



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

Economic Outlook Breakfast

September 14, 2017

The State of the Hospitality Industry in Rhode Island

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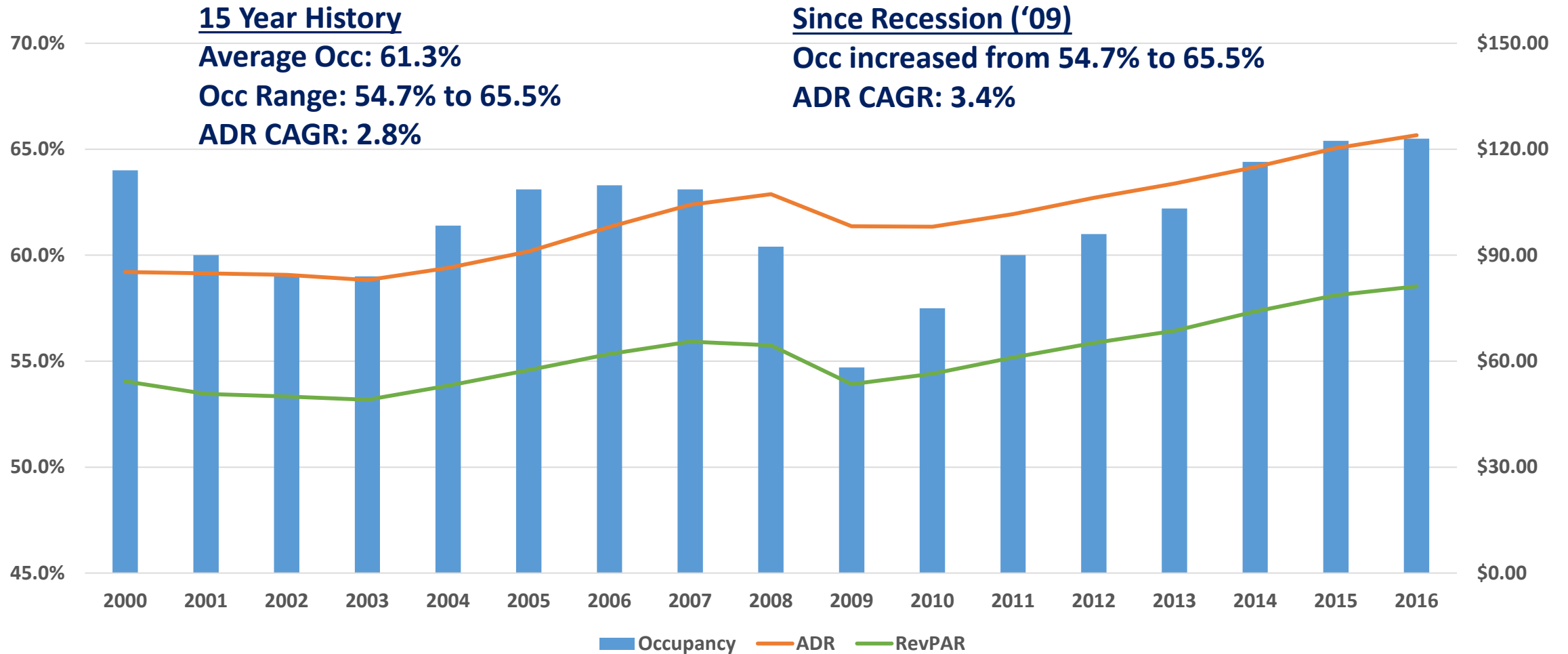
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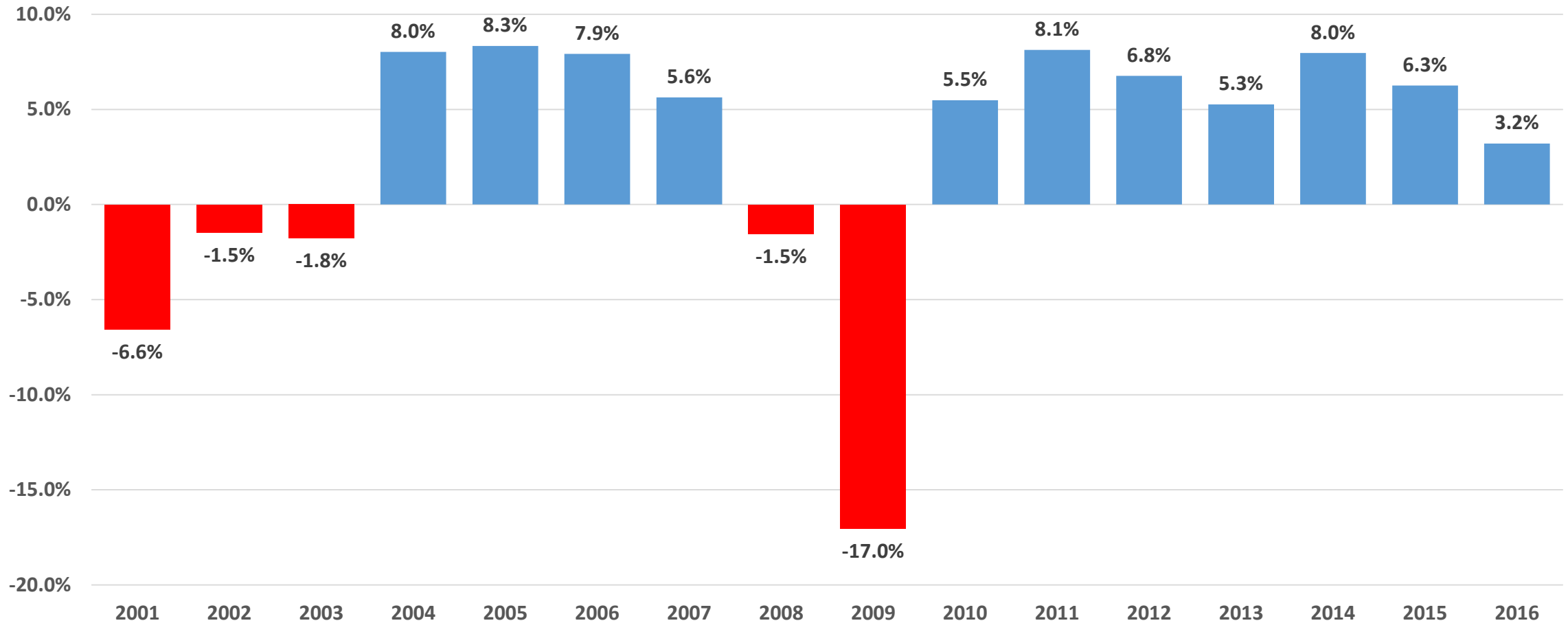


