

Occupancy Posts Mixed Performance Across the Central Midwest

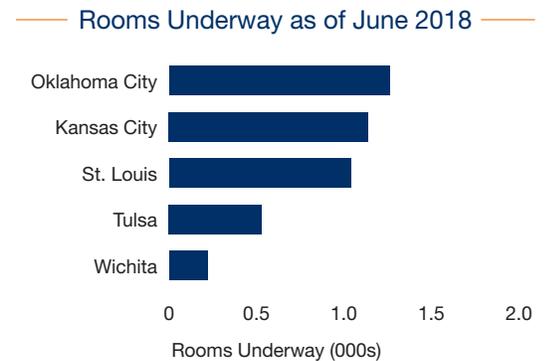
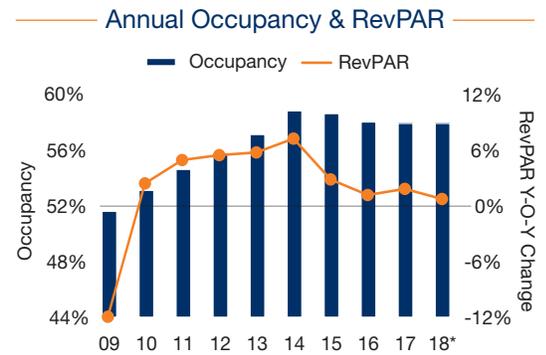
Travel advisory hampers occupancy improvement in Missouri. Annual occupancy in the Central Midwest region remained flat during the year ending in June as losses in Kansas and Missouri negated strong improvements in Oklahoma. In Missouri, political turmoil surrounding Senate Bill 43 and several violent incidents led to the issuance of a travel advisory to the state in August of 2017. This travel advisory pushed many in-

dividuals to reconsider visiting the state and potentially reduced travel to Kansas City as well. As a result, occupancy fell considerably during the past 12 months in Missouri after several years of solid gains.

Few listings push prices higher in Kansas. Transaction velocity declined roughly 15 percent during the year ending in the second quarter, with Kansas and Missou-

ri driving the declines. Average prices in Missouri fell 7 percent during this time to \$53,500 per key. In Kansas, few available listings commanded higher prices, particularly in the upper midscale segment. Prices in the state averaged around \$60,800 per key. Trading in Oklahoma held steady during the prior four quarters, with assets in the state changing hands at prices near \$40,000 per room.

- Oklahoma occupancy surges ahead as declines in Missouri and Kansas hamper regional growth.** Following a 10-basis-point drop in the prior year, annual occupancy in the Central Midwest region remained flat at 57.9 percent during the past 12 months ending in the second quarter. Despite the region remaining flat, Oklahoma posted a strong increase in occupancy improvement amid heightened room demand. Annual occupancy in the state surged 230 basis points during the past four quarters to 56.4 percent. Missouri and Kansas registered similar declines in occupancy during this same time period, falling 110 basis points and 120 basis points, respectively. In particular, occupancy in St. Louis fell 90 basis points to 64.8 percent.
- ADR and RevPAR make moderate gains.** Despite occupancy remaining flat, regional ADR and RevPAR registered modest increases during the year ending in June. The average daily rate climbed 1.6 percent to \$90.13 while RevPAR edged up 1.4 percent to \$52.55. Oklahoma posted the smallest gain in ADR during this time; the rate inched up 0.5 percent. Strong occupancy growth in the state, however, boosted RevPAR 4.9 percent, the largest gain in the region. ADR in Kansas and Missouri rose 1.7 percent to \$87.43 and 2.4 percent to \$99.05, respectively. Declining vacancy combined with the uptick in ADR generated a 0.6 percent increase in RevPAR in Missouri while RevPAR in Kansas ticked down 0.3 percent.
- Investors target a variety of assets across the Central Midwest region.** Sales during the past four quarters remained widespread across chain scales, with limited service, select service and independent hotels relatively equally targeted. First-year returns for these hotels were in the low-6 to mid-9 percent band depending on property location and type. Demand did pick up for full service hotels, particularly in the upper upscale segment, as several Embassy Suites changed hands. Full service hotels traded with prices significantly above the regional average.



* Forecast
The Central Midwest region consists of Kansas, Missouri and Oklahoma.

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 Senior Vice President | Research Services
Tel: (602) 707-9700 | john.chang@marcusmillichap.com

© Marcus & Millichap 2018 | www.MarcusMillichap.com

Sources: Marcus & Millichap Research Services; AHLA; BLS; CoStar Group, Inc.; Moody's Analytics; Real Capital Analytics; STR, Inc.

Republication or other re-use of this data without the express written permission of STR, Inc. is strictly prohibited. The information contained herein was obtained from sources deemed reliable. Every effort was made to obtain complete and accurate information; however, no representation, warranty or guarantee to the accuracy, express or implied, is made. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.