



Voice of Rhode Island's Lodging, Restaurant, and Tourism Industry.

Economic Outlook Breakfast

September 4, 2024

The State of the Hospitality Industry in Rhode Island

Laura Napier

lnapier@pinnacle-advisory.com

www.pinnacle-advisory.com

Today's Agenda

1. National Lodging Market
2. Rhode Island Lodging Market
3. Providence Lodging Market
4. Warwick Lodging Market
5. Newport Lodging Market
6. Middletown Lodging Market

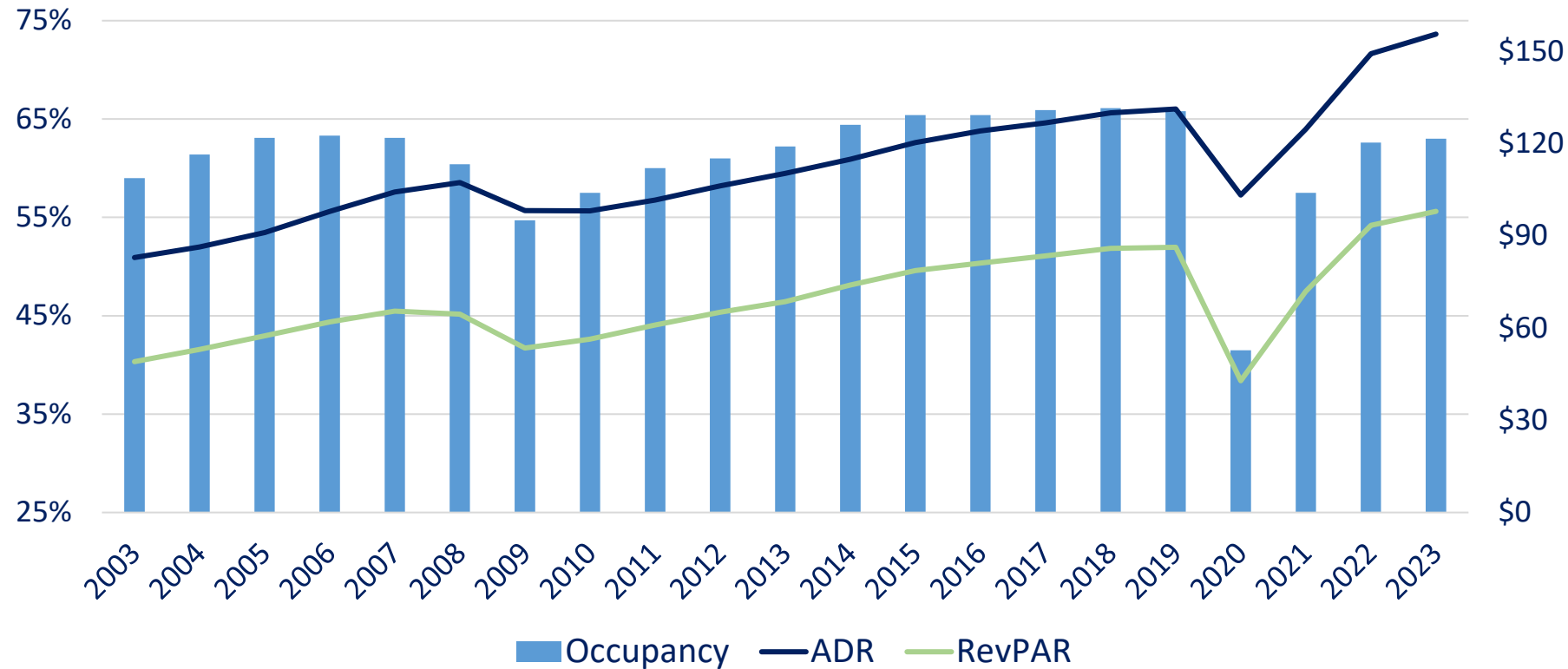




NATIONAL LODGING MARKET

National - Historic Market Performance

20-Year Historic Lodging Performance
United States



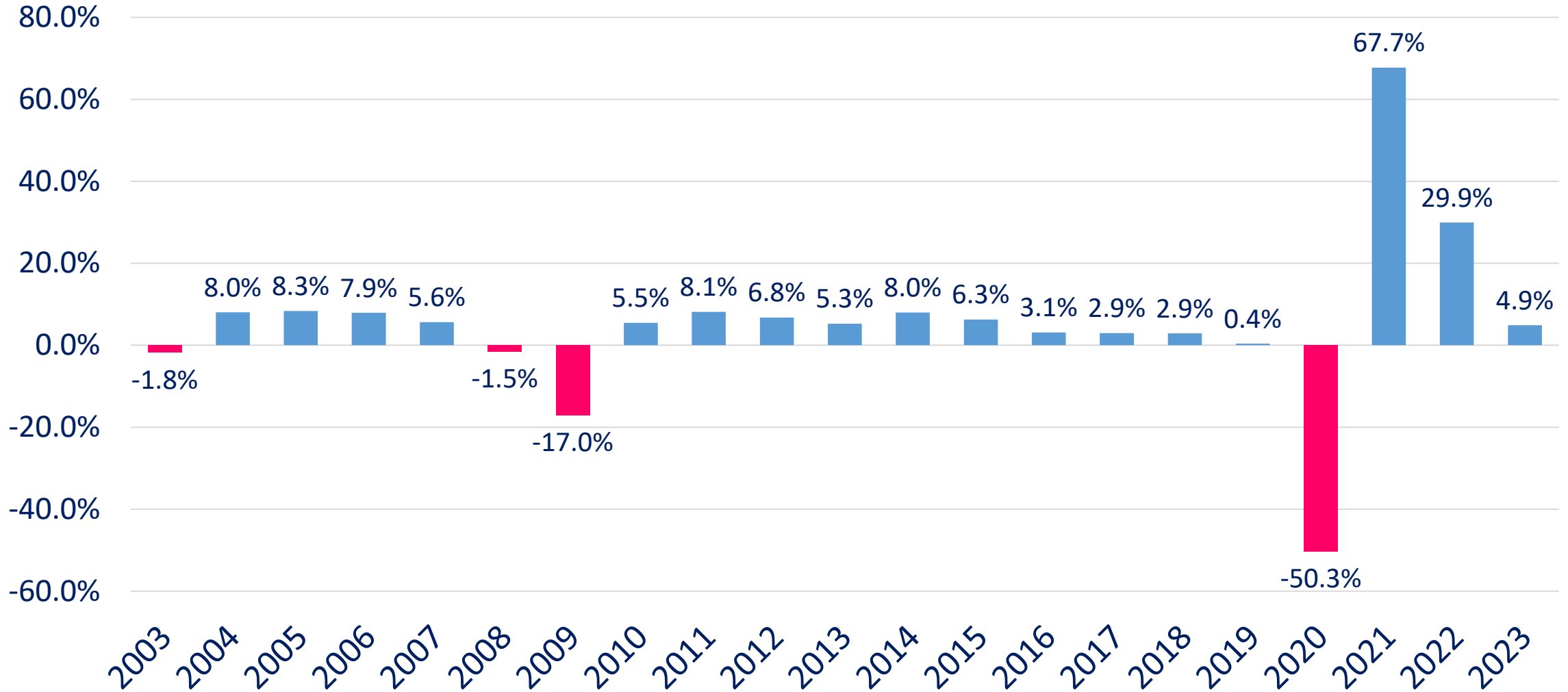
2023
Occupancy
63%

ADR
\$156

RevPAR
\$98



RevPAR % Change – US 2003-2023



National - YTD July 2024

	YTD July 2023	YTD July 2024	% Change
Occupancy	63.8%	63.5%	-0.3%
ADR	\$155.74	\$158.19	1.6%
RevPAR	\$99.35	\$100.47	1.1%

Macro Economic Trends

- **Recession Of Soft Landing (Probability Of Recession 55.8%)**
- **Inflation**
