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Hotel InduSTRy Overview... What Lies Ahead

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MARKETING OUTLOOK FORUM: A GLOBAL PERSPECTIVE



Presented by the Travel and Tourism Research Association

Hotel InduSTRy Overview... What Lies Ahead

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October 28-30, 2013 ~ The Drake Hotel ~ Chicago, Illinois, USA



Hotel Industry Overview

What Lies Ahead...

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Agenda

- Total U.S.
- Chain Scales
- Segmentation
- Markets
- Pipeline
- 2013/2014 YE Forecast



www.hotelnewsnow.com
Click on “Data Presentations”



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Total U.S. Review

September YTD 2013: Highest RevPAR Ever (First 9 Months)

| | | <u>% Change</u> |
|-----------------|---------|-----------------|
| • Room Supply* | 1.3 bn | 0.7% |
| • Room Demand* | 851 mm | 2.2% |
| • Occupancy | 63.9% | 1.5% |
| • ADR* | \$110 | 4.0% |
| • RevPAR* | \$71 | 5.6% |
| • Room Revenue* | \$94 bn | 6.3% |

September YTD 2013, Total US Results

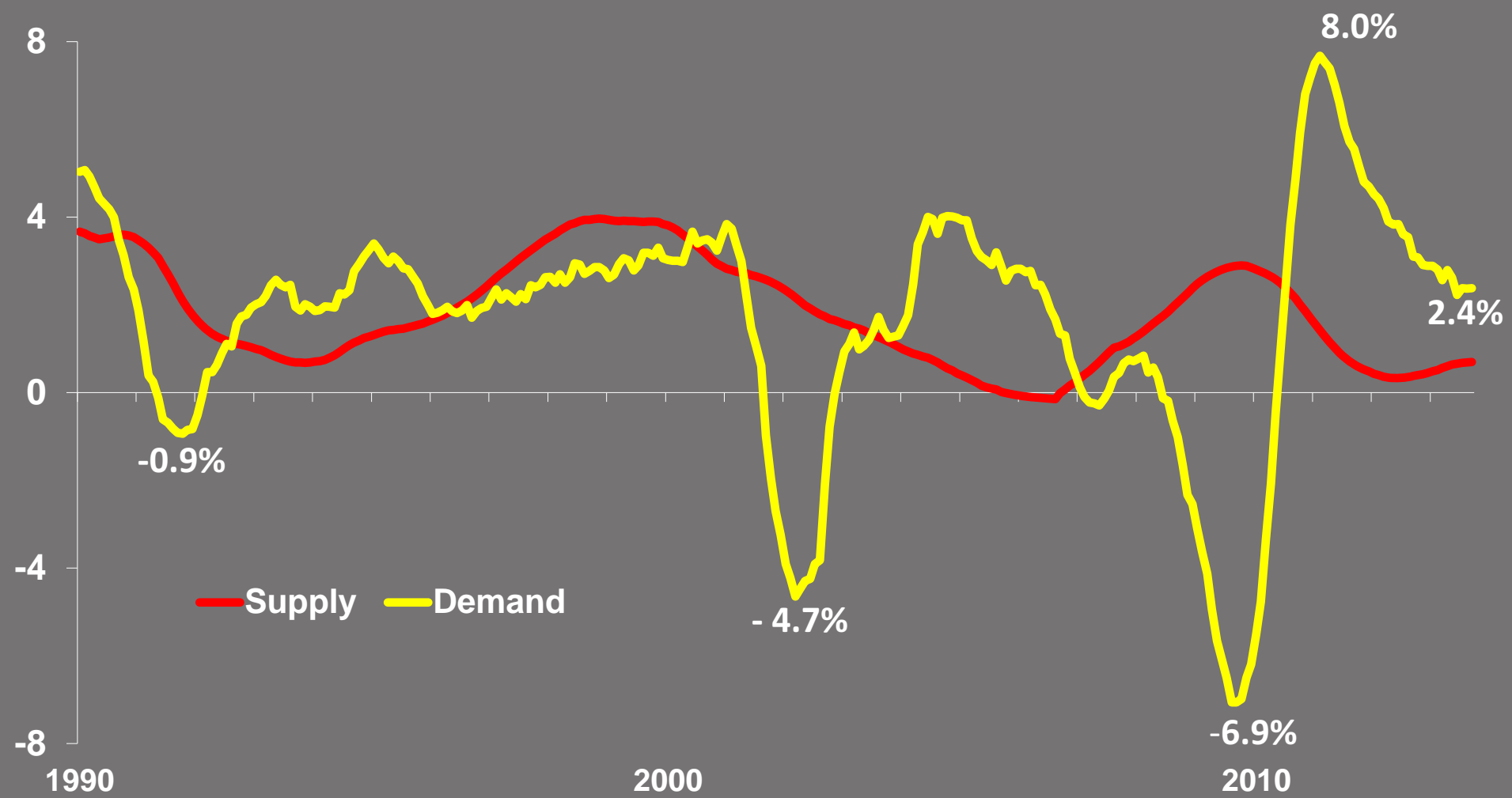
* All Time High



July 2013:
Highest Monthly Room Revenue
EVER
(\$12.2 Billion)

July 2013:
Highest Monthly Room Demand
EVER
(108 Million)

Favorable Supply / Demand Fundamentals for 2013



Total U.S., Supply & Demand % Change, 12 MMA 1/1990 – 9/2013

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ADR Growth ~4% since January 2012



