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FEBRUARY 10th - 12th, 2014

5 THINGS TO KNOW IN 2014

Vail R. Brown, STR

VAIL R. BROWN



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5 Things To Know In 2014

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5 Things to Know In 2014

- STR Forecast Now The Most Bearish
- RevPAR Growth Slows To +5.3%
- High End Scales Continues to Outperform
- Group Demand and ADR Growth Still Choppy
- Supply Growth Accelerates



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2014 / 2015 Forecast

U.S. Forecast Summary

2014			
Supply	1.2%	1.2%	1.0%
Demand	2.3%	3.0%	2.4%
Occupancy	1.1%	1.8%	1.4%
ADR	4.2%	4.8%	4.5%
RevPAR	5.3%	6.6%	6.0%

2015			
Supply	1.6%	1.4%	
Demand	2.1%	3.3%	
Occupancy	0.5%	1.8%	
ADR	4.2%	5.6%	
RevPAR	4.7%	7.5%	
<i>Updated</i>	<i>1/24/13</i>	<i>1/6/14</i>	

Total U.S.: Chain Scale Key Performance Indicator Outlook

2014 Year End Outlook			
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	1.6%	4.8%	6.5%
Upper Upscale	0.1%	4.4%	4.5%
Upscale	2.2%	4.2%	6.6%
Upper Midscale	0.5%	3.2%	3.7%
Midscale	0.9%	3.1%	4.1%
Economy	1.7%	3.3%	5.1%
Independent	0.6%	4.5%	5.1%
Total United States	1.1%	4.2%	5.3%

*as of January 24th, 2014

Total U.S.: Chain Scale Key Performance Indicator Outlook

2015 Year End Outlook			
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	0.8%	4.8%	6.0%
Upper Upscale	0.2%	4.4%	4.6%
Upscale	0.5%	4.2%	5.1%
Upper Midscale	-0.4%	3.2%	2.1%
Midscale	0.2%	3.1%	3.5%
Economy	2.6%	3.3%	6.2%
Independent	-0.1%	4.5%	4.3%
Total United States	0.5%	4.2%	4.7%

*as of January 24th, 2014

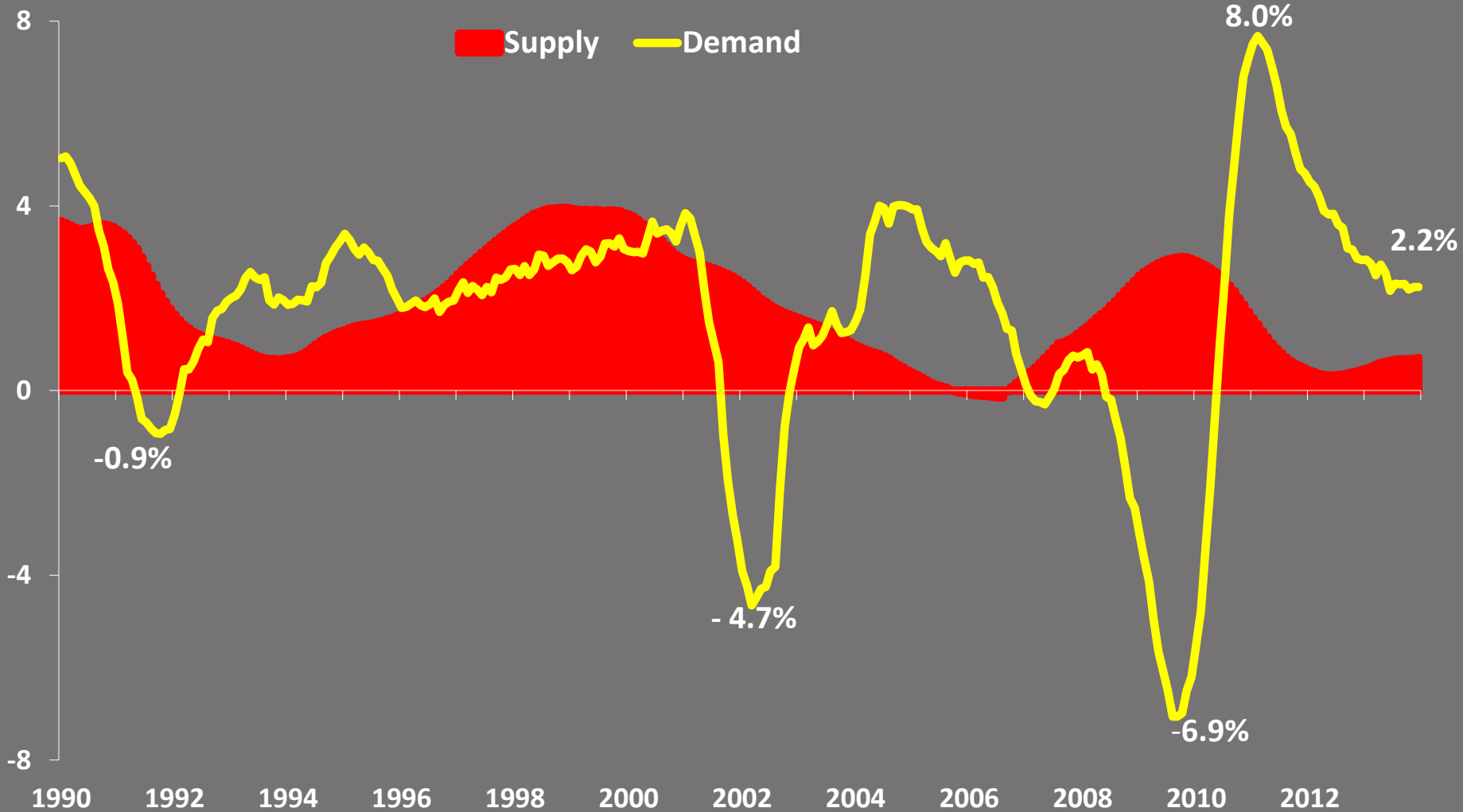


Total U.S. Review

New U.S. Records in 2013!

- ✓ Most Rooms Available
- ✓ Most Rooms Sold
- ✓ Highest Rooms Revenue
- ✓ Highest ADR (\$110)
- ✓ Highest RevPAR (\$70)

