

# HOSPITALITY ADVISORS' LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association  
Spring 2009

Vol 19; Number 1

## Skelton's Comments

---

So, what happened? Here we are cruising along with at least some growth in demand for the first eight months and then, *POW!*--demand for hotel rooms falls off a cliff. Demand in our business is tied to so many emotional, economic, weather and governmental factors that using the old dart board method of forecasting may in fact be the most reliable method. One thing is for certain, *NOTHING* is for certain. In Michigan, the lodging industry has historically been tied at the hip to the auto industry and, so, no surprise that over the last, oh, so many years as the auto industry has been going through monumental change, our industry performance has been at the bottom nationally. We have wallowed along at the bottom of the national heap wondering when the clouds would clear and *KABOOM!*--just when we were getting a little annual growth and adding a few rooms to the mix, the hammer drops. Only a few properties were able to parlay that strong first eight months into positive growth on an annualized basis.

Thank goodness we had a big snow year up north as skiers and snowmobilers apparently took advantage and travelled to the North Country to indulge their passion. However, the 'once every ten years' good snow year took place during one of the most severe lodging downturns that we have seen. That seems like a cruel trick, does it not?

One wonders how demand in commercial markets around the state would have fared without the election. September, which was the beginning of the last lap for this three year sojourn toward electing our President, was the beginning of the national decline in demand as well as the first signs of softening in Michigan. Personally, I have never seen such an abrupt drop off in demand following a period of solid growth. Even the 9/11 tragedy had some lead lag before settling into a period of declining travel and demand. Commercial demand remained below normal levels throughout the fourth quarter as social and both corporate and group demand followed suit. What could be in store in 2009? Usually with an opinion, I have not a clue!

If we go back to our old trends reports, we see 3-5% in demand growth over the past 25 years with long periods of steady growth and a few big drop offs in demand during certain economic downturns representing the norm. Typically, these downturns were somewhat predictable. Demand remained steady or trended up at the 53-55 percent levels but supply increased more erratically causing the peaks and valleys in occupancy levels. Following 9/11 there was an erratic period until 2004 when we saw a consistent growth in demand year after year and very little new supply because of the difficult financing market in the upper Midwest. In southeast Michigan there was also the anomaly of the Casino driven hotels introduced into the downtown

Detroit market but impacting suburban markets as group business, as well as some social demand, opted to try the newer downtown hotels. The attraction of new demand from outside the region did not take place at levels significant enough to uphold the suburban markets as well as to feed the new rooms. The result was that we reshuffled the same demand levels and distributed them among many more rooms. One step forward...you know the rest.

\*\*\*\*\*

## Michigan Overview

---

Year end 2008 for the State showed a three point decrease in occupancy to 55% and a \$2 increase in average daily rate to \$92 over year end 2007 numbers. Most markets reported strong numbers for the first eight months and rapid decreases for the last four months. Rate gains came from the full service segment which reported a \$3 increase or about 2.9% with limited service properties flat to last year end.

Ann Arbor and Troy showed the highest occupancies in the state at 60%, both down from 63% in 2007. Lansing at 58%, down from 59%, and Dearborn at 58% down from 60% were next. Downriver actually showed a one point increase up top at 48% but dropping \$1 in rate to \$63. Detroit CBD dropped four occupancy points to 49% but had the largest rate increase with an ADR of \$134, up from \$128.

Out state, Lansing and Southwest Michigan dropped the least each falling one occupancy point. Lansing fell to 58% and the Southwest Michigan market fell to 56% but had a \$1 increase in average rate. Lansing was flat in ADR at \$86, while Flint had the biggest increase in ADR--\$2 to \$84.

Rates fluctuated in a narrow range, up a dollar, down a dollar. Exceptions were Detroit CBD which was up \$6--nearly 5%, I-275 Corridor, up \$8--nearly 10% and Romulus, down \$7--or (7.4%). Rates will be interesting in 2009!

\*\*\*\*\*

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.

