CBRE
Q4 2017
U.S. HOTEL
FIGURES

Q4 2017 U.S. HOTEL FIGURES – EXECUTIVE SUMMARY

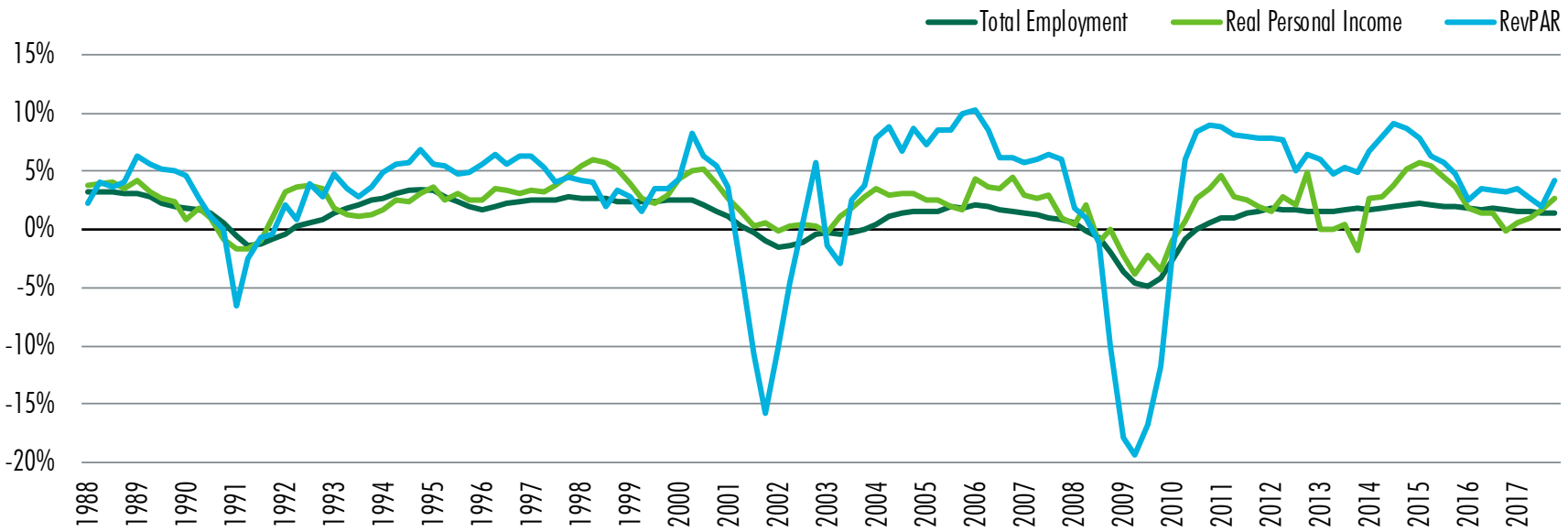
HURRICANES, RISING INCOMES DRIVE STRONG YEAR-END DEMAND GROWTH

Demand	Supply	Occupancy	ADR	RevPAR
3.7%	**1.9%**	**1.8%**	**2.4%**	**4.2%**

Arrows indicate change from previous year.

- Hotel demand grew 3.7% nationally in Q4 2017, up from the 2.4% rate in Q3. Supply growth remained steady at 1.9%.
- Continued disruption from Hurricane Harvey led to Houston having the largest demand increase (31.1%). High gains also occurred in the Hurricane Irma-affected markets of West Palm Beach (12.0%), Miami (9.1%) and Orlando (8.1%).
- National occupancy rose by 1.8% year-over-year, resulting in record-high occupancies in 2017.
- ADR grew by 2.4% nationally in Q4, up from 1.4% in Q3. RevPAR grew by 4.2% year-over-year in Q4, the quickest pace of any quarter in 2017.
- More than half of the 60 markets tracked by CBRE Hotels' Americas Research had supply gains of more than 2% in Q4, about the same as in Q3. Twenty-four markets had declines in occupancy, approximately one-third fewer than in Q3.
- A 26.8% increase in occupancy and 11.1% increase in ADR gave Houston the largest increase in RevPAR (40.9%) in Q4. West Palm Beach, another market affected by the 2017 hurricane season, had the second-highest RevPAR growth at 19.1%.
- Seven of the top-10 markets for RevPAR growth saw increases driven primarily by occupancy, a reversal of Q3 results.

