

Expanding Industries, Recreational Activities Lure Travelers and Entice Buyers

Business and leisure travelers continue to fill rooms. Each state throughout the North Central region boasted respectable gains in occupancy, RevPAR and the average daily rate. In Ohio, numerous outdoor recreational activities and the Lake Erie waterfront continue to draw leisure travelers. In Indiana and Michigan, the growing technology and automotive firms in Indianapolis and Detroit are luring business travelers, bene-

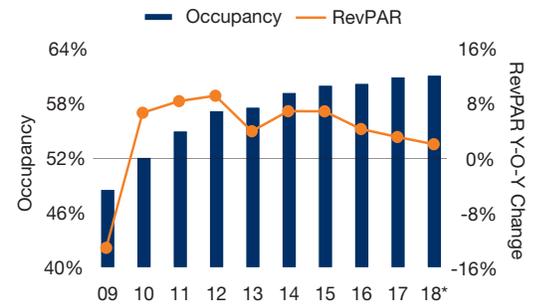
fitting occupancy rates and driving RevPAR growth in these two states. Additionally, Detroit hosted two rounds of the NCAA Men's Basketball Tournament this year, boding well for room demand in the metro.

Bidding heats up for economy and upper midscale hotels. Improving hotel property fundamentals spur demand for hotels in the North Central region. Sales

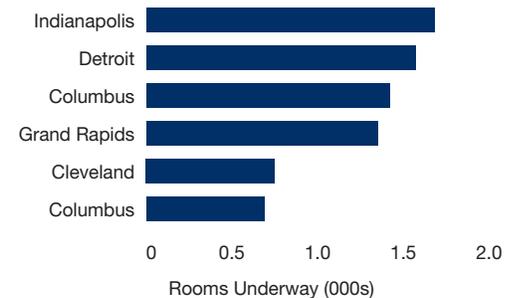
picked up nearly 5 percent during the 12 months ending in June, with increased demand boosting average prices 20 percent to \$51,500 per key. Upper midscale and economy hotels comprised about half of all transactions. The heightened demand in these segments elevated property values considerably, averaging \$59,400 and \$29,100 per door, respectively.

- Room demand boosts occupancy rates across all three states.** During the year ending in the second quarter, occupancy in the North Central region climbed 70 basis points to 61.1 percent after remaining flat in the prior annual period. Growth was led by Ohio, which posted an 80-basis-point increase in the rate during this time to 60.4 percent, erasing the 30-basis-point drops recorded in the prior two annual periods. In Michigan, occupancy jumped 70 basis points to 61.5 percent, with the rate climbing 30 basis points in Detroit to 66.7 percent. Occupancy in Indiana rose 30 basis points during the past 12 months to 61.6 percent in June.
- Indiana leads regional RevPAR growth.** Annual ADR advanced at a slower pace than the national rate as a minimal advance was recorded in Ohio. Regionwide, the average daily rate climbed 1.8 percent during the past four quarters ending in June to \$100.45. In Ohio, the rate inched up 0.3 percent compared with the 2.3 percent and 3.6 percent increases recoded in Michigan and Indiana, respectively. Strong occupancy growth, coupled with the rise in ADR, boosted RevPAR 3.0 percent regionally during this time. The largest RevPAR gains were in Indiana. Here, the rate advanced 4.1 percent to \$61.89, following a 3.7 percent lift the prior year.
- Variety of hotels entice buyers.** Investor demand remains for hotels across all three states in the region, and Indiana commanded the largest gains in trades over the past four quarters ending in June. Buyers primarily targeted properties in Indianapolis within the state, though the South Bend area also garnered increased attention. Hotels in Indiana overall changed hands with first-year returns between the high-6 and low-9 percent band based on property type and location. In Michigan, buyers picked up transaction velocity in Detroit, where hotels prices averaged around \$71,200 per room. In Ohio, investors seeking higher returns targeted Cleveland, where cap rates as high as 11 percent were found. First-year returns in Columbus and Cincinnati averaged in the mid- to high-7 percent band.

Annual Occupancy & RevPAR



Rooms Underway as of June 2018



* Forecast

The North Central region contains Indiana, Michigan and Ohio.

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