

# The Strong Rebound of Newport, Rhode Island, America's First Resort City

MAY 17, 2023

The destination market of Newport, Rhode Island, has recovered more quickly from the COVID-19 pandemic than many other cities in the Northeast. This article highlights the market's recent performance and outlook.

## Historical and Current Demand Trends

Newport, Rhode Island, became America's first resort city in the 1720s, as wealthy passengers traveled by ship from the southern colonies and the Caribbean to escape the summer heat and humidity. Among the significant historical attractions in the city, which boasts more standing buildings constructed before 1830 than any other American community, are the legendary Newport mansions that served as summer homes for the likes of Cornelius Vanderbilt in the early 20th century.



Newport's modern-day economy continues to be fueled by the seasonal tourist trade. Newport County, which comprises Newport, Middletown, Portsmouth, Jamestown, Tiverton, and Little Compton, is located approximately a 90-minute drive south from Boston and a three-hour drive northeast from New York City. Similar to many other New England leisure

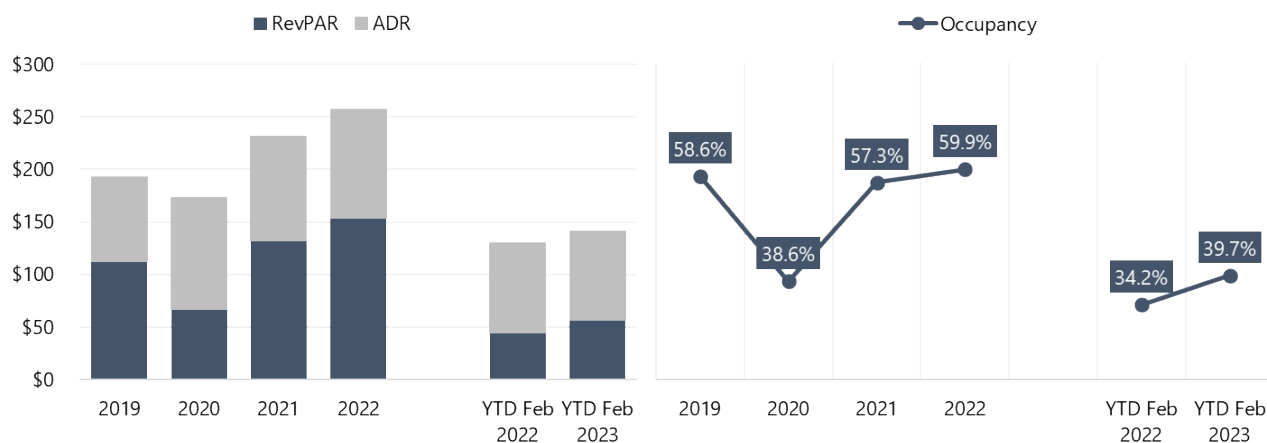
markets, the majority of visitors come from Massachusetts, New York, Connecticut, and New Jersey. Furthermore, 90% of visitors arrive via car.<sup>[1]</sup>

Outside of tourism, national defense is the strongest demand generator in Newport County. Naval Station Newport is a particularly important economic anchor for the market and is home to the Naval War College, Naval Justice School, and the Naval Undersea Warfare Center (NUWC) Division Newport. The Station's increased activities and personnel over the last several years continue to stimulate the economy in Newport County. In 2022, the NUWC received \$1.5 billion in funding, with \$547 being spent on civilian and military payroll.<sup>[2]</sup> As of 2022, over 3,500 people were employed at this division.

## Recent Hotel Data

The following tables detail historical occupancy, average rate, and RevPAR trends for this market, provided by STR. The data includes hotels primarily in Newport and Middletown, as well as select properties in Jamestown and Tiverton. Additionally, this data includes both independent and branded properties ranging from the economy to luxury chain scales.

**Newport Hotel Metrics**



Source: STR

The historical data illustrates the market's full recovery in occupancy and average rate level for year-end 2022, with occupancy at a 2% premium and average rate at a 25% premium compared to 2019 metrics. Furthermore, RevPAR for 2022 was 26% higher than the market's pre-pandemic levels. Similar growth in RevPAR has been realized in other leisure-centric markets, including Coastal Maine and the Hamptons.