— Demand % Change
— ADR % Change

Total U.S., ADR & Demand % Change, 12 MMA 1/1990 – 9/2013



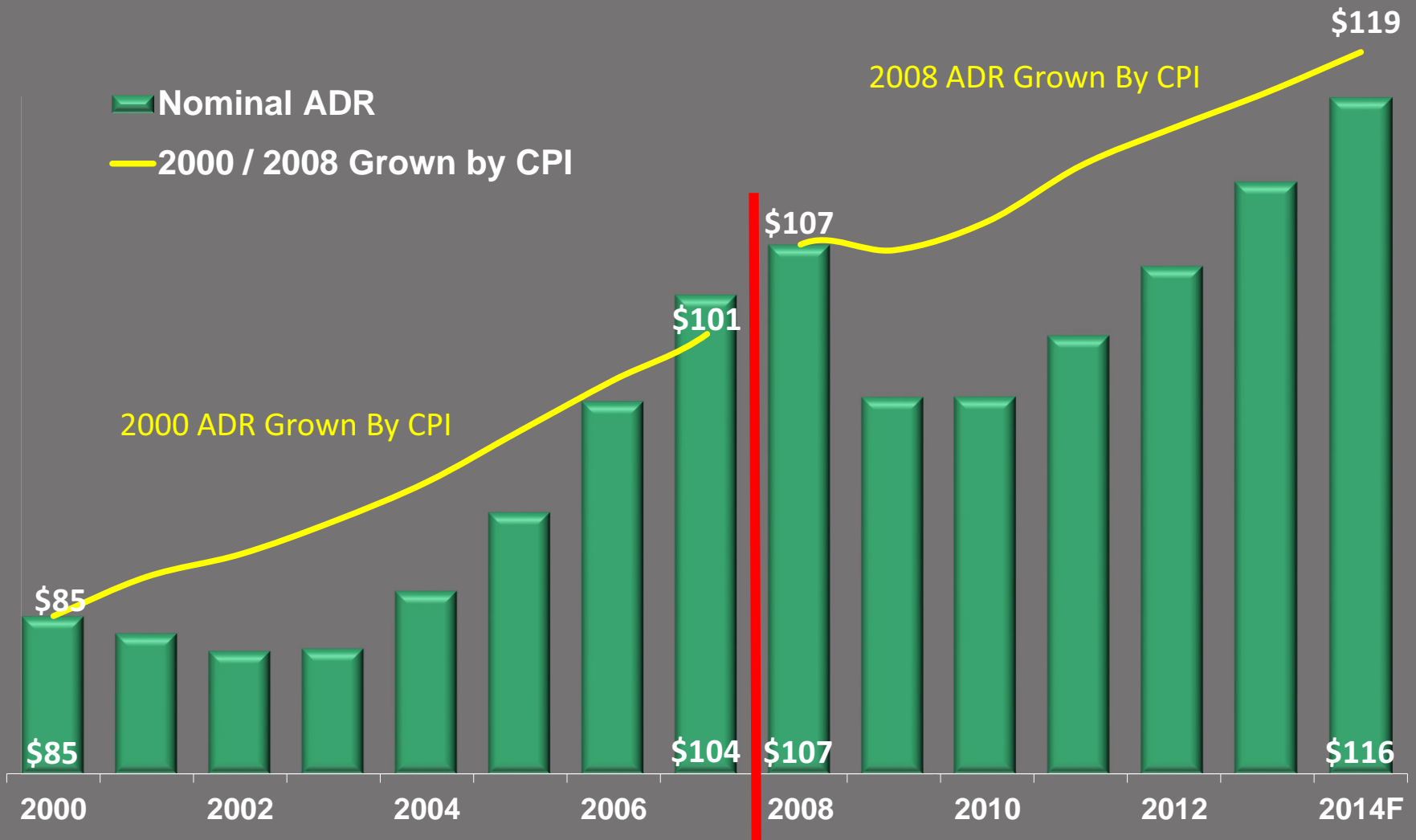
Positive RevPAR Growth For The Foreseeable Future



