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The Impact of COVID-19 on the Hotel Sector

With Case Studies of New York City, Nashville, and San Diego

Executive Summary

Though performance metrics like hotel demand, output, and employment were generally strong prior to COVID-19, growth in revenue per available room (RevPAR) over the prior five years was constrained in metros that saw higher supply growth. The pandemic hit the sector disproportionately hard relative to other property types, given the pandemic's effect on travel and leisure spending, but most metros saw slight improvements in occupancy rates, room rates, and RevPAR in the third quarter. Forecasts for the 69 markets covered by Moody's Analytics REIS® follow an idiosyncratic pattern with dense urban metros generally expected to see slower recovery rates, while those near the coasts or in suburban settings with outdoor amenities are expected to see healthier recoveries.

Introduction

The travel and tourism sector saw significant growth over the last 10 years as discretionary spending rose consistently. The U.S. Travel Association estimates that total spending[1] on travel and tourism in 2019 was $1.1 trillion, with 70.3% of that spending coming from leisure travelers and the remaining 29.7% from business travelers. Data from the U.S. Bureau of Economic Analysis (BEA) shows that output in the broader leisure and hospitality[2] sector grew 24.8% from 2011 to 2019, within which hospitality output grew 22%[3].

Starting in March, the pandemic wreaked havoc on the economy as a whole, and drove a spear through the hotel sector in particular, as stay-at-home measures and a sharp drop in travel forced many hotels to shutter temporarily and/or incur a plummet in occupancy. BEA numbers show that hotel output declined 65%[4] from the end of 2019 to the end of the second quarter, while the broader leisure and hospitality output fell 47%. The hotel occupancy rate declined from 66% at the end of 2019 to 38% in the second quarter of 2020, according to Moody's Analytics REIS hotel statistics. The average room rate declined 31% in that six-month period.

1 https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-Answer-Sheet.pdf
2 In addition to accommodations (hotels), the BEA and BLS defines the "leisure and hospitality" sector to include arts, entertainment, recreation services, restaurants, and drinking places. It does not include air transportation or retail.
3 Hotel and Accommodations output was $249 billion in 2019.
4 The BEA reports seasonally adjusted annual rates. The only industry to see a sharper drop in the second quarter was air transportation, which fell 79% in the quarter.

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In the third quarter, however, occupancy climbed to 43%, and the average room rate increased 6.3%. Still, the pandemic continued to bring unprecedented shocks to the industry. The analysis herein shows how the hotel sector grew relative to the rest of the economy; what metros saw the strongest and weakest performance through 2019 as well as in 2020; and it includes projections on trends over the next five years. The findings show that idiosyncratic factors contributed significantly to the disparate growth rates for the 69 metros studied. To illustrate this, we provide case studies of how hotel metrics evolved in three metros: New York City, Nashville, and San Diego.

Our findings show that:

