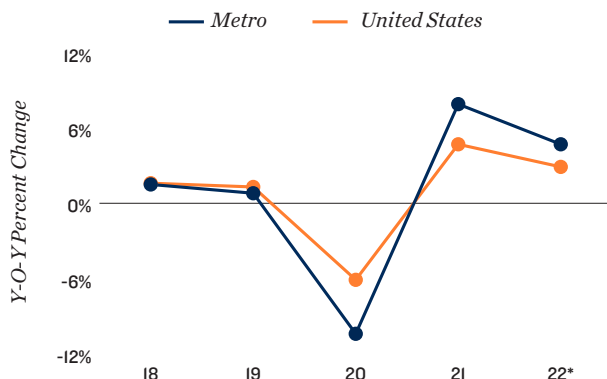


### Collection of Factors Point to Near-Term Tourism Revival for West Coast's Largest Hotel Market

**Bevy of marquee events draw outside visitors.** Los Angeles accounted for the fourth-highest number of bookings among major U.S. markets during the 12-month stretch ended in May, generating \$5.3 billion in total revenue for area hotels. During the early portion of 2022, the sector received a boost from the metro hosting NA-SCAR's Clash at the Coliseum and Super Bowl LVI. Looking ahead, a plethora of major events are scheduled that will draw attendees from outside the metro. This July, Dodger Stadium hosted the MLB All-Star Game, with trade shows and concerts returning in mass to area venues in the second half of 2022. These happenings will lift ADR and elevate revenues beyond pre-pandemic levels, however occupancy, while improved, will not fully recover this year.

**Overnight stays ascend in submarkets tied to major airports.** Los Angeles Airport and Pasadena/Glendale/Burbank each logged notable occupancy gains over the past 12 months. Improving passenger volumes at both submarkets' airports played a vital role, with recent activity suggesting demand for area hotels will continue to elevate. This May, Los Angeles International Airport recorded its highest passenger volume since January 2020, a total that included nearly 1.4 million international travelers. Similarly, passenger numbers at Hollywood Burbank Airport eclipsed pre-pandemic levels for three straight months prior to June. The recent lifting of COVID testing requirements for international travelers is expected to further boost overall volumes at both airports, a tailwind for proximate hotels.

### Employment Trends



\* Forecast  
Sources: BLS; CoStar Group, Inc.

### Hospitality 2022 Outlook



4,060

ROOMS

under construction

#### CONSTRUCTION:

Development activity has moderated in Los Angeles County. Still, the metro had the seventh-largest active pipeline among major U.S. markets as of May. Projects in the Los Angeles CBD and East submarkets account for 70 percent of the rooms underway.



840

BASIS POINT

change in occupancy

#### OCCUPANCY:

Increases in visitor volumes and major events push annual occupancy up to 72.1 percent, a rate 720 basis points below the year-end 2019 benchmark. Nevertheless, this year's occupancy rate exceeds the national average by 940 basis points.



23.8%

INCREASE

in ADR

#### ADR:

Annual occupancy will surpass the 70 percent threshold in nearly all submarkets this year, enabling the metro's ADR to reach a record mark of \$201.65 per night. This rate is nearly 25 percent above the 2019 recording.



40.2%

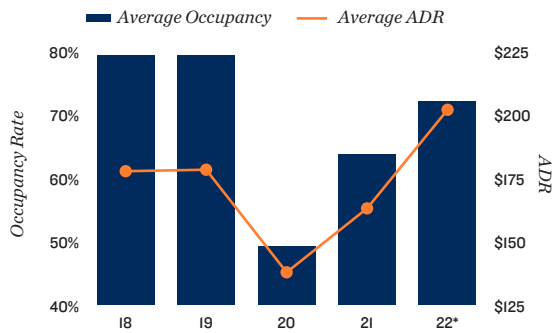
INCREASE

in RevPAR

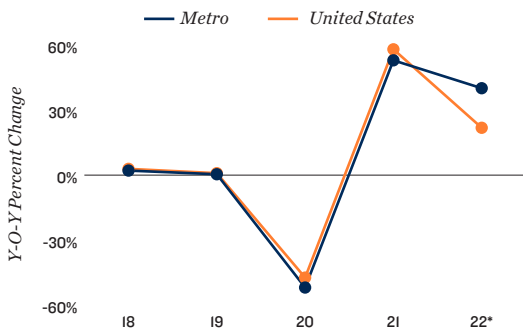
#### REVPAR:

Supported by more pronounced revenue growth in the upper upscale and luxury tiers, along with the metro's highest cost submarkets, countywide RevPAR rises to \$145.29, eclipsing the 2019 level by 3 percent.

