

# The Americas Lodging Investment Summit

## The U.S. Lodging Industry\*

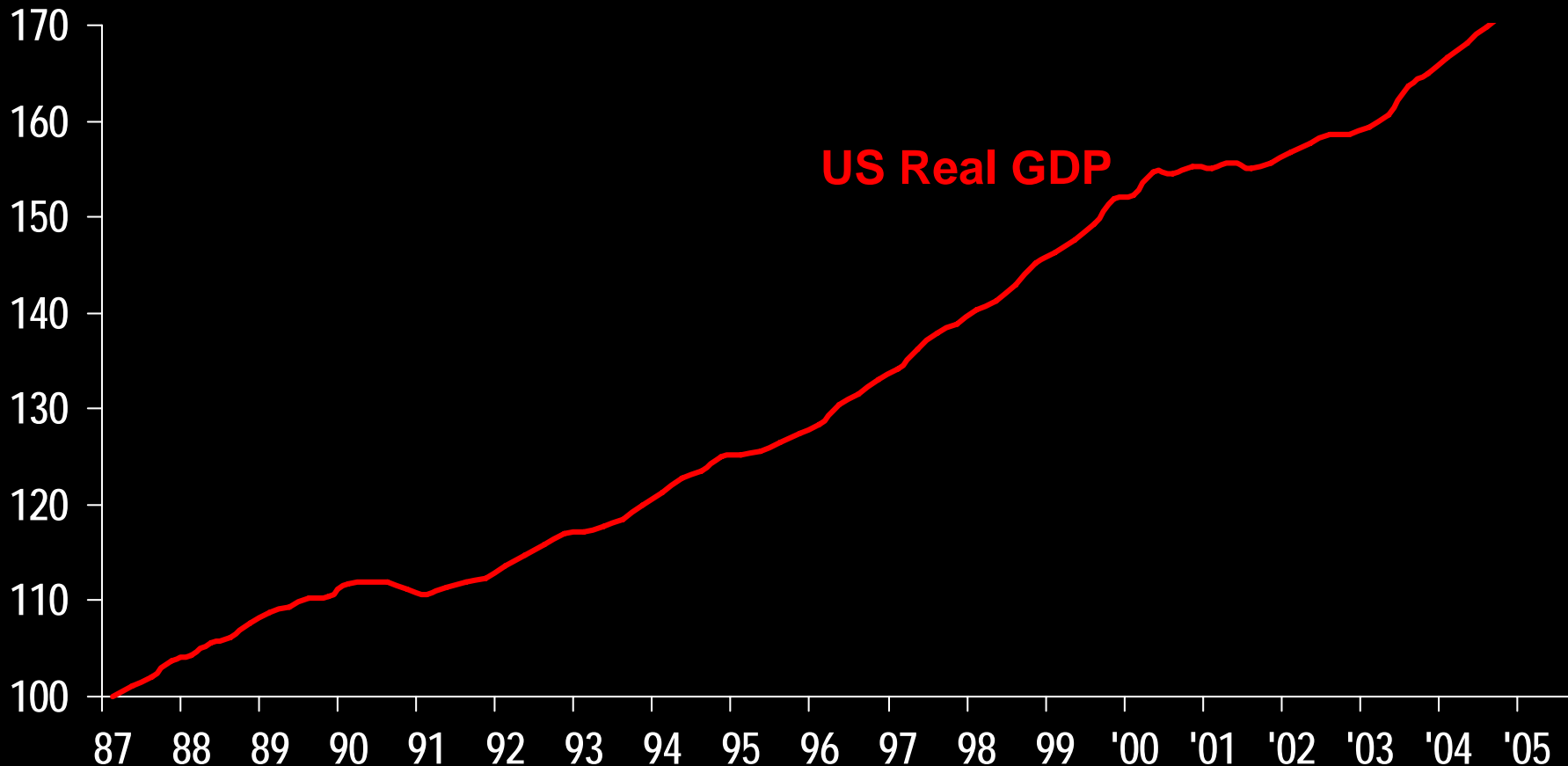
January 23, 2006

Bjorn Hanson, Ph.D.

