



Oregon Coast Lodging Market Snapshot

Economic Overview by Moody's – Oregon Coast Feeder Markets

Employment in Portland is rising much more rapidly than in the state, region, and nation. The biggest high-wage drivers, professional services and manufacturing, are the main sources of strength. Construction of a large new semiconductor plant by Intel has also led to a burst of hiring in contractor positions.

Seattle-Bellevue-Everett has the highest share of tech workers in the nation behind only Silicon Valley and Los Angeles. The area's unflappable economy is holding its own amid growing recession risks. The jobless rate is near its pre-pandemic low and the tight labor market is translating to big wage gains for workers. Overall, however, the economy is expected to moderate in the coming year.

Oregon Coast Lodging Market SWOT

Strengths

- Coastal beaches cater predominantly to Seattle's and Portland's strong population bases.
- No significant increase in hotel supply is underway. Those proposed are facing construction and financing cost headwinds which may inhibit these projects from coming to fruition.

Weaknesses

- After witnessing historic occupancy in 2021 followed by a slight decrease in 2022, operators are uncertain these levels can be sustained given economic slowdown.
- Nightly rates are under increased pressure as year-to-date 2023 occupancy is well below market expectations.

Threats

- Labor availability issues are subsiding but the cost of labor continues to impact hotel net income levels.
- Cancellations spike depending on weather forecasts, yielding a short booking window increased market risk.

Opportunities

- Oregon coastal markets are dominated by economy-tiered independent hotels and condo timeshares which creates opportunities to reposition assets under a nationally recognized brand such as Hilton or Marriott.
- Due to scarcity of developable land, high-quality or even underperforming well-positioned assets in good locations trade at high levels.

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Market Participant Interviews

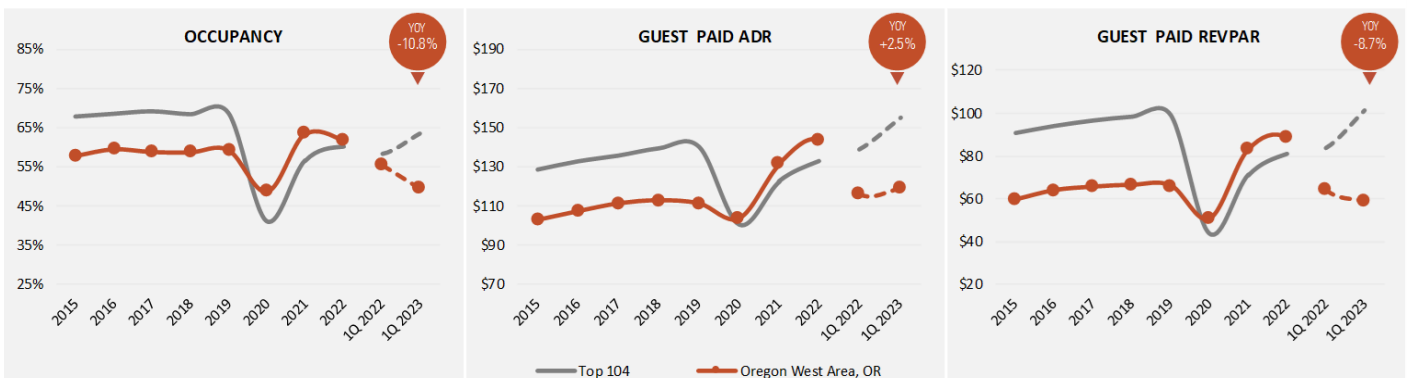
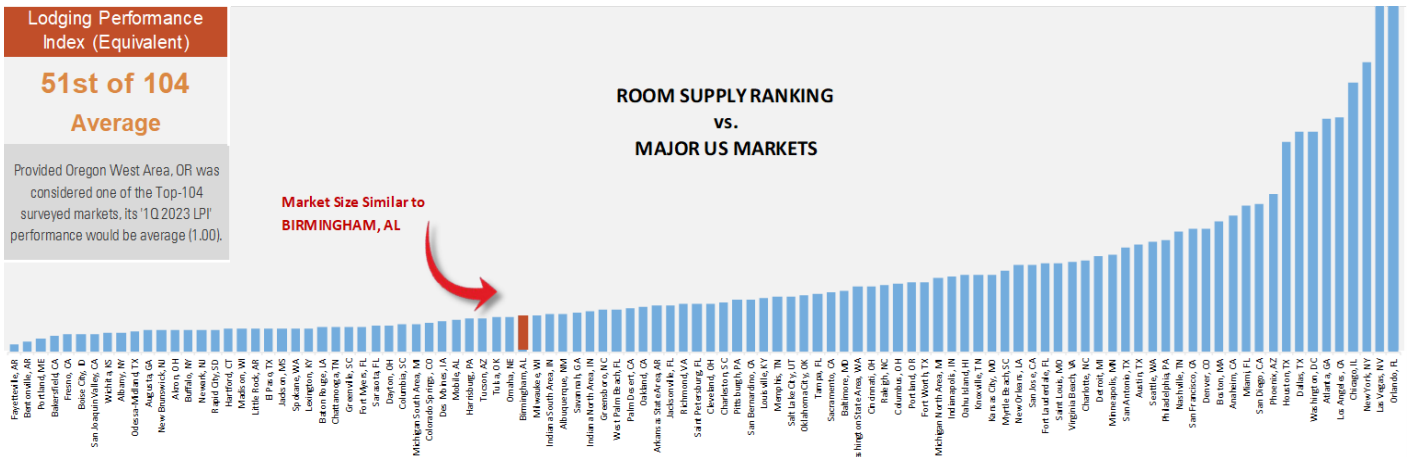
Respondent	Commentary
Hotel Manager	The Seattle and Portland economies have a strong influence on the coastal lodging market. Due to unfavorable weather conditions in 1Q2023, occupancy levels are below expectations which is clouding calendar year expectations.
Hotel Manager	Nightly rates will remain high unless demand forecasts do not materialize as the peak season nears.
Hotel Manager	Cancellations have been higher than expected. Property level ADR has been cut \$7-\$12 to try and induce demand from competing properties.
Hotel Manager	Economy sector has been rate sensitive so far in 2023 but demand has been favorable.
Broker / Capital Markets	These markets receive high interest from buyers but quality lodging properties rarely come to market. Sellers are also apprehensive as a comparable down-leg of a 1031 will be difficult to locate in the necessary timeframe.
Hotel Owner / Developer	New development is taking longer as communities struggle with affordable housing, especially with the cost of construction and cost of capital increases the past few years.
Various	Coastal lodging markets have very high barriers-to-entry. Communities are focused on approving affordable housing.

