# U.S. Hotel Industry Performance

# What Lies Ahead…

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May 5, 2015

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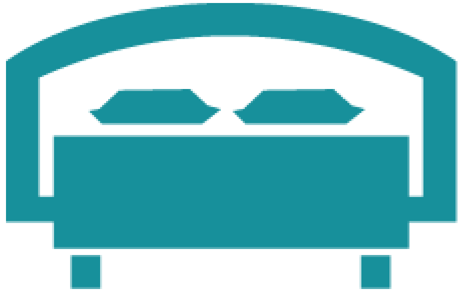
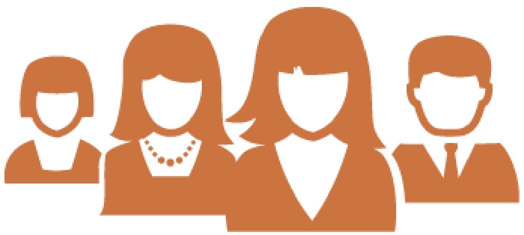
2014

**MAY:**
RevPAR Growth
**10%** Highest May of any on record… ever!



**JULY:**
Most Rooms Sold Ever!
**113 Million**



**JUNE:**
Occupancy
**71.7%** Highest June occupancy this century!

**AUGUST:**
Room Revenue
**$90.8 bn**
Highest August YTD!

# All KPIs Have Hit All Time Highs!!

| | | <u>% Change</u> |
|---|---|---|
| • Room Supply* | | 0.9% |
| • Room Demand* | | 4.6% |
| • Occupancy* | 64.9% | 3.6% |
| • A.D.R.* | $116 | 4.7% |
| • RevPAR* | $75 | 8.5% |
| • Room Revenue* | | 9.5% |

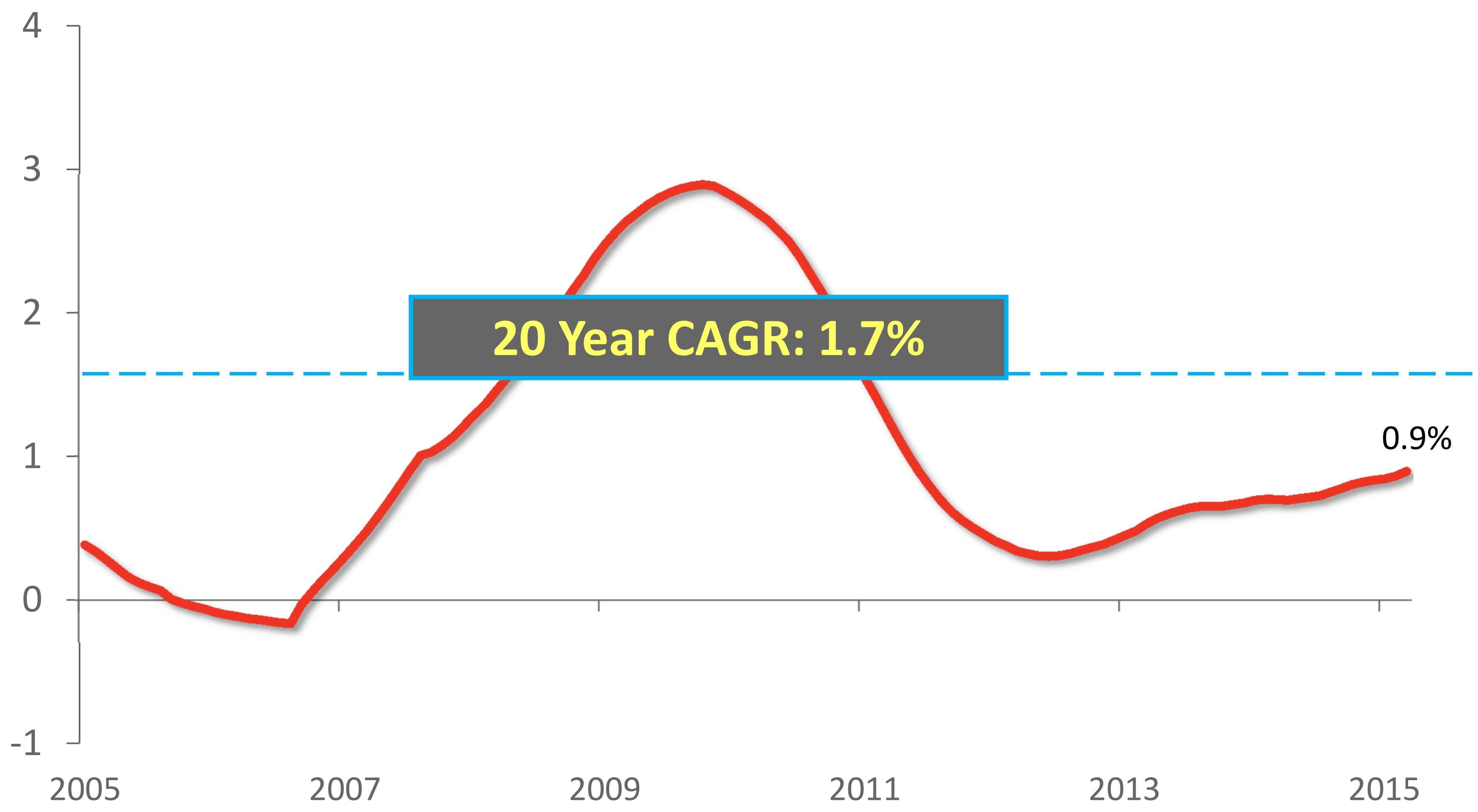
**Total U.S.:** March 2015 12 Month Moving Average
* All Time High Absolute Values

# Today's Agenda

- ✓ Supply Progress
- ✓ Occupancy Acceleration
- ✓ Customer Mix
- ✓ Revenue Growth
- ✓ Forecast