- **Interest Rates**
- **Employment & Wage Growth**
- **Remote Work Here To Stay**
- **Global Issues, Politics, Technology, Etc.**



National – Industry Trends

- New supply remains muted.
- Sustainability is becoming important (finally).
- “Bifurcation’ between upscale v economy travel - rate sensitive leisure slowdown.
- Group outlook remains strong; close to 2019 peak levels now.
- Business travel continues to improve (modestly); but WFH is here to stay.
- Resorts are seeing a plateau in demand.
- Modest protectory for the hotel industry



National - Industry Projections, YOY % Change

2024

	STR	HVS	PWC	CBRE
Occupancy	63%	63%	64%	63%
ADR	\$159	\$159	\$158	\$159
RevPAR	\$100	\$101	\$100	\$101
RevPAR % chg	2.0%	3.0%	2.7%	3.0%

2025

	STR	HVS	PWC
Occupancy	63.4%	64%	64%
ADR	\$162	\$163	\$158
RevPAR	\$103	\$104	\$101
RevPAR % chg	2.6%	3.0%	0.7%

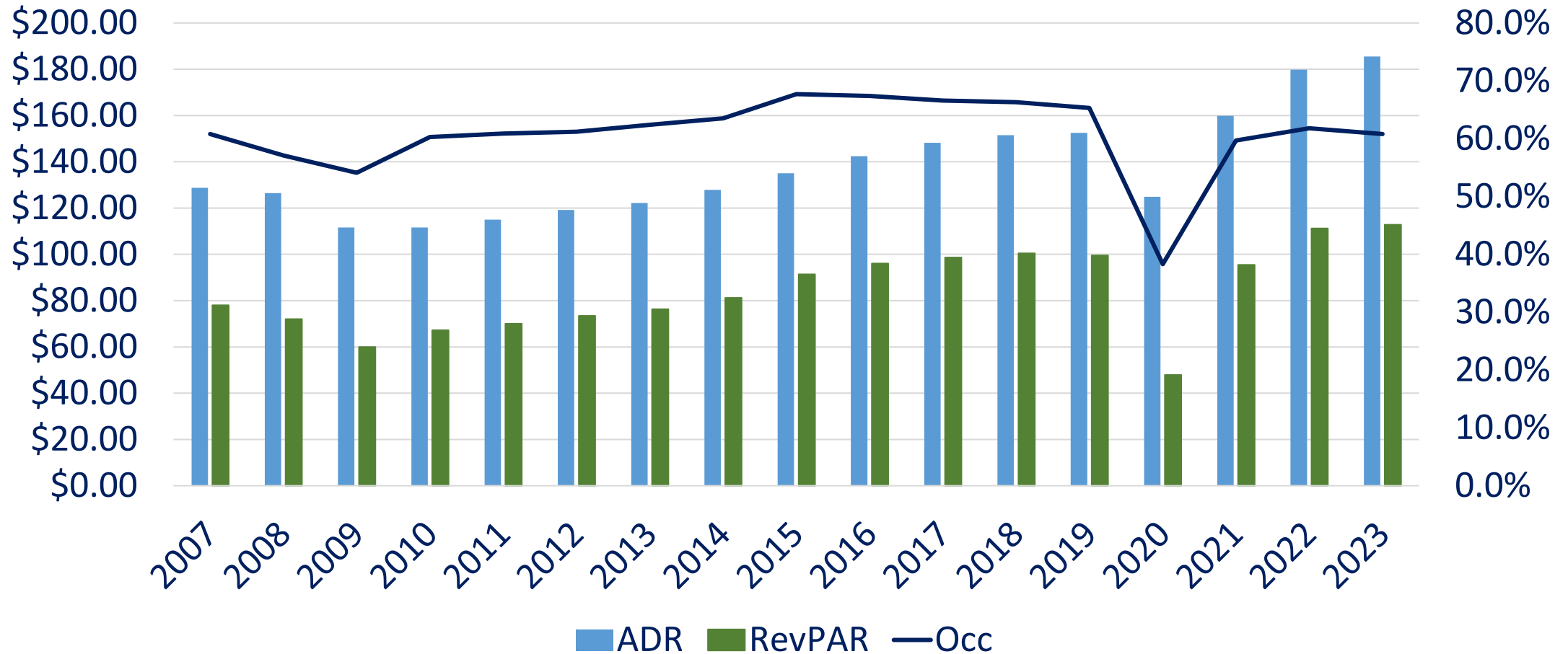
Source: STR (8/24), PWC (5/24), CBRE (2/24). HVS (1/24)





