



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

Economic Outlook Breakfast

September 9, 2020

The State of the Hospitality Industry in Rhode Island

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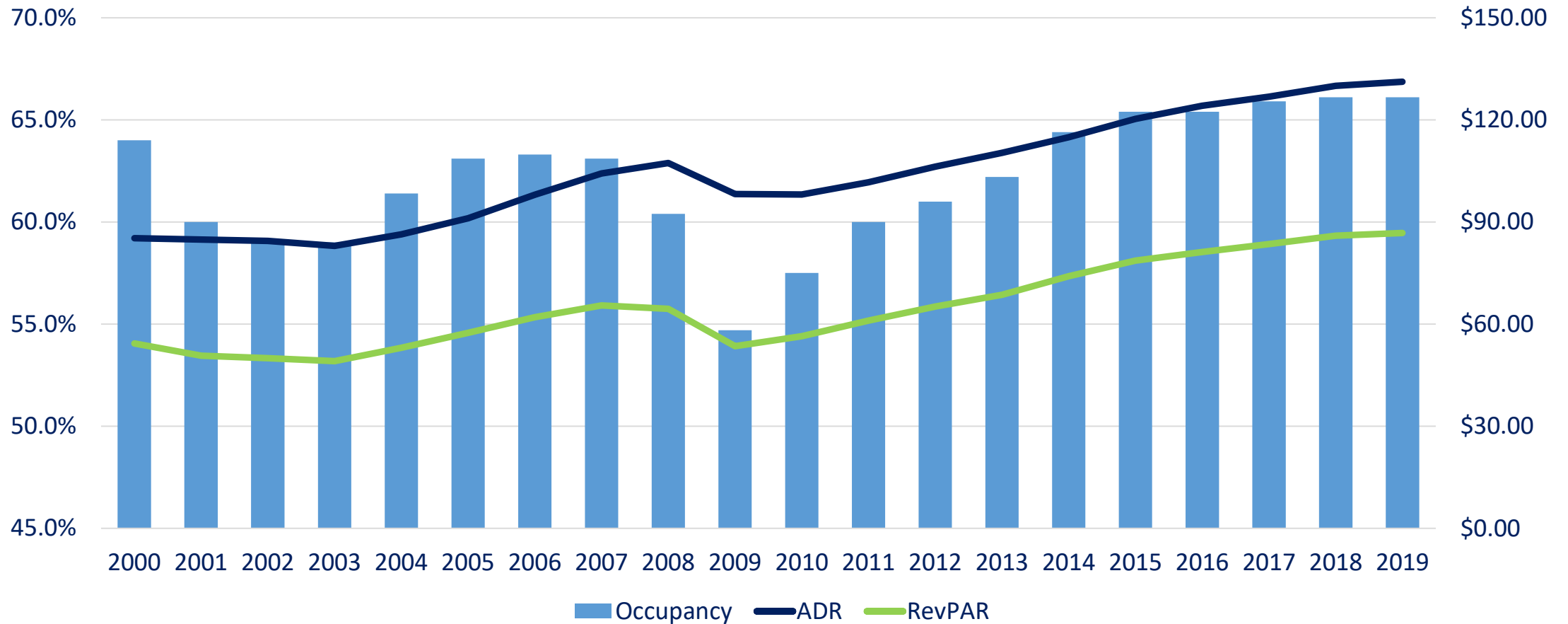
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NATIONAL LODGING MARKET

