

# **2017 PATA-TTRA Forum**

## Outlook and Economic Forecast

February 2, 2017



HOSPITALITY ADVISORS LLC

# *Year of the Rooster!*

## *Master Tsai's Rooster Predictions*



*Pres. Trump Rooster, Taiyuan, Shanxi Province, China*

# Master Tsai's Donald Trump Chinese Horoscope

- ✓ Alec Baldwin will continue to impersonate Pres. Trump on SNL
- ✓ Unbalanced elements, no Metal, strong on Earth and Fire
- ✓ Pressure from Metal to produce
- ✓ “Bromance” ends, Putin Dragon and Trump Fire Dog incompatible
- ✓ Water weakens 2<sup>nd</sup> half 2017-18,
- ✓ Water flows in 2019-2020
- ✓ Trump re-elected



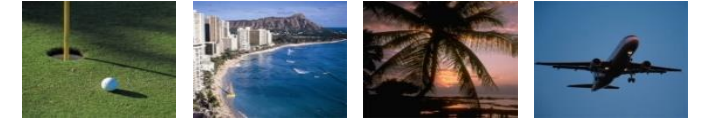


**"IGNORING CURRENT  
EVENTS ...**



**...IS LIKE TRYING TO HIT THE SNOOZE BUTTON  
ON A ROOSTER!" - STEPHEN SIMPSON**

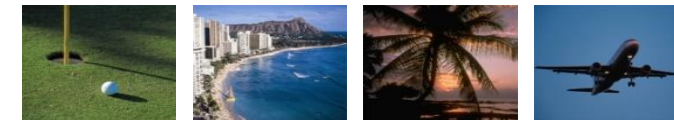
# 2016 Selected Global Hotel Markets



	Occ %		ADR		RevPAR	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
United States	65.5%	65.4%	\$ 124	\$ 120	\$ 81	\$ 79
Hawaii	79.2%	78.7%	\$ 255	\$ 245	\$ 202	\$ 193
Caribbean	66.7%	68.3%	\$ 201	\$ 202	\$ 134	\$ 138
Brazil	52.9%	56.7%	\$ 91	\$ 89	\$ 48	\$ 50
Australia	75.7%	75.0%	\$ 137	\$ 136	\$ 104	\$ 102
China	66.3%	64.8%	\$ 80	\$ 87	\$ 53	\$ 56
Singapore	81.0%	82.5%	\$ 203	\$ 209	\$ 165	\$ 172
Thailand	75.4%	73.5%	\$ 102.49	\$ 104.50	\$ 77.32	\$ 76.81

Source: STR Inc.

# Hawai'i Snapshot Through 2016

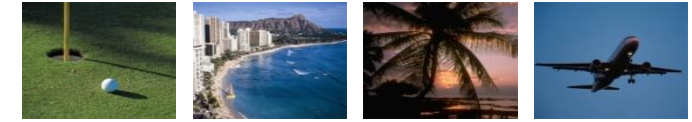


Visitor Arrivals	8.8 million	3.1%
Visitor Expenditures	\$15.6 billion	4.2%
Hotel Occupancy	79.2%	0.5%
ADR	\$255	4.1%
RevPAR	\$202	4.8%
Room Revenue	\$3.9 billion	5.7%
Total Hotel Revenue	\$5.7 billion	5.7%

Note: Occupancy change is percentage point change.

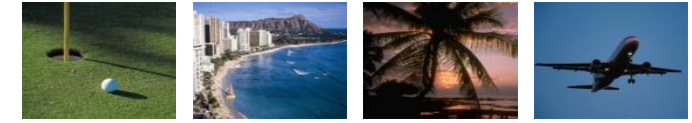


# U.S. West Snapshot Through 2016



Hawai'i Visitor Arrivals	3.7 million	4.3%
% Repeat	81.0%	-0.2%
Number of Trips	7.0	-0.6%
Length of Stay	9.16	-1.4%
Daily Spending	\$167	3.2%
% Hotel Use	43.0%	5.7%
Competing Destinations	Mexico, Las Vegas, West Coast, Canada	

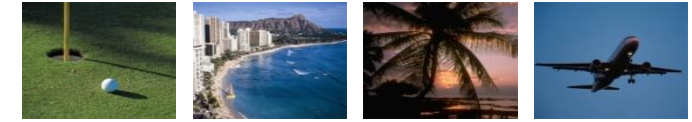
# U.S. East Snapshot Through 2016



	Occ %		ADR		RevPAR	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
United States	65.5%	65.4%	\$ 124	\$ 120	\$ 81	\$ 79
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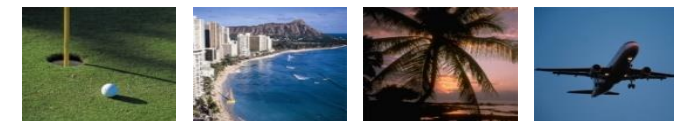


# Japan Snapshot Through 2016



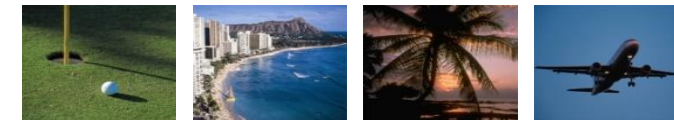
Hawai'i Visitor Arrivals	1.5 million	0.4%
% Repeat	61.7%	1.1%
Number of Trips	4.1	1.1%
Length of Stay	5.86	-0.1%
Daily Spending	\$241	1.9%
% Hotel Use	82.1%	0.5%
Competing Destinations	Thailand, SE Asia, U.S. Mainland	

