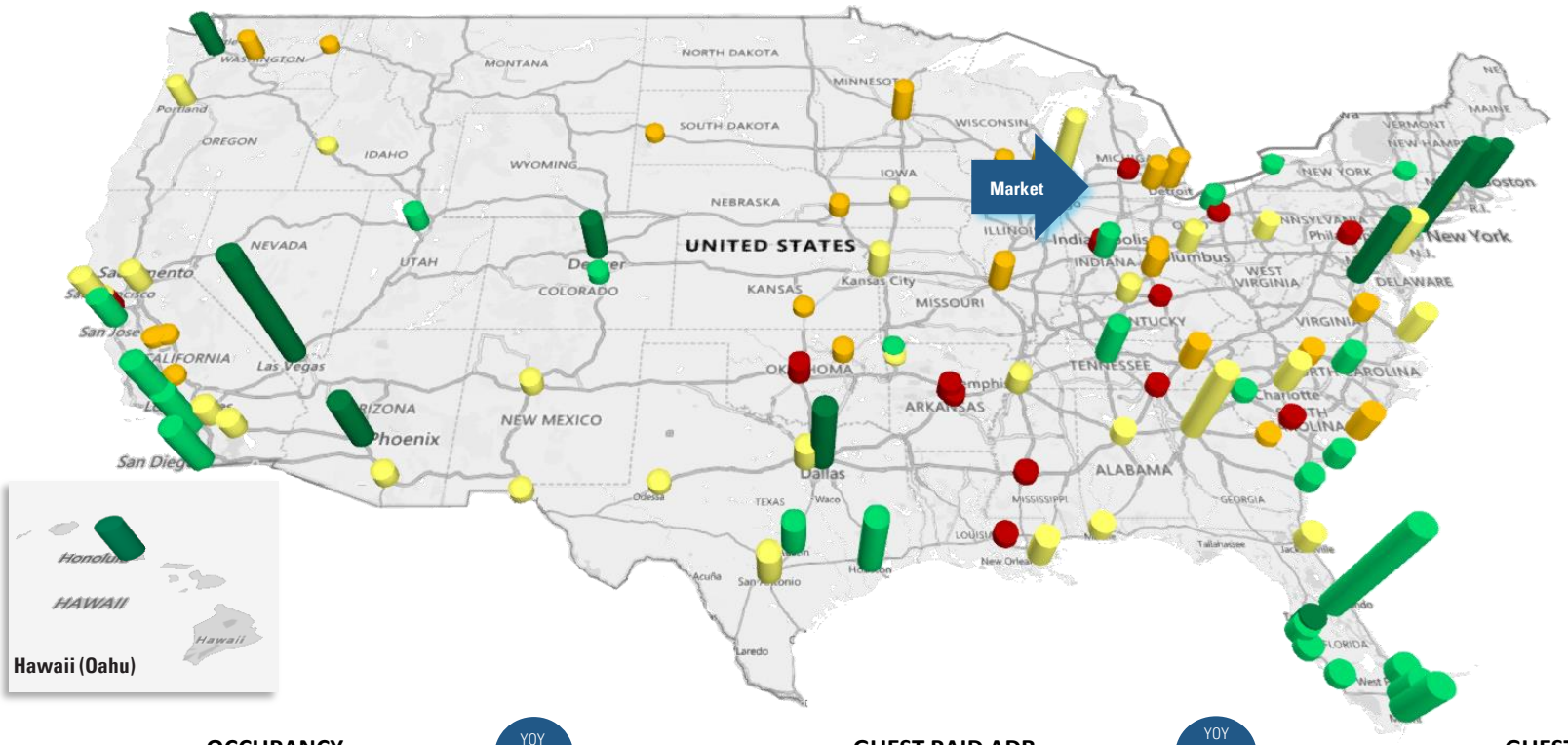
VALUATION & ADVISORY | HOSPITALITY, GAMING & LEISURE

HOTEL MARKET NSIGHTS REPORT

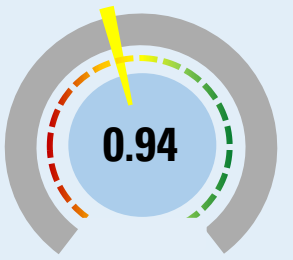
3Q 2024
DETROIT, MI

Lodging Performance Index Snapshot



LODGING PERFORMANCE INDEX

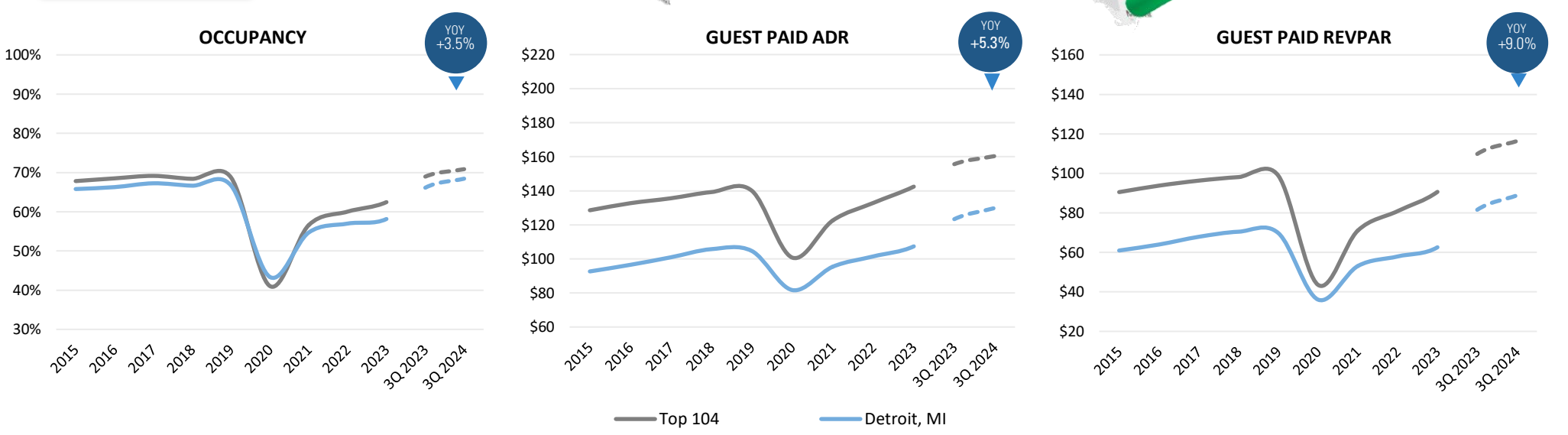
Detroit, MI



66th of 104
