

## MARKET TRENDS

# SEATTLE HOTEL

Actual 2024	↑	ROOM OCCUPANCY	↑	AVERAGE ROOM RATE	↑	DAILY REVPAR
Projected 2025	↑	ROOM OCCUPANCY	↑	AVERAGE ROOM RATE	↑	DAILY REVPAR

Year-Over-Year Change

*In January 2024, the trailing 12-month occupancy rate of 67.6% for the overall Seattle market was still below pre-pandemic occupancy levels but steadily improving.*

Demand in Seattle CBD submarket continues to be hampered by a lack of business travel compared to pre-pandemic levels, but leisure travel is tracking to match 2019 levels this year according to data from Downtown Seattle Association. With continued growth in demand and a relatively stable supply plus rising room rates, we expect that hotel performance will continue to steadily improve.

The extent of continued recovery in the overall Seattle hotel market is demonstrated by Q1 2024 results reflecting continued improvement prior years since the start of the pandemic 2020. Immediately prior to the pandemic, trailing twelve month occupancy was 73.5% in Q1 2020 which fell to a low of 32.6% in February of 2021. Overall market occupancy improved to 53.1% in Q1 2022, to 66.8% in Q4 2023 and to 67.6% in Q1 2024. ADR fell from \$160 in Q1 2020 to \$100 Q1 2021 with the onset of the pandemic. It has since

consistently improved notching \$177 in Q1 2024. This translates to a significant increase in RevPAR from \$35 in Q1 2021 to \$120 in Q1 2024. This is slightly above the RevPAR of \$118 in January 2020 just prior to the pandemic.

Some downtown hotels still continue to struggle, weighed down by continued low office occupancy and a related reduction in business travel. However, most suburban hotel occupancy rates are at or near pre-pandemic levels, and room prices have increased rapidly in the overall market and all submarkets. With limited growth in supply, completion of the convention center expansion, continued cruise ship visitor growth, and Seattle being one of the host cities for the 2026 FIFA World Cup, the expectation is for continued steady growth in demand.

In Q1 2024, there were four sales of hotels in the greater Seattle market with prices exceeding \$10,000,000. This figure includes one property that was purchased for conversion to housing for the homeless by King County. Transaction volume has fallen significantly with the rise in the interest rates. Capitalization rates have rose with an average of 8.8%.

Six hotels are now under construction ranging in size from the 120-room boutique Hotel Westland in the Pioneer Square neighborhood of Seattle up to the 223-room Trademark Collection, a limited-service hotel in Redmond.

### MARKET UP CLOSE

**ALTHOUGH OVERALL HOTEL MARKET** demand has not yet fully recovered to pre-pandemic levels, room rate increases have pushed RevPAR to pre-pandemic levels.

**WHILE LEISURE TRAVEL** and suburban markets have generally recovered, business travel still lags and the drop in office occupancy remains a concern for downtown hotels.

**WITH THE LIMITED GROWTH IN SUPPLY,** occupancy is projected to continue to steadily improve.

**WITH RISE IN INTEREST RATES,** sales volume has decreased, and pricing has moved downward as average capitalization rates have edged upward to 8.8%.

**SIX HOTELS** are under construction and new supply is anticipated mainly in 2024 and 2025

HOTEL PERFORMANCE

Market	Room Occupancy			Average Room Rate			Daily RevPAR		
	1Q22	1Q23	1Q24	1Q22	1Q23	1Q24	1Q22	1Q23	1Q24
Seattle CBD	45.5%	66.0%	68.7%	\$162	\$215	\$227	\$74	\$142	\$156
South Lake Union	54.5%	69.2%	70.1%	\$124	\$183	\$197	\$68	\$127	\$138
North Seattle	57.9%	67.9%	66.4%	\$112	\$146	\$149	\$65	\$99	\$99
Bellevue CBD	44.4%	61.7%	63.9%	\$145	\$195	\$204	\$64	\$120	\$130
SeaTac	60.9%	71.8%	72.4%	\$106	\$139	\$144	\$64	\$100	\$104
Tacoma	56.8%	63.1%	63.9%	\$145	\$166	\$171	\$82	\$105	\$109
Lynnwood	57.9%	67.9%	66.4%	\$112	\$146	\$149	\$65	\$99	\$99
Everett	61.2%	67.3%	67.5%	\$100	\$120	\$123	\$61	\$81	\$83

HOTEL DEVELOPMENT

Name	Address	City	Type	Opening	Rooms
InterContinental Hotel	10300 NE 8th Street	Bellevue	Full	June 2024	208
AC by Marriott	117 Yale Avenue N	Seattle	Select	July 2024	200
Nuovo Studios	601 Aurora Avenue N	Seattle	Limited Service	March 2025	143
Residence Inn by Marriott	10600 First Avenue NE	Seattle	Limited Service	March 2025	155
Trademark Collection	15881 NE 85th Street	Redmond	Limited Service	June 2024	223
Hotel Westland	100 S King Street	Seattle	Boutique	August 2024	120

HOTEL TRANSACTIONS

Name	Location	Year Built	Sale Date	Sale Price	Rooms	\$/Room	\$/SF
Redmond Inn	Renton	1966	January 2024	\$36,200,000	224	\$161,607	\$203
La Quinta Inn & Suites	Tacoma	1999	January 2024	\$11,000,000	128	\$85,938	\$215
Residence Inn S. Seattle	Bellevue	2014	February 2024	\$30,000,000	128	\$234,375	\$398
Hilton Garden Inn	Renton	1998	March 2024	\$18,000,000	150	\$120,000	\$241

Data Sources: STR, CoStar, and Kidder Mathews Valuation



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<b>COMMERCIAL BROKERAGE</b>	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<i>51M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>750+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>25</i> WITH MAI DESIGNATIONS

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