



**STATE OF THE HOTEL INDUSTRY ANALYSIS:
COVID-19 SIX MONTHS LATER**

August 31, 2020



Hotel Industry Remains On Brink of Collapse

Key Findings

When COVID-19 forced a virtual halt to the country, the economy and travel, the hotel industry was one of the first industries affected. Unfortunately, it will also be one of the last to recoverⁱ. Even as travel has ticked up slightly six months later, the hotel industry remains on the brink of collapse.

The following report outlines the current state of the industry in terms of employment, consumer travel sentiment, occupancy, and industry trends in August 2020 compared to the immediate impact of the pandemic in March and April 2020.

The report outlines five key issues facing the hotel industry today:

- 1. 4 Out of 10 Hotel Employees Are Still Not Workingⁱⁱ:** At the peak of the pandemic, nearly nine in ten hotelsⁱⁱⁱ had to lay off or furlough workers, and the hospitality and leisure industry lost 7.5M^{iv} jobs. Despite small gains in employment in May and June driven largely by restaurants and bars reopening, the leisure and hospitality sector is still down 4.3M jobs^v since February. The accommodations sector is left with a devastating unemployment rate of 38%^{vi} compared to the national average of 10.2%^{vii}.
- 2. Almost 2/3 (65%) of Hotels Remain at or Below 50% Occupancy. That's Below the Threshold at Which Most Hotels Can Break-Even and Pay Debt^{viii}:** While leisure travelers have increased average hotel occupancy since the historic low of 24.5%^{ix} in April, thousands of hotels are at risk of closure or are unable to hire back staff due to continuing, drastically low hotel occupancy rates.
- 3. Consumer Travel Remains at All-Time Low:** Only 33%^x of Americans say they have traveled overnight for leisure or vacation since March, and only 38%^{xi} say they are likely to do so by the end of the year.
- 4. Industry's Leading Employers – Urban Hotels^{xii} – Face Collapse with Cripplingly Low Occupancies:** Urban hotels are major employers due to their size. But these properties are faring significantly worse than the national average, with an occupancy rate of just 38%^{xiii}. Jobs at urban hotels are unlikely to return without either a dramatic increase in occupancy – which is unlikely – or additional Congressional action.
- 5. COVID's Impact on Hotel Industry Felt in Major Cities Across The Country:** COVID has left hotels in major cities across the country struggling to stay in business, resulting in massive job loss and dramatically reducing state and local tax revenue for 2020^{xiv} and beyond.

Hotels are central to getting our economy back on track and supporting millions of jobs across the country. A full rebound in travel is years away, and Congressional support is urgently needed to bring our employees back, keep our doors open and survive through this crisis. To learn more about AHLA's "Roadmap to Recovery" with recommended policy solutions, visit [HERE](#) or [contact your elected official](#) today.

Five Key Issues Facing the Hotel Industry Today

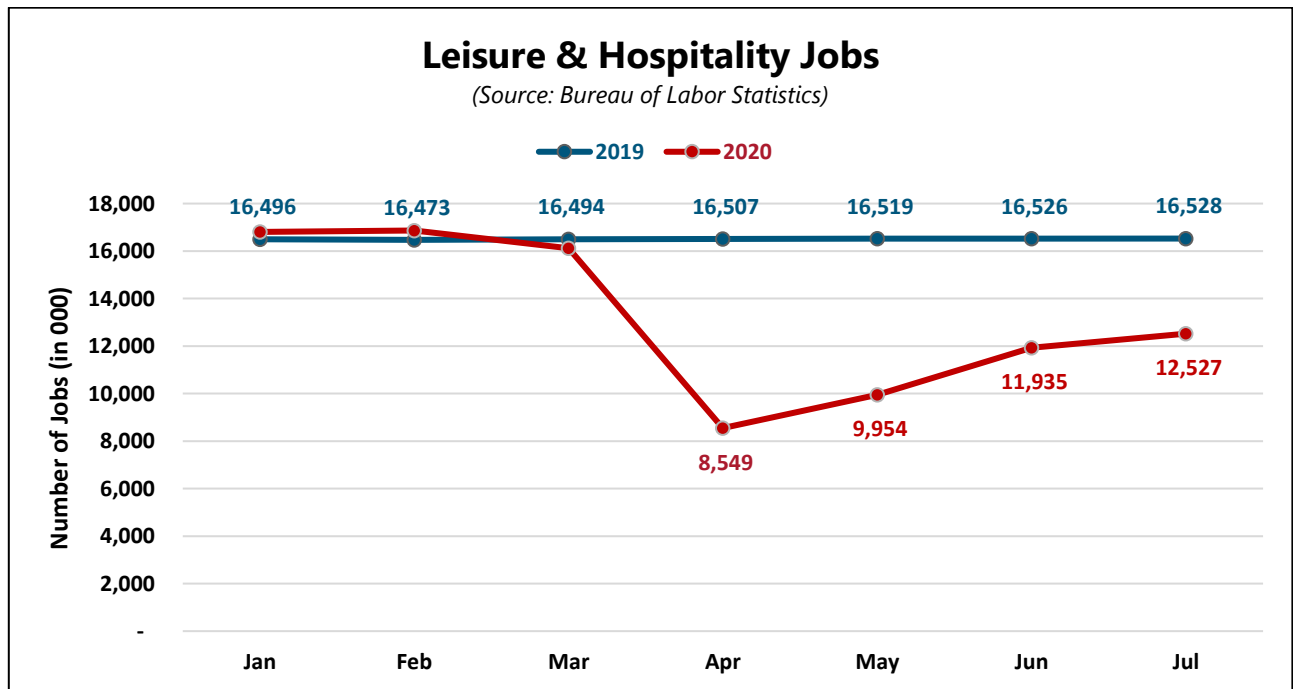
1. 4 Out Of 10 Hotel Employees Are Still Not Working^{xv}