Average

Ranking of overall '3Q 2024 LPI' performance (0.94) against all 104 surveyed markets.

KEY PERFORMANCE METRICS



PERFORMANCE INDEXES

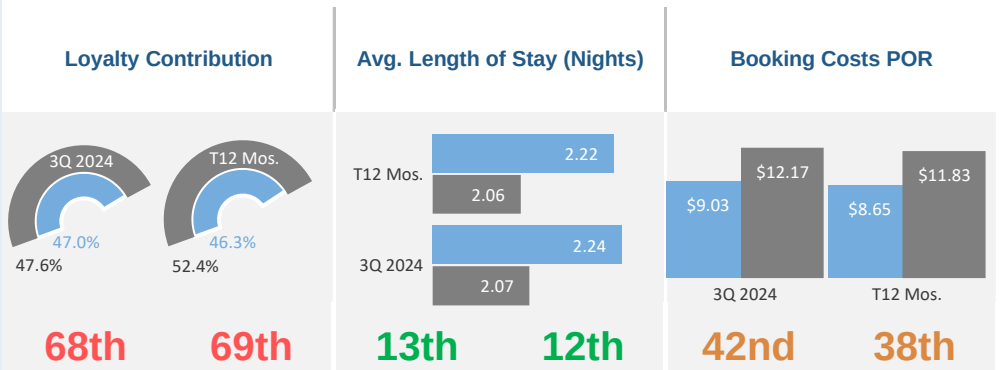
Key Performance Indexes

Subject Market | Top 104

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
57th	85th	60th	68th	59th	77th