# U.S. Lodging Demand

# Demand Elasticity and Correlation to Real GDP

1987 value = 100

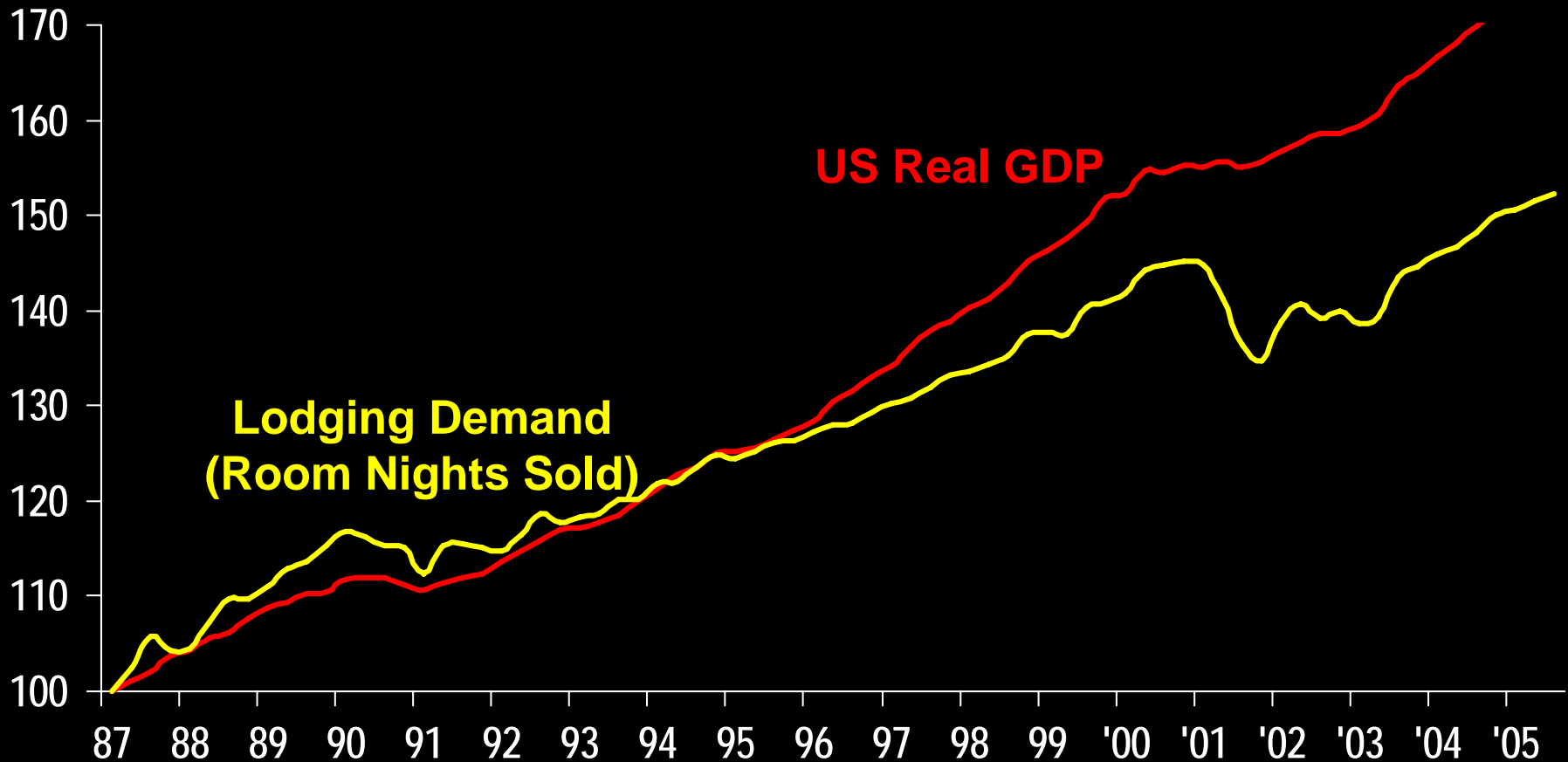


Sources: Lodging demand – PricewaterhouseCoopers LLP based on Smith Travel Research data; Real GDP- U.S. Bureau of Economic Analysis; Air travel demand - Air Transport Association.

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# Demand Elasticity and Correlation to Real GDP

1987 value = 100

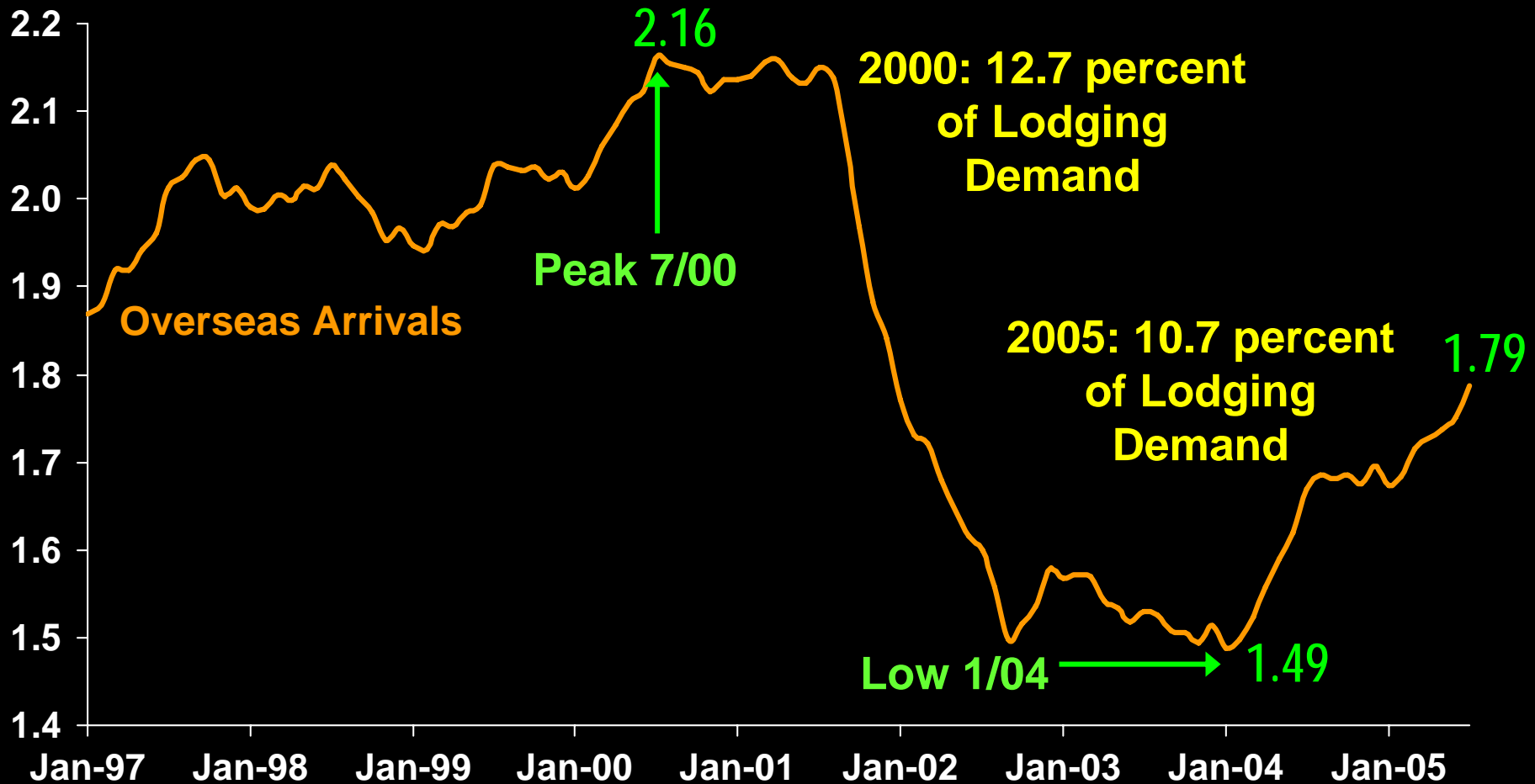


Sources: Lodging demand – PricewaterhouseCoopers LLP based on Smith Travel Research data; Real GDP- U.S. Bureau of Economic Analysis; Air travel demand - Air Transport Association.

