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Hotel Industry Performance in 2016–2017 and the JHFM Index

The year 2017 has been productive for hotels in the United States. According to the latest Smith Travel Research (STR) report (September 2017), the year-to-date occupancy for these lodging firms increased 0.6% to 67.4%, relative to 66.9% for the same period in 2016; the year-to-date average daily rate, or ADR (September), grew 2.0% to \$127.14. The year-to-date ADR was \$124.18 for the same period in 2016, \$120.45 in 2015, \$114.77 in 2014, \$110.35 in 2013, \$106.10 in 2012, \$101.70 in 2011 and \$98.06 in 2010. The September year-to-date revenue per available room (RevPAR) of these firms also increased by 2.6% to \$85.70, relative to \$83.10 for the same period in 2016.

Per latest IBISWorld Industry Report for Hotels & Motels in the United States, the industry revenue has shown robust growth during the recent five-year period. The industry revenue for U.S. hotels and motels should increase to \$185.2 billion in 2017 at an average annual rate of 4.7%, relative to \$178.8 billion in 2016, \$172.5 billion in 2015, \$172.6 billion in 2014, \$153.8 billion in 2013, \$147.2 billion in 2012, \$140.9 billion in 2011, and \$134.1 billion in 2010. [Figure 1](#) summarizes the rising trend of revenues in this industry during the past 17 years (since 2000).

Hotel industry investors have welcomed this positive trend. For a change, hotel industry stocks have outperformed the market, leading to significantly

positive market premiums. [Table 1](#) summarizes the 2017 stock returns of key hotel industry firms from both lodging and hotel-motel REIT sectors.

The JHFM index for hotel industry stocks has shown significant market premiums this year, suggesting investor optimism in these stocks on an average. The JHFM index is a market-capitalization weighted index maintained by the *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, which consists of the 10 largest market-cap firms in the lodging sector. The second part is the JHFM Hotel-Motel REITS Stock Index, which consists of the 10 largest Hotel-Motel REIT firms currently trading in U.S. equity markets.

As shown in [Table 1](#), all three JHFM hotel stock indices have outperformed the market, with their significantly negative market premiums (25.25% for overall hotel industry stocks; 31.49% and 6.46% for lodging stocks and hotel-motel REIT stocks, respectively). The strong resilience in hotel industry stocks after their decelerating and pessimistic trend in 2016 suggests that the industry's speculative fears from last year's changing politico-economic climates in the United States and post-Brexit Europe are now settling down. Such optimism of hotel investors could also be attributed to

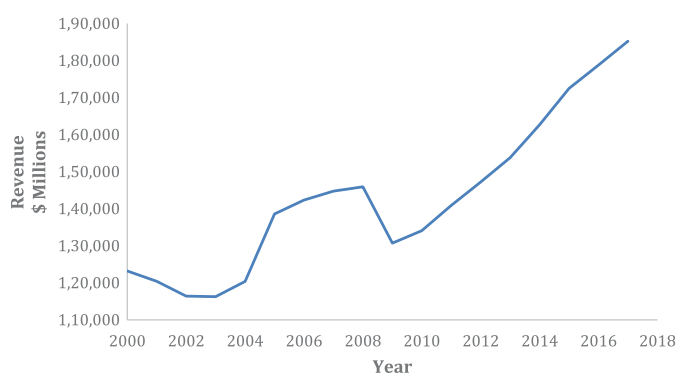


Figure 1. U.S. hotel and motel industry revenues.

Source: IBISWorld Industry Performance–Hotels and Motels

Table 1. JHFM Index and 2017 Total Stock Returns of Key Hotel Industry Firms

Stock Name	Sector*	Ticker	Market Cap (Million \$)	1-Year Return%
Hilton Worldwide Holdings, Inc.	L	HLT	23,126.00	45.4
Marriott International, Inc.	L	MAR	44,139.00	76.75
Accor SA	L	ACRFF	14,437.00	40.8
InterContinental Hotels Group PLC	L	IHG	10,472.00	42.37
Wyndham Worldwide Corp.	L	WYN	10,795.00	68.67
Hyatt Hotels Corp.	L	H	8,100.00	33.02
City Developments Ltd.	L	CDEVF	8,649.00	29.94
Shangri-La Asia Ltd.	L	SHALF	5,800.00	53.76
Extended Stay America, Inc.	L	STAY	3,800.00	46.49
Choice Hotels International, Inc.	L	CHH	3,941.00	47.06
Host Hotels & Resorts, Inc.	RHM	HST	14,476.00	33.27
Hospitality Properties Trust	RHM	HPT	4,644.00	17.6
Apple Hospitality REIT, Inc.	RHM	APLE	4,200.00	13.87
Sunstone Hotel Investors, Inc.	RHM	SHO	3,653.00	40.1
LaSalle Hotel Properties	RHM	LHO	3,200.00	26.36
RLJ Lodging Trust	RHM	RLJ	3,800.00	20.11
Ryman Hospitality Properties, Inc.	RHM	RHP	3,385.00	37.41
Pebblebrook Hotel Trust	RHM	PEB	2,459.00	54.05
Diamondrock Hospitality Co.	RHM	DRH	2,175.00	24.15
Xenia Hotels & Resorts, Inc.	RHM	XHR	2,300.00	49.64
JHFM Lodging Stock Index (Weighted Average)				55.62
JHFM Hotel-Motel REITS Stock Index (Weighted Average)				30.59
JHFM Hotel Industry Stock Index (Weighted Average)**				49.38
Overall Market S & P 500				24.13
Market Premium: JHFM Lodging Stock Index (Weighted Average)				31.49
Market Premium: JHFM Hotel-Motel REITS Stock Index (Weighted Average)				6.346
Market Premium: JHFM Overall Hotel Industry Stock Index (Weighted Average)				25.25

*L = Lodging Sector; RHM = REIT (Hotel-Motel).

**Combines Lodging and REITs (Hotel-Motel) sectors.

Source: Morningstar Investment Research Center Data, November 3, 2017.

this year's relatively sound economic fundamentals and consequent spur in consumer spending.

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