

What's the Deal By [Daniel Lesser](#)

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How's the U.S. hotel industry doing? A SWOT analysis

(The views and opinions expressed in this blog are strictly those of the author.)

Change is an inevitable part of all facets of life and business. Utilized in any context, a SWOT analysis is a useful technique for understanding internal strengths and weaknesses, and for identifying potential external opportunities and threats. A SWOT analysis involves specifying objectives and identifying internal and external factors that are favorable and unfavorable to achieve those objectives. Analysis and comprehension of a SWOT conclusions leads to an enhanced understanding of the moment, and allows users to plan and act effectively to achieve desired future results.

Following is my SWOT analysis of the U.S. lodging industry as of mid-year 2017:

Strengths

- America has been and most likely always will be the world's beacon for safety and security, attracting visitors and investors from throughout the globe
- The U.S. economy has been growing, albeit sluggishly, for nearly nine years
- The nation is experiencing the second-biggest housing boom ever, resulting in heightened consumer confidence and spending
- The U.S. lodging industry is achieving record rooms revenue operating metrics
- The U.S. lodging sector is now a US\$200 billion revenue industry
- U.S. hotel industry wide house profit now exceeds US\$76 billion
- Generally, new hotel supply is still below the long-term average
- A low interest and capitalization rate environment endures
- The availability of debt and equity is robust
- Hotel asset prices are strong with little if any evidence of near term value erosion
- Technological advances have and will continue to increase operating efficiencies

Weaknesses

- An underwhelming U.S. economic recovery since the Great Recession of 2008
- The fear of economic recession is always present
- A strong U.S. dollar has positioned inbound travel to be expensive for foreign visitors
- The recent U.S. travel ban creates negative postures and restrictions on foreign visitation
- U.S. lodging expansion is in its seventh year and perceived by many to be long in the tooth
- Real U.S. RevPAR growth is decelerating, albeit still positive

- U.S hotel sector is overly segmented, with travelers confused by too many available brand options
- Airbnb is impacting business travel
- Corporate rate pricing power is shifting toward buyers
- OTAs control a larger share of the consumer point of entry
- Labor shortages and the rising influence of unions create upward pressure on wages and benefits
- Large amounts of new supply are slated for several major gateway markets
- Hotel property taxes are escalating

Opportunities

- The boundaries between work, play and travel are blurring, allowing for the creation of differentiated, authentic, unique experiences within the hotel sector
- With daily tenancies, the lodging industry is well-positioned to react to any inflation
- Modular construction allows for efficient, cost-effective and high-quality development
- There are abundant physically and/or functionally obsolete hotel properties situated on excellent sites/locations throughout the nation that are available for redevelopment
- Full-service hotel meeting/conference spaces can be repurposed into co-working spaces
- Introduction of voice-enabled cognitive rooms
- Hotel company/REITs ripe for mergers and acquisitions
- Implementation of ancillary revenue opportunities similar to airlines
- Lodging industry and regulatory blowback against Airbnb
- Many secondary and tertiary plus U.S. markets offer new development prospects

Threats

- Rising interest rates
- Economic recession
- Increasing political isolationism
- Technology diminishing the importance of physical location
- Drive-by lawsuits
- Online hotel booking scams
- Event risk: terrorism, war, civil unrest, spread of disease, climatic
- Cyber security and warfare
- Increasing guest acquisition costs as technology has become an enemy of ADR growth
- Brands pushing standards updates at high costs to owners
- New brand entrants such as West Elm, Equinox and Restoration Hardware
- Airbnb, HomeAway and other travel industry disrupters; keep an eye on WeWork
- Proliferation of hostels, particularly in the midscale segments
- Autonomous vehicles reducing demand for transient accommodations

Routine consideration of the hotel sector's SWOT analysis paves the way for market participants to drill down and

granularly consider the foundation of a highly fluid industry.

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