

New England Lodging Trends

October 30th, 2019



Meri Keller

Vice President, Pinnacle Advisory Group

mkeller@pinnacle-advisory.com

Agenda

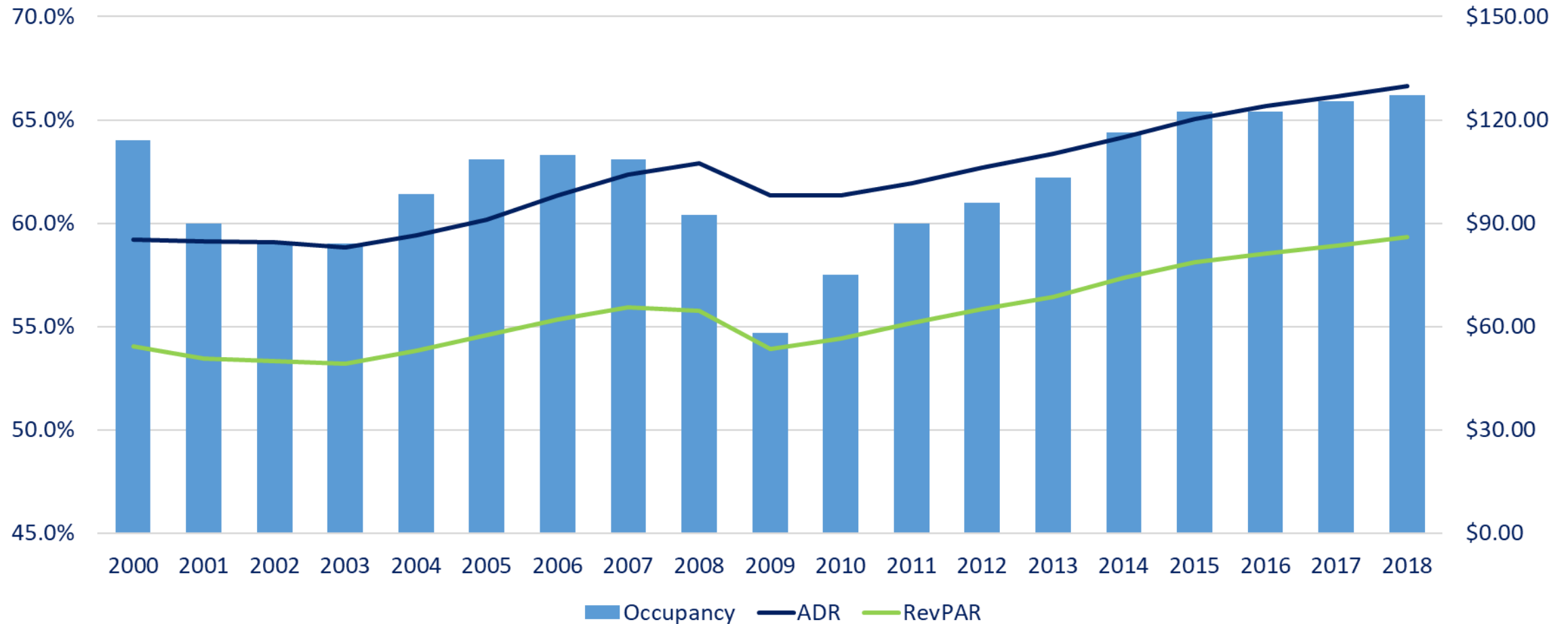
- US Lodging Market
- New England
- States
- NEIRA Survey Results





US Market

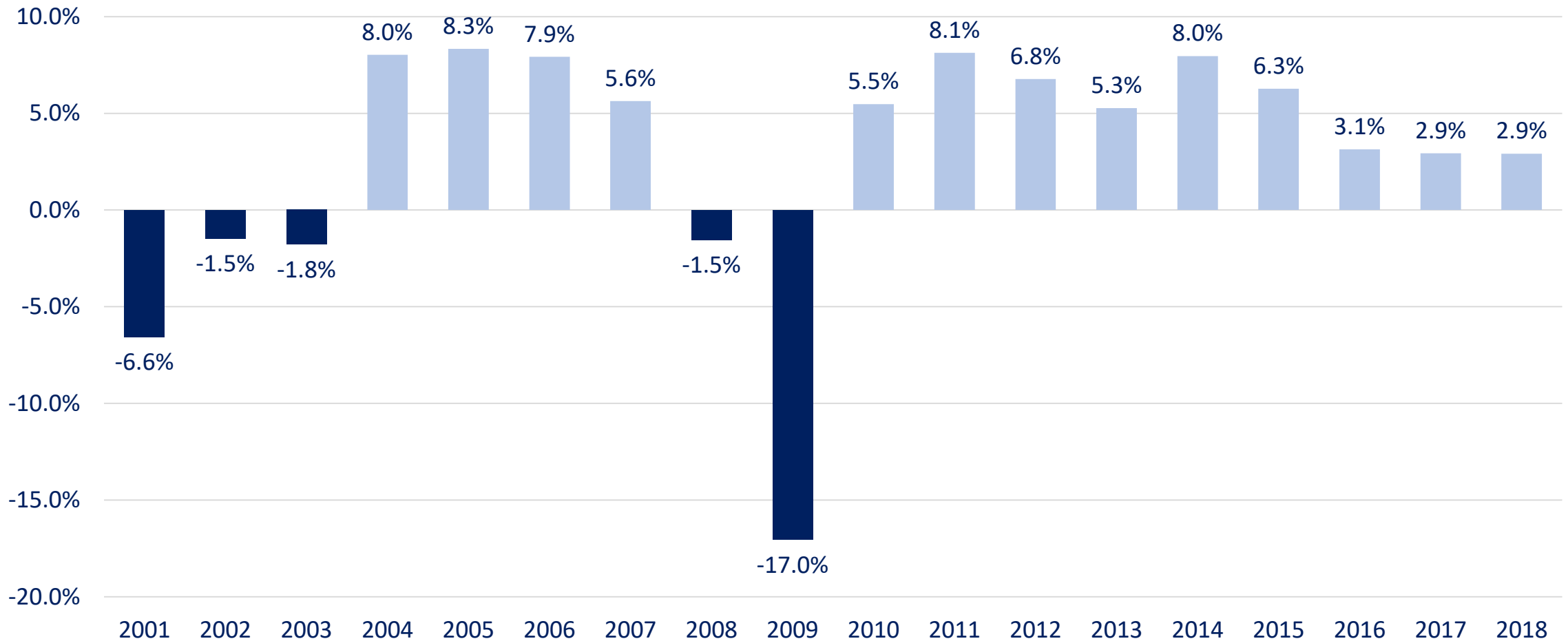
Historic Market Performance – U.S.



Source: STR

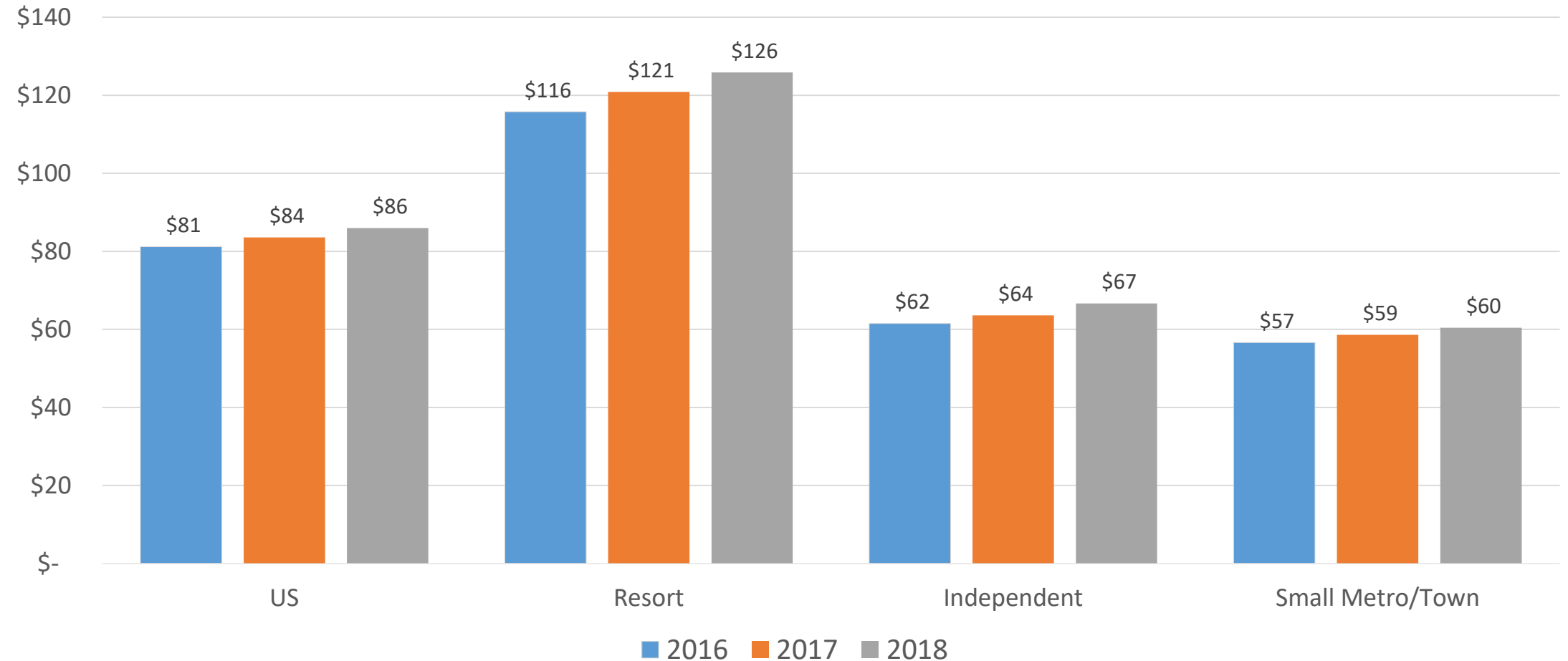


RevPAR % Change – U.S.



Source: STR

RevPAR- 2016-2018



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%

61% of U/C Rooms
Upper Midscale &
Upscale

58% of U/C Rooms
Marriott & Hilton

*As of August 2019
Source: STR*



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



Key Performance Takeaways (2019) – U.S.

- 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).



