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Hotel stays are 6% higher than 5 years ago (right before the onset of the US recession)

Average room rates, however, are about the same, and revenues are 3.7% less when they are adjusted for inflation

The Hotels in the District of Columbia maintained an average of 27,611 rooms over the 12-month period ending October 2012, according to Smith Travel Research. These room were occupied 75.1% of the time, which translates into a total of 7.56 million room-day sales over the entire 12-month period. This volume of sales was 6% higher than the room-day sales for the 12-month period 5 years earlier that ended October 2007. October 2007 was the month in which the 12-month room-sale total peaked prior to the official onset of the US recession in December 2007.

The 6% increase in hotel stays from the peak point before the recession shows the strength of the attraction of the District of Columbia as a destination for tourists, conventions, and others. Although the recession officially ended in June 2009, many parts of both the US and DC economies still have not recovered, let alone expanded. For example, about 3% fewer lawyers and other professionals work in DC now than before the recession began.

The 6% increase in hotel stays is noteworthy in another respect. This percentage gain is greater than in the 6 1/2 years between the peak before the 9-11 attacks in 2001 and the October 2007 peak before the US recession. From March 2001 to October 2007 hotel stays in DC increased 5.1%.

DC hotels were, however, affected by the recession. Hotel stays declined slightly in the first year of the recession—by 0.3% in the 12-months ending December 2008 compared with December 2007. (This decline was slight compared to that triggered by 9-11, as shown on p. 17.)

The biggest impact of the recession was on hotel revenues. The average room rate increased by only 0.6% from October 2007 to (continued on p. 2)

	DC hotel stays and revenue: March 2001 to October 2012	
	Percent change from:	
	March 2001 to October 2007	October 2007 to October 2012
Hotel stays	5.1	6.0
Average room rate	31.7	0.6
Hotel revenue	38.4	6.6
Hotel revenue adjusted for inflation	16.7	-3.7

Note: March 2001 is the peak prior to 9-11. October 2007 is the peak prior to the "Great Recession" that started December 2007.

Source: Smith Travel Research

This briefing document was prepared by Stephen Swaim, DC Office of Revenue Analysis.

This brief first appeared in the December 2012 DC Economic and Revenue Trends. District of Columbia briefing documents are prepared by the Office of Revenue Analysis, which is part of the Office of the Chief Financial Officer of the District of Columbia government. The purpose of these documents is to make information available that is not of a policy nature. See also *District of Columbia Economic and Revenue Trends and Economic Indicators* issued monthly by the D.C. Office of the Chief Financial Officer ([www.cfo.dc.gov/Economy and Revenue](http://www.cfo.dc.gov/Economy%20and%20Revenue)).

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DC hotels, continued from p.1

October 2012. By contrast, the average room rate from March 2001 to October 2007 increased by 31.7%. Consequently:

- ◇ The increase in hotel revenue from October 2007 to 2012 (6.6%) was driven almost entirely by an increase in room days sold. In the March 2001 to October 2007 period, the 38.4% increase in revenue was driven almost entirely by higher room rates.
- ◇ Adjusted for inflation, hotel revenue actually fell by 3.7% from October 2007 to October 2012, compared to a 16.7% increase in the prior period.

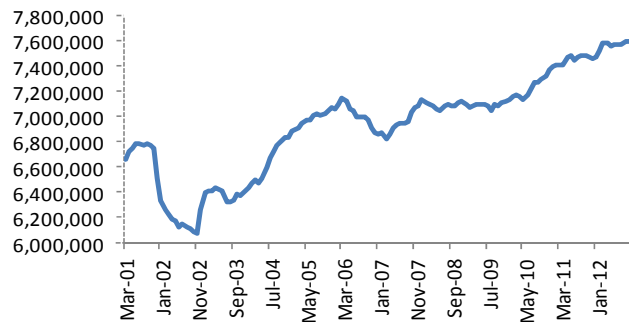
From the summary data it is not possible to explain exactly why the average daily rate has been essentially flat in the years since October 2007. However, given the severe nature of the US recession, it is likely that weaker demand is the primary reason. Weaker demand could be reflected in a change in the mix of hotel types (towards ones with fewer services) as well as lower rates. From October 2007 to October 2012, the number of hotel rooms increased by 4.8%, employment in accommodations grew by 3.1%, and the occupancy rate rose from 74.2% to 75.1%. —*Stephen Swaim, Office of Revenue Analysis*

One year impact of 9-11 and the Great Recession on DC hotels

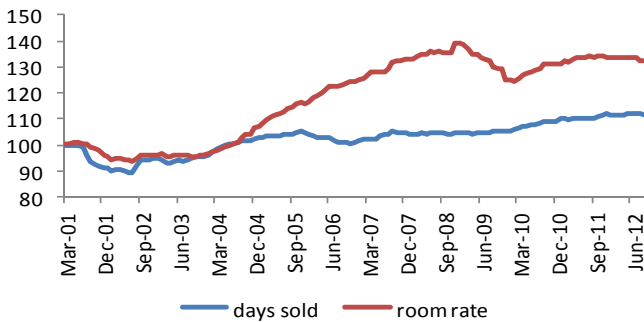
	Percent change from:	
	August 2001 to August 2002	December 2007 to December 2008
Hotel stays	-10.1	-0.3
Average room rate	-6.7	2.3
Hotel revenue	-16.1	2.0

Source: Smith Travel Research

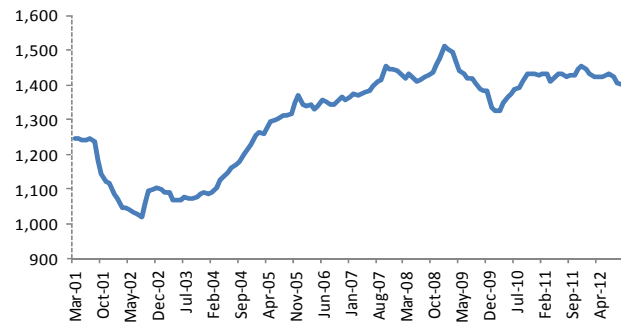
Stays (days sold) in DC hotels: March 2001 to October 2012
(12-month moving total)



DC hotel days sold and average room rate: March 2001 to October 2012
(Index numbers for 12-month moving indicators: March 2001 = 100)



Inflation-adjusted DC hotel revenue: March 2001 to October 2012
((\$ million, 12-month moving total, \$2007))



Selected hotel data for the District of Columbia: March 2001 to October 2012

	Amount of change:			% change:			
	March 2001	October 2007	October 2012	Mar 2001 to Oct 2007	Mar 2001 to Oct 2012		
				Oct 2007 to Oct 2012	Oct 2007 to Oct 2012		
Hotel stays (room-days sold)	6,788,289	7,136,358	7,564,622	348,069	428,264	5.1	6.0
Average room rate	153.87	202.60	203.74	49	1	31.7	0.6
Hotel revenue (\$ million)	1,044.5	1,445.8	1,541.2	401	95	38.4	6.6
Inflation-adjusted hotel revenue (\$2007)	1,245.1	1,453.4	1,399.4	208	-54	16.7	-3.7
Occupancy rate	73.6	74.2	75.1	0.5	0.9	0.7	1.2
Hotel rooms	25,263	26,357	27,611	1,095	1,254	4.3	4.8
Employment	15,200	15,467	15,950	267	483	1.8	3.1

Note:

(1) All data is for the 12-month period ending on the date shown.

(2) March 2001 is the peak prior to 9-11. October 2007 is the peak prior to the "Great Recession" that started December 2007.

Source: Smith Travel Research, except for employment which is from the US Bureau of Labor Statistics