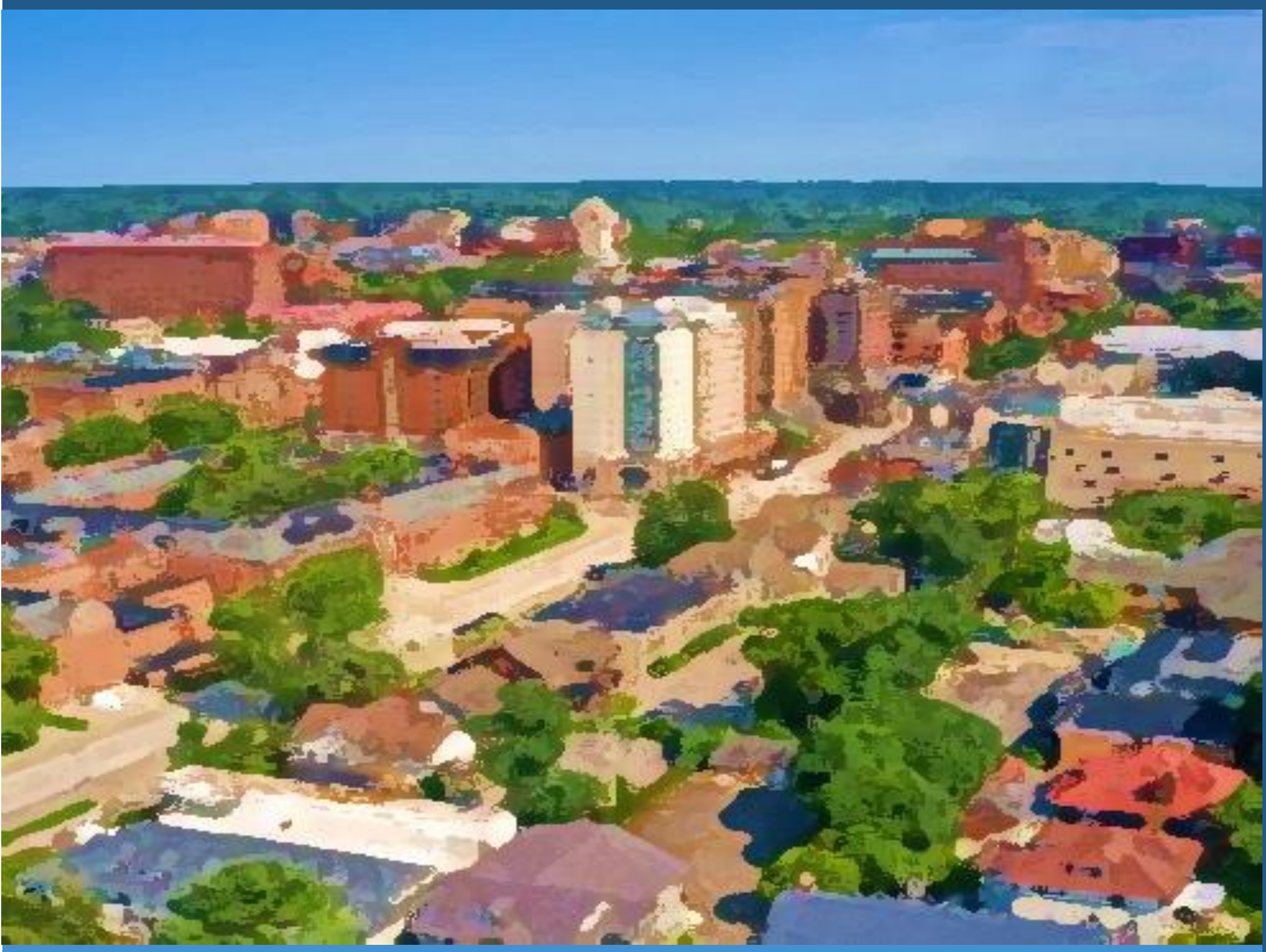
NEWMARK

1Q 2024

Hotel Market Nsights Report

MICHIGAN NORTH AREA, MI



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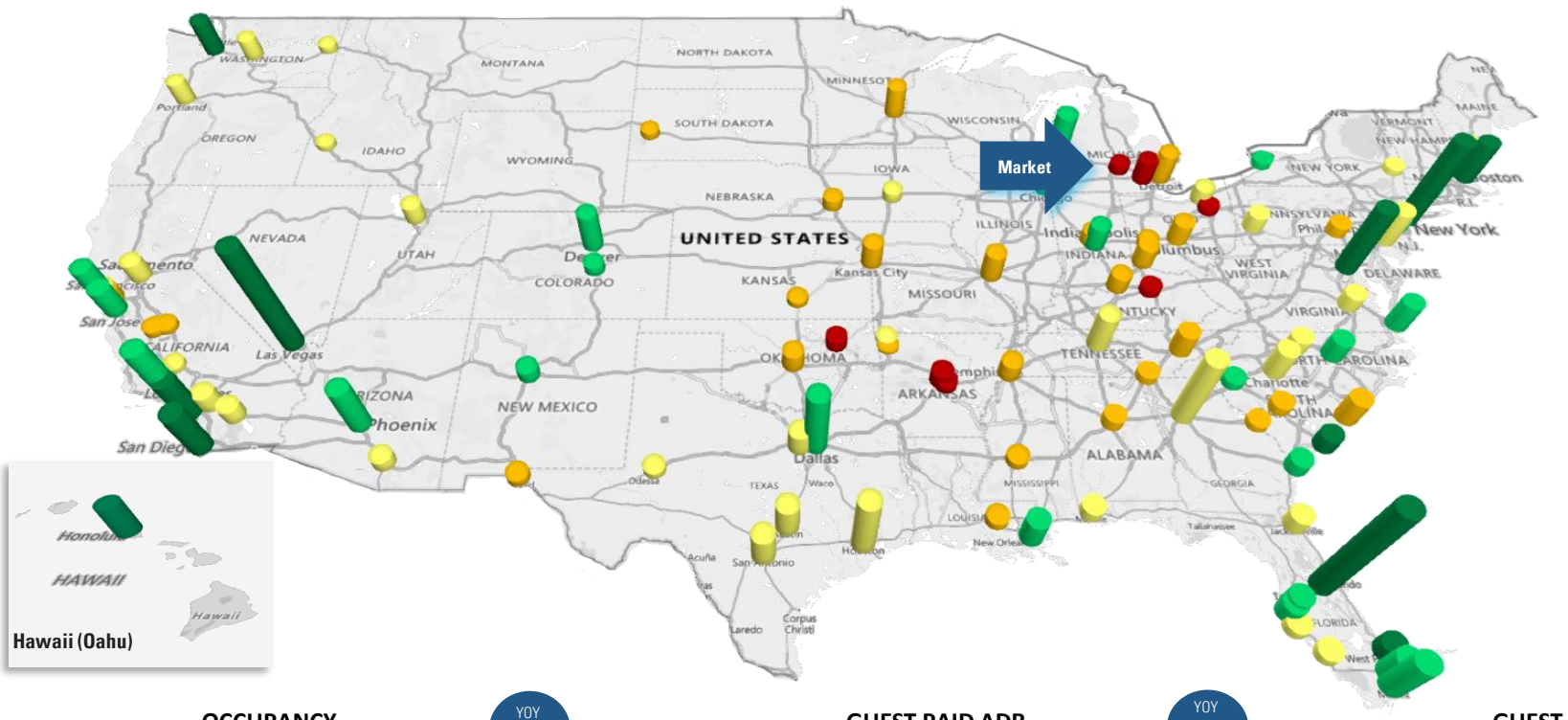
HOTEL MARKET NSIGHTS REPORT

