Massachusetts Lodging Association

OUTLOOK 2024

August 3, 2023

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Principal, Pinnacle Advisory Group
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Today’s Agenda

1. National Lodging Market
2. Suburban Boston Market
3. Boston & Cambridge Market
National - Historic Market Performance

20-Year Historic Lodging Performance
United States

Source: STR
RevPAR % Change – US 2003-2022

Source: STR
National - YTD June 2023

<table>
<thead>
<tr>
<th></th>
<th>June 2022</th>
<th>June 2023</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>61.4%</td>
<td>62.9%</td>
<td>2.3%</td>
</tr>
<tr>
<td>ADR</td>
<td>$145.40</td>
<td>$154.45</td>
<td>6.2%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$89.33</td>
<td>$97.08</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Source: STR
RevPAR % Growth YTD June 2023 vs 2022

- Boston MSA: 18.2%
- Top 25 MSA: 13.6%
- Total US: 8.7%

Source: STR
Macro Economic Trends

- Recession Of Soft Landing (Probability Of Recession 54%)
- Inflation
- Interest Rates
- Employment & Wage Growth
- Shift In How We Work
- Global Issues, Politics, Technology, Etc.
National – Industry Trends

• Leisure Demand Is Pulling Back While Corporate And Group Continue To Strengthen (Modestly).

• Occupancy Continues To Improve With Modest Demand And Minimal New Supply. BUT Demand Growth Is Slowing.

• Leisure Is Showing Signs Of Rate Sensitivity.

• ADR Continues To Improve, Leading The Recovery Over Demand (Occupancy). BUT ADR Growth Is Plateauing.

• Room Revenues Will Improve This Year (2023) And Next (2024) With Growth In Both Group And Corporate Demand, Coupled With More Inbound International Travel. Plus New Supply Growth Will Continue To Be Limited.
<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th></th>
<th></th>
<th>2024</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>STR</td>
<td>PWC</td>
<td>CBRE</td>
<td>STR</td>
<td>PWC</td>
<td>CBRE</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1.3%</td>
<td>2.1%</td>
<td>4.5%</td>
<td>1.4%</td>
<td>0.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>ADR</td>
<td>3.7%</td>
<td>4.3%</td>
<td>0.9%</td>
<td>3.1%</td>
<td>3.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>5.0%</td>
<td>6.5%</td>
<td>5.4%</td>
<td>114%</td>
<td>114%</td>
<td>113%</td>
</tr>
<tr>
<td>RevPAR Indexed ‘19</td>
<td>114%</td>
<td>114%</td>
<td>113%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: STR (June), PWC (May), CBRE (Feb)
Suburban Boston - Historic Performance

Source: STR
## Suburban Boston YTD June Performance

<table>
<thead>
<tr>
<th>Metric</th>
<th>YTD June 2022</th>
<th>YTD June 2023</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>6,230,077</td>
<td>6,197,003</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Demand</td>
<td>3,805,932</td>
<td>4,015,147</td>
<td>5.5%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>61.1%</td>
<td>64.8%</td>
<td>6.1%</td>
</tr>
<tr>
<td>ADR</td>
<td>$138.59</td>
<td>$152.17</td>
<td>9.8%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$84.67</td>
<td>$98.59</td>
<td>16.4%</td>
</tr>
</tbody>
</table>

