



Preliminary 2021 Lodging Industry Forecast

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We have made some assumptions for 2021 – first, Q4 2020 and Q1 2021 will remain flat as corporate business begins to build just as leisure business begins to decline. Second, a stimulus package is imminent right after the election, regardless who wins. The politics of this election, coupled with the divisiveness of the nation, has disrupted everything except for the stock market. Third, gross domestic product will increase about 3% after being down close to 5% in 2020.

Our favorite economist, Bernard Baumohl sees a Biden victory as better for the economy with a 3.4% GDP growth and a Trump victory as bringing in GDP growth of 2.2% in 2021. His primary concerns are trade tension and the economic divide with a President Trump.

Changes that we see coming in 2021 and beyond are more remote work, US improvement in manufacturing at the expense of China and retail malls losing ground to delivery. Indicators like consumer confidence, employment, business growth and capital markets have been impacted significantly by the virus– without a stimulus package, the travel industry will be on the brink of collapse.

McKinsey, in their September survey, indicated that travelers are willing to travel, even without a vaccine. This is noticeable in September and October revenue numbers, showing summer vacations continue into fall. China is seeing both the leisure and business travel segments recover as it has effectively controlled the spread of the virus. In the US, we are seeing a considerable increase in searches and advance bookings but they are largely leisure travel as corporations have restricted business travel.

According to MMGY's Traveler Sentiment, psychologically Americans are becoming increasingly comfortable with pursuing travel-related activities. Even theme parks, meetings, conventions and cruising are seeing positive signs. We

have learned how to incorporate safety measures such as wearing masks, social distancing and washing our hands into our day-to-day lives, and that is fast becoming a natural part of travel as well. As confidence rises, and with the holidays just around the corner, the desire for attractive travel deals is also on the upswing.

So, what happens in 2021? January to March remains largely the same as there is still no sign of group business. Corporate business continues to improve, albeit slowly, holding occupancy up to where it has been for the past 120 days. By April, all three segments of corporate, group and leisure will improve, with or without a vaccine. Q2 is the beginning of a massive recovery that puts occupancy levels up over 50% nationally by the end of the year. Average rates begin to climb in summer of 2021, with rates within 15% – 20% of 2019 in some markets. Q4 ushers in a return of convention business. By the end of the year, everyone will be happy again as cash flow will return in 2022.

The bottom line is that we are a little bit beyond the halfway point of this virus disaster. March 2020 – March 2021 will go down in lodging history as the worst 13 months ever recorded. The recession will end but it will take until 2022 before we are 90% recovered and 2023 until we are back to 2019 numbers. For some hotels with heavy reliance on groups, recovery could be closer to 2025. By then, costs will have increased and hotel values will just begin to return to normal. Hang in there—we have endured over 7 months of this mess. If you want to be more conservative, mark June 2021 as the end of the recession. We are still almost halfway there! I'm ready to celebrate – are you?

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