

HEAVILY-IMPACTED LODGING MARKETS

MAY 2021

EXECUTIVE SUMMARY

American Hotel & Lodging Association engaged Oxford Economics to conduct research to provide a better understanding of performance trends in US hotel markets that are continuing to experience the greatest negative pandemic-related impacts.

Our key findings are as follows:

- It is clear that some hotel markets in the US have been significantly more impacted by the COVID-19 pandemic. STR classified markets based on recent performance relative to 2019 and found that 108 markets qualify as “recession/depression” markets based on April year-to-date performance, indicating that these markets had not yet recovered to 80% of 2019 RevPAR. In these recession/depression markets, room revenue was -44.1% in March 2021 relative to 2019, as compared to -2.5% in recovery/peak markets.
- Hotel employment levels in recession/depression markets remains substantially below 2019 levels. Based on Bureau of Labor Statistics data, hotel employment levels were 46.2% below 2019 levels in the sample of markets analyzed (103 markets, based on sector 721 employment), as compared to 28.4% for the US overall.
- The gap between recession/depression markets and peak/recovery markets is anticipated to persist for several years. Even as public health conditions normalize, it is expected to take time for group demand, business transient travel, and international inbound travel to recover to pre-pandemic levels. Similarly, leisure travel to dense, urban markets has also been disrupted by the pandemic, and is expected to take time to recover. As demand returns, hotels are expected to gradually restore service levels and staffing and to rebuild pricing.

- As part of this analysis, we prepared estimates of future hotel performance and employment levels for three segments: US overall, recession/depression markets, and recovery/peak markets. For the US, the hotel performance estimates correspond to the STR/Tourism Economics forecast released May 11, 2021. US room revenue in 2021 is anticipated to recover to 30.5% below 2019 levels, while revenue in heavily impacted markets is expected to remain 37.8% below 2019 levels. Similarly, hotel employment (direct hotel operations) in 2021 is expected to average 23.3% below 2019 levels for the US overall, and 30.5% lower in recession/depression markets.
- As a result, there are anticipated to be an average of 536,000 fewer hotel jobs in recession/depression markets than in 2019. This represents virtually the entire jobs loss anticipated for the US hotel industry of 546,000 jobs, relative to 2019 levels.

1.1 POLICY IMPLICATIONS

In heavily-impacted hotel markets in particular, there are opportunities for policy initiatives to provide support to help maintain the capability of the travel sector to recover more quickly, and more strongly, as pandemic-related impediments ease. For example:

- Maintaining staffing teams that include appropriate skills, workplace knowledge and working relationships can help hotel properties more effectively ramp-up operations as demand returns.
- The physical infrastructure at hotel properties requires ongoing maintenance and stable conditions. Situations in which maintenance lapses, such as during unplanned property closures, or difficult financial restructurings, can damage hotel properties. Helping avoid such damage can help a local economy attract guests as travel demand levels normalize. Some facilities, such as hotels with substantial meeting space, are critically important to enabling local markets to host groups and events.
- Hotel sales and marketing activities are important in attracting visitors, particularly group events that plan with long lead times. A full recovery of travel activity, and corresponding employment levels and economic benefits in local markets, depends in part on hotel sales and marketing teams working to build a base of future bookings.

1.2 FIGURES
Fig. 1: Forecast summary: Annual

	2019	2020	2021
Level			
Demand (in millions): US	1,293	831	1,078
Recession/depression markets	970	579	757
Recovery/peak markets	323	251	321
Room revenue (in billions): US	\$169.2	\$85.5	\$118.0
Recession/depression markets	134.8	61.2	83.8
Recovery/peak markets	34.5	24.3	34.2
Employment (in thousands): US	2,341	1,711	1,795
Recession/depression markets	1,758	1,127	1,222
Recovery/peak markets	583	584	573
Relative to 2019			
Demand: US		-35.8%	-16.6%
Recession/depression markets		-40.3%	-22.0%
Recovery/peak markets		-22.2%	-0.5%
Room revenue: US		-49.5%	-30.3%
Recession/depression markets		-54.6%	-37.8%
Recovery/peak markets		-29.5%	-0.9%
Employment: US		-26.9%	-23.3%
Recession/depression markets		-35.9%	-30.5%
Recovery/peak markets		0.2%	-1.7%