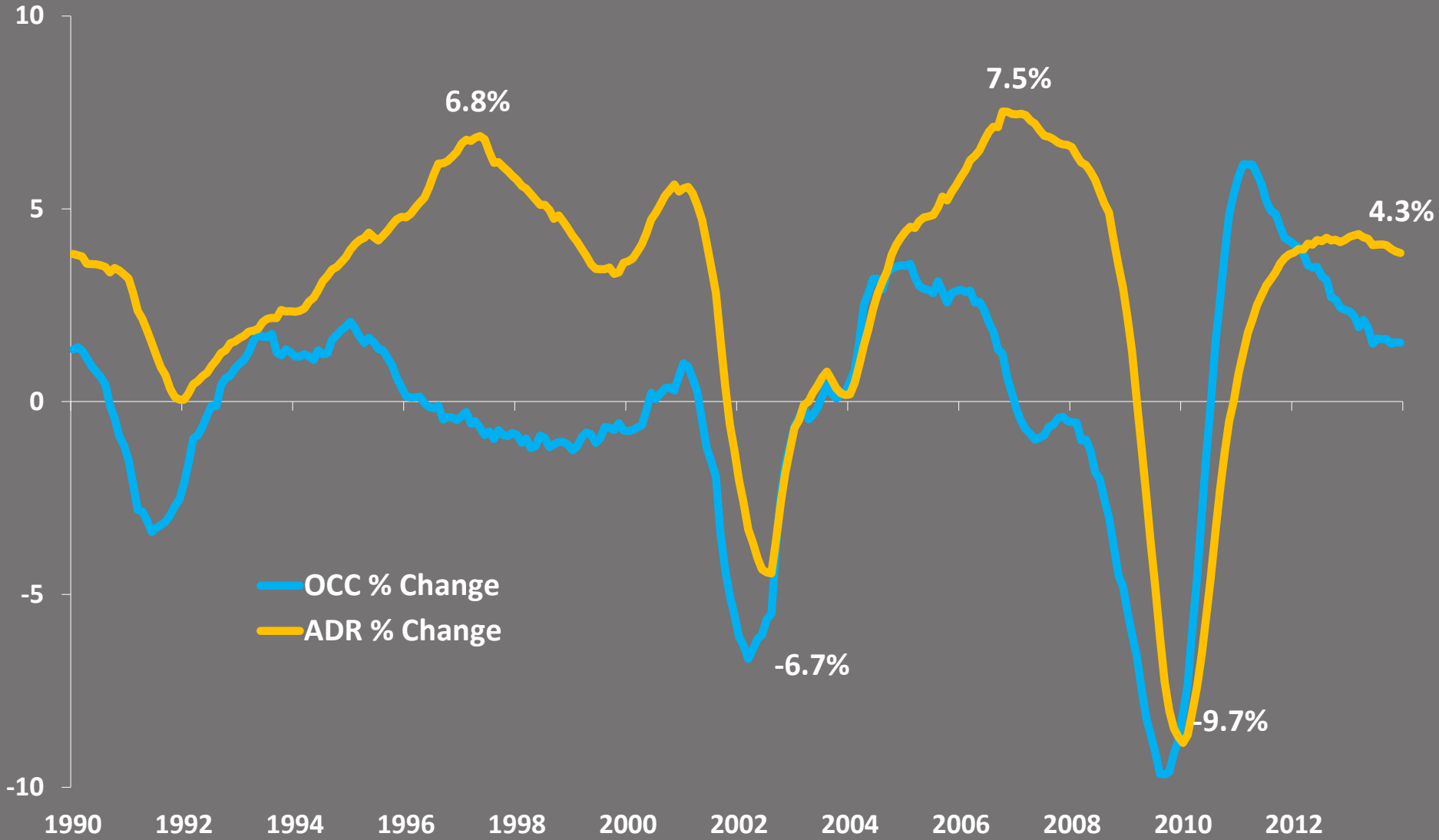
2014 And Beyond: The Best Is Behind Us



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



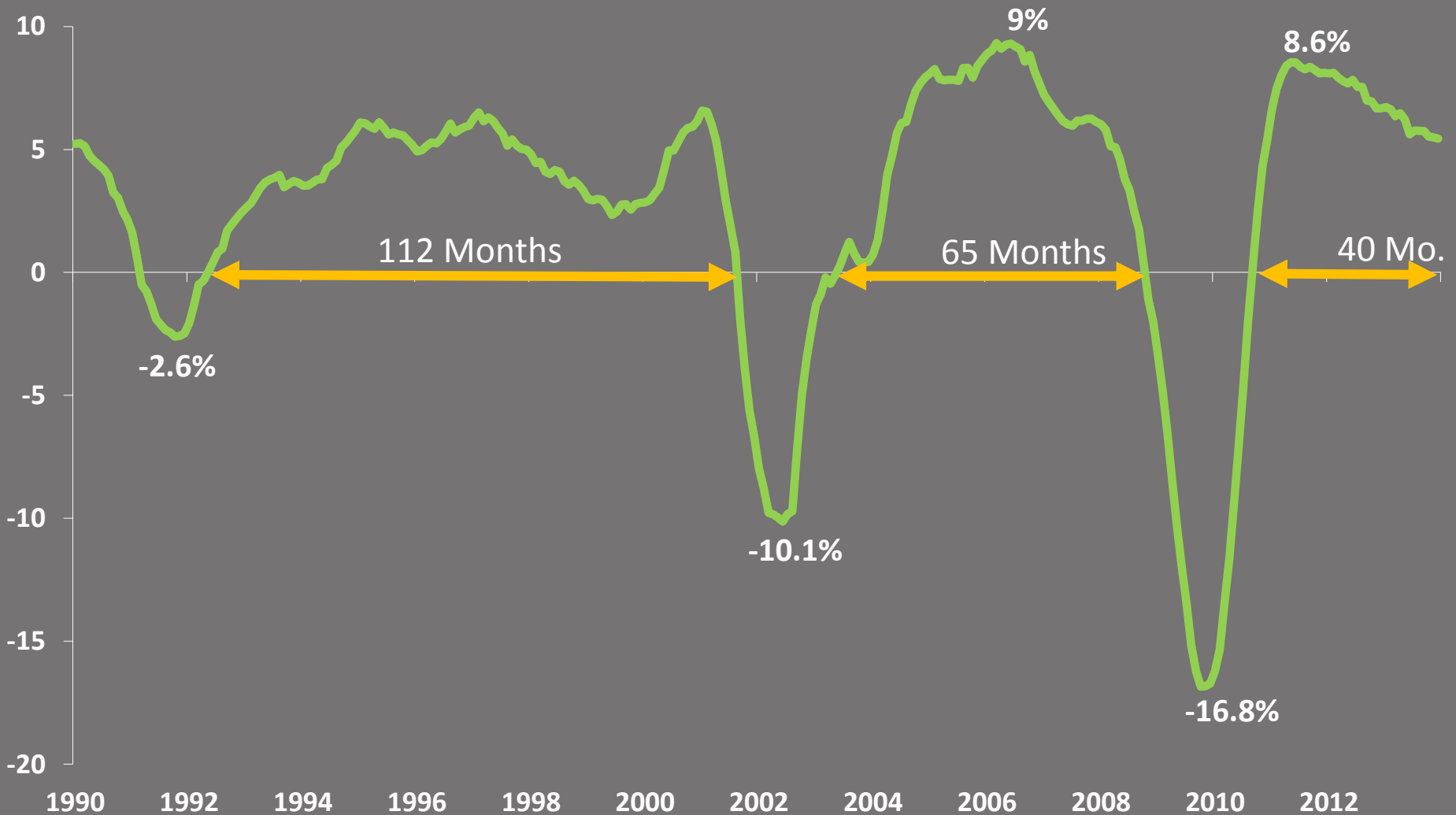
OCC Will Probably Continue To Slow. Steady ADR Growth.



