2017 North Carolina Lodging Report

A Publication of Visit North Carolina

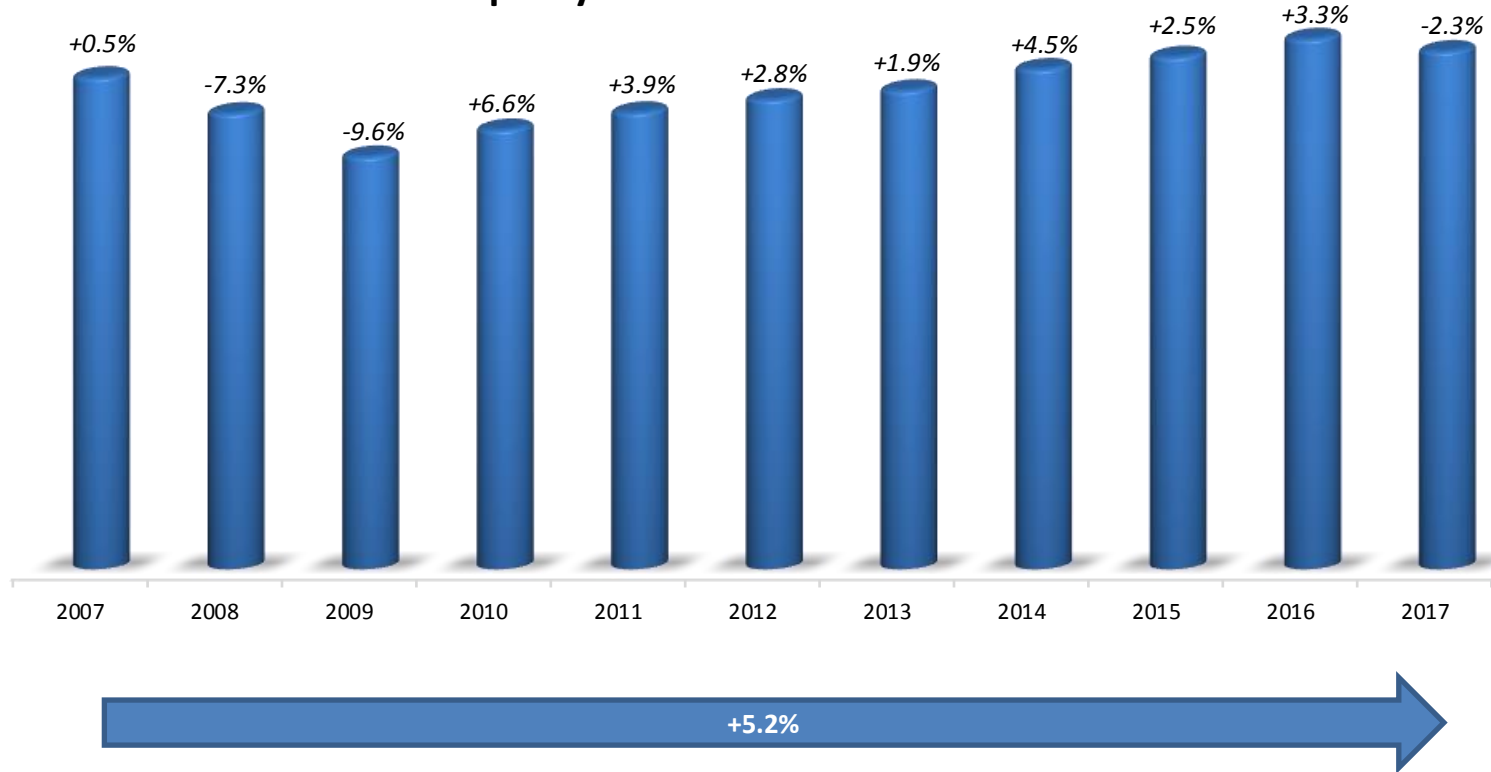# 2017 North Carolina Lodging Report

- This report provides trend data on commercial lodging properties in North Carolina using proprietary data through contract with STR.

- While the data presented does not represent total lodging in the state, it is estimated that commercial lodging revenues represent approximately 76 percent of taxable sales statewide. Individual regions proportion of commercial to total may differ.

- Regional data provided represents the NC Department of Commerce prosperity zones.

- See page 21 for STR methodology.

- Year-end 2017 hotel/motel **occupancy** (63.4) was down 2.3% statewide from 2016, but still represents the second highest annual occupancy on record, second to last year's record. Occupancy rates statewide have grown ten percent in the last five years.
  - The US **occupancy** was up 0.9% and South Atlantic states **occupancy** was up 1.4% from 2016.

Occupancy in North Carolina 2007-2017

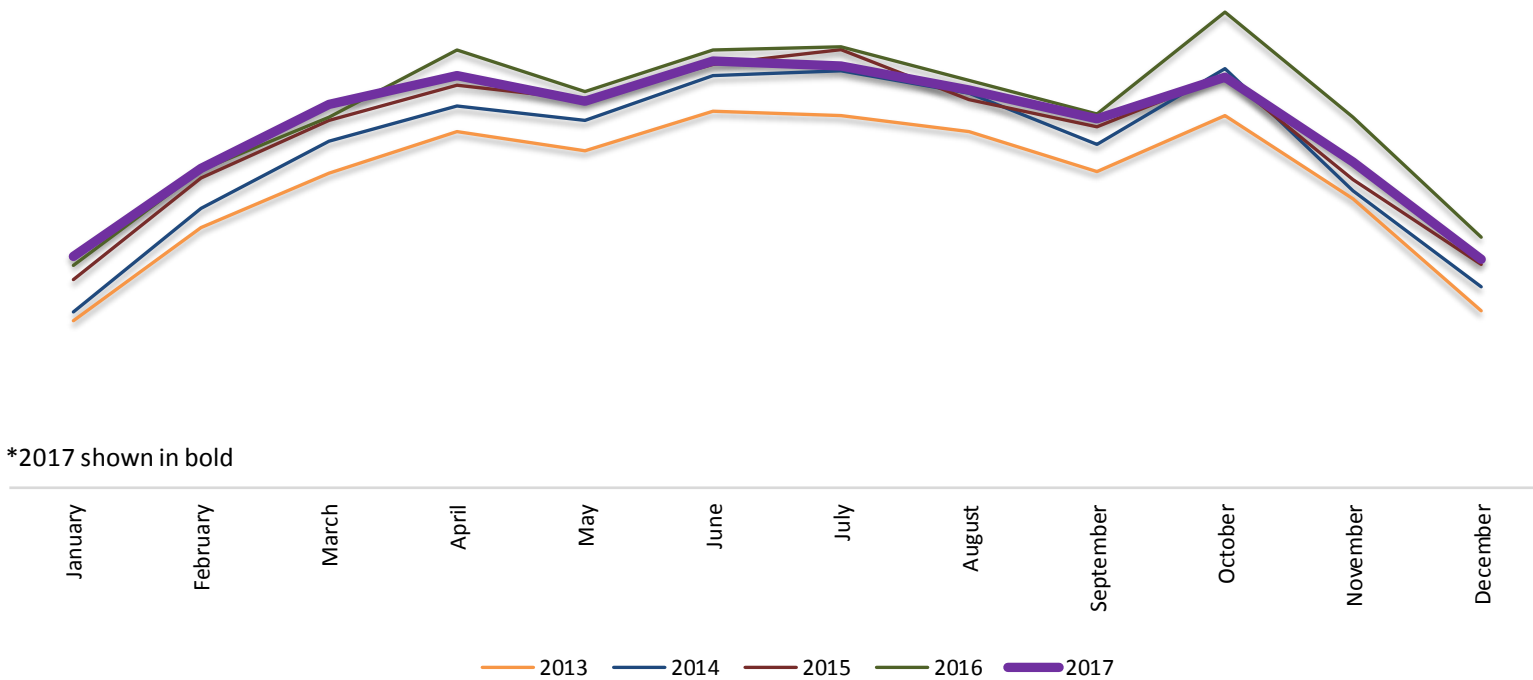| Year	Change
2007	+0.5%
2008	-7.3%
2009	-9.6%
2010	+6.6%
2011	+3.9%
2012	+2.8%
2013	+1.9%
2014	+4.5%
2015	+2.5%
2016	+3.3%
2017	-2.3%

+5.2%

STR, 2018

Occupancy – Rooms sold divided by rooms available.

