

Massachusetts Lodging Association OUTLOOK 2022

July 29, 2021



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Today's Agenda

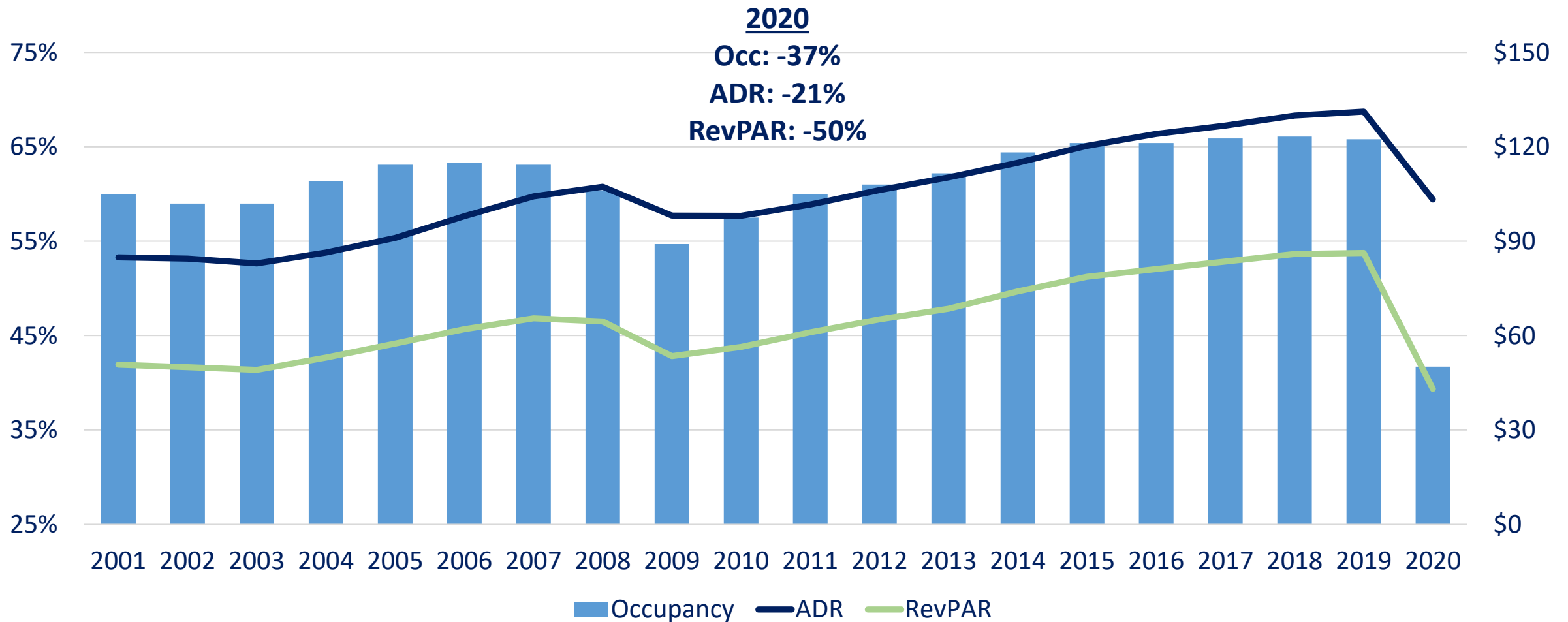
- 1. National Lodging Market**
- 2. Suburban Boston Market**
- 3. Boston & Cambridge Market**





