NEW YORK UNIVERSITY
School of Continuing and
Professional Studies

Preston Robert Tisch Center for
Hospitality, Tourism, and Sports Management

The U.S. Economic Recovery: Chain Scale Segments, Top 25 Markets, Demand Segments and Profits

The Fourth in a Series of
NYU Tisch Center Economic Briefings

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Agenda

1. U.S. Recessions
2. U.S. Lodging Industry: Cycles and Performance
3. Analysis of U.S. Lodging Recoveries
4. U.S. Lodging RevPAR Trends: Implications for this Recovery
5. Two RevPAR Recovery Analyses
6. RevPAR Forecasts
7. Structural Changes
8. Conclusions

Section 1 - U.S. Recessions

U.S. Recessions

Dates	Duration
Aug. 1929 to March 1933	43 months
May 1937 to June 1938	13 months
Feb. 1945 to Oct. 1945	8 months
Nov. 1948 to Oct. 1949	11 months
July 1953 to May 1954	10 months
Aug. 1957 to April 1958	8 months
April 1960 to Feb. 1961	10 months
Dec. 1969 to Nov. 1970	11 months
Nov. 1973 to March 1975	16 months
Jan. 1980 to July 1980	6 months
July 1981 to Nov. 1982	16 months
July 1990 to March 1991	8 months
March 2001 to Nov. 2001	8 months
December 2007 to Feb. 2010	26 months*

*To date

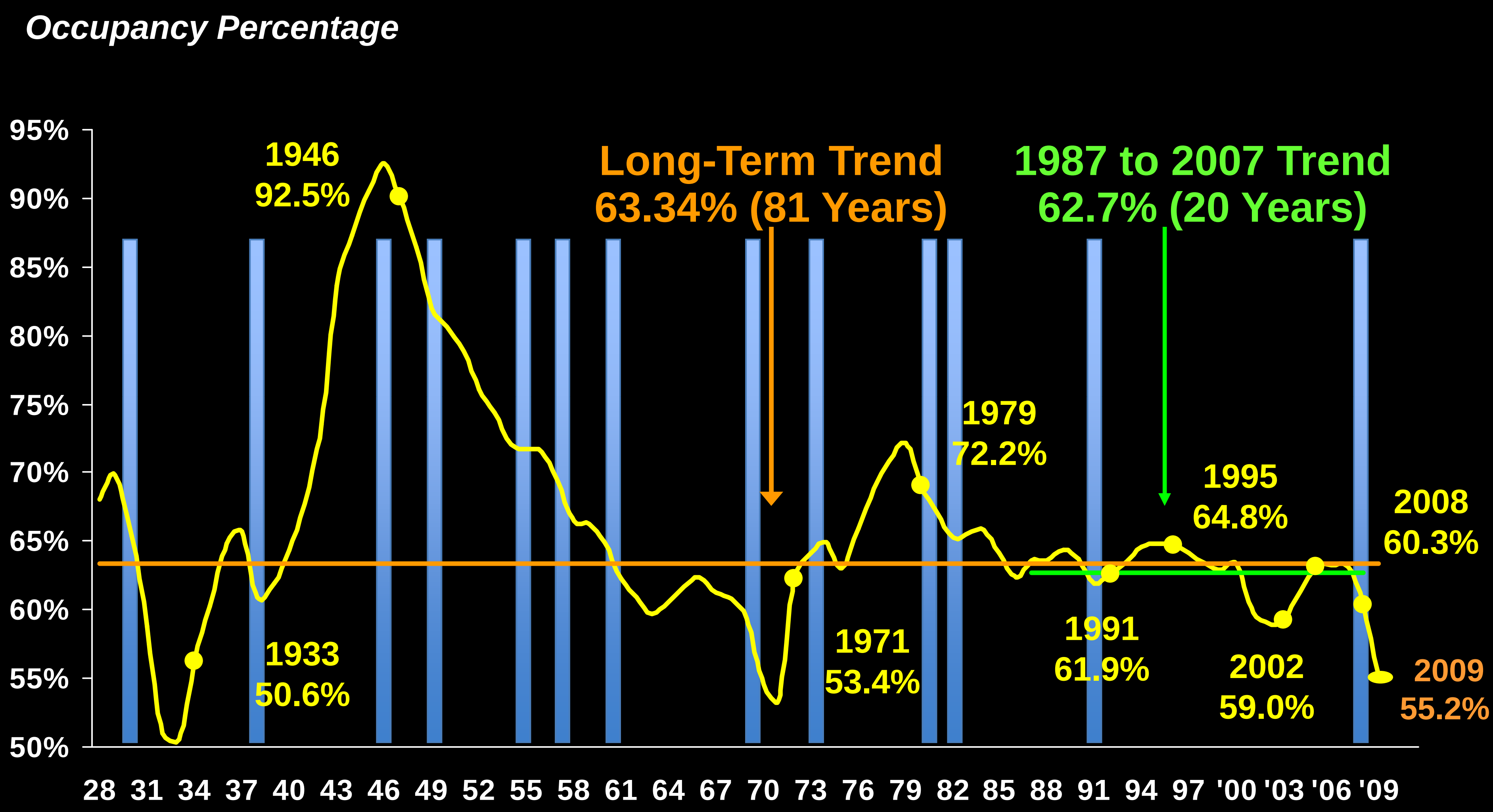
Source: National Bureau of Economic Research

For further information on "The U.S. Economy, the Stock Market and its Effect on the Lodging Industry", please refer to the Tisch Center NYU February Podcast at:

http://www.scps.nyu.edu/tischpodcast

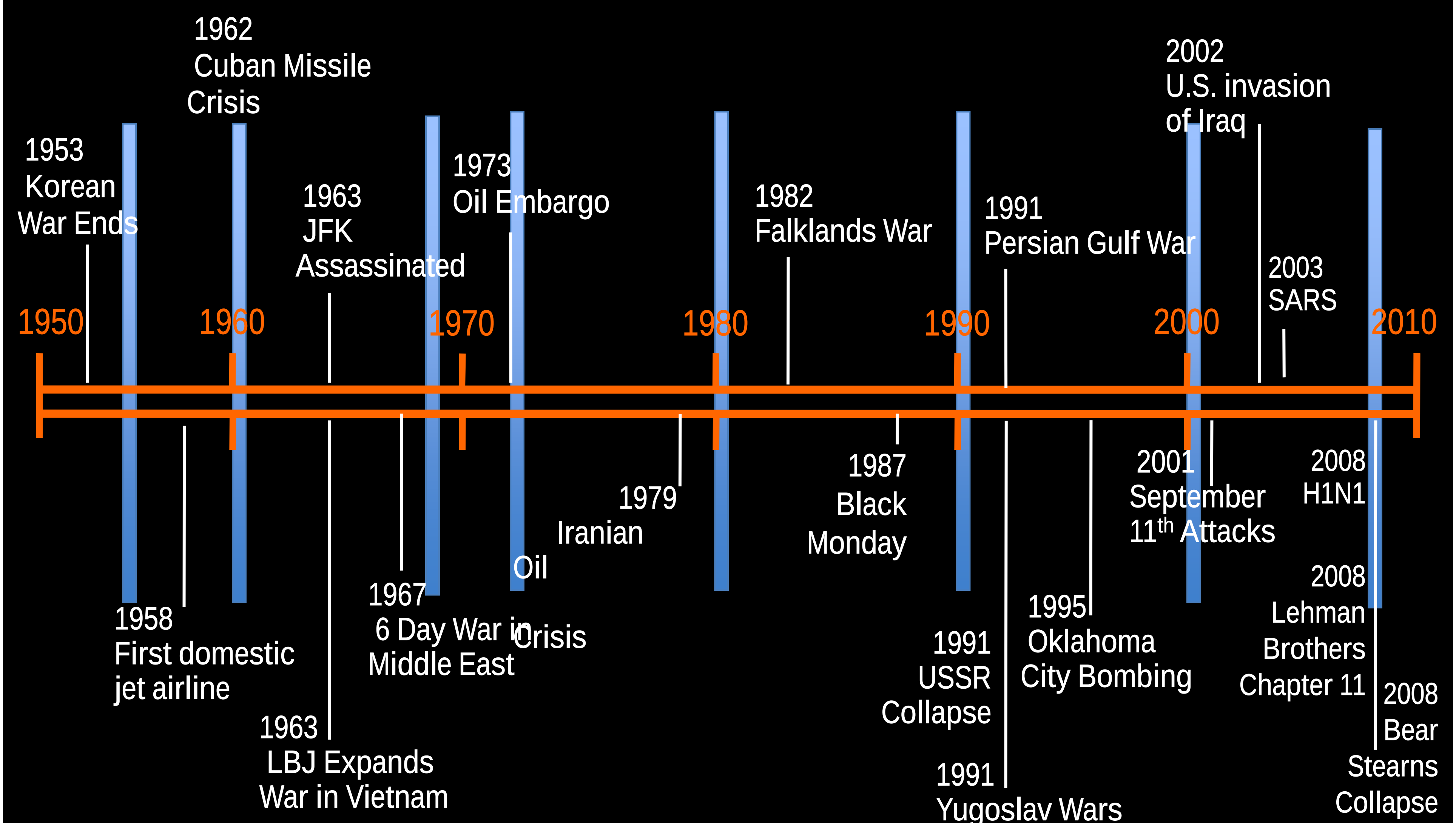
Section 2 - The U.S. Lodging Industry: Cycles and Performance Relative to Recessions

Long-Term U.S. Occupancy

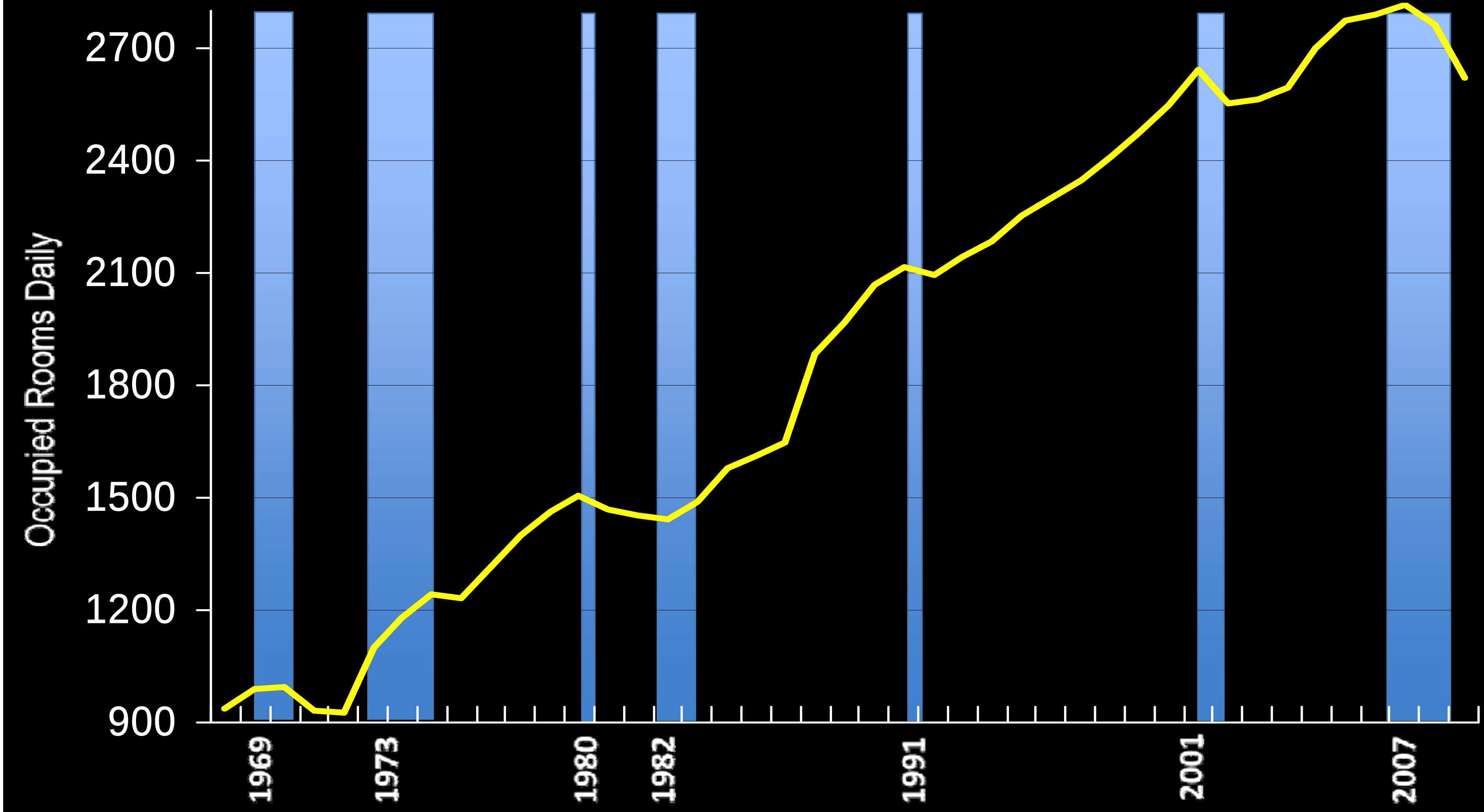


Sources: PricewaterhouseCoopers LLP (1928 to 1986 and 2008), Smith Travel Research (1987 to 2009)

Timeline of Recessions & Historic Events



U.S. Lodging Demand and Recessions



Source: National Bureau of Economic Research & Smith Travel Research

U.S. Recessions and Lodging Cycles

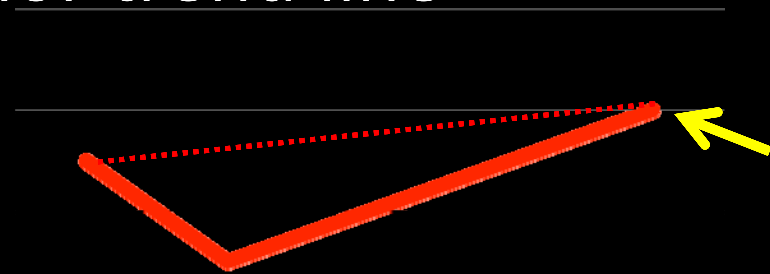
U.S. Recessions	Months	Lodging Cycles	Months
Dec. 1969 to Nov. 1970	11	Feb. 1969 to Feb. 1971	12
Nov. 1973 to March 1975	16	Aug. 1974 to May 1975	9
Jan. 1980 to July 1980	6	Oct. 1979…	-
July 1981 to Nov. 1982	16	… to May 1982	19
July 1990 to March 1991	8	Feb. 1990 to March 1991	13
March 2001 to Nov. 2001	8	Sept. 2000 to Sept. 2003	36
Dec 2007 to Feb. 2010	26		