- In 2017, hotel/motel **occupancy** followed the same general monthly trend as in recent years, yet with the exception of the first three months of the year, occupancy was below 2016 levels. Several explanations exist for the decreases in occupancy, one being the large supply growth in 2017 (see more on pages 12-14) that hindered occupancy growth. Another explanation is unusually high occupancy during the fall of 2016 partially due to hurricane evacuees. Historically, statewide occupancy is always higher during the summer months and October, and 2017 was no different.
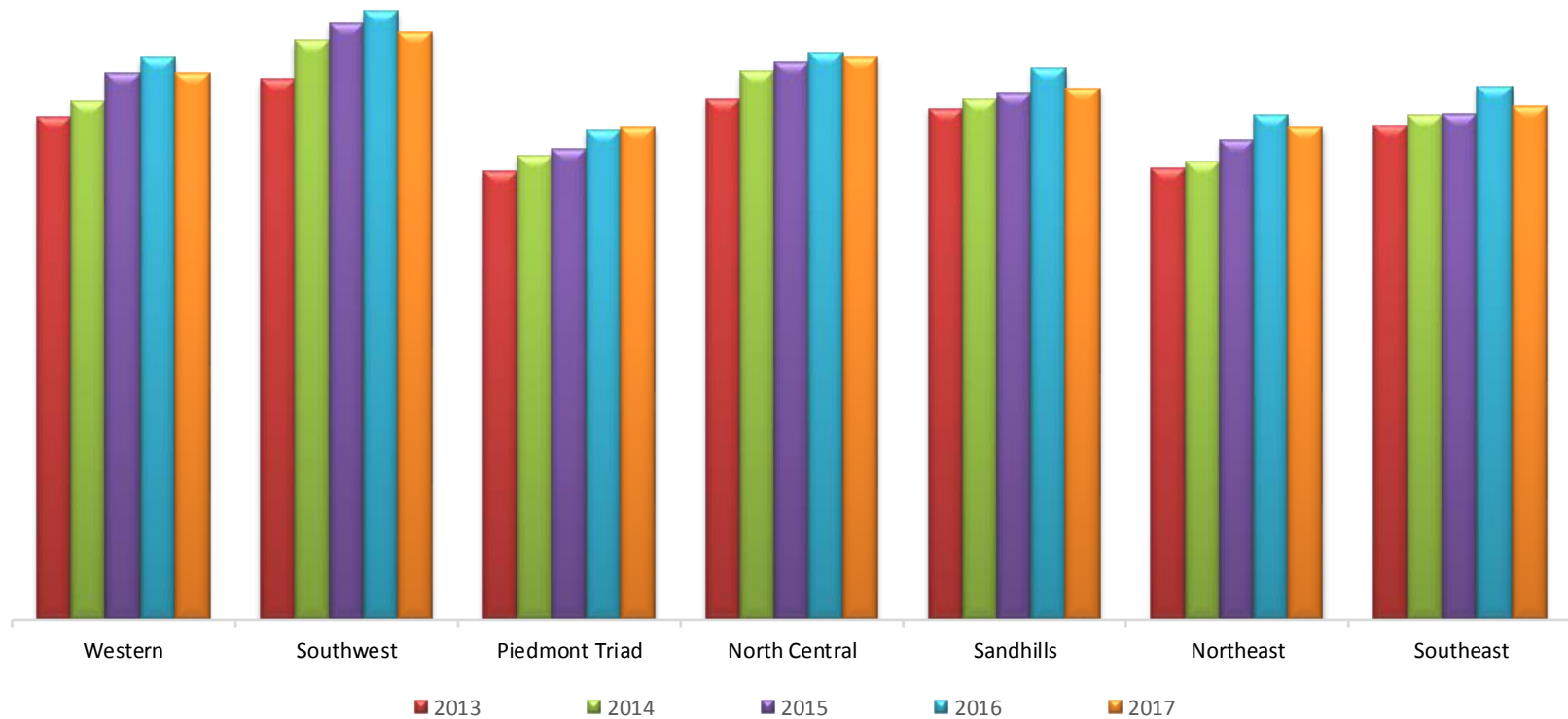
Monthly Occupancy in North Carolina 2013-2017

*2017 shown in bold

January February March April May June July August September October November December

— 2013 — 2014 — 2015 — 2016 — 2017

STR, 2018

- Regionally, seven of the eight regions had decreases in annual occupancy from 2016 to 2017 after several years of steady growth. Only the Piedmont Triad Region saw a slight increase in occupancy from last year (+0.3%). One explanation for the decreases is the continued growth in supply (see page 14).

Regional Occupancy in North Carolina 2013-2017

| | Western | Southwest | Piedmont Triad | North Central | Sandhills | Northeast | Southeast |

■ 2013　　■ 2014　　■ 2015　　■ 2016　　■ 2017

STR, 2018

Occupancy – Rooms sold divided by rooms available.

- The 2017 **average room rate (ADR)** in North Carolina ($102.47) was up 2.8% from 2016, topping last year's record high ADR for the state, and represents the first time that the annual ADR for the state has been above $100. Average **room rates** have increased nearly twenty-one percent over the last five years.
  - The US **ADR** was up 2.1% from 2016. **ADR** in the South Atlantic states was up 2.9% from 2016.

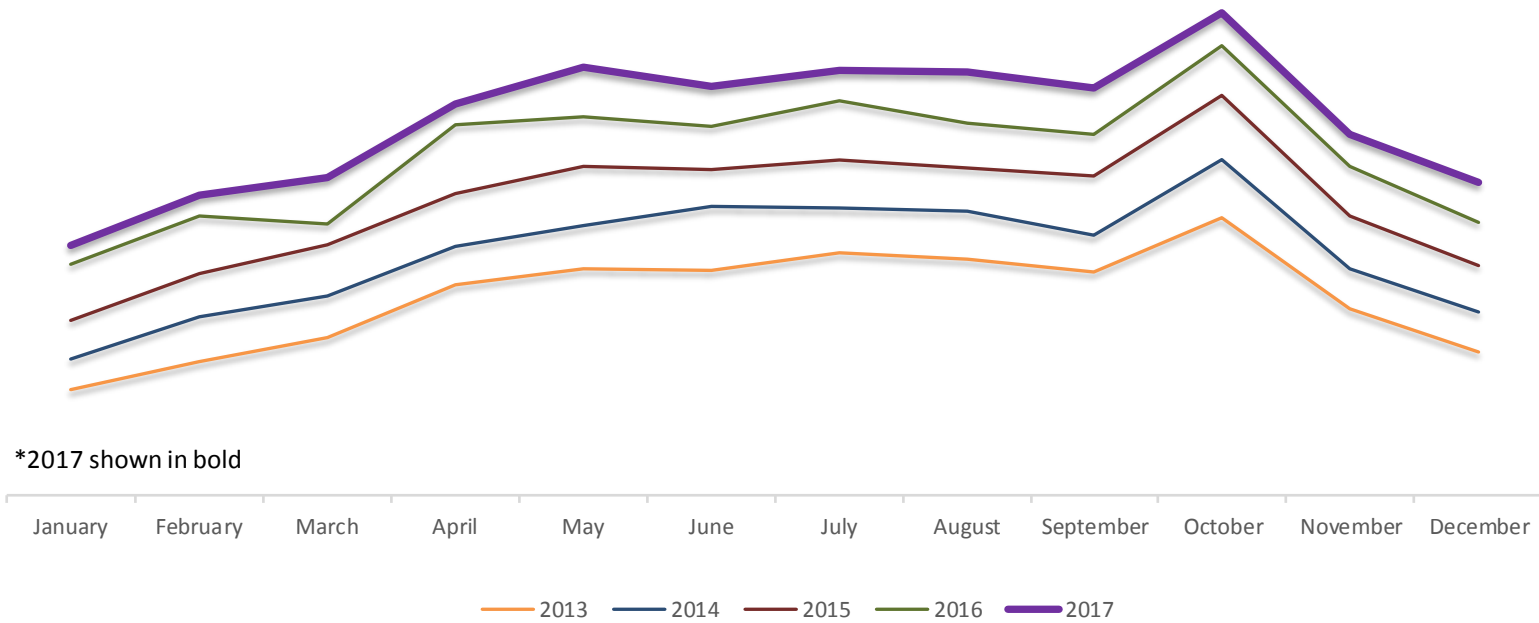## Average Daily Room Rates (ADR) in North Carolina 2007-2017
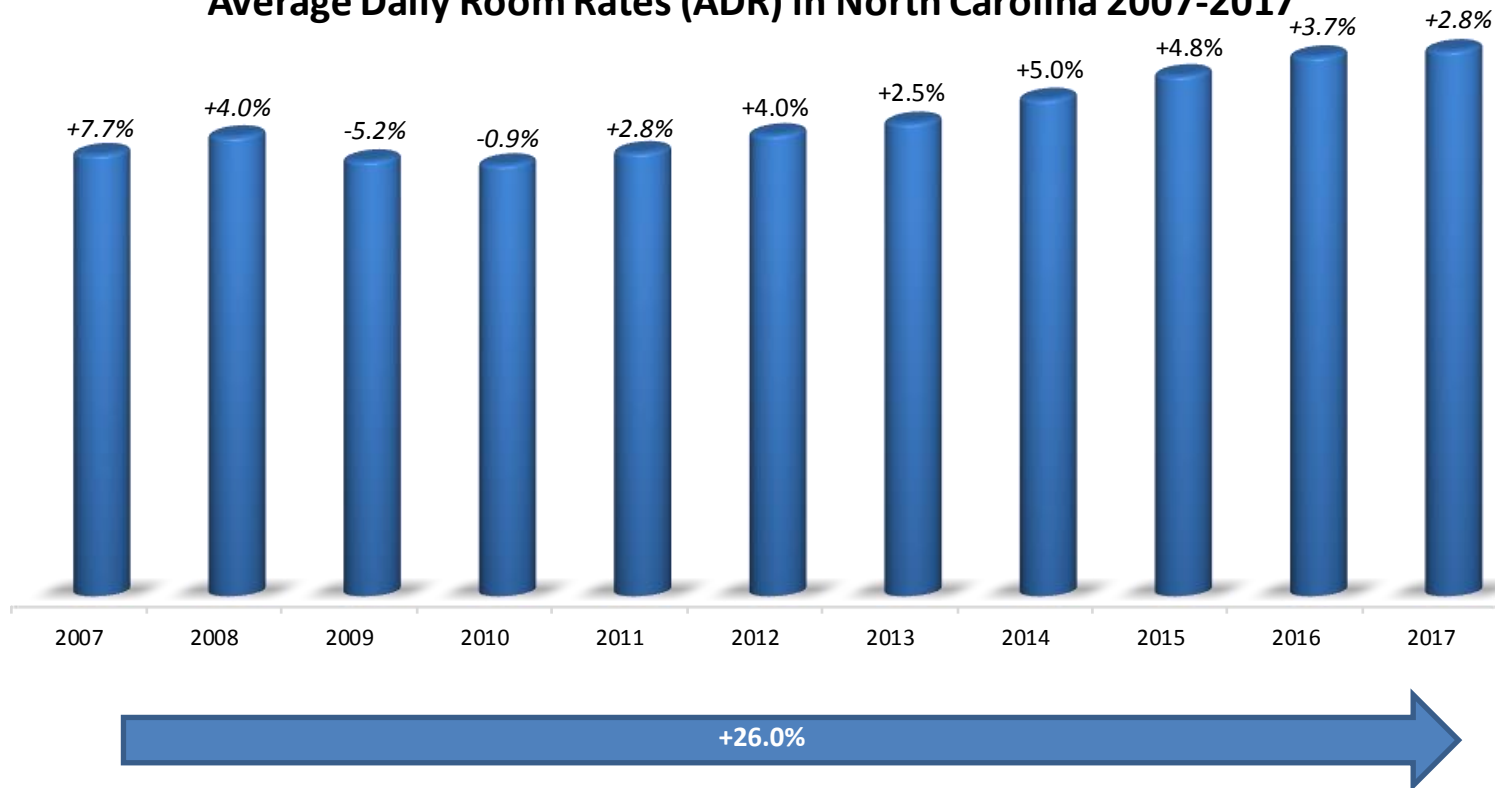
STR, 2018

