Q3 2020

U.S. HOTEL FIGURES

CBRE

Q3 2020 U.S. HOTEL FIGURES – EXECUTIVE SUMMARY

HOTELS REMAIN PRESSURED BY COVID-19

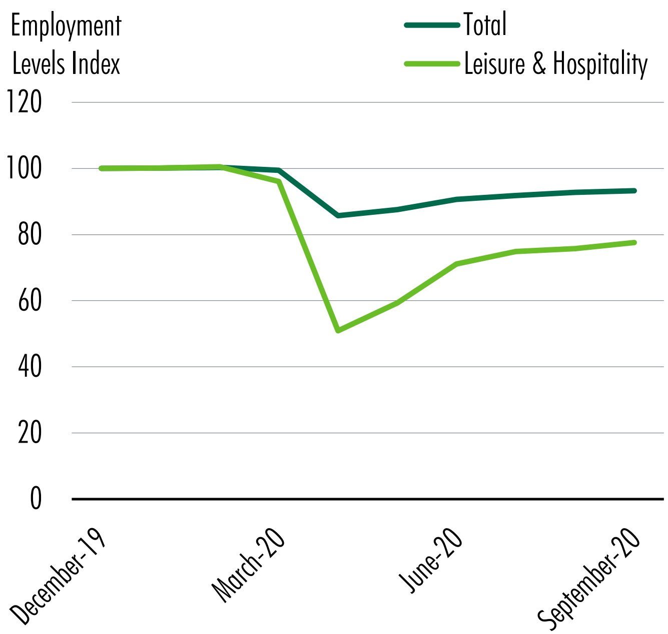
Demand	Supply	Occupancy	ADR	RevPAR
▼ **-36.8%**	▲ **1.8%**	▼ **-37.9%**	▼ **-26.6%**	▼ **-54.4%**

Percentages are year-over-year growth rates.
Arrows indicate change in year-over-year growth rates from those of the same quarter in the previous year.
Source: Kalibri Labs.

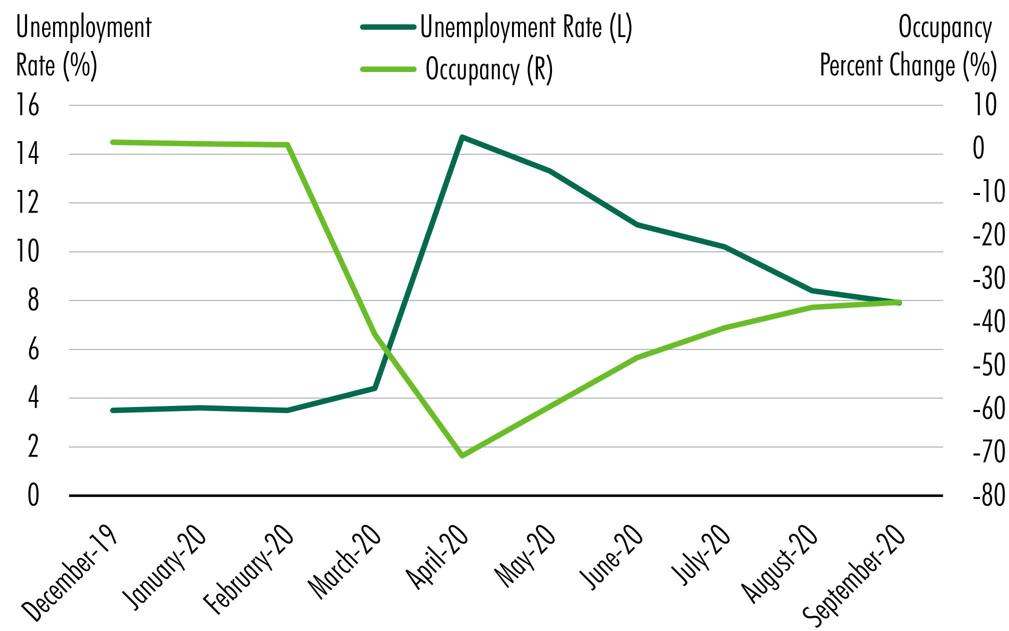
- Demand for hotel rooms was down by 36.8% year-over-year nationally in Q3 2020. Supply increased by 1.8%.
- Total U.S. employment increased by 0.5% in September, mirroring the slow recovery in hotel performance.
- National hotel occupancy decreased by 37.9% year-over-year.
- ADR fell by 26.6% year-over-year in Q3, while RevPAR fell by 54.4%. This is less of a decline than in Q2.
- Luxury hotels continued to record the biggest declines in occupancy. Economy and midscale hotels had the smallest drops in ADR and achieved the highest occupancy levels of any chain scale.
- The number of closed hotel rooms declined in Q3. Luxury hotels had the largest percentage decline in rooms closed, but their reopening rate is beginning to flatten out and may indicate potential permanent closures.
- San Bernardino (-17.4%) had the smallest year-over-year RevPAR decline. Virginia Beach (-29.6%) and Tucson (-35.9%) also had relatively smaller RevPAR losses compared with other markets. No markets had RevPAR growth in Q3.
- New York had the largest RevPAR drop (-87.9%), followed by Boston (-85.0%) and San Francisco (-84.1%).
- Hotel investment volume increased by 163% quarter-over-quarter in Q3 to $2.1 billion, although this was off a relatively low base. Some uncertainty from the onset of the pandemic was resolved in Q3 and some forced sales due to distress likely took place. Year-over-year investment volume in Q3 was down by 81%, less than the 89.3% year-over-year drop in Q2.

