



# MACVB Education Series

## US & Minnesota Hospitality Industry Update

June 23, 2023





CoStar Group™

# Agenda

Down to Business

**1.**

**U.S. Hotel  
Industry  
Overview**

**2.**

**Minnesota  
Performance**

**3.**

**Minnesota  
Market  
Submarket  
Comparison**

**4.**

**Development  
Pipeline**

**5.**

**Forecast &  
Takeaways**

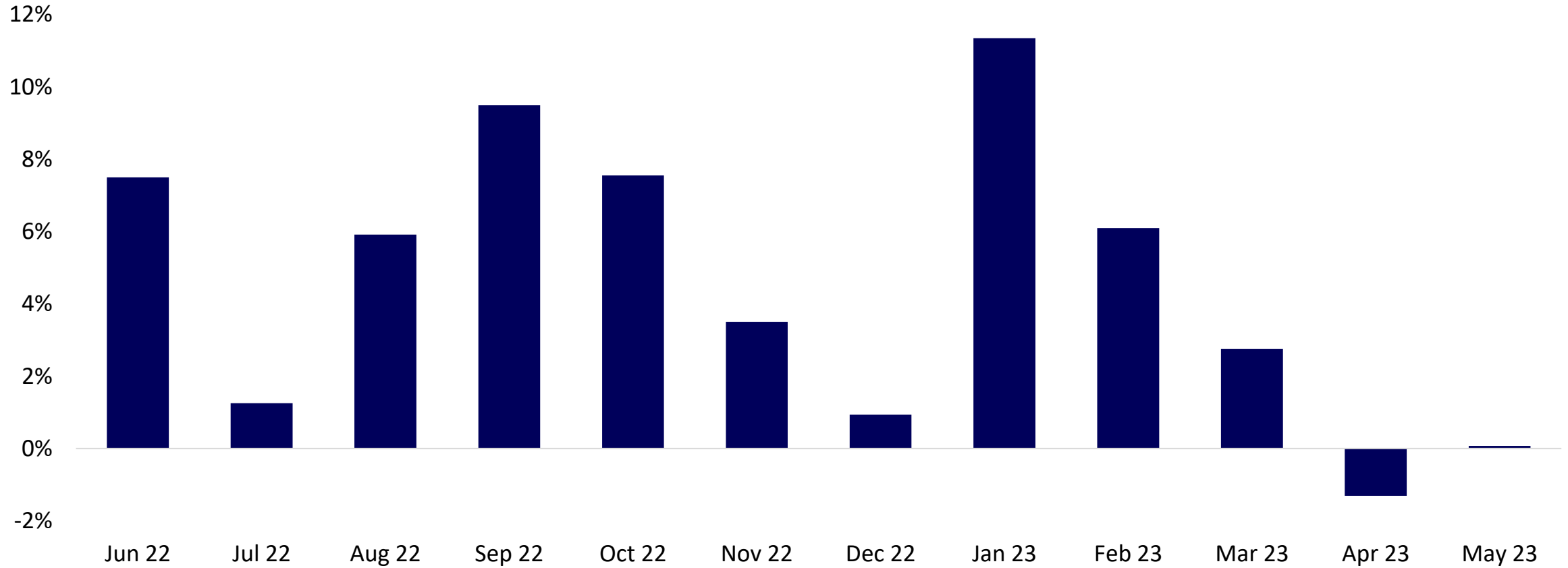
# Demand, Occupancy Begin to Slow

Total U.S., May 2023

	Actual	2019 % Chg.	YOY % Chg.
Room Supply	174m	3.0%	0.2%
Room Demand	113m	-2.4%	0.1%
Occupancy	64.8%	-5.3%	-0.2%
ADR	\$156	17.6%	3.8%
RevPAR	\$101	11.4%	3.7%
Room Revenue	\$17b	14.7%	3.9%

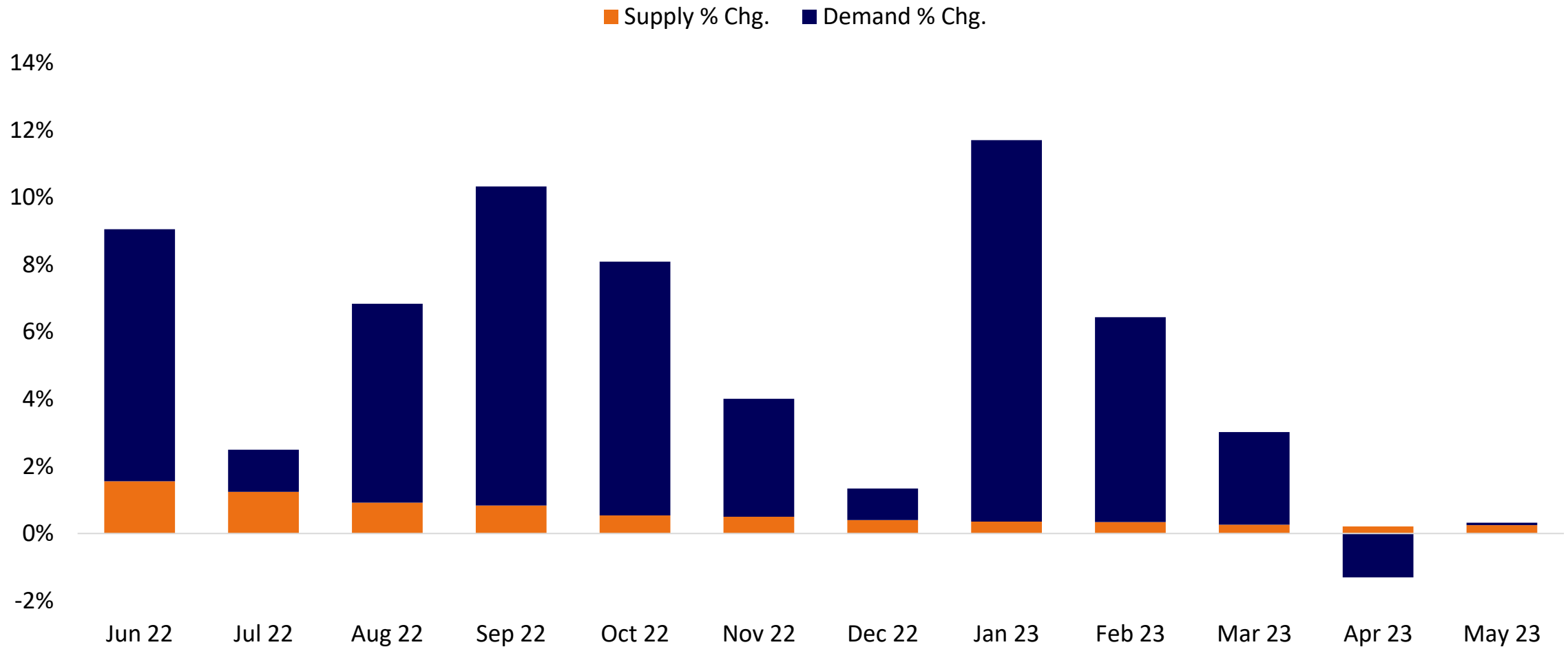
# Demand growth cooling

Total U.S., demand % chg. YOY, Jun 2022 – May 2023



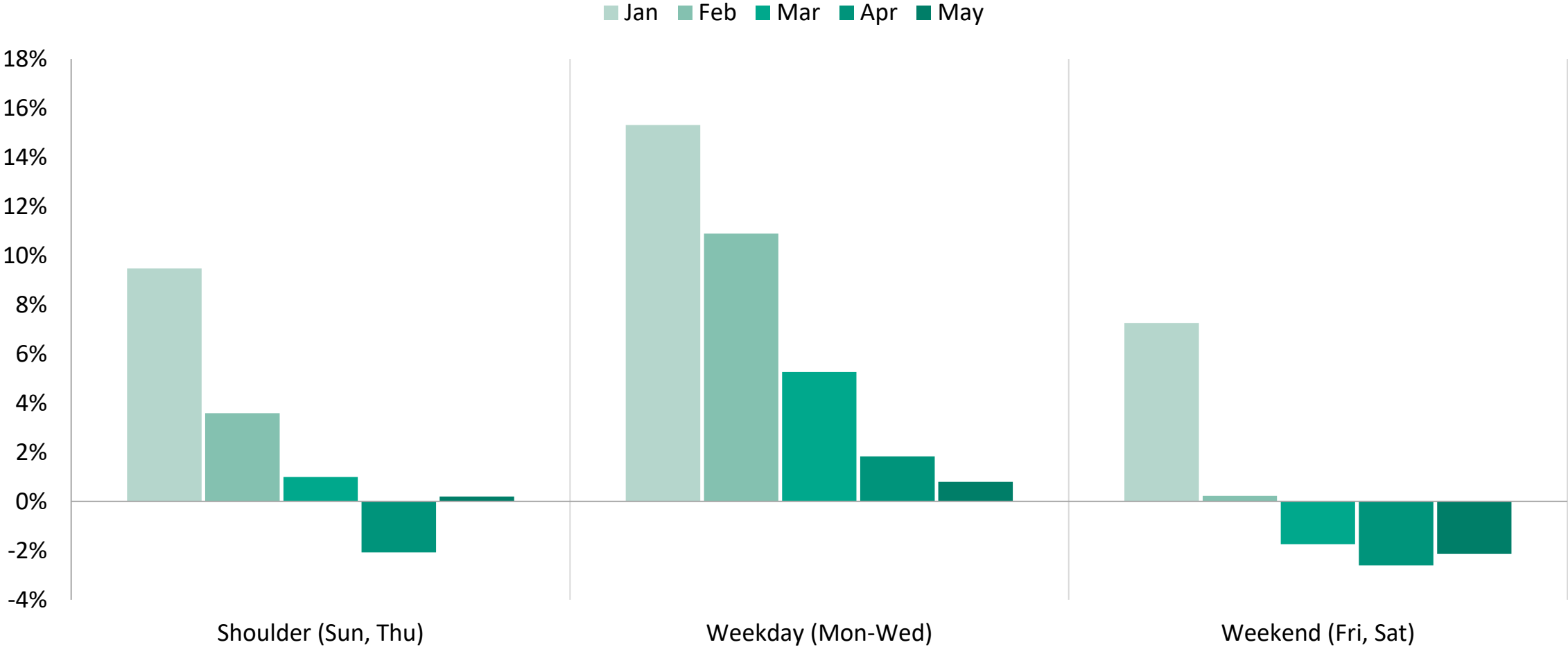
# Fewer new rooms help bolster occ

US, YOY supply and demand % change, Jun 2022 – May 2023



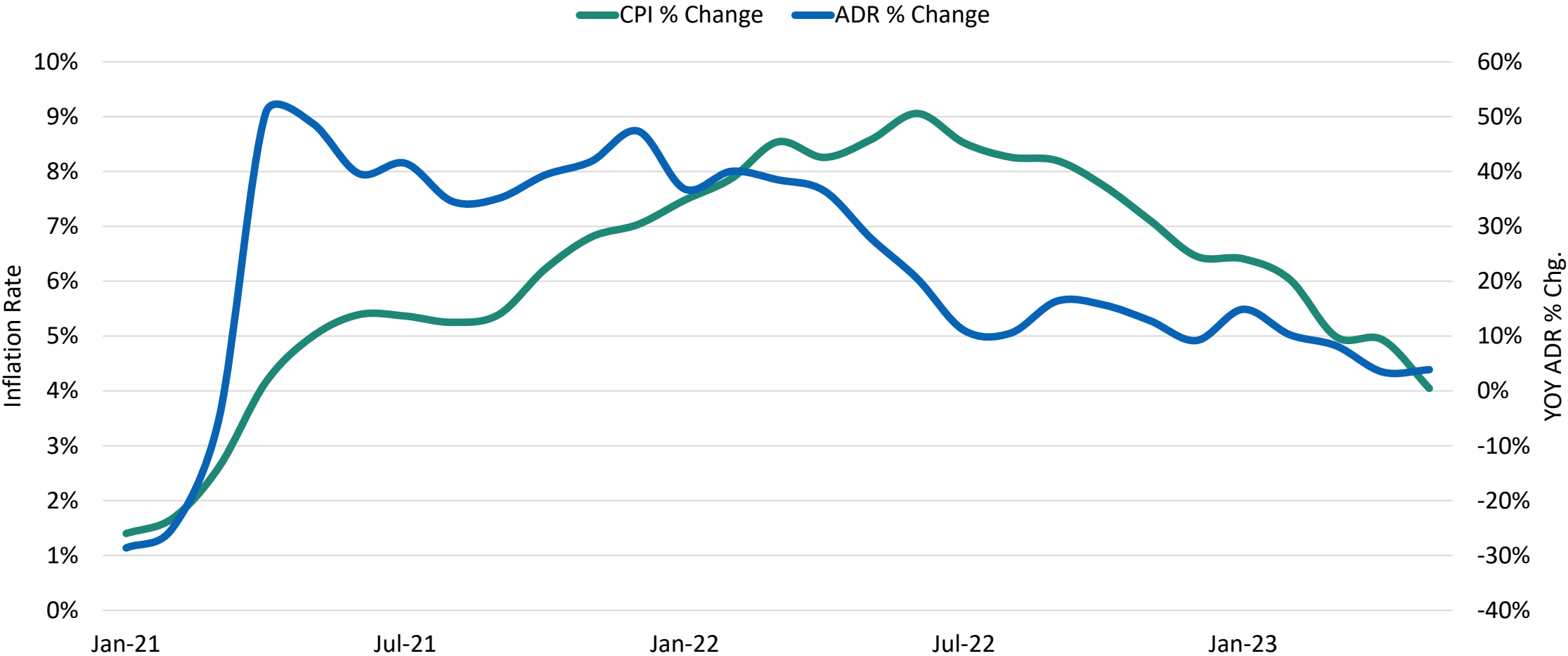
# Weekend travel continues to soften

US, occupancy % change YOY, Jan 2023 – May 2023



# ADR, inflation finally cooling

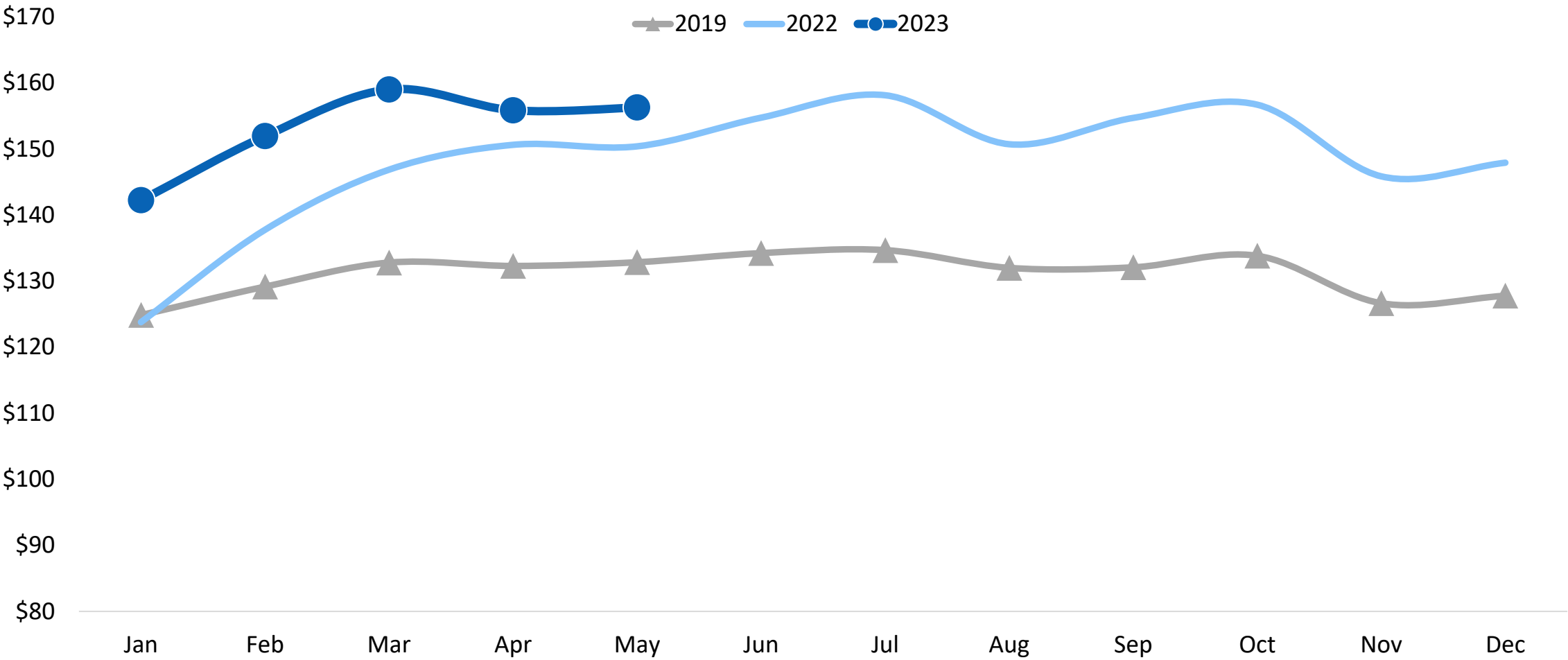
US, YOY CPI and ADR % change, Jan 2021 – May 2023





