

Outlook for the Hotel Industry

**The impact of current events on
hotel performance and values**

January 2021

Outlook for the U.S. Lodging Industry



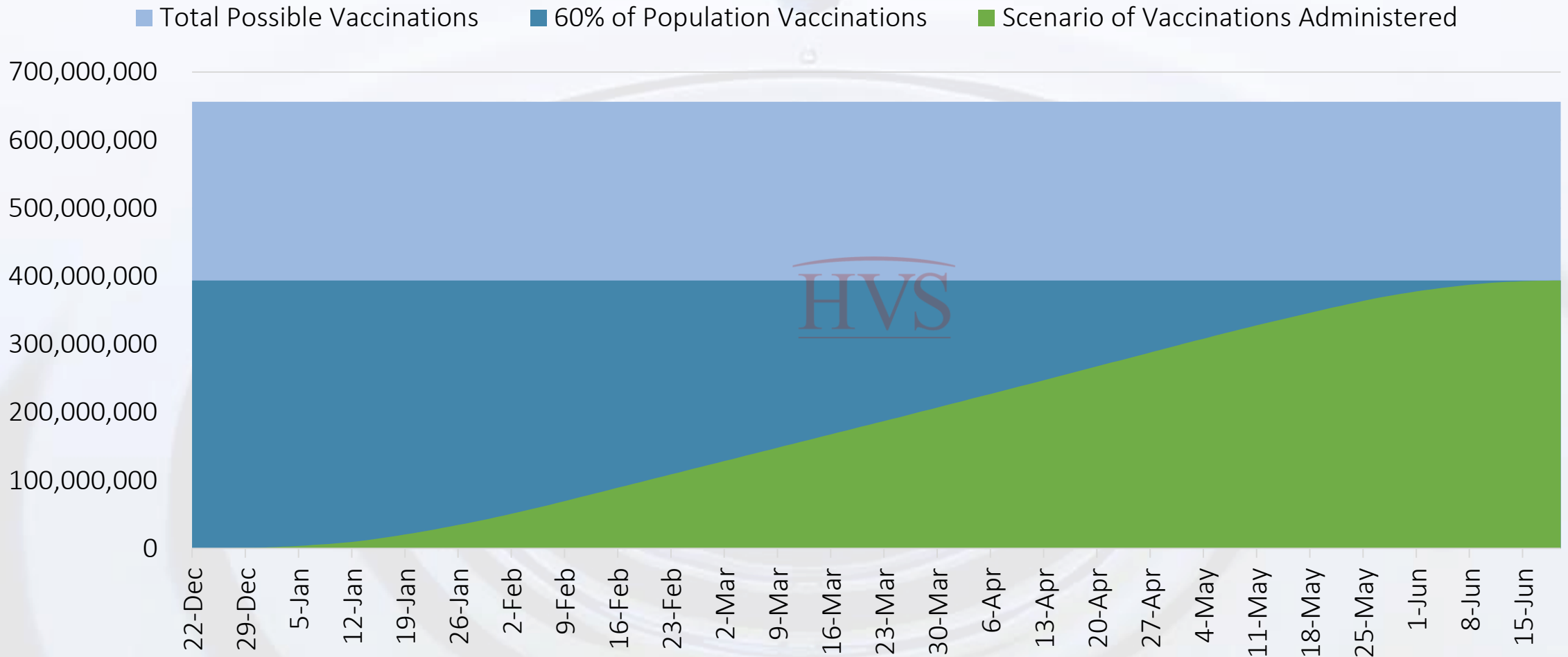
The following forecasts for the U.S. lodging industry reflect the current outlook of market participants. Approximately 35% of the RevPAR decline is expected to be recovered by the end of 2021 (and 32% in 2022), with full RevPAR recovery by 2024.

	Historical		Forecast				
	2018	2019	2020	2021	2022	2023	2024
Occupancy	66.1%	66.1%	42.0%	53.5%	61.0%	65.0%	65.5%
<i>Percent Change</i>		0.0%	-36%	27%	14%	7%	1%
Average Rate	\$129.97	\$131.17	\$103.00	\$109.25	\$119.00	\$127.25	\$133.75
<i>Percent Change</i>		0.9%	-21%	6%	9%	7%	5%
RevPAR	\$85.96	\$86.76	\$43.26	\$58.45	\$72.59	\$82.71	\$87.61
<i>Percent Change</i>		0.9%	-50%	35%	24%	14%	6%

This represents the current expectation for the timing and pattern of recovery, with occupancy anticipated to recover first, followed by ADR. All forecasts are in current dollars.

