

Massachusetts Lodging Association OUTLOOK 2024

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Today's Agenda

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

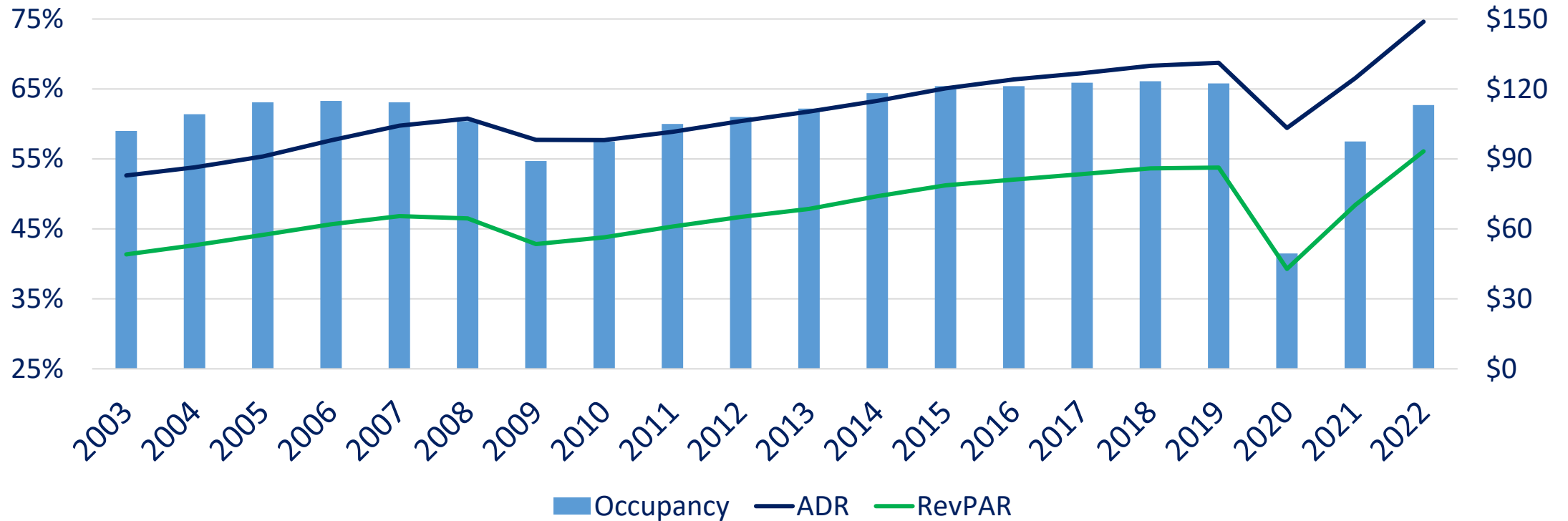




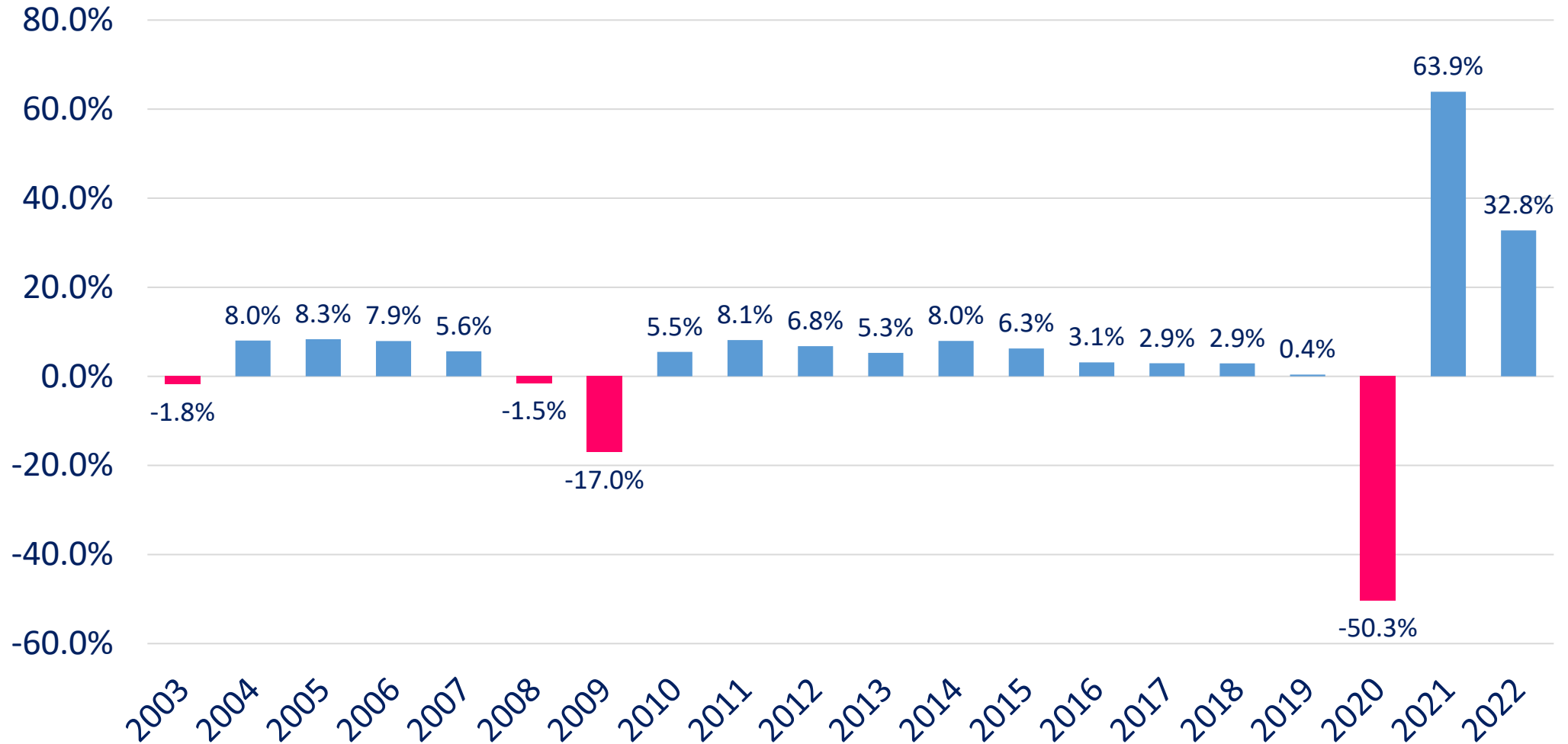
NATIONAL LODGING MARKET

National - Historic Market Performance

20-Year Historic Lodging Performance
United States



RevPAR % Change – US 2003-2022

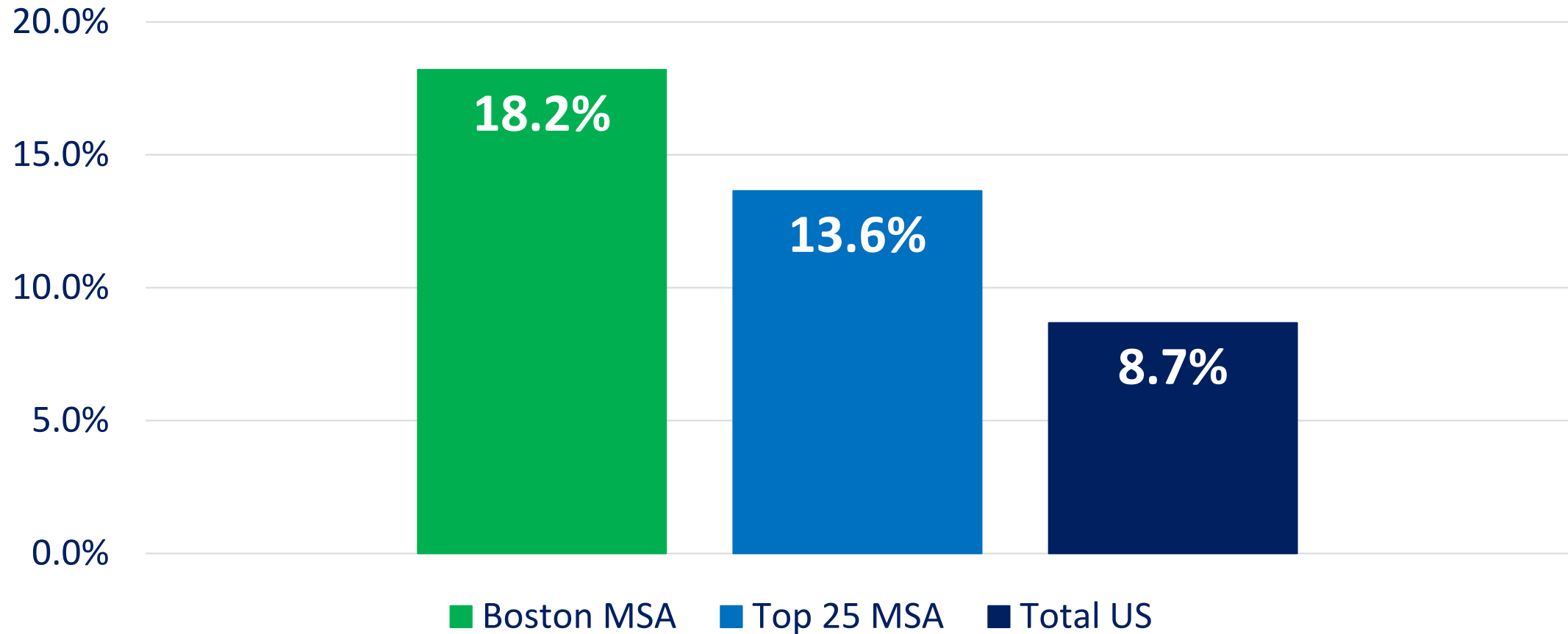


National - YTD June 2023

	June 2022	June 2023	% Change
Occupancy	61.4%	62.9%	2.3%
ADR	\$145.40	\$154.45	6.2%
RevPAR	\$89.33	\$97.08	8.7%



RevPAR % Growth YTD June 2023 vs 2022



Macro Economic Trends

- **Recession Of Soft Landing (Probability Of Recession 54%)**
- **Inflation**
- **Interest Rates**
- **Employment & Wage Growth**
- **Shift In How We Work**
- **Global Issues, Politics, Technology, Etc.**



National – Industry Trends

- Leisure Demand Is Pulling Back While Corporate And Group Continue To Strengthen (Modestly).
- Occupancy Continues To Improve With Modest Demand And Minimal New Supply. BUT Demand Growth Is Slowing.
- Leisure Is Showing Signs Of Rate Sensitivity.
- ADR Continues To Improve, Leading The Recovery Over Demand (Occupancy). BUT ADR Growth Is Plateauing.
- Room Revenues Will Improve This Year (2023) And Next (2024) With Growth In Both Group And Corporate Demand, Coupled With More Inbound International Travel. Plus New Supply Growth Will Continue To Be Limited.



