

Massachusetts Lodging Association OUTLOOK 2025

August 13, 2024



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Today's Agenda

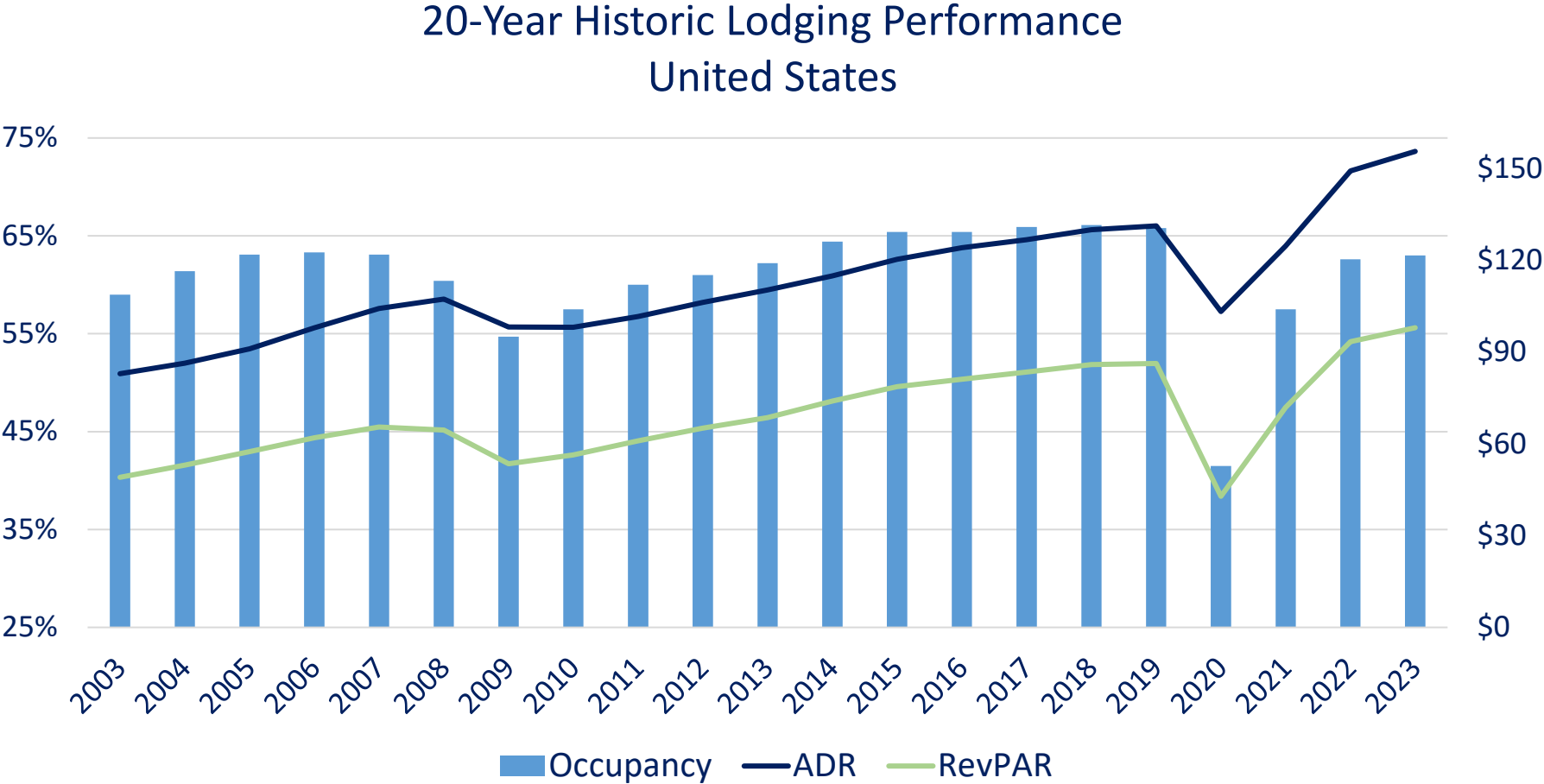
- 1. National Lodging Market**
- 2. Suburban Boston Market**
- 3. Boston & Cambridge Market**





