

Hospitality Forum: Playing Your Cards in 2012

Where Are We Headed?



Governor Hotel - Portland
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Topics

- **The Economy**
- **Our Forecasts**
- **Some Things to Think About**

How Accurate Have We Been?

ACCURACY ASSESSMENT

United States

	<u>2011</u>		<u>2012</u>	
	<u>March 2011</u>	<u>Year End Actual</u>	<u>March 2011</u>	<u>Current Forecast</u>
Occupancy	60.1%	60.1%	61.7%	61.0%
ADR	4.6%	3.7%	7.0%	4.1%
RevPAR	9.0%	8.2%	9.9%	5.8%
	Not Too Bad		ADR Growth Revised Downward	

The Economy

Some Disconnects

A Fundamentally Good Sign:

Lodging Demand Has Recovered in Most of Our 50 Hotel Horizons® Markets

Market	Number of Markets at or Above Past Peak Demand as of Q3 2011*
All Hotels	41
Upper-Priced	49
Lower-Priced	16

* Four Quarter Moving Average

Something Different This Time Around:

Fact:

Changes in Total Employment

Correlate Closely with Changes in Lodging Demand

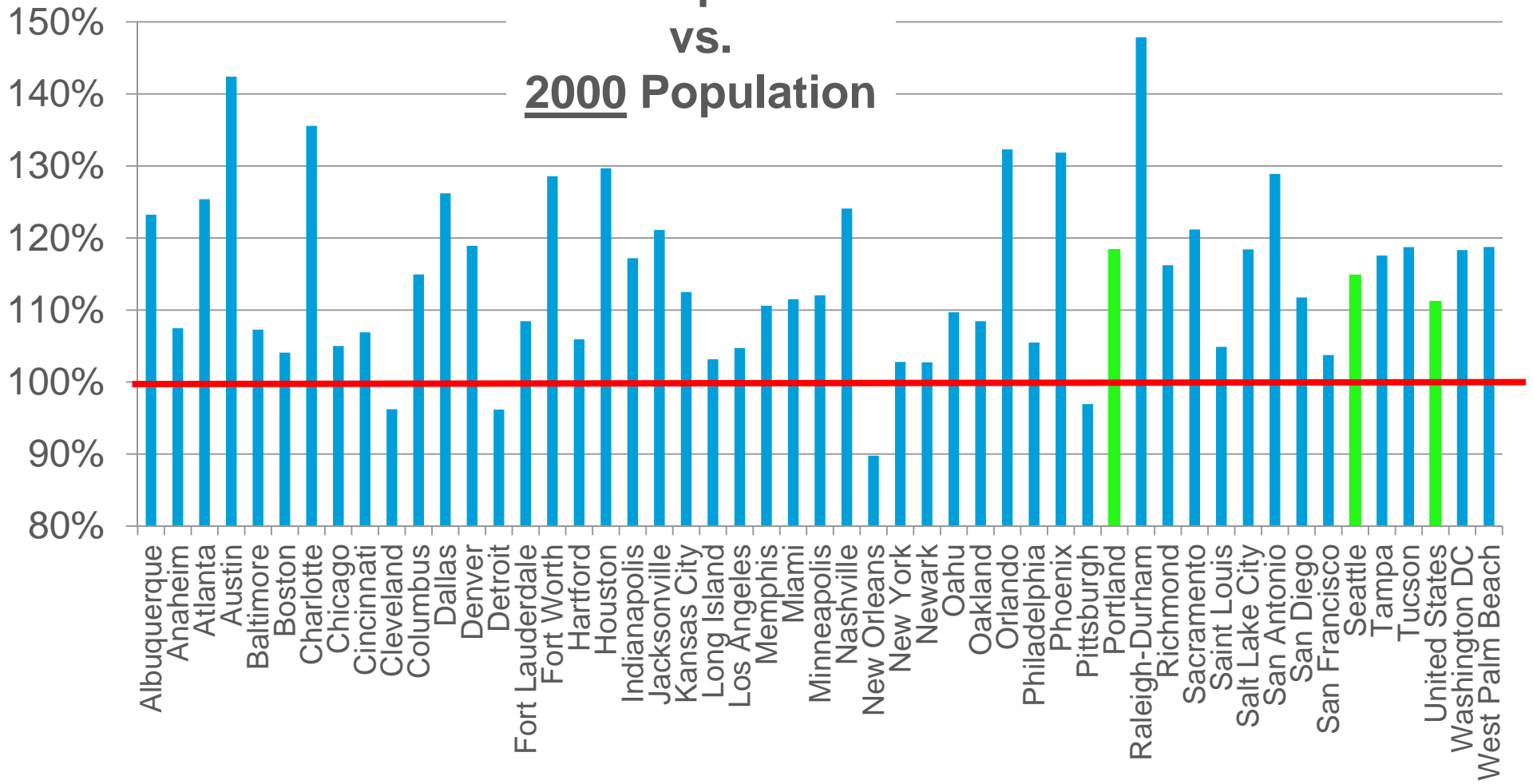
Fact:

There are **Fewer** Jobs in America Today

Than There were in the Year **2000**

Not Because There are Fewer People

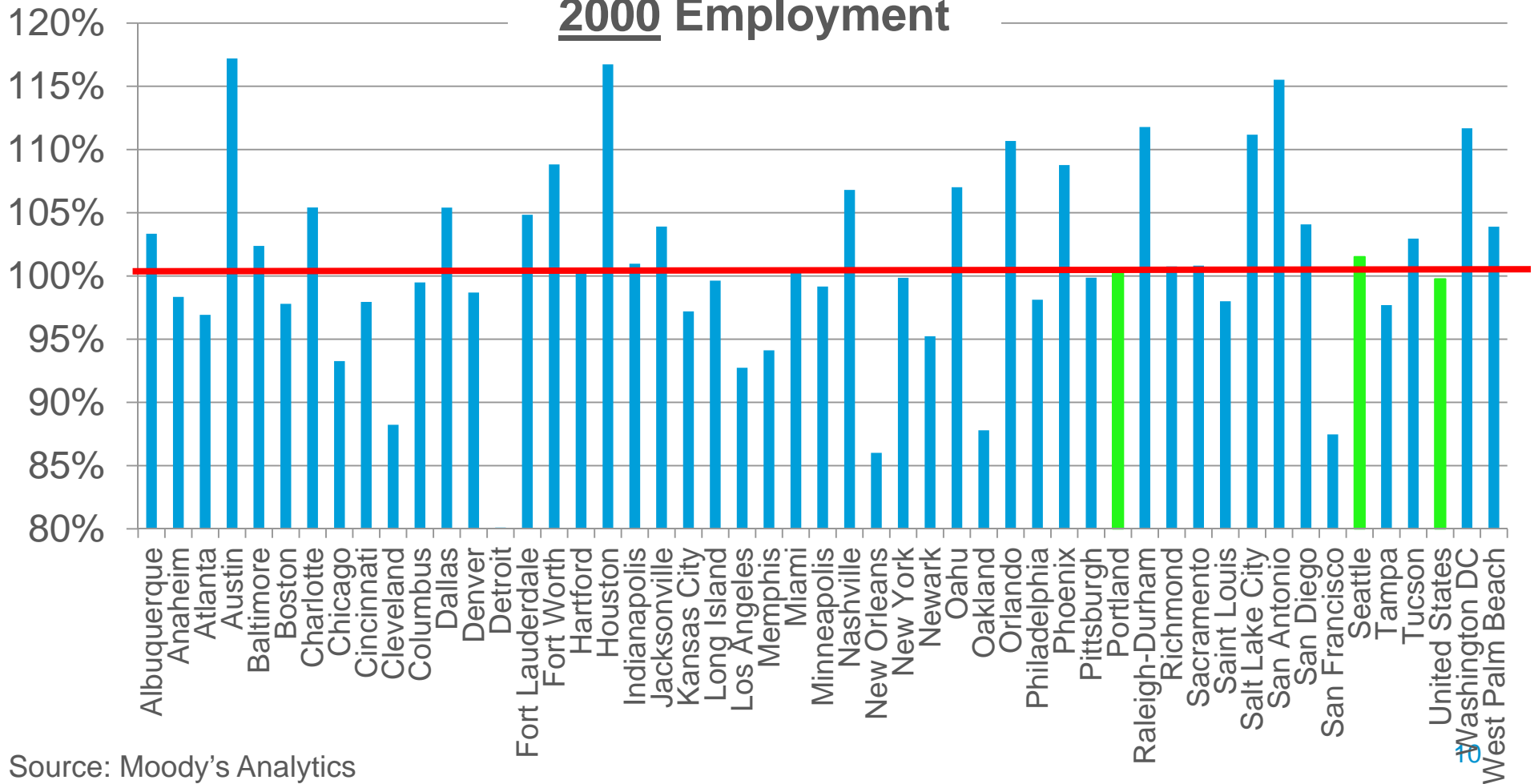
**2011 Population
vs.
2000 Population**



Not All Cities are Lagging 2000 Levels..



