

Massachusetts Lodging Association OUTLOOK 2023

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Today's Agenda

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

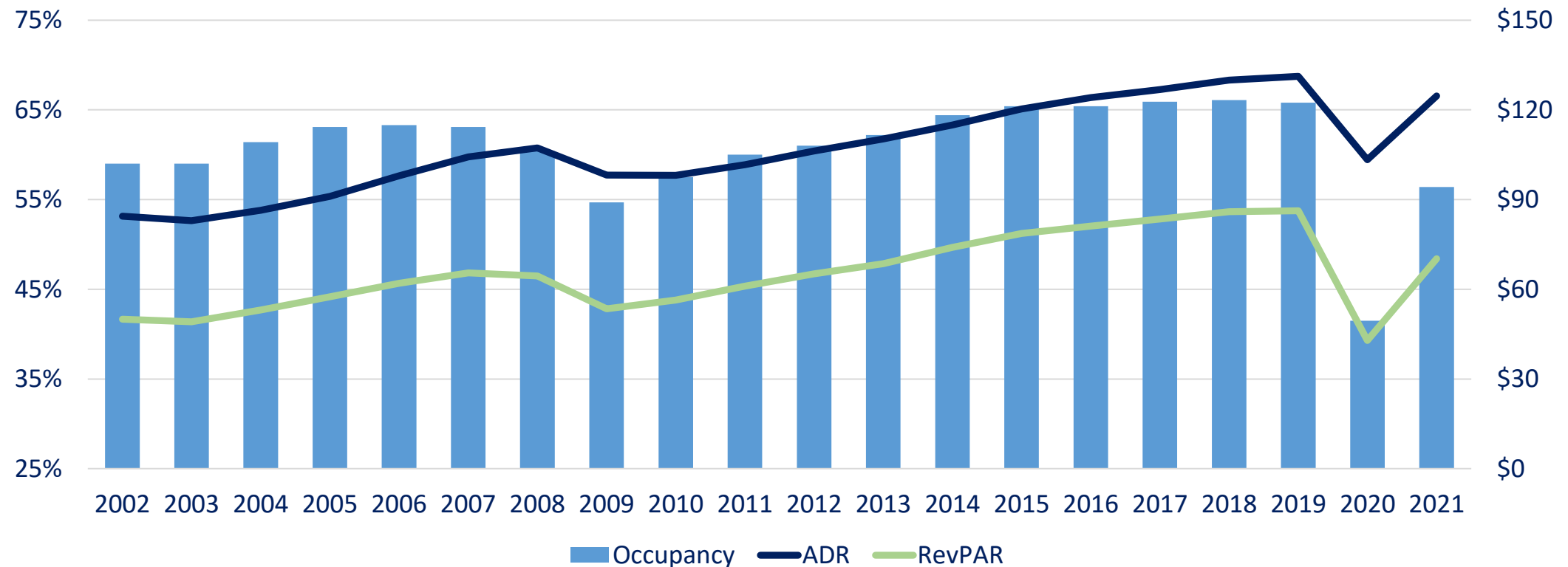




NATIONAL LODGING MARKET

National - Historic Market Performance

20-Year Historic Lodging Performance United States



* 2020 and 2021 reflect Total Room Inventory
Source: STR



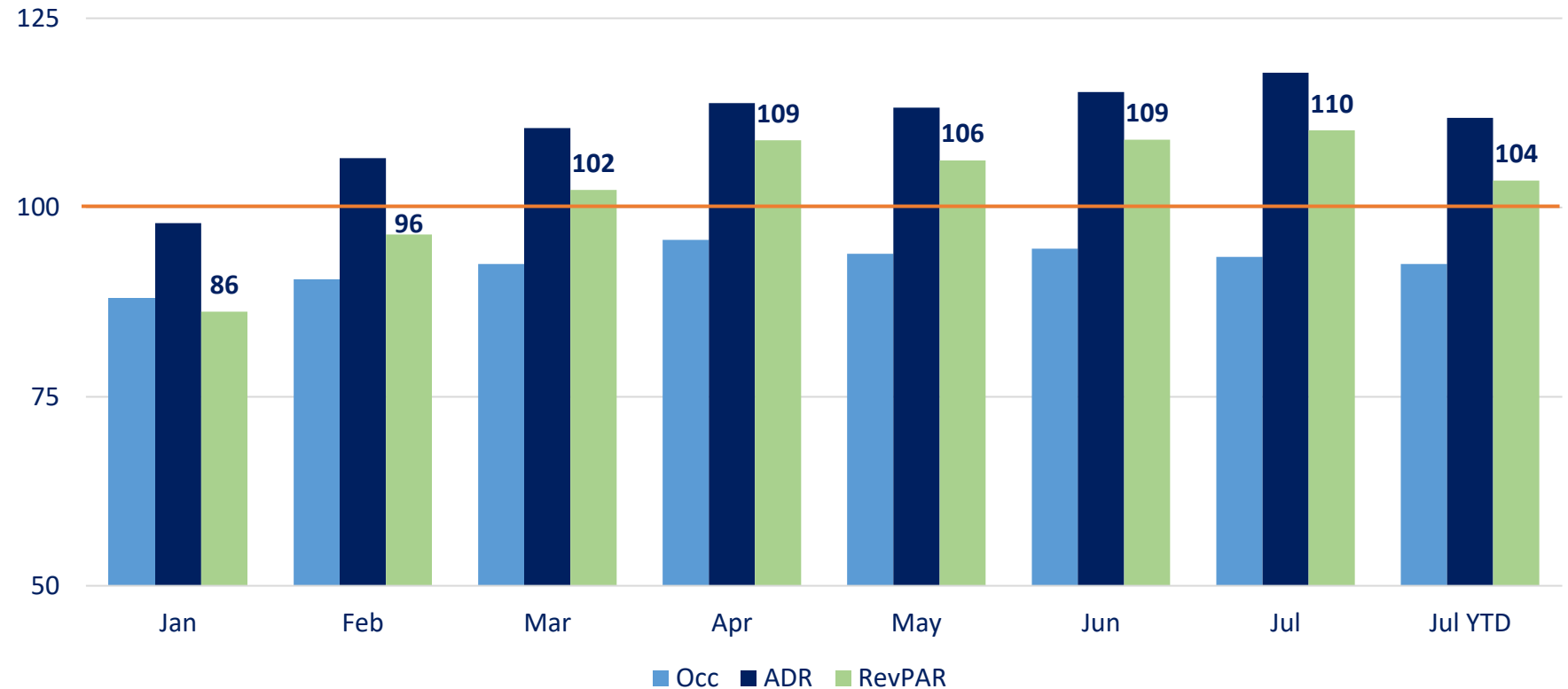
National - YTD July 2022

62.1%
Occupancy

\$147
ADR

\$92
RevPAR

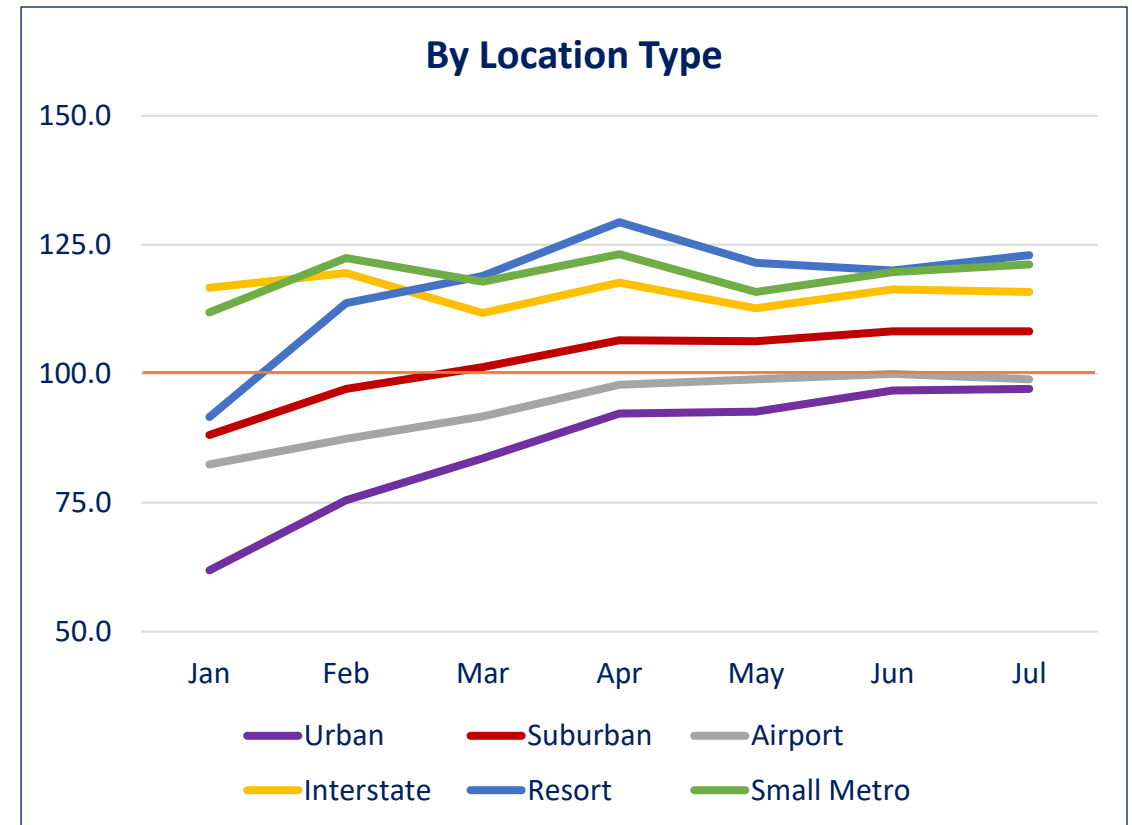
