

## Wyoming Leads Regional Occupancy And RevPAR Growth

### Idaho leads ADR growth, despite occupancy declines.

Occupancy fell in nearly all states across the Northwest region during the past 12 months ending in June, with Idaho leading declines. Idaho competes with Montana and Wyoming for tourists as each of the state's main attractions, primarily recreational activities, are similar. The state is launching new tourism initiatives to help increase visibility and lure travelers, potentially boding well for occupancy improvement in the future. Despite a strong decline in the state's occupancy rate, Idaho posted the greatest gain in the average daily rate since last July. Idaho was in the line of last year's solar eclipse, with rooms commanding premium pricing during this time.

### Recreational activities, solar eclipse lure travelers to Wyoming, boosting occupancy.

Wyoming registered the only occupancy increase in the region during the past four quarters. Strong demand considerably boosted the rate, which minimized declines in regional occupancy overall. The state benefited from the solar eclipse and visitation to its many parks, including Yellowstone, which straddles Wyoming and Montana. Elevated visitor interest in the state contributed to an 8.9 percent increase in annual tourism spending during 2017 from the prior year.

## Hospitality 2018 Outlook

10 basis point increase in occupancy



### Occupancy:

Occupancy rises to 64.4 percent this year after increasing 30 basis points in 2017.

2.3% increase in ADR



### ADR:

Growth in the average daily rate moderates from the prior year as it reaches \$122.03. In 2017, ADR climbed 3.2 percent.

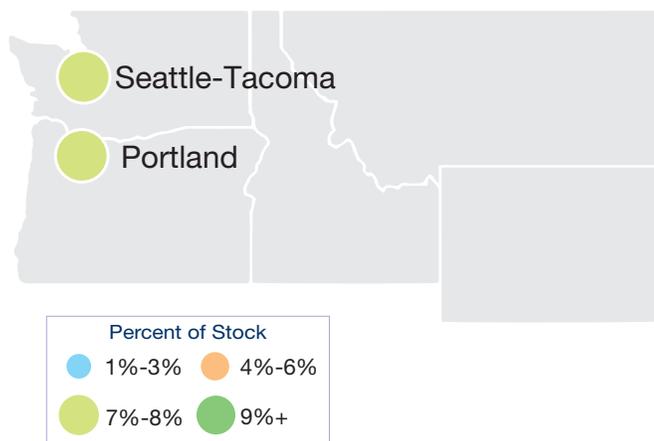
2.5% increase in RevPAR



### RevPAR:

The slight uptick in occupancy combined with rising ADR will support an increase in RevPAR this year to \$80.85. Last year, RevPAR rose 3.9 percent.

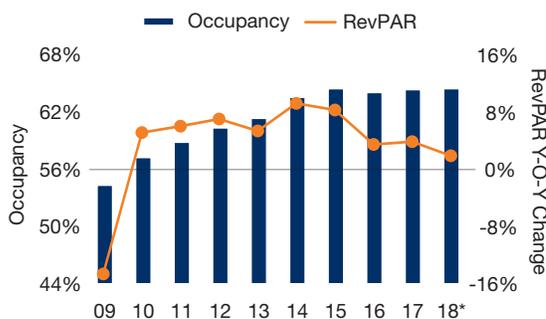
## Under Construction % Of Existing Rooms



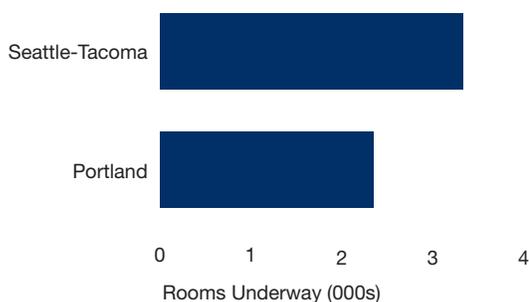
## Region Highlights

- Seattle tourism remains strong, with the metro posting an eighth consecutive increase in visitation last year. In particular, overnight visitation grew by 3.9 percent. Seattle will likely continue to lure tourists this year, boding well for hotel occupancy. The Port of Seattle estimates another record year in cruise passengers. Additional room demand will come from business travelers who visit the metro for interviews and meetings.
- Wildfires throughout Oregon have been affecting visitation. It is estimated that the fires contributed to a loss of \$51 million in tourism revenue last year as visitors changed travel plans. Significant portions of the Columbia River Gorge, located within both Oregon and Washington, remain closed after the Eagle Creek fire caused significant damage in September 2017.
- More flights are being added to and from Boise, Idaho, giving visitors more flexibility to visit the state from some of the nation's larger markets.

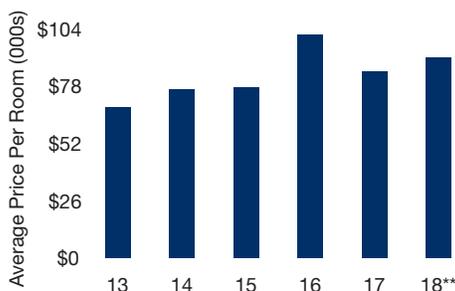
Annual Occupancy & RevPAR



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 10 basis points in the Northwest region during the year ending in the second quarter to 64.2 percent. A 30-basis-point increase was recorded in the previous year. Midyear occupancy inched down 20 basis points from the same time period in 2017.
- Wyoming posted the only annual occupancy increase during the past 12 months. Here, occupancy surged 310 basis points to 51.0 percent. In Idaho, occupancy plummeted 190 basis points to 63.2 percent during this same time, the largest decline among states in the region. This is the first annual occupancy decrease in the state since 2010. Occupancy also slipped in Montana; it fell 60 basis points to 57.5 percent.
- Supply pressures in Seattle are weighing on occupancy improvement considerably. During the past four quarters, the annual rate plunged 160 basis points to 75.6 percent. More than 2,600 rooms were completed during the past 12 months in Seattle and an additional 3,300 rooms are underway metrowide as of June. Occupancy in Washington overall fell 30 basis points during this same time to 69.1 percent.

Revenue Trends

- Regionally, the average daily rate rose 2.7 percent during the year ending in June to \$120.59, following a 3.5 percent increase in the prior annual period. RevPAR also climbed 2.7 percent during the past 12 months to \$79.57. In the previous year, the rate advanced 3.7 percent.
- Every state posted healthy improvement in the average daily rate and RevPAR during the past four quarters. ADR growth was largest in Idaho, climbing 4.5 percent to \$101.96. Declining occupancy in the state slowed RevPAR growth notably from the prior year. The rate rose 2.0 percent after a 4.2 percent increase was recorded in the previous annual period.
- RevPAR growth was strongest in Wyoming, after considerable occupancy improvement and a 3.4 percent increase in ADR drove gains. Here, RevPAR surged 10.3 percent during the last 12 months to \$64.39.

Sales Trends

- Transaction velocity doubled in the Northwest region with every state experiencing significant increases in trades. In particular, sales picked up notably in many of the region's smaller markets. Heightened trading in smaller markets did lower the average price slightly as these areas typically offer lower entry costs compared with Portland or Seattle. Prices throughout the region average \$91,000 per key.
- Independent hotels made up a considerable portion of transactions during the past 12 months. Hotels in the segment changed hands with first-year returns in the low-10 percent band.
- Investors increasingly targeted select service hotels where cap rates in the low-8 to high-9 percent band could be found. A considerably number of hotels in the Hilton parent company traded.

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