



Seattle-Bellevue Lodging Market Snapshot

March 2023

Economic Overview by Moody's

Seattle-Bellevue-Everett's economy is holding steady amid a heightened risk of overheating. Employment growth has ticked up in the last three months, outpacing the regional average. With a tight labor market, strong hiring is defying expectations. While the labor force is near a record high, the unemployment rate is in line with its pre-pandemic low. The high-tech sector has slowed markedly from the start of the year, but manufacturing is weathering higher interest rates better than elsewhere, and factory payrolls are growing faster than the national average. The housing market is crumbling under the weight of higher mortgage rates, with prices falling faster than average during the past three months.

Seattle-Bellevue Lodging SWOT

Strengths

- Unfunded hotel development projects are not expected to come to fruition in the near term and a few hotels have been converted to other uses.
- Operators continue increasing nightly rates despite lower-than-normal occupancy levels.

Weaknesses

- Market RevPAR remains well below pre-pandemic levels as weekend travelers outpaced commercial demand.
- New supply under construction may hamper the market's ability to return to pre-pandemic levels.
- Labor availability issues are subsiding but the cost of labor continues to impact hotel net income levels.

Threats

- Occupancy levels may not return to historical levels in the near term as discretionary spending levels remain at historic lows.
- Major tech companies continue shedding jobs in both the Seattle and Bellevue CBD markets.

Opportunities

- The local cruise industry exceeded pre-pandemic passenger levels in 2022 with positive expectations for the upcoming 2023 season.
- Seattle Tourism Fund for marketing went from \$2.00 to \$4.00 per occupied room night.
- Seattle Convention Center completed its 573,770 square foot, \$2 billion "Summit" expansion in 1Q 2023.
- Seattle will host the 2023 Major League Baseball All-Star game and the 2026 FIFA World Cup.

SEATTLE-BELLEVUE LODGING MARKET SNAPSHOT

Market Participant Interviews

Respondent	Commentary
Broker / Capital Markets	Seattle has a strong leisure segment with upside in group demand from the convention center expansion. Buyers are taking a long-term strategy with cap rates around 5.0% expected as this market recovers.
Broker / Capital Markets	Urban markets like Seattle are in vogue as buyers assess market risk-return profiles given financial market's fundamentals. Acquisition financing has become less competitive over the past few weeks due to the SVB collapse. LTV's are generally sub-65% and rates hovering around SOFR+425-475 basis points with buyers looking at stabilized yield rather than today's cash flow in markets that have yet to return to pre-pandemic levels as new supply gets shelved due to the high cost of development and few willing lenders.
Hotel Owner	Development is taking longer with costs increasing drastically over the past few years. Today, approx. 60% LTV construction is possible through small lenders with established relationships. On the operational side all costs have increased but wages seems to have plateaued. Overall, the PNW's demand generators support market optimism going forward despite macro fundamentals.
Hotel Owner	It's a high-barrier-to-entry market with assets priced at a significant discount to replacement cost.
Hotel Owner	Demand from major tech companies is having an impact on commercial demand but leisure is showing strong bookings for the 2023 season despite an increase in interest rates and decrease in discretionary spending. While occupancy levels have yet to return to pre-pandemic levels, ADR levels continue to increase and the MLB All-Star game is expected to be a boon for topline revenue. Furthermore, labor concerns have subsided as wages have mostly flatlined.

Newmark Commentary

The market could see some distressed or discounted deals transpire in 2023 with continued increases in interest rates and corporate travel not returning swiftly. Two hotels have CMBS maturity dates in the next year and a few properties are in special servicing or on the watchlist. However, leisure demand is offsetting the decline in commercial demand. Coupled with the expansion of the convention center and the \$728 million Seattle Waterfront project, leisure and group demand should elevate market occupancy levels in the near term. This has also helped Seattle be selected for major events such as the 2023 Major League Baseball All-Star game and as a host city for the 2026 FIFA World Cup.

