



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

Economic Outlook Breakfast

September 5, 2019

The State of the Hospitality Industry in Rhode Island

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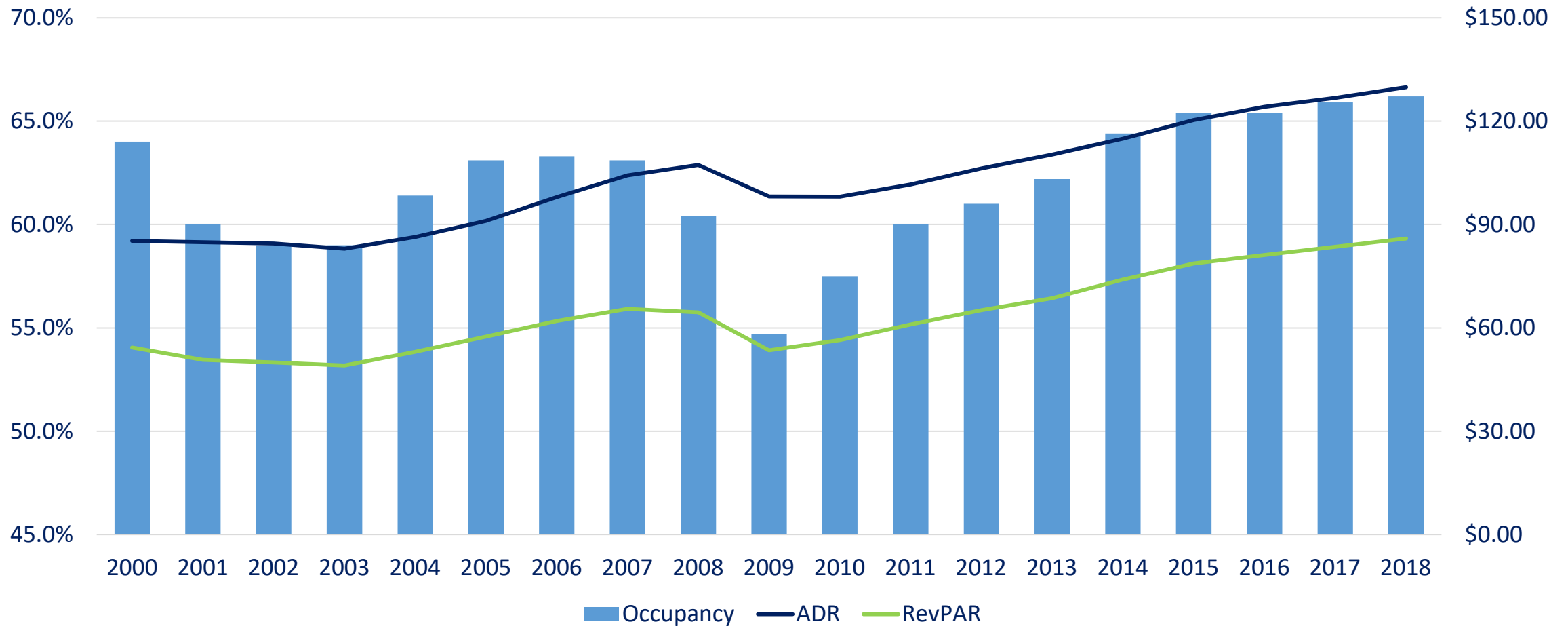
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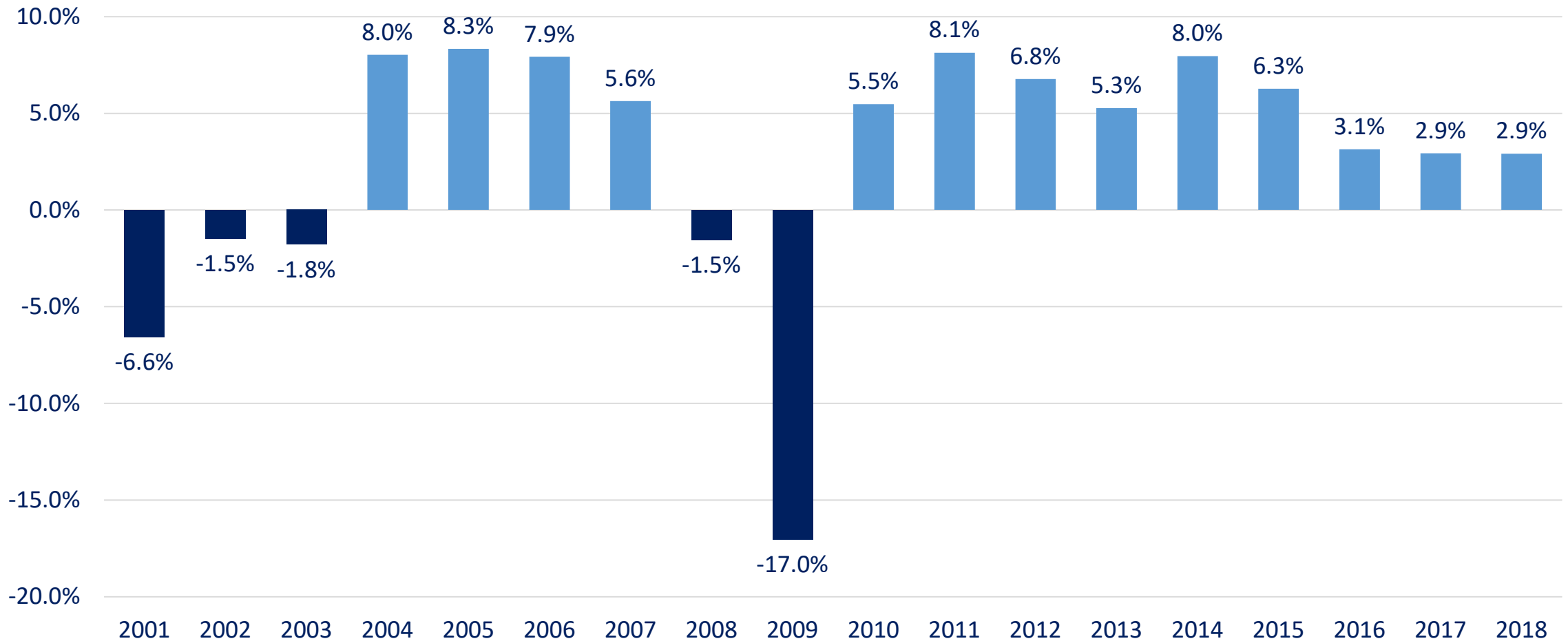


