West Region Mountain Market Briefing

Summary and Insights: December 2014

(data as of Nov. 30, 2014)

Booking Trends Foretell Happy Holiday and New Year Economics

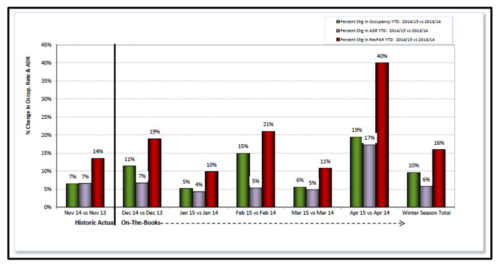
Strong booking trends are continuing through November and into the holiday season, creating an economic foundation for holiday cheer and prospects for a good new year for tourism economics as we see continued growth in the US economy, surprisingly low fuel-transportation costs, and early snow in most regions in North America.

Reservation activity as of Nov. 30 represents almost 2/3 of last winter's total revenues, so a solid foundation has been established and the metrics are aligned with what we have been experiencing for some time. Winter occupancies are up 10 percent and revenues are up 16 percent from this same time last winter, and November's booking pace is up strongly from last year's—a pace that resulted in the best winter since the 07-08 recession. So read on, and be of good cheer.

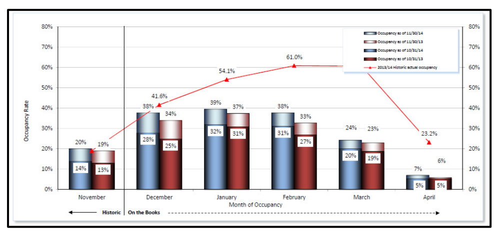
Section 1: Winter Season Data as of of Nov. 30, 2014:

November Historic Actual occupancy as of Nov. 30 is up a moderate 6.6 percent compared to November 2013, at 20.2 percent occupancy. Average Daily Rate (ADR) is also up a moderate 6.6 percent for the month, at $151. As a result of these gains in occupancy and ADR, revenue is up a very strong 13.6 percent compared to November 2013, at $30. The gains were supported by early openings at many western resorts as base snow was established before the Thanksgiving holiday.

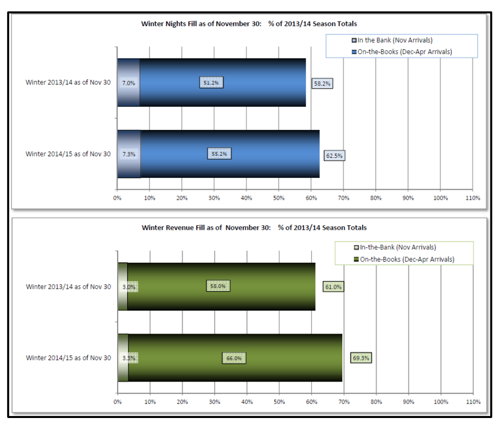
Winter Aggregate (November '14 – April '15) Historic and On-the-Books occupancy as of Nov. 30 is up a sharp 9.7 percent compared to winter 2013/14 as of this same time, with a 27.8 percent occupancy rate. Occupancy is up in all six months of the winter season, with double-digit gains in December, February and April. Average Daily Rate (ADR) for the same period is up moderately compared to last year, gaining 5.8 percent at a rate of $367 and is gaining in all six months of the winter season. The result is a very strong 16.0 percent gain in revenue for the season, with RevPAR at $102 in aggregate, and increasing in all six months, ranging from a low of 9.9 percent year-over-year growth in January to a high of 40.0 percent growth in April. (See "Discussion," p. 2).



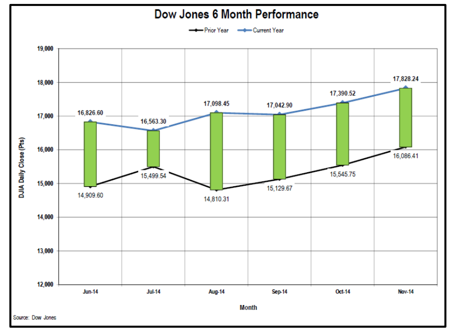
Booking Pace in November. Bookings made in November for arrival in November were up a modest 2.7 percent compared to bookings taken in November 2013 for arrival in that same month. Overall, bookings made in November for arrivals from November through April 2015 were up 17.5 percent compared to bookings made in November last year for arrival in the same period. Bookings for arrival in all six months increased, led by a 183 percent increase in bookings for arrival in April, which is a notable figure but is calculated on very low volume. The peak months of December, January and February increased strongly but less dramatically with gains of 10.2, 12.5 and 10.5 percent respectively.



