

Hospitality Forum: Playing Your Cards in 2012

Where Are We Headed?



Four Seasons Hotel - Seattle
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CONSULTING
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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

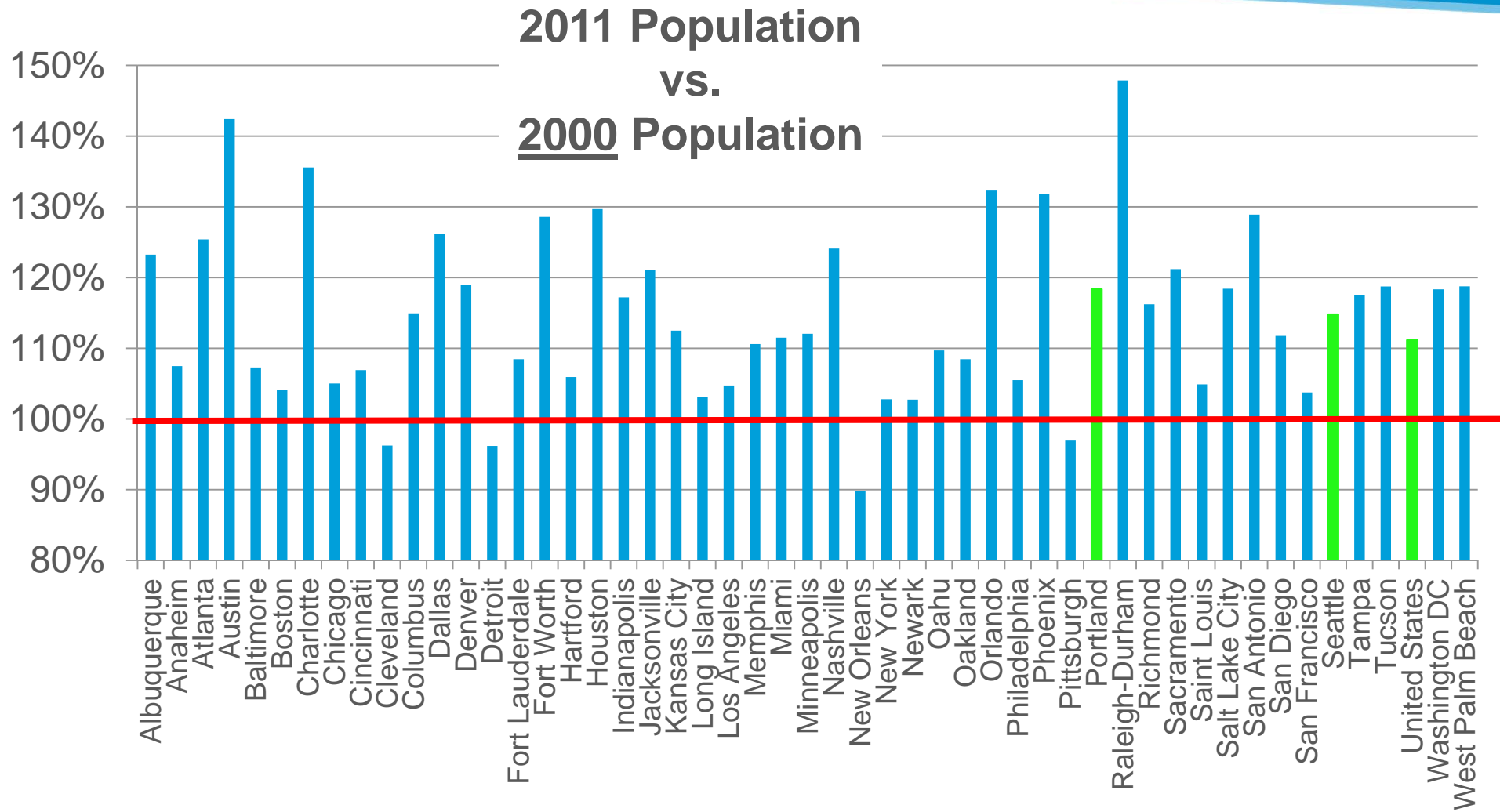
Correlate Closely with Changes in Lodging Demand

Fact:

There are **Fewer** Jobs in America Today

Than There were in the Year **2000**

Not Because There are Fewer People

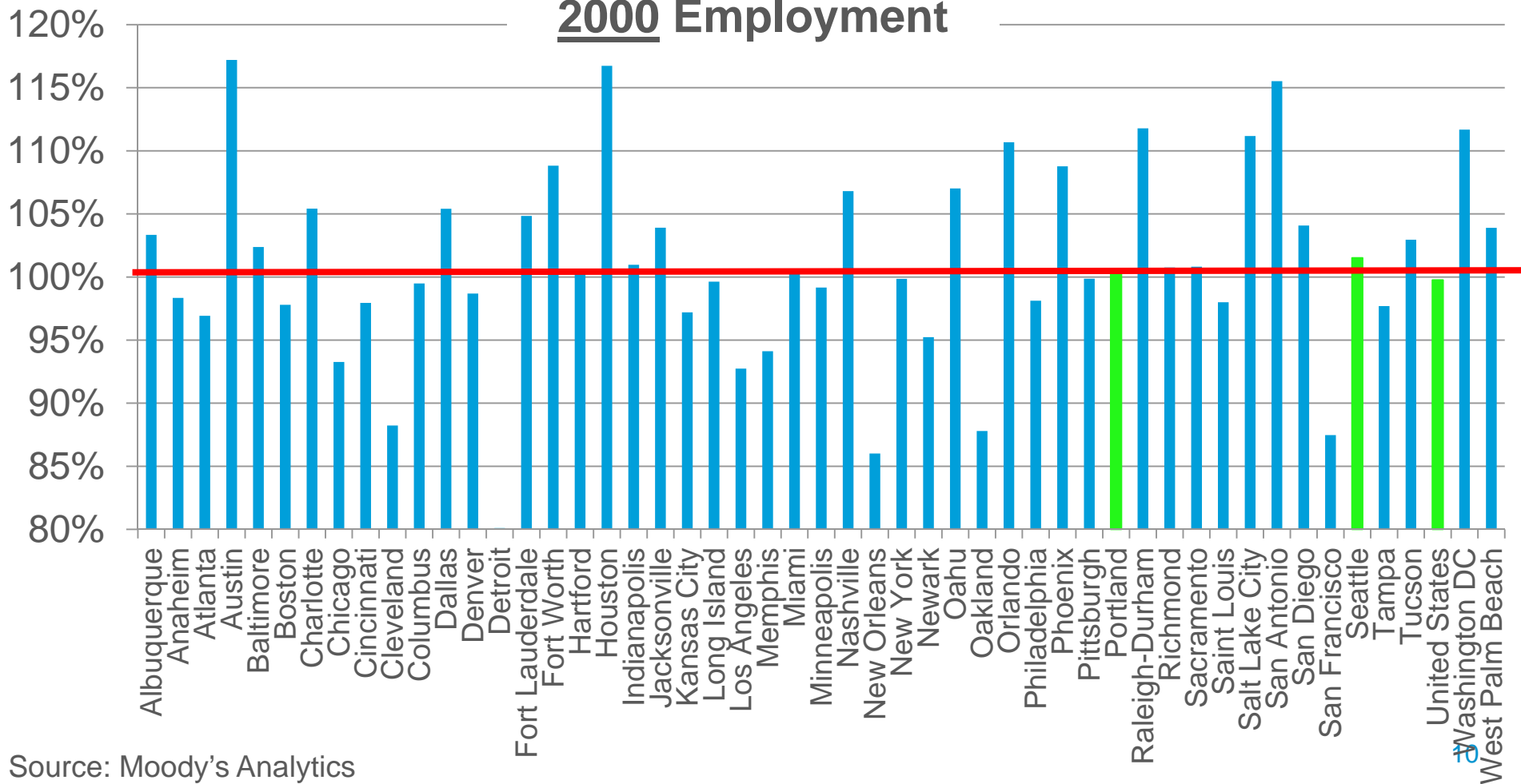


Source: Moody's Analytics

Not All Cities are Lagging 2000 Levels..