NATIONAL LODGING MARKET

Historic Market Performance - US



RevPAR % Change - US



YTD Performance Through July 2017 - US

	July 2016	July 2017	% Change
Occupancy	66.3%	66.6%	0.5%
ADR	\$124.12	\$126.81	2.2%
RevPAR	\$82.27	\$84.46	2.7%

Source: STR

New Supply – July 2017

Under Contract - 591,865 rooms in 4,899 hotel projects

- 11.7% increase in rooms year-over-year
- Under Contract data includes projects in the In Construction, Final Planning and Planning stages, but does not include projects in the Unconfirmed stage.

Under Construction - 188,734 rooms in 1,436 hotel projects

- 10.2% increase in rooms year-over-year



Hot Topics - US



U.S. Economy, Strength of USD, and Other Global Concerns



Direct Bookings vs. OTAs



TRUMP!



Sharing Economy, fight continues



Rising Costs – Healthcare, Labor, etc.



Key Takeaways (2017) - US

- 2016 was the highest Occ, ADR, and RevPAR ever recorded.
- Hotel revenue grew 4.8% in 2016, slower growth than in 2015 (7.4%). This trend is expected to continue through 2017 with growth driven mostly by ADR increases.
- Compression nights (+95% occ) in Top 25 markets YTD was up 6% over YTD 2016. According to Morgan Stanley, the average rate premium for a compression night over an average night is approx. 23%.
- Occupancy is expected to remain flat in 2017. Demand growth is slowing and supply growth is increasing. RevPAR growth will be erratic.
- Major gateway cities and top markets will face is growing supply from hotel development and the sharing economy, particularly through Airbnb.



U. S. Industry Projections

2017

	STR	PWC	CBRE
Occupancy	-0.3%	+0.1%	+0.1%
ADR	+2.8%	+2.1%	+2.9%
RevPAR	+2.5%	+2.3%	+3.0%

2018

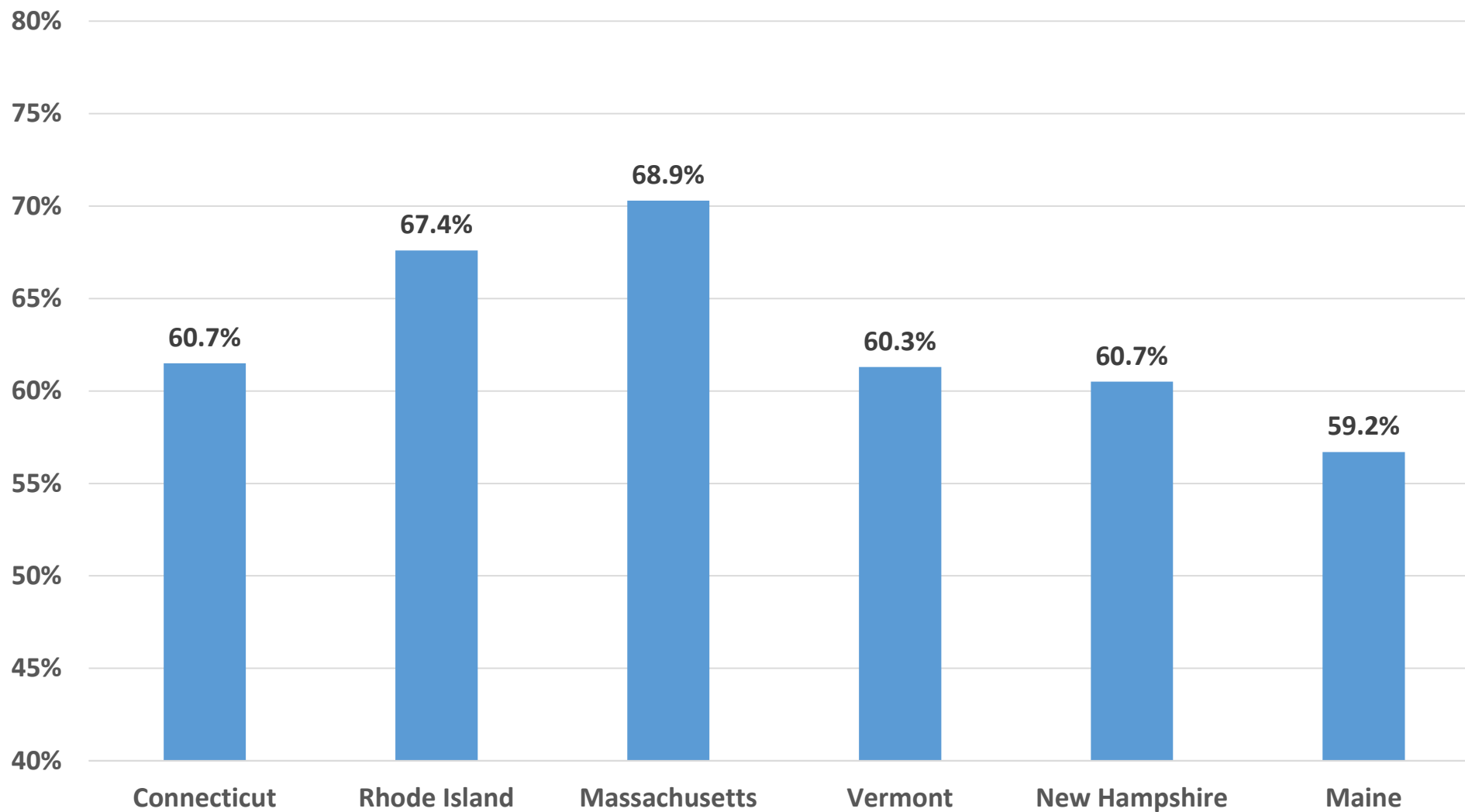
	STR	PWC	CBRE
Occupancy	-0.2%	0.0%	0.1%
ADR	+2.8%	+2.1%	+2.3%
RevPAR	+2.6%	+2.0%	+2.4%