Source: Smith Travel Research and National Bureau of Economic Research

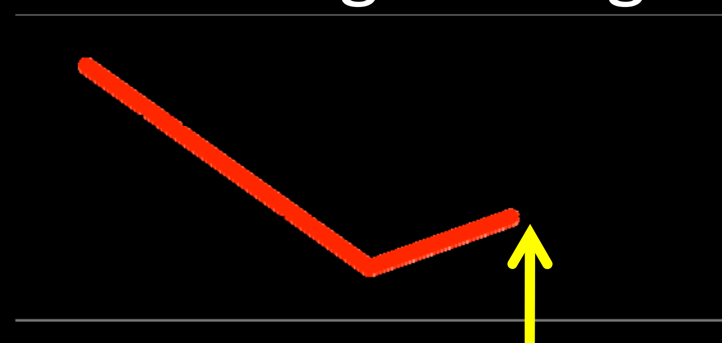
Section 3 - U.S. Lodging Recoveries

Definitions of Recovery

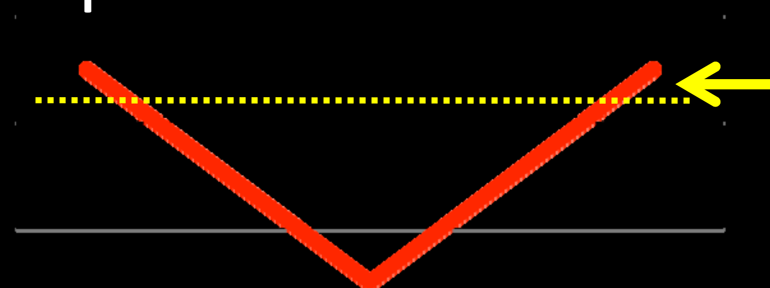
1. Return to a prior trend line



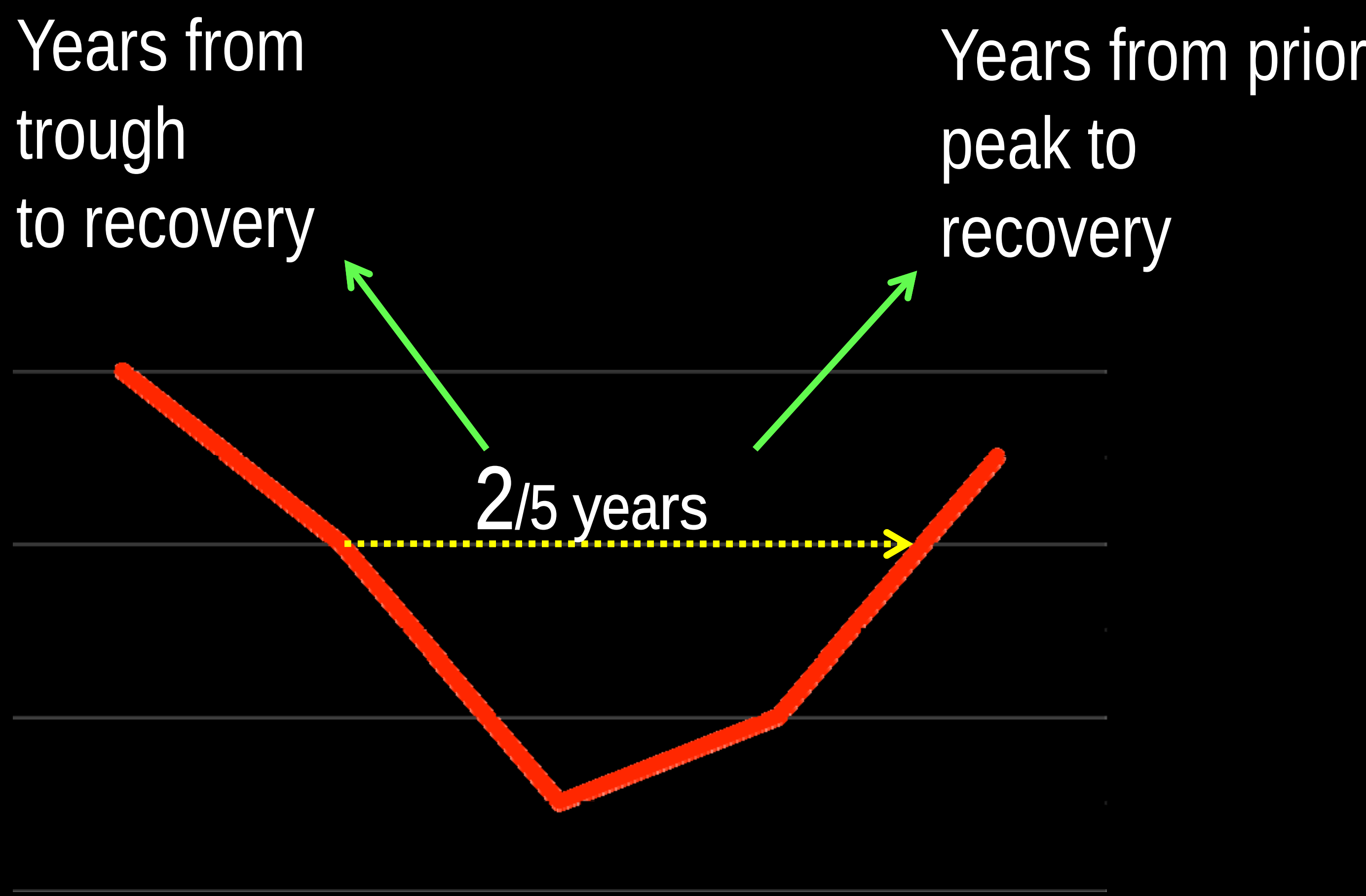
2. Favorable trend following a trough



3. Return to a prior performance level

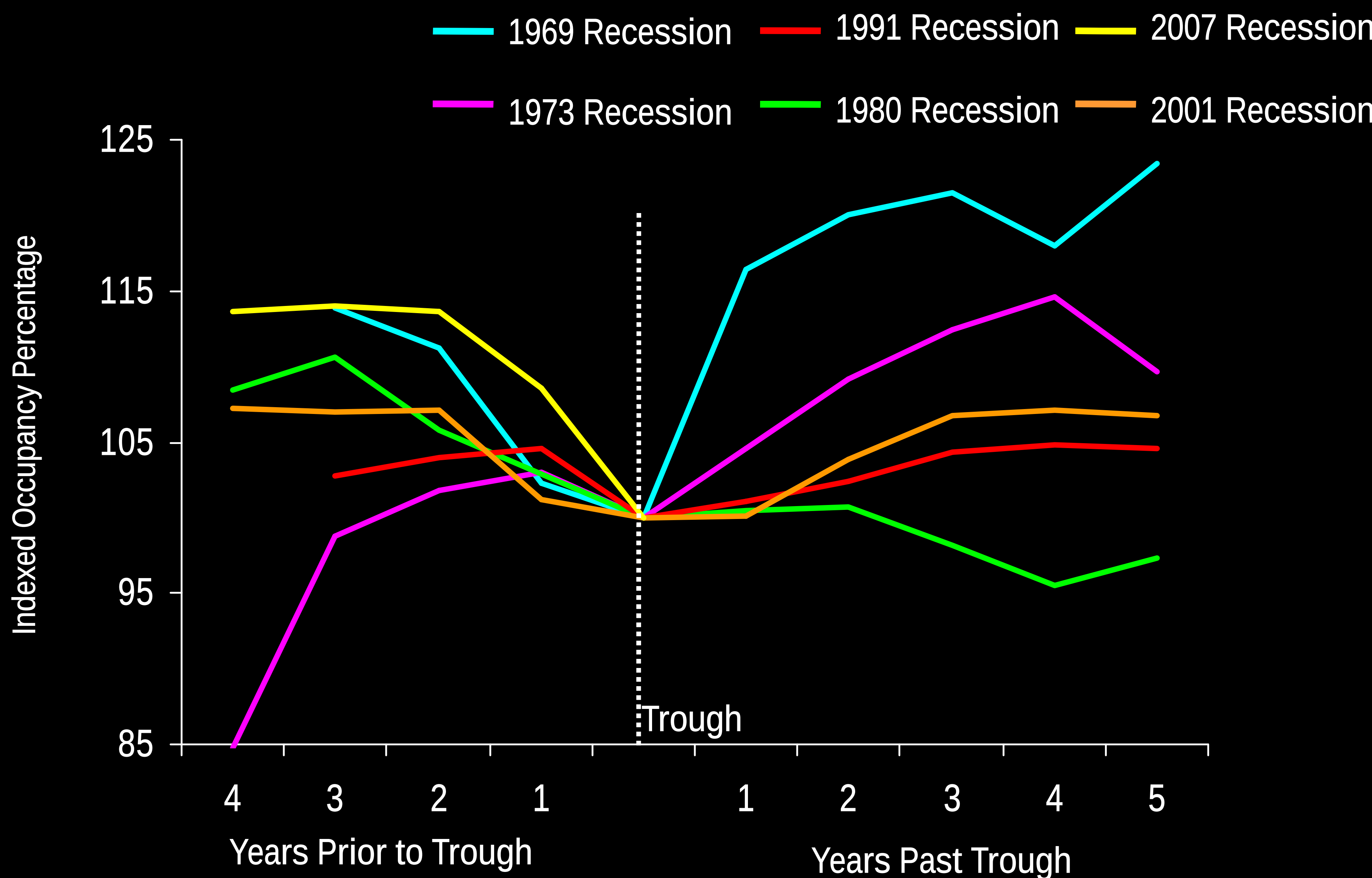


3. Return to a prior performance level



Total U.S. Lodging Industry

Total U.S. Occupancy



Source: Smith Travel Research and PricewaterouseCoopers

Total U.S. Nominal ADR

Source: Smith Travel Research and PricewaterouseCoopers

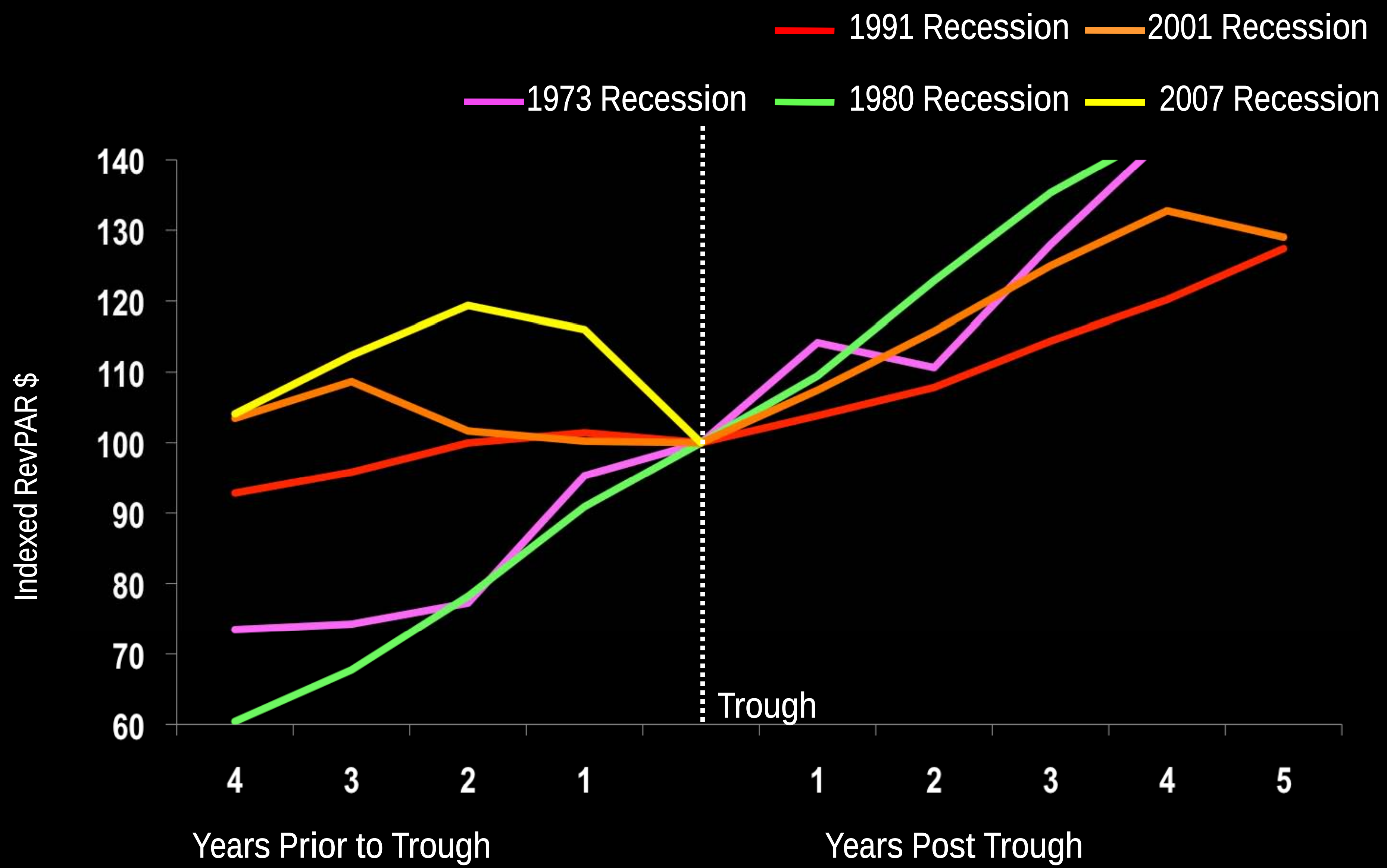
Total U.S. Real ADR

Source: Smith Travel Research and PricewaterouseCoopers

Total U.S. Nominal RevPAR

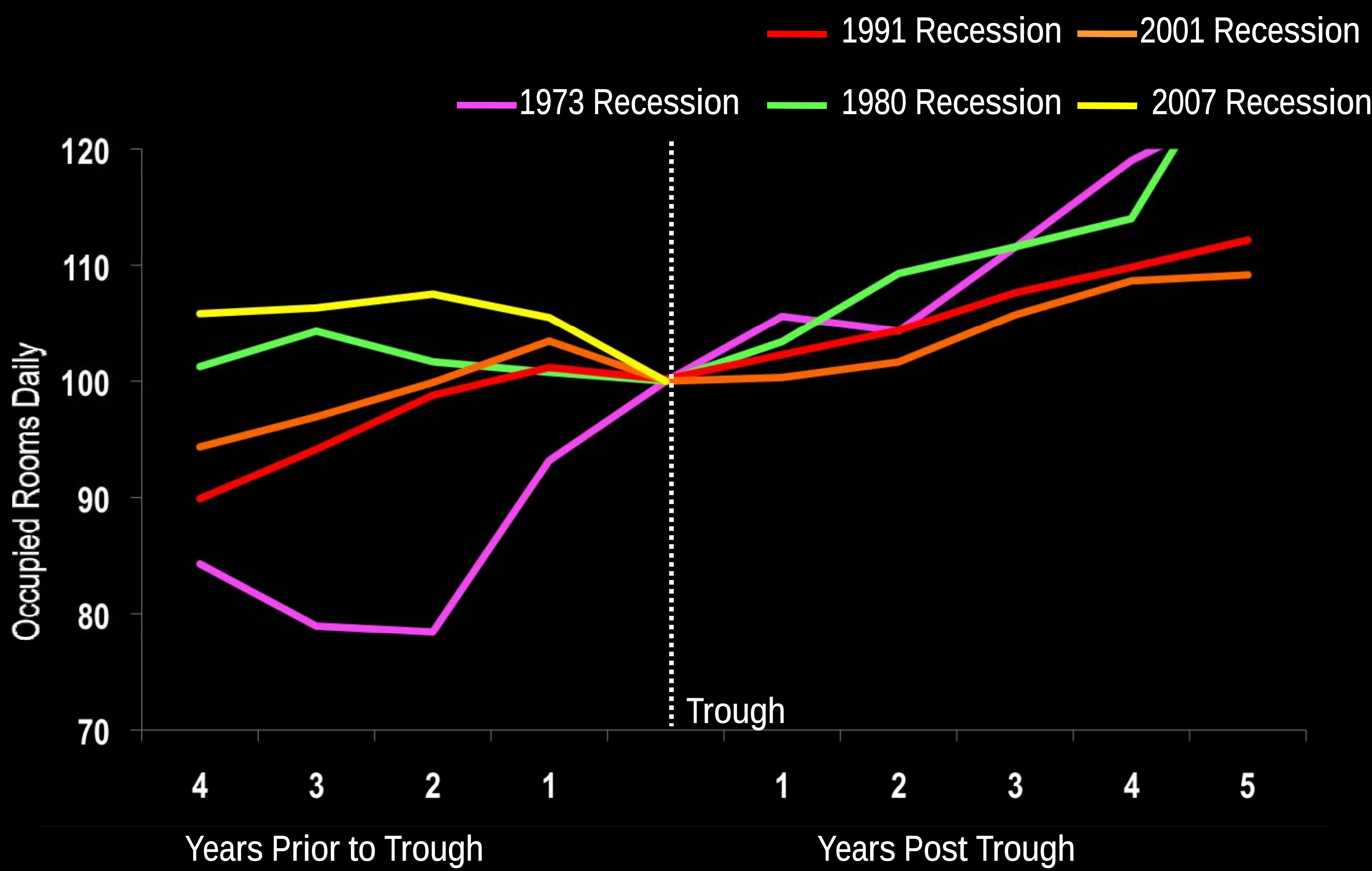
Source: Smith Travel Research and PricewaterouseCoopers

Total U.S. Real RevPAR



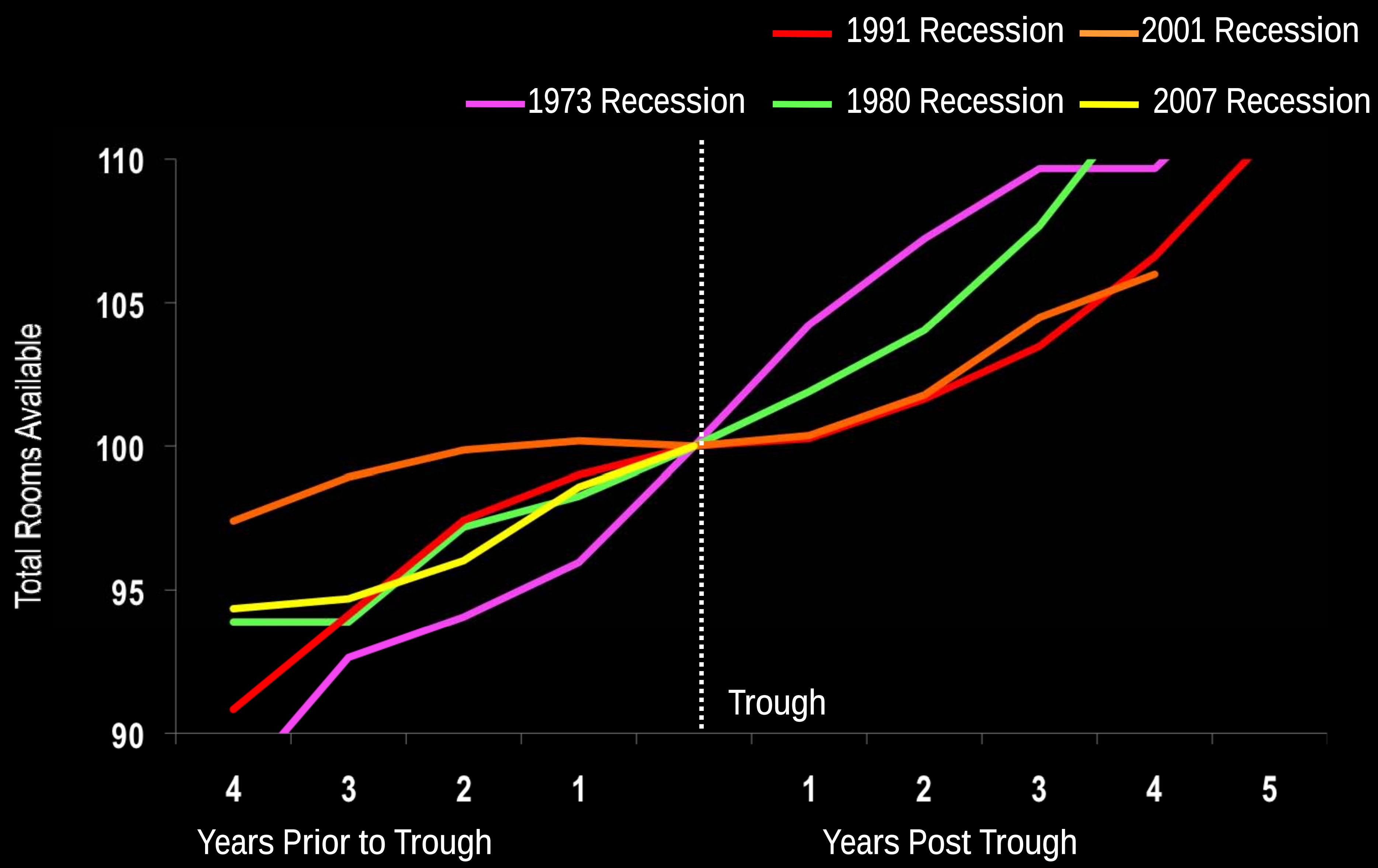
Source: Smith Travel Research and PricewaterouseCoopers

Total U.S. Demand



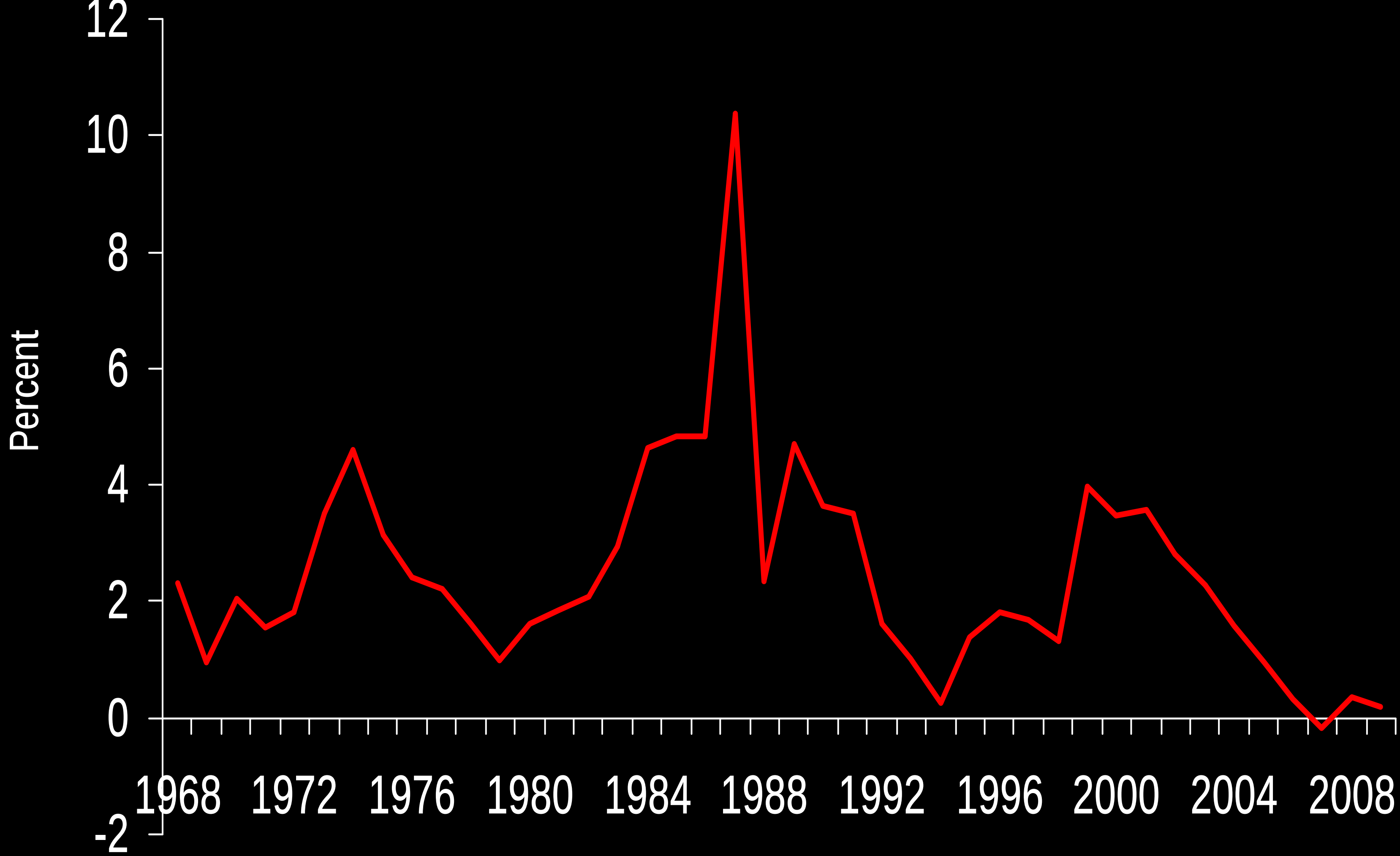
Source: Smith Travel Research and PricewaterouseCoopers

Total U.S. Supply



Source: Smith Travel Research and PricewaterouseCoopers

Total U.S. Supply Change



Source: Smith Travel Research and PricewaterouseCoopers

U.S. Lodging Chain Scale Segments

Graphs Provided For:

Total U.S.

Luxury

Upper Upscale

Upscale

Midscale with Food and Beverage

Midscale without Food and Beverage

Economy

Top 25 Markets

Graphs Of:

Occupancy

Nominal Average Daily Rate

Real Average Daily Rate

Nominal RevPAR

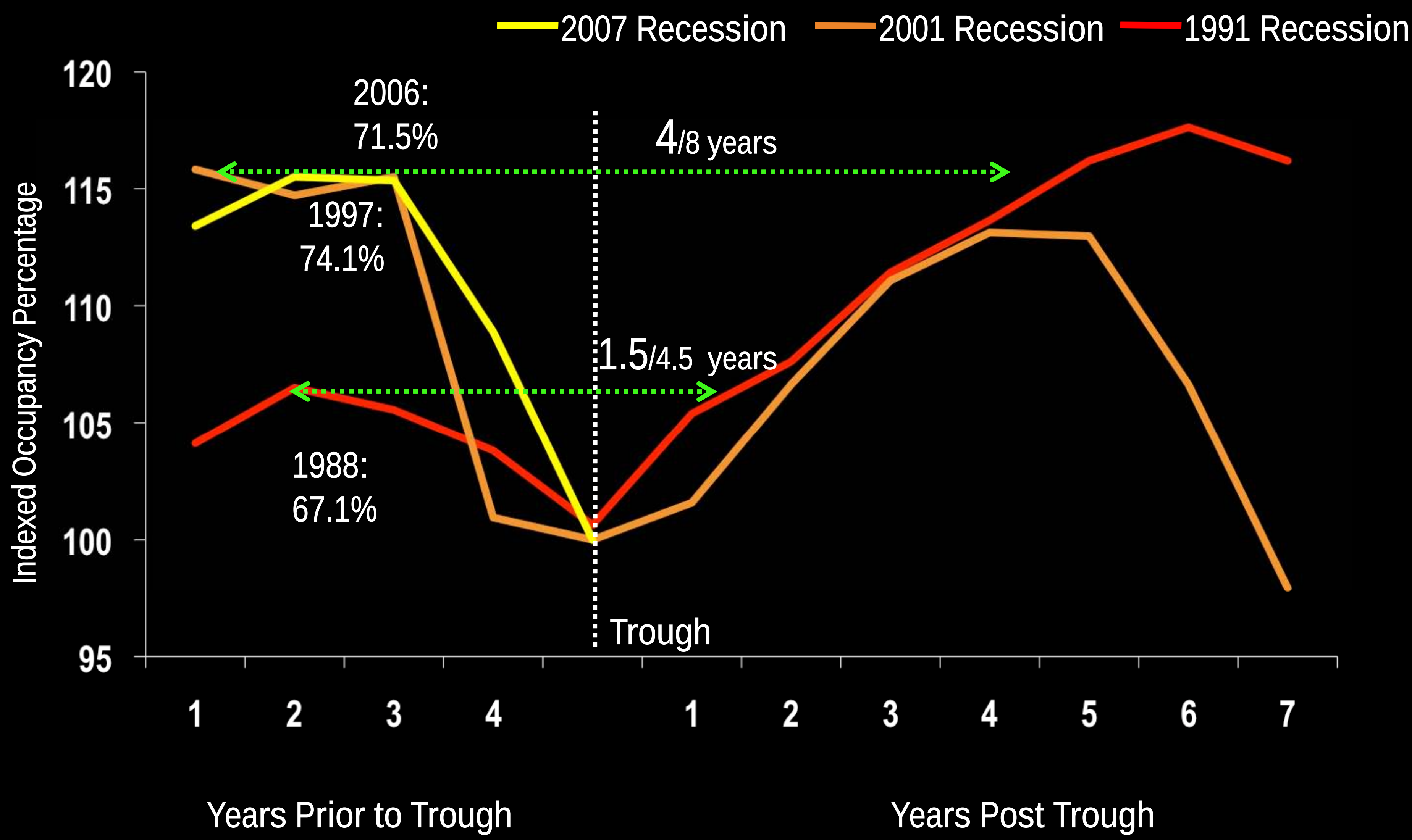
Real RevPAR

Supply

Supply Percentage Change

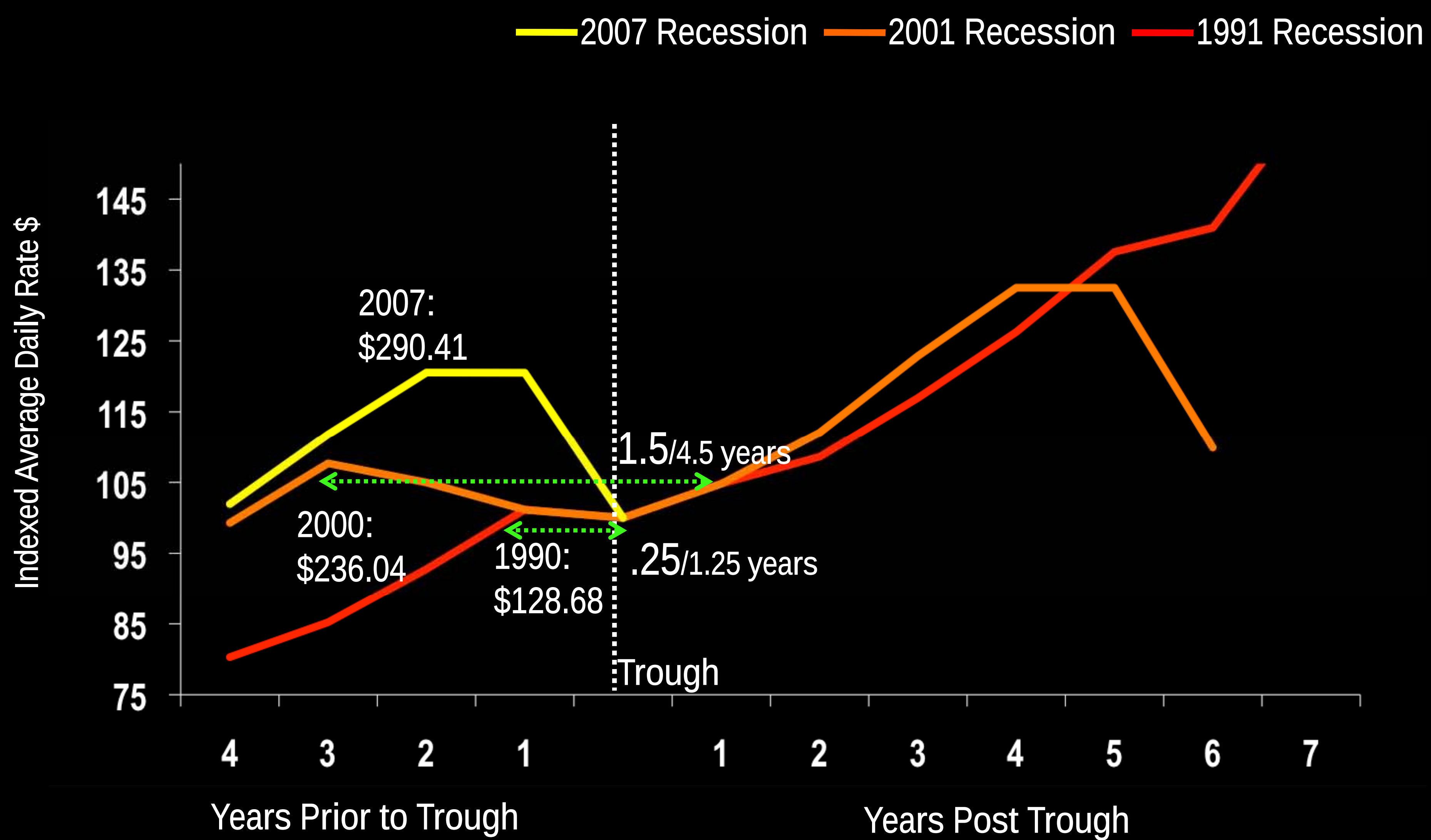
Demand

Luxury Occupancy



Source: Smith Travel Research

Luxury Nominal ADR

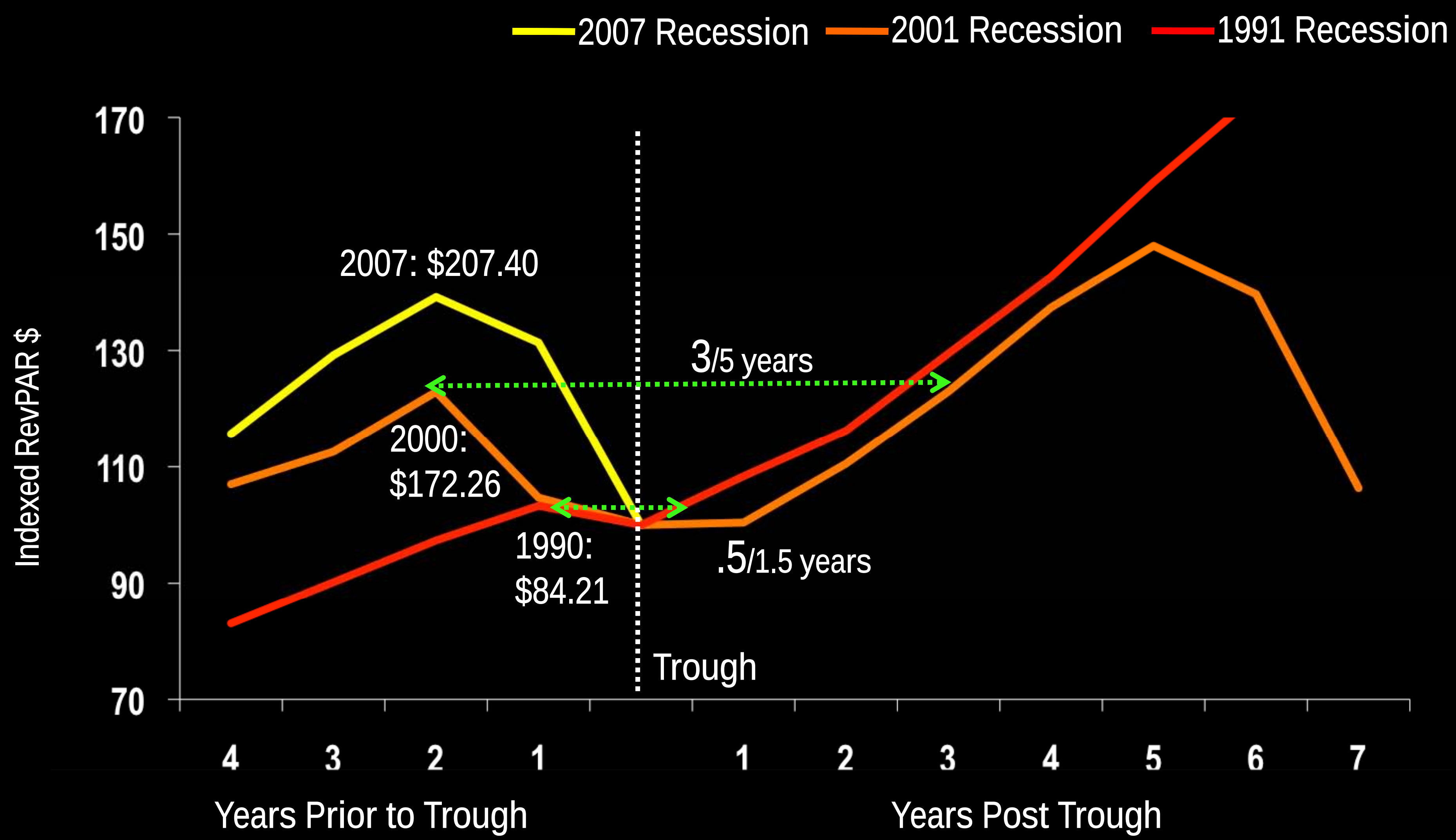


Source: Smith Travel Research

Luxury Real ADR

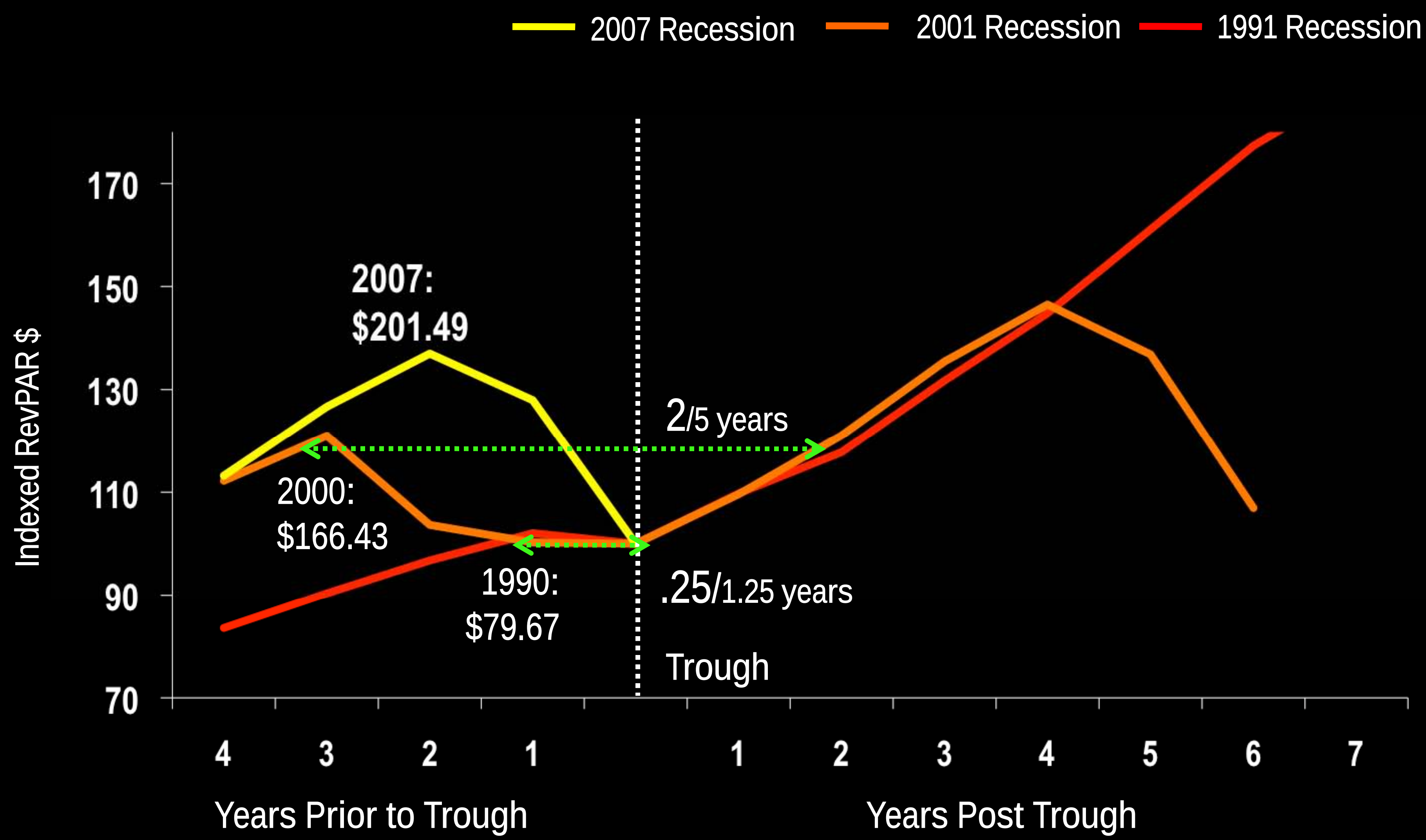
Source: Smith Travel Research

Luxury Nominal RevPAR



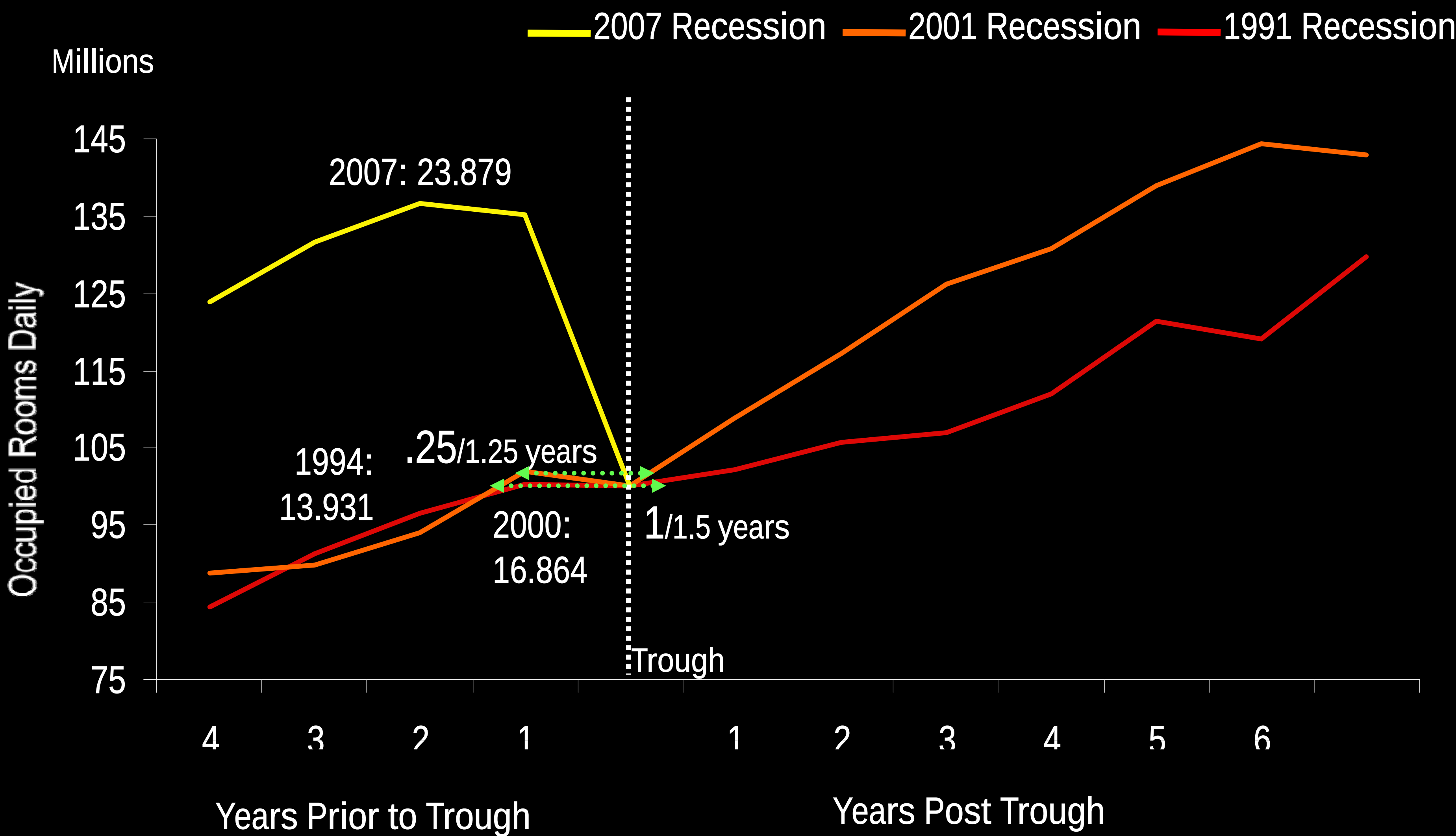
Source: Smith Travel Research

Luxury Real RevPAR



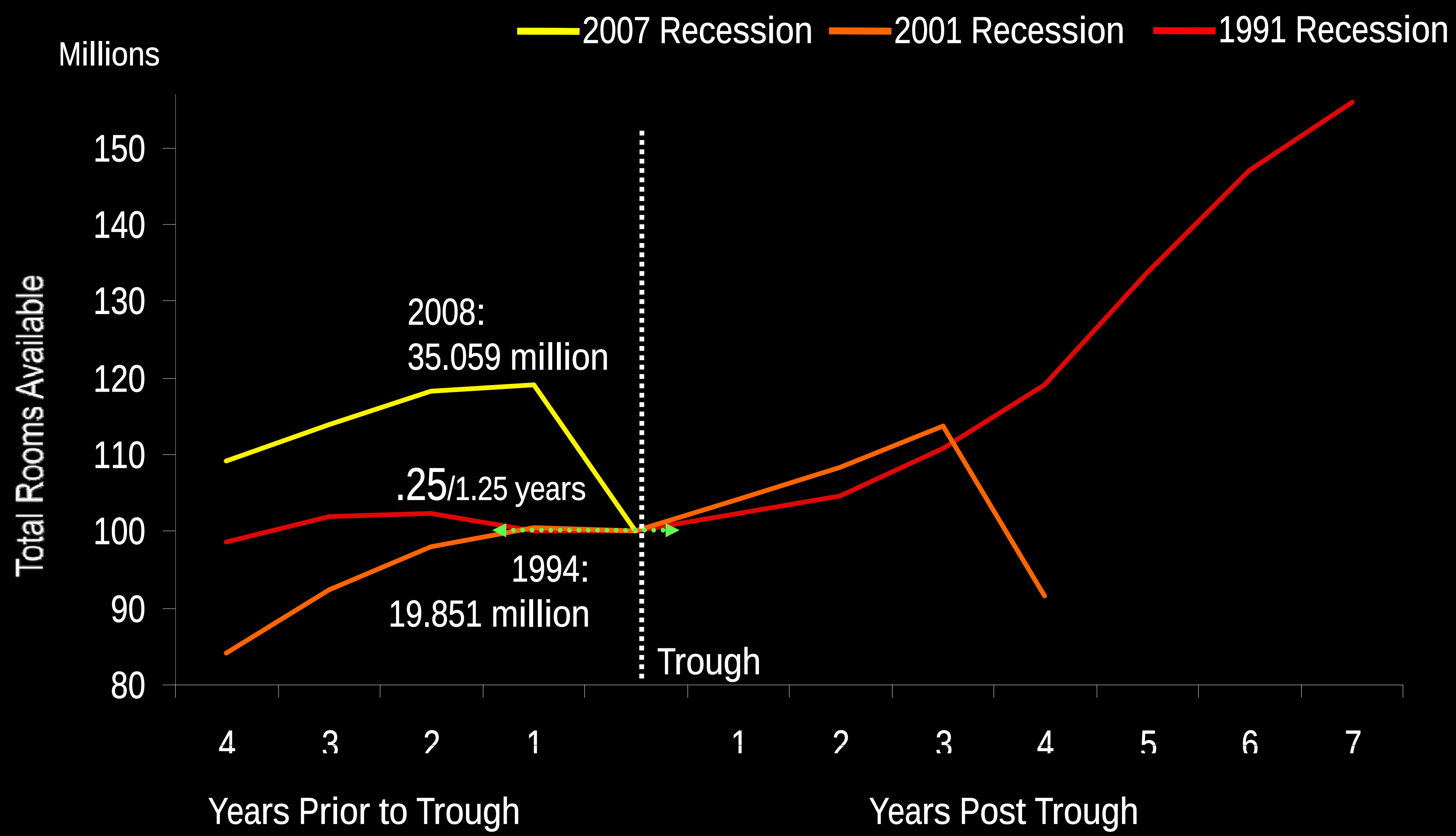
Source: Smith Travel Research

Luxury Demand



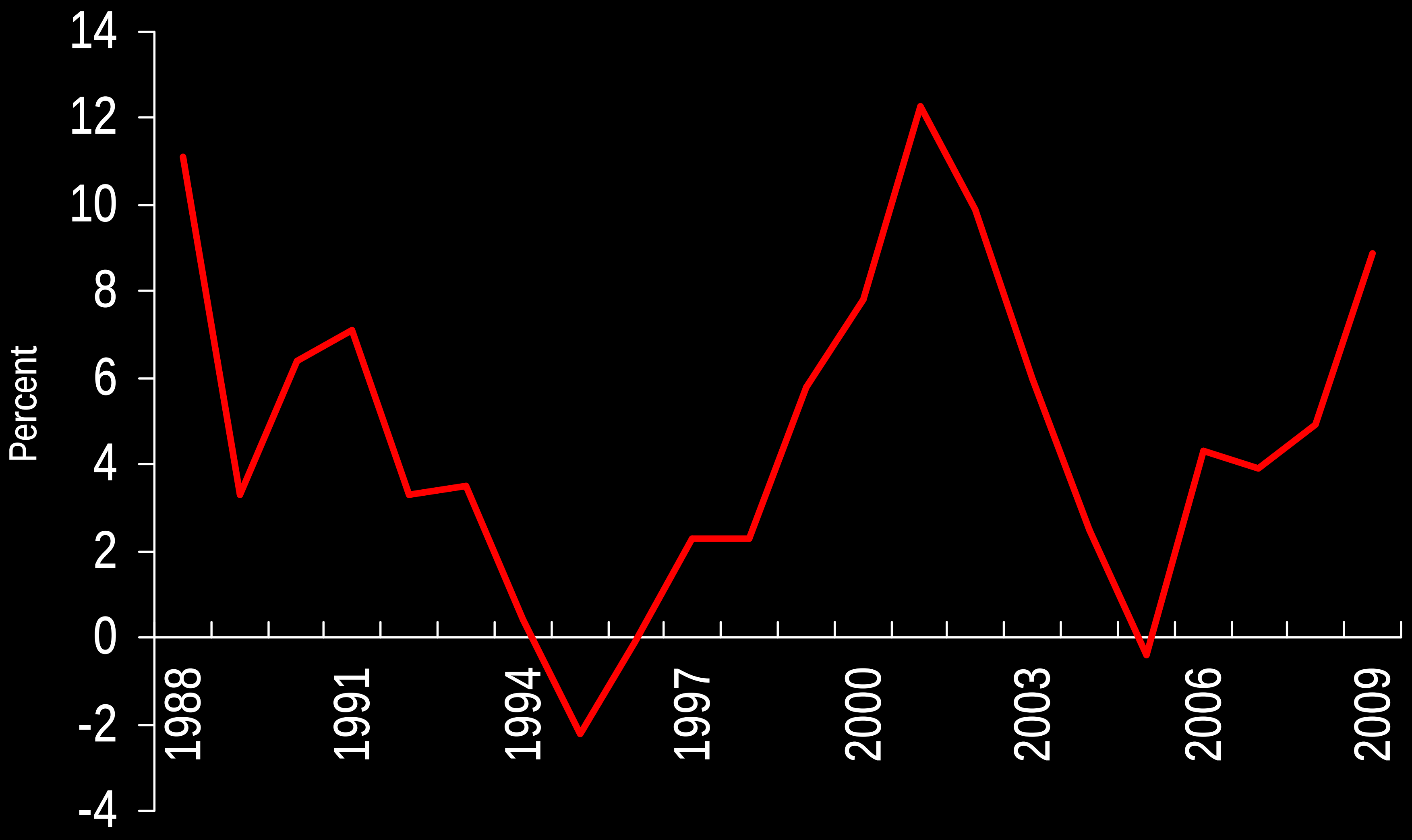
Source: Smith Travel Research

Luxury Supply



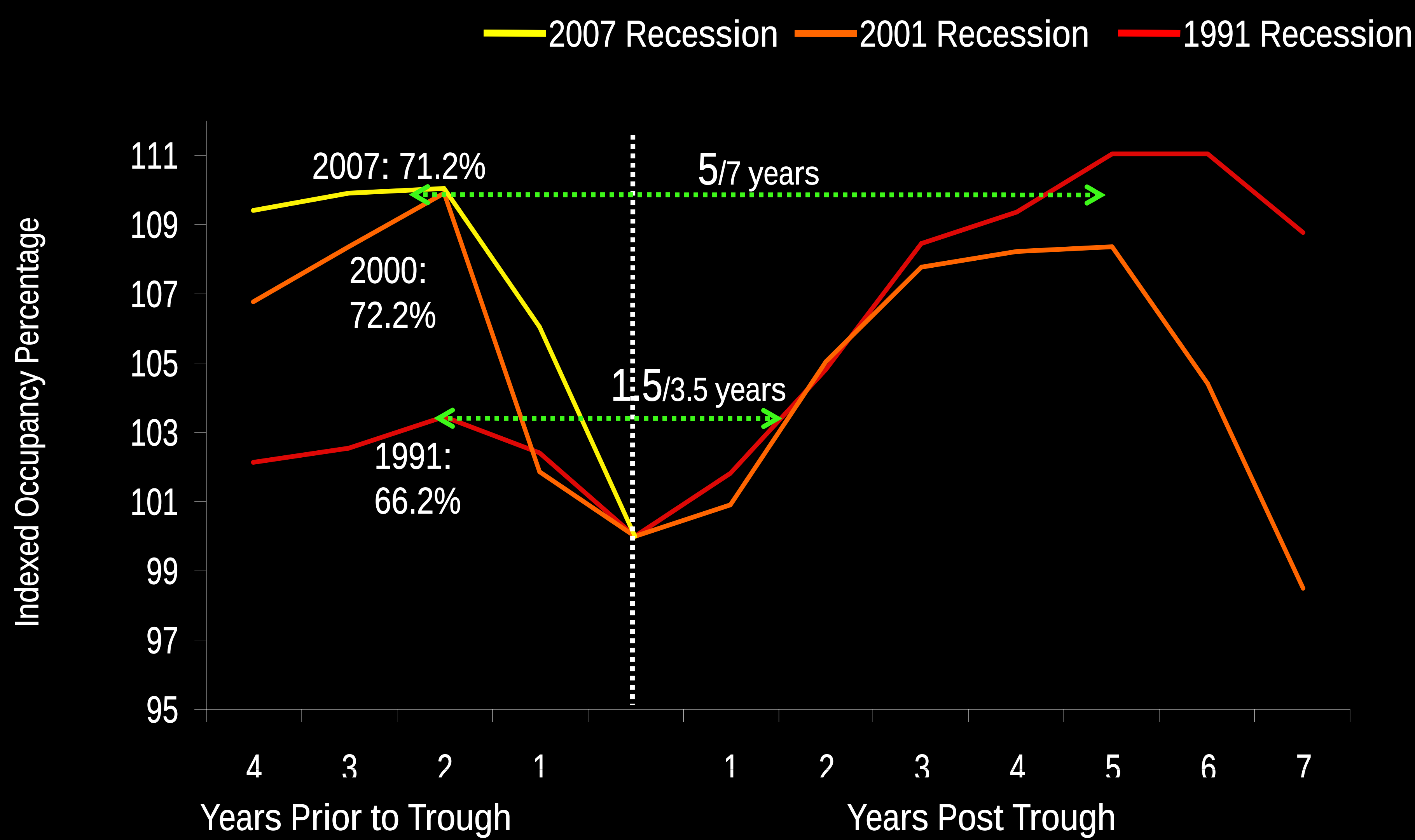
Source: Smith Travel Research

Luxury Supply Change



Source: Smith Travel Research

Upper Upscale Occupancy



Source: Smith Travel Research

Upper Upscale Nominal ADR

Source: Smith Travel Research

Upper Upscale Real ADR

Source: Smith Travel Research

Upper Upscale Nominal RevPAR

Source: Smith Travel Research

