The Hotel Industry: The United States, Virginia And Hampton Roads

THE HOTEL INDUSTRY: THE UNITED STATES, VIRGINIA AND HAMPTON ROADS

Do not forget to show hospitality to strangers.
– Hebrews 12:2

This chapter presents a long-term, 25-year look at the economic performance of the hotel industry in Virginia and Hampton Roads.[1] How important is the hotel industry to us? The candid answer: not as important as it used to be. **Table 1 reports hotel room revenue as a percentage of total personal income in the United States, Virginia and Hampton Roads in selected years. It is evident that hotel room revenue as a share of personal income generally declined in all three geographic areas between 1991 and 2001.** However, the share of hotel room revenue to personal income bottomed out in the United States in 2009, but continued to fall in Virginia and Hampton Roads until 2013, when modest recovery began.

Is Airbnb.com responsible for some of this deterioration? Almost certainly (though data to demonstrate this are scarce). A July 2, 2016, examination of Airbnb's offerings in Virginia Beach revealed that more than 300 properties were available for rent.[2] However, Table 1 also reveals that the relative decline in importance of the hotel industry began well before Airbnb was founded in 2008.

Why has the hotel industry fared so poorly in Virginia and Hampton Roads? The short answer is that the Great Recession of 2008 reduced the financial ability of people to travel and stay in hotels. This was compounded several years later by the federal government spending limits that were imposed by the congressional sequestration agreement (versions of which are still in effect). Both Virginia and Hampton Roads are notably dependent on federal spending, especially defense spending, and this has had a visibly negative influence on the hotel industry.

TABLE 1

HOTEL REVENUE AS A PERCENT OF TOTAL PERSONAL INCOME IN THE UNITED STATES, VIRGINIA AND HAMPTON ROADS, 1991 TO 2015

	U.S.	Virginia	Hampton Roads
1991	0.887	0.918	1.208
2001	0.871	0.881	1.127
2007	0.896	0.902	1.092
2009	0.765	0.819	0.987
2010	0.795	0.820	0.944
2013	0.867	0.762	0.883
2014	0.904	0.784	0.901
2015	0.930	0.807	N/A

Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Economic Analysis; and the Center for Economic Analysis and Policy at Old Dominion University

1 Not included in our analysis are travelers staying in non-hotel accommodations such as campgrounds, time-shares and private vacation rentals, or those who stay with friends and relatives. Also not included are expenditures that travelers make at businesses, restaurants and places of entertainment.
2 www.airbnb.com/s/Virginia-Beach--VA?s_tag=ZclJyHG2.

Where did we obtain our data? We have three primary sources. Smith Travel Research (STR) data are used for hotel lodging revenue, demand and supply of hotel rooms, as well as associated measures of performance of the hotel industry. Data on personal income come from the Bureau of Economic Analysis of the U.S. Department of Commerce. Consumer price index (CPI) data come from the Bureau of Labor Statistics of the U.S. Department of Labor. When we convert nominal dollars to "real" dollars, we use 1982-84 as our base.

How Has The Hotel Industry Been Performing Nationally?

We will measure performance using three metrics: (1) total hotel revenue, (2) revenue per available room (REVPAR) and (3) occupancy rates.

(1) Total Hotel Room Revenues in the United States

- Hotel room revenues, unadjusted for inflation, more than tripled from $44.9 billion in 1991 to $142.5 billion in 2015, or 217 percent (see Graph 1). However, in real terms, adjusting for inflation, hotel revenues increased by only 82.5 percent during the 25 years.
- Nominal room revenue increased by an average of 4.7 percent per year during this time period, but real room revenue increased by only 2.4 percent per year; prices during this time period increased by an average of 2.2 percent per year.
- **The hotel industry was severely affected by the Great Recession. Real hotel revenue declined from a peak of $51.85 billion in 2007 to $43.09 billion in 2009. It took the industry another four years to recover these revenue losses.** Since then, things have improved noticeably: Real, inflation-adjusted hotel room revenues increased from $52.3 billion in 2013 to $60.15 billion in 2015 (14.9 percent).

(2) Revenue Per Available Room (REVPAR) in the United States

- Profitability is the best measure of the prosperity of a particular hotel or the hotel industry, but profitability data are not available for the market segments in which we are interested. Next best is the revenue earned by hotels per available room (REVPAR) because it is a measure that incorporates both supply and demand influences.
- REVPAR nationally increased from $36.10 in 1991 to $78.62 in 2015 – 117.8 percent. How much of this increase was due to general price inflation? All but 25.1 percent, which is what remains after deflating REVPAR by the CPI. This translates to a rather small increase of only 0.9 percent annually. During the Great Recession, real, inflation-adjusted REVPAR declined from $31.64 in 2007 to a low of $24.96 in 2009. It was not until 2015 that real REVPAR had risen to $33.17 and surpassed its previous 2007 peak (see Graph 2).

(3) Hotel Occupancy Rates in the United States

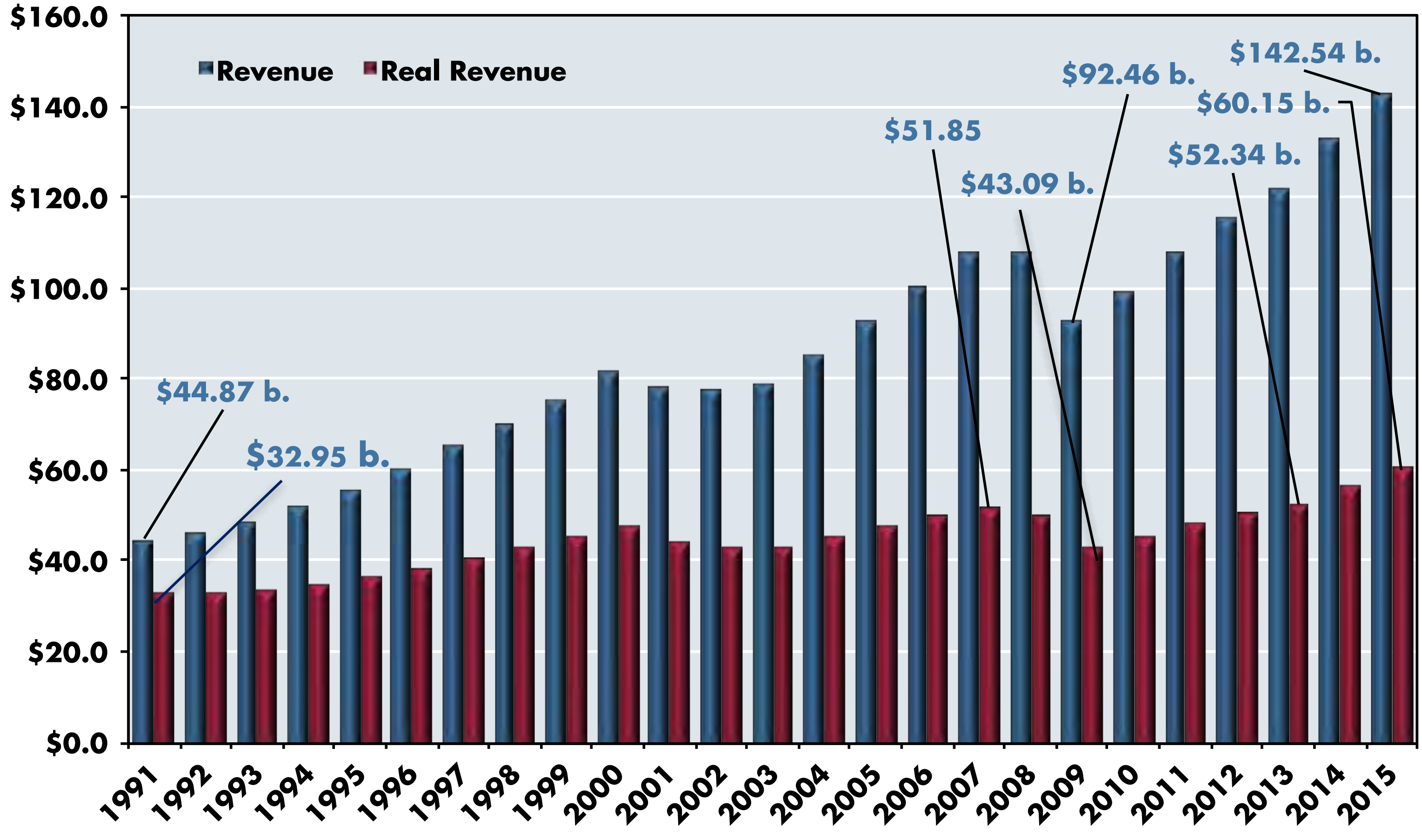
- The average occupancy rate for hotels in the United States approximated 62 percent between 1991 and 2015. However, occupancy rates declined substantially during the Great Recession – the occupancy rate fell from 63.2 percent in 2006 to only 54.6 percent in 2009. It was not until 2014 that occupancy rates exceeded their 2006 level. The good news for the hotel industry is that the 2015 occupancy rate reached an all-time high – 65.5 percent (see Graph 3).

NATIONAL HOTEL INDUSTRY DYNAMICS

- The Great Recession is the major reason for the decline in the performance of the industry between 2007 and 2009. Demand for hotel rooms began to recover in 2010 and has continued to increase steadily since then.
- The slackening of demand during the recession was compounded by a substantial increase in the supply of hotel rooms. Between 2006 and 2010, the supply of hotel rooms increased by 8.4 percent. Since then, the supply has been fairly stable, increasing by less than 1 percent each year between 2010 and 2014 and by only 1.1 percent in 2015 (see Graph 4).

GRAPH 1

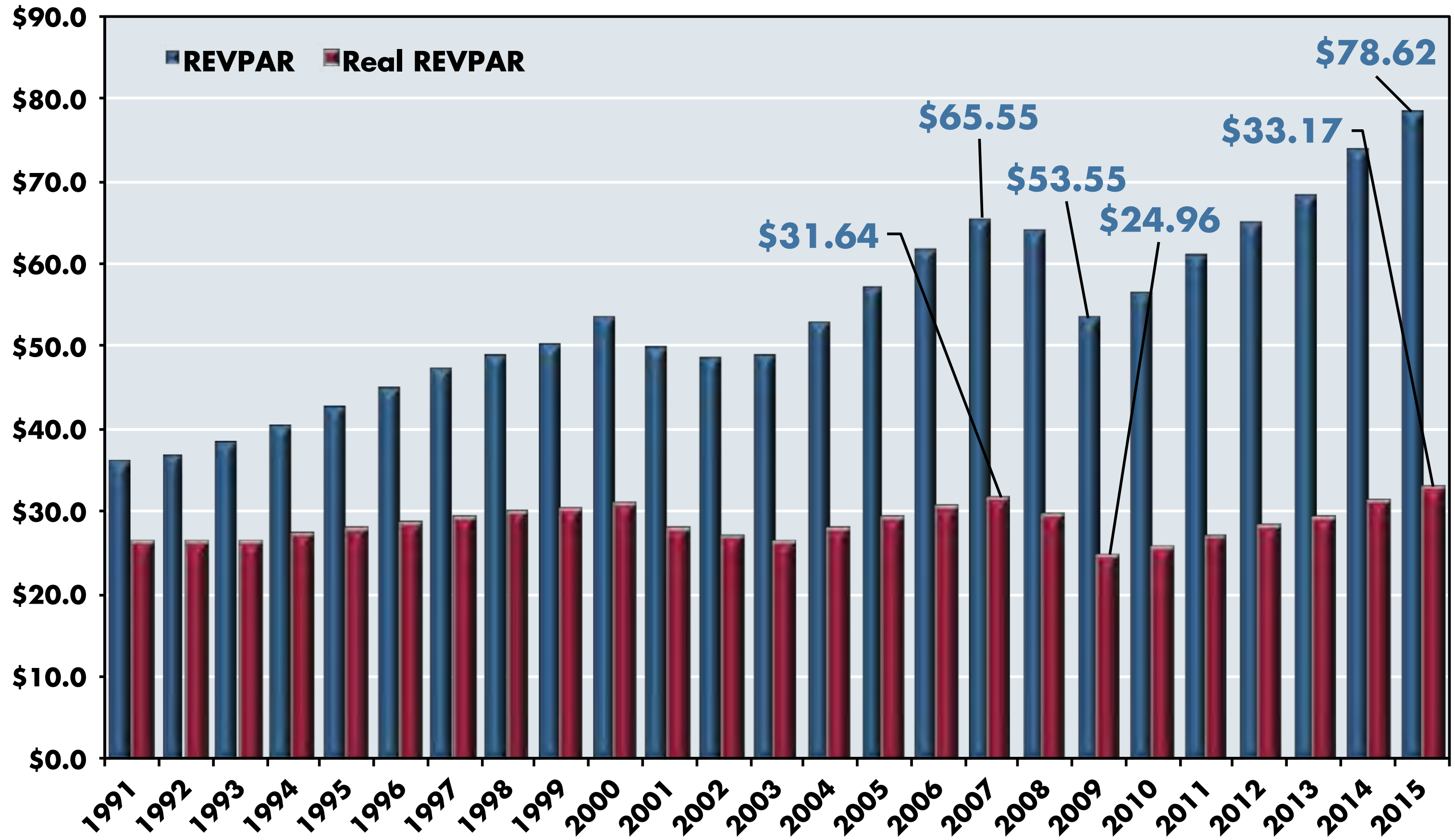
HOTEL REVENUE IN THE UNITED STATES, 1991-2015 (BILLIONS OF $)



