Boston & Cambridge Outlook
Q2 Update

Massachusetts Lodging Association
April 20, 2021

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Massachusetts &
The Boston MSA

2020 & Q1 2021
Massachusetts 2020 Performance

Source: STR, Total Room Inventory
Massachusetts 2020 Performance

Demand Change by County from 2019

Source: STR, Total Room Inventory

-34% -50% -39% -55% -49% -66%
-33% -51% -35% -26% -32% -30% -52%
Massachusetts Q1 2021 Performance

<table>
<thead>
<tr>
<th>Massachusetts</th>
<th>YTD March 2021 vs 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD 2019</td>
<td>YTD 2021</td>
</tr>
<tr>
<td>Occupancy</td>
<td>56%</td>
</tr>
<tr>
<td>ADR</td>
<td>$146</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$82</td>
</tr>
</tbody>
</table>

Massachusetts Lodging Market 2021 Monthly Performance

March represents preliminary data through 3/27
Source: STR, Total Room Inventory

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Boston MSA 2020 Performance

**4th Steepest Decline in Demand Among Top-25 Markets**

**2nd Steepest Decline in ADR Among Top-25 Markets**

Source: STR, Total Room Inventory
Boston MSA 2020 Performance

Top-25 U.S. Markets
2020 RevPAR % Change

-74.7%

Source: STR, Total Room Inventory
# Boston MSA Q1 2021 Performance

## Boston MSA YTD March 2021 vs 2019

<table>
<thead>
<tr>
<th>Metric</th>
<th>YTD 2019</th>
<th>YTD 2021</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>56%</td>
<td>29%</td>
<td>-27%</td>
</tr>
<tr>
<td>ADR</td>
<td>$144</td>
<td>$98</td>
<td>-32%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$81</td>
<td>$28</td>
<td>-65%</td>
</tr>
</tbody>
</table>

March represents preliminary data through 3/27
Source: STR, Total Room Inventory

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### Boston MSA Lodging Market 2021 Monthly Performance

![Graph showing ADR, RevPAR, and Occupancy trends from 1/2 to 3/27.]  
- ADR: $100, $75, $50, $25, $0  
- RevPAR: $125, $100, $75, $50, $25, $0  
- Occupancy: 50%, 40%, 30%, 20%, 10%  

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## Boston & Cambridge 2020 Performance

### Total Room Inventory (Assumes no temporary closures)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>82.3%</td>
<td>25.6%</td>
<td>-56.7 pts</td>
</tr>
<tr>
<td>ADR</td>
<td>$261</td>
<td>$161</td>
<td>-38.4%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$215</td>
<td>$41</td>
<td>-80.9%</td>
</tr>
</tbody>
</table>

*Total room inventory methodology, assumes no temporary closures*

*Source: Pinnacle Perspective, Pinnacle Advisory Group*

### Actual Inventory (30% Supply reduction)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>36.9%</td>
<td>-45.4 pts</td>
</tr>
<tr>
<td>ADR</td>
<td>$161</td>
<td>-38.3%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$59</td>
<td>-72.3%</td>
</tr>
</tbody>
</table>

*Actual inventory, assumes temporary closures*
Boston & Cambridge 2020 Rooms Supply

<table>
<thead>
<tr>
<th>Month</th>
<th>Available Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>750,000</td>
</tr>
<tr>
<td>Feb</td>
<td>750,000</td>
</tr>
<tr>
<td>Mar</td>
<td>750,000</td>
</tr>
<tr>
<td>Apr</td>
<td>750,000</td>
</tr>
<tr>
<td>May</td>
<td>750,000</td>
</tr>
<tr>
<td>Jun</td>
<td>750,000</td>
</tr>
<tr>
<td>Jul</td>
<td>750,000</td>
</tr>
<tr>
<td>Aug</td>
<td>750,000</td>
</tr>
<tr>
<td>Sep</td>
<td>750,000</td>
</tr>
<tr>
<td>Oct</td>
<td>750,000</td>
</tr>
<tr>
<td>Nov</td>
<td>750,000</td>
</tr>
<tr>
<td>Dec</td>
<td>750,000</td>
</tr>
</tbody>
</table>

30% Available Rooms Closed in 2020

Source: Pinnacle Advisory Group, Greater Boston Convention & Visitors Bureau
Boston & Cambridge Q1 2021 Performance

Boston & Cambridge Lodging Market
2021 Monthly Performance

Boston & Cambridge YTD March 2021 vs 2019

<table>
<thead>
<tr>
<th></th>
<th>YTD 2019</th>
<th>YTD 2021</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>72.0%</td>
<td>20.5%</td>
<td>-52%</td>
</tr>
<tr>
<td>ADR</td>
<td>$192</td>
<td>$132</td>
<td>-31%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$138</td>
<td>$27</td>
<td>-80%</td>
</tr>
</tbody>
</table>

Total room inventory methodology, assumes no temporary closures
Source: Pinnacle Perspective, Pinnacle Advisory Group
The Beginning of a Recovery

