

Southwestern Utah is Booming, Attracting National Investor Interest

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Overview

Southwestern Utah provides robust outdoor recreation opportunities, with some of the most dramatic landscapes in the world. Washington and Kane counties, located in Southwest Utah, have experienced robust economic growth since the onset of the COVID-19 pandemic in 2020 given the presence of two national parks—**Zion National Park** and **Bryce Canyon National Park**—in addition to several well-known state parks, such as **Sand Hollow State Park** and **Coral Pink Sand Dunes State Park**. The popularity of outdoor recreation areas soared during the pandemic, and the region benefited from this trend.



In addition to leisure travel, meeting and group demand is on the rise. The **Dixie Convention Center**, located in Saint George within Washington County, is the largest convention space in Southern Utah. The county is also popular for outdoor events, most notably the **Ironman North American Championship**, which is held annually in May. Furthermore, two **Ironman World Championship** events are held each year: one in Kona, Hawaii, and the other in a different location around the world. In 2021, Saint George hosted the first Ironman World Championship in September, held its usual Ironman North American Championship in May 2022, and hosted the second Ironman World Championship in October 2022, which was originally supposed to be held in New Zealand. These events made Saint George the first destination market to ever host three Ironman Championships in a 13-month period.

Lodging Landscape

Traditional Lodging Properties

Washington County is home to over 80 hotels (totaling over 6,500 guestrooms), not including short-term rentals, and several unique lodging accommodations such as glamping. The majority of hotels within the county are located in the cities of Saint George and Springdale. Springdale is the only city in the county to feature luxury hotels, and Saint George features the greatest number of upper-midscale to upscale hotels. The following table illustrates the breakdown of chain scale for hotels Saint George and Springdale.

Summary

Southwestern Utah is known for its world-class outdoor recreation offerings, including Zion National Park. However, following the pandemic, the region not only experienced peak demand levels, but also became the first destination market in the world to hold three Ironman Championships within a 13-month period. With the rise in popularity of the region, it has become a focal point for new development.

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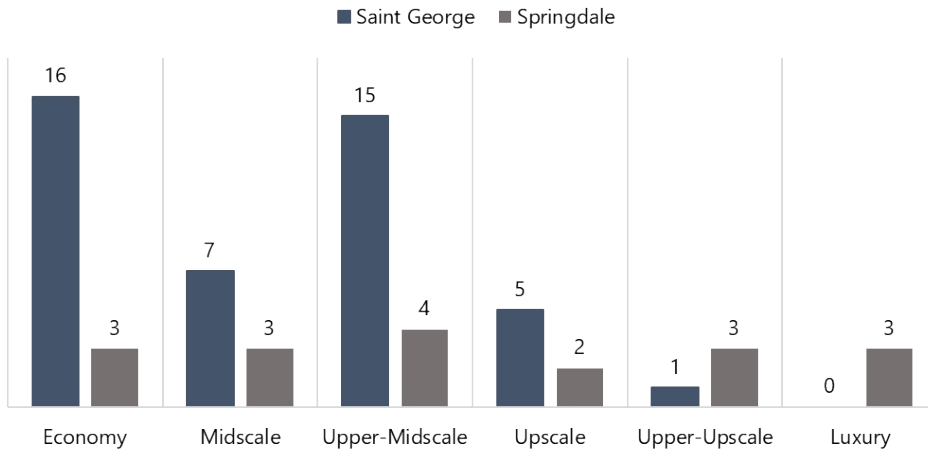
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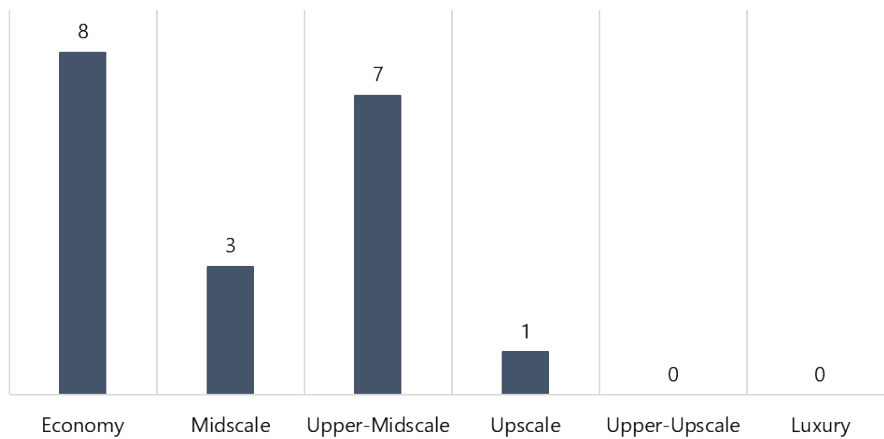
Hotel Chain Scale Breakdown—Washington County