# Canada Snapshot Through 2016



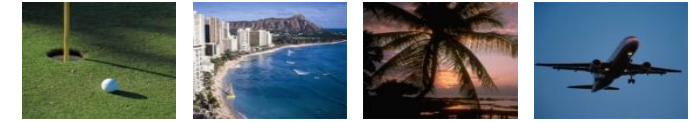
Hawai'i Visitor Arrivals	479k	-6.5%
% Repeat	65.9%	-0.3%
Number of Trips	4.1	-0.4%
Length of Stay	12.62	-0.9%
Daily Spending	\$159	-1.8%
% Hotel Use	34.2%	-2.3%
Competing Destinations	Caribbean, West Coast, Mexico, Gulf	

# Average Daily Visitor Census vs. Nightly Hotel Use 2016



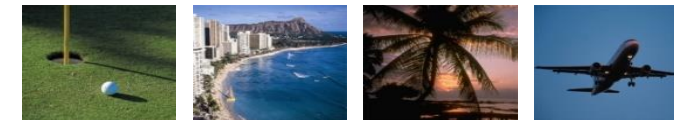
	Average Daily Census		Daily Hotel Demand	
		% Mix		% Mix
<b>U.S. West</b>	<b>91,500</b>	<b>41.9%</b>	<b>39,300</b>	<b>33.4%</b>
U.S. East	52,200	23.9%	25,900	22.0%
<b>Japan</b>	<b>23,800</b>	<b>10.9%</b>	<b>19,600</b>	<b>16.6%</b>
Canada	16,500	7.6%	5,600	4.8%
<b>All Others</b>	<b>34,200</b>	<b>15.7%</b>	<b>27,300</b>	<b>23.2%</b>
<b>Total</b>	<b>218,200</b>	<b>100%</b>	<b>117,800</b>	<b>100%</b>

# Hotel Occupancy by Island 2016



	2016	% Pt. Chg	2015	% Pt. Chg
O'ahu	84.2%	-0.9%	85.1%	0.8%
Maui	75.9%	1.6%	74.3%	1.9%
Kaua'i	72.6%	1.5%	71.1%	1.1%
Big Island	68.8%	3.1%	65.7%	5.4%
Statewide	79.2%	0.5%	78.7%	1.7%

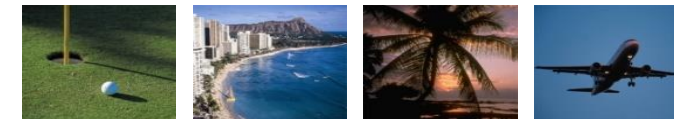
# Hotel ADR by Island 2016



	2016	% Chg	2015	% Chg
O'ahu	\$228	3.6%	\$220	3.0%
Maui	\$332	4.3%	\$318	7.4%
Kaua'i	\$254	4.7%	\$243	2.5%
Big Island	\$242	4.4%	\$232	0.3%
Statewide	\$255	4.1%	\$245	4.0%

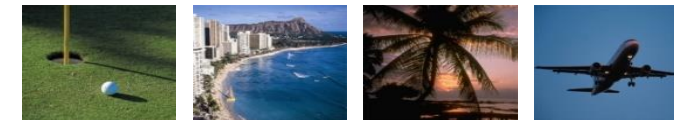


# Hotel RevPAR by Island 2016



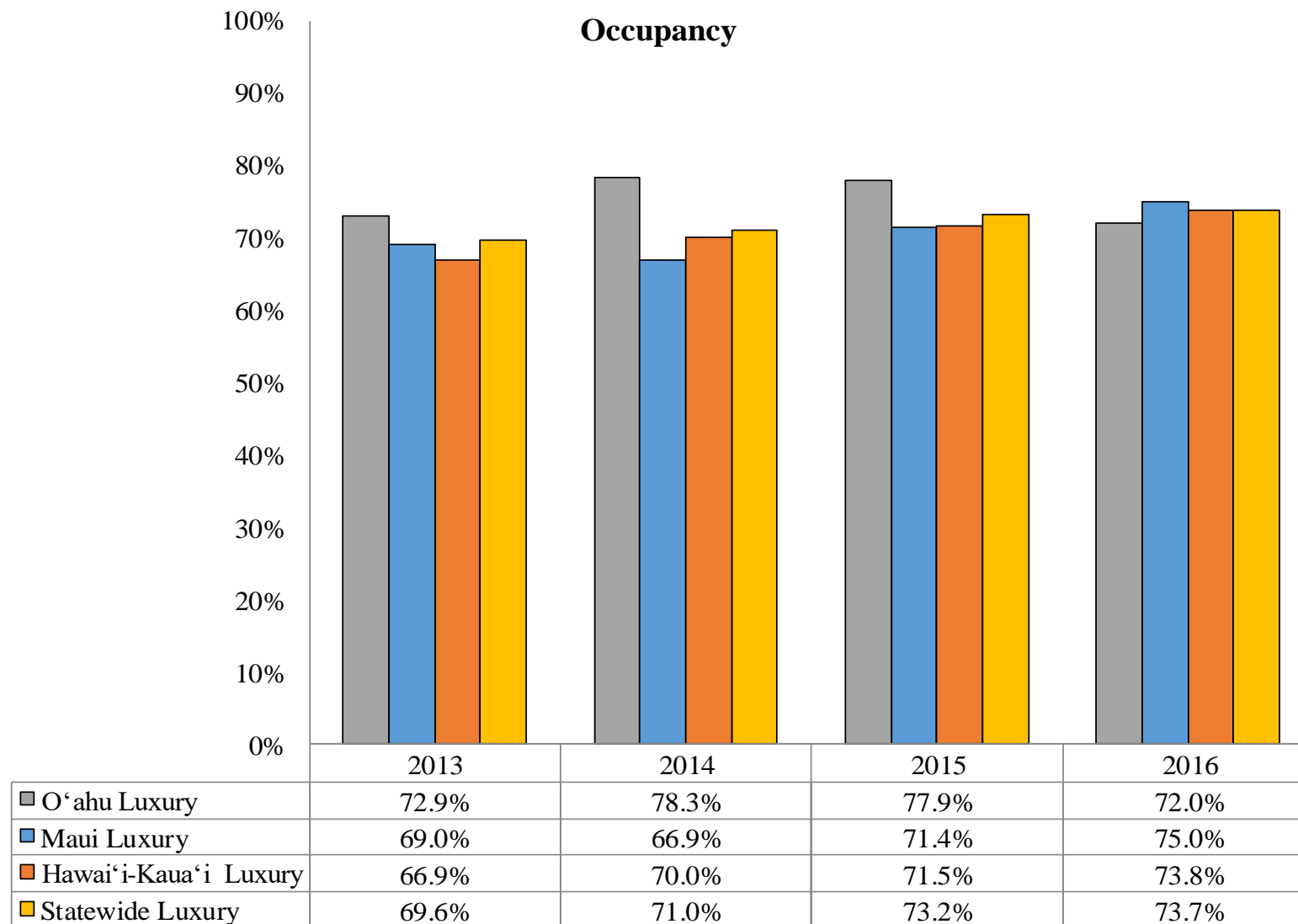
	2016	% Chg	2015	% Chg
O'ahu	\$192	2.5%	\$187	4.0%
Maui	\$252	6.6%	\$236	10.2%
Kaua'i	\$184	6.9%	\$172	4.0%
Big Island	\$167	9.3%	\$153	9.3%
Statewide	\$202	4.8%	\$193	6.3%

