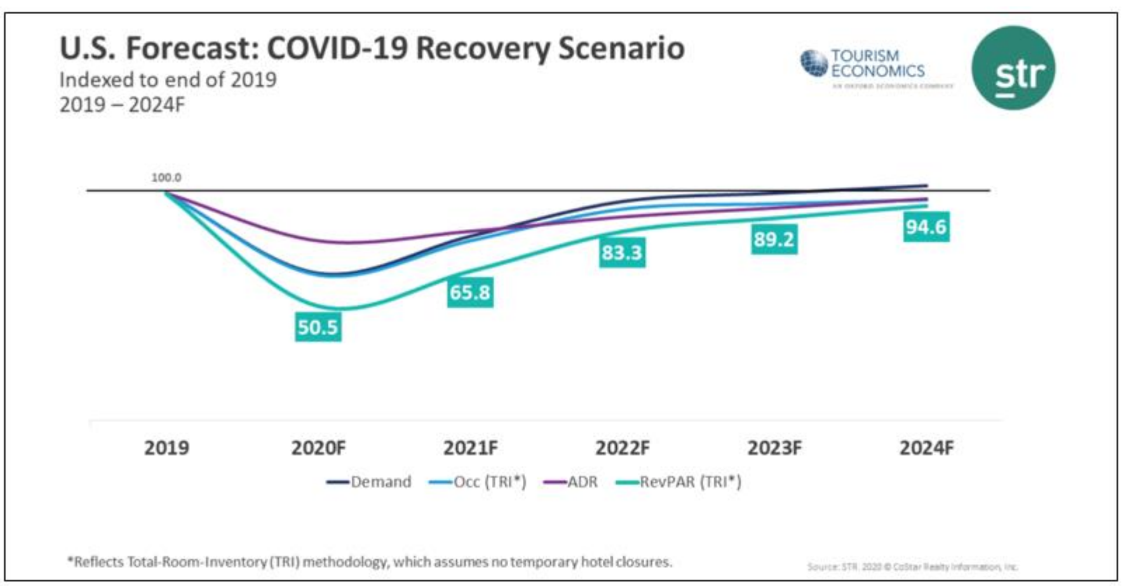
Market Updates

Every year there are "winners and losers", and 2020 was no exception. The COVID-19 Pandemic impacted almost every facet of our lives, but it also reversed the course of some industries. This is apparent when comparing two divergent industries: the Hotel (lodging) industry, which was operating at near record high levels in 2019, and the Golf industry, which was operating at near record low levels in 2019. Both industries ended 2020 in stark contrast to 2019. Although the change of trajectory is mostly temporary, COVID-19 and its influence on social behavior will continue to impact these industries for several years.

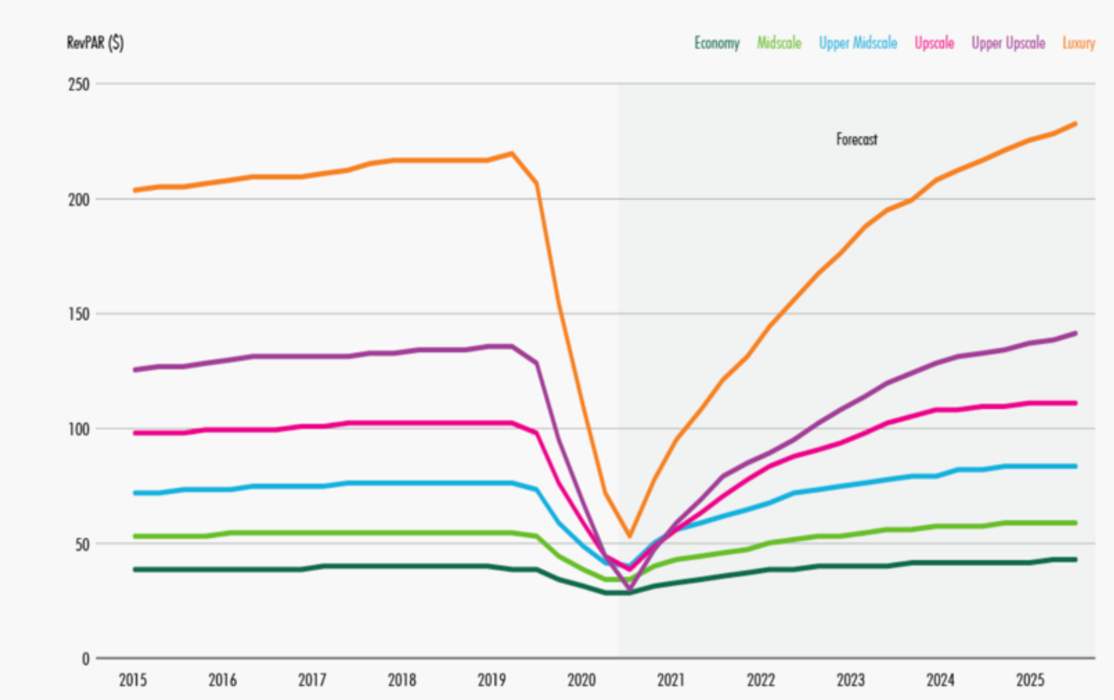
COVID-19 - Hotel Market

The hotel industry was hard hit by COVID-19, and a full recovery is not expected until 2024. In the short term, however, it is projected that 80% of demand will be recaptured into 2022. Afterwards, demand is expected to slowly grow through 2023 and 2024 to pre-COVID levels. The most recent trend and near term projections are shown in the following graph:

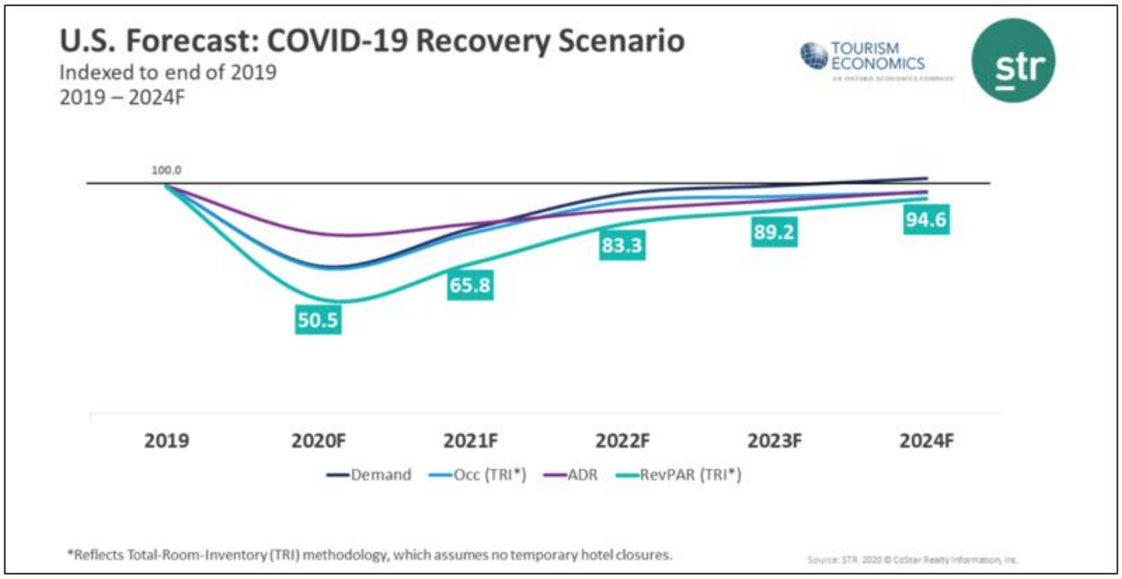


Although it is important to understand the direction of the overall market, not all market segments are expected to follow the same trend. As shown next, all 6 chain scales experienced severe declines in RevPAR in 2020, but the Luxury chains are expected to experience the sharpest rebound over the next few years. The more favorable trend for this segment is due to the available pool of leisure travelers who continue to have the means to afford luxury accommodations.

FIGURE 17: NATIONAL NOMINAL REVPAR BY CHAIN SCALE (Q4-CENTERED AVERAGE)



