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# MARKET ANALYSIS OF HOTEL DEVELOPMENT OPPORTUNITIES CITY OF CANBY, OREGON

NOVEMBER 2022

## *Acknowledgements*

This Hotel Development Market Analysis was commissioned by the City of Canby, Oregon

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## I. INTRODUCTION

The City of Canby has retained JOHNSON ECONOMICS to develop a preliminary evaluation of potential for hotel development within the City of Canby. This market study follows recent interest by community stakeholders who have expressed the need for local hotel and/or conference space development. In this analysis, JOHNSON ECONOMICS assessed market conditions to determine the market potential for new lodging facilities against the backdrop of the competitive landscape. This analysis will evaluate and make program recommendations with respect to the feasibility and likely market position of a hotel development in the City of Canby. This study updates a previous analysis completed in 2018.

## II. EXECUTIVE SUMMARY

- Hotel demand in Canby is driven largely by two factors. The first factor driving demand in the area is events. The city is home to the Clackamas County Fairgrounds, which hosts dozens of events and tens of thousands of people throughout the year. The fairground was estimated to host over 200,000 in the last year. While there are many day visitors to some of these events, many—specifically exhibitors and others involved in the goings on—need to have an option to stay the night/weekend. In addition to this, a hotel in the city would be welcome for those in town for sports tournaments. Willamette Valley Country Club could host major golf tournaments but has not been able to do so because of a lack of local accommodation. A hotel would also offer the Canby police department an opportunity to host training events.
- In addition, the city would also draw demand for a hotel via corporate stayovers. Canby has a thriving and growing business community. These businesses regularly need a place for out-of-town guests to stay. Though there is a motel in the city, surveys indicate that this type of accommodation is not consistent with business standards. Without an appropriate hotel in the city, these businesses are forced to have their guests stay as far away as the Grand in Bridgeport Village, more than 20 minutes away.
- The national and local economies have improved greatly since the end of pandemic-related restrictions. As of June 2022, U.S. unemployment has been trending downwards and is currently at roughly 3.5% with Clackamas County's unemployment rate being around the same. For the most part, unemployment rates on the national, state, and regional level have slowly returned to what they were prior to the pandemic. Employment growth in the region and state has also been robust, with most of the state and region having been able to regain the jobs lost in 2020.
- The largest driver of employment growth in Clackamas County since the pandemic (in terms of total jobs) has been the Mining, Construction, and Logging industry followed by the Professional & Business service industry and Education & Health services industry, respectively. In terms of percentages, the industries that have seen the strongest annual

growth are Information, Transportation & Warehousing, and Mining & Construction industries. On the other hand, base employment in the Leisure and Hospitality industry has decreased by roughly 7% per year since 2017. In terms of wages, the Professional and Business Services and Information sectors have seen the biggest increase.

- Clackamas County’s hospitality market reported stellar growth since the turn of the millennium and prior to the pandemic. Since 2000, Spending on accommodations in the county grew by an impressive 135.6% from 2000 through 2016. National hotel revenue growth during that same time was 72.4%. Total spending by visitors in Clackamas County grew from just under \$98 million in 2000 to nearly \$203 million in 2016. That equates to an annual growth of 4.7%.
- While the four-county Metro region has seen a significant level of hotel development, only four properties in the potential supply pipeline are found in the Primary Market Area. These properties are found in Tualatin, Oregon City, and Happy Valley, all being within a 22-minute drive. These properties range from upper midscale to upscale classed hotels. These projects may potentially impact demand for hotels in Canby given their distance from the city. However, it is also likely that the upscale hotels may cater more to people staying in their respective towns.
- JOHNSON ECONOMICS surveyed hotel properties within a determined market area. This market area was based largely on a drive-time distance of roughly 22 to 24 minutes. Based on surveys with businesses in Canby, this was the furthest distance mentioned for hosting corporate stayovers. Within this market area, there are a total of 36 properties with 2,794 rooms. Of these, JOHNSON ECONOMICS was able to obtain data on 24 properties with 2,199 rooms. Roughly 37% of these rooms are classified as Upper Midscale, 26% as Upscale, 19% as Economy, and 18% as Midscale. The rooms are, on average, 20 minutes away from Canby by car.

FIGURE 2.1: SUMMARY OF COMPARABLE PROPERTIES

Class	Count	# of		Rating (Hotels.com)	Rate	
		Rooms	Age		(Aug 2022)	(Dec 2022)
Economy	6	412	36	6.8	\$113	\$73
Midscale	4	260	35	7.4	\$166	\$106
Upper Midscale	9	902	30	8.2	\$173	\$134
Upscale	5	680	26	8.6	\$245	\$155
<b>Total/Avg.</b>	<b>24</b>	<b>2,254</b>	<b>32</b>	<b>7.8</b>	<b>\$183</b>	<b>\$126</b>

SOURCE: STR Global, JOHNSON ECONOMICS

- Following the pandemic, average daily revenue (ADR), occupancy rates, and revenue per available room (RevPAR) have recovered considerably in the market area. Occupancy rates have risen from 28.6% in May 2020 to 66.7% in May 2022. RevPAR has risen from \$44 in July 2020 to \$115 in July 2022, while ADR grew from \$97 to \$150 during the same period. In a

survey of prices for August 2022, comparable properties ranged from \$113 for Economy Class rooms to \$245 for Upscale Class rooms. The average rate, assuming a standard queen room, that month is \$183 across all properties.

- In total, we estimate a base demand of 23 to 39 rooms per night in the city, exclusive of leakage from other properties in the area. The local market is estimated to be undersupplied by up to 129 rooms. We would expect at least some of that to be fulfilled by a new property in Canby proper. If half of that unmet supply were to be filled by a new property, that would bring the base demand for a hotel in Canby to 88 to 104 rooms per night.
- To meet this demand and the preferences of the business community, we recommend a Midscale to Upper Midscale hotel with 120 to 145 rooms. The upper midscale class of properties includes such brands as Hampton Inn and Holiday Inn Express. A Midscale class hotel (La Quinta Inn/Quality Inn) could meet the needs of many guests as well, providing the market a somewhat lower relative price position. Given the demand in the local community, undersupply in the area, and lack of hotel units in the development pipeline, we expect that a new hotel of this size in these market segments should be feasible.
- The expected stabilized occupancy rate for a new hotel of this configuration is expected to average 72% to 74% over the year. This is consistent with pre-pandemic rates in the market, and assumes the project is priced competitively within the market. The area is expected to see consistent growth in demand due to employment and population growth.

### III. SOCIOECONOMIC TRENDS AND CONDITIONS

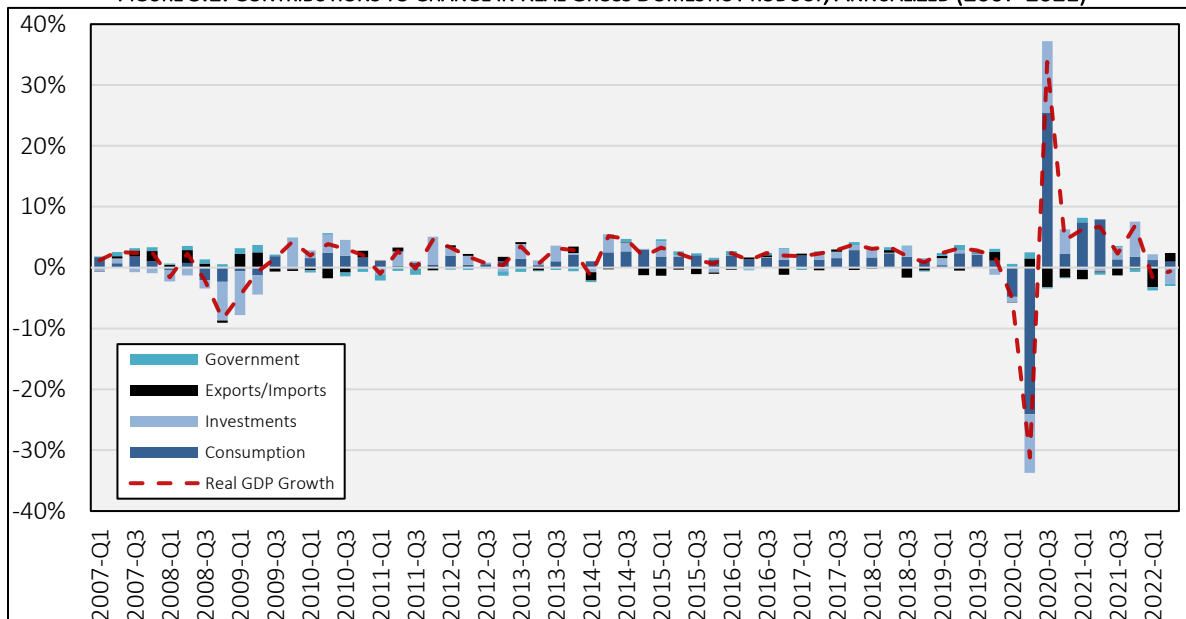
This section describes current economic trends. The analysis relies heavily on data from third party sources, specifically the Congressional Budget Office (CBO), the Bureau of Economic Analysis (BEA), and the Oregon Employment Department (OED).

Demographic and economic indicators are key in the hotel development decision-making process. Gross Domestic Product, for instance, is generally seen to be highly positively correlated with demand for lodging. Other factors have been shown to be important as well. For example, Canina and Carvell (2005) found that indicators such as income growth and consumer confidence are also significantly related to the number of hotel rooms sold.

#### NATIONAL TRENDS

The national economy has seen recent fluctuations as it is recovering from the COVID downturn. Annualized GDP growth dropped by roughly 31% during the onset of COVID in Q1-2020, but rebounded to 34% by Q3-2020, reflecting the effects of the federal stimulus payments. Since then, GDP growth tapered off and hovered between 2% and 7% in 2021 and is currently contracting in Q1 and Q2-2022. Private consumption and investment have been the primary drivers of growth since COVID, mostly due to the stimulus payments. Consumption dominated contributions to changes in GDP as it accounted for nearly all GDP growth in the first two quarters of 2021. However, consumption has been losing steam due to rising inflation rates decreasing consumers' purchasing power. As a result, recent public opinion on the economy has worsened as the Consumer Confidence Index has been declining and expectations surrounding the economy have been relatively negative.

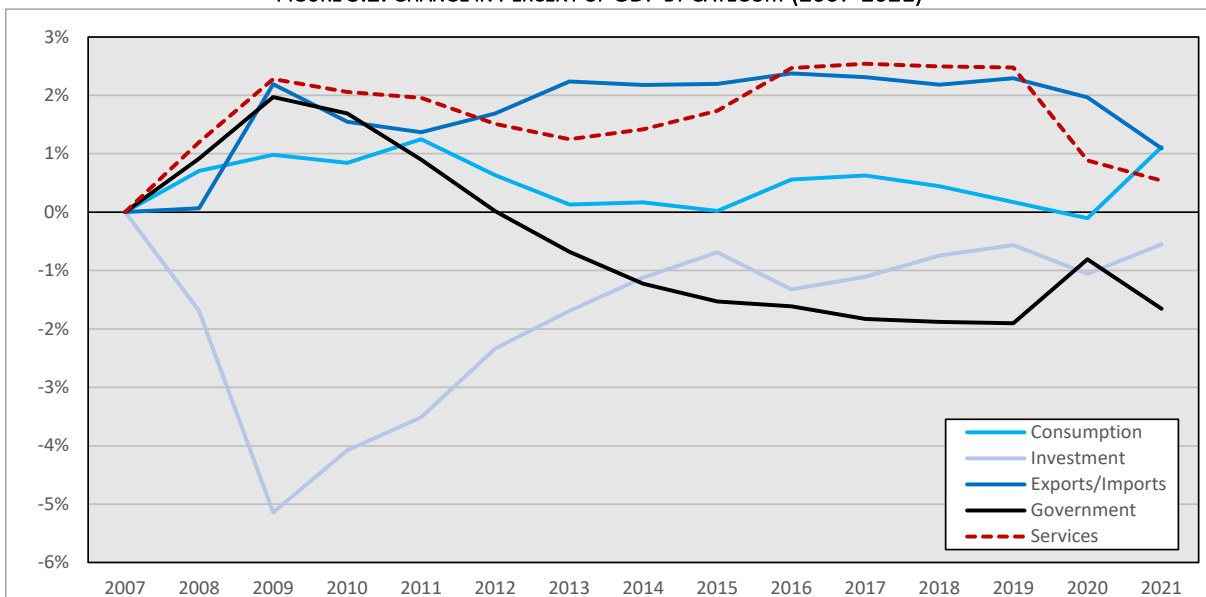
FIGURE 3.1: CONTRIBUTIONS TO CHANGE IN REAL GROSS DOMESTIC PRODUCT, ANNUALIZED (2007-2021)



SOURCE: Bureau of Economic Analysis

The figure below depicts how major components to GDP have changed since 2007 (the year before the downturn). To do this, we looked at each of the major components as a percentage of GDP using 2007 as a baseline. Consumption and Exports/Imports have seen the biggest shares in growth since 2007. Both are now roughly 1.1% more part of the GDP than it was in 2007. Although Exports/Imports have “grown” since 2007, growth in this sense means that the trade deficit is just less negative than it was before. As of 2021, the trade deficit is still a negative \$861.4 billion. Though investment has grown dramatically since bottoming in 2009, it has not—on a percentage basis—reached the same levels it was the year before the recession started.

**FIGURE 3.2: CHANGE IN PERCENT OF GDP BY CATEGORY (2007-2021)**



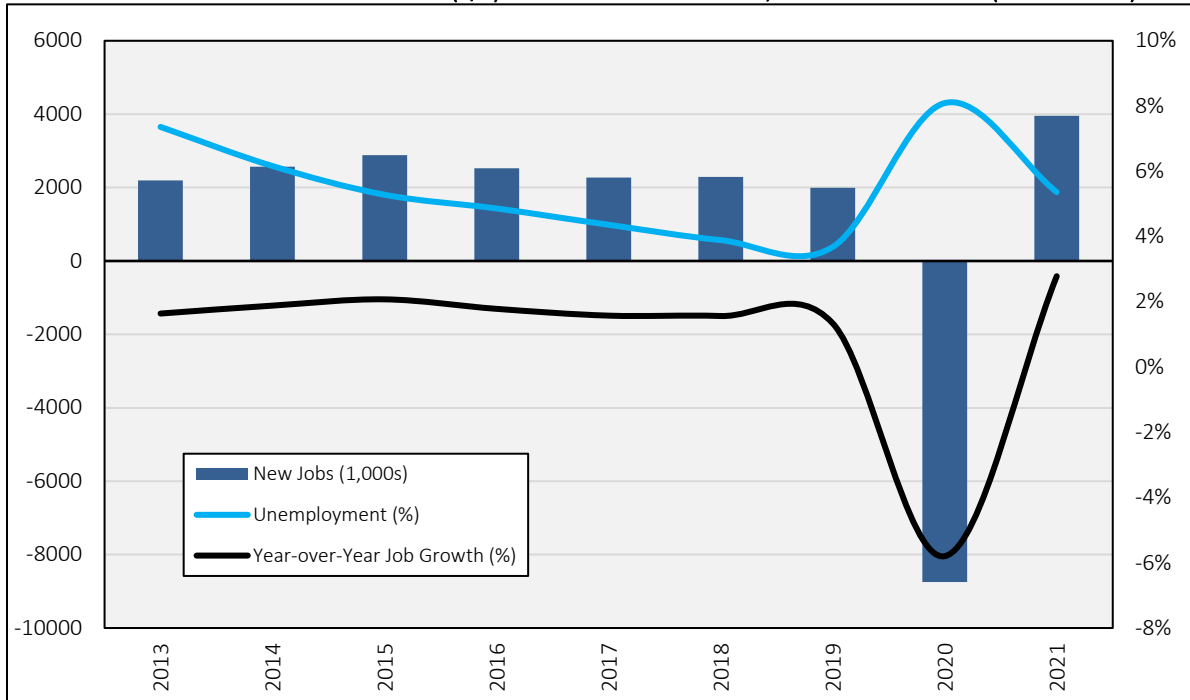
SOURCE: Bureau of Economic Analysis, JOHNSON ECONOMICS

### **EMPLOYMENT AND LABOR FORCE**

Growth throughout the past decade has been steady and robust. Unemployment remained below 5% from late 2015 to early 2020—a level which many consider to be “full employment”. However, the employment growth that dominated much of the 2010’s was halted by the COVID pandemic in 2020. During this year, the average annualized unemployment rate shot up to roughly 8.2%. Job growth averaged 146,000 per month in 2021, roughly 2,000 lower than the 2015-17 three-year average.



