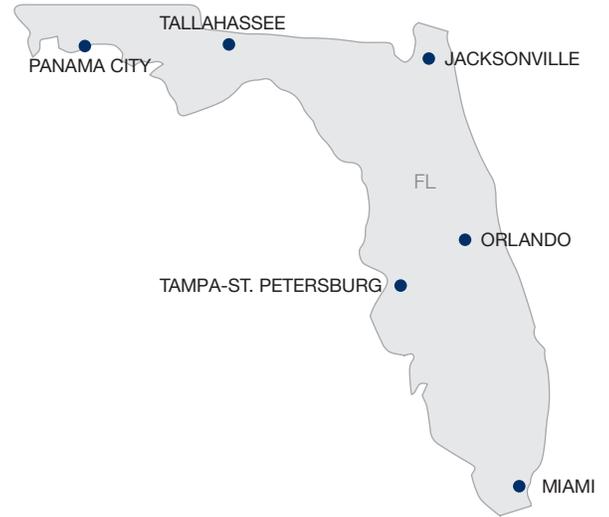


### Tourism Overrides Exiting Evacuees' and Deliveries' Impact on Occupancy

**Florida positioned for growth in 2018.** Healthy room demand will lift hotel occupancy and revenue in Florida this year. The number of visitors to the state increased 3 percent year over year in September last year, setting a new high and generating demand for hotel rooms. In 2017, hotels also received a boost in occupancy from Hurricane Maria's destruction in Puerto Rico, which brought thousands of evacuees to Florida. Most of these residents will return home or seek more permanent housing as this year progresses. Strong economic growth throughout the nation should continue to support an increasing number of tourists to the state in 2018. Rebuilding of hotels and infrastructure in Puerto Rico throughout the year may divert additional travelers to Florida, benefiting the state's hotel occupancy. Based on the state's continual rising hotel occupancy, developers are meeting demand by constructing roughly over 14,000 hotel rooms. Of these, 75 percent are in the large tourist markets of Miami, Orlando and Tampa.



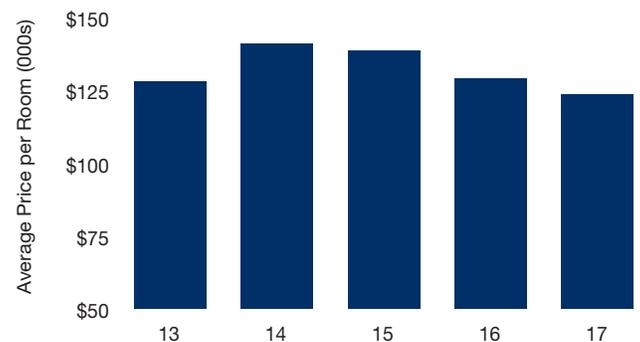
**Investors hesitate after hurricane.** Hotel sales in Florida slowed in the final quarter of 2017 following the aftermath of Hurricane Irma, resulting in a 5 percent dip in transaction volume year over year. Prices also moderated, declining 4 percent during the same period. Buyers in the \$1 million to \$10 million price tranche targeted independent hotels with less than 50 rooms and increased competition contributed to the price for independent properties rising 9 percent over the last four quarters. Assets with upside potential through renovation and upgrading services were highly desired and could change hands at cap rates below 6 percent if located near a coast. More of these properties could be marketed this year as owners with damaged hotels during last year's storms consider listing.



### 2018 Demand Growth

**2.8%** Year-over-Year Room Nights

### Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

**1.9%** 2017 Year-over-Year Leisure and Hospitality Employment Growth

**490 bps** Five-Year Occupancy Growth 2014-2018

**21%** Five-Year RevPAR Growth

## 2018 Regional Highlights

- As of January 2018, more than 1,500 families from Puerto Rico still reside in Florida hotels through FEMA's TSA program, contributing to heightened occupancy and growth in RevPAR. As benefits for evacuees expire, some hotels may post temporary declines in occupancy.
- New attractions at theme parks could lure additional tourists to Orlando this year. The largest project to debut will be Toy Story Land at Disney's Hollywood Studios park in June. SeaWorld will open Infinity Falls this summer and Universal Orlando is on track to finish the Fast & Furious-Supercharged ride in the spring of 2018.
- The number of passengers at Orlando International Airport increased 6.4 percent in 2017 from one year earlier. The total of international travelers increased 5.7 percent.