NATIONAL LODGING MARKET

Historic Market Performance – National



* 2020 reflects Total Room Inventory
Source: STR

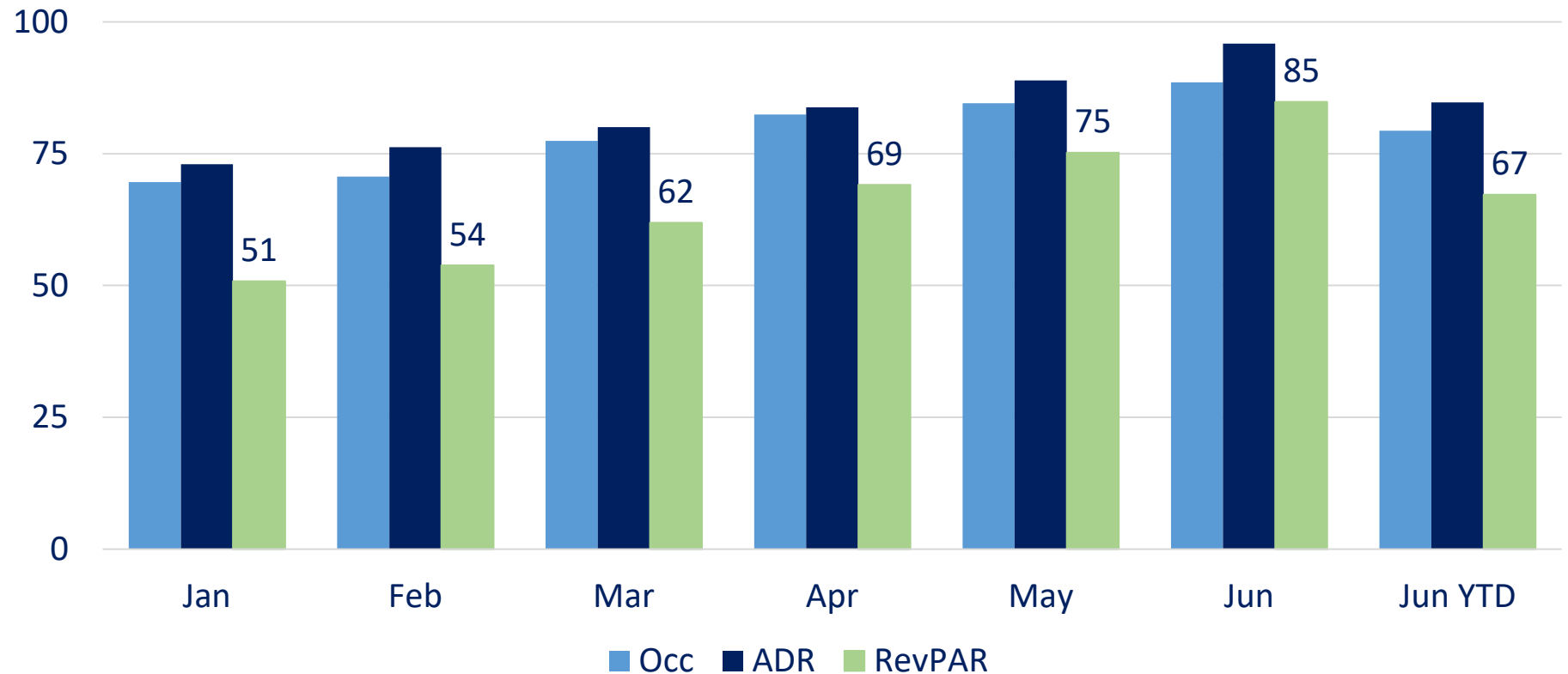
YTD June 2021 – National

52.2%
Occupancy

\$111
ADR

\$58
RevPAR

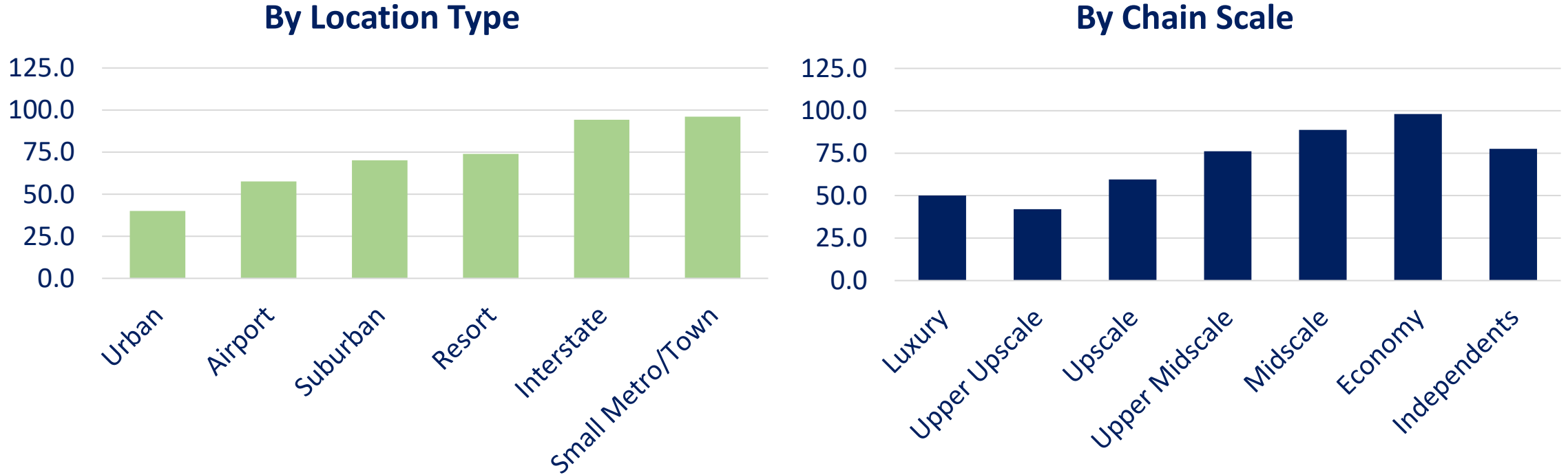
2021 Monthly Performance, Indexed to 2019



* 2021 reflects Total Room Inventory
Source: STR

An Uneven Recovery - National

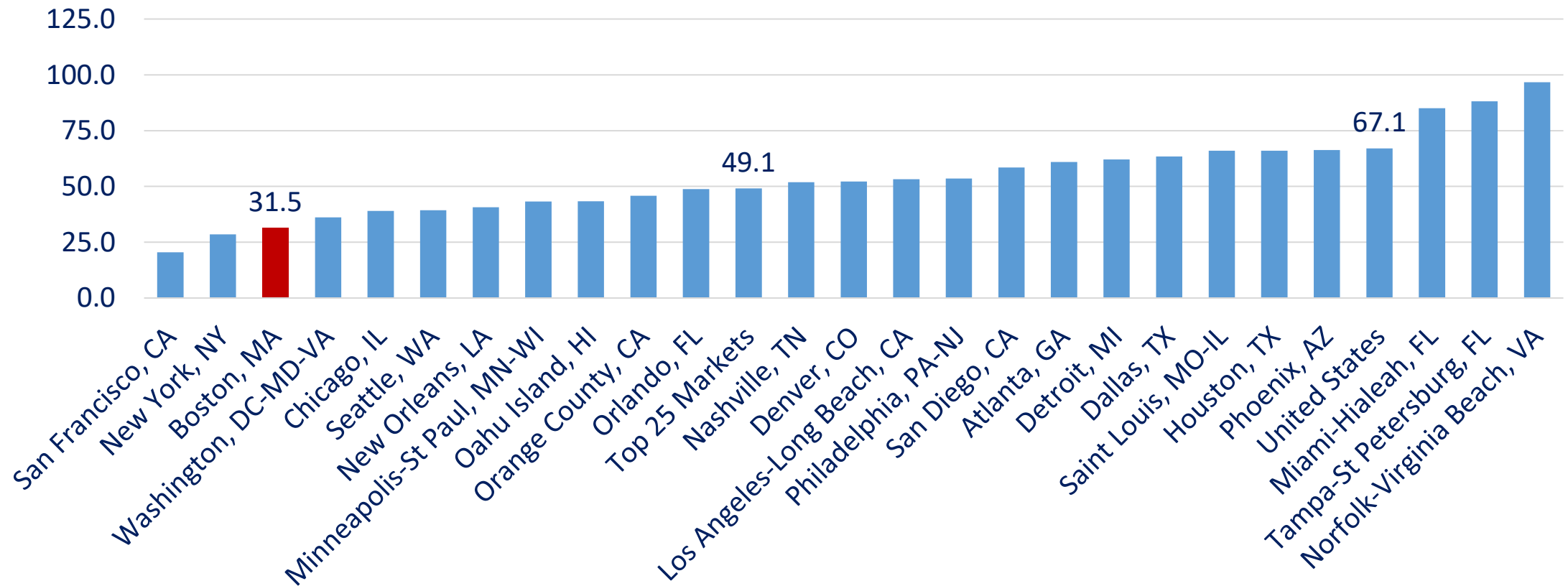
YTD June 2021 RevPAR, Indexed to 2019



* 2021 reflects Total Room Inventory
Source: STR

Top-25 Markets

YTD June 2021 RevPAR, Indexed to 2019



* 2021 reflects Total Room Inventory

Source: STR



Current Trends – National

- **Leisure Travel Boom!**
- **The Return of Corporate**
- **Group Demand's New Mix**
- **Leisure Driven ADR**
- **Corporate Room Rates**
- **Supply Growth**



Current Trends – National

Other Hot Topics:

- Delta Variant
- A Fall Stall?
- Reopening for International
- Operating Lessons and Brand Driven Standards
- Other Issues



Industry Projections – National, YOY % Change

2021

	STR	PWC	CBRE
Occupancy	28.1%	29.8%	21.2%
ADR	6.3%	8.0%	4.3%
RevPAR	36.2%	40.1%	26.4%

2022

	STR	PWC	CBRE
Occupancy	12.8%	8.1%	11.4%
ADR	7.2%	6.6%	11.4%
RevPAR	20.9%	15.2%	24.1%

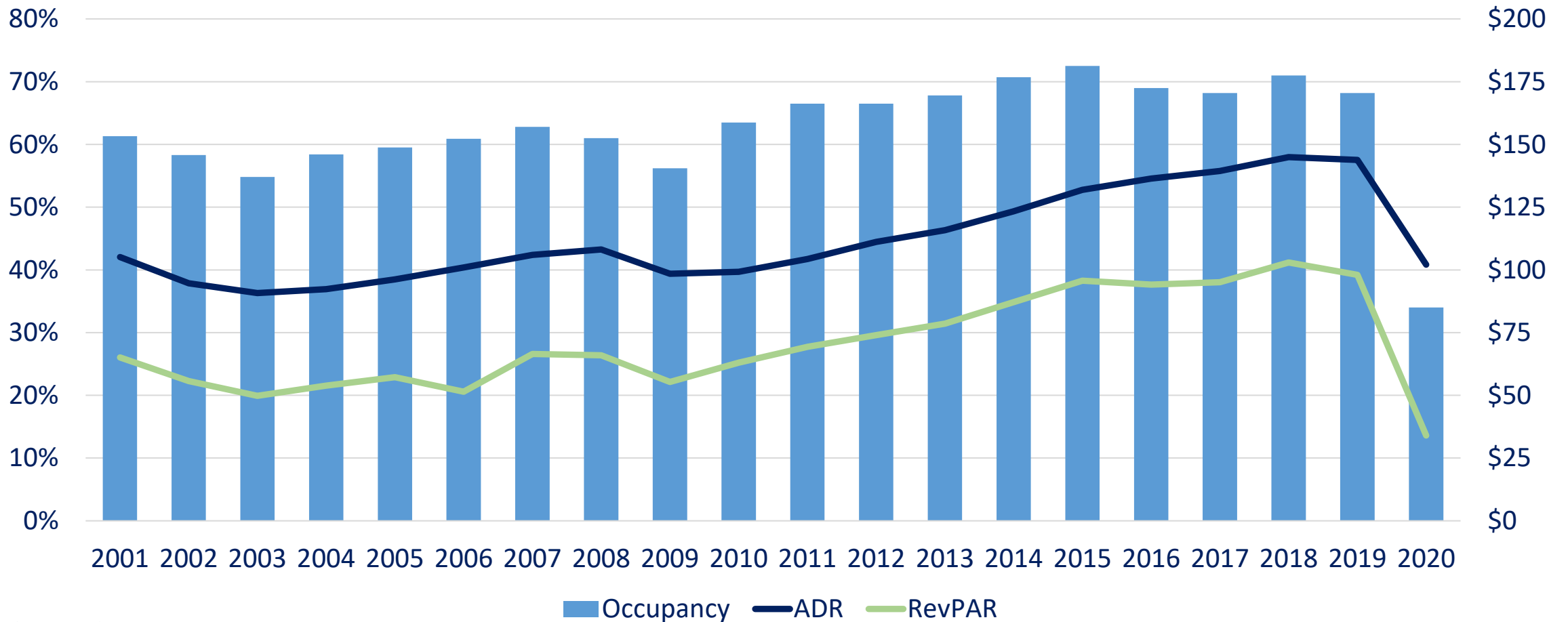
Source: STR (Jun), PWC (May), CBRE (Q1 2021)