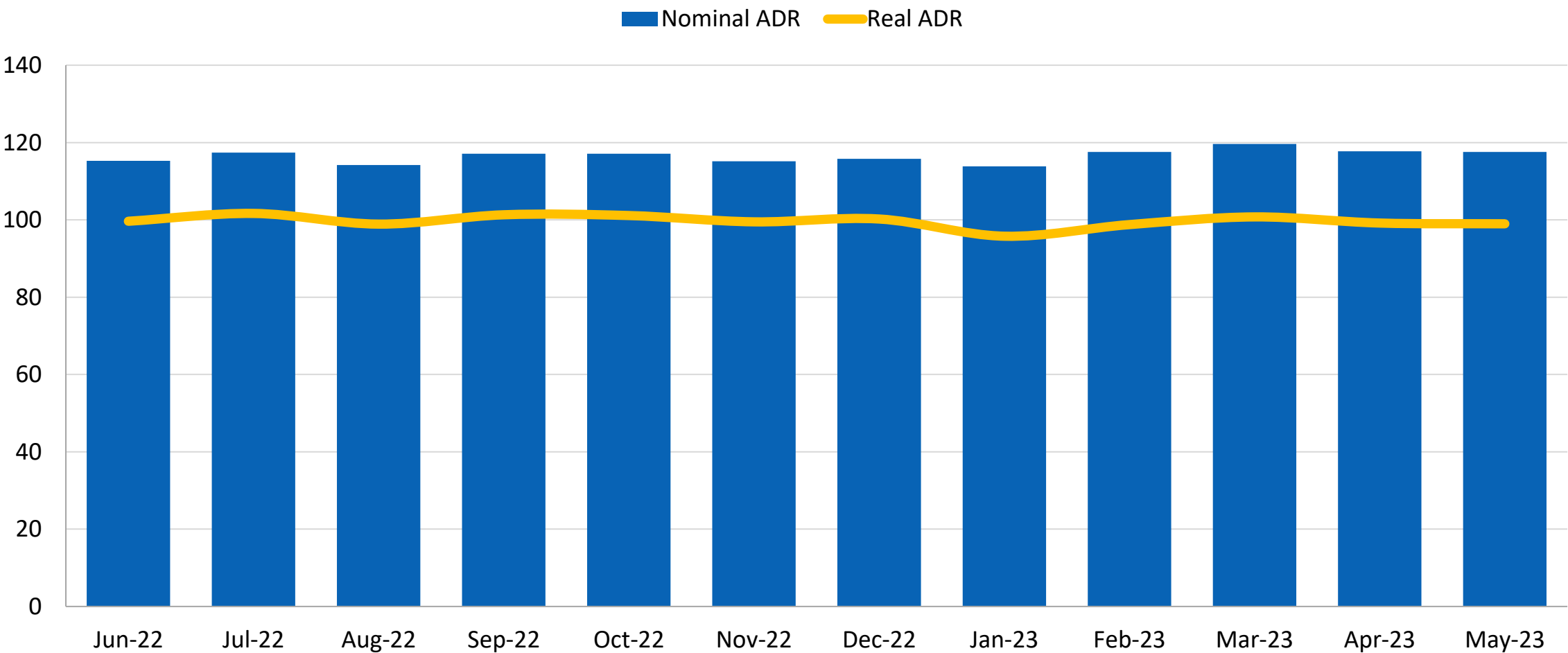
# ADR Growth Softens

Total US, monthly ADR, 2019, 2022, 2023



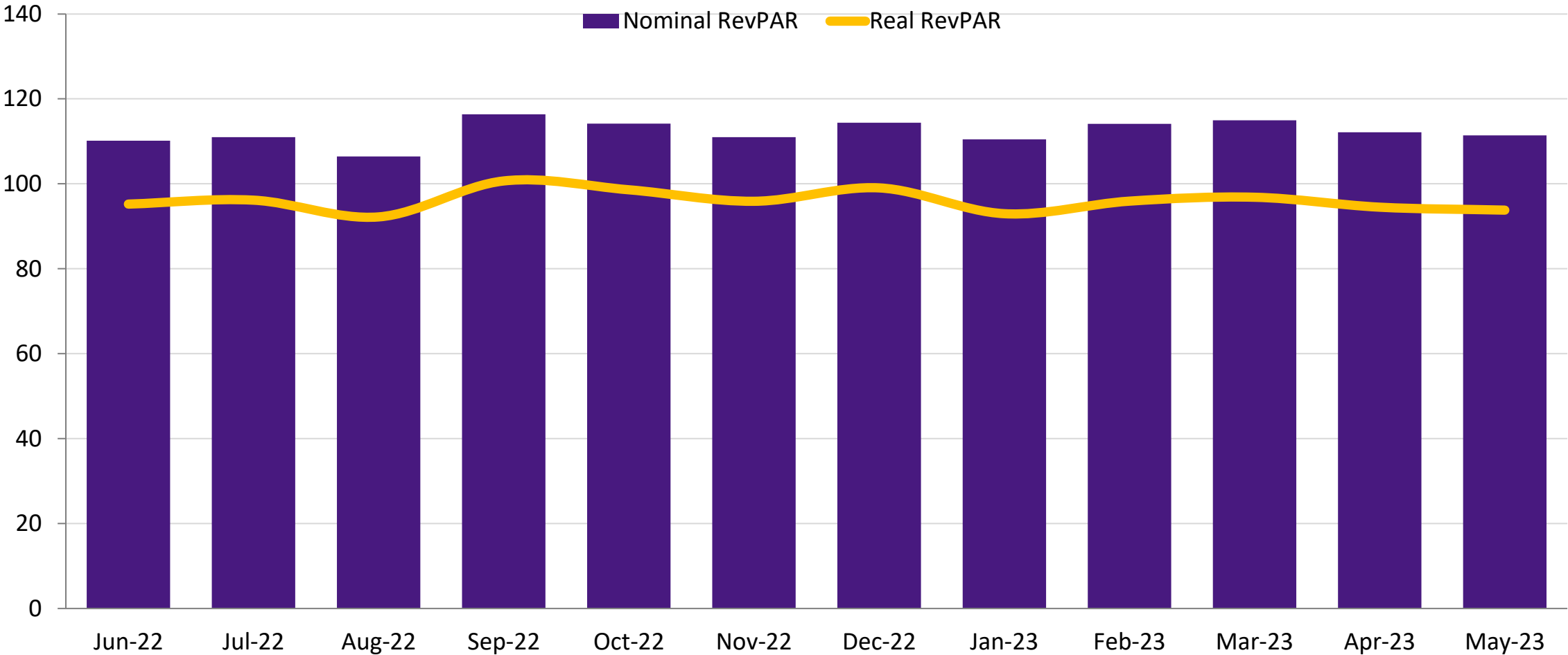
# Real ADR hovering around recovered, but probably only in the short-term

U.S., ADR indexed to 2019, Jun 2022 – May 2023



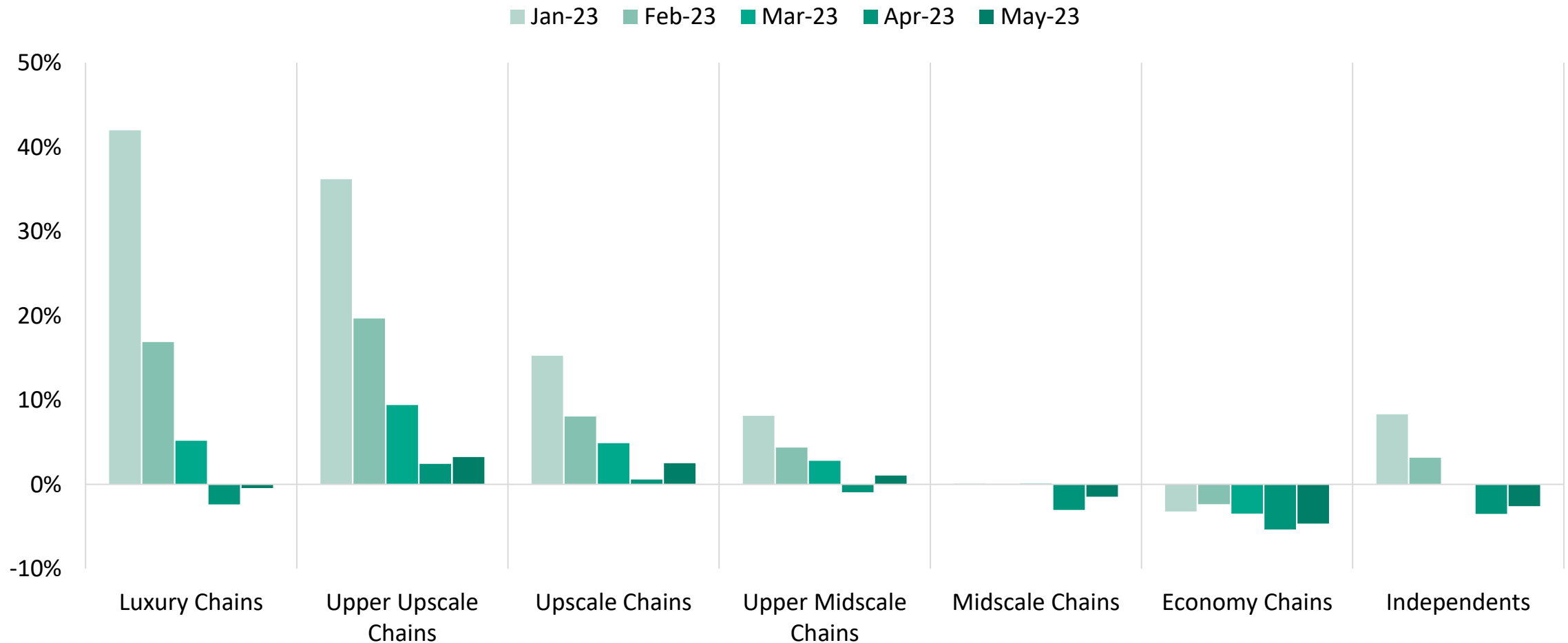
# Missing Occ Holds Off Real RevPAR from Recovery

U.S., RevPAR indexed to 2019, Jun 2022 – May 2023



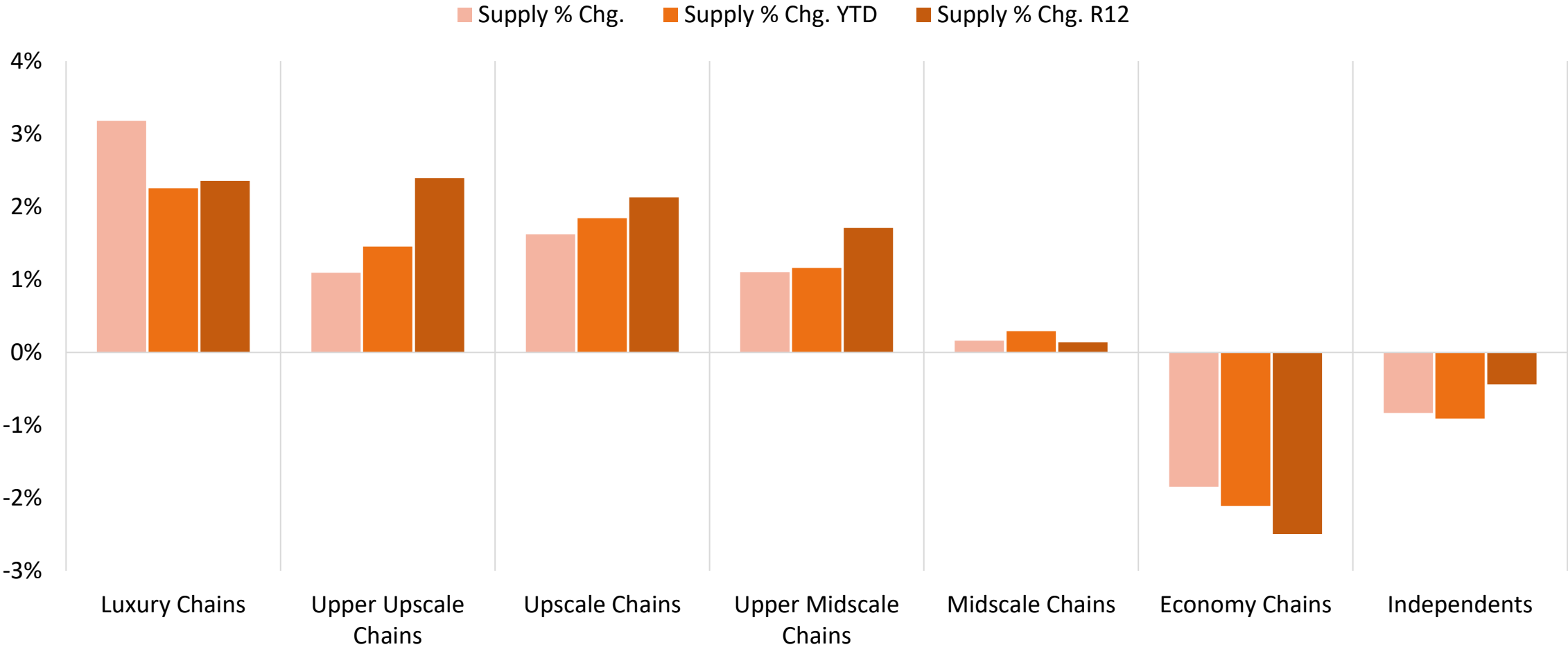
# US occ growth coming out of corporate chains

Total U.S., occ, YOY % change, Jan 2023 – May 2023



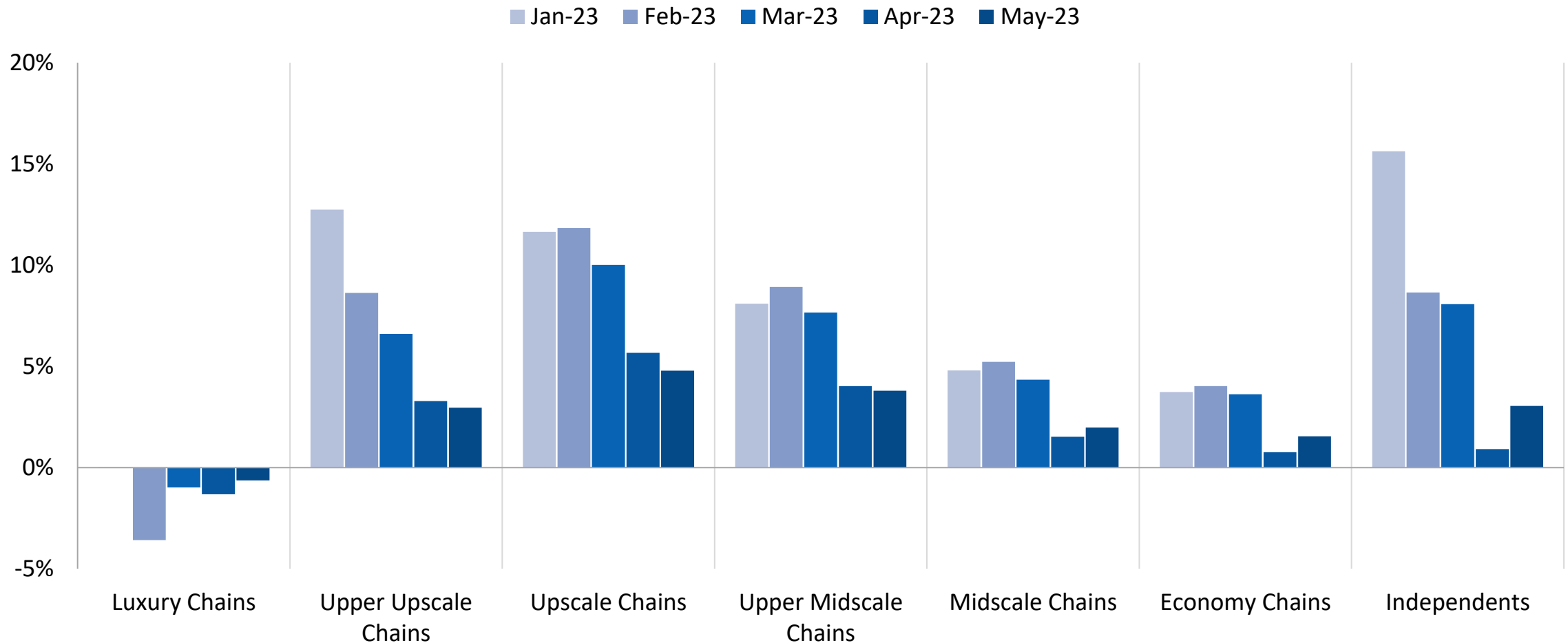
# High-end chains continue to increase supply