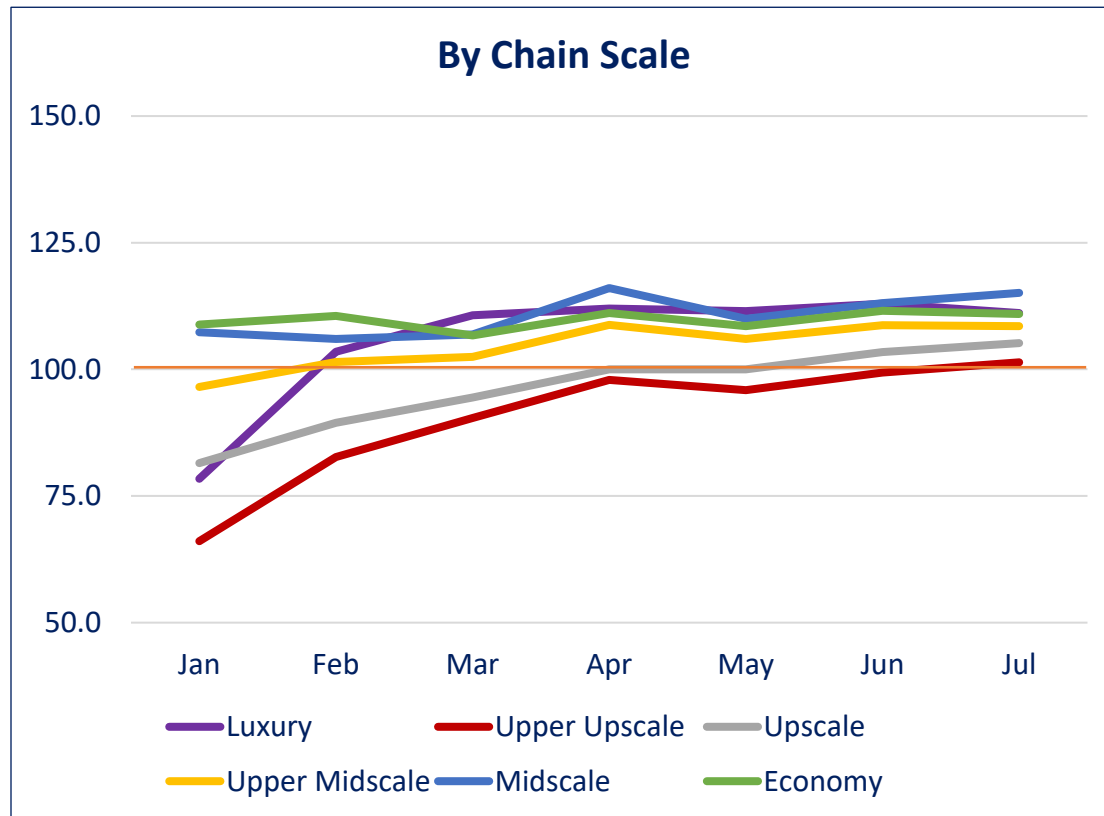
2022 Monthly Performance, Indexed to 2019



* Reflects Total Room Inventory
Source: STR

National - An Uneven Recovery

2022 Monthly RevPAR, Indexed to 2019



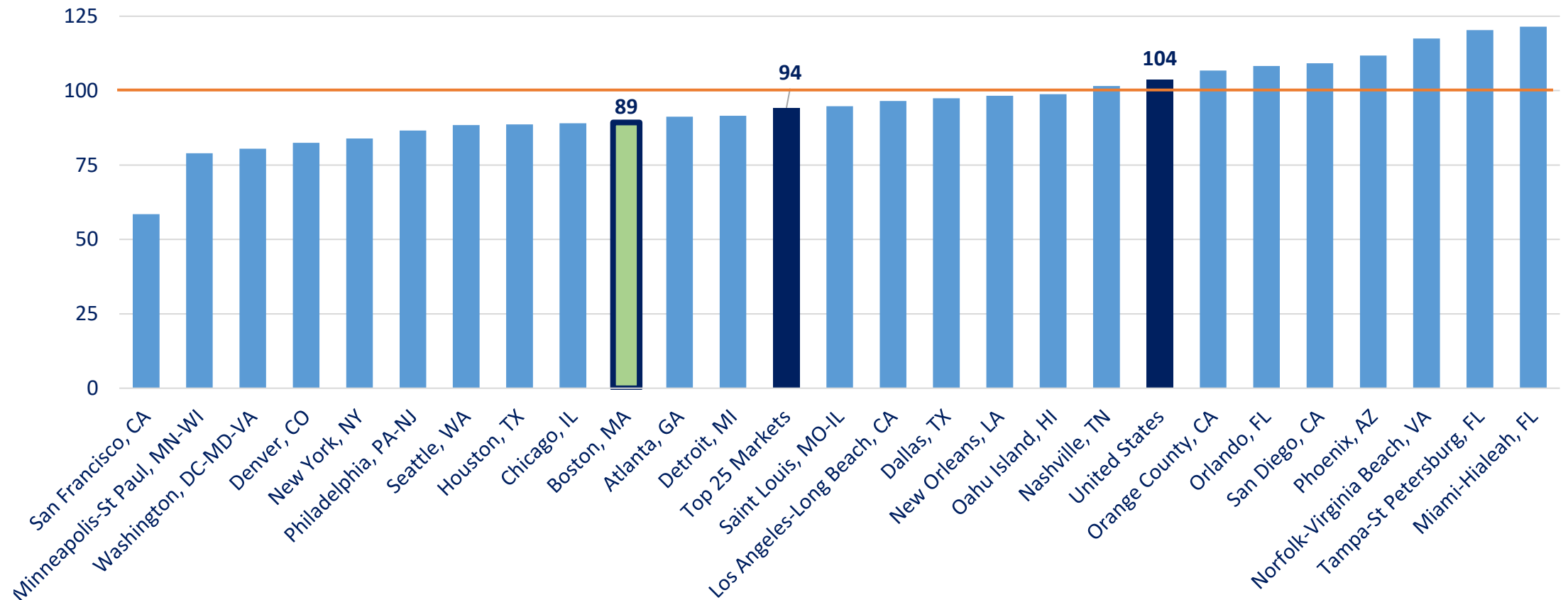
* Reflects Total Room Inventory

Source: STR



Top-25 Markets

YTD July 2022 RevPAR, Indexed to 2019



* 2021 reflects Total Room Inventory

Source: STR



Macro Economic Trends

- U.S. Economy Contraction
- The Federal Reserve and Inflation
- Employment & Wage Growth
- Global Issues
- Consumer Sentiment
- COVID