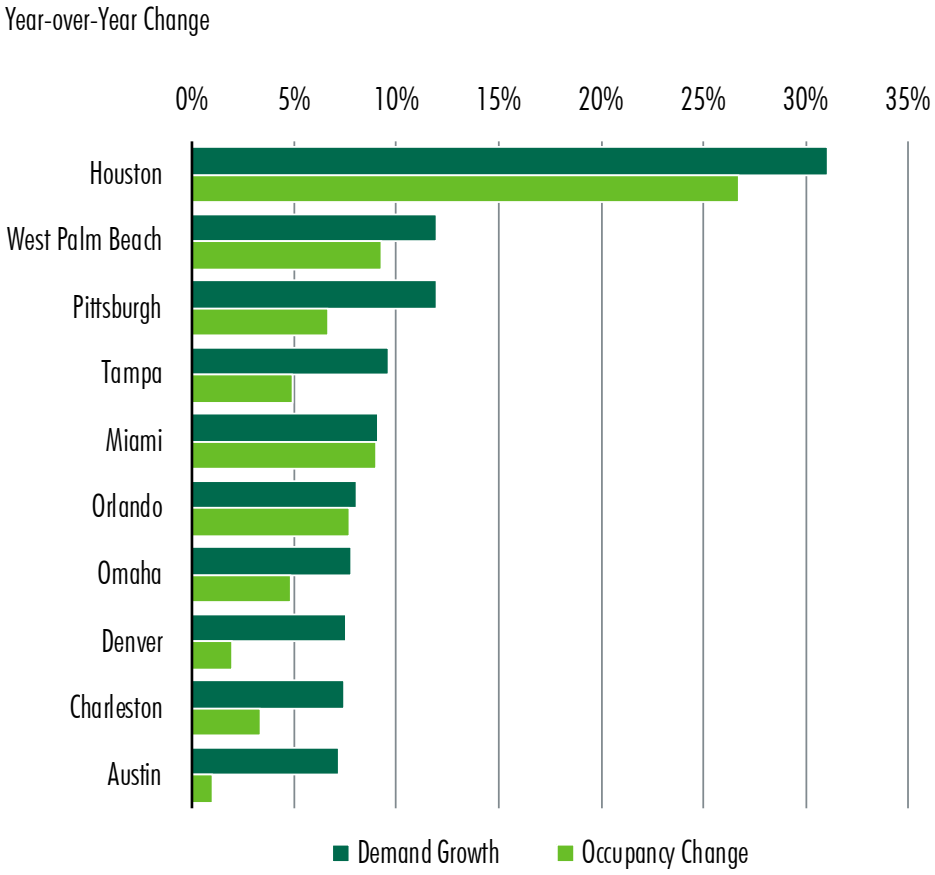
FIGURE 1
CHANGES IN EMPLOYMENT, REAL PERSONAL INCOME AND REVPAR



Source: CBRE Econometric Advisors, STR, Q4 2017.

- Real personal income grew by 2.7% year-over-year in Q4, the fastest quarterly rate in 2017. This contributed to RevPAR gains.
- Employment grew by 1.4%, about the same as in Q3. The U.S. economy added an average of 170,000 jobs per month in Q4.

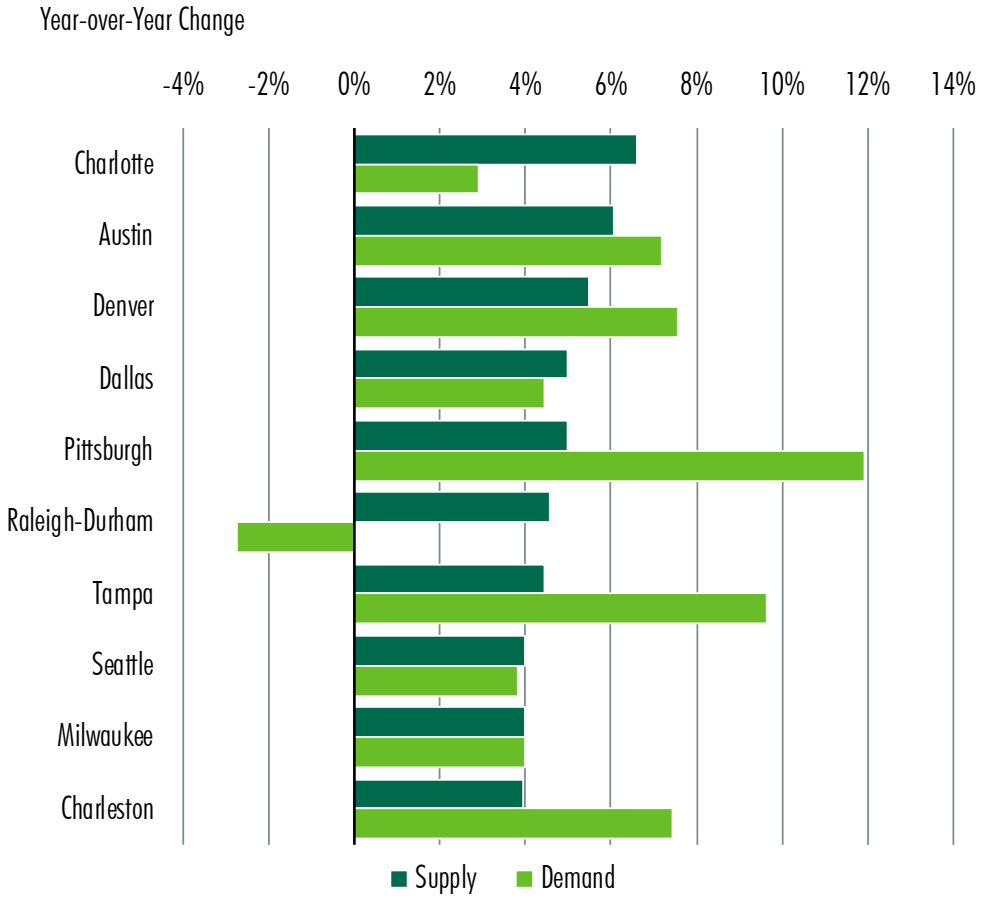
FIGURE 2
TOP-10 DEMAND GROWTH MARKETS WITH OCCUPANCY CHANGE



- Six of the top-10 demand growth markets were in Texas or Florida, as continued relief and disruption from 2017 hurricanes contributed to increased demand.
- Demand outpaced supply growth and occupancy increased in all top-10 demand growth markets.

Source: CBRE Hotels' Americas Research, STR, Q4 2017.