SUBURBAN BOSTON LODGING MARKET

Suburban Boston Historic Performance

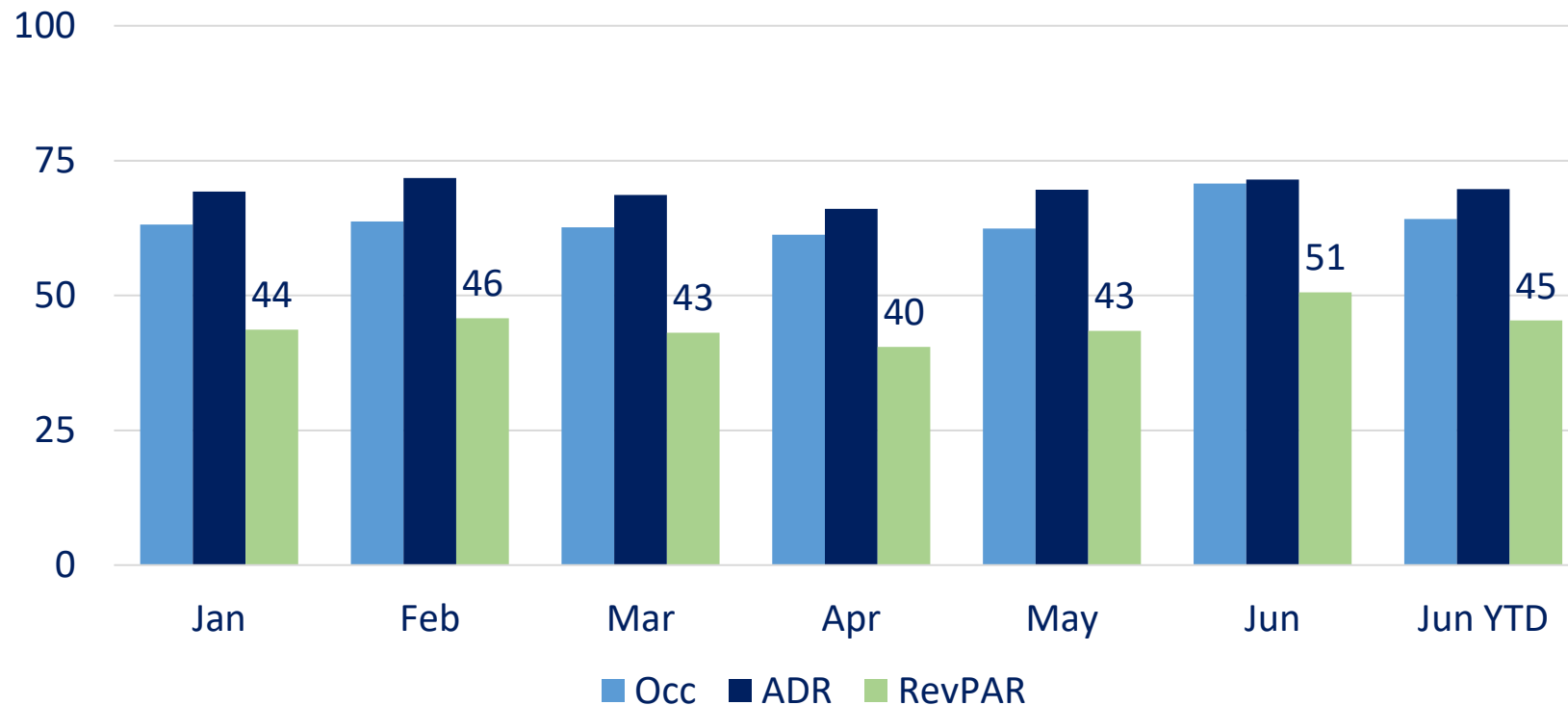


* 2020 reflects total room inventory

Source: STR

YTD June 2021 – Suburban Boston

2021 Monthly Performance, Indexed to 2019



42.1%
Occupancy

\$99
ADR

\$42
RevPAR

* 2020 reflects total room inventory
Source: STR

Suburban Boston New Supply 2021

Hotel	City	Scale	Rms	Opening
Hampton Inn & Suites Watertown	Watertown	Upper Midscale	146	Feb
Hilton Garden Inn Brookline	Brookline	Upscale	174	Apr
Hyatt Place Braintree (reopening)	Braintree	Upscale	204	May
Hilton Garden Inn Canton	Canton	Upscale	138	Jun
Fairfield Inn Medford (dual)	Medford	Upper Midscale	84	Jul
TownePlace Suites Medford (dual)	Medford	Upper Midscale	72	Jul

+1.8%
Supply Increase
in 2021

*Source: Various Sources, Compiled by Pinnacle Advisory Group
Projected changes to supply do not reflect temporary closures*

Suburban Boston New Supply 2022

Hotel	City	Scale	Rms	Opening
The Beacon Street Hotel	Somerville	Independent	35	Q1
SpringHill Suites Revere	Revere	Upscale	168	Q1
Cambria Somerville	Somerville	Upscale	163	Q1
Home2 Plymouth	Plymouth	Upscale	101	Q4

+1.3%
Supply Increase
in 2022

Opening dates are subject to change.

Source: Various Sources, Compiled by Pinnacle Advisory Group

Suburban Boston Office Markets, Q2 2021

	Inventory (SF)	Vacancy	YTD Absorption (SF)	Under Construction (SF)
Inner Suburbs	5.4 M	15.4%	29,000	379,000
Route 128	61.4 M	15.7%	(150,000)	744,000
Route 495	41.4 M	23.6%	(416,000)	220,000
Total Suburbs	108.1 M	18.7%	(537,000)	1,343,000

Source: Colliers International

Suburban Boston Lodging Trends

- Operating performance varies by submarket.
- Corporate demand is the primary driver. Good news: project-based, domestic travel is expected to improve. Bad news: uncertainty for corporate travel policies.
- Group demand has begun to recover.
- The suburbs typically benefits from compression from Boston. This is currently not the case and won't be the case next year.
- Room rates negatively impacted by Boston's lower ADR; recovery will be slow.
- Colleges and universities rented blocks of hotel rooms in an effort to spread their students in 2020 and early 2021. With colleges opening up dorms, we will not see too much of this going forward.
- Following 9/11, ADR declined three straight years, and took almost 8 years to fully recover. After the 2008 financial crises, ADR in the suburbs declined one year and took almost 4 years to recover. Given the steep declines to both rate and occupancy, it will take an extended period of time to recovery fully.



