



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

## **Economic Outlook Breakfast**

September 7, 2022

The State of the Hospitality Industry in Rhode Island

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# Today's Agenda

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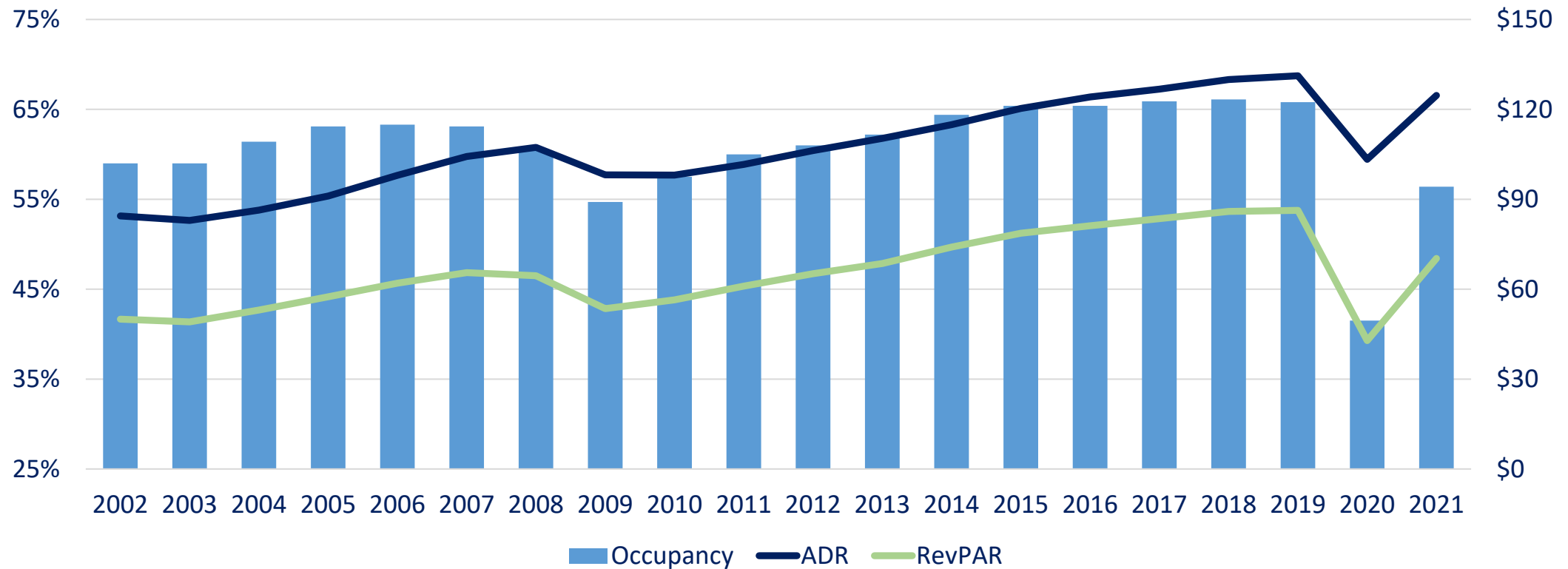
- 1. National Lodging Market**
- 2. Rhode Island Lodging Market**
- 3. Providence Lodging Market**
- 4. Warwick Lodging Market**
- 5. Newport Lodging Market**
- 6. Middletown Lodging Market**



