Ninth Annual
Boston Lodging Pulse

October 16, 2019

Boston Lodging Pulse & Market Insights
by Rachel Roginsky, Pinnacle Advisory Group

Panel Discussion: Hospitality Design
moderated by Harry Wheeler, Group One Partners

Group One PARTNERS

CORNELL HOTEL SOCIETY

BU School of Hospitality Administration

Boston Lodging Pulse & Market Insights

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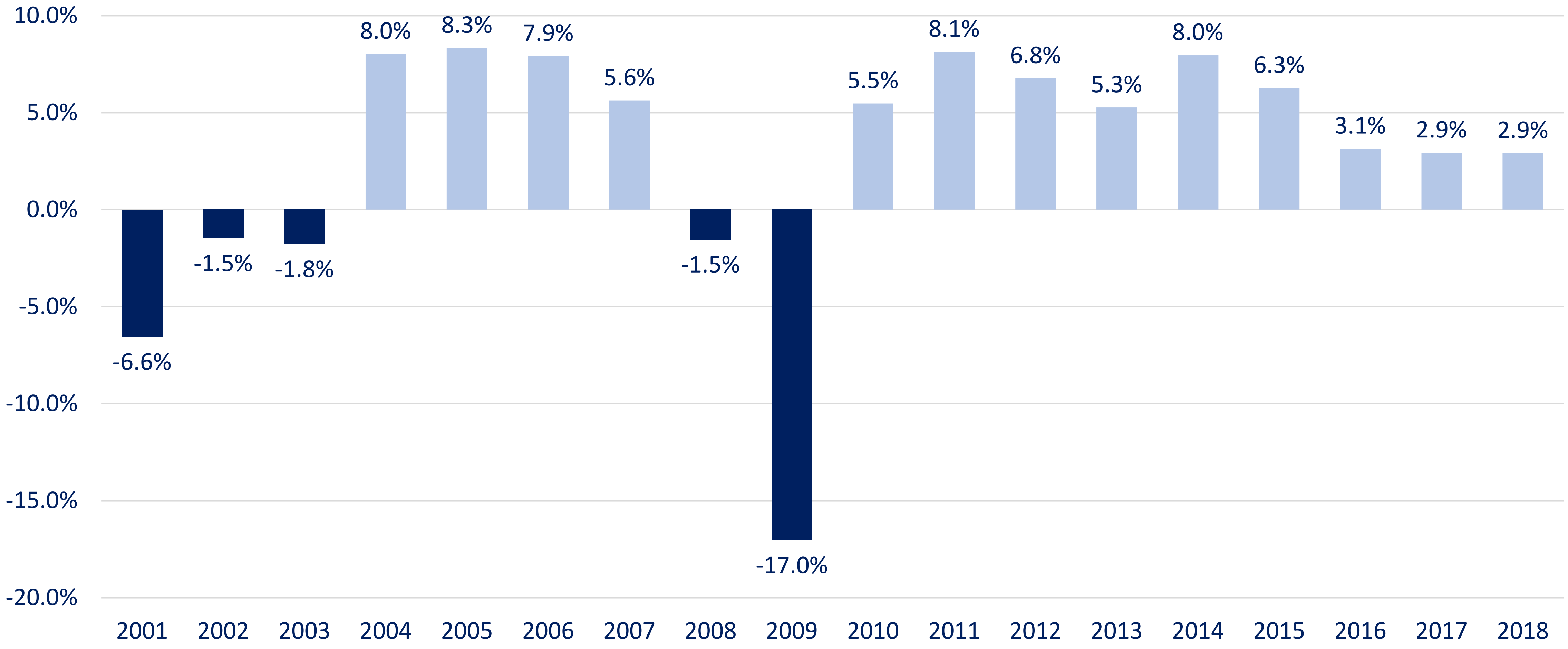
Today’s Agenda

1. National Lodging Market
2. Boston & Cambridge Market
3. Operating Expenses
4. Take Aways

NATIONAL LODGING MARKET

RevPAR % Change – U.S.



Source: STR

YTD Performance, August 2019 – U.S.

	YTD Aug 2018	YTD Aug 2019	% Change
Occupancy	67.6%	67.6%	+0.1%
ADR	$130.55	$131.95	+1.1%
RevPAR	$88.19	$89.24	+1.2%

Source: STR

Supply Pipeline, August 2019 – U.S.

Rooms Under Construction		
Status	Rooms	% Change YOY
In Construction	207,000	+10.4%
Final Planning	238,000	+10.6%
Planning	216,000	+5.9%
TOTAL	661,000	+9.0%

