

Luxury and Mid-Scale without Food & Beverage Segments To Lead Chain Scale Segments' Average Daily Rate Performance in 2007 as U.S. Lodging Industry Rate Growth Slow

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Based on Smith Travel Research's historical data and PricewaterhouseCoopers' (PwC) econometric model, PwC forecasts that the luxury and mid-scale without food and beverage chain scale segments will lead the U.S. lodging industry's average daily rate (ADR) growth of 5.8 percent in 2007, with 7.4 percent and 6.5 percent ADR growth, respectively.

The luxury segment will lead all other segments in average rate growth through 2007, followed by the mid-scale without food and beverage and upper-upscale segments.

The following table summarizes the PwC forecast of ADR growth of the chain-scale segments for 2006 and 2007.

Chain Scale Segments - ADR Performance		
	2006	2007
Luxury	9.1%	7.4%
Upper-Upscale	7.0%	6.3%
Upscale	8.7%	6.1%
Mid-scale with Food & Beverage	5.9%	4.3%
Mid-scale without Food & Beverage	8.3%	6.5%
Economy	5.3%	4.3%
<i>U.S. Total</i>	<i>7.0%</i>	<i>5.8%</i>

Source: Smith Travel Research (2006) and PricewaterhouseCoopers (2007).

After record growth in 2006, the average rate performance of all the chain scale segments is forecast to slow in 2007, primarily due to increasing supply and a slower demand growth.

'Overall, rates will increase less in 2007 than 2006, with a 5.8 percent increase in 2007 compared to 2006's 7.0 percent, which was the largest percentage increase since 1987. The long term average is 3.3 percent, so even the slower rate growth is still very positive for the industry,' says Bjorn Hanson, Ph.D., principal in the PricewaterhouseCoopers' Hospitality & Leisure practice.

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