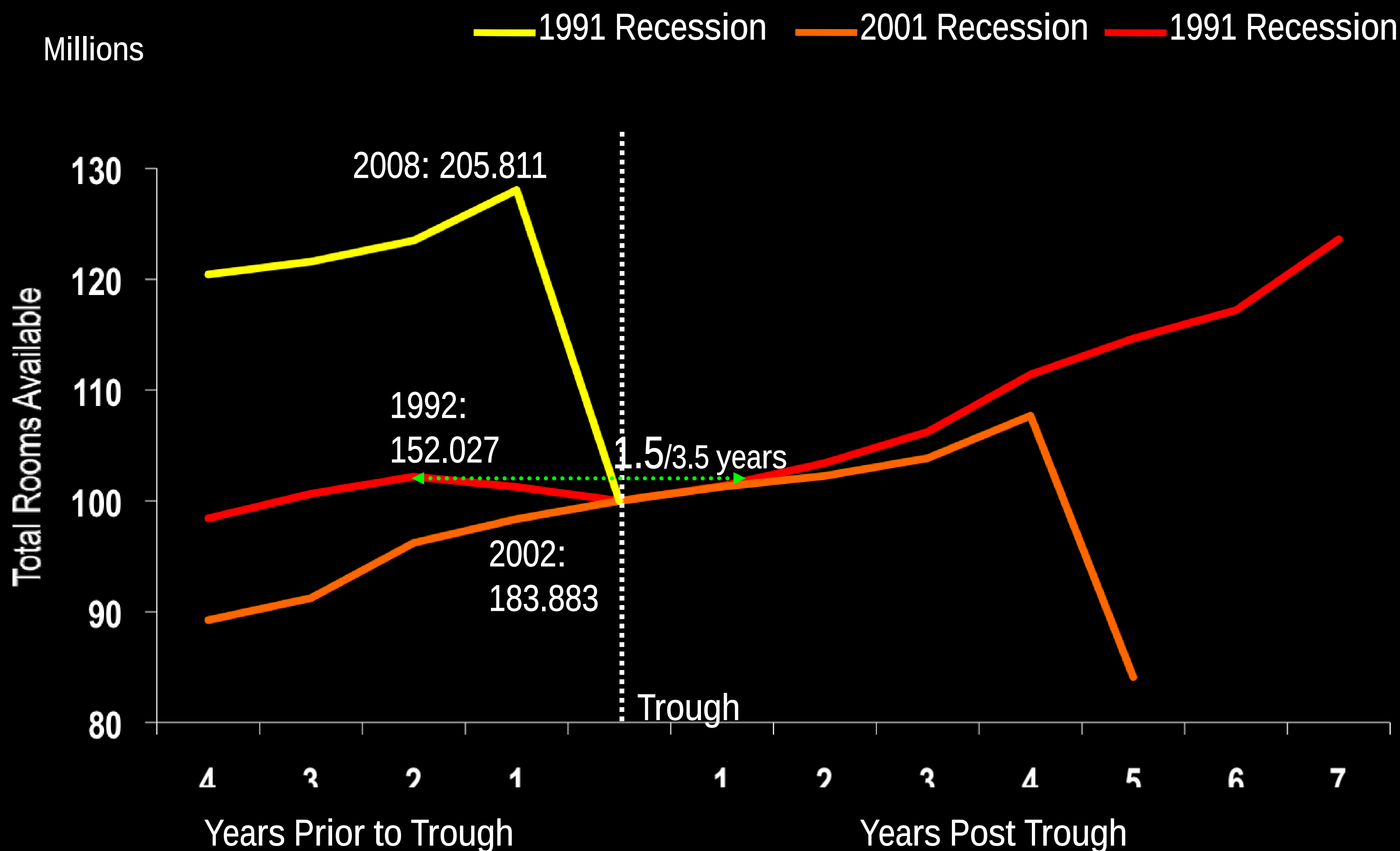
Upper Upscale Real RevPAR

Source: Smith Travel Research

Upper Upscale Demand

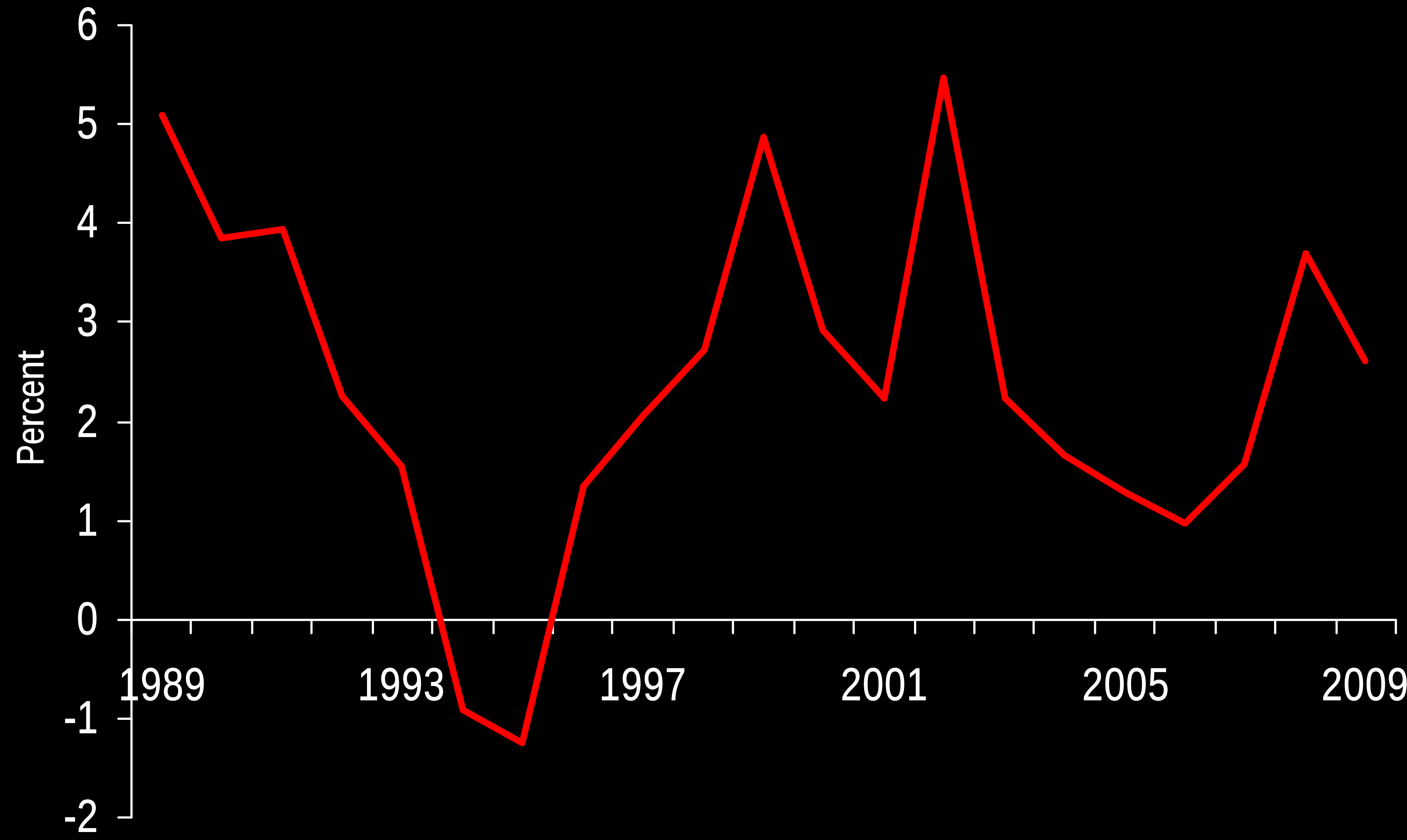
Source: Smith Travel Research

Upper Upscale Supply



Source: Smith Travel Research

Upper Upscale Supply Change



Source: Smith Travel Research

Upscale Occupancy

Source: Smith Travel Research

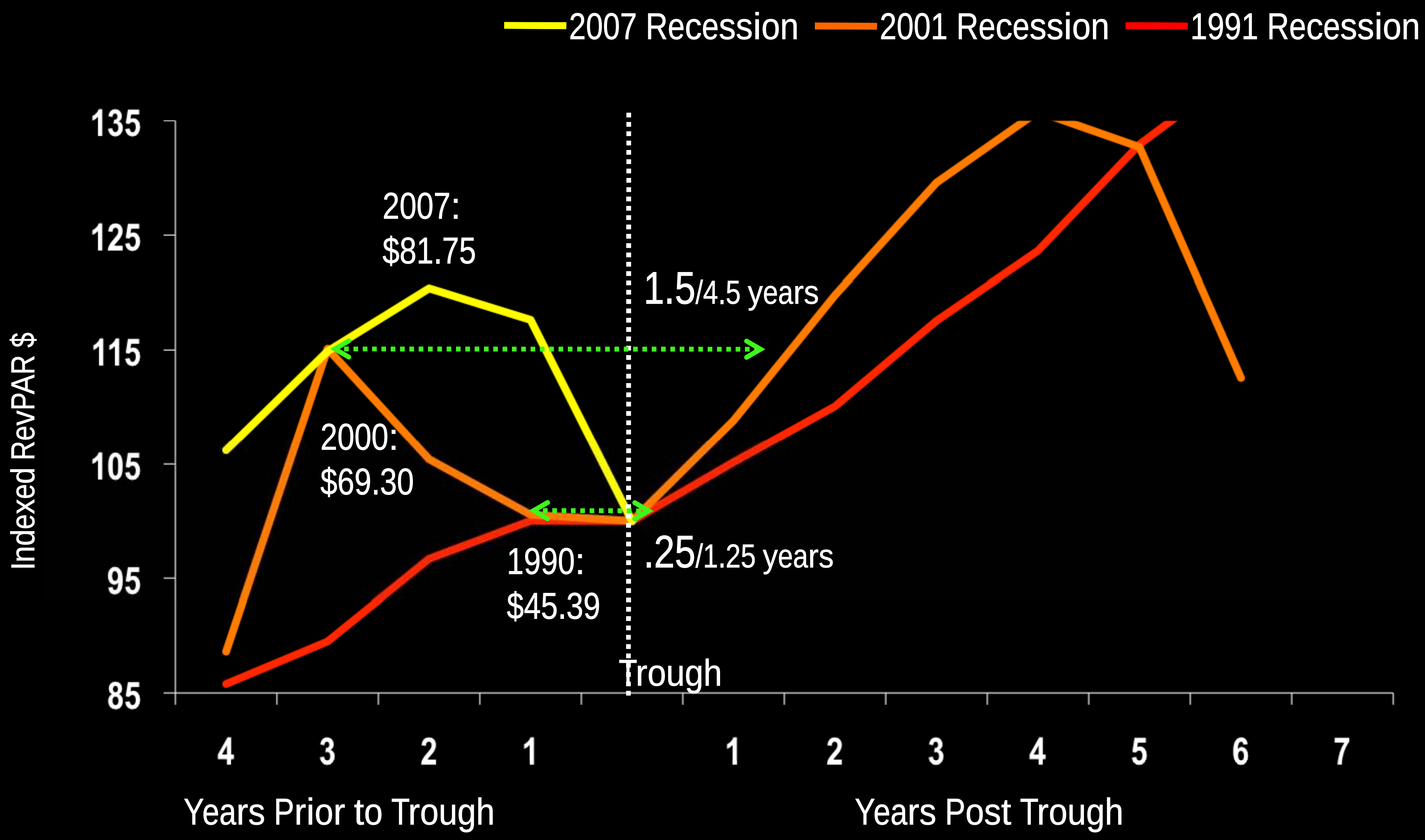
Upscale Nominal ADR

Source: Smith Travel Research

Upscale Real ADR

Source: Smith Travel Research

Upscale Nominal RevPAR



Source: Smith Travel Research

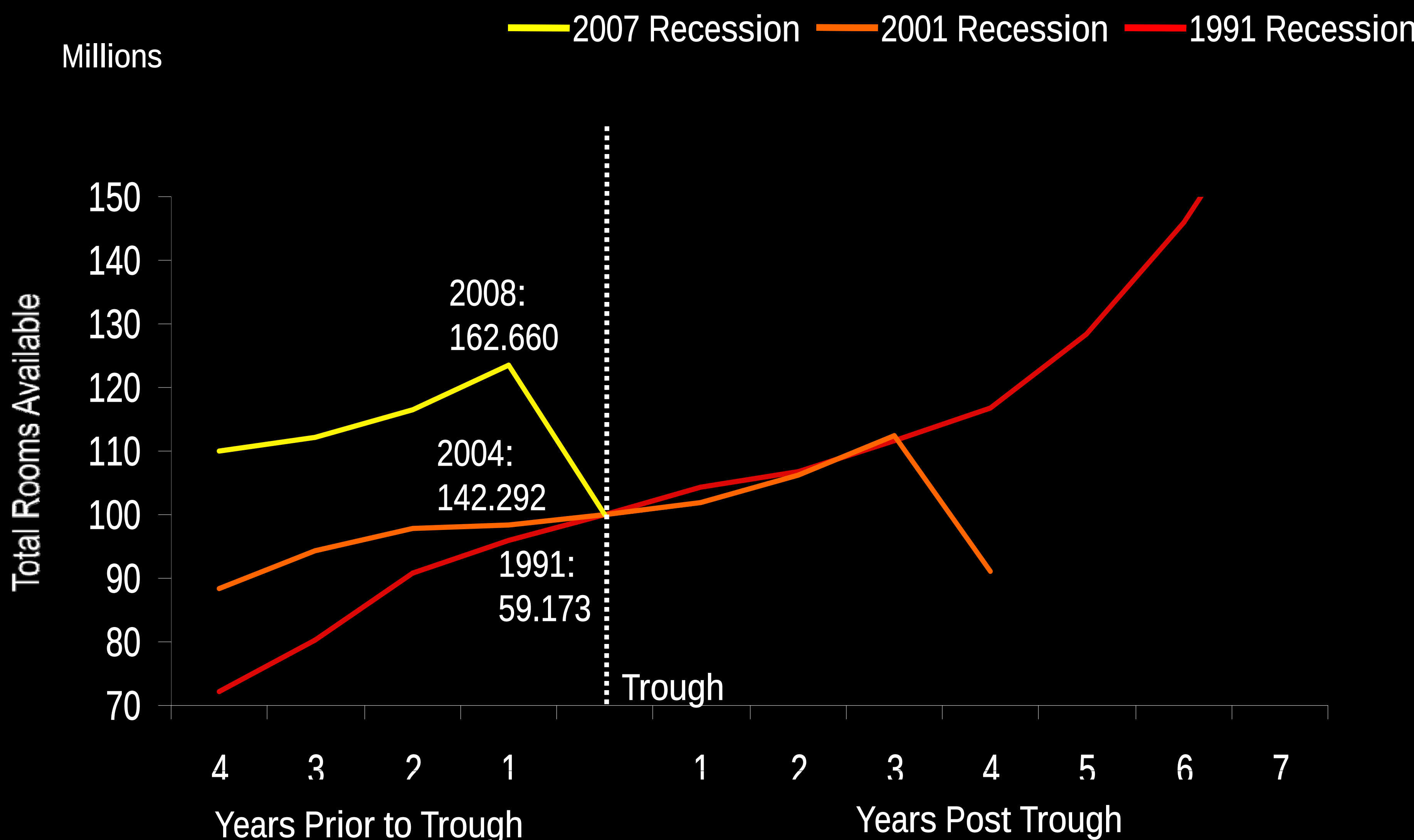
Upscale Real RevPAR

Source: Smith Travel Research

Upscale Demand

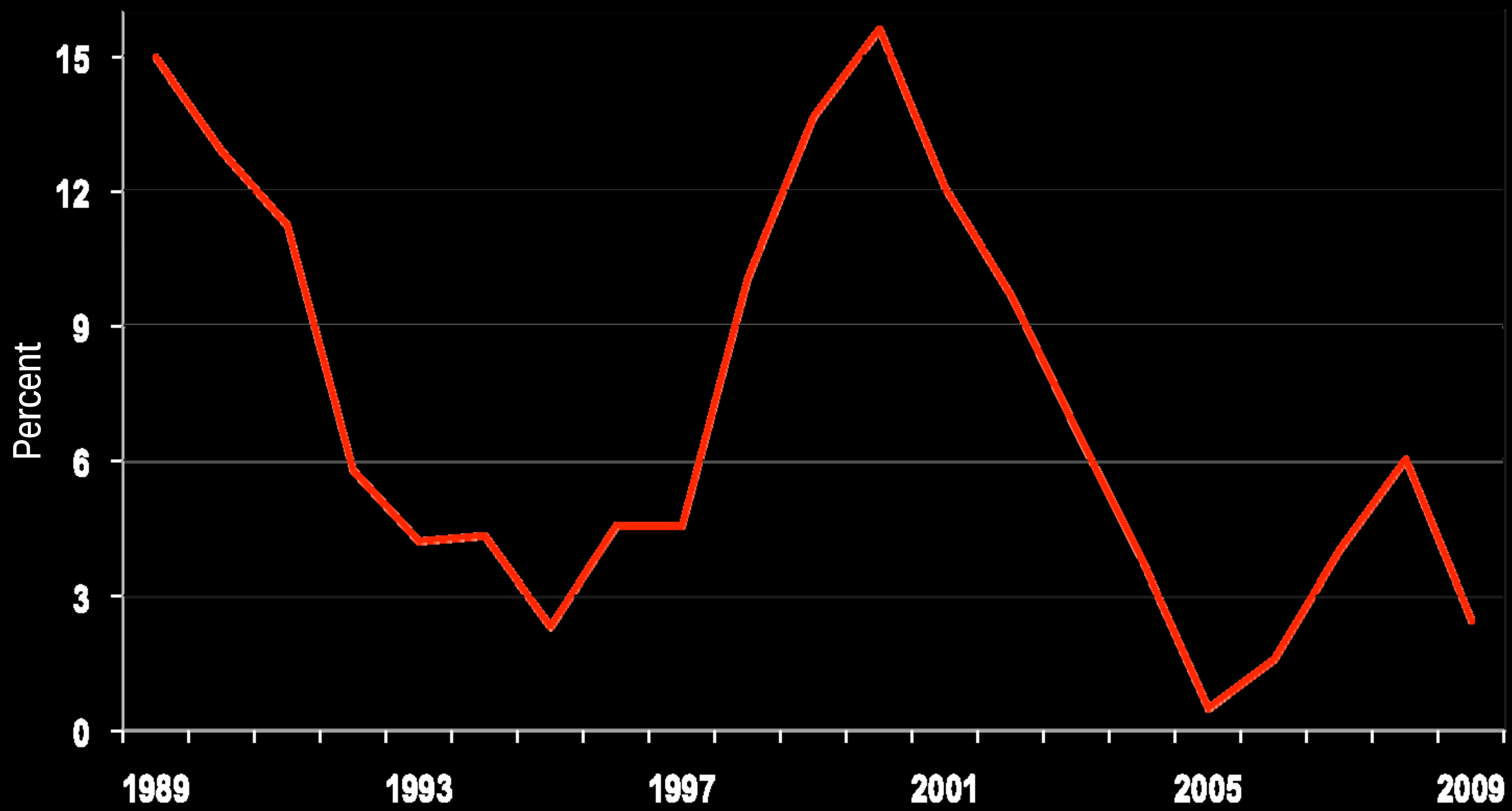
Source: Smith Travel Research

Upscale Supply



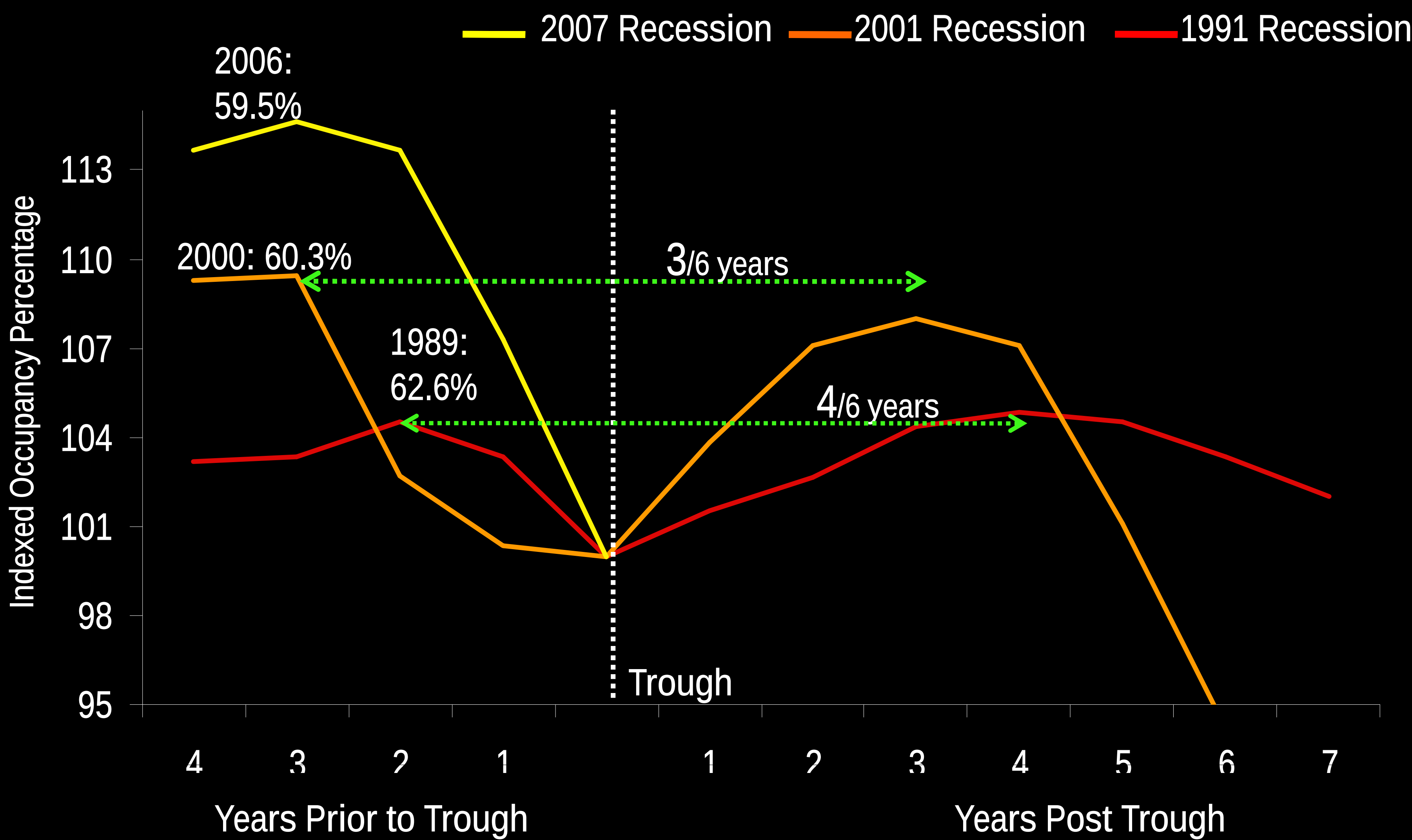
Source: Smith Travel Research

Upscale Supply Change



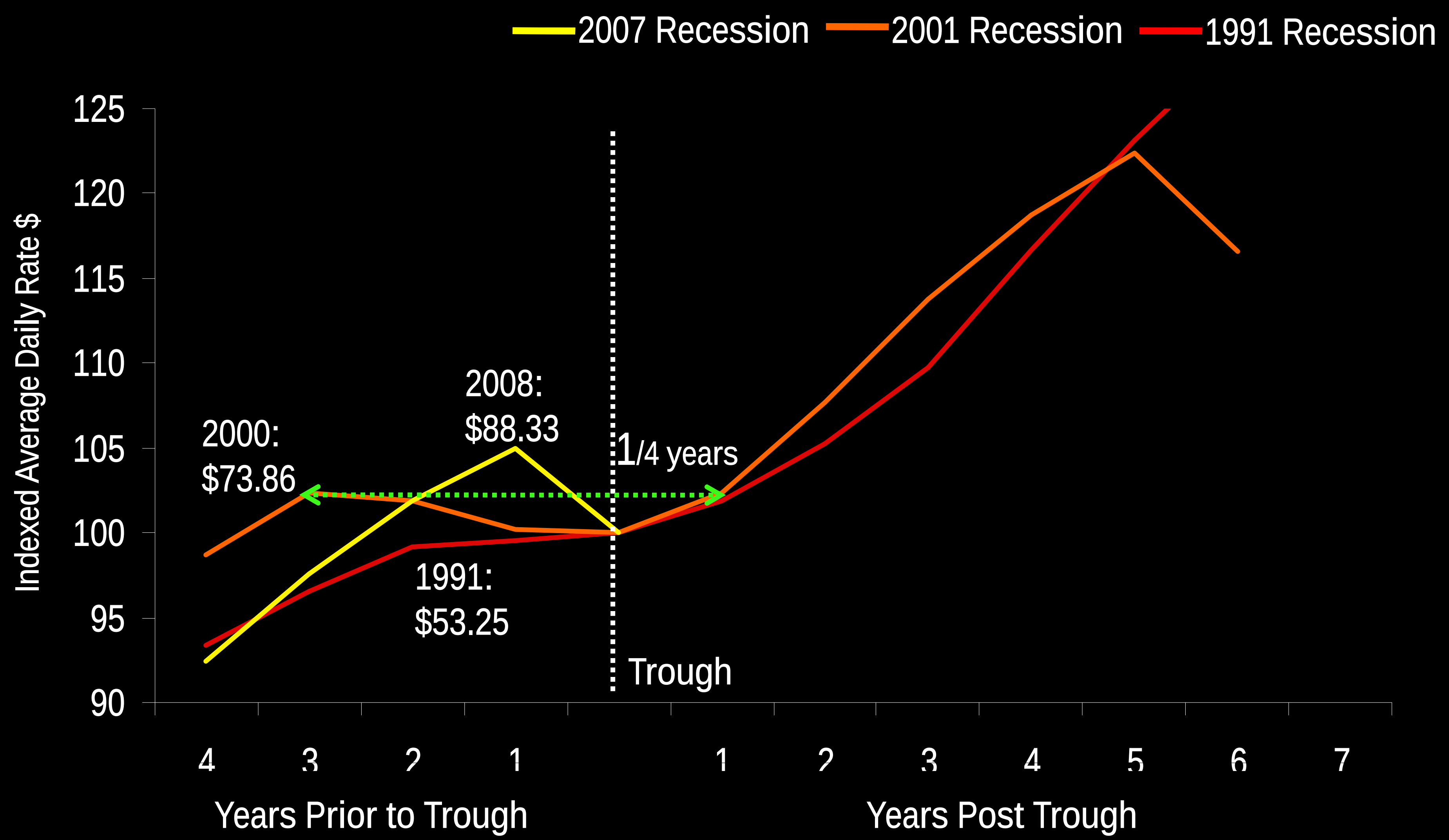
Source: Smith Travel Research

Midscale with F&B Occupancy



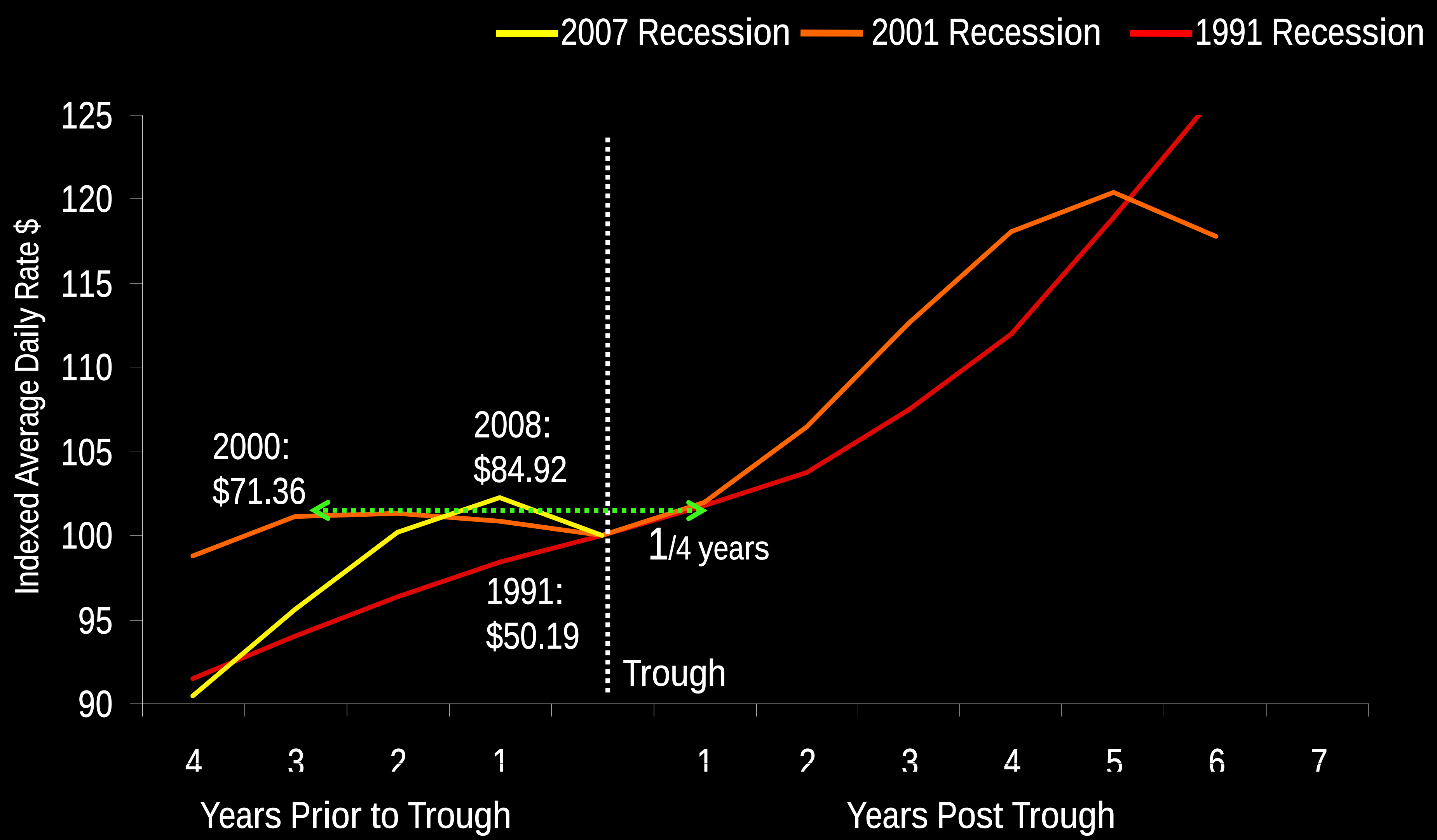
Source: Smith Travel Research

Midscale with F&B Nominal ADR



Source: Smith Travel Research

