HOTSTATS
Hospitality Intelligence

PROFIT MATTERS:

U.S. Annual Hotel Performance Tracker

2019

HOTSTATS
Hospitality Intelligence

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WELCOME

More than a century ago, oil became the hottest commodity to sweep the globe. It powered much of everyday life and continues to help drive modern society. Like the oil boom, a new digital era has birthed today's most transformative and valuable resource: data. It powers our decisions, helping remove guesswork from the equation. Data is the new oil.

In the hospitality industry, data is the strongest currency because hunches just don't cut it any longer. The more data you have, the better positioned your hotel is for success. This is especially true as the industry continues to be faced with myriad challenges—both micro and macro—from the impact of tax reform and interest-rate vacillation, to intermediaries and the rising cost of labor.

Like any business, a hotel's success or failure is measured on profit and loss: the ability to maximize revenues while simultaneously containing costs. In order to achieve that balance, hotel owners, operators and asset managers need detailed, robust and actionable data they can use to deliver operational efficiency across the board, across all departments.

That is where HotStats comes in; the sabermetrics of the hotel industry, if you will. We take a statistical approach to hotel industry analysis in order to evaluate and compare performance.

We are proud to publish findings from our second annual "Profit Matters: Annual Hotel Performance Tracker," which presents comprehensive monthly data for the full calendar year 2018. In this publication, we look at revenue and expense composition and the trends that are impacting the ability of hoteliers to propel profitability—from the room and F&B departments' effect on TRevPAR to the efficiency of operators to drive margin.

The data is drawn from our comprehensive hotel profit-and-loss benchmarking service, which tracks operational hotel performance on a month-by-month basis to a level of detail that comprises more than 500 key performance indicators.

How we do it? We compile detailed trial balance data and, through intricate mapping and analysis, ensure the greatest levels of comparability, in compliance with the 11th edition of the Uniform System of Accounts for the Lodging Industry (USALI).

What we offer? All this data allows us to outfit the collective industry with benchmarking and market reporting on a granular level and in a manner conducive to apple-to-apple comparison.

Last year, we launched in the U.S. and in just a year's time have exponentially multiplied our data sets. The more data we receive, the better we are able to serve the industry. In that way, our success is dependent on the industry buying into the profitability benchmarking concept. We think it is!

We look forward to the continued rollout of our service and the further inclusion of hotels to enrich our offerings. In order to further unlock value, we invite you to join our platform and discover how implementing full profit-and-loss performance analysis is one step closer to a successful, profitable bottom line. Because in today's competitive landscape, data benchmarking is the trump card.

David Eisen
Director of Hotel Intelligence
& Customer Solutions, HotStats

UNITED STATES

Profits up as hoteliers grab hold of costs

Despite deafening outside noise over a shaky domestic economy, interest-rate hikes, China trade tensions and disagreement over immigration policy—not to mention, the wall—the U.S. hotel industry appears to have deftly navigated 2018, coming out profitable on the other side.

Full-service hotels achieved a 3.4-percent increase in profit growth, or GOPPAR, over the same period last year, to $97.87. Hotels achieved this growth off of flat to slightly positive top-line numbers, illustrating the skill of hoteliers to flow revenue down to the bottom line.

Year-over-year RevPAR bounced up 2.4 percent, driven primarily by rate growth, which increased 2.6 percent over the same year prior. Occupancy, however, was off slightly, dropping 0.1 percentage points over 2017 to 77.2 percent.

Hoteliers also found other ways to drive revenue; for instance, in food and beverage, which, on a per-available-room basis grew 2.8 percent YOY. Growth in F&B and other departments, such as Conference and Banqueting, led to higher TRevPAR, which grew 2.9 percent over the same period last year to $259.10.

While ominous cries of slowing growth bandied about, on a profit spectrum, hoteliers came out on top. Profit margins for the year were up 0.2 percentage points to 37.8 percent of total revenue.

And though rhetoric coming out of Washington, D.C., in 2017, may have dissuaded some overseas travelers to come to the U.S., leisure volume mix grew 0.2 percentage points to 24.4 percent, a sign that both domestic and international travelers see the U.S. as a viable leisure destination. Conversely, corporate demand dropped in 2018 by 0.2 percentage points, a signal of businesses pulling back on travel, even after President Trump's tax reform plan, which cut corporate taxes by 14 percentage points, was passed in December of 2017.

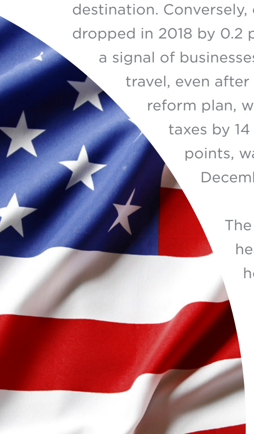
The year did present headwinds for hoteliers—some of which will likely carry through 2019. Escalating labor costs—a symptom of low unemployment and wage growth—were top of mind for hoteliers in 2018, but the data suggest that payroll expenses are retarding. As a percentage of total revenue, payroll costs climbed 0.2 percentage points over the year prior to 34.9 percent. The YOY percentage-point increase was slight compared to 2018 versus 2017, when the percentage-point increase was a much greater 1.6. The regression points to hoteliers getting a better hold on scheduling, seasonality and cross-training measures. Further, and evidenced by the high occupancy rate, staffing is a challenge when operating at near-peak levels.

