2018
United States & Canada

The hospitality industry in review

This preview shows a "hidden" version of the United States & Canada section to give you a better idea of what's included in the report.

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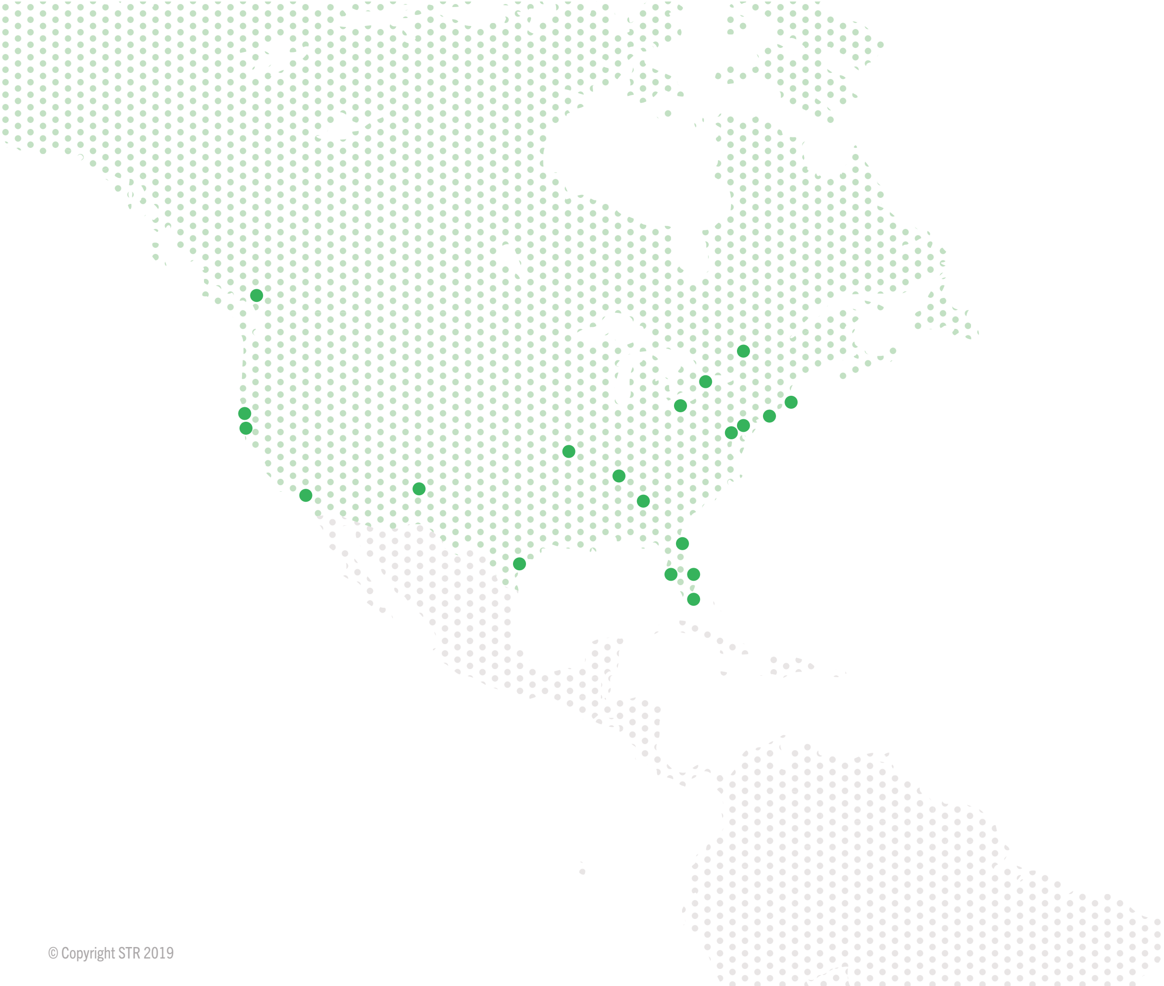


Key Findings by Region & Markets Included

U.S. & Canada

- U.S. & Canada produce positive year-end results
- Nothing cold about Canada's performance
- International travel grows but U.S. is losing share
- Labor cost headaches
- Muted ADR growth in the U.S.
- Market volatility/U.S. Government shutdown

