Industry overview

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CSO
STR

Wi-Fi password: Groups360 #hoteldataconf hoteldataconference

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Industry Overview:
What Says the Canary?

Elizabeth Winkle – Chief Strategy Officer, STR

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*NB: No canaries were harmed in the making of this presentation.

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Agenda:

Supply Growing

Occupancy Declining

Rate Growth Softening

RevPAR Turning

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US Hotel Industry: Still at Record Levels for all KPIs

		% Change	CAGR
Room Supply	1.9 bn	1.7%	1.4%
Room Demand	1.2 bn	2.2%	1.6%
Occupancy	65.6%	0.5%	0.1%
ADR	$125.50	2.7%	2.6%
RevPAR	$82.38	3.2%	2.7%
Room Revenue	$152.5 bn	4.9%	4.2%

June 2017 12 MMA, Total US Results

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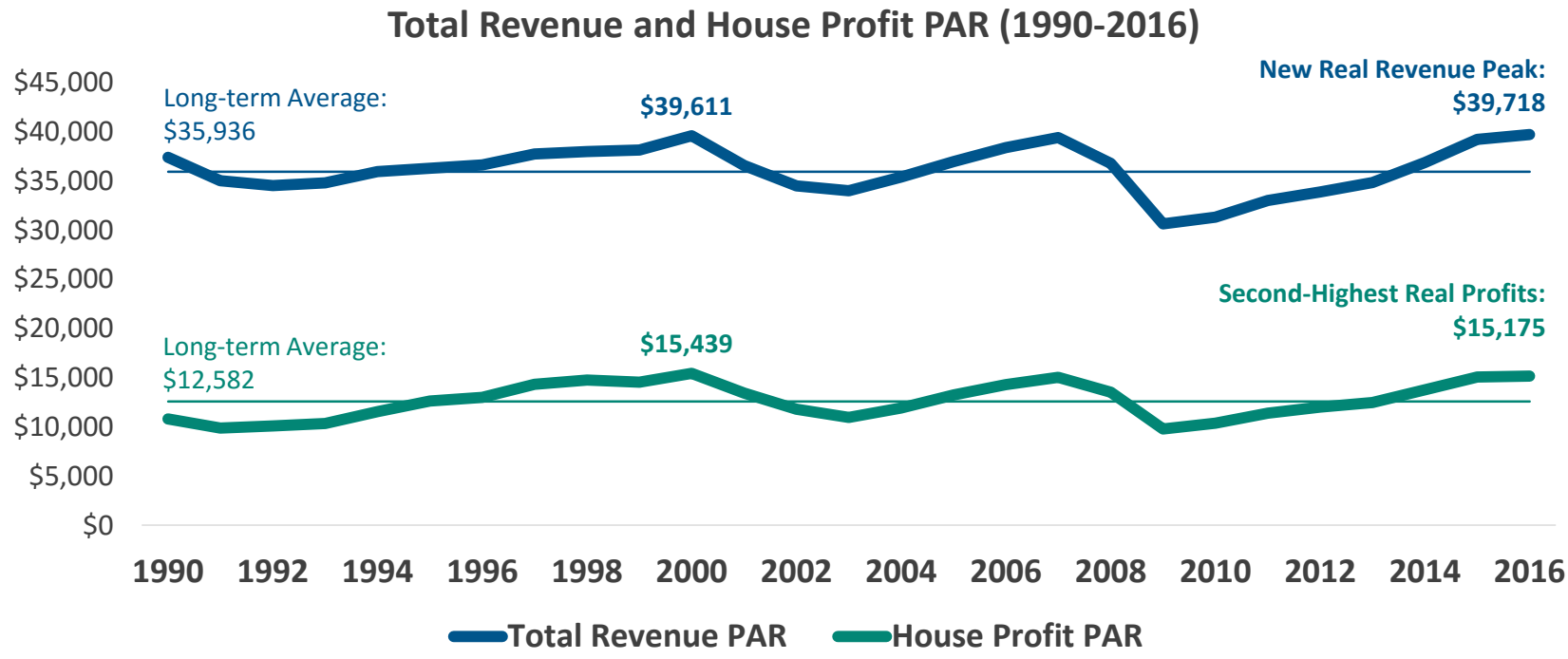
Total US: Real Revenues and Profits are at Peak Levels



Source: STR 2016 HOST Almanac

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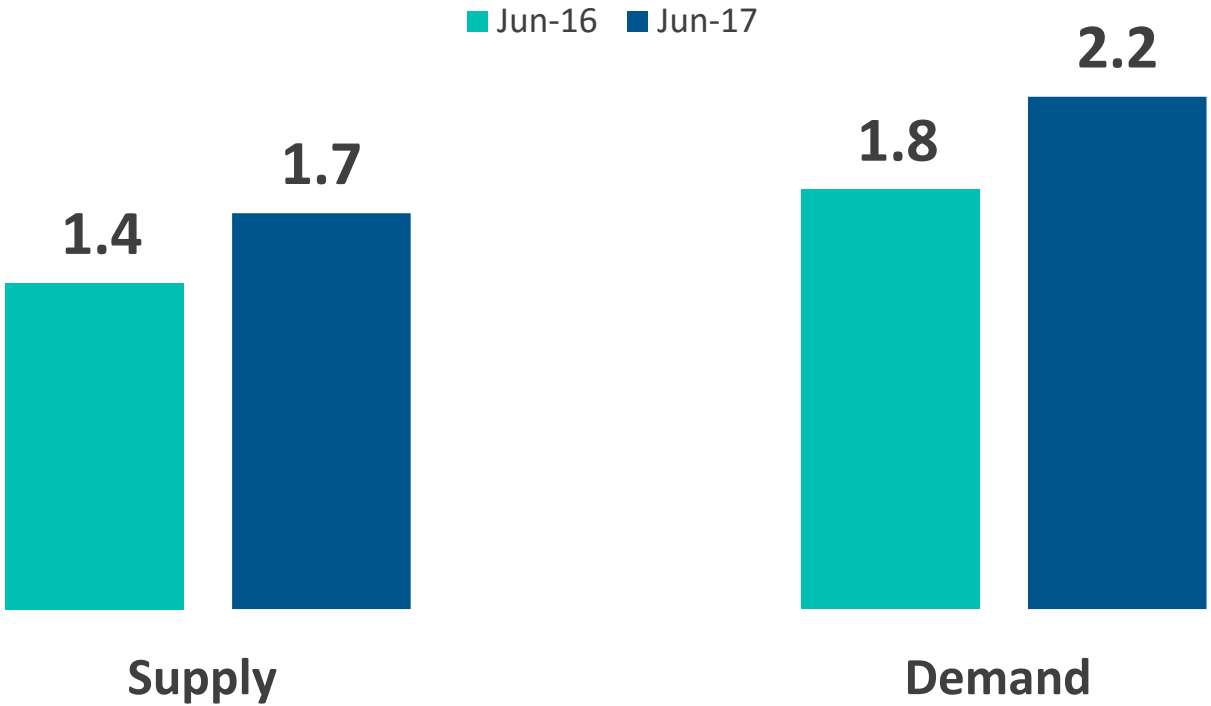
Supply Growing

