



MARCH 2014 – PRICE \$500

IN FOCUS:

# MARRIOTT BRANDS PERFORMANCE UPDATE

Rod Clough, MAI  
*Senior Managing Director*



## MARRIOTT HOTEL - LOUISVILLE, KY



Source: HVS

*This article reviews the performance of Marriott's brands in 2013. The company released data in its recent February stock filing, and this article focuses on the performance across the company's brands in North America.*

## Highlights – North America

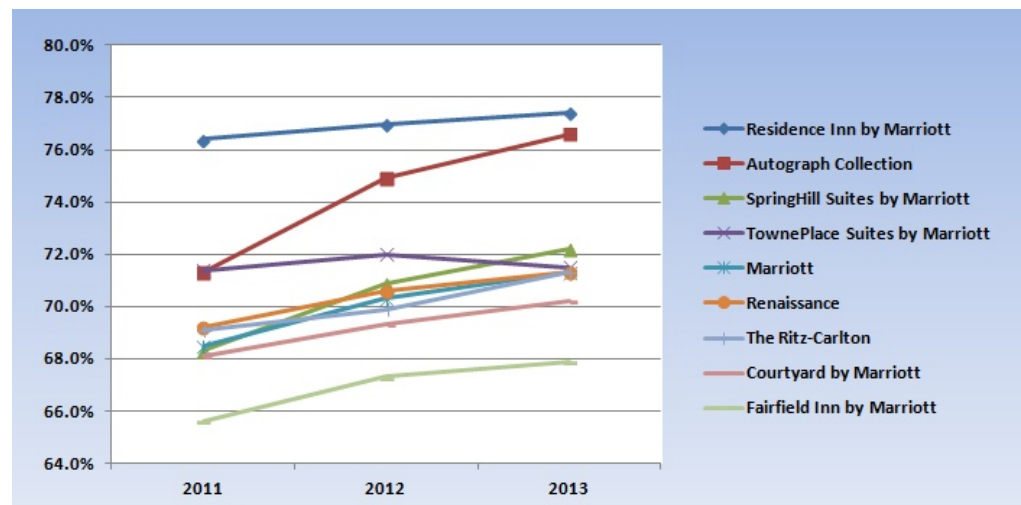
- Hotel occupancy levels surpassed 70% for eight out of nine Marriott brand categories in 2013, with Residence Inn by Marriott and the collection of Autograph Hotels bracketing the 77% point, more than four points higher than the next strongest performer, SpringHill Suites by Marriott. Over half of the company's inventory was held in the Marriott and Courtyard by Marriott brands. Both of these brands improved their average occupancy levels in 2013 by roughly one point, to 71.3% and 70.2%, respectively. Only one brand lost ground in occupancy in 2013, TownePlace Suites by Marriott.
- Average rate growth spanned 2.4% to 6.6% in 2013, with The Ritz-Carlton brand taking the top spot for growth. At 6.6%, this brand category surpassed the \$320 rate threshold, and RevPAR was just over \$230. The Ritz-Carlton also achieved the strongest RevPAR advancement in 2013, at a formidable 8.7%. The Autograph Collection family of hotels also experienced formidable rate growth, at 6.4%. Marriott and Courtyard by Marriott held the number three and four spots for average rate growth in 2013, at 4.0% and 3.6%, respectively, representing a significant achievement given the overall size of these two brand categories.

## Hotel Occupancy

### Residence Inn by Marriott Remains on Top

The Autograph Collection continued to show bold increases in occupancy in 2013. Now with 34 hotels, this brand is gaining exposure and popularity. These typically smaller boutique hotels appeal to both mid-week corporate and weekend leisure travel, further boosting potential occupancy levels. In 2013, the

CHART 1: OCCUPANCY TREND (2011 – 2013)



Source: Marriott International, Inc.

