Seasonal Equinox: Winter's Wrap, Summer's Start

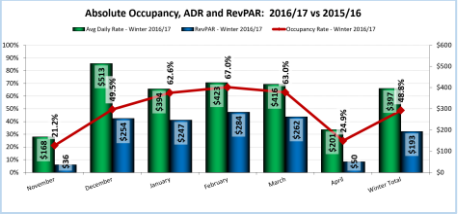
Our May report with data through April 30 provides a six-month review of Winter 16/17, and a six-month preview of forthcoming summer business. It is summarized here, supported by further analysis below, and will be supplemented with a live, subscriber-only webinar on Tuesday, May 16 at noon MDT, which will be recorded and posted to the DestiMetrics subscriber portal.

- **Winter 16/17** has ended as anticipated, with respectable increases in revenues driven by higher rates. However, occupancy was statistically down slightly for the first time since the mid-point in the recession. Anecdotally, NSAA has reported preliminary skier/boarder visits of slightly less than 55 million, a slight increase over last year and a respectable outcome to a somewhat challenging season for the ski industry.
- **Summer 17** is now coming into focus and is showing overall increases, but the current trends are much like last winter with rate rather than occupancy driving the revenue gains. That pattern is contrary to pre-summer data in recent years, and is noteworthy as a result.
- **Market Forces:** Volatile market forces, including geo-politics, an unfamiliar style of US presidential leadership, and inconsistent weather that often causes consumer angst, are all part of the mix. But consumer confidence metrics are up significantly in 2017, so with occupancies remaining flat, we'll rely on confident consumers to continue driving rate.

While DestiMetrics' data set and our analytics can now show booking patterns with reasonable accuracy, the correlation to the causes of those patterns is much broader and less pragmatic. Historic patterns, anecdotes, and the considerable tribal knowledge of our subscribing partners help fill in the blanks. As the DestiMetrics product family develops and our new Inntopia Business Intelligence initiatives come into focus, we look forward to deploying more predictive and forensic analytics to unlock "what you ought to know", our ongoing brand promise.

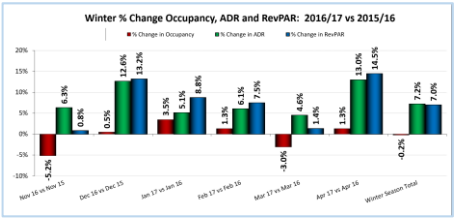
Section 1: Lodging Performance – Winter 2016/17 (November – April)

April historic actual occupancy as of Apr. 30 was up a slight 1.3 percent compared to April 2016, with a 24.9 percent occupancy rate. The Average Daily Rate (ADR) for the same period was up strongly, gaining 13.0 percent for the month compared to last year, at $201. The gains in ADR and occupancy combined for a strong revenue gain for April of 14.5 percent when compared to last year, with RevPAR at $50.

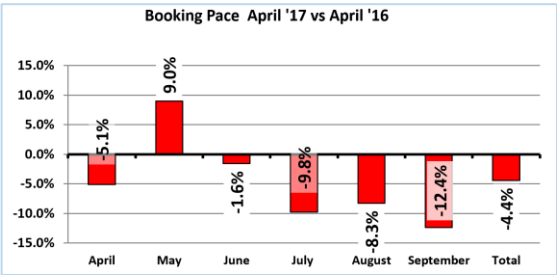


1: Absolute Performance (click to open)

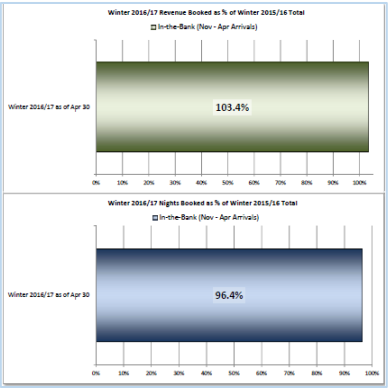
Winter (November '16 to April '17) actual and on-the books aggregate occupancy as of Apr. 30 is slightly down, declining -0.2 percent compared to Winter 2015/16 at this same time, at 48.8 percent occupancy. This is the first seasonal decline in winter occupancy since the 2011/12 season. Occupancy gained in four of six months, with November (-5.2 percent) and March (-3.0 percent) declining. ADR on-the-books for the season is up a strong 7.2 percent at $397 with gains in all six months, including a 13 percent gain in April and a 12.6 percent gain in December. The gains in ADR have offset declines in occupancy resulting in positive monthly and seasonal aggregate revenue gains, with revenue up 7.0 percent for the season and RevPAR at $193. Revenue increased in all months, with double-digit gains in December and April.



2: Year-over-Year Performance (click to open)



Total bookings made in April for arrival in April through September are down -4.4 percent compared to bookings made in April 2016 for arrival in the corresponding months last year, with five of six months declining. Bookings for arrival in April were down a moderate -5.1 percent, while bookings for May were the only increases, up 9.0 percent. This is the second consecutive month that bookings for five of the upcoming six months have declined, perhaps reflecting a shift in volume resulting from higher room rates.