Markets in this report:

Toronto, ON
Montreal, QC
Vancouver, BC
Jacksonville, FL
Nashville, TN
New York, NY
San Diego, CA
San Francisco/San Mateo, CA
San Jose/Santa Cruz, CA
Albuquerque, NM

Atlanta, GA
Boston, MA
Cleveland, OH
Melbourne/Titusville, FL
Philadelphia, PA
Miami/Hialeah, FL
Baltimore, MD
Kansas City, MO-KS
Sarasota/Bradenton, FL
Houston, TX

Regional Overview

U.S. & Canada produce positive year-end results

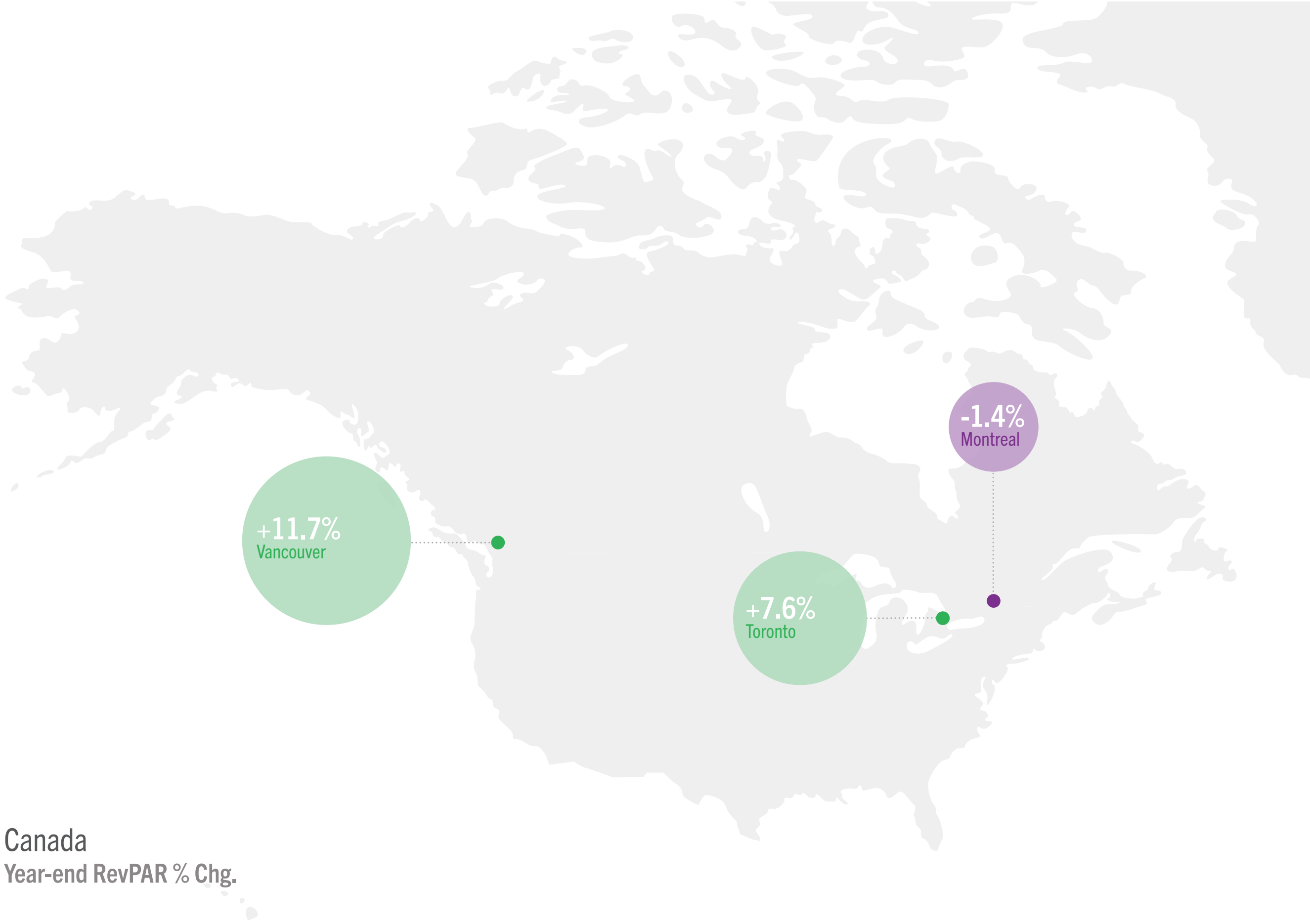
Both the U.S. and Canadian hotel industries received a clear boost from economic growth in 2018.