Autograph Collection achieved the highest point gain in occupancy, at 1.7 points, followed by the 1.4-point gain of The Ritz-Carlton. The Autograph Collection's occupancy level approached the leading Residence Inn by Marriott, which continued its climb toward the 78.0% occupancy level. Residence Inn by Marriott continued its leading position, with its facilities designed to accommodate upscale, frequent business customers that take 20+ trips per year, and extended-stay business customers that stay for five or more nights 50% of the time.

SpringHill Suites by Marriott continued its strong occupancy climb, with its upscale design popular among lifestyle travelers. This brand moved into the #3 position in terms of overall average occupancy in 2013. With changes like optional bar service being introduced at select SpringHill Suites, among others, the brand is poised to continue this trend.

### The Ritz-Carlton Surpasses the 71% Occupancy Mark

The majority of Marriott brands achieved occupancies in the 70% to 71.5% range, moving roughly one point higher than 2012 performance levels. The Ritz-Carlton also moved above the 71% occupancy mark, a formidable feat given the high average rate threshold that this brand achieves. Higher levels of group demand contributed to the occupancy gains across the full-service brands in 2013, and a favorable future bookings outlook should keep this trend in place through the near term. Arne M. Sorenson, President and Chief Executive Officer of Marriott International, noted in a February 19, 2014 news release: "Our North American group sales organization booked \$3.4 billion in new group business in 2013 for all future periods, eclipsing their prior record from 2007. Group revenue on the books for 2014 is running more than 4% higher than 2013 levels for the Marriott brand. Special corporate negotiated rates are nearly complete with room rates expected to rise about 5% in 2014."

Only one brand fell below the 70% mark, Fairfield Inn by Marriott. Hotels affiliated with this moderate-tier, limited-service brand continue to undergo renovations, and newer hotels are being developed as Fairfield Inn & Suites, both factors that should contribute to occupancy improvements within this brand category over the next several years.

CHART 2: OCCUPANCY LEVELS (2012 & 2013)

	2012	2013	Point Change
Residence Inn by Marriott	77.0%	77.4%	0.4
Autograph Collection	74.9%	76.6%	1.7
SpringHill Suites by Marriott	70.9%	72.2%	1.3
TownePlace Suites by Marriott	72.0%	71.5%	-0.5
Marriott	70.3%	71.3%	1.0
Renaissance	70.6%	71.3%	0.7
The Ritz-Carlton	69.9%	71.3%	1.4
Courtyard by Marriott	69.3%	70.2%	0.9
Fairfield Inn by Marriott	67.3%	67.9%	0.6

Source: Marriott International, Inc.

## Average Rate & RevPAR

The span of average rates achieved by Marriott's brands widened to just over \$232 in 2013, with The Ritz-Carlton hotels exceeding the \$320 mark, versus the TownePlace Suites by Marriott rate of roughly \$92.

While The Ritz-Carlton achieved the second-highest occupancy point improvement behind the Autograph Collection, The Ritz-Carlton experienced the largest average rate gain, at almost 7.0%, an improvement of roughly \$20.

The Autograph Collection also achieved a strong average rate gain, of roughly \$12 or 6.4% in 2013, while the majority of the brands registered gains between 3.2% and 4.0% for the year. TownePlace Suites by Marriott noted the weakest gain among the group, at 2.4% for 2013, or roughly \$2.

The top three brand categories for 2013 RevPAR growth were the Autograph Collection, The Ritz-Carlton, and Marriott. The Ritz-Carlton achieved the highest RevPAR by a significant \$72 margin above the Autograph Collection. Marriott, Renaissance, Residence Inn by Marriott, Courtyard by Marriott, and SpringHill Suites by Marriott achieved the next lowest RevPARs, respectively, with notable differences between each brand. The Fairfield Inn by Marriott and TownePlace Suites by Marriott brands targeted the lower end of the Marriott RevPAR spectrum, bracketing the \$66 RevPAR mark.