The COVID-19 crisis has had a devastating effect on our workforce. At the peak of the pandemic, nearly nine in ten hotels^{xvi} had to lay off or furlough workers, and the hospitality and leisure industry lost 7.5M^{xvii} jobs.

Despite small gains in employment in May and June driven largely by restaurants and bars reopening, the leisure and hospitality sector is still down 4.3M^{xviii} jobs since February. The accommodations sector is left with a devastating unemployment rate of 38%^{xix} compared to the national average of 10.2%^{xx}.

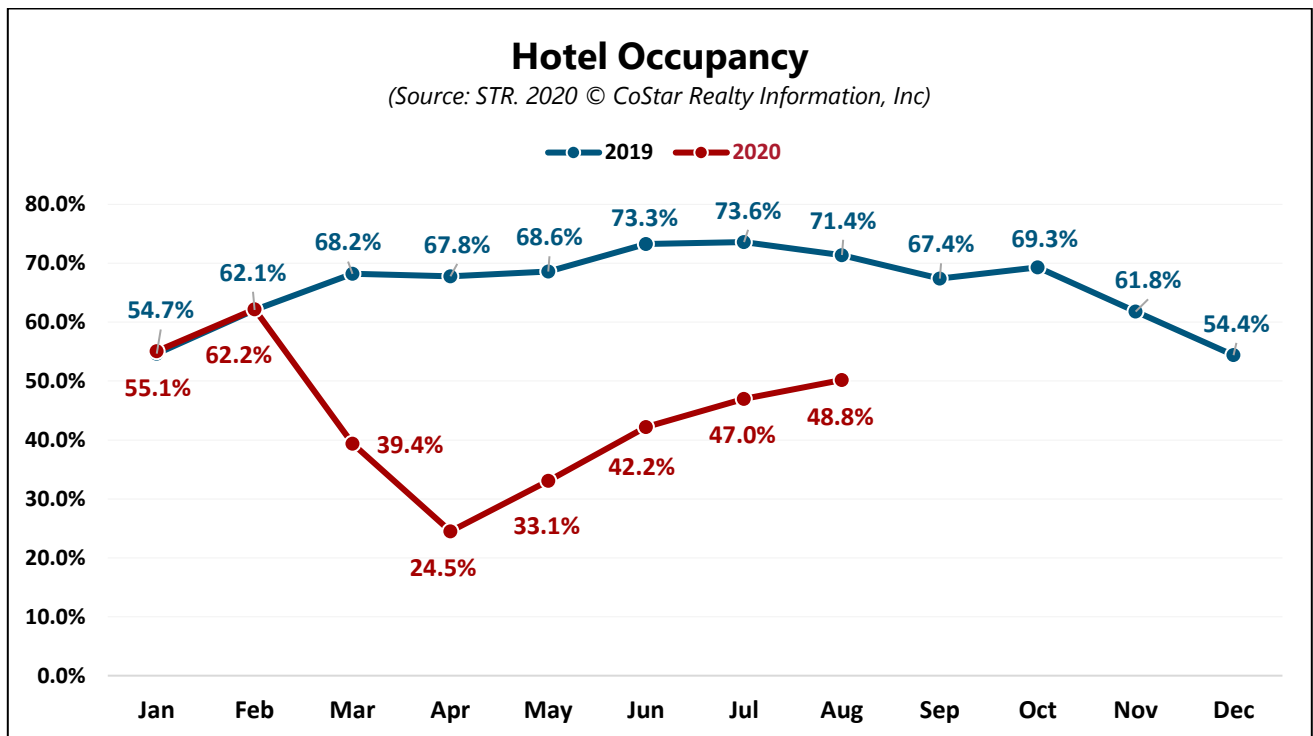
Additionally, only 37%^{xxi} of hotels have been able to bring back at least half of their full-time employees, while 36%^{xxii} have been unable to bring back ANY furloughed or laid off staff.

