

A HOTEL & SHORT-TERM RENTAL MARKET STUDY:

CONTEXTUAL REVIEW OF
THE ECONOMIC & TOURISM
MARKET FOR MIAMI BEACH

July 2023

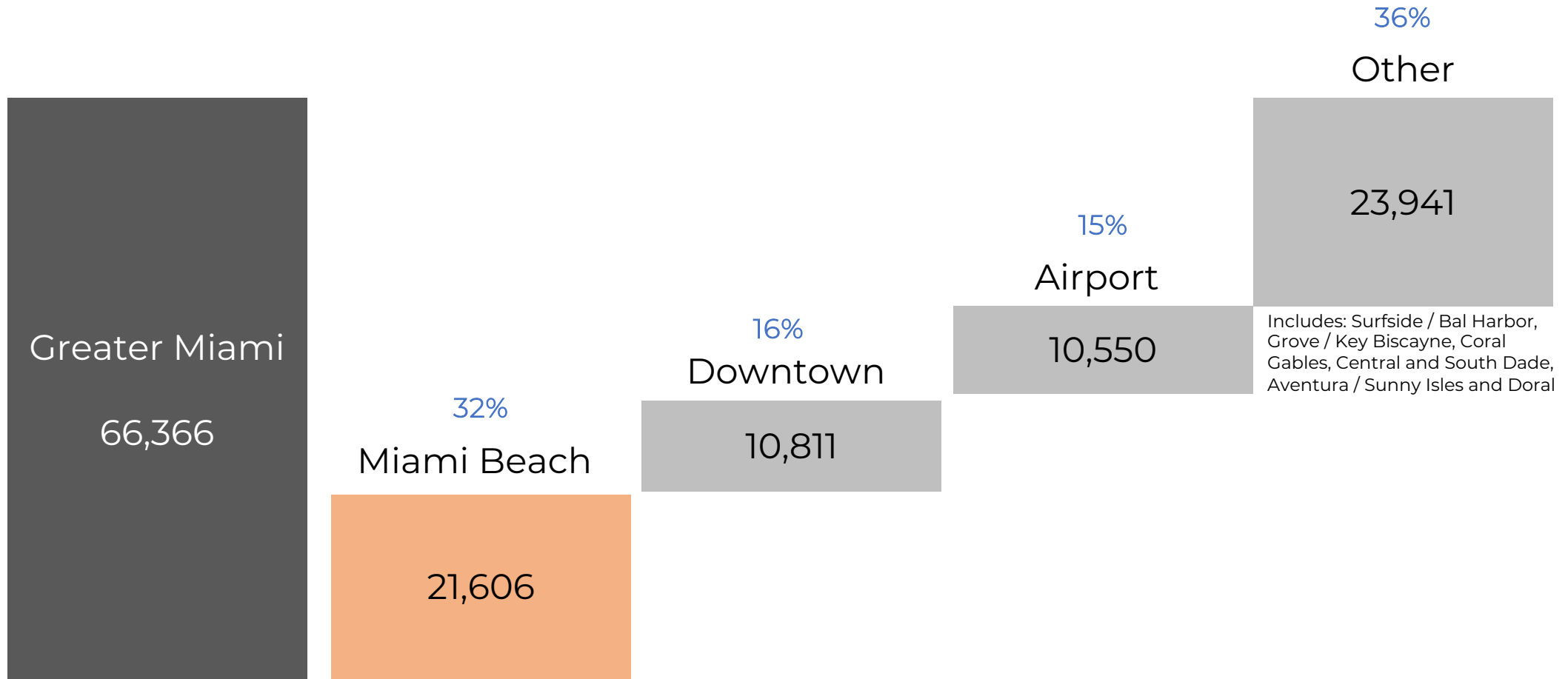
MIAMIBEACH



CURRENT HOTEL ROOM INVENTORY – REGIONAL CONTEXT



There are 66,366 hotel rooms in the Miami metro market. Miami Beach has the largest share of hotel rooms - 32% of the Miami area total.