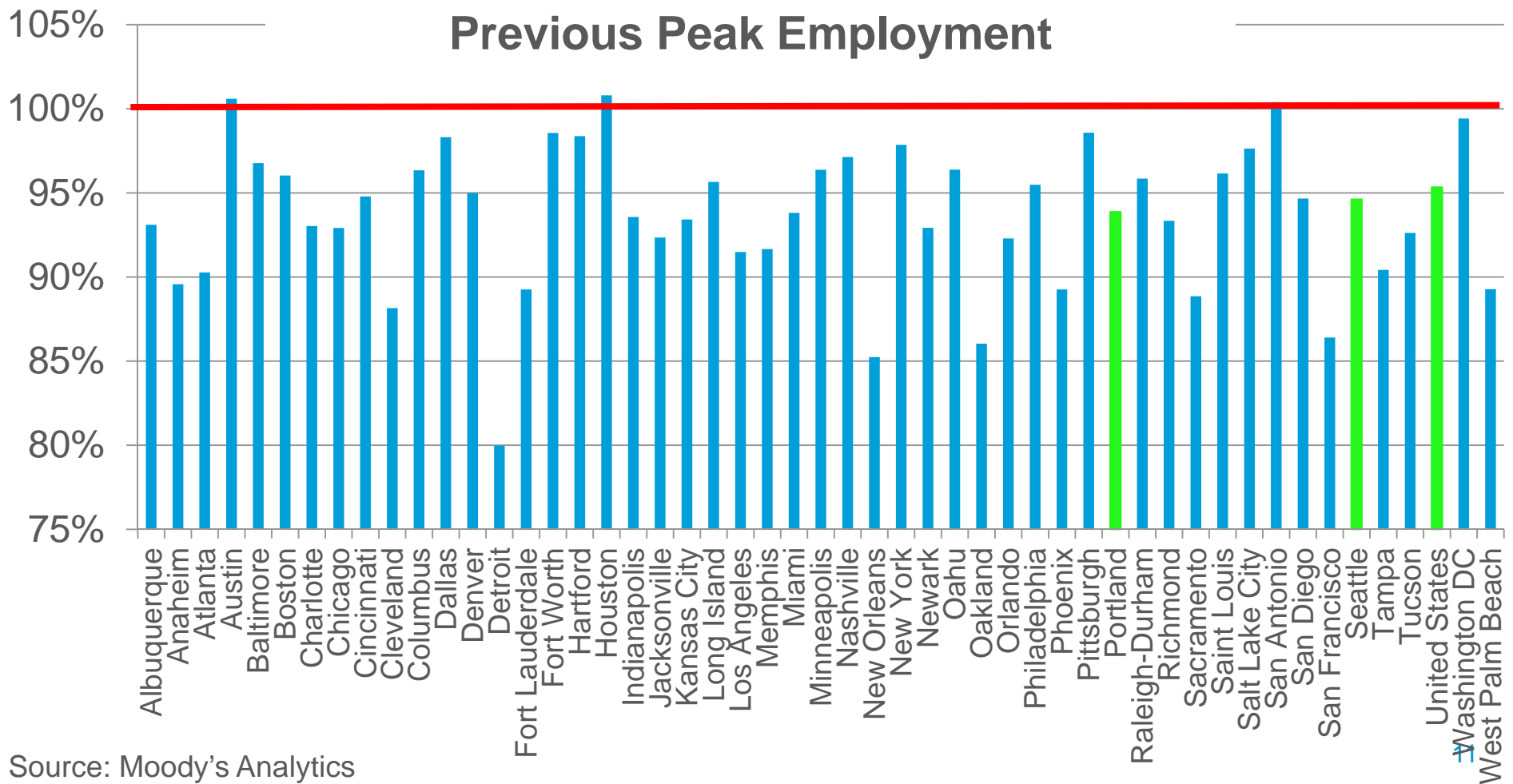
2011 Employment vs. 2000 Employment



Source: Moody's Analytics

.....Although Most are Well Below Their Past Peak.....

2011 Employment vs. Previous Peak Employment



Source: Moody's Analytics

...and the Return to Past Peaks will be Slow.