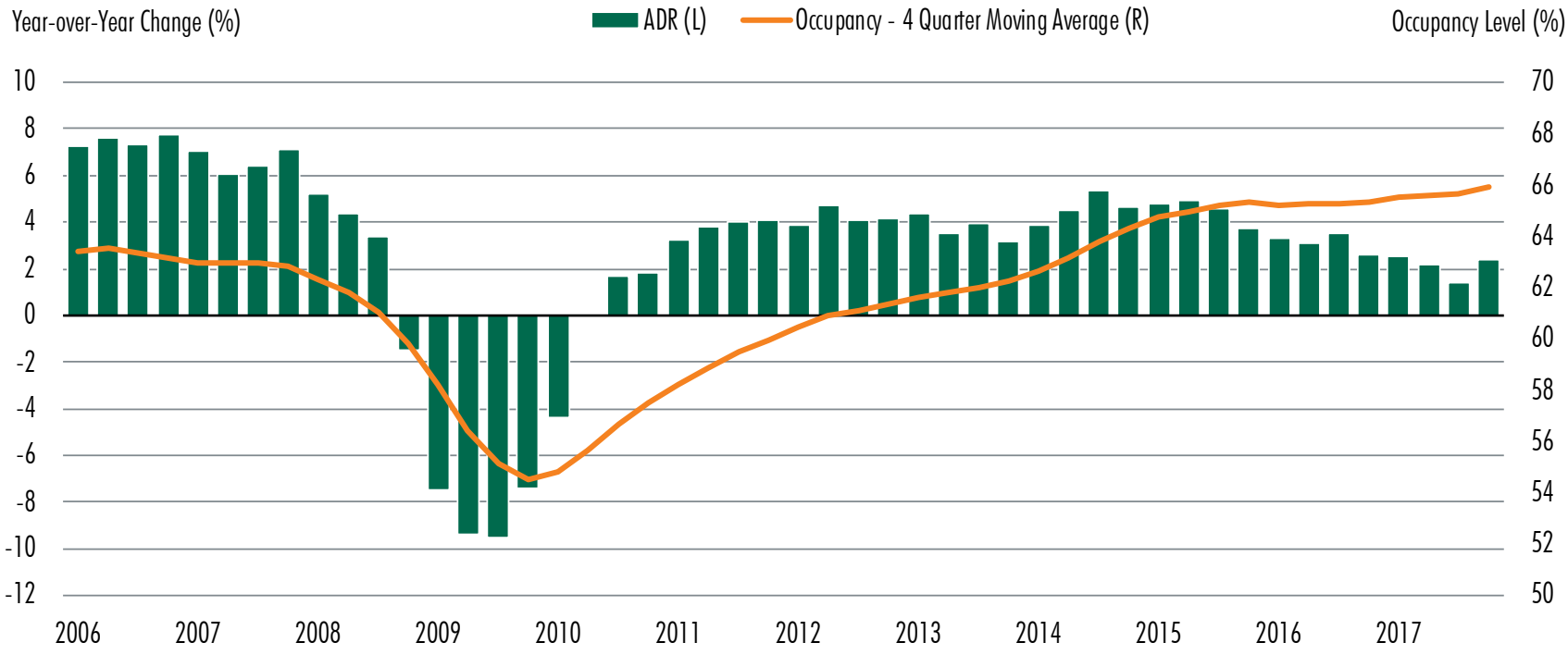
FIGURE 3
TOP-10 SUPPLY GROWTH MARKETS WITH DEMAND CHANGE



- Five of the top-10 supply growth markets had even higher demand growth, resulting in higher occupancy rates.
- Of the top-10 supply growth markets, only Raleigh-Durham had less demand year-over-year.

Source: CBRE Hotels' Americas Research, STR, Q4 2017.

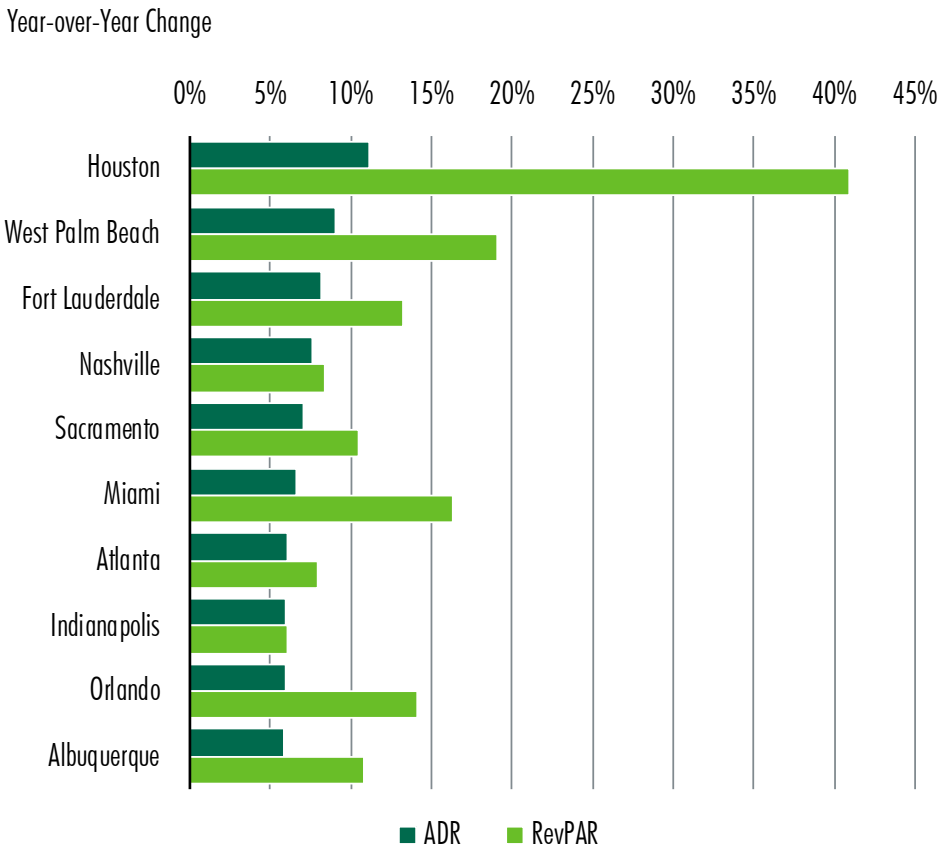
FIGURE 4
U.S. OCCUPANCY AND ADR CHANGE



Source: CBRE Hotels' Americas Research, STR, Q4 2017.

- Although historically correlated, ADR growth and occupancy began diverging in 2015.
- This divergence remained steady in 2017. Although the 12-month moving average occupancy reached a new high, ADR growth increased as well.