Q2 2021
### Industry Projections – National

#### 2021

<table>
<thead>
<tr>
<th></th>
<th>STR</th>
<th>CBRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>+16.6%</td>
<td>+17.7%</td>
</tr>
<tr>
<td>ADR</td>
<td>+4.3%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>+21.6%</td>
<td>+13.6%</td>
</tr>
</tbody>
</table>

#### 2022

<table>
<thead>
<tr>
<th></th>
<th>STR</th>
<th>CBRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>+24.1%</td>
<td>+25.7%</td>
</tr>
<tr>
<td>ADR</td>
<td>+8.2%</td>
<td>+13.8%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>+34.2%</td>
<td>+43.1%</td>
</tr>
</tbody>
</table>

Source: STR (Jan 2021), CBRE (Q4 2020)

* STR & CBRE reflect total-room inventory methodology, assuming no temporary hotel closures
2021 – Signs of a Recovery

• **Economy** – The IMF projects United States GDP to increase 6.4% in 2021 and 3.5% in 2021. As of Feb 2020, employment in Boston MSA is down almost 10% (260,000 jobs) compared to same time last year (approx. 2/3 are hospitality & leisure related).

• **Real disposable income** - Increased at its fastest rate in 35 years which bodes well for pent up consumer spending. Consumer spending in MA was 10% higher in March than it was in January 2020, but still 15% lower for restaurants and hotels.

• **$1.9trn Fiscal Stimulus** - Vaccine distribution, Direct payments, Extended unemployment insurance, Expanded childcare tax credit, and State and local governments aid

• **COVID-19 Cases** - Surged Nov to Jan, peaked Jan 13th. MA 7-day avg of new cases reached ~6,500 middle of Jan, now close to 2,100. While slowing, still very high.

• **Vaccination Program** – All 50 States have now, or will, expand vaccine eligibility to 16+. Despite hiccups in MA, the vaccine is now available to general public. 50% of State population has received at least one dose.

• **Warmer spring/summer months** - Should be timed well with vaccination efforts

• **Air Travel** – US air travel is at its highest level since the beginning of the pandemic. Over a million daily passengers across the US since March 11th but still down 33% from 2019 levels. Logan Airport seeing similar growth beginning in mid-February. Now screening over 20,000 passengers a day, up 37% to same time in March.
Boston MSA Employment

Boston MSA Monthly Unemployment


Feb 2021, 12-Month % Change

- Financial Activities
- Professional and Business Services
- Mining, Logging, Construction
- Manufacturing
- Trade, Transportation, etc.
- Information
- Government
- Education and Health Services
- Other Services
- Leisure and Hospitality
- Total

Source: BLS

Lost Jobs Since Feb ‘20

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MA COVID-19 Cases

Massachusetts New COVID-19 Cases
7-Day Average Since Jan 1, 2021

Source: Massachusetts Department of Public Health
MA Vaccine Distribution

Massachusetts Total Vaccines Administered
As of April 13, 2021

Source: Massachusetts Department of Public Health
Govt Assistance and Other Funding Initiatives

• **Tourism, Trade, and Export Promotion** - Newly formed U.S. Senate Subcommittee held its first hearing entitled “The State of Travel and Tourism During COVID.” The subcommittee was created with the purpose of revitalizing the country’s travel and tourism industry.

• **American Rescue Plan Act** – $350 billion to states, local and tribal governments to address the fiscal impacts of the COVID-19 pandemic. 25% of those funds dedicated to the hospitality industry

• **State Grants for Municipalities** – Also awarded to MLA and MRA

• **16 Regional Tourism Councils** – Formula-driven State grant funding

• **MOTT Travel & Tourism Grant Program** – $2M ‘My Local Campaign’

• **Tourism Destination Marketing District (TDMD)** - Legislative initiative allowing regional tourism councils to implement TDMD programs with the support of 62% of hotel owners. Assessments on room nights would be utilized for tourism marketing.
Boston & Cambridge Lodging Market

2021 Forecast
# Boston & Cambridge 2021 New Supply

<table>
<thead>
<tr>
<th>Hotel Property</th>
<th>Neighborhood</th>
<th>Scale</th>
<th>Rms</th>
<th>Est. Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hilton Garden Inn Logan (expansion)</td>
<td>Logan Airport</td>
<td>Upscale</td>
<td>83</td>
<td>Jan</td>
</tr>
<tr>
<td>Hampton Inn Boston Seaport (dual)</td>
<td>Seaport District</td>
<td>Upper Midscale</td>
<td>245</td>
<td>Apr</td>
</tr>
<tr>
<td>Homewood Suites Boston Seaport (dual)</td>
<td>Seaport District</td>
<td>Upscale</td>
<td>166</td>
<td>Apr</td>
</tr>
<tr>
<td>The Newbury (Prev The Taj, closed Nov ‘19)</td>
<td>Back Bay</td>
<td>Luxury</td>
<td>287</td>
<td>May</td>
</tr>
<tr>
<td>The Langham (closed Apr ‘19)</td>
<td>Downtown</td>
<td>Luxury</td>
<td>312</td>
<td>Jun</td>
</tr>
<tr>
<td>Omni Boston Seaport</td>
<td>Seaport District</td>
<td>Upper Upscale</td>
<td>1,055</td>
<td>Jul</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 do not reflect temporary closures.