Historic Market Performance – National



Source: STR

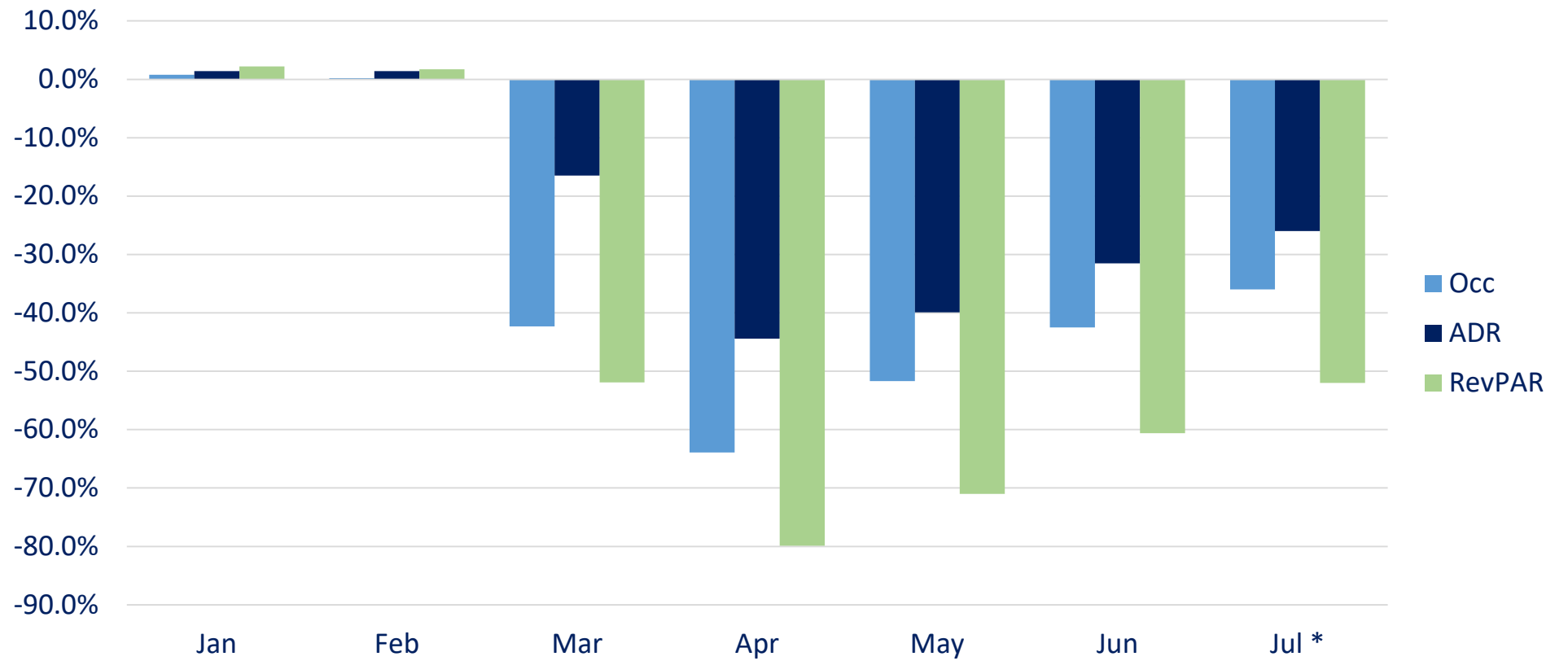
YTD July 2020 – National

-38.4%
Occupancy

-18.1%
ADR

-49.6%
RevPAR

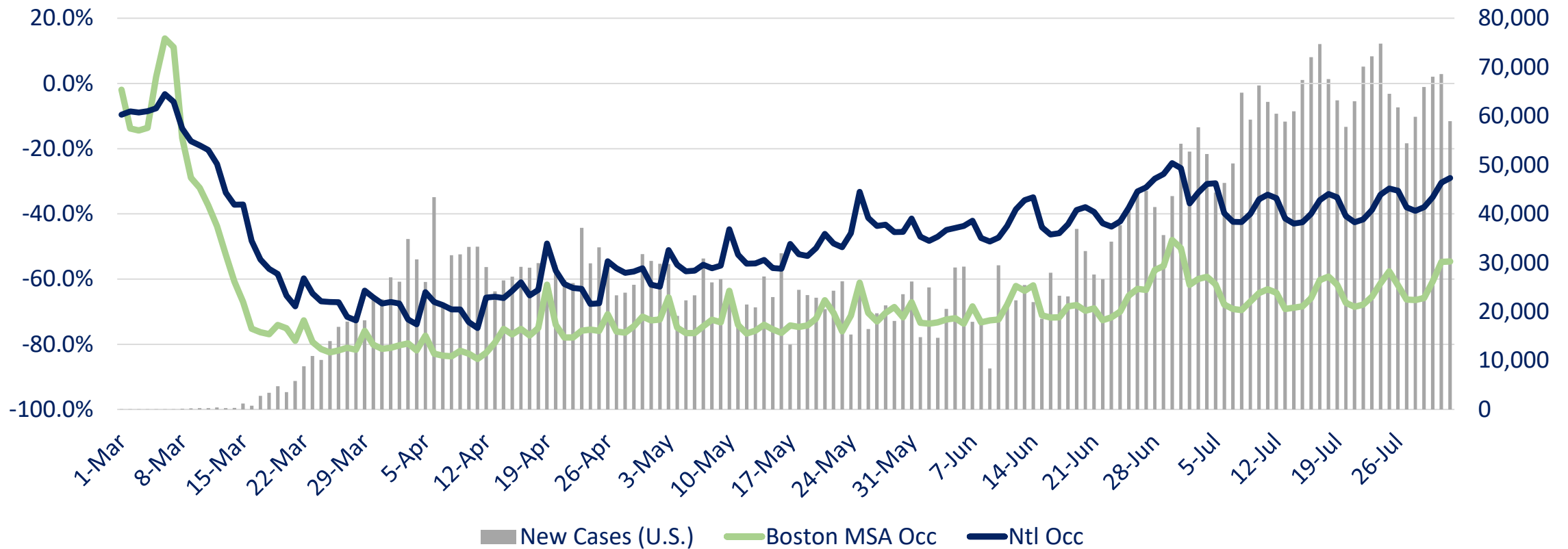
2020 US Performance by Month



* Preliminary July figures
Source: STR

March to July - National

Hotel Occ YOY % Change vs. New COVID-19 Cases



Source: STR, Centers for Disease Control and Prevention



General 2020 Trends – National

- New SOPs addressing hygiene and disinfection, employee training, F&B safety, technology, public spaces and capacities, etc. Increase in operating expenses while providing customers confidence in cleanliness and safety.
- The U.S. had 2.8m and 2.4m foreign visitors in January and February respectively. Between April and June, the monthly totals were less than 40,000. This is will hurt gateway markets and larger cities disproportionately.
- State-led policies for hotels and restaurants have created a patchwork of guidelines difficult for both operators and consumers to understand.
- The lower-rated properties, such as economy and midscale, continue to outperform full-service hotels. Given these very low occupancies, and no compression to drive premiums, properties have very little pricing power. The ADR and RevPAR declines are steepest within the full-service hotel scale.
- Year-to-date through June, demand at urban hotels has seen a steeper decline in RevPAR (-48%) when compared to suburban market (-33%). Although still facing steep declines, interstate market has seen the least impact (-28%).
- According to STR, roughly one in four luxury rooms and about one in five upper-upscale rooms are closed. Many owners are waiting for demand levels to increase before reopening which will ultimately drive down occupancies.



Forward Looking Trends – National