National – Industry Trends

- Robust Leisure Demand, Little Rate Sensitivity
- Group Demand Outperforming Expectations
- Corporate Transient, Slow and Steady
- International, Some Restrictions Remain
- Limited Pipeline
- Labor Market, Inflation, and Supply Chain



National - Industry Projections, YOY % Change

2022

	STR	PWC	CBRE
Occupancy	9.4%	9.7%	9.5%
ADR	18.4%	16.9%	17.9%
RevPAR	29.2%	28.1%	29.1%
RevPAR Indexed '19	108%	107%	104%

2023

	STR	PWC	CBRE
Occupancy	2.3%	2.2%	2.0%
ADR	2.7%	4.3%	3.5%
RevPAR	5.4%	6.6%	5.6%
RevPAR Indexed '19	114%	114%	110%

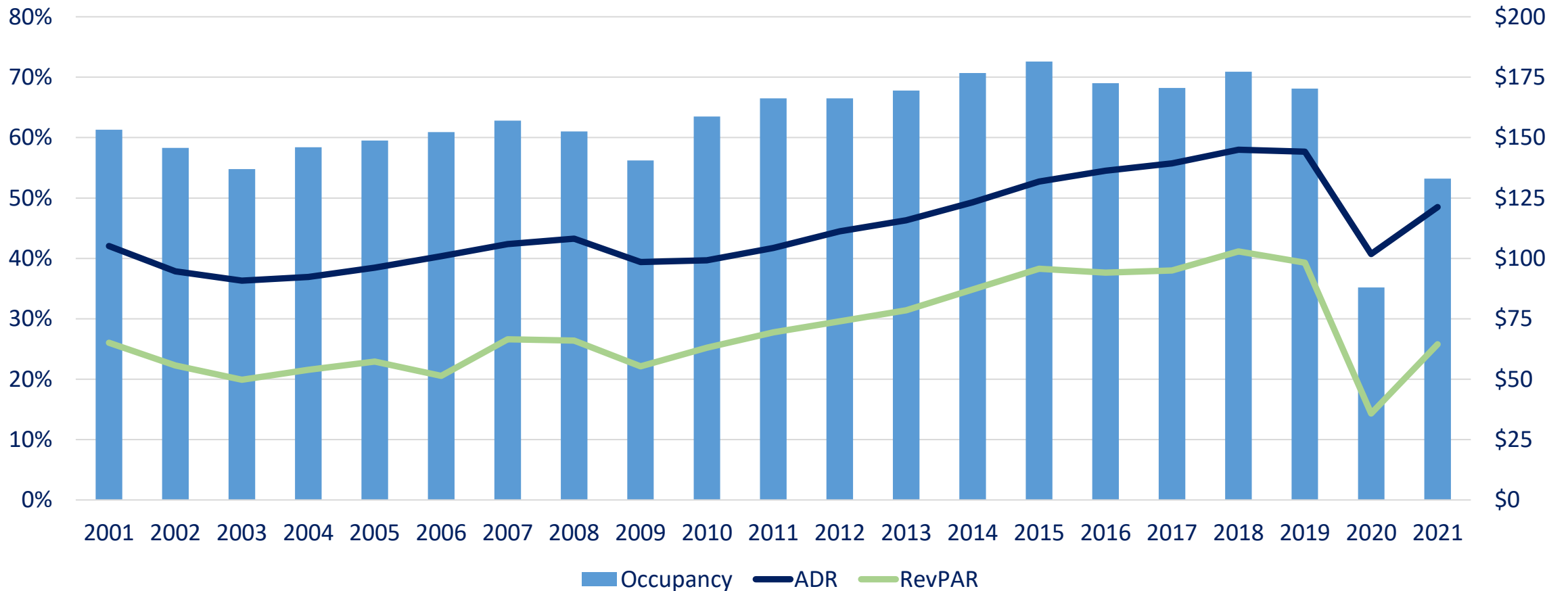
Source: STR (Aug), PWC (May), CBRE (Aug)





