

# Hotel Market Research

Schaumburg, Illinois

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PREPARED FOR: EQUITY ROOTS

PREPARED BY: HA&A

5/10/2016

# Key Topics & Questions

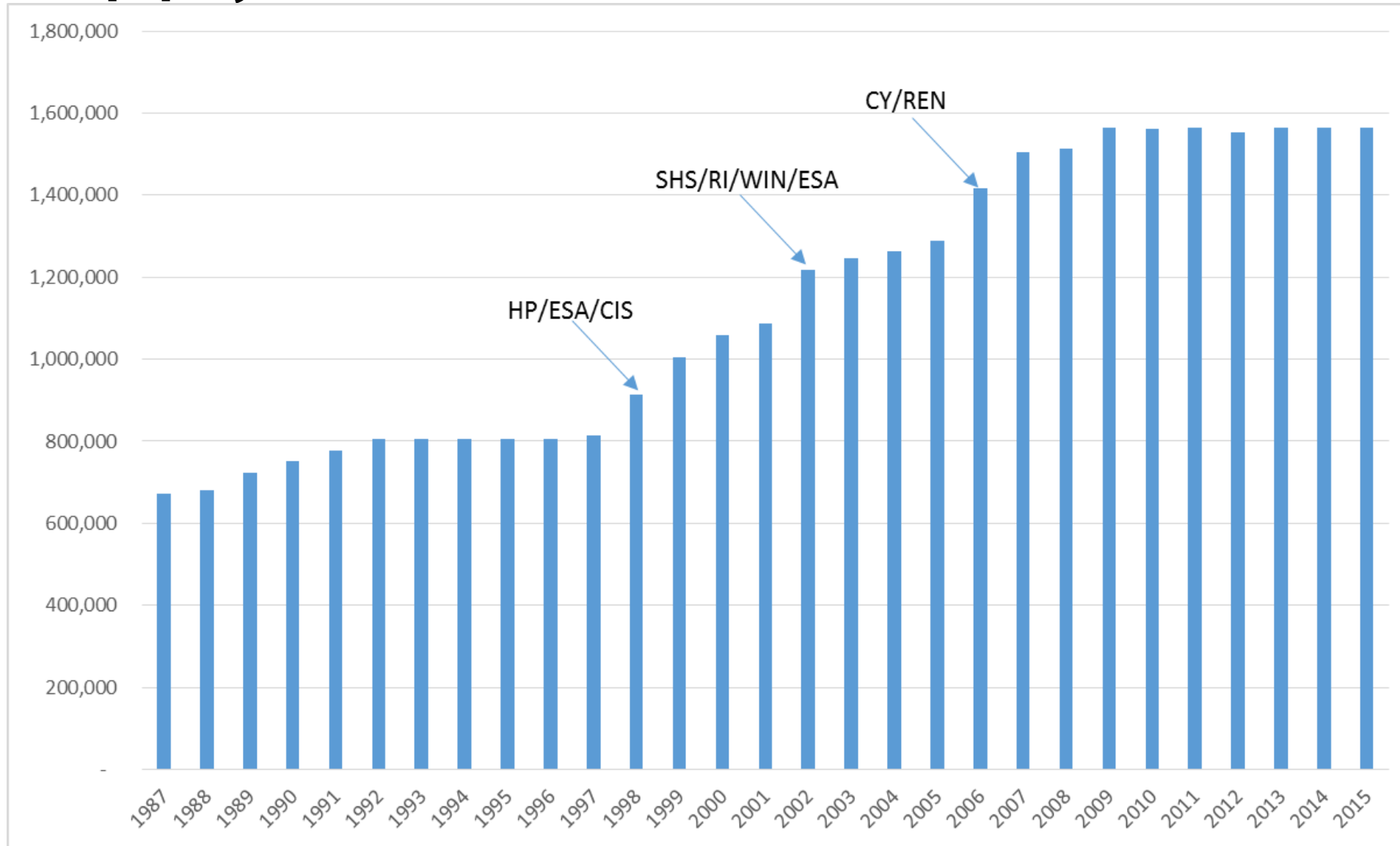
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- How can we characterize Schaumburg's existing hotel inventory?
- How much lodging demand exists in Schaumburg?
- How are Schaumburg hotels doing?
- Can Schaumburg support more hotels?
- Does new Supply affect Demand?
- Does new Supply affect TOT and job creation?