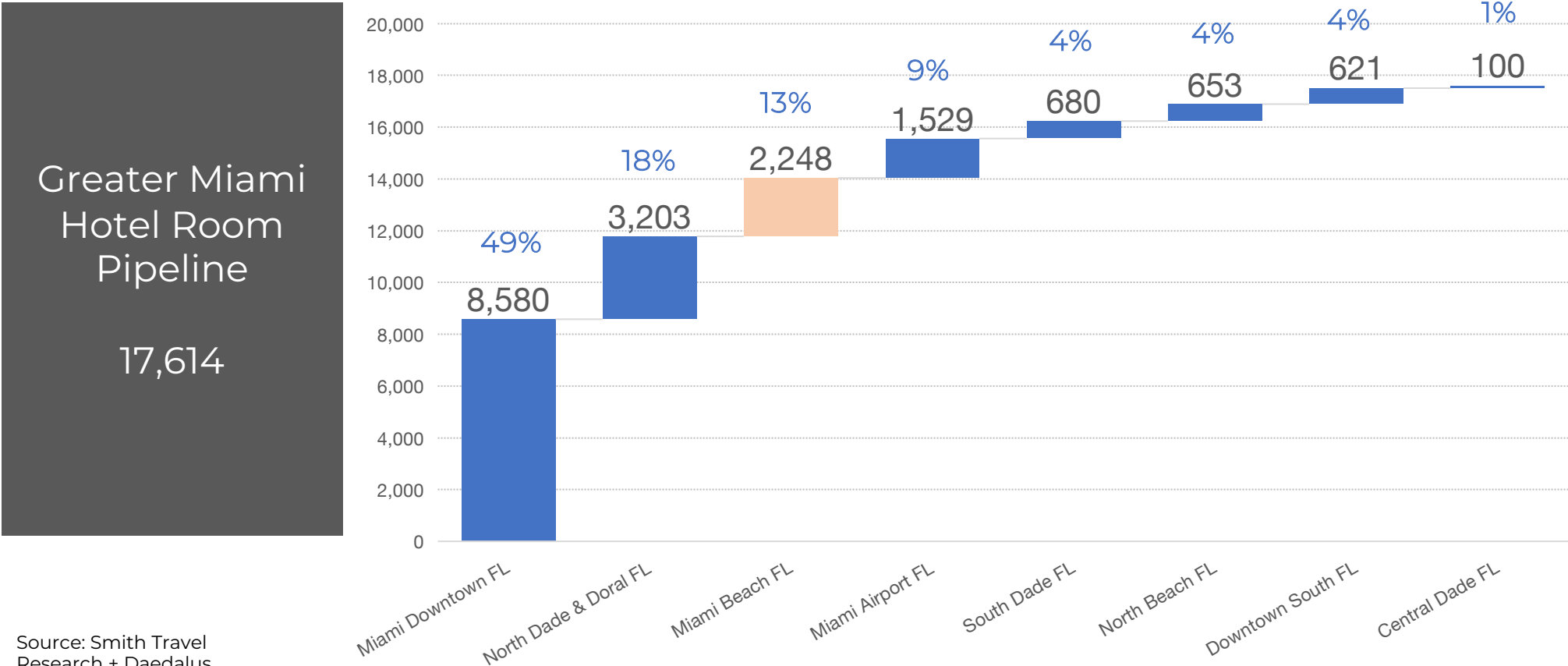


CURRENT HOTEL ROOM PIPELINE – REGIONAL CONTEXT



Looking at Miami area hotel projects in various stages of development, planning and/or construction, Miami Beach has 18% (3,478 rooms) of the total pipeline of hotel rooms.

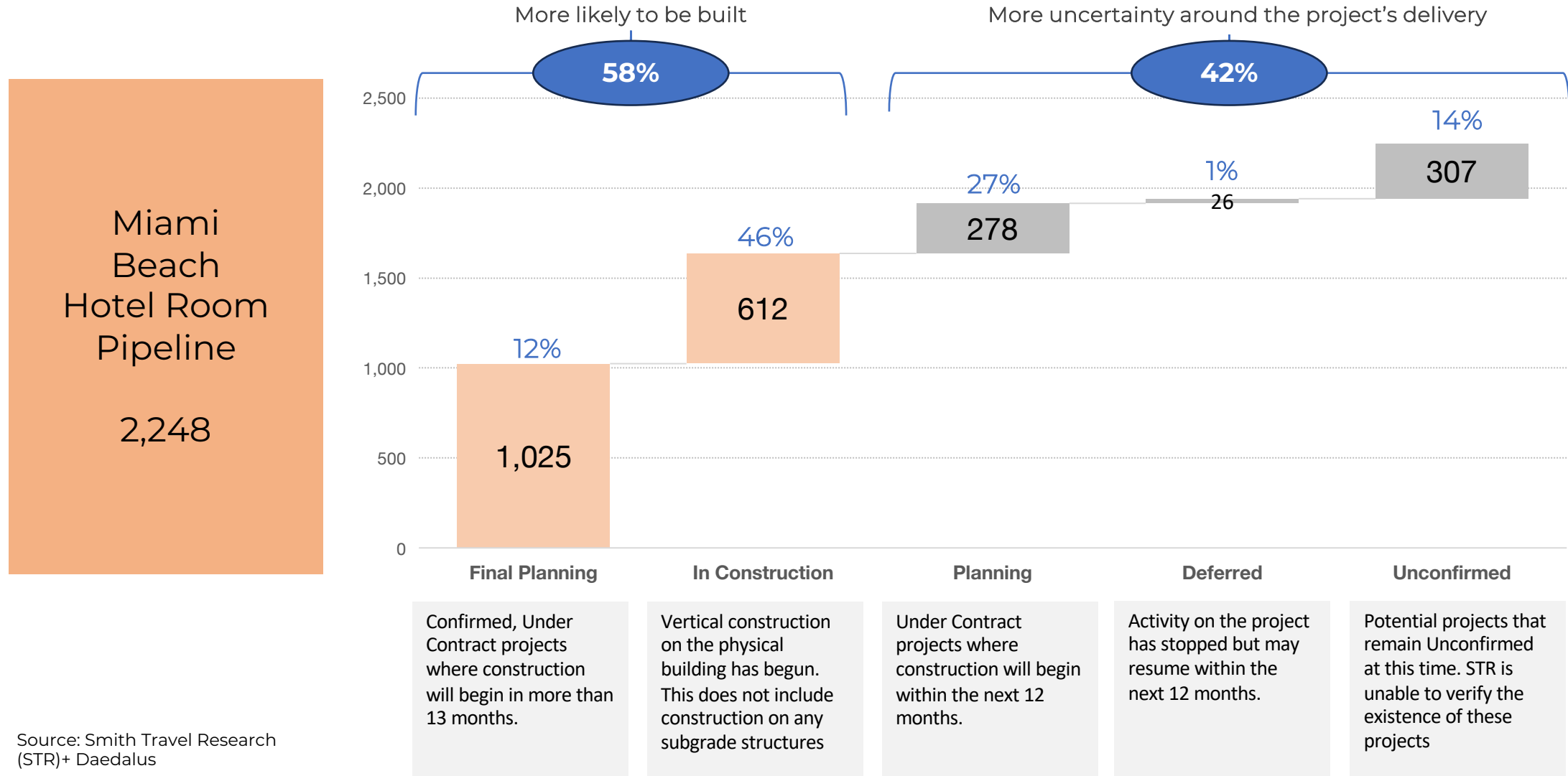
Pipeline of all hotel projects, by area, planned or in construction.



