

Lodging Industry State of the Union & Outlook for 2021

JERRY HENRY & ASHLEY GAROUTTE • H2R MARKET RESEARCH



Research consultancy that specializes in travel and entertainment.



We illuminate consumer truths that empower destinations to make informed, research-driven management & marketing decisions.

COT Market Research Investments

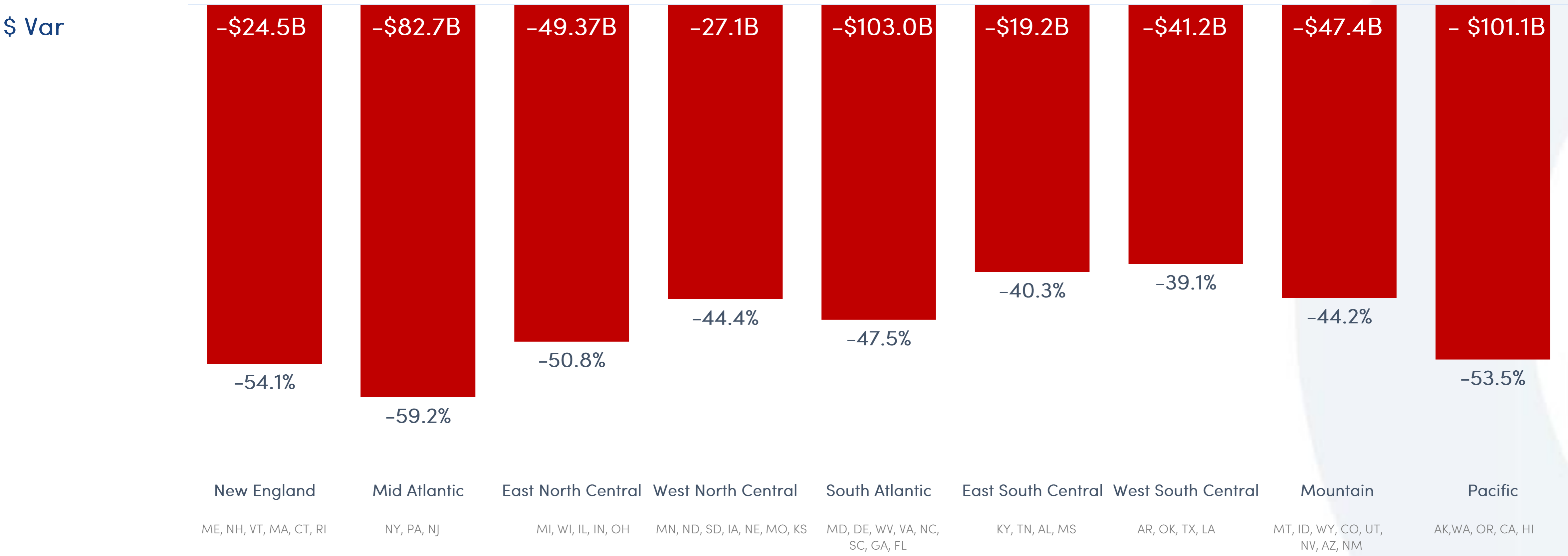
Annual Brand Awareness Study	Measures tangible & intangible impact of COT's marketing.
Insights Program	Provides recovery ideas used across the country and insights from Sentiments.
Brand & Sentiment Tracker	Provides unique consumer input from Northeast residents.
Visitor Profile	Delivers a pre-pandemic profile of CT travelers.
Economic Impact of Tourism	Provides assessment of tourism impact across jobs, taxes, sales.
Lemonade Blog	Offers constituents a library of relevant secondary research.
STR	Measures Connecticut's hotel industry performance.
USTA Recovery Dashboard	Measures U.S. and Connecticut's performance and outlook.



COVID-19 Created a
depression in the
Travel &
Entertainment Sectors

In 2020, Mid-Atlantic (-59%) & New England (-54%) suffered the worst declines while the West South Central (-39%) and East South Central (-40%) held up the best.

Year-Over-Year Variance in National Weekly Travel Spending



SOURCE: USTravel.org, February 5, 2021

Data Sources & Partners

Impact Summary

Travel Indicators

Overseas Travel to the U.S.

Economic Conditions

Employment

Travel Sentiment

Covid-19 Correlation

Predictive DMO Indicators

Predictive Industry Indicators

Economic Forecast

Domestic Travel Forecast

International Travel Forecast

Hotel Forecast

Destination (filter impacts entire page)

Connecticut

Cumulative Losses Since January 2020

Connecticut, through February 2021

Connecticut

Travel Spending (difference) (\$6.2B)

Federal Taxes (\$408M)

State Taxes (\$302M)

Local Taxes (\$64M)

Travel Spending Losses

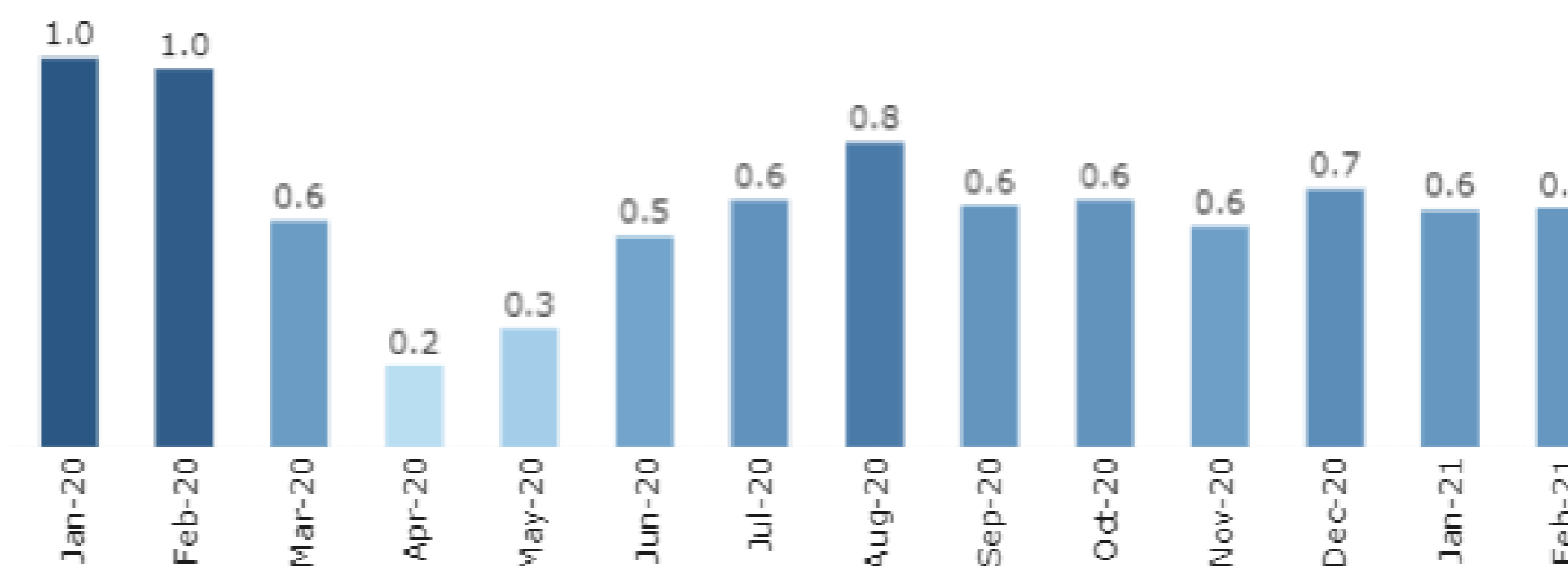
Connecticut

	Travel Spending	Travel Spending (difference)	Travel Spending % Chg YOY
Jan-20	\$1.0B	\$0.0B	0.6%
Feb-20	\$1.0B	\$0.0B	-1.1%
Mar-20	\$0.6B	(\$0.5B)	-47.7%
Apr-20	\$0.2B	(\$0.9B)	-80.8%
May-20	\$0.3B	(\$0.8B)	-72.9%
Jun-20	\$0.5B	(\$0.6B)	-53.2%
Jul-20	\$0.6B	(\$0.5B)	-45.6%
Aug-20	\$0.8B	(\$0.4B)	-31.7%
Sep-20	\$0.6B	(\$0.4B)	-41.8%
Oct-20	\$0.6B	(\$0.5B)	-43.0%
Nov-20	\$0.6B	(\$0.5B)	-45.4%
Dec-20	\$0.7B	(\$0.4B)	-36.1%
Jan-21	\$0.6B	(\$0.4B)	-38.8%
Feb-21	\$0.6B	(\$0.4B)	-37.0%

Travel Spending (\$ billion)

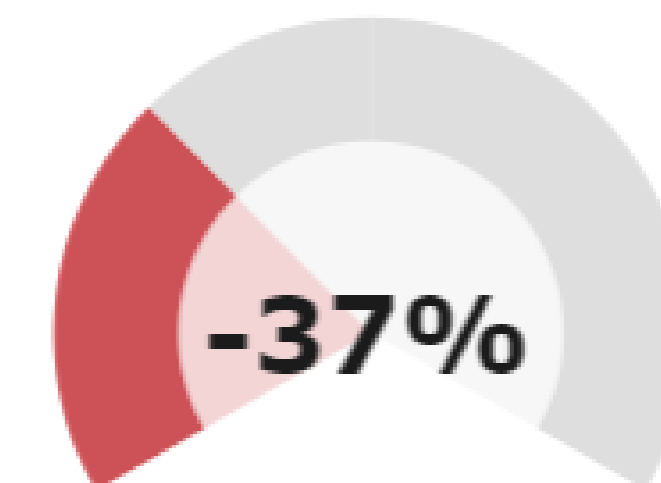
Connecticut

Travel Spending (\$ billion)



