

Duff on Hospitality Law

2013 Lodging Industry Forecasts and Other Highlights from the 2013 ALIS Conference

By Greg Duff on 1.30.13 | Posted in Conference Notes

Last week saw another Americas Lodging Investment Summit come and go. Over the course of 3 days, nearly 2500 lodging owners, operators, investors, consultants and other industry members descended on host hotel JW Marriott and the surrounding LA Live attractions. The 2500 attendees were the third highest in ALIS history, nearing the peak achieved back in 2006 and 2007 prior to the recession.

From the many attendees I spoke with during the course of the Conference, I'd describe the mood of most attendees as incredibly optimistic. With operating fundamentals expected to continue to improve in 2013 and beyond (more on this later) and supply growth expected to stay below the industry's 30-year average, there was much to celebrate. From the discussions I had, many owners and operators are looking at 2013 as a year of incredible growth.

While I usually don't make many of the sessions while at the Conference, the one session I try to make each year is the annual industry forecast. This year's forecast entitled, "The Numbers – Where Are We Now and Where Are We Headed?" featured presentations by Randy Smith (Smith Travel Research), Mark Woodworth (PKF Consulting), Art Adler (Jones Lang LaSalle) and Adam Weissenberg (Deloitte & Touche). Highlights from Randy Smith's presentation included . . .

- Since 2010, U.S. lodging demand has increased at an annual rate of 15.7%
- December 2012 set a new U.S. lodging demand record – 91.7 million guest rooms
- It has taken approximately 5 ½ years to restore U.S. ADRs from the peak achieved in 2007

As to Randy's industry forecast, he provided one of the most conservative forecasts among the many presented or released over the course of the Conference: **Forecast 2013 2014** ADR 5.7% 6.0% Supply 1.0% 1.5% Demand 1.8% 2.8% Occupancy .8% 1.3% RevPAR 4.9% 4.6%

In contrast, Mark Woodworth's forecast was notably more bullish . . . **Forecast 2013 2014**
Supply .8% 1.4% Demand 1.8% 3.5% ADR 5.0% 6.2% Occupancy 62.1% 63.4% RevPAR 6.0
8.4

In Mark's words, he sees "nothing" in the immediate future that causes him concern with respect to the industry's overall economic performance. According to Mark, the current industry recovery probably won't peak (at which time greed sets in and developers create unsupportable levels of new supply) until 2017. Mark's presentation is available [here](#).

As you might expect, Art Adler's presentation focused on transactions and transaction volumes. Highlights from Art's presentation included the following:

- U.S. transaction volume in 2012 totaled \$17.5 billion, with one third of U.S. transactions occurring in five key gateway markets – NY, SF, Chicago, Washington D.C. and Miami
- REITS and private equity drove the majority of transactions in 2012 – responsible for 70% of all U.S. asset transactions
- Approximately \$60 billion (leveraged) remains on the industry sidelines awaiting appropriate investment opportunities
- Transaction volumes will continue to grow each year by approximately 10% through 2016, with 2013 U.S. volumes expected to total \$18.5 billion

A complete copy of Art's presentation can be found [here](#).

The fourth and final presentation by Adam Weissenberg was one of the most interesting. Adam reported the results of a recent traveler survey conducted last fall by Deloitte regarding guest loyalty. Most notably, the survey revealed the incredible erosion in traveler loyalty and that loyalty programs (once thought by many to be the pillar of any good lodging brand) contribute little to long-term loyalty and in some instances may actually create disloyalty. What wasn't surprising was the importance the survey placed on generating loyalty through personalized guest experiences.

So what do you think? Do you agree with these forecasts? Many of those I spoke with at the Conference questioned whether supply growth would continue at such anemic levels with fundamentals continuing to improve. [Email me](#) your thoughts.

Finally, for those of you familiar with our annual "State of the Northwest Lodging Industry" conference held in Seattle and Portland each spring, we are in the final planning stages for this year's conference. If you have not yet received your Save the Date and are interested in attending, please [shoot me an email](#) so we can add you to the invitation list.

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