- After years of a 'cautiously optimistic' tone, it is now a tone of concern with little clarity. Underlining hope for a vaccine and pent up demand.
- Economic free fall began in Q1. Driven by layoffs and furloughs within the hospitality and tourism industry (7.7 million), April recorded the worst month of job losses in modern history. High unemployment rates negatively impact income and consumer confidence and as a result limit travel activity.
- Regional outbreaks, like those seen this summer in the south and west, are expected to continue through Q1 2021 if not further. Successful containment of COVID-19 is necessary for an economic recovery.
- International, group, and corporate travel will be impacted significantly, especially in the top-25 markets. Group is typically the slowest segment to recover. Leisure travel will return in moderation with emphasis on regional, drive-to-destinations.
- Room rates will remain significantly depressed and slow to recover. Travelers will insist on lower rates given low occupancy and lack of sell outs. And higher rates that are typically driven by compression will be generally non existent.
- Construction delays and abandoned starts will reduce the amount of new supply entering the market. Additionally there will be an increase in permanent closures and conversions to alternative uses as hotels face increased financial pressure.
- Due to its severity, this recession is expected to take longer to recover than the last two recessions. The longer the current circumstances continue, the longer the recovery is likely to take.



Industry Projections – National

2020

	STR	PWC	CBRE
Occupancy	-39.7%	-41.4%	-38.0%
ADR	-20.9%	-19.9%	-22.5%
RevPAR	-52.3%	-53.1%	-51.9%

2021

	STR	PWC	CBRE
Occupancy	30.5%	49.9%	36.3%
ADR	5.6%	10.6%	8.9%
RevPAR	37.9%	65.9%	48.4%

Source: STR (8/13), PWC (5/27), CBRE (7/1)

