



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

## Economic Outlook Breakfast

September 12, 2018

The State of the Hospitality Industry in Rhode Island

**Rachel J. Roginsky, ISHC**

[rroginsky@pinnacle-advisory.com](mailto:rroginsky@pinnacle-advisory.com)

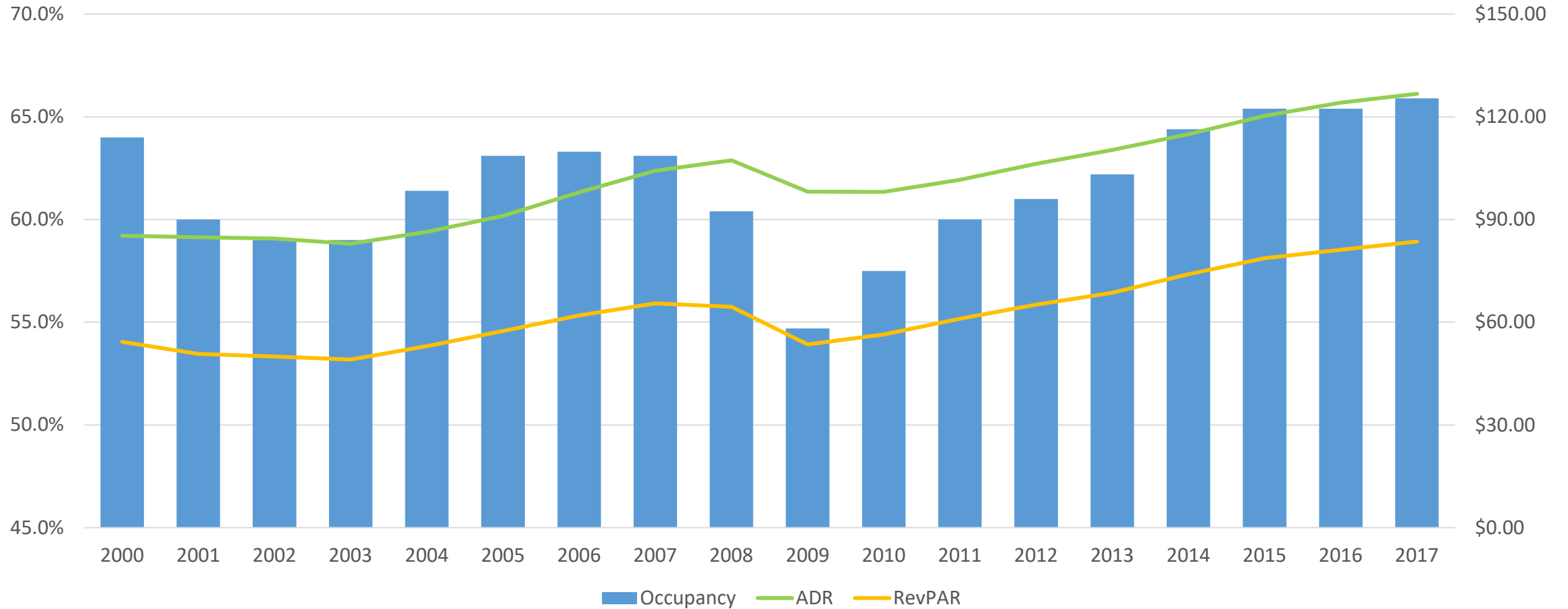
98 North Washington Street, Suite 403, Boston, MA 02114 ~ 617/722-9916

[www.pinnacle-advisory.com](http://www.pinnacle-advisory.com)

