

HOSPITALITY ADVISORS LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association
Spring 2014

Vol 24; Number 1

Skelton's Comments

“O.K. Google, now tell me what happens to the hotel business in Michigan and the upper Midwest over the next few years!” That is where we are at folks. We are asking an unknown source to answer our tough questions. Let’s review. The last quarter of 2008 and the whole year of 2009 were some of the darkest days the hotel industry has seen in a generation and it was not due to overbuilding, but to a catastrophic drop in demand in all segments. The business persons were not traveling, the leisure travelers were staying home and the group business evaporated as corporate America eliminated training functions outside their corporate walls and/or utilized online training and computer based meetings. The folks who historically travelled to attend trade shows and conventions cut that from their budgets ruthlessly again as information and products were traded and sold online. No need to spend on hotels or restaurants or travel. In 2010, hotel demand gained some strength in select areas of the country while others were experiencing their low points. In the meantime, the franchisors were putting pressure on their herds to invest money in their properties to upgrade both technologically and cosmetically (a very hard pill to swallow when revenues are going south.) From 2011 through 2013 revenue numbers crept back to pre 2009 levels and appear to be achieving historical growth in both demand (occupancy) and achieved rate. In the upper Midwest as well as the rest of the country, a difficult journey to get to the same place, Hmmm, “O.K. Google, now...?”

I believe that in some ways our business methods have changed forever and in others we will come back to actually conducting business face to face but it could take a while. The tie between the health or at least activity in the manufacturing sector (primarily auto related) and the Lodging industry is inexorably tied at the hip. That being said, the tourism industry is finally getting its due as Pure Michigan has put our lovely state into the game on a national basis and that will impact surrounding upper Midwest locations. (Thanks, George.) So, now we wait and see how Google answers us.

Michigan Overview

Year-end 2013 for the state showed increases in most markets. Most markets benefited from the early warm weather in the first half of the year with the second half of the year showing gains also. We found that there were fewer new properties added as financing remained an issue. Rates increased in the full service segment in Southeast Michigan approximately 4.5% while the limited service segment saw rates grow by approximately 5.9%.

This year, most Michigan markets we surveyed were up over the previous year. Some of the hardest-hit hotel markets such as Flint/Tri-cities and Northern Resorts still had slow growth although they showed increases in average rate. Ann Arbor continued to be the strongest occupancy in the state at about 67% and Detroit’s performance has continued to strengthen due to stability in the auto industry as well as the Cobo Center makeover and corporate relocations to downtown. Out-state, Grand Rapids was up versus last year in both major metrics, but Lansing and Southwest and the showed slight increases in occupancy over last year. Additionally, all of the outstate markets showed gains in ADR over last year.

Auburn Hills and the Airport markets showed declines in occupancy, but significant increases in ADR. Much of that is due to turnover of brands. Additionally, Ann Arbor showed growth in both demand, but more so in average rate despite the additions to supply recently. Most markets in Southeast Michigan showed increases in both occupancy and average rate, although rate appears to be the main driver of increased hotel performance.

Included in our numbers are estimates and they should be used as guides only. Hospitality Advisors has taken care in the preparation but we do not guarantee the accuracy of the contents. The numbers are not to be depended upon in calculations of value and may not be used without written permission of Hospitality Advisors.

Markets:

Note: Numbers may not foot due to rounding

State of Michigan						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.5%	\$95.35	\$51.04	53.4%	\$94.12	\$50.28
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	48.2%	11.4%	40.5%	48.2%	11.3%	40.5%
Full Service	53.6%	\$108.42	\$58.10	53.4%	\$107.07	\$57.23
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.6%	21.1%	38.4%	40.6%	21.0%	38.4%
Limited Service	53.5%	\$81.30	\$43.46	53.4%	\$80.22	\$42.84
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.3%	1.0%	42.7%	56.3%	1.0%	42.7%

