

# CBRE HOTELS

The World's Leading Hotel Experts.



STREET

## CBRE HOTELS & PKF HOSPITALITY RESEARCH

MAY 2015

### HOTEL Technology

# 5 TECHNOLOGY TRENDS

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## 1. Mobile keys

1. Download an app and have access to you room.
2. Starwood Hotels has already started rolling this out across the U.S.

## 2. Wearable technology

## 3. PMS mobility

1. Managers can remotely manage occupancy, housekeeping, and rate-and-inventory channels.
2. Guest can wirelessly control temperature, lighting, TV, and order room service.

## 4. Cloud reduces costs

## 5. Innovation in guest acquisition

Source: HotelNewsNow.com - <http://www.hotelnewsnow.com/Article/14016/5-tech-trends-that-will-shape-hospitality>

TECHNOLOGY

DISRUPTION?

**A Sweet Spot  
of Industry  
Performance**

**Marketing**

**Big Data &  
Emerging  
Research**

**Alternative  
Supply**

**CBRE**

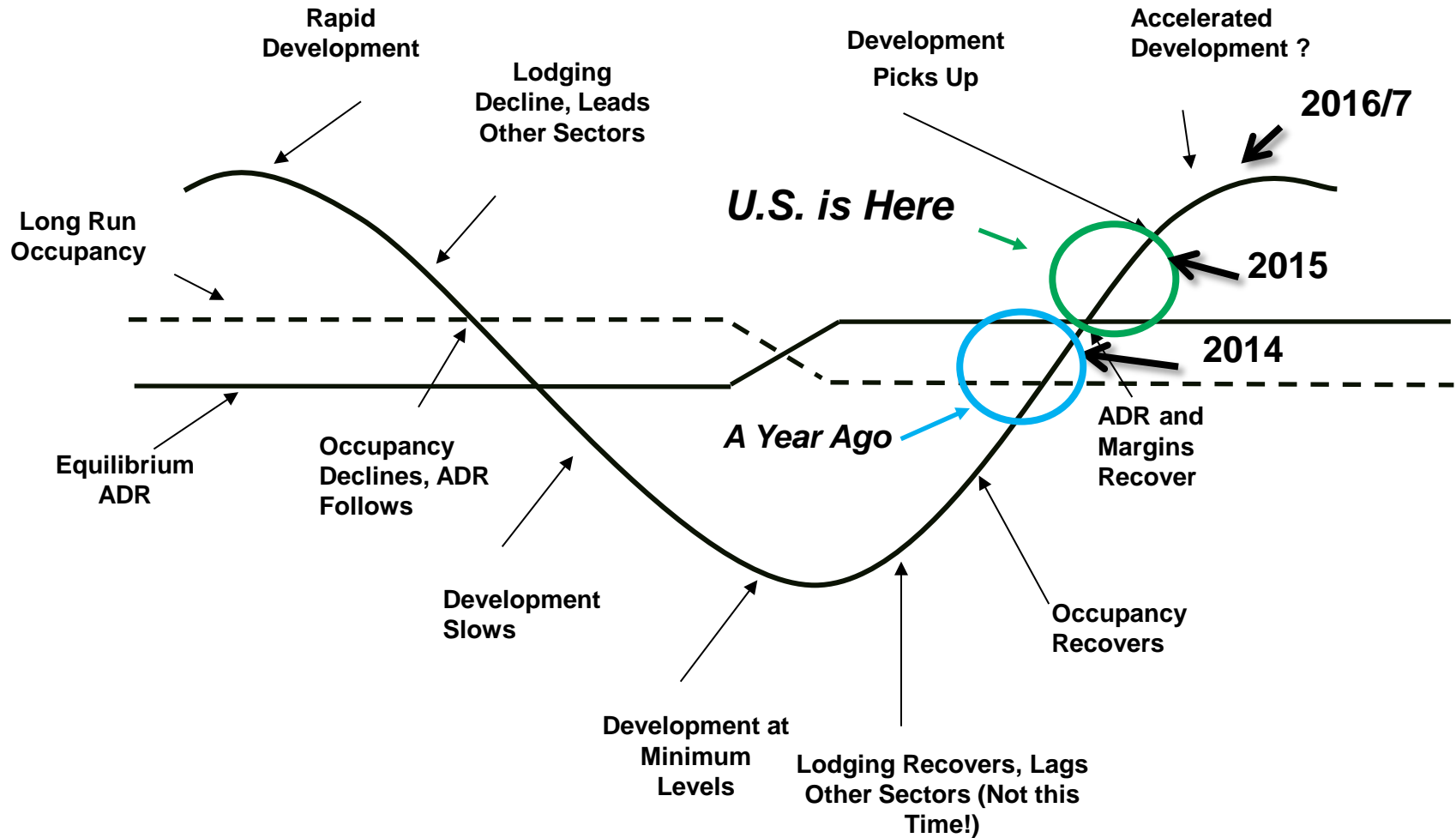
**PKF**  
HOSPITALITY  
RESEARCH  
A CBRE COMPANY

# HOTEL PERFORMANCE

A Sweet Spot