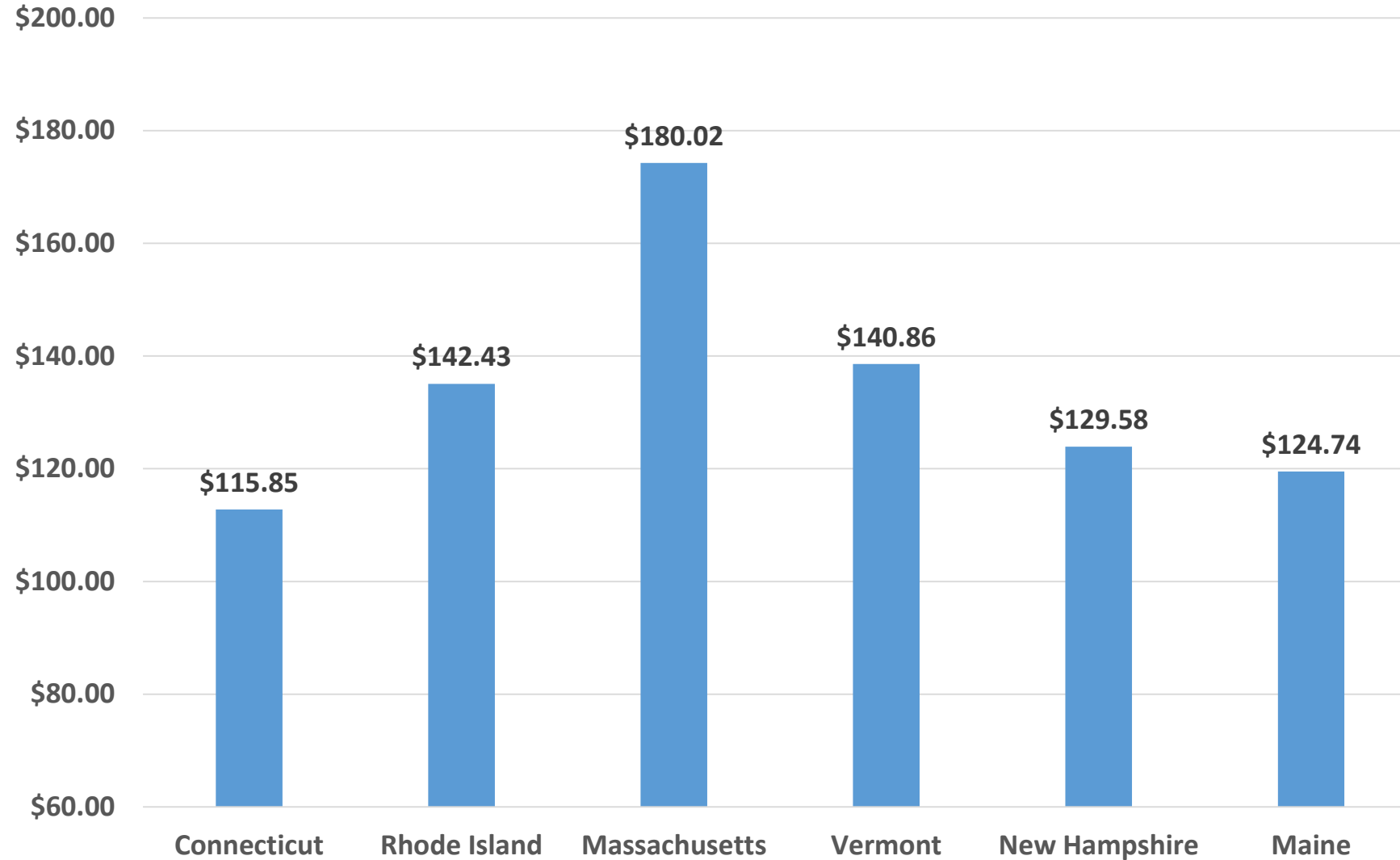
A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City. The buildings are made of glass and steel, with their windows reflecting the sky. The perspective creates a sense of height and scale. The image is in grayscale, with a blue border around the central text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