NATIONAL LODGING MARKET

National - Historic Market Performance



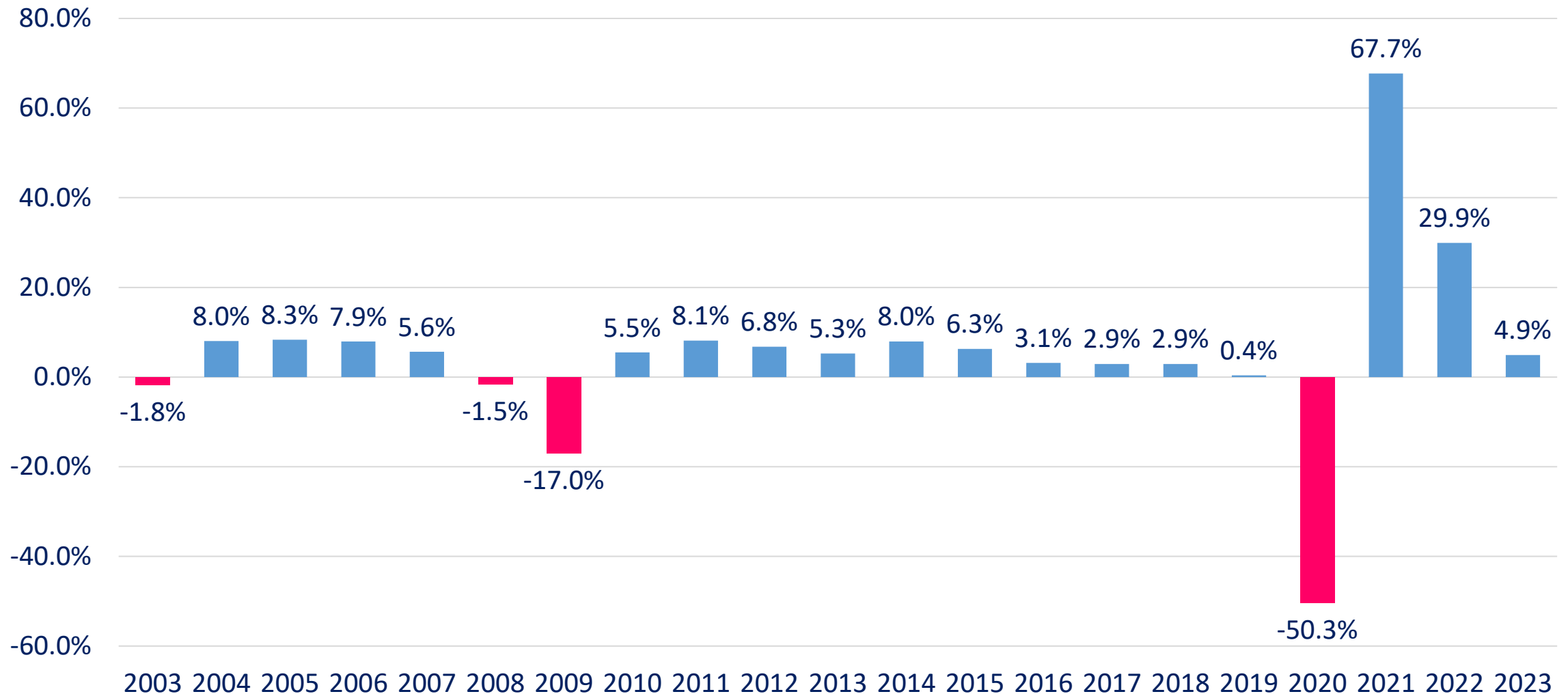
2023
Occupancy
63%

ADR
\$156

RevPAR
\$98



RevPAR % Change – US 2003-2023

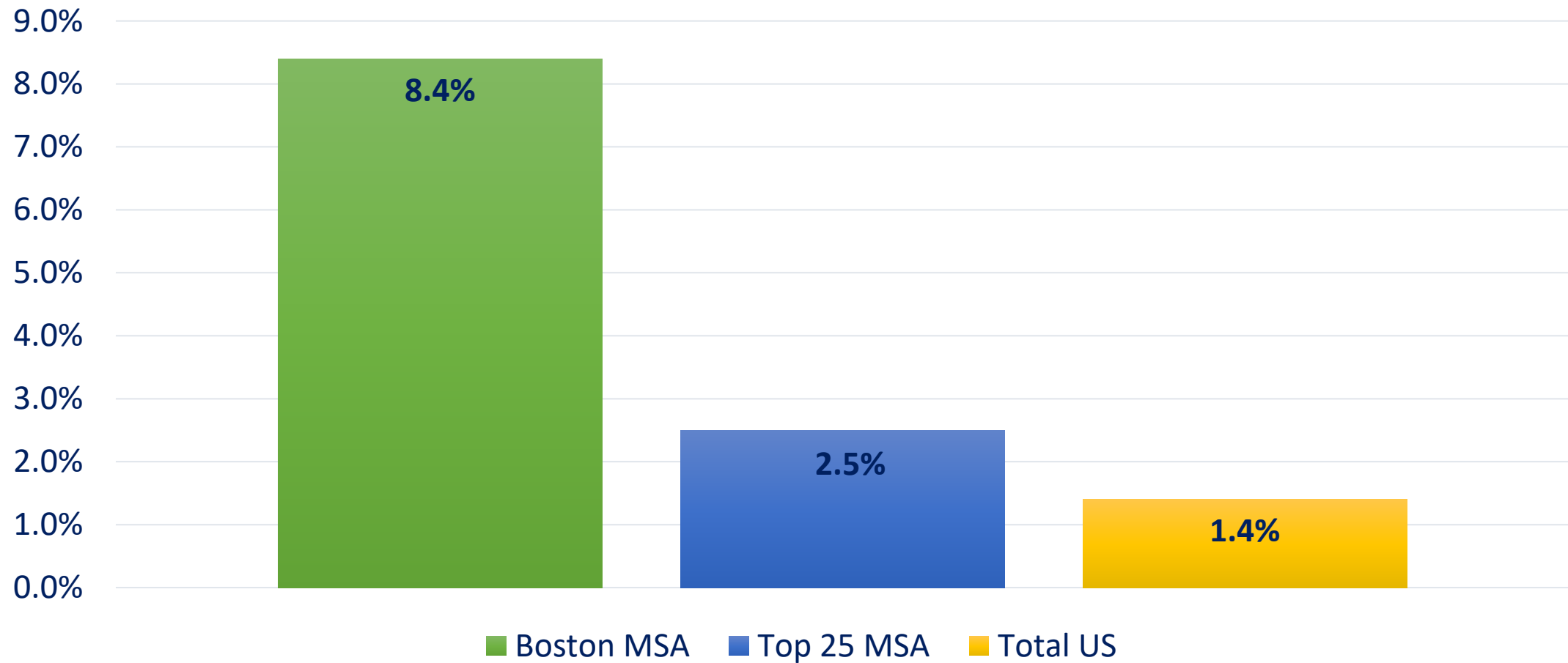


National - YTD June 2024

	YTD June 2023	YTD June 2024	% Change
Occupancy	62.9%	62.6%	-0.4%
ADR	\$154.73	\$157.50	1.8%
RevPAR	\$97.29	\$98.61	1.4%



RevPAR % Growth YTD June 2024 vs 2023



Macro Economic Trends

- **Recession Of Soft Landing (Probability Of Recession 55.8%)**
- **Inflation**
- **Interest Rates**
- **Employment & Wage Growth**
- **Remote Work Here To Stay**
- **Global Issues, Politics, Technology, Etc.**



National – Industry Trends

- New supply remains muted.
- Sustainability is becoming important (finally).
- “Bifurcation’ between upscale v economy travel - rate sensitive leisure slowdown.
- Group outlook remains strong; close to 2019 peak levels now.
- Business travel continues to improve (modestly); but WFH is here to stay.
- Resorts are seeing a plateau in demand.
- Modest protectory for the hotel industry

National - Industry Projections, YOY % Change

2024

	STR	HVS	PWC	CBRE
Occupancy	63%	63%	64%	63%
ADR	\$159	\$159	\$158	\$159
RevPAR	\$100	\$101	\$100	\$101
RevPAR % chg	2.0%	3.0%	2.7%	3.0%

2025

	STR	HVS	PWC
Occupancy	63.4%	64%	64%
ADR	\$162	\$163	\$158
RevPAR	\$103	\$104	\$101
RevPAR % chg	2.6%	3.0%	0.7%