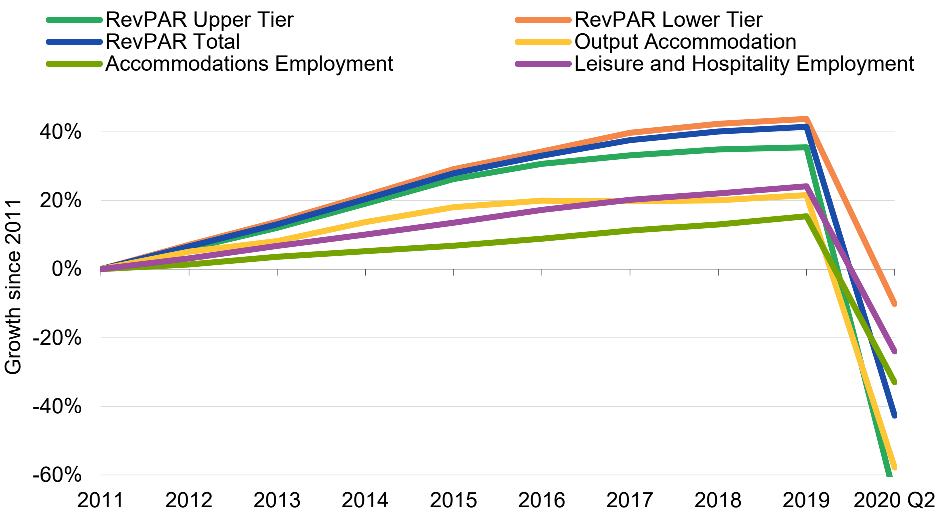
1. Overall hotel occupancy grew from 64% in the fourth quarter of 2014 to 66% in the fourth quarter of 2019 before declining to 38% in the second quarter of 2020. It climbed to 43% in the third quarter of 2020 as more people traveled over the summer months. Occupancy is not expected to return to the peak occupancy of 2019 until the end of 2023.
2. The average hotel room rate[5] increased 13% from $114 in the fourth quarter of 2014 to $128 in the fourth quarter of 2019 but then fell 31% in the second quarter of 2020 to $88. In the third quarter, it climbed 6.3% to $94. The average U.S. room rate is not expected to return to the 2019 peak until after 2025.
3. Revenue per available room (RevPAR) increased 16% from $73 in the fourth quarter of 2014 to $85 in the fourth quarter of 2019. It fell 60% to $34 in the second quarter of 2020 before rising 20% to $40 in the third quarter. U.S. RevPAR is also not expected to return to the 2019 peak until after 2025.
4. Nearly every metro saw significant occupancy growth prior to this year, but then every metro saw significant declines in occupancy in 2020. The rates of decline in RevPAR in 2020 were *not* correlated with the rate of occupancy or RevPAR growth over the previous five years. Nor were the declines correlated to COVID-19 rates.
5. *One distinguishing factor that explains the disparate growth rates in RevPAR by metro over the last five years was the growth in hotel supply over the period: metros with lower supply growth had higher RevPAR growth while those with low supply growth saw higher RevPAR growth.*
6. Most metros[6] saw significant growth in leisure and hospitality jobs prior to the pandemic, yet nearly every metro[7] saw a sharp decline in leisure and hospitality jobs in 2020.
7. Moody's Analytics REIS[8] data shows that "beach" towns on the east coast (Virginia Beach, Myrtle Beach, and Daytona Beach) along with a few others suffered less of a decline in the second quarter than the country overall. But most of these still saw a decline in occupancy in the third quarter. Those that suffered the most in the second quarter were destination metros including Las Vegas and Orlando along with denser, northern urban markets and others less recognized for tourism. Most of these improved in the third quarter in line with the U.S. average.
8. The hotel forecasts show that the pace of recovery for all metros varies depending on how their economy performs going forward: those more reliant on business travel will see slower recovery in the short run, while those with outdoor amenities in dense parts of the U.S. will see a faster recovery.
9. Of 69 metros, 51 are not expected to see their respective average room rate surpass the peak of 2019 until beyond 2025, and 23 are not expected to see RevPAR surpass the 2019 level until beyond 2025, by which time we expect most metros will have seen the closing of some hotels due to the pandemic.

Trends in Hospitality Over the Last Expansion

Travel and tourism grew significantly during the 2010-2019 economic expansion. BEA data show that per capita real consumer spending[9] on hotel accommodations rose 18% from 2010 to 2019. Moody's Analytics REIS hotel data shows that revenue per available room (RevPAR) climbed steadily and at a higher rate than accommodations output and employment numbers, as shown in Figure 1.

5 The average room rate is often referred to as the average daily rate or ADR.
6 From 2014 to 2019, 53 of 69 metros saw a higher rate of job growth in leisure and hospitality than in total jobs.
7 In 68 of 69 metros, the rate of decline in leisure and hospitality jobs thus far in 2020 exceeded the rate of decline in their overall jobs. Tulsa was the only exception.
8 Moody's Analytics REIS uses Kalibri Labs data for its hotel statistics.
9 Bureau of Economic Analysis Table 2.4.6U Real PCE by Type of Product, Chained Dollars

Figure 1 RevPar Trends 2011 to 2020.