With nearly half of direct hotel operations employees still laid off or furloughed^{xxiii}, hotel workers are losing more than \$1.7 billion^{xxiv} in earnings each week.



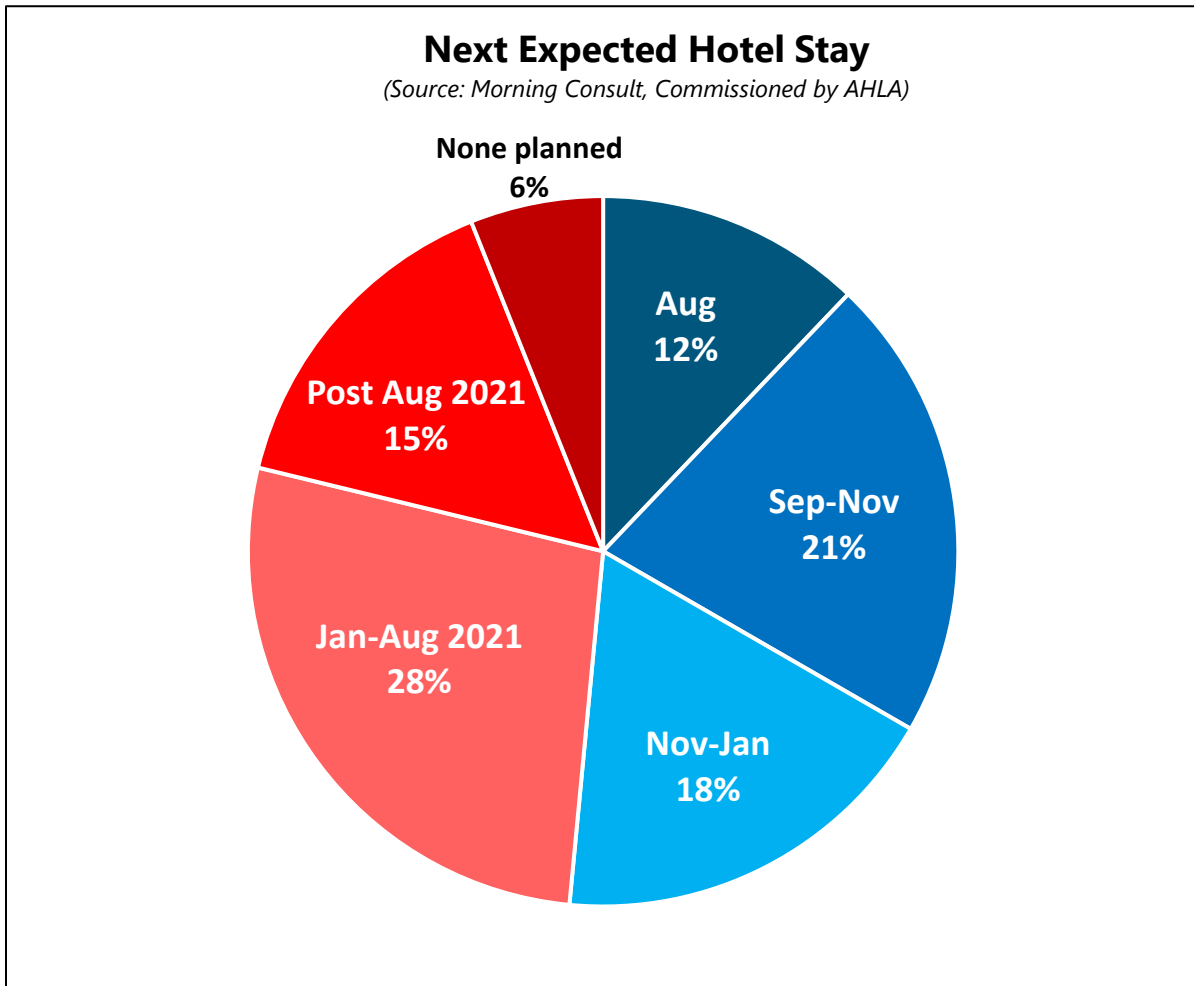
2. Almost 2/3 (65%) of Hotels Remain At Or Below 50% Occupancy. That’s Below The Threshold At Which Most Hotels Can Break-Even And Pay Debt^{xxv}

In April, 8 out of 10 hotel rooms^{xxvi} were empty. In August, 5 out of 10 hotel rooms^{xxvii} are still empty with little expectations that occupancies will pick up until at least 2021. In fact, 65%^{xxviii} of hotels are at or below 50% occupancy, which is near the threshold at which most hotels can break-even with expenses and pay for their debt. Thousands of hotels are at risk of closure, and their employees are facing the possibility of permanent job loss.

