

Preston Robert Tisch Center for Hospitality,
Tourism, and Sports Management
School of Continuing and
Professional Studies
New York University

The U.S. Economy,
Stock Market,
and the
U.S. Lodging Industry

**The Second in a Series of
NYU Tisch Center Economic Briefings**

January 30, 2009



Agenda

- **Welcome and Introduction**
 - Lalia Rach, Ed.D., Divisional Dean
- **Overviews with Analyses**
 - Bjorn Hanson, Ph.D., Clinical Associate Professor
- **Next Steps**
 - Additional Information and Resources



Lalia Rach, Ed.D.
Divisional Dean
NYU Tisch Center



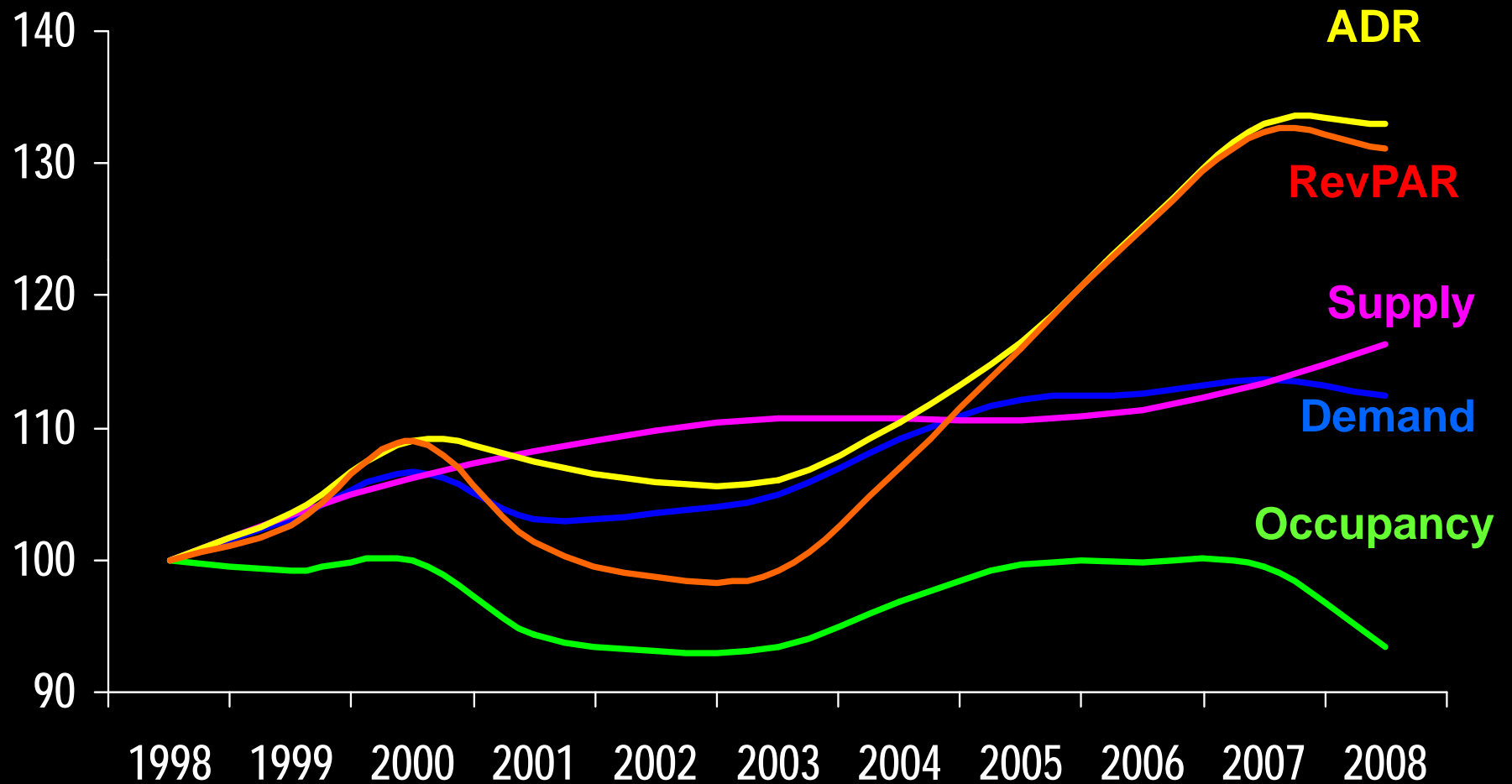
Bjorn Hanson, Ph.D.
Clinical Associate Professor
NYU Tisch Center

Overview

- 1. Recent U.S. Lodging Trends**
- 2. Why Have The Economy And Stock Market Declined?**
- 3. U.S. Recessions**
- 4. Government Actions and Implications**
- 5. Lodging Industry Issues**
- 6. Forecasts**
- 7. Summary**

Recent U.S. Lodging Trends

Recent U.S. Lodging Trends



* Forecast

Source: Smith Travel Research and PricewaterhouseCoopers

Recent U.S. Lodging Trends

- As of February 2009, there have been 16 consecutive months of occupancy decline
- 12 months following September 2001
- The longest period since 1990 – 91 (18 months)

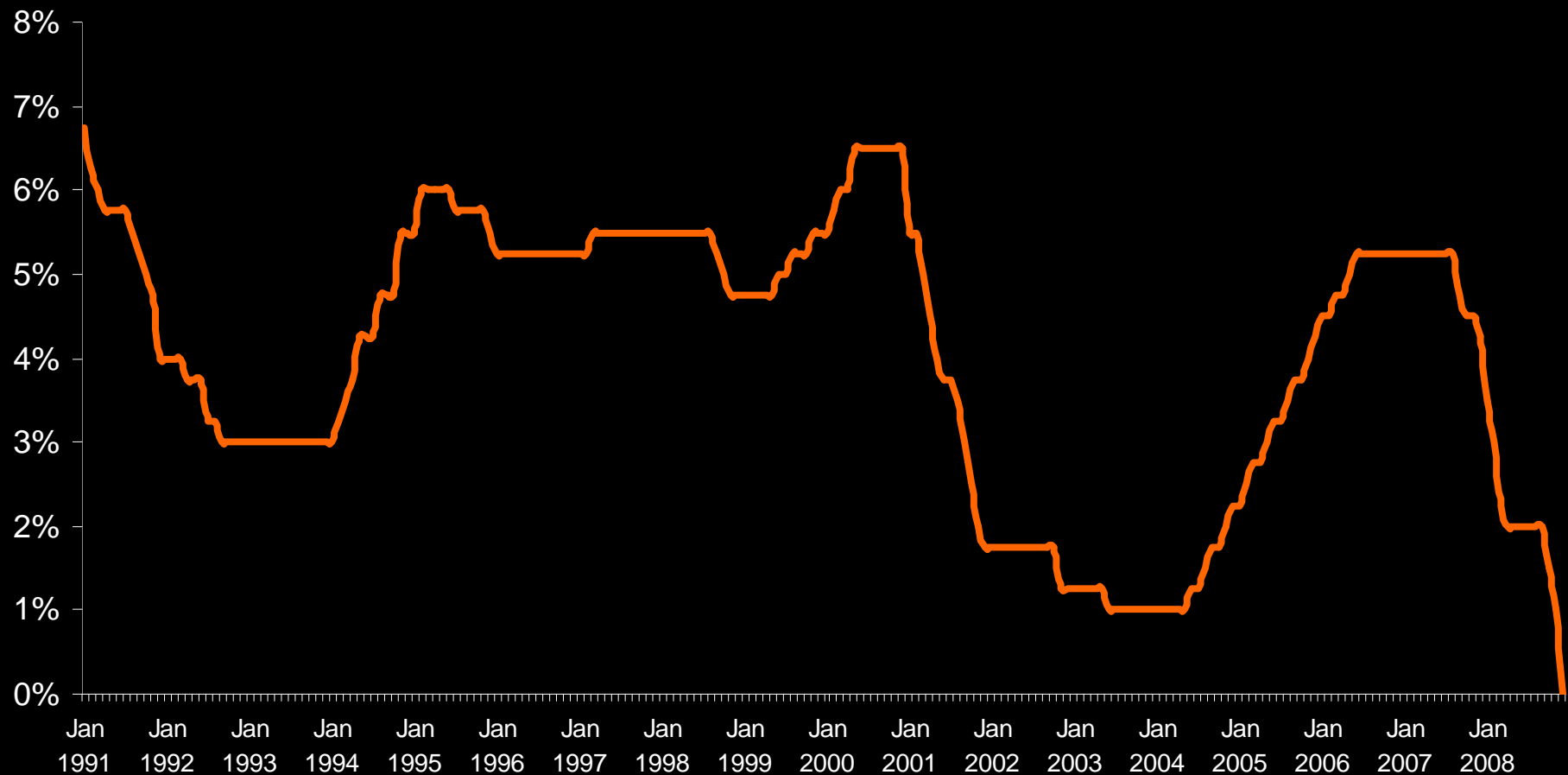
Why Have The Economy And
Stock Market Declined?

