



# Hotel Industry Trends for the U.S. and Virginia

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No Need To Take Notes

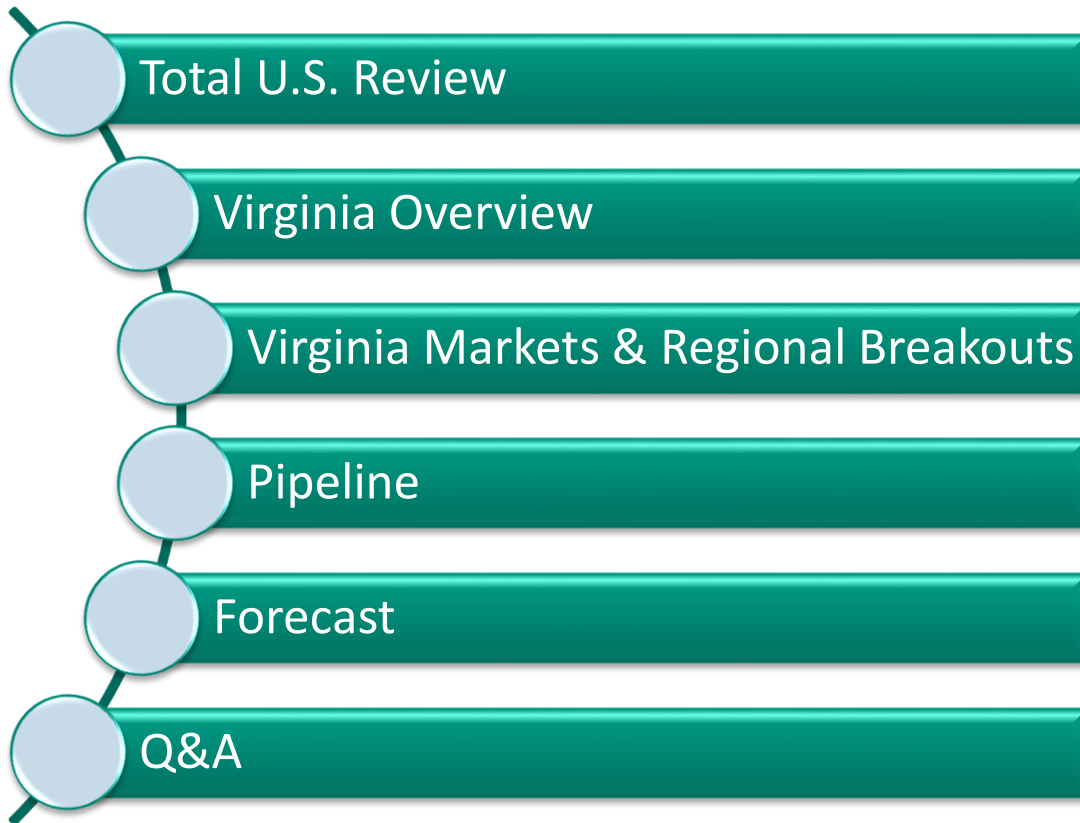
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# Agenda





+



CoStar Group™

# | The world's largest hotel performance sample



Data from

**180** countries



**65,000**

hotel customers  
globally (properties)



**8.8 million**

rooms on the platform

# STR Building Blocks





# Total U.S. Review

## September 2019: RevPAR declines Second Time This Year



		% Change
Room Supply		2.1%
Room Demand		1.2%
Occupancy	67.4%	-0.9%
ADR	\$132	0.6%
RevPAR	\$89	-0.3%
Room Revenue		1.7%



## September YTD 2019: RevPAR Growth Now at 1%



		% Change
Room Supply		2.0%
Room Demand		2.0%
Occupancy	67.6%	0.0%
ADR	\$133	1.0%
RevPAR	\$89	1.0%
Room Revenue		3.0%

## Number of Months with Positive ADR % Change of Less Than 1%



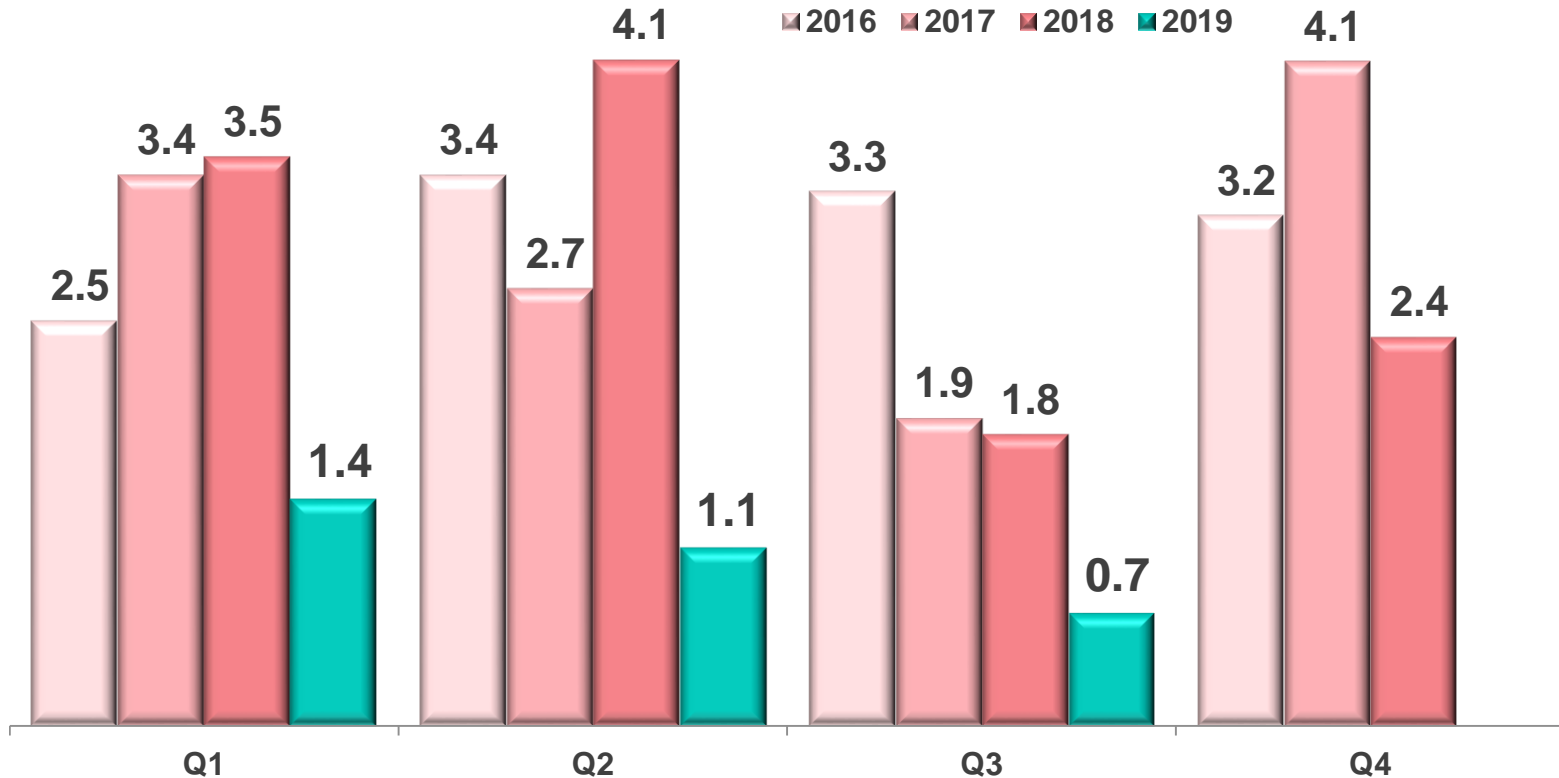
2011 – 2018

0

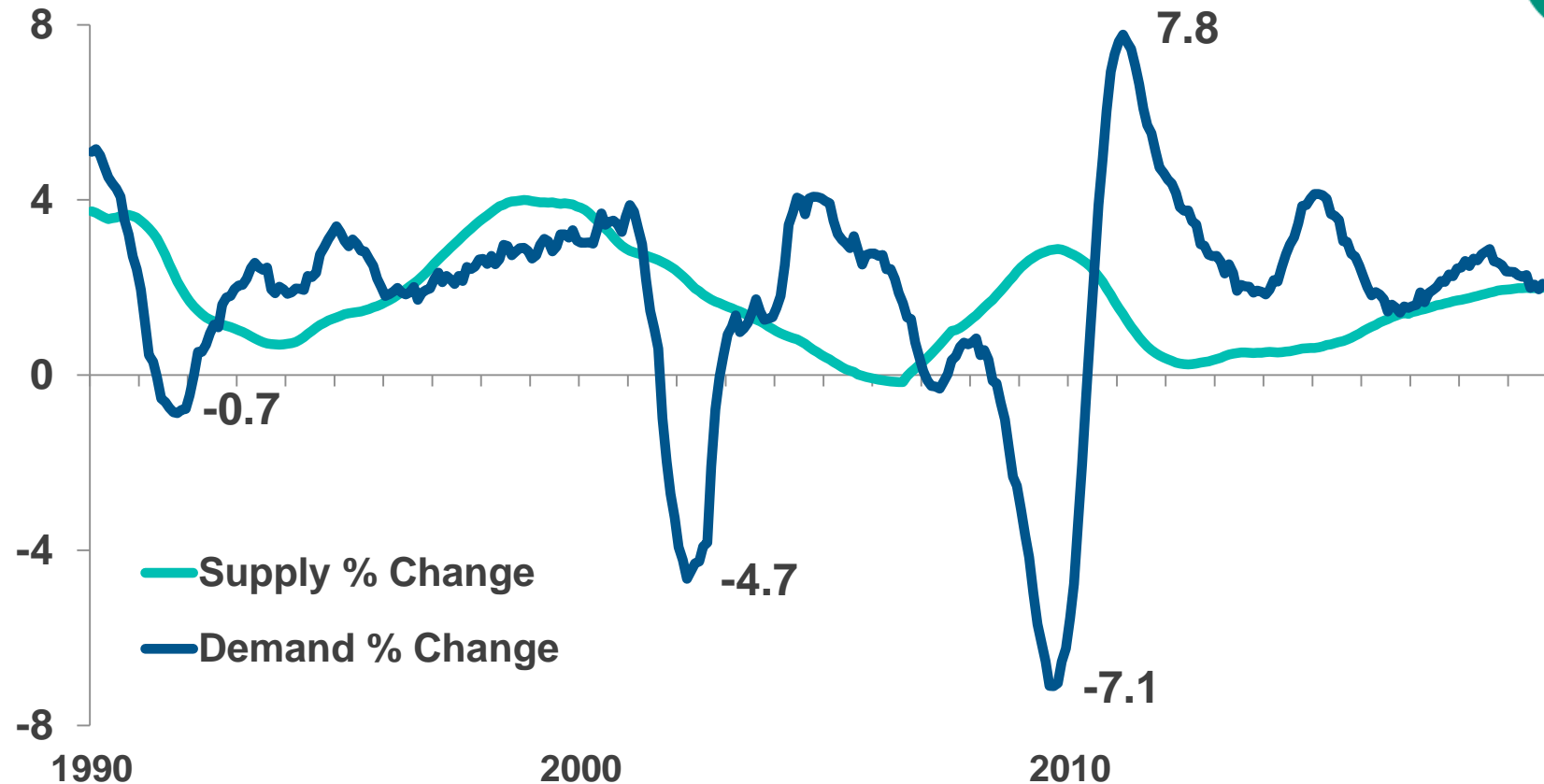
YTD 2019

5

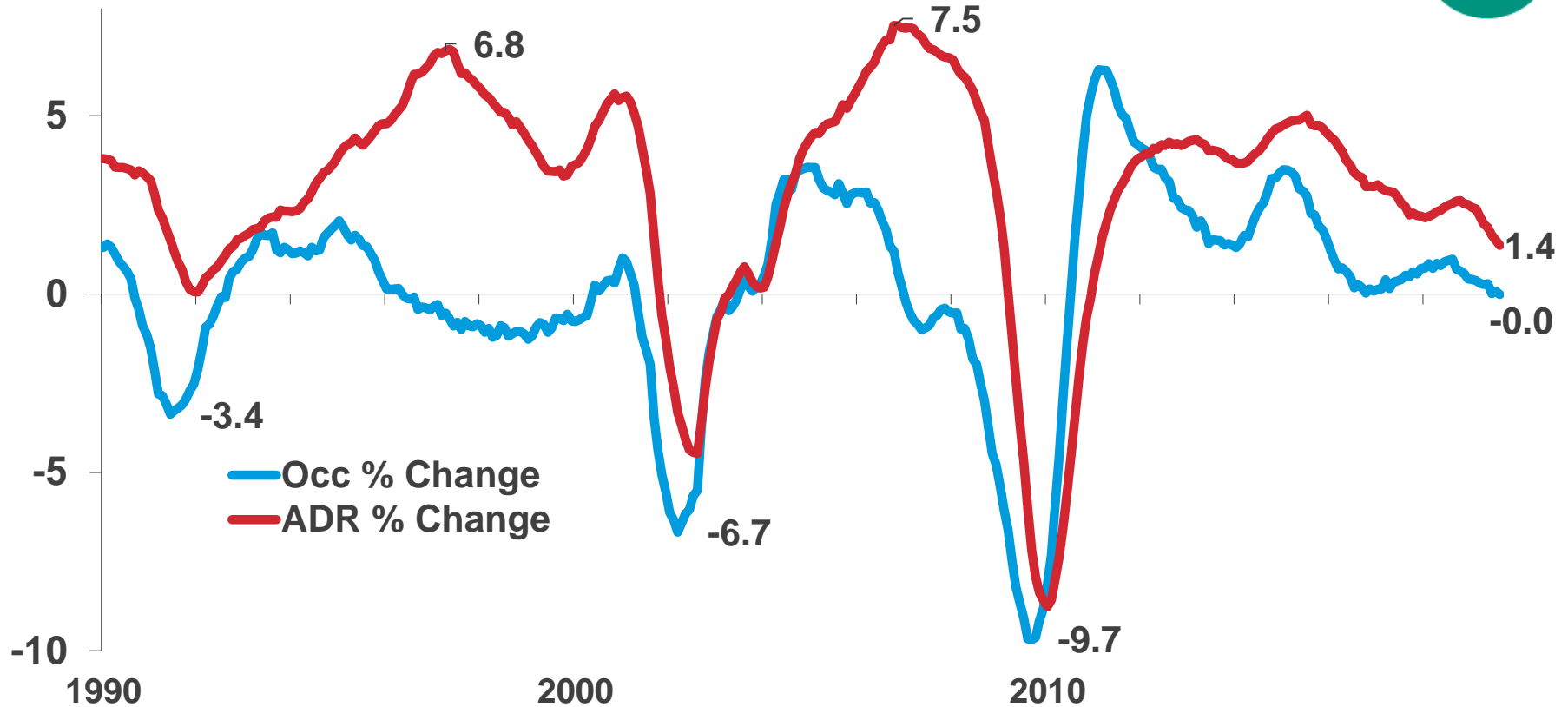
## Quarterly RevPAR % Change: The Slow Growth Quarters Continue



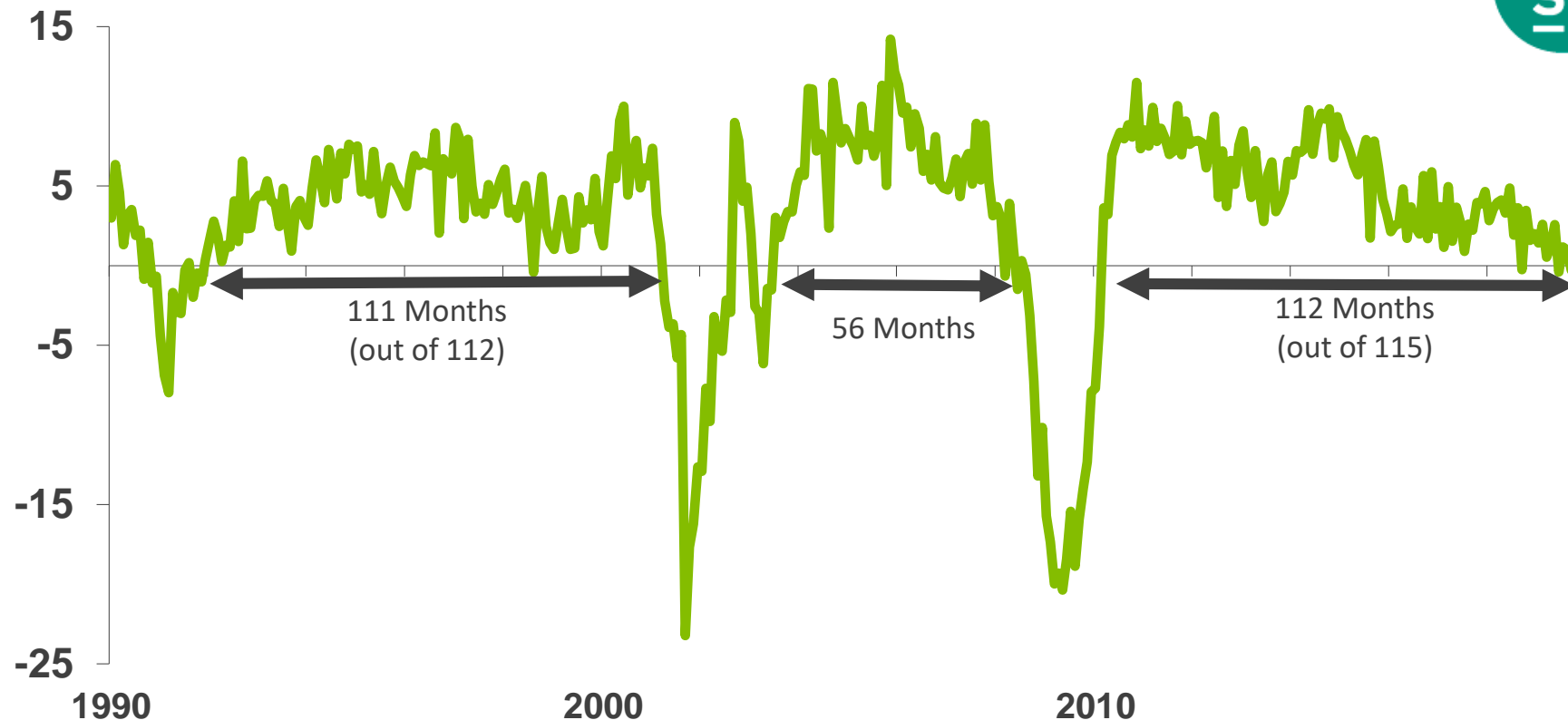
# Supply & Demand Growth In Equilibrium Will Drive 2019 /2020 Results