NATIONAL LODGING MARKET

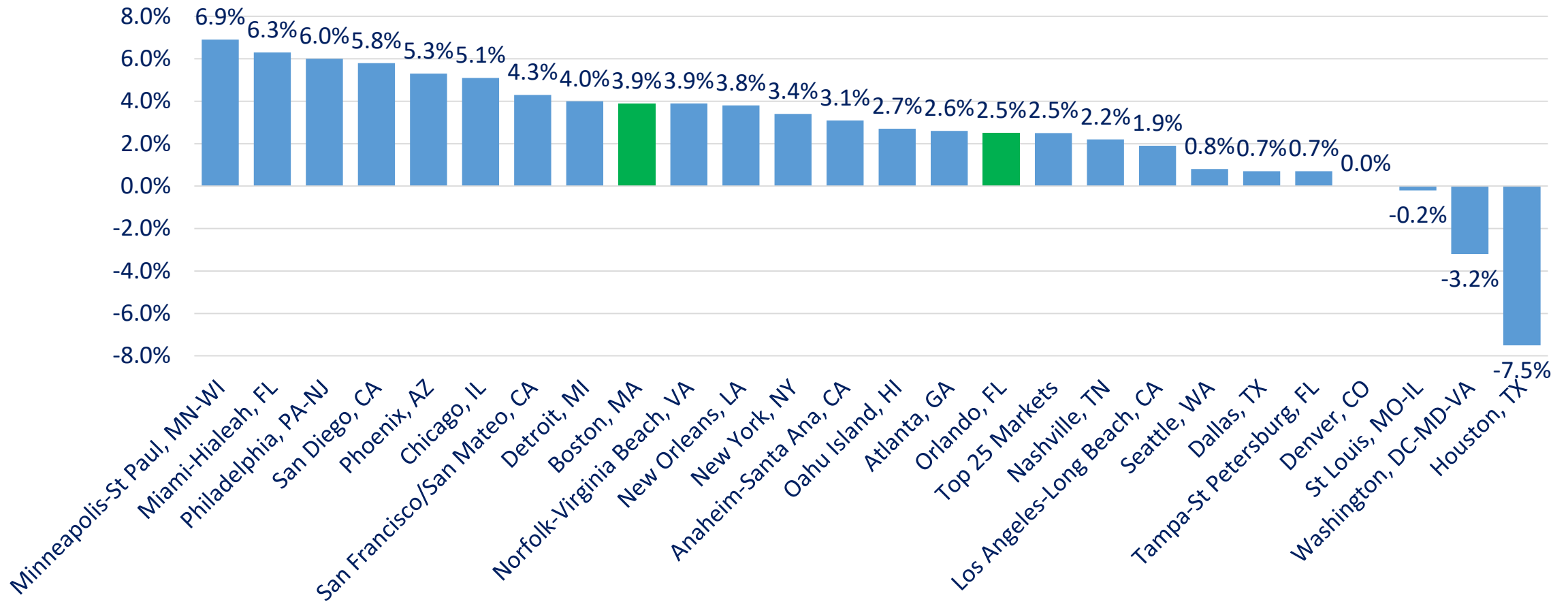
Historic Market Performance – US



RevPAR % Change - US



Top 25 U.S. Markets, RevPAR % Change 2018



Source: STR

YTD Performance Through July 2019 - US

	YTD June 2018	YTD June 2019	% Change
Occupancy	65.9%	65.9%	+0.1%
ADR	\$129.72	\$131.20	+1.1%
RevPAR	\$85.54	\$86.51	+1.2%

Source: STR

Supply Pipeline, May 2019 – U.S.

Rooms Under Construction		
Status	Rooms	% Change YOY
In Construction	203,000	+8.9%
Final Planning	223,000	+0.5%
Planning	230,000	+23.9%
TOTAL	594,000	+10.4%

As of May 2019

Source: STR

Hot Topics – U.S.



American Economy Slowing & Trump Administration



Government Shutdown Lasting Impact



Short Term Rentals, Lines Blurring



Decline in International Travel Market Continues



Resort/Destination Fee Lawsuits



Operating Margins Declining



Key Performance Takeaways (2019) – U.S.

- Earnings calls have mostly reported positive Q2 performance, some companies making slight downward adjustments to YE 2019 RevPAR expectations but generally looking to end the year on the low end of initial guidance. █
- Compression nights, generally defined as market occupancy in excess of 90-95%, is down year-to-date 13.6% across the Top 25 U.S. markets to levels not experienced since 2014/15.
- Group and convention bookings seeing modest growth but at a decelerating pace by 2021
- Mitigated rate growth despite increasing demand primarily a result of increasing supply and alternative lodging options.
- Although demand is expected to increase, occupancy growth will be tempered by new supply in 2019 and 2020. ADR growth is now slowing as well but will be the driver of RevPAR at a decelerated rate.
- The 'cautiously optimistic' tone of the past few years has shifted to caution (but without panic).



Industry Projections – U.S.

2019

	STR	PWC	CBRE
Occupancy	+0.2%	+0.0%	-0.2%
ADR	+1.4%	+1.1%	+1.1%
RevPAR	+1.6%	+1.1%	+0.9%

2020

	STR	PWC	CBRE
Occupancy	-0.3%	-0.0%	-0.8%
ADR	+1.4%	+1.0%	+2.0%
RevPAR	+1.1%	+1.0%	+1.2%