Why Have The Economy And Stock Market Declined?

1. Housing

- Interest rates affect affordability

In December 2008, the Federal Open Market Committee (FOMC) lowered interest rates to their lowest ever



Source: Federal Reserve Bank of New York

Why Have The Economy And Stock Market Declined?

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- Interest rates affect affordability
- Political, social, and economic objectives

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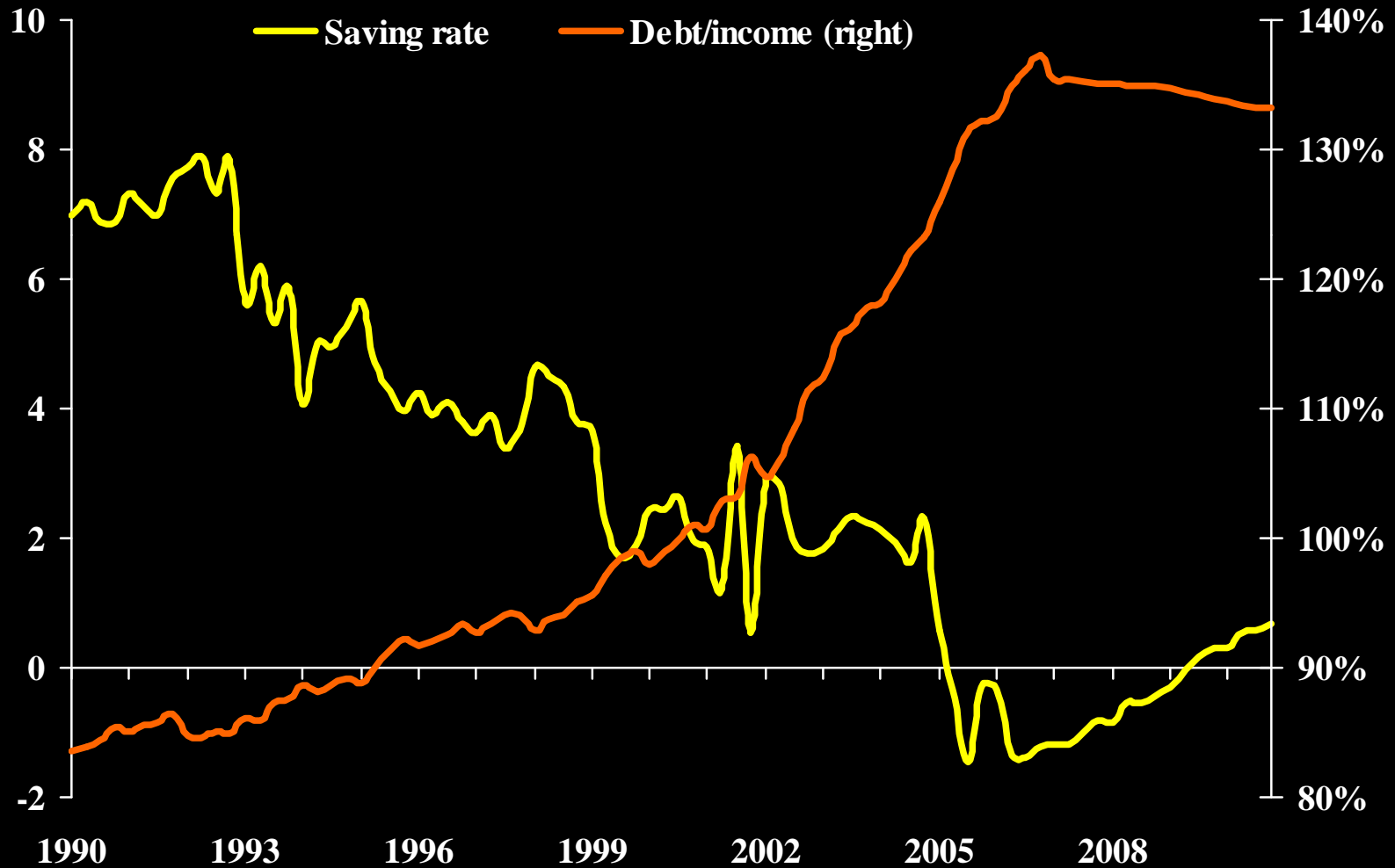
- Interest rates affect affordability
- Political, social, and economic objectives

2. Consumer Spending

- Borrowing / spending household wealth

Household Debt As A Percentage of Disposable Household Income

(Percent of after-tax income)