SUBURBAN BOSTON LODGING MARKET

Suburban Boston - Historic Performance

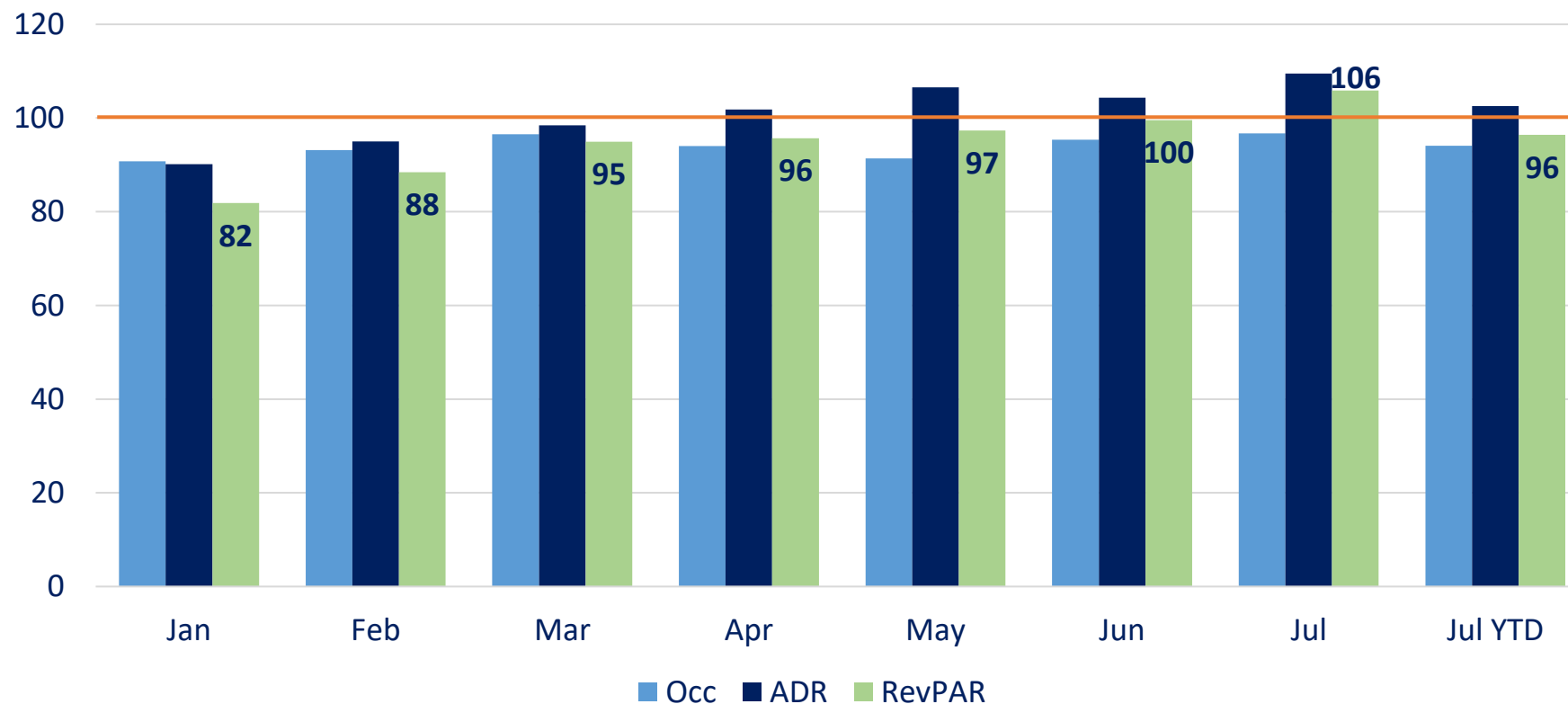


* 2020 & 2021 reflect total room inventory

Source: STR

Suburban Boston - YTD July 2022

2022 Monthly Performance, Indexed to 2019



63.2%
Occupancy

\$145
ADR

\$92
RevPAR

* 2021 reflects total room inventory
Source: STR



Suburban Boston - New Supply 2022 & 2023

Hotel	City	Scale	Rms	Opening
SpringHill Suites Revere Beach	Revere	Upscale	168	Feb '22
Cambria Hotel Somerville	Somerville	Upscale	163	Apr '22
Hotel Iris Brookline	Brookline	Independent	119	Q1 '23
The Beacon Street Hotel	Somerville	Independent	35	Q2 '23
Home2 Suites Franklin	Franklin	Hilton	100	Q2 '23

Opening dates are subject to change.

Source: Various Sources, Compiled by Pinnacle Advisory Group

+1.6%
Supply Increase
in 2022

+1.0%
Supply Increase
in 2023



Suburban Boston - Office Markets, Q2 2022

	Inventory (SF)	Vacancy	YTD Absorption (SF)	Under Construction (SF)
Inner Suburbs	5.1 M	11.9%	(54,100)	0
Route 128	53.0 M	16.8%	317,000	0
Route 495	40.7 M	20.5%	463,000	45,000
Total Suburbs	98.8 M	18.1%	780,000	45,000

Source: Colliers International

Suburban Boston - Lodging Trends

- Operating performance varies by submarket.
- Corporate demand was the primary driver for both occupancy and room rates. This segment is at a 60% recovery as compared to 2019. Two more years before we return to pre-covid levels.
- Leisure demand is/has driven the recovery. This segment is about 130% over 2019 levels. In 2023 there will be less leisure travel as corporate recovers, and the mix of demand becomes more balanced.
- Group demand has improved in 2022 and is at or close to 2019 levels, depending on the submarket.
- There is currently leisure compression from Boston on weekends and peak summer. Expect some compression next year with a stronger convention calendar and 25 citywides .
- Room rates positively impacted due to significant leisure travel, inflation, brand guidance, compression/Boston room rates, and higher wages/operating expenses which are “forcing” operators to increase room rates.
- Cyclical Industry – Recession, inflation, economy, major events (9/11, pandemic), new supply. Trends point to strong recovery in 2022 and further improvement in 2023.



Suburban Boston - Projections 2022

	2021	2022	% Change
Occupancy	53.2%	65%	22.2%
ADR	\$121	\$151	24.7%
RevPAR	\$64	\$98	52.6%

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

Indexed to 2019

96%
Occupancy

105%
ADR

100%
RevPAR



Suburban Boston - Projections 2023

	2022	2023	% Change
Occupancy	65%	67%	3.1%
ADR	\$151	\$157	4.0%
RevPAR	\$98	\$106	7.4%

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

Indexed to 2019

99%
Occupancy

109%
ADR

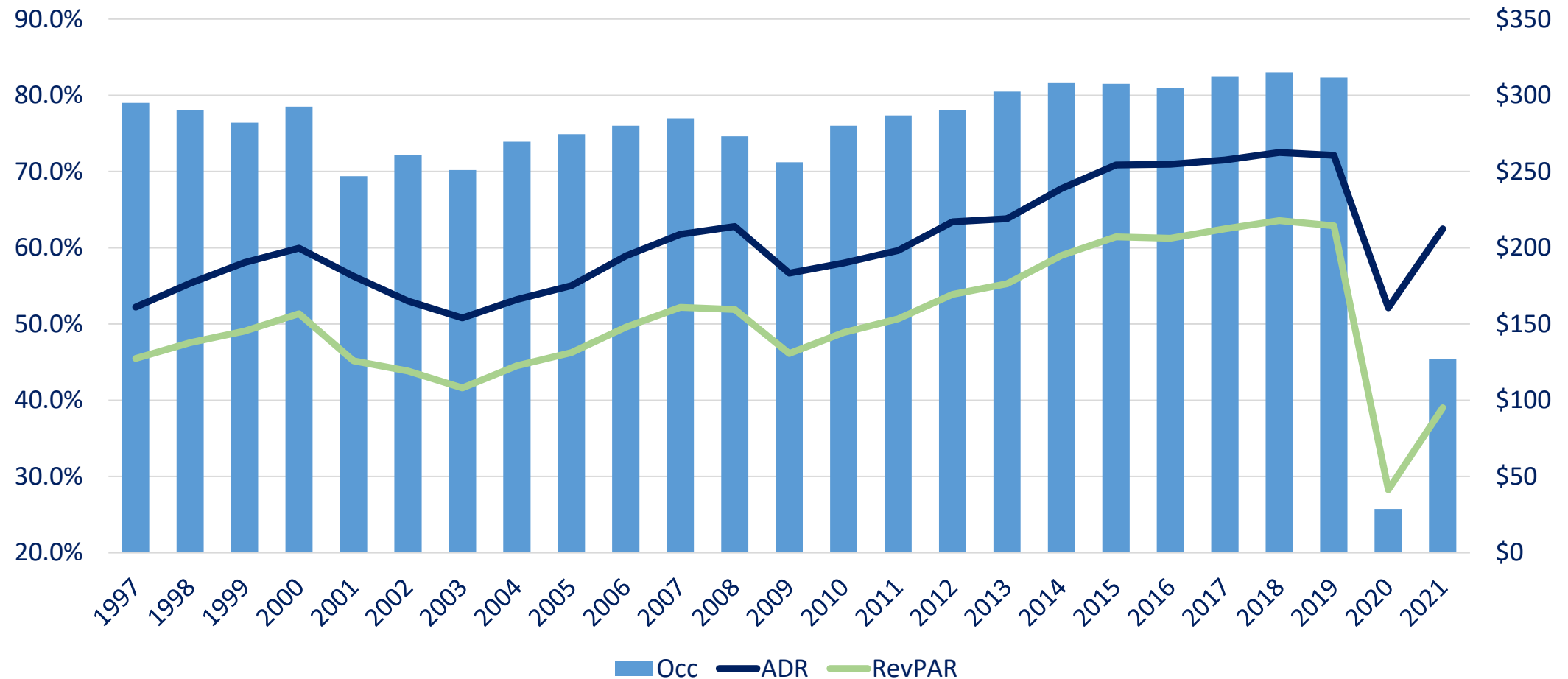
108%
RevPAR





BOSTON & CAMBRIDGE LODGING MARKET

Boston & Cambridge - Historic Performance



* 2020 & 2021 reflect total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group

