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Hotel Industry Performance in 2017–2018 and the *JHFM* Index

Overall, 2018 has been a productive year for hotels in the United States. According to the latest Smith Travel Research (STR) report (August 2018), the year-to-date occupancy (August) for these lodging firms increased 1.2% to 67.6%, relative to 67.1% (same period) in 2017, and the year-to-date average daily rate, or ADR, (August) grew 2.3% to US\$130.24. The year-to-date ADR was US\$126.92 (same period) in 2017. The August year-to-date revenue per available room (RevPAR) of these firms also increased by 3.5% to US\$88.07 relative to US\$85.11 (same period) in 2017.

Per the latest IBISWorld Industry Report for Hotels & Motels in the United States, the industry revenue has experienced robust growth during the recent 5-year period. The industry revenue for U.S.

hotels and motels should increase to US\$193.9 billion in 2018 at an average annual rate of 3.2%, relative to US\$187.9 billion in 2017. Figure 1 summarizes the rising trend of revenues in this industry over the last 15 years (since 2003).

Hotel industry investors have welcomed this positive trend rather cautiously. Table 1 summarizes the 2018 stock returns of key hotel industry firms from both lodging and hotel-motel real estate investment trust (REIT) sectors.

As shown in Table 1, the *JHFM* Index for hotel industry stocks yielded low market premiums this year on an average (2.79%, 1.63%, and 2.44% for lodging, REIT, and overall hotel industry indices, respectively). The *JHFM* Index is a market-capitalization weighted index maintained by the

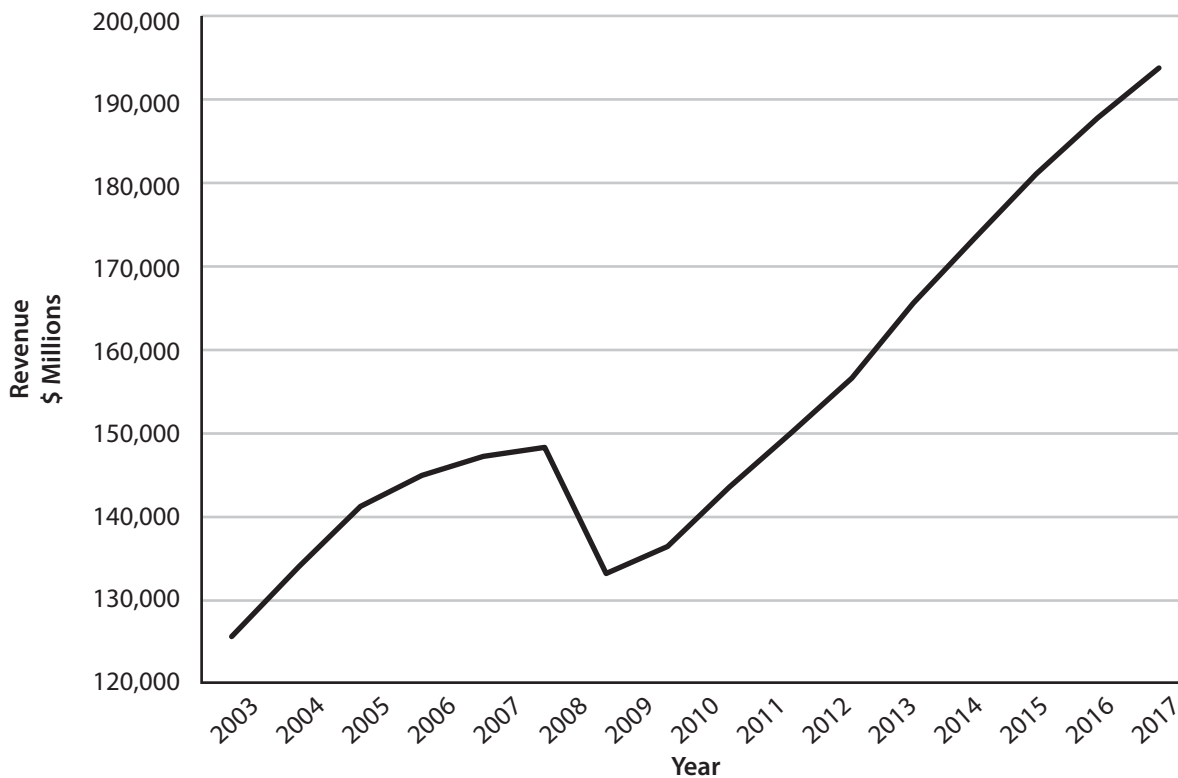


Figure 1. U.S. Hotel and Motel Industry Revenues
Source: IBISWorld Industry Performance—Hotels and Motels

