

HOSPITALITY ADVISORS' LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association
Spring/Summer 2015

Vol 25 Number 1

Skelton's Comments

Well, well we are off and running. The lending community opens the door a little and hotels are in favor again. Everywhere we look hotels are being proposed first as components of mixed-use developments and recently as stand alones. Occupancies have increased and rates have soared so the surge in new supply will take off but 100 rooms at a time. Not many major full-service developments in the mix. That is where we are in the cycle. Demand growth is there but slow and rates are robust so supply comes on line. It would be better if demand growth was surging but I see supply outgrowing demand as growth is less than surging.

The renovation wars go on with each brand creating what they think is the better mousetrap. It is interesting that the rush is to make them all look alike and act alike particularly in the mid range properties. This may open the door for some of the more boutique brands and independents as the younger travelers who tend to be less loyal anyway seek unique experiences as opposed to same old same old. This will be interesting to watch and I will bet that the brands will be wearing their focus groups out trying to figure out what is happening. So long Baby Boomers! You were EASY to figure out.

Michigan Overview

Year-end 2014 for the State showed increases in most markets as Michigan continues to strengthen economically. Commercially-oriented markets benefited from continued improvement in corporate business while leisure/tourism benefitted from weather which was cooler-than-normal. Many markets showed changes in supply as new properties are developed and older properties are improved to current standards or go by the wayside. Demand in Southeast Michigan grew by approximately 4.1% overall while Average Rates grew by 5.9%. Additionally, statewide, demand grew by 2% and Average Rates grew approximately 1% overall.

This year, most Michigan markets we surveyed were up over the previous year. The only hotel market showing a decline was Southwest Michigan which showed a decline in occupancy with a slight increase in ADR. Ann Arbor continued to be the strongest occupancy in the state at about 66%. It should be interesting to see how Ann Arbor holds up with significant new supply in the pipeline in the coming years. 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. Additionally, every outstate market with the exception of Flint/Tri-Cities/Port Huron showed gains in ADR over last year. Demand growth seems to have returned to most of

Michigan, particularly Southeast Michigan after years of flat occupancy and ADR being the major driver over past few years.

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						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.8%	\$96.38	\$52.79	53.7%	\$95.45	\$51.28
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.8%	11.4%	40.8%	48.2%	11.4%	40.5%
Full Service	54.9%	\$109.41	\$60.09	53.8%	\$108.43	\$58.31
	Corporate	Group	Leisure	Corporate	Group	Leisure
FS Market Mix	40.5%	21.2%	38.3%	40.6%	21.0%	38.4%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	54.6%	\$82.70	\$45.16	53.7%	\$81.47	\$43.71
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.5%	1.0%	43.5%	56.3%	1.0%	42.7%

Southeast Michigan						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.9%	\$107.88	\$60.36	53.8%	\$101.84	\$54.75
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.3%	12.7%	43.3%	46.2%	12.5%	41.3%
Full Service	57.0%	\$123.86	\$70.57	54.5%	\$115.48	\$62.92
	Corporate	Group	Leisure	Corporate	Group	Leisure
FS Market Mix	42.6%	22.4%	41.1%	40.1%	21.6%	38.3%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	54.8%	\$89.82	\$49.25	52.9%	\$85.23	\$45.09
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.6%	1.7%	45.7%	53.7%	1.3%	44.9%

Ann Arbor Area						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	66.3%	\$100.80	\$66.87	65.2%	\$97.30	\$63.42
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.5%	11.1%	37.4%	51.2%	11.3%	37.6%
Full Service	69.4%	\$118.17	\$81.97	68.5%	\$114.56	\$78.47
	Corporate	Group	Leisure	Corporate	Group	Leisure
FS Market Mix	45.4%	23.9%	30.7%	45.6%	23.9%	30.4%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	64.7%	\$90.79	\$58.75	63.3%	\$86.83	\$54.98
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.1%	3.7%	41.2%	54.5%	3.6%	41.9%

