

Cleveland Positioned to Record More Visitations as Downtown Reopens and Events Return

Cleveland athletic events drawing attendees. In the first half of the year, Cleveland's hospitality industry witnessed a boost in visitations as it hosted the 2022 NBA All-Star Game. Consequently, in February the metro registered its highest monthly ADR on record at around \$125. Similar ADR levels are expected to continue through the year as other events return to the area, such as the Cleveland Tall Ships Festival and Fan Expo Cleveland, neither of which has been held since 2019. Additionally, the Cleveland Guardians reported that average home game attendance through June is just shy of the pre-pandemic season, following capacity limits in the prior two years. Seasonal weather improvements and a reopened downtown are likely to further support travel to the metro.

Visitors return for regional attractions and university activities. Travelers seeking lower rates and proximity to both the airport and downtown fueled demand in Cleveland Airport/Westlake, with the submarket being home to the metro's lowest ADR. The area led the market in occupancy during the trailing 12-month period ended in May, at nearly 60 percent. Moving forward, a dearth of construction projects is likely to aid local hotel demand. Similarly, the submarket including Lorain, Lake and Geauga counties reported occupancy above 55 percent, as visitors returned to attractions like Cedar Point. Demand for hotels will remain strong in these areas, as northern Ohio universities return to classes in the fall, and events like the Twins Days Festival expect pre-pandemic attendance.

Employment Trends



* Forecast
Sources: BLS; CoStar Group, Inc.

Hospitality 2022 Outlook



540
ROOMS
under construction

CONSTRUCTION:

After reduced development last year, 2022 has seen few new projects break ground. The majority of the current active pipeline is in the Cleveland CBD/Independence submarket, and is split between upper midscale and upscale facilities.



790
BASIS POINT
change in occupancy

OCCUPANCY:

In 2022, occupancy will end around 59.6 percent, only 170 basis points below the year-end 2019 rate. The Willoughby/Beachwood submarket will boost the metrowide rate as occupancy here surpasses 64 percent.



17.2%
INCREASE
in ADR

ADR:

After passing the pre-pandemic high in March, ADR will continue its fast-paced upward trajectory to an annual average of \$121.95 by year-end. This rise is partially fueled by an expected 15.9 percent gain in hotel demand.

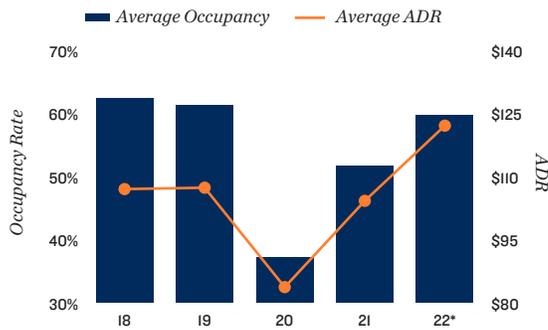


35.0%
INCREASE
in RevPAR

REVPAR:

Following a 73.3 percent increase last year, RevPAR will make a full recovery to surpass the 2019 annual average. This year will record a mean of \$72.64, with growth in this metric driven by ADR increases and a surge in occupancy.

Occupancy & ADR Trends



RevPAR Trends



Sales Trends



* Forecast ** Through May

Sources: CoStar Group, Inc.; Real Capital Analytics

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Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.

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May 2022 - 12-Month Period

OCCUPANCY

1,440 basis point increase in occupancy Y-O-Y

- The trailing 12-month period ended in May reported an occupancy rate of 55.2 percent, which is 740 basis points below the same span in 2019.
- Among the metro's submarkets, Cleveland Airport/Westlake saw one of the most significant gains in occupancy, claiming the highest rate in the market at 58.1 percent on average.

ADR

31.3% increase in the average daily rate Y-O-Y

- Annual ADR entered June at \$111.79, 5 percent above the trailing 12-month period ended in May 2019.
- Rate growth was fueled by gains in the Cleveland Airport/Westlake and Cleveland CBD/Independence submarkets, home to half of the metro's supply. Each area noted over a 30 percent increase in ADR.

REVPAR

77.4% increase in revenue per available room Y-O-Y

- RevPAR rose to \$61.68 in the yearlong span ended in May. This increase was driven by the Cleveland CBD/Independence submarket, where RevPAR doubled year-over-year to over \$70.00.
- Upper upscale properties have seen the greatest increase in RevPAR, with growth in the triple digits across the yearlong period preceding June.

Investment Highlights

- Low entry costs and attractive yields are drawing investors to the stabilizing market. In the trailing 12 months preceding June, the average sale price in Cleveland settled to \$78,300 per room, with little change from the previous period. The mean cap rate also held firm at 9.9 percent.
- Deal flow this year was concentrated along the shore of Lake Erie and around the Cleveland Hopkins International Airport. This is a deviation from last year's focus in the inland portion of the Willoughby/Beachwood submarket. Lakeside properties traded primarily in the range of low-\$60,000 to mid-\$80,000 per room. Investor expectations for renewed Great Lakes tourism is heating competition for well-located, upper mid-scale properties.
- Following low levels of limited service trading in 2020, last year featured a mix of economy and upper midscale hotels changing hands. This year, however, has seen a notable shift in preferences to favor select and full service assets more heavily, indicating investor interest in higher-quality hotels — particularly upper upscale. Over the last 12 months ended in May, occupancy in this segment reached 56.8 percent, the highest rate recorded for the tier since March 2020.