Total US: Supply Growth is Up as is Demand



Total US Results, 12MMA, % change

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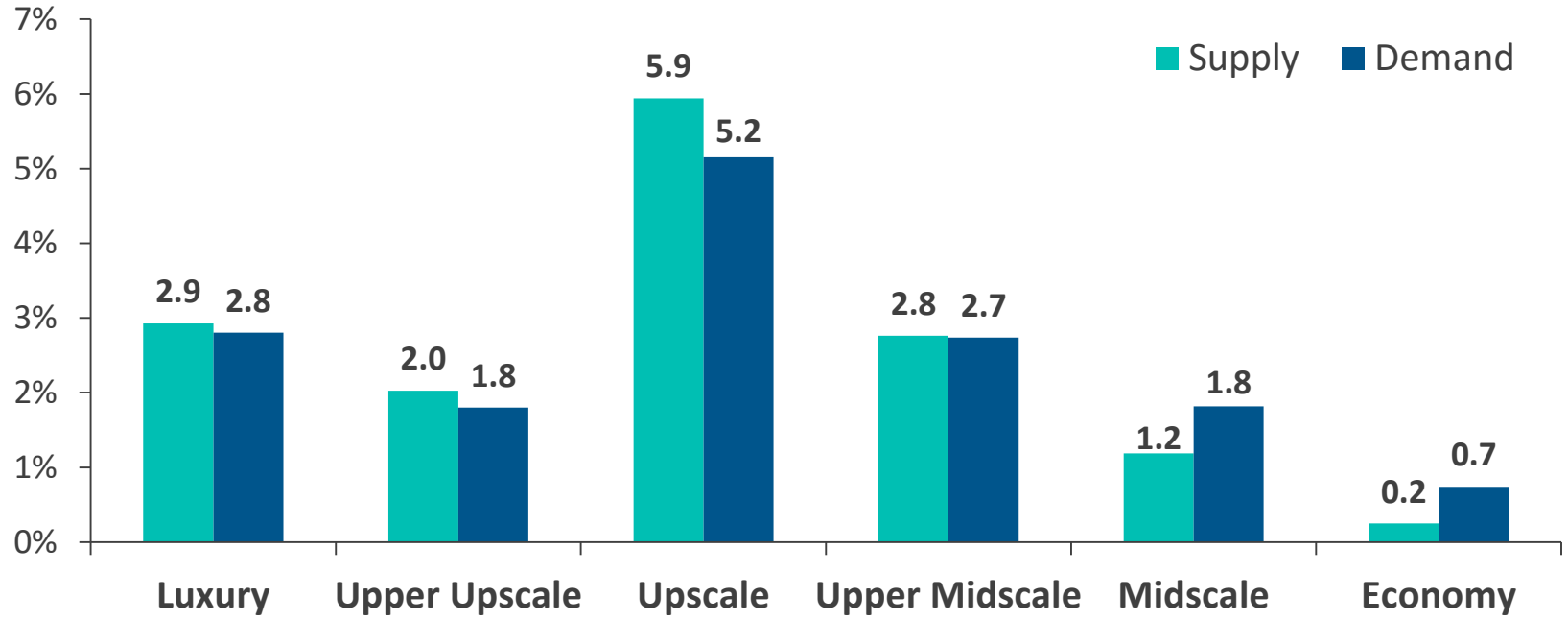
Total US: All About Select Service



June 2017 12 MMA, Total US Chain Scale Supply/ Demand % Change Results

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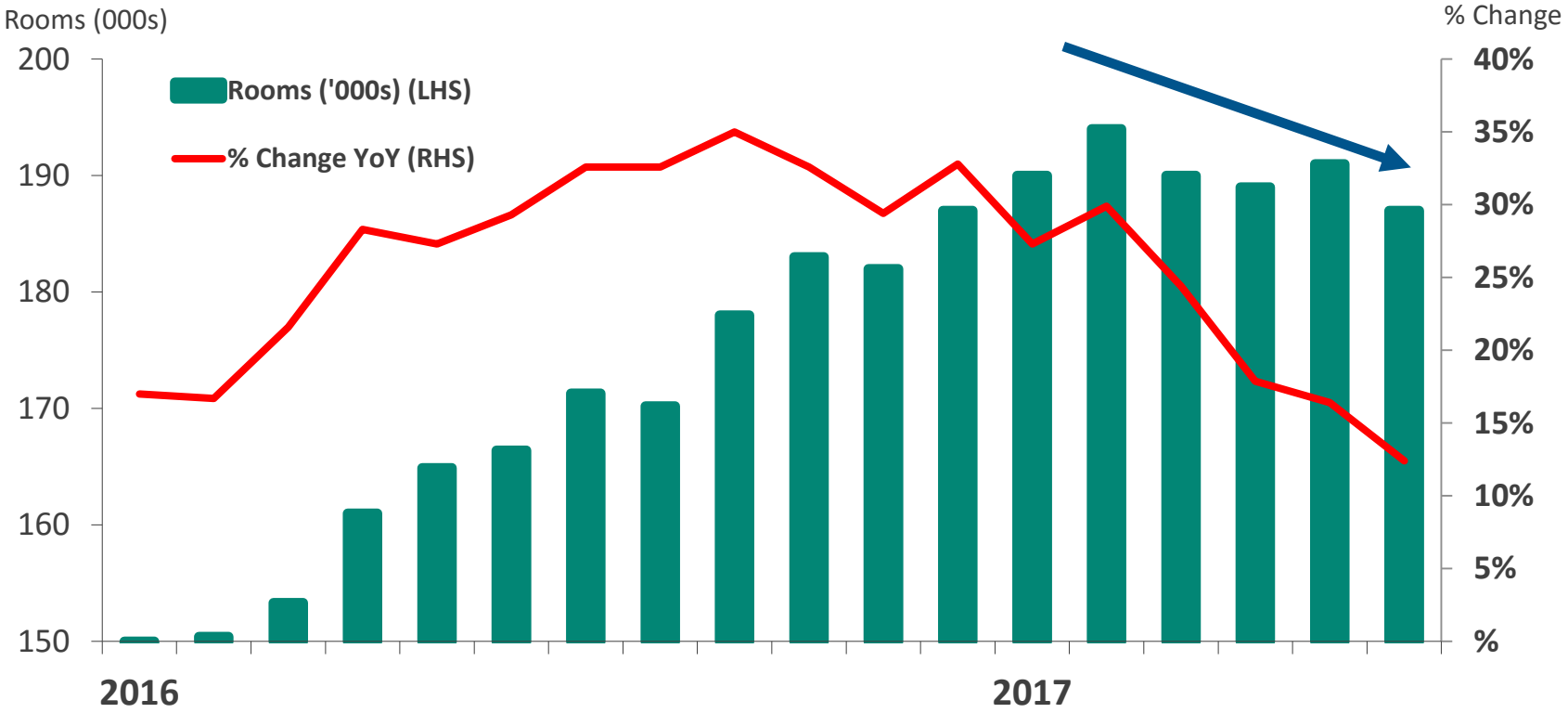
Total US: Rooms In Construction Declines Sequentially



*Total U.S Pipeline, Rooms In Construction and % Change from Same Month Prior Year, 1/2016 – 6/2017

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Top 25: Supply Growth ≥ 2.0% for 16 markets

June 2017 YTD, Top 25 Rooms Supply % Change Results

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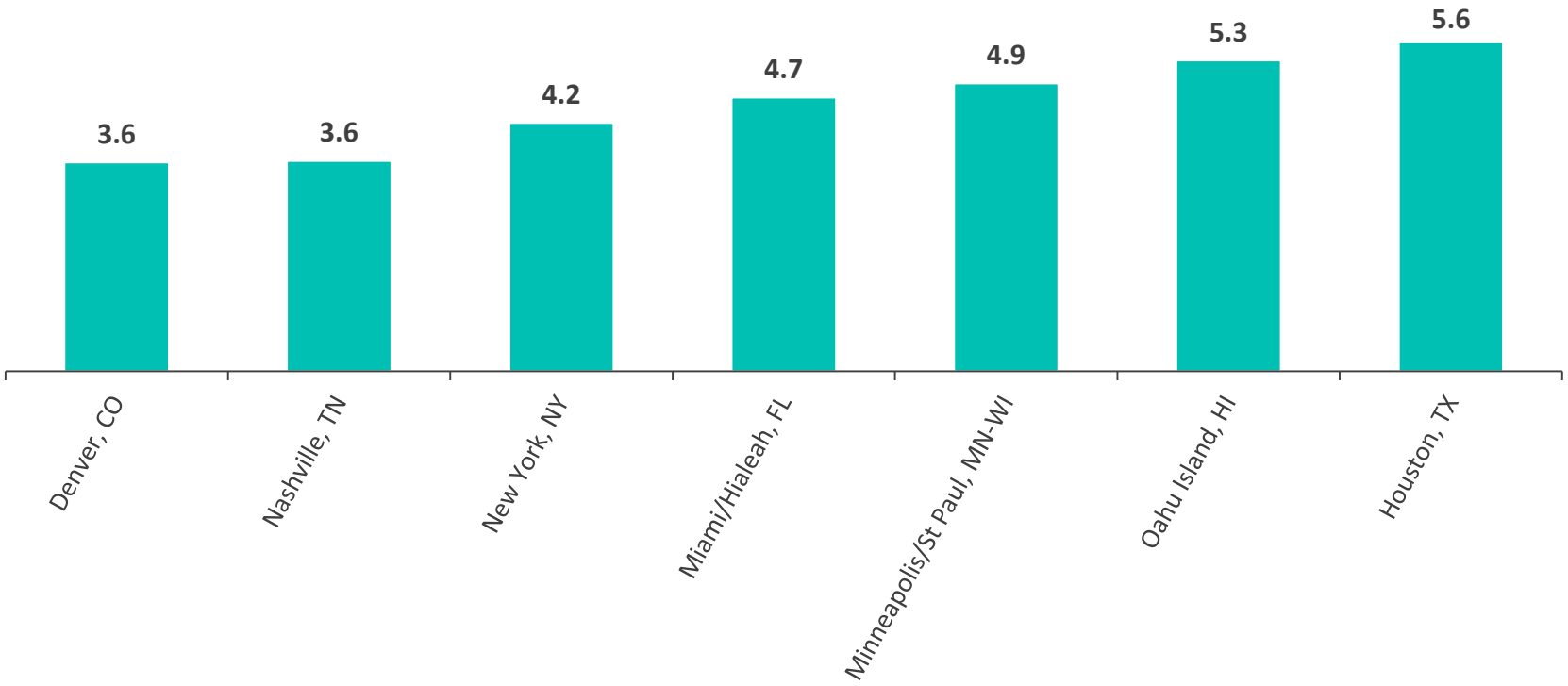
Top 25: Impactful Supply increase in 7 Markets



