



## LODGING EMPLOYMENT FORECAST 2012

### LODGING INDUSTRY 2012 WAGE FORECAST

The coming year should prove to be a continuation of the modest growth experienced by the lodging industry across the nation last year. This should be welcome news for many hotel management team members as they receive modest raises in 2012. The WageWatch annual survey of budgeted pay raises for hotel employees in the coming year shows across the board pay raises for exempt and nonexempt employees averaging 3.0%, with a median of 3.0% and a mode of 3.0%. A total of 3,430 hotels responded to the WageWatch survey, which was completed on January 3, 2012.

If the wage increases are further broken down into full service hotels and limited or select service hotels, similar results were obtained with the 1,116 full service hotels reporting planned increases for exempt and nonexempt positions averaging 3.0% with a median of 3.0%, and a mode of 3.0%. Limited service hotels were slightly less with an average planned increase of 2.9% with a median of 2.9%, although the mode was the same as full service hotels at 3.0%.

Nationally, this will be the first year since the recession of 2008-09 where there will be across the board wage increases for the lodging industry. Similar pay raises were planned for last year but never materialized because of the weaker than expected U.S. economy the first half of 2011. Hotel management companies revised their plans and subsequent wage increases averaged only 1.4% for 2011. This figure was reported last November by WageWatch when it completed its 2011 compensation survey of 4,950 properties in the lodging industry.

The President of WageWatch, Randy Pullen, forecasts that these planned wage increases in 2012 for the lodging industry will occur with the possibility of even higher increases of closer to 3.2% on average if the economy is stronger than forecast. Hotel management companies are being cautious as the New Year begins.

### ECONOMIC IMPACT ON WAGES AND EMPLOYMENT

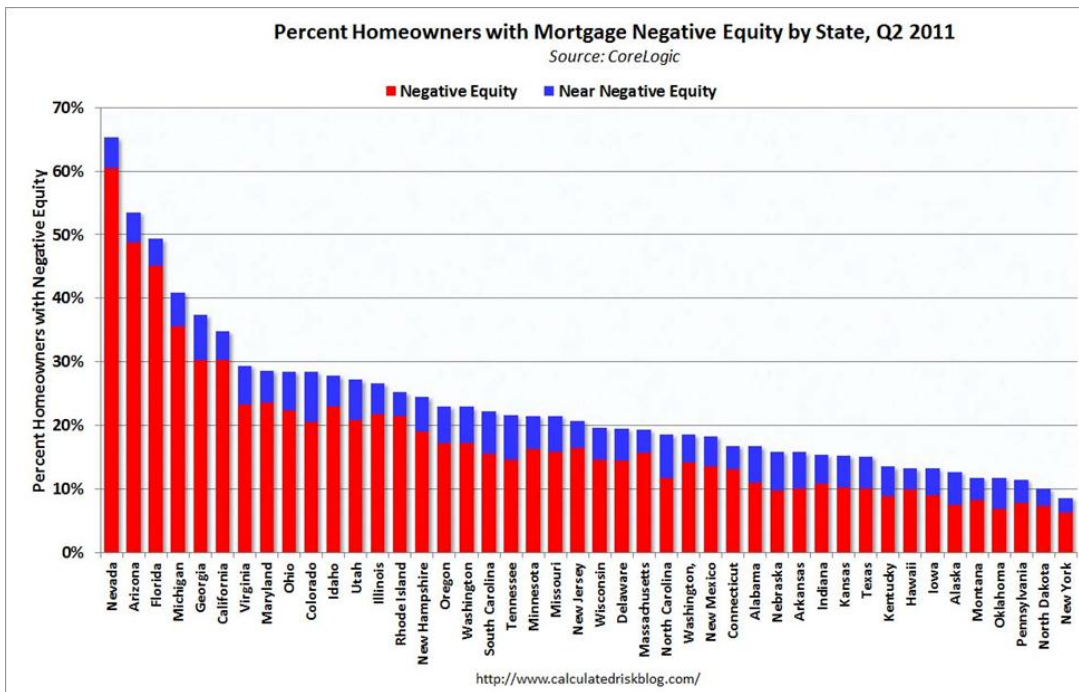
The economy was improving during 2010 with real GDP growth exceeding 3% during the first half of the year. This trend was expected to continue and most economists were forecasting real GDP growth at 3% or higher for 2011 with the Federal Open Markets Committee forecasting growth at 3.4% to 3.5% for 2011. Accordingly, most hotel management companies had planned during the late third or early fourth quarters of 2010 for pay raises in 2011.

Economic growth began to fade in late 2010 with a slower Christmas season than expected as middle class Americans continued to feel the effects of the credit card and mortgage debt over hang from the recession. The economy continued to lose steam in

the first half of 2011 and with a possible double dip recession looming, many hotel management companies put their planned pay raises on hold for 2011.

Looking ahead to 2012, the fears of a double dip recession and a European bond default crisis have subsided; although, the recession in Europe that is underway will keep economic growth modest in the U.S. The most recent consensus forecasts for real U.S. GDP are 2.0% to 2.5% for 2012, which is an improvement over the 1.8% growth experienced in 2011. Most economists are remaining cautious in their forecasts for 2012. The most recent U.S. Travel Association forecast for real GDP in 2012 is 2.1%. The Association forecasts that travel expenditures will continue to grow modestly in 2012, although at a slower overall rate than 2011. One area of improvement over 2011 will be business travel in 2012, which is forecast to increase at 1.7% in 2012.