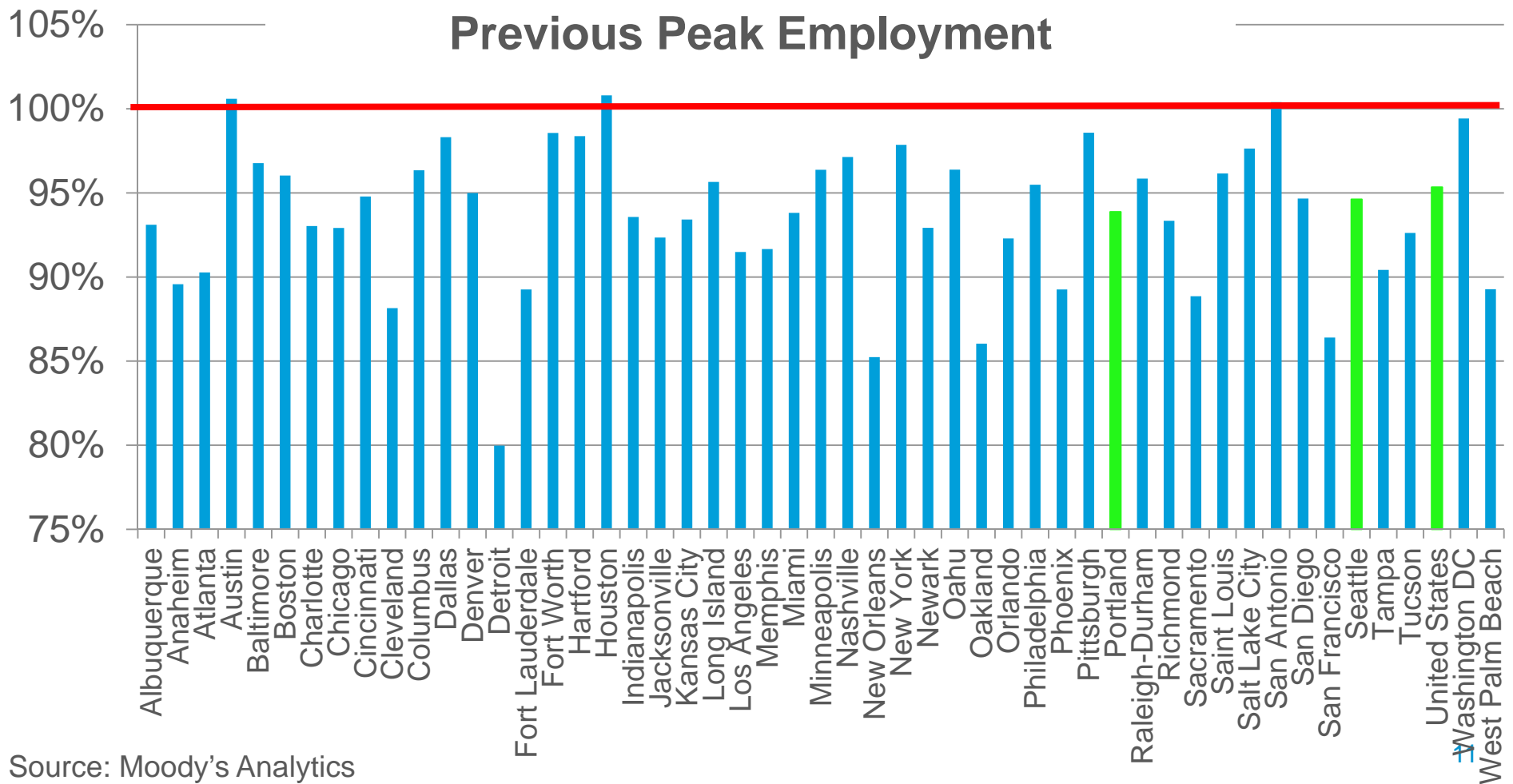
2011 Employment vs. 2000 Employment



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:

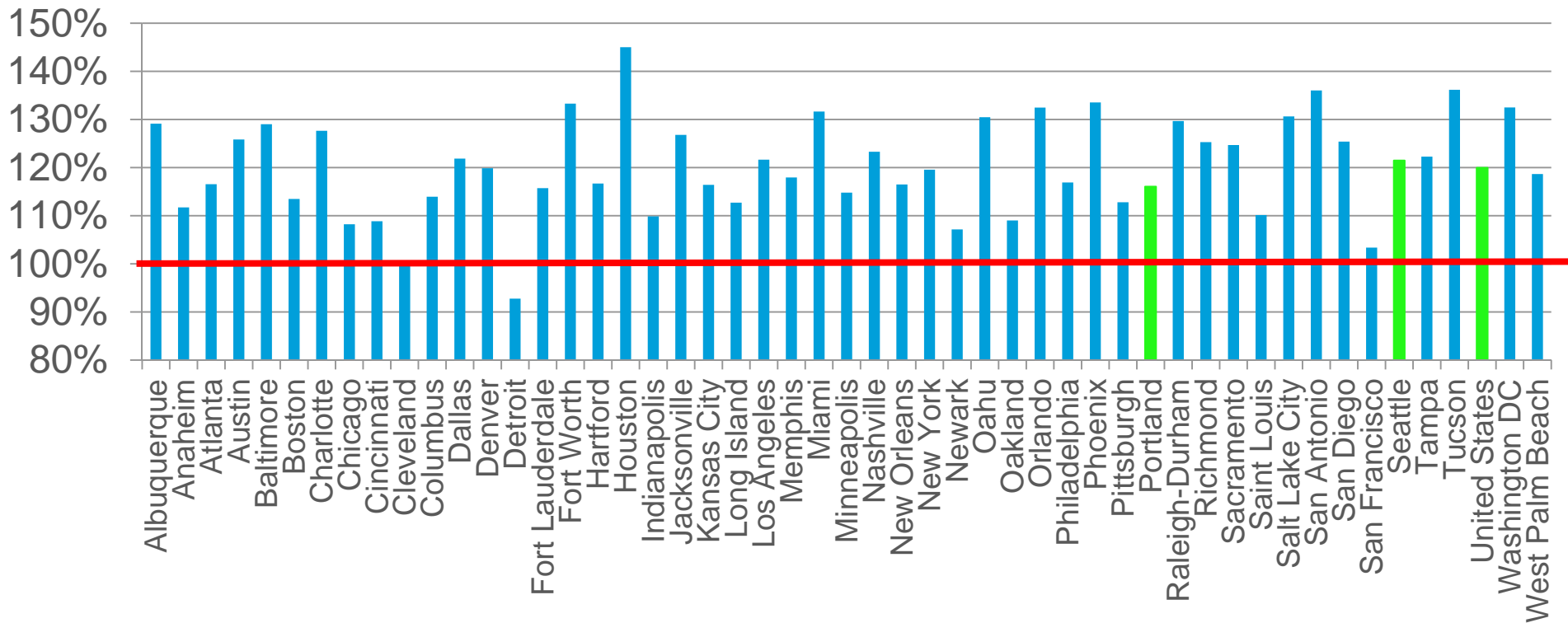
Employment is **Weak**

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

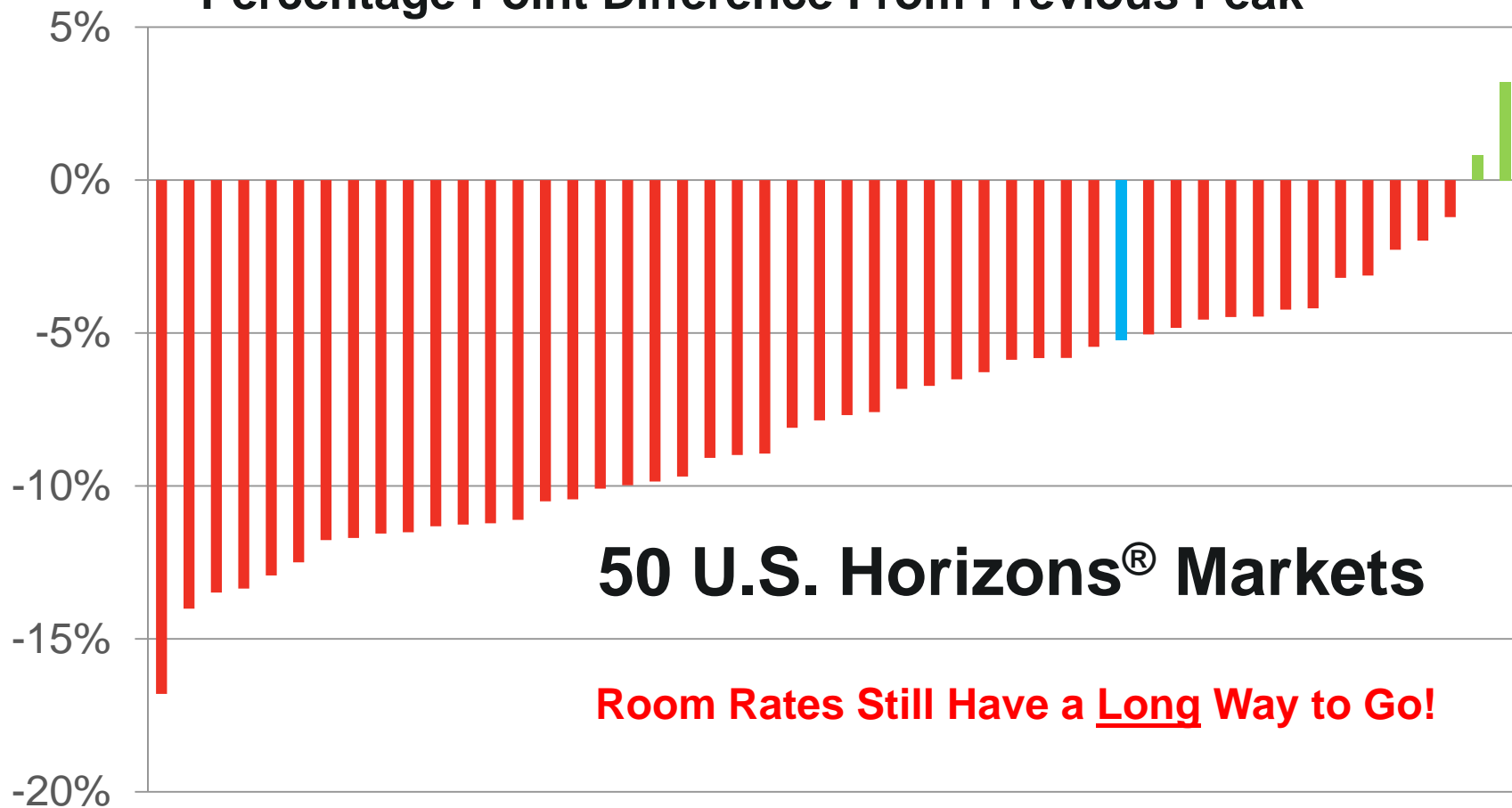
Total Real Personal Income Levels		
	>2000	>Peak
2011	49	13
2012	49	37
2013	49	43