FIGURE 3.3: U.S. EMPLOYMENT GROWTH (Y/Y) AND UNEMPLOYMENT RATES, SEASONALLY ADJUSTED (2013 – 2021)



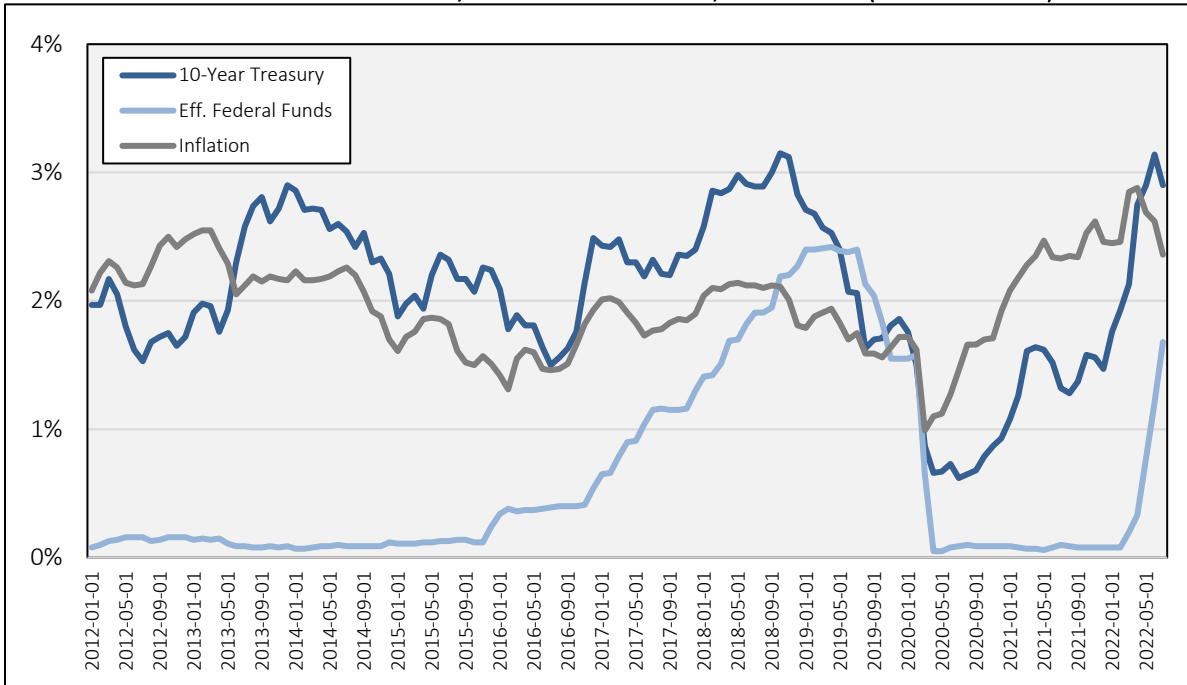
SOURCE: U.S. Bureau of Labor Statistics

**INFLATION, MONETARY POLICY, AND INTEREST RATES**

Inflation levels rebounded quickly after the '08 – '09 recession but took a dive during the tail end of 2014. Since then, consumer prices have hovered around the Federal Reserve's 2% target until early 2020 when consumer prices declined during COVID as consumer spending dropped due to country-wide lockdowns. However, pent-up demand from COVID has quickly introduced a sharp rise in consumer prices that started in 2021. In response, the Federal Reserve recently raised the federal funds rate in Q2 2022 to slow the economy down and combat inflation.

Rate increases have perhaps come too slowly for the current market. Treasury yields climbed to over 3% in June 2022, which is near a four-year high. However, the recent rate increases have introduced moderate decreases in consumer prices and treasury yields.

**FIGURE 3.4: FEDERAL FUNDS RATE, 10-YEAR TREASURY NOTES, AND INFLATION (2012 – JUN 2022)**

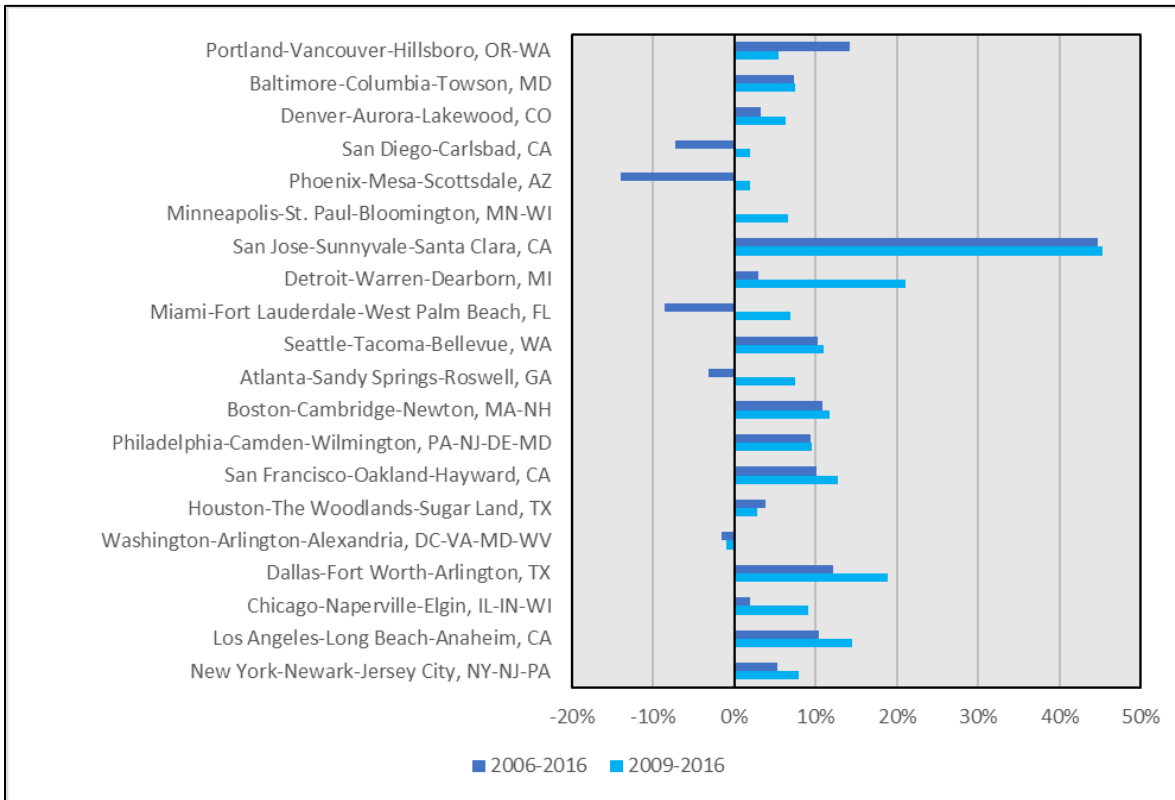


SOURCE: Federal Reserve Bank of St. Louis, Bureau of Labor and Statistics, JOHNSON ECONOMICS

**REGIONAL AND LOCAL TRENDS**

The Portland MSA, which includes Multnomah, Washington, Clark, and Clackamas counties, has been one of the most rapidly growing regional economies in the United States over the past decade. Between 2006 and 2016, the region’s 1.3% average annual growth rate in terms of GDP/capita was the second-fastest growth among the top-20 largest MSAs by GDP. The largest part of this growth was in the earlier part of the decade. Growth since the downturn has been steady, but not as strong, growing at 0.8% per year, 16<sup>th</sup> out of those same 20 MSAs. While this might seem like a negative on the surface, one must account for the large numbers of people that have been migrating to the region during that time. The area—and state as a whole—has been one of the most popular moving destinations in the country for several years running.

FIGURE 3.5: CUMULATIVE CHANGE IN GROSS METROPOLITAN PRODUCT, MAJOR METRO AREAS (2006-2016)



SOURCE: Bureau of Economic Analysis

The region’s growth looks even more impressive if we look at its GDP/capita rankings prior to the pandemic. The region was the 116<sup>th</sup> ranked region in the country by this metric in 2002. The ranking now stands at 25<sup>th</sup> in the country, which shows that jobs in the region have been more heavily weighted on the high end, which is one of the reason more and more people continue to move here, in addition to the other benefits the region brings, such as its incredible access to nature, good food, and other desired lifestyle wants.

**EMPLOYMENT**

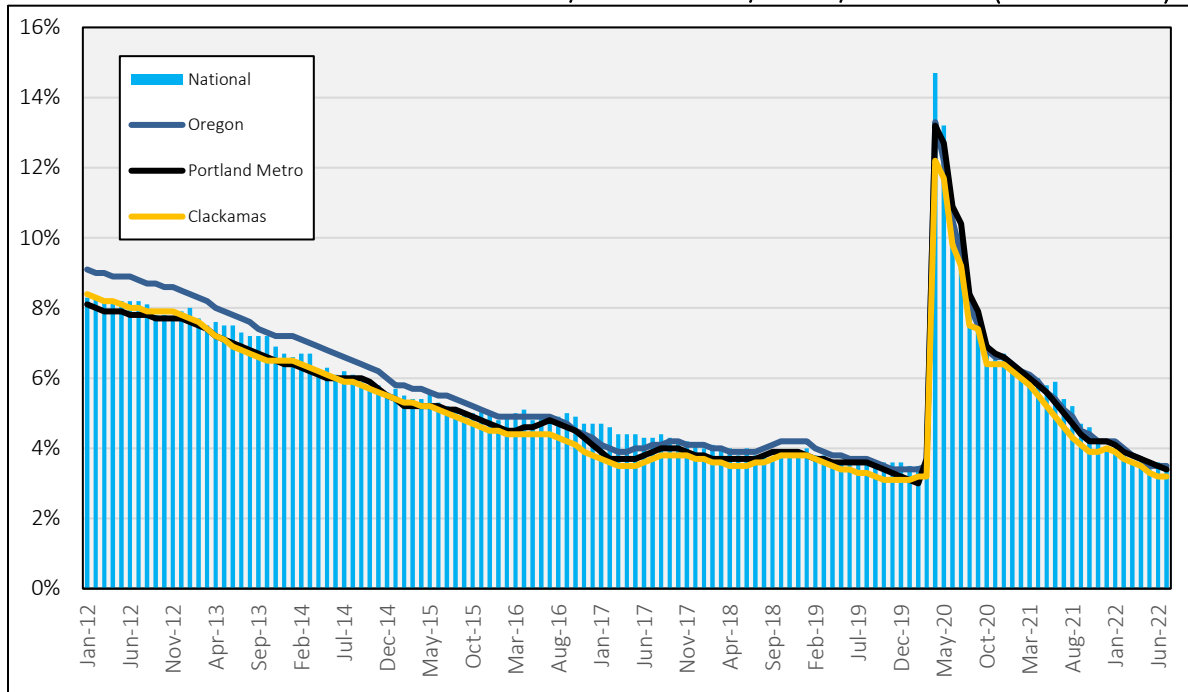
Prior to COVID, employment trends were very promising nationwide. During the tail end of the 2010s, strong job growth in the Portland Metro area subsequently helped reduce unemployment at a faster pace as compared to the rest of the nation. Furthermore, the United States had been at or below 5% unemployment for nearly 24 consecutive months through December 2019, with the other observed regions following suit. In the months leading up to COVID, the national unemployment rate was experiencing a historic low of roughly 3.5% around February 2020. However, the COVID pandemic was quick to accelerate unemployment rates to historic highs.

During COVID, the Portland area and state of Oregon saw unemployment rates of roughly 13%, while the country reached unemployment rates of roughly 15%, a near decade high. Comparatively,

Clackamas county fared marginally better than the region and nation as unemployment rates only reached up to roughly 12%. However, this is not surprising as Clackamas county has seen historically better unemployment rates since the early 2010's, most likely driven by the strong job growth experienced in the region.

Given these circumstances, nationwide recovery in the labor market has been very promising. Coming into 2021, unemployment rates started declining nationwide, with Clackamas county decelerating at a comparatively faster rate than the region, state, and nation. Although this rapid deceleration tapered off a little in the second half of 2021, we see that unemployment rates in general are very close to what they were prior to COVID. As of July 2022, the nation and state of Oregon have returned to an unemployment rate of roughly 3.5%, while the Portland Metro area and Clackamas county are at a 26-month low of 3.4% and 3.2% respectively.

**FIGURE 3.6: UNEMPLOYMENT RATE – CLACKAMAS COUNTY/PORTLAND METRO/OREGON/UNITED STATES (2012 - JUL 2022)**

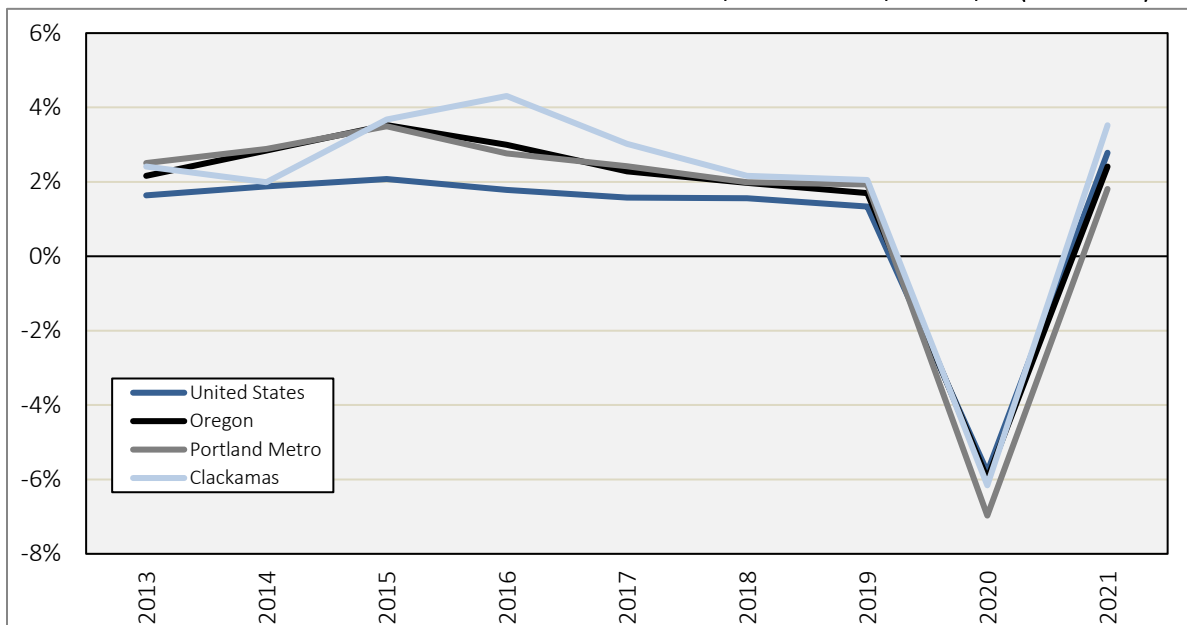


SOURCE: Oregon Employment Department, BLS, Johnson Economics

The Portland Metro Area and State of Oregon are displaying strong recovery trends post-COVID. While both markets suffered strong employment effects throughout 2020, growth since then has been in-line with national trends. For the most part, employment growth has been very similar in the different geographies throughout the COVID recovery period. In short, as of 2021 Clackamas county has seen the strongest job growth (roughly 3.8%), the nation and Oregon are nearly identical (roughly 3%), and the Portland Metro area is slightly lagging (a little under 2%).

When studying the historical employment growth data, it becomes clear that the Portland Metro area has seen a relatively slower recovery. Pre-COVID, the Portland Metro area and Oregon mimicked each other for most of the 2010's, both outpacing the nation by a fair amount. However, since COVID, the nation has overtaken the region, displaying slightly better employment growth that may persist into the near future. For further context, employment growth in the region peaked in 2015 at roughly 3.8% and has not come close since. On the other hand, the nation has already surpassed its peak from the last decade early into the COVID recovery. Clackamas county has not quite surpassed its peak from the last decade, but it has outperformed its employment growth from the years leading up to 2020.

**FIGURE 3.7: YEAR-OVER-YEAR EMPLOYMENT GROWTH – CLACKAMAS COUNTY/PORTLAND MSA/OREGON/US (2013-2021)**



SOURCE: Oregon Employment Department, BLS, Johnson Economics

Though Clackamas County has seen robust employment growth since coming out of the recession, it has not been evenly distributed across industries. Since June 2017, the county added just over 6,000 private sector jobs ending in June 2022, equating to an average annual growth rate of roughly 1%.

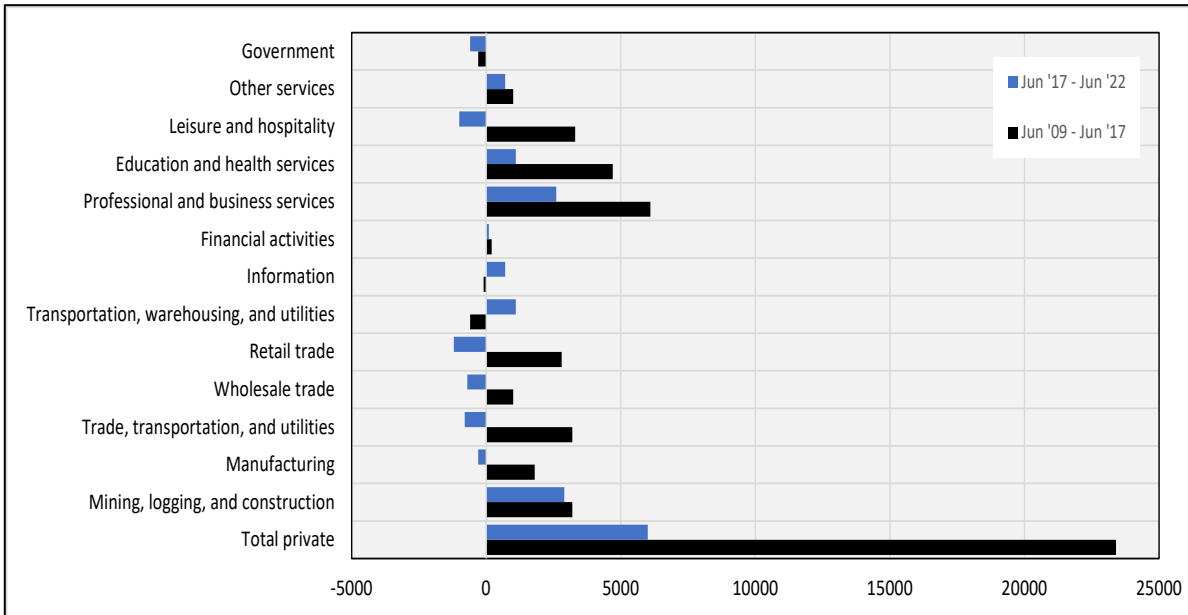
The sector with the strongest growth in terms of total jobs added was Mining, Construction, and Logging, which added nearly 3,000 jobs in the last five years. The sector with the strongest average annual growth was information, which averaged roughly 7% growth per year from June 2017 to June 2022. During this time frame, six industries shrunk, with the two biggest losses being in the Retail Trade and Leisure & Hospitality sectors. While these sectors did lose jobs, losses were not large. The Retail Trade and Leisure & Hospitality sectors shrunk at an average annual rate of 1.3% and 1.2%, respectively.