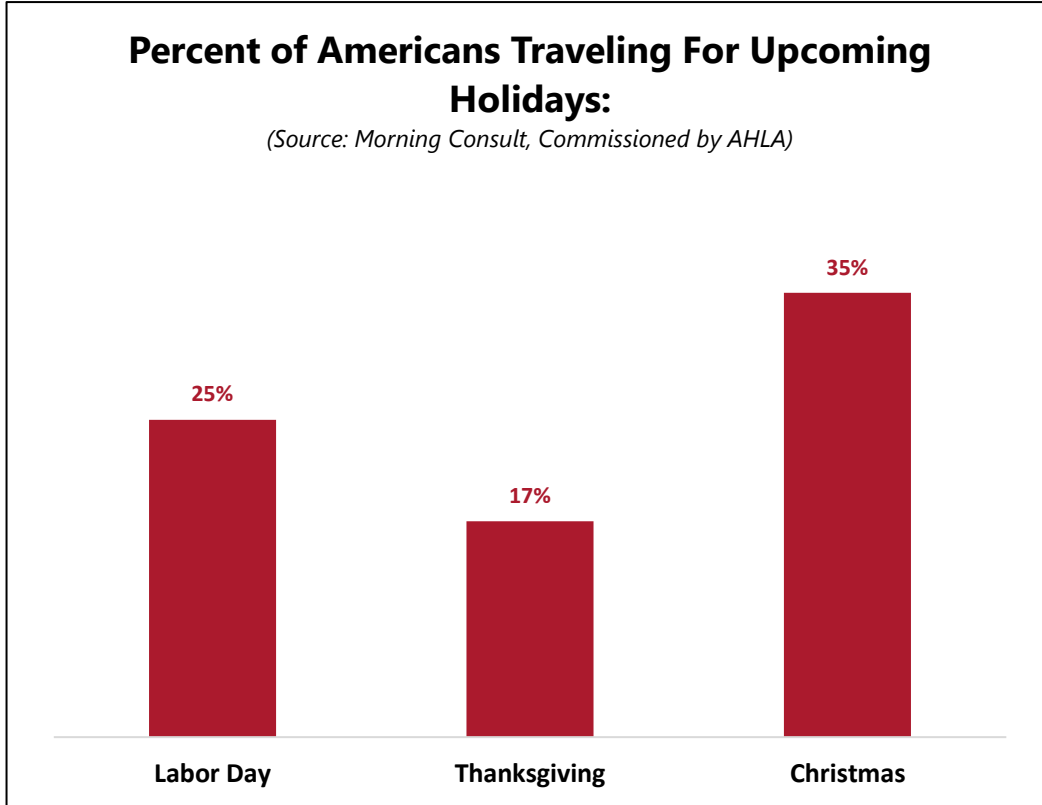
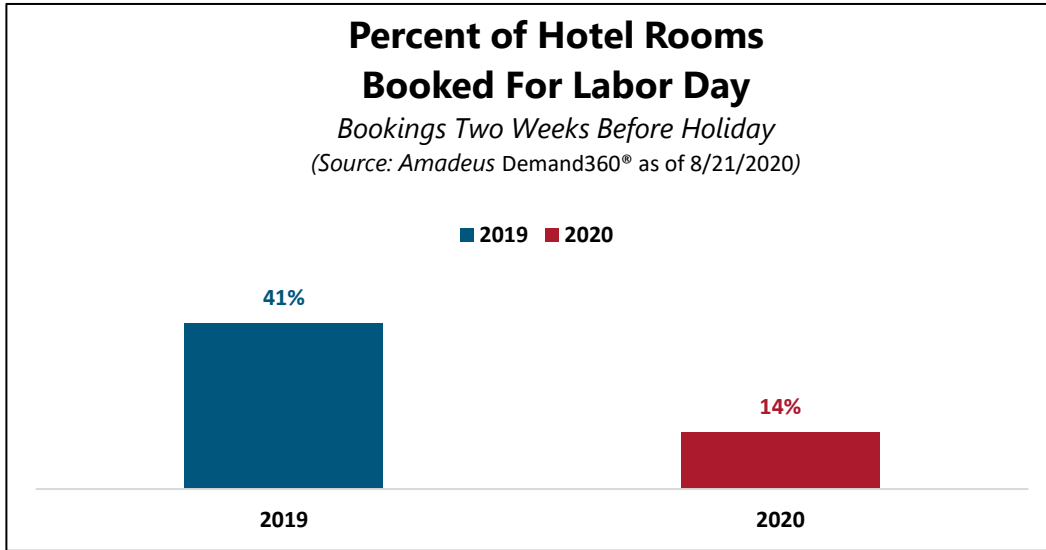


