

Lodging Report

Methodology and Summary of Findings

Randall Travel Marketing (RTM) conducted a lodging study for Visit Winston-Salem. The purpose of the study was to clearly define the visitor segments that drive occupancy in the area, as well as provide an overview of the lodging industry in Winston-Salem. A one-page questionnaire was written by RTM, approved by Visit Winston-Salem (VWS), and sent to all lodging properties to determine the following for the 2010 calendar year: percentage of occupancy driven by five (5) market segments; monthly occupancy, walk-in reservations, travel party information, top leisure geographic feeder areas and future sales and marketing priorities. The lodging survey was conducted during the months of February through March 2011. Additionally, a five year trend report was purchased from Smith Travel Research to evaluate the overall lodging trends for Winston-Salem.

Lodging Inventory

Visit Winston-Salem (VWS) provided RTM with a list of all lodging properties in the Winston-Salem area. According to the Winston Salem database, there are currently a total of 46 hotel/motel (4,733 rooms) and 2 bed & breakfasts (21 rooms) actively collecting the local lodging tax in Winston-Salem. All of the hotel/motel/inn properties were contacted to participate in the RTM survey. Twenty-six (26) hotel/motel/inn properties representing 3,216 rooms participated in the survey representing a 67.65% response rate. This response rate is very good and considered to be a predictive sample representation of the overall market. The charts and tables on the following pages outline the overall findings from the lodging properties that responded to the survey. RTM estimates a margin of error (+/- 3-5%).

Summary of Lodging Statistics and Survey Findings

- Smith Travel Research STR reports indicates a total of 4,860 lodging rooms. (This number fluctuates regularly as lodging properties add and delete rooms from their inventory.)
- Lodging built prior to 1980 accounts for 23% of room inventory and can be considered older inventory. Almost two-thirds (64%) of lodging inventory was developed from 1983 to 1999 when a total of thirty (30) properties (3,125 rooms) were added. This was the largest period of growth. Between 2000 and 2010 six (6) chain affiliated properties (540 rooms) were added.
- Occupancy in Winston-Salem was below national averages for the entire 2006-2010 reporting period.
- Convention/Meeting is the strongest segment at 27.54%. This includes: Corporate (12.06%); other SMERF (4.95%); Religious Meetings (4.00%); Association (3.38%); and Government (3.15%). Group travel accounts for an additional 15.56%.
- Individual business travelers follow at 26.92% of the annual Winston-Salem lodging occupancy.
- Leisure travel accounts for 17.61% of total annual occupancy. This includes: tourists visiting local friends and relatives (7.45%); tourists visiting the area (5.26%); transient- passing through as part of a longer trip (4.90%).
- Medical and health related travelers represent 12.35% of the lodging occupancy for Winston-Salem. This includes: Individual overnighing for medical and health related reason and/or visiting patients (6.78%); Individual business travelers serving medical clients/businesses (3.07%); and medical meeting (2.50%).
- The winter months of December and January are slowest; October and July are consistently the strongest.
- Friday is the highest average weekday occupancy at 59.2%, while Sunday is the lowest at 34.0%.
- Overall, RTM feels that the general decline in business growth has affected lodging in Winston Salem more than any other factor. The other segments all seem typical and relatively strong.

Age of Lodging Inventory

Winston-Salem Lodging Inventory by Age

Era / % of Market	Year Open	STR Room Count
		4,860
Unknown- 3 properties = 6.38%		
Budget Inn	~	88
Green Valley Motel	~	60
Kings Inn Kernersville	~	78
Prior to 1970 - 3 properties = 6.38%		
Tanglewood Park	1962	16
The Hawthorne Inn	1967	155
Quality Inn & Suites - Hanes Mall	1969	146
1970-1979 - 5 properties = 10.64%		
Clarion Collection Hotel Sundance Plaza	1970	194
Courtyard Winston Salem University	1973	124
Quality Inn Coliseum - Winston Salem	1973	134
Motel 6	1975	102
Quality Inn Airport - Kernersville	1977	98
1980-1989 - 15 properties = 31.92%		
Royal Inn	1983	57
Brookstown Inn	1984	70
Embassy Suites	1984	146
Graylyn International Conference Center	1984	98
Marriott	1984	315
InnKeeper	1985	126
Kings Inn - Winston Salem	1985	39
Village Inn - Clemmons	1986	144
Days Inn - Winston Salem	1986	59
Residence Inn	1986	88
Days Inn - Hanes Mall	1987	135
Holiday Inn Express - Downtown West	1987	121
Holiday Inn University Parkway	1987	150
Quality Inn University	1987	113
Econo Lodge – King	1988	60