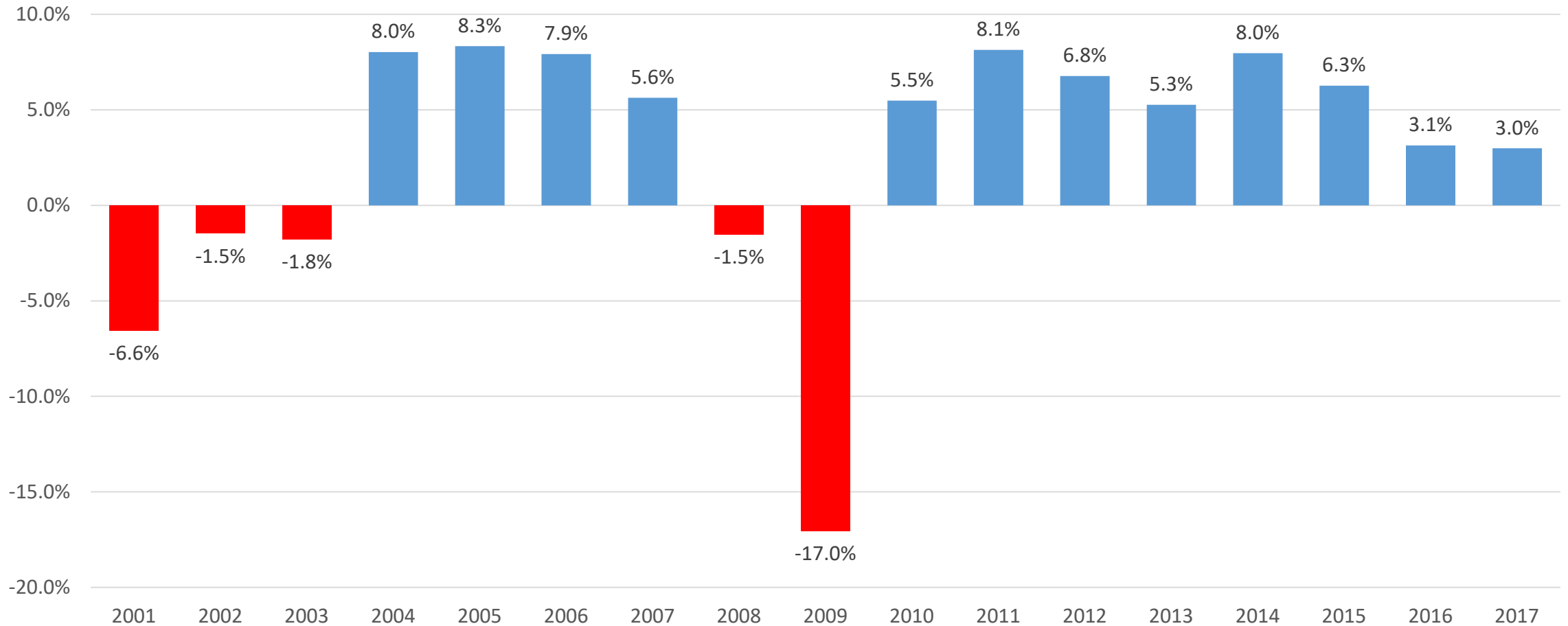


# **NATIONAL LODGING MARKET**

# Historic Market Performance - US



# RevPAR % Change - US



# YTD Performance Through July 2018 - US

---

	July 2017	July 2018	% Change
Occupancy	66.5%	67.1%	0.8%
ADR	\$126.70	\$130.06	2.6%
RevPAR	\$84.29	\$87.22	3.5%

Source: STR

# New Supply – July 2018

---

## TOTAL PIPELINE

	Properties	Rooms	% Change
In Construction	1,449	190,260	+0.8%
Final Planning	1,925	223,774	+2.1%
Planning	1,809	194,475	+5.8%

# Hot Topics - US

---



Developing/escalating trade war (among other global concerns)



Trump Administration



Short Term Rentals, the fight continues



Inbound Travel



Employment, Wages, Consumer Confidence



Potential/Eventual Weakening



# Key Takeaways (2018) - US

---

- Despite uncertainties, the cautiously optimistic tone continues (at the time of creating this slide)
- Q1 earnings calls were mostly positive, many companies making upward adjustments to YE2018 forecasts.
- Corporate profits remain strong, combined with record levels of consumer confidence.
- Compression nights continue to decline in top 25 markets year after year since 2014.
- Mitigated rate growth despite increasing demand.
- Although demand is expected to increase, occupancy growth will be tempered by new supply in 2018 and 2019. ADR will be the driver of RevPAR, although at a decelerated rate.



# U. S. Industry Projections

---

**2018**

	STR	PWC	CBRE
Occupancy	+0.6%	+0.2%	+0.2%
ADR	+2.6%	+2.2%	+2.4%
RevPAR	+3.2%	+2.5%	+2.7%

**2019**

	STR	PWC	CBRE
Occupancy	+0.2%	-0.2%	0.0%
ADR	+2.4%	+2.2%	+2.0%
RevPAR	+2.6%	+2.0%	+2.0%

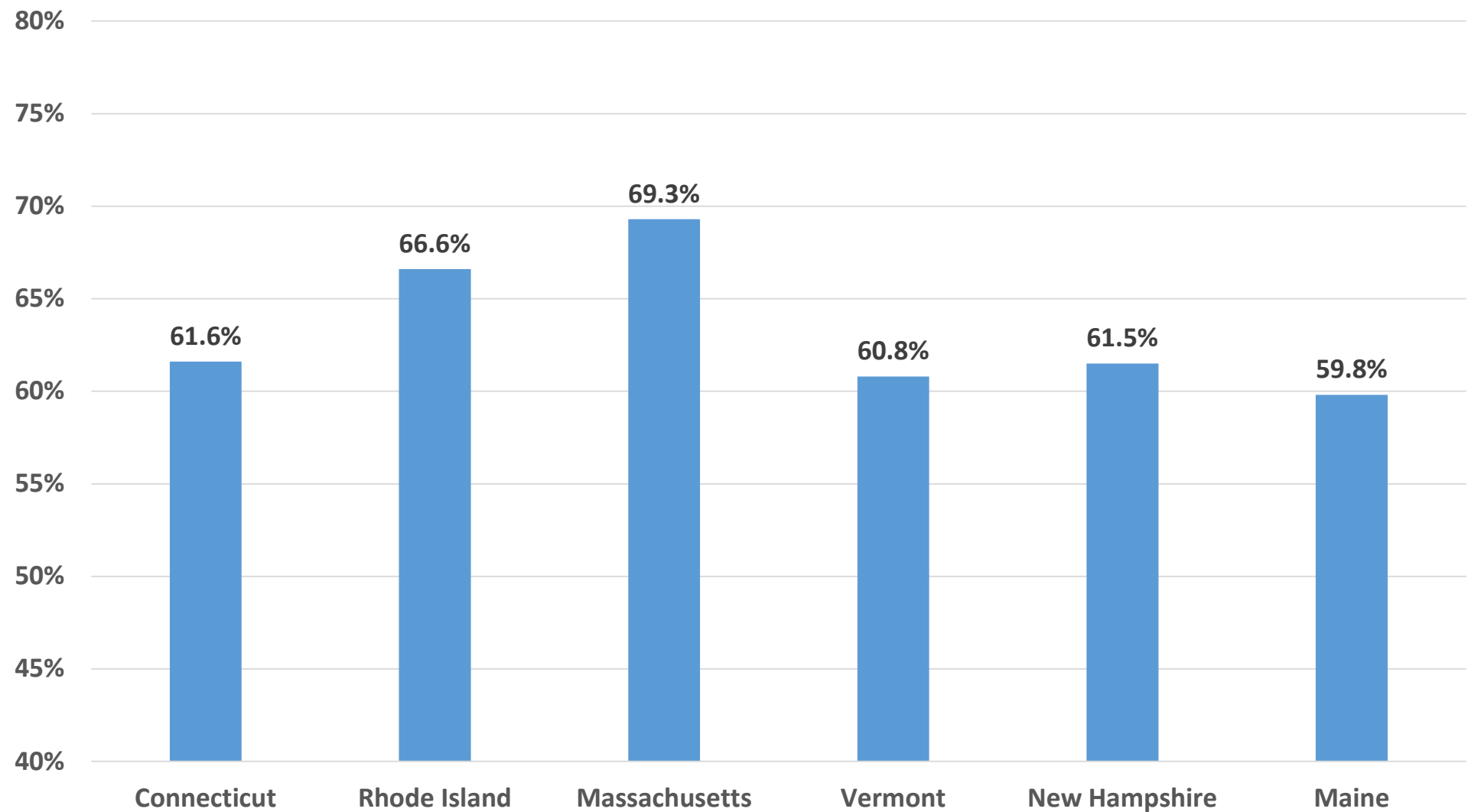


A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City. The buildings are made of glass and steel, with their windows reflecting the sky. The perspective creates a sense of height and scale. The image is in grayscale, with a blue border around the central text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