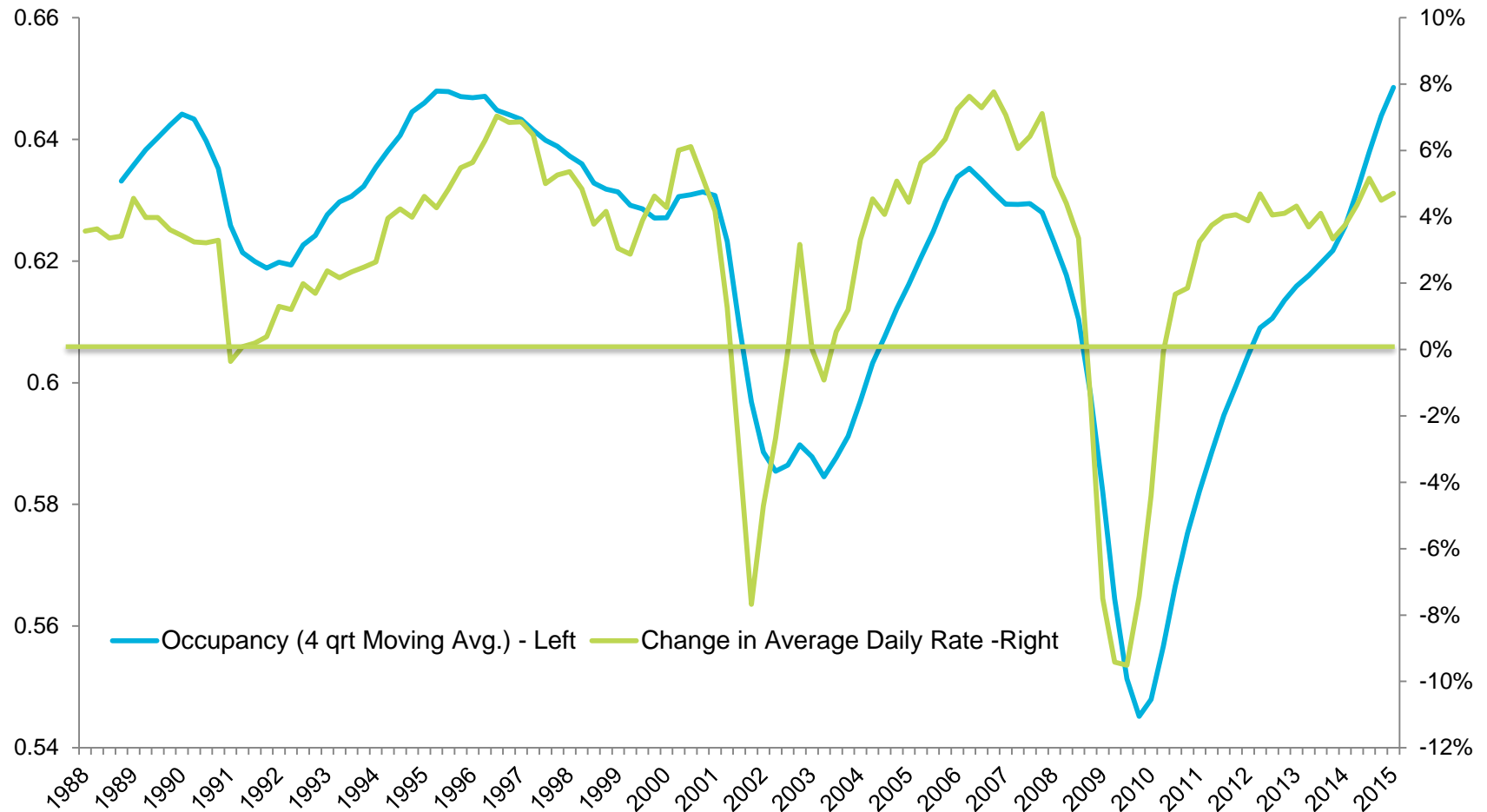


# THE HOTEL MARKET CYCLE



# U.S. OCCUPANCY & ADR

## Record Occupancy Levels & Increasing ADR Growth



# NATIONAL FORECAST – ALL U.S. HOTELS

2014-2016

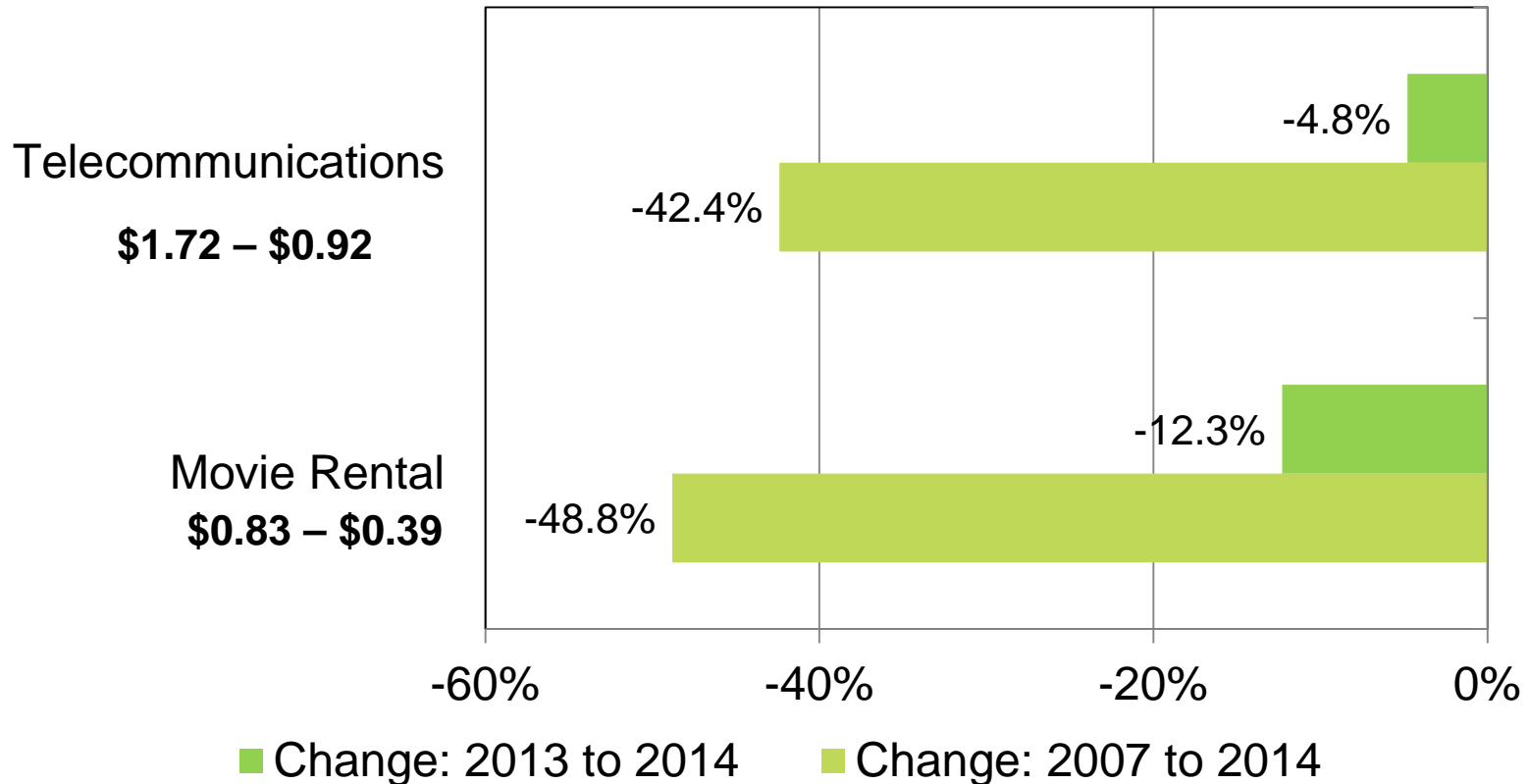
	Long Run Average	2012	2013	2014	2015F	2016F
Supply	1.9%	0.5%	0.7%	0.9%	1.2%	1.7%
Demand	2.1%	3.0%	2.2%	4.5%	3.1%	1.9%
Occupancy	61.9%	61.4%	62.2%	64.4%	65.6%	65.8%
ADR	2.9%	4.2%	3.9%	4.6%	5.3%	6.3%
RevPAR	2.9%	6.8%	5.4%	8.3%	7.3%	6.5%

RevPAR driven by ADR Growth

Source: PKF Hospitality Research - *Hotel Horizons®* March-May, 2015, STR, Inc.

# U.S. HOTELS - DISRUPTION

## Change in Telecommunications and Movie Rental Revenue



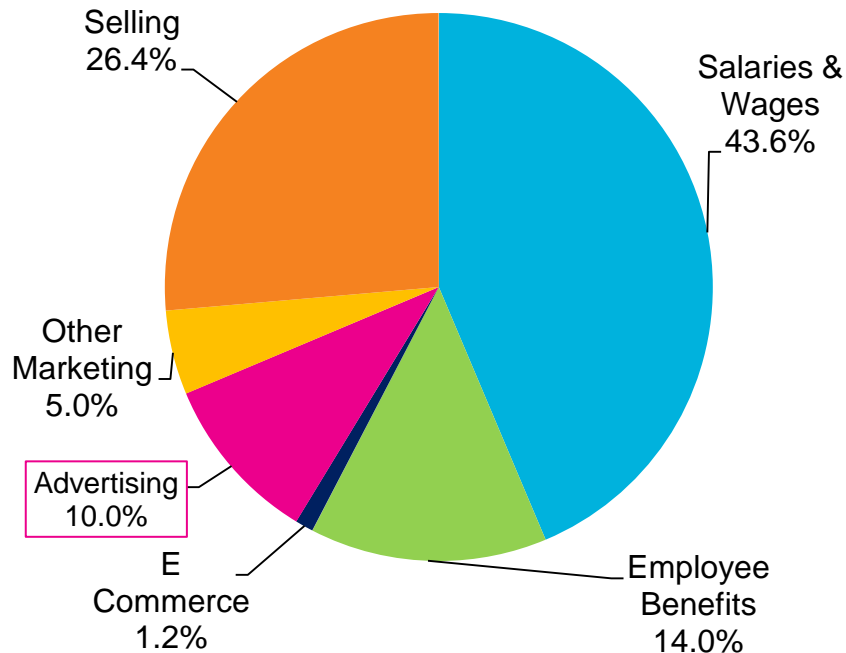
Source: PKF Hospitality Research, a CBRE Company *Trends® in the Hotel Industry Report*



# MARKETING DEPARTMENT EXPENSES\*

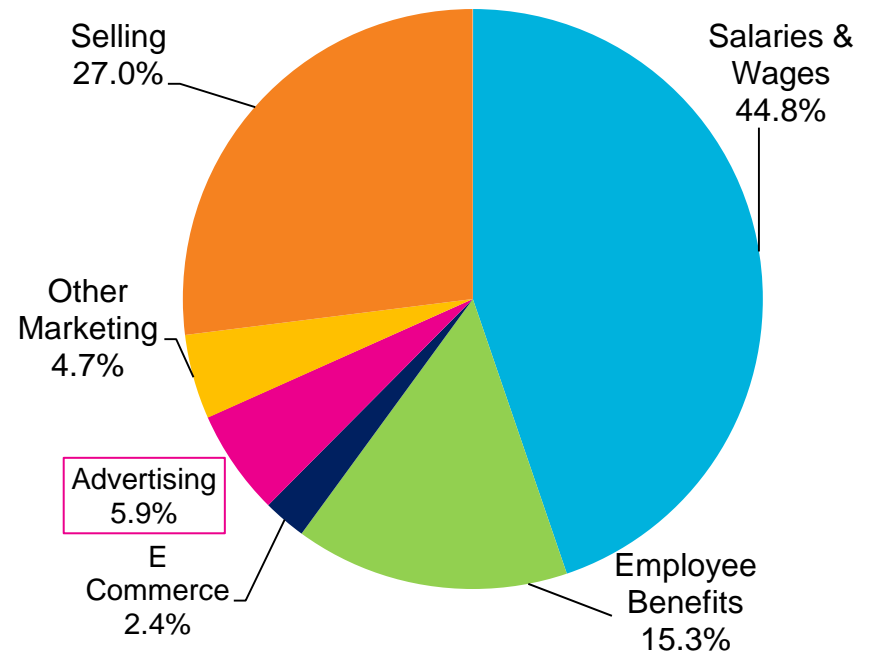
## Distribution of Unit-Level Marketing Department Expenses\*

**2007**



\$2,837 PAR

**2013**



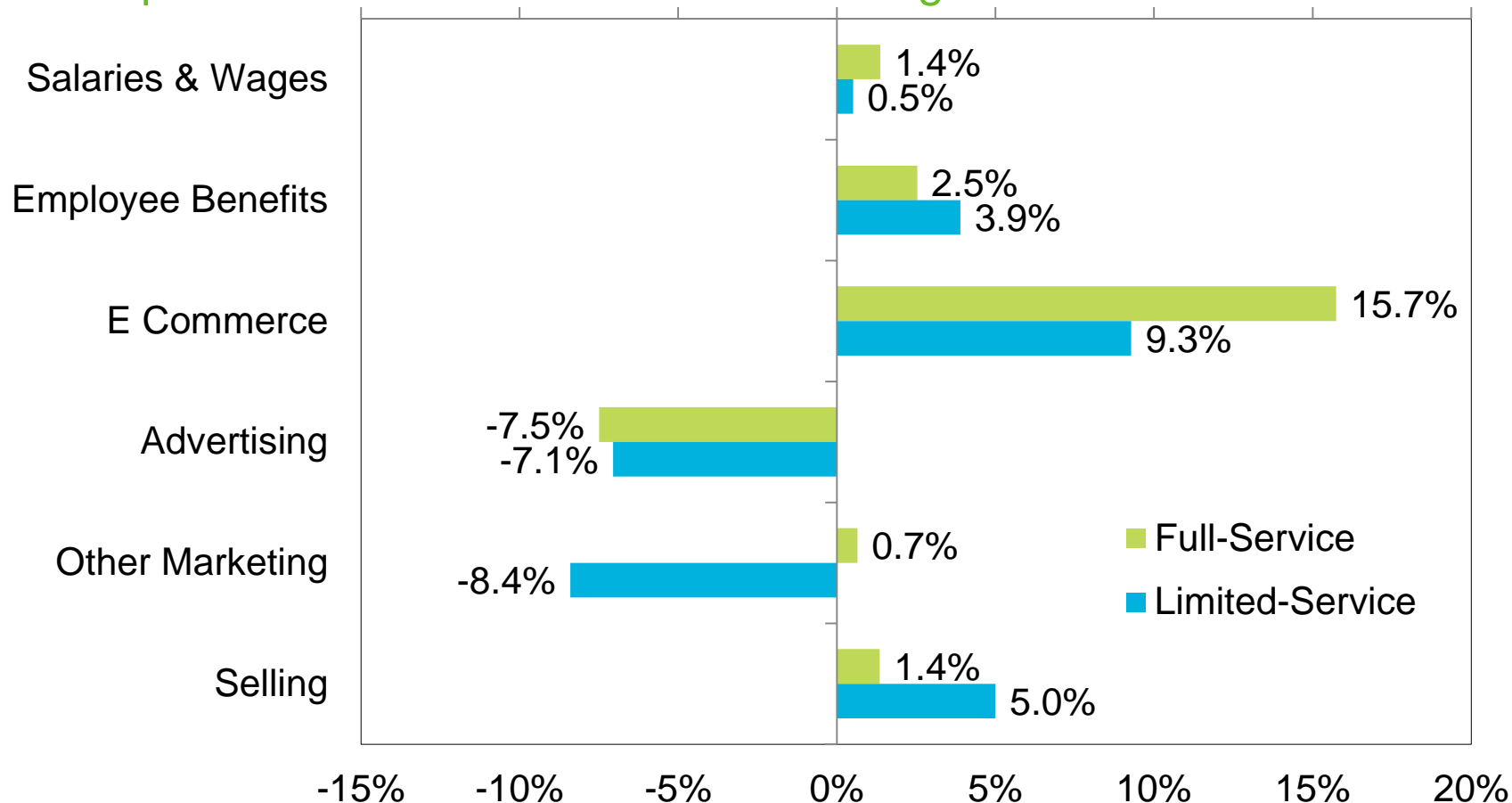
\$2,996 PAR

Note: \* Exclusive of franchise related costs.