In terms of wages, all industries have seen growth. From 2017 to 2021, the Information sector saw the biggest increase in pay. Since the downturn in 2009, the industry has seen average pay jump by

over \$4,300 per year. This equates to an average annual growth of roughly 7% during this time, which also puts the industry first by this metric. The Professional & Business, and Financial Activities sectors saw the next highest annual wage growth, respectively.

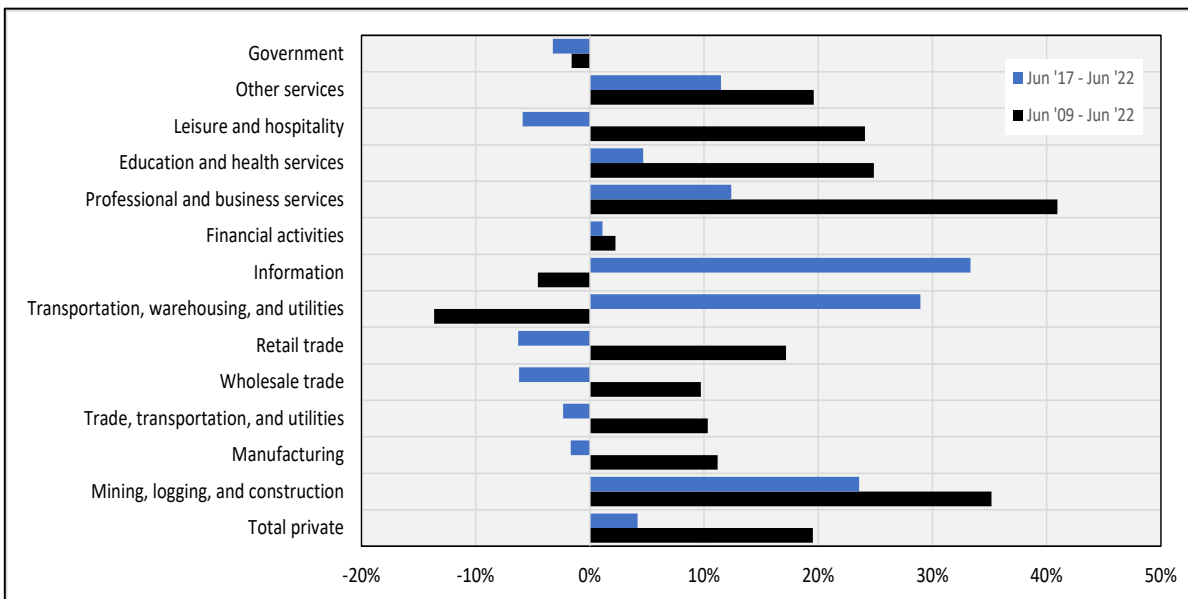
The following four charts detail employment and wage growth by industry in Clackamas County.

**FIGURE 3.8: TOTAL EMPLOYMENT GROWTH BY INDUSTRY (THOUSANDS OF JOBS) ,CLACKAMAS COUNTY**



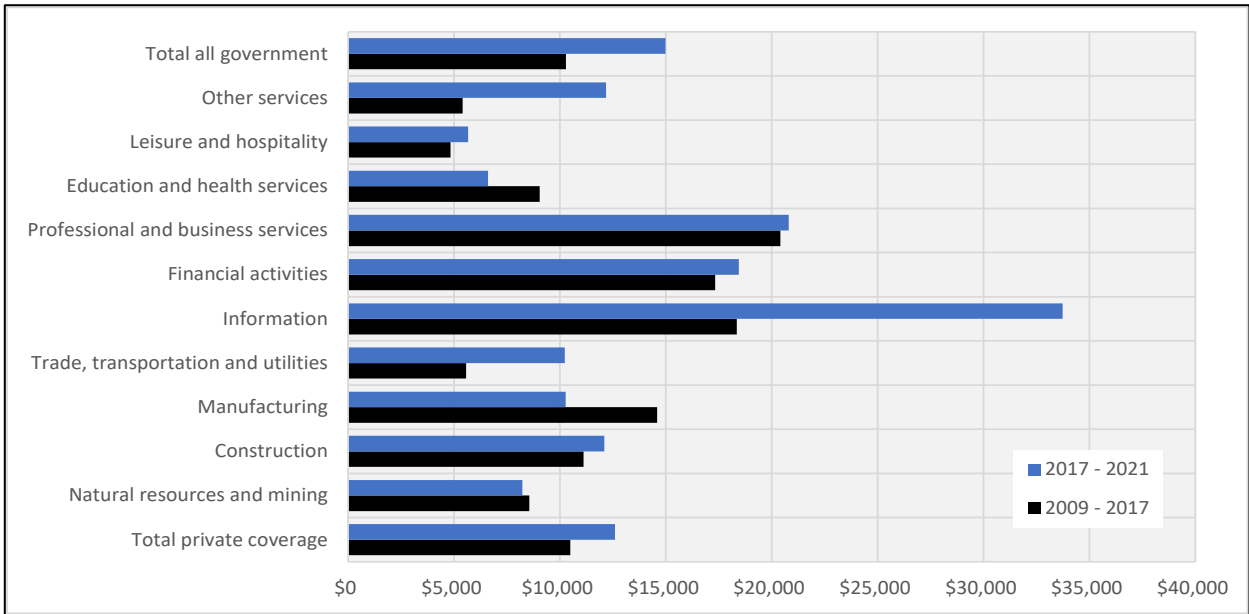
SOURCE: State of Oregon, JOHNSON ECONOMICS

**FIGURE 3.9: ANNUAL EMPLOYMENT GROWTH BY INDUSTRY (%) ,CLACKAMAS COUNTY**



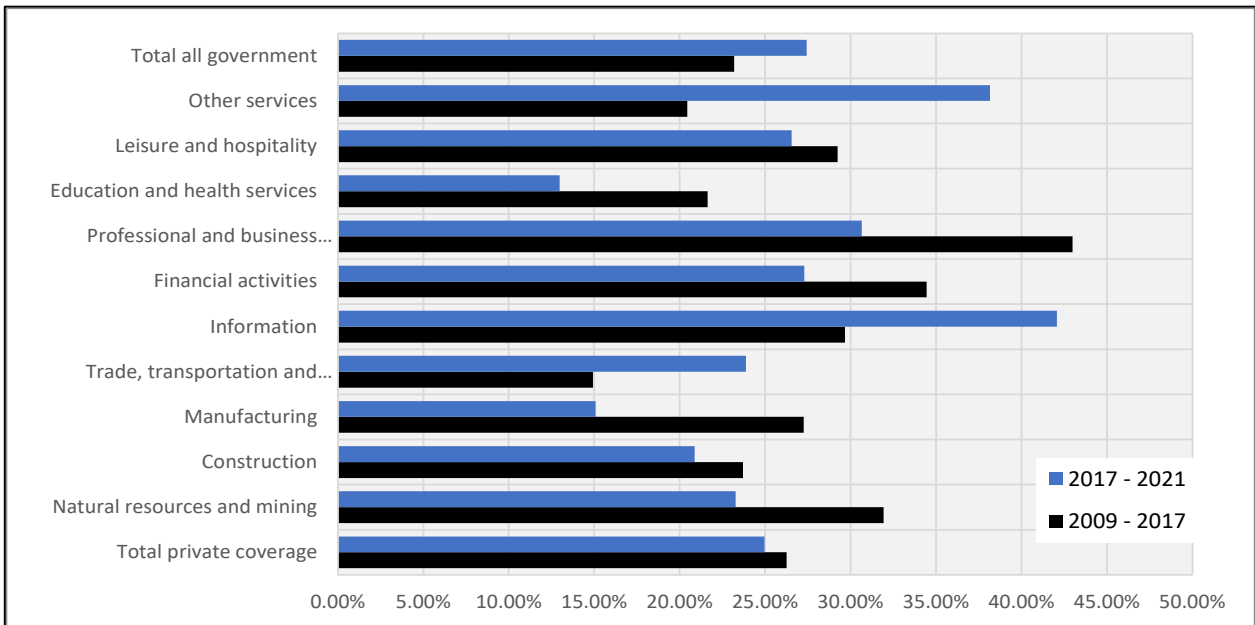
SOURCE: State of Oregon, JOHNSON ECONOMICS

**FIGURE 3.10: TOTAL WAGE GROWTH BY INDUSTRY (THOUSANDS OF \$) – CLACKAMAS COUNTY**



SOURCE: State of Oregon, JOHNSON ECONOMICS

**FIGURE 3.11: ANNUAL WAGE GROWTH BY INDUSTRY (%) – CLACKAMAS COUNTY**

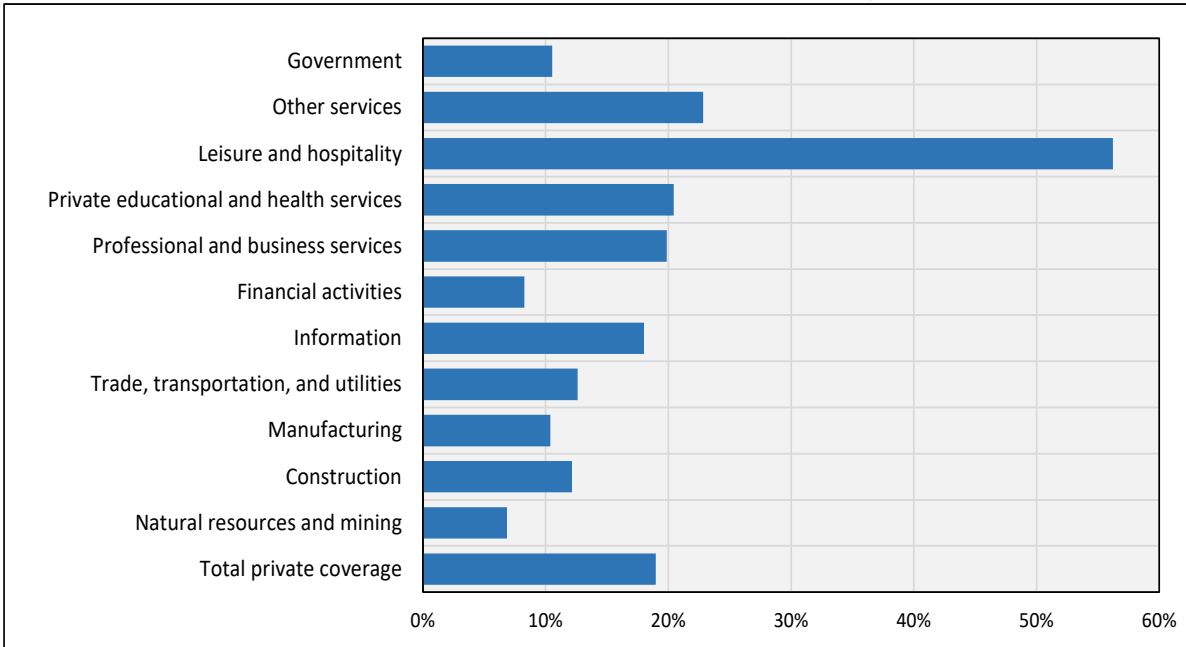


SOURCE: State of Oregon, JOHNSON ECONOMICS

The latest projections made by the Oregon Employment Department for the Portland Metro Area are plotted from 2020 to 2030. Over this ten-year period, roughly 157,000 new private jobs are projected for the tri-county area. Leisure and hospitality are expected to see nearly 41,000 added jobs, the most

of any sector. Leisure and hospitality are also projected to vastly outperform other industries on a percentage basis as it is expected to grow by roughly 55% over the next decade.

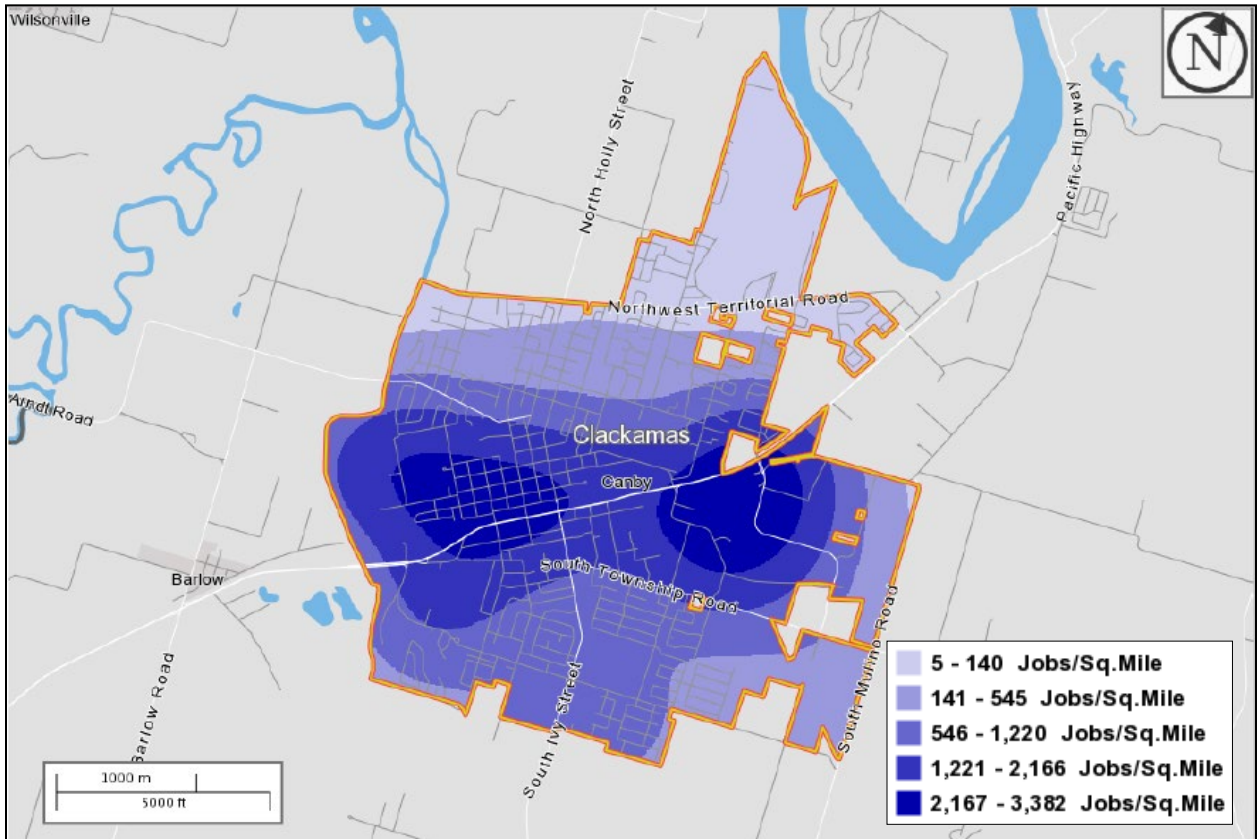
FIGURE 3.12: PORTLAND METRO AREA PROJECTED EMPLOYMENT GROWTH, 2020 - 2030



SOURCE: Oregon Employment Department, JOHNSON ECONOMICS



**FIGURE 3.13: EMPLOYMENT DENSITY, CITY OF CANBY, 2015**



Source: On The Map (US Census Bureau)

**LOCAL ECONOMIC TRENDS**

The City of Canby has been very successful over the last several years in terms of economic development, attracting a significant number of new businesses. The following is a summary of some of the recent new employers to the area:

FIRM	YEAR OPENED	LOCAL EMPLOYMENT
<b>CANBY PIONEER INDUSTRIAL PARK</b>		
Lil Stinky’s Environmental	2019	12 employees
AlphaSense	2020	15 employees
Columbia Distributing	2020	300 employees
Caruso Produce	2021	120 employees
Stanton Furniture	2021	300 employees
Lampros Steel	Under Construction	
Dragonberry Produce Expansion	Under Construction	
OKADA International	Under Construction	11 employees
Active Water Sports Expansion	Under Construction	8 employees
Amazon	Future/Planned	500 employees
OLCC	Future/Planned	
Thermaglass	Future/Planned	8 employees
Lucky Foods	Future/Planned	50 employees
American Welding	Future/Planned	

## POPULATION AND INCOME

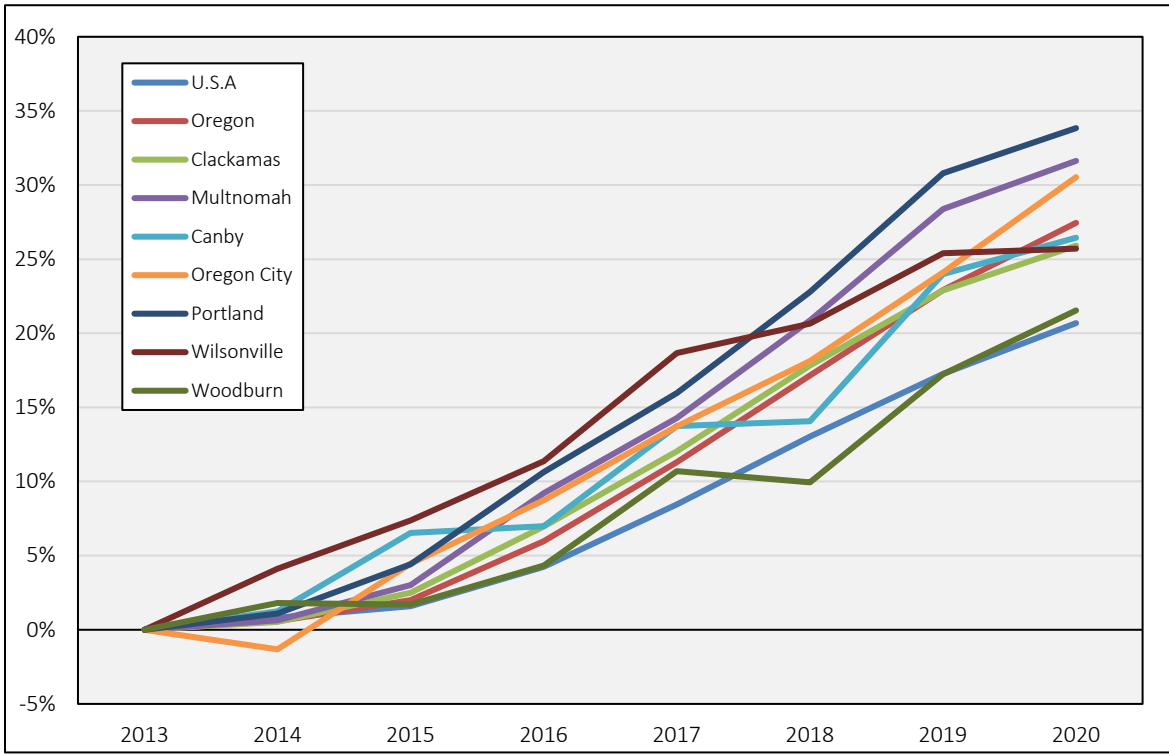
The Portland Metro area has been one of the fastest growing regions in the last decade, growing by an average of 1.4% per year. People have been driven to move to the region because of strong job growth and lifestyle. Though the area has been growing rapidly, growth has not been equal in all areas.