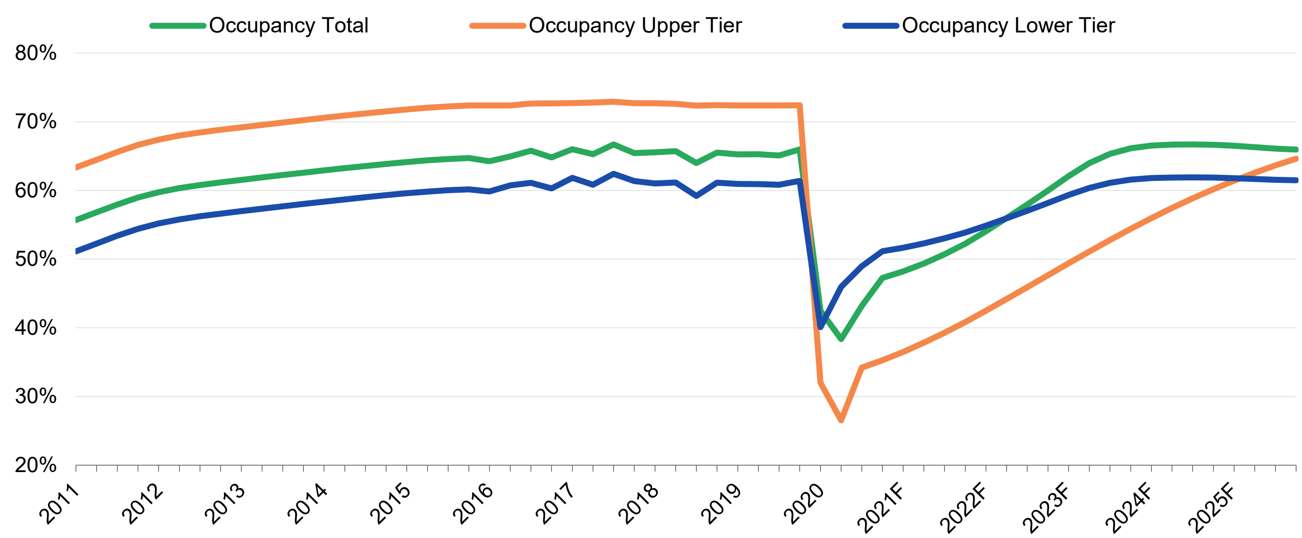


	2011-2019 GROWTH	2019-2020 CHANGE*
RevPAR Upper Tier[10]	36%	-75%
RevPAR Lower Tier[11]	44%	-38%
RevPAR Total	41%	-60%
Output Hotels	15%	-65%
Hotel Employment	15%	-42%
Leisure and Hospitality Employment	24%	-39%

**Decline in 2020 represents Q4 2019 to Q2 2020.*
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Kalibri Labs, and Moody's Analytics REIS

Note in the chart and table in Figure 1 that RevPAR for lower-tier hotels grew at a slightly higher rate than for upper-tier hotels. Likewise, RevPAR in lower-tier hotels fell at half the rate (-38%) than that of upper-tier hotels (-75%) in the second quarter. This was likely due to the fact that most travelers staying in hotels did so out of necessity and therefore opted to stay in lower-priced hotels. Indeed, occupancy in upper-tier hotels fell to 27% at the end of the second quarter, while lower-tier hotel occupancy fell only to 46%.