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



Positive RevPAR Growth For The Foreseeable Future

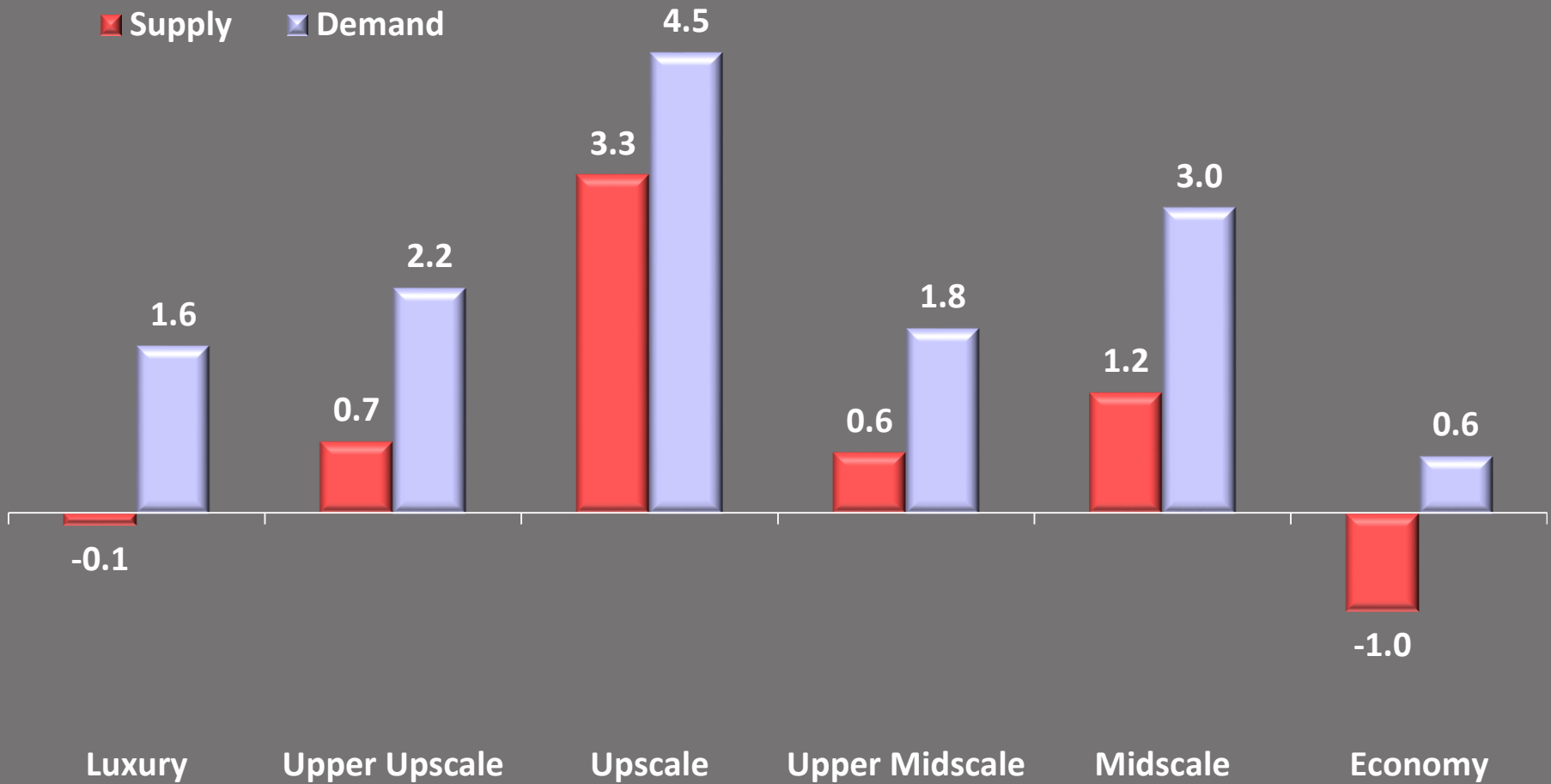


Total U.S., RevPAR % Change, 12 MMA 1/1990 – 12/2013



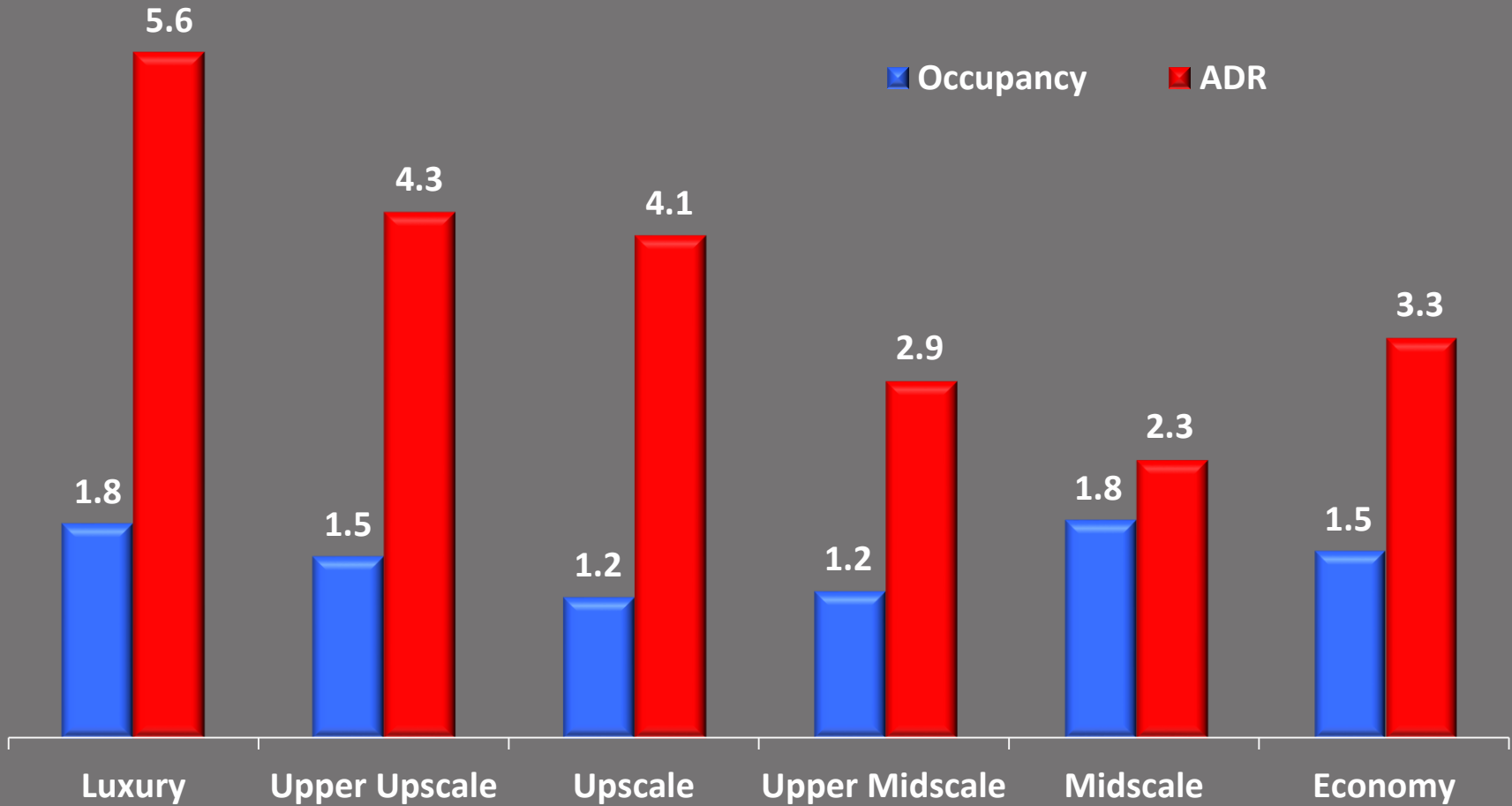
Chain Scale Review

Scales: Strong Demand Growth Continues



U.S. Chain Scales: Supply / Demand % Change, 2013

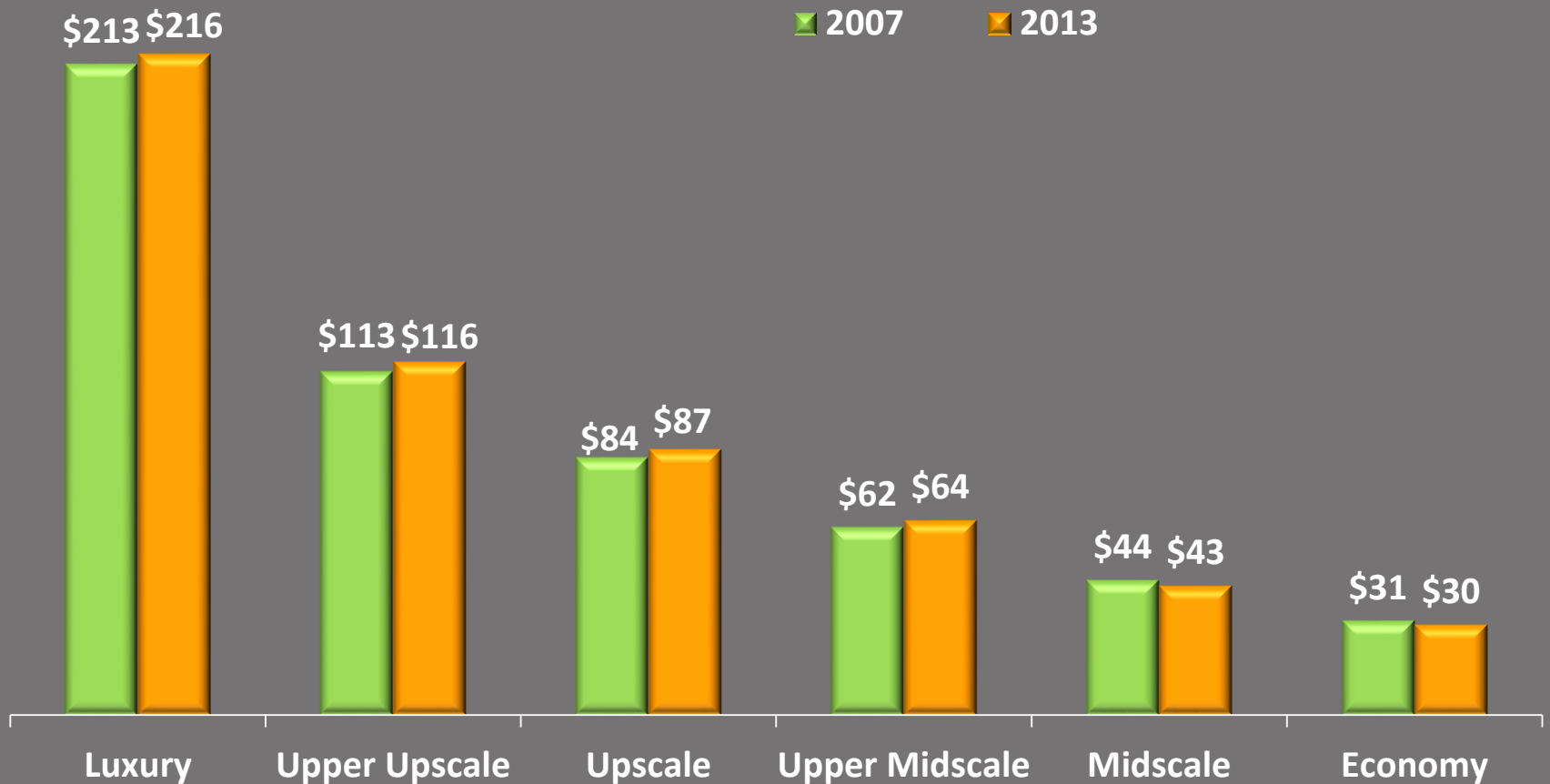
Scales: ADR Growth Very Healthy At Upper End