As of August 2019
Source: STR

61% of U/C Rooms Upper Midscale & Upscale

58% of U/C Rooms Marriott & Hilton

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%

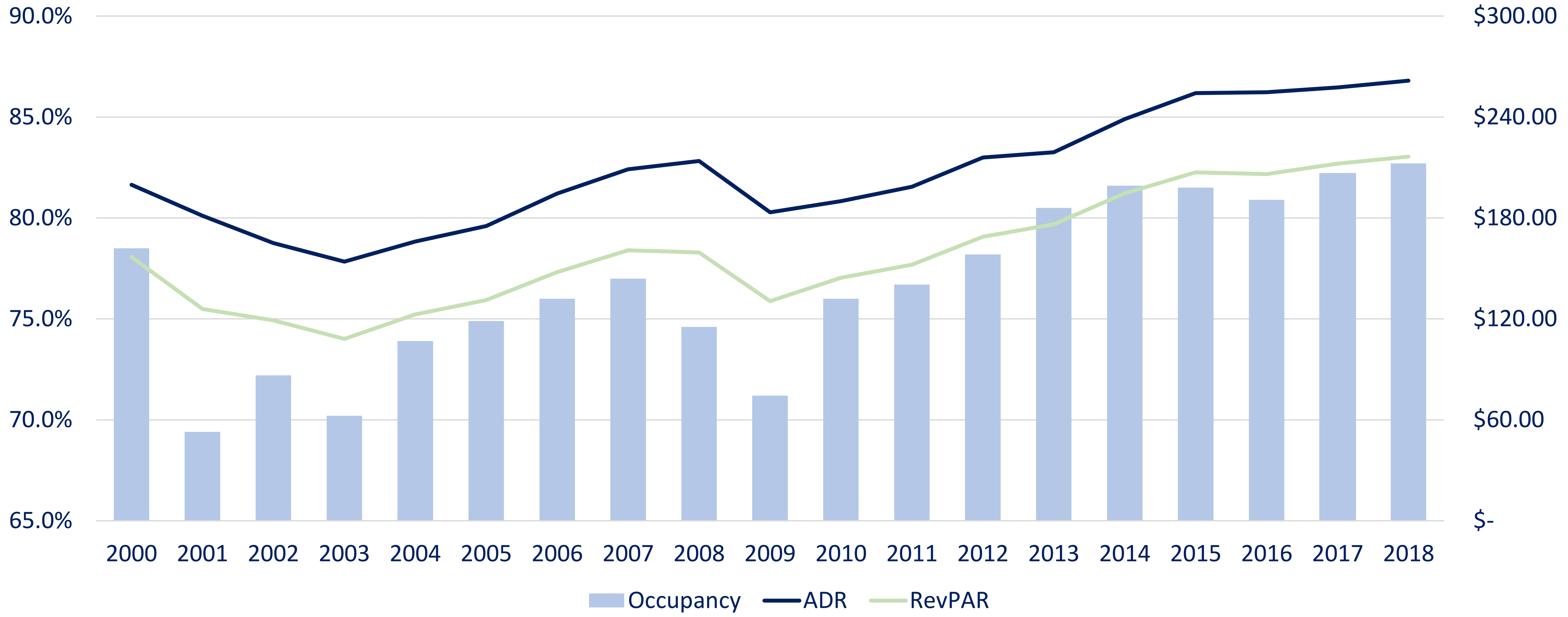
2020