June 2017 YTD, Supply % Change Results

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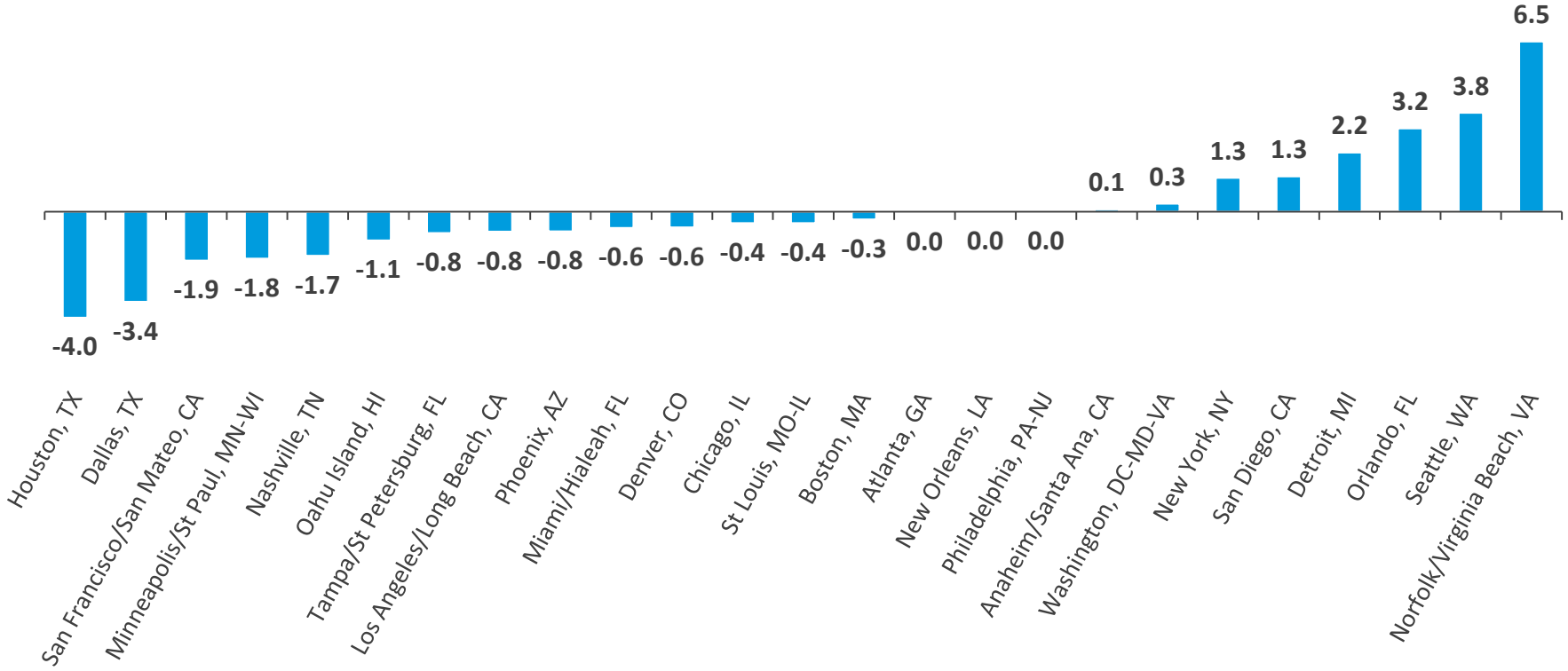
Occupancy Declining

Top 25: Occupancy Declines for ~70% of markets



June 2017 YTD, Top 25 Occupancy % Change

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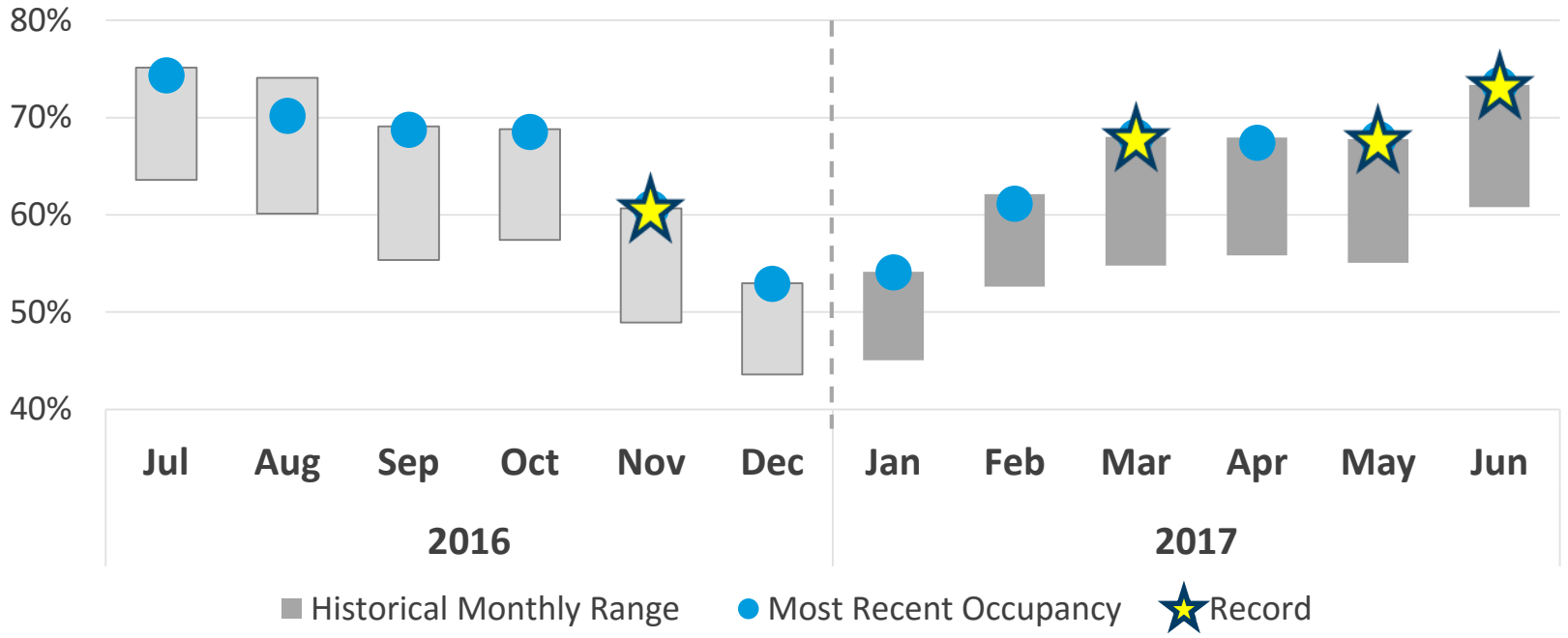
Total US: Absolute Occupancy at Record Levels