Meanwhile, other operating costs have more or less stabilized. Costs within undistributed departments, including Property & Maintenance, Sales & Marketing and Admin. & General, were flat to down in 2018 over the year prior.

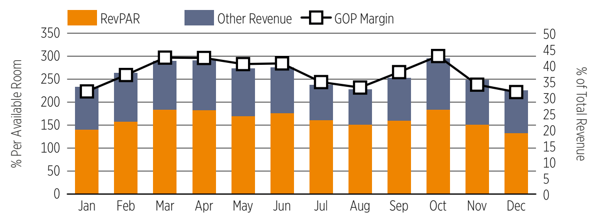
What is, then, in store for 2019? Hotel owners and operators would be happy to take more of the same, but danger does lurk. While inflation or recession shouldn't prove to be issues, the U.S. economy is slowing down, some suggest. The days of 3 percent GDP growth are over. Estimates forecast GDP growth of below 2 percent in the first quarter and around 2.5 percent in the second quarter. A large culprit for the enervated growth is a slowdown in both the economies of Europe and China.

And while labor costs were not as big an issue in 2018 as some might have expected, 20 states will raise their minimum wages in 2019. Big-box retailers like Target and Walmart have already raised their minimum wages and promised future increases, putting pressure on other industries to keep up.

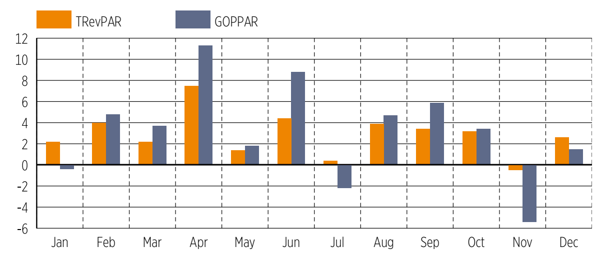
In this environment, a facsimile of 2018 might not be such a bad thing after all.



Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)



Key Performance Indicators	2018	2017	VAR
Occupancy %	77.2%	77.3%	-0.1 pts
Average Room Rate $	209.42	204.14	2.6%
RevPAR $	161.69	157.85	2.4%
TRevPAR $	259.10	251.78	2.9%
Total Labor Costs % Total Rev	34.9%	34.7%	0.2 pts
Total GOPPAR $	97.87	94.64	3.4%
Total GOP % Total Rev	**37.8%**	**37.6%**	**0.2 pts**

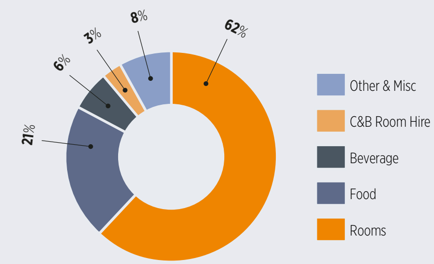
Revenue Growth **2.9%**

Payroll Growth **0.2pts**

Profit Growth **3.4%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	161.7	157.9	2.4%
Rooms Cost of Sales % Rooms Rev	4.0%	4.0%	0
Rooms Expenses % Rooms Rev	5.5%	5.5%	0
Rooms Labor Costs % Rooms Rev	16.3%	16.1%	0.2
Rooms Dept. Profit % Rooms Rev	**74.2%**	**74.4%**	**-0.2**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	77.53	75.41	2.8%
Food Cost of Sales	16.7%	17.1%	-0.4
Beverage Cost of Sales	17.9%	18.1%	-0.2
F&B Expenses % Total F&B Rev	5.9%	5.9%	0
F&B Labor Costs % Total F&B Rev	46.8%	46.7%	0.1
F&B Dept. Profit % F&B Rev	**31.7%**	**31.5%**	**0.2**
Total Rev. PAR	259.10	251.78	2.9%
Total Dept. Profit % Total Rev	**60.7%**	**60.6%**	**0.1**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	2.3%	2.4%	-0.1
A&G Expenses % Total Rev	2.3%	2.4%	-0.1
A&G Labor Costs % Total Rev	4.3%	4.2%	0.1
S&M Expenses % Total Rev	5.1%	5.1%	0
S&M Labor Costs % Total Rev	2.3%	2.3%	0
P&M Expenses % Total Rev	1.6%	1.7%	-0.1
P&M Labor Costs % Total Rev.	2.2%	2.2%	0
Total GOP % Total Rev	**37.8%**	**37.6%**	**0.2**

WASHINGTON D.C.

Tough comps prove too much to overcome

The hubbub over President Trump's inauguration and residency in the nation's capital produced huge profit growth for Washington, D.C., hotels in 2017, success that the city wasn't able to match in 2018.

Difficult comps led to a huge decline in 2018 GOPPAR to the tune of negative 10.8 percent year-over-year to $97.37. (In 2017, the city recorded a 7.9-percent YOY increase in profit per room to $109.21.)

January 2018 proved a microcosm of Washington, D.C.'s dismal full-year numbers. In the month of January 2017, highlighted by the Trump inauguration and the subsequent Women's March, average room rate reached an intoxicating $303.89 that underpinned monthly RevPAR of $186.25. January 2018 was grave by comparison. Average room rate clocked in 38.4-percent below the same month prior at $187.18, leading to RevPAR 41 percent off its prior-month comparison at $109.86. The confluence of events led to an extraordinary 89.6-percent decline in GOPPAR in January 2018 over the same month prior. Profit margin was also down 26.7 percentage points in the month.

