

HOSPITALITY ADVISORS' LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association
Spring/Summer 2018

Vol 28 Number 1

Skelton's Comments

Here we are at year-end 2017 wondering where did that year go? Our analysis shows strong growth in demand and supply coming online at a healthy rate. All the brands are scurrying around developing their new concept properties so they can squeeze into markets where they have more established brands without violating franchise agreements.

Now, where do we go from here? Could we over build? Will the new brands hurt their sister properties? Will we see another 2009? Well, we are well into this upward cycle which I believe began in 2012. Most of these cycles last 8-10 years but we are only now seeing significant new entries into many markets which could extend this period. The new brands could have an impact but most are small properties and in the short run I do not believe they will have a huge negative impact. Finally, I do not see another 2009 as our economy is robust at most levels and lending is still not easy but is growing with expansion. Low unemployment is a key as disposable income grows and travel increases comfortably.

I do believe travel patterns have changed and that could impact the lodging industry in the future but I think that change will be slow and easy. I believe that small and midsize markets could benefit from the unrest that is taking place in some larger markets. That being said travel in middle America may benefit from this social enigma. These strange times could begin to alter the travel patterns for future generations.

I do know that senior citizens are living longer and travelling more. With solid disposable income and a desire to explore the country, these folks seem to love Michigan with more and more visiting here. Travel Michigan has done a great job and many communities are inventorying their assets to get in the game. The proliferation of electronic media that seems to connect us more is driving interest in this exploration. So here we go, let us accommodate and welcome our guests!

Michigan Overview

Year-end 2017 for the State continued to show increases in the majority of markets as Michigan continues to strengthen economically. Commercially-oriented markets benefited from continued strength in corporate business while leisure/transient continued to benefit from summer weather which was more summer-like than recent years. Supply growth slowed some in most markets. According to our survey, demand in Southeast Michigan grew by approximately 1.8% overall while average daily rates grew by 4.3%. Additionally, statewide, demand grew by 4.4% and average rates grew approximately 4.6% overall.

Again, this year, most Michigan markets we surveyed were up over the previous year. Ann Arbor's growth slowed as new supply opened and was absorbed although occupancy still came in at 66% and \$118 average rate in our survey. Western Wayne County showed growth with new supply coming into Livonia and Canton. Additionally, every outstate market except Flint/Tri-Cities/Port Huron showed gains in occupancy and ADR over 2016. A beautiful summer weather-wise as well as continued economic growth for 2018 could make this one the best years for hotels in a long time.

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						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.4%	\$109.08	\$64.77	59.4%	\$109.86	\$65.22
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	48.5%	10.1%	41.3%	47.7%	10.8%	41.5%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	60.1%	\$124.05	\$74.53	59.4%	\$125.22	\$74.35
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.0%	20.3%	38.6%	40.8%	20.9%	38.4%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	58.8%	\$95.91	\$56.36	59.4%	\$95.45	\$56.66
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.1%	1.2%	43.7%	54.1%	1.4%	44.5%

Southeast Michigan						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.3%	\$118.41	\$70.23	58.8%	\$114.03	\$67.10
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.6%	11.7%	41.8%	46.4%	11.9%	41.7%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	60.0%	\$135.15	\$81.13	59.6%	\$130.36	\$77.68
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.5%	21.2%	38.2%	40.3%	21.5%	38.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	58.6%	\$100.62	\$58.92	58.1%	\$96.65	\$56.13
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.0%	1.5%	45.5%	52.9%	1.7%	45.4%

Ann Arbor Area						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	66.3%	\$118.11	\$78.31	66.8%	\$115.70	\$77.31
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	10.9%	38.4%	51.3%	10.7%	37.9%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	69.6%	\$136.50	\$94.96	69.8%	\$136.88	\$95.53
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.1%	23.4%	31.5%	45.4%	23.4%	31.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	64.4%	\$106.55	\$68.63	65.2%	\$103.65	\$67.61
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.1%	3.1%	42.8%	54.7%	3.5%	41.7%

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Auburn Hills						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.3%	\$110.30	\$65.36	54.9%	\$97.42	\$53.46
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.7%	6.7%	37.5%	57.1%	2.7%	40.2%
Full Service	65.2%	\$127.61	\$83.18	64.6%	\$126.02	\$81.46
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.1%	14.1%	32.8%	53.0%	14.3%	32.7%
Limited Service	56.5%	\$100.89	\$56.96	54.9%	\$97.42	\$53.46
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.2%	2.7%	40.1%	60.0%	10.0%	30.0%

Dearborn						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	52.5%	\$117.92	\$61.94	53.0%	\$110.06	\$58.36
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.6%	13.4%	40.0%	45.9%	14.5%	39.6%
Full Service	48.3%	\$134.70	\$65.05	50.6%	\$126.23	\$63.83
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.6%	23.1%	33.3%	42.7%	24.2%	33.2%
Limited Service	59.4%	\$95.90	\$56.92	57.0%	\$86.92	\$49.55
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	0.7%	48.7%	50.6%	0.6%	48.8%