Wilsonville has seen one of the biggest population booms in the region. The city's population has increased by roughly 4,000 from 2014 to 2020 (+ 20.1% overall, + 3.3% annual average). Besides Wilsonville, the only other city that had a cumulative growth of above 10% is Oregon City. From 2014 to 2020, Oregon City grew by roughly 3,200 people, which translates to an overall increase of 9.5% and an annual average of 1.6%. Other than these two cities, the other observed cities and counties all experienced cumulative growth under 10% total. Portland, for instance, has grown cumulatively by 9%, Clackamas County has grown by 8.7%, and Canby has grown by 7.6% during the same period. Although Canby has grown slower compared to the other geographies, this may change moving into the future.

According to Portland State's Population Research Center, Canby has grown by roughly 2,100 people from 2017 to 2020, with most of this growth happening from 2019 onward. This equates to a total growth of 12.57%, outpacing the national population growth in the same period. The recent strong growth in Canby highlights how the city is benefiting from the strong job growth characteristic of the region paired with the city's cheap housing. Only half an hour away from Portland, Canby provides those that have been priced out of the city a cheaper alternative.

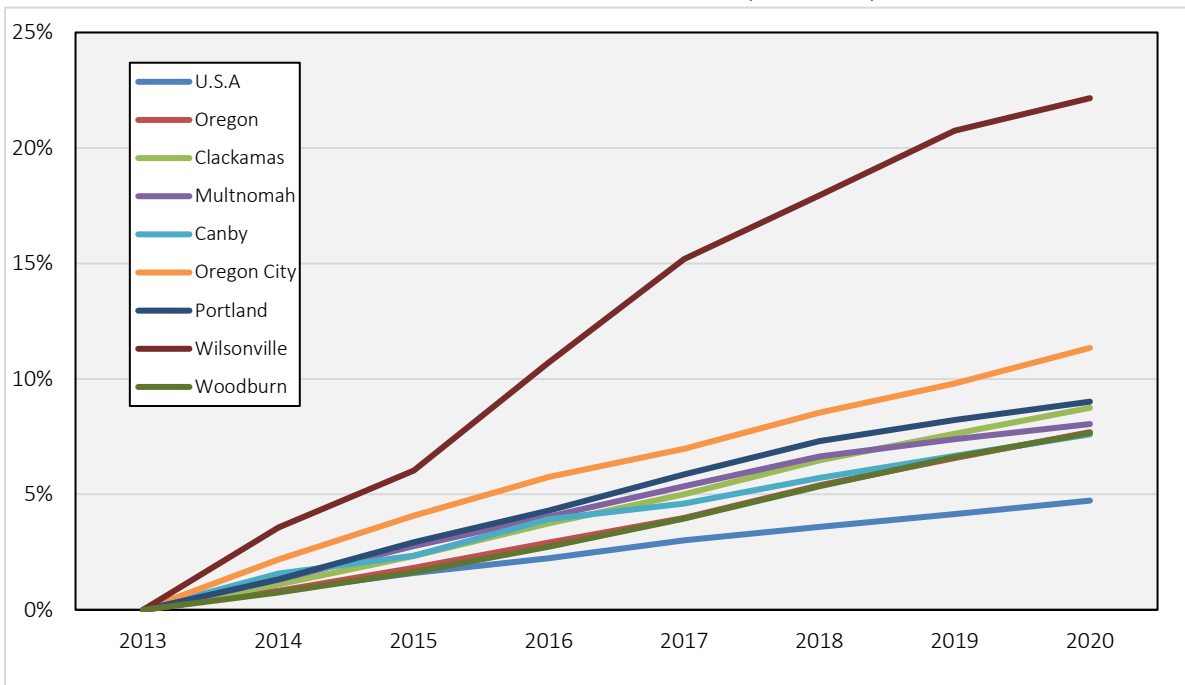
In terms of income, the story is similar. Portland led the region in income growth from 2013 to 2020, seeing household median incomes rise by roughly 34% cumulatively. Comparatively, Canby only saw its median household income grow by 25% cumulatively in that span. Like population, however, the growth has been mostly in the past couple of years. According to the U.S. Census Bureau, from 2017 to 2020, Canby's median income grew from \$68,813 to \$81,039, translating to a 17.77% increase overall or 5.9% per year.

FIGURE 3.14: CUMULATIVE MEDIAN HOUSEHOLD INCOME GROWTH (2013-2020)



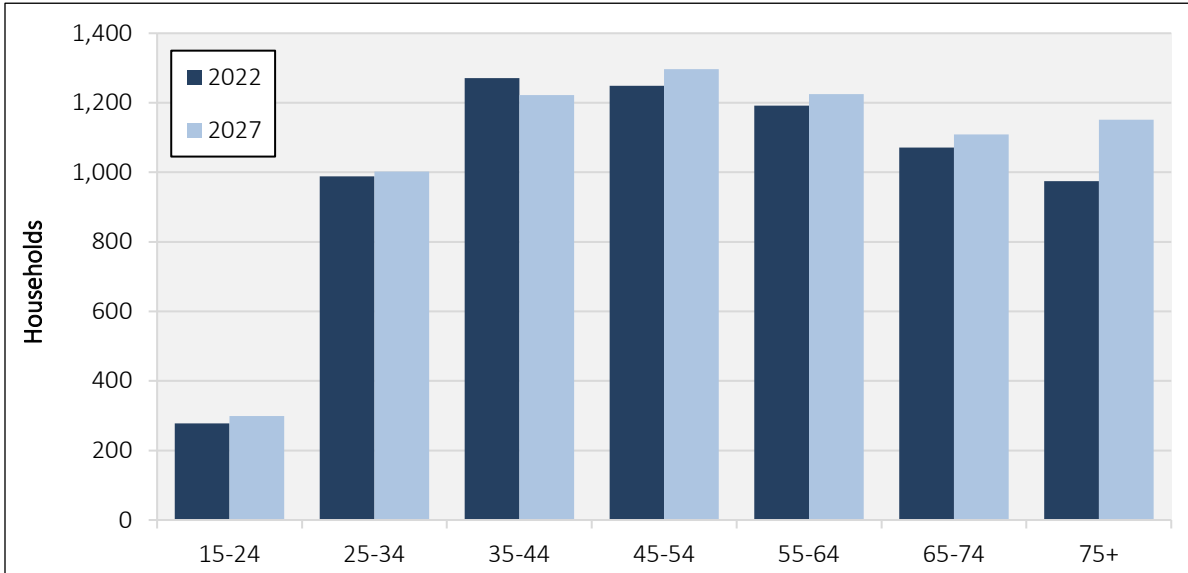
SOURCE: US Census Bureau, JOHNSON ECONOMICS

FIGURE 3.15: CUMULATIVE POPULATION GROWTH (2013-2020)



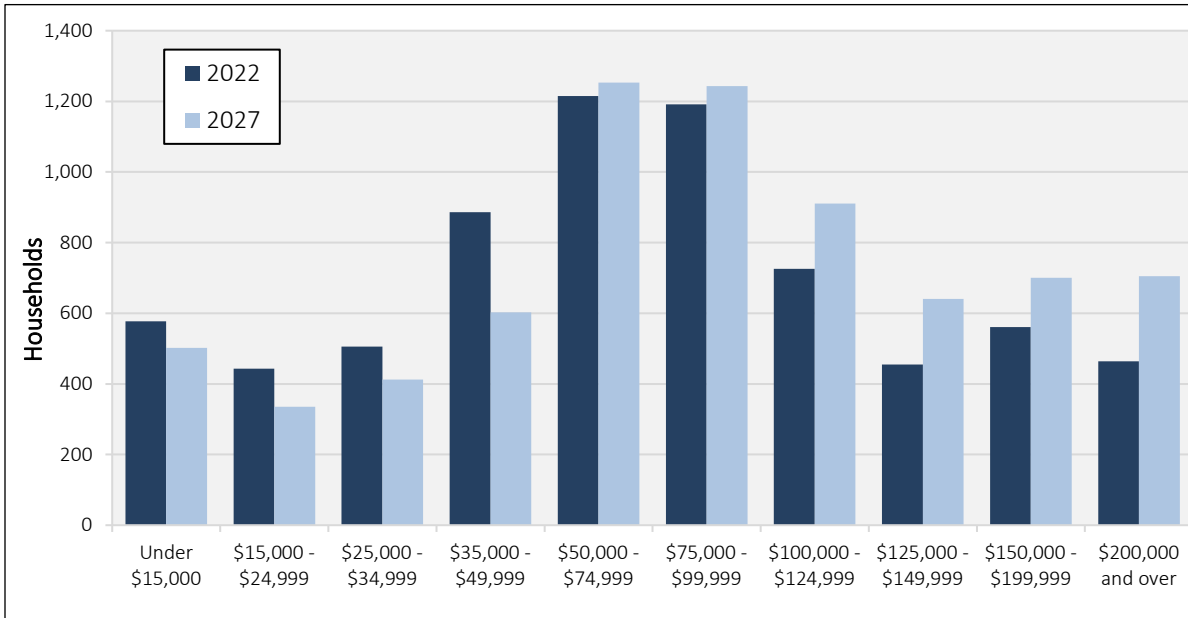
SOURCE: US Census Bureau, JOHNSON ECONOMICS

**FIGURE 3.16: PROJECTED HOUSEHOLD GROWTH BY AGE GROUP - CANBY (2022-2027)**



SOURCE: NeuStar, JOHNSON ECONOMICS

**FIGURE 3.17: PROJECTED HOUSEHOLD GROWTH BY HOUSEHOLD INCOME – CANBY (2022-2027)**



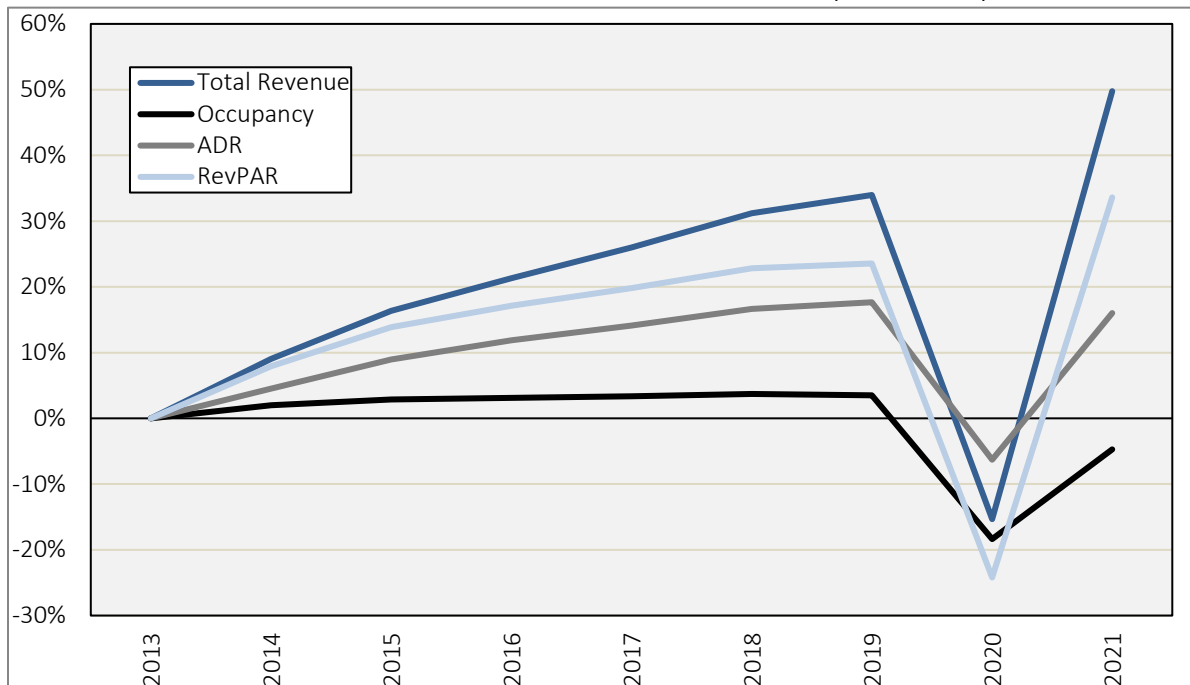
SOURCE: NeuStar, JOHNSON ECONOMICS

## IV. HOTEL DEVELOPMENT MARKET CONDITIONS

### U.S. MARKET CONDITIONS

Key hotel industry indicators in the U.S have shown significant growth and recovery in recent years. Using 2013 as the baseline, total revenue for the industry has climbed over 50%, and roughly 62% since the COVID recession low in 2020. Average daily rates are up 21% since COVID, and occupancy rates have seen moderate recovery from a low of 33% in 2020 to a high of roughly 70% in 2021. As such, revenue per available room (RevPAR) has also seen decent growth, being up roughly 35% since 2013, and nearly 53% since COVID.

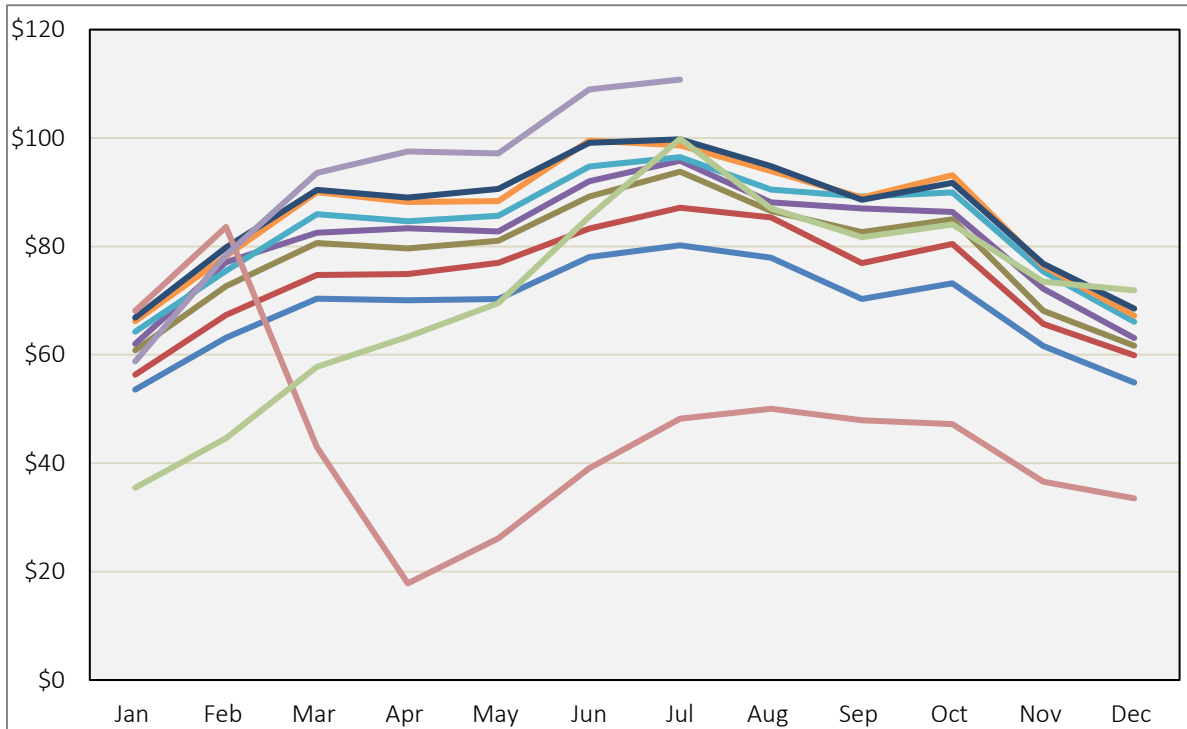
FIGURE 4.1: CUMULATIVE % GAINS FOR SEVERAL HOTEL METRICS – US (2013 TO 2021)



SOURCE: CoStar, JOHNSON ECONOMICS

As of 2022, only the months of January and February have seen occupancy rates below 60%. Furthermore, after taking a sizable hit throughout 2020 and early 2021, RevPAR started recovering around July 2021, matching 2019's annual peak. Currently, RevPAR on a national level has recovered and is currently the highest it's been in the past decade. As of July 2022, RevPAR is roughly \$110, as compared to \$100 in July 2021 (roughly + 10%).