Compiled by Newmark

Historical Market Trends & CoStar Forecast - Seattle CBD Area*

Year	Number of Rooms	% Change	Total Market Demand	% Change	Market Occupancy	% Change	Hotel- Collected ADR	% Change	Hotel- Collected RevPAR	% Change
2007	11,609	-	3,069,481	-	73.6%	-	\$166.90	-	\$122.83	-
2008	12,040	3.1%	3,094,219	0.8%	71.9%	-2.3%	\$167.83	0.6%	\$120.71	-1.7%
2009	12,383	5.1%	3,002,285	-3.0%	66.4%	-7.7%	\$147.77	-12.0%	\$98.14	-18.7%
2010	12,945	2.9%	3,293,914	9.7%	70.8%	6.6%	\$143.21	-3.1%	\$101.37	3.3%
2011	12,934	1.5%	3,490,211	6.0%	73.9%	4.4%	\$148.75	3.9%	\$109.92	8.4%
2012	12,743	-0.3%	3,641,500	4.3%	77.3%	4.6%	\$154.87	4.1%	\$119.73	8.9%
2013	12,769	-1.1%	3,684,079	1.2%	79.1%	2.3%	\$166.63	7.6%	\$131.78	10.1%
2014	12,790	0.1%	3,809,022	3.4%	81.7%	3.3%	\$183.19	9.9%	\$149.62	13.5%
2015	13,375	3.1%	3,953,618	3.8%	82.2%	0.7%	\$197.11	7.6%	\$162.08	8.3%
2016	13,534	2.2%	4,027,535	1.9%	81.9%	-0.4%	\$203.42	3.2%	\$166.67	2.8%
2017	13,839	0.5%	4,126,291	2.5%	83.5%	1.9%	\$214.36	5.4%	\$178.97	7.4%
2018	16,127	7.7%	4,313,564	4.5%	81.0%	-2.9%	\$220.50	2.9%	\$178.71	-0.1%
2019	16,396	12.1%	4,720,161	9.4%	79.1%	-2.4%	\$206.06	-6.6%	\$162.98	-8.8%
2020	16,710	-15.9%	1,395,864	-70.4%	27.8%	-64.8%	\$145.86	-29.2%	\$40.56	-75.1%
2021	16,429	14.8%	2,545,927	82.4%	44.2%	58.9%	\$161.83	11.0%	\$71.50	76.3%
2022	17,124	5.3%	3,934,832	54.6%	64.8%	46.7%	\$215.47	33.1%	\$139.69	95.4%
CAGR:		1.8%		3.0%		1.3%		2.5%		3.8%
YTD Feb 2022	16,338	-	336,747	-	34.9%	-	\$145.42	-	\$50.80	-
YTD Feb 2023	17,132	4.9%	475,596	41.2%	47.1%	34.7%	\$171.85	18.2%	\$80.86	59.2%

*Exclusive to hotels midscale and higher tiered

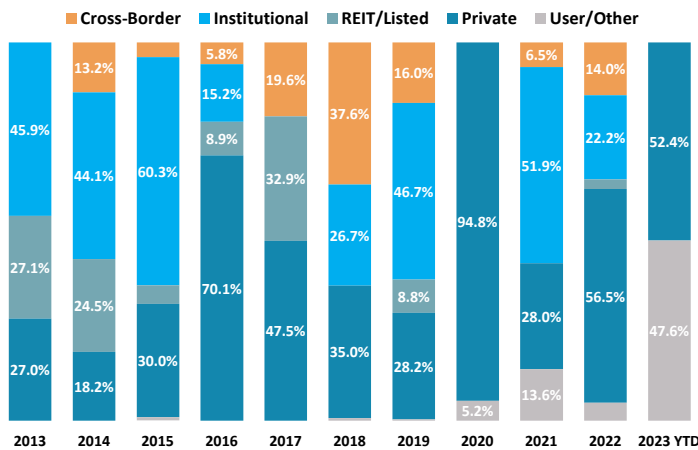
SEATTLE-BELLEVUE LODGING MARKET SNAPSHOT

Select Recent Sales Transactions

Property Name	Orientation	Class Tier	Number of Rooms	Sale Date	Sale Price	\$/Room	OAR
The Charter Seattle, Curio Collection by Hilton	Full-Service	Upper Upscale Class	229	11/30/2022	\$107,800,000	\$470,742	1.60%
La Quinta Inns & Suites Seattle Sea-Tac Airport	Limited-Service	Upper Midscale Class	157	10/21/2022	\$16,500,000	\$105,096	-
Marriott Seattle Bellevue	Full-Service	Upper Upscale Class	384	10/21/2022	\$152,300,000	\$396,615	5.50%
Pan Pacific	Limited-Service	Upper Upscale Class	153	10/19/2022	\$70,000,000	\$457,516	2.90%