# **NEW ENGLAND LODGING MARKET**

# New England Occupancy 2017

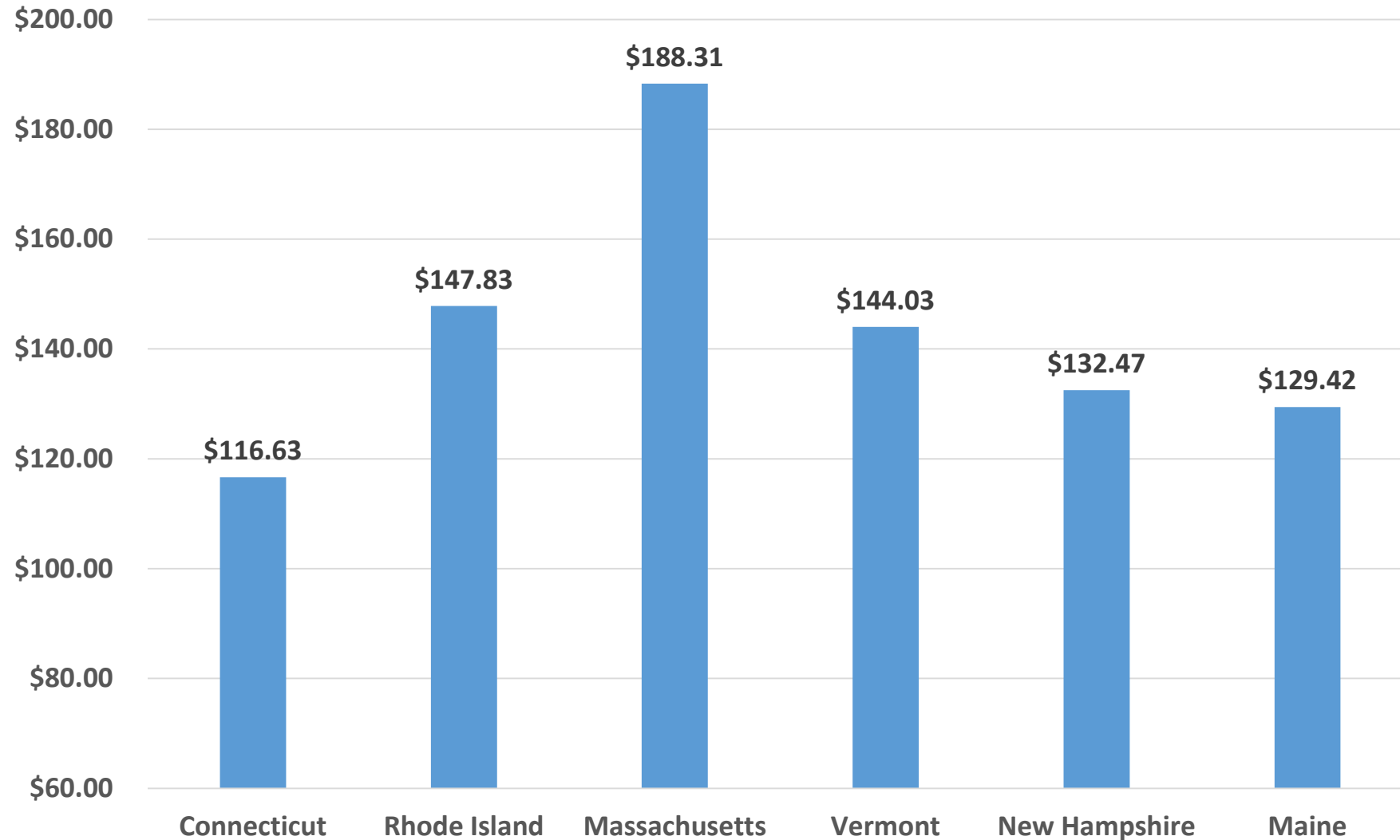
---



Source: Smith Travel Research

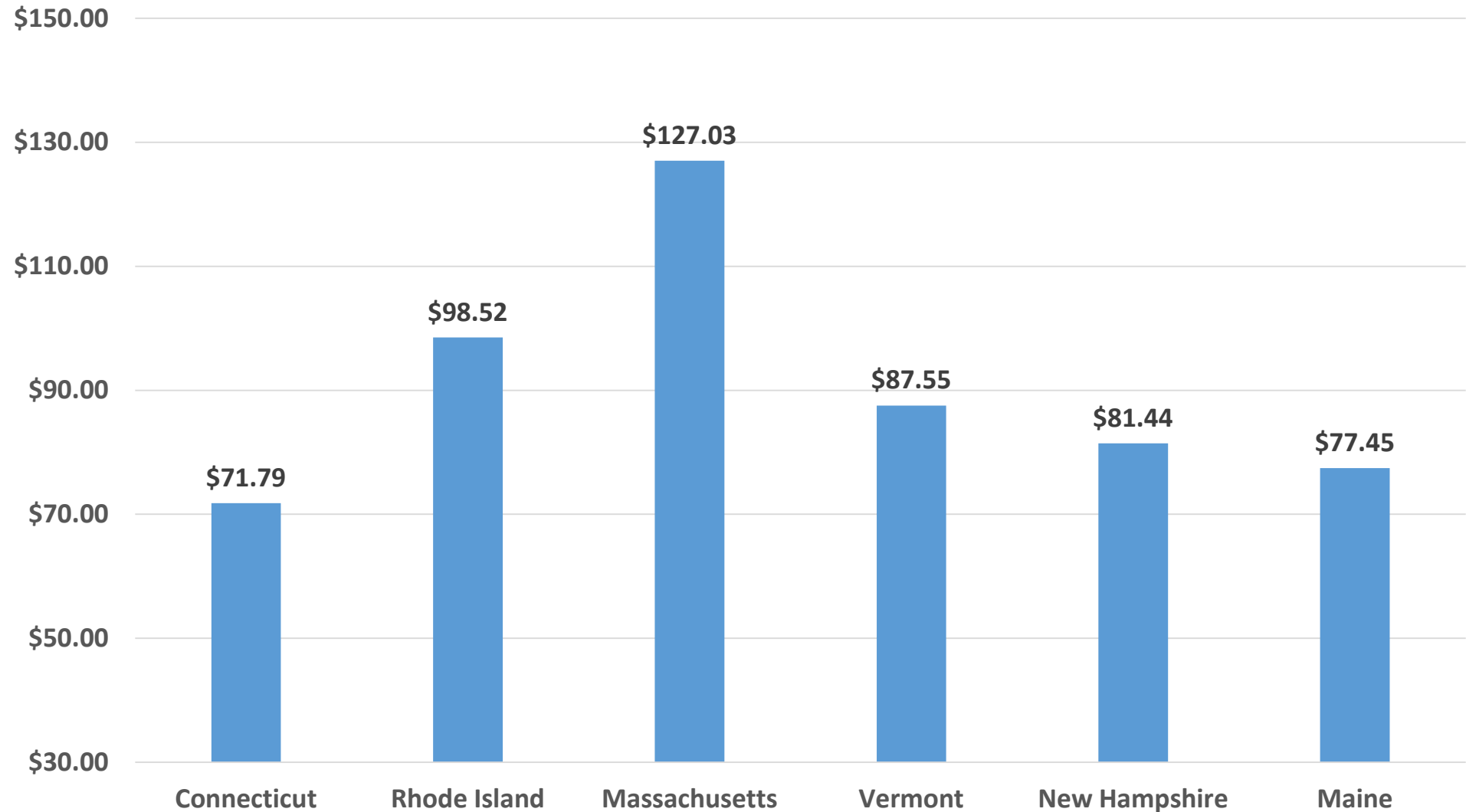
# New England Average Daily Rate - 2017

---



# New England RevPAR – 2017

---



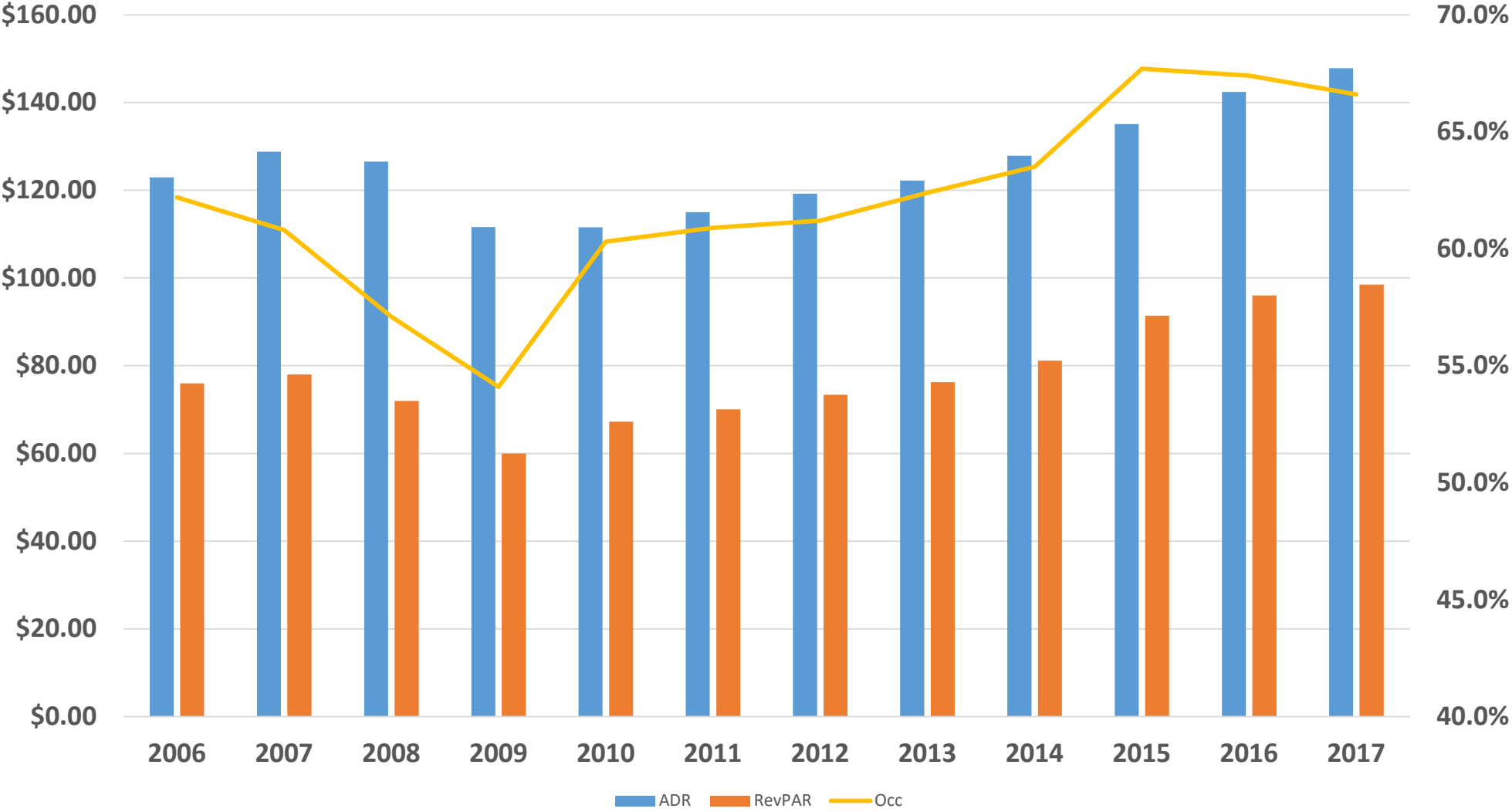
Source: Smith Travel Research/Pinnacle Advisory Group



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 2006-2017



Source: Smith Travel Research

# Rhode Island Year-to-Date July 2018

---

	July 2017	July 2018
Occupancy	64.8%	65.2%
ADR	\$142.51	\$147.63
RevPAR	\$92.33	\$96.29