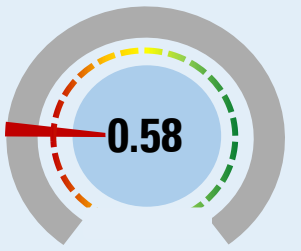
1Q 2024
MICHIGAN NORTH AREA, MI

Lodging Performance Index Snapshot



LODGING PERFORMANCE INDEX

Michigan North Area, MI

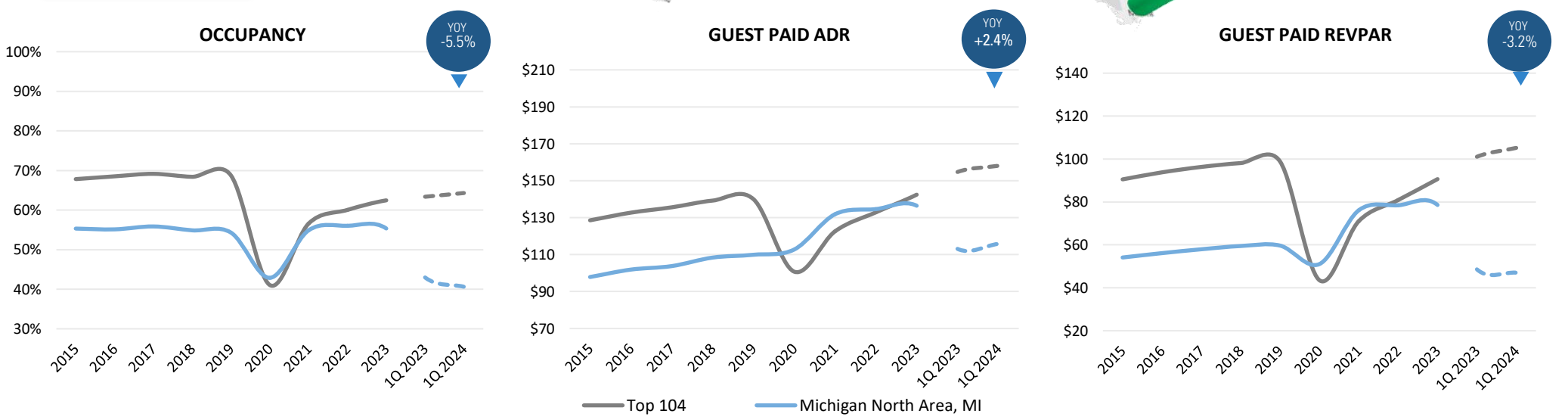


100th of 104

Soft

Ranking of overall '1Q 2024 LPI' performance (0.58) against all 104 surveyed markets.

KEY PERFORMANCE METRICS



PERFORMANCE INDEXES

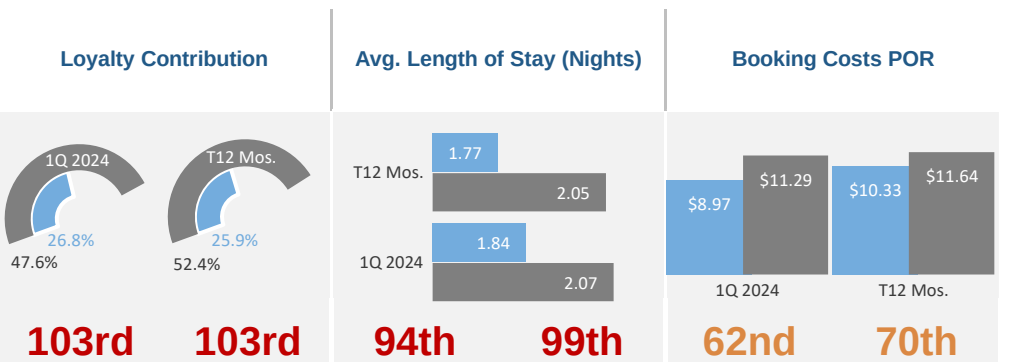
Key Performance Indexes

Subject Market | Top 104

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
104th	103rd	69th	40th	100th	75th