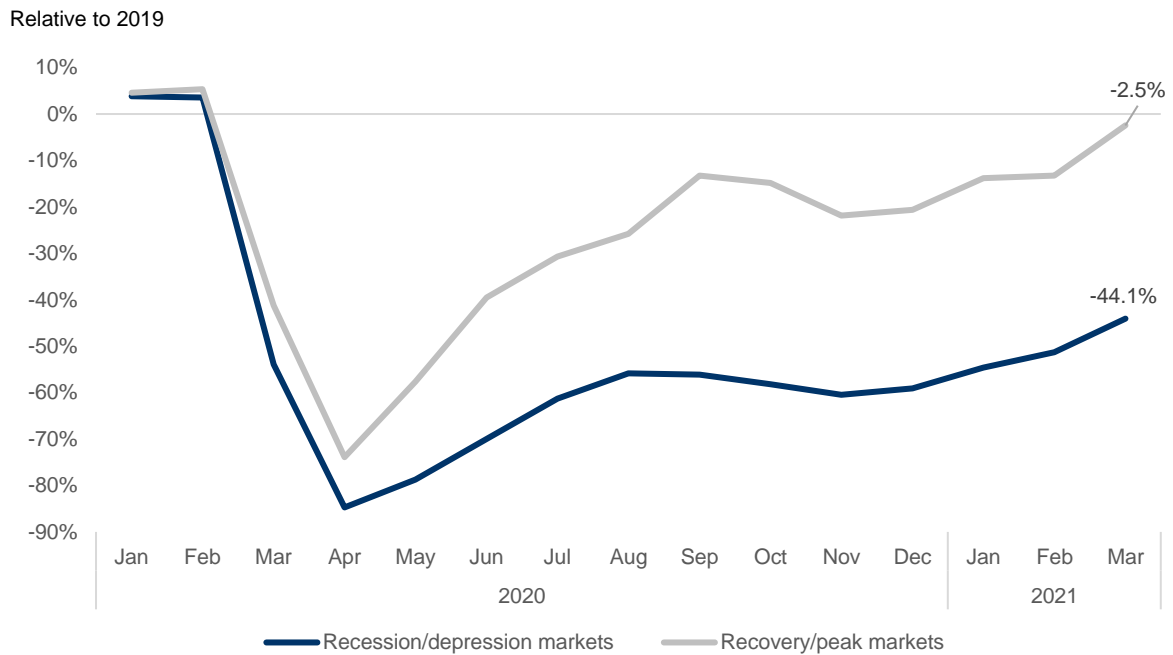
Source: STR; Oxford Economics

Fig. 2: Loss summary: Annual

	2019	2020	2021
Losses relative to 2019			
Demand (in millions): US		(463)	(215)
Recession/depression markets		(391)	(213)
Recovery/peak markets		(72)	(2)
Room revenue (in billions): US		(\$83.7)	(\$51.2)
Recession/depression markets		(\$73.5)	(\$50.9)
Recovery/peak markets		(\$10.2)	(\$0.3)
Employment (in thousands): US		(630)	(546)
Recession/depression markets		(631)	(536)
Recovery/peak markets		1	(10)
Recession/depression market share of US			
Demand, level	75.1%	65.9%	68.1%
Demand, losses relative to 2019		84.5%	99.2%
Room revenue, level	79.6%	71.6%	71.0%
Room revenue, losses relative to 2019		87.9%	99.4%
Employment, level	75.1%	65.9%	68.1%
Employment, losses relative to 2019		100.2%	98.2%