RHODE ISLAND LODGING MARKET

Rhode Island - Historic Performance

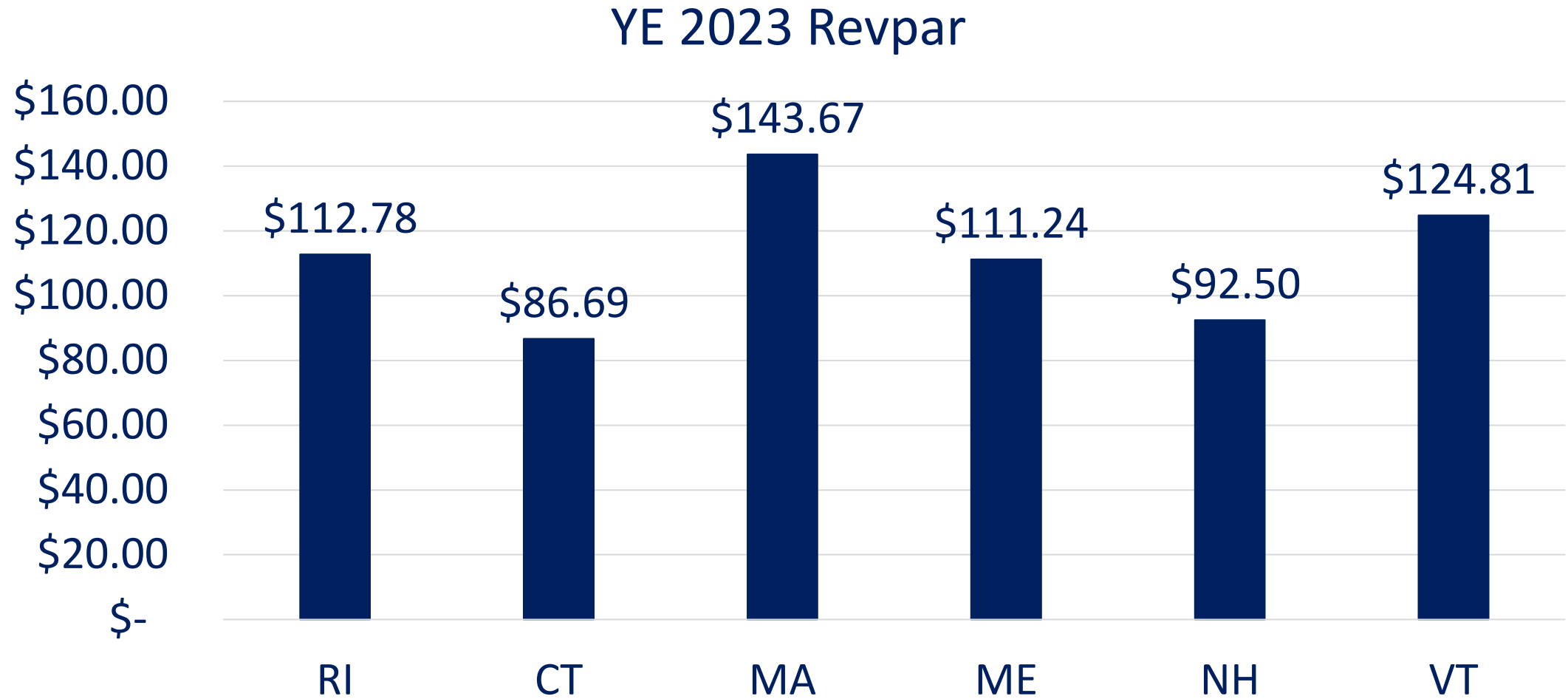


Rhode Island YTD July Performance

	YTD July 2023	YTD July 2024	% Change
Occupancy	59.4%	62.0%	2.6%
ADR	\$187.56	\$196.76	4.9%
RevPAR	\$111.34	\$121.95	9.5%