US, supply, YOY % change, May 2023



# Select service hotels boast most pricing power

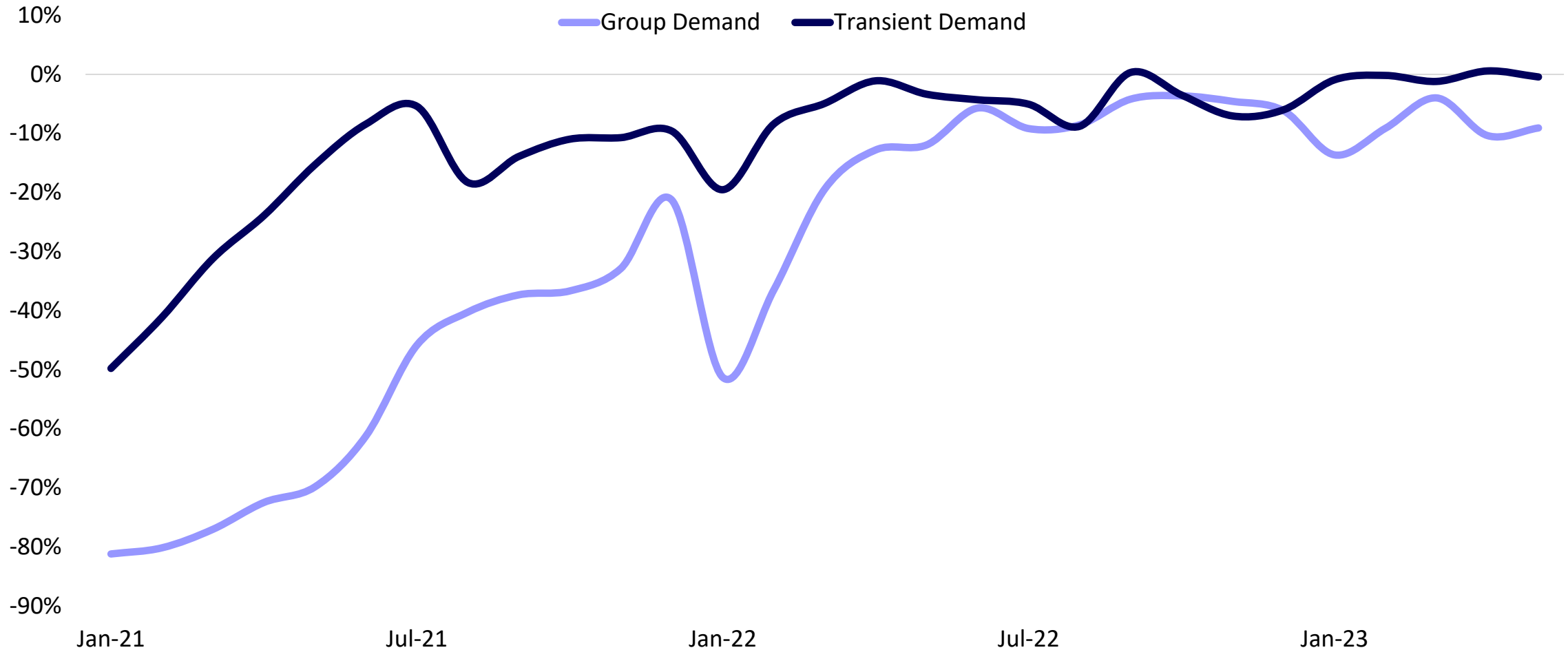
US, ADR YOY % change, Jan 2023 – May 2023



# Groups continue to trail transient index

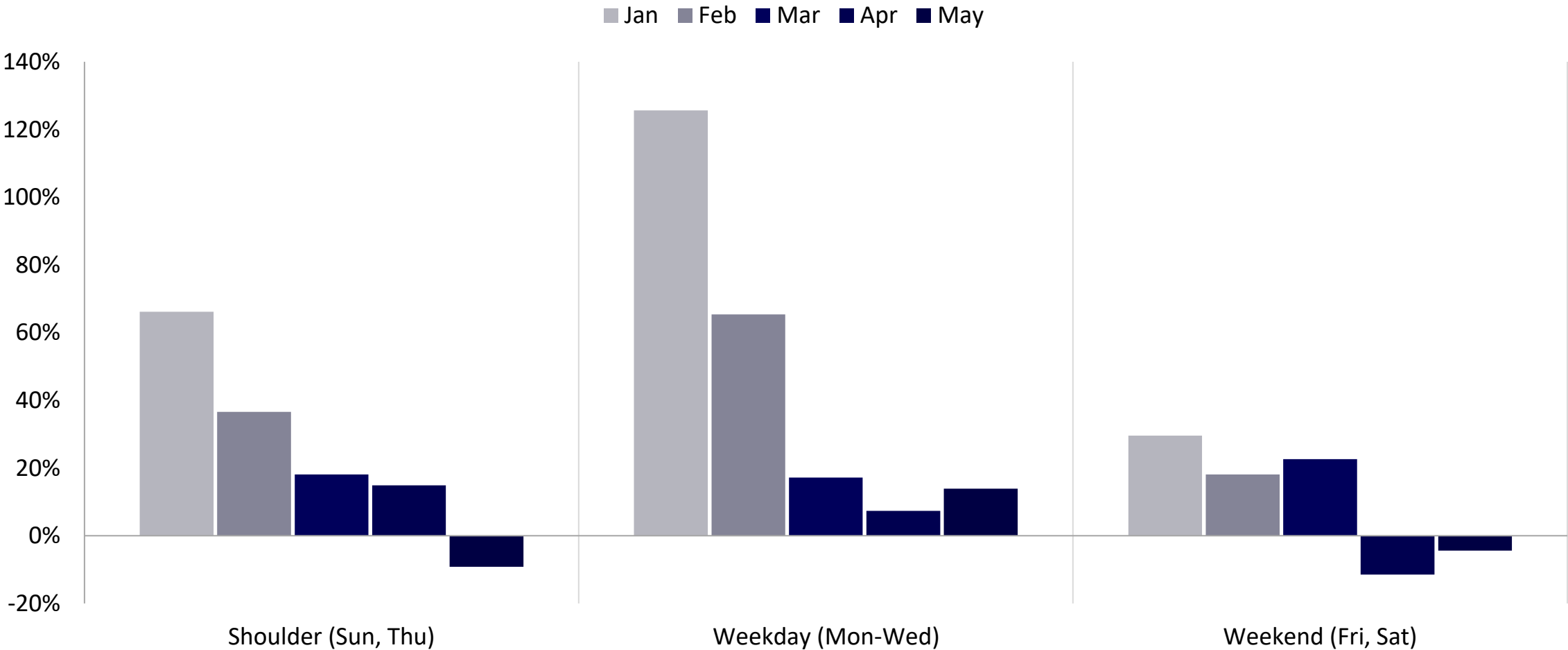


US, Lux & Upper Upscale classes segmentation demand % chg. to 2019, Jan 2021 – May 2023



# Weekend groups returning to 'normal' levels

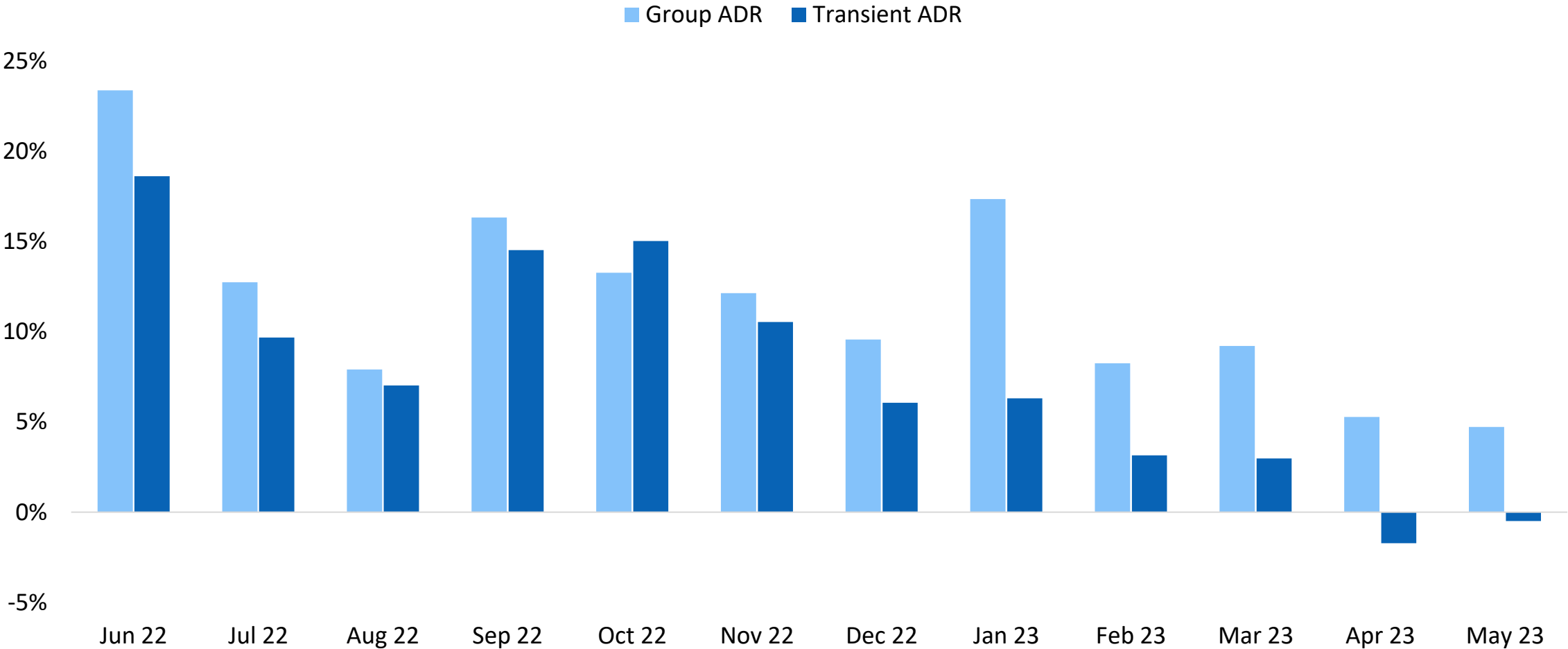
US, Lux & Upper Upscale classes, Group demand % change YOY, Jan 2023 – May 2023





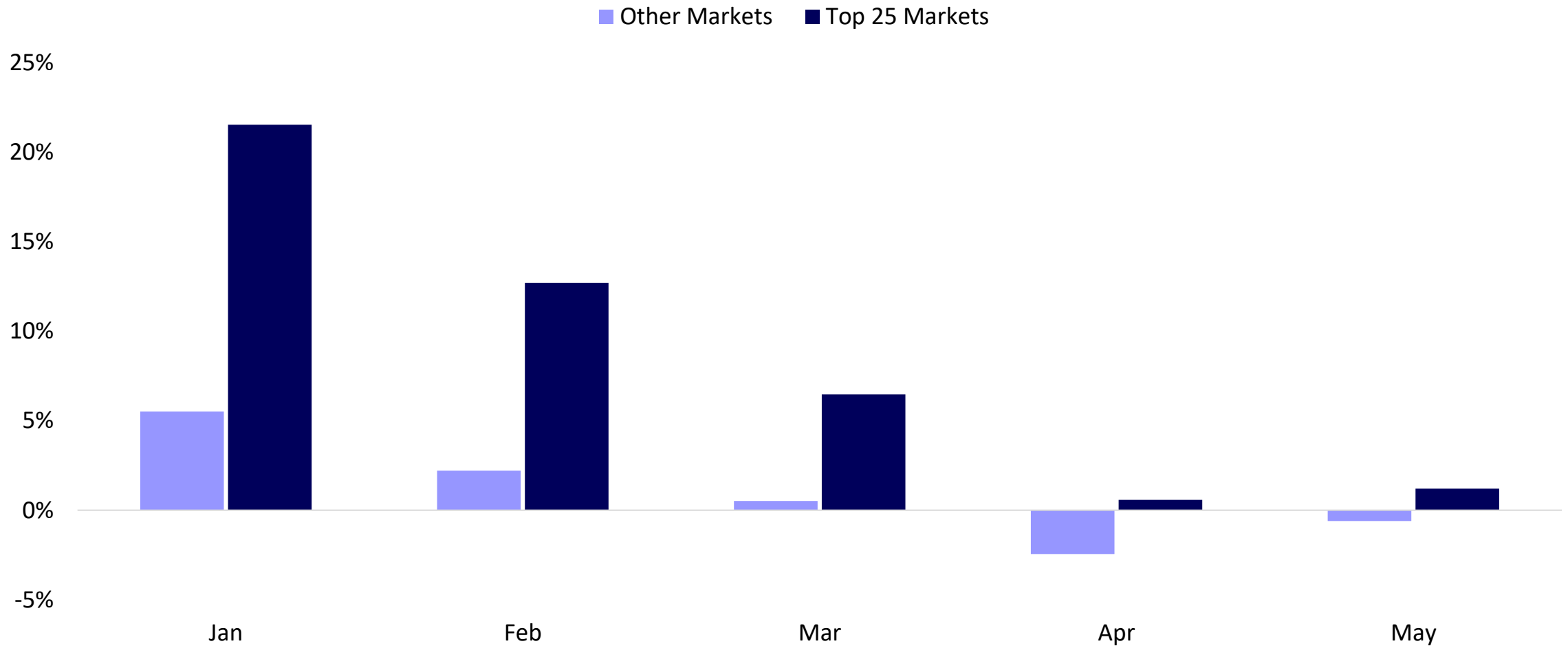
# Transient rates starting to soften

US, Lux & Upper Upscale classes, YOY ADR growth, Jun 2022 – May 2023



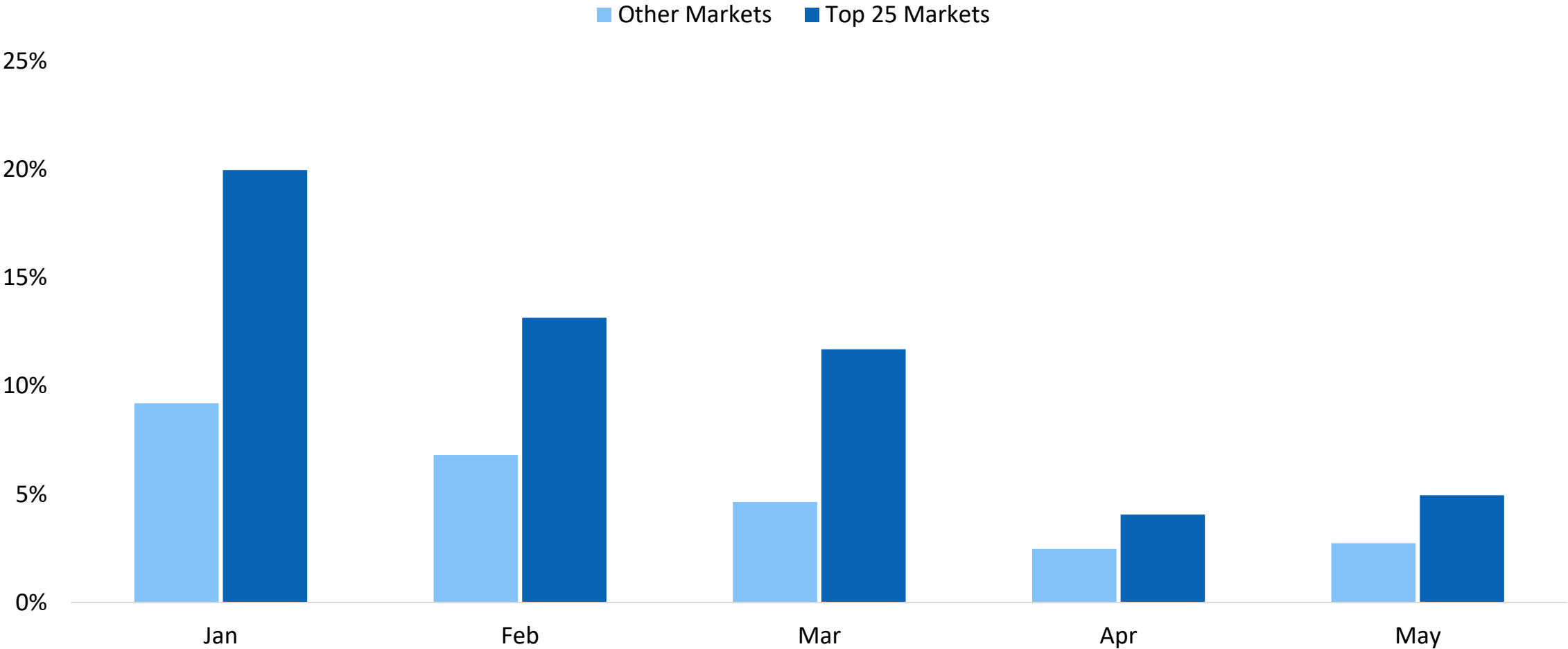
# Markets outside the Top 25 slowing down