National - Industry Projections, YOY % Change

2023

	STR	PWC	CBRE
Occupancy	1.3%	2.1%	4.5%
ADR	3.7%	4.3%	0.9%
RevPAR	5.0%	6.5%	5.4%
RevPAR Indexed '19	114%	114%	113%

2024

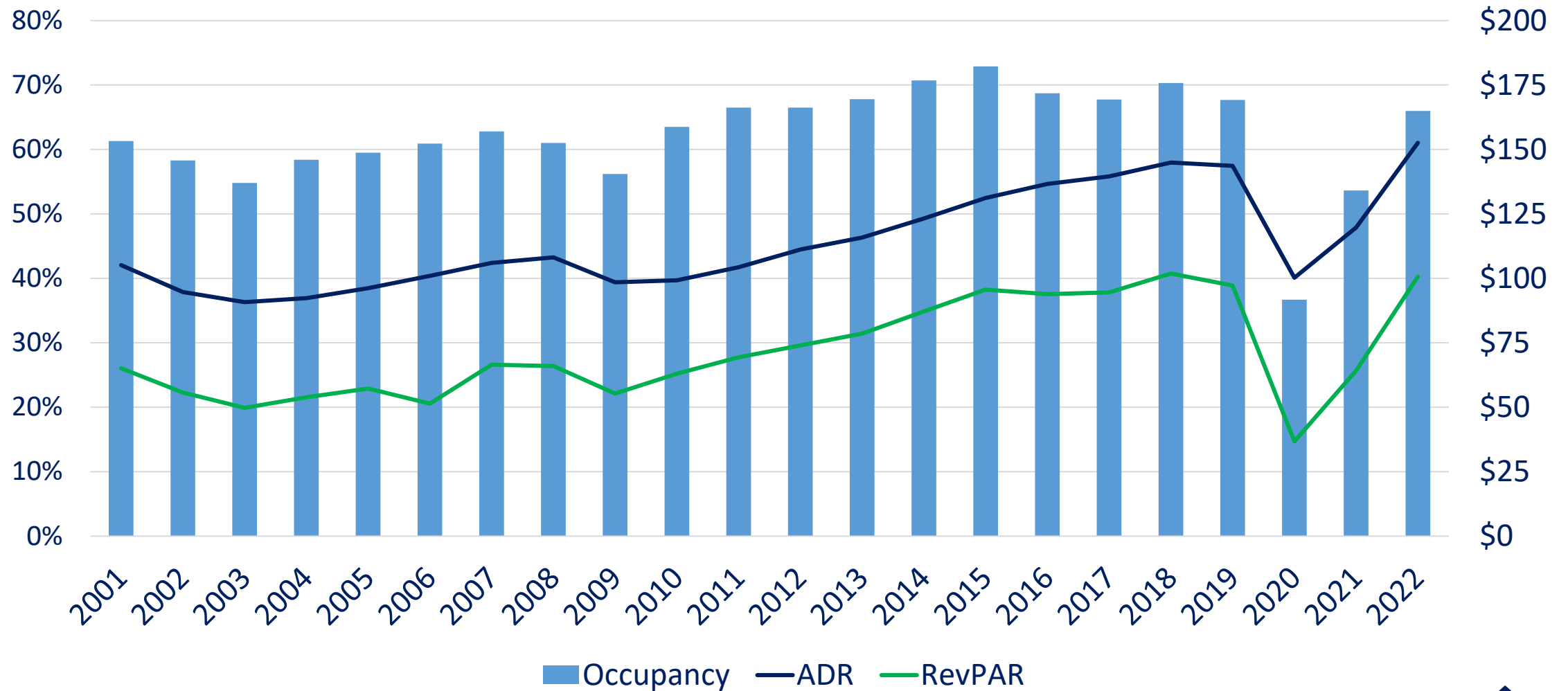
f	STR	PWC	CBRE
Occupancy	1.4%	0.2%	1.3%
ADR	3.1%	3.4%	2.8%
RevPAR	4.6%	3.5%	4.1%
RevPAR Indexed '19	119%	118%	118%





SUBURBAN BOSTON LODGING MARKET

Suburban Boston - Historic Performance



Suburban Boston YTD June Performance

	YTD June 2022	YTD June 2023	% Change
Supply	6,230,077	6,197,003	-0.5%
Demand	3,805,932	4,015,147	5.5%
Occupancy	61.1%	64.8%	6.1%
ADR	\$138.59	\$152.17	9.8%
RevPAR	\$84.67	\$98.59	16.4%



Suburban Boston - Changes to Supply 2023 & 2024

Property	City/Town	Scale	Rooms	Date
Sonder The Arcadian	Brookline	Midscale	38	Jan 2023
Best Western at Historic Concord	Concord	Midscale	-105	April 2023
Quality Inn Boston Revere	Revere	Midscale	154	April 2023
Methuen Inn	Methuen	Economy	-128	May 2023
Comfort Inn Foxboro - Mansfield	Foxboro	Economy	-60	May 2023
MainStay Suites Foxboro/Mansfield	Foxboro	Midscale	34	May 2023
Plymouth Bay Inn	Kingston	Midscale	-107	May 2023
Hilton Garden Inn Burlington	Burlington	Upscale	1	June 2023
Homewood Suites	Chelsea	Upscale	-152	June 2023
Beacon Street Hotel	Somerville	Midscale	35	Oct 2023
Home2Suites by Hilton	Franklin	Midscale	100	Oct 2023
Cambria Hotel and Suites	Plymouth	Upscale	107	4Q23

-0.2%
Supply change
in 2023

0.6%
Supply Increase
in 2024

Opening dates are subject to change.