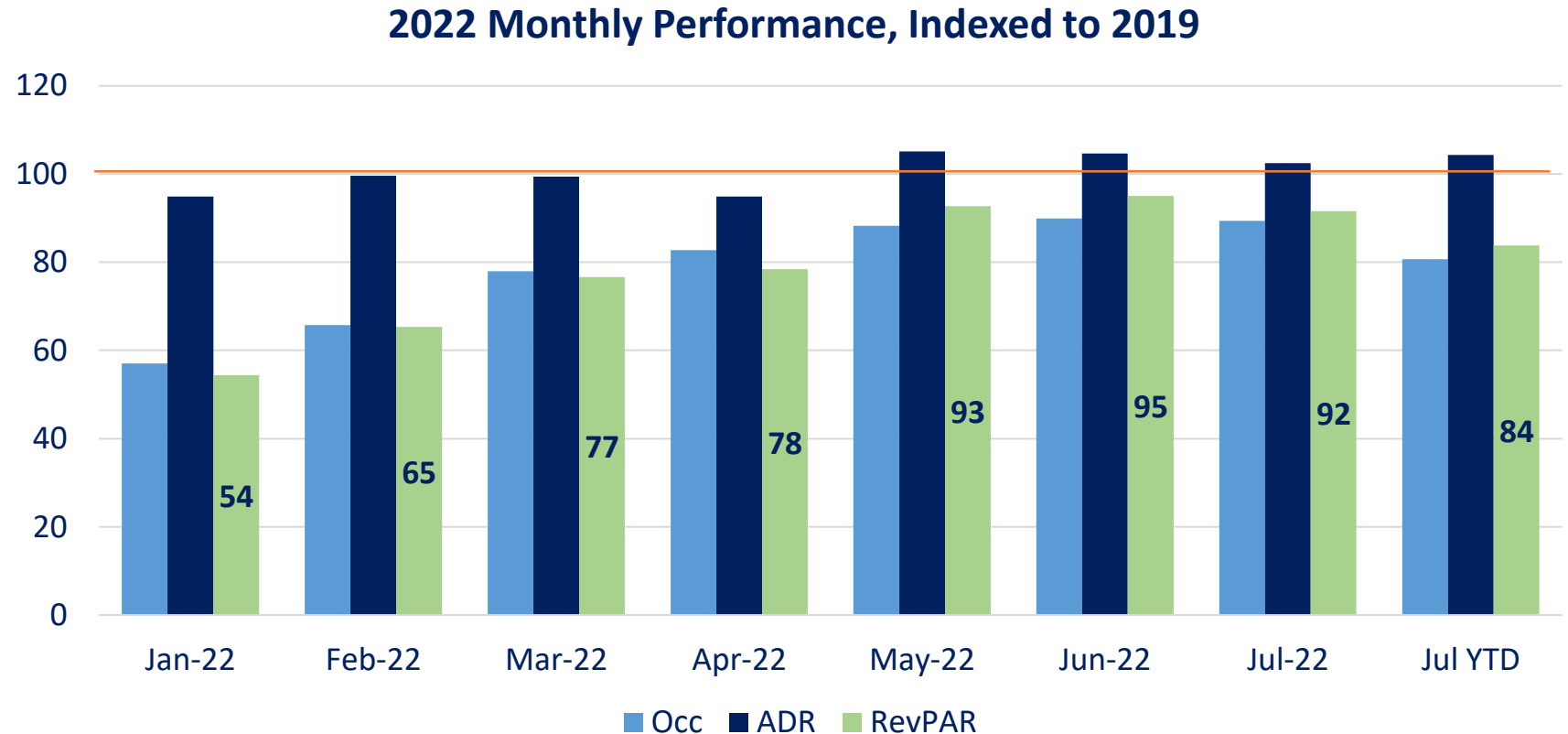


Boston & Cambridge - YTD July 2022

66%
Occupancy

\$268
ADR

\$176
RevPAR

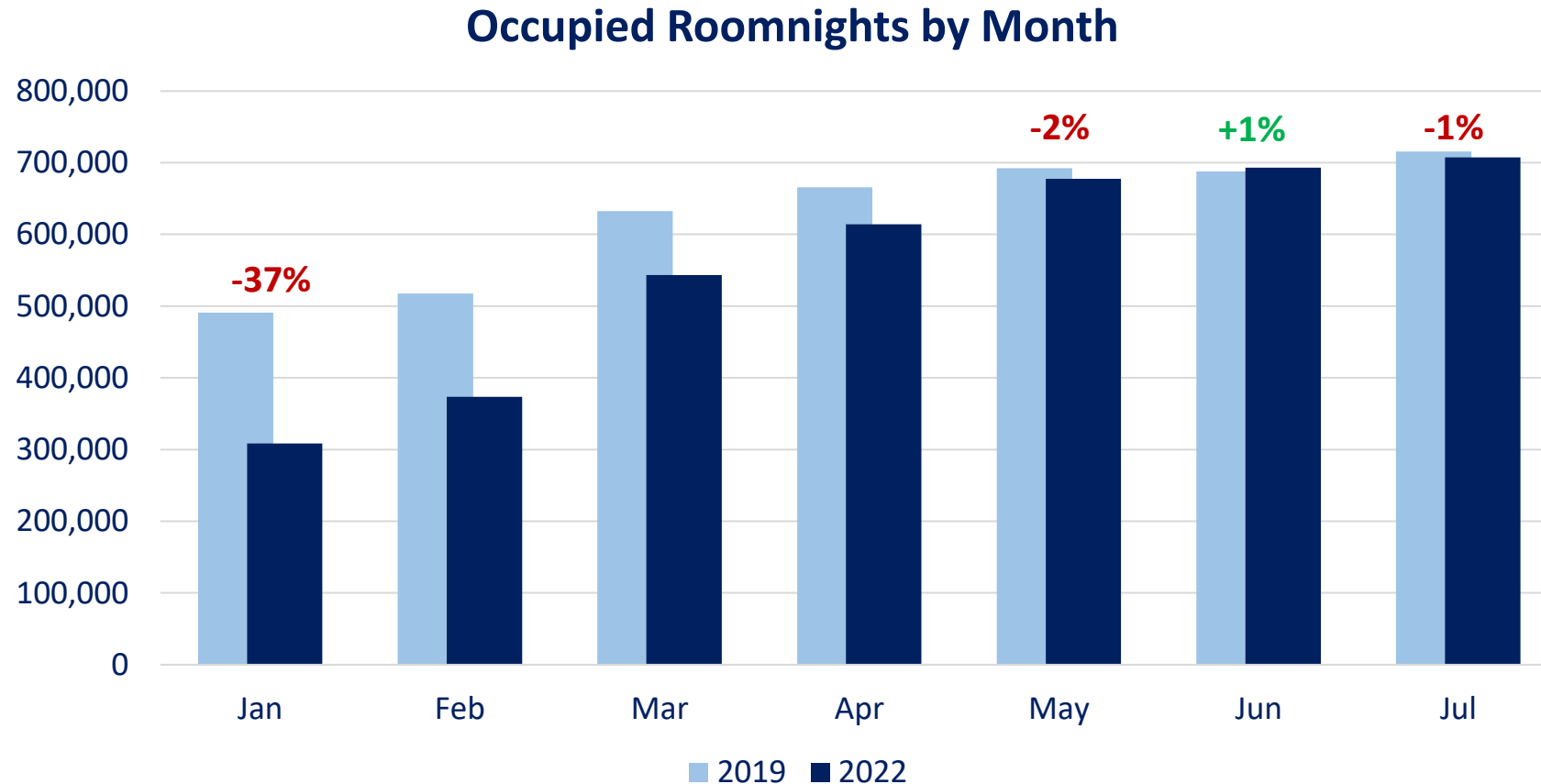


* Reflects total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group



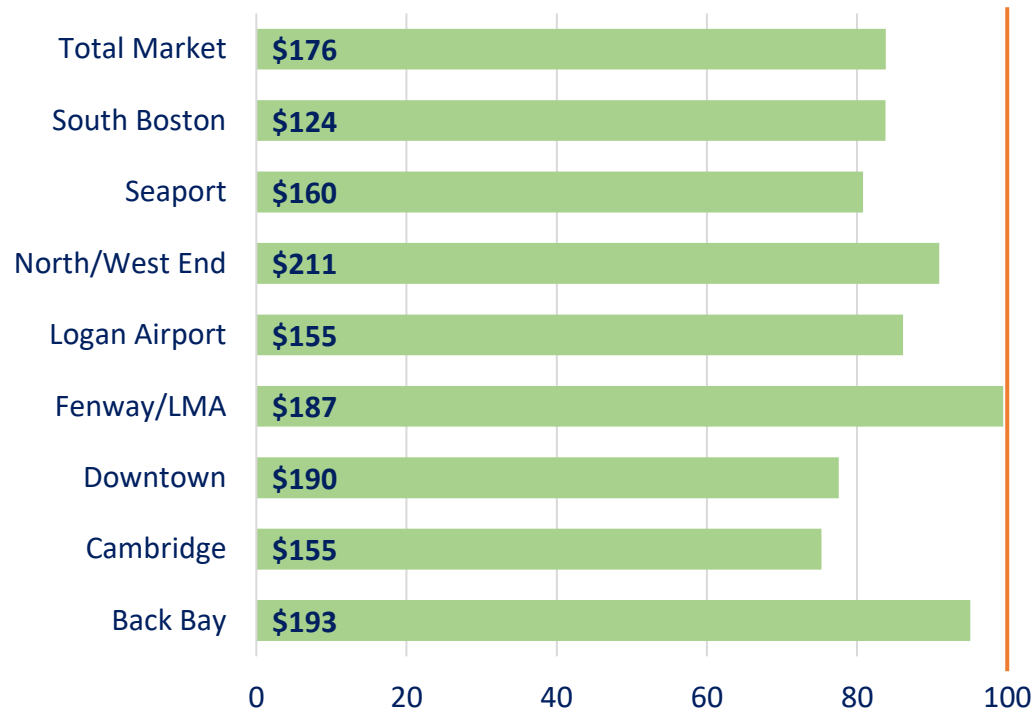
Boston & Cambridge – 2022 Demand



Source: Pinnacle Perspective, Pinnacle Advisory Group

Boston & Cambridge - Submarkets

YTD July RevPAR Indexed to 2019



- Recovery varies by submarket, YTD July RevPAR index vs 2019 ranges from 75% to 99%.
- More leisure-oriented markets winning the race. Fenway/Longwood submarket (99%) leading recovery. Back Bay (95%) not too far behind.