FIGURE 1

TOTAL EMPLOYMENT VS. LEISURE & HOSPITALITY EMPLOYMENT; UNEMPLOYMENT RATE & Y-O-Y CHANGE IN HOTEL OCCUPANCY



Source: CBRE Hotels Research, BLS, Q3 2020.
*Indexed to December 2019 Levels.

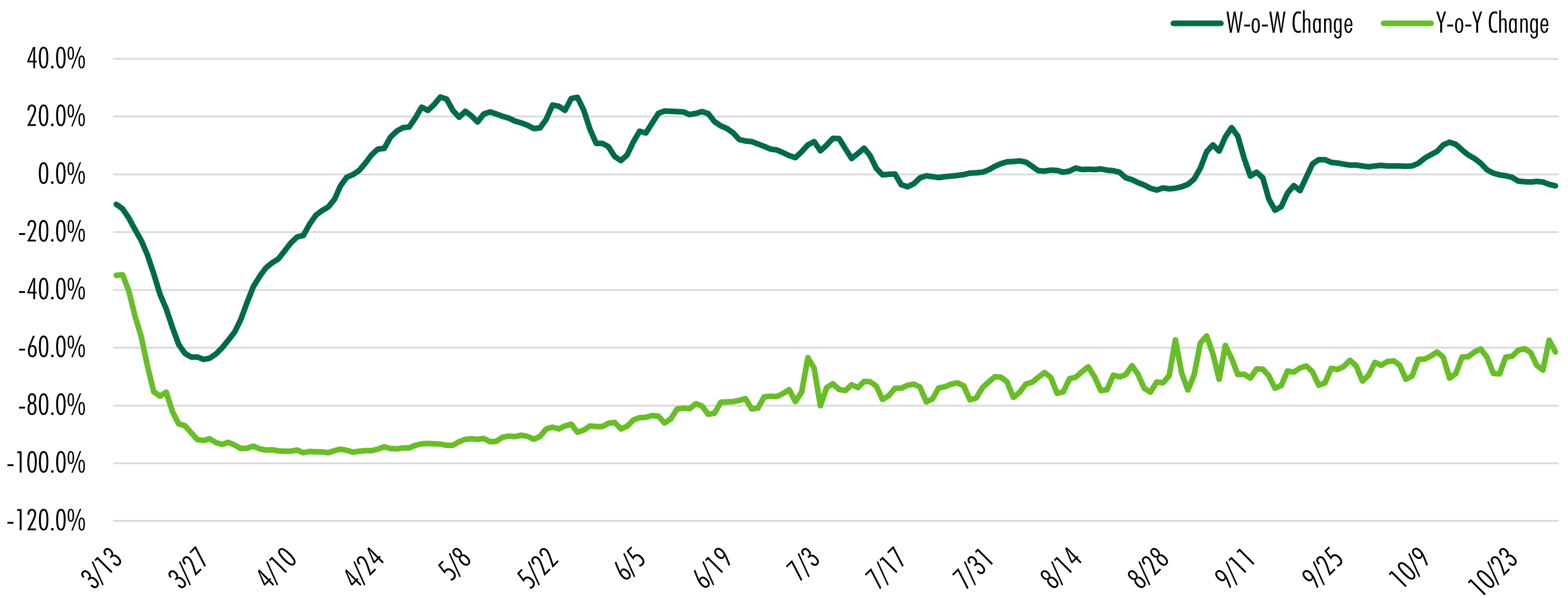


Source: CBRE Hotels Research, BLS, Kalibri Labs, Q3 2020.

- Although 1.3 million jobs were added per month in Q3, total employment was still down by 6.4% from a year ago, dampening hotel demand.
- Leisure & hospitality added an average of 365,000 jobs per month in Q3 but was still down 22% year-over-year, mirroring the slow recovery of hotel occupancy.
- Hotels continue to be affected not only by the economic losses and concomitant reduction in ability to travel, but also by social distancing protocols and reduced desire to travel.