*Source: STR*
# Suburban Boston - Changes to Supply 2023 & 2024

<table>
<thead>
<tr>
<th>Property</th>
<th>City/Town</th>
<th>Scale</th>
<th>Rooms</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sonder The Arcadian</td>
<td>Brookline</td>
<td>Midscale</td>
<td>38</td>
<td>Jan 2023</td>
</tr>
<tr>
<td>Best Western at Historic Concord</td>
<td>Concord</td>
<td>Midscale</td>
<td>-105</td>
<td>April 2023</td>
</tr>
<tr>
<td>Quality Inn Boston Revere</td>
<td>Revere</td>
<td>Midscale</td>
<td>154</td>
<td>April 2023</td>
</tr>
<tr>
<td>Methuen Inn</td>
<td>Methuen</td>
<td>Economy</td>
<td>-128</td>
<td>May 2023</td>
</tr>
<tr>
<td>Comfort Inn Foxboro - Mansfield</td>
<td>Foxboro</td>
<td>Economy</td>
<td>-60</td>
<td>May 2023</td>
</tr>
<tr>
<td>MainStay Suites Foxboro/Mansfield</td>
<td>Foxboro</td>
<td>Midscale</td>
<td>34</td>
<td>May 2023</td>
</tr>
<tr>
<td>Plymouth Bay Inn</td>
<td>Kingston</td>
<td>Midscale</td>
<td>-107</td>
<td>May 2023</td>
</tr>
<tr>
<td>Hilton Garden Inn Burlington</td>
<td>Burlington</td>
<td>Upscale</td>
<td>1</td>
<td>June 2023</td>
</tr>
<tr>
<td>Homewood Suites</td>
<td>Chelsea</td>
<td>Upscale</td>
<td>-152</td>
<td>June 2023</td>
</tr>
<tr>
<td>Beacon Street Hotel</td>
<td>Somerville</td>
<td>Midscale</td>
<td>35</td>
<td>Oct 2023</td>
</tr>
<tr>
<td>Home2Suites by Hilton</td>
<td>Franklin</td>
<td>Midscale</td>
<td>100</td>
<td>Oct 2023</td>
</tr>
<tr>
<td>Cambria Hotel and Suites</td>
<td>Plymouth</td>
<td>Upscale</td>
<td>107</td>
<td>4Q23</td>
</tr>
</tbody>
</table>

-0.2% Supply change in 2023

0.6% Supply Increase in 2024

Opening dates are subject to change.

Various Sources, Compiled by Pinnacle Advisory Group

©Pinnacle Advisory Group
Suburban Boston - Changes to Supply 2023 & 2024

Conversions:

• Sheraton Framingham – Converting To Triple Box: Dual Brand 94-room Towneplace Suites And 75-room Fairfield Inn And Suites, 200 Room Sheraton – Sept 2023

• Independent Property Tewksbury - Converting To 227-room Hilton Garden Inn - Oct 2023

• Fairfield Inn Dedham – Converting To 148-room Comfort Inn – Dec 2023
Suburban Boston - Office Markets, Q2 2023

<table>
<thead>
<tr>
<th>Region</th>
<th>Inventory (SF)</th>
<th>Vacancy</th>
<th>YTD Absorption (SF)</th>
<th>Under Construction (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner Suburbs</td>
<td>5.1M</td>
<td>13.2%</td>
<td>(7,205)</td>
<td>0</td>
</tr>
<tr>
<td>Route 128</td>
<td>59.3M</td>
<td>18.6%</td>
<td>(2,026,251)</td>
<td>0</td>
</tr>
<tr>
<td>Route 495</td>
<td>41M</td>
<td>20.8%</td>
<td>(198,790)</td>
<td>0</td>
</tr>
<tr>
<td>Worcester</td>
<td>2M</td>
<td>24.5%</td>
<td>20,002</td>
<td>0</td>
</tr>
<tr>
<td>Total Suburbs</td>
<td>107.4M</td>
<td>19.3%</td>
<td>(2,212,244)</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Colliers International
Suburban Boston - Lodging Trends

• Operating Performance Varies By Submarket.

• Corporate Demand Continues To Be The Primary Driver For Occupancy. This Segment Is At A 75% Recovery As Compared To 2019.

• Leisure Demand Continues To Drive The Recovery. This Segment Is About 130% Over 2019 Levels. In 2024 There Will Be Less Leisure Travel As Corporate Recovers, And The Mix Of Demand Becomes More Balanced.

• Group Demand Continues To Remain Strong Driven By Social Group, Small Corporate Group, And Smerf. Sports Groups Is Very Strong.

• While There Is A Strong Convention Calendar In 2023 And 2024, Compression To The Burbs Continues To Lessen With New Supply In The Seaport.

• Room Rates Positively Impacted Due To Significant Leisure Travel, Inflation, Brand Guidance, Higher Boston Room Rates, And Higher Wages/Operating Expenses Which Are “Forcing” Operators To Increase Room Rates.
## Suburban Boston - Projections 2023

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>66%</td>
<td>68%</td>
<td>2.4%</td>
</tr>
<tr>
<td>ADR</td>
<td>$152.58</td>
<td>$164</td>
<td>7.5%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$100.66</td>
<td>$110.84</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

Indexed to 2019

- Occupancy: 100%
- ADR: 114%
- RevPAR: 114%

*Source: STR (Historic), Pinnacle Advisory Group (Projections)*
### Suburban Boston - Projections 2024