Source: STR

Kane County features nearly 50 lodging properties, totaling more than 1,300 guestrooms, not including short-term rentals and glamping properties. The majority of lodging in this county is located in the city of Kanab, and a breakdown of the available asset classes in Kanab is illustrated in the following chart.

Hotel Chain Scale Breakdown—Kanab (Kane County)

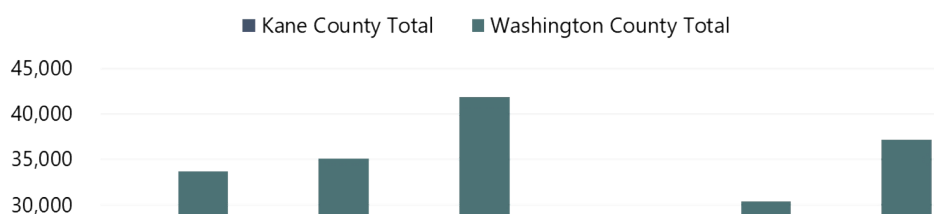


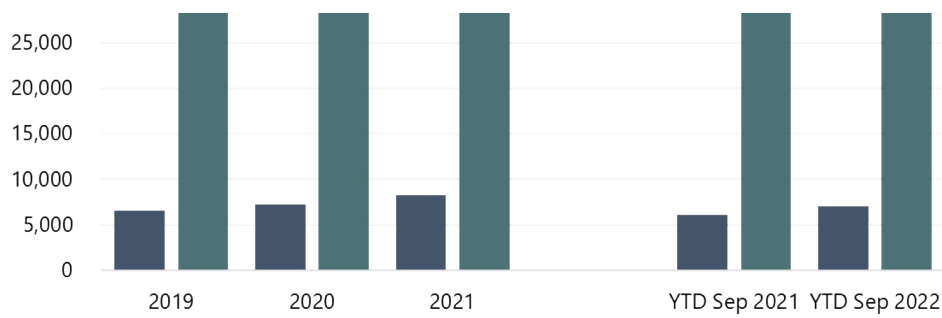
Source: STR

Unique Lodging Assets (Short-Term Rentals and Glamping)

Short-term rentals and glamping properties are prevalent in both counties. While glamping properties are either existing or in the pipeline for both counties, varying from ultra-luxury, all-inclusive glamping resorts to ten-unit-or-fewer small offerings, glamping is most prevalent near the west entrance of Zion National Park in places such as Virgin, east of the park along Highway 89 on the way to Bryce Canyon National Park, and in the greater Kanab area given the beauty of the local landscape. However, the number of **Airbnb** and **Vrbo** rentals, in particular, increased notably in the latter half of 2020 following the popularity of outdoor-oriented markets in both Washington and Kane counties. This trend has continued through the year-to-date 2022 period through September for both counties. The following table illustrates the number of Airbnb and Vrbo listing nights for recent years.