	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, as of August 2019

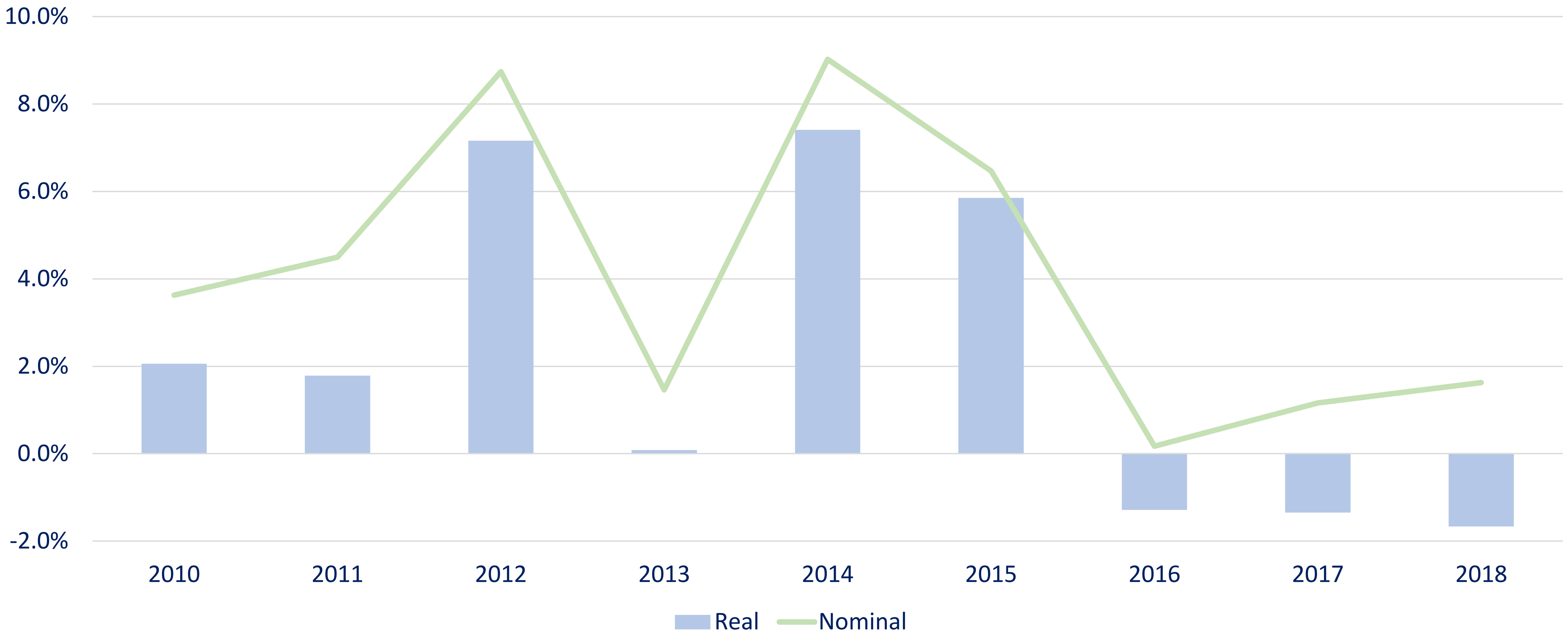
BOSTON & CAMBRIDGE LODGING MARKET

Boston & Cambridge Historic Performance

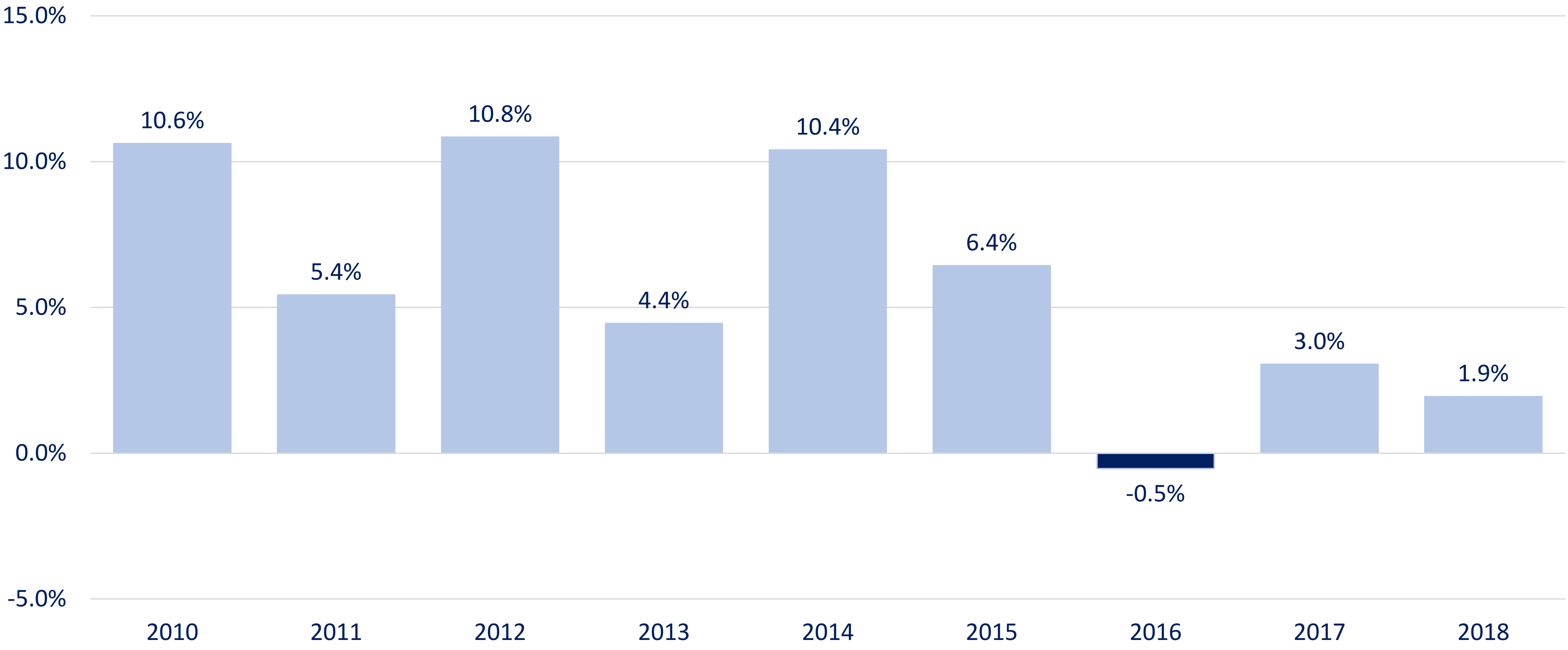


Source: Pinnacle Perspective, Pinnacle Advisory Group