BENCHMARK INDEXES

Key Benchmark Indexes

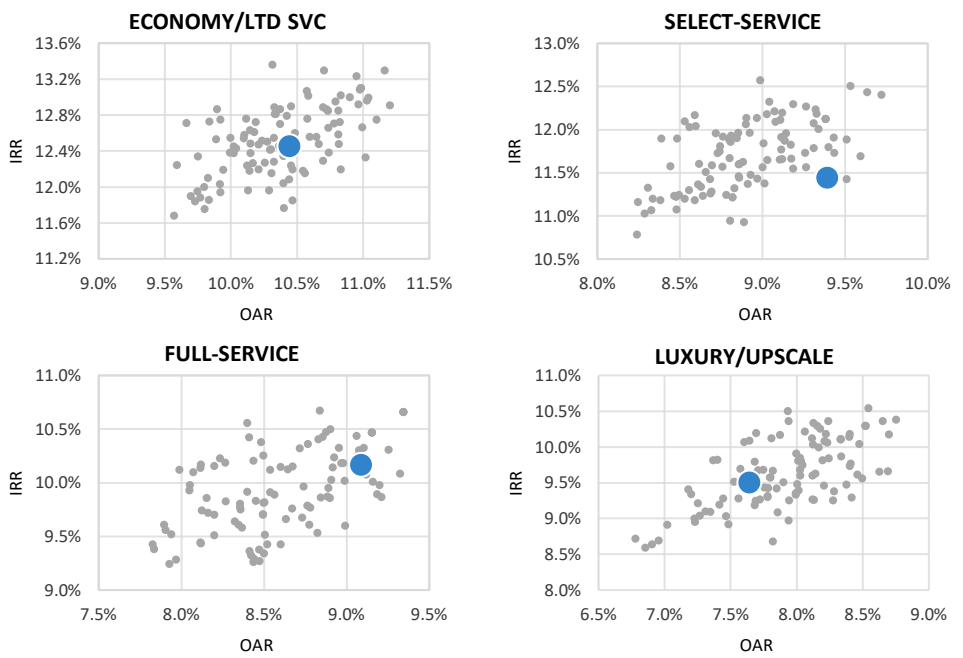


Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
103rd	103rd	94th	99th	62nd	70th

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark



FUNDAMENTALS

Trends and Risks

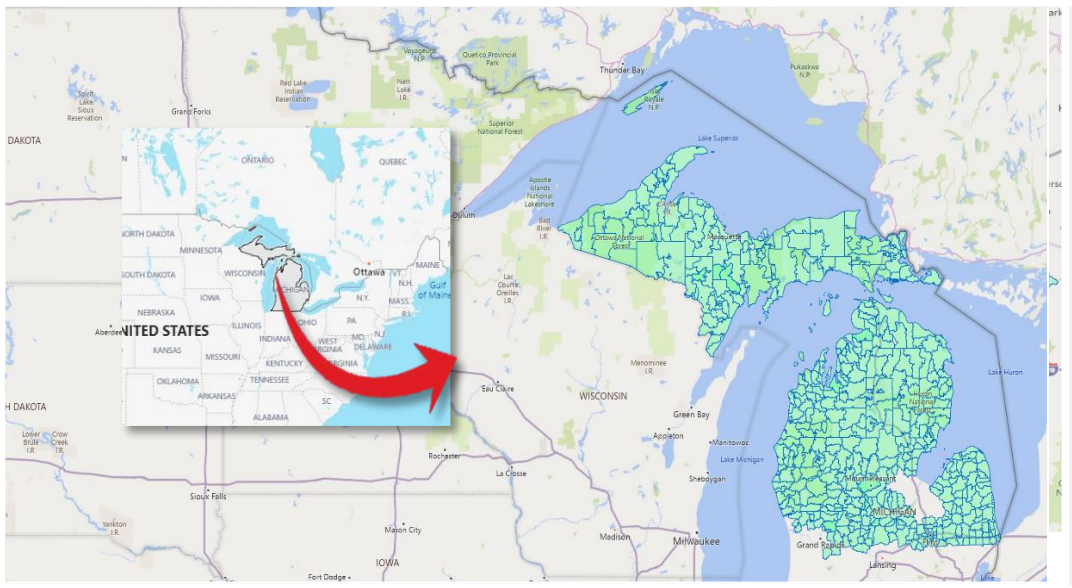
Source: Kalibri Labs, Newmark

Revenue Stability	Supplier Power Trend	Investment Yields
61st	**103rd**	**58th**
Average	**Soft**	**Average**
Assessment of room revenue growth and volatility over past three to five years against other Top 104 markets	Assessment of market's ability to maximize loyalty and profits, and to ward off booking costs over past 12 months	Measure of market's general investment parameters (yields, OAR, IRR, interest rates, etc.) against other Top 104 markets

RISKS

Supply Risk	Labor Risk	Macro-Fiscal Risk
67th	**62nd**	**41st**
Below Average	**Average Risk**	**Average Risk**
Assessment of market supply growth over past 12 months relative to Top 104 markets	Measure of current employment health over past two years relative to Top 104 markets	Assessment of health and diversity of lodging demand generators relative to Top 104 markets

Location



Quick Facts

Jurisdictional Information

Source: US Census Bureau, Dept. of Labor Statistics

Municipal Name:	Multiple
County:	Multiple
State:	Michigan
Geo Coordinates (market center):	44.96227, -85.50516

Major Hotel Demand Generators

Arconic | ADAC Automotive Inc. | Covenant HealthCare | St. Mary's of Michigan | Morley Cos. Inc. | General Motors | Saginaw Valley State University | Hemlock Semiconductor Corp./Dow Corning Corp. | Dow Corning Corp. | Michigan Sugar Co. | MidMichigan Medical Center - Midland | Chemical Bank | Delta College | Bay Regional Medical Center | Aleda E. Lutz Veteran Affairs Medical Center | Nexteer Automotive | Frankenmuth Bavarian Inn Inc. | Quality Temporary Services Inc. | Fashion Square Mall | Frankenmuth Mutual Insurance