Source: Bureau of Economic Analysis and Federal Reserve

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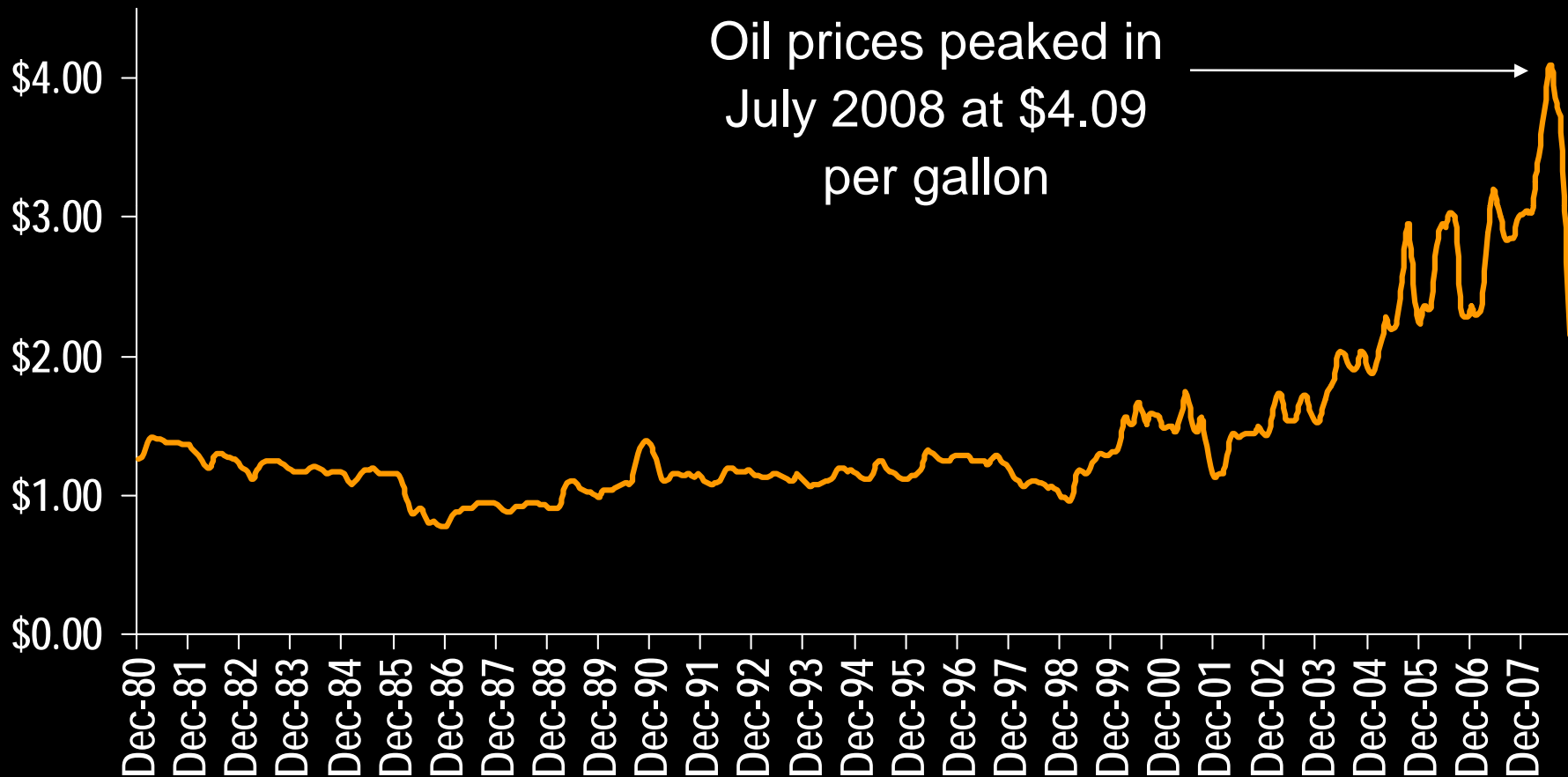
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- Borrowing / spending household wealth
- Oil / gasoline concerns

Oil Prices

Unleaded Regular Price Per Gallon



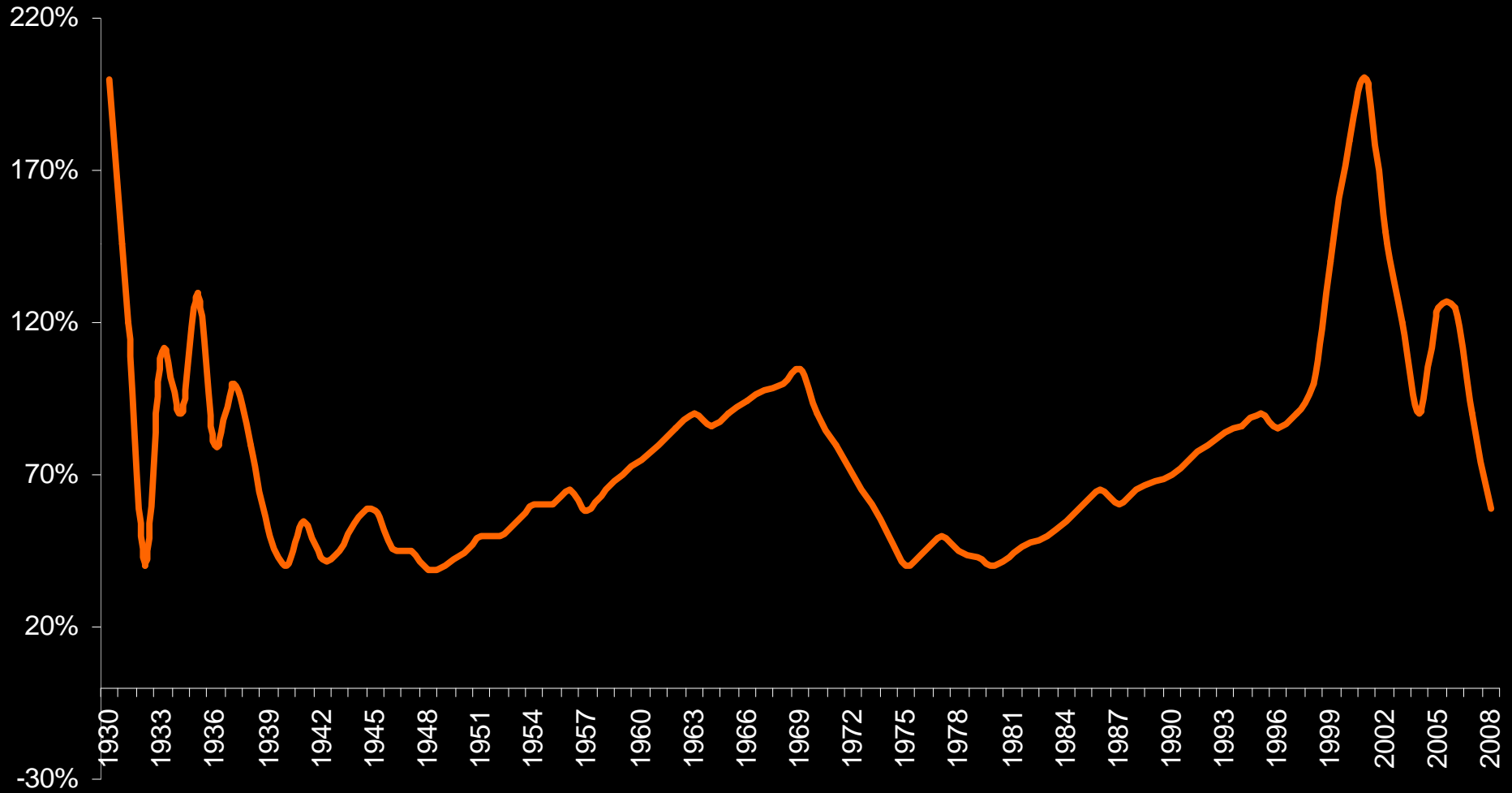
Source: US Energy Information Administration

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 - Capitalization and debt

Capitalization and Debt

Stock market capitalization as a percentage of GDP



Source: Barron's, Bureau of Economic Analysis

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 - Investment focus and techniques
 - “Exotic” investments
 - “Quants”, program trading
 - Misunderstanding risk

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4. Public Company Growth Expectations
 - 20 percent target growth