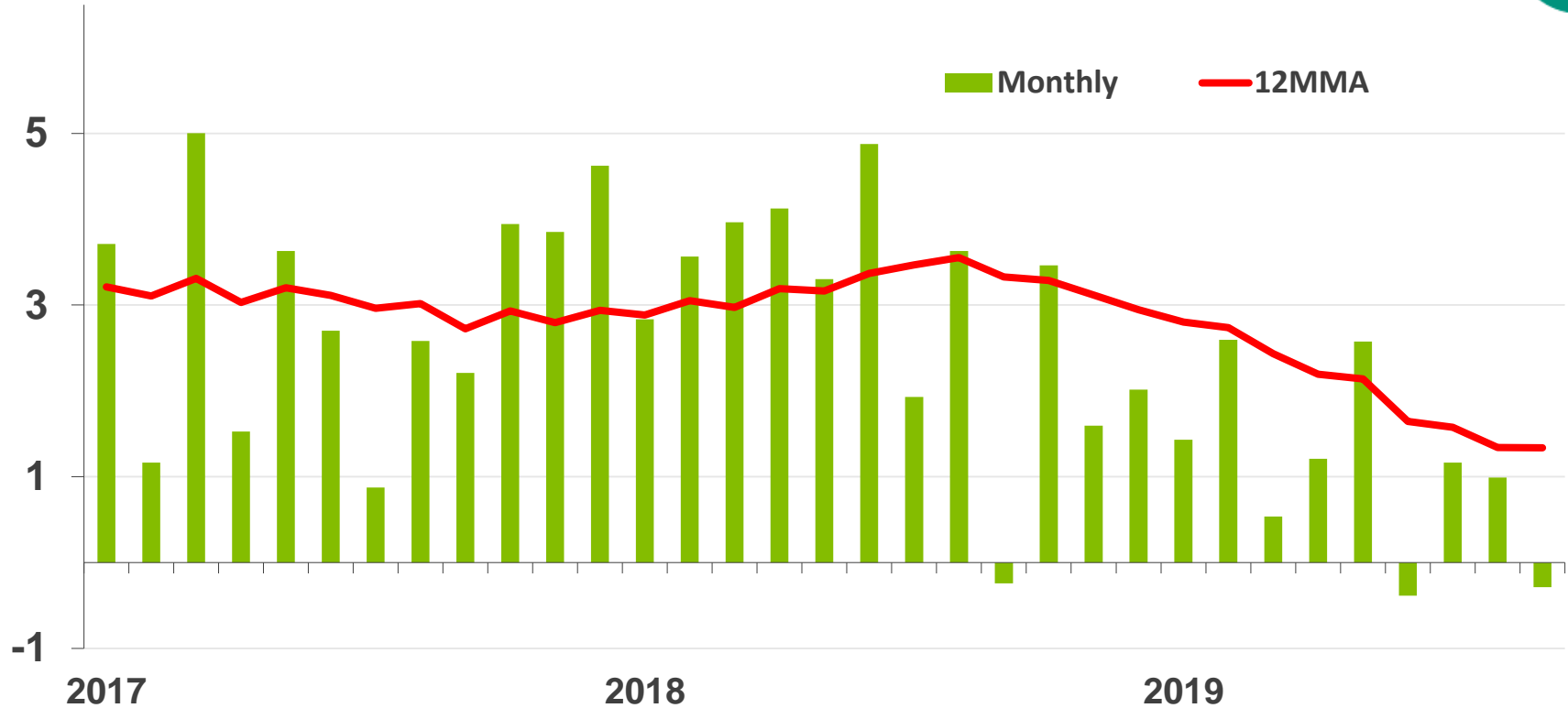
# Long Run Trends Point In One Direction: Down!



# RevPAR Growth: Longest RevPAR Upcycle (with two small interruptions)



# RevPAR Growth: Slow Growth / No Growth Story Continues



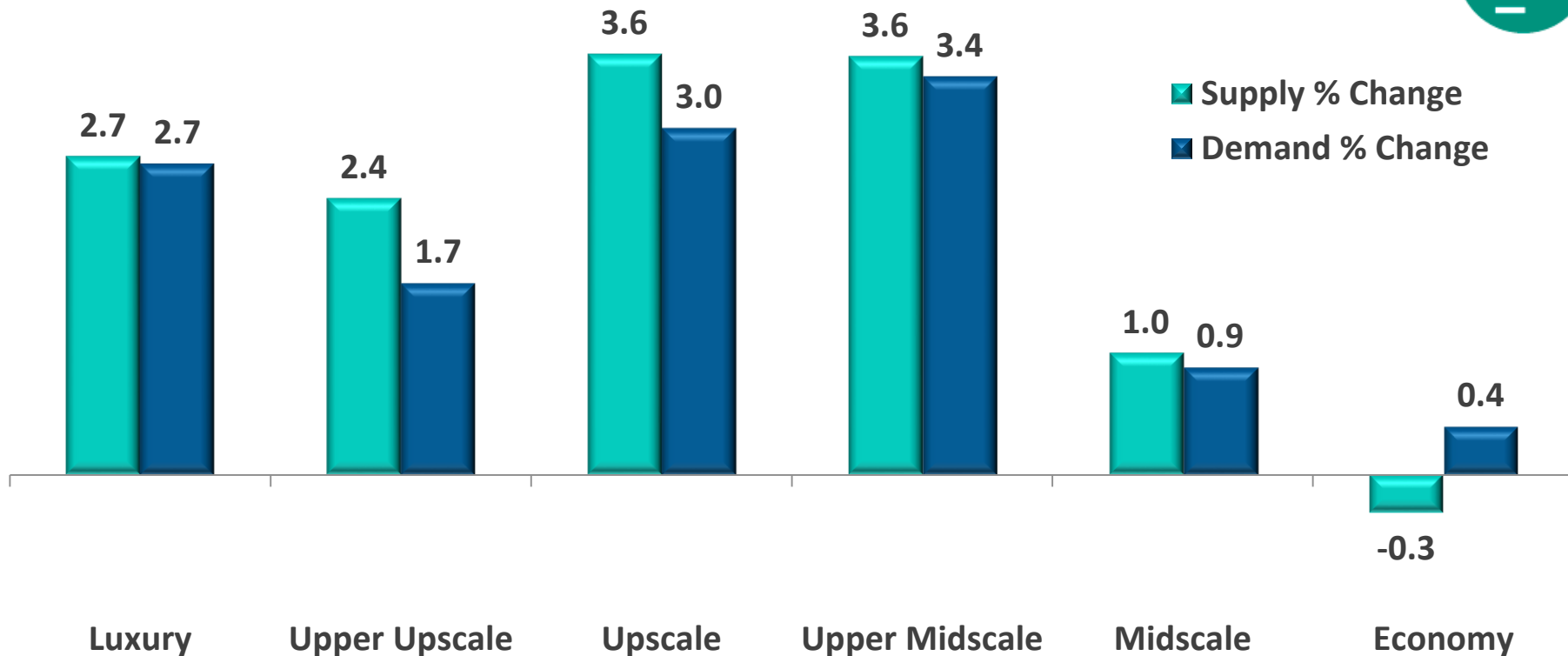
# Class Review YTD



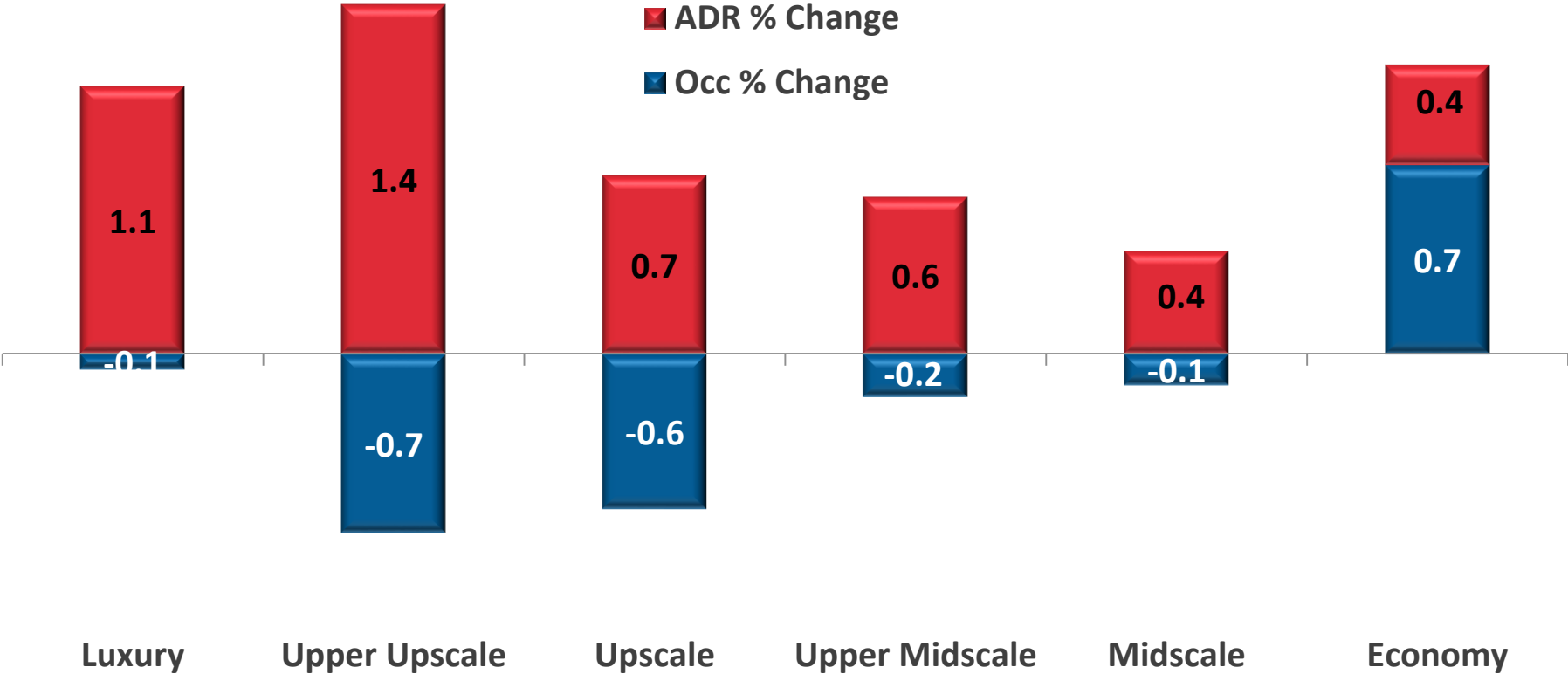
Luxury	Four Seasons & Ritz-Carlton
Upper Upscale	Marriott & Hilton
Upscale	DoubleTree, Courtyard & Wyndham
Upper Midscale	Hampton, Fairfield & Holiday Inn Express
Midscale	Best Western, Candlewood Suites & Ramada
Economy	Days Inn, Red Roof Inn, Super 8, Econo Lodge



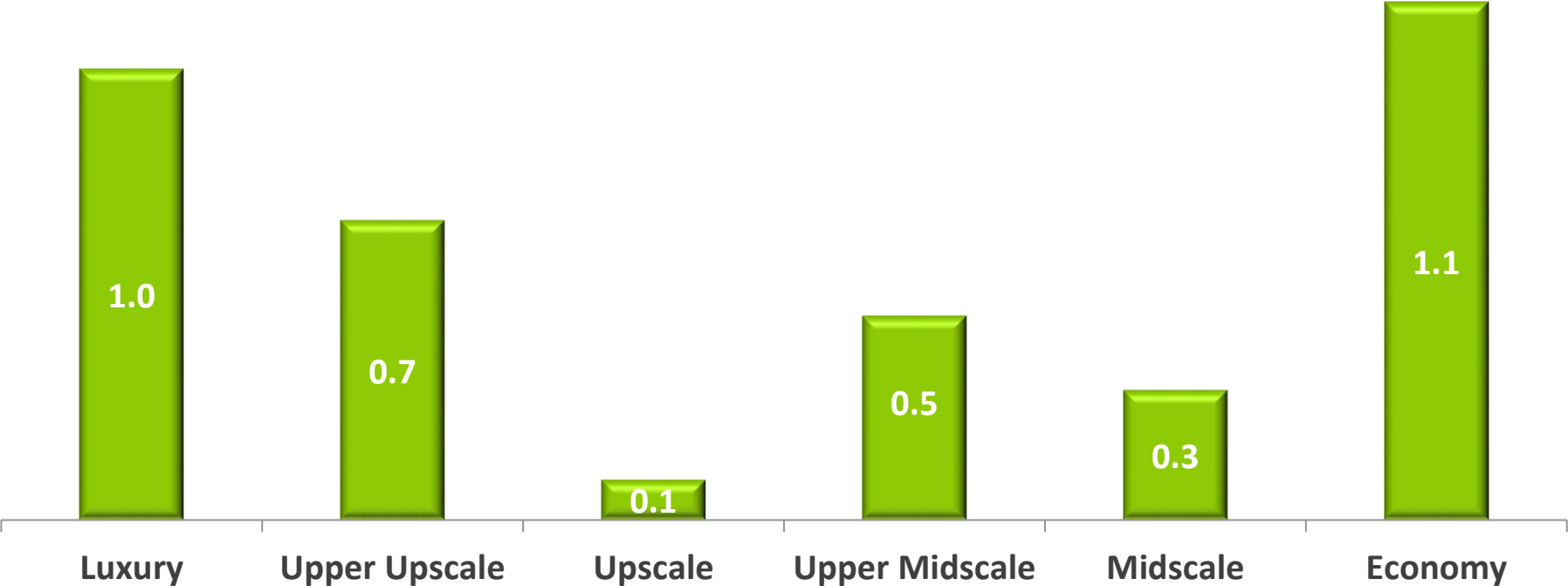
## Class: Supply Growth Will Impact Results Going Forward



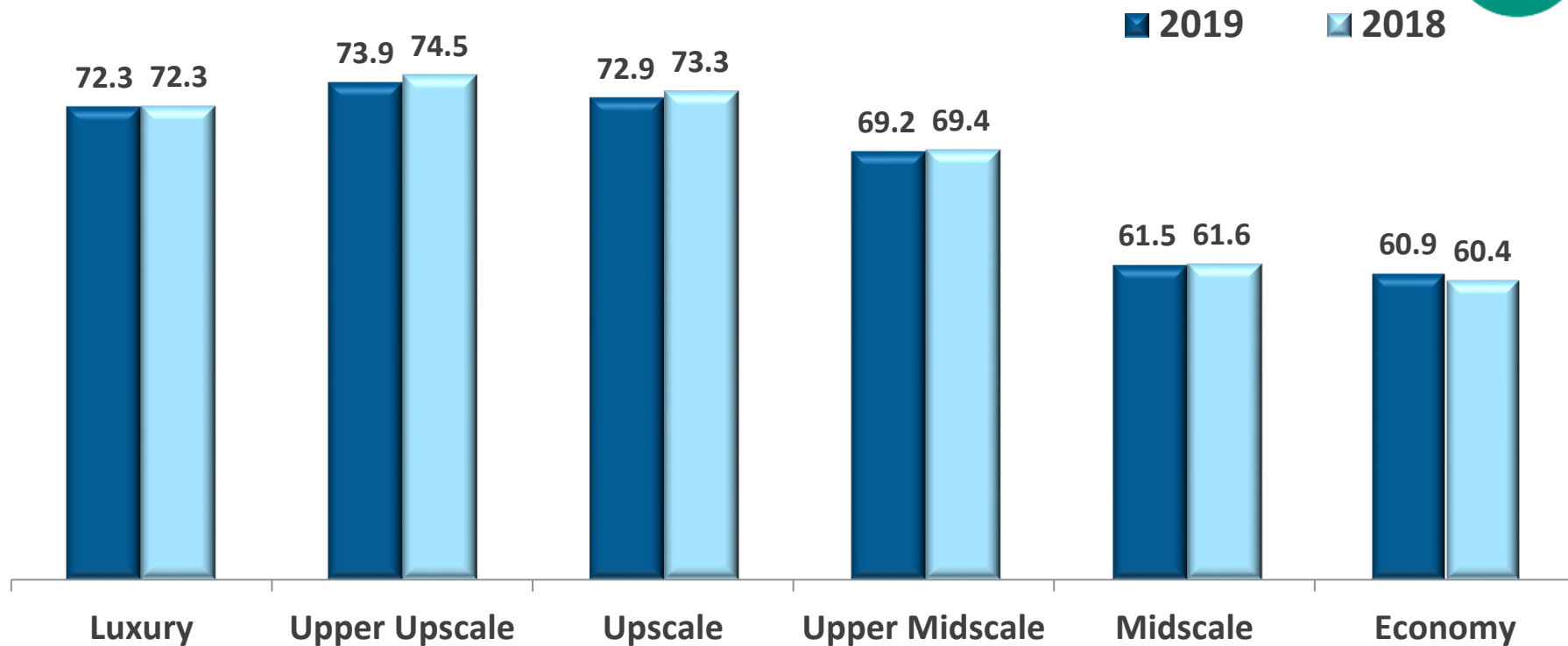
# Class RevPAR Results: 5 Classes lose OCC, but All Gain ADR