U.S. Chain Scales: OCC / ADR % Change, 2013



Scales: RevPAR Catches Up To Prior Record Highs



U.S. Chain Scales: RevPAR \$, 2007 & 2013

Customer Segmentation

Customer Segmentation Categories:

- **Transient Segment** – Rooms reserved at rack rate, corporate negotiated, package, government rate or rooms booked via third party websites.
- **Group Segment** – Rooms sold simultaneously in blocks of 10 or more.

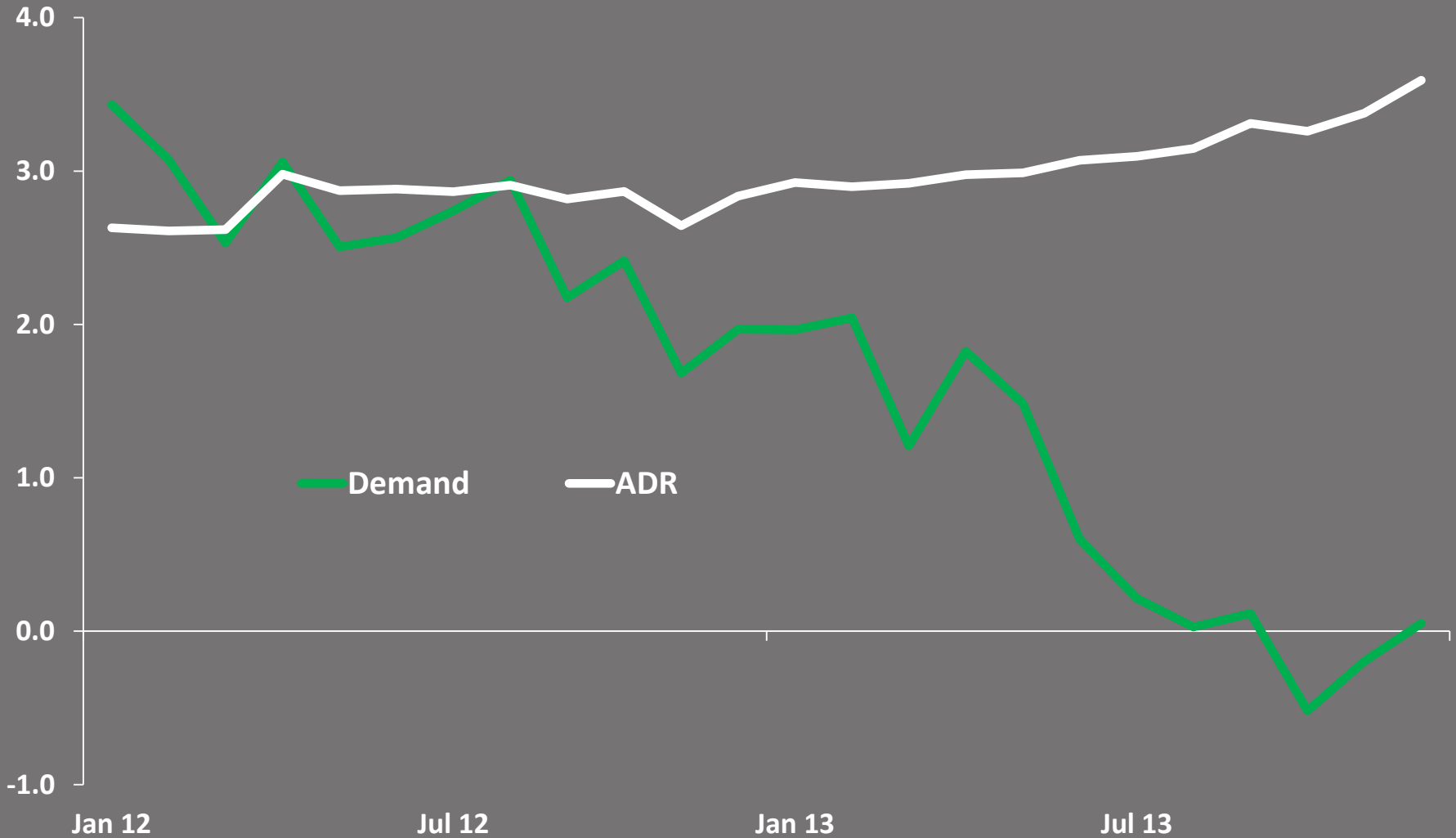
Sustained Transient Room Rate Growth



U.S. Transient Demand and ADR % Change, 12 MMA, 2012 - 2013



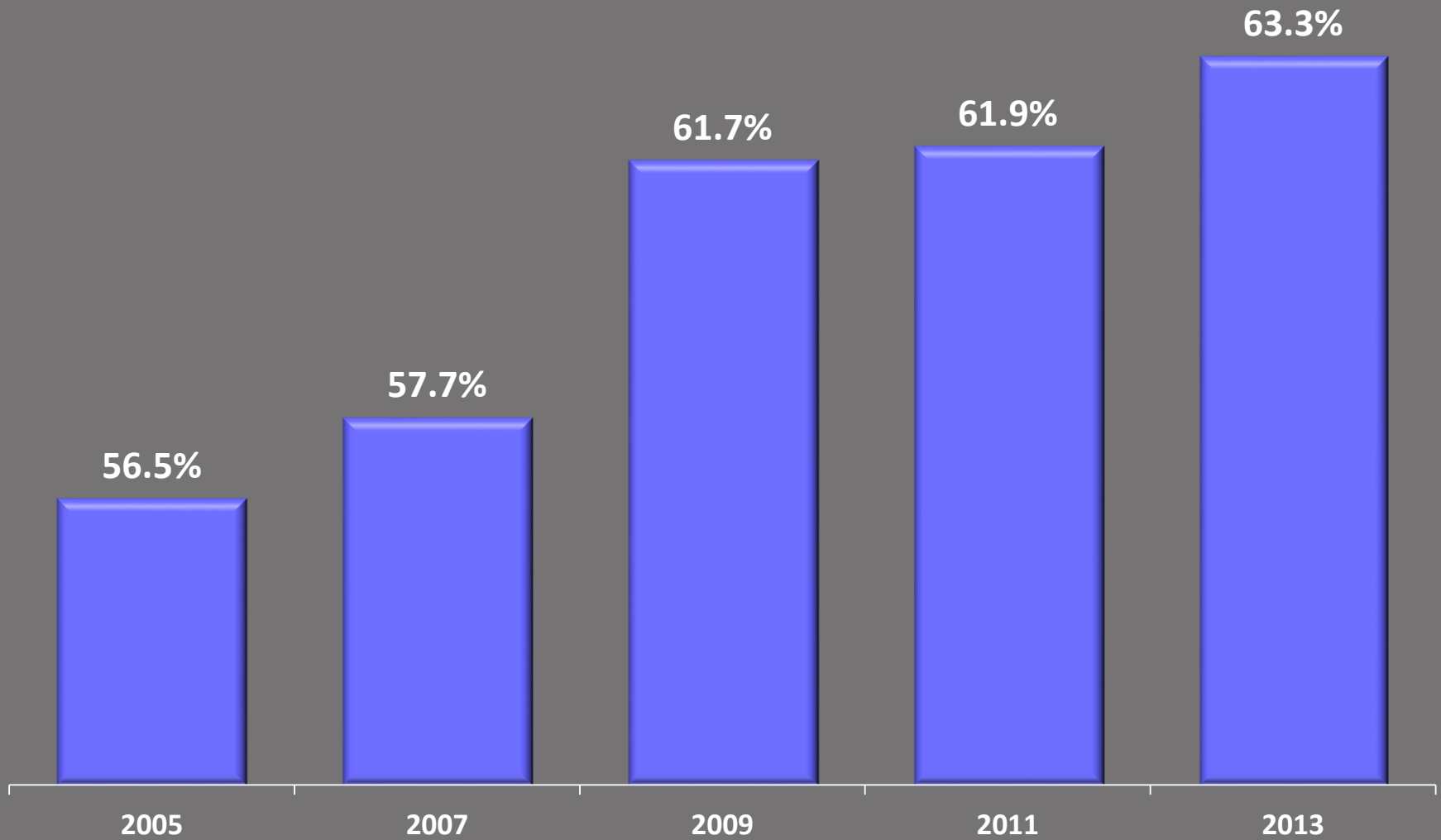
Group Demand Slows - A Sign of Things to Come?