- Cambridge (75%) lagging in recovery due in large part to reliance on mid-week corporate and a slow start from colleges.
- Despite significant gains in supply since 2019 (+63%), Seaport (81%) fairing pretty well.

* Reflects total room inventory

Source: Pinnacle Perspective, Pinnacle Advisory Group



Boston & Cambridge New Supply 2022 & 2023

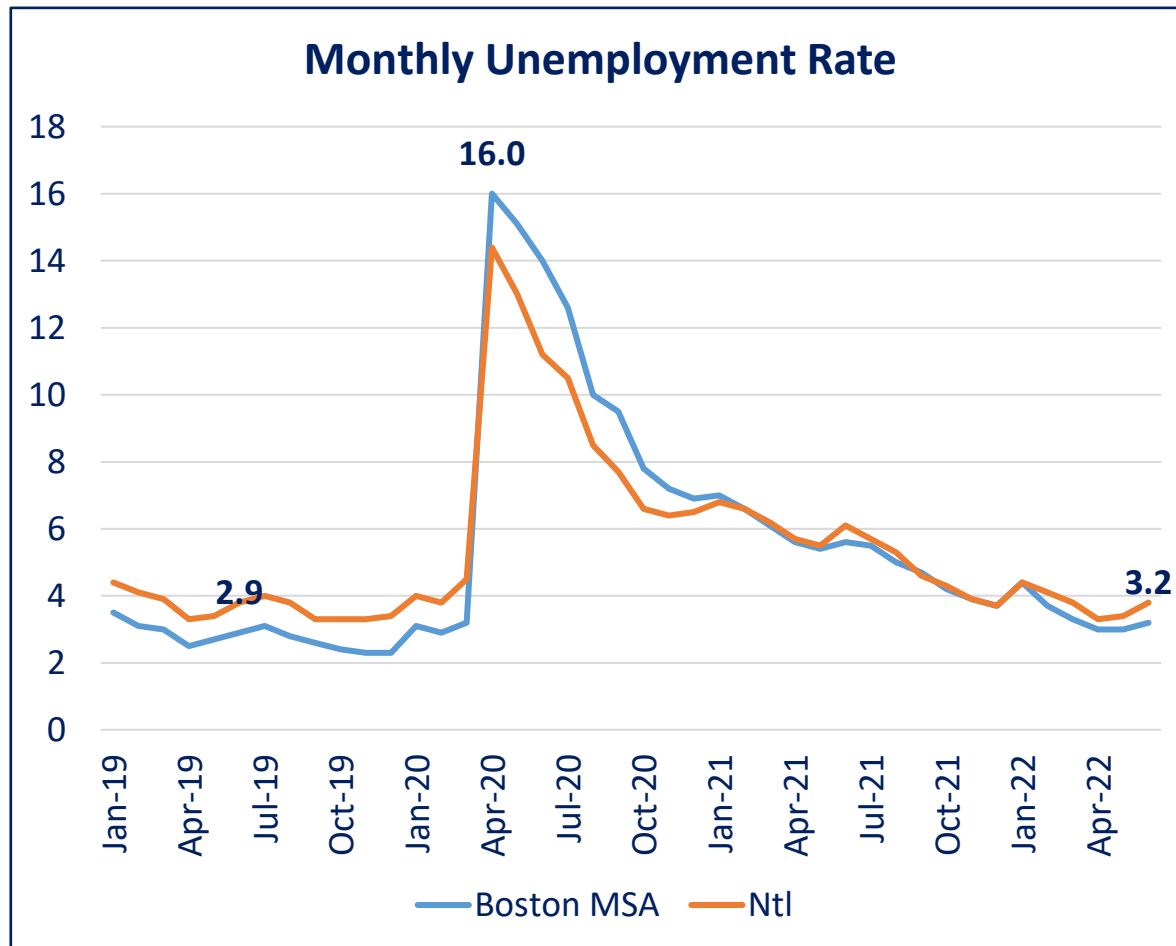
Hotel	Neighborhood	Scale	Rms	Opening
Canopy Boston Downtown	North End	Upper Upscale	212	Mar '22
Raffles Back Bay Boston	Back Bay	Luxury	147	Q2 '23
CitizenM Back Bay	Back Bay	Upscale	399	Q3 '23