1990-1999 - 15 properties = 31.92%	Year Open	Room Count
Dudley Inn & Conference Center	1992	60
Hampton Inn Hanes Mall	1994	130
Myer Lee Motel	1994	26
Sleep Inn – Kernersville	1995	104
Extended Stay	1996	111
Super 8 - Clemmons	1997	56
Comfort Suites	1998	80
Crossland Suites	1998	133
Courtyard by Marriott – Hanes Mall	1998	122
Fairfield Inn & Suites	1998	130
Holiday Inn Express - Clemmons	1998	60
Microtel Inn	1998	98
Sleep Inn – Hanes Mall	1998	73
Comfort Inn	1999	90
La Quinta Inn & Suites	1999	131
2000 – current – 6 properties = 12.76%		
Wingate by Wyndham	2000	112
Holiday Inn Express – Kernersville	2001	56
Holiday Inn Express – Winston-Salem	2001	71
Hilton Garden Inn	2008	112
Springhill Suites	2009	95
Hampton Inn	2010	94

Source: STR Five Year Trend Report Winston-Salem, NC

****RTM survey respondents reported a different room count

Thirty (30) properties, representing 23% of the total lodging inventory was built prior to 1977. Two-thirds (64%) of the total lodging inventory was developed between 1983 and 1999. Since 2000 a total of six (6) properties, or 12.76% of the total lodging inventory has been added.

Summary:

- 23% Prior to 1977
- 64% 1983 – 1999
- 12.76 2000 – 2010

The overall age of the inventory is fairly good. However, RTM is concerned that there has not been the typical “building boom” we’ve seen in many other markets during the 2006-2009 time period. Our analysis is that this is due to the overall decline in business and related job loss in the Winston Salem region.

Market Segmentation

When marketing tourism for a destination, it is critical to have an understanding of the different market segments that drive occupancy in the local lodging properties. Evaluating this segmentation provides an understanding of the rank order of visitor categories that drive the greatest economic impact for the area. The table below reveals the overall market segmentation as reported by the twenty-six (26) lodging properties participating in the study conducted by RTM. The segments are presented in rank order. Many local lodging properties do not track the primary trip purpose of their guests, so this data is based upon the management teams at each property interpreting the data they have tracked. This data is significant as it allows us to look more strategically at market segments that are most likely to drive growth for Winston-Salem in the future. The segments with promising growth should be targeted by Visit Winston-Salem.

2010 Annual Overall Lodging Market Mix

2010	Category
67.65%	Response Rate
27.54%	Convention/Meeting
12.06%	Corporate
4.95%	Other SMERF
4.00%	Religious Meetings
3.38%	Association
3.15%	Government
26.92%	Corporate/Business
26.92%	Individual business travelers
15.56%	Group
8.65%	Team sports & tournaments
5.31%	Weddings/reunions/family events/social events
1.60%	Group Tour/motorcoach
12.71%	Leisure
7.45%	Visiting local friends & relatives
5.26%	Tourists visiting the area (local attractions/events, shopping, etc.)
12.35%	Medical & Health Related
6.78%	Individuals overnighing for medical & health-related reasons and/or visiting patients
3.07%	Individual business travelers serving medical clients/businesses
2.50%	Medical Meetings
4.90%	Transient/Other
4.90%	Transient: Passing through as part of a longer trip
0.00%	Other

Source: RTM 2011 Lodging Survey (2010 data) -Total lodging response = 67.65%
(3,216 rooms reported out of 4,754 total rooms)

According to the RTM survey data, *conventions and meetings* account for the single largest segment in Winston-Salem with a 2010 average of 27.54%. Overall convention and meeting is comprised of corporate (12.06%), other SMERF (4.95%), religious meeting (4.00%), association (3.38%), and government (3.15%). In addition, if we add the *group* traveler (15.56%) which consists of team sports and tournaments (8.65%), wedding/reunions/family events/ social events (5.31%) and group tour/motorcoach (1.60%) one can see the significant impact of this market segment.