Suburban Boston Projections 2021

	2020	2021	% Change
Occupancy	34.0%	51%	+ 50.3%
ADR	\$102	\$116	+ 13.3%
RevPAR	\$34	\$59	+ 73.9%

60%
Indexed to
2019 RevPAR

*Reflect total-room inventory methodology, assuming no temporary hotel closures
Source: STR (Historic), Pinnacle Advisory Group (Projections)*

Suburban Boston Projections 2022

	2021	2022	% Change
Occupancy	51%	62%	+ 20.9%
ADR	\$116	\$135	+ 16.6%
RevPAR	\$59	\$83	+ 41.0%

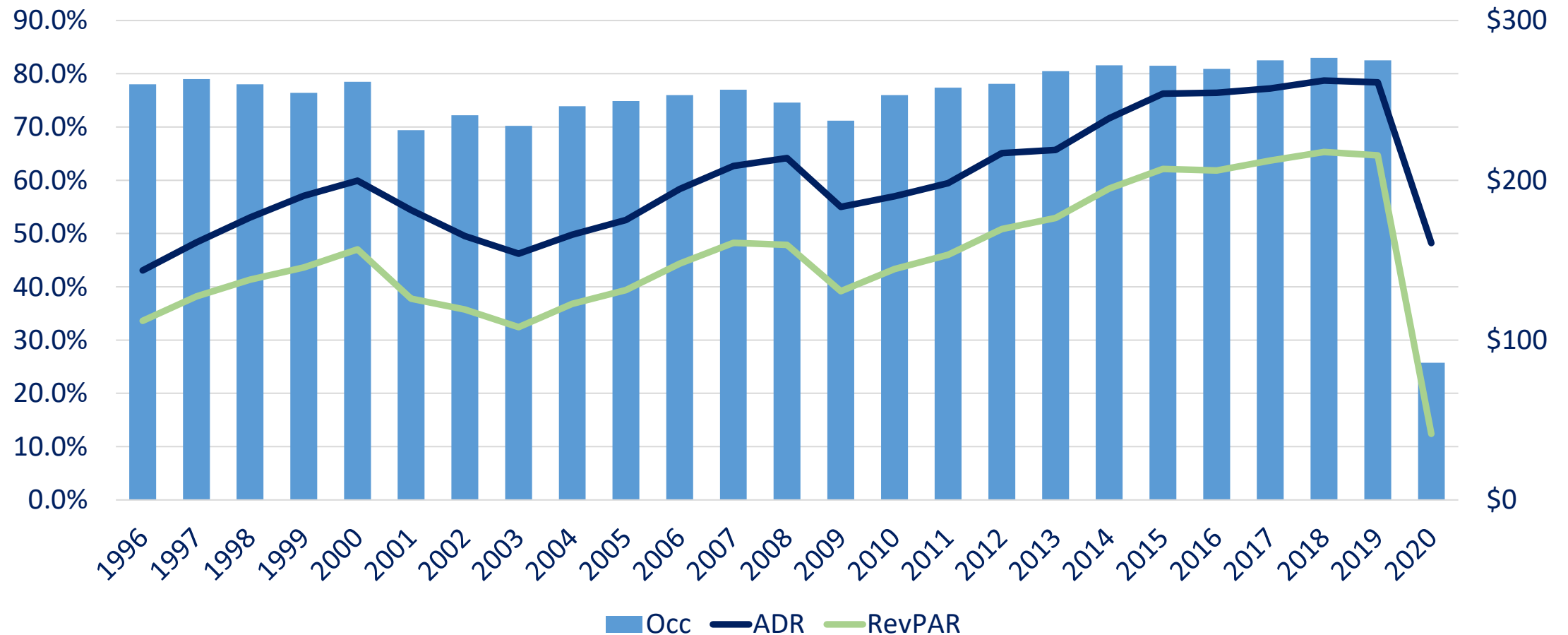
85%
Indexed to
2019 RevPAR

*Reflect total-room inventory methodology, assuming no temporary hotel closures
Source: Pinnacle Advisory Group*