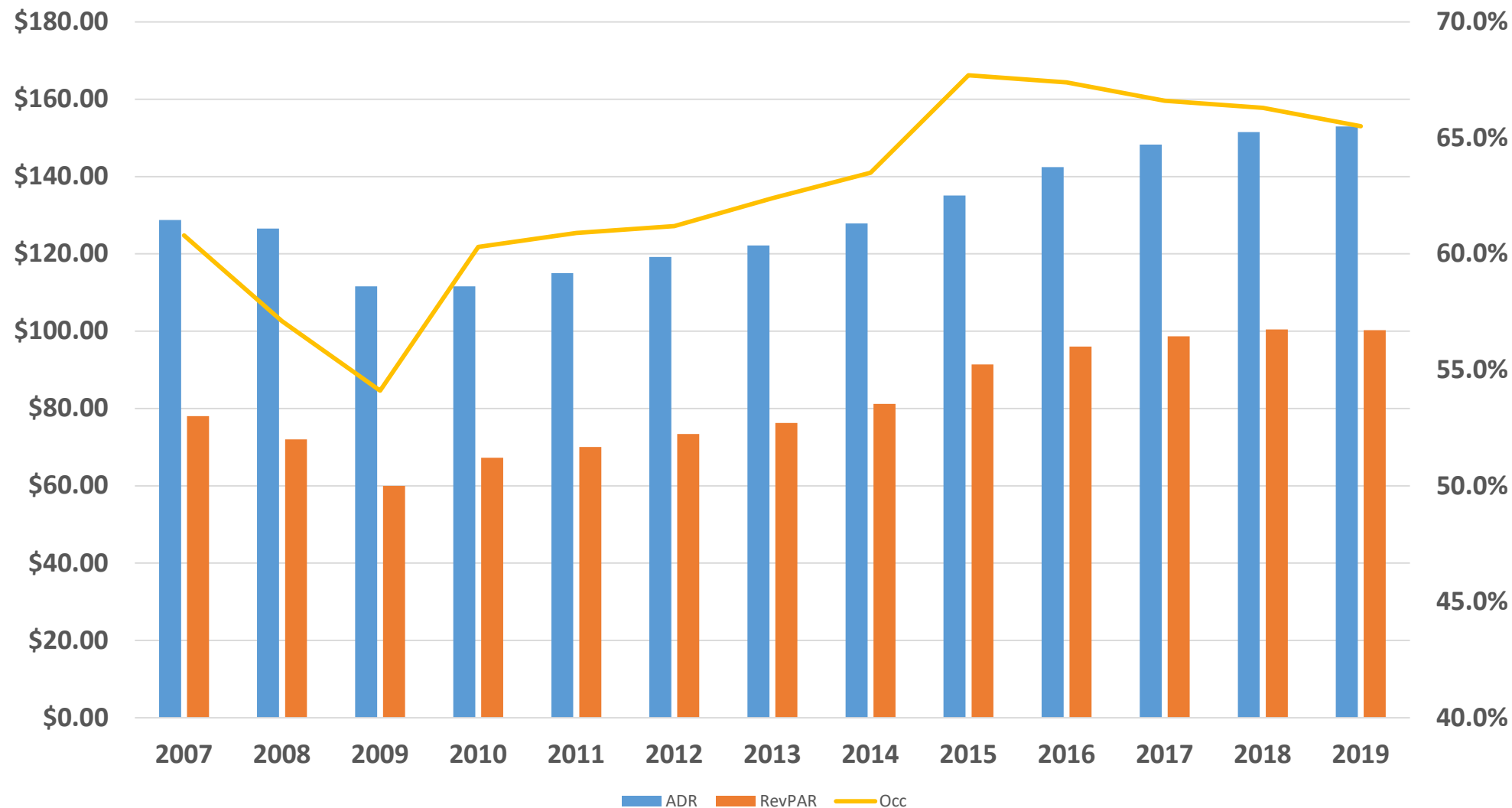
* STR & CBRE reflect total-room inventory methodology, assuming no temporary hotel closures



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 2007-2019



Source: Smith Travel Research

Rhode Island Year-to-Date July 2020

	JULY 2019	JULY 2020
Occupancy	64.1%	36.9%
ADR	\$148.85	\$120.30
RevPAR	\$95.41	\$44.39