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



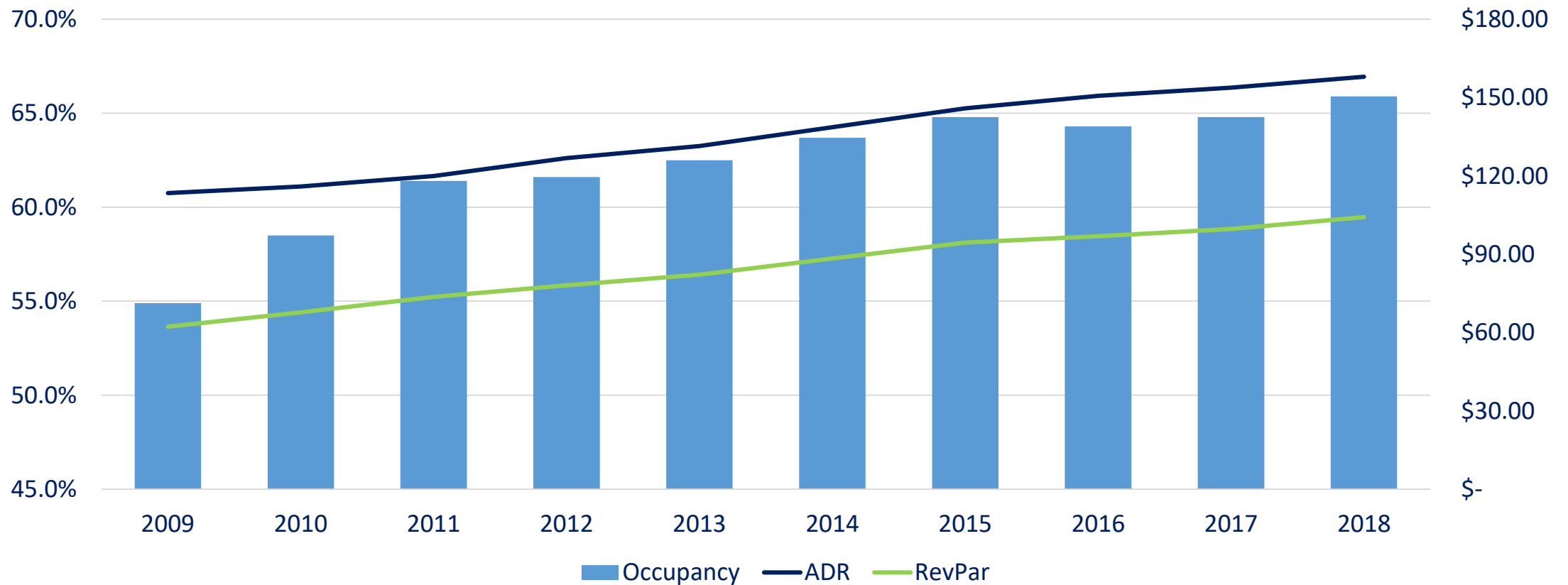
Operating Margins Declining





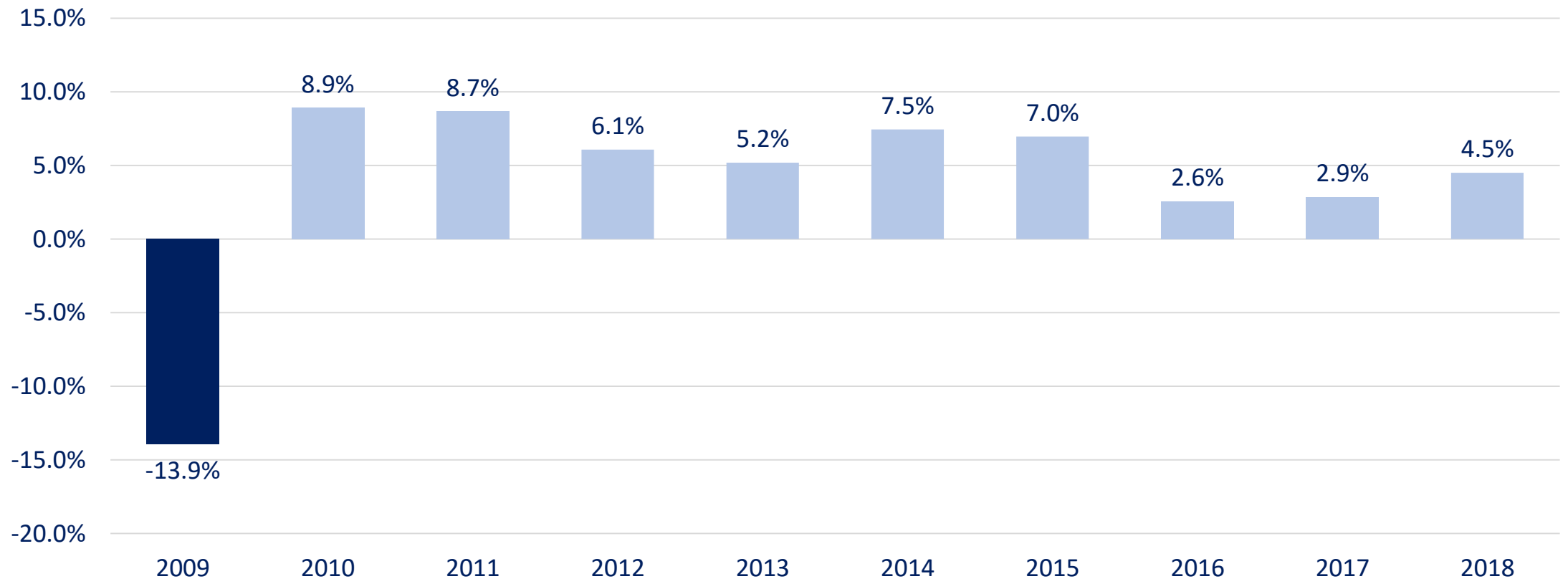
New England Market

Historic Market Performance – New England



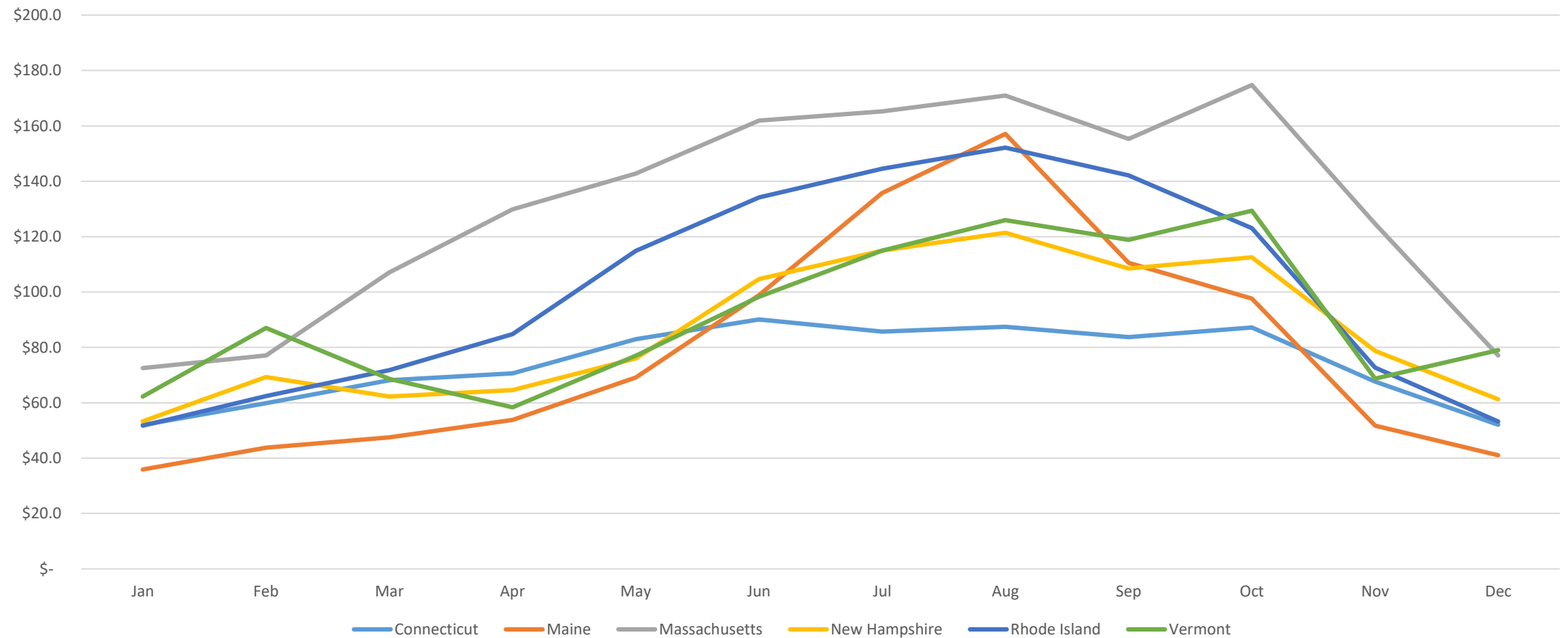
Source: STR

RevPAR % Change– New England



Source: STR

2018 RevPAR By State- New England



Source: STR

*Sep/Oct generated using 2009-2017 CAGR due to lack of available info



Growth Relative to US Market

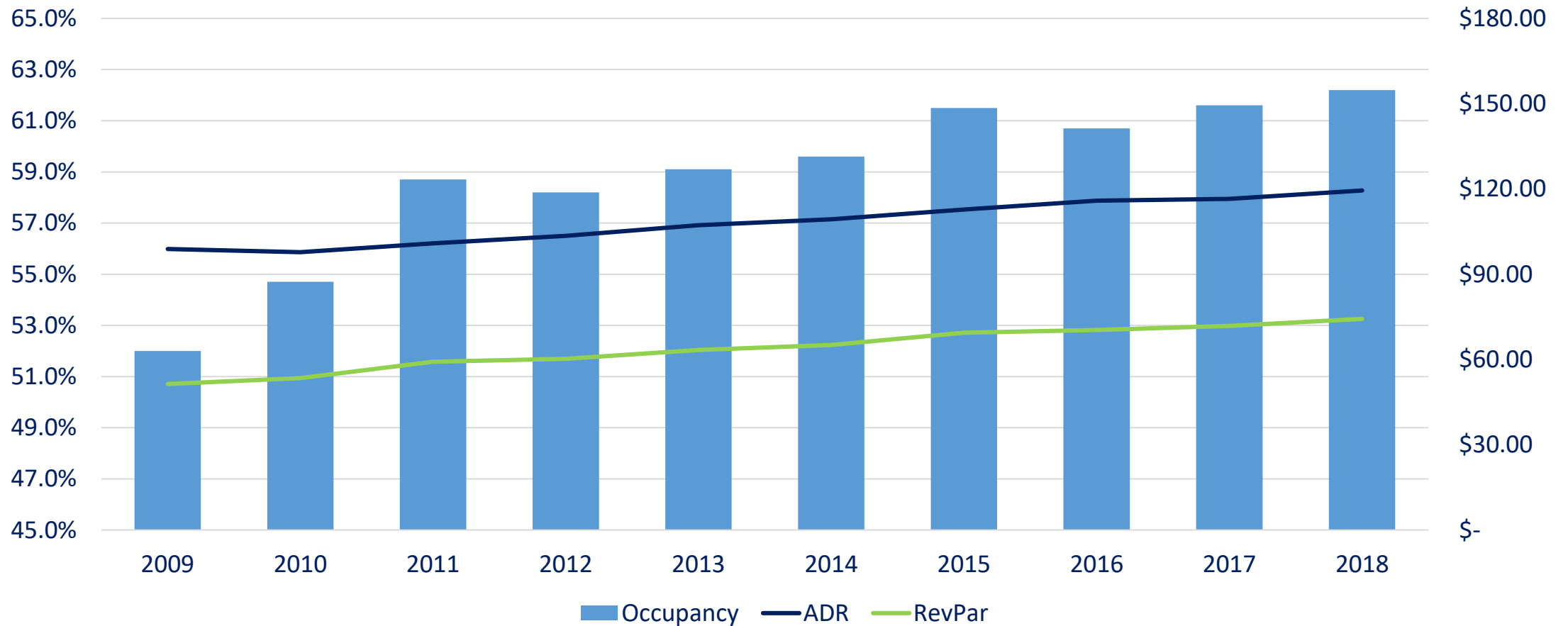
CAGR 2009-2018			
	Occupancy	ADR	RevPAR
United States	1.85%	2.90%	4.82%
New England	1.84%	3.37%	5.29%
Connecticut	1.81%	1.91%	3.75%
Maine	1.21%	3.96%	5.22%
Massachusetts	2.09%	3.63%	5.80%
New Hampshire	2.22%	3.30%	5.59%
Rhode Island	2.02%	3.08%	5.15%
Vermont	0.98%	3.17%	4.18%