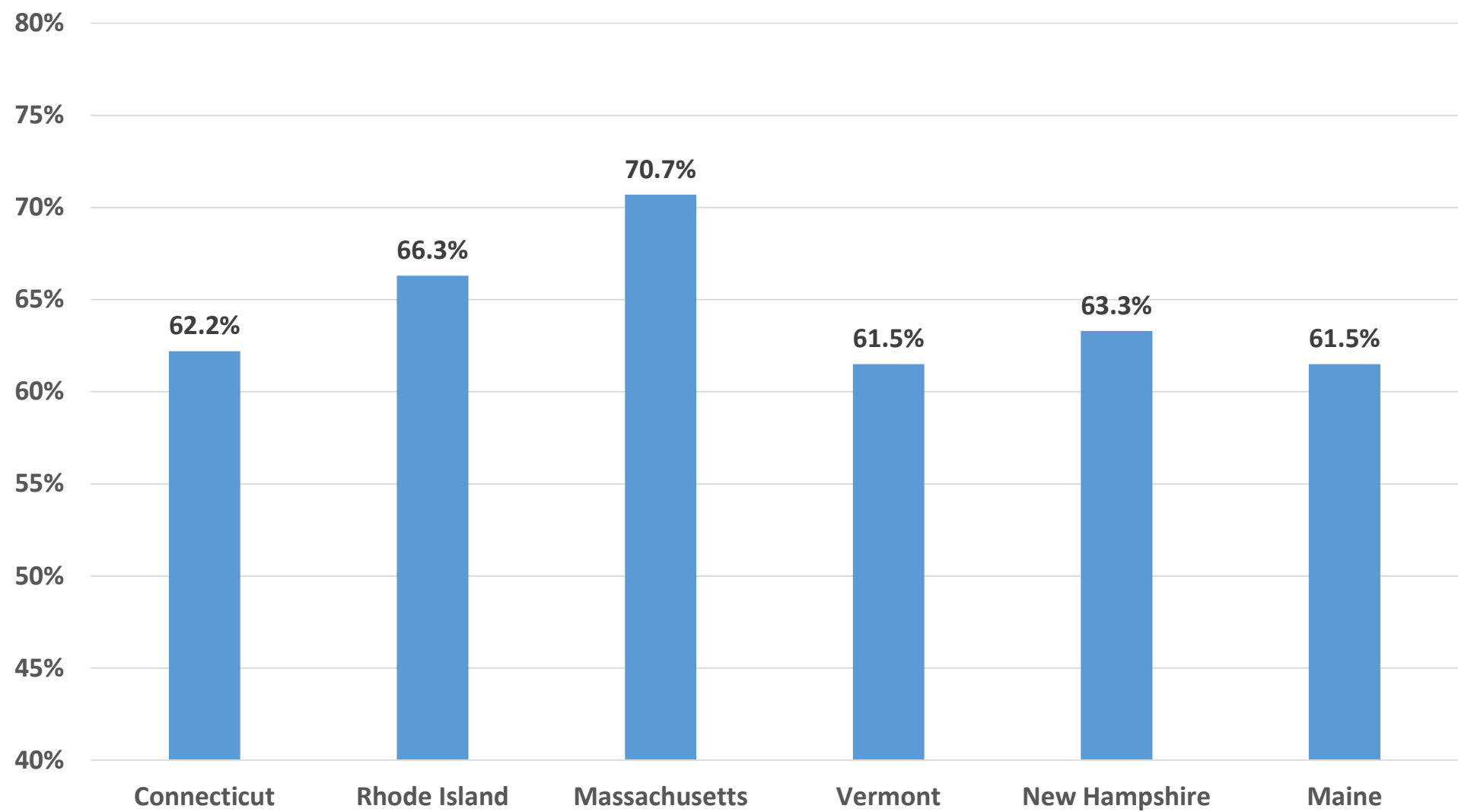
Source: STR, PWC, CBRE



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.