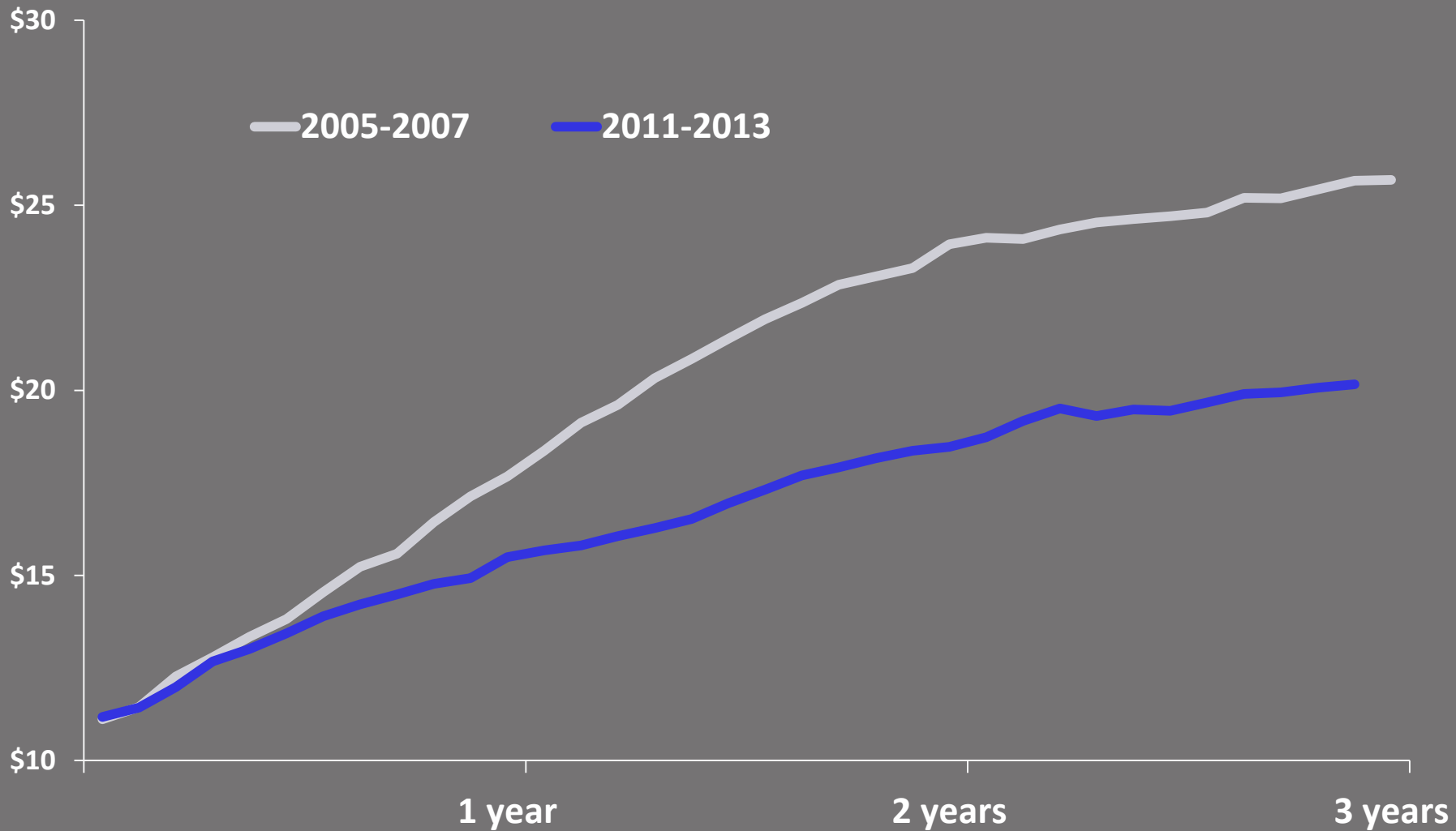
U.S. Group Demand and ADR % Change, 12 MMA, 2012 - 2013



Transient Share Of Total Occupancy Increases ...



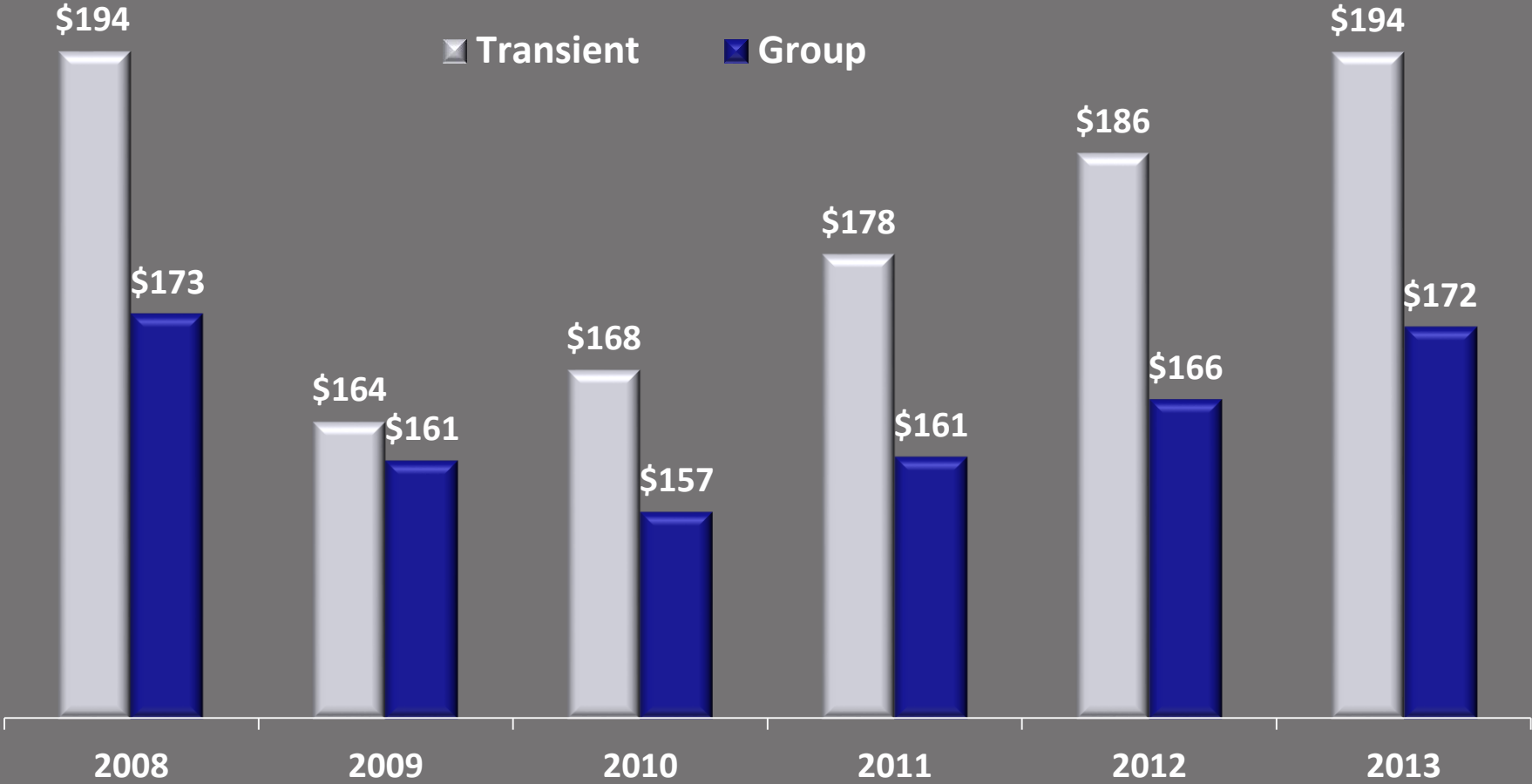
...So Why Is Transient ADR Premium Not Stronger ?