US, demand, YOY % change, Jan – May 2023



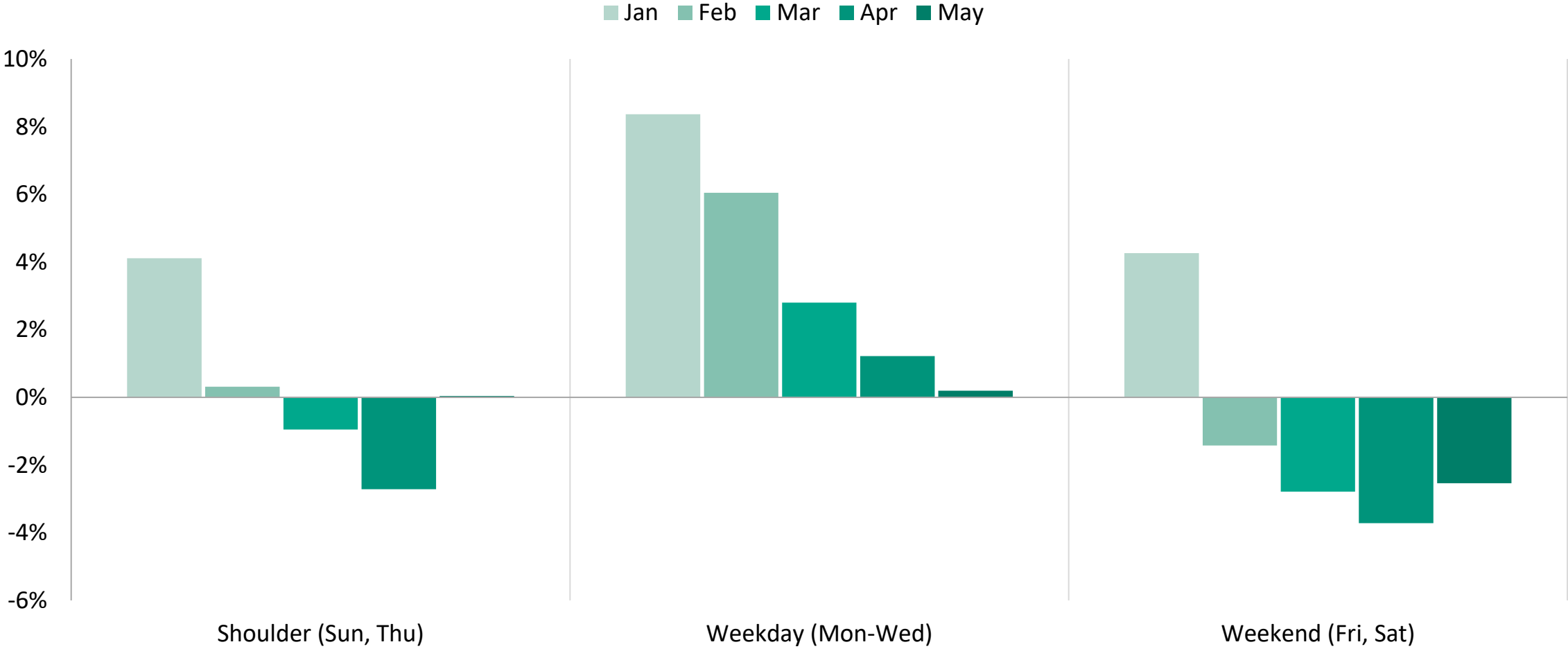
# Top 25 market ADR growth paces ahead of inflation

US, ADR, YOY % change, Jan – May 2023



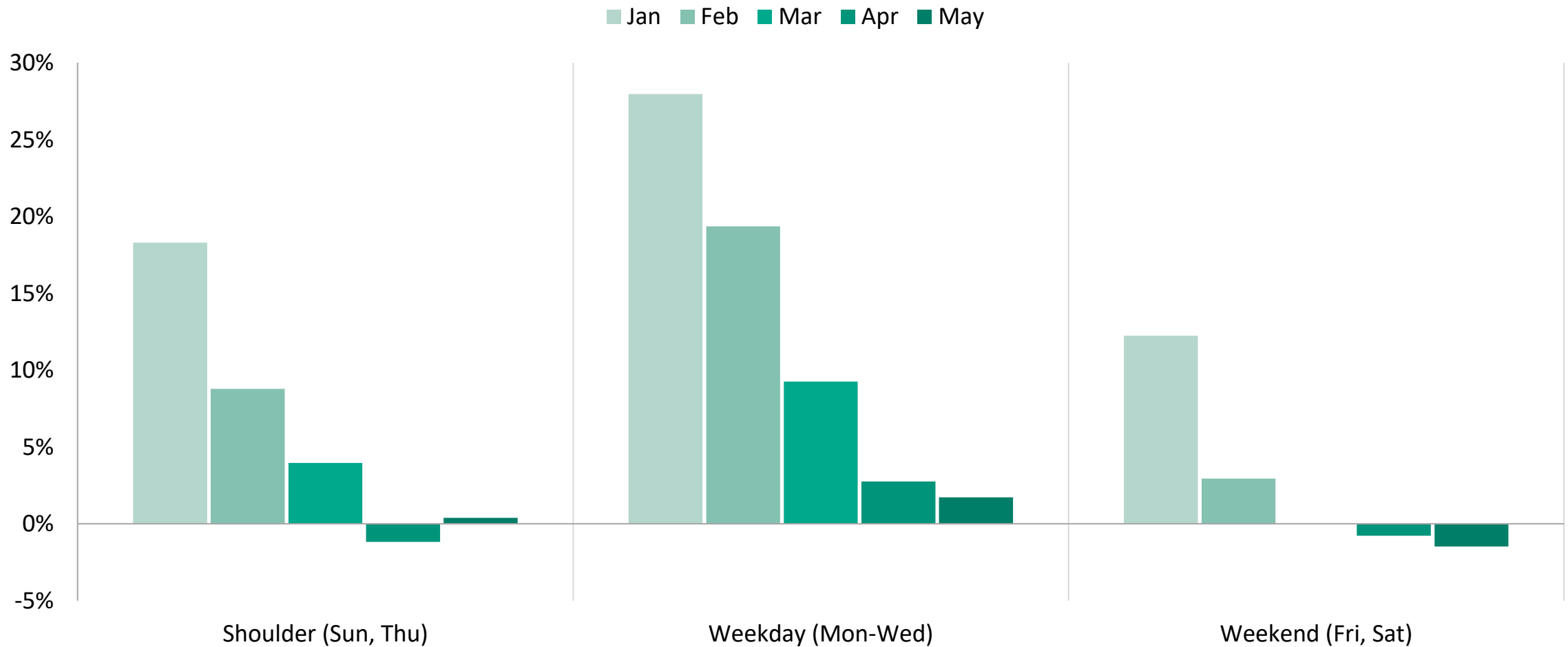
# Weekends the cause for Other Market slowdown

Other markets, occ % change YOY, Jan 2023 – May 2023



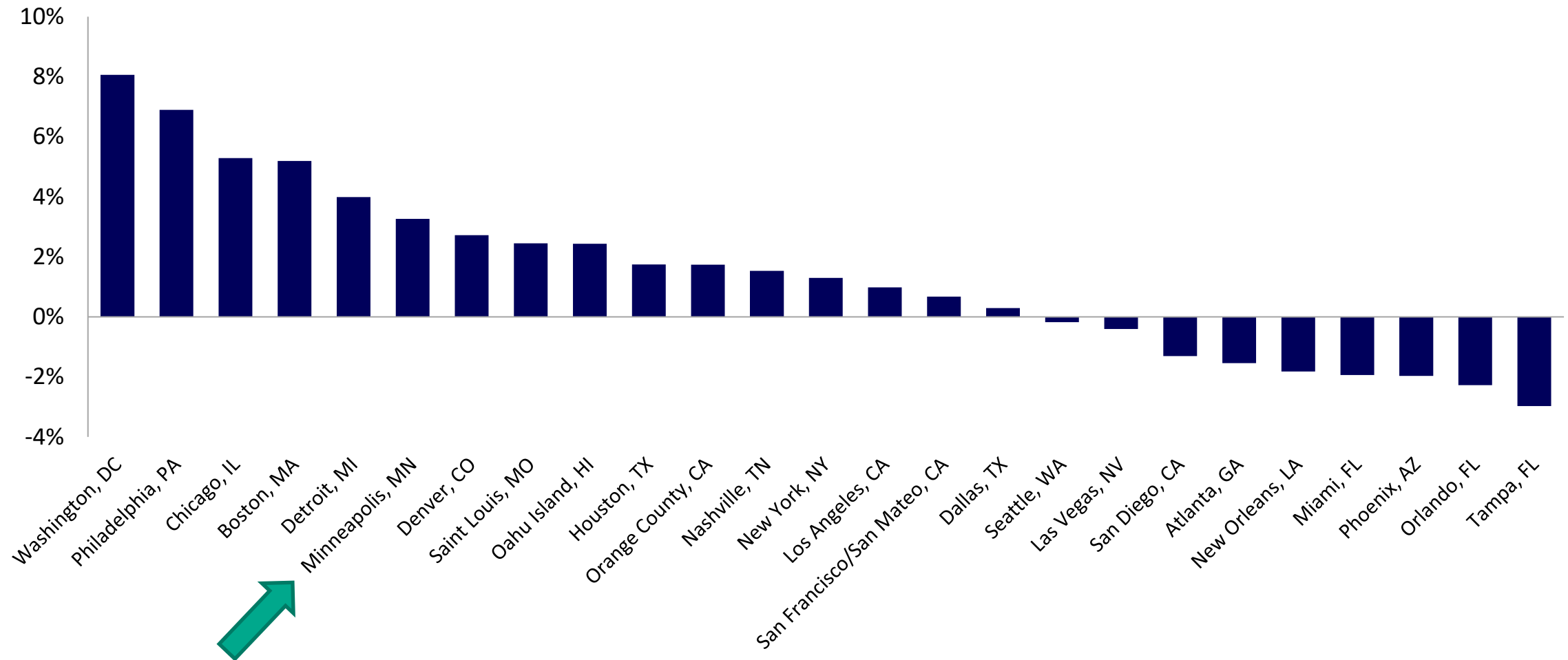
# Weekends trouble the Top 25 as well

Top 25 markets, occ % change YOY, Jan 2023 – May 2023



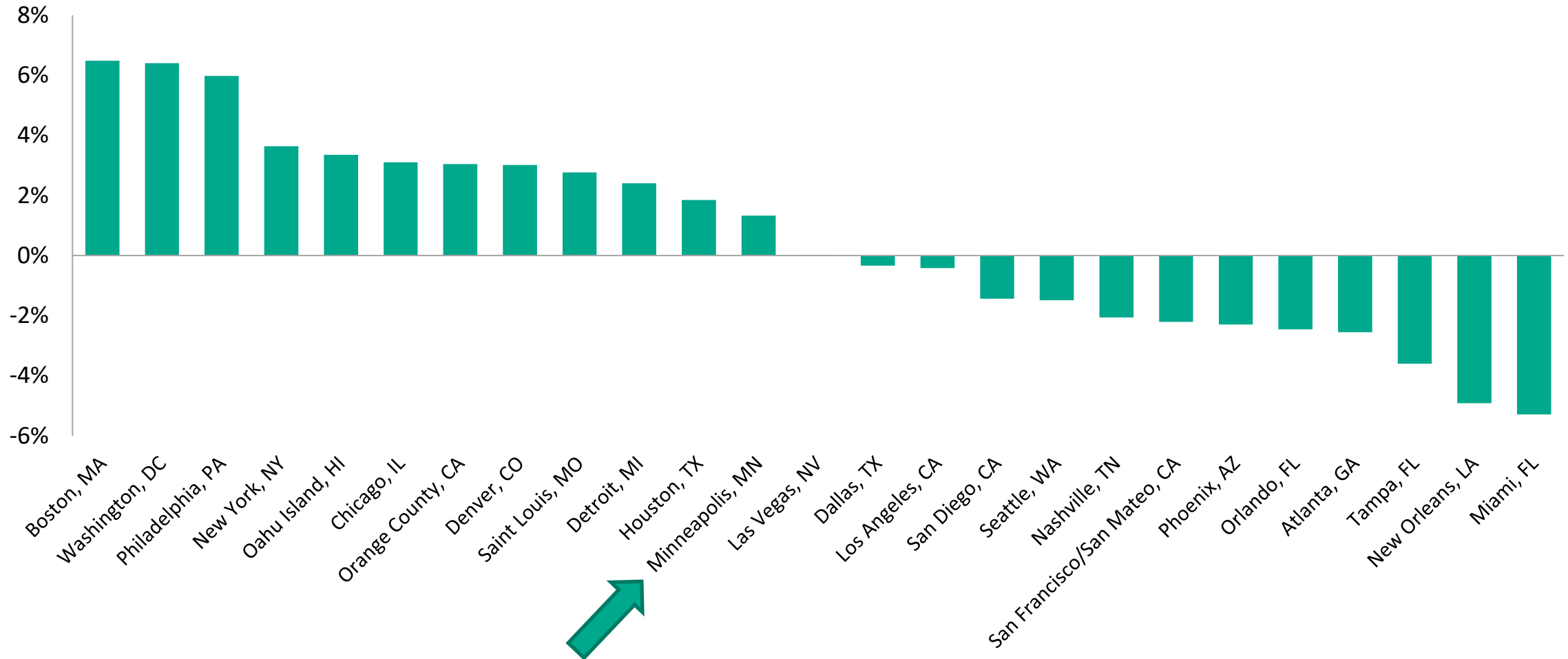
# Demand down among the most leisure-driven of Top 25

