May 10, 2011

U.S. Performance & Future of Hospitality & Spa

Prepared for:

NYSPA Alliance 2011

by
Andrea Foster, VP and National Director of Spa Consulting
PKF Consulting

Accelerating success.

PKF HOSPITALITY RESEARCH

Who We Are

- PKF Consulting USA
- PKF Hospitality Research
  - Trends in the Hotel Industry – USA Edition
  - Hotel Horizons
  - BenchMARKER
  - Trends in the Hotel Spa Industry
- www.pkfc.com

Looking Good & Getting Better

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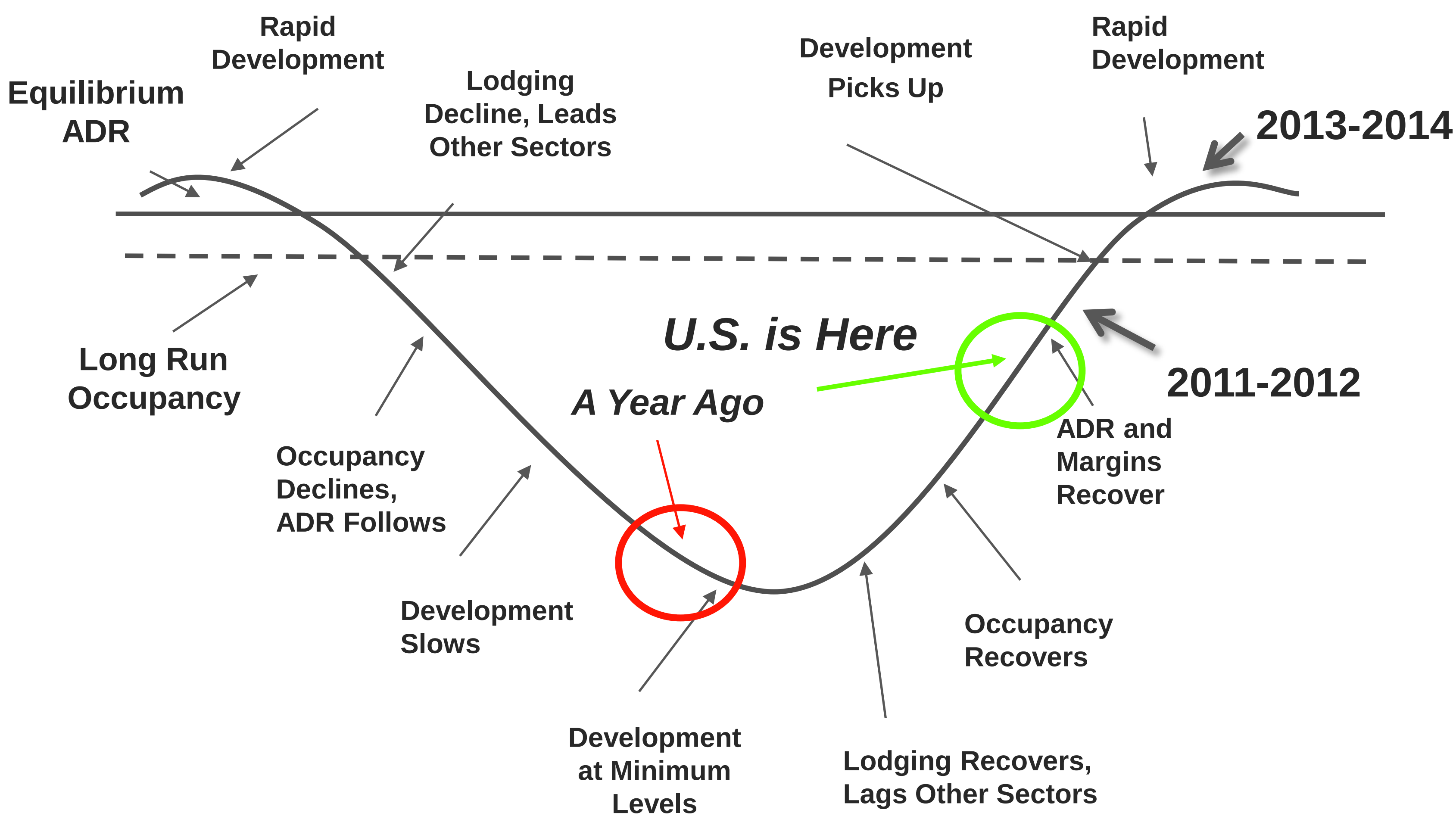
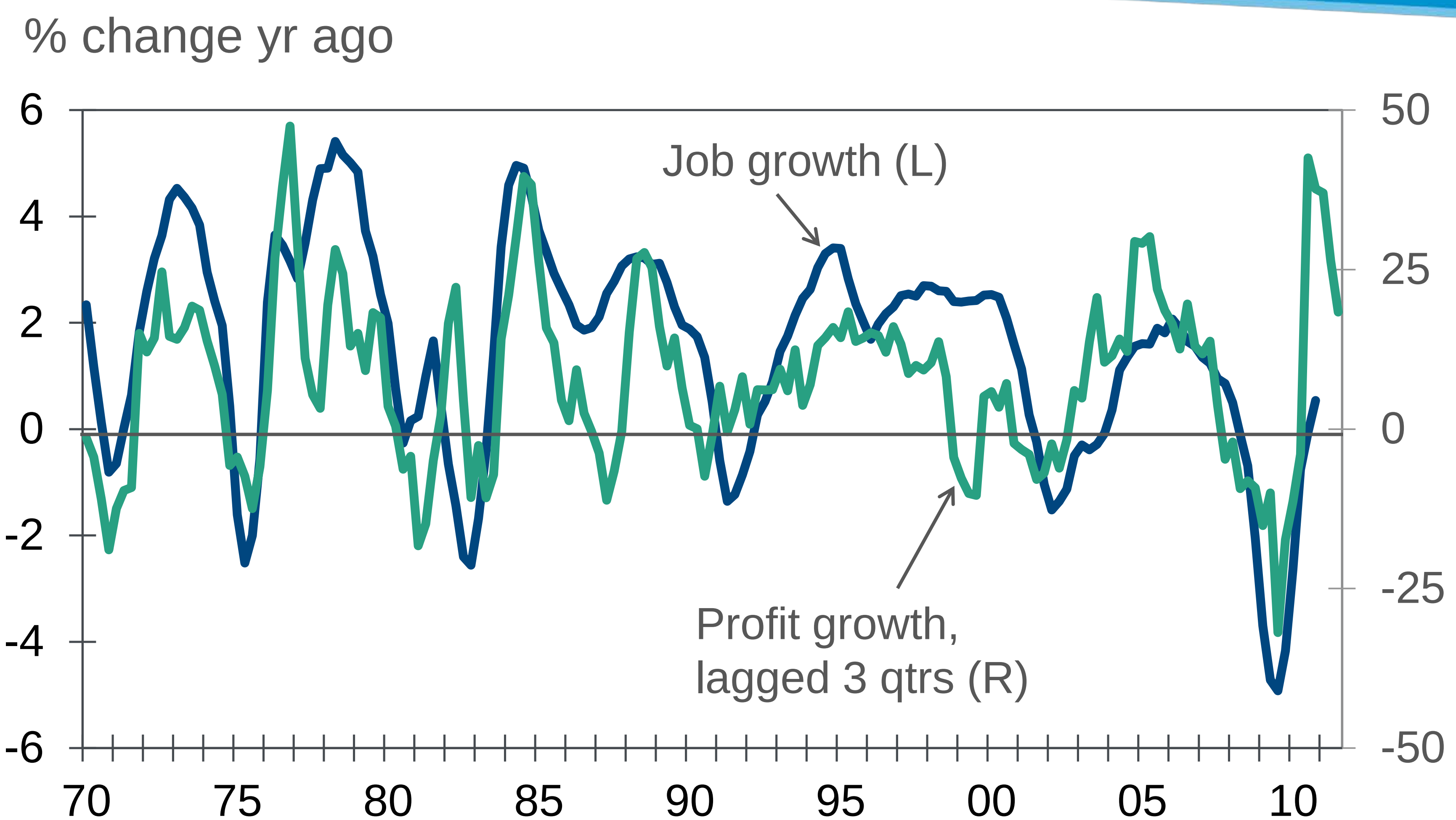
1. **The lodging cycle, economy and spending patterns.**
2. National lodging performance & forecast.
3. Closer to home: NY, resort hotel & hotel spa performance.
4. What have we learned, and how are we adapting?