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	2,013,568	23rd of 104 (Above Average)
Income per Capita	$44,926	65th of 104 (Average)
Feeder Group Size	113.1 Persons PSR	89th of 104 (Below Average)
Feeder Group Earnings	$5,079,846 PSR	81st of 104 (Below Average)
Total Market Hotel Revenues	$874.7 million	44th of 104 (Average)

Key Performance Metrics

Data provided by: kalibri LABS

YEAR ENDING	Occ %	Guest Paid ADR	Guest Paid RevPAR	COPE ADR	COPE RevPAR	Booking Cost POR	ADR COPE %	Loyalty %	Avg Length of Stay Nights	Supply Rooms	Performance Index (LPI)
2015	55.3%	$97.86	$54.13	$91.69	$50.71	$6.18	93.7%	40.0%	1.64	34,150	0.49
2016	55.1%	$101.89	$56.16	$95.15	$52.44	$6.74	93.4%	42.9%	1.64	34,130	0.76
2017	55.9%	$103.77	$57.96	$96.31	$53.79	$7.47	92.8%	46.2%	1.65	34,700	0.63
2018	54.9%	$108.38	$59.47	$100.39	$55.09	$7.99	92.6%	50.0%	1.68	34,640	0.74
2019	54.3%	$109.91	$59.67	$101.45	$55.08	$8.45	92.3%	54.1%	1.65	32,510	0.52
2020	42.9%	$112.75	$51.07	$104.20	$44.67	$8.55	92.4%	23.4%	1.80	32,570	1.24
2021	54.9%	$131.85	$76.14	$121.70	$66.79	$10.15	92.3%	23.2%	1.80	32,940	1.17
2022	56.0%	$134.62	$78.45	$124.28	$69.62	$10.34	92.3%	23.2%	1.82	33,050	0.87
2023	55.3%	$136.46	$78.59	$125.97	$69.71	$10.49	92.3%	23.2%	1.81	33,130	0.55
CAGR: 2015 thru 2023	**0.0%**	**4.2%**	**4.8%**	**4.1%**	**4.1%**	**6.8%**	**-0.2%**	**-6.6%**	**1.2%**	**-0.4%**	**1.5%**
1Q 2023	43.0%	$113.11	$48.59	$104.55	$44.92	$8.56	92.4%	24.6%	1.84	33,040	0.71
1Q 2024	40.6%	$115.83	$47.05	$106.85	$43.41	$8.97	92.3%	26.8%	1.84	32,920	0.58

Notable Metrics

HIGHEST

OAR: Luxury/Upscale	Feeder Population Per Room	Feeder Population Per Room
27th	**31st**	**31st**
Favorable	**Above Average**	**Above Average**
Michigan North Area, MI exhibited favorable OAR metrics in the luxury/upscale segment (7.6%)	The market posted a high ratio of feeder population per room (42.74)	The market also posted a high ratio of feeder population per room (42.74)

LOWEST

Latest-Quarter Occupancy	T12-Month Loyalty Contribution	T12-Month Occupancy
Last	**103rd**	**103rd**
Soft	**Soft**	**Soft**
This market exhibited weak latest–quarter occupancy (40.6%)	The market has been hindered by weak T12–month loyalty contribution (25.9%)	Michigan North Area, MI also has been hindered by weak T12–month occupancy (52.7%)

Notable Trends

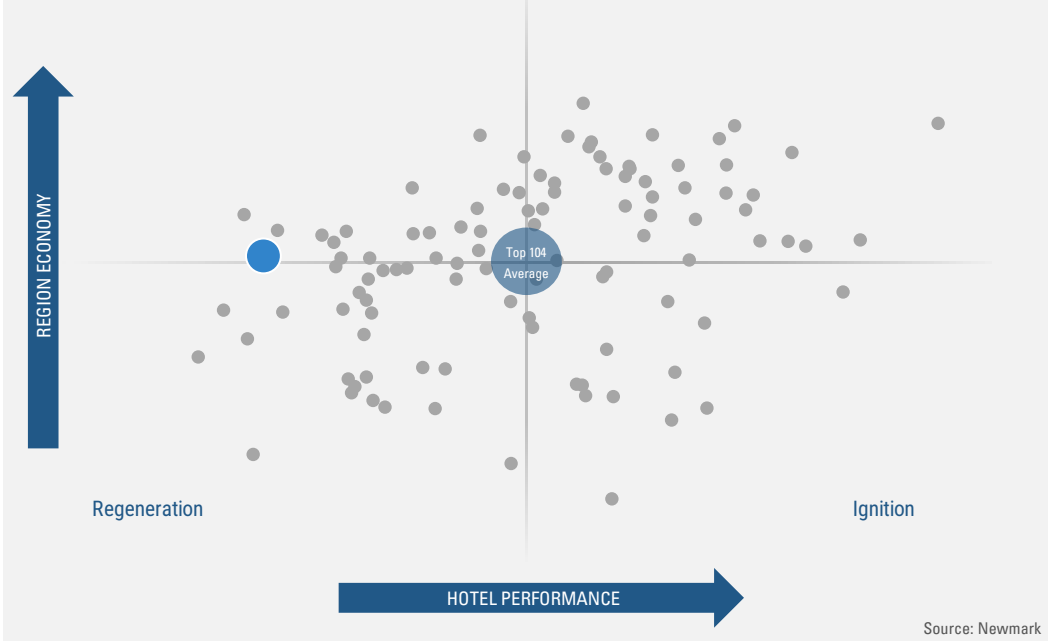
STRONGEST

Long-Term Historical Loyalty Contribution Growth	Short-Term Historical Loyalty Contribution Growth	Long-Term Historical Average Length of Stay Growth
8th	**15th**	**27th**
Strong	**Above Average**	**Above Average**
Michigan North Area, MI exhibited strong long–term historical loyalty contribution growth (6.0%)	The market enjoyed strong short–term historical loyalty contribution growth (5.4%)	The market also enjoyed strong long–term historical average length of stay growth (1.0%)

WEAKEST

Overall Health of Hotel Market	Short-Term Historical Supply Growth	Short-Term Historical Booking Costs POR Growth
99th	**90th**	**87th**
Soft	**Soft**	**Below Average**
The market has been hampered by weak general hotel market performance (levels and trends of fundamentals)	We note this area has been burdened by high short–term historical supply growth (0.3%)	Michigan North Area, MI also has been impeded by high short–term historical growth in booking costs (4.7%)

Market Performance Stage



Source: Newmark

Michigan North Area, MI: Absorption Stage

Absorption

The Michigan North Area, MI market is currently in the 'Absorption' stage of the performance cycle. In this stage, hotels are underperforming but in an economy with resilience and confidence the economy will shed any lingering pandemic impacts, presenting upside for CRE. Barriers to entry are high and the market hosts little or no new supply, allowing for the existing stock of rooms to be absorbed. Example markets in this stage include Atlanta, GA; Charlotte, NC; and Columbus, OH.