# Hotel Performance by Class 2016

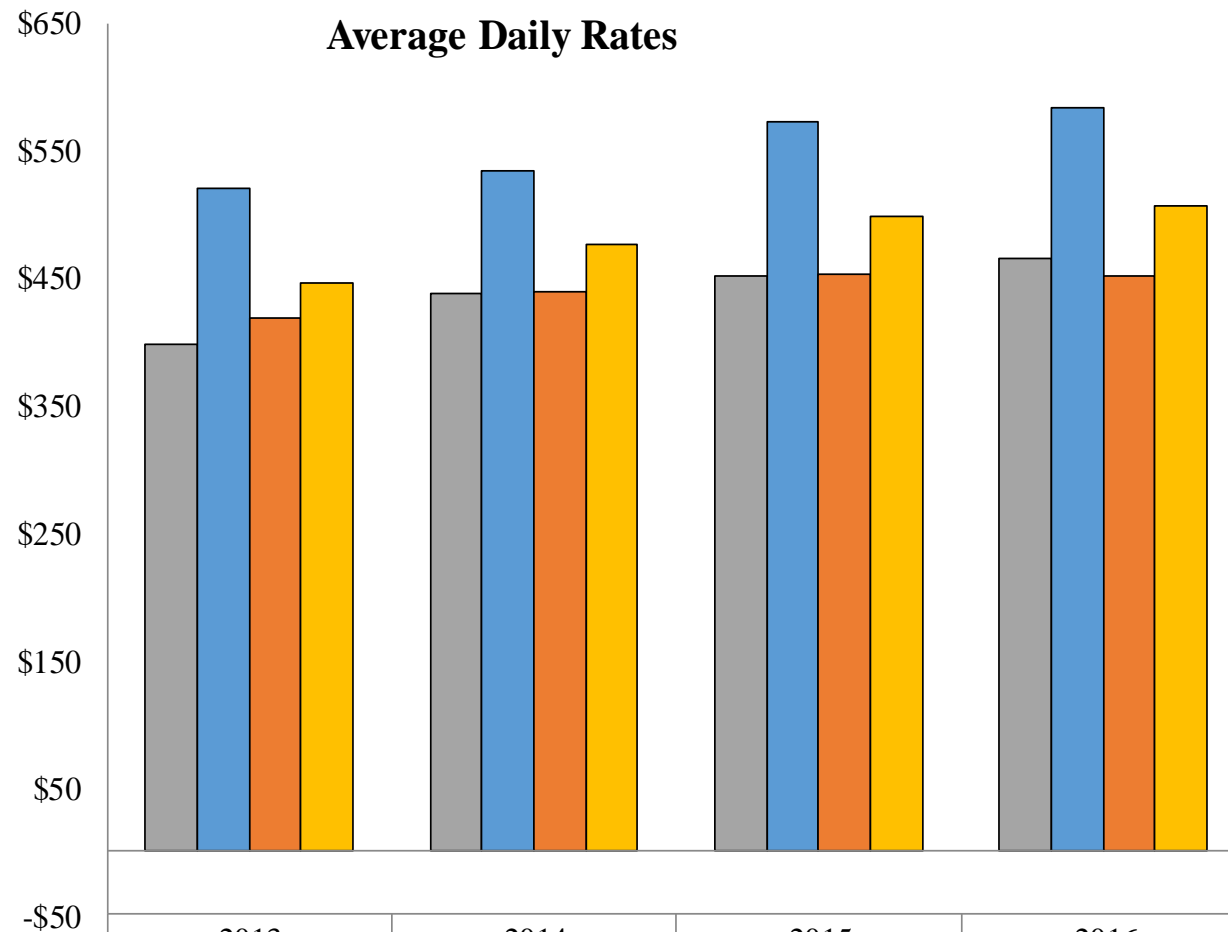
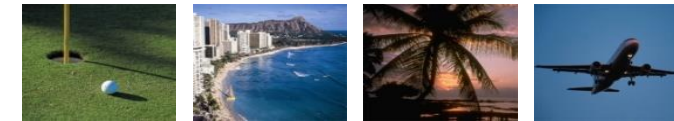


	Occ	% Pt. Chg	ADR	% Chg	RevPAR	% Chg
Luxury	74%	0.5%	\$506	1.8%	\$373	2.4%
Upper Upscale	86%	1.4%	\$260	3.8%	\$223	5.6%
Upscale	74%	0.5%	\$191	3.2%	\$141	3.9%
Upper Midscale	80%	-0.8%	\$150	3.9%	\$121	2.8%
Economy	75%	2.3%	\$141	8.0%	\$106	11.3%