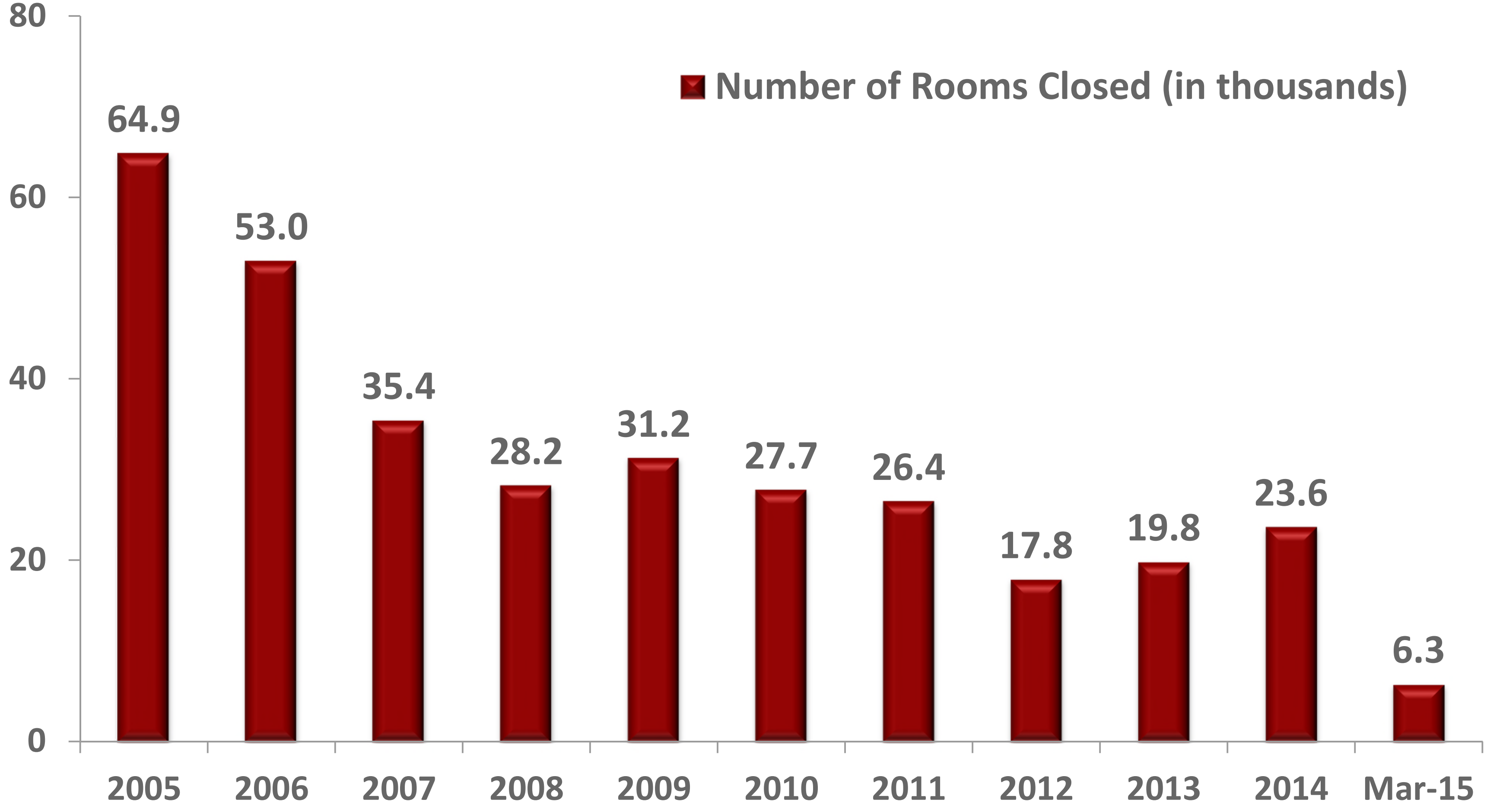
# 1 Supply Progress

# Supply Growth Slowly Creeps Up




**Total U.S.** Room Supply Percent Change
12 Month Moving Average – 2005 to March 2015

# 23K + rooms closed in 2014




**Total U.S. Closed Hotels**

Annual 2004 through March 2015

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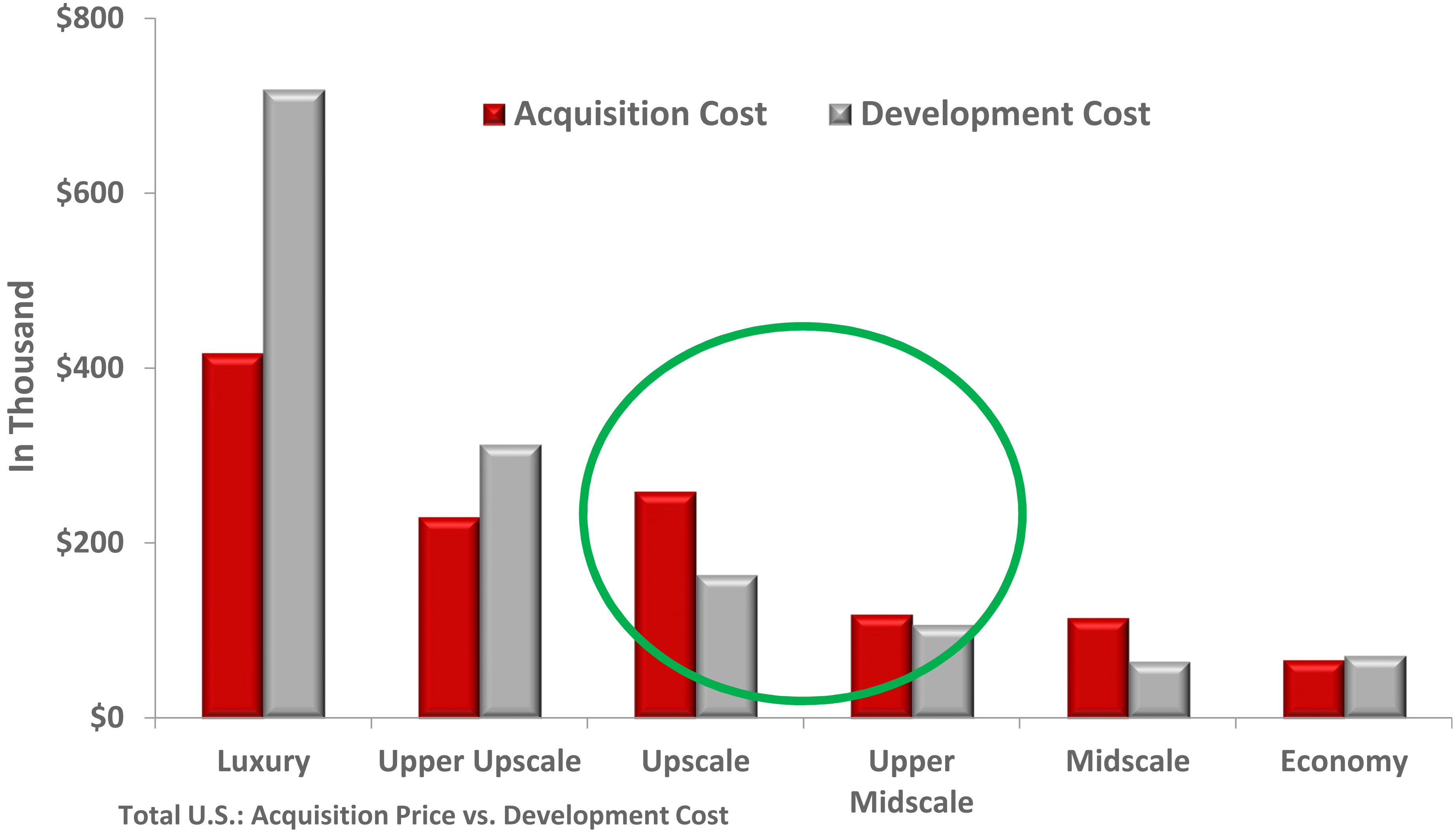
# Buy vs. Build




