



Hotel Product & Tourism Growth

August 26, 2015



THE BEACHES OF
**FORT MYERS
AND SANIBEL**



Purpose:

To understand the current product in Lee County, what the traveler seeks in accommodations, and the key steps, decisions and processes that shape a community's effort to make lodging improvements and spark new development.

INTRODUCING



PEGGY BERG

Founder, The Highland Group,
Hotel Investment, Inc.



CLAYTON REID

President & CEO, MMGY Global



TOM STOREY

Hotel Developer and
Industry Strategist



OUR STRATEGIC PLAN

DRIVING A SHARED VISION FOR TOURISM

STRATEGIC IMPERATIVES

1 Develop the Tourism Pipeline

- Expand our research efforts to define the next generation of travelers
- Lead stakeholder efforts to secure expanded air service

2 Grow Shoulder and Off-Peak Visitation

- Utilize cultural, natural and recreational assets to create events that build urgency to visit in non-peak seasons
- Enhance marketing efforts to focus off-season strategies on specific travel segments
- Focus public relations and social media strategies on leveraging niche markets like weddings, sports and ecotourism
- Utilize meetings, events and sports as "foot in the door" strategies to attract first-time leisure visitors
- Improve competitiveness of meetings and events business

3 Protect Lee County's Natural Assets

- Raise awareness of the VCB as a leader in ecotourism
- Continue to keep natural assets at the core of Lee County's marketing, promotional and branding strategies
- Create an issues management campaign that addresses risks to the area's natural assets

4 Make Tourism a Shared Community Imperative

- Develop the "tourism story" for Lee County
- Educate and engage residents and local businesses about the economic benefits of tourism
- Develop community-wide objectives for intra-county transit

UNDERLYING FOCUS AREAS

Destination Assets

Brand Awareness

Community Communications

Infrastructure

CRITICAL SUCCESS FACTORS

- Increase annual tourism spending to \$3B
- Grow RevPAR by 15%
- Grow fall visitation by 15%

SWOT ANALYSIS

CORE STRENGTHS

- Unique natural assets: pristine beaches; warm water; abundant shelling; natural wildlife
- Low-key, laid-back, uncrowded island lifestyle
- Abundant outdoor recreation; fishing, boating, kayaking, hiking, shelling, snorkeling
- Interesting cultural offerings including the Edison and Ford Winter Estates, museums, galleries, and shopping and culinary experiences
- Accommodations at all price points
- Vacation options for all stages of life
- Amateur and professional sports facilities
- Strong repeat visitation
- International arrivals in shoulder and off-peak seasons

KEY WEAKNESSES

- Inter-island, inter-county transportation, seasonal traffic congestion
- On-island parking
- Restaurants and evening entertainment
- Entertainment district close to sports facilities
- Inconsistent quality of lodging and a lack of high-end lodging options
- Limited air access from secondary markets
- Meeting space restraints
- Aging tourism base

GREATEST OPPORTUNITIES

- Conduct and utilize research to understand and speak to the next generation of traveler
- Develop a deeper understanding of the motivators of guest satisfaction
- Expand our perspective on competition beyond our state
- Develop more opportunities to grow visitation in the shoulder and off-peak periods through festivals, amateur sports and meetings and conferences
- Educate and engage the Lee County community about the value of tourism; create awareness of the importance of key tourism initiatives
- Reinvestment in hotel and lodging product

POTENTIAL THREATS

- Adverse human impact on natural assets
- Unforeseen natural or economic events
- An inability to expand the tourism pipeline and generate replacement visitors
- Inadequate funding for tourism marketing as compared to competitor destinations
- Lack of foresight regarding the next generation of visitors and an understanding of their needs and expectations

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A photograph of an outdoor cafe scene, overlaid with a red tint. The scene shows several people sitting at tables, with a woman and a man in the foreground smiling. The background features palm trees and a building with arched windows. The text "PRODUCT STUDY" is centered in white.

PRODUCT STUDY

Lodging Product Study

Issued early 2015 by The Highland Group

Executive Summary

Lee County tourism product is very good. Both private buildings and public infrastructure have obviously been improved over time. We did not find that Lee County product is worse than nearby destinations or unsatisfactory overall. But, we found that Lee County has risks to address and an opportunity to significantly improve tax revenues and property owners' revenues.

