

Hospitality Research

2018 INVESTMENT FORECAST

Georgia

Corporate, Film and Leisure Demand Sustains Occupancy in Georgia

Room demand persists though occupancy declines slightly as evacuees head home. Georgia's corporate business growth and increased tourism benefit statewide occupancy, average daily rate and RevPAR. Companies like Anthem and Mercedes Benz continue to expand their presence, improving weekday occupancy rates as professionals travel to meetings and interviews. Furthermore, the state's growing film industry underpins hotel demand as out-of-state based actors and workers fill hotel rooms during filming. Leisure travel also plays a significant role on overall hotel performance metrics in the state. Two major new sports stadiums in Atlanta and recreational activities along the Georgia coast attract visitors to the state's hotels. These underlying trends will continue into 2018, though statewide occupancy will tick down slightly as individuals who escaped the brunt of Hurricane Irma by staying in Georgia hotels returned to their homes in the fourth quarter of last year.

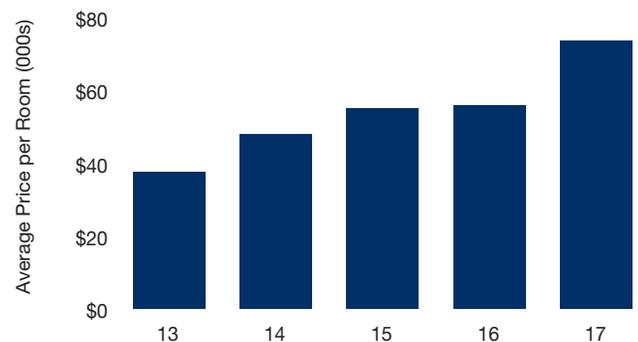
Activity increases across the state amid strong asset performance. Healthy occupancy and growth in revenue metrics bolster demand for hotel properties across Georgia. Transaction velocity rose at a faster pace in 2017 than the prior year as sales jumped 17 percent. The bulk of hotels changed hands in the Atlanta metro, with buyers primarily targeting Atlanta's southern and northwestern areas. Rising demand in each area fueled competition, lifting property values last year. Hotels in both locales typically trade with first-year returns in the low-8 to 9 percent band. Outside of Atlanta, investor interest has picked up for economy and midscale hotels in many of the state's smaller metros. The majority of these buyers are local to the state and purchase assets in the \$1 million to \$10 million price tranche. Several hotels in these rural locations can trade at cap rates as high as 14 percent.



2018 Demand Growth

1.1% Year-over-Year Room Nights

Hotel Sales



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

4.2% 2017 Year-over-Year Leisure and Hospitality Employment Growth

270 bps Five-Year Occupancy Growth 2014-2018

22% Five-Year RevPAR Growth

2018 Regional Highlights

- The completion of the new Atlanta Falcons stadium and redevelopments in the area will bode well for metro hotels as travelers attend games and events there. Super Bowl LIII will be held in the stadium in 2019, attracting many visitors and boosting hotel occupancy and revenue metrics.
- International visitation to Atlanta continues to grow. A roughly 2.7 percent increase was recorded in international passengers deplaning at the Hartsfield-Jackson Atlanta International Airport last year. Many of these travelers may opt to stay in hotels.
- New rules on short-term rentals from home-sharing services in Savannah could bode well for hotels. Property owners would need to renew permits every six months. Additionally, the ordinance reduces the number of visitors that can stay in rentals, pushing many to hotels.

2018 Region Forecast

- Supply** up 1.4% Nearly 6,600 rooms are under construction in the state throughout 50 hotel projects. Of those rooms, roughly 4,000 will be completed in Atlanta. The bulk of deliveries are select-service hotels.
- Occupancy** down 20 bps Georgia's occupancy rate will decline 20 basis points in 2018 to 65.1 percent as it realigns from the 70-basis-point spike recorded last year.
- ADR** up 1.6% Declining occupancy will slow growth in ADR to \$102.50. Last year, the average daily rate climbed 3.2 percent.
- RevPAR** up 1.2% Contributions from occupancy and ADR moderate RevPAR 1.2 percent this year to \$66.73. Last year, RevPAR also posted a 1.2 percent gain.
- Investment** Savannah's beaches and numerous recreational activities make the area an ideal destination for many travelers. Healthy room demand combined with tighter restrictions on short-term rentals have boosted investor interest for area hotels and elevated property values.

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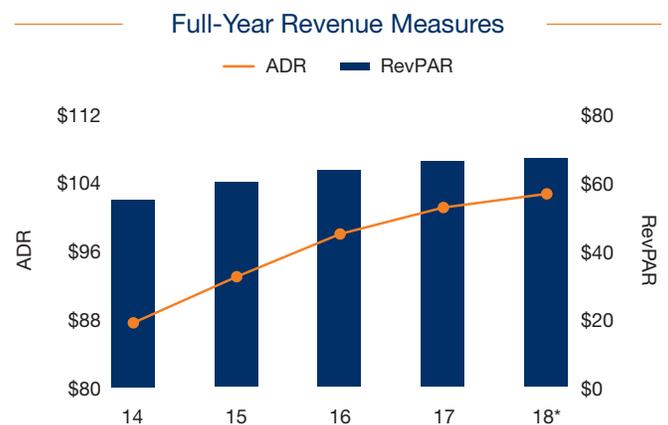
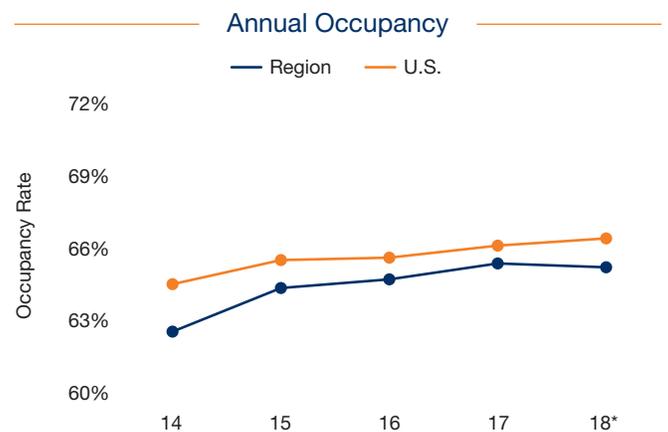
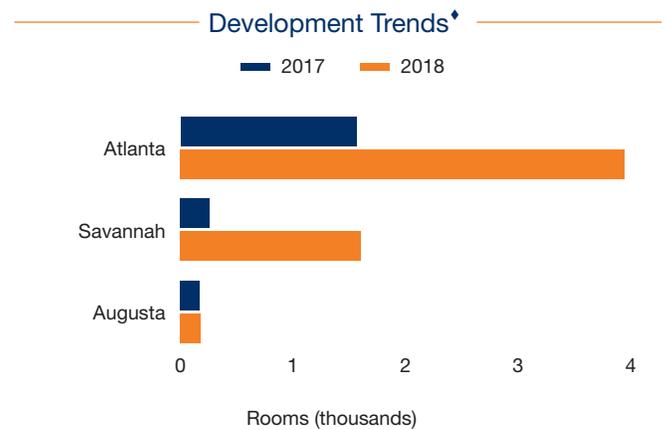
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Statistical Summary Note: Hotel chain scale definitions are based on information available as of December 2017. Average prices and cap rates are a function of the age, type and geographic area of the properties trading and therefore may not be representative 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