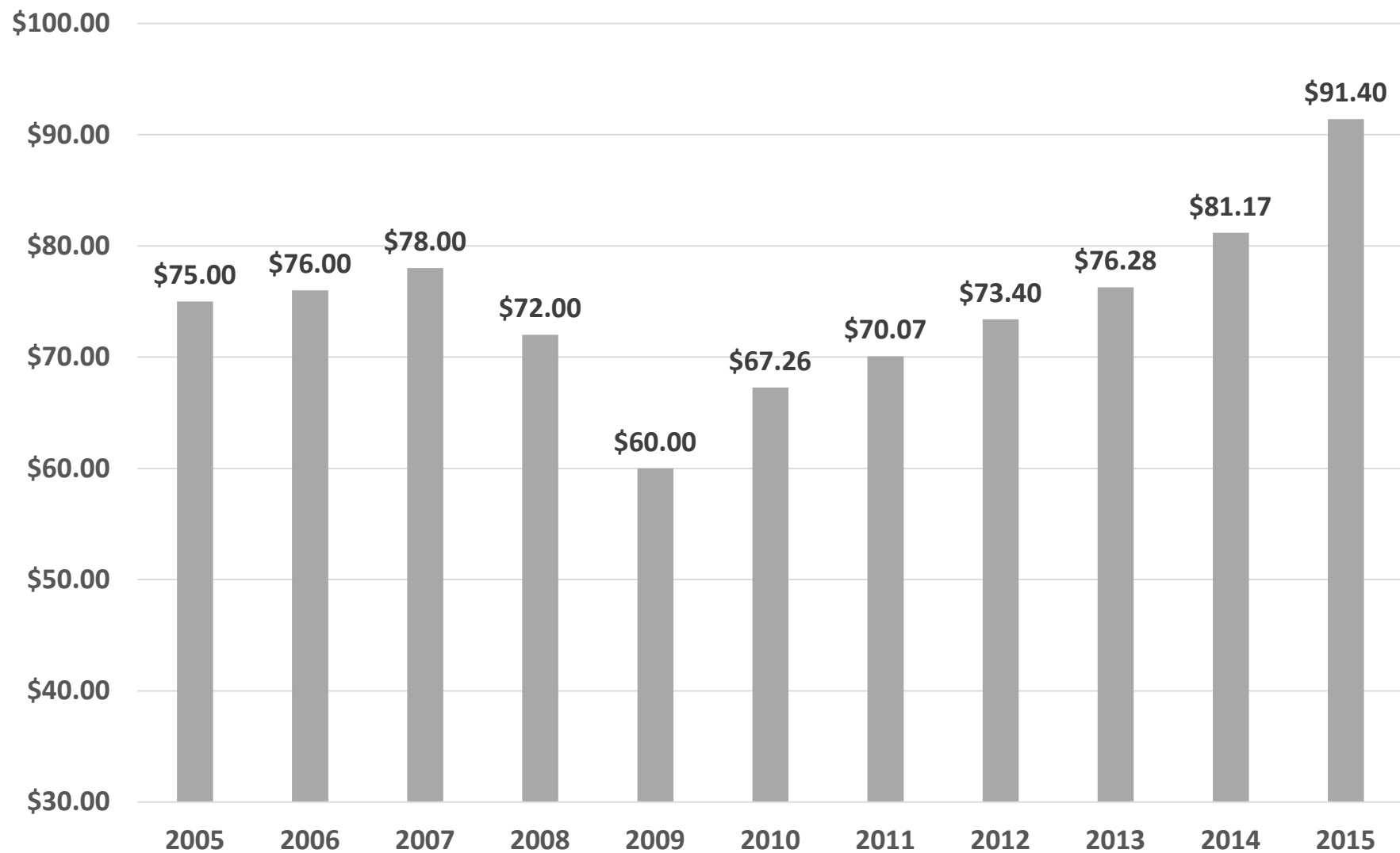
Source: Smith Travel Research

Rhode Island Average Daily Room Rate 2005-2015



Source: Smith Travel Research

Rhode Island RevPAR 2005-2015



Source: Smith Travel Research

Rhode Island Year-to-Date July 2016

	July 2015	July 2016
Occupancy	66.6%	66.1%
ADR	\$131.56	\$138.27
RevPAR	\$87.64	\$91.45