Source: STR



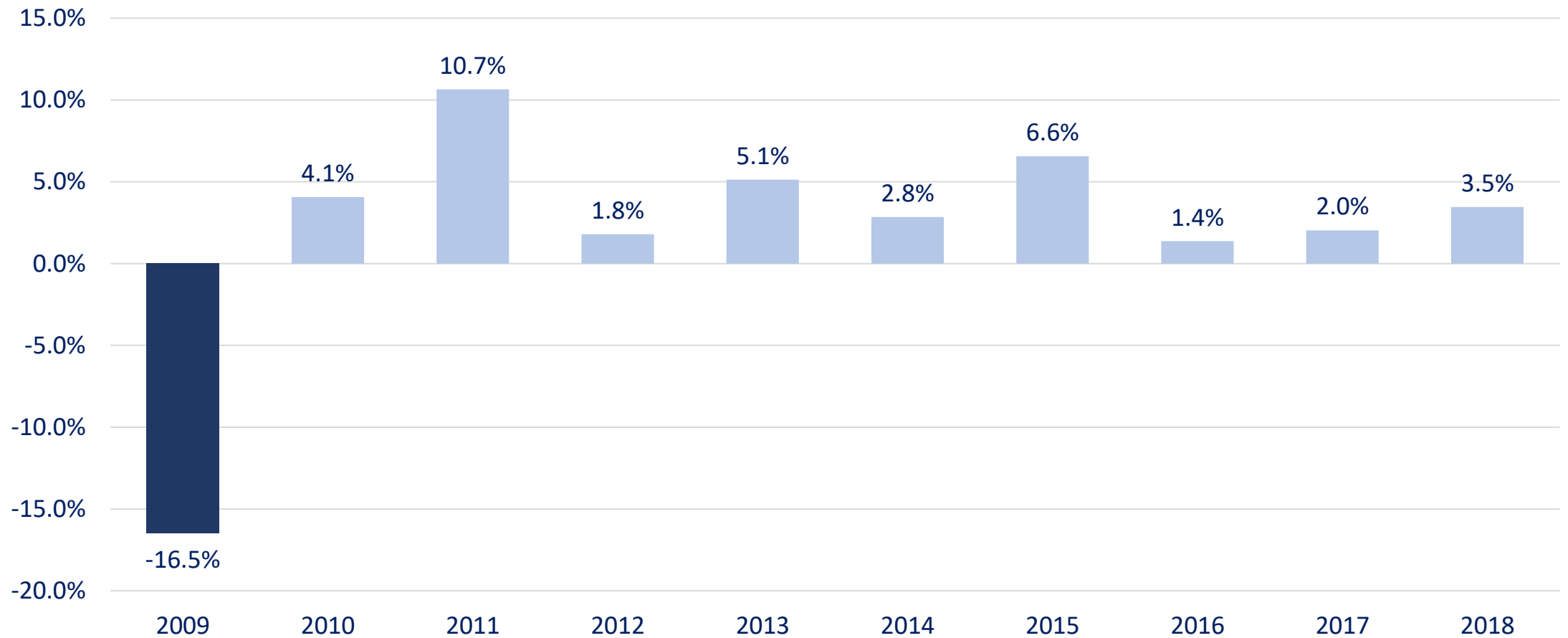
Connecticut

Historic Market Performance – CT



Source: STR

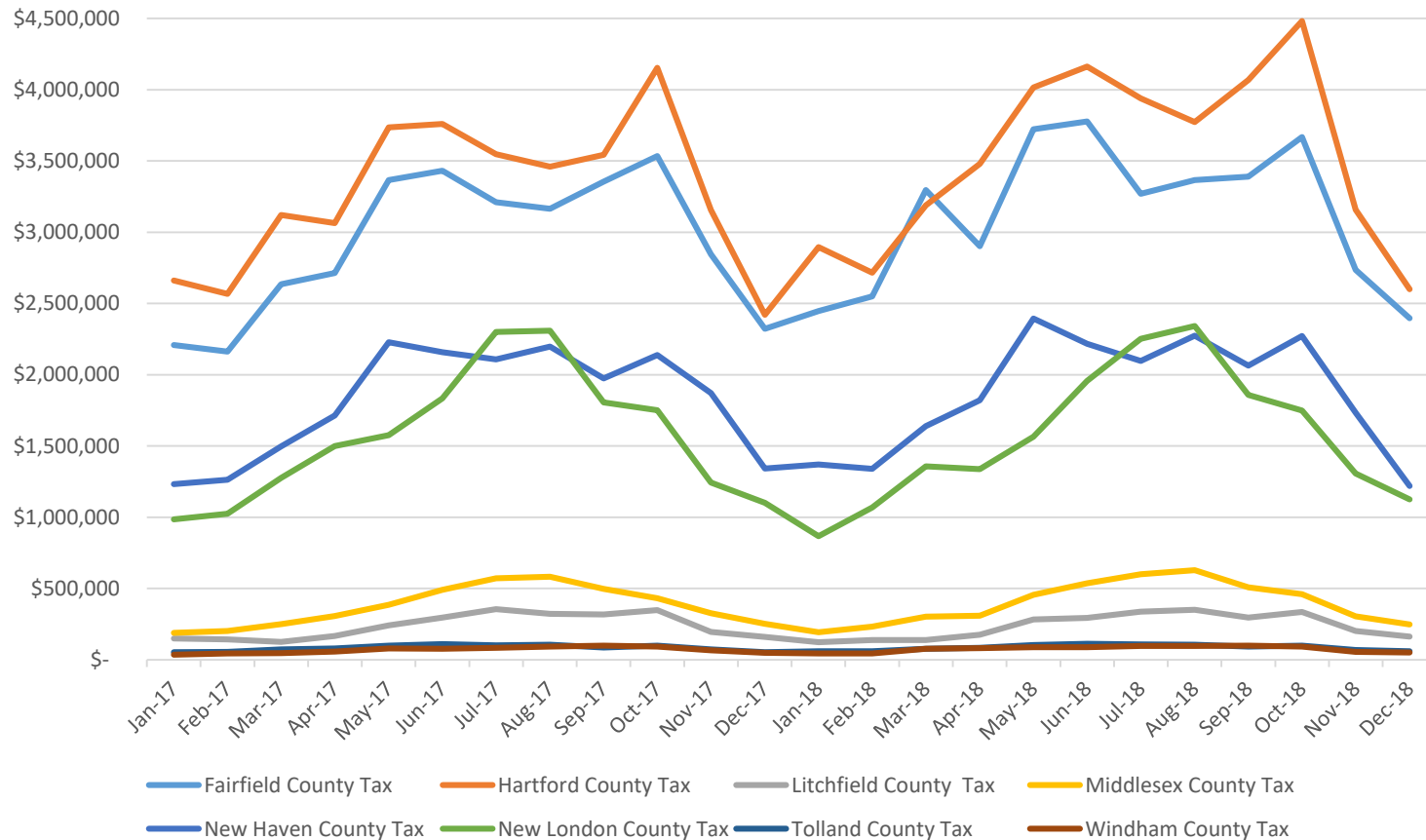
RevPAR % Change – CT



Source: STR

Seasonality- Connecticut

Lodging Tax Revenues By County, CT, 2017-2018

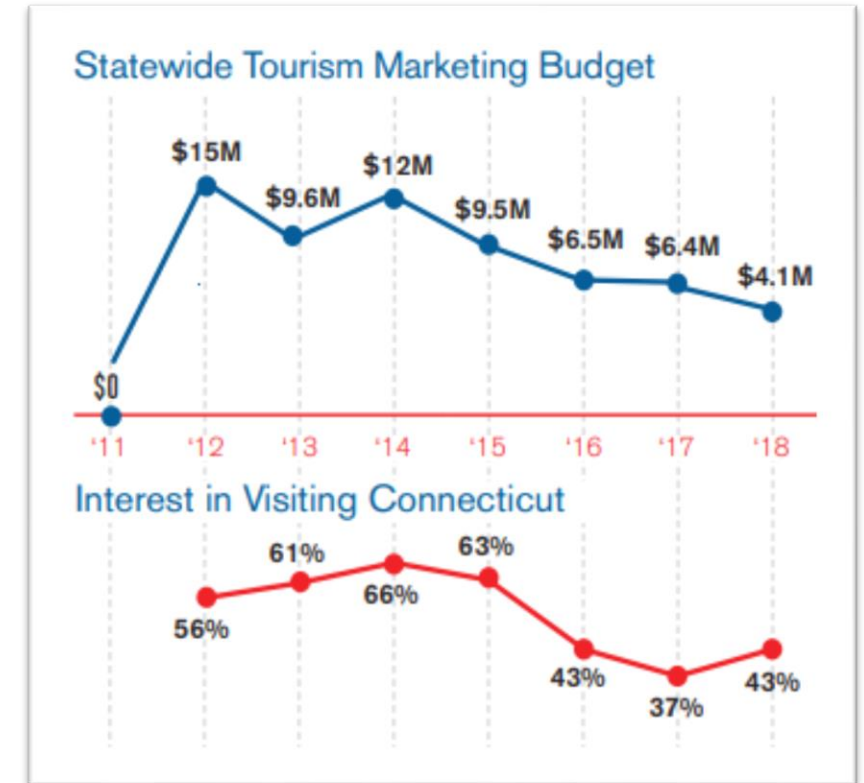


- By trendline, Connecticut is most likely the least seasonally affected state in New England
- Hartford, New Haven, and New London Counties have more consistent year-round demand driven by their namesake cities
- Fairfield County receives consistent demand from NYC, Stamford, Norwalk, Fairfield, and Bridgeport
- Only Middlesex and New London follow the Summer peak demand pattern the closest, likely due to their historic coastline
- The top 3 counties have a peak in October, potentially due to Fall Foliage demand, using the major cities as a going off point

Source: Connecticut Department of Revenue Services

Connecticut Takeaways

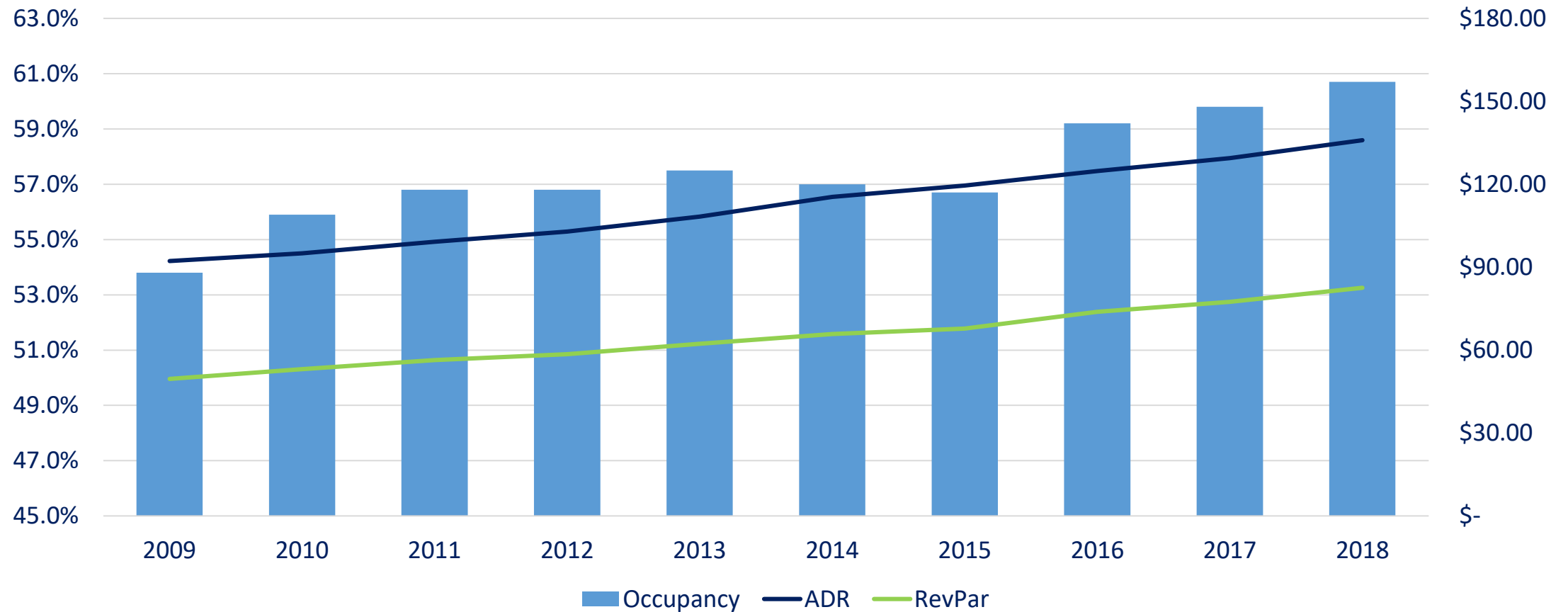
- Challenged by a highly competitive/expensive media market (Split between New York City and Massachusetts)
- The State tourism budget has decreased 73% since 2012
- Getting outspent by most New England states for tourism marketing
- Marketing budget correlates with long term interest in visiting CT