Top 25 Markets, demand YOY % chg., May 2023



# Occupancy falls among most leisure-driven markets

Top 25 Markets, occupancy YOY % chg., May 2023



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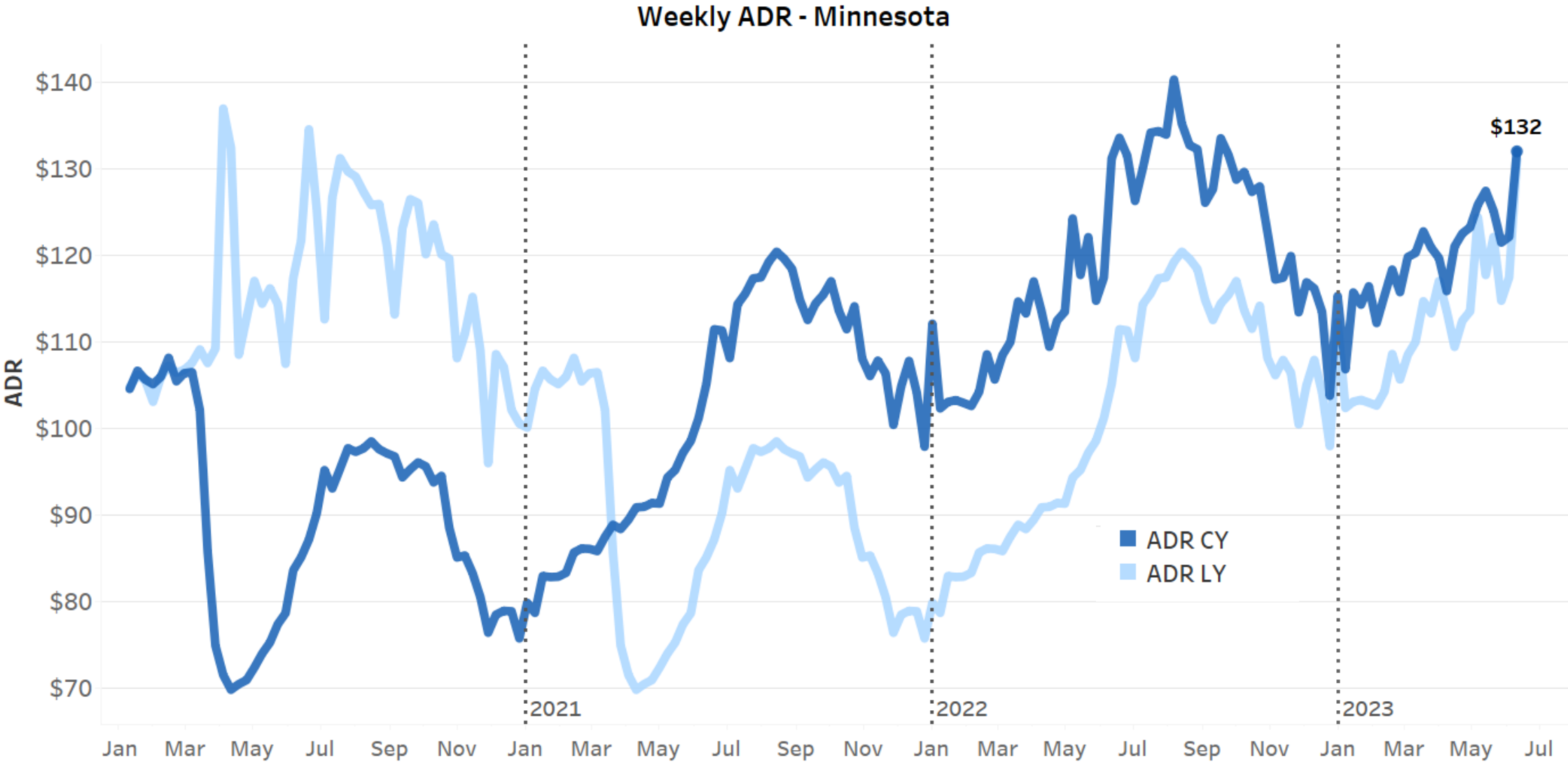
# Minnesota

## May 2023 YTD Key Statistics

	Actuals YTD	% Change
Room Supply	13M	1.2%
Room Demand	6.5M	7.5%
Occupancy	50.2%	6.2%
ADR	\$119	6.8%
RevPAR	\$60	13.5%
Room Revenue	\$784M	14.8%

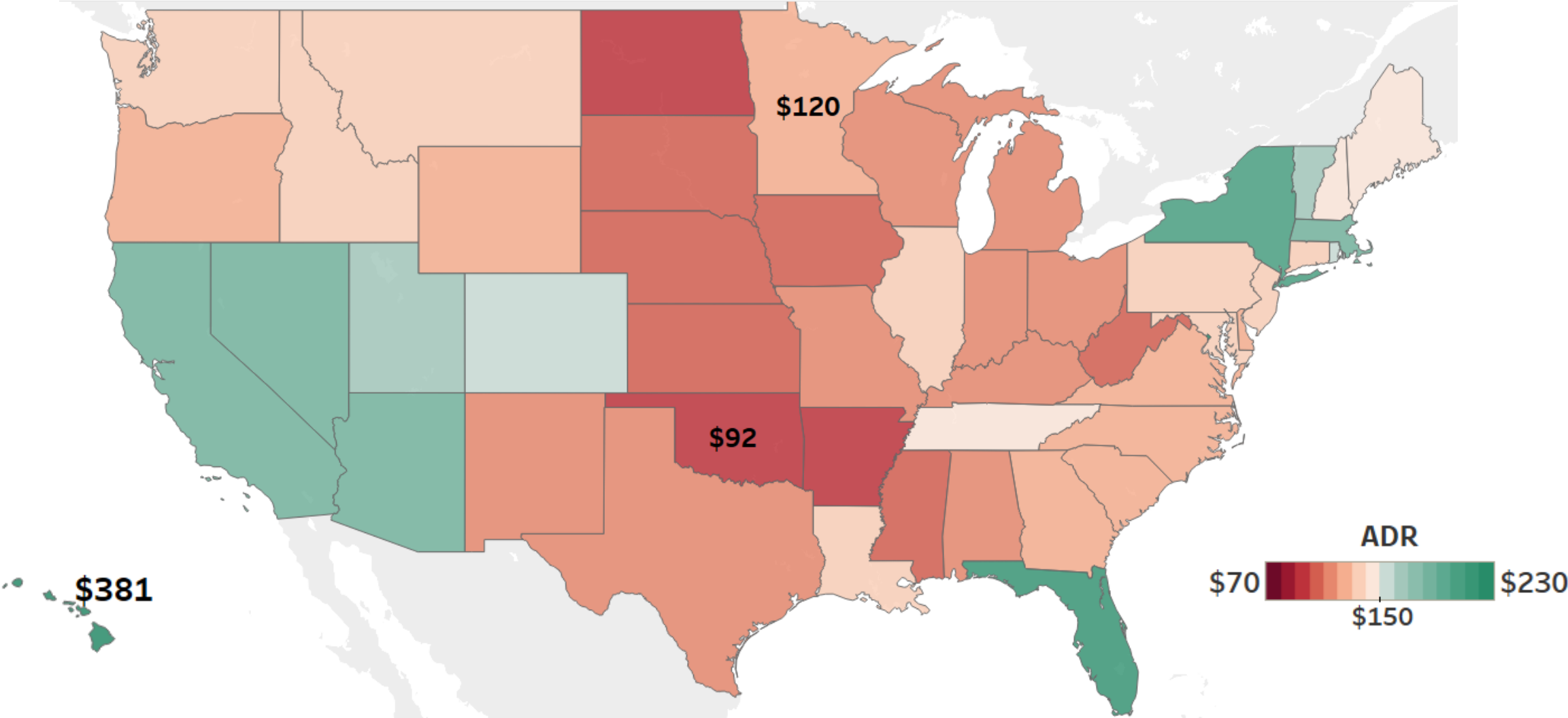
# 2023 Minnesota Room Rates Outperforming 2022

But the Gap is Narrowing



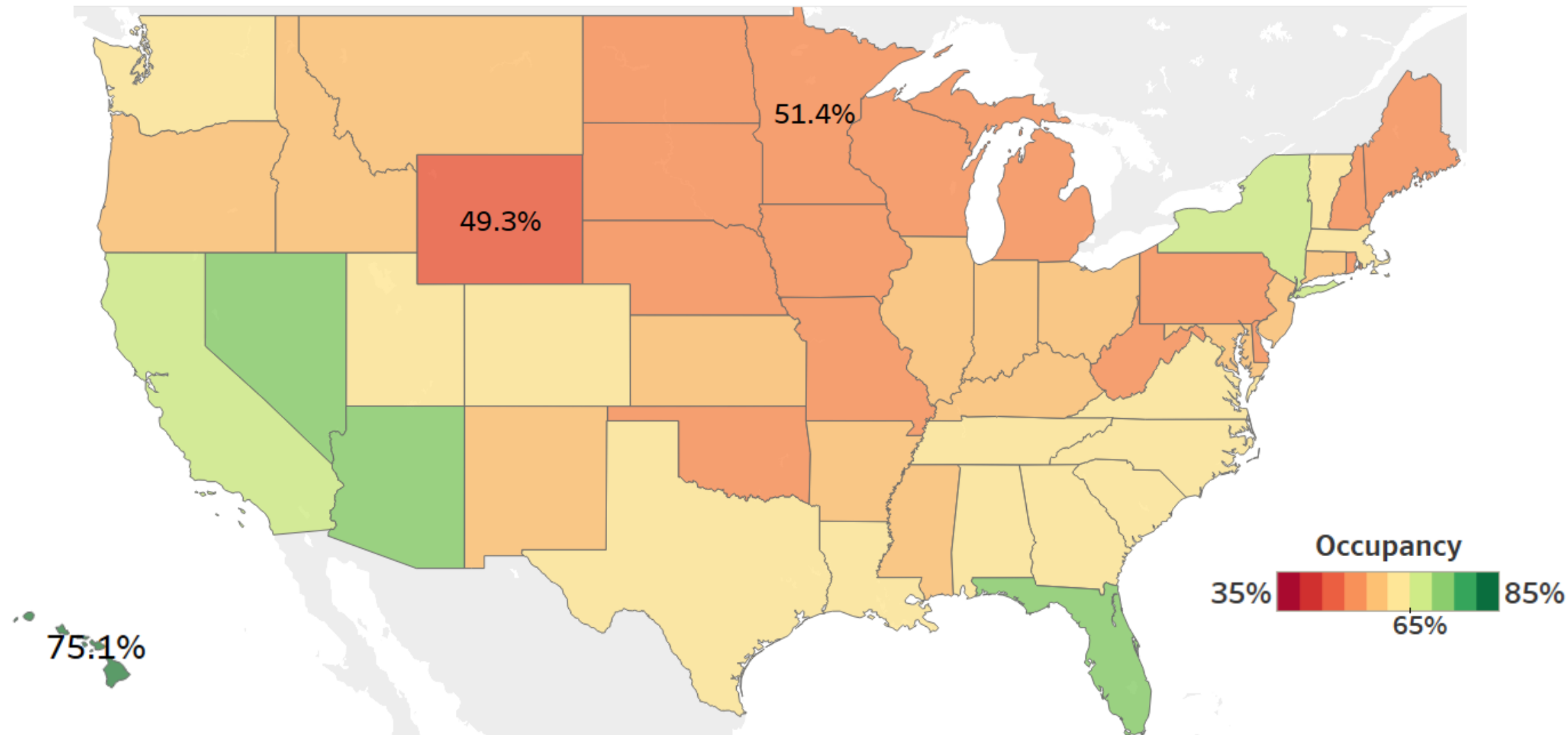
# Minnesota Leading Most of the Midwest in Rate

Weekly ADR YTD



# The Same Holds True for Occupancy

Warm Weather Sells Early in the Year



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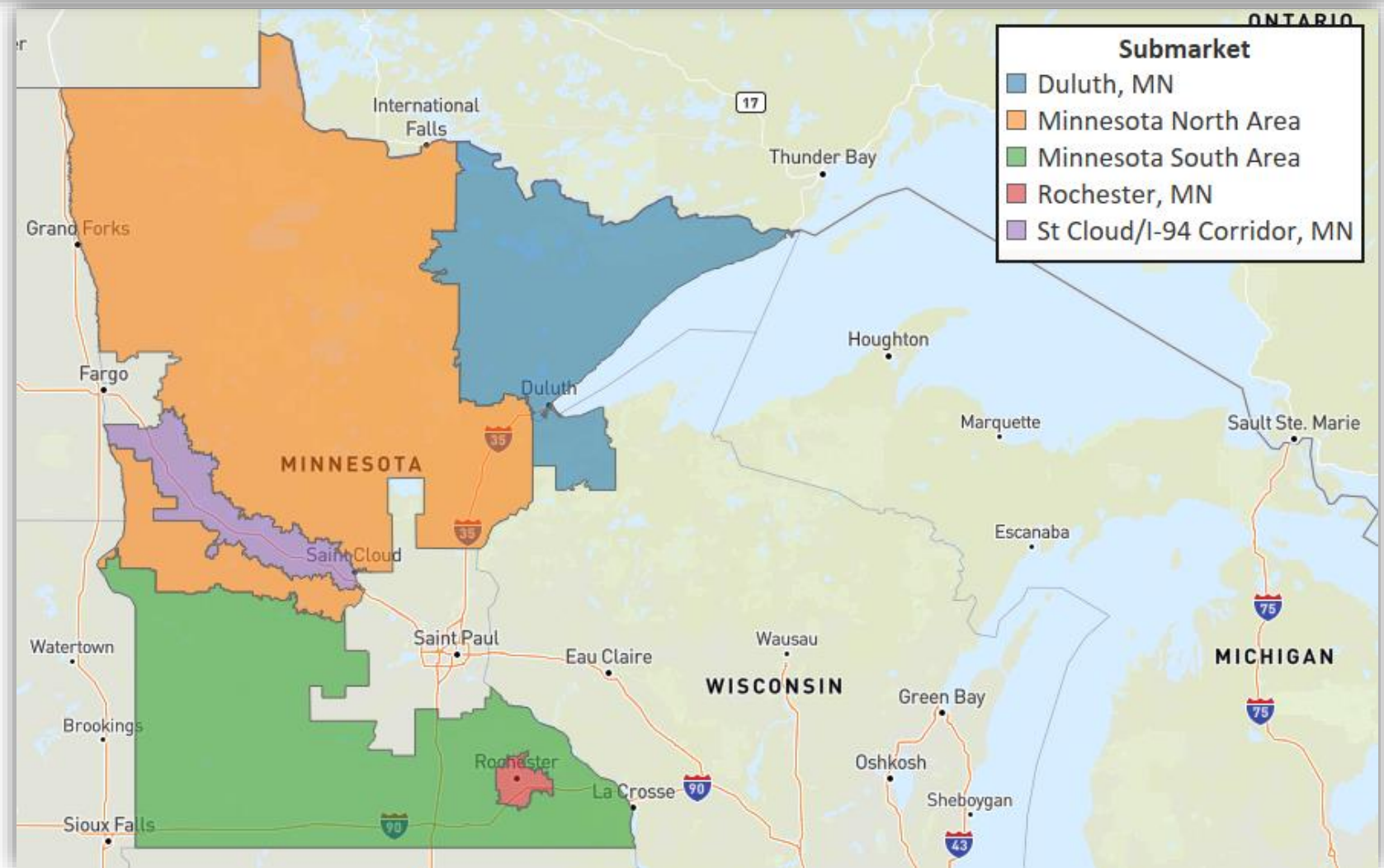
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# Minnesota Submarket Breakdown