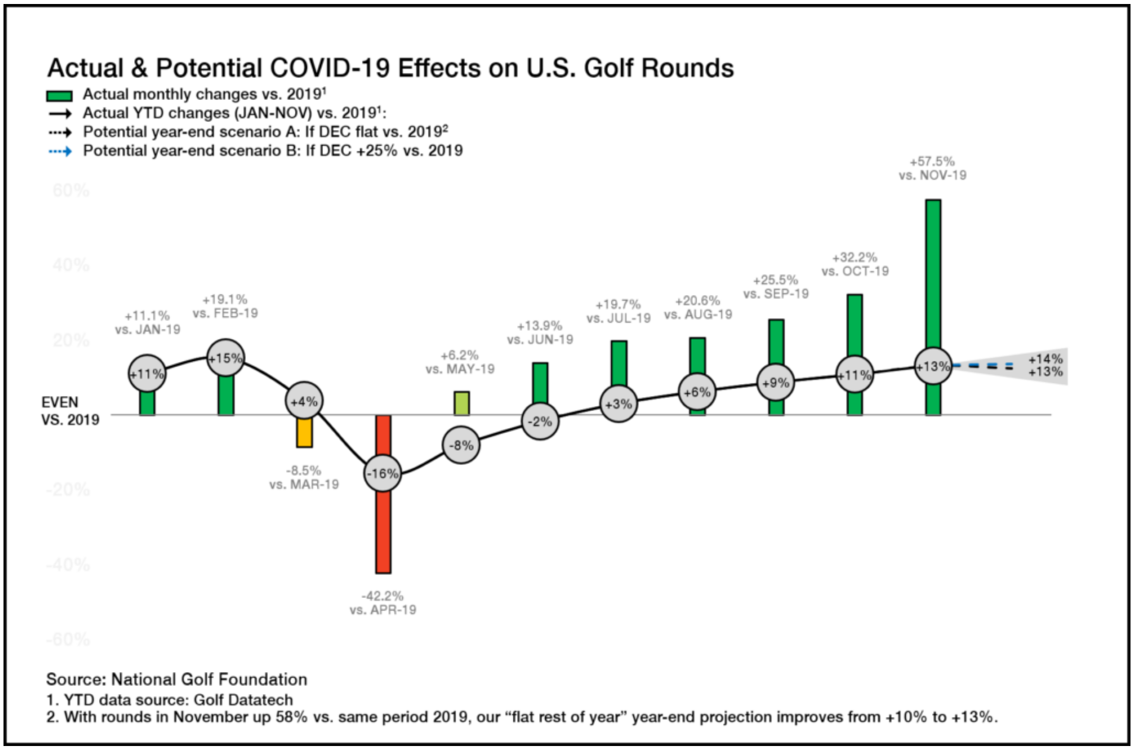
The hotel industry was hard hit by COVID-19, and a full recovery is not expected until 2024. In the short term, however, it is projected that 80% of demand will be recaptured into 2022. Afterwards, demand is expected to slowly grow through 2023 and 2024 to pre-COVID levels. The most recent trend and near term projections are shown in the following graph:

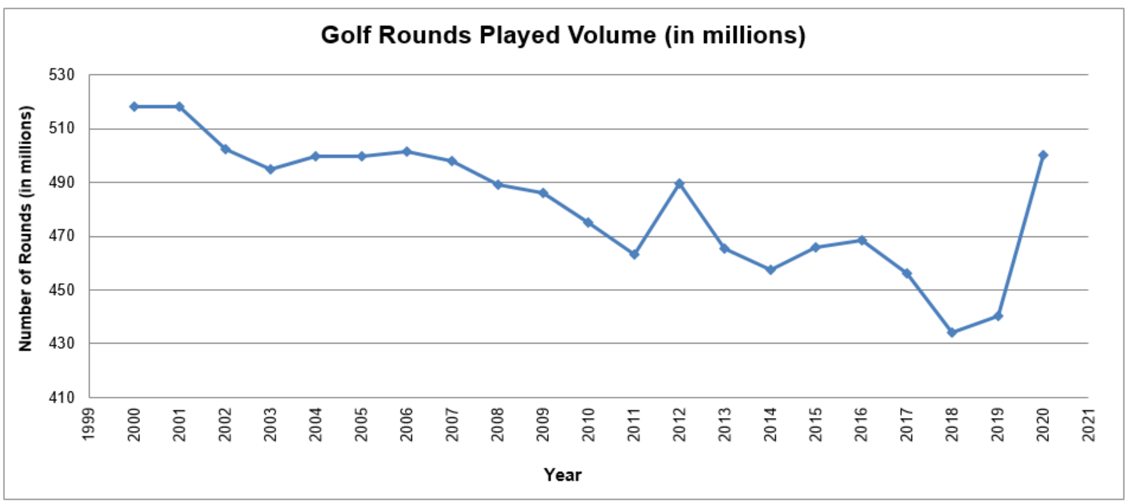


COVID-19 - Golf Market

The golf industry experienced general decline over the past two decades, but trends turned slightly positive in 2019. 2020 began with high levels of rounds played in January and February, but the closure of courses in March and April as a result of the COVID-19 lockdowns erased these gains. As expected, demand plummeted to an all time low with rounds played down nearly 20% year over year as of the end of April.

As courses began to open in early May for most of the country, golf demand bounced back stronger than expected to record levels on a monthly basis. Not only did this trend continue through the summer, it accelerated through the fall with rounds played in November 2020 nearly 60% more than November 2019. For the year, it is expected that total rounds played for 2020 will end 13% to 14% over 2019 or similar to 2002 levels. Through the Pandemic, and despite the initial -20% loss, the golf industry erased nearly two decades of decline in one year. It is important to emphasis, however, that demand in 2020 was significantly fueled by the recreational and socially distanced nature of this outdoor sport, and the boost experienced in 2020 is largely temporary. Once the COVID-19 Pandemic draws to a close, rounds played will likely return to near COVID-19 levels with the added benefit of residual demand from new golfers or those that have re-discovered the sport.





Contributors

Robert G. Stout, Jr., MAI
Sergio S. Lo Presti, MAI
Corey J. Wolbert

Sammartino, Stout & Lo Presti, Inc.
Real Estate Analysts, Appraisers & Consultants
www.ssl-rea.com
(814) 456-2900

Subscribe