Available Short-Term-Rental Units



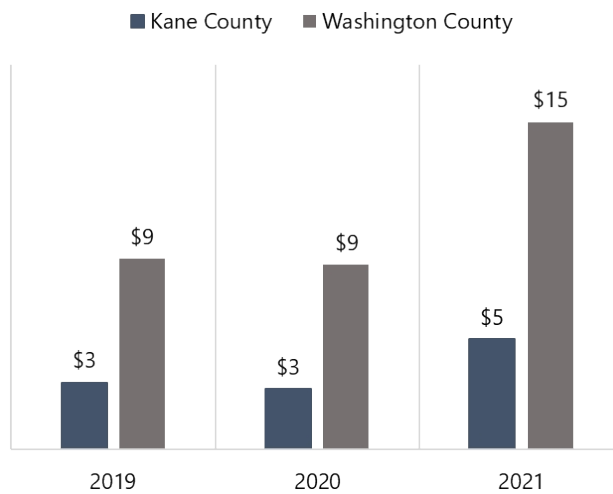


Source: AirDNA

Transient Room Tax Trends After COVID-19

Since the onset of the pandemic, **transient room tax (TRT)** revenues have increased substantially; in Washington County, TRT revenues increased by over 70% in 2021 compared to 2019 levels. Kane County registered growth of 60% over 2019 levels. The following chart illustrates recent TRT trends for both counties.

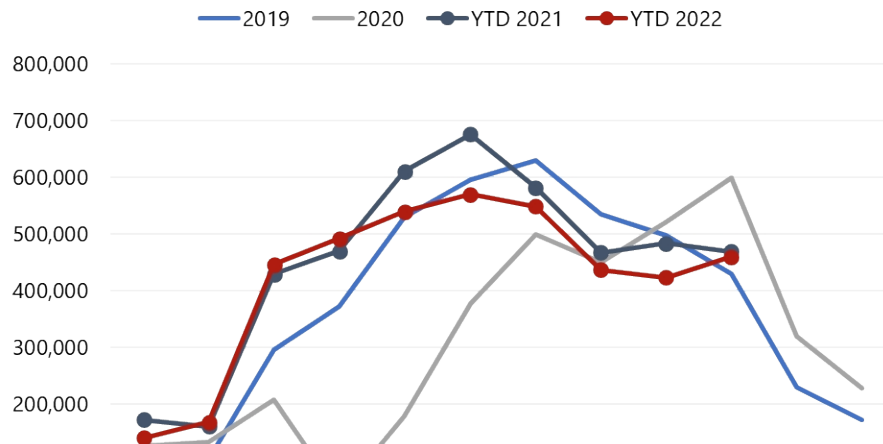
Transient Room Tax (TRT) Revenues (Millions)

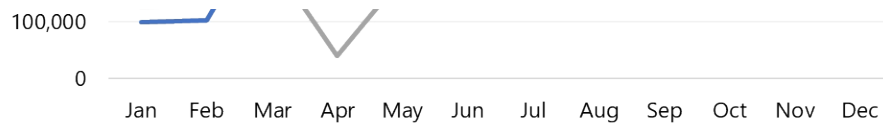


Source: State of Utah

Increased visitation to Zion National Park, along with significant increases in room rates, contributed to the TRT trends. Notably, record-breaking visitation levels to the park began in September 2020 and continued every month through year-end 2020. Thereafter, record visitation levels were achieved in January, May, and June. Moreover, total visitation for 2021 was the highest annual figure on record, reaching over five million for the first time in the park's history. In 2022, record-breaking visitation levels continued to be achieved in select months, such as February and March. The following table illustrates the trends in visitation to Zion National Park.

Recreation Visitors to Zion National Park





Source: National Park Service (NPS)

Market participants also reported a strong increase in remote workers choosing to live and work in the area in 2021. These remote workers reportedly sometimes stayed in hotels but more commonly stayed in isolated units, such as short-term rentals.

Notable Developments

Washington County

Washington County has become a focal point for new development, with several large-scale developments in the pipeline.

Utah Tech University enrolled a record-breaking number of students in 2022, and thus, the university entered the planning stage of its 183-acre Innovation District Campus. The project is planned to include student housing and additional education buildings in preparation for further enrollment growth.