\*\*\*\*\*

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

# HOSPITALITY ADVISORS' LODGING COMMENTARY

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

Spring 2009

Vol 19; Number 1

## State of Michigan:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$92	\$50.06	58%	\$90	\$51.92	57%	17%	23%
<b>Full Service:</b>								
53%	\$107	\$56.53	56%	\$104	\$58.35	53%	25%	21%
<b>Limited Service:</b>								
57%	\$73	\$41.30	60%	\$73	\$43.35	64%	7%	27%

## Southeast Michigan:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$95	\$51.76	58%	\$93	\$54.32	64%	14%	21%
<b>Full Service:</b>								
54%	\$111	\$59.88	58%	\$110	\$63.59	60%	23%	17%
<b>Limited Service:</b>								
56%	\$71	\$39.90	59%	\$72	\$42.13	69%	5%	26%

## Ann Arbor:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$90	\$54.23	63%	\$88	\$55.89	58%	17%	25%
<b>Full Service:</b>								
63%	\$105	\$65.93	66%	\$104	\$68.73	49%	25%	26%
<b>Limited Service:</b>								
60%	\$78	\$45.79	62%	\$76	\$46.63	69%	7%	24%

## Auburn Hills:

2008 YE	Rev	2007 YE	Rev	2008 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>
56%	\$85	\$47.67	60%	\$86	\$51.76	68%	14%	19%
<b>Full Service:</b>								
61%	\$98	\$59.98	68%	\$105	\$71.08	63%	21%	15%
<b>Limited Service:</b>								
51%	\$70	\$36.02	56%	\$74	\$41.26	73%	5%	23%

## Dearborn:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$104	\$61.08	60%	\$106	\$64.06	59%	21%	20%
<b>Full Service:</b>								
58%	\$115	\$66.02	59%	\$118	\$69.92	59%	27%	15%
<b>Limited Service:</b>								
61%	\$80	\$48.57	63%	\$81	\$50.52	59%	7%	34%

## Detroit - CBD:

2008 YE	Rev	2007 YE	Rev	2008 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>
49%	\$134	\$65.29	53%	\$128	\$67.60	42%	41%	16%
<b>Full Service:</b>								
49%	\$134	\$65.29	53%	\$128	\$67.60	42%	41%	16%

## Downriver:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$63	\$32.21	52%	\$64	\$33.66	69%	11%	21%
<b>Full Service:</b>								
48%	\$65	\$31.00	47%	\$70	\$33.19	69%	14%	8%
<b>Limited Service:</b>								
53%	\$62	\$32.96	55%	\$61	\$33.91	69%	10%	22%

## East Area:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$71	\$38.90	57%	\$74	\$41.69	70%	4%	25%
<b>Full Service:</b>								
53%	\$83	\$43.45	55%	\$87	\$47.51	71%	8%	22%
<b>Limited Service:</b>								
56%	\$66	\$36.77	58%	\$68	\$38.97	70%	3%	27%

## I-275 Corridor/Farmington:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$93	\$48.45	60%	\$85	\$51.13	70%	6%	24%
<b>Full Service:</b>								
50%	\$114	\$57.55	62%	\$100	\$61.97	72%	12%	7%
<b>Limited Service:</b>								
55%	\$65	\$38.00	57%	\$66	\$38.00	68%	4%	28%

## Romulus-Airport:

2008 YE	Rev	2007 YE	Rev	2008 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%	\$87	\$49.45	59%	\$94	\$55.37	63%	10%	27%
<b>Full Service:</b>								
57%	\$98	\$55.73	59%	\$104	\$60.83	62%	15%	23%
<b>Limited Service:</b>								
56%	\$69	\$44.28	60%	\$74	\$44.28	64%	4%	31%

## Southfield:

2008 YE	Rev	2007 YE	Rev	2008 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>
48%	\$88	\$42.21	51%	\$89	\$45.53	68%	15%	17%
<b>Full Service:</b>								
45%	\$102	\$46.21	49%	\$104	\$50.71	66%	19%	15%
<b>Limited Service:</b>								
52%	\$69	\$35.91	54%	\$67	\$36.77	76%	4%	21%

