

Room Rates Rising As Business Travel Rebounds

BY JAY BOEHMER

Building on a trend established last year, full-service and higher-tier hotels have experienced strong gains in occupancy and revenue this year as the return of the business traveler collides with what analysts contend is limited growth in room supply, particularly in downtown urban markets. Corresponding with the success of upper-tier hotel companies and the laws of supply and demand, year-over-year average daily room rates are expected to rise through 2007.

The recent positive performance in this segment, especially when compared with lower-tier hotel segments, follows three years of negative RevPAR growth beginning in 2001. Last year, RevPAR in the segment grew 8.9 percent and this year another 6.4 percent in growth is expected, according to data provided by Smith Travel Research and Price-

As noted by JPMorgan Chase's Curtis, the lack of recent development in the upscale market has been perhaps most evident in New York, where new midprice hotels have been proliferating, yet no new full-service hotels are in development.

Given the strong 2004 performance of the Manhattan market and more positive projections for 2005, analysts expected developers to announce new full-service hotel projects, yet growth in the upper hotel tier has remained stagnant.

HVS International, in its *2005 Manhattan Hotel Market Overview*, released last month said that despite a large number of hotels slated to enter the market through 2007, there would be a dearth of upscale properties. "Of the 2,668 rooms that are expected to enter in the market in 2005, 2006 and 2007, the majority are anticipated to be limited-service products," the report stated. The report noted eight hotels—all in the upscale or luxury segment—have closed in recent years for full or partial condominium conversions.

Smith Travel Research noted negative movement last year in room supply in the upscale tier in all domestic markets, yet by the end of the year PwC anticipates a slight bounce back in development. "While supply additions are expected to accelerate over the forecast horizon, they are not anticipated to reach the double-digit growth rates experienced in the 1990s," said PwC lodging analyst Bjorn Hanson of the upscale segment.

Hilton Hotels Corp. president Matt Hart last month told *Business Travel News* that although midprice hotels during the downturn by and large outperformed full-service properties, the return of the business traveler helped fuel the rebound of full-service and higher-tier hotels, mirroring other times of economic recovery (*BTN*, June 20).

"Companies have been keeping travelers on a tight leash and things are looking up and they have to release that a little bit. The only thing that will get us back to taking the high tiers out is another catastrophic incident, where the companies say they just can't afford it," said senior vice president of Partnership Travel Consulting Earl Foster. "Business travelers like the creature comfort. When you're on the road 60, 70 or 80 percent of your time—and a lot of business travelers are back to doing that again—staying in a budget

Continued on page 14

Checking In

HOTELS: BREAKFAST IS ON US

Once the domain of limited-service and all-suite hotels, complimentary breakfast and beverage services increasingly are becoming more common at full-service, resort and convention hotels as part of packages, guest loyalty programs and corporate deals, according to figures in the *Trends In the Hotel Industry* report published last week by **PKF Hospitality Research**. The study looked at U.S.-based hotels in five segments—full service, limited service, resort, convention and all suite—and found that hotel segments combined spent 13.1 percent more on complimentary food and beverage services in 2004, compared with 2003. Growth—but not overall spending—was most significant at convention and full-service hotels. According to the PKF report, convention hotels in 2004 spent 18 cents per occupied room on complimentary food and beverage, more than 35 percent higher than in 2003. Meanwhile, full-service hotels spent 32 cents per occupied room last year, which was nearly 25 percent more than in the prior year. Resorts' complimentary food and beverage spending grew by roughly 10 percent to 23 cents per occupied room from 2003. A primary factor for the growth of complimentary food service, PKF said, is higher expectations among business travelers. "Since the proliferation of limited-service and all-suite hotels, a growing percentage of travelers have grown accustomed to complimentary breakfast and/or cocktail receptions," the company said in a statement. Kevin Maguire, travel manager at Austin, Texas-based **Tokyo Electron America**, said he recently noticed some **Marriott International** properties have been more likely to throw in complimentary breakfast. Despite the rise in complimentary food costs among many hoteliers, hotel food and beverage revenues grew 6.7 percent last year. "The 6.7 percent growth rate is certainly very healthy, but it does fall short of the 8.6 percent growth in room revenue, and 7.6 percent increase in total hotel revenues achieved during the same time period," said R. Mark Woodworth, executive managing director of Atlanta-based PKF Hospitality Research.