This is True in Almost Half of Our 50 Hotel Horizons® Markets

	Employment Levels	
	>2000	>Peak
2011	28	3
2012	34	5
2013	41	12

Source: Moody's Analytics

There is a Disconnect:

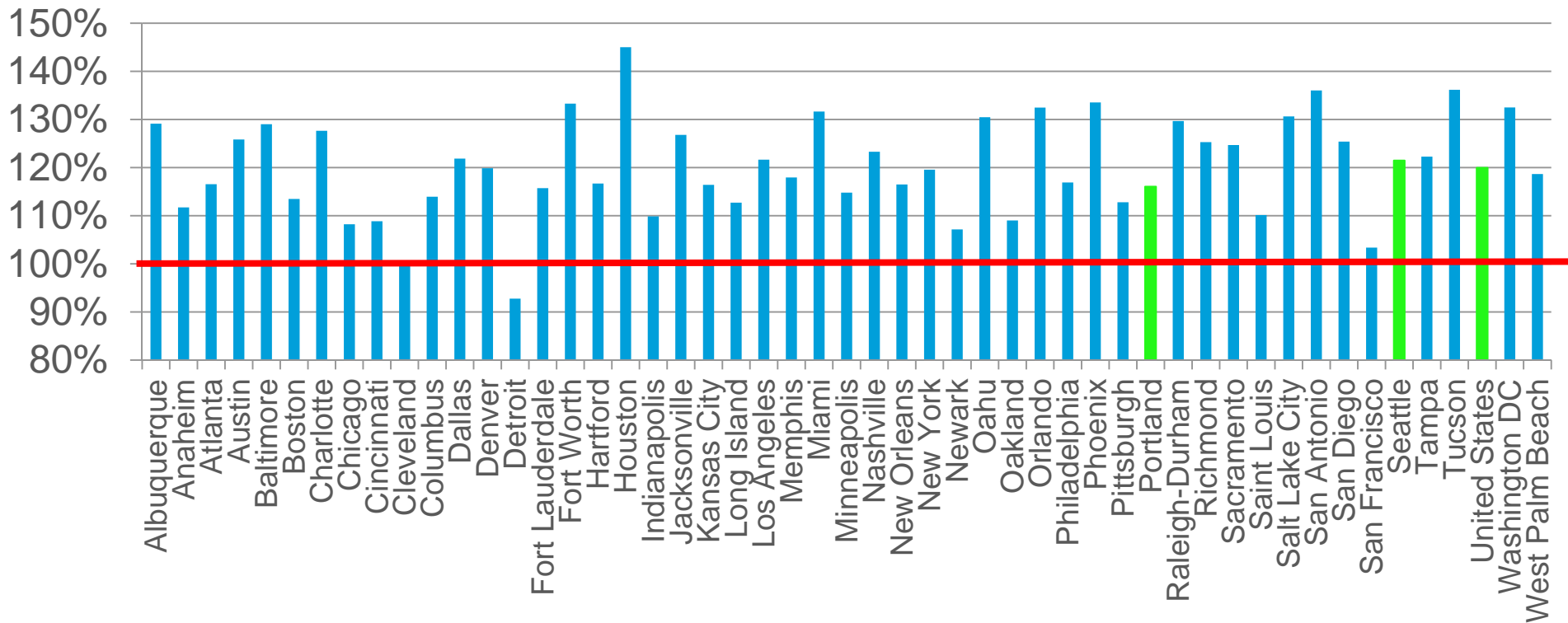
Employment is **Weak**

Lodging Demand is **Strong**

Total Real Personal Income Levels up for Most Compared to 2000....