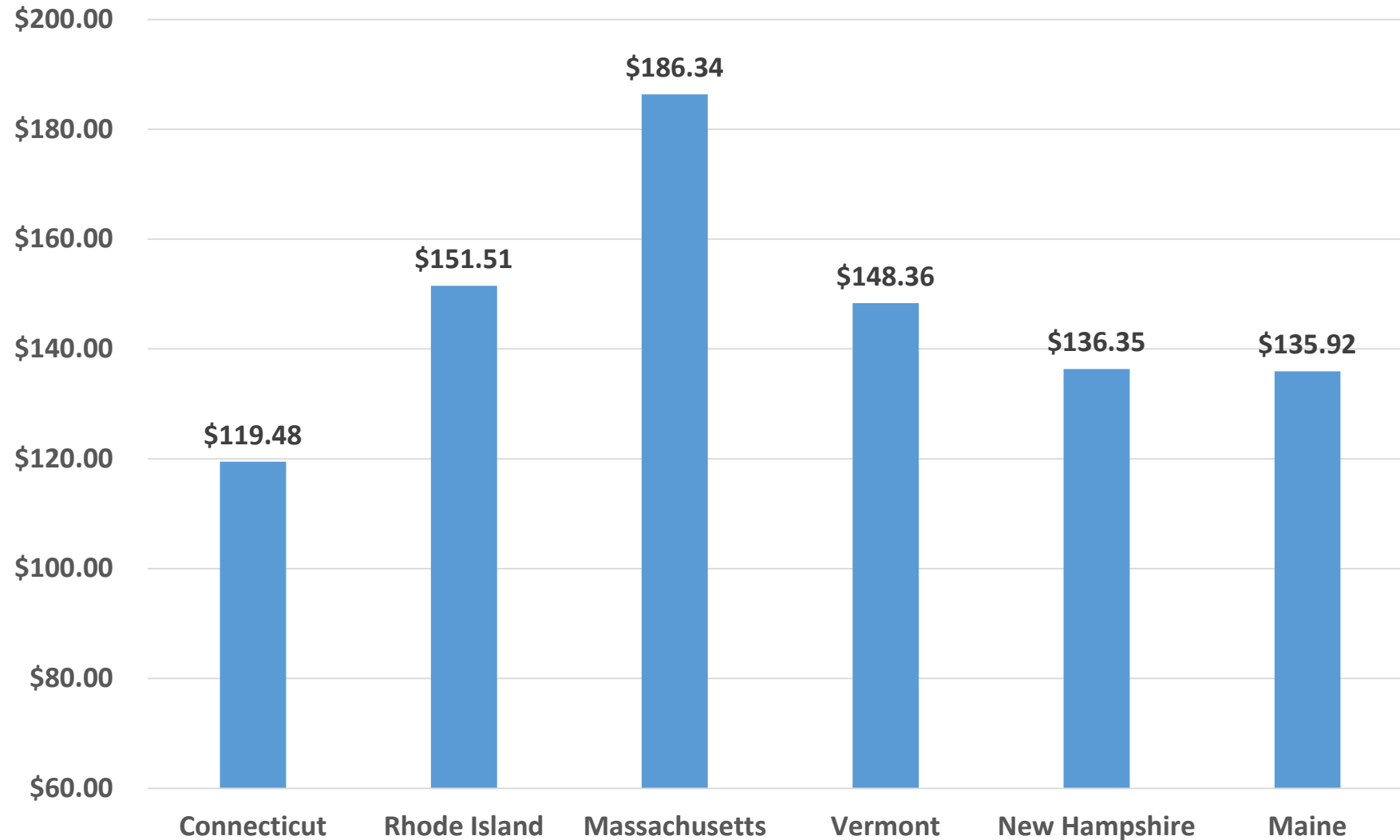
NEW ENGLAND LODGING MARKET

New England Occupancy 2018



Source: Smith Travel Research

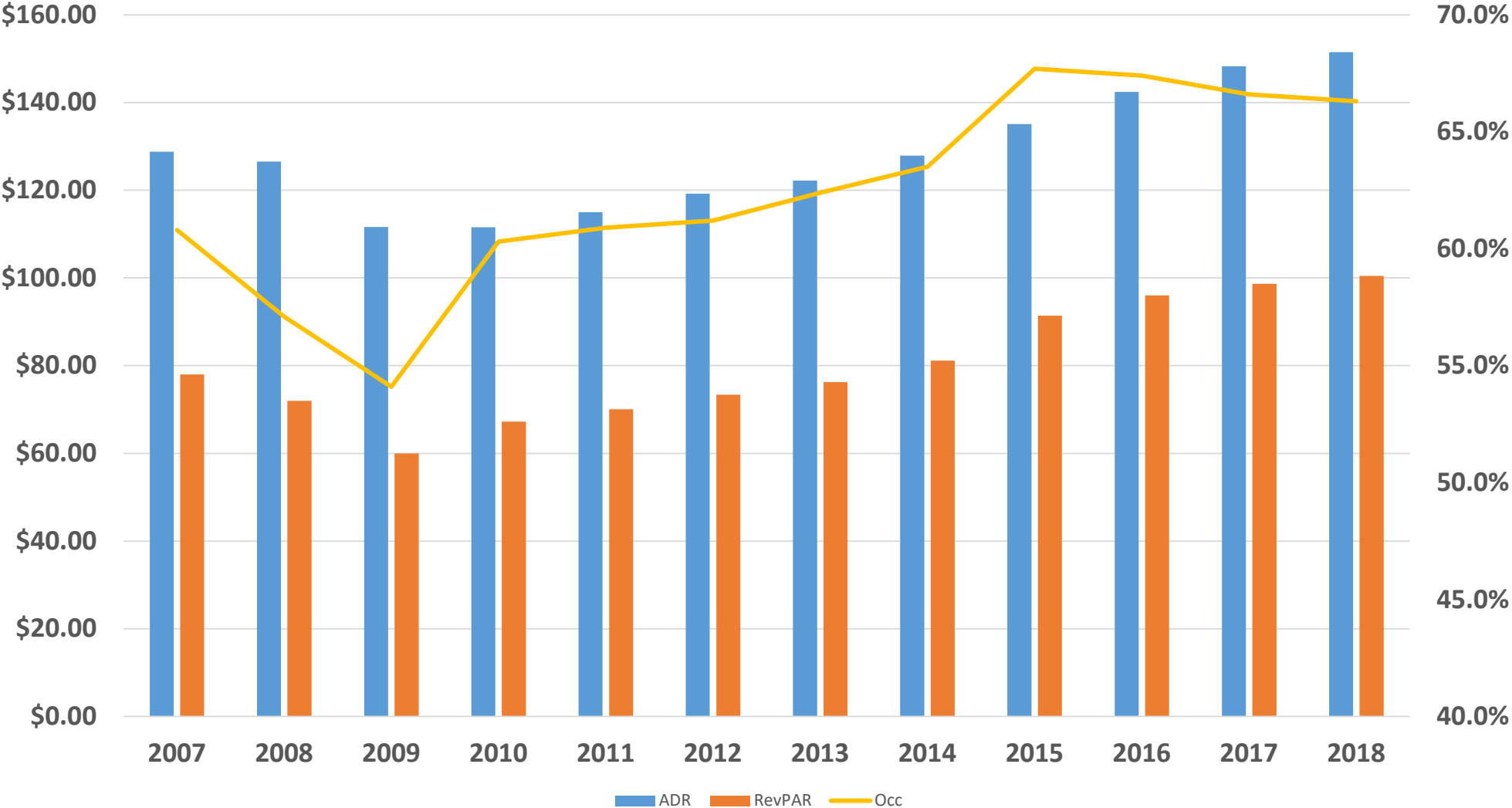
New England Average Daily Rate - 2018



A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City. 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 in grayscale, with a blue border around the central text area.

RHODE ISLAND LODGING MARKET

Rhode Island Historical Market Performance 2007-2018



Source: Smith Travel Research

Rhode Island Year-to-Date June 2019

	June 2018	June 2019
Occupancy	62.3%	61.6%
ADR	\$140.02	\$140.01
RevPAR	\$87.23	\$86.23