**Total U.S.: Acquisition Price vs. Development Cost**
Source: 2014 Hotel Development Index

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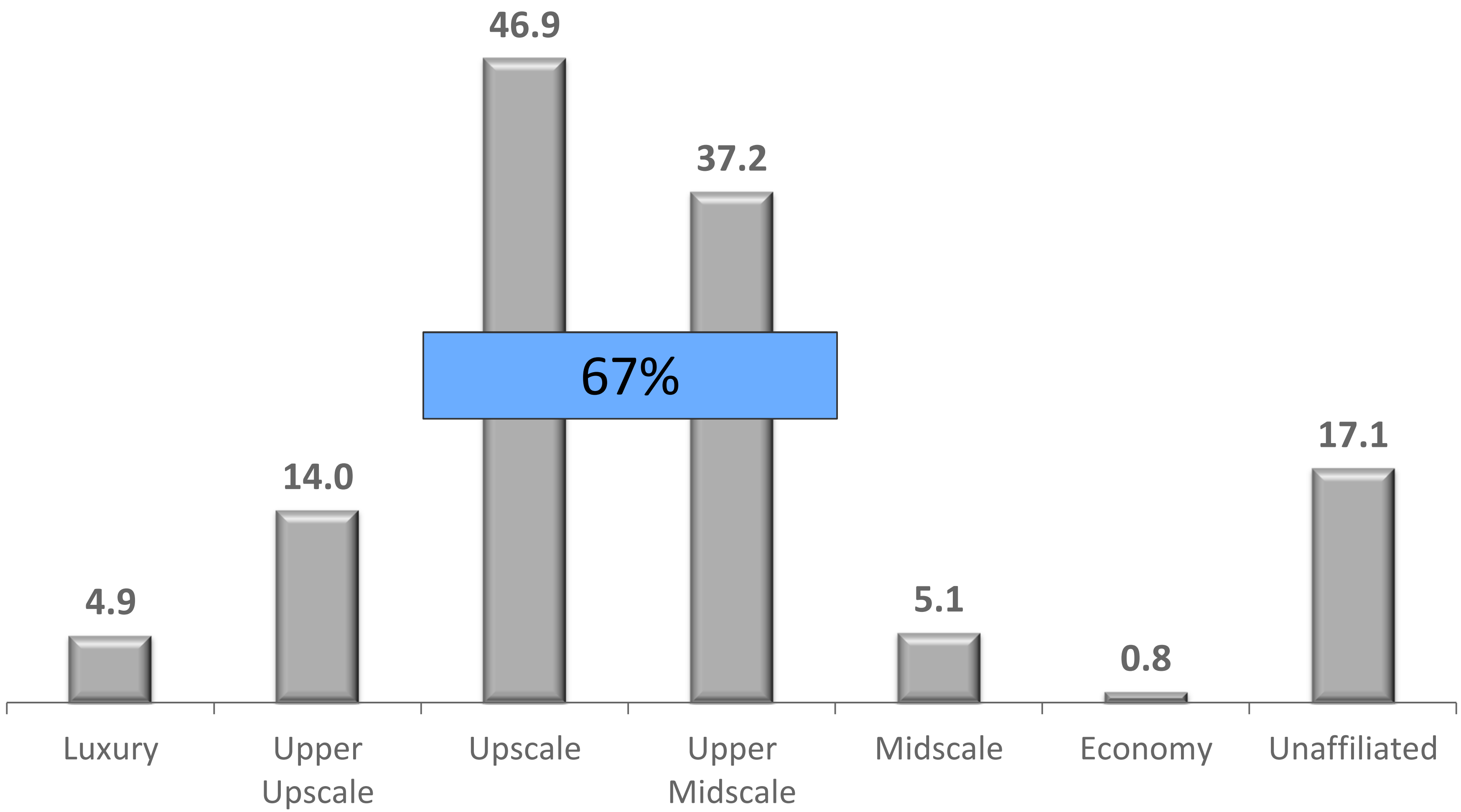
# Limited Service Construction Has Been Strong For 2 Years




**Total U.S. Pipeline**: Rooms Under Construction , ‘000s Rooms, by Scale, March 2015

# These Markets Will Feel New Supply Impact in 2015/16…

| Market | Rooms U/C | % Of Existing |
|---|---|---|
| Boston, MA | 1,809 | 4% |
| Anaheim/Santa Ana, CA | 1,934 | 4% |
| San Diego, CA | 2,276 | 4% |
| Denver, CO | 1,719 | 4% |
| Seattle, WA | 2,427 | 6% |
| Houston, TX | 6,173 | 8% |
| Miami/Hialeah, FL | 4,026 | 8% |

**U.S. Pipeline:** Under Construction Rooms as % of Existing Supply March 2015

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New York, NY Market

# 13,368

Rooms Under Construction

**12%** of the Market's Existing Supply

Under Construction Rooms as % of Existing Supply, March 2015

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# 2 Occupancy Acceleration

# March 2015:
# Highest March Occupancy Ever!

# 66.8%

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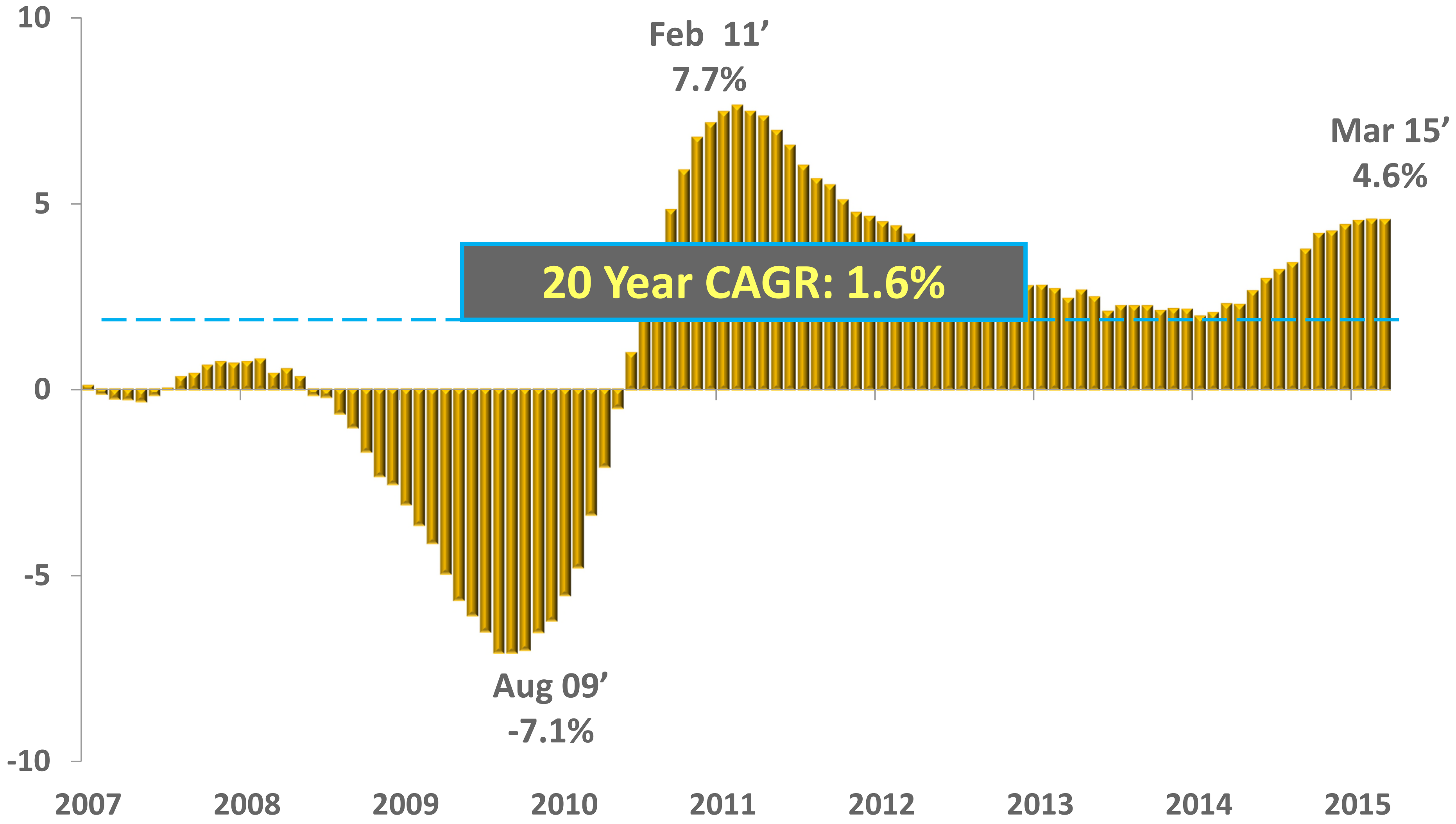
# Demand Growth Accelerates Again