Various Sources, Compiled by Pinnacle Advisory Group



Suburban Boston - Changes to Supply 2023 & 2024

Conversions:

- **Sheraton Framingham** – Converting To Triple Box: Dual Brand 94-room Towneplace Suites And 75-room Fairfield Inn And Suites, 200 Room Sheraton – Sept 2023
- **Independent Property Tewksbury** - Converting To 227-room Hilton Garden Inn - Oct 2023
- **Fairfield Inn Dedham** – Converting To 148-room Comfort Inn – Dec 2023

Suburban Boston - Office Markets, Q2 2023

	Inventory (SF)	Vacancy	YTD Absorption (SF)	Under Construction (SF)
Inner Suburbs	5.1M	13.2%	(7,205)	0
Route 128	59.3M	18.6%	(2,026,251)	0
Route 495	41M	20.8%	(198,790)	0
Worcester	2M	24.5%	20,002	0
Total Suburbs	107.4M	19.3%	(2,212,244)	0

Suburban Boston - Lodging Trends

- Operating Performance Varies By Submarket.
- Corporate Demand Continues To Be The Primary Driver For Occupancy. This Segment Is At A 75% Recovery As Compared To 2019.
- Leisure Demand Continues To Drive The Recovery. This Segment Is About 130% Over 2019 Levels. In 2024 There Will Be Less Leisure Travel As Corporate Recovers, And The Mix Of Demand Becomes More Balanced.
- Group Demand Continues To Remain Strong Driven By Social Group, Small Corporate Group, And Smerf. Sports Groups Is Very Strong.
- While There Is A Strong Convention Calendar In 2023 And 2024, Compression To The Burbs Continues To Lessen With New Supply In The Seaport.
- Room Rates Positively Impacted Due To Significant Leisure Travel, Inflation, Brand Guidance, Higher Boston Room Rates, And Higher Wages/Operating Expenses Which Are “Forcing” Operators To Increase Room Rates.



Suburban Boston - Projections 2023

	2022	2023	% Change
Occupancy	66%	68%	2.4%
ADR	\$152.58	\$164	7.5%
RevPAR	\$100.66	\$110.84	10.1%

Indexed to 2019

100%
Occupancy

114%
ADR

114%
RevPAR



Suburban Boston - Projections 2024

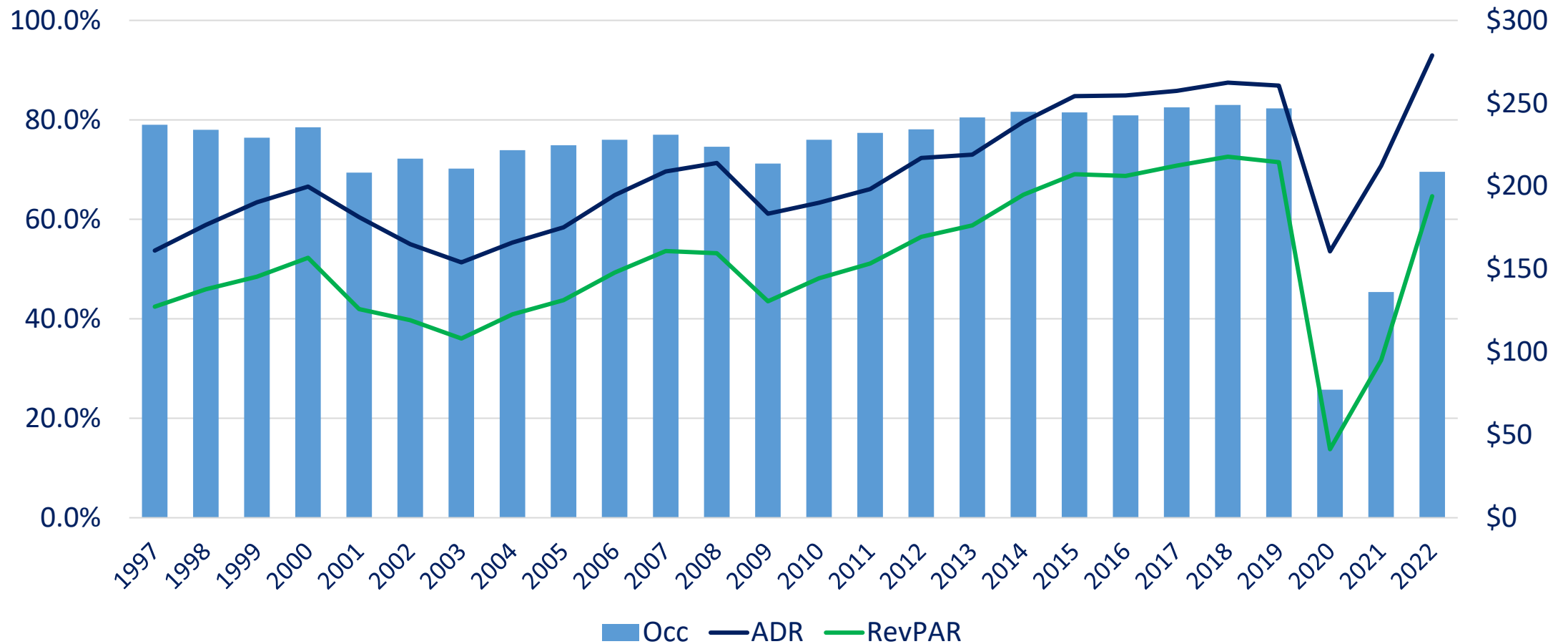
	2023	2024	% Change
Occupancy	68%	69%	1.5%
ADR	\$164	\$170	3.7%
RevPAR	\$110.84	\$116.57	5.2%



