



HOST Almanac 2018

For the year 2017

Highlights



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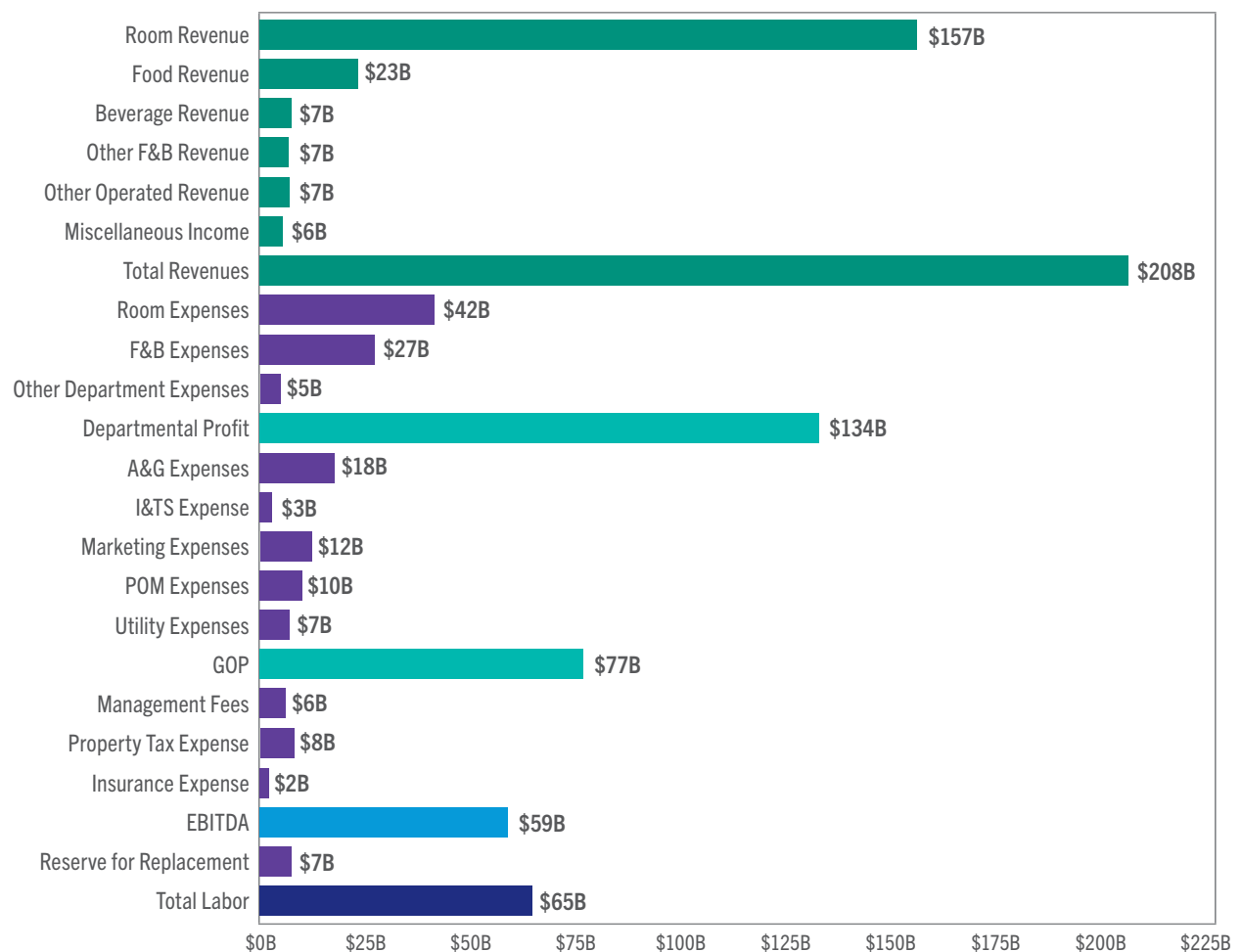
U.S. Lodging Industry Profitability

by Joseph Rael, Director of Financial Performance - STR

U.S. lodging industry revenues topped an estimated **\$208 billion** in 2017, increasing \$10 billion in revenue from 2016. Total industry-wide house profit reached **\$77 billion** in 2017. Total revenues and house profit again represent all-time highs for the industry. STR's HOST P&L program compiles data from over 9,000 hotels annually, including over 1,900,000 rooms globally.

While revenues are still growing, expense growth has topped revenue growth for the second year in a row. So while hotel profits continue to grow in most cases, profit margins have somewhat declined for the second consecutive year.