# **NATIONAL LODGING MARKET**

# National - Historic Market Performance

## 20-Year Historic Lodging Performance United States



Source: STR



# National - YTD July 2022

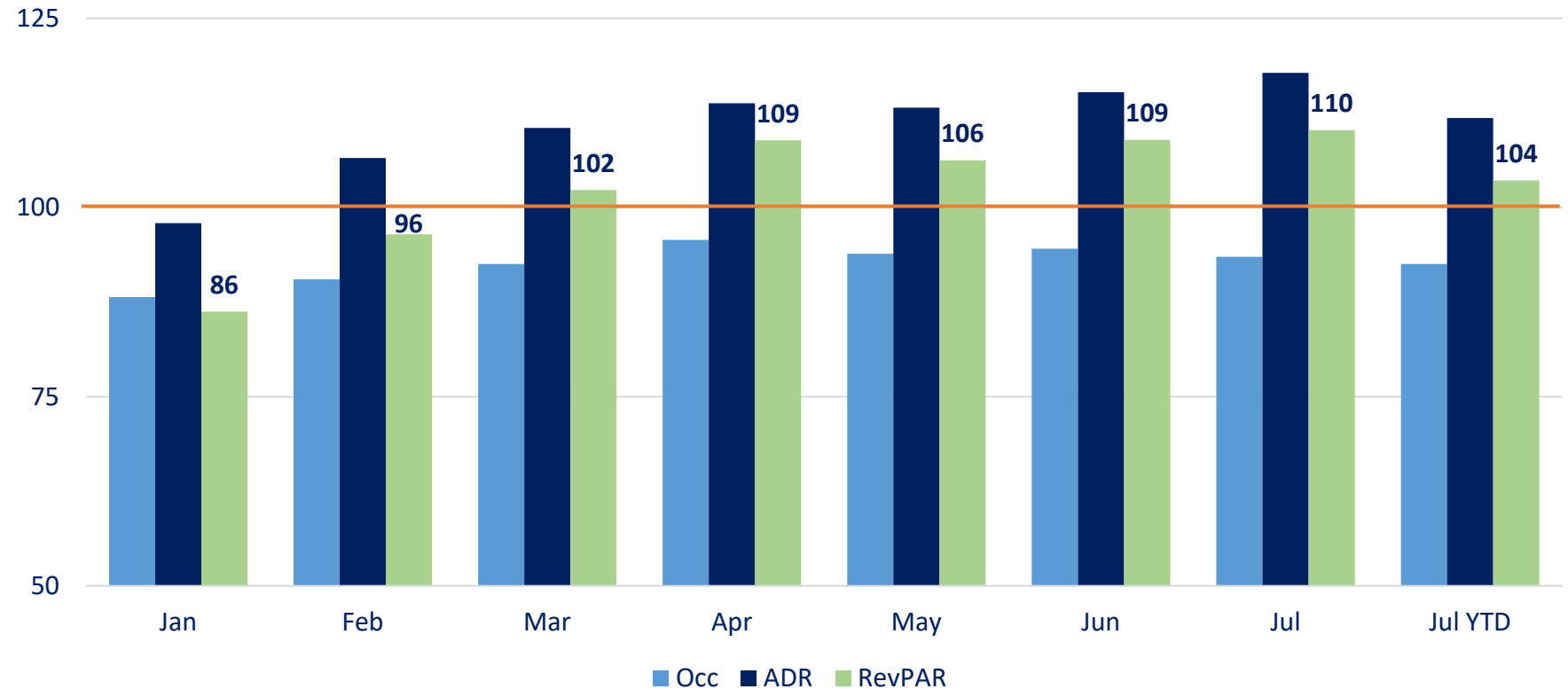
**62.1%**  
Occupancy

**\$147**  
ADR

**\$92**  
RevPAR

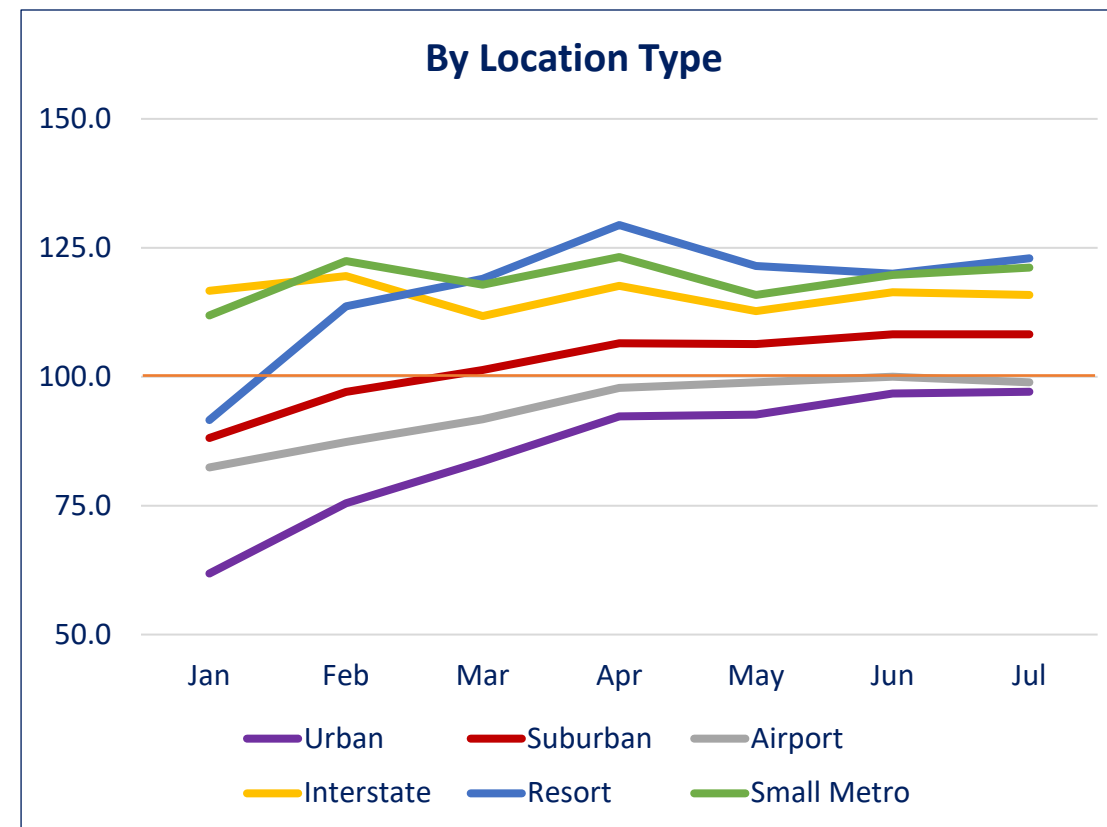
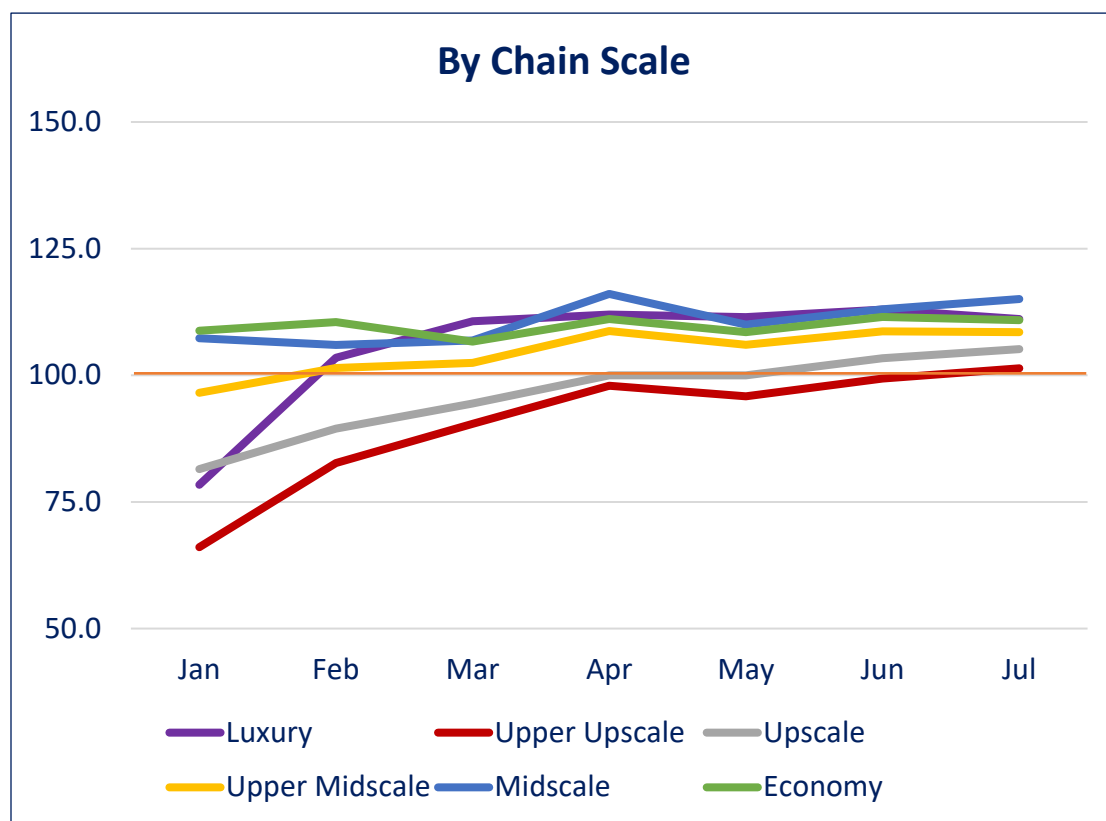
Source: STR

2022 Monthly Performance, Indexed to 2019



# National - An Uneven Recovery

## 2022 Monthly RevPAR, Indexed to 2019



Source: STR



# Macro Economic Trends

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



# National – Industry Trends

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- **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%

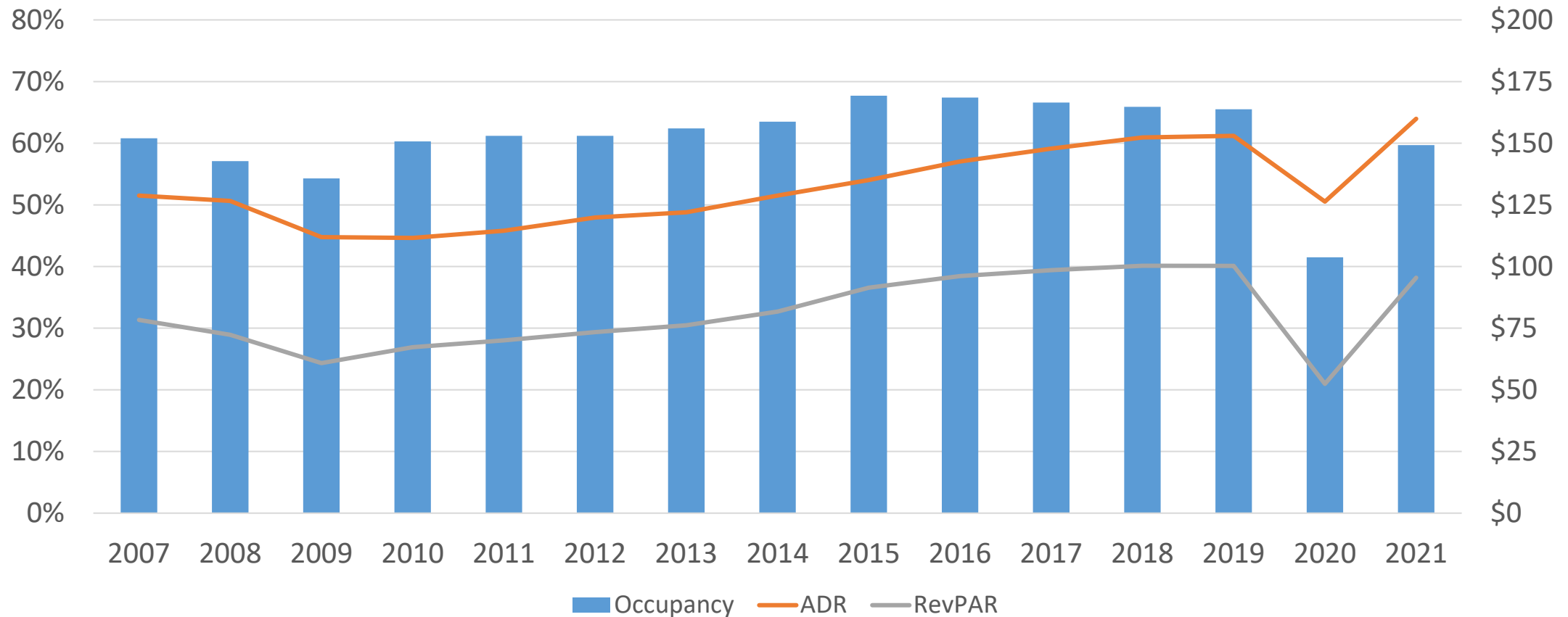
Source: STR (Aug), PWC (May), CBRE (Aug)



A faded, light blue background image of a cityscape, likely Providence, Rhode Island. It features several tall buildings, including a prominent skyscraper on the left and a modern glass-fronted building on the right. In the distance, a river and rolling hills are visible under a hazy sky. The entire image is framed by a thin dark blue border.