Midscale with F&B Real ADR



Source: Smith Travel Research

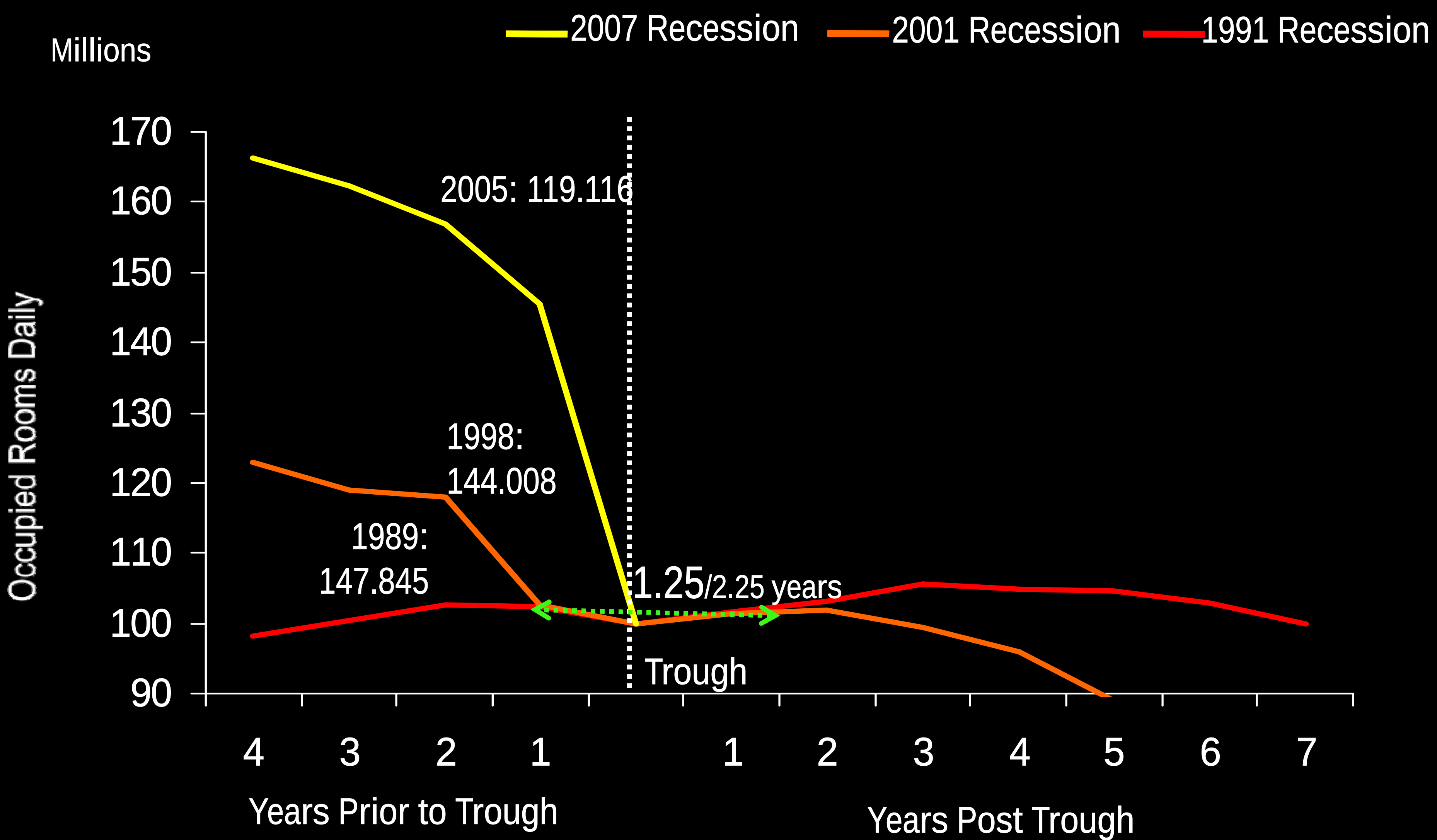
Midscale with F&B Nominal RevPAR

Source: Smith Travel Research

Midscale with F&B Real RevPAR

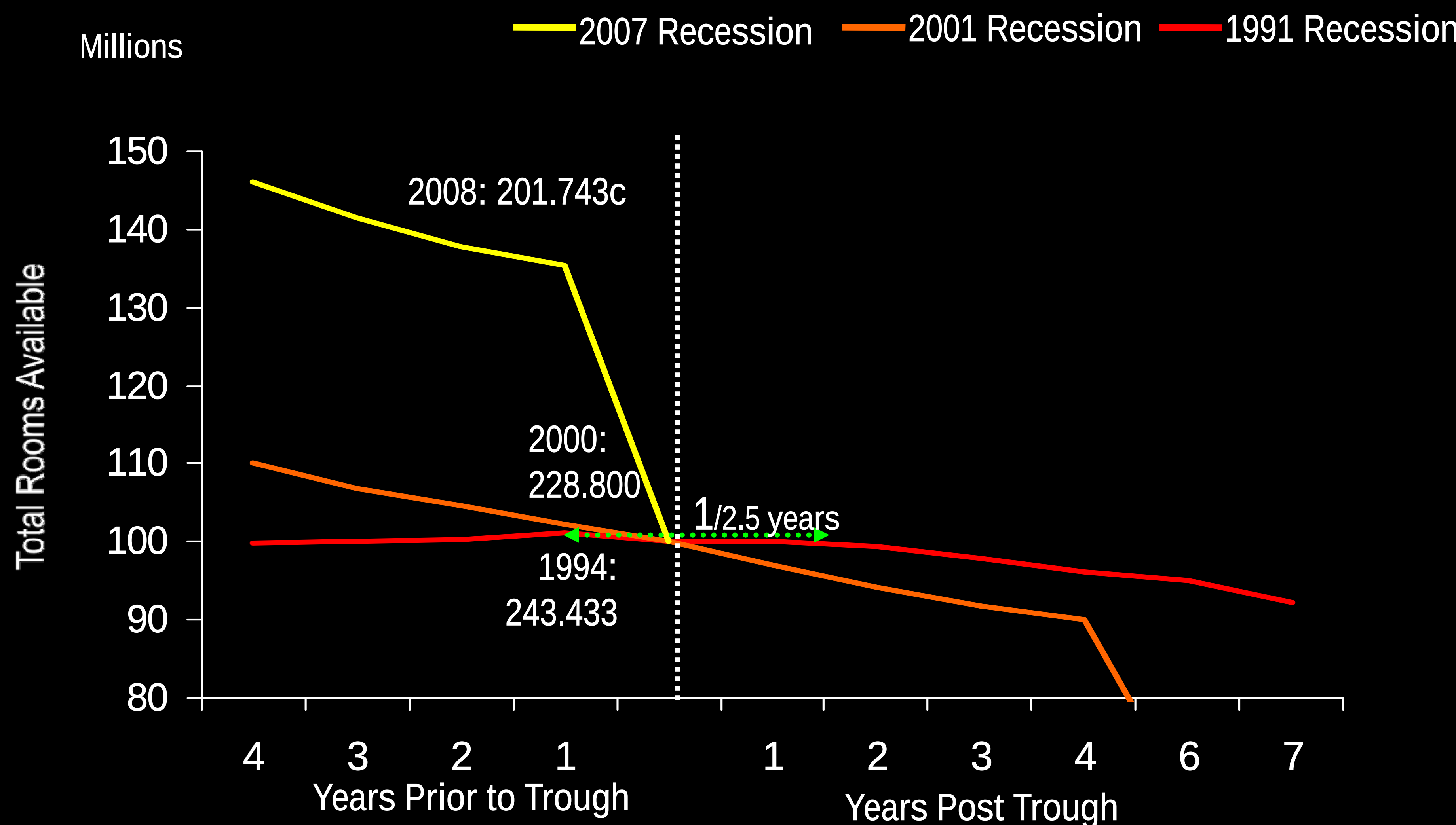
Source: Smith Travel Research

Midscale with F&B Demand



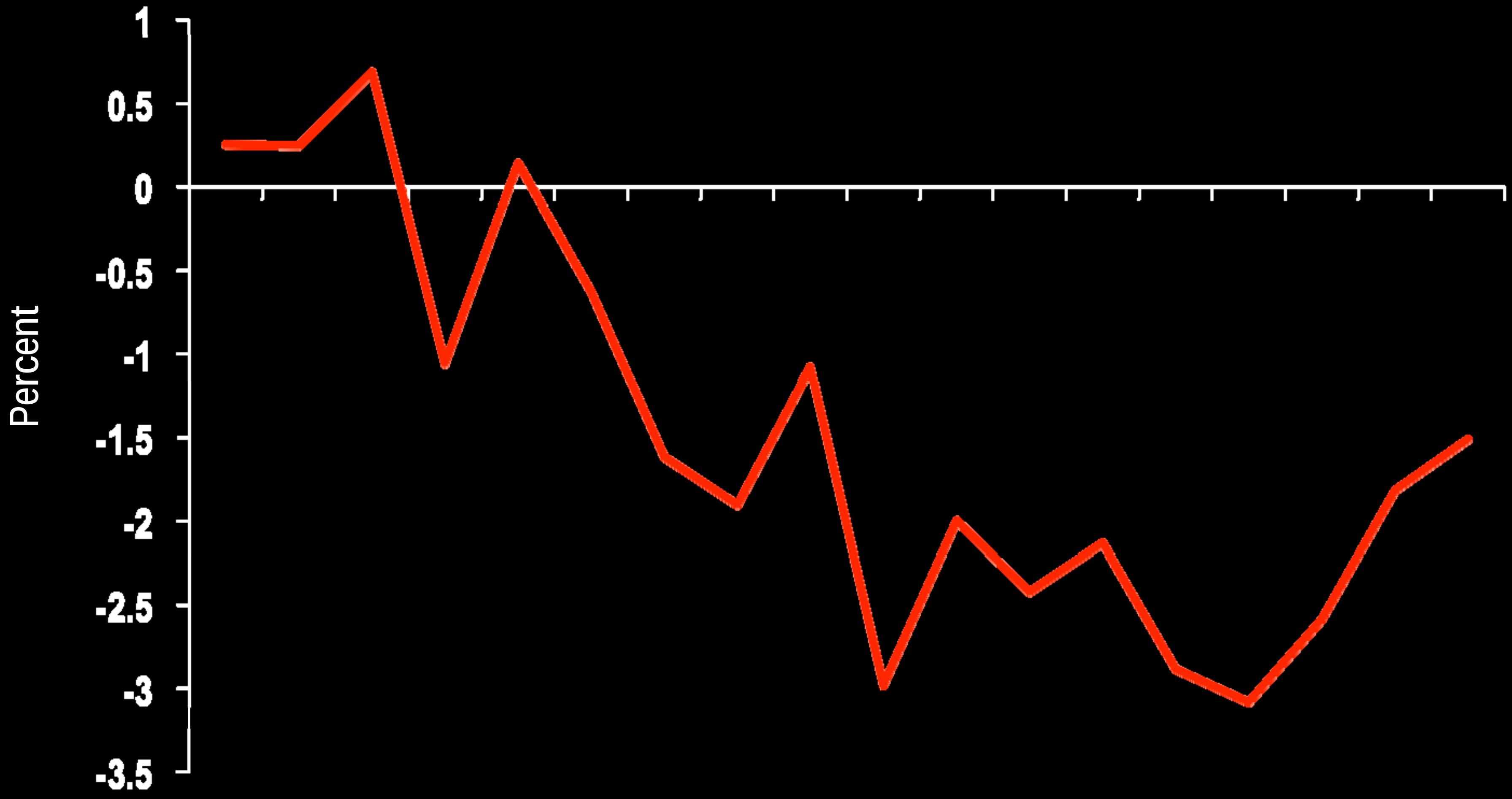
Source: Smith Travel Research

Midscale with F&B Supply



Source: Smith Travel Research

Midscale with F&B Supply Change

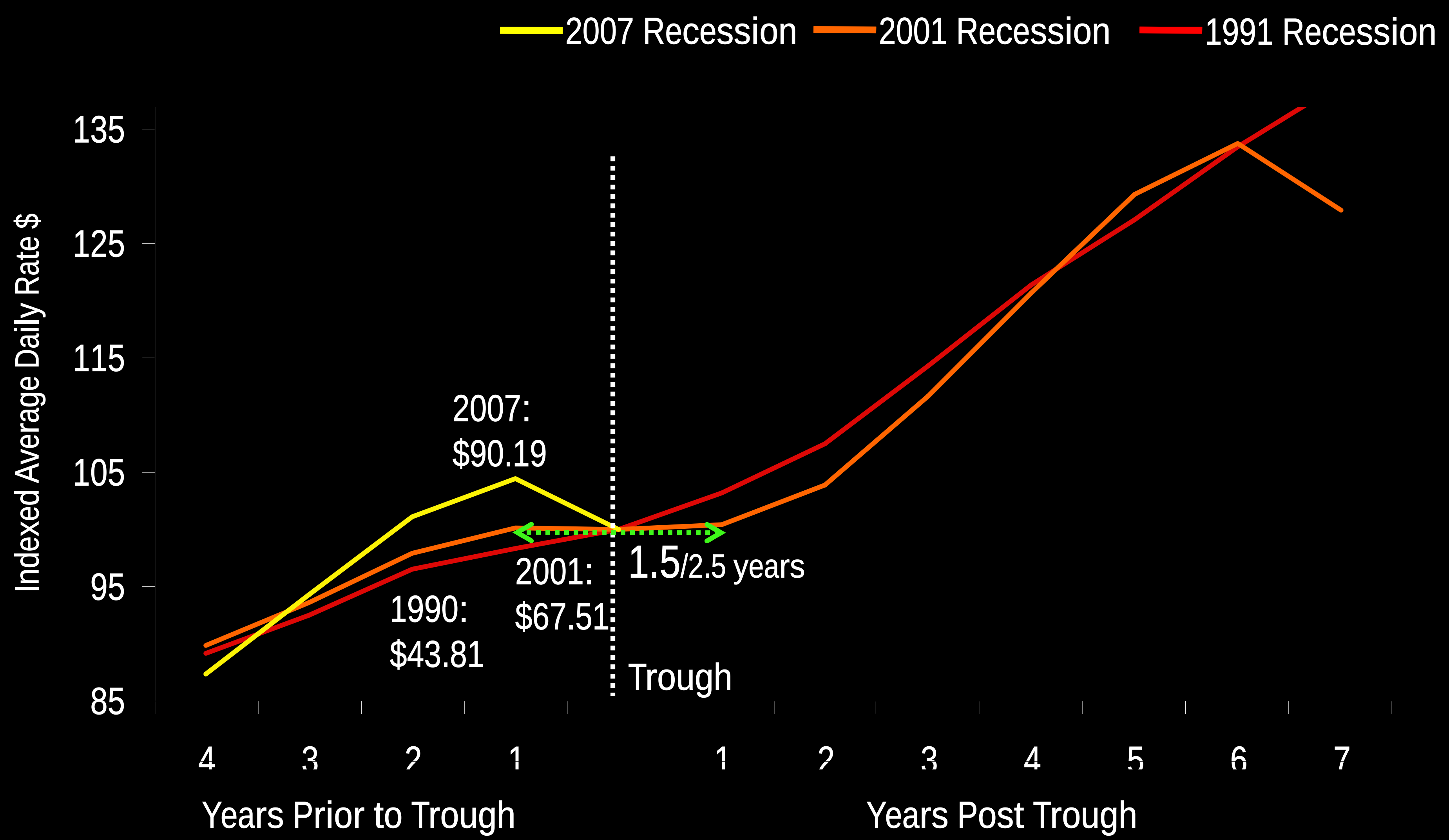


Source: Smith Travel Research

Midscale Without F&B Occupancy

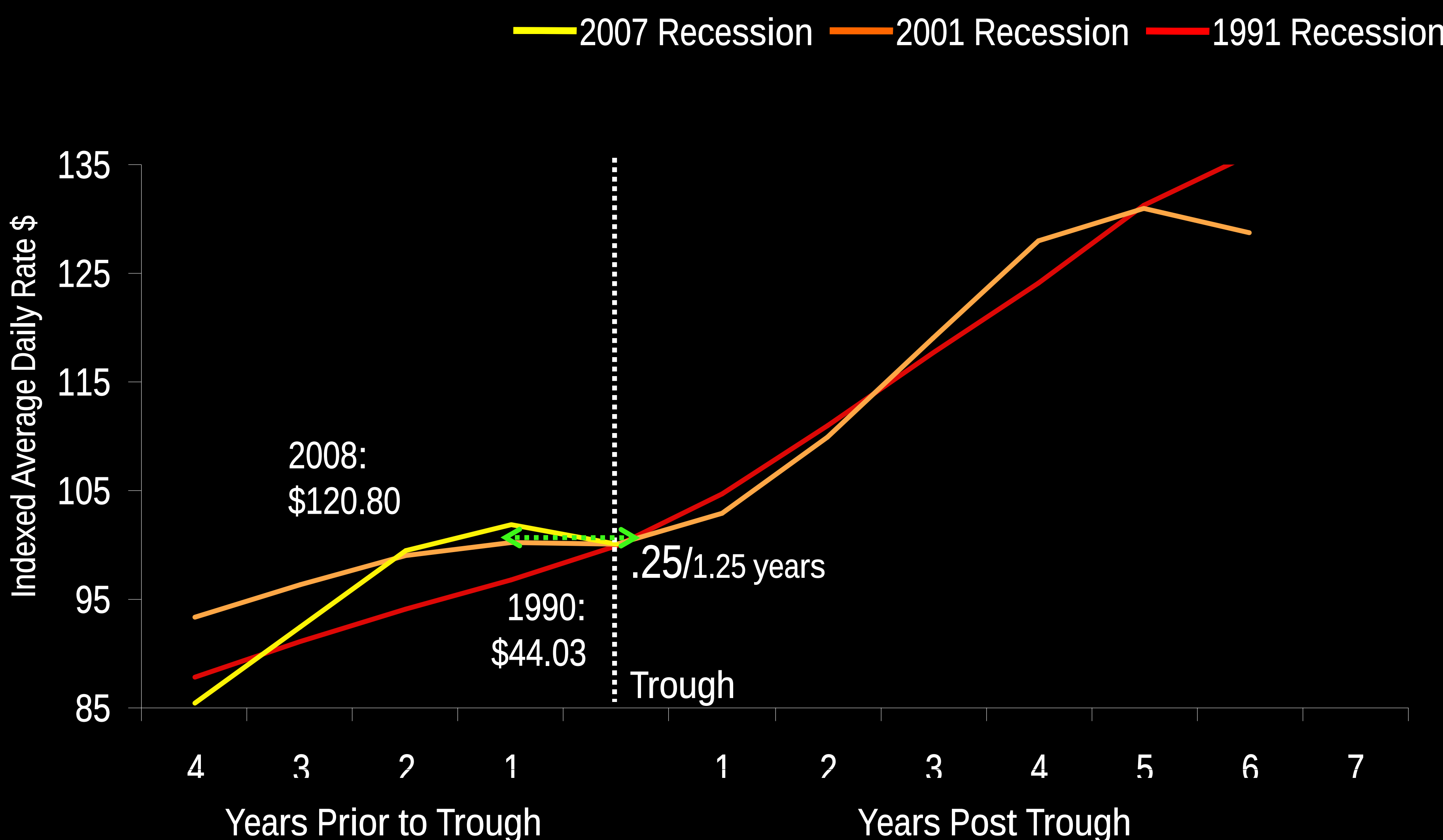
Source: Smith Travel Research

Midscale Without F&B Nominal ADR



Source: Smith Travel Research

Midscale Without F&B Real ADR

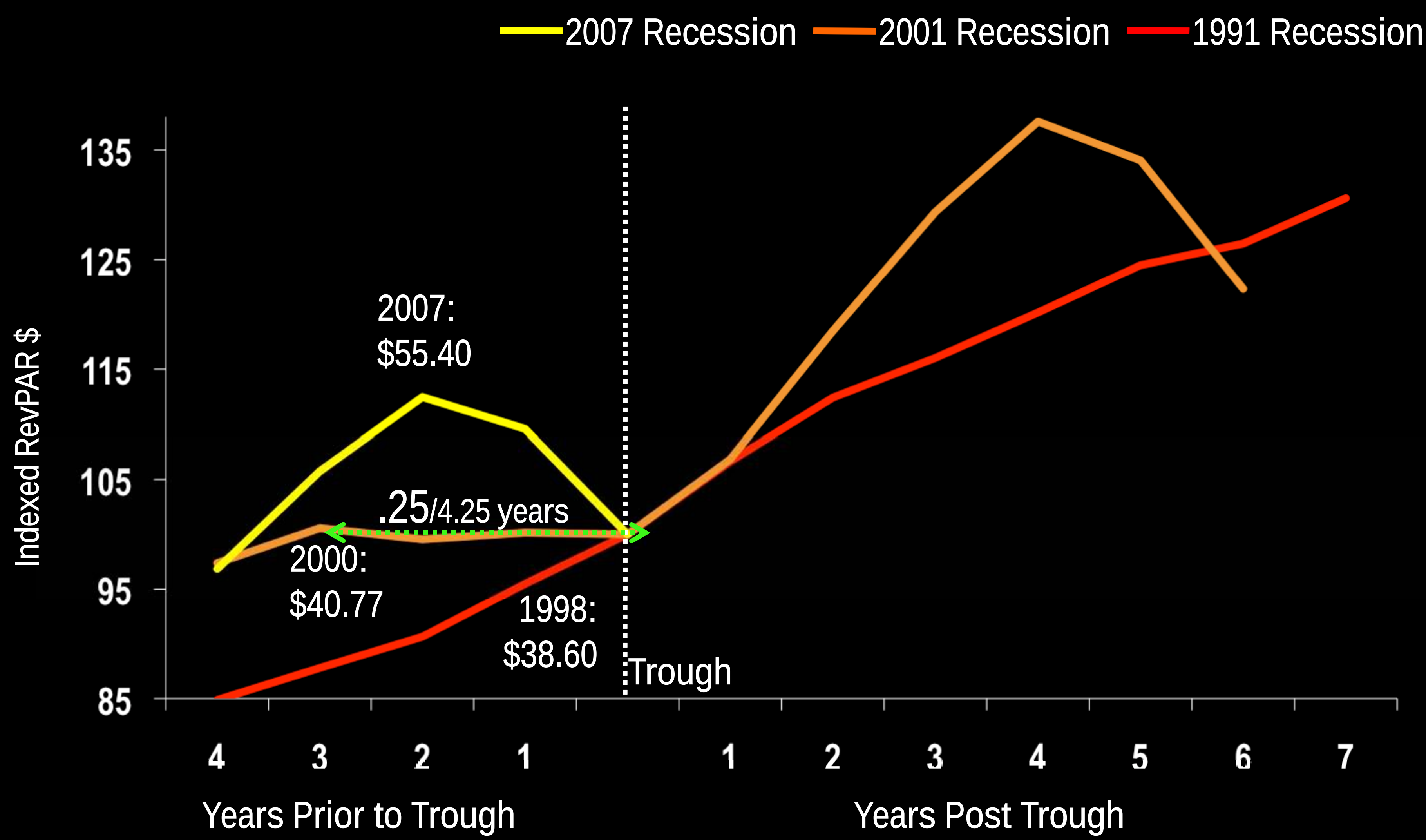


Source: Smith Travel Research

Midscale Without F&B Nominal RevPAR

Source: Smith Travel Research

Midscale Without F&B Real RevPAR



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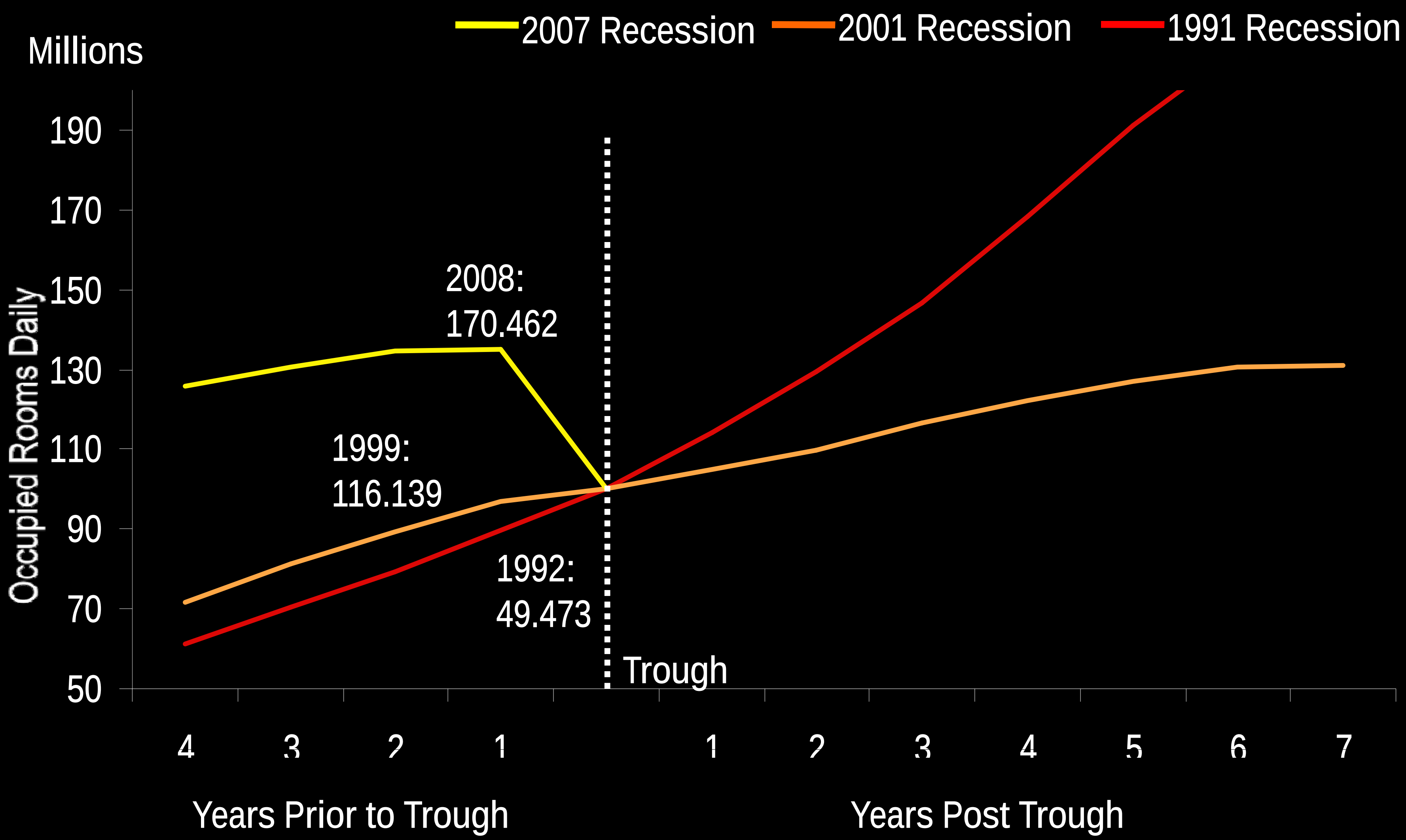
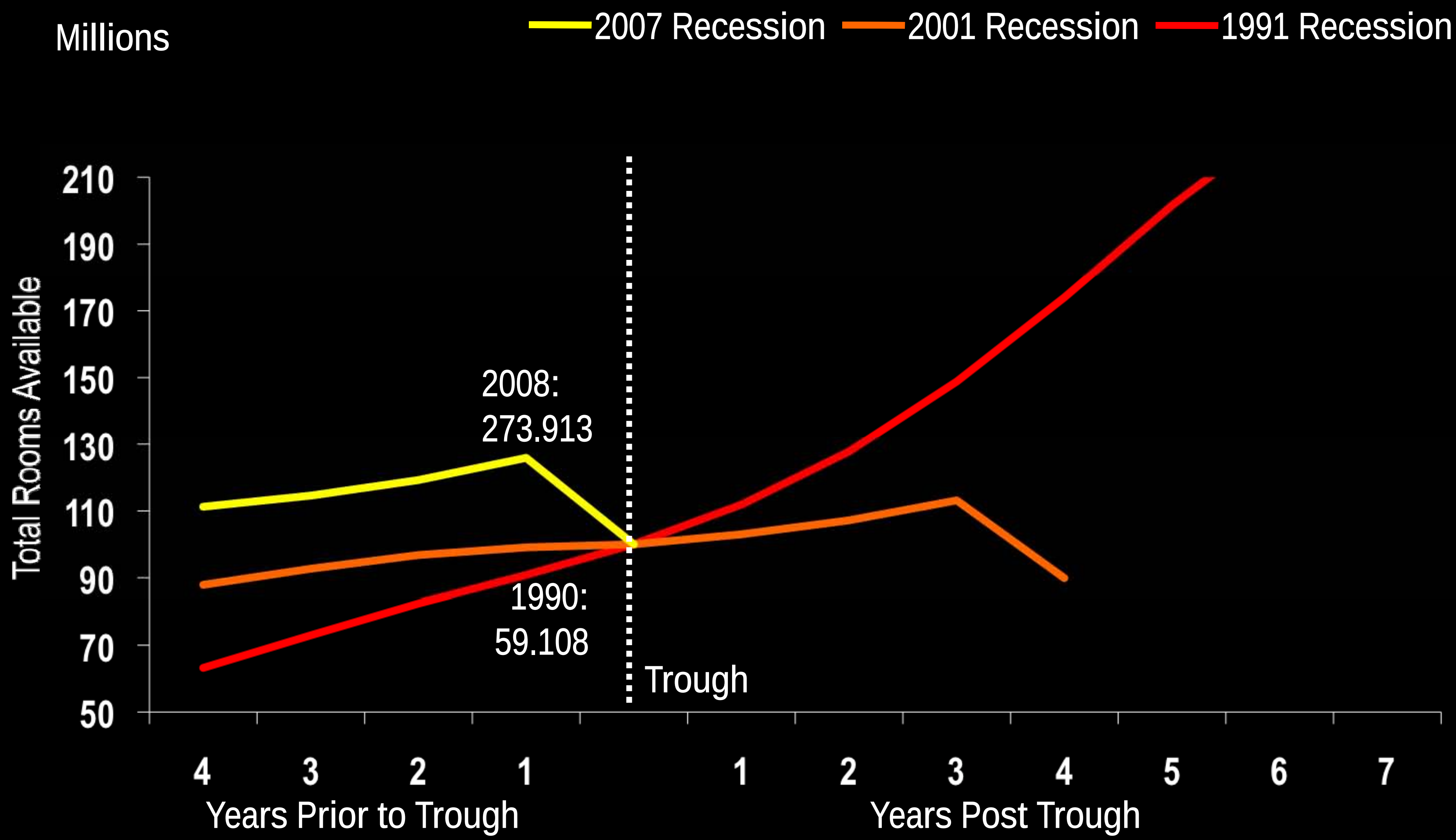
Midscale Without F&B Demand