**Total U.S.: Demand Percent Change**

12 Month Moving Average – 2007 to March 2015

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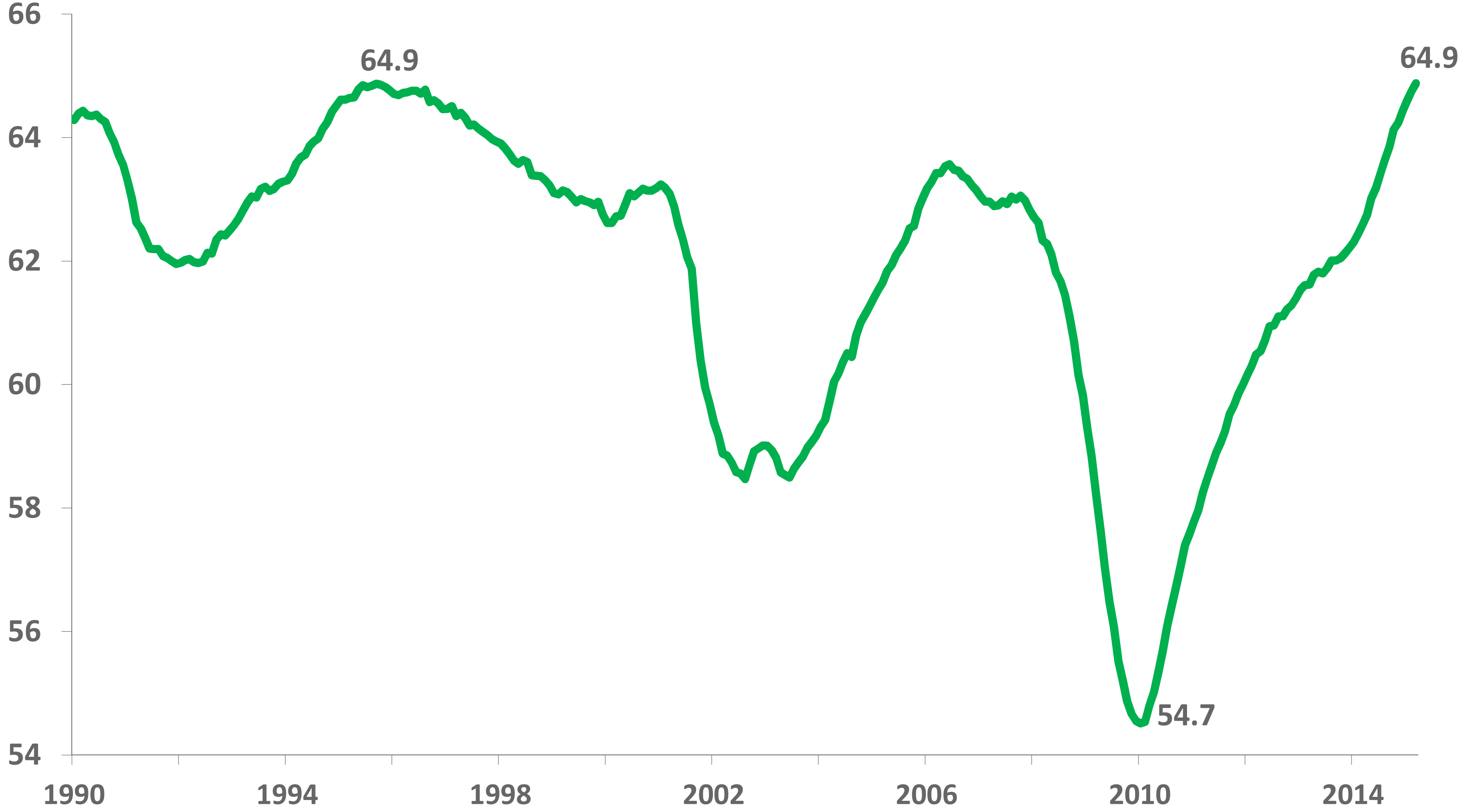
# Occupancy Matches Prior Record.




**Total U.S., Occupancy**

12 Month Moving Average 1/1990 – 03/2015

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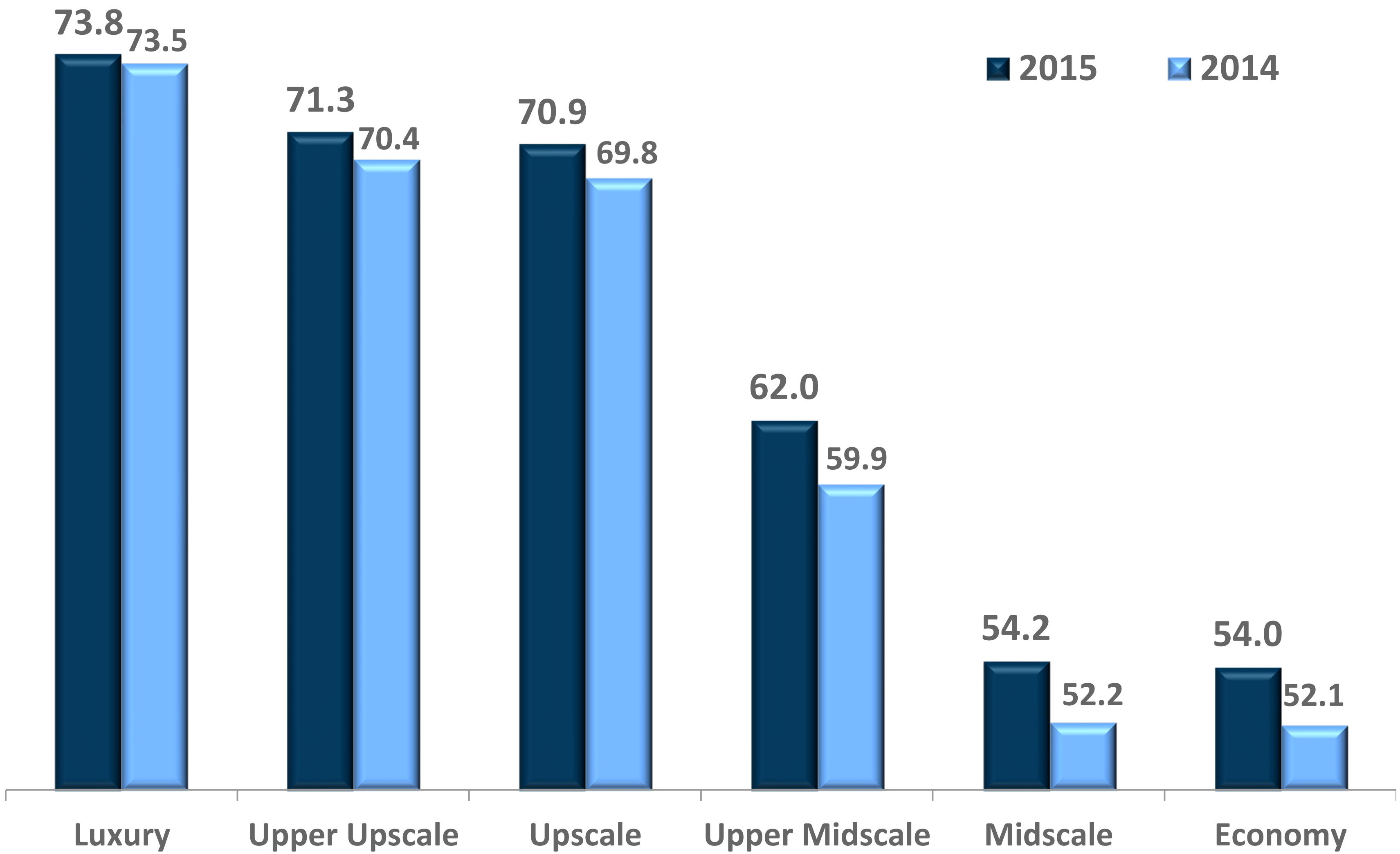
# Scales: Absolute OCC Very High On Upper End




**U.S. Chain Scales Occupancy %**

YTD March 2015 vs. 2014

# Markets With Demand Growth > 5%


**Top U.S. Markets**

Demand Growth %, March 2015 YTD

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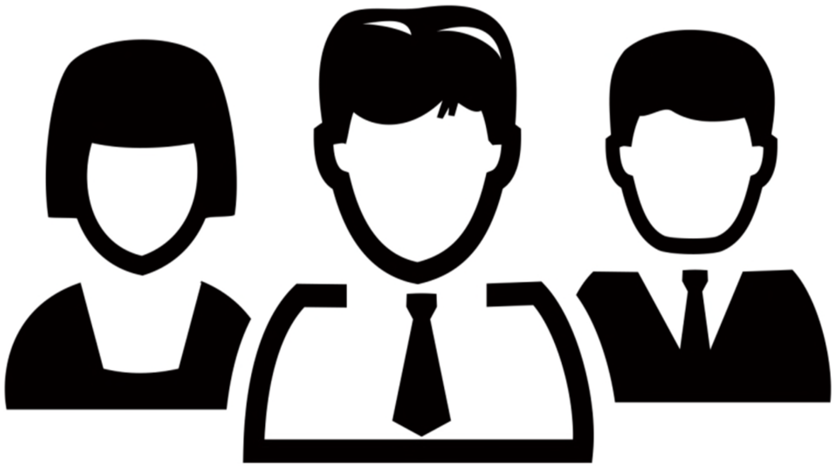
# 3 Customer Mix

