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U.S. Hotel Forecast Update (May 2020)

As conditions and information continue to evolve around the world, STR and Tourism Economics have elected to develop more frequent U.S. Forecast updates for the hotel industry. This is the second COVID-19 forecast revision, and it was produced in line with our standard quarterly market forecast delivery timeline that includes U.S. Chain Scales, Top 25 U.S. Markets and Canada forecasts. Below shows the update to the Total U.S. Hotel Forecast, with a continued focus on the impact of COVID-19 to the overall economy and the U.S hotel industry.

High-level summary

Economic assumptions based on Oxford Economics' May 5 release and STR weekly hotel performance data through April 29:

- U.S. economy is in a sharp recession. A rebound commencing in the second half depends on successful containment of the coronavirus outbreak. The recovery is expected to be slow, with GDP and consumer spending not regaining Q4 2019 levels before mid-2021, roughly 18 months after the initial shock.
- GDP is forecasted to decline 7.0% in 2020, before increasing 8.6% in 2021.
- Job losses are expected to exceed 30 million, and the unemployment rate, which rose to 14.7% in April, is expected to spike over 17%.
- Policy makers have continued to act decisively to support the economy during the crisis, with more than \$3 trillion of fiscal stimulus approved since March.
- Hotel closures are anticipated to reduce room supply for several months. To show a more direct measure of industry performance, occupancy and RevPAR metrics in this release are based on economic supply. Economic supply assumes no temporary closures and is based on March full supply metrics. For reference, economic supply growth is forecasted to be 1.4% for 2020.

Disease response assumptions

- Extent and duration of necessary disease containment and suppression measures is unknown.
- Outlook assumes stay-at-home orders put in place in March and April in many states will be gradually and unevenly lifted as the responsibility will lie with state governors and reflect local conditions. Assumes gradual relaxation of social distancing measures over the summer and into the fall results in an improving context for travel.

STR and Tourism Economics Revised 2020/2021 U.S. Hotel Forecast:

Total U.S. Forecast – % Change

Key Performance Indicators (% Change vs. Prior Year)
2019A – 2020F – 2021F



Metric	2019 Actual	2020 Forecast	2021 Forecast
Supply	+2.0%	-5.3%	+6.3%
Economic Supply*	+2.0%	+1.4%	+2.5%
Demand	+2.0%	-45.1%	+49.3%
Occupancy*	-0.1%	-45.8%	+46.8%
ADR	+0.9%	-21.6%	+1.7%
RevPAR*	+0.9%	-57.5%	+49.2%

*Reflects economic methodology, which assumes no temporary hotel closures.

Source: STR. 2020 © CoStar Realty Information, Inc.

Total U.S. Forecast

Key Performance Indicators
2019A – 2020F – 2021F



Metric	2019 Actual	2020 Forecast	2021 Forecast
Occupancy*	66.1%	35.8%	52.6%
ADR	\$131.11	\$102.85	\$104.58
RevPAR*	\$86.66	\$36.84	\$54.97

*Reflects economic methodology, which assumes no temporary hotel closures.

Source: STR. 2020 © CoStar Realty Information, Inc.

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