

HOTEL WORKERS RISING!



lifting one another above the poverty line

Hotel Industry Fact Sheet

Behind the headlines of a steep downturn in hotel revenues this year is the picture of an industry that is very profitable over time.

A profitable industry

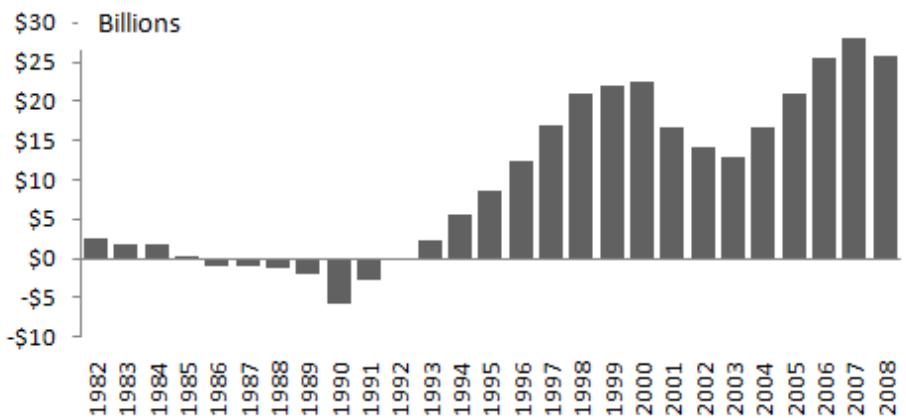
The US hotel industry is a cyclical business that reacts to the health of the overall economy. It has seen a number of ups and downs since the early 1990s. Through all this time, however, it has remained fundamentally profitable.

Over the past decade, the industry as a whole has generated over \$200 billion in profits. Not since 1991 has the industry lost money on the whole, *not even during the downturn after September 11th*.

There are hotel owners and companies that took on too much risk in the boom years of this cycle, borrowing too much and paying too much to buy hotels. Their speculation has turned bad, and some number of hotels will fall into distress as a result. They are not the norm in the hotel industry.

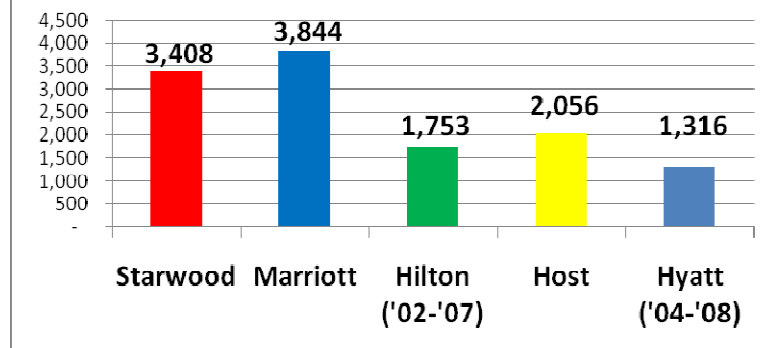
The bellweather hotel companies, who have experienced downturns before, have generated billions in profits since 2001, and many were profitable during the first two quarters of 2009 when the recession was at its worst.

Hotel industry profits (1982-2008)



Sources: Smith Travel Research, PriceWaterhouseCoopers

**Cumulative Profits in Millions
2002-2008**



Net Income, Millions	2008	2009 (Q1-2)
Starwood	329	140
Marriott	362	14
InterContinental	262	60
Hyatt	168	-36

Squeezing Hotel Workers

The hotel industry has maintained its fundamental profitability by squeezing workers. As travel began to shrink in late 2008, hotel companies responded quickly by laying off thousands of workers nationwide, and cutting back the shifts of others. According to Goldman Sachs, "Expense reductions have been so dramatic at both the property and corporate level that even a modest pick up in RevPAR growth should lead to outsized profit gains." (Goldman Sachs, 8/9/2009)

For two decades, hotel companies have seized on economic downturns as an opportunity to extract more out of their workers.

In fact, since the late 1980s, corporations have steadily reduced the number of workers employed to provide service to guests. In 1988, nearly 71 workers were employed to service 100 occupied guestrooms. Last year, that number was down to 53 – a 25% reduction. During this time, hotels have added more amenities and heavier linens to the rooms – increasing the workload, even as the number of workers doing it has fallen.

Rebound will be hearty

Since the 1930's, hotel revenues have grown in the U.S. at an 8% compound annual growth rate. This hotel cycle will turn, and "the magnitude of forecast recovery will be exceptionally robust" according to PKF Hospitality Research.

PKF predicts that the recovery will take hold in 2010 in many major markets and that annual RevPAR, a key industry metric, will rise more than 9% in each of 2011 and 2012. In San Francisco, Chicago and Los Angeles, RevPAR is projected to rise even higher than 9% in those years.

In a promising sign, Hyatt Hotels Corporation, a major owner and operator of U.S. hotels, registered in August to sell approximately \$1 Billion of company stock to public investors in the coming months.



"The data implies hotels are forced to improvise when faced with tough times. Moreover, the bulk of the efficiencies in staffing levels appear to be retained when market conditions improve."
Wachovia Capital Markets 5/28/09

"... the magnitude of forecast recovery will be exceptionally robust."
PKF Hospitality Research, 6/10/2009

"We are reiterating our bullish call on the hotel stocks."
Goldman Sachs, 8/10/2009

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