

U.S. Hotel Market Topics & Trends - Q1 2021

After many years of consistent growth, the United States Hotel market entered a significant downturn in Q1 2020 which has continued into 2021. With the collapse of travel beginning in 2020, the U.S. Hotel market continues to suffer from the impacts of COVID-19. Despite the significant declines that occurred in Q1 and Q2 of 2020, the market started to see improvement as travel restrictions began to loosen. While analyzing Q1 2021 data, each market fundamental shows indications of a potential recovery. This report analyzes the trends in market fundamentals and investment sales in the nation's Hotel market.

Throughout 2020, the hotel market experienced significantly reduced transaction and dollar volume due to the economic uncertainty, however, there are some active players still contributing to the sector. The graphic on the right reflects the top five buyers including their dollar amount invested for Q1 2021. Host Hotel & Resorts, Inc is the top buyer of Q1 2021, accounting for \$161 million in transactions.

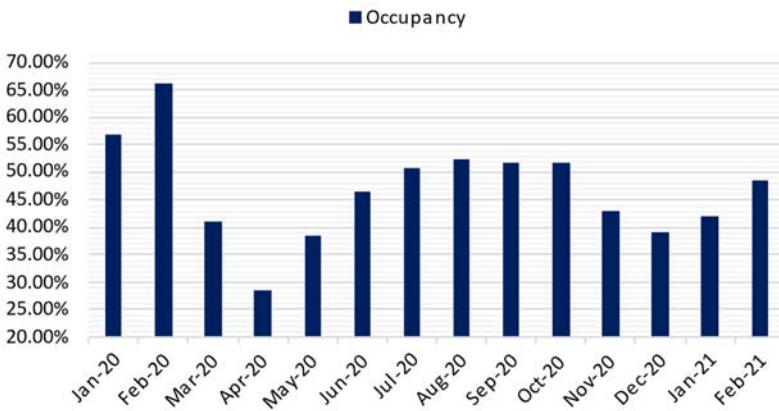


The figure on the right reflects the top sellers in the hotel market for Q1 2021. Edinburgh Management is the largest seller for Q1, accounting for approximately \$161 million sold. Following in second and third are Rubicon Holdings, LLC representing \$86.5 million and Crow Holdings, accounting for approximately \$68.9 million.



With the future still unclear, it is difficult to discern when this sector can fully recover. However, the hotel market is beginning to show signs of significant improvement.

US Hotel- Occupancy

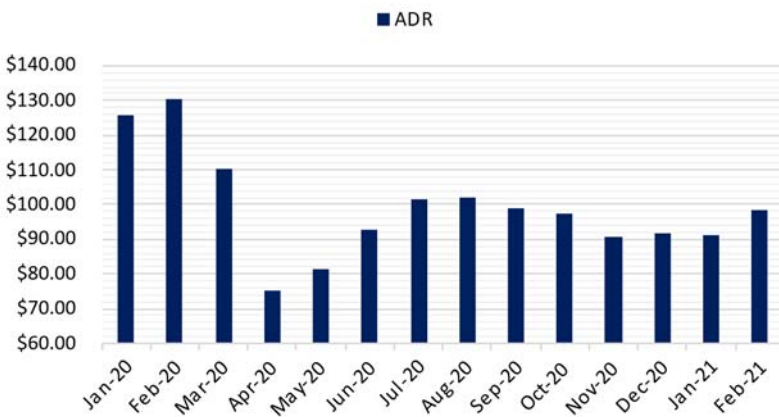


MARKET FUNDAMENTALS:

Occupancy

COVID-19 has had a tremendous impact on the US Hotel Market and resulted in a substantial decline in occupancy. In March 2020, occupancy declined heavily across all chain scale segments. Luxury and upper upscale hotels experienced the most significant decrease in Q1 while midscale and economy hotels experienced the least. Analyzing the figure to the left, the hotel occupancy levels across all chain scale segments are now experiencing an upward trend, indicating a start to a potential recovery

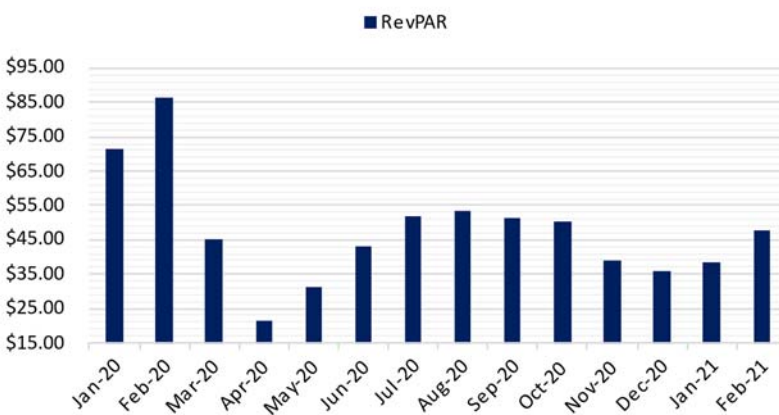
US HOTEL- ADR



Average Daily Rate (ADR)

By Mid-March, the Average Daily Rate (ADR) in the U.S. Hotel market experienced an immediate downward trend across all chain scale segments. The graph shown to the left portrays a monthly average of ADR over a 15-month period. As shown in the graphic, ADR has experienced the beginning of a slight recovery across all chain scale segments. Overall, compared to occupancy and RevPAR, ADR is shown to be the hospitality metric least affected by the Global Pandemic and is now showing rising trends.

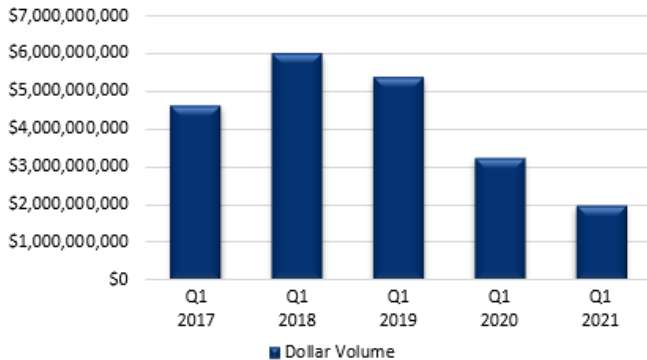
US Hotel- RevPAR



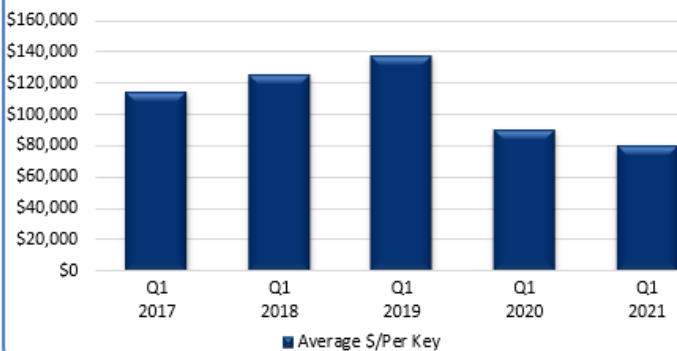
Revenue Per Available Room (RevPAR)

While travel throughout the U.S. has declined during this pandemic, RevPAR has experienced large declines across all chain scale segments. The two hardest hit segments were luxury and upper upscale. RevPAR, which reflects both ADR and Occupancy, was initially hard hit in March and April 2020. Since then, it has been fluctuating in step with the COVID-19 spikes that rose in Fall 2020 and began abating by February 2021. As shown in the figure to the left, RevPAR has been trending upward over the past two months, indicating a potential improvement into the foreseeable future.

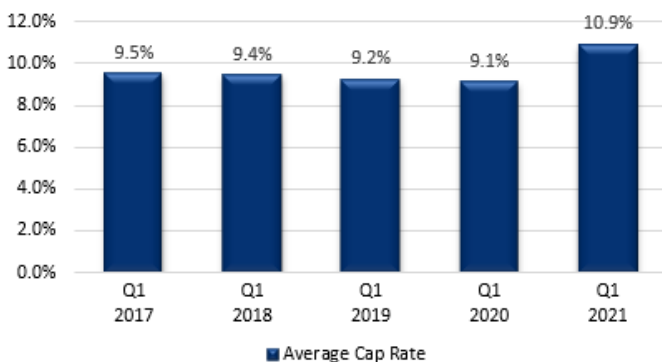
US HOTEL MARKET DOLLAR VOLUME



US HOTEL AVERAGE \$/PER KEY



US HOTEL AVERAGE CAP RATE



Sale Volume (Year Ending Q1)

Total dollar volume for investment sales in the U.S Hotel market had been trending upward from the year ending Q1 2017 to YE Q1 2018. However, there has been a steady decline in volume in both the YE Q1 2020 and 2021. Market uncertainty, health-based travel disruptions and new supply concerns could weigh on sales velocity in the year ahead. The outlook for improvement in 2021 depends largely on the success of the vaccination rollout, and the loosening of restriction tied to COVID-19.

US Hotel Market Average \$/Key (YE Q1)

The average price per key in the US Hotel market has experienced a fluctuating trend over the past five years. The price per key experienced a significant decline in YE Q1 2020 due to the Pandemic. In the most recent year, ending Q1 2021 pricing continues to fall, reflecting a \$80,480 price per key. Recovery of pricing remains tied to the resolution of the COVID-19 Pandemic and the lockdown restrictions imposed by State Governments. There is certainly pent-up demand for travel, both personal and business. If either metric improves near term, there could be a correlating improvement to hotel pricing.

US Hotel Market Average Cap Rate (YE Q1)

Over recent years, the average cap rate in the US Hotel market has fluctuated between 9.1% and 9.5%. However, for Q1 2021, cap rates increased to 10.9%. On a quarterly basis, Q4 2020 registered the highest dollar volume since Q1 2020. This is a positive sign for the US Hotel Market.

SOURCE: STR and Marshall & Stevens



Patrick T. Craig, MAI, MRICS
 Executive Managing Director
 Real Estate Valuation Practice
 212.897.9481
 ptcraig@marshall-stevens.com



Catherine Gu
 Senior Director
 Real Estate Valuation Practice
 646.438.7602
 cgu@marshall-stevens.com



Mike Gies
 Analyst
 Real Estate Valuation Practice
 609.613.2468
 mgies@marshall-stevens.com