Other Stages:

Regeneration

In the 'Regeneration' stage, hotels and the underlying economy are underperforming. The highest and best uses of hotel assets are still being challenged by lingering pandemic impacts, oversupply, weak economic indicators, and/or poor corporate contribution. Hotel investors look for opportunities to either exit or regenerate demand. Example markets in this stage include Cincinnati, OH; Detroit, MI; and Knoxville, TN.

Ignition

In the 'Ignition' stage, hotels typically perform adequately for operators to enjoy positive returns, with confidence the economy will remain fully recovered from the pandemic. While the regional economy continues to recover, strong hotel performance locally is igniting expansion in certain key sectors. Example markets in this stage include Baltimore, MD; Chicago, IL; and Miami, FL.

Expansion

In the 'Expansion' stage, hotels perform adequately, contributing to a resilient economy that has fully exited from the pandemic environment. Displacement demand is high, new hotel supply is feasible (despite barriers normally being high), and the overall economy is expanding. Example markets in this stage include Anaheim, CA; Austin, TX; and Boston, MA.

MOODYS ANALYTICS

Industry Observations

Business Cycle:	At Risk
Employment Growth (2 yr):	0.8%
Risk Exposure (402 US markets):	17th Percentile: Below Average
Key Industry Notes:	Growing biotech and healthcare center
	Pro-business environment
	Diverse manufacturing base
	Overvalued housing market
	Reliance on domestic vehicle industry

Moody's Rating

Aaa

Investment Grade

Long-term investment grade, Prime-1 short-term outlook

TOP 10 BRANDS

Source: Newmark

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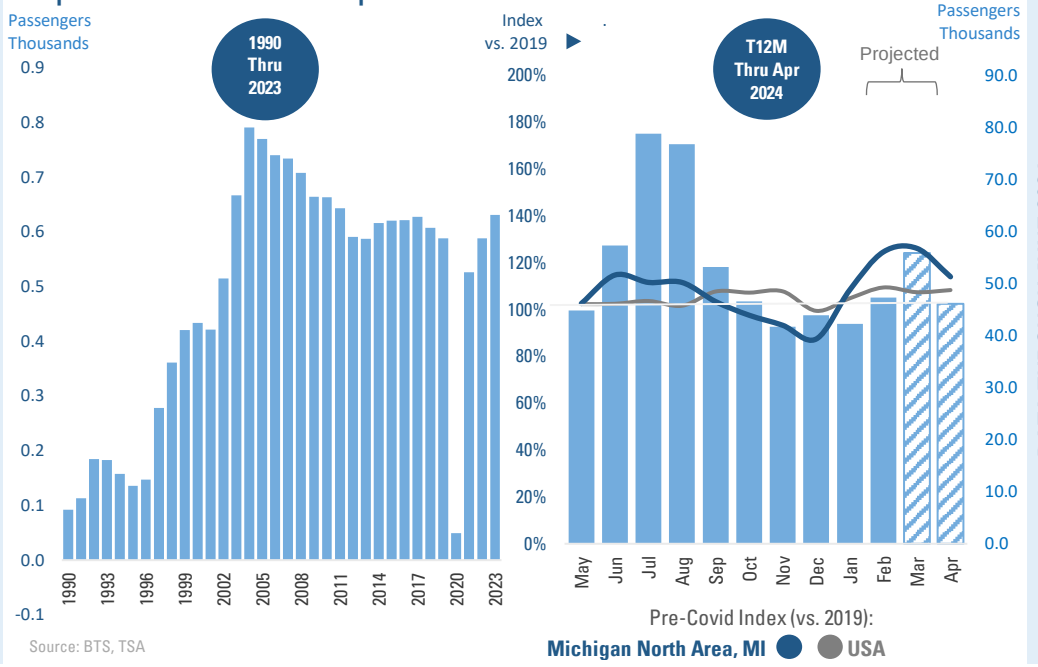
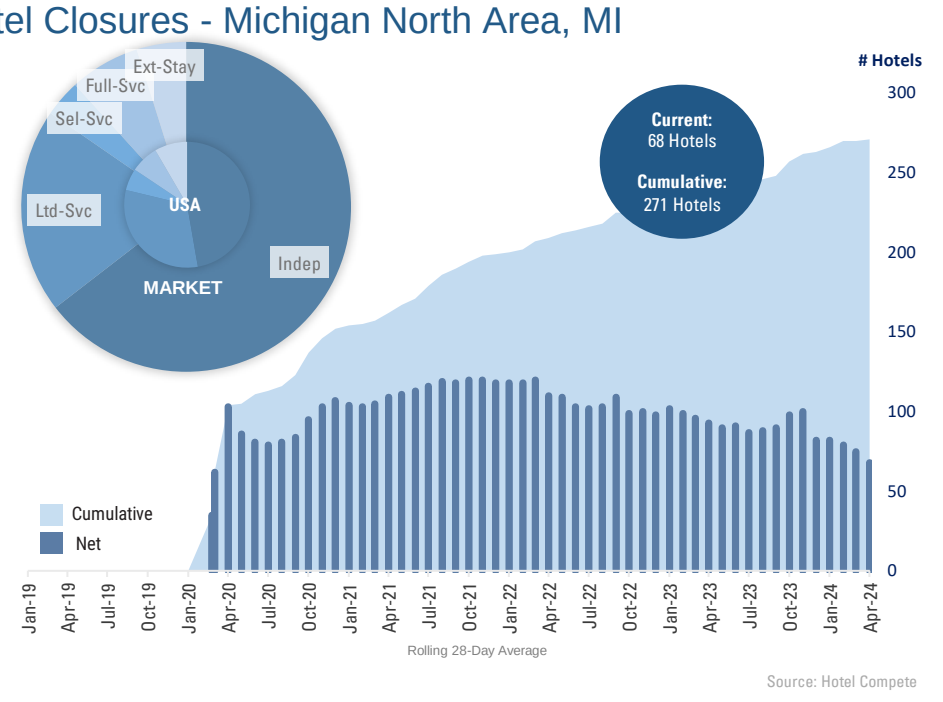
Airport Statistics - Enplanements