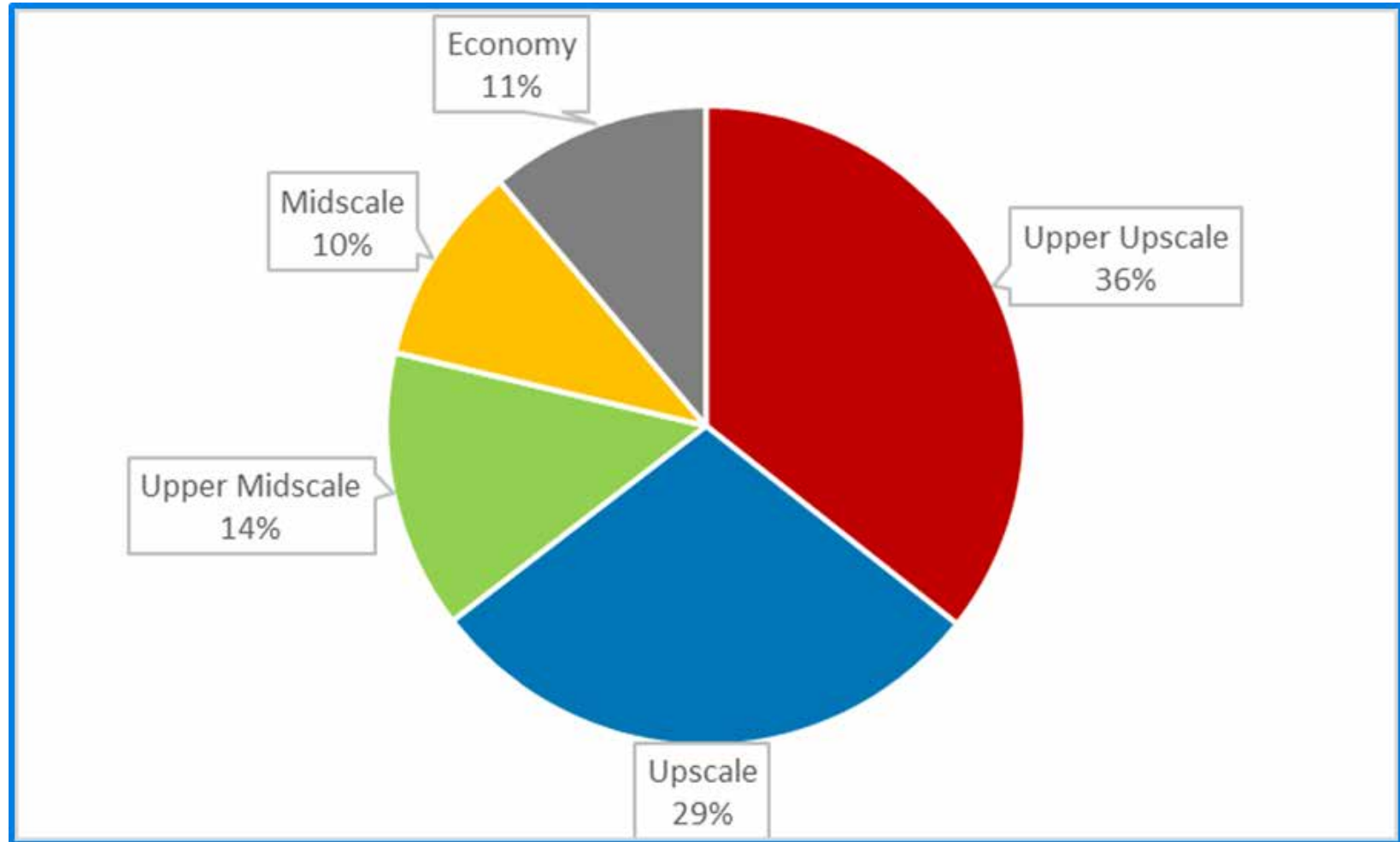
# How Can We Characterize Schaumburg's Existing Hotel Inventory?

Number	Hotel Name	Open Date	Age	Chain Scale	Rooms
1	Wyndham Garden	1973	43	Upper Midscale	200
2	Hyatt Regency	1981	35	Upper Upscale	468
3	Days Inn & Suites	1982	34	Economy	126
4	Quality Inn	1983	33	Midscale	123
5	Marriott	1983	33	Upper Upscale	398
6	Embassy Suites	1984	32	Upper Upscale	209
7	Doubletree	1986	30	Upscale	188
8	AmericInn	1986	30	Midscale	124
9	Holiday Inn Express	1988	28	Upper Midscale	143
10	Homewood Suites	1990	26	Upscale	108
11	Sonesta ES Suites	1991	25	Upper Midscale	112
12	Extended Stay America	1997	19	Economy	136
13	Hyatt Place	1997	19	Upscale	127
14	Country Inn & Suites	1998	18	Upper Midscale	73
15	Hawthorn Suites	1999	17	Midscale	120
16	Hyatt House	1999	17	Upscale	134
17	Extended Stay America Woodfield	1999	17	Economy	104
18	SpringHill Suites	2001	15	Upscale	132
19	Residence Inn	2001	15	Upscale	125
20	Wingate	2002	14	Midscale	81
21	Extended Stay America I-90	2002	14	Economy	128
22	Comfort Suites	2003	13	Upper Midscale	96
23	Courtyard	2005	11	Upscale	162
24	Renaissance	2006	10	Upper Upscale	500
25	Hilton Garden Inn	2008	8	Upscale	166
26	Radisson	2016	0	Upscale	137
<b>Total / Average</b>			21.4		4,420