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2024</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>68%</td>
<td>69%</td>
<td>1.5%</td>
</tr>
<tr>
<td>ADR</td>
<td>$164</td>
<td>$170</td>
<td>3.7%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$110.84</td>
<td>$116.57</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

Source: Pinnacle Advisory Group (Projections)
BOSTON & CAMBRIDGE LODGING MARKET
Boston & Cambridge - Historic Performance

Source: Pinnacle Perspective, Pinnacle Advisory Group
RevPAR % Change – Boston/Cambridge
2003-2022

Source: Pinnacle Advisory Group
### Boston and Cambridge - YTD June 2023

<table>
<thead>
<tr>
<th>Metric</th>
<th>June 2022</th>
<th>June 2023</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>63.4%</td>
<td>72.5%</td>
<td>9.1%</td>
</tr>
<tr>
<td>ADR</td>
<td>$262.25</td>
<td>$277.28</td>
<td>5.7%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$166.33</td>
<td>$201.06</td>
<td>20.9%</td>
</tr>
</tbody>
</table>

Source: Pinnacle Advisory Group
Boston & Cambridge Monthly Demand

Occupied Roomnights by Month 2019, 2022, 2023

Source: Pinnacle Perspective, Pinnacle Advisory Group

©Pinnacle Advisory Group
Boston & Cambridge - Submarkets

June YTD Submarket RevPAR
2023 v. 2022

Source: Pinnacle Perspective, Pinnacle Advisory Group
# Boston & Cambridge New Supply 2023 & 2024

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Neighborhood</th>
<th>Scale</th>
<th>Rms</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheraton Boston (closed rooms- now dorms)</td>
<td>Back Bay</td>
<td>Upper Upscale</td>
<td>(428)</td>
<td>Jan 2023</td>
</tr>
<tr>
<td>The Langham (additional rooms)</td>
<td>Downtown</td>
<td>Upper Upscale</td>
<td>9</td>
<td>Jan 2023</td>
</tr>
<tr>
<td>The Verb (Additional Rooms)</td>
<td>Fenway</td>
<td>Upper Upscale</td>
<td>4</td>
<td>Jan 2023</td>
</tr>
<tr>
<td>Raffles Boston Back Bay</td>
<td>Back Bay</td>
<td>Luxury</td>
<td>147</td>
<td>Sept 2023</td>
</tr>
<tr>
<td>CitizenM</td>
<td>Back Bay</td>
<td>Independent</td>
<td>399</td>
<td>Q4 2024</td>
</tr>
<tr>
<td>Cambria East Boston</td>
<td>Airport</td>
<td>Upscale</td>
<td>123</td>
<td>Q4 2024</td>
</tr>
</tbody>
</table>

Source: Various Developers, Operators, Brand Representatives, etc. Compiled by Pinnacle Advisory Group
Estimated opening dates subject to change. Projected changes to supply assumes total room inventory.

- **-1.1%**
  2023 Decrease

- **0.7%**
  2024 Increase
Economic Environment

Unemployment Rates

Boston MSA

<table>
<thead>
<tr>
<th></th>
<th>June 2022</th>
<th>May 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>1,606,718</td>
<td>1,617,914</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.6%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Boston Logan International Airport

• 2019 Was A Record-breaking Year For Passenger Traffic. Reaching 42.5 Million.

• Year-to-date Through May, Logan Served Over 15.7 Million Passengers, Up 12% Over 2022, But Still 4.3% Behind 2019. Overall US Air Travel Is Up 18%, Down Approx. 2.0% To 2019 Levels.

• Domestic Passengers Represent 81% Of All Passengers, A Return To Pre-pandemic Levels.

• Year-to-date Through May, International Travel Was 97% Of 2019 Levels.

• Terminal E Expansion And Modernization Is Underway; Anticipated To Be Completed This Summer.

• Sumner Tunnel Closed Through August, Which Will Increase Travel Times From The Airport To Downtown And Suburbs.