BOSTON & CAMBRIDGE LODGING MARKET

Boston & Cambridge Historic Performance

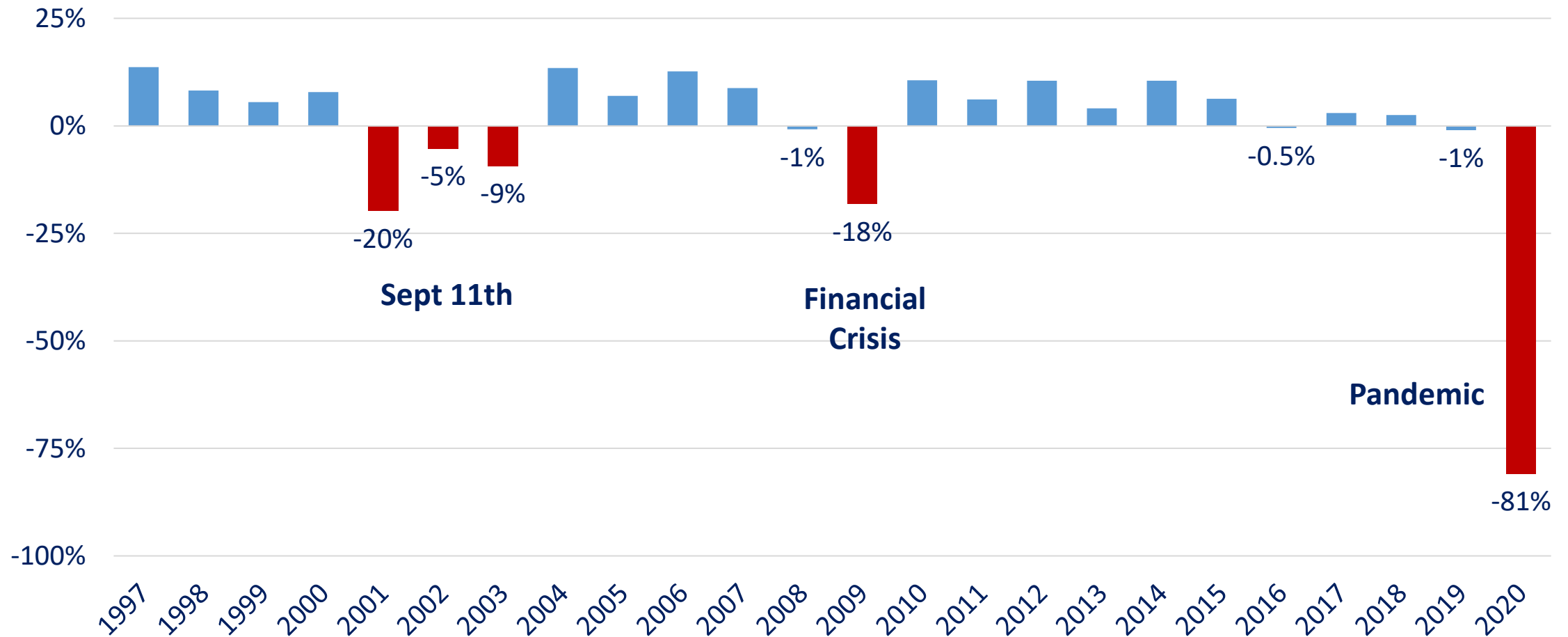


* 2020 reflects total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group



Boston & Cambridge RevPAR % Change



* 2020 reflects total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group



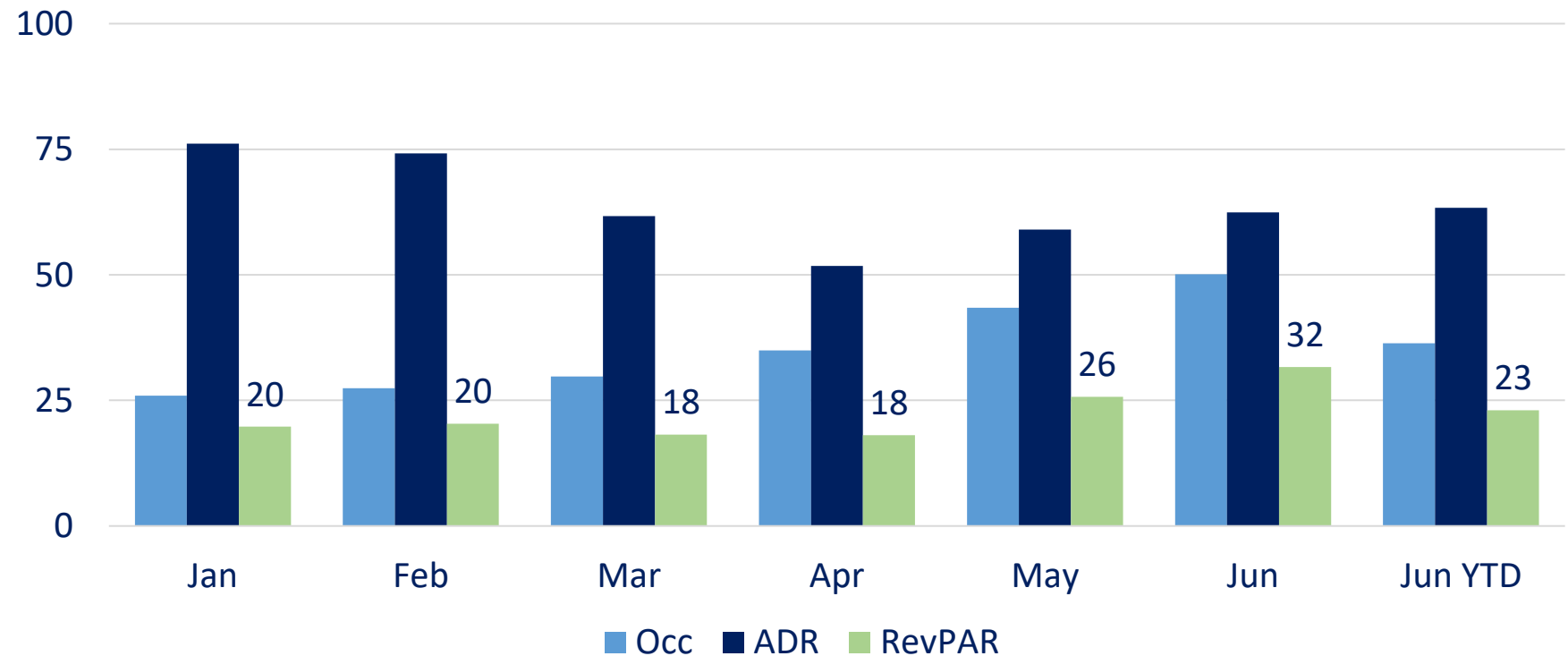
Boston & Cambridge YTD Performance

29%
Occupancy

\$162
ADR

\$47
RevPAR

2021 Monthly Performance, Indexed to 2019



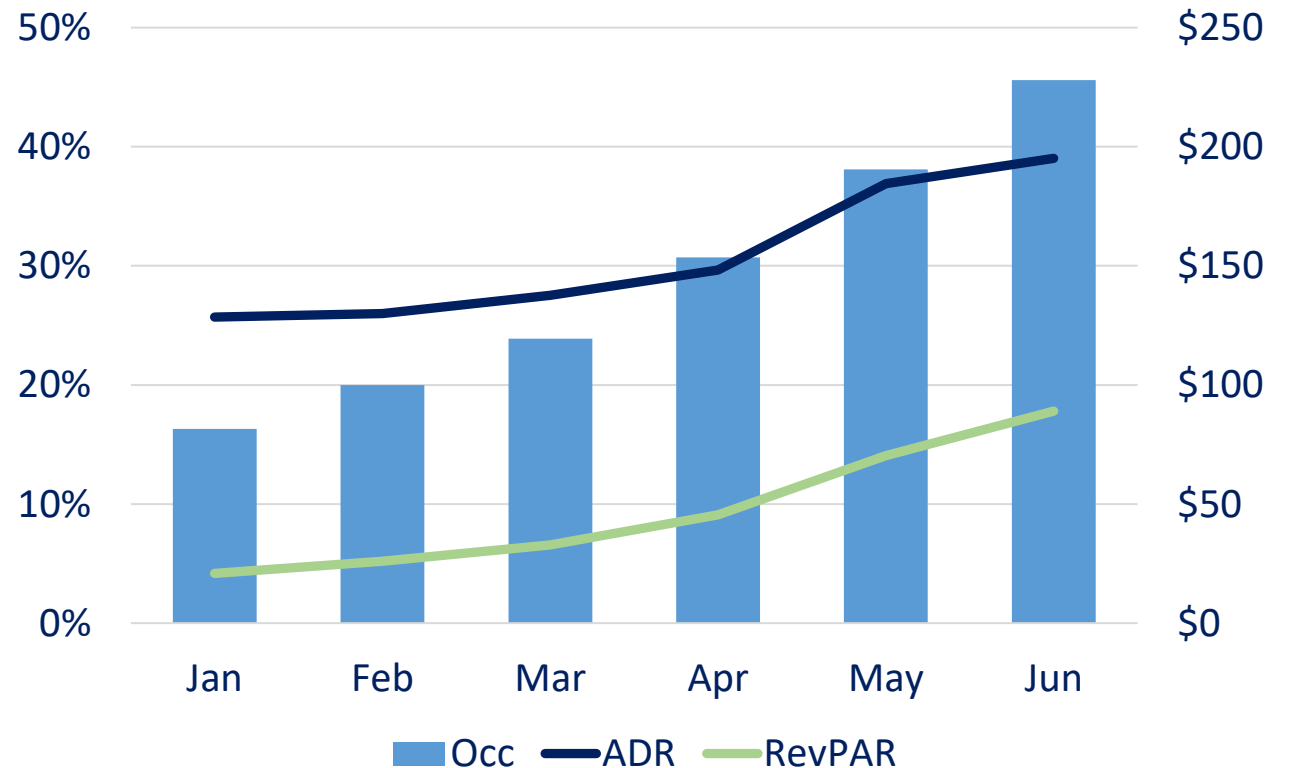
* Reflects total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group



Boston & Cambridge 2021 Monthly

	June 2021	% Change From May
Occ %	45.3%	+18.9%
ADR	\$197	+6.6%
RevPAR	\$89	+26.8%



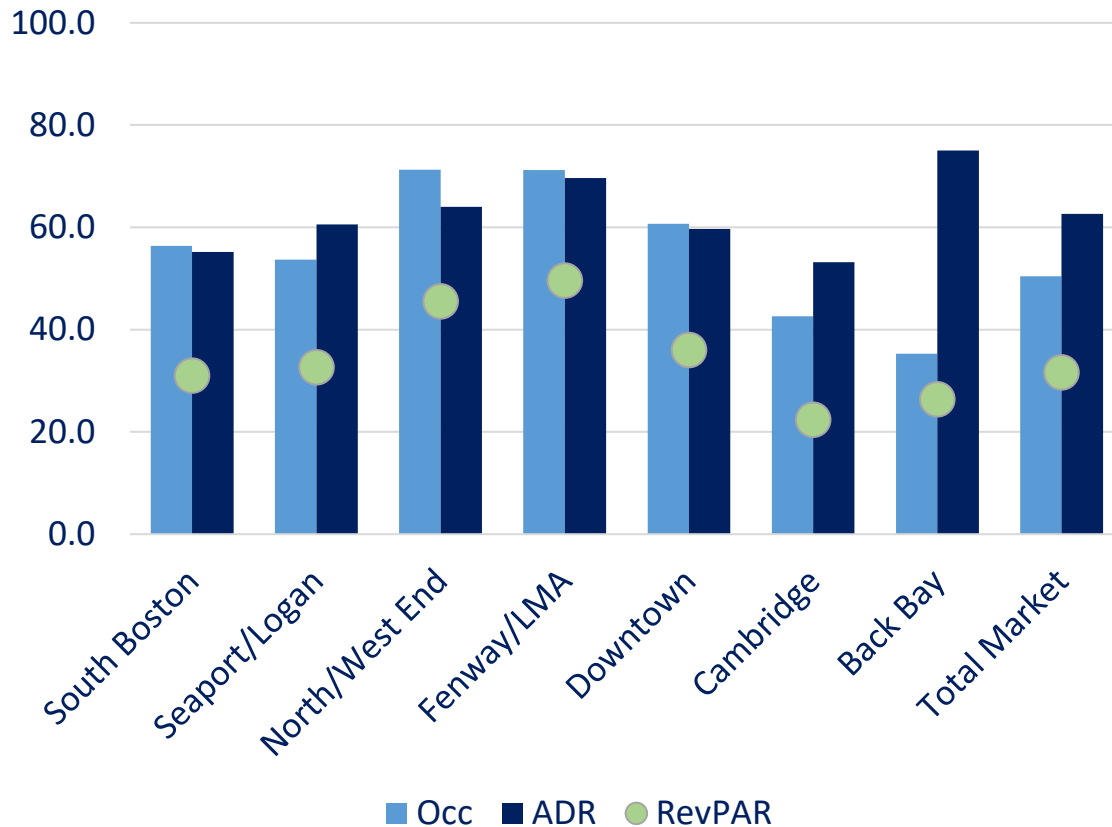
* Reflects total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group