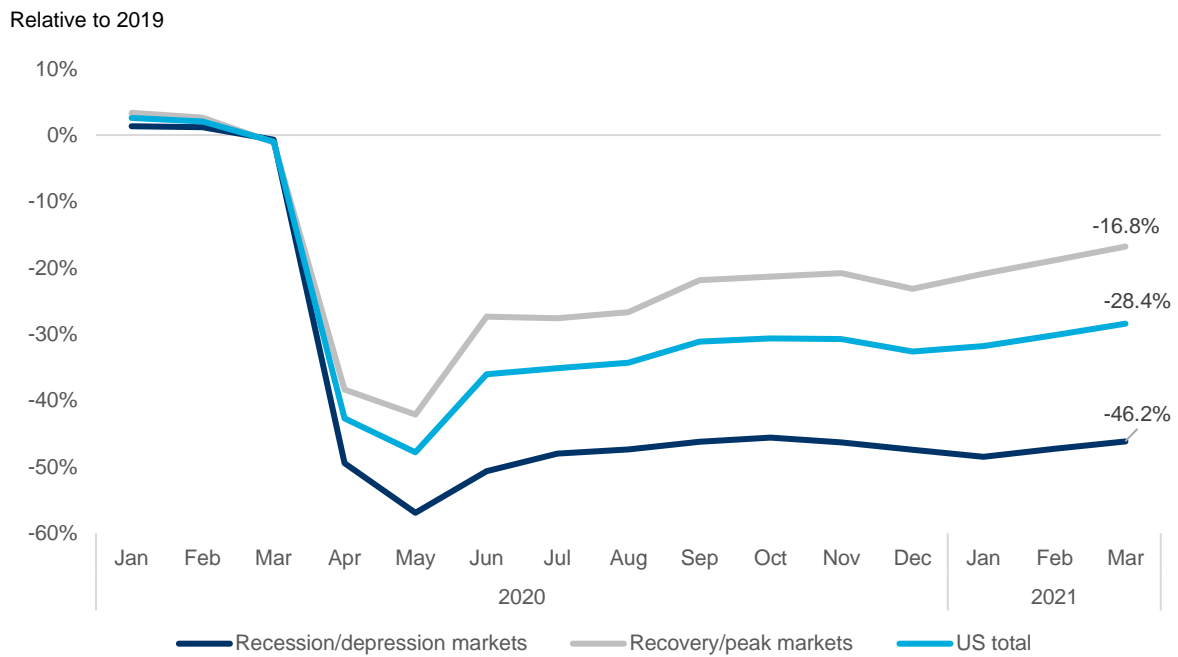
Source: STR; Oxford Economics

Fig. 3: Hotel room revenue: By market category



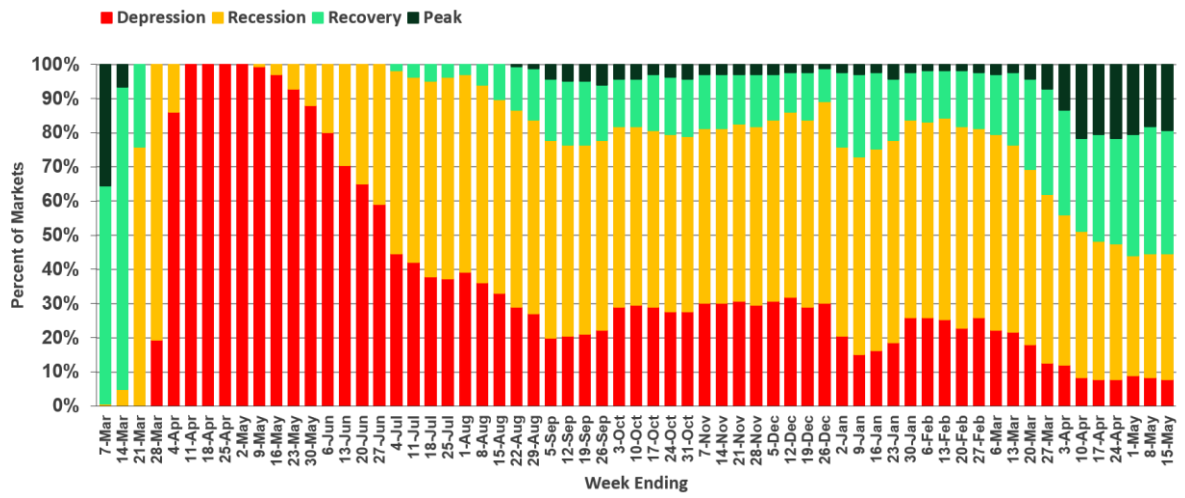
Source: STR; Oxford Economics

Fig. 4: Hotel employment: By market category



Note: Based on accommodation sector employment.
Source: STR; Oxford Economics

Fig. 5: STR Market Recovery Monitor



Note: Each STR-defined market is classified based on an indexed comparison with the same time periods in 2019. Each market is classified in one of four categories: depression (index <50), recession (index between 50 and 79.9), recovery (index between 80 and 99.9), and peak (index >=100)

Source: STR

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