*ADR (Average Daily Rate) – Room revenue divided by rooms sold.

- **Room rates (ADR)** in North Carolina in 2016 were the highest on record, topping even last year's record high. Each month of 2017 set a record high ADR for that particular month. October's ADR was the highest monthly figure for 2017, topping $111. August and May had the highest growth from 2016 with four percent growth from the previous year.

Monthly ADR in North Carolina 2013-2017

*2017 shown in bold

January	February	March	April	May	June	July	August	September	October	November	December

—— 2013 —— 2014 —— 2015 —— 2016 —— 2017

STR, 2018

- Each of the eight regions saw record setting average annual room rates in 2017. The Southeast Region experienced the largest one-year growth with a 3.9 percent in room rates. The Western Region remains the top region in terms of actual average ADR.

Regional ADR in North Carolina 2013-2017

| | 2013 | 2014 | 2015 | 2016 | 2017 |
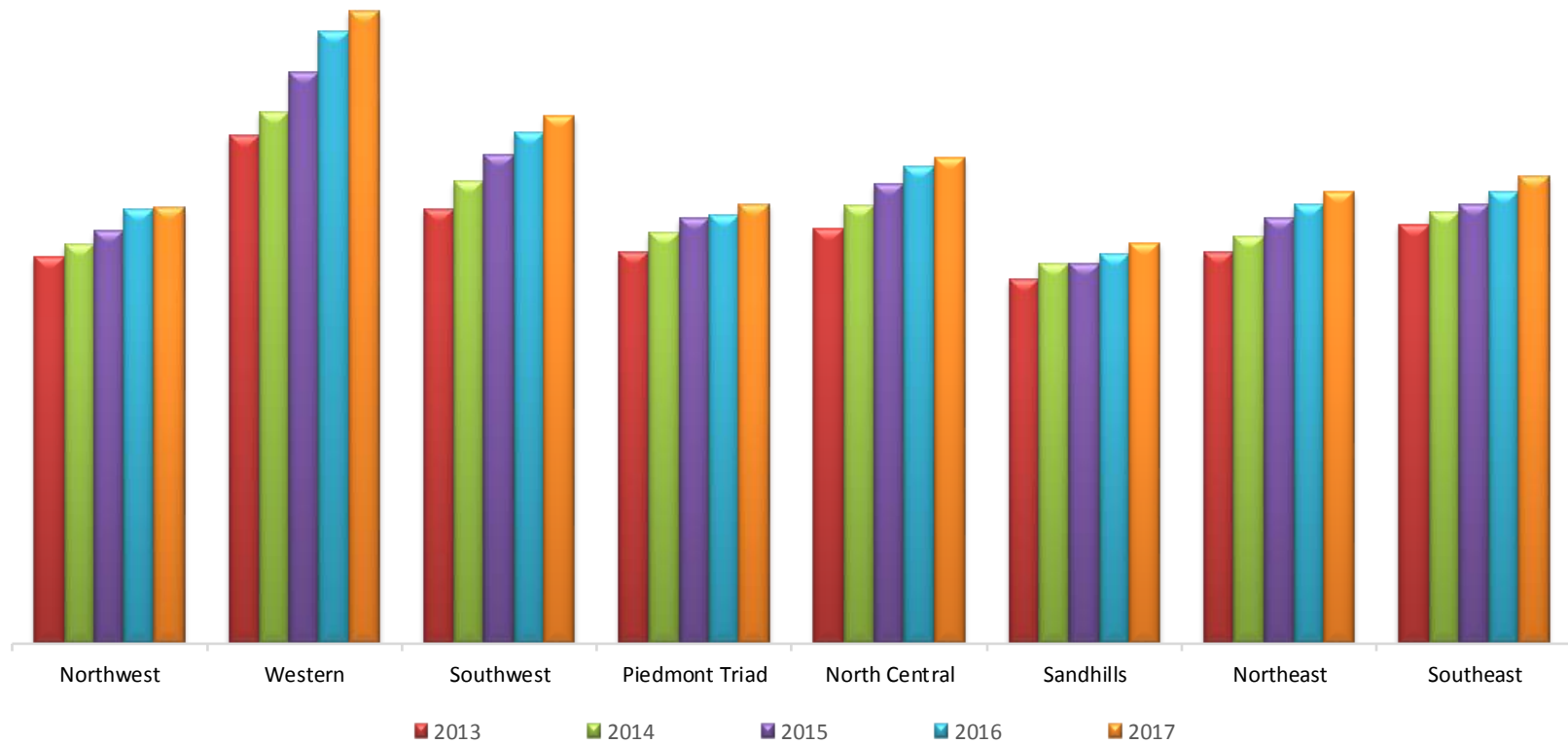
STR, 2018

*ADR (Average Daily Rate) – Room revenue divided by rooms sold.