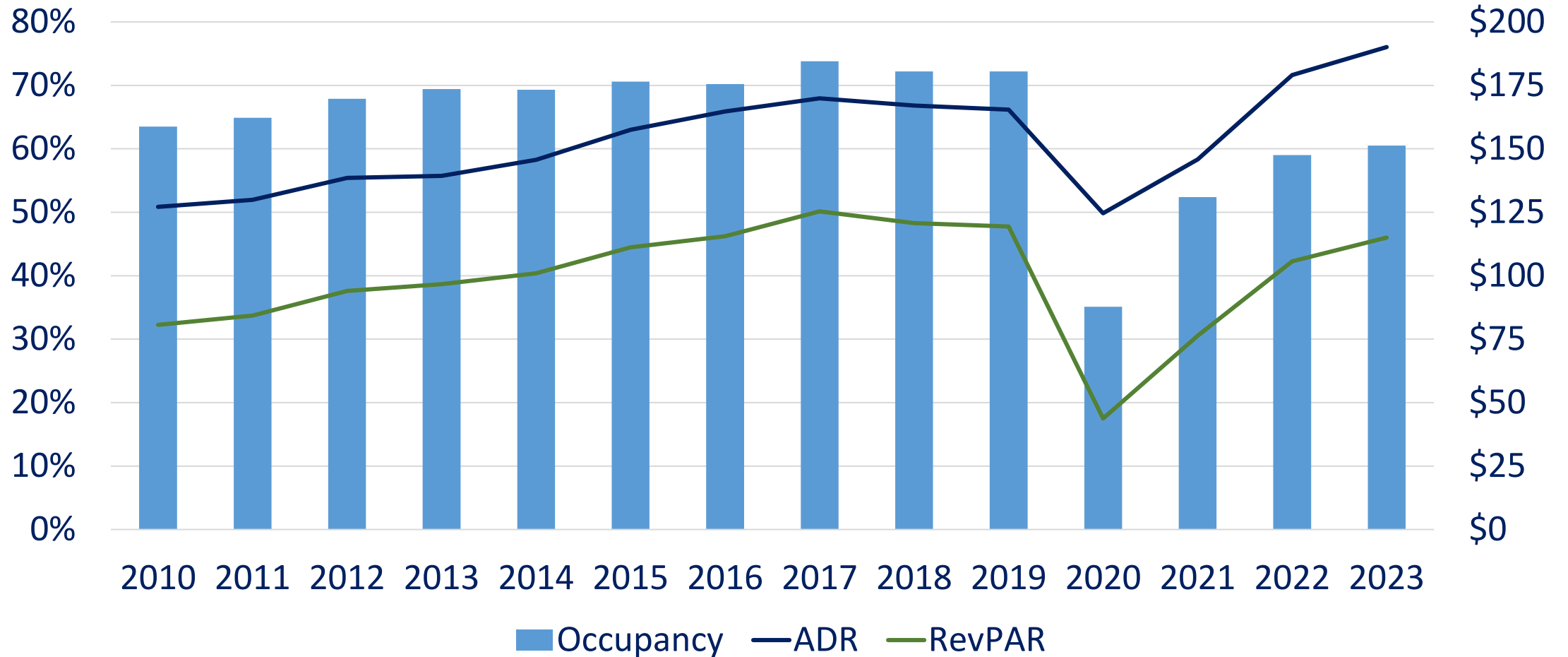
Rhode Island vs. New England Performance





**CITY OF PROVIDENCE
LODGING MARKET**

Providence - Historic Performance



Providence YTD July Performance

	YTD July 2023	YTD July 2024	% Change
Supply	642,572	642,572	0.0%
Demand	385,134	409,702	6.4%
Occupancy	60%	64%	6.4%
ADR	\$188.81	\$192.66	2.0%
RevPAR	\$113.17	\$122.84	8.5%



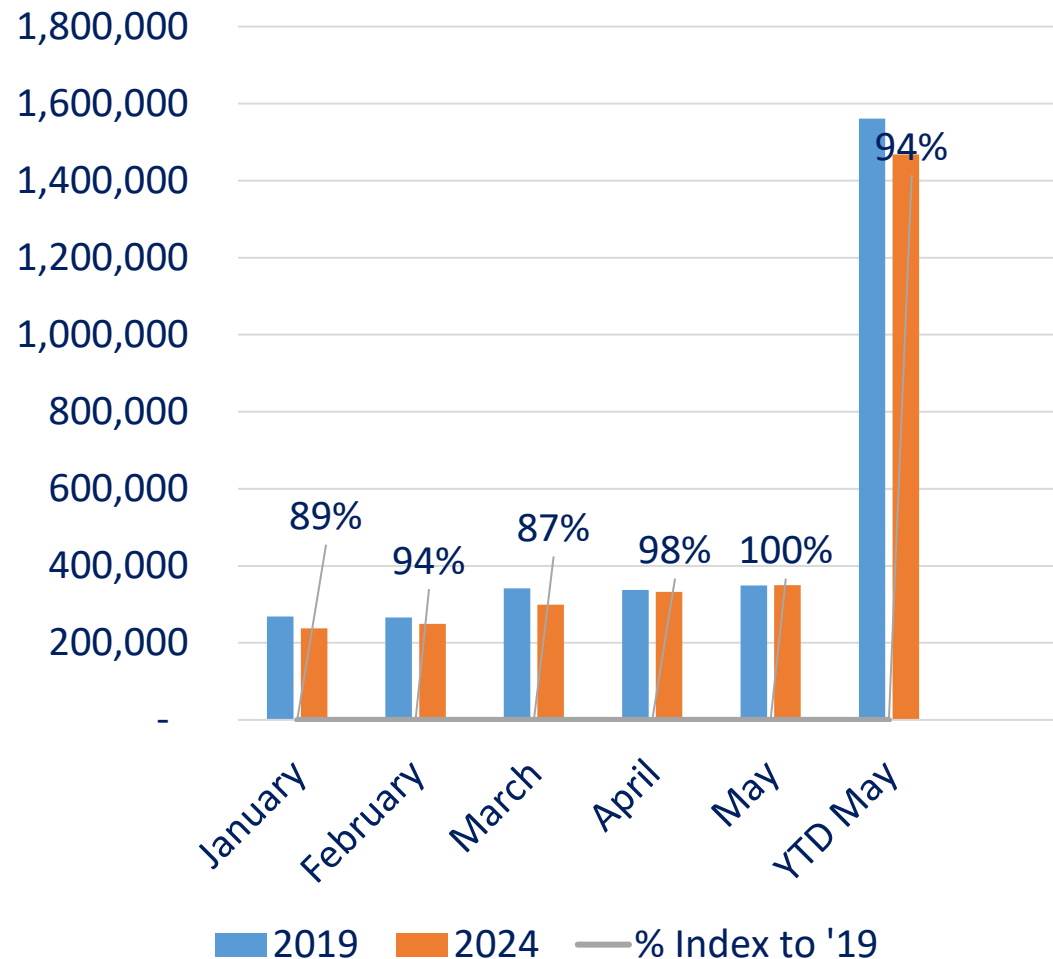
Providence/Warwick - Office Markets, Q2 2024