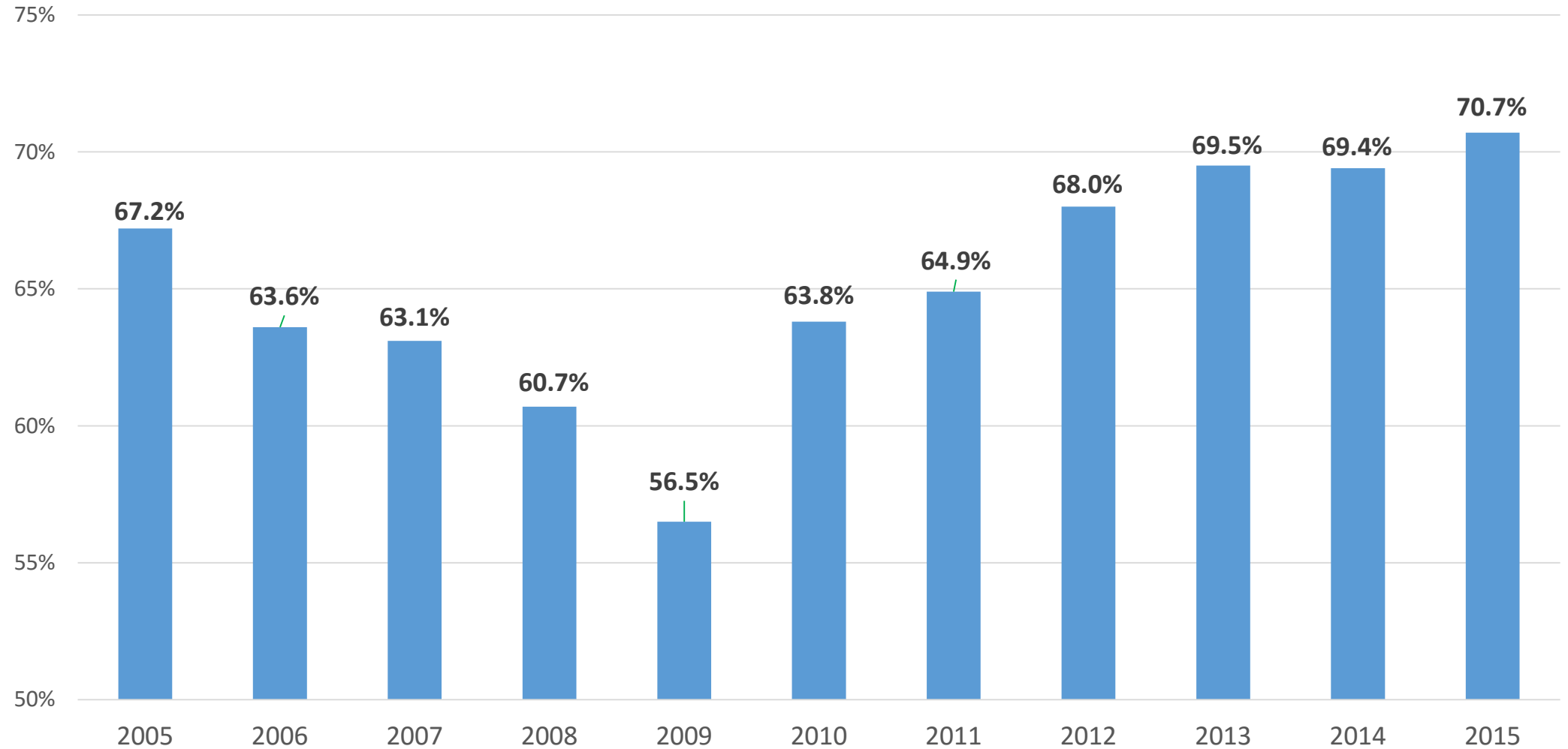
Up 4.4%

Source: STR

A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely Providence, Rhode Island. The buildings are made of glass and steel, with their windows reflecting the sky. The perspective creates a sense of height and urban density. The image is in grayscale, with a blue border around the central text area.