Source: Smith Travel Research + Daedalus

CURRENT HOTEL ROOM PIPELINE – MIAMI BEACH

While 2,248 Miami Beach hotel rooms are in various stage of construction and planning, only 612 are planned for or in the vertical construction phase during 2023-24.



Source: Smith Travel Research (STR)+ Daedalus

CURRENT HOTEL ROOM PIPELINE – MIAMI BEACH



Disaggregating the hotel pipeline figures by year shows the distribution over time, with 2025 representing the delivery peak (an addition of ~4% of total inventory).

Approximate Hotel Room Delivery Over Time
Shown by Current Planning / Construction Status

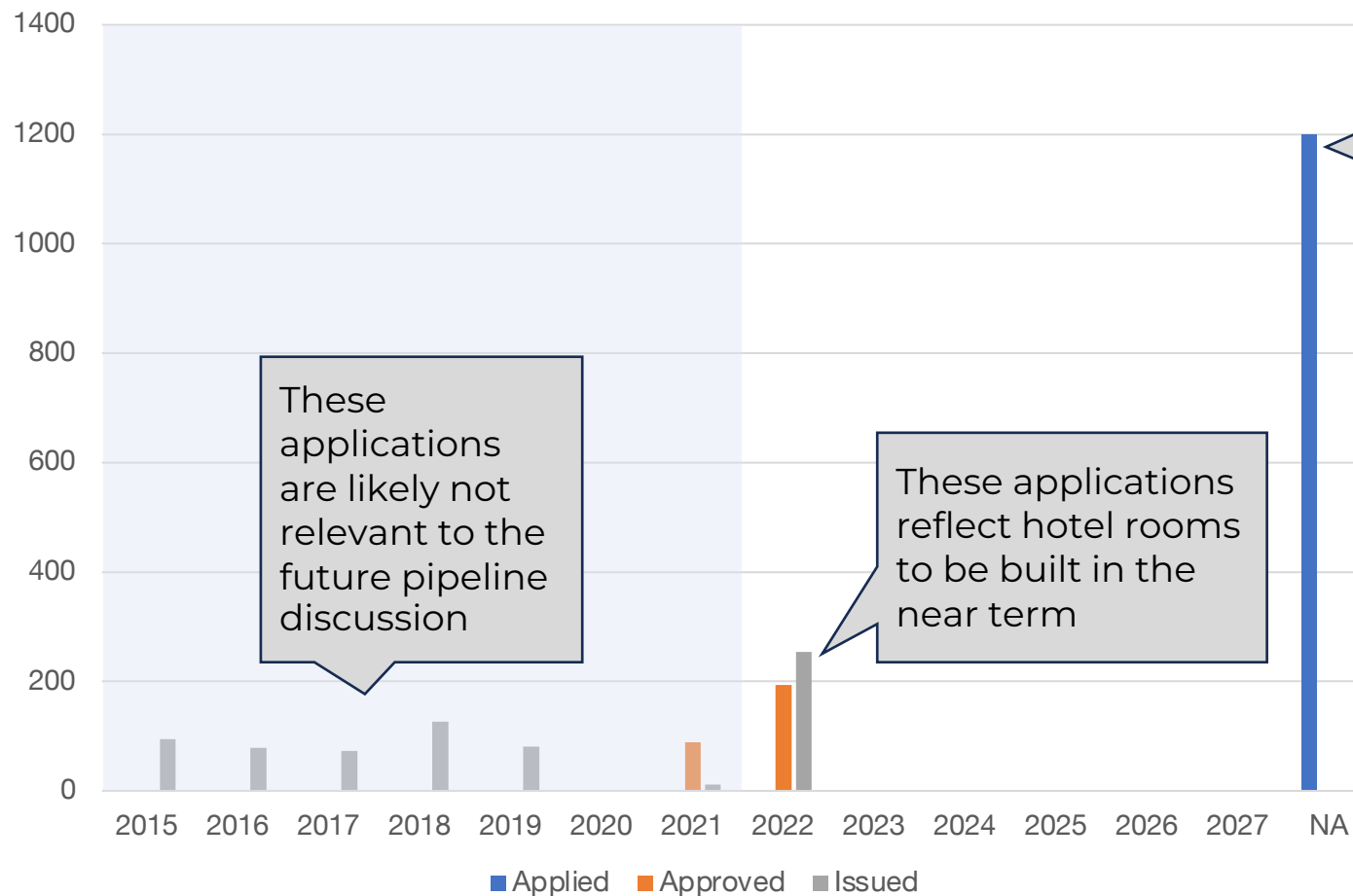
Miami Beach		2023	2024	2025	2026	2027	2028	2029	Unknown
Total	2,248	168	669	983	240	76	0	0	112
Final Planning	1,025	0	225	800	0	0	0	0	0
In Construction	612	168	444	0	0	0	0	0	0
Planning	278	0	0	76	90	0	0	0	112
Deferred	26	0	0	0	0	26	0	0	0
Unconfirmed	307	0	0	107	150	50	0	0	0