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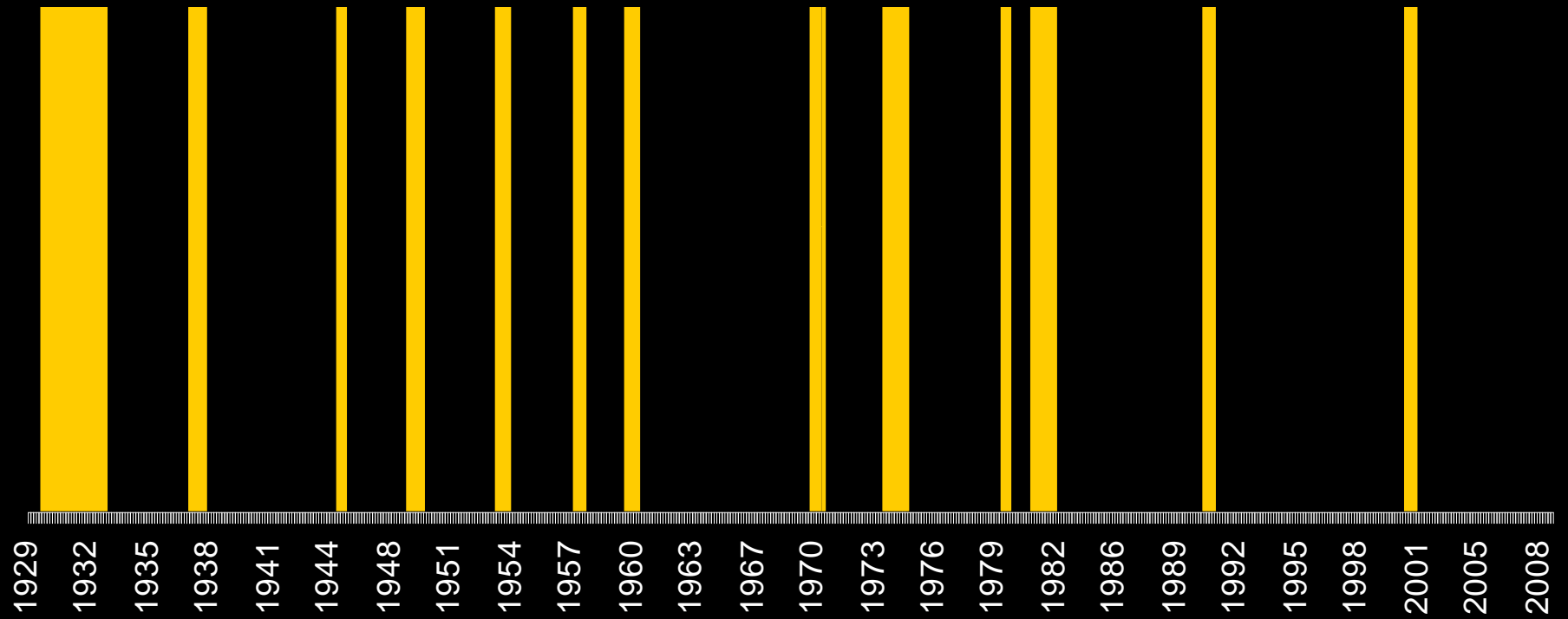
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 - 20 percent target growth
5. Globalization

U.S. Recessions

National U.S. Recessions

Dates	Duration
Aug. 1929 to March 1933 (Depression)	43 months
May 1937 to June 1938	13 months
Feb. 1945 to Oct. 1945	8 months
Nov. 1948 to Oct. 1949	11 months
July 1953 to May 1954	10 months
Aug. 1957 to April 1958	8 months
April 1960 to Feb. 1961	10 months
Dec. 1969 to Nov. 1970	11 months
Nov. 1973 to March 1975	16 months
Jan. 1980 to July 1980	6 months
July 1981 to Nov. 1982	16 months
July 1990 to March 1991	8 months
March 2001 to Nov. 2001	8 months

National U.S. Recessions



Source: National Bureau of Economic Research

U.S. Recessions and Lodging Cycles

U.S. Recessions	Months	Lodging Cycles	Months
Dec. 1969 to Nov. 1970	11	Feb. 1969 to Feb. 1971	24
Nov. 1973 to March 1975	16	Aug. 1974 to May 1975	9
Jan. 1980 to July 1980	6	Oct. 1979...	-
July 1981 to Nov. 1982	16	... to May 1982	31
July 1990 to March 1991	8	Feb. 1990 to March 1991	13
March 2001 to Nov. 2001	8	Sept. 2000 to Sept. 2003	37

Source: Smith Travel Research and National Bureau of Economic Research

U.S. Recessions and Stock Market

Year	Magnitude of Decline	Months of Decline	Months Until Full Recovery
1929 to 1933 (Depression)	83%	34	151
1937	50%	13	58
1946	22%	6	35
1962	22%	6	10
1970	29%	19	9
1974	43%	21	21
1987	30%	3	18
2002	45%	25	40
2008	47%	13*	??

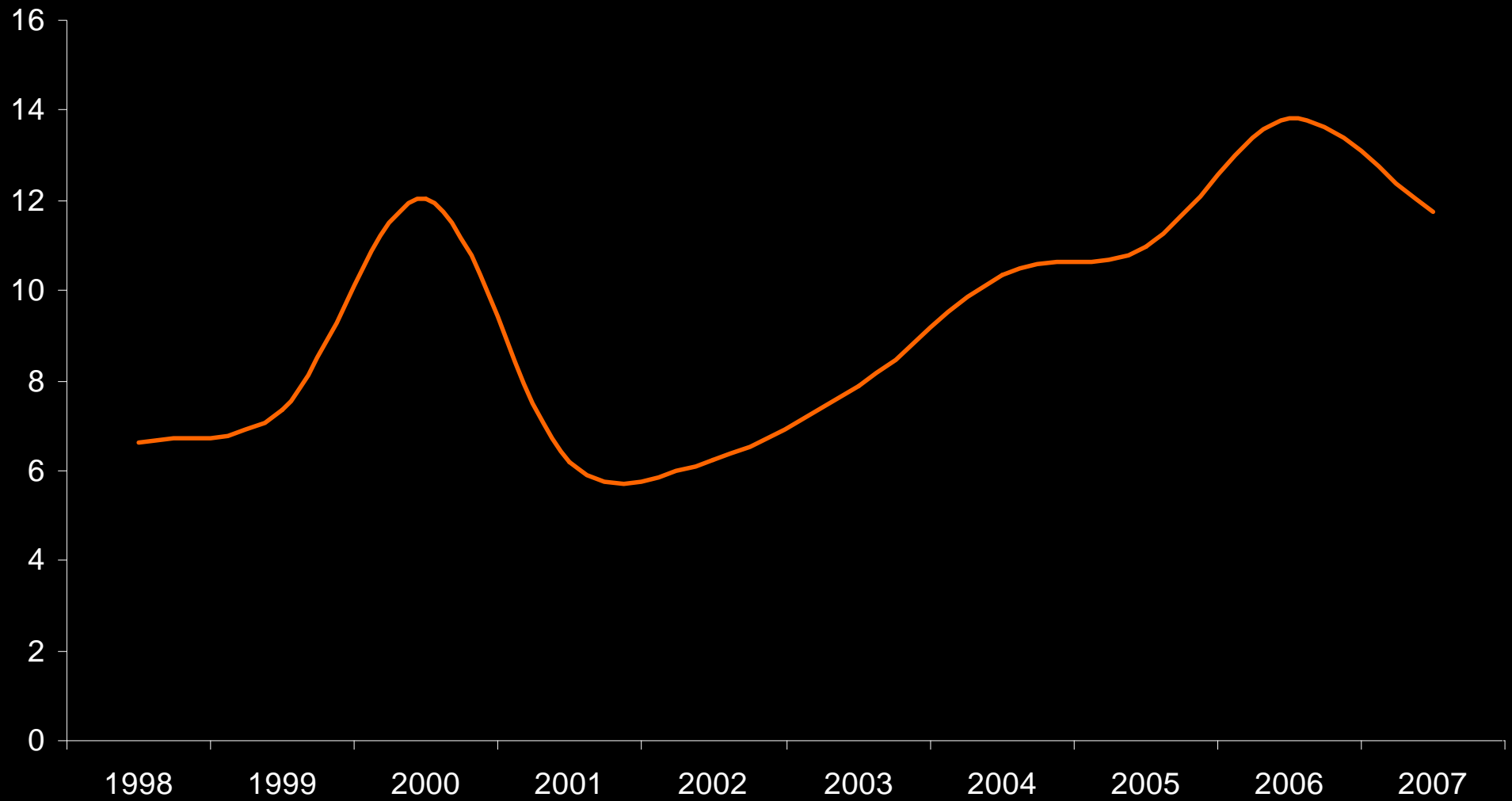
* To date.

