

# HOSPITALITY ADVISORS' LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association  
Spring 2008

Vol 17; Number 1

## Skelton's Comments

Once again, the rest of the country has been through an entire cycle while the State of Michigan remains in the lodging doldrums. I always like to look for the positive, however, so here we go:

We had an old-fashioned winter with snow through the holidays and it looks like a solid January for the skiers, snowmobilers, etc. That's usually good news for the up-north folks but we will see since folks who are concerned about their jobs may hesitate to spend those discretionary dollars.

The domestic automakers MUST be at the bottom of their slide. Quality is higher than ever, styling is solid, lots of deals for price conscious shoppers. Hopefully, the perception in the market place is changing and when the economy turns around the buyers will flock to the showrooms...right?

Two new casinos have opened in downtown Detroit and are doing well from all reports. I recently spent a weekend in downtown ("The D") and could not get close to a black jack table in Greektown or get seated for dinner until almost 10:00 p.m. in one of the Greek restaurants. Food and service were both excellent! I hope everybody who got to the tables won. What are the odds of that happening?

Grand Rapids has a top notch J.W. Marriott Hotel that is lovely--a real showplace. The expanded Convention Center seems busy and is very well appointed. However, they are competing for the same market as Detroit and Lansing (as well as our up North properties on a seasonal basis). Perhaps the new casino hotel developments in Detroit will bring to light the fact that Michigan is a four-season marketplace that would love to host regional groups. I wonder what impact the State's tourism marketing campaign is having.

Realistically, as the rest of the country begins to overbuild and slide into lower occupancy territory, Michigan should follow suit. However, we never came out of the last down cycle as the rest of the country did. Historically, the rust belt (and particularly Michigan) has gone counter to national trends and I am going out on a limb to forecast that the current national dilemma will not impact our lodging industry. First of all--how low can we go? And secondly, we have a way of doing things differently here...I wonder why that is?

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## Michigan Overview

Year-End 2007 numbers for the State of Michigan are showing the signs of hard economic times. Occupancies and rates are both flat for the most part with just a few markets fluctuating from their figures last year.

The occupancy level for the state increased just .59 percentage points to 57.63% and Average Rate increased by 2.60% over 2006 to \$90.10. This resulted in a RevPAR of \$51.92 on a statewide basis.

There were twelve properties added to the Southeast Michigan market in 2007 while occupancy increased by 0.03 points. The Average Daily Rate increased overall in the Southeast market with Auburn Hills and Romulus having the largest increases of over \$4.00 in the Limited Service segment while Dearborn increased by more than \$5.00 in the Full Service segment.

In the out-state markets, Grand Rapids showed the greatest gain in ADR going from \$75.61 in 2006 to \$87.36 in 2007. Flint followed closely with an increase of \$11.12 in ADR. The Lansing market increased Occupancy by 3.16 percentage points while the rest of the out-state markets increased just slightly.

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We want to thank the ever-expanding base of properties that contribute to both our mid-year and our end-of-the-year publication. We greatly appreciate your participation and hope that this resulting publication is worthwhile for you.

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**Please contact us with suggestions, questions,  
or comments.**

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## State of Michigan:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
58%	\$90	\$51.92	57%	\$88	\$50.31	57%	17%	23%

### Full Service:

56%	\$104	\$58.35	56%	\$101	\$56.35	53%	25%	21%
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### Limited Service:

60%	\$73	\$43.35	59%	\$71	\$42.07	64%	7%	27%
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## Southeast Michigan:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
58%	\$93	\$54.32	59%	\$92	\$54.28	64%	14%	21%

### Full Service:

58%	\$110	\$63.59	58%	\$108	\$63.72	60%	23%	17%
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### Limited Service:

59%	\$72	\$42.13	60%	\$71	\$42.60	69%	5%	26%
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## Ann Arbor:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
63%	\$88	\$55.89	64%	\$86	\$55.04	58%	17%	25%

### Full Service:

66%	\$104	\$68.73	65%	\$103	\$66.95	49%	25%	26%
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### Limited Service:

62%	\$76	\$46.63	63%	\$74	\$46.62	69%	7%	24%
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## Auburn Hills:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
60%	\$86	\$51.76	61%	\$84	\$51.24	68%	14%	19%