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 2

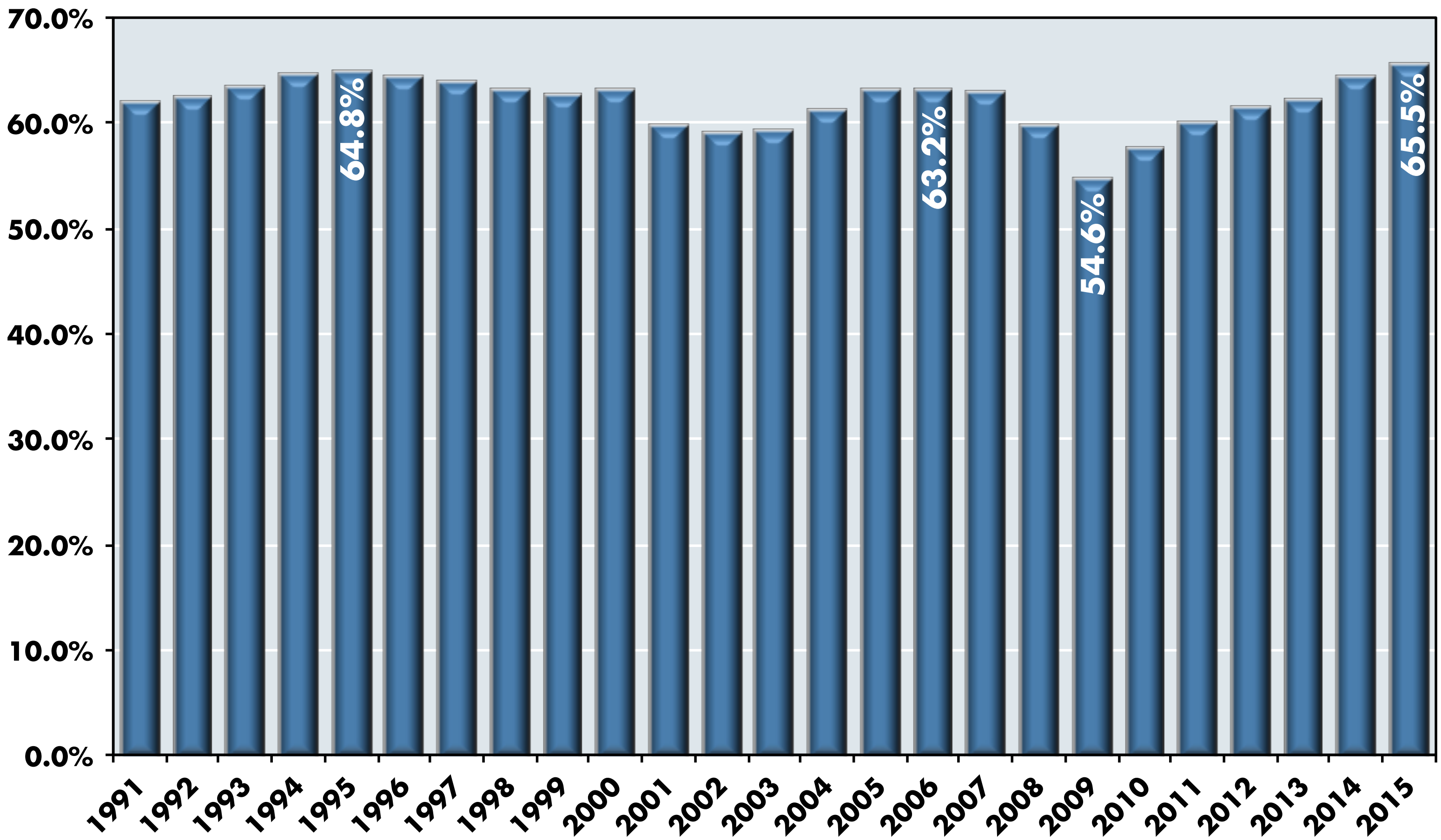
REVENUE PER AVAILABLE ROOM (REVPAR): UNITED STATES, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 3

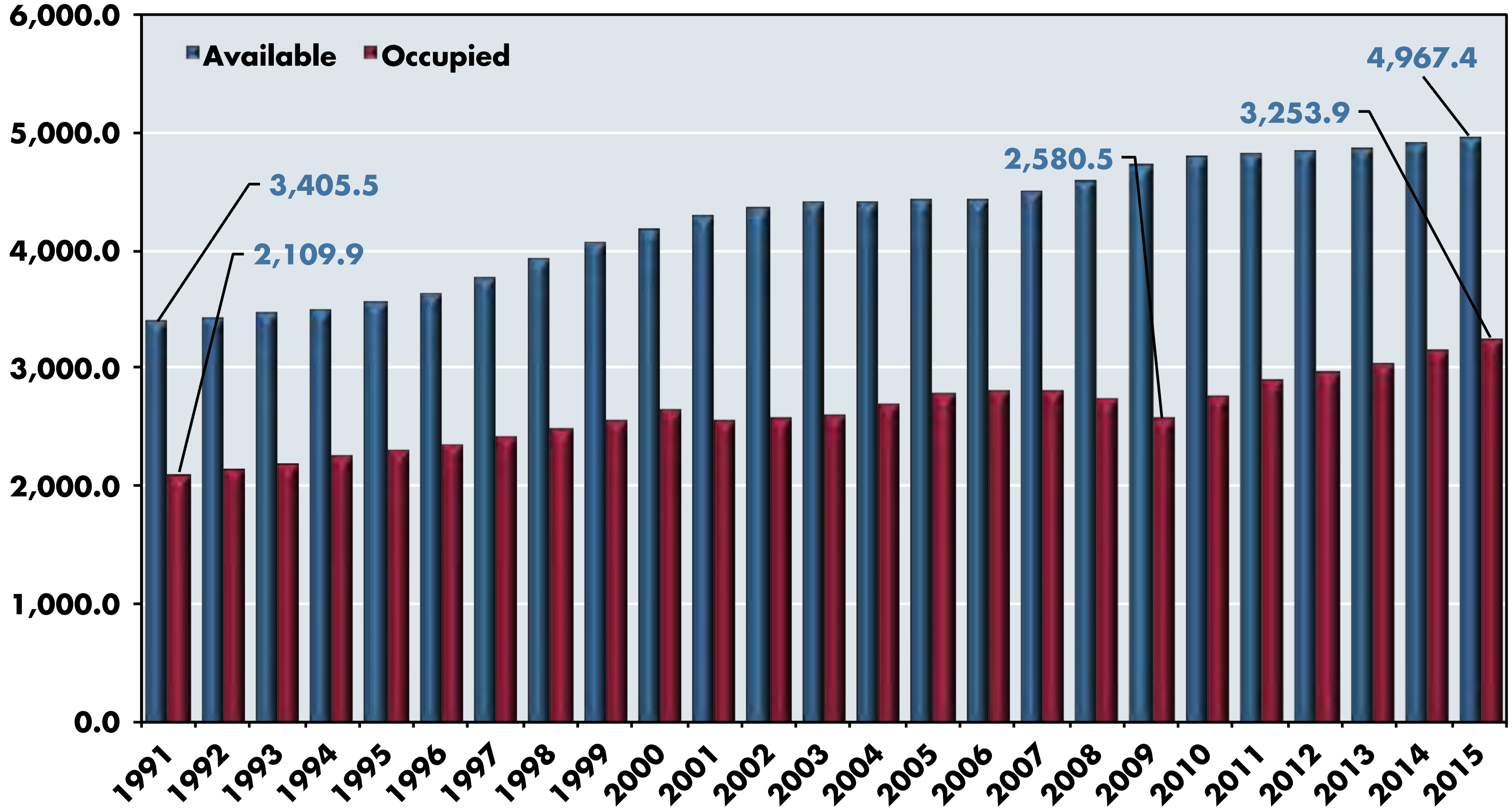
HOTEL OCCUPANCY RATES IN THE UNITED STATES, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 4

AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN THE UNITED STATES, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

How Has The Hotel Industry Been Performing In Virginia?

(1) Total Hotel Room Revenues in Virginia

- **If total hotel room revenue is the criterion, then over the past 25 years, the performance of the hotel industry in Virginia has been poor compared to the nation as a whole.** Total hotel room revenue in the Commonwealth increased by 185 percent between 1991 and 2015, but this easily trailed the national increase of 217 percent. When adjusted for inflation, hotel room revenues increased by only 63.5 percent during the same period, once again trailing the national average of 82.5 percent.

- Even though real hotel room revenues increased from $1.32 billion in 2013 to $1.49 billion in 2015 (a 12.87 percent gain), they remain slightly lower than the $1.50 billion peak in 2007 (see Graph 5).

(2) Revenue Per Available Room (REVPAR) in Virginia

- Over the last 25 years, nominal REVPAR in the Commonwealth increased from $32.18 in 1991 to $63.99 in 2015, or 98.9 percent. However, real, inflation-adjusted REVPAR increased by only 14.3 percent during the same period, or only 0.5 percent annually. Further, real REVPAR began to decline in 2007 and continued to fall through 2013. Real REVPAR did increase in 2014 and 2015, but remains well below its 2007 peak of $29.86 (see Graph 6).

(3) Occupancy Rates in Virginia

- The occupancy rate of hotels in Virginia averaged approximately 61 percent between 1991 and 2015 — slightly below that of the nation. The Great Recession hammered Virginia hotels and by 2009 their average occupancy rate had fallen to only 54.5 percent. Since then, occupancy rates generally have trended upward. The 2015 rate was 61.6 percent — still below the highs of 62.61 percent in 2005 and 63.51 percent in 1994 (see Graph 7).

VIRGINIA HOTEL INDUSTRY DYNAMICS

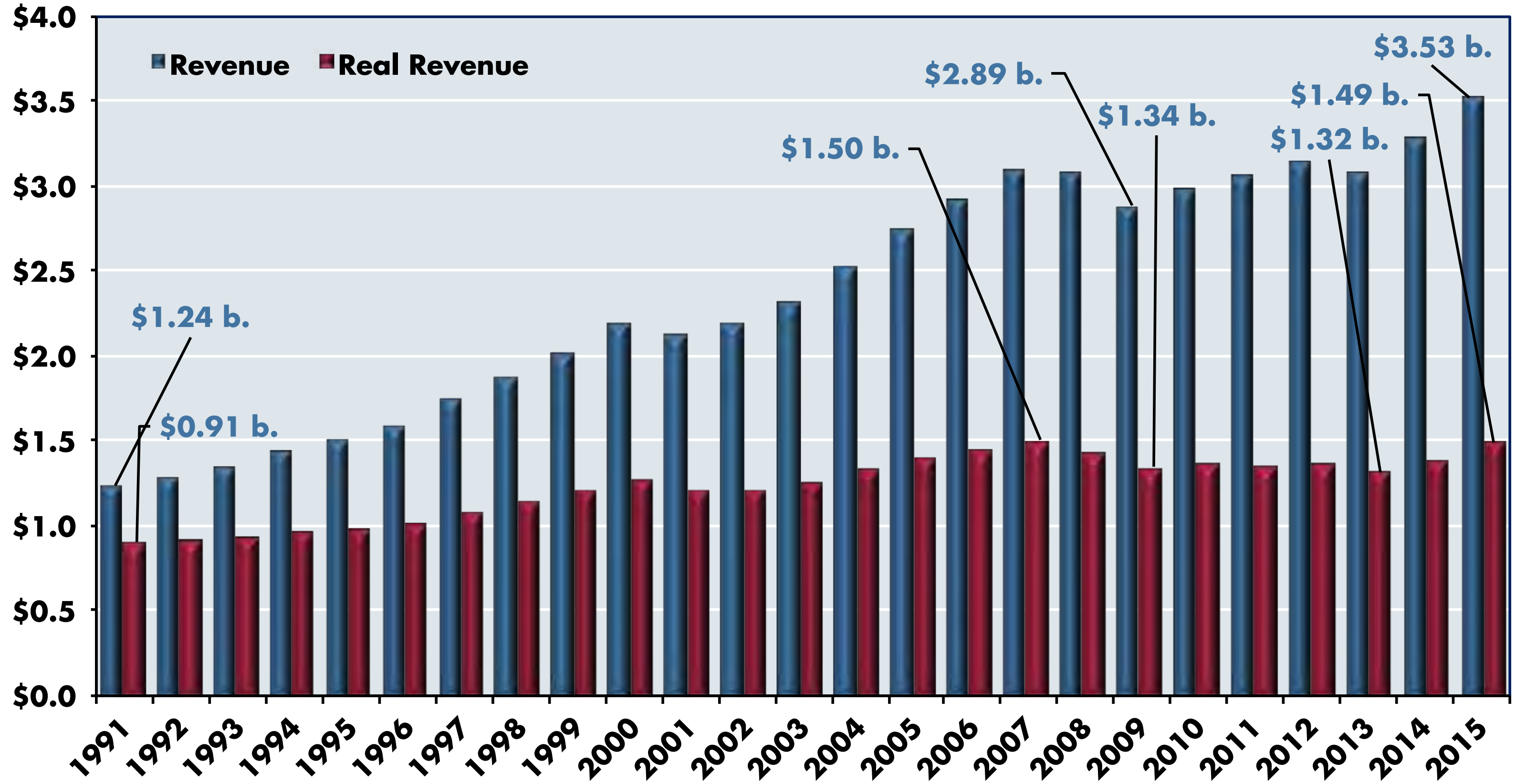
- **There is little mystery attached to the causes of the underperformance of the hotel industry in Virginia in recent years. The combination of the Great Recession plus federal government budget sequestration constituted powerful blows from which the industry has yet to recover.**

- Further, as was true for the United States, a substantial increase in the supply of hotel rooms in Virginia put an additional damper on industry performance. Even while the demand for hotel rooms was declining between 2006 and 2010, the supply of hotel rooms was increasing by 11.4 percent. Since then, the supply of rooms in the Commonwealth has been fairly constant. By the end of 2015, the total supply of hotel rooms in Virginia actually was .05 percent below its 2010 level.