# **RHODE ISLAND LODGING MARKET**

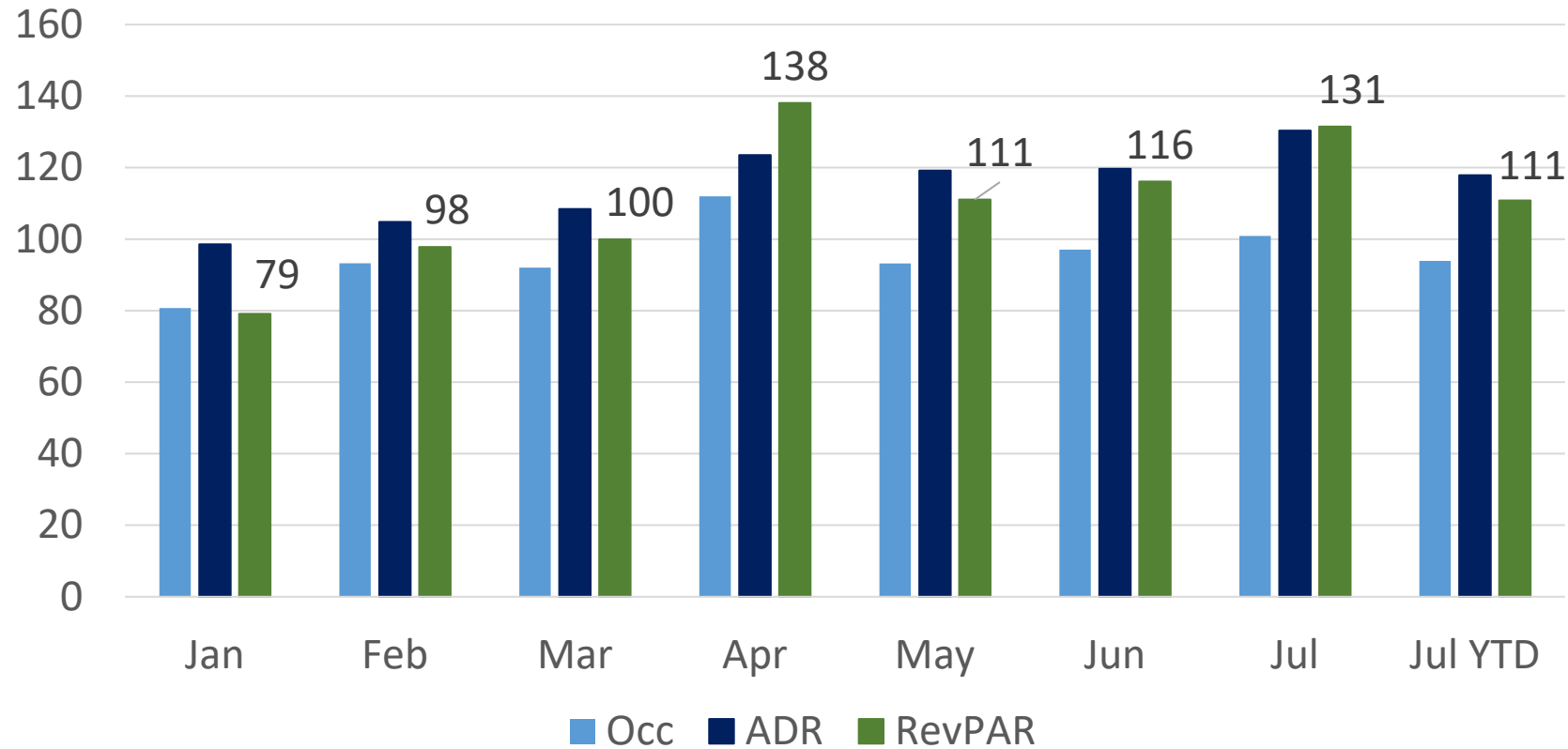
# Rhode Island - Historic Performance



Source: STR

# Rhode Island - YTD July 2022

2022 Monthly Performance, Indexed to 2019



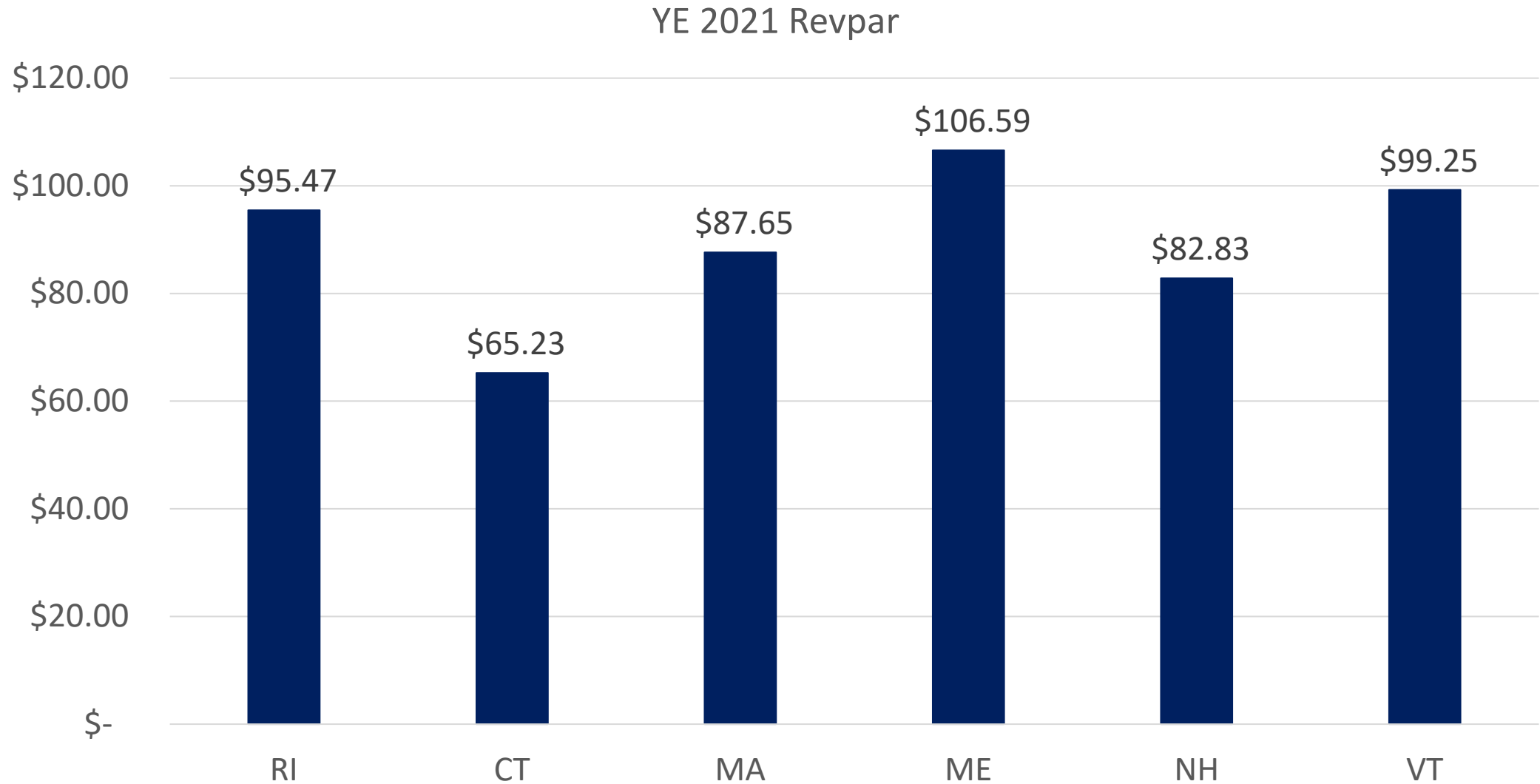
**60.4%**  
Occupancy

**\$175.31**  
ADR

**\$105.94**  
RevPAR

Source: STR

# Rhode Island vs. New England Performance

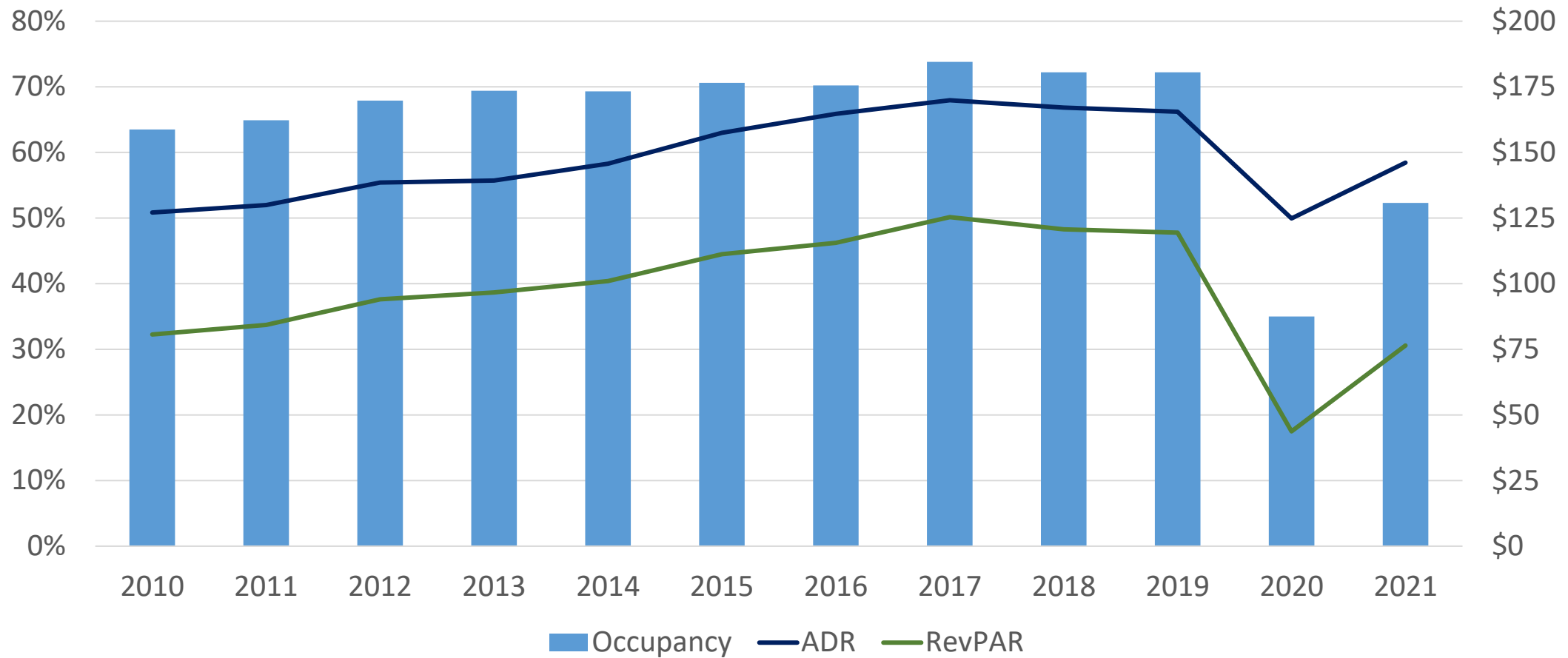


Source: STR

A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely Providence, Rhode Island. 