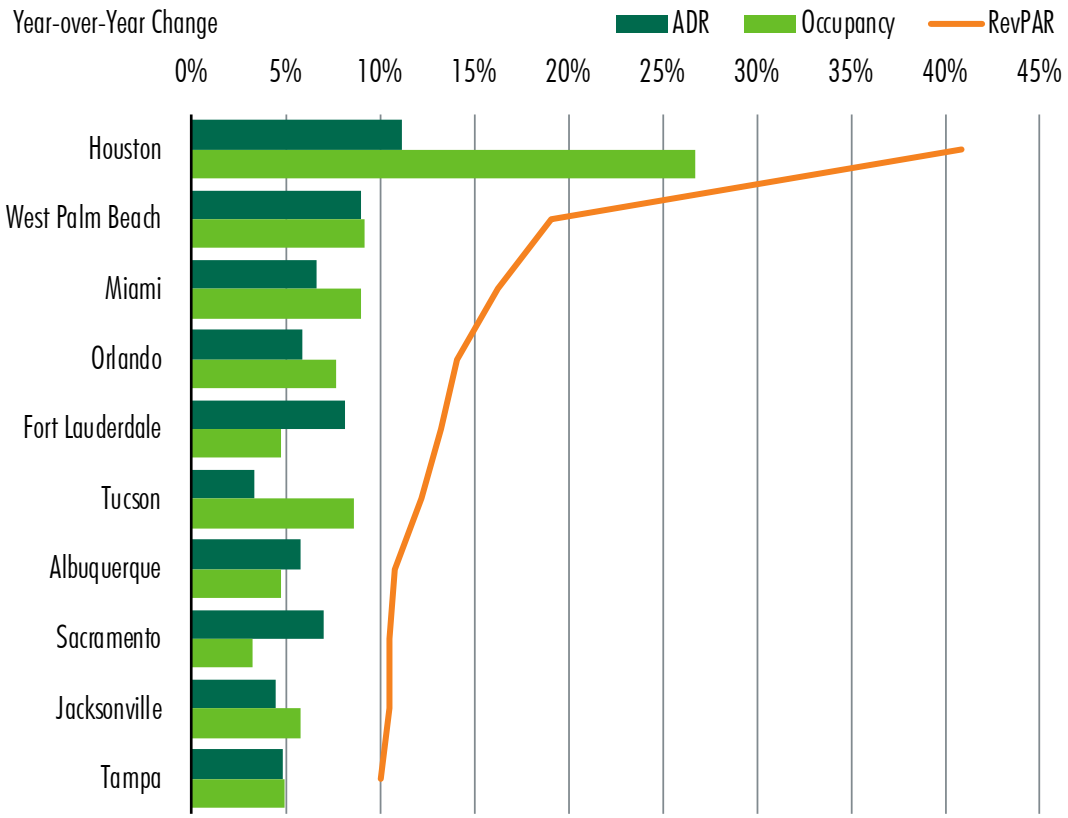
FIGURE 5
TOP-10 ADR GROWTH MARKETS WITH REVPAR CHANGE



- The top-10 ADR growth markets all had RevPAR gains that exceeded or equaled ADR growth.
- Occupancy grew along with ADR, causing large increases in RevPAR.
- Houston had the highest year-over-year ADR growth, and with a large gain in occupancy had outsized RevPAR growth.

Source: CBRE Hotels' Americas Research, STR, Q4 2017.

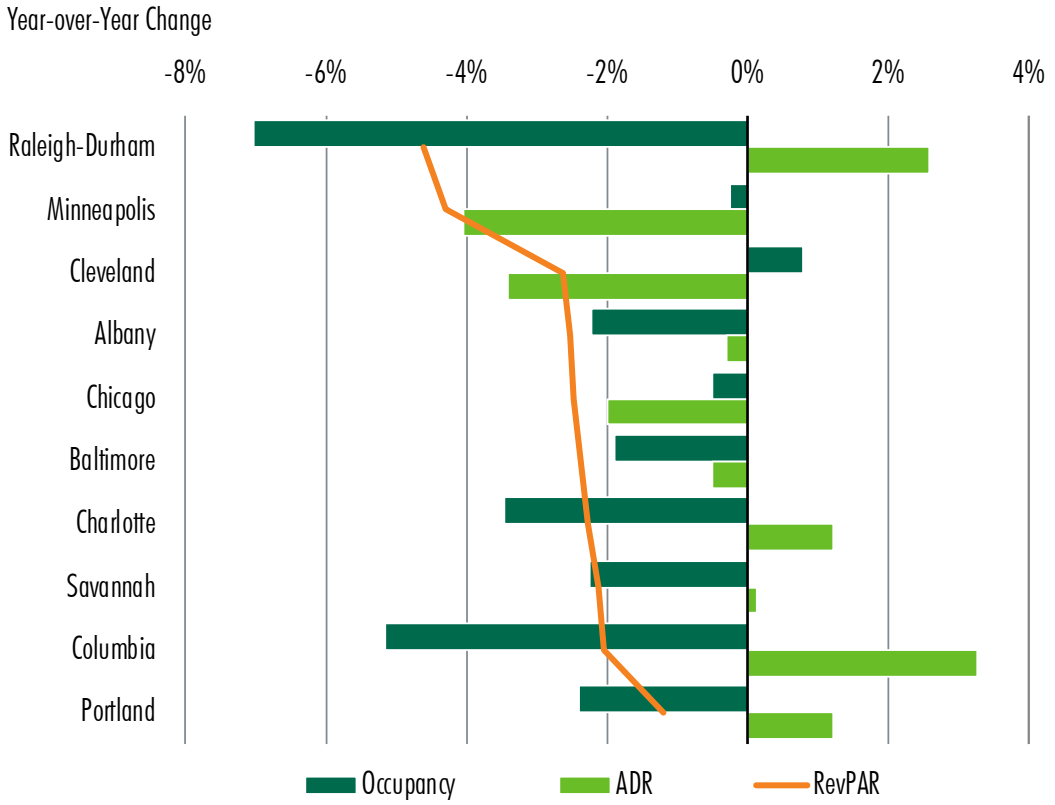
FIGURE 6
TOP-10 REVPAR GROWTH MARKETS: ADR AND OCCUPANCY CHANGE



- Seven of the top-10 RevPAR growth markets had occupancy growth higher than ADR growth.
- Hurricane-affected markets in Texas and Florida, except for Fort Lauderdale, saw increases in RevPAR driven by occupancy gains that were higher than ADR gains.

Source: CBRE Hotels' Americas Research, STR, Q4 2017.

FIGURE 7
BOTTOM-10 REVPAR GROWTH MARKETS: ADR AND OCCUPANCY CHANGE



- Raleigh-Durham and Minneapolis had the largest RevPAR losses, predominately from declines in occupancy and ADR, respectively.

Source: CBRE Hotels' Americas Research, STR, Q4 2017.