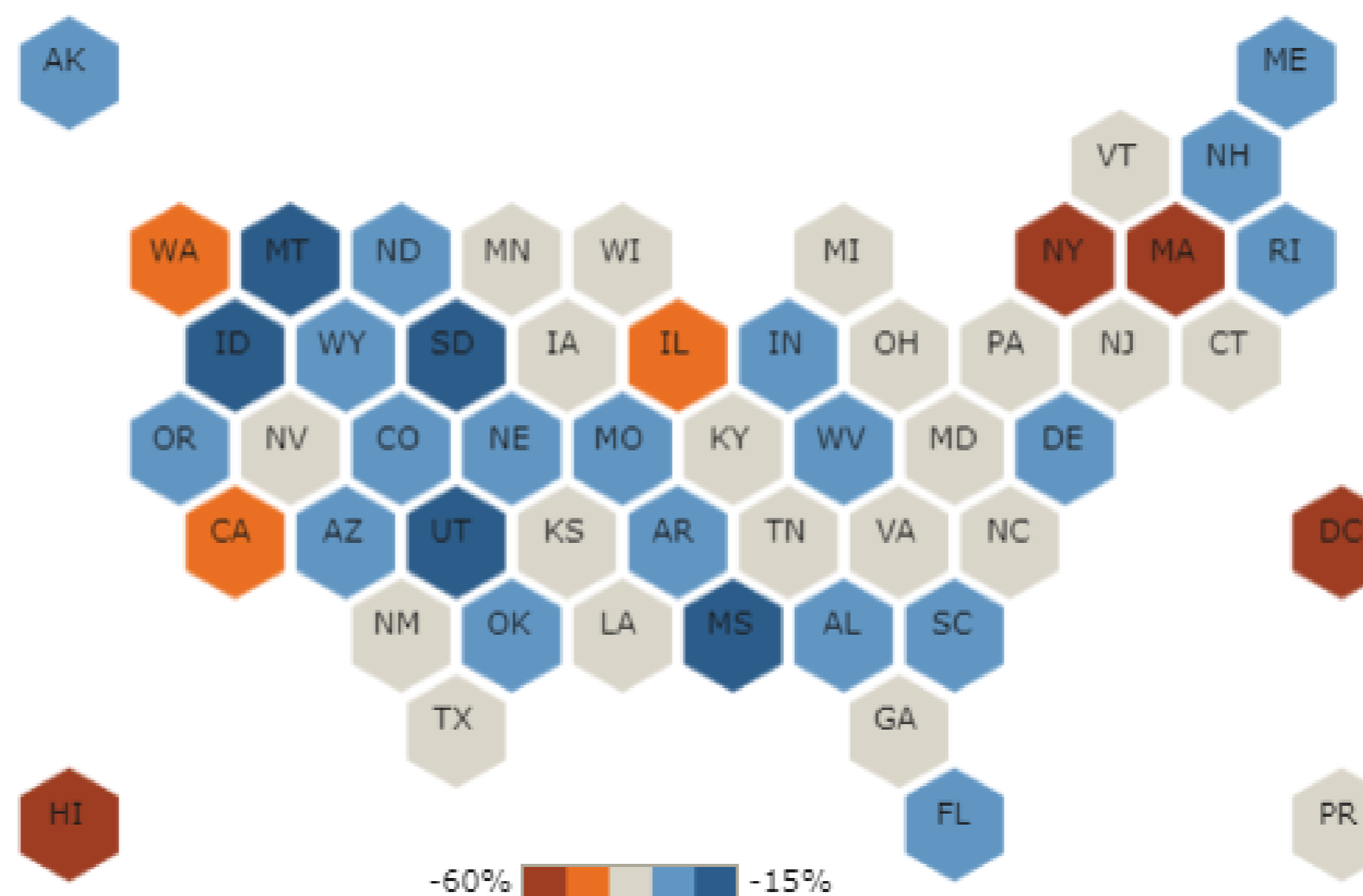
Travel Spending

Connecticut
February 2021, % change YOY



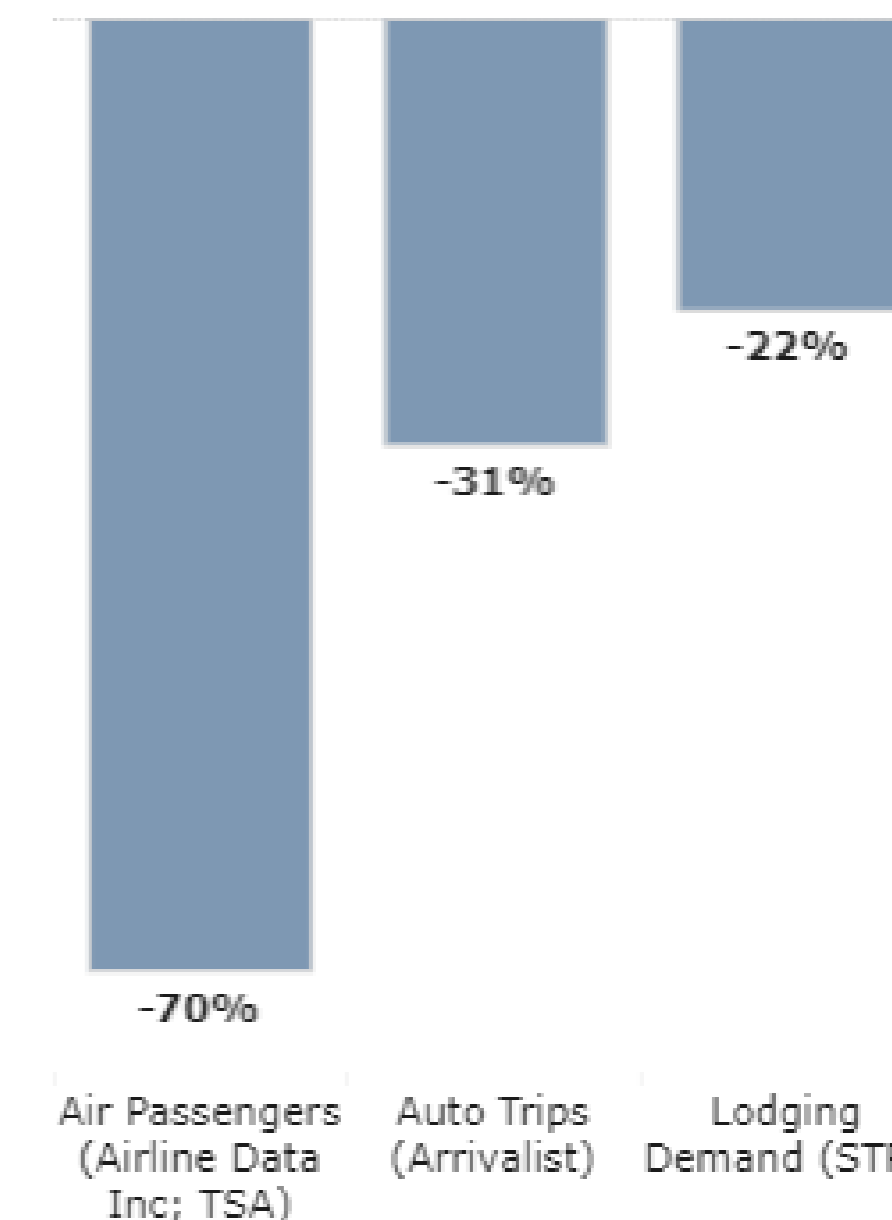
U.S. Travel Spending by State

February 2021, % change YOY



Travel & Tourism Recovery

Connecticut
February 2021, % change YOY



Every major travel sector declined sharply in 2020

Year-Over-Year Variance in Performance by Business Sector



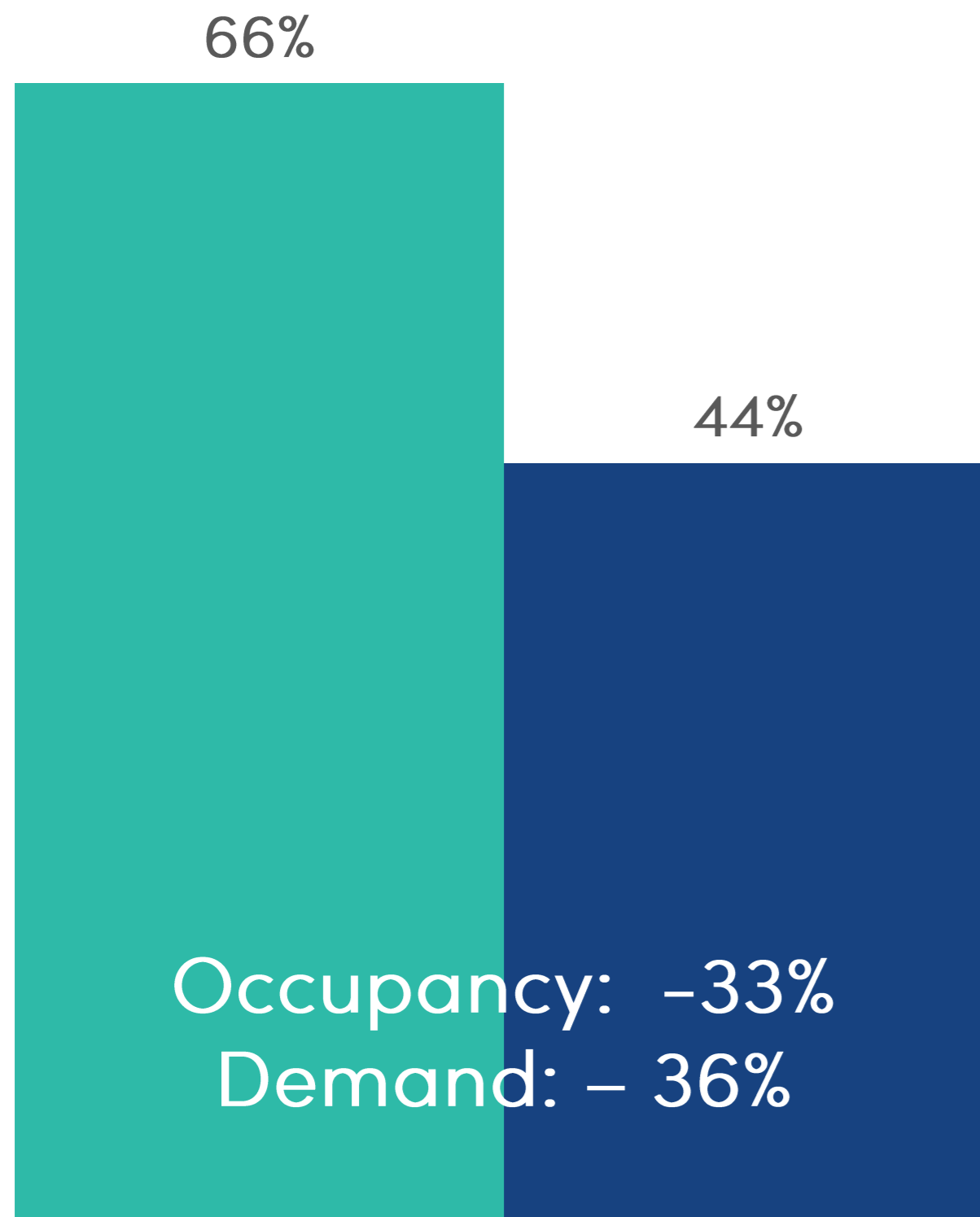
SOURCE(S): Arrivalist, STR, H2R/PGAV, TSA; National Restaurant Assn; February 5, 2021



Nationwide
Lodging Industry
Trends

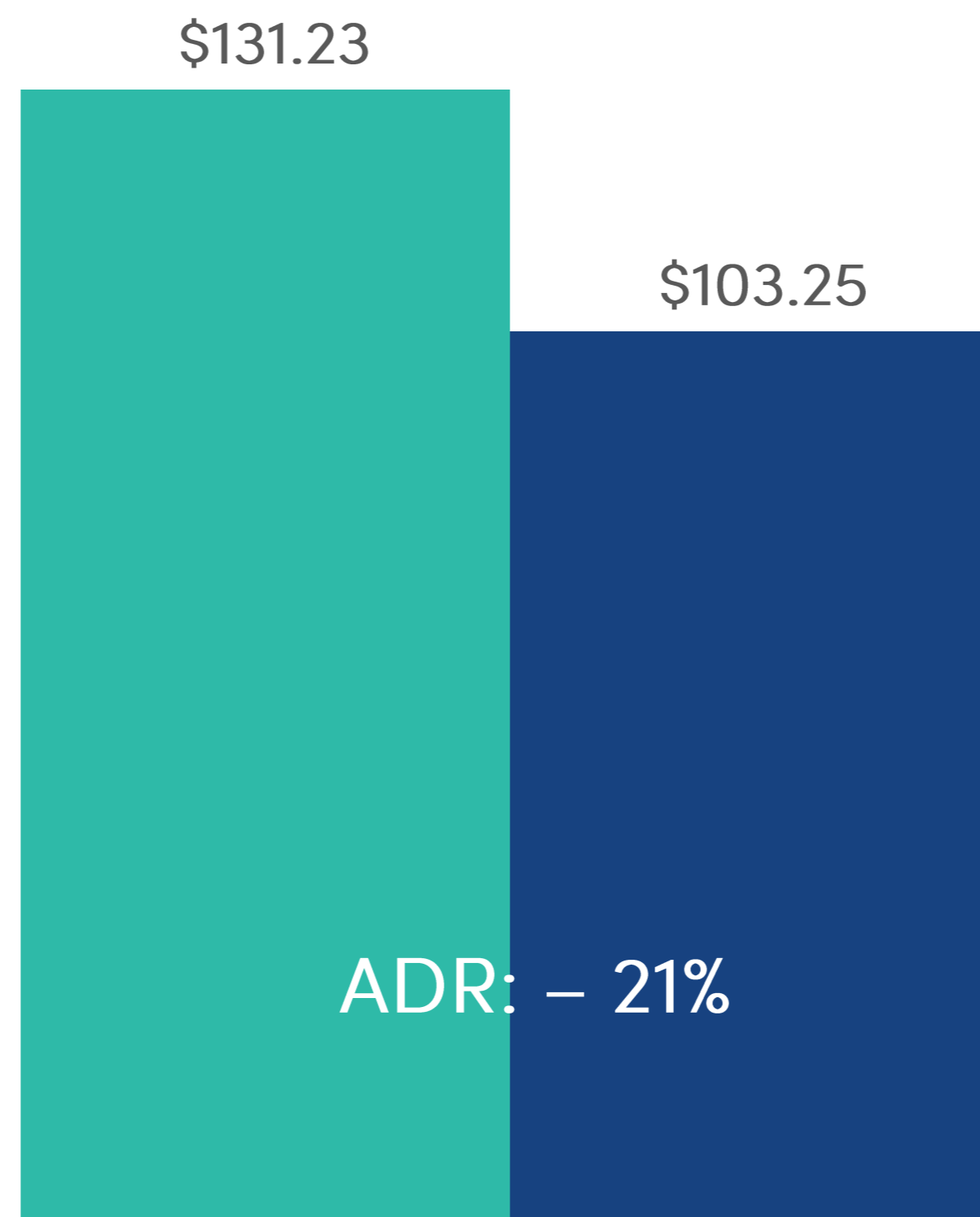
United States 2020 End of Year Hotel Performance.