Furthermore, a new hospital known as the Zion Regional Medical Center is slated for development in the Desert Color area. The new medical center will feature a helipad, 24 patient beds, four operating rooms, twelve emergency bays, and several supporting services, including lab and imaging services, in its first phase, which is expected to be completed in 2024.

Another notable development is a sports complex as part of a massive mixed-use development named **Zion's Landing Resort** that is proposed for the city of Leeds. The development, which is in the early planning stages, is expected to include a resort community with luxury homes, an arts center, campgrounds, RV parks, sports fields, and several other outdoor recreation areas. This development would be expected to enable the region to support much larger sporting events. The project is also ultimately planned to feature a number of hotels; however, this portion of the project also remains in the early development stages.

Moreover, at the **Black Desert Resort**, plans are in the works to develop additional hotel units, a 19-hole golf course, a 36-hole putting course, and other offerings including retail and residential developments. The first nine golf holes opened on November 1, 2022, and the nine remaining holes will be completed in the spring of 2023.

Kane County

The East Zion Master-Planned Development is a significant project in the works for the rural east entrance of the Zion National Park. The project will include retail stores, housing, hotels, a new Zion National Park Visitor Center, and a new roundabout and pedestrian underpass at the intersection of North Fork Road and SR-9. Construction of the new roundabout and pedestrian underpass is expected to begin in 2023. Following the completion of the development, hundreds of new jobs will be created, and the pressure on the park's west entrance will be greatly relieved.

New Supply

Washington County

Given the increased economic activity in Washington County in recent years, coupled with a notable interest in development and investment in the area, new hotels are proposed for development throughout the county.

In addition to the hotels planned as part of the Zion's Landing Resort project, Saint George has a number of hotels in the pipeline. These include a **Delta Hotels by Marriott**, a **Home2 Suites by Hilton**, a **Residence Inn by Marriott**, an **Autograph Collection Hotel by Marriott** in the Desert Color area, and the Black Stone Hotel. The Black Stone Hotel will reportedly be affiliated with Marriott and will feature a condominium ownership

structure.

In Springdale, new supply is very limited due to zoning restrictions and the lack of available land for development, with the exception of redevelopment opportunities. However, the increased popularity of Zion National Park since the onset of the pandemic has drawn notable attention to the Springdale market.

Moreover, the rise of outdoor-oriented lodging options has surged since the pandemic. Virgin, which is located just outside of Springdale, features less restrictive zoning ordinances and has a greater availability of developable land compared to Springdale, while still benefiting from the surrounding dramatic and beautiful landscape and proximity to Zion National Park. As such, Virgin has attracted notable interest in lodging development in recent years and features a large portion of the glamping options in the region. Most notably, **Autocamp**'s Zion location is slated to open in early 2023. **Zion Weeping Buffalo** opened its doors in September 2021 and expanded in the summer of 2022. Additionally, **Open Sky** opened in 2021, and **Zion Wildflower Resort**, also located in Virgin, was undergoing an expansion as of the fall of 2022. Other glamping resorts are also in the pipeline for the county as a whole.

Kane County

Four hotels are reportedly planned for the area near the east entrance of Zion National Park. These include the Spirit Mountain Resort, an ultra-luxury resort, and the Grand Mountain Lodge, which will feature 182 rooms. Throughout the rest of the county, a variety of glamping properties, including high-end glamping resorts, are also in the early development stages.

Outlook

While demand began to normalize in the latter half of 2022, guestroom rates remain well above 2019 levels, with no expectation for a room-rate correction. Demand normalization has been largely attributed to the return of remote workers to offices, as well as the return of children to in-person school. In addition, international marketing of the area had been halted following the onset of the COVID-19 pandemic. According to market participants, international marketing reportedly resumed in September 2022. Thus, international demand should supplement some lost domestic demand going forward. Moreover, the continued economic growth throughout the region, as evidenced by the significant number of planned developments throughout Washington and Kane counties, is expected to support the lodging market going forward and spur additional lodging development in the future.