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“When there’s a lot of uncertainty, the knee-jerk reaction is to want to cut rates... It’s not healthy.”

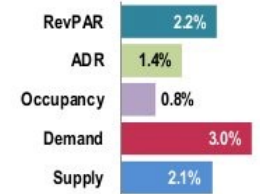
—Cindy Estis Green
Kalibri Labs

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the stat corner

U.S. Hotel Industry at a glance

January 2020



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“This is not just about helping investors determine their appropriate market allocations; it’s also about helping management companies build budgets grounded in objective data...”

—Ryan Meliker
LARC



LARC aims to deliver transparent forecasting

By Abby Elyssa
Associate Editor

NEW YORK—Ryan Meliker is leveraging his industry knowledge to launch a new, one-stop shop for hotel intelligence. Meliker will serve as president/co-founder of Lodging Analytics Research & Consulting (LARC), which is setting out to provide industry professionals with transparent, market-based data and forecasting.

Meliker most recently served as the SVP of corporate strategy and investor

relations for RLJ Lodging Trust.

“There, I worked with a great team that helped me drill down even deeper on the drivers of individual markets and individual properties,” Meliker said. “I also saw firsthand the difficulties the industry has in forecasting, from operators, to asset managers, to owners, despite the mountains of available data to these players.”

And, previously in his career as an equity research analyst on Wall Street covering lodging stocks, Meliker soon

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Just Five helps fight addiction in the workplace

By Abby Elyssa
Associate Editor

NEW YORK—Shatterproof, a non-profit organization setting out to solve the addiction crisis in the U.S., has launched an online program to make it easier than ever to educate employees.

Shatterproof offers all kinds of services for workplaces—ranging from fundraisers to ambassador programs—but its new endeavor, Just Five, gives workplaces an online tool to beat the addiction crisis and stigma.

“Shatterproof wanted to create an educational program centered on topics related to addiction and recovery that would work in a time-crunched work environment,” said Leslie Litsky, senior editor, education development, Shatterproof. “As we know, there is never enough time in a day; we are asking for ‘just five minutes’ over the course of a few months to educate employers and employees. The ask is small, but the potential return is exponential.”

The program is available exclusively online accessed via URL on a desktop or mobile device. While not required for education, the program also includes pre- and post-surveys.

“This program is different because

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LARC

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realized the available data in the hotel industry was lacking compared to other property sectors.

“However, what pushed me to start LARC occurred while I was involved in the budget process while working for a REIT. I realized that so many operators didn’t really have the skill set throughout their organizations to conduct bottom-up forecasting,” Meliker recalled. “I realized at that point that maybe they shouldn’t have that skill set. After all, the skills required to be a good general manager are very different from the skills required to be a good forecaster, especially at select-service properties.”

From this, LARC was born, an analytics-based forecasting platform, intended to help improve operational efficiency. Starting his career in hotel operations, Meliker learned how hotels function and understood both the challenges and opportunities involved in day-to-day operations.

“This is not just about helping investors determine their appropriate market allocations; it’s also about helping management companies build budgets grounded in objective data, enabling a hotel to manage costs much more efficiently,” he said.

LARC will provide industry professionals with market intelligence reports; custom research and consulting; and investor relations consulting.

“Now is the right time, because the real estate sector is at a point where data analytics is permeating the core of the sector, but there are only a handful of players in the lodging industry and no one else doing what we are doing with our market intelligence work,” Meliker said.

He added, “As the use of predictive analytics grows within the industry, we believe the industry will seek to understand it better. Our platform, with its transparency, enables our clients to do just that.”

According to Meliker, LARC’s innovation revolves around its approach.

“Our work is focused on market intelligence, which is something that has been around for as long as hotels,” he said. “However, our approach to market intelligence, which is comprehensive, detailed and transparent, is what we’re bringing to the market that has never before been done in a third-party setting.”

LARC builds forecasts driven by detailed data and unique models for each market, isolating drivers in each market, rather than using a “catch-all” approach.

“We also understand that accurate forecasting of expense growth factors and cap rates are as critical as revenue in determining hotel profitability and investment returns. As such, we spend just as much time understanding expense drivers and investment return factors in a market as we do revenue drivers,” Meliker added.

In January, LARC published its initial 2020 U.S. Hotel Industry forecast, which predicts economic growth to slow, with its economists calling for just 1.5% GDP growth, down from 2.3% in 2019.

“The primary drivers of slowing economic growth

LARC’s 2020 Forecast

	2020	3-Year Forward CAGR	5-Year Forward CAGR
Supply	2.4%	2.2%	2.1%
Demand	1.1%	2.0%	2.1%
Occupancy	-1.2%	-0.2%	-0.1%
ADR	1.5%	2.0%	2.1%
RevPAR	0.2%	1.8%	2.0%
Hotel EBITDA	-4.5%	-1.0%	-0.6%
Hotel Values	-4.8%	-0.8%	-0.3%

are uncertainty during an election year along with European growth surrounding Brexit, which are likely to lead businesses to take a more conservative approach to investment in 2020. We believe this slowing economic growth will translate into slowing RevPAR growth,” Meliker said.

LARC also expects a strong group demand pace to support pricing power as revenue managers get more aggressive with fewer available rooms to sell. Additionally, the firm expects expenses to continue to increase with the hospitality industry wage growth of 4.5% this year and continued increases in property taxes across the board.

“The good news is that assuming a moderate or Republican candidate wins the election in November, our baseline economic forecasts call for an acceleration in economic growth in 2021 and 2022, leading us to forecast an acceleration in RevPAR growth as well,” he said. “Thus, if our economic assumptions hold, we believe 2020 will be the bottom and the quintessential soft landing the industry has been waiting for.”

Along for the ride are LARC’s other partners Daniel Lesser and Evan Weiss, who are hospitality professionals in their own right with their launch of LW Hospitality Advisors (LWHA) nine years ago.

According to Meliker—whose relationship extends back more than 15 years with both men—its partnership with LWHA gives LARC access to the industry’s leading valuation and advisory platform and its professionals.

For both Lesser and Weiss, they shared a similar aggravation for what was currently available in the

industry, leading to the partnership.

“Like many peers across the industry, we had grown frustrated with the lack of transparency, understanding and accuracy of the predictive analytics platforms that exist today,” Lesser said. “Often, in many instances, data points are provided and there is a complete lack of understanding as to where they come from. As we continuously strive for the most efficient and accurate data available in order to appropriately make projections and understand markets, accuracy became a concern.”

He continued, “We, therefore, believe that at this point in the market, in consideration of technology and sophisticated investors, there is an opportunity to address those issues head-on and build instant credibility that will help the industry understand predictive analytics better, making them more valuable across the entire lodging sector.”

Meliker said that while each partner’s experience differs somewhat, their approach to detailed analytics remains consistent, drawing informed conclusions.

“None of us are afraid to tell clients what we really believe, even when it’s not what they want to hear. Credibility has been the cornerstone of each of our careers up to this point,” Meliker said.

Weiss noted that LARC’s predictive analytics helps a range of clients—whether they are operators, investors, lenders, franchisors or third-party advisors—make more-informed business decisions.

“Through our experience, it’s not just the use of data analytics that is important, but the understanding of the data, that can be so helpful across all aspects of the industry, including but not limited to investment decision-making, debt efficiency and, of course, service provider projections,” Weiss said. “At LARC, we don’t merely give you numbers, we tell you why those numbers are relevant and where they came from. That transparency is the LARC differentiator and ultimately our comparative and competitive advantage.” **HB**