+6.2% 2021 Increase
Boston & Cambridge 2021 Supply

As of April 19, 2021

1,940
Rooms Temporarily Still Closed

+ 750
Rooms Utilized as Dorms (Spring Semester)

= 2,690
Rooms off-Line

10%
of Existing Supply Closed

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Boston & Cambridge Demand & ADR Trends

**Corporate Transient**

- Dependent on widely available vaccine, local govt regulations, employee willingness
- Office usage has been ~20% since Sep 2020. Many large companies reporting a partial/hybrid return to offices in Jun or Sept
- Forecasting a material return Sep and Oct
  - Initially, regional travel for face-to-face client/sales meetings
  - Late summer/fall expect domestic travel for small group meetings, training/hiring
  - Internal meetings expected to be virtual and/or consolidated for less frequency
- Very little international travel expected in 2021
- Most negotiated rates left intact however relying on lower rated channels

Projected Corporate Transient by Quarter

42% of 2019 Levels
Group

- Very reliant on ability to hold indoor gatherings. Capacities/restrictions must be loosened for recovery to begin.
- Events are on the books, original attendance reduced, hybrid models
- Hynes & BCEC hosting events beginning in May
  - Q2: 3 events, 24,000 roomnights
  - Q3: 16 events, 86,700 roomnights
  - Q4: 17 events, 116,300 roomnights
- Youth/collegiate sports ramping back
- In-house group in Q3 and Q4 reportedly strong, mostly social
- When group returns, it is expected to be robust

Projected Group Demand by Quarter

17% of 2019 Levels
Boston & Cambridge Demand & ADR Trends

Leisure

- Reliant on a successful vaccine campaign matched with loosened govt restrictions
- Strong leisure return (mostly regional) expected May through yearend
- Continued blending of corporate/leisure travel, longer weekend stays driven by remote work
- Professional sports, commencements, concerts taking place with less capacity
- Universities/colleges expect to be on campus for in-person classes in fall
- Very little international travel expected in 2021
- Without group base and compression, rates are extremely competitive

![Projected Leisure Demand by Quarter]

- 98% of 2019 Levels
Boston & Cambridge Demand & ADR Trends

Contract/Crew

- Recovery of crew demand is directly correlated to airlines serving Logan Airport
- Many crew contracts (intl and domestic) have moved from Logan submarket to downtown Boston
- Domestic airlines increasing capacity and adding more routes
- Very little international air travel expected in 2021 however routes are being scheduled. Unclear how this will materialize
- Spring semester dorm contracts through May represent ~750 roomnights/night

Projected Contract Demand by Quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2021</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Q2</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Q3</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Q4</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

99% of 2019 Levels
Boston & Cambridge 2021 Projection

2021 Segmented Demand Forecast
Benchmarked Off 2019

2019 Index at 100.0
Source: Pinnacle Advisory Group
<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>25.7%</td>
<td>43%</td>
<td>+17 pts</td>
</tr>
<tr>
<td>ADR</td>
<td>$161</td>
<td>$182</td>
<td>13.4%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$41</td>
<td>$78</td>
<td>87.5%</td>
</tr>
</tbody>
</table>

Reflect total-room inventory methodology, assuming no temporary hotel closures
Source: Pinnacle Advisory Group (Jan. 2021)

+6.2% Supply Increase
+76% Demand Increase
## Boston & Cambridge 2021 Quarterly

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply % Change</td>
<td>2.2%</td>
<td>4.9%</td>
<td>9.3%</td>
<td>8.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>20%</td>
<td>37%</td>
<td>56%</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>ADR</td>
<td>$132</td>
<td>$155</td>
<td>$190</td>
<td>$208</td>
<td>$182</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$27</td>
<td>$58</td>
<td>$106</td>
<td>$114</td>
<td>$78</td>
</tr>
</tbody>
</table>

*Reflects total-room inventory methodology, assuming no temporary hotel closures*

*Source: Pinnacle Advisory Group*
Long Term Outlook

There are still many unknowns as it relates to the pandemic; specifically, new variants, future infection waves, and vaccinations. It is unclear when large group events and international travel will return. Additionally, the pandemic’s long-term impact to consumer behavior and work/travel patterns is not yet known.

The Boston & Cambridge Lodging Market’s recovery is expected to be longer than many other Top-25 markets...

- More severely impacted in 2020 and 2021
- Slower easing of government restrictions to meetings/gatherings, travel, and business
- Reliance on group and corporate (~65% of total demand)
- Reliance on international travelers (~20% of all Logan passengers)
- Below inflationary growth in ADR since 2015
- Above average supply increases projected 2021 & 2022

Projected Recovery to Pre-Pandemic Levels

- 2023 Demand
- 2025 ADR
Handling Consulting
Asset Management
Real Estate Appraisal
Litigation Support

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