The Hotel Market Cycle

Moving Along the Road to Recovery



Profits Surge and Jobs Should Follow…



Sources: BLS, BEA

…Although More House Price Declines Will be a Drag

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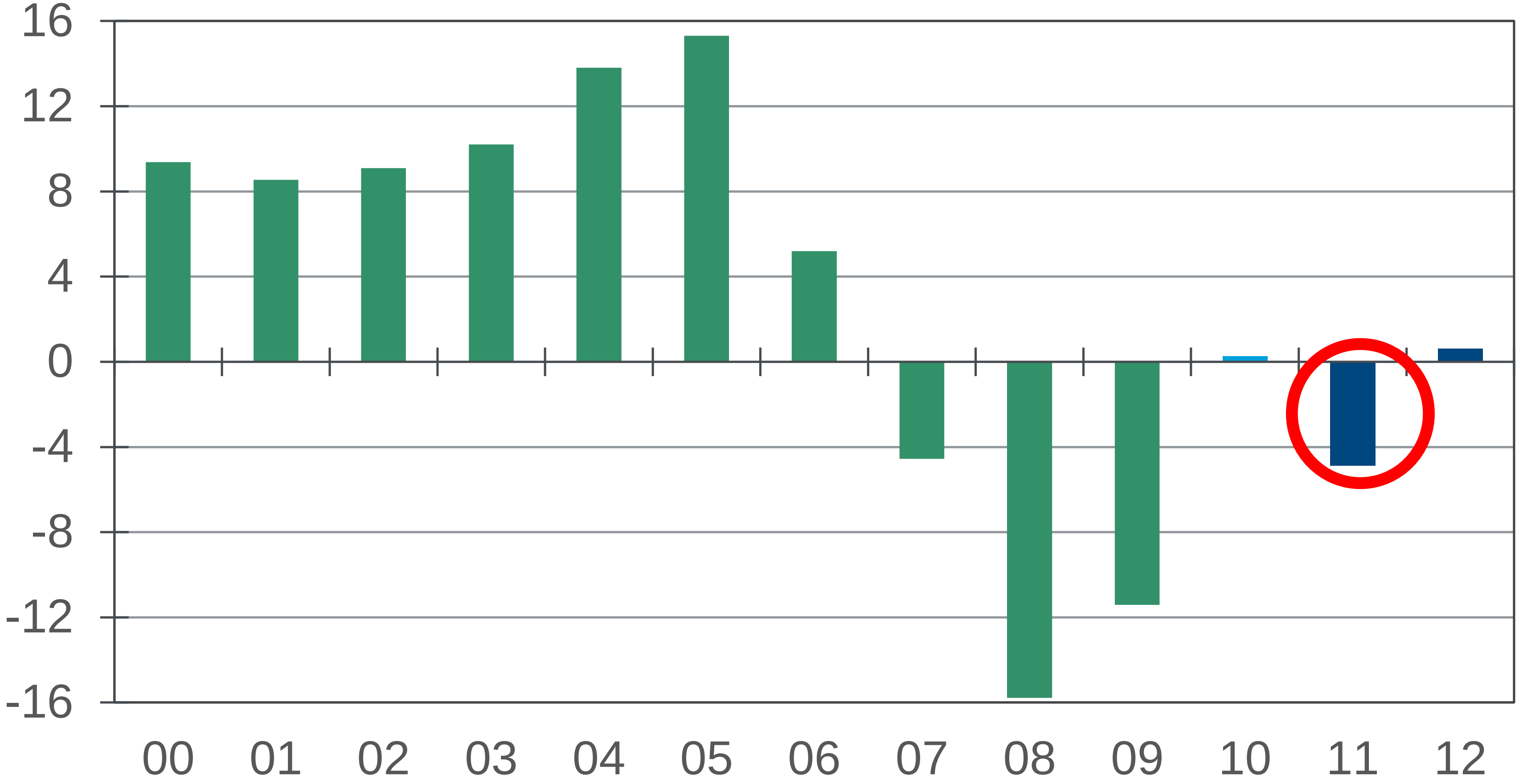
Case Shiller® Home Price Index, 2000Q1=100