SELECT NEAREST AIRPORT CITY: ALL LOCAL



Hotel Closures - Michigan North Area, MI

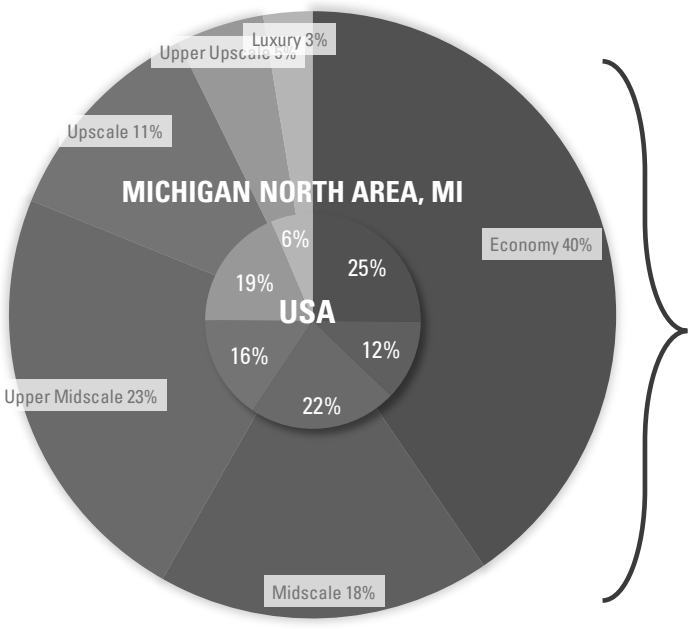
DATA THROUGH JUNE 2024



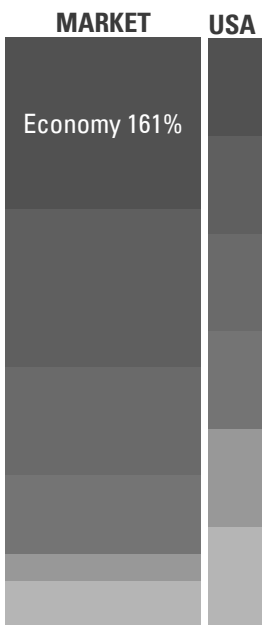
Scale and Service Distribution: Michigan North Area, MI