In addition to the recession in Europe, the U.S. economy continues to be negatively impacted by the housing bubble which burst in late 2007. Economists estimate that housing and related purchases historically have account for a third of the U.S. economy. This situation is not expected to change for several years as many homeowners have negative equity. The following chart depicts the amount of negative equity or near negative equity homeowners have by state.



For this reason, the likelihood of the U.S. economy returning to strong growth in the near future is not very good. Accordingly, the continued modest economic growth will curtail employment growth and the overall unemployment rate is forecast to remain high in the 8.5% to 9% range for 2012.

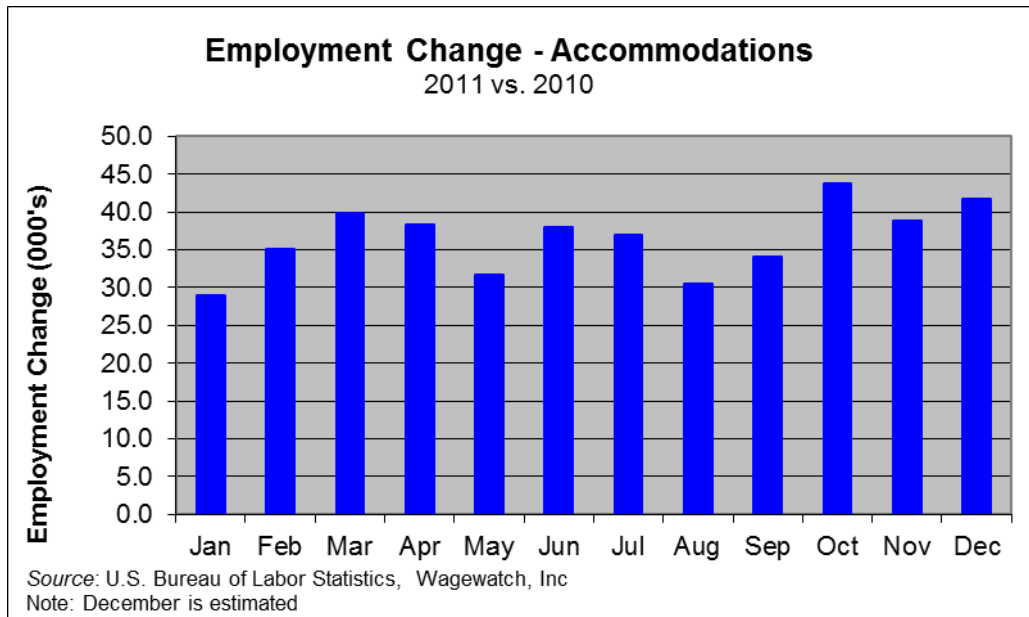
The modest growth forecast for the U.S. economy will result in continued modest growth for the lodging industry. The forecast for the lodging industry for 2012 by PKF Hospitality Research, a leader in the lodging industry, is for occupancy to increase by less than one point to 60.8% and average daily rate to increase by 4.7%. Taken together, revenue per available room (RevPAR, the economic indicator for the lodging industry) is forecast to increase by 6.2% in 2012. When added to the 8.1% RevPAR increase expected for 2011, this will still be the best two year performance for the lodging industry since the 2006/2007 time period.

### LODGING EMPLOYMENT

PKF Hospitality Research forecast for net new hotel room openings for 2012 will only be 33,597, a 0.7% in total hotel rooms as compared to a 0.6% increase for 2011. These are the lowest increases in new rooms since 2006. With the small increase in new rooms added to hotel room stock in 2011 and continued modest growth for the lodging industry, increases in demand for labor will remain modest, although the continued increase in occupancy and food and beverage sales at many hotels will result in an increase in hours worked per staff member.

PKF Hospitality Research is forecasting an increase of net operating income (NOI) of 12% for 2012. While not as strong as 2011 when NOI increased by 18%, it should continue to relieve some of the financial pressure on many hotels. Those hotels which have maintained strict hiring freezes over the past three or four years should begin to hire additional hourly staff in 2012.

The lodging industry has already seen some recovery of employment in the past two years with an increase on average of about 50,000 jobs in 2011 over 2009, based on U.S. Bureau of Labor Statistics for the Accommodations segment of the Leisure and Hospitality super sector. The following chart shows the net increase in employment for 2011 compared to 2010 for the Accommodations segment:



As can be seen in the above chart, employment was up on average about 35,000 per month, an increase of about 2% and should end 2011 with total employment over 1,800,000 for the first time since 2008, but well below the peak employment level of 1,890,000 in 2007.

Looking forward to 2012, employment in the Accommodations segment should increase on average by 25,000 jobs, with most of the increases occurring in the hotel markets around the country where new hotel rooms are being added or in gateway cities where international travel is forecast to remain strong in 2012. The top ten hotel markets for new hotel rooms supply as reported by PKF Hospitality Research include: New York City, 4.4%; New Orleans, 4.1%; Pittsburgh, 3.2%; Tucson, 2.7%; F. Lauderdale, 2.5%; Philadelphia, 2.3%; Miami, 2.0%; Raleigh-Durham, 1.8%; Dallas, 1.7%; and Baltimore, San Antonio and Salt Lake City all tied at 1.6%.

**ABOUT WAGEWATCH**

WageWatch, Inc. is the leading Web-based source for compensation and benefits data which provides over 4,500 associations, businesses, companies, franchises, non-profits, properties, organizations, locations and management companies salary and wage data for over one million employees in hourly and salaried positions each year.

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