HOTELS
PASSION FOR HOSPITALITY

OWNER EQUITY BY CHAD CRANDELL

Chad Crandell, CHMWarwick, managing director and CEO, CHMWarnick, Beverly, Massachusetts

It ain't over 'til it's over

(The views and opinions expressed in this blog are strictly those of the author.)

It’s that time of year again where we try and wrap our heads around massive amounts of data to formulate opinions about how closely the national prognostications will ring true for the individual properties in our asset management portfolio. In short – who do we need to brace for what news and more importantly, what are we going to do about it?

Admittedly, with regards to 2017, my magic 8-ball still reads: Ask again later, so that prediction will have to wait. What I do know, however, is that regardless of where we are headed, and even in the face of continued revenue growth, we have our work cut out for us.

CBRE recently published a report (CBRE Hotel’s Americas Research’s 2016 Edition of Trends® in the Hotel Industry) that indicated that Total Operating Revenues grew 5.3 percent from 2014 to 2015. Despite what has been largely an ADR-fueled RevPAR growth trend over the past year, profit growth was modest, well shy of the double digits we had enjoyed in recent years. The report went on to say that real hotel expense growth was 4.6%, marking the greatest annual change to occur within the past 20 years. The two leading expense culprits identified were labor and…wait for it, fees (ouch). So, while revenue growth in 2015 was able to maintain a lead over expense growth, we are now more than half way through 2016 and prognosticators have lowered forecasts for year-end RevPAR growth fairly consistently with each passing quarter.

The latest consensus on national RevPAR growth forecast for 2017 coming out of the Hotel Data Conference is somewhere in the range of 2% to 4%. And, while I don't want to be the bearer of bad news, I don't anticipate the cost of labor, nor fees coming down anytime soon. In order to hang on to profit growth going into the new year, even in the face of seemingly positive revenue growth, owners and their operators should already be asking, "where can we cut costs today?" I have many ideas, but that's fodder for a future blog.

In closing, while I continue to tout Yogi Berra's philosophy of "it ain't over 'tll it's over" when it comes to where we are in this current economic cycle. If there is one lesson I've learned about protecting profits, it's not to wait until they start to erode to preserve them. This is where we need to be laser-focused today to preserve ownership profits in 2017.

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Interesting.

Interesting, but I found it a bit discerning that labor is considered an expense when it really is the main tool earning the property income.Question is not what to cut, but how to improve and invest to gain a better revPAR.When cutting, very rarely does management look in the mirror, but out in the workforce that sponsors their paycheck.The fees and taxes are very rough and can cause the most damage to profits. But when labor is attacked they know it and performance can be effected.Thank you for letting me add my two cents worth.