CHART 4: AVERAGE RATE LEVELS (2012 & 2013)

	2012	2013	% Change
The Ritz-Carlton	\$303.78	\$323.83	6.6%
Autograph Collection	\$194.87	\$207.34	6.4%
Marriott	\$158.05	\$164.37	4.0%
Renaissance	\$148.58	\$153.33	3.2%
Residence Inn by Marriott	\$120.81	\$125.04	3.5%
Courtyard by Marriott	\$118.79	\$123.07	3.6%
SpringHill Suites by Marriott	\$103.99	\$107.42	3.3%
Fairfield Inn by Marriott	\$95.43	\$98.58	3.3%
TownePlace Suites by Marriott	\$89.49	\$91.64	2.4%

Source: Marriott International, Inc.

CHART 5: REVPAR LEVELS (2012 & 2013)

	2012	2013	% Change
Ritz-Carlton	\$212.34	\$230.82	8.7%
Autograph Collection	\$145.96	\$158.87	8.8%
Marriott	\$111.11	\$117.20	5.5%
Renaissance	\$104.89	\$109.30	4.2%
Residence Inn by Marriott	\$93.02	\$96.79	4.0%
Courtyard by Marriott	\$82.32	\$86.35	4.9%
SpringHill Suites by Marriott	\$73.73	\$77.57	5.2%
Fairfield Inn by Marriott	\$64.22	\$66.95	4.2%
TownePlace Suites by Marriott	\$64.43	\$65.50	1.7%

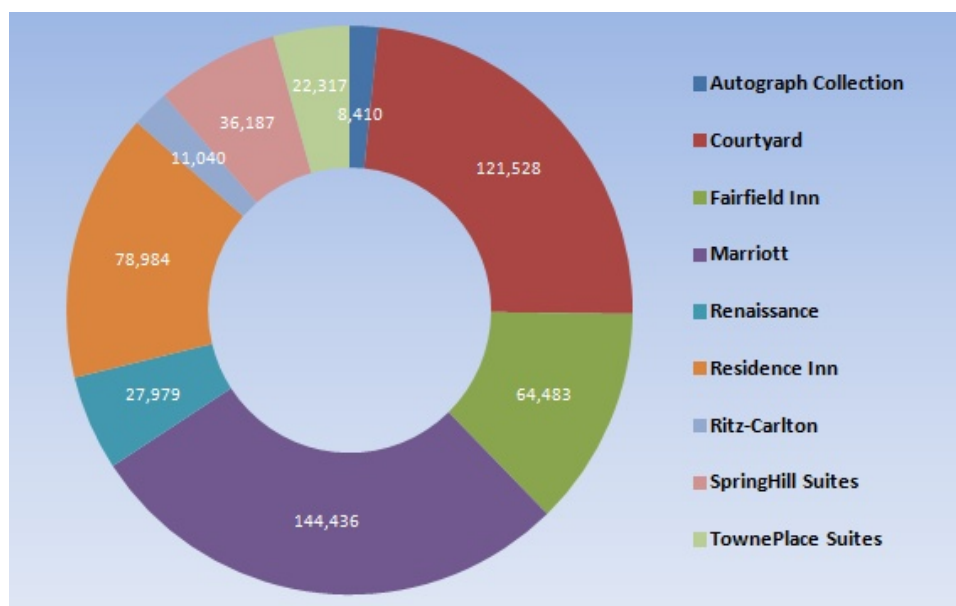
Source: Marriott International, Inc.

## Distribution

Full-service Marriott hotels remained as Marriott International's most significant brand in 2013, representing 28% of the rooms in North America. Courtyard by Marriott was the second most significant, with a 24% share. Together, these two brands comprise roughly 52% of Marriott's North America room stock, and 37% of the hotel count.

