

economic analysis



2Q 2014 Hotel Market Update

August 2014

Summary

An increase in the number of hotel rooms in the District in 2014 has increased hotel revenue in the months of May through June, but it has slightly decreased operating statistics. The May opening of the Marriott Marquis Headquarters Hotel (1,175 rooms), means that 2014 hotel revenues in DowntownDC have a chance to exceed last year's record revenues.

However, 2014 operating statistics (occupancy, revenue per available room (RevPAR), and Average Daily Room Rate (ADR) are likely to decrease 2 to 5 % when compared to 2013, due to the opening of the Marriott Marquis and the Cambria Suites Convention Center Hotel (182 rooms). Year-To-Date (YTD) hotel revenues are down in 2014 due to the comparison against a record hotel revenue and operating statistics year in 2013 that benefited from the second presidential inauguration of Barack Obama in January 2013 and an all-time record revenue month in April 2013.

Room Revenues

- Year-to-Date (YTD) room revenue for all D.C. hotels reached \$850 Million in June, down \$21 million from 2013. DowntownDC YTD hotel room revenues were \$322 million in 2014, down \$6 million from \$328 million in 2013.

- Room revenue in the second quarter of 2014 for all D.C. hotels reached \$496 million, down \$ 1 million from 2013. DowntownDC BID hotels room revenues reached \$185.8 million in the second quarter, down only \$63,000 from the second quarter of 2013.

- However, June 2014 D.C. hotel room revenue increased by \$4 million, from \$150 million in June 2013 to \$154 million. June 2014 DowntownDC BID hotel room revenue increased by \$1.4 million in one year from \$56.5 million in June 2013 to \$57.9 million.

Thus, with the opening of the Marriott Marquis Headquarters Hotel and the Cambria Suites Convention Center Hotel, it appears that 2014 revenues are growing each month from May 2014 on. Preliminary data shows July 2014 D.C. hotel revenue is up \$5 to \$10 million over July 2013, closing the YTD 2014 revenue gap down to a negative \$11 million to a negative \$16 million compared to 2013.

Occupancy Rates

- YTD occupancy for all D.C. hotels was slightly down from 77.9% in 2013 to 77.7% in June 2014. YTD DowntownDC BID hotel occupancy decreased from 81% in June 2013 to 78.8% in June 2014.

- D.C. hotel occupancy in the second quarter of 2014 also declined slightly compared to the second quarter of 2013. D.C. hotel room occupancy was 85.3 % in the second quarter of 2014 compared to 85.4% in the second quarter of 2013. DowntownDC BID hotel occupancy fell from 88.7% in the second quarter of 2013 to 85.5% in the second quarter of 2014.

- June 2014 D.C. hotel occupancy for all of D.C. was 83%, down slightly from 83.6% in June 2013. DowntownDC BID area hotel occupancy was 82.8% in June 2014, down from 87.2% in June 2013.

Please note that the Marriot Marquis' 1,175 rooms represents an increase of 13% over the previous total of 9,229 hotel rooms in the BID.



With 1,175 rooms, additional ballroom and meeting space and five restaurants/bars, the Marriott Marquis will allow two conventions to occur simultaneously at the Walter E. Washington Convention Center.

Source: Smith Travel Research and DowntownDC BID

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About the BID: The DowntownDC Business Improvement District is a private non-profit organization that provides capital improvements, resources and research to help diversify the economy and enhance the Downtown experience for all. This special district, where property owners have agreed to tax themselves to fund services, encompasses a 138-block area of approximately 520 properties from Massachusetts Avenue on the north to Constitution Avenue on the south, and from Louisiana Avenue on the east to 16th Street on the west.

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Average Daily Room Rate (ADR)

- YTD ADR for D.C. hotels was \$223 in 2013 and is down to \$217 in 2014. 2014 YTD ADR for DowntownDC hotels was down to \$234 from \$243 in 2013.
- The ADR for all hotels in D.C. was \$230 in the second quarter of 2013 and \$225 in second quarter of 2014. DowntownDC BID hotel ADR in the second quarter of 2013 was \$250 and is \$238 in the second quarter of 2014.
- June ADR for all D.C. hotels declined to \$213 in 2014 from \$214 in 2013. June ADR for DowntownDC BID hotels was \$234 in the second quarter of 2013 and is down to \$224 in the second quarter of 2014.



The Trump International Hotel at the Old Post Office Pavilion broke ground in July 2014. The 114-year old building will be transformed into a luxury hotel with 270 rooms. The Trump Hotel is one of four hotels in D.C. under construction as of June 2014.

Revenue per Available Room (RevPAR)

- YTD RevPAR for all D.C. hotels declined from \$173 in 2013 to \$168 in 2014. YTD RevPAR for DowntownDC hotels declined from \$197 in June 2013 to \$185 in 2014.
- D.C. hotels' RevPAR declined from \$196 in the second quarter of 2013 to \$192 in the second quarter of 2014. DowntownDC BID area hotels' RevPAR declined by from \$221 in the second quarter of 2013 to \$204 in the second quarter of 2014.
- June 2013 RevPAR for all D.C. hotels declined from \$179 to \$176 in June of 2014. June 2013 RevPAR for DowntownDC BID area hotels declined from \$204 to \$185 in June 2014.

2Q Projections for the Full Year 2014

Based on weekly reports from the last week of July, revenue RevPAR is up 2% for July 2014 over July 2013. The addition of the Marriott Marquis (a 5% increase in D.C.'s total hotel rooms and a 12% increase in DowntownDC BID hotel rooms), the city should have a 5% increase in July 2014 revenues over July 2013. May and June room revenues for 2014 are up 5% to \$327 million when compared to May and June of 2013, when room revenues were at \$311 million.

If the final six months of 2014 show a 5% increase in room revenues over 2013, then 2014 will be a record hotel revenue year for D.C. (though the city's hotel operating ratios are likely to be down on a year-over-year comparison).

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