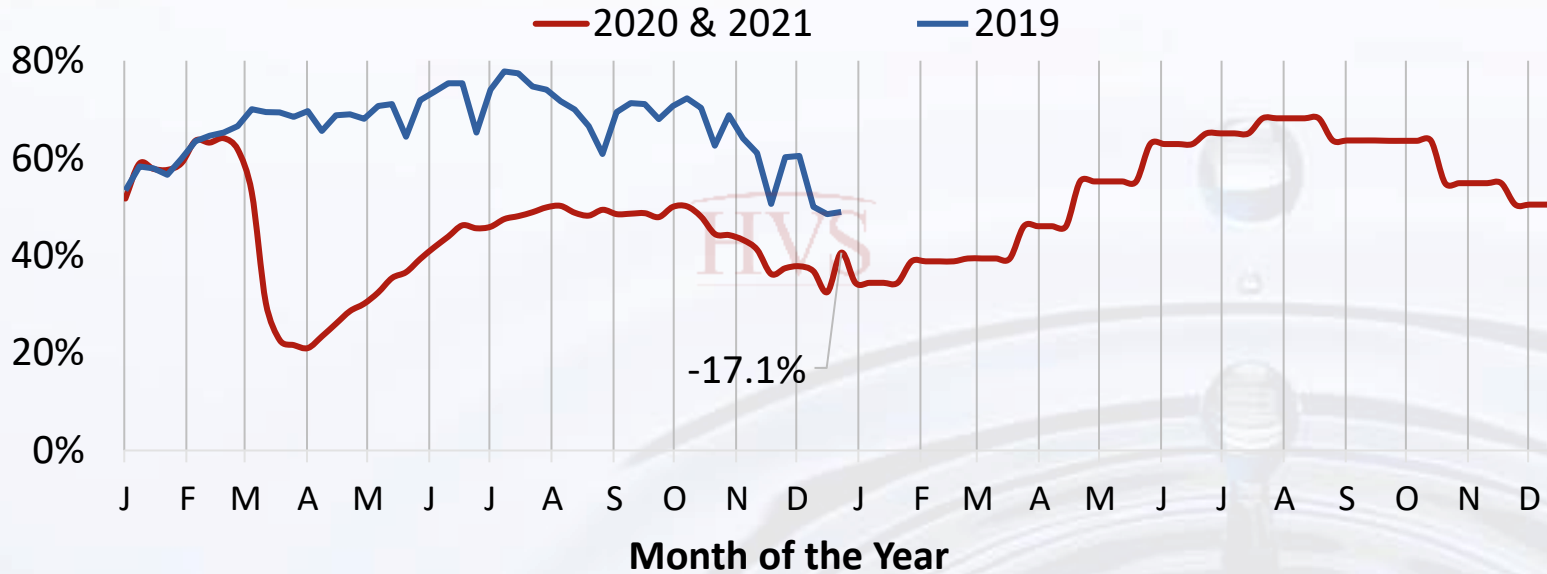
Source: STR (Historical Years) and HVS (Forecast)

If 60% Want The Vaccine, and States Can Administer 2.9 Million Doses Per Day at Peak