# Luxury Hotel Market by Island

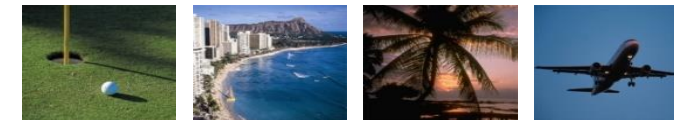


# Luxury Hotel Market by Island

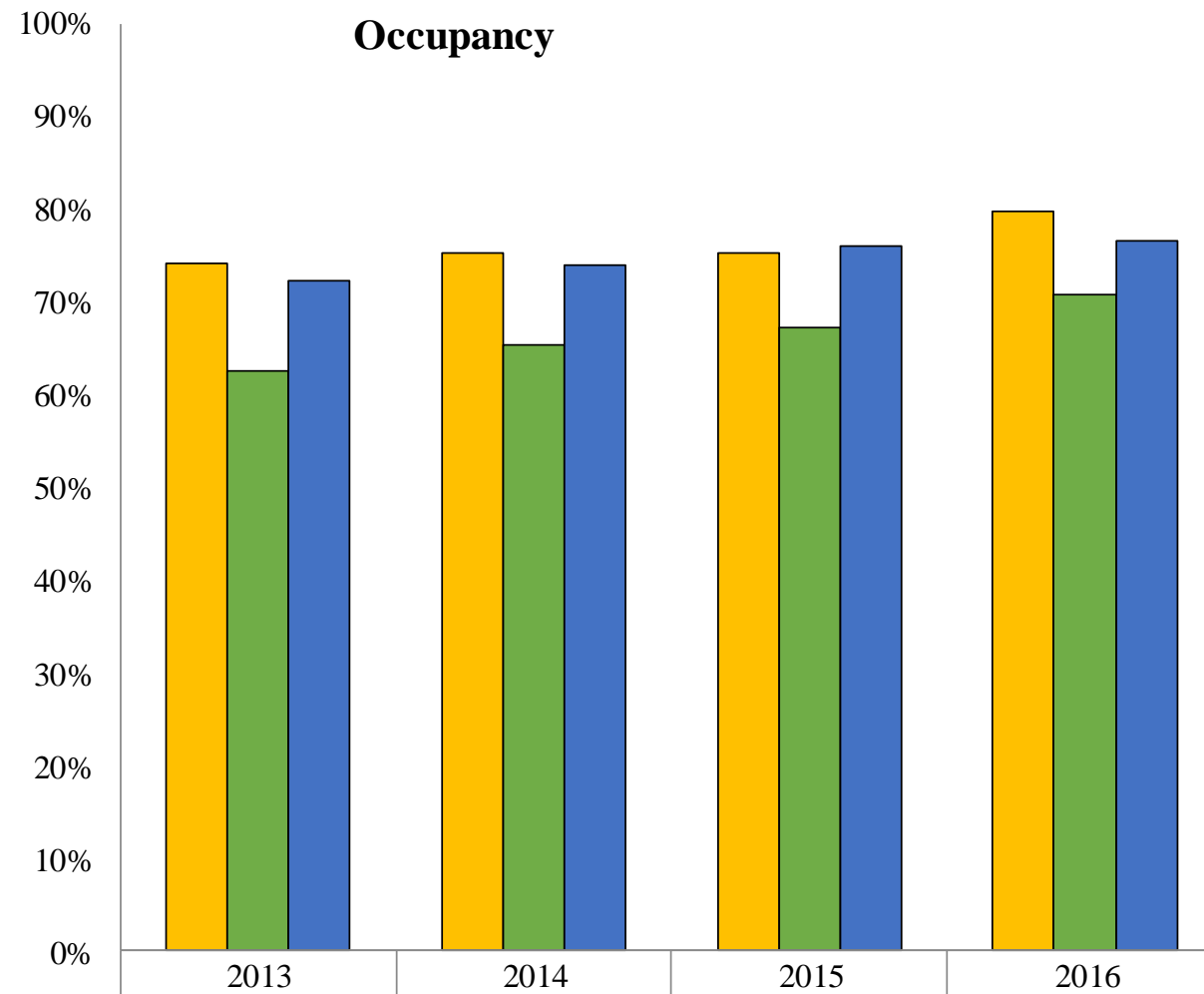


	2013	2014	2015	2016
■ O'ahu Luxury	\$398	\$438	\$451	\$465
■ Maui Luxury	\$520	\$534	\$572	\$583
■ Hawai'i-Kaua'i Luxury	\$418	\$438	\$452	\$451
■ Statewide Luxury	\$446	\$476	\$498	\$506