- The good news going forward for the Virginia hotel industry is that the hotel room supply/demand imbalance appears to be diminishing (see Graph 8). Nonetheless, happy days are not likely to return until federal spending in the Commonwealth, especially for defense, revives.

GRAPH 5

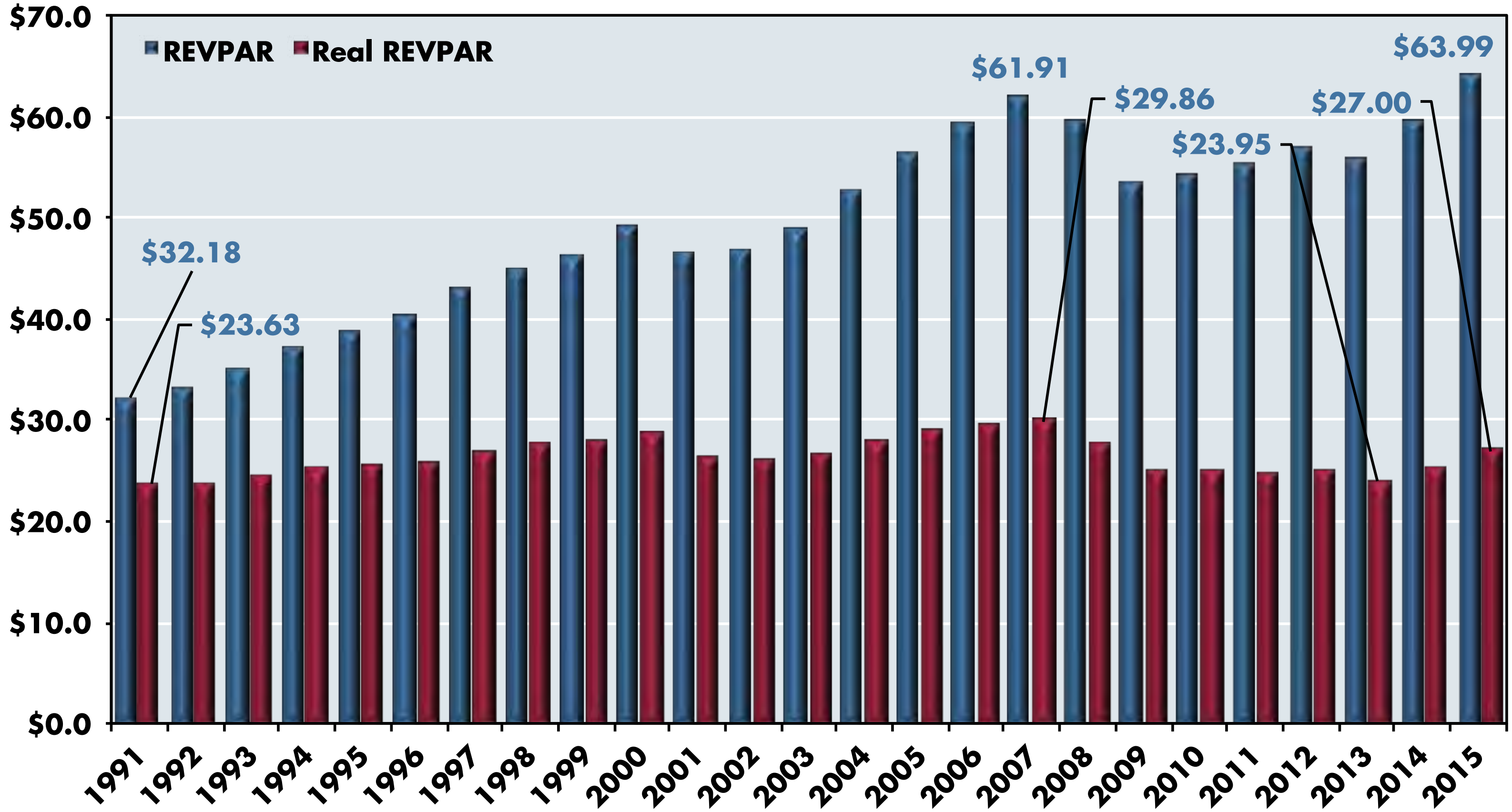
HOTEL REVENUE IN VIRGINIA, 1991-2015 (BILLIONS OF $)



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 6

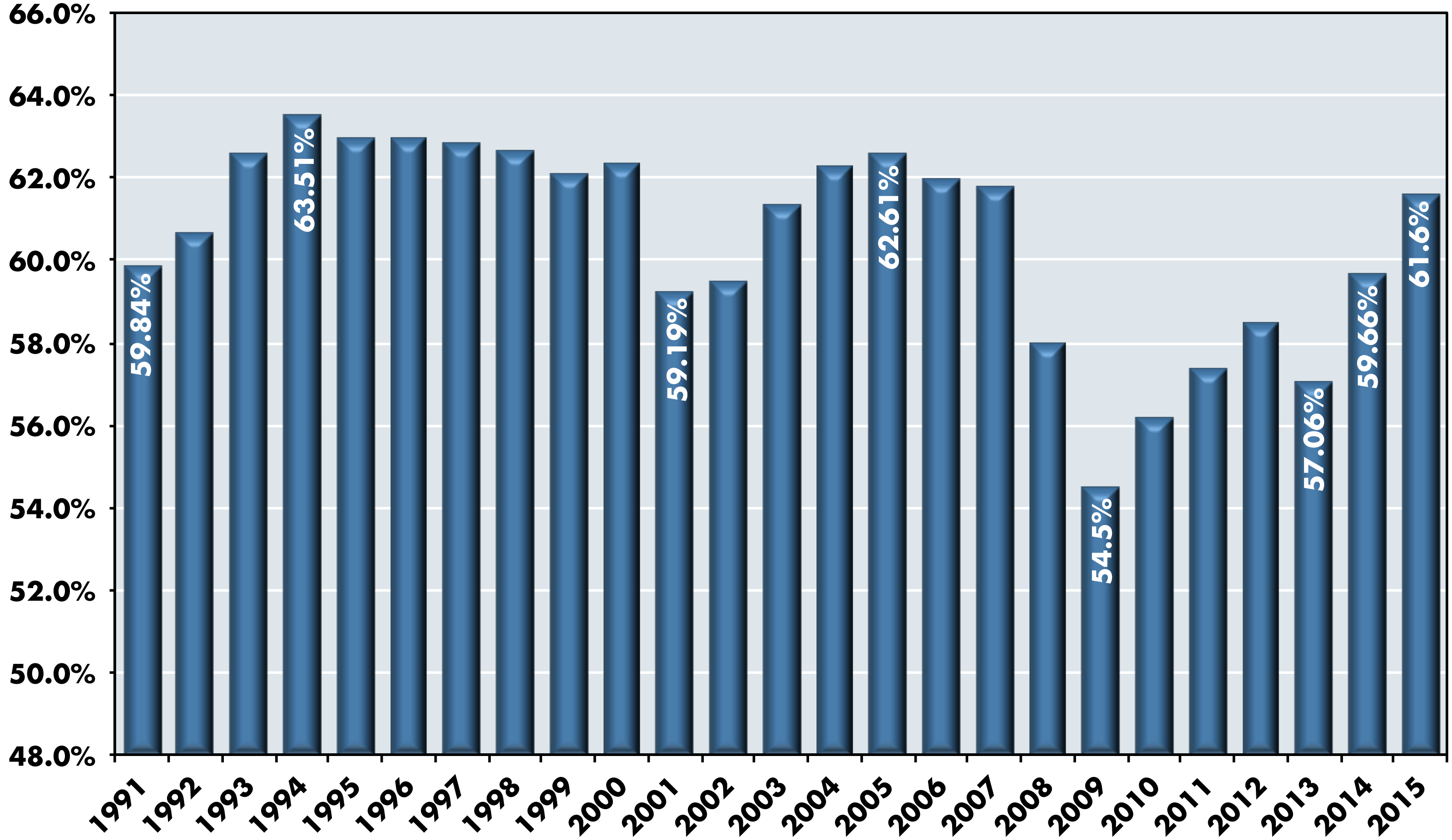
REVENUE PER AVAILABLE ROOM (REVPAR) IN VIRGINIA, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 7

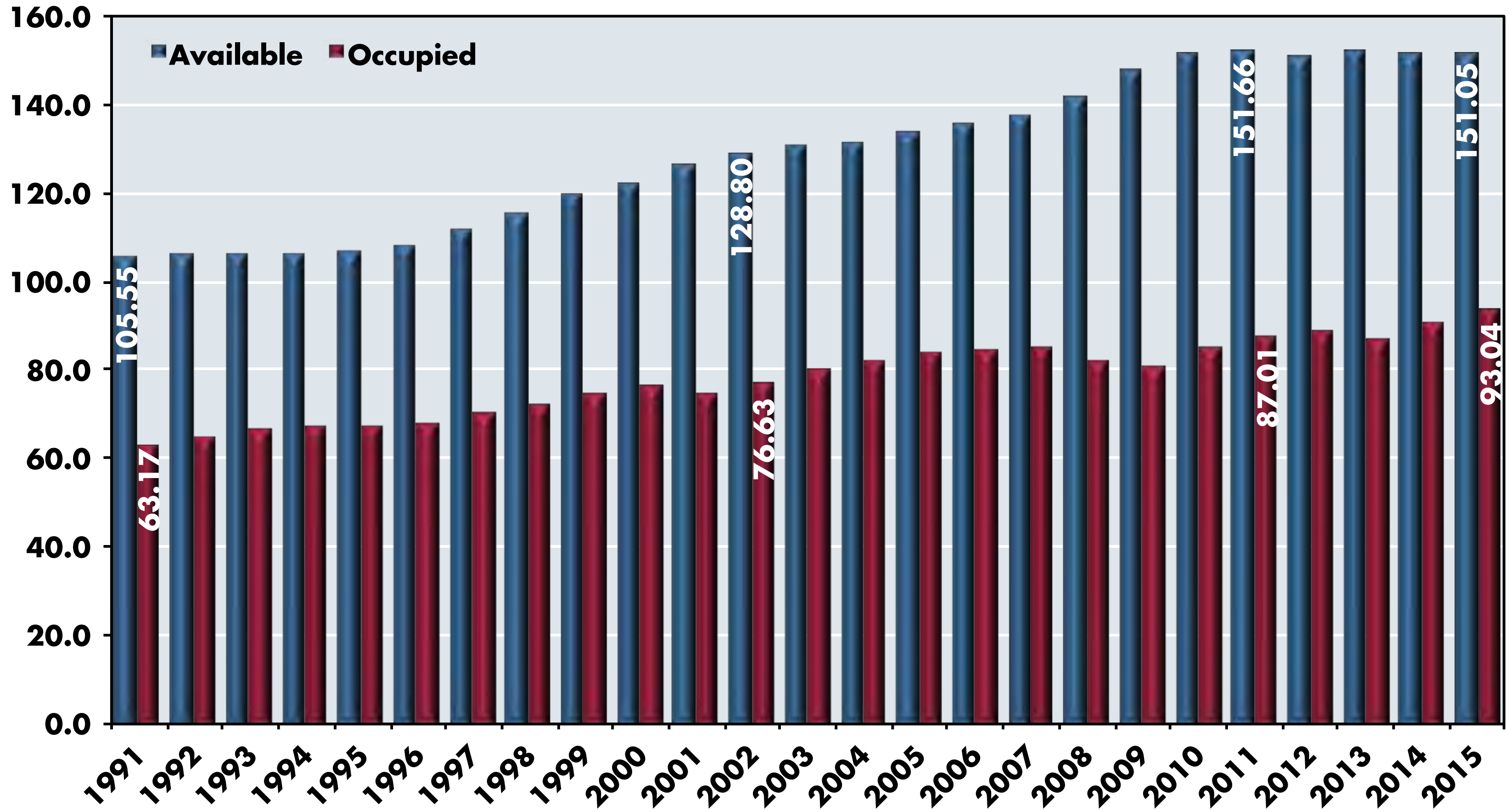
HOTEL OCCUPANCY RATES IN VIRGINIA, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 8

AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN VIRGINIA (000S), 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

How Has The Hotel Industry Been Performing In Hampton Roads?