# Class RevPAR Results: Growth (But Barely)



## Class Occupancy: Occupancy Will Remain Flat (Or Decline) In 2019





# Segmentation

Luxury & Upper Upscale



Group



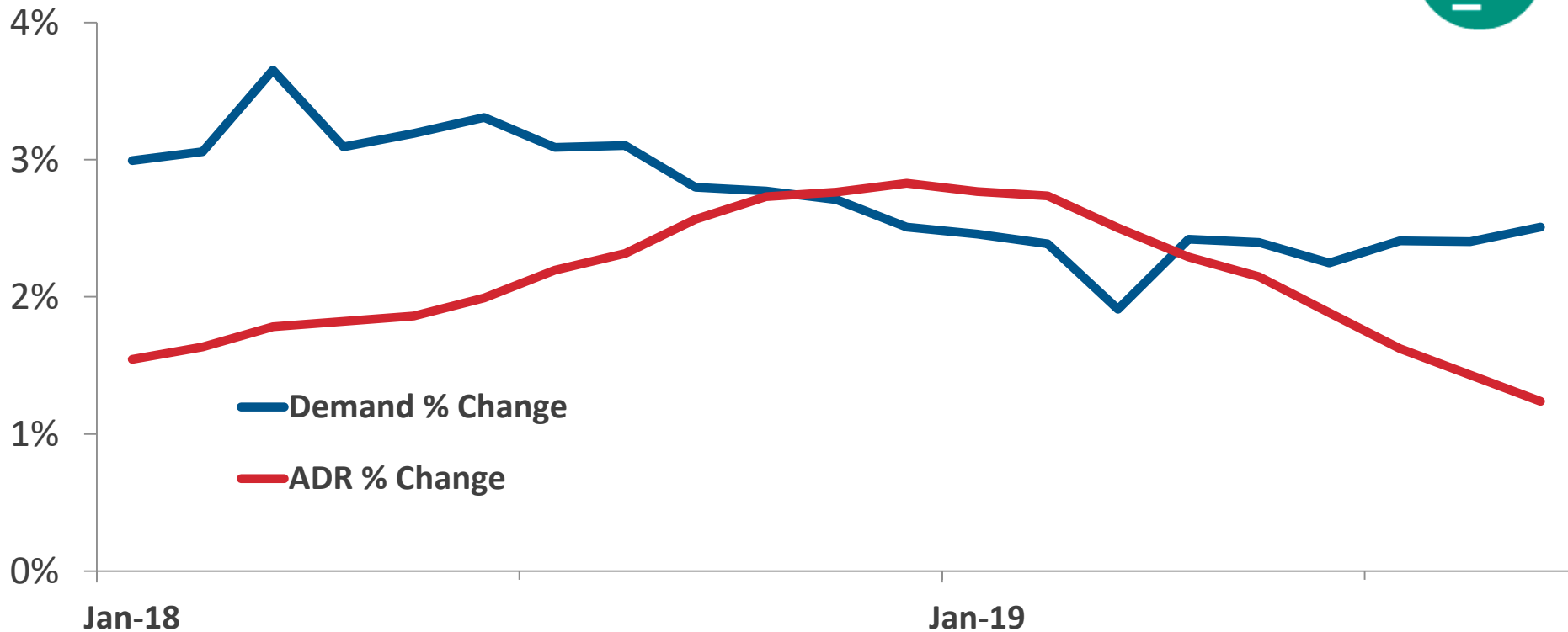
Transient



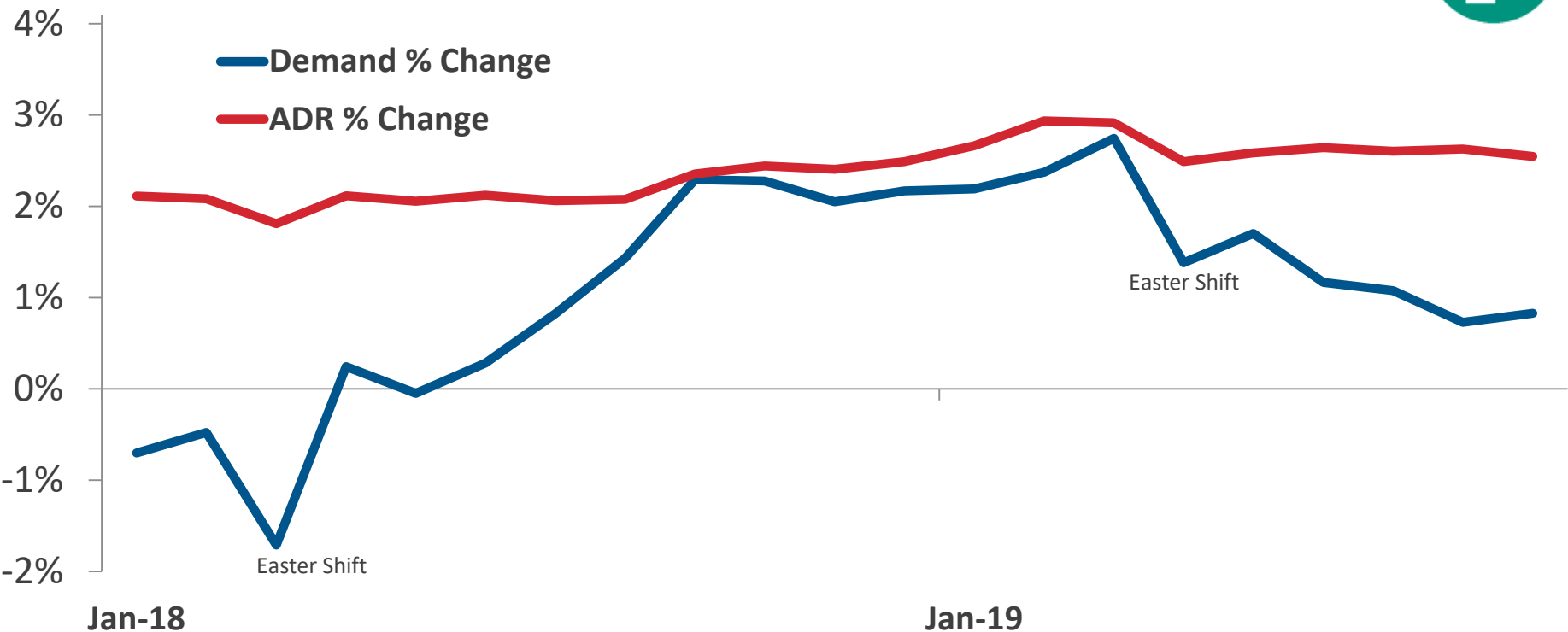
Contract

*Segmentation*

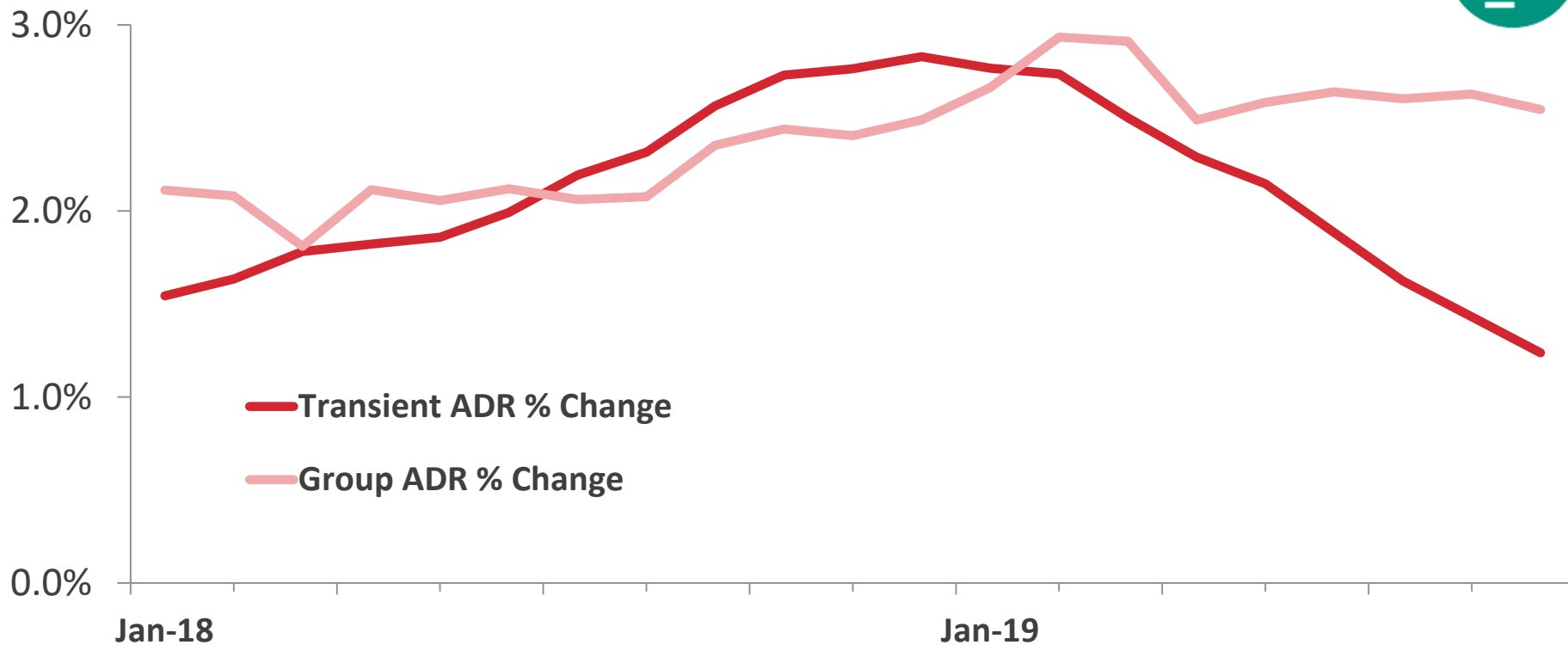
## Transient Performance: Annualized ADR Growth Now Well Below 2% (And Dropping)



# Group Performance: ADR Growth Holds Steady – For Now



## Segmentation ADR % Change: Transient ADR Growth Noticeably Weaker Than Group ADR Growth







# Markets

## September YTD Top 25 Market Performance: Despite High Occupancies a Very Mixed Bag



Market	OCC %	RevPAR % Change	Influenced By
Phoenix, AZ	71.2	4.7	0.6% Supply Growth
Atlanta, GA	71.0	4.7	Super Bowl LIII = ADR +5.2%
Denver, CO	76.6	3.9	8.1% Demand Growth
San Francisco/San Mateo, CA	83.0	3.4	Moscone Reopens = ADR +5.3%
Nashville, TN	74.9	3.4	PBS's "Country Music" + NFL Draft = +8.6% Demand Growth
Miami/Hialeah, FL	76.2	-3.0	Supply Growth +3.8%
Orlando, FL	76.2	-3.1	ADR only +0.3%
New York, NY	85.4	-3.2	Surprisingly Weak, ADR -1.9%
Houston, TX	63.8	-4.5	Supply Growth +4.1%
Seattle, WA	76.1	-5.0	Supply Growth +6.5%

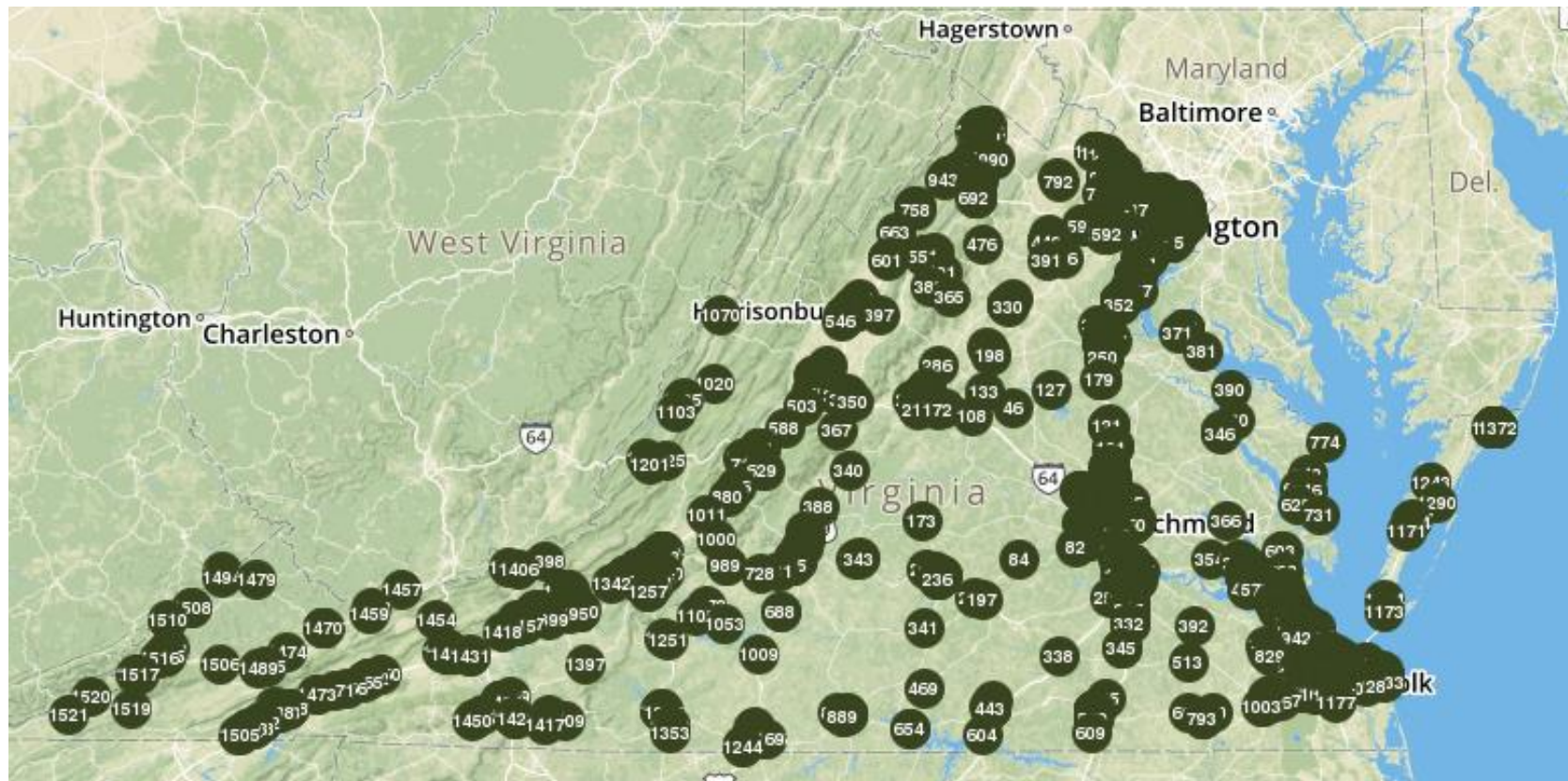
\*RevPAR % Change and absolute OCC in Top 25: 5 Best / 5 Worst Performing RevPAR % Markets, YTD September 2019