FIGURE 2

TSA CHECKPOINTS - CHANGE IN NUMBER OF TRAVELERS

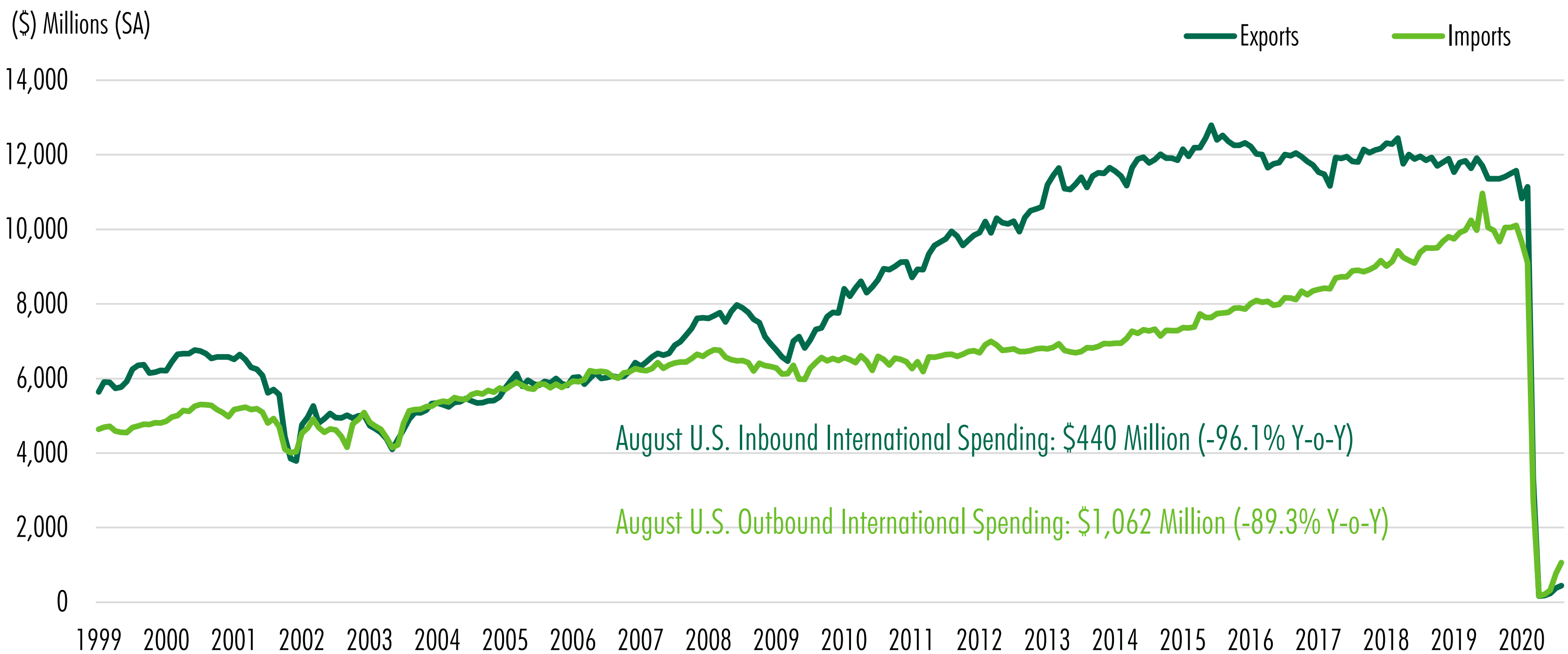


Source: CBRE Hotels Research, TSA, Q3 2020.

- The number of travelers passing through TSA checkpoints increased in Q3 to 30% of 2019 levels, up from 20% in Q2.
- TSA throughput has been slow to recover due to health concerns over the confined environment of airline travel.