2011 Real Personal Income vs. 2000 Real Personal Income



The Answer: Part 1

Consumers, Businesses have the \$'s to Travel

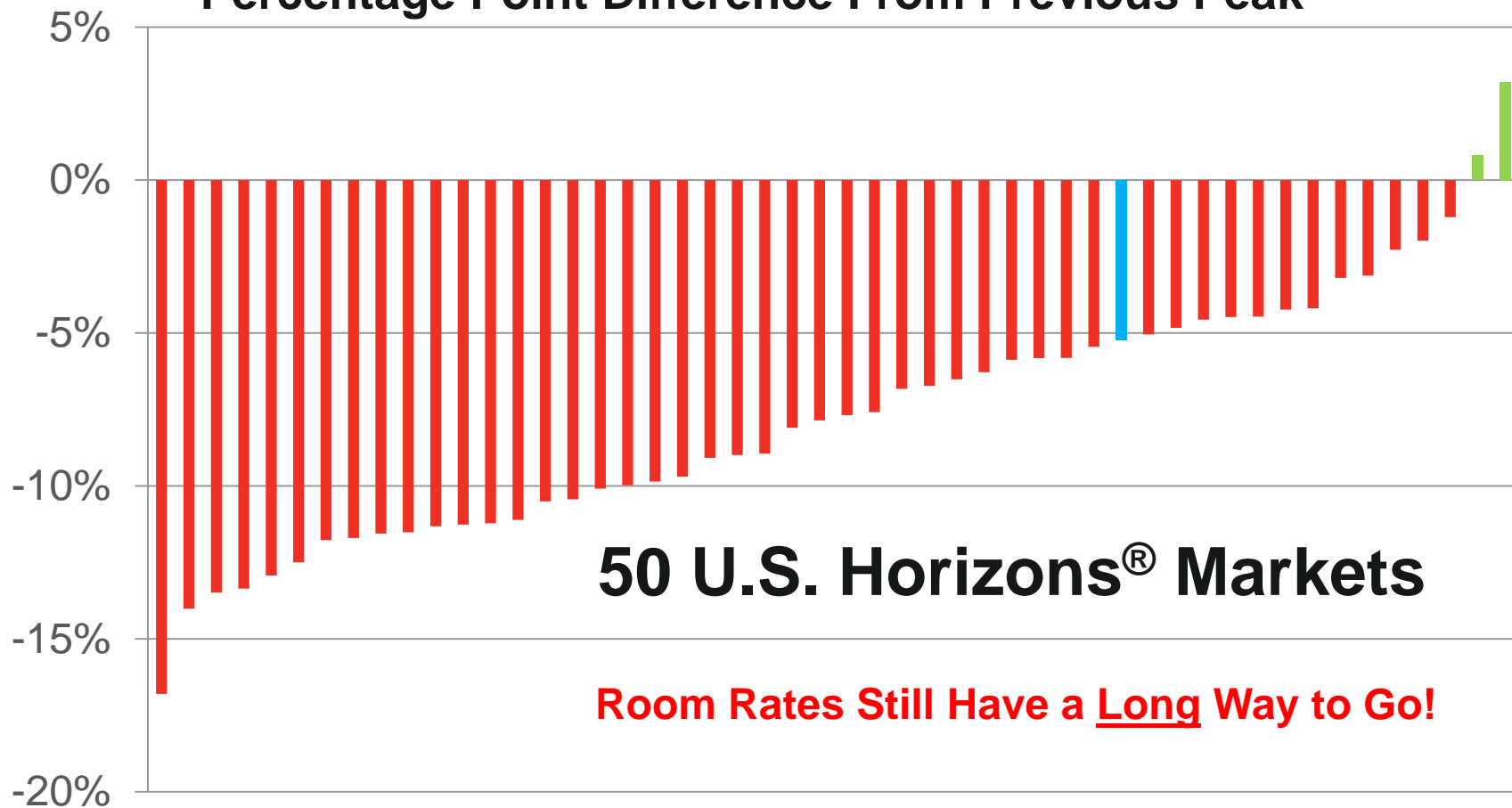
Total Real Personal Income Levels		
	>2000	>Peak
2011	49	13
2012	49	37
2013	49	43