+5.8%
2022 Increase

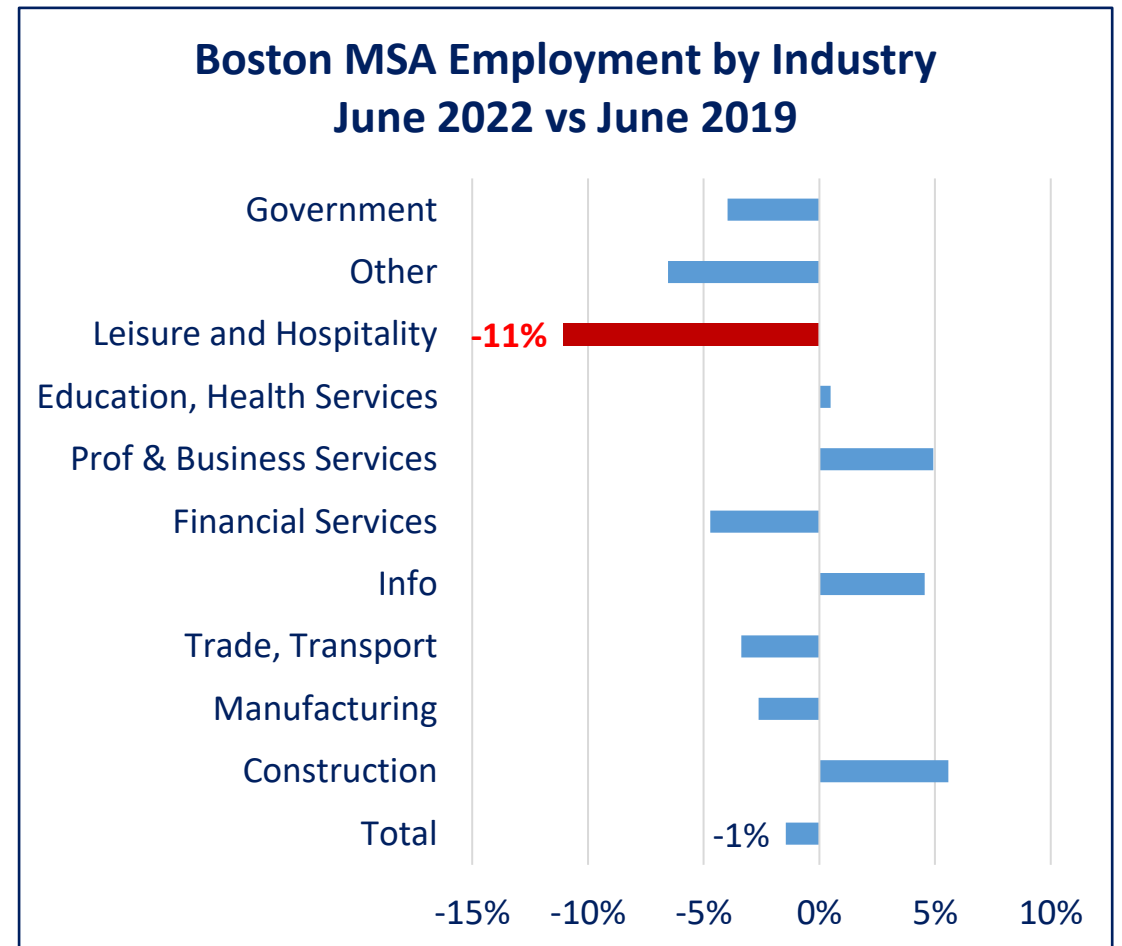
+1.4%
2023 Increase

*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

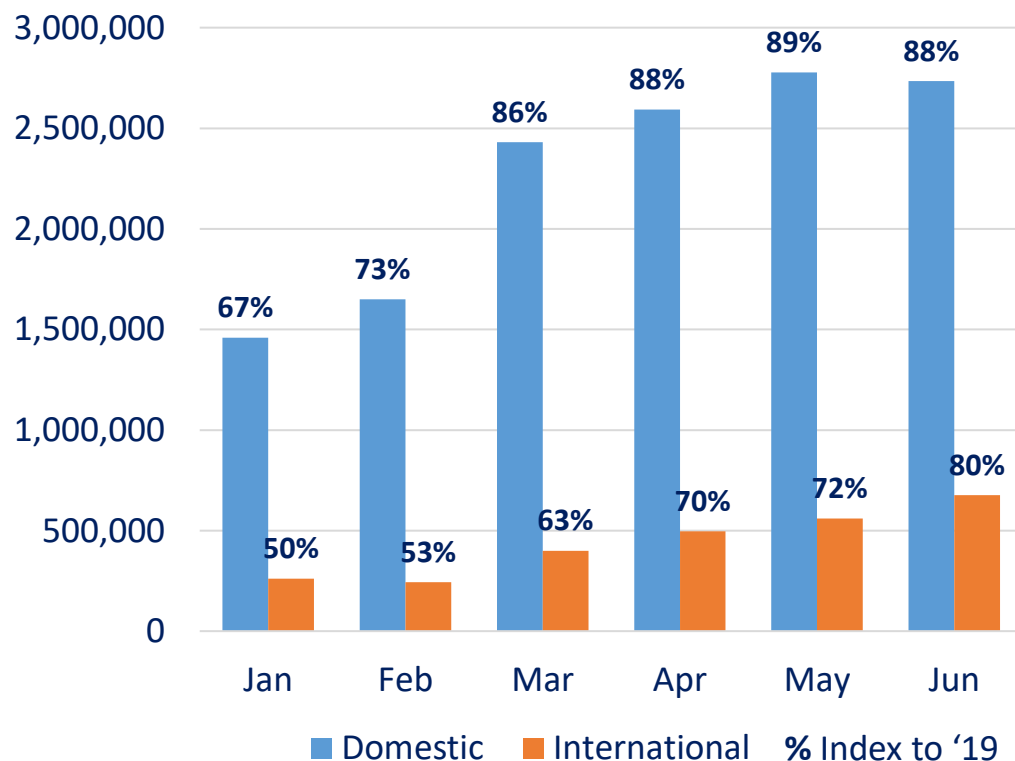


Source: Bureau of Labor Statistics



Boston Logan International Airport

**Total 2022 Passenger Traffic by Month,
Indexed to '19**



- 2019 was a record-breaking year for passenger traffic. Reaching 42.5 million.
- In June, Logan served over 3.4m passengers, down 14% to 2019. US is down approx. 11% nationwide.
- Domestic passenger has been consistent since spring, down approx. 10-15% to 2019.
- Historically intl was 20% of passenger traffic, it is currently about 16%. Increased nonstop intl flights to 45 this summer, down from 56 in 2019.
- Expanding Terminal E from 12 to 16 gates will be completed Summer 2023.
- According to AirHelp, between May 27 and July 15 Logan's cancellation rate was 4%, the fifth-worst in the country.



Boston & Cambridge - Office & Lab Market

Boston	Inventory (SF)	Absorption (SF)	Vacancy %
Q4 2021	66.7 M	1,500,000	14.0%
Q1 2022	66.6 M	(255,000)	14.3%
Q2 2022	70.0 M	(522,000)	15.6%

Cambridge	Inventory (SF)	Absorption (SF)	Vacancy %
Q4 2021	12.3 M	(163,000)	10.2%
Q1 2022	12.2 M	224,000	7.3%
Q2 2022	12.4 M	121,000	8.1%

Source: Colliers International

Boston & Cambridge, Corporate Demand Trends

*January was approx. 20% of 2019 levels. Most recently around 55%.
Forecasting this to reach 70% by yearend.*

- *Employers – Many still remote/hybrid. Plans to return vary. Recession/slow down concerns.*
- *International – Returning slowly, restrictions still in place.*
- *Although still down considerably, increasing each month.*
- *Extremely short booking window*
- *'Bleisure' trend continues – Stronger Thursdays and Sundays*

2022

50 - 55%

of 2019 Levels

2023

70 - 80%

of 2019 Levels



Boston & Cambridge, Group Demand Trends

***Varies month to month but YTD group is approx. 60% of 2019 levels.
Strong convention calendar second half of year. 2023 group pace is robust.***

- *Many events from 2020/21 were moved to 2022. Trend continues into 2023 with strong pace.*
- *Vaccine/mask mandates in Q1 very impactful.*
- *Attrition is slowing, expecting 15% by yearend, much improved.*
- *Corporate groups still small but growing in size, large companies less concerned about COVID, more focused on expenses and travel disruptions.*
- *Convention blocks diminishing with vendors and intl attendees canceling, likely to continue until intl can travel to US without restrictions.*
- *Group weakening outside of Seaport with increased inventory.*