(1) Total Hotel Room Revenue in Hampton Roads

- If we once again use total hotel room revenue as our criterion, then the performance of the hotel industry in Hampton Roads must be categorized as even worse than that of Virginia during the last 25 years. True, nominal total hotel revenue increased from $347.26 million in 1991 to $744.07 million in 2015 (114.3 percent). Nevertheless, in real terms, total hotel room revenue increased by only 23.1 percent during the 25 years. Compare this to the nation's 82.5 percent increase and Virginia's 63.5 percent increase.
- **The Great Recession and federal financial sequestration constituted powerful blows to the hotel industry in Hampton Roads – ones from which the industry still has not rebounded.** Real hotel revenue declined from a peak in 2007 of $344.12 million to $289.69 million in 2011 – a momentous 15.8 percent decrease that illustrates the significant dependence of Hampton Roads on Department of Defense expenditures. Conditions have improved since then, but only marginally. For 2015, real total hotel revenue of $314 million was still 8.8 percent below its 2007 level (see Graph 9).

(2) Revenue Per Available Room (REVPAR) in Hampton Roads

- The story is much the same for the critical REVPAR variable. Graph 10 reveals that nominal REVPAR has recovered from its recession low of $44.83 in 2010; however, real REVPAR in 2015 was only $22.75, barely above its recession low and dramatically lower than its 2003 high of $26.86. **In fact, over the past 25 years, real REVPAR in Hampton Roads increased only 0.2 percent annually, hardly the sign of a prosperous industry.**

(3) Occupancy Rates in Hampton Roads

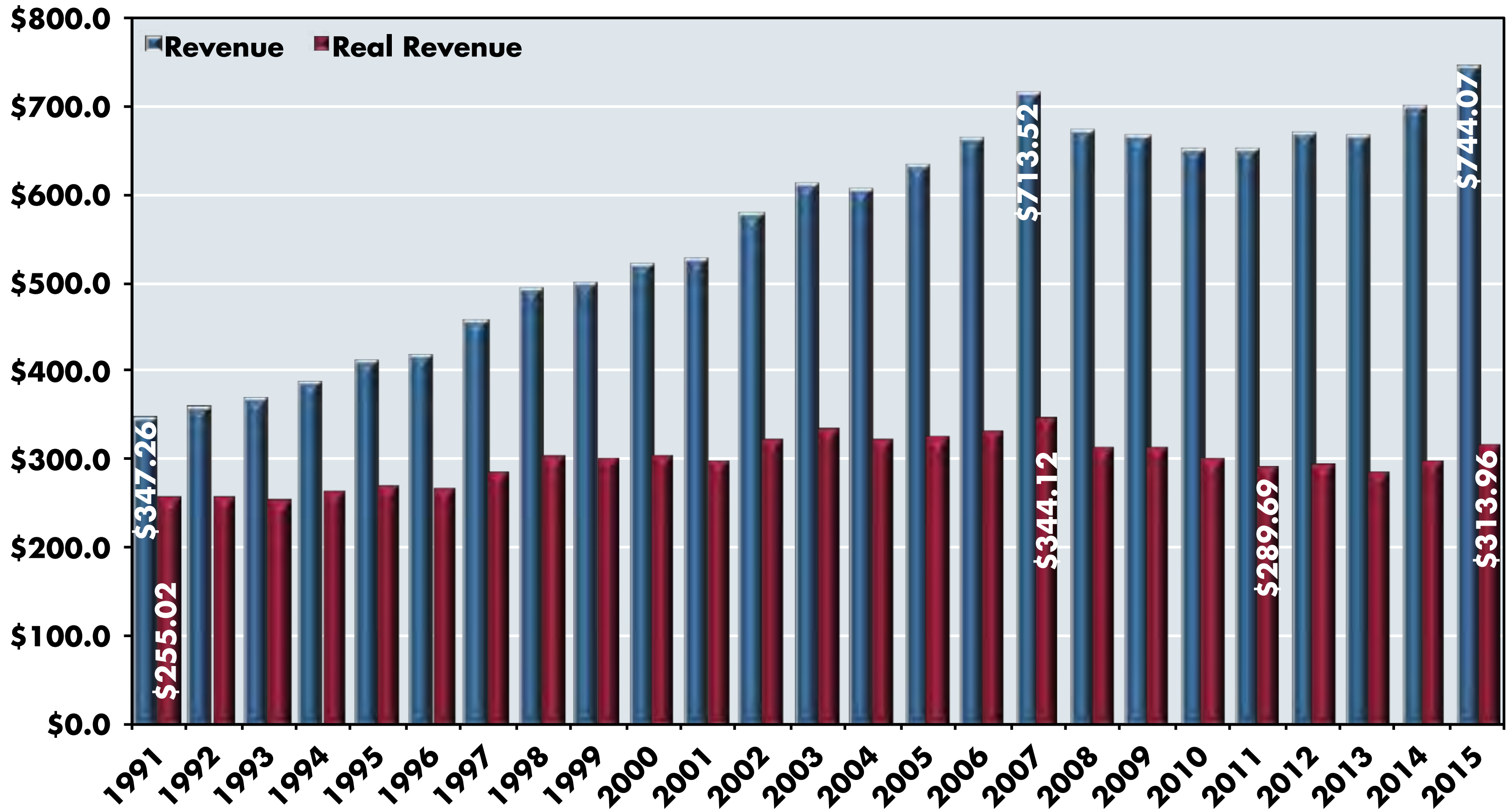
- The occupancy rate for hotels in Hampton Roads peaked in 2003 at 63.01 percent, reached its low at 52.25 percent in 2010 and then recovered to 57.06 percent in 2015 (see Graph 11). This occupancy rate, however, is well below Virginia's 61.6 percent and the national rate of 65.5 percent. Without question, these numbers provide visible evidence that all is not well in the hotel industry in Hampton Roads.
- There is a bit of light on the horizon, however. The number of hotel rooms being supplied by hoteliers in Hampton Roads has declined modestly every year since 2010 (see Graph 12). The supply/demand imbalance that led to poor REVPAR and occupancy numbers gradually is being addressed, and ultimately this augurs well for improved industry profitability.

HAMPTON ROADS HOTEL INDUSTRY DYNAMICS

- Hampton Roads is a microcosm of the Commonwealth and the nation in terms of the causes of its hotel industry distress. The Great Recession and torpid defense spending are the major culprits. Alas, recent economic growth numbers for Virginia have not been encouraging and congressional spending sequestration is likely to continue. This does not bode well for Hampton Roads. However, the region does appear to be working its way out of the supply/demand imbalance for hotel rooms, which reached its peak in the region in 2009 and 2010. If this trend continues, then it will improve both REVPAR and occupancy rates for hotel rooms in Hampton Roads.

GRAPH 9

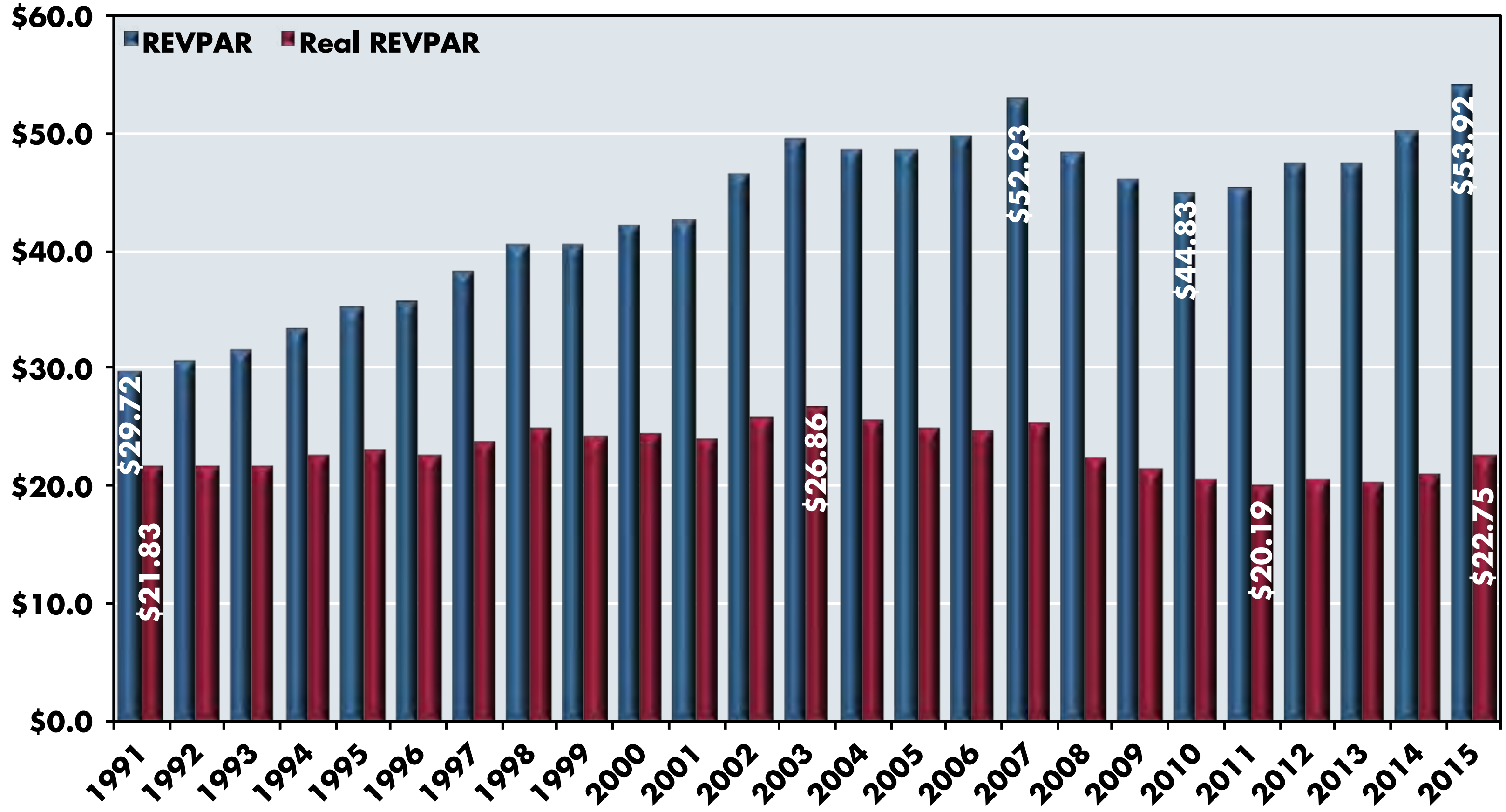
HOTEL REVENUE IN HAMPTON ROADS, 1991-2015 (MILLIONS OF $)



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 10

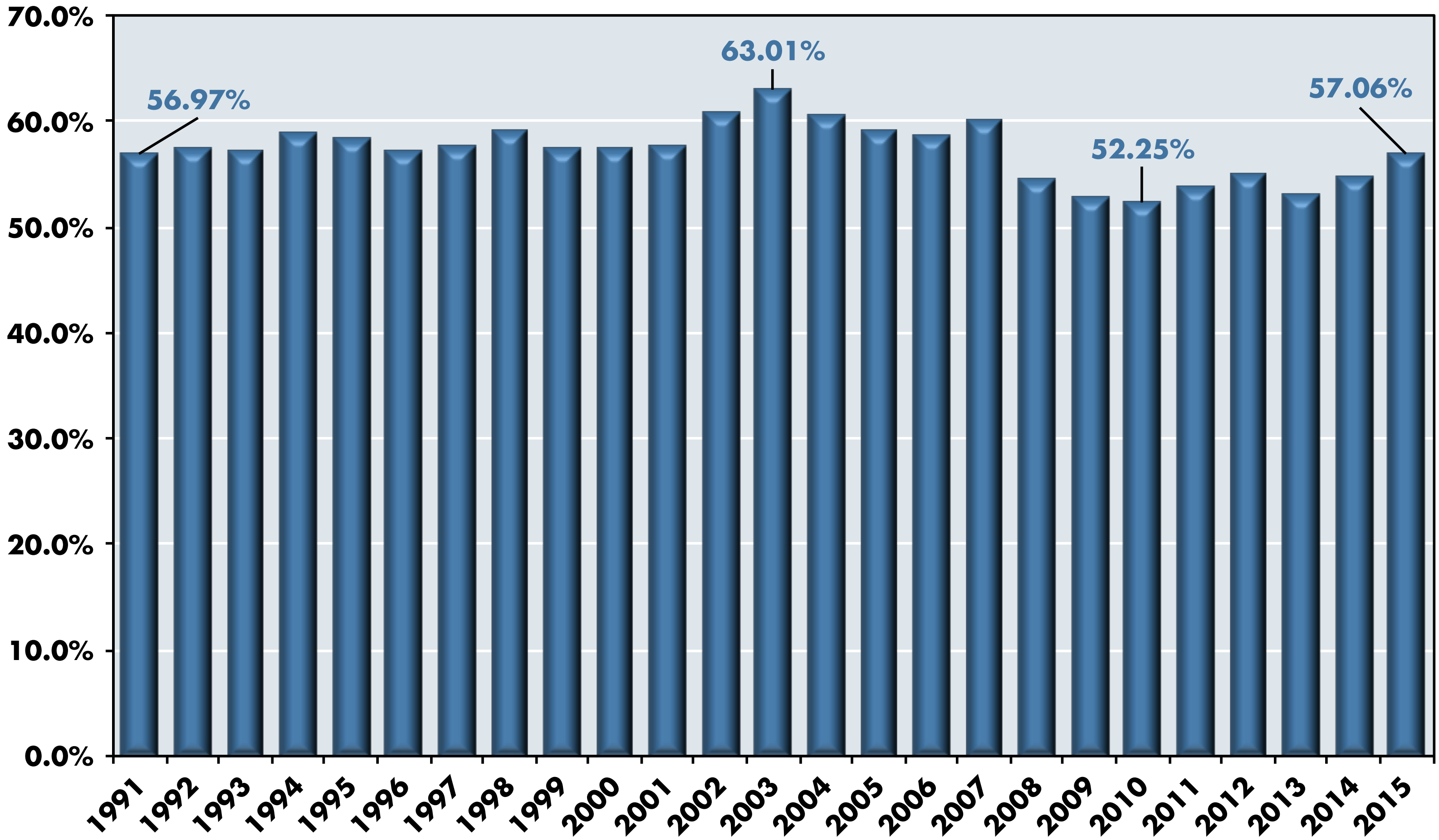
REVENUE PER AVAILABLE ROOM (REVPAR) IN HAMPTON ROADS, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 11

