

Hurricane Irma, Record Tourism Boost Occupancy Rates in Florida

Hurricane Irma bolsters statewide occupancy. The impact of Hurricane Irma drove a considerable increase in occupancy late last year as evacuees sought shelter from the storm. In addition to supporting evacuees, many of the local governments and tourism offices worked vigilantly to relieve concerns of visitors planning trips to the state. The hurricane had the largest impact in Puerto Rico, which likely diverted some travel to Florida as rebuilding efforts continued there. Room demand in the wake of Irma contributed to a considerable spike in statewide occupancy during the past four quarters, which increased 200 basis points since June of last year. The strong growth in the rate is also underpinning growth in RevPAR, accelerating at a faster clip than the prior year.

First-quarter tourism reaches record high. While the hurricane supported occupancy improvement in the later part of 2017, strong tourism continues to generate additional room demand statewide. In the first quarter of this year, the state reached a record number of visitors, 33.2 million, a 7.4 percent jump from the same time period last year. Elevated visitation to Florida will sustain occupancy growth, placing upward pressure on the average daily rate and generating RevPAR gains.

Hospitality 2018 Outlook

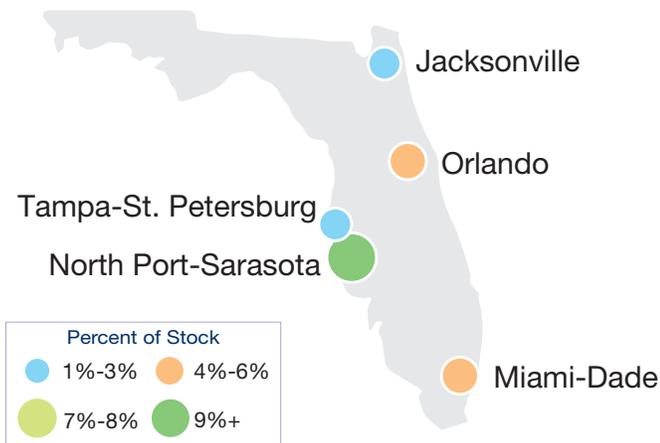
- 50** basis point increase in occupancy 

Occupancy: Following a 220-basis-point increase in occupancy in 2017, the rate will climb 50 basis points this year to 74.3 percent.
- 5.0%** increase in ADR 

ADR: The average daily rate will accelerate 5.0 percent this year, outpacing the national average. Last year, ADR posted a 2.8 percent increase.
- 6.0%** increase in RevPAR 

RevPAR: Healthy occupancy and ADR growth will support a 6.0 percent increase in RevPAR this year to \$108.09. Last year, the rate climbed 5.8 percent.