- Statewide, Revenue Per Available Room **(RevPAR)** ($64.95) was up 0.5% in 2017 from 2016, surpassing the record set last year. **RevPAR** has increased thirty-three percent in the last five years.
  - o Nationally, **RevPAR** was up 3.0% from 2016. South Atlantic states **RevPAR** was up 4.3% from 2016.
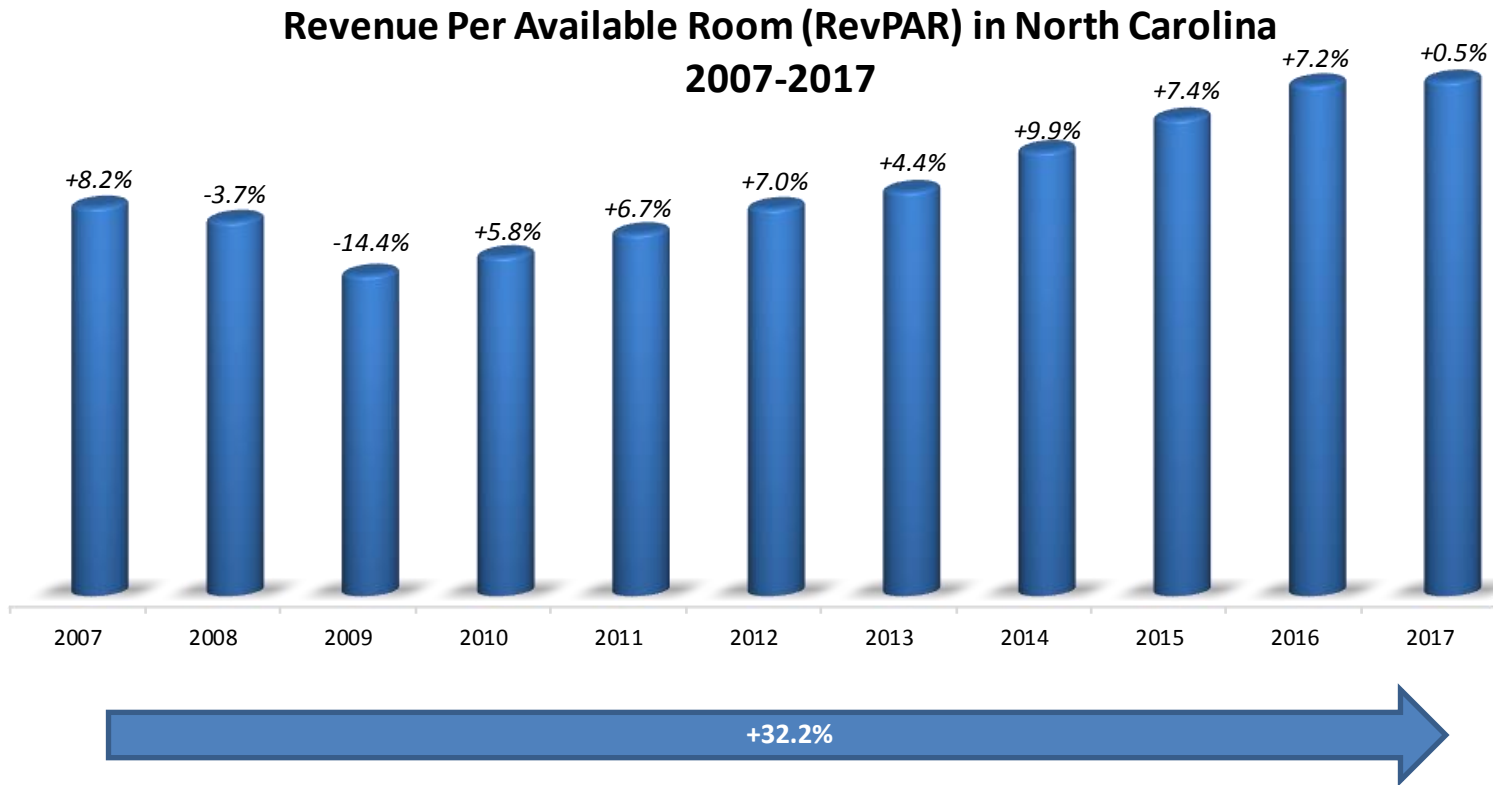
Revenue Per Available Room (RevPAR) in North Carolina 2007-2017
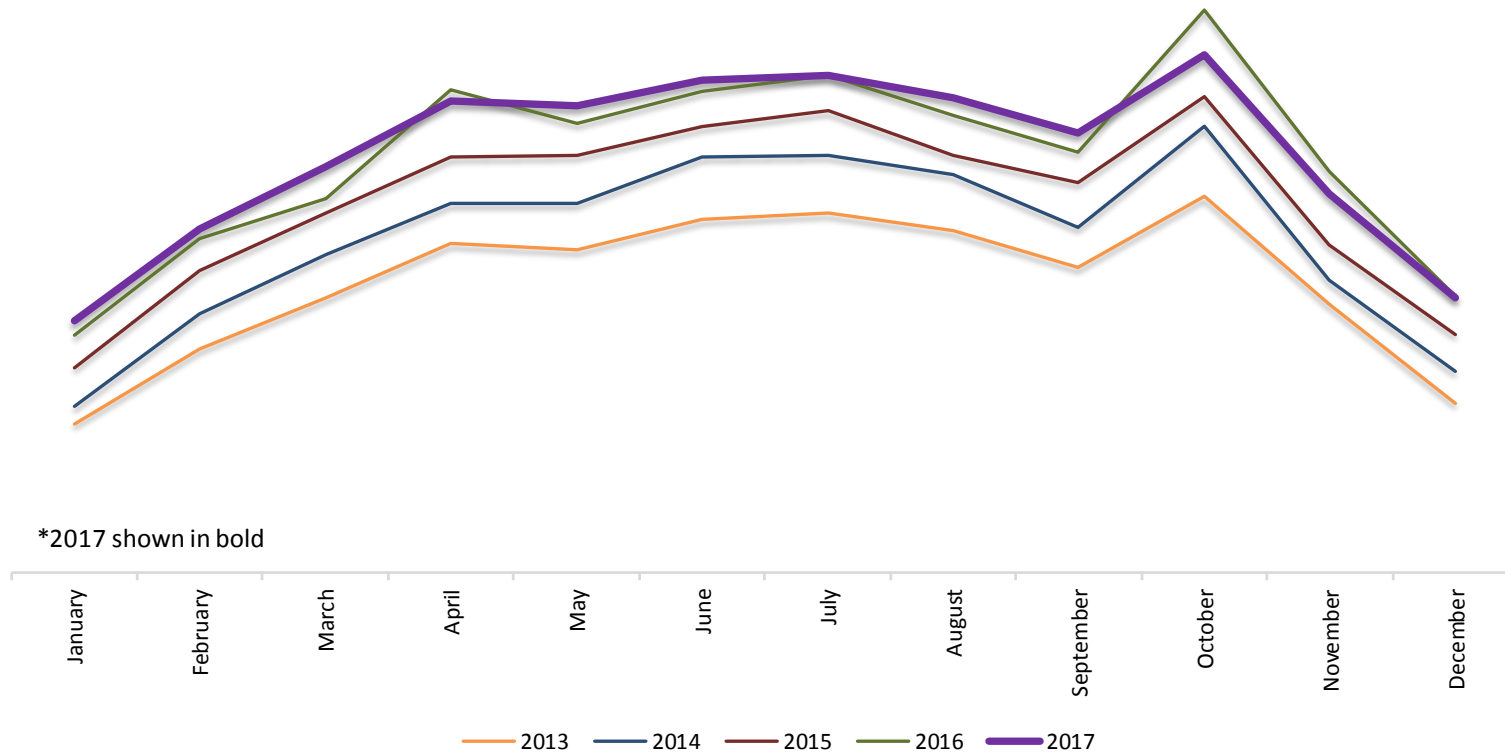

STR, 2018

*RevPAR – Revenue Per Available Room – Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR)

- As with other indicators, revenue per available room **(RevPAR)** achieved a new record high in 2017, barely surpassing 2016 annual RevPAR. October had the largest RevPAR at more than $75, followed by July with more than $73.
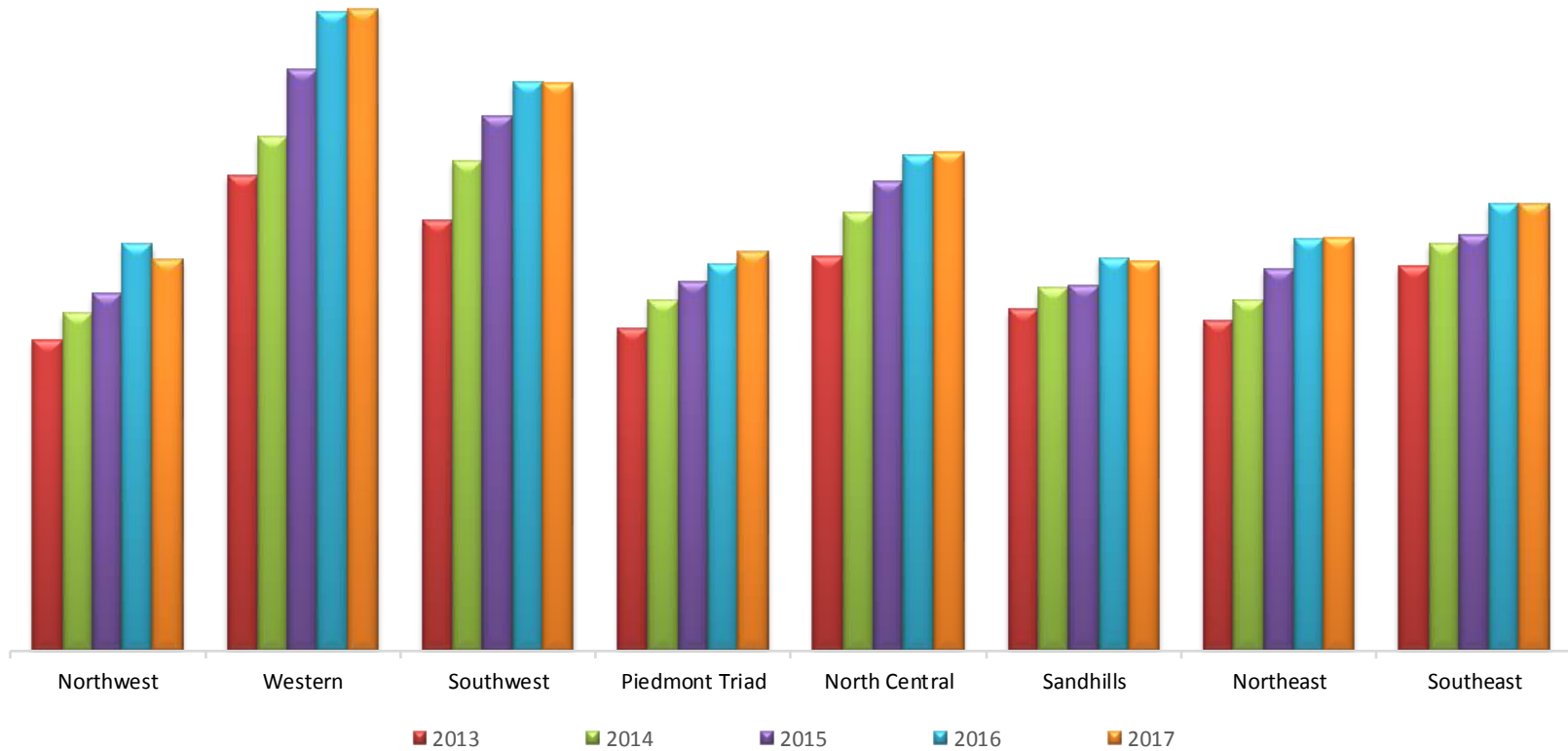
Monthly Revenue Per Available Room (RevPAR) in North Carolina
2013-2017

*2017 shown in bold

Legend: 2013 2014 2015 2016 2017

STR, 2018

- RevPAR was up in four of the eight regions from 2016 to 2017. The Piedmont Triad Region had the largest growth in RevPAR (+2.9%).