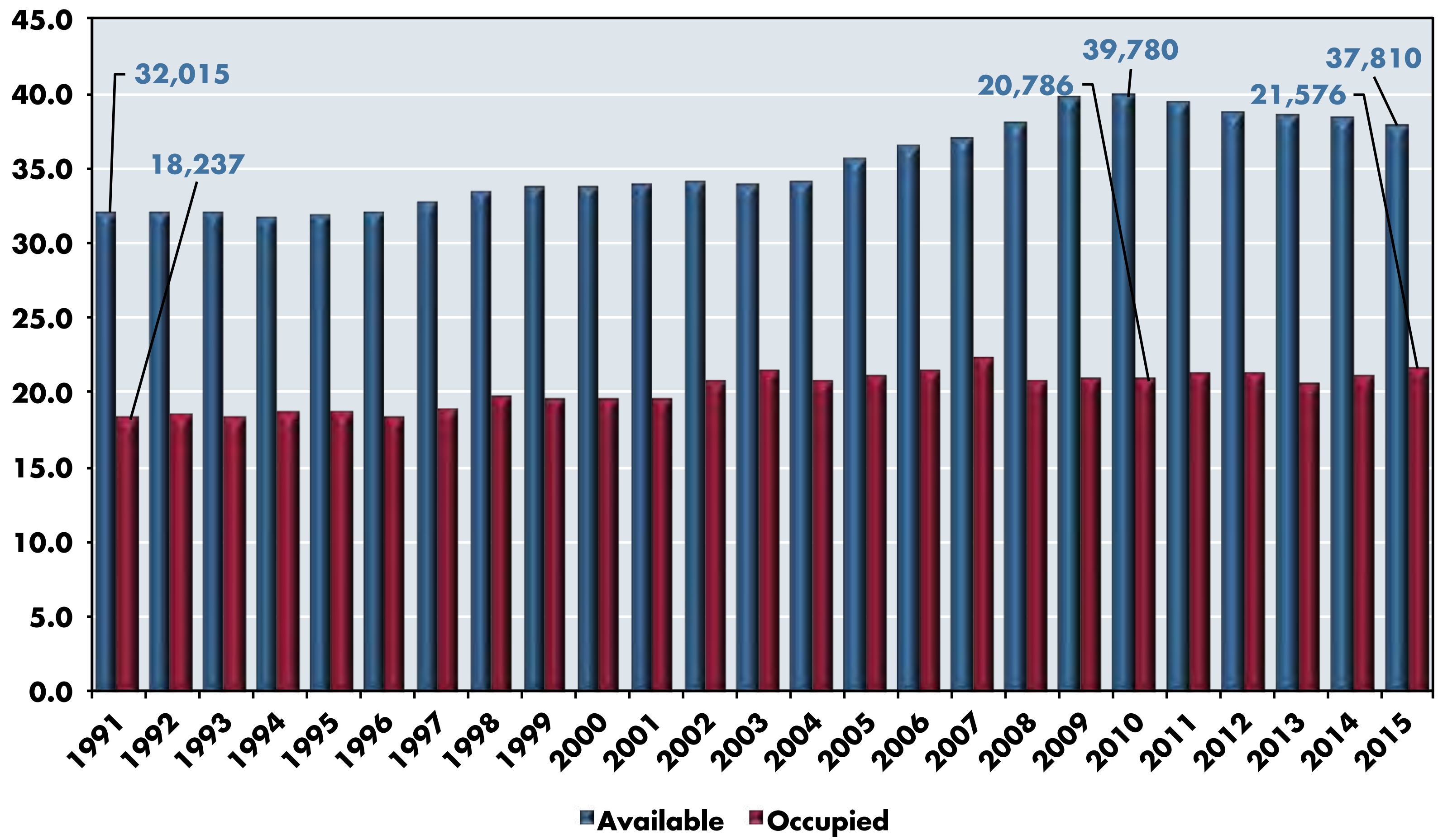
HOTEL OCCUPANCY RATES IN HAMPTON ROADS, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 12

AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN HAMPTON ROADS (000S), 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

Hotel Performance In Submarkets Inside Hampton Roads

- Smith Travel Research divides the Hampton Roads market into five separate submarkets: Chesapeake/Suffolk, Newport News/Hampton, Norfolk/Portsmouth, Virginia Beach and Williamsburg, which includes the city of Williamsburg, James City County and York County and often is referred to as the Historic Triangle. Examination of total hotel room revenue data between 2000 and 2015 reveals that the Williamsburg and Norfolk/Portsmouth market segments have experienced declines in their relative shares of the total Hampton Roads market (see Graph 13). Williamsburg's market share declined from a healthy 30.6 percent in 2000 to only 19.5 percent in 2015. Norfolk/Portsmouth's market share declined more modestly, from 14.7 percent to 13.3 percent over the same period.

- Chesapeake/Suffolk, on the other hand, experienced the largest proportionate increase in market share, moving from 7.4 percent in 2000 to 12.7 percent in 2015. Also increasing its market share were Newport News/Hampton (13.2 percent to 15 percent) and Virginia Beach (34.1 percent to 39.4 percent). Given the large absolute size of the Virginia Beach hotel market, its increased market share easily translated into substantially larger hotel traffic and receipts in that city.

- Graph 14 discloses that Williamsburg (the Historic Triangle) has suffered a major decline in the demand for its hotel rooms. This resulted in a 9 percent decline in total hotel revenue from 2007 to 2015. The good news is that over the past three years, Williamsburg's total hotel revenue has rebounded smartly (see Graph 15) as the area has done some repositioning of its attractions and changed its advertising approach.

- Another submarket with observable challenges is Norfolk/Portsmouth, which has experienced a 17.9 percent decline in demand for its hotel rooms since 2003 (see Graph 16) and a 24.46 percent decline in real hotel room revenues (see Graph 17). In fact, in this submarket, real total hotel room revenues are lower in 2015 than they were 25 years ago in 1991. While Norfolk and Portsmouth have felt the financial sting of federal funding sequestration, reality is that the demand for hotel rooms in these cities already had begun to fall off in 2003.

- It will be interesting to see if The Main, the new 300-room upscale hotel and conference center scheduled to open in 2017 in downtown Norfolk, will succeed in attracting new guests who otherwise would not come to the city. Or, instead, will it simply reallocate existing guest demand among the incumbent downtown hotels, such as the Waterside Marriott and Sheraton Norfolk Waterside? The last time a major hotel development occurred in downtown Norfolk was in 1991 when the Waterside Marriott opened. The following things happened over the next three years: (1) the supply of hotel rooms in Norfolk/Portsmouth increased by about 100; (2) the actual number of rooms rented by guests stayed about the same; (3) nominal hotel room revenue increased slightly; and (4) real hotel room revenue declined slightly. A significant expansion of defense spending occurred in the first decade of this century after 9/11 and was fueled further by the Iraq and Afghanistan conflicts. This was the major reason that occupancy in this submarket surged upward (and peaked in 2003). Since then, however, the total number of rooms rented has fallen nearly every year and by 2015 was 5.2 percent below even the 1991 level (see Graph 16).

- Both the Newport News/Hampton and Chesapeake/Suffolk submarkets gained market share between 2000 and 2016. Nevertheless, their stories differ. As Graph 18 demonstrates, the number of available rooms in Newport News/Hampton declined in recent years while demand remained steady. Meanwhile, reflecting the energetic growth of the two constituent cities' economies, the Chesapeake/Suffolk submarket experienced a dramatic increase in its inventory of hotel rooms through 2010 (see Graph 19). Further, Chesapeake/Suffolk was unusual in that it also enjoyed a continuous increase in the demand for hotel rooms, even during the Great Recession. This bodes well for this submarket's future REVPAR.

- The revenue picture differs substantially between the two submarkets, however. As Graph 20 illustrates, real total hotel room revenue in Newport News/Hampton is still well below its 2007 high of $53.47 and now is only

$47.20. However, in Chesapeake/Suffolk, both total hotel room revenue and real hotel room revenue are at all-time highs (see Graph 21). The growth of the economies of Chesapeake and Suffolk has enabled hotels in those cities to overcome the drag of both the Great Recession and federal budget sequestration.

- The Virginia Beach hotel submarket initially appears to present a paradox. As we have seen, Virginia Beach's regional share of hotel action (as measured by total hotel room revenues) grew by 5.3 percent between 2000 and 2015. This did not come about because the city had many more hotel rooms. While the supply of hotel rooms increased noticeably between 2000 and 2009, it actually has declined by about 300 rooms since then. The number of hotel rooms actually occupied in that city increased only modestly during the same time period and actually fell between 2012 and 2015 (see Graph 22). Stagnant demand and supply doesn't sound like a recipe for increasing market share.

- What's going on in Virginia Beach? The key is that city has changed the mix of its hotel rooms such that it now offers more upscale rooms that operate under the aegis of national franchises and are able to command higher prices.[3] As Graph 23 reveals, total hotel room revenue in Virginia Beach has been increasing nicely (9.7 percent since 2013) even though the city actually has been supplying fewer hotel rooms. A recent study by the city of Virginia Beach, based on data reported to Smith Travel Research, indicated that franchised, upscale hotels not only charge higher rates, but also have higher occupancy rates than economy hotels. Table 2 presents some of those study results.

TABLE 2

HOTEL PERFORMANCE BY HOTEL CATEGORY: VIRGINIA BEACH, 2006 AND 2014

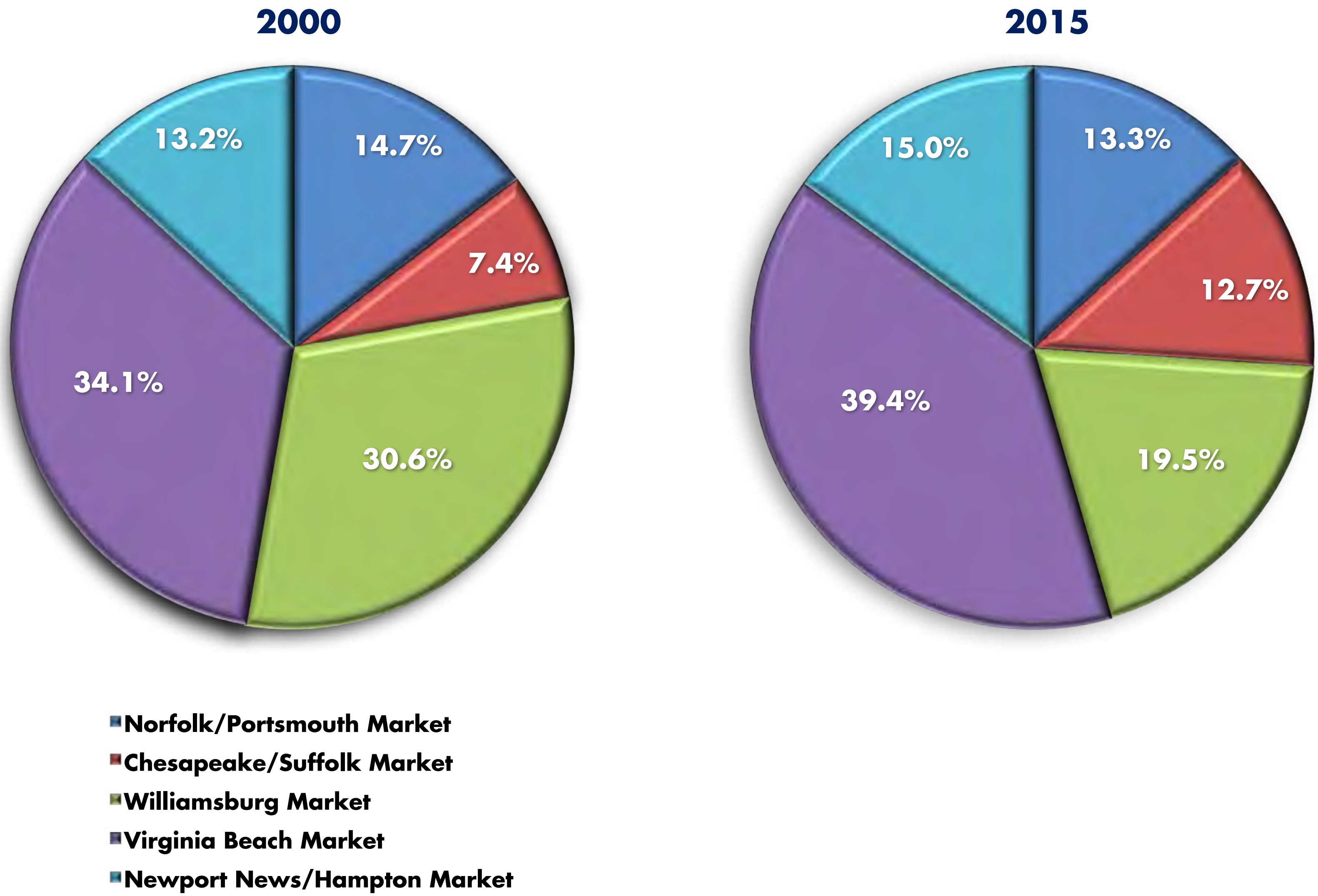
	2006	2014	Percentage Change
Supply of Upscale Rooms	2,365	3,019	+27.7%
Supply of Economy Rooms	2,698	2,661	-1.4%
Demand for Upscale Rooms	1,590	1,942	+22.1%
Demand for Economy Rooms	1,601	1,531	-4.3%
REVPAR at Upscale Hotels	$83.5	$93.0	+11.4%
REVPAR at Economy Hotels	$37.9	$40.2	+6.1%

Sources: 2014 Virginia Beach Hotel Supply & Demand Analysis, February 2016, and the Center for Economic Analysis and Policy at Old Dominion University

3 Smith Travel Research data show that the supply of hotel rooms designated as "upscale" (measured by high average daily rates) increased 27.7 percent between 2006 and 2014, while "economy" hotel rooms decreased in number by 1.4 percent. Further, the average occupancy rate at the upscale hotels was 65.1 percent compared to only 57.2 percent at economy hotels.