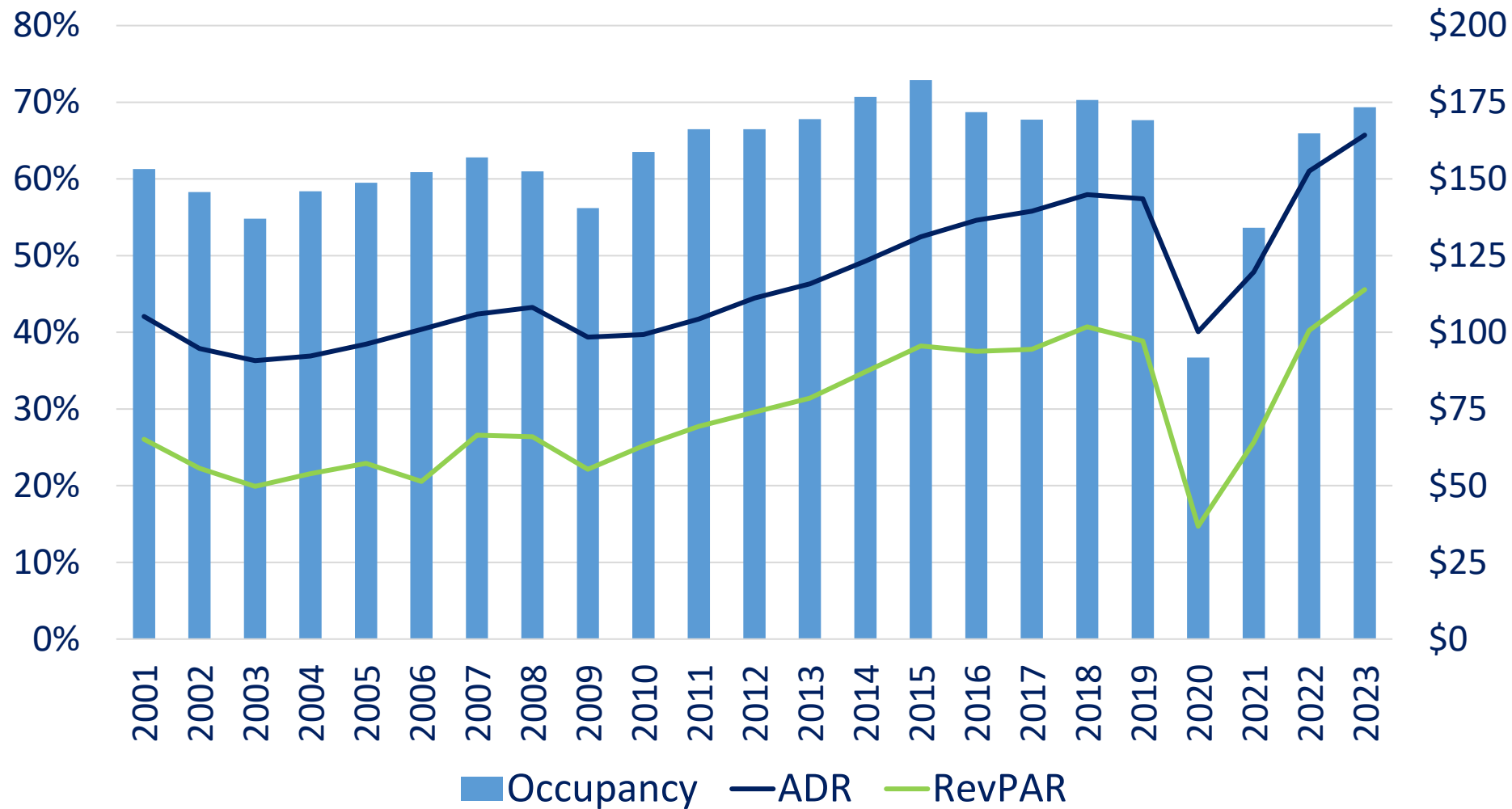
Source: STR (6/24), PWC (5/24), CBRE (2/24). HVS (1/24)





SUBURBAN BOSTON LODGING MARKET

Suburban Boston - Historic Performance



2023
Occupancy
69%

ADR
\$164

RevPAR
\$114



Suburban Boston YTD June Performance

	YTD June 2023	YTD June 2024	% Change
Supply	6,162,835	5,961,794	-3.3%
Demand	3,987,117	4,082,632	2.4%
Occupancy	64.7%	68.5%	5.8%
ADR	\$152.69	\$158.17	3.6%
RevPAR	\$98.79	\$108.32	9.6%



Suburban Boston - Changes to Supply 2024 & 2025

Property	City/Town	Scale	Rooms	Date
Budget Inn Natick	Natick	Economy	-66	Jan 2024
Best Western Plus Sharon/Foxboro	Sharon	Upper Midscale	-90	Jan 2024
Spark	Woburn	Midscale	-70	Jan 2024
Crowne Plaza	Woburn	Upscale	1	Mar 2024
Econolodge	Malden	Economy	-51	Mar 2024
Home2Suites by Hilton	Franklin	Midscale	100	April 2024
Woburn Inn	Woburn	Midscale	-120	May 2024
Fairfield Inn Boston Tewksbury/Andover	Tewksbury	Upper Midscale	-4	May 2024
Fairfield Inn Amesbury	Amesbury	Upper Midscale	-4	May 2024
Holiday Inn	Norwood	Upper Midscale	-85	July 2024
Motel 6	Danvers	Economy	-106	July 2024
Comfort Inn Danvers	Danvers	Midscale	-100	July 2024
MainStay Suites Foxboro - Mansfield	Foxboro	Midscale	-34	July 2024
Holiday Inn Express and Suites	Norwood	Upper Midscale	-85	July 2024
Quality Inn	Revere	Midscale	-154	July 2024
Cambria Hotel and Suites	Plymouth	Upscale	107	Sept 2024
Homewood Suites*	Chelsea	Upscale	152	Oct 2024
Beacon Street Hotel	Somerville	Midscale	35	Dec 2024
Tru Hotel	Brockton	Midscale	79	Dec 2024
La Quinta	Revere	Economy	100	Dec 2024
Comfort Inn Dedham*	Dedham	Midscale	148	April 2025
Home2Suites by Hilton	North Attleboro	Midscale	95	Dec 2025