Historical US Monthly Occupancy 01/1987- 06/2017

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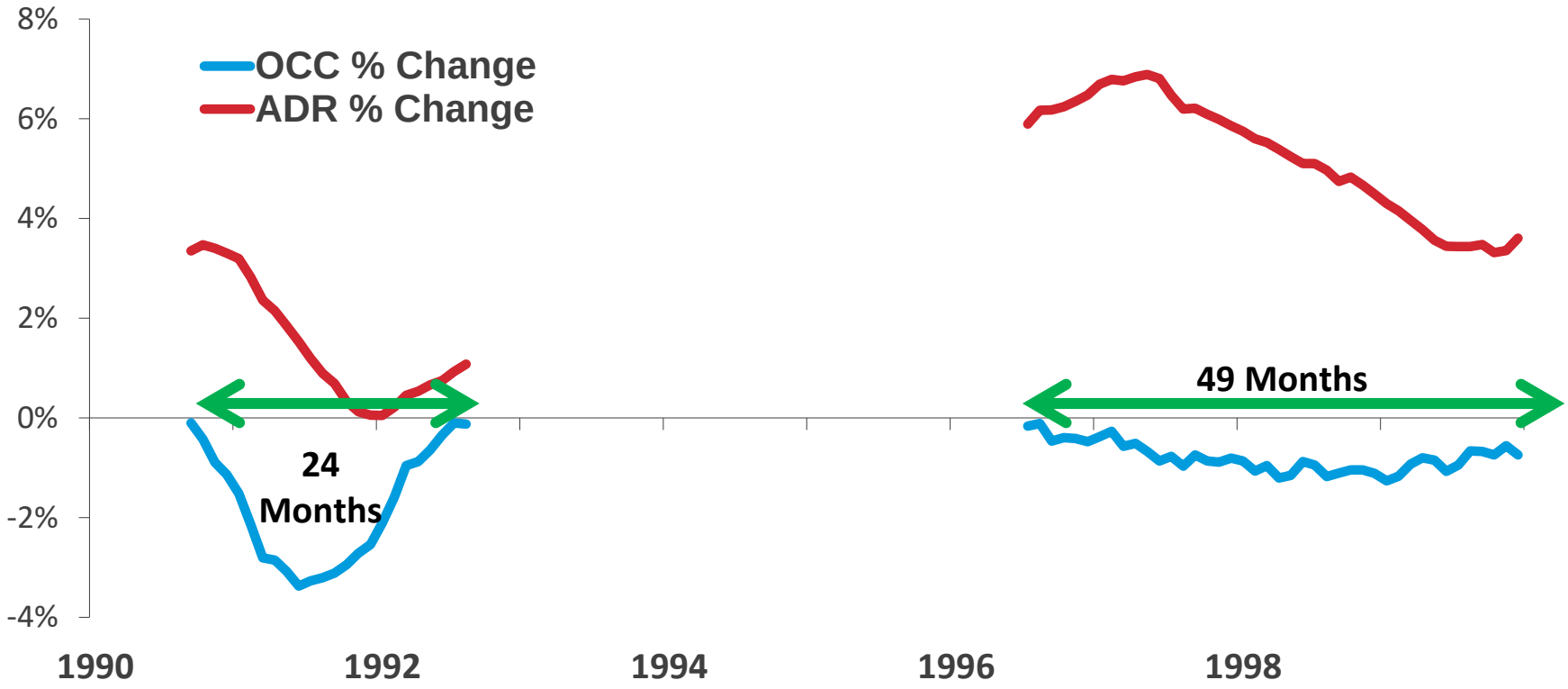
Total US: Declining Occupancies ≠ Declining ADRs



Total U.S., ADR & OCC % Change, 12 MMA 1/1990 – 12/1999

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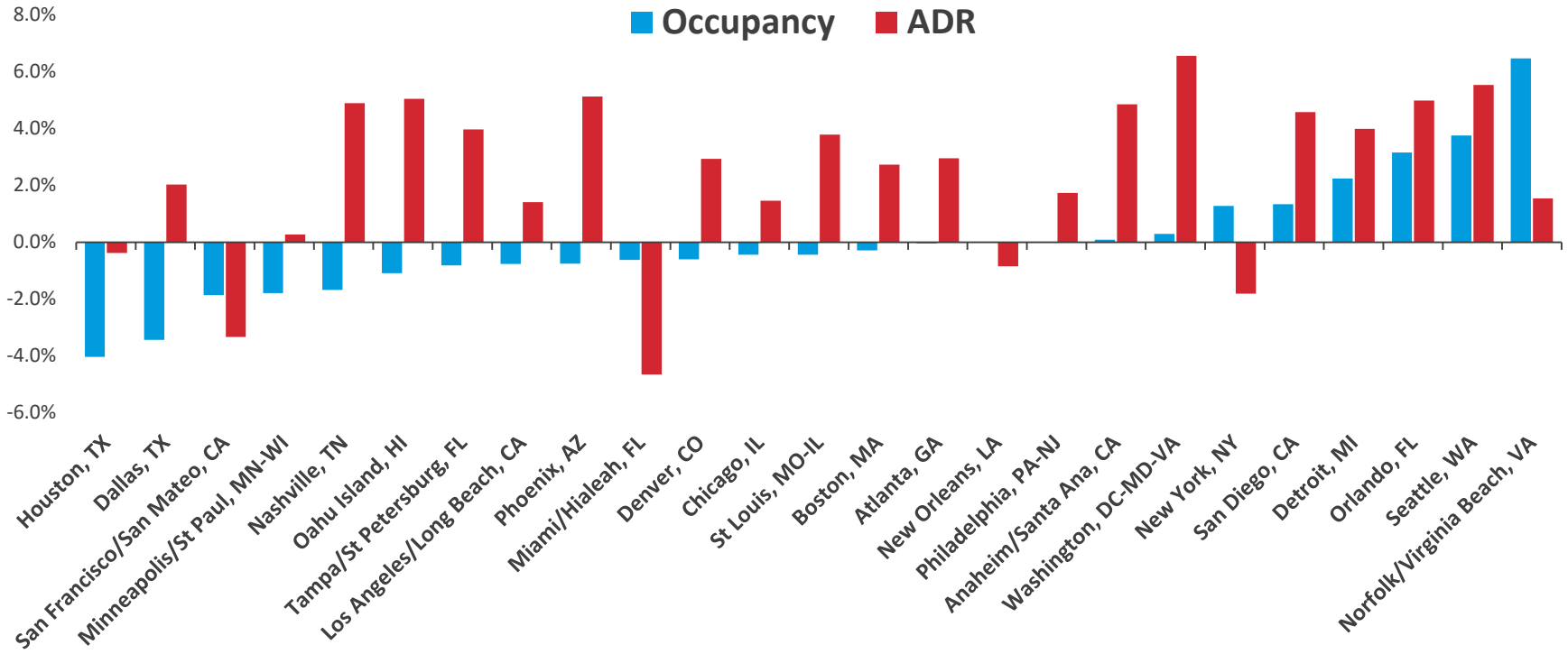
Rate Growth Softening