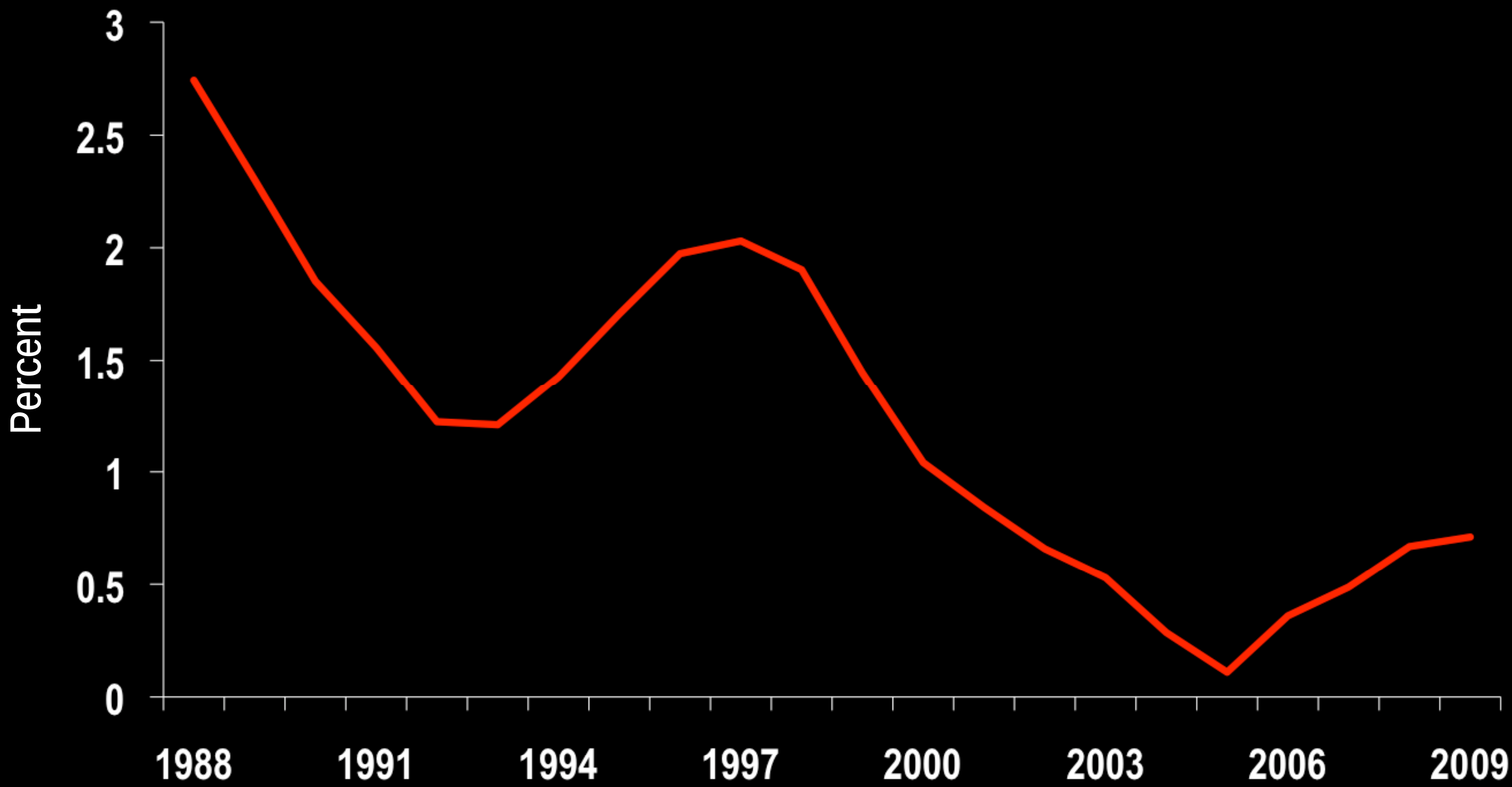
Source: Smith Travel Research

Midscale Without F&B Supply



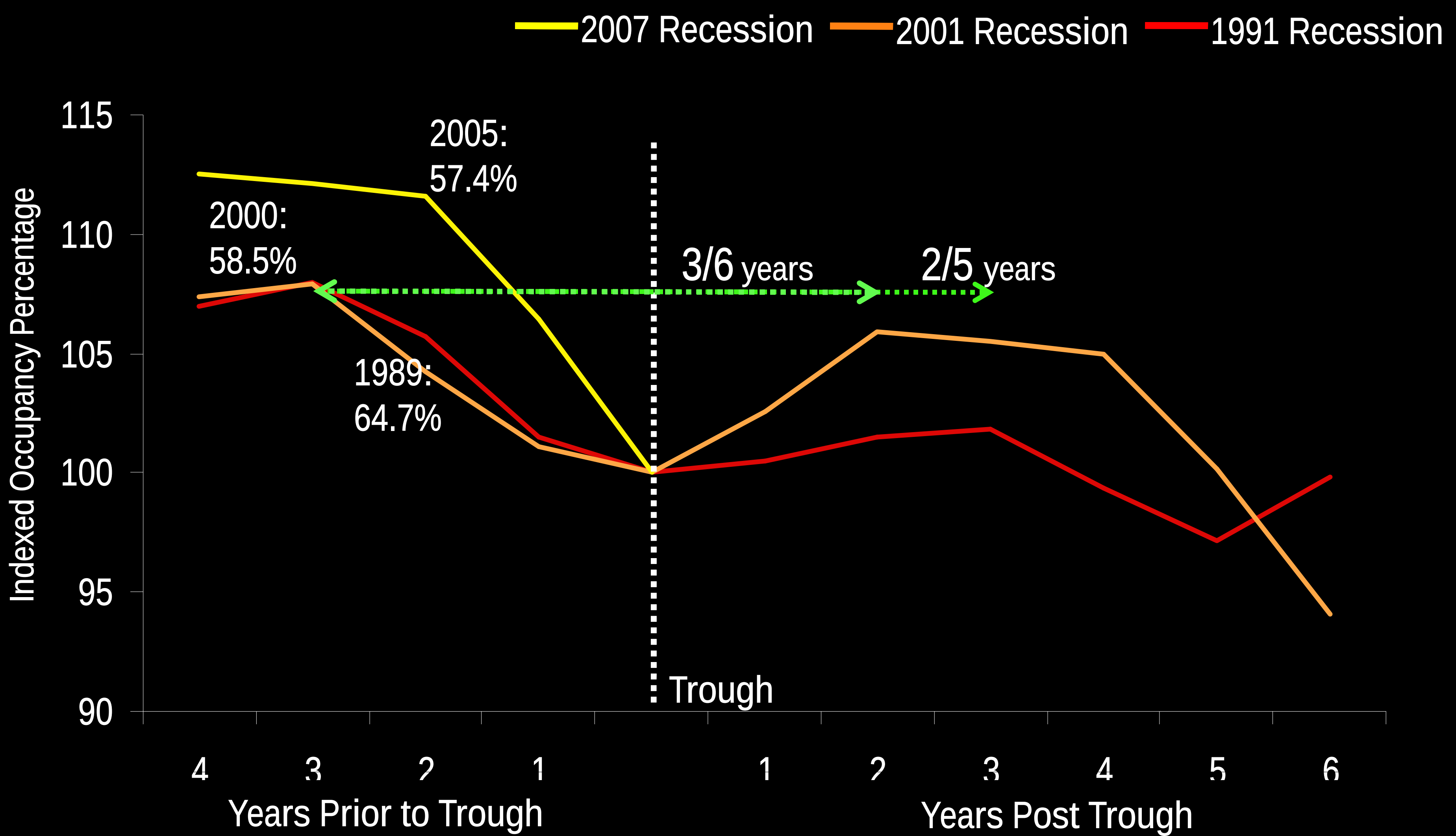
Source: Smith Travel Research

Midscale without F&B Supply Change



Source: Smith Travel Research

Economy Occupancy

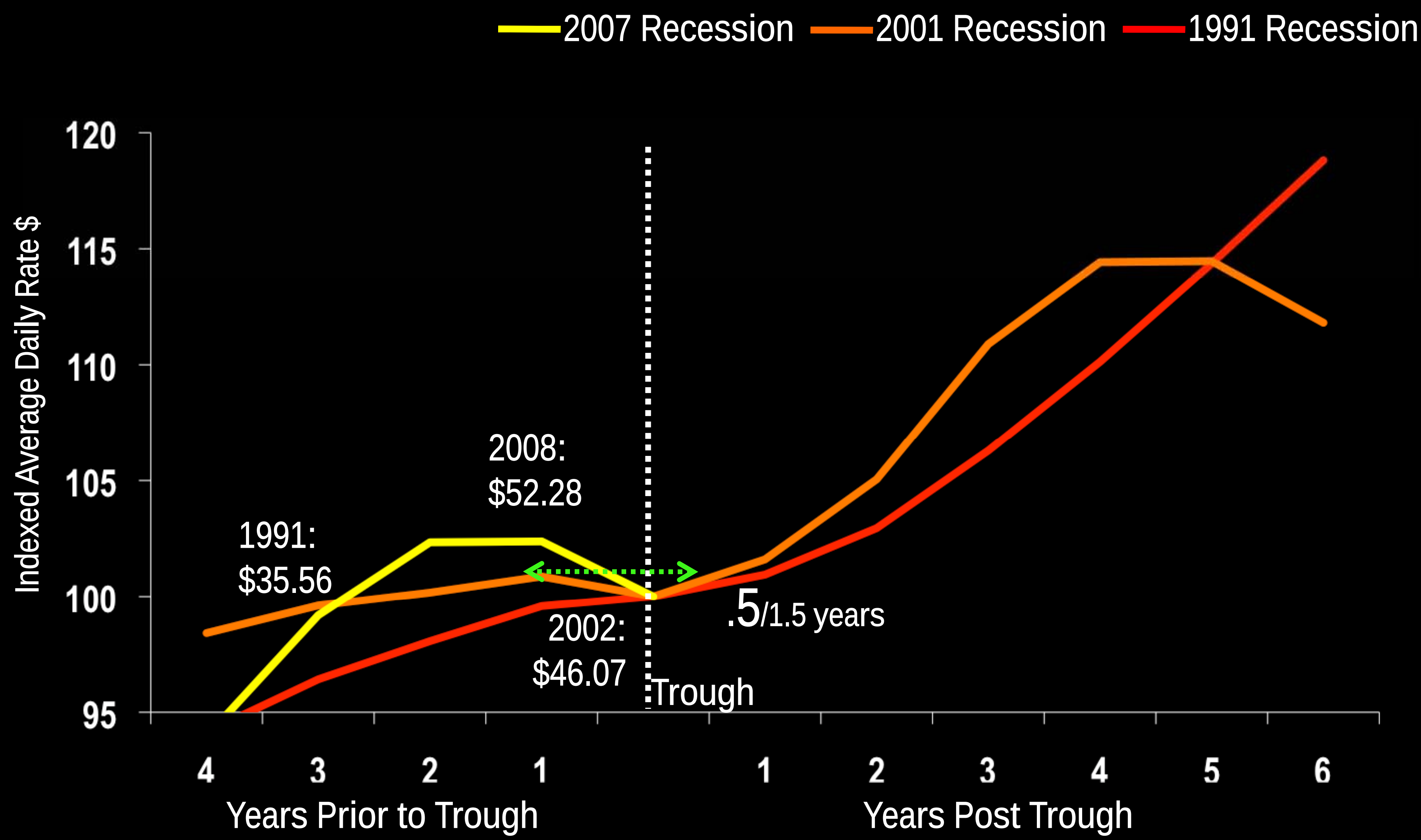


Source: Smith Travel Research

Economy Nominal ADR

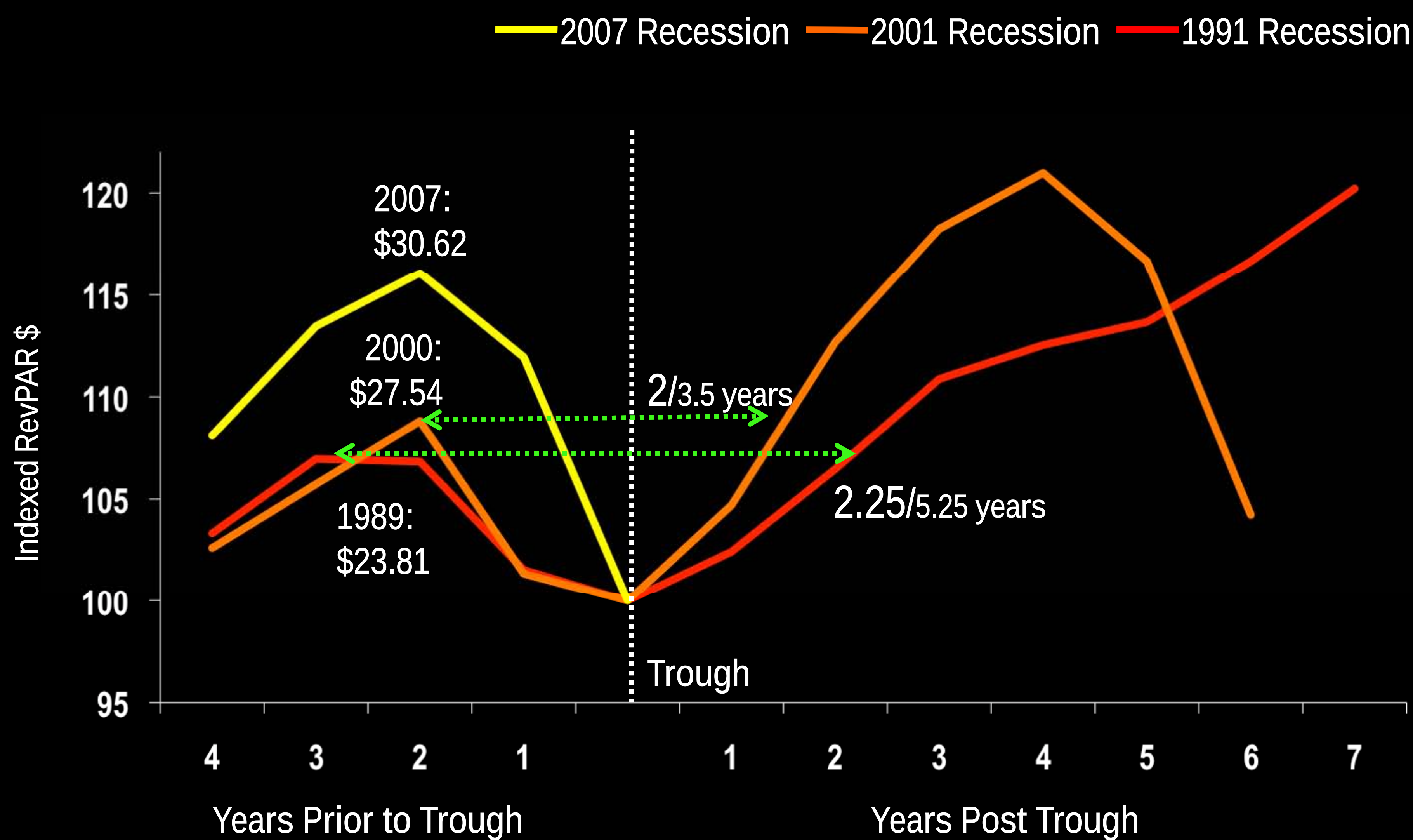
Source: Smith Travel Research

Economy Real ADR



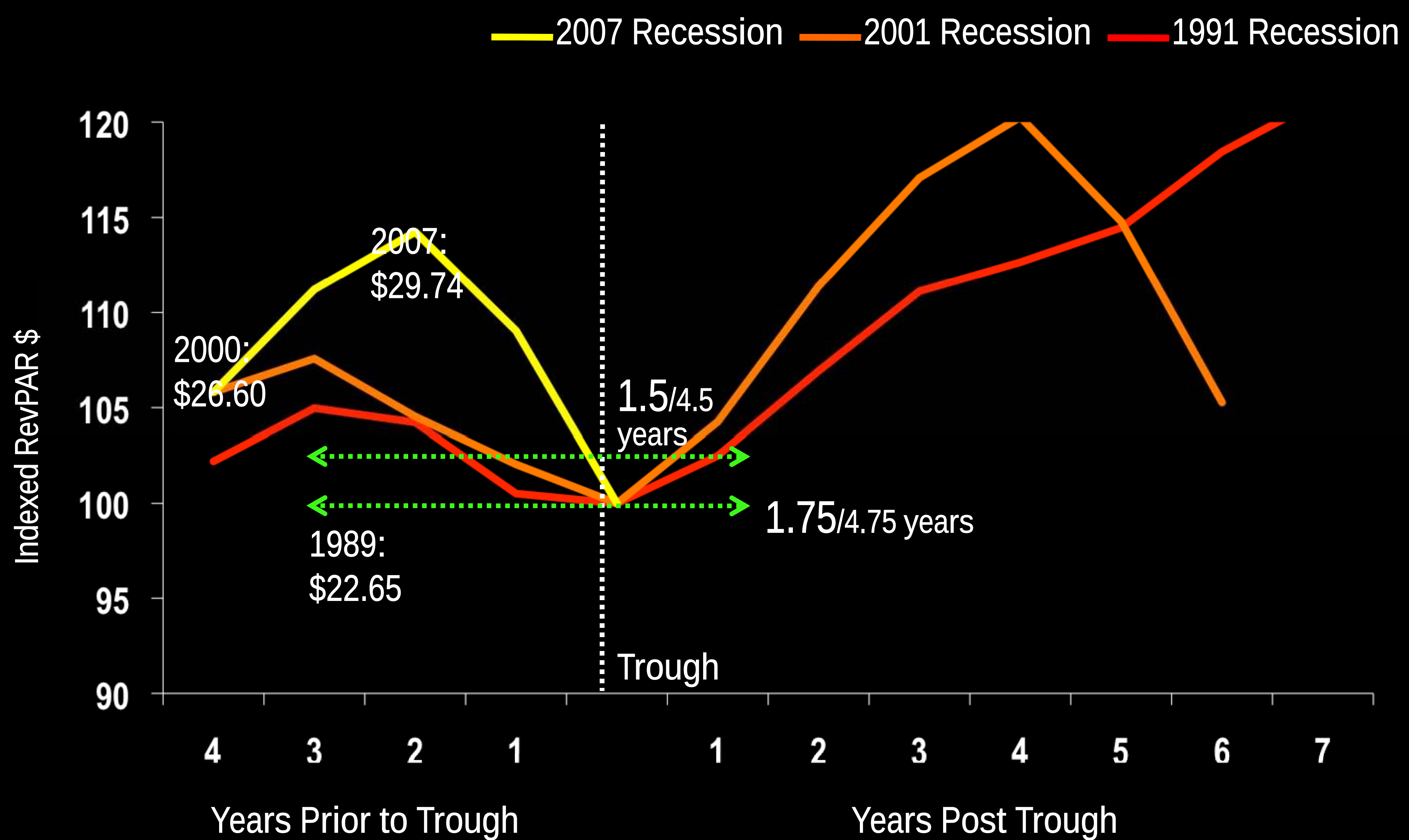
Source: Smith Travel Research

Economy Nominal RevPAR



Source: Smith Travel Research

Economy Real RevPAR

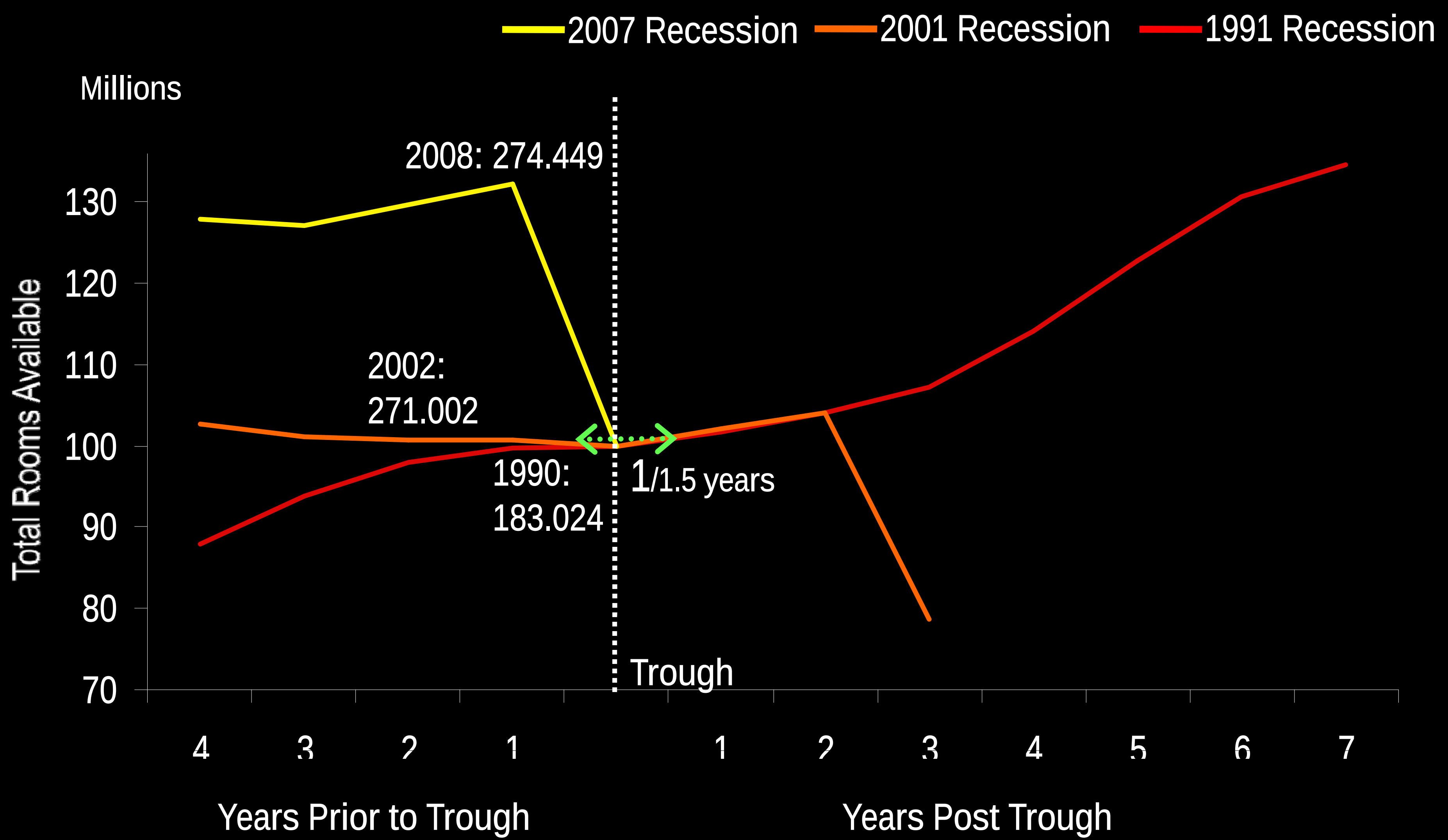


Source: Smith Travel Research

Economy Demand

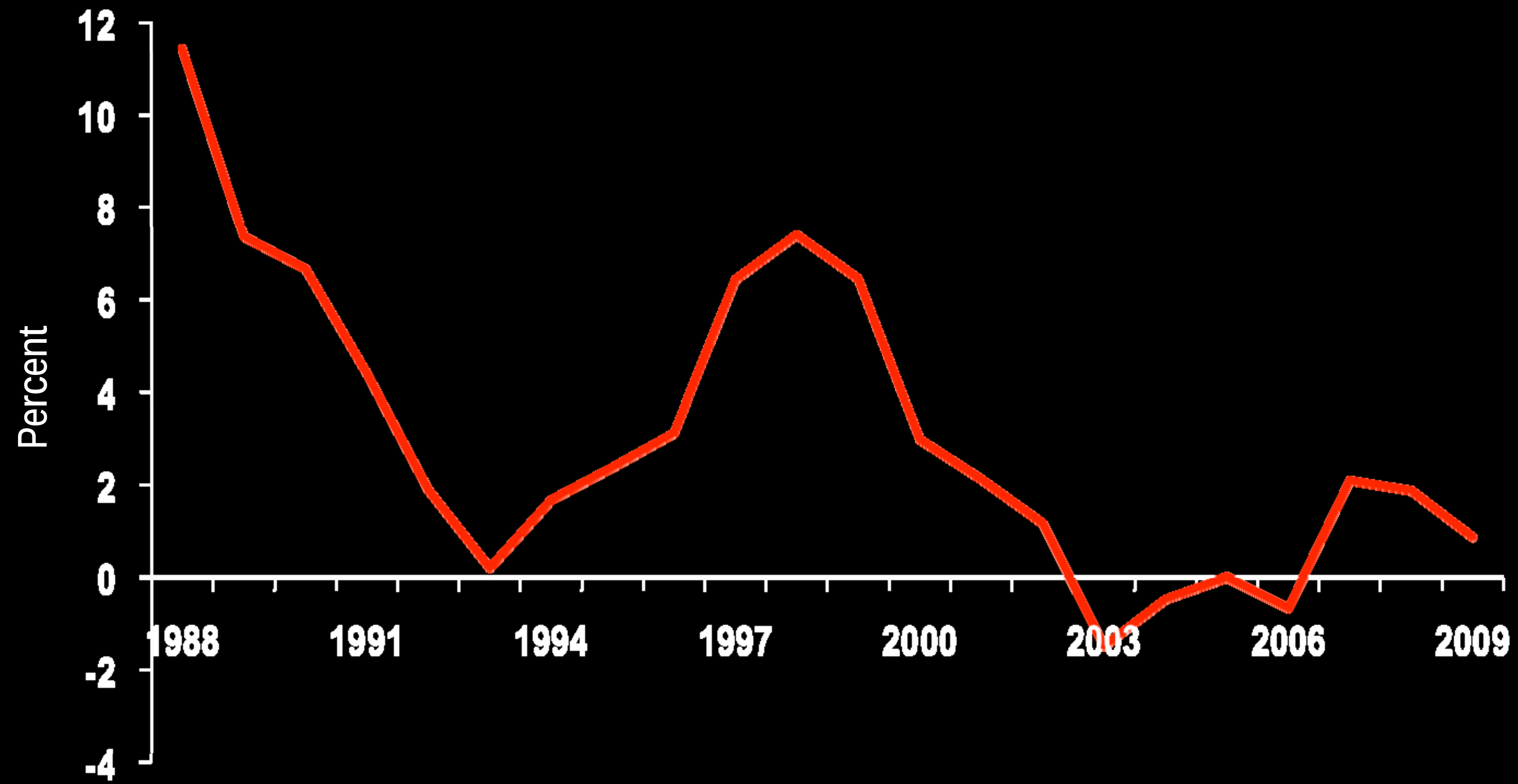
Source: Smith Travel Research

Economy Supply



Source: Smith Travel Research

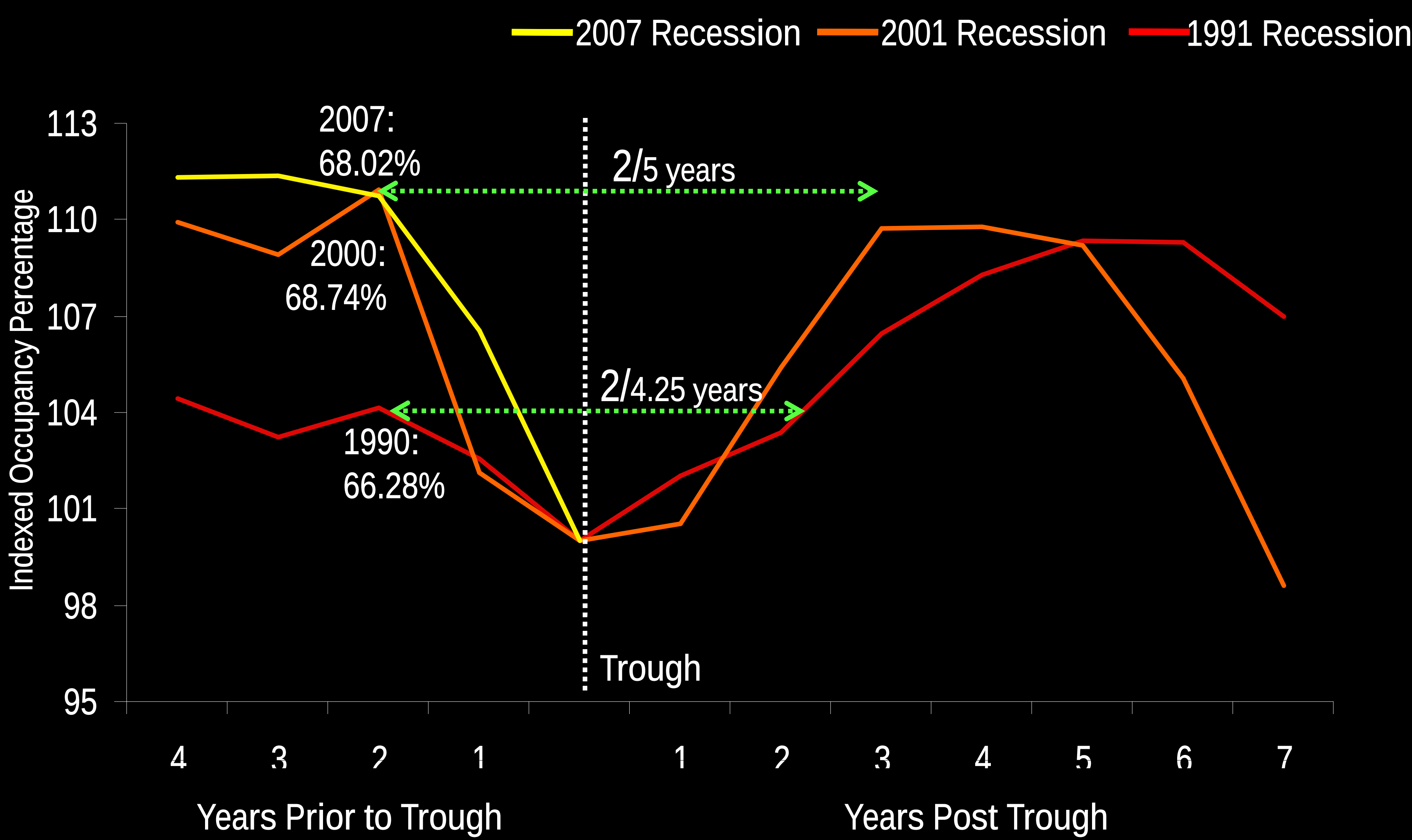
Economy Supply Change



Source: Smith Travel Research