Source: Moody's Analytics

The Answer: Part 2

2011 Forecast ADR

Percentage Point Difference From Previous Peak

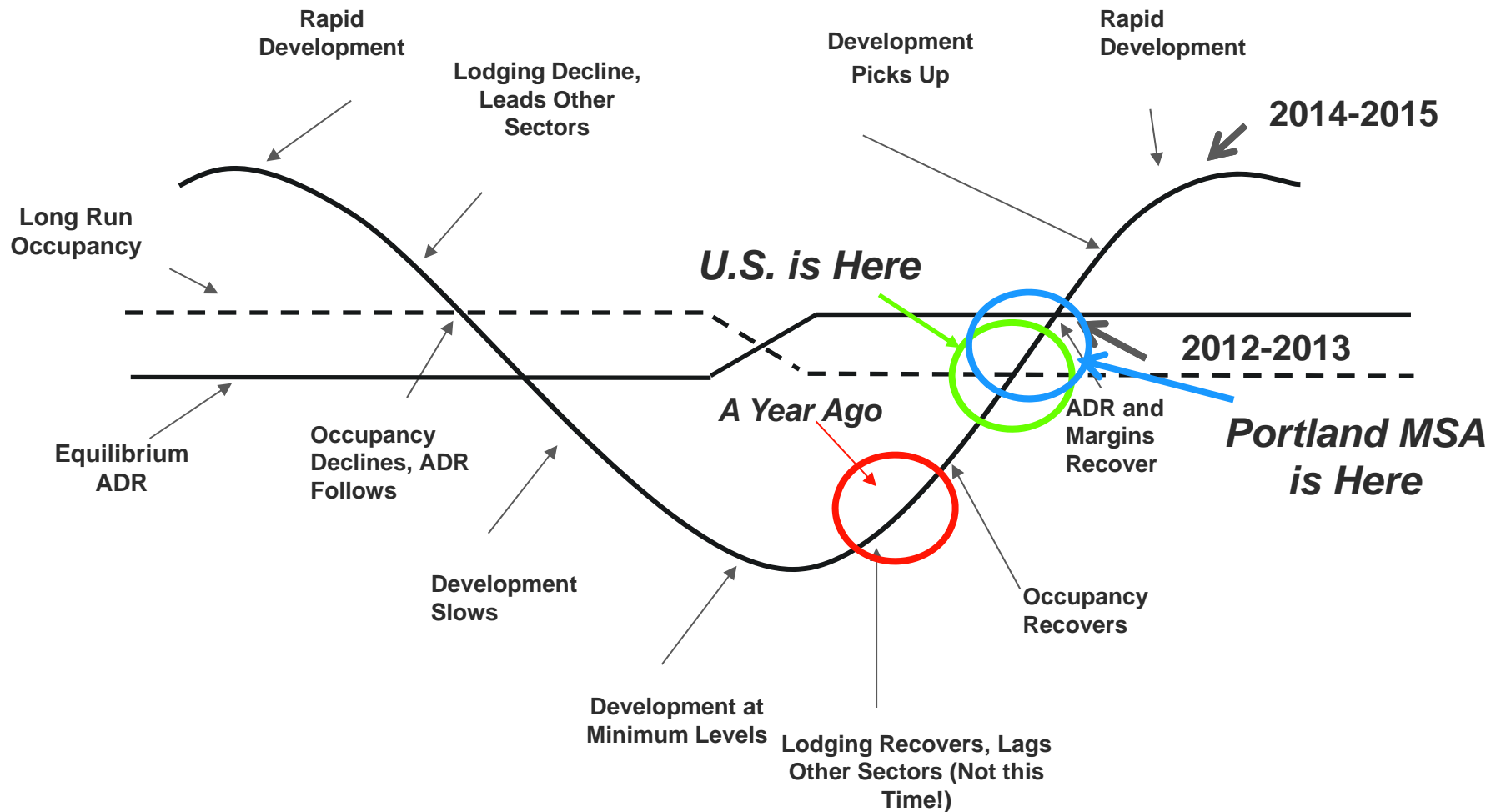


Source: PKF Hospitality Research, December –February 2012 *Hotel Horizons[®]*

Our Forecasts

The Hotel Market Cycle

The Long, Hard Climb Up Growth Hill



National Forecast - 2012

	Long Term Average	2006	2007	2008	2009	2010	2011	2012F	2013F
Supply	2.2%	0.2%	1.3%	2.5%	3.0%	1.8%	0.6%	0.6%	1.0%
Demand	1.5%	0.5%	0.7%	-2.5%	-6.1%	7.5%	5.0%	2.2%	2.9%
Occupancy	62.0%	63.1%	62.8%	59.8%	54.5%	57.6%	60.1%	61.0%	62.2%
ADR	2.8%	7.6%	6.4%	2.9%	-8.5%	-0.1%	3.7%	4.1%	4.7%
RevPAR	2.5%	7.9%	5.9%	-2.1%	-16.6%	5.5%	8.2%	5.8%	6.7%

Portland MSA Lodging Market

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ACCURACY ASSESSMENT

Portland MSA

	<u>2011</u>		<u>2012</u>	
	<u>March 2011</u>	<u>Year End Actual</u>	<u>March 2011</u>	<u>Current Forecast</u>
Occupancy	64.5%	64.3%	66.8%	65.1%
ADR	4.5%	4.6%	6.5%	5.2%
RevPAR	8.1%	9.0%	10.4%	6.5%