Source: HVS

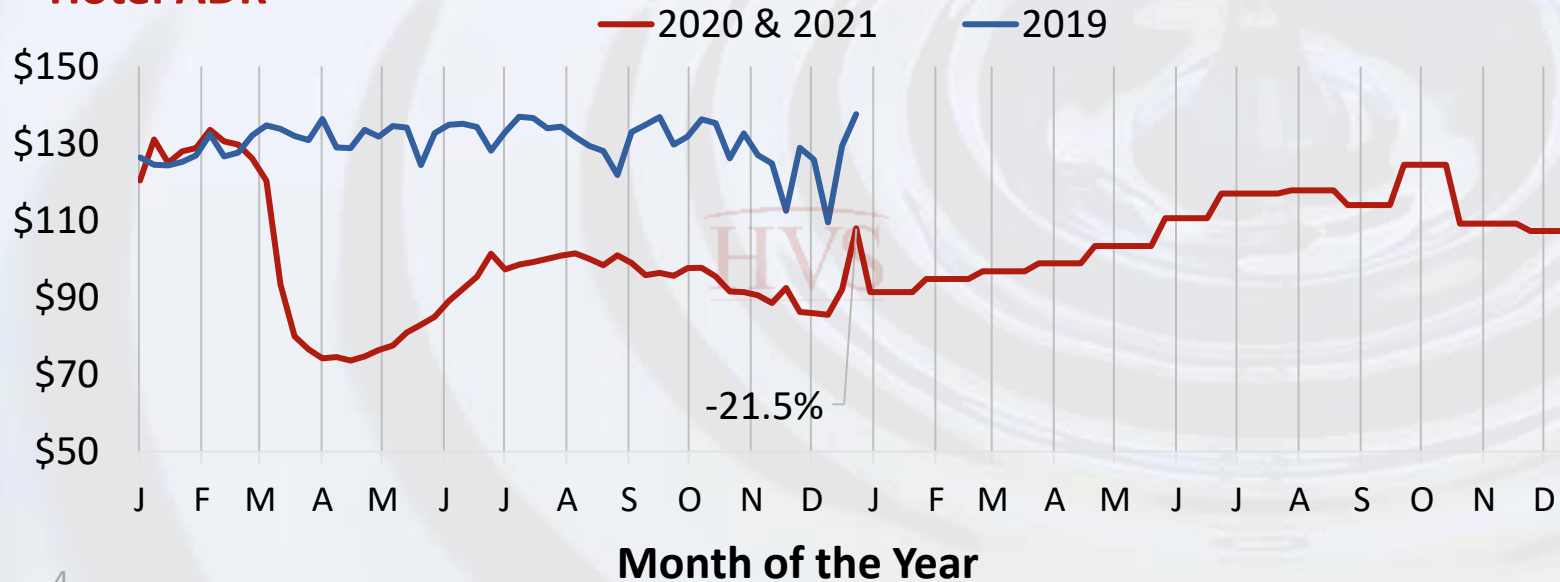
Hotel Occupancy



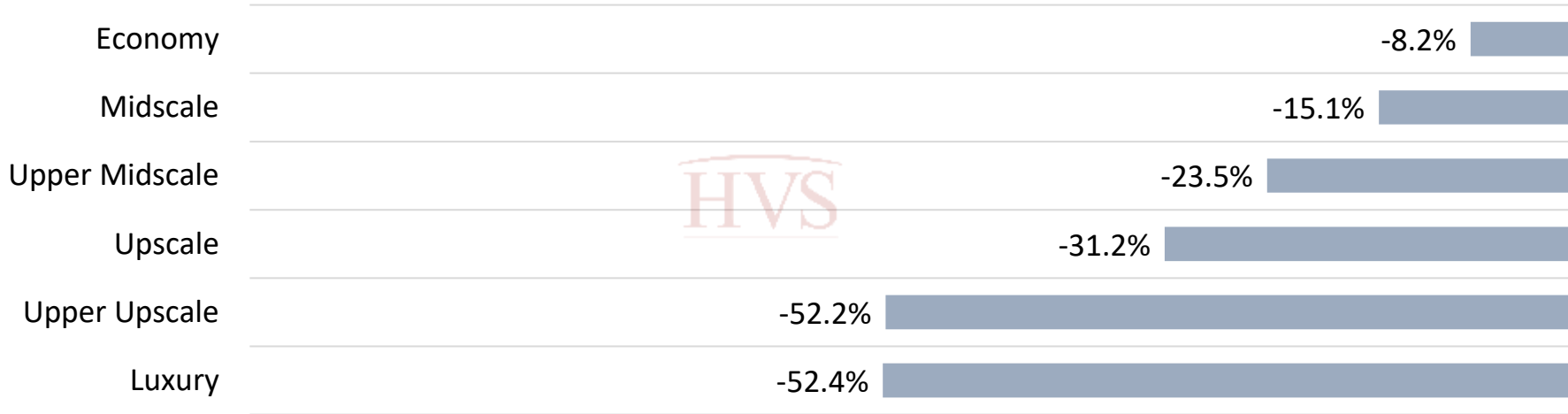
Our 2021 outlook reflects an average occupancy level of 53.5% (vs. 42% in 2020) and 6% ADR growth, averaging roughly \$109 (vs. \$103 in 2020).

