

### Modest Performance Expected as Investors Eye Additional Hotels

Encompassing Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, the New England region is growing sufficiently to maintain high annual occupancy and support modest growth in revenue measures this year. The region's hotels navigated a soft patch in the first six months of 2016, but stand to reverse those losses during the peak summer and early fall travel season. Amid an increase in

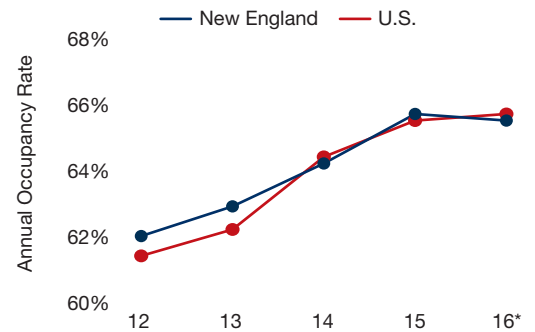
room stock, key performance indicators in Boston softened in the first half of 2016, exemplifying the regional trend. Nonetheless, a growing local economy, as evidenced in job-creation trends, will provide opportunities for hotel owners to improve near-term operating results.

Deal flow in the region remains strong and centered primarily in Connecticut and Mas-

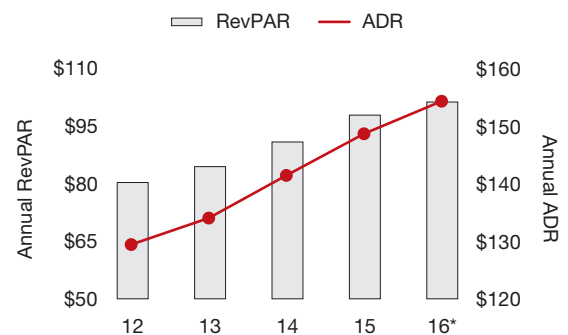
sachusetts. More branded properties came on the market in the past year, but independents continue to claim a share of the transaction market larger than in other regions of the country. Unflagged hotels are typically the mainstays of New England's many small markets. Properly priced assets with longstanding demand drivers will continue to elicit intense interest when offered for sale

- Occupancy Dips.** The midyear occupancy rate in New England of 60.9 percent marks a decrease of 80 basis points from the level at the end of the first half last year. New properties increased supply so far this year, while three states counted fewer occupied rooms. Maine outperformed the region, registering a 7.1 percent jump in room nights to vault midyear occupancy to 50.7 percent. In Massachusetts, property openings in Boston outpaced a nominal gain in room demand to cut occupancy 110 basis points to 65.7 percent. An additional 2,400 rooms under construction in the state and slated for delivery this year and beyond will maintain pressure on occupancy. Most of the new stock is in Boston.
- Revenue Measures Healthy.** ADR and RevPAR expanded modestly in the first half. The daily rate rose 3.0 percent, approximating the increase nationwide, and RevPAR advanced 1.8 percent. Occupancy related to coverage of the presidential campaign contributed to a 5.8 percent rise in RevPAR in New Hampshire year to date, although growth slowed in the second quarter. The occupancy rate in Connecticut fell over the first two quarters, leaving the 2.8 percent rise in ADR as the sole driver of a minor gain in RevPAR. Reduced occupancy in Boston generated a nominal decline in RevPAR in the first half. A gain of 9.5 percent was posted in the first six months of 2015.
- Deal Flow Rises.** Investors shifted focus from independents to flagged hotels at the upper levels of the chain scale ladder to underpin a gain in transaction velocity and dollar volume during the past 12 months. Additional upper midscale and upscale properties changed hands in Connecticut and Massachusetts during the period to account for nearly all of the select-service inns sold in New England. Upper midscale hotels typically fetched about \$70,000 per key, but prices for identical flags in Boston ran substantially higher. Some underperforming upscale assets traded in the region, but prices generally exceeded \$150,000 per room. Outside of Boston, select-service assets also sold in Hartford and the New Hampshire counties of the Boston metro.

New England Occupancy Trend



Revenue Measures Still Climbing



\* Forecast

#### National Hospitality Group

**Peter Nichols** Vice President | National Director  
Tel: (212) 430-5100 | peter.nichols@marcusmillichap.com

Prepared and edited by

**Art Gering** Senior Hospitality Analyst | Research Services

For information on national hospitality trends, contact:

**John Chang** First Vice President | Research Services  
Tel: (602) 687-6700 | john.chang@marcusmillichap.com

© Marcus & Millichap 2016 | www.MarcusMillichap.com

Sources: Marcus & Millichap Research Services; BLS; CoStar Group, Inc.; Lodging Econometrics; Moody's Analytics; Real Capital Analytics; STR, Inc.

The information contained herein was obtained from sources deemed reliable. Every effort was made to obtain complete and accurate information; however, no representation, warranty or guarantee to the accuracy, express or implied, is made.