U.S. EOY Hotel Occupancy



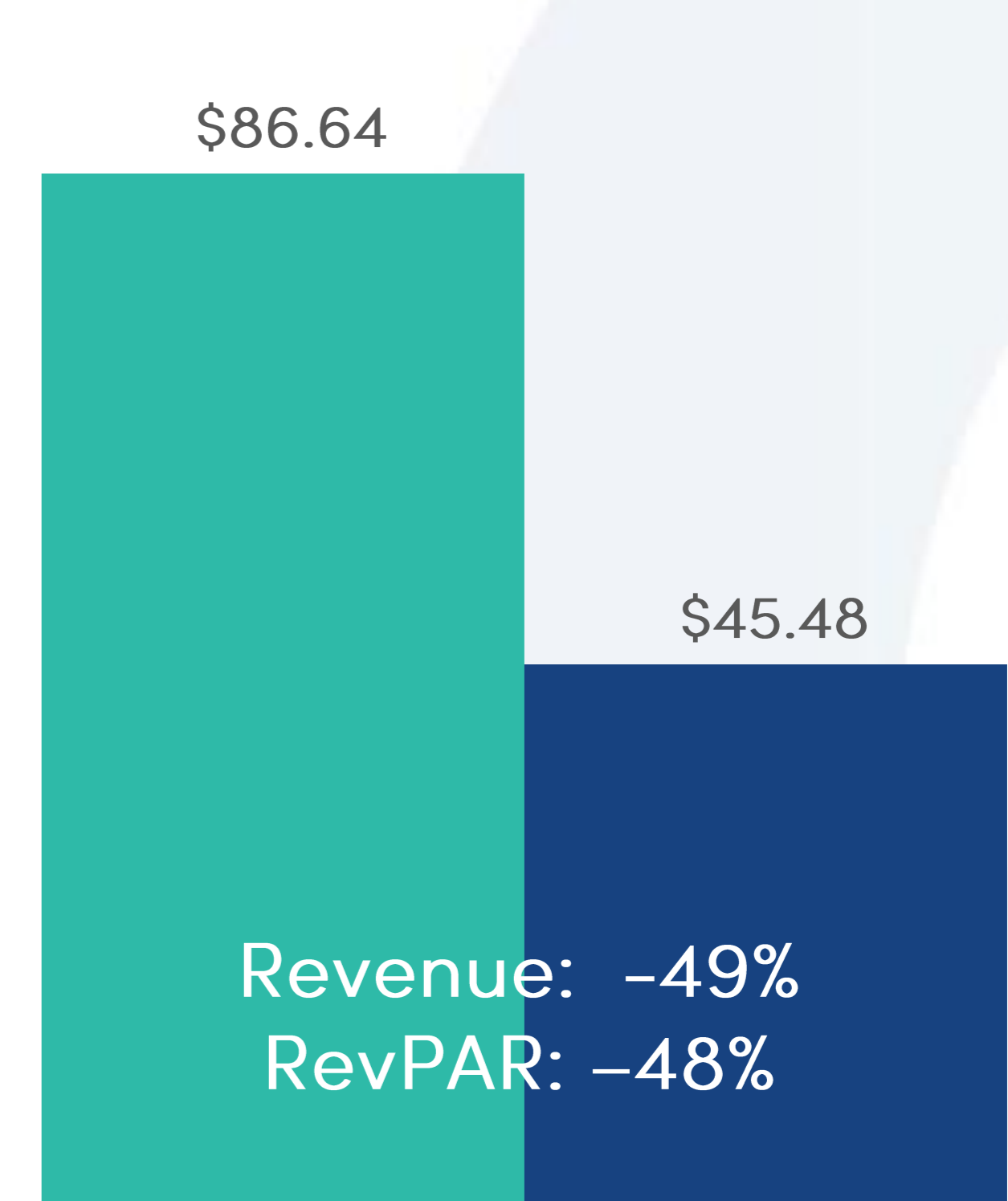
■ 2019 ■ 2020

U.S. EOY ADR(\$)



■ 2019 ■ 2020

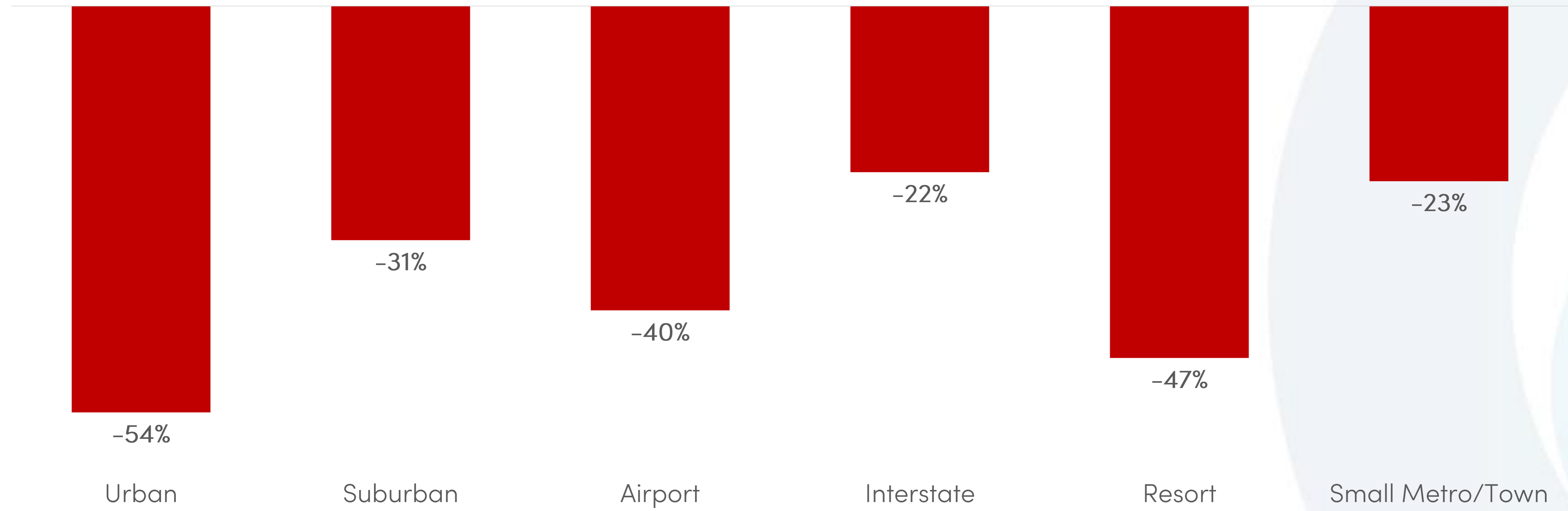
U.S. EOY RevPAR (\$)



■ 2019 ■ 2020

Hotels located in urban areas were the hardest hit, followed by resort and airport hotels.

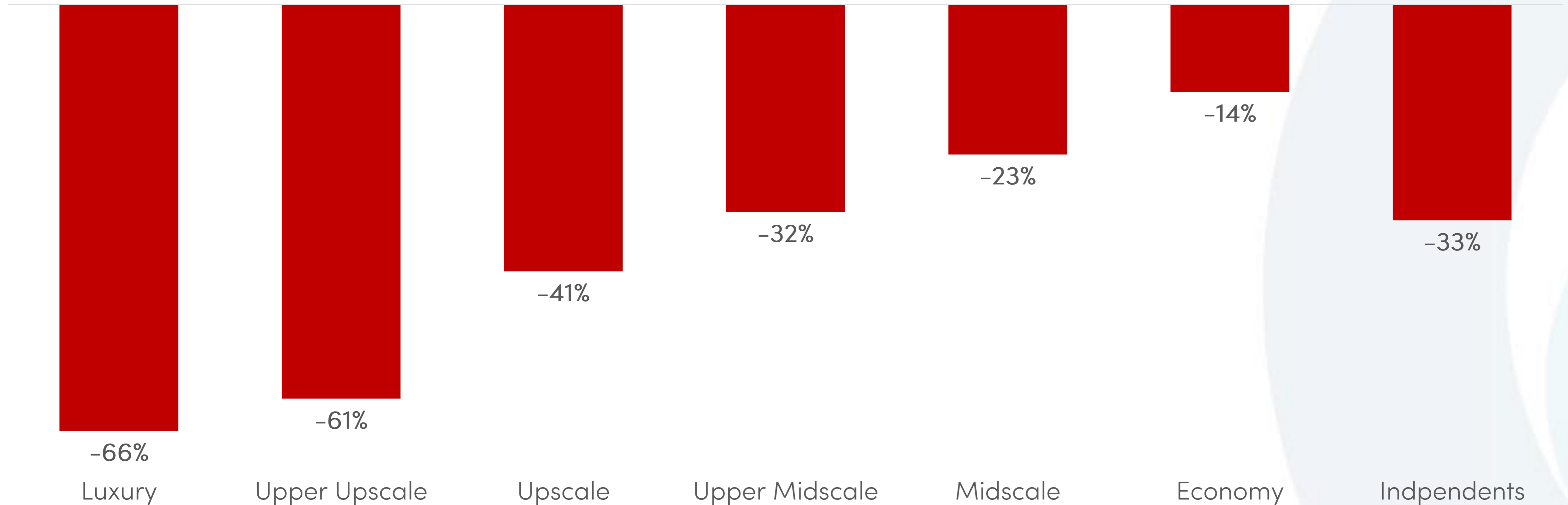
Variance Hotel Demand by Location
2020 vs. 2019 End of Year



SOURCE(S): Smith Travel Research

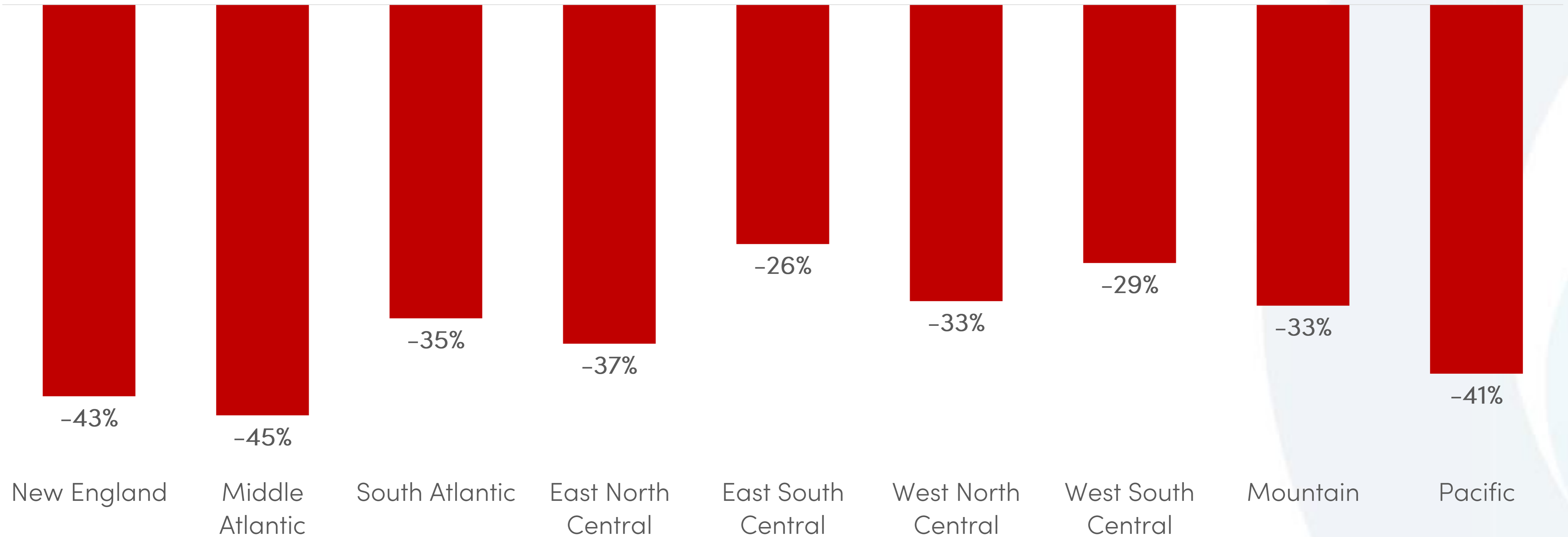
Luxury chain hotels were hit the hardest while Economy chains were down only 14% by the end of the year.

Variance Hotel Demand by Chain Scale *2020 vs. 2019 End of Year*



At the end of 2020, hotel demand was down significantly across the nation compared to 2019.