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 - Historic Performance



Source: STR

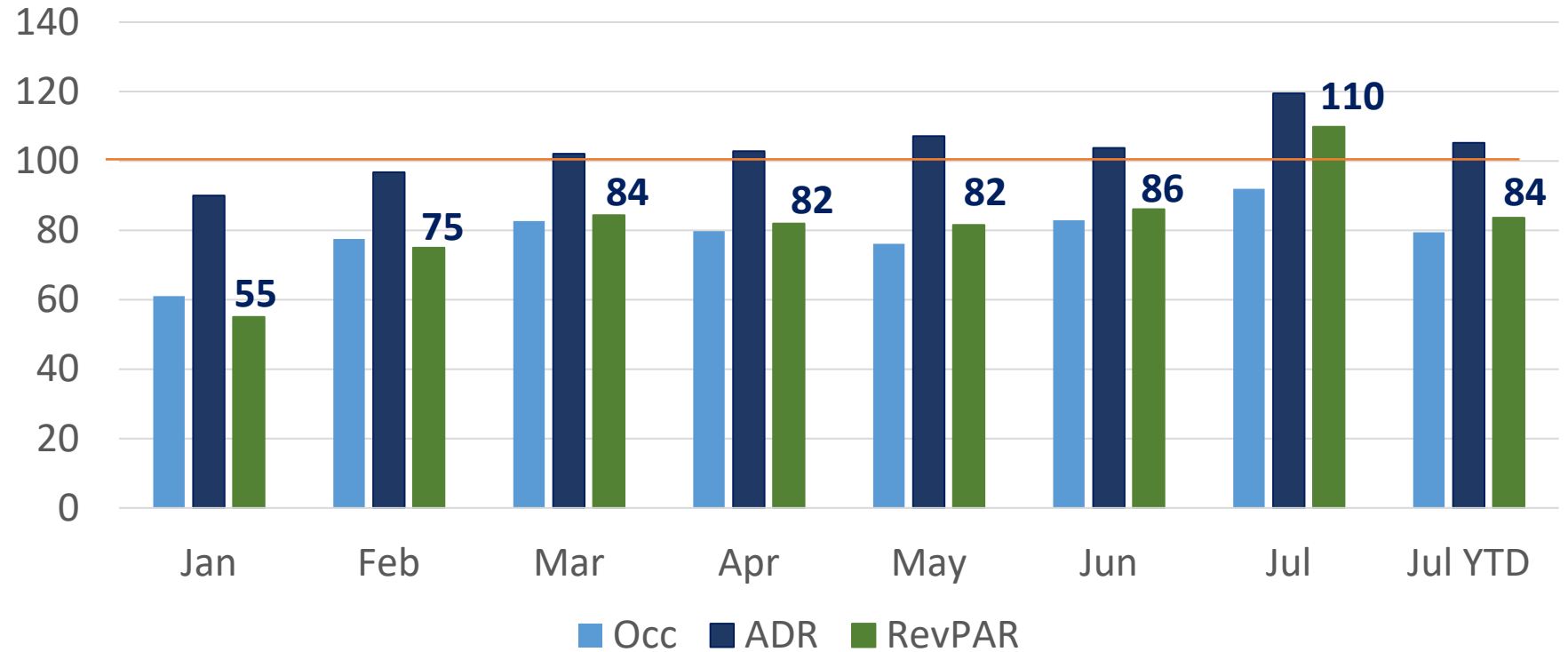
# Providence - YTD July 2022

2022 Monthly Performance, Indexed to 2019

**56.8%**  
Occupancy

**\$175.29**  
ADR

**\$99.63**  
RevPAR



Source: STR

# Providence - New Supply 2022 & 2023

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- No New Supply in 2022 and 2023
- Increase in 2022 due to opening of The Beatrice and Aloft hotels in late 2021.