-3.3%

Supply change
in 2024

0.7%

Supply Increase
in 2025

- Reopening after renovation / closure
- Dates are subject to change.
- Various Sources, Compiled by Pinnacle Advisory Group



Suburban Boston - Changes to Supply 2024 & 2025

Conversions:

- **Comfort Inn Woburn**- 70 Rooms Converting to Spark in March 2025
- **Radisson Chelmsford** - 90 Rooms Converting to Home2 August 2025
- **Holiday Inn Taunton** - 155 Rooms Converting to Doubletree October 2025
- **Fairfield Inn Dedham** – Converting to 148-room Comfort Inn – March 2025

Suburban Boston - Office Markets, Q2 2024

	Inventory (SF)	Vacancy	YTD Absorption (SF)	Under Construction (SF)
Inner Suburbs	4.6M	20.7%	(146,440)	0
Route 128	58.8M	21.9%	(439,334)	320,000
Route 495	41.2M	22.5%	(927,653)	0
Worcester	1.7M	20.1%	(31,124)	0
Total Suburbs	106.4M	22.1%	(1,105,217)	0

Suburban Boston - Lodging Trends

- Operating Performance Varies By Submarket.
- Corporate Demand - The Primary Driver For Occupancy: 90% Recovery of 2019.
- Leisure Demand - Anticipate a Plateau: 125% Recovery of 2019.
- Group Demand - Continues To Remain Strong Driven By Social Group, Small Corporate Group, And Smerf. Sports Groups Is Very Strong.
- Less Compression.
- 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.
- Migrant Housing – less supply now; artificially driving occ/ADR; what happens next?



Suburban Boston - Projections 2024

	2023	2024	% Change
Occupancy	69.3%	70%	1.0%
ADR	\$164.29	\$169.25	3.0%
RevPAR	\$113.92	\$119.14	4.6%

Suburban Boston - Projections 2025

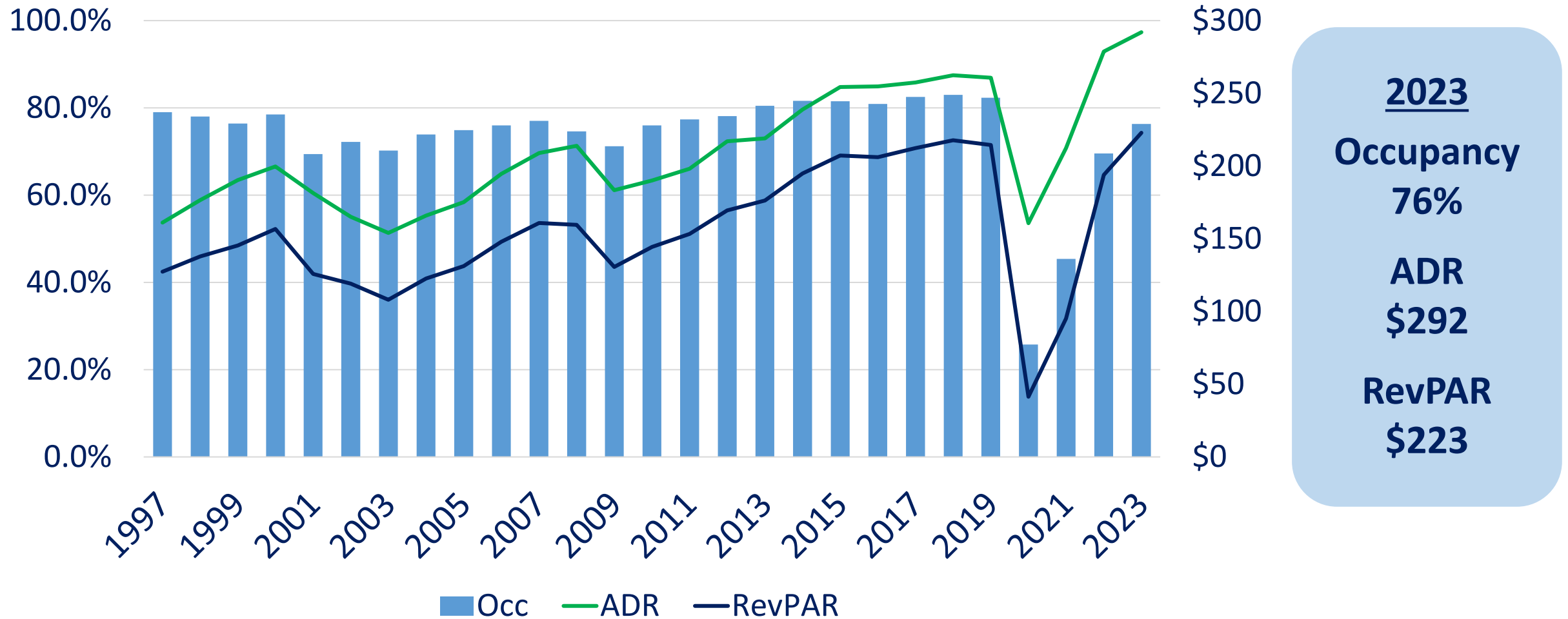
	2024	2025	% Change
Occupancy	70%	71%	1.4%
ADR	\$169.25	\$174	2.8%
RevPAR	\$119.14	\$123.54	3.7%