Source: STR

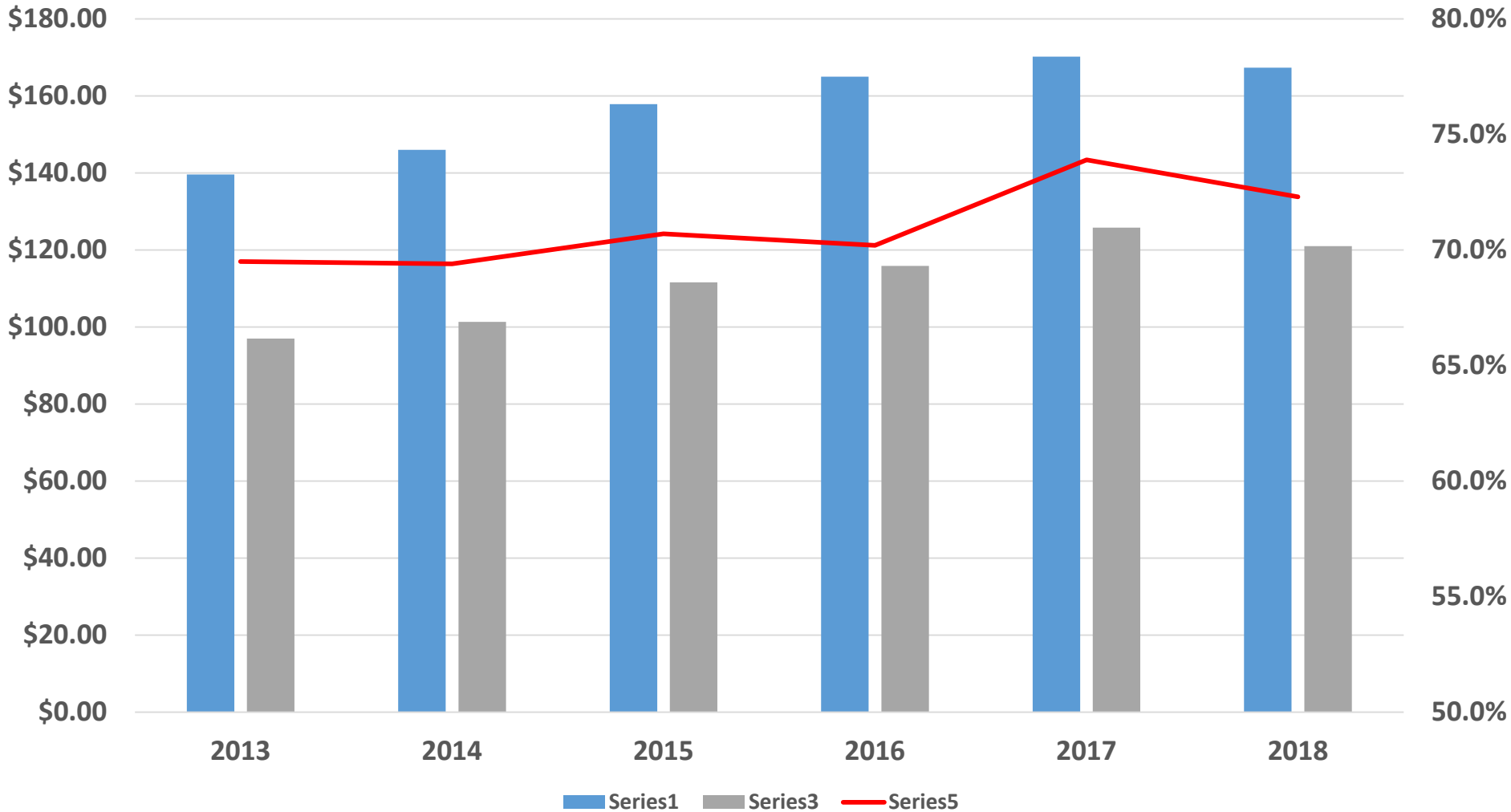
REVPAR PERFORMANCE VARIES:

RI RevPar down (1.2)%
MA up 0.8%
NY down(2.5%)
Wash DC down (2.9%)

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 2013-2018



Source: STR

Providence YTD July 2019

	2018	2019
Occupancy	72.1%	71.6%
ADR	\$167.54	\$166.86
RevPAR	\$120.86	\$119.48

RevPar –
Down (1.1)%
ADR –
Down (0.4)%

RevPAR June YTD
(MSA):
Boston 2.0%
Philadelphia (1.1)%
Washington DC (1.8)%
NYC (3.8)%

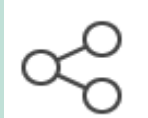
Providence - Future



Convention



Office Market



Other Demand Factors



New Supply



Projections

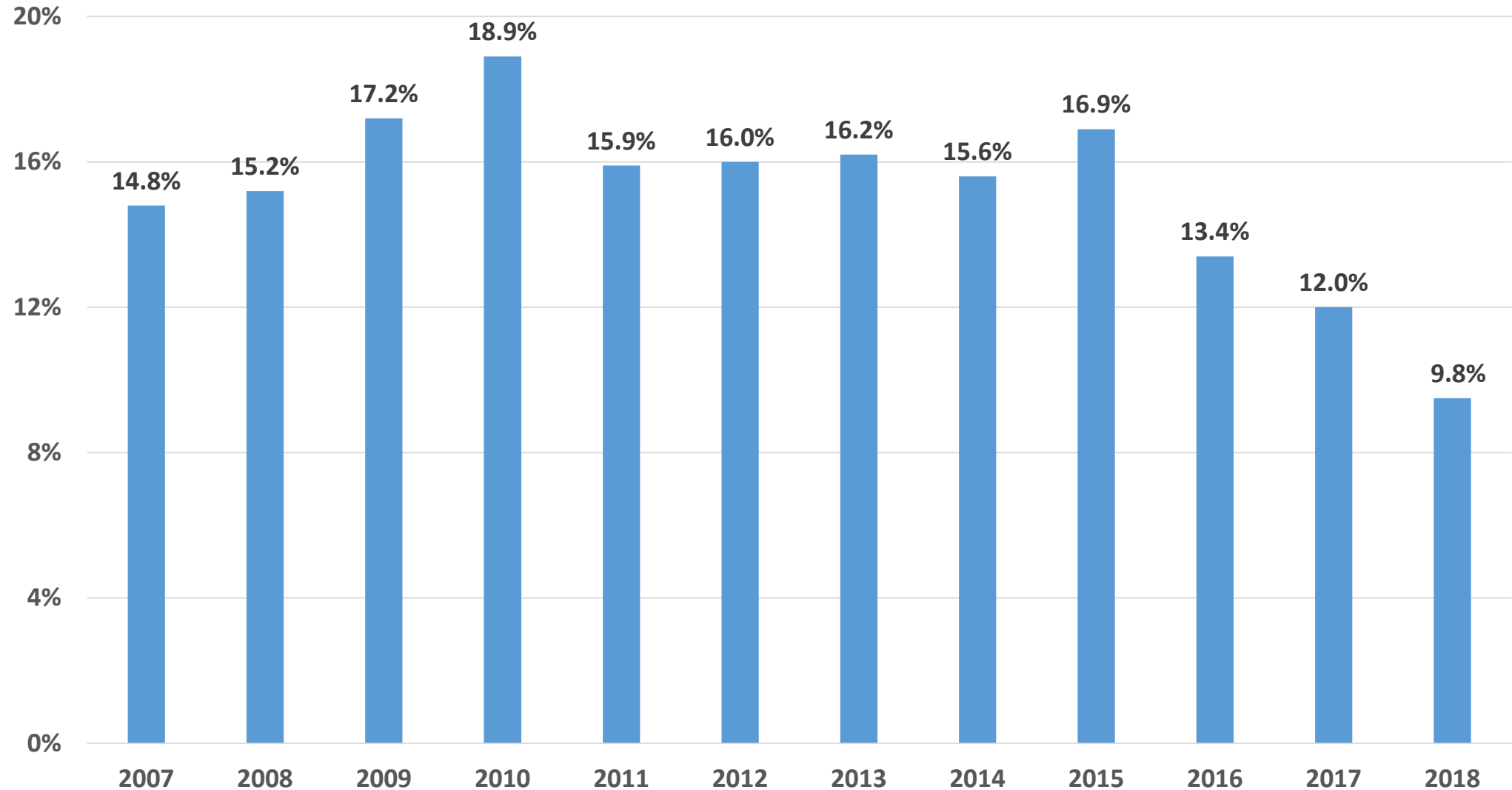
Providence Convention Tap Report July 31, 2019