Sources: Fiserv, Moody's Analytics

Consumers Are Making Tough Decisions
The Oil Spike of 2005

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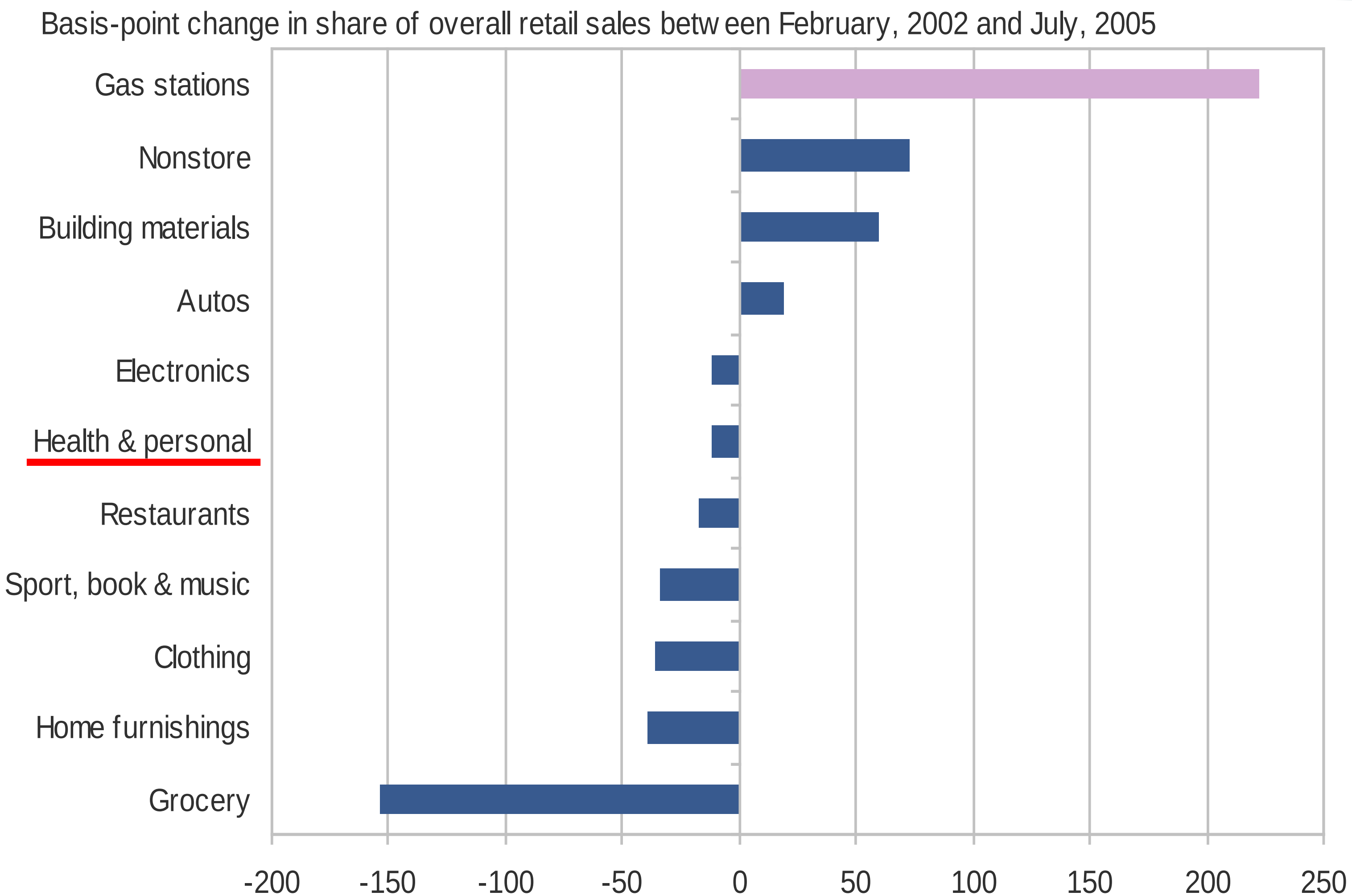
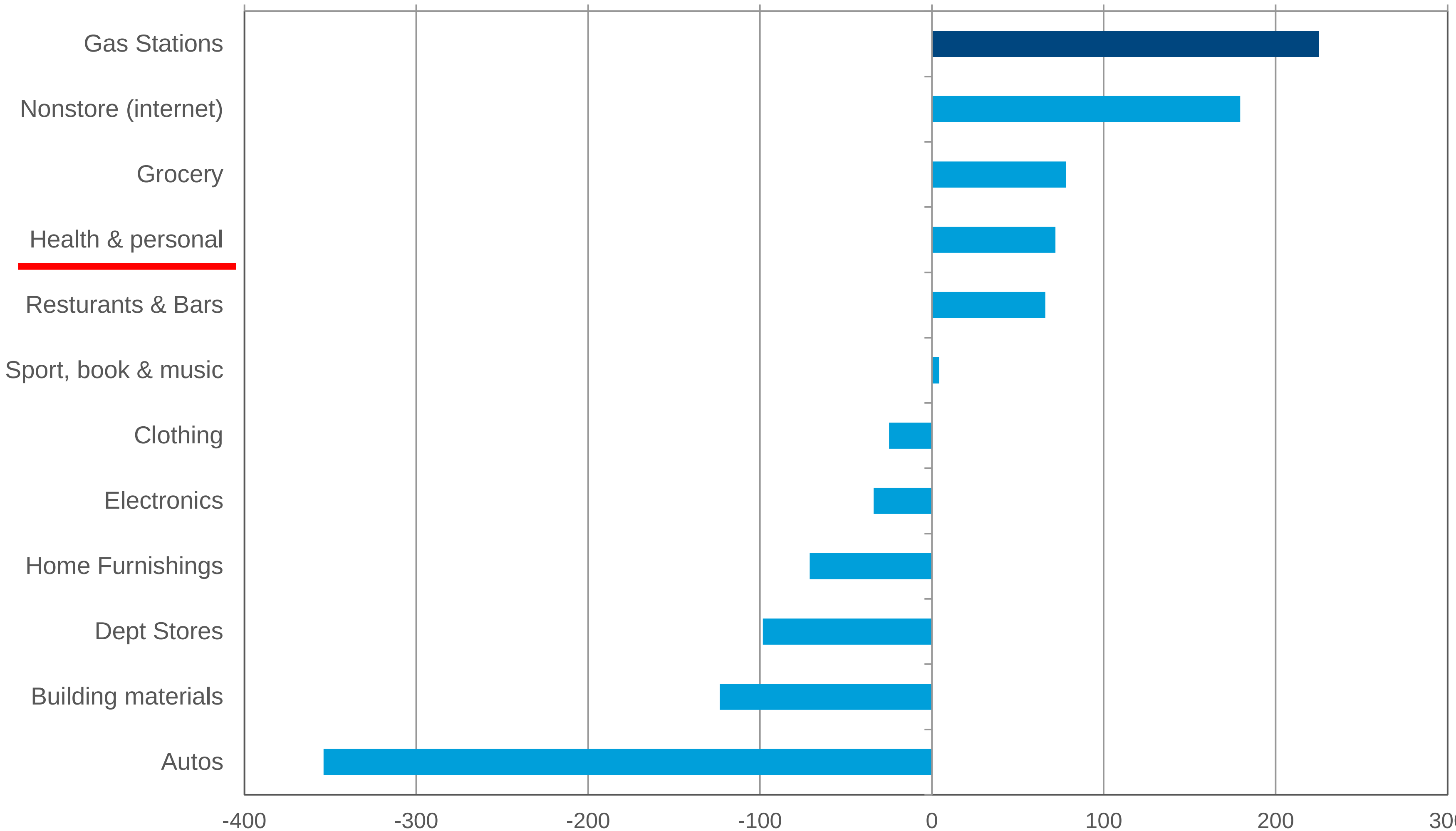