Source: PKF Hospitality Research, *Trends® in the Hotel Industry*

# MARKETING DEPARTMENT EXPENSES\*

Compound Annual Growth Rate Percentage: 2007 - 2013

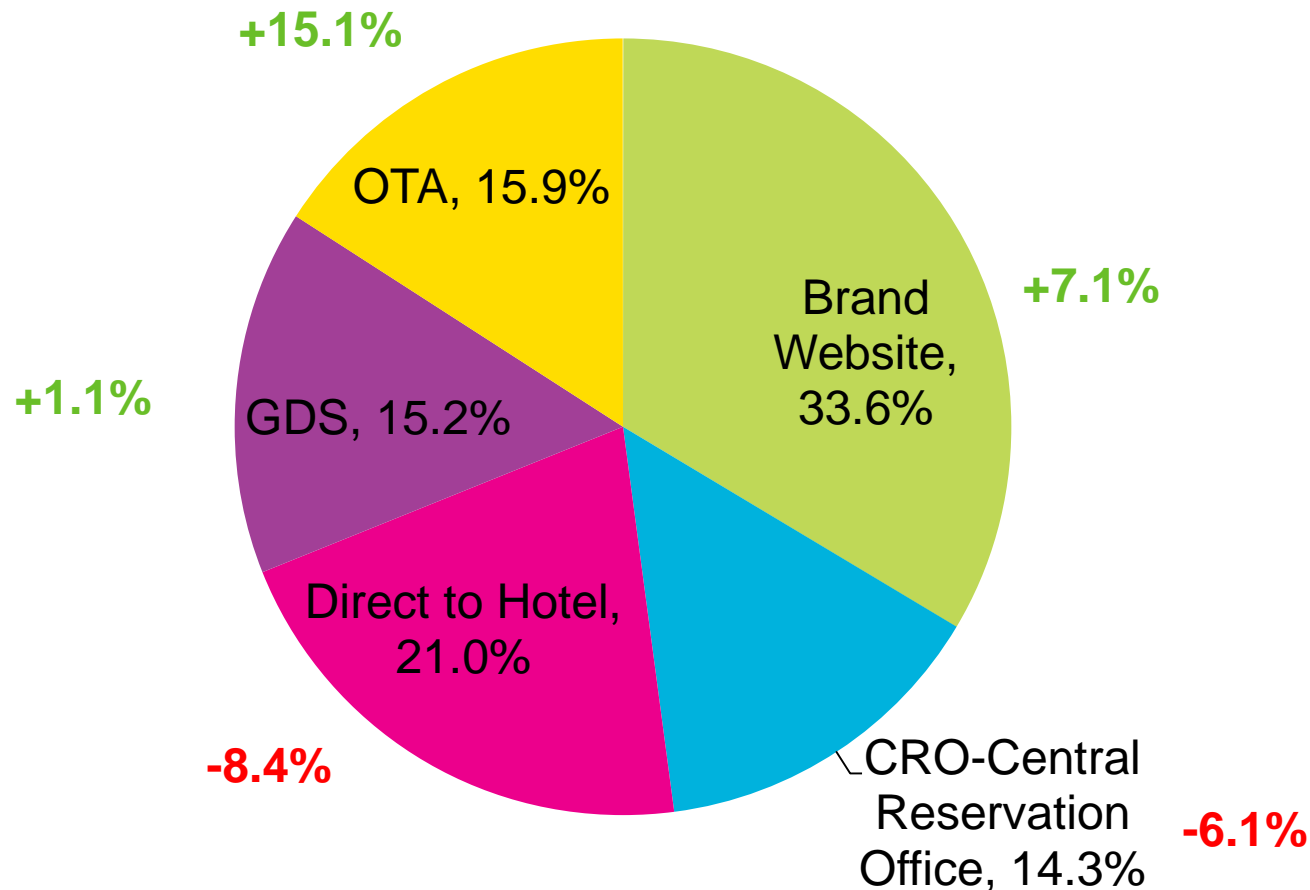


Note: \* Exclusive of franchise related costs, per available room

Source: PKF Hospitality Research, *Trends® in the Hotel Industry*

# TRANSIENT HOTEL BOOKING BY CHANNEL

## Q1 2015 y-o-y Change in Channel Bookings



Source: TravelClick

# INTERNATIONAL HOTEL BOOKINGS

## Profile of Overseas Travelers to the United States: 2013

Overseas Travelers Characteristics	All Overseas Visitors	All Leisure Visitors	All Business Visitors
<b>If Pre-Booked Lodging, Pre-Booked Through*</b>			
Internet Booking Service	24.9%	29.9%	16.9%
Lodging Establishment Directly	16.5%	17.6%	16.8%
Travel Agency Office	15.3%	19.5%	6.9%
Corporate Travel Dept.	7.3%	2.6%	31.1%
Tour Operator/Travel Club	6.2%	8.0%	1.9%
The Airline	1.4%	1.7%	0.7%

Source: International Trade Administration

# INTERNATIONAL TRAVELERS

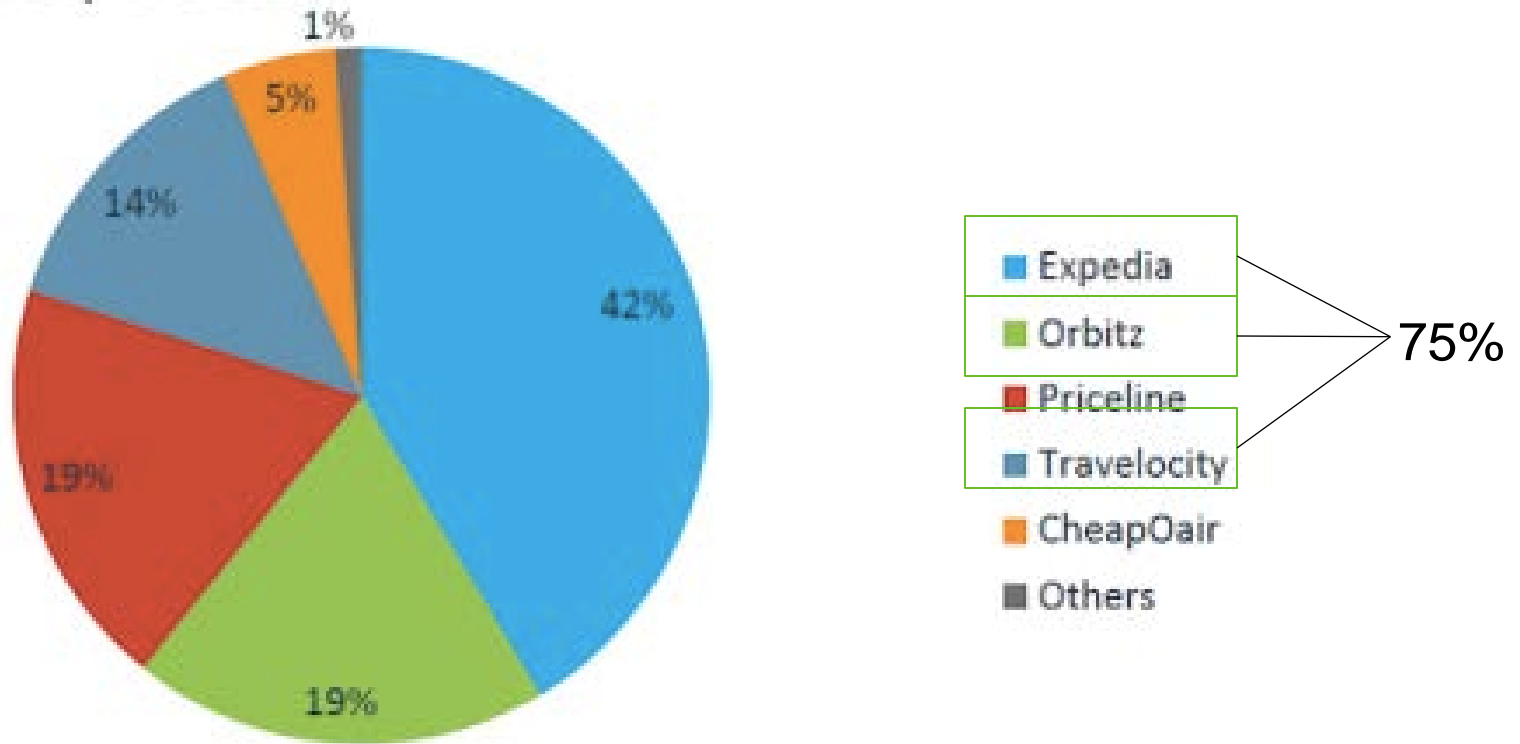
## International Visitation to the United States 2005 - 2013



Source: Department of Commerce

# ONLINE TRAVEL AGENCIES

## Online Travel Agency Market Share for the U.S.



Source: PhoCusWright U.S. Online Travel Overview

# EXPEDIA

In addition to it's U.S. site, Expedia has localized websites for 30 countries...

Argentina	Denmark	India	Mexico	Spain
Australia	Finland	Ireland	Netherlands	Sweden
Austria	France	Italy	New Zealand	Taiwan
Belgium	Germany	Japan	Norway	Thailand
Brazil	Hong Kong	South Korea	Philippines	UK
Canada	Indonesia	Malaysia	Singapore	Vietnam

... and multiple consumer brands to choose from:



# CHANGING DEMOGRAPHICS

“I generally book accommodations...”