# Hawai'i Luxury Resort Regions



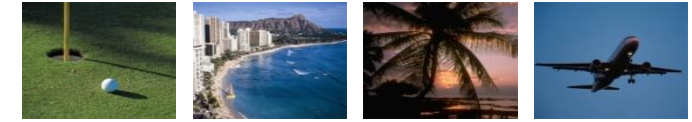
## Occupancy



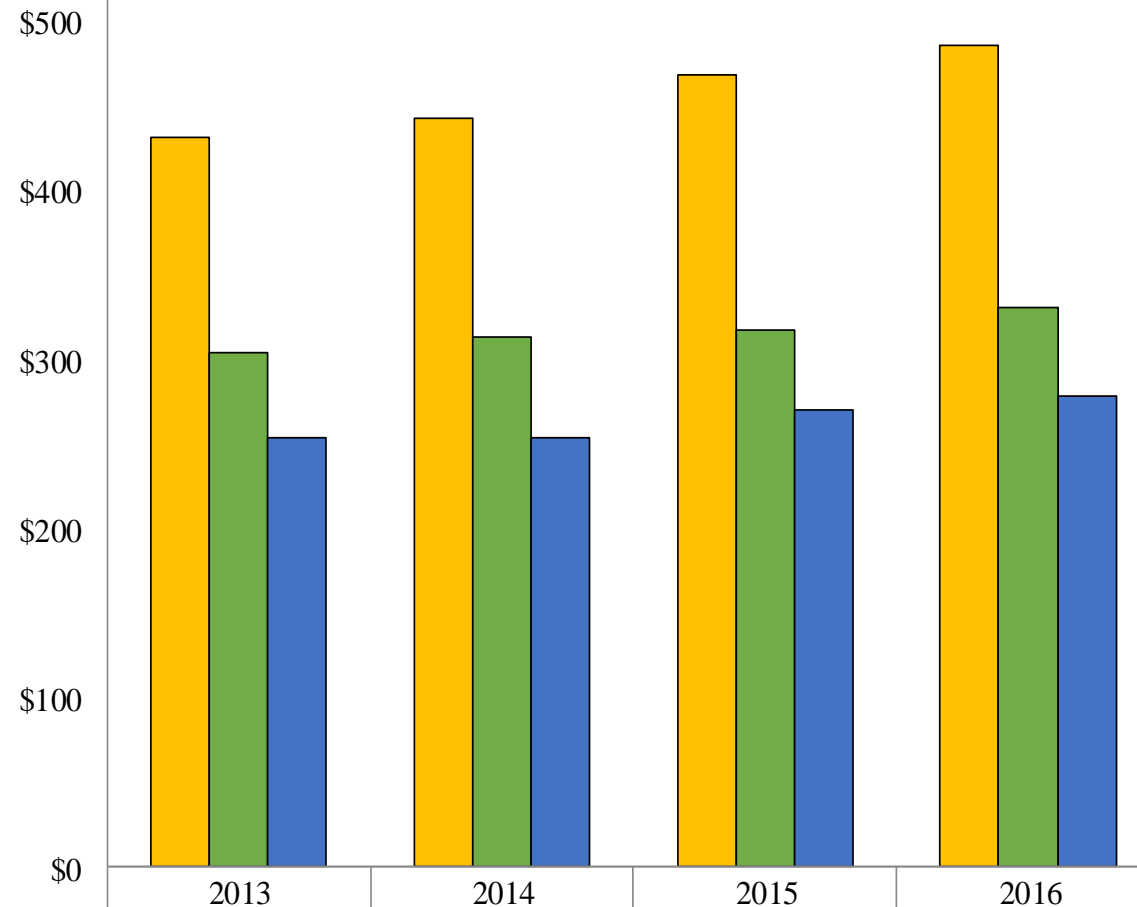
■ Wailea	74.1%	75.3%	75.3%	79.8%
■ Kohala	62.6%	65.4%	67.1%	70.7%
■ Lahaina/Kā'anapali /Kapalua	72.2%	73.8%	76.0%	76.6%



# Hawai'i Luxury Resort Regions

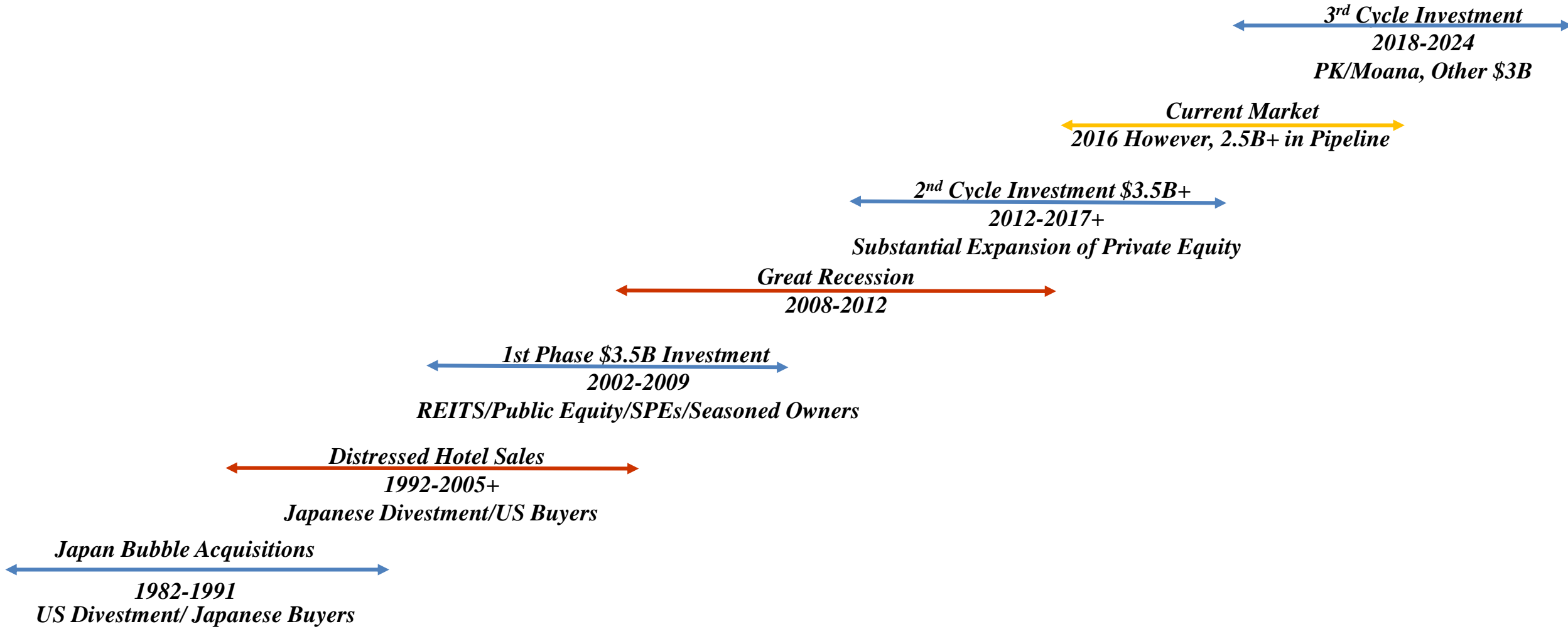
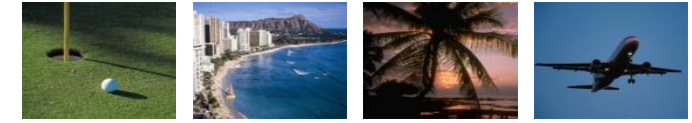