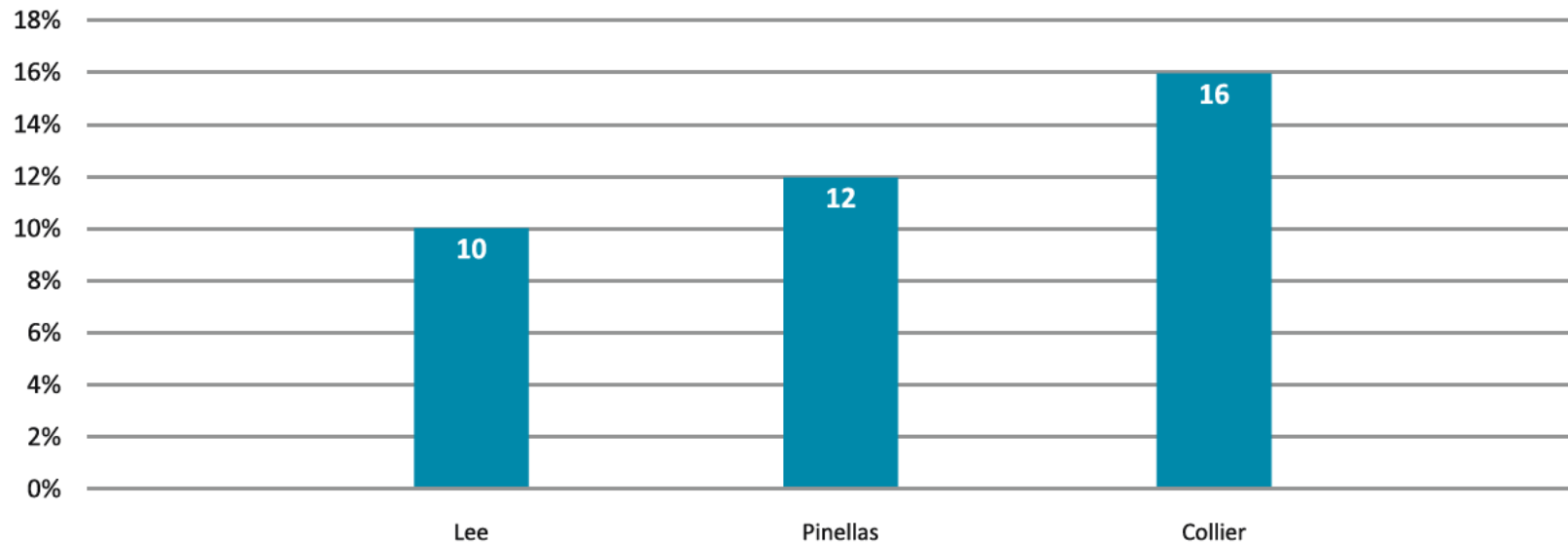
Methodology

- Capitalized on existing data from Smith Travel Research, US Census, Zillow, tax records, AirBNB, VRBO, visitor surveys and other sources.
- Compared 12 counties with in-depth comparisons to 5 counties and 14 sub-markets.
- Developed original research on the revenue-impact of renovating vacation rentals.
- Toured properties and conducted interviews in Lee County and competitive counties.

10%

Only 10 percent of visitors identify Lee County as more expensive than anticipated, according to Davidson-Peterson Associates. This is unusually low and means that the county is missing revenue opportunities.

Destination More Expensive than Anticipated as % of Visitor

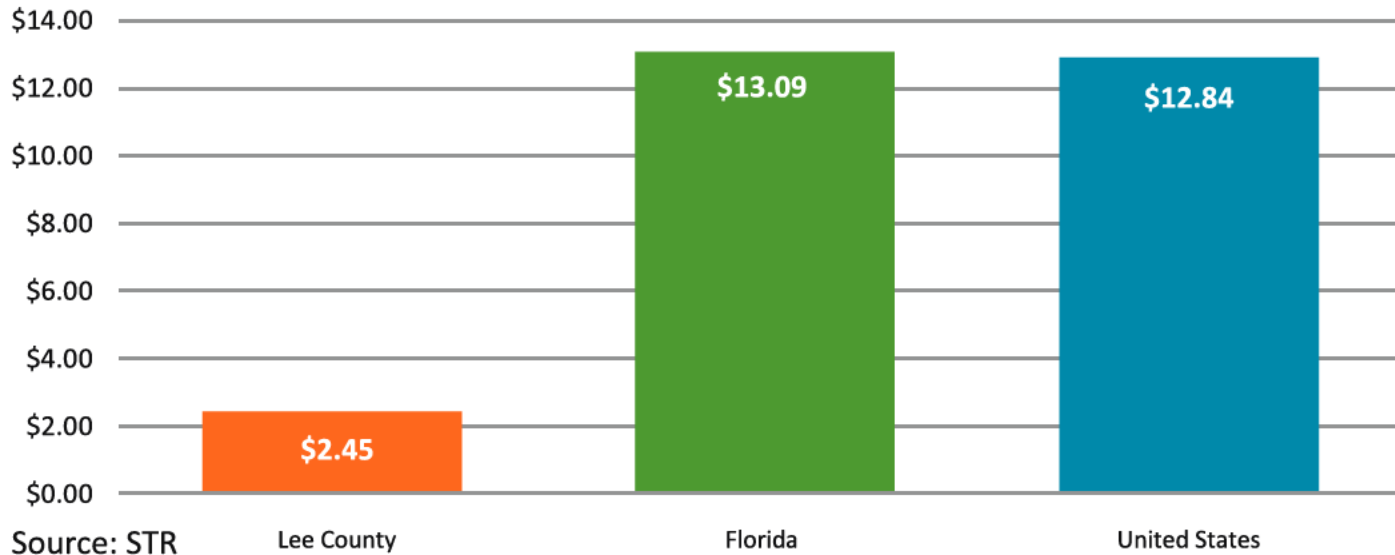


Source: Davidson-Peterson Associates

\$2

Lee County only gained \$2 in hotel average daily rate between 2009 and 2013, well below gains in comparable counties. The national and Florida average increases were more than 5x higher, according to Smith Travel Research (STR).