	Square Feet	Vacancy %	12 Month Absorption
Providence	17,054,000	11.1%	(237,297)
North Providence	381,000	2.7%	6,834
East Providence	2,615,000	5.5%	(21,141)
Warwick	4,863,000	8.2%	(3,726)
West Warwick	445,000	9.1%	15,390



TF Green International Airport

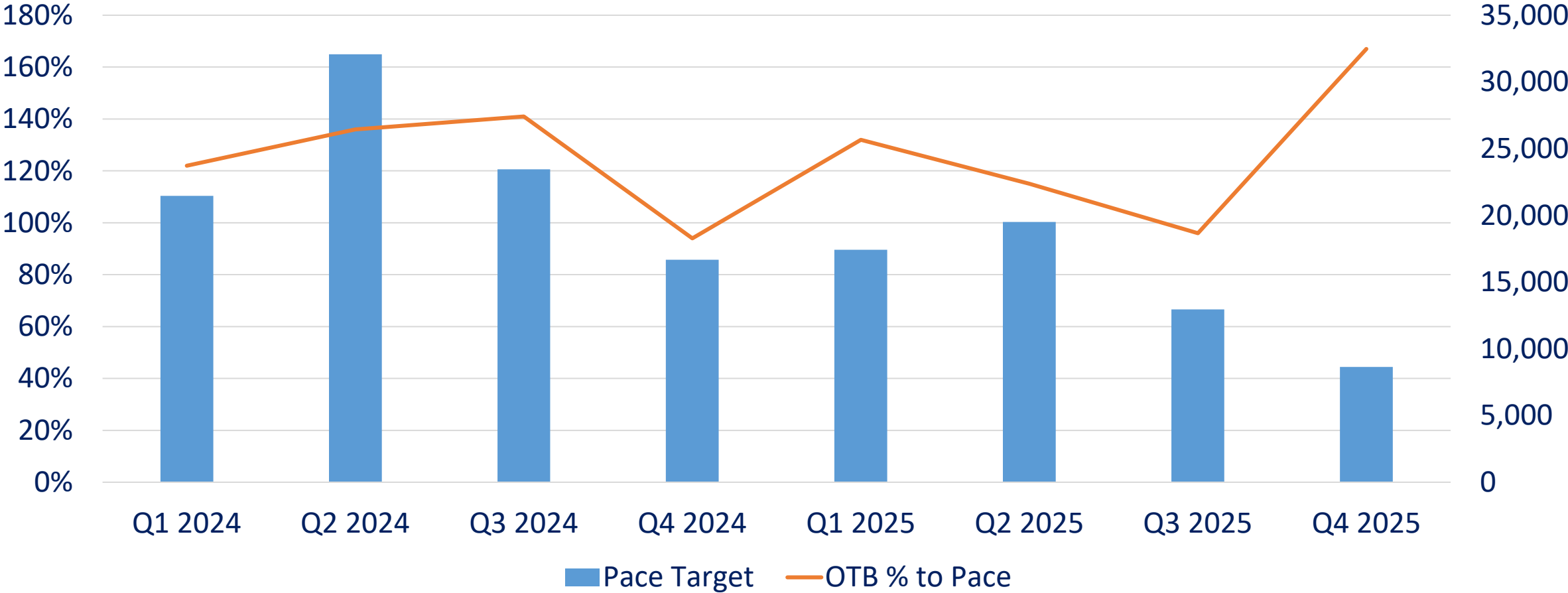
Total Passenger Traffic By Month & YTD
Indexed To 2019



- In 2018 and 2019, approximately 2 million passengers enplaned at TF Green; with approximately 4 million total passengers.
- Year-end 2023, there were approximately 3.5 million passengers, an increase of more than 10% over 2022.
- YTD May 2024, passenger counts continued to increase; an 94% index versus 2019. May 2024 was the first month since the pandemic that passenger stats exceeded 2019 levels.
- Total Renovation underway + additional routes from Breeze Airlines coming

Providence Warwick CVB – August Pace Report

August 2024



Source: CoStar August 2023



Providence Warwick CVB – Key Takeaways

- Convention Center is Doing Very Well - 75-77% occupancy.
- Lengthening of booking window is happening, but booking window is still short. That said, seeing more pace for 2027. Summer of 2025 and 2026 – already booked.
- CVB is focusing on weekend day arrival patterns (ie. Sun – Wed with a customer incentive plan.
- Citywides – re-working the mix of demand – working on trading some lower rated customers to higher quality customer to elevate rentals - booking the right customer (seeking an increase in field related sports).
- FIFA is coming in 2026 – Providence will get some positive impact from this.