Top 25: Pricing Power Exists



Occupancy & ADR % Change, June 2017 YTD

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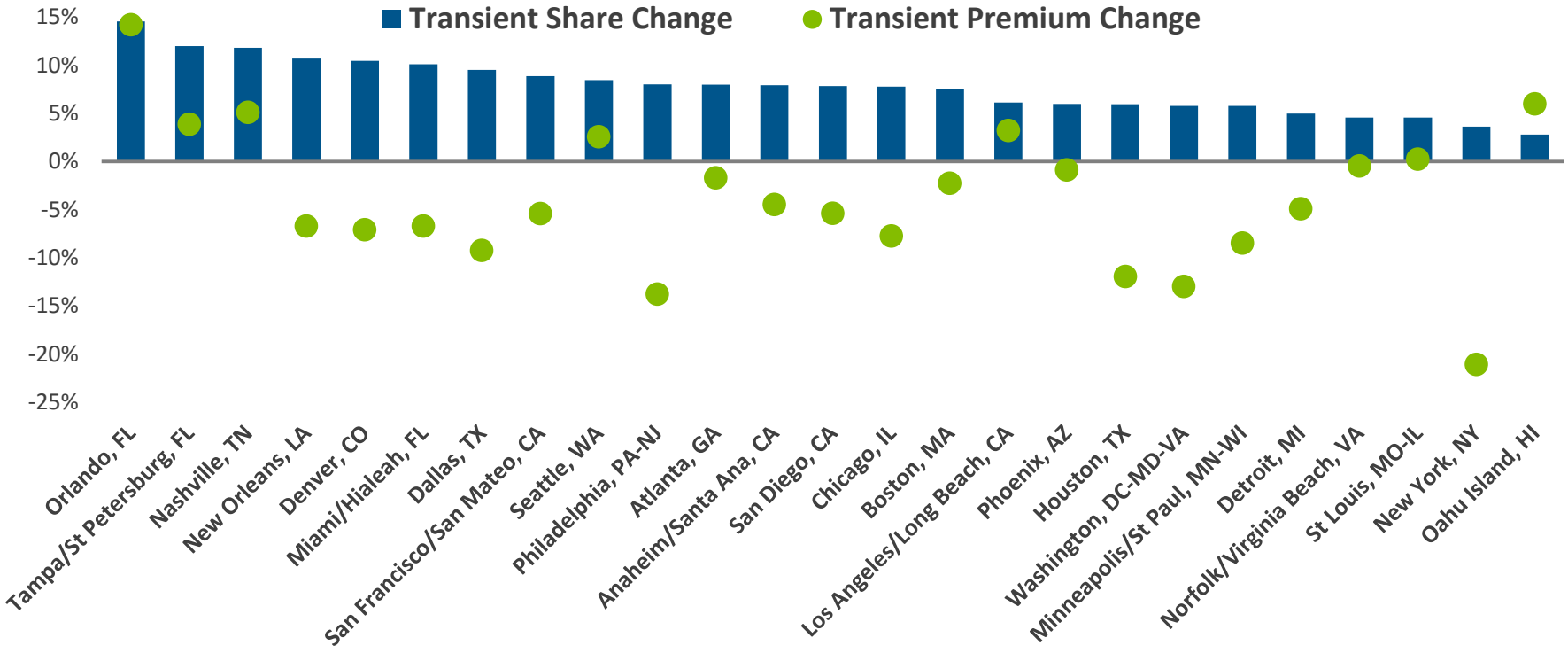
Top 25: Transient Share Increasing, Premiums Decreasing



Transient Share Change: Difference between market's Luxury and Upper Upscale Transient Demand share of Transient+ Group Luxury and Upper Upscale Demand, 12MMA, 12/2016 vs 12/2006

Transient Premium Change: Difference between market's Luxury and Upper Upscale Transient ADR premium over Group ADR, 12MMA, 12/2016 vs. 12/ 2006

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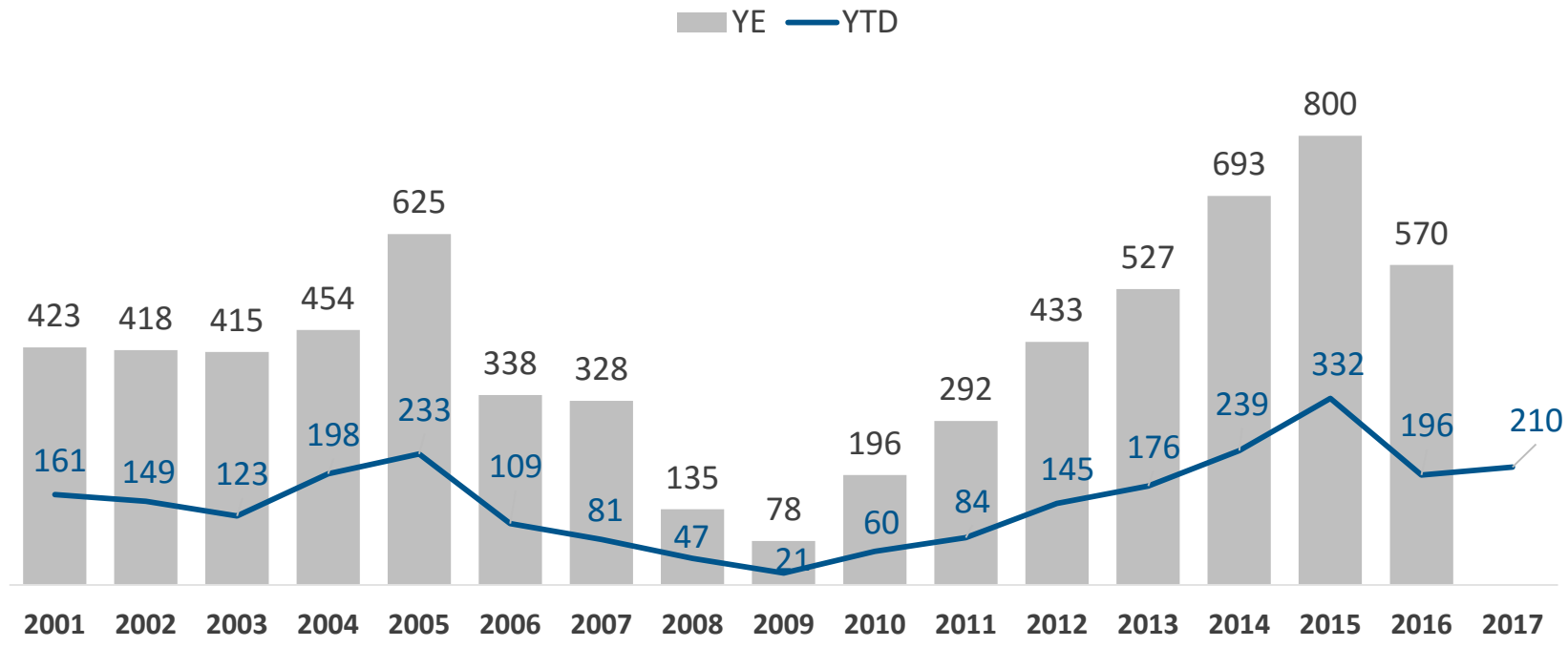
Total US: Number of Compression Nights Still Growing



US compression nights for all US markets combined
Compression defined as >= 95% occupancy

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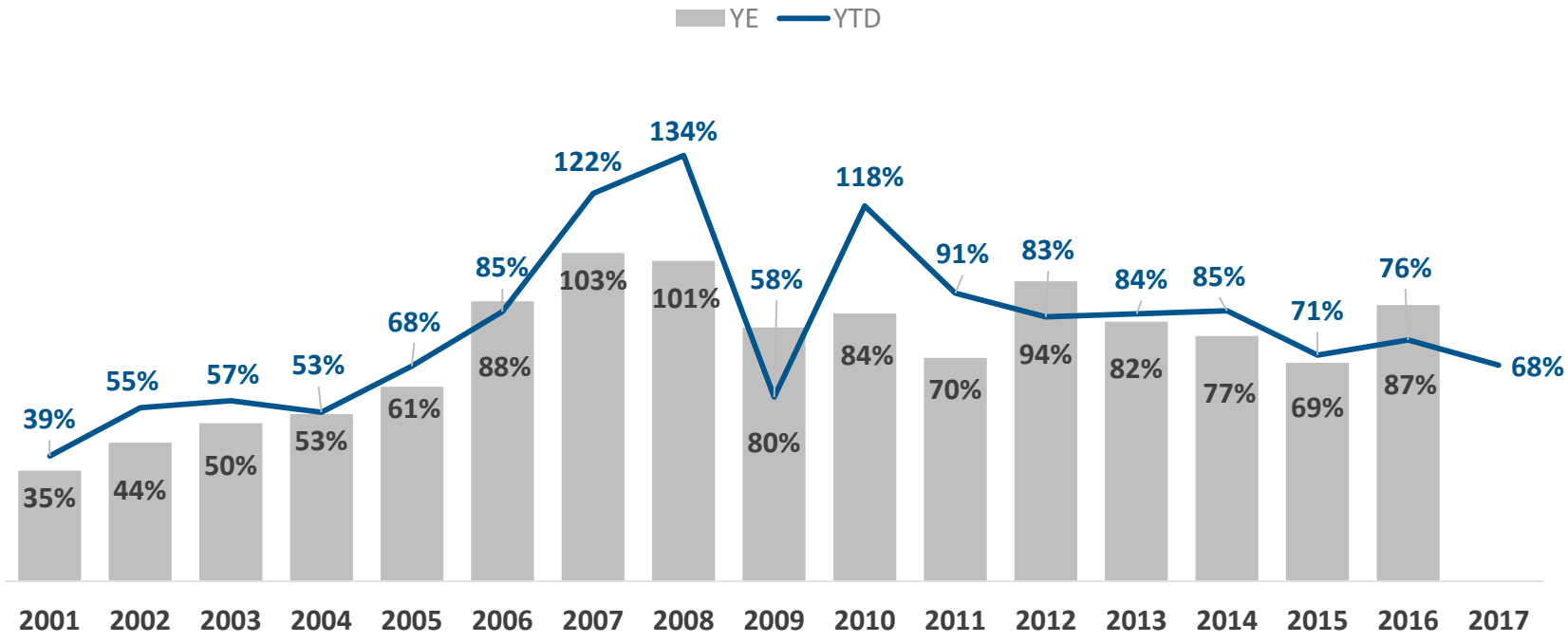
But Pricing Power on Compression Nights is Dropping