3. Consumer Travel Remains At All-Time Low

While most hotels have reopened for business, many consumers have yet to resume traveling. A recent survey found that only 33%^{xxx} of Americans have traveled for leisure or vacation since March, and only 38%^{xxx} say they are likely to do so by the end of the year. Usually 70% of Americans take a vacation in any given year^{xxxi}, suggesting that leisure travel is a long way from pre-COVID-19 levels.



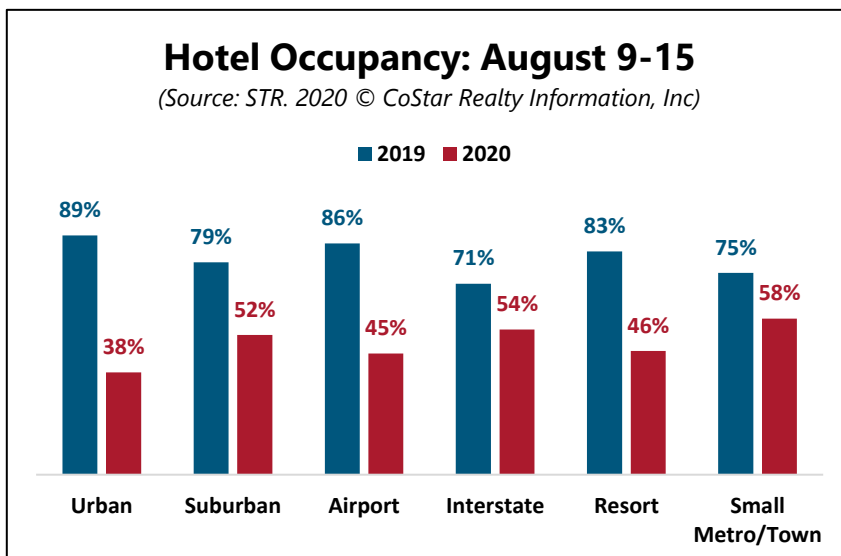
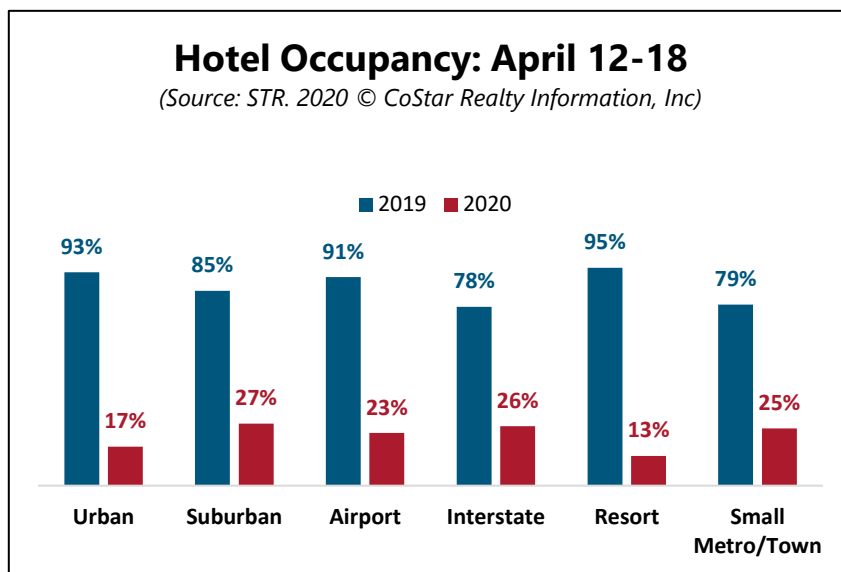
Many individuals are also hesitant to travel for upcoming holidays, exasperating already low hotel occupancy levels. Currently, hotel reservations for the Labor Day holiday week are down 65%^{xxxii} compared to last year, with only 14%^{xxxiii} of hotels being reserved for the holiday.