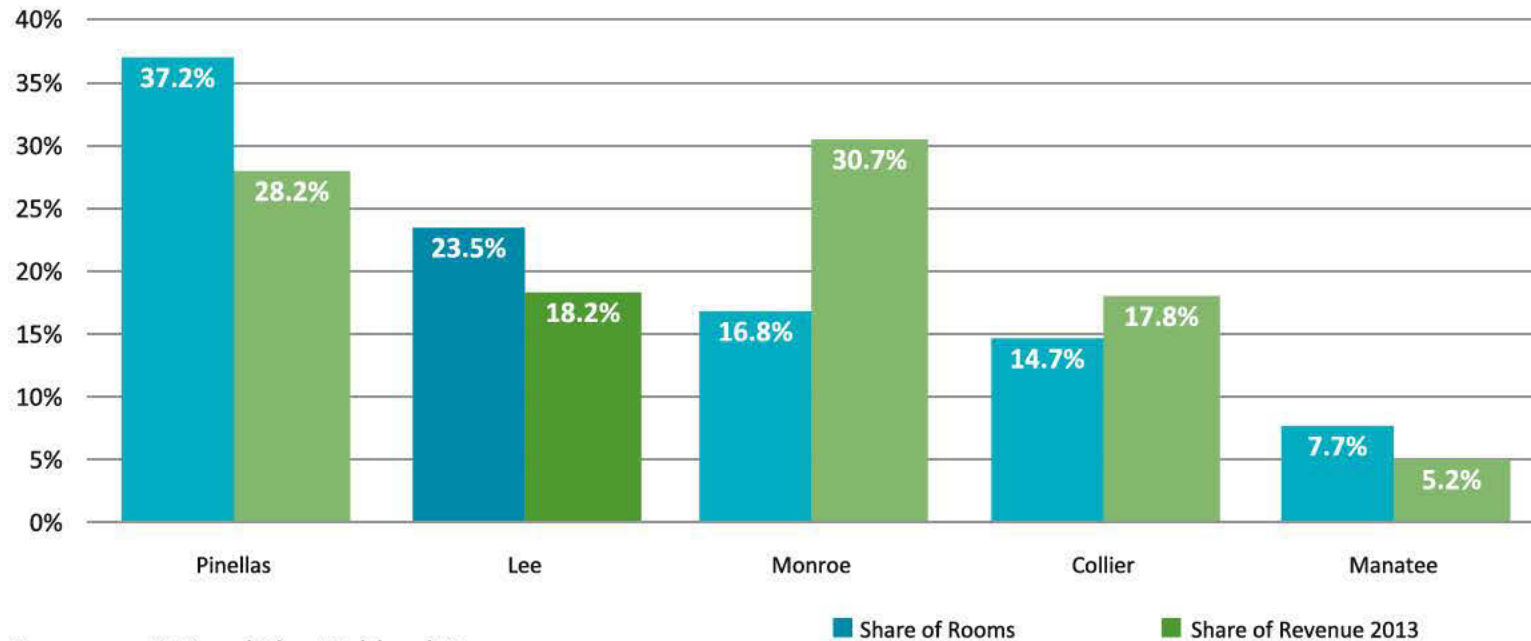
Average Rate Growth 2009 through 2013



Improving revenue management can benefit both property owners and the county.

23.5% In 2013, Lee County had 23.5 % of available lodging among the comparable counties of Pinellas, Monroe, Collier, and Manatee, yet only captured 18.5% of lodging revenues. Lee County captured less than its fair share.