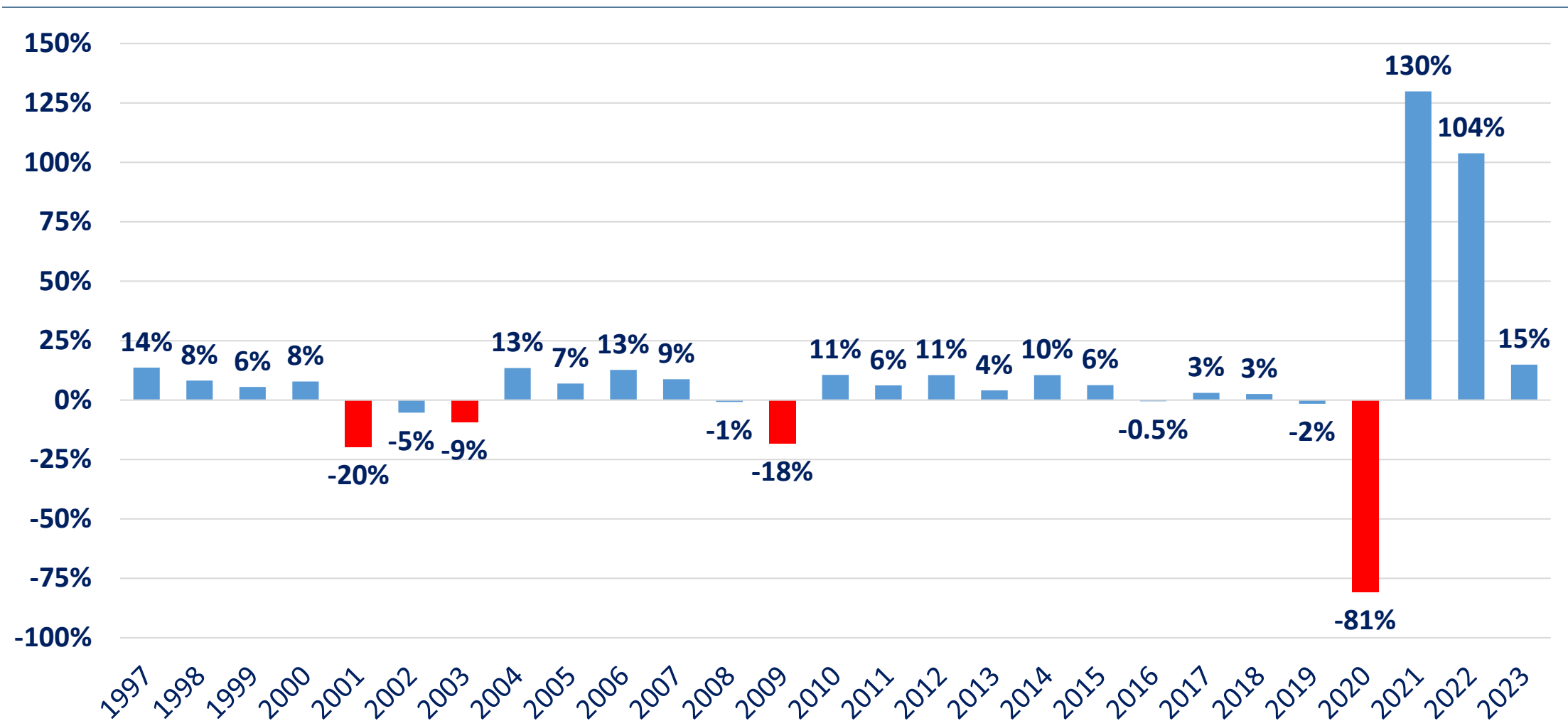
The background of the slide features a low-angle, upward-looking perspective of several modern skyscrapers. The buildings are rendered in a light blue, semi-transparent style, creating a sense of depth and architectural scale. The grid-like patterns of the building facades are prominent. The entire scene is framed by a thin, dark blue rectangular border.

BOSTON & CAMBRIDGE LODGING MARKET

Boston & Cambridge - Historic Performance



RevPAR % Change – Boston/Cambridge 1997-2023



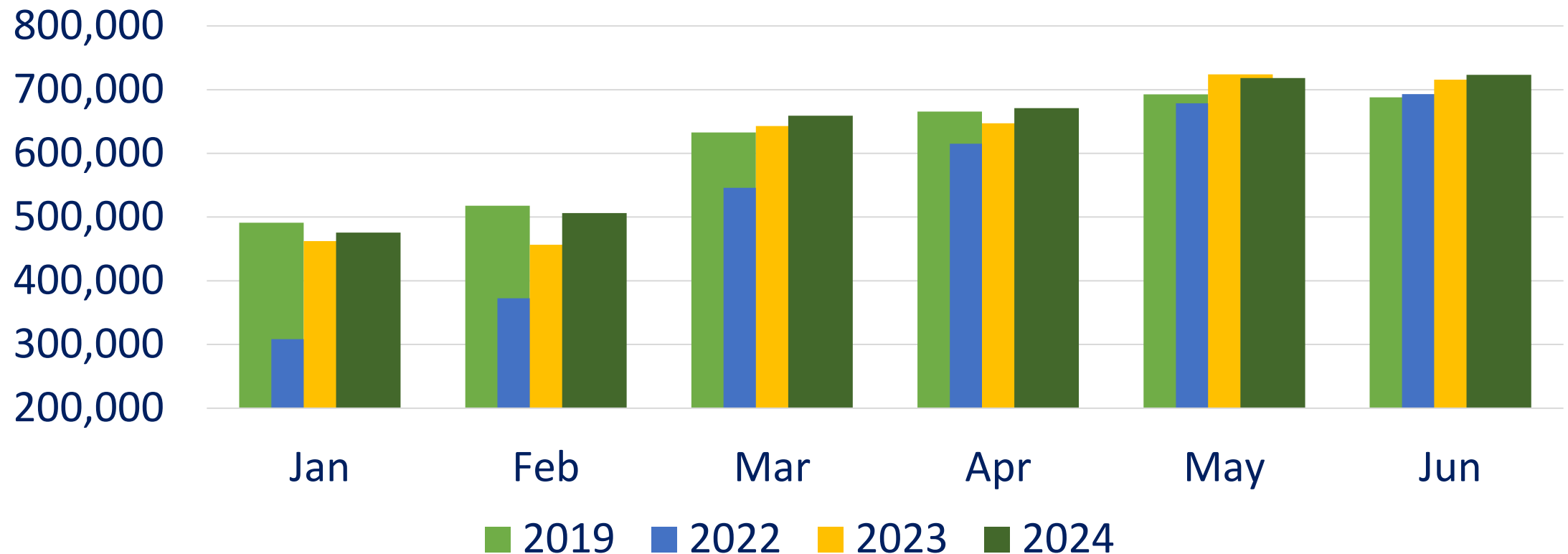
Boston and Cambridge - YTD June 2023

	YTD June 2023	YTD June 2024	% Change
Occupancy	72.4%	74.7%	2.3%
ADR	\$277.27	\$284.93	2.8%
RevPAR	\$200.78	\$212.84	6.0%