Figure 2 Hotel Occupancy Rates: Historic Trend and Outlook

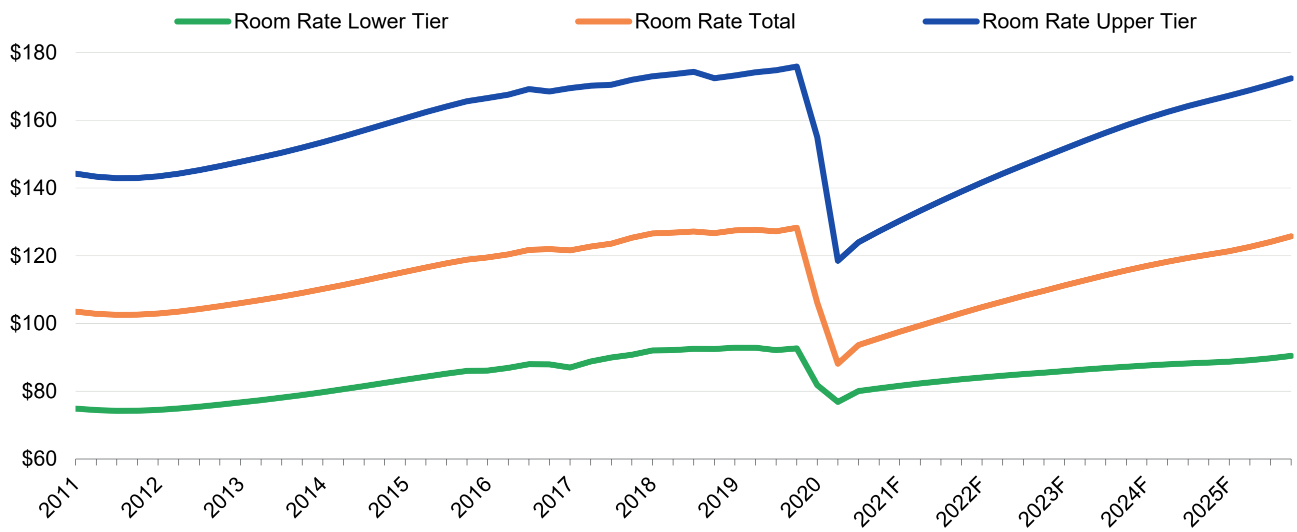


Source: Kalibri Labs and Moody's Analytics REIS

Moreover, the average room rate in upper-tier hotels fell 33% from the end of 2019 to the end of the second quarter, while the lower-tier average daily room rate fell only 17%.

[10] Upper-tier hotels include those categorized as upscale, upper midscale, upper upscale, and luxury.
[11] Lower-tier hotels include those categorized as economy, independent, and midscale.

Figure 3 Hotel Average Daily Room Rates: Historic Trend and Outlook



Source: Kalibri Labs and Moody's Analytics REIS

The outlook for the sector is obscured by the fact that business conferences and conventions will likely not resume until a vaccine is in use and mass convening is deemed safe. Nor will cultural, music or any indoor entertainment venues draw tourists from beyond metro limits until a vaccine is underway.

However, all is not lost in the hotel sector. The occupancy data shows that pent-up demand for travel has grown over time. Many suffering from cabin fever will choose to spend money on a hotel-based vacation most likely within driving distance for probably no other reason but to simply get away—many have already indulged in hotel-based vacations. The overall hotel occupancy rate climbed to 43% in the third quarter from a low of 38% in the second quarter, and some metros have suffered less than others. Moody's Analytics REIS hotel data shows that East Coast beach towns including Virginia Beach, Myrtle Beach, Daytona Beach, and a few others in Florida had the highest occupancy rates in the second quarter, but some of these saw occupancy fall in the third quarter as families went home for school. Likewise, aside from Las Vegas and Orlando, northern urban metros including Chicago, Boston and Washington, D.C. saw the deepest drop in occupancy in the second quarter, but most improved in the third quarter.

Results by Metro: Demand, Supply and Timing

The occupancy and RevPAR data show how some metros are plagued by an oversupply that swelled over the last few years. This was partially due to growth in demand as well as to overzealous developers and relaxed zoning rules that allowed for hotel development, especially in some metros.

The disparity in RevPAR growth rates from 2014 to 2019 was wider than the rates of decline from 2019 to the second quarter of 2020. Figure 4 shows the top five metros that saw the highest RevPAR growth from 2014 to 2019 and how these metros fared this year. We also show the forecast for leisure and hospitality employment to 2025 and in what year the REIS Moody's Analytics forecast puts RevPAR for that metro back to the 2019 peak.