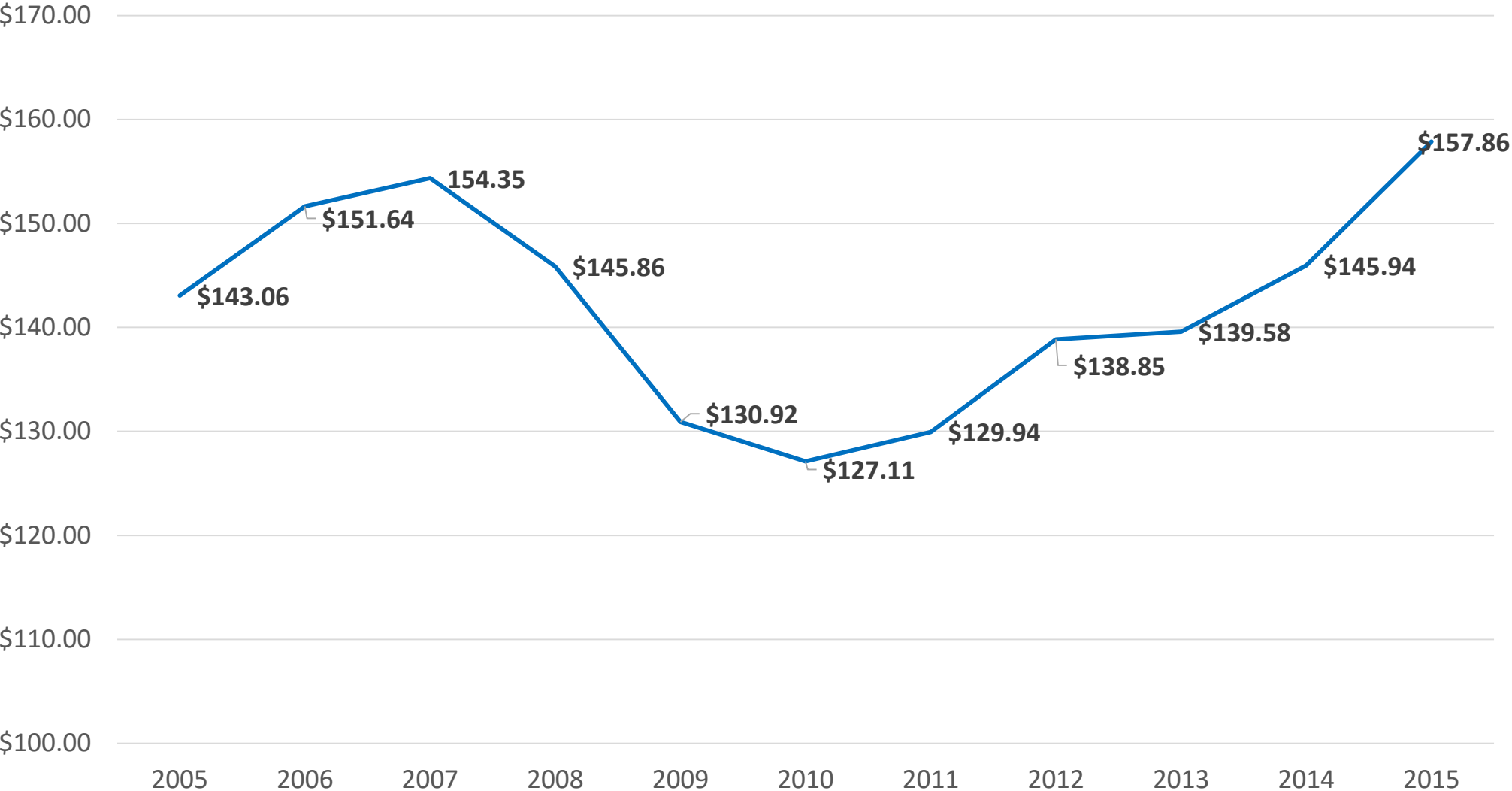
CITY OF PROVIDENCE LODGING MARKET

Providence Occupancy 2005-2015



Source: STR

Providence Average Daily Room Rate 2005-2015



Source: STR

Providence RevPAR 2005-2015



Source: STR

Providence YTD July 2016

	2015	2016
Occupancy	70.3%	70.%
ADR	\$156.78	\$164.36
RevPAR	\$110.25	\$115.00

Up 4.3%

YTD July	
Washington DC	Up 2.7%
Philadelphia	Up 6.0%
Boston	Down 0.8%
New York	Down 2.9%