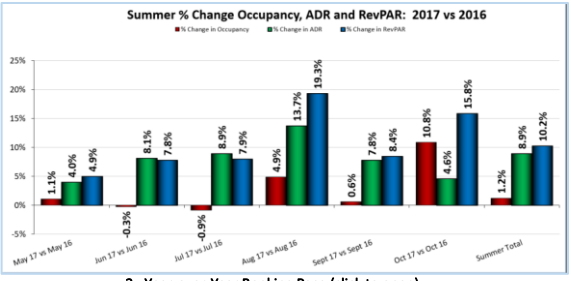


4: Winter Room Nights & Revenue (click to open)

Winter 2016/17 Year-Over-Year Room Nights and Revenue Booked as of Apr. 30 Total room nights booked for arrival in Winter 2016/17 (November through April) represents 96.4 percent of the total actual room nights that were booked for the entire winter season last year. This is the first seasonal year-over-year decline in room nights booked since the 2011/12 season. Total room revenue booked for arrival in the Winter 2016/17 season represents 103.4 percent of the total actual revenue booked last winter. The disparity between the slight -0.2 percent decline in overall occupancy and the more dramatic decline in room nights booked (-3.6 percent) can be explained by a greater decline in room nights available than in room nights booked, a topic for further discussion about available inventory throughout the industry.

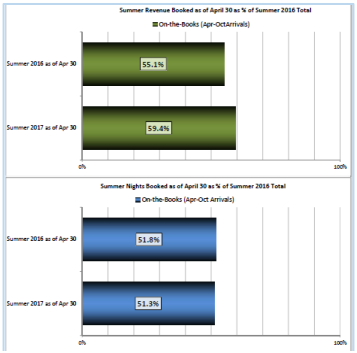
Section 2: Lodging Performance – Summer 2017 (May – October)

Summer 2017 occupancy on-the-books as of April 30, is up a slight 1.2 percent compared to this same time last year, at 23.7 percent occupancy. The months of June and July are each declining by less than one percent, while all other months are gaining. As with winter, summer ADR is consistently strong, with all six months on-the-books up, ranging from 4.0 percent in May to 13.7 percent in August and overall rate gaining 8.9 percent at $254. The resulting revenue on-the-books is up 10.2 percent, with monthly gains ranging from 4.9 percent in May to 19.3 percent in August and overall RevPAR at $60.



5: Year-over-Year Performance (click to open)

Summer 2017 Year-Over-Year Room Nights and Revenue Booked as of Apr. 30 Total room nights booked for arrival in Summer 2017 (May through October) represents 51.3 percent of the total actual room nights that were booked for the entire summer season last year. At this same time last year, 51.8 percent of the eventual total nights had been booked. Total room revenue booked for arrival in summer 2017 represents 59.4 percent of the total actual revenue booked last summer, which compares favorably to the 55.1 percent of the total summer 2016 revenue that was booked as of Apr. 30 last year. As with the winter season, summer occupancy is lagging while revenue is being driven upward based on strong and consistent gains in room rate.



6: Summer Room Nights & Revenue (click to open)

Section 3: The Economy

- **Dow Jones Industrial Average:** The Dow gained moderately in April, adding 1.34 percent, (277 points) to close at 20,940.51. This is the third consecutive month with the Index above 20,000 points. Over the winter season, the index gained 15.4 percent, or 2,798 points, and declined in one month (March). Financial markets have been a strong driver of increased consumer confidence and spending, and prices in mountain communities in both winter and summer seasons indicate a 'rate-tolerant' consumer.

- **Consumer Confidence Index (CCI):** Consumer confidence decreased in April, losing 3.7 percent, or 4.6 points, to close at 120.3 points. Despite the decline, consumer confidence remains strong and at its second highest level since December 2000. CCI gained 10 percent, or 19.5 points, over the winter season and is not likely to be impacted by imminent interest rate increases in May, driving room rate strength into the summer season.

- **Unemployment/Jobs:** Employers added a strong 211,000,000 jobs in April, a rebound from anemic job creation in March, and the unemployment rate declined to 4.4 percent, its lowest level in almost 10 years. Over the course of the winter season, 1.1 million jobs have been added to payrolls, averaging 184,000 per month, down from 233,000 at this same time last year. While jobs / unemployment data remain positive, earnings continue to be an issue, and were cited by consumers in this month's consumer confidence survey as a reason for the April decline. As the economy reaches 'full employment, watch for a slowing of job creation and shifting unemployment, which may impact consumer and financial markets.

Section 4a: Winter Review & Commentary

Winter 2016/17 is officially in-the-bank and, though some resorts remain open to take advantage of late season snow or strong lingering bases, for the most part the numbers are complete. A potentially disruptive election, early snow here, early drought there, and new business patterns are the legacies of the season. While some resorts were able to gain on occupancy but not grab rate, most were not able to build occupancy significantly but found consumers willing to pay record room rates. In both circumstances, revenue was up in most destinations, and up strongly when the industry is viewed in aggregate.