Providence - Other Factors And Trends

- No New Supply in 2024 or 2025
- Corporate Travel: Office fundamentals improving but sluggish.
- Leisure Travel: Summer (pre-covid) occupancy averaged 80%; today its in the high 70's.
- Educational Demand: Fully recovered.
- Group Demand: Very positive for Providence - convention, inhouse and smerf.
- Overall Economic Outlook: local economic growth remains slow.
- Overall, we expect to see more growth in demand in the lodging sector, and while room rates will be trending upward, it will be at a more moderate pace 2025.



Providence - Projections 2024

	2023	2024	% Change
Occupancy	60.5%	63%	4.1%
ADR	\$190.09	\$194	2.0%
RevPAR	\$115	\$122	6.0%

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



Providence - Projections 2025

	2024	2025	% Change
Occupancy	63%	65%	3.2%
ADR	\$194	\$198	2.1%
RevPAR	\$122	\$128	4.9%

Source: Pinnacle Advisory Group (Projections)

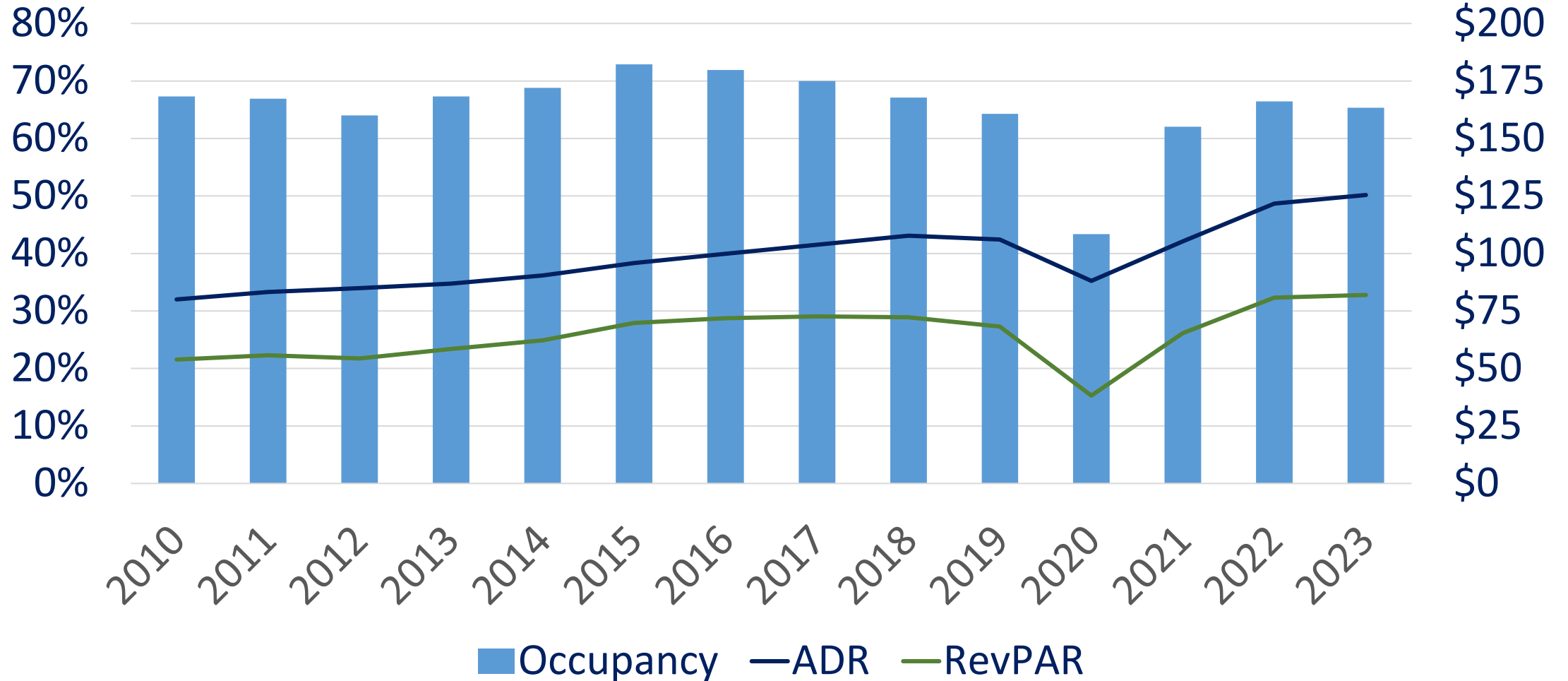
Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.





WARWICK LODGING MARKET

Warwick - Historic Performance



Warwick YTD July Performance

	YTD July 2023	YTD July 2024	% Change
Supply	476,338	457,708	-3.9%
Demand	301,411	311,957	3.5%
Occupancy	63%	68%	7.7%
ADR	\$124.01	\$126.46	2.0%
RevPAR	\$78.47	\$86.19	9.8%



Warwick – Future

- Two rumored properties, but no new supply confirmed in Warwick
- Airport Factors: YTD May 2024 11% YOY increase in Passengers; % index to YTD May 2019
- Office Market: Vacancy rate (Warwick and West Warwick) of 8.2% and 9.1% , respectively.
- Overall Economic Outlook: local economic growth remain slow.