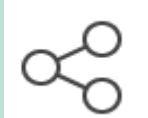
Providence - Future



Convention



Office Market



Other Demand Factors



New Supply

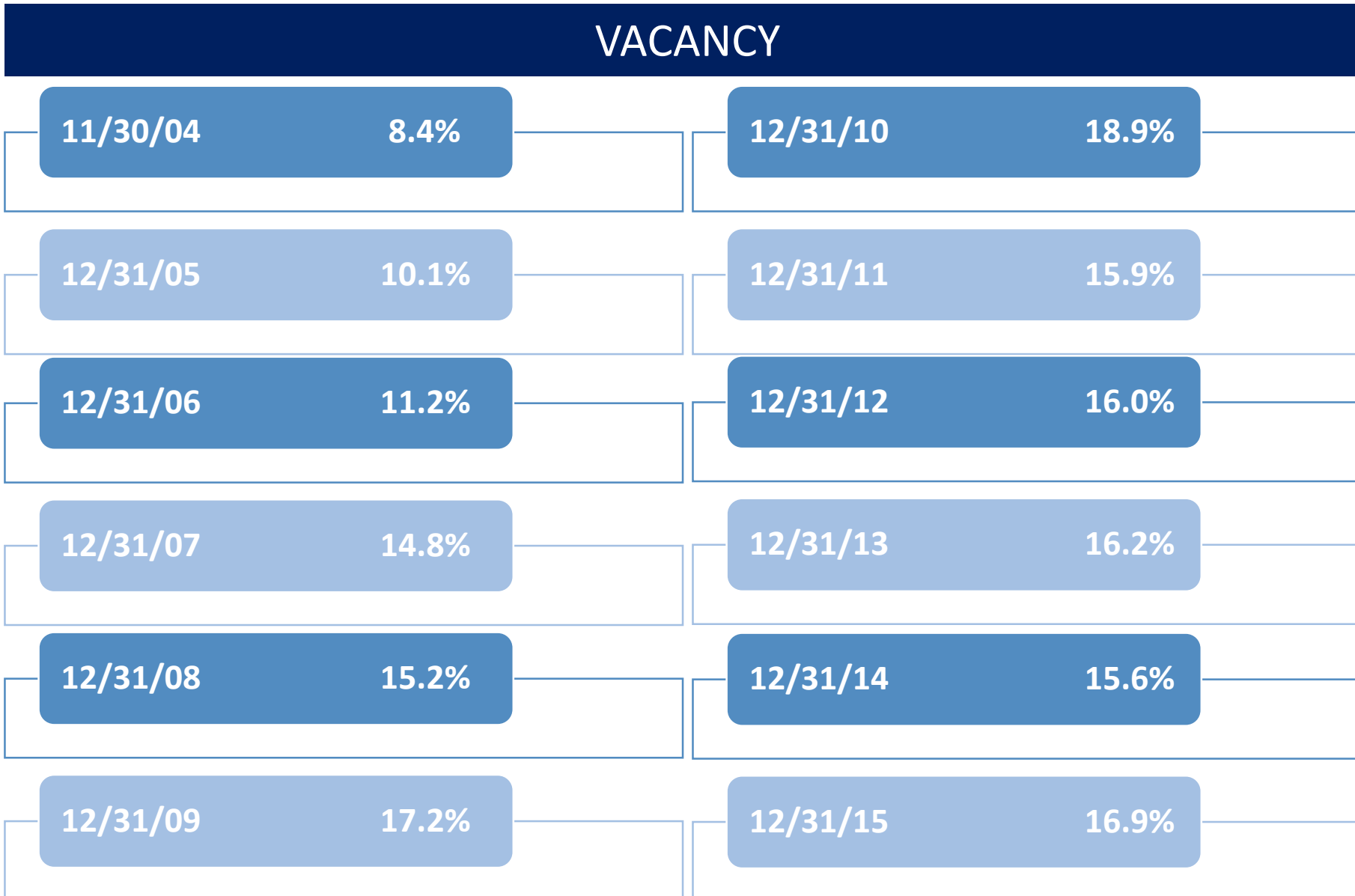


Projections

Providence Convention Tap Report August 2016

- Q4 2016 Definite Rooms Are 20% Behind The Pace Target (3,075 Room Nights)
- 2017 Definite Rooms are 6% Ahead of the Pace Target (4,512 Room Nights)
- 2017 Soft months are:
 - January, February, March, May. October, and December;
 - May is particularly soft (down 66%);
- 2017 Particularly strong months are:
 - August (up 95%);
 - September (up 53%); and
 - November (up 63%);

Providence – Downtown Office Market (class A, B, C)



Source: CBRE

Providence Other Factors



Economic Outlook: Modest Growth Anticipated



New Lodging Supply: No New Supply in 2016/2017

Providence – Projections

Projections

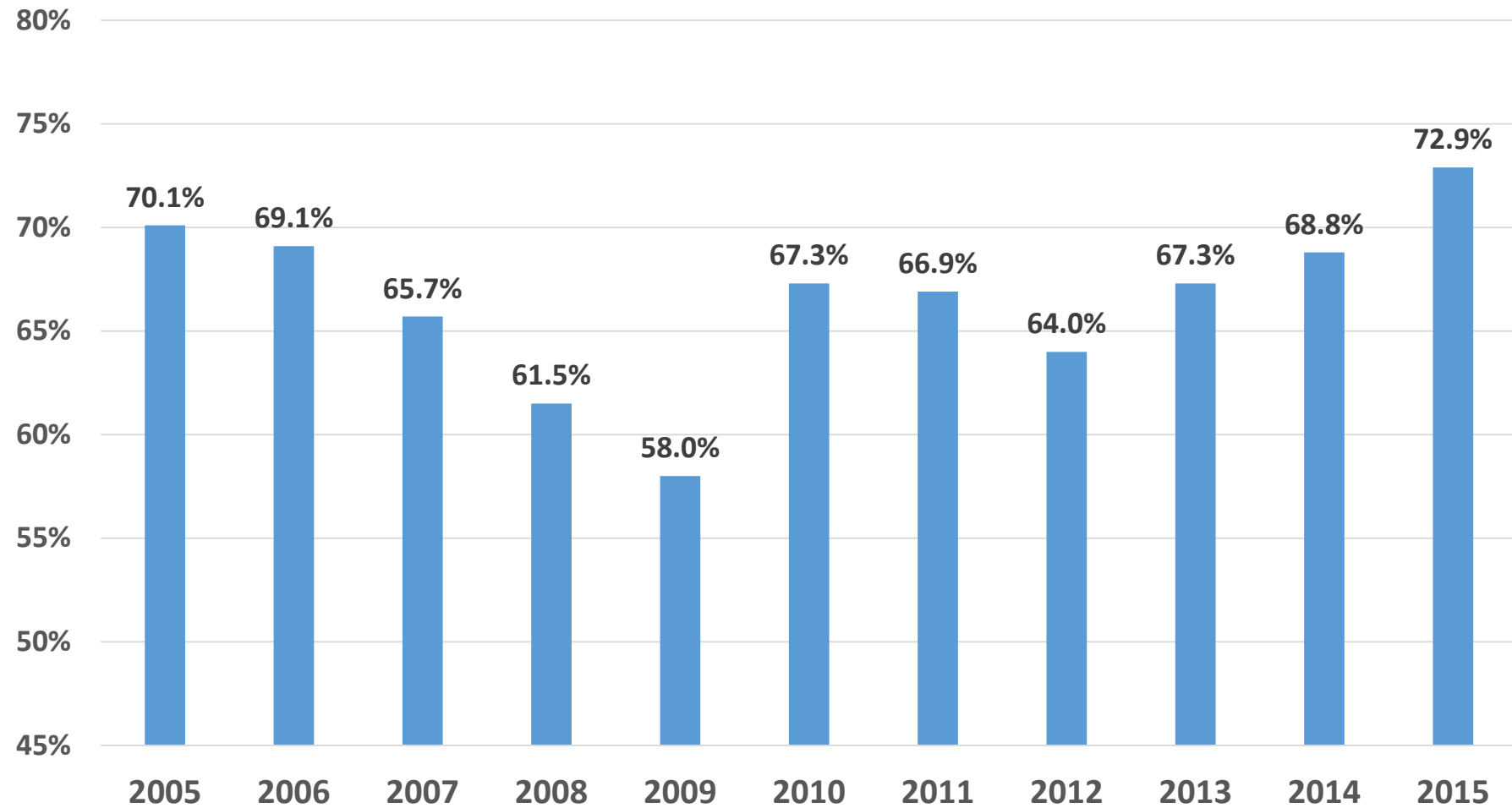
2016: 69% @ \$165: RevPAR-\$113.85

2017: 70% @ \$170: RevPAR- \$119.00

A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City. The buildings are made of glass and steel, with their windows reflecting the sky. The perspective creates a sense of height and scale. The image is in grayscale, with a blue border around the central text area.