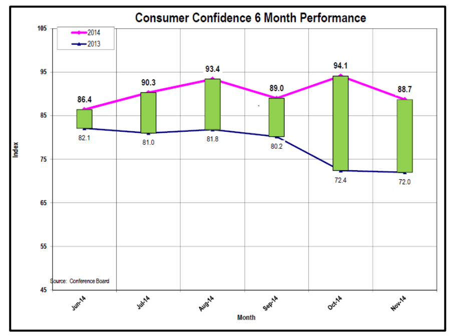
Winter Season 2014 Year-Over-Year Room Nights and Revenue Booked as of Nov. 30, Room nights "in-the-bank" (actual November arrivals) for winter 2014/15 currently represent 7.3 percent of the total actual room nights that were booked for the entire winter season last year. An additional 55.2 percent of last year's nights are already on-the-books for arrival in December through April. Overall, 62.5 percent of all nights booked for winter 2013/14 are now booked for the winter of 2014/15. Room revenue in-the-bank represents 3.3 percent of the total actual revenue booked last year. An additional 66.0 percent of last year's total revenue is on-the-books for arrival in December through April. Overall, 69.3 percent of all revenue that was booked in winter 2013/14 has been booked this year.



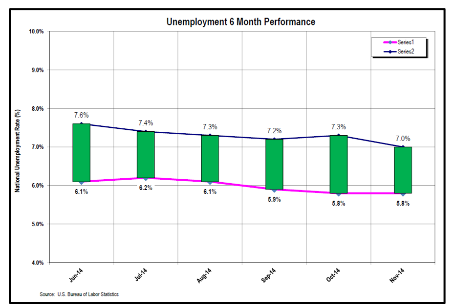
Section 2: Econometrics



The Dow Jones Industrial Average (DJIA) (17,828.24 pts): The Dow Jones Industrial Average regained its footing after an erratic month in October, gaining 2.5 percent, or 437.7 points, during November and closing the month at 17,828.24 points. This is the ninth month-over-month gain for the Dow in the past 12 months. Investor confidence in financial markets increased in November following the lead of employers (see "Unemployment," below) who are betting strongly on sustained economic growth. Additionally, indications from other sectors of the U.S. economy confirm that the ongoing recovery is now becoming self-perpetuating. However, the U.S. economy is on an island, with developing weakness in Europe and Asia, both of which can threaten this stability.



Consumer Confidence Index (CCI) (88.7 pts): After increasing in October, consumer confidence declined in November, dropping -5.7 percent, or 5.4 points, and finished at 88.7 points. This is the second decline in the past four months and the fourth in the past year. Consumers stated that they were less positive about current business conditions and the job market but felt about the same regarding earnings. The recent 0.4 percent increase in average wages (see "Unemployment, below) and continued low gas prices should translate into increased discretionary spending in mountain towns through the December shopping season.



Unemployment Rate (5.8 percent): The national unemployment rate was unchanged in November from October, remaining at 5.8 percent, as employers added a very strong 321,000 jobs to the market. The job creation numbers were almost 80,000 higher than most analysts expected and it's clear from the data that these are not just seasonal jobs, but full-time, permanent and skilled positions. Perhaps more importantly at this stage, average earnings increased 0.4 percent during the month, allowing wage earners to feel that they are perhaps beginning to keep up with inflation and cost of living, something that will help mountain destinations finish with the recovery of winter revenue to pre-recession levels.

Section 3a: Discussion: The winter season is fully underway, the Thanksgiving weekend is behind us and we now look ahead to what is traditionally the highest value segment of the season, generating a significant percentage of overall seasonal revenue during the final two weeks of December. With snow falling in November and prompting some western resorts to open early, the benefits are apparent in the numbers. But since those early openings, some resorts have struggled to maintain their snow base. Temperatures have either warmed up or, if not, then dried up in many locations, turning early optimism into a bit of concern. However, while this may have an impact on local drive markets, the pure destination is benefitting from the effects of lower travel costs, a stronger economy and some positive snow equity coming out of last season. The overall result is a good one and, despite the weather "stumble," mountain resorts in the west are, in aggregate, showing strong numbers for November and on-the-books for the balance of the winter season ahead, though as we see below, the story fluctuates from region to region.