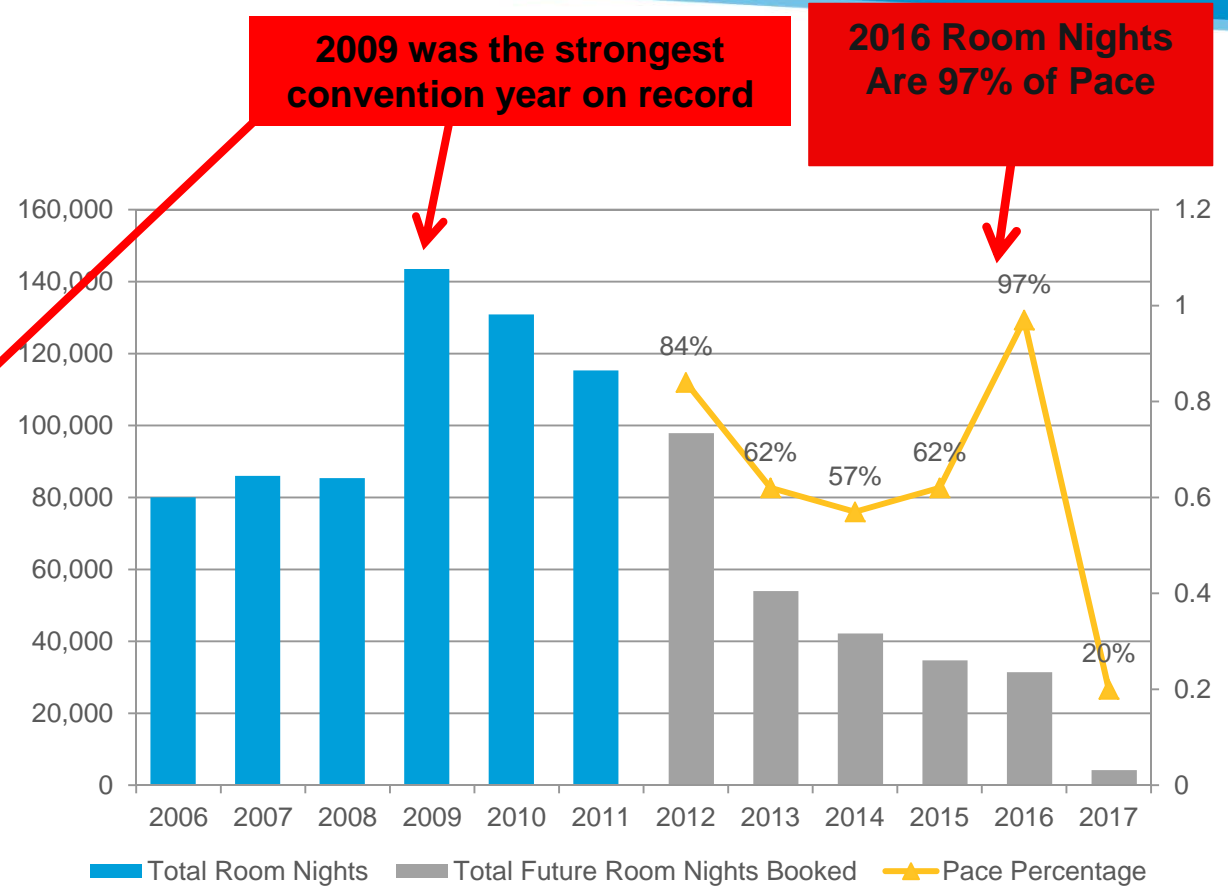
Pretty Close

Lower Occupancy
and ADR

Portland Convention & Visitors Bureau

Convention Calendar Outlook

	Total Number of Booked Room Nights	
2006	80,059	-
2007	85,981	7%
2008	85,359	-1%
2009	143,531	68%
2010	130,871	-9%
2011	115,330	-12%
2012	97,890	-15%
2013	53,993	-45%
2014	42,177	-22%
2015	34,718	-18%
2016	31,429	-9%
2017	4,200	-87%



Portland International Airport

Airport Passenger Statistics



Source: Bureau of Transportation Statistics

Portland Economic Assumptions

Leading the U.S



	Payroll Employment		Real Personal Income		Real GDP		CPI (Inflation)	
2009	-5.9%	-4.4%	-4.5%	-4.4%	-4.4%	-3.5%	0.6%	-0.3%
2010	-0.8%	-0.7%	1.4%	1.9%	3.6%	3.0%	1.2%	1.6%
2011	1.2%	1.0%	2.3%	2.3%	2.8%	1.8%	2.2%	3.2%
2012	1.4%	1.1%	3.6%	2.5%	3.3%	2.6%	2.4%	2.1%
2013	1.5%	1.5%	3.8%	3.2%	3.2%	3.3%	3.2%	2.2%