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Q3 2017
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Q3 2017 U.S. HOTEL FIGURES – EXECUTIVE SUMMARY

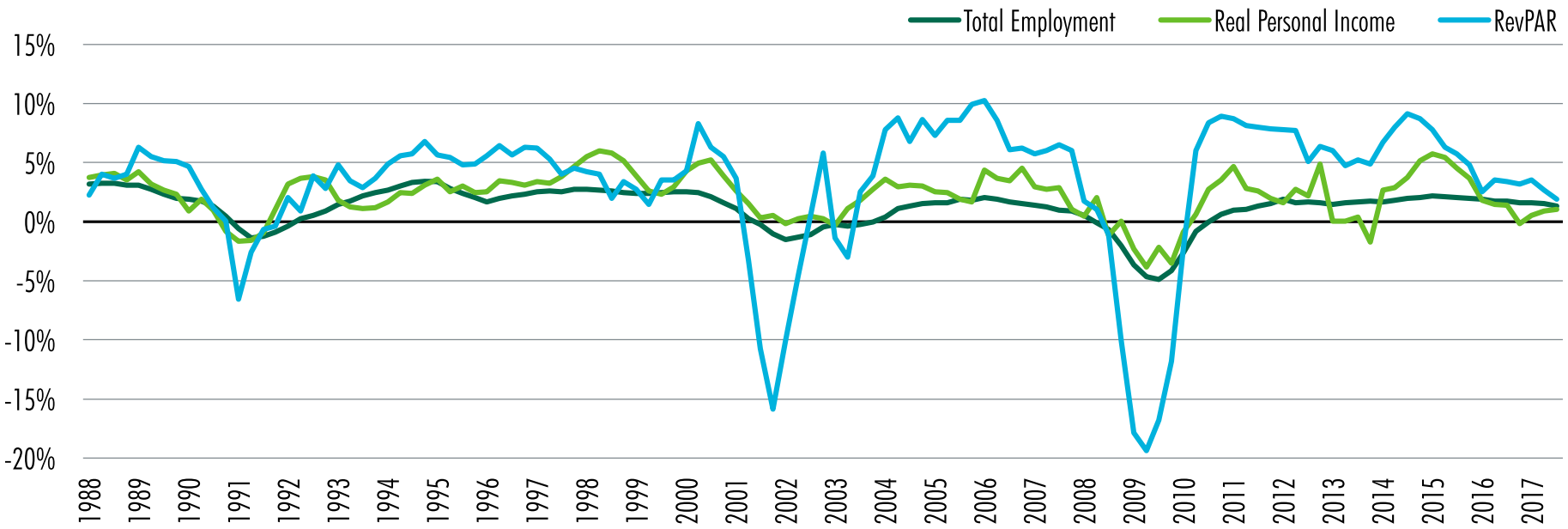
ADR GROWTH SLOWS DESPITE RISING OCCUPANCY; HURRICANE HARVEY DRIVES UP HOUSTON DEMAND

Demand	Supply	Occupancy	ADR	RevPAR
2.4%	**1.9%**	**0.5%**	**1.4%**	**1.9%**

Arrows indicate change from previous year.

- Hotel demand grew 2.4% nationally in Q3, up from the 2.3% rate in Q2. Supply grew by 1.9% from a year ago.
- National occupancy rose to 71.4%—the highest quarterly occupancy level since STR began collecting data in 1987.
- ADR grew by 1.4% nationally, the slowest rate of growth since the Great Recession. RevPAR grew by 1.9% year over year, down from 2.7% in Q2.
- More than half of the 60 markets tracked by CBRE Hotels' Americas Research had supply gains of more than 2% in Q3 and 35 of them had declines in occupancy.
- An 11.8% increase in occupancy and 4.1% increase in ADR gave Houston the largest increase in RevPAR (16.4%). Indianapolis had the second-highest RevPAR growth at 9.8%.
- Seven of the top-10 markets for RevPAR growth saw increases driven primarily by ADR.
- Driven by displaced residents and relief workers in the wake of Hurricane Harvey, Houston had the largest demand increase (16.5%). High gains also occurred in the Hurricane Irma-affected markets of Tampa (6.6%) and Orlando (6.1%).

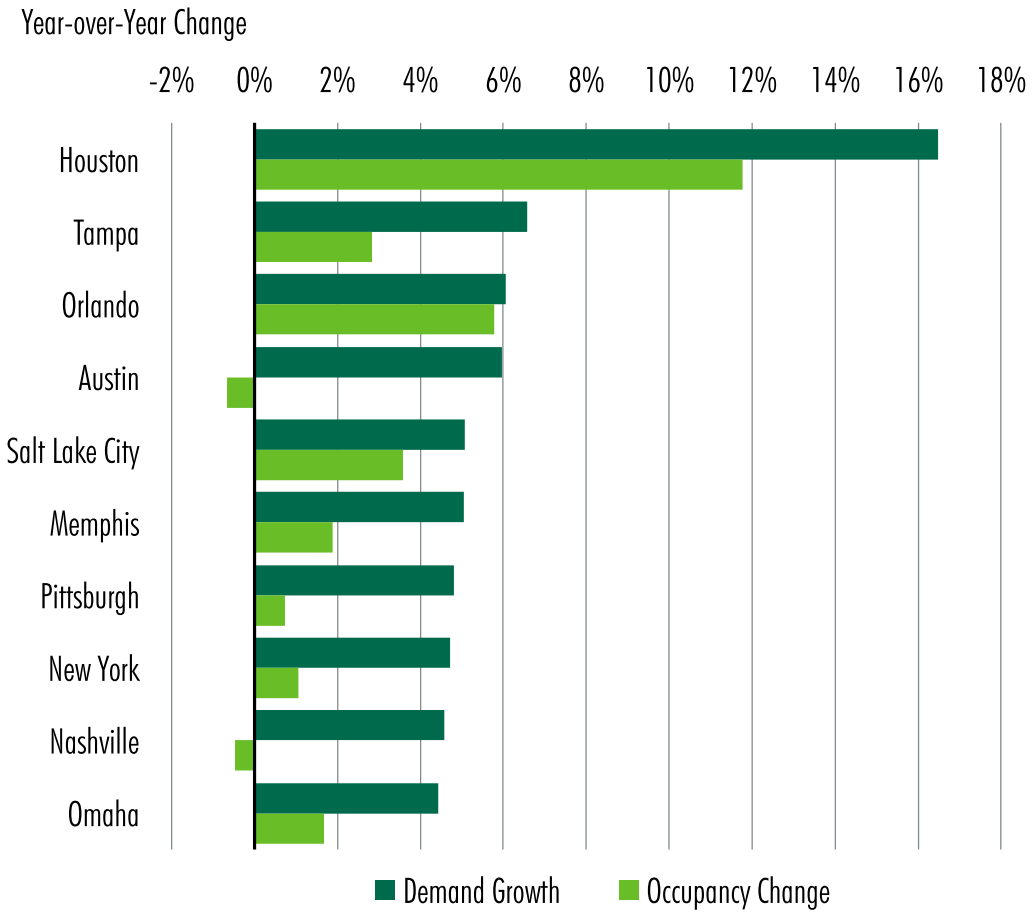
FIGURE 1
CHANGES IN EMPLOYMENT, REAL PERSONAL INCOME AND REVPAR



Source: CBRE Econometric Advisors, STR, Q3 2017.