Source: STR (Historical Years) and HVS (Forecast)

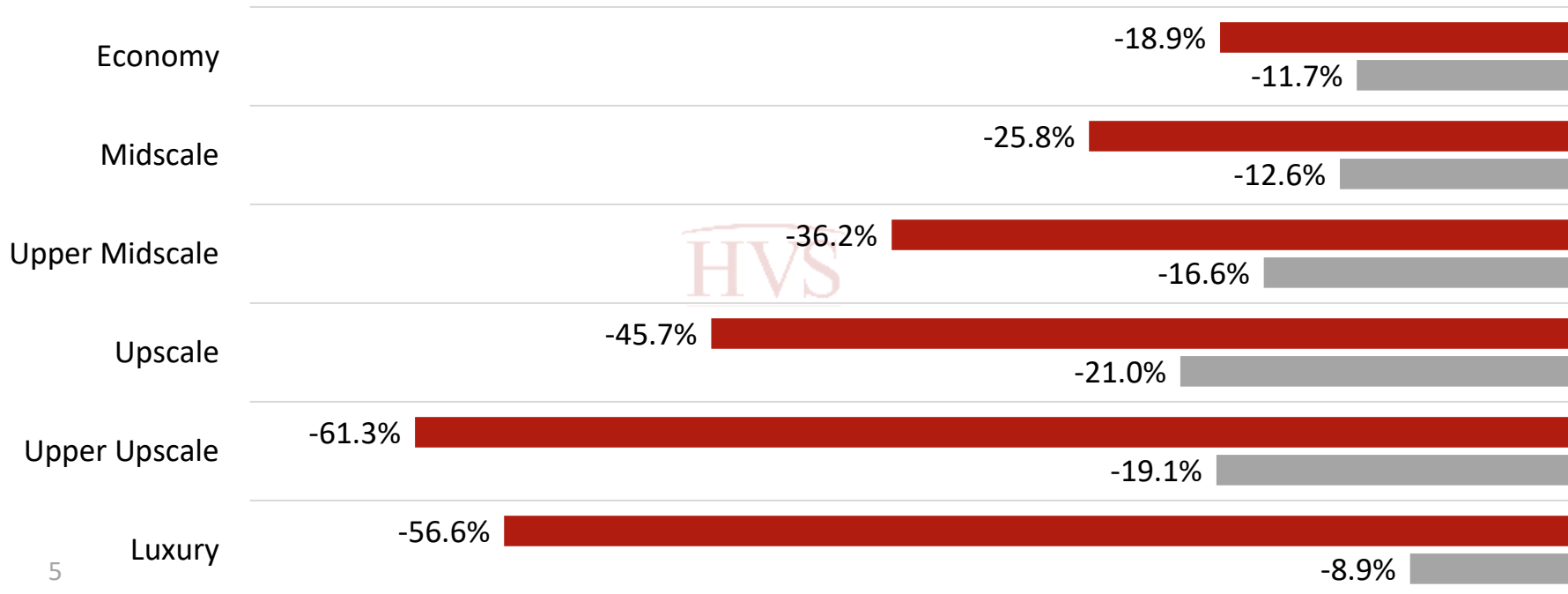
Hotel ADR



Occupancy



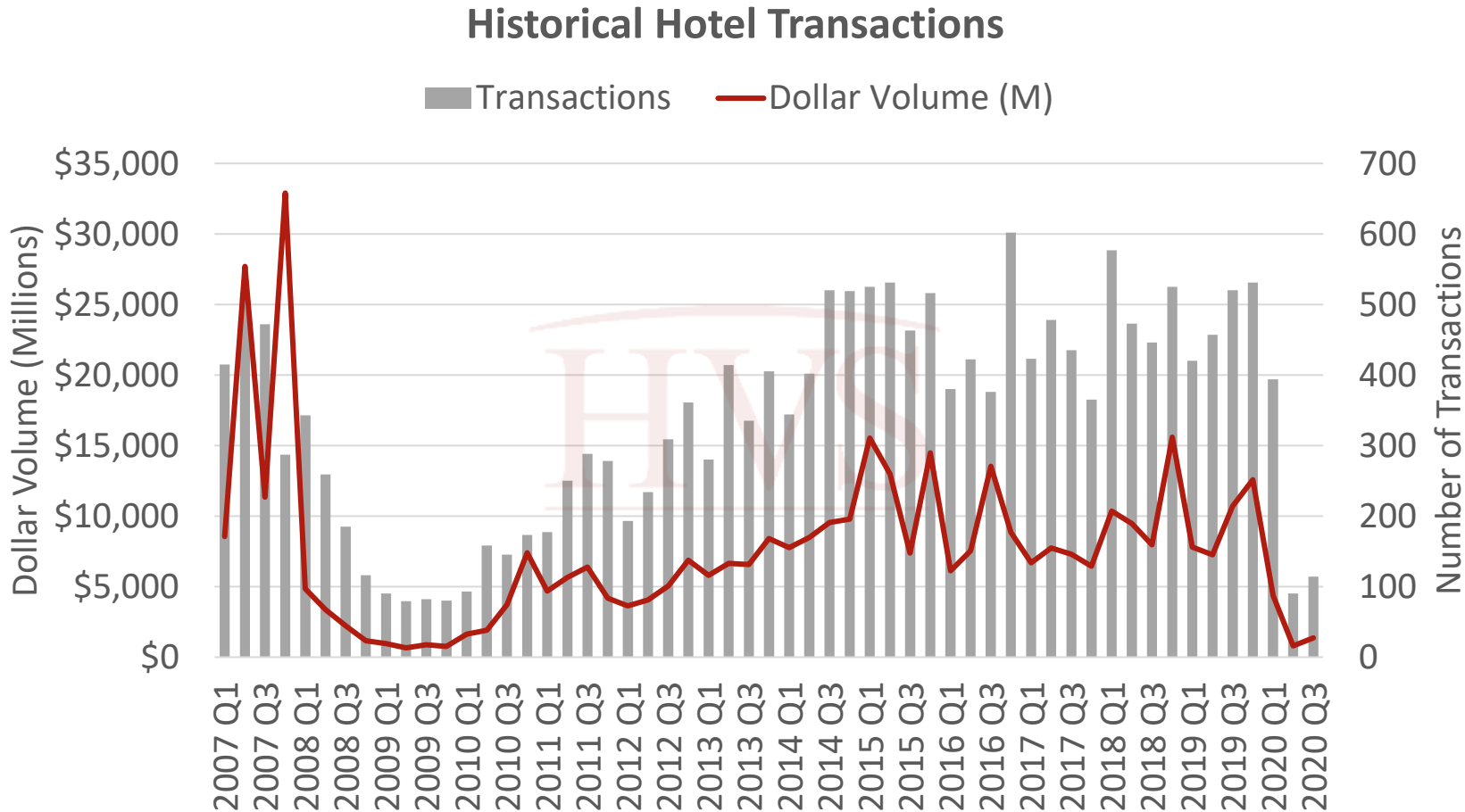
RevPAR **ADR**



Impact differs significantly among the hotel classes

Data Source: STR
*Running 28 Days Ending January 9, 2021

What About the Transaction Market?