Figure 4 RevPAR Growth: Top 5 and Bottom 5 Ranked by RevPAR Growth* from 2014 to 2019

	GROWTH FROM 2014 TO 2019		DECLINE FROM 2019 TO 2020		FORECAST 2020 TO 2025	
METRO	REVENUE PER AVAILABLE ROOM	EMPLOYMENT LEISURE AND HOSPITALITY	REVENUE PER AVAILABLE ROOM	EMPLOYMENT LEISURE AND HOSPITALITY	EMPLOYMENT LEISURE AND HOSPITALITY	YEAR THAT REVPAR SURPASSES 2019 LEVEL
			TOP FIVE RANKED			
Las Vegas	63%	6%	-55%	-20%	29%	2023
Tucson	55%	7%	-48%	-10%	19%	>2025
Albuquerque	54%	9%	-42%	-18%	12%	>2025
Phoenix	52%	17%	-58%	-15%	25%	>2025
Jacksonville	49%	15%	-35%	-13%	21%	>2025
			BOTTOM FIVE			
Cleveland	-2%	9%	-47%	-23%	11%	2024
Omaha	-2%	10%	-47%	-18%	7%	2024
Oklahoma City	-6%	13%	-37%	-9%	8%	2022
Pittsburgh	-7%	6%	-47%	-24%	10%	2022
Houston	-19%	17%	-38%	-13%	20%	2021
US Total	17%	13%	-51%	-20%	14%	>2025

**All numbers represent growth rates in annual averages; 2020 data averages in Q4 forecast data.*
Source: Moody's Analytics REIS and Kalibri Labs

Note that one reason that metros at the top of this list saw the fastest growth is because many of them suffered disproportionately more in the last recession; that is, they were still lagging in 2014. Others near the top include Sacramento, San Jose, and Atlanta, which also suffered more in the last recession before bottoming near 2014. Yet all metros suffered a similar rate of decline in RevPAR this year. All five metros at the bottom of the list above saw a decline in RevPAR over the previous five years yet still incurred a subsequent decline in RevPAR this year.

A closer look at the data, however, shows that these RevPAR growth rates were driven by differences in supply growth more than by any other factor. Houston ranks last in RevPAR growth as it had seen a hotel supply glut, growing from 72,000 rooms in 2010 to 92,000 rooms in 2019, a growth rate of 28%[12]. It also saw some of the weakest demand growth as Houston grew in the early 2010s but then faltered in 2016 and 2017 in the wake of Hurricane Harvey and as the price of oil declined. In contrast, Las Vegas, which saw the highest RevPAR growth, had a *decline in inventory* from 150,544 in 2014 to 150,259 in 2019 according to the Las Vegas Convention and Visitors Bureau. Likewise, Phoenix saw very little inventory growth prior to 2014[13]. Jacksonville too saw very little supply growth[14].

Note how a number of the metros in the top five are expected to see a rebound in leisure and hospitality growth over the next five years, yet many may not see a return to the 2019 RevPAR peak until beyond 2025. This is because RevPAR had grown so robustly prior to this year that these metros' occupancy rates and/or room rates will not rebound to the previous levels for a few years. In contrast, metros at the bottom of this list are expected to see slower growth in leisure and hospitality employment, but because these metros had RevPAR declines through 2019, they are expected to surpass the low 2019 level prior to 2025.

In short, parsing the metro numbers and understanding how each will recover over the next five years requires a deeper understanding of how each metro performed prior to the pandemic from both a supply as well as a demand perspective. For this exercise, we looked at three metros: New York City, Nashville, and San Diego.

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12 https://www.bisnow.com/houston/news/hotel/the-boom-and-the-gloom-how-houstons-hotel-market-is-responding-to-oil-hurricane-harvey-recovery-efforts-Hospitality
13 https://hvs.com/article/7898-in-focus-phoenix-az
14 According to www.visitjacksonville.com; however, a 2019 CBRE report claimed that 17 hotels consisting of over 1,561 rooms in the pipeline were slated to open in 2019 and 2020.