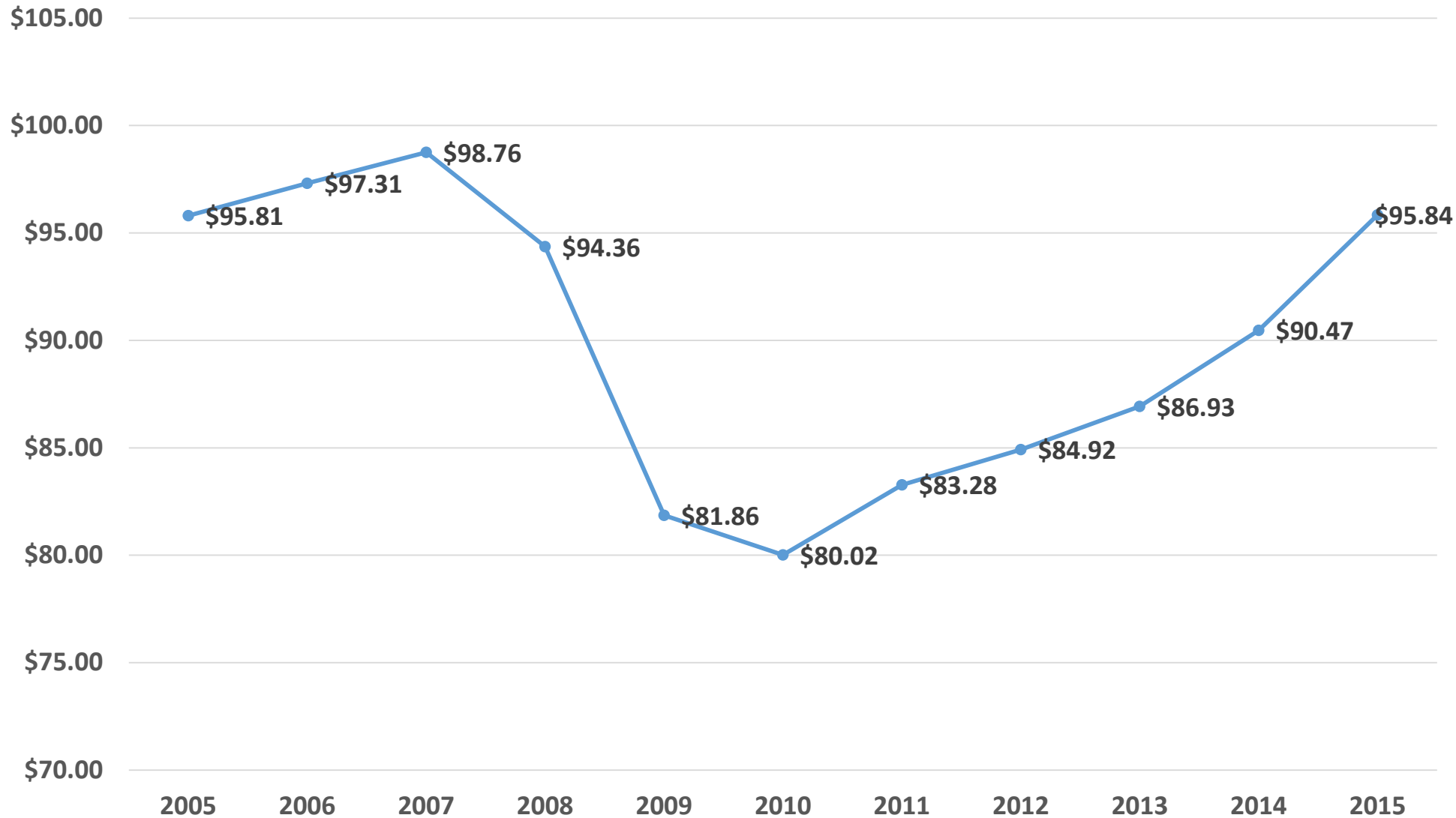
WARWICK LODGING MARKET

Warwick Occupancy 2005-2015



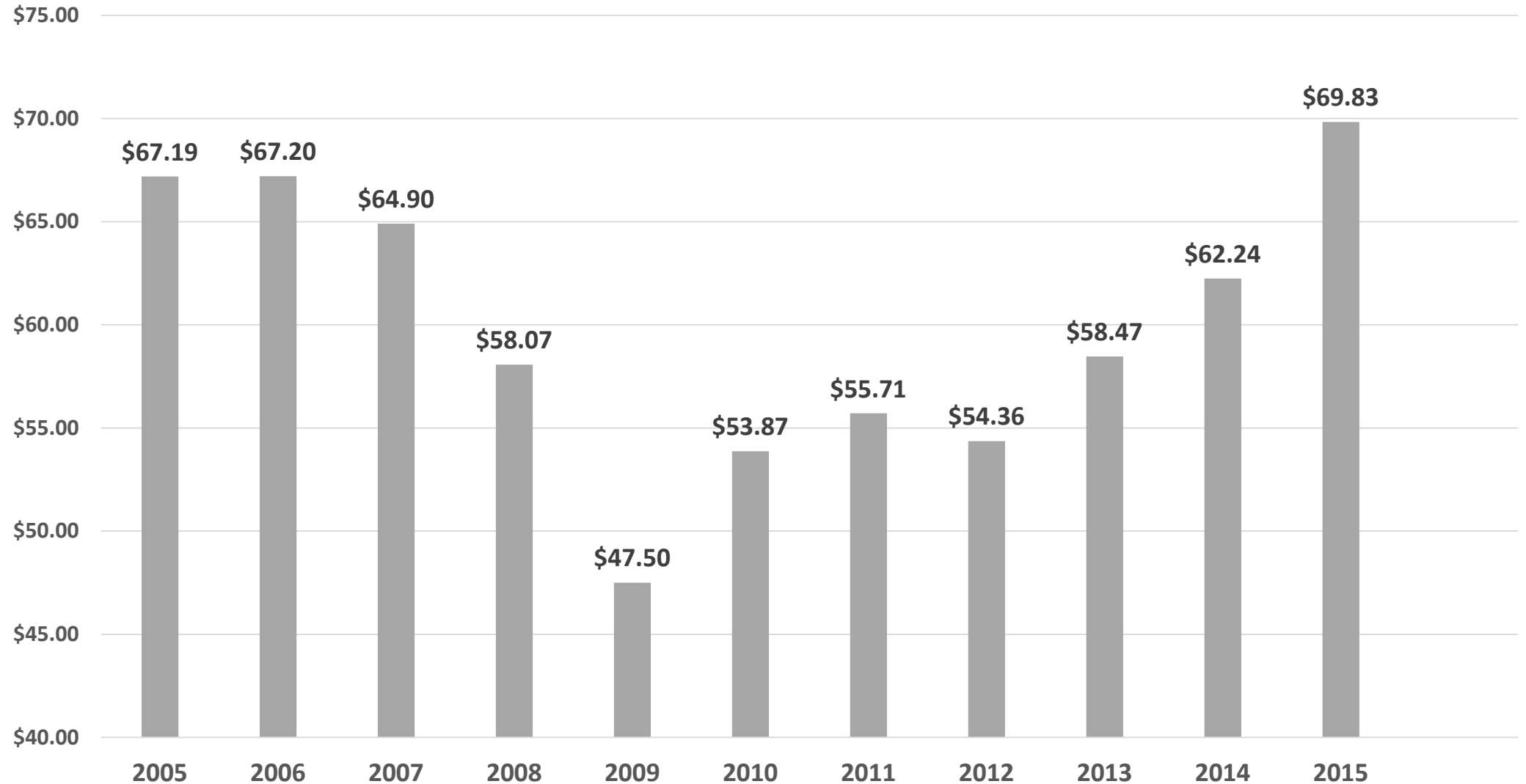
Source: Smith Travel Research

Warwick Average Daily Room Rate 2005-2015



Source: Smith Travel Research

Warwick RevPAR 2005-2015



Source: Smith Travel Research

Warwick YTD July 2016

	<u>2015</u>	<u>2016</u>	
Occupancy	71.8%	71.6%	
ADR	\$94.54	\$98.80	Up 4.5%
RevPAR	\$67.86	\$70.71	Up 4.2%