2022

65 - 70%

of 2019 Levels

2023

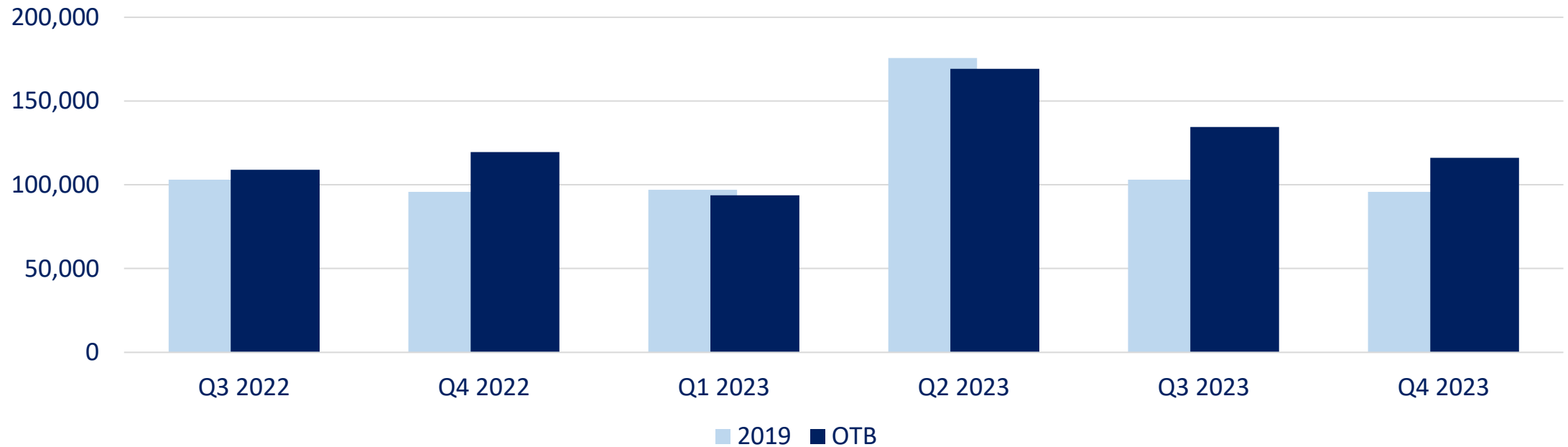
85 - 95%

of 2019 Levels



Boston & Cambridge Convention Demand

Convention Roomnights by Quarter
as of July 2022

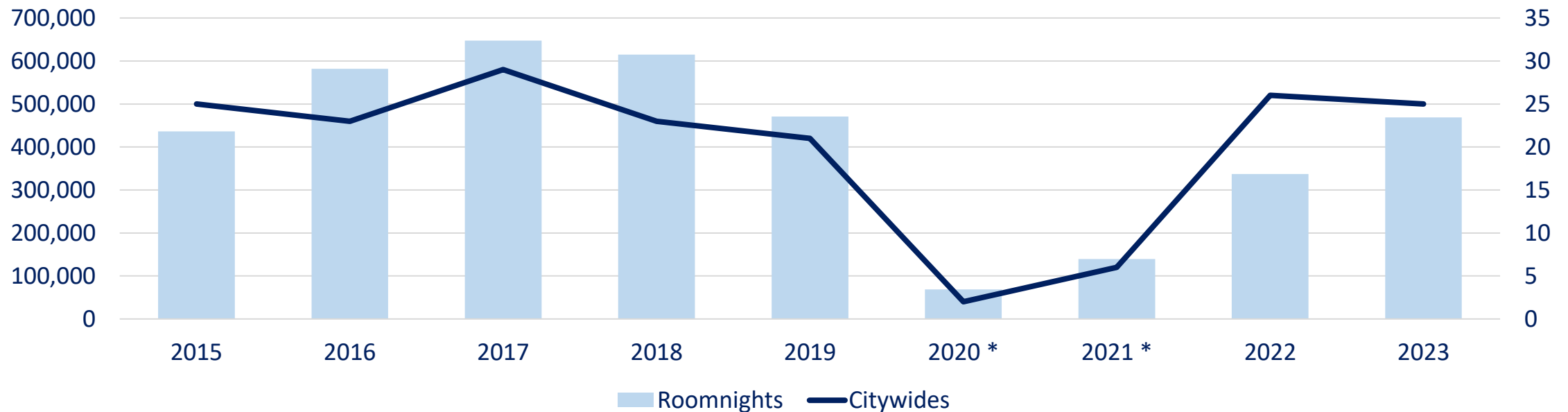


Roomnights represent total rooms booked and does not account for attrition or rooms booked outside of the block.

Source: MCCA

Boston & Cambridge Convention Demand

Annual Convention Roomnights & Citywide Events
as of July 2022



** 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

*Continues to run +50% over 2019 levels.
Expect this to slow in fall with growth leveling off in 2023.*

- *Still booming! Well above 2019 levels.*
- *Weekends extended beyond Fri/Sat, increasing LOS*
- *Considerable amount is domestic but international growing*
- *Colleges and universities, sports/events large contributor*
- *Hard to repeat fall 2021 Laver Cup (Sep), Marathon and Head of Charles (Oct), Red Sox*
- *Pent up demand, redemption is not endless.*

2022

155 - 160%
of 2019 Levels

2023

145 - 155%
of 2019 Levels

Boston & Cambridge, Contract Demand Trends

***Dorm rooms made up a large portion of market's contract demand in 2021 and first half of 2022. Unclear what down contracts represent rest of this year and next.
Airline contract demand to increase with growth at airport.***

- *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/universities may continue this fall in Back Bay, may impact supply*

2022

115 - 125%

of 2019 Levels

2023

90 - 100%

of 2019 Levels



Boston & Cambridge, ADR Trends

Corporate

- *No longer rolling over rates from 2019*
- *Negotiated rate increases expected to be significant, accounting for two years of flat rates and inflationary pressure.*
- *Continued push to dynamic pricing*

Group

- *Very little push back on rate, especially with short booking window*
- *Those with solid group base will need to maintain higher retail rates.*

Leisure

- *Still very little price sensitivity, for now*
- *High redemption levels putting downward pressure on ADR*
- *Strong convention calendar in 2023 with well placed events will help YoY growth*

Boston & Cambridge - Projections 2022

	2021	2022	% Change
Occupancy	45.4%	68%	+ 51%
ADR	\$212	\$268	+ 26%
RevPAR	\$95	\$183	+ 93%

Reflects total-room inventory, assuming no temporary hotel closures

Source: Pinnacle Advisory Group

Indexed to 2019

83%
Occupancy

103%
ADR

86%
RevPAR



Boston & Cambridge - Projections 2023

	2022	2023	% Change
Occupancy	68%	74%	+ 8.2%
ADR	\$268	\$282	+ 5.3%
RevPAR	\$183	\$209	+ 13.9%

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

Indexed to 2019

90%
Occupancy

108%
ADR

97%
RevPAR



Boston & Cambridge - Projections Quarterly

2022 & 2023 Quarterly Projected Performance Boston & Cambridge Lodging Market

	2022		2023			
	Q3	Q4	Q1	Q2	Q3	Q4
Supply, % Change	+4.5%	+1.6%	+1.1%	+0.6%	+1.9%	+1.9%
Occ %	78%	69%	62%	81%	80%	72%
ADR	\$288	\$251	\$204	\$325	\$309	\$270
RevPAR	\$226	\$172	\$127	\$263	\$248	\$195
RevPAR Indexed to '19	89%	87%	93%	98%	98%	99%

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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