2013 Share of STR Census Lodging Market by County

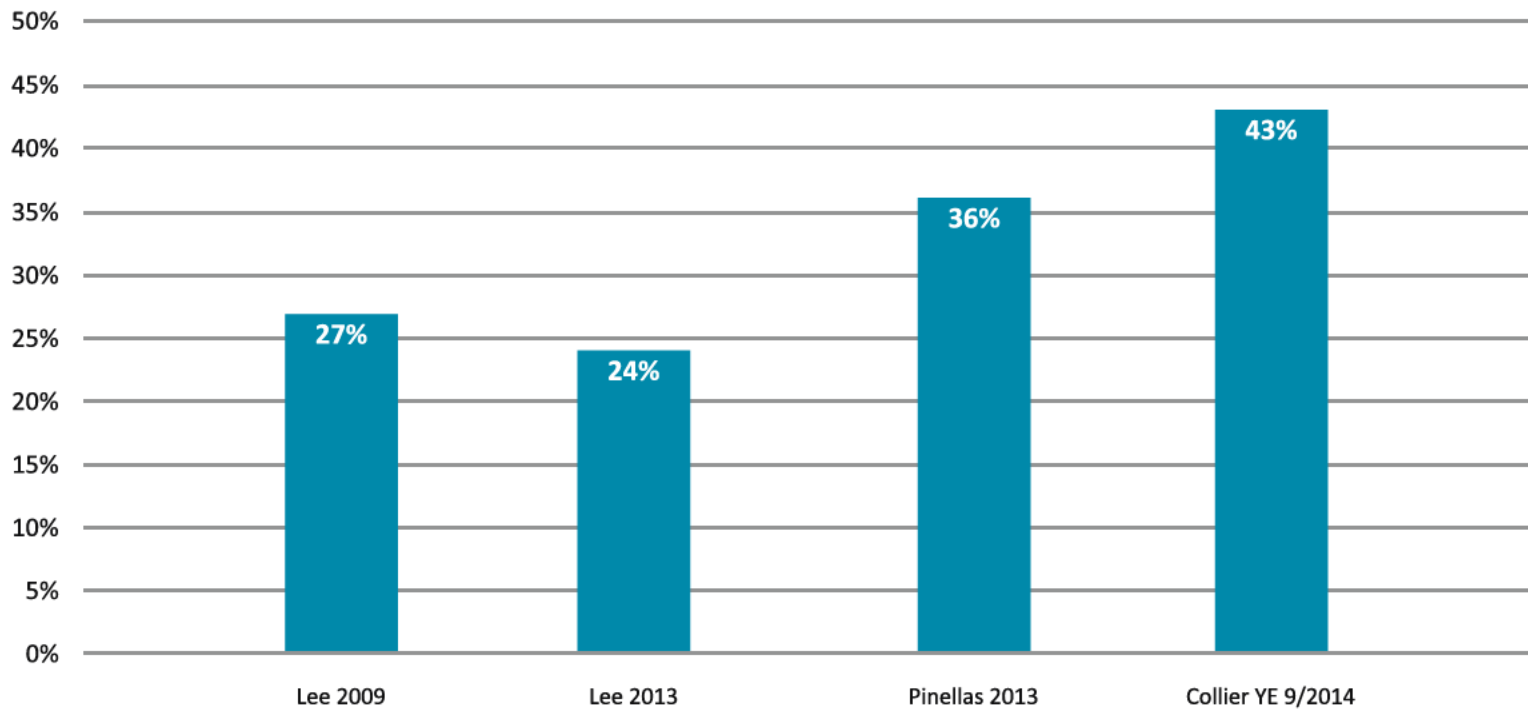


Sources: STR and The Highland Group

24%

Only 24 percent of Lee County visitors are visiting for the first time and this figure has been dropping, according to Davidson-Peterson Associates.

Percent of First Time Visitors

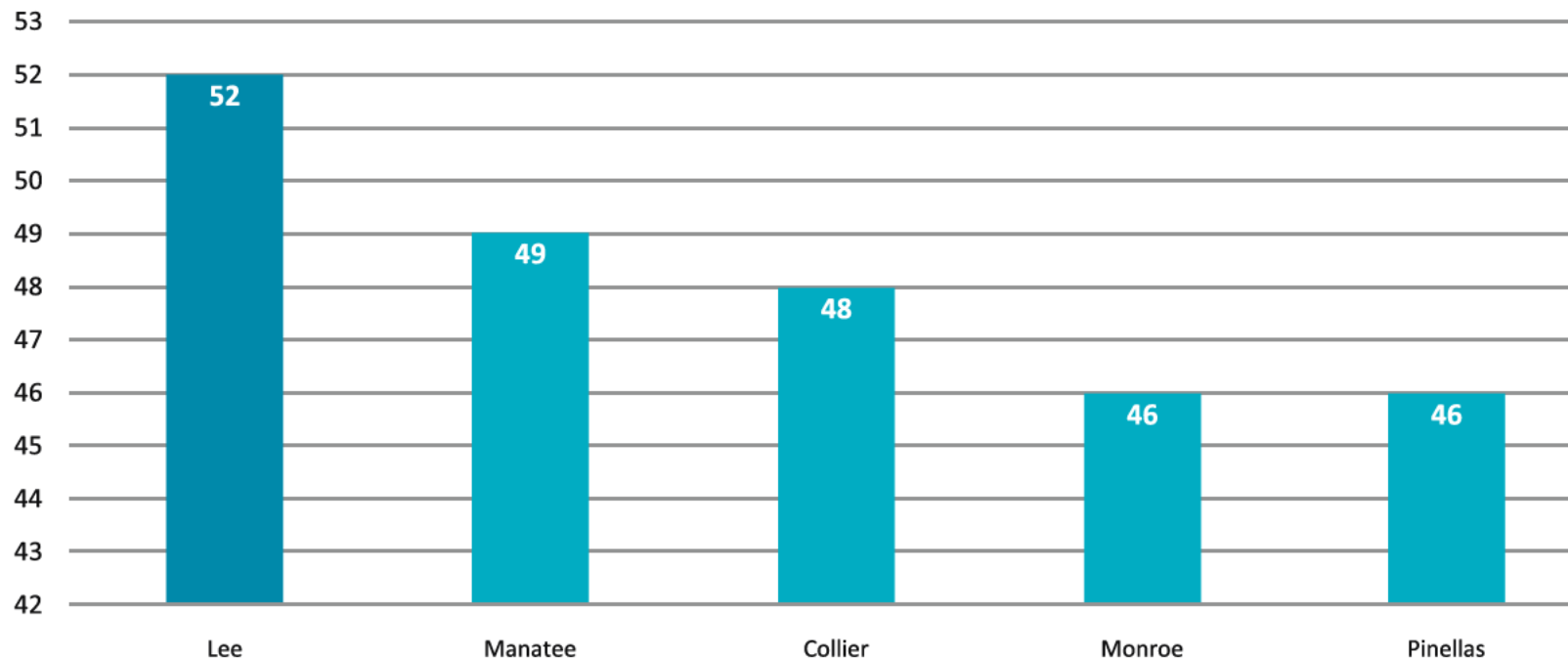


Source: Research Data Services, Insights, Davidson-Peterson Associates

52

Average age of visitors to Lee County is 52 and has been rising, according to Davidson-Peterson Associates. This is unusually high and puts the county at risk of aging out of a viable clientele and becoming identified as obsolete.

Visitor Survey Respondent Age: 2013/2014



Source: Research Data Services, Insights, Davidson-Peterson Associates

IT PAYS TO RENOVATE AND MAINTAIN



The majority of lodging inventory in Lee County was built before 1979. Most of the new inventory has been inland, while Sanibel and Captiva feature product from the 60s and 70s.