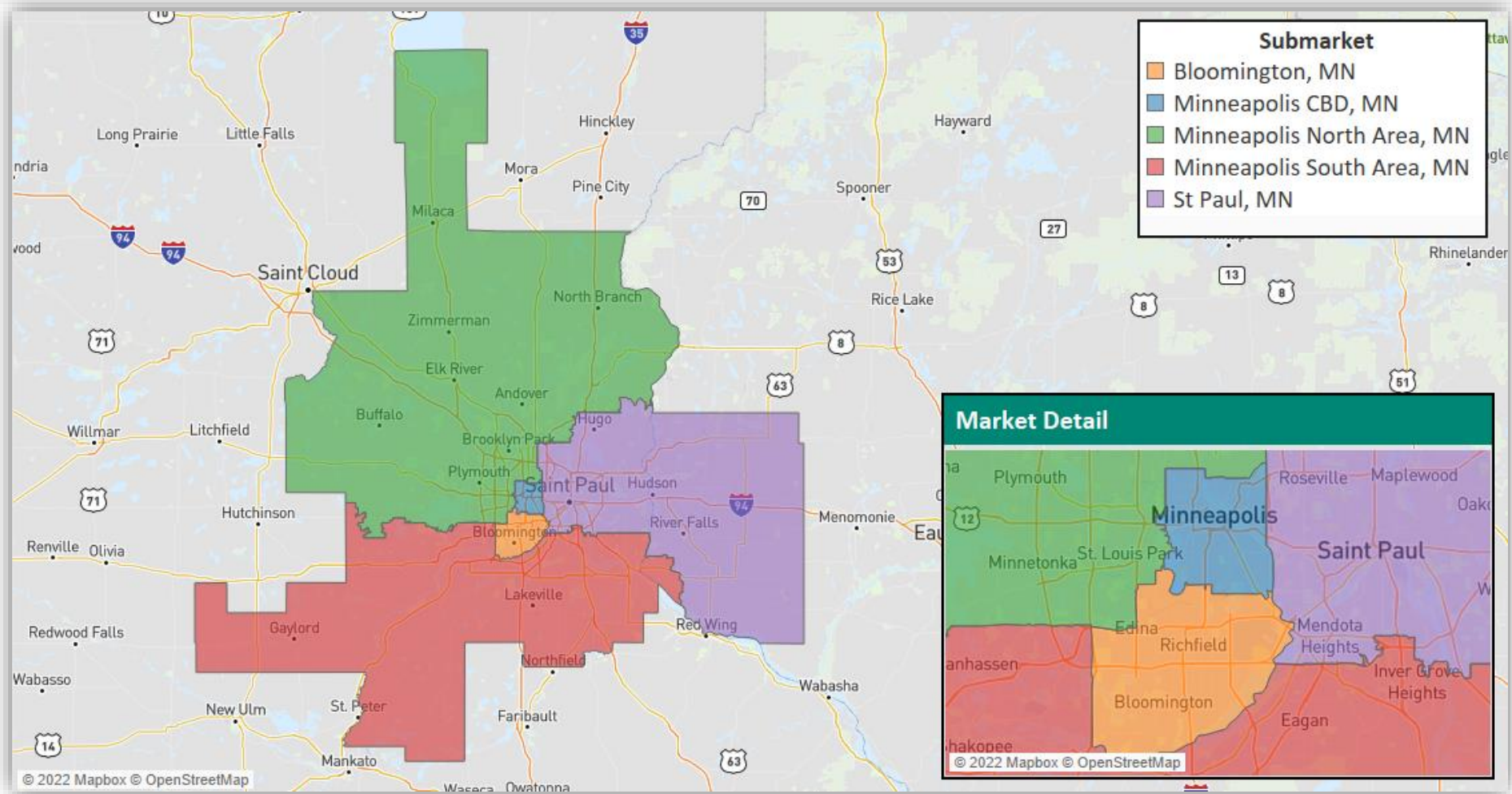
40,727 ↑	0 ↓	54.7% ↑	\$121.71 ↑	\$66.57 ↑	\$87.2K ↑	9.8% ↑
Inventory Rooms	Under Construction Rooms	12 Mo Occupancy	12 Mo ADR	12 Mo RevPAR	Market Sale Price/Room	Market Cap Rate





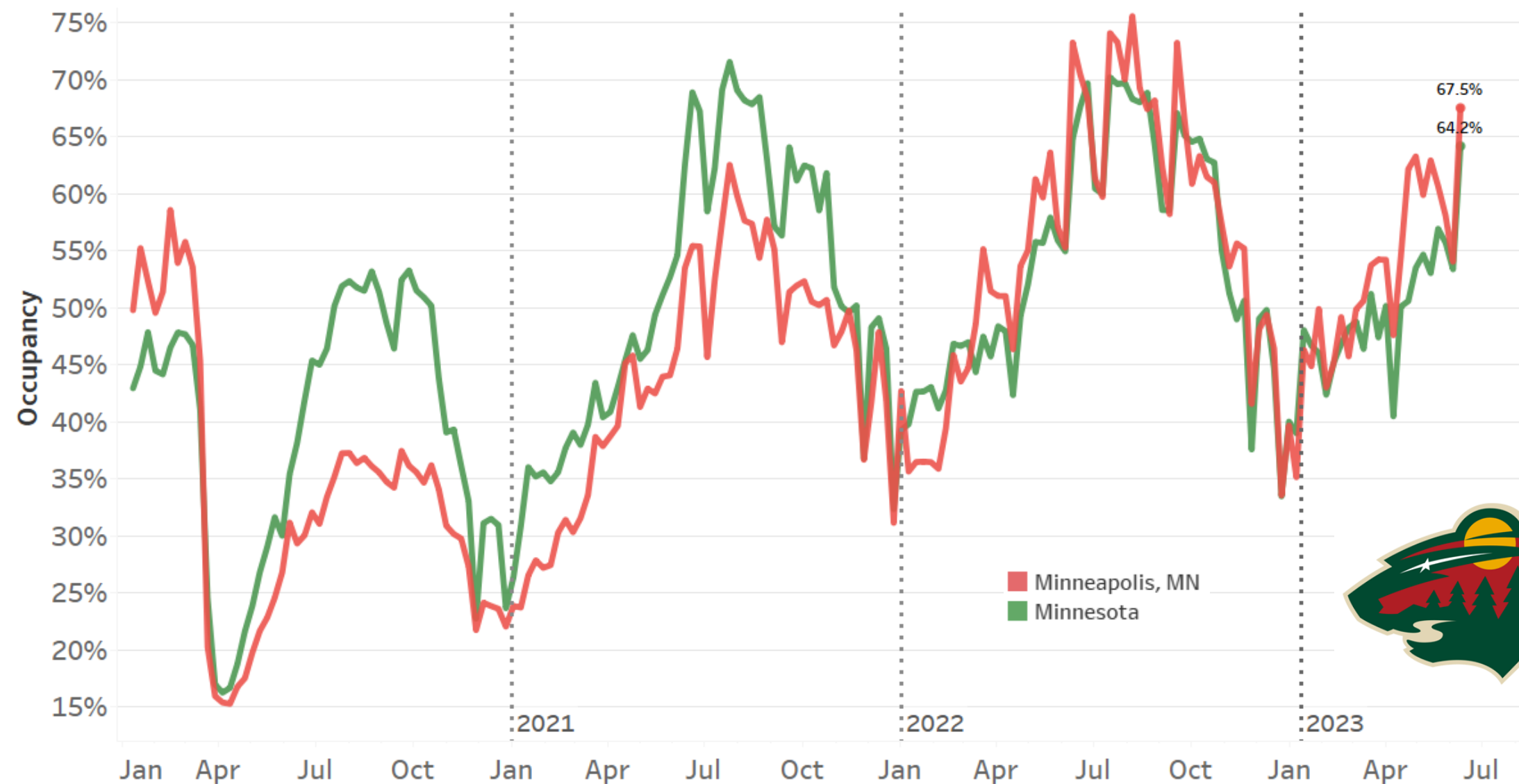
# Minneapolis Submarket Breakdown

48,587 ↑	496 ↓	56.8% ↑	\$126.65 ↑	\$71.93 ↑	\$94.9K ↑	10.2% ↑
Inventory Rooms	Under Construction Rooms	12 Mo Occupancy	12 Mo ADR	12 Mo RevPAR	Market Sale Price/Room	Market Cap Rate