Boston & Cambridge Historic ADR Growth

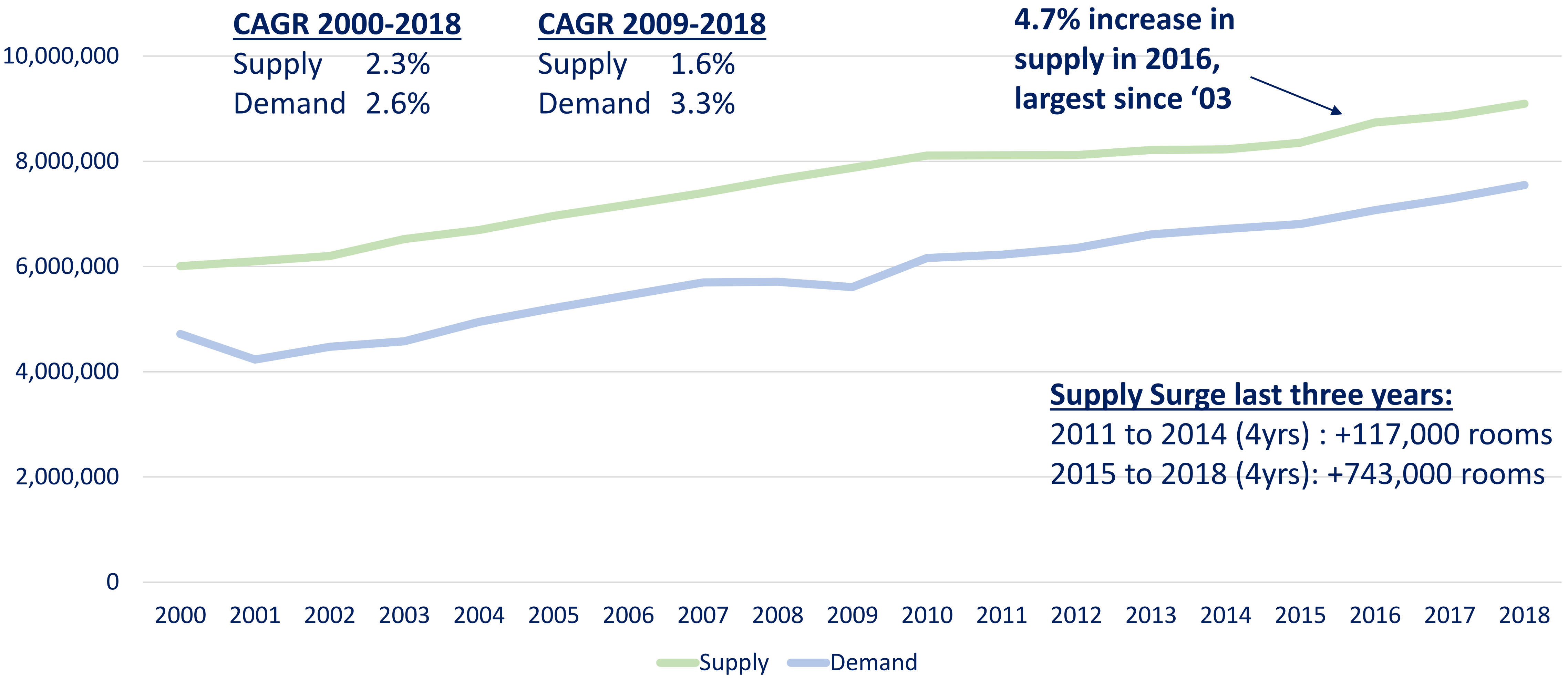


Boston & Cambridge RevPAR % Change



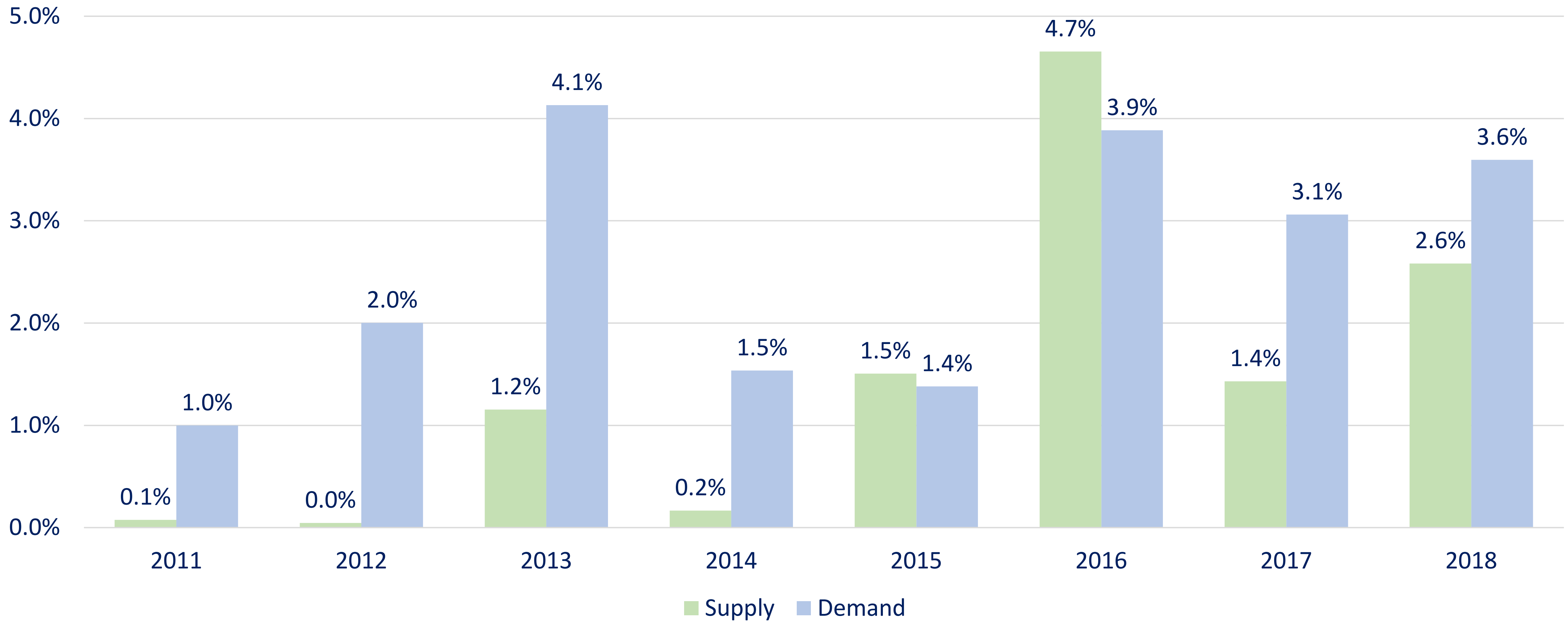
Source: Pinnacle Perspective, Pinnacle Advisory Group