Source: Newmark Valuation & Advisory

Buyer Composition – Seattle MSA



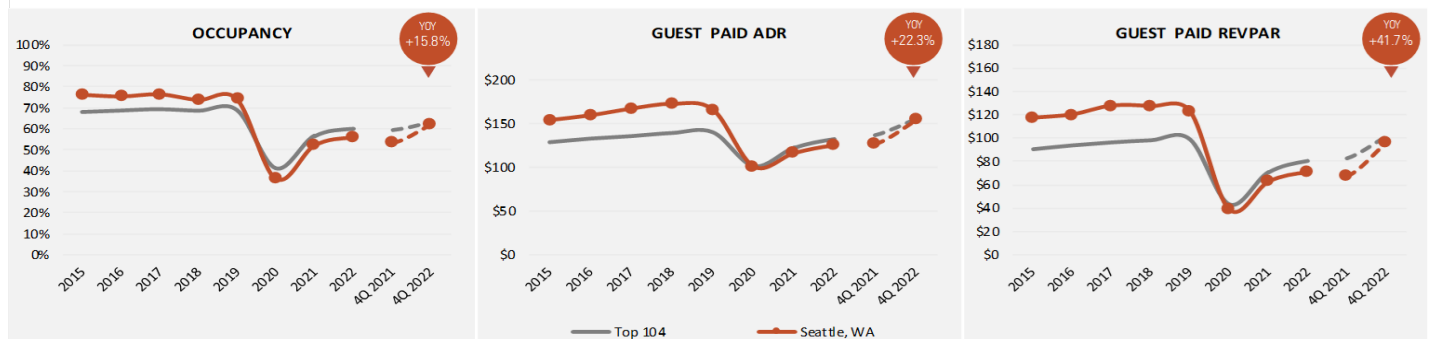
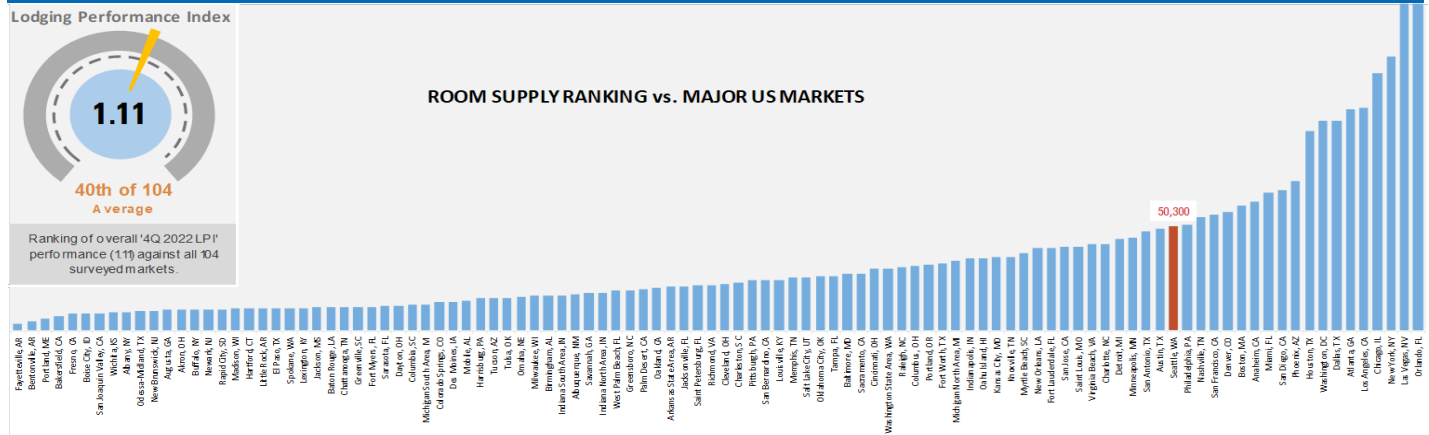
Source: Real Capital Analytics

Market Snapshot - Seattle MSA

	Last Four Quarters	YOY Change	Q4 '22	YOY Change
Volume (\$m)				
Individual Property Volume	\$737.6	21.3%	\$228.6	121.2%
Portfolio Volume	\$181.1	-69.1%	\$150.7	169.4%
Total Volume	\$918.6	-23.1%	\$379.3	138.1%
# Props	37	-40.3%	7	-36.4%
Unit	4,406	-35.3%	1,139	-14.2%
Pricing				
Avg Price per Unit	\$201,654	-2.3%	\$302,761	154.0%