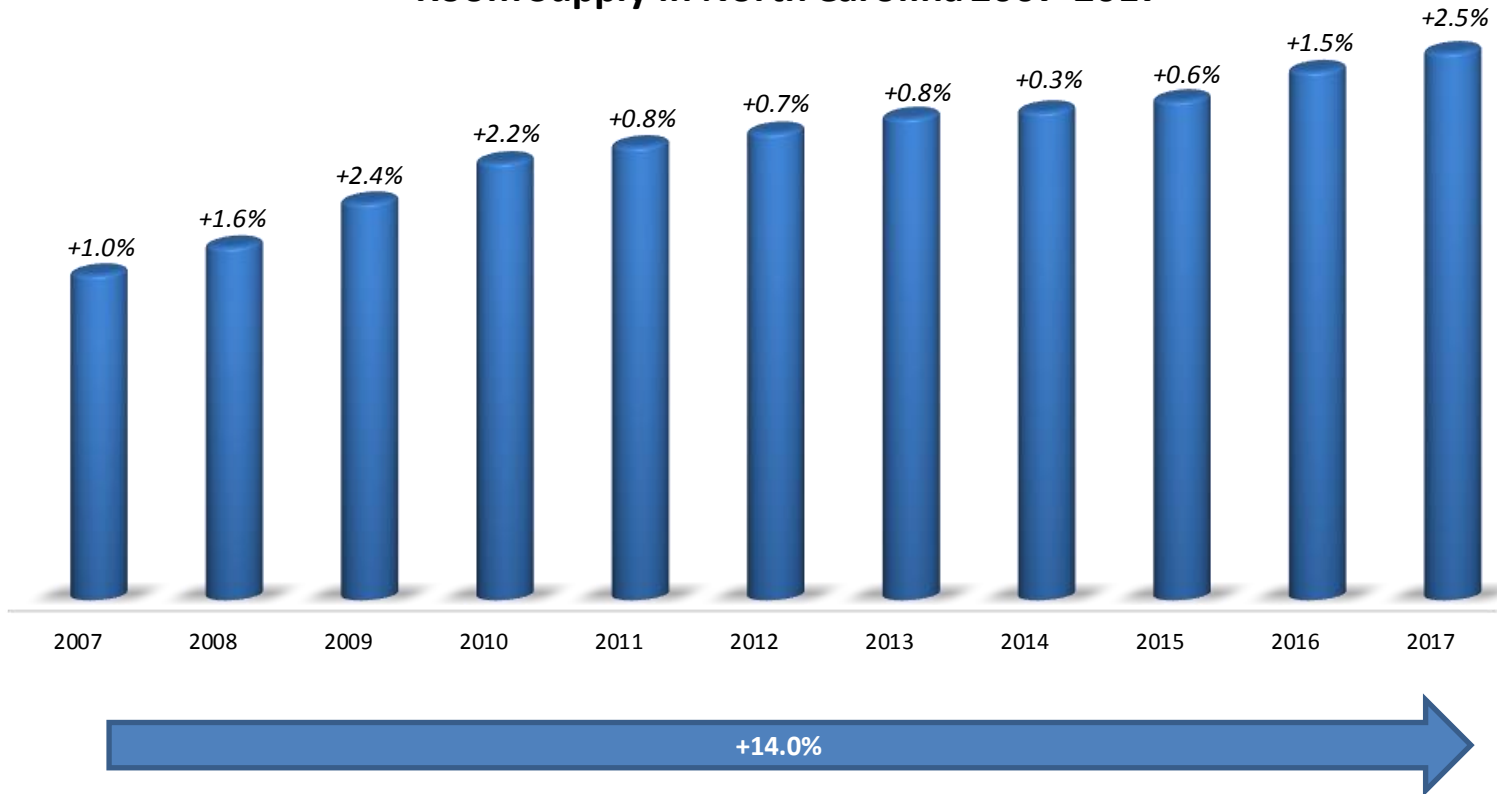## Regional RevPAR in North Carolina 2013-2017

STR, 2018

*RevPAR – Revenue Per Available Room – Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR)

- 2017 **Room Supply** was up 2.5% statewide from 2016, the largest increase since 2001. **Room supply** has increased six percent in the last five years. **Room supply** in 2017 was at its highest on record for North Carolina with more than 55.8 million room nights available for the year.
  - Nationally, **room supply** was also up 1.8%. **Room supply** was up 1.5% from 2016 to 2017 in the South Atlantic region.

Room Supply in North Carolina 2007-2017

+1.0% +1.6% +2.4% +2.2% +0.8% +0.7% +0.8% +0.3% +0.6% +1.5% +2.5%

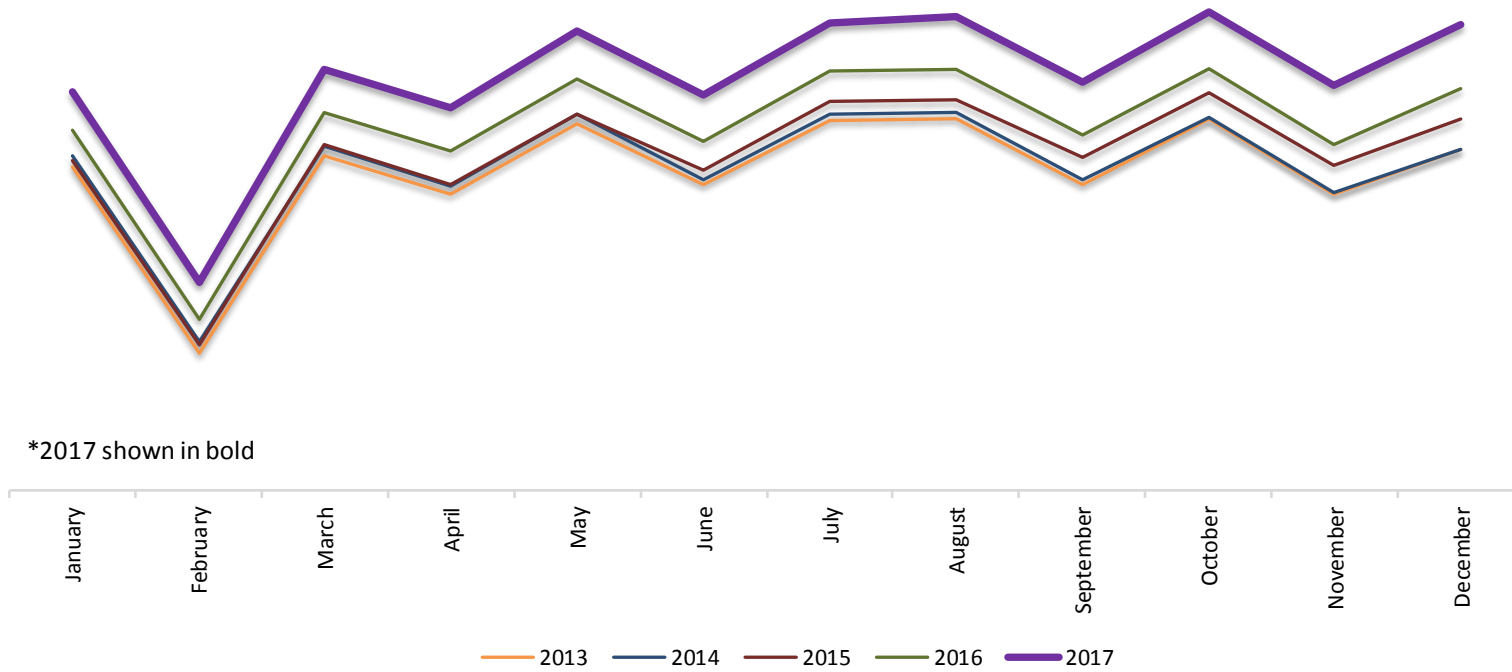2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

+14.0%

STR, 2018

*Room Supply – The number of rooms times the number of days in the period.

- **Room Supply** in 2017 followed the same trend line as last year, showing consistent year over year growth each month. Monthly supply growth was no less than two percent for any month in 2017.

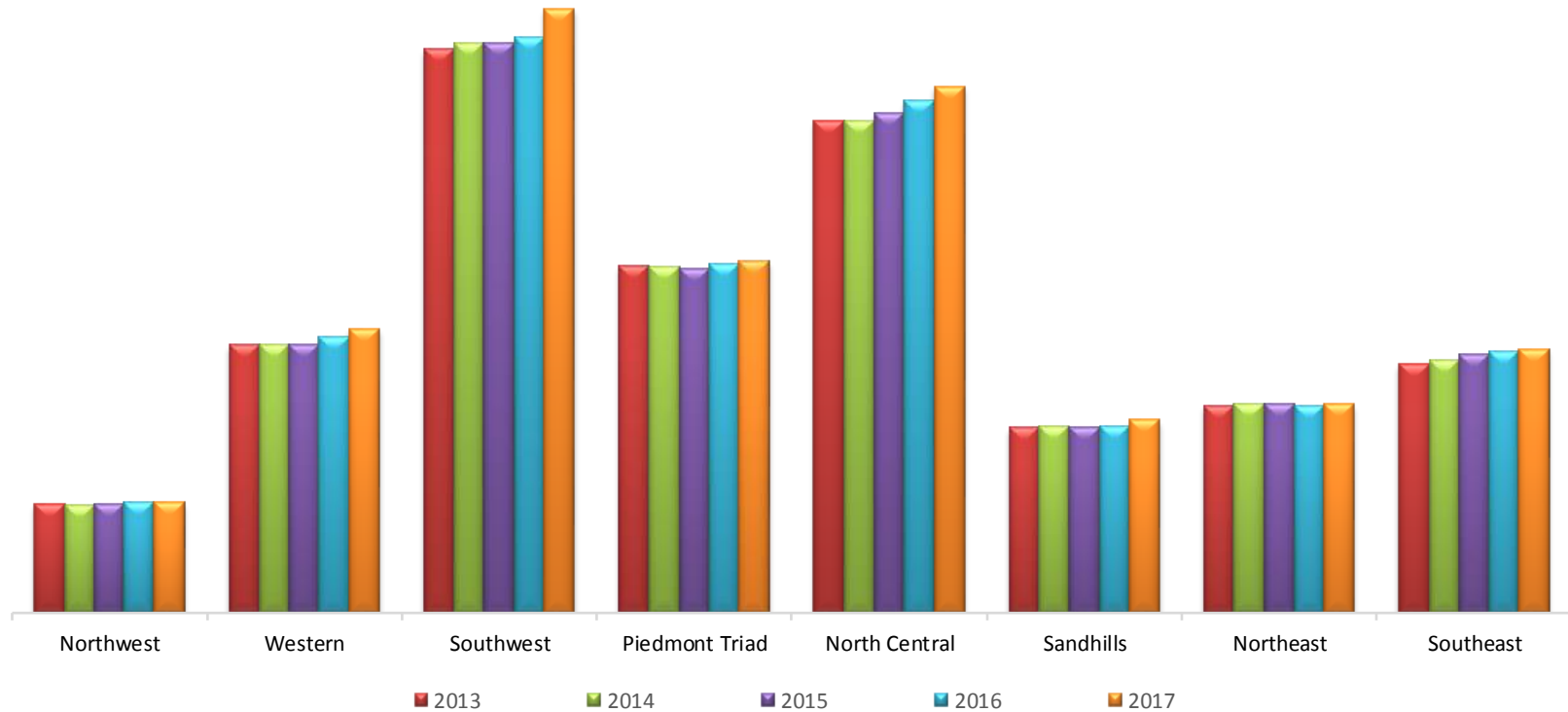## Monthly Room Supply in North Carolina 2013-2017