NEW ENGLAND LODGING MARKET

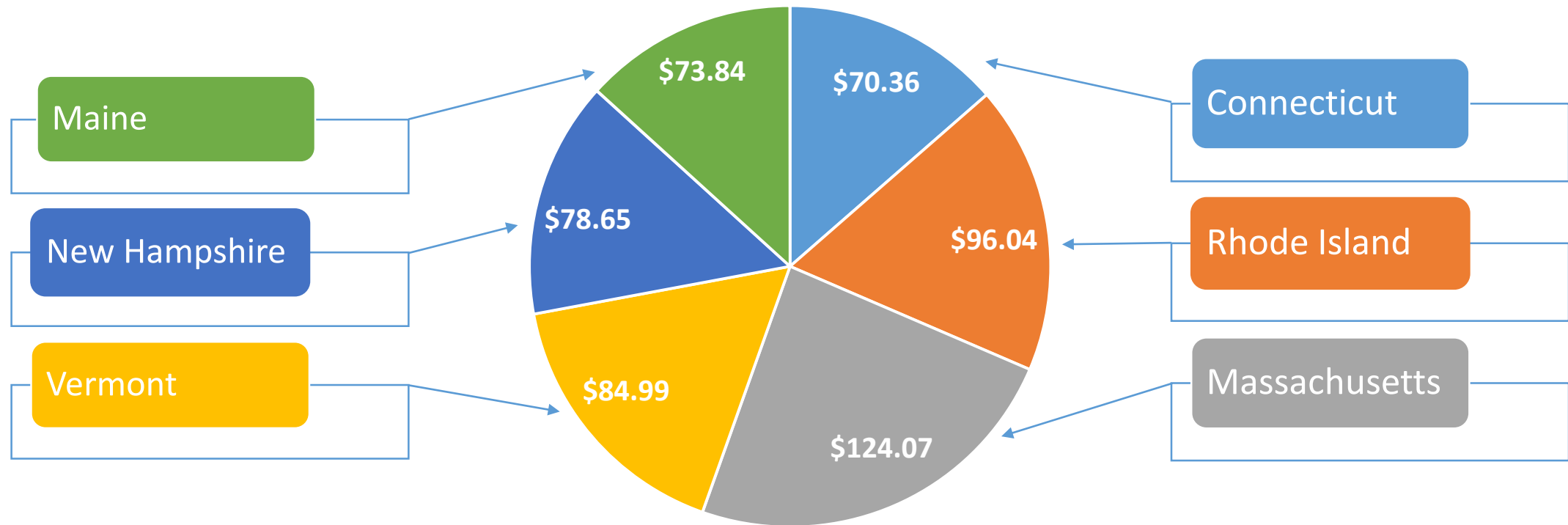
New England Occupancy 2016



New England Average Daily Rate - 2016



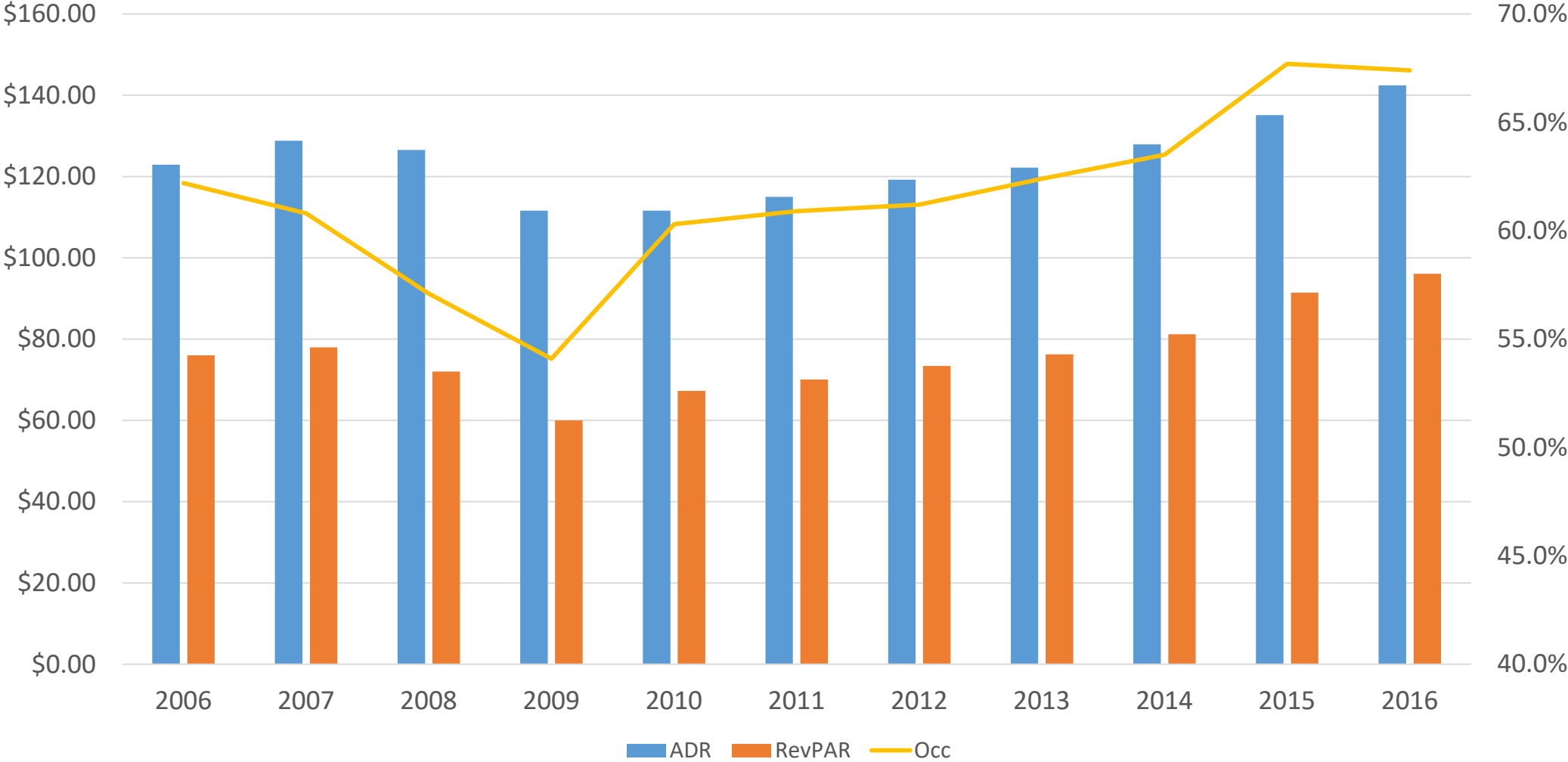
New England RevPAR – 2016



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.

