

Robust Tourism Sparks Occupancy and Revenue Growth in Southwest Hotels

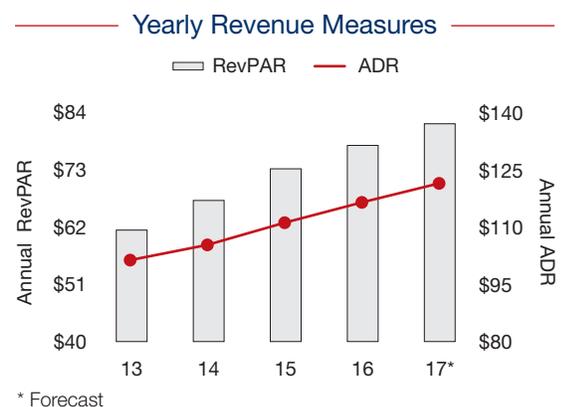
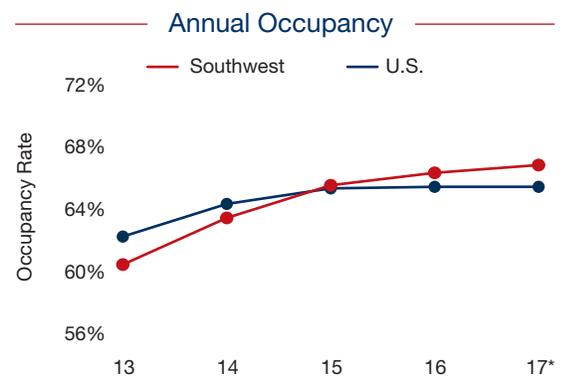
Stellar occupancy growth. The Southwest region, which comprises Arizona, Colorado, Nevada, New Mexico and Utah, posted robust occupancy growth since last June. Each state contributed to rising occupancy and in turn fostered an increase in the average daily rate and RevPAR. Arizona and Utah posted occupancy gains of more than 100 basis points during the last four quarters as record-breaking visits to nation-

al parks in each state benefited occupancy improvement. Tourism in New Mexico underpinned the largest occupancy and RevPAR growth regionally.

Buyers flock to Southwest hotels. Healthy occupancy and revenue metric performance have piqued buyer interest in regional hotels, fueling transaction velocity and lifting the average price per room. In-

dependent and limited service properties comprised approximately half of all transactions during this time. Many of these independent hotels traded in smaller markets including Sedona, Arizona, and Santa Fe, New Mexico. Several full service properties also changed hands during the last 12 months with buyers targeting hotels in the Marriott and Hyatt brand families.

- Each state drives occupancy increases.** Room nights in the Southwest region advanced 2.7 percent during the year ending in the second quarter, outpacing rooms available increases of 1.2 percent. As a result, regionally occupancy surged 100 basis points since last June to 74.5 percent. New Mexico registered significant improvement as occupancy soared 470 basis points during this time to 74.5 percent. Rooms nights in the state jumped 6.3 percent amid a slight decline in rooms available. Utah also generated strong occupancy gains with the rate rising 190 basis points year over year to 78.9 percent. Within the state, occupancy in the Wasatch Front ticked up 40 basis points to 81.0 percent. In Arizona, occupancy rose 110 basis points during the last four quarters to 65.0 percent despite a year-over-year decline in the metro of Phoenix. Soaring temperatures in Phoenix during the summer have boosted demand for hotel demand in cooler parts of the state during June.
- Revenue metrics rise.** Healthy occupancy improvements in the Southwest region have driven modest increases in revenue metrics. The average daily rate climbed 3.0 percent to \$114.56 during the last 12-month period while RevPAR advanced 4.3 percent to \$86.25 in June. The significant jump in occupancy in New Mexico, coupled with a 3.4 percent increase in ADR, pushed the state's RevPAR up 10.6 percent, the highest increase in RevPAR among the five states. Colorado registered the largest advance in ADR regionally, with the rate climbing 5.1 percent to \$142.42. Colorado's ADR is also the highest among the states. In the metro of Denver, ADR and RevPAR grew 3.7 percent and 3.6 percent, respectively.
- Bidding picks up for region's hotels.** Transaction velocity in the Southwest region jumped nearly 20 percent during the previous four quarters ending in June. The bulk of transactions were located in Colorado and Arizona, though sales volume increased notably in New Mexico and Utah. The expanded buyer pool intensified bidding for the region's hotel properties, lifting the average price 15 percent to around \$79,500 per key during the last 12 months.



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