Table 1. *JHFM* Index and 2018 Total Stock Returns of Key Hotel Industry Firms

| Stock Name | Sector* | Ticker | Market Cap (Million \$) | 1-Year Return (%) |
|---|---------|--------|----------------------------|----------------------|
| Accor SA | L | ACYY | 14,342 | 6.02 |
| Belmond Ltd. | L | BEL | 1,755 | 33.73 |
| Choice Hotels International, Inc. | L | CHH | 4,703 | 34.9 |
| Extended Stay America, Inc. | L | STAY | 3,746 | 5.35 |
| Hilton Worldwide Holdings, Inc. | L | HLT | 24,176 | 21.84 |
| Hyatt Hotels Corp. | L | H | 8,741 | 29.49 |
| InterContinental Hotels Group PLC | L | IHG | 11,574 | 25.24 |
| Marriott International, Inc. | L | MAR | 45,864 | 24.12 |
| Radisson Hospitality AB | L | REZIF | 675 | 6.14 |
| Red Lion Hotels Corp. | L | RLH | 316 | 67.31 |
| Host Hotels & Resorts, Inc. | RHM | HST | 15,700 | 19.56 |
| Park Hotels & Resorts, Inc. | RHM | PK | 6,677 | 29.87 |
| Hospitality Properties Trust | RHM | HPT | 4,740 | 9.95 |
| Ryman Hospitality Properties, Inc. | RHM | RHP | 4,520 | 48.89 |
| RLJ Lodging Trust | RHM | RLJ | 3,977 | 8.53 |
| LaSalle Hotel Properties | RHM | LHO | 3,805 | 24.94 |
| Sunstone Hotel Investors, Inc. | RHM | SHO | 3,786 | 8.73 |
| Xenia Hotels & Resorts, Inc. | RHM | XHR | 2,674 | 20.38 |
| Pebblebrook Hotel Trust | RHM | PEB | 2,540 | 11.33 |
| Diamondrock Hospitality Co. | RHM | DRH | 2,471 | 14.62 |
| <i>JHFM</i> Lodging Stock Index (Weighted Average)* | | | | 21.91 |
| <i>JHFM</i> Hotel-Motel REITS Stock Index (Weighted Average)* | | | | 20.75 |
| <i>JHFM</i> Hotel Industry Stock Index (Weighted Average)** | | | | 21.56 |
| Overall Market S&P 500 | | | | 19.12 |
| Market Premium: <i>JHFM</i> Lodging Stock Index (Weighted Average) | | | | 2.79 |
| Market Premium: <i>JHFM</i> Hotel-Motel REITS Stock Index (Weighted Average) | | | | 1.63 |
| Market Premium: <i>JHFM</i> Overall Hotel Industry Stock Index (Weighted Average) | | | | 2.44 |

Note: * L = Lodging Sector; RHM = REIT (hotel-motel); ** Combines lodging and REITs (hotel-motel) sectors.

Source: Morningstar Investment Research Center Data, September 21, 2018.

Journal of Hospitality Financial Management. It is a two-part index measuring the performance of hotel stocks trading in the U.S. equity markets. The first part is the *JHFM* lodging index consisting of the 10 largest market-cap firms in the lodging sector. The second part is the *JHFM* hotel-motel REITs Stock Index consisting of the 10 largest hotel-motel REIT firms currently trading in U.S. equity markets. On the positive side, the *JHFM* indices for hotel industry stocks seem to have outperformed the market index again this year. On the negative side, however, the sharp decline in current market premiums of these indices relative to last year is noteworthy and could be suggestive of some caution in the optimism of hotel investors for the time ahead.

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