

U.S. hotel industry posts record revenue, pre-tax profits

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Pre-tax income for the United States hotel industry in 2007 increased 5.3 percent to a record \$28 billion, according to the recently released 2008 Hotel Operating Statistics (HOST) Study issued by Smith Travel Research (STR).

The industry posted an all-time best \$139.4 billion in revenue in 2007-which is over \$6 billion more than it generated in 2006 (\$133.4 billion)-and for the second consecutive year, gross operating profit as a percentage of revenue came in at 41.3.

'2007 was another excellent year for the U.S. hotel industry with record revenues and record profits,' said Mark Lomanno, STR's president. 'However, as the American economy slows, we are expecting a tougher operating climate for U.S. hotels in 2008.'

The HOST Study is the most extensive and definitive database on U.S. hotel industry revenues and expenses. The 2008 version is derived from the operating statements of more than 5,200 hotels.

The HOST Study contains information on hotel revenues and expenses, and presents information by department including rooms, food & beverage, marketing, utility costs, property and maintenance, administrative and general costs, as well as selected fixed charges.

Year-over-year Gross Operating Profit (GOP) during 2007 increased for full-service hotels in the United States and decreased for limited-service hotels in the United States, according to the study.

Collected data indicates that GOP (before Management Fees and Franchise Royalty Fees) for full-service hotels increased 3.8 percent to 35.7 percent of total revenue in 2007 from 34.4 percent in 2006. Meanwhile, GOP for limited-service hotels in 2007 decreased to 52.0 percent of total revenue from 55.4 percent in 2006.

Other highlights of the 2008 HOST Study include:

Full-service hotels used 3.5 percent (down from 3.6 percent in 2006) of total sales for franchise fees (royalty), while limited-service hotels paid 5.0 percent (up from 4.7 percent in 2006).

Full-service hotels paid 3.7 percent (level with 2006) of total sales for management fees, while limited-service hotels used 4.2 percent (up from 3.9 percent in 2006).

Limited-service chain-affiliated hotels reported a higher ratio to sales for Income Before Fixed Charges (47.3 percent) than Independent hotels (40.6 percent). But Independents posted a higher amount per occupied room night, with \$72.37 compared to Chain-Affiliated hotels at \$44.79.

After franchise fees, management fees, taxes, insurance, and capital replacement, full-service hotels recorded an Amount Available for Debt Service & Other Fixed Charges of \$17,003 per available room in 2007, up from \$15,307 in 2006. This equates to 25.3% of total revenue.

The 2008 HOST Study can be purchased by contacting info@smithtravelresearch.com.

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