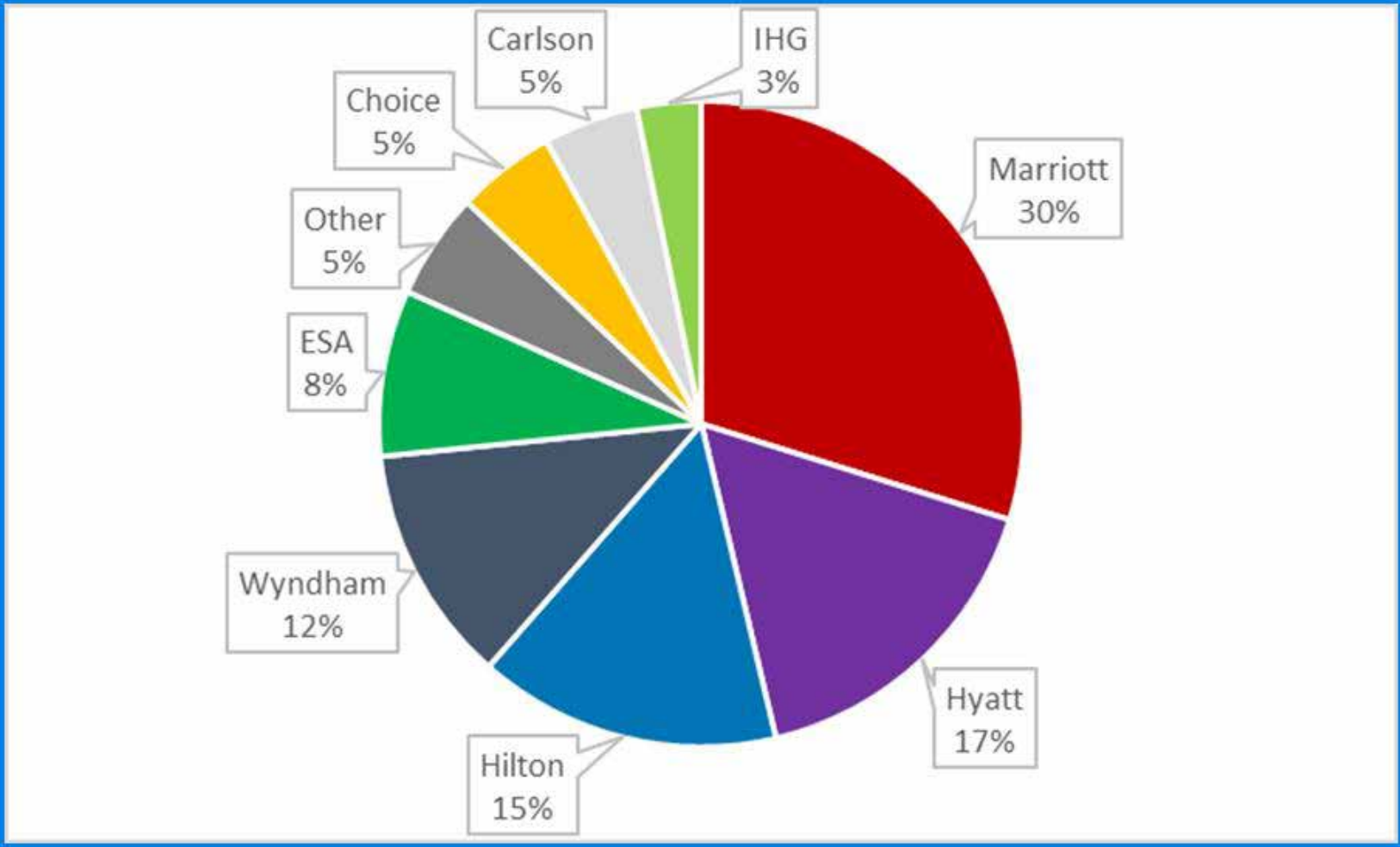
# Supply Trend



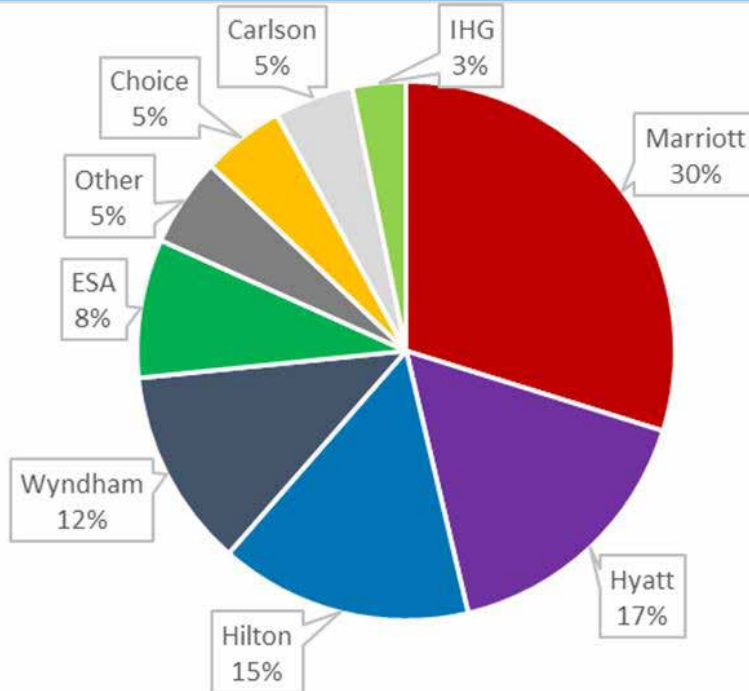
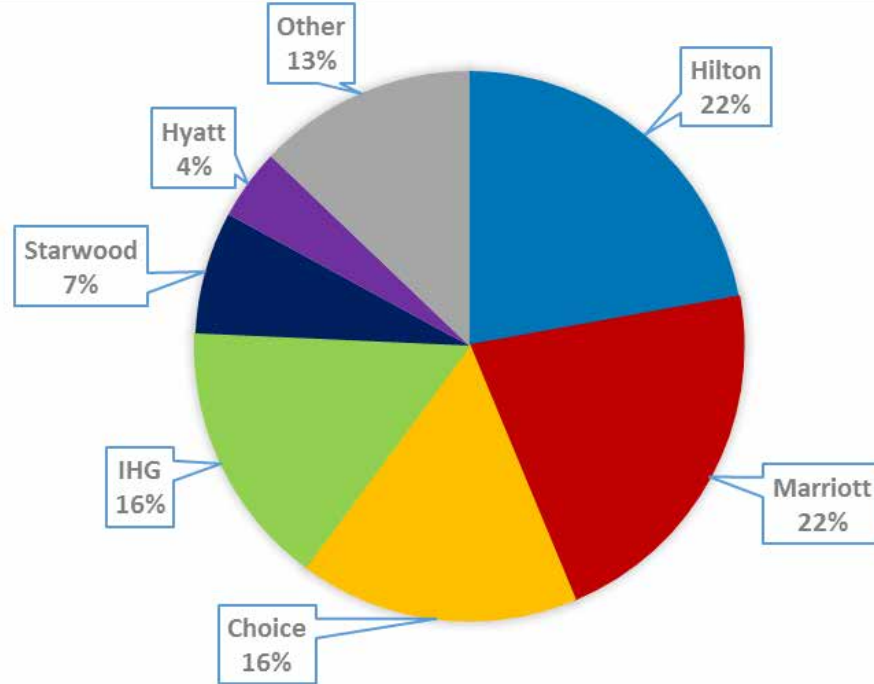
# Schaumburg's Chain Scale Mix