Total U.S., RevPAR % Change, 12 MMA 1/1990 – 9/2013



Inflation Adjusted ADRs Still Not Reached – Yet

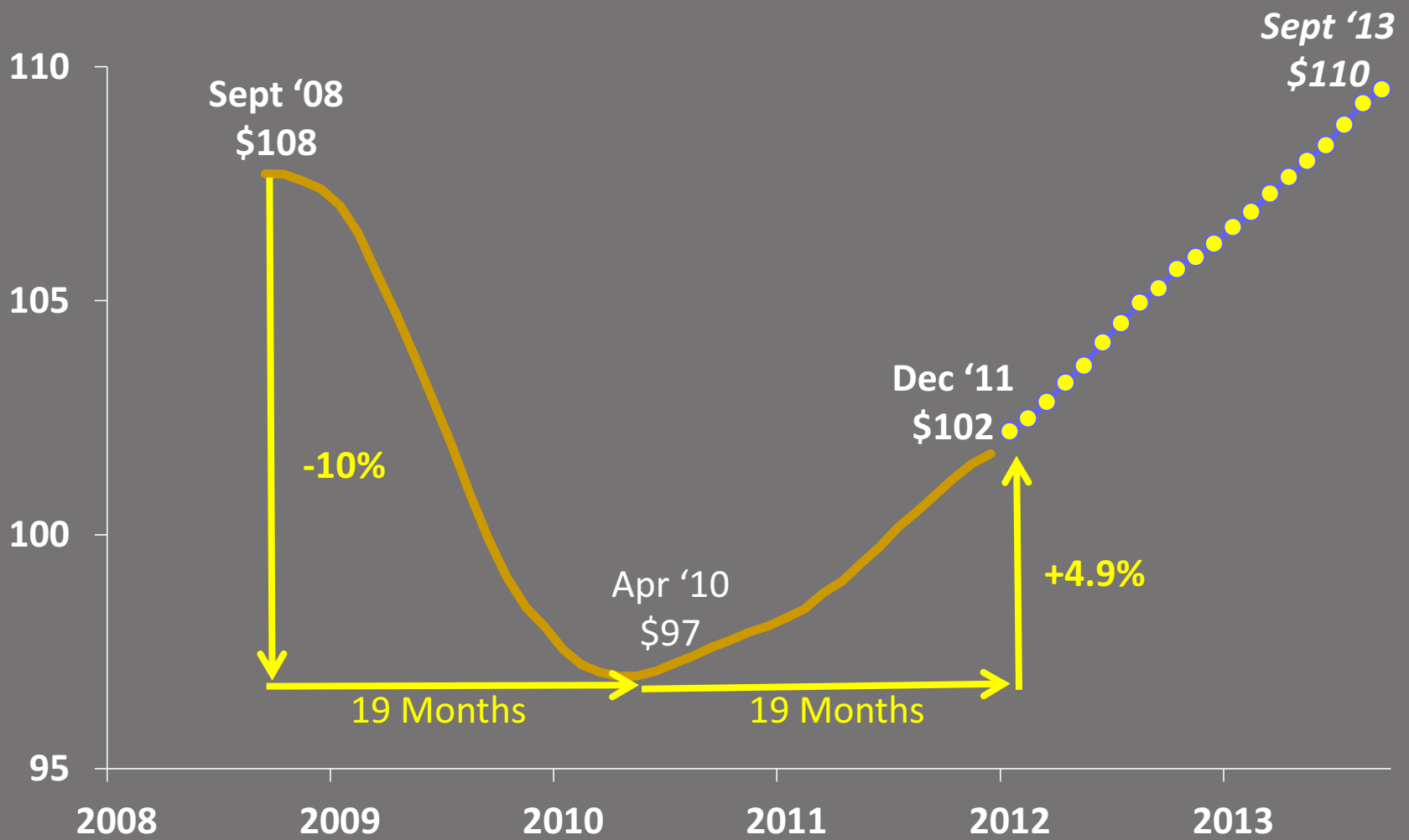


Total U.S., ADR \$ and Inflation Adjusted ADR \$, 2000 – 2014F

2000 – 2012 CPI from bls.gov, 2013– 2014 CPI from Blue Chip Economic Indicators



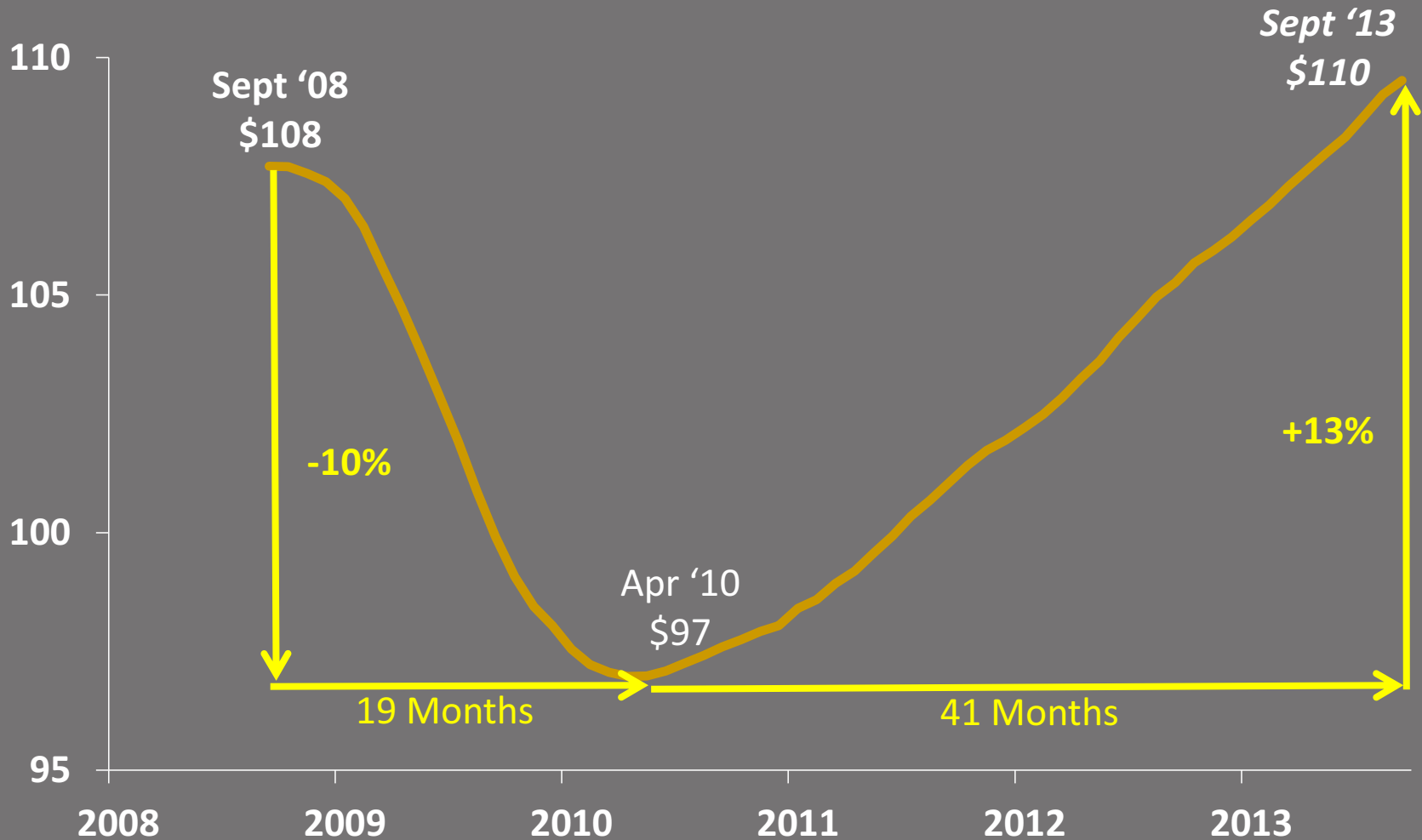
ADR Discounting at Twice The Speed of ADR Increases