Warwick - Projections 2024

	2023	2024	% Change
Occupancy	65.3%	69%	5.7%
ADR	\$125.42	\$127.50	1.7%
RevPAR	\$81.96	\$88	7.4%

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



Warwick - Projections 2025

	2024	2025	% Change
Occupancy	69%	70%	1.4%
ADR	\$127.50	\$130.25	2.1%
RevPAR	\$88	\$91	3.4%

Source: Pinnacle Advisory Group (Projections)

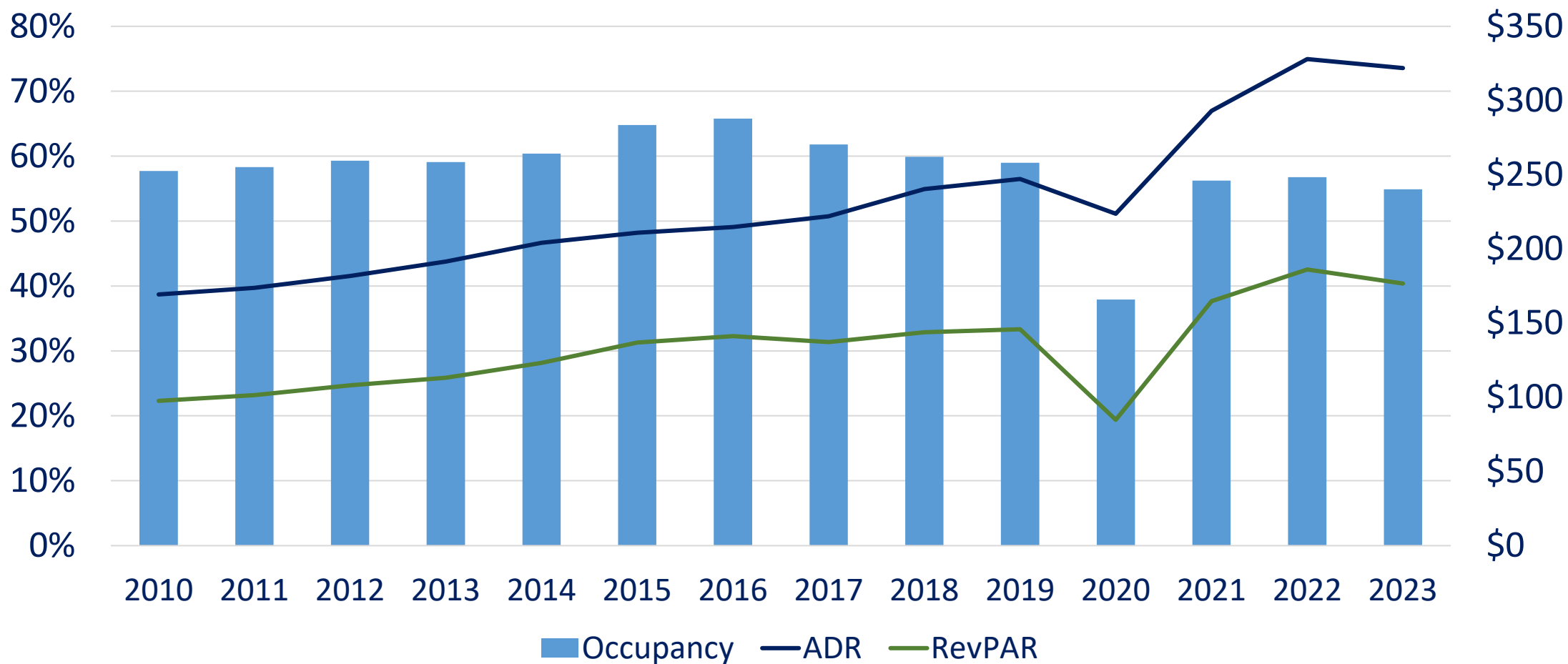
Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.





NEWPORT LODGING MARKET

Newport - Historic Performance



Newport – New Supply

Changes to Supply:

- Wayfinder Hotel Newport - 200 rooms closed in May 2022 (fire). Re-opening in phases.
- Newport Harbor Island Resort closed December 2023 for renovation, and re opened in April 2024, and added one more room in June 2024.
- New Property: the 21-room luxury Gardiner House on Thames Street opened Sept 2023.
- Several other proposed Hotels in planning.



Newport YTD July Performance

	YTD July 2023	YTD July 2024	% Change
Supply	375,391	396,418	5.6%
Demand	201,745	210,855	4.5%
Occupancy	54%	53%	-1.0%
ADR	\$308.91	\$329.84	6.8%
RevPAR	\$166.02	\$175.44	5.7%



Newport YTD July Performance

	YTD July 2023	YTD July 2024	% Change
Supply	375,391	396,418	5.6%
Demand	201,745	210,855	4.5%
Occupancy	54%	53%	-1.0%
ADR	\$308.91	\$329.84	6.8%
RevPAR	\$166.02	\$175.44	5.7%



Newport – Future

Supply

- No New Supply in 2024 or 2025. Marriott is planning to renovate winter 2024/2025

Demand

- Leisure Demand -the largest market segment. Up almost 10% from April through July, although occ is down due to increased room supply.
- Group/Meetings/Events: second largest market segment – things are ‘back to normal’ – becoming more rate sensitive – wants price/value.
- Business Travel – small segment, will see modest growth
- International – has not yet recovered from the pandemic.