The good news is that the city did rally, normalizing as soon as February, which still was down over the same time prior, but to a far lesser extent. For the year, TRevPAR was down 5.4 percent YOY to $280, which was dragged down by not only a YOY 7.4-percent decrease in RevPAR, but also a 2.5-percent drop in total F&B revenue on a per-available-room basis.

While the yearly results were not positive, hoteliers in the city were able to contain costs on a per-available-room basis—the problem was growing revenue. Consider payroll: total labor costs on a per-available-room basis were down 1 percent YOY, but payroll as a percentage of total revenue was up 1.8 percentage points. Similarly, total overhead costs were down 2.7 percent, but up 0.7 percentage points as a percentage of total revenue. The same inverse relationship held true for other undistributed expenses, including utilities and property and maintenance.

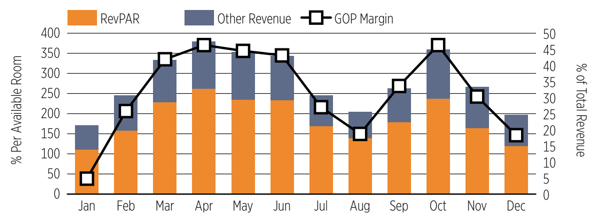
Things can only go up from here, right? Maybe not. While January is typically a slow month for D.C., the government shutdown that lasted 35 days—from December 22 to January 25—made sure the month was slower than normal. Some estimates say that hotels experienced a 25-percent to 35-percent drop in activity, which will certainly have a deleterious impact on revenue growth for the month. That, combined with an overall ebb in nationwide RevPAR, could make 2019 a difficult year for hoteliers.

Payroll could exacerbate the situation in 2019, as the city is set to raise its minimum wage to $14 on July 1. While there are those that make over this amount, the industry still relies heavily on minimum wage FTEs, so hoteliers will have to work even harder to contain costs.

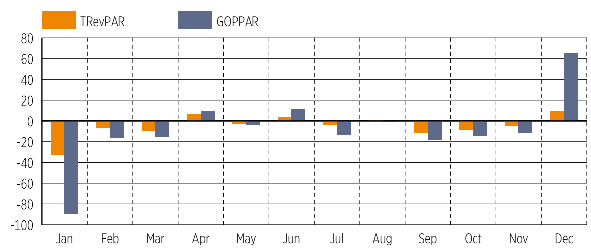
The market could also have a slight supply issue that could impact hoteliers' ability to drive room rates, negatively affecting profit. New hotels coming online in the city include a 360-room Conrad and the recently opened Courtyard and Residence Inn dual-brand property, which added 504 rooms altogether to a market that already grew by around 900 rooms in 2018.

It's been said "To err is human. To blame someone is politics." In a political town, what will hoteliers have left to blame if 2019 is a repeat of last year?

Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)



Key Performance Indicators	2018	2017	VAR
Occupancy %	79.7%	81.3%	-1.6 pts
Average Room Rate $	232.67	246.43	-5.6%
RevPAR $	185.48	200.35	-7.4%
TRevPAR $	280.01	296.01	-5.4%
Total Labor Costs % Total Rev	39.8%	38.0%	1.8 pts
Total GOPPAR $	97.37	109.21	-10.8%
Total GOP % Total Rev	**34.8%**	**36.9%**	**-2.1 pts**

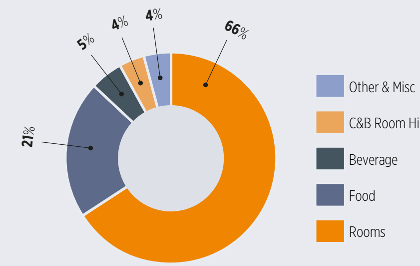
Revenue Growth **-5.4%**

Payroll Growth **1.8pts**

Profit Growth **-10.8%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	185.48	200.35	-7.4%
Rooms Cost of Sales % Rooms Rev	3.9%	4.1%	-0.2
Rooms Expenses % Rooms Rev	5.1%	5.0%	0
Rooms Labor Costs % Rooms Rev	18.4%	17.2%	1.2
Rooms Dept. Profit % Rooms Rev	**72.6%**	**73.7%**	**-1.1**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	82.77	84.87	-2.5%
Food Cost of Sales	15.8%	16.1%	-0.3
Beverage Cost of Sales	16.7%	17.1%	-0.4
F&B Expenses % Total F&B Rev	4.9%	5.0%	-0.1
F&B Labor Costs % Total F&B Rev	56.2%	55.5%	0.7
F&B Dept. Profit % F&B Rev	**24.9%**	**25.1%**	**-0.2**
Total Rev. PAR	280.01	296.01	-5.4%
Total Dept. Profit % Total Rev	**58.5%**	**59.9%**	**-1.4**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	2.3%	2.2%	0.1
A&G Expenses % Total Rev	2.0%	2.2%	-0.2
A&G Labor Costs % Total Rev	4.8%	4.6%	0.2
S&M Expenses % Total Rev	5.2%	4.9%	0.3
S&M Labor Costs % Total Rev	2.6%	2.4%	0.2
P&M Expenses % Total Rev	1.4%	1.4%	0
P&M Labor Costs % Total Rev.	2.6%	2.5%	0.1
Total GOP % Total Rev	**34.8%**	**36.9%**	**-2.1**

HOUSTON

Hotels swing to profitability after trying two years

Clutch City hotels clinched profitability in 2018, an achievement the city couldn't match in consecutive years prior.