Auburn Hills						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.4%	\$104.05	\$56.59	53.1%	\$96.56	\$51.31
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.7%	7.8%	37.5%	55.0%	7.6%	37.4%
Full Service	62.5%	\$117.52	\$73.39	59.9%	\$110.34	\$66.05
	Corporate	Group	Leisure	Corporate	Group	Leisure
FS Market Mix	53.0%	14.3%	32.7%	53.6%	13.5%	32.9%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	49.8%	\$94.44	\$47.03	49.1%	\$86.42	\$42.42
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.0%	3.1%	40.9%	56.0%	3.2%	40.8%

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Dearborn						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	50.4%	\$107.93	\$54.35	49.9%	\$99.80	\$49.81
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.4%	16.2%	36.3%	47.1%	16.8%	36.0%
Full Service	48.4%	\$121.40	\$58.71	48.5%	\$110.76	\$53.70
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.7%	24.3%	33.0%	42.9%	24.2%	32.9%
Limited Service	54.6%	\$82.55	\$45.09	53.3%	\$76.05	\$40.53
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.3%	1.0%	42.6%	56.4%	0.7%	42.9%

Detroit						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.0%	\$135.65	\$73.25	52.5%	\$125.63	\$65.99
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.1%	27.6%	46.0%	40.3%	25.3%	34.5%
Full Service	54.0%	\$135.65	\$73.25	52.5%	\$125.63	\$65.99
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.1%	27.6%	46.0%	40.3%	25.3%	34.5%
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						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.1%	\$83.27	\$45.85	49.6%	\$77.66	\$38.53
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.1%	3.6%	50.0%	42.3%	4.0%	53.7%
Full Service	53.6%	\$92.17	\$49.36	48.2%	\$91.62	\$44.17
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.4%	13.8%	43.8%	42.6%	13.7%	43.7%
Limited Service	55.6%	\$80.14	\$44.57	50.2%	\$71.91	\$36.11
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.6%	0.0%	52.2%	42.3%	4.0%	53.7%

East Area						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	52.8%	\$91.23	\$48.20	51.2%	\$85.43	\$43.77
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.7%	3.4%	44.9%	51.5%	3.3%	45.2%
Full Service	48.3%	\$95.59	\$46.13	43.5%	\$89.19	\$38.82
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.0%	12.5%	40.5%	45.1%	11.5%	43.4%
Limited Service	54.3%	\$90.01	\$48.86	54.2%	\$84.28	\$45.66
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.0%	0.8%	46.1%	53.5%	0.8%	45.7%

I-275 Area						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.7%	\$101.72	\$55.69	53.2%	\$96.75	\$51.45
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.7%	12.3%	44.3%	43.7%	11.8%	44.5%
Full Service	55.7%	\$112.19	\$62.46	55.4%	\$104.74	\$58.02
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	36.2%	22.7%	41.1%	36.0%	22.8%	41.3%
Limited Service	53.9%	\$91.48	\$49.28	51.0%	\$88.18	\$44.97
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.0%	2.1%	47.3%	52.0%	0.0%	48.0%

Airport/I-94 Corridor Area						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	57.9%	\$107.14	\$61.99	50.8%	\$104.06	\$52.86
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	37.7%	11.0%	53.5%	40.1%	12.2%	47.7%
Full Service	60.9%	\$124.41	\$75.74	52.7%	\$116.36	\$61.29
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	32.5%	21.2%	46.3%	32.8%	21.3%	45.9%
Limited Service	54.9%	\$88.35	\$48.51	48.5%	\$87.49	\$42.41
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.4%	0.0%	61.2%	50.0%	0.0%	50.0%

Southfield						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	52.0%	\$104.74	\$54.47	51.0%	\$99.95	\$50.99
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.5%	9.8%	46.7%	41.9%	10.5%	47.6%
Full Service	62.8%	\$118.45	\$74.35	57.8%	\$110.27	\$63.73
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	32.2%	16.4%	51.5%	31.3%	16.4%	52.3%
Limited Service	41.7%	\$84.99	\$35.44	42.5%	\$82.34	\$35.02
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	59.7%	0.4%	39.9%	60.0%	0.5%	39.5%