Source: Center For Research In Security Prices (University of Chicago)

2008 Stock Market Performance

Index	Performance
Dow Jones Industrial Average	- 33.8 percent
S&P 500	- 38.5
Dow Jones Lodging Stock Index	- 58.0

EBITDA Multiples - Lodging



Source: Bloomberg

Government Actions and Implications

Government Actions and Implications

Government Actions

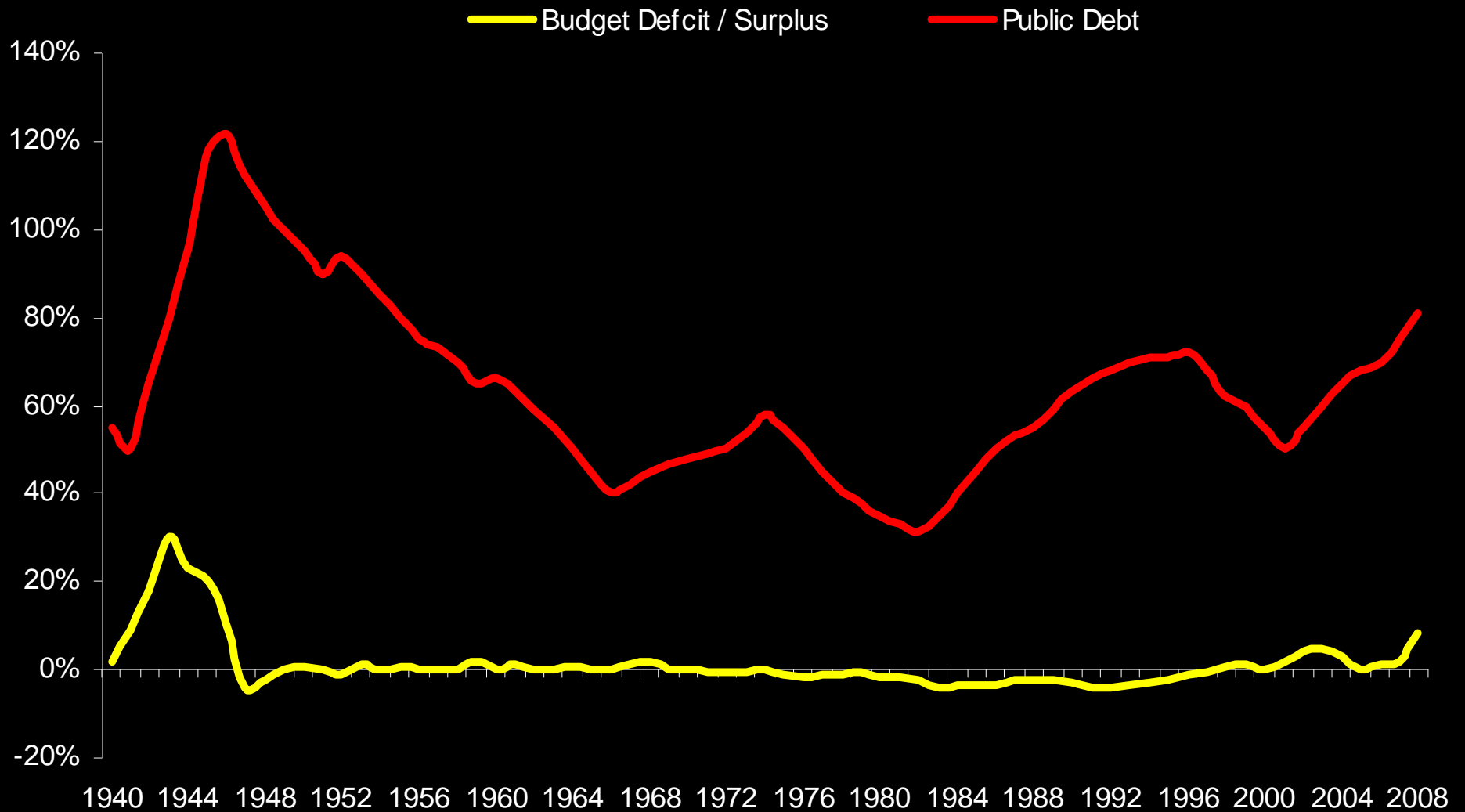
- Emergency Economic Stabilization Act of 2008
(subject of our last NYU podcast)
- Creating (“printing”) \$1.3 trillion of currency (so far)
 - Total outstanding currency = \$10.6 trillion

Implications

- Possible lower confidence in the U.S. dollar
 - slow deposits in the U.S.
 - lower U.S. dollar
 - increased costs for imported goods and services
 - higher interest rates
- Possible high inflation
 - more U.S. dollars relative to the value of goods and services

U.S. Deficits and Debt

Percentage of GDP



Source: Time, Congressional Budget Office, Office of Management and Budget

Government Actions and Implications

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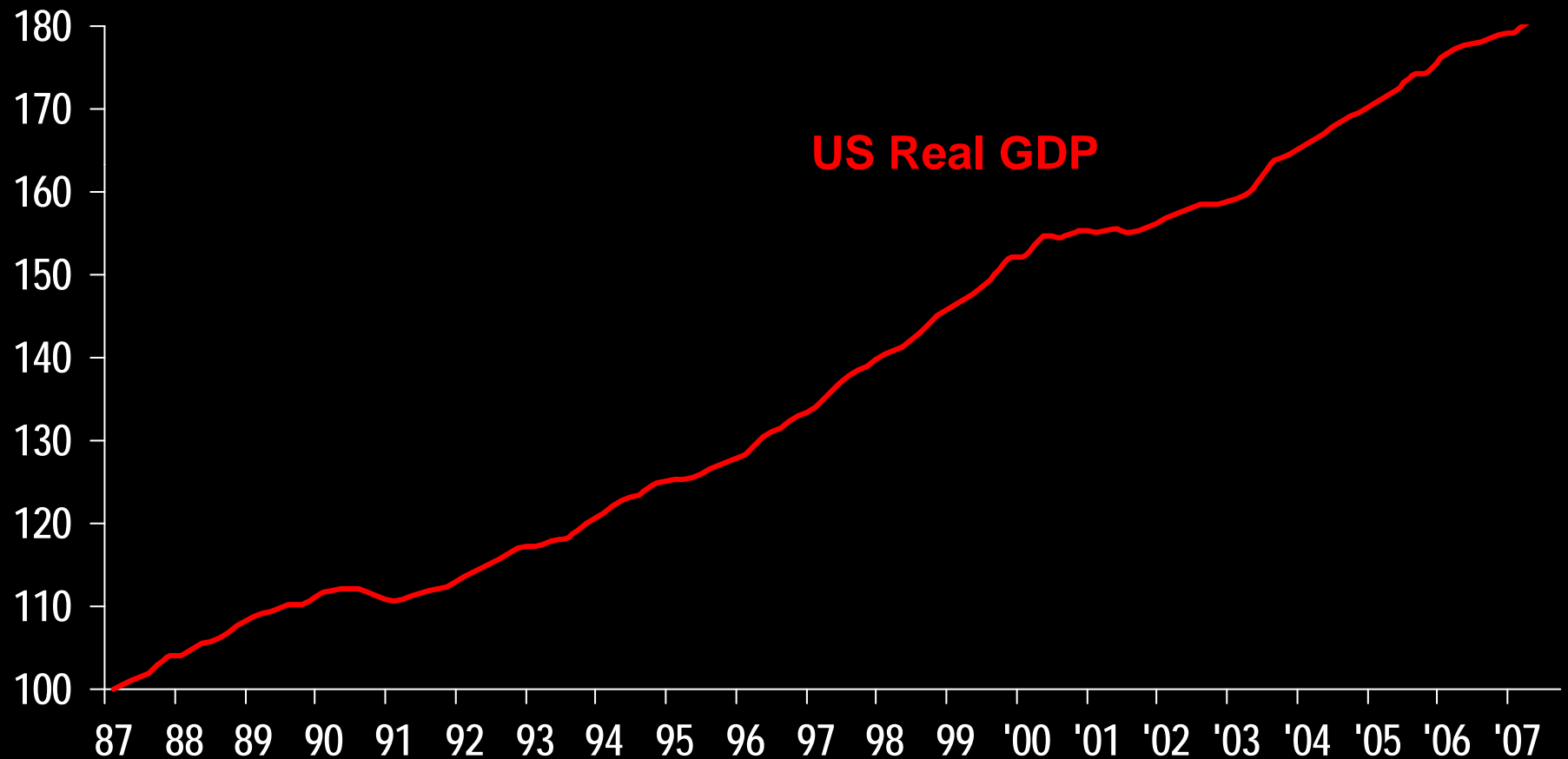
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Lodging Industry Issues