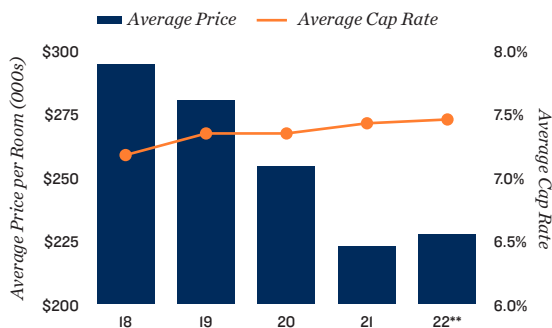
### Occupancy & ADR Trends



### RevPAR Trends



### Sales Trends



\* Forecast \*\* Through May

Sources: CoStar Group, Inc.; Real Capital Analytics

Los Angeles County Offices:

**Jim Markel** First Vice President, Regional Manager  
Tel: (818) 212-2700 | jim.markel@marcusmillichap.com

**Tony Solomon** Senior Vice President, District Manager  
Tel: (213) 943-1800 | (310) 909-5500  
tony.solomon@marcusmillichap.com

**Dawson Rinder** Regional Manager  
Tel: (424) 405-3900 | dawson.rinder@marcusmillichap.com

For information on national hospitality trends, contact:

**John Chang**

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Price: \$250

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Occupancy, ADR and RevPAR values are trailing-12 month averages unless otherwise stated. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Los Angeles International Airport; Hollywood Burbank Airport

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## May 2022 - 12-Month Period

### OCCUPANCY

**1,880** basis point increase in occupancy Y-O-Y

- During the yearlong interval ended in May, four of 10 submarkets recorded occupancy improvements that exceeded 2,000 basis points. These gains pushed the metro's trailing 12-month rate up to 69.3 percent.
- Across classes, upper midscale and upscale hotels noted the strongest demand, with occupancy rates of 73.6 and 71.4 percent, respectively.

### ADR

**46.2%** increase in the average daily rate Y-O-Y

- After declining by nearly 29 percent during the prior 24-month window, ADR accelerated over the past year to \$186.91 per night, as five of six market classes registered 30 percent-plus increases.
- Among submarkets, rate growth was most pronounced in Hollywood/Beverly Hills, where ADR surged by roughly 58 percent to \$339.15.

### REVPAR

**100.5%** increase in revenue per available room Y-O-Y

- RevPAR rose by more than 100 percent in Hollywood/Beverly Hills, Los Angeles CBD and Santa Monica/Marina del Rey during the last 12 months, elevating the metro's overall metric to \$129.49.
- The luxury and upper upscale segments notched the largest revenue gains among hotel types at roughly 165 and 145 percent, respectively.

## Investment Highlights

- Deal flow over the 12-month span ended in May was on par with activity registered over the prior yearlong interval, with most transactions involving either lower-tier or high-quality hotels. Specifically, economy assets accounted for roughly 40 percent of sales velocity — a factor that contributed to the metro's average price point of \$227,400 per room.
- Amid an environment of rising interest rates, Los Angeles' hotel sector may attract additional yield-driven investors, as its 7.5 percent average cap rate is at least 290 to 330 basis points above mean returns available in other local commercial real estate sectors.
- The only class to record a trailing 12-month RevPAR above its 2019 mark, the economy segment is attracting in-state buyers focused on sub-\$10 million, one-off deals. The San Gabriel Valley and Los Angeles' CBD have been target locales, with pricing typically below \$150,000 per key.
- A mix of local and out-of-state capital is competing for upscale and upper upscale assets that require \$25 million-plus commitments. Hollywood/Beverly Hills is a popular submarket, with minimum returns falling in the high-4 to 5 percent band for properties renovated within the past 10 years.