### Full Service:

68%	\$105	\$71.08	69%	\$104	\$71.76	63%	21%	15%
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### Limited Service:

56%	\$74	\$41.26	57%	\$71	\$40.47	73%	5%	23%
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## Dearborn:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
60%	\$106	\$64.06	61%	\$102	\$62.22	59%	21%	20%

### Full Service:

59%	\$118	\$69.92	59%	\$115	\$67.85	59%	27%	15%
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### Limited Service:

63%	\$81	\$50.52	63%	\$75	\$47.25	59%	7%	34%
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## Detroit - CBD:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
53%	\$128	\$67.60	55%	\$129	\$70.95	42%	41%	16%

### Full Service:

53%	\$128	\$67.60	55%	\$129	\$70.95	42%	41%	16%
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## Downriver:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
52%	\$64	\$33.66	54%	\$63	\$34.02	69%	11%	21%

### Full Service:

47%	\$70	\$33.19	50%	\$71	\$35.50	69%	14%	8%
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### Limited Service:

55%	\$61	\$33.91	57%	\$60	\$34.20	69%	10%	22%
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## East Area:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
57%	\$74	\$41.69	57%	\$72	\$41.04	70%	4%	25%

### Full Service:

55%	\$87	\$47.51	54%	\$86	\$46.44	71%	8%	22%
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### Limited Service:

58%	\$68	\$38.97	59%	\$66	\$38.94	70%	3%	27%
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## I-275 Corridor/Farmington:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
60%	\$85	\$51.13	61%	\$84	\$51.24	70%	6%	24%

### Full Service:

62%	\$100	\$61.97	64%	\$97	\$62.08	72%	12%	7%
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### Limited Service:

57%	\$66	\$38.00	58%	\$66	\$38.28	68%	4%	28%
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## Romulus-Airport:

2007 YE	Rev	2006 YE	Rev	2007 Mkt Mix				
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
59%	\$94	\$55.37	57%	\$91	\$51.87	63%	10%	27%

### Full Service:

59%	\$104	\$60.83	56%	\$102	\$57.12	62%	15%	23%
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### Limited Service:

60%	\$74	\$44.28	60%	\$70	\$42.00	64%	4%	31%
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## Southfield:

2007 YE	Rev	2006 YE	Rev	2007 Mkt	Mix			
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
51%	\$89	\$45.53	52%	\$88	\$45.76	68%	15%	17%
<b>Full Service:</b>								
49%	\$104	\$50.71	52%	\$101	\$52.52	66%	19%	15%
<b>Limited Service:</b>								
54%	\$67	\$36.77	53%	\$66	\$34.98	76%	4%	21%

## Troy/Birmingham/Madison Heights:

2007 YE	Rev	2006YE	Rev	2007 Mkt	Mix			
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
63%	\$106	\$66.57	63%	\$105	\$66.15	69%	14%	17%
<b>Full Service:</b>								
64%	\$127	\$81.20	63%	\$125	\$78.75	66%	20%	13%
<b>Limited Service</b>								
61%	\$80	\$48.96	62%	\$80	\$49.60	74%	6%	20%

## Flint/Tri-Cities:

2007 YE	Rev	2006 YE	Rev	2007 Mkt	Mix			
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
55%	\$82	\$45.01	53%	\$71	\$37.63	52%	14%	27%
<b>Full Service:</b>								
52%	\$96	\$50.39	53%	\$75	\$39.75	46%	13%	25%
<b>Limited Service:</b>								
56%	\$74	\$41.81	53%	\$68	\$36.04	58%	14%	29%

## Grand Rapids:

2007 YE	Rev	2006 YE	Rev	2007 Mkt	Mix			
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
59%	\$87	\$51.26	60%	\$76	\$45.60	58%	19%	20%
<b>Full Service:</b>								
58%	\$96	\$55.64	61%	\$78	\$47.58	54%	22%	19%
<b>Limited Service:</b>								
60%	\$74	\$44.14	60%	\$72	\$43.20	66%	11%	23%

## Lansing:

2007 YE	Rev	2006 YE	Rev	2007 Mkt	Mix			
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
59%	\$86	\$50.58	56%	\$81	\$45.36	52%	29%	20%
<b>Full Service:</b>								
55%	\$88	\$48.16	50%	\$83	\$41.50	45%	39%	16%
<b>Limited Service:</b>								
64%	\$83	\$53.28	66%	\$79	\$52.14	63%	10%	27%