Individual business travels account for slightly more than one-fourth (26.92%) of travelers overnighing in the Winston-Salem area. As stated earlier, this is normally approximately one-third to 40% of total lodging. It is less in Winston-Salem and RTM feels this is reflective of the overall loss in manufacturing (textiles, furniture, etc.) business that has affected Winston-Salem and the region for some time. It is important for community leaders to understand the role that overall business conditions have in generating lodging revenues and economic impact.

The next largest segment *leisure travelers* accounts for an average of 12.71%. Overall leisure is comprised of those visiting local friends and relatives (7.45%) and tourist visiting the area for local attractions, events or shopping (5.26%). In addition, if we add the *transient* traveler who is passing through as part of a longer trip (4.90%) to this segment, one can see the total impact of leisure travel to Winston Salem. RTM believes that leisure is a reliable segment, which can continue to be targeted for growth.

Medical and health related travelers represent an average of 12.35% of the lodging occupancy in Winston-Salem. This segment consists of individuals overnighing for medical and health related reasons and/or visiting patients (6.78%), individual business travelers serving medical clients/businesses (3.07%) and medical meetings (2.50%).

Leisure Feeder Markets

Lodging properties in Winston-Salem were asked to report the top leisure geographic feeder markets for their properties. The response data revealed that Charlotte, Raleigh, and Atlanta as the top points of origin for the leisure segment.

2010 Top Leisure Feeder Markets

Feeder Market	Responses
Charlotte	9
Raleigh	6
Atlanta	6

Source: RTM 2011 Lodging Survey (2010 data)

Future Sales and Marketing Efforts

Respondents were asked to rank customer segments indicating priority of future sales and marketing efforts by Visit Winston-Salem.

Segment
Team Sports
Conferences
Medical Meetings/Conferences
Religious Groups
Group Tour/Motorcoach
Family Reunions
Leisure
Fraternal/Social Groups
Family Vacations
Historic/Heritage
Other: Association Construction/Building Corporate

Source: RTM 2011 Lodging Survey

2010 Walk-In Lodging

RTM asked the Winston-Salem lodging properties to report the percentage of occupancy that walks in the door without a prior reservation. The participating properties reported an average walk-in percentage of 19%. RTM typically sees the walk-in percentage ranging from 5% to 25%. Winston-Salem is somewhat at the high end of this scale, compared to what RTM typically finds in a similar destination. Again, this is likely the result of the comparatively lower demand in business travel.

2010 Travel Parties without Children

The 2011 lodging survey asked for the percentage of total lodging parties that are traveling without children. Respondents reported 58% of travel parties were adults only. Nationally, the U.S. Travel Association reports that one in five (22%) trips in the United States include children under the age of 18. Thus, the Winston-Salem area attracts a good many more families than the national average.

2010 Lodging Taxes

Respondents reported 2.17% total room revenue as non-taxable. Typically, RTM will see approximately 2-10% of non-taxable lodging for an area similar to Winston-Salem. This indicates that the significant majority of the lodging is paying sales and lodging taxes.

Smith Travel Research Data

RTM obtained lodging data from Smith Travel Research (STR) in the form of a five-year trend report for hotel/motel properties in Winston-Salem, North Carolina. The data reflects primarily chain-affiliated hotel/motels, all of which are located in the Winston Salem area. The STR data has a 78% monthly response rate for 2010 from the 4,860 rooms in the STR database. Therefore, this data can be considered very reliable.

Annual Occupancy Data

Winston-Salem and STR national annual occupancy percentages in the table below are graphically presented in the chart to compare performance in Winston-Salem, as it relates to the rest of the nation. Overall, occupancy in Winston-Salem performed below the national average during the entire five year reporting period. The most dramatic decline was in 2008 and 2009 during the economic recession.