RHODE ISLAND LODGING MARKET

Rhode Island Historical Market Performance 2006-2016



Source: Smith Travel Research

Rhode Island Year-to-Date July 2017

	July 2016	July 2017
Occupancy	66.2%	65.0%
ADR	\$138.75	\$142.39
RevPAR	\$91.80	\$92.49

Source: STR

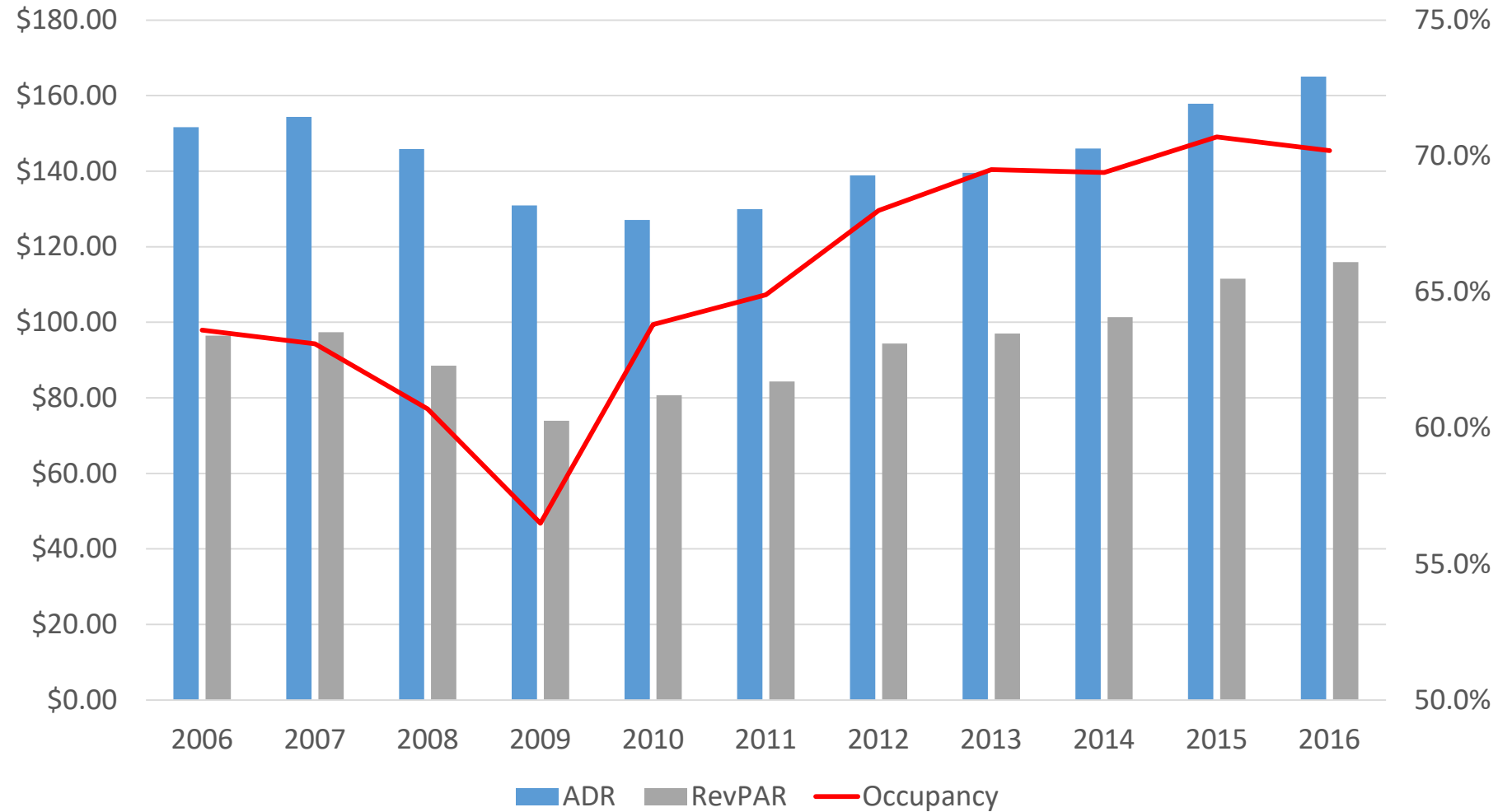
REVPAR PERFORMANCE VARIES:

RI RevPar up 0.8%
MA up 2.4%
NY down 0.5%
Wash DC up 8.0%

A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely Providence. 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 Historical Market Performance 2006-2016