*2017 shown in bold

January February March April May June July August September October November December

—— 2013 —— 2014 —— 2015 —— 2016 —— 2017

STR, 2018

- Room supply was up in each of the eight regions in 2017, particularly in the Southwest Region (+4.8%). The Western and North Central regions had supply growth of nearly three percent. The growth in room supply over the last several years has resulted in a clear softening in occupancy rates statewide.

Regional Room Supply in North Carolina 2013-2017
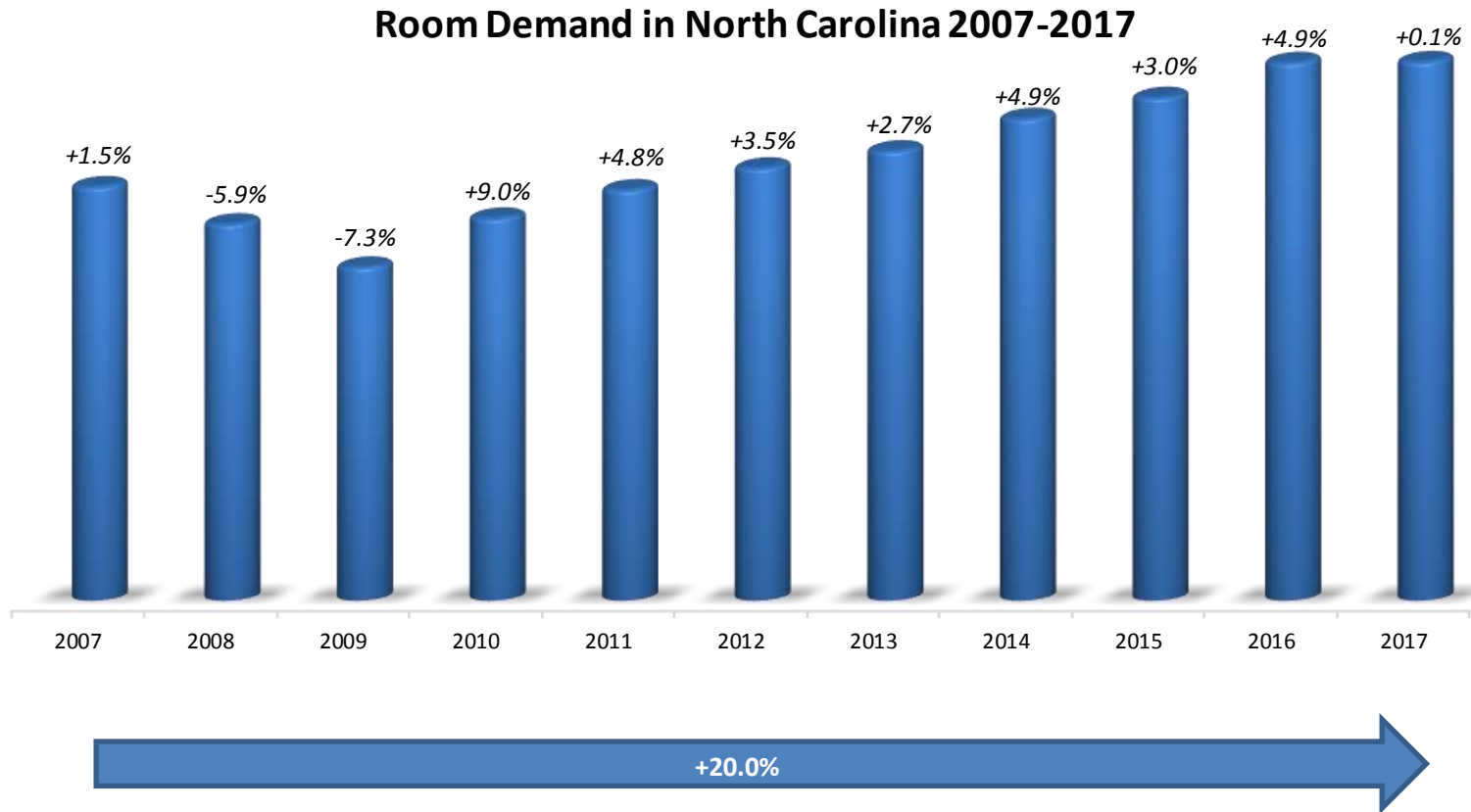

Legend: 2013, 2014, 2015, 2016, 2017

Regions: Northwest, Western, Southwest, Piedmont Triad, North Central, Sandhills, Northeast, Southeast

STR, 2018

*Room Supply – The number of rooms times the number of days in the period.

- 2017 **Room Demand** was up 0.1% in the state, just surpassing last year's record demand to reach a new record for lodging demand in North Carolina. More than 35.3 million room nights were sold in 2017. Since 2007, **room demand** is up twenty percent (and up nearly 16 percent in the last five years).
 - o **Room demand** was up 2.7% nationally and up 2.9% in the South Atlantic region from 2016 to 2017.

Room Demand in North Carolina 2007-2017

Year	Change
2007	+1.5%
2008	-5.9%
2009	-7.3%
2010	+9.0%
2011	+4.8%
2012	+3.5%
2013	+2.7%
2014	+4.9%
2015	+3.0%
2016	+4.9%
2017	+0.1%

+20.0%

STR, 2018

*Room Demand – The number of rooms sold (excludes complimentary rooms).

15

- Seven months of 2017 showed increased statewide **room demand** from 2016 and the annual total demand was a record setting figure. The fall of 2016 saw unusual demand growth due in part to hurricane evacuees, therefore October and November decreases in demand from 2016 to 2017 are likely overstated. Two-year percent change figures still show positive growth in this indicator.
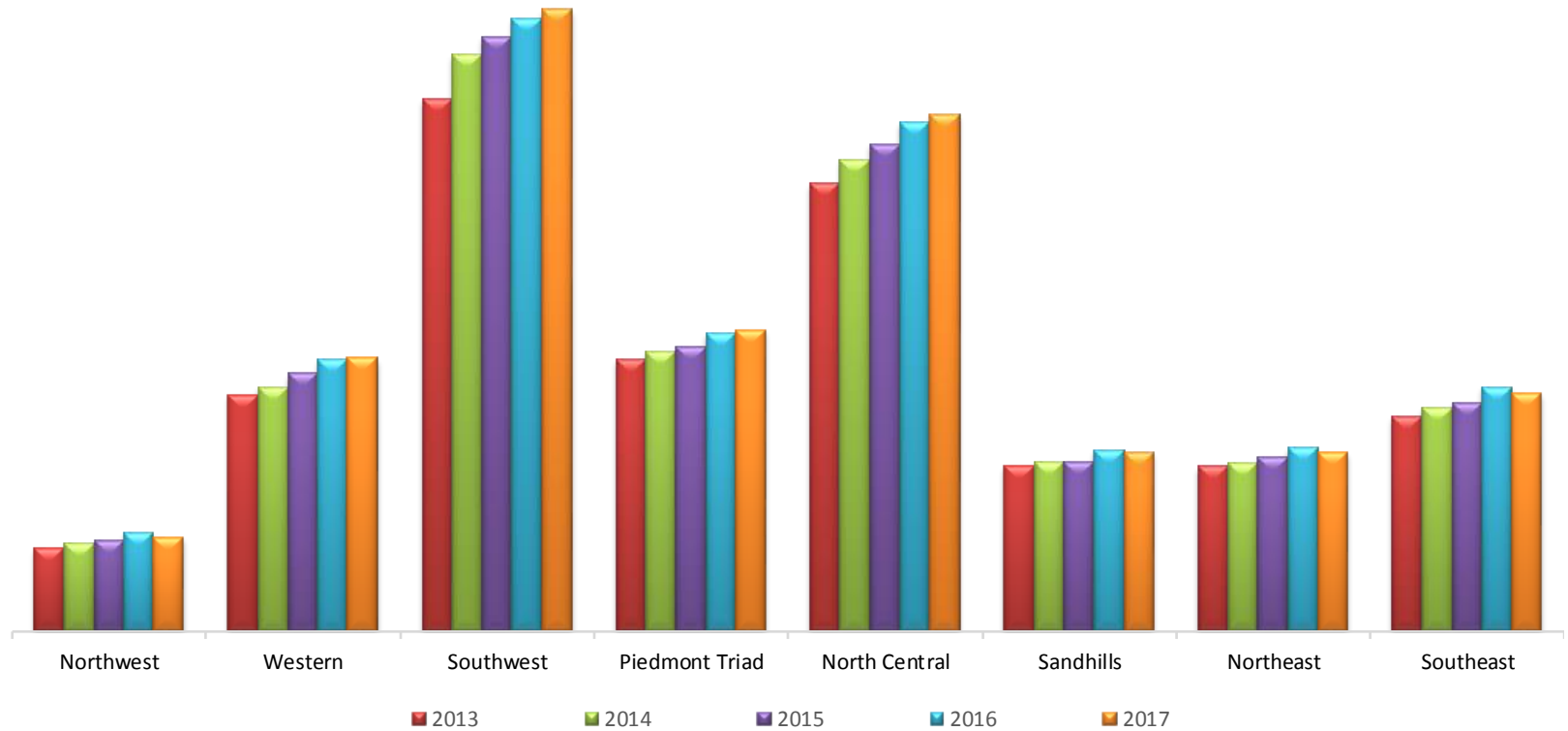
Monthly Room Demand in North Carolina 2013-2017