CURRENT HOTEL ROOM PIPELINE – MIAMI BEACH



The Permit Department of the City of Miami Beach has an even smaller pipeline number for hotel rooms: 1199 in the application stage and 448 that were either approved or issued in 2022.

Miami Beach Hotel Room Pipeline (2022 forward)
1,647



These 1199 applications reflect the coming development pipeline

These applications are likely not relevant to the future pipeline discussion

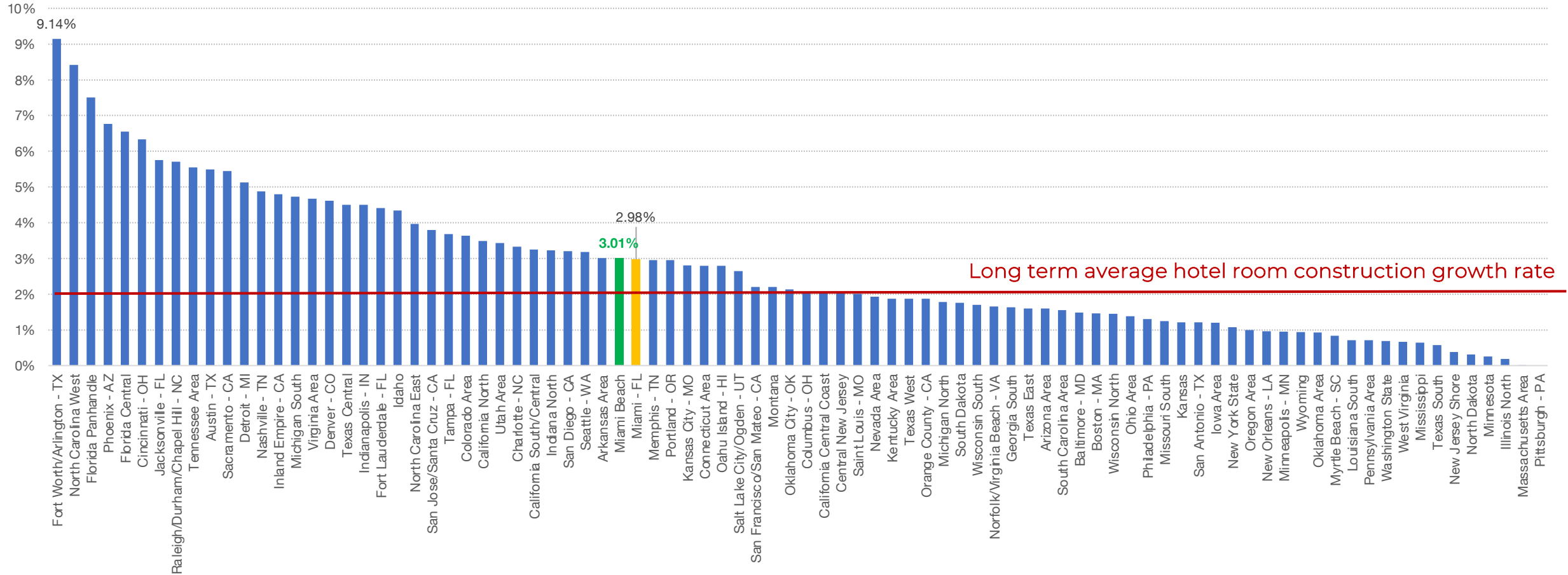
These applications reflect hotel rooms to be built in the near term