Southeast Michigan						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.6%	\$101.88	\$54.64	53.4%	\$97.30	\$51.96
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.4%	17.6%	46.5%	46.0%	12.7%	41.3%
Full Service	54.5%	\$115.48	\$62.92	54.6%	\$110.55	\$60.35
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.1%	21.6%	38.3%	40.0%	21.8%	38.1%
Limited Service	52.6%	\$85.24	\$44.86	52.0%	\$80.48	\$41.81
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	65.3%	12.7%	56.6%	53.6%	1.1%	45.3%

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Ann Arbor Area						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	64.2%	\$97.50	\$62.61	62.5%	\$82.13	\$51.31
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	77.6%	37.9%	64.3%	53.9%	2.6%	43.5%
Full Service	68.5%	\$114.56	\$78.47	65.0%	\$104.65	\$67.98
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.6%	23.9%	30.4%	46.1%	24.0%	29.9%
Limited Service	61.8%	\$86.90	\$53.72	80.0%	\$120.00	\$96.00
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	97.6%	46.6%	85.3%	75.0%	0.0%	25.0%

Auburn Hills						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.1%	\$96.56	\$51.31	52.0%	\$88.47	\$46.03
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.0%	7.6%	37.4%	55.0%	7.4%	37.6%
Full Service	59.9%	\$110.34	\$66.05	56.3%	\$102.57	\$57.77
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.6%	13.5%	32.9%	53.6%	13.6%	32.8%
Limited Service	49.1%	\$86.42	\$42.42	49.4%	\$78.79	\$38.95
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.0%	3.2%	40.8%	56.1%	3.1%	40.9%

Dearborn						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	49.9%	\$99.80	\$49.81	52.6%	\$98.75	\$51.91
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.1%	16.8%	36.0%	46.3%	18.2%	35.5%
Full Service	48.5%	\$110.76	\$53.70	52.6%	\$108.36	\$56.95
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.9%	24.2%	32.9%	41.8%	25.5%	32.7%
Limited Service	53.3%	\$76.05	\$40.53	52.6%	\$75.89	\$39.91
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.4%	0.7%	42.9%	57.0%	0.9%	42.1%

Detroit						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	52.5%	\$125.63	\$65.99	54.7%	\$124.72	\$68.19
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.3%	25.3%	34.5%	40.4%	25.2%	34.4%
Full Service	52.5%	\$125.63	\$65.99	54.7%	\$124.72	\$68.19
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.3%	25.3%	34.5%	40.4%	25.2%	34.4%
Limited Service	N/A	N/A	N/A	N/A	N/A	N/A
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	N/A	N/A	N/A	N/A	N/A	N/A

Downriver Area						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	49.6%	\$77.66	\$38.53	51.3%	\$77.12	\$39.58
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.3%	4.0%	53.7%	42.8%	4.2%	53.0%
Full Service	48.2%	\$91.62	\$44.17	52.0%	\$89.81	\$46.69
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.6%	13.7%	43.7%	42.3%	13.8%	43.8%
Limited Service	50.2%	\$71.91	\$36.11	51.0%	\$71.57	\$36.52
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.2%	0.0%	57.8%	42.8%	4.2%	53.0%

East Area						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR

I-275 Area						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.2%	\$96.75	\$51.45	51.8%	\$91.42	\$47.34
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.7%	11.8%	44.5%	43.8%	11.8%	44.4%
Full Service	55.4%	\$104.74	\$58.02	55.6%	\$100.18	\$55.66
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	36.0%	22.8%	41.3%	36.2%	22.7%	41.1%
Limited Service	51.0%	\$88.18	\$44.97	48.2%	\$81.86	\$39.45
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.0%	0.0%	48.0%	52.1%	0.0%	47.9%

Airport/I-94 Corridor Area						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	50.8%	\$104.06	\$52.86	50.8%	\$98.18	\$49.87
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.9%	18.0%	54.4%	40.3%	12.3%	47.4%
Full Service	52.7%	\$116.36	\$61.29	52.2%	\$109.89	\$57.32
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	32.8%	21.3%	45.9%	33.2%	21.2%	45.6%
Limited Service	48.5%	\$87.49	\$42.41	49.0%	\$81.99	\$40.18
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	65.8%	13.7%	65.8%	50.0%	0.0%	50.0%