Total US, ADR \$, 12 MMA 1/07 – 9/13



Finally Back To The Top



Total US, ADR \$, 12 MMA 1/07 - 9/13



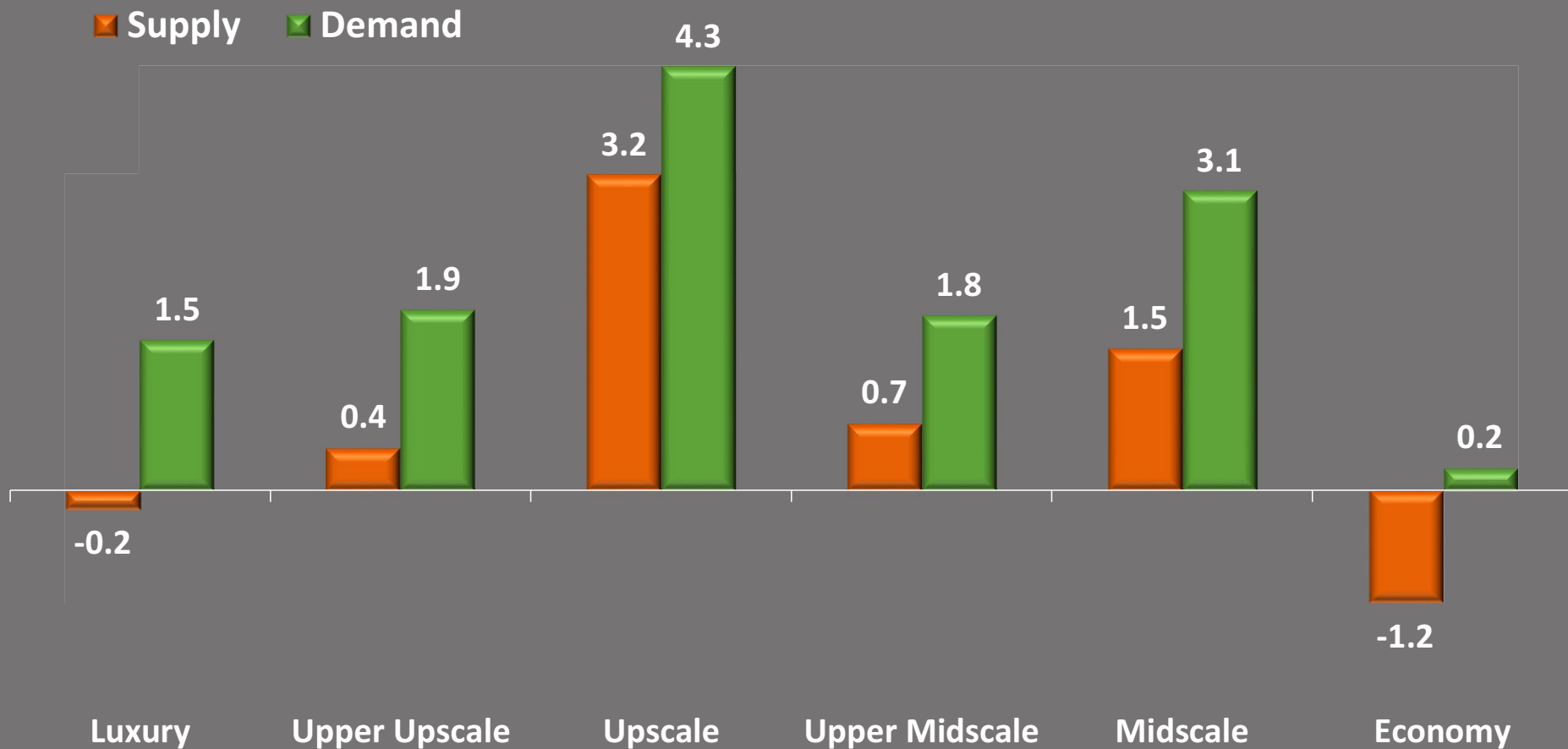


Chain Scale Review

2013 STR Chain Scales

- **Luxury** – Fairmont, Four Seasons, Ritz Carlton, JW Marriott
- **Upper Upscale** – Sheraton, Embassy Suites, Hyatt, Marriott
- **Upscale** – Radisson, Hilton Garden Inn, Residence Inn, Springhill Suites, Homewood Suites, Courtyard
- **Upper Midscale** – Fairfield Inn/Suites, Holiday Inn, Clarion, Hampton Inn/Suites, Best Western Premier/PLUS
- **Midscale** – Country Inn & Suites, Best Western, Candlewood Suites, Quality Inn/Suites
- **Economy** – Extended Stay America, Red Roof, Days Inn, Microtel

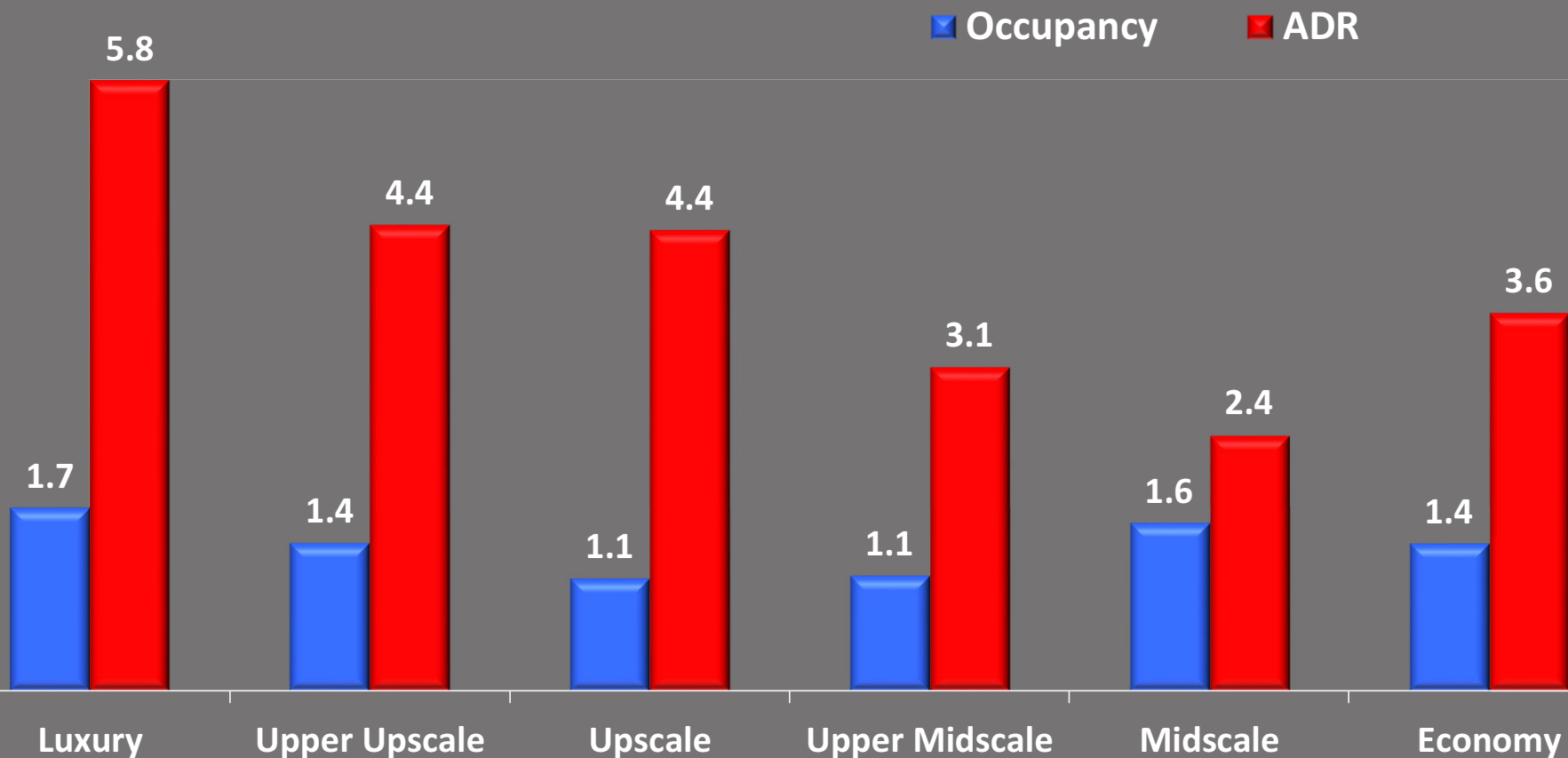
Scales: Strong Demand Growth, Supply Not An Issue