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# Overseas Travel to the U.S.

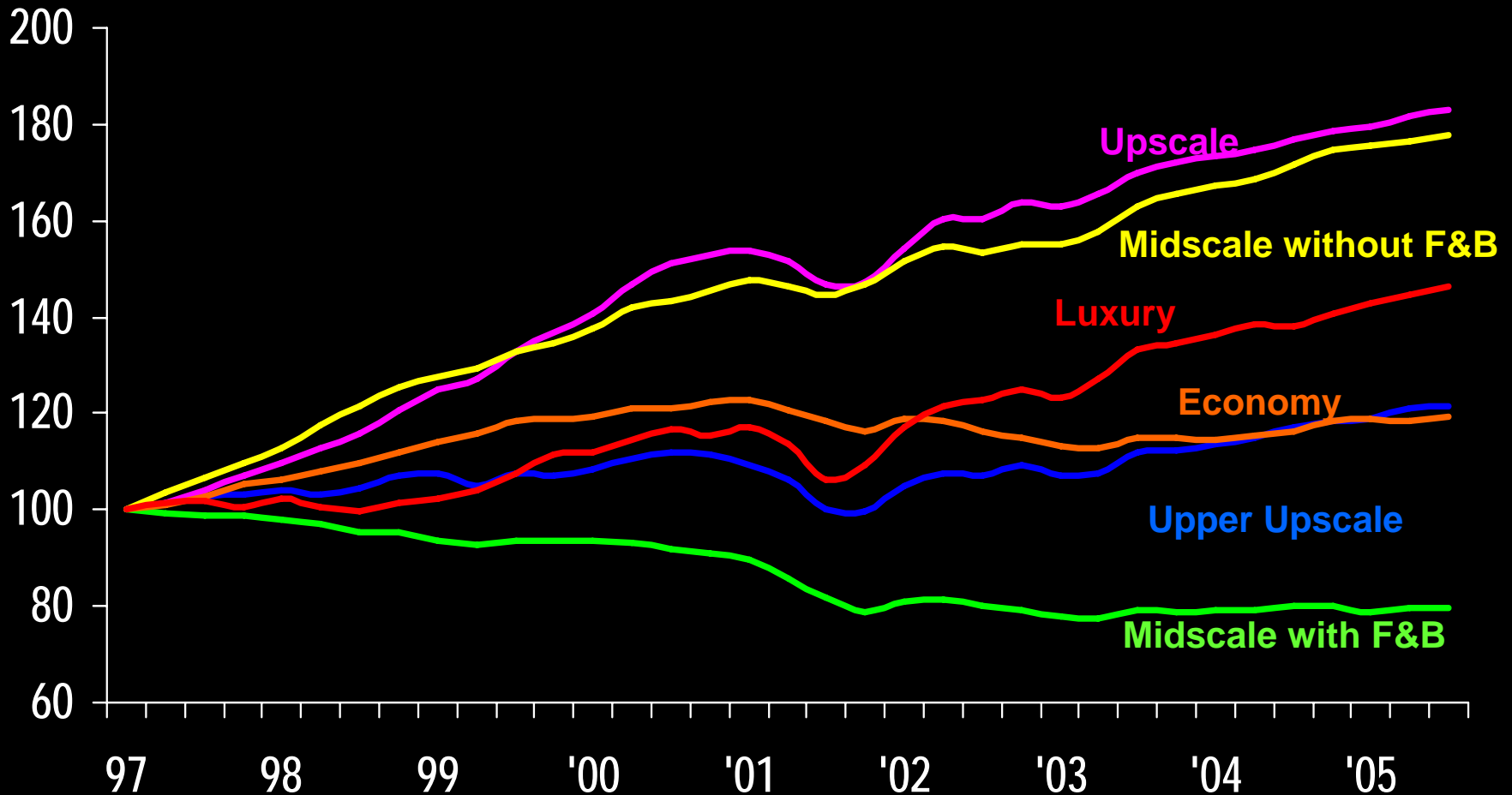
*International Arrivals (In millions, 12-month moving average)*



Source: PricewaterhouseCoopers LLP based on Office of Travel and Tourism Industries, "Profile of Overseas Travelers To the U.S. – Inbound."

# Decompression of Chain Scale Demand Performance

Rooms Sold (Average Daily, Seas. Adj.) in 1997 Q1 = 100



Source: PricewaterhouseCoopers LLP based on Smith Travel Research data through September 2005.