Southfield						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	51.0%	\$99.95	\$50.99	50.5%	\$94.15	\$47.55
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.9%	10.5%	47.6%	42.3%	10.3%	47.4%
Full Service	57.8%	\$110.27	\$63.73	55.8%	\$103.72	\$57.90
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	31.3%	16.4%	52.3%	30.8%	16.5%	52.7%
Limited Service	42.5%	\$82.34	\$35.02	43.8%	\$78.86	\$34.57
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	60.0%	0.5%	39.5%	60.6%	0.5%	38.9%

Troy						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.4%	\$115.39	\$62.73	53.4%	\$109.46	\$58.47
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.9%	16.0%	42.9%	47.6%	12.8%	39.6%
Full Service	56.5%	\$135.46	\$76.50	55.2%	\$126.53	\$69.80
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.8%	20.7%	37.5%	41.6%	20.7%	37.7%
Limited Service	51.6%	\$86.36	\$44.54	50.9%	\$82.54	\$42.01
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	66.6%	9.3%	50.6%	56.9%	0.4%	42.7%

Flint/Tri-Cities/Port Huron						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR

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Grand Rapids/Holland						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	56.4%	\$96.65	\$54.55	54.5%	\$93.31	\$50.86
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.1%	9.7%	40.2%	50.0%	9.7%	40.3%
Full Service	56.5%	\$108.78	\$61.51	55.0%	\$103.21	\$56.72
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	38.5%	18.0%	43.5%	38.3%	18.0%	43.7%
Limited Service	56.3%	\$84.06	\$47.36	54.5%	\$93.31	\$50.86
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.1%	9.7%	40.2%	50.0%	9.7%	40.3%

Lansing/Jackson						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.1%	\$87.44	\$48.22	55.1%	\$84.60	\$46.59
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.9%	7.6%	40.5%	52.2%	7.7%	40.2%
Full Service	50.7%	\$91.89	\$46.56	50.6%	\$89.61	\$45.32
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.8%	19.1%	37.1%	43.9%	19.4%	36.7%
Limited Service	58.1%	\$84.84	\$49.33	58.1%	\$81.64	\$47.45
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.7%	0.8%	42.5%	57.0%	0.8%	42.2%

Northern Michigan						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	51.3%	\$102.48	\$52.60	50.7%	\$100.78	\$51.08
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.3%	13.3%	39.4%	47.4%	13.1%	39.5%
Full Service	52.0%	\$150.00	\$78.00	49.0%	\$111.58	\$54.63
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.0%	25.0%	30.0%	40.8%	21.3%	37.9%
Limited Service	53.5%	\$86.24	\$46.10	53.4%	\$85.02	\$45.42
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.9%	1.3%	41.8%	56.9%	1.3%	41.8%

Southwest Michigan						
	2013 YE			2012 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.9%	\$83.31	\$46.61	55.7%	\$79.20	\$44.14
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.1%	7.2%	37.7%	55.1%	7.2%	37.7%
Full Service	53.2%	\$91.61	\$48.72	53.1%	\$87.80	\$46.64
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.0%	16.7%	40.2%	43.2%	16.7%	40.2%
Limited Service	58.1%	\$77.40	\$44.97	57.8%	\$73.04	\$42.19
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	63.7%	0.5%	35.9%	63.6%	0.5%	35.9%

Income Statement

The income statement we present on the following page is an

hotels throughout the state that participated in our survey. We intend this statement to provide a benchmark by which hotels may compare their own operations. Management may adjust the statement to fit their appropriate levels of utilization.