CURRENT US HOTEL PIPELINE



Hotel room construction in Miami Beach for 2023 and 2024 reflects an addition to inventory of just over 3%. The long-term US national average for hotel room inventory growth is 2%.

Hotel rooms under construction as a percentage of total hotel room inventory



IDENTIFYING COMPARABLE CITIES FOR MIAMI BEACH



We created a multi-factor assessment model to identify five cities that could be considered as comparable to Miami Beach for the purposes of analyzing STR trends across the group.

Assessment factors

Tourism share of employment

Hotel room inventory

City population size

Geographical distribution factors

Tourism offerings

Model
Analysis

Results

Comp Set Cities

- Ft. Lauderdale
- Tampa
- Nashville
- New Orleans
- San Diego

COMPARABLE CITIES – HOTEL ROOMS vs POPULATION



The ratio of hotel room inventory to population differs among the different locations, with the lowest per capita rates in areas of highest tourism demand.

City	Population	Inventory		Per capita	
		Hotel Rooms	Active STRs	Hotel rooms	STRs
San Diego	1,386,932	64,935	9,853	21.36	140.76
Nashville	689,447	57,713	7,426	11.95	92.84
Tampa	384,959	52,792	4,793	7.29	80.32
Miami	442,241	46,344	11,361	9.54	38.93
New Orleans	383,997	42,927	6,638	8.95	57.85
Ft. Lauderdale	183,760	38,564	6,428	4.77	28.59
Miami Beach	82,890	21,606	5,852	3.84	14.16
Coronado, CA	20,627	12,516	263	1.65	78.43
Tampa (33602)	16,292	16,248	252	1.00	64.65

Due to small population size, the number of Miami Beach hotel rooms to population ratio is the lowest in the comp set.

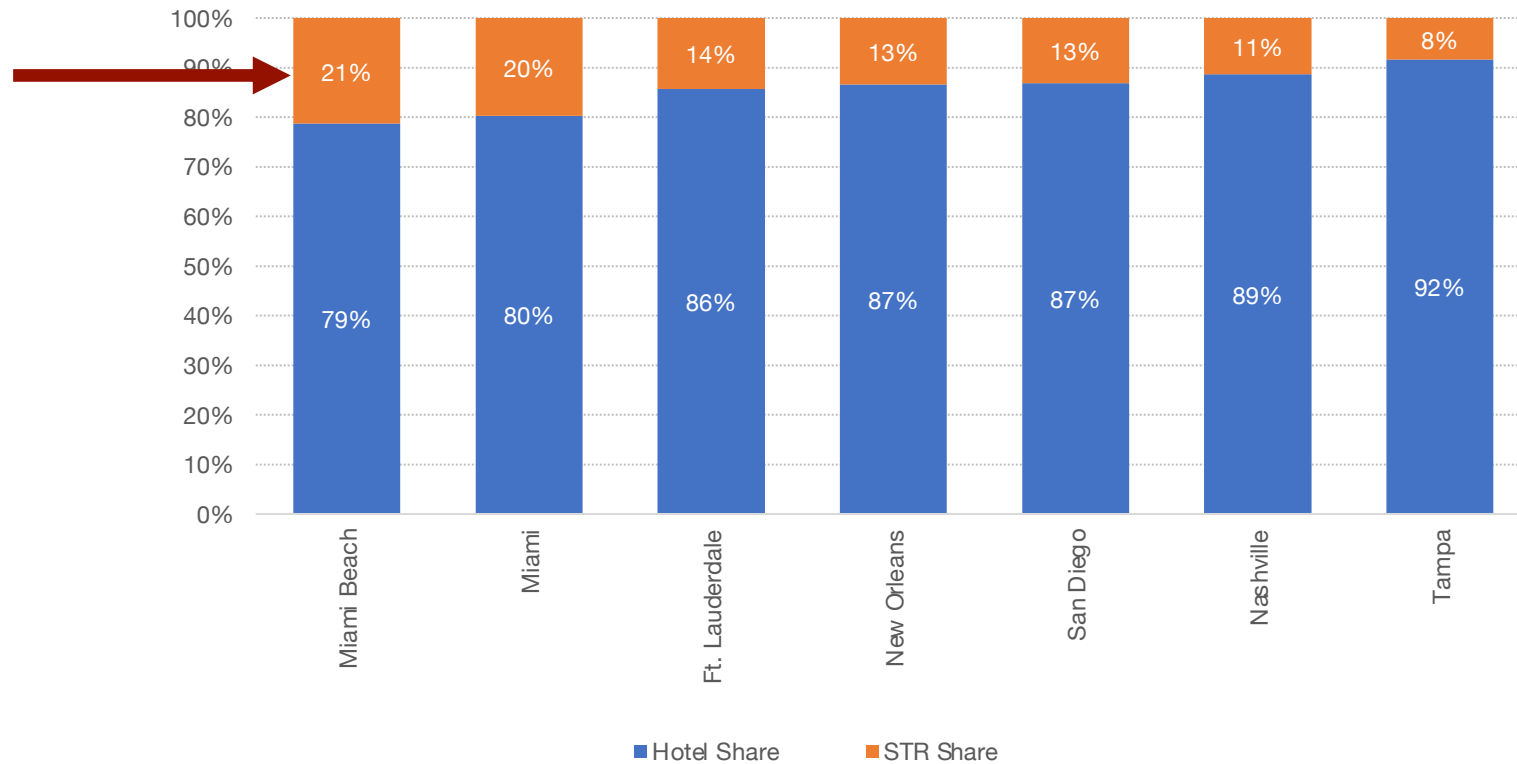
A separate exercise of tourism areas with similar population size in San Diego and Tampa and found lower hotel room ratios.

