

HOSPITALITY ADVISORS' LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association
Spring/Summer 2016

Vol 26 Number 1

Skelton's Comments

Things are good. In most markets, sensible growth is taking place and unless something unforeseen occurs, I believe things will be solid for the foreseeable future. Some markets have had significant new supply proposed and hopefully the local agencies will control that intelligently but overall things look solid. Renovations and technology updates are for the most part in place and values are gaining in most markets.

Rates have grown, but surprisingly, not as quickly as I would have guessed which goes to market uncertainty in most cases I believe. Expenses are beginning to rise, but not yet at an alarming rate though significant increases in the minimum wage (you know what I am talking about) could have huge bottom-line and therefore value impacts.

Michigan still marches to the beat of the auto industry even though some markets are more driven by local entities such as large universities or the presence of large manufacturing entities. Hopefully the next President will have the common sense to address the out of control national debt and the congress will slow down and cut spending. These actions should extend the growth, but it is a delicate balance. That debt in my eyes is the biggest threat that we have right now. Our legislators have to make decisions and understand they cannot be all things to everyone. Just a little common sense in Washington would go a long way

Michigan Overview

Year-end 2015 for the State showed increases in the majority markets as Michigan continues to strengthen economically. Commercially-oriented markets benefited from continued improvement in corporate business while leisure/tourism continued to benefit from summer weather which was cooler-than-normal. Many markets showed increases in supply as new properties are developed and older properties are replaced or improved to current standards. According to our survey, demand in Southeast Michigan grew by approximately 3.6% overall while average daily rates grew by 3.5%. Additionally, statewide, demand grew by 3.6% and average rates grew approximately 7.7% overall.

This year, most Michigan markets we surveyed were up over the previous year. This year we did not have any outstate markets showing declines year-over-year, although Southwest Michigan and Northern Michigan had increases of less than 1% with increases in ADR of less than 2%.

Believe it or not, Ann Arbor showed a decline in demand being down 1.1% yet 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 of the new hotels, the auto companies as well as the Cobo Center makeover and corporate relocations to downtown. Additionally, every outstate market showed gains in occupancy and 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						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	56.7%	\$103.84	\$58.92	54.8%	\$96.38	\$52.79
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.6%	11.0%	41.4%	47.8%	11.4%	40.8%
Full Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	56.9%	\$118.67	\$67.49	54.9%	\$109.41	\$60.09
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.5%	20.9%	38.6%	40.5%	21.2%	38.3%
Limited Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	56.6%	\$89.48	\$50.67	54.6%	\$82.70	\$45.16
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.5%	1.4%	44.1%	55.5%	1.0%	43.5%

Southeast Michigan						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.0%	\$111.65	\$64.70	55.9%	\$107.88	\$60.36
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.1%	12.0%	41.9%	46.0%	12.3%	41.8%
Full Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	58.9%	\$128.15	\$75.53	57.0%	\$123.86	\$70.57
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	39.8%	21.6%	38.6%	40.0%	21.6%	38.4%
Limited Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	56.9%	\$93.54	\$53.24	54.8%	\$89.82	\$49.25
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.9%	1.5%	45.6%	52.8%	1.7%	45.5%

Ann Arbor Area						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	65.6%	\$109.89	\$72.08	66.3%	\$100.80	\$66.87
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.9%	10.9%	38.1%	51.5%	11.1%	37.4%
Full Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	68.2%	\$129.94	\$88.64	69.4%	\$118.17	\$81.97
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.4%	24.0%	30.6%	45.4%	23.9%	30.7%
Limited Service	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
	64.1%	\$97.61	\$62.55	64.7%	\$90.79	\$58.75
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.3%	2.9%	42.8%	55.1%	3.7%	41.2%

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Auburn Hills						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	56.2%	\$103.31	\$58.04	54.4%	\$104.05	\$56.59
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.6%	6.8%	37.6%	54.7%	7.8%	37.5%
Full Service	62.6%	\$120.85	\$75.64	62.5%	\$117.52	\$73.39
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.1%	14.3%	32.7%	53.0%	14.3%	32.7%
Limited Service	53.2%	\$93.58	\$49.75	49.8%	\$94.44	\$47.03
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.0%	2.7%	40.3%	56.0%	3.1%	40.9%

Dearborn						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	52.7%	\$111.54	\$58.79	50.4%	\$107.93	\$54.35
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.9%	16.5%	37.5%	46.3%	16.2%	37.5%
Full Service	51.1%	\$124.97	\$63.88	48.4%	\$121.40	\$58.71
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.4%	24.5%	33.1%	42.7%	24.3%	33.0%
Limited Service	56.1%	\$85.41	\$47.94	54.6%	\$82.55	\$45.09
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.8%	1.0%	46.2%	53.1%	1.0%	45.9%