Source: Moody's Analytics

The Answer: Part 2

2011 Forecast ADR

Percentage Point Difference From Previous Peak

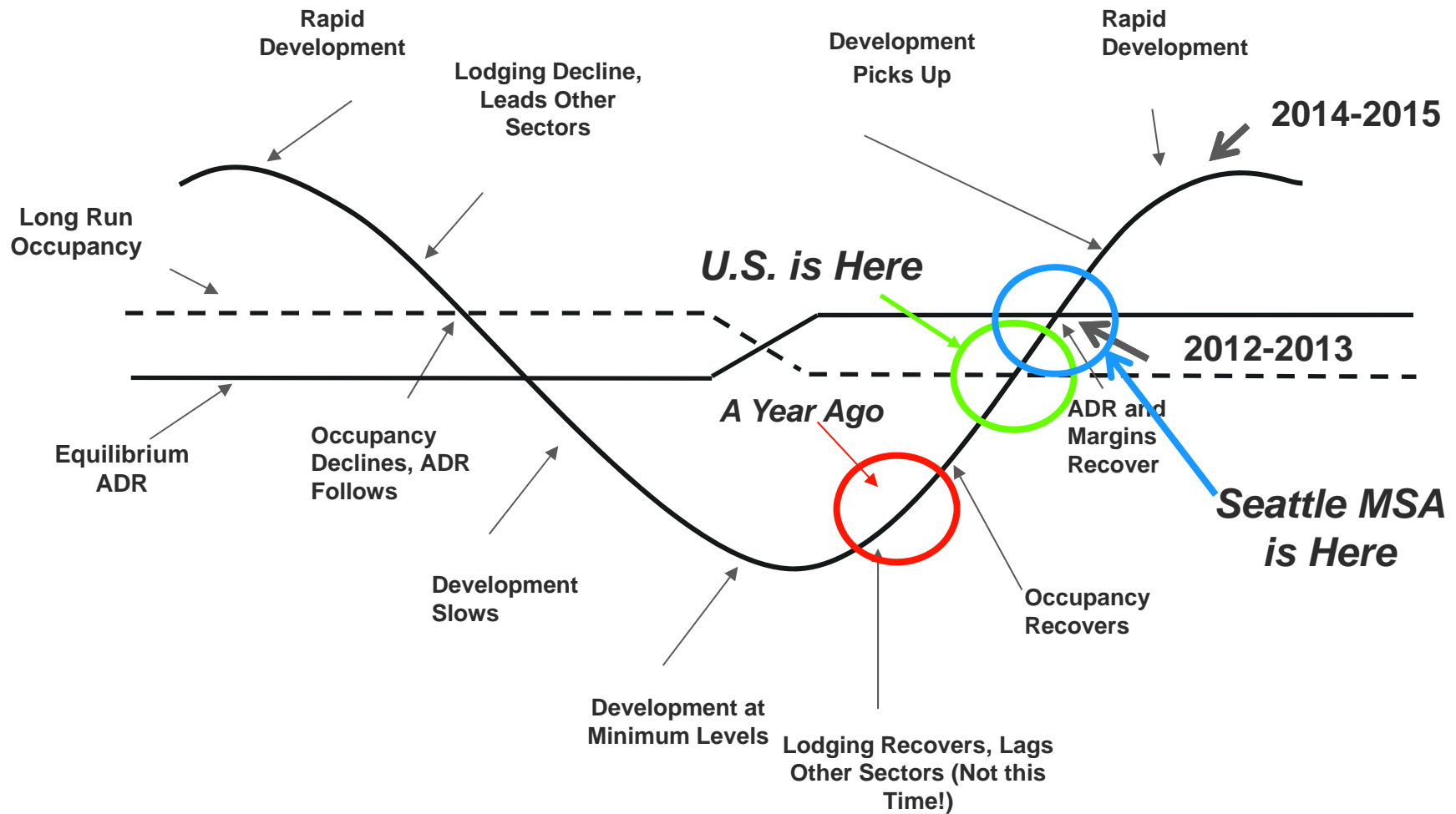


Source: PKF Hospitality Research, December –February 2012 *Hotel Horizons[®]*

Our Forecasts

The Hotel Market Cycle

The Long, Hard Climb Up Growth Hill



National Forecast 2012 - 2013