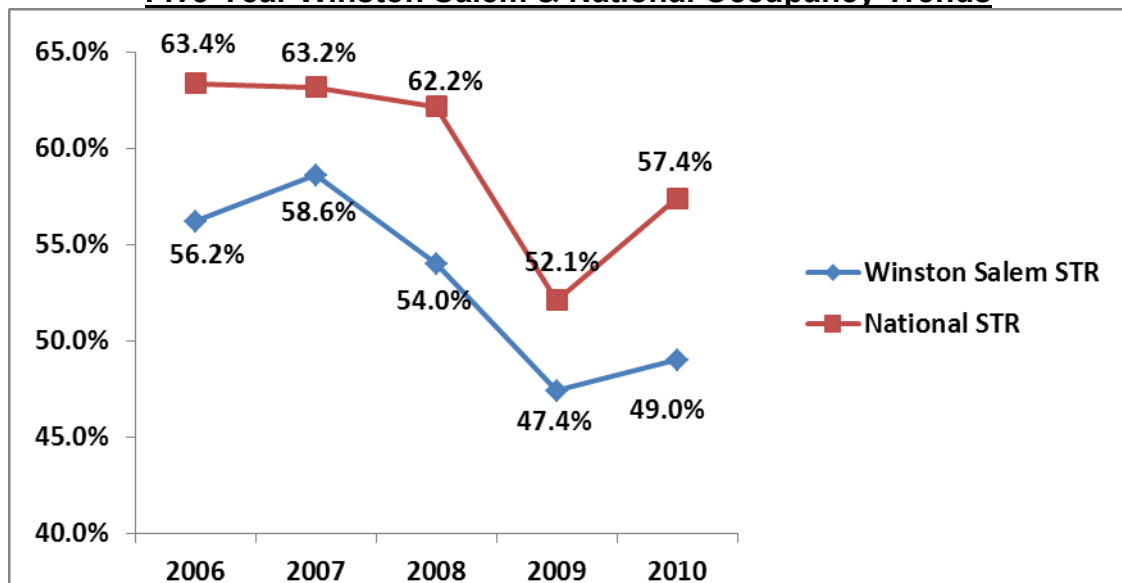
Five-Year Annual Occupancy Trends

Year	Winston Salem STR	% of Change	National STR	% of Change
2006	56.2%	2.8	63.4%	0.4%
2007	58.6%	4.2	63.2%	-0.1%
2008	54.0%	-7.8	62.2%	-3.2%
2009	47.4%	-12.2	52.1%	-10.1%
2010	49.0%	3.3	57.4%	5.3%

Source: STR Five-Year Trend Report for Winston Salem, NC

The chart below provides graphic illustration of the data in the above table.

Five-Year Winston Salem & National Occupancy Trends



Source: STR Five-Year Trend Report for Winston Salem, NC

Monthly Occupancy for Winston Salem

The table and chart below reveal the annual and monthly average occupancy rates for lodging in Winston-Salem. The red numbers indicate the lowest occupancy each year, while the blue numbers indicate the highest.