	Millennials %	Xers %	Boomers %	Matures %
Through hotel provided website	40	49	51	60
Through an OTA	42	31	27	14
Over the phone, from a traditional travel agent	8	7	8	10
Haven't booked a Hotel	3	5	7	8



# TRIPBAM



## NEED A HOTEL RESERVATION?



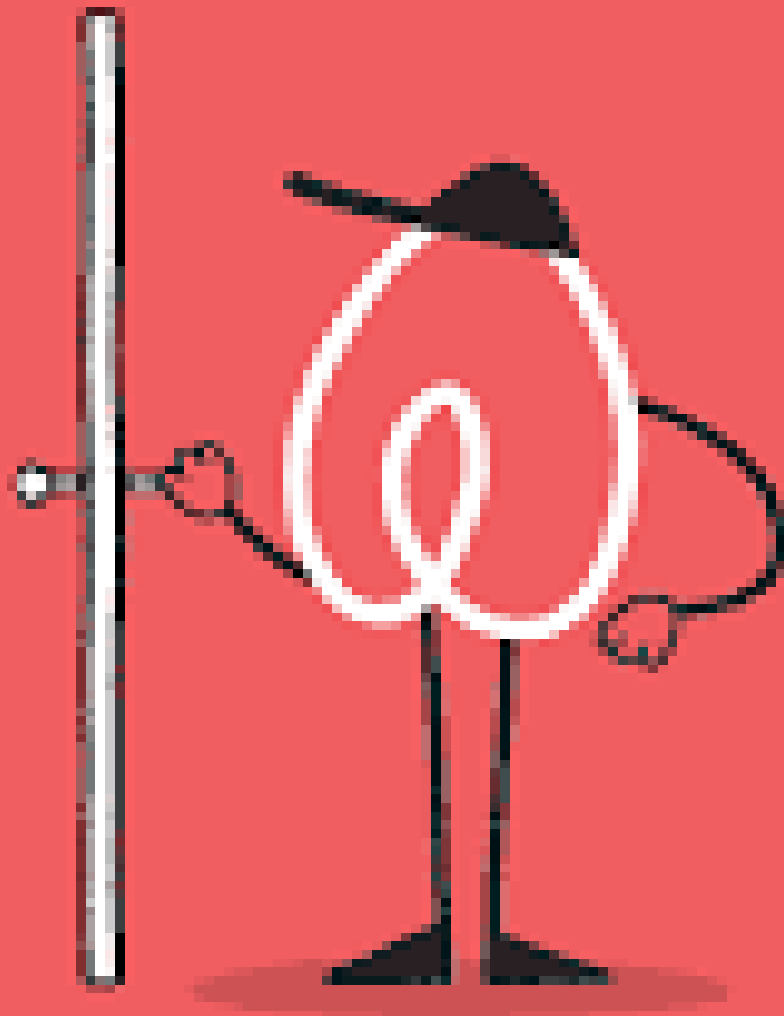
# TRIPBAM

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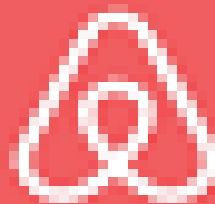


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**A NEW DISRUPTOR?**



**airbnb**

# WHAT IS AIRBNB?

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**Part of the new “share economy” – putting stranded assets to work.**

- List a spare room, an extra couch, your vacation home, etc... on their website.

**1,000,000+ rooms in inventory world wide.**

- 3,000+ castles, 2,000 treehouses, 900 islands and 400 lighthouses.

**Who benefits:**

- Host receives “found money”.
- Guest has a different experience, often at a attractive price.
- Airbnb earns a fee from both.

**Headwinds:**

- Jurisdictional compliance issues, business travelers

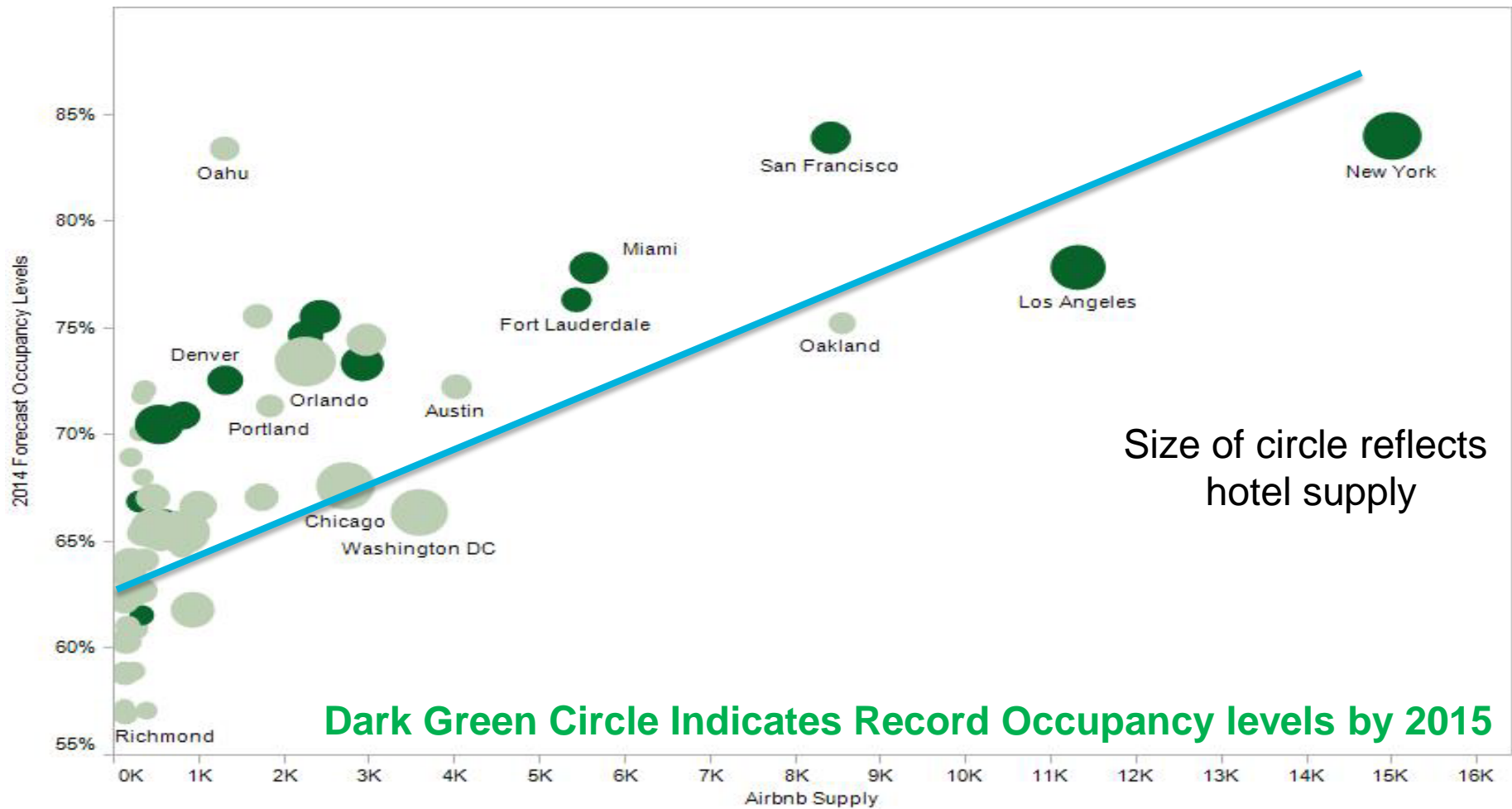
# INCENTIVES FOR NEW SUPPLY

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## Origins

- In 2007, San Francisco's Occupancy Level was 74.5%
- There was a design conference coming to San Francisco and the city's hotels were fully booked, so a few guys came up with the idea of renting out three airbeds on their living-room floor and cooking their guests breakfast.
- The next day they created a website, [airbedandbreakfast.com](http://airbedandbreakfast.com)
- 6 days later they had their first guests
- In 2014 San Francisco's occupancy level was 84.1% and there are now roughly 6,000 hosts in the city.

# INDUCED SUPPLY?



Source: PKF-HR Hotel Horizons® June – August 2014 Edition, Airbnb.com as of July 2014

# IS AIRBNB A THREAT?

- Roughly 1 Million units available worldwide
- Latest round of funding values them at \$20 billion



“Our belief is that lodging rental websites are stimulating demand, rather than displacing existing demand,” – Ian Carter , Hilton’s President of Development

# SHOULD WE BE WORRIED?

- Only seeing large number of hosts in major MSAs with high occupancy levels
- According to Airbnb 20% of guests stay 30 days or longer<sup>1</sup>, 39% of guests wouldn't have otherwise made a trip if it wasn't available on Airbnb<sup>2</sup>.
- Increase your cities ability to host large events (~120,000 people stayed in Airbnb rooms for the World Cup equating to \$38 million in Revenue)