In the U.S., occupancy rose 0.5% to 66.2%, while ADR increased 2.4% to $129.83, resulting in RevPAR growth of 2.9% to $85.96. Each absolute value was a record, and the same was true across many key markets.

Canada achieved RevPAR growth of 5.3% to CA$108.39, with occupancy up 1.0% and ADR up 4.3% for the year.

Nothing cold about Canada's performance

Canada's occupancy reached its highest absolute level since 1999 thanks to record breaking demand, which was up 2.0% as key Canadian markets like Toronto and Vancouver hosted several major events and welcomed numerous international tourists. Looking ahead, hotel operators might have further opportunities to grow RevPAR by capitalizing on continued demand growth and increasing room rates.



Canada
Year-end RevPAR % Chg.

Lack of ADR Growth Characterizes U.S. Hotel Industry in 2018

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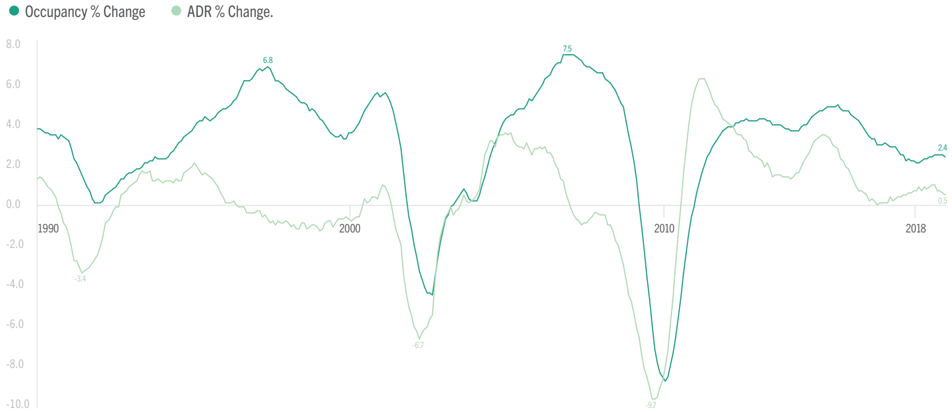
SVP

Ever since the recovery from the Great Recession started, the U.S. hotel industry has continued to break records. In 2018, the U.S. posted its all-time highest number of rooms available, highest number of rooms sold and highest room revenue, as well as record highs in the corresponding key performance indicators (occupancy, ADR and RevPAR). With these high demand numbers, basic economics would dictate that hoteliers hold pricing power and that ADR should be growing at a brisk pace. And indeed, in prior recovery periods, room rates increased at a very healthy pace, as illustrated in Exhibit 1.

The chart shows the interplay between occupancy and ADR percentage changes dating back to 1990. It is clear that in the mid-1990s and in the time following recovery from 9/11, hotel operators felt much more confident with regards to pricing decisions. This confidence then led to annualized ADR growth at peaks of 6.8% and 7.5% in each respective period. But in the more recent past, even though ADR has increased for more than 100 consecutive months, year-over-year growth has not reached 4% since late 2015. In 2018 specifically, ADR rose 2.4%. And this slow rate growth is occurring in an environment where, on average, two out of three U.S. hotel rooms are occupied.

Exhibit 1 - Occupancy Growth Will Be Tepid (Or Non-Existent) Going Forward

Total U.S., ADR & OCC % Change, 12 MMA | Jan. 1990 - Nov. 2018



Reasons for this apparent lack of ADR growth are fodder for plenty of investment and operational conferences across the land. A likely factor at play is the near-complete price transparency that online travel agents (OTAs) bring. In the 1990s and mid 2000s, a hotel could change its rates without a competitor finding out until a day or even a week later. Today, decreases in rates are immediately picked up and then broadcast via rate-scraping programs for all competitors to see, prompting them to act accordingly.

2018

Global Hotel Study

An unprecedented, worldwide view of the hospitality industry