Marcus & Millichap

Hospitality Research State Report

Second Half 2017

Florida

Occupancy Rises in Florida Hotels, Bolstering Growth in Revenue Metrics

Orlando drives occupancy and revenue metric growth in Sunshine State. Healthy tourism in the state of Florida and job growth in many of the major metros have benefited occupancy and spurred increases in statewide revenue metrics during the year ending in June. Nearly all of the state's largest metros contributed to occupancy increases, with the Orlando market posting the largest gains. The metro is one of the largest tourist destinations in the United States and received a record 68 million visitors in 2016, underpinning hotel room demand. Additionally, above-average hiring in professional sectors has driven business travel to the area, benefiting occupancy rates during the workweek. Hiring in office-using sectors rose 4.1 percent during the last 12 months as 12,500 positions were created in Orlando. Healthy room demand and limited completions not only boosted occupancy rates but accelerated growth in revenue metrics. As a result, investors remained interested in Orlando's hotel assets, targeting properties in the Tourist Corridor submarket and near major attractions including Disney World. Many of the hotels that changed hands are independent or in the upper midscale segment.

Residents take shelter in hotels after hurricane evacuations. Hurricane Irma impacted the entire state of Florida and caused residents and visitors to seek shelter, elevating occupancy levels in the short term in areas outside of the evacuation zones. Roughly 6.4 million people were ordered to evacuate parts of southeast Florida, plummeting hotel occupancies and revenue metrics in metros including Miami-Hialeah and Fort Lauderdale as the hurricane made landfall. Occupancy in hotels in Orlando rose considerably during this time as residents sought shelter farther north and inland. As evacuation orders were lifted, many residents may turn to hotels as they assess damage or wait for power to be restored, increasing occupancy levels and generating RevPAR growth. FEMA workers and volunteers will also occupy available hotel rooms as rebuilding occurs, further helping occupancy and revenue growth. Hotel investors will begin assessing their portfolios and determining next steps. Some owners may elect to place their property on the market in hopes of capturing a higher price amid higher occupancy and revenue growth. Several buyers will seek damaged properties in hopes of restoring and renovating to capture higher average daily rates.

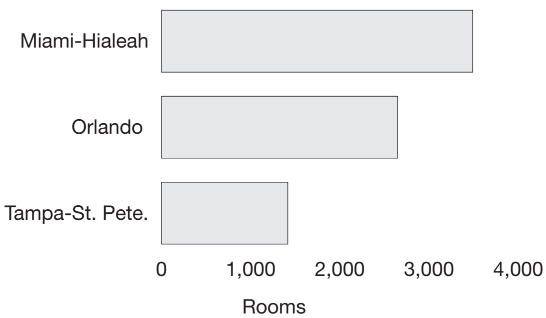
2017 Forecast

- **Revenue jumps in short term.** In the aftermath of Hurricane Irma, statewide occupancy will move up amid recovery efforts. As a result, the average daily rate will climb 5.6 percent to $140.88 and drive a 10 percent increase in RevPAR to $105.04. Occupancy and revenue metrics should adjust back to normal levels by next year.
- **Office-using job growth persists.** Many of the major Florida markets registered employment gains in professional sectors above the national rate of growth. Job growth can spur occupancy gains during weekdays as individuals attend business meetings and interviews. Fort Lauderdale registered the largest increase in office-using hiring during the last four quarters, rising 5.4 percent as 12,000 positions were created. Tampa also posted strong growth, climbing 4.2 percent with the addition of 15,300 workers.
- **Construction rises in Miami.** Nearly 12,500 rooms are under construction in Florida and another 15,600 are making their way through the planning stage and expected to break ground in the next 12 months. Of these deliveries, the Miami-Hialeah metro has 4,900 rooms under construction.