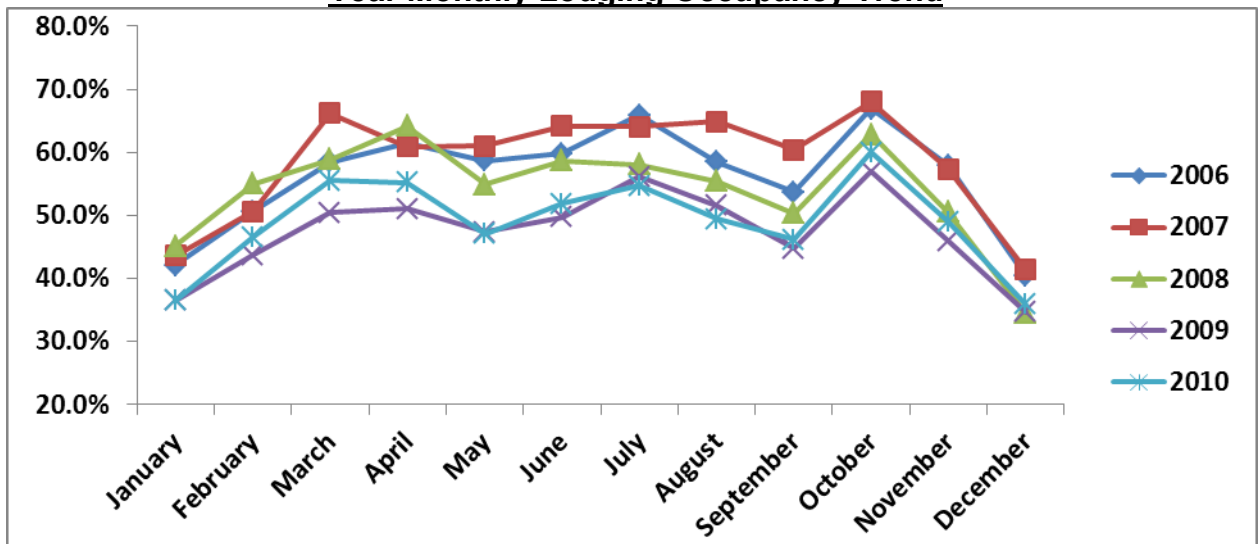
Monthly Lodging Occupancy Percentages

	2006	2007	2008	2009	2010
January	42.1%	43.6%	45.1%	36.5%	36.5%
February	50.6%	50.6%	55.0%	43.7%	46.6%
March	58.5%	66.2%	58.9%	50.4%	55.5%
April	61.4%	60.9%	64.2%	51.0%	55.2%
May	58.7%	61.0%	54.9%	47.4%	47.1%
June	59.8%	64.2%	58.7%	49.7%	51.9%
July	65.9%	64.1%	58.1%	56.1%	54.7%
August	58.5%	64.9%	55.4%	51.6%	49.4%
September	53.7%	60.4%	50.3%	44.7%	46.2%
October	66.9%	68.0%	62.9%	57.0%	60.0%
November	58.0%	57.4%	50.5%	46.0%	49.0%
December	40.4%	41.4%	34.5%	34.7%	35.9%

Source: STR Six-Year Trend Report for Winston-Salem, NC

December and January are typically the slowest months of the year. October consistently runs the highest occupancies each year, followed closely by July. The variance from lowest to highest month is as much as 33 percentage points. The chart below provides a graphic illustration of the data in this table.

Year Monthly Lodging Occupancy Trend



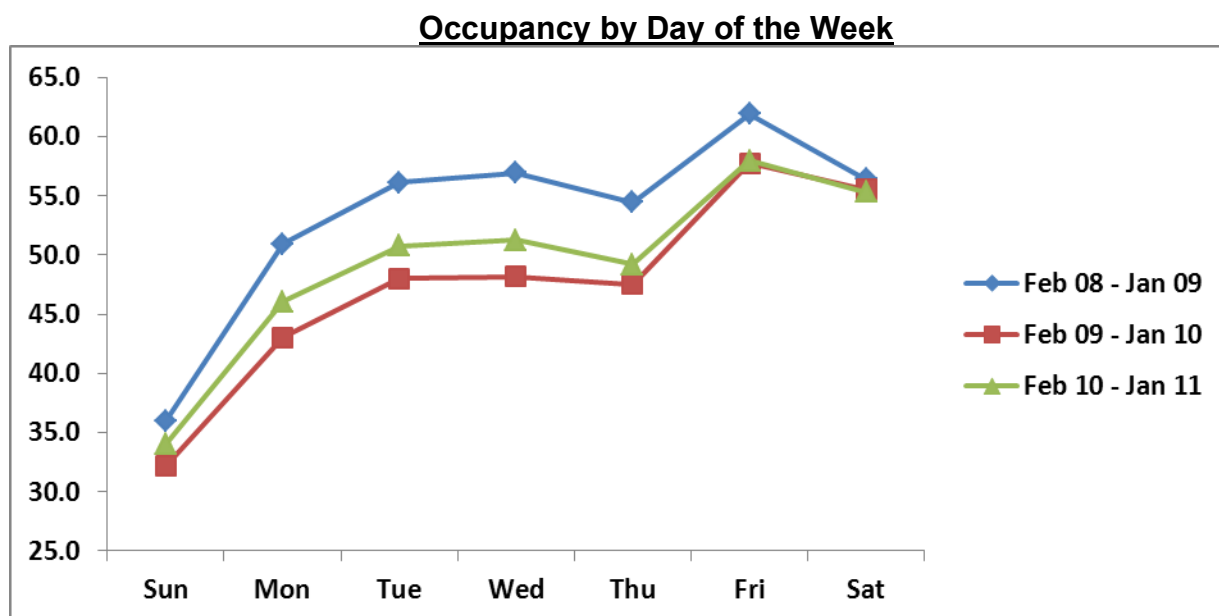
The winter month of December has the lowest occupancies in the range of 34.5% to 41.4%. October has the highest in visitation, with a range of 57.0% to 68.0%, followed by the month of July.