For the purpose of this Commentary, we consider full-service hotels to be those with food and beverage service, while limited service hotels do not have food or beverage operations. We present the income statement in the standard "Uniform System of Accounts for Hotels" format. As indicated, we show these results in Dollars per Room, Dollars per Occupied Room, and Percentage of Revenues. Percentages shown are of total revenues except Departmental Expenses, which we show as a percentage of Departmental Revenues. If you wish to be included in future samples, fax your Occupancy and Average Rate information to:

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Your responses are always held in absolute confidence

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	2013					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
REVENUES:						
ROOMS	56.5%	\$32,768	\$129.34	98.4%	\$21,640	\$91.40
FOOD	72.4%	\$16,423	\$64.82	0.0%	\$0	\$0.00
BEVERAGE	27.6%	\$6,257	\$24.70	0.0%	\$0	\$0.00
TELEPHONE	0.0%	\$6	\$0.02	0.1%	\$21	\$0.09
OTHER INCOME, NET	1.4%	\$815	\$3.22	1.5%	\$323	\$1.36
GROSS OPERATING REVENUE	97.1%	\$57,956	\$228.76	100.0%	\$21,985	\$92.85
DEPARTMENTAL EXPENSES:						
ROOMS	38.0%	\$12,442	\$49.11	24.7%	\$5,352	\$22.60
FOOD AND BEVERAGE	51.1%	\$11,586	\$45.73	0.0%	\$0	\$0.00
FD COGS	27.8%	\$6,315	\$24.93	0.0%	\$0	\$0.00
BEV COGS	1.6%	\$373	\$1.47	0.0%	\$0	\$0.00
PAYROLL	18.9%	\$4,287	\$16.92	0.0%	\$0	\$0.00
OTHER	2.7%	\$610	\$2.41	0.0%	\$0	\$0.00
TELEPHONE	1701.3%	\$100	\$0.40	732.3%	\$156	\$0.66
OTHER EXPENSE	36.3%	\$296	\$1.17	19.7%	\$64	\$0.27
TOTAL DEPARTMENTAL	42.1%	\$24,425	\$96.41	25.3%	\$5,572	\$23.53
CASH FLOW BEFORE DEBT SERVICE	57.9%	\$33,531	\$132.35	74.7%	\$16,413	\$69.32
UNDISTRIBUTED OPERATING EXPENSES:						
ADMINISTRATIVE AND GENERAL	8.7%	\$5,044	\$19.91	10.9%	\$2,389	\$10.09
TOTAL MANAGEMENT FEE	1.5%	\$858	\$3.39	3.3%	\$719	\$3.04
MARKETING	7.2%	\$4,190	\$16.54	4.0%	\$888	\$3.75
FRANCHISE FEE	1.8%	\$1,056	\$4.17	7.5%	\$1,648	\$6.96
PROPERTY OPER. & MAINT.	4.8%	\$2,790	\$11.01	6.3%	\$1,395	\$5.89
ENERGY	4.6%	\$2,649	\$10.46	5.7%	\$1,255	\$5.30
TOTAL UNDISTRIBUTED OPER. EXPENSES	28.6%	\$16,587	\$65.47	37.7%	\$8,294	\$35.03
INCOME BEFORE FIXED CHARGES	29.2%	\$16,944	\$66.88	36.9%	\$8,119	\$34.29
FIXED CHARGES:						
REAL & PERSONAL PROPERTY TAX	2.6%	\$1,480	\$5.84	5.3%	\$1,163	\$1.10
PROPERTY INSURANCE	1.4%	\$809	\$3.19	1.2%	\$260	\$1.10
CAPITAL REPLACEMENT RESERVE	0.5%	\$316	\$1.25	0.0%	\$0	\$0.00
TOTAL FIXED CHARGES	4.1%	\$2,700	\$10.66	6.5%	\$1,423	\$6.01
CASH FLOW BEFORE DEBT SERVICE	21.7%	\$12,556	\$49.56	30.5%	\$6,696	\$28.28
OCCUPANCY	69.4%			64.9%		
ADR		\$125.57			\$88.31	