FIGURE 3

MONTHLY U.S. INBOUND & OUTBOUND INTERNATIONAL TRAVEL SPENDING

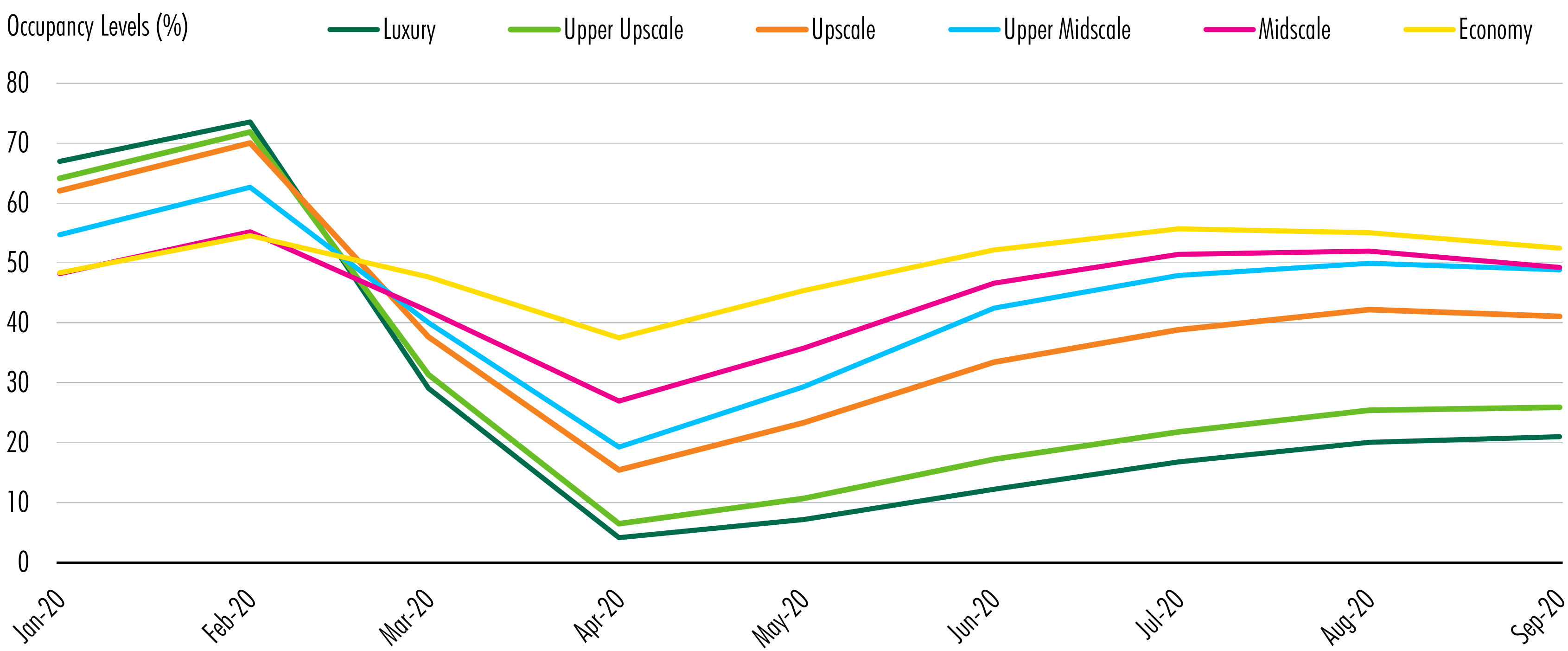


Source: CBRE Hotels Research, Bureau of Economic Analysis, National Travel and Tourism Office (NTTO), Q3 2020.

- Foreign traveler purchases of U.S. goods were down by 89.3% year-over-year in August, less than the 98% decline in May.
- The steep decline in inbound international travel has had a negative impact on hotel demand in U.S. gateway cities.

FIGURE 4

MONTHLY OCCUPANCY LEVEL BY CHAIN SCALE

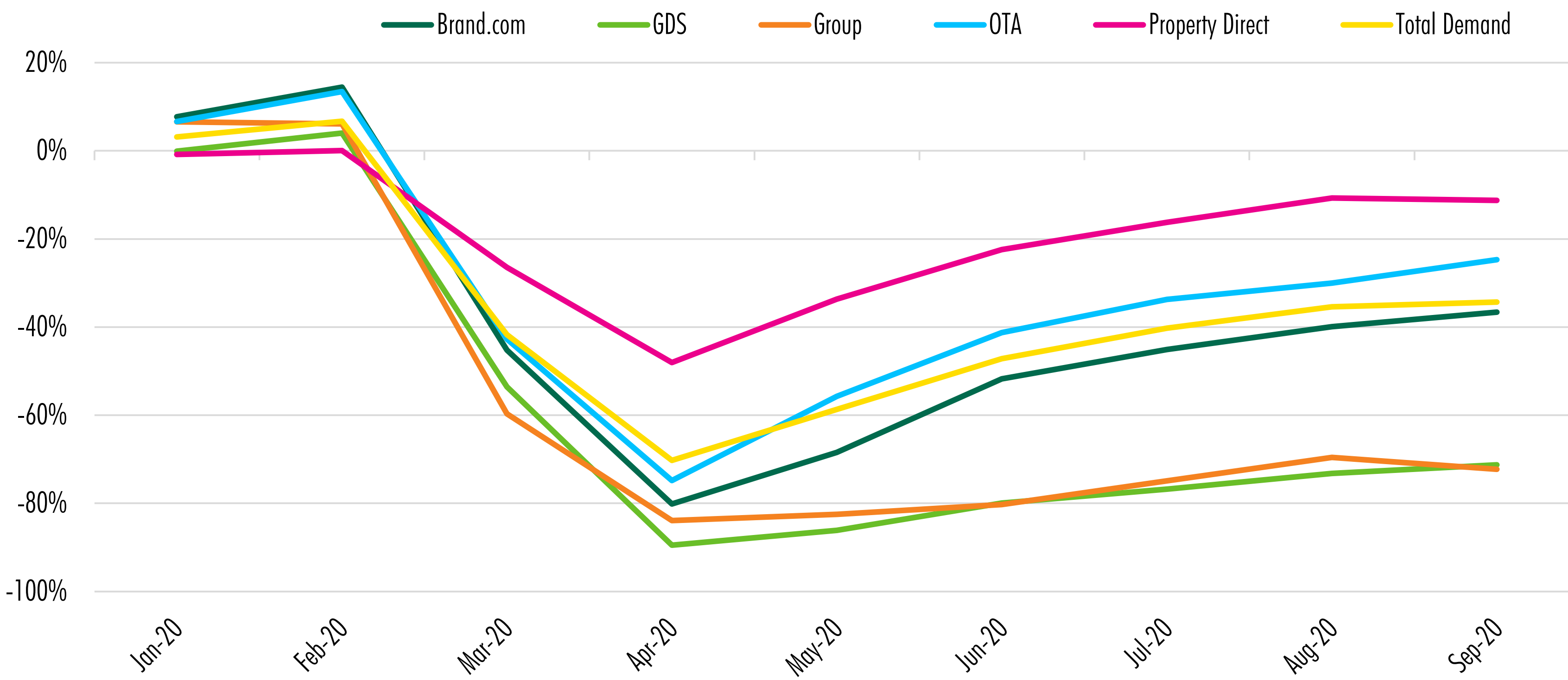


Source: CBRE Hotels Research, Kalibri Labs, Q3 2020.