U.S. Transient ADR Premium Over Group ADR, 12 MMA



Transient Room Premium Back to 2008 Levels



U.S. Customer Segmentation ADR \$, 2008 - 2013



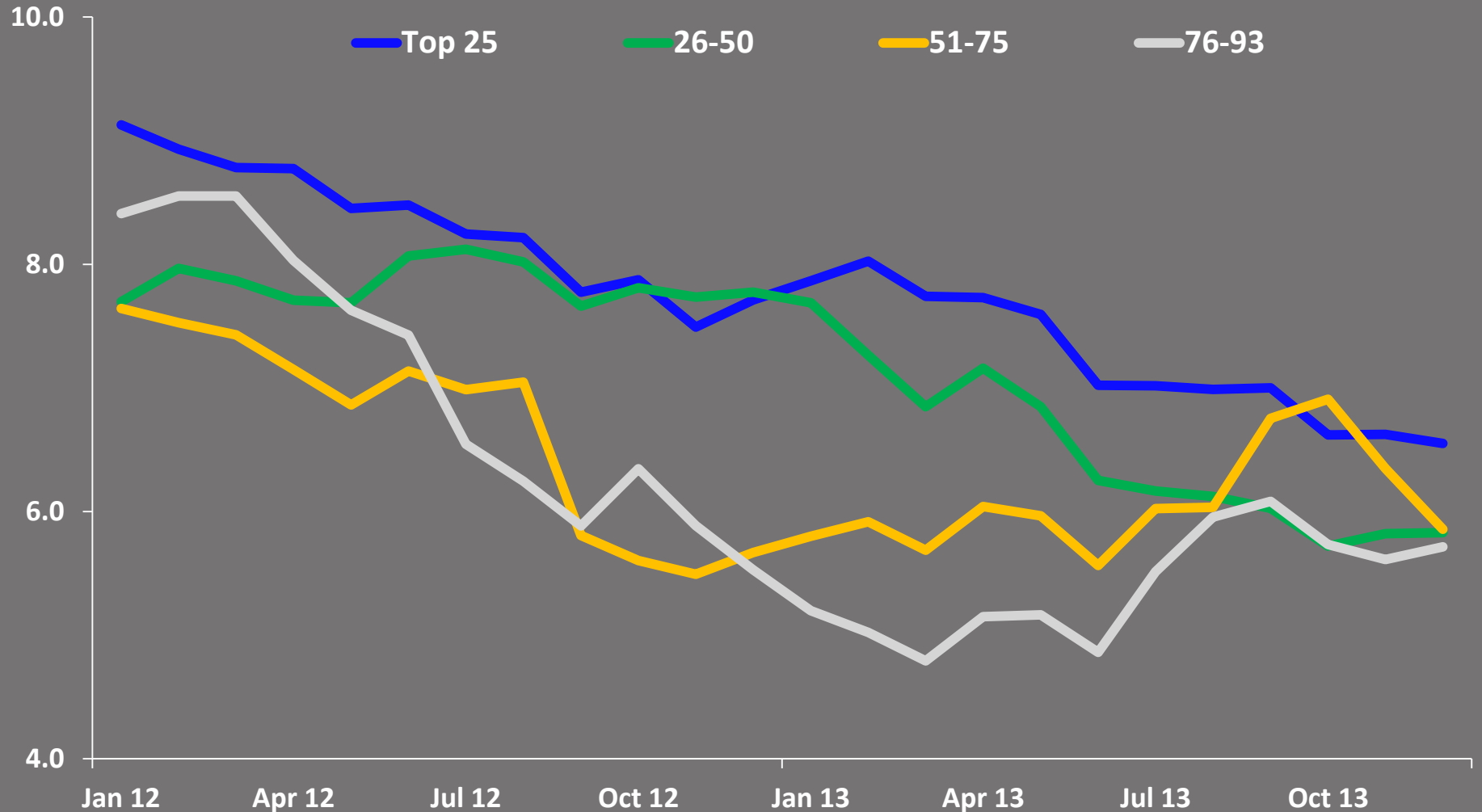


Markets

2013 RevPAR: Best / Worst Performing Markets

Market	RevPAR % Change	Market	RevPAR % Change
Florida Keys	15.0	Little Rock, AR	-1.2
San Jose-Santa Cruz, CA	14.1	Richmond-Petersburg, VA	-1.2
Houston, TX	13.8	New York State	-1.4
Nashville, TN	13.4	Washington, DC-MD-VA	-1.7
San Francisco/San Mateo, CA	12.9	Chattanooga, TN-GA	-3.5
Oahu Island, HI	12.5	New Jersey Shore	-3.7
Oakland, CA	11.9	Scranton-Wilkes-Barre, PA	-3.7
Florida Central	11.0	Pennsylvania Area	-4.8
Dallas, TX	10.8	Louisiana North	-5.5
California North	10.7	North Dakota	-12.3