Source: STR

Providence YTD June 2017

	2016	2017
Occupancy	68.6%	70%
ADR	\$163.98	\$165.67
RevPAR	\$112.50	\$115.91

RevPar
Up 3.0%

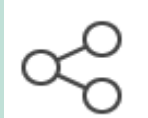
Providence - Future



Convention



Office Market



Other Demand Factors



New Supply



Projections

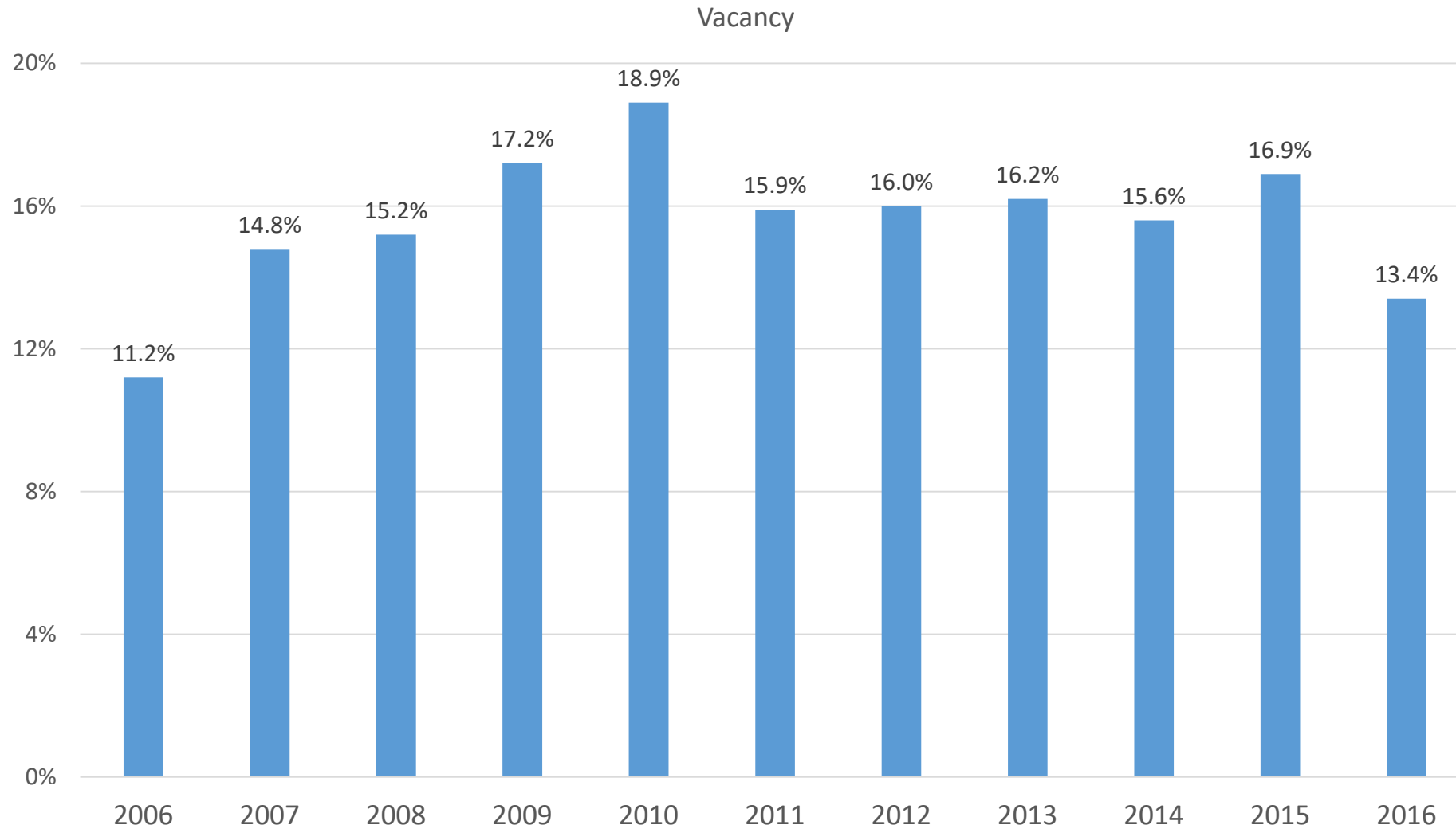
Providence Convention Tap Report Aug. 31 2017

- Q4 2017 Definite Rooms are 22% behind the Pace Target (4,460 Room Nights)
- 2018 Definite Rooms are 28% behind the Pace Target (21,966 Room Nights).
- Every month of 2018 is behind the Pace Target. The weakest months are June and Sept., which are at 45% and 46% of their respective Pace Targets. The strongest months are May, Jan. and Oct. which are at 111%, 85% and 82% of Pace Targets, respectively.

CVB – The Good News

- Given the shorter booking windows, the CVB has been successful in filling some of the gaps for 2018.
- The CVB is focused on bringing in more group business when transient is at peak (i.e. October).
- The CVB is seeing an uptick in international attendees.
- In summary, 2018 will not be as strong as 2017 but is working to try to close the gaps.