## Troy/Birmingham/Madison Heights:

2008 YE	Rev	2007 YE	Rev	2008 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	\$63.79	63%	\$106	\$66.57	69%	14%	17%
<b>Full Service:</b>								
60%	\$123	\$73.91	64%	\$127	\$81.20	66%	20%	13%
<b>Limited Service:</b>								
60%	\$80	\$48.33	61%	\$80	\$48.96	74%	6%	20%

# HOSPITALITY ADVISORS' LODGING COMMENTARY

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

Spring 2009

Vol 19; Number 1

## Flint/Tri-Cities:

2008 YE	Rev	2007 YE	Rev	2008 Mkt	Mix
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>
52%	\$84	\$43.94	55%	\$82	\$45.01

### Full Service:

41%	\$101	\$50.28	52%	\$96	\$50.39	46%	13%	25%
-----	-------	---------	-----	------	---------	-----	-----	-----

### Limited Service:

54%	\$75	\$40.37	56%	\$74	\$41.81	58%	14%	29%
-----	------	---------	-----	------	---------	-----	-----	-----

## Grand Rapids:

2008 YE	Rev	2007 YE	Rev	2008 Mkt	Mix
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>
57%	\$88	\$50.56	59%	\$87	\$51.26

### Full Service:

56%	\$98	\$55.06	58%	\$96	\$55.64	54%	22%	19%
-----	------	---------	-----	------	---------	-----	-----	-----

### Limited Service:

59%	\$74	\$43.22	60%	\$74	\$44.14	66%	11%	23%
-----	------	---------	-----	------	---------	-----	-----	-----

## Lansing:

2008 YE	Rev	2007 YE	Rev	2008 Mkt	Mix
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>
58%	\$85	\$49.92	59%	\$86	\$50.58

### Full Service:

54%	\$88	\$47.06	55%	\$88	\$48.16	45%	39%	16%
-----	------	---------	-----	------	---------	-----	-----	-----

### Limited Service:

64%	\$83	\$53.10	64%	\$83	\$53.28	63%	10%	27%
-----	------	---------	-----	------	---------	-----	-----	-----

## Northern Resorts:

2008 YE	Rev	2007 YE	Rev	2008 Mkt	Mix
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>
50%	\$97	\$48.22	51%	\$98	\$49.75

### Full Service:

46%	\$112	\$51.54	48%	\$113	\$53.59	16%	40%	44%
-----	-------	---------	-----	-------	---------	-----	-----	-----

### Limited Service:

56%	\$77	\$42.78	57%	\$76	\$43.36	18%	12%	71%
-----	------	---------	-----	------	---------	-----	-----	-----

## Southwest Michigan:

2008 YE	Rev	2007 YE	Rev	2008 Mkt	Mix
<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>	<u>Occ%</u>	<u>ADR</u>	<u>PAR</u>
56%	\$77	\$42.68	57%	\$76	\$42.99

### Full Service:

52%	\$83	\$43.22	56%	\$104	\$58.35	56%	22%	22%
-----	------	---------	-----	-------	---------	-----	-----	-----

### Limited Service:

62%	\$68	\$41.85	62%	\$66	\$40.99	61%	4%	26%
-----	------	---------	-----	------	---------	-----	----	-----

Note: Numbers may not foot due to rounding

\*\*\*\*\*

## 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

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

### Mr. Charles A. Skelton

Hospitality Advisors - Consulting Group  
411 Huron View Boulevard, Suite 104  
Ann Arbor, Michigan 48103 (734) 741-8686  
[skelton@hotelexperts.com](mailto:skelton@hotelexperts.com)  
[www.hotelexperts.com](http://www.hotelexperts.com)

### Laurence G. Allen, MAI

Hospitality Advisors - Valuation Group  
2100 East Maple Road, Suite 350  
Birmingham, Michigan 48009 (248) 433-9630  
[lallen@allenappraisal.com](mailto:lallen@allenappraisal.com)  
[www.allenappraisal.com](http://www.allenappraisal.com)