Newmark Commentary

Coastal Oregon is a popular drive-to destination for regional leisure travelers, especially during COVID as travelers looked to social-distance and were flush from stimulus payments. While poor weather has impacted 1Q2023 occupancy, nightly rates remain well above pre-pandemic levels. With the upcoming peak summer travel season, demand from key demographic segments (i.e. families) are expected to remain favorable as fly-to destination costs (airline, car rental, hotel, etc.) also exceed pre-pandemic levels and higher interest rates cut into discretionary spending budgets. Overall, the market is expecting regional travelers to stay close to home this year while recessionary fears continue making headlines.

Compiled by Newmark

Oregon West Lodging Rank Among Major Hotel Markets



Source: Kalibri Labs

Historical Market Trends – Oregon Coastal Area										
Year	Number of Rooms	% Change	Total Market Demand	% Change	Market Occupancy	% Change	Hotel-Collected ADR	% Change	Hotel-Collected RevPAR	% Change
2007	11,225	-	2,222,638	-	55.0%	-	\$90.22	-	\$49.63	-
2008	11,377	1.4%	2,134,242	-4.0%	52.1%	-5.3%	\$93.16	3.3%	\$48.54	-2.2%
2009	11,427	1.4%	2,010,024	-5.8%	48.4%	-7.1%	\$93.43	0.3%	\$45.20	-6.9%
2010	11,426	-0.7%	2,099,075	4.4%	50.9%	5.1%	\$93.34	-0.1%	\$47.47	5.0%
2011	11,389	-0.1%	2,082,857	-0.8%	50.5%	-0.6%	\$93.34	0.0%	\$47.18	-0.6%
2012	11,463	0.8%	2,138,058	2.7%	51.5%	1.9%	\$96.05	2.9%	\$49.45	4.8%
2013	11,447	0.7%	2,218,689	3.8%	53.1%	3.1%	\$98.60	2.7%	\$52.33	5.8%
2014	11,485	0.2%	2,311,014	4.2%	55.2%	4.0%	\$101.00	2.4%	\$55.74	6.5%
2015	11,435	-0.3%	2,412,473	4.4%	57.8%	4.7%	\$106.29	5.2%	\$61.44	10.2%
2016	11,459	-0.1%	2,484,483	3.0%	59.6%	3.1%	\$111.00	4.4%	\$66.14	7.6%
2017	11,457	0.2%	2,456,374	-1.1%	58.8%	-1.3%	\$114.85	3.5%	\$67.55	2.1%
2018	11,512	0.5%	2,465,669	0.4%	58.7%	-0.2%	\$116.10	1.1%	\$68.18	0.9%
2019	11,514	0.0%	2,474,792	0.4%	58.9%	0.4%	\$114.04	-1.8%	\$67.22	-1.4%
2020	11,577	-1.3%	2,017,938	-18.5%	48.7%	-17.4%	\$106.67	-6.5%	\$51.95	-22.7%
2021	11,554	1.9%	2,651,835	31.4%	62.8%	29.0%	\$135.95	27.4%	\$85.40	64.4%
2022	11,401	-0.9%	2,572,424	-3.0%	61.5%	-2.1%	\$150.22	10.5%	\$92.34	8.1%
CAGR:		0.2%		1.0%		0.7%		2.4%		3.1%
YTD Mar 2022	11,555	-	567,956	-	54.6%	-	\$120.36	-	\$65.73	-
YTD Mar 2023	11,400	-1.3%	501,937	-11.6%	48.9%	-10.4%	\$122.47	1.8%	\$59.91	-8.9%

Source: CoStar | STR, Inc.

Select Recent Sales Transactions						
Property Name	Orientation	Class Tier	Number of Rooms	Sale Date	Sale Price	\$/Room
Inn @ Wecoma	Limited-Service	Upper Upscale	63	12/28/2022	\$9,500,000	\$150,794
Edgewater Inn	Limited-Service	Midscale	82	11/9/2022	\$6,500,000	\$79,268

Source: Newmark Valuation & Advisory

Summary of Notable Supply Additions					
Property	Location	Number of Rooms	Completion Date	Orientation	Status
Home2 Suites	Astoria, OR	84	Q4/2023	Economy	Construction
Ship Inn Redevelopment	Astoria, OR	66	Speculative	Mid-Range	Planning
Bandon Beach Hotel	Bandon, OR	32	Speculative	Economy	Planning
The Whaler at Nye Beach	Newport, OR	225	Speculative	Not Yet Determined	Planning
Best Western Plus Ocean View Resort Motel Addition	Seaside, OR	54	Speculative	Mid-Range	Planning

Source: BuildCentral - Hotel Market Data and Newmark Valuation & Advisory

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