FIGURE 4.2: MONTHLY REVPAR – US (JAN 2013 TO JULY 2021)

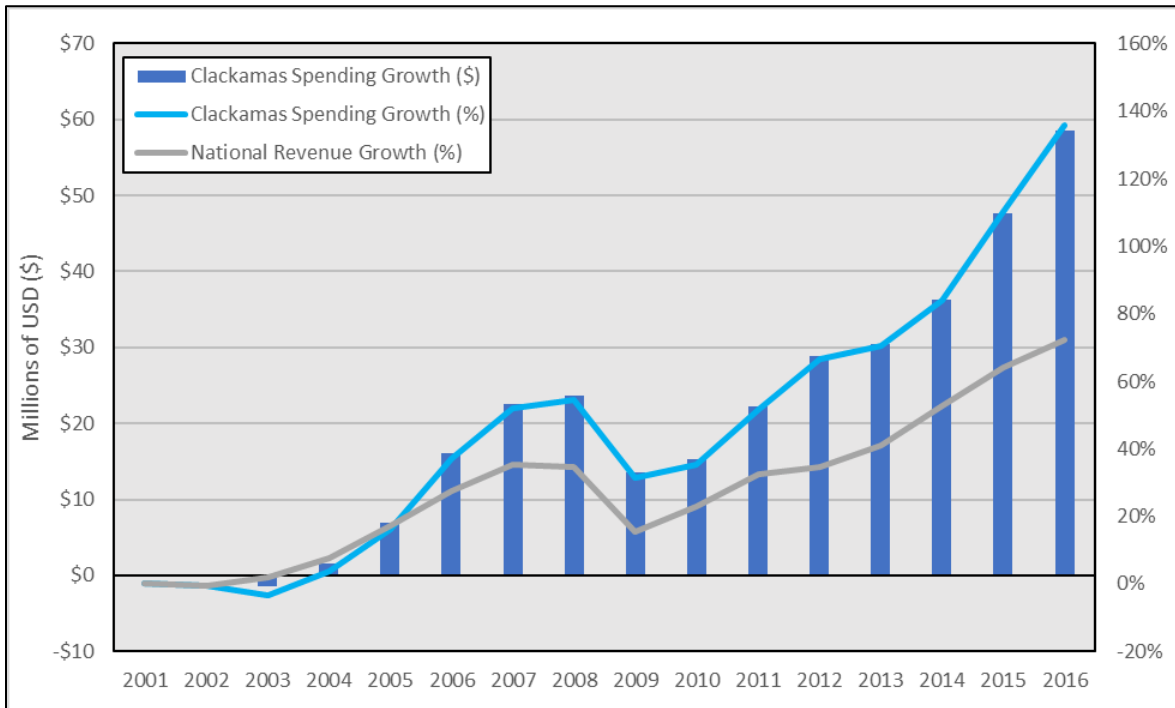


SOURCE: Statista, STR Global, JOHNSON ECONOMICS

### CLACKAMAS COUNTY HOTEL AND TRAVEL TRENDS

The hotel business in Clackamas County has been growing faster than national trends consistently over the last decade-plus. Using 2001 as a normalization point, we can see that national hotel revenue has grown 72.4% by 2016. In that same time frame, spending on accommodations in Clackamas County has grown by nearly \$59 million, or an incredible 135.6%, more than doubling spending over that period.

FIGURE 4.3: CUMULATIVE SPENDING AND REVENUE GAINS - US & CLACKAMAS (2001 TO 2016)



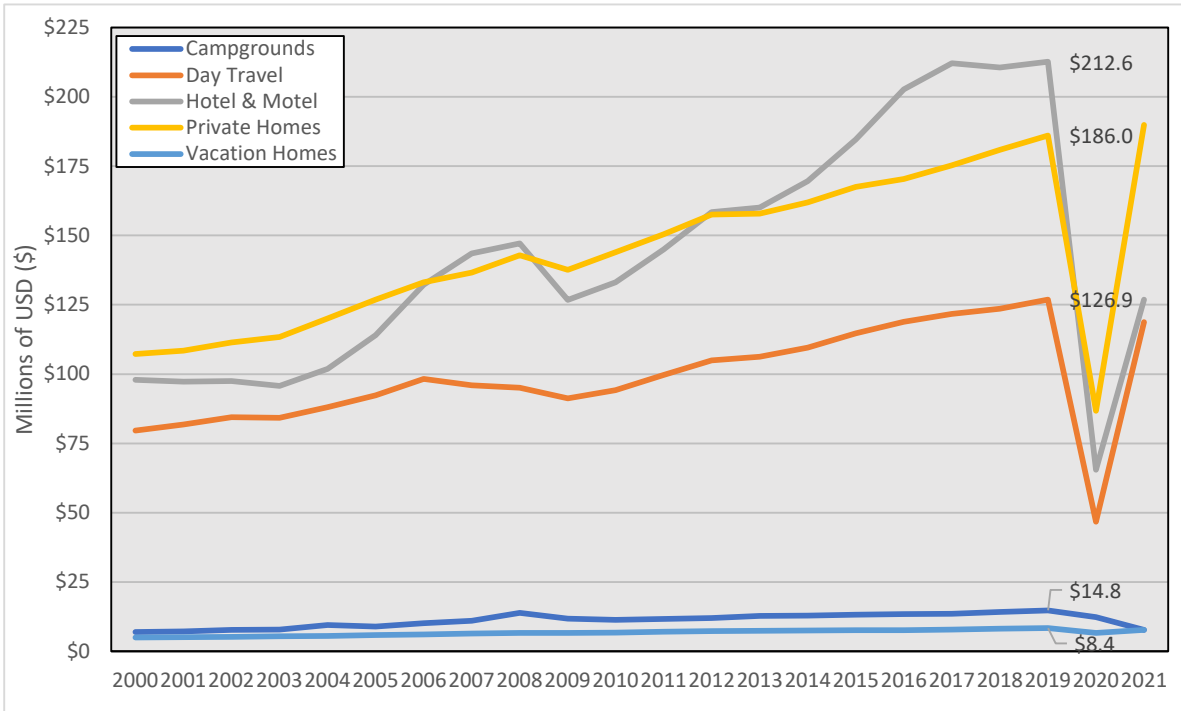
SOURCE: Statista, STR Global, JOHNSON ECONOMICS

People have several choices for accommodations when traveling to a destination. These range from hotels and motels to private residences, to even campgrounds. In 2000, visitors staying in private residences—that is, for example, people staying overnight at their family members’ houses—spent the most money while on their visits to Clackamas County. These visitors were consistently the biggest spenders until 2006. Hotel visitors took over for a couple of years, but that industry was hit heavily during the downturn. People looked for cheaper accommodations and spending by those visiting private homes climbed again for a couple of years.

Hotels rebounded quickly, however, and reclaimed the local spending crown in 2012, and it is unlikely that it will be overtaken again. In 2016, visitors to Clackamas County staying in hotels spent a total of nearly \$203 million in the County, \$33 million more than those staying in private homes. This increase has seen a rise in employment in the accommodation and food service industries. The industries grew by roughly 700 people from 2010 to 2016, a gain of nearly 3.4% per year.

We look at spending trends in a few ways. We first look at total spending by visitors. This includes not only accommodations, but also spending throughout the county in places such as restaurants and retail establishments. We then look at how spending by these subsets of visitors changed on an annual basis, and then look at cumulative spending gains. We can see by this final metric that spending by folks in hotels and motels is growing exponentially faster than spending by other visitors to the County.

FIGURE 4.4: TOTAL SPENDING BY VISITORS IN CLACKAMAS ACCOMMODATIONS (2000 TO 2021)



SOURCE: Dean Runyan and Associates, JOHNSON ECONOMICS

Spending has seen relatively slow spending growth from travelers staying in campgrounds and vacation homes. This result is not surprising. As a group, campers take with them most of the supplies that they need to campsites directly. There is need for gas, food, and basic supplies should they run out, but little else. People in vacation homes are using houses as a destination. The homes themselves are where they will hang out most often, not doing tourist activities, most of which they may have already seen.

Visitor patterns were significantly impacted by the Covid-19 pandemic, dropping precipitously in 2020. The area saw recovery to pre-pandemic levels for private homes in 2021 and is expected to recover previous levels for hotels/motels in 2022. Spending by hotel visitors rose rapidly prior to the pandemic. This segment spent just under \$98 million in 2000 and over \$212 million in 2019. This equates to a cumulative growth of 117% over the 19-year period, reflecting a robust annual growth rate of 4.2%. Growth has been more impressive since 2008, with an average annual growth of 5.3%.

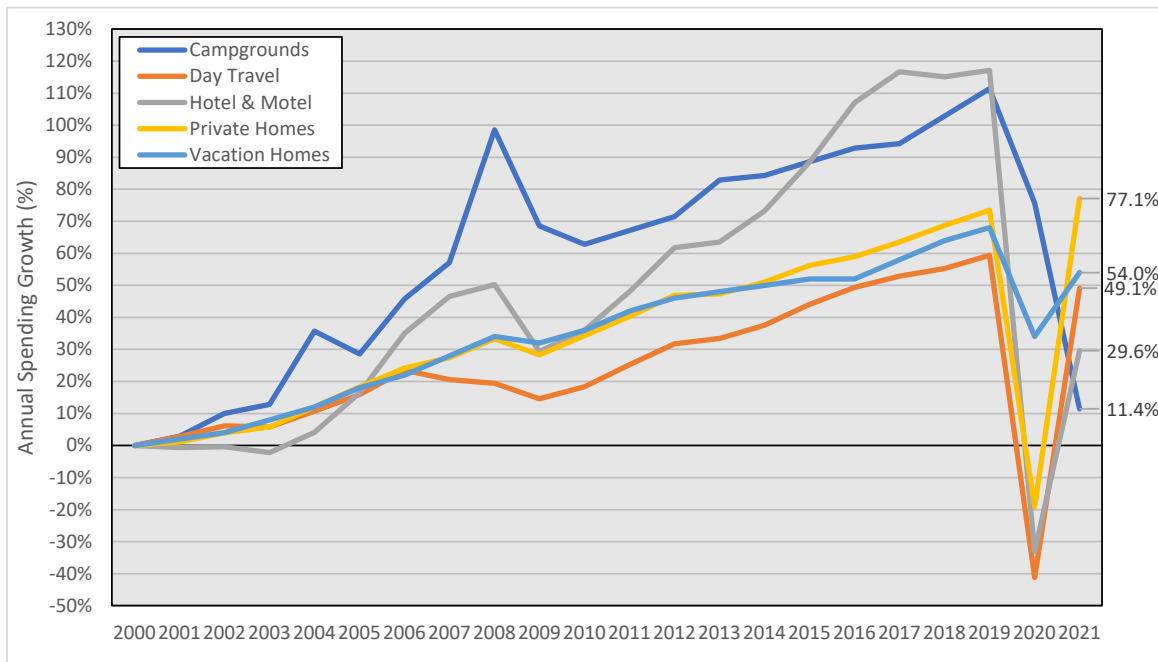


TABLE 4.5: ANNUAL SPENDING GROWTH BY CLACKAMAS VISITORS, BY ACCOMMODATION (2000 TO 2021)

	Campgrounds	Day Travel	Hotel & Motel	Private Homes	Vacation Homes
2000	9.3%	5.8%	11.4%	3.7%	10.4%
2001	3.7%	2.7%	-0.7%	1.1%	3.3%
2002	7.1%	3.3%	0.2%	2.7%	1.8%
2003	1.9%	-0.4%	-1.9%	1.8%	3.1%
2004	21.1%	4.6%	6.5%	5.9%	4.0%
2005	-5.9%	4.8%	11.9%	5.6%	4.4%
2006	13.5%	6.5%	15.9%	5.0%	4.6%
2007	8.5%	-2.4%	8.5%	2.6%	4.3%
2008	26.0%	-1.0%	2.5%	4.6%	5.1%
2009	-15.4%	-4.1%	-13.9%	-3.7%	-2.1%
2010	-3.1%	3.3%	5.1%	4.7%	2.8%
2011	2.2%	5.9%	8.8%	4.5%	4.7%
2012	2.7%	5.2%	9.3%	4.7%	2.6%
2013	6.6%	1.2%	1.1%	0.3%	1.3%
2014	1.3%	3.1%	6.0%	2.5%	2.1%
2015	1.8%	4.8%	8.9%	3.5%	0.8%
2016	2.7%	3.7%	9.8%	1.8%	0.8%
2017	0.7%	2.4%	4.6%	2.9%	3.9%
2018	4.4%	1.6%	-0.7%	3.2%	3.8%
2019	4.2%	2.7%	0.9%	2.8%	2.4%
2020	-16.9%	-63.1%	-69.2%	-53.4%	-20.2%
2021	-36.6%	153.6%	93.7%	119.0%	14.9%
2000-2019 Avg.	4.0%	2.5%	4.2%	2.9%	2.8%
2009-2019 Avg.	2.3%	3.4%	5.3%	3.1%	2.4%
2019-2021 Avg	-27.4%	-3.3%	-22.7%	1.0%	-4.3%

SOURCE: Dean Runyan and Associates, JOHNSON ECONOMICS

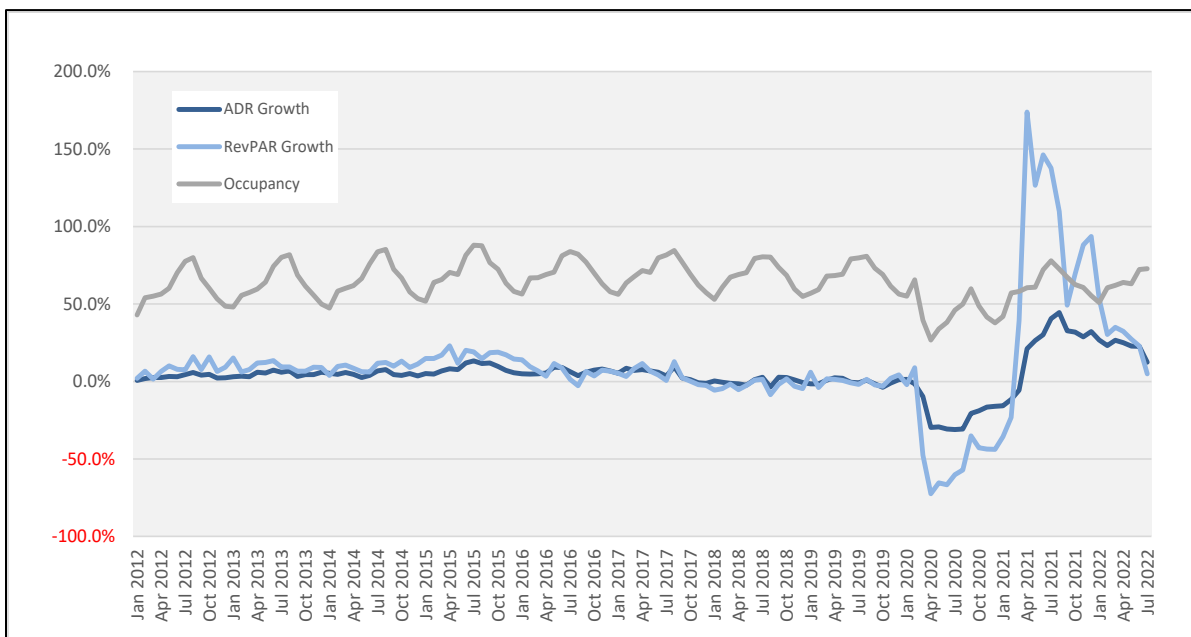
FIGURE 4.6: CUMULATIVE SPENDING BY VISITORS IN CLACKAMAS ACCOMMODATIONS (2000 TO 2021)



SOURCE: Dean Runyan and Associates, JOHNSON ECONOMICS

The following chart shows year-over-year growth in each of the three major hotel metrics for the Canby area: occupancy, average daily rate, and revenue per available room (RevPAR). Occupancy rates have tapered off from historic 2015 highs, but rooms still see over 74% occupancy in the area. Growth for ADR and RevPAR also tapered off since 2015, but have seen very strong increases since 2021, most likely due to the pent-up demand from COVID shutdowns. The strongest increases in ADR and RevPAR were seen around Q3 2021, and has since tapered off, although remaining much higher than the average during the 2010's

**FIGURE 4.7: CANBY AREA OCCUPANCY, ADR AND REVPAR GROWTH**



SOURCE: CoStar, JOHNSON ECONOMICS

### CANBY AND REGIONAL HOTEL PIPELINE

According to data available on CoStar, there are currently 31 hotel properties either proposed, under construction, or with the potential for development in the Portland Metro Area. These properties represent thousands of new hotel units, which is sure to drive down occupancy rates in the short term.

Of these 31 hotel properties, there are only four properties that are within the 22 to 24-minute driving distance used to determine the competitive area, with one potential project in Happy Valley being close to the pre-determined boundary.

The first potential project within the competitive area is in Tualatin, 13.6 miles away and an approximately 21 minute drive according to Google Maps. The project is slated to be an upscale hotel property that is a new addition to the Ascend Collection hotel franchise. It is planned to have 65 rooms

between two stories, with amenities such as a fitness center and restaurant. This project is currently under construction and is expected to finish in 2024.

The second property is in Oregon City, 9.8 miles away and an approximately 17 minute drive from Canby based on Google Maps. The project is planned to be a new Hampton Inn and Suites in Oregon City, a popular Upper Midscale hotel franchise. It is planned to have 99 rooms over five stories and will include basic amenities such as a business center and meeting event space. This project is still undergoing the proposal phase and is estimated to finish around 2024.

The last two properties within the competitive area are in Happy Valley and the respective project sites are only 315 feet away from each other. The two properties in this area are the Residence Inn Portland, an upscale hotel which is currently under construction, and the Home 2 Suites by Hilton, which is currently undergoing the proposal process. The Residence Inn is planned to have 117 rooms throughout five stories, while the Home 2 Suites is planned to have 102 rooms throughout six stories.

These hotels can be potential competitors for hotels in Canby given the proximity. However, it is possible that the upscale hotels in the sample will likely cater more to people staying in their respective towns.