Occupancy by Day of the Week

Smith Travel Research (STR) records the average occupancy by day of the week from the properties in Winston-Salem that report to STR.

Three Year Occupancy (%)							
	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Feb 08 - Jan 09	36.0%	50.9%	56.2%	56.9%	54.5%	61.9%	56.4%
Feb 09 - Jan 10	32.2%	43.0%	48.0%	48.2%	47.6%	57.7%	55.5%
Feb 10 - Jan 11	34.0%	46.1%	50.8%	51.3%	49.2%	58.0%	55.3%
Total 3 Year	34.0%	46.7%	51.6%	52.1%	50.4%	59.2%	55.8%

The chart below graphically illustrates that Sunday, Monday and Thursday nights are the slowest nights of the week in Winston-Salem. Friday and Saturday nights are consistently the busiest, followed very closely by Wednesday and Tuesday nights.



Source: STR Five-Year Trend Report for Winston-Salem, NC

60% occupancy tends to be the “success line” for lodging properties. If occupancy is over 60% it is considered good, while occupancies lower than 60% typically indicate the need for improvement. Sundays are almost always the hardest nights to fill. Friday and Saturday nights for Winston-Salem are good, but not quite at the critical 60% mark. This again confirms RTM’s assessment that more business travel is needed to improve the overall travel and tourism industry for Winston Salem. Also, this indicates that Visit Winston Salem’s priorities should be continuing to focus on marketing leisure tourism for weekend nights to get them over the critical 60% mark.

Lodging Supply and Demand

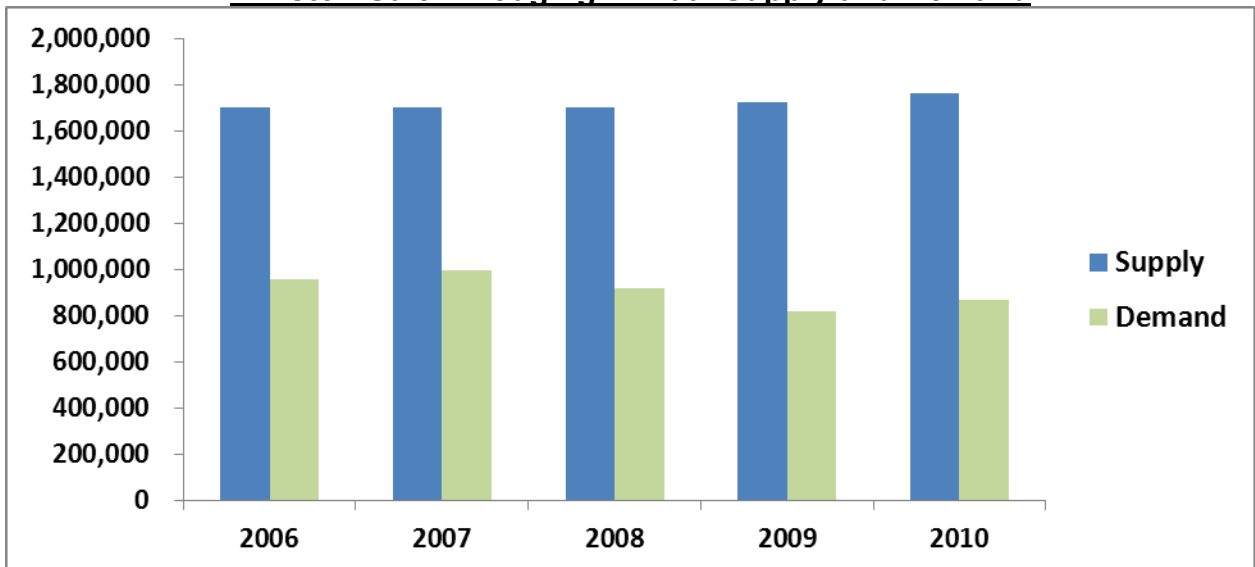
The following charts illustrate the supply of rooms in the inventory and the growth in demand to fill those rooms. Since 2008, three properties were developed, increasing room supply by 65,270 available room nights. Demand decreased in the same time period as was typical of most areas during this recessionary period. There was an increase of +5.3% for the year 2010. Most likely, the net result was having new lodging properties that took business away from older properties. Hopefully growth in demand will continue to happen as the economy improves.