# Schaumburg's Brand Mix



# National vs. Schaumburg



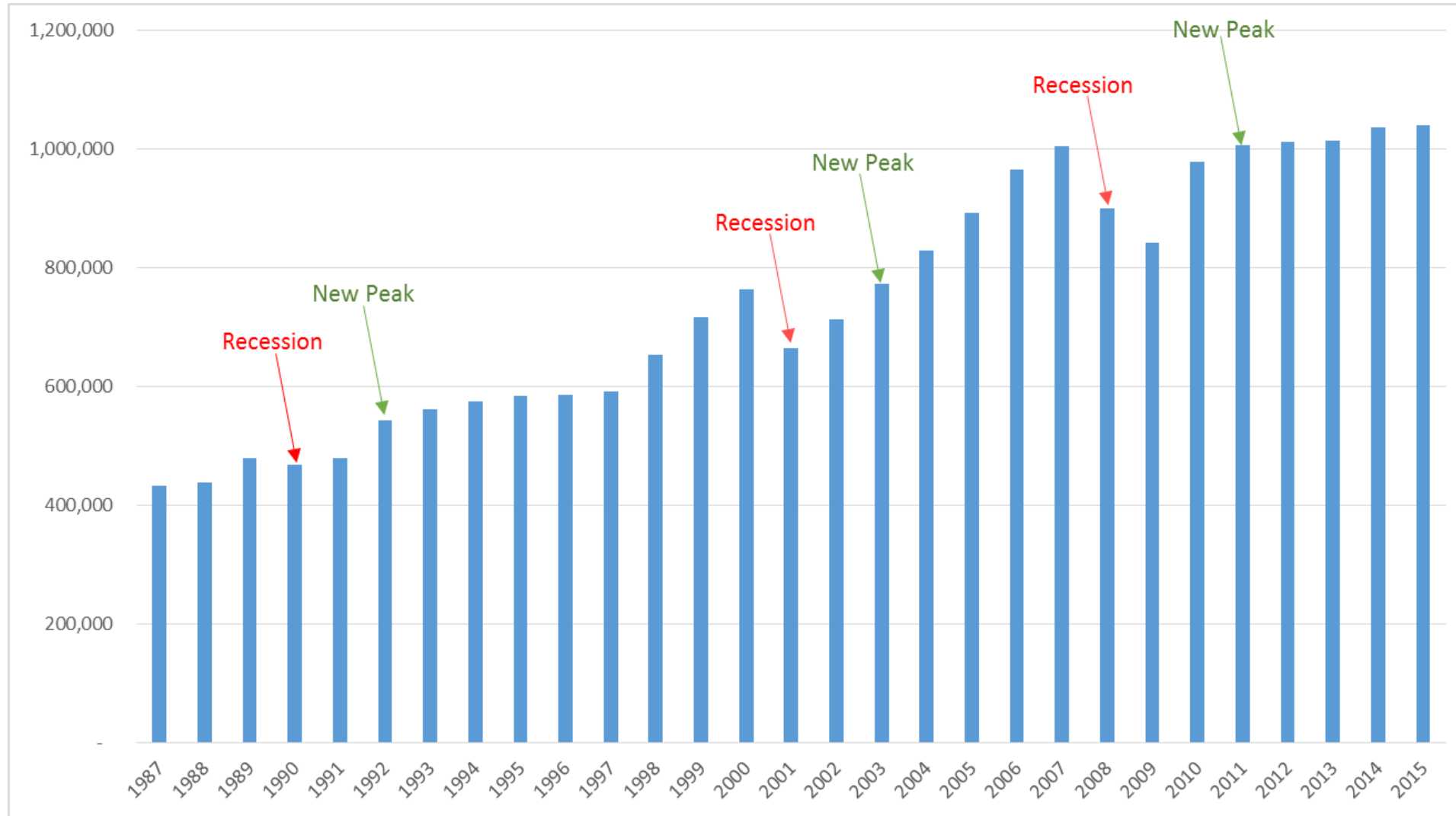
How Much  
Demand Does  
Schaumburg  
Have?

