

Seattle Hotel Market: A Shining Beacon of the Pacific Northwest

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A key driver of Seattle's leisure demand is its cruise industry. In 2023, the number of Alaska cruises reached 291, a record number compared to 213 in 2019. The **Port of Seattle** estimates the annual impact of a cruise season on the region at \$900 million. This demand particularly benefits local hotels, as passengers typically stay overnight in Seattle before and/or after their trip.

While downtown hotel occupancy for 2023 did not reach the low 80s of year-end 2019, the recovery trajectory remains positive, supported by relatively robust growth in 2023. From June through September, occupancy levels trended in the low-to-mid 80s as major concerts by artists such as Taylor Swift, Beyoncé, Coldplay, Ed Sheeran, and George Strait drew significant crowds to Seattle. Downtown ADR increased moderately in 2023, largely attributed to a strong first quarter, followed by softer growth for the remainder of the year due to the national economic environment and reduced discretionary spending.



The city successfully hosted an estimated 100,000 attendees during the **MLB All-Star** Week Midsummer Classic in 2023 and approximately 40,000 attendees at the **NHL Winter Classic** at **T-Mobile Park** on New Year's Day in 2024. Both events emphasized the city's ability to accommodate major sports games. Looking forward, Seattle will host several matches of the **2026 FIFA World Cup** series.

Corporate demand recovery continues to be influenced by Downtown Seattle office vacancies. According to our conversations with multiple Seattle hotel general managers, **Amazon** is expected to generate roughly 290,000* room nights in 2024, which is approaching the peak of approximately 335,000 room nights in 2019. Beginning in May 2023, Amazon mandated that employees work from the office at least three days per week. **Meta**, another major tech employer in the region, currently has a similar in-office mandate of three days per week.

In January 2023, the \$1.9-billion Summit building was completed as a 573,770-square-foot expansion of **Seattle Convention Center** (SCC), nearly doubling the center's event capacity and putting it into the category of convention centers with one million-plus square feet of event space. The expansion allows SCC to compete more effectively for large national conventions against competitive facilities in San Diego, San Francisco, Las Vegas, and Anaheim. While the number of events for 2023 exceeded historical levels, attendance levels were muted comparatively. The 2024 booking pace suggests a positive outlook for 2024, particularly as **Microsoft** plans to host all future events in Seattle—a major upside for SCC.

Notable hotel renovations in 2023 include upgrades to the premier suites and meeting space at the **Four Seasons Hotel**; a \$25-million renovation at the **Fairmont Olympic**, which is celebrating its 100th anniversary in

Summary

In 2023, Seattle was a beacon of renewed strength in the Pacific Northwest given its vibrant concert and sports event calendar, record-breaking cruise season, and \$1.9-billion expansion of the Seattle Convention Center. As a result of these factors, Seattle was one of the nation's best-performing hotel markets during the summer.

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2024; and a multimillion-dollar renovation at **Hotel 1000**, including the addition of a new cocktail bar. In terms of hotel openings, the 265-room **Astra Hotel, a Tribute Portfolio Hotel**, opened in South Lake Union in 2023. New supply to watch in 2024 includes the 120-room boutique **Hotel Westland** (fall of 2024), a 175-room **AC by Marriott** in South Lake Union, and the highly anticipated, 251-room **InterContinental Bellevue at The Avenue** in Bellevue. This luxury property is expected to become **IHG's** West Coast flagship hotel.

Noteworthy hotel transactions in 2023 included the sale of the **Residence Inn by Marriott Seattle South/Renton** (\$380,137 per key) in October, as well as **Pebblebrook Hotel Trust's** sale of the **Kimpton Hotel Vintage** (\$33.7 million at \$269,600 per key) and the **Kimpton Hotel Monaco** (\$63.25 million at \$334,656 per key) in May. **Pacifica Hotels**, the buyer of Hotel Vintage, plans to conduct an extensive guestroom and public-area renovation, with a relaunch of the hotel expected by end of 2024. **InnVest**, the buyer of the Hotel Monaco, plans to reposition this property with a comprehensive renovation. With more than ten CMBS loans secured by hotels coming due in the next two years in the Seattle metropolitan area, hotel investors are closely watching this market. However, despite Pebblebrook Hotel Trust's exit from Seattle, the recent acquisitions also indicate a strong appetite for the Seattle market and faith in its continued recovery.

The coming year is expected to be boosted by a robust cruise season, higher foot-traffic levels in Downtown Seattle, a positive booking pace at the SCC, and a vibrant lineup of events, with headliners such as Madonna and Tim McGraw. Additionally, a more meaningful return of international travel is expected due to new flight routes announced for 2024, such as **Delta's** direct route to Taiwan in June 2024; **Lufthansa's** nonstop route expansion to Munich, Germany, by May 2024; and the seasonal **Alaska Airlines** route to Nassau, Bahamas, from December 2023 through April 2024. The **opening of the Ocean Pavilion** at the **Seattle Aquarium** this summer should further boost leisure travel downtown. Going forward, the planned 2025 completion of the **Seattle Waterfront Park** connecting Downtown/Pike Place Market with the Waterfront promenade is expected to bolster leisure demand as well.

Despite the lagging recovery of the corporate demand base, Seattle's strong leisure and group demand dynamics, significant investments coming to fruition, and somewhat limited new supply pipeline herald a bright future for Seattle's downtown hotels.

Sources:

RCA, King County Assessor, and regional hotel brokers

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* This figure is not exact and meant to serve only as a benchmark.