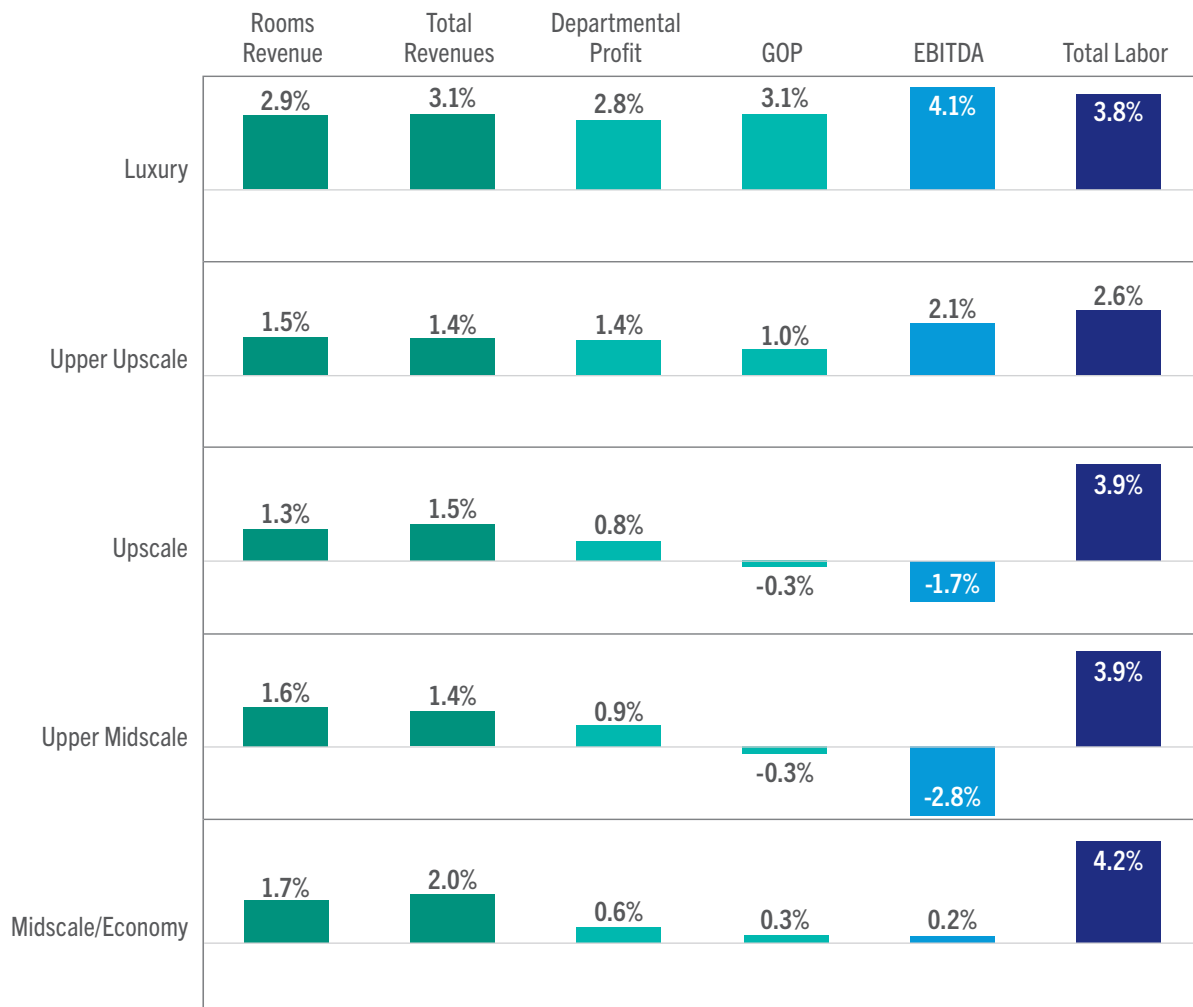
U.S. Lodging Industry Revenues and Profits



Same-Store Analysis

STR analyzed same-store growth rates for over 5,200 U.S. hotels that participated in the HOST program in 2017 and 2016. In this analysis, **gross operating profits (GOP) increased +1.0% on +1.9% total revenue growth**. Full-service hotels grew house profit +1.4%, while limited-service hotels realized a slight profit decline (-0.2%) from 2016 levels. Luxury hotels exhibited the greatest profit increases (+3.1%) by a wide margin, while Upscale and Upper Midscale Class segments both experienced profit declines of -0.3%.

2017 U.S. HOST P&L Profit Growth by Class





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HOST Program

Enhanced performance insights. Deeper market understanding.
Better business decisions.