1,040,311

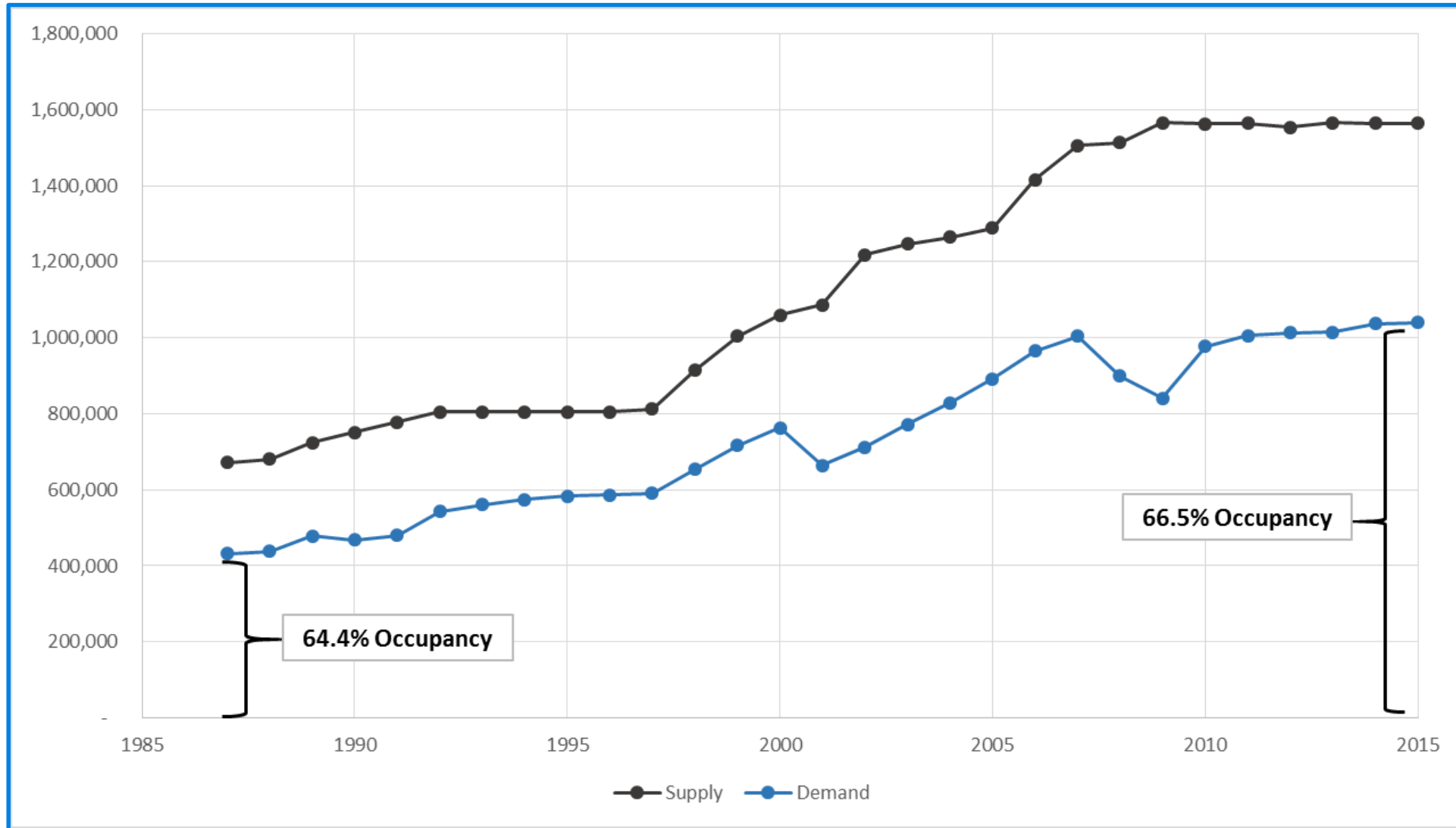
Room Nights Sold in 2015



# Demand Trend



# Demand Outpacing Supply



# How Are Schaumburg Hotels Doing?

Year	Occupancy	Average Rate	% Change	RevPAR	% Change	Revenue	% Change
1987	64.4%	69.63	--	44.82	--	30,136,884	--
1988	64.4%	70.68	1.5%	45.51	1.5%	30,991,696	2.8%
1989	66.1%	70.28	-0.6%	46.44	2.1%	33,649,712	8.6%
1990	62.3%	71.24	1.4%	44.40	-4.4%	33,341,892	-0.9%
1991	61.6%	68.13	-4.4%	42.00	-5.4%	32,656,718	-2.1%
1992	67.4%	65.32	-4.1%	44.03	4.8%	35,434,006	8.5%
1993	69.8%	68.77	5.3%	47.99	9.0%	38,619,667	9.0%
1994	71.4%	74.53	8.4%	53.22	10.9%	42,829,521	10.9%
1995	72.4%	80.72	8.3%	58.45	9.8%	47,043,767	9.8%
1996	72.8%	87.20	8.0%	63.50	8.6%	51,103,209	8.6%
1997	72.8%	96.08	10.2%	69.90	10.1%	56,833,045	11.2%
1998	71.5%	99.21	3.3%	70.90	1.4%	64,843,485	14.1%
1999	71.4%	99.15	-0.1%	70.78	-0.2%	71,103,468	9.7%
2000	72.1%	102.93	3.8%	74.21	4.8%	78,604,949	10.6%
2001	61.2%	97.28	-5.5%	59.52	-19.8%	64,675,864	-17.7%
2002	58.5%	87.72	-9.8%	51.29	-13.8%	62,473,132	-3.4%
2003	61.9%	82.12	-6.4%	50.86	-0.8%	63,419,371	1.5%
2004	65.5%	80.40	-2.1%	52.66	3.5%	66,583,595	5.0%
2005	69.1%	82.75	2.9%	57.21	8.6%	73,754,977	10.8%
2006	68.2%	92.10	11.3%	62.79	9.7%	88,876,102	20.5%
2007	66.6%	99.72	8.3%	66.46	5.8%	100,086,028	12.6%
2008	59.4%	102.00	2.3%	60.61	-8.8%	91,712,359	-8.4%
2009	53.7%	86.37	-15.3%	46.40	-23.4%	72,621,377	-20.8%
2010	62.6%	83.90	-2.9%	52.50	13.1%	82,012,116	12.9%
2011	64.3%	86.52	3.1%	55.67	6.0%	87,033,263	6.1%
2012	65.2%	92.52	6.9%	60.31	8.3%	93,682,924	7.6%
2013	64.8%	94.81	2.5%	61.42	1.8%	96,120,463	2.6%
2014	66.3%	98.89	4.3%	65.55	6.7%	102,528,919	6.7%
2015	66.5%	103.91	5.1%	69.15	5.5%	108,098,281	5.4%
Historical CAGR (1987-2015)			1.4%			1.6%	4.7%

# Can Schaumburg Support More Hotels?

## Public Policy Concerns in 2016

- 5 new hotels planned– Is this too much?
- 13% increase in supply– Is this supportable?
- Last building cycle was in 20042006
- New supply was coupled with new demand
- Today's new supply is "select-service"
- Is there enough demand?
- Will there be a negative impact on OCC, ADR, and Taxes?

