

Hotel Property Performance Mixed Across the Gulf Region

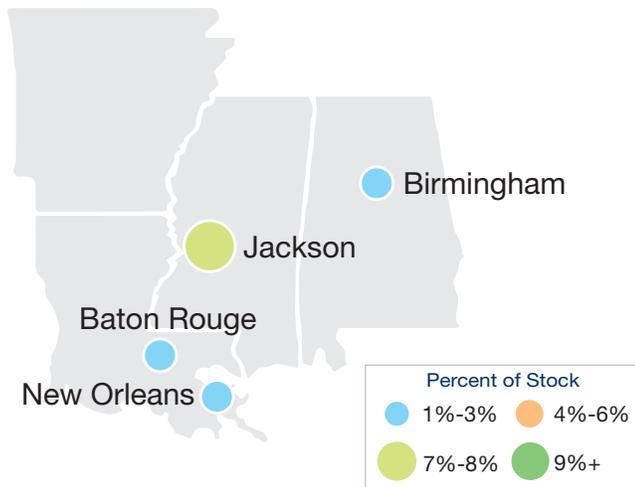
Tourism boosts room demand in Alabama and Mississippi.

Occupancy and revenue performance varied greatly across the region. Alabama and Mississippi posted respectable occupancy and RevPAR improvement during the past 12 months ending in June while rates in Arkansas and Louisiana failed to make ground. Alabama had record tourist spending and visitor growth in 2017, with Baldwin County, located on the Gulf of Mexico coast, leading total visitor spending last year. Room demand throughout Alabama has held steady for six consecutive years, boosting annual occupancy nearly 700 basis points since June 2013. Tourism to Mississippi also grew, supporting occupancy improvement in the state during the past 12 months. The beginning of the school year will likely support additional room demand as individuals travel to area sporting events.

New Orleans hotel occupancy rebounds in first half of 2018.

A fairly active hurricane season during the last half of 2017 may have swayed visitors from visiting the Louisiana during this time and resulting in a considerable drop in annual hotel occupancy during the past four quarters. New Orleans faced similar headwinds during the latter half of last year, but strong demand in the first half has muted declines on an annual basis. Midyear occupancy in the metro is up 80 basis points from the same time last year.

Under Construction % Of Existing Rooms



The Gulf Region region consists of Alabama, Arkansas, Louisiana and Mississippi. Sources: Marcus & Millichap Research Services; STR, Inc.

Hospitality 2018 Outlook

- 30 basis point increase in occupancy**

Occupancy: Occupancy rises in 2018 to 59.1 percent after a 40-basis-point drop was recorded last year.
- 1.4% increase in ADR**

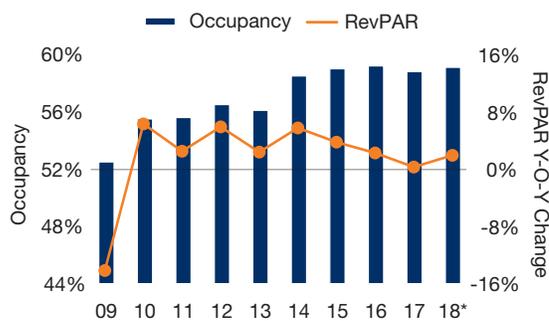
ADR: The average daily rate accelerates at a slightly faster pace than the 1.2 percent increase posted in 2017. The rate will reach \$94.85.
- 2.0% increase in RevPAR**

RevPAR: Rising occupancy and ADR will bode well for RevPAR growth this year. In 2018, RevPAR will climb to \$56.60 following a 0.4 percent uptick in 2017.

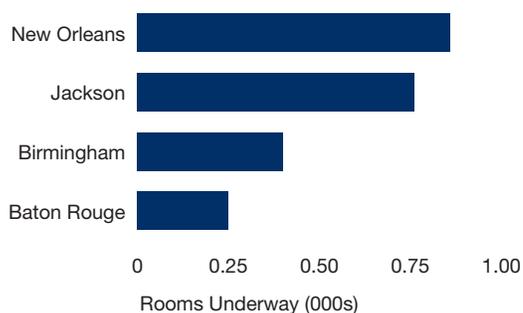
Region Highlights

- Alabama’s coastline continues to lure overnight visitors, particularly the beaches in Baldwin County. A new amusement park opened in Foley last year. This will likely support additional tourism to the area, providing visitors additional activities during their stays.
- Condor Airlines is adding direct flights from Louis Armstrong New Orleans International Airport to Frankfurt, Germany, this year. The new routes may bring more international visitors to New Orleans, supporting room demand.
- Several major events are planned in New Orleans in the future, including the College National Championship Game in 2020 and NCAA Final Four in 2022. These events will likely support additional room demand as they bring increased visibility to New Orleans.

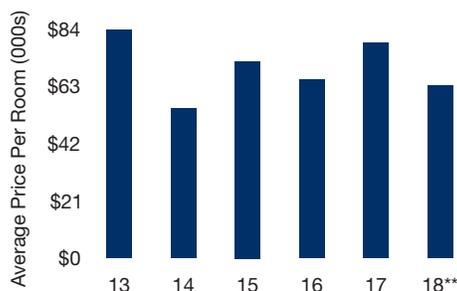
Annual Occupancy & RevPAR



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

- Annual occupancy ticked down 20 basis points in the Gulf Region during the year ending in the second quarter to 59.0 percent after a 20-basis-point increase was recorded in the previous year. Despite the decline, midyear occupancy is up 50 basis points from the same time period in 2017.
- Alabama and Mississippi posted the sole occupancy increases in the region. During the past four quarters, occupancy in Alabama jumped 170 basis points to 61.6 percent, the largest increase recorded among the states. In Mississippi, the rate climbed 90 basis points to 57.8 percent.
- The largest decline was recorded in Arkansas. Here, occupancy plummeted 180 basis points during the past 12 months to 52.8 percent. In Louisiana, occupancy plunged 140 basis points during this same time to 61.0 percent. Occupancy in the state's largest hotel market, New Orleans, ticked down 10 basis points to 68.8 percent.

Revenue Trends

- Regionally, the average daily rate rose 1.0 percent during the year ending in June to \$94.09. The uptick in ADR combined with a light decline in occupancy contributed to a 0.6 percent increase in RevPAR to \$56.05 during this same time period.
- The strongest growth in revenue metrics was in Alabama as strong room demand supported increases in the average daily rate and RevPAR. During the past four quarters, ADR climbed 2.3 percent in Alabama to \$86.00 while RevPAR jumped 5.4 percent to \$53.28. Mississippi also posted above-regional-average growth. Here, ADR and RevPAR edged up 1.5 percent and 3.0 percent, respectively.
- In Louisiana, ADR ticked up marginally to \$111.94, though declining occupancy cut RevPAR 1.9 percent to \$68.67. Growth was stronger in New Orleans, where ADR inched up 1.6 percent and RevPAR ticked up 1.5 percent during the past four quarters.

Sales Trends

- The number of hotels trading regionally declined 24 percent during the year ending in June, primarily amid limited listings in Alabama. Competitive bidding for available assets within the state elevated property values 23 percent to \$70,200 per room on average.
- Among chain scales, economy and independent hotels were popular among buyers, though demand did remain strong for those in the select service segment. Overall, hotels in the Gulf Region traded with first-year returns in the low-8 to high-9 percent band based on property location and type.
- Hotels in New Orleans remained popular, trading with average first-year yields in the high-7 to low-8 percent band. Buyers also increasingly targeted hotels in Little Rock, lifting average prices more than 30 percent to \$59,500 per key.

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