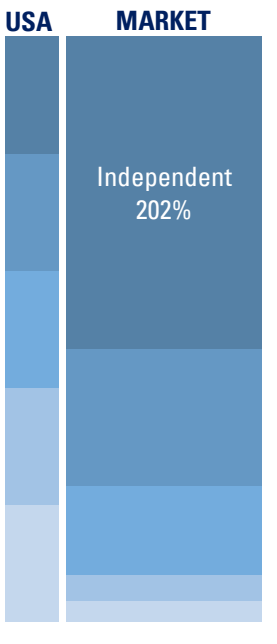
SCALE AND SERVICE ORIENTATION

DISTRIBUTION BASED ON CHAIN SCALE

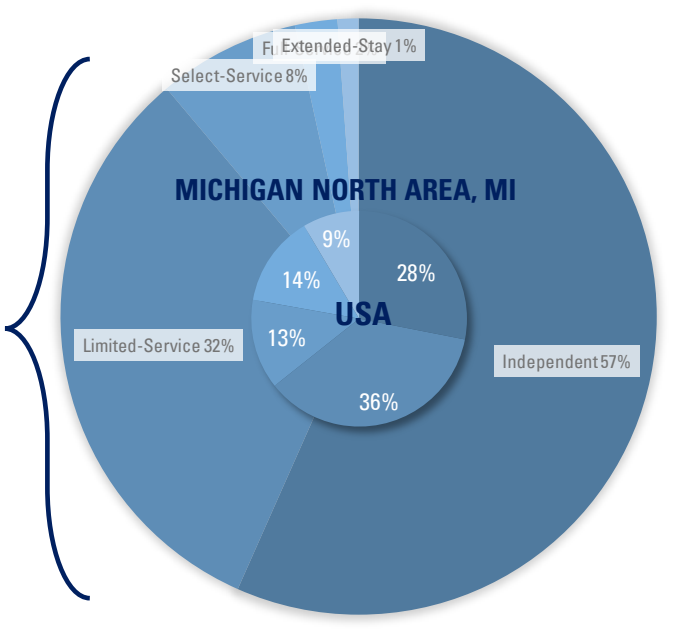


CURRENT CATEGORY PENETRATION RELATIVE TO USA



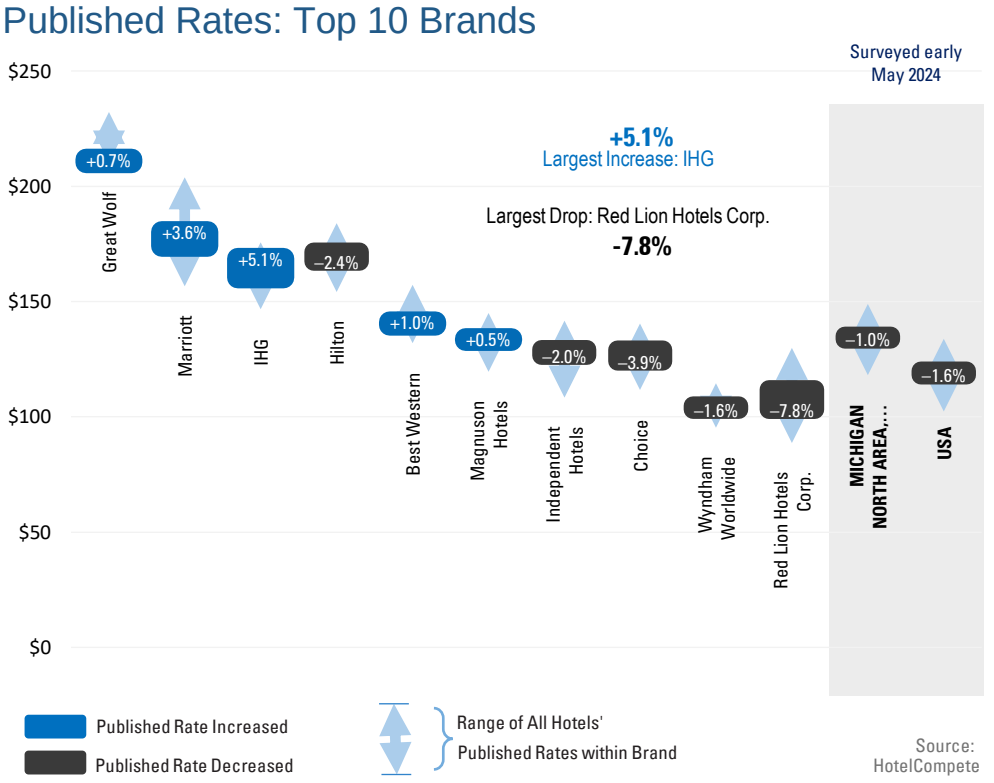


DISTRIBUTION BASED ON SERVICE ORIENTATION



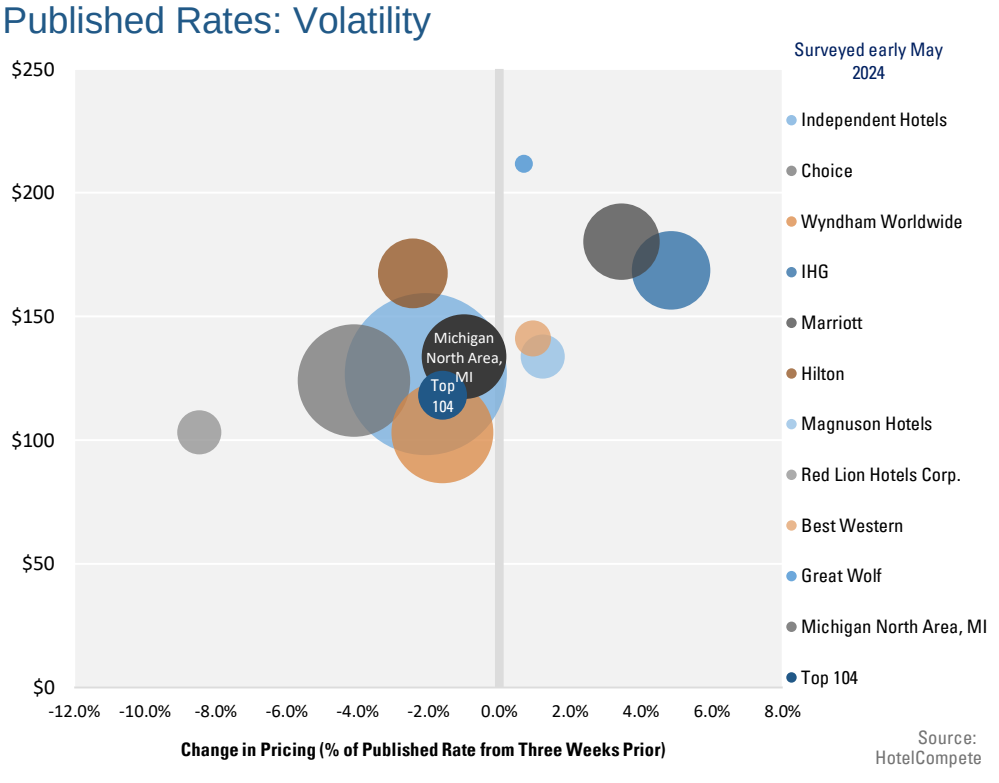
Published Rates: Top 10 Brands

'30/3' RATE CHANGES: MICHIGAN NORTH AREA, MI vs. USA



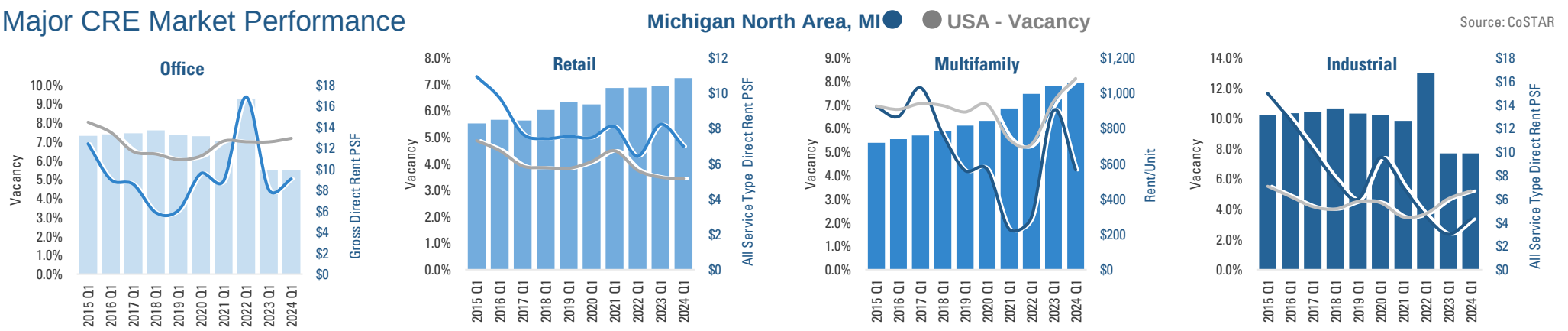
Published Rates: Volatility

RATE ADJUSTMENTS BY BRAND

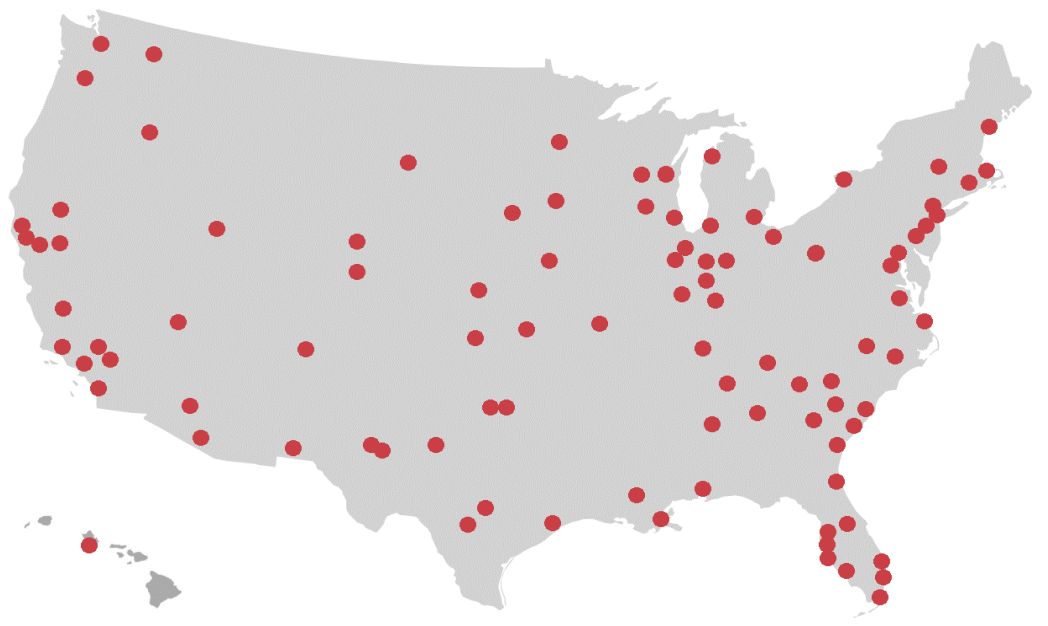


Major CRE Market Performance

MAJOR C.R.E. METRICS



Nsights Hotel Market Reports Coverage



Akron, OH	Dayton, OH	Louisville, KY	Portland, OR
Albany, NY	Denver, CO	Madison, WI	Raleigh, NC
Albuquerque, NM	Des Moines, IA	Memphis, TN	Rapid City, SD
Anaheim, CA	Detroit, MI	Miami, FL	Richmond, VA
Arkansas State Area, AR	El Paso, TX	Michigan North Area, MI	Sacramento, CA
Atlanta, GA	Fayetteville, AR	Michigan South Area, MI	Saint Louis, MO
Augusta, GA	Fort Lauderdale, FL	Milwaukee, WI	Saint Petersburg, FL
Austin, TX	Fort Myers, FL	Minneapolis, MN	Salt Lake City, UT
Bakersfield, CA	Fort Worth, TX	Mobile, AL	San Antonio, TX
Baltimore, MD	Fresno, CA	Myrtle Beach, SC	San Bernardino, CA
Baton Rouge, LA	Greensboro, NC	Nashville, TN	San Diego, CA
Bentonville, AR	Greenville, SC	New Brunswick, NJ	San Francisco, CA
Birmingham, AL	Harrisburg, PA	New Orleans, LA	San Joaquin Valley, CA
Boise City, ID	Hartford, CT	New York, NY	San Jose, CA
Boston, MA	Houston, TX	Newark, NJ	Sarasota, FL
Buffalo, NY	Indiana North Area, IN	Oahu Island, HI (Branded)	Savannah, GA
Charleston, SC	Indiana South Area, IN	Oakland, CA	Seattle, WA