# Previous Hotel Building Cycles

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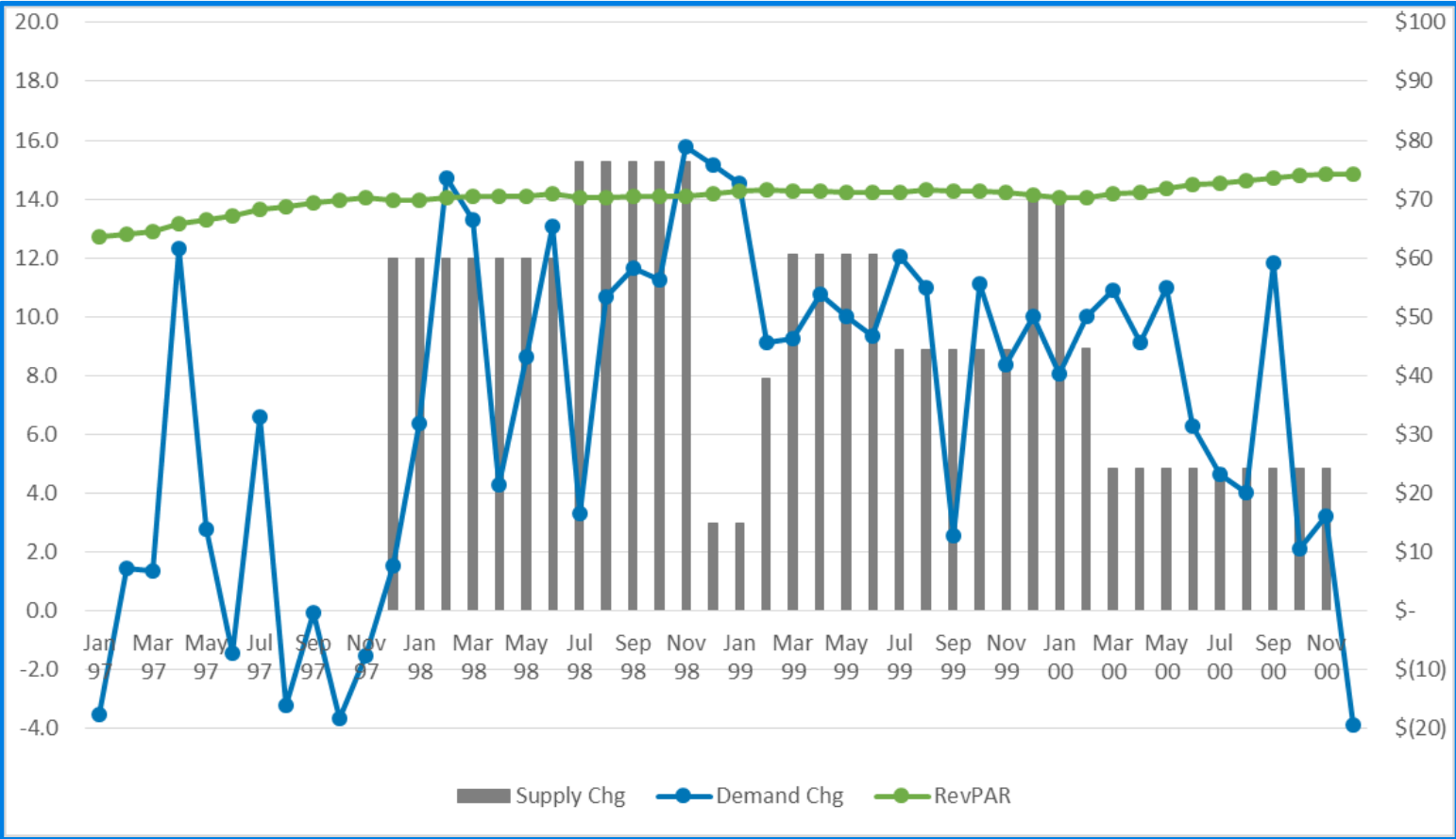
1996

- 11 Existing Hotels
- 2,199 Guestrooms
- Average Age = 11.7 Years Old
- 6 Hotels in Pipeline (1997-1999)
- Supply increase of 32%
- RevPAR increased
- RevPAR peaked in 2000

2004

- 22 Existing Hotels
- 3,455 Guestrooms
- Average Age =12.0 Years Old
- 2 Hotels in Pipeline(2005-2006)
- Supply increase of 19%
- RevPAR increased
- RevPAR peaked in 2007

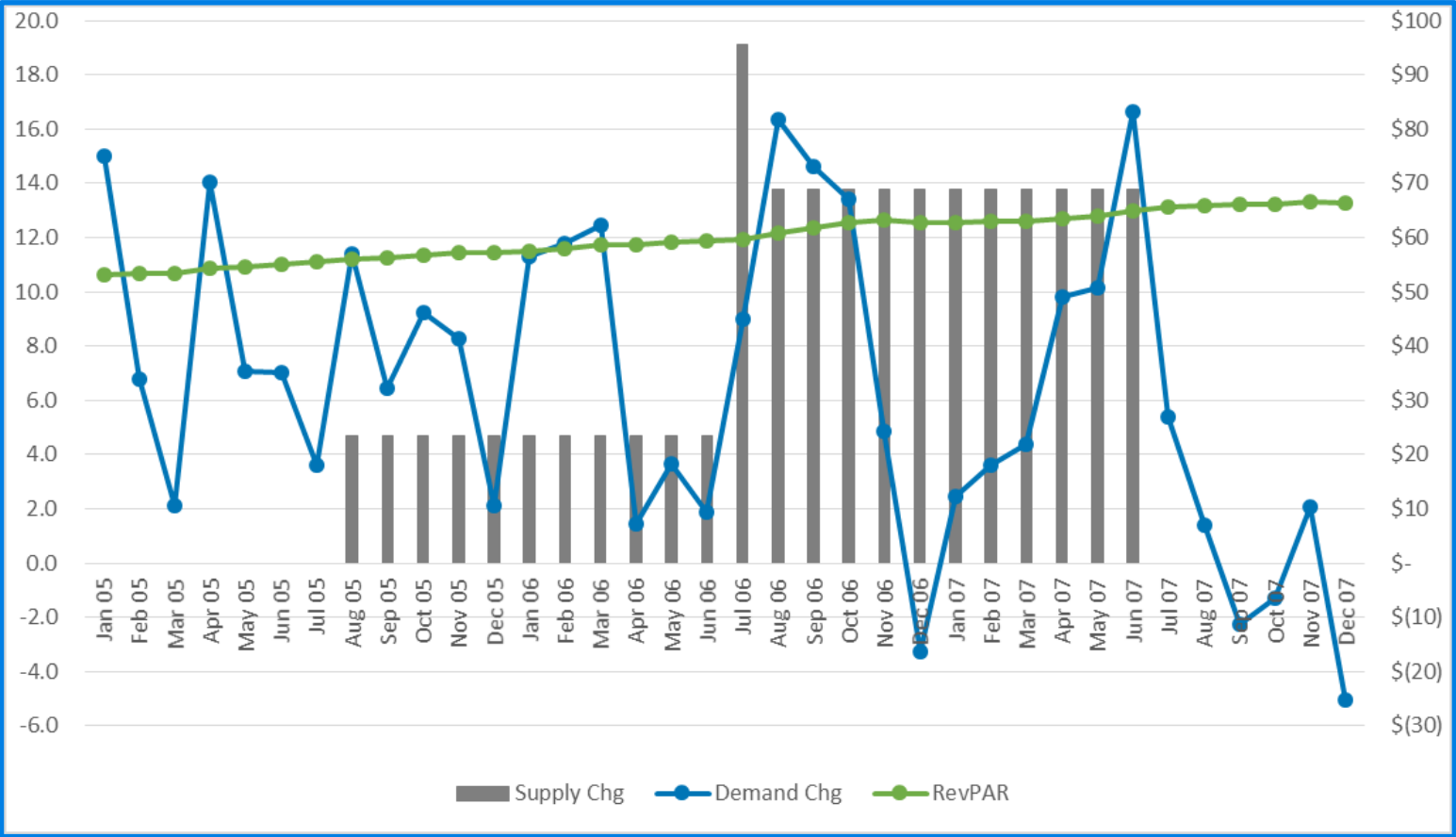
# Demand Grows When Supply Grows (1997-2000)



Note: RevPAR data reflect each month's trailing 12-month average.