Section 3b: Winter Season (Nov – Apr) Overview: Winter season is off to a very strong start in the West and has been picking up pace since our last Briefing. Occupancy rates for the aggregate of all western destinations are up 9.7 percent for the winter season compared to this same time last year, ADR is up 5.8 percent and revenue is up a very strong 16 percent. Occupancy gains are higher than they were last month, while rate gains are pacing a little downward from October's report. Meanwhile, reservations taken last month for arrival during the winter season are up a very strong 17.5 percent, with bookings in November for arrival in December, January and February gaining by double-digits.

The strong performance for the West overall, and the general improvement from last month's already-strong numbers, is reflected in the Rockies (CO, UT, WY) and Far West (NV, CA, OR) regions, which both experienced some significant snowfall last month, helping set the tone for the early season.

In the Far West, early snow helped offset many of the concerns around opening day and consumer perception of conditions on the slopes and throughout the region. As a partial result, occupancy rates for the winter are gaining, up 2.1 percent compared to this same time last year, which is a dramatic improvement from the -4.1 percent decline we reported last month. However, the year-over-year rate decline has sharpened, declining -5.3 percent as of Nov. 30 and somewhat lower than the -3.4 percent decline we reported as of Oct. 31. However, the revenue bottom line is improving, with year-over-year revenue down -3.3 percent as of this report, markedly better than the -7.4 percent year-over-year decline in revenue we reported for the region last month.

In the Rockies, occupancy rates for the winter season are benefitting from good snow equity from last season and are up 10.5 percent compared to this same time last year, a marked improvement from the 8.7 percent gain reported last month. Properties in the Rockies are also managing to hold their rates, with a 6.4 percent year-over-year gain compared to this same time last year, unchanged since our report last month. The resulting revenue numbers for the Rockies are impressive, with a 17.7 percent gain in winter revenue on-the-books compared to this same time last year, an increase from the 15.6 percent gain we reported last month.

Regional Comparison: Winter 2014/15 v 2013/14

Winter 2014/15 v Winter 2013/14 (Nov-Apr)	Far West November	Far West October	Rockies November	Rockies October	West Aggregate November	West Aggregate October
% Change Occupancy	2.1%	-4.1%	10.5%	8.7%	9.7%	7.4%
% Change ADR	-5.3%	-3.4%	6.4%	6.4%	5.8%	6.2%
% Change RevPAR	-3.3%	-7.4%	17.7%	15.6%	16.0%	13.9%

<u>Section 3c: Other Factors.</u> Clearly snow has played a major part in helping to get the season off to a strong start and lay the foundation for positive consumer sentiment towards the snowsport product. But as always, the wildcard of weather is fickle, and early snowfalls have given way to warmer temperatures that have – in some cases – restricted snowmaking and reduced base totals. However, our other wildcard--the economy--is proving to be strong. Most economists consider job creation to be entering a self-perpetuating cycle, and November's numbers suggest that earnings are improving along with jobs. As the workforce continues to grow, as it did last month, we'll see continued growth in earnings, which translates to discretionary money for the destination tourism marketplace. And lastly, we're watching for the lower oil prices to continue to work in our guests' favor, at the pump and the store. However, we don't expect those declines will have any impact on the cost of airfare, leaving the drive and day market resorts to benefit from visits and purchases from those customers.

Conclusion: With 10 years' of reservation activity data, and further developments in the disciplines of data science, we're increasingly comfortable with the forward-looking findings presented in our reservation outlook reports. Further confidence comes from the now-established trend of consistent increases in both occupancy and rate in almost every month for four years running. But our aggregated results are not representative of individual resort performance, and both Mother Nature and global turmoil can dramatically impact the confidence with which consumers plan and book their leisure vacation, so caution is often recommended as we close our monthly offering. However, we'll close the Briefing this month with wishes for a great holiday season as well as a terrific 2015.

* The Mountain Market Briefing is based on DestiMetrics' advanced reservation data as of 11/30/14 submitted by lodging property subscribers in the western U.S. and may not reflect the entire mountain destination travel industry. For further information, contact DestiMetrics, LLC directly by email at info@DestiMetrics.com or phone at (303) 722-7346.