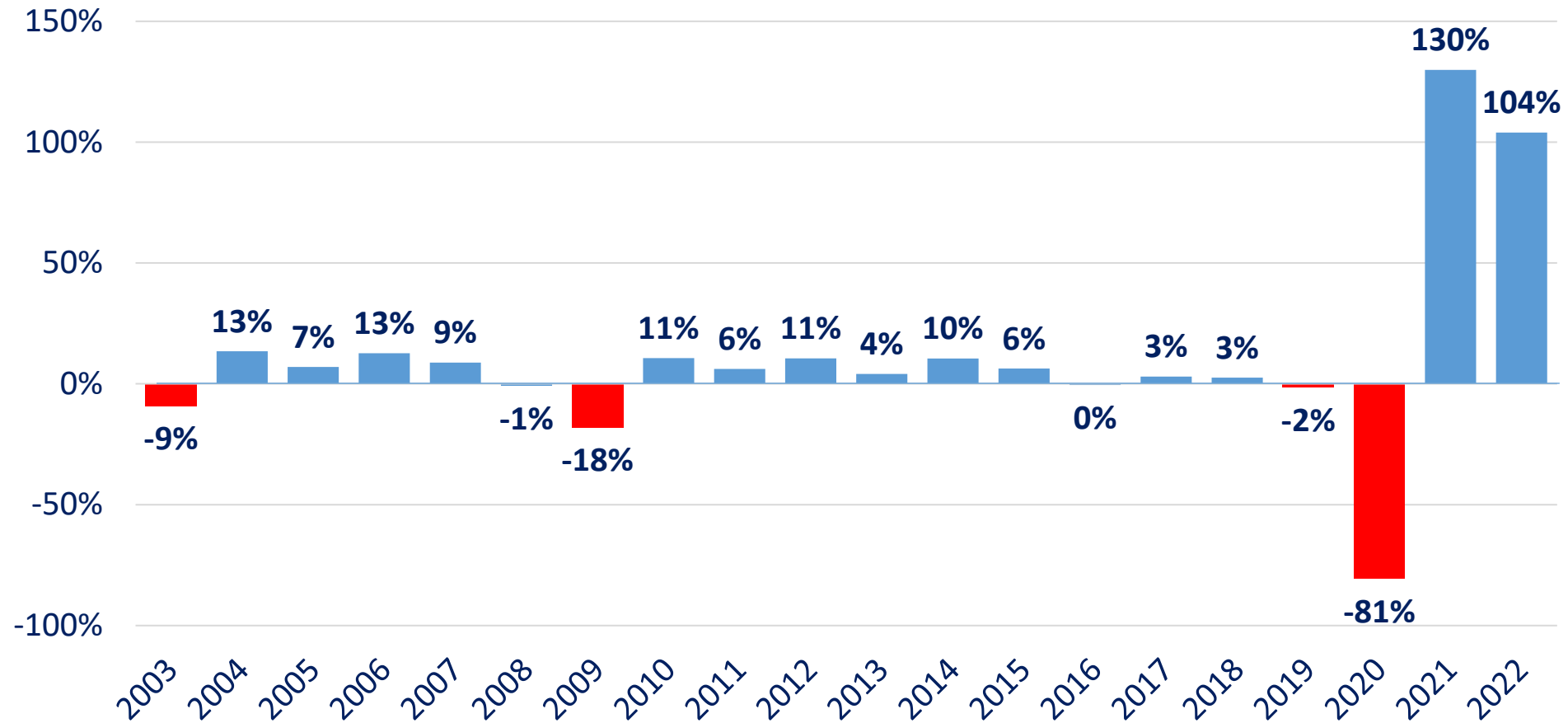


BOSTON & CAMBRIDGE LODGING MARKET

Boston & Cambridge - Historic Performance



RevPAR % Change – Boston/Cambridge 2003-2022



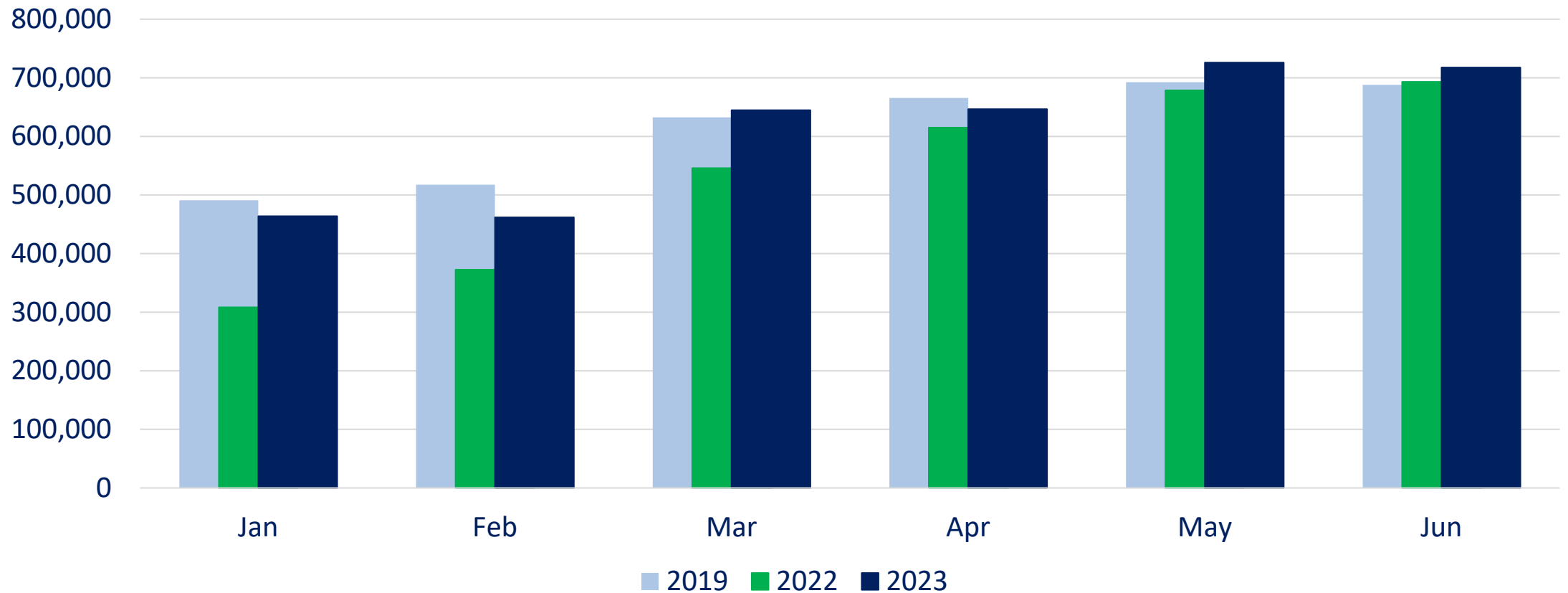
Boston and Cambridge - YTD June 2023

	June 2022	June 2023	% Change
Occupancy	63.4%	72.5%	9.1%
ADR	\$262.25	\$277.28	5.7%
RevPAR	\$166.33	\$201.06	20.9%



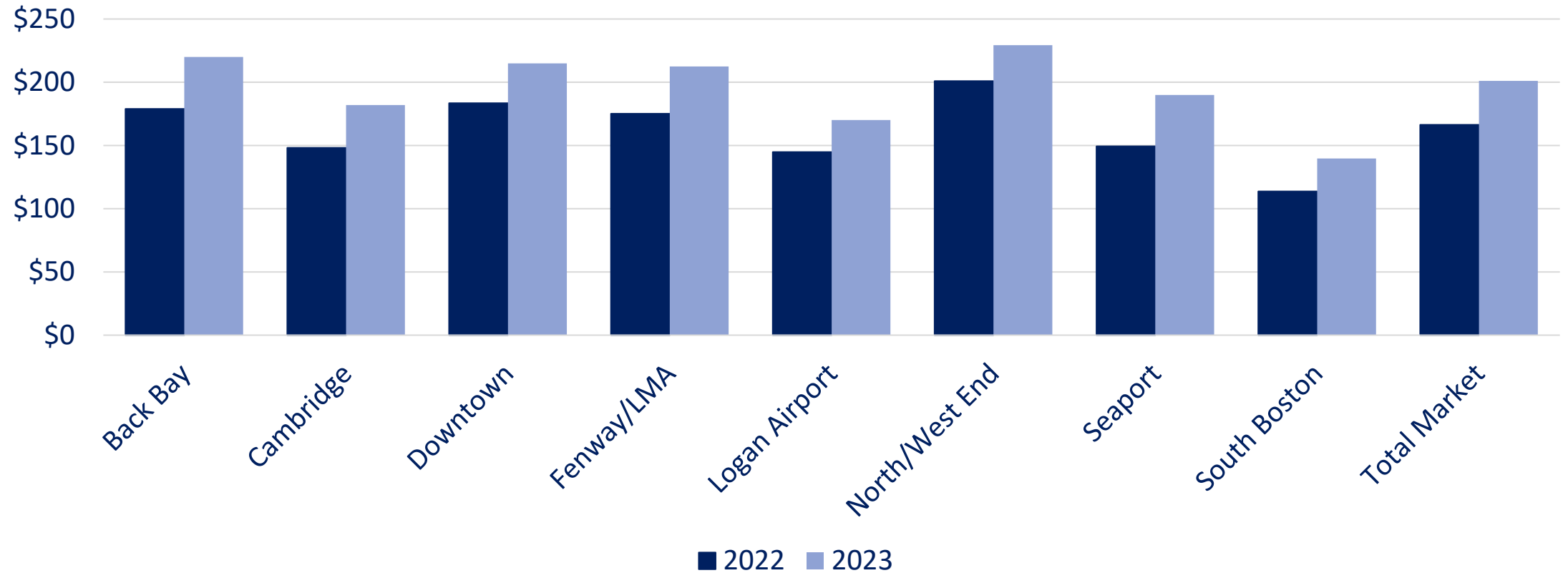
Boston & Cambridge Monthly Demand

Occupied Roomnights by Month 2019, 2022, 2023



Boston & Cambridge - Submarkets

June YTD Submarket RevPAR
2023 v. 2022



Boston & Cambridge New Supply 2023 & 2024

Hotel	Neighborhood	Scale	Rms	Date
Sheraton Boston (closed rooms- now dorms)	Back Bay	Upper Upscale	(428)	Jan 2023
The Langham (additional rooms)	Downtown	Upper Upscale	9	Jan 2023
The Verb (Additional Rooms)	Fenway	Upper Upscale	4	Jan 2023
Raffles Boston Back Bay	Back Bay	Luxury	147	Sept 2023
CitizenM	Back Bay	Independent	399	Q4 2024
Cambria East Boston	Airport	Upscale	123	Q4 2024