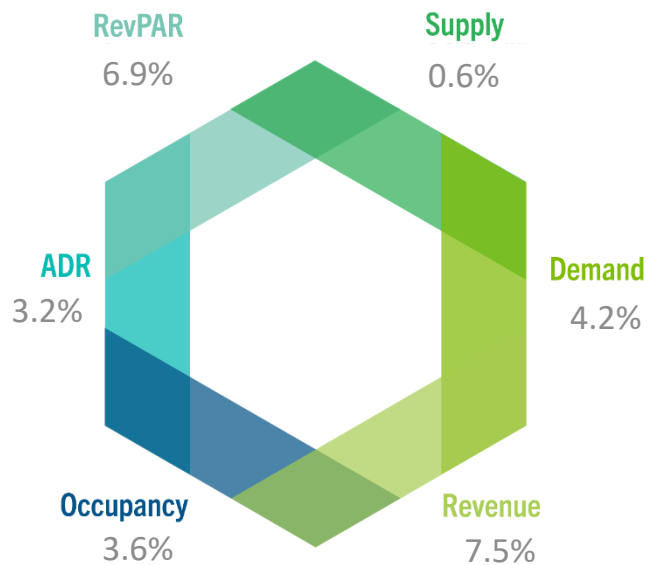
# Virginia Performance

Hotels: 1,540  
Rooms: 155,603

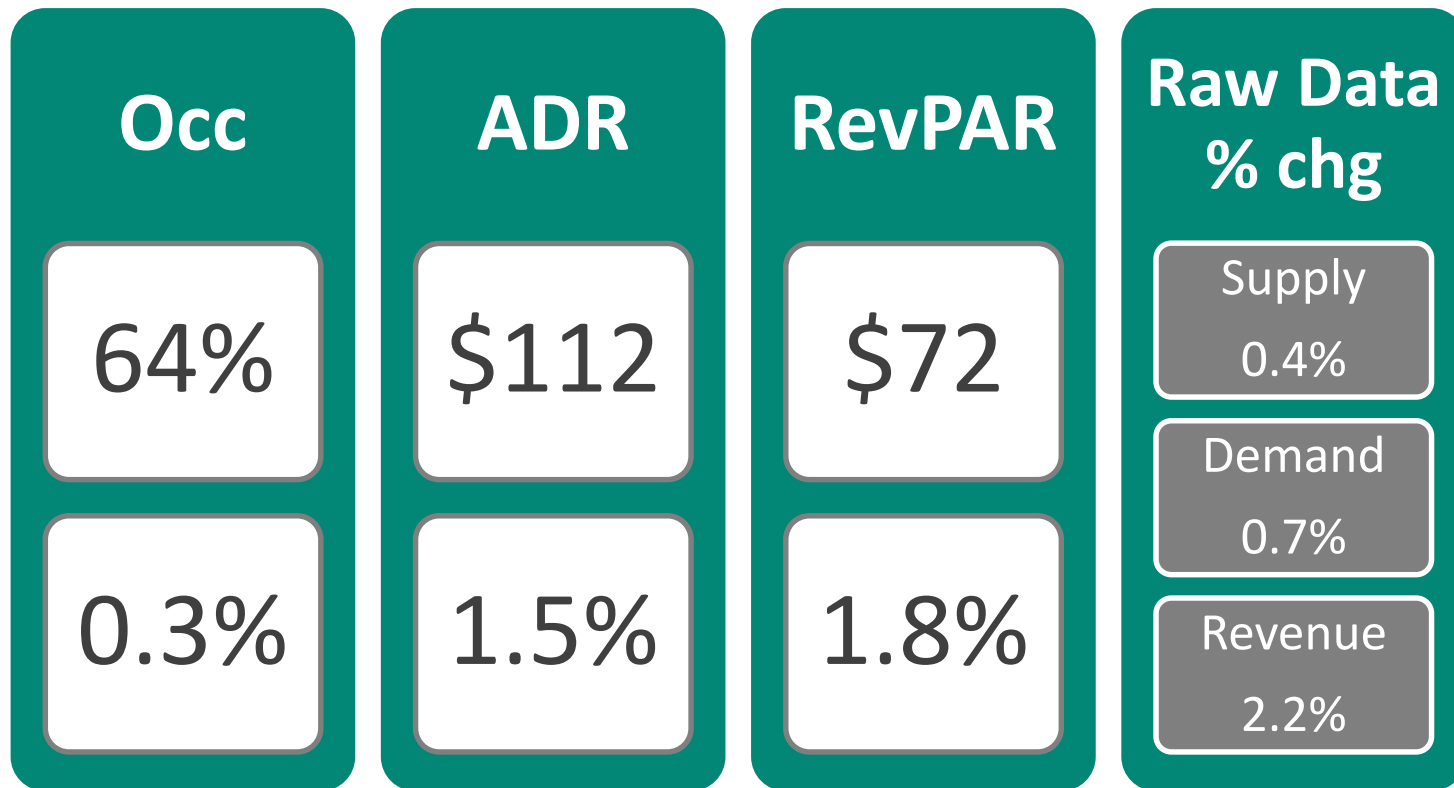
STR Hotel Participation:  
85.4%



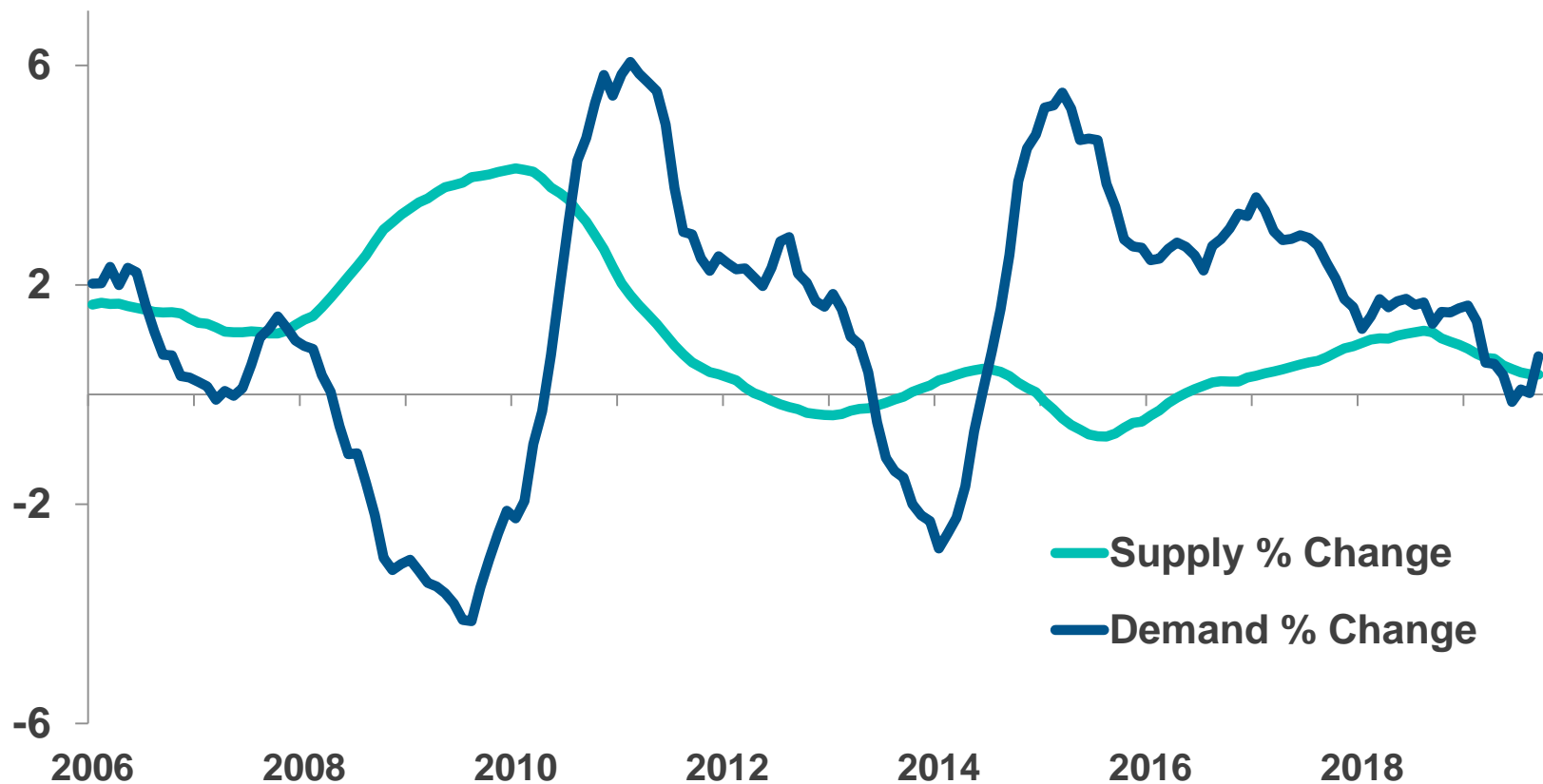
## September 2019 - Virginia YoY Percent Change