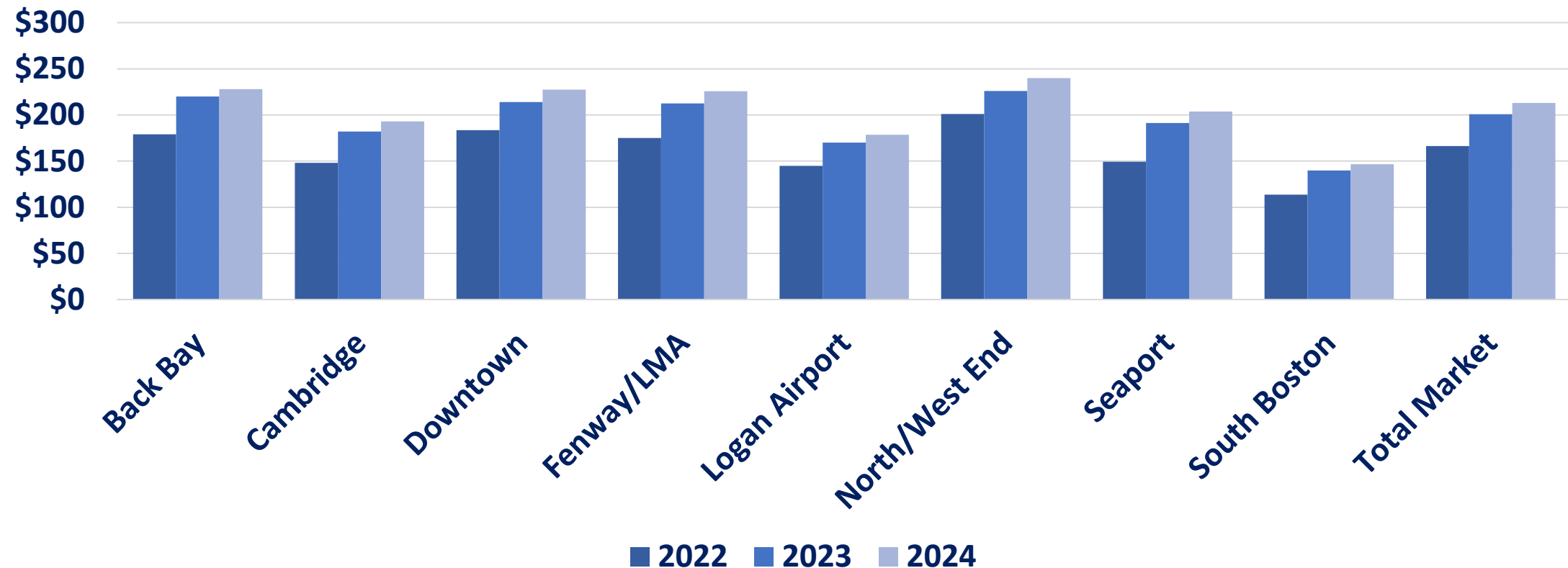
Boston & Cambridge Monthly Demand

Occupied Roomnights by Month vs. 2019



Boston & Cambridge - Submarkets

June YTD Submarket RevPAR
2022, 2023, 2024



Boston & Cambridge New Supply 2024 & 2025

Hotel	Neighborhood	Scale	Rms	Date
Hotel AKA Back Bay (closed for Renovation)	Back Bay	Luxury	-224	Feb 2024
Comfort Inn Boston (closed)	Downtown	Economy	-132	Mar 2024
Residence Inn Boston Harbor On Tudor Wharf	Downtown	Upscale	1	Apr 2024
Hotel AKA Back Bay (reopened Post Renovation)	Back Bay	Luxury	224	July 2024
CitizenM	Back Bay	Upscale	399	Aug 2024
Cambria	Airport	Upscale	123	July 2025

0.3%

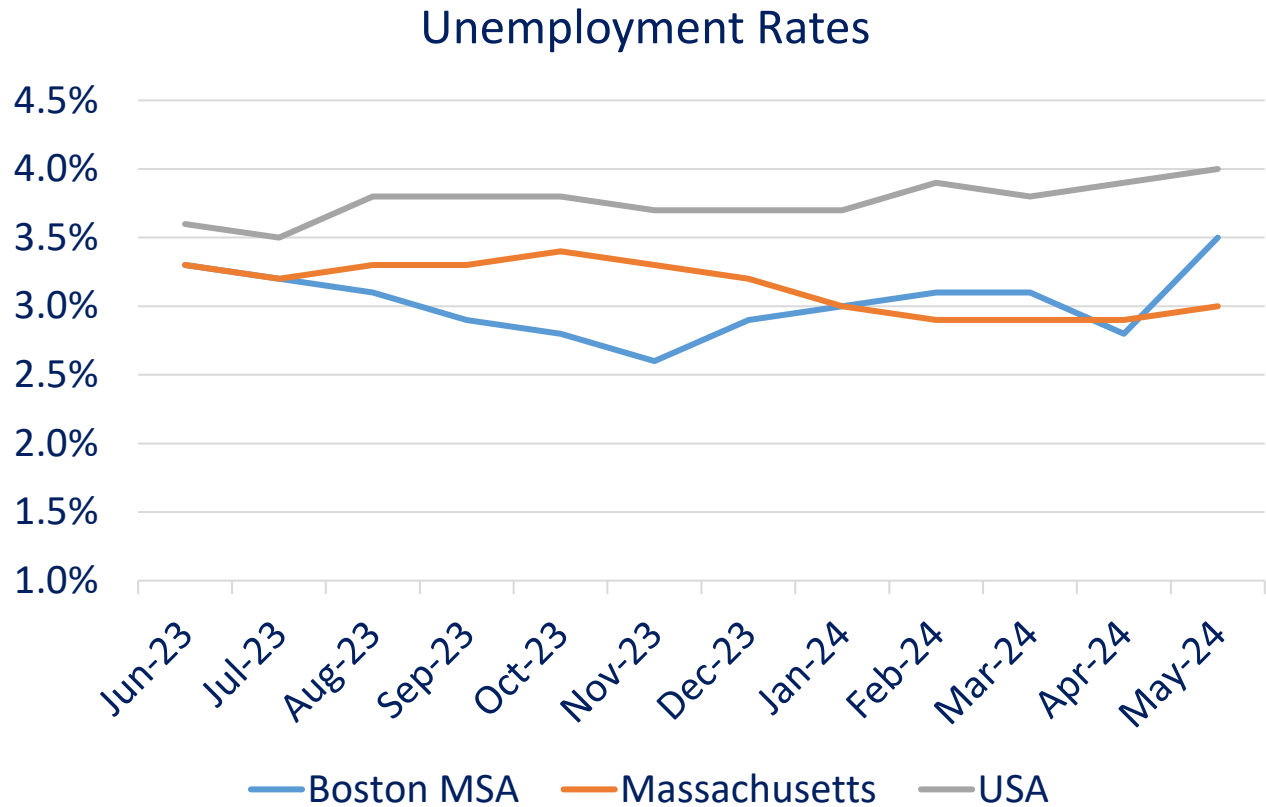
2024 Increase

1.4%

2025 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.

