2023: A SWIFT YEAR

INTERNATIONAL HOTEL MARKET ASSESSMENT BASED ON FRESH-RELEASED DATA

Hotels Quarterly

Fifth Edition
2023 Full Year and Q4 2023

ABOUT THE HOTELS QUARTERLY

These short reports are based on quarterly earnings reports of select leading, internationally branded hotel companies. We compiled and analysed data to draw conclusions that can be projected to the global hotel industry at large. This series is published quarterly with the intention to serve as a new source of credible and interesting information for industry stakeholders of all kinds.

For data compatibility we have picked and analysed companies traded on U.S. stock exchanges, namely Marriott International (NASDAQ: MAR), Hilton Worldwide Holdings (NYSE: HLT), InterContinental Hotels Group (NYSE:IHG and LON:IHG), and Hyatt Hotels Corporation (NYSE: H).

The conclusions drawn in this report are the result of data analysis from a diverse group of randomly selected companies. **These selected companies, as of today, together represent a total geographic coverage of 109 countries across the globe and collectively comprise 24,013 internationally branded properties at the time of the preparation of this study (March, 2024).** This robust dataset serves as a representative sample, providing valuable insights into the performance of the global hotel market.

We hope our quarterly reports are valuable resources, providing you with a new angle on the evolution of the industry, its news and trends.

You can subscribe to our e-mail list at hotels@mooreglobal.hu to receive the Hotels Quarterly at the time of its publishing.

Moore Hotels and Leisure specialises in industry-specific strategic, hotel development and M&A transaction advisory, working closely with owners, developers, financiers, hotel brands & operators and other industry stakeholders.

Thank you for choosing to be part of our journey.

Marton Takacs

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GROWTH.
UNINTERRUPTED.

2023 FULL YEAR

US$113.3
**Average Net. Room Revenue
Per Available Room**

US$162.4
Average Net. Daily Rates

69.7%
Global Hotel Occupancy

GLOBAL BRANDED HOTEL KPIS

Evolution of Global Branded Hotels Performance (YOY, FY, 2019, 2022, 2023)			
Key Performance Indicators / Years	2019 FY	2022 FY	**2023 FY**
Average RevPAR, Global, in USD	106.5	99.8	**113.3**
Average ADR-System-wide, in USD	145.1	154.6	**162.4**
Average Occupancy Rate (%)	73.3%	64.4%	**69.7%**

Worldwide average RevPAR indicators in **2023 surpassed pre-pandemic 2019 performance** for the **very first time** on an annual basis. These outstanding results were driven by a significant increase recorded both in average rate levels and a largely rebounded occupancy figure as well. **Significant headwinds** and resulting impacts, both of geopolitical and economic nature, **were uniquely hedged by the hotel asset class**, unlike some other commercial real estate categories, **rebuilding investor trust** after experiencing extreme volatility in the sector during the pandemic. But what drives such growth and can this be kept up?
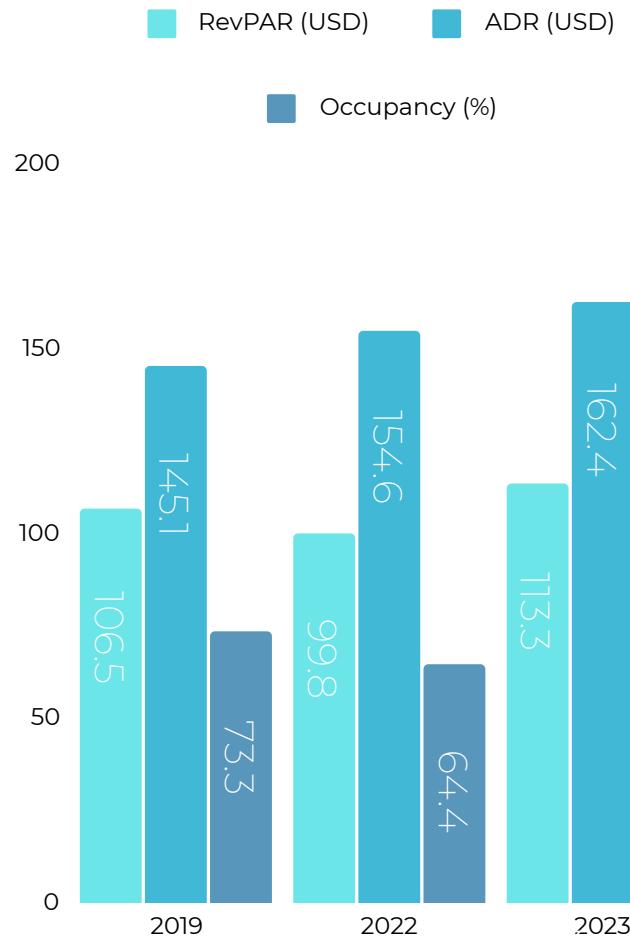
Revenue per available room (RevPAR) reached an average annual US$ 113.3, outpacing full-year 2019. This past year, quarter after quarter, many had been expecting a more notable softening of performance, but global branded hotels had not only recovered to pre-pandemic levels but climbed to new heights. An annual **increase of 5.3 percentage points in average global hotel occupancy (69.7% global annual average)** is the figure that surprises the most, especially in light of the **significant further average rate growth** (an increase of 5 per cent or US$ 8.4 from 2022) that was supported by internationally prevalent inflationary effects, a **return of group and business transient travel**, and a never-before-experienced **pricing power in the upper upscale and luxury supply segments**.