Source: STR

## REVPAR PERFORMANCE VARIES:

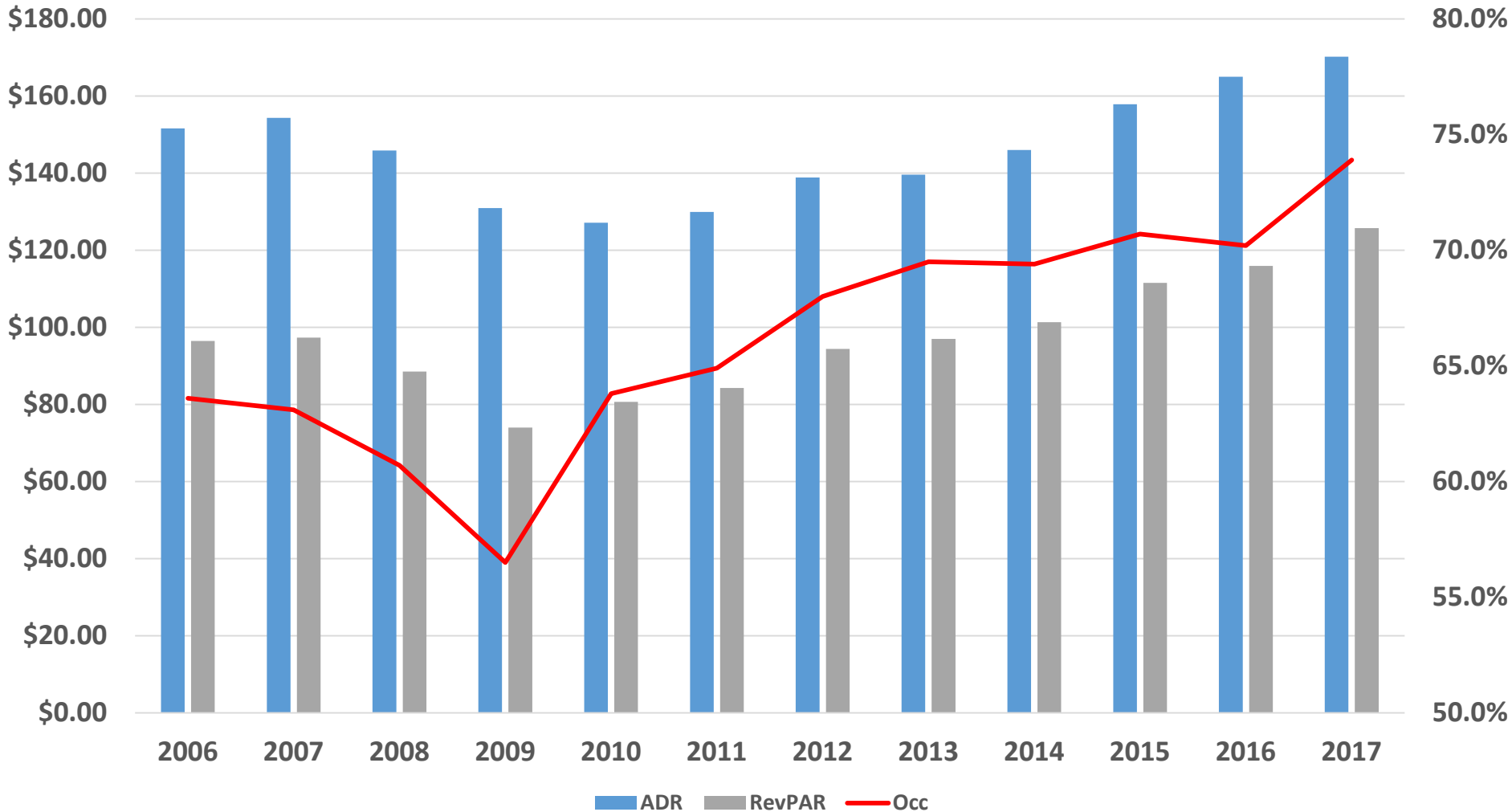
RI RevPar up 4.3%  
MA up 1.2%  
NY up 5.3%  
Wash DC down (6.7%)



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 2006-2017



Source: STR

# Providence YTD July 2018

---

	2017	2018
Occupancy	71.9%	72.7%
ADR	\$167.62	\$170.27
RevPAR	\$120.51	\$123.85

RevPar  
Up 2.8%

RevPAR (MSA):  
Boston 0.2%  
Philadelphia 7.1%  
Washington DC (3.2%)  
NYC 4.7%

# Providence - Future

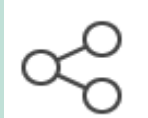
---



Convention



Office Market



Other Demand Factors



New Supply



Projections

# **Providence Convention Tap Report July 2018**

---

- 2018 Definite Rooms are 87% of the Pace Target.
- YTD July 2018, 5 of the 7 months Definite Rooms exceeded the Pace Target. However from August through December, Definite Rooms are only 69% of Pace Target.
- 2019 Definite Rooms are 86% of the Pace Target.
- For 2019, May, June, and October exceed Pace Targets. The remaining 9 months are below Pace Targets. The months with the largest gaps (below 75%) include February (54%), July (46%), August (50%), September (72%) and November (58%).

