

#### Positive Outlook for Northeast Region Buys Investor Interest

**Hotel occupancy and revenue increases on tap for 2018, despite Boston supply pressures.** The Northeast region is poised for another year of hospitality growth amid healthy job creation and numerous leisure destinations that draw residents and visitors from nearby states. Several states within the region will record occupancy and RevPAR above the national rates of growth this year, with Maine, New Hampshire and Vermont likely leading regional advances. Massachusetts may face some challenges as hotels in Boston, the region's largest metro, experience supply pressures from the more than 3,900 rooms under construction. Strong corporate growth, visitation to the several colleges and the metro's numerous cultural attractions will help drive positive revenue growth, albeit at a moderated pace this year. In 2017, the market registered RevPAR growth of 1.9 percent as new rooms heightened competition and slowed the overall pace of growth.

**Healthy fundamentals lure investors to Maine.** Occupancy and RevPAR growth rates in Northeast region hotels have held transaction velocity steady over the last two years. Hotels in the states of Massachusetts and Maine garner the most attention, with the number of sales in Maine nearly doubling in 2017. Growing visitation to the state has boded well for hotels, with above national average ADR and RevPAR growth piquing investors' attention. Many buyers are targeting smaller independent hotels along the coast where cap rates between the high-9 and low-11 percent band can be found. In Massachusetts, many local buyers in the \$1 million to \$10 million price tranche are increasingly looking for opportunities outside of Boston, including the Provincetown and Pittsfield areas, after being priced out of the metro. Rising sales outside of Boston lowered the average price per room. Many of these hotels change hands with first-year returns up to 150 basis points higher than available in Boston.



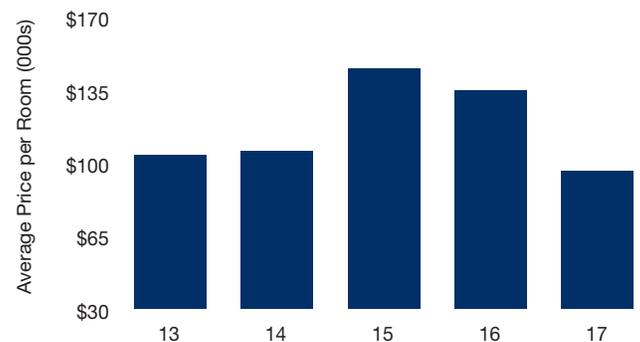
States: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont



#### 2018 Demand Growth

**1.5%** Year-over-Year Room Nights

#### Hotel Sales



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

**1.8%** 2017 Year-over-Year Leisure and Hospitality Employment Growth

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

**14%** Five-Year RevPAR Growth

## 2018 Regional Highlights

- Maine has launched a new campaign to draw regional travelers to the state for the winter season. If successful, hotels would likely see an additional boost in occupancy rates through March of this year.
- Many companies continue to expand in Boston, including Wayfair and Mass Mutual. Corporate growth will likely boost travel to business meetings and job interviews, benefiting hotels located in the metro's employment centers.
- Vermont is considering a bill to regulate Airbnb rentals in the state. If passed, hosts would have to pay an annual registration fee and comply with the same health and safety standards hotels must follow. These new regulations could reduce the number of Airbnbs, benefiting occupancy and revenue growth.

## 2018 Region Forecast

- Supply** up 1.4% More than 5,600 rooms are under construction across the Northeast region. Massachusetts will receive the bulk of these completions.
- Occupancy** up 30 bps Room nights will surpass supply additions this year, lifting occupancy 30 basis points to 64.5 percent. Last year, a 70-basis-point increase was recorded.
- ADR** up 1.0% Following a 1.6 percent increase in 2017, the average daily rate will rise to \$148.53, a new high.
- RevPAR** up 1.2% The uptick in vacancy combined with rising ADR will advance RevPAR 1.2 percent this year to \$98.97. Last year, RevPAR climbed 2.7 percent.
- Investment** New Hampshire led the region with the largest occupancy growth last year. Improving occupancy and healthy ADR and RevPAR growth could spur additional investor interest in the state. Here, cap rates in the low- to mid-10 percent band can be found.

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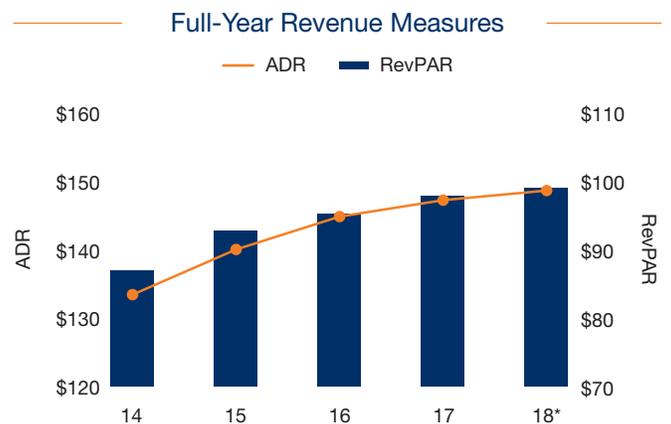
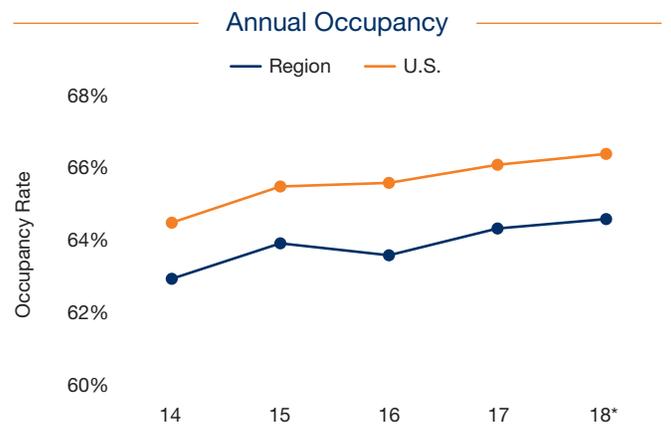
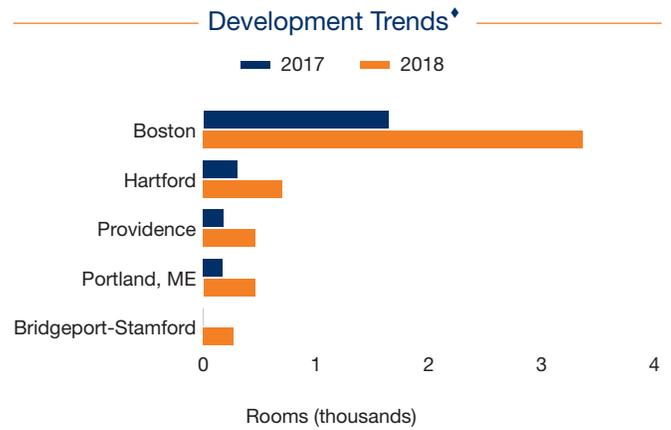
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Statistical Summary Note: Hotel chain scale definitions are based on information available as of December 2017. Average prices and cap rates are a function of the age, type and geographic area of the properties trading and therefore may not be representative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