- Occupancy showed signs of recovery as leisure travel increased during the summer months. However, occupancy has flattened out in the fall due to the absence of business and group travel demand.
- What little business and group demand that has returned to the market appears to have benefited luxury and upper-upscale hotels. Occupancy in these chain scales has improved in recent months, but these segments continue to have the lowest occupancy levels.

FIGURE 5

BOOKING CHANNEL DEMAND LEVELS

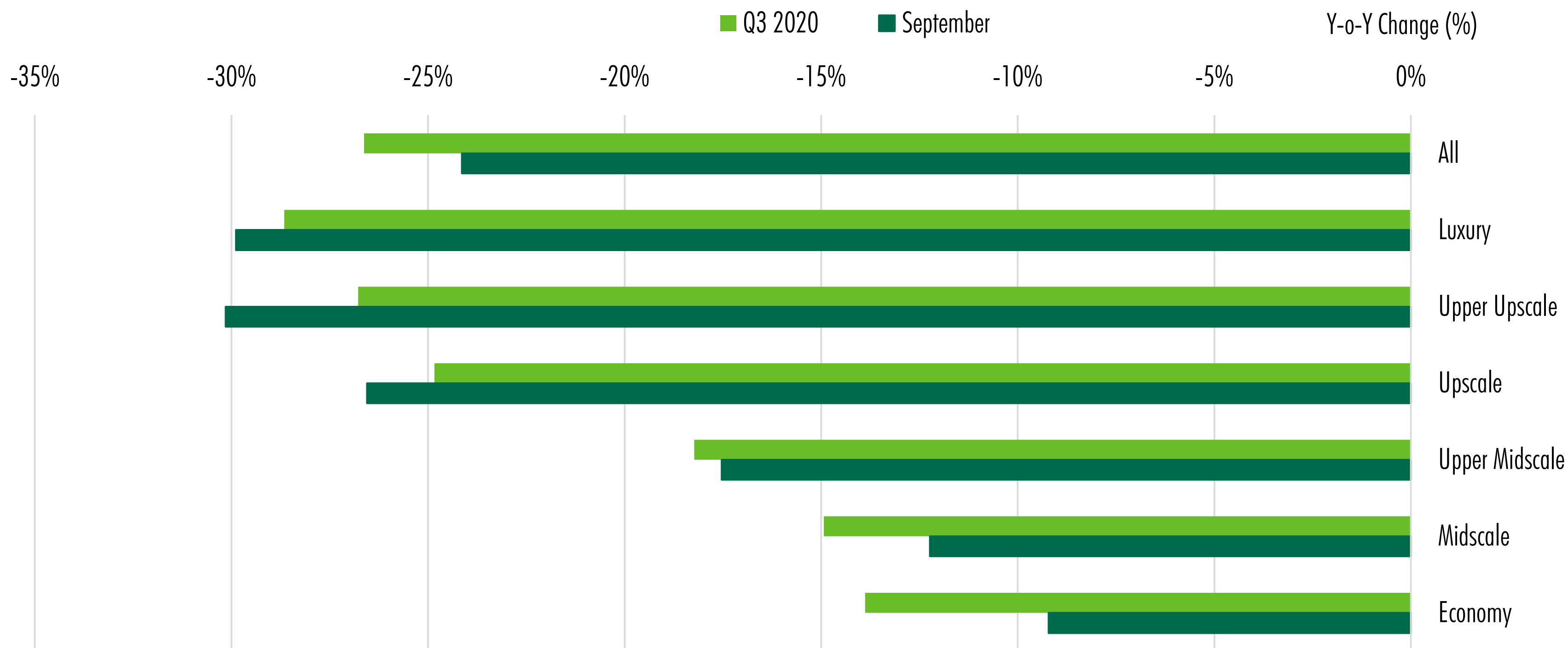


Source: CBRE Hotels Research, Kalibri Labs, Q3 2020.

- Most booking channels saw a slight recovery in Q3; group and global distribution system channels remained mostly flat.
- Much of the recovery has been in Brand.com, OTA and Property Direct booking channels.