# Minnesota & Minneapolis Markets

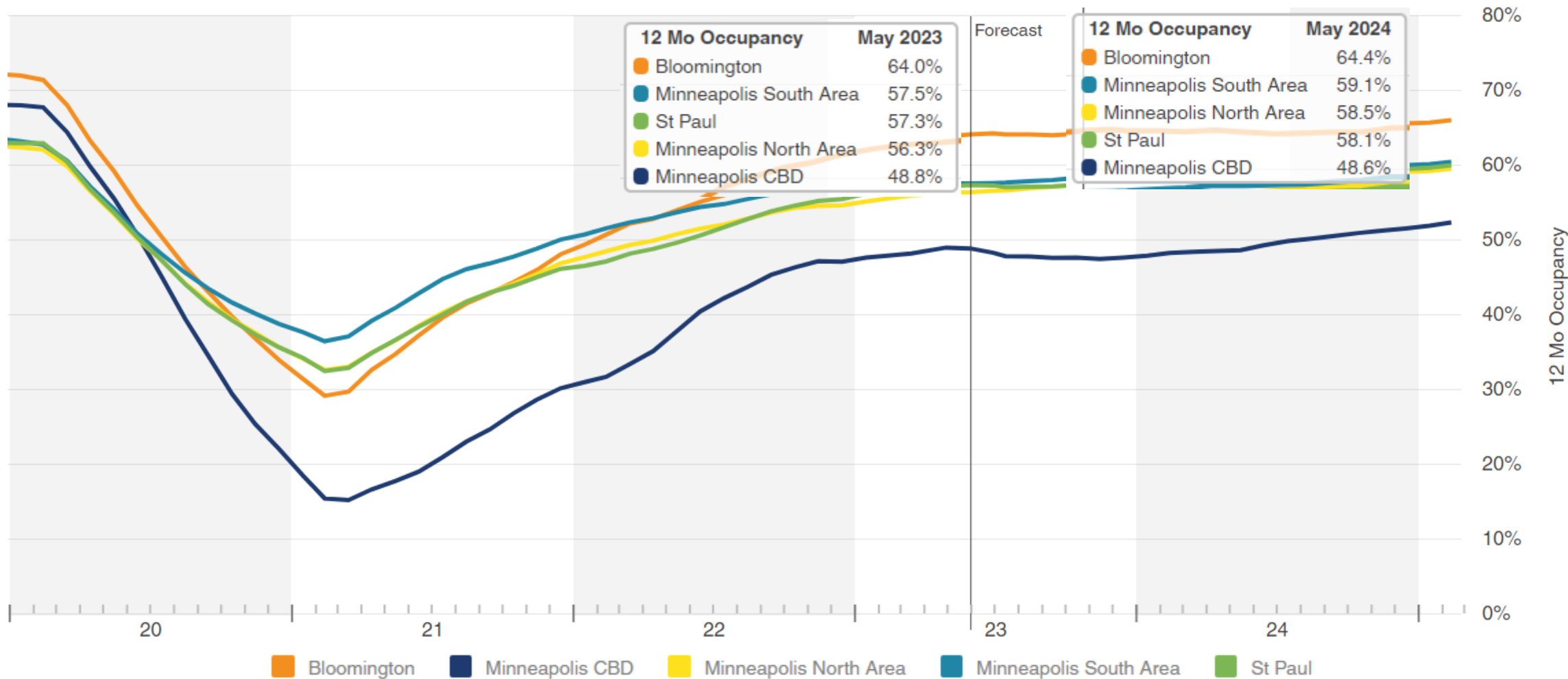
Demand Mostly Pacing Ahead of 2022 YOY





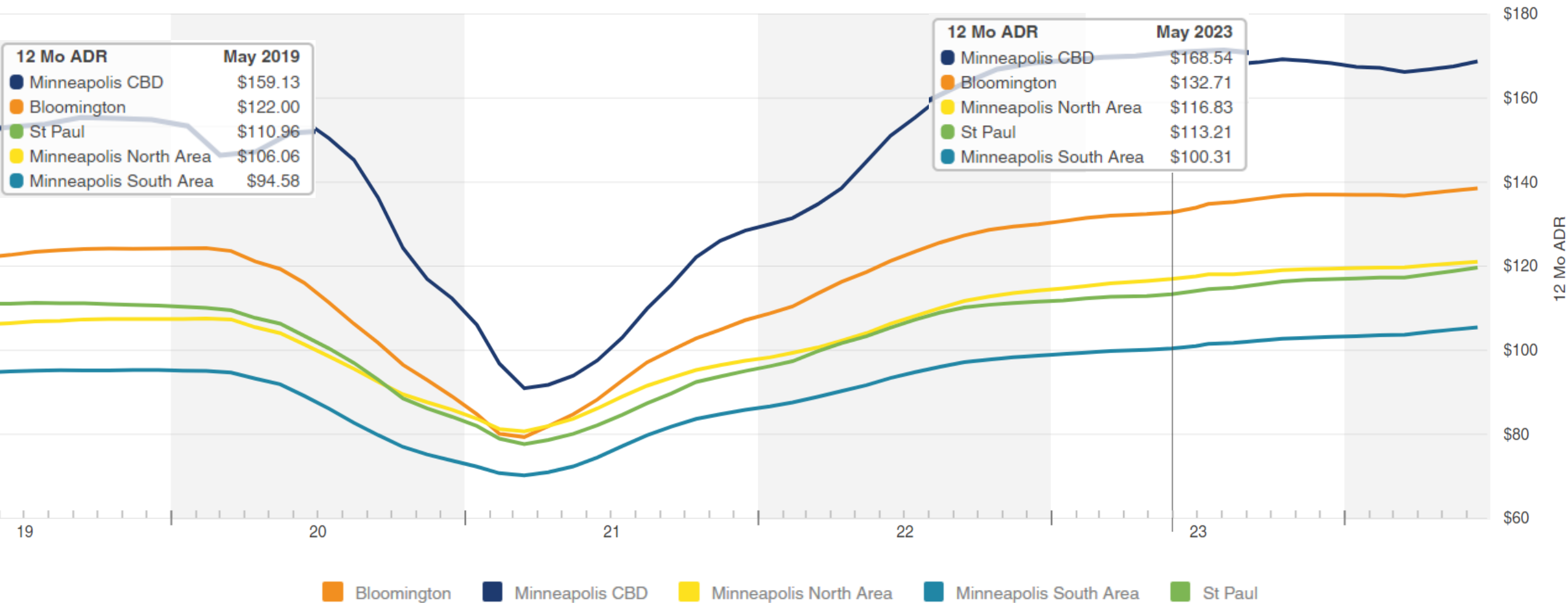
# Occupancy Has Stabilized

## Minneapolis Submarkets 12MM Occupancy and Forecast



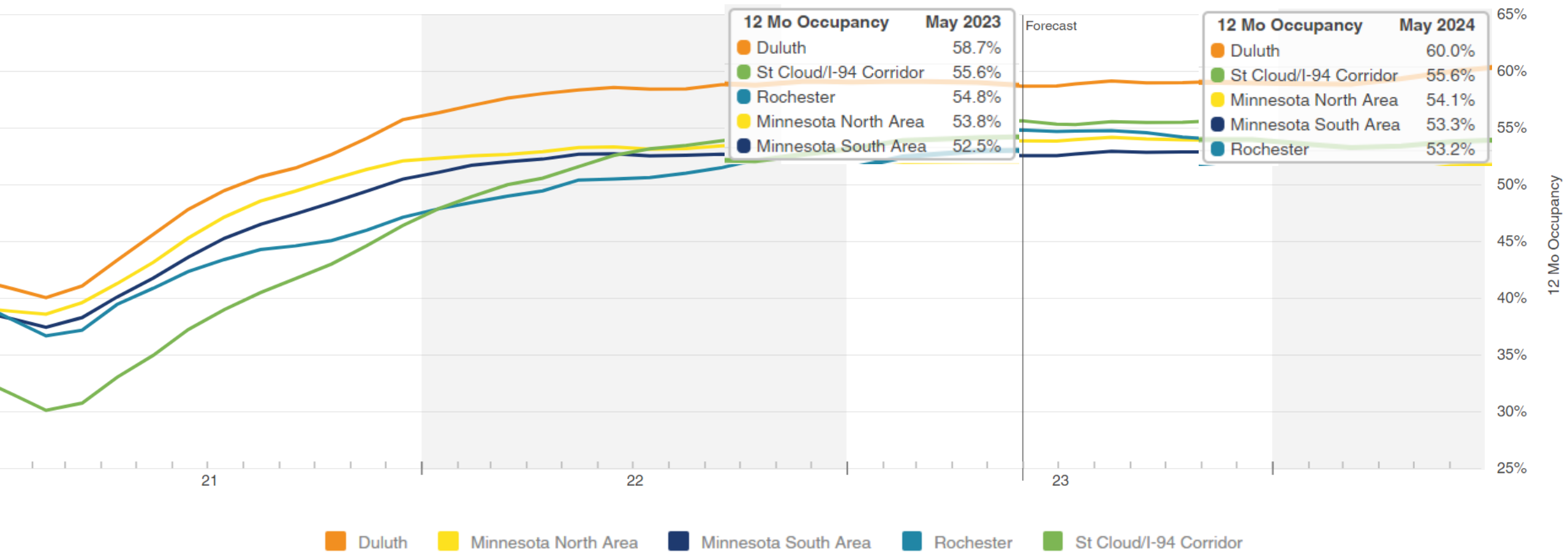
# ADR Has Recovered in Minneapolis

## Minneapolis Submarkets 12MM ADR and Forecast



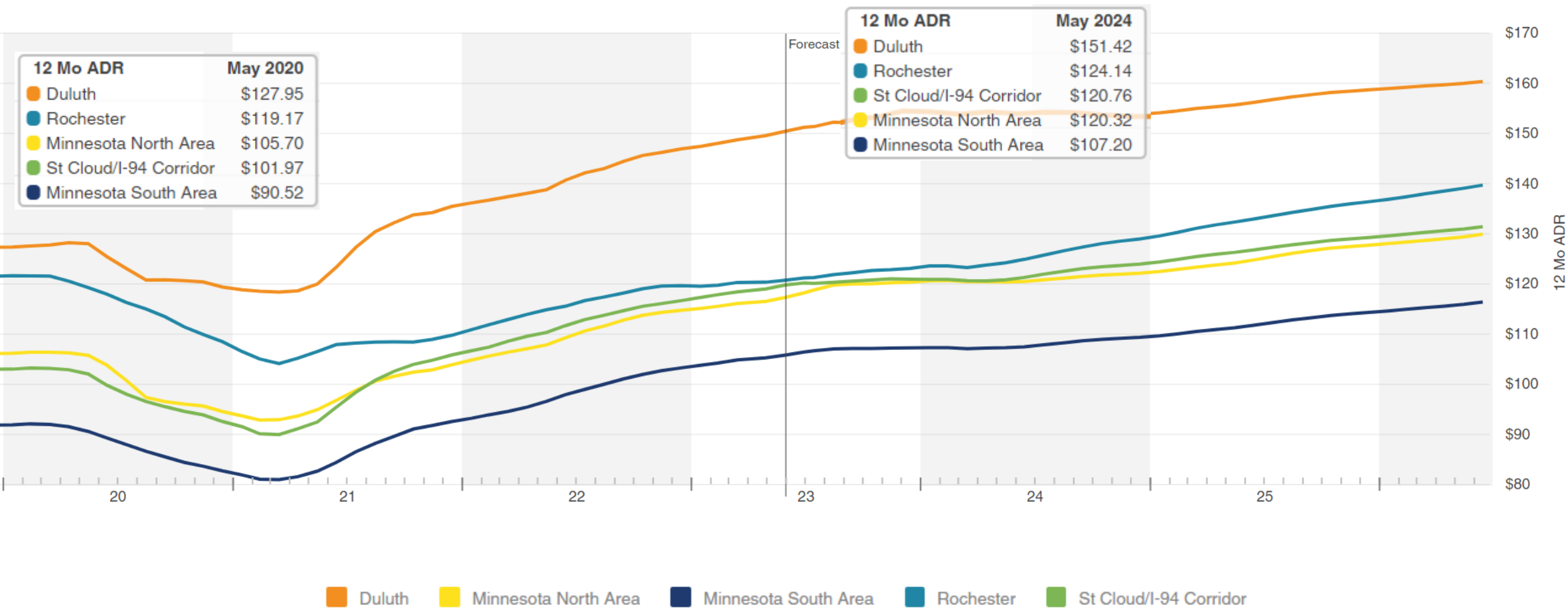
# Occupancy Has Stabilized

## Minnesota Submarkets 12MM Occupancy and Forecast



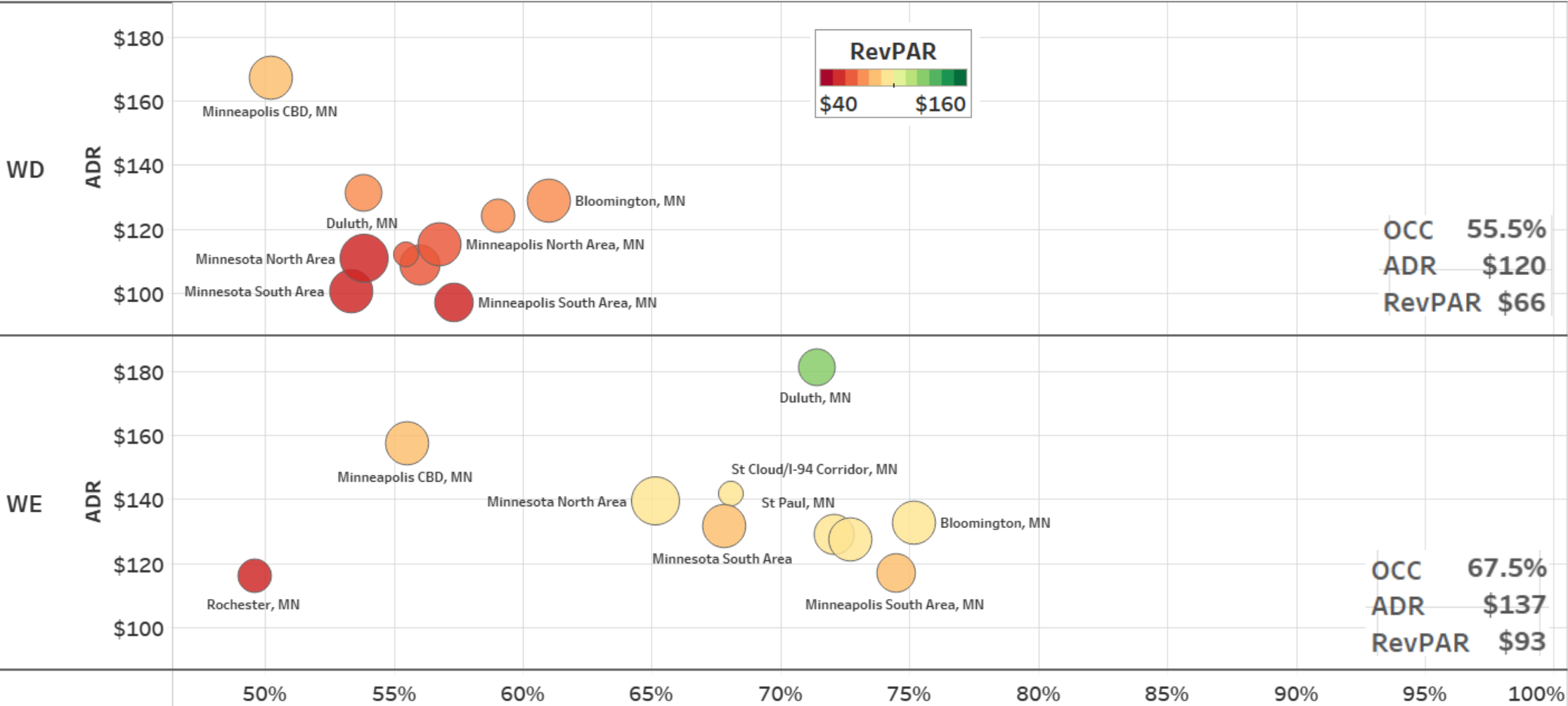
# ADR Has Recovered in the Rest of Minnesota As Well

Minnesota Submarkets 12MM ADR and Forecast



# Weekends Still Driving Rate & Occupancy

With Rochester as the Exception



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# Rooms under construction on the decline again

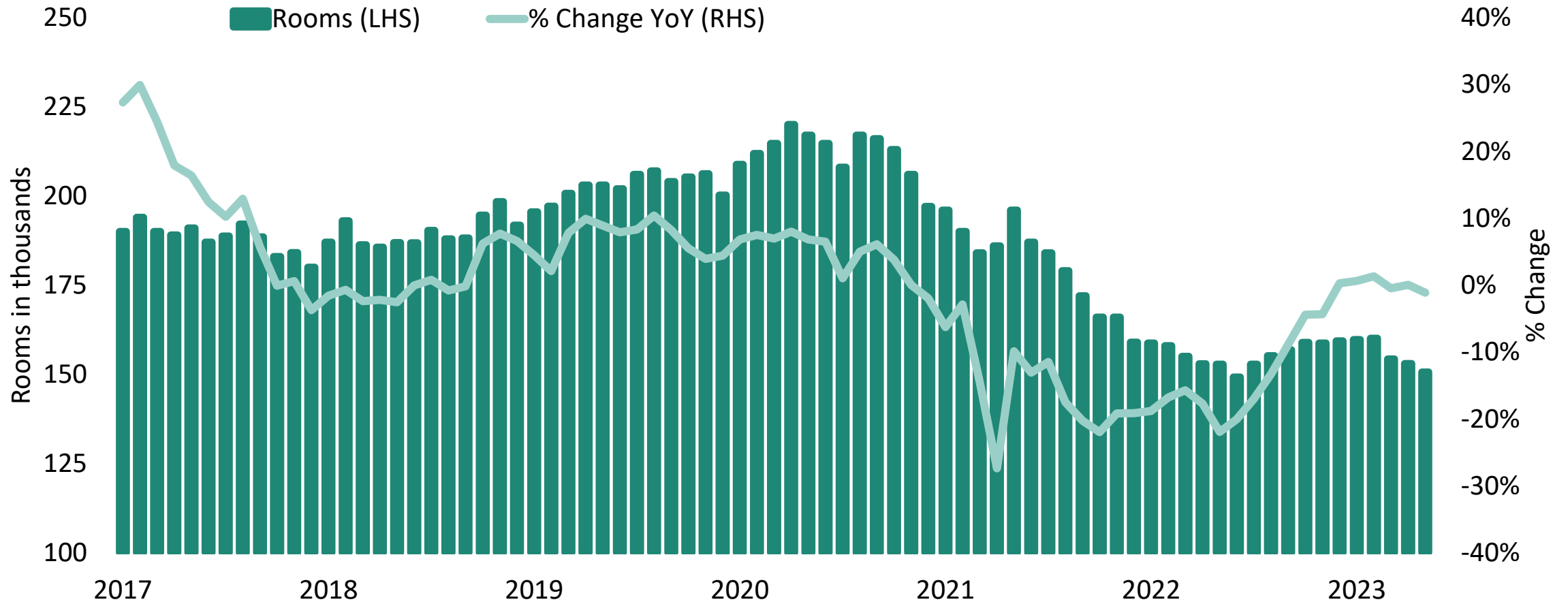
U.S., Pipeline rooms in thousands by phase, May 2023 and 2022

Phase	2023	2022	% Change
In Construction	151	152	-1%
Final Planning	243	179	36%
Planning	236	278	-15%
<b>Under Contract</b>	<b>630</b>	<b>610</b>	<b>3%</b>

# Construction room growth basically flat



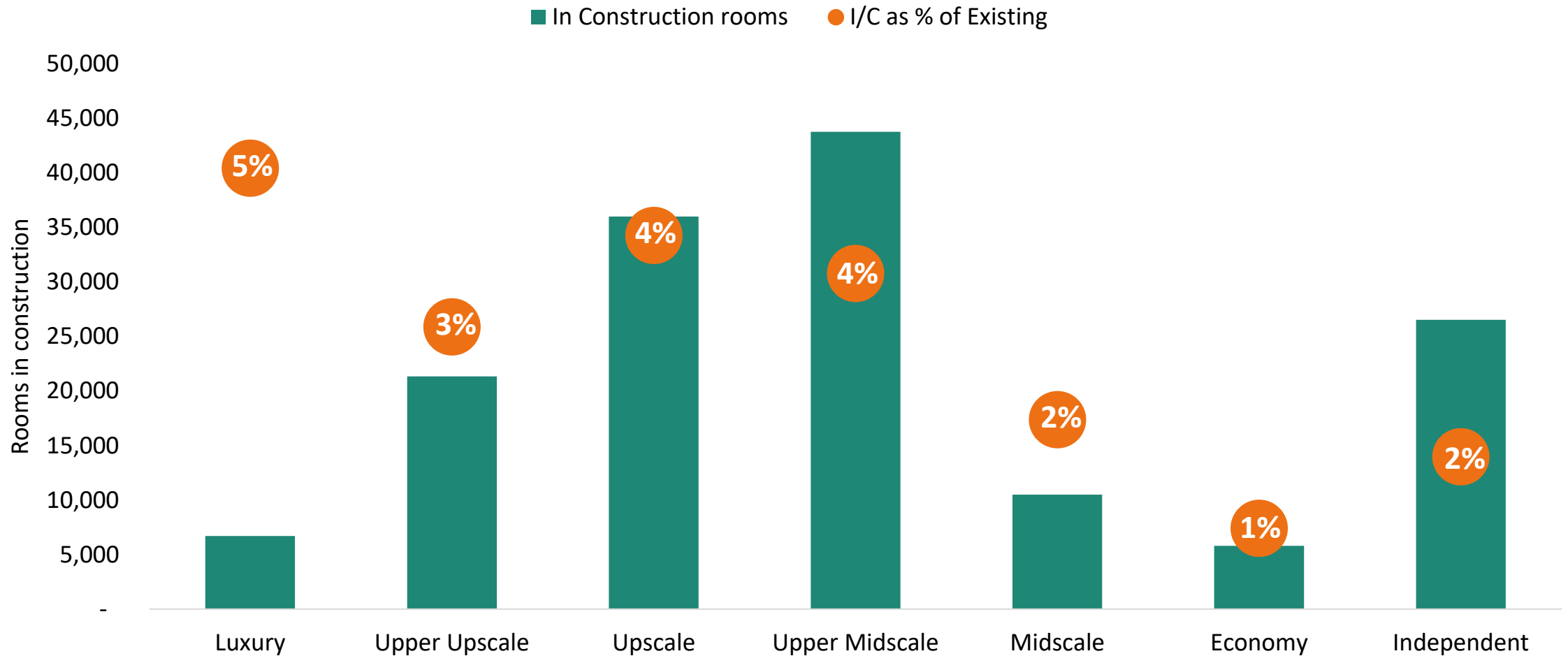
U.S., in construction rooms (in thousands) and % change from prior year, Jan 2017 – May 2023





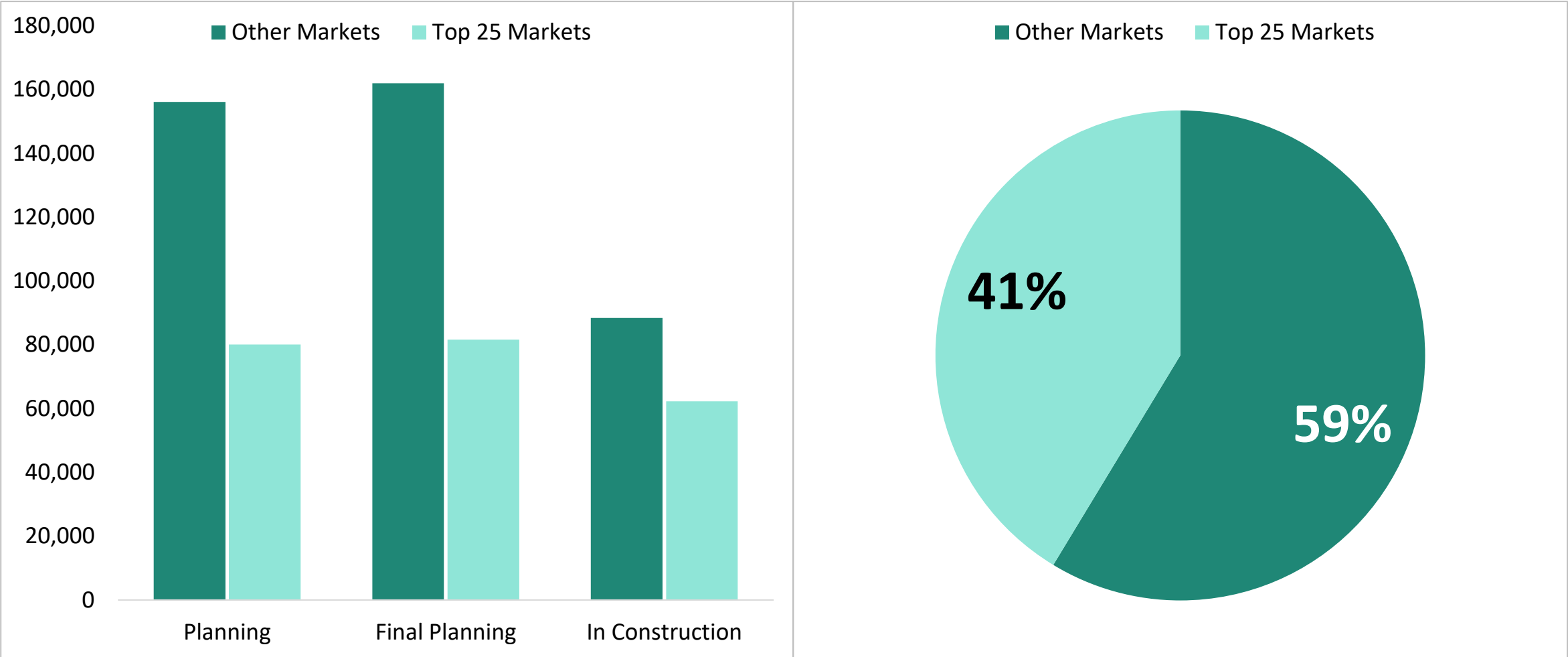
# BT isn't dead: Upper Ups well-represented in pipeline