Source: Real Capital Analytics

Seattle-Bellevue Lodging Rank Among Major Hotel Markets



Source: Kalibri Labs

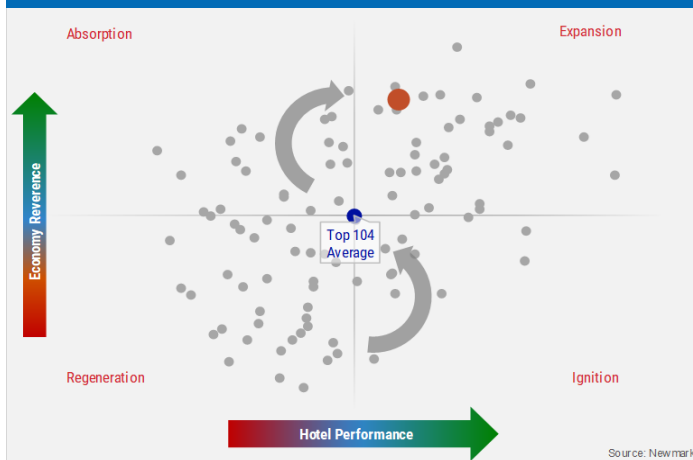
SEATTLE-BELLEVUE LODGING MARKET SNAPSHOT

Summary of Notable Supply Additions

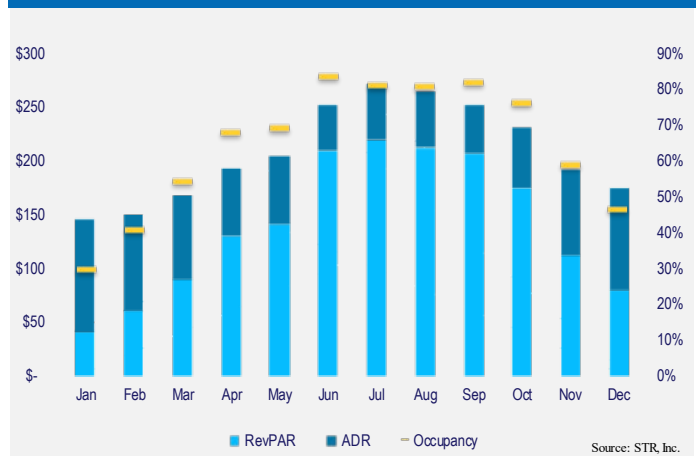
Property	Location	Number of Rooms	Completion Date	Orientation	Status
InterContinental Bellevue at The Avenue	10300 Northeast Eighth Street - Bellevue, WA	208	Q4/2023	Luxury	Under Construction – Completion 4Q2023
SeaTac Airport Hyatt Hotel	Seattle Tacoma (Sea-Tac) International Airport - Seattle, WA	144	n/a	Upscale	Groundbreaking Postponed to 2024
Tommie Hotel - 9th and Virginia	1932 Ninth Avenue - Seattle, WA	221	n/a	Upscale	Cancelled
4/C Mixed-Use Tower	4th Ave. btw Columbia St. and Cherry St. - Seattle, WA	75	n/a	n/a	Hotel Component Removed
Residence Inn Northgate Mall	401 Northeast Northgate Way - Seattle, WA	155	n/a	Upscale	No Application Has Been Submitted
AC Marriott Seattle	117 Yale Avenue North - Seattle, WA	200	Q4/2024	Upscale	Acquired Debt Funding in July 2022

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

Market Performance Stage



Seasonality: Seattle CBD Area



NEWMARK VALUATION & ADVISORY – HOSPITALITY, GAMING & LEISURE

Newmark Valuation & Advisory provides reliable and insightful real estate appraisals and other valuation services around the world. Our platform is designed for maximum scalability to ensure rapid turnarounds, competitive pricing and on-time delivery of valuations ranging from small, single assets to portfolios of hundreds of investment grade properties. As one of the industry's fastest-growing valuation practices, Newmark V&A regularly communicates with active market participants to understand the often-shifting real estate landscape, leveraging our data resources and innovative technology to deliver on our commitments.

CONTACT

Bryan Younge, MAI, ASA, FRICS
Executive Vice President
National Practice Leader
 t 773-263-4544
 bryan.younge@nrmk.com

Nancy A. Dawn
Executive Vice President
 t 206-437-4002
 nancy.dawn@nrmk.com

John Kelley III, CHIA
Senior Vice President
 t 301-801-5620
 john.kelley2@nrmk.com

Chris Donaldson, MAI, CCIM
Senior Vice President
 t 435-640-1125
 chris.donaldson@nrmk.com

Keenan O'Leary
First Vice President
 t 206-765-8364
 keenan.oleary@nrmk.com

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.