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# U.S. Lodging Supply

# Annual Room Starts

## Room Starts

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**2004**

**80,160**

**2005**

**77,549**

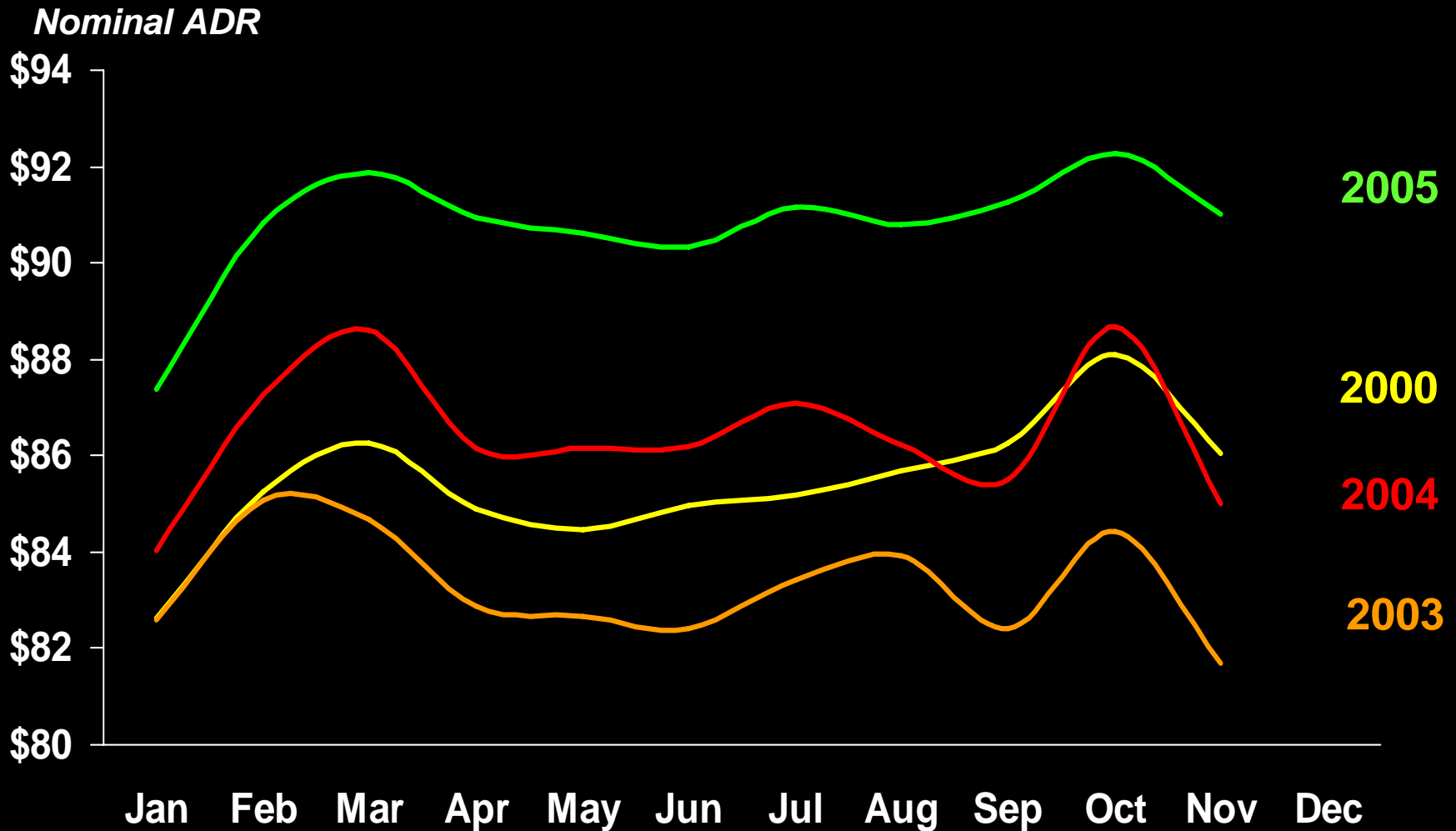
**2006**

**127,708**

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# U.S. Average Daily Rate

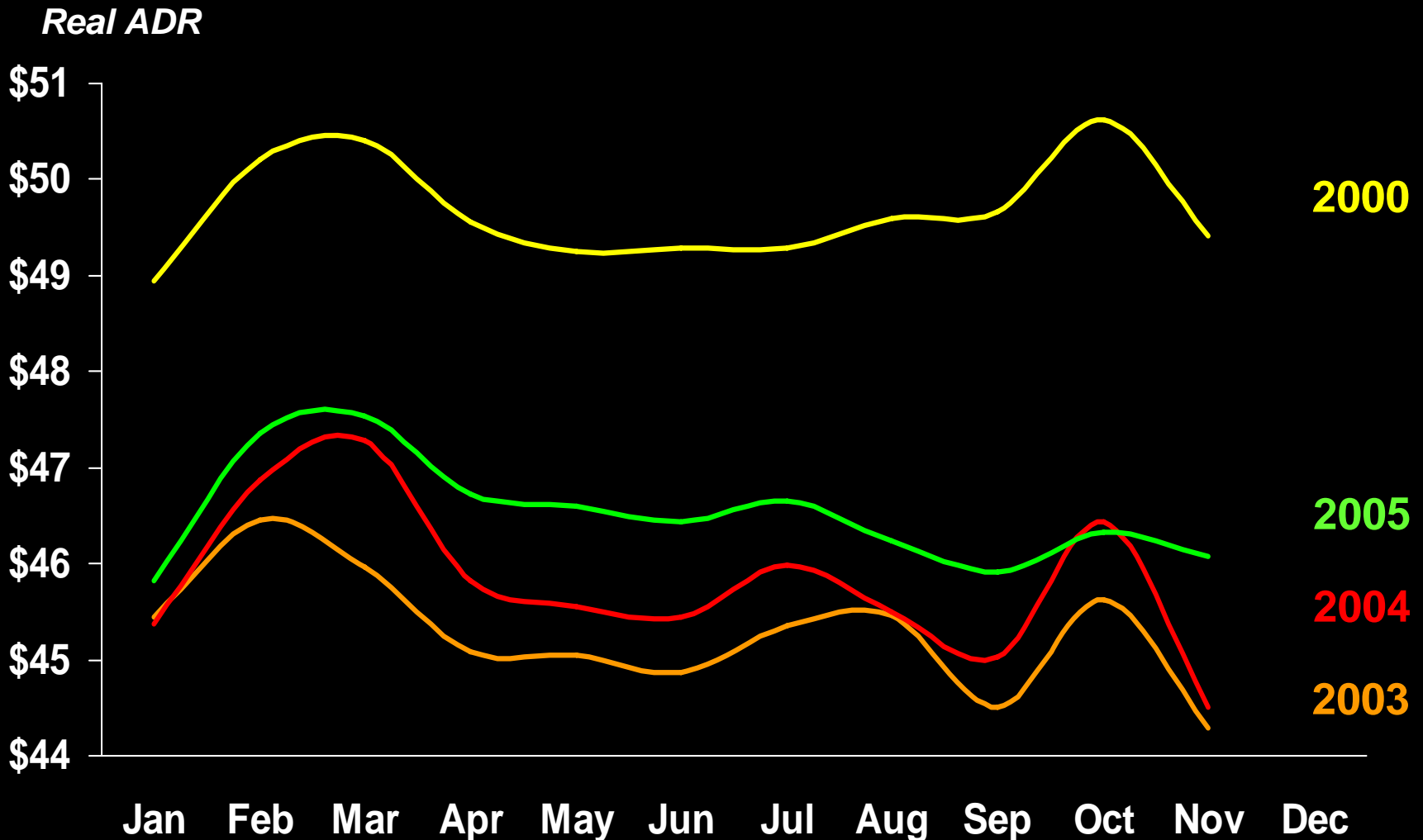