Troy						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	56.9%	\$121.12	\$68.93	54.4%	\$115.39	\$62.73
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.3%	11.6%	38.2%	48.3%	12.4%	39.3%
Full Service	59.8%	\$143.85	\$86.01	56.5%	\$135.46	\$76.50
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.3%	20.5%	38.2%	41.8%	20.7%	37.5%
Limited Service	53.8%	\$93.75	\$50.44	51.6%	\$86.36	\$44.54
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	61.1%	0.8%	38.2%	57.8%	0.5%	41.7%

Flint/Tri-Cities/Port Huron						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.3%	\$88.70	\$47.28	51.9%	\$90.02	\$46.73
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.0%	9.1%	37.9%	52.8%	9.0%	38.2%
Full Service	51.0%	\$102.35	\$40.29	49.9%	\$107.75	\$53.78
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.9%	0.5%	41.5%	45.2%	23.4%	31.4%
Limited Service	53.9%	\$80.83	\$43.59	53.2%	\$79.67	\$42.35
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.9%	0.5%	41.5%	57.2%	0.6%	42.2%

Grand Rapids/Holland						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.7%	\$98.75	\$58.95	56.4%	\$96.65	\$54.55
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.2%	9.5%	40.3%	50.1%	9.7%	40.2%
Full Service	58.8%	\$110.19	\$64.85	56.5%	\$108.78	\$61.51
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	38.5%	17.9%	43.6%	38.5%	18.0%	43.5%
Limited Service	60.6%	\$87.25	\$52.85	56.3%	\$84.06	\$47.36
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.2%	9.5%	40.3%	62.2%	1.1%	36.7%

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Lansing/Jackson						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.1%	\$91.52	\$54.09	55.1%	\$88.77	\$48.89
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.8%	7.9%	40.3%	51.7%	7.7%	40.6%
Full Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	55.1%	\$97.55	\$53.73	50.7%	\$91.89	\$46.56
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.9%	20.3%	36.9%	43.8%	19.1%	37.1%
Limited Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	61.8%	\$87.98	\$54.33	58.1%	\$86.89	\$50.50
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.0%	0.7%	42.3%	56.5%	0.8%	42.8%

Northern Michigan						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.8%	\$107.91	\$60.17	51.3%	\$102.48	\$52.60
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.7%	13.3%	44.1%	47.3%	13.3%	39.4%
Full Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	60.0%	\$175.00	\$105.00	50.0%	\$113.38	\$56.68
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.0%	25.0%	30.0%	40.9%	21.4%	37.8%
Limited Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	55.5%	\$90.74	\$50.40	53.5%	\$86.24	\$46.10
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.1%	1.8%	53.0%	56.9%	1.3%	41.8%

Southwest Michigan						
	2014 YE			2013 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.1%	\$83.65	\$46.12	55.9%	\$83.31	\$46.61
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.4%	7.2%	37.5%	55.1%	7.2%	37.7%
Full Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	52.5%	\$91.27	\$47.88	53.2%	\$91.61	\$48.72
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.0%	16.9%	40.1%	43.0%	16.7%	40.2%
Limited Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	57.1%	\$78.52	\$44.82	58.1%	\$77.40	\$44.97
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	63.7%	0.7%	35.7%	63.7%	0.5%	35.9%

Income Statement

The income statement we present on the following page is an average of operation results from full and limited service 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:

Hospitality Advisors - Consulting Group

FAX: (734) 741-7499

Your responses are always held in absolute confidence

Mr. Charles A. Skelton

Hospitality Advisors - Consulting Group
411 Huron View Boulevard, Suite 104
Ann Arbor, Michigan 48103 (734) 741-8686
skelton@hotelexperts.com
www.hotelexperts.com