Variance Hotel Demand by U.S. Region
2020 vs. 2019 End of Year





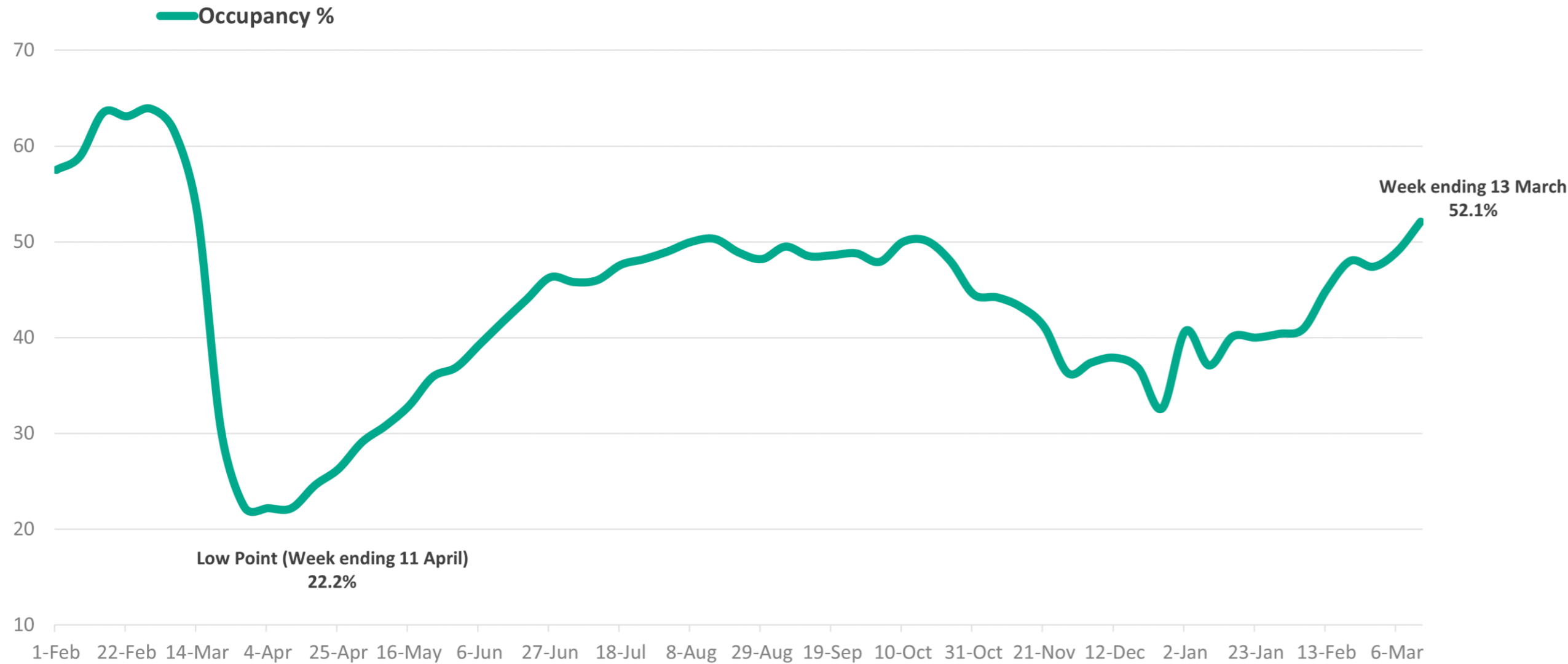
HOPE is on the Horizon

Best Hotel Performance in Months

Early last March, the U.S. hotel industry was experiencing some of its last positive results in three key performance metrics before feeling the impact of the COVID-19 pandemic—occupancy, average daily rate (ADR) and revenue per available room (RevPAR). But a glimpse of hope for the industry came from STR’s latest report, revealing that the U.S. weekly hotel occupancy has reached its highest level in a year (-1.4% to 52.1%). And, just a few days ago we saw that occupancy continues to grow and is now at nearly 60%. ADR and RevPAR also saw improvements, down just 14.5% to US\$102.62 and 15.8% to US\$53.45, respectively. Year-over-year percentage changes are now more favorable as comparisons have shifted to pandemic-affected weeks from 2020.

U.S. Hotel Occupancy

Weeks ending with specified dates



Source: STR. 2021 © CoStar Realty Information, Inc.

Key Insight

It's not surprising that hotel occupancy is creeping back up, as we've already established that the travel industry is to starting to make its comeback.

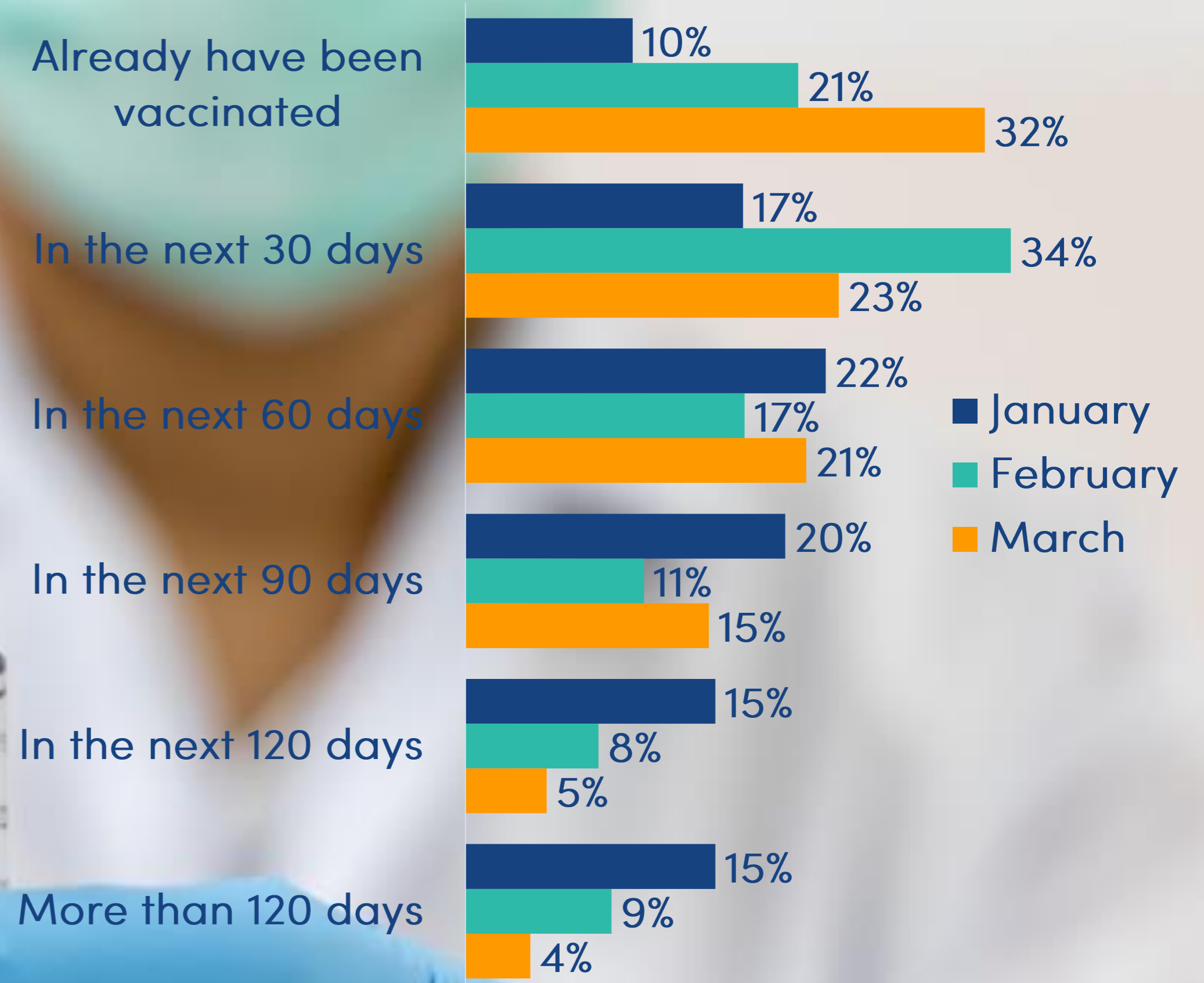
Make sure your hotel is ready to welcome the influx of travelers, whether that means hiring additional employees, upping safety and cleaning protocols or implementing technology that makes guest stays more efficient and touchless.

Vaccine News is Encouraging.

Nearly 148M (57%) of American adults have begun the immunization process and nearly 106M (41%) are now fully immunized.

In Connecticut more than 2M (56%) have begun the immunization process and 1.3M (37%) are fully immunized.

Northeast Consumers Vaccination Update

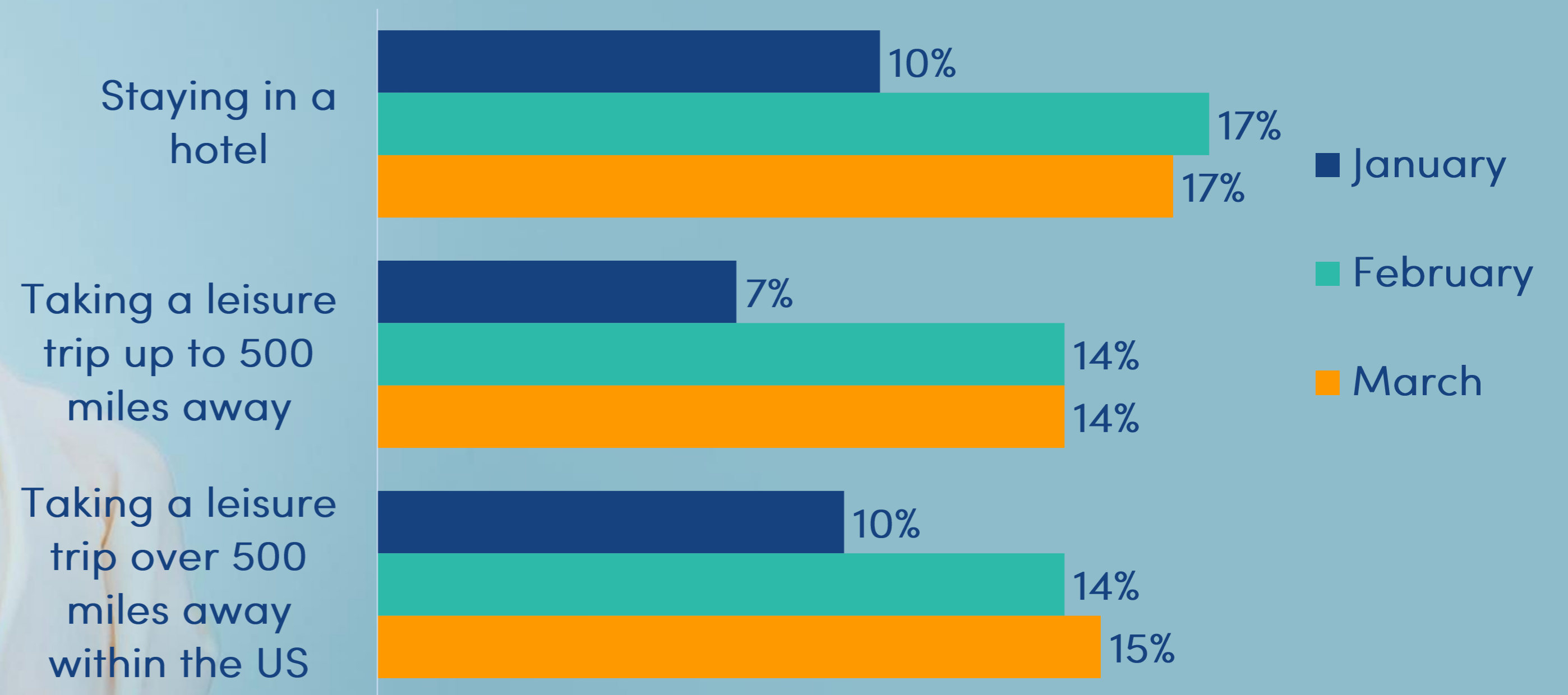


A significant acceleration in vaccinations has contributed to the positive momentum in consumers' attitudes toward staying in hotels and taking trips farther away from home that require hotel stays.



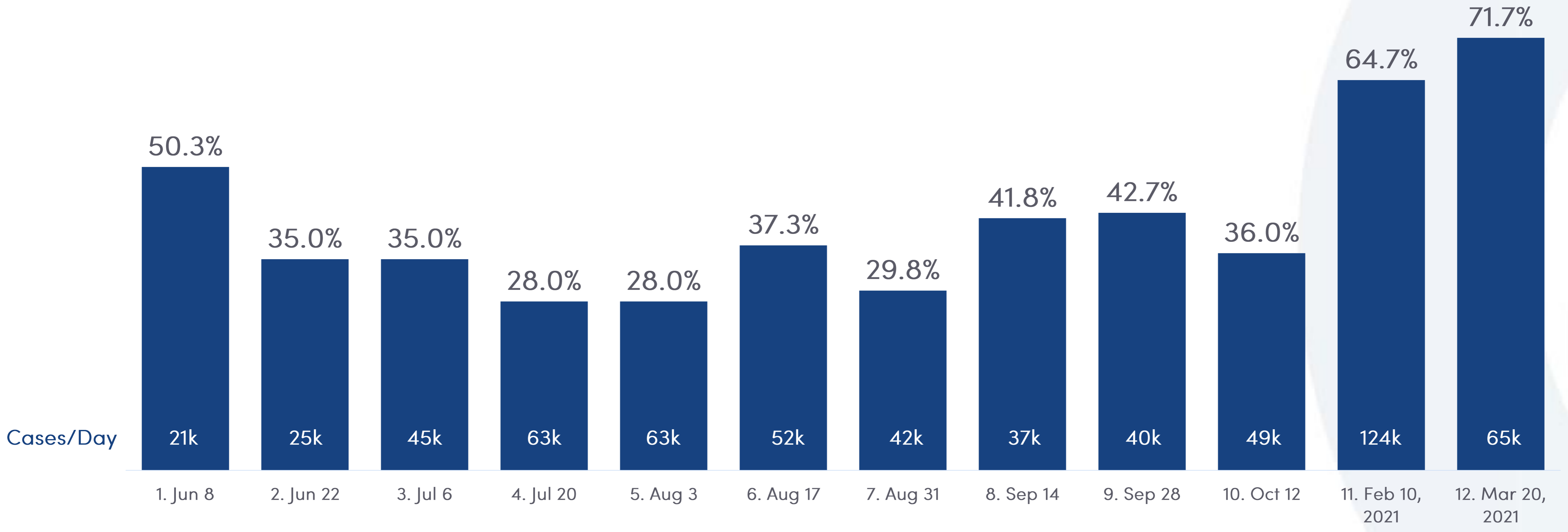
Percent of Population Needing Vaccine to Feel Comfortable