# Virginia: ADR Growth Drives RevPAR Growth

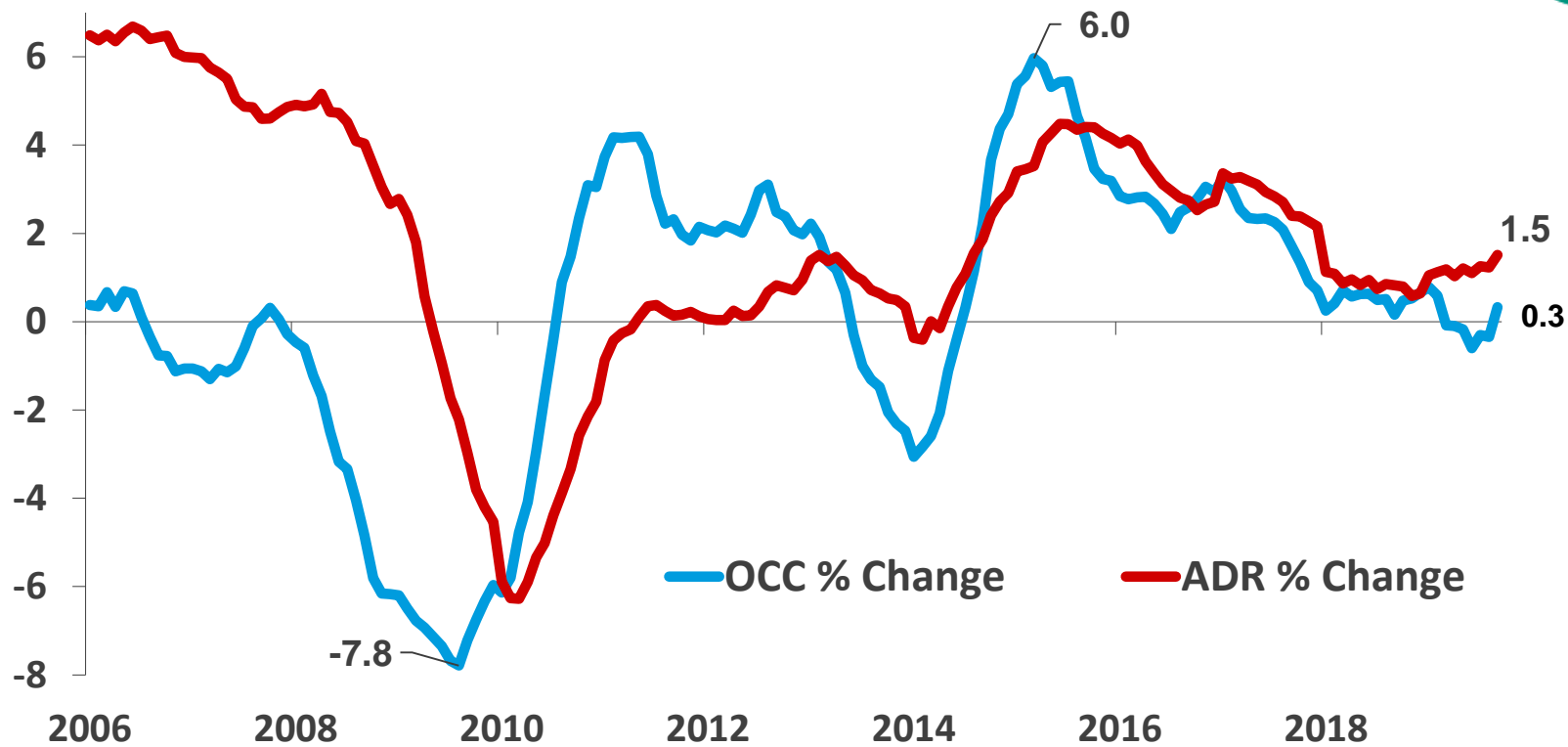


## Virginia Demand Growth & Supply Growth Lines Have Crossed Twice in Past Year



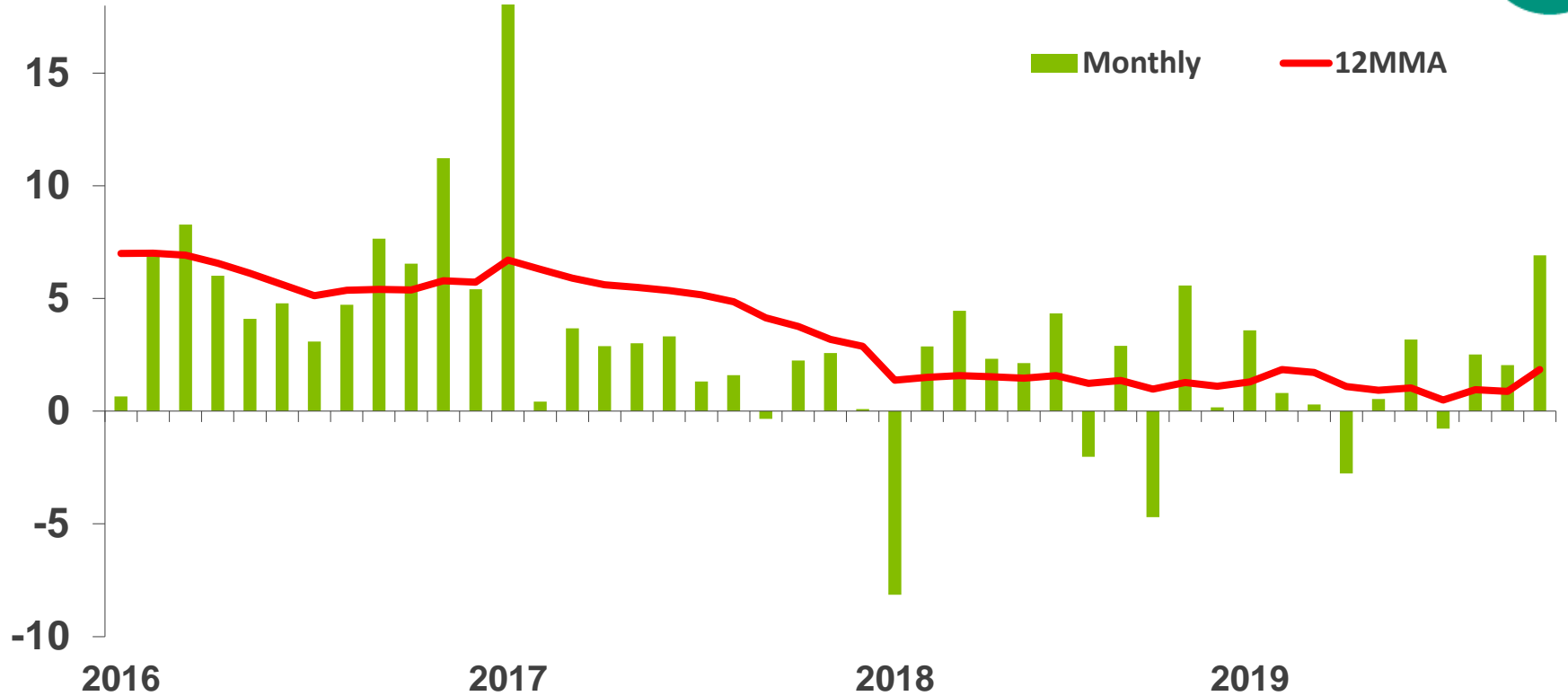


## Virginia Occ Growth Trends Down & ADR Growth On The Rise in 2019



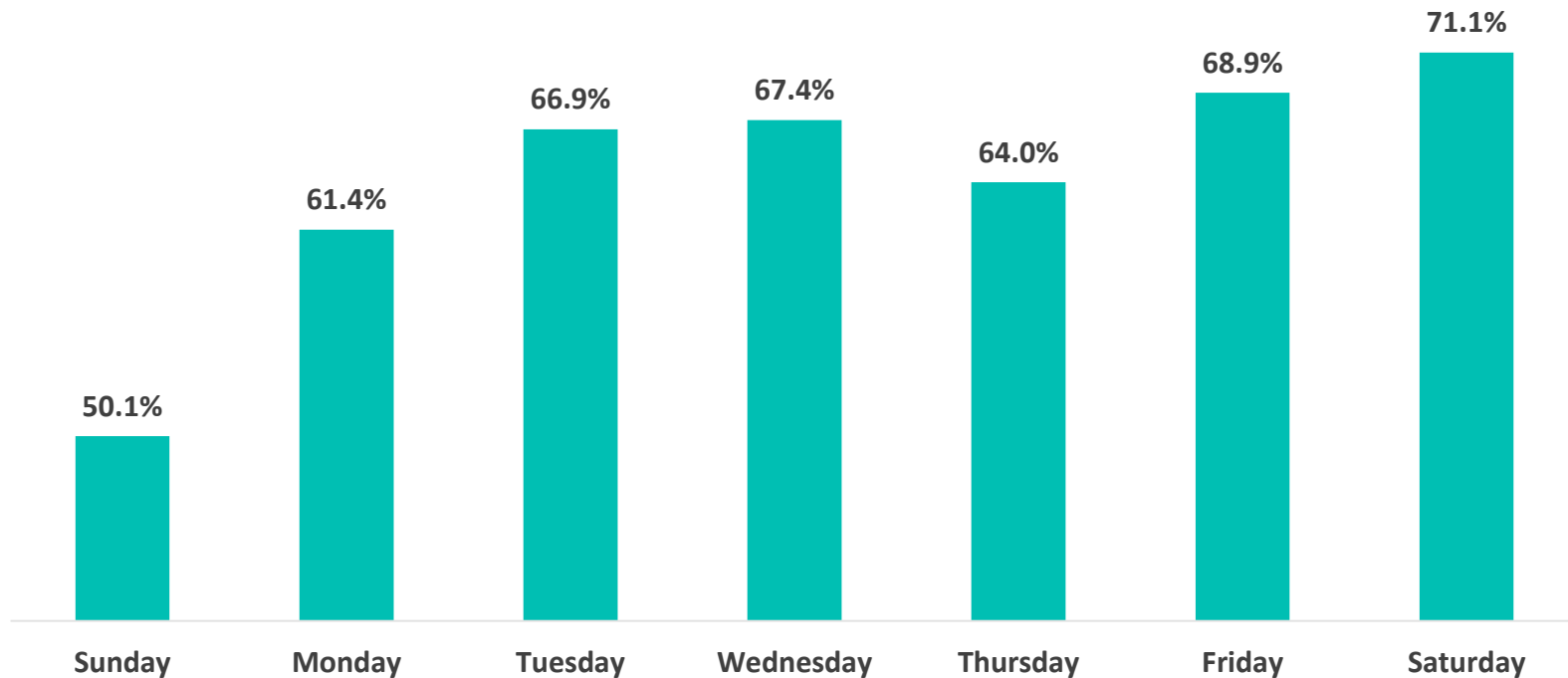


# Virginia RevPAR Growth: Overall Positive Trend



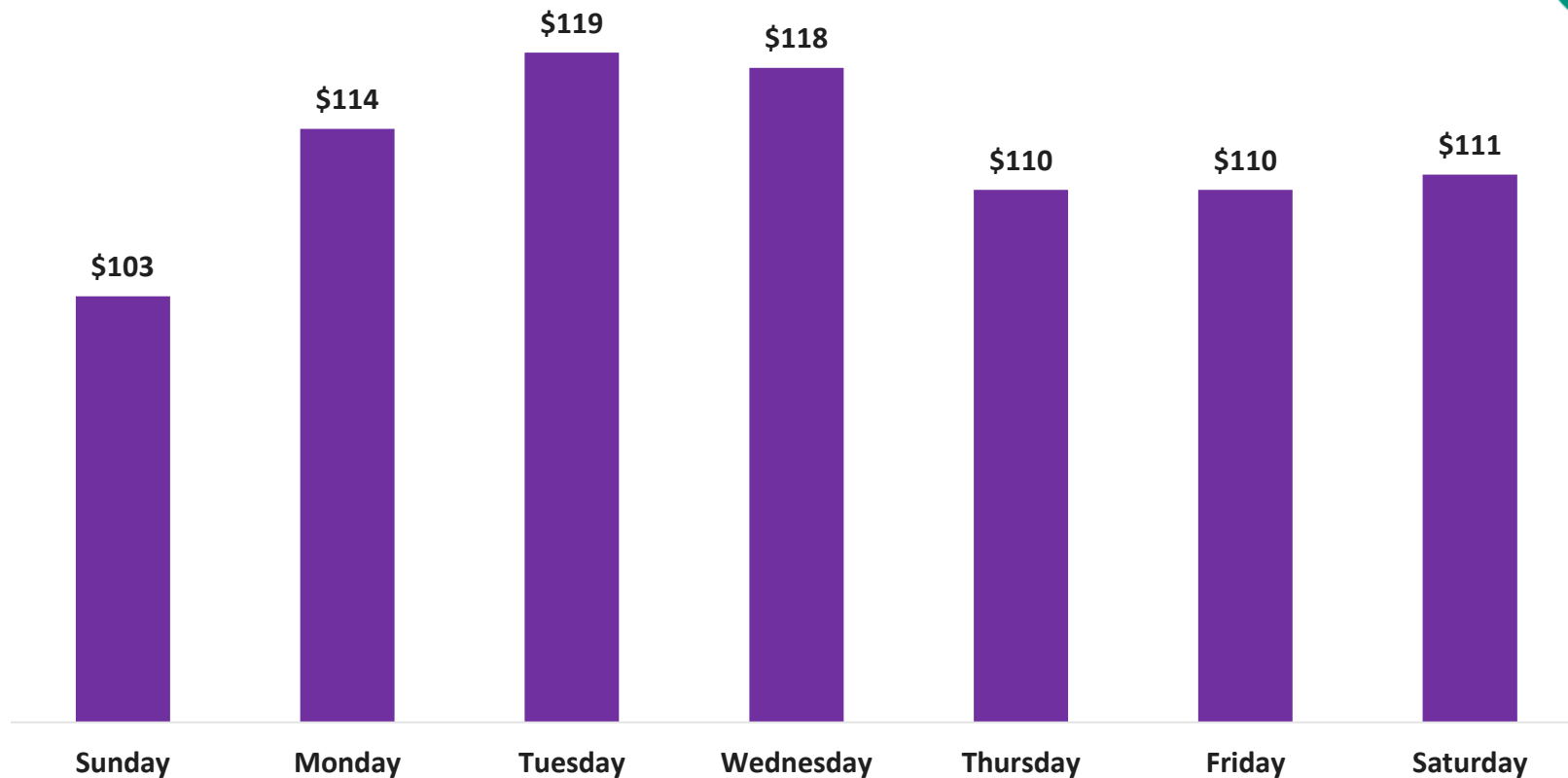
# Day of Week Occupancy

12 MMA – September 2019

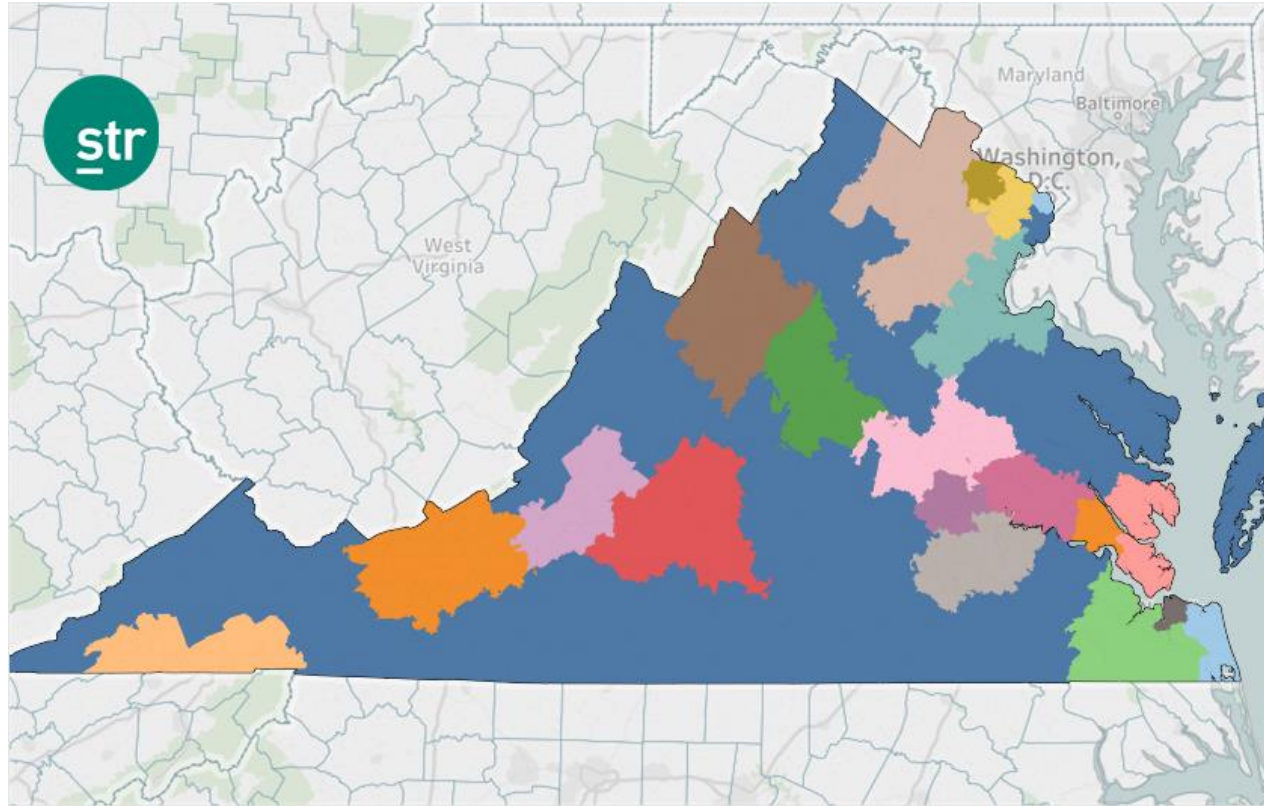


# Day of Week Rates

12 MMA – September 2019



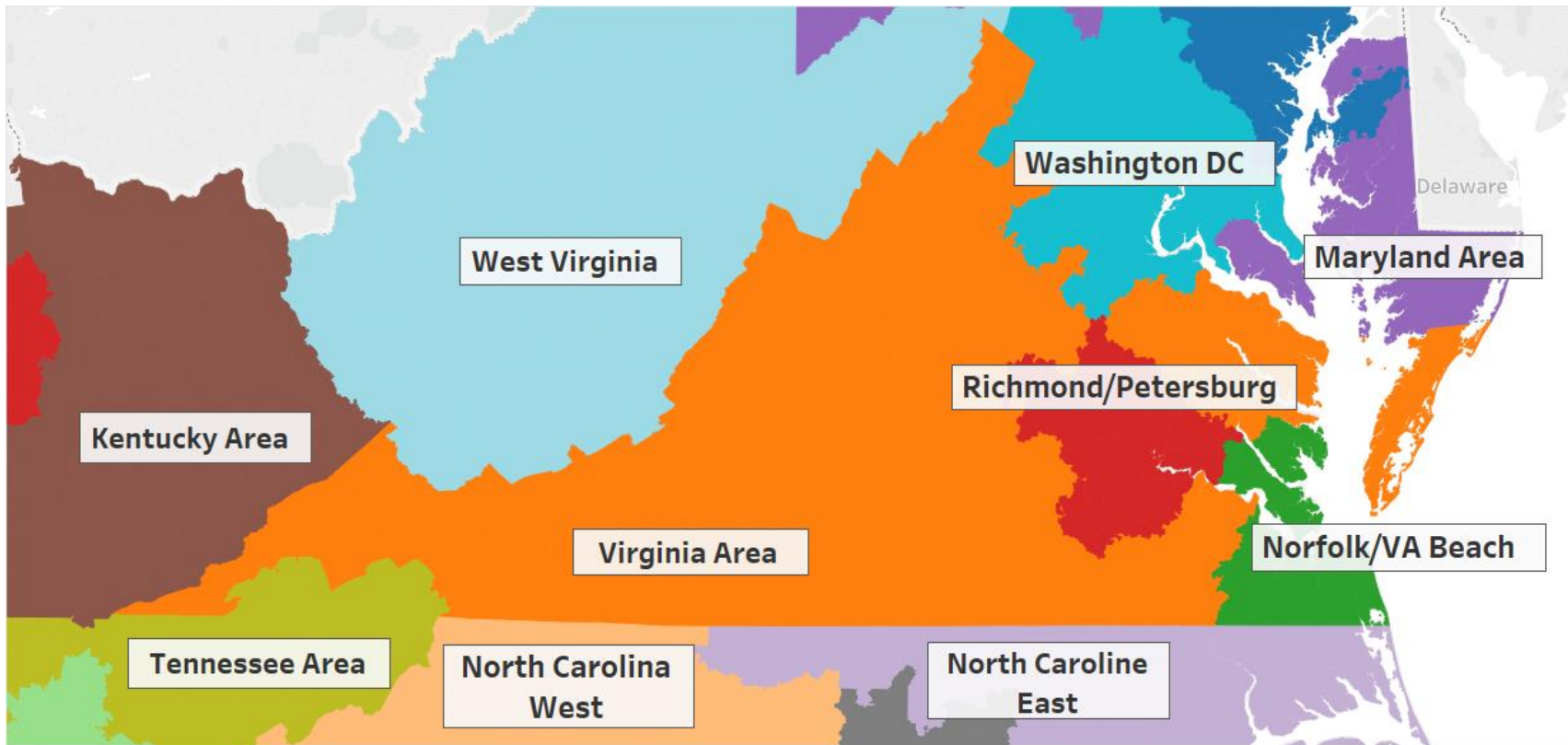
# Virginia Submarkets (22)



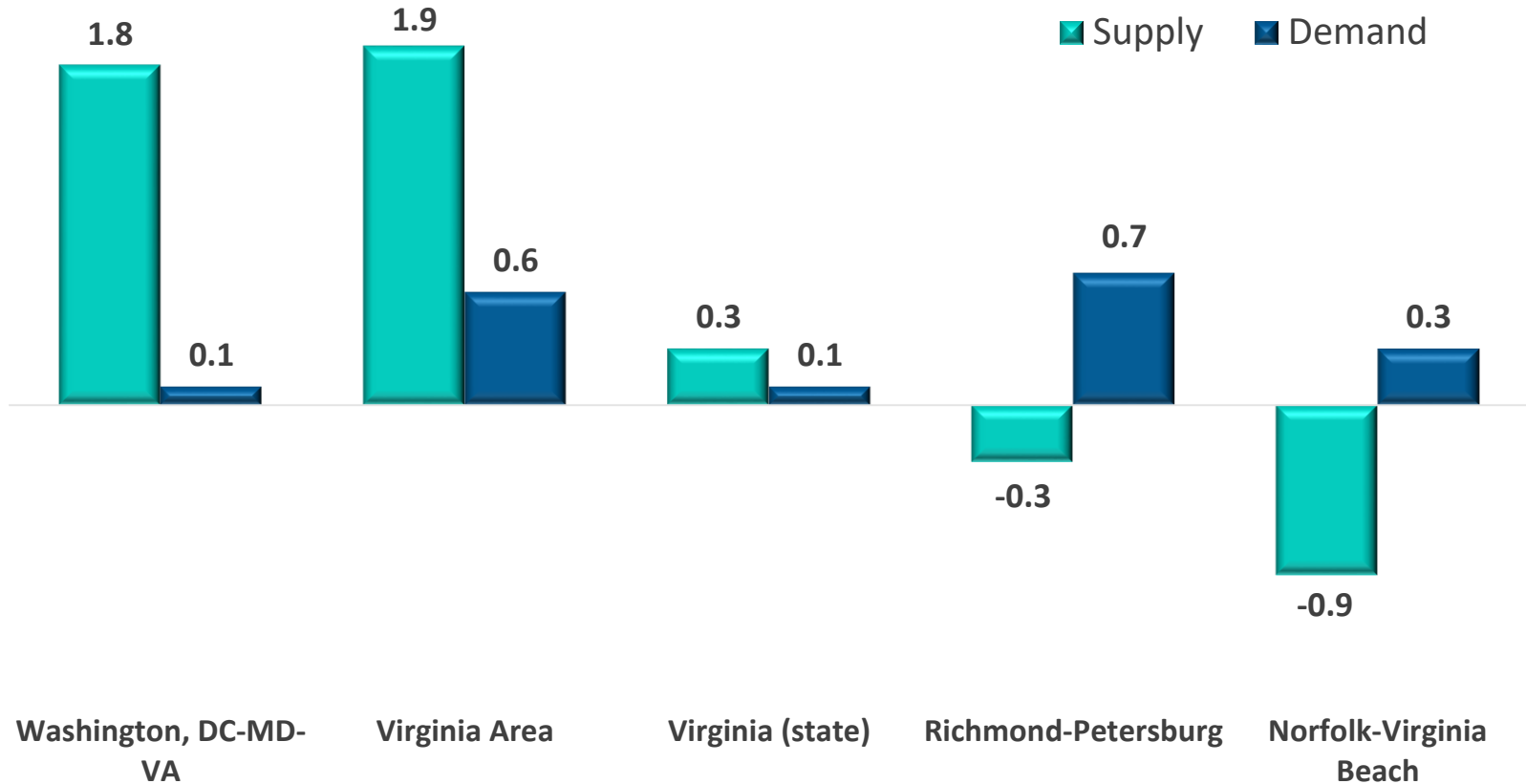
## STR Submarket

- Alexandria, VA
- Arlington, VA
- Blacksburg/Wytheville, VA
- Bristol/Kingsport, TN
- Charlottesville, VA
- Chesapeake/Suffolk, VA
- Dulles Airport Area, VA
- Fairfax/Tysons Corner, VA
- I-95 Fredericksburg, VA
- Lynchburg, VA
- Newport News/Hampton, VA
- Norfolk/Portsmouth, VA
- Petersburg/Chester, VA
- Richmond CBD/Airport, VA
- Richmond North/Glen Allen, VA
- Richmond West/Midlothian, VA
- Roanoke, VA
- Staunton/Harrisonburg, VA
- Suburban Virginia Area
- Virginia Area
- Virginia Beach, VA
- Williamsburg, VA

