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## Hotel Industry Performance in 2017-2018 and the JHFM Index

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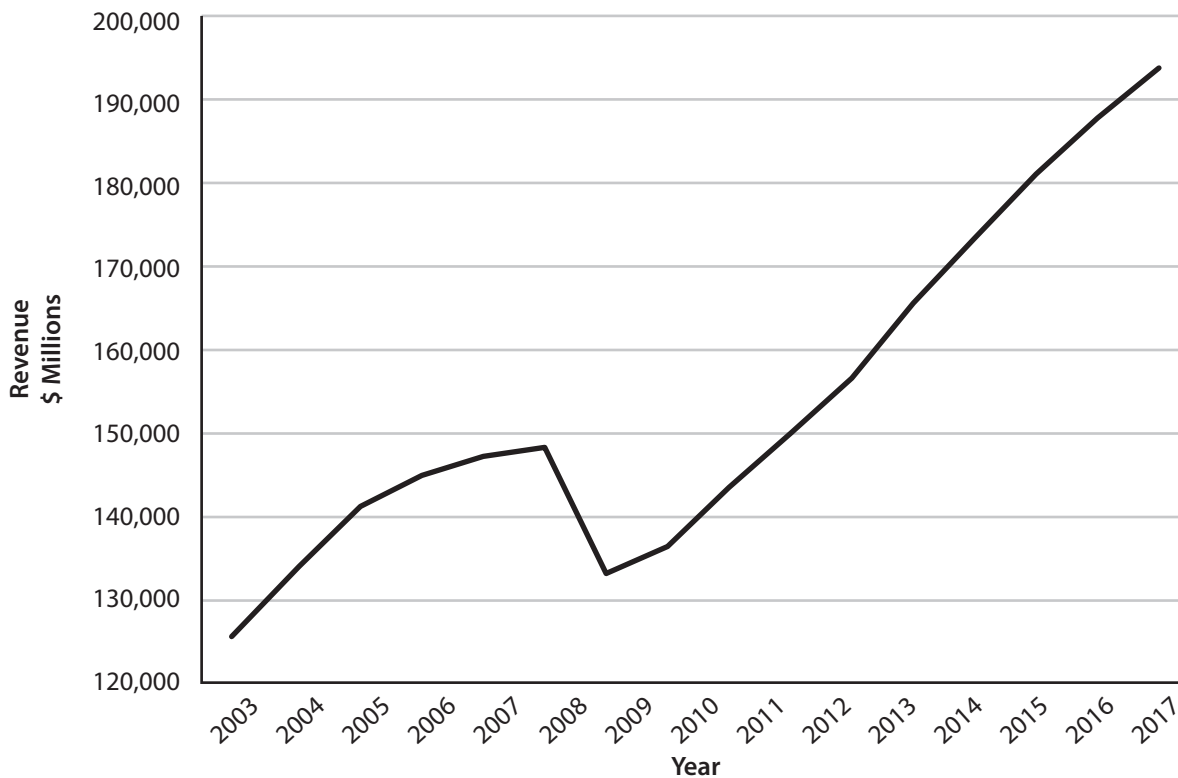
Overall, 2018 has been a productive year for hotels in the United States. According to the latest Smith Travel Research (STR) report (August 2018), the year-to-date occupancy (August) for these lodging firms increased 1.2% to 67.6%, relative to 67.1% (same period) in 2017, and the year-to-date average 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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