Hotel industry expects good summer season

By Jason Q. Freed, HotelNewsNow.com

If early indications ring true, it's going to be a busy summer for hotels across the U.S. as both families and business travelers are expected to hit the road in droves.

Several hoteliers reported to HotelNewsNow.com that advanced bookings are up dramatically year over year, backing up a new forecast by STR that predicts strong performance metrics for June, July and August. STR is the parent company of HotelNewsNow.com.

Not only is demand up, but most hoteliers said pricing power has returned and they are finally able to push rate without experiencing consequential declines in occupancy.

According to STR, average occupancy at U.S. hotels for June, July and August combined is expected to be 70 percent, up 1 percent from last year. Average daily rate is expected to be $112.21, up 4.4 percent from 2012, and revenue per available room is expected to be $78.50, up 5.4 percent from 2012.

Preferred Hotel Group, a "soft brand" that provides sales, marketing and technology solutions to more than 600 independent and luxury hotels worldwide, is reporting the biggest boost. The company's North American portfolio has 27 percent more business on the books for June and 36 percent more in July than it did at this time last year, said Jonathan Newbury, VP of strategic development.

"As of May 4 we had already booked 73 percent of the amount of reservations as we did the entire month of May last year. That's same-store, like for like," Newbury said. "Obviously, we are very pleased about that."

Summer at the Crowne Plaza Hollywood Beach Resort in Hollywood, Florida, looks promising too, according to GM Mike Long. Long said both transient and group demand are up compared with last year, and are even beginning to approach peak occupancy numbers from what he called the "golden years" of 2007 and 2008.

"The Crowne Plaza Hollywood Beach has put substantial marketing effort into increasing summer international business," he said. "… We are increasing roomnights from Latin America—Brazil, Argentina, Columbia, Peru and Chile—Europe and especially the U.K."

Hoteliers report several main factors leading to an increase in expected performance metrics. First, any incremental demand is especially meaningful in a period where supply growth has been virtually nonexistent.

"We are seeing the real effect of the collapse of the supply chain and new development across the board, particularly across America," Newbury said. "I think the demand is coming back strong, as is consumer confidence and business confidence."

Newbury also pointed to Tuesday's record close of the Dow Jones Industrial Average, above 15,000 for the first time, as a factor that will have more businesses feeling comfortable about sending salespeople out on the road.

And, for Preferred, a target niche audience of older baby boomers is feeling more comfortable today than they were just four years ago that they will have enough savings to get out and travel.

"People are not only staying more, they're staying longer," Newbury said.

While occupancy is forecasted to be up slightly this June and July across Chesapeake Hospitality's 20-hotel management

portfolio, the real movement will be in rate. Chesapeake Executive VP Joe Smith said advanced-booking rates are up 6 percent for transient leisure business.

Smith said the boost in ADR is partly because travelers feel more confident and are willing to spend more and partly because of a strategic effort by the hotels to push rate.

“I think over the past couple years the industry—and rightly so—has talked about leaving rate on the table and we’ve got to get back to pushing it,” he said. “We believed that philosophy long before the past few years but sometimes competition forces your hands.

“From our perspective, we went into 2013 with budgeted rate increases,” Smith continued. “We had an action plan to increase those prices and it’s working. We had given direction that staying flat from a rate perspective wasn’t going to fly.”

At the Hilton Sandestin Beach Golf Resort & Spa in Miramar Beach, Florida, GM Gary Brielmayer said the hotel will be 95 percent full in the June, July and August months, as it typically is. Each year the hotel exceeds prior year ADR across those months, and this year will be no different, he said.

Rates continue to lag a little behind the 2007-2008 peak, said Long of the Crowne Plaza Hollywood, but rate growth is slowly catching up to occupancy demands.

“One of my hoteliers told me it’s like someone turned the spigot back on,” said Newbury of Preferred. “The hose is starting to fill with water. It’s going to take a while to get back to the rate highs we saw in 2007 and 2008.”

“Our occupancy, demand and revenue were at their highest in 2007 and 2008,”said John Hernstat, director of sales and marketing at the Hyatt Regency Lake Tahoe Resort, Spa and

Casino in Nevada. “Currently, we are only a few percentage points behind surpassing these figures for 2013.”

Chesapeake has both group- and leisure-oriented hotels in its portfolio. The “group houses” are always the most wary going into each summer, Smith said, as summer demand is typically driven by leisure travel.

This year is no exception as group demand is faltering.

“Group is down all three months,” Smith said. “Group occupancy will be less than last year unless something quickly happens to change that.

“Interestingly,” he continued, “group rates are up about 6 percent for the summer. So while occupancy is down, our sales teams have been able to get additional dollars.”

According to advanced-booking data from TravelClick, the transient segment is continuing to support both ADR and committed occupancy over the group segment in 2013.

In the 12 months from April 2013 to March 2014, overall committed occupancy for the transient segment is up 3 percent versus this time last year and ADR is showing a gain of 4.1 percent. However, the group segment is showing an occupancy increase of 1.9 percent and an ADR gain of 3.8 percent compared with this time last year.

Smith said, in some of Chesapeake’s markets, the hotels are impacted by the sequester and other government travel cutbacks. Those observations have fluctuated month to month, he said.

“I think we’ll end up flat in occupancy for summer months over last year (combining group and transient),” he said. “Last year was a very good year so that’s not necessarily bad.

“But we’re seeing rates in both transient and group up,” he continued.