% Already Comfortable



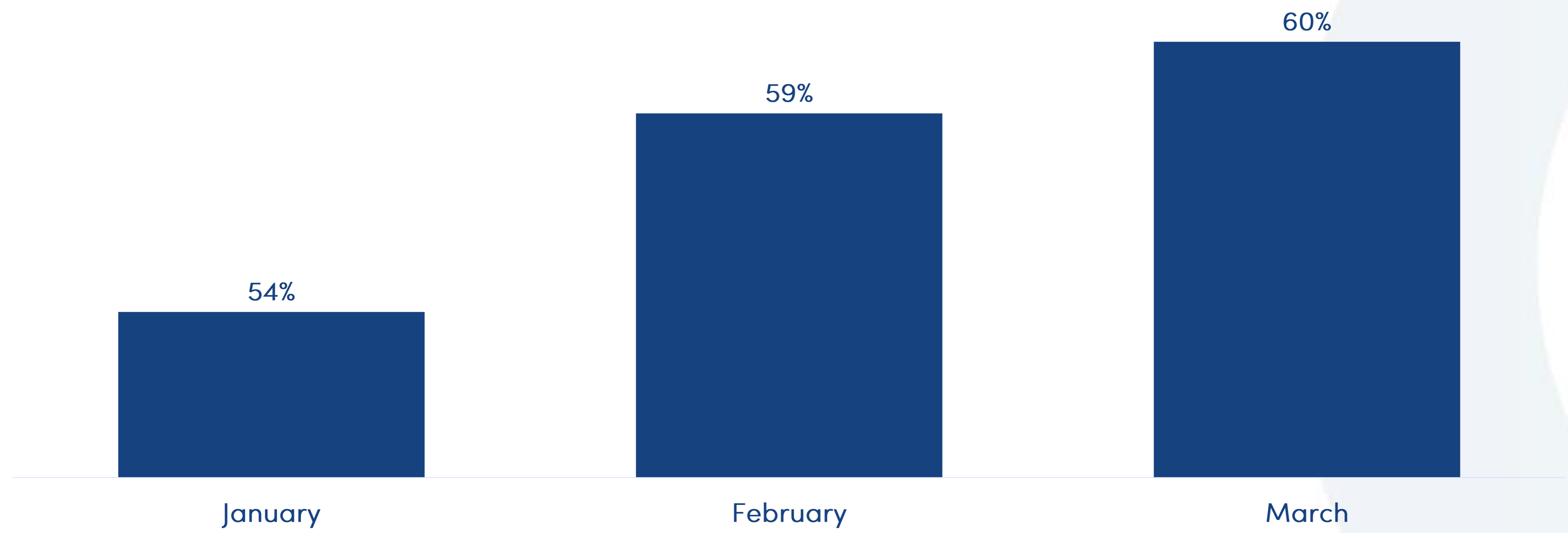
Nationwide, intent to travel in the next 6 months has only recently begun to approach pre-pandemic levels as average daily cases plummet.

Intent to Travel in Next 6 Months – 2020-2021



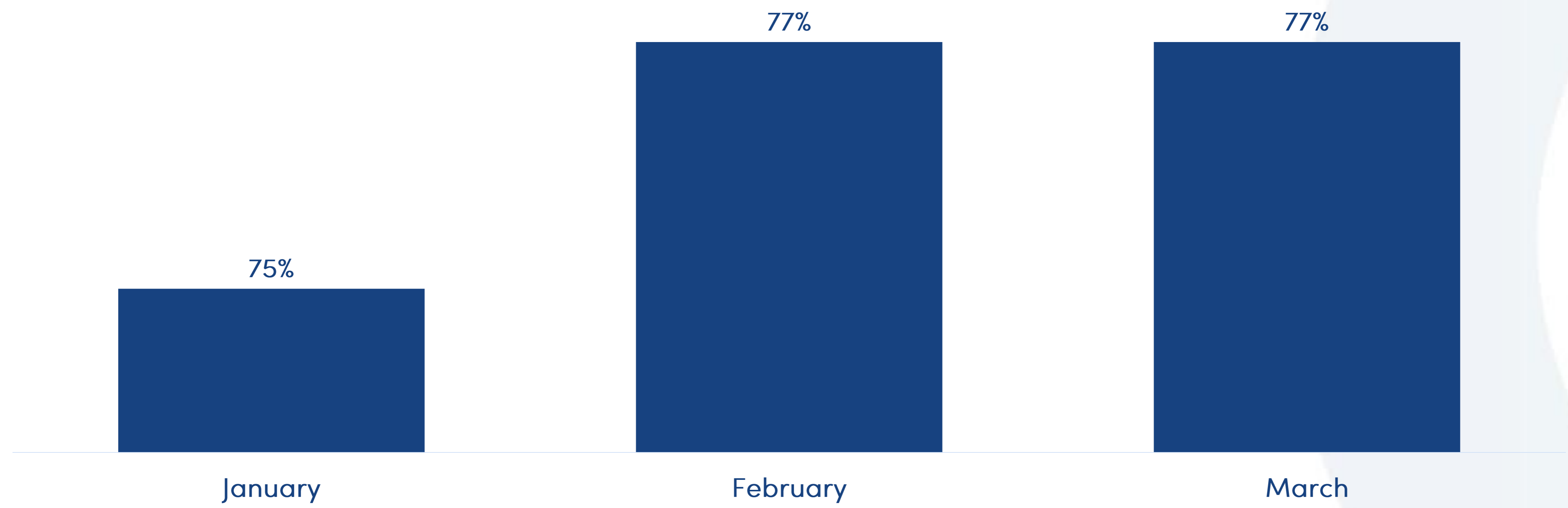
And, travelers in the Northeast aren't far behind in their intent to engage in leisure activities over the next 6 months.

% Probably/Definitely Will Visit Restaurants, Hotels, Attractions, Events or Travel for Leisure in the Next 6 Months



Furthermore, more than three-quarters of consumers plan to engage in significantly more travel and entertainment activities this year than they did last year.

% Will Engage in Travel & Entertainment Activities Somewhat or Much More in 2021 compared to 2020






Optimize

Wise to Optimize
for 2021

Recovery may not be a binary event.

The rebound will likely occur in stages as individuals slowly begin to feel it is safe for them to venture out again.



A close-up photograph of a person's hand, wearing a dark suit jacket and a white shirt cuff, hovering just above a rolled-up stack of US dollar bills. The stack is held together by a metal paperclip and is resting on a wooden surface. The background is a plain, light-colored surface.

Until most Americans
are vaccinated, desire
to visit attractions will
continue to be dictated
by
RISK TOLERANCE

A woman with blonde hair, wearing a white face mask and a dark long-sleeved top, is seen from the side, looking out of a large window. Her right hand is pressed against the glass. The scene is bathed in a soft, blue-tinted light, suggesting an overcast day or a specific lighting choice for the photograph. The window frame is visible, and the background outside is slightly blurred, showing what appears to be a landscape or trees.

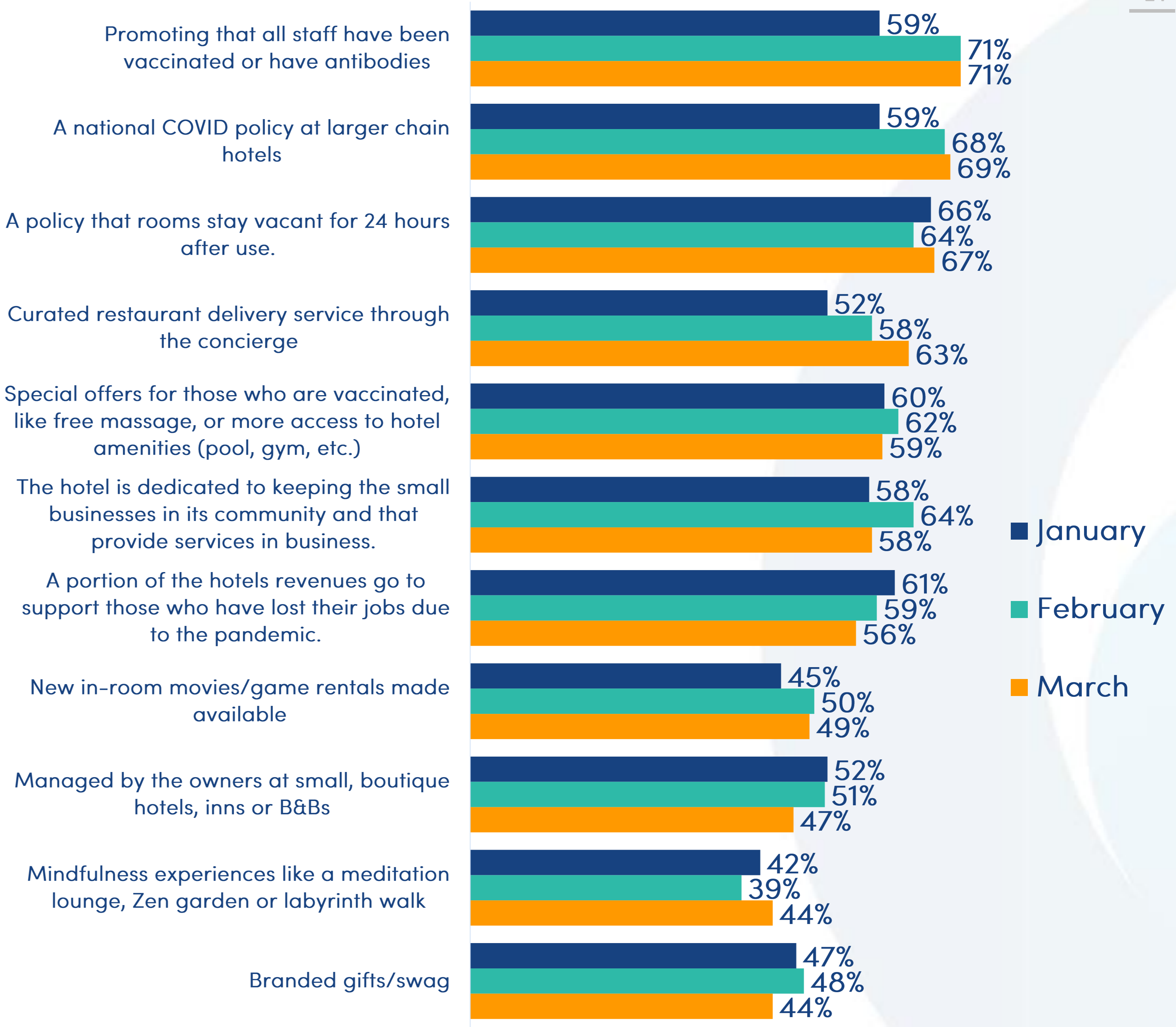
Know how COVID-19 changed your target market

- ✓ Younger
- ✓ More families
- ✓ Smaller parties
- ✓ More diverse
- ✓ More regional
- ✓ Lower income
- ✓ More wide-open spaces

Actions That Would Increase Intent to Stay in Hotels

As of March, consumers still want to know that the staff at hotels are being vaccinated. This, along with national COVID policies, vacant rooms between stays and restaurant delivery services continue to gain popularity.