Houston was felled in a succession by both economic misfortune and natural disaster, in that order. A sharp drop in oil prices that began in late 2014 sent the city reeling and had a particular pernicious impact on its Energy Corridor, home to such companies as BP and ConocoPhillips, from 2015 through 2016. Jobs were lost, business snarled and a city with historically high corporate hotel demand was depleted.

Just when the city was making a comeback, Hurricane Harvey lashed Houston and the southeast Texas coast in August 2017, inflicting some $125 billion in damage.

The one-two punch had an uneven impact on the city's hotel industry, wiping out corporate demand, while at the same time becoming a safe haven for residents displaced by the storm. (September and October 2017 were record occupancy months with rates well over 80 percent for full-service hotels, but average room rates remained unchanged.)

And while the price of oil has retreated some, it wasn't enough to deprive Houston's hotels of its first profitable year in two years. All key performance indicators saw positive growth, led by a 5-percent year-over-year jump room profit, which helped drive up profit margin by 3 percentage points.

Profit gains came on the back of a 4.5-percent increase in TRevPAR to $166.16—a number that was attained not on rooms revenue but a huge upsurge in food-and-beverage revenue, which, on a per-available-room basis, was up 10.6 percent YOY. Total F&B revenue as a percentage of total revenue was up 1.6 percentage points in 2018.

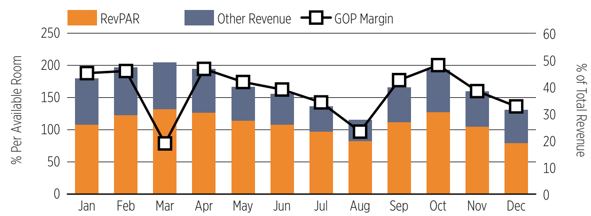
Revenue from rooms was up YOY but restrained in comparison to F&B. RevPAR in 2018 grew 1.5 percent, as a result of a 0.3-percent uptick in average room rate and a 0.9-percentage-point rise in occupancy. (Room rate growth would have been higher if not for a tough February comp. Houston's ARR climbed to $200 in February 2017 as the city hosted Super Bowl LI.) Conference ARR performed well—up 2.5 percent YOY to $155.88.

As revenues rose, so, too, did expenses, making overall profit gains that much more remarkable. On a per-available-room basis, total hotel labor costs jumped 4.8 percent YOY, but labor costs as a percentage of total revenue were only up 0.1 percentage points.

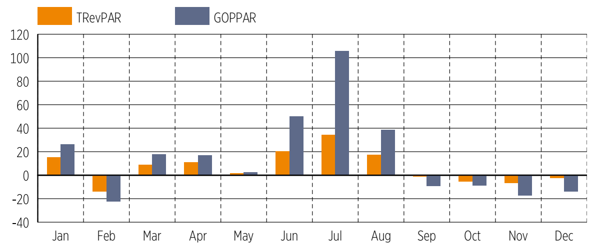
Food cost of sales was up 9.4 percent, A&G costs were up 5.6 percent, and sales and marketing-related costs were up 3.7 percent. Utility expenses were down 1.5 percent.

Hoteliers did an admirable job of flexing cost, resulting in smaller profit erosion. Total cost as a percentage of total revenue dropped 0.3 percentage points YOY.

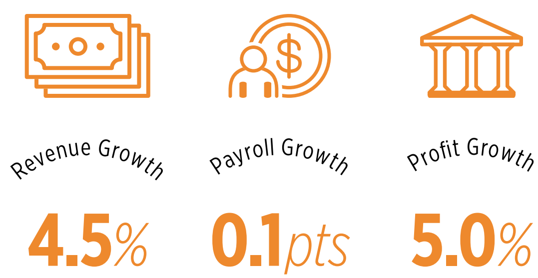
Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)

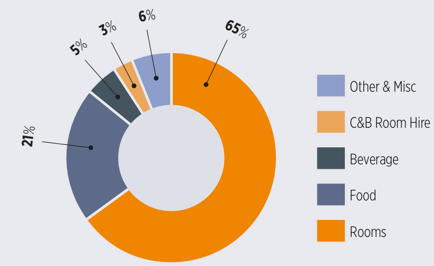


Key Performance Indicators	2018	2017	VAR
Occupancy %	70.9%	70.0%	0.9 pts
Average Room Rate $	153.60	153.19	0.3%
RevPAR $	108.88	107.27	1.5%
TRevPAR $	166.16	159.05	4.5%
Total Labor Costs % Total Rev	30.4%	30.3%	0.1 pts
Total GOPPAR $	69.22	65.91	5.0%
Total GOP % Total Rev	**41.7%**	**41.4%**	**0.3 pts**



MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	108.88	107.27	1.5%
Rooms Cost of Sales % Rooms Rev	4.1%	4.2%	-0.1
Rooms Expenses % Rooms Rev	5.9%	5.6%	0.3
Rooms Labor Costs % Rooms Rev	12.5%	12.2%	0.3
Rooms Dept. Profit % Rooms Rev	**77.5%**	**78.0%**	**-0.5**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	47.46	42.92	10.6%
Food Cost of Sales	15.1%	15.6%	-0.5
Beverage Cost of Sales	16.9%	16.6%	0.3
F&B Expenses % Total F&B Rev	4.9%	5.1%	-0.2
F&B Labor Costs % Total F&B Rev	38.3%	39.9%	-1.6
F&B Dept. Profit % F&B Rev	**42.9%**	**41.0%**	**1.9**
Total Rev. PAR	166.16	159.05	4.5%
Total Dept. Profit % Total Rev	**67.3%**	**67.4%**	**-0.1**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	2.3%	2.4%	-0.1
A&G Expenses % Total Rev	2.9%	2.8%	0.1
A&G Labor Costs % Total Rev	4.5%	4.3%	0.2
S&M Expenses % Total Rev	5.1%	5.2%	-0.1
S&M Labor Costs % Total Rev	3.4%	3.4%	0
P&M Expenses % Total Rev	2.3%	2.3%	0
P&M Labor Costs % Total Rev.	2.4%	2.6%	-0.2
Total GOP % Total Rev	**41.7%**	**41.4%**	**0.3**

NEW YORK CITY

Rate gains aid profit bounce

New York hotels have never had a demand problem. What they have had is a pricing problem. In short, if New York hotels are full, why don't room rates match this strength?

The city welcomed a record 65.2 million visitors in 2018, according to NYC & Company, the tourism and marketing arm of New York City. It was the ninth straight year that the city's tourism numbers have gone up. And all of those people need places to stay.

To be sure, room rates in New York are among the highest in the U.S.: average room rates for full-service hotels reached $332.72 in 2018, 2.5-percent higher than the year prior. It was the first time in two years that ARR growth turned positive.

The rate growth led to a boost in RevPAR, which increased 3 percent year-over-year to $292.36. RevPAR was led almost entirely by rate because occupancy is almost maximized. New York hotel occupancy was 87.9 percent in 2018, a 0.5-percentage-point improvement on 2017. In fact, if you removed January and February—the two slowest months of the year—New York occupancy would have reached 90 percent for the year.

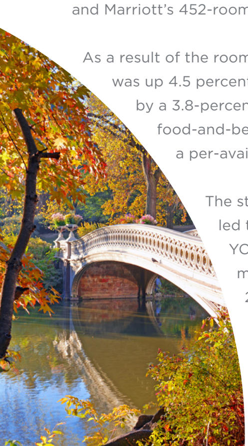
The reality is that there is not much more to grow on the occupancy side, making rate improvements that much more vital and eventual. Still, it's the constant threat of new supply that produces rate angst. According to NYC & Company, an estimated 17,400 rooms are in the city's pipeline, with a slew of new hotels slated to open in 2019, including the much-anticipated 512-room TWA Hotel at JFK Airport and Marriott's 452-room Times Square Edition.

As a result of the rooms bump, TRevPAR was up 4.5 percent YOY, succored by a 3.8-percent YOY increase in food-and-beverage revenue, on a per-available-room basis.

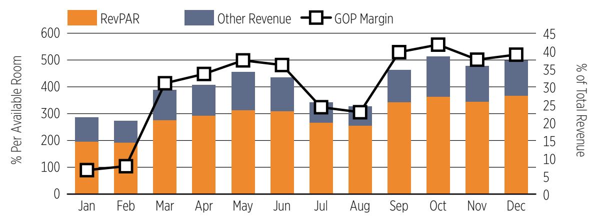
The strong revenue numbers led to a robust 5.6-percent YOY increase in GOPPAR, much higher than the 2.8-percent growth realized in 2017 over 2016. Still, profit margins did not parallel the lofty rise in GOPPAR, settling in at 32 percent for the year and 0.3 percentage points higher than the year prior.

Costs, meanwhile, were still a thorn in hoteliers' sides. In a union town such as New York, labor is always an issue—finding it, managing it and paying for it. Total hotel labor costs on a per-available-room basis rose 4.9 percent YOY, but were only up 0.2 percentage points to 45.6 percent of total hotel revenue. While almost 50 percent of a hotels costs are going toward labor, the rate at which it grew in 2018 was well below 2017, when labor costs as a percentage of total revenue were up 2.5 percentage points YOY.

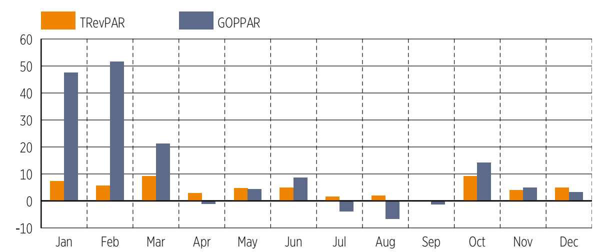
While New York hotels face down threats including new supply and the ever-present irritant of Airbnb, the city remains a strong hospitality market marked by uninhibited demand that gives developers reason to build new hotels. Making sure room rates match the heights of occupancy will help hoteliers maximize their top lines, helping better absorb the heightened costs that come with operating a hotel in the Big Apple.