<sup>1</sup> - Quote from Skift interview with Chip Conley

<sup>2</sup> - From Airbnb survey on Portland, OR

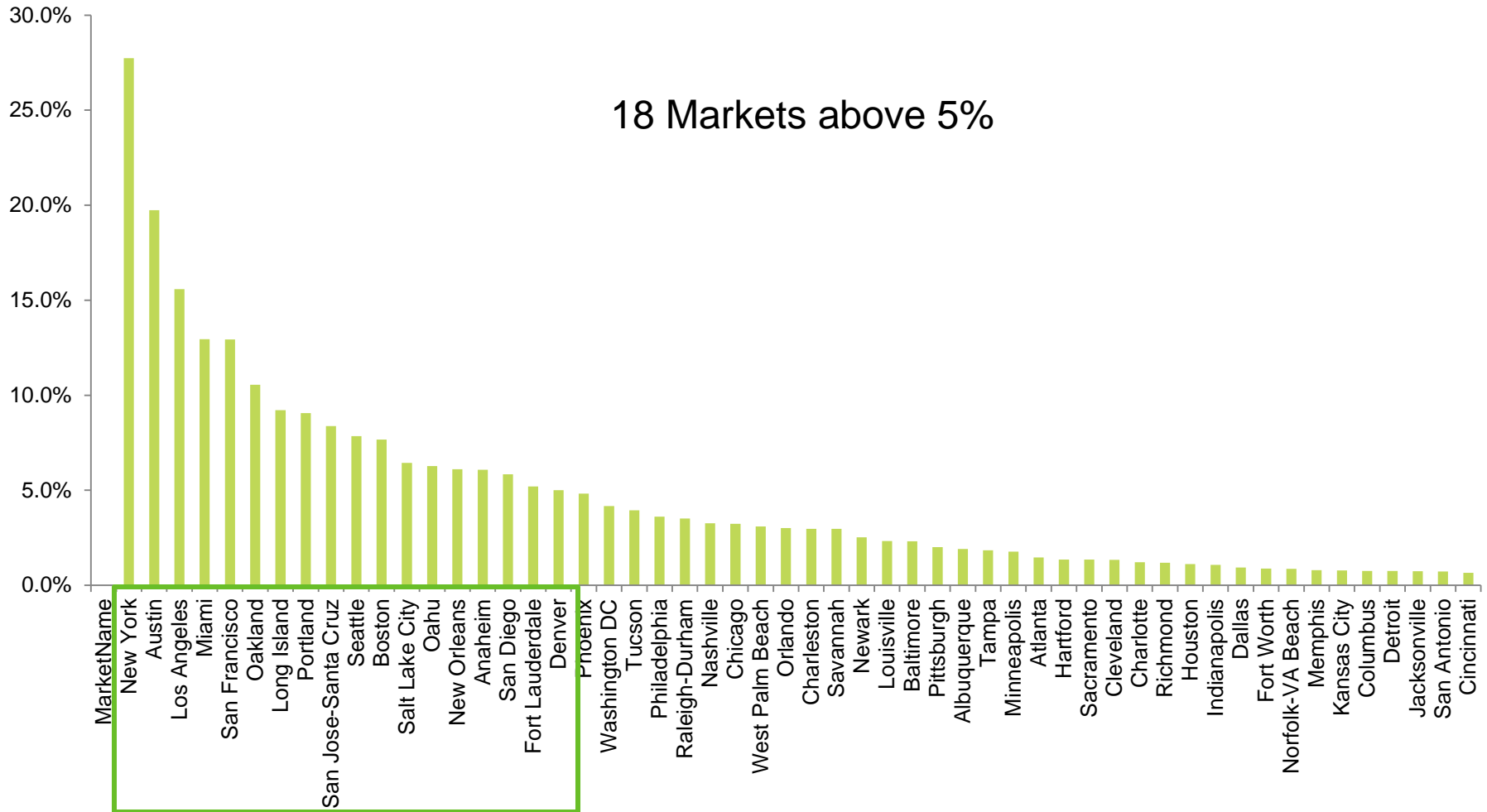
## According to “Airbnb in the city” from the New York State Attorney General

- Revenues collected by Airbnb and its host were roughly \$200 million in 2013. This is equivalent to a average performing 2000 room hotel in the city. ~1.8% of NYC supply. Up to 300 million in 2014.
- 6% of Hosts make of 37 percent of revenues
- 72% of Airbnb rentals are in violation of state and local laws
- In April 2014, in direct response to NYAG's investigation, Airbnb publically claimed it had barred many large commercial users.



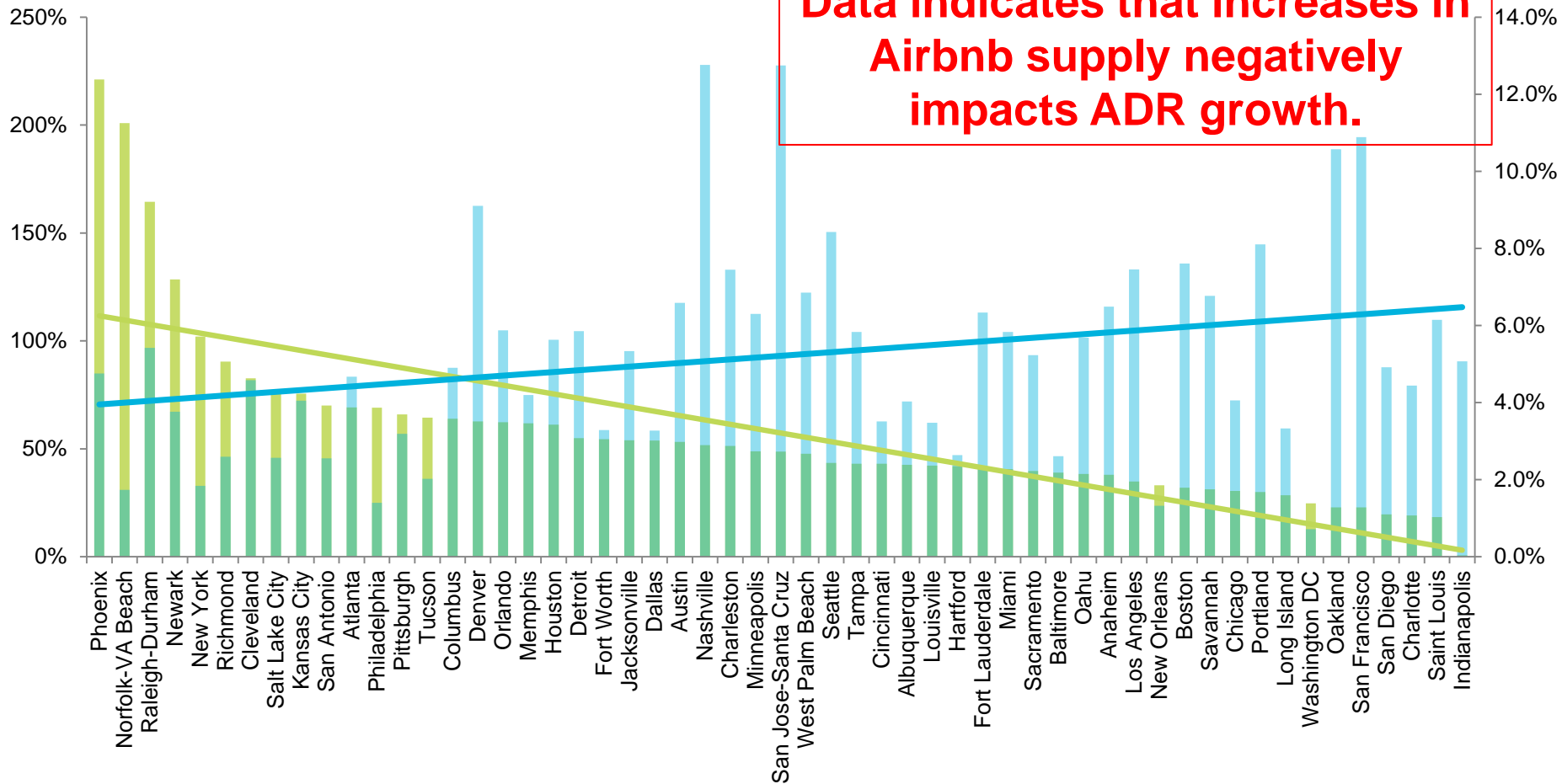
# INCREASING THREAT FROM AIRBNB

## Airbnb Units as a Percent of Hotel Supply

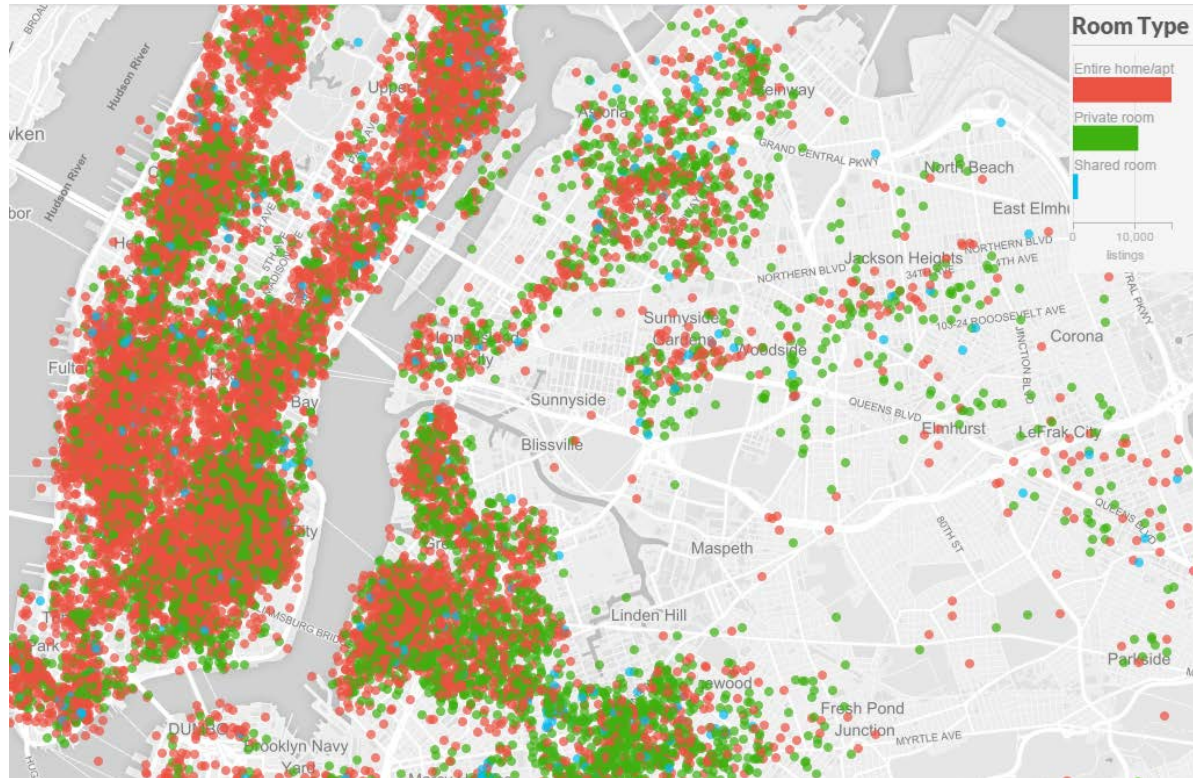


# INCREASING THREAT FROM AIRBNB

Percent increase in Airbnb Units over the Past Year (Left)  
& 2014 ADR Change (Right)