- 2019 Definite Rooms are at 106% of their pace target, compared to 86% last year.
- July and March were the worst months of the year, at 61% and 73% of pace, respectively. The rest of the year is strong. In particular, September and October are at 136% and 160% of pace.
- 2020 looks very strong – 126% of pace.
- In 2020 January, August and September are the only months behind pace. February and December are the strongest at 176% and 302% of pace.

CVB – Other Comments

- Group Pace – 2020 and 2021 look great; 2022 is starting to come together.
- Booking window continues to shorten (examples of major citywide booking 14-16 months out).
- Some citywide are trending to more midsize meetings requiring less rooms.
- Experiencing less group demand in peak summer months and more demand in shoulder months.
- Jewish holidays coincide with school calendars in 2020 and 2021 – more challenging to attract group demand.
- New hotel inventory has provided more rooms for meeting attendees; but has caused supply to outpace demand and rates to decline.
- Modest growth in corporate group demand.
- Airbnb may be taking a bite out of hotel business; especially near the universities.
- The sports market remains a major demand generator and is expected to grow.

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



Source: CBRE

Providence Other Factors



Economic Outlook: Modest Growth Anticipated



New Lodging Supply:

Residence Inn Providence Downtown – Sep 2019

Beatrice Hotel – 2020

2021 - Holiday Inn Express & Suites, Glo Hotel, Aloft–
Dates unknown

Providence – Projections

Projections

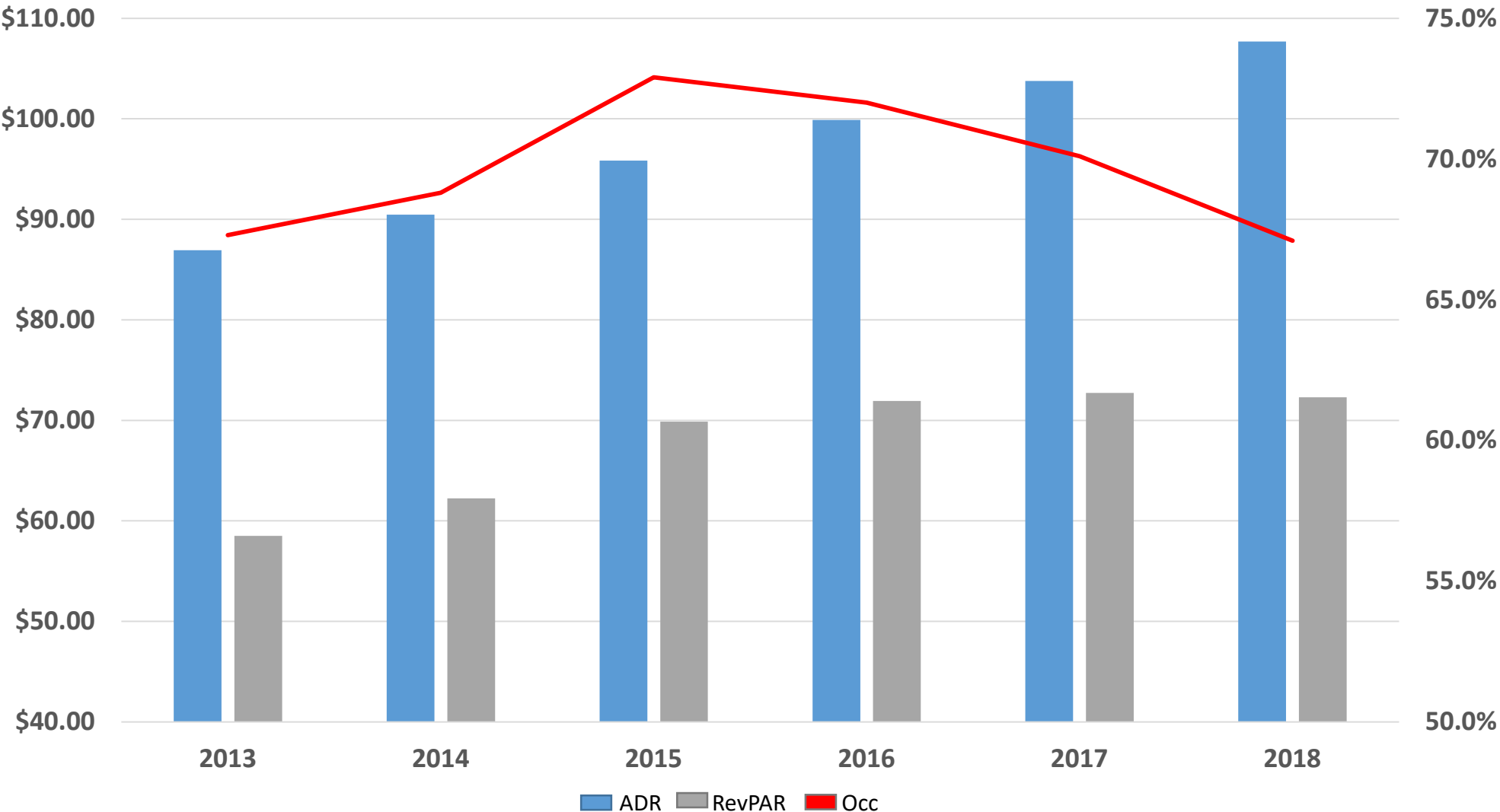
2019: 71% @ \$166: RevPAR-\$117.86

2020: 71% @ \$168: RevPAR- \$119.28

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.