Source: U.S. Census Bureau

A Different Reaction this Time Around

Basis-point change in share of overall retail sales between January, 2007 and March, 2011



Source: U.S. Census Bureau

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Peaceful, Happy Thoughts

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History:

- # of Consecutive Quarters of Increases

Δ Demand	– 5 Quarters
Δ Occupancy	– 5 Quarters
Δ ADR	– 4 Quarters
Δ RevPAR	– 4 Quarters

Forecast:

- # of Consecutive Quarters above (below) Long Run Average

Δ Demand (1.5%)	– 11 Quarters
Δ (Supply) (2.2%)	– 14 Quarters
Δ ADR (2.9%)	– 19 Quarters (as far as we can see)
Δ RevPAR (2.3%)	– 19 Quarters (ditto)

National Horizon - Forecasts through 2012

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	Long Term Average	2006	2007	2008	2009	2010	2011F	2012F
Supply	2.2%	0.2%	1.3%	2.5%	3.0%	1.9%	0.4%	0.5%
Demand	1.5%	0.5%	0.7%	-2.5%	-6.1%	7.7%	5.2%	5.3%
Occupancy	62.2%	63.1%	62.8%	59.8%	54.5%	57.6%	60.3%	63.2%
ADR	2.9%	7.6%	6.4%	2.9%	-8.5%	-0.2%	2.6%	5.8%
RevPAR	2.3%	7.9%	5.9%	-2.1%	-16.6%	5.4%	6.8%	7.6%