Charlotte, NC	Indianapolis, IN	Odessa-Midland, TX	Spokane, WA
Chattanooga, TN	Jackson, MS	Oklahoma City, OK	Tampa, FL
Chicago, IL	Jacksonville, FL	Omaha, NE	Tucson, AZ
Cincinnati, OH	Kansas City, MO	Orlando, FL (Non-Disney)	Tulsa, OK
Cleveland, OH	Knoxville, TN	Palm Desert, CA	Virginia Beach, VA
Colorado Springs, CO	Las Vegas, NV (Non-Strip)	Philadelphia, PA	Washington State Area, WA
Columbia, SC	Lexington, KY	Phoenix, AZ	Washington, DC
Columbus, OH	Little Rock, AR	Pittsburgh, PA	West Palm Beach, FL
Dallas, TX	Los Angeles, CA	Portland, ME	Wichita, KS

*Customized market reports available upon request

Hospitality, Gaming & Leisure

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- Hotels and Resorts
- Gaming Facilities
- Arenas, Stadiums and Sports Facilities
- Conference, Expo and Convention Centers
- Golf Courses
- Marinas
- Ski and Village Resorts
- Water Parks, Amusement Parks and Attractions

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Feasibility
We take feasibility studies to the next level, combining market knowledge with expert economic impact analysis and acumen in cash-on-cash, ROI and other metrics.

Financial Reporting
Our seamless approach to fulfilling clients' financial reporting requirements means no outside assistance is needed.

Litigation
Our experts bring a strategic perspective and hands-on approach, exceeding the depth and scope of typical litigation services every time.

Portfolio Analytics
We bring industry averages and trends to bear on traditional analytics, ensuring comprehensive due diligence.

Property Tax
We understand every aspect of a property's operations, allowing us to craft advanced tax strategies.

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