

Winter 2012

## 2012 - A Year in Review for Hotel Firms

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### Recommended Citation

Sheel, Atul (2012) "2012 - A Year in Review for Hotel Firms," *Journal of Hospitality Financial Management*: Vol. 20 : Iss. 2 , Article 6.  
Available at: <https://scholarworks.umass.edu/jhfm/vol20/iss2/6>

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## Editor's Note...

### 2012 – A Year in Review for Hotel Firms

2012 was a memorable year for US lodging firms.

According to Smith Travel Research and American Hotel and Lodging Association (AH&LA) reports, the occupancy of these lodging firms increased 2.5 percent to 61.4% in 2012, the highest since 2008. The average daily rate (ADR) grew 4.2 percent to 106.10 USD, relative to 101.70 USD in 2011 and 98.06 USD in 2010. The revenue per available room (RevPAR) of these firms increased by 6.8 percent to 65.17 USD. Regardless of the slow economic recovery, dismal unemployment rates, fiscal cliffs, and natural disasters such as the super storm Sandy, the lodging industry generated 155.5 billion USD in revenues during 2012, 8.1 billion USD more than its 2011 revenues, and 39 billion USD in pretax income, almost 13.4 percent more than its income in 2011. Demand for the US hotel industry grew 3.0 percent vis-a-vis a modest supply growth of only 0.6 percent.

Stockholders of lodging firms were pleased with the performance of their stocks in 2012. The overall stock returns of the lodging sector in 2012 were almost 12.26 percent higher than the S&P 500 index returns. Table 1 summarizes the 2012 stock returns of key lodging firms. The average returns for the Journal of Hospitality Financial Management (JHFM) Index of key lodging firms were 30.49%, almost 14.5% more than market (S&P 500) and 2.23 percent above the overall Lodging Industry returns (28.26 percent). When weighted with market cap percentages, the weighted average returns for JHFM's Index of key lodging firms (32.35 percent) were more than double the overall market (S&P) 500 returns. Evidently, the performance of lodging stocks has certainly surpassed the 2011 year-end expectations of several hospitality and financial experts. Given such a spectacular performance growth for US lodging stocks in 2012, almost 50 percent (28.26 percent return in 2012 vis-a vis a negative 21.36 percent in 2011), and also given a notoriously sluggish recovery of the economy, it will certainly be interesting to see whether the industry can maintain its pace in 2013.

**Table 1**  
**2012 Total Stock Returns of Key Lodging Firms**

<b>Stock Name</b>	<b>Market Cap</b>	<b>Stock</b>
<b>Ticker</b>	<b>(Million\$)</b>	<b>Return%</b>

Choice Hotels International, Inc.	CHH	1,956	17.66
Gaylord Entertainment (now Ryman Hospitality Properties)	RHP	2,023	87.66
Home Inns & Hotels Management, Inc.	HMIN	1,325	12.02
Hyatt Hotels Corporation	H	6,251	2.47
Intercontinental Hotels Group PLC	IHG	7,465	56.48
Marriott International, Inc.	MAR	11,587	29.45
Morgans Hotel Group Company	MHGC	179	-6.1
Orient-Express Hotels, Ltd.	OEH	1,414	56.49
Red Lion Hotels Corporation	RLH	153	13.85
Accor SA	ACRFF	7,897	42.76
Starwood Hotels & Resorts Worldwide Inc.	HOT	11,077	22.18
Wyndham Worldwide Corporation	WYN	7,305	43.09
Shangri-La Asia Ltd. ADR	SHALY	6,358	18.4
<i>Total</i>		64,990	
<i>JHFM Key Lodging Firms - Average</i>			30.49
<i>JHFM Key Lodging Firms - Weighted Average</i>			32.35
<i>Overall Lodging Industry</i>			28.26
<i>Overall Market - S&amp;P 500</i>			16.00

*Source - Morningstar Investment Research Center*

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