US compression nights for all US markets combined
Compression >= 95% occupancy

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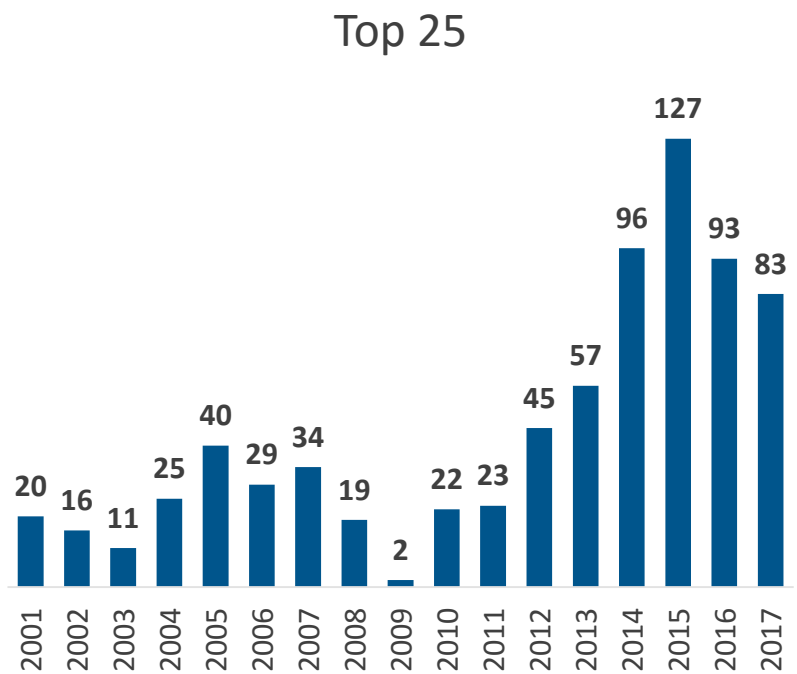
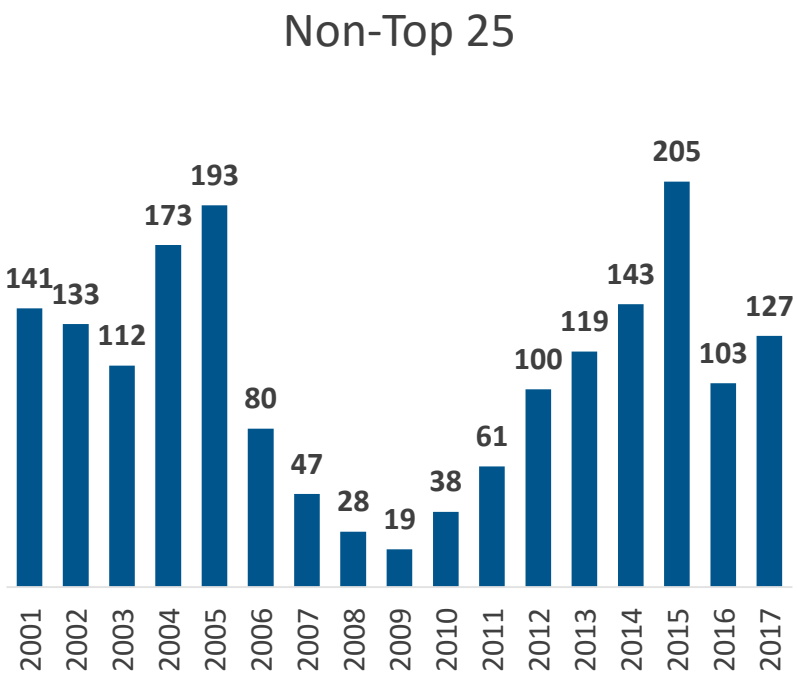
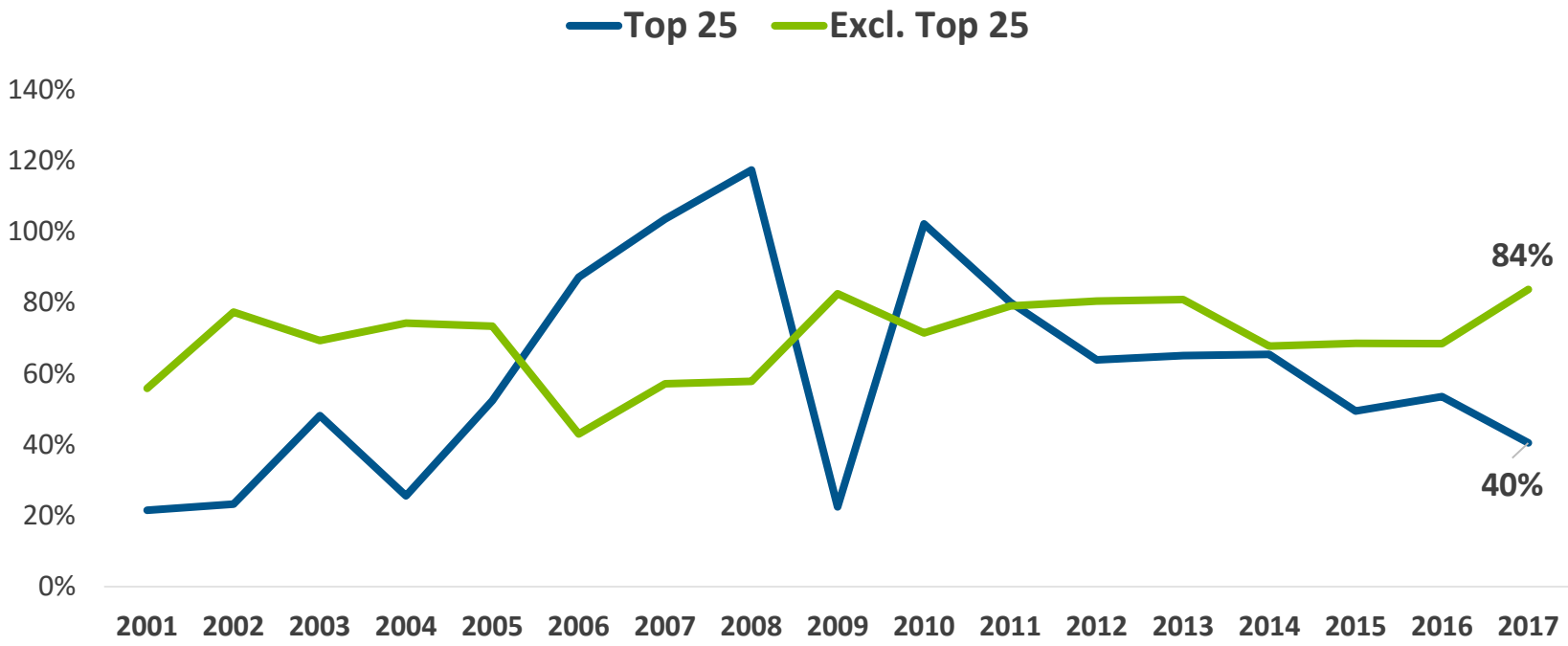
Total US: Compression Night Growth in non-Top 25 Markets (YTD)