# YTD 2005 Nominal Average Daily Rate



Source: PricewaterhouseCoopers LLP based on data from Smith Travel Research.

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# YTD 2005 Real Average Daily Rate

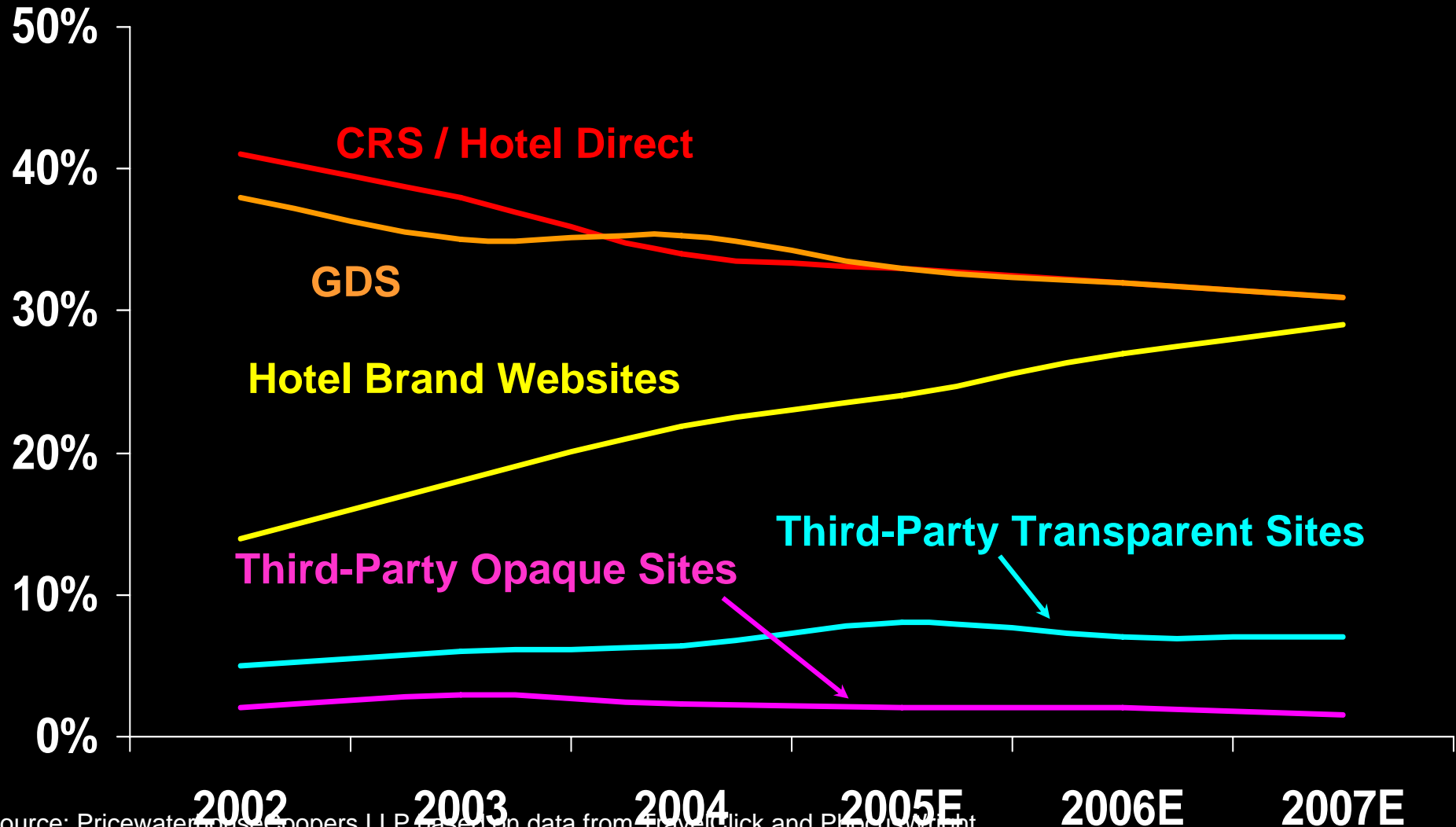


Source: PricewaterhouseCoopers LLP based on data from Smith Travel Research and Bureau of Labor Statistics.