Supply / Demand % Change, by Scale, YTD September 2013



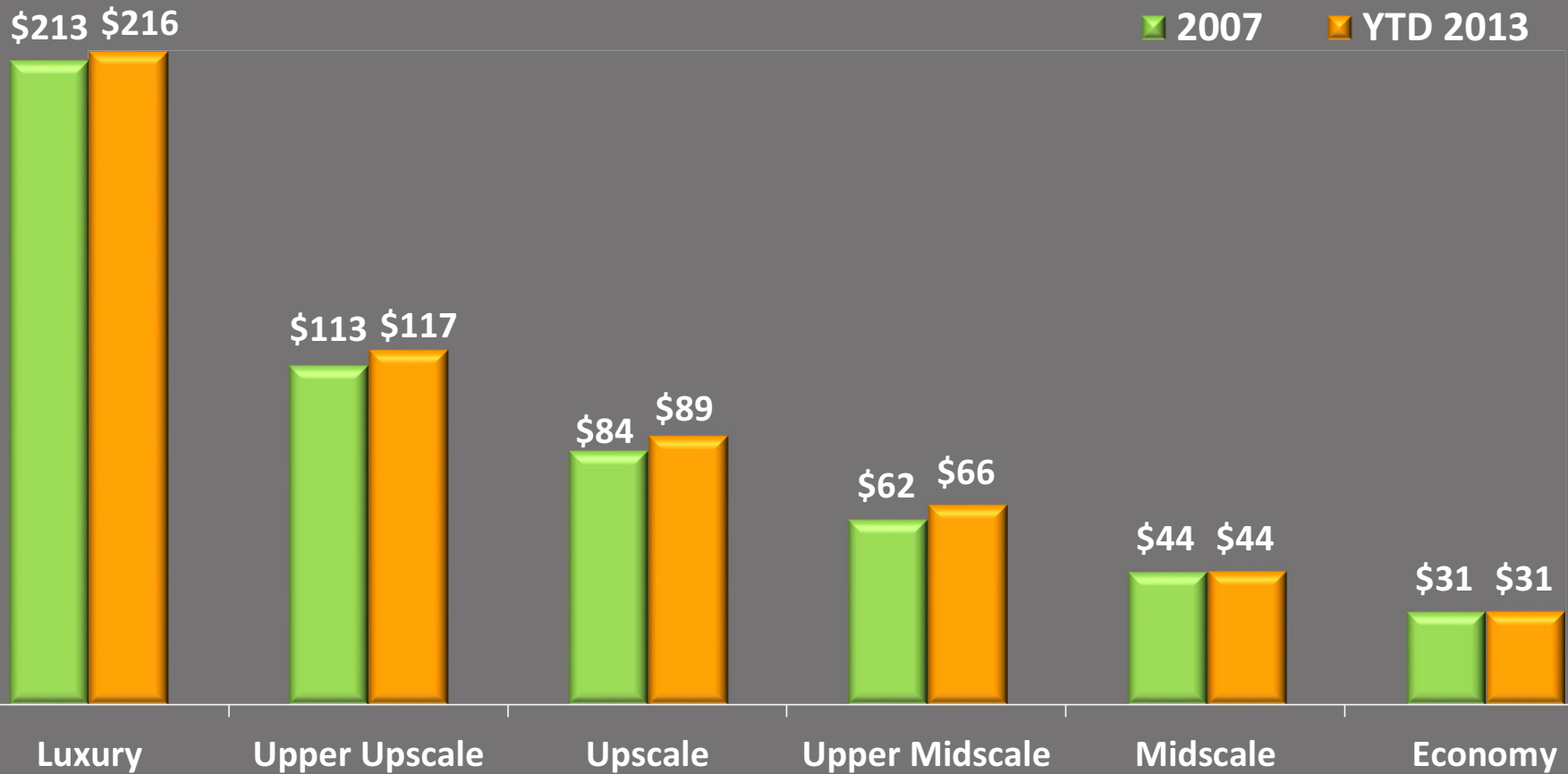
ADR Growth Very Healthy At Upper End



OCC / ADR % Change, by Scale, YTD September 2013



RevPAR Catches Up To Prior Record Highs



RevPAR \$, by Scale, YE 2007 & YTD September 2013





Segmentation

Customer Segmentation Categories:

- **Transient Segment (60%)** – Rooms reserved at rack rate, corporate negotiated, package, government rate or rooms booked via third party websites.
- **Group Segment (35%)** – Rooms sold simultaneously in blocks of 10 or more.
- **Contract Segment (5%)** – Rooms sold at rates that are stipulated by contracts – such as airline crews.

Demand Contribution Gap Deepens



Demand Contribution: Group & Transient Customer Mix

Luxury, Upper-Upscale and top tier Independent hotels: Contract not shown, but included in total



.... Selling 4.9 Million Less Group Rooms From Peak

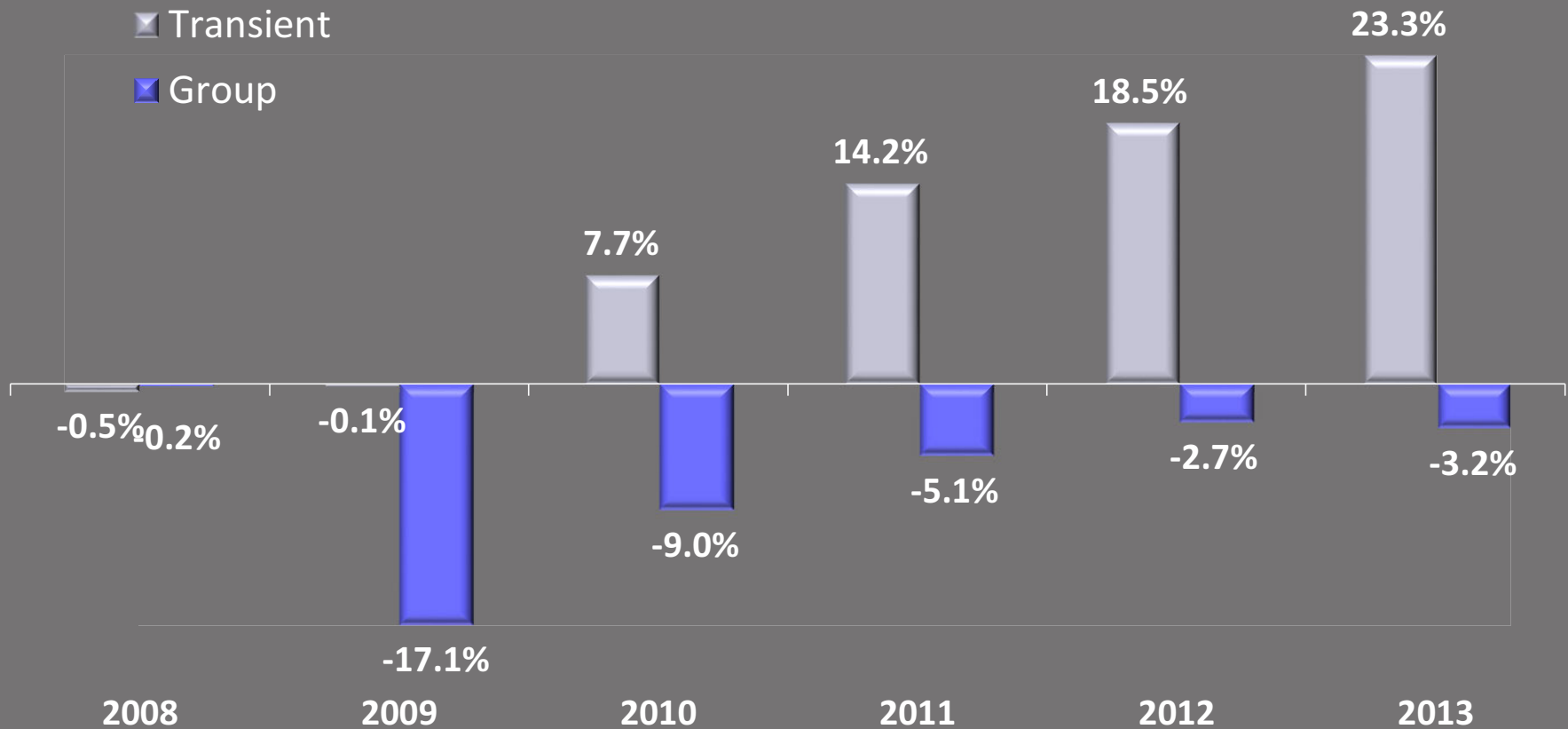


NOTE: Data is for upper tier hotels only (luxury chains, upper upscale chains, and upper tier independent hotels).