Severe Rate Discounting Set the Stage

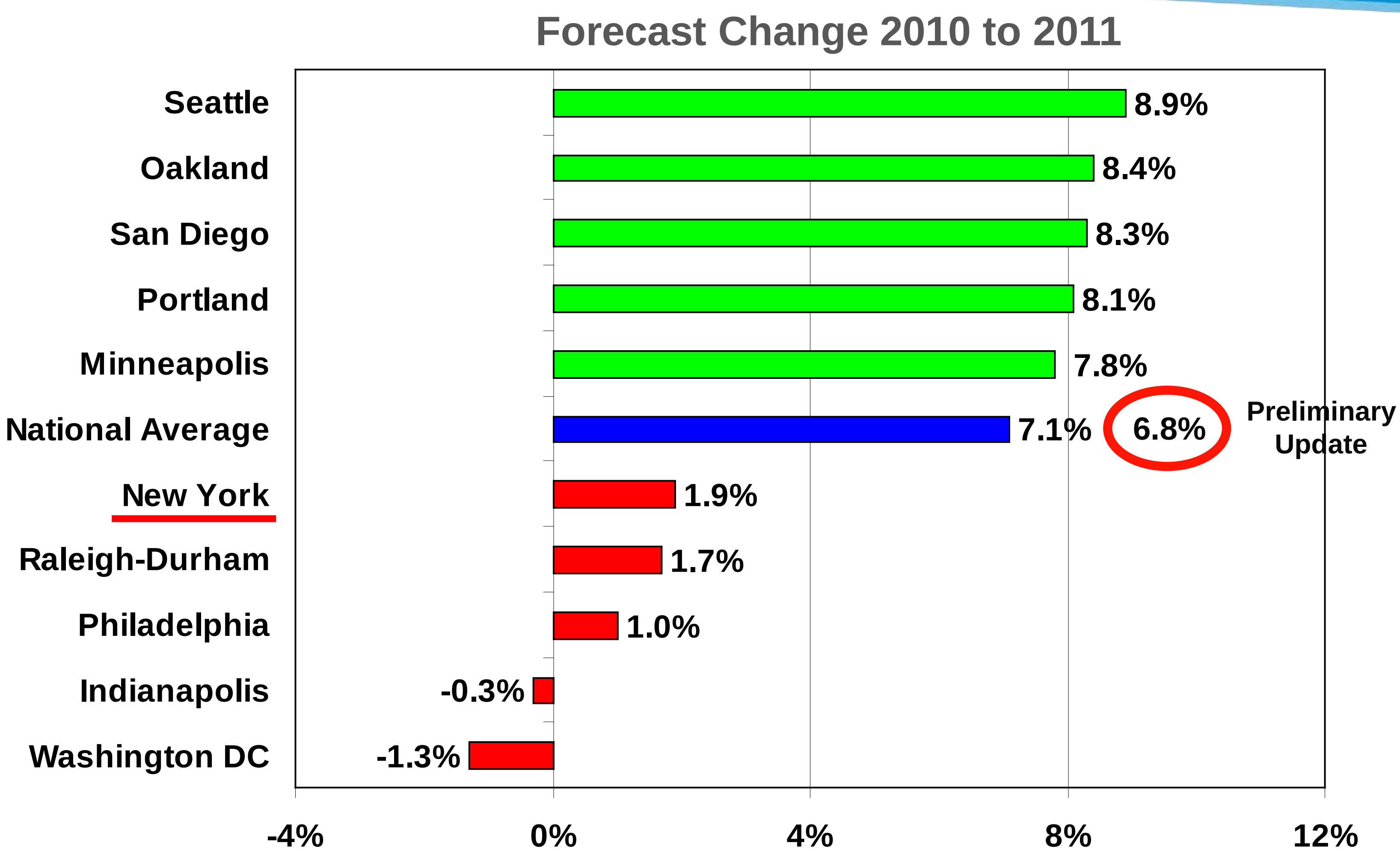
For a Record Decline

And a Quicker Demand Turnaround

Surpasses Long Run Average

Source: PKF Hospitality Research – June-August 2011Horizons® Report (preliminary), Smith Travel Research

U.S. Hotel Markets
Greatest and Least Change in RevPAR



Source: Colliers PKF Hospitality Research, March - May 2011 *Hotel Horizons®* report.