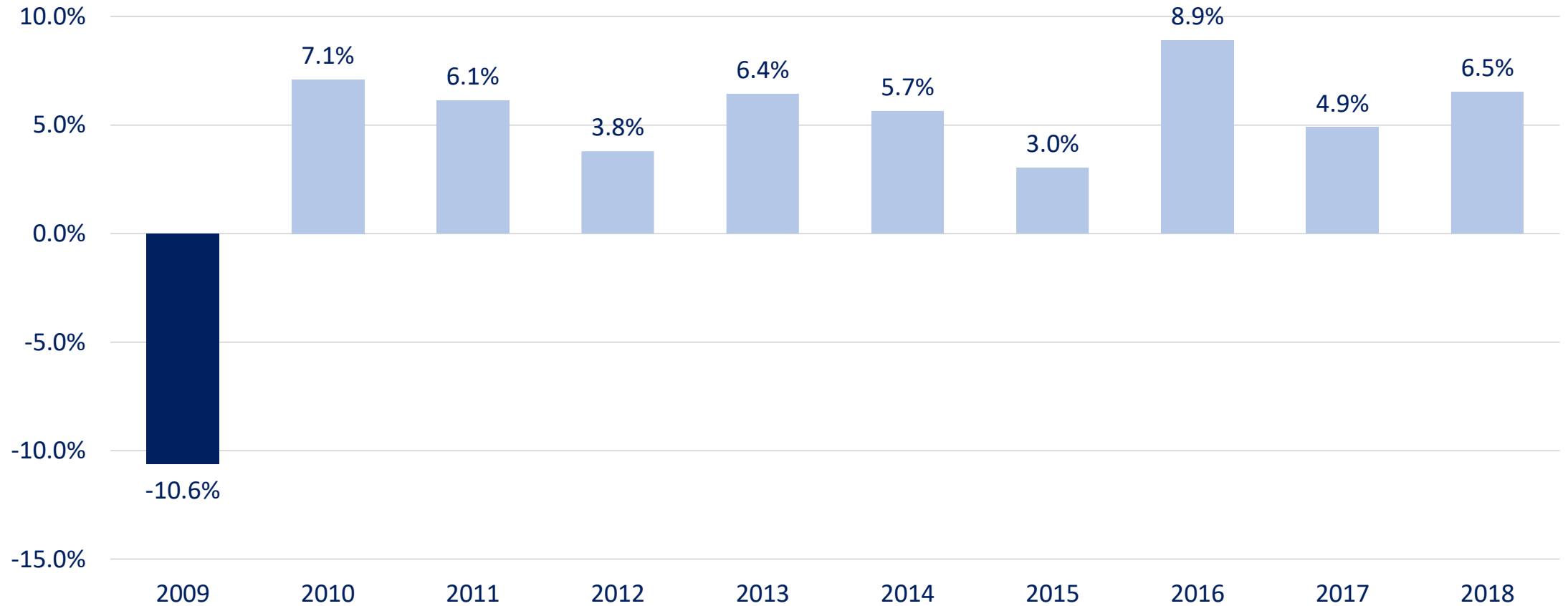
Maine

Historic Market Performance – ME



Source: STR

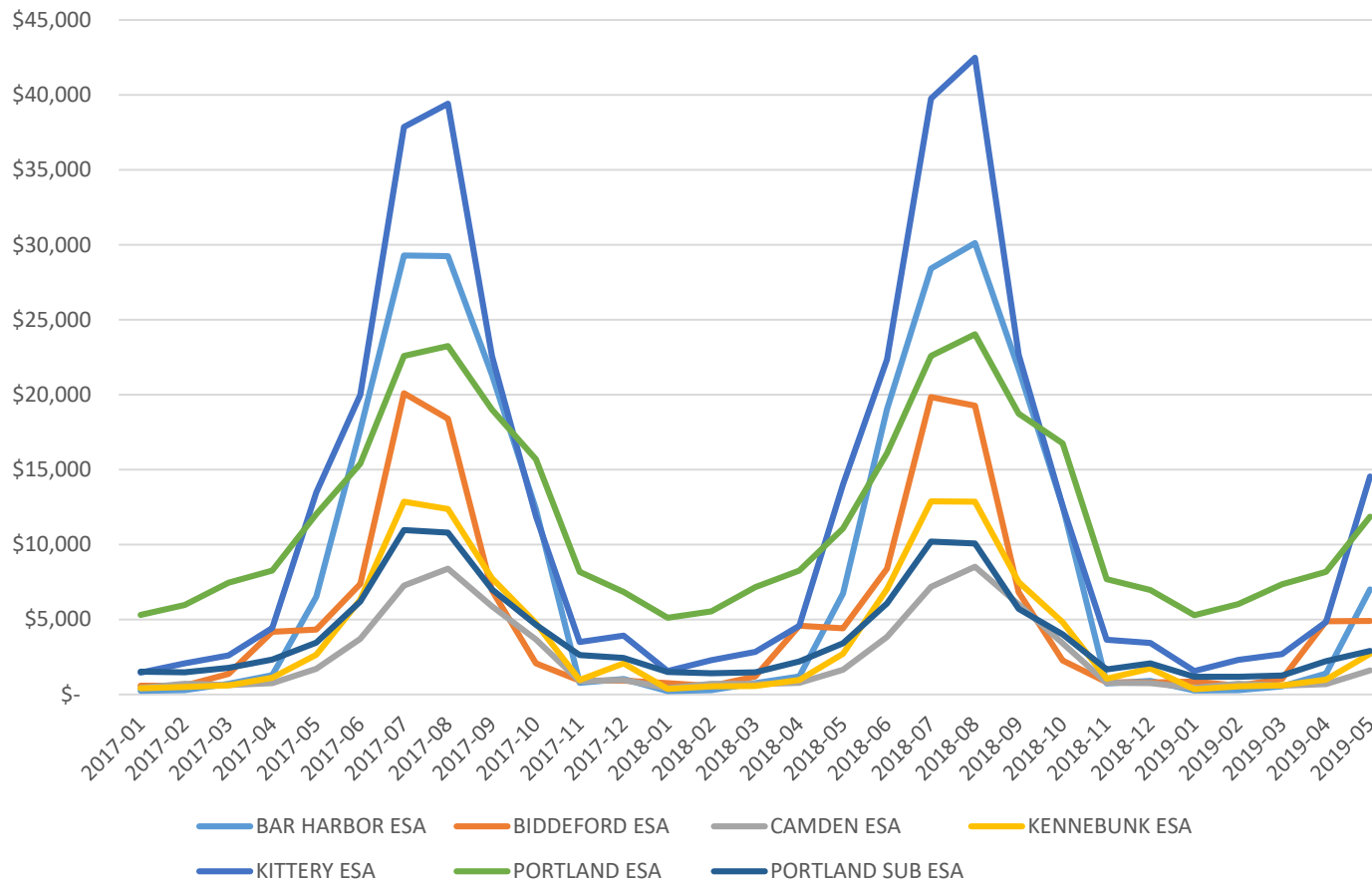
RevPAR % Change – ME



Source: STR

Seasonality- Maine

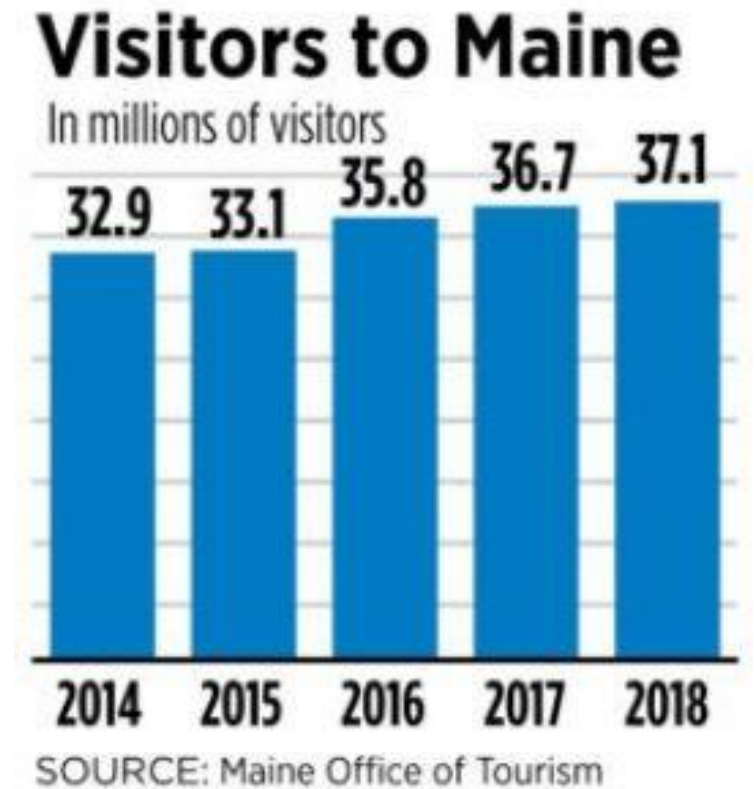
Lodging Tax Revenue By Top Economic Summary Areas, ME, 2017-2019



- Bar Harbor and Kittery are the most seasonal areas, both hitting true peak in August, and going off after peak foliage late October
- Portland/Portland submarkets are boosted by their position as the economic center of Maine in cold weather months

Maine Takeaways

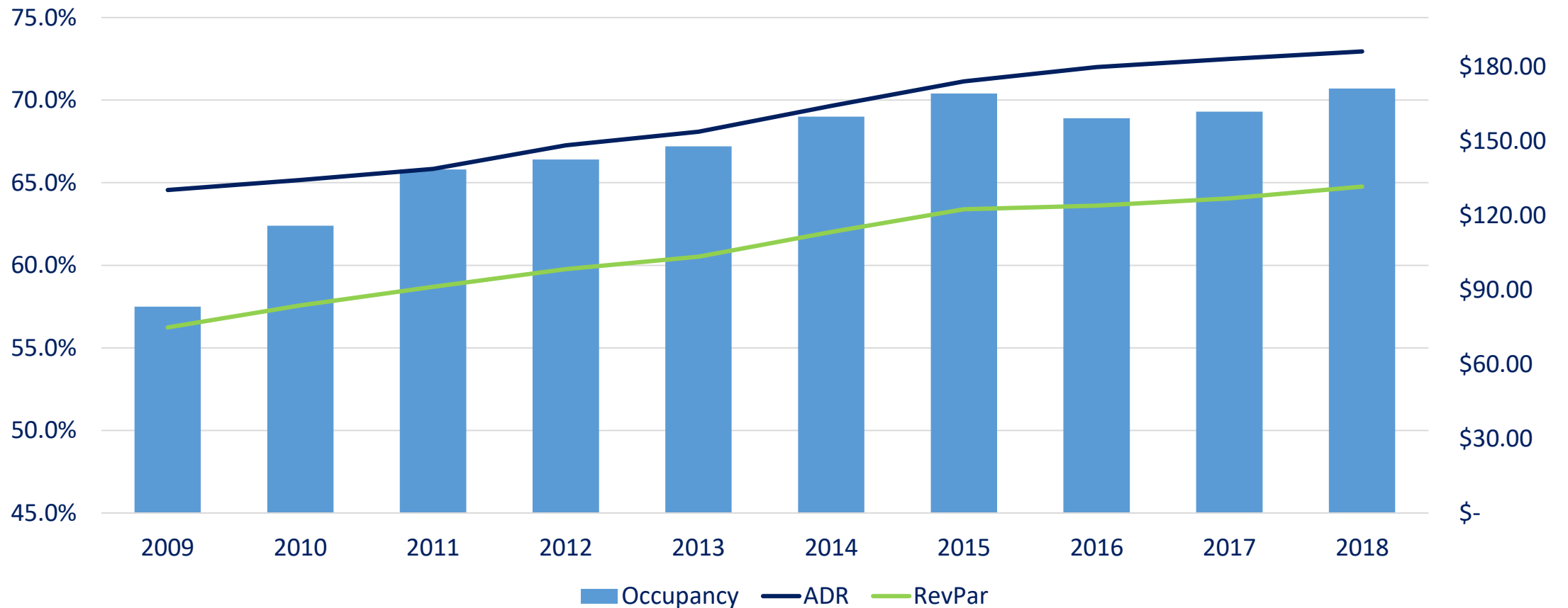
- Tourism Spending is reaching record highs, but the rate of visitor growth has been slowing- 1% from 2017 to 2018
- The state has responded in kind by marketing to tourists in new markets outside New England, looking for longer stays- particularly the Mid-Atlantic states
- Housing & Staffing continue to be an issue in tourism hotspots, such as Bar Harbor





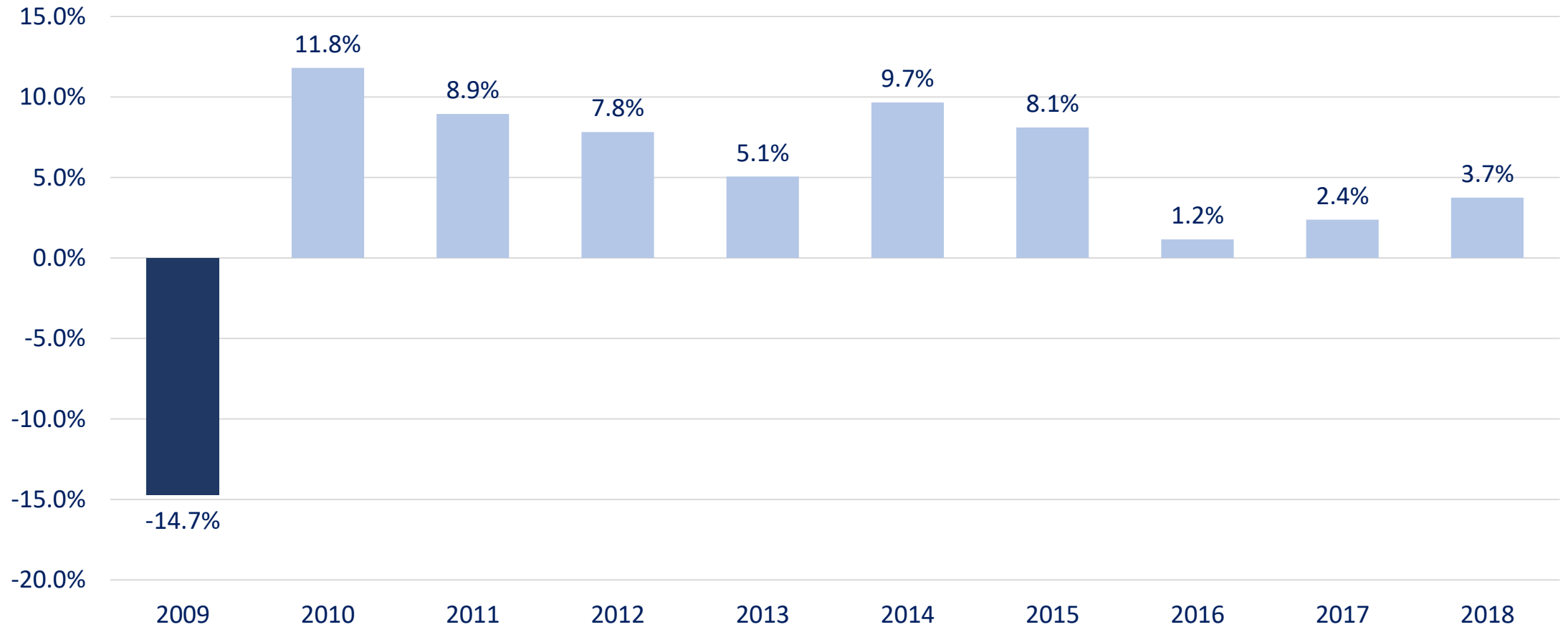
Massachusetts

Historic Market Performance – MA



Source: STR

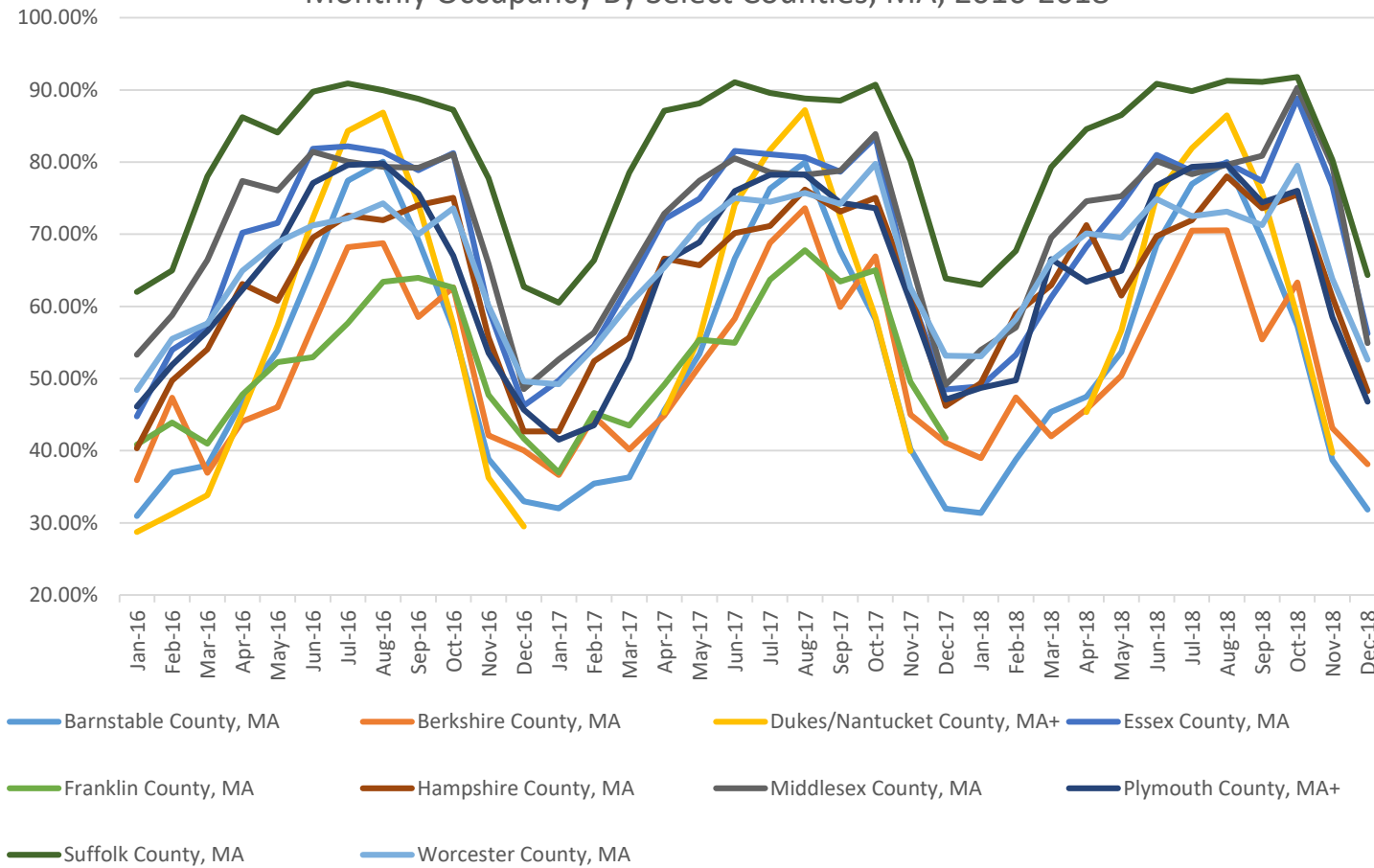
RevPAR % Change – MA



Source: STR

Seasonality- Massachusetts

Monthly Occupancy By Select Counties, MA, 2016-2018



- Suffolk County (Boston) has the most consistent occupancy year-round
- Dukes/Nantucket County and Barnstable County (Nantucket/Martha's Vineyard, Cape Cod) have the sharpest increase from offseason to peak, hovering around 30% certain months
- In general, all markets follow a summer seasonal pattern
- Counties encompassed in or nearby Worcester MSA or Boston MSA are sheltered from full seasonal effects