Average Daily Rates

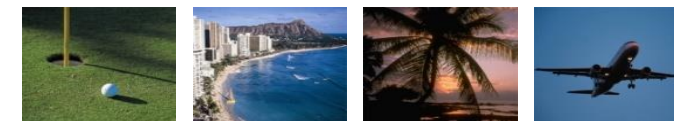


■ Wailea	\$432	\$443	\$469	\$487
■ Kohala	\$305	\$314	\$318	\$332
■ Lahaina/Kā'anapali /Kapalua	\$254	\$254	\$271	\$279

# Waikīkī Acquisition, Renovation and Redevelopment Cycle



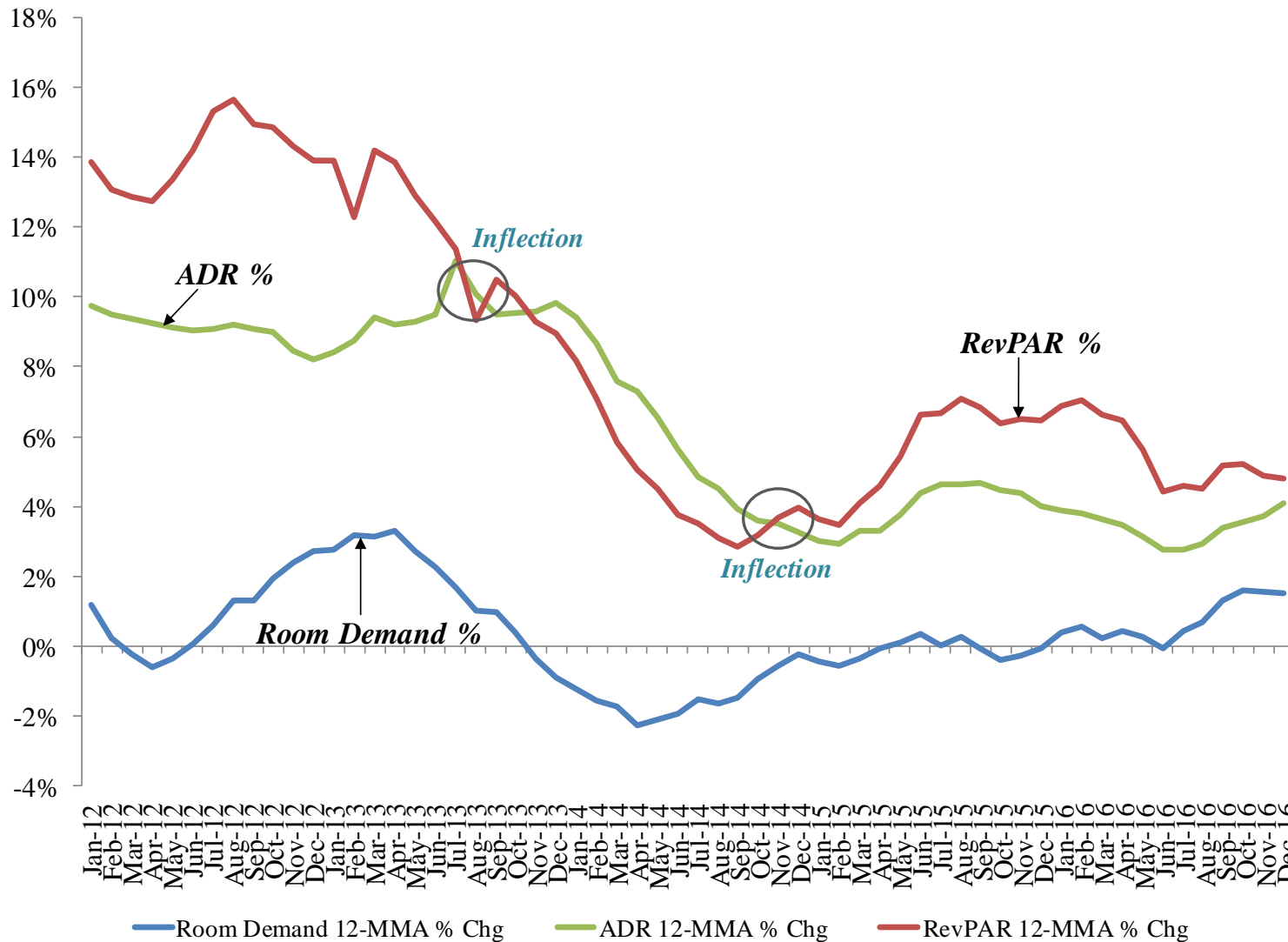
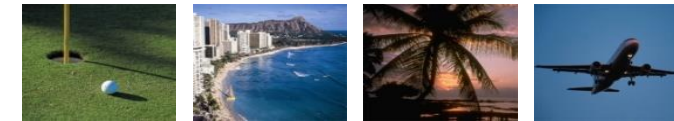
# RevPAR Composition Analysis



Year	Occ	ADR	RevPAR	% Composition	
				Occ	ADR
2010	70.5%	\$175	\$123		
% Δ	5.8%	-1.6%	7.1%	121.9%	-21.9%
2011	73.3%	\$193	\$141		
% Δ	2.8%	10.4%	14.8%	-21.2%	121.2%
2012	77.2%	\$207	\$160		
% Δ	3.8%	7.6%	13.2%	45.5%	54.5%
2013	76.5%	\$228	\$174		
% Δ	-0.7%	9.9%	9.0%	-16.0%	116.0%
2014	77.0%	\$235	\$181		
% Δ	0.5%	3.2%	3.8%	-4.8%	104.8%
2015	78.7%	\$245	\$193		
% Δ	1.7%	4.0%	6.3%	-3.9%	103.9%
2016	79.2%	\$255	\$202		
% Δ	0.5%	4.1%	4.8%	27.2%	72.8%

Note: Occupancy change is percentage point change.

