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## Strong interest in New England hotel assets drives ASPR above national average

New England Hotel Realty (NEHR), powered by the global market intelligence of Lodging Econometrics (LE), recently reported that the United States Hotel Construction Pipeline totaled 5,255 Projects/636,274 Rooms, rising 4% Year-Over-Year (YOY). This is the highest level since the peak of 5,883 Projects/785,547 Rooms recorded in Q208. Although the Pipeline has accelerated at a decelerating pace over the past several quarters, we expect modest growth to continue through 2018.

In New England, the hotel construction pipeline currently consists of 156 Projects/20,770 Rooms and is up slightly YOY (See Chart 1). Upper Midscale projects dominate the N.E. pipeline, comprising 43% of all projects. Of these, 15 projects/1,703 Rooms are Hampton Inns, which is also the brand with the most projects in the pipeline across N.E. NEHR forecasts that 36 hotels with 4,665 rooms will open in N.E. by the end of 2018 for a room supply growth rate of 2.2%. In 2019, 29 hotels with 3,653 new rooms are expected to open for a growth rate of 1.7%.

The majority of New England's construction pipeline is in Massachusetts, which has 87 Projects/13,304 Rooms. The largest project is the Omni Seaport Hotel in Boston which is currently scheduled to start construction in the next 12 months and is expected to open in March of 2021. The hotel will have 1,054 rooms, 120,000 s/f of meeting/event space and an 8,500 s/f spa. Massachusetts is also forecasted to have the most new hotel openings in 2018 and 2019 with 26 Projects/3,491 Rooms and 15 Projects/2,218 Rooms, respectively. New developments have also continued to enter the N.E. pipeline as projects in the Early Planning stage are up 21% YOY.

Hotel owners with assets in New England should look closely at their portfolios to determine how their assets stand to perform against the new supply coming in or already under construction in their markets.

### New England Lodging Transaction Values

In Q118, there were 8 lodging transactions in New England with a price reported in the public domain (See Chart 2). Six of these properties were in Massachusetts, one was in Rhode Island and the other was in New Hampshire. The average selling price per room (ASPR) of those assets was \$190,499, significantly above the national average of \$156,353.

| Q1 2018                  | Prior Hotel Openings |              |               | Current Supply |              | Construction Pipeline |                    |                |                       |              |                | Forecast for New Hotel Openings |                |              |            |               |               |              |            |               |              |            |
|--------------------------|----------------------|--------------|---------------|----------------|--------------|-----------------------|--------------------|----------------|-----------------------|--------------|----------------|---------------------------------|----------------|--------------|------------|---------------|---------------|--------------|------------|---------------|--------------|------------|
|                          | 2016                 |              | 2017          |                | At Q1 2018   |                       | Under Construction |                | Starts Next 12 Months |              | Early Planning |                                 | Total Pipeline |              | 2018       |               |               | 2019         |            |               |              |            |
|                          | Hotels               | Rooms        | Growth Rate % | Hotels         | Rooms        | Growth Rate %         | Hotels             | Rooms          | Proj                  | Rooms        | Proj           | Rooms                           | Proj           | Rooms        | Proj       | Rooms         | Growth Rate % | Proj         | Rooms      | Growth Rate % |              |            |
| <b>New England</b>       |                      |              |               |                |              |                       |                    |                |                       |              |                |                                 |                |              |            |               |               |              |            |               |              |            |
| Connecticut              | 2                    | 514          | 1.4           | 6              | 573          | 1.5                   | 380                | 39,068         | 4                     | 479          | 6              | 664                             | 8              | 957          | 18         | 2,100         | 3             | 370          | 0.9        | 5             | 545          | 1.4        |
| Maine                    | 5                    | 386          | 1.3           | 4              | 345          | 1.1                   | 612                | 31,559         | 4                     | 458          | 3              | 247                             | 6              | 631          | 13         | 1,336         | 2             | 289          | 0.9        | 4             | 271          | 0.9        |
| Massachusetts            | 19                   | 2,487        | 3.0           | 19             | 2,141        | 2.5                   | 945                | 88,426         | 31                    | 4,527        | 28             | 4,617                           | 28             | 4,160        | 87         | 13,304        | 26            | 3,491        | 4.0        | 15            | 2,218        | 2.4        |
| New Hampshire            | 2                    | 135          | 0.6           | 2              | 189          | 0.8                   | 413                | 22,833         | 3                     | 272          | 8              | 893                             | 9              | 1,039        | 20         | 2,204         | 2             | 168          | 0.7        | 2             | 247          | 1.1        |
| Rhode Island             |                      |              |               | 2              | 162          | 1.4                   | 159                | 11,987         | 3                     | 344          | 4              | 512                             | 3              | 240          | 10         | 1,096         | 3             | 347          | 2.9        | 3             | 372          | 3.0        |
| Vermont                  | 1                    | 116          | 0.6           | 2              | 181          | 1.0                   | 369                | 18,260         |                       |              | 4              | 348                             | 4              | 382          | 8          | 730           |               |              |            |               |              |            |
| <b>New England Total</b> | <b>29</b>            | <b>3,638</b> | <b>1.8</b>    | <b>35</b>      | <b>3,591</b> | <b>1.7</b>            | <b>2,878</b>       | <b>212,133</b> | <b>45</b>             | <b>6,080</b> | <b>53</b>      | <b>7,281</b>                    | <b>58</b>      | <b>7,409</b> | <b>156</b> | <b>20,770</b> | <b>36</b>     | <b>4,665</b> | <b>2.2</b> | <b>29</b>     | <b>3,653</b> | <b>1.7</b> |