FIGURE 6

ADR PERCENTAGE CHANGE FROM PREVIOUS YEAR BY CHAIN SCALE

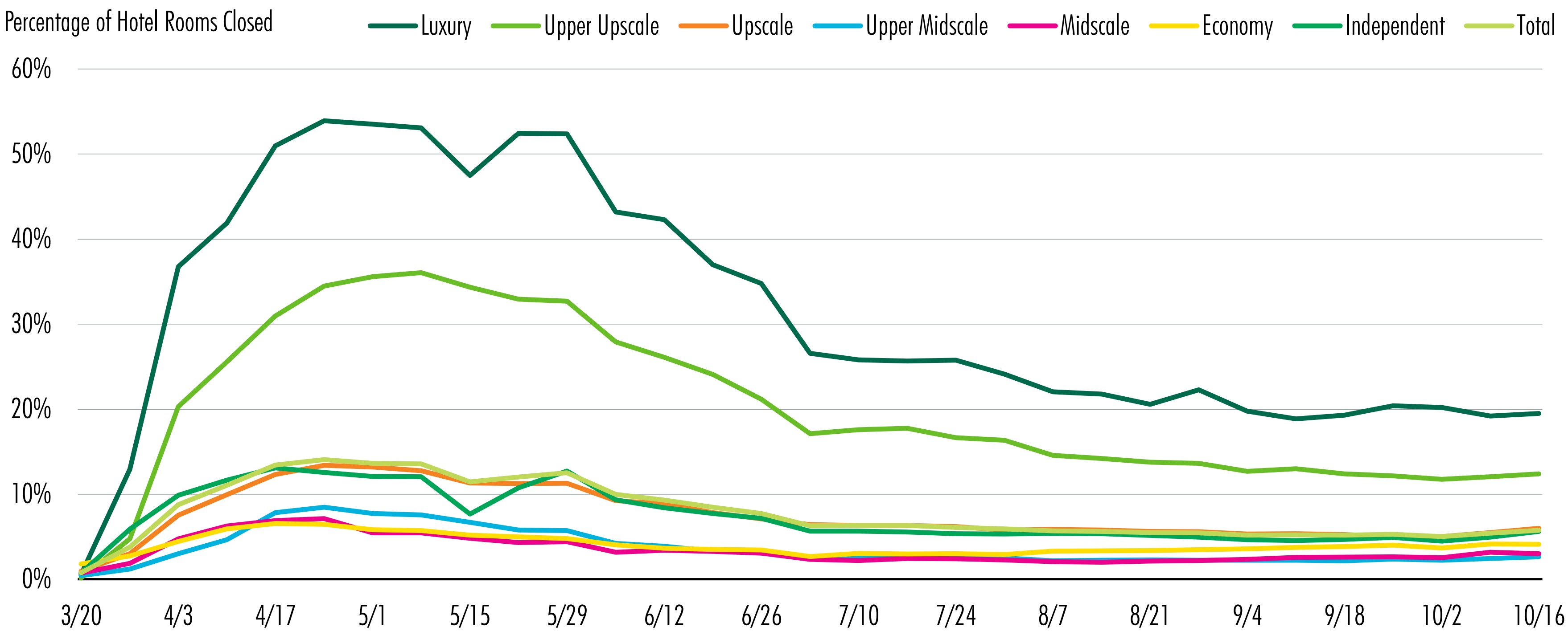


Source: CBRE Hotels Research, Kalibri Labs, Q3 2020.

- ADR declined by smaller year-over-year percentage amounts than occupancy in Q3.
- Higher-priced segments had to discount more than lower segments as Q3 progressed. The same pattern found in occupancy—that the higher the chain scale the slower the recovery—held true for ADR as well.

FIGURE 7

HOTEL CLOSURES BY CHAIN SCALE

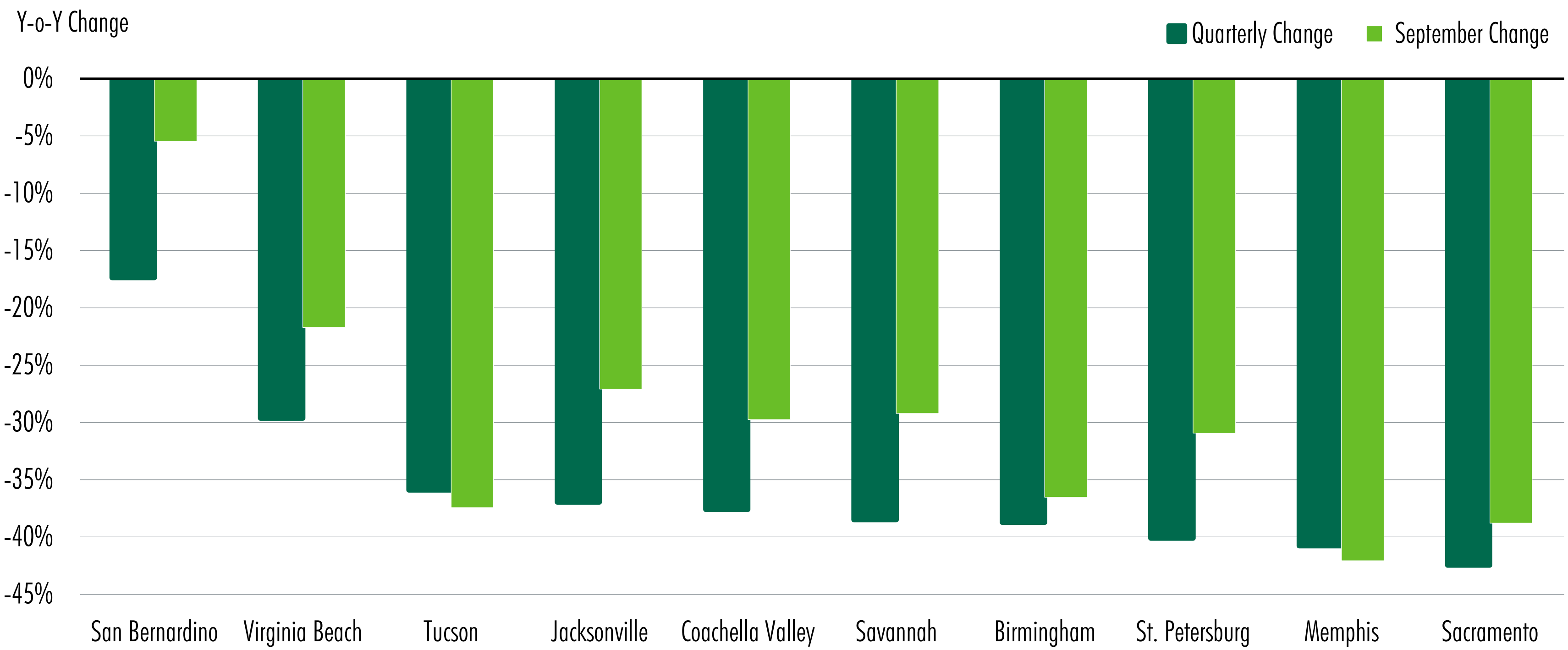


Source: CBRE Hotels Research, Kalibri Labs, Q3 2020.

- Luxury hotels not only had the highest percentage of room closures in Q3 but also the highest percentage of rooms reopened after closures peaked in late April.
- Midscale and economy hotels had much less closure and reopening activity.

FIGURE 8

TOP 10 REVPAR CHANGE MARKETS, Q3 & SEPTEMBER Y-O-Y CHANGE

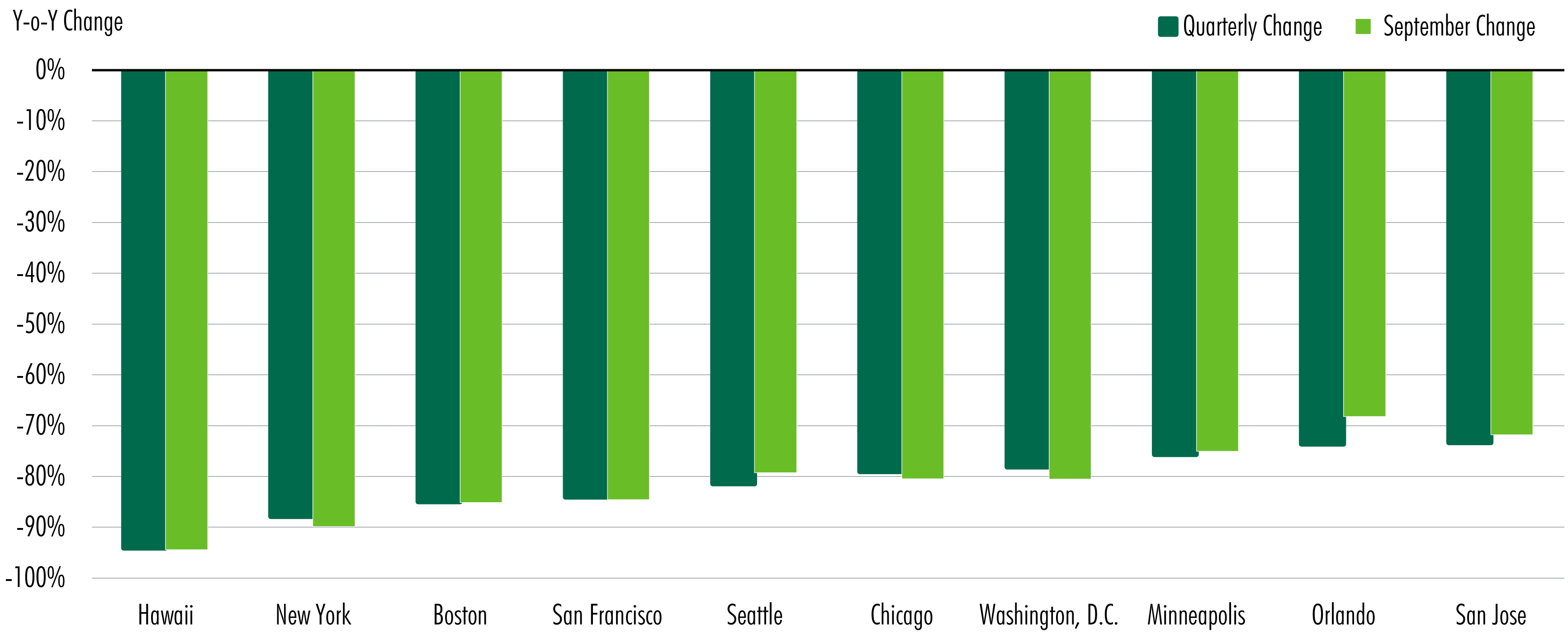


Source: CBRE Hotels Research, Kalibri Labs, Q3 2020.