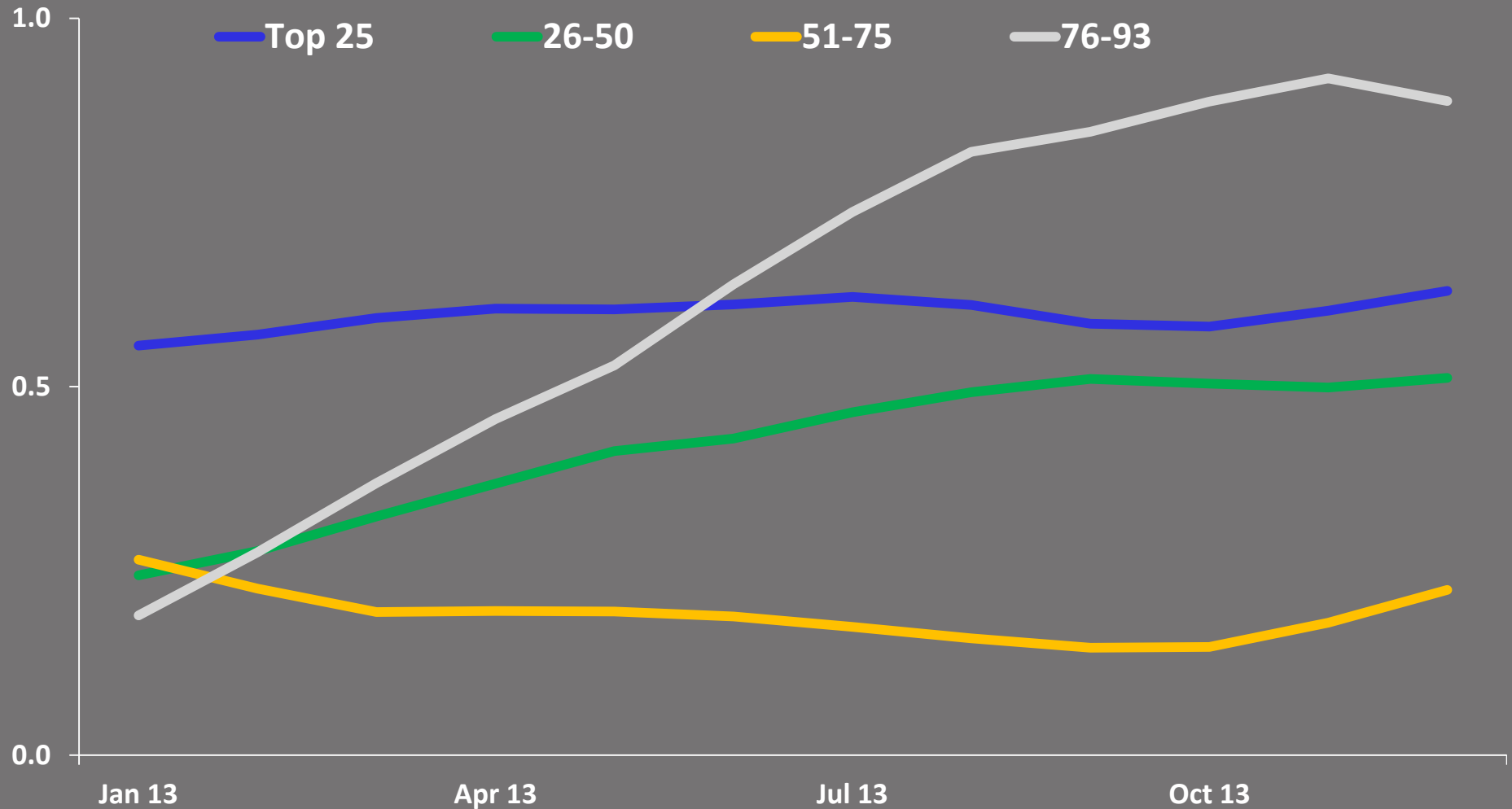
RevPAR Growth Slowed Across All Markets



U.S. Top 93 Markets, Monthly RevPAR % Change, 12 MMA, 2012 – 2013



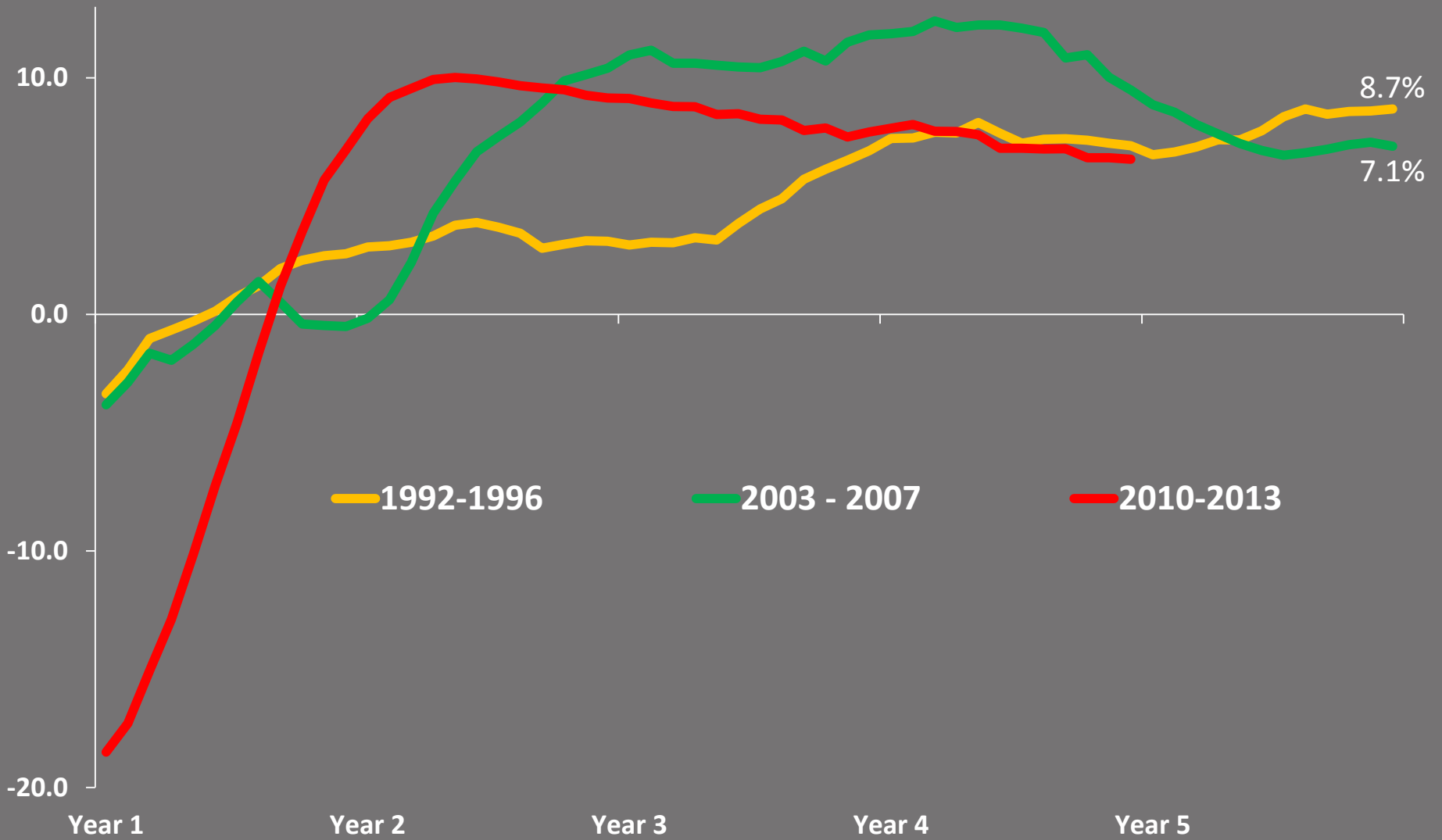
Supply Growth Accelerates (Slowly)