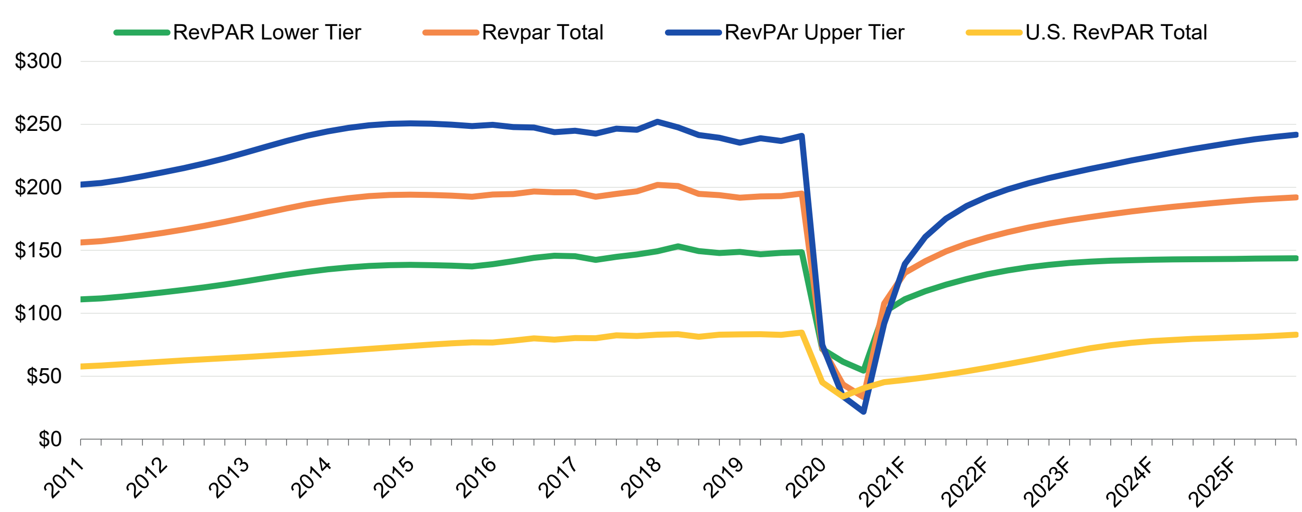
Case Study I: New York City

New York City's hotel growth over the last decade was both demand- and supply-driven. Among the many demand drivers was marketing by NYC & Company, the city's tourism board, which launched its international marketing campaign for the city more than a decade ago[15]. Besides the direct marketing efforts, New York City benefited from indirect marketing as the city often played a glamorous role in many television shows and movies[16]. Together, these drivers boosted the number of visitors[17] to New York City from 45.8 million in 2010 to 66 million travelers in 2019, a growth rate of 50%. These included 13.6 million international travelers[18] in 2019, which is more than the number of international visitors to Los Angeles and Orlando combined. And while international visitors accounted for 21% of all visitors, they accounted for 45%[18] of total visitor spending in 2018, as they tended to stay longer and were more likely to stay in a hotel. Likewise, business travelers to New York numbered 13.4 million in 2019, also accounting for 21% of the total, including some overlap of international travelers.

At the same time, New York City's hotel industry saw significant supply growth. The NYC & Company 2019 Travel Report shows that hotel inventory grew from 86,600 rooms in 2010 to 122,500 rooms in 2019, a growth of 41%, or more than 4.6% per year. Moreover, the report stated that there were another 112 hotels in the construction pipeline that would have added another 18,600 rooms upon completion. Much of this growth was in "M1" or light manufacturing districts in Brooklyn and Queens as developers eager to capitalize on relaxed zoning requirements in these districts had built smaller, lower-tier hotels[19]. Note that the City Council passed legislation[20] in late 2018 requiring a special permit for hotel and motel construction in M1-zoned districts, which closed a development loophole. Permits for smaller hotel development plummeted in 2019[21].