Boston & Cambridge 2021 Submarkets

June Performance Indexed to 2019



- Recovery varies by submarket, June RevPAR index to 2019 ranges from 22% to 50%.
- West End and Fenway submarkets leading recovery. RevPAR at 40-50% of 2019 levels. Fenway Park, TDGarden, LMA and MGH helping drive both occ and rate. Occupancy ran at 70% of 2019 levels.
- Cambridge lags in recovery due in large part to discounts in rate, primarily in corporate focused areas.
- Back Bay occupancy index (35%) is being dragged down by the closed Sheraton but its rate index (75%) is being maintained due to its large portion of luxury hotels.

* Reflects total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group

Boston & Cambridge New Supply 2021 & 2022

Opening 2021 & 2022	Neighborhood	Scale	Rms	Est. Opening
Hilton Garden Inn Logan (expansion)	Logan Airport	Upscale	84	Jan
Hampton Inn Boston Seaport (dual)	Seaport District	Upper Midscale	245	Apr
Homewood Suites Boston Seaport (dual)	Seaport District	Upscale	166	Apr
The Newbury (prev. The Taj, closed Nov '19)	Back Bay	Luxury	286	May
The Langham (closed Apr '19)	Downtown	Luxury	312	Jun
Omni Boston Seaport	Seaport District	Upper Upscale	1,054	Sep
Canopy Boston	North End	Upper Upscale	212	Q1 2022
Raffles Back Bay Boston	Back Bay	Luxury	147	Q4 2022

+4.2%
2021 Increase

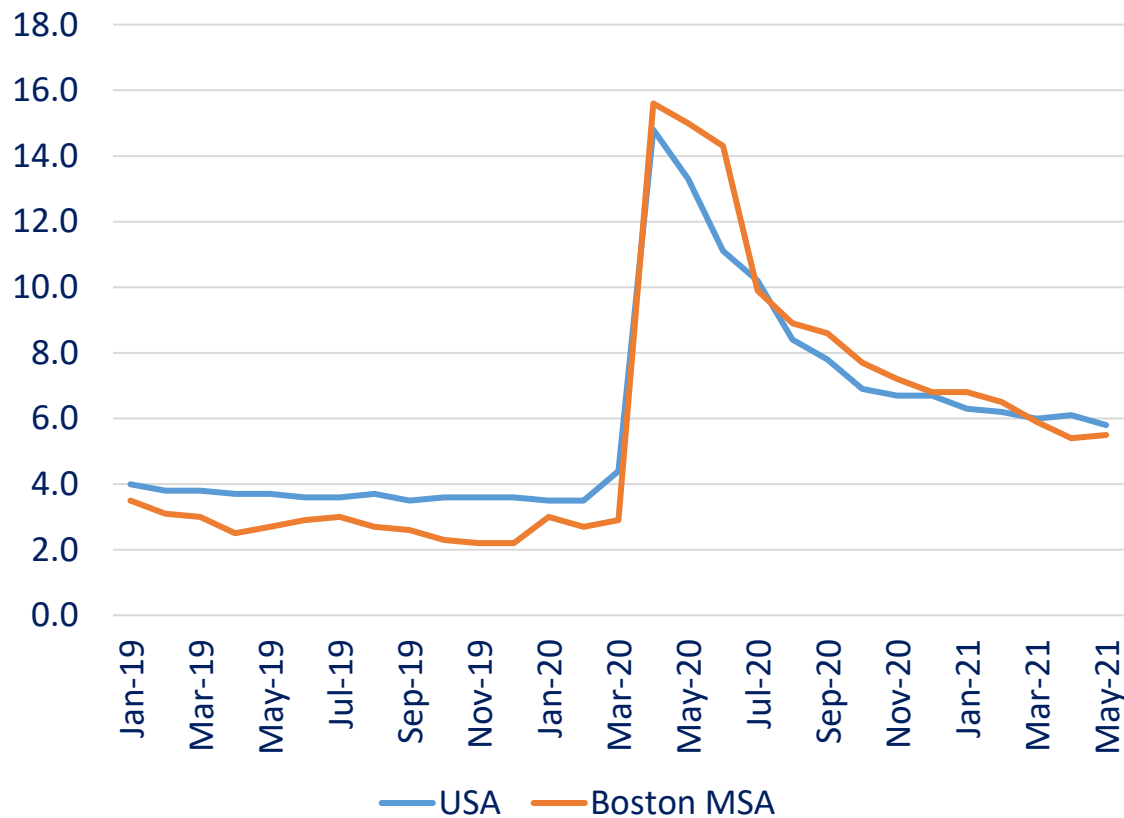
+5.1%
2022 Increase

*Source: Various Developers, Operators, Brand Representatives, etc. Compiled by Pinnacle Advisory Group
Estimated opening dates subject to change. Projected changes to supply assumes total room inventory.*