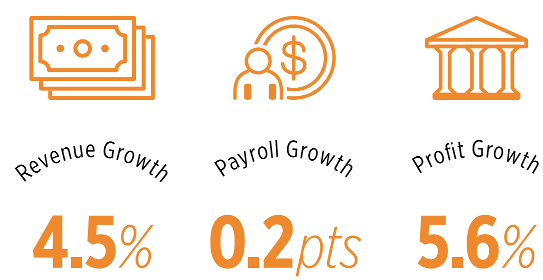
Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)

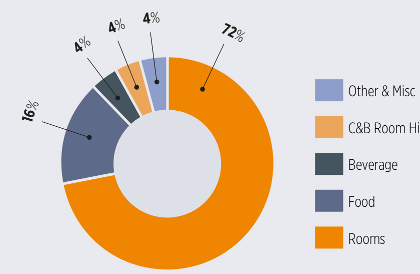


Key Performance Indicators	2018	2017	VAR
Occupancy %	87.9%	87.4%	0.5 pts
Average Room Rate $	332.72	324.66	2.5%
RevPAR $	292.36	283.73	3.0%
TRevPAR $	405.87	388.29	4.5%
Total Labor Costs % Total Rev	45.6%	45.4%	0.2 pts
Total GOPPAR $	129.91	123.03	5.6%
Total GOP % Total Rev	**32.0%**	**31.7%**	**0.3 pts**



MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	292.36	283.73	3.0%
Rooms Cost of Sales % Rooms Rev	3.5%	3.8%	-0.3
Rooms Expenses % Rooms Rev	4.7%	4.8%	-0.1
Rooms Labor Costs % Rooms Rev	25.8%	25.2%	0.6
Rooms Dept. Profit % Rooms Rev	**66.0%**	**66.2%**	**-0.2**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	96.58	93.03	3.8%
Food Cost of Sales	14.0%	14.4%	-0.4
Beverage Cost of Sales	17.0%	16.3%	0.7
F&B Expenses % Total F&B Rev	6.6%	6.6%	0
F&B Labor Costs % Total F&B Rev	70.3%	69.1%	1.2
F&B Dept. Profit % F&B Rev	**10.6%**	**11.7%**	**-1.1**
Total Rev. PAR	405.87	388.29	4.5%
Total Dept. Profit % Total Rev	**53.4%**	**53.6%**	**-0.2**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	2.2%	2.3%	-0.1
A&G Expenses % Total Rev	1.4%	1.6%	-0.2
A&G Labor Costs % Total Rev	5.1%	5.2%	-0.1
S&M Expenses % Total Rev	4.4%	4.4%	0
S&M Labor Costs % Total Rev	2.0%	2.1%	-0.1
P&M Expenses % Total Rev	1.5%	1.6%	-0.1
P&M Labor Costs % Total Rev.	2.5%	2.6%	-0.1
Total GOP % Total Rev	**32.0%**	**31.7%**	**0.3**

SEATTLE

Hoteliers profit amid contending with new minimum wage laws

Seattle is known for its murky weather, but in 2018, its hotel industry shined. Profits were up with GOPPAR growing 3.6 percent year-over-year to $112.06. This follows positive profit growth in 2017, though worry over increasing hotel supply could put a damper on 2019.

In December 2018, the Hyatt Regency Seattle opened, adding 1,260 rooms into an already supply-tested city that has welcomed more than an estimated 2,550 rooms since January 2017 just to downtown alone. The jury is still out on how ballooning supply will affect occupancy and rates in 2019, but 2018 data show that there has been slight to no impact yet.

Occupancy rates actually grew in 2018—but slightly at 0.2 percentage points YOY (it grew 5.1 percentage points in 2017 over 2016). Meanwhile, average room rate grew 2.7 percent (this was off of negative ARR growth in 2017 over 2016). As a result, RevPAR climbed 2.9 percent YOY. Meanwhile, TRevPAR clocked in with lower growth at 2.7 percent YOY, a likely function of a decrease of 2.2 percent on total food-and-beverage revenue on a per-available-room basis.

With the top-line as it was, hoteliers did an admirable job of flowing revenue down to the bottom line, capturing a profit margin of 44.8 percent, a 0.4-percentage-point uptick YOY. Of the U.S. markets HotStats tracks, Seattle ranked third in profit margin in 2018 behind only San Diego (46.8 percent) and Austin (45.7 percent).

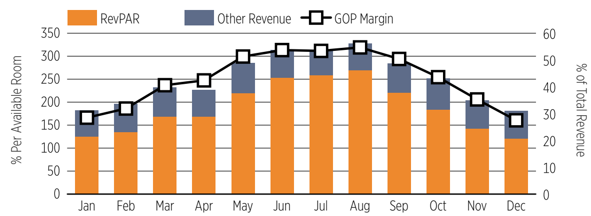
On the cost side, Seattle hotels dealt with the myriad issues facing properties in other top U.S. cities; namely, labor. Seattle has been a test case of sorts for minimum-wage impact on employees and the city's economy. The so-called "Fight for $15"—a political movement advocating for the federal minimum wage to be raised to $15 per hour—had its roots in cities including Seattle, San Francisco and New York, and on January 1, 2018, Seattle raised its minimum wage to $15 for businesses with more than 500 employees.

Businesses with fewer than 500 employees will be mandated at $15 per hour by 2021.

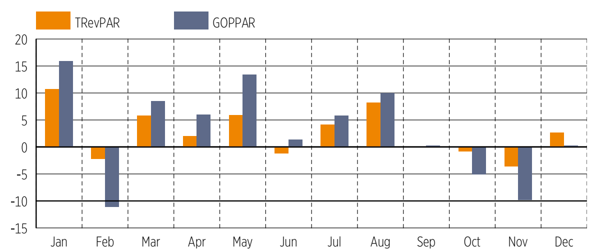
In 2018, total hotel labor costs on a per-available-room basis were up 3.6 percent to $75.56. This equated into a 0.3-percentage-point jump in payroll costs as a percentage of total revenue. At the same time, total overhead costs on a per-available-room basis rose 3 percent from mixed numbers. Utility expenses and administrative and general expenses were both down on a per-available-room basis, 2 percent and 5.5 percent, respectively. Meanwhile, property and maintenance costs skyrocketed 9.6 percent, but only resulted in a 0.1-percentage-point uptick as a percentage of total revenue. A&G expenses as a percentage of total revenue dropped 0.2 percentage points in the year.

