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2013 – A YEAR IN REVIEW FOR HOTEL FIRMS

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EDITOR'S NOTE . . .

2013 – A YEAR IN REVIEW FOR HOTEL FIRMS

2013 has been yet another memorable year for U.S. lodging firms. According to the latest Smith Travel Research (STR) quarterly report, the occupancy of these lodging firms increased by 1.4% to 67.9%, compared to 61.4% in 2012. The average daily rate (ADR) grew 4.0% to \$111.88, compared to \$106.10 in 2012, \$101.70 in 2011, and \$98.06 in 2010. The revenue per available room (RevPAR) of these firms increased by 5.5% to \$75.97, compared to \$65.17 in 2012. Demand for the U.S. hotel industry continued to grow 2.1% vis-à-vis a modest supply growth of only 0.7%. According to the latest IBISWorld *Industry Report for Hotels & Motels* in the United States, regardless of the slow economic recovery and fiscal cliffs, the 5-year average industry revenue for U.S. hotels and motels is

expected to increase to \$137.6 billion in 2013 (yielding \$23.2 billion in profits) at an average annual rate of 0.3%, compared to \$134.2 billion in 2012, \$132.49 billion in 2011, \$127.75 billion in 2010, and \$124.9 billion in 2009.

Stockholders of lodging firms have also been pleased with the performance of their stocks thus far in 2013. The overall 1-year stock returns for the lodging sector until October 2013 were almost 9.18% higher than the S&P 500 index returns. Table 1 summarizes the 2013 stock returns of key lodging firms.

The weighted average returns for JHFM's Index of Key Lodging firms (32.35%) were almost 8.52% more than the Overall Market (S&P 500) returns and close to the Overall Lodging Industry returns (33.18%). Evidently, the performance of lodging stocks thus far in

TABLE 1. 2013 Total Stock Returns of Key Lodging Firms

Stock Name	Ticker	Market Cap (Million\$)	1-Year Stock Return%
Choice Hotels International, Inc.	CHH	2,590.76	43.68
Home Inns & Hotels Management, Inc.	HMIN	1,674.68	29.05
Hyatt Hotels Corporation	H	7,323.36	22.73
Intercontinental Hotels Group PLC	IHG	7,899.80	30.81
Marriott International, Inc.	MAR	13,524.93	24.07
Morgans Hotel Group Company	MHGC	228.91	10.56
Orient-Express Hotels, Ltd.	OEH	1,652.68	9.31
Red Lion Hotels Corporation	RLH	113.53	- 3.34
Accor SA	ACRFF	10,376.50	45.39
Starwood Hotels & Resorts Worldwide, Inc.	HOT	14,349.70	40.11
Wyndham Worldwide Corporation	WYN	8,738.37	30.35
Total		68,473.22	
Overall Market - S&P 500	SPX		24.00
JHFM Key Lodging Firms Weighted Average			32.52
Overall Lodging Industry			33.18

Source: Morningstar Investment Research Center Data, October 25, 2013.

2013 has been positive and has surpassed the 2012 expectations of several hospitality and financial experts. However, considering the recent government shut down and its negative impact on the U.S. economy, unpleasant fiscal cliffs, and slower economic recovery forecasts

for the near future, it will certainly be interesting to see whether the industry can maintain its pace in 2014.

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