# Seasonally Adjusted % Change Demand, ADR, RevPAR 2012 – 2016



# ADR Compression/Dispersion

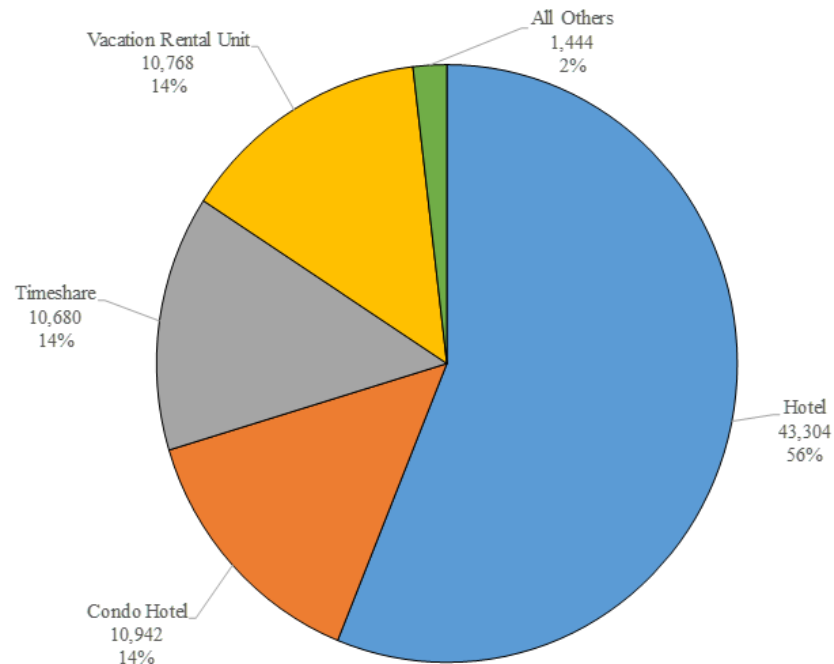
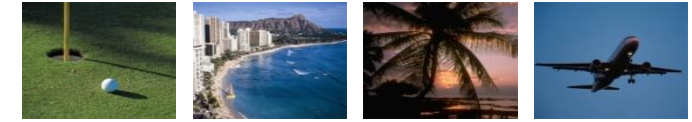


	ADR Spread	% Change
2016	\$365	-0.4%
2015	\$366	1.1%
2014	\$363	6.6%
2013	\$340	2.0%
*2012	\$333	4.6%
2011	\$173	5.4%
2010	\$164	-0.7%
2009	\$165	-14.5%
2008	\$193	0.6%
2007	\$192	12.8%
2006	\$170	-1.1%

\* Change in Methodology



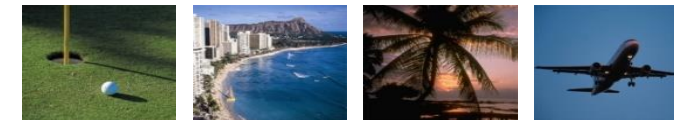
# Statewide Accommodations Supply



Unit Inventory by Type	2000	% Mix	2015	% Mix
<b>Hotel</b>	<b>50,681</b>	<b>71%</b>	<b>43,304</b>	<b>56%</b>
Condominium Hotel	12,371	17%	10,942	14%
Timeshare	4,276	6%	10,680	14%
Other	<u>4,178</u>	<u>6%</u>	<u>12,212</u>	<u>16%</u>
<b>Total Inventory</b>	<b>71,506</b>	<b>100%</b>	<b>77,138</b>	<b>100%</b>