COMPARABLE CITIES - STRs



An analysis of just short-term rentals, in comparable cities, illustrates that the Miami Beach composition of total hospitality room capacity includes a higher proportion of short-term rentals to hotel rooms than in comparable cities.

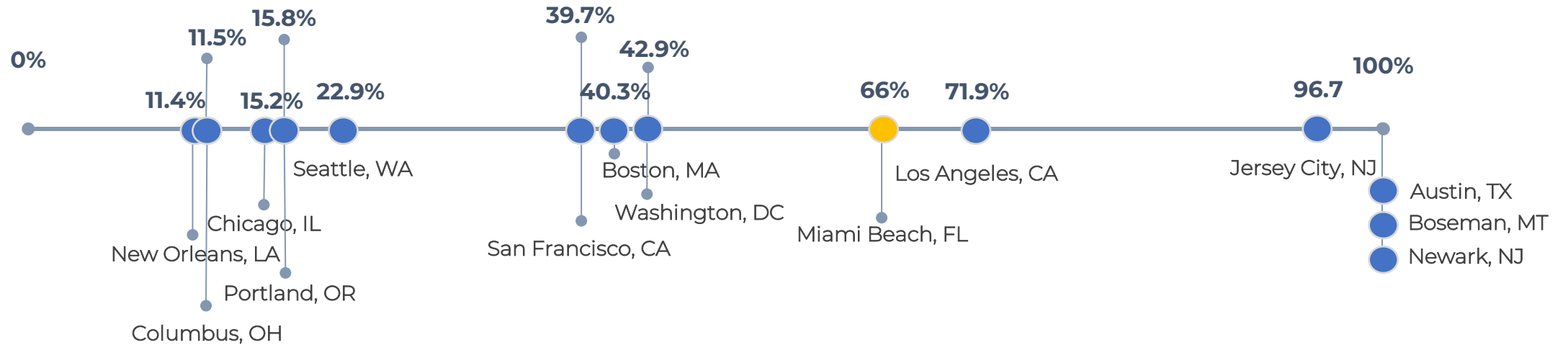
Comparative distributions of hospitality rooms among the comparable cities



UNLICENSED SHORT-TERM RENTALS

The STR market contains both legally registered units and units that are operating without a license. In several cities, the number of unlicensed units is larger than licensed units. The overall number of STRs is dynamic and can vary significantly throughout the year as units are introduced and removed based on a number of factors..