GRAPH 13

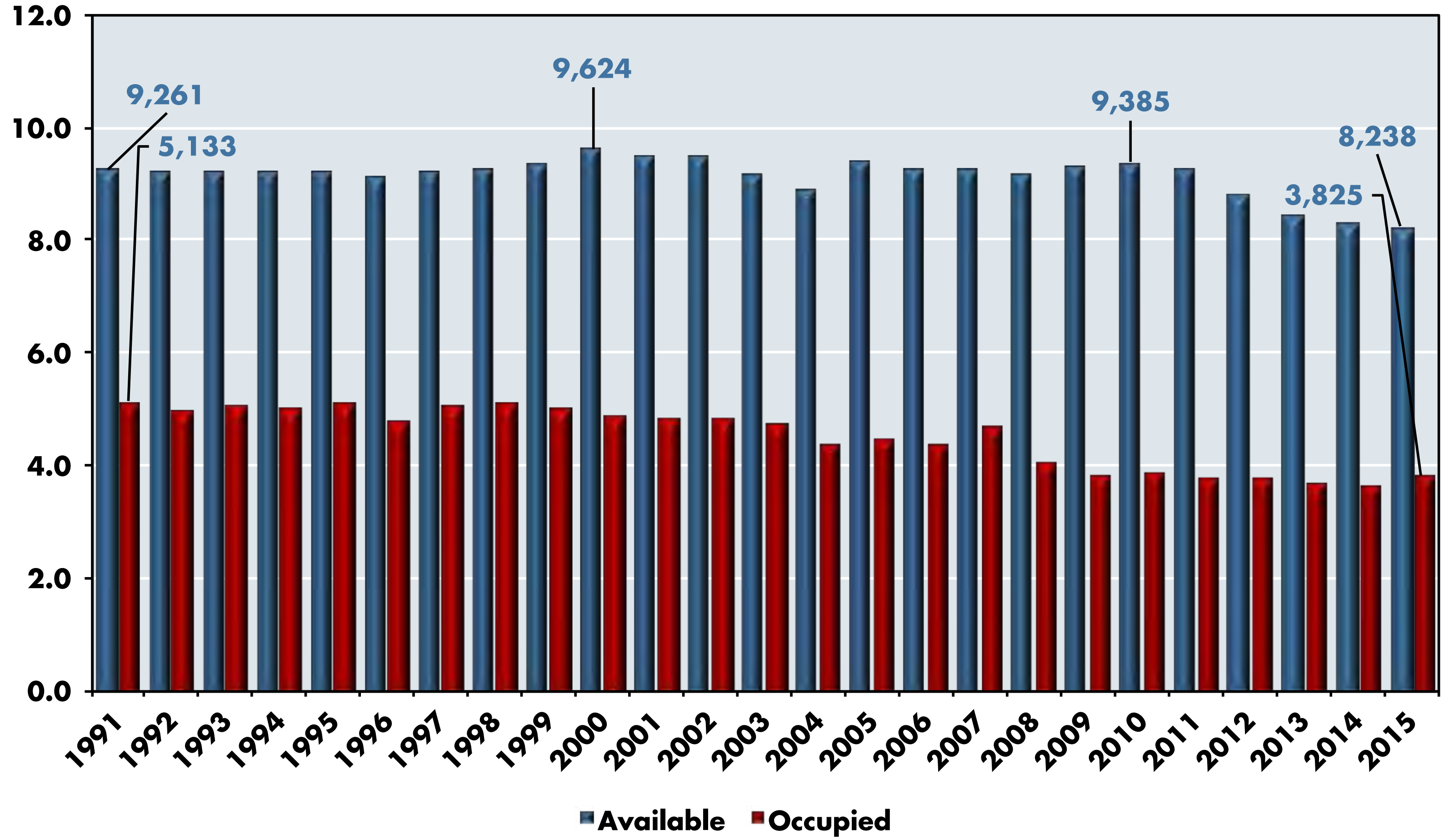
ESTIMATED HOTEL INDUSTRY MARKET SHARES IN HAMPTON ROADS (MEASURED BY HOTEL ROOM REVENUE, 2000 AND 2015)



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 14

AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN WILLIAMSBURG, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

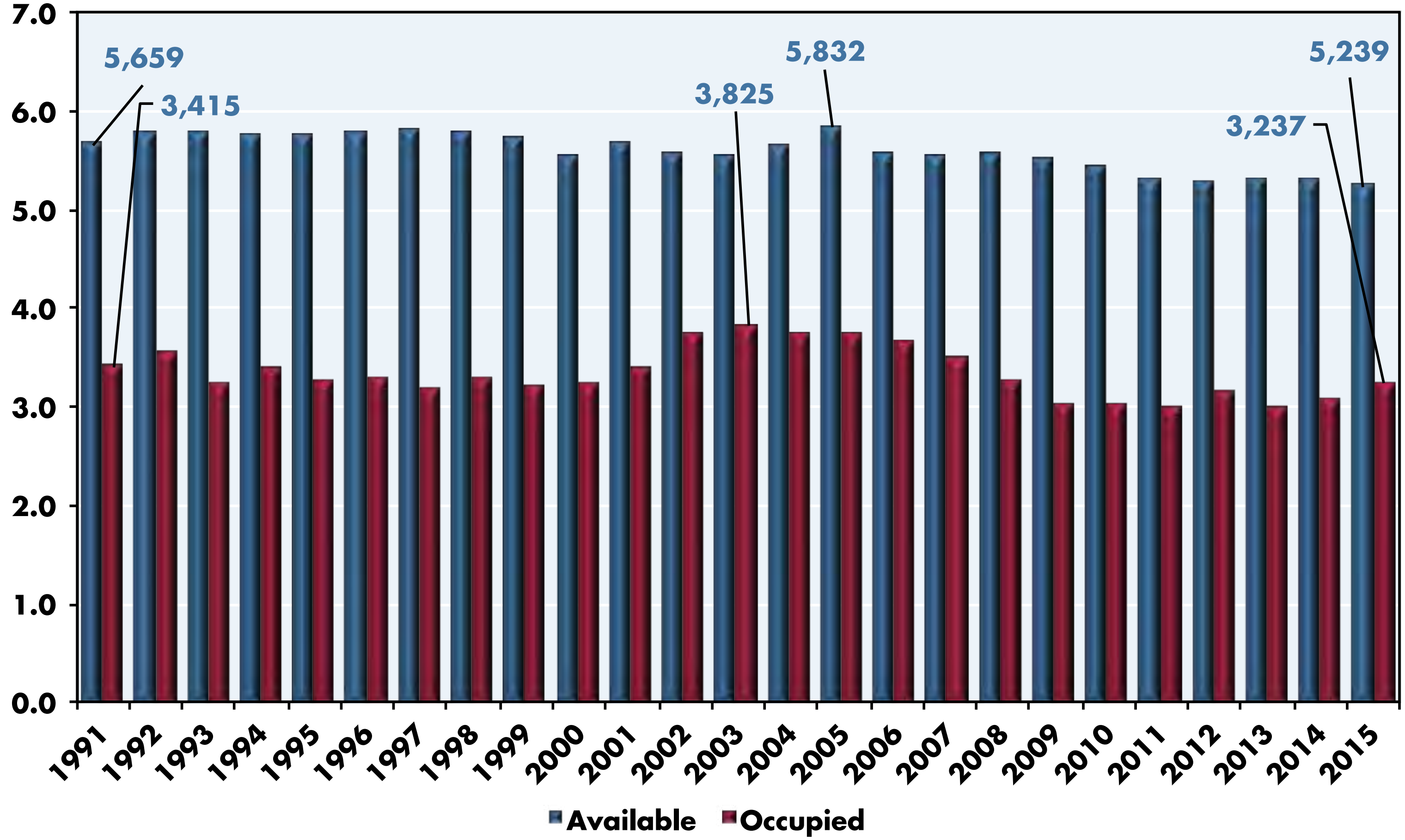
GRAPH 15

TOTAL HOTEL ROOM REVENUE IN WILLIAMSBURG, 1991-2015 (MILLIONS OF $)

Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 16

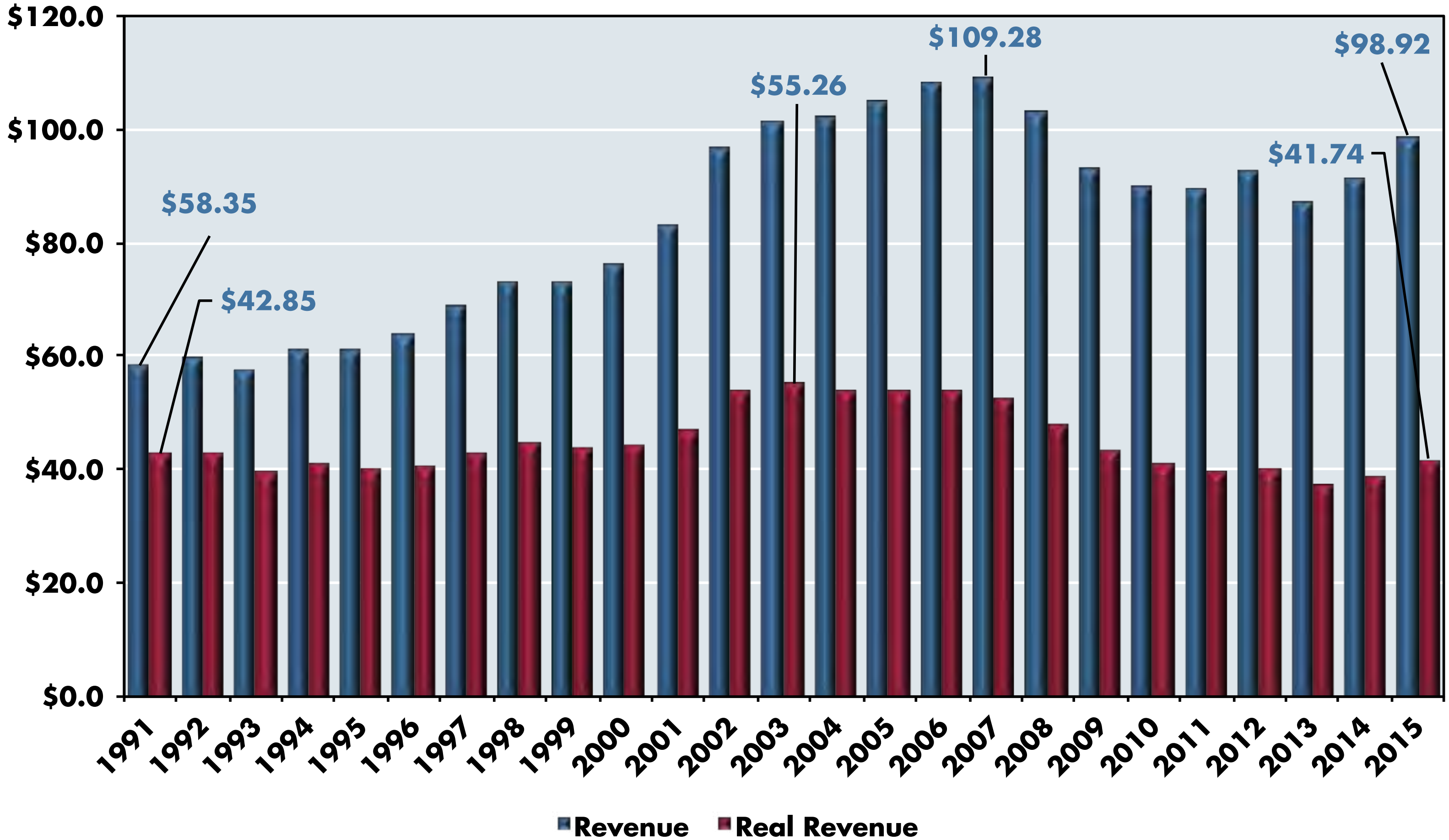
AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN NORFOLK/PORTSMOUTH (000S), 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 17