Demand Elasticity and Correlation to Real GDP

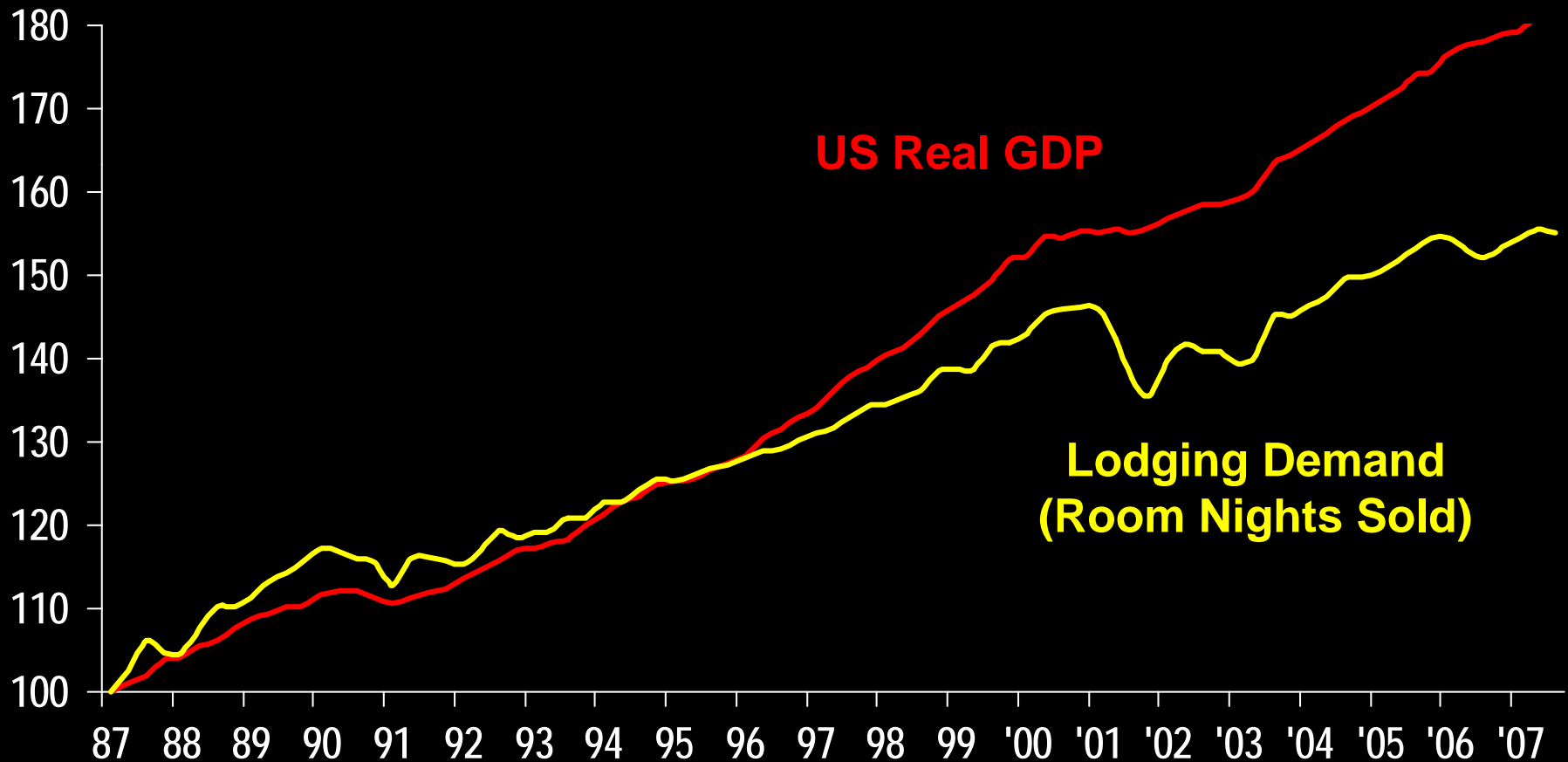
1987 value = 100



Sources: Lodging demand – PricewaterhouseCoopers LLP based on Smith Travel Research data; Real GDP- U.S. Bureau of Economic Analysis; Air travel demand - Air Transport Association.