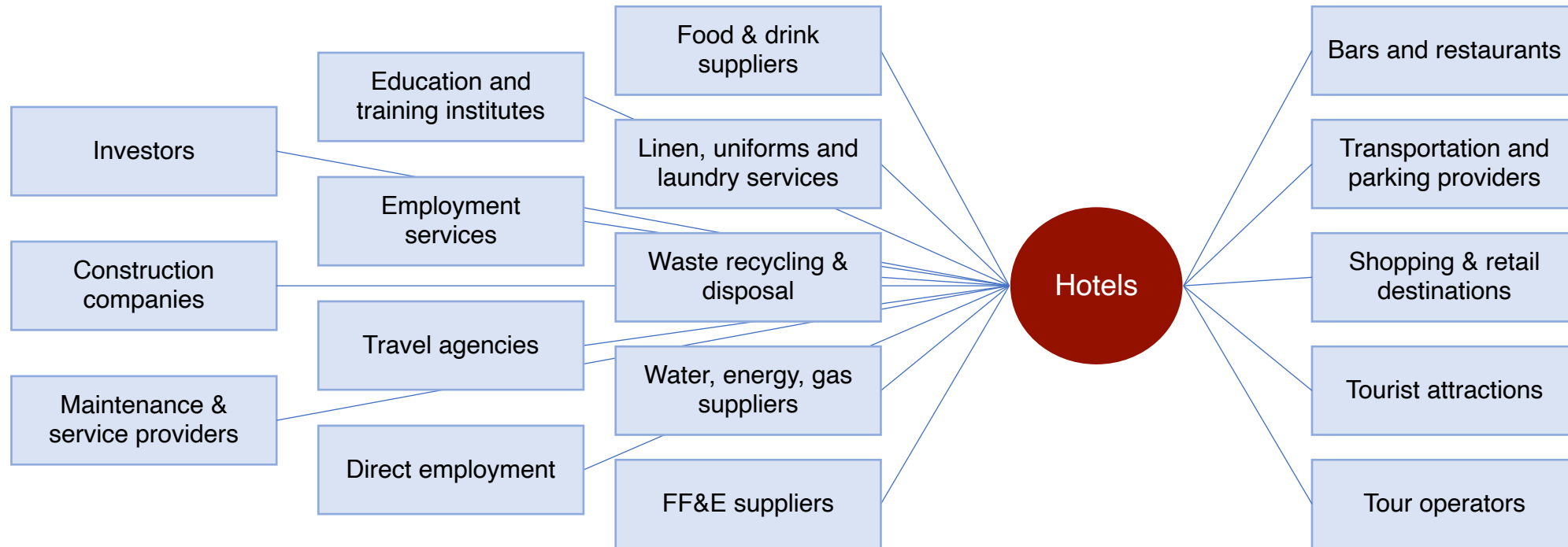
Estimated Percentage of Unlicensed STRs by City



HOTEL ECONOMIC LINKAGES

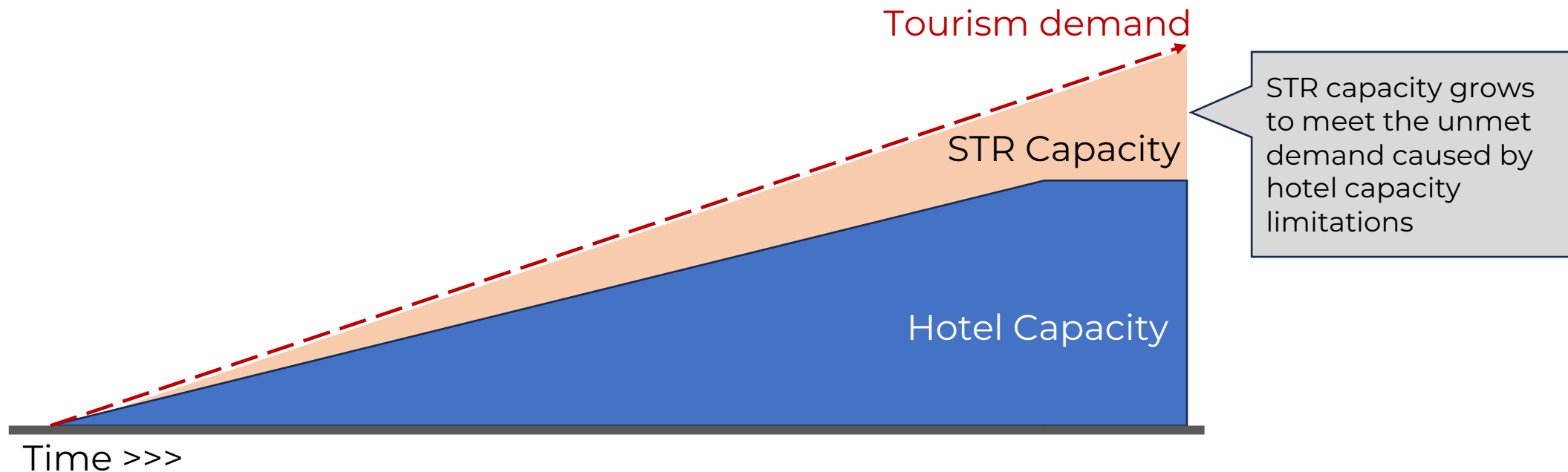


Hotels are key economic engines in Miami Beach, supporting (directly or indirectly) a range of industries and businesses, from suppliers to hospitality related businesses (parking, tours, retail, restaurants, etc.). The impacts of hotel development and operation are not isolated to hotel owners and employees, but also impacts the wider Miami Beach economy.



