

Strong Tourism Underpins Buyers' Motivation to Target Region's Hotel Properties

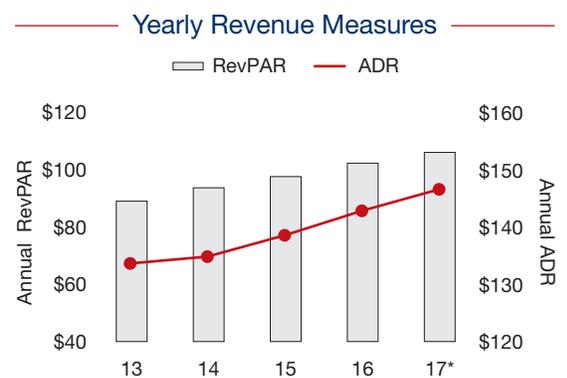
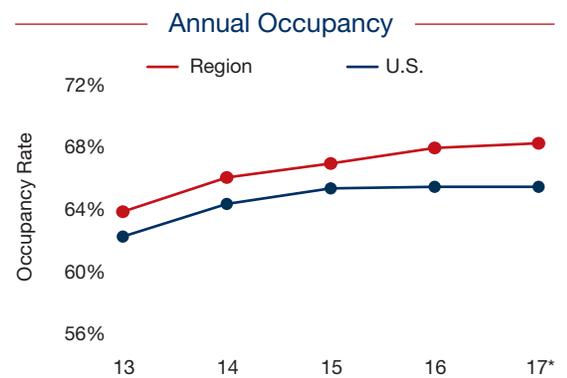
Strong performance in Virginia. Vigorous tourism demand has benefited hotels in the Washington, D.C./Central Atlantic region, which comprises Maryland, Virginia, Washington, D.C., and West Virginia. A record number of travelers visited Virginia in 2016, and tourism remains one of the largest industries within the state. The heightened number of visitors to Virginia drove demand for hotels, lifting occupan-

cy and fostering ADR and RevPAR growth during the last four quarters. In Washington, D.C., a supply boom hampered occupancy improvement during this time. More than 2,200 hotels were completed in the last 12 months. Moving forward, an additional 4,100 rooms are under construction, further weighing on occupancy in the area.

Strict. Improving occupancy and revenue performance have fueled bidding for hotel properties regionally. Demand for select service properties picked up during the previous 12 months as several hotels in the Marriott family of hotels changed hands. Increased competition for these assets lifted the average price per room regionally despite increased bidding for lower-tier properties.

Bidding heats up in Washington Dis-

- Rising room nights drive up occupancy.** Occupancy in the Washington, D.C./Central Atlantic region rose 50 basis points since last June to 78.5 percent as room nights of 2.5 percent outpaced rooms available of 1.8 percent. Further occupancy improvement was hampered by losses within Washington, D.C., as occupancy in the area fell 130 basis points year over year to 86.3 percent. Rooms available in Washington, D.C., advanced 3.9 percent during this time, the highest in the region. The largest occupancy gain was posted in West Virginia where the rate rose 300 basis points to 65.2 percent. The increase follows a significant decline that was registered the prior year when supply increases outpaced room demand. Virginia also registered a healthy occupancy gain with the rate climbing 140 basis points during the last four quarters to 75.1 percent.
- RevPAR and ADR grow steadily.** Gains in regional occupancy aided in a rise in revenue metrics. The average daily rate in the region inched up 1.4 percent during the last 12 months to \$157.98 in June. The uptick in ADR, coupled with increased occupancy, lifted RevPAR up 1.5 percent during this time to \$127.18. Virginia led ADR and RevPAR growth with rates advancing 1.5 percent and 3.5 percent, respectively. The significant occupancy increase in West Virginia generated a 4.9 percent rise in RevPAR during this time, despite ADR remaining flat year over year. Washington, D.C., registered the only RevPAR decline, ticking down 0.8 percent during the previous four quarters to \$209.07. RevPAR in the area is the highest regionwide.
- Washington, D.C., continues to draw investors.** Transaction velocity for hotels in the region picked up considerably during the previous four quarters. Roughly half of all transactions were in the Washington, D.C., market and the number of sales rose year over year. Sales volume picked up significantly in Hampton Roads and Richmond during this time. Increased competition for hotel properties in Hampton Roads drove the average price up 27 percent in the area to nearly \$56,000 per key.



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