4. Industry’s Leading Employers – Urban Hotels^{xxxiv} – Face Collapse With Cripplingly Low Occupancies

Nationally, average hotel occupancy reached 50%^{xxxv} in August, but hotels in urban markets and near airports are facing cripplingly low occupancy rates of 38%^{xxxvi} and 45%^{xxxvii}, respectively. Many of these hotels rely on groups, meetings, and business travelers, which are currently nonexistent and unlikely to return until at least 2021. Meanwhile, vacationers are opting for drive-to destinations, smaller markets, and beaches and other outdoor spaces.

As a result, occupancy has declined by 50%^{xxxviii} year over year at urban hotels, and by 40%^{xxxix} at airport hotels. Since urban hotels are major employers due to their size, jobs at urban hotels are unlikely to return without either a dramatic increase in occupancy – which is unlikely – or additional Congressional support.

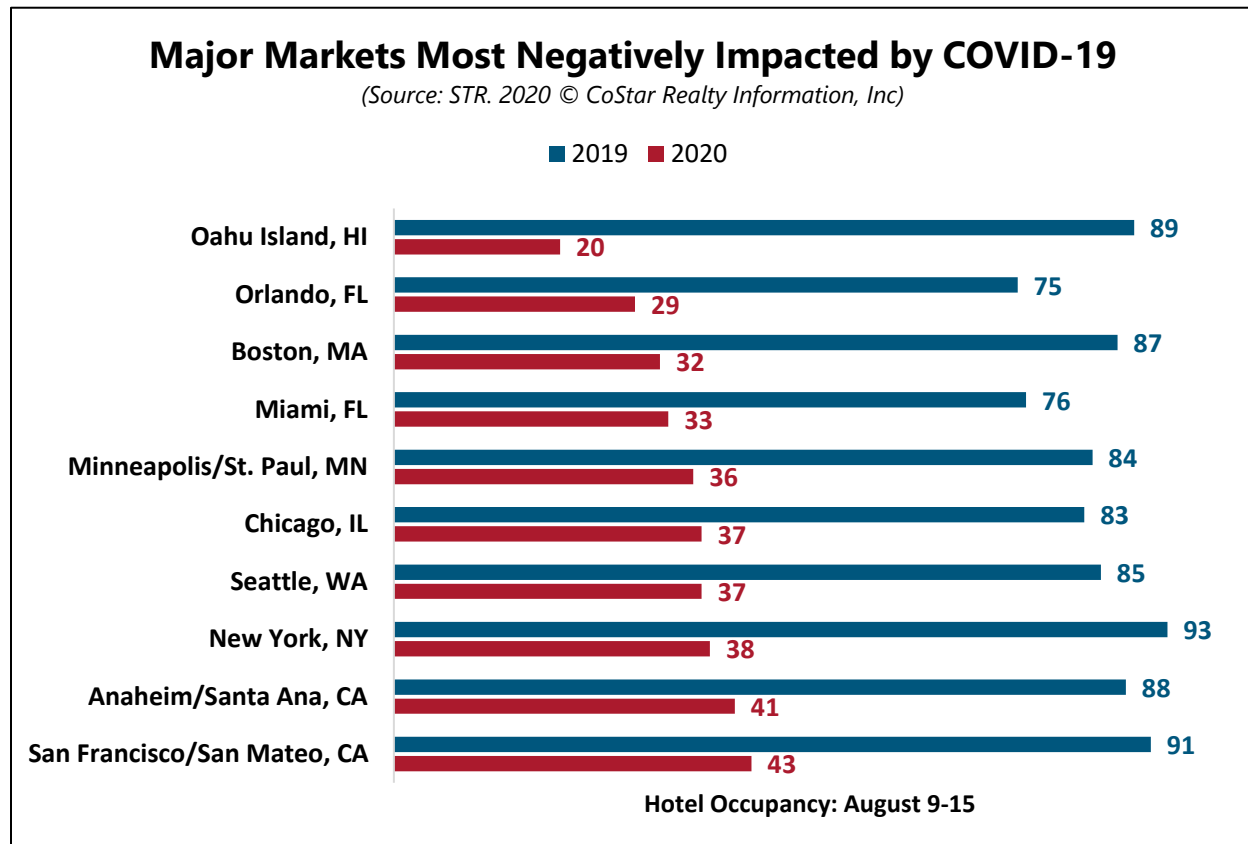


5. COVID’s Impact On Hotel Industry Felt In Major Cities Across The Country

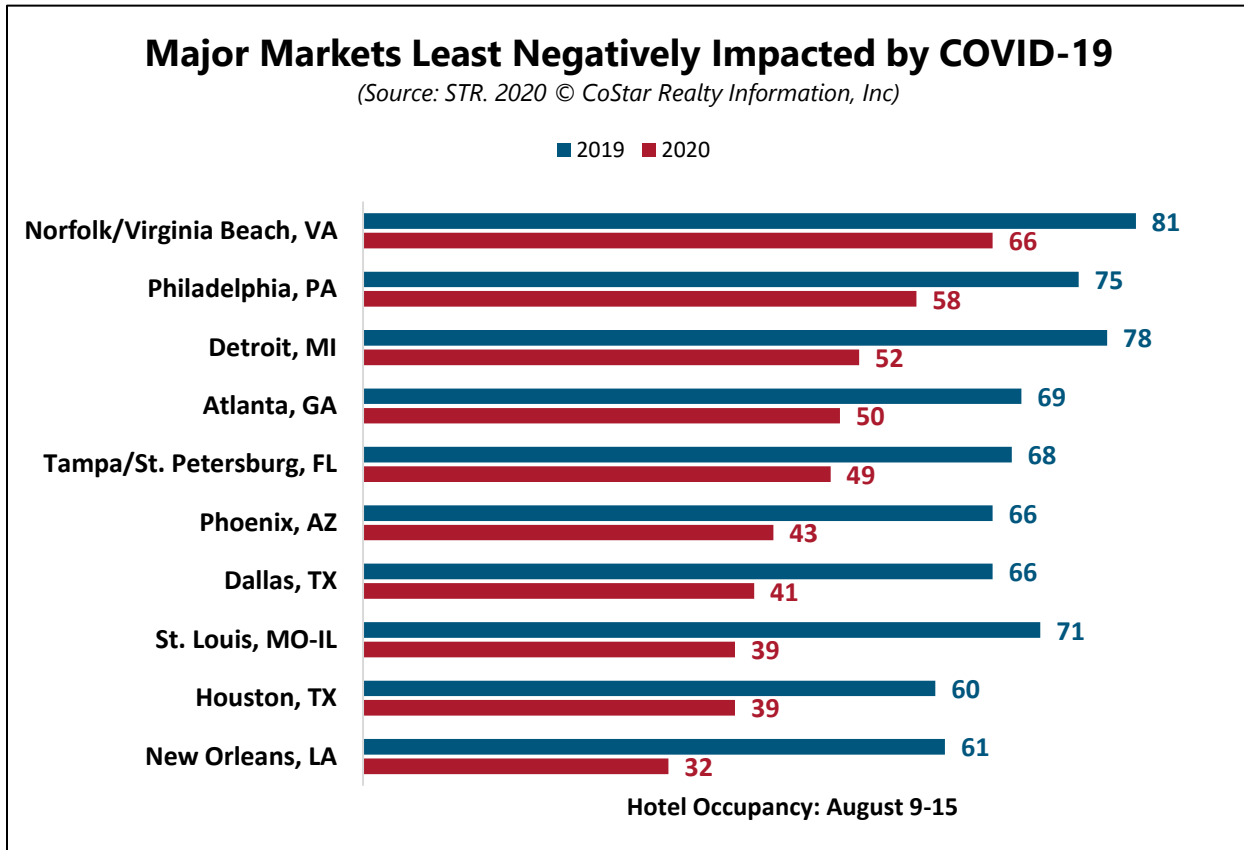
America’s hotels are an economic engine, powering communities across the country. Prior to this pandemic, the hotel industry employed 1 in 25 American jobs^{xi} – 8.3 million^{xii} in total. Hoteliers are proud to be an integral part of communities in every Congressional district in America, contributing \$660 billion^{xiii} annually to U.S. GDP and supporting nearly \$395 billion^{xiii} in