	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%

Seattle MSA Lodging Market



ACCURACY ASSESSMENT

Seattle MSA

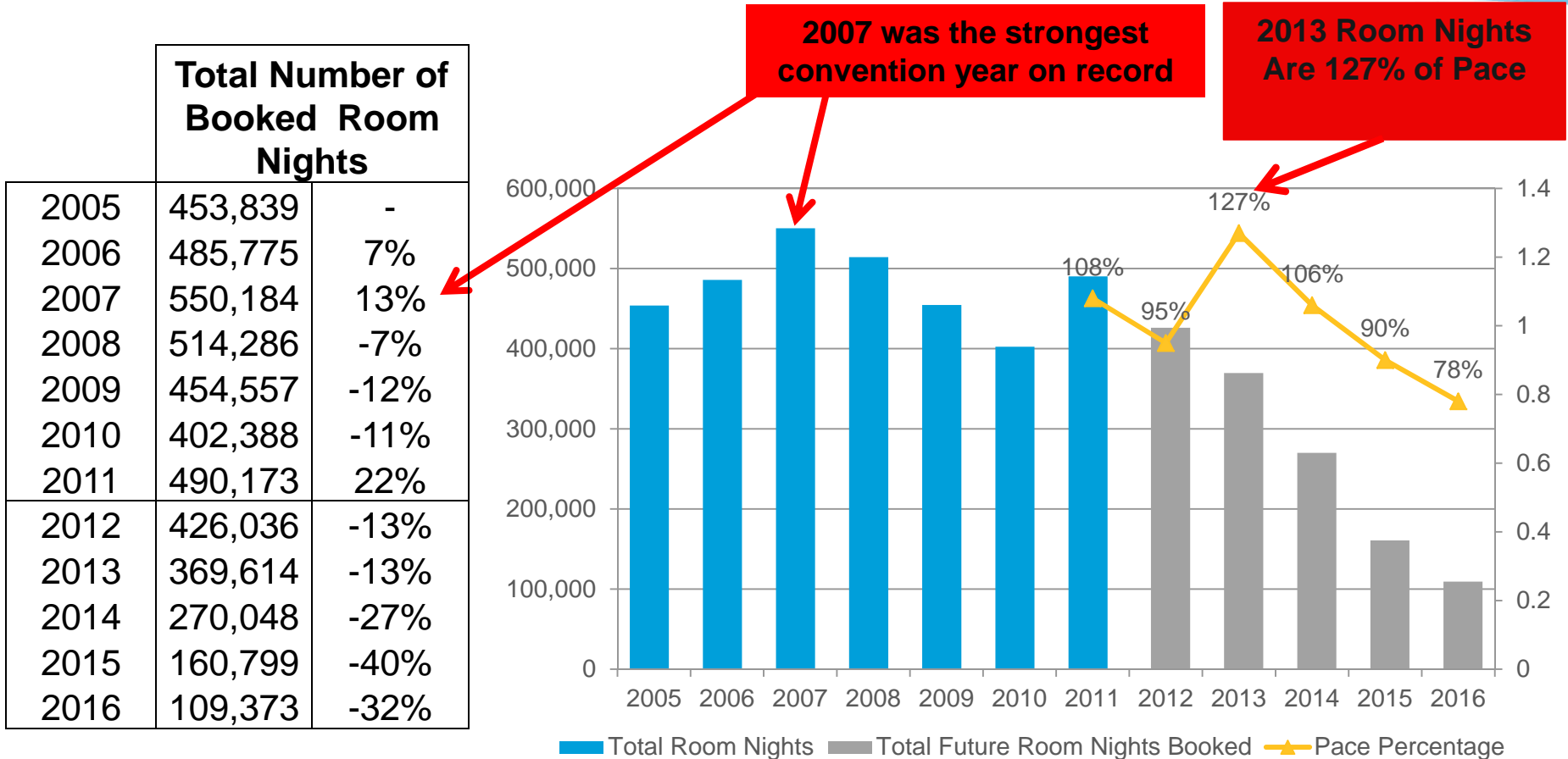
	<u>2011</u>		<u>2012</u>	
	<u>March 2011</u>	<u>Year End Actual</u>	<u>March 2011</u>	<u>Current Forecast</u>
Occupancy	67.9%	68.7%	70.2%	70.6%
ADR	5.4%	4.1%	6.9%	4.9%
RevPAR	8.9%	9.2%	10.5%	7.8%