*2017 shown in bold

Legend: 2013 — 2014 — 2015 — 2016 — 2017
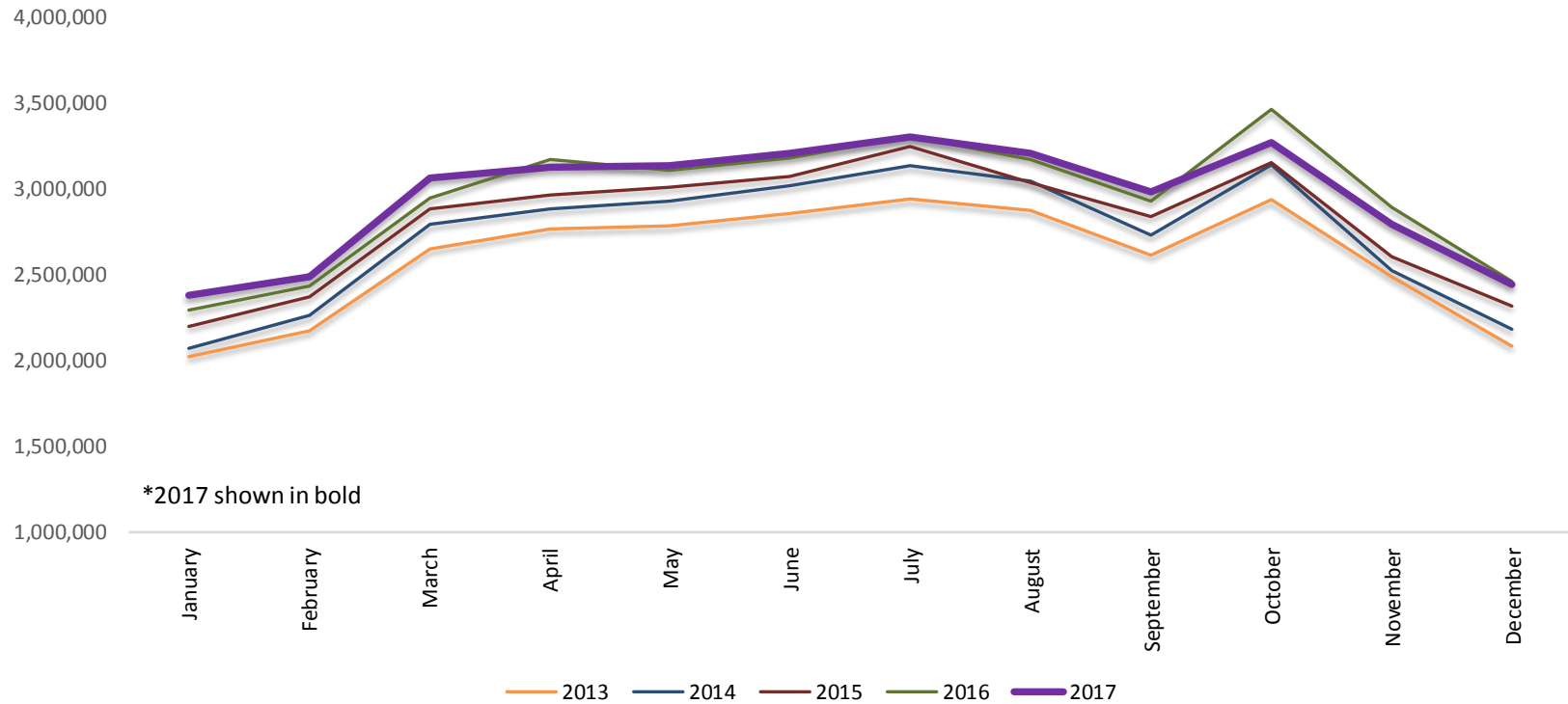
STR, 2018

- Room demand was up in four of the eight regions of the state from 2016 to 2017. The North Central Region led the state in demand growth with 1.5 percent.

Regional Room Demand in North Carolina 2013-2017

STR, 2018

*Room Demand – The number of rooms sold (excludes complimentary rooms).

- North Carolina **room revenues** were up 3.0% in 2017 from 2016, topping $3.6 billion. Statewide **room revenues** have increased 51 percent since 2007 and 40 percent in the last five years. This is due to both a healthy increase in demand and ADR growth statewide.
  - o **Room revenues** were up 4.9% nationally and up 5.9% in the South Atlantic states from 2016 to 2017.

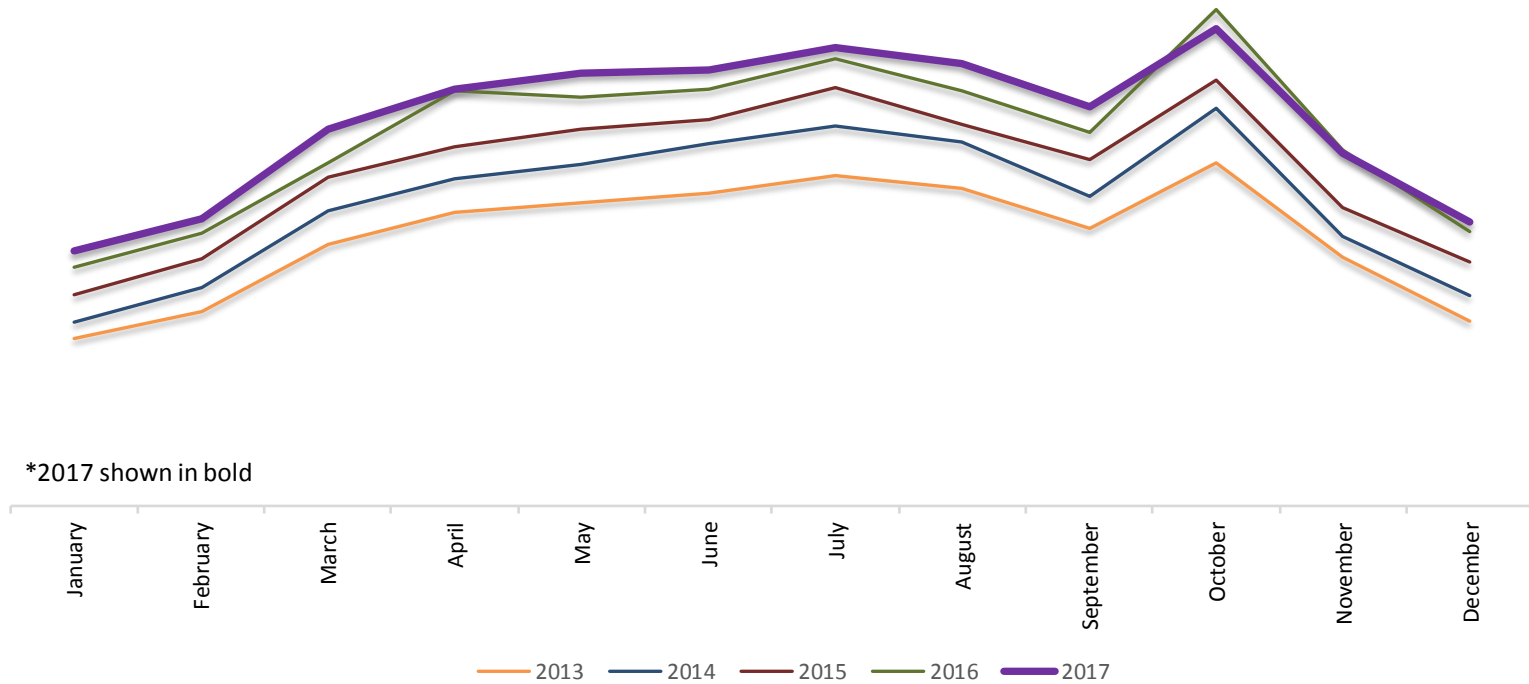**Room Revenues in North Carolina 2007-2017**
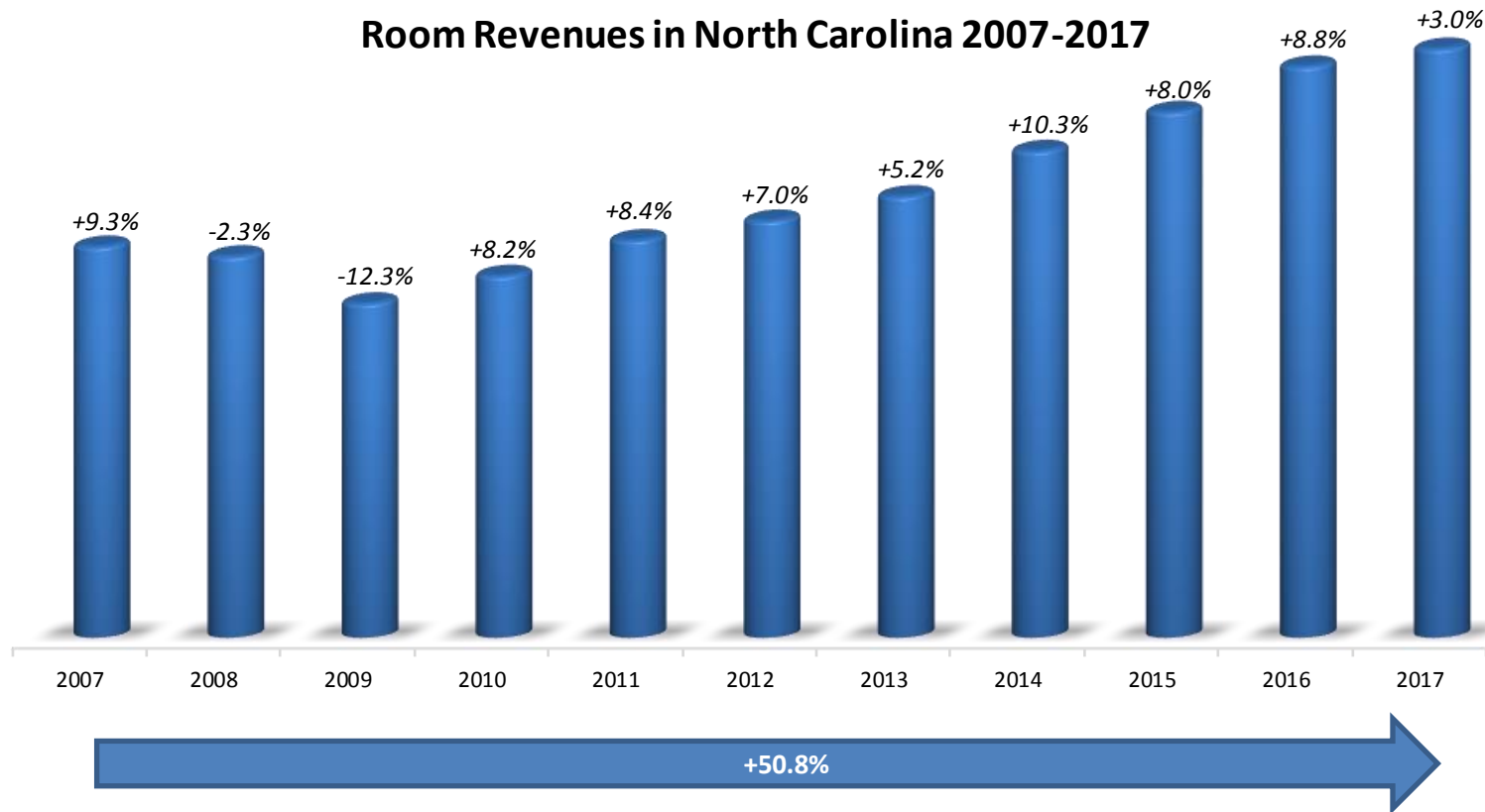
STR, 2018