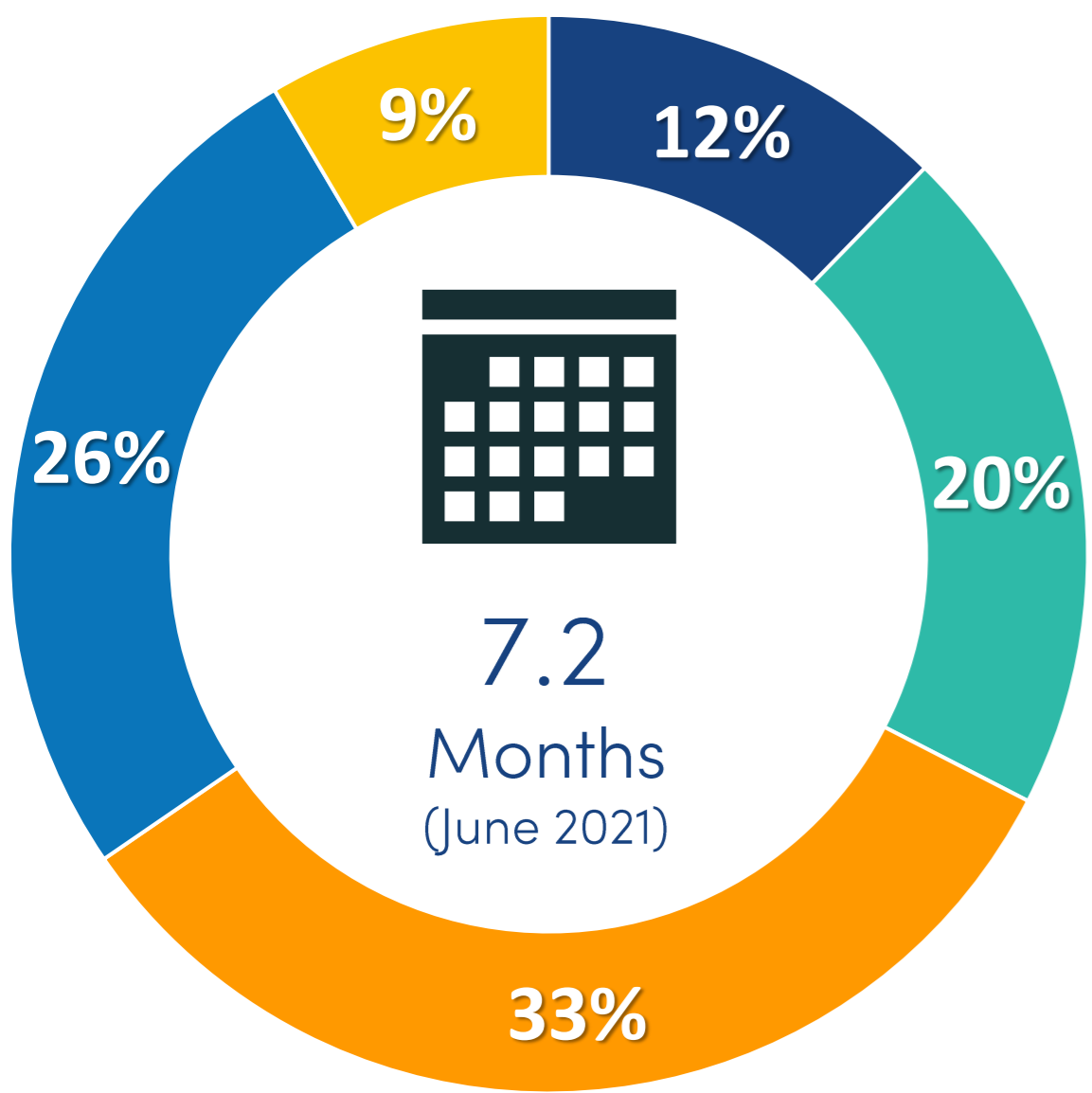
Those things that have become less important over time include giving some revenue to support those who've lost jobs, knowing that the hotel is managed by owners at small, boutique hotels, inns or B&Bs and branded gifts/swag.



SOURCE: Connecticut Tourism Sentiment Tracker

Travelers expect their next leisure trip to occur in about 7 months (late June). However, those who visited Children’s Museums, Science Centers and Dinner Theaters plan to travel much sooner.

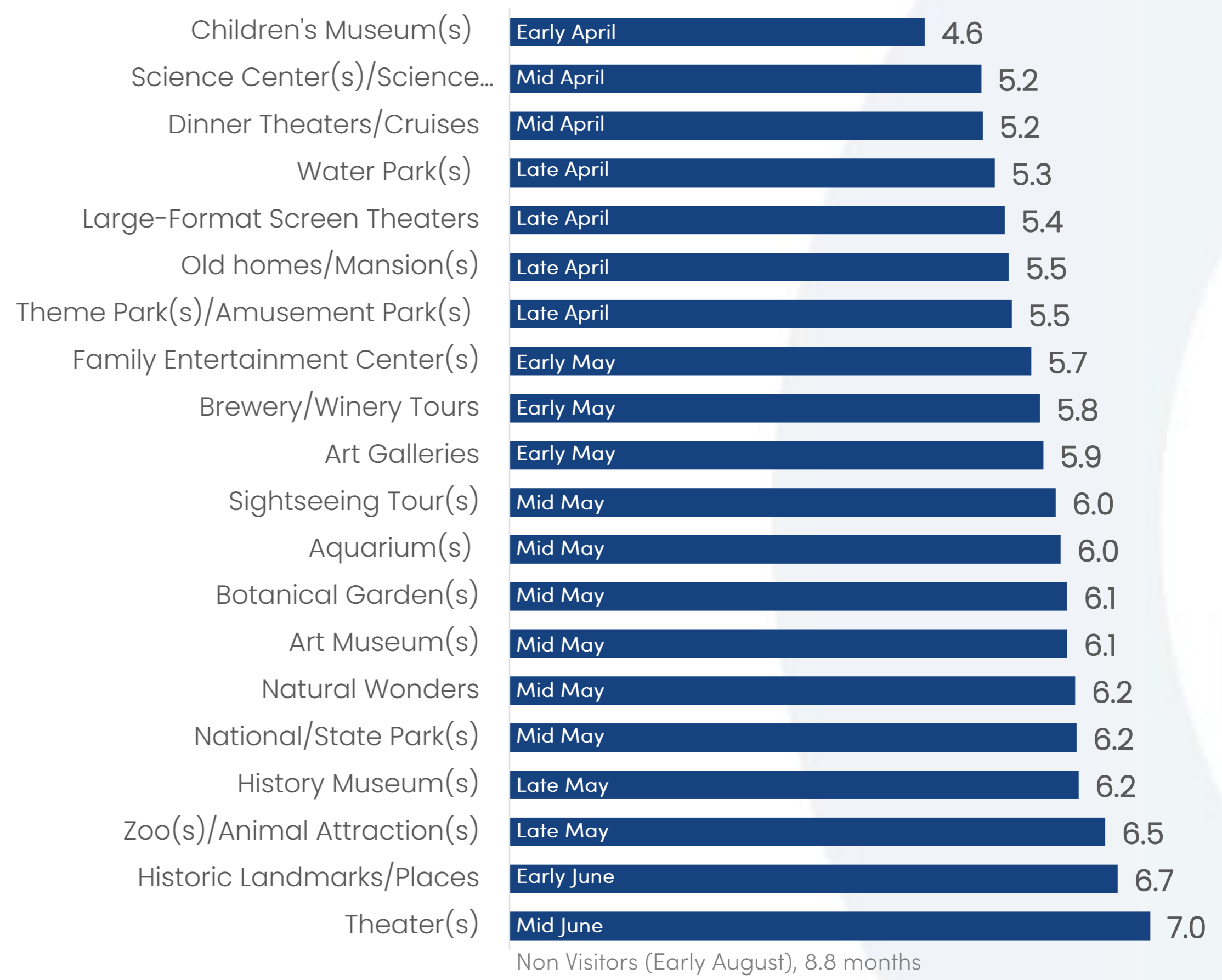
Timing of Next Leisure Trip (Months)



- Within the next 30 days (Dec 2020)
- Within the next 3 months (Feb 2021)
- Within the next 6 months (May 2021)
- Within the next 12 months (Nov 2021)
- 12+ months (Dec 2021 or later)

In the Northeast, average time was 7.7 months which places the date of return to around July 1.

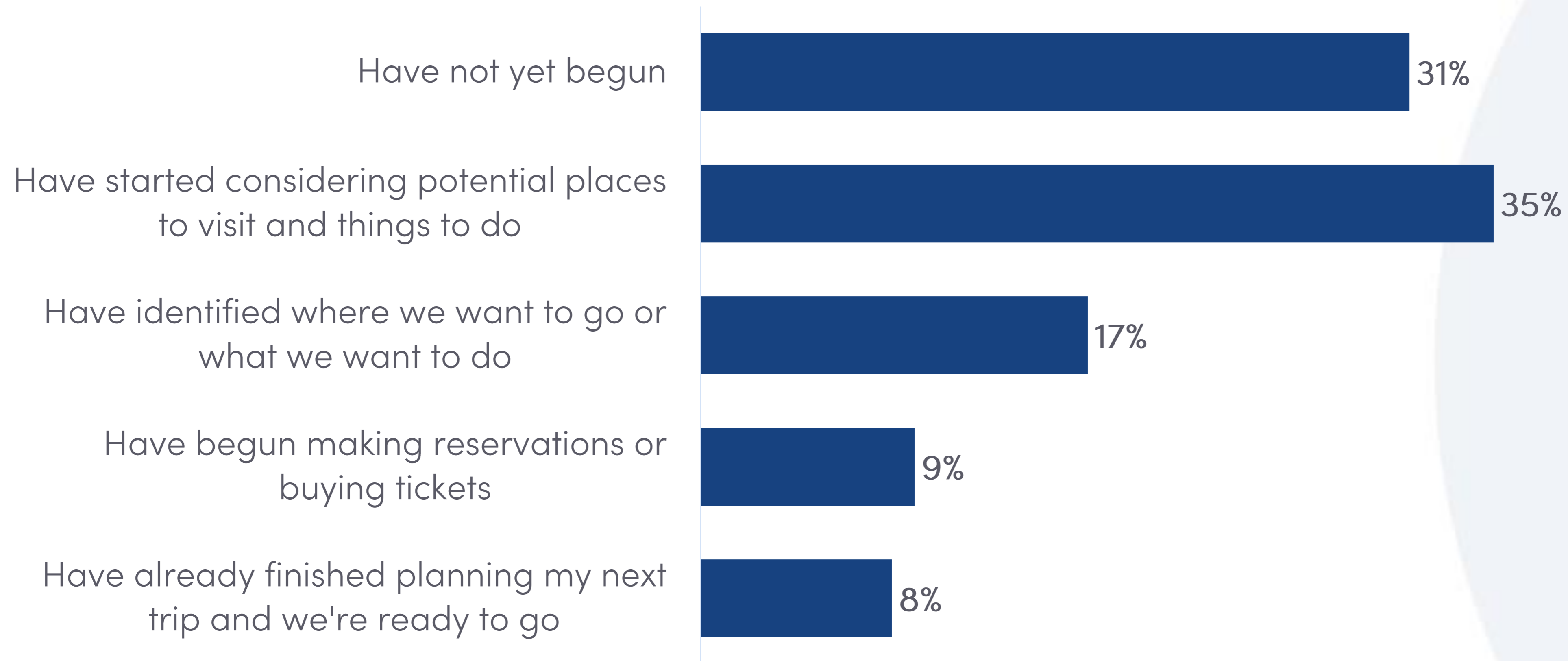
Average Time to Next Trip by Attraction (Months)



SOURCE: 2021 Voice of the Visitor, PGAV Destinology Series; H2R Market Research, January 2021

Of those New England travelers anticipating a trip to Connecticut, only one-third have begun the planning or booking process.

Travel Planning Process for Anticipated Connecticut Trip



Cautiously Optimistic Outlook for 2021



Insights

Travel activity is expected to improve substantially in the summer of 2021 with domestic leisure travel leading the way.

Air travel is expected to gain traction in the latter half of 2021 and recover strongly in 2022.

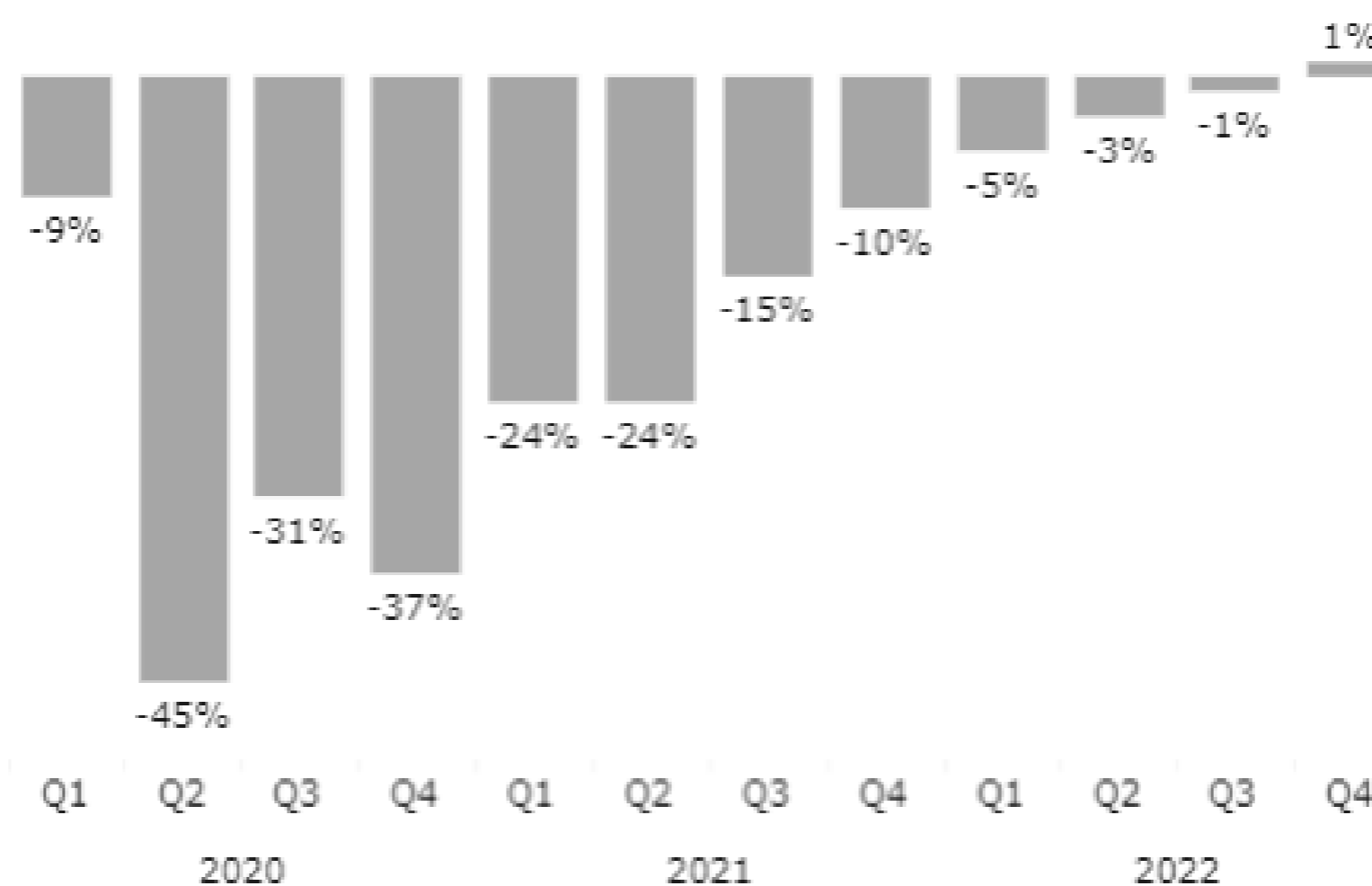
While the recovery is expected to accelerate through 2021, the number of domestic person trips is not expected to recover to 2019 levels until the end of 2022.