wages, salaries, and other compensation. Moreover, for every \$100 hotel guests spend on lodging, another \$222 is spent at the destination—totaling \$278 billion^{xiv} per year spent on transportation, dining, shopping, etc. at U.S. businesses during stays.

Yet, COVID-19 has left cities, especially urban markets, across the country struggling to stay in business, resulting in massive job loss and dramatically reducing state and local tax revenue for 2020 and beyond.

In the 25 markets defined by STR as the largest hotel markets in the United States, the markets that have been most negatively impacted by COVID-19 continue to see an average occupancy of 50%^{xv} less year over year.



Among the top 25 largest hotel markets that have fared the best despite COVID-19, the markets continue to see on average a 28% drop^{xlvi} in occupancy compared with August 2019.



Report Methodology

AHLA’s state of the industry report was produced using publicly and privately available data and polling from national and industry partners, including:

- Exclusive data from *STR. 2020* © CoStar Realty Information, Inc
- Private polling conducted by AHLA among AHLA member companies
- Publicly available polling by Morning Consult, commissioned by AHLA
- Publicly available data from the Bureau of Labor Statistics
- Publicly and privately available data from Hotel Effectiveness
- Public data from OmniTrak (TNS)
- Private data from Amadeus Demand360® as of 8/21/2020.