# STR Markets in Virginia (4) and Surrounding Area

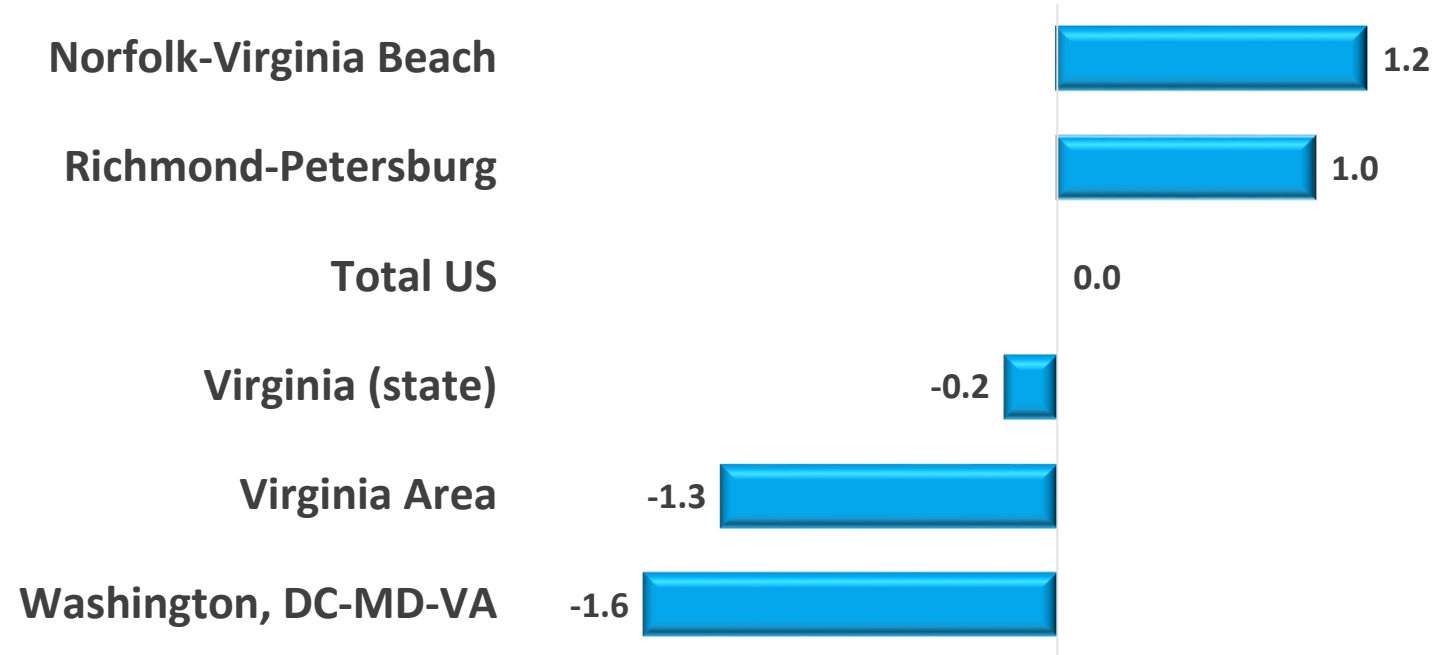


# Supply and Demand Growth Across the Markets



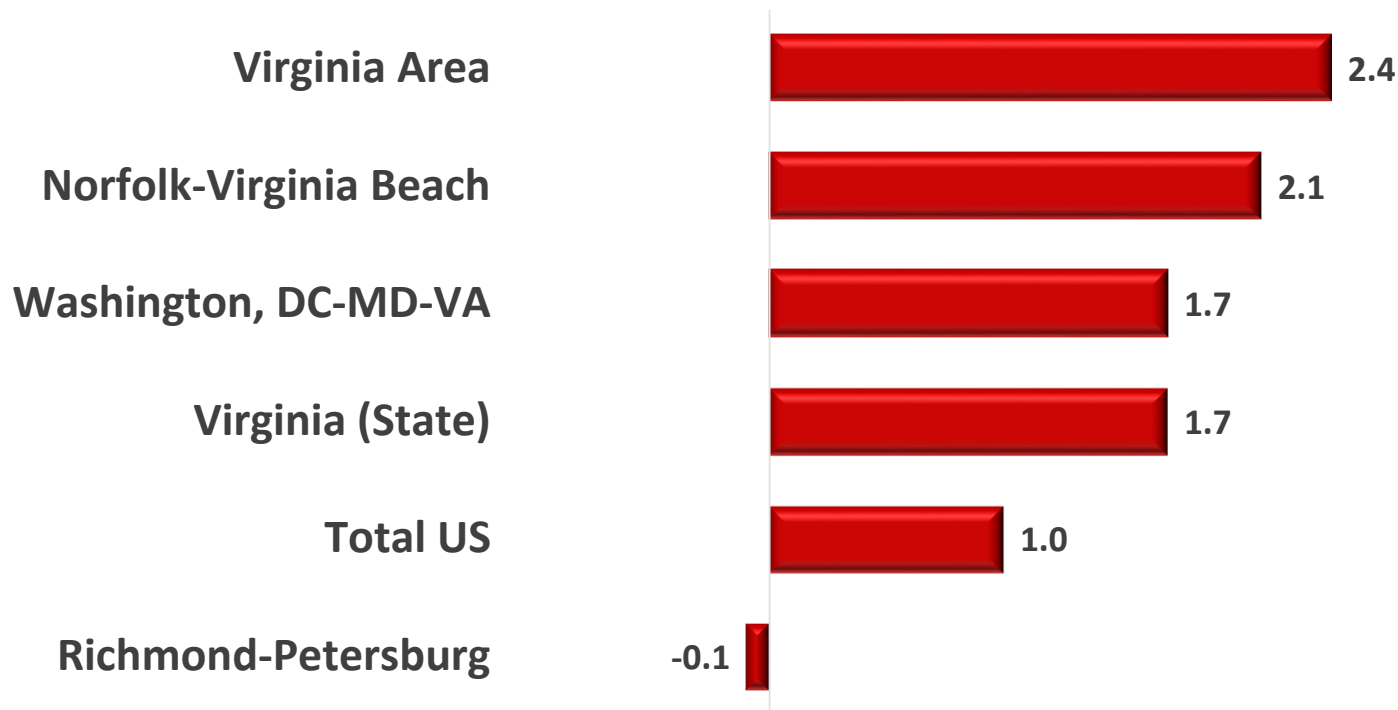


## Positive Occupancy Growth in 2 of the 4 Markets



VA Markets, OCC % Change, September 2019 YTD

# Virginia Area Leads in ADR Growth



VA Markets : ADR % Change; September 2019 YTD



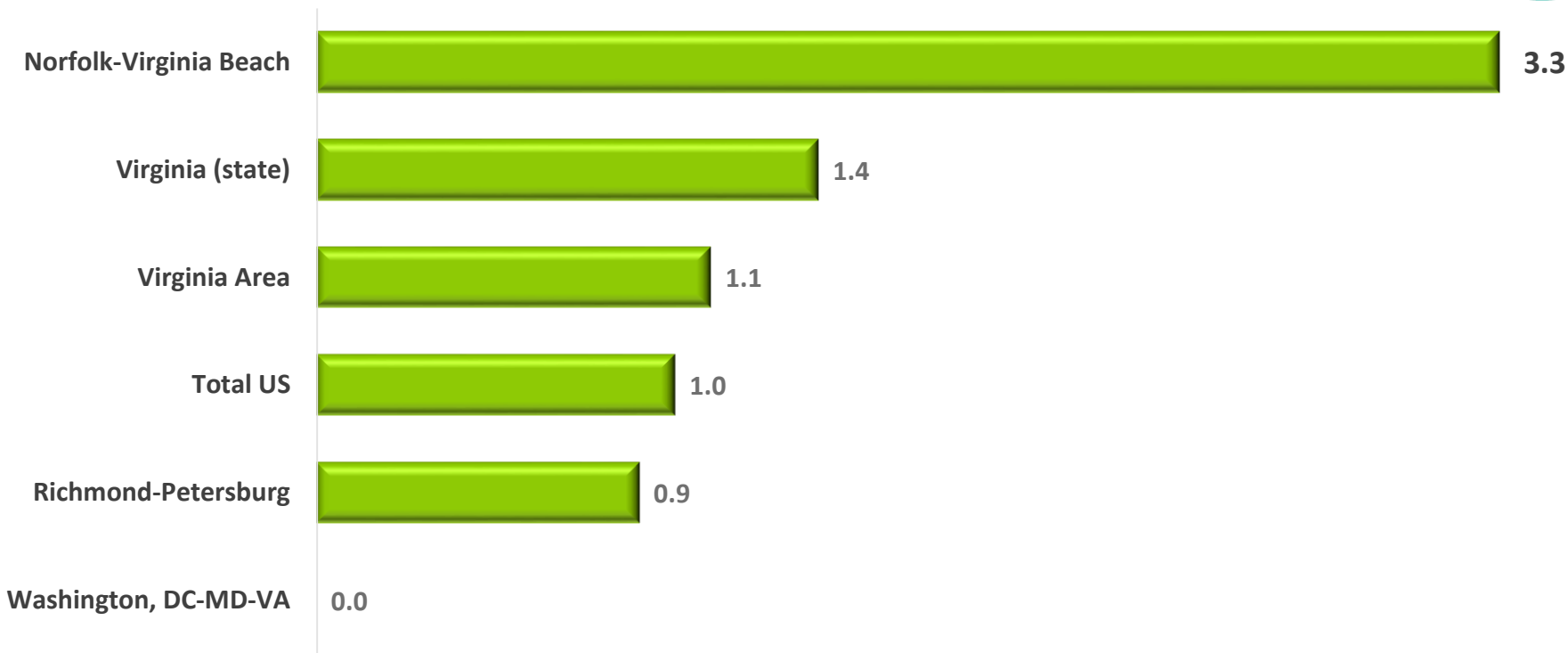
# Absolute Occ / ADR – Rooms Full 3 Out of 5 Nights



	Occupancy	ADR
Washington, DC-MD-VA	72%	\$160
Virginia (state)	66%	\$114
Norfolk-Virginia Beach	66%	\$110
Virginia Area	59%	\$99
Richmond-Petersburg	67%	\$96

VA Markets, Absolute Occupancy / ADR September 2019 YTD

# Positive RevPAR Growth Across All Markets

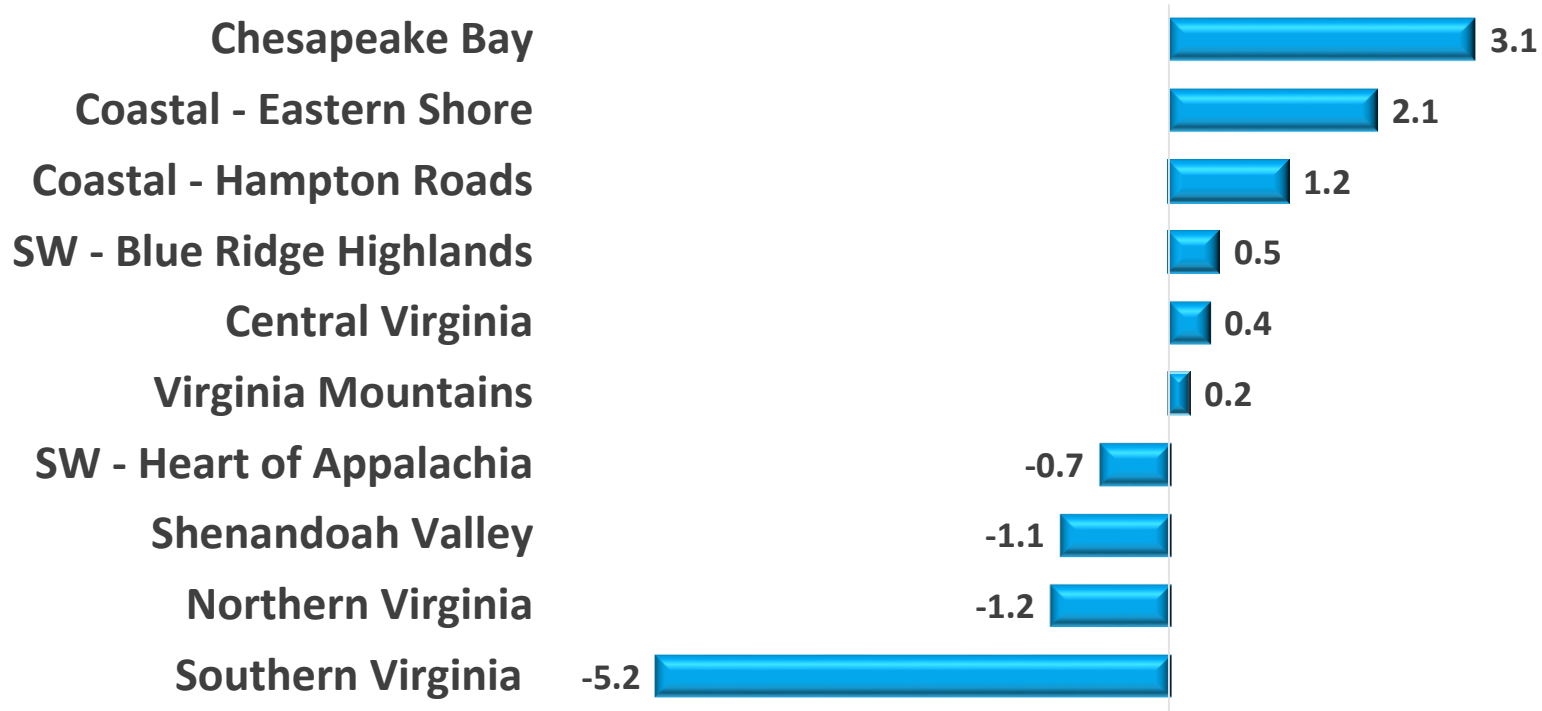


VA Markets, RevPAR % Change, September 2019 YTD

# Virginia Regional Breakouts

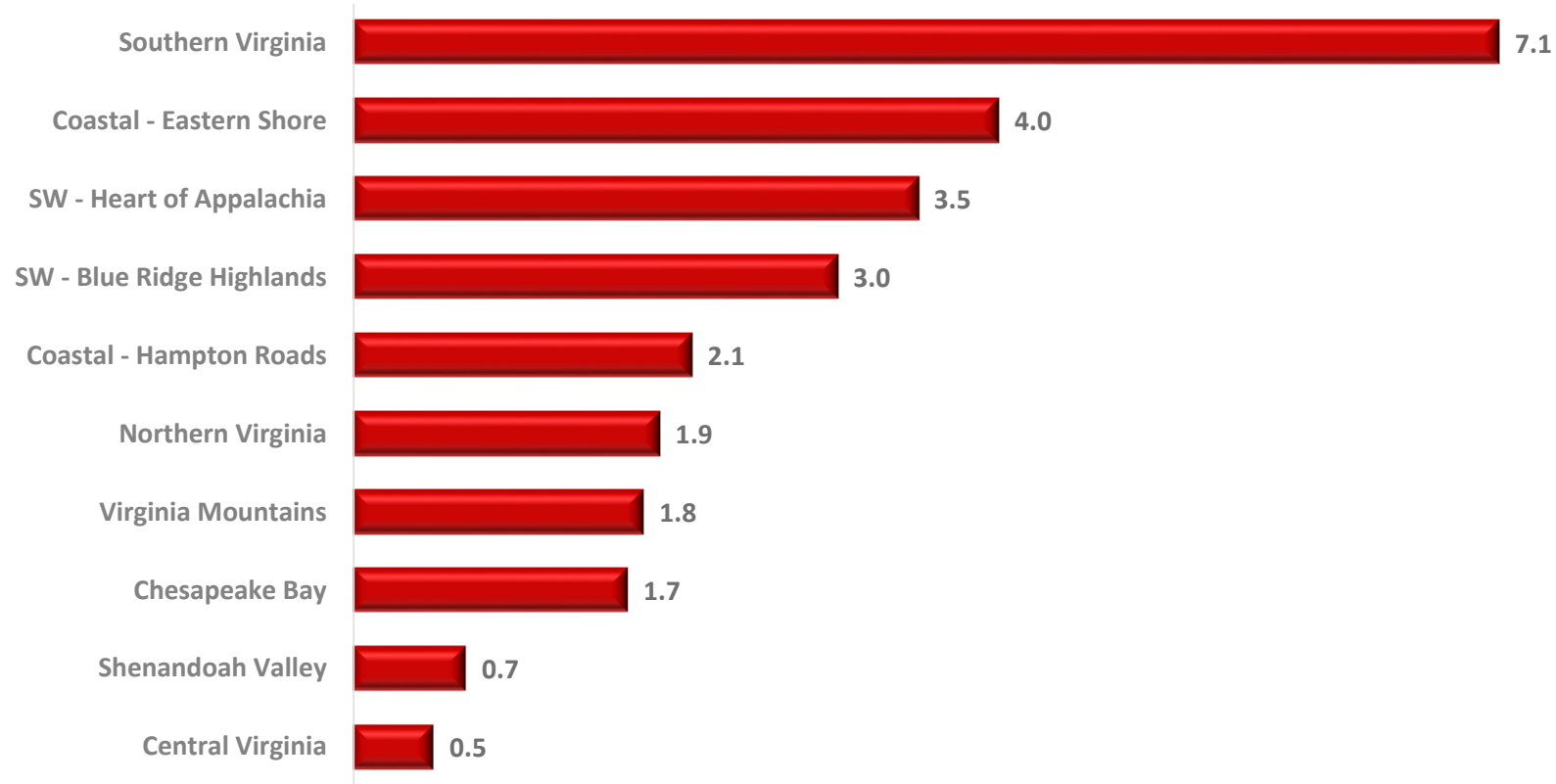


# Occupancy Growth Across The Regions



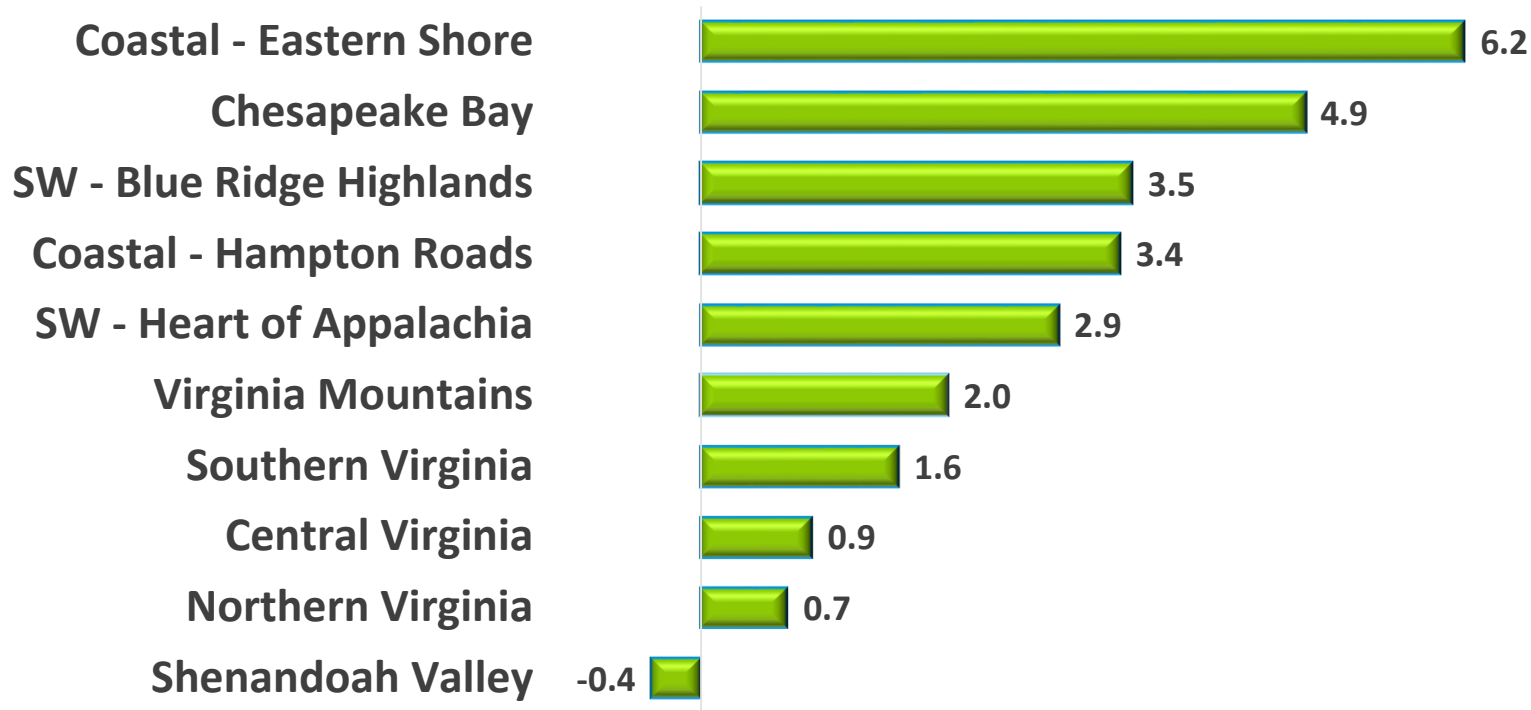
VA Regional Breakouts, OCC % Change, September 2019 YTD

# Southern Virginia Leads in ADR Growth



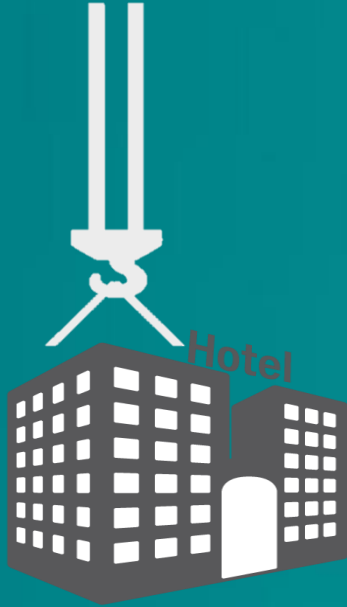
VA Regions : ADR % Change; September 2019 YTD

# Positive RevPAR Growth Across (almost) All The Regions



VA Regional Breakouts, RevPAR % Change, September 2019 YTD

# Pipeline



## In Construction:

Vertical construction on the physical building has begun.



## Final Planning:

Construction will begin within the next 12 months.



## Planning:

Construction will begin in more than 13 months.