WARWICK LODGING MARKET

Warwick Historical Market Performance 2013-2018



Source: Smith Travel Research

Warwick YTD July 2018

	<u>2018</u>	<u>2019</u>
Occupancy	67.1%	63.9%
ADR	\$107.54	\$106.09
RevPAR	\$72.13	\$67.79

Occupancy – Down
(4.7)%
ADR – Down (1.3)%
RevPAR- Down
(6.0)%

Warwick – Future

Unemployment:
3.7% in June 2019

Airport Factors:
YTD Passengers –
9.6% decline YTD
June 2019

Office Market:
Significant increase
in vacancy due to
companies leaving.

Industrial Market:
West Bay vacancy
rate decreased to
2.5%

New Lodging
Supply: Hyatt Place
Opened June 2018

Other: Expect less
Compression from
Providence

Economy: Minimal
Growth

Projections

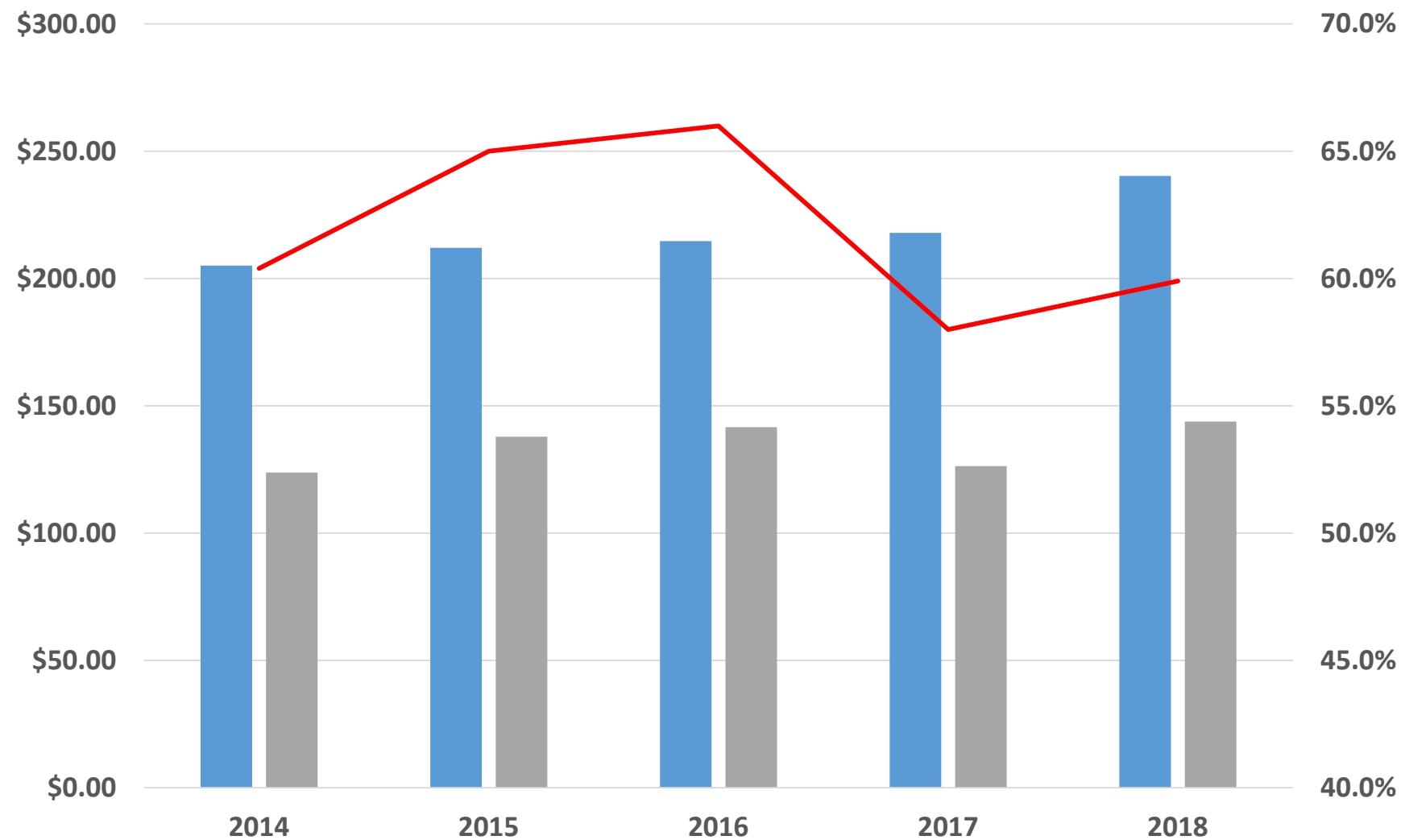
2019: 65% @ \$106.00:
RevPAR-\$68.90

2020: 67% @ \$107:
RevPAR- \$71.69

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NEWPORT LODGING MARKET

Newport Historical Market Performance 2014-2018



Source: Smith Travel Research

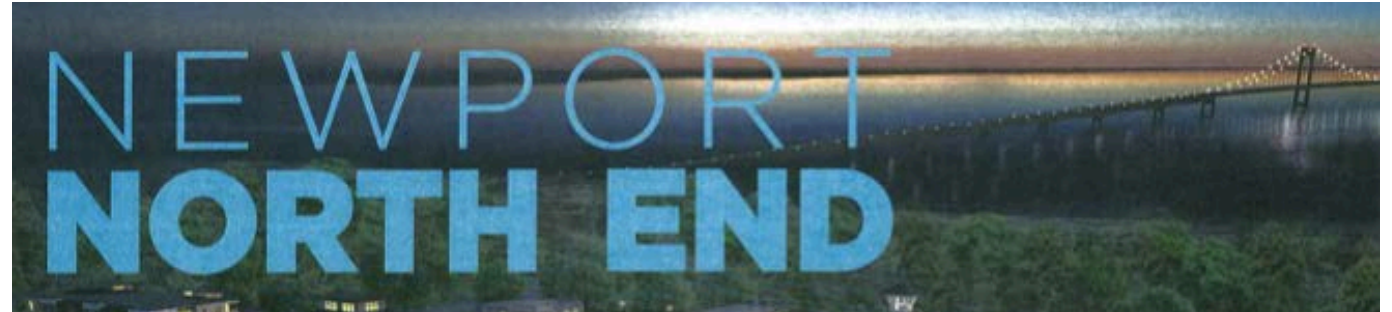
ADR RevPAR Occ

Newport YTD July 2019

	<u>2018</u>	<u>2019</u>
Occupancy	56.5%	56.9%
ADR	\$228.95	\$229.49
RevPAR	\$129.33	\$130.50