For questions related to report methodology, please contact media@ahla.com.

ⁱ “STR, TE Slightly Downgrade U.S. Hotel Forecast,” STR, 8/13/20.

ⁱⁱ “Industries at a Glance: Accommodation,” U.S. Bureau of Labor Statistics, 7/20.

ⁱⁱⁱ AHLA member survey, AHLA, 7/20.

^{iv} “Industries at a Glance: Leisure and Hospitality,” U.S. Bureau of Labor Statistics, 7/20.

^v “Industries at a Glance: Leisure and Hospitality,” U.S. Bureau of Labor Statistics, 7/20.

^{vi} “Industries at a Glance: Accommodation,” U.S. Bureau of Labor Statistics, 7/20.

^{vii} “The Employment Situation – July 2020,” U.S. Bureau of Labor Statistics, 7/20.

^{viii} “U.S. Hotel Profitability Picks Up Further In June, Full-Service properties Break Even At 50% Occupancy,” STR, 7/24/20.

^{ix} “STR: U.S. Hotel Performance for April 2020,” STR, 4/21/20.

^x “National Tracking Poll Commissioned by AHLA,” Morning Consult, 9/11/20-9/13/20.

^{xi} “National Tracking Poll Commissioned by AHLA,” Morning Consult, 9/11/20-9/13/20.

^{xii} “Urban Hotels” are defined by STR as a “densely populated location in a large metropolitan area (e.g., Atlanta, Boston, San Francisco).”

^{xiii} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.

^{xiv} “Report: \$16.8 Billion Loss In State, Local Tax Revenue From Hotels In 2020 Due To COVID-19,” AHLA, 6/18/20.

^{xv} “Industries at a Glance: Accommodation,” U.S. Bureau of Labor Statistics, 7/20.

^{xvi} AHLA member survey, AHLA, 7/20.

^{xvii} “Industries at a Glance: Leisure and Hospitality,” U.S. Bureau of Labor Statistics, 7/20.

^{xviii} “Industries at a Glance: Leisure and Hospitality,” U.S. Bureau of Labor Statistics, 7/20.

^{xix} “Industries at a Glance: Accommodation,” U.S. Bureau of Labor Statistics, 7/20.

^{xx} “The Employment Situation – July 2020,” U.S. Bureau of Labor Statistics, 7/20.

^{xxi} AHLA member survey, AHLA, 7/20.

^{xxii} AHLA member survey, AHLA, 7/20.

^{xxiii} “PerfectLabor Hotel Employment Index,” Hotel Effectiveness, 8/2/20.

^{xxiv} Reported by Hotel Effectiveness.

^{xxv} “U.S. Hotel Profitability Picks Up Further In June, Full-Service properties Break Even At 50% Occupancy,” STR, 7/24/20.

^{xxvi} *STR. 2020* © CoStar Realty Information, Inc.

^{xxvii} *STR. 2020* © CoStar Realty Information, Inc.

^{xxviii} “U.S. Hotel Profitability Picks Up Further In June, Full-Service properties Break Even At 50% Occupancy,” STR, 7/24/20.

^{xxix} “National Tracking Poll Commissioned by AHLA,” Morning Consult, 9/11/20-9/13/20.

^{xxx} “National Tracking Poll Commissioned by AHLA,” Morning Consult, 9/11/20-9/13/20.

^{xxxi} As reported by OmniTrak (TNS).

^{xxxii} Amadeus Demand360® as of 8/21/2020.

^{xxxiii} Amadeus Demand360® as of 8/21/2020.

^{xxxiv} “Urban Hotels” are defined by STR as a “densely populated location in a large metropolitan area (e.g., Atlanta, Boston, San Francisco).”

^{xxxv} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.

^{xxxvi} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.

^{xxxvii} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.

^{xxxviii} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.

^{xxxix} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.

^{xl} “Hotel Industry Supports More Than 1 in 25 American Jobs,” AHLA, 9/9/19.

^{xli} “Hotel Industry Supports More Than 1 in 25 American Jobs,” AHLA, 9/9/19.

^{xlii} “Hotel Industry Supports More Than 1 in 25 American Jobs,” AHLA, 9/9/19.

^{xliiii} “Hotel Industry Supports More Than 1 in 25 American Jobs,” AHLA, 9/9/19.

^{xliiv} “Hotel Industry Supports More Than 1 in 25 American Jobs,” AHLA, 9/9/19.

^{xlv} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.

^{xlvi} “U.S. Weekly Hotel Review: Industry Performance for the Week of August 2, 2020 – August 8, 2020,” STR, 8/11/20.