**Under  
Contract**



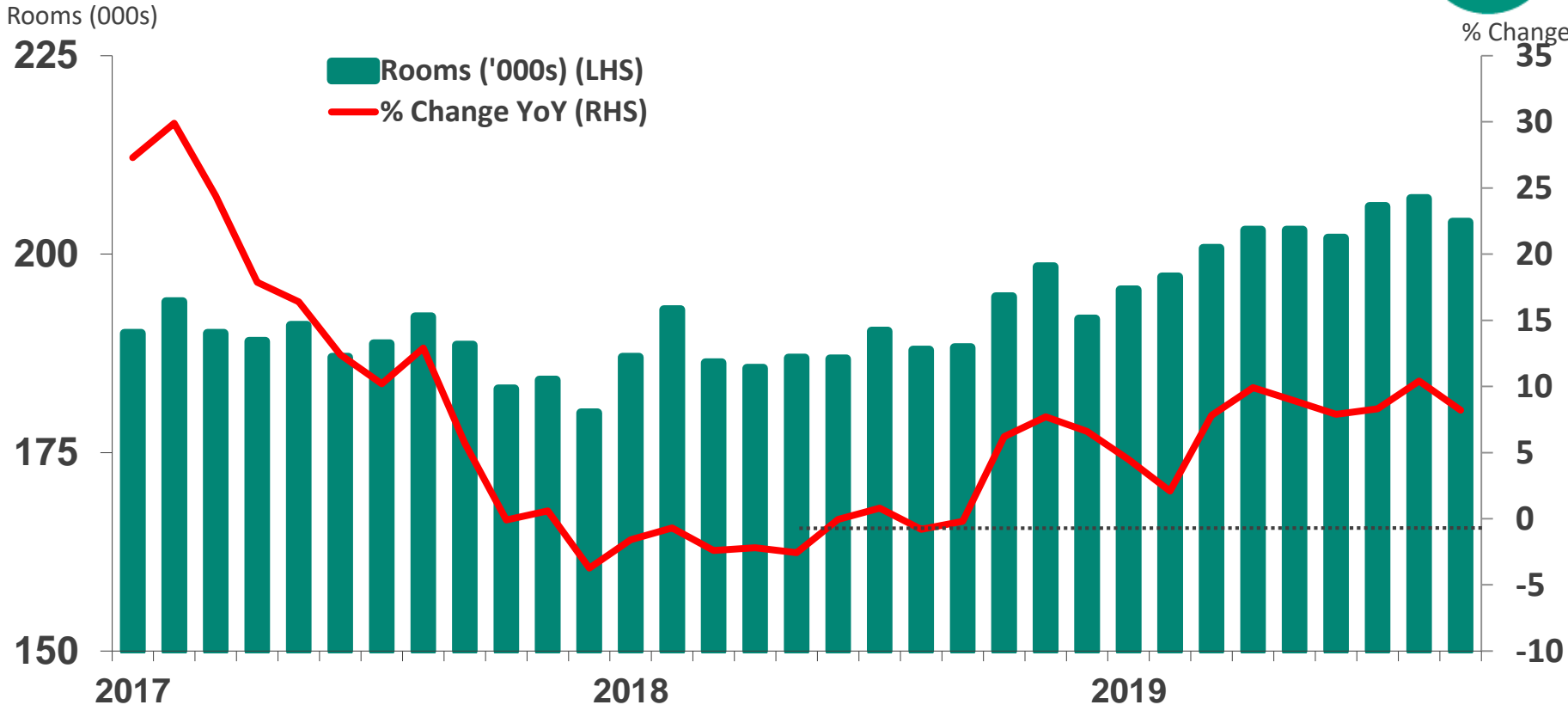
## US Pipeline: I/C Rooms Increase, But Still Manageable

<u>Phase</u>	<u>2019</u>	<u>2018</u>	<u>% Change</u>
In Construction	204	188	8.2%
Final Planning	231	207	11.5%
Planning	221	218	1.6%
<b>Under Contract</b>	<b>656</b>	<b>614</b>	<b>7.0%</b>

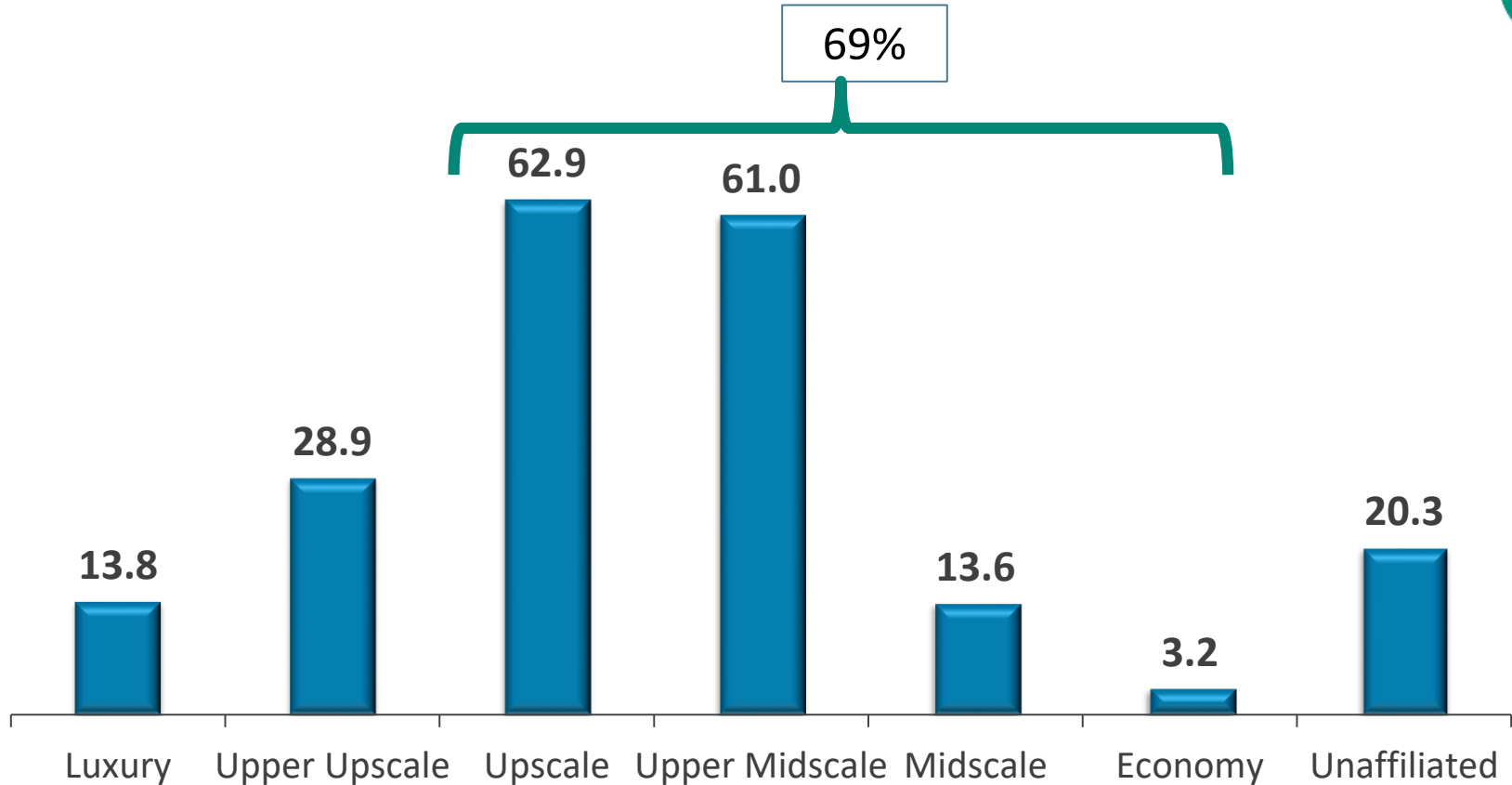
\*Total US Pipeline, by Phase, '000s Rooms, September 2019 and 2018



# Number of I/C Rooms: Hovering Around the +10% Growth Mark



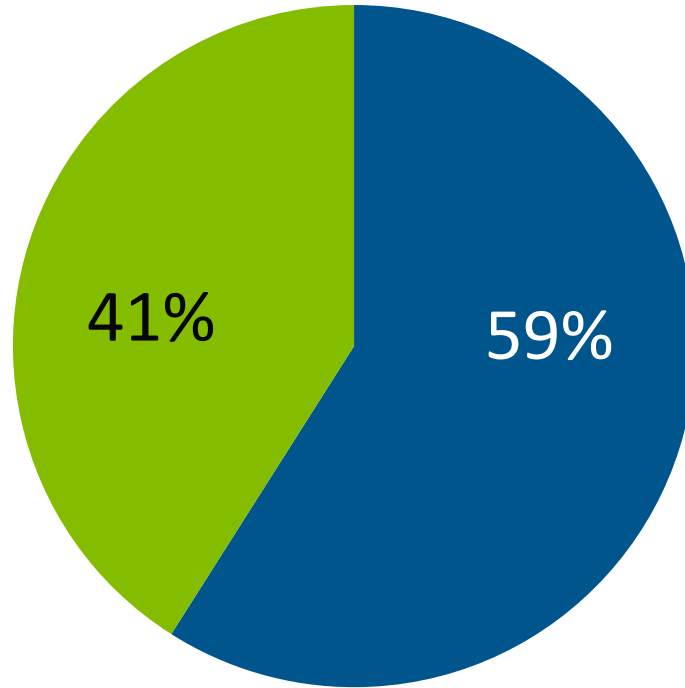
## Limited Service Construction Is The Name Of The Game



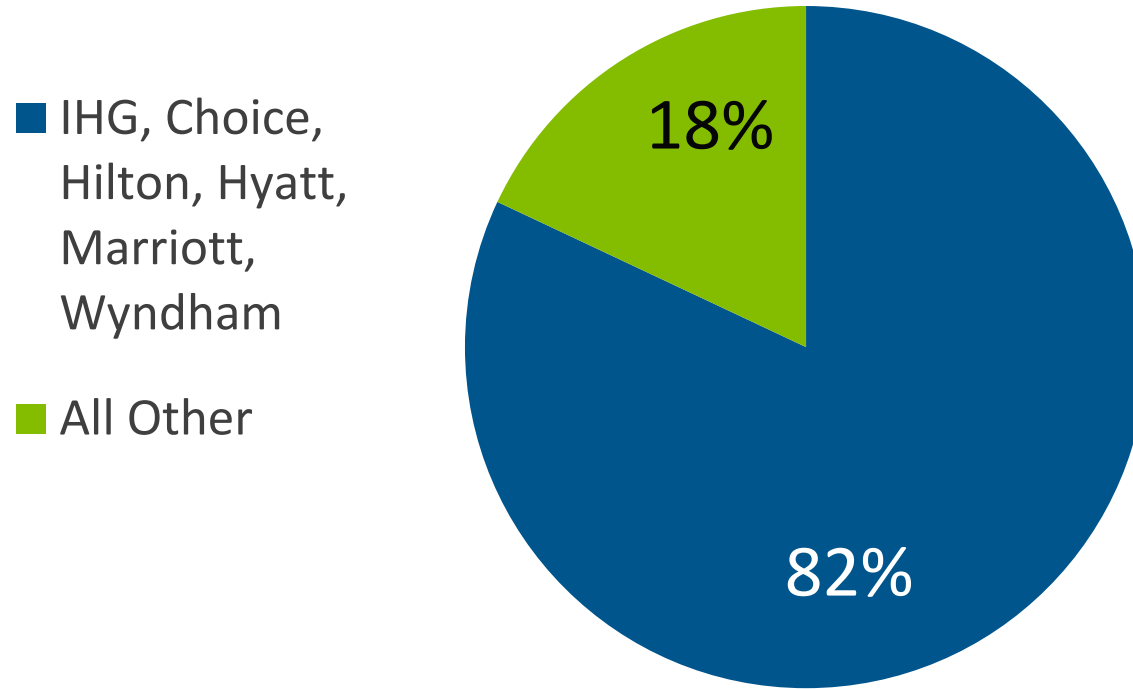
# In Construction Rooms Are Dominated By Two Players: Hilton & Marriott



- Hilton + Marriott
- All Other



## Total Active Pipeline Rooms: Over 80% Are Branded By The “Big 6”



# Large Markets Grow Rapidly



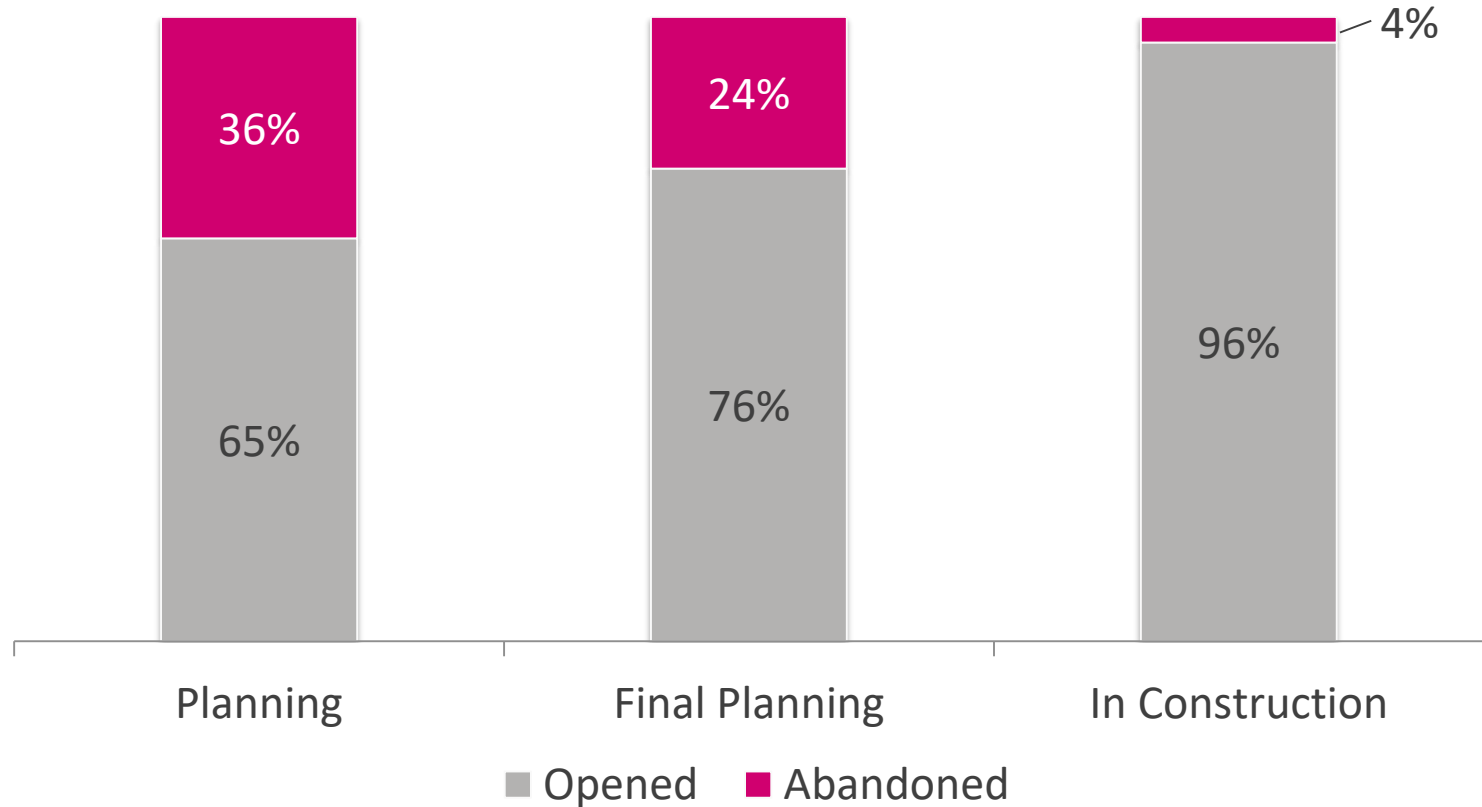
Market	Rooms In Construction	% Of Existing
Nashville, TN	5,642	12%
New York, NY	13,907	11%
Minneapolis/St Paul, MN-WI	3,233	7%
Miami/Hialeah, FL	3,489	6%
Phoenix, AZ	3,924	6%
Dallas, TX	5,426	6%
Los Angeles/Long Beach, CA	6,117	6%
Boston, MA	3,439	6%
Tampa/St Petersburg, FL	2,712	6%
Las Vegas, NV	9,163	5%

\*US Pipeline, Rooms I/C and as % of Existing Supply, Largest % In Top 26 Markets, September 2019

## Total United States

STR Pipeline Attrition Rate

Long Term Average (2013 – 2016)



# Increases in Supply to Come – Virginia

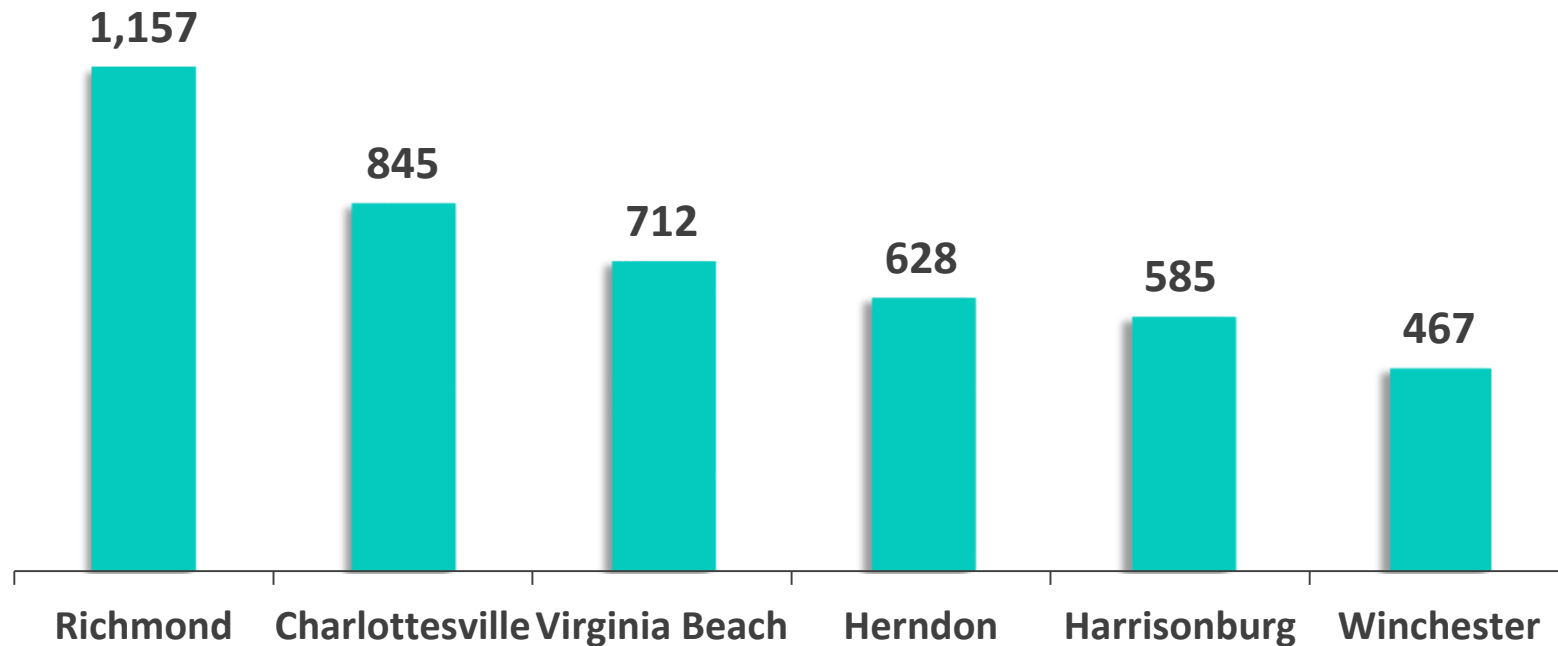


<u>Phase</u>	<u>Projects</u>	<u>Rooms</u>
In Construction	29	3,073
Final Planning	39	4,223
Planning	44	4,557
Total Under Contract Pipeline	112	11,853