Source: STR

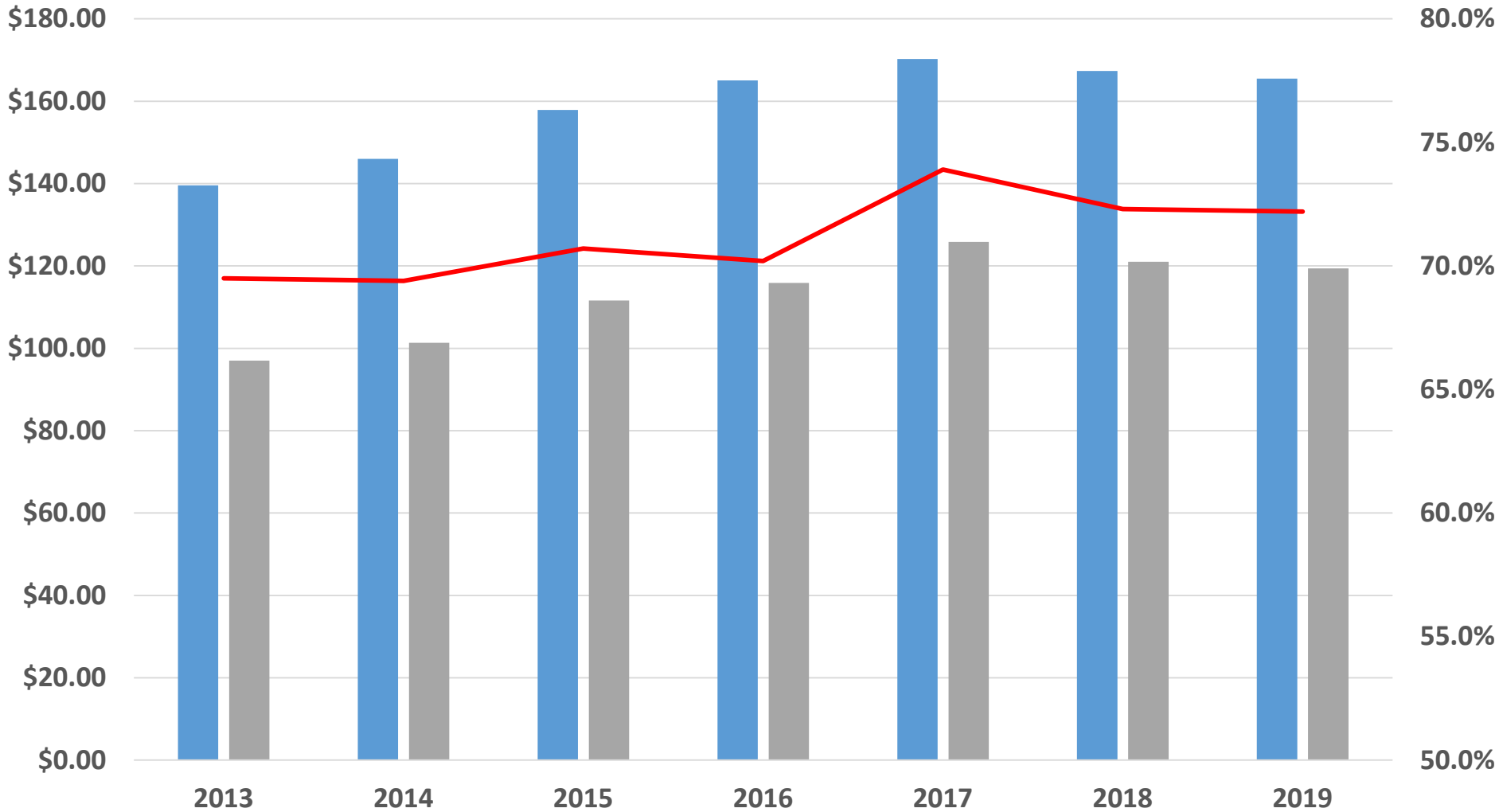
REVPAR PERFORMANCE VARIES:

RI RevPar -(53.5)%
MA RevPar-(65.7)%
NY RevPar -(61.3)%
DC RevPar - (70.5%)

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 2013-2019



Source: STR

ADR RevPAR Occ

Providence YTD July 2020

	2019	2020
Occupancy	71.5%	34.2%
ADR	\$166.54	\$134.99
RevPAR	\$119.12	\$46.11

RevPar :
Down (61.3)%
OCC :
Down (52.2)%

RevPAR July YTD
(MSA):
Boston (71.3)%
Philadelphia (57.3)%
Washington DC
(63.7%)
NYC (65.4)%

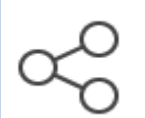
Providence - Future



Convention



Office Market



Other Demand Factors



New Supply



Projections

Providence Convention Tap Report July 31, 2020

- 2020 Definite Rooms are at 43% of pace target.
- At this point last year 2020 was at 126% of the pace target.
- There are still definite room nights on the books for September, October and December but it likely that they just have not cancelled yet.
- 2021 looks very strong – 123% of pace. This is likely to drop as Center has not announced a re-opening date. Expect to have to remove 10 conventions and other groups to downsize.
- In 2021 January, February, May and August are the only months behind pace. July and December are the strongest at 222% and 455% of pace, respectively.

CVB – Other Comments

- Since March 2020, Providence and Warwick lost \$45.7m in direct spending for group market.
- Group Pace –2021 looks great but will slide with cancellations.
- 2022 is still soft at only 85% of pace
- Some citywide are trending to more midsized meetings requiring less rooms.
- There appears to be a lot of pent up demand, however groups are reluctant to commit

Providence Other Factors



Corporate Travel: Significantly reduced in 2020 and 2021



Economic Outlook: 2020 – grim; 2021 will improve

Universities: Will continue to struggle due to Covid

Tourist Attractions: Closed or reduced visitation



New Lodging Supply:

Aloft Providence – 175 rooms – Oct. 2021

Beatrice Hotel – 48 rooms - 2021

Providence – Projections

Projections

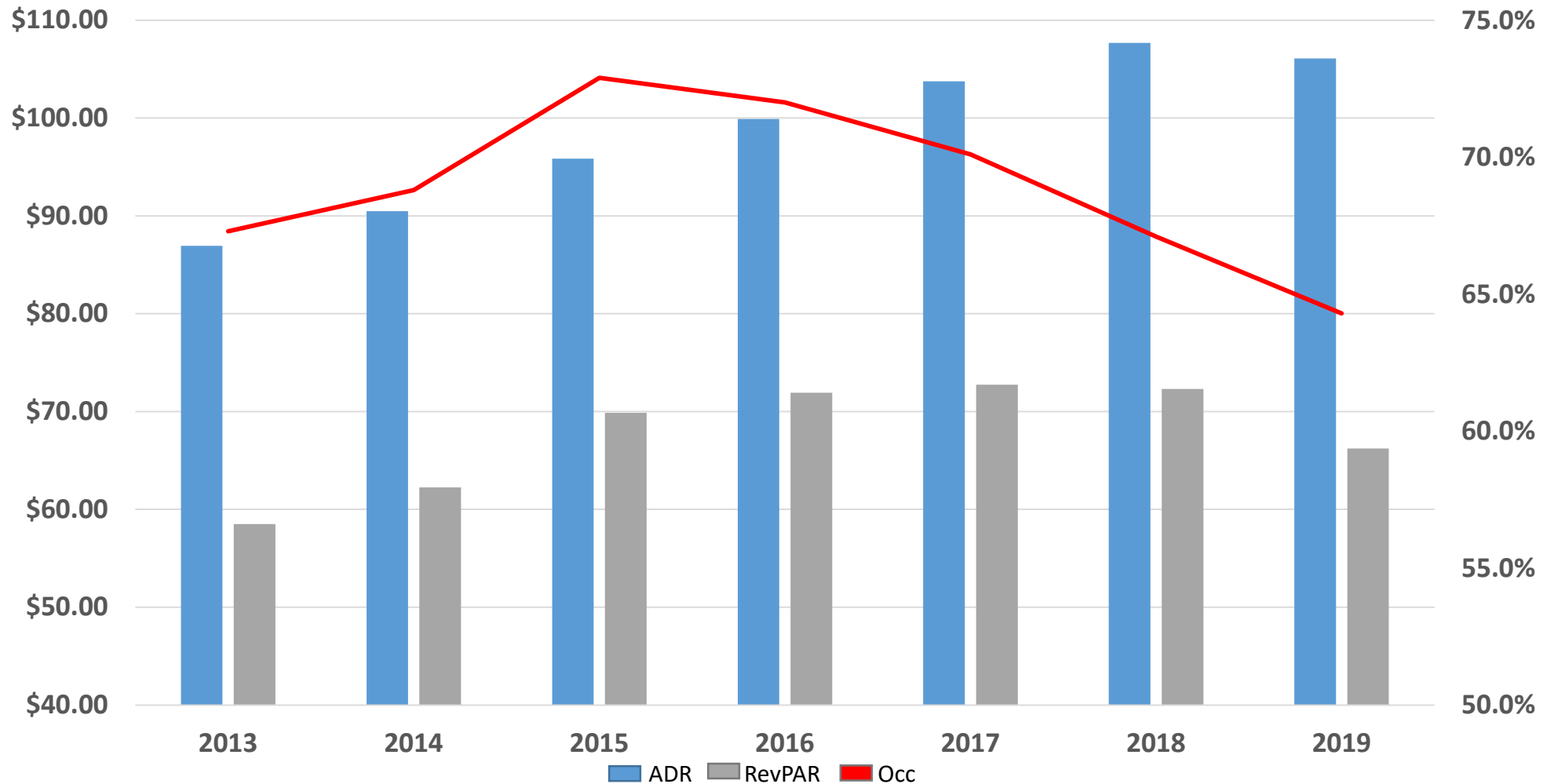
2020: 32% @ \$124: RevPAR-\$39.68

2021: 55% @ \$142: RevPAR- \$78.10

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 2013-2019



Source: Smith Travel Research

Warwick YTD July 2020

	<u>2019</u>	<u>2020</u>
OCCUPANCY	63.6%	44.4%
ADR	\$105.60	\$91.99
RevPAR	\$67.16	\$40.89