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# Hotel Bookings by Distribution Channel

*Hotel Reservations by Distribution Channel*



Source: PricewaterhouseCoopers LLP based on data from TravelClick and PhocusWright.

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# Average Rates by Booking Channel

<b>Channel</b>	<b>2005 Net ADR</b>
<b>GDS</b>	<b>\$94.88</b>
<b>CRS / Hotel Direct</b>	<b>\$89.66</b>
<b>Average Non-Internet Rate</b>	<b>\$92.27</b>
<b>Hotel Website</b>	<b>\$85.09</b>
<b>Retail Third-Party Site</b>	<b>\$84.29</b>
<b>Opaque Third-Party Site</b>	<b>\$65.32</b>
<b>Average Internet Rate</b>	<b>\$83.74</b>
<b>Average Rate</b>	<b>\$90.65</b>

Source: PricewaterhouseCoopers LLP based on data from TravelClick and PhoCusWright.

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# U.S. Lodging Forecasts

# PwC Occupancy Forecasts

## 2002 Occupancy

PwC Forecast December 13, 2001	59.6%
Actual 2002 (STR)	59.0%

## 2003 Occupancy

PwC Forecast December 12, 2002 (brief Iraq war)	59.6%
Actual 2003 (STR)	59.2%

## 2004 Occupancy

PwC Forecast December 11, 2003	61.2%
Actual 2004 (STR)	61.3%

## 2005 October Year-To-Date Occupancy

PwC Forecast November 2004	64.7%
Actual 2005ytd (STR)	64.7%

# U.S. Macroeconomic Assumptions

	2000	2001	2002	2003	2004	FORECAST		
						2005	2006	2007
<b>Real GDP Growth</b>	3.7	0.8	1.6	2.7	4.2	3.7	3.8	3.5
<b>Consumer Price Inflation</b>	3.4	2.8	1.6	2.3	2.7	3.4	2.8	2.3

Source: Macroeconomic Advisers LLC as of November 2005.

GDP Growth Long Term Average (1981 – 2005) - 3.1%

CPI Growth Long Term Average (1981 – 2005) - 3.5%

# U.S. Lodging Industry Forecasts

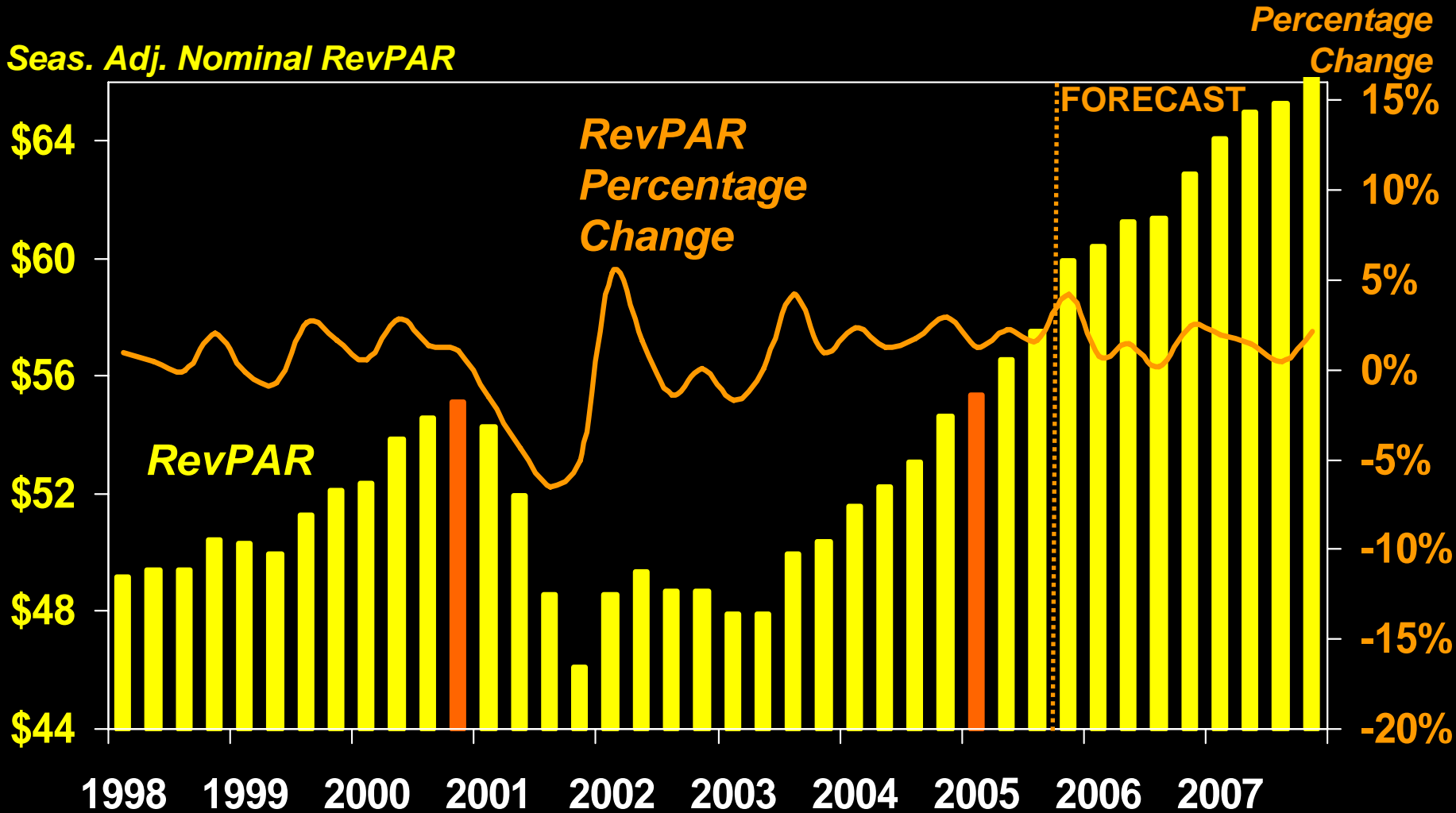
*Percentage Change from Prior Year*

**PwC FORECAST**

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Average Daily Rooms Sold</b>	3.5	-3.4	0.3	1.4	4.3	3.3	3.1	2.9
<b>Aver. Supply</b>	2.8	2.4	1.6	1.1	0.6	0.4	1.4	1.9
<b>Occup. Level</b>	63.3	59.7	59.0	59.2	61.3	63.1	64.1	64.7
<b>ADR</b>	5.4	-1.4	-1.5	0.1	4.1	5.3	5.6	5.2
<b>RevPAR</b>	6.1	-7.0	-2.7	0.4	7.8	8.4	7.3	6.2

Sources: PricewaterhouseCoopers LLP (2005 to 2007), Smith Travel Research (2000 to 2004).

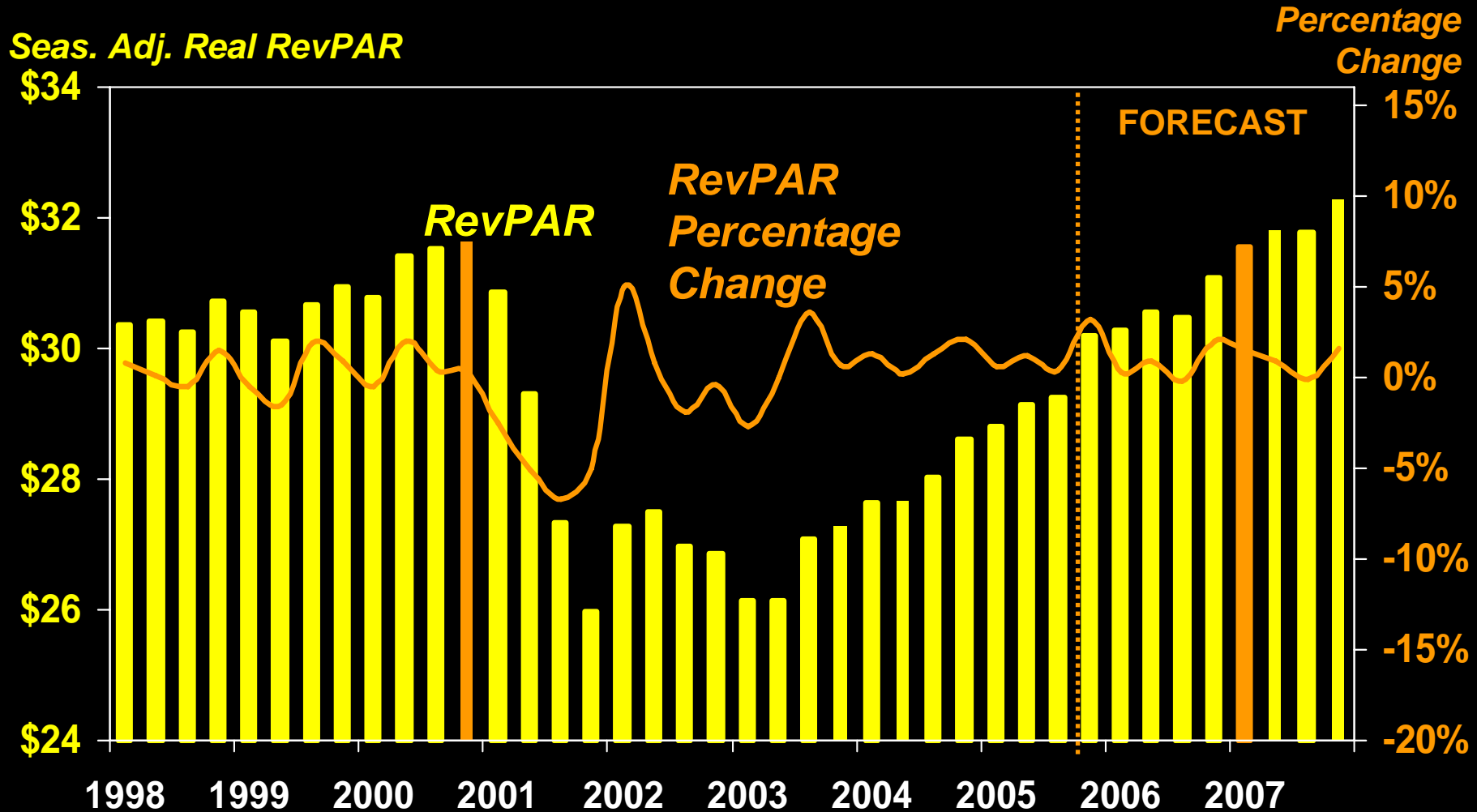
# Nominal U.S. RevPAR Levels Achieved 2000 Q4 Levels by 2005 Q1



Sources: PricewaterhouseCoopers LLP (2005 Q4 to 2007 Q4), Smith Travel Research (1998 Q1 to 2005 Q3).

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# Real U.S. RevPAR Levels Will Achieve 2000 Q4 Levels by 2007 Q1



Sources: PricewaterhouseCoopers LLP (2005 Q4 to 2007 Q4), Smith Travel Research (1998 Q1 to 2005 Q3), Bureau of Labor Statistics (CPI history), Macroeconomic Advisers L.L.C. (CPI forecasts).