## 2018 Region Forecast

- Supply** up 1.9% There are 14,300 rooms under construction across the state in 105 hotels. This compares with 8,750 rooms completed last year. Miami and Orlando account for nearly 70 percent of the rooms underway, with 5,175 and 3,460, respectively.
- Occupancy** up 70 bps Hotels benefited from the hurricane damage in Puerto Rico as many residents fled to Florida, boosting occupancy 230 basis points last year. Occupancy will rise 70 basis points to 74.6 percent in 2018, setting a 10-year high.
- ADR** up 2.4% Tightening occupancy in the second half of 2017 produced an annualized 2.8 percent jump in ADR. This year, ADR climbs 2.4 percent to \$140.62.
- RevPAR** up 3.2% As hurricane evacuees filled hotel rooms across Florida, RevPAR surged 5.9 percent last year. At the end of 2018, RevPAR will reach \$105.40.
- Investment** One of the strongest employment gains in the nation and steady tourism growth will keep investors active in Orlando. Small independent hotels near theme parks will be desired.

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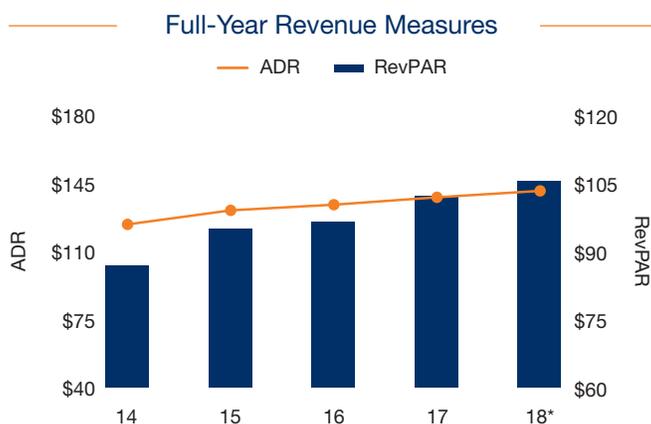
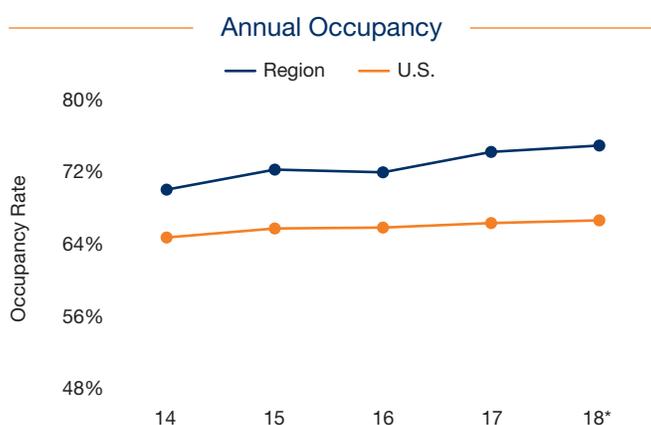
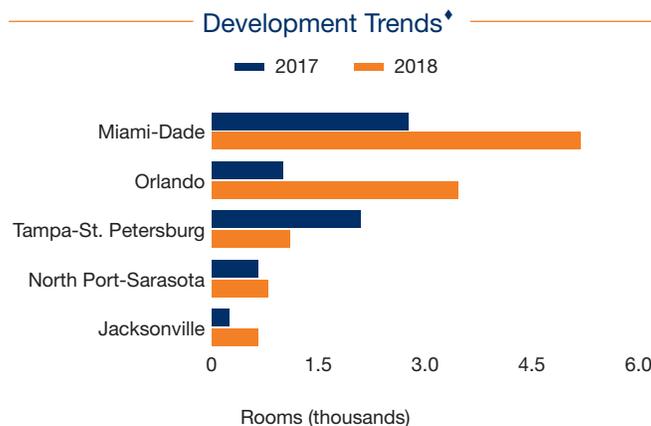
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Statistical Summary Note: Hotel chain scale definitions are based on information available as of December 2017. Average prices and cap rates are a function of the age, type and geographic area of the properties trading and therefore may not be representative of the market as a whole. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; AH&LA; AARP Research; Altus Data Solutions; Bureau of Economic Analysis; CoStar Group, Inc.; Federal Reserve; Moody's Analytics; PKF Hospitality; Real Capital Analytics; STR Inc.; Trepp; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Treasury Department.

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\*2017 Recent Opens; 2018 Under Construction  
\* Forecast  
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics