

U.S. Hotel Market Q1 2020 Topics and Trends

After many years of consistent growth, the United States Hotel market has entered a significant downturn. With the collapse of travel beginning in 2020, the U.S. Hotel market is battling very difficult circumstances from the impact of COVID-19. This report analyzes the trends in market fundamentals and investment sales in the nation's Hotel market.

FEATURE: COVID-19 and its Impact on the Market

In Mid-March 2020, the Global COVID-19 Pandemic led to a global slowdown of commercial activity, with several municipalities enforcing lockdowns and travel bans. The occurrence of these stay-at-home orders had a substantially negative effect on the hotel industry. Further impacting the economy are the lockdown orders, which typically involve closing down businesses that are considered non-essential.

Short Term Impact

In Q1 2020, occupancy, ADR, and RevPAR experienced the biggest drop since the height of the Great Recession in Q2 2009. According to STR, the U.S. Hotel occupancy rate dropped a total of 68.5% across all chain scale segments. The occurrence of the stay-at-home orders particularly affects the hotel industry due to the nearly complete lack of demand. Additionally, ADR has trended downward by 41.5% across all chain scale segments, as well as RevPAR decreasing by roughly

80%. High-end chain scale segments are producing larger declines, indicating a potential increase in the demand for low-end chain scale segments.

Long Term Impact

A major issue within the hotel market is determining when guests will feel safe enough to travel and comfortably stay in unfamiliar surroundings once again. The American Hotel & Lodging Association released an industry wide Stay Safe standards at the end of April as many states start the reopening process. Additionally, hotels are beginning to outline new policies to comply with Stay Safe standards and to go above and beyond for future guests. There will be a significant decrease in usage of communal areas in hotels such as breakfast buffets, spas, and lounges. There will also be contactless check-in and out interactions implemented throughout most hotel properties. Hilton is currently exploring the use of electrostatic sprayers, which would be used to mist disinfectant across communal areas. While it is hard to foresee how the hotel market will continue to perform going forward, it has already played a significant role in impacting the market and is expected to continue impacting the hotel market negatively through Q3.