Total U.S. – Group Room Demand – in Millions; 12 MMA – 2005 to August 2013



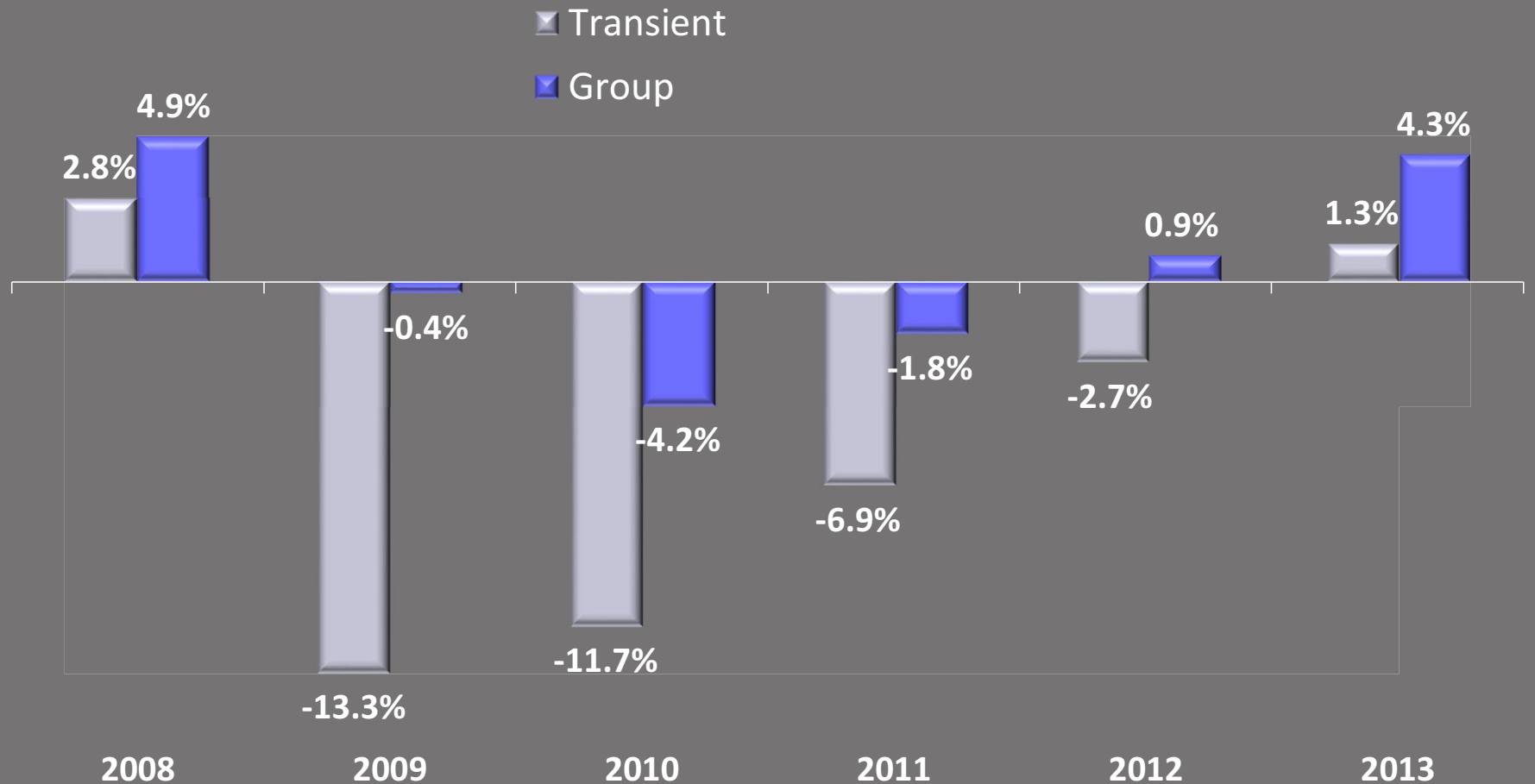
Demand YTD September Compared to 2007: Transient Drives Recovery



Segmentation Demand % Change, Sept. YTD 2008 through 2013 vs. Sept. YTD 2007



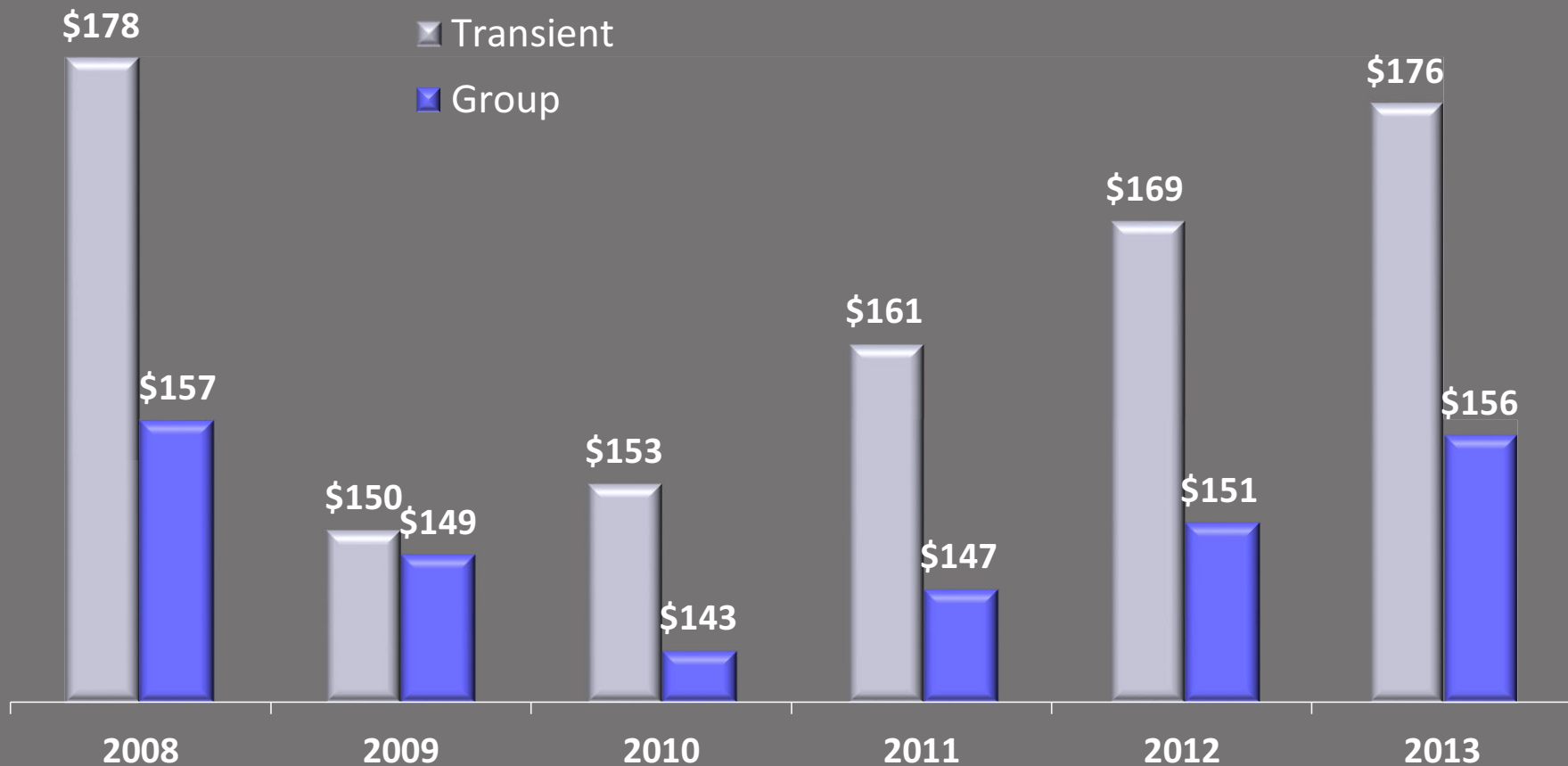
ADR YTD September Compared to 2007: The Worst Is Now Behind Us