We expect the upward trend to continue for SpringHill Suites by Marriott as this brand caters to the growing lifestyle product category. More development opportunities will exist for SpringHill as well, given its opportunity for entering markets where many of its other Marriott brand counterparts may already exist. The performance levels for Autograph may realize some normalization in the near term, as the brand positions itself for a strong expansion in North America over the course of the next several years. However, focused development in gateway and urban markets may ultimately keep its RevPAR on an upward trajectory.

CHART 6: ROOM DISTRIBUTION BY BRAND



Source: Marriott International, Inc.

CHART 7: NORTH AMERICA BRAND DISTRIBUTION (2013)

Brand	Hotels	% of Total	Rooms	% of Total
Marriott	360	11%	144,436	28%
Courtyard by Marriott	857	26%	121,528	24%
Residence Inn by Marriott	649	20%	78,984	15%
Fairfield Inn by Marriott	705	22%	64,483	13%
SpringHill Suites by Marriott	308	9%	36,187	7%
Renaissance	78	2%	27,979	5%
TownePlace Suites by Marriott	224	7%	22,317	4%
Ritz-Carlton	37	1%	11,040	2%
Autograph Collection	32	1%	8,410	2%
<b>Totals</b>	<b>3,250</b>		<b>515,364</b>	

Source: Marriott International, Inc.

Marriott continues to keep its brand image current, and prototypes for new development reflect new features to meet the current needs of their target customers. Older hotels are also being revived with new finishes, amenities, and brand standards. For example, Courtyard by Marriott is promoting its renewed properties as "It's A New Stay." The brand touts its newly redesigned lobby as a place for work time and downtime, and for guests to make the most out of their time at the hotel. Traditional front desks have been replaced by Welcome Pedestals. The Courtyard by Marriott's restaurant is now called The Bistro, which offers breakfast, dinner, and beverage service; the motto of The Bistro is "Eat, Drink, Connect." The Bistro offers an evolving menu, including select items for a winter 2014 seasonal menu, such as Vietnamese Style Grilled Chicken. The Bistro also offers grab-and-go options in addition to regular sit-down service from the hotel's 24/7 Market. Evolutions have also occurred within its other brands, such as bar service at select SpringHill Suites properties, as well as Fairfield Inn & Suites new breakfast, which is being promoted as "Some like it hot" with complimentary options including scrambled eggs and sausage, among others. According to the company's February news release, the company's worldwide pipeline increased to roughly 1,165 properties (over 195,000 rooms) as of December 31, 2013.

**COURTYARD BY MARRIOTT – HOUSTON MEDICAL CENTER**



Source: HVS

**SPRINGHILL SUITES BY MARRIOTT – ATLANTA BUCKHEAD**



Source: HVS



## About HVS

**HVS** is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. [www.hvs.com](http://www.hvs.com)

**Superior Results through Unrivaled Hospitality Intelligence. Everywhere.**

**HVS DENVER** has been the leading provider of consulting and valuation services in the Rocky Mountain region since the mid 1980's. Rod Clough, MAI, oversees this office and a network of licensed hotel consulting experts nationwide. Rod's group handles a wide variety of projects, from complex portfolios and development projects to appraisals for limited-service hotels in tertiary markets.

Rod's group has extensive experience with **all Marriott brands** and is continually working with developers on proposed Marriott projects nationwide when market studies or feasibility studies are needed, as well as appraisals for lenders on both existing and proposed Marriott hotels.

## About the Author



**ROD CLOUGH, MAI** is the Senior Managing Director of the HVS Denver office; Rod is also a partner in the HVS Atlanta, Minneapolis, Dallas, Houston, Mexico City, Philadelphia, and St. Louis offices. This group of offices represents over 60 hotel industry professionals and executes over 2,000 assignments a year.

Rod has been working in the hospitality industry for 20 years and is a graduate of Cornell's School of Hotel Administration. He is a Designated Member of the Appraisal Institute (MAI) and a state-certified general appraiser.

Contact Rod at (303) 443-3933 or [rclough@hvs.com](mailto:rclough@hvs.com).

Follow Rod on Twitter: @rodneyclough