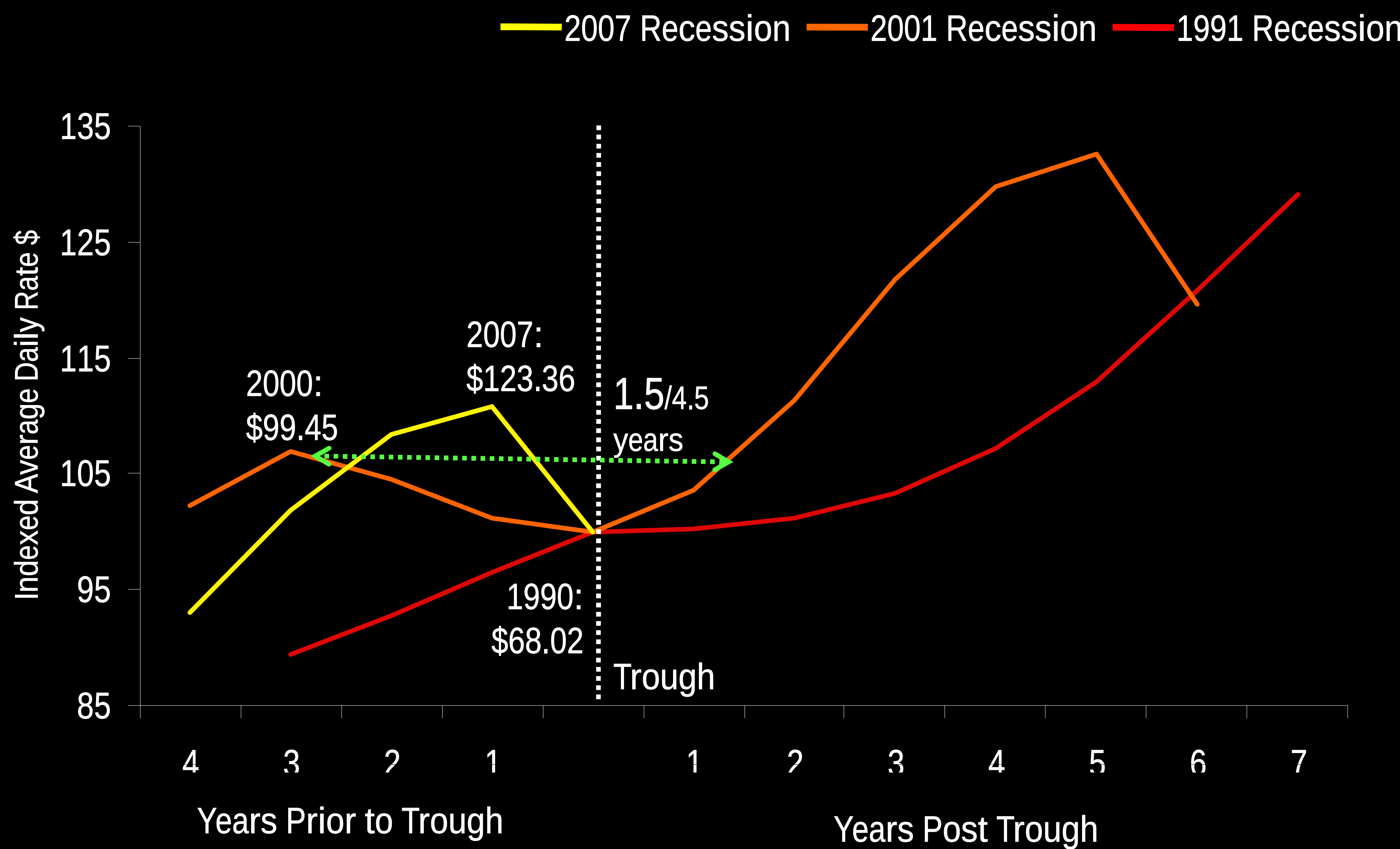
Top 25 Markets

Top 25 Markets Occupancy



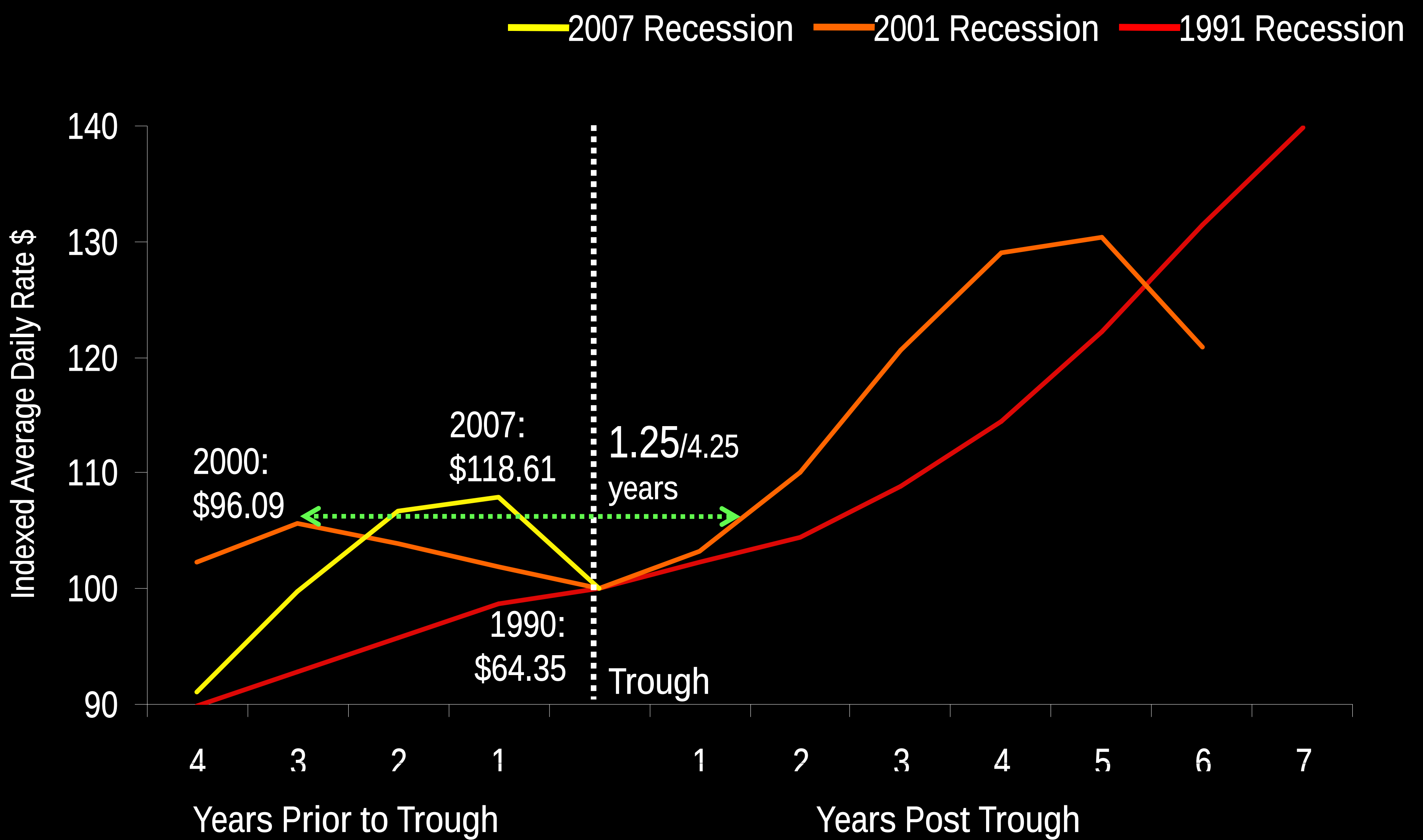
Source: Smith Travel Research

U.S. Top 25 Markets Nominal ADR



Source: Smith Travel Research

U.S. Top 25 Markets Real ADR



Source: Smith Travel Research

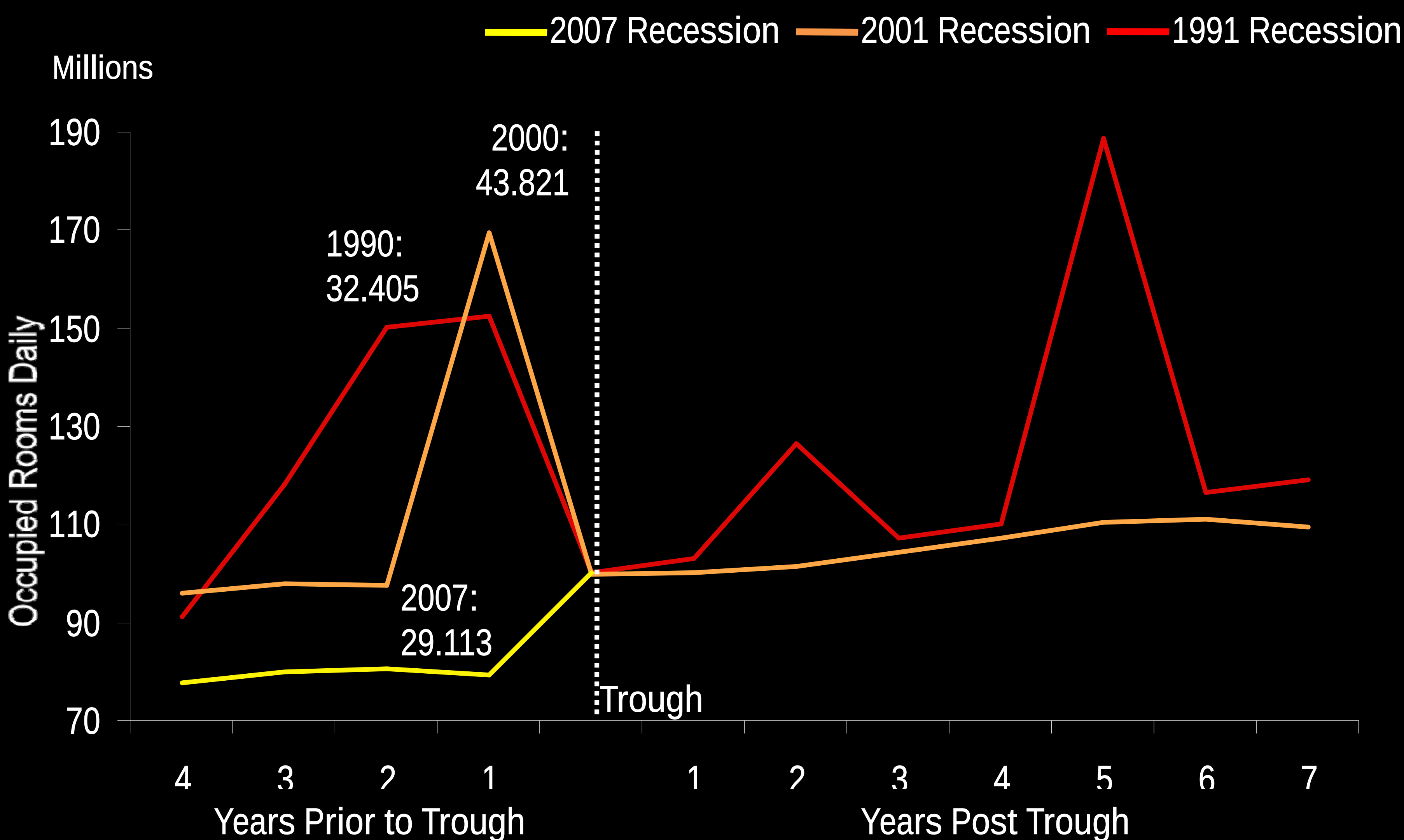
U.S. Top 25 Markets Nominal RevPAR

Source: Smith Travel Research

U.S. Top 25 Markets Real RevPAR

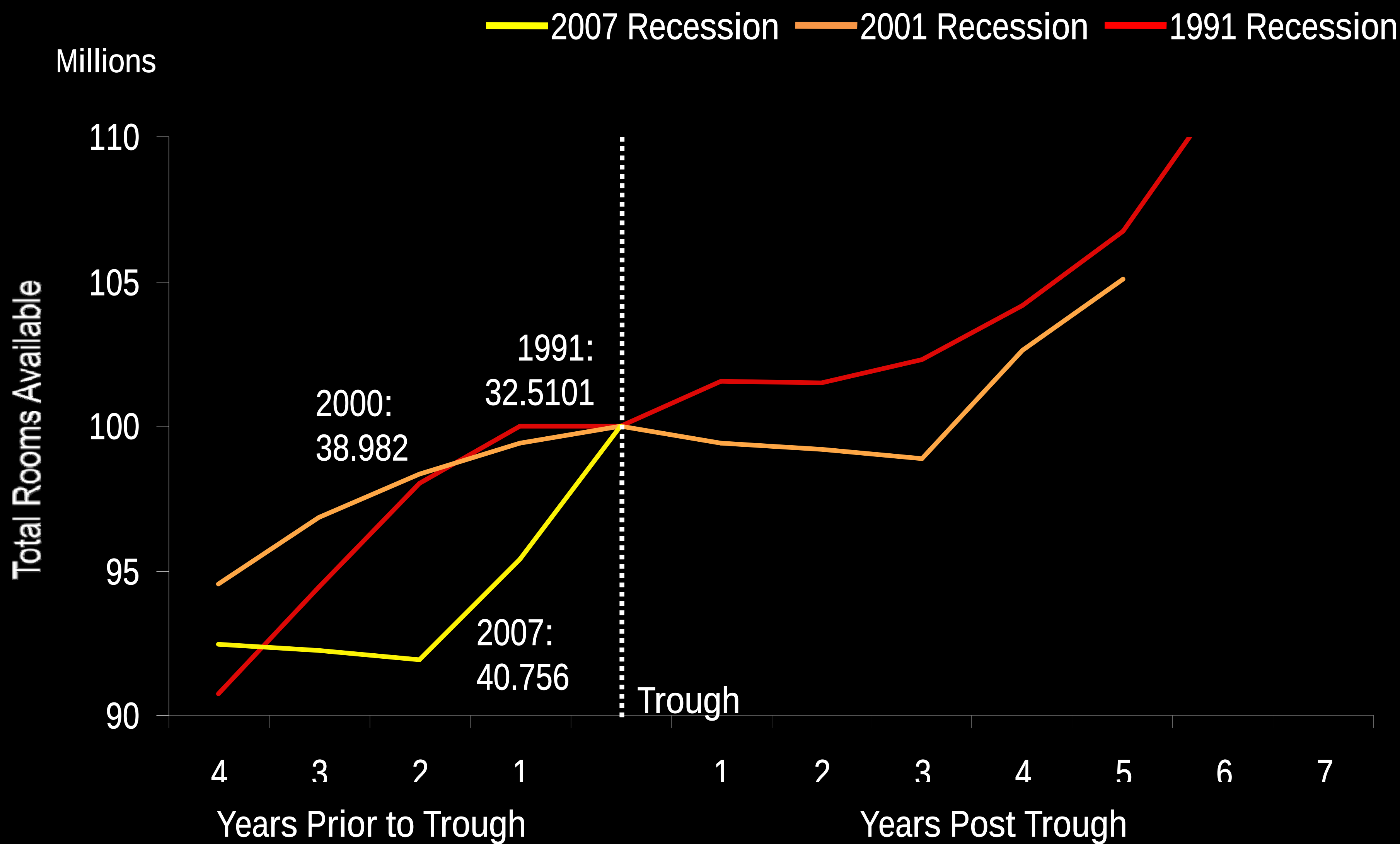
Source: Smith Travel Research

U.S. Top 25 Markets Demand



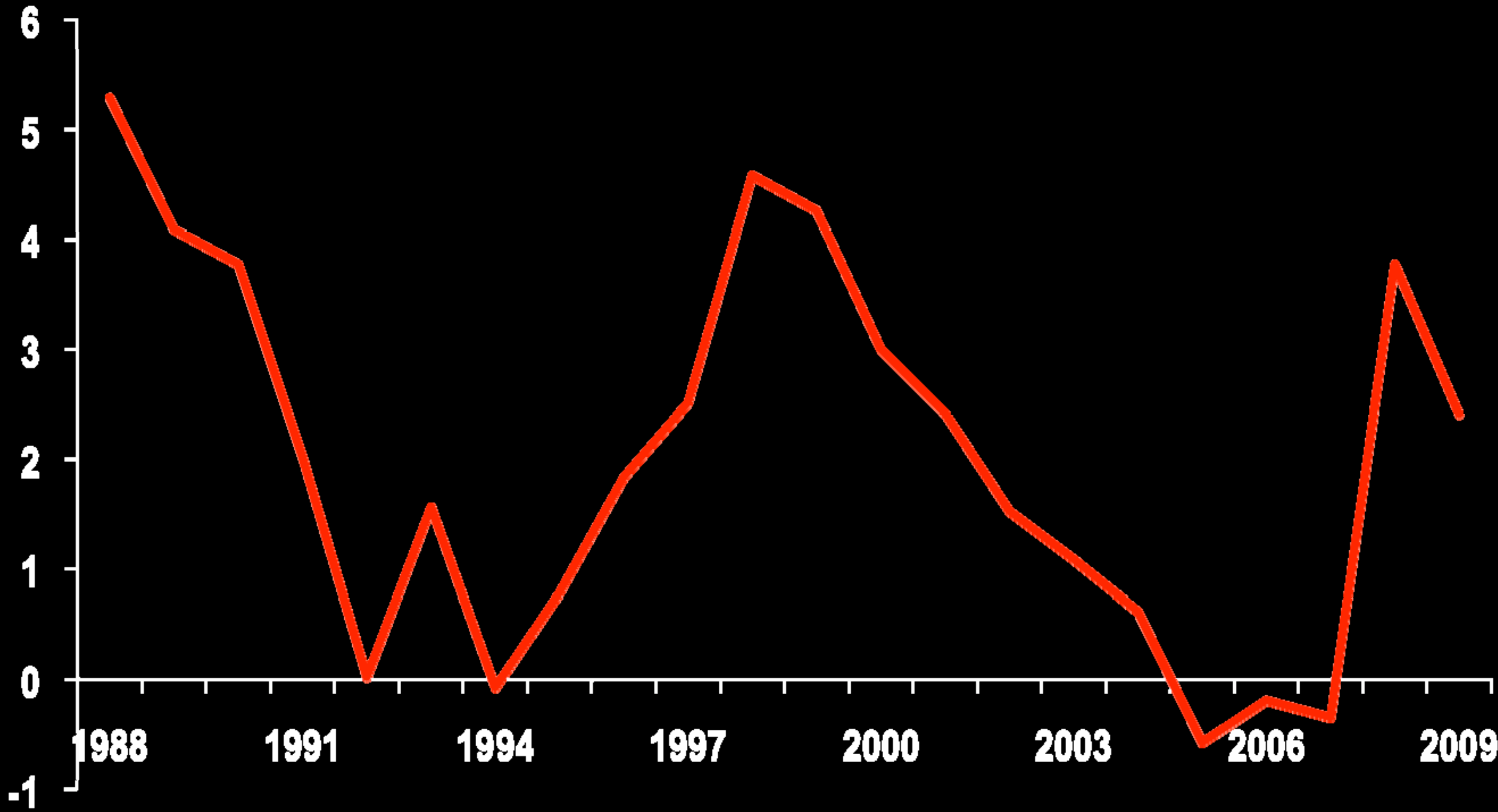
Source: Smith Travel Research

U.S. Top 25 Markets Supply



Source: Smith Travel Research

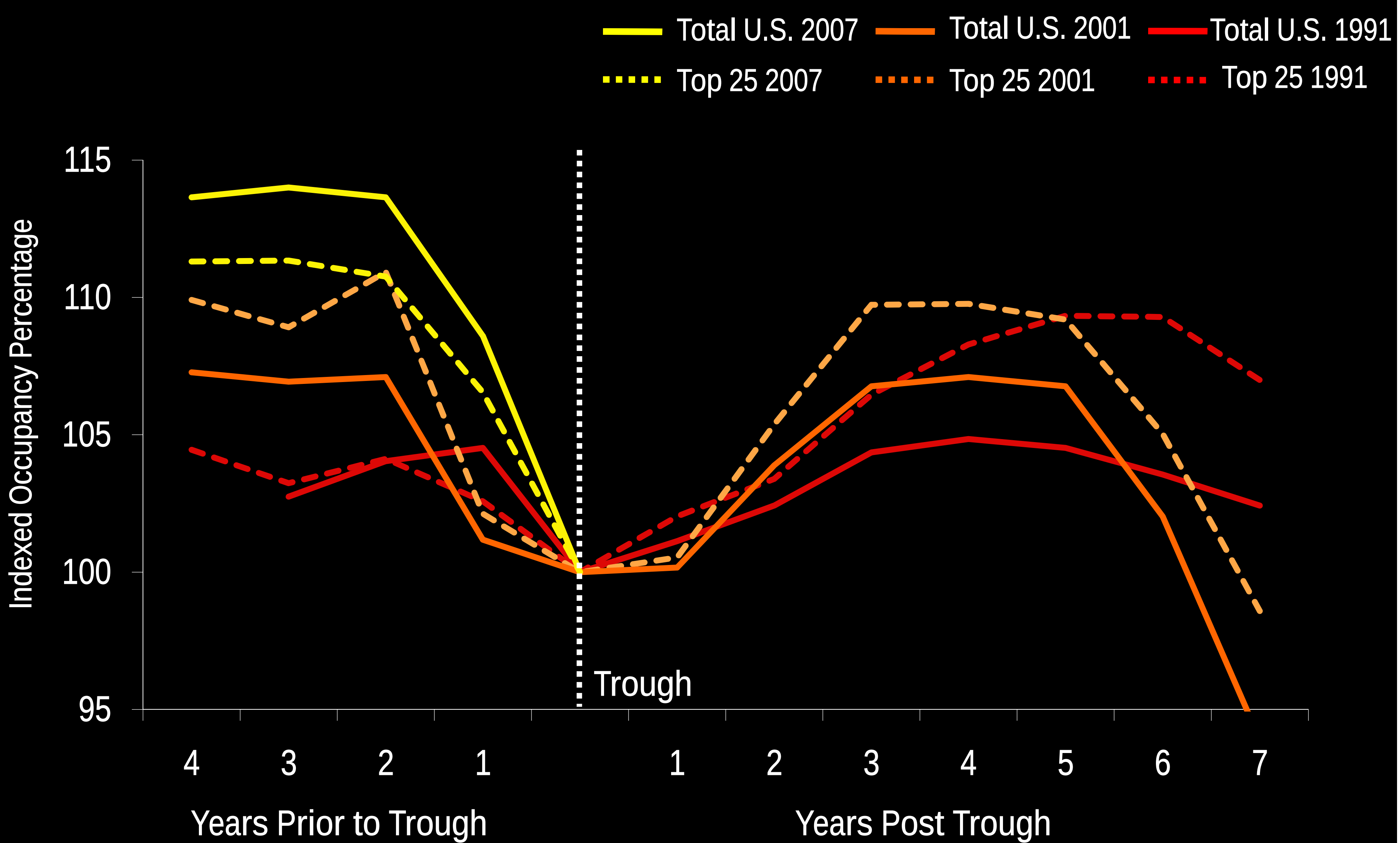
Top 25 Markets Supply Change



Source: Smith Travel Research

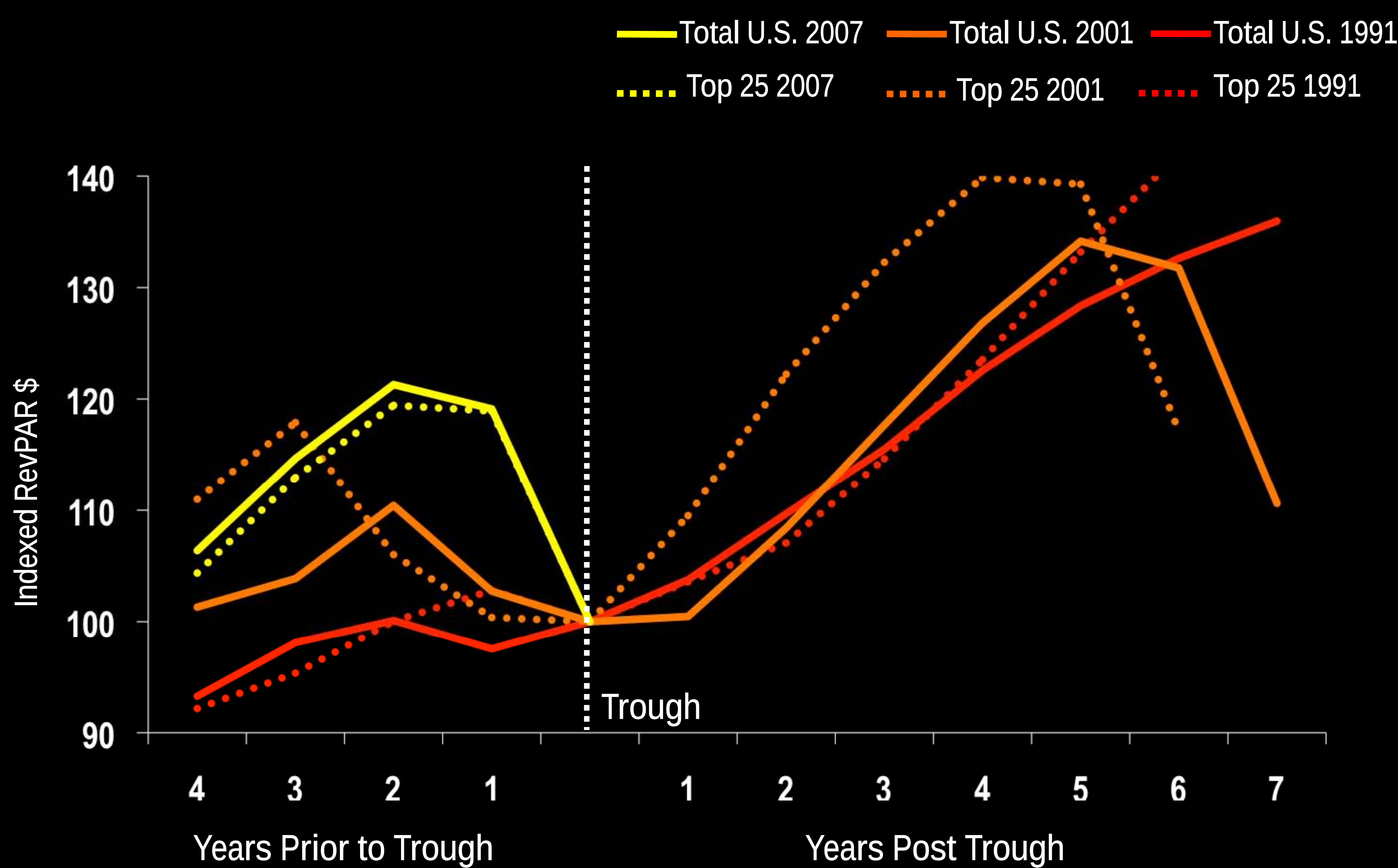
U.S. Top 25 Markets Cycles and Recoveries Relative to Total U.S. Lodging