Segmentation ADR % Change, Sept. YTD 2008 through 2013 vs. Sept. YTD 2007



ADR \$ YTD September : Transient Rooms Increase Premium



Segmentation ADR \$, YTD September 2008 - 2013





Markets

YTD September 2013 RevPAR: Best / Worst Performing Markets

| Market | RevPAR % Change | Market | RevPAR % Change |
|-----------------------------|--------------------|---------------------------|--------------------|
| Long Island | 19.4 | Scranton-Wilkes-Barre, PA | -0.6 |
| Oahu Island, HI | 14.3 | Charlotte, NC-SC | -1.0 |
| Houston, TX | 13.7 | Washington, DC-MD-VA | -1.2 |
| San Jose-Santa Cruz, CA | 13.6 | New York State | -1.2 |
| Florida Keys | 12.7 | Louisiana South | -1.3 |
| Nashville, TN | 12.4 | Indiana South | -2.4 |
| Oakland, CA | 12.3 | Chattanooga, TN-GA | -3.6 |
| San Francisco/San Mateo, CA | 12.1 | Pennsylvania Area | -5.1 |
| Jackson, MS | 11.4 | Louisiana North | -7.3 |
| Austin, TX | 11.1 | North Dakota | -13.2 |

YTD September 2013 ADR: Best / Worst Performing Markets

| Market | ADR % Change | Market | ADR % Change |
|-----------------------------|-----------------|---------------------------|-----------------|
| Oahu Island, HI | 14.9 | Albuquerque, NM | 0.6 |
| San Jose-Santa Cruz, CA | 10.1 | Alabama North | 0.6 |
| Texas West | 9.8 | Tampa-St Petersburg, FL | -0.2 |
| Hawaii-Kauai Islands | 9.5 | Pennsylvania Area | -0.2 |
| San Francisco/San Mateo, CA | 9.0 | Scranton-Wilkes-Barre, PA | -0.3 |
| Miami-Hialeah, FL | 8.7 | Charlotte, NC-SC | -1.0 |
| Oakland, CA | 8.4 | New Jersey Shore | -1.1 |
| Florida Keys | 8.3 | Louisiana North | -2.0 |
| Houston, TX | 7.8 | Indianapolis, IN | -2.2 |
| Greenville-Spartanburg, SC | 7.3 | North Dakota | -2.5 |