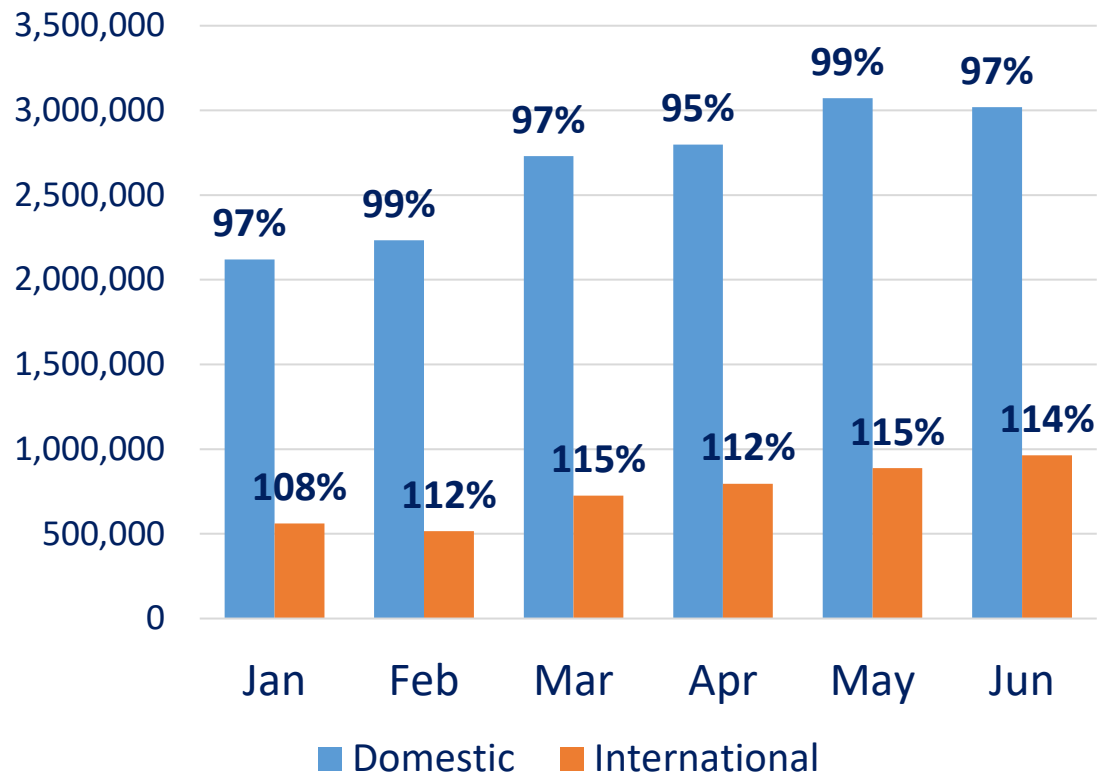
Economic Environment



Boston MSA		
	June 2023	June 2024
Employment	1,686,960	1,679,130
Unemployment Rate	3.3%	3.8%

Boston Logan International Airport

Total 2024 Passenger Traffic by Month
Indexed to '19



- 2019 - Record-breaking Year For Passenger Traffic. Reaching 42.5 Million.
- Year-to-date June, 20.4 Million Passengers - Up 5% Over 2023, **equal to YTD 2019 levels.**
- Domestic Passenger Counts are slightly behind 2019 levels, at 97% YTD while International Passengers exceeded 2019 levels at 112%.
- Terminal E Expansion And Modernization Is Complete and Additional Services added (ex,: Daily to Athens, more to Paris, Abu Dhabi).
- Airlines continue to place planes at Logan despite aircraft shortages and fuel and labor costs rising.



Boston & Cambridge - Office & Lab Market

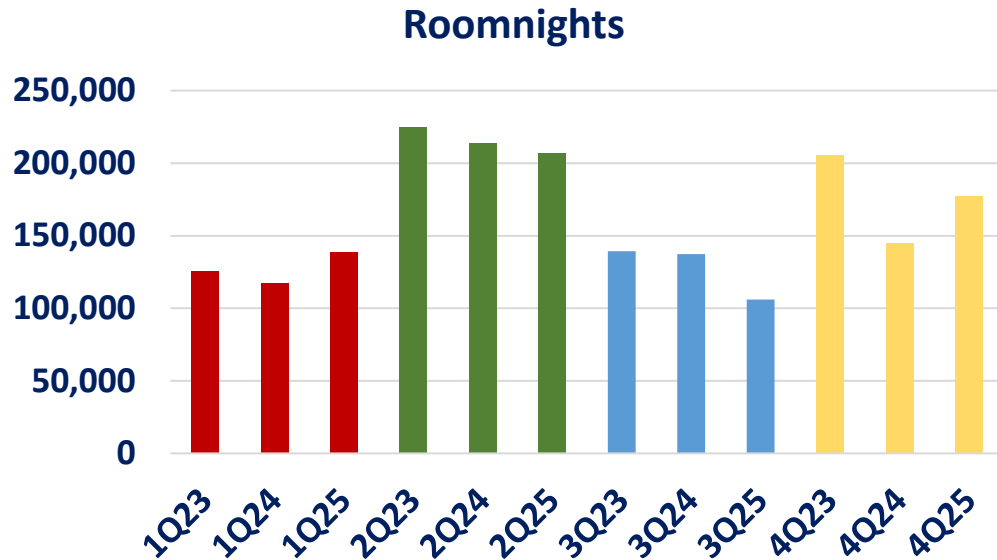
Boston	Inventory (SF)	Absorption (SF)	Vacancy %
Q4 2023	69.4 M	(1,933,800)	23.1%
Q1 2024	69.3 M	(895,900)	24.0%
Q2 2024	69.3 M	(487,100)	23.8%

Cambridge	Inventory (SF)	Absorption (SF)	Vacancy %
Q4 2023	11.8 M	(763,500)	20.6%
Q1 2024	11.9 M	(417,300)	23.1%
Q2 2024	11.9 M	(388,400)	22.9%

