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Earnings Recaps

Hotel execs expect continued growth of group business

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Hotel executives during their companies' respective earnings calls spoke about group business during the past quarter and year as well as where they expect group pace to go in 2019.

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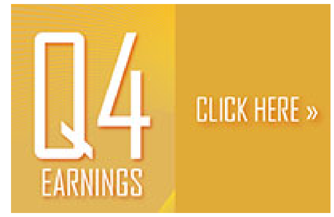
GLOBAL REPORT—Hotel executives keep a watchful eye on the pace of group business as a way to measure the health of current and future industry demand.

In past quarterly earnings calls, hotel executives had forecasted the growth pace of group business would return to previously seen levels after slowing down. Based on their comments during their companies' fourth-quarter and full-year 2018 earnings calls, it appears their predictions have come true.

Ashford Hospitality Trust
"I'll just give you our group pace for 2019. We're up about 300 basis points for our portfolio. So, we don't really see a big impact from the change in the commission structure, especially since most of the other major stay brands have done the same initiative as well that you're familiar with. We did see when they did announce that they were going to cut commissions, we saw an acceleration of some of the bookings, when it was still under the 10%. But that has kind of normalized now and so when you look at for 2019, we are up 300 basis points, 3% in group pace and that's representing close to 70% of what we have on the books for the year. That's for 2020, group pace is actually quite a bit stronger, but it's a much lower number in terms of what's on the books. So it becomes a lot less relevant at this point where we are right now."
—Jeremy Welter, COO, Ashford Hospitality Trust

Hilton
"Group business performed well throughout the year with (revenue-per-available-room) growth of 4%, slightly exceeding our expectations given particular strength in convention business across a number of key markets. … Group trends are solid with 2019 bookings up in the mid-single digits and corporate negotiated rates are up just over 2% slightly ahead of last year's growth."
—Chris Nassetta, president and CEO, Hilton

Host Hotels & Resorts
"Turning to the segments of our business, while some transient room nights were displaced by group, the holiday calendar was less favorable for transient business travel. Group demand exceeded our expectations as revenues grew 5.6% in the quarter, driven by volume growth of 2.9% and a 2.6% increase in average rate. October and December saw significant group room nights with corporate and other group revenues growing 4.8% and 14%, respectively in the quarter."



"Our hotels in San Antonio grew RevPAR by 14.4% this quarter. Strong citywide led to solid group business that resulted in the ability to drive transient average rate of 8.6% and an increase in food-and-beverage revenue of 20%. The hotels in San Diego improved RevPAR by 11.7% this quarter, driven by the business generated from a large citywide and additional short-term transient in government-related business.

"The 24% increase in group business enabled our hotels to maximize transient average rate, which increased 7.7%. In Seattle, our hotels increased RevPAR 11.6%. Strong group business at our hotels which improved over 17% this quarter enabled our manager to drive the transient average rate growth of 8.7%."
—Michael Bluhm, EVP and CFO, Host

Hyatt Hotels Corporation
"Looking ahead, group booking pace for all years is positive, and 2019 is up in the low single digits. Nearly 80% of our group business of 2019 is already on the books. U.S full-service transient revenue was a little over 1% for the quarter, with decreases in room nights more than offset by solid rate increases."
—Joan Bottarini, CFO, Hyatt

Marriott International
"Encouragingly, North America RevPAR increased 50 basis points in January despite the government shutdown and some lingering impact from the strikes, particularly in Hawaii. For full-year 2019, we continue to expect North America system-wide RevPAR will increase 1% to 3%. We expect group business will increase at a low single-digit rate during the year. Special corporate rate negotiations are nearly complete, and rates for comparable customers are also increasing at a low single-digit rate. In 2018, our North America region accounted for 68% of our hotel-based fees."
—Arne Sorenson, president and CEO, Marriott

Park Hotels & Resorts
"Looking ahead to 2019. I remain very optimistic on the fundamentals of our business and particularly our strong group pace. Group pace for 2019 is up over 10% with Hawaii and San Francisco both clear standouts with group pace up 23% and 17%, respectively, while momentum is expected to continue into 2020 with our portfolio's overall group pace up just over 9% next year. Additionally, while convention room nights are down in Chicago, New York, New Orleans and Orlando this year, our group pace across each one of these markets remains positive."
—Tom Baltimore Jr., chairman, president and CEO, Park

Pebblebrook Hotel Trust
"But when we look at the underlying demand, we really haven't seen any change in leisure or business travel, whether it's group or transient. And actually the demand numbers have been pretty strong. I mean, they continue to be run (between 2% and 3%) even on a tough comparison to demand last year that was positively impacted by the aftermath of those two major hurricanes."
—Jon Bortz, chairman, president and CEO, Pebblebrook

RLJ Lodging Trust
"Finally, despite group being less than 20% of our mix, we are encouraged that our 2019 group pace is currently up close to 5%, driven by our hotels in Northern California and Louisville."
—Sean Mahoney, CFO, RLJ