## GROUP



3.1%

## TRANSIENT

2.7%

**Total U.S.: Customer Segmentation**

Demand Growth 1Q

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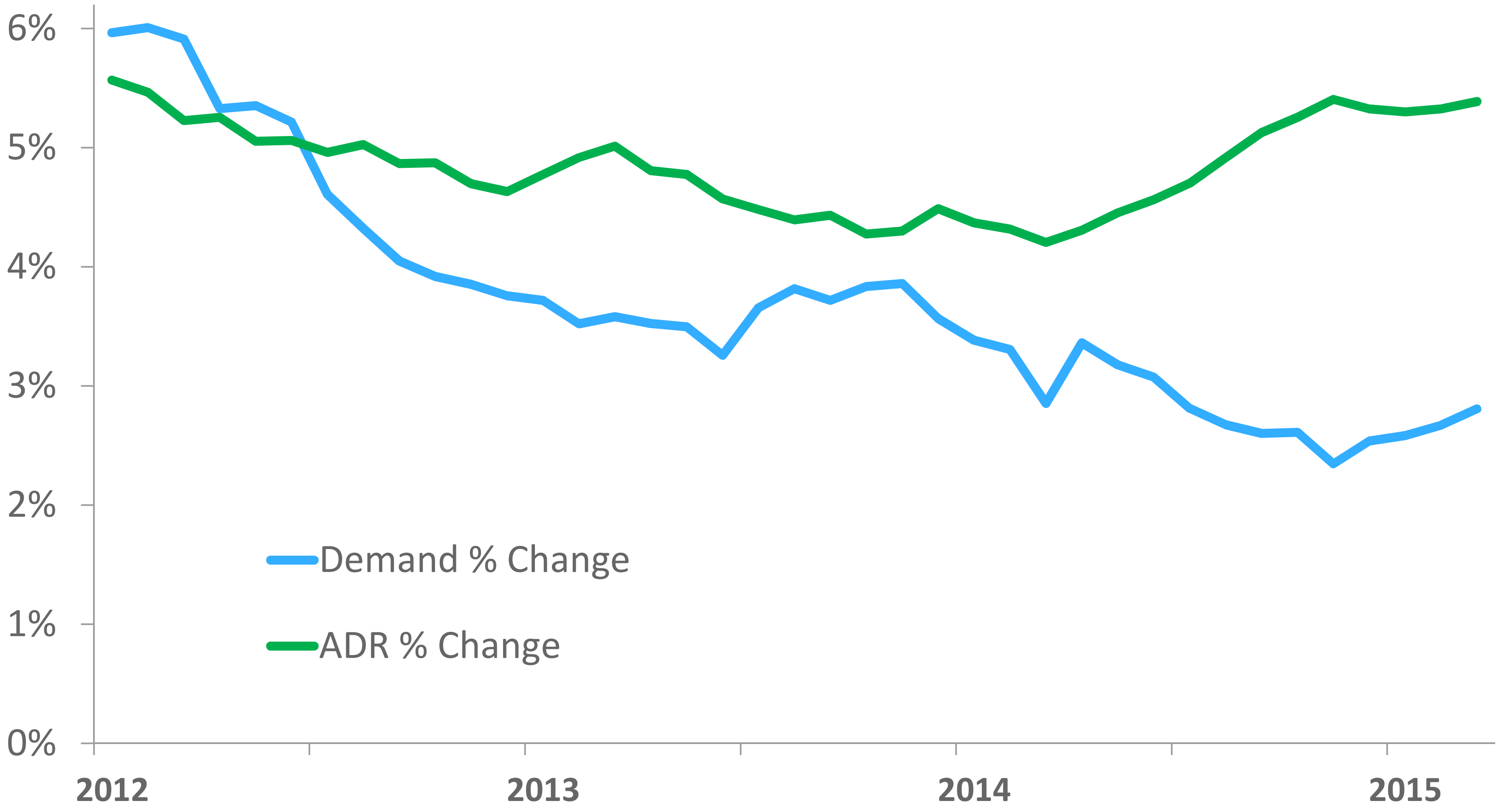
# Transient ADR Growth Follows The High Occupancies




**Total U.S. Transient:** Demand and ADR % Change
12 Month Moving Average 2012 – 03/2015

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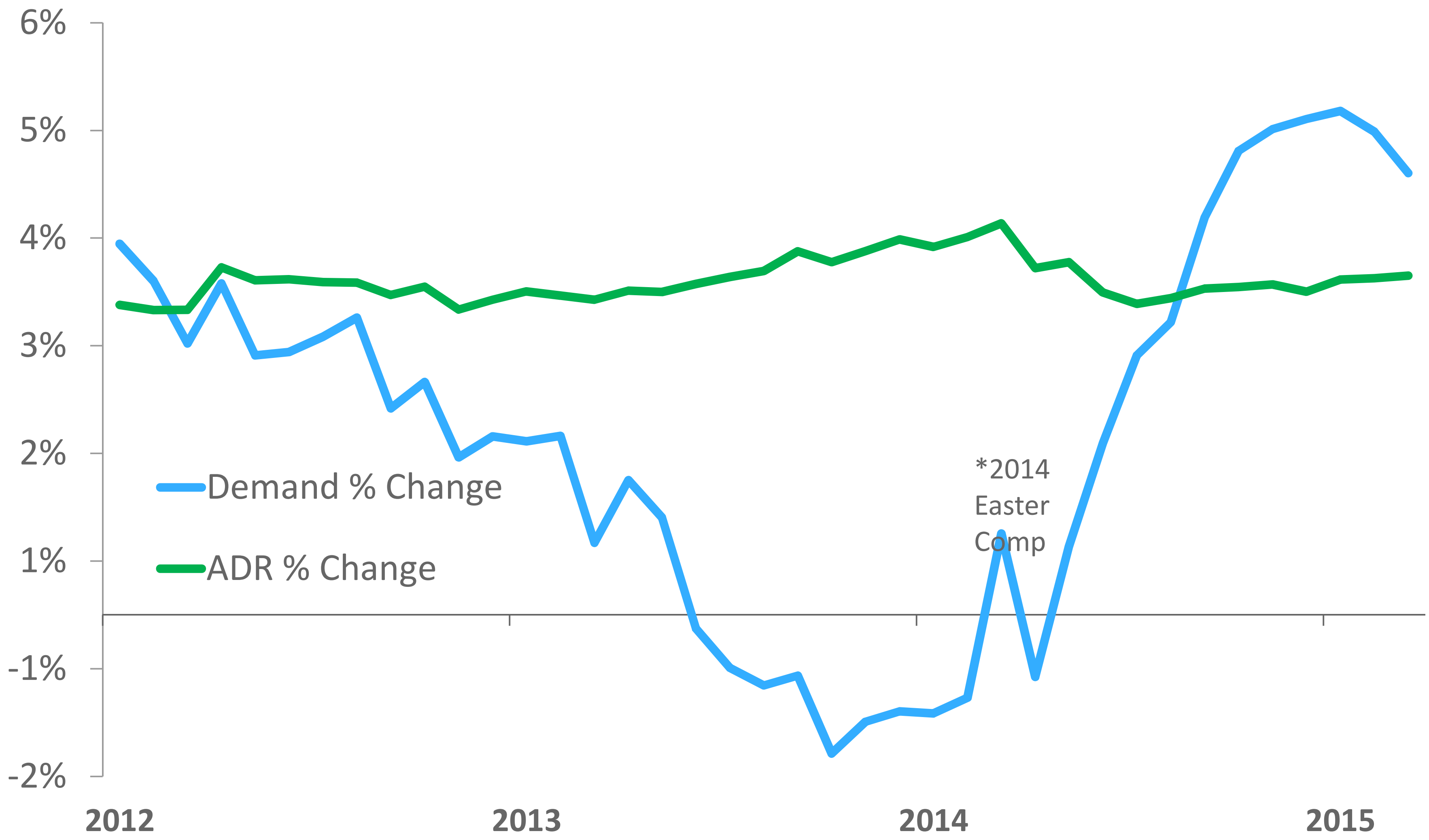
# Group Demand Back. Good Implications For All Hotels




