

HVS Market Pulse: Cape Cod

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Seasonality and Market Performance

As with most leisure markets, particularly those driven by weather, the Cape Cod market has a high degree of seasonality. In the last three years, peak-season August occupancy levels have averaged in the mid-80s, while low-season January occupancy levels have averaged in the low 20s. Both local hoteliers and the Cape Cod Chamber of Commerce have been mildly successful in expanding shoulder seasons in April, May, September, and October. Occupancy at upscale, upper-upscale, and luxury hotels on the Cape increased 5% from May 2017 to May 2019, and 6% from September 2017 to September 2018.

In addition to occupancy growth, ADR growth in these three chain scales has improved, as well, increasing 5% year-over-year 2018 to 2019 during the period from January through August, resulting in an overall RevPAR increase. From 2009 through 2018, RevPAR's compound annual growth rate (CAGR) reached nearly 7% among upscale, upper-upscale, and luxury hotels.

New Lodging Options

While new hotel openings have been limited in recent years, new lodging options have infiltrated the Cape Cod market. Airbnb and other short-term rental platforms are perhaps the most significant threat to hotels on the Cape. Wendy Northcross of the Cape Cod Chamber of Commerce noted, "Cape Cod [Chamber of Commerce] has been tracking short-term rental data from AirDNA for several years, and we've noted an over 200% increase in supply from 2016 through November 2018—a significant growth factor of online listings. The data now show the Cape Cod market is the second largest short-term rental market in Massachusetts by revenue and supply." Despite this significant increase in short-term rental supply, there has been little impact on the aforementioned hotel chain scales' overall performance.

Also worth noting, another non-traditional lodging option coming to market is AutoCamp Cape Cod in Falmouth (under construction). AutoCamp is a glamping experience that converts Airstream trailers into luxury lodging accommodations. AutoCamp currently operates three sites in California (Russian River, Yosemite, and Santa Barbara). AutoCamp Cape Cod will be the company's first location on the east coast, continuing the trend of alternative, unique lodging options on the Cape.

AutoCamp Cape Cod Club House Rendering



Summary

Cape Cod has long been one of the most popular summer destinations in the Northeast, known for its quaint, aptly named, Cape Cod-style homes and world-class seafood, along with unique lodging options. Despite some short-term headwinds, the Cape Cod hotel market is poised for long-term success.

2 Comments

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Headwinds

While alternative lodging options have minimally affected the Cape-wide hotel market, and even though new supply is limited, unpredictable events like weather and shark activity seem to have substantial impact on lodging performance. In September 2018, a fatal shark attack marked the first shark-related fatality in more than 80 years. While it is hard to determine if this had a direct impact on lodging performance, occupancy decreased roughly 4% from the summer of 2018 to the summer of 2019. Moreover, a series of severe storms in July 2019 caused occupancy to decrease.

Although unpredictable events shall remain a threat, the lack of new supply planned and the market's proximity and accessibility to/from major metropolitan areas will continue to bolster demand.

HVS continues to regularly consult in this region, with a nearby office in Boston, Massachusetts, led by **Brian Bisema**. Brian Bisema and **Roth Johnson** are ready to assist you on consulting needs. **Drew Noecker** with **HVS Brokerage & Advisory** can also discuss any Cape Cod assets you may be considering selling in 2020.

About **Roth Johnson**



As a Senior Project Manager with HVS New York, Roth Johnson conducts appraisals and feasibility studies for limited-service and full-service hotels throughout the Northeast. Before joining HVS, Roth worked as a front desk associate for Marriott and as an asset management intern with Canon Hospitality Management, a Mid-Atlantic-based property management company. Roth graduated from the University of Delaware's Alfred Lerner College of Business and Economics with a focus in Hospitality Industry Management and Information Systems. For more information contact Roth at +1 (302)

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