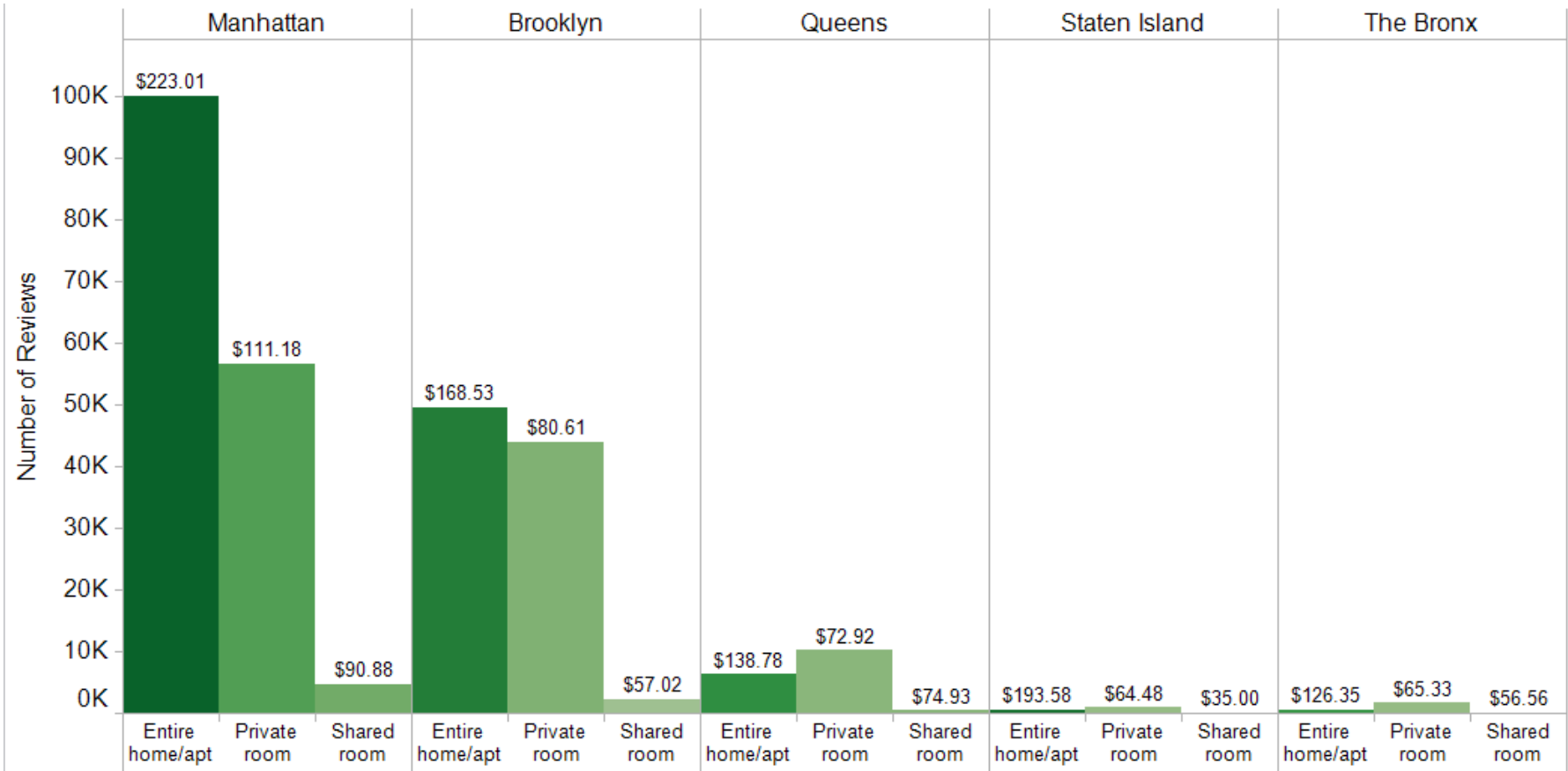
# INCREASING THREAT FROM AIRBNB



~ 20,000 Reviews Per Month in Q4 2014 at an average stay of 5.8 nights =  
116,000 Room Nights or 4% of total demand for New York City Hotels

# INCREASING THREAT FROM AIRBNB

## New York City

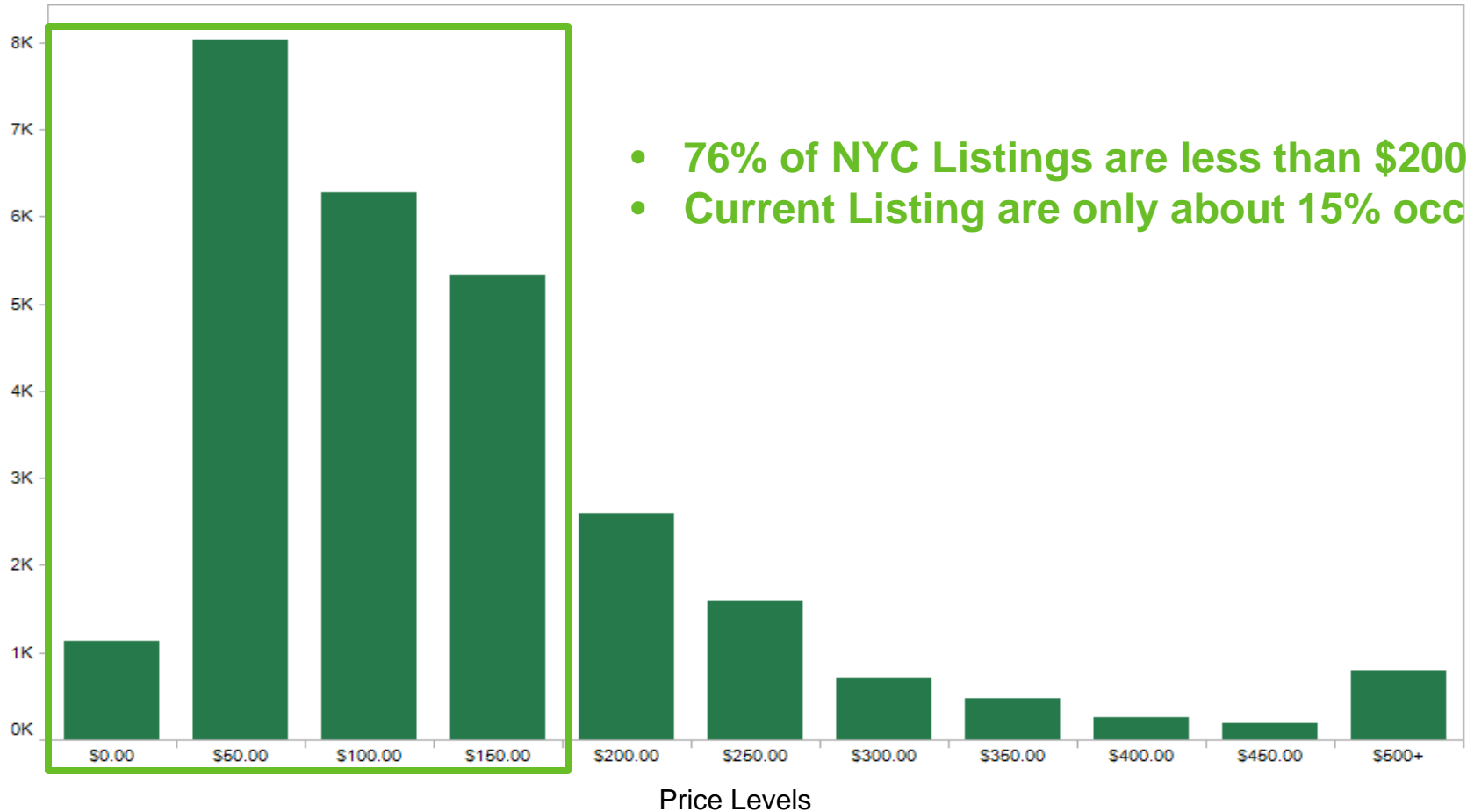


Source: Insideairbnb.com

# INCREASING THREAT FROM AIRBNB

## New York City

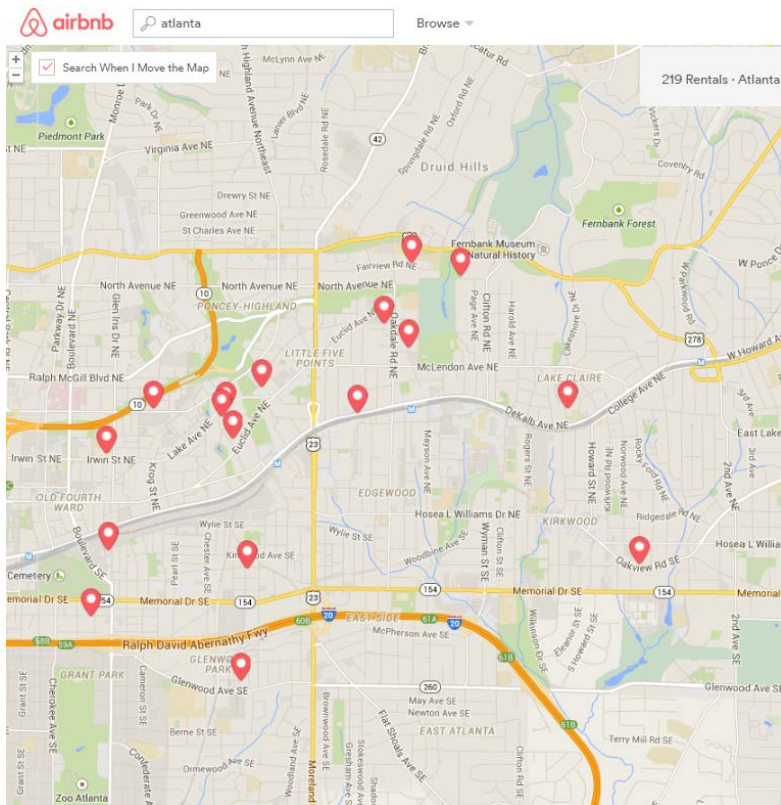
# of Units



Source: Insideairbnb.com



# A TOOL TO FIND UNSATISFIED DEMAND?



219 Properties = 30% of Atlanta's Airbnb supply

# A TOOL TO FIND UNSATISFIED DEMAND?

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Only Hotel within a 2 Mile Radius





## EMERGING TECHNOLOGIES





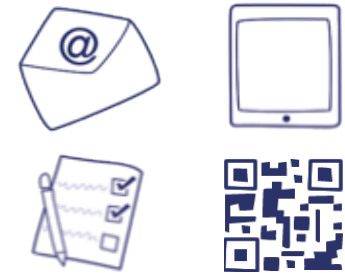
# REVIEWPRO

## GUEST INTELLIGENCE = ORM + GSS

Online Reputation



Guest Surveys



# INFORMATION IS POWER

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Information is power. You already apply rigorous financial analysis on your hotel projects, and now you can supplement that with trend information from online reviews to provide guidance on how those hotels will perform in the future.