## **V. COMPETITIVE MARKET ANALYSIS**

### **COMPETITIVE MARKET SURVEY**

Like any other business, hotels must compete for customers. Canby's isolation away from I-5 has both upsides and downsides in this regard. On the negative side, Canby is not located directly on the interstate. Hotels along interstates not only have clear visibility, but they offer easy respite for people traveling long distances up and down the West Coast, whether that is travelers or truckers. While Canby is only a 10 to 12-minute drive away from the interstate, that is more than enough to deter people who have been traveling for a long day. Looking at properties along I-5, guests have consistently rated "Location" as one of their top reasons for staying there. Proximity to the interstate allows for quick, easy access to many regional destinations. Not only that, but clusters of hotels off of the interstate system often have access to other well-traveled establishments such as restaurants.

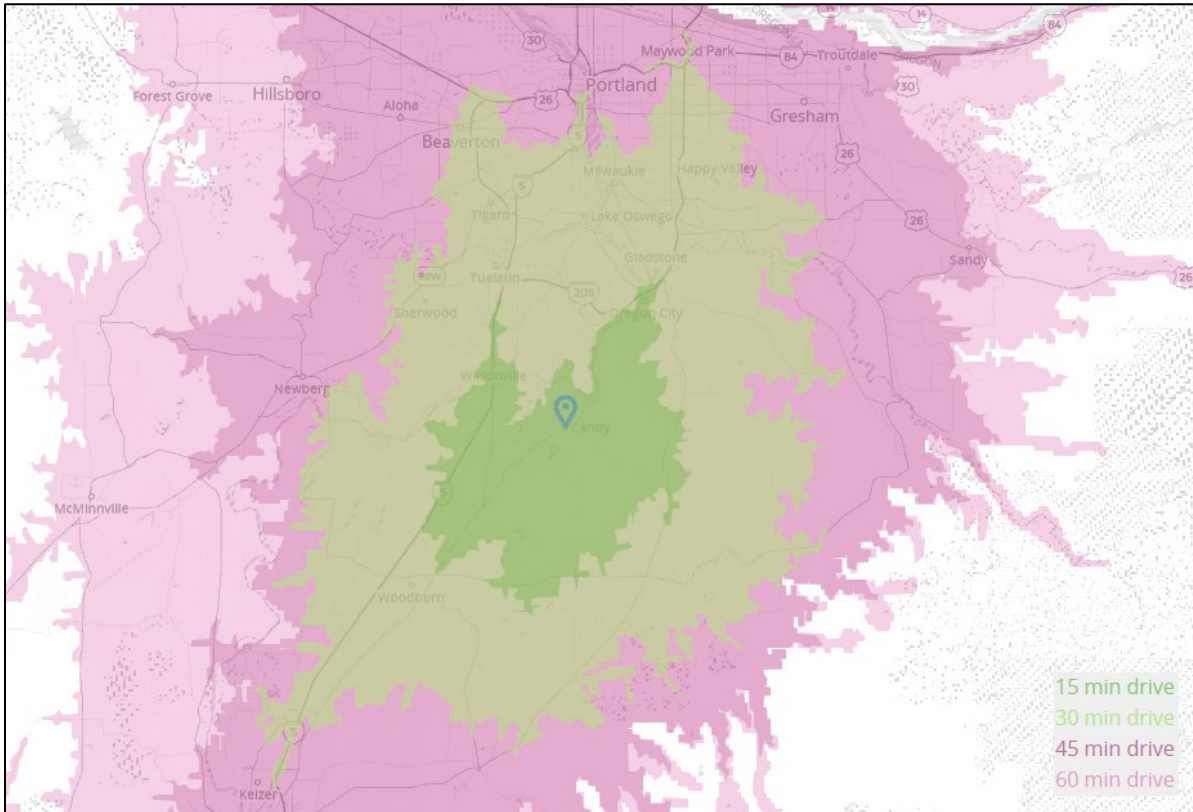
That said, this distance from the interstate would give a new Canby property a locational advantage over these other properties. Overnight visitors who need to be in Canby proper would be more inclined to choose a property as close to their destination as possible to avoid unnecessary travel time. Canby hosts thousands of visitors per year for corporate stayovers and all types of other events, largely centered around the Clackamas County Fairgrounds. There is only one motel in town currently (Motel 6) and limited other accommodations in rooms from sites such as Airbnb. All other hotels are at least 15-20 minutes away in good traffic. The distance away from the interstate that makes Canby

unattractive for drop-in visitors is, thus, a big plus for people looking to stay in town and a reason a new hotel could perform well.

We look at hotels that are roughly within a 22 to 24-minute drive from Canby. The reason for choosing this distance is based both on surveys of businesses and geographic boundaries. In the Canby Hotel Tourism survey, a large majority of businesses observed that there was not adequate accommodation in town. Corporate guests had to stay in other cities, the furthest noted was the Grand Hotel at Bridgeport Village. Drive time to this location is generally 22 minutes when checking the most efficient routes on Google Maps. If businesses are OK with this distance, then we assume that an extra minute or two on the highway is not a problem. This brings us to a region bound by the I-5/Highway 217 interchange to the north, Woodburn to the southeast, Molalla to the south, and the I-205/Highway 212 interchange to the northeast.

We first find the 50 closest hotels to Canby by using CoStar. We then generate drive-time distances to determine which hotels fall within this distance. We finally limit this by using Google Maps to weed out any hotels that may take longer than the above assumed driving time. The following table and maps detail the properties used for the purposes of comparable properties, their locations, and the drive-time isochrones used to generate the catchment area. Hotels come from as far south as Woodburn and Molalla, and as far north as Tualatin. A total of 36 properties met these criteria. Of these, 24 properties submitted their daily and/or monthly occupancy, ADR, RevPAR, and other data to CoStar. Data from these properties is explored further in the following sections.

FIGURE 5.1: DRIVE-TIME ISOCHRONES FROM CANBY LIBRARY/CITY HALL



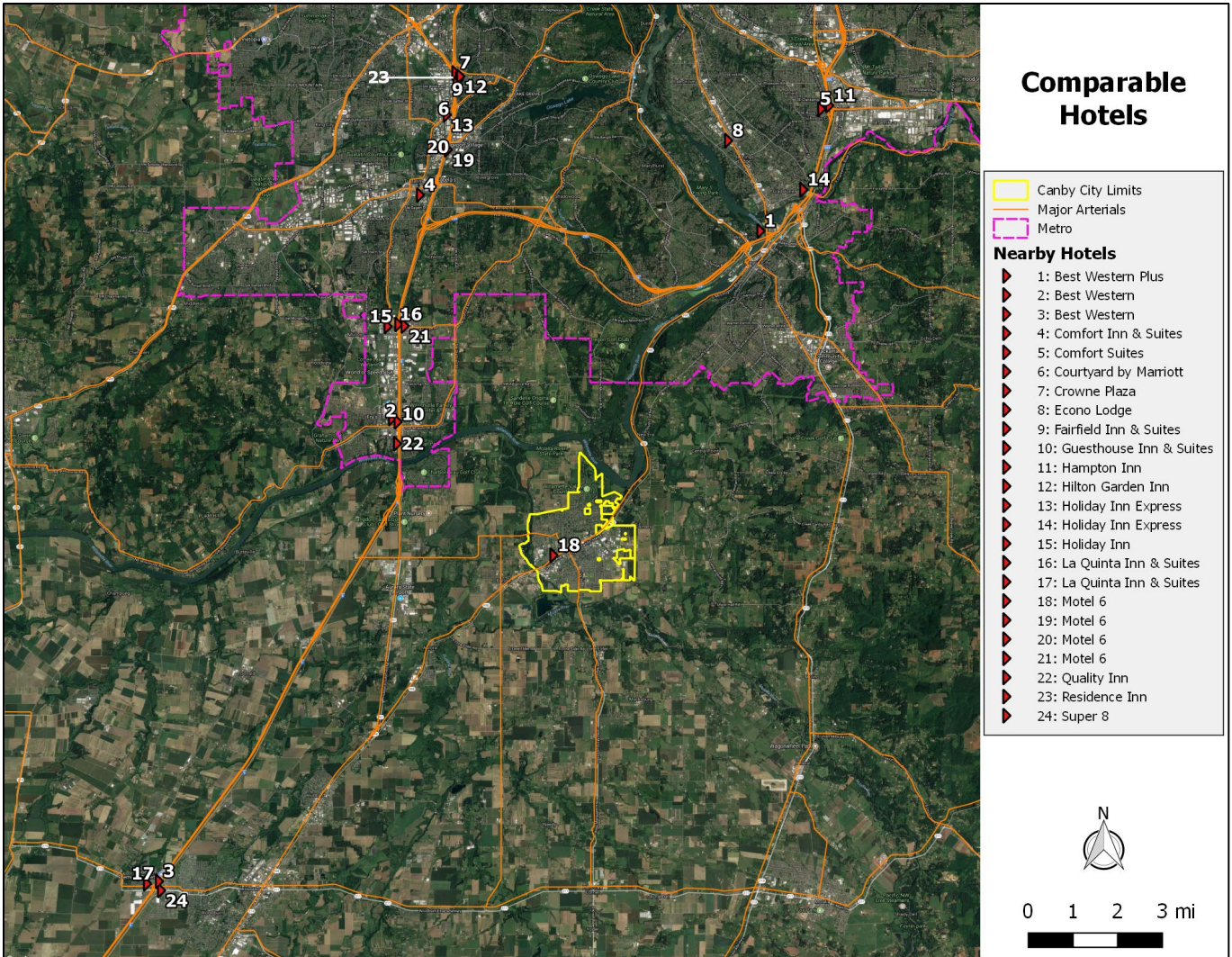
SOURCE: Mapzen Mobility Explorer

FIGURE 5.2: COMPARABLE HOTEL PROPERTIES

MAP ID	Hotel Name	City	Class	Opening Date	Rooms	Rating (Hotels.com)	Rate (Aug 2022)	Rate (Dec 2022)	Minutes to Canby	On I-5 or I-205?
1	Best Western Plus Rivershore Hotel	Oregon City	Upper Midscale	Jun 1970	114	8	\$181	\$119	17	Yes
2	Best Western Wilsonville Inn & Suites	Wilsonville	Midscale	Jan 1998	56	7.8	\$167	\$103	14	Yes
3	Best Western Woodburn	Woodburn	Midscale	Apr 1995	80	8	\$187	\$124	21	Yes
4	Comfort Inn & Suites Tualatin Portland South	Tualatin	Upper Midscale	Jun 2000	59	8	\$202	\$186	21	Yes
5	Comfort Suites Clackamas	Clackamas	Upper Midscale	Aug 1999	50	8	\$120	\$96	20	Yes
6	Courtyard Portland Tigard	Tigard	Upscale	Apr 1996	110	8.8	\$192	\$121	21	Yes
7	Crowne Plaza Portland Lake Oswego	Lake Oswego	Upscale	Oct 1989	161	8.6	\$193	\$142	23	Yes
8	Econo Lodge Southeast Milwaukie	Milwaukie	Economy	Jul 1991	27	7.4	\$95	\$64	20	No
9	Fairfield Inn & Suites Portland South Lake Oswego	Lake Oswego	Upper Midscale	Feb 1999	124	8.6	\$179	\$129	23	Yes
10	Quality Inn & Suites	Wilsonville	Midscale	Oct 1992	64	6.4	\$125	\$93	17	Yes
11	Hampton Inn Portland Clackamas	Clackamas	Upper Midscale	Jun 1988	113	7.6	\$188	\$128	24	Yes
12	Hilton Garden Inn Portland Lake Oswego	Lake Oswego	Upscale	Feb 2000	179	8.4	\$200	\$170	23	Yes
13	Holiday Inn Express Portland South Lake Oswego	Lake Oswego	Upper Midscale	Jun 1972	94	8.4	\$170	\$145	20	Yes
14	Holiday Inn Express Portland/SE Clackamas	Gladstone	Upper Midscale	Sep 1999	101	8.6	\$193	\$143	20	Yes
15	Holiday Inn Portland I 5 South Wilsonville	Wilsonville	Upper Midscale	Mar 1978	169	8	\$162	\$143	17	Yes
16	Best Western Plus Parkway Inn	Wilsonville	Upper Midscale	Jun 1987	78	8.4	\$164	\$114	18	Yes
17	La Quinta Inns & Suites Woodburn	Woodburn	Midscale	Oct 1988	60	7.4	\$184	\$105	24	Yes
18	Motel 6 Canby	Canby	Economy	May 1986	35	5.8	\$100	\$75	3	No
19	Motel 6 Portland South Lake Oswego	Tigard	Economy	Jun 1967	117	6.6	\$102	\$51	22	Yes
20	Motel 6 Portland Tigard West	Portland	Economy	Jun-79	80	7.4	\$114	\$73	22	Yes
21	Motel 6 Wilsonville	Wilsonville	Economy	Dec 1985	72	6.8	\$110	\$70	18	Yes
22	Hilton Garden Inn Wilsonville	Wilsonville	Upscale	Oct 2020	118	9	\$262	\$125	18	Yes
23	Residence Inn Portland South Lake Oswego	Lake Oswego	Upscale	Dec 1984	112	8.2	\$379	\$215	23	Yes
24	Super 8 Woodburn	Woodburn	Economy	Jan 1998	81	7	\$159	\$105	22	Yes

SOURCE: Google Maps, Hotels.com, CoStar, JOHNSON ECONOMICS





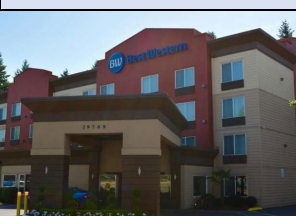
FIGURE 5.3: COMPARABLE HOTEL LOCATIONS



SOURCE: Google Maps, Hotels.com, JOHNSON ECONOMICS






The following three pages offer a slightly more in-depth look at fifteen of the 36 total properties in the drive-time catchment area. In addition to some of the information included in the above table, we look at the types of amenities included at each of the properties, regional access, and discuss feedback given from customers at each of the properties, from cleanliness of rooms to quality of service.

**FIGURE 5.4: COMPARABLE HOTELS**

<b>Motel 6 Canby</b> <b>4636 SW First Ave, Canby, OR 97013</b>			
	Map ID:	18	<b>Notes:</b> Formerly known as the Canby Country Inn, the Motel 6 is the only hotel/motel in Canby proper. The 2-star property offers basic amenities and dated rooms, but does offer free breakfast and internet. There is little range in price between low and high seasons, based on our searches. We feel that this is due more to the quality of the establishment, rather than lack of demand.
	# of Rooms:	35	
	Year Built:	1986	
	Rating (Hotels.com):	6.6	
	Price - August 2022:	\$100	
	Price - December 2022:	\$75	
	Minutes to Downtown Canby:	3	
<b>Holiday Inn Express Portland SE-Clackamas</b> <b>75 82nd Drive, Gladstone, OR 97027</b>			
	Map ID:	14	<b>Notes:</b> For those that are willing to drive 20 minutes into Canby, the Holiday Inn Express along the Clackamas River offers some of the nicest accommodations in the area. Though right near I-205, the hotel's adjacency to the river offers guests excellent views. Breakfast and internet are free in this property, and guests have access to a fitness center, pool, and 24-hour business center.
	# of Rooms:	101	
	Year Built:	1998	
	Rating (Hotels.com):	8.4	
	Price - August 2022:	\$179	
	Price - December 2022:	\$134	
	Minutes to Downtown Canby:	20	
<b>Stagecoach Inn</b> <b>415 Grange Ave, Molalla, OR 97038</b>			
	Map ID:	N/A	<b>Notes:</b> The Stagecoach Inn is Molalla's only motel accommodation, offering only 32 rooms. It offers dated rooms and basic amenities. That said, those staying there rave about the cleanliness and service, resulting in an overall rating of 8.0 at Hotels.com. Visitors also find great value for the price, which does not seem to fluctuate much throughout the year.
	# of Rooms:	32	
	Year Built:	1919	
	Rating (Hotels.com):	7.6	
	Price - August 2022:	\$70	
	Price - December 2022:	\$70	
	Minutes to Downtown Canby:	23	
<b>Best Western Plus Rivershore Hotel</b> <b>1900 Clackamette Dr, Oregon City, OR 97045</b>			
	Map ID:	1	<b>Notes:</b> While not the closest hotel in terms of drive-time, this hotel offers the most direct route into Canby via 99E. The hotel offers excellent regional access via this highway and I-205, and offers excellent views of the Willamette River. Guests have access to free internet, a fitness center and business center. Guests have great feedback about the food in the on-site restaurant.
	# of Rooms:	114	
	Year Built:	1970	
	Rating (Hotels.com):	8.2	
	Price - August 2022:	\$181	
	Price - December 2022:	\$119	
	Minutes to Downtown Canby:	17	
<b>Best Western Wilsonville Inn and Suites</b> <b>29769 SW Boones Ferry Rd, Wilsonville, OR 97070</b>			
	Map ID:	2	<b>Notes:</b> This hotel is one of more expensive hotels that people visiting Canby might consider visiting. Prices for the first weekend of August are over \$150 per night for a standard queen room. At only 14 minutes to Downtown Canby, it is also the closest comparable hotel to the city. A selling point is its adjacency to I-5. Guests get free breakfast and WiFi, as well as fitness and business centers.
	# of Rooms:	56	
	Year Built:	1998	
	Rating (Hotels.com):	8.0	
	Price - August 2022:	\$167	
	Price - December 2022:	\$103	
	Minutes to Downtown Canby:	14	

