

# Lodging Review June 2018

Minneapolis, MN



## ECONOMIC INDICATORS

### 2017-2018 Q1 STATS

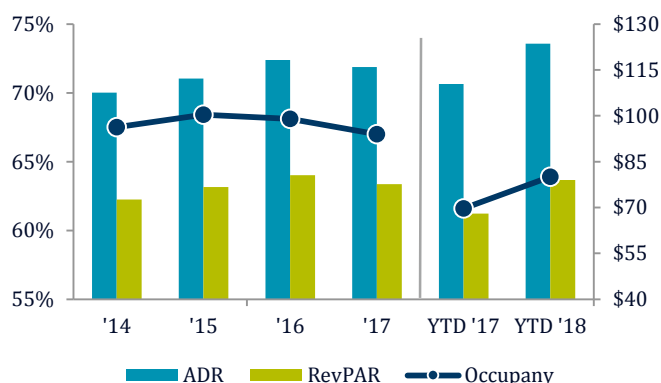
	Q1 2017	Q1 2018	Y-O-Y Change
Occupancy	58.2%	60.7%	4.3%
ADR	\$108.11	\$128.27	18.6%
RevPAR	\$62.92	\$77.88	23.8%

### YEAR-TO-DATE STATS

	May 2017	May 2018	Change
Occupancy	61.6%	63.9%	3.7%
ADR	\$110.40	\$123.58	11.9%
RevPAR	\$67.98	\$78.94	16.1%

Source: STR

## HISTORICAL OPERATING STATISTICS



## SUPPLY SUMMARY

Room	Existing	Under const.	Final Planning	Planning	Total Under Dev.	Y-O-Y % Increase
Luxury	1,368	291	-	152	443	32%
Upper Upscale	8,956	351	-	-	351	4%
Upscale	9,404	519	492	125	1,136	12%
Upper Midscale	9,637	802	1,044	290	2,136	22%
Midscale	3,956	-	95	70	165	4%
Economy	4,359	-	-	112	112	3%
Independent	4,507	-	496	490	986	22%
<b>Total</b>	<b>42,187</b>	<b>1,963</b>	<b>2,127</b>	<b>1,239</b>	<b>5,329</b>	<b>13%</b>

Source: STR

## Economy

Minneapolis, along with St. Paul, known as the Twin Cities Region, has long been a leading center of transportation, business, industry, and education in the Midwest. The Twin Cities is home to twenty of the nation's Fortune 500 corporations, highlighting the region's economic diversity. According to Meet Minneapolis, the region welcomed approximately 33.3 million total visitors in 2017, up from 32.5 million in 2016, representing an all-time record for the area. Visitor spending in the greater Minneapolis area totaled approximately \$7.8 billion in 2017.

Downtown Minneapolis has several tourist or leisure attractions to offer, including entertainment and retail districts such as the "Warehouse District," Block E, the Hennepin Theatre District, and the Nicollet Mall area. In addition, downtown Minneapolis is a premier destination for the arts, drawing leisure guests of all levels at venues including the Minneapolis Institute of Arts, the Walker Art Center, and many others.

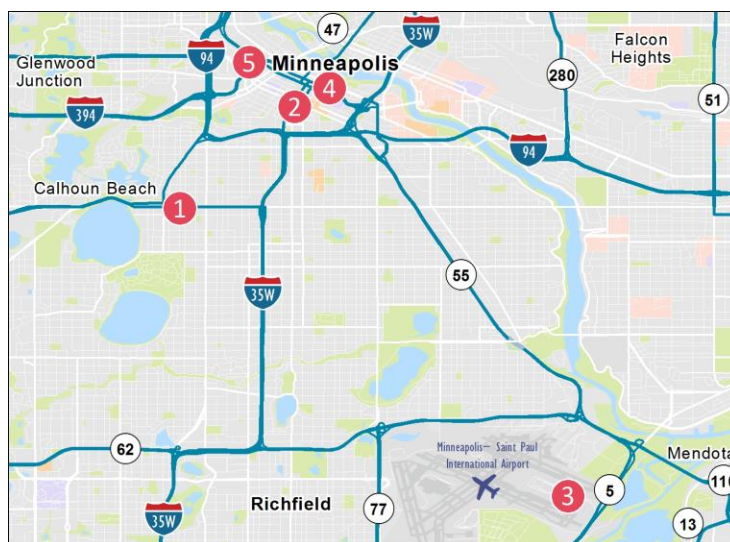
Minneapolis is also home to six professional sports franchises, including teams in the NFL, MLB, NHL, MLS, WNBA, and NBA. The sports landscape is also strongly influenced by the University of Minnesota's Division 1 sports teams, which are affiliated with the highly-recognized Big 10 conference. Super Bowl LII was held in Minneapolis in early February 2018, reportedly netting the city \$370 million. Only two months later, the NCAA Frozen Four (Men's Ice Hockey) was held at Xcel Energy Center, boosting April 2018 room revenue 10.5% over the same month the previous year.

The city has seen robust growth across all metrics through May 2018. Year-to-date increases are largely attributed to Super Bowl generated demand. Occupancy, ADR, and RevPAR in February 2018 saw staggering increases of 13.0%, 47.0%, and 66.0%, respectively. Year-to-date metrics continued to see positive growth, primarily driven by increases in the first quarter. Continued growth is expected in the immediate future, although not as strong as seen in the first five months of 2018. Eighteen hotels sold in the MSA in 2017 for a total of \$238.1 million, highlighted by the sale of The Hotel Minneapolis, which sold for \$44.6 million, or \$201,201 per key.

## Outlook

Overall, Minneapolis has seen favorable growth in 2018. Solid performance is anticipated to continue in with global and national events driving business. The Super Bowl and Frozen Four put Minneapolis in the international spotlight, and demand will continue to see various spikes in 2018-2019 as high-profile events continue to help to fill rooms, including the WNBA All-Star Game, Summer X Games, and the 2019 NCAA Final Four (Men's College Basketball).

Minneapolis has seen a hotel development boom in the last couple years, and all of the new supply has started raising concerns with overbuilding in the market place. These concerns, along with increasing construction costs, have caused some new hotel projects to stall or be cancelled. What remains to be seen is how long the market will take to absorb the new additions to supply. The region will likely need an adjustment period, or a "market reset," for demand to catch up with all of the new supply recorded in the last several years. Outside of the months impacted by future major sporting events, as well as the stronger summer and fall months, occupancy and/or average rates may fall more precipitously than previous building cycles. Although the shorter-term hotel investors may have cooled slightly on Minneapolis, other investors that can withstand the "market reset" period are anticipated to benefit from the area's key investment strengths, including a diverse business base and a well-educated workforce.



## New Supply

The following list includes some of the most significant projects currently under construction or recently completed and the approximate delivery date:

1. 125-room Moxy Minneapolis Uptown, Feb 2018
2. 168-room Autograph Hotel Elliott Park, Sep 2018
3. 291-room InterContinental Airport, Aug 2018
4. 183-room Canopy by Hilton Mill District, Jan 2019
5. 156-room Element by Westin, Nov 2019

## Notable Sale Transactions in 2017-2018

HOTEL	ROOMS	BUYER	SALE PRICE	PRICE PER ROOM
Doubletree by Hilton University Area	388	AIG Global RE	\$38,300,000	\$273,571
Four Points by Sheraton	146	Patel Harshal	\$12,825,000	\$87,842
Hotel Minneapolis	222	KHP Cap Partners	\$44,666,667	\$201,201

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