It costs almost 2x more per room per year to maintain property assets older than 1990. Without investment, our properties deteriorate, becomes less appealing, and ultimately less profitable.



A newly renovated vacation rental gains an average of \$16,627 per year in revenue. A \$30,000 renovation investment will pay for itself in two years and continue to earn at a higher rate for future years.



“I’ve been going to my grandparent’s condo on Sanibel my whole life. I love it. But I wouldn’t consider taking my family to other places we see on Sanibel, just from the way they look from the outside.” – S. Young, Executive, father of 3.

COMPETING RENOVATIONS



Naples: Closed for 3 months, the Ritz-Carlton renovations overhauled all 450 guest rooms, suites, corridors, restaurants, ballrooms and various structural, mechanical and engineering systems.



Marco Island: Closed for 3 months for a \$250M renovation including 100 new rooms and doubling its meeting and events space.

LIFECYCLE OF A DESTINATION

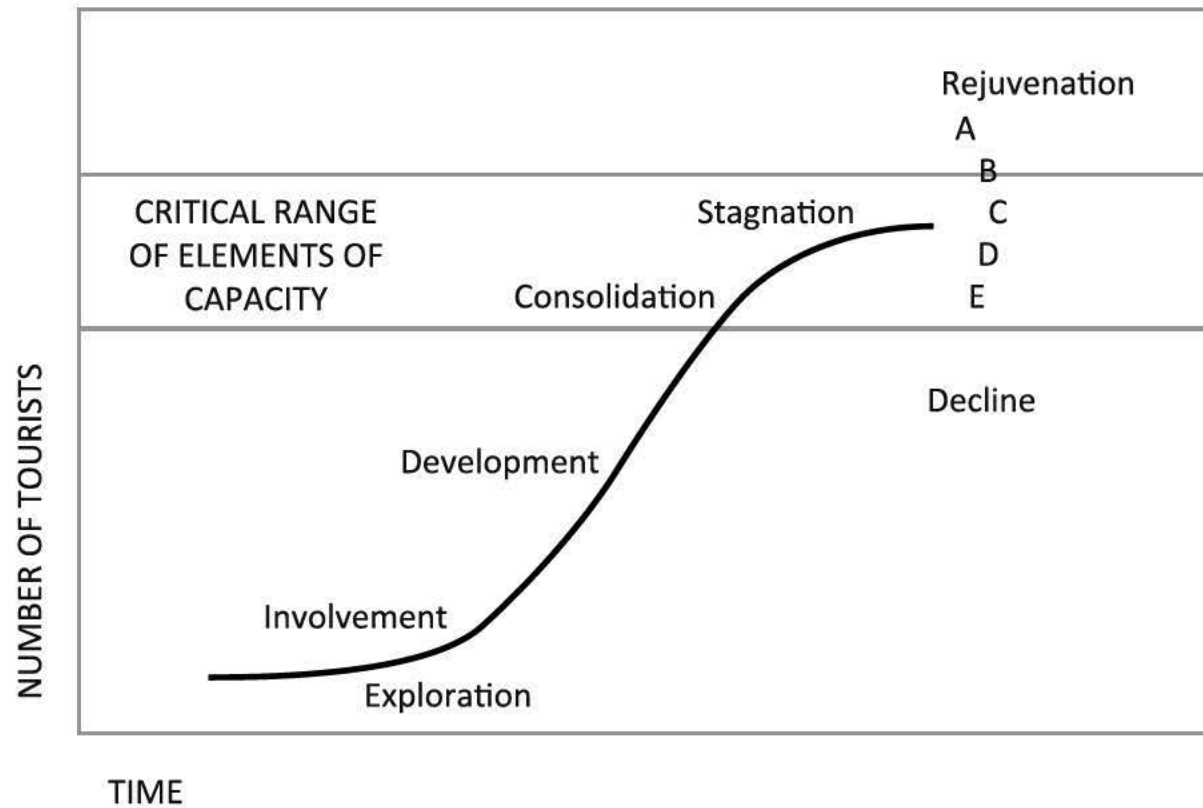


Figure 1: Hypothetical evolution of a tourist area (Butler 1980).

OUR TRAVELER



HIGHLIGHTS



Visitors contributed an estimated \$2.87 billion in direct spending during 2014, a 3.5% increase over 2013.



Visitor satisfaction remains high with 86% of visitors in Spring of 2015 citing they plan to return to Lee County and 83% saying they would recommend Lee County to a friend over any other Florida destination.



91% of Spring 2015 visitors were either *satisfied* or *very satisfied* with their visit to Lee County. First-time international visitors report particularly low *very satisfied* ratings at 17%.



The amount of visitors who felt the quality of their accommodations *far exceeded/exceeded* expectations decreased year-over-year for the Spring season from 44% to 38%.