EMBASSY SUITES BOLSTERS BUSINESS CENTERS CHAINWIDE

Embassy Suites Hotels this month said it will upgrade business centers at all of its 175 properties during the next 12 months, offering guests 24-hour-a-day complimentary computer use, local faxing and high-speed Internet access. Embassy Suites partnered with **PrinterOn** to incorporate secure printing in business centers, giving business travelers in their suites the ability to print documents directly from personal laptops to the business center or front desk. The hotel chain also partnered with Uniquet, a provider of public PC workstations, to ensure consistency across properties. Each Embassy Business Center would feature two workstations. "The Embassy Suites Hotels brand always has put guest service and satisfaction first, and the business center experience is a critical component of that commitment," said David Greydanus, senior vice president, brand management at Embassy Suites Hotels. "We recognize our guests' needs to stay connected and remain productive while traveling on business. Our new business center solutions and remote printing capabilities will help them do just that."

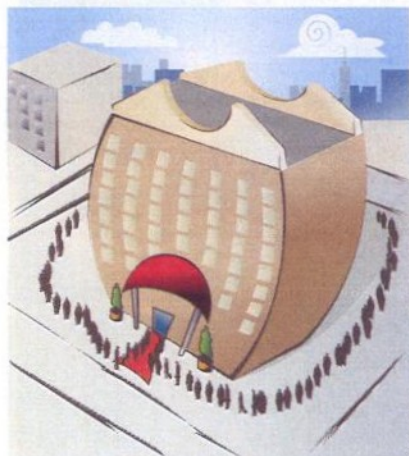
LODGENET TO OFFER FLIGHT INFO THROUGH HOTEL TV SCREENS

LodgeNet Entertainment Corp.—provider of interactive television services to nearly 6,000 hotels—last month partnered with travel content management firm **OAG Worldwide** to provide hotel guests with up-to-the-minute televised flight information. The company also said for a "nominal charge" to wireless phone bills, guests can opt for text messages to keep them abreast of flight status.

AMENITY UPGRADES CONTINUE WITH RADIO, GAMES AND TV

Hotel amenities just keep on creeping. **Hyatt Hotels Corp.** late last month partnered with **XM Satellite Radio** to offer complimentary satellite radio in more than 50,000 U.S. Hyatt guest rooms beginning this fall. The companies will roll out custom-designed XM tabletop radios, allowing guests to tune in to more than 150 digital radio channels. Meanwhile, **Fairmont Hotels & Resorts** is offering "first come, first serve" PlayStation Portable video game consoles for guests staying at any of its Canadian properties this summer. For business travelers who prefer television to video games or radio, the **Omni Chicago Hotel** recently capped off a \$9.5 million renovation by furnishing each guest room with 37-inch plasma TV screens, leaving the property to boast the "first all-suites, all-plasma TV hotel in Chicago." Meanwhile, **Hilton Hotels Corp.**'s alarm clocks have joined the digital age, offering guests MP3 player plug-ins.

—Jay Boehmer



waterhouseCoopers. PwC expects another 3.9 percent growth in 2006 and 2.9 percent on top of that in 2007.

Meanwhile, RevPAR in the upper upscale segment, following similar downward RevPAR trends between 2001 and 2003, grew 8.9 percent last year, with growth anticipated to continue upward at a pace of 8.3 percent this year and 7.4 percent for 2006.

"In New York City and in other key urban markets, we believe the driving force behind luxury and upper upscale RevPAR growth is a lack of new room supply in the segment coupled with strong demand," said JPMorgan Chase analyst Harry Curtis.

Although Marriott has a couple of upscale projects in the works, "Projects in these categories tend to be mixed use and are typically smaller hotels," a spokesperson said. "Construction costs and other usage demands mean that we don't expect significant additions to supply growth in the luxury and upper upscale tiers." Mirroring the market in general, the company said most of its development growth is coming from the midprice without food and beverage tier.

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