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HOSPITALITY SALES AND MARKETING
ASSOCIATION INTERNATIONAL

ARIZONA

**Robert A. Hayward – Warnick & Company
United States Lodging Market Overview**

By Sarah Bailey, Lake Powell Resorts & Marinas

Our January meeting is always well attended because we all look forward to Mr. Hayward's year in review and 2009 preview. This year was no different.

In 2008 we saw a slight decline in demand which drove RevPar to be down slightly. Overall only a handful of markets showed growth in demand with Phoenix being down 7.1%. Every market was down in occupancy for the year over year comparison. We did see moderate growth in ADR due to an increase in rate. Room inventory was at its highest levels ever. Phoenix led 2008 for top supply increase with so many quick builds to finish in time for the Super Bowl. We are seeing trends emerge in the market place that we haven't seen in ten years. The increase in supply and decrease in demand resulted in a much lower occupancy. The increase in ADR is encouraging and staved off double digit decrease in RevPar.

The economy had and will continue to have an impact on Metro Phoenix for both group and business travel. There is optimism around the new administration and a positive global position. With the economic slump companies will be decreasing their catering budgets and ancillary spending. They'll be putting pressure on hotels to decrease the rate and steer away from luxury properties due to image. We'll see spending patterns and philosophical patterns change. The brand loyalty will be there so travelers can continue building their points, but they'll be looking at the more economical chain in the brand. On a positive note the lower gas levels equal sustainability for the airlines, which is essential for our business.

We need to look for creative ways to work our way out of this slump. We also need to maintain rate integrity; we learned our lesson in 9/11. We know how hard it is to maintain our integrity when we play the rate game. Don't give in to holding the rates for multiple years as the profitability will take longer to regain when our economy comes back.

For a copy of Mr. Hayward's complete presentation please visit our website at www.hsmai-az.org.

Thank you to Rochelle Samms and our host property, the Radisson Hotel Midtown Phoenix for treating us to a great meal and letting us see all of their renovations. Check it out at www.radisson.com/phoenix.

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January Photo Memories

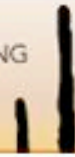


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