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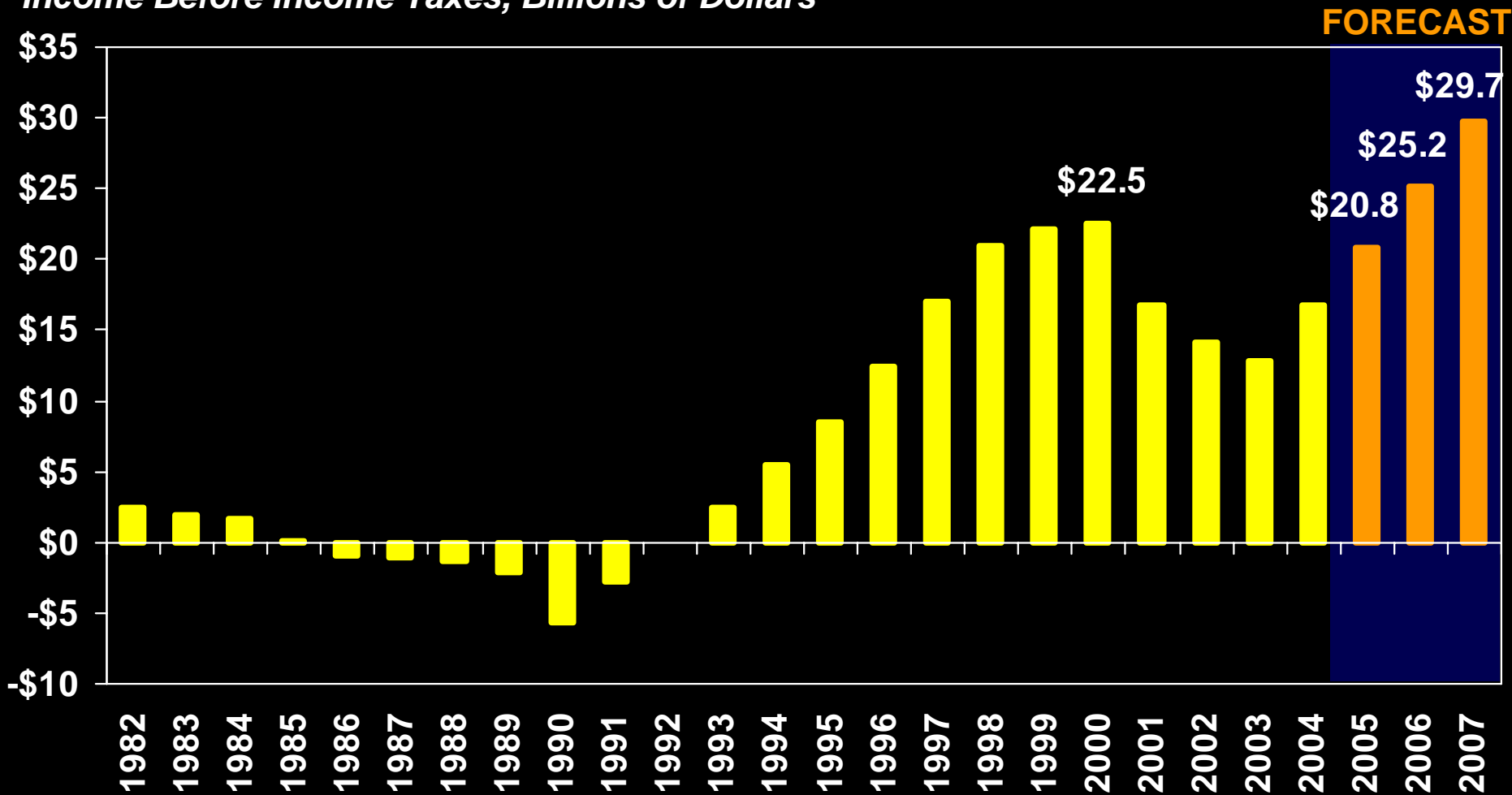
# U.S. Chain Scale Segments RevPAR Forecasts

Segment	<i>Percentage Change from Prior Year</i>					<b>FORECAST</b>		
	2000	2001	2002	2003	2004	2005	2006	2007
<b>U.S.</b>	<b>6.1</b>	<b>-7.0</b>	<b>-2.7</b>	<b>0.4</b>	<b>7.8</b>	<b>8.4</b>	<b>7.3</b>	<b>6.2</b>
Luxury	8.8	-14.4	-4.8	1.0	10.5	12.8	9.4	8.9
Upper Upscale	7.0	-11.6	-3.4	-1.8	8.2	10.4	9.2	7.6
Upscale	5.7	-8.4	-4.7	-0.6	8.8	9.9	6.7	5.6
Mid with F&B	3.8	-6.7	-4.0	-0.4	6.0	7.6	5.8	5.2
Mid w/o F&B	4.7	-1.6	-0.6	0.6	7.2	11.3	9.8	6.8
Economy	2.9	-3.3	-3.7	-1.4	4.7	6.8	5.6	5.1

Sources: PricewaterhouseCoopers LLP (2005 to 2007), Smith Travel Research (2000 to 2004).

# PwC U.S. Lodging Industry Profits Forecasts

*Income Before Income Taxes, Billions of Dollars*



Sources: PricewaterhouseCoopers LLP (2005 to 2007), Smith Travel Research (1998 to 2004).

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**Note: STR change in method in 2002.**

# Industry Profits

## Aggregate Profits (Bil. \$)      Percentage Change

2007	\$29.7	17.9
2006	\$25.2	20.9
2005	\$20.8	24.7
2004	\$16.7	30.5
2000	\$22.5	1.8

## Profits Per Avail. Room      Percentage Change

2007	\$6,434	15.5
2006	\$5,570	18.8
2005	\$4,688	23.7
2004	\$3,791	30.1
2000	\$5,341	- 0.8

Sources: PricewaterhouseCoopers LLP (2005 to 2007), Smith Travel Research (2000 and 2004).

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September 2005  
Forecasts and  
Analyses for the  
Hospitality Industry

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Challenges, and Changes in the U.S. Lodging Industry

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Using Data Envelopment Analysis

[www.lodgingresearch.com](http://www.lodgingresearch.com)

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