# CVB – Other Comments

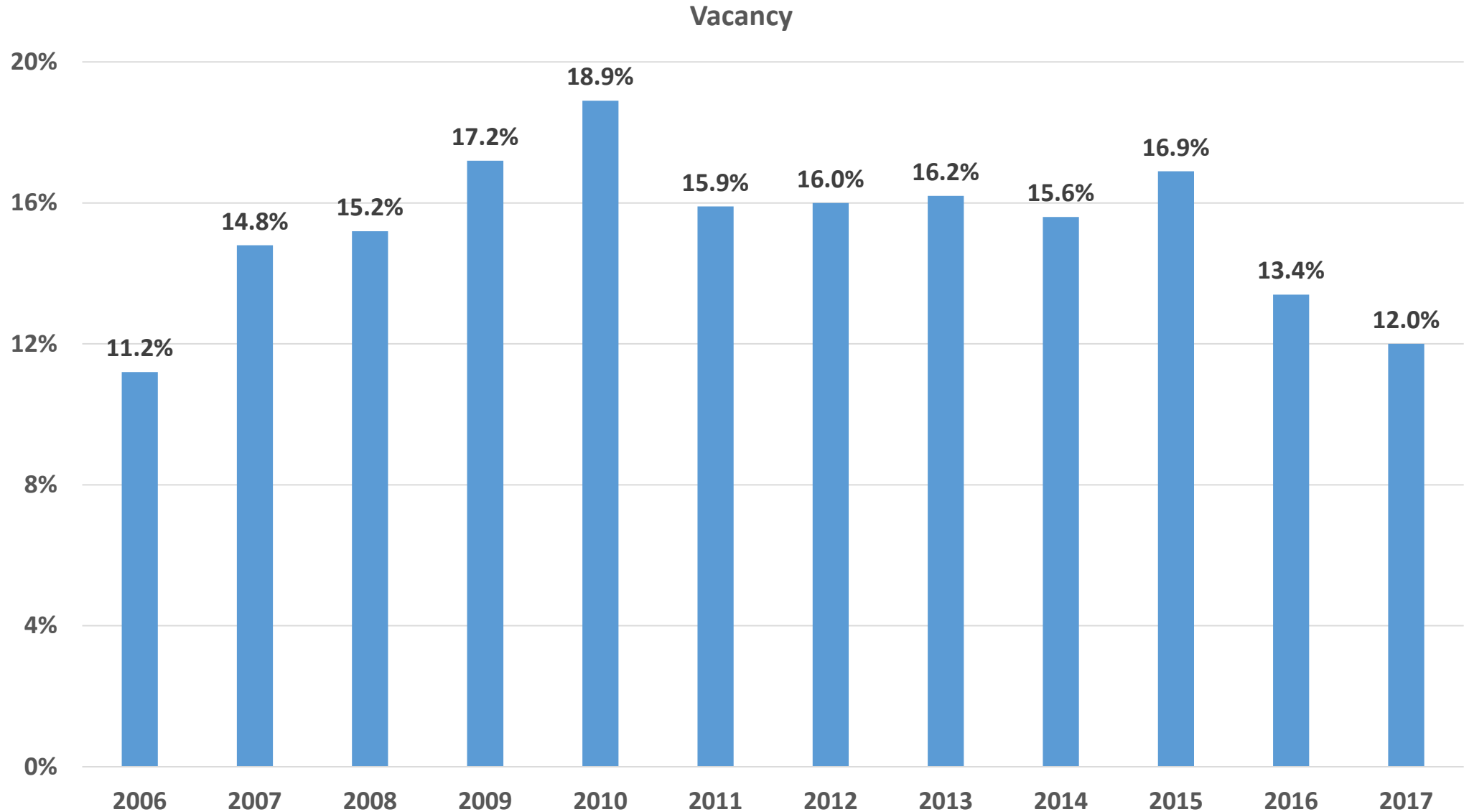
---

- Group peak nights continue to lessen, resulting in smaller room blocks.
- 2020 and 2021 are 94% and 162% to Pace. Long term looks great.
- The CVB is seeing an uptick in international attendees.
- New hotel inventory will provide more rooms for meeting and convention attendees.
- Booking windows continue to shorten. As a result, the CVB expects to reach 90-95% of Target for 2018.
- There is an uptick in local corporate group demand.
- In summary, while slightly off the targeted pace, 2018 and 2019 will be good for the convention market in Providence.