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 2017/2018

Providence – Projections

Projections

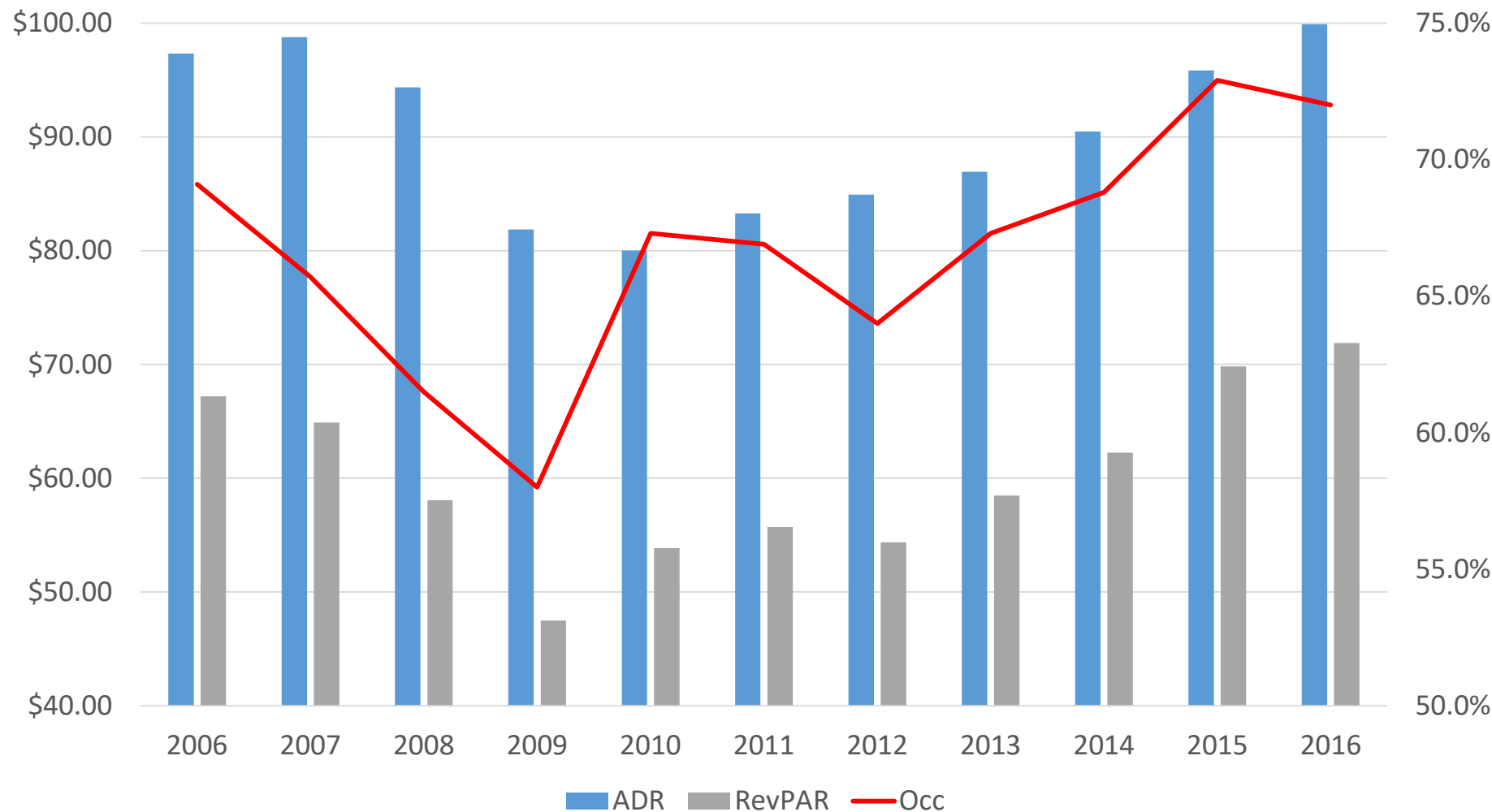
2017: 70% @ \$168: RevPAR-\$117.60

2018: 69% @ \$170: RevPAR- \$117.30

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 Historical Market Performance 2006-2016



Source: Smith Travel Research

Warwick YTD July 2017

	<u>2016</u>	<u>2017</u>	
Occupancy	71.6%	69.8%	
ADR	\$98.80	\$100.92	Up 2.1%
RevPAR	\$70.71	\$70.44	Down -.04%

Warwick – Future

Unemployment:
Improvement

Airport Factors: YTD
Passengers – flat
YTD but Anticipates
Strong Growth

Office Market: 9.9%
Vacancy – Lowest
Rate Since 2006

Industrial Market:
5.6% Vacancy

New Lodging
Supply: None

Other: Providence
Market Will Provide
Some Compression

Economy: Continues
to Improve

Projections

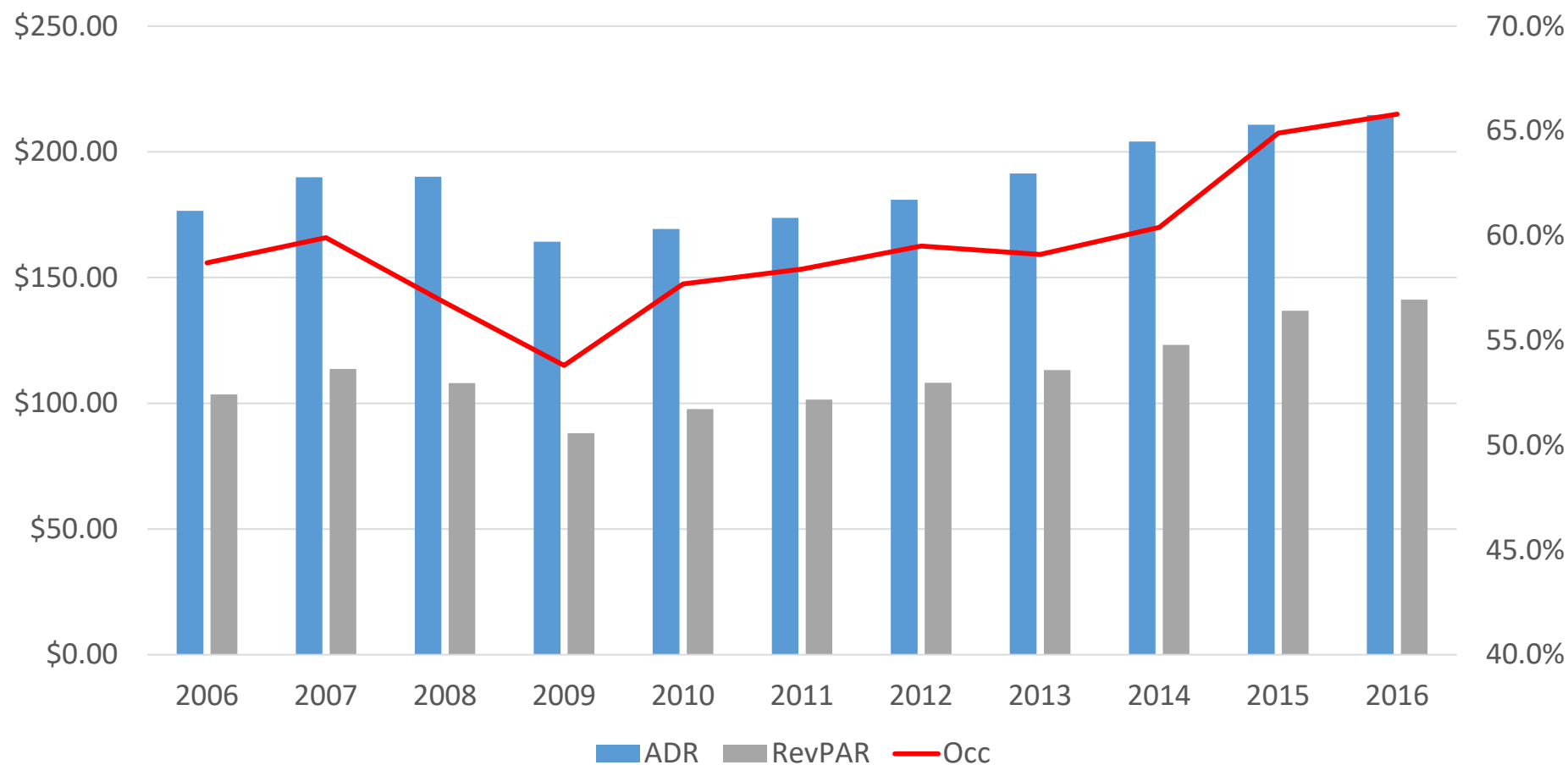
2017: 71% @ \$102.00:
RevPAR-\$72.42

2017: 72% @ \$104:
RevPAR- \$74.88

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 Historical Market Performance 2006-2016



Source: Smith Travel Research

Newport YTD July 2017

	<u>2016</u>	<u>2017</u>	
Occupancy	62.4%	58.5%	
ADR	\$203.38	\$207.80	Up 2.2%
RevPAR	\$126.88	\$121.51	Down -4.2%

Newport – Future

International Visitors: 14% increase (International Passengers) as of June YTD 2017 at Logan. International travel at TF Green will be a positive.