- Income growth and employment gains led to a small increase in RevPAR.
- The U.S. economy added an average of 142,000 jobs per month in Q3, lower than the rate of 170,000 in H1.
- Real personal income grew by 1% year-over year.

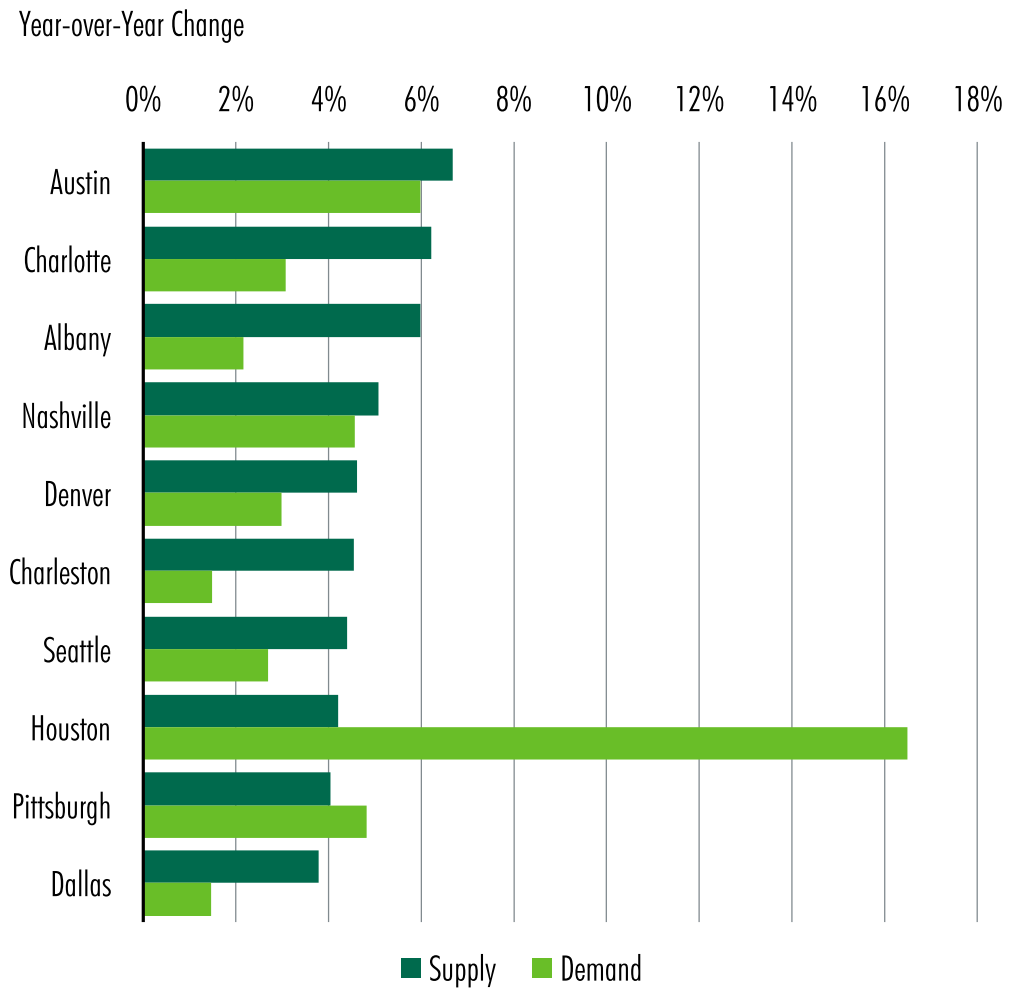
FIGURE 2
TOP-10 DEMAND GROWTH MARKETS WITH OCCUPANCY CHANGE



- Four of the top-five demand growth markets were in Texas or Florida, undoubtedly because of recent hurricanes.
- Supply growth outpaced demand in Austin and Nashville, resulting in lower occupancy.

Source: CBRE Hotels' Americas Research, STR, Q3 2017.