**+7.3%**

Supply Increase  
in 2022

**+0.0%**

Supply Increase  
in 2023

*Source: Various Sources, Compiled by Pinnacle Advisory Group*



# Providence/Warwick - Office Markets, Q2 2022

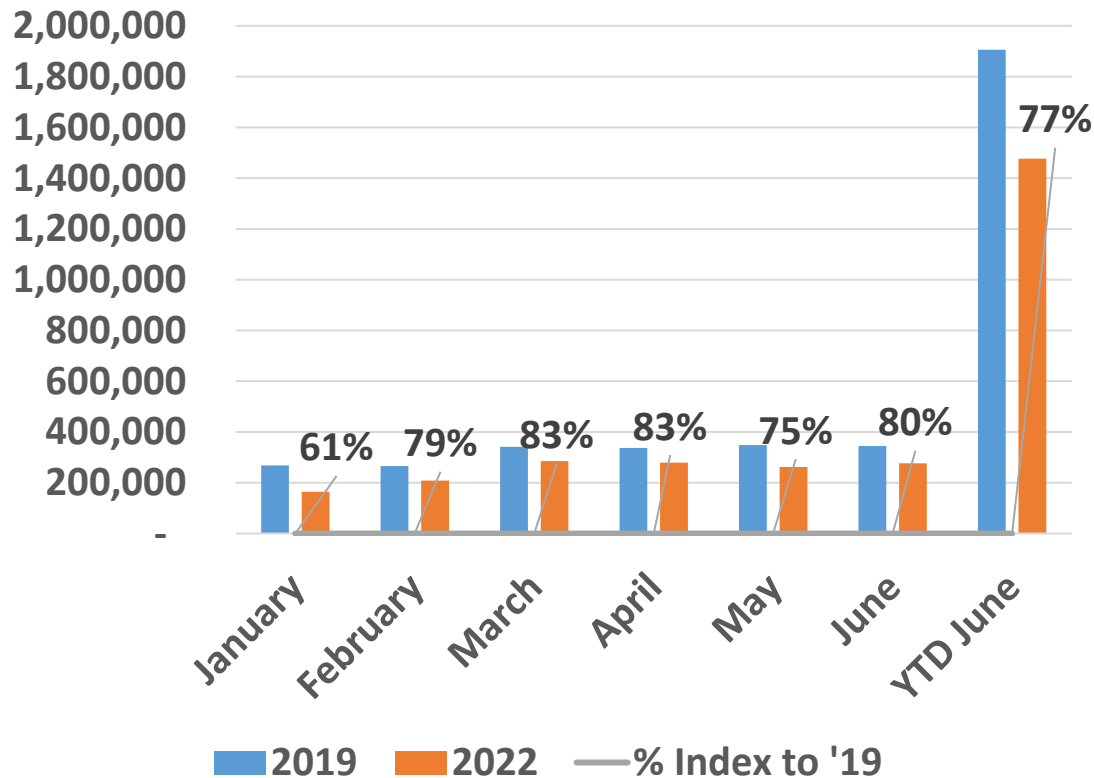
	Square Feet	Vacancy %	12 Month Absorption
Providence	1,514,505	9.0%	(532,776)
North Providence	16,398	4.2%	(219)
East Providence	169,448	7.0%	(28,294)
Warwick	393,776	8.1%	22,258
West Warwick	18,865	4.0%	21,612

Source: CoStar August 2022



# TF Green International Airport

Total Passenger Traffic By Month Indexed To '19



Source: TF Green International Airport

- In 2018 and 2019, approximately 2 million passengers enplaned at TF Green; with approximately 4 million total passengers.
- Year-end 2020, there were approximately 650,000 enplanements and approximately 1.3 million passengers.
- Year-end 2021, there were approximately 1.2 million enplanements and approximately 2.3 million passengers.
- YTD June 2022, passenger counts continued to increase; a 77% index in comparison to 2019.



# Providence Warwick CVB – August Pace Report



## 2022

- 2022 pace is incredibly strong with 157 events OTB.
- Roomnights are pacing +30% to the 2017-2019 average pace target.
- Strong year due to rescheduled/postponed events from the pandemic, but also due to a surge in sports-related events.

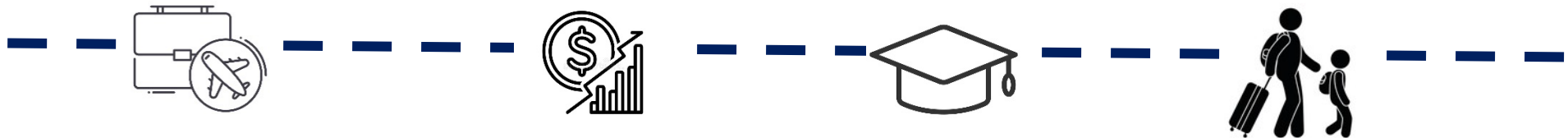
## 2023

- Roomnights are pacing down 11% with 52 events OTB currently; 77 events in prospect status.
- March (+40%) and June (+38%) are outpacing the pace target.
- Weaker months include May, July, August, October and December, but in the booking window for second-half of 2023 now.
- Providence has a much shorter booking window so there is still time to finalize new business.

# Providence Other Factors And Trends

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- Corporate Travel: Office fundamentals are expected to improve.
- Economic Outlook: a significant recovery from covid .
- Universities: All back with in person learning.
- Tourist Attractions: Everything has re-opened and leisure demand has been huge.
- New Lodging Supply: Providence still needs to absorb the 2 hotels that opened late 2021.
- Sports related demand has been a major driver.
- Overall, we expect to see more growth in demand in the lodging sector, and while room rates will be trending upward, it will be at a more moderate pace 2023.



# Providence - Projections 2022

	2021	2022	% Change
Occupancy	52.3%	60%	14.7%
ADR	\$146.12	\$178	21.8%
RevPAR	\$76.44	\$106	38.7%

Indexed to 2019

**83%**

Occupancy

**107%**

ADR

**89%**

RevPAR

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



# Providence - Projections 2023

	2022	2023	% Change
Occupancy	60%	66%	10.3%
ADR	\$178	\$185	4.0%
RevPAR	\$106	\$122	15.1%

Indexed to 2019

**91%**

Occupancy

**112%**

ADR

**102%**

RevPAR

Source: Pinnacle Advisory Group (Projections)

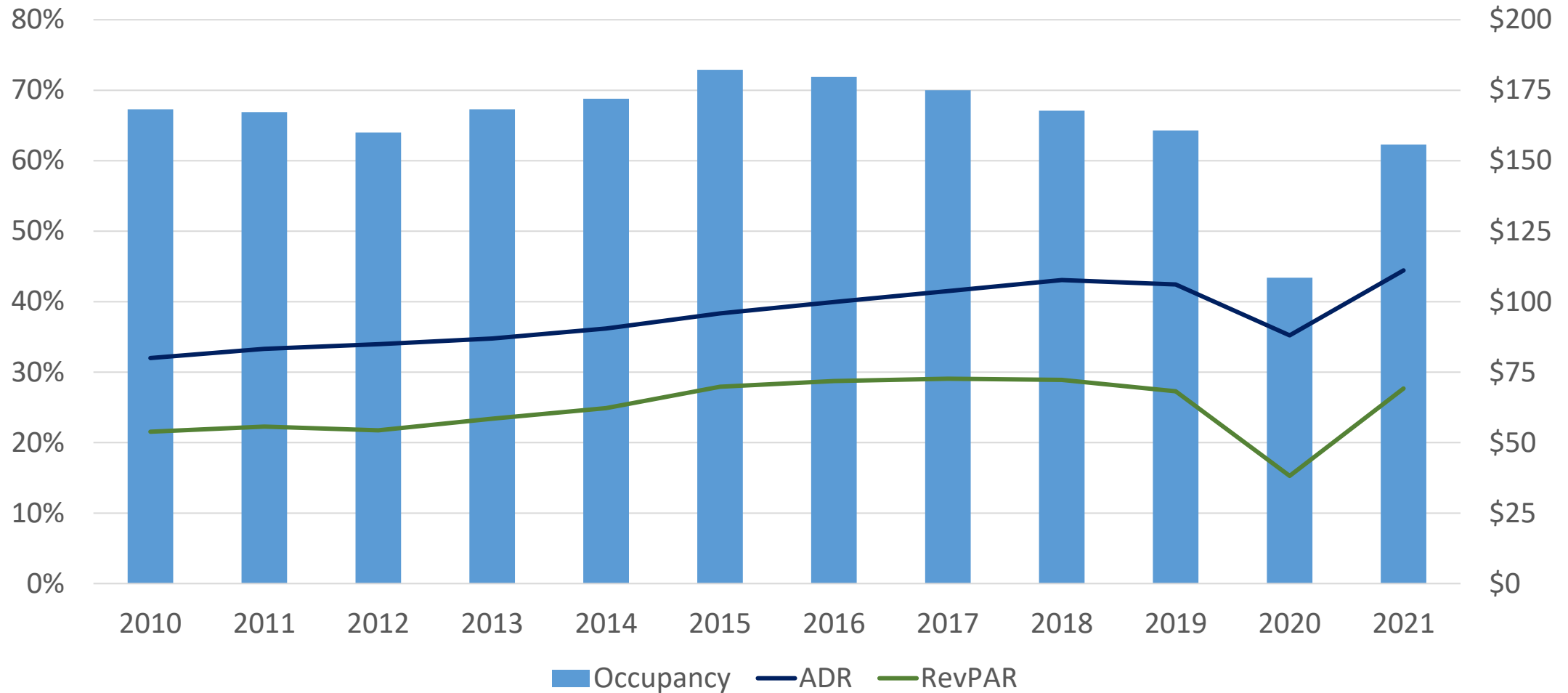
Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