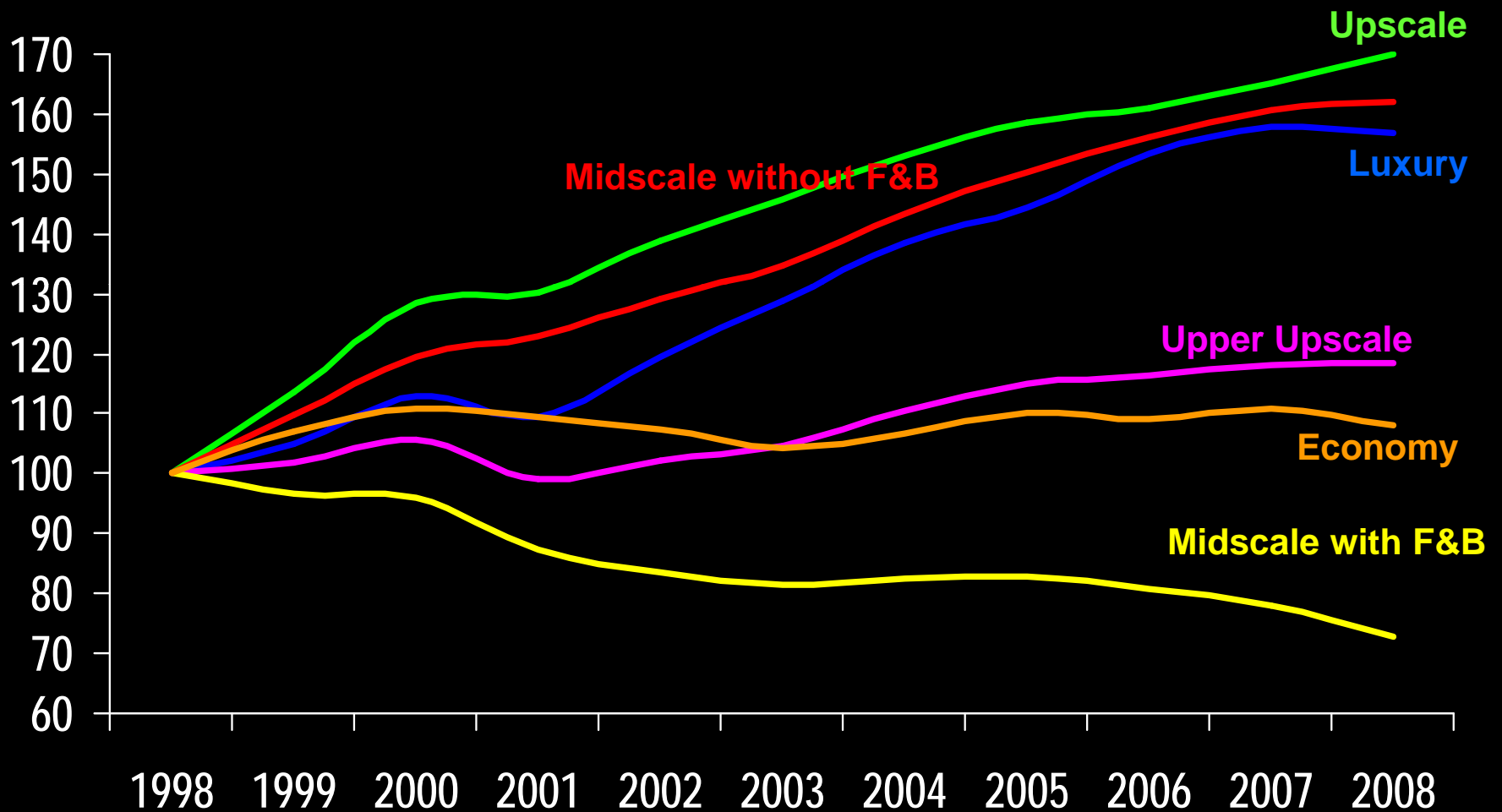
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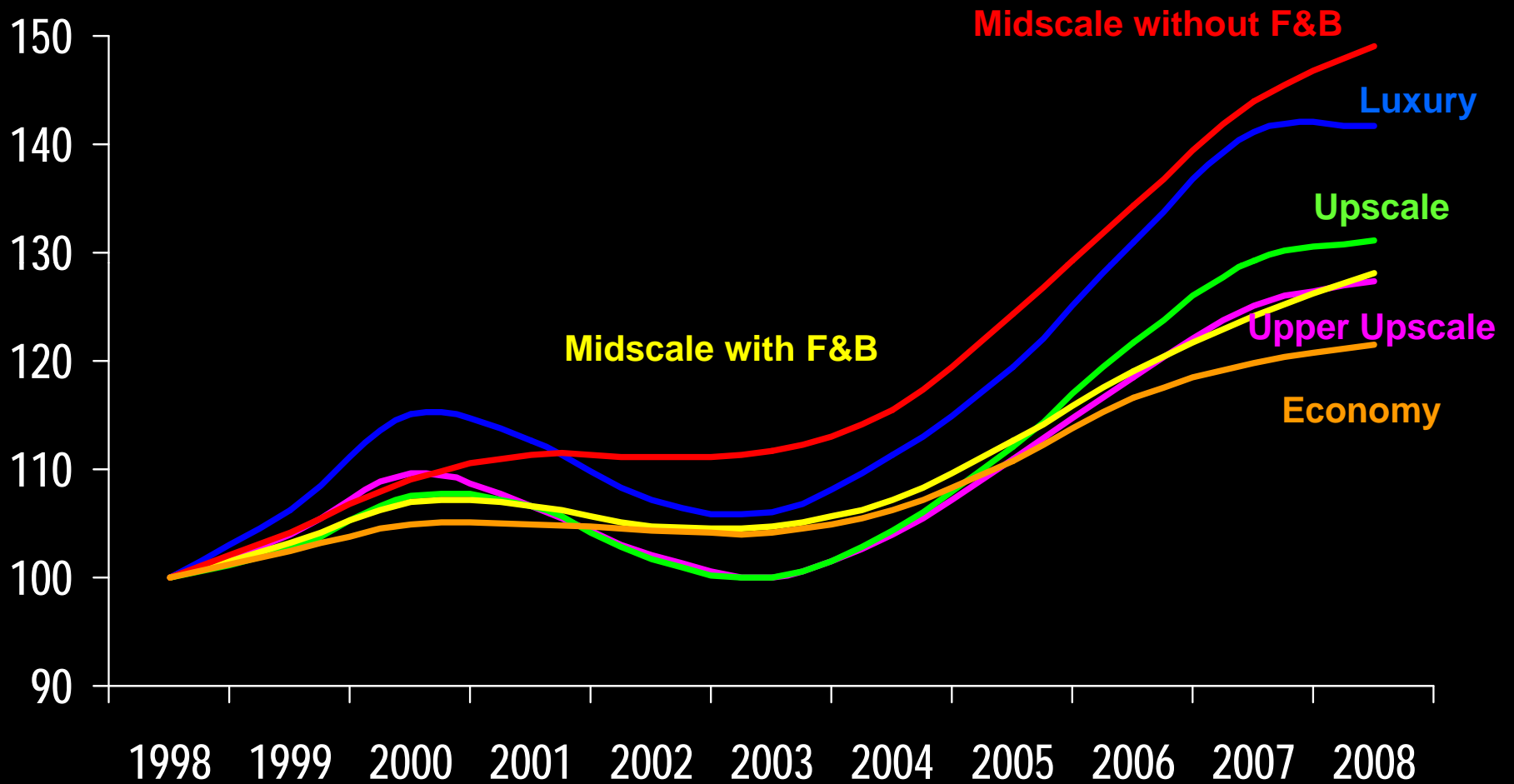
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U.S. Lodging Demand