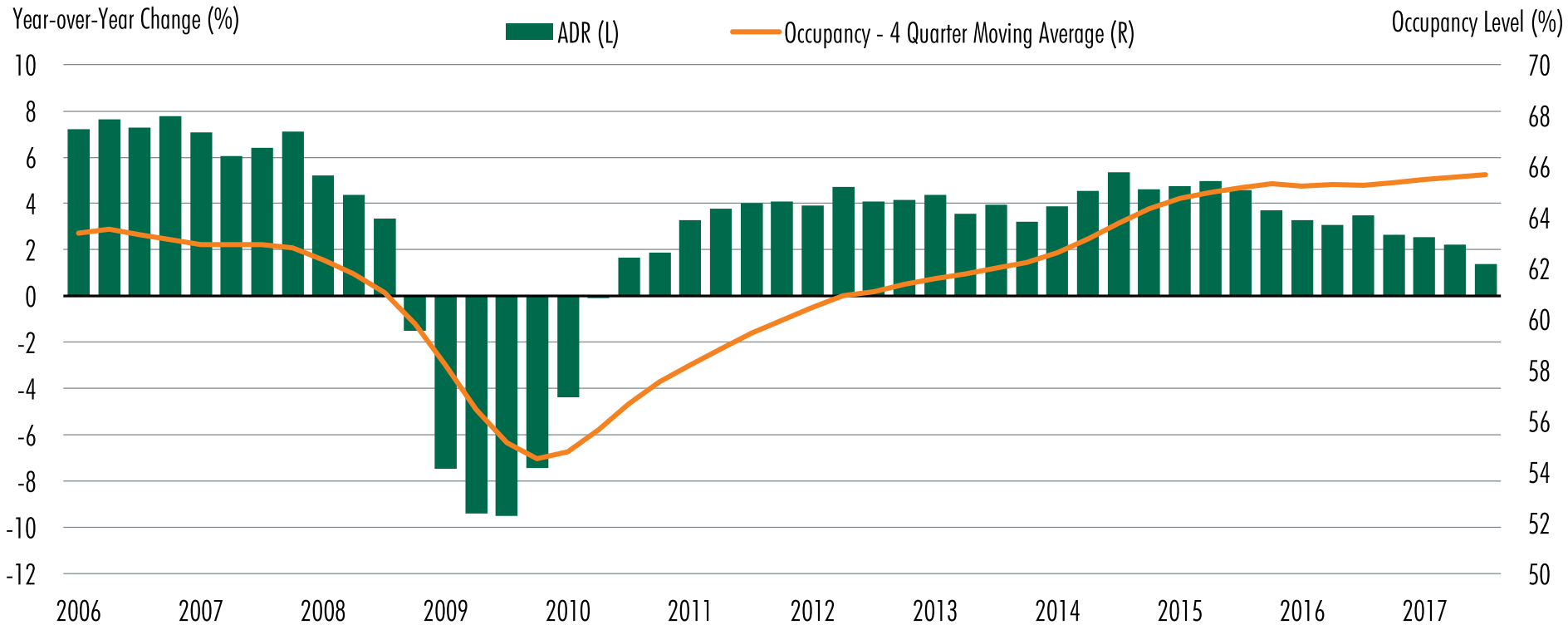
FIGURE 3
TOP-10 SUPPLY GROWTH MARKETS WITH DEMAND CHANGE



- Eight of the top-10 supply growth markets also had demand growth of more than 2%.
- Of the top-10 supply growth markets, only Houston and Pittsburgh had demand growth that exceeded supply growth.

Source: CBRE Hotels' Americas Research, STR, Q3 2017.

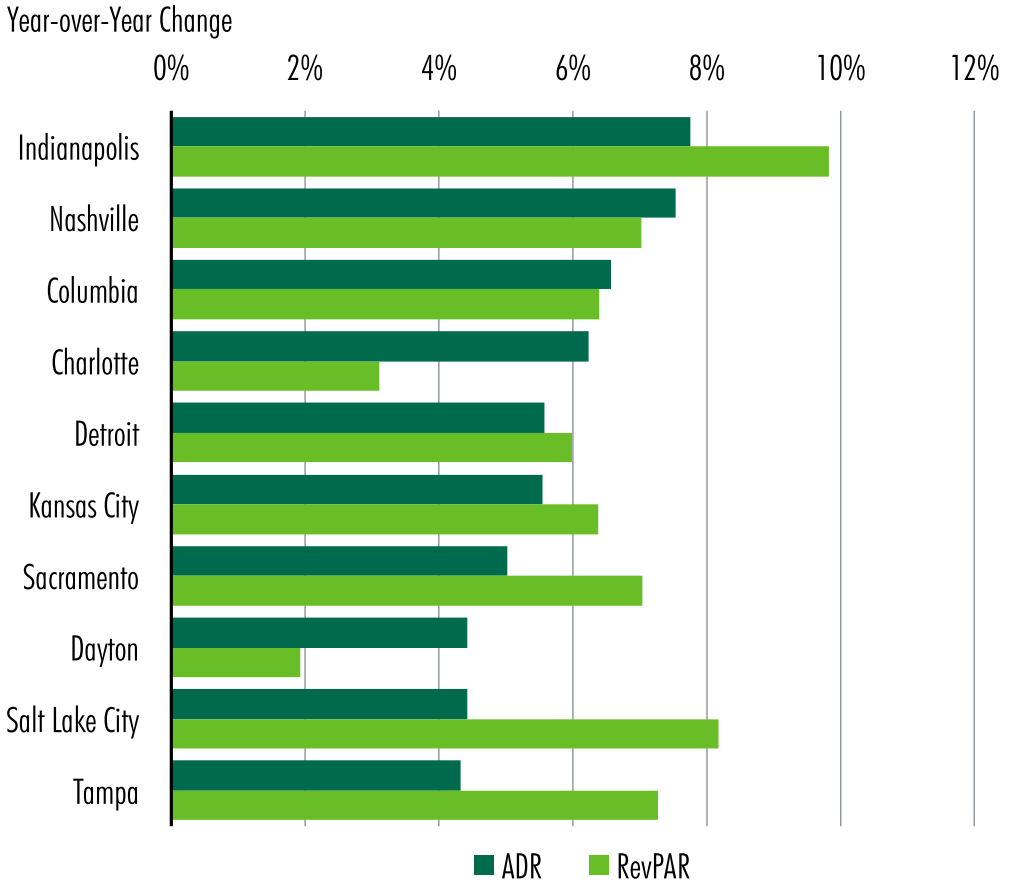
FIGURE 4
U.S. OCCUPANCY AND ADR CHANGE



Source: CBRE Hotels' Americas Research, STR, Q3 2017.

- Although historically correlated, ADR growth and occupancy began diverging in 2015. Possible explanations include the increased use of on-line travel agencies, the spread of the sharing economy and more sophisticated revenue management.
- This divergence reached a new high in Q3 2017, as occupancy hit an all-time high and ADR growth fell to its lowest level since 2010.