GLOBAL BRANDED HOTEL KPIS

Branded hotels globally have enjoyed strong momentum in business. When considering how this is all possible given the notable headwinds in many global markets, some explicitly impacting international travel, we **cannot ignore the unique demand generators that have entered the arena** to balance out adverse effects. It is easy to underestimate the power of entertainment, and stakeholders often seem to over-rely on more traditional travel motivations and built tourism attractions. **Events such as pharmaceutical congresses and other MICE events remain the backbone of the industry, but when mega performers such as Taylor Swift, Beyoncé, Coldplay, Harry Styles, or Ed Sheeran arrive in town, things do get stirred up in cities across the globe.** These performers appear to be the real superstars for hotels, operators, and property owners alike.

The **sentiment is beautifully captured** in Jon Emont's article in the Wall Street Journal (March 1, 2024, "Taylor Swift's Asia Tour Stirs Some Bad Blood"). Emont outlines the significant market impacts of Swift's tour, noting "Many of the more than 300,000 tickets sold in Singapore have gone to overseas fans who will fly in, and hotels and restaurants haven't been shy. The city's iconic five-star hotel, the Marina Bay Sands, is offering "The Wildest Dreams Package," which comes with a three-night stay, four VIP tickets and a round-trip limousine ride from the airport. The cost: nearly $40,000". "Travel booking website Agoda said that searches for accommodation in Singapore spiked 160 times over usual levels after ticket sales began last summer." -wrote Emont.

When considering Ms. Swift's and her peers' influence as demand-generating sources for hotels and other stakeholders ("Beyoncé blamed for inflation surprise in Sweden," as reported by the BBC on June 14, 2023), it becomes **evident that the pandemic-induced spending preference for 'experiences over rationality' remains robust** and is poised to reach new heights. We believe that **only a substantial global economic downturn could potentially disrupt this trend**, as **consumers continue to prioritize spending on in-person experiences such as travel, hotels, dining, and entertainment.**

Legend: RevPAR (USD), ADR (USD), Occupancy (%)

Year	RevPAR (USD)	ADR (USD)	Occupancy (%)
2019	106.5	145.1	73.3
2022	99.8	154.6	64.4
2023	113.3	162.4	69.7

EVOLVING DEMAND ACROSS THE SCALE CHAIN

Although the number of properties in the respective hotel tiers vary significantly, with the upper midscale and upscale categories taking up close to 80 per cent of the total number of properties, **investor interest in all categories continues to remain evident,** as sectoral supply expansion **was evenly distributed across the scales.**

Performance indicators per scales were as follows (ADRs and RevPars in net USD):