Boston & Cambridge, Corporate Demand Trends

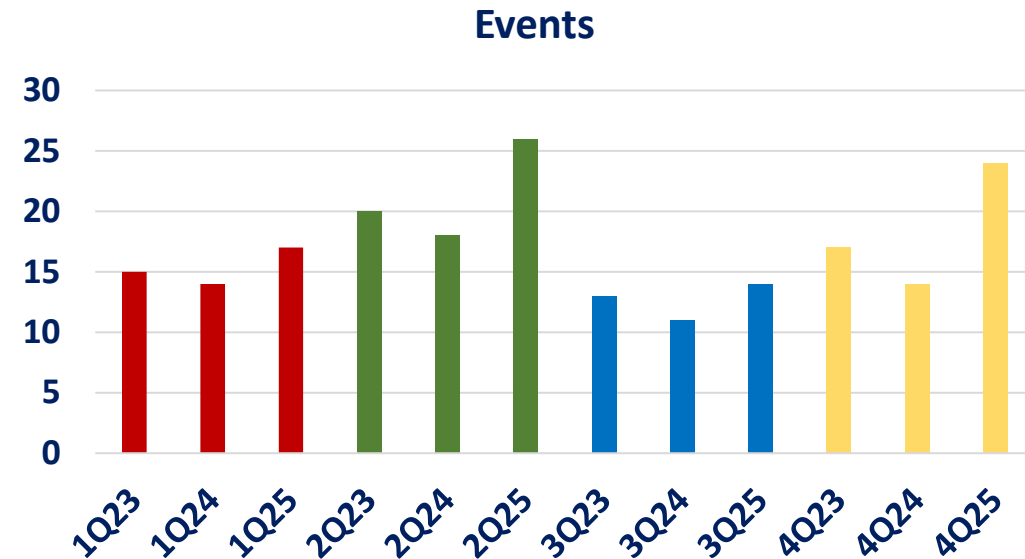
- 90% Of Pre-Covid Corporate Travel; Expect very modest growth in 2025.
- Tues/Wed/Thur – Averaged 80% Occupancy Past 12 Months VS. 76% Prior 12 Months.
- WFH Is Here To Stay – This Is The New “Normal”.
- Office Market – vacancy remains high.
- Bleisure - A Thing Of The Past.
- Economic Issues Remain.

Boston & Cambridge, Group Demand Stats



Total Combined Roomnights:

- 2023 – 695k
- 2024 – 614k
- 2025 – 629k



Total Combined Events:

- 2023 – 65
- 2024 – 57
- 2025 – 81



BCEC and Hynes

BCEC

- The room night capture at the BCEC continues to be very strong, accommodating approx. 500,000 in 2024 and 2025.
- The number of room nights/event is increasing; in 2024 the average room nights per event was 9,500; in 2025 it is estimated to be 13,500 rooms per event.
- In 2025, peak room nights will occur in March and June, with shoulder room nights in April, Sept and Nov.

Hynes

- With the Hynes operating on a PT basis, due to the renovation, both the number of events and room nights are substantially less than in 2023. The room night capture is estimated to be 118,000 in 2024 and 128,000 in 2025. This compares to 218,000 room nights in 2023.
- For 2025, peak room nights occur in November, with shoulder room nights in April, May, October and December. There are no room nights booked for Jan, June, July and August.

Boston & Cambridge, Group Demand Trends

- Sept-Dec 2024 – Roomnights down 18% compared to 2023.
- Record year for BCEC in Calendar 2025 with more than 500k roomnights.
- Hynes Capital Work (phase 1 of 9) has begun; will sell around closing dates.
No off-season groups lost.
- Less compression with Seaport lodging supply.
- Given less compression, hotels have focused more on in-house group.
- Corp group is strong and expected to remain strong.
- Outside of a few months, association and smerf group demand remain solid.
- Economic concerns.

Boston & Cambridge, Leisure Demand Trends

- Tourism is the third largest industry sector in the Commonwealth.
- Logan added increased international service to existing destinations as well as started multiple new destinations.
- Numerous major events (2025) with many events planned in our slower season.
- Significant pent-up demand (from Covid) has subsided.
- Area hospitals continue to generate demand and this trend will continue.
- Economic concerns: price sensitive leisure demand.
- The Celtics will win again in 2025!



Boston & Cambridge, ADR Trends

- Compression will facilitate higher room rates.
- Continued push for dynamic pricing.
- Increased rates could impact international visitors as well as price-sensitive travelers.
- Brands and hotel owners continue to push rate growth to exceed inflation.
- With leisure demand “normalizing”, room rates will plateau and, in some cases, decline.
- Retail rates will increase at or above inflation in 2025.
- Negotiated rate increases expected to see modest growth.
- Groups appear to be comfortable with inflationary rate increases.
- High redemption levels putting downward pressure on ADR.



Issues and Concerns

- Migrant housing (suburbs only) – it's like new supply when hotels re-open.
- Nov Election – instability; could impact international visitation;
- Union Contract - currently under negotiation. Possible disruption. Pressure on wages.
- Health and safety ordinance - would drive up operating costs.
- Hynes renovation -difficulty with booking windows and limited roomnights.
- Staffing – some concern for lack of employees (mostly suburbs).
- BCEC - less compression given calendar and size of groups on peak .
- Economic issues – inflation, travelers less confident, high interest rates, higher prices for supplies.
- Commercial property tax increases – not likely to move forward with bill to raise rates.
- Limited hotel supply (when selling to groups).
- Leisure travel has plateaued and rates coming down.
- Luxury market is still struggling.
- Traffic - congestion, public transit problems.

Boston & Cambridge - Projections 2024

	2023	2024	% Change
Occupancy	76.3%	77.4%	1.4%
ADR	\$291.94	\$301.15	3.2%
RevPAR	\$222.82	\$233.17	4.6%

Indexed to 2019

94%

Occupancy

116%

ADR

109%

RevPAR

Real Growth
RevPAR Index
-11.5%



Boston & Cambridge - Projections 2025

	2024	2025	% Change
Occupancy	77.4%	78%	0.8%
ADR	\$301.15	\$310.50	3.1%
RevPAR	\$233.17	\$242.19	3.9%

Real Growth
RevPAR Index
-10.4%



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