

Tourism Initiatives Accelerate Occupancy in West Virginia

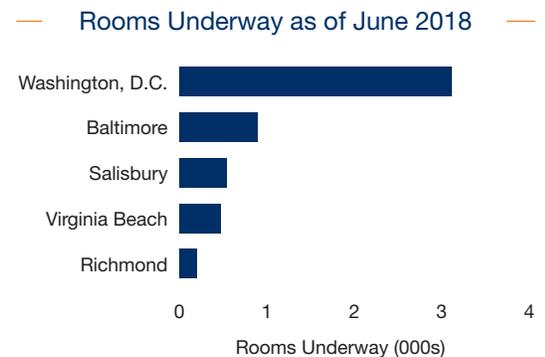
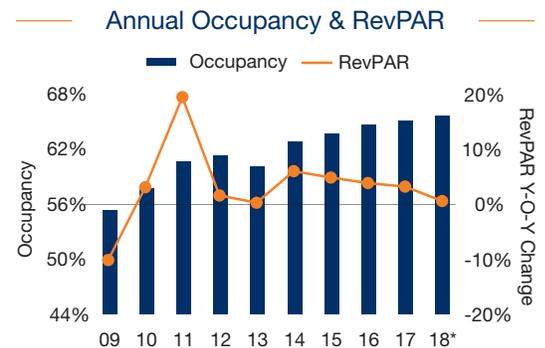
Occupancy swells in West Virginia. Occupancy improvement was led by West Virginia in the Washington, D.C./Central Atlantic region during the past 12 months. West Virginia boasts numerous state parks, providing recreational activities for many visitors and new tourism campaigns directed at nearby states are further supporting room demand. As a result, annual occupancy surged more than 500 basis

points during the year ending in the second quarter, generating strong RevPAR growth. Virginia is also benefiting from rising room demand, primarily driven by strong growth in Norfolk/Virginia Beach. The city's numerous beaches attract many visitors from surrounding areas.

Hotels in Virginia drive bidding. The number of hotel sales throughout the Wash-

ington, D.C./Central Atlantic region picked up 5 percent during the year ending in June. Virginia commanded the most buyer attention with transactions picking up 7 percent here. Heightened demand in the state also pushed up prices, which rose 13 percent during the past 12 months to \$106,700 per room. Nearly half of the trades within the state were located in the Washington, D.C., metro.

- Occupancy readjusts after major events in Washington, D.C.** Healthy room demand throughout the region pushed annual occupancy up 50 basis points during the past 12 months to 65.5 percent in June. Occupancy in the Washington, D.C., metro declined roughly 30 percent during this same time, particularly as the rate readjusted after the Women's March and presidential inauguration generated elevated demand early last year. Maryland also registered a decline in the rate. Occupancy here plummeted 120 basis points during the prior four quarters to 64.6 percent. Virginia and West Virginia posted the only increases throughout the region over the same time period, climbing 40 basis points and 510 basis points, respectively.
- West Virginia leads RevPAR growth; ADR registers minimal increases regionally.** The average daily rate in the region declined slightly, by 0.3 percent, during the last four quarters to \$122.04. The drop in ADR combined with increasing occupancy lifted RevPAR 0.5 percent to \$82.65 during this same time. ADR growth throughout the region was minimal, with the largest increase posted in Virginia. Here, the rate climbed 0.7 percent to \$108.67 with RevPAR rising 1.6 percent. The largest RevPAR gain was recorded in West Virginia. The rate jumped 9.3 percent in the past annual period to \$57.18 in the state as strong occupancy improvement drove growth.
- Buyers increasingly target independent hotels.** While the majority of trades were in Washington, D.C., and Virginia, transaction velocity picked up in Maryland and West Virginia. Assets in Maryland traded with first-year returns in the mid-8 percent band, nearly 50 basis points above the regional average. Overall, the majority of sales during the year ending in June were upper midscale, upper upscale and independent properties. Heightened demand for independent hotels in particular lifted property values 20 percent during this same time to \$223,000 per key. Independent hotels traded with cap rates in the low-9 percent band.



* Forecast
 The Washington, D.C./Central Atlantic region consists of Maryland, Virginia, Washington, D.C., and West Virginia

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