2019 will be a telling year for Seattle, as new minimum-wage laws kick further in combined with a slew of new hotel openings that could impact both demand and rate. Further down the line, a $1.7-billion expansion of the city's convention center, which was to be completed by 2021, has faced delays and now won't be completed until at least spring 2022, a disservice to both hoteliers and meeting planners. In this environment, a facsimile of 2018 might not be such a bad thing after all.

Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)



Key Performance Indicators	2018	2017	VAR
Occupancy %	85.4%	85.2%	0.2
Average Room Rate $	220.79	215.04	2.7%
RevPAR $	188.51	183.19	2.9%
TRevPAR $	250.10	243.72	2.6%
Total Labor Costs % Total Rev	30.2%	29.9%	0.3 pts
Total GOPPAR $	112.06	108.19	3.6%
Total GOP % Total Rev	**44.8%**	**44.4%**	**0.4 pts**

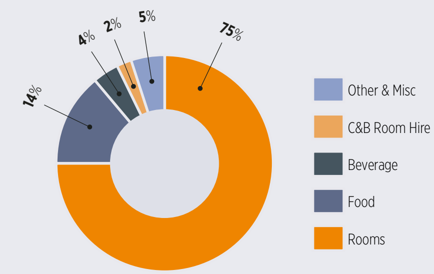
Revenue Growth **2.6%**

Payroll Growth **0.3pts**

Profit Growth **3.6%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	188.51	183.19	2.9%
Rooms Cost of Sales % Rooms Rev	3.5%	3.6%	-0.1
Rooms Expenses % Rooms Rev	4.0%	4.7%	-0.7
Rooms Labor Costs % Rooms Rev	13.9%	13.5%	0.4
Rooms Dept. Profit % Rooms Rev	**78.6%**	**78.2%**	**0.4**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	49.73	50.84	-2.2%
Food Cost of Sales	20.5%	20.7%	-0.2
Beverage Cost of Sales	21.7%	21.5%	0.2
F&B Expenses % Total F&B Rev	4.7%	4.9%	-0.2
F&B Labor Costs % Total F&B Rev	53.6%	51.4%	2.2
F&B Dept. Profit % F&B Rev	**22.4%**	**24.6%**	**-2.2**
Total Rev. PAR	250.10	243.72	2.6%
Total Dept. Profit % Total Rev	**67.1%**	**66.6%**	**0.5**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	2.6%	2.5%	0.1
A&G Expenses % Total Rev	2.3%	2.5%	-0.2
A&G Labor Costs % Total Rev	4.3%	4.4%	-0.1
S&M Expenses % Total Rev	5.3%	5.0%	0.3
S&M Labor Costs % Total Rev	2.3%	2.3%	0
P&M Expenses % Total Rev	1.6%	1.5%	0.1
P&M Labor Costs % Total Rev.	1.8%	1.7%	0.1
Total GOP % Total Rev	**44.8%**	**44.4%**	**0.4**

MIAMI

Hotels clean up post-Irma

September historically is a slow time for Miami hotels since the month is highly susceptible to hurricanes. That's exactly what happened in September 2017 when Hurricane Irma devastated large swaths of the Caribbean and Florida, including Miami, which saw a huge drop in occupancy days prior to the storm. In a 24-month stretch, September 2017 was the city's lowest occupancy month at 63.4 percent for full-service hotels.

According to Visit Florida, Hurricane Irma cost the state approximately 1.8 million visitors and a loss of $1.5 billion in visitor spending. It also forced a slew of hotels to shut down operations for days or weeks to deal with repairs from flooding and high winds.

While Florida tourism went through some adversity, by the end of 2017, the state had welcomed 116.5 million visitors, an increase of 3.6 percent over 2016.

Though 2018 comps aren't clean, the year was positive for the city, both on the revenue and cost side. Profit growth was up 5.7 percent, buoyed by a hearty 3.8-percent jump in average room rate to $176.46. The rise in ARR helped to offset a 2.3-percentage-point decrease in occupancy, though leisure volume mix was up 1.6 percentage points. RevPAR climbed 1.0 percent for the year and TRevPAR increased 1.6 percent. The uptick in TRevPAR was underpinned by a 3.5-percent lift in total F&B revenue on a per-available-room basis. This helped to shoot F&B margins higher and further aided total profit margin, which increased 1.5 percentage points to 37.5 percent.

Much of Miami's profit growth in 2018 is attributed to its cost containment. Labor expense, a thorn in every hoteliers' side, and a line item that nationally is growing, actually dropped in Miami in 2018 over the year prior. Total hotel labor costs on a per-available-room basis were down 0.7 percent and, likewise, hotel labor costs as a percentage of total revenue were down 0.7 percentage points.

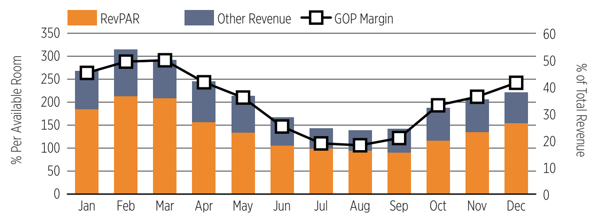
Similarly, other undistributed department costs were down to flat in 2018, including Admin. & General expenses, which were down 0.4 percentage points as a percentage of total revenue. Food costs of sales was also down 1.2 percentage points.