Detroit						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	67.0%	\$147.93	\$99.05	62.4%	\$141.79	\$88.54
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.0%	23.7%	36.3%	40.5%	24.0%	35.5%
Full Service	67.0%	\$147.93	\$99.05	62.4%	\$141.79	\$88.54
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.0%	23.7%	36.3%	40.5%	24.0%	35.5%
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						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.4%	\$88.65	\$47.36	60.0%	\$89.03	\$53.42
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.9%	3.1%	53.0%	43.5%	2.9%	53.6%
Full Service	55.1%	\$95.59	\$52.70	58.4%	\$96.21	\$56.20
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.5%	13.8%	43.8%	42.8%	13.6%	43.6%
Limited Service	52.9%	\$86.63	\$45.87	60.5%	\$87.08	\$52.64
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	44.3%	0.0%	55.7%	43.7%	0.0%	56.3%

East Area						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	56.0%	\$99.36	\$55.63	55.0%	\$96.37	\$52.99
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.8%	2.7%	44.5%	52.4%	2.8%	44.8%
Full Service	46.8%	\$100.94	\$47.22	45.4%	\$98.09	\$44.51
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	48.4%	11.2%	40.4%	48.9%	10.9%	40.2%
Limited Service	58.7%	\$98.99	\$58.12	58.0%	\$95.95	\$55.66
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.8%	0.7%	45.5%	53.3%	0.8%	46.0%

I-275 Area						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	57.7%	\$112.81	\$65.10	58.0%	\$107.77	\$62.49
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.4%	9.7%	44.9%	43.9%	11.4%	44.6%
Full Service	53.6%	\$125.87	\$67.48	58.0%	\$119.31	\$69.19
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	37.7%	22.0%	40.3%	35.9%	22.8%	41.3%
Limited Service	60.9%	\$104.00	\$63.29	58.0%	\$107.77	\$62.49
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	1.5%	47.9%	43.9%	11.4%	44.6%

Airport/I-94 Corridor Area						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.3%	\$114.30	\$67.79	58.0%	\$112.68	\$65.34
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	37.9%	12.5%	49.6%	37.9%	12.4%	49.7%
Full Service	61.1%	\$127.27	\$77.71	59.4%	\$125.25	\$74.35
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	34.9%	21.2%	44.0%	35.0%	21.1%	43.9%
Limited Service	57.0%	\$96.09	\$54.77	56.2%	\$95.26	\$53.52
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.0%	0.4%	57.5%	41.9%	0.4%	57.7%

Southfield						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.6%	\$105.00	\$56.31	54.1%	\$102.60	\$55.47
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.4%	9.5%	45.1%	44.9%	8.8%	46.3%
Full Service	57.2%	\$120.00	\$68.65	60.4%	\$117.02	\$70.73
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	34.2%	16.6%	49.3%	32.6%	15.6%	51.8%
Limited Service	49.6%	\$85.80	\$42.60	47.9%	\$85.16	\$40.82
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	59.7%	0.5%	39.8%	59.8%	0.5%	39.7%

Troy						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.8%	\$131.76	\$77.50	58.7%	\$124.35	\$73.02
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	11.6%	36.0%	52.1%	11.2%	36.7%	52.1%
Full Service	60.5%	\$153.10	\$92.55	58.8%	\$147.82	\$86.92
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.2%	21.2%	37.6%	41.2%	21.1%	37.7%
Limited Service	57.2%	\$109.79	\$62.83	58.6%	\$101.40	\$59.46
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	63.8%	1.7%	34.5%	62.7%	1.6%	35.8%

Flint/Tri-Cities/Port Huron						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	57.1%	\$96.32	\$54.99	57.1%	\$96.55	\$55.11
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	49.9%	10.6%	39.5%	49.8%	10.1%	40.2%
Full Service	57.0%	\$108.56	\$47.31	56.5%	\$109.98	\$62.19
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.2%	0.4%	43.4%	42.2%	23.6%	34.2%
Limited Service	57.3%	\$87.52	\$50.16	57.5%	\$87.03	\$50.02
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.2%	0.4%	43.4%	55.1%	0.4%	44.4%

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Grand Rapids/Holland						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	63.3%	\$115.08	\$72.82	64.4%	\$110.34	\$71.04
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.1%	8.5%	40.4%	50.6%	9.3%	40.1%
Full Service	64.3%	\$129.78	\$83.45	64.2%	\$123.30	\$79.20
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.0%	16.5%	42.6%	39.3%	17.8%	42.9%
Limited Service	62.4%	\$101.47	\$63.28	64.5%	\$63.26	\$98.02
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.1%	8.5%	40.4%	61.3%	1.2%	37.5%