Boston & Cambridge Supply & Demand



Source: STR, Source: Pinnacle Perspective, Pinnacle Advisory Group

Boston & Cambridge Supply & Demand, % Change



Source: STR, Source: Pinnacle Perspective, Pinnacle Advisory Group

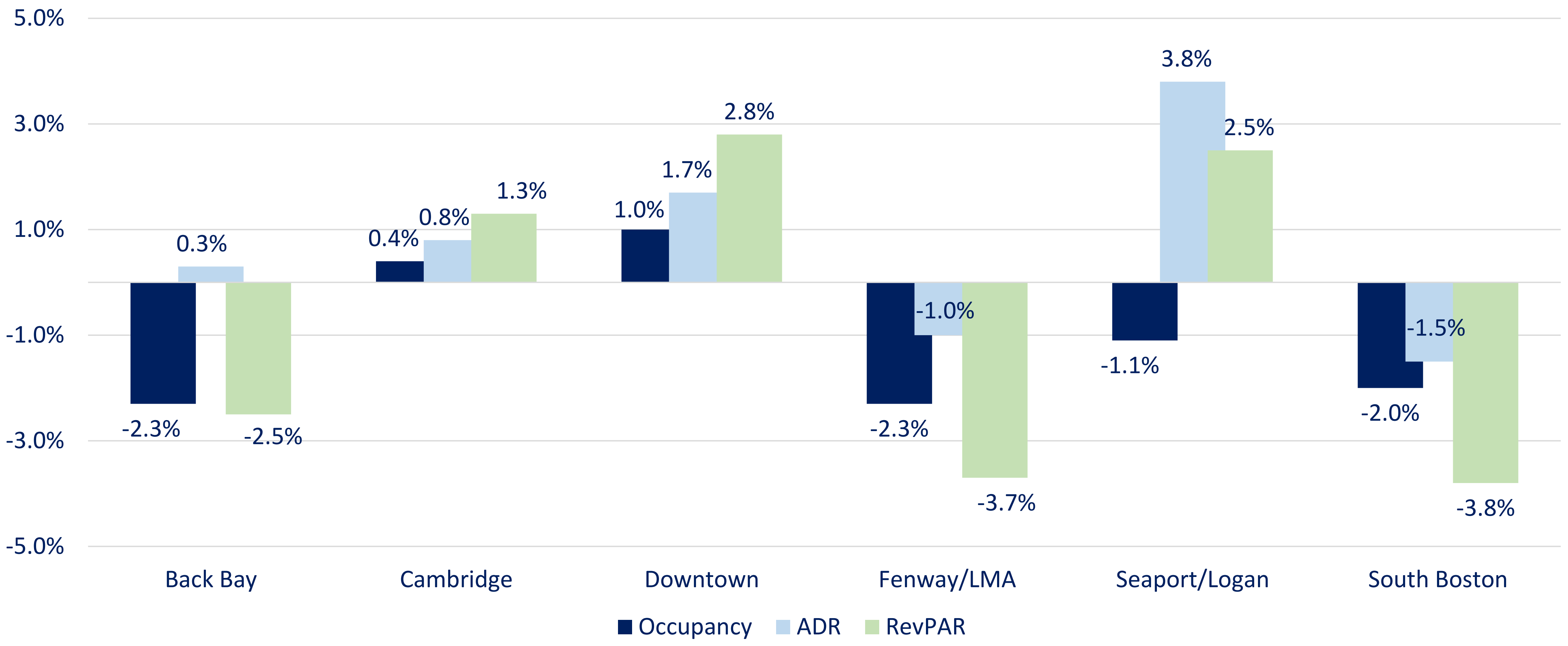
Boston & Cambridge YTD August Performance

	YTD Aug 2018	YTD Aug 2019	% Change
Occupancy	83.2%	82.5%	-0.7%
ADR	$256	$259	+1.4%
RevPAR	$213	$214	+0.5%

Source: Pinnacle Perspective, Pinnacle Advisory Group

YTD
Demand +1.4%
Supply +2.6%

Boston & Cambridge YTD August 2019 Performance by Submarket



Source: Pinnacle Perspective, Pinnacle Advisory Group

Boston & Cambridge New Supply 2019 & 2020

Hotel	Neighborhood	Scale	Rooms	Date
Residence Inn Boston South End	Roxbury	Upscale	135	Jan
Hyatt Centric Faneuil Hall	Downtown	Upper Upscale	163	Feb
Hotel 1868	Porter Square	Upper Upscale (Indep)	50	May
Four Seasons One Dalton	Back Bay	Luxury	215	May
The Whitney Hotel	Beacon Hill	Luxury (Indep)	65	July
CitizenM North Station	West End	Upscale	272	Aug
Moxy Theatre District Boston	Theater District	Upper Midscale	346	Oct
Cambria South Boston	South Boston	Upscale	159	Oct

2019

1,405
Rooms Opening

3.0%
YOY Supply Increase

2020

984
Rooms Opening

4.3%
YOY Supply Increase

Hotel	Neighborhood	Scale	Rooms	Date
The 907 Main Hotel	Central Square	Upper Upscale (Indep)	67	Q1 2020
Hyatt Place Boston Seaport	South Boston Waterfront	Upscale	293	Q2 2020
Home2 Suites Boston South Bay	Dorchester	Upper Midscale	130	Q3 2020
Hilton Garden Inn Logan Expansion	East Boston	Upscale	83	Q3 2020
Hampton Inn Boston Seaport	South Boston Waterfront	Upper Midscale	245	Q4 2020
Homewood Suites Boston Seaport	South Boston Waterfront	Upscale	166	Q4 2020

Various sources, compiled by Pinnacle Advisory Group

Boston & Cambridge Future Rooms Supply

Under Construction
6 Projects
2,109 Rooms

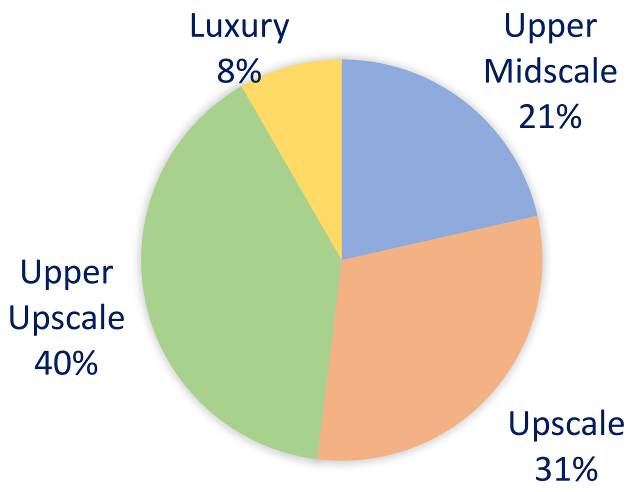
Granted Approval
19 Projects
3,202 Rooms

Under Review
9 Projects
2,691 Rooms

34 Total Projects
8,002 Total Rooms

Confirmed Openings 2019-2021

The eight projects under construction and those that have opened in 2019



95%
Branded

31%
Omni Seaport

52%
Seaport District

Source: BPDA, CCDD, Compiled by Pinnacle Advisory Group
Projects as of October 15, 2019. Does not include preliminary or rumored projects.