Source: Massachusetts Port Authority
## Boston & Cambridge - Office & Lab Market

<table>
<thead>
<tr>
<th></th>
<th>Inventory (SF)</th>
<th>Absorption (SF)</th>
<th>Vacancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Boston</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 2022</td>
<td>67.0 M</td>
<td>(927,100)</td>
<td>16.2%</td>
</tr>
<tr>
<td>Q1 2023</td>
<td>67.1 M</td>
<td>(1,471,600)</td>
<td>19.4%</td>
</tr>
<tr>
<td>Q2 2023</td>
<td>67.4 M</td>
<td>(794,400)</td>
<td>21.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Inventory (SF)</th>
<th>Absorption (SF)</th>
<th>Vacancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cambridge</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 2022</td>
<td>11.7 M</td>
<td>(29,100)</td>
<td>13.8%</td>
</tr>
<tr>
<td>Q1 2023</td>
<td>11.7 M</td>
<td>0</td>
<td>14.2%</td>
</tr>
<tr>
<td>Q2 2023</td>
<td>11.7 M</td>
<td>(66,300)</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

Source: Colliers International
Boston & Cambridge, Corporate Demand Trends

2023 – 85% Of Pre-covid Corporate Travel; 90% In 2024
• WHF/Shorter Work Week
• High Office Vacancy Rates
• Less Travel In 2022 With Same Productivity
• More Smaller Accounts; Fewer Larger Accounts
• Concern With Economic Slowdown
• More International Corporate Travel
• High Cost Of Travel (Airfare, F&B, Lodging)
Boston & Cambridge, Group Demand Stat’s

ROOMNIGHTS/EVENTS
• 2022 – BCEC/Hynes – 538K room nights with 62 events
• 1% more RN than 2019
• 2023 – BCEC/Hynes – 693K room nights with 64 events
• Approx 40% more RN than 2022 and 2019
• 2024 – BCEC/Hynes – 568K room nights with 45 events

TIMING/SEASONALITY - ROOMNIGHTS
• Q1 – 21% (2019); 20% (2022); 18% (2023); 19% (2024)
• Q2 – 37% (2019); 32% (2022); 32% (2023); 33% (2024)
• Q3 – 22% (2019); 23% (2022); 20% (2023); 24% (2024)
• Q4 – 20% (2019); 25% (2022); 29% (2023); 24% (2024)
Boston & Cambridge, Group Demand Trends

• Convention Groups For Both 2023 And 2024 Are Robust, Ahead Of Pre-covid Levels For All Quarters.
• Less Compression Due To Recent Supply Increases In The Seaport.
• In House Group Is Strong For All Subsegments Except Government Group.
• Booking Window Continues To Shorten.
• Groups May Be Cautious Based On The Economic Uncertainly, Layoffs And Travel Concerns.
Boston & Cambridge, Leisure Demand Trends

2022- Booming! Well above 2019 levels.
2023 and 2024 – “Normalizing” (aka “Slowing”)?

- More Opportunity For Domestic Leisure To Travel Abroad
- Less “Bleisure” With More Defined Business Vs Leisure
- High Room Rates Impact Price Sensitive Leisure Demand
- Concern For Economic Slow Down

Pent Up Demand In 2022; Redemption Is Not Endless.
Boston & Cambridge, ADR “Trends”

A variety of factors will facilitate rate increases in 2023 and 2024, but we will not see the double-digit rate growth experience in 2022.

- Even with strong convention calendar, there will be less compression with supply in the Seaport will lower the number of “sellout” room rates.
- Retail rates will increase 3-5%; corporate rates will follow suit. Negotiated rate increases expected to be good, accounting for lower rates following the pandemic.
- Leisure demand “normalizing” and this segment will begin to evaluate pricing, opting for other locations, off-peak travel, and/or shortened length of stay.
- Groups appear to be comfortable with inflationary rate increases.
- Continued push to dynamic pricing.
- High redemption levels putting downward pressure on ADR.
## Boston & Cambridge - Projections 2023

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Occupancy</strong></td>
<td>69.6%</td>
<td>75.7%</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>ADR</strong></td>
<td>$278.88</td>
<td>$291</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>RevPAR</strong></td>
<td>$194.10</td>
<td>$220</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

Indexed to 2019

- **Occupancy**: 92%
- **ADR**: 111%
- **RevPAR**: 103%

*Source: Pinnacle Advisory Group*
## Boston & Cambridge - Projections 2024

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2024</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>75.7%</td>
<td>77.0%</td>
<td>+1.7%</td>
</tr>
<tr>
<td>ADR</td>
<td>$291</td>
<td>$301</td>
<td>+3.4%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$220</td>
<td>$232</td>
<td>+5.5%</td>
</tr>
</tbody>
</table>
Pinnacle Advisory Group

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Asset Management
Valuation Counseling
Litigation Support

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