

Boston's Growing Hotel Supply

Room demand and other indicators show an improving market

Boston's diversified economy and the City's attractiveness as a tourist and convention destination have contributed to the continued growth of hotel rooms and recently improved industry revenue indicators. The building of the Boston Convention and Exhibition Center (BCEC) also contributed to this growth. Since July 1, 1997, 25 new hotels have been built in Boston (5,438 rooms) and five hotels have been expanded (139 rooms) to create 5,577 new rooms according to the Boston Redevelopment Authority. For financing reasons, several of the hotels built are luxury or boutique hotels, leaving a need for more moderately priced hotels to serve the convention business in Boston.

July 1, 1997 is an important benchmark for hotel room growth in Boston since the financing of the BCEC in South Boston was contingent upon 4,800 new rooms being built since that date. Also, Boston's 4% share of the room occupancy excise tax for new rooms opened since July 1, 1997 is used to finance the debt service for the City's share of BCEC capital costs. The Commonwealth finances its share of BCEC development costs with its 5.7% occupancy tax on new hotels and an additional 2.75% is added to the occupancy excise in Boston and Cambridge for both old and new hotels. Boston's total room occupancy excise tax is 12.45% when all three components are included.

Since 2004, nine new hotels were built or created through a reuse of existing buildings for a total of 2,089 new rooms. The two biggest hotels in this group are the ones most

recently opened – the Westin BCEC HQ (793 rooms) and the Intercontinental (424 rooms). The Jurys Boston reuse of the former Boston Police Department Headquarters building on Stuart Street added 220 rooms in 2004 while the Hampton Inn and Suites at Crosstown Center opened 175 rooms also in 2004.

Four new hotels are now under construction and will start operation in 2007 or 2008 with a total of 1,078 rooms. These hotels are:

Hotels Under Construction		
Hotel	Location	Rooms
Liberty Hotel	Charles St. Jail	308
Marriott Renaissance	Massport, Prcl. F	471
Battery Wharf Regent	Battery Wharf	150
Mandarin Oriental	Pru. Center	149
Total		1,078

While Boston's room supply increased from 14,002 rooms in 2000 to 17,020 today, industry revenue indicators declined from the high point of 2000 but registered increases over the past three years based on data compiled by Pinnacle Advisory Group, an independent hospitality industry consultant.

Key Hotel Indicators			
Year	Occupancy		Rev.Per
	Rate %	Avg. Daily Rate	Avail. Rm.
2000	78.4%	\$198.00	\$155.33
2003	71.1%	\$155.52	\$110.52
2004	74.5%	\$169.04	\$125.99
2005	75.4%	\$176.73	\$133.24
2006	76.4%	\$196.61	\$150.23