

Healthy Performance Gains Attract Investors to North Central Region

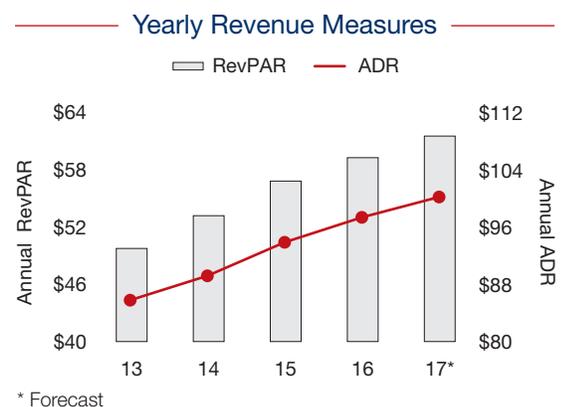
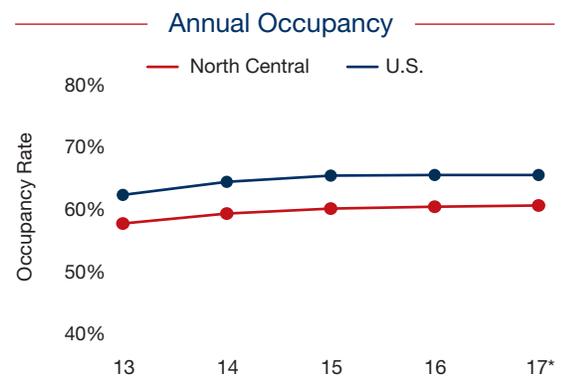
Business and sports support rising occupancy. Steady increases in room nights have driven occupancy and revenue metric improvements in the North Central region, which comprises Indiana, Ohio and Michigan. In Indiana, a growing tech sector is underpinning business travel demand. As several firms expand and move to the state, hotel occupancy, particularly during the workweek, may continue to rise from travel

to interviews and business meetings. Occupancy in all three states will benefit from the start of the collegiate school year in the fall. Travel to sporting events, particularly against rivalry teams, may support further occupancy improvement by year end.

Deal flow picks up regionally. Improving occupancy and steady growth in ADR and RevPAR during the year ending in June

have heightened investor demand for hotel properties in the North Central region. Assets in Ohio and Indiana made up the bulk of sales, with Cincinnati and Indianapolis garnering particular investor interest. Regionally, economy and upper mid-scale hotel assets comprised the majority of transactions, though sales of upscale properties rose this time as several Hilton branded properties traded.

- Occupancy climbs regionally.** Room nights of 3.9 percent outpaced the 1.3 percent increase in rooms available during the prior 12 months, lifting occupancy in the North Central region 170 basis points to 71.8 percent in June. All states contributed to occupancy improvement during this time, with Indiana and Ohio outperforming the region. In Ohio, occupancy jumped 200 basis points since last June to 72.0 percent as room nights rose 4.3 percent. This increase could be attributed to the Republican National Convention held last year. Occupancy in Indiana climbed 210 basis points to 73.4 percent, the highest rate among all three states. Room nights in Indiana advanced 3.3 percent during the last four quarters as rooms available ticked up marginally. Indianapolis registered a 60-basis-point increase during this time to 77.1 percent as few rooms were delivered during the last 12 months.
- Revenue metrics moderate.** Improving regional occupancy drove increases in revenue metrics during the last four quarters, though at a slower pace than last year. ADR in the North Central region rose 2.2 percent to \$103.32 ending in the second quarter while RevPAR climbed 4.8 percent during this time. Michigan posted the strongest ADR growth, moving up 3.6 percent to \$79.69. The increase in ADR, coupled with a 100-basis-point rise in occupancy, lifted RevPAR in the state up 4.8 percent. In Indiana, ADR and RevPAR rose 3.4 percent and 6.5 percent, respectively. Revenue metrics in Cleveland registered losses, slowing improvement for the state of Ohio, where ADR inched up 0.5 percent. The jump in statewide occupancy did aid in a 3.4 percent increase in RevPAR.
- Bidding heats up for region's hotels.** Transaction velocity in the North Central region rose considerably as demand for hotel properties picked up significantly in Ohio and Indiana. Increased demand for regional hotel assets also drove up the average price roughly 4 percent during the last four quarters to \$43,000 per room. Hotels in Indiana changed hands near \$57,600 per key on average.



National Hospitality Group
Peter Nichols Vice President | National Director
 Tel: (212) 430-5100 | peter.nichols@marcusmillichap.com

Prepared and edited by
Catherine Zelkowski Research Analyst | Research Services

For information on national hospitality trends, contact:
John Chang First Vice President | Research Services
 Tel: (602) 707-9700 | john.chang@marcusmillichap.com

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