Warwick – Future

Unemployment:
Improvement

Airport Factors:
YTD Passengers –
up 4% YTD

Office Market:
11.9% Vacancy –
Lowest Rate Since
2006

Industrial Market:
7.2% Vacancy

New Lodging
Supply: None

Other: Stronger
Providence Market
Provides
Compression

Economy:
Continues to
Improve

Projections

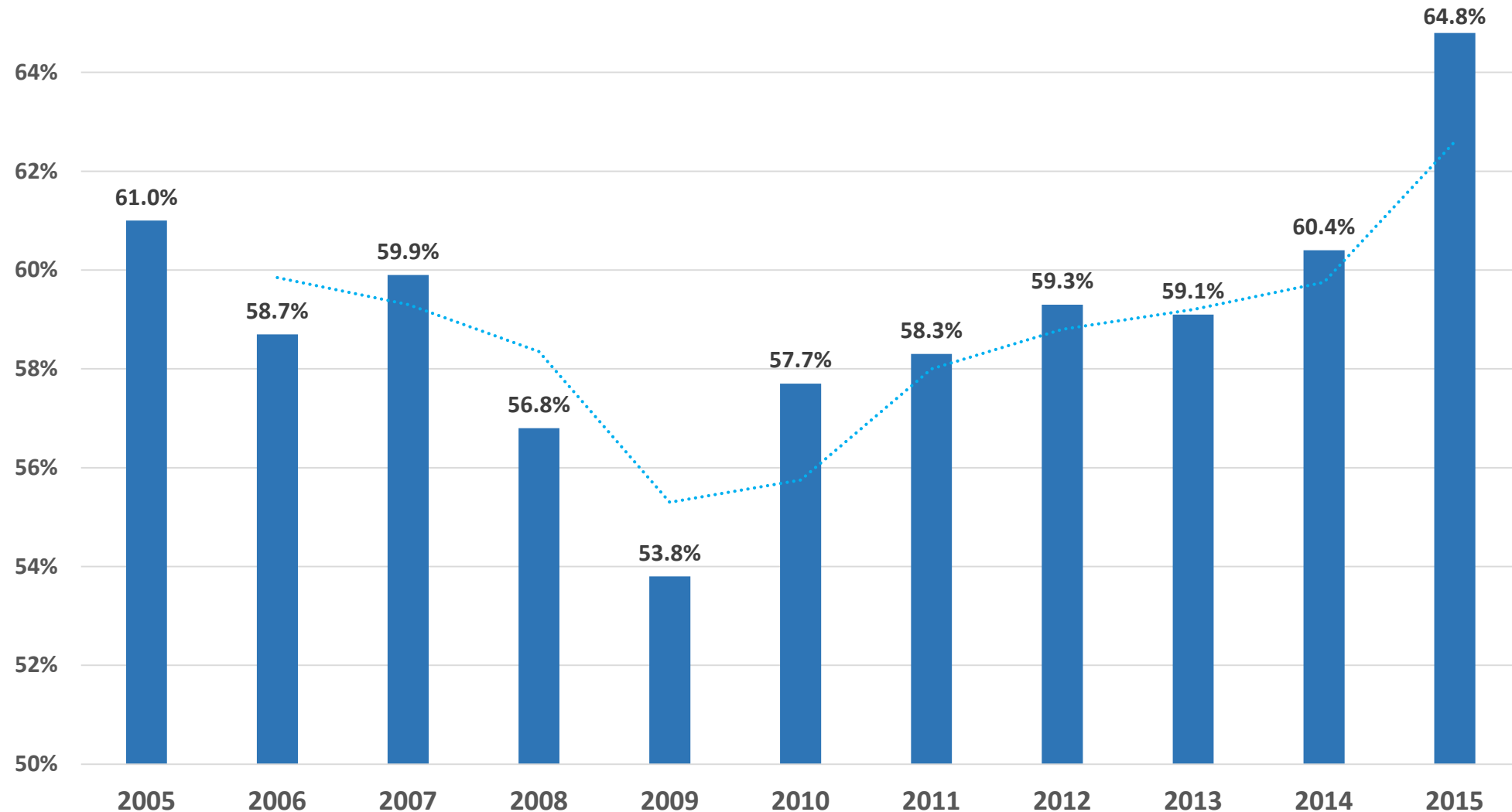
2016: 72% @ \$99.50:
RevPAR-\$71.64

2017: 73% @ \$103:
RevPAR- \$75.19

A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City. The buildings are made of glass and steel, with their windows reflecting the sky. The perspective creates a sense of height and scale. The image is in grayscale, with a blue border around the central text area.

