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DC hotel demand and revenues up sharply the last 12 months, the best year of the past decade

Room demand increased 6.2% over the prior year for the 12 months ending May 2015, and room revenue grew 10.7%

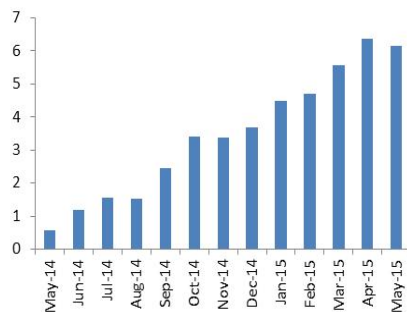
More people are staying in DC hotels and they are paying more for their rooms. According to STR, Inc. total demand for DC hotel rooms for the 12-months ending May 2015 was 6.2% higher than in the prior 12-month period. Combined with an average room rate 4.3% above the prior year's, hotel revenue grew a remarkable 10.7%.

The increase in hotel sales added to DC's tax revenue. Hotel accommodations are taxed at 14.5%, about one-third of which is used to pay for Convention Center bonds and tourism promotion. In FY 2014 the hotel tax generated \$226 million in revenue, 19.2% of all sales taxes. The 10.7 % gain in hotel sales translates to roughly \$22 million in additional tax revenue over the May 2014 to May 2015 period, accounting for about a quarter of the \$84 million increase in all DC sales tax collections over the past 12-months. (See the table on p.14 of the June 2015 District of Columbia Economic and Revenue Trend report.).

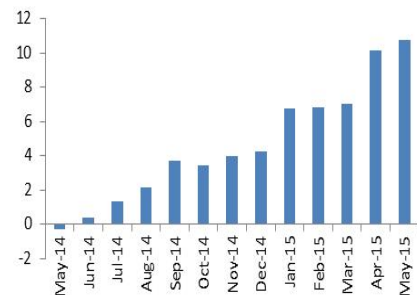
The gain in hotel room demand and revenue appears, however, to have done little for employment in the industry. According to the US Bureau of Labor Statistics, the annual average number of full and part-time hotel workers in DC's accommodation sector actually declined 0.2% from May 2014 to May 2015. (Cont'd on p. 2.)

Compared to the same periods of the prior year, the increases in room demand and revenue at DC hotels grew larger as the year progressed from May 2014 to May 2015

DC hotel room demand (room-days sold): May 2014 to May 2015
(% change from the prior year in the 12-month mov-



DC hotel revenue from room sales: May 2014 to May 2015
(% change from the prior year in the 12-month moving total)



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

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Looking back over the past decade (the 10 years from May 2005 to May 2015), the year just ended was by far the best one for growth in room demand and revenue as measured by the 12-month moving total. The past year, the first full year in which the new Convention Center hotel began operating, also saw the highest occupancy rate of the decade (77.3%) for all hotels in DC. After growing at about the same rate as supply for the years May 2005 to May 2010, in the past 5 years, demand has outpaced supply even with the new 1,200 room hotel. (See Figures 1 and 2.)

The 4.3% increase in average room in the past year was also the highest percent change in 4 years. For the first half of the decade, increases in the inflation-adjusted average room rates were responsible for most of the gains in inflation-adjusted hotel revenue. With the onset of the Great recession, however, real rates fell. Since May 2011 most of the gain in revenue has been attributable to increasing demand rather than higher room rates. (See Figure 3)

Although there has been a 16.3% increase in room demand and a 20.5% increase in inflation-adjusted revenues over the past decade, there has been virtually no gain in wage and salary employment reported by BLS for the DC accommodations industry sector. (See Figure 4.) The accommodations industry includes more than the hotels included in the STR, Inc. statistics, but the lack of increase in reported employment likely also reflects some combination of change in the mix of hotel types, productivity increases, and changes in proportion of full-time and part-time employment in the hotels.

—Stephen Swaim, DC Office of Revenue Analysis

**Percent change in DC hotel Indicators:
May 2005 to May 2015**

(% change in 12-month moving total for the last year and the last 10 years)

Indicator	Last year: (May 2014 to May 2015)	Last 10 years: (May 2005 to May 2015)
Room demand	6.2	16.3
Average room rate	4.3	26.3
Inflation-adjusted room rate	3.0	3.6
Revenues	10.7	46.8
Inflation-adjusted revenues	9.4	20.5
Room supply	4.5	10.3

Source: STR inc.

Figure 2

Demand for and supply of DC hotel rooms: May 2005 to May 2015

(Index number of 12-month moving total: May 2005 = 100)

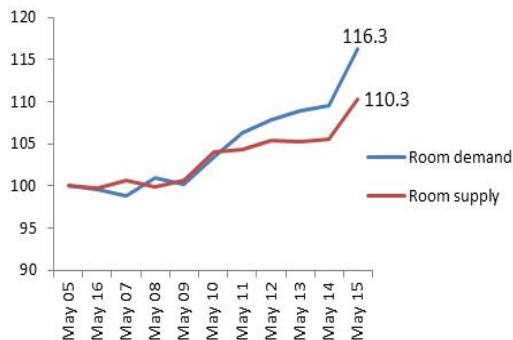


Figure 1

Occupancy rate for DC hotel rooms: May 2005 to May 2015

(rooms sold as % of all hotel rooms)