Top 25 Markets and Total U.S. Occupancy



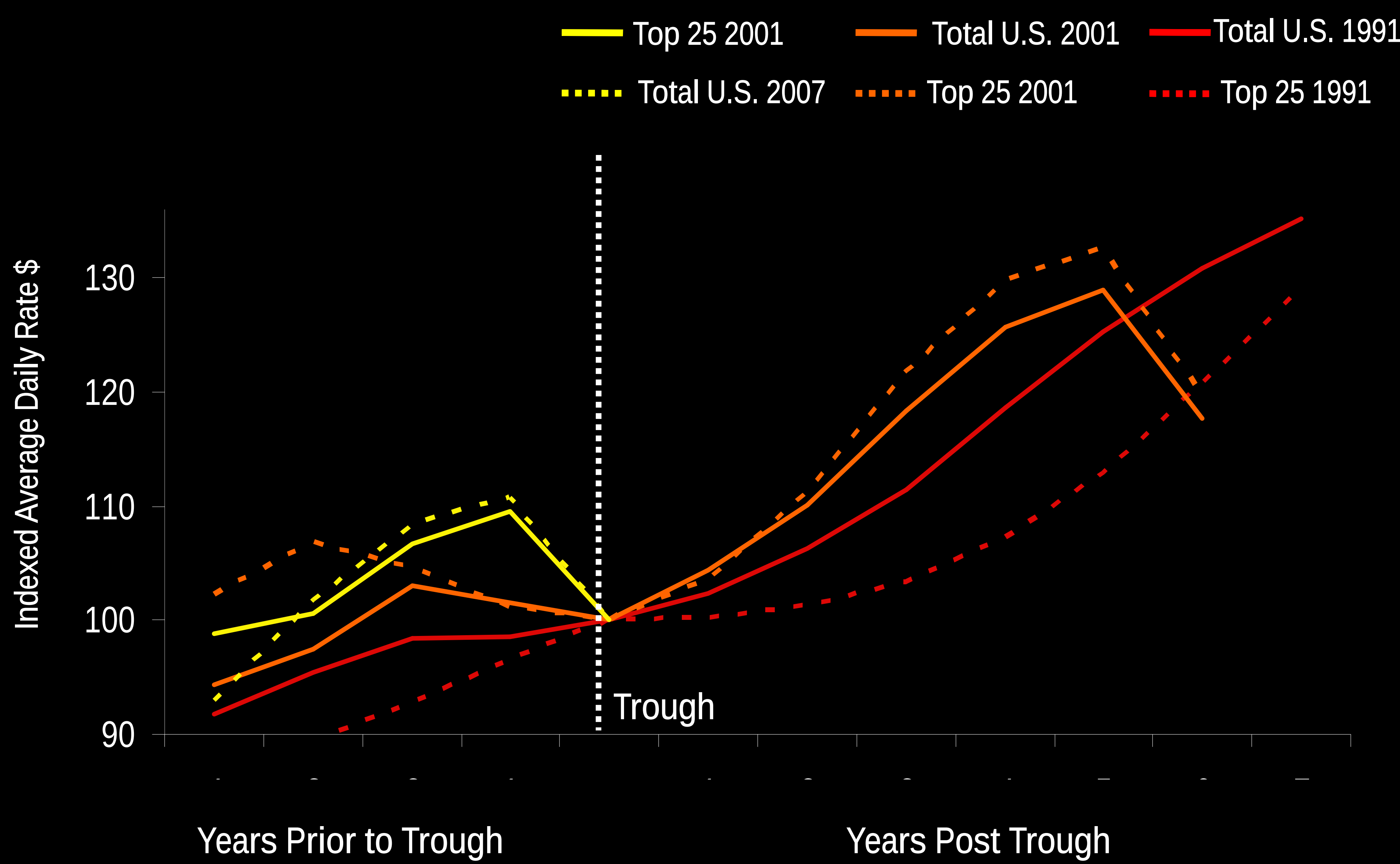
Source: Smith Travel Research

Top 25 Markets and Total U.S. Nominal RevPAR



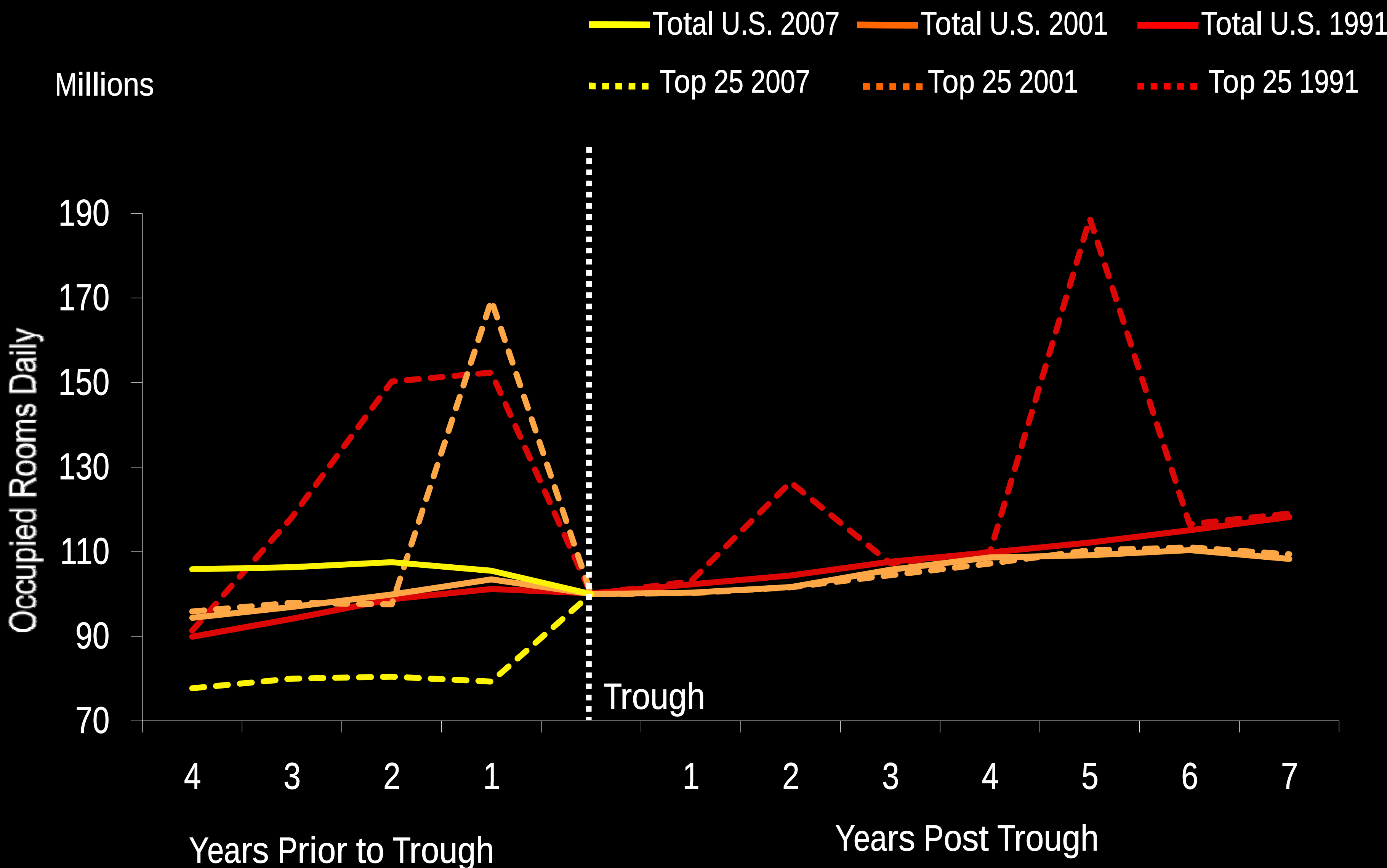
Source: Smith Travel Research

Top 25 Markets and Total U.S. Nominal ADR



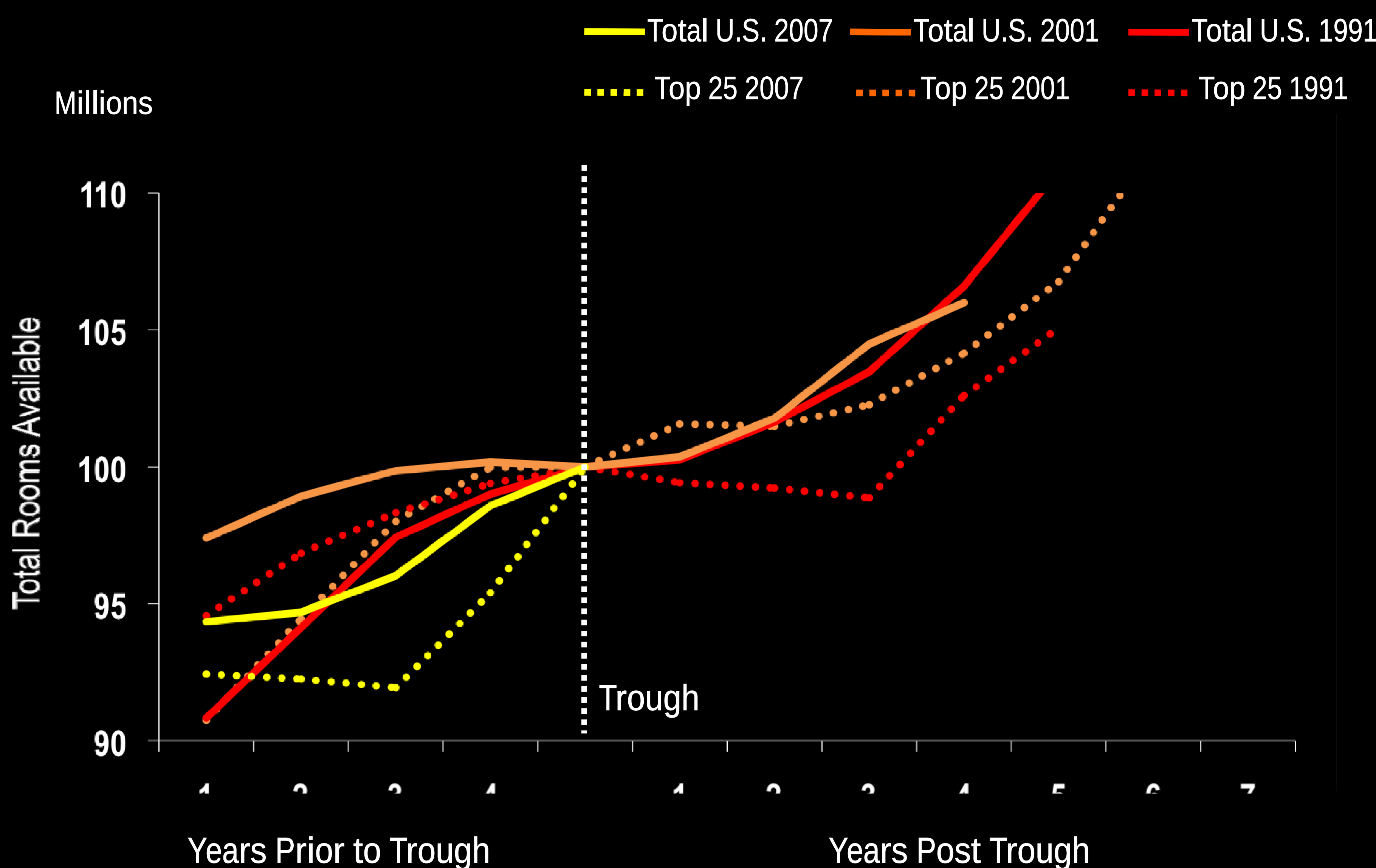
Source: Smith Travel Research

Top 25 Markets and Total U.S. Demand



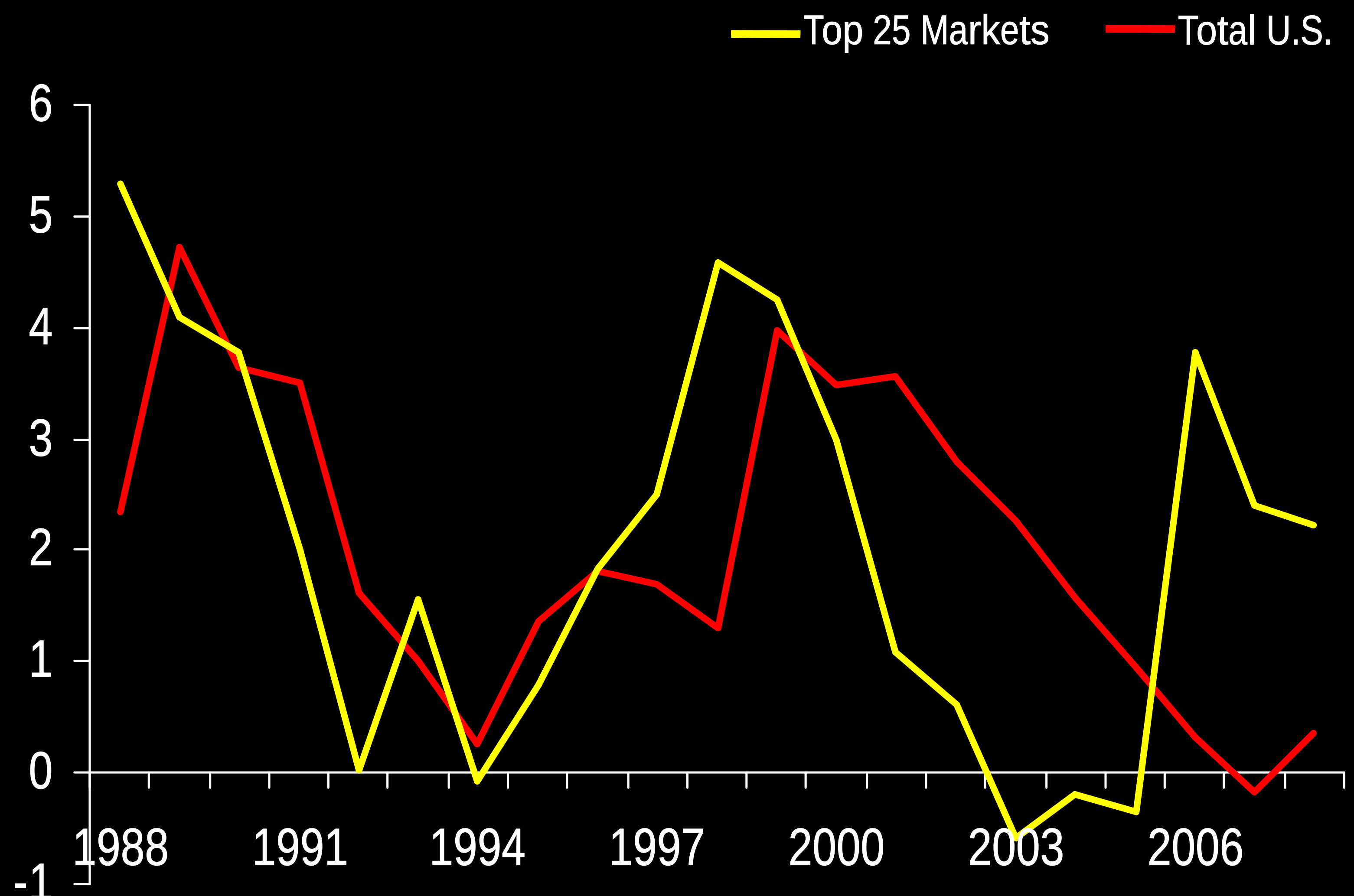
Source: Smith Travel Research

Top 25 Markets and Total U.S. Supply



Source: Smith Travel Research

Total U.S. and Top 25 Market Supply Change



Source: Smith Travel Research and PricewaterouseCoopers

Section 4 - U.S. Lodging RevPAR Trends: Implications for this Recovery

Chain Scale Segment Recovery

First to Recover 1991 Recession

Occupancy	Nominal ADR	Real ADR	Nominal RevPAR	Real RevPAR
Luxury Midscale w/o F&B	Luxury Economy		Luxury Upscale	Luxury Upper Upscale

Last to Recover 1991 Recession

Occupancy	Nominal ADR	Real ADR	Nominal RevPAR	Real RevPAR
Midscale w/F&B Upscale			Midscale w/F&B Upper Upscale	Midscale w/F&B Economy

First to Recover 2001 Recession

Occupancy	Nominal ADR	Real ADR	Nominal RevPAR	Real RevPAR
Midscale w/o F&B	Midscale w/F&B Economy	Midscale w/o F&B Midscale w/F&B	Upscale Upper Upscale	Midscale w/o F&B

Last to Recover 2001 Recession

Occupancy	Nominal ADR	Real ADR	Nominal RevPAR	Real RevPAR
Upper Upscale	Midscale w/o F&B	Upper Upscale	Luxury	Economy Upper Upscale

Top 25 Market & Total US Recovery

First to Recover 1991 Recession

Occupancy	Nominal ADR	Nominal RevPAR
Top 25 Markets	Total US	Top 25 Markets

First to Recover 2001 Recession

Occupancy	Nominal ADR	Nominal RevPAR
Top 25 Markets	Total US	Top 25 Markets

Demand Segment Cycles and Recoveries

Demand Segments – Cycle and Recoveries

Order of decline in demand

- Business/Commercial
- Group/Convention
- SMERF
- Leisure

Percentage decline of demand

- Group/Convention
- Business/Commercial
- SMERF
- Leisure

Duration to Recovery (first to last)

- Leisure
- SMERF
- Business/commercial
- Group/ Convention

Perverse Math

Average Daily Rate	$200
50 percent decline	$100
50 percent increase	$150

Section Five: Two RevPAR Recovery Analyses

1. Long term RevPAR +3.1 percent
2. U.S. RevPAR peaked 2007 $63.75
3. Assumed RevPAR trough 2010 $53.40

∴ If RevPAR were to increase by 3.1 percent, recovery to 2007 levels would be 2017 (worst case)

4. U.S. RevPAR recovery has averaged 7.57 percent for 4 years post trough (since 1968)

∴ If RevPAR were to increase by 7.57 percent for four years, 3.1 percent thereafter, recovery to 2007 levels would be 2013 (best case)

Section 5 - RevPAR Forecasts

2009 – 2010 U.S. Lodging RevPAR Forecasts

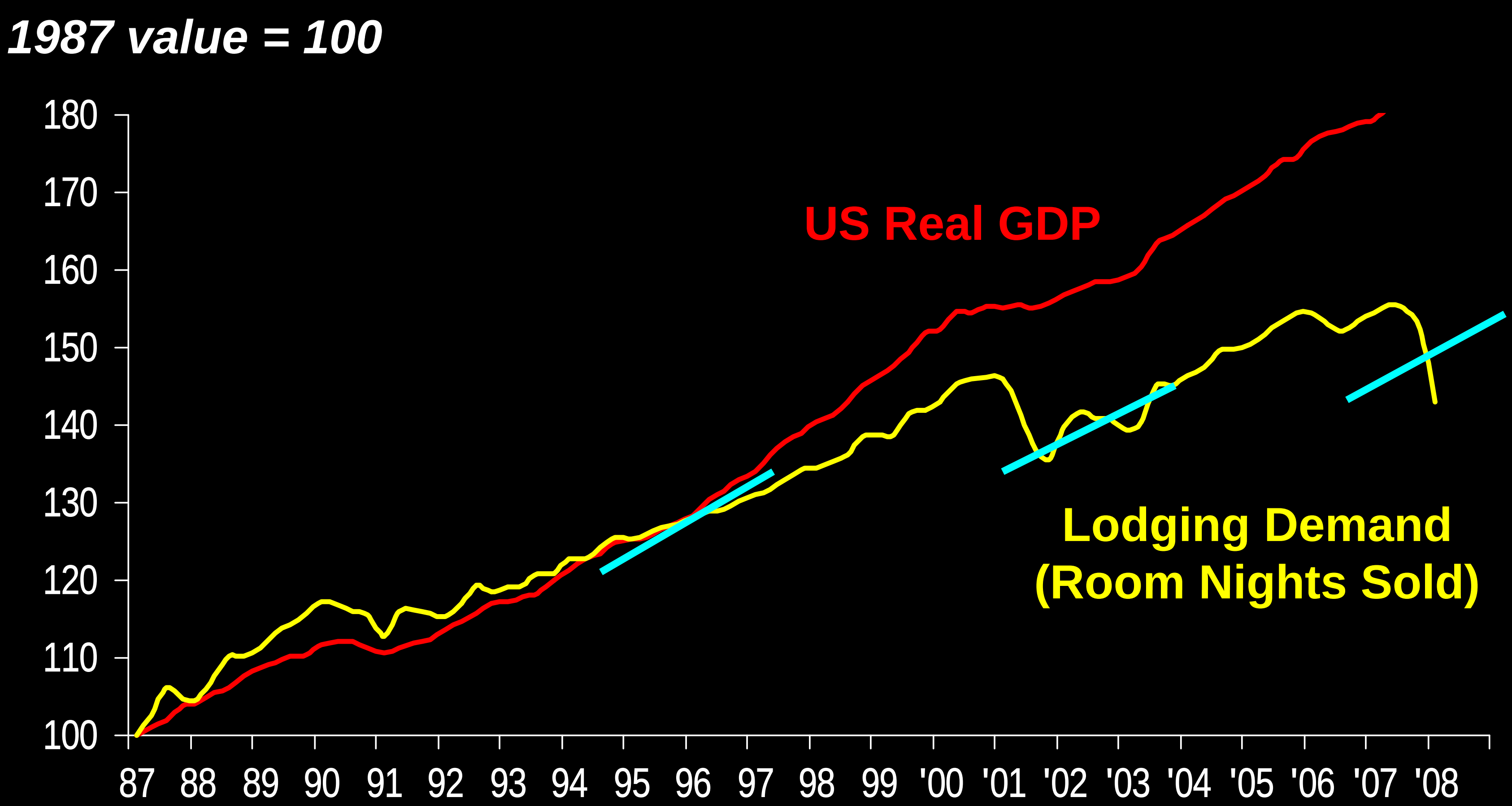
Source	2010	2011
Smith Travel Research	(3.2)	4.2
PKF Research	(1.3)	5.9
PricewaterhouseCoopers	(1.5)	

*Forecasts as of February 13, 2010
Source: Individual organizations

Section 7 - Structural Changes

Structural Changes – Demand

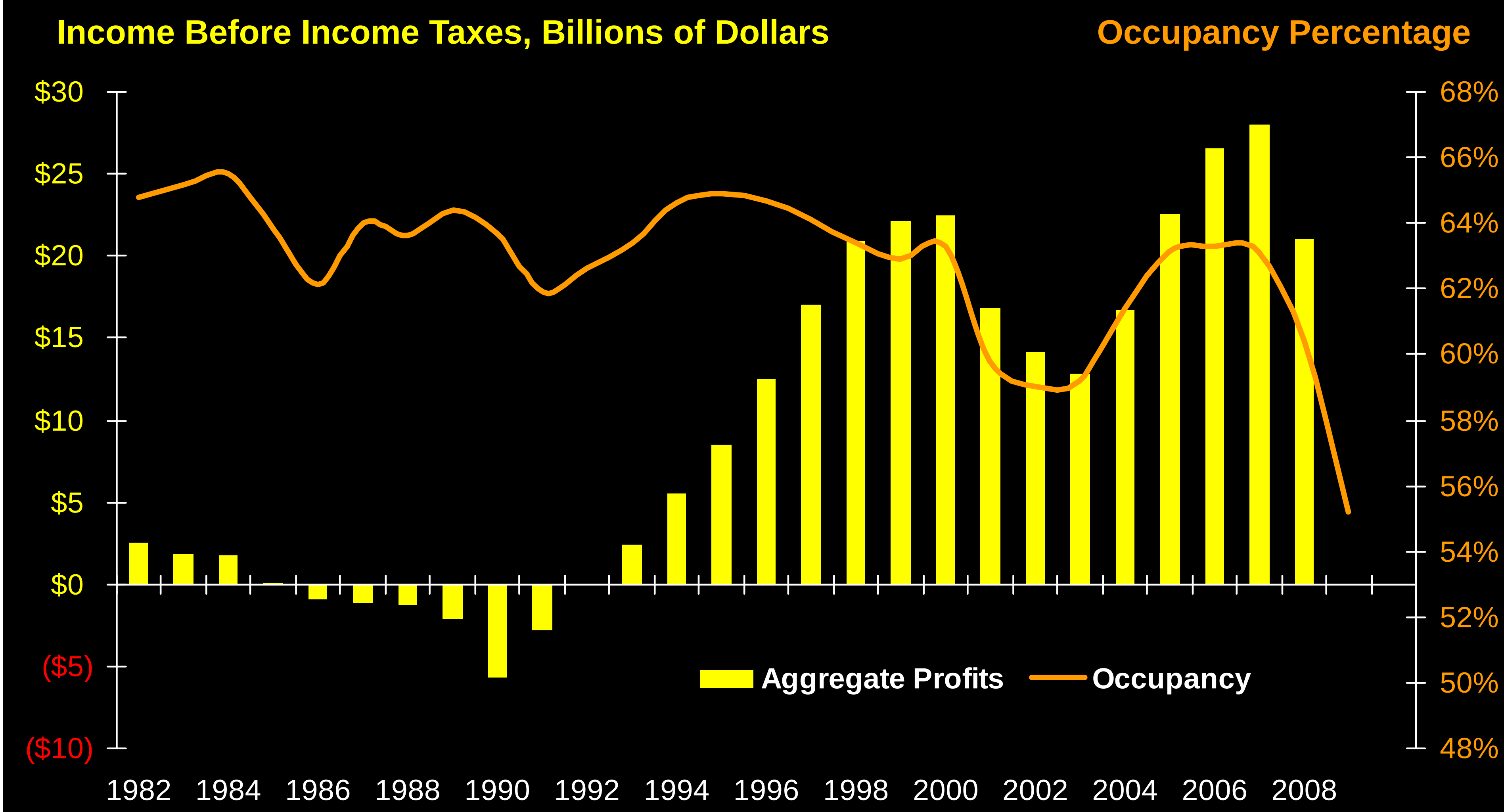
Demand Elasticity and Correlation to Real GDP



Sources: Lodging demand – PricewaterhouseCoopers LLP based on Smith Travel Research data; Real GDP- U.S. Bureau of Economic Analysis; Air travel demand - Air Transport Association.

Structural Changes – Profits

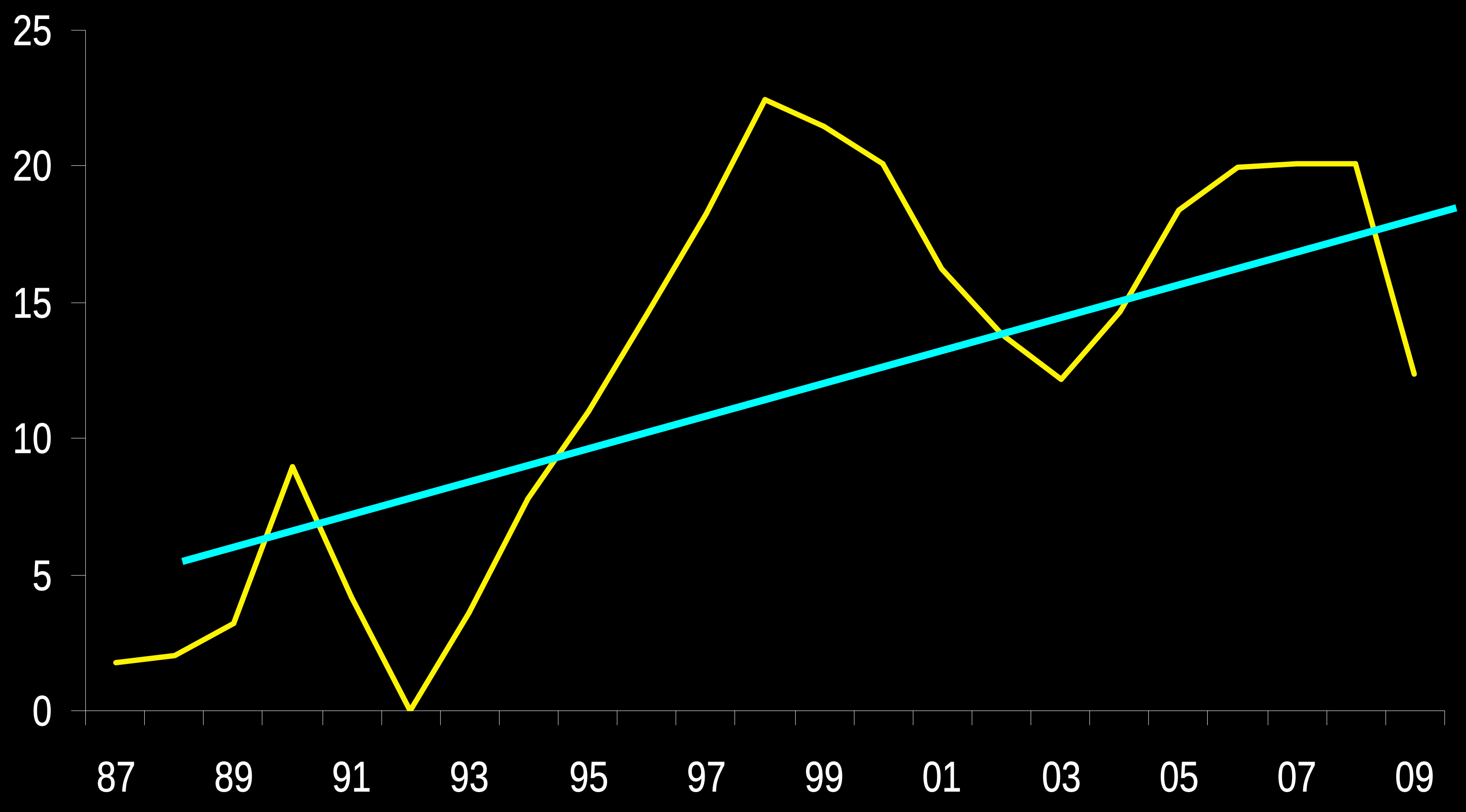
Long-Term Occupancy Levels and Profits



Note: STR change in method in 2002

Sources: Smith Travel Research, 2009 NYU Tisch Center Estimate

U.S. Lodging Industry Net Income as a Ratio to Revenue



Sources: Smith Travel Research, 2009 NYU Tisch Center Estimate

Section 7 - Comments & Conclusions

1. Lodging Industry forecasts are more challenging now than ever before – record revisions
2. “Comparable” recessions and long term trends indicate this “recovery” will be longer and less robust than average
3. The U.S. Lodging Industry spends more time in declines than in recoveries
4. During declines, occupancy usually precedes average daily rate

   During recoveries, occupancy usually precedes average daily rate
5. Industry RevPAR is unlikely to recover to 2007 levels until 2013 or later

6. Luxury and Upper Upscale demand has declined during all recessions, Economy during all but one recession
Upscale and Midscale without Food and Beverage demand declined only during the current recession
Midscale with Food and Beverage has experienced a long term trend of demand decline
7. The Top 25 Markets are much more volatile than the U.S. with earlier and greater declines, but frequently with earlier and stronger recoveries
8. Luxury may experience a favorable percentage increase, but is likely to be among the last to recover
9. Upscale and Midscale without Food and Beverage will likely emerge as stronger performers based on absolute performance levels

10. Leisure demand will remain favorable but is based on discounting especially for Luxury
11. Group/convention demand is likely to recover after business/commercial
12. It is probable that there will be a structural resetting of lodging demand – less demand relative to GDP
13. It is probable that the industry will emerge with structural resetting of profitability – higher profit levels relative to occupancy and RevPAR

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