BENCHMARK INDEXES

Key Benchmark Indexes

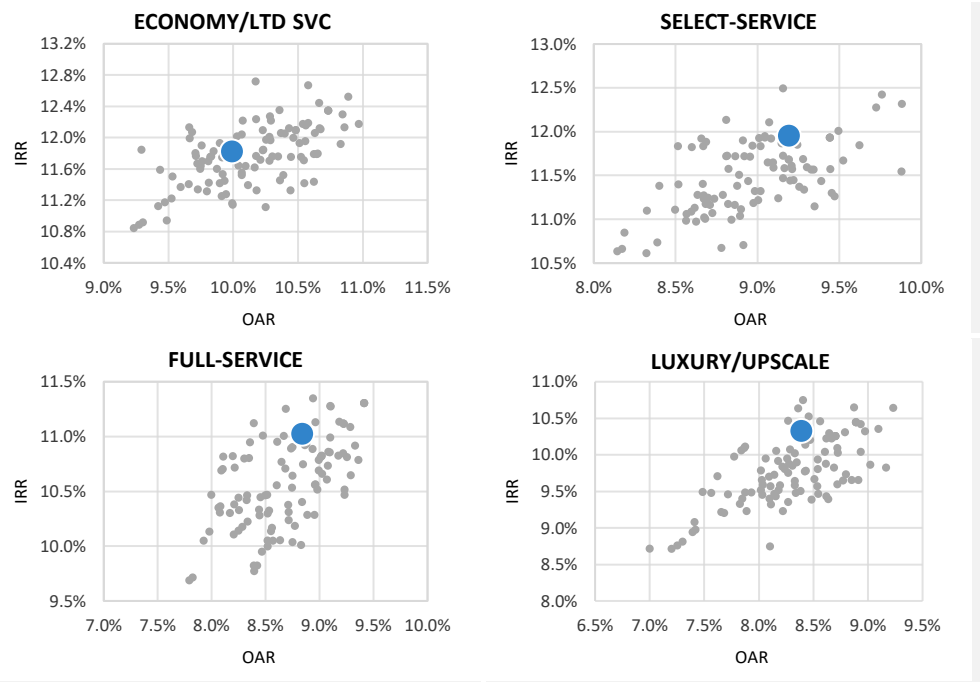


Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
68th	69th	13th	12th	42nd	38th

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark



FUNDAMENTALS

Trends and Risks

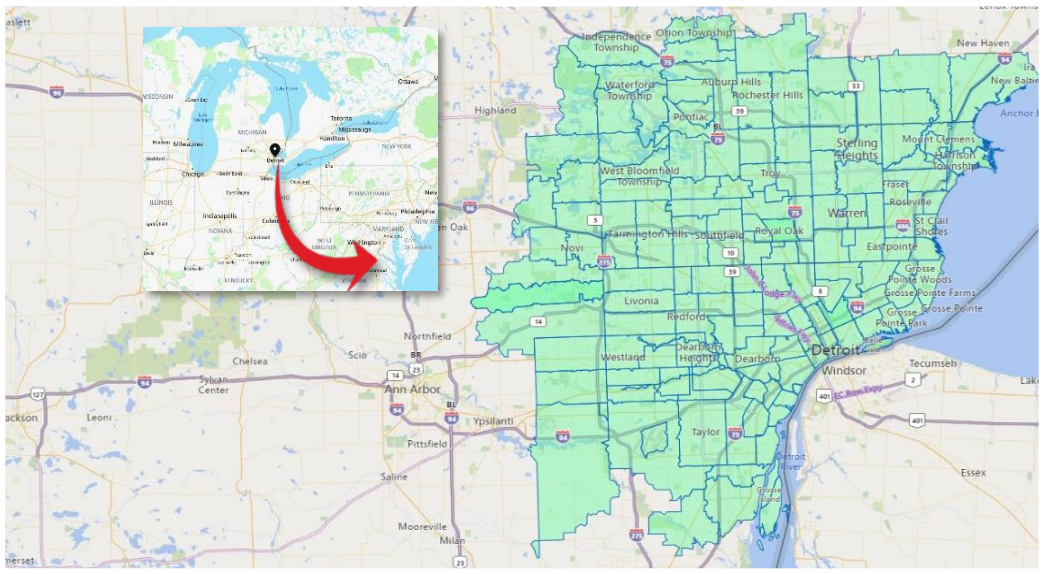
Source: Kalibri Labs, Newmark

Revenue Stability	Supplier Power Trend	Investment Yields
82nd	**69th**	**79th**
Below Average	Below Average	Below 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
45th	**1st**	**18th**
Average Risk	High Risk	Above Average
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:	Detroit
County:	Wayne County
State:	Michigan
Geo Coordinates (market center):	42.33143, -83.04575