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 - Historic Performance



Source: STR

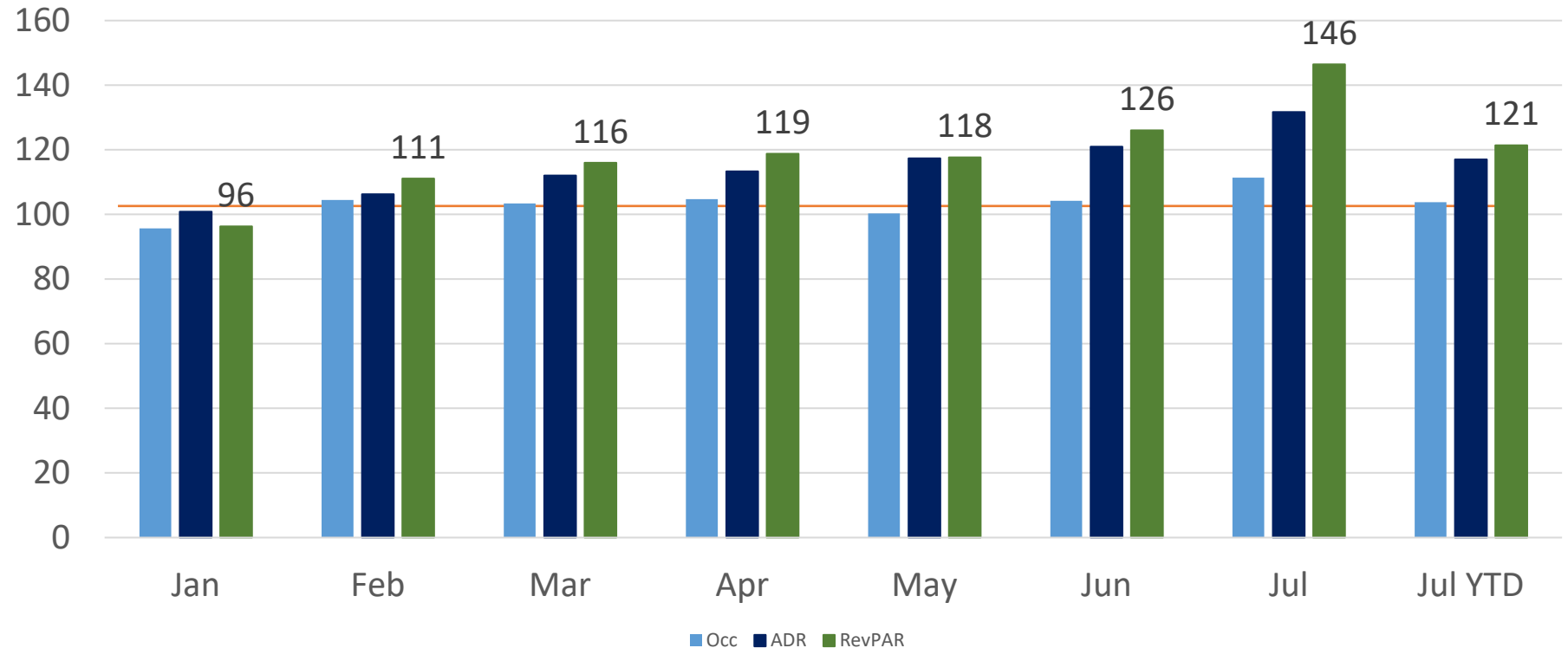
# Warwick - YTD July 2022

**66.3%**  
Occupancy

**\$124.11**  
ADR

**\$82.28**  
RevPAR

2022 Monthly Performance, Indexed to 2019



Source: STR

# Warwick – Future

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- New Lodging Supply – None (Cru Hotel permanently closed)
- Airport Factors: June 2022 Passengers – 77% index to June 2019
- Office Market: Hybrid from home/office; will improve in 2023, but still not fully recovered.
- Other Factors: Compression from South County
- Economy: Continues to recover
- Other Attractions: Sporting events and reunions
- Warwick will continue to be the affordable alternative to Newport and Providence.

# Warwick - Projections 2022

	2021	2022	% Change
Occupancy	62.3%	67%	7.5%
ADR	\$111.08	\$129	15.7%
RevPAR	\$69.22	\$87	25.6%

Indexed to 2019

**105%**  
Occupancy

**121%**  
ADR

**127%**  
RevPAR

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



# Warwick - Projections 2023

	2022	2023	% Change
Occupancy	67%	69%	+ 1.7%
ADR	\$129	\$135	+ 4.7%
RevPAR	\$87	\$93	+ 6.9%

Indexed to 2019

**107%**

Occupancy

**128%**

ADR

**136%**

RevPAR

Source: Pinnacle Advisory Group (Projections)

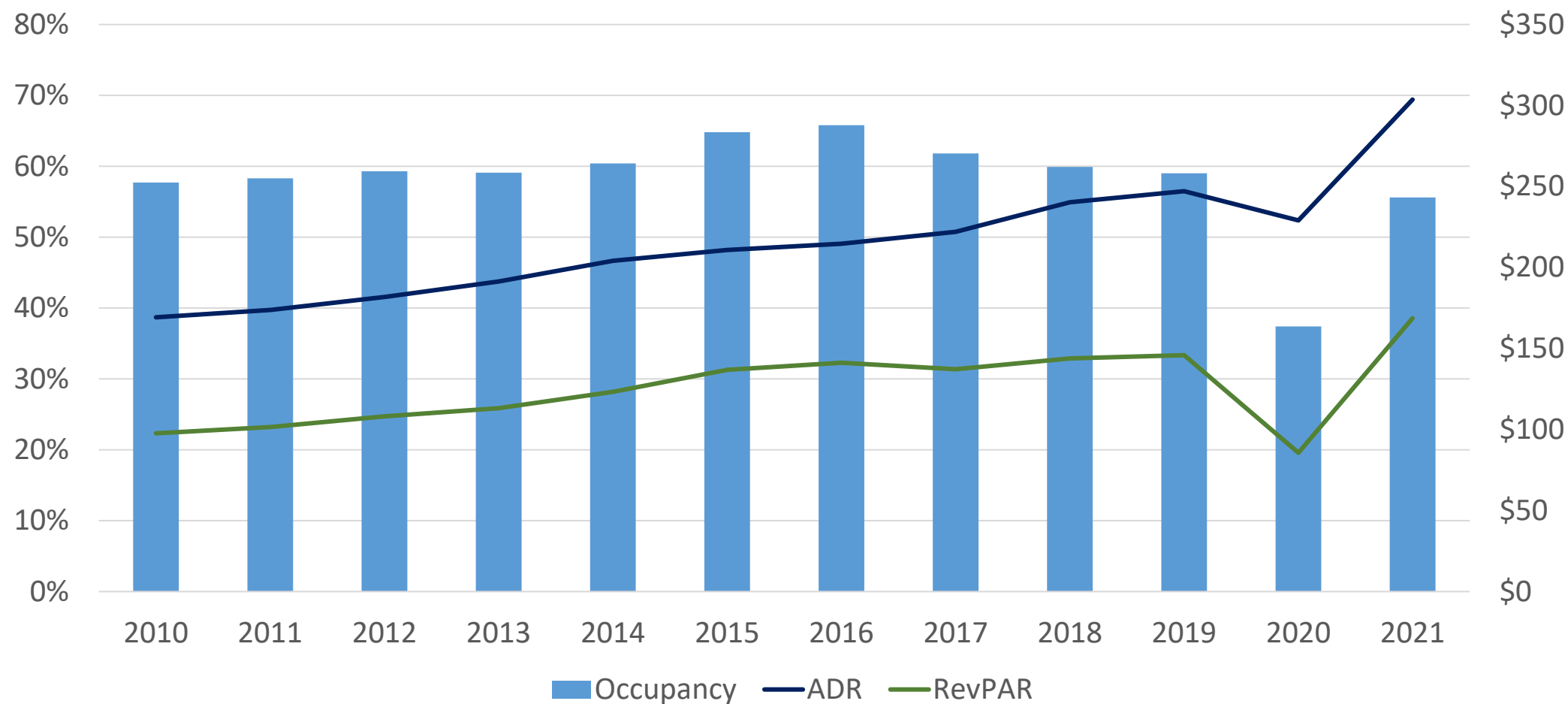
Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