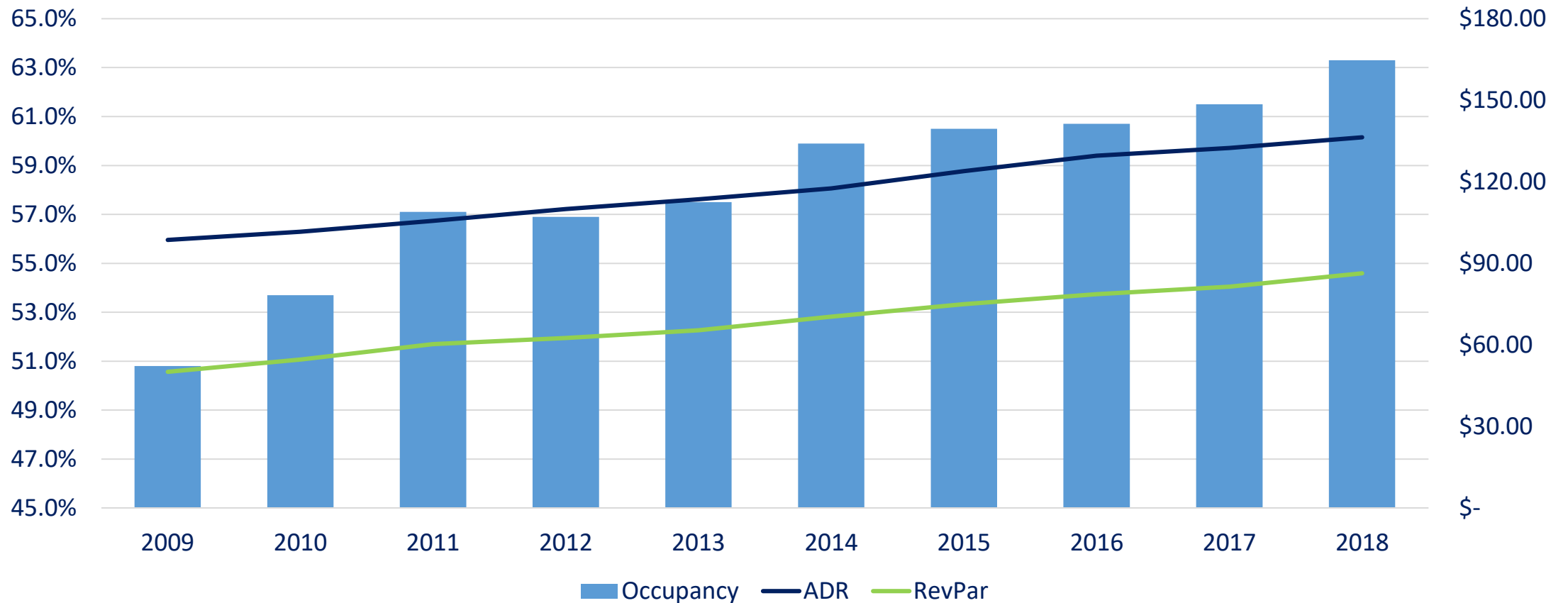
Massachusetts Takeaways

- Massachusetts hit record highs on visitor spending in 2018, \$24.2 Billion (+5.6% YoY)
- Domestic tourism spend is up 6% YoY, hitting \$19.9 Billion EOY 2018
- International spending growth in MA outpaced the US rate (+3.7% vs. 0.3%)



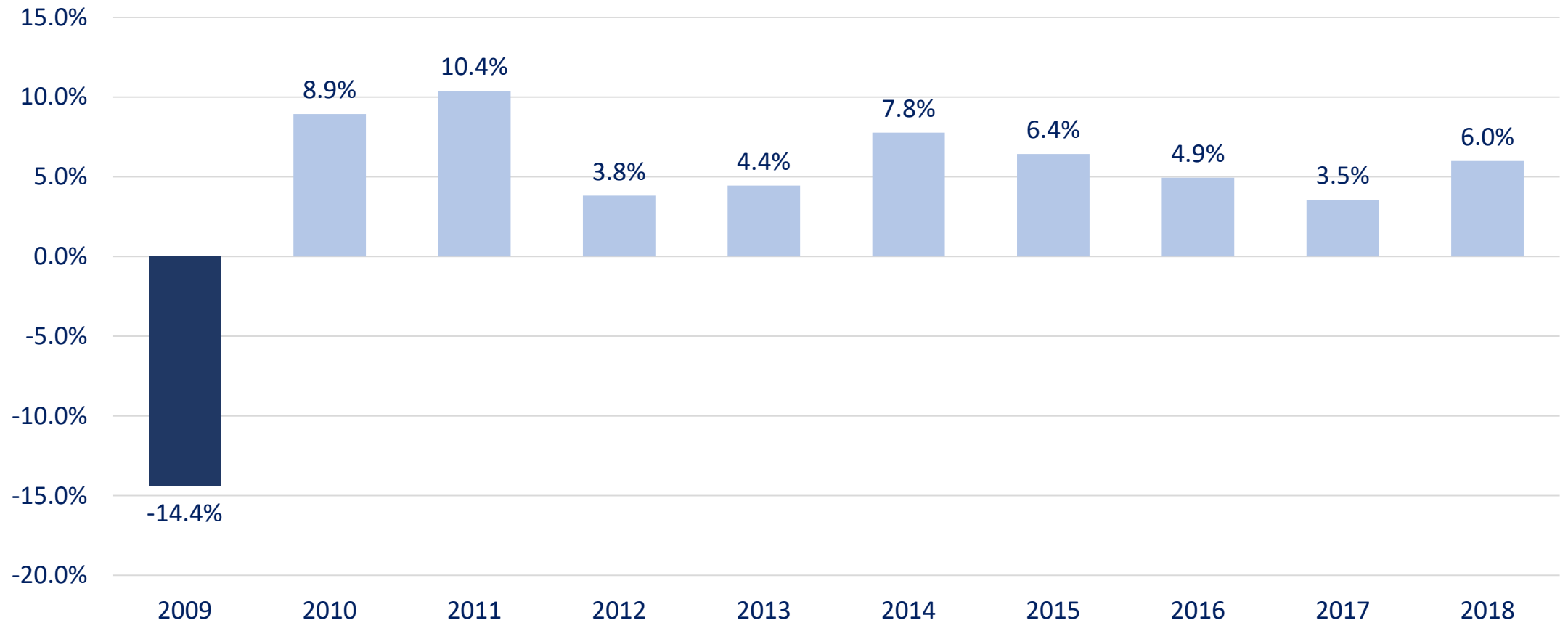
New Hampshire

Historic Market Performance – NH



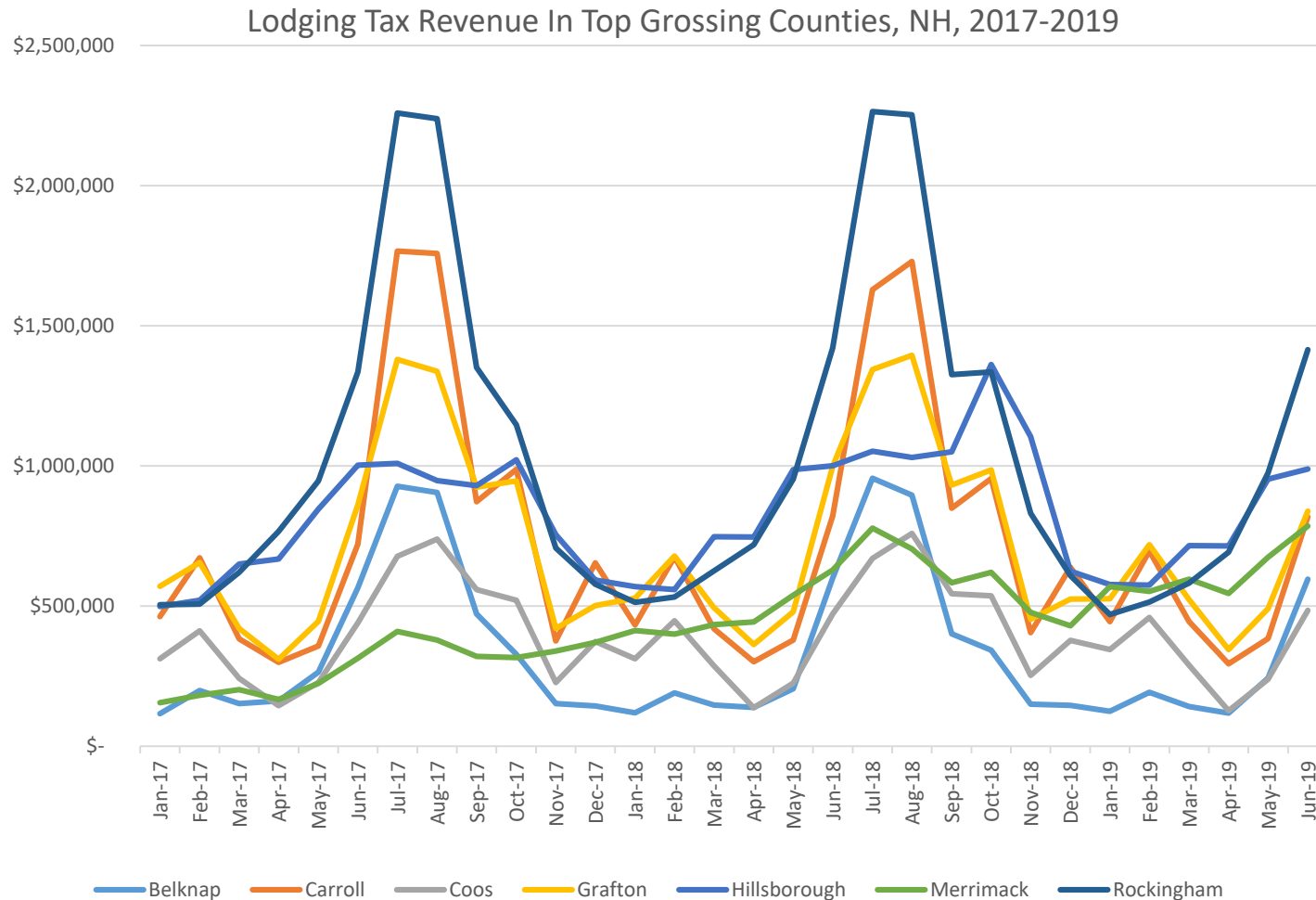
Source: STR

RevPAR % Change – NH



Source: STR

Seasonality- New Hampshire



- Follows Summer centric demand pattern, most notably in Rockingham (Portsmouth, Hampton Beach) Belknap (Laconia/Lake Winnepesaukee) and Grafton/Coos/Carroll (White Mountains Region)
- Grafton/Coos/Carroll track up and down slightly during winter for Ski Demand
- Consistent up trend in Merrimack County due to growth and consistent corporate demand in Concord
- Less volatility and slight growth in Hillsborough anchored by strong economy in 2 largest NH cities (Nashua, Manchester)
- Grafton/Carroll/Hillsborough have a post Summer “Peak” during foliage months



New Hampshire Takeaways

- The New Hampshire Department of Business and Economic Affairs says it is expecting to see a 2.7% increase in summer visitations and spending over 2018.
- NH made cuts to the State tourism marketing budget in FY 16-17, a 39% decline from previous annual funding, flat funded ever since
- Regardless, room and meal tax collection has steadily grown

Increase in Rooms and Meals Taxes Versus Investment in the Division of Travel and Tourism (DTTD)				
Fiscal Year	DTTD Budget (in millions)	% Change Year Over Year	Rooms and Meals Taxes Collected (in millions)	% Change Year Over Year
2011	\$6.5	—	\$235.5	1.3%
2012	\$6.8	1.0%	\$239.4	1.6%
2013	\$6.9	1.0%	\$248.4	3.6%
2014	\$7.2	1.0%	\$261.7	5.0%
2015	\$6.8	-1.0%	\$281.2	6.7%
2016	\$7.6	1.1%	\$300.0	7.0%
2017	\$7.6	0.0%	\$315.0	5.0%
2018	\$7.6	0.0%	\$331.5	5.3%
2019	\$7.6	0.0%	—	—
Source: NH Division of Travel and Tourism				

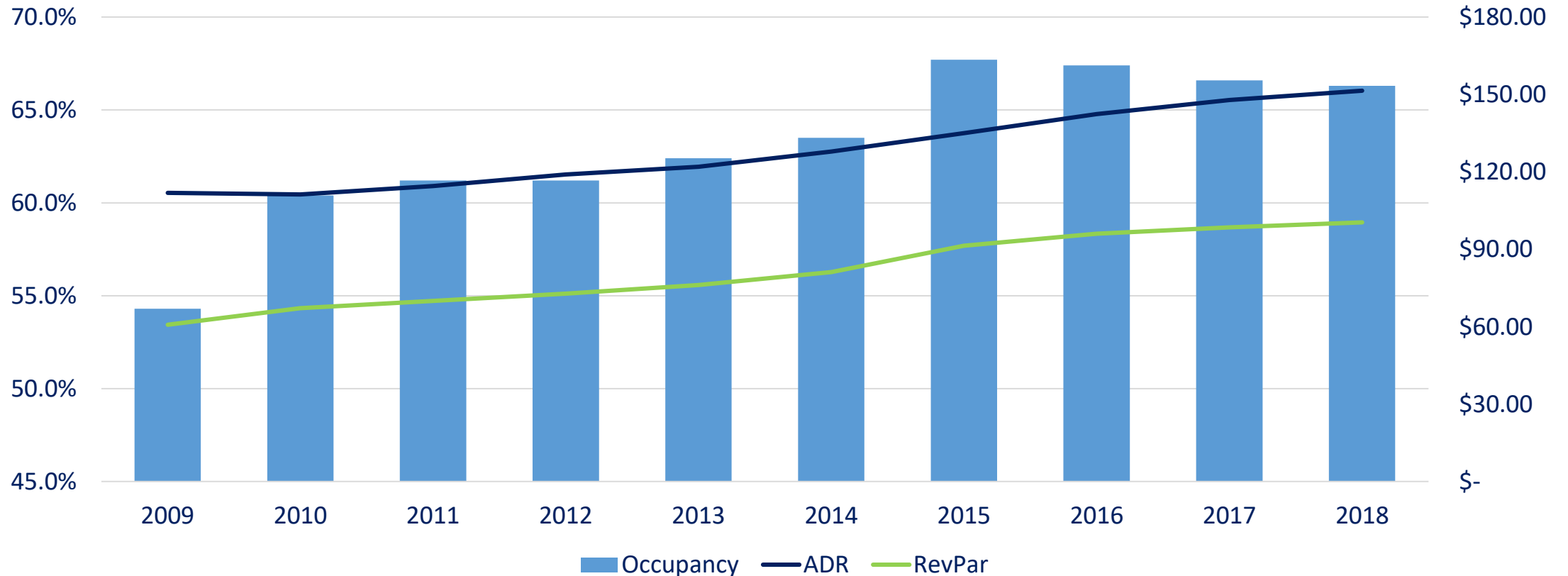
Sources: NH Department of Business/Economic Affairs, Business NH Magazine, NH Division of Travel and Tourism