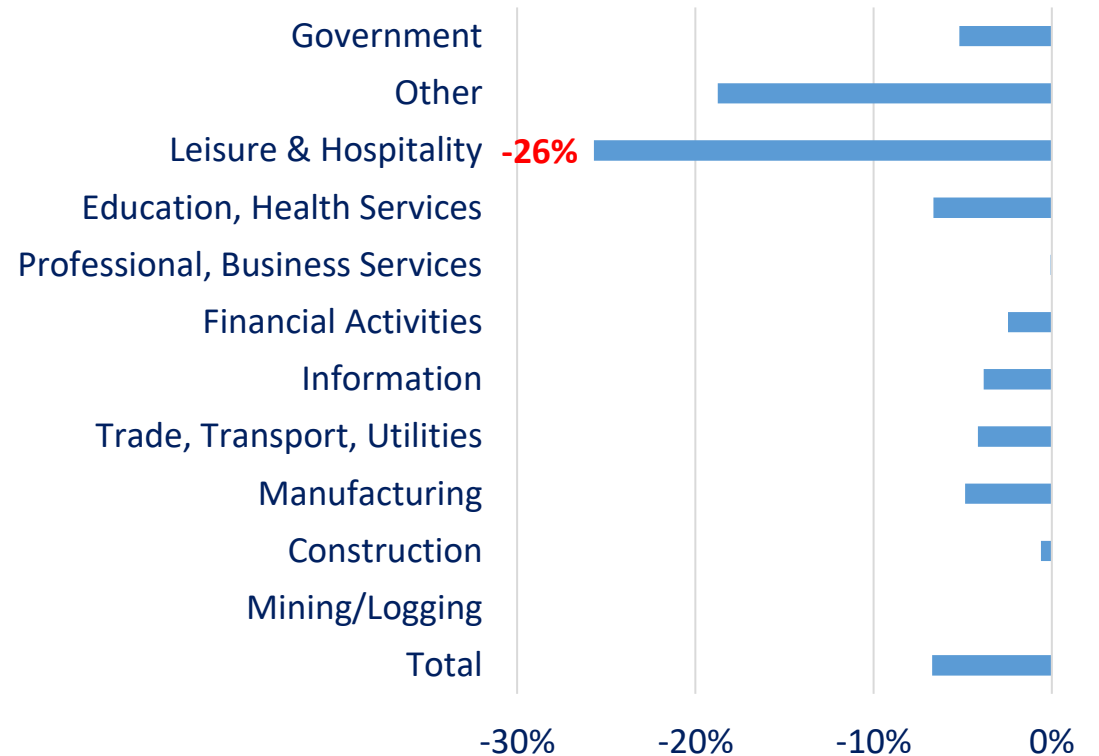
Greater Boston Economic Environment

Monthly Unemployment Rate



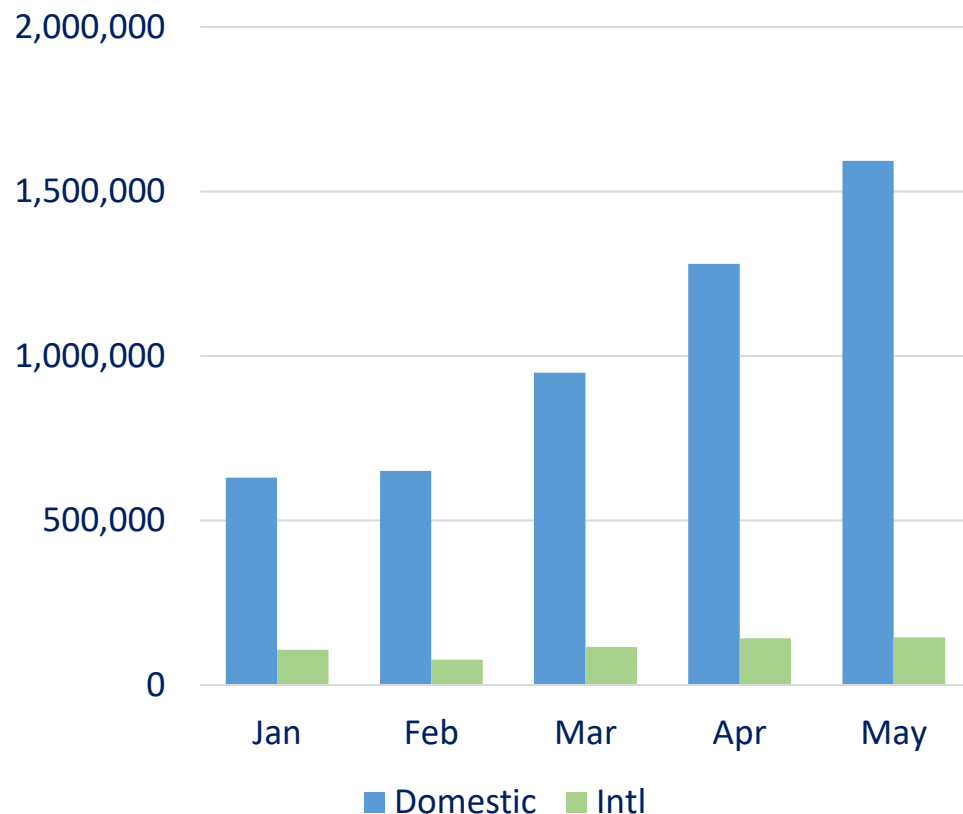
Source: Bureau of Labor Statistics

Mass. Employment by Industry June 2021 vs June 2019



Boston Logan International Airport

2021 Monthly Passengers



- 2019 was a record-breaking year for passenger traffic. Reaching 42.5 million, a 3.9% increase to prior year. International passenger traffic increased 9.7%.
- Driven by the negative impacts of the global pandemic, number of flights declined over 50%, passenger traffic declined over 70% in 2020.
- Passenger traffic increased 22% in June to 1.7 million, 45% of its level in May of 2019.
- Domestic passenger traffic greatly outpacing international. International traffic is less than 20% of its pre-pandemic levels.
- Ongoing projects include a new roadway system and a post-security connector between Terminals B and C, the airport's busiest terminals, a new rooftop canopy and curbside entrance to Terminal C, and four new gates at Terminal E



Boston & Cambridge Office & Lab Market

Boston	Inventory (SF)	Absorption (SF)	Vacancy %
2019	72.0 M	1,358,800	7.9%
2020	72.4 M	(4,100,300)	14.2%
Q2 2021	71.8 M	(1,073,400)	14.7%

Cambridge	Inventory (SF)	Absorption (SF)	Vacancy %
2019	24.5 M	582,800	4.7%
2020	25.1 M	433,100	5.7%
Q2 2021	25.1 M	181,200	5.1%

Source: Colliers International

Boston & Cambridge, Corporate Demand Trends

Corporate

- *Employers – Many still remote/hybrid. Plans to return vary, good portion targeting September.*
- *International – Very little, restrictions still in place. Dependent on govt policy, variants/vaccines.*
- *Although still down considerably, increasing each month.*
- *Through July, Downtown and Seaport seeing more than other more leisure-oriented submarkets*
- *It is still all very short-term, booking in the week, for the week, but window is growing*
- *WDs a concern for the fall if corporate does not return in volume*

Assumptions:

*Expect to see material pick-up beginning Sept 2020.
Acceleration throughout 2022, especially as Intl returns late Q1.*

2021

20 - 25%

of 2019 Levels

2022

70 - 75%

of 2019 Levels



Boston & Cambridge Group Demand Trends

Group

- Many events from 2020 and 2021 were moved to 2022 allowing for a strong pace
- Seeing less cancellations but concerns over variants and mask mandates, and other restrictions
- Corporate groups still small but growing in size, large companies (HR and Legal) still considering safety/expenses. Inquiries for Sept/Oct picking up across the city, mostly smaller corporate.
- Convention blocks diminishing with vendors and intl attendees canceling, likely to continue until intl can safely travel to US. Weakening outside of Seaport with increased inventory. Larger BCEC citywides to reach BB.
- Considerable amount of weekend group. Weddings have been extremely resilient, strong summer/fall.

Assumptions:

Events continue to return through fall. Although modification/cancellations continue through Q1, events stick. Convention rooms are reduced less and less through Q1 2022 until Intl begins to return.