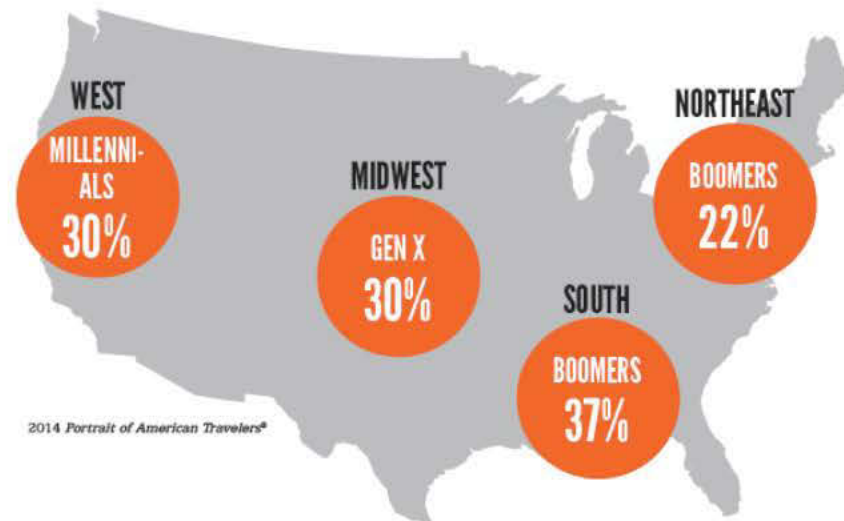
RevPAR has increased 13.4% from 2014 to 2015 for the January to June timeframe.



WHO IS OUR CUSTOMER?

AVERAGES:

- 52 years of age
- \$106,200 household income
- 74% married
- 40% traveling as a couple
- 34% traveling as a family
- 12% traveling as a group
- 3 people in travel party
- \$122 spent per day per person
- 76% repeat visitor



2014 Portrait of American Travelers®



THE BEACHES OF
**FORT MYERS
AND SANIBEL**

WHO IS OUR CUSTOMER?

Importance of Travel Dimension	All Travelers (n=2,074)	Activity Seekers (n=271)	Affluent Explorers (n=227)	Nature Admirers (n=331)	Social Sharers (n=304)
Value	70%				
Escape	62%				
Beaches	46%				
Family	37%				
Culture	29%				
Easy	28%				
Nature	27%				
Social	12%				

Source: Davidson-Peterson Associates, 2014

HOW MANY ARE COMING?



Lee County hosted an estimated 5 million visitors in 2014, a 4.3% increase YOY. Of those visiting, 60% stayed in paid accommodations.



Lee County saw an overall increase in paid accommodations of 11.6% from 2013 to 2014.



As seen in previous years, the winter season drove the highest levels of visitation in 2014 accounting for 28%, followed by 27% in the spring season.

Source: Davidson-Peterson Associates, 2014

WHERE ARE THEY COMING FROM?



The majority of 2014 visitors came from the U.S - 76% - representing 2.3 million visitors. Top markets include New York, Chicago, Minneapolis, Indianapolis and Boston.



Half of domestic paid accommodation guests come from the Midwest (50%), while 24% come from the Northeast and 22% from the South.



International markets delivered more than half a million visitors – predominately coming from Germany, Canada and the UK.

Source: Davidson-Peterson Associates, 2014

WHO WILL OUR TRAVELER BE IN THE FUTURE?



Millennials lead future travel intent and are 21% more likely to take more trips this year as opposed to last.



Although planning to travel more, Millennials are not brand loyal, and they are still testing multiple brands and tiers.



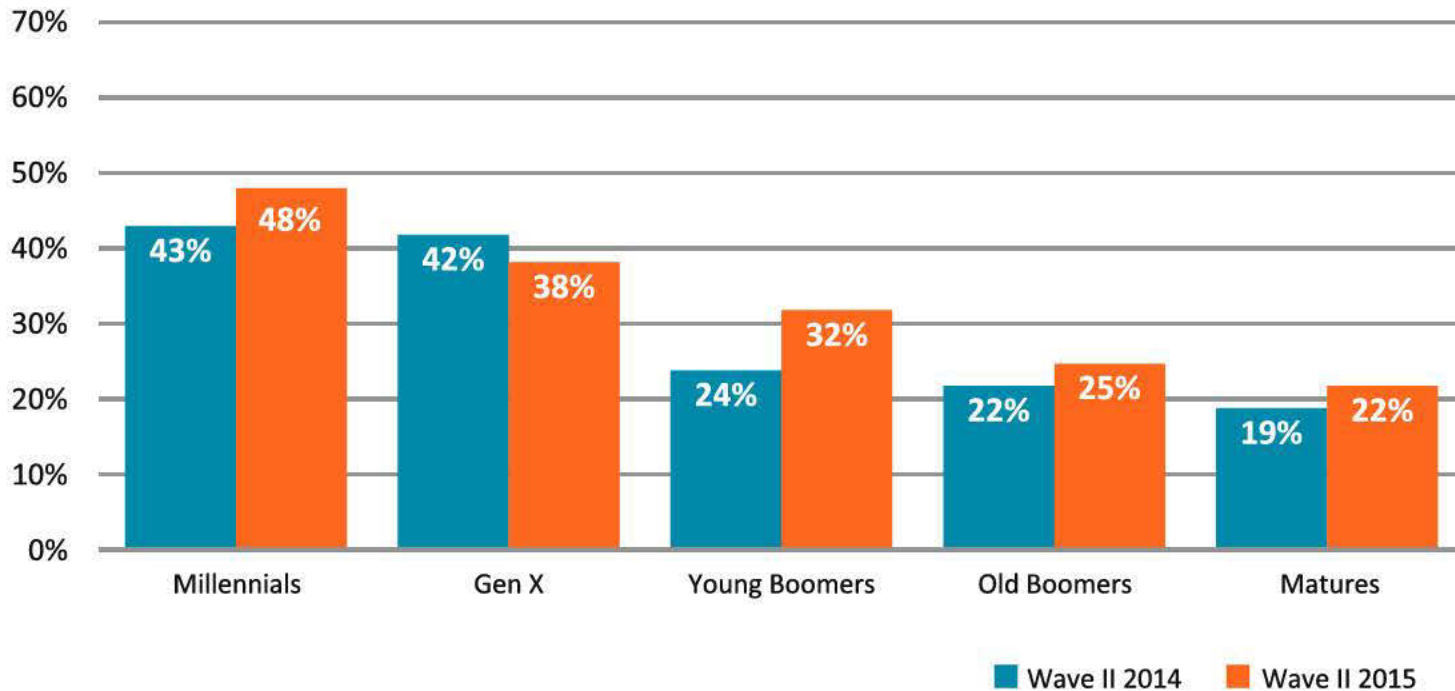
It is a misconception that Boomers and Gen Xers spend the most. Matures spend the most followed by Millennials. 55% of Millennials prefer a hotel that is elegant inside and 48% are willing to pay more for true luxury.