Source: Smith Travel Research and PricewaterhouseCoopers

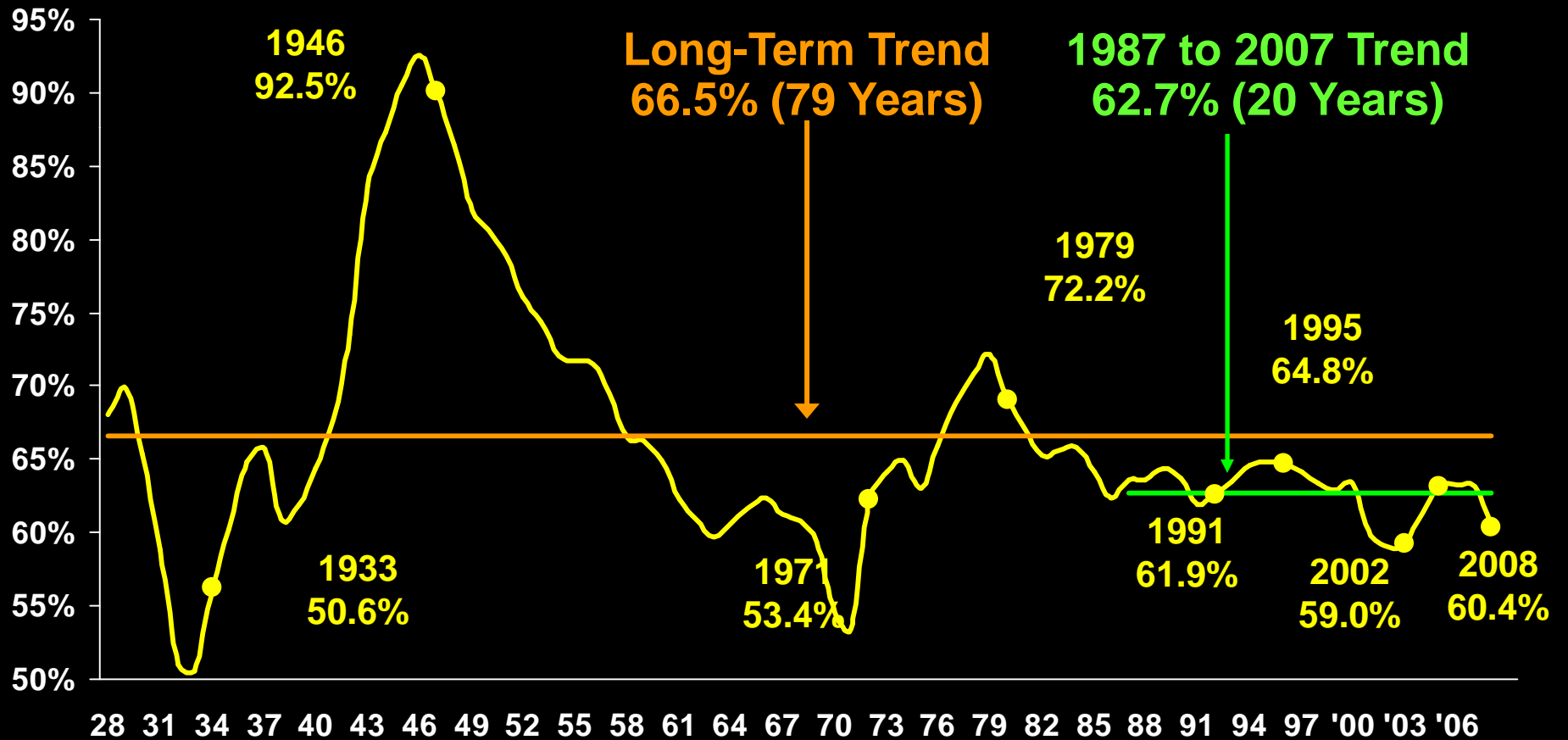
U.S. Lodging Rate



Source: Smith Travel Research and PricewaterhouseCoopers

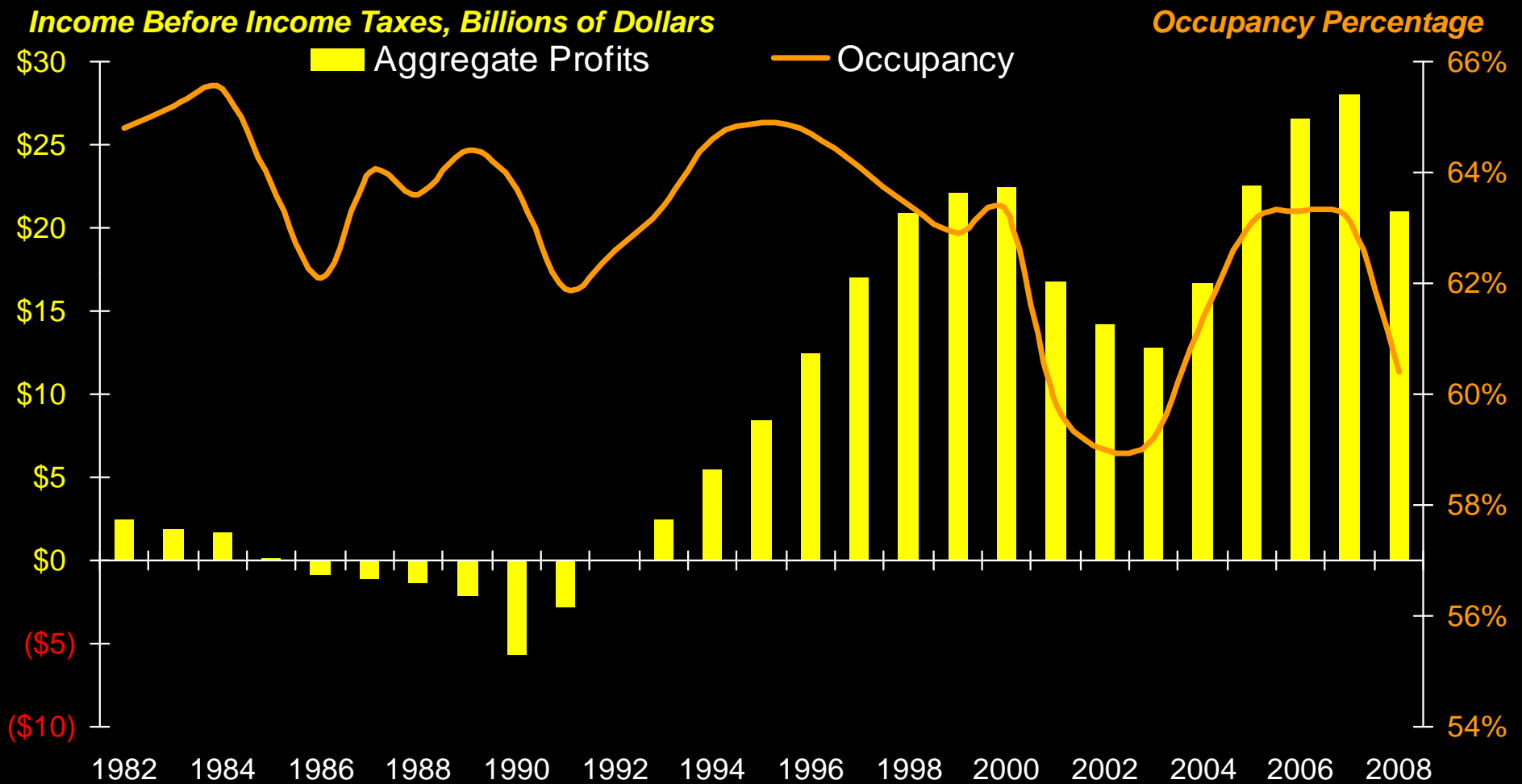
Long-Term U.S. Occupancy

Occupancy Percentage



Sources: PricewaterhouseCoopers LLP (1928 to 1986 and 2008), Smith Travel Research (1987 to 2007).

Long-Term Occupancy Levels and Profits



Sources: Smith Travel Research

Note: STR change in method in 2002.

Forecasts

2009 U.S. Lodging RevPAR Forecasts

Source	2009 RevPAR Growth (%)
Morgan Stanley	(4.5)
JP Morgan	(5.8)
Smith Travel Research	(5.8)
PKF Research	(7.8)
Deutsche Bank	(9.7)
Goldman Sachs	(10.0)
PricewaterhouseCoopers	(11.2)

Source: Individual organizations and analyst reports

Summary

Summary

- Occupancy for 2009 - 56 to 59 %, (3.5 %), lowest level since 1971
- Average daily rate (2.0 to 5.0 %), largest decline ever
- Recompression of average daily rates
- Reduced spending on capital expenditures
- Lowest number of room starts since 1993
- Industry profits will decline, third period since 1980s



Save The Date

31st Annual NYU International Hospitality Industry Investment Conference

May 31 - June 2, 2009

Hosted by the New York University Preston Robert Tisch Center
for Hospitality, Tourism, and Sports Management

Location: The Waldorf=Astoria, New York City

Registration Opens Spring 2009

For additional information: www.nyu.edu/hospitalityconference



Tisch Center Programs

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- B.S. in Sports Management and Leisure Studies

Graduate Degrees:

- M.S. Hospitality Industry Studies
- M.S. Tourism and Travel Management
- M.S. Sports Business

Professional Certificates:

- Food and Beverage Operations
- Hotel Operations
- Meeting, Conference, and Event Management

For additional information: www.scps.nyu.edu/tischcenter



Additional Information

Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management

- A copy of this PowerPoint® presentation is available at:
 - <http://www.scps.nyu.edu/tischpodcast>
- Questions and comments may be sent to:
 - tisch.center@nyu.edu