Luxury Hotels - Top 50 U.S. Markets

	2009	2010	2011 F	2012 F
Occupancy	61.4%	66.2%	68.4%	69.4%
% Change	-8.3%	+7.8%	+3.3%	+1.5%
ADR	$244.58	$249.63	$264.98	$286.76
% Change	-16.5%	+2.1%	+6.2%	+8.2%
RevPAR	$150.17	$165.26	$181.19	$199.09
% Change	-23.4%	+10.1%	+9.6%	+9.9%

Source: PKF – HR, STR

Upper Upscale Hotels - Top 50 U.S. Markets

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	2009	2010	2011 F	2012 F
Occupancy	63.6%	67.7%	69.1%	70.5%
% Change	-7.0%	+6.4%	+2.2%	+2.0%
ADR	$143.13	$142.15	$148.95	$156.85
% Change	-11.2%	-0.7%	+4.8%	+5.3%
RevPAR	$90.97	$96.18	$102.99	$110.58
% Change	-17.4%	+5.7%	+7.1%	+7.4%

Source: PKF – HR, STR

Upscale Hotels - Top 50 U.S. Markets

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	2009	2010	2011 F	2012 F
Occupancy	60.9%	65.4%	67.1%	69.4%
% Change	-8.2%	+7.3%	+2.7%	+3.4%
ADR	$108.66	$106.96	$110.45	$117.64
% Change	-9.8%	-1.6%	+3.3%	+6.5%
RevPAR	$66.20	$69.95	$74.15	$81.66
% Change	-17.3%	+5.7%	+6.0%	+10.1%

Source: PKF – HR, STR

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Upper-Priced Hotels – New York

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	2009	2010	2011 F	2012 F
Occupancy	78.4%	82.2%	79.4%	81.9%
% Change	-5.0%	+4.6%	-3.4%	+3.2%
ADR	$237.37	$254.36	$267.44	$280.55
% Change	-22.1%	7.2%	5.1%	4.9%
RevPAR	$186.58	$209.12	$212.35	$229.79
% Change	-26.0%	12.1%	1.5%	8.2%

Source: PKF – HR, STR

Hotels in Resort Locations – U.S.

	2009	2010	2011 F	2012 F
Occupancy	56.7%	59.3%	63.8%	67.5%
% Change	-7.5%	+4.6%	+7.6%	+5.8%
ADR	$129.93	$129.35	$134.36	$143.32
% Change	-11.7%	-0.5%	+3.9%	+6.7%
RevPAR	$73.65	$76.71	$85.70	$96.74
% Change	-18.3%	+4.1%	+11.7%	+12.9%

Hotels located in resort areas where the primary source of business is from leisure destination travel.

Source: PKF – HR, STR

Hotel Spa Performance – 2010 vs. 2011*

	2009	2010
Occupancy	58.7%	63.2%
ADR	$240.81	$236.48
RevPAR	$141.41	$149.57
Spa RevPAR	$4,657	$4,072
Spa RevPOR	$21.73	$17.64
Dept Income	32.0%	20.8%

Preliminary data. Aggregated results of 103 hotel properties with spa operations over $500K in annual revenue, with a weighted average of 409 rooms.

Source: PKF – HR, STR

Lifelong Learning

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Adapting to Change

How did your spa[s] handle the downturn?

> New sources of revenue?
> Ways to increase spend?
> New ways to capture clientele?
> Creative marketing techniques?
> Pricing or yield changes?

And what did you learn as a result?

Catching the Wave

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This year, how are you shifting to capture increased hotel/resort occupancy into your spa[s]?

> Services?
> Marketing?
> Pricing?
> Yielding?
> Other areas of impact?

Positioning for the Future

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Now and into the future, how do we open up new spa markets – finding new spa-goers?

> What are you doing – or planning – in your spa[s]?

> What conceptual ideas do you have to share?

Trends in the Hotel Spa Industry Report

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Trends in the Hotel Spa Industry has been published annually since 2007.

The report is a statistical review incorporating operational and financial data on hotel spas in the United States.

Hotel spas are categorized into resort spas and urban spas; and reported in revenue groupings over $3M, between $1M-3M, and <$1M.

Participating spas receive a **complimentary** copy of the report. To participate, please contact Andrea Foster at **andrea.foster@pkfc.com**.

Thank you for your time.

Andrea Foster: Andrea.Foster@pkfc.com