Major Hotel Demand Generators

Ford Motor Co. | General Motors Corp. | University of Michigan | Chrysler Group LLC | Beaumont Health System | Henry Ford Health System | CHE Trinity Health | Detroit Medical Center | Rock Ventures | St. John Providence Health System | Quicken Loans | Blue Cross Blue Shield of Michigan | DTE Energy Co. | Oakwood Healthcare Inc. | Wayne State University | Ascension | Comerica Bank | U.S. Postal Services | Johnson Controls Inc. | McLaren Health Care

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	3,198,033	11th of 104 (Large)
Income per Capita	$27,838	103rd of 104 (Soft)
Feeder Group Size	121.3 Persons PSR	91st of 104 (Soft)
Feeder Group Earnings	$3,377,939 PSR	48th of 104 (Average)
Total Market Hotel Revenues	$1.1 billion	29th of 104 (Above 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	65.8%	$92.65	$60.95	$85.76	$56.41	$6.89	92.6%	49.3%	2.21	39,220	0.95
2016	66.3%	$96.52	$63.97	$89.08	$59.04	$7.44	92.3%	51.0%	2.15	39,820	0.94
2017	67.3%	$100.94	$67.88	$92.79	$62.41	$8.14	91.9%	52.3%	2.11	40,450	1.04
2018	66.6%	$105.72	$70.45	$97.18	$64.76	$8.54	91.9%	53.7%	2.09	41,450	1.03
2019	66.7%	$104.65	$69.78	$96.10	$64.08	$8.55	91.8%	56.6%	2.03	42,130	0.89
2020	43.4%	$81.70	$36.07	$76.34	$33.10	$5.36	93.4%	34.8%	2.48	42,230	0.87
2021	54.7%	$95.42	$53.10	$88.85	$48.60	$6.58	93.1%	36.8%	2.41	42,940	0.78
2022	57.0%	$101.48	$57.94	$94.51	$53.84	$6.97	93.1%	37.8%	2.42	43,100	0.69
2023	58.1%	$107.37	$62.59	$100.00	$58.14	$7.37	93.1%	38.9%	2.40	43,340	0.85
CAGR: 2015 thru 2023	**-1.5%**	**1.9%**	**0.3%**	**1.9%**	**0.4%**	**0.8%**	**0.1%**	**-2.9%**	**1.0%**	**1.3%**	**-1.4%**
3Q 2023	66.1%	$123.34	$81.55	$114.88	$75.96	$8.45	93.1%	44.2%	2.28	44,120	0.78
3Q 2024	68.4%	$129.87	$88.87	$120.84	$82.69	$9.03	93.0%	47.0%	2.24	44,330	0.94

Notable Metrics

HIGHEST

T12-Month Average Length of Stay	Latest-Quarter Average Length of Stay	Feeder Population Per Room
12th	**13th**	**15th**
Above Average	**Above Average**	**Above Average**
Detroit, MI benefited from strong T12–month average length of stay (2.22 Nights)	The market boasted strong latest–quarter average length of stay (2.24 Nights)	The market also posted a high ratio of feeder population per room (51.93)

LOWEST

Economy Median Income	IRR: Select-Service	Feeder Group Size
103rd	**91st**	**91st**
Soft	**Unfavorable**	**Soft**
This market was stymied by weak Economy Median Income ($27,838)	The market posted unfavorable IRR metrics in the select–service segment (12.0%)	Detroit, MI also required a large feeder group size (121.34 Persons)