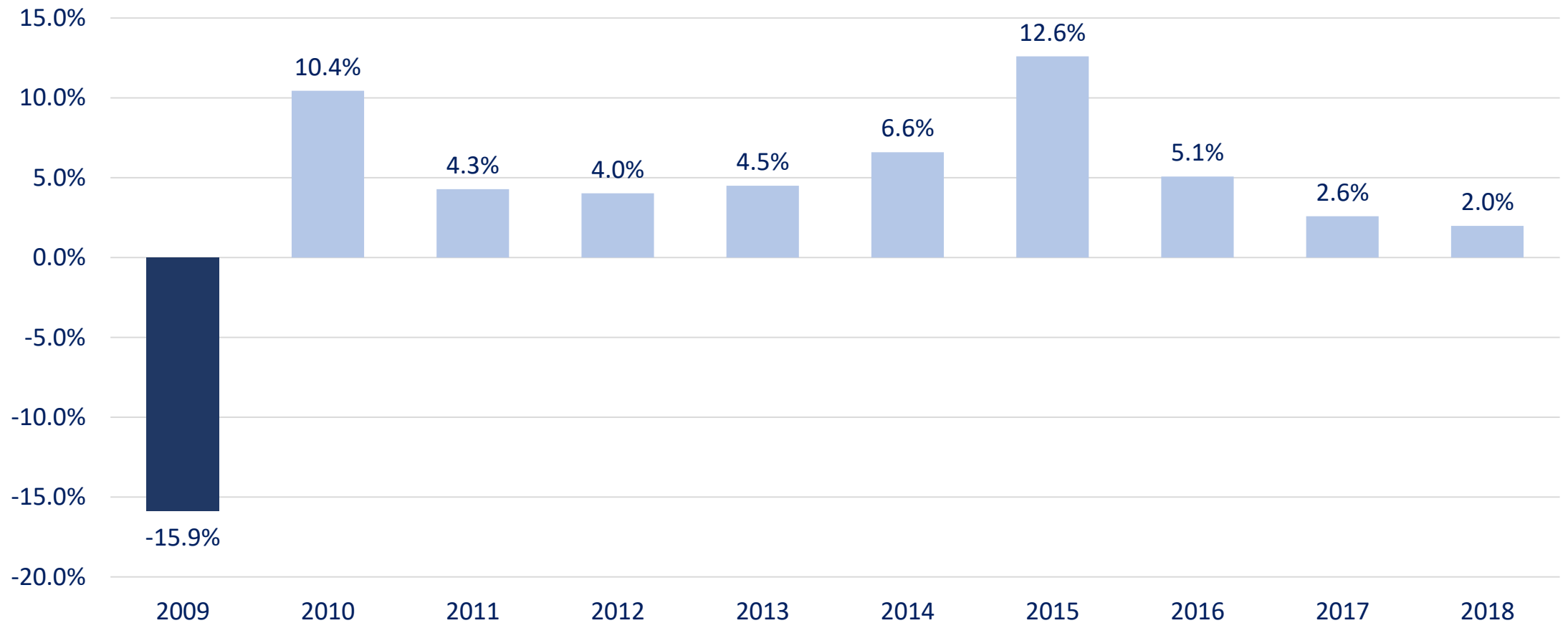
Rhode Island

Historic Market Performance – RI



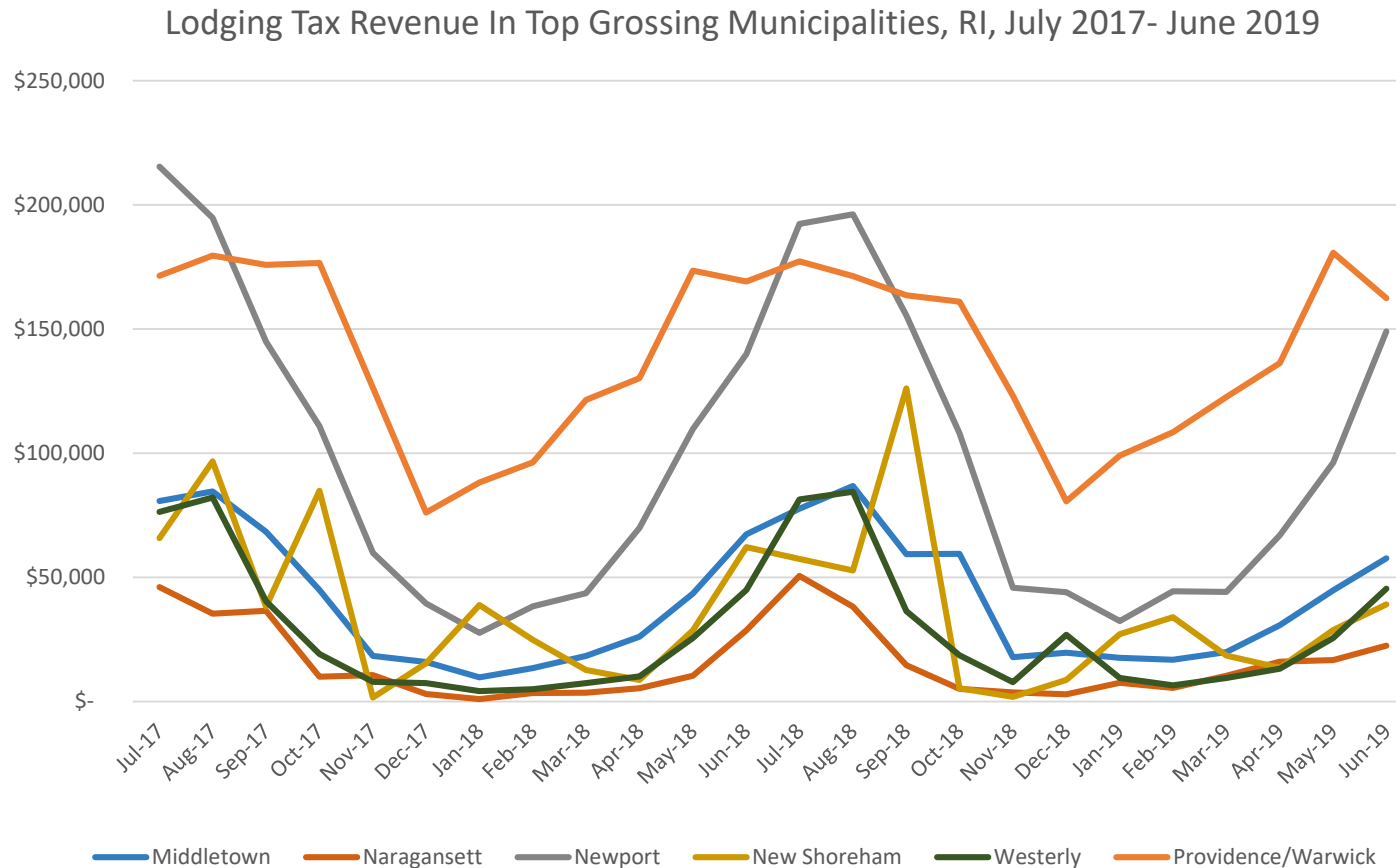
Source: STR

RevPAR % Change – RI



Source: STR

Seasonality- Rhode Island



- Biggest seasonal municipality is Newport, which ebbs and flows like a traditional beach market with the summer months.
- Providence and Warwick have the highest (least seasonal) trendlines, due to their business & government demand drivers
- Most summer seasonally affected towns are Newport, Westerly, Middletown, Narragansett, and New Shoreham (Block Island)

Source: Rhode Island Department of Revenue

Rhode Island Takeaways

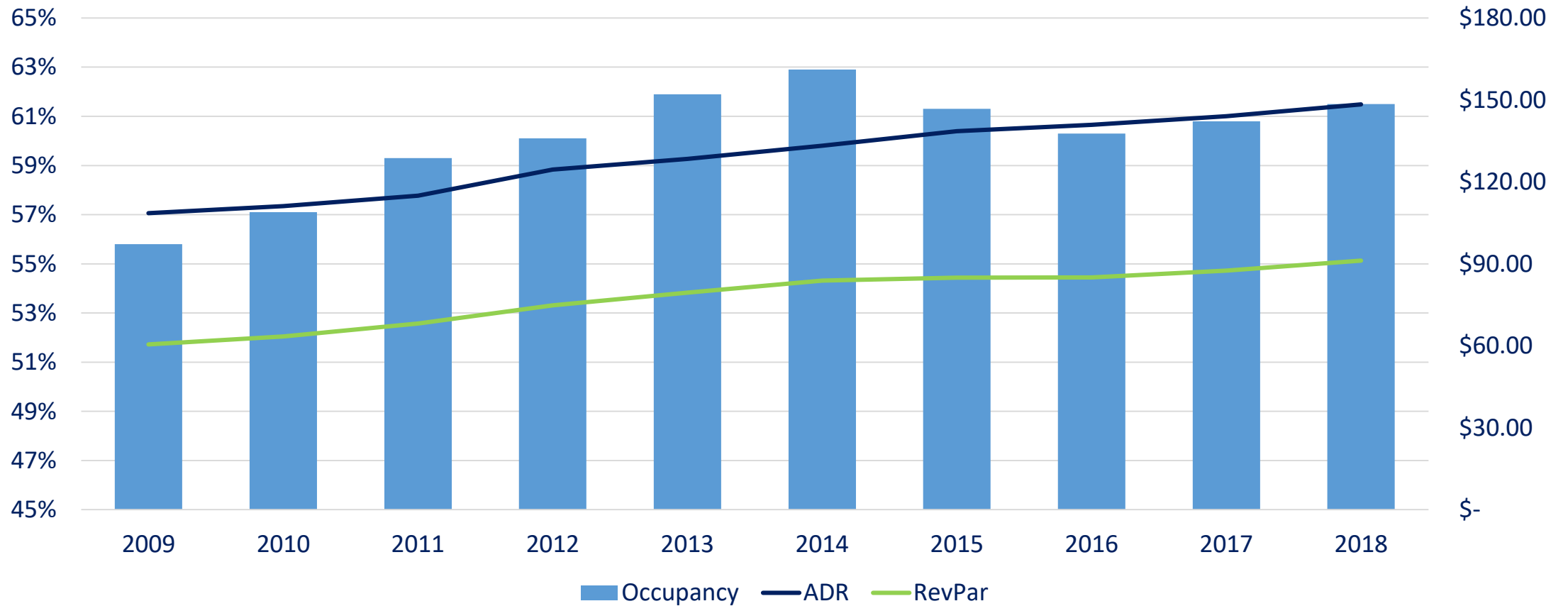
- Last publicly available tourism study conducted in 2017
- Rhode Island hosted 24.8 million visitors in 2017
- 99% were domestic travelers
- 91% were leisure travelers
- Lodging accounted for 18% of all visitor spending
- After a hiatus, Rhode Island resumed doing state-wide tourism marketing in 2016