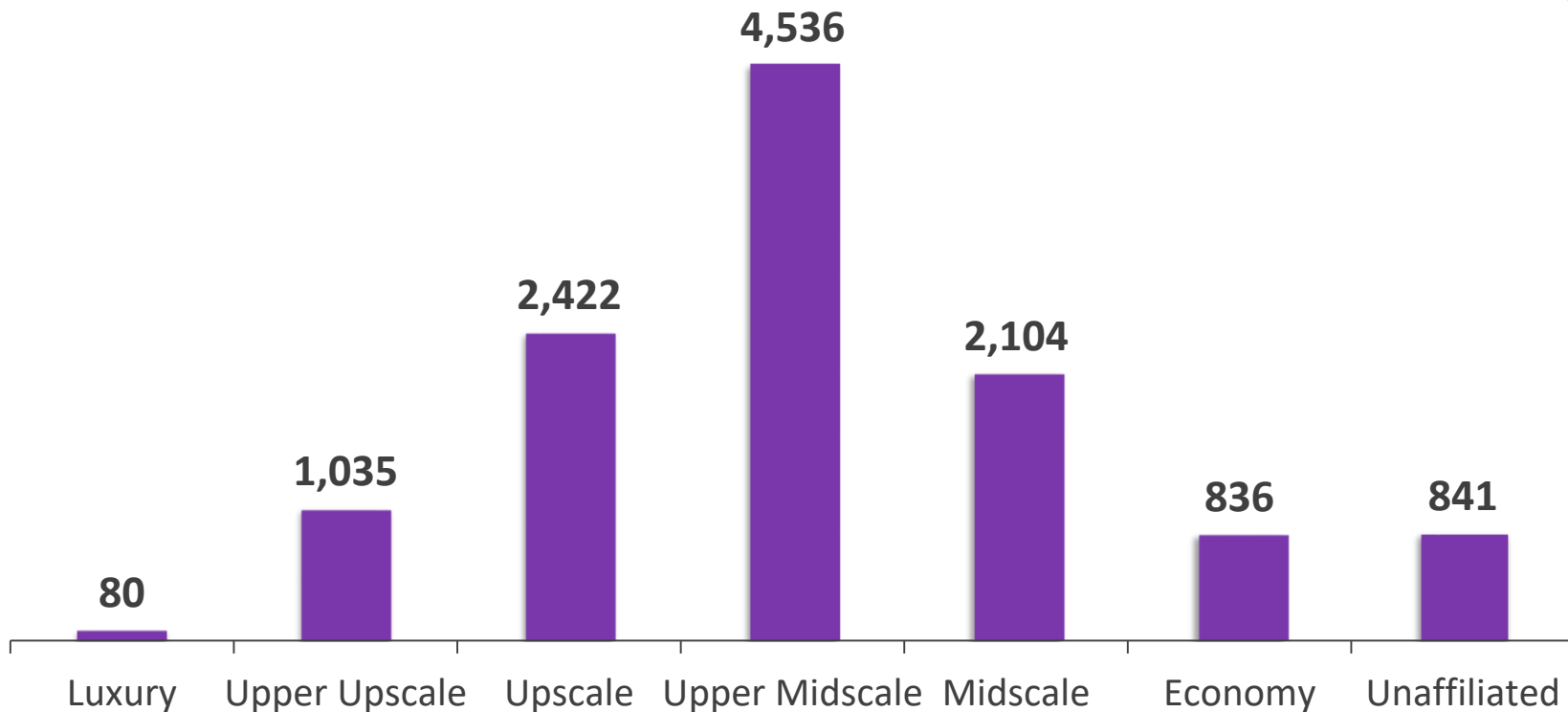




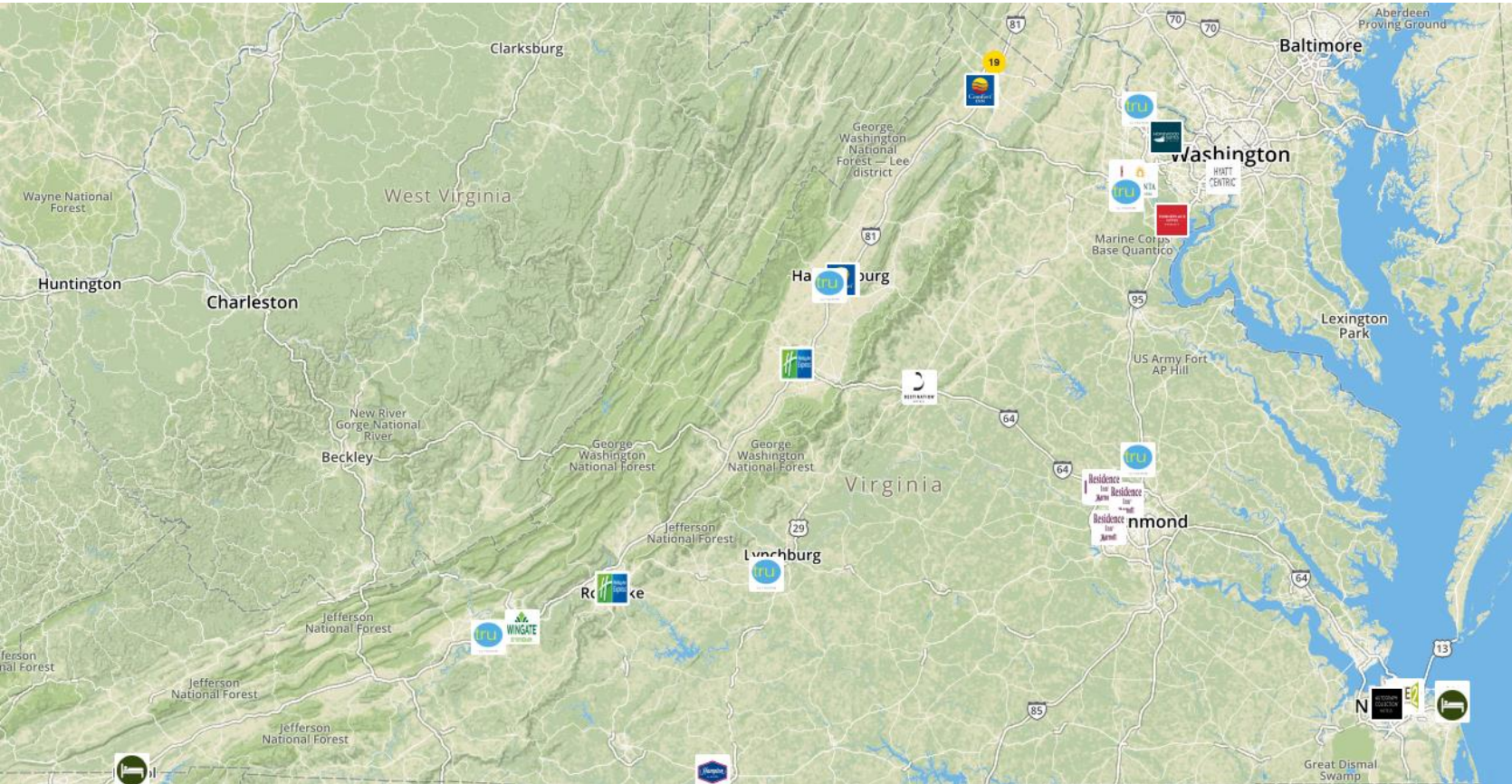
# Cities with the most hotel rooms in STR Pipeline



# Upper Midscale = Most Rooms Coming



# In Construction Properties (29) - Virginia



# Largest In Construction Properties



Marriott Virginia  
Beach Oceanfront

305 Rooms

Open Date: March 2020

Homewood Suites by  
Hilton Reston

134 Rooms

Open Date: Oct 2020

Residence Inn Richmond

131 Rooms

Open Date: July 2020

Hampton by Hilton  
Richmond

128 Rooms

Open Date: Sept 2020

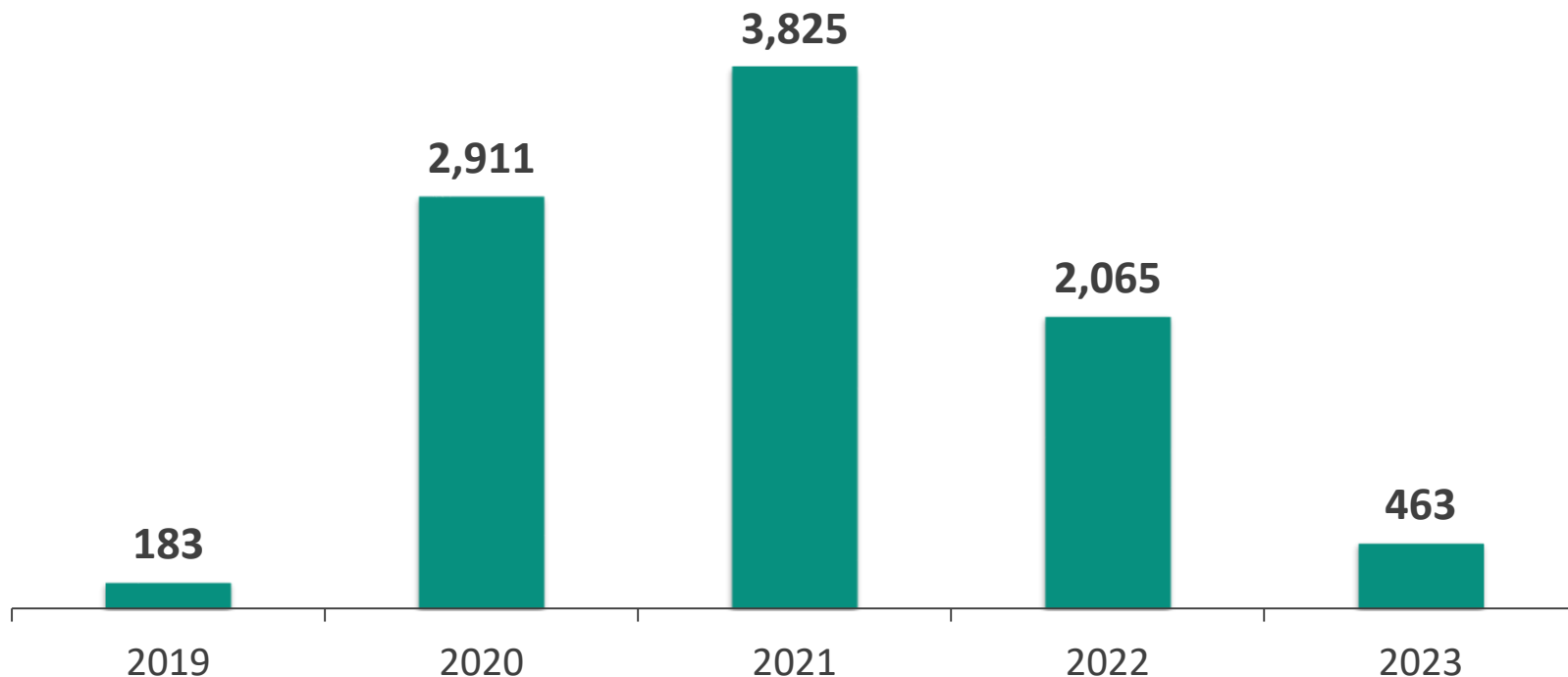
Tru by Hilton Ashburn  
One Loudoun

125 Rooms

Open Date: Nov 2020

Virginia Pipeline, In Construction, 5 largest by room count, October 2019

# When to Expect the New Rooms in Virginia



Forecast



# Notable Calendar Shifts Impacting US Lodging Performance Data in 2019:

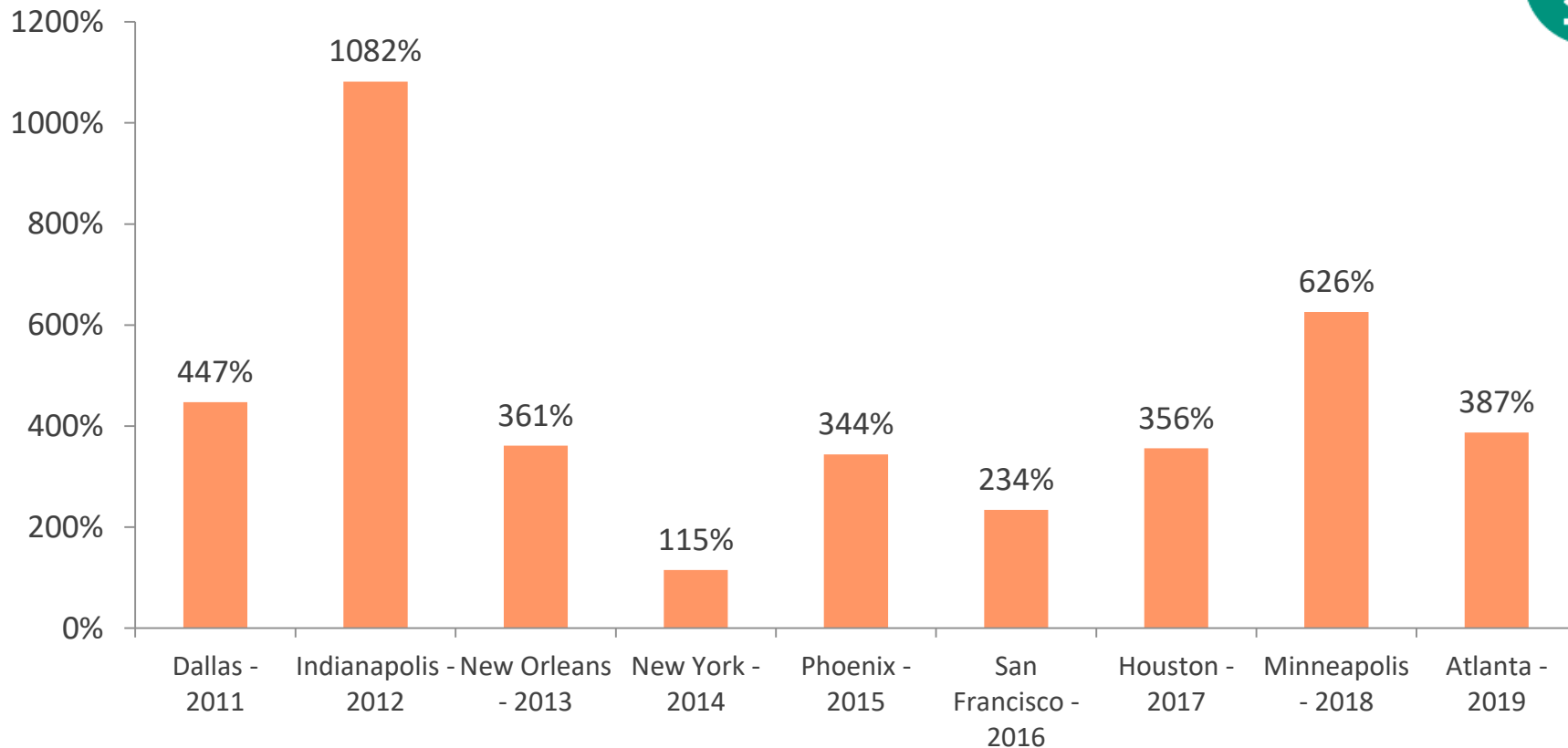


Easter:	Shift from March to April (also affects Q1/Q2)
Passover:	Shift from March to April (also affects Q1/Q2)
Hanukkah:	Shift from 12/3 to 12/23, impacting weekly results
Weekend Night:	May/Sept/Dec lose. Jul/Aug/Nov gain.

## Notable Market Level Events / Comps:

Super Bowl:	From Minneapolis to Atlanta
North Carolina:	Hurricane Florence 9/14/2018 and thereafter
Florida:	Hurricane Michael 10/10/18 and thereafter
California:	Wildfires 11/8 through 11/25/2018 and thereafter

# Nine Years of Super Bowl Performance (RevPAR Growth)





# Total United States

Key Performance Indicator Outlook (% Change vs. Prior Year)  
2019F – 2020F



Outlook		
Metric	2019 Forecast	2020 Forecast
Supply	2.0%	2.0%
Demand	1.8%	1.5%
Occupancy	-0.2%	-0.4%
ADR	1.0%	0.9%
RevPAR	0.8%	0.5%

# 2020 Year End RevPAR Forecast

Top North American Markets, August 2019 Forecast (Markets sorted alphabetically)

- 3% to 1%	1% to 3%	3% to 6%
Atlanta, GA	Anaheim/Santa Ana, CA	Miami/Hialeah, FL
New York, NY	Boston, MA	Montreal, QC
Philadelphia, PA-NJ	Chicago, IL	San Francisco/ San Mateo, CA
Tampa/St Petersburg, FL	Dallas, TX	Vancouver, BC
	Denver, CO	
	Detroit, MI	
	Houston, TX	
	Los Angeles/Long Beach, CA	
	Minneapolis/St Paul MN-WI	
	Nashville, TN	
	New Orleans, LA	
	Norfolk/Virginia Beach, VA	
	Oahu Island, HI	
	Orlando, FL	
	Phoenix, AZ	
	San Diego, CA	
	Seattle, WA	
	St Louis, MO-IL	
	Washington, DC-MD-VA	
	Toronto, ON	

Note: RevPAR Growth forecast estimates are in local currency

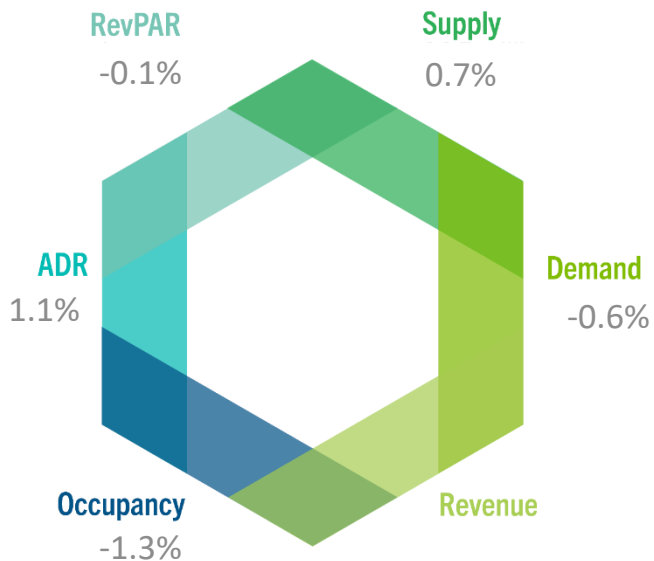
# Virginia Lodging Industry Forecast



Outlook			
	2018	2019 Forecast	2020 Forecast
Occupancy	0.7%	-0.4%	-2.3
ADR	0.6%	-0.1%	0.3
RevPAR	1.3%	-0.6%	-2.1

Virginia – Key Performance Indicator Outlook (% Change vs. Prior Year)  
2018 – 2019F - 2020F

## October 2019 - Virginia YoY Percent Change





## Virginia (and U.S.) Takeaways:

- **Slow growth:** Slow down in RevPAR and Occupancy growth
- **Travel economy is still resilient:** Transient demand strong
- **Group is holding**
- **ADR growth** will continue to **underwhelm**
- **The economy** will dictate what happens to the hotel industry