<b>Hilton Garden Inn Wilsonville</b> <b>30800 SW Parkway Ave, Wilsonville, OR 97070</b>			
	Map ID:	22	<b>Notes:</b> Previously the Quality Inn Wilsonville, it has now become an upper-mid class hotel. The hotel is located a couple blocks away from Best Western, and commands a comparatively premium price. Guests here get access to a fitness center, business center, free internet, and an indoor pool. The hotel is located just a few blocks from parks along the Wilamette River.
	# of Rooms:	118	
	Year Built:	2020	
	Rating (Hotels.com):	9.0	
	Price - August 2022:	\$262	
	Price - December 2022:	\$125	
	Minutes to Downtown Canby:	18	
<b>Quality Inn &amp; Suites</b> <b>8855 SW Citizens Dr, Wilsonville, OR 97070</b>			
	Map ID:	10	<b>Notes:</b> Formerly the Guesthouse Inn & Suites, the Quality Inn & Suites is a moderately priced hotel adjacent to I-5 in Wilsonville. Downtown Canby can be reached from the hotel in under 20 minutes, and visitors can expect to pay as little as \$77 for a standard queen the first week of September. The hotel has free breakfast and internet, and offers guests use of a business center.
	# of Rooms:	64	
	Year Built:	1992	
	Rating (Hotels.com):	6.4	
	Price - August 2022:	\$125	
	Price - December 2022:	\$93	
	Minutes to Downtown Canby:	17	
<b>Holiday Inn Portland South</b> <b>25425 SW 95th Ave, Wilsonville, OR 97070</b>			
	Map ID:	15	<b>Notes:</b> This hotel is one of the few comparables to cost over \$200 during high season. It is also one of the only 3-star properties in the area, and guests rate is highly for its fitness facility, food, and service. Guests can expect free internet during their stay, a business center, and use of a shuttle. Guests can drive to Canby in under 20 minutes, and its location on I-5 makes regional access ideal.
	# of Rooms:	169	
	Year Built:	1978	
	Rating (Hotels.com):	8.0	
	Price - August 2022:	\$162	
	Price - December 2022:	\$143	
	Minutes to Downtown Canby:	17	
<b>Best Western Plus Parkway Inn</b> <b>8815 SW Sun Pl, Wilsonville, OR 97070</b>			
	Map ID:	16	<b>Notes:</b> Previously The La Quinta Inn, the hotel offers large, comfortable rooms and excellent service, according to over 1,004 survey respondents on Hotels.com. Guests get free breakfast and internet, and they have access to a fitness center, pool, and business center. The location on I-5 is ideal for those travelling regionally or those simply staying the night after a long drive.
	# of Rooms:	78	
	Year Built:	1985	
	Rating (Hotels.com):	8.4	
	Price - August 2022:	\$164	
	Price - December 2022:	\$114	
	Minutes to Downtown Canby:	18	
<b>Motel 6 Wilsonville</b> <b>25438 SW Parkway Ave, Wilsonville, OR 97070</b>			
	Map ID:	21	<b>Notes:</b> While bigger than the Motel 6 in Canby, visitors to this accommodation are just as lukewarm when reviewing the property. Rooms are basic, but guests do have access to free internet during their stay. The building is not clean according to guests, but they do love the I-5 location.
	# of Rooms:	72	
	Year Built:	1985	
	Rating (Hotels.com):	6.8	
	Price - August 2022:	\$110	
	Price - December 2022:	\$70	
	Minutes to Downtown Canby:	18	



<b>Snoozinn Wilsonville</b> <b>30245 Parkway Ave, Wilsonville, OR 97070</b>			
	Map ID:	N/A	<b>Notes:</b> This property offers some of the most basic accommodations of any comparable property. It is, however, the cheapest of all of the properties and comes with free breakfast and internet, though connection issues were noted by guests. This property is suited to those that need a quick stayover, such as travelers and truckers along I-5.
	# of Rooms:	58	
	Year Built:	1967	
	Rating (Hotels.com):	6.8	
	Price - August 2022:	\$94	
	Price - December 2022:	\$64	
	Minutes to Downtown Canby:	17	
<b>Super 8 Woodburn</b> <b>821 Evergreen Road, Woodburn, OR 97071</b>			
	Map ID:	24	<b>Notes:</b> The Super 8 in Woodburn is the highest rated--and most expensive--motel in the comparable properties. It is ideally situated along I-5, offering excellent regional access south to Salem or north to Portland. Guests can expect free breakfast and internet, as well as excellent service, an indoor pool, a business center, and meeting space. Canby is just over 20 minutes from this property.
	# of Rooms:	81	
	Year Built:	1997	
	Rating (Hotels.com):	7.0	
	Price - August 2022:	\$159	
	Price - December 2022:	\$105	
	Minutes to Downtown Canby:	22	
<b>La Quinta Inn &amp; Suites Woodburn</b> <b>120 Arney Rd NE, Woodburn, OR 97071</b>			
	Map ID:	17	<b>Notes:</b> This hotel in Woodburn offers excellent regional access due to its proximity to I-5. Guests can reach Canby in just over 20 minutes with good traffic. Pricing at the hotel is similar to other Woodburn hotels, which range from \$130-\$150 during the first weekend of August. The hotel offers free internet and breakfast, as well as access to fitness and business centers.
	# of Rooms:	60	
	Year Built:	1986	
	Rating (Hotels.com):	7.4	
	Price - August 2022:	\$184	
	Price - December 2022:	\$105	
	Minutes to Downtown Canby:	24	
<b>Best Western Woodburn</b> <b>2887 Newberg Hwy, Woodburn, OR 97071</b>			
	Map ID:	3	<b>Notes:</b> This Best Western in Woodburn offers excellent regional access, as with properties adjacent to I-5. Like most comparable properties, guests get free internet and breakfast. They also have access to fitness and business centers. Rooms are clean and spacious, and service is excellent according to over 300 reviews on Hotels.com. The property is just over 20 minutes from Canby.
	# of Rooms:	80	
	Year Built:	1995	
	Rating (Hotels.com):	8.0	
	Price - August 2022:	\$139	
	Price - December 2022:	\$121	
	Minutes to Downtown Canby:	21	
<b>Grand Hotel at Bridgeport</b> <b>7265 SW Hazelfern Rd</b>			
	Map ID:	N/A	<b>Notes:</b> The highest rated hotel in the comparables, this property was specifically included because it was mentioned as a hotel Canby businesses use for corporate stayovers. It offers upscale accommodations, and guests rave about the cleanliness, breakfast, and fast, free WiFi. There is a fitness center with pool and spa. Bridgeport Village is only 5-minute walk away.
	# of Rooms:	124	
	Year Built:	2009	
	Rating (Hotels.com):	9.2	
	Price - August 2022:	\$189	
	Price - December 2022:	\$169	
	Minutes to Downtown Canby:	20	

## SUMMARY OF COMPARABLE PROPERTIES

The following is a summary of our survey observations. Unless otherwise noted, totals and averages are based on all the 24 surveyed properties with data from CoStar. Of the 24 properties, six are Economy Class (e.g., Motel 6, Super 8), six are midscale class (e.g., La Quinta, Quality Inn), eight are Upper Midscale Class (e.g., Hampton Inn, Holiday Inn Express), and four are Upscale Class (e.g., Hilton Garden Inn, Courtyard by Marriott).

**Average Rates:** The average room rate for the area ranges broadly depending on hotel class and proximity to major highways. On the low end, economy class lodging sees between \$54 and \$105 per night during the offseason, and \$70 to \$150 per night during the busiest months of summer. In the few upscale properties in the area, we see prices range from \$120 to \$170 per night in the offseason to over \$260 during the high season.

The 24 properties in the competitive survey averaged a low of roughly \$107 per room in December 2022 to a high of \$152 in August the same year. It is important to note that hotel prices in 2022 have seen an increase due to pent-up travel demand alongside increased consumer savings following the COVID pandemic.

Occupancy rates at the comparable properties have recovered dramatically as well, from a low of 28.6% in May 2020 to 66.7% in May 2022, an increase of 38.1 percentage points. As of 2021, July saw the highest occupancy rates, followed by August, June, and September. For the most part, occupancy rates have returned and outperformed pre-COVID trends, even though this may be a short term reflection of pent-up demand and increased consumer spending following lockdowns.

Given the recovery in both measures, RevPAR has also increased substantially. December and August (the lowest and highest RevPAR months, respectively), have grown by 113% and 93%, respectively, from 2020 to 2021. The following tables detail how rates have changed in each of these three metrics since 2016.

FIGURE 5.5: OCCUPANCY, ADR, REVPAR – COMPARABLE PROPERTIES (2016-2021)

Occupancy (%)													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
2016	54.5%	67.8%	67.9%	71.9%	71.7%	82.6%	83.9%	84.0%	78.8%	72.0%	64.1%	56.8%	71.3%
2017	55.1%	65.3%	70.4%	74.5%	73.1%	82.0%	82.2%	86.7%	80.5%	72.2%	64.5%	57.0%	72.0%
2018	53.9%	63.7%	69.5%	72.8%	72.2%	82.9%	82.6%	84.6%	76.7%	72.7%	62.8%	54.5%	70.7%
2019	56.4%	61.0%	69.7%	72.1%	72.8%	81.6%	81.3%	83.2%	76.9%	72.1%	63.2%	55.3%	70.5%
2020	54.3%	66.2%	37.2%	21.8%	28.6%	37.1%	45.6%	49.8%	59.3%	49.5%	41.3%	36.1%	43.9%
2021	41.1%	57.5%	59.6%	62.7%	63.2%	74.4%	79.5%	76.2%	70.8%	65.9%	62.9%	53.7%	64.0%

Average Daily Revenue (\$)													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
2016	\$76.84	\$77.55	\$77.30	\$76.58	\$79.57	\$83.90	\$89.18	\$89.65	\$83.55	\$80.90	\$78.95	\$74.43	\$80.70
2017	\$97.64	\$103.39	\$104.13	\$108.86	\$113.51	\$127.74	\$132.52	\$139.82	\$116.93	\$111.65	\$102.36	\$94.67	\$112.77
2018	\$99.56	\$103.39	\$103.69	\$107.45	\$111.91	\$128.47	\$136.18	\$133.63	\$119.69	\$115.47	\$104.11	\$94.85	\$113.20
2019	\$98.29	\$102.69	\$104.60	\$109.94	\$113.10	\$128.56	\$136.54	\$134.35	\$118.68	\$111.17	\$105.20	\$99.10	\$113.52
2020	\$101.34	\$102.54	\$96.79	\$79.66	\$83.21	\$91.68	\$97.36	\$97.56	\$95.48	\$89.19	\$84.06	\$78.77	\$91.47
2021	\$78.71	\$86.01	\$87.24	\$92.56	\$100.10	\$115.37	\$132.94	\$135.57	\$123.13	\$114.70	\$107.42	\$101.92	\$106.31

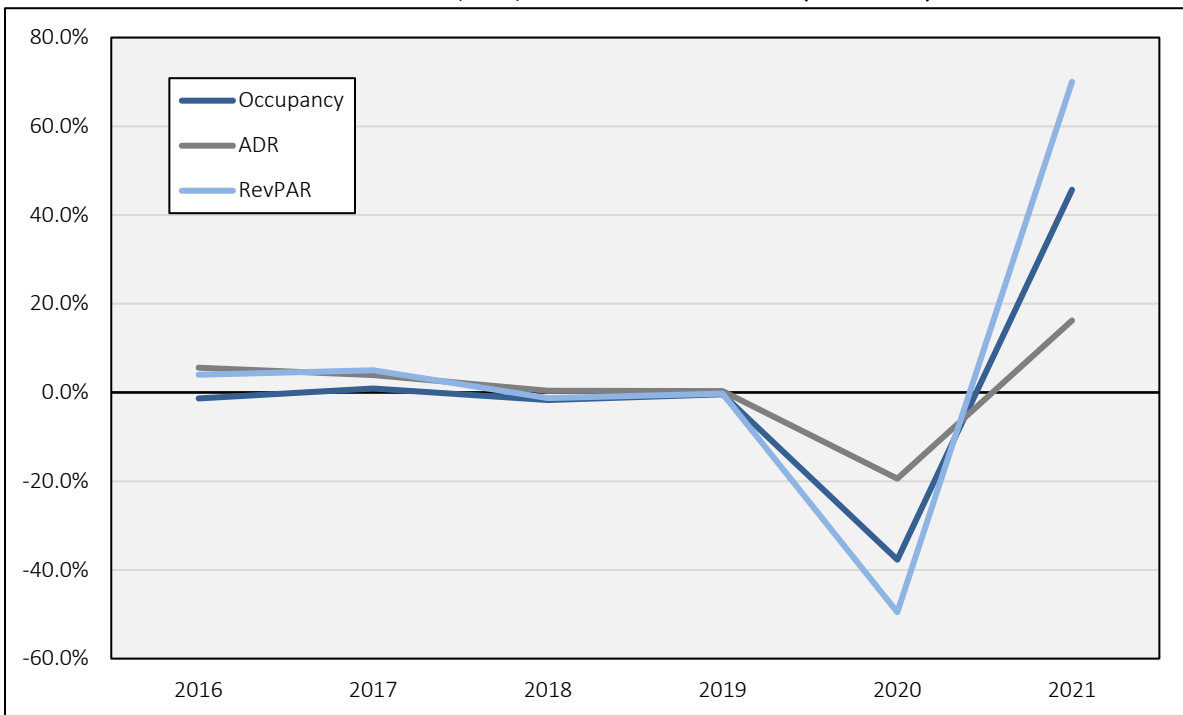
  

RevPAR (\$)													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
2016	\$52.71	\$66.49	\$67.11	\$73.24	\$77.03	\$101.04	\$109.61	\$107.14	\$90.65	\$78.13	\$65.55	\$52.94	\$78.47
2017	\$53.85	\$67.49	\$73.31	\$81.13	\$82.99	\$104.73	\$108.97	\$121.17	\$94.18	\$80.61	\$65.98	\$53.97	\$82.37
2018	\$53.69	\$65.87	\$72.03	\$78.25	\$80.78	\$106.51	\$112.44	\$113.01	\$91.81	\$83.97	\$65.36	\$51.74	\$81.29
2019	\$55.47	\$62.65	\$72.93	\$79.25	\$82.33	\$104.88	\$110.99	\$111.80	\$91.30	\$80.20	\$66.47	\$54.76	\$81.09
2020	\$55.07	\$67.93	\$36.01	\$17.38	\$23.78	\$34.03	\$44.38	\$48.63	\$56.57	\$44.15	\$34.69	\$28.40	\$40.92
2021	\$32.34	\$49.44	\$51.96	\$58.02	\$63.24	\$85.88	\$105.63	\$103.35	\$87.20	\$75.56	\$67.60	\$54.70	\$69.58

SOURCE: CoStar, JOHNSON ECONOMICS

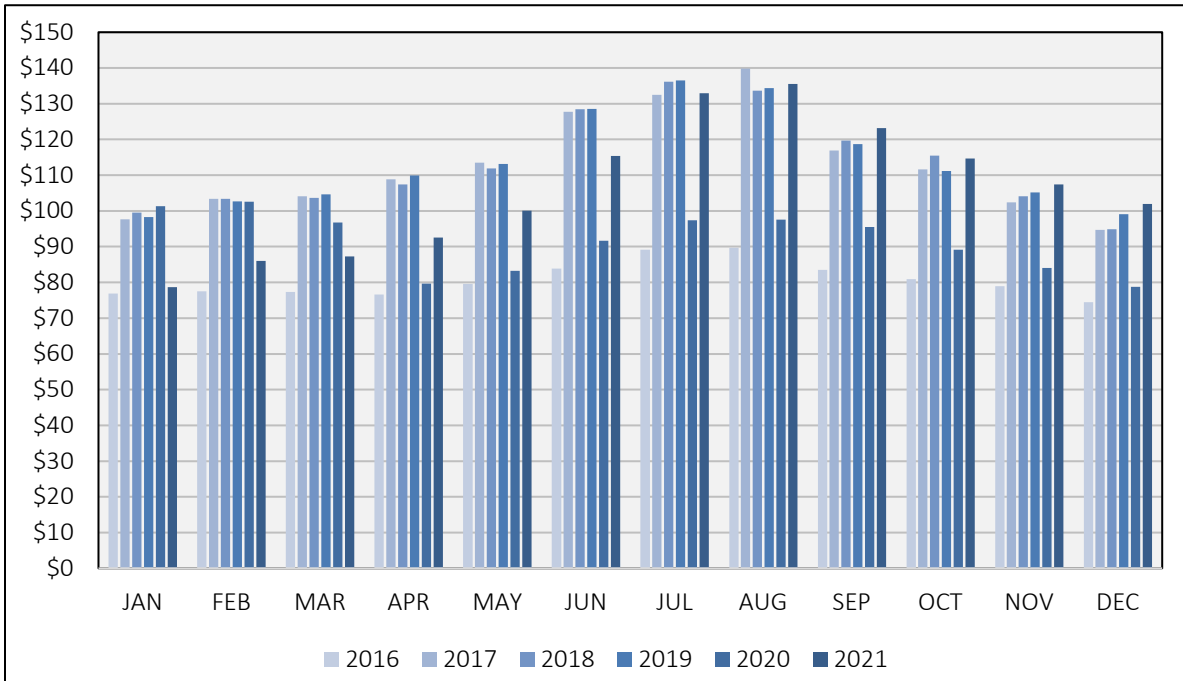
The following chart shows how the key metrics for the surveyed properties have changed since 2016, and the chart after that isolates RevPAR’s growth by month and year.

FIGURE 5.6: OCCUPANCY, ADR, REVPAR – ANNUAL GROWTH (2011-2017)



SOURCE: CoStar, JOHNSON ECONOMICS

FIGURE 5.7: REVPAR BY MONTH (2011-2017)



SOURCE: STR Global, JOHNSON ECONOMICS

### ESTIMATED UNDERSUPPLY

One might believe that maximizing occupancy rates is the surest way to increase profitability. While this might seem intuitive, it is not necessarily true in all situations. After a certain occupancy rate, gross operating profit (GOP) begins to diminish as the costs associated with keeping a room open (utilities, extra staff, etc.) begin to cost more than the revenue from the room itself.

STR Global performed research on over 5,000 hotels in 2016 to determine the maximum occupancy levels at which GOP is maximized. What they found is striking and differed largely on the class of hotel. Midscale and economy class properties maxed profit margins at 78.6% occupancy; upper midscale properties maxed at 71.4%; and upscale properties maxed at 75.1% or 80.2% depending on whether they were full-service or limited-service establishments, respectively.