Boston & Cambridge Projections 2019

	2018	2019	% Change
Occupancy	82.7%	81.5%	-1.5%
ADR	$262	$265	+1.0%
RevPAR	$216	$216	-0.2%

+1.2% Demand

+3.0% Supply

Source: Pinnacle Advisory Group

Boston & Cambridge Projections 2020

	2019	2020	% Change
Occupancy	81.5%	80%	-2.4%
ADR	$265	$269	+1.8%
RevPAR	$216	$214	-0.6%

Source: Pinnacle Advisory Group

+1.9% Demand

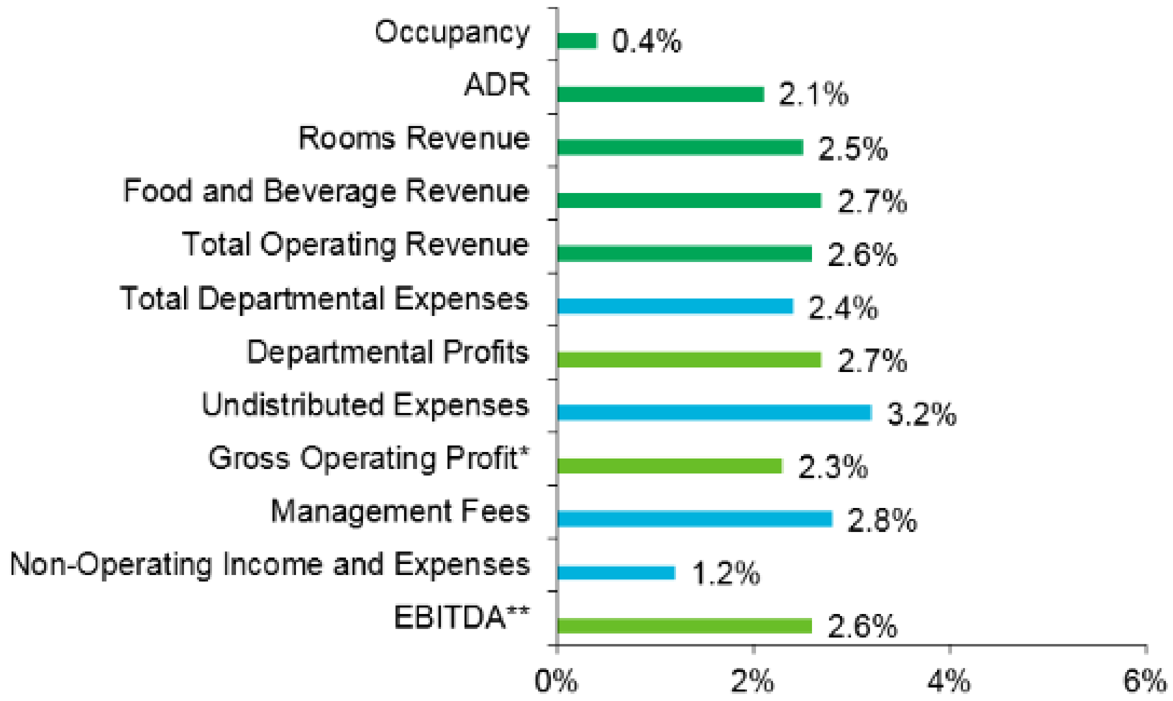
+4.3% Supply

OPERATING EXPENSE TRENDS

National Operating Revenue & Expenses

2019 TRENDS® IN THE HOTEL INDUSTRY

Percent Change 2017 to 2018



Note: * Before deduction for Management Fees and Non-Operating Income and Expenses
** Earnings before Interest, Taxes, Depreciation, and Amortization
Source: CBRE, 2019 Trends® in the Hotel Industry

2018 was the first year since 2009 that expense growth outpaced revenue growth, resulting in a slight decline in the GOP margin

Boston & Cambridge Operating Expenses - Sample

2018 Performance						
Sets	Avg Rms	Occ %	ADR	RevPAR	GOP (PAR)	GOP (% of sales)
All [1]	374	82.5%	$266	$220	$45,951	41.8%
Upper Tier [2]	459	82.2%	$276	$227	$47,972	41.1%
Lower Tier [3]	205	83.8%	$225	$188	$36,901	47.2%

