Hospitality Research
Regional Report

Second Half 2017

Carolinas

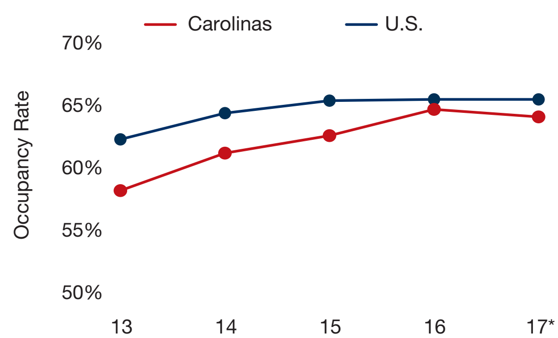
Charlotte and Coastal Cities in Both States Continue to Garner Investor Interest

Supply pressures weigh on North Carolina. Rising completions in North Carolina have placed downward pressure on occupancy rates in the state. Roughly 7,200 rooms are under construction in North Carolina and an additional 8,000 are set to break ground in the next 12 months. This large construction pipeline may further lower occupancy in 2018 as rooms are placed into service. On the other hand, South Carolina registered significant improvements during the last 12 months. Hospitality in the state has benefited from business travel demand as the automobile industry continues to grow in the area. Companies including Mercedes-Benz, Volvo and BMW have all announced expansions in the state.

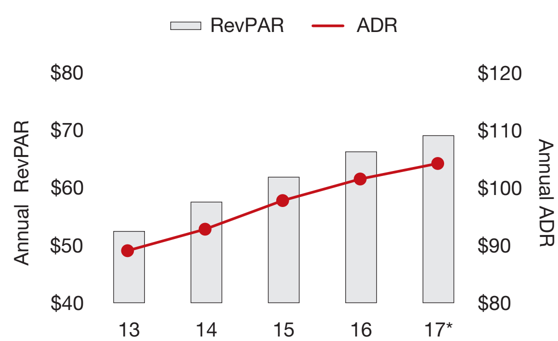
Deal flow rises in Carolinas region. Improving performance metrics in South Carolina have driven additional investor interest to the state, lifting sales velocity. More than half of all transactions, though, occur in North Carolina with investors increasingly targeting the Charlotte metro. Coastal towns in both states also garner attention as buyers capitalize on leisure travelers. Wilmington, Myrtle Beach and Charleston remain popular for investors seeking hotels in beach destinations.

- **North Carolina contributes to decreasing occupancy.** During the year ending in June, rooms available in the Carolinas region rose 2.0 percent. The increased supply did not outpace a room nights increase of 1.5 percent, lowering regional occupancy 40 basis points to 71.2 percent. The decrease was primarily a result of amplified deliveries in North Carolina. The state registered a 100-basis-point decline in occupancy to 69.6 percent as rooms available rose 3.9 percent during the previous 12-month period. Flooding in Charleston due to Hurricane Irma may raise occupancy rates in the area in the short term. South Carolina outperformed the region, with a 100-basis-point increase in the occupancy rate to 74.4 percent. Room nights in the state climbed 2.9 percent during the last four quarters.
- **South Carolina outperforms.** Regional revenue metrics continue to rise but at a slower pace than was recorded last year. In the last 12 months, the average daily rate climbed 3.3 percent after a 3.5 percent gain was posted the prior year. Declining occupancy coupled with an increase in ADR advanced RevPAR 3.0 percent. ADR in South Carolina matched last year's performance, rising 4.0 percent, while RevPAR jumped 5.3 percent year over year. In North Carolina, ADR and RevPAR advanced 3.0 percent and 1.5 percent, respectively. Significant declines in occupancy in the Charlotte metro prevented additional RevPAR growth. RevPAR in Charlotte fell 2.3 percent during this time while ADR rose 2.6 percent.
- **Hotel demand strong.** Transaction velocity in the Carolinas region rose 10 percent since last June. Both states registered increases in sales, with South Carolina garnering significant investor attention that attributed to a 12.5 percent rise in the number of transactions. Regionally, more upscale assets changed hands in the previous 12-month period than the prior year amid increased sales in the Marriott and Intercontinental families. In North Carolina, elevated transactions in the upscale and upper upscale segments lifted average price 16 percent year over year to approximately $60,400 per key.

Annual Occupancy



Yearly Revenue Measures



* Forecast

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