Notable Trends

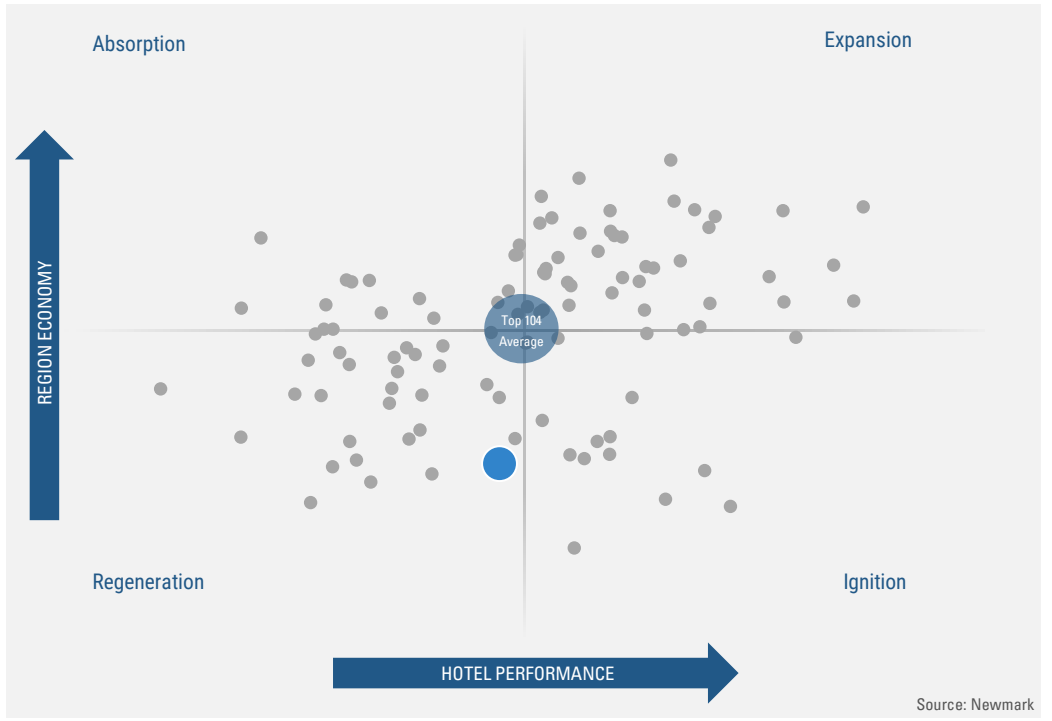
STRONGEST

Long-Term Historical COPE ADR Growth	Long-Term Historical Guest Paid ADR Growth	Long-Term Historical Average Length of Stay Growth
33rd	**35th**	**39th**
Above Average	**Average**	**Average**
Detroit, MI enjoyed from strong long–term historical COPE ADR growth (2.9%)	The market has benefited from strong long–term historical Guest Paid ADR growth (2.9%)	The market also enjoyed strong long–term historical average length of stay growth (0.4%)

WEAKEST

General Economy Reverence	Short-Term Historical Guest Paid RevPAR Growth	Short-Term Historical COPE RevPAR Growth
96th	**82nd**	**81st**
Soft	**Below Average**	**Below Average**
The market posted weak general economic reverence (per–capita unemployment, GDP and other indicators)	We note this area has been hampered by weak short–term historical Guest Paid RevPAR growth (1.6%)	Detroit, MI also has been impeded by weak short–term historical COPE RevPAR growth (1.7%)

Market Performance Stage



Source: Newmark

Detroit, MI: Regeneration Stage

Regeneration

The Detroit, MI market is currently in the 'Regeneration' stage of the performance cycle. In this 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; Knoxville, TN; and Michigan North Area, MI.

Other Stages:

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; Miami, FL; and New Orleans, LA.

Absorption

In the 'Absorption' 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 Minneapolis, MN; ; and .

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; Atlanta, GA; and Austin, TX.

MOODYS ANALYTICS

Industry Observations

Business Cycle:	**Recovery**
Employment Growth (2 yr):	0.3%
Risk Exposure (402 US markets):	**94th Percentile: High Risk**
Key Industry Notes:	Low living and business costs
	Auto HQ, R&D
	Housing affordability
	Below-average quality of life
	Rapidly shrinking population