Detroit						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.8%	\$137.80	\$82.35	54.0%	\$135.65	\$73.25
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	39.8%	24.1%	36.1%	39.9%	24.5%	35.5%
Full Service	59.8%	\$137.80	\$82.35	54.0%	\$135.65	\$73.25
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	39.8%	24.1%	36.1%	39.9%	24.5%	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						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	56.9%	\$86.93	\$49.45	55.1%	\$83.27	\$45.85
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.6%	3.3%	53.1%	44.3%	3.6%	52.2%
Full Service	53.6%	\$94.88	\$50.86	53.6%	\$92.17	\$49.36
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.4%	13.8%	43.8%	42.4%	13.8%	43.8%
Limited Service	58.0%	\$84.40	\$48.96	55.6%	\$80.14	\$44.57
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	44.0%	0.0%	56.0%	44.9%	0.0%	55.1%

East Area						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.7%	\$94.17	\$50.57	52.8%	\$91.23	\$48.20
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.4%	2.9%	44.7%	51.7%	3.4%	44.9%
Full Service	44.2%	\$97.28	\$42.98	48.3%	\$95.59	\$46.13
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	48.6%	11.3%	40.2%	47.0%	12.5%	40.5%
Limited Service	56.7%	\$93.41	\$52.96	54.3%	\$90.01	\$48.86
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.4%	0.8%	45.9%	53.0%	0.8%	46.1%

I-275 Area						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.3%	\$105.87	\$61.77	54.7%	\$101.72	\$55.69
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.8%	11.7%	44.5%	43.6%	12.2%	44.2%
Full Service	58.3%	\$117.07	\$68.23	55.7%	\$112.19	\$62.46
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	36.0%	22.8%	41.2%	36.2%	22.7%	41.1%
Limited Service	58.4%	\$95.88	\$55.98	53.9%	\$91.48	\$49.28
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.8%	1.8%	47.4%	50.8%	2.0%	47.2%

Airport/I-94 Corridor Area						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.3%	\$111.25	\$64.86	57.9%	\$107.14	\$61.99
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	37.2%	11.2%	51.6%	37.3%	11.0%	51.7%
Full Service	62.0%	\$130.09	\$80.67	60.9%	\$124.41	\$75.74
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	32.6%	21.2%	46.2%	32.5%	21.2%	46.3%
Limited Service	54.7%	\$90.28	\$49.36	54.9%	\$88.35	\$48.51
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.4%	0.0%	57.6%	42.4%	0.0%	57.6%

Southfield						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.4%	\$103.17	\$56.12	52.0%	\$104.74	\$54.47
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	44.6%	8.9%	46.5%	43.5%	9.8%	46.7%
Full Service	61.3%	\$115.39	\$70.70	62.8%	\$118.45	\$74.35
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	32.1%	15.7%	52.2%	32.2%	16.4%	51.5%
Limited Service	47.8%	\$88.13	\$42.13	41.7%	\$84.99	\$35.44
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	60.0%	0.5%	39.4%	59.7%	0.4%	39.9%

Troy						
	2015 YE			2014 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	57.8%	\$123.99	\$71.62	56.9%	\$121.12	\$68.93
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.8%	11.2%	38.0%	50.3%	11.6%	38.2%
Full Service	58.8%	\$148.83	\$87.51	59.8%	\$143.85	\$86.01
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.8%	20.8%	38.4%	41.3%	20.5%	38.2%
Limited Service	56.7%	\$97.95	\$55.55	45.0%	\$80.00	\$36.00
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	61.4%	1.1%	37.6%	69.0%	1.0%	30.0%

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Flint/Tri-Cities/Port Huron						
2015 YE			2014 YE			
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.6%	\$92.00	\$50.25	53.3%	\$88.70	\$47.28
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.9%	9.9%	38.2%	53.0%	9.1%	37.9%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	55.0%	\$104.00	\$46.75	52.3%	\$102.35	\$53.48
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	58.6%	0.5%	40.9%	44.5%	24.0%	31.5%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	55.8%	\$83.78	\$46.79	53.9%	\$80.83	\$43.59
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	58.6%	0.5%	40.9%	57.9%	0.5%	41.5%

Grand Rapids/Holland						
2015 YE			2014 YE			
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	61.9%	\$103.71	\$64.17	59.7%	\$98.75	\$58.95
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	9.1%	40.3%	50.2%	9.5%	40.3%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	60.8%	\$115.93	\$70.51	58.8%	\$110.19	\$64.85
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	39.0%	17.6%	43.4%	38.5%	17.9%	43.6%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	62.9%	\$92.43	\$58.12	60.6%	\$87.25	\$52.85
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	9.1%	40.3%	62.0%	1.1%	36.9%