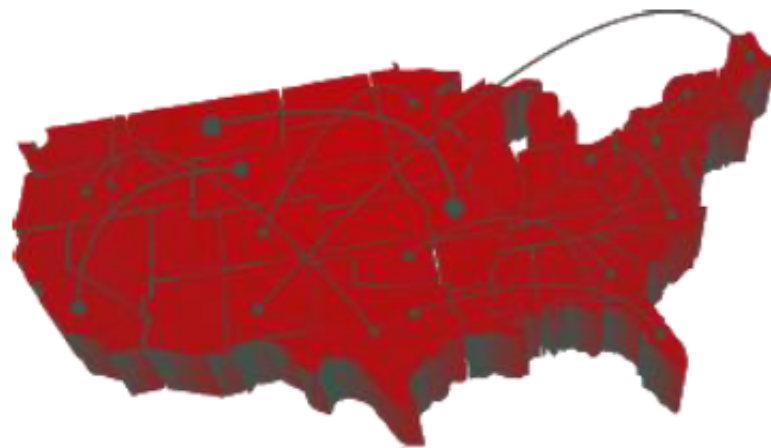
**ReviewPro synthesizes millions of pieces of hotel guest feedback from hundreds of sources into competitive benchmarking and trending consumer preferences to help you make the best transaction recommendations.**

Hotel guests today are more talkative than ever, saying anything they want about any aspect of a hotel, neighborhood or city - at any time. It's time to turn all that feedback into intelligence that gives you and your clients the advantage.



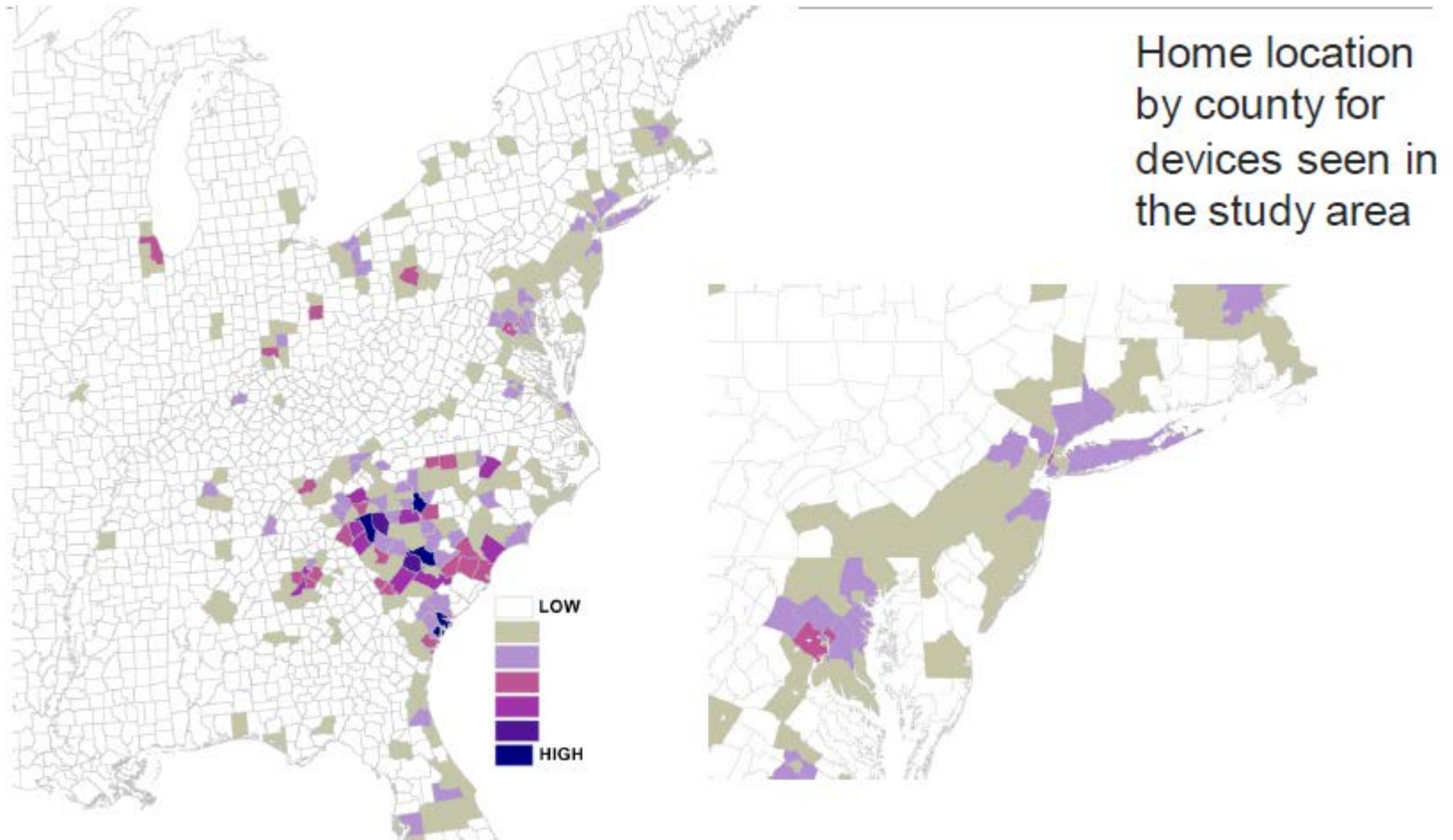
# AirSage Company Overview

- Patented **Population Analytics**
- 15 billion location data points per day
- 100 million mobile devices
- Consumer privacy protection