US compression nights for all US markets combined
Compression >= 95% occupancy

Total US: Rate Premiums Significantly Higher in non-Top 25



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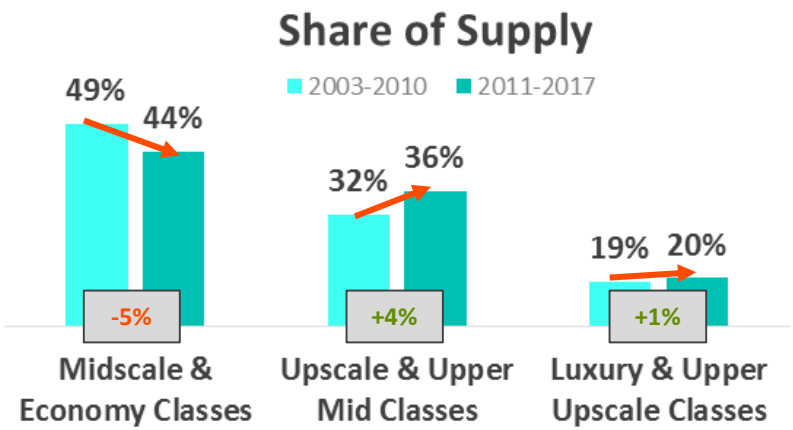
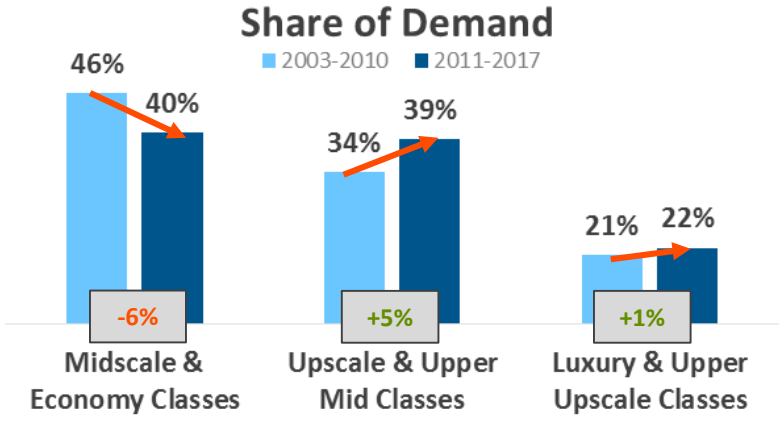
Total US: Share Shift from Midscale & Economy





Total US Rooms Supply and Demand 1/2003-6/2017

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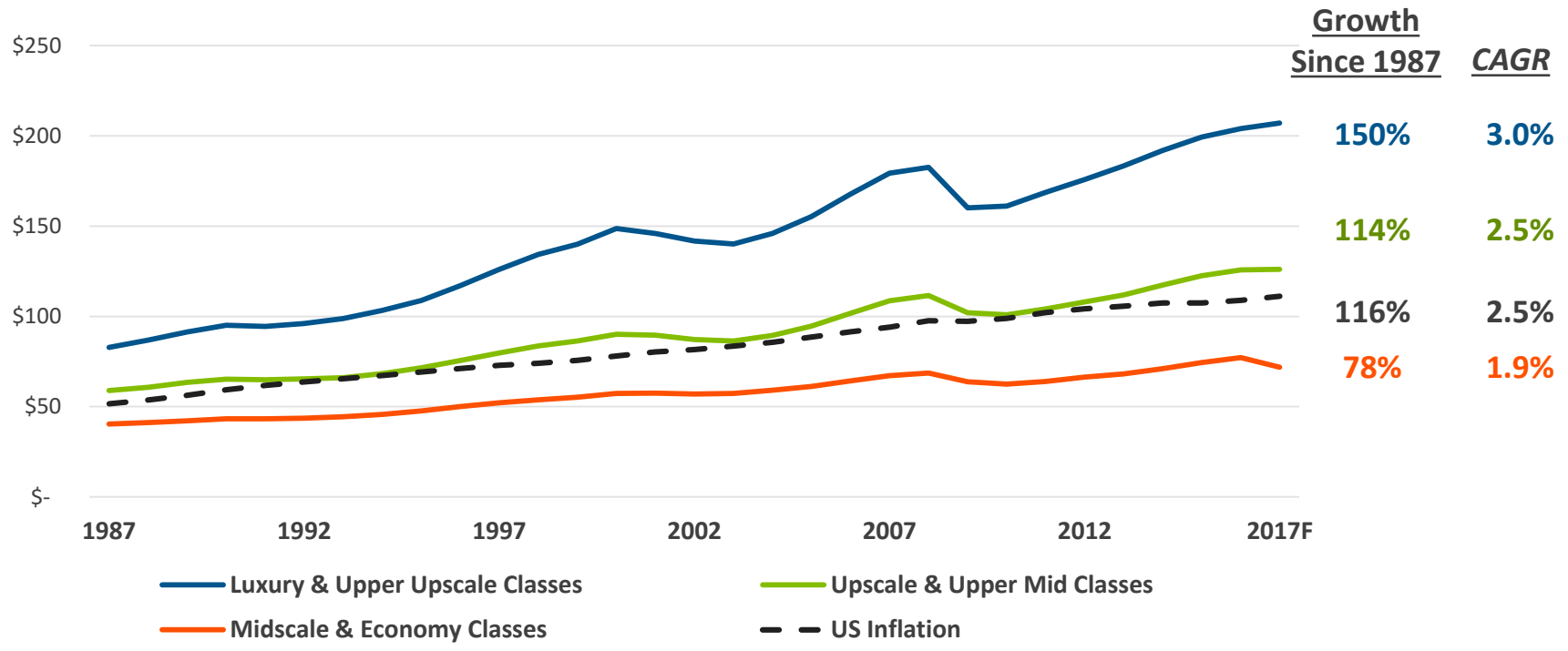
Total US: ADR Growth Rates Stronger in Upper Tiers



Annual ADR by Collapsed Class 1987- 2017(Forecasted)