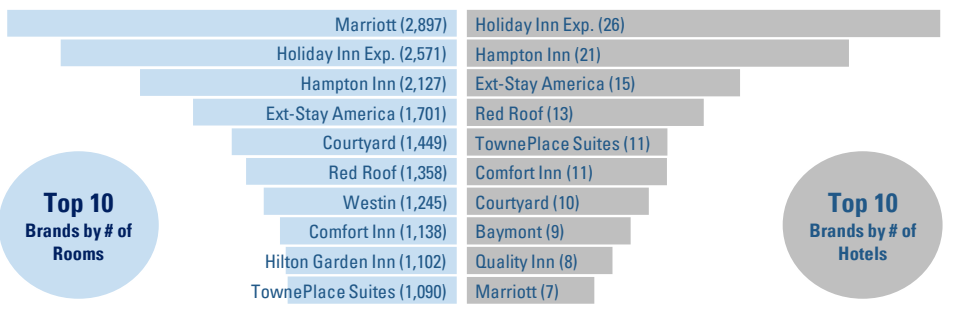
Moody's Rating

A1

Investment Grade

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

TOP 10 BRANDS

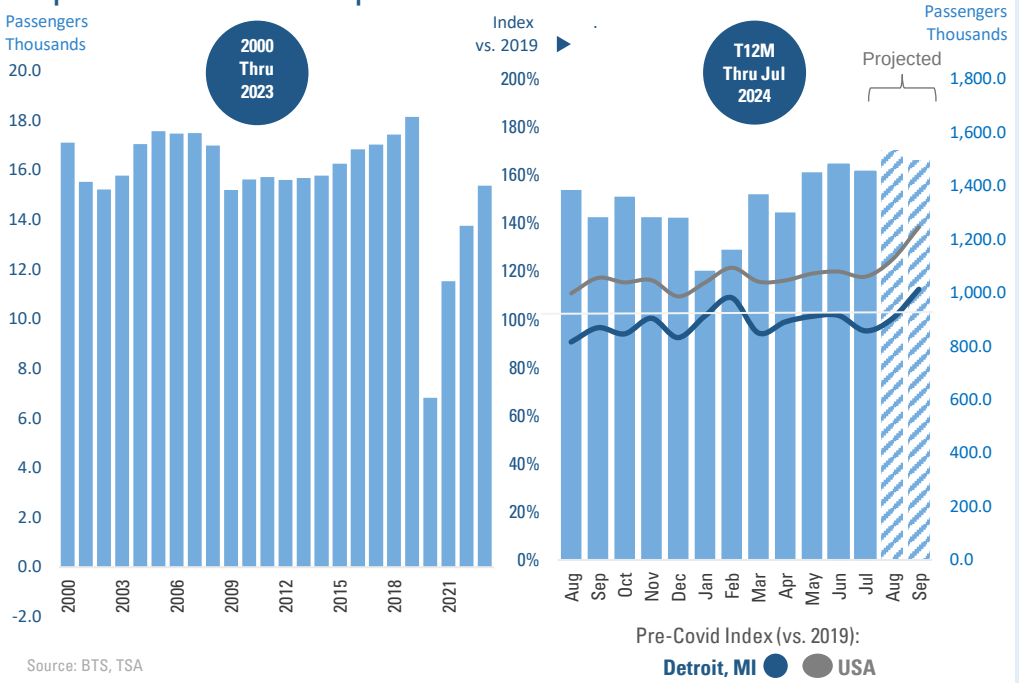


Source: Newmark

NEWMARK

SELECT NEAREST AIRPORT CITY: ALL LOCAL

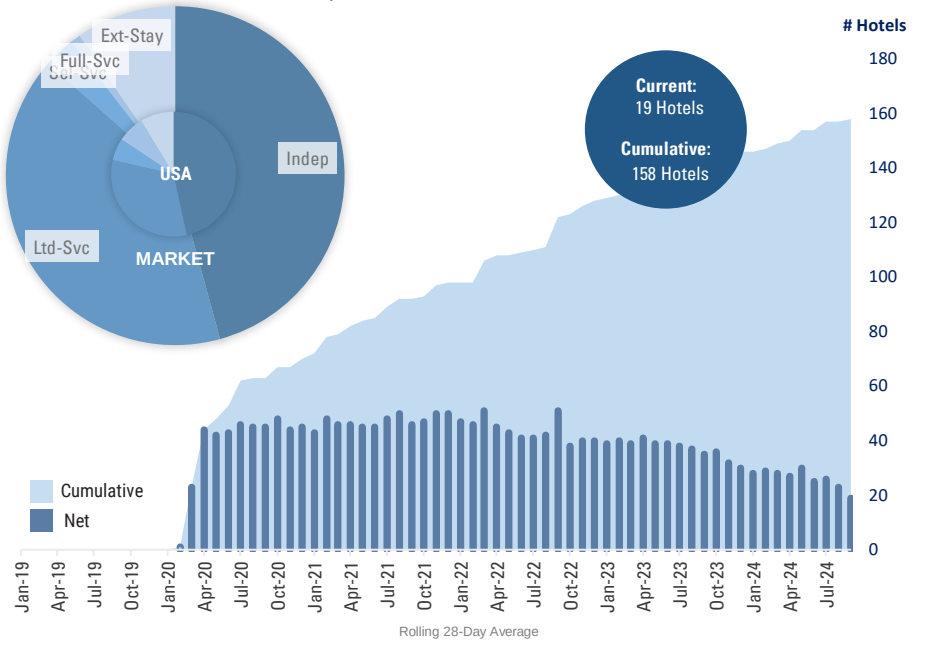
Airport Statistics - Enplanements



Source: BTS, TSA

DATA THROUGH NOVEMBER 2024

Hotel Closures - Detroit, MI



Source: Hotel Compete

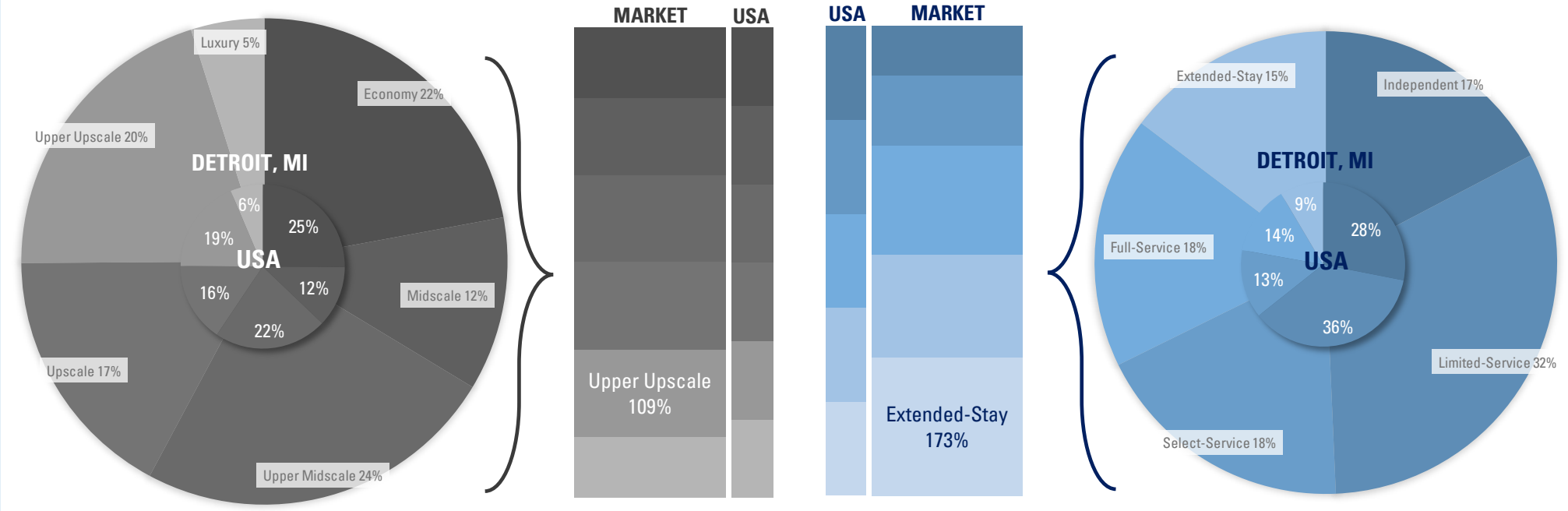
SCALE AND SERVICE ORIENTATION

Scale and Service Distribution: Detroit, MI

Distribution Based on CHAIN SCALE

CATEGORY PENETRATION RELATIVE TO USA SEPTEMBER 2024

Distribution based on SERVICE ORIENTATION



'30/3' RATE CHANGES: DETROIT, MI vs. USA

Published Rates: Top 10 Brands

Source: HotelCompete

RATE ADJUSTMENTS BY BRAND

Published Rates: Volatility

Source: HotelCompete

MAJOR C.R.E. METRICS

Major CRE Market Performance

Source: CoSTAR

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

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Our Hospitality, Gaming & Leisure platform has experience in valuation assignments and market analysis for properties including:

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

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

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

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