MARKET REPORT

Connecticut's Post-COVID Climb

OCTOBER 24, 2023

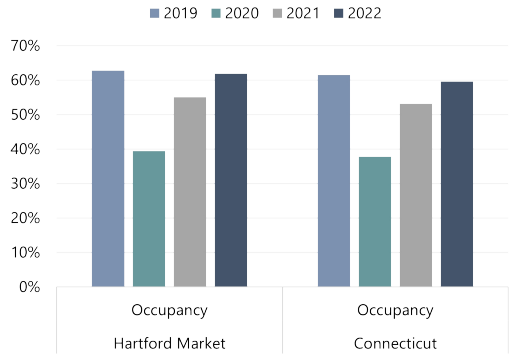
While the onset of COVID-19 had devastating effects for the Connecticut tourism industry, a recovery quickly began. By 2022, occupancy levels were only slightly below those of 2019, and ADR levels far surpassed those of 2019. The upcoming renovation of the XL Center in Hartford and the state's "Find Your Vibe" campaign are key indicators of Connecticut's recovery and success.

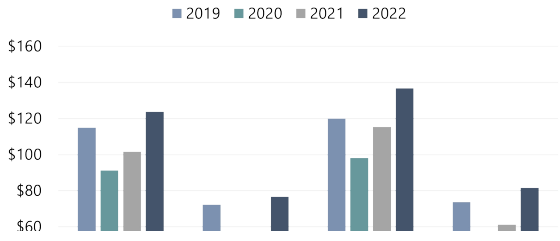
The onset of COVID-19 in March 2020 had devastating effects for the tourism industry across the country, and the state of Connecticut experienced the third-largest decline in travel, tourism, and outdoor recreation employment from Q2 2019 to Q2 2020. Connecticut was quick to rebound, however, with 2022 occupancy levels only slightly below those of 2019 and average daily rate (ADR) levels far surpassing those of 2019. The upcoming renovation of the XL Center in Hartford, Connecticut's "Find Your Vibe" campaign, and the state's current hotel development pipeline are all indicators of Connecticut's recovery and success.

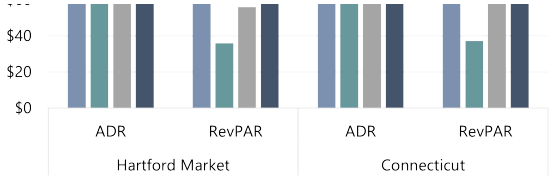
Connecticut's strong recovery in 2022 and further growth in 2023 can be linked to the state's "Find Your Vibe" campaign that commenced in June 2022, which highlights the state's year-round tourism activities, such as music and arts festivals, outdoor activities, and restaurants. CTvisit.com, the state's official tourism website, drew a record 7.1 million visits this past year, which ranked it among the top-five state tourism sites in the nation for both traffic and engagement. Furthermore, select towns in Connecticut were recently featured as popular destinations in leading publications. *The New York Times* listed New Haven as one of the top places to go in 2023, and Mystic ranked fourth in *USA Today*'s list of "10 best summer vacation destinations in the U.S. for 2023." Additionally, a study recently released by Tourism Economics illustrates that direct visitor spending in Connecticut generated roughly $17 billion in total business sales in 2022, approximately 3.7% higher than the previous peak in 2019 ($16.4 billion).

Moreover, Hartford's XL Center is slated for a $100-million renovation starting in 2024. Plans for the arena include the expansion of the loading dock, the addition of a sports-betting venue on the west side of the arena, and the creation of more luxury seating. The primary impetus behind the renovation is attracting an NHL team to call the facility home. Connecticut has been without an NHL team since 1997, when the Hartford Whalers moved to North Carolina. However, Connecticut governor Ned Lamont has said there is a group in place to buy the Arizona Coyotes and relocate them to Hartford. This comes in the wake of Arizona voters' rejection of a $2-billion proposal for a new arena, leaving the Coyotes without a permanent place to play. Although the acquisition is highly speculative, a new sports team, coupled with the XL Center's facelift, could bolster tourism demand for the state.

Recent Hotel Data—Hartford and the State of Connecticut



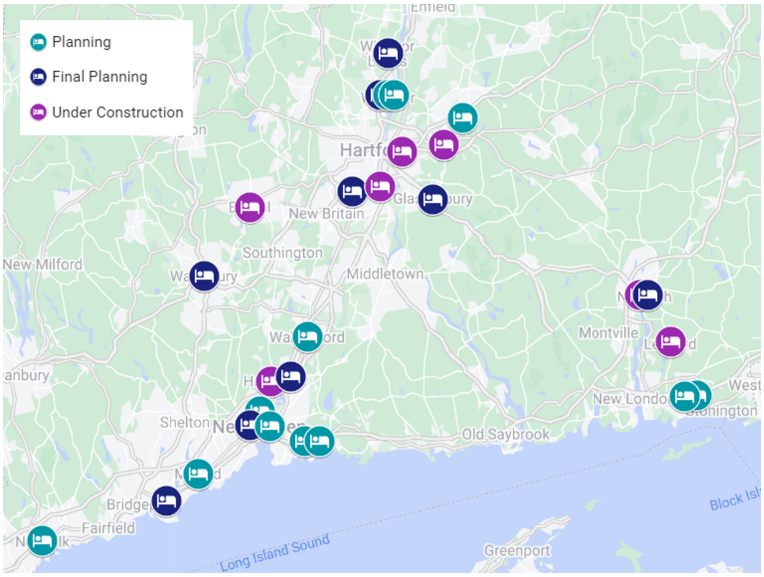




Source: STR

Prior to the onset of COVID-19, the Hartford and Connecticut state markets achieved peak levels of occupancy and ADR. Despite the heavy losses during the pandemic, the Hartford and Connecticut state markets were quick to recover. Both in Hartford and statewide, occupancy in 2022 nearly reached 2019 levels and ADR surpassed 2019 levels, resulting in peak RevPAR levels. This quick recovery can be linked to the influx of leisure travelers, largely attributed to the success of the Find Your Vibe campaign. In addition, Connecticut has recently experienced a shift in the mix of its business and leisure travel segments. Business travelers comprised nearly 60% of hotel bookings prior to COVID, while 60% of bookings are now leisure travelers.

New Supply throughout Connecticut as of October 2023



Source: Hartford Business Journal, STR

With demand expected to grow beyond pre-COVID levels, hotel developers are realizing Connecticut's need for more supply; so far, nearly 30 hotels are in the state's development pipeline, with almost half being extended-stay properties. Hoteliers and developers have observed an increase in youth, collegiate, and professional sports travel, along with more construction projects throughout the state, which all drive extended-stay demand. Connecticut's hotel industry is currently expected to gain almost 3,300 new rooms by the end of 2025—an increase of roughly 1.2 million available room nights annually.

Overall, Connecticut's tourism climate looks healthy and poised to grow, which should support a strong hotel industry going forward.

For more information on the Connecticut hotel market, please contact Kilian O'Brien or Brian Bisema with HVS Boston.

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