2021

20 - 25%

of 2019 Levels

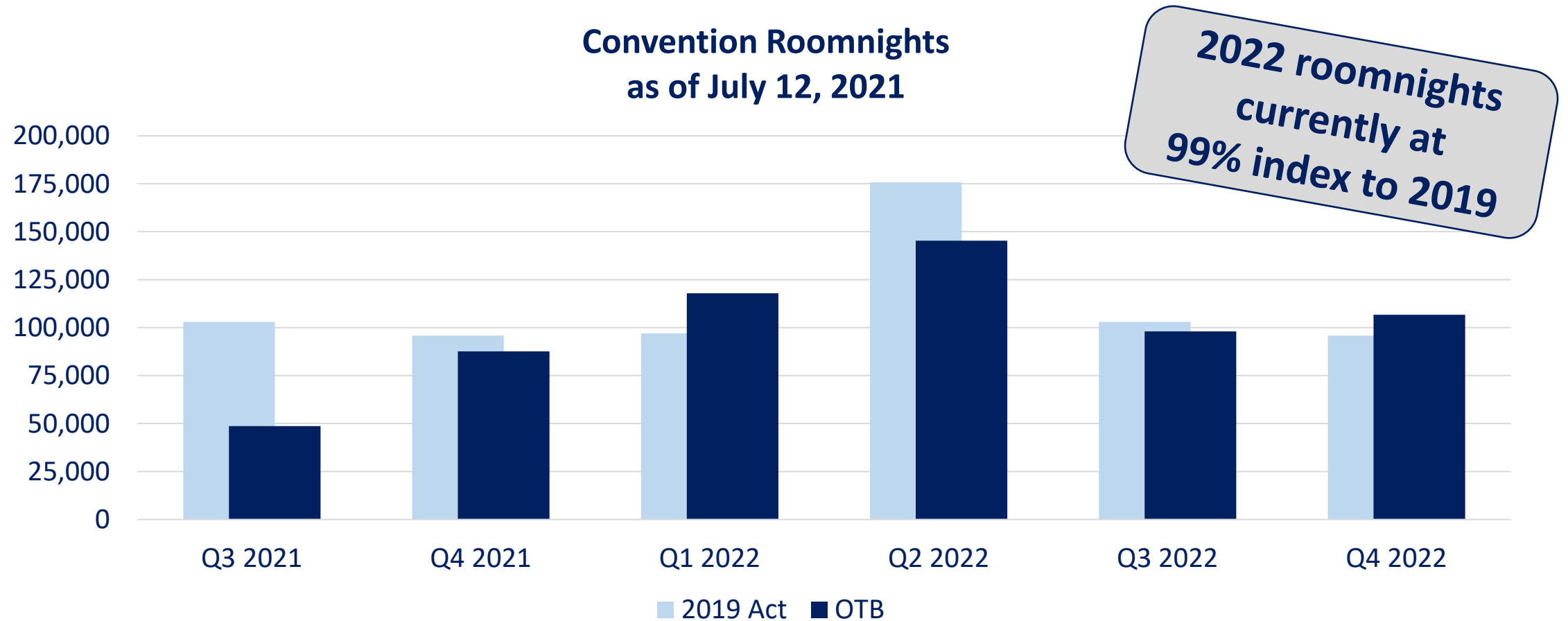
2022

80 - 85%

of 2019 Levels



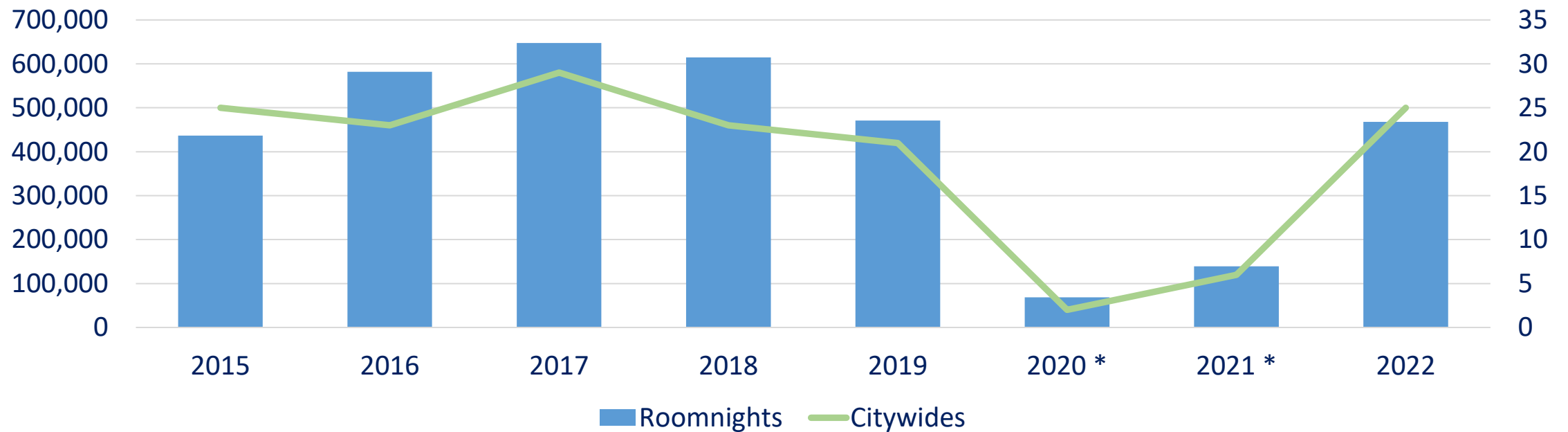
Boston & Cambridge Convention Demand



Roomnights represent total rooms booked and does not account for attrition or rooms booked outside of the block.
Source: MCCA

Boston & Cambridge Convention Demand

Annual Convention Roomnights & Citywide Events
as of July 12, 2021



* As a result of the pandemic there were no events held at either convention centers in 2020 between 3/9/20 and 5/20/21.

As defined by Pinnacle Advisory Group, a Citywide represents an event with 2,000+ roomnights on peak.

Roomnights represent total rooms booked and does not account for attrition or rooms booked outside of the block.

Source: MCCA



Boston & Cambridge, Leisure Demand Trends

Leisure

- *Booming! Close to, if not outperforming, 2019 levels*
- *Weekends extended beyond Fri/Sat, increasing LOS*
- *More double occupancy, seeking double doubles*
- *Still mostly the drive market, regional air. Little/no international*
- *Colleges and universities returning in Aug/Sep. Sports/events at full capacity*
- *Special events; Laver Cup (Sep), Marathon and Head of Charles (Oct), Red Sox*
- *Expanded unemployment insurance ends in September*

Assumptions:

Strong weekend leisure will continue through YE. Revert to historical seasonal trends in 2022 at similar levels to 2021.

2021

100 - 105%

of 2019 Levels

2022

100 - 105%

of 2019 Levels



Boston & Cambridge Contract Demand Trends

Contract

- *With the addition of dorm contracts, segment is off from typical trends making it hard to track.*
- *Crew has migrated to downtown. Flight and destination still reduced but ramping up*
- *Contracting to local colleges and universities continues this fall at larger BB hotels*

Assumptions:

Airline contracts remain downtown through 2022 but will increase with increased flights. Dorm contracts run through May/June 2022 before returning to campus.

2021

90 - 95%

of 2019 Levels

2022

95 - 100%

of 2019 Levels



Boston & Cambridge ADR Trends

Corporate

- *RFP roll-over (again), Dynamic pricing*
- *Retail rates will impact corporate rates, continue to maintain rate integrity*
- *Market's rate has largely been driven by leisure YTD, shift of mix may slow month-to-month growth*

Group

- *Maintaining rate integrity critical for group segment.*
- *Those with solid group base will need to maintain higher retail rates.*

Leisure

- *Concern with fall when leisure is focused on weekends only and winter with new supply*
- *Redemption levels putting downward pressure on ADR*
- *Little/no compression expected for quite some time due to pandemic and supply increases*



Boston & Cambridge Projections 2021

	2020	2021	% Change
Occupancy	25.7%	41%	+ 60.8%
ADR	\$161	\$193	+ 20.0%
RevPAR	\$41	\$80	+ 93.0%

37%
Indexed to
2019 RevPAR

Reflects total-room inventory, assuming no temporary hotel closures

Source: Pinnacle Advisory Group

Boston & Cambridge Projections 2022

	2021	2022	% Change
Occupancy	41%	66%	+ 58.3%
ADR	\$193	\$235	+ 22.1%
RevPAR	\$80	\$155	+ 93.6%

Reflects total-room inventory, assuming no temporary hotel closures

Source: Pinnacle Advisory Group

72%
Indexed to
2019 RevPAR



Boston & Cambridge Projections Quarterly

2021 & 2022 Quarterly Projected Performance Boston & Cambridge Lodging Market						
	2021		2022			
	Q3	Q4	Q1	Q2	Q3	Q4
Supply, % Change	6.0%	8.6%	9.3%	6.9%	3.4%	1.3%
Occ.	53%	52%	49%	69%	76%	68%
ADR	\$218	\$199	\$181	\$226	\$268	\$247
RevPAR	\$115	\$104	\$88	\$156	\$203	\$168
RevPAR Indexed to 2019	45%	52%	64%	58%	80%	84%

Reflects total-room inventory, assuming no temporary hotel closures

Source: Pinnacle Advisory Group

Pinnacle Advisory Group

Boston

New York City

Newport Beach

Portland

Washington DC

Tampa



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