# Demand Grows When Supply Grows (2005-2007)



Note: RevPAR data reflect each month's trailing 12-month average.



# Schaumburg Has PentUp Demand

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Apr - 15	37.9	73.0	87.5	80.8	71.1	71.8	68.7
May - 15	55.4	70.1	83.1	83.8	66.5	71.2	80.0
Jun - 15	51.6	81.2	87.3	92.0	76.3	72.9	78.0
Jul - 15	59.8	78.1	85.5	78.4	76.9	89.3	93.7
Aug - 15	48.9	70.9	83.6	84.3	75.6	74.1	83.5
Sep - 15	54.6	69.0	78.4	78.8	70.7	73.3	79.7
Oct - 15	49.3	77.7	87.3	84.7	67.0	63.7	70.9
Nov - 15	39.8	60.6	64.6	68.3	61.6	64.7	66.1
Dec - 15	37.1	49.3	54.4	51.6	50.6	43.7	54.0
Jan - 16	31.2	50.0	57.5	57.6	43.4	41.6	45.7
Feb - 16	39.3	54.1	64.3	64.6	48.0	50.6	60.6
Mar - 16	39.1	61.3	67.4	69.4	59.2	68.4	74.3






Occupancy
Over 90%
Over 80%
Over 70%



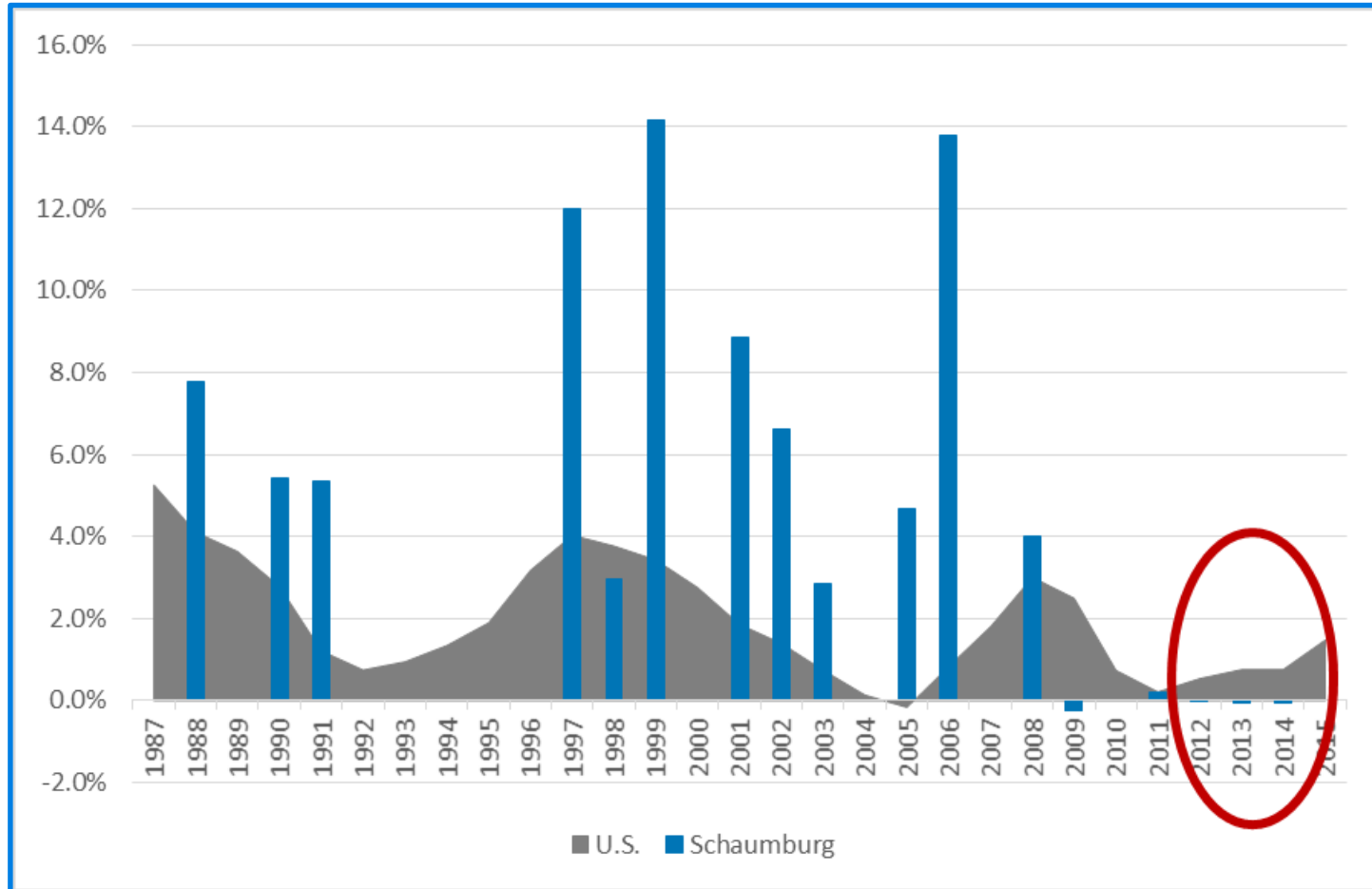


# Is More Supply Good or Bad?

## It Depend On Your Perspective

-  If you own an older hotel and you don't want to renovate, then new competition can be bad.
-  If you own a new hotel with excellent branding and location advantages, then it's not so bad.
-  If you're a business traveler or leisure visitor to Schaumburg, then more competition is good!
-  If you work at a hotel, then more hotels means more jobs and that's good!
-  If you do sales and marketing for conventions, sporting events, or other groups, then more supply is good!
-  If you're a taxpayer and you want to see the property tax base increase on someone other than you, then more hotels are good!
-  If you want to see hotel and motel tax collections increase, then more hotels are good!