Sources: Visit Rhode Island, RI.gov



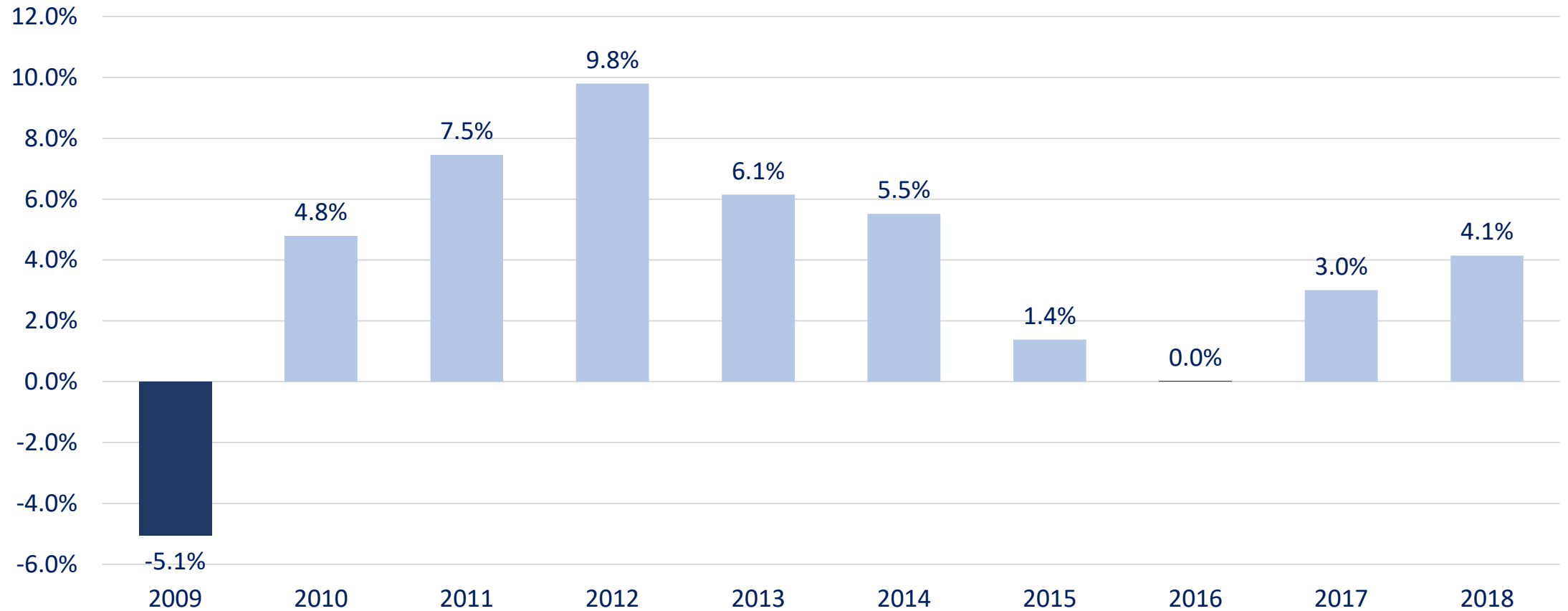
Vermont

Historic Market Performance – VT



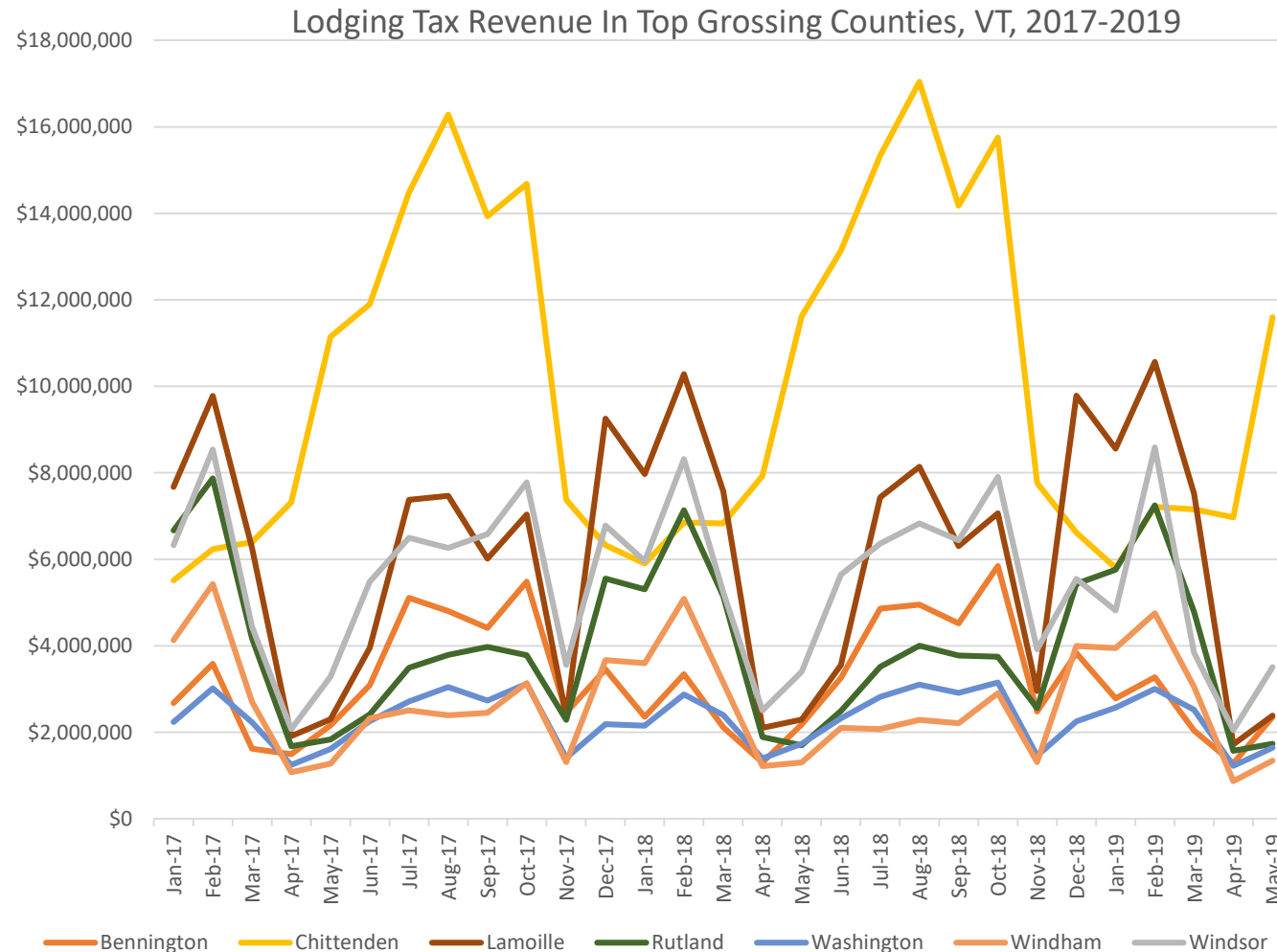
Source: STR

RevPAR % Change – VT



Source: STR

Seasonality- Vermont

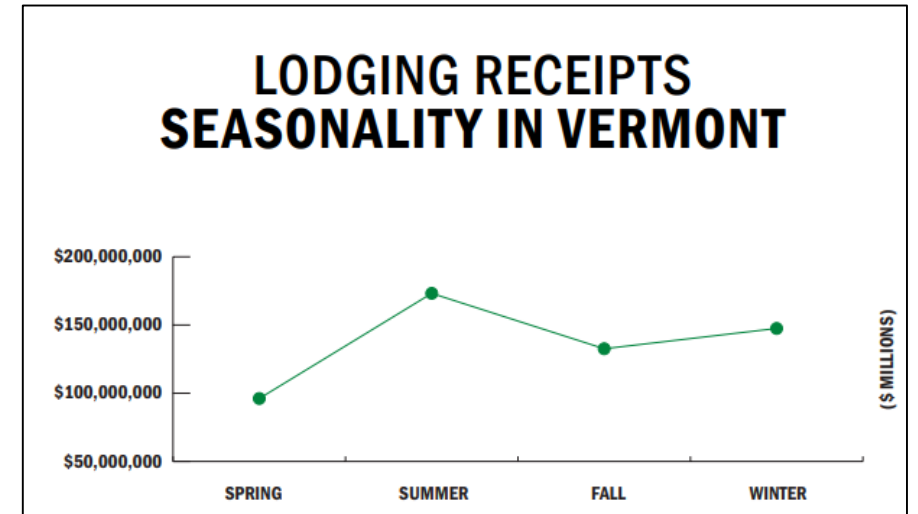


- Chittenden County (Burlington) is the largest market, and runs on a Summer cycle, with a slight 2nd peak for foliage in October
- Next 3 largest counties (Lamoille, Windsor, Rutland) include Ski area demand drivers (Stowe, Okemo and Killington, respectively) and which peak in December and February. These areas also see significant Summer demand, and have a 2nd peak in October for foliage
- Most counties have a variant or mixture of these two patterns, with lowest demand in April and November, between seasons.



Vermont Takeaways

- Vermont saw \$550 million in overnight lodging spend in 2017
- Top 3 domestic visiting states that year were
 1. Massachusetts
 2. New York
 3. Connecticut
- Vermont is one of the few Northeastern states with a strong winter season



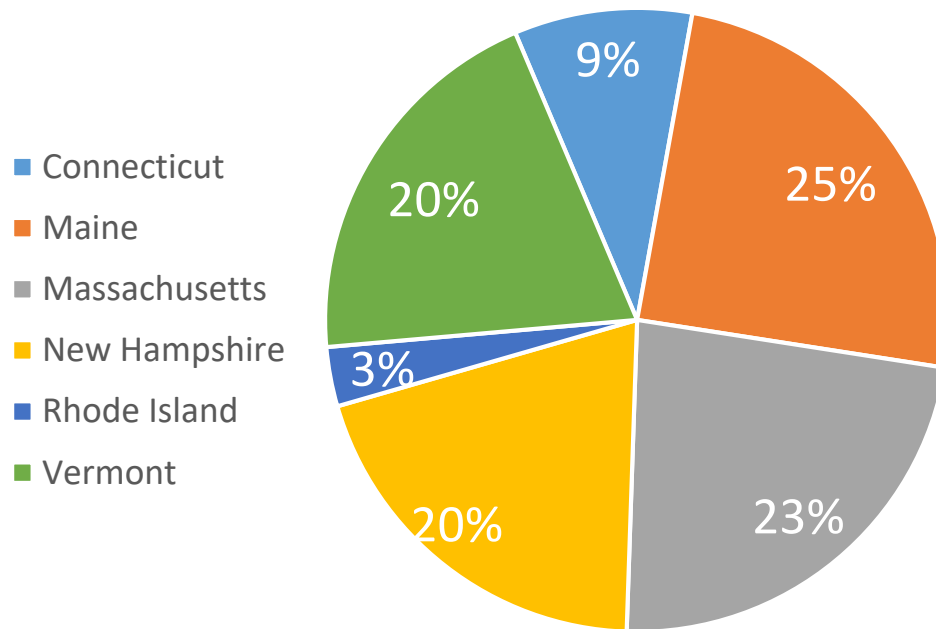
Sources: Vermont department of Tourism & Marketing 2017 Benchmark Report



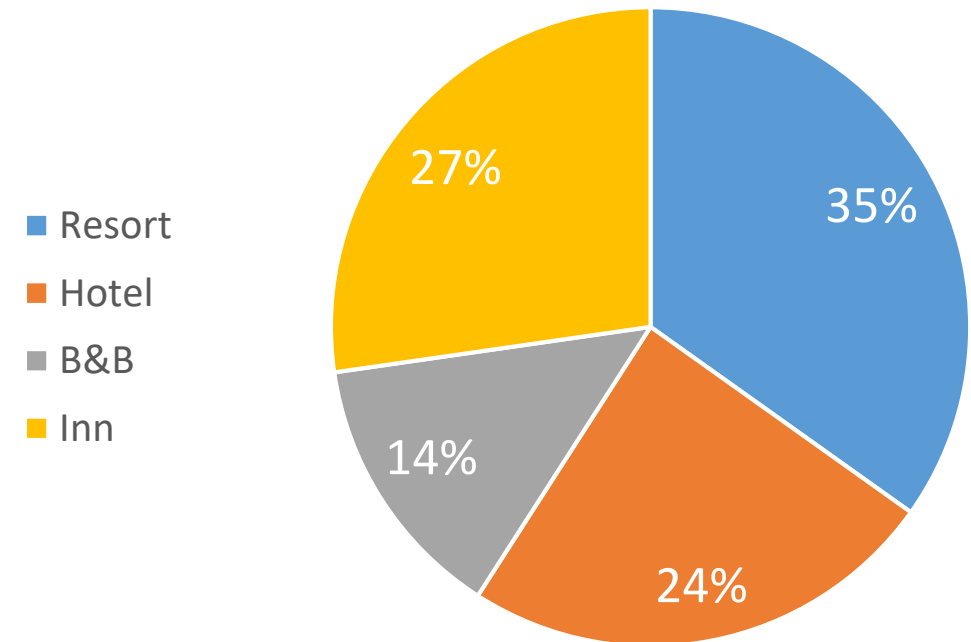
NEIRA Survey

Respondents Profile

Respondents By State

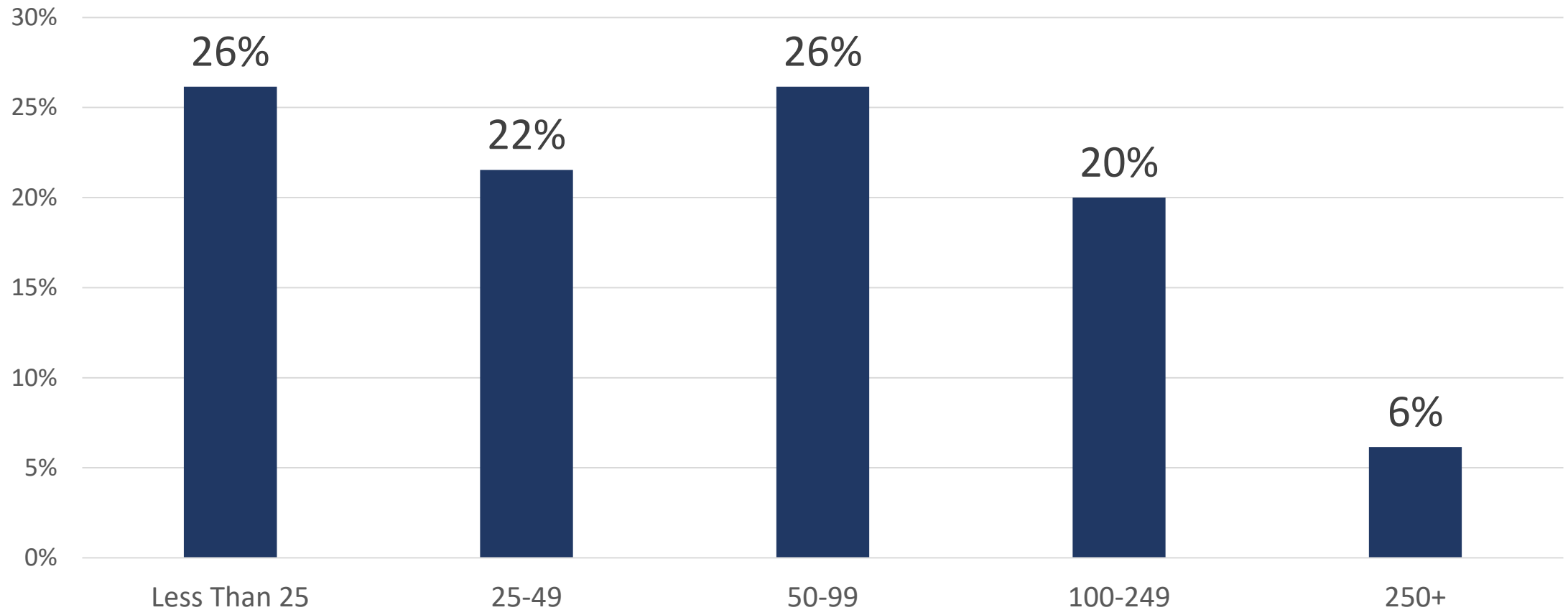


Property Type



Respondents Profile

Percentage of Respondents by Room Count



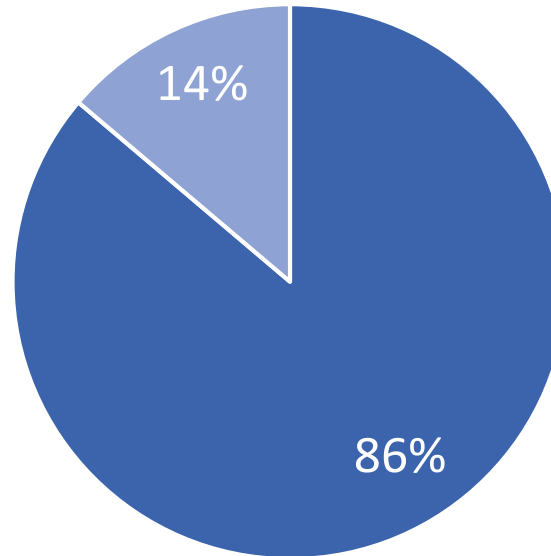
Respondents Profile

Location Type	Percentage Identifying
Small Town	54%
Ski / Mountain	32%
Ocean	31%
Other	15%
Lake	9%
Urban	7%
River	4%
Highway	1%