We weighted each of the comparable properties based on the number of rooms in their properties compared to the number of overall rooms in all comparable properties. We then multiplied these weights by the optimal occupancy rates to find the most efficiently profitable occupancy level, which resulted in a level of 74.7%.

To further conduct analysis of the potential undersupply in the area, we will be comparing the optimal occupancy level above to the key hotel metrics from 2019. Although data from 2020, 2021, and part of 2022 are currently available, data from these years would not yield an accurate reflection of the undersupply due to the very low occupancy rates during the COVID pandemic. However, as mentioned

throughout this study, the hotel market has seen a relatively fast and strong recovery to pre-COVID levels, which justifies using 2019 as the reference for this analysis.

The yearly occupancy average in 2019 was 70.5% which is lower than the optimal occupancy level of 74.7%. Although this is the case, occupancy in June 2019 through September 2019, which also happens to be peak season for the hotel market, far outperforms the optimal 74.7%. The table below breaks down the key metrics for these months of the year while also providing the estimated undersupply per month and per night. Comparing the optimal occupancy rate of 74.7% to the occupancy rates for each of the six highest occupied months, there is a potential undersupply of over 15,800 room nights, or an average of nearly 129 rooms per night. This ranges from a potential undersupply of 185 rooms per night in August to 43 rooms per night in September. Average occupancy over this four-month period was 78.0%, while ADR and RevPAR were \$124 and \$96, respectively. All three of these numbers peaked in August 2019.

**TABLE 5.14: POTENTIAL UNDERSUPPLY IN SEARCH RADIUS – COMPARABLE PROPERTIES (JUN-SEP 2019)**

	Rooms					Potential Undersupply	
	Occupancy	ADR	RevPAR	Available	Occupied	Per Month	Per Night
June	81.6%	\$129	\$82	64,050	52,253	4,443	146
July	81.3%	\$137	\$105	66,216	53,826	4,395	144
August	83.2%	\$134	\$111	66,216	55,101	5,653	185
September	76.7%	\$119	\$91	64,080	49,294	1,305	43
<b>Average</b>	<b>78.0%</b>	<b>\$124</b>	<b>\$96</b>	<b>65,133</b>	<b>50,803</b>	<b>3,077</b>	<b>129</b>

SOURCE: CoStar, JOHNSON ECONOMICS

Note that this number might still be a lower estimate. There are still properties within our search radius that did not submit their occupancy and pricing information to STR Global. When taking these properties into account, the metrics we see above may see a marginal increase. However, the takeaway regarding the area’s undersupply should be the same regardless of taking these properties into account or not.

## VI. MARKET DEPTH ANALYSIS

JOHNSON ECONOMICS analyzed sources of demand for a potential hotel development. Our demand assessment and forecast are based on a thorough investigation of local market conditions, surveys with members of the business community, and detailed event counts for the Clackamas County Fairgrounds—far and away the biggest tourism draw in Canby—all of which indicate demand for new hotel rooms in the area. Overall, growth in the leisure and hospitality market is expected to continue its upward growth path albeit at a slower rate. Occupancy rates have leveled off since their 2015 highs. However, while there has been a bevy of new hotel development in Portland proper, the market area is still lacking. This means that hotel room supply will continue to be constrained, leading to upward pricing pressure.

## OVERNIGHT LODGING DEMAND

As noted previously in this analysis, the primary drivers of overnight lodging demand are business travelers, meetings/group demand and tourism/leisure demand.

The availability of well-located and quality overnight lodging options, as well as meeting rooms, provides an important amenity for many local employers and is supportive of economic development efforts. This segment of the market would likely include a component of contracted rates by major employers, as well as a significant component of extended stay. The extended stay market is primarily business-related and includes corporate projects and large-scale construction projects. The business demand market is strongest Monday through Thursday nights and is not typically considered to be seasonal.

The meeting and group segment includes seminars, conventions, trade association shows and other gatherings. The typical industry breakout includes corporate groups, associations and SMERFE (social, military, ethnic, religious, fraternal and educational) groups. Meeting and group demand also generates significant revenue from food and beverage. Business related activity tends to be more lucrative and mid-week, while the SMERFE groups are price sensitive and will meet on weekends and off seasons. This segment of the market is substantial but can be quite volatile. Appealing to this market typically requires a significant investment in meeting spaces, and/or proximity to a convention or conference center.

Tourism/leisure demand provides an important component of support and is particularly important for weekends. This demand is typically associated with convenience to major travel corridors or attractors (such as the Clackamas County Fairgrounds). Leisure demand is strongest on Friday and Saturday nights and all week during holiday periods and summer months, with is roughly the inverse of business related demand. As a result, this demand segment stabilizes the overall occupancy and is often a critical component of a successful project. The tourism/leisure market is seen as somewhat riskier than the business market by the investment community, especially in a town like Canby with relatively fewer attractions than, say, a similarly sized town like Newberg that can rely on wine tourists. This market niche tends to be price sensitive, and increasingly finds rooms using online booking services such as hotels.com.

The industry has seen new booking options associated with technology, such as Airbnb, which expand the supply of available lodging units. While these services can compete for portions of the tourism/leisure market, they are not typically well received or appropriate for business and group needs. While hotel operators have expressed displeasure with services such as Airbnb, data available to-date indicates that it does not compete with upscale options or for business travelers. Our survey of Airbnb properties in Canby resulted in just a handful of properties, many of which have shared bathroom facilities, not ideal for many travelers.

## DEMAND IN CANBY

Hotel demand in Canby is driven largely by two factors. The first factor that drives demand in the area is events. The city is home to the Clackamas County Fairgrounds, which hosts dozens of events and tens of thousands of people throughout the years. While there are many day visitors to some of these events, many—specifically exhibitors and others involved in the goings on—need to have an option to stay the night/weekend.

In addition to this, a hotel in the city would be welcome for those in town for sports tournaments. Willamette Valley Country Club could host major golf tournaments but has not been able to do so because of a lack of local accommodations. A hotel would also offer the Canby police department an opportunity to host training events. In addition to these types of events, the city would also draw demand for a hotel via corporate stayovers. Canby has a thriving and growing business community. These businesses regularly need a place for out-of-town guests to stay. Though there is a motel in the city, surveys indicate that this type of accommodation is not up to business standards. Without a hotel in the city, these businesses are forced to have their guests stay as far away as the Grand in Bridgeport Village, more than 20 minutes away.

Using surveys of businesses, detailed lists of events, and employment data, Johnson Economics estimates the total number of room nights demanded for a hotel in Canby. In a Canby tourism survey, 12 businesses responded with their estimated number of hotel nights needed in a given month. According to QCEW data provided to Johnson Economics by the City of Canby, the City had 6,024 jobs across all industries in 2016. The data offers ranges of employment sizes for individual businesses. Based on the data, these 12 businesses account for up to 15.2% of all employees in the City.

These 12 businesses responded that they needed a *minimum* of 146 rooms per month to meet demand for their overnight guests. Assuming the high end of the employment ratio of 15.2% as noted above, this would translate to 963 room nights per month, or 31 per night during a 31-day month. However, room nights vary dramatically by size. It is generally only the largest companies that see the highest level of overnight stays. Extrapolating the lowest numbers in the survey to all businesses, we estimate a conservative 400 to 600 room nights per month come from all businesses in Canby. This equates to roughly 13 to 20 rooms per night throughout the year.

In addition to this number, however, is event business. Johnson Economics was provided with event data for the Clackamas County Fairgrounds, sports tournaments, and weddings and parties. Visitors to these events approach 200,000 people. However, only a small portion of these people are likely to stay overnight in the city for these events. Local events such as the Independence Day celebration or the “Light up the night” are unlikely to have many overnight visitors. Weddings and sports events

certainly do, however, as do the largest events such as the Clackamas County Fair. We estimate that these events add an additional 10 to 20 rooms per night in the city.

**TABLE 6.1: ESTIMATED YEARLY AND DAILY DEMAND FOR HOTEL ROOMS IN CANBY**

<b>Type</b>	<b>Room Night Estimates</b>			
	<b>Year Low</b>	<b>Year High</b>	<b>Day Low</b>	<b>Day High</b>
Business	4,800	7,200	13.2	19.7
Weddings and Parties	1,700	4,300	4.7	11.8
Events	1,400	2,000	3.8	5.5
Sports Tournaments	600	800	1.6	2.2
<b>Total</b>	<b>8,500</b>	<b>14,300</b>	<b>23.3</b>	<b>39.2</b>

*SOURCE: City of Canby, JOHNSON ECONOMICS*

In total, we estimate a base demand of 23 to 39 rooms per night in the city, exclusive of leakage from other properties in the area. As noted previously, we estimate that the market is undersupplied by up to 129 rooms per night in the area. We would expect much of that to be fulfilled by a new property in Canby proper. Even if just half of that unmet supply were to be filled by a new property, that would bring the base demand for a hotel in Canby to 88 to 104 rooms per night.

There is likely additional demand on top of this. Friends and family often need places to stay whilst visiting. New events could pop up. The Willamette Valley Country Club, for instance, is interested in hosting golf tournaments, but they are unable to because of a lack of local accommodation. Such an event could be possible with a new hotel.



## VII. RECOMMENDATIONS

The City of Canby is well positioned to build a moderately sized hotel. Businesses and events bring in an estimated 23 to 39 rooms per night in the area. Given the additional leakage from the undersupplied market, we estimate that the base demand for a hotel in the city is 88 to 104 rooms per night. This does not consider people that may stay in the area due to family and friends or additional events that might be able to now take place, such as a golf tournament. Given these numbers, we feel confident that a 125 to 148 room hotel in the city would consistently see solid occupancy rates.

A new hotel in the city should aim to be positioned as a Midscale to Upper Midscale hotel. Businesses in the area have made a point in surveys that economy hotels are not viable options for their needs. The business community will likely prefer an Upper Midscale class property. Midscale properties such as a La Quinta Inn & Suites or Quality Inn would likely be acceptable for other types of guests in the region. However, given that business stayovers are one of the largest drivers of room nights in the city, we'd recommend focusing on developing an Upper Midscale property.

Given the lack of units in the area's pipeline, occupancy rates are likely to continue to be strong for the foreseeable future. We expect average daily room rates and RevPAR to continue to grow. Occupancy rates during the high seasons of June through August should range from 80 to 90%. The table below provides estimates for a hotel in the city if it were to be built in 2022.

TABLE 7.1: ESTIMATED OCCUPANCY, ADR, REVPAR – CANBY (2022)

	Midscale	Upper Midscale
Occupancy (Aug)	87.5%	87.5%
Occupancy (Dec)	55%	55%
Room Rates (Aug)	\$130	\$160
Room Rates (Dec)	\$80	\$110
RevPAR (Aug)	\$113.75	\$140
RevPAR (Dec)	\$44	\$60.50

SOURCE: JOHNSON ECONOMICS

HVS does an annual survey of hotel development costs in major markets across the United States. For their most recent 2016/17 survey, a midscale property cost, on average, anywhere from \$161,000 to \$227,000 per room. This number depends largely on the existence of an on-site restaurant, which is not common in the Upper Midscale brands. The table below details the most recent survey results, as well as the year-over-year changes in costs. Given the low end of the rates (assuming no restaurant), an average 60 to 80 room hotel would cost anywhere from \$9.7 million to \$12.9 million.

TABLE 7.2: AVERAGE BUILDING COSTS PER UNIT BY HOTEL CLASS – 2015/16 TO 2016/17

2015/2016						
Type	Land	Building/Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
Budget/Economy Hotels	\$10,900	\$57,100	\$7,800	\$10,200	\$1,600	\$87,600
Midscale w/o Food & Beverage	\$31,000	\$77,000	\$20,200	\$14,800	\$3,500	\$146,500
Extended-Stay Hotels	\$20,200	\$83,600	\$17,100	\$15,900	\$3,200	\$140,000
Midscale w/ Food & Beverage	\$39,700	\$117,600	\$29,400	\$17,000	\$6,600	\$210,300
Full-Service Hotels	\$45,700	\$154,900	\$13,000	\$28,300	\$13,600	\$255,500
Luxury Hotels & Resorts	\$116,600	\$294,500	\$85,900	\$51,000	\$22,900	\$570,900
2016/17						
Type	Land	Building/Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
Budget/Economy Hotels	\$8,773	\$62,906	\$10,023	\$11,838	\$1,946	\$95,486
Midscale w/o Food & Beverage	\$23,151	\$98,089	\$20,238	\$15,826	\$3,809	\$161,113
Extended-Stay Hotels	\$16,483	\$98,521	\$18,673	\$17,464	\$3,550	\$154,690
Midscale w/ Food & Beverage	\$43,800	\$129,600	\$30,000	\$19,000	\$4,400	\$226,800
Full-Service Hotels	\$38,500	\$163,200	\$52,600	\$31,100	\$8,100	\$293,500
Luxury Hotels & Resorts	\$60,200	\$323,700	\$83,100	\$63,600	\$19,800	\$550,400
Year-over-Year Cost Increases						
Type	Land	Building/Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
Budget/Economy Hotels	-20%	10%	29%	16%	22%	9%
Midscale w/o Food & Beverage	-25%	27%	0%	7%	9%	10%
Extended-Stay Hotels	-18%	18%	9%	10%	11%	10%
Midscale w/ Food & Beverage	10%	10%	2%	12%	-33%	8%
Full-Service Hotels	-16%	5%	305%	10%	-40%	15%
Luxury Hotels & Resorts	-48%	10%	-3%	25%	-14%	-4%

SOURCE: HVS

## IMPLICATIONS FOR BROADER DEVELOPMENT

While a hotel can provide a valuable amenity for businesses and residents of a jurisdiction, it is not typically viewed as a driver of economic development. The operation of such a facility can provide a substantial benefit to a local commercial district, as well as local businesses. Overnight stays in a hotel facility are typically linked with significant local expenditures, most often for food and entertainment. Offsite expenditures vary by type of traveler. The following is a summary of amenities desired by different broad traveler types:

**Business Travelers**      Business travelers are a prized consumer group in the hotel industry because of their willingness (or, their company's willingness) to pay higher room prices. This group prizes fast Internet access, access to electronic devices like fax machines, printers and scanners and access to lounges. They also tend to

remain in their room most of the time, thus requiring hotels to provide attention to detail regarding quality of bedding, room service offerings and furnishing, such as desks with Internet access hookup.

Solo Travelers	Solo travelers typically desire to spend more time exploring the city than spending time at the hotel. As such, they prize low prices over amenities and services. The hotel industry accommodates this group of travelers by offering bare bones accommodations in exchange for per-night prices at a fraction of higher end hotels. Because this group often craves socializing with other travelers as part of the experience, hotels often create common lounges as part of the property.
Couples	Couples are another demographic of the hotel industry, who generally seek quiet premises, restaurants, and high-quality bedding. Though couples may go offsite to enjoy surrounding attractions, a premium is placed on room interior and hotel conditions. Childless couples have more disposable income than families, thereby requesting luxury goods more frequently.
Families	Families require kid-friendly and inexpensive restaurants, on-site play areas, entertainment and ideally, discounts for additional rooms in which their kids can stay. Couples with babies require additional amenities, such as booster chairs, wide stroller-friendly paths and changing stations. Open air spaces are also desirable for parents with loud, raucous children.

Within the City of Canby, any of the new hotel types is expected to draw support at some level from all these traveler types. The most consistent travelers to the hotel would likely be business travelers, followed by visitors to events.

## VIII. TERMS AND DEFINITIONS

*ADR (Average Daily Rate):* Room revenue divided by rooms sold, displayed as the average rental rate for a single room.

*Demand (Rooms Sold):* The number of rooms sold (excludes complimentary rooms).

*Occupancy:* Rooms sold divided by rooms available. Occupancy is always displayed as a percentage of rooms occupied. For markets such as the Portland metropolitan area, projects are typically underwritten at an assumed stabilized rate of 65%.

*Percent Change:* Amount of growth, up, flat, or down from the same period last year (month, ytd, three months, and twelve months).

*Revenue (Room Revenue):* Total room revenue generated from the sale or rental of rooms.

*RevPAR (Revenue per Available Room):* Room revenue divided by rooms available

*Supply (Rooms Available):* The number of rooms times the number of days in the period.

### ***Hotel Tiers***

*Full service hotels* often contain upscale full-service facilities with a large volume of full service accommodations, on-site full service restaurant(s), and a variety of on-site amenities such as swimming pools, a health club, children's activities, ballrooms, on-site conference facilities, and other amenities.

*Boutique hotels* are smaller independent non-branded hotels that often contain upscale facilities of varying size in unique or intimate settings with full service accommodations.

*Business service hotels* are small to medium-sized hotel establishments that offer a limited number of on-site amenities that only cater and market to a specific demographic of travelers, such as the single business traveler. Many may still offer full service accommodations but may lack leisure amenities such as an on-site restaurant or a swimming pool.

*Economy and limited service hotels* are small to medium-sized hotel establishments that offer a very limited number of on-site amenities and often only offer basic accommodations with little to no services, these facilities normally only cater and market to a specific demographic of travelers, such as the budget-minded traveler seeking a "no frills" accommodation. Limited service hotels often lack an on-site restaurant but in return may offer a limited complimentary food and beverage amenity such as on-site continental breakfast service.

*Extended stay hotels* are small to medium-sized hotels that offer longer-term full service accommodations compared to a traditional hotel. Extended stay hotels may offer non-traditional pricing methods such as a weekly rate that caters towards travelers in need of short-term accommodations for an extended period. Similar to limited and select service hotels, on-site amenities are normally limited and most extended stay hotels lack on an on-site restaurant.

A *motel* is a small-sized low-rise lodging establishment like that of a limited service hotel, but with direct access to individual rooms from the car park. Motels are often considered the "lowest classification" type of lodging accommodation and operate with minimal staffing levels.