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 - Historic Performance



Source: STR



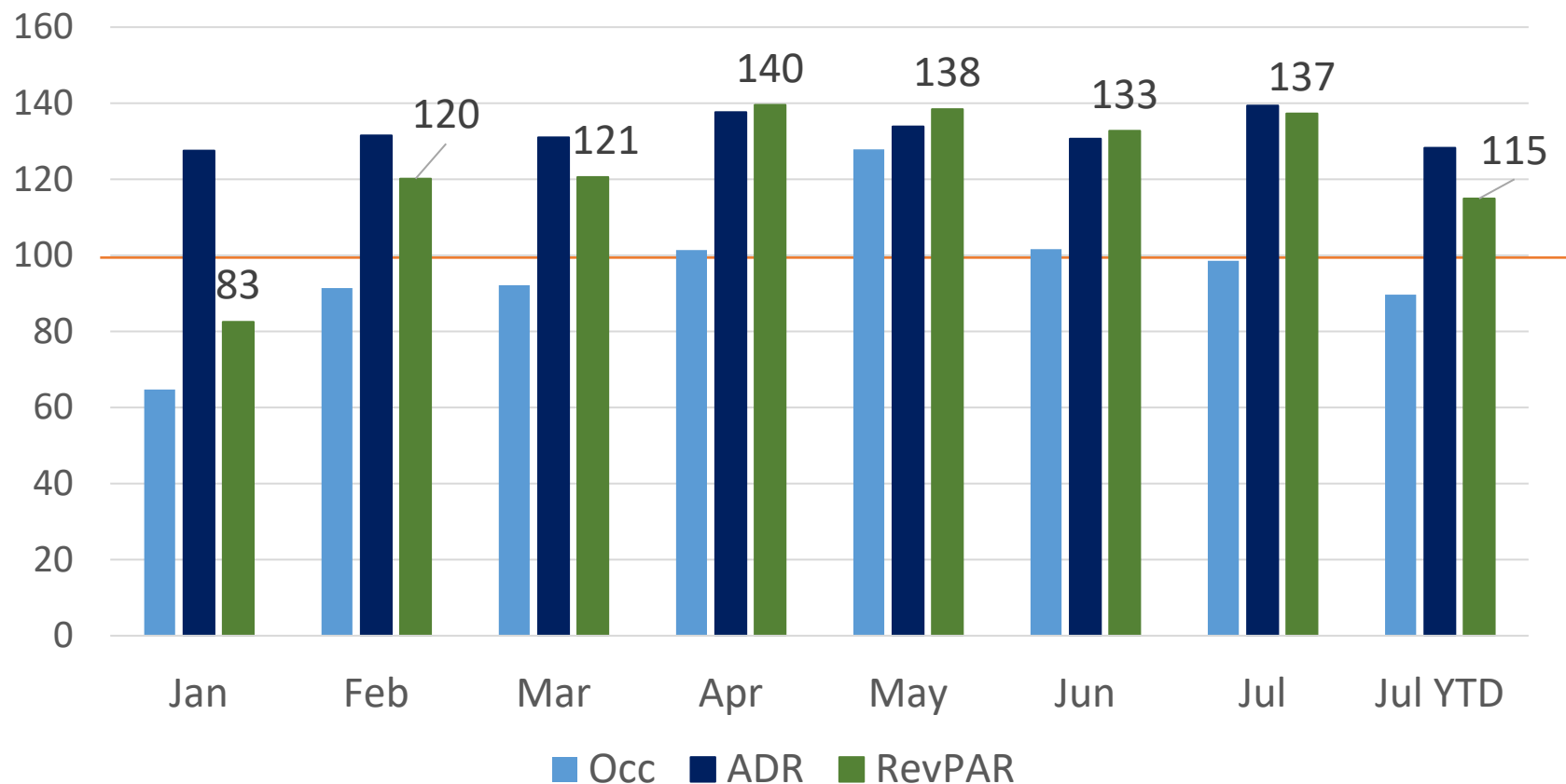
# Newport - YTD July 2022

**52.9%**  
Occupancy

**\$316.90**  
ADR

**\$167.68**  
RevPAR

2022 Monthly Performance, Indexed to 2019



Source: STR



# Newport – Future

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- New Supply: Wayfinder closed due to a fire May 2022; no other new supply 2022/2023.
- International Visitors: Represented 17% of total demand pre-pandemic. Now 3-5% of total demand. Will continue to improve next year.
- Group/Meetings/Events: Experienced modest return in 2021 – mostly social. In 2022 this segment is very strong. Expecty 100% recovery in 2023.
- Drive to Market: Transient visitors – a huge success in 2021; anticipate more “normal” visitation patterns in 2022 with full recovery in 2023.
- Rate integrity: High inflation and strong desire to be in Newport caused 2021 ADR to grow 33% in 2021. Rate growth will continue in 2022, but at a slower pace. continued in 2022, but at a slower. Other travel destination options, a slowing economy, and a shift in mix will likely allow for a correction for ADR.

# Newport - Projections 2022

	2021	2022	% Change
Occupancy	55.6%	57%	2.5%
ADR	\$303.64	\$325	7.0%
RevPAR	\$168.69	\$185	9.8%

Indexed to 2019

**97%**

Occupancy

**131%**

ADR

**127%**

RevPAR

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



# Newport - Projections 2023

	2022	2023	% Change
Occupancy	57.0%	59%	3.5%
ADR	\$325	\$317	(2.4)%
RevPAR	\$185	\$187	1.0%

Indexed to 2019

**100%**  
Occupancy

**128%**  
ADR

**128%**  
RevPAR

Source: Pinnacle Advisory Group (Projections)