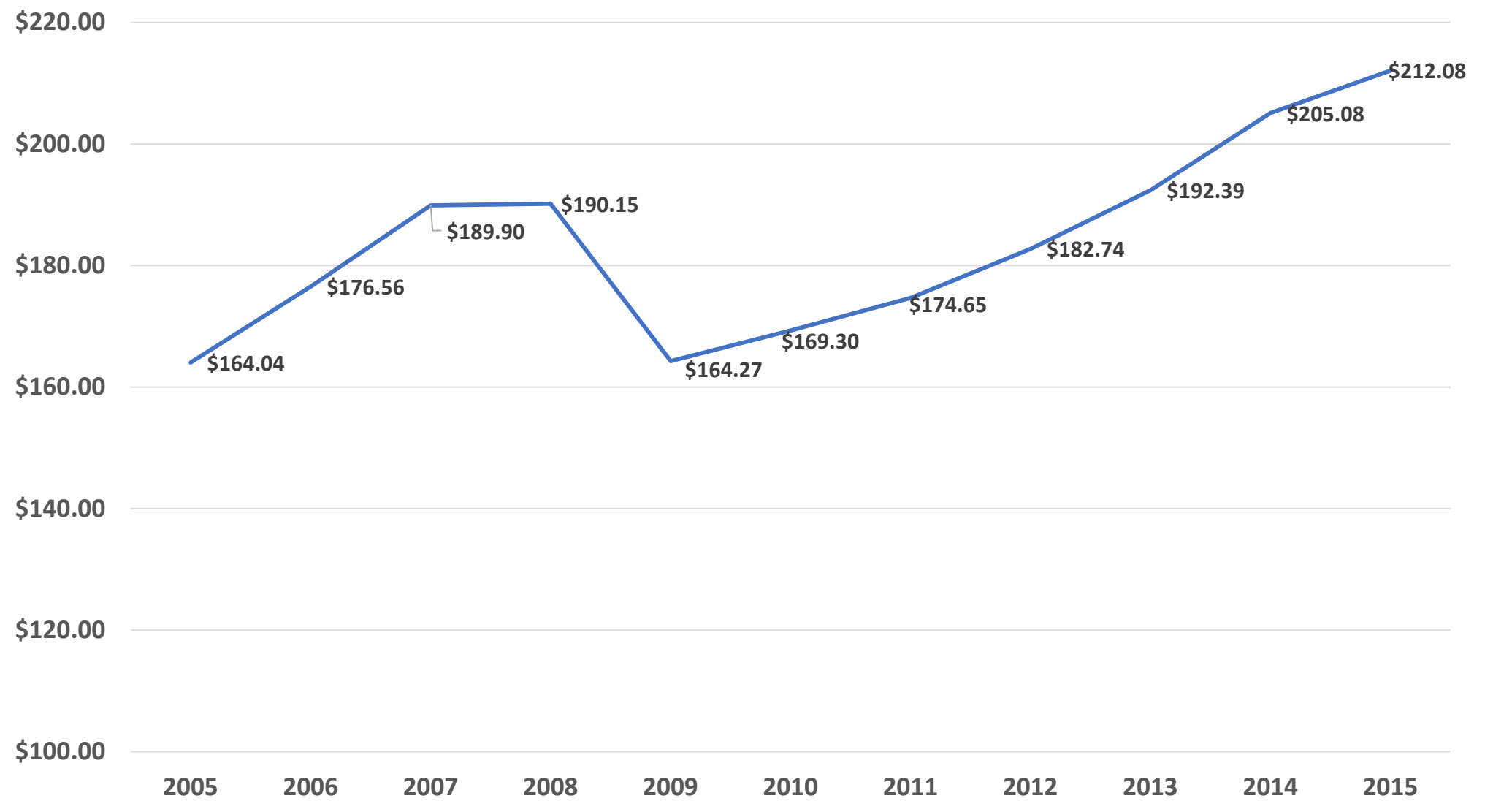
NEWPORT LODGING MARKET

Newport Occupancy 2005-2015



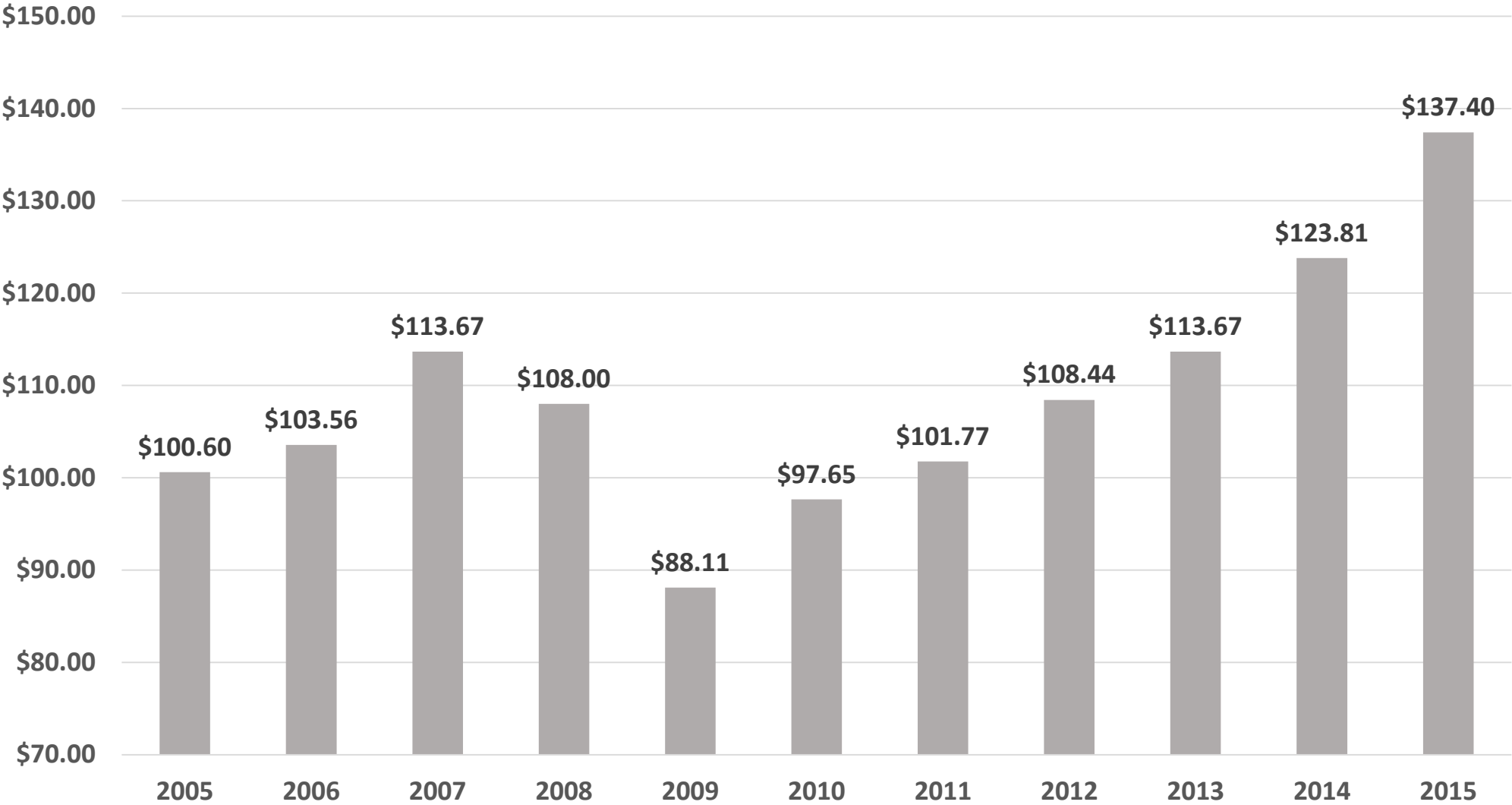
Source: Smith Travel Research

Newport Average Daily Rate 2005-2015



Source: Smith Travel Research

Newport RevPAR 2005-2015



Source: Smith Travel Research

Newport YTD July 2016

	<u>2015</u>	<u>2016</u>	
Occupancy	63%	62.3%	
ADR	\$204.44	\$202.36	Down 1.0%
RevPAR	\$128.78	\$126.03	Down 2.1%

Newport – Future

International Visitors: 21% increase (International Passengers) as of May YTD 2016 at Logan.

Group/Meetings Market: Continue to See a Rebound

Marketing and Programming from Private Sector

\$223.4 M Bridge Work – 10 yr. Plan - Newport Bridge, Mt Hope Bridge and Jamestown Bridge – Starts 2017

Gas Prices: Positive for Driving Traffic

New Supply

200 Room
Navy
Gateway Inn
and Suites -
Open Spring
2017

East Island
Reserve in
Middletown
– Luxury
Cabins and
Studios to
Open Later
in 2016

146 Room
Cambria
Middletown
to Open
November
2016

No New
Supply in
Newport

Projections

2016: 63% @ \$213.00: RevPAR-\$134.19

2017: 62% @ \$217.00: RevPAR- \$134.54

Pinnacle Advisory Group

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New York City

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Portland

Washington DC

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