Room Rates

- Rate resistance in all segments; economy is recovering but not too much room to grow

Newport - Projections 2024

	2023	2024	% Change
Occupancy	54.9%	54%	-1.6%
ADR	\$321.82	\$345	7.2%
RevPAR	\$176.65	\$186.25	5.4%

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



Newport - Projections 2025

	2024	2025	% Change
Occupancy	54%	55%	1.9%
ADR	\$345	\$352.50	2.2%
RevPAR	\$186.25	\$193	3.6%

Source: Pinnacle Advisory Group (Projections)

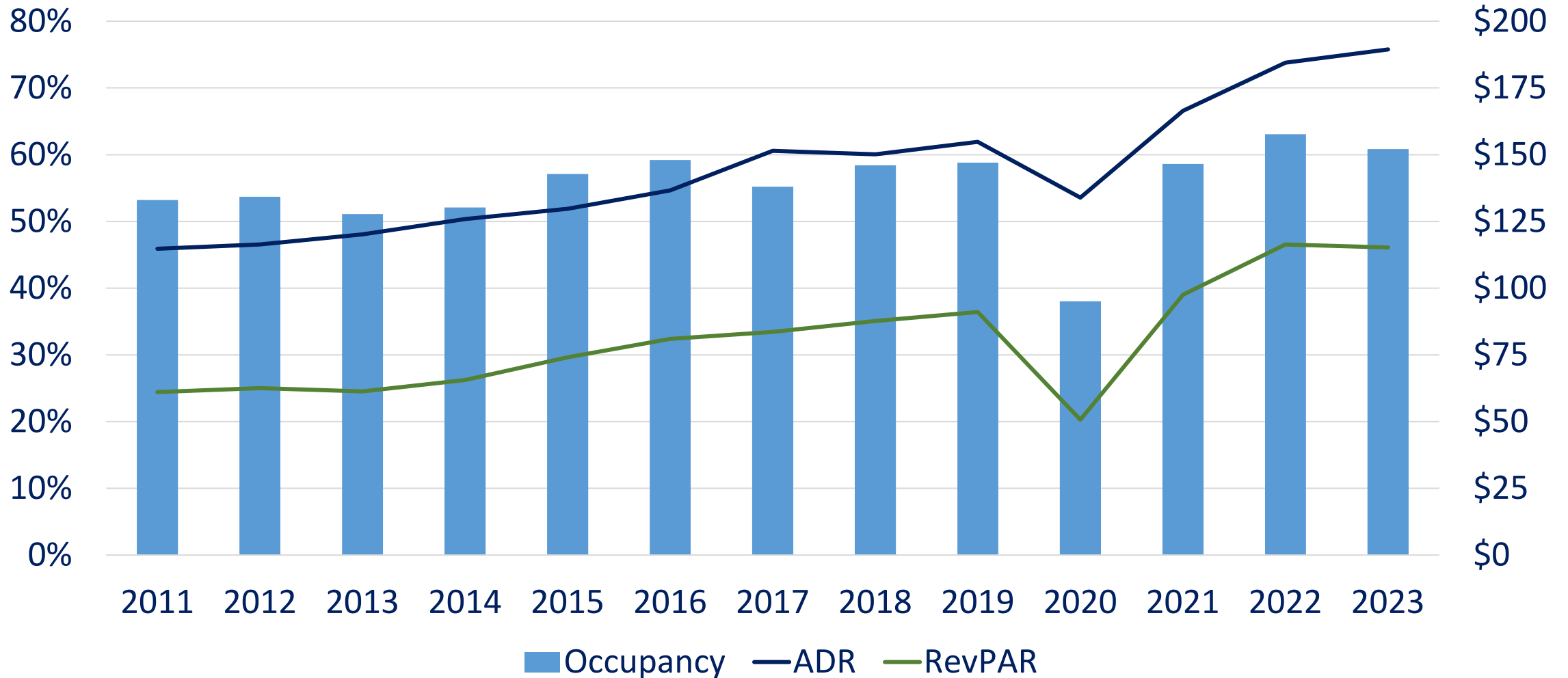
Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.





MIDDLETOWN LODGING MARKET

Middletown - Historic Performance



Middletown YTD July Performance

	YTD July 2023	YTD July 2024	% Change
Supply	341,762	353,192	3.3%
Demand	203,142	208,098	2.4%
Occupancy	59.4%	58.9%	-0.9%
ADR	\$179.78	\$188.44	4.8%
RevPAR	\$106.86	\$111.03	3.9%



Middletown – Future

- Changes to Supply - a JdV Hyatt.
- ADR - Remains a price alternative for Newport – \$100 - \$140 lower ADR as compared to Newport.
- Leisure – similar to Newport, leisure demand peaked and is expected to moderate next year.
- Corporate/Gov't – Navy Base expanding – stronger growth expected.
- Gov't per diem rates will decline in 2025.



Middletown - Projections 2024

	2023	2024	% Change
Occupancy	60.8%	61%	0%
ADR	\$189.42	\$196	3.5%
RevPAR	\$115.25	\$119.50	3.7%

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



Middletown - Projections 2025

	2024	2025	% Change
Occupancy	61%	62%	1.7%
ADR	\$196	\$199	1.5%
RevPAR	\$119.50	\$123.50	3.3%

Source: Pinnacle Advisory Group (Projections)

Note: Projections assume that there is no recession, new pandemic outbreaks, or other major events that could cause a significant disruption to the economy and the lodging industry.



Pinnacle Advisory Group

Boston Providence New York City Washington DC Tampa



*Hospitality Consulting
Asset Management
Valuation Counseling
Litigation Support*

www.pinnacle-advisory.com