

MARKET TRENDS | **HOTEL** SEATTLE

**2ND QUARTER
2019**

Estimated 2018	◀▶ ROOM OCCUPANCY	▲ AVERAGE ROOM RATE	◀▶ DAILY REVPAR
Projected 2019	▼ ROOM OCCUPANCY	▲ AVERAGE ROOM RATE	◀▶ DAILY REVPAR

Over the past five years, hotels in downtown Seattle achieved high rates of occupancy and rapid increases in room prices. This positive performance sparked the interest of hotel developers and was the catalyst for several projects. With nearly 2,500 new rooms opened in Seattle in the past 18 months and 1,600 rooms under construction, conditions now appear to be softening. It's safe to expect, based on year-to-date results, that occupancy rates in the downtown core will decline despite continued growth in demand.

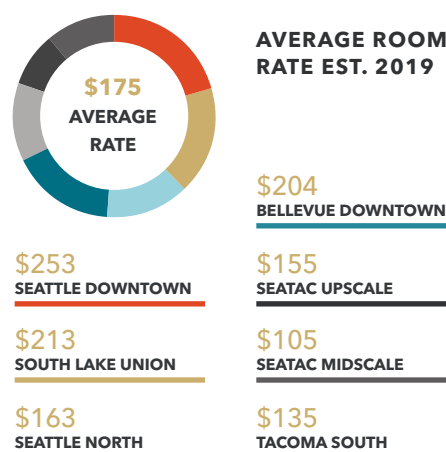
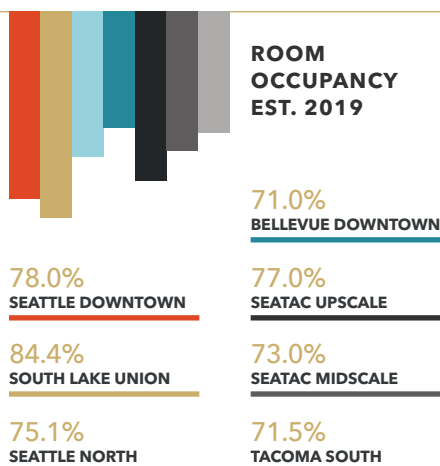
Even with some new supply, occupancy remains strong in the South Lake Union submarket. Other than Seattle North, where the renovation and rebranding of one hotel may have affected occupancy, peripheral markets reported little change from the prior year. Room prices continue to rise but at a slower pace.

Six hotels were completed during the first half of 2019. The Hampton Inn & Suites opened in Snoqualmie in January. The Seattle CBD market expanded with the opening of the Sound Hotel in February

and the State Hotel in March. April saw the opening of the Hilton Garden Inn in SeaTac and the restored McMenamins Elks Lodge in Tacoma. The Archer Hotel in Redmond opened in May.

Five hotels with 718 guest rooms are expected to open during the remaining months of 2019. They include The Mark and Citizen M in downtown Seattle, the Holiday Inn Express in Auburn, the Comfort Inn in Lakewood, and the Home2 Suites in Marysville.

During the first half of 2019, there were seven sales of hotels in King, Pierce, and Snohomish Counties at prices exceeding \$2 million. The highest price was paid for the Embassy Suites in Bellevue. The remaining sales involved small and midsize properties. The recent transaction volume is down from 18 sales in the first half of 2017 and 12 in the first half of 2018.



2Q 2019 MARKET HIGHLIGHTS

DELIVERIES Six new hotels, 689 guestrooms opened first half 2019

LODGING DEMAND increased, occupancy rates softened in areas with substantial development

ROOM RATES modest growth

SALES a few, most involving midscale and budget properties

HOTEL DEVELOPMENT

Property	Address	City	Type	Opened	Rooms
Hampton Inn & Suites	35228 Snoqualmie Parkway	Snoqualmie	Limited	January 2019	99
Sound Hotel	2116 4th Avenue	Seattle	Boutique	February 2019	142
State Hotel	1501 2nd Avenue	Seattle	Boutique	March 2019	91
Hilton Garden Inn	3056 S 188th Street	SeaTac	Select	April 2019	152
McMenamins Elks Lodge	565 Broadway	Tacoma	Boutique	April 2019	45
Archer Hotel	7210 164th Avenue NE	Redmond	Boutique	May 2019	160

HOTEL TRANSACTIONS

Property	Location	Built	Sold	Price	Rooms	\$/Rooms	\$/SF
Embassy Suites	Bellevue	1990	January 2019	\$59,126,214	240	\$246,359	\$237
Comfort Inn & Suites	SeaTac	1987	March 2019	\$17,850,000	119	\$150,000	\$350
Woodspring Suites	Everett	2018	March 2019	\$16,600,000	122	\$136,066	\$347
La Quinta Inn	Lynnwood	1976	February 2019	\$15,300,000	101	\$151,485	\$285
Comfort Inn	Federal Way	1998	January 2019	\$15,000,000	117	\$128,205	\$272
Motel Puyallup	Puyallup	1978	April 2019	\$5,600,000	63	\$88,889	\$281
Farwest Motel	Everett	1947	March 2019	\$2,210,000	20	\$110,500	\$240

HOTEL PERFORMANCE

Market	Room Occupancy			Average Room Rate			Daily RevPAR		
	2018	2019	Change	2018	2019	Change	2018	2019	Change
Seattle Downtown	82.5%	78.0%	-5.5%	\$247	\$253	2.4%	\$204	\$197	-3.2%
Seattle South Lake Union	83.4%	84.4%	1.2%	\$208	\$213	2.4%	\$173	\$180	3.6%
Seattle North	77.3%	75.1%	-2.8%	\$163	\$163	0.0%	\$126	\$122	-2.8%
Bellevue Downtown	70.3%	71.0%	1.0%	\$202	\$204	1.0%	\$142	\$145	2.0%
SeaTac Upscale	76.9%	77.0%	0.1%	\$152	\$155	2.0%	\$117	\$119	2.1%
SeaTac Midscale	73.3%	73.0%	-0.4%	\$102	\$105	2.9%	\$75	\$77	2.5%
Tacoma South	71.5%	71.5%	0.0%	\$132	\$135	2.3%	\$94	\$97	2.3%
Sample Average	76.5%	75.7%	-1.0%	\$172	\$175	1.8%	\$132	\$133	0.8%



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 800 real estate professionals and staff in 22 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

CONTACT

BRIAN HATCHER
Regional President, Brokerage
Northwest
206.296.9600
brian.hatcher@kidder.com

The information in this report was composed by the Kidder Mathews Valuation Advisory Group.

JOHN GORDON, MAI, AI-GRS
425.454.7040
john.gordon@kidder.com

KIDDER.COM

COMMERCIAL BROKERAGE

20M ANNUAL SALES SF
\$9B ANNUAL TRANSACTION VOLUME
400+ NO. OF BROKERS
40M ANNUAL LEASING SF

VALUATION ADVISORY

1,600+ APPRAISALS ANNUALLY
36/23 TOTAL NO. APPRAISERS/MAI'S

PROPERTY MANAGEMENT

55M+ MANAGEMENT PORTFOLIO SF

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.