### Mr. Steve Yencich

Michigan Hotel, Motel & Resort Assoc.  
225 W. Washtenaw - Suite 202  
Lansing, Michigan 48933  
[www.michiganhotels.org](http://www.michiganhotels.org)

# HOSPITALITY ADVISORS' LODGING COMMENTARY

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

Vol 19; Number 1

	2008					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
<b>REVENUES:</b>						
ROOMS	65.3%	\$22,578	\$93.49	98.2%	\$24,931	\$93.62
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	0.2%	\$44	\$0.16
OTHER INCOME, NET	2.2%	\$837	\$3.59	1.6%	\$392	\$1.45
<b>GROSS OPERATING REVENUE</b>	<b>100.0%</b>	<b>\$34,360</b>	<b>\$139.33</b>	<b>100.0%</b>	<b>\$25,367</b>	<b>\$95.23</b>
<b>DEPARTMENTAL EXPENSES:</b>						
ROOMS	22.4%	\$5,356	\$18.95	22.5%	\$5,556	\$20.93
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	310.2%	\$128	\$0.48
OTHER EXPENSE	41.1%	\$431	\$1.79	0.4%	\$82	\$0.31
<b>TOTAL DEPARTMENTAL</b>	<b>40.7%</b>	<b>\$9,185</b>	<b>\$37.21</b>	<b>26.2%</b>	<b>\$5,765</b>	<b>\$21.72</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>59.3%</b>	<b>\$21,564</b>	<b>\$88.91</b>	<b>73.8%</b>	<b>\$19,602</b>	<b>\$73.51</b>
<b>UNDISTRIBUTED OPERATING EXPENSES:</b>						
ADMINISTRATIVE AND GENERAL	8.4%	\$2,914	\$12.01	10.2%	\$2,804	\$10.56
TOTAL MANAGEMENT FEE	3.5%	\$1,274	\$5.25	3.0%	\$758	\$1.93
MARKETING	7.8%	\$2,817	\$11.32	5.0%	\$1,264	\$2.43
FRANCHISE FEE	7.0%	\$2,547	\$10.50	8.0%	\$2,022	\$7.71
PROPERTY OPER. & MAINT.	4.9%	\$1,648	\$6.61	5.0%	\$1,206	\$4.56
ENERGY	5.7%	\$1,906	\$7.77	5.3%	\$1,249	\$4.69
<b>TOTAL UNDISTRIBUTED OPER. EXPENSES</b>	<b>36.8%</b>	<b>\$13,392</b>	<b>\$55.21</b>	<b>36.6%</b>	<b>\$9,241</b>	<b>\$31.87</b>
<b>INCOME BEFORE FIXED CHARGES</b>	<b>22.5%</b>	<b>\$8,172</b>	<b>\$33.69</b>	<b>37.3%</b>	<b>\$12,390</b>	<b>\$46.60</b>
<b>FIXED CHARGES:</b>						
REAL & PERSONAL PROPERTY TAX	5.0%	\$1,837	\$7.38	5.8%	\$1,097	\$1.12
PROPERTY INSURANCE	1.1%	\$347	\$1.36	1.3%	\$296	\$1.12
CAPITAL REPLACEMENT RESERVE	2.1%	\$673	\$3.48	0.0%	\$0	\$0.00
<b>TOTAL FIXED CHARGES</b>	<b>6.1%</b>	<b>\$3,116</b>	<b>\$13.55</b>	<b>6.7%</b>	<b>\$1,393</b>	<b>\$5.21</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>14.6%</b>	<b>\$5,178</b>	<b>\$20.15</b>	<b>43.6%</b>	<b>\$11,025</b>	<b>\$41.46</b>
<b>OCCUPANCY</b>	<b>66.5%</b>			<b>72.85%</b>		
<b>ADR</b>		<b>\$111.10</b>			<b>\$91.92</b>	