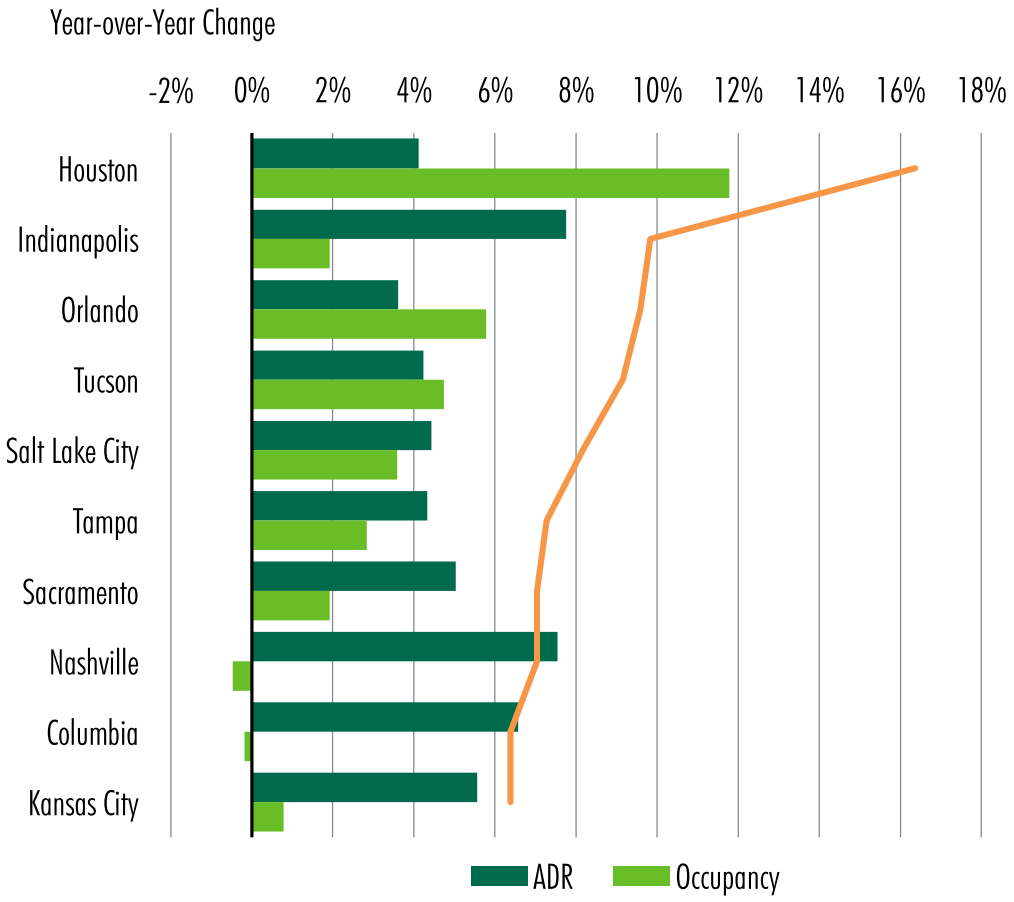
FIGURE 5
TOP-10 ADR GROWTH MARKETS WITH REVPAR CHANGE



- Of the top-10 ADR growth markets, only Dayton had RevPAR growth of less than 2% year over year.
- Six of the top-10 ADR growth markets had occupancy gains, which helped grow RevPAR.

Source: CBRE Hotels' Americas Research, STR, Q3 2017.

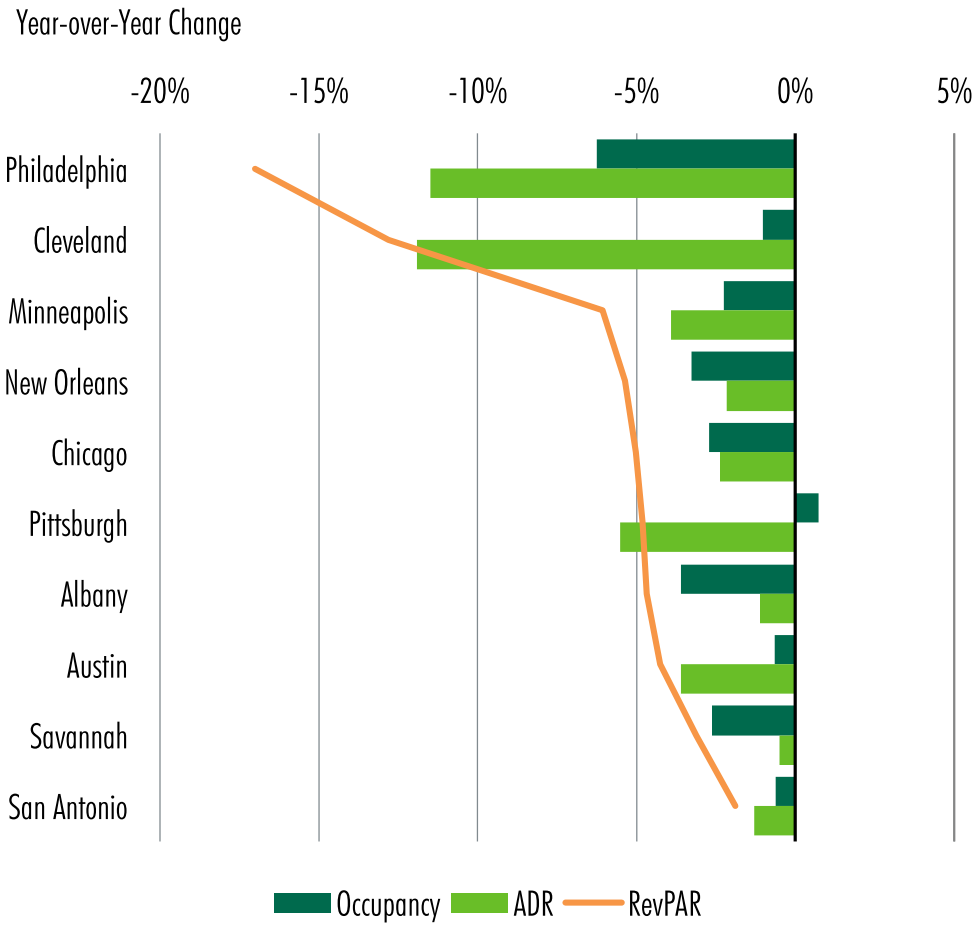
FIGURE 6
TOP-10 REVPAR GROWTH MARKETS: ADR AND OCCUPANCY CHANGE



- Seven of the top-10 RevPAR growth markets had ADR growth higher than occupancy growth.
- Nashville and Columbia had declining occupancy along with strong RevPAR growth.

Source: CBRE Hotels' Americas Research, STR, Q3 2017.

FIGURE 7
BOTTOM-10 REVPAR GROWTH MARKETS: ADR AND OCCUPANCY CHANGE



- Philadelphia and Cleveland had the largest RevPAR losses, predominately from declines in ADR.

Source: CBRE Hotels' Americas Research, STR, Q3 2017.

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