

NYC Outer Boroughs Post Stellar Occupancy and Revenue Performance

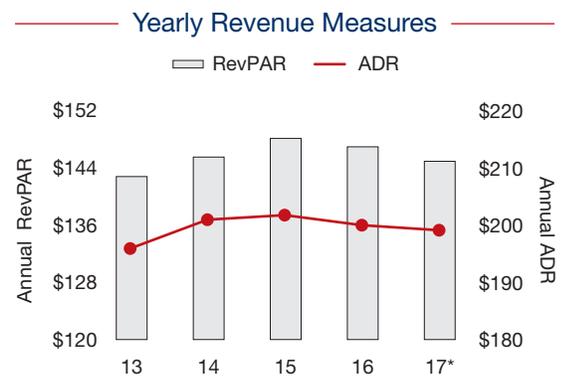
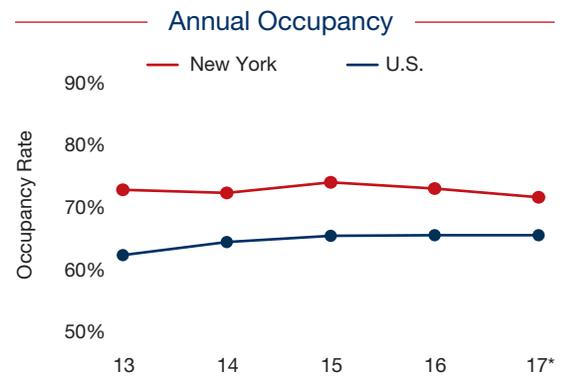
Supply pressures mount. Rising completions in the state of New York have outweighed room nights, declining occupancy and reducing RevPAR and ADR growth. The trend will persist as the state has the second largest pipeline, behind Texas, and demand cannot keep pace with room additions. Roughly 18,800 rooms are under construction statewide and an additional 20,000 are in the planning stages. Despite

the statewide occupancy decrease, occupancy in New York City, Manhattan and the Outer Boroughs registered strong improvements. The Outer Boroughs also registered the only RevPAR and ADR growth of the three areas.

Deal flow slows statewide. As supply growth placed downward pressure on revenue metrics, transaction velocity in the state

of New York declined year over year. Of the hotels that did change hands, independent and select-service properties garnered the majority of buyer's attention. Several upper midscale properties changed hands, primarily from the family of Intercontinental Hotels. Despite a slowdown in statewide sales volume, buyers did target additional properties in Westchester and Rochester.

- Occupancy improves in the metro of New York.** Hotel occupancy in the state of New York declined 70 basis points since last June to 79.8 percent. The losses can be attributed to a weaker performance outside the New York metro as the metro registered a 110 basis point improvement year over year to 90.6 percent. Room nights jumped 5.0 percent outpacing rooms available of 3.7 percent. In Manhattan, occupancy rose 70 basis points during this time to 90.8 percent amid a 3.4 percent increase in room nights. In the New York City Outer Boroughs, rooms available spiked 9.3 percent. The jump in rooms available did not hamper occupancy improvement as room nights climbed 13.3 percent, lifting occupancy 320 basis points to 89.7 percent.
- Revenue metrics decline.** Statewide ADR and RevPAR declined during the previous 12 months after posting several years of improvement. ADR ticked down 0.8 percent to end June at \$206.8 while RevPAR slipped 1.7 percent during this time to \$164.99. The New York City metro posted another year of declines in revenue metrics after reaching a peak in 2015. ADR and RevPAR dropped 3.7 percent and 2.4 percent, respectively. Revenue metrics in Manhattan also declined during the previous four quarters. ADR fell 3.9 percent during this time to \$282.54 and RevPAR rested at \$256.64 in June after a 3.1 percent decrease year over year. The New York City Outer Boroughs registered the only improvement of the three with ADR rising 4.1 percent and RevPAR jumping 8.0 percent during this time.
- Sales pick up in Westchester.** Transaction velocity in the state of New York slowed considerably during the last 12 months ending in the second quarter as fewer properties changed hands within New York City, Long Island and Syracuse. Sales velocity did pick up in Westchester, with limiting listings in the area fueling bidding. As a result, the average price for a hotel in Westchester rose 7 percent during the last four quarters to \$94,900 per key. Statewide, the average price hovered near \$149,000 per room.



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