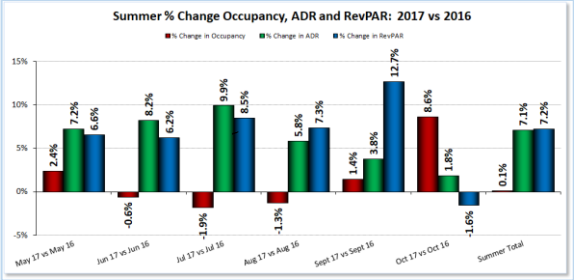
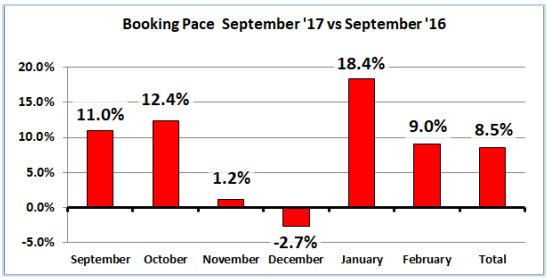
Autumn Strength Improves Summer Occupancy Fortunes

Following last month's report of the first seasonal decline in summer occupancy in the past six years, summer occupancy at western mountain destination resorts recovered in September, driven on the strength of bookings for September and October arrivals, albeit only slightly. The net result is that a summer season that seemed in jeopardy for occupancy, is now almost certainly going to finish with a positive gain thanks to October growth. Add the emergence of September as the third strongest occupancy month of the season, and autumn is making its mark as strategic for the success of the summer season. Though we continue to fret about high room rate and its impact on occupancy gains, revenue is up throughout the season and it's hard to argue with a positive bottom line. The pattern is continuing as we get our first peek at the winter months ahead, so something is working for the lodgers on the revenue side. Lastly, while the data suggest that bookings last month may be supported by hurricanes on the southeast, it's hard to confirm the correlation. We like to think that those months are coming into their own, as they've shown strong growth for the past several years. The results of this month's reporting follow:

September historic actual occupancy as of Sept. 30 was up 1.4 percent compared to September 2016, with a 52.1 percent occupancy rate. September ended the streak of declines in occupancy reported in the previous three months. The Average Daily Rate (ADR) for the month was $215, an increase of 5.8 percent compared to last year. ADR and occupancy increases combined for a strong revenue gain in September of 7.3 percent compared to last year, with RevPAR at $112.

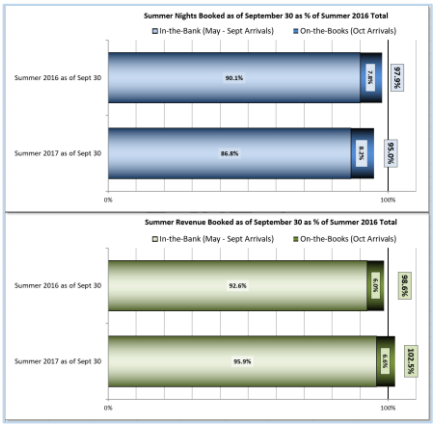


Summer (May to October) actual and on-the books aggregate occupancy as of Sept. 30 is up very slightly compared to this same time in Summer 2016, with a gain of 0.1 percent, and a 47.2 percent occupancy rate. This is a recovery from the slight decline in summer occupancy reported last month. Occupancy is gaining in three months (May, September and October) while declining in three (June, July and August). Conversely, aggregate ADR for the season is up a strong 7.1 percent at $231 with gains in all six months, including a 9.9 percent gain in August. The slight occupancy gain for the summer is combining with strong rate gains for an aggregate gain in revenue on-the-books for the season of 7.2 percent. Revenue is showing increases in all six months, including a 12.7 percent gain in October and an 8.5 percent gain in August.

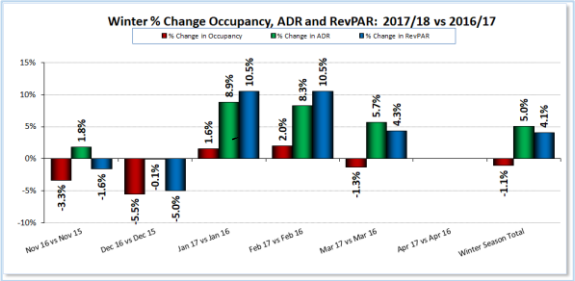


Total bookings made in September for arrival in September through February shifted sharply from August (down -12.4 percent) to September (up 8.5 percent) compared to bookings made last year for arrival in the corresponding months. Bookings for arrival in September increased 11.0 percent, while bookings for arrivals in each month from October through February varied, ranging from a -2.7 percent decline for December to an 18.4 percent gain for January. While January is experiencing a surge of early bookings, the other strategic winter month of February has also surged with an increase of 9.0 percent. Overall, early bookings have picked up for the upcoming peak of the winter season.