Chart 1

| Q1 2018       | 2014        |                |                     | 2015        |                |                     | 2016        |                |                     | 2017        |                |                     | 2018 YTD    |                |                     |
|---------------|-------------|----------------|---------------------|-------------|----------------|---------------------|-------------|----------------|---------------------|-------------|----------------|---------------------|-------------|----------------|---------------------|
|               | Hotels Sold | Avg # of Rooms | Avg. Price Per Room | Hotels Sold | Avg # of Rooms | Avg. Price Per Room | Hotels Sold | Avg # of Rooms | Avg. Price Per Room | Hotels Sold | Avg # of Rooms | Avg. Price Per Room | Hotels Sold | Avg # of Rooms | Avg. Price Per Room |
| Connecticut   | 18          | 120            | 83,353              | 17          | 112            | 84,807              | 10          | 120            | 41,833              | 5           | 124            | 142,518             |             |                |                     |
| Maine         | 8           | 73             | 81,604              | 6           | 87             | 28,686              | 6           | 69             | 67,326              | 10          | 57             | 134,715             |             |                |                     |
| Massachusetts | 18          | 125            | 178,158             | 34          | 104            | 119,355             | 32          | 127            | 242,632             | 18          | 122            | 172,463             | 6           | 223            | 173,788             |
| New Hampshire | 3           | 124            | 49,048              | 13          | 88             | 101,754             | 12          | 86             | 54,944              | 1           | 131            | 332,061             | 1           | 32             | 44,750              |
| Rhode Island  | 2           | 213            | 245,012             | 3           | 64             | 143,264             | 1           | 92             | 134,783             | 5           | 160            | 166,881             | 1           | 320            | 275,000             |
| Vermont       | 3           | 80             | 71,360              | 4           | 68             | 75,960              | 3           | 83             | 330,343             | 1           | 46             | 50,000              |             |                |                     |
| <b>Total</b>  | <b>52</b>   | <b>116</b>     | <b>127,255</b>      | <b>77</b>   | <b>99</b>      | <b>100,827</b>      | <b>64</b>   | <b>110</b>     | <b>172,530</b>      | <b>40</b>   | <b>109</b>     | <b>165,760</b>      | <b>8</b>    | <b>211</b>     | <b>190,499</b>      |

Chart 2

For sales transactions with a price reported into the public domain, the 320-room Marriott Hotel Newport in Newport, R.I. sold for highest amount so far this year. It sold for \$88 million in February, which is an ASPR of \$275,000.

Nationally, last year represented one of the lowest total transaction years in recent memory. Only 861 properties with a reported selling price were sold in the U.S. in 2017; whereas in 2016, 1,053 properties with a reported selling price were sold.

Why the low transaction volume? In 2017, high occupancies and ADR's led owners to hold onto their assets. However, owners have begun to report that their operating performance, ADR and RevPAR have leveled off, and in some cases, have begun to decline. NEHR has noticed a considerable spike in the number of hotel owners who contacted us requesting consultations in anticipation of selling.

Investor interest for New England hotel assets continues to remain high due to various factors including: the low cost of capital, the low availability of assets on the market to meet

investor demand, and the diverse economic demand generators in New England. NEHR has a substantial and continuously growing roster of pre-qualified investors who are interested in acquiring hotel assets in New England now.

If you are interested in acquiring or disposing of hotel assets, or if you would like to be notified when an asset meeting your acquisition specifications becomes available for sale, please contact us or register on our website: newenglandhotelrealty.com/register.

For more than 40 years, NEHR has been the leading hotel real estate firm in New England. Powered by an arrangement with our sister company Lodging Econometrics (LE), the global provider of hotel real estate intelligence, we pride ourselves on providing our clients with exceptional brokerage services. Utilizing LE's intelligence, NEHR has advised an extensive number of buyers and sellers on the disposition and acquisition of lodging assets, property valuations, asset management services, and the forecasting of future supply/demand trends in any market.

### About this month's author

Shane Vahey is director of hotel brokerage and advisory services at New England Hotel Realty.

With over 15 years of experience effectively representing sellers throughout the Northeast, including NYC, Vahey is a trusted real estate advisor to many investment groups as well as individual investors. He is active throughout the region and has brokered deals and secured financing for many assets throughout New England and NYC.

Many ownership groups regularly consult with Vahey on disposition strategies and, ultimately, entrust him to confidentially offer their hotel assets to his extensive database of hotel investors.

Vahey has earned the business of many buyers and sellers due to his intimate knowledge of the hotel marketplace and by getting transactions completed quickly and confidentially.