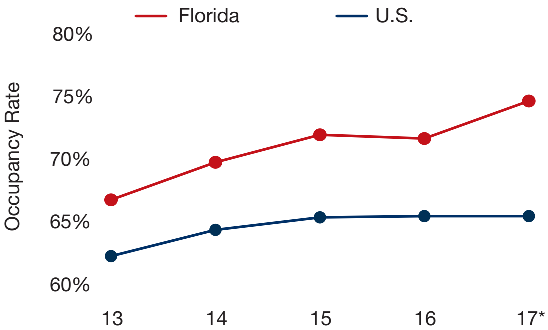
Metrics	2016	2017*
Occupancy	71.6%	74.6%
Demand Growth	-0.9%	5.9%
Supply Growth	1.5%	1.6%
Average Daily Rate	$133.37	$140.88
Annual Change	2.2%	5.6%
RevPAR	$96.35	$105.04
Annual Change	1.6%	10.0%
Revenue Growth	-2.9%	11.8%

* Forecast
Sources: Marcus & Millichap Research Services; STR, Inc.

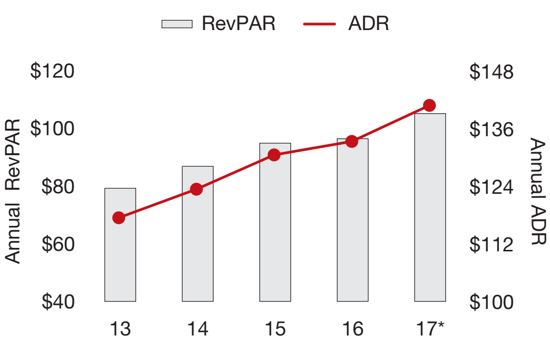
Under Construction Rooms



Annual Occupancy



Yearly Revenue Measures



* Forecast
Sources: Marcus & Millichap Research Services; STR, Inc.

Occupancy Trends

- After a 20-basis-point decrease in the prior year, occupancy in Florida climbed 130 basis points during the last 12 months to 73.2 percent in June. Room nights in the state rose 3.8 percent during this time, outpacing a supply increase of 1.8 percent.
- The majority of major metros in Florida registered occupancy increases during the last four quarters. Orlando posted the largest gain, with occupancy in the metro rising 330 basis points during the year to 78.9 percent at the end of the second quarter, the highest rate among the major markets. Limited completions and a 5.2 percent increase in room nights contributed to the spike in year-over-year occupancy.
- Occupancy in Miami-Hialeah and Fort Lauderdale climbed more than 100 basis points in each metro. In June, occupancy in Miami-Hialeah rested at 72.8 percent while Fort Lauderdale had a 73.9 percent occupancy rate. The Tampa-St. Petersburg market registered the only decline as the rate fell 110 basis points to 71.8 percent. Supply additions of 2.9 percent outpaced a room nights increase of 1.6 percent.

Revenue Trends

- The average daily rate in Florida rose 3.4 percent during the last four quarters to $125.59 in June. The increase in ADR coupled with rising occupancy lifted statewide RevPAR up 5.4 percent during this same time period to $91.98.
- The significant jump in occupancy in Orlando aided in a 6.8 percent increase in the metro's ADR to $115.85. As a result, RevPAR in Orlando soared 11.5 percent year over year to $91.39. In Fort Lauderdale, the average daily rate ticked up slightly to $112.78 while RevPAR climbed 3.0 percent during the last four quarters to $83.34.
- Declining occupancy in the Tampa-St. Petersburg metro did not hamper improvement in the area's revenue metrics. ADR in the market rose 3.3 percent during the previous 12 months to $117.95 in June. The increase in the rate drove a 1.8 percent advance in RevPAR to $84.64. In Miami/Hialeah, ADR ticked down 0.7 percent but rising occupancy led to a 1.2 percent increase in RevPAR to $106.92.

Sales Trends

- Transaction velocity fell 9 percent in Florida during the year ending in the second quarter as fewer listings were available. The competitive bidding environment for available properties during this time lifted the average price up 15 percent to approximately 143,000 per key.
- Independent hotels comprised a significant chunk of all transactions, particularly in coastal locations including Miami Beach and oceanside hotels in Tampa-St. Petersburg. Increased competition for independent hotels lifted the average price up 14 percent statewide to $180,000 per key.
- During the last four quarters, transaction volume for hotels in Jacksonville rose notably from the prior year. Limited service assets were a primary target for investors in the Jacksonville metro.

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