Millennials are more interested in acquiring new experiences such as visiting new places, trying new and unusual cuisines and partaking in local culture.

EXTREMELY/VERY INTERESTED IN VISITING LEE COUNTY BY GENERATION

Interest in visiting has declined slightly among Generation X over the past year but has risen for all other cohorts. Most significantly among younger boomers...



Source: 2014/2015 Portrait of the American Traveler

DOMESTIC DREAM DESTINATIONS

Top 10	2013 %	2014 %	2015 %
National Parks	62	59	67
Hawaiian Neighbor Islands	67	62	63
Honolulu, HI	61	58	61
New York City, NY	49	47	54
San Francisco, CA	47	47	54
The Florida Keys/Key West	50	50	54
Washington, DC	43	45	51
San Diego, CA	42	42	50
New Orleans, LA	41	41	48
Las Vegas, NV	42	43	47
Napa Valley, CA	39	39	47
Orlando, FL	41	39	47

Source: 2015 MMGY Global Portrait of American Travelers®



SHIFTING LODGING PREFERENCES

	2013 %	2015 %
Hotel	83	74
Friend/family private residence	38	37
Resort	24	22
Rented vacation home	10	15
Cruise ship	11	11
Bed & breakfast	15	11
Cabin/cottage	10	10
Rented vacation condominium	3	9
Tent	2	2
Owned timeshare	7	7
Owned vacation home	6	7
Rented timeshare	6	11
RV/camper	4	5
Owned vacation condominium	8	4

Source: 2015 MMGY Global Portrait of American Travelers®





23%

Stayed in a vacation home rental as an alternative to a traditional hotel/resort during past two years.

39%

Interested in staying in a vacation home rental as an alternative to a traditional hotel/resort during next two years.



Source: 2015 MMGY Global Portrait of American Travelers®

An aerial photograph of a city, likely New York City, showing a dense urban area with a prominent river or waterway. The image is overlaid with a semi-transparent teal color, creating a monochromatic effect. The text is centered in the middle of the image.

AN INDUSTRY VIEW
“A Tale of Two Cities...or Maybe Three”

COMPETITIVE ADVANTAGE/PERFORMANCE



Location/Location/Location



Supporting Amenities Define “Resorts”



“New” Always Outperforms “Old”

INVESTMENT DRIVERS



Brand PIP's



Defensive "Retention" (Repeat)



Revenue Growth for ROI (Rate)



Capturing the Trial Guest

RENEWAL AND REPOSITIONING: KEY TRENDS



Style Sells!