*Room Revenue – Total room revenue generated from the sale or rental of rooms.

- With the exception of October and November, each month in 2017 posted record **room revenues**. October and November revenue growth was muted due to extremely high demand growth in 2016, likely due to the hurricane recovery demand on rooms. 2017 revenues were still higher than any other previous year for these two months.

Monthly Room Revenues in North Carolina 2013-2017

*2017 shown in bold

January	February	March	April	May	June	July	August	September	October	November	December

—— 2013　—— 2014　—— 2015　—— 2016　—— 2017
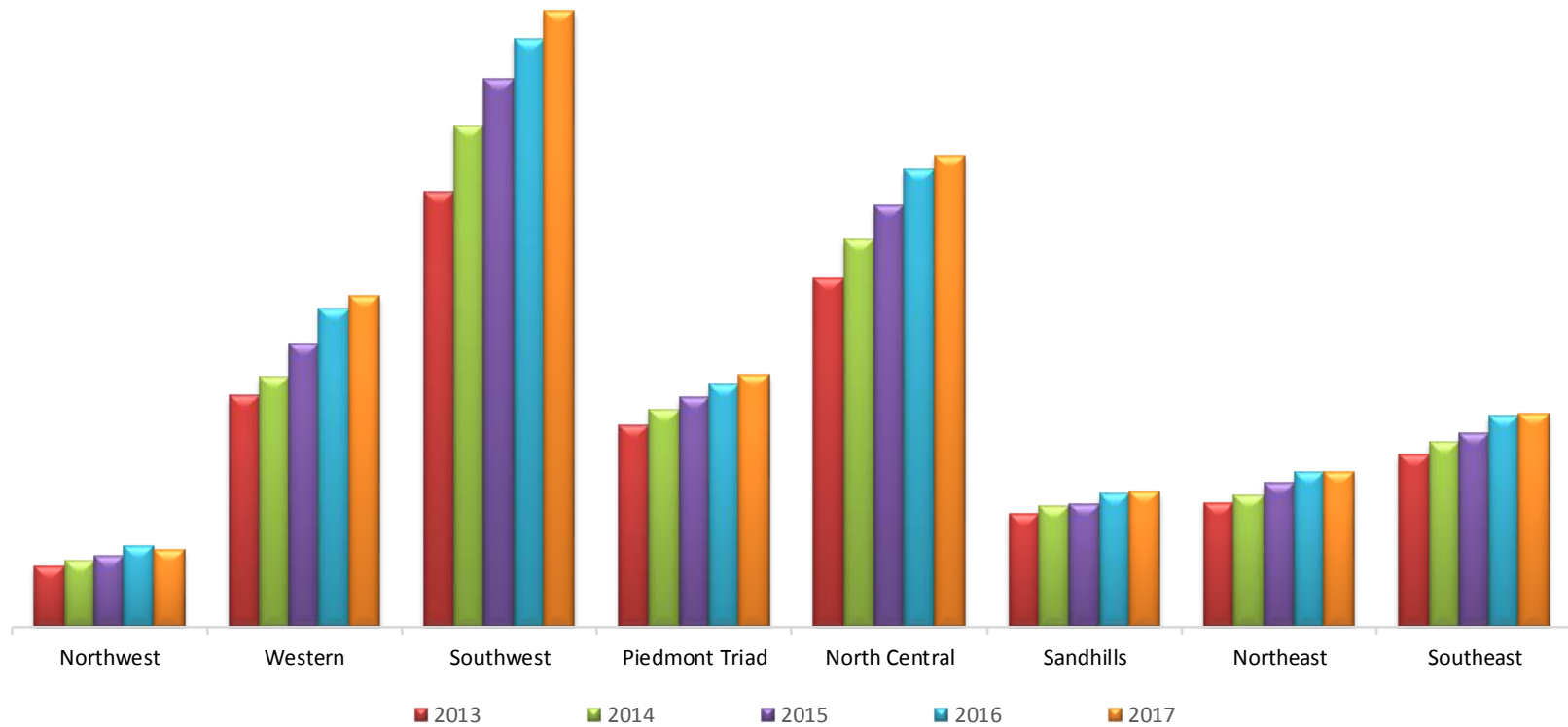
STR, 2018

- Room revenues were up in seven of the eight regions in 2017. Growth in the Southwest Region led the state with a more than four percent increase, followed by the Piedmont Triad and Western regions with nearly four percent growth.

Regional Room Revenues in North Carolina 2013-2017

STR, 2018

*Room Revenue – Total room revenue generated from the sale or rental of rooms.

STR Methodology

While virtually every chain in the United States provides STR with data on almost all of their properties, there are still some hotels that don't submit data. However, every year STR examines guidebook listings and hotel directories for information on hotels that don't provide data. STR calls each hotel in their database every year to obtain "published" rates for multiple categories. Based on this information all hotels are grouped - those that report data and those that don't - into groupings based off of price level and geographic proximity. They then estimate the non-respondents based off of nearby hotels with similar price levels.

Glossary

ADR (Average Daily Rate)

Room revenue divided by rooms sold.

Affiliation Date

Date the property affiliated with current chain/flag

Census (Properties and Rooms)

The number of properties and rooms that exist (universe)

Change in Rooms

Indicator of whether or not an individual hotel has had added or deleted rooms.

Exchange Rate

The factor used to convert revenue from U.S. Dollars to the local currency.
The exchange rate data is obtained from Oanda.com. Any aggregated number in the report (YTD, Running 3 month, Running 12 month) uses the exchange rate of each relative month when calculating the data.

Demand (Rooms Sold)

The number of rooms sold (excludes complimentary rooms).

Full Historical TREND

Data on selected properties or segments starting in 1987.

Occupancy

Rooms sold divided by rooms available.

Open Date

Date the property opened

Percent Change

Amount of growth, up, flat, or down from the same period last year (month, ytd, three months, twelve months). Calculated as ((TY-LY)/LY) * "100".

Revenue (Room Revenue)

Total room revenue generated from the sale or rental of rooms.

RevPAR - Revenue Per Available Room

Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR).

Sample % (Rooms)

The % of rooms STR receives data from. Calculated as (Sample Rooms/Census Rooms) * "100".

Standard Historical TREND

Data on selected properties or segments starting in 1997.

STR Code

Smith Travel Research's proprietary numbering system. Each hotel in the lodging census has a unique STR code.

Supply (Rooms Available)

The number of rooms times the number of days in the period.

Twelve Month Moving Average

The value of any given month is computed by taking the value of that month and the values of the eleven preceding months, adding them together and dividing by twelve.

Year to Date

Average or sum of values starting January 1 of the given year.