# Supply Growth Is Highly Cyclical



# Can You Prevent New Supply Growth?

No, probably not. Here's Why:

1. Industry Rule of Thumb: If top hotels are performing above 70% occupancy then new supply is likely to follow.
2. Especially if good brands are available and occupancies are above 70%, then new supply is likely to follow quickly.
3. If a hotel is losing a desirable flag during an economic expansion, then someone will likely pursue that franchise.
4. During this part of the economic cycle, top hotel companies, like IHG, can push to replace old inventory with new product because we're in the midst of a "franchisor's market".
5. If an owner of an older hotel doesn't want to make major upgrades, then (in the current environment) it's easy for IHG to find a developer willing to build new construction

IF YOU DON'T BUILD IT, SOMEONE ELSE WILL

# What Can You Control?

Influence Who Gets  
Tax Benefits

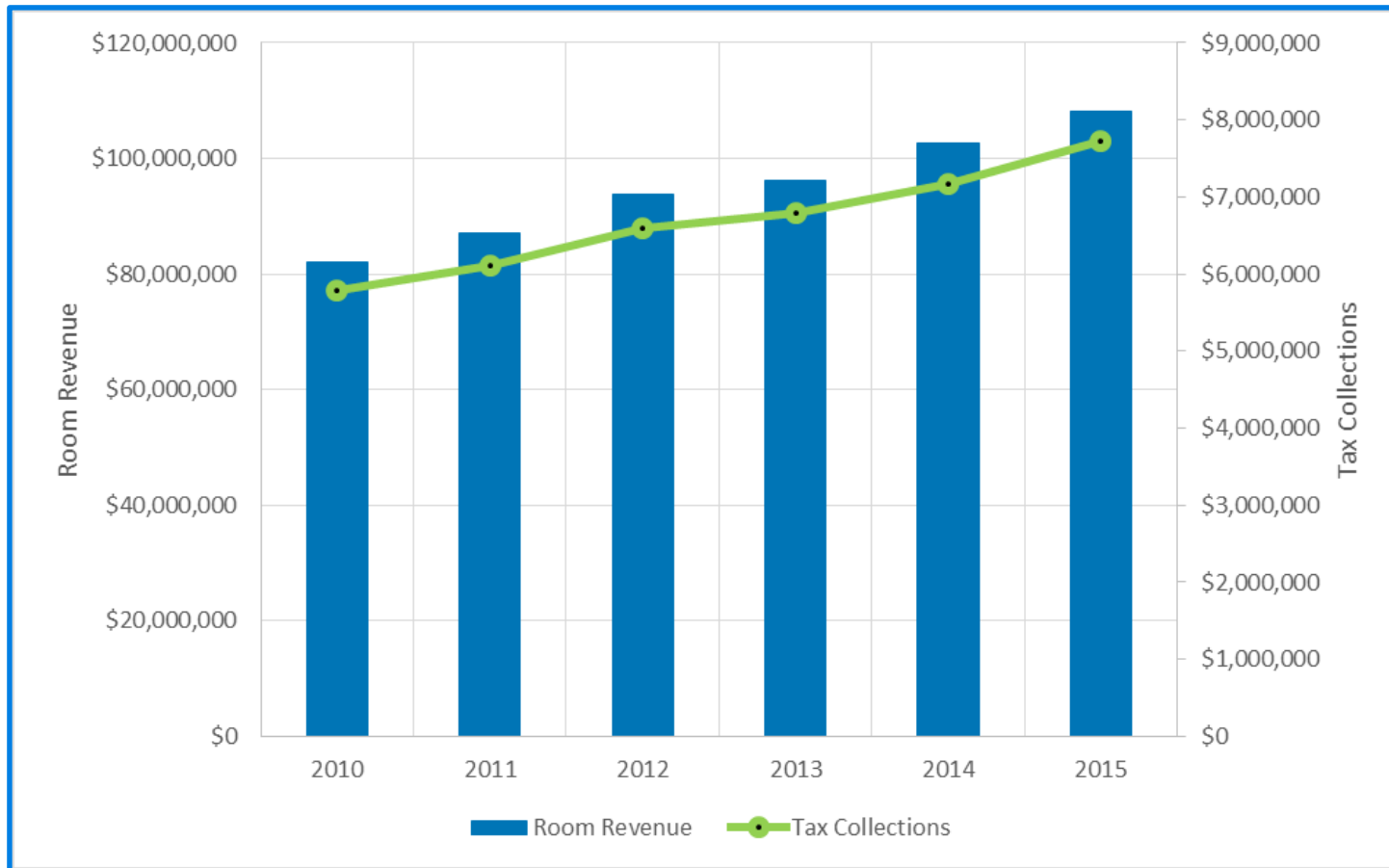
Influence +/- Impact on  
Occupancy

Influence +/- Impact on  
Quality & ADR

Even though you can't stop new supply, there's a lot you can still influence:

1. Where will the new supply locate?
  - Schaumburg
  - Rolling Meadows, Itasca, Arlington Heights?
  - Somewhere Else?
2. How many guestrooms?
  - Equity Roots Plan:  $95 + 87 = 182$  rooms
  - Brand Prototypes:  $146 + 107 = 253$  rooms
  - Something Bigger?
3. What about design quality?
  - Equity Roots Plan: modern, dual-branded design
  - Something Inferior?

# Historical Lodging Tax Collections (1990-2015)



# Supply & Demand Appears Correlated

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$$\text{Demand} = (0.54 \times \text{Supply}) + (2,252 \times \text{ADR}) - 65,860$$

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