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

---



Source: CBRE

# Providence Other Factors

---



Economic Outlook: Modest Growth Anticipated



New Lodging Supply:  
Woodspring Suites – March 2018;  
Homewood and RI 2019



# Providence – Projections

---

## Projections

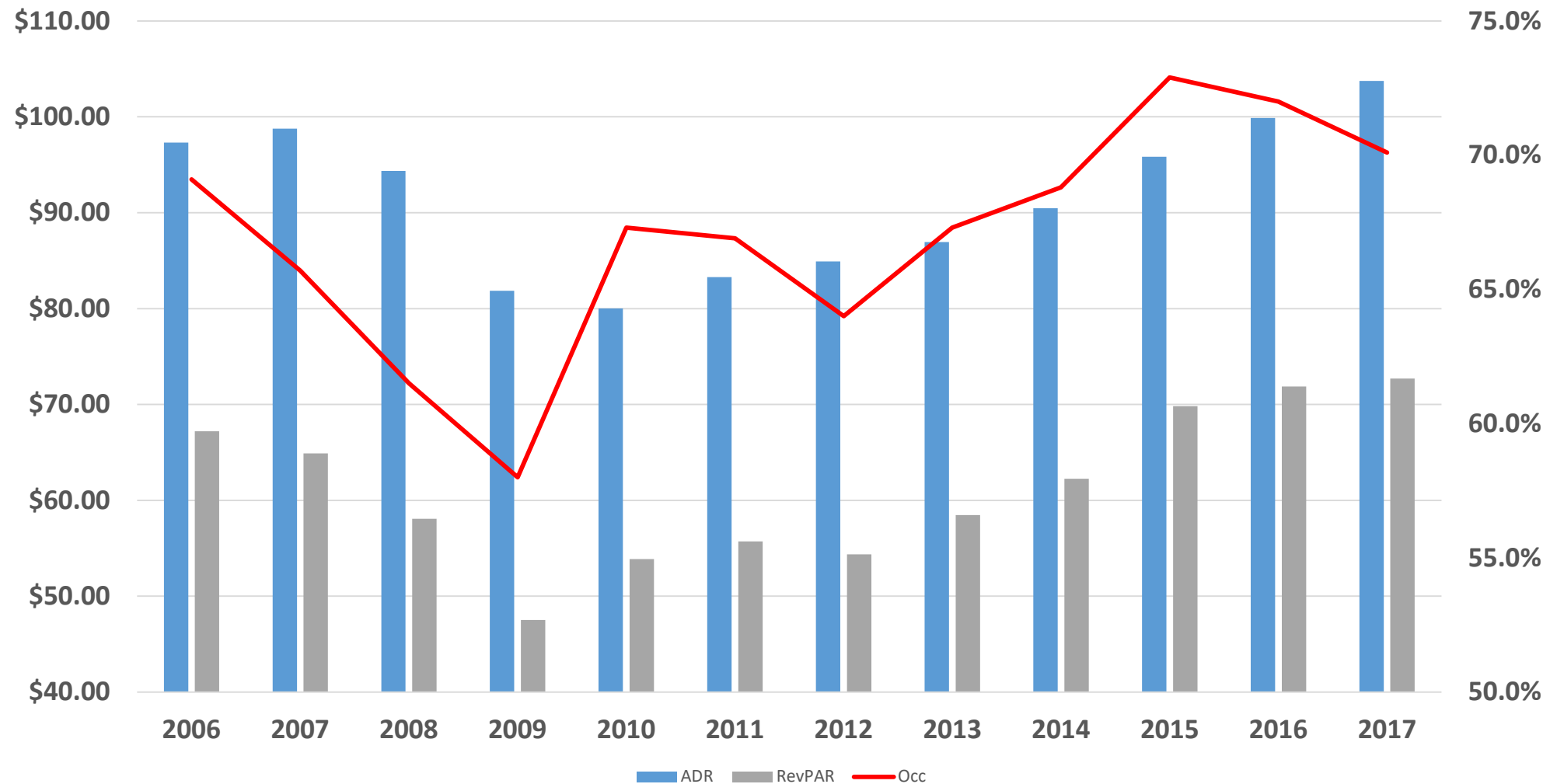
2018: 72% @ \$173: RevPAR-\$124.56

2019: 70% @ \$171: RevPAR- \$119.70

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 2006-2017



Source: Smith Travel Research

# Warwick YTD July 2018

---

	<u>2017</u>	<u>2018</u>	
Occupancy	69.8%	67.1%	
ADR	\$100.92	\$107.54	Up 6.6%
RevPAR	\$70.44	\$72.13	Up 2.4%

# Warwick – Future

---

Unemployment:  
continues to  
decline

Airport Factors:  
YTD Passengers –  
Strong Growth

Office Market:  
11.3% Vacancy –  
Increase over prior  
year

Industrial Market:  
1.7% Vacancy

New Lodging  
Supply: Hyatt Place  
Opens June 2018

Other: Providence  
Market Will  
Provide Some  
Compression

Economy:  
Continues to  
Improve

## Projections

2018: 67% @ \$109.00:  
RevPAR-\$73.03

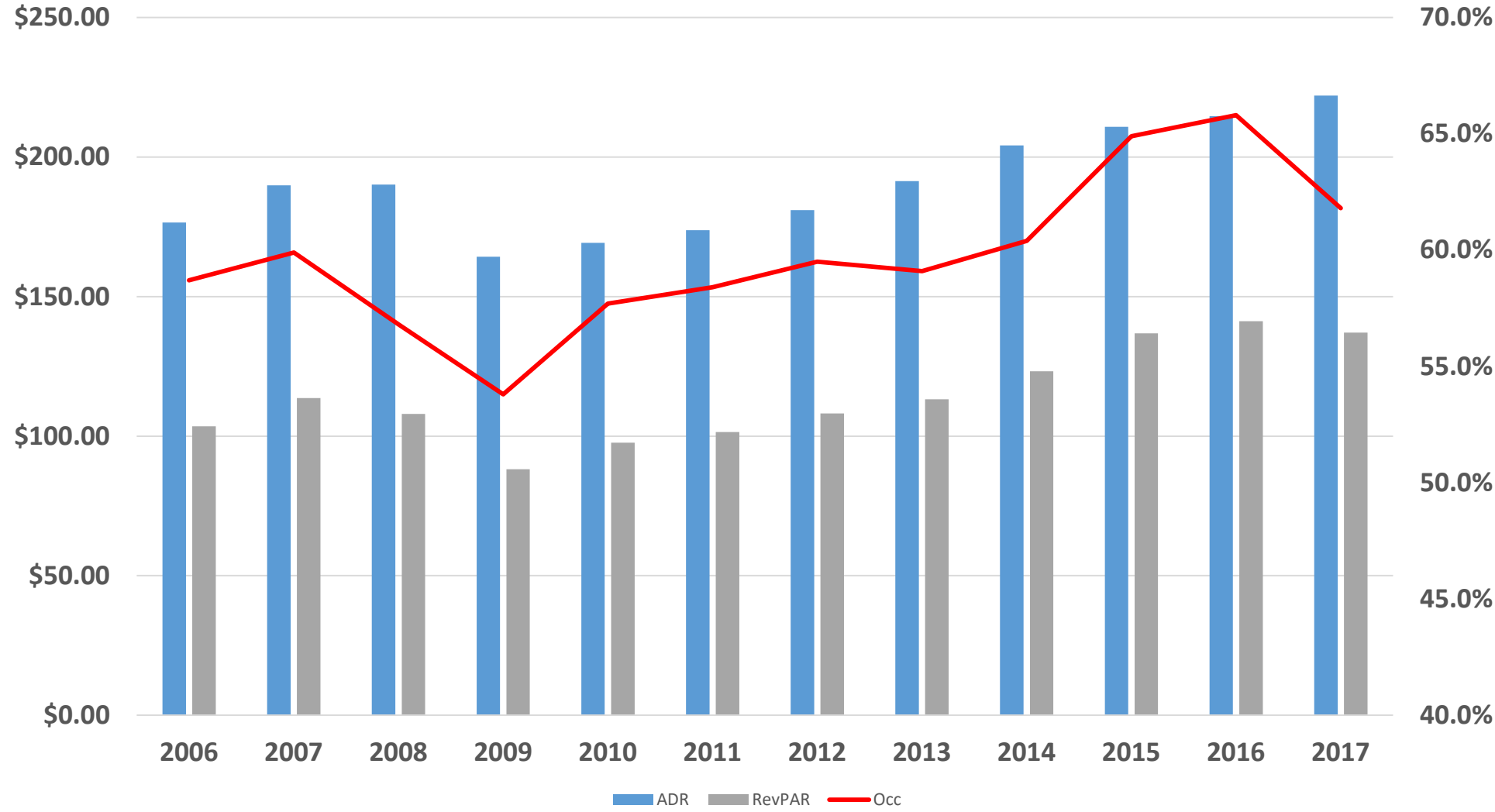
2019: 69% @ \$112:  
RevPAR- \$77.28



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 2006-2017



Source: Smith Travel Research

# Newport YTD July 2018

---

	<u>2017</u>	<u>2018</u>	
Occupancy	58.1%	58.6%	
ADR	\$208.34	\$226.08	Up 8.5%
RevPAR	\$121.07	\$132.44	Up 9.4%



# Newport – Future

---

International Visitors: - increases at Logan; TF Green: Norwegian Air – 93,000 passengers YTD June 2018; 100.000 passengers in 2017.