**Occupancy: Down (30.1)%
ADR: Down (12.9)%
RevPAR: Down (39.1)%**

Warwick – Future

Unemployment: 12.6% in July 2020

Airport Factors: April 2020 Passengers – 97% decline

Office Market: Work from home; travel restrictions

New Lodging Supply - None

Other: No compression from Providence

Economy: Poor

Projections

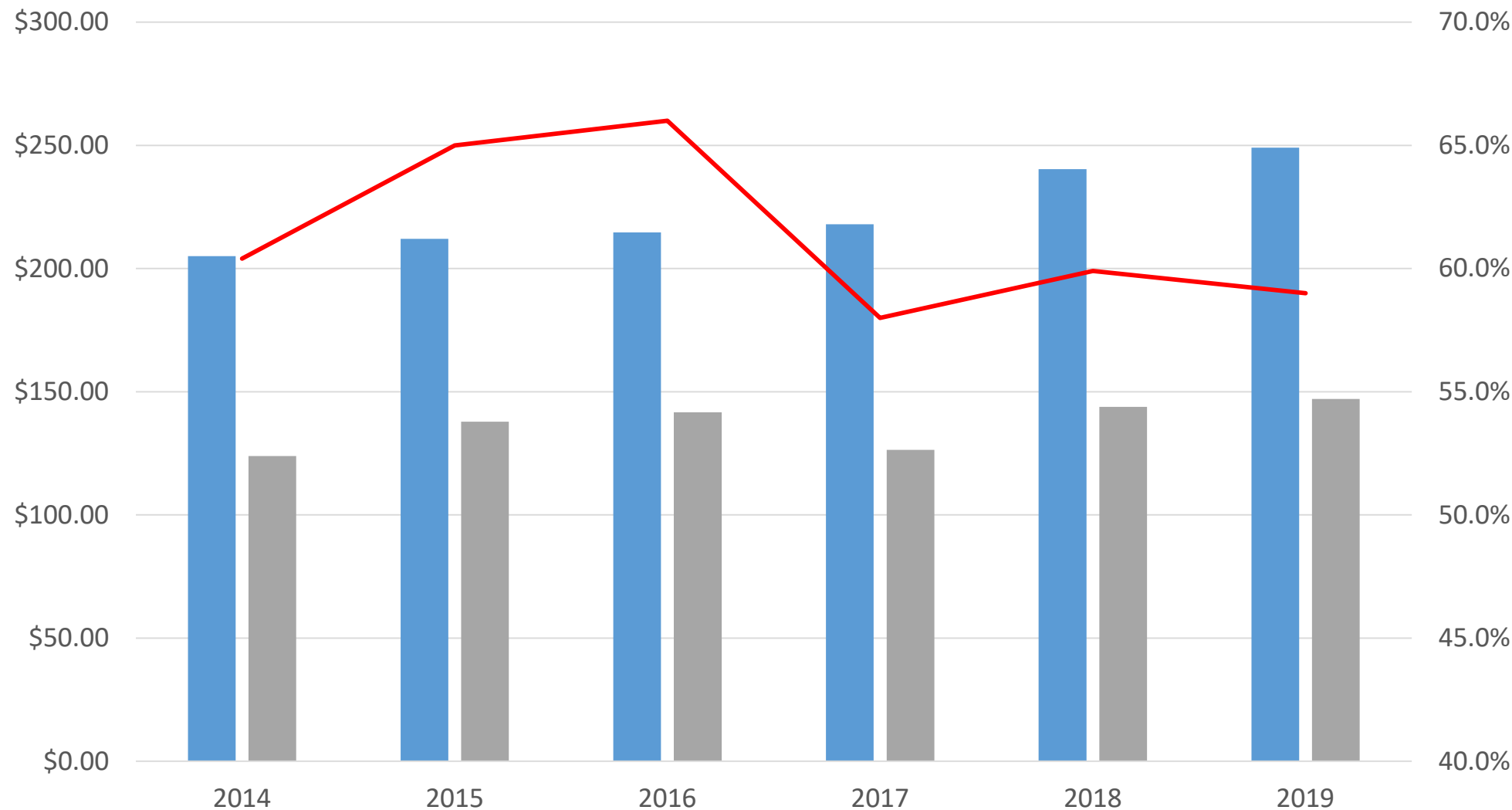
2020: 42% @ \$90.00:
RevPAR-\$37.80

2021: 56% @ \$95.00:
RevPAR- \$53.20

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 2014-2019



Source: Smith Travel Research

ADR RevPAR Occ

Newport YTD July 2020

	<u>2019</u>	<u>2020</u>
Occupancy	56.1%	33.3%
ADR	\$234.09	\$202.74
RevPAR	\$131.41	\$67.56

**Occupancy: Down (40.6)%
ADR: Down (13.4)%
RevPAR: Down (48.6)%**

Source: Smith Travel Research

Newport – Future

International Visitor: Gone for 2020

Group/Meeting/Events: Minimal for 2020; Returns summer 2021 with a vaccine?

Drive to Market: Transient visitors; Weather dependent; Strong weekends

Rate integrity: Strong on weekends; offering discounts mid week.