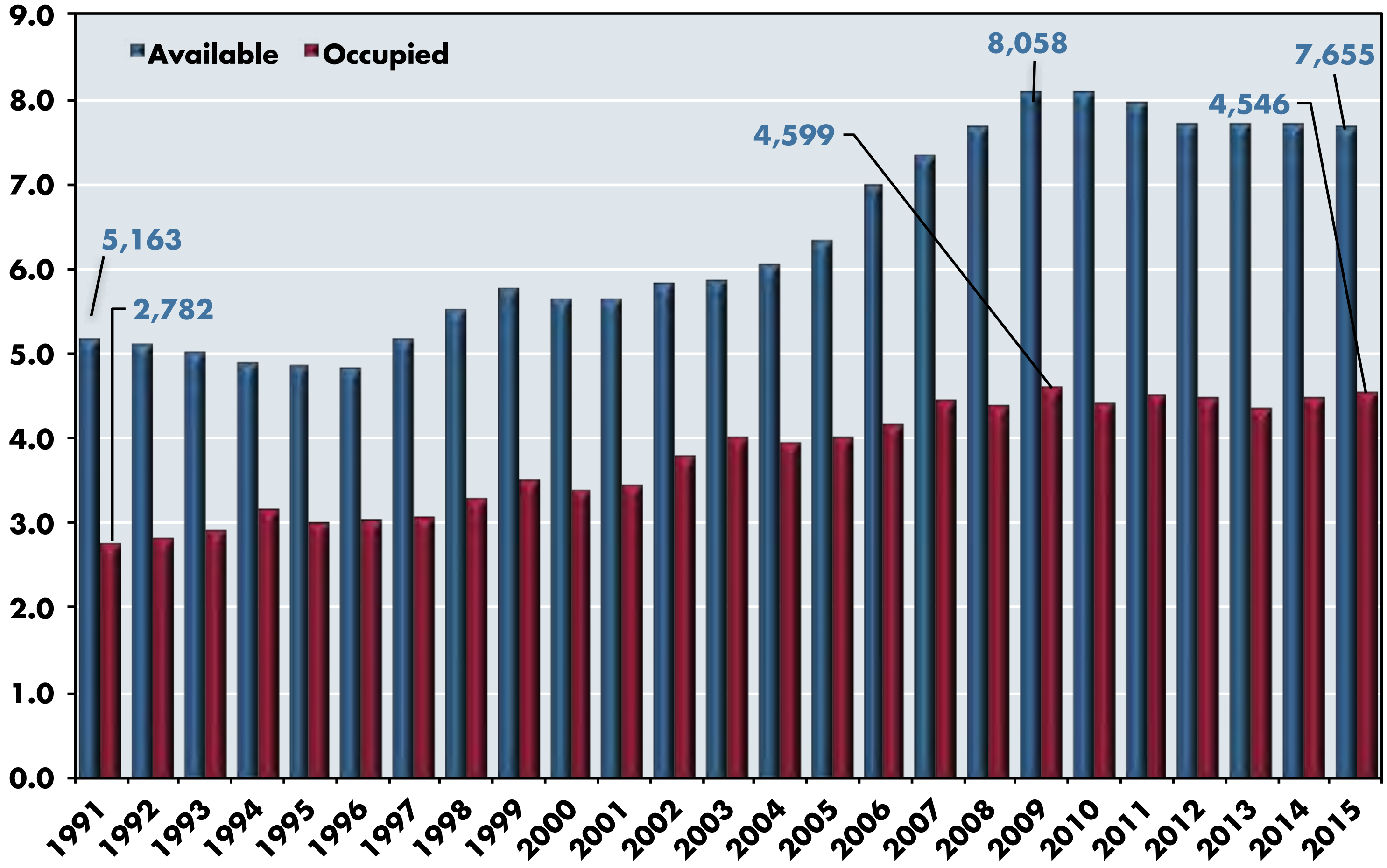
HOTEL ROOM REVENUE IN NORFOLK/PORTSMOUTH MARKET, 1991-2015 (MILLIONS OF $)



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 18

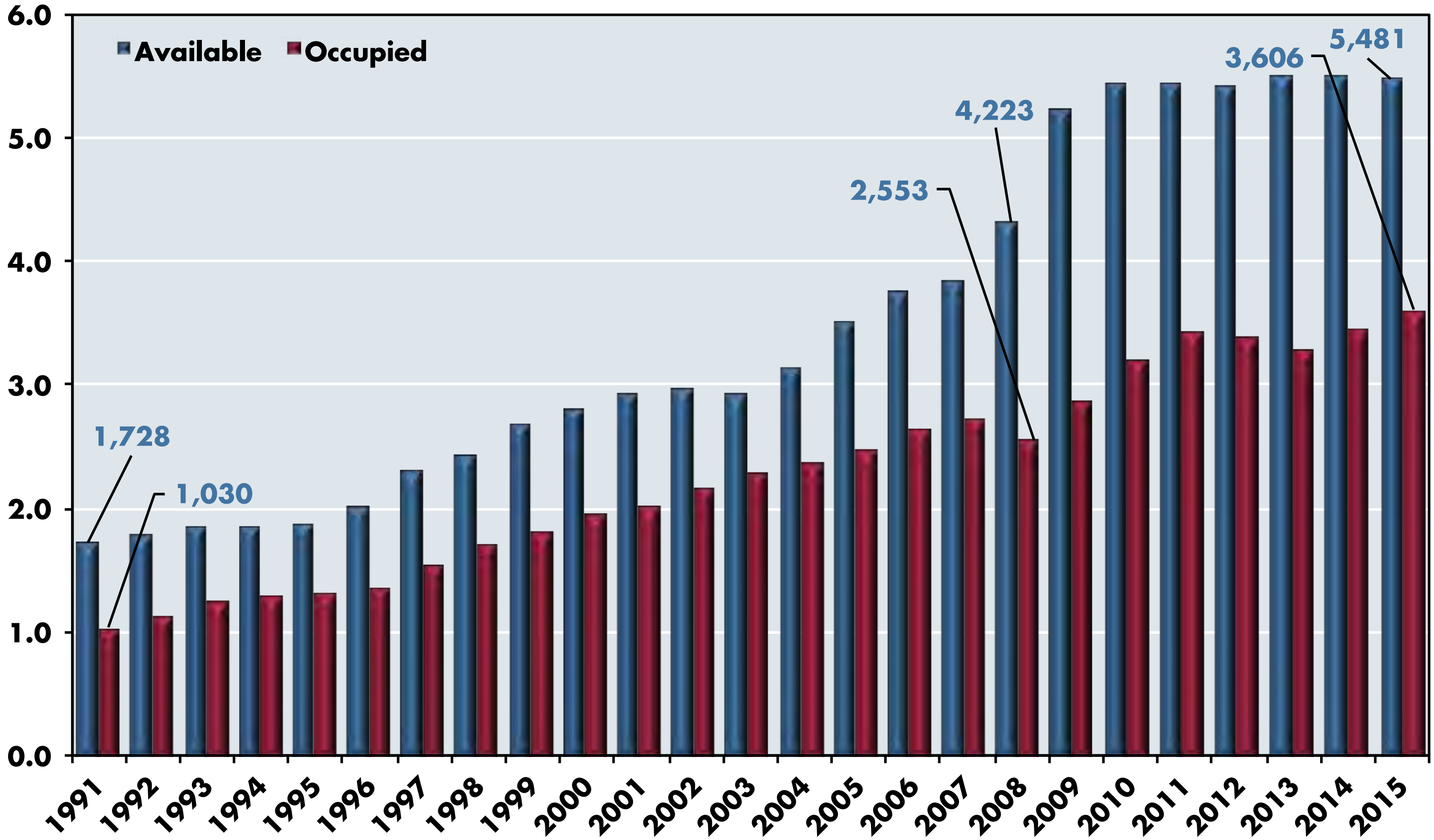
AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN NEWPORT NEWS/HAMPTON, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 19

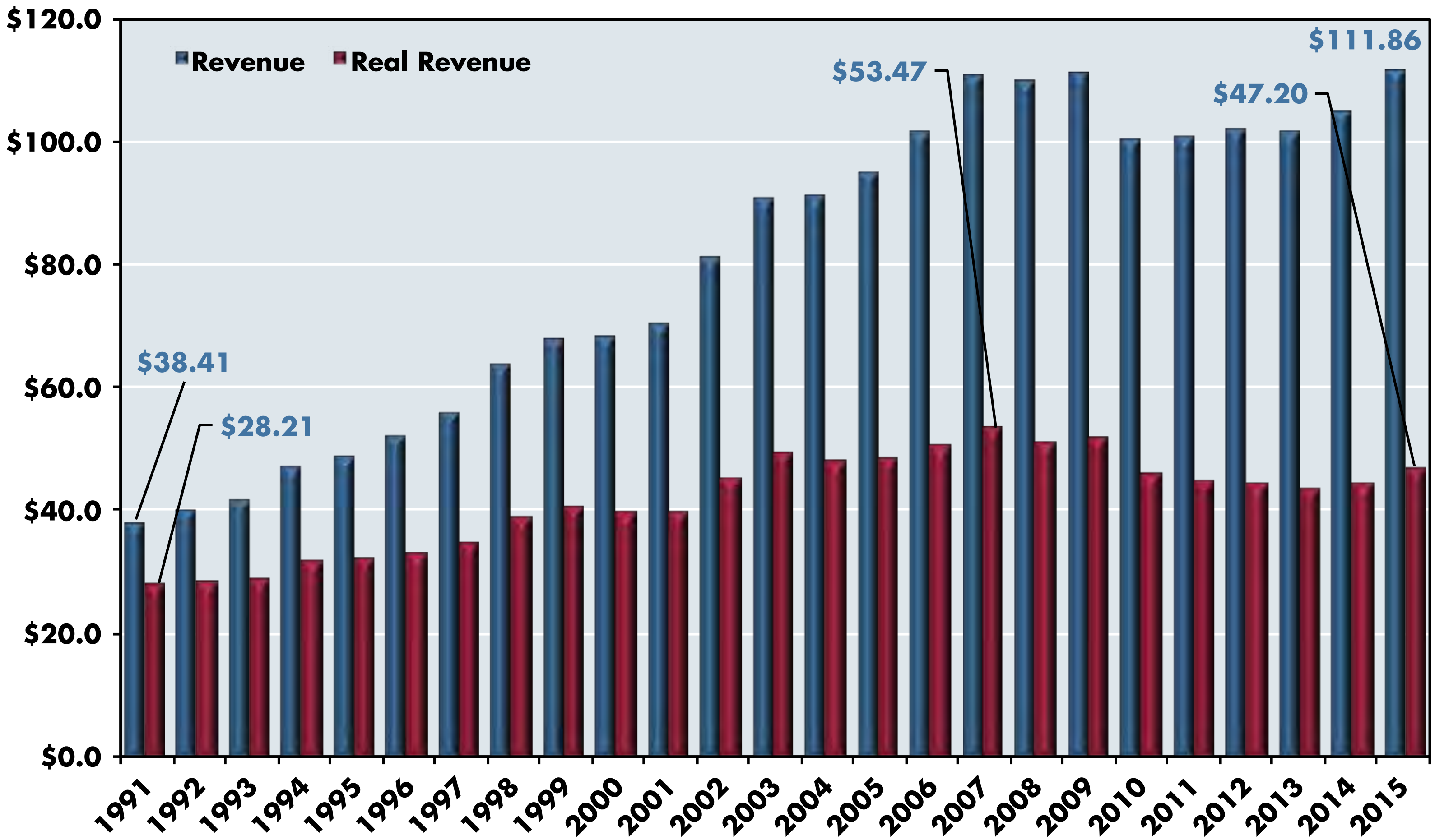
AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN CHESAPEAKE/SUFFOLK, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 20