Occupancy – up 0.7%
ADR – up 0.2%
RevPAR – up 0.9%

Newport North End



Newport – Future

International Visitor numbers are down at Norwegian airlines June YTD 2019.

Group/Meetings Market: Many events listed in 2019 to draw increased visitors.

Marketing and Programming from Private Sector Remains a Positive

Newport North End Proposal: \$100 million-mix used development by Carpionato Group

New Supply

No new hotels in 2019. Hotels to open in 2020 include: 84 rooms at Hammetts Wharf (May) and 57 rooms at Long Wharf (summer). Mainstay Hotel undergoing renovations.

Projections

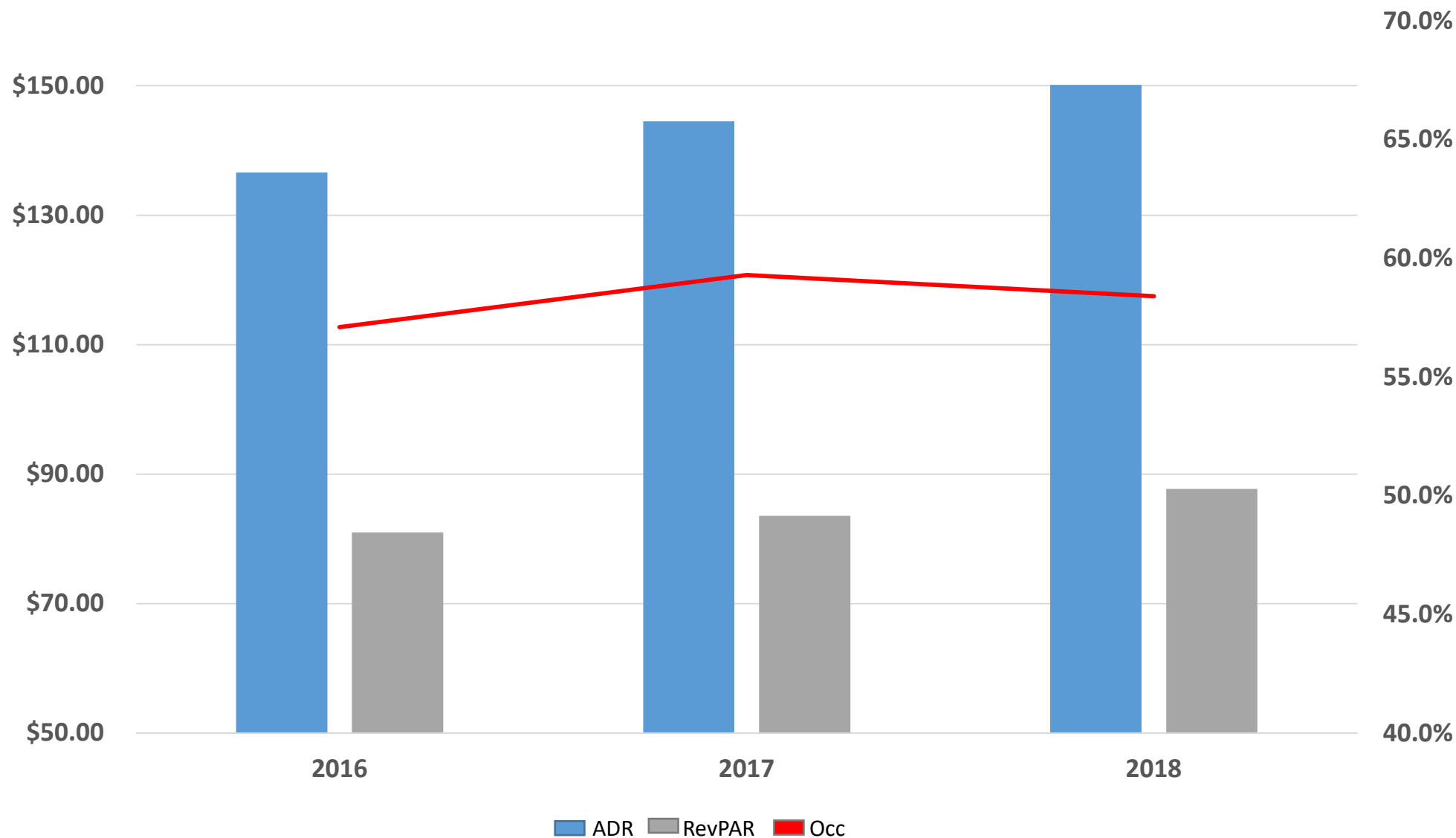
2019: 62% @ \$242: RevPAR-\$150.04

2020: 59% @ \$240: RevPAR- \$141.60

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 2016-2018



Source: Smith Travel Research

Middletown YTD July 2019

	<u>2018</u>	<u>2019</u>
Occupancy	55.9%	56.4%
ADR	\$141.68	\$147.99
RevPAR	\$79.17	\$83.49

Occupancy – Up 1%
ADR – Up 4.5%
RevPAR – Up 5.5%

Middletown – Future

Remains a Price Alternative for Newport Visitor with same busy season (June-October)

Navy Base – Expect to See Moderate Growth

Tiverton Casino and hotel opened in Sept 2018; 200 room Navy lodge finally opened.

Projections

2019: 59% @ \$156: RevPAR-\$92.04

2020: 60% @ \$159: RevPAR- \$95.40

Pinnacle Advisory Group

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Portland

Washington DC

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