Increases in Occupancy
Drive RevPAR

Lower Rate Growth

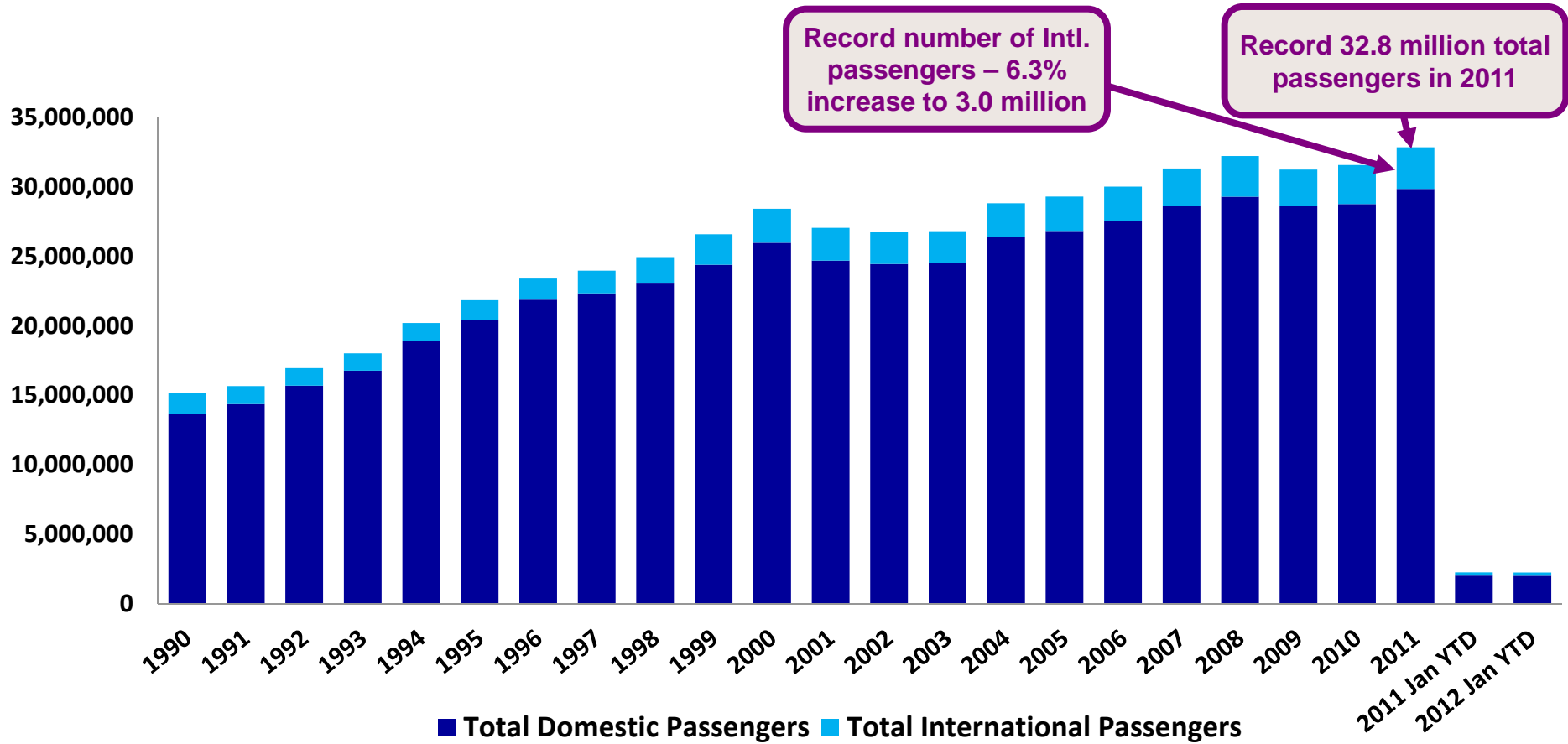
Seattle Convention & Visitors Bureau

Convention Calendar Outlook



Sea-Tac

Airport Passenger Statistics



Source: Bureau of Transportation Statistics

Seattle Economic Assumptions

Leading the U.S



	Payroll Employment		Real Personal Income		Real GDP		CPI (Inflation)	
2009	-5.2%	-4.4%	-4.3%	-4.4%	-2.9%	-3.5%	0.1%	-0.3%
2010	-1.8%	-0.7%	0.8%	1.9%	1.6%	3.0%	0.3%	1.6%
2011	1.8%	1.0%	2.8%	2.3%	3.6%	1.8%	2.6%	3.2%
2012	1.4%	1.1%	3.7%	2.5%	4.5%	2.6%	2.5%	2.1%
2013	1.3%	1.5%	3.4%	3.2%	4.4%	3.3%	3.1%	2.2%