Pipeline

In Construction: Ground has been broken

Final Planning: Construction will begin within 12 months

Planning: Construction will begin within 13-24 months

Pre-Planning: Construction will begin in more than 24 months

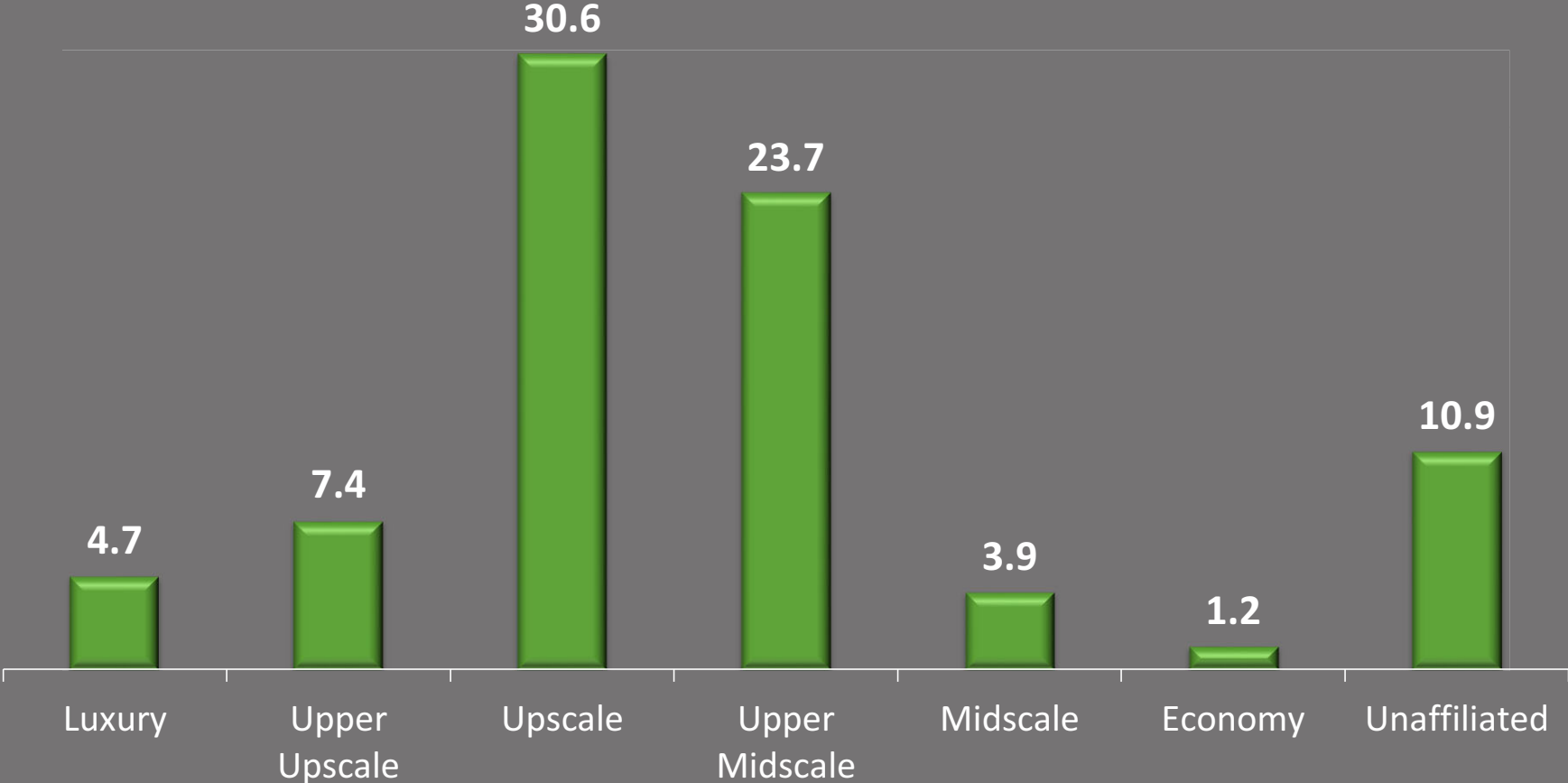
U.S. Pipeline: Construction Accelerates

| <u>Phase</u> | <u>2013</u> | <u>2012</u> | <u>% Change</u> |
|------------------------|-------------|-------------|-----------------|
| In Construction | 82 | 63 | 30% |
| Final Planning | 127 | 105 | 20% |
| Planning | 124 | 119 | 4% |
| Active Pipeline | 333 | 288 | 16% |

Total U.S. Pipeline, by Phase, '000s Rooms, September 2013 and 2012



Under Construction Rooms Mostly In Middle Segments



US Pipeline, Rooms Under Construction , '000s Rooms, by Scale, September 2013



Construction In Top 26 Markets: 9 With 2%+ Of Supply




| Market | Rooms UC | % Of Existing |
|------------------------|----------|---------------|
| Las Vegas, NV | | 0.0% |
| Oahu Island, HI | | 0.0% |
| Boston, MA | 127 | 0.2% |
| Minn-St Paul, MN-WI | 100 | 0.3% |
| San Fran-San Mateo, CA | 174 | 0.3% |
| Norfolk-VA Beach, VA | 168 | 0.4% |
| Atlanta, GA | 604 | 0.6% |
| Phoenix, AZ | 422 | 0.7% |
| Detroit, MI | 329 | 0.8% |
| St Louis, MO-IL | 385 | 1.0% |
| Dallas, TX | 1,026 | 1.3% |
| Chicago, IL | 1,492 | 1.4% |
| San Diego, CA | 812 | 1.4% |
| Tampa-St Pete, FL | 614 | 1.4% |
| Philadelphia, PA-NJ | 778 | 1.7% |
| Anaheim-Santa Ana, CA | 996 | 1.8% |
| New Orleans, LA | 699 | 1.9% |
| Orlando, FL | 2,572 | 2.2% |
| Houston, TX | 1,849 | 2.5% |
| LA-Long Beach, CA | 2,422 | 2.5% |
| Seattle, WA | 1,043 | 2.6% |
| Washington, DC-MD-VA | 2,868 | 2.7% |
| Miami-Hialeah, FL | 1,434 | 3.0% |
| Nashville, TN | 1,168 | 3.1% |
| Denver, CO | 1,855 | 4.5% |
| New York, NY | 12,920 | 12.2% |




US Pipeline, Top 26 Markets, U/C Rooms as % of Existing Supply, September 2013



2013/2014 YE Forecast

Forecast summary

| 2013 |  |  |  |
|-------------|---|---|---|
| Supply | 0.8% | 0.8% | 0.8% |
| Demand | 2.2% | 2.4% | 2.2% |
| Occupancy | 1.4% | 1.6% | 1.4% |
| ADR | 4.2% | 4.2% | 4.2% |
| RevPAR | 5.7% | 5.9% | 5.6% |

| 2014 |  |  |  |
|-------------|---|---|---|
| Supply | 1.1% | 1.1% | 1.0% |
| Demand | 2.4% | 3.1% | 2.1% |
| Occupancy | 1.3% | 1.9% | 1.2% |
| ADR | 4.6% | 5.2% | 4.7% |
| RevPAR | 6.0% | 7.2% | 5.9% |

*as of September 6th , 2013



Total United States

Chain Scale Key Performance Indicator Outlook 2013F by Chain Scale

| 2013 Year End Outlook | | | |
|----------------------------|-------------------|-------------|---------------|
| Chain Scale | Occupancy (% chg) | ADR (% chg) | RevPAR (%chg) |
| Luxury | 2.3% | 5.4% | 7.8% |
| Upper Upscale | 0.9% | 4.2% | 5.1% |
| Upscale | 1.1% | 4.4% | 5.5% |
| Upper Midscale | 0.9% | 3.6% | 4.5% |
| Midscale | 1.1% | 2.6% | 3.7% |
| Economy | 1.7% | 3.2% | 4.9% |
| Independent | 1.9% | 4.3% | 6.3% |
| Total United States | 1.4% | 4.2% | 5.7% |

*as of September 6th, 2013



Total United States

Chain Scale Key Performance Indicator Outlook 2014F by Chain Scale

| 2014 Year End Outlook | | | |
|----------------------------|----------------------|----------------|---------------|
| Chain Scale | Occupancy (% chg) | ADR (% chg) | RevPAR (%chg) |
| Luxury | 2.7% | 5.4% | 8.3% |
| Upper Upscale | 0.2% | 4.6% | 4.8% |
| Upscale | 2.7% | 5.0% | 7.8% |
| Upper Midscale | 0.2% | 3.2% | 3.4% |
| Midscale | 1.2% | 3.3% | 4.5% |
| Economy | 2.8% | 3.7% | 6.6% |
| Independent | 0.6% | 5.2% | 5.8% |
| Total United States | 1.3% | 4.6% | 6.0% |

*as of September 6th, 2013



New York RevPAR Growth Expected at 6% for 2013

| -5% to 0% | 0% to 5% | 5% to 10% | 10% to 15% |
|---------------|--------------|-------------|---------------|
| Washington DC | Boston | Anaheim | Houston |
| | New Orleans | Atlanta | Oahu |
| | Norfolk | Chicago | San Francisco |
| | Philadelphia | Dallas | |
| | Phoenix | Denver | |
| | San Diego | Detroit | |
| | Tampa | Los Angeles | |
| | | Miami | |
| | | Minneapolis | |
| | | Nashville | |
| | | New York | |
| | | Orlando | |
| | | Seattle | |
| | | St Louis | |

2013 Year End RevPAR Forecast
 (August 2013 Forecast – sorted alphabetically)



Takeaways

- **Supply Growth: Slow**
- **Demand Growth: Healthy**
- **ADR Growth: Driving RevPAR**
- **Outlook: Positive**