What is STR's HOST Program?

The STR HOST (Hotel Operating Statistics) program includes a comprehensive set of annual reports based on data from more than 5,400 U.S. hotel operating statements. This set of products provides hoteliers with the necessary data to identify profitability trends and benchmark a property's revenues and expenses. Historical HOST data is available back to 1990.

HOST Products

Custom HOST Report

With STR's **Custom HOST Report**, clients can compare with a self-selected set of competitor hotels. This custom report includes two years of revenue and expense data. In addition, **5-Year Custom HOST Reports** are available to guide clients on profitability trends. Individual masked statements also are available.

HOST Profitability Spectrum

The **HOST Profitability Spectrum** demonstrates the full range of operating ratios (minimum, maximum, average and percentiles) for a specific hotel product of 25-50 hotels for each revenue and expense item.

Pricing

Custom HOST Report: **US\$600**
5-Year Custom HOST Report: **US\$850**
HOST Profitability Spectrum: **US\$850**
Comparative HOST Report: **US\$525**
HOST Profitability Scorecard: **US\$700**
Individualized HOST: **US\$500**

For Data Providers Only

Comparative HOST Report

Data providers can order a **Comparative HOST Report**, which includes performance data for their property in comparison with a self-selected comp set.

HOST Profitability Scorecard

The **HOST Profitability Scorecard** provides a percentile score for a subject hotel based on a set of 25-50 comparable hotels in each revenue and expense category. An overall grade is assigned as well based on the individual scores.

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Methodology

In the production of the HOST Almanac, as for any report that aggregates diverse financial statements, many decisions are made regarding data treatment and analysis. In order for this report to be of optimal benefit to the reader, it is necessary to describe some of our major decisions and general methodology.

First, data presentation in the HOST Almanac is based on the Uniform System of Accounts for the Lodging Industry (Eleventh Edition). In our data collection, both at the property and chain levels, we stress the importance of structuring the data to be consistent with the Uniform System. To the best of our ability, we make every property in our sample conform with that format. Those questionnaires that are not in a consistent format or those that do not provide us with sufficient detail are not used in the analysis. Second, when all the data is in the proper format, we apply error and reasonableness checks to ensure accuracy and identify outliers in the data.

All financial data is presented according to the three common measures of industry performance: ratio-to-sales (RTS), dollars per-available-room (PAR) and dollars per-occupied-room-night (POR). When analyzing segment results, it should be understood that each of these three measures are computed independently of each other. Some data are provided for fewer than 12 months or for unusual reporting calendars (e.g., 13 period years), although we do not use data from hotels that reported fewer than 9 months. Therefore, balancing the reported ratios across the three different performance measures for each line-item is difficult. Depending on the needs of the user, one of these measures may be more appropriate than the others for a particular revenue or expense category or type of hotel operation.

As stated above, all values presented are averages of individual property data. We feel this calculation to be most reflective of industry segments. Since not every property provides data for every line, weighting of the data, for any alternative calculation, is not possible.

Historical data on supply, demand, occupancy and average room rates presented in the preceding U.S. Lodging Industry Profitability article are taken from STR's comprehensive monthly survey of the U.S. hotel industry as reported in our monthly Hotel Review report. In our effort to make that reporting as accurate as possible, we constantly revise historical numbers to reflect changes to our database. For that reason, data presented in the current issue may not be the same as in previous editions.

Revisions to historical data stem from three separate issues. First, participants in our surveys revise their back data or fill in the gaps of missing data. Second, we constantly add new chains, management companies and individual properties to the program. When they start participating, we ask them to provide us with two years of historical data on each property. Finally, our national and regional results are driven by our weighting to reflect the current rate of distribution of each market. These three factors, when taken together, usually result in minimal changes to historical data.

Not all chains and properties report all fixed charges data to STR. Above the Gross Operating Profit (GOP) line, 100 percent of the properties were included. However, below the GOP line the values presented were based on responses from the sample received for each segment. Fixed charges data for those hotels that did report them are presented in the Supplemental Information section. Most hotels, however, do report the selected fixed charges of property taxes and insurance. Therefore, with the large sample of hotel financial statements collected, we believe the selected fixed charges data presented are representative of the total HOST sample.

Because we do not receive complete fixed charges data from all hotels, the detailed Statements of Operating Income & Expenses presented in the HOST Almanac now stop at at Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). This line is generally synonymous with Net Operating Income (NOI).