-1.1%

2023 Decrease

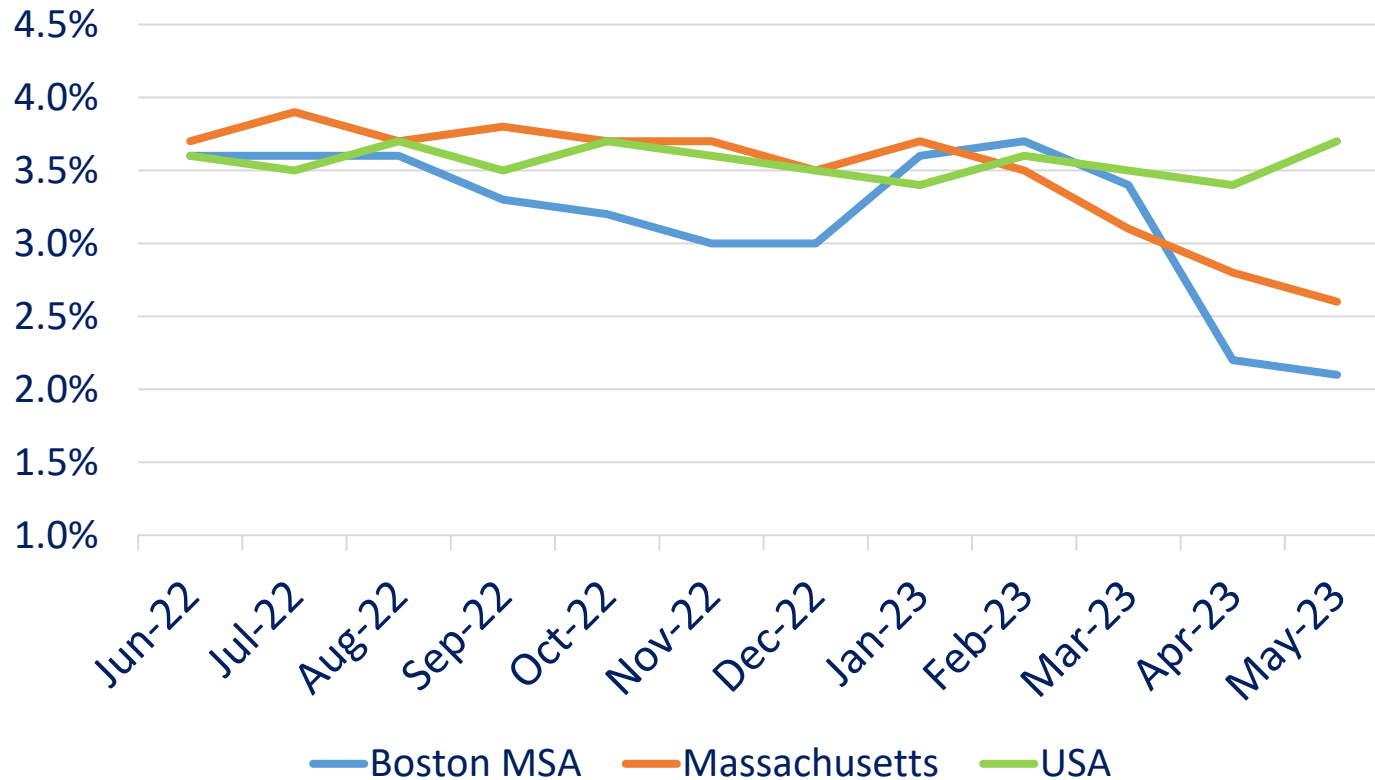
0.7%

2024 Increase



Economic Environment

Unemployment Rates

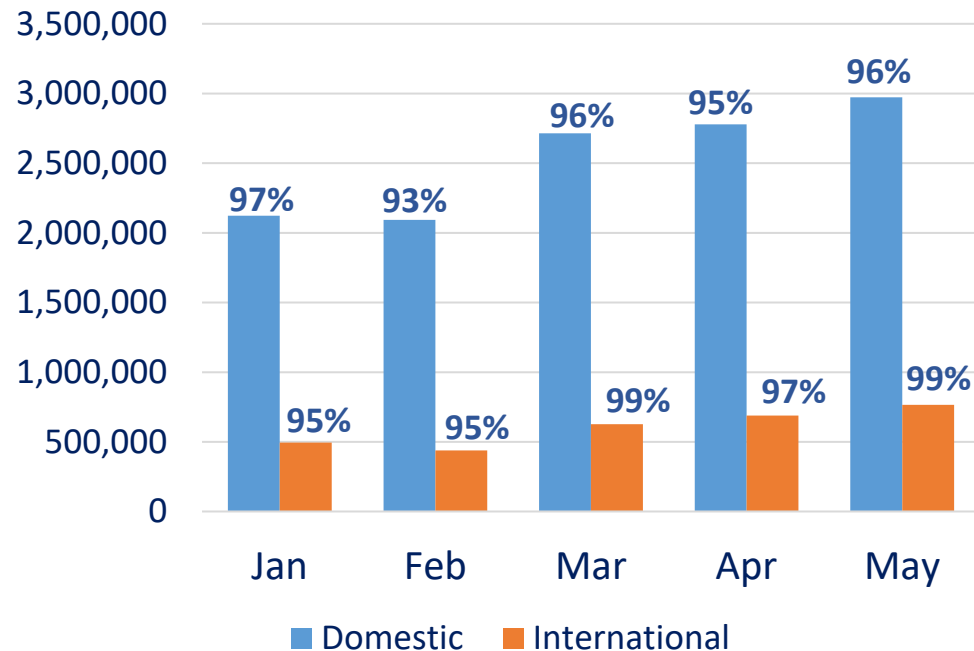


Boston MSA		
	June 2022	May 2023
Employment	1,606,718	1,617,914
Unemployment Rate	3.6%	2.1%