**Total U.S. Group**: Demand and ADR % Change
12 Month Moving Average, 1/2012 – 03/2015

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# Revenue Growth

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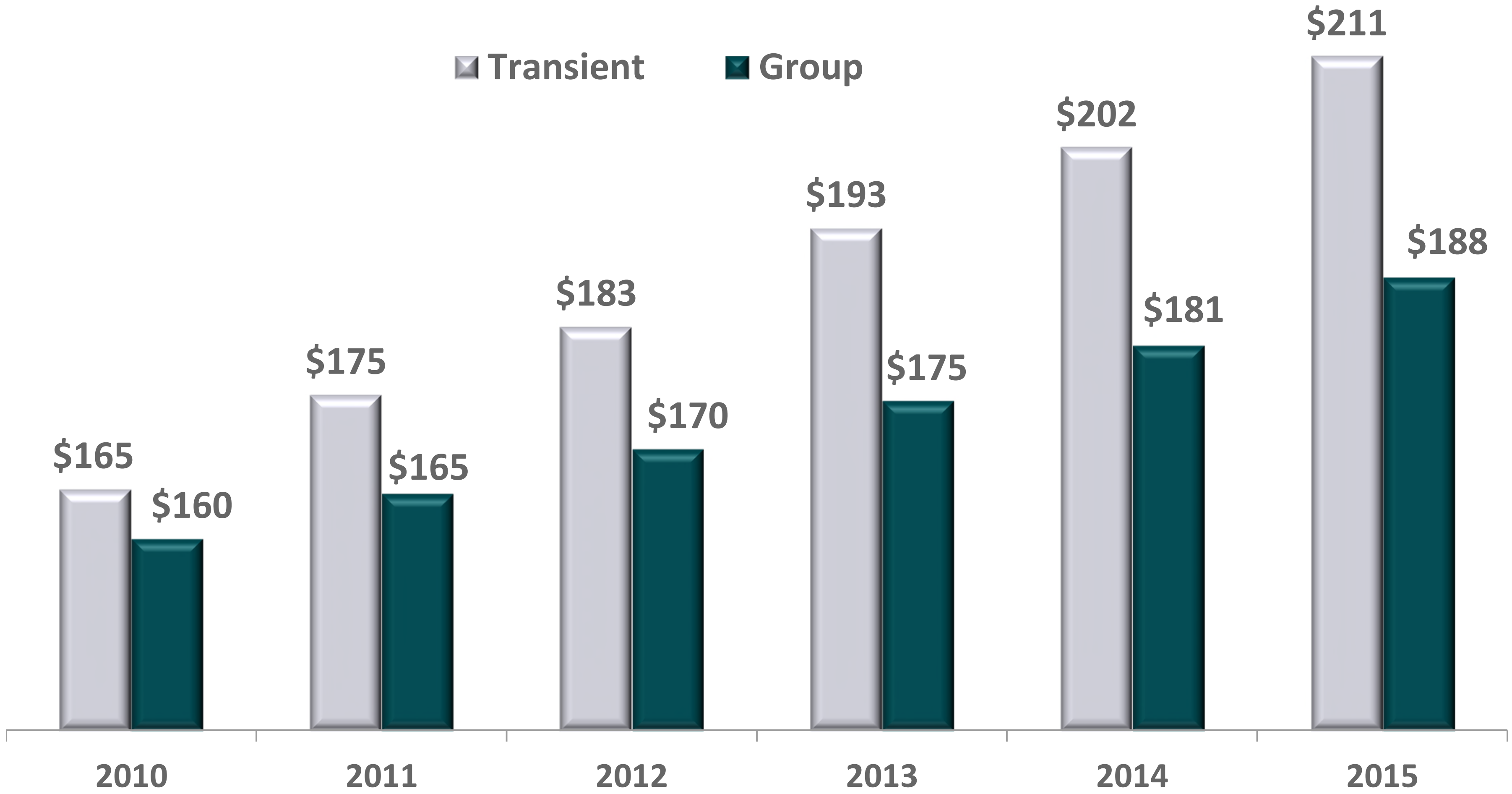
# Back To Strong Transient & Group rates




**U.S. Customer Segmentation ADR $**
1st Quarter March 2010-2015

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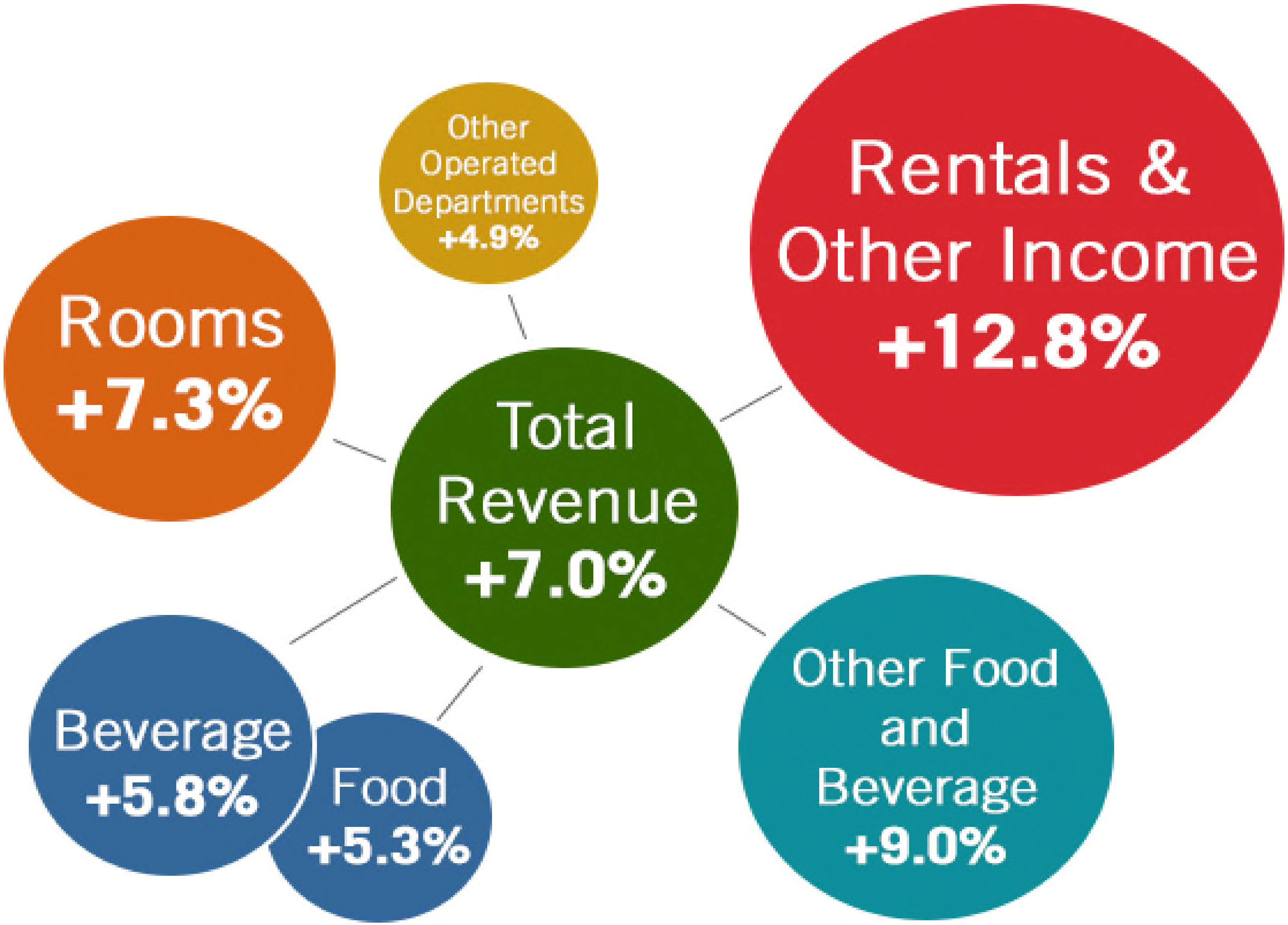