Even with the recovery of person trips, subdued spending per trip leads to domestic travel spending not recovering until after 2024, due to the prolonged reduction in business travel and long-haul travel and the lingering effects of the economic recession.

Relative to 2019, quarterly expectations for domestic person-trips are expected to steadily improve until we reach 2019 levels in Q2 of 2022. For total trips, including international, it will be Q4 of 2022.

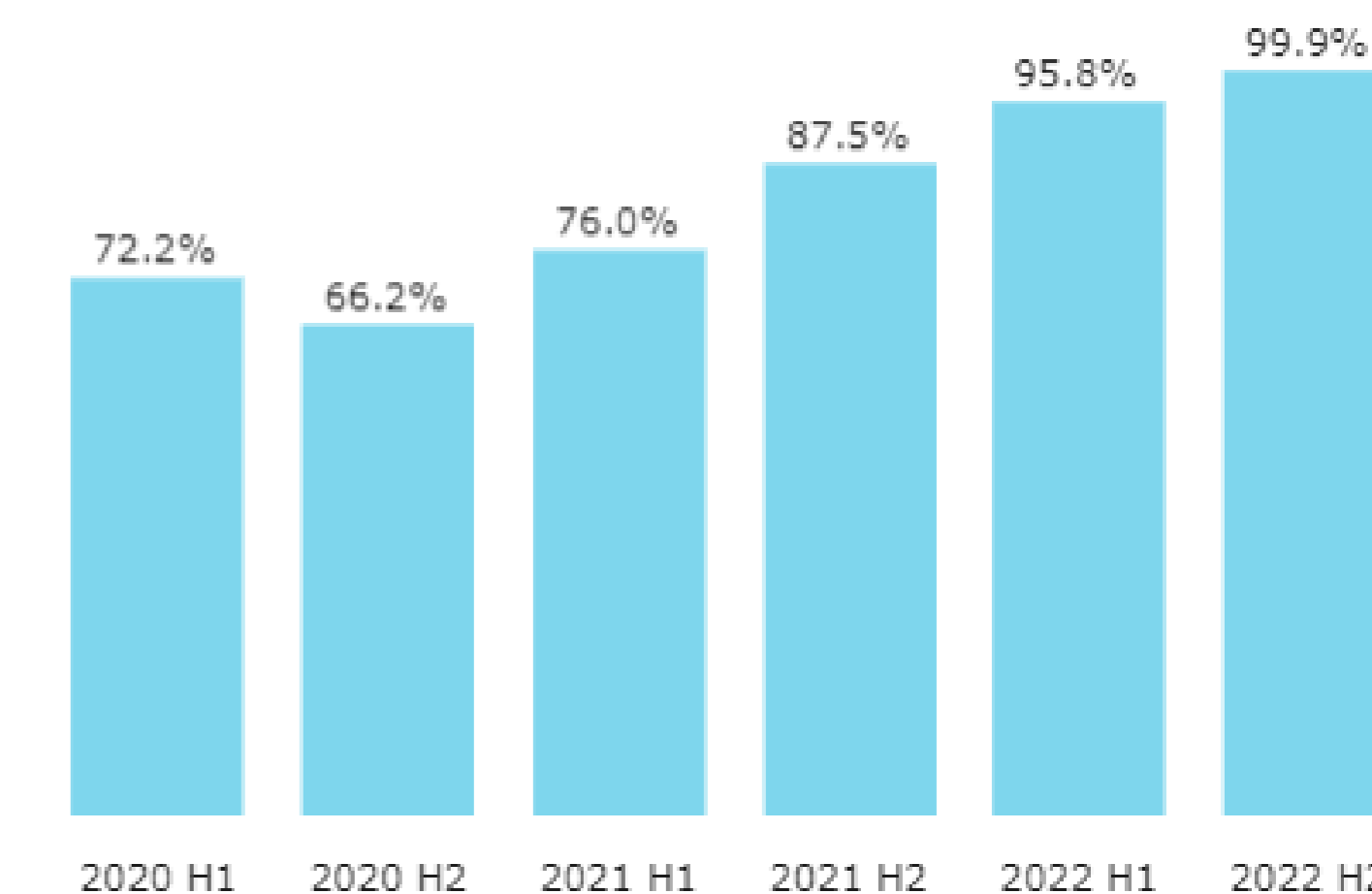
Domestic Person Trips

% change relative to same quarter in 2019



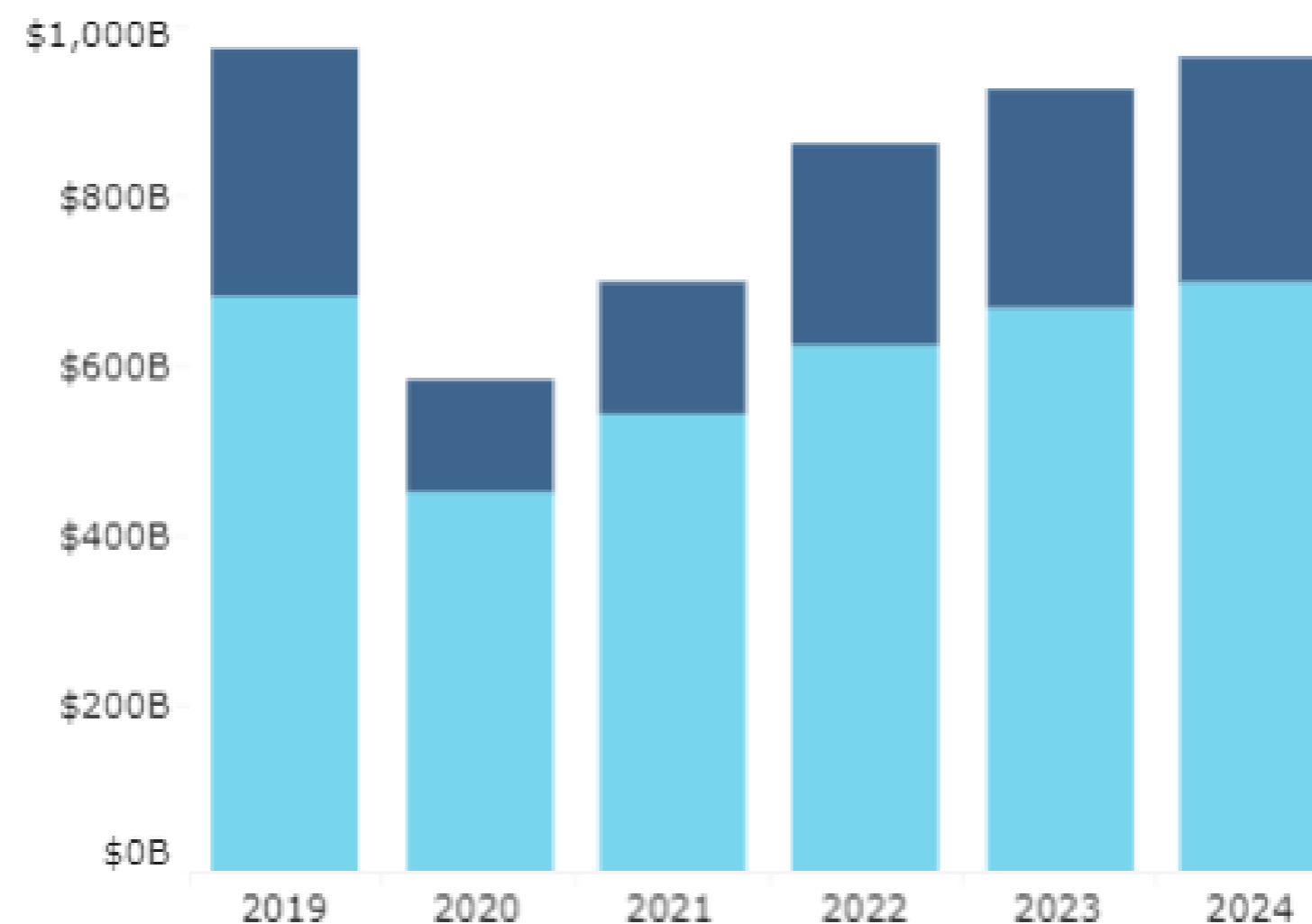
Domestic Person Trips

Level relative to the same period in 2019 (2019 = 100%)



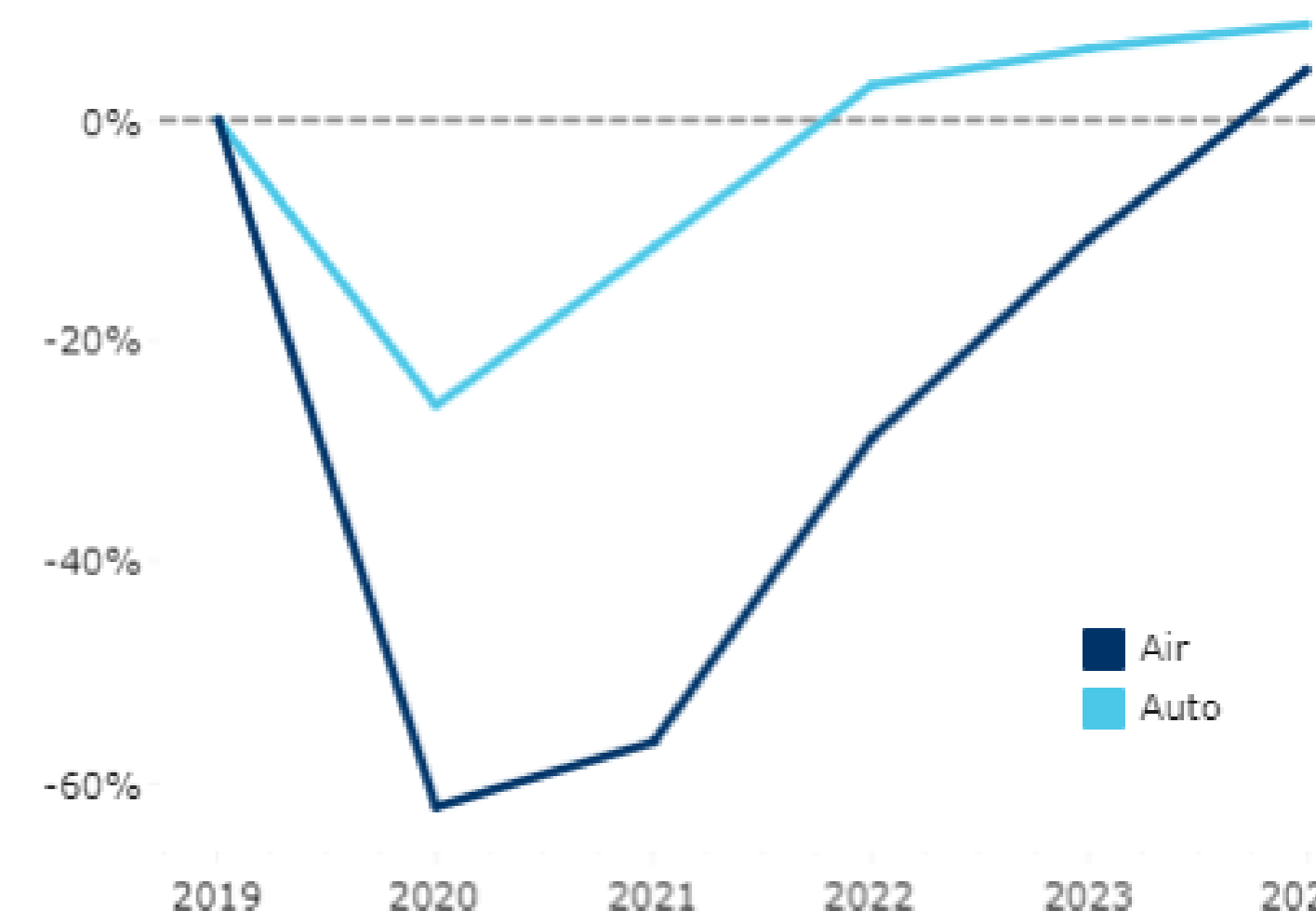
Domestic Travel Expenditures

Spending by segment



Domestic Trips by Mode of Transportation

% change relative to 2019



Data Sources & Partners

Impact Summary

Travel Indicators

International Travel to U.S.