Once it became clear that the presidential election would not negatively impact economic conditions, our attention turned to snow conditions, which were slow to develop until late November and early December in most destinations. But the holiday season was strong and snow arrived just in time, with December getting a holiday and snow boost, finishing with occupancy at 49.5 percent, an 0.5 percent gain. But the real story in Decemer was average daily rate, which increased a very strong 12.5 percent compared to last year, and soared to a December record of $513; thus the stage was set for what would be the pattern that defined the season. Through the remaining months, irresepctive of region or snow levels, rate remained the driving force behind revenue gains. While occupancy in those months never varied by more than three percent, ADR gained in every month, ranging from a moderate gain of 4.6 pecent in March to a sharp gain of 13.0 percent in April. But the real revenue gains came with the peak months of December, January, and February, where the high volume bookings were made on ADR gains of 12.6, 5.1 and 6.1 pecent, respectively. By March, snowfall in the Rockies had slowed dramatically and spring conditions prevailed, while the Far West continued to dig out from record-setting snowfall that allowed them to regain not only the water table in that region, but also their reputation as a great place to ski and snowboard. Though the Far West was not able to capture the same rate gains as the Rockies, the relatively flat occupancy and strong rate gain was how it played out. We should note that, though we're speaking in general terms, the playing field wasn't level across the industry. Differences in gains and declines between resorts was significant, and in many cases there were destinations on the declining side of the equation while their neighbors were gaining. The table above describes the number of gaining or declining destinations in occupancy, ADR, and RevPAR this season, with the strength of December – March clearly apparent.

Western Resorts Gaining/Declining: Occupancy, ADR & Revenue, Winter 2016/17 vs 2015/16

	November		December		January		February		March		April		Winter Season	
	Up	Down	Up	Down	Up	Down	Up	Down	Up	Down	Up	Down	Up	Down
Occupancy	8	10	11	7	11	7	12	6	7	11	6	12	10	8
ADR	17	1	17	1	15	3	14	4	12	6	13	5	17	1
Revenue	11	7	16	2	15	3	13	5	11	7	7	11	14	4

Lastly, Winter 16/17 had issues of shifting avaialble inventory. For the first time since the 2011/12 season, occupancy rates declined year-over-year (see Fig. 2, p. 1) as did absolute room nights (Fig. 4, p. 1). From a statistical point of view, there were fewer room nights booked, but there were also fewer room nights available in the professionally-managed market, which this report measures. The decline in room nights available (-3.5 percent) was less than the decline in room nights booked (-3.7 percent), resulting in the -0.2 percent decline in overall occupancy. That decline is statistically accurate based on availability but masks a greater loss in visitation beneath the surface. And, of course, Economics 101 teaches us that a consequence of the lower available inventory is higher rate, so the decline starts to become a self-fulfilling prophecy as it forces rate higher and puts pressure on consumers who may be budget-minded. Whether or not an increasingly owner-rented marketplace is also a factor in the rate / occupancy equation this season is not yet clear, but we're working on understanding that and hope to have news for you in the coming months. But amidst all this, we must remind ourselves that revenue is king, and the bottom line for winter 2016/17 is strong.

Section 4b: Summer Preview & Commentary

Summer season has been a reliable period of growth in the wake of the recession and has set consecutive occupancy, ADR and revenue records in each of the past four years. Summer 2017 is shaping up to be similar, but with some differences. While in recent years occupancy gains have been very strong heading into summer, this year we see a pattern more akin to winter, with occupancy only slighlty up 1.2 percent, and two of six months declining, while rate is strong, with all six months up. But as we look more closely at the data, there are several similarities between summer '17 and last winter with respect to room nights booked and available inventory. Absolute room nights booked for the summer are down from this same time last year (see Fig. 6, p. 2), declining -0.9 percent, while available inventory is also down, declining -2.1 percent. As with winter, we're in a position of having an occupancy rate that is up in large part due to less available inventory. In such cases, we need to look for underlying factors such as units being used or sold through other channels (rent-by-owner, or owner / second-home usage), and the impact this inventory decline may be having on the summer rates. It's worth noting that over the course of the summer last year, more inventory was made available, so we'll be watching to see if that happens this year,

which may ease rate pressure. In the meantime, we look forward to reporting on yet another fanstastic summer season, irrespective of how we get there.

Conclusion: Winter closed very strongly, with net revenue gains in all months, and rate driving those gains, proving once again that mountain destination travelers are dedicated to ski and snowboard vacations. And, as we look ahead to another strong summer on-the-books, we can anticipate that these patterns will hold true, but as usual we note that it is early yet, and much can change. As we caution against the usual wildcards of weather and the economy, a dynamic domestic political environment should also be taken into account, and the unexpected is clearly on the table. Whether any of these events will impact Wall Street, or Main Street, remains to be seen. But in the meantime, we conclude with a reminder that as the seasons change, so does DestiMetrics. As we continue our transition to Inntopia Business Intelligence, we look forward to continuing to provide you with everything that 'you ought to know', our brand promise for 12 years, which we will continue as we move forward. To that end, make sure to monitor your property and destination data, as well as the greater macro economics and news by logging into our website at www.DestiMetrics.com .