Total U.S. Summary	Total U.S.			Chain-Affiliated			Independent			Total U.S.
Occupancy (of Sample)	74.6%			74.9%			71.1%			Same Store Analysis
Average Size of Property (Rooms)	194			195			177			
Average Daily Rate	\$168.21			\$165.65			\$208.94			
	Ratio-to-Sales	Per-Available-Room	Per-Occupied-Room Night	Ratio-to-Sales	Per-Available-Room	Per-Occupied-Room Night	Ratio-to-Sales	Per-Available-Room	Per-Occupied-Room Night	2017 Variance from 2016
REVENUE										
Rooms	69.8%	\$45,660	\$168.21	70.7%	\$45,083	\$165.65	59.9%	\$54,469	\$208.94	1.8%
Food	14.5	9,458	34.84	14.1	8,995	33.05	18.2	16,528	63.40	0.8
Beverage	4.5	2,953	10.88	4.3	2,710	9.96	7.3	6,666	25.57	3.2
Other Food & Beverage	4.7	3,089	11.38	4.8	3,053	11.22	4.0	3,626	13.91	1.0
Other Operated Departments	3.8	2,467	9.09	3.5	2,227	8.18	6.7	6,118	23.47	2.7
Miscellaneous Income	2.7	1,789	6.59	2.6	1,673	6.15	3.9	3,557	13.64	8.8
Total Revenue	100.0%	\$65,415	\$240.99	100.0%	\$63,741	\$234.21	100.0%	\$90,964	\$348.93	1.9%
DEPARTMENTAL EXPENSES										
Rooms	25.8%	\$11,778	\$43.39	25.4%	\$11,470	\$42.14	30.2%	\$16,476	\$63.20	3.3%
Food & Beverage	71.6	11,096	40.88	71.3	10,521	38.66	74.1	19,865	76.20	1.5
Other Operated Departments	76.2	1,879	6.92	77.3	1,721	6.32	70.1	4,288	16.45	3.8
Total Departmental Expenses	37.8%	\$24,752	\$91.19	37.2%	\$23,712	\$87.13	44.7%	\$40,629	\$155.85	2.5
Total Departmental Profit	62.2%	\$40,663	\$149.80	62.8%	\$40,029	\$147.08	55.3%	\$50,335	\$193.08	1.5%
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	7.8%	\$5,115	\$18.84	7.7%	\$4,894	\$17.98	9.3%	\$8,493	\$32.58	0.3%
Information & Telecommunications Systems	1.5	962	3.55	1.5	963	3.54	1.1	958	3.68	13.6
Marketing	6.5	4,255	15.67	6.6	4,191	15.40	5.8	5,232	20.07	1.7
Franchise Fees	2.1	1,368	5.04	2.3	1,441	5.29	0.3	268	1.03	4.3
Utility Costs	3.1	2,052	7.56	3.1	2,007	7.37	3.0	2,744	10.53	1.3
Property Operations & Maintenance	4.2	2,770	10.20	4.2	2,666	9.80	4.8	4,358	16.72	2.1
Total Undistributed Operating Expenses	25.3%	\$16,523	\$60.87	25.4%	\$16,161	\$59.38	24.2%	\$22,052	\$84.59	2.1%
GROSS OPERATING PROFIT	36.9%	\$24,140	\$88.93	37.4%	\$23,868	\$87.70	31.1%	\$28,282	\$108.49	1.0%
Management Fees	3.4	2,203	8.12	3.5	2,208	8.11	2.3	2,130	8.17	6.4
INCOME BEFORE FIXED CHARGES	33.5%	\$21,936	\$80.81	34.0%	\$21,660	\$79.59	28.7%	\$26,152	\$100.32	0.5%
Selected Fixed Charges										
Taxes	3.6%	\$2,378	\$8.76	3.7%	\$2,356	\$8.66	3.1%	\$2,725	\$10.45	4.1%
Insurance	0.9	596	2.20	0.9	562	2.06	1.2	1,127	4.32	(5.7)
EBITDA	29.0%	\$18,962	\$69.85	29.4%	\$18,743	\$68.87	25.6%	\$22,300	\$85.54	1.2%
Reserve for Replacement	2.1%	\$1,369	\$5.04	2.2%	\$1,388	\$5.10	1.4%	\$1,084	\$4.16	8.8%

NOTES: Ratio-to-Sales (RTS) based on Total Revenue, except Departmental Expenses. Per-Available-Room (PAR) based on total number of hotel rooms. Per-Occupied-Room night (POR) based on total number of occupied rooms. EBITDA shown only includes property taxes and insurance, not all fixed expenses or non-operating expenses included. Refer to page 7 for notes on this year's same-store analysis.