HOTEL GROWTH AND STRs

The hospitality economy is driven by tourism demand. Where hotel room availability or capacity is limited, STRs are stimulated to enter the market to absorb the unmet demand.



RETURN TO INTERNATIONAL TOURISM AND ADRs



The pandemic travel restrictions changed visitation patterns in ways that favored Miami Beach. As travel to international destinations returns, a portion of visitor (particularly domestic) demand is shifting towards other destinations. As Miami Beach demand drops, so should ADRs.

- ❖ Testing and quarantine restrictions limited international travel
- ❖ Miami Beach tourism demand rose as a domestic alternative to Caribbean or other destinations



- ❖ No, or limited testing and quarantine restrictions
- ❖ Miami Beach tourism maintains stable demand
- ❖ Alternative destinations (domestic and international) are drawing a portion of the prior demand

During the pandemic



Demand



ADRs

Post-pandemic period



Demand

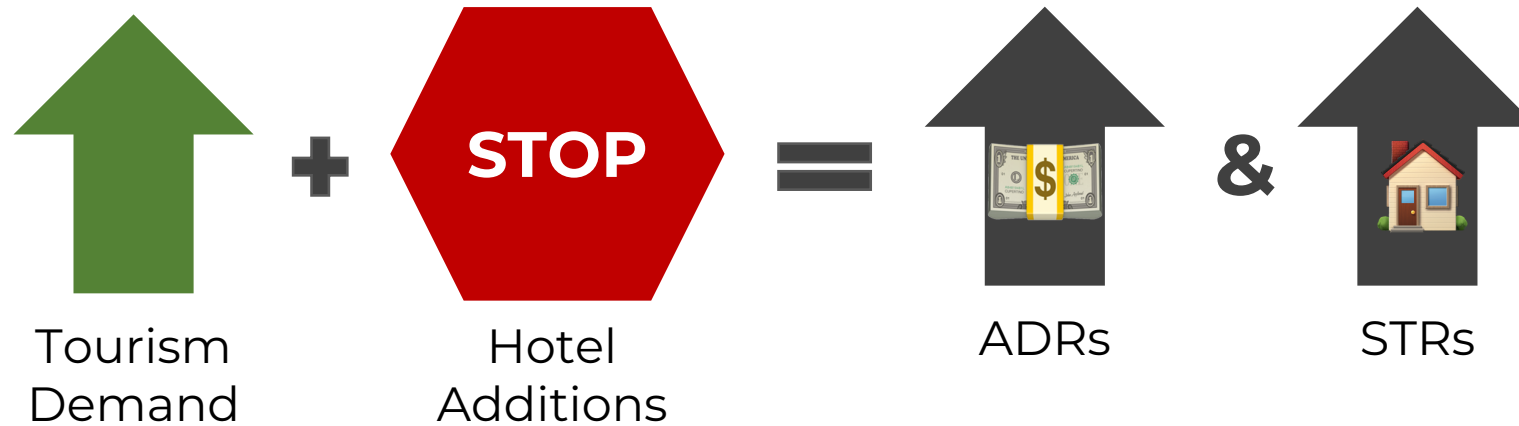


ADRs

IMPACT OF HOTEL SUPPLY LIMITATIONS

Miami Beach's supply of hotel rooms and its construction pipeline reflects underlying tourism demand and is not out of scale for its population.

Without meaningful reductions in tourism demand, limitations on hotel supply will tend to fuel higher ADRs and the entry of new (often illegal) STRs to the market.





Our research is summarized below.

- **The economy remains resilient to shocks** – the labor market has recovered by nearly every major measure, and the employment rate for working age adults is at a 20-year high. While consumers remain uneasy about inflation, domestic and international travel is expected to stay strong.
- **Hotels act as essential as anchors for visitors to experience new destinations, cultures and communities;** they are a fundamental asset in tourism intensive locations. In Miami-Dade county, for example, visitation recovery remains strong year-to-date, with nearly 0.9M increase in total visitors compared to 2022.
- Occupancy/RevPAR and other KPIs signal demand and supply trends - currently **these basic indicators show that hotel supply may be constrained.** Miami Beach continues to be number two after Surfside/Bar Harbor in hotel occupancy and ADR's, signaling strong demand.
- Gross room capacity additions show that **Miami Beach is still near the average of national hotel room additions** for similar cities, indicating that new additions are in-line with national trends.
- The hotel development pipeline in Miami Beach is **scaled appropriately** for the city's strong tourism economy.
- As Miami Beach confronts negative impacts from continued building in the hotel sector, **should be balanced against the economic benefits** (direct, indirect and induced) from hotel construction and operations.
- Also, **hotels are increasingly becoming partners for cities** in their drive to reduce community impacts of congestion by doing more with sustainability, transportation and more.