Exteriors AND Interiors



Public Areas vs. Guest Rooms



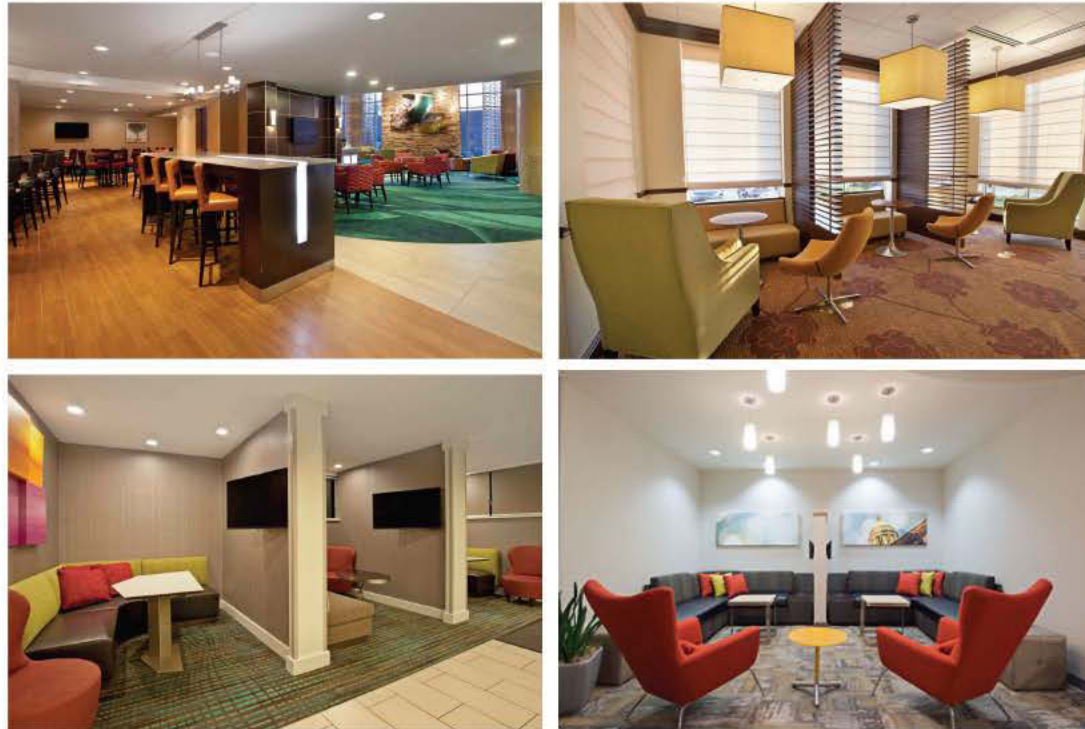
Space Creates Value

EXTERIORS



NEW INDUSTRY TRENDS: PUBLIC SPACE SOCIAL HUB

Hotel lobbies have become the lively social hub of a hotel. Public spaces are being designed to provoke exploration and discovery and encourage guests to relax, linger and enjoy. It's imperative that public spaces allow one to be alone, but not feel lonely. With the mix of flexible seating and ample access to power, the guests can eat, work and socialize from any location in a hotel lobby.





NEW INDUSTRY TRENDS: CONNECTIVITY

From public space communal tables and lounge chairs to integrated outlets and USB ports in guestrooms, WiFi is an ever evolving amenity in today's hotels. Most guests travel with two or more WiFi devices and expect quality high speed, fast and easily accessible internet.



NEW INDUSTRY TRENDS: DURABILITY

The hotel industry is moving toward design elements that are more durable, i.e. tile at the guestroom entry, carpet tiles and some franchises are providing hard surface flooring in the entire guestroom.



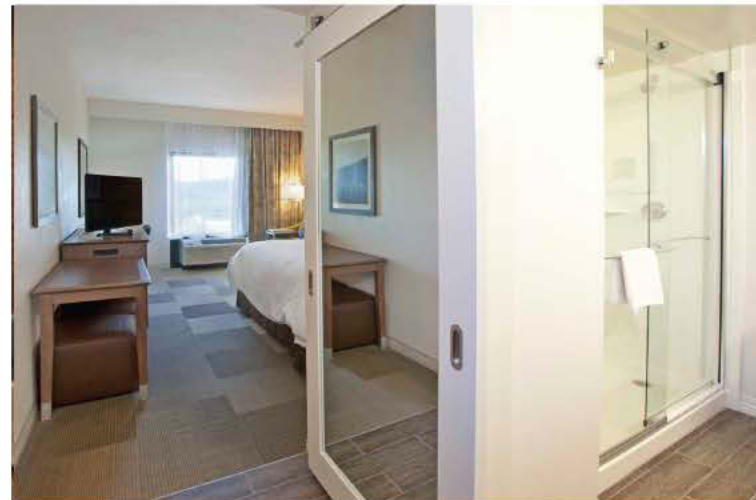
NEW INDUSTRY TRENDS: WALL MOUNTED CASEGOODS

Wall-mounted nightstands help ensure the floor in and around the bed is easy to keep clean and that guests won't forget personal items. Wall-mounted vanities create an illusion of more space while giving clear access to maintain operational cleaning routines.



NEW INDUSTRY TRENDS: SLIDING BARN DOOR

The sliding barn door enhances the perception of space and cleanliness. Sliding doors are convenient and compact, saving space because they don't need the 5-10 square feet of floor area required where the door swings from open to closed. A full-length insert mirror is applied to the outside of the door when the door faces the entry. This eliminates the clutter of previous wallmounted mirrors. Hampton Inn & Suites utilize the barn door as a closet closure when in the open position.



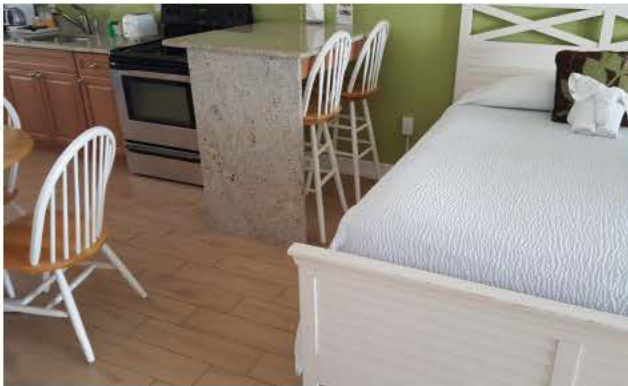
BEFORE



AFTER



GREAT EXAMPLE OF COMMUNITY INVESTMENT



SUMMARY

Distinctive Style and Relevant Amenities are driving the highest returns in today's more value-conscious hotel market.

A photograph of an outdoor cafe or restaurant patio, overlaid with a solid red color. The scene shows several wooden tables and chairs arranged on a brick-paved area. In the foreground, a man and a woman are seated at a table, smiling and talking. In the background, other patrons are visible, some walking and some seated. The architecture features arched windows and a balcony. The word "DISCUSSION" is written in white, uppercase letters in the center of the image.

DISCUSSION

WHAT AMENITIES ARE THEY LOOKING FOR?



Free internet access from guest rooms



Free breakfast Included



Premium quality mattress/bed linens



Offering late check-out at no extra charge



Security provided by the hotel/resort



Free internet access from public areas such as pool and lobby