Group/Meetings Market: Status Quo

Marketing and Programming from Private Sector Remains a Positive

Continued construction of \$223.4 M Bridge Work - Newport Bridge, Mt Hope Bridge and Jamestown Bridge

Higher Gas Prices: Mixed Results

## New Supply

No new hotels in 2019, but several either UC or in Planning.

## Projections

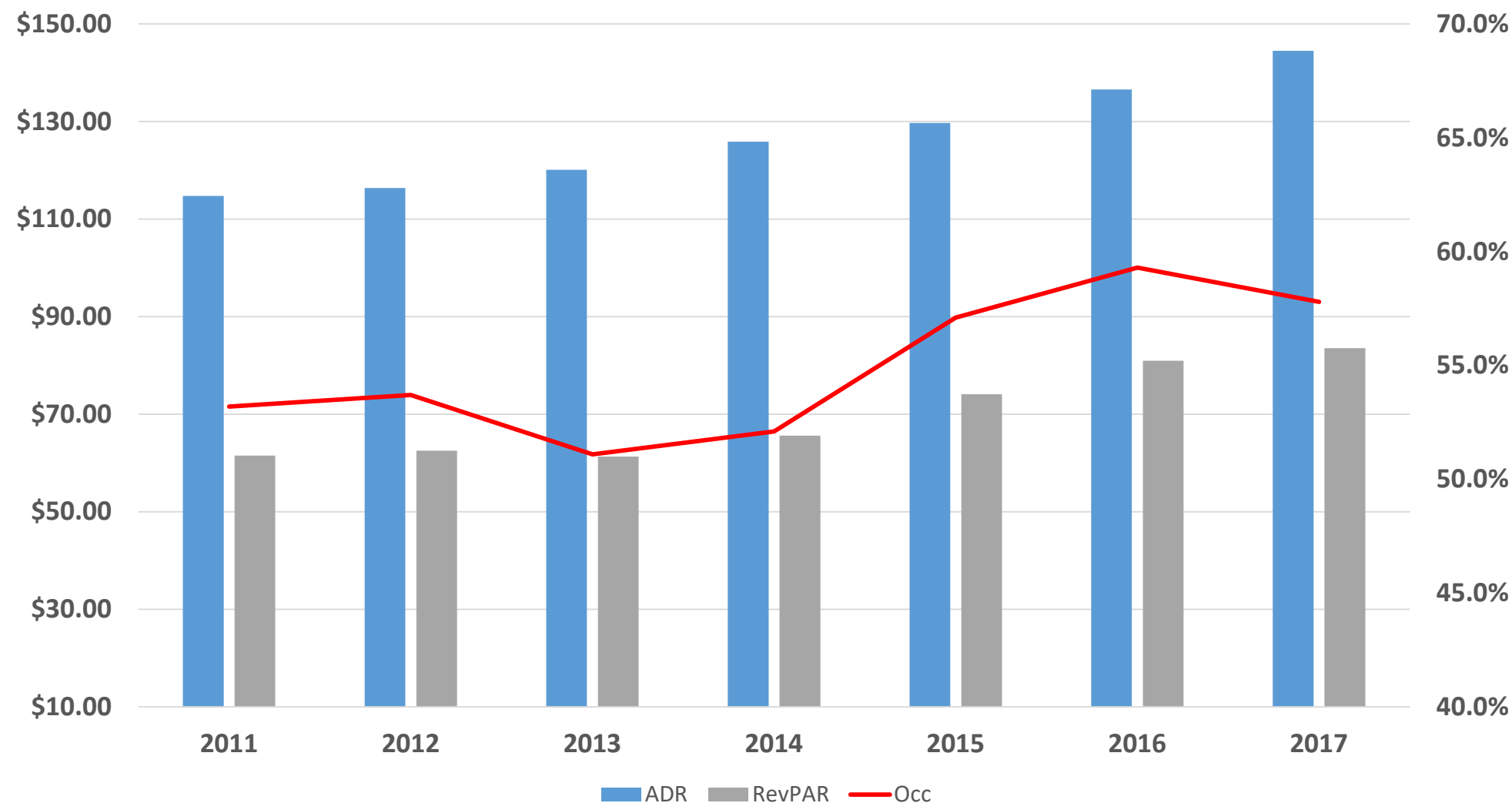
2018: 63% @ \$235: RevPAR-\$148.05

2019: 63% @ \$244: RevPAR- \$153.97

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 2011-2017



# Middletown YTD July 2018

---

	<u>2017</u>	<u>2018</u>	
Occupancy	52.0%	51.8%	
ADR	\$119.55	\$126.24	Up 5.6%
RevPAR	\$61.99	\$65.39	Up 5.2%

# Middletown – Future

---

Remains a Price Alternative for Newport Visitor

Navy Base – Expect to See Moderate Growth

Newport Grand Casino closed in Aug. Future Use Uncertain – Tiverton Casino and hotel opened/

## New Supply

146 Room Cambria  
(June 2017)

37 Room East Island  
Reserve (June 2017)

200 Room Expansion  
- Navy Gateway Inn  
and Suites  
(November 2018)

## Projections

2018: 58% @ \$150: RevPAR-\$87

2019: 59% @ \$154.50: RevPAR- \$91.15



# Pinnacle Advisory Group

*Boston*

*New York City*

*Newport Beach*

*Portland*

*Washington DC*

*Tampa*



*Hospitality Consulting  
Asset Management  
Real Estate Appraisal  
Litigation Support*

[www.pinnacle-advisory.com](http://www.pinnacle-advisory.com)