Five-Year Hotel/Motel Annual Supply and Demand Trend

	Supply	% of change	Demand	% of change
2006	1,700,170	-0.0%	956,305	2.1%
2007	1,700,170	0.0%	996,324	4.2%
2008	1,703,990	0.2%	920,386	-7.6%
2009	1,721,897	1.1%	816,959	-11.2%
2010	1,765,440	2.5%	865,265	5.95%

Source: STR Five-Year Trend Report for Winston-Salem, NC

Winston-Salem Lodging Annual Supply and Demand



Source: STR Five-Year Trend Report for Winston-Salem, NC

Average Daily Rate (ADR) and RevPar

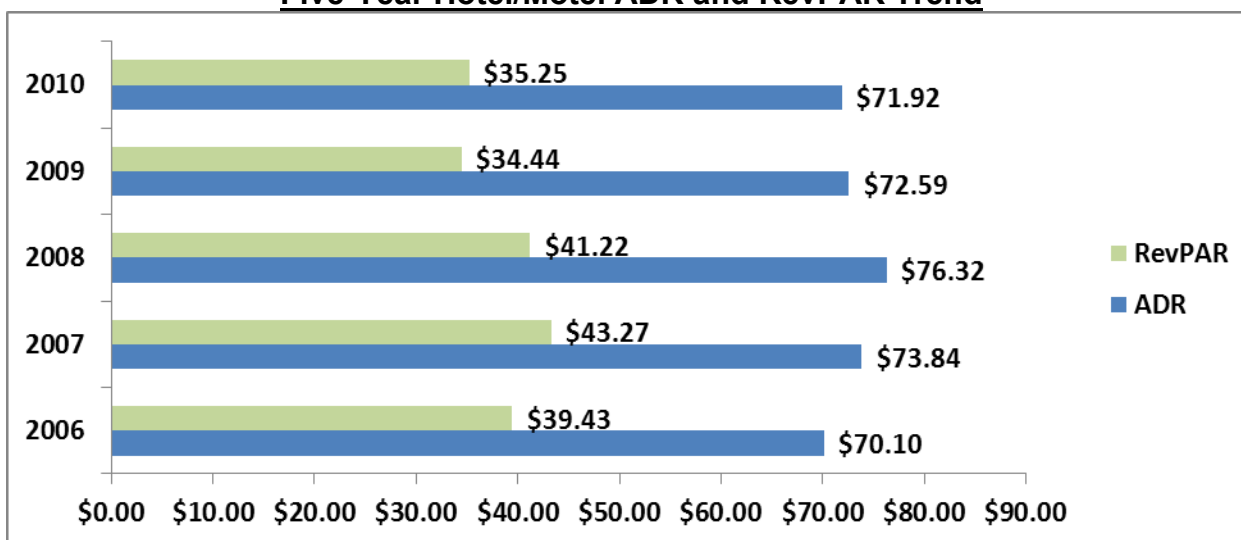
The lodging industry tracks RevPAR as a key indicator of lodging success and profitability. In other words, hotels were able to increase rates while demand for rooms was also increasing.