According to an interview with Evan Smith, president of Discover Newport, a few factors have contributed to the recovery and growth of this market. Smith reported, "30 million Americans live within a four-hour drive of Newport, so the drive-to-travel market is very strong for us." He also observed that the recovery from the pandemic was faster for resort markets than cities. Smith attributes part of Newport's quick recovery to Discover Newport's timely marketing efforts to entice travelers to the region.



## Development and Transaction Activity

There is a moderate amount of recent and ongoing development activity within the Newport market, including the following two projects.

- The Pell, which opened on April 19, 2023, is the first Joie de Vivre by Hyatt hotel in Rhode Island. This boutique hotel recently completed a \$9-million renovation and conversion from a Ramada by Wyndham.<sup>[3]</sup> The hotel has 127 guestrooms and one restaurant, the Helmway. The property is in Middletown, approximately two miles from popular beaches such as Easton Beach, Second Beach, and Third Beach.
- The Wayfinder, which was originally built as a Best Western in 1985, opened under the current name in 2020. The 197-room property suffered a severe fire in May 2022 that damaged three of the four wings and destroyed the fourth wing, causing the property to close. The hotel is currently undergoing repairs and construction, with plans for reopening three wings in late spring of 2023. The remaining wing is slated to be rebuilt and open in 2024. The hotel has a range of amenities including an outdoor pool, a fitness room, and a full-service restaurant, Nomi Park.

Furthermore, the significant transactions in Newport County in the past two years are listed below.

- Newport Beach Hotel & Suites in Middletown sold in April 2023 for \$33,000,000, or \$465,000 per key. The property is planned to undergo limited renovation.
- The 20-room Francis Malbone House sold in February 2023 for \$3,500,000 or \$175,000 per key.
- The historic Gurney's Newport Resort & Marina was purchased by Pebblebrook Hotel Trust in June 2022 for \$174,000,000, or \$677,000 per key. The hotel has been renamed the Newport Harbor Island Resort and will undergo renovation and repositioning.
- The twelve-room Admiral Weaver Inn sold in January 2022 for \$1,825,000, or \$152,000 per key.
- The 52-room Red Roof Inn & Suites Middletown sold in December 2022 for \$2,575,000, or \$49,500 per key.

## Looking Forward

The outlook for the market is optimistic. We anticipate occupancy for the market to reach the low 60s, surpassing recent historical highs, along with continued ADR growth. According to Smith, factors contributing to these increases include an influx of travelers vacationing for the first time since the pandemic began, as well as upticks in travelers from varying

demand segments, “such as international, cruise ship, bus tour, and convention.” These other sources have recovered slower than drive-to demand. Smith says Newport attracted 18–19% of its travelers from international markets before the pandemic. He estimates that international visitation for the area currently comprises around 12–13%, leaving room for growth from this source.

Another factor contributing to the market’s growth since the pandemic is the resumption of citywide events such as the Newport Jazz Festival, Newport Folk Festival, and Newport International Boat Show. Additionally, Newport has remained a strong wedding destination; in fact, *Travel + Leisure* ranked Newport as a top-20 wedding destination globally in 2023.<sup>[4]</sup> Leisure travel, coupled with the presence of the naval base in Newport County, will foster strong levels of demand in this market going forward.

For more information on this market, please contact Raymond Parejo with the HVS Boston team.

<sup>[1]</sup> Wolfgang, Zane. *Newport Daily News*, “High Gas Prices Won’t Deter Newport Tourists, but Will It Affect How Much They Spend?” June 23, 2022. Retrieved April 27, 2023.

<sup>[2]</sup> NUWC Division Newport Public Affairs, Naval Sea Systems Command. “NUWC Division Newport’s Impact on Economy Was \$1.5 Billion in 2022,” February 14, 2023. Retrieved April 27, 2023.

<sup>[3]</sup> PR Newswire. *Yahoo! Finance*, “Introducing the Pell, the First Jdv by Hyatt Hotel in Rhode Island,” April 19, 2023. Retrieved April 27, 2023.

<sup>[4]</sup> Waldek, Stefanie, and Stacey Leasca. *Travel + Leisure*, “20 Best Destination Wedding Locations around the World,” January 6, 2023. Retrieved April 27, 2023.