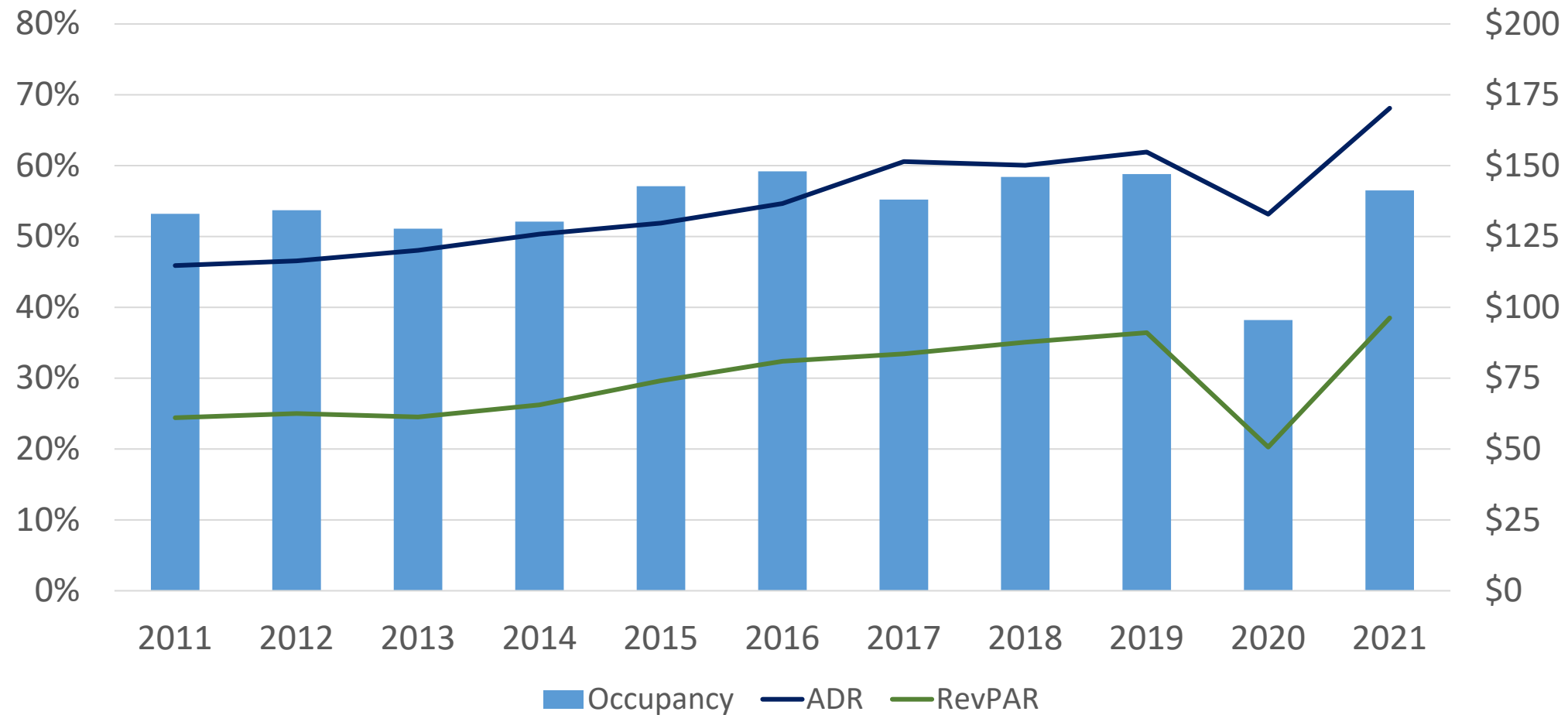
Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



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 in grayscale, with a blue border around the central text area.

# **MIDDLETOWN LODGING MARKET**

# Middletown - Historic Performance



Source: STR



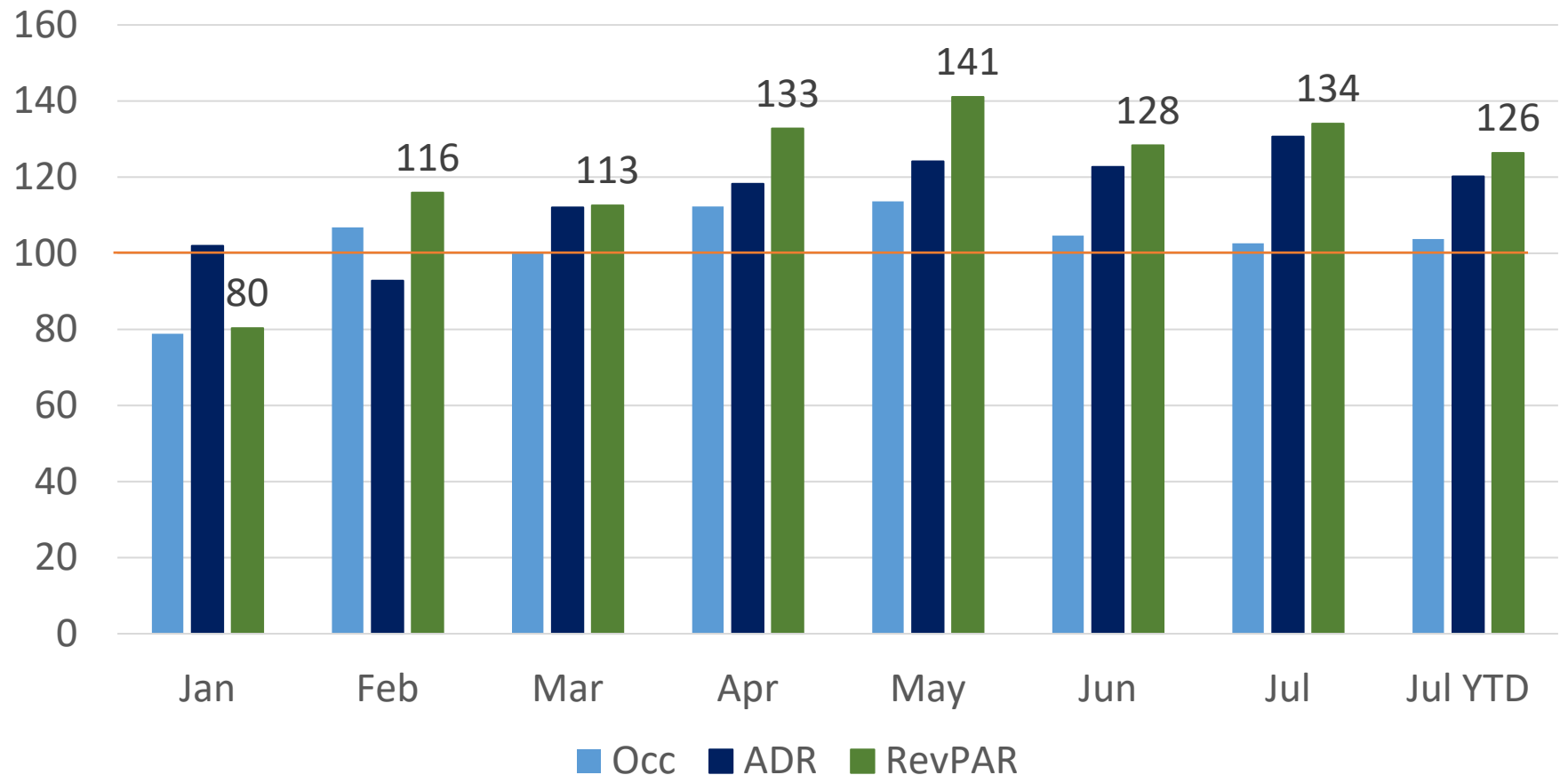
# Middletown - YTD July 2022

**58.5%**  
Occupancy

**\$180.29**  
ADR

**\$105.52**  
RevPAR

2022 Monthly Performance, Indexed to 2019



Source: STR

# Middletown – Future



- New Supply – Days Inn fire and closed for alternative use conversion. No other new supply in 2022 and 2023.
- Remains a price alternative for Newport – \$100 - \$130 lower ADR as compared to Newport.
- Corporate transient: Remains below pre-pandemic levels: 2021 – 85% of 2019 demand; expecting close to full recovery in 2023.
- Group: Social group and small corp group is back; expect full recovery in motor coach demand in 2023.
- Gov't per diem rate increases - 3% now jumping to 10% in June 2023.

# Middletown - Projections 2022

	2021	2022	% Change
Occupancy	56.5%	59%	4.4%
ADR	\$170.28	\$188	10.4%
RevPAR	\$96.28	\$111	15.2%

Indexed to 2019

**100%**  
Occupancy

**121%**  
ADR

**122%**  
RevPAR

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



# Middletown - Projections 2023

	2022	2023	% Change
Occupancy	59%	60%	+ 1.7%
ADR	\$188	\$198	+ 5.3%
RevPAR	\$111	\$119	+ 7.2%

Indexed to 2019

**102%**  
Occupancy

**128%**  
ADR

**130%**  
RevPAR

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



# Pinnacle Advisory Group

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