STATE OF THE LODGING ECONOMY

TR reported in www.hotelnewsnow.com from the ALIS Summer Update that they will likely boost their expectation of a 3.5% increase in RevPAR for 2012 to about 6% next month. At the same conference PKF Hospitality Research indicated that their most recent forecast of a 5.8% RevPAR increase is most likely a conservative estimate and reiterated their projection of a 6.6% RevPAR increase for 2013. Pricewaterhouse Coopers said that next year (2013) is the year they expect RevPAR to reach 2007 levels. These positive comments were balanced with a bit of caution as the Global Business Travel Association changed its estimate of business-travel spending from 3.6% to just 2.2% for the year with the comment that group rates weren’t increasing as thought previously.

While growth estimates remain positive, Lodging Econometrics indicates that improvements in the economy has lenders releasing more funding to developers with 116 projects (13,884 rooms) starting construction in the first quarter of this year, up 19% in projects and 17% in rooms under construction. While the overall pipeline is still down, it is more stable than in recent quarters with 2,720 projects (331,129 rooms) at the end of the first quarter, down only 8% in projects (6% in rooms) over 2011’s first quarter. It is the number of projects actually making it to the construction phase that indicates growth in lending. Estimates for new hotel openings indicates 325 hotels/38,830 rooms in 2012 (down only slightly from 2011’s 345 hotels/37,122 rooms) and a slight increase to 358 hotels/38,877 rooms in 2013.

IN PASSING

Dean Emeritus Robert A. Beck of Cornell's School of Hotel Administration (SHA) died July 31 in Redding, Conn. He was 91. Beck led the school as dean from 1961 to 1981. During his tenure the SHA became known internationally as an important research center, doubled its undergraduate enrollment, launched its Master of Professional Studies program (now known as the Master of Management in Hospitality) in 1973 and fully developed its Executive Education program.

“He was one of the most beloved figures in the history of our school,” said Michael D. Johnson, current dean and E.M. Statler Professor of SHA. “He turned over the entire faculty, hiring formally trained academics in place of the operational practitioners we had up to then. The school changed from being known as the Master of Management in Hospitality to being known internationally as an important research center, doubling its undergraduate enrollment, launching its Master of Professional Studies program (now known as the Master of Management in Hospitality) in 1973 and fully developed its Executive Education program.

After this month the General Services Administration will announce government per diem rates for the upcoming fiscal year (October 1, 2012 through September 30, 2013). A lot of people are expecting a reduction in the rates and coupled with uncertainty about health care costs, are worried about profitability. Payroll can be as much as half a property’s expenses and is more than 40 percent in almost all hotels and if government regulations hit both revenue and expenses at the same time, it could be a very difficult year. Other industries, facing wage pressures have worked to improve productivity, to get more impact from fewer bodies, often with automation or technology improvements. Even the hotel industry has done some work in this area such as cutting down on towel replacement or not providing full maid service every day – maybe we need to do more. How do we design/re-design a guest room or bathroom to be easier to maintain? Is there technology that will allow the front desk or back office to be more efficient? Can products be developed that need less maintenance? Can the typical restaurant worker be made more efficient? Overworking employees is not a long-term answer but maybe allowing employees to work more efficiently is at least part of the answer. As is cross-training or just improved training. Respond with your thoughts!

FLORIDA INTERNATIONAL UNIVERSITY

As most of you know, I teach a graduate course in the School of Hospitality & Tourism Management and rely heavily on industry assistance to keep the course as fresh and pertinent as possible. In addition to guest speakers I look for documentation to supplement the Asset Management text (from AH&LA’s Educational Institute). The students are assigned two case studies during the term: on one on management contacts and one on investment analysis. As I start to get ready for the next class – starting in January 2013 – I’m alright on management contracts but need additional hotel investment offering memorandums such as detailed broker promotional pieces that can be used as examples in class – it doesn’t matter if the property is still for sale or not. Any assistance would be most welcome as the examples I have are getting pretty dated.

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