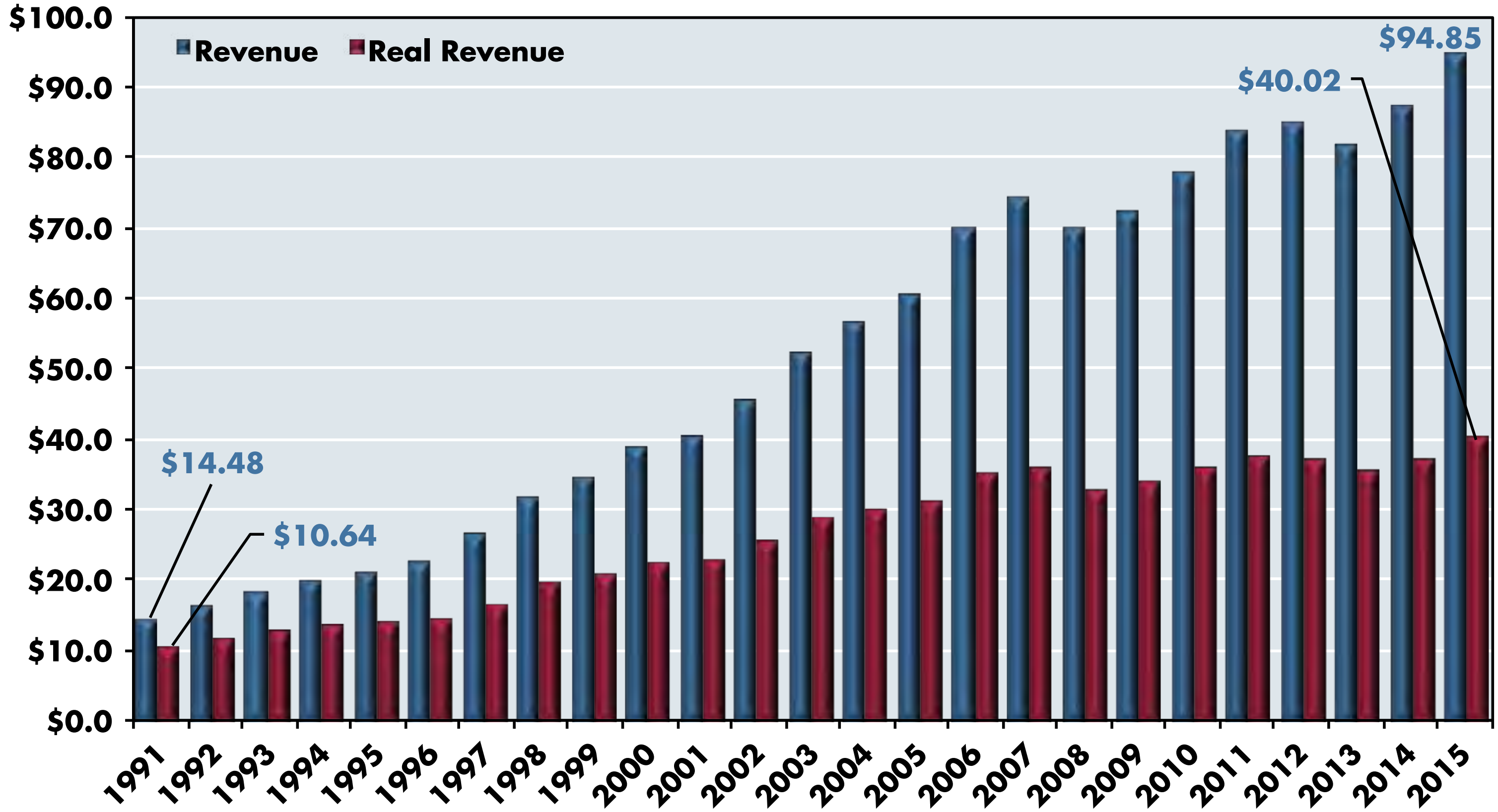
HOTEL ROOM REVENUE IN NEWPORT NEWS/HAMPTON, 1991-2015 (MILLIONS OF $)



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 21

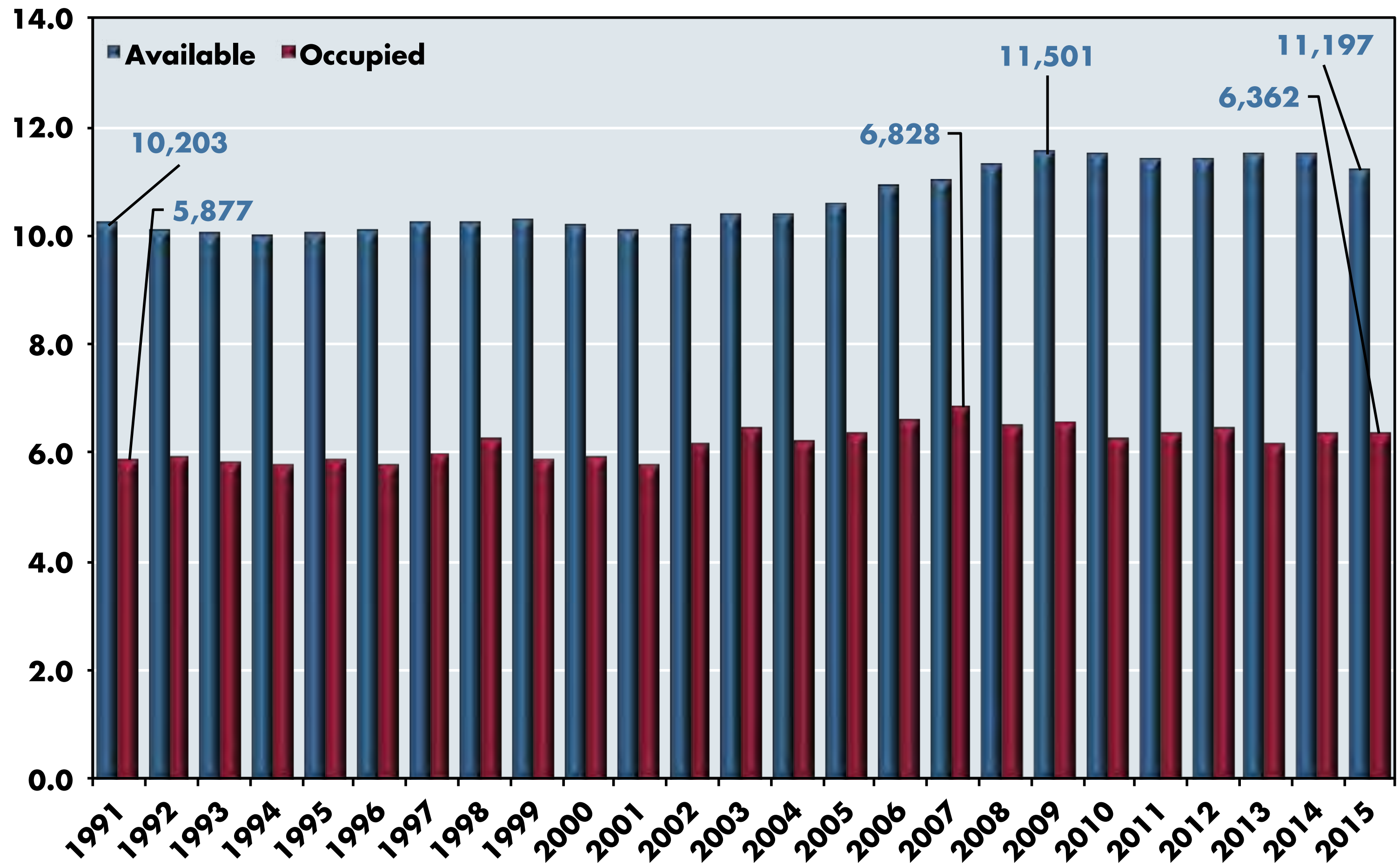
HOTEL ROOM REVENUE IN CHESAPEAKE/SUFFOLK, 1991-2015 (MILLIONS OF $)



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 22

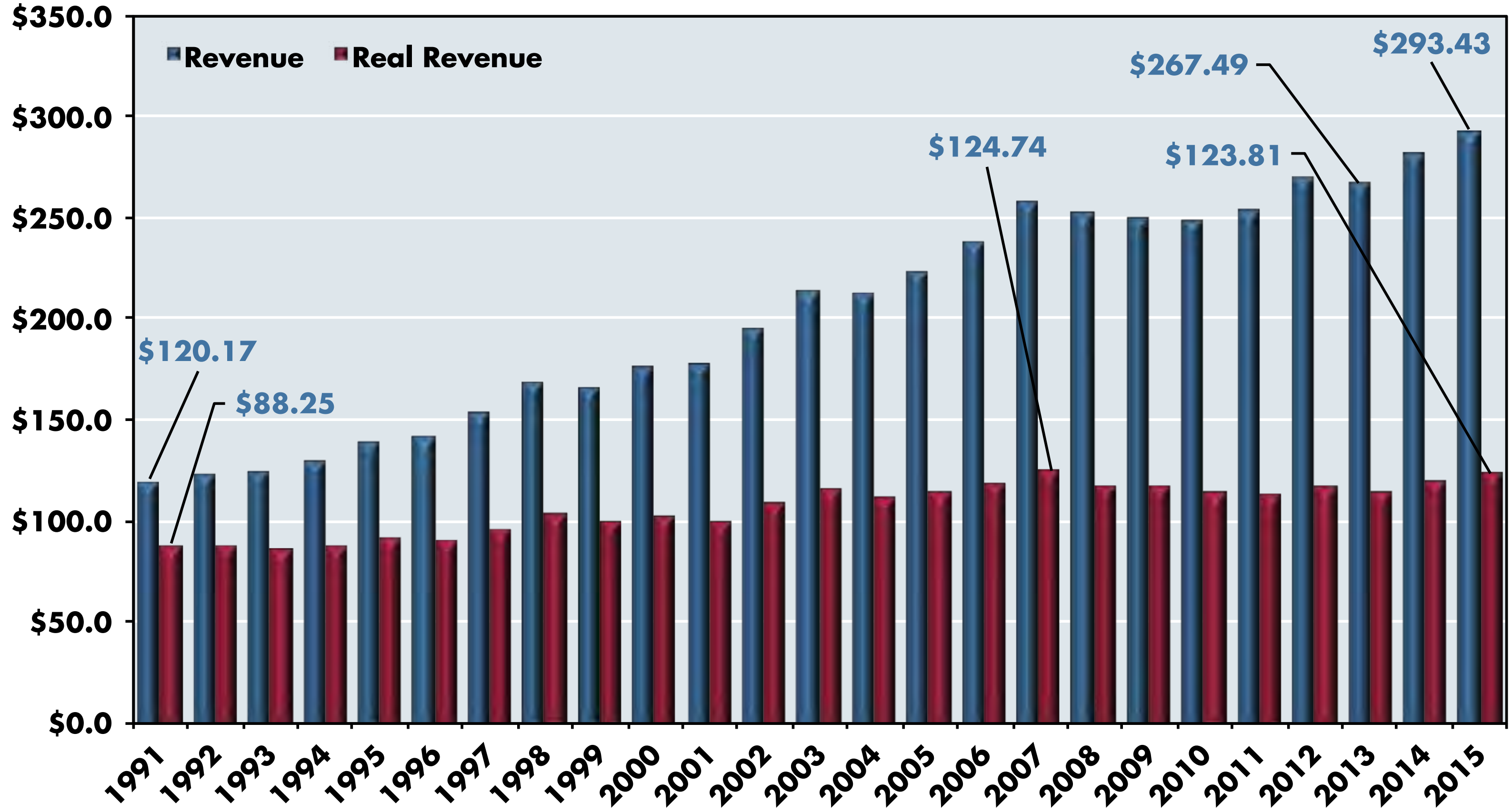
AVAILABLE HOTEL ROOMS AND ROOMS OCCUPIED IN VIRGINIA BEACH, 1991-2015



Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University

GRAPH 23

HOTEL ROOM REVENUE IN VIRGINIA BEACH, 1991-2015 (MILLIONS OF $)



Sources: Smith Travel Research Trend Report, May 2, 2016; Bureau of Labor Statistics; and the Center for Economic Analysis and Policy at Old Dominion University

REVPAR Comparisons

Other than profitability (for which data are not available), the single most telling statistical measure of the health of the hotel industry is REVPAR, revenue earned per available room. Table 3 reports REVPAR for the major hotel submarkets in Hampton Roads, Virginia and the United States in 2007 and 2015. **One cannot avoid concluding that the hotel industry in Hampton Roads did not perform as well as the industry did in Virginia, or the United States, during this time period. Indeed, every single submarket in Hampton Roads experienced negative real REVPAR growth between 2007 and 2015.**

This result is consistent with Table 1, where we reported that the hotel industry gradually has occupied a smaller and smaller proportion of the overall regional economy. Thus, in 1991, hotel room revenues accounted for 1.208 percent of total personal income in the region, but by 2014 this had fallen to .901 percent.

The hotel industry is a key indicator of the size of the tourism industry. The real, inflation-adjusted size of the hotel industry, as measured by real REVPAR, is the most important available measure of its prosperity. REVPAR has declined overall in the region and in every individual submarket within our region since 2007.

In fact, tourism as an economic sector in Hampton Roads also has declined in relative importance in recent years. This has been especially evident in Williamsburg/the Historic Triangle.

Can the hotel industry and the overall tourism sector recover their mojo and reverse their decline in relative importance? This does not seem likely to occur as long as federal financial sequestration restricts federal expenditures overall and defense expenditures in particular.

TABLE 3

REVPAR IN SELECTED MARKETS, 2007 AND 2015

	2007	2015	Percent Change
USA	**$31.62**	**$33.17**	**+4.9%**
Virginia	**$29.86**	**$27.00**	**-9.6%**
Hampton Roads	**$25.53**	**$22.72**	**-10.9%**
Virginia Beach	**$31.17**	**$30.29**	**-2.8%**
Williamsburg	**$22.90**	**$20.35**	**-11.1%**
Newport News/Hampton	**$20.01**	**$16.89**	**-15.6%**
Norfolk/Portsmouth	**$26.07**	**$21.83**	**-16.3%**
Chesapeake/Suffolk	**$25.52**	**$20.00**	**- 21.6%**

Sources: Smith Travel Research Trend Report, May 2, 2016, and the Center for Economic Analysis and Policy at Old Dominion University (1982-84 is the base year for CPI-U)


Marriott
HOTELS & RESORTS