Boston Logan International Airport

Monthly Passenger Traffic 2023
% Indexed to '19



- 2019 Was A Record-breaking Year For Passenger Traffic. Reaching 42.5 Million.
- Year-to-date Through May, Logan Served Over 15.7 Million Passengers, Up 12% Over 2022, But Still 4.3% Behind 2019. Overall US Air Travel Is Up 18%, Down Approx. 2.0% To 2019 Levels.
- Domestic Passengers Represent 81% Of All Passengers, A Return To Pre-pandemic Levels.
- Year-to-date Through May, International Travel Was 97% Of 2019 Levels.
- Terminal E Expansion And Modernization Is Underway; Anticipated To Be Completed This Summer.
- Sumner Tunnel Closed Through August, Which Will Increase Travel Times From The Airport To Downtown And Suburbs.



Boston & Cambridge - Office & Lab Market

Boston	Inventory (SF)	Absorption (SF)	Vacancy %
Q4 2022	67.0 M	(927,100)	16.2%
Q1 2023	67.1 M	(1,471,600)	19.4%
Q2 2023	67.4 M	(794,400)	21.1%

Cambridge	Inventory (SF)	Absorption (SF)	Vacancy %
Q4 2022	11.7 M	(29,100)	13.8%
Q1 2023	11.7 M	0	14.2%
Q2 2023	11.7 M	(66,300)	14.8%

Boston & Cambridge, Corporate Demand Trends

2023 – 85% Of Pre-covid Corporate Travel; 90% In 2024

- WHF/Shorter Work Week
- High Office Vacancy Rates
- Less Travel In 2022 With Same Productivity
- More Smaller Accounts; Fewer Larger Accounts
- Concern With Economic Slowdown
- More International Corporate Travel
- High Cost Of Travel (Airfare, F&B, Lodging)



Boston & Cambridge, Group Demand Stat's

ROOMNIGHTS/EVENTS

- 2022 – BCEC/Hynes – 538K room nights with 62 events
- 1% more RN than 2019
- 2023 – BCEC/Hynes – 693K room nights with 64 events
- Approx 40% more RN than 2022 and 2019
- 2024 – BCEC/Hynes – 568K room nights with 45 events

TIMING/SEASONALITY - ROOMNIGHTS

- Q1 – 21% (2019); 20% (2022); 18% (2023); 19% (2024)
- Q2 – 37% (2019); 32% (2022); 32% (2023); 33% (2024)
- Q3 – 22% (2019); 23% (2022); 20% (2023); 24% (2024)
- Q4 – 20% (2019); 25% (2022); 29% (2023); 24% (2024)



Boston & Cambridge, Group Demand Trends

- Convention Groups For Both 2023 And 2024 Are Robust, Ahead Of Pre-covid Levels For All Quarters.
- Less Compression Due To Recent Supply Increases In The Seaport.
- In House Group Is Strong For All Subsegments Except Government Group.
- Booking Window Continues To Shorten.
- Groups May Be Cautious Based On The Economic Uncertainty, Layoffs And Travel Concerns.



Boston & Cambridge, Leisure Demand Trends

2022- Booming! Well above 2019 levels.

2023 and 2024 – “Normalizing” (aka “Slowing”)!

- More Opportunity For Domestic Leisure To Travel Abroad
- Less “Bleisure” With More Defined Business Vs Leisure
- High Room Rates Impact Price Sensitive Leisure Demand
- Concern For Economic Slow Down

Pent Up Demand In 2022; Redemption Is Not Endless.



Boston & Cambridge, ADR “Trends”

A variety of factors will facilitate rate increases in 2023 and 2024, but we will not see the double-digit rate growth experience in 2022.

- Even with strong convention calendar, there will be less compression with supply in the Seaport will lower the number of “sellout” room rates.
- Retail rates will increase 3-5%; corporate rates will follow suit. Negotiated rate increases expected to be good, accounting for lower rates following the pandemic.
- Leisure demand “normalizing” and this segment will begin to evaluate pricing, opting for other locations, off-peak travel, and/or shortened length of stay.
- Groups appear to be comfortable with inflationary rate increases.
- Continued push to dynamic pricing.
- High redemption levels putting downward pressure on ADR.



Boston & Cambridge - Projections 2023

	2022	2023	% Change
Occupancy	69.6%	75.7%	8.8%
ADR	\$278.88	\$291	4.3%
RevPAR	\$194.10	\$220	13.3%

Indexed to 2019

92%

Occupancy

111%

ADR

103%

RevPAR



Boston & Cambridge - Projections 2024

	2023	2024	% Change
Occupancy	75.7%	77.0%	+1.7%
ADR	\$291	\$301	+3.4%
RevPAR	\$220	\$232	+5.5 %

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