Group/Meetings Market: Status Quo

Marketing and Programming from Private Sector Remains a Positive

\$223.4 M Bridge Work - Newport Bridge, Mt Hope Bridge and Jamestown Bridge – Perception of Traffic

Higher Gas Prices: Mixed Results

New Supply

No New Supply in Newport. But hotels are in Planning.

Projections

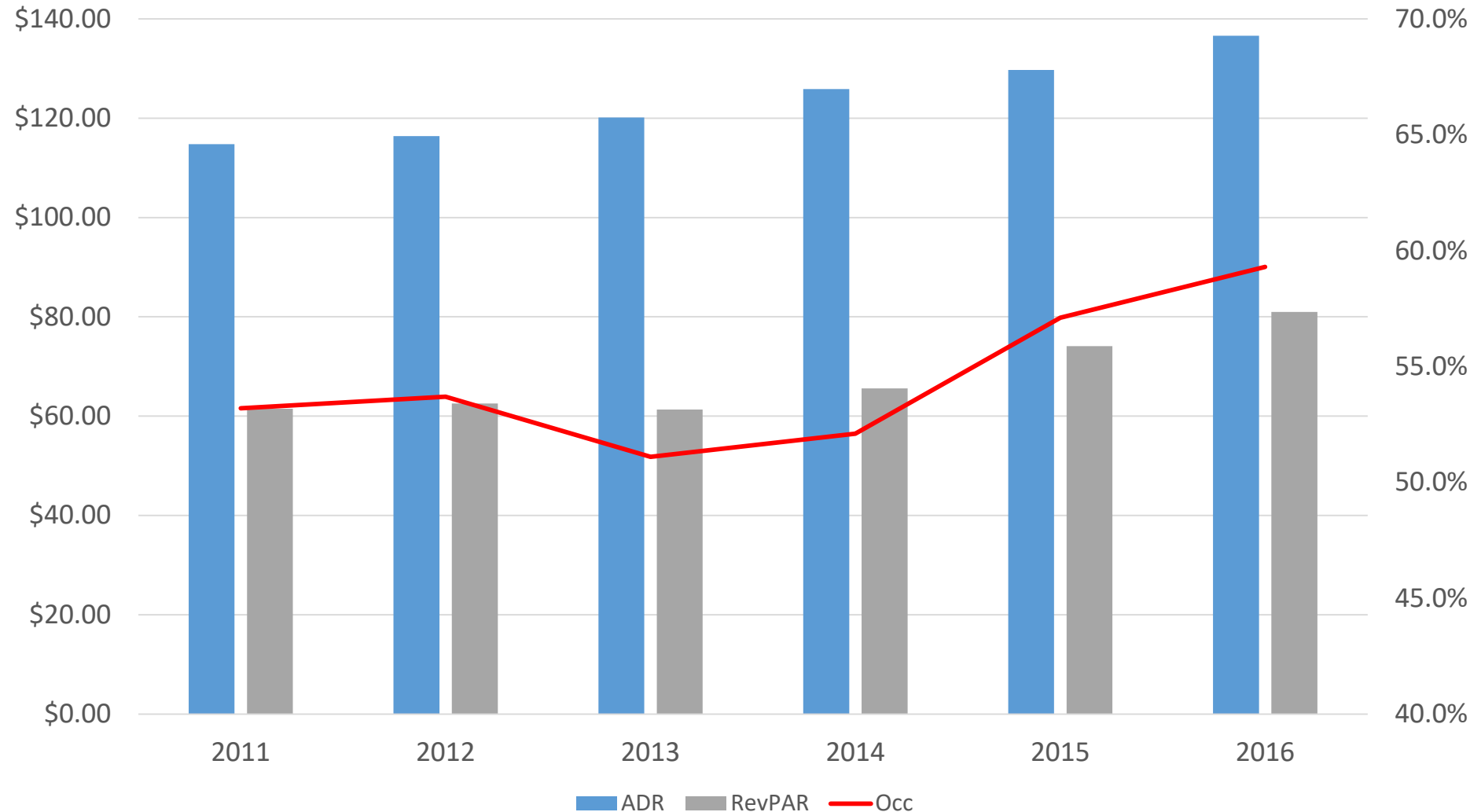
2017: 62% @ \$220: RevPAR-\$137.02

2018: 63% @ \$226.50: RevPAR- \$142.69

A low-angle, upward-looking photograph of several tall skyscrapers in a dense urban environment, likely Midtown Manhattan. The buildings are covered in glass and steel, reflecting the sky and each other. The perspective creates a sense of height and scale. The image is framed by a thin blue border.

MIDDLETOWN LODGING MARKET

Middletown Historical Market Performance 2011-2016



Source: Smith Travel Research

Middletown YTD July 2017

	<u>2016</u>	<u>2017</u>	
Occupancy	56.4%	55.9%	
ADR	\$130.66	\$136.82	Up 4.7%
RevPAR	\$73.71	\$76.47	Up 3.7%

Middletown – Future

Remains a Price Alternative for Newport Visitor

Navy Base – Expect to See Moderate Growth

Newport Grand Casino Will Close and its Future Use Uncertain – Tiverton Casino Will Include a Hotel

New Supply

146 Room Cambria
(June 2017)

200 Room Navy Gateway
Inn and Suites
(December 2017)

Projections

2017: 57% @ \$140: RevPAR-\$79.80

2018: 56% @ \$141: RevPAR- \$78.96

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