Tier	Share of Tiers **	Average Occupancy Rates			Average ADR			Average RevPAR		
		2019 FY	2022 FY	2023 FY	2019 FY	2022 FY	2023 FY	2019 FY	2022 FY	2023 FY
Luxury	4.32%	**73%**	59%	**68%**	**237**	266	**311**	**175**	159	**207**
UPPER UPSCALE	11.15%	**75%**	62%	**70%**	**173**	193	**197**	**134**	120	**137**
UPSCALE	26.10%	**75%**	68%	**71%**	**132**	138	**145**	**98**	94	**104**
UPPER MIDSCALE	54.18%	**72%**	67%	**71%**	**114**	122	**125**	**82**	83	**89**
MIDSCALE	4.26%	**73%**	73%	**72%**	**91**	107	**113**	**66**	77	**81**

Global Average Key Performance Indicators per Supply Segments — All Brands - Systemwide - All Locations

Growth is evident **across the chain scale**, with all scales and subsegments exceeding pre-pandemic figures. We can state that **branded hotels have globally exceeded expectations**. We also understand that **despite** the introduction of **several new (sub)brands** in the respective brand portfolios of hotel companies across the scale, and the **very significant supply addendum of more than 1,000 properties**, average **occupancy** figures throughout the year **did not deteriorate**. This also suggests that brands grew their market shares notably over independent properties over their fair shares. All hotel companies grew their respective loyalty program membership bases in 2023, which continued to be a major contributor to realized demand.

The mid-year, previously **observed trend has not changed its trajectory; luxury hotel price levels rose further to previously unknown heights**, reaching US$311 in a global annual average, an approximately 17 per cent growth. Complemented by a staggering 10 percentage points occupancy rebound, this made the segment the absolute 'winner' of the year.

It is important to highlight that since 2019 when the rate premium for a luxury stay compared to an upper-upscale one was around 37 per cent; presently, luxury commands **an average premium** of approximately **58 per cent** over an internationally branded upper upscale hotel. We also highlight that **ADR growth slowed down in all other segments**, and this is **softening is reflected in 2024 anticipations** as well.

A STRONG END TO THE YEAR

US$108.7
Average Net. Room Revenue Per Available Room

US$161.4
Average Net. Daily Rates

67.3%
Global Hotel Occupancy

Q4

GLOBAL BRANDED HOTEL KPIS

Evolution of Global Branded Hotels Performance (YOY, Q4, 2019, 2022, 2023)			
Key Performance Indicators / Years	2019 Q4	2022 Q4	**2023 Q4**
Average RevPAR, Global, in USD	100.7	101.5	**108.7**
Average ADR-System-wide, in USD	142.5	156.8	161.4
Average Occupancy Rate (%)	70.5%	64.6%	**67.3%**

OUTLOOK 2024: WHAT DO BRANDS ANTICIPATE

Anticipated Performance Indicators for Global Hotel Brands in 2024.

Last year's projections proved to be overly conservative, as brands delivered a truly staggering 13.5 per cent growth of average annual RevPAR across the board. Due to the higher-than-expected actual figures and relevant macro factors, forecasts have slightly softened year-over-year, but remain very positive and optimistic. We at Moore are eagerly waiting to report to you quarter by quarter and deliver actual results. It is widely accepted that a large part of this year's hotel performance growth will result from further recovery in the APAC regions and a slowly, but steadily increasing volume of international tourist arrivals of all motivations, despite an anticipated softening in the leisure segments.