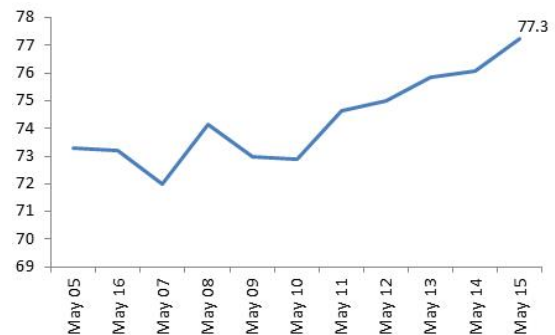


Figure 3

Demand for DC hotel rooms and Inflation-adjusted average room rate: May 2005 to May 2015

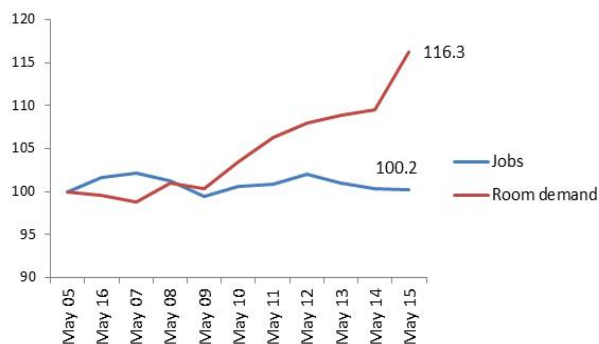
(Index number of 12-month moving total for demand, moving average for room rate: May 2005 = 100)



Figure 4

Demand for DC hotel rooms and wage and salary employment in the DC accommodations sector: May 2005 to May 2015

(Index number of 12-month moving total: May 2005)



DC hotel indicators and DC accommodations employment: May 2005 to May 2015

(12-month moving total or average for period shown)

Item	May-05	May-06	May-07	May-08	May-09	May-10	May-11	May-12	May-13	May-14	May-15
Total room demand (million)	7.029	6.998	6.948	7.100	7.050	7.275	7.473	7.586	7.655	7.699	8.174
Average room rate room rate	170.39	184.40	196.68	207.00	207.82	195.15	204.63	205.07	208.05	206.24	215.15
Inflation-adjusted room rate (\$2012)	175.60	184.41	191.72	196.90	190.98	179.47	185.91	183.36	180.94	176.58	181.93
Total revenue from room sales (\$ million)	1,197.7	1,290.5	1,366.4	1,469.8	1,465.1	1,419.6	1,529.2	1,555.6	1,592.6	1,587.9	1,758.6
Inflation-adjusted revenues (\$ million \$2012)	1,234.4	1,290.5	1,332.0	1,398.1	1,346.4	1,305.5	1,389.3	1,390.9	1,385.1	1,359.5	1,487.1
Total room supply (million)	9.589	9.560	9.652	9.578	9.661	9.983	10.013	10.114	10.091	10.122	10.580
Average number of rooms	26,268	26,191	26,443	26,231	26,466	27,351	27,433	27,710	27,646	27,726	28,986
Average occupancy rate (%)	73.3	73.2	72.0	74.1	73.0	72.9	74.6	75.0	75.9	76.1	77.3
Average industry wage and salary employment	15,108	15,350	15,442	15,292	15,025	15,208	15,242	15,408	15,267	15,167	15,142

Note: Room demand is the number of room-nights demanded (sold) for the 12-month period

Room supply is the number of room-nights available for sale to the public for the 12-month period.

Average occupancy rate is the proportion of room supply that is demanded.

Wage and salary employment includes both full time and part time jobs.

Average room rate and room revenue are adjusted for inflation to \$2012 using the US CPI.

Source: STR, inc. for hotel data. BLS for wage and salary employment

DC hotel indicators and DC accommodations employment: May 2006 to May 2015

(% change in 12-month moving total or average for period shown)

Item	May-06	May-07	May-08	May-09	May-10	May-11	May-12	May-13	May-14	May-15
Total room demand (million)	-0.4	-0.7	2.2	-0.7	3.2	2.7	1.5	0.9	0.6	6.2
Average room rate room rate	8.2	6.7	5.2	0.4	-6.1	4.9	0.2	1.5	-0.9	4.3
Inflation-adjusted room rate (\$2012)	5.0	4.0	2.7	-3.0	-6.0	3.6	-1.4	-1.3	-2.4	3.0
Total revenue from room sales (\$ million)	7.7	5.9	7.6	-0.3	-3.1	7.7	1.7	2.4	-0.3	10.7
Inflation-adjusted revenues (\$ million \$2012)	4.5	3.2	5.0	-3.7	-3.0	6.4	0.1	-0.4	-1.8	9.4
Total room supply (million)	-0.3	1.0	-0.8	0.9	3.3	0.3	1.0	-0.2	0.3	4.5
Average number of rooms	-0.3	1.0	-0.8	0.9	3.3	0.3	1.0	-0.2	0.3	4.5
Average occupancy rate (%)	-0.1	-1.7	3.0	-1.6	-0.1	2.4	0.5	1.1	0.3	1.6
Average industry wage and salary employment	1.6	0.6	-1.0	-1.7	1.2	0.2	1.1	-0.9	-0.7	-0.2

Source: STR, inc. for hotel data. BLS for wage and salary employment