New Supply

84 rooms - Hammetts Wharf (late June)

57 rooms - Brentons (late July)

197 room Wayfinder conversion from Mainstay Hotel

Projections

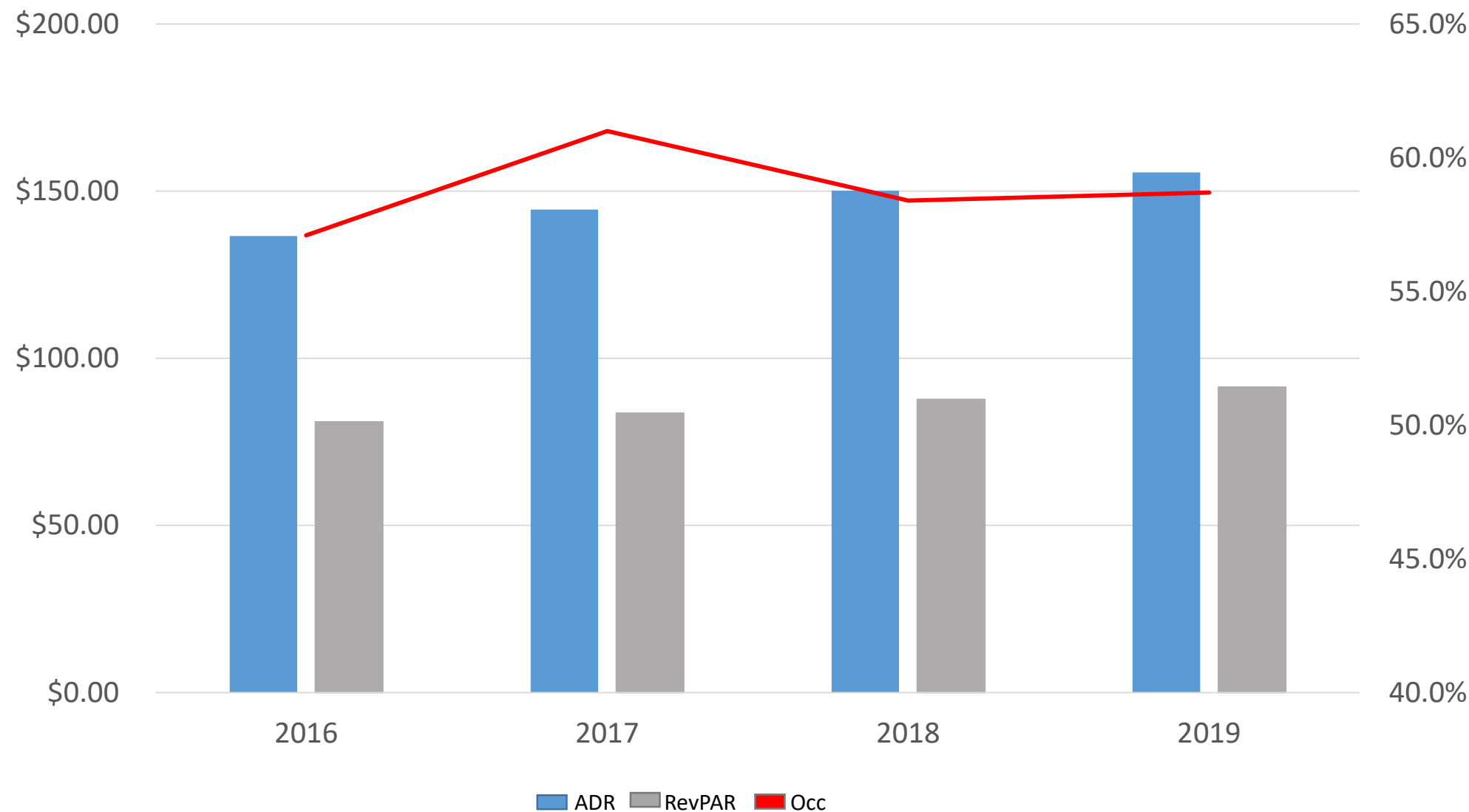
2020: 37% @ \$203: RevPAR-\$75.11

2021: 45%-50% @ \$220-\$230: RevPAR- \$99-\$115

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 2016-2019



Source: Smith Travel Research

Middletown YTD July 2020

	<u>2019</u>	<u>2020</u>
Occupancy	56.3%	36.0%
ADR	\$148.48	\$124.04
RevPAR	\$83.58	\$44.60

**Occupancy – Down
(36.1)%
ADR – Down (16.5)%
RevPAR – Down (46.6)%**

Middletown – Future

Remains a Price Alternative for Newport

Corporate transient: Less demand

Group: 2020 – Limited group demand;
2021 will depend on a vaccine?

Projections

2020: 38% @ \$128: RevPAR-\$48.64

2021: 46%-51% @ \$138-\$143: RevPAR- \$63-\$73

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