MOORE

The Hotels Quarterly
REVPAR GROWTH
forecast
For 2024 , Y-O-Y

4%

MOORE
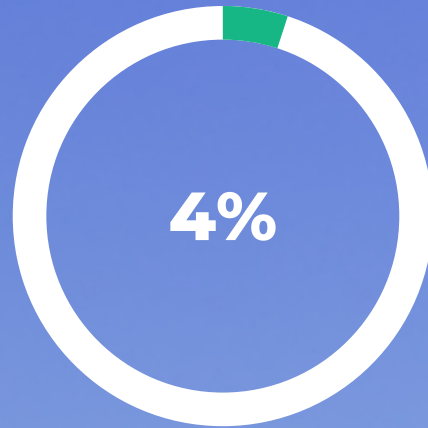
The Hotels Quarterly
NET ROOMS GROWTH
forecast
For 2024, Y-O-Y
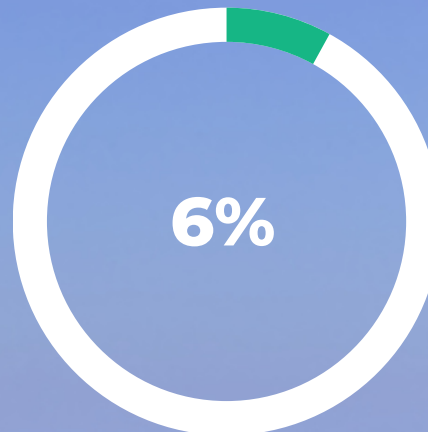
6%

Marriott International

Hilton Worldwide

InterContinental Hotels Group

Hyatt Hotels Corporation

HOTEL

109
COUNTRIES

24 013
PROPERTIES
+1 000

C O V E R E D   I N   T H I S   S T U D Y

FY 2023

2023

The average number of countries where the hotel brand families under study operate grew to 109 in 2023. Meanwhile, the number of branded hotels has seen a significant increase, with approximately 1,100 new properties added. This expanded our scope of studied properties from 22,914 to 24,013 worldwide. More than 350 new branded properties were added to the systems of the subject hotel companies in the last quarter of 2023.

Conversion projects continued to drive the pipeline in 2023, given the unwelcoming capital markets and financing environment. This also affected the realization of greenfield opportunities. We anticipate strengthened activity in hotel asset transactions in H2 2024, with more developers starting adaptive reuse projects and an exponential growth of the branded residences sector.

FY 2023: SUMMARY OF FINANCIAL DATA
OF PUBLICLY TRADED HOTEL COMPANIES

Published Financial Data of All Hotel Groups Under Study								
2023, FY	**Hilton**		**Marriott**		**Hyatt**		**IHG**	
Total Revenue	10,235	mUSD	23,713	mUSD	6,667	mUSD	4,624	mUSD
Net income	1,151	mUSD	3,083	mUSD	220	mUSD	621	mUSD
Adjusted EBITDA	3,089	mUSD	4,656	mUSD	1,029	mUSD	1,086	mUSD
Operating Profit	2,225	mUSD	3,864	mUSD	-	mUSD	1,019	mUSD
Earnings per share (diluted)	4.3	USD	10.2	USD	2.1	USD	4	USD
Number of repurchased shares (pc.)	15.6	million	21.5	million	4.1	million	10.9	million

Selected key financial data for the hotel groups under study are presented in the table above. It is crucial to note that the disclosed figures are limited to the financial information of the subject publicly traded hotel companies and do not include the comprehensive systemwide operating performance of the branded hotel portfolios. Furthermore, it is essential to acknowledge that the earnings reports published by these companies may still be unaudited, and hence may differ from the official audited figures that are released annually.

Between Q1 to Q3 2023, we have seen remarkable growth across the hotel groups in our latest study. Further growth is observed in the full year 2023, compared to 2022. With outstanding gains in total revenue, Adjusted EBITDA, averaging at highly significant growth rates of 14%, 17% compared to the previous year. Operating Profit increased by a startling 11% over 2022. Diluted earnings per share and net profit slightly increased compared to 2022. Moreover, all hotel groups successfully executed share buybacks in 2023, as reflected in the table. In 2023, an impressive surge was witnessed across the board for the hotel groups under study. Overall, these hotel groups exhibited substantial growth and a positive trajectory shift in key financial metrics, as analyzed from 2022 to 2023.

DID YOU KNOW?

When it comes to hotel and leisure properties, Moore Hotels, Legal, Financial and M&A transaction advisory practices help owners, investors and financiers as one professional team to get around all obstacles and explore new business opportunitites - from delivering a global hotel brand to your property, to helping you in a successful exit.

At Moore, our purpose is to help people thrive – our clients, our people, and the communities they live and work in. We're a global accounting and advisory family with over 29,000 people in 547 offices across 113 countries, connecting and collaborating to take care of your needs – local, national and international.

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