## Northern Resorts:

2007 YE	Rev	2006 YE	Rev	2007 Mkt	Mix			
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
51%	\$98	\$49.75	51%	\$99	\$50.49	15%	32%	44%
<b>Full Service:</b>								
48%	\$113	\$53.59	48%	\$113	\$54.24	16%	40%	44%
<b>Limited Service:</b>								
57%	\$76	\$43.36	57%	\$76	\$43.32	18%	12%	71%

## Southwest Michigan:

2007 YE	Rev	2006 YE	Rev	2007 Mkt	Mix			
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Corp</u>	<u>Grp</u>	<u>Trst</u>
57%	\$76	\$42.99	55%	\$72	\$39.60	58%	15%	24%
<b>Full Service:</b>								
56%	\$104	\$58.35	53%	\$77	\$40.81	56%	22%	22%
<b>Limited Service:</b>								
62%	\$66	\$40.99	58%	\$64	\$37.12	61%	4%	26%

Note: Numbers may not foot due to rounding

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## Income Statement

The income statement we present on the following page is an average of operation results from full and limited service hotels throughout the state that participated in our survey. We intend this statement to provide a benchmark by which hotels may compare their own operations. Management may adjust the statement to fit their appropriate levels of utilization.

For the purpose of this Commentary, we consider full-service hotels to be those with food and beverage service, while limited service hotels do not have food or beverage operations. We present the income statement in the standard "Uniform System of Accounts for Hotels" format. As indicated, we show these results in Dollars per Room, Dollars per Occupied Room, and Percentage of Revenues. Percentages shown are of total revenues except Departmental Expenses, which we show as a percentage of Departmental Revenues.

The response rate for both MHMRA member hotels and non-members was over 50 percent and we sincerely appreciate your cooperation. If you wish to be included in future samples, fax your Occupancy and Average Rate information to:

Hospitality Advisors - Consulting  
Group  
FAX: (734) 741-7499

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Your responses, as always, are held in absolute confidence.

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	2007					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
<b>REVENUES:</b>						
ROOMS	65.3%	\$22,578	\$93.49	98.0%	\$22,574	\$91.77
FOOD	64.6%	\$8,716	\$33.46	0.0%	\$0	\$0.00
BEVERAGE	15.6%	\$1,989	\$7.77	0.0%	\$0	\$0.00
TELEPHONE	0.6%	\$239	\$1.01	0.3%	\$45	\$0.20
OTHER INCOME, NET	2.2%	\$837	\$3.59	1.7%	\$403	\$1.57
<b>GROSS OPERATING REVENUE</b>	<b>100.0%</b>	<b>\$34,360</b>	<b>\$139.33</b>	<b>100.0%</b>	<b>\$23,022</b>	<b>\$93.54</b>
<b>DEPARTMENTAL EXPENSES:</b>						
ROOMS	22.4%	\$5,356	\$18.95	23.0%	\$5,124	\$21.14
FOOD AND BEVERAGE	81.9%	\$8,457	\$34.17	0.0%	\$0	\$0.00
FD COGS	34.0%	\$3,127	\$12.89	0.0%	\$0	\$0.00
BEV COGS	24.0%	\$465	\$1.92	0.0%	\$0	\$0.00
PAYROLL	49.7%	\$4,678	\$19.05	0.0%	\$0	\$0.00
OTHER	8.3%	\$824	\$3.64	0.0%	\$0	\$0.00
TELEPHONE	112.5%	\$296	\$1.25	326.9%	\$140	\$0.58
OTHER EXPENSE	41.1%	\$431	\$1.79	10.5%	\$96	\$0.40
<b>TOTAL DEPARTMENTAL</b>	<b>40.7%</b>	<b>\$9,185</b>	<b>\$37.21</b>	<b>27.1%</b>	<b>\$5,360</b>	<b>\$22.13</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>59.3%</b>	<b>\$21,564</b>	<b>\$88.91</b>	<b>72.9%</b>	<b>\$17,662</b>	<b>\$71.41</b>
<b>UNDISTRIBUTED OPERATING EXPENSES:</b>						
ADMINISTRATIVE AND GENERAL	8.4%	\$2,914	\$12.01	10.3%	\$2,653	\$10.55