Inflation Data Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis

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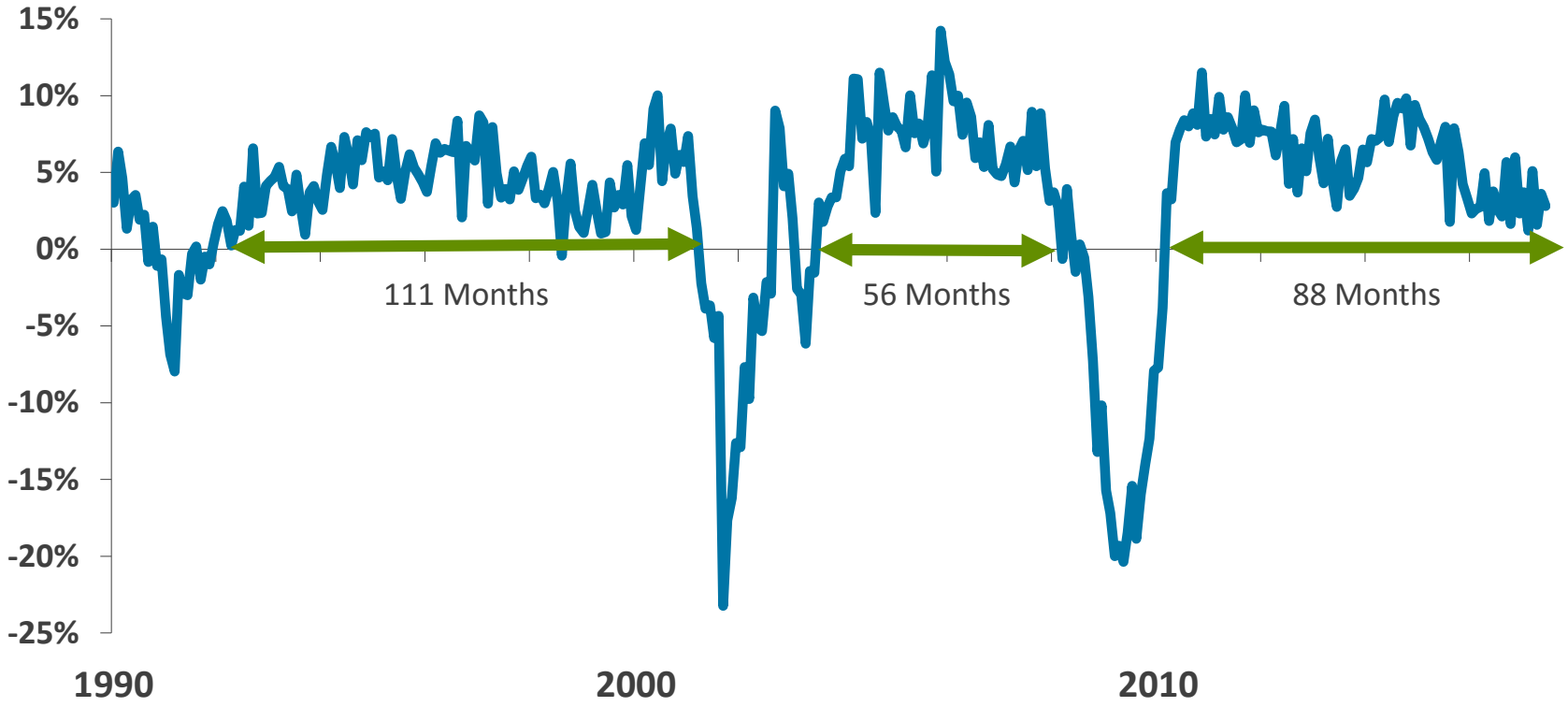
RevPAR

turning Negative (in some markets)

US Total: RevPAR Growth - 7 Years And Counting



Total U.S., RevPAR % Change, 1/1990 – 6/2017

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Total US: June YTD RevPAR 5 Markets Dragged Down Results

Total US YTD: **+3.0%**

NYC:	- 0.6%
Dallas	- 1.5%
Houston	- 4.4%
San Francisco:	- 5.1%
Miami:	- 5.2%

Total US excluding 5 bottom markets: **+3.8%**

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Total US: June YTD 5 Markets Brought up US Results

Total US YTD:		**+3.0%**
	Seattle	9.5%
	Orlando	8.3%
	Norfolk	8.1%
	Riverside	7.3%
	DC	6.9%
Total US excluding 5 top markets:		**+2.6%**

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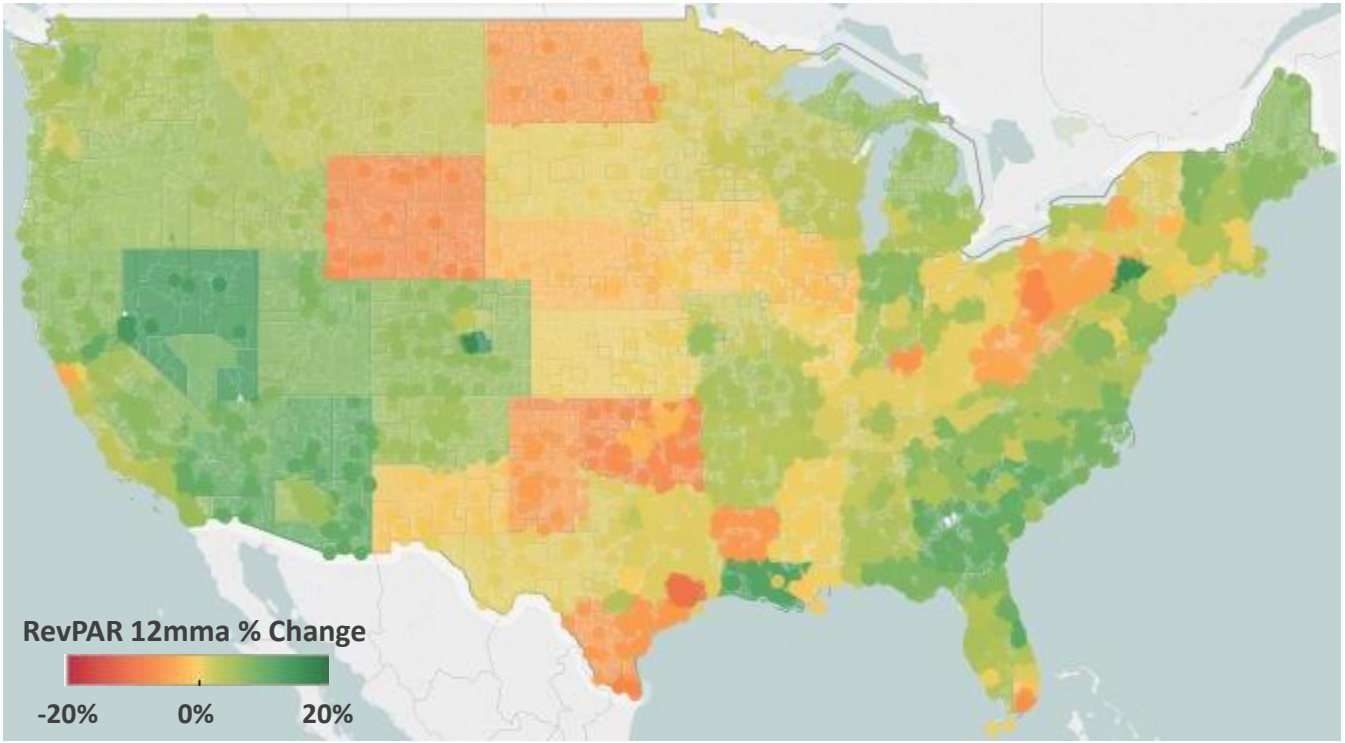
Total US: Only 20% of Markets Post Negative RevPAR Performance



June 2017

3.2%
US RevPAR

33 of 164
Markets with Negative RevPAR

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Canary Warnings:

Supply growth accelerating - ***A concern in some markets but still small compared to what we normally see in this phase of an expansion cycle***

Occupancy declining - ***due to hefty supply increase or capacity constraints***

Rate softening - ***but still growing and pricing opportunities exist***

RevPAR turning negative - ***in markets with underlying supply and/or demand issues but is not materially different from '16***

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Perhaps we're watching the wrong birds…

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Perhaps we're watching the wrong birds…

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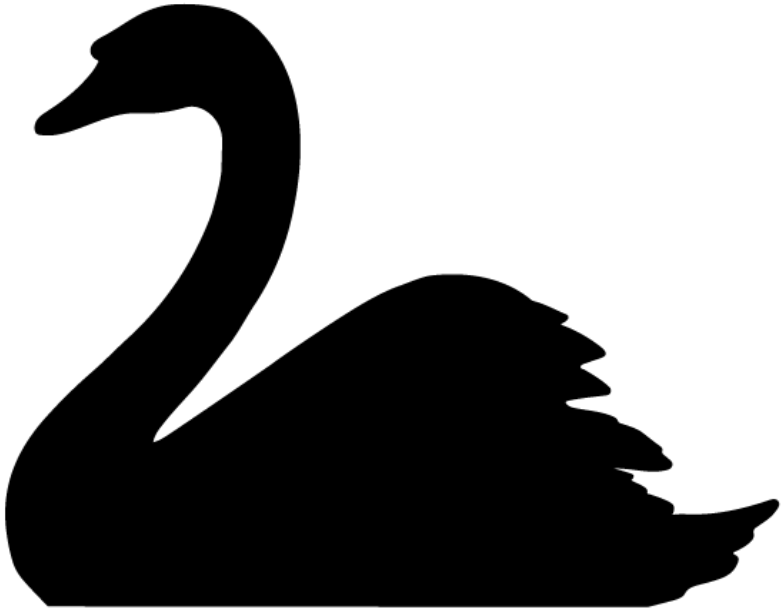
Maybe we're watching the wrong birds…



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