

Lodging experts see U.S. hotel rates falling in '10

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(Reuters) - U.S. lodging experts forecast another year of declines for hotel room rates and profitability as the industry continues to grapple with weak demand and a growing supply of new rooms.

Lifestyle

Data firm Smith Travel Research forecast a 3.2 percent drop in both room rates and revenue per available room (RevPAR) for 2010.

"Room rate recovery will be protracted," Mark Woodworth, president of PKF Hospitality, told the Americas Lodging Investment Summit on Monday. "

The projected declines come after the lodging industry suffered one of its worst years. RevPAR fell an unprecedented 16.7 percent in 2009, while room rates slumped 8.8 percent, according to STR data.

Hotel operating companies responded to the downturn by cutting room rates in an attempt lure both vacationers and corporate customers. The sharp decline in room rates, known as the Average Daily Rate (ADR), remains a major stumbling block for the industry's recovery.

Of particular concern is the decline in business from groups and associations, which tend to book rooms months and years in advance. Losses in demand in this group has hurt hotels' ability to gauge performance in the months ahead.

"Our portfolios saw unprecedented group declines," Edward Walter, chief executive of Host Hotels & Resorts, said at a panel. "That's one thing that we used to prop up our performance."

Adding to worries is the projected 1.8 percent increase in the supply of new hotel rooms, which may further depress rates, Lomanno said.

Still, he said, hotels should consider a more "aggressive pricing strategy" for there to be a sustained recovery in the industry.