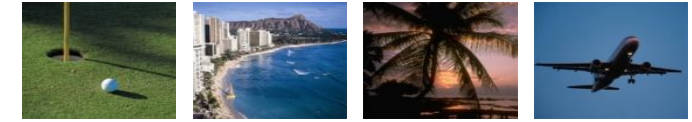


# Growth In Alt. Accommodations Demand



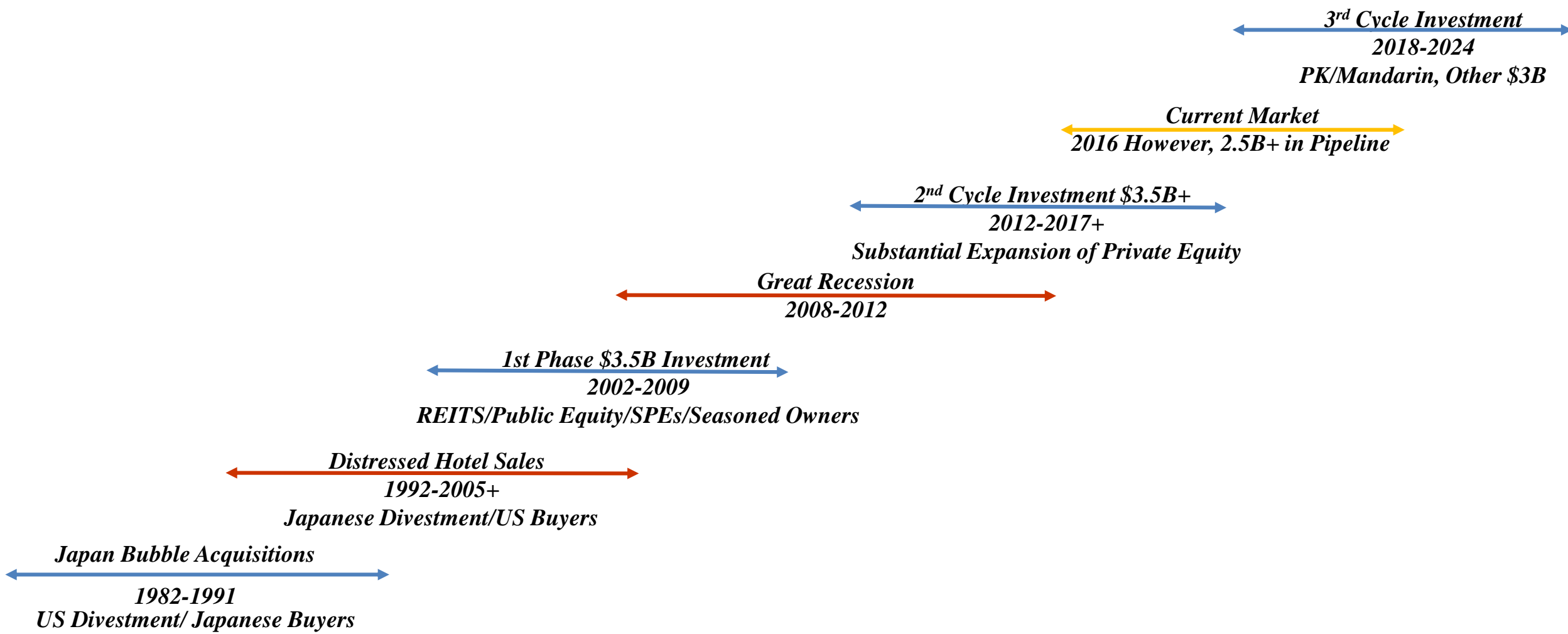
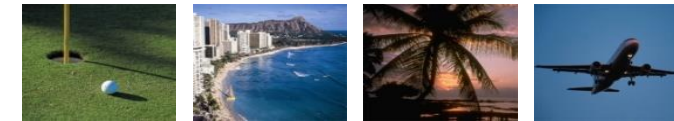
	2010	2011	2012	2013	2014	2015	YTD Sept 2016
TotalVisitors Alt.Accomm.	382,198	440,013	510,200	572,469	749,088	847,812	817,952
% of Total Visitors	5.5%	6.1%	6.5%	7.2%	9.1%	9.9%	12.3%
% Segment Growth	19.6%	15.1%	16.0%	12.2%	30.9%	13.2%	10.9%
% Vis. Arrival Growth	8.8%	3.7%	9.7%	1.7%	2.4%	4.5%	2.9%

# Hawai'i Hotel Industry Outlook

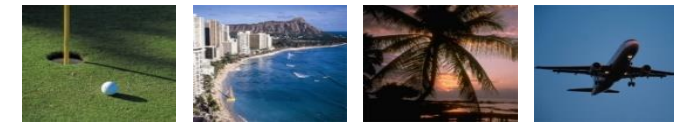


- Continuation of hotel industry records, over \$1 Billion in hotel revenues for Summer 2016
- 2016 "Pleasant Surprise," but signs of market shift evident since mid-2015
- Continued product shift throughout the State
  - New hotel investment/evaluation along Kapiolani Corridor to Downtown
  - China Oceanwide/Ko Olina \$1.5+ Billion
  - Limited service and timeshare resorts throughout State

# Waikiki Acquisition, Renovation and Redevelopment Cycle



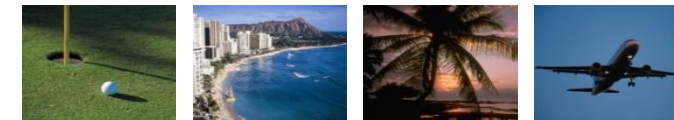
# Hawaii Hotel Investment Cycle Continues its Epic Pace Into Sixth Year



- Outrigger Hotels & Resorts sale to KSL
- Marriott acquisition of Starwood
- Ko Olina finally reaching its much-needed critical mass and scale with China Oceanwide's development, bringing diversity in product and brands
- Mirae Asset's \$1 billion acquisition of Hyatt Waikiki and Fairmont Orchid
- Planning underway for major renovation at the Kahala Hotel
- Development of mixed-use Mandarin Oriental Hotel across HCC
- Acquisitions, renovations and new development occurring on all major islands for all asset classes
- Other major deals still in the works

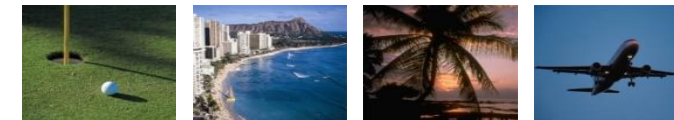


# State of Hawai'i Occupancy Forecast



Occupancy	2015	2016	2017F
Statewide	78.7%	79.2%	81.0%
O'ahu	85.1%	84.2%	84.0%
Maui	74.3%	75.9%	76.8%
Kaua'i	71.1%	72.6%	73.5%
Big Island	65.7%	68.8%	70.8%

# State of Hawai'i ADR Forecast



ADR	2015	2016	2017F
Statewide	\$245	\$255	\$265
O'ahu	\$220	\$228	\$233
Maui	\$318	\$332	\$348
Kaua'i	\$243	\$254	\$267
Big Island	\$232	\$242	\$254



NO TIME TO EXPLAIN

just get on the rooster

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**Thank you!**



**HOSPITALITY ADVISORS LLC**