Source: CBRE Benchmarker

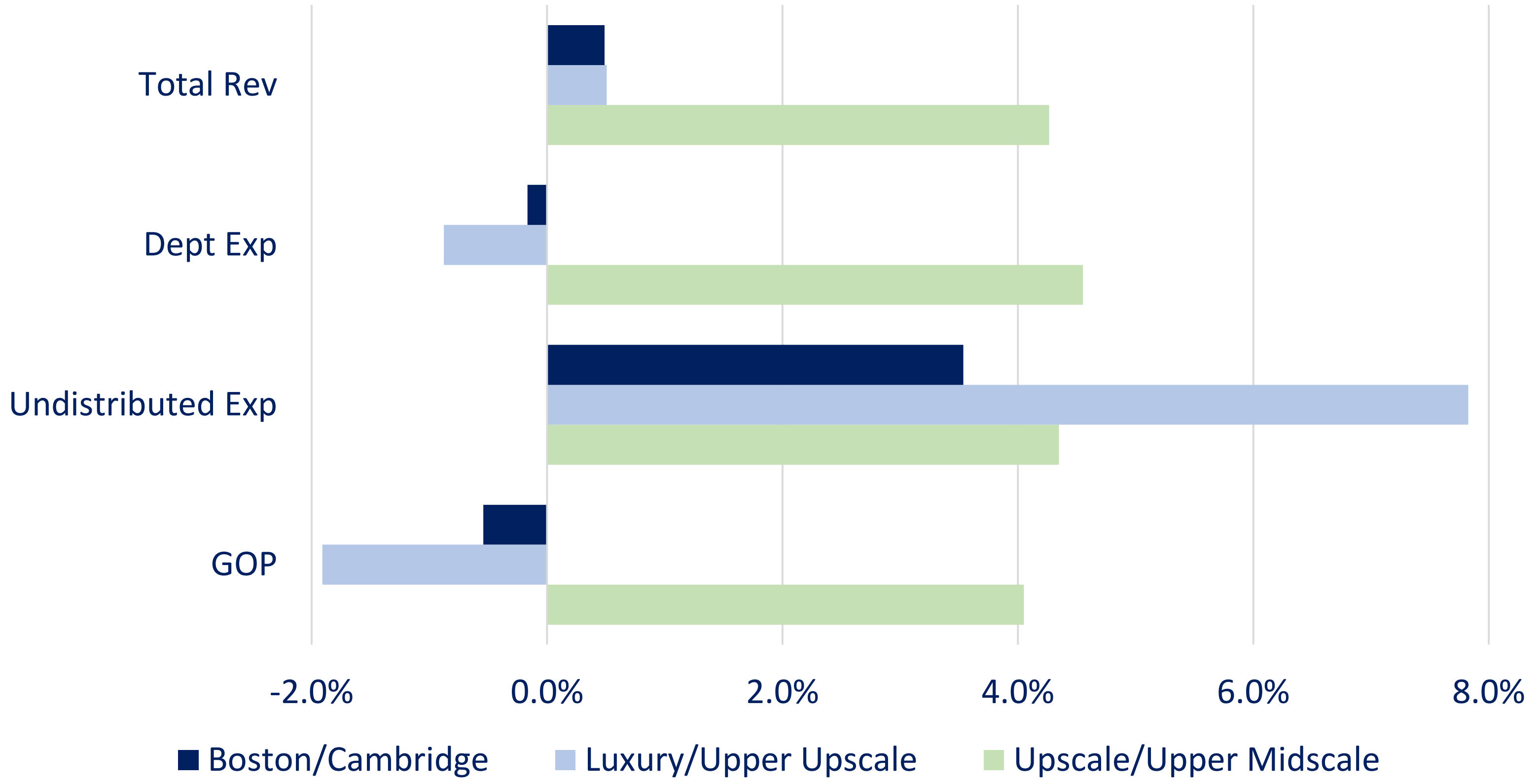
(1) Includes 33 hotels (both union and non-union) of 12,354 rooms.

(2) Includes 22 luxury and upper upscale hotels of 10,099 rooms

(3) Includes 11 upscale and upper-midscale hotels of 2,255 rooms

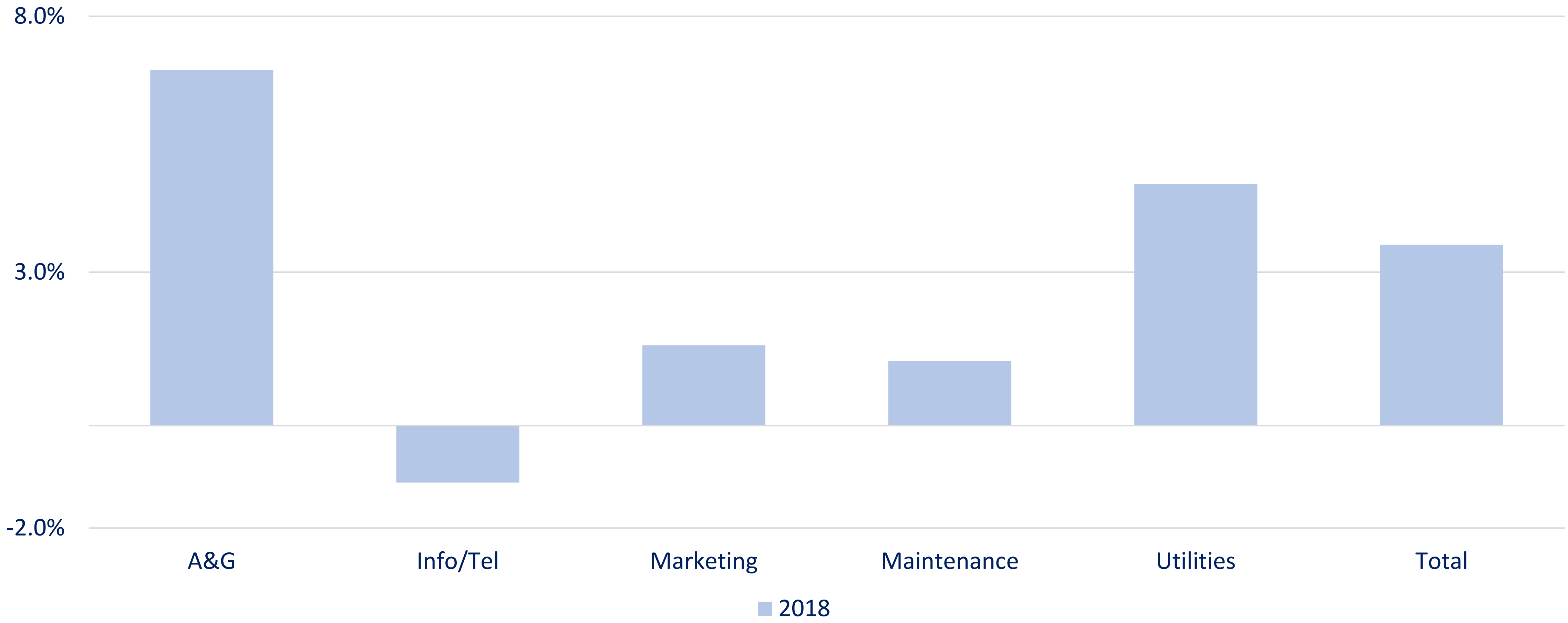
Represents 50% of the Boston/Cambridge lodging market