Summer 2017 Year-Over-Year Room Nights and Revenue Booked as of Sept. 30. Room nights "in-the-bank" (actual room nights for May - September) for Summer '17 currently represent 86.8 percent of the total actual room nights that were booked for the entire summer season last year. An additional 8.2 percent of last year's total nights are already on-the-books for arrival in October. Overall, 95.0 percent of all nights for Summer '16 are now either banked or booked for Summer '17, a slight decline from this time last year (97.9 percent), and reflects some declines in occupancy. Room revenue in-the-bank as of Sept. 30 represents 95.9 percent of the total actual revenue booked last summer. An additional 6.6 percent of last year's total revenue is on-the-books for October arrivals. Overall, 102.5 percent of all revenue booked in Summer '16 has already been banked or booked this year, a significant increase from this time last year (98.6 percent).



Winter (November to April) on-the-books aggregate occupancy as of Sept. 30 is down a slight -1.1 percent compared to winter 2016/17 as of this same time last year, at 21.8 percent occupancy. Occupancy is declining in November, December and March. There is no data available for April. Average Daily rate for the same period is up a moderate 5.0 percent, with a $445 ADR. Rate is gaining in four of the five months that data are available, and only December is declining (-0.1 percent). The result is a moderate gain in revenue of 4.1 percent, with revenue gaining in every month but December, and RevPAR at $97.



The Economy

- **Dow Jones Industrial Average:** The Dow Jones was up a strong 2.1 percent, or 456.9 points, in September following a lackluster performance in August, to close the month at 22,405 points. This is the fourth consecutive all-time high monthly close in the Dow, with several other financial markets behaving similarly last month. Despite record-setting damage from storms in late August and much of September, the economic impact of that is not yet fully measured, financial markets continue to convey strength and confidence. This market resilience is being passed on to the consumer marketplace, allowing for record-setting summer rates in mountain communities, as well as early winter rate strength data. The Dow is currently 22.4 percent higher than at this same time last year (18,308.1).
- **Consumer Confidence Index (CCI):** Consumer confidence decreased slightly in September after a slight improvement in August, declining -0.5 percent, or 0.6 points, to 119.points. While confidence was maintained nationally for the most part, confidence in Texas and Florida, those states most severely impacted by Hurricanes Harvey and Irma, declined sharply as consumers began cleaning up or, in the worst case, rebuilding. Confidence is currently 15.7 percent higher than it was at this same time last year (103.5 points). Despite the slight dip, consumers' assessment of current conditions remains favorable, and their expectations are that the economy will continue to grow for the short-term.
- **Unemployment/Jobs:** Job creation declined in September for the first time since September 2010, as the impact of Hurricane Harvey and Irma were felt in the south and southeast regions of the county. Nationally, jobs declined by 33,000 during the month, led by a decline of 133,000 jobs specifically in the restaurant and bar service sector as businesses were closed for the storms and recovery. Despite this decline in job creation, the unemployment rate dropped from 4.3 to 4.2 percent, though driven primarily by a change in status of those unemployed that stopped looking for work or were no longer employed but not seeking re-employment. We'll be watching this metric closely over the coming months in the southeast as part of a barometer of the overall localized recovery from the storms.

Commentary

Mountain destination communities are now in the home stretch of the 'official' summer season, with only October left to book, and winter is filling the windshield. Fair weather in mountain communities throughout the summer, present situation in California clearly excepted, has helped ensure that this season will, once again, set a revenue record. But as noted in prior months, beginning in January 2017 a pattern began to emerge of flat, or nearly-flat, occupancy rates while room rate climbs steadily. This pattern continued through this summer season, and an aggregate seasonal occupancy that was down as of this time last month has turned around to be gaining as of Sept. 30, though only slightly. This turnaround is based on bookings made in the last 30 days for arrival in September and October, both of which have been dominant growth months in the last three or four years. They now come into their own, and thanks to this boost in bookings, the season is almost guaranteed to finish on an up note, though modestly. It's not clear at this time whether storms in the southeast redirected consumers from that market to the mountains, but reports for that region clearly indicate a decline in occupancy rates for September and October as damage in those areas is assessed and marketers work to overcome negative press. But the pattern of soft occupancy rates doesn't stop at summer. Looking ahead to this winter, even at this early date, it's clear that lodgers are pursuing their revenue goals with rate increases, counting on any gains realized in room rate to offset potential downward pressure on occupancy that results from the higher rates. In a market where new visitation and growth of the ski industry is required for long-term sustainabiliity, whether this approach is good for the destination or not, it is clearly working for properties for now, We'll be watching this strategy with interest as the next two months progress toward the peak of the ski and holiday seasons. Lastly, as usual, we ask readers to remember that performance reported here is an aggregate of the region and that your property- and destination-specific reports are available by logging in at www.DestiMetrics.com.