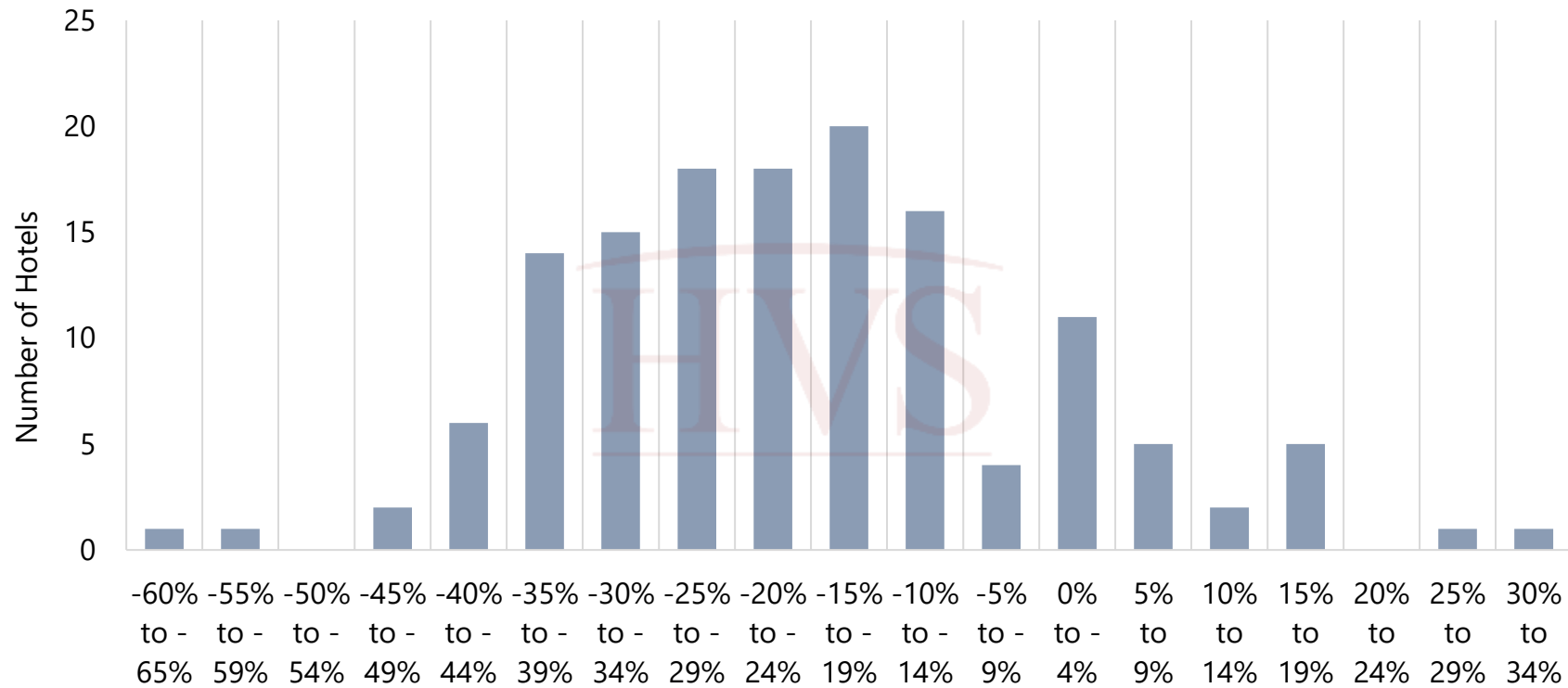
Source: Real Capital Analytics

→ PPP funding and relaxed forbearance rules – keeping wave of foreclosures from materializing

For Transactions to Occur:

- Sellers ability to accept significant discount from Pre-COVID values (often 20–35%)
- Buyers ability to obtain financing
- Hotel performance showing that the worst is behind them

The Worst is Behind Us



Source: HVS

- ↪ Select markets realized an uptick in 2020 RevPAR, leading to a positive value story.
- ↪ Declines predominantly in the -10% to -35% range last half of 2020; these declines will diminish as the year progresses and recovery sets in.
- ↪ Smaller deals can take advantage of the SBA 7a loan, with limited mortgage payments for 6 months and a government guarantee.

Final Thoughts

1

Robust occupancy recovery should set in during the summer and fall of 2021, concurrent with the majority roll-out of the vaccines behind us.

2

ADR recovery will lag the occupancy recovery, with full RevPAR recovery expected by 2024.

3

Transaction volume is anticipated to pick up when lending opens up more widely, a recovery in NOI is documented, and price declines diminish.

4

Meetings business is expected to return with strength. Zoom fatigue has set in, and people are ready and excited to meet again in person.

5

High and continually increasing construction costs will keep new supply in check through the near term.

6

Numerous potential investors will create competition for deals, which is anticipated to fuel transaction activity and mitigate value declines.

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This knowledge and experience is available to support you as you navigate these challenging times. Our platform is fully functional on a remote basis, so even though we are not currently traveling, our staff can access the full resources of HVS on your behalf.

Let us know how we can assist you.

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