Hospitality Research
Regional Report

Second Half 2017

Central Midwest

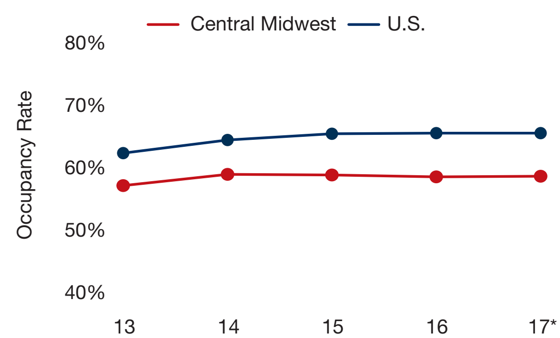
Competition Intensifies for Limited Service Hotels in Central Midwest

Room demand healthy. The Central Midwest region, which comprises Kansas, Missouri and Oklahoma, posted steady occupancy and revenue metric increases year over year in June. In Missouri, demand has lifted statewide occupancy and revenue growth. Corporate expansions and relocations in the metro should sustain business travel demand moving forward as companies including the National Geospatial Intelligence Agency and Pfizer create new campuses in the state. In particular, weekday occupancy should benefit from travel for interviews and business meetings.

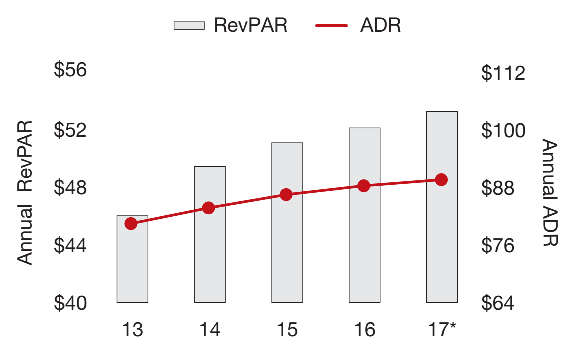
Healthy performance piques investor interest. Demand for regional hotel properties heightened during the previous four quarters amid occupancy and revenue growth. Transactions increased in all three states, with sales volume rising considerably in the Kansas City metro during the last 12 months. The competitive bidding environment lifted the average price per room significantly in the metro. Regionally, economy and midscale assets were highly sought after. Demand for independent properties also picked up with many of these hotels changing hands in the region's smaller markets.

- **Oklahoma leads occupancy increases.** Building on last year's 10-basis-point increase, occupancy in the Central Midwest region climbed 50 basis points since last June to 68.9 percent. Regionally, room nights climbed 2.3 percent during this time and rooms available rose 1.4 percent. Oklahoma led the region in occupancy growth as supply additions of 3.5 percent did not outpace a 7.6 percent increase in room nights during the last four quarters. As a result, occupancy in the state rose 200 basis points year over year to 62.5 percent. Missouri maintained the highest occupancy rate in June at 73.4 percent, up 40 basis points year over year. The Kansas City metro posted a 200-basis-point increase in occupancy during this time to 78.1 percent amid declining rooms available and stable room nights. In the metro of St. Louis, occupancy declined 50 basis points during the last 12 months to 76.8 percent.
- **Revenue metrics moderate.** The average daily rate rose at a quicker pace during the last 12 months than the prior year, climbing 2.8 percent to $94.07. The rise in regional occupancy, coupled with the increase in ADR, lifted RevPAR in the Central Midwest 3.7 percent to $65.25. In Missouri, ADR and RevPAR moved up 3.5 percent and 4.0 percent, respectively. The Kansas City metro posted significant revenue growth. ADR in the region climbed 3.8 percent to $106.33 while RevPAR jumped 6.5 percent to $83.01. Significant occupancy increases in Oklahoma drove a 4.7 percent increase in the state's RevPAR to $50.29. In the state of Kansas, the average daily rate edged up 2.5 percent. Declining occupancy coupled with the increase in ADR inched up RevPAR marginally in the state.
- **Bidding heats up for region's hotels.** Transaction velocity picked up considerably in the Central Midwest during the year ending in the second quarter. The increased competition fueled a 12 percent increase in the average price per room to $48,500. Hotel properties in Missouri comprised roughly half of all transactions.

Annual Occupancy



Yearly Revenue Measures



* Forecast

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National Hospitality Group

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