**Total U.S. Department Revenue Growth**
% Change 2014 vs. 2013

Source: 2015 STR Host Almanac

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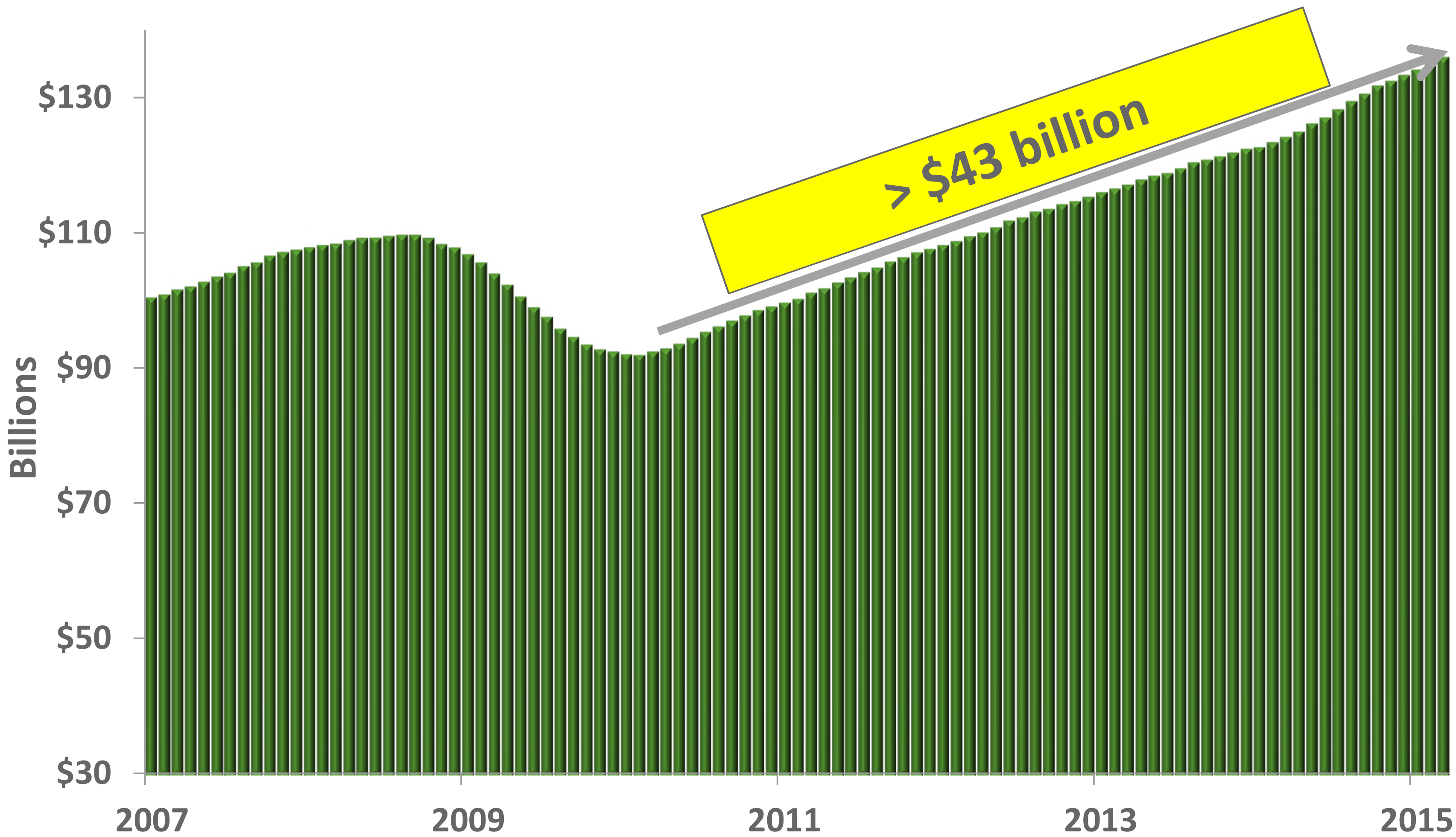
# Room Revenue > $135bn




**Total U.S.: Rooms Revenue**

12 Month Moving Average: January 2005 – March 2015

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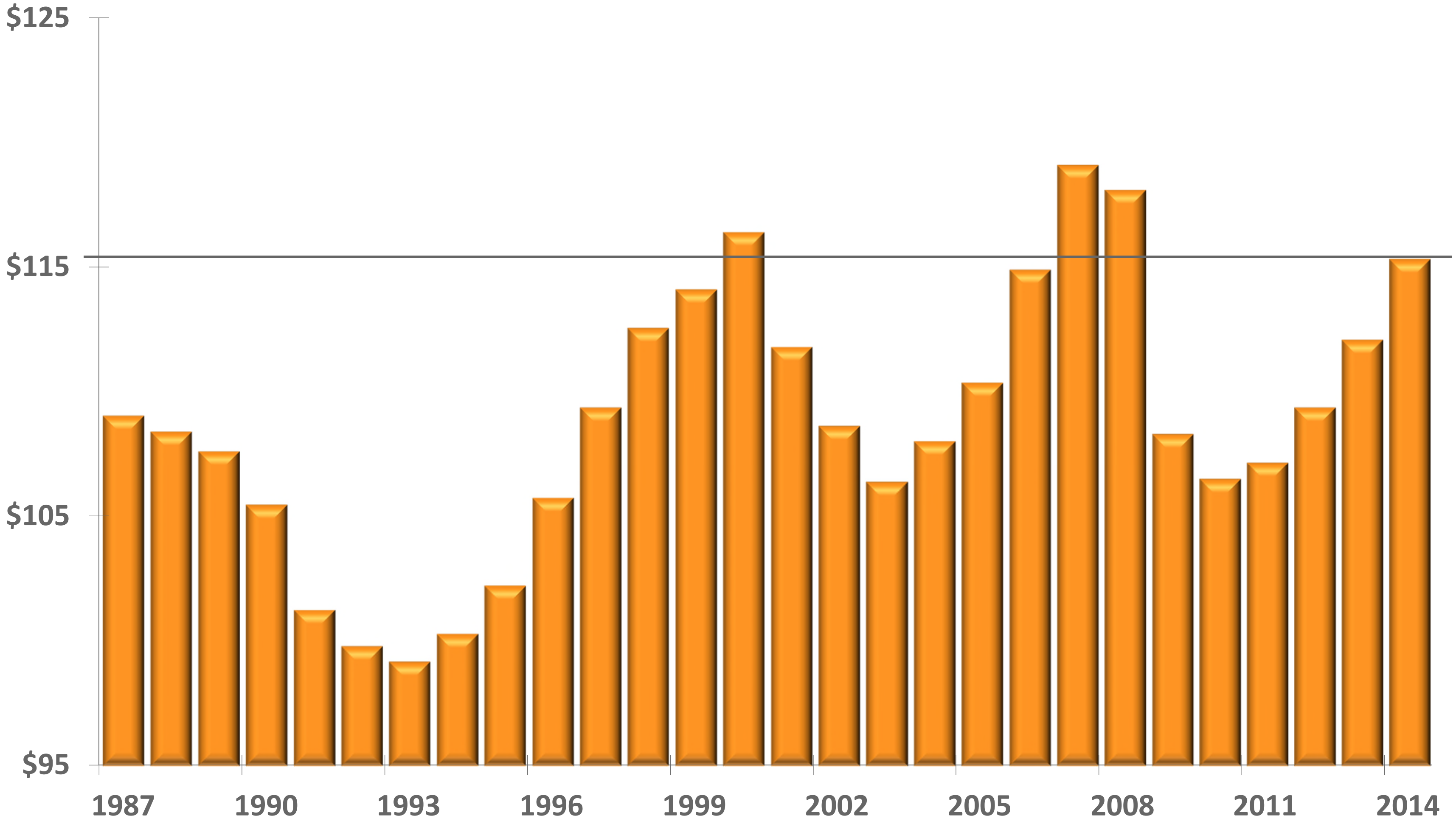
# Real ADR….Adjusted for inflation