ADR (Average Daily Rate) and RevPAR (Revenue Per Available Room) both increased consistently over the three year period of 2006 to 2008. ADR increased 16.7%, while RevPAR increased 15.3%. ADR (Average Daily Rate) and RevPAR (Revenue Per Available Room) decreased for both 2009 and 2010. During the 2008 and 2009 recessionary period ADR decreased -5.8% and RevPAR decreased -14.2%. This is typical of most destinations during this economic recession period, and indicated that hotels cut rate as well as having a decline in occupancy. This results in a loss in RevPAR.

Year	ADR	% of change	RevPAR	% of change
2006	\$70.10	8.0%	\$39.43	10.3%
2007	\$73.84	5.3%	\$43.27	9.7%
2008	\$76.32	3.4%	\$41.22	-4.7%
2009	\$72.59	-4.9%	\$34.44	-16.5%
2010	\$71.92	-0.9%	\$35.25	2.3%

Source: STR Five-Year Trend Report for Winston-Salem, NC

Five-Year Hotel/Motel ADR and RevPAR Trend



Source: STR Five-Year Trend Report for Winston-Salem, NC

Lodging Room Revenue

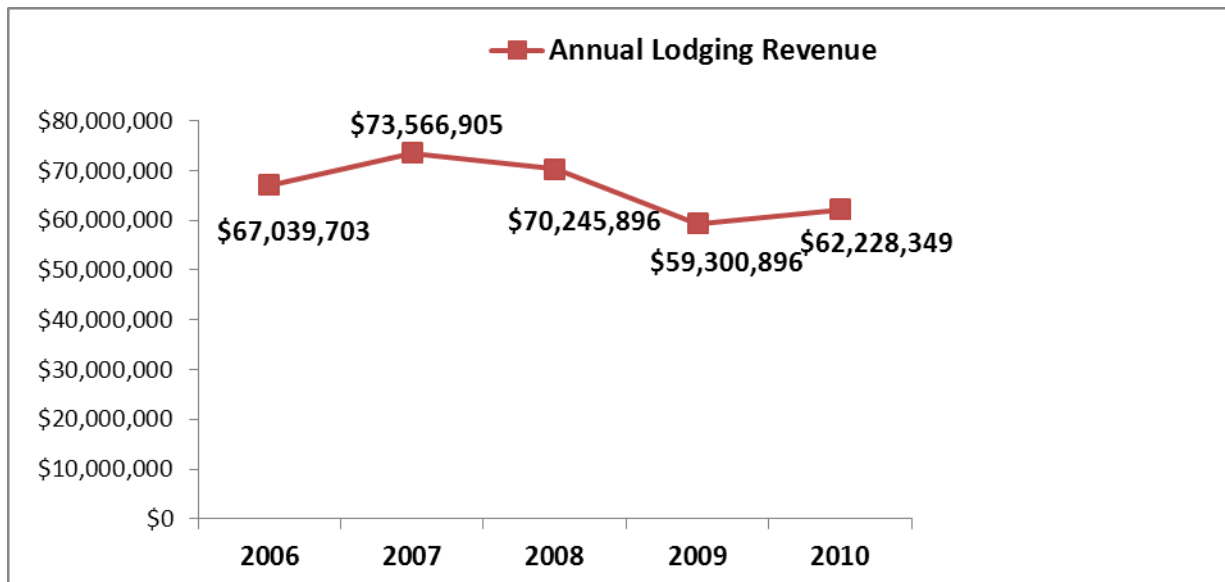
Smith Travel Research reports the total annual lodging revenue for lodging in Winston-Sale, since 2006 as follows in the table below:

Annual Lodging Revenue

Year	Lodging Revenue
2006	\$67,039,703
2007	\$73,566,905
2008	\$70,245,896
2009	\$59,300,896
2010	\$62,228,349

Lodging revenue steadily increased between 2006 and 2007. A decline in revenue began in 2008 with a dramatic drop in 2009. A slight increase is seen in 2010. The chart below graphically illustrates the pattern in lodging revenues over the last five years.

Annual Lodging Revenue



Source: STR Five-Year Trend Report Winston Salem, NC