Economic Conditions

Employment

Travel Sentiment

Covid-19 Correlation

Predictive DMO Indicators

Predictive Industry Indicators

Economic Forecast

Domestic Travel Forecast

International Travel Forecast

US Hotel Forecast

Data Sources & Partners

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Predictive Industry Indicators

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Domestic Travel Forecast

International Travel Forecast

US Hotel Forecast

Insights

The current US hotel forecast anticipates a strong rebound of travel activity in the second half of 2021 will support a 21.6% increase in RevPAR on a total-room-inventory basis, followed by a further 34.2% gain in 2022.

Demand levels are assumed to remain weak during the first quarter. As vaccine distribution becomes more widespread and travel confidence grows, hotel demand is expected to improve notably in the second half of the year.

As the recovery continues, room demand is expected to surpass 2019's level by 2023, while ADR and RevPAR are expected to lag.

The current forecast represents a slight downgrade relative to the previous release in November 2020, reflecting worsened pandemic metrics and assumptions of limited early-year travel.

U.S. Hotel Room Demand is expected to take a bit longer to return to 2019 levels.

In 2021, returning to 75.8% and in 2022 to 94.9%.

U.S. Hotel Forecast Summary

YOY % change, as of January 26, 2021 forecast

	2020	2021	2022
Supply	-3.6%	5.4%	2.4%
Supply (total room inventory)*	1.4%	1.2%	0.9%
Demand	-35.7%	18.0%	25.2%
Occupancy*	-36.6%	16.6%	24.1%
ADR	-21.3%	4.3%	8.2%
RevPAR*	-50.1%	21.6%	34.2%

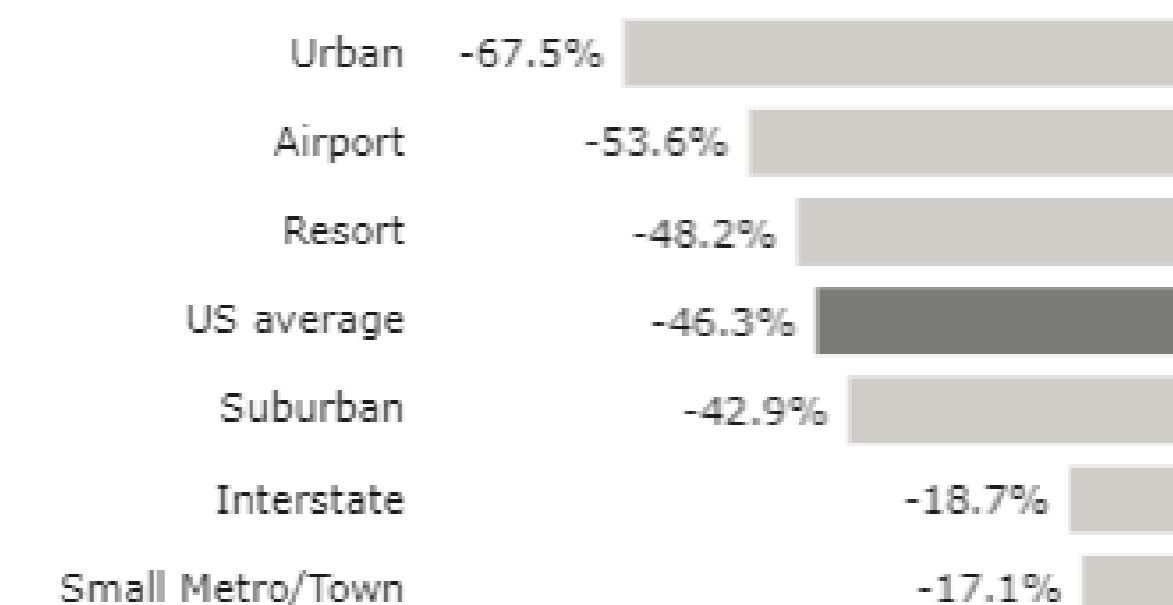
(p) projection

* Reflects total room inventory (TRI) methodology, which assumes no temporary hotel closures.

Source: STR; Tourism Economics

U.S. Actual RevPAR* Growth by Location

February 2021, % change relative to 2019



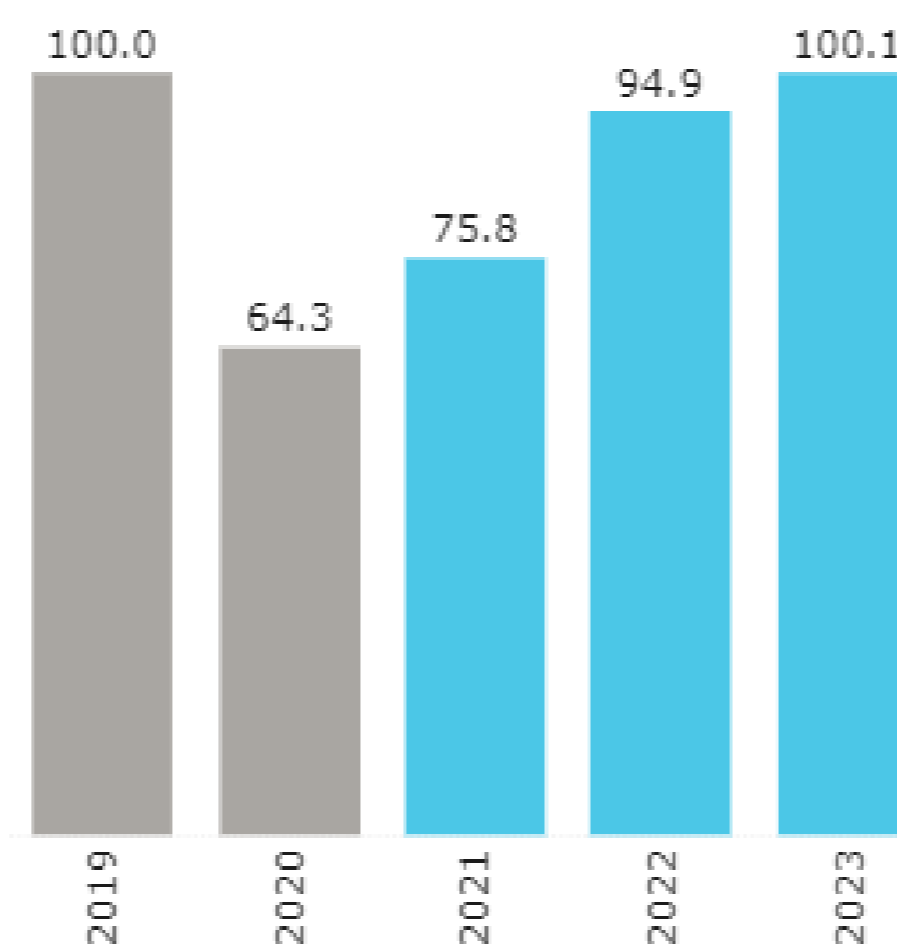
* Reflects total room inventory (TRI) methodology, which assumes no temporary hotel closures.

Source: STR

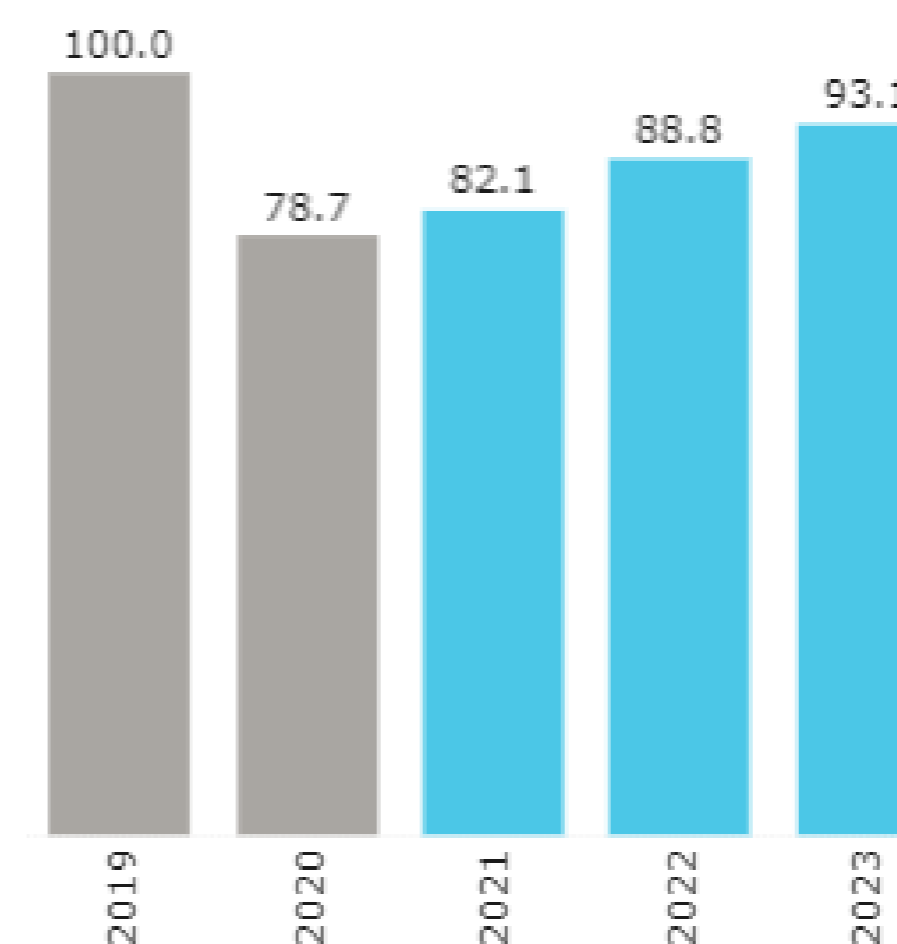
U.S. Hotel Forecast Indexed to 2019

Forecast released January 26, 2021 (2019 = 100)

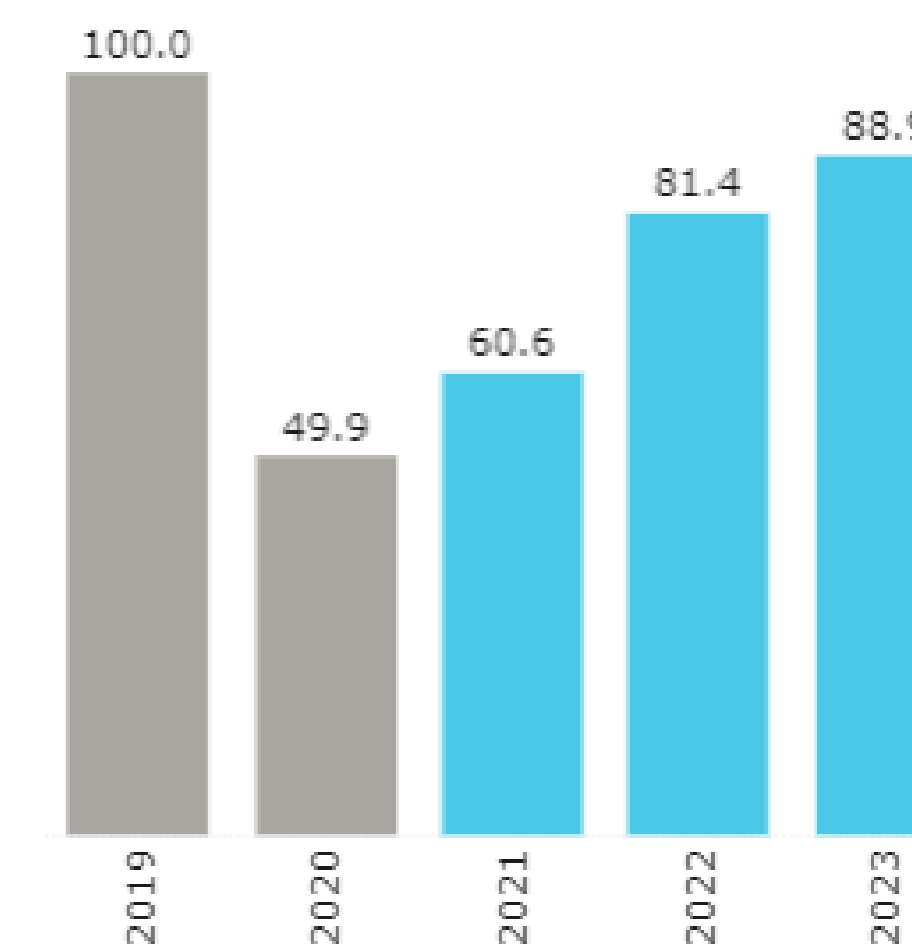
Demand Index



ADR Index



RevPAR Index



* Reflects total room inventory (TRI) methodology, which assumes no temporary hotel closures.

Source: STR; Tourism Economics



THANK YOU

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