Lansing/Jackson						
2015 YE			2014 YE			
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	60.5%	\$97.33	\$58.85	59.1%	\$91.52	\$54.09
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.3%	7.0%	41.7%	51.8%	7.9%	40.3%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	57.2%	\$104.37	\$59.75	55.1%	\$97.55	\$53.73
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.9%	18.5%	37.6%	42.9%	20.3%	36.9%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	62.3%	\$93.72	\$58.35	61.8%	\$87.98	\$54.33
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.1%	1.1%	43.8%	57.0%	0.7%	42.3%

Northern Michigan						
2015 YE			2014 YE			
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	56.0%	\$108.23	\$60.56	55.8%	\$107.91	\$60.17
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.7%	12.4%	45.9%	42.7%	13.3%	44.1%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	60.0%	\$175.00	\$105.00	55.9%	\$121.50	\$67.96
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.0%	25.0%	30.0%	40.7%	22.3%	37.0%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	54.8%	\$93.07	\$51.02	55.5%	\$90.74	\$50.40
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.9%	1.6%	55.5%	45.1%	1.8%	53.0%

Southwest Michigan						
2015 YE			2014 YE			
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.4%	\$85.10	\$47.11	55.1%	\$83.65	\$46.12
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.6%	7.1%	37.3%	55.4%	7.2%	37.5%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	53.1%	\$92.55	\$49.15	52.5%	\$91.27	\$47.88
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.7%	16.3%	40.0%	43.0%	16.9%	40.1%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	57.1%	\$79.75	\$45.52	57.1%	\$78.52	\$44.82
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	64.1%	0.6%	35.3%	63.7%	0.7%	35.7%

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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	2015					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
REVENUES:						
ROOMS	55.2%	\$27,978	\$135.52	98.6%	\$26,118	\$109.65
FOOD	75.9%	\$15,367	\$74.44	-0.1%	\$0	\$0.00
BEVERAGE	24.1%	\$4,872	\$23.60	0.0%	\$0	\$0.00
TELEPHONE	0.0%	\$7	\$0.03	0.1%	\$16	\$0.07
OTHER INCOME, NET	1.9%	\$973	\$4.71	1.5%	\$387	\$1.62
GROSS OPERATING REVENUE	97.1%	\$50,673	\$245.46	100.0%	\$26,491	\$111.21
DEPARTMENTAL EXPENSES:						
ROOMS	24.1%	\$6,731	\$32.61	18.8%	\$4,901	\$20.57
FOOD AND BEVERAGE	70.8%	\$14,324	\$69.39	0.0%	\$0	\$0.00
FD COGS	48.8%	\$9,886	\$47.89	0.0%	\$0	\$0.00
BEV COGS	21.9%	\$4,439	\$21.50	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	3010.2%	\$206	\$1.00	1951.8%	\$308	\$1.29
OTHER EXPENSE	34.7%	\$338	\$1.64	16.6%	\$64	\$0.27
TOTAL DEPARTMENTAL	42.6%	\$21,599	\$104.62	19.9%	\$5,273	\$22.13
CASH FLOW BEFORE DEBT SERVICE	57.4%	\$29,074	\$140.83	80.1%	\$21,219	\$89.08
UNDISTRIBUTED OPERATING EXPENSES:						
ADMINISTRATIVE AND GENERAL	8.9%	\$4,488	\$21.74	11.8%	\$3,135	\$13.16
TOTAL MANAGEMENT FEE	1.5%	\$769	\$3.73	3.2%	\$840	\$3.53
MARKETING	6.3%	\$3,216	\$15.58	6.4%	\$1,700	\$7.13
FRANCHISE FEE	1.6%	\$823	\$3.99	5.7%	\$1,521	\$6.39
PROPERTY OPER. & MAINT.	5.2%	\$2,613	\$12.66	5.7%	\$1,504	\$6.31
ENERGY	5.7%	\$2,909	\$14.09	5.8%	\$1,539	\$6.46
TOTAL UNDISTRIBUTED OPER. EXPENSES	29.2%	\$14,817	\$71.77	38.6%	\$10,239	\$42.98
INCOME BEFORE FIXED CHARGES	28.1%	\$14,257	\$69.06	41.4%	\$10,980	\$46.09
FIXED CHARGES:						
REAL & PERSONAL PROPERTY TAX	3.2%	\$1,633	\$7.91	5.0%	\$1,326	\$1.51
PROPERTY INSURANCE	1.1%	\$572	\$2.77	1.4%	\$359	\$1.51
CAPITAL REPLACEMENT RESERVE	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
TOTAL FIXED CHARGES	4.6%	\$2,322	\$11.25	6.4%	\$1,686	\$7.08
CASH FLOW BEFORE DEBT SERVICE	20.6%	\$10,459	\$50.66	35.1%	\$9,294	\$39.02
OCCUPANCY	56.6%			65.3%		
ADR		\$131.58			\$105.94	