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## **N.E. Real Estate Expo: Hotel and retail trends in 2010**

January 13, 2011 - Appraisal & Consulting

I had the pleasure of being the commercial moderator at the New England Real Estate Expo in Norwood Mass. this year. It was held at the Sheraton Hotel on November 8th. This is the largest real estate appraisal conference in New England with an attendance of over 230 people. Two of the main topics were trends in the hotel and retail sectors into 2010. Eric Baum, from HVS, gave a summary of the Hotel Industry and Ken Hecht, of Hecht Development, gave insight on the Retail Sector. Below is a summary of these presentations.

Baum noted that the Boston area was finally seeing positive trends in hotel revenues in 2010. He indicated that revenues were up 13.7% through September 2010. The Boston market is ranked 6th in the nation with an average revenue per available room (REV PAR) of \$85.58 for 2009. New York was the highest at \$166.11. Boston is projected to be 5th in 2010 at \$97.30. However, the Boston area's occupancy rates are still below the 23 year average of 67%. The 2009 rate was 62.2%. This is down from 2008, which was at 66.3%. Hotel sales have begun to be more active over the past year. They have ranged from \$34,000 a room for the Holiday Inn Berkshires in North Adams to the Fairmont Copley Plaza in Boston, which sold for \$257,000 a room. The general outlook is for increasing room rates and stabilized occupancy for 2011.

Hecht offered a broad perspective of the retail industry. He indicated that retail values national peaked around July 2008 and have declined steadily into 2010. Capitalization rates were in the low 6% range in early 2008 and then have risen to the low 8% range in early 2010. They have stabilized in 2010. Vacancy rates are also on the rise. Nationally they were around 7% in 2008 and are up over 10% for 2010. They are projected to hit 11% by 2011 and then begin to stabilize. The Boston area's vacancy rate for 2010 is at 7%, while the national average is 10.4%. Retail sales peaked in mid 2008 and then declined in late 2008 and 2009. They are starting to increase and return to a stabilized level for 2010. This trend is expected to continue in 2011. The next few years are projected to continue to be somewhat unstable depending on the region of the country. The lending institutions still have a large amount of debt to process for the next 5-7 years. The management of this debt will drive the direction of the retail sector going forward.

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