Laurence G. Allen, MAI

Hospitality Advisors - Valuation Group
5700 Crooks Road, Suite 200
Troy, Michigan 48009 (248) 433-9630
lallen@allenappraisal.com
www.allenappraisal.com

Mr. Steve Yencich

Michigan Lodging and Tourism Association
3815 W. St. Joseph Highway, Suite A200
Lansing, Michigan 48917
www.michiganhotels.org

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	2014					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
REVENUES:						
ROOMS	60.6%	\$36,055	\$137.08	98.8%	\$24,911	\$105.99
FOOD	71.1%	\$15,089	\$57.37	-0.4%	\$0	\$0.00
BEVERAGE	28.9%	\$6,144	\$23.36	0.0%	\$0	\$0.00
TELEPHONE	0.0%	\$7	\$0.03	0.1%	\$20	\$0.09
OTHER INCOME, NET	0.9%	\$510	\$1.94	1.5%	\$382	\$1.62
GROSS OPERATING REVENUE	97.1%	\$59,539	\$226.36	100.0%	\$25,222	\$107.31
DEPARTMENTAL EXPENSES:						
ROOMS	23.7%	\$8,552	\$32.51	17.9%	\$4,460	\$18.98
FOOD AND BEVERAGE	73.3%	\$15,565	\$59.18	0.0%	\$0	\$0.00
FD COGS	36.6%	\$7,766	\$29.53	0.0%	\$0	\$0.00
BEV COGS	23.7%	\$5,038	\$19.15	0.0%	\$0	\$0.00
PAYROLL	11.4%	\$2,419	\$9.20	0.0%	\$0	\$0.00
OTHER	1.6%	\$342	\$1.30	0.0%	\$0	\$0.00
TELEPHONE	2957.8%	\$219	\$0.83	1133.0%	\$227	\$0.97
OTHER EXPENSE	71.9%	\$366	\$1.39	18.9%	\$72	\$0.31
TOTAL DEPARTMENTAL	41.5%	\$24,703	\$93.92	18.9%	\$4,760	\$20.25
CASH FLOW BEFORE DEBT SERVICE	58.5%	\$34,836	\$132.44	81.1%	\$20,462	\$87.06
UNDISTRIBUTED OPERATING EXPENSES:						
ADMINISTRATIVE AND GENERAL	8.1%	\$4,800	\$18.25	12.0%	\$3,027	\$12.88
TOTAL MANAGEMENT FEE	1.8%	\$1,094	\$4.16	2.5%	\$641	\$2.73
MARKETING	6.6%	\$3,917	\$14.89	6.9%	\$1,738	\$7.40
FRANCHISE FEE	2.3%	\$1,362	\$5.18	4.9%	\$1,243	\$5.29
PROPERTY OPER. & MAINT.	4.9%	\$2,889	\$10.98	6.5%	\$1,650	\$7.02
ENERGY	4.4%	\$2,649	\$10.07	6.7%	\$1,684	\$7.16
TOTAL UNDISTRIBUTED OPER. EXPENSES	28.1%	\$16,711	\$63.53	39.6%	\$9,983	\$42.47
INCOME BEFORE FIXED CHARGES	30.4%	\$18,125	\$68.91	41.5%	\$10,479	\$44.59
FIXED CHARGES:						
REAL & PERSONAL PROPERTY TAX	2.2%	\$1,324	\$5.03	4.1%	\$1,023	\$1.39
PROPERTY INSURANCE	1.1%	\$670	\$2.55	1.3%	\$327	\$1.39
CAPITAL REPLACEMENT RESERVE	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
TOTAL FIXED CHARGES	3.6%	\$2,119	\$8.06	5.3%	\$1,349	\$5.74
CASH FLOW BEFORE DEBT SERVICE	24.0%	\$14,272	\$54.26	36.2%	\$9,130	\$38.84
OCCUPANCY	72.1%			64.4%		
ADR		\$133.08			\$102.41	