US, rooms in construction by chain scale, May 2023



# 25 markets account for 2/5 rooms under construction

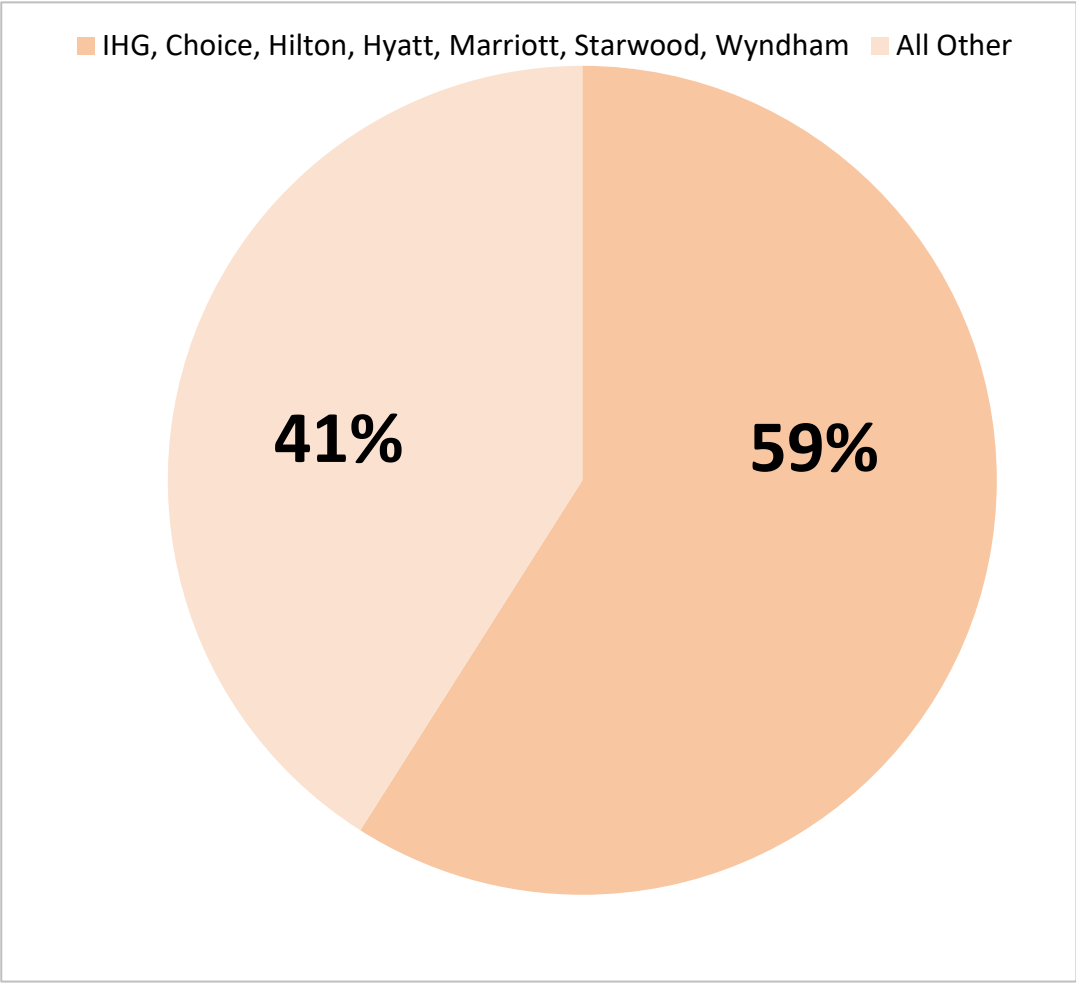
Total U.S., active pipeline by market type and % of I/C rooms by market type, May 2023



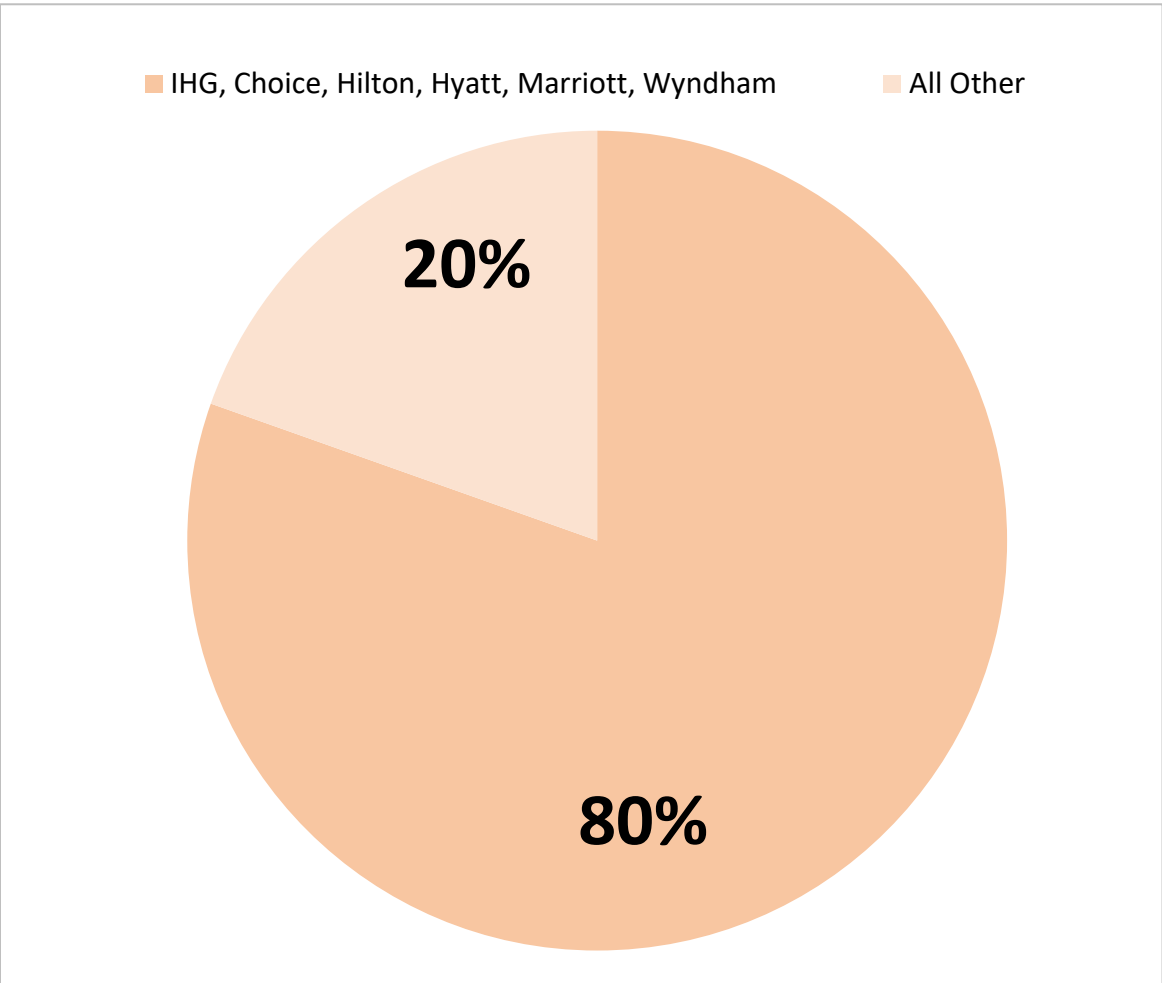
# Active Pipeline: Clear shift to the “Big 6” over past decade

U.S., active pipeline by brand, 2010 and 2022

2010



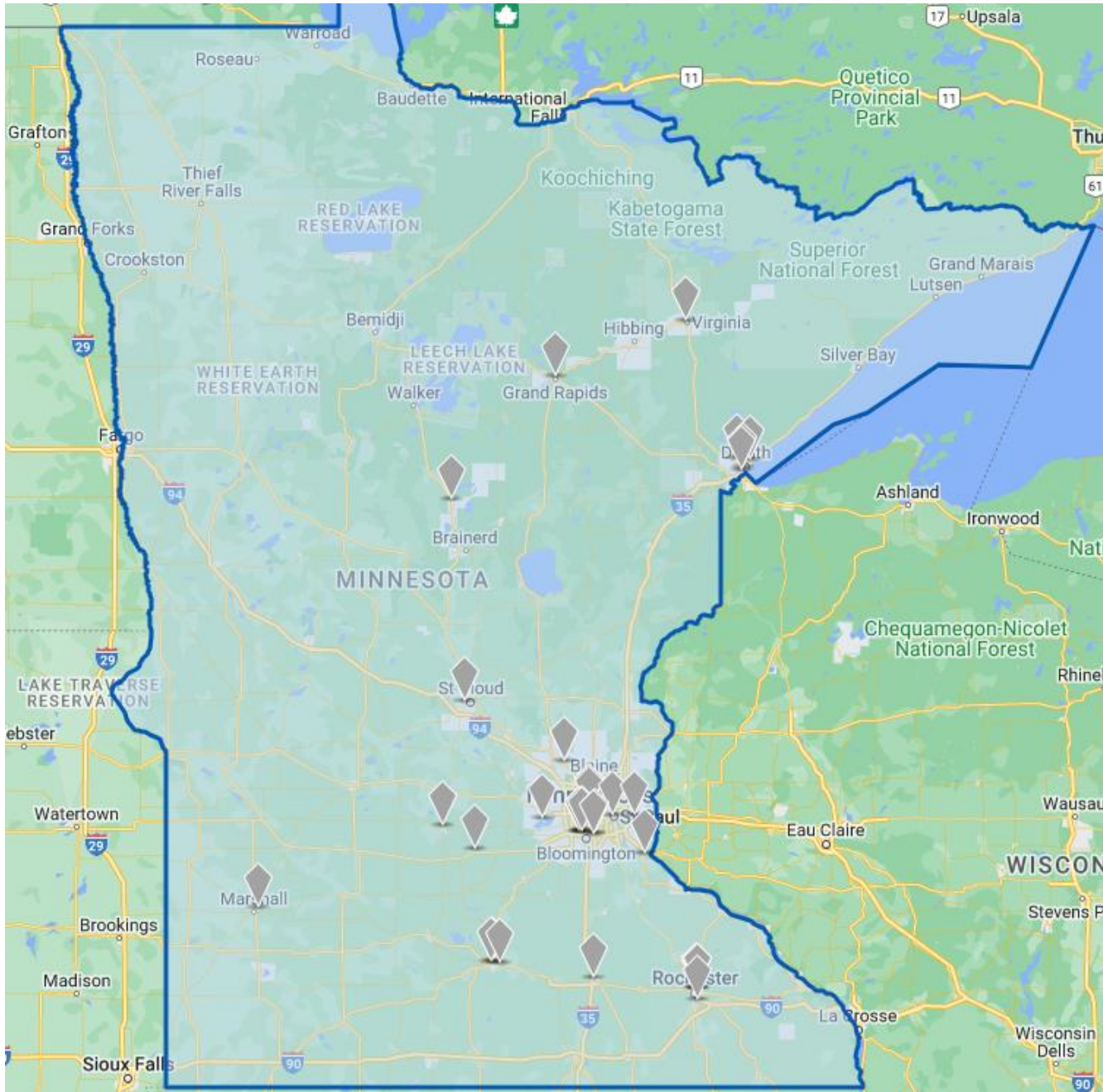
2022



# Minnesota Pipeline

Macroeconomic Pressures At Work

	Projects	Number of Rooms
In Construction	5	496
Final Planning	14	1,421
Planning	14	1,342
<b>Active Pipeline</b>	<b>33</b>	<b>3,259</b>



## Minnesota Pipeline Map

**1.**

**U.S. Hotel  
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**Phoenix  
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# US RevPAR forecast upgraded

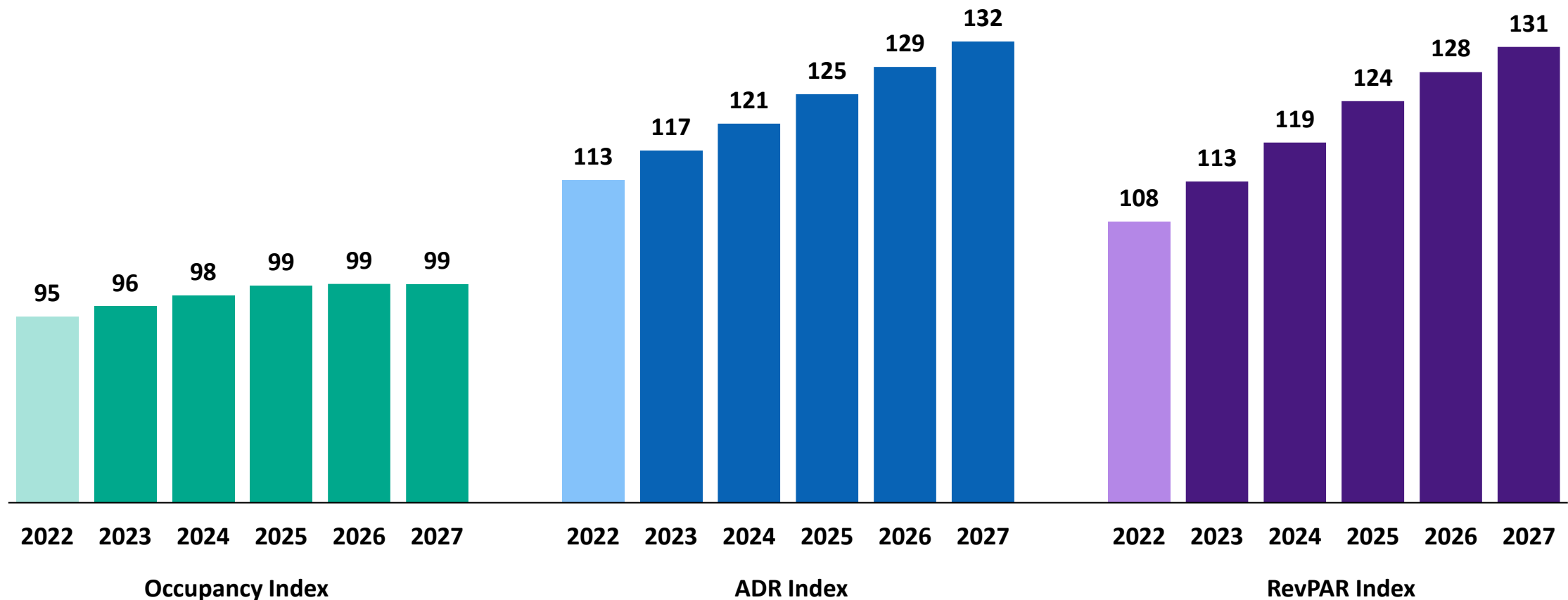
U.S., KPI YOY % change, 2022 – 2024F



	2022	2023F	2024F
Supply	1.8%	0.6%	1.5%
Demand	10.9%	2.1%	3.0%
Occupancy	8.9%	1.4%	1.5%
ADR	19.9%	3.5%	3.1%
RevPAR	30.6%	5.0%	4.6%

# Occ won't quite hit pre-pandemic level, but RevPAR's just fine

U.S. KPIs Indexed to 2019





# Takeaways

## Cautious Optimism

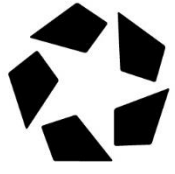


2022 was a year of recovery for our industry

Demand continues to grow, albeit slowly (leisure + business)

Travelers and developers alike see value in Select Service

Inflationary pressures and a possible recession will temper growth moving forward – both in performance and pipeline



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# Thank you.

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