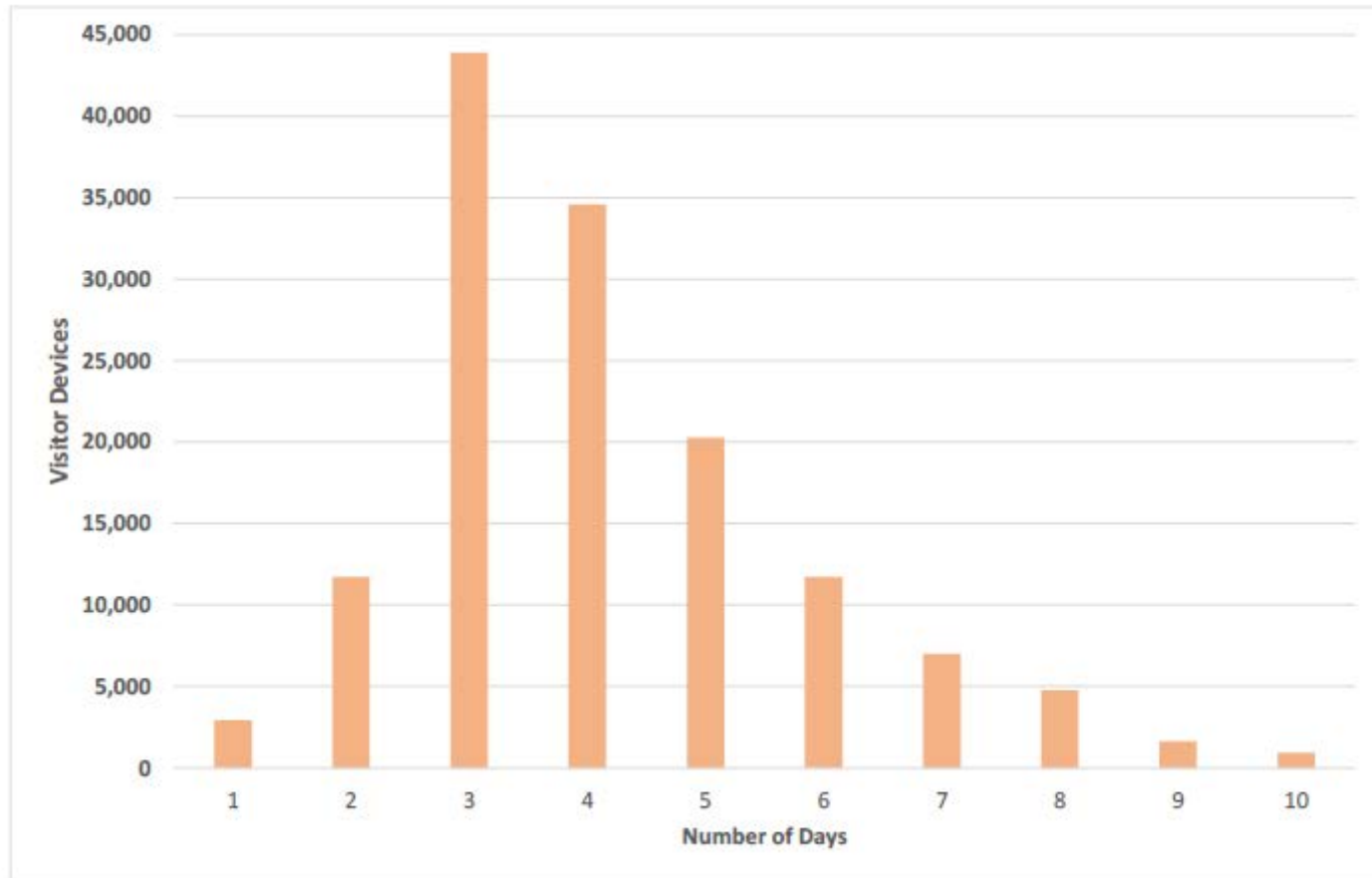
# AIRSAGE – CHARLESTON, SC ON JULY 4TH

## Home Locations for Visitors



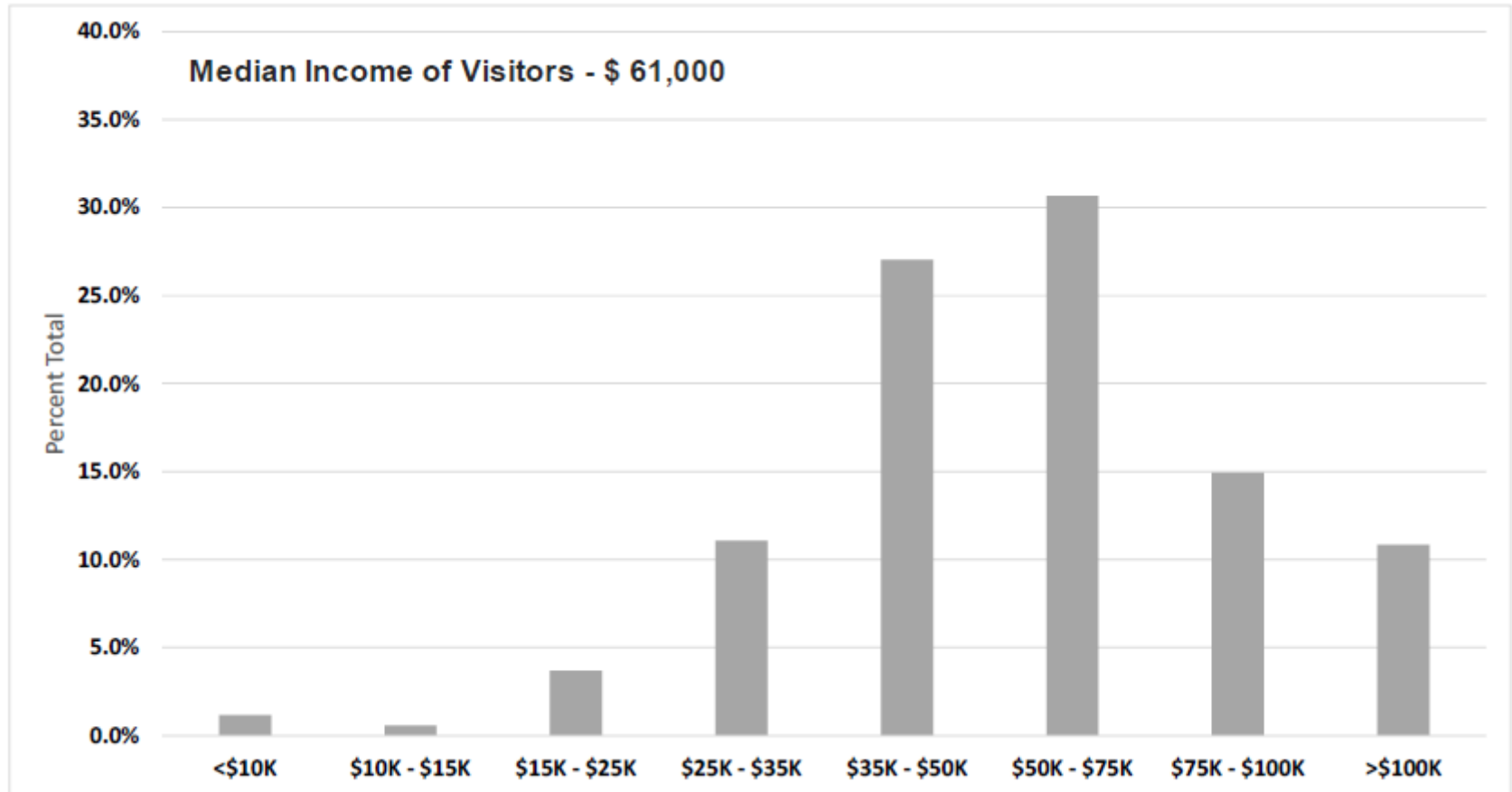
# AIRSAGE – CHARLESTON, SC ON JULY 4TH

## Length of Stay

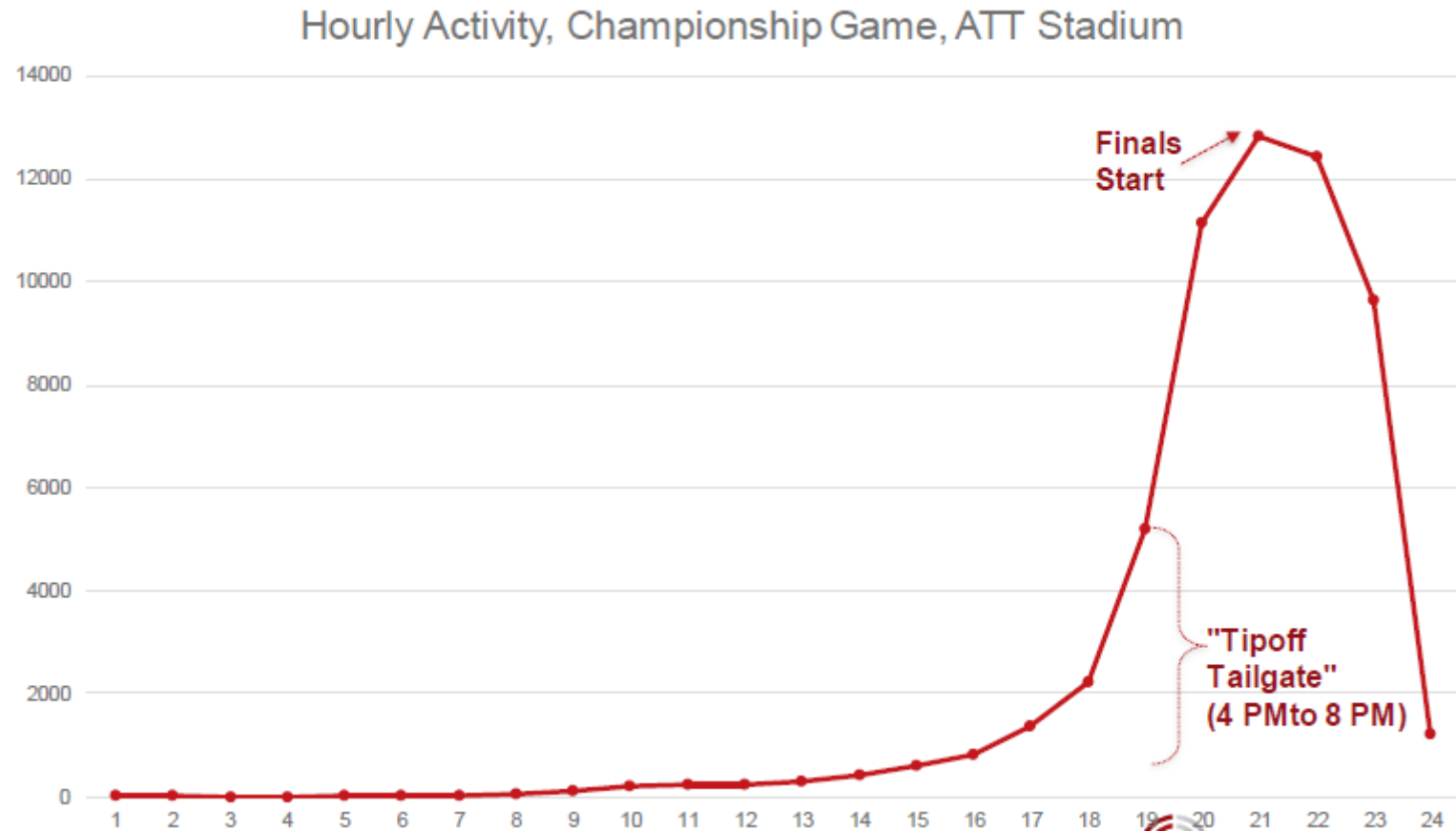


# AIRSAGE – CHARLESTON, SC ON JULY 4TH

## Income of Visitors



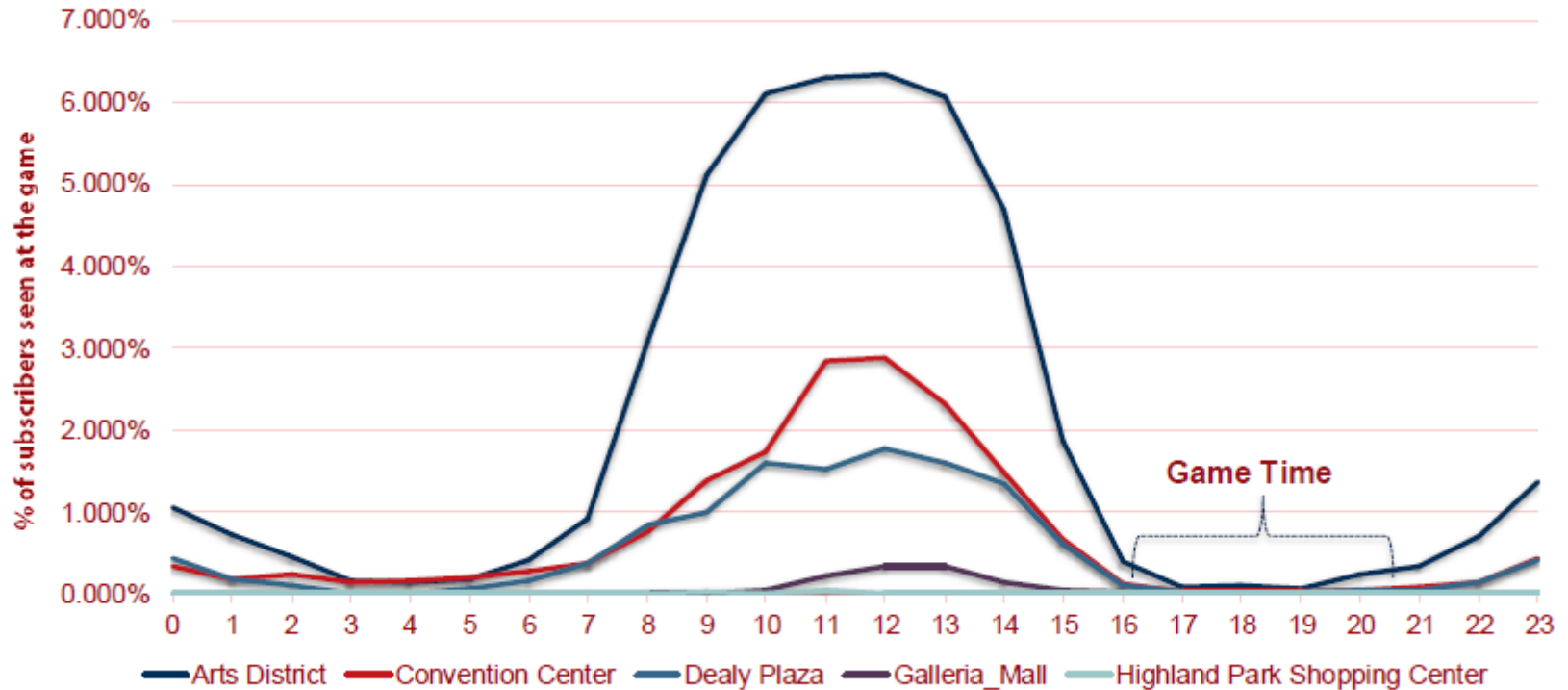
# AIRSAGE - FINAL FOUR ANALYSIS





# AIRSAGE – FINAL FOUR ANALYSIS

## Hourly POI Visits on Game Day (April 5<sup>th</sup>)







## PKF Hospitality Research

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# Thank you