**Total U.S. Real ADR (Adjusted for Inflation)**
1987-2014 Annual (Current Dollars)

*Source: U.S. Department of Labor: Bureau of Labor Statistics*

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# Q1 2015 Group ADR Change Varied Widely

| Market | ADR $ | ADR % Change |
|---|---|---|
| San Francisco/San Mateo, CA | 271 | 14.1 |
| Phoenix, AZ | 252 | 13.5 |
| Miami/Hialeah, FL | 302 | 8.9 |
| Boston, MA | 189 | 7.1 |
| Anaheim/Santa Ana, CA | 198 | 6.9 |
| | | |
| Oahu Island, HI | 260 | 1.3 |
| Norfolk/Virginia Beach, VA | 104 | 0.0 |
| Washington, DC-MD-VA | 200 | -0.5 |
| New Orleans, LA | 198 | -5.1 |
| New York, NY | 283 | -7.9 |

2014 Group ADR and % Change
Sorted by 5 Highest / Lowest ADR % Change in Top25 Markets

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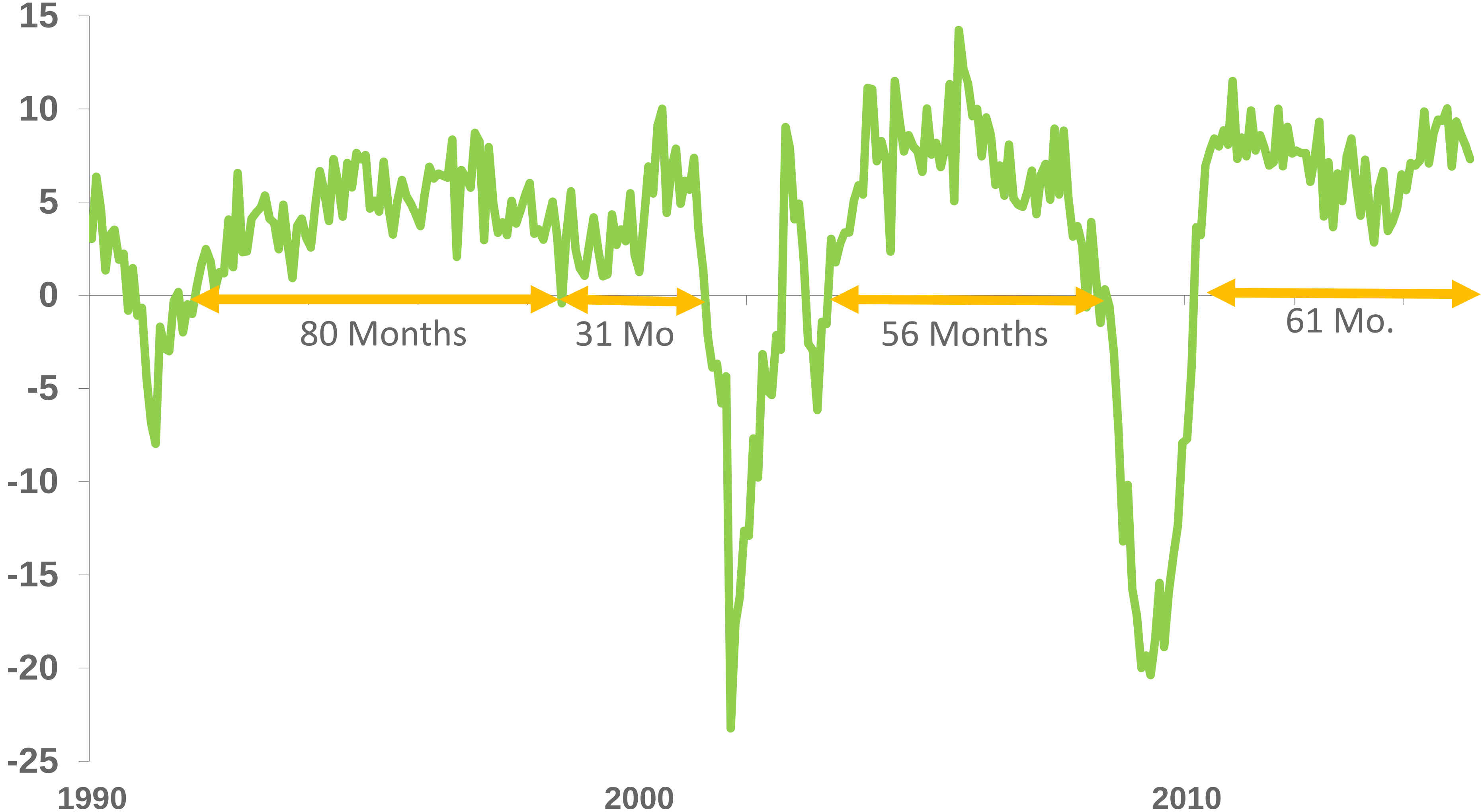
# U.S. Forecast

# Expect More Of The Same: Positive Growth!




**Total U.S.:** RevPAR % Change,
1/1990 – 03/2015

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## Total United States
### Key Performance Indicator Outlook (% Change vs. Prior Year)
### 2015 - 2016

| Outlook | | |
|---|---|---|
| | 2015 Forecast | 2016 Forecast |
| Supply | 1.3% | 1.4% |
| Demand | 2.4% | 2.2% |
| Occupancy | 1.2% | 0.8% |
| ADR | 5.2% | 5.0% |
| RevPAR | 6.4% | 5.9% |

# Total United States

## Chain Scale Key Performance Indicator Outlook
## 2015F by Chain Scale

| 2015 Year End Outlook | | | |
|---|---|---|---|
| Chain Scale | Occupancy (% chg) | ADR (% chg) | RevPAR (% chg) |
| Luxury | 0.6% | 5.5% | 6.1% |
| Upper Upscale | 1.1% | 5.1% | 6.3% |
| Upscale | 1.0% | 5.4% | 6.5% |
| Upper Midscale | 1.6% | 4.8% | 6.5% |
| Midscale | 1.3% | 3.8% | 5.2% |
| Economy | 1.4% | 4.7% | 6.2% |
| Independent | 0.6% | 5.1% | 5.7% |
| **Total United States** | **1.2%** | **5.2%** | **6.4%** |

# To Wrap It Up…..

- ✓ Supply Progress – A hot topic for a few
- ✓ Occupancy Acceleration – Growing steady
- ✓ Customer Mix – Both segments are strong
- ✓ Revenue Growth – So far so good
- ✓ Forecast – "…Walking On Sunshine"

Questions: vbrown@str.com

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Thank you!

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