January 2012 Forecast

U.S. in Red

Source: Moody's Analytics, January 2012

Portland MSA

All Hotels



ADR Growth Leads RevPAR Growth in 2012

	2008	2009	2010	2011	2012F	2013F	Long-Term Average
Occupancy	64.5%	57.8%	61.7%	64.3%	65.1%	66.0%	63.9%
% Change	-2.7%	-10.5%	6.7%	4.2%	1.3%	1.4%	-
ADR	\$99.81	\$91.50	\$90.42	\$94.58	\$99.46	\$105.47	-
% Change	5.5%	-8.3%	-1.2%	4.6%	5.2%	6.0%	3.5%
RevPAR	\$64.41	\$52.88	\$55.78	\$60.79	\$64.74	\$69.73	-
% Change	2.6%	-17.9%	5.5%	9.0%	6.5%	7.6%	4.0%

Source: PKF Hospitality Research – March to May 2012 Hotel Horizons® Report, Smith Travel Research

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Upper-Priced Hotels

ADR Growth Leads RevPAR Growth in 2012

	2008	2009	2010	2011	2012F	2013F	Long-Term Average
Occupancy	72.0%	66.4%	70.8%	73.4%	74.2%	74.9%	70.4%
% Change	-3.4%	-7.8%	6.6%	3.7%	1.1%	0.9%	-
ADR	\$127.51	\$114.28	\$114.46	\$119.96	\$126.58	\$134.82	-
% Change	5.5%	-10.4%	0.2%	4.8%	5.5%	6.5%	3.3%
RevPAR	\$91.80	\$75.87	\$81.03	\$88.10	\$93.94	\$100.96	-
% Change	1.9%	-17.4%	6.8%	8.7%	6.6%	7.5%	4.0%

Source: PKF Hospitality Research – March to May 2012 Hotel Horizons® Report, Smith Travel Research

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Lower-Priced Hotels

ADR Growth Leads RevPAR Growth in 2012

	2008	2009	2010	2011	2012F	2013F	Long-Term Average
Occupancy	59.5%	51.6%	54.9%	57.5%	58.3%	59.4%	60.1%
% Change	-2.3%	-13.3%	6.4%	4.6%	1.5%	1.9%	-
ADR	\$77.17	\$70.42	\$67.46	\$70.54	\$73.90	\$77.92	-
% Change	5.4%	-8.7%	-4.2%	4.6%	4.8%	5.4%	3.0%
RevPAR	\$45.92	\$36.3	\$37.05	\$40.54	\$43.11	\$46.30	-
% Change	3.0%	-20.9%	2.0%	9.4%	6.3%	7.4%	3.2%

Source: PKF Hospitality Research – March to May 2012 Hotel Horizons® Report, Smith Travel Research

Some Things to Think About

Summary

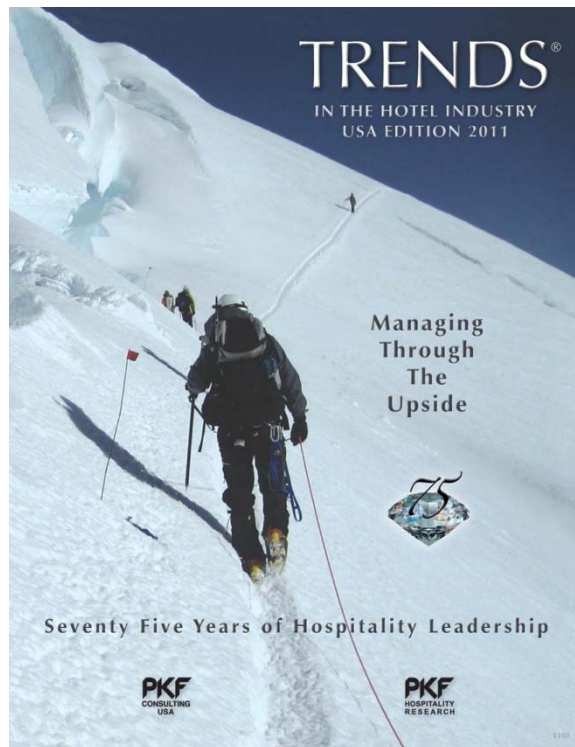
- 1. Uncertainty, both at home and abroad, remains high – some slowdown will occur. Weak housing markets remain a substantial problem.*
- 2. Personal incomes and corporate profit growth will continue, but at less robust levels. Lodging demand growth in 2012, while still positive, will pale relative to the past two years.
- Higher rooms rates will impede demand growth as well.*
- 3. Unemployment will remain high – helps to keep labor costs in check and profit growth up.*

Summary

- 4. Oil is a wild card for 2012 – too big an increase will undermine the economy – lodging demand will suffer as a result.*

Thank You

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