*Respondents were allowed choose multiple location identities

Respondents Profile

Total Room Supply Annual vs. Seasonal



■ Annual ■ Seasonal



Survey - KPI Trends

NEIRA Respondents – Key Operating Metrics

	2016		2017				2018			
Group	Occ	ADR	Occ	ADR	YoY Occ	YoY ADR	Occ	ADR	YoY Occ	YoY ADR
KPI Respondents	55%	\$ 243	57%	\$ 255	2%	5%	58%	\$ 264	2%	3%
Connecticut	56%	\$ 250	53%	\$ 266	-4%	6%	55%	\$ 283	3%	6%
Maine	64%	\$ 259	60%	\$ 278	-5%	8%	65%	\$ 289	7%	4%
Massachussets	49%	\$ 202	53%	\$ 212	10%	5%	55%	\$ 215	4%	2%
New Hampshire	54%	\$ 201	57%	\$ 202	6%	0%	55%	\$ 206	-4%	2%
Rhode Island	67%	\$ 373	63%	\$ 416	-6%	12%	61%	\$ 444	-3%	7%
Vermont	50%	\$ 231	53%	\$ 244	6%	6%	54%	\$ 251	2%	3%

*2 Outliers Removed from Sample

NEIRA Respondents – Key Operating Metrics

	2016		2017				2018			
Group	Occ	ADR	Occ	ADR	YoY Occ	YoY ADR	Occ	ADR	YoY Occ	YoY ADR
KPI Respondents	55%	\$ 243	57%	\$ 255	2%	5%	58%	\$ 264	2%	3%
<25	46%	\$ 188	46%	\$ 198	1%	5%	45%	\$ 209	-3%	6%
25-49	58%	\$ 273	60%	\$ 282	4%	4%	60%	\$ 291	0%	3%
50-99	54%	\$ 260	55%	\$ 271	0%	4%	56%	\$ 278	2%	3%
100+	57%	\$ 217	58%	\$ 233	1%	7%	61%	\$ 243	6%	5%

*2 Outliers Removed from Sample

NEIRA Respondents – Key Operating Metrics

	2016		2017				2018			
Group	Occ	ADR	Occ	ADR	YoY Occ	YoY ADR	Occ	ADR	YoY Occ	YoY ADR
KPI Respondents	55%	\$ 243	57%	\$ 255	2%	5%	58%	\$ 264	2%	3%
Annual Properties	54%	\$ 238	55%	\$ 250	2%	5%	57%	\$ 257	2%	3%
Seasonal Properties	71%	\$ 269	69%	\$ 287	-3%	7%	72%	\$ 312	4%	9%

*2 Outliers Removed from Sample

NEIRA Respondents – Key Operating Metrics

	2016		2017				2018			
Group	Occ	ADR	Occ	ADR	YoY Occ	YoY ADR	Occ	ADR	YoY Occ	YoY ADR
KPI Respondents	55%	\$ 243	57%	\$ 255	2%	5%	58%	\$ 264	2%	3%
Resort	56%	\$ 264	58%	\$ 280	4%	6%	60%	\$ 297	3%	6%
Hotel	54%	\$ 217	55%	\$ 201	2%	-8%	59%	\$ 205	6%	2%
B&B	42%	\$ 167	45%	\$ 175	6%	5%	43%	\$ 183	-4%	5%
Inn	59%	\$ 292	57%	\$ 309	-2%	6%	57%	\$ 318	-1%	3%

*2 Outliers Removed from Sample

NEIRA Respondents – Key Operating Metrics

	2016		2017				2018			
Group	Occ	ADR	Occ	ADR	YoY Occ	YoY ADR	Occ	ADR	YoY Occ	YoY ADR
KPI Respondents	55%	\$ 243	57%	\$ 255	2%	5%	58%	\$ 264	2%	3%
Lake	45%	\$ 226	43%	\$ 235	-4%	4%	46%	\$ 252	5%	7%
Ocean	59%	\$ 265	59%	\$ 279	0%	6%	60%	\$ 291	2%	4%
Ski / Mountain	56%	\$ 220	57%	\$ 232	3%	5%	58%	\$ 247	1%	6%
Small Town	56%	\$ 237	56%	\$ 247	0%	5%	58%	\$ 256	3%	4%
Urban	53%	\$ 184	62%	\$ 187	16%	1%	64%	\$ 187	4%	0%

*2 Outliers Removed from Sample

NEIRA Respondents – Key Operating Metrics

STR CAGR 2016-2018		
	Occupancy	ADR
United States	0.4%	1.6%
New England	0.8%	1.6%
Connecticut	0.8%	1.0%
Maine	0.8%	2.9%
Massachusetts	0.9%	1.2%
New Hampshire	1.4%	1.7%
Rhode Island	-0.5%	2.1%
Vermont	0.7%	1.7%

NEIRA CAGR 2016-2018		
	Occupancy	ADR
United States	0.4%	1.6%
NEIRA	1.4%	2.9%
Connecticut	-0.6%	4.1%
Maine	0.5%	3.7%
Massachusetts	4.4%	2.1%
New Hampshire	0.7%	0.7%
Rhode Island	-2.9%	6.0%
Vermont	2.6%	2.8%

**2 Outliers Removed from Sample*



NEIRA Respondents – Key Operating Metrics

Room Count	Occupancy CAGR 2016-2018	ADR CAGR 2016-2018
United States NEIRA	0.4% 1.4%	1.6% 2.9%
<25	-0.8%	3.5%
25-49	1.1%	2.2%
50-99	0.9%	2.2%
100+	2.4%	3.9%

**2 Outliers Removed from Sample*

NEIRA Respondents – Key Operating Metrics

Property Type	Occupancy CAGR	ADR CAGR
United States NEIRA	0.4%	1.6%
	1.4%	2.9%
Annual Summer	1.6%	2.5%
	0.4%	5.1%

**2 Outliers Removed from Sample*



NEIRA Respondents – Key Operating Metrics

Property Type	Occupancy CAGR	ADR CAGR
United States NEIRA	0.4%	1.6%
	1.4%	2.9%
Resort Hotel B&B Inn	2.2%	4.0%
	2.5%	2.1%
	0.7%	3.2%
	-1.2%	2.8%

**2 Outliers Removed from Sample*



NEIRA Respondents – Key Operating Metrics

Property Type	Occupancy CAGR 2016-2018	ADR CAGR 2016-2018
United States	0.4%	1.6%
NEIRA	1.4%	2.9%
Lake	0.1%	3.7%
Ocean	0.0%	6.3%
Ski / Mountain	1.4%	3.9%
Small Town	1.1%	2.7%
Urban	1.1%	0.5%

**2 Outliers Removed from Sample*



Survey - Facilities/Marketing

Amenity Trends

Amenity	Percentage Of Respondents With Amenity
Meeting space	80%
Kid-Friendly	70%
Fitness center	62%
Complimentary breakfast	58%
Swimming Pool	56%
Pet Friendly	50%
Eco-Friendly	41%
Spa	32%
Beach Access	24%
Cottage offering	24%
Skiing	20%
Golf	14%
Other	12%

Top Marketing Channels By Importance

What is your strongest marketing channel in terms of importance/ROI?	
Channel	Percentage of Respondents Identifying
Personal Website	48%
Web Ads	17%
Social Media	11%
Email	9%
OTAs	6%
PPC	3%
Other	3%
Word of Mouth	2%
Referral	2%



Business Mix

What percentage of your demand is repeat customers?	
customers	Percentage of Respondents Identifying
10-20%	9%
20-30%	54%
30-40%	0%
40-50%	15%
50-60%	11%
60-70%	11%





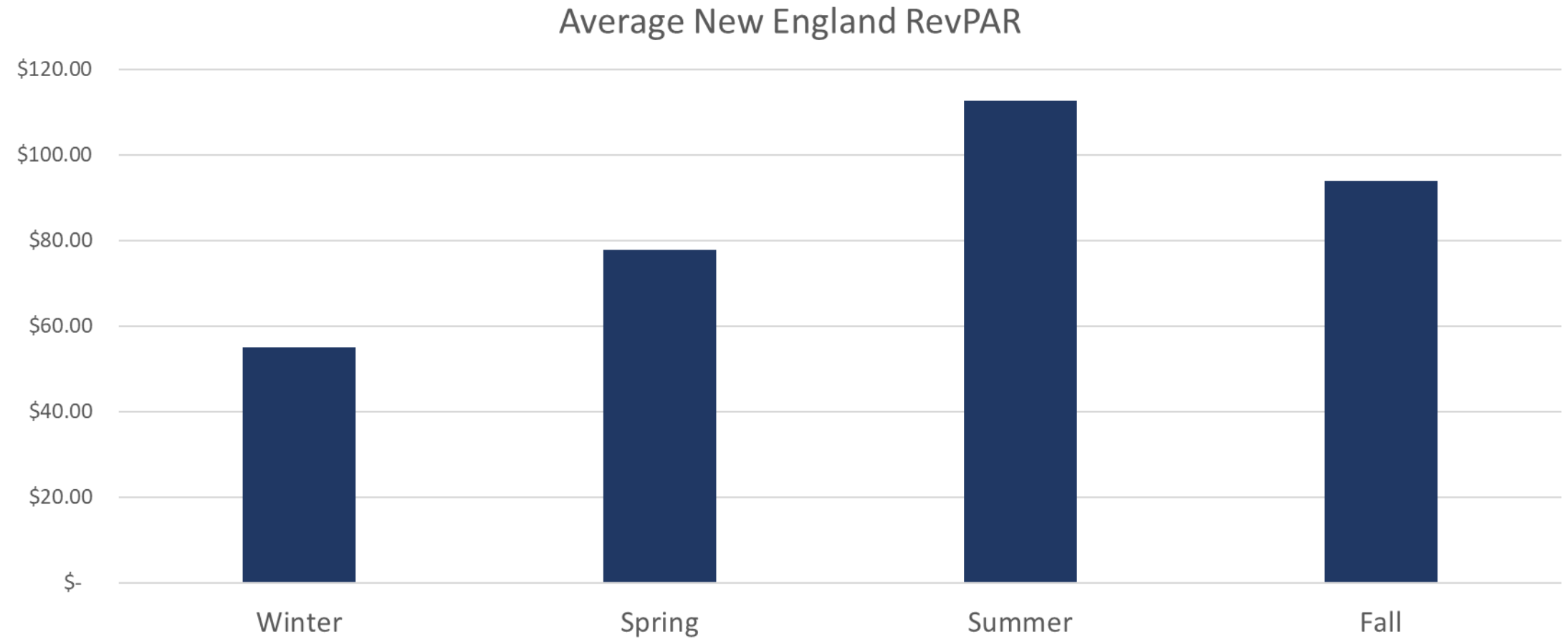
Survey - Business Mix

Business Mix

Estimated Seasonal Mix of Annual Revenue							
Season	<i>All</i>	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Winter	19%	10%	12%	16%	21%	7%	47%
Spring	18%	20%	18%	21%	16%	19%	8%
Summer	37%	36%	46%	35%	34%	53%	25%
Fall	26%	34%	23%	28%	29%	21%	20%



Business Mix



Business Mix

Estimated Business Mix By Demographic	
Demographic	Percentage of Business
Families	19.4%
Wedding / Social Group	18.2%
Seniors	17.9%
Corporate	15.4%
Millennials	13.1%
International	8.1%
Other	4.7%
Tour Groups	3.1%

Do you expect your business mix to change in 2020/2021?	
Yes	8%
No	92%





Survey - Length of Stay/Booking Window

Average Booking Window

2018	
Booking Window	Percent of Respondents
0-1 week	3%
1-2 weeks	15%
1-2 months	52%
3-6 months	28%
6-12 months	2%
12+ months	0%

2019		
Booking Window	Percent of Respondents	Vs. 2018
0-1 week	6%	↑
1-2 weeks	26%	↑
1-2 months	45%	↓
3-6 months	22%	↓
6-12 months	2%	→
12+ months	0%	→



Average Length of Stay

Length Of Stay	Percent of Respondents
1 night	9%
2 nights	65%
3-4 nights	22%
4-6 nights	5%



Survey - Outlook Questions

Outlook Questions

What is your general outlook for ADR growth in the next year?	
Positive	55%
Negative	9%
Neutral	35%

Outlook Questions

What is your general outlook for Occupancy growth in the next year?	
Positive	48%
Negative	11%
Neutral	42%

Outlook Questions

What is your general outlook on the hospitality labor environment in the next several years?	
Positive	12%
Negative	68%
Neutral	20%

Outlook Questions

Do you feel your business has been significantly affected by increases in online Vacation Rental inventory? (Airbnb, Homeaway, VRBO, etc.)	
Yes	45%
No	35%
Unsure	20%

Outlook Questions

Do you think the duration of your peak stay season in 2019 has:	
Increased	35%
Decreased	12%
Remained the same	49%
N/A	3%

Greatest Opportunities of 2019

- Economy/consumer confidence
- Regulation of Vacation Rentals, particularly Massachusetts
- Strong Economy leading to increased budgets across the board:
 - Capital improvements/renovation
 - More marketing spend
 - Upgrading PMS/CRS/CM
- Good PR/Press/Media appearances
- Partnering with new OTAs

Challenges & Concerns- 2019-2020

Top Challenges 2019	Identifying	Top Concerns 2020	Percent	Vs.
Staffing	32%	Staffing	28%	➡
Competition from Vacation Rentals	16%	Economy	22%	⬆
Weather/Climate	9%	Competition from Vacation Rentals	18%	⬇
New Supply	7%	Weather/Climate	14%	⬇
Marketing	7%	International Politics	10%	⬆
Shifting Traveler Demographics	7%	Marketing	9%	⬇
Other	7%	Shifting Traveler Demographics	9%	⬇
International Politics	5%	New Supply	9%	⬇
New Booking Technology	5%	New Booking Technology	4%	➡
Economy	4%	Other	1%	⬇



Other Challenges & Concerns- 2019-2020

- Taxes/Regulation
- Maintenance costs
- Rising loyalty programs
- Industry consolidation
- Lack of group demand
- Online presence (Google)
- Visa Programs
- OTA commission



Questions?

Pinnacle Advisory Group

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