- San Bernardino (-17.4%) had the smallest year-over-year RevPAR decline. Virginia Beach (-29.6%) and Tucson (-35.9%) also had relatively smaller RevPAR losses than other markets. No markets had RevPAR growth in Q3.
- Drive-to leisure destination markets had some of the smallest RevPAR losses in Q3, as well as secondary markets not as affected by the pandemic. These markets have been the quickest to recover since the trough.

FIGURE 9

BOTTOM 10 REVPAR CHANGE MARKETS, Q3 & SEPTEMBER Y-O-Y CHANGE

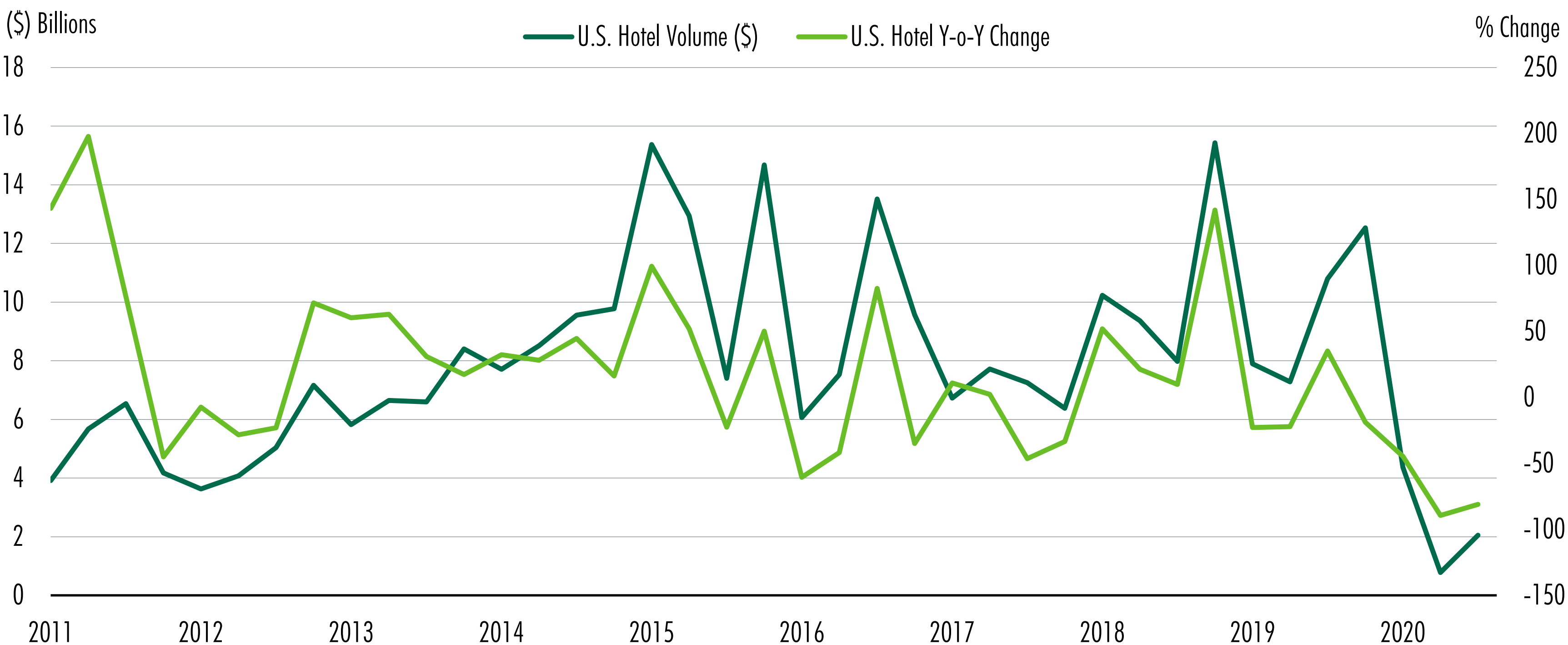


Source: CBRE Hotels Research, Kalibri Labs, Q3 2020.

- Hawaii had the largest RevPAR drop (94.1%), followed by New York (-87.9%) and Boston (-85.0%).

FIGURE 10

HOTEL TRANSACTION VOLUME & CHANGE



Source: RCA, Q3 2020.

- Hotel investment volume increased by 163% quarter-over-quarter in Q3 to $2.1 billion, although this was off a relatively low base. Some uncertainty from the onset of the pandemic was resolved in Q3 and some forced sales due to distress likely took place.
- Year-over-year investment volume in Q3 was down by 81%, less than the 89.3% year-over-year drop in Q2.

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