2019 is poised to be a year of continued success and profitability for Miami hotels. Part of the reason why is that the Miami Beach Convention Center wrapped the main phase of its three-year, $620-million renovation in October. The improvements included the addition of 263,000 square feet of space and 10 new meeting rooms, all of which should help attract more conferences and meetings business to the city.

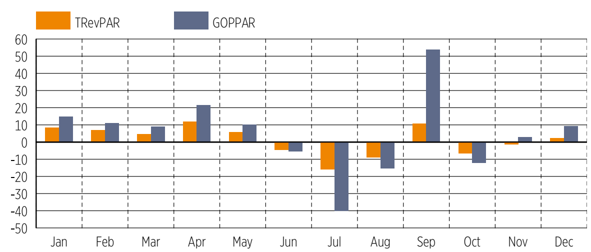
It may have already proved to help hotels' bottom lines. October 2018 saw a substantial jump in demand due to conferences, as well as conference ARR. Year-over-year they jumped 5.0 percentage points and 8.5 percent, respectively. For YOY 2018 total, conference volume mix was up 1.2 percentage points, conference revenue mix was up 2.5 percentage points and conference ARR was up 7.7 percent to $208.93.

New hotels could be the one pain point, as Miami consistently has one of the highest supply growth rates in the U.S. At the end of 2018, there were 10 markets with total pipelines in excess of 15 percent of their current census. Nashville topped that list of markets at 34.4 percent, followed by New York and Miami.

Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)



Key Performance Indicators	2018	2017	VAR
Occupancy %	79.2%	81.5%	-2.3 pts
Average Room Rate $	176.46	169.92	3.8%
RevPAR $	139.81	138.40	1.0%
TRevPAR $	210.58	207.27	1.6%
Total Labor Costs % Total Rev	32.4%	33.1%	-0.7 pts
Total GOPPAR $	78.86	74.61	5.7%
Total GOP % Total Rev	**37.5%**	**36.0%**	**1.5 pts**

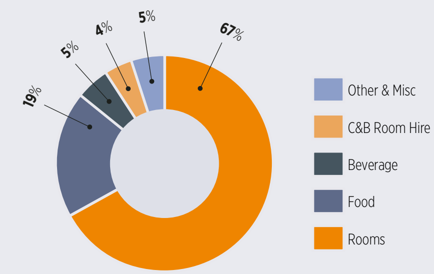
Revenue Growth **1.6%**

Payroll Growth **-0.7pts**

Profit Growth **5.7%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	139.81	138.40	1.0%
Rooms Cost of Sales % Rooms Rev	4.6%	4.4%	0.2
Rooms Expenses % Rooms Rev	6.2%	6.4%	-0.2
Rooms Labor Costs % Rooms Rev	14.4%	14.5%	-0.1
Rooms Dept. Profit % Rooms Rev	**74.9%**	**74.7%**	**0.2**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	59.70	57.70	3.5%
Food Cost of Sales	19.6%	20.8%	-1.2
Beverage Cost of Sales	21.9%	21.7%	0.2
F&B Expenses % Total F&B Rev	7.5%	7.6%	-0.1
F&B Labor Costs % Total F&B Rev	40.4%	42.5%	-2.1
F&B Dept. Profit % F&B Rev	**33.9%**	**30.8%**	**3.1**
Total Rev. PAR	210.58	207.27	1.6%
Total Dept. Profit % Total Rev	**63.1%**	**62.4%**	**0.7**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	2.2%	2.3%	-0.1
A&G Expenses % Total Rev	2.6%	3.0%	-0.4
A&G Labor Costs % Total Rev	4.8%	4.9%	-0.1
S&M Expenses % Total Rev	5.3%	5.2%	0.1
S&M Labor Costs % Total Rev	3.0%	3.1%	-0.1
P&M Expenses % Total Rev	2.2%	2.2%	0
P&M Labor Costs % Total Rev.	2.1%	2.1%	0
Total GOP % Total Rev	**37.5%**	**36.0%**	**1.5**

ABOUT

The hotels profiled in this Performance Tracker are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains from which we collect monthly data.

GLOSSARY OF KPIS

Occupancy (%) is that proportion of the bedrooms available during the period which are occupied during the period.

Average Room Rate (ARR) is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

RevPAR is the total bedroom revenue for the period divided by the total available rooms during the period.

TRevPAR is the combined total of all revenues divided by the total available rooms during the period.

Labor Costs % Total Rev is the payroll for all hotels in the sample as a percentage of total revenue.

GOPPAR is the Total Gross Operating Profit for the period divided by the total available rooms during the period.

For a more detailed explanation of these and other KPIs as well as the latest practices for recording financial information in the hotel sector please refer to the Uniform System of Accounts for the Lodging Industry, 11th Edition.

SERVICES

HotStats provides monthly Profit & Loss Competitive Benchmarking and Market Reporting for hoteliers and industry partners.

Competitive Benchmarking Our unique operational profit and loss benchmarking service enables monthly comparison of a hotel's performance against a competitive set, both geographic and facility (ie hotels of a similar scale, standard, range and mix of facilities). It is distinguished by the fact that it provides more than 550 performance metrics covering revenue, cost and profit statistics providing the deepest insight available into hotel operations.

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