January 2012 Forecast

U.S. in Red

Source: Moody's Analytics, January 2012

Seattle MSA

All Hotels



Improved Occupancy = Better ADR Performance in 2012

	2008	2009	2010	2011	2012F	2013F	Long-Term Average
Occupancy	67.8%	61.2%	65.5%	68.7%	70.6%	71.9%	67.5%
% Change	-4.9%	-9.6%	6.9%	4.9%	2.8%	1.8%	-
ADR	\$126.88	\$112.92	\$110.37	\$114.85	\$120.49	\$128.43	-
% Change	3.7%	-11.0%	-2.3%	4.1%	4.9%	6.6%	2.7%
RevPAR	\$86.00	\$69.15	\$72.24	\$78.91	\$85.12	\$92.33	-
% Change	-1.4%	-19.6%	4.5%	9.2%	7.8%	8.5%	2.8%

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

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Upper-Priced Hotels

Improved Occupancy = Better ADR Performance in 2012

	2008	2009	2010	2011	2012F	2013F	Long-Term Average
Occupancy	71.8%	65.9%	70.5%	74.1%	75.8%	76.3%	72.9%
% Change	-2.5%	-8.2%	6.9%	5.1%	2.4%	0.7%	-
ADR	\$163.07	\$142.69	\$139.28	\$144.62	\$152.36	\$163.36	-
% Change	0.5%	-12.5%	-2.4%	3.8%	5.4%	7.2%	2.5%
RevPAR	\$117.12	\$94.05	\$98.16	\$107.12	\$115.52	\$124.72	-
% Change	-2.0%	-19.7%	4.4%	9.1%	7.8%	8.0%	2.6%

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

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Lower-Priced Hotels

Improved Occupancy = Better ADR Performance in 2012

	2008	2009	2010	2011	2012F	2013F	Long-Term Average
Occupancy	64.4%	57.1%	60.8%	63.7%	65.9%	67.8%	63.4%
% Change	-7.3%	-11.3%	6.5%	4.8%	3.4%	2.9%	-
ADR	\$93.21	\$82.39	\$79.37	\$82.58	\$86.62	\$92.44	-
% Change	5.3%	-11.6%	-3.7%	4.0%	4.9%	6.7%	2.4%
RevPAR	\$60.03	\$47.04	\$48.27	\$52.60	\$57.06	\$62.69	-
% Change	-2.4%	-21.6%	2.6%	9.0%	8.5%	9.9%	2.4%

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

Some Things to Think About

Summary

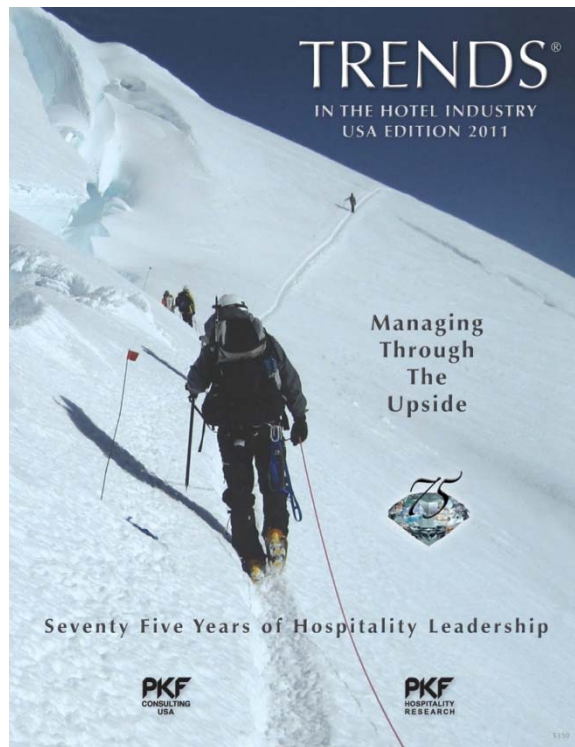
- 1. Uncertainty, both at home and abroad, remains high – some slowdown will occur. Weak housing markets remain a substantial problem.*
- 2. Personal incomes and corporate profit growth will continue, but at less robust levels. Lodging demand growth in 2012, while still positive, will pale relative to 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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