Boston & Cambridge Operating Revenue & Expenses % Change 2017 to 2018

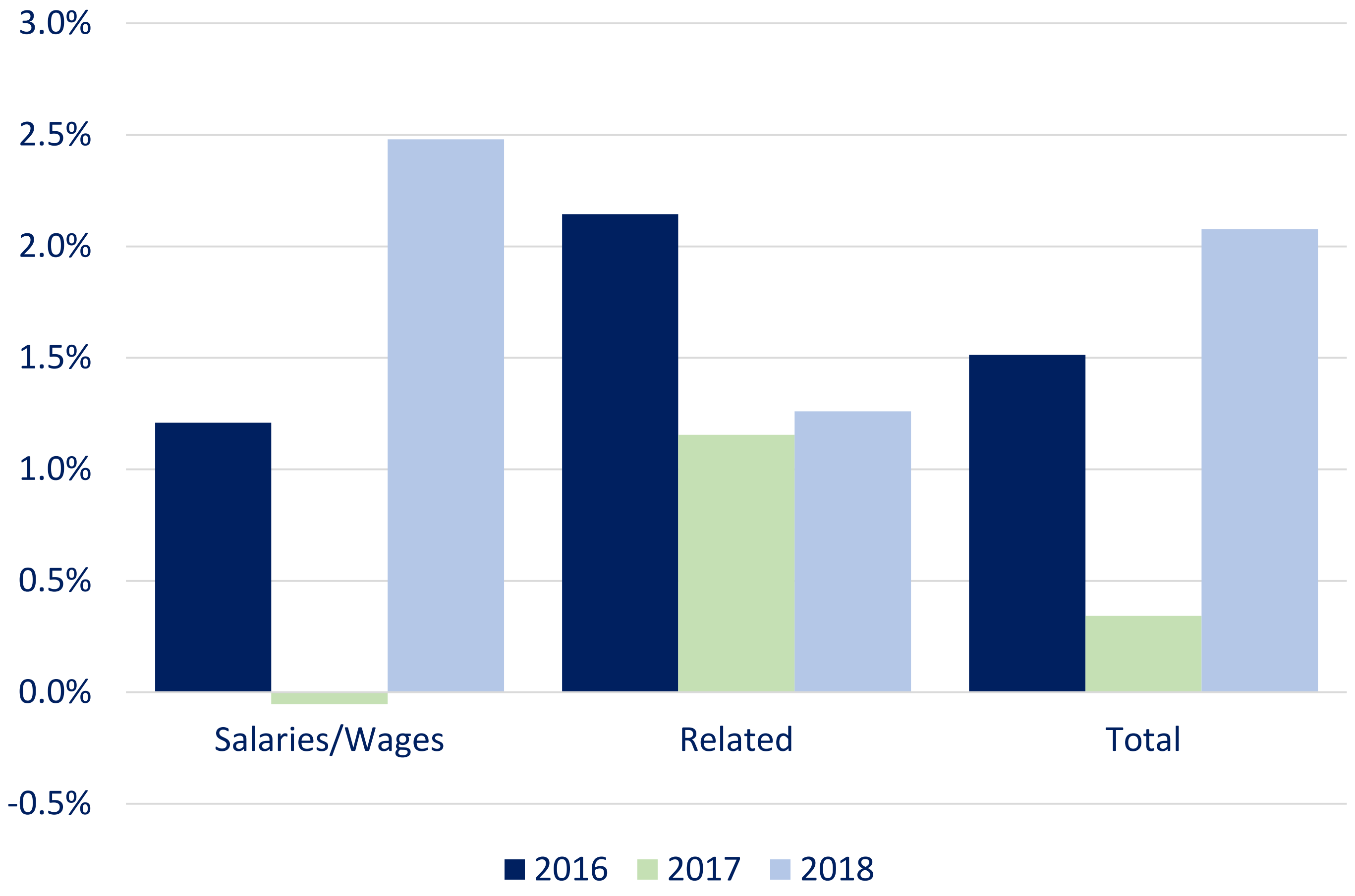


Source: CBRE Benchmarker, Compiled by Pinnacle Advisory Group

Boston & Cambridge Undistributed Expenses
% Change



Boston & Cambridge Payroll Expense, % Change



TAKE AWAYS

Although demand will continue to increase in the local market, occupancy will decline as a result of increases to supply.

ADR growth will slow as a result of slowing demand growth and increased supply. Eventually ADR will show no change year over year. As outside forces impact the macro economy, rates could decline.

Operating expenses will continue to increase year over year, and in the short-term these will increase at a higher rate than top line revenues.

As profits are negatively impacted in the short term, operators will be forced to drive other revenue streams (F&B, Fees, Rentals) and cut costs where possible.

Pinnacle Advisory Group

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Panel Discussion:
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