Lansing/Jackson						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	64.4%	\$102.59	\$66.12	63.5%	\$102.02	\$64.77
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.4%	7.1%	41.5%	51.2%	7.0%	41.8%
Full Service	64.4%	\$111.85	\$72.02	61.2%	\$112.21	\$68.70
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	44.1%	18.4%	37.5%	44.0%	18.6%	37.4%
Limited Service	64.5%	\$98.26	\$63.35	64.7%	\$96.74	\$62.62
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.8%	1.8%	43.4%	54.9%	1.1%	44.0%

Northern Michigan						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.3%	\$110.57	\$64.42	57.4%	\$113.68	\$65.30
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.2%	13.4%	45.4%	41.2%	12.7%	46.1%
Full Service	62.0%	\$180.00	\$111.60	57.4%	\$125.67	\$72.14
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.0%	25.0%	30.0%	40.7%	22.3%	37.0%
Limited Service	52.9%	\$95.94	\$50.78	57.5%	\$101.02	\$58.06
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.8%	1.7%	55.5%	41.8%	2.6%	55.7%

Southwest Michigan						
	2017 YE			2016 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.6%	\$93.96	\$52.29	57.6%	\$91.98	\$52.94
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.9%	6.0%	39.1%	55.8%	7.0%	37.2%
Full Service	52.5%	\$101.14	\$53.06	54.0%	\$101.83	\$55.01
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.0%	15.7%	41.4%	43.9%	16.2%	39.9%
Limited Service	57.7%	\$89.75	\$51.79	60.3%	\$51.35	\$85.16
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	61.8%	0.4%	37.8%	64.0%	0.6%	35.4%

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:

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Your responses are always held in absolute confidence

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	2017					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
REVENUES:						
ROOMS	81.9%	\$29,926	\$130.32	98.6%	\$28,948	\$116.45
FOOD	100.0%	\$6,202	\$27.01	-0.1%	\$0	\$0.00
BEVERAGE	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
TELEPHONE	0.0%	\$2	\$0.01	0.1%	\$18	\$0.07
OTHER INCOME, NET	1.2%	\$431	\$1.88	1.5%	\$433	\$1.74
GROSS OPERATING REVENUE	100.0%	\$36,561	\$159.21	100.0%	\$29,369	\$118.15
DEPARTMENTAL EXPENSES:						
ROOMS	24.8%	\$7,423	\$32.33	18.2%	\$5,276	\$21.22
FOOD AND BEVERAGE	86.1%	\$5,338	\$23.24	0.0%	\$0	\$0.00
FD COGS	86.1%	\$5,338	\$23.24	0.0%	\$0	\$0.00
BEV COGS	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
PAYROLL	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
OTHER	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
TELEPHONE	2066.1%	\$39	\$0.17	1258.2%	\$221	\$0.89
OTHER EXPENSE	70.8%	\$305	\$1.33	14.6%	\$63	\$0.25
TOTAL DEPARTMENTAL	35.8%	\$13,105	\$57.07	18.9%	\$5,560	\$22.37
CASH FLOW BEFORE UNDISTRIBUTED OPER. EXP.	64.2%	\$23,456	\$102.14	81.1%	\$23,810	\$95.78
UNDISBURSED OPERATING EXPENSES:						
ADMINISTRATIVE AND GENERAL	9.4%	\$3,443	\$14.99	11.7%	\$3,447	\$13.87
TOTAL MANAGEMENT FEE	2.5%	\$904	\$3.94	3.0%	\$866	\$3.49
MARKETING	9.1%	\$3,312	\$14.42	3.6%	\$1,072	\$4.31
FRANCHISE FEE	5.1%	\$1,878	\$8.18	8.9%	\$2,628	\$10.57
PROPERTY OPER. & MAINT.	4.9%	\$1,781	\$7.76	5.0%	\$1,472	\$5.92
ENERGY	4.3%	\$1,565	\$6.81	5.3%	\$1,565	\$6.30
TOTAL UNDISBURSED OPER. EXPENSES	35.2%	\$12,883	\$56.10	37.6%	\$11,050	\$44.45
INCOME BEFORE FIXED CHARGES	28.9%	\$10,573	\$46.04	43.4%	\$12,759	\$51.33
FIXED CHARGES:						
REAL & PERSONAL PROPERTY TAX	3.7%	\$1,349	\$5.87	4.9%	\$1,425	\$1.46
PROPERTY INSURANCE	0.9%	\$312	\$1.36	1.2%	\$364	\$1.46
CAPITAL REPLACEMENT RESERVE	0.0%	\$0	\$0.00	0.0%	\$3	\$0.01
TOTAL FIXED CHARGES	4.6%	\$1,686	\$7.34	6.1%	\$1,792	\$7.21
CASH FLOW BEFORE DEBT SERVICE	24.3%	\$8,886	\$38.70	37.3%	\$10,967	\$44.12
OCCUPANCY	62.9%			68.1%		
ADR		\$130.32			\$112.51	