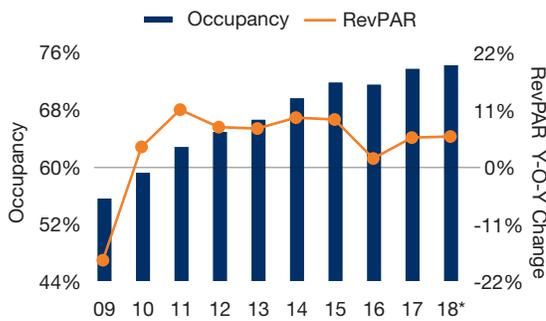
Under Construction % Of Existing Rooms



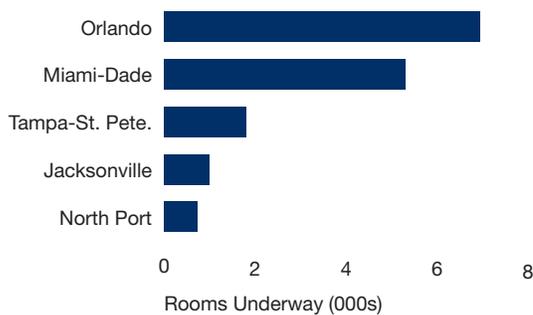
State Highlights

- The redesigned and expanded Miami Beach Convention Center could bode well for hotel occupancy and RevPAR growth in the metro as it could attract new large events to the area.
- The red tide is affecting tourism in several counties in Florida. Red tide is an algae that is toxic to wildlife and can be harmful to humans. As a result, the governor issued a state of emergency in mid-August. It is estimated that red tide creates \$82 million in economic losses to tourism, restaurant and seafood industries each year.
- Rising overnight visitation to Miami benefits hotel property performance in the metro. The number of overnight visitors to Miami climbed 5.3 percent in the first quarter of 2018, compared with the same time last year. The metro continues to draw a significant amount of foreign visitors, with international travel up 6.5 percent during this time.

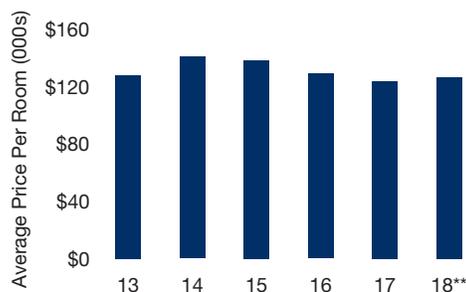
Annual Occupancy & RevPAR



Rooms Underway as of June 2018



Hotel Sales



* Forecast
 ** Trailing 12 months through 2Q
 Sources: Marcus & Millichap Research Services; STR, Inc.

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Occupancy Trends

- In Florida, midyear occupancy rose 80 basis points from the same time last year, contributing to a year-over-year increase of 200 basis points to 74.2 percent in June.
- Record tourism in Orlando continues to sustain room demand. The metro was the first U.S. city to surpass the 70 million threshold of visitors in 2017. Orlando continues to have strong occupancy growth with the annual rate jumping 280 basis points during the year to 79.7 percent in the second quarter.
- Both Miami and Tampa-St. Petersburg posted significant improvements in occupancy during the past 12 months. In Miami, annual occupancy surged 250 basis points to 77.9 percent while occupancy in Tampa jumped 140 basis points to 72.7 percent during this same time.

Revenue Trends

- Heightened room demand is contributing to steady increases in the average daily rate. Overall, annual ADR in Florida climbed 5.1 percent during the year ending in the second quarter to \$141.59. The boost in ADR coupled with strong occupancy improvement raised RevPAR 8.0 percent during this same time to \$105.93 per month.
- Miami led growth in revenue metrics among the state's largest markets after posting declines in the prior annual period. During the last 12 months ending in June, ADR in Miami jumped 6.9 percent to \$195.95 while RevPAR advanced 11.1 percent to \$155.03.
- Orlando and Tampa also posted strong ADR and RevPAR gains, surpassing the national growth rates. In Orlando, ADR and RevPAR edged up 5.7 percent and 9.4 percent, respectively. The average daily rate in Tampa rose 4.1 percent during the past 12 months to \$128.54 while RevPAR escalated 6.0 percent to \$94.41.

Sales Trends

- Transaction velocity in Florida declined 7 percent during the prior four quarters ending in June as the impact of the hurricanes stalled transaction velocity in the fourth quarter of 2017. Some owners needed to make repairs while others re-evaluated their investment strategies.
- Hotels in Florida changed hands with an average price at \$127,000 per room. Assets in South Florida traded at even higher price points averaging \$211,000 per key. South Florida remains a popular target for buyers; first-year returns in the mid-6 percent range are found. Hotels in Tampa-St. Petersburg were also popular, where properties traded with cap rates in the high-7 percent area based on type and location.
- Independent hotels comprised a significant portion of deal flow. Few listings of these properties intensified bidding, lifting prices up 27 percent to nearly \$197,000 per key on average. First-year returns for independent hotels averaged in the mid-7 to high-7 percent band during the past 12 months.

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