U.S. Top 93 Markets, Monthly Supply % Change, 12 MMA, 2013



Top 25 - Past Three Cycles



U.S. Top 25 Markets, Monthly RevPAR % Change, 12 MMA, 3 Cycles

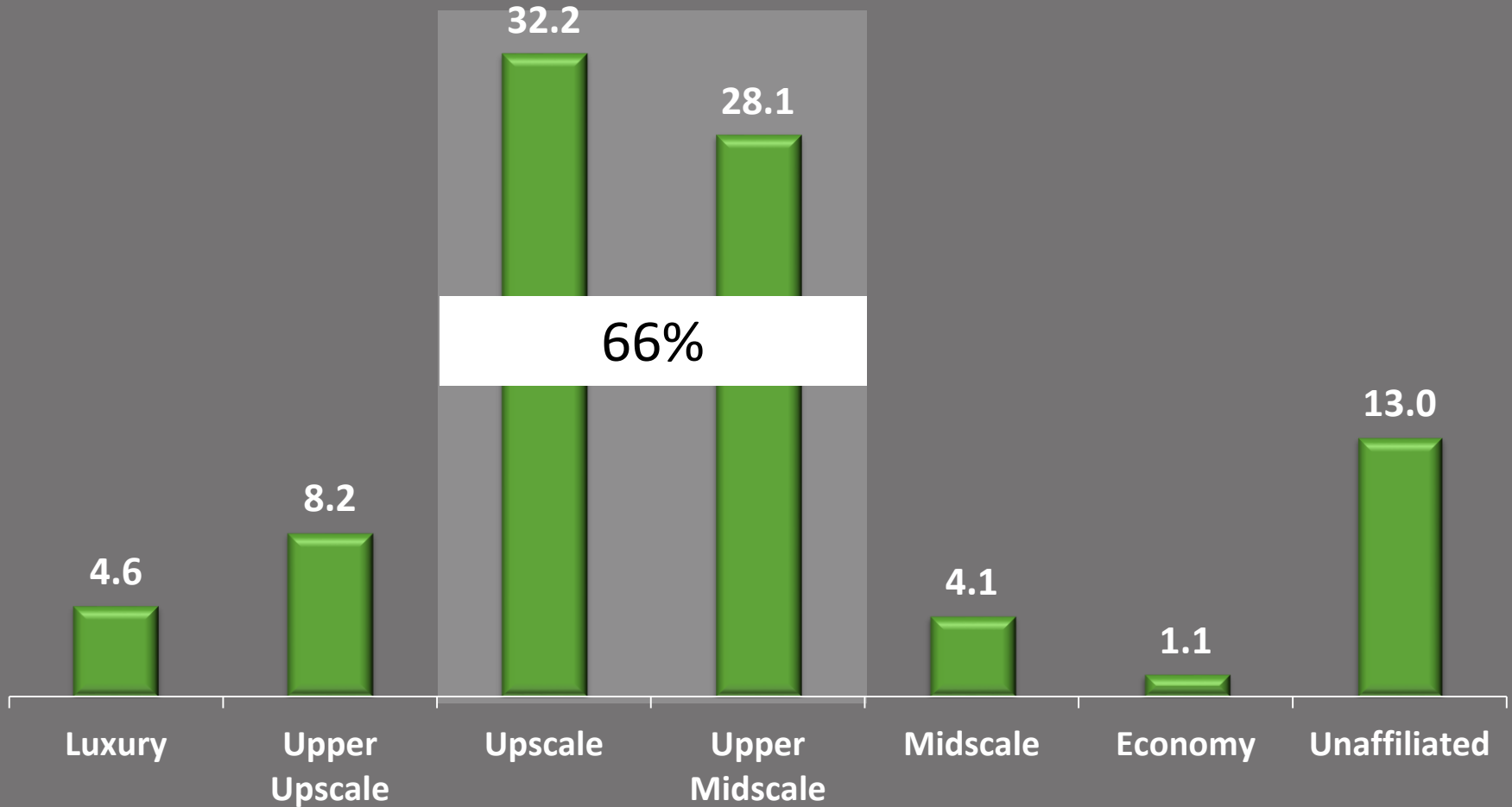
Pipeline

U.S. Pipeline: Construction Accelerates

<u>Phase</u>	<u>2013</u>	<u>2012</u>	<u>% Change</u>
In Construction	91	68	34%
Final Planning	134	100	35%
Planning	121	135	-10%
Active Pipeline	349	304	15%

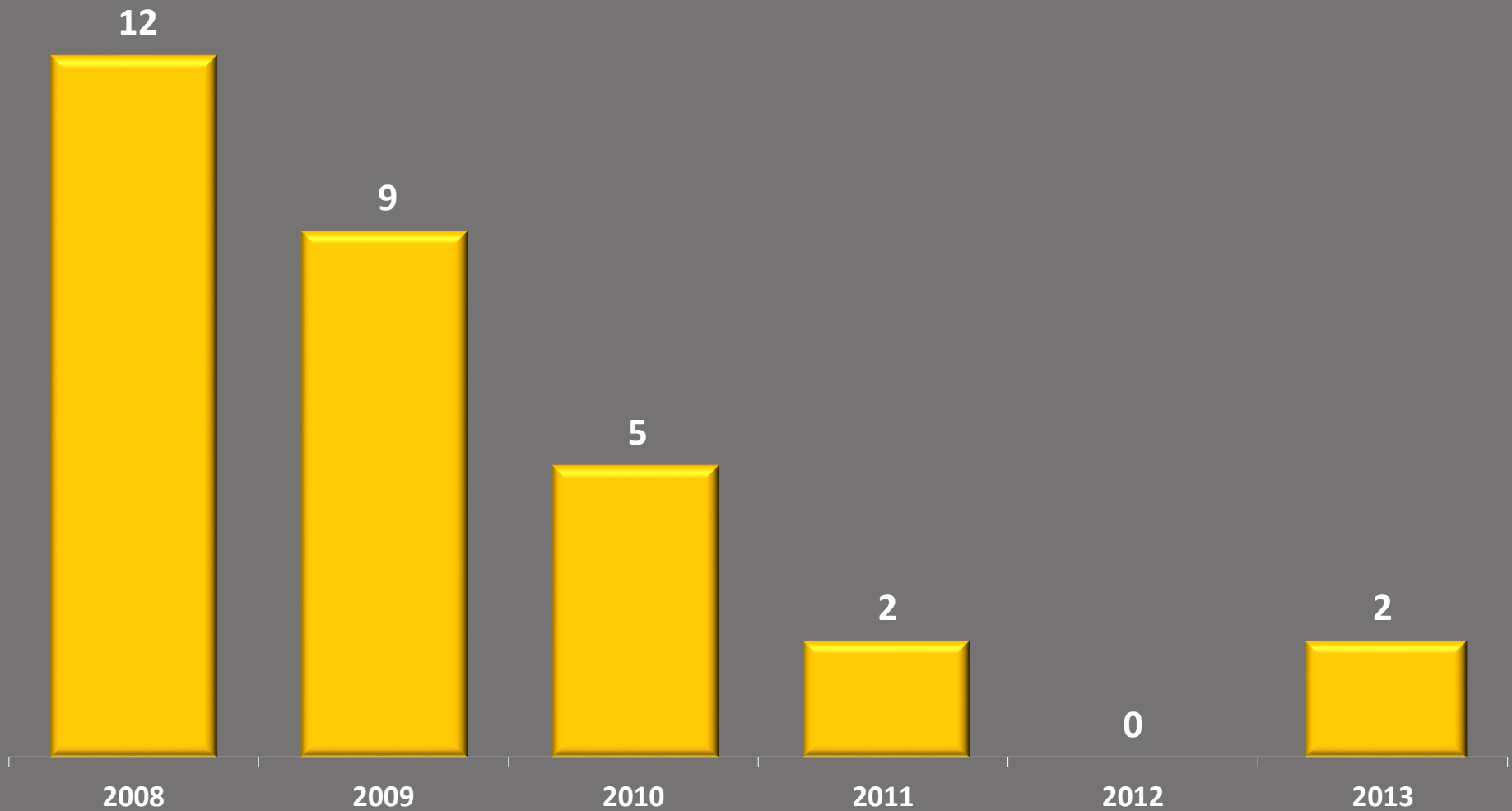
Total U.S. Pipeline, by Phase, '000s Rooms, December 2013 and 2012

Under Construction Rooms Mostly In Middle Segments



U.S. Pipeline, Rooms Under Construction , '000s Rooms, by Scale, December 2013

New Hotels w/ 50,000+ Sqft Meeting Space Are A Rare Breed



U.S. : Count of New Hotels with 50k+ Sqft of meeting space, by year, 2008 - 2013



Construction In Top 26 Markets: 11 With 2%+ Of Supply

Market	Rooms UC	% Of Existing
Las Vegas, NV		0.0%
Oahu Island, HI		0.0%
Norfolk-Virginia Beach, VA	168	0.4%
Minneapolis-St Paul, MN-WI	190	0.5%
San Francisco/San Mateo, CA	312	0.6%
Phoenix, AZ	438	0.7%
Atlanta, GA	749	0.8%
Tampa-St Petersburg, FL	471	1.1%
Detroit, MI	498	1.2%
San Diego, CA	812	1.4%
Dallas, TX	1,196	1.5%
Anaheim-Santa Ana, CA	869	1.6%
Chicago, IL	1,892	1.7%
St Louis, MO-IL	683	1.8%
New Orleans, LA	699	1.9%
Orlando, FL	2,358	2.0%
Boston, MA	1,043	2.0%
Philadelphia, PA-NJ	950	2.1%
Houston, TX	1,930	2.6%
Los Angeles-Long Beach, CA	2,523	2.6%
Washington, DC-MD-VA	2,819	2.7%
Nashville, TN	1,026	2.7%
Seattle, WA	1,242	3.0%
Miami-Hialeah, FL	1,975	4.1%
Denver, CO	1,913	4.6%
New York, NY	11,189	10.3%

U.S. Pipeline, Top 26 Markets, U/C Rooms as % of Existing Supply, December 2013



Construction In Top 26 Markets: 6 Markets Grow by 100+%

Market	Rooms UC	% Change
Dallas, TX	1,196	367%
Seattle, WA	1,242	345%
Houston, TX	1,930	229%
Anaheim-Santa Ana, CA	869	199%
New Orleans, LA	699	150%
Boston, MA	1,043	147%

U.S. Pipeline, Top 26 Markets, U/C Rooms and % Change, December 2013



Summary

- U.S.: Steady **Demand** Growth
- **U.S. RevPAR**: Are The Best Days Behind Us?
- **Group Demand** Is The Wild Card
- **Transient ADR** *Hopefully* Lifts Group ADR
- For Some Markets **Supply** Will Be The New Problem



Questions?

Presentation is available for download.

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