Still, the numbers show that the lower-scale hotels grew far more significantly and as a result weighed more heavily on overall New York City statistics shown in Figure 5. Thus, the relatively higher growth in lower-priced hotels yielded flat or even declining overall average room rates and RevPAR during this period. RevPAR in upper-tier hotels declined in 2019 after staying flat in the four previous years. Moreover, similar to the national numbers shown above, RevPAR in upper-tier hotels declined more dramatically in New York this year as a result of the pandemic, and our outlook shows the recovery of upper-tier hotels trailing that of lower-tiered.

Figure 5 New York City Revenue per Available Room (RevPAR)



Source: Moody's Analytics REIS

15 According to an interview in Skift, Fred Dixon, CEO of NYC & Co., stated that the tourism organization opened an office in Brazil in 2007. https://skift.com/2015/02/17/interview-nyc-company-ceo-on-selling-an-iconic-city/

16 According to data from the City's Office of Film, Theater and Broadcasting and Wikipedia, the number of films set in New York City averaged in the 30s per year over the last 15 years with a high of 42 films set in New York in 2014.

17 NYC & Co. https://indd.adobe.com/view/e91e777a-c68b-4db1-a609-58664a52cffd. All visitor statistics are from NYC & Company.

18 From 8.8 million international travelers in 2010. Source: NYC & Company.

19 https://therealdeal.com/2018/10/16/the-stupefying-numbers-behind-a-controversial-bill-that-targets-nyc-hotel-developers/

20 https://www1.nyc.gov/site/planning/about/press-releases/pr-20181220.page The new legislation was prompted by an outcry from local residents over the excess supply of hotels in these neighborhoods.

21 https://ny.curbed.com/2019/8/28/20836576/new-york-hotels-special-permit-bill-de-blasio

Part of the forecast incorporates the likelihood that many hotels will close. A recent New York Times article disclosed that 188[22] of the city's 700 hotels were closed as of late September, but it is not known if any are closed for good[23]. Complicating New York City's hotel sector numbers is the leasing of hotels by the city's Department of Homeless Services[24] to house homeless people, and earlier, by the U.S. military leasing hotels after deploying military medical staff to support the city's pandemic efforts. This temporarily removed these properties from the hotel inventory, which offset some of the decline in occupancy and average room rates. Other hotels are leasing their space for use by offices and schools.

Finally, it would be remiss to not mention the impact that Airbnb has had on New York's hotel industry. Although Airbnb is illegal[25] in New York City, a recent search for an overnight stay rendered more than 300 options in the city. While many hotel operators have claimed that the startup has hurt their business, most Airbnb stays are in parts of the city that lack hotels, including Upper Manhattan and parts of Queens and the Bronx that have not seen the development of Long Island City and Gowanus. Indeed, with its lower price points, some have argued that Airbnb has brought travelers to New York who would have otherwise never come to the city. Still, the low growth in the city's ADR and RevPAR over the last few years suggests that Airbnb has kept hoteliers from raising prices.

The outlook for New York's hospitality industry is worrisome but not dire. New York City's hotel sector will suffer from both the decline in business travel as well as international travel, but New York City sits in the most densely populated part of the country. Thus, it will see a return of domestic visitors who cannot afford to travel to more exotic areas. A 1995 Federal Reserve Bank of New York[26] study found that the city benefits from *"a substitution effect: U.S. residents' tendency to travel less during economic slumps is offset by a shift in preference toward New York City over more exotic—and expensive—overseas destinations*." Thus, the city could see more domestic leisure travelers in the extended downturn than it had in previous years. The forecast shows that RevPAR in the first quarter of 2022 is expected to be 16% below the RevPAR of the first quarter of 2019.

Case Study II: Nashville

Nashville's tourism sector soared during the 2010-2019 economic expansion. Not only is Nashville home to the country music industry, but its economy grew significantly over the last cycle, adding 307,600 jobs (+40%) from 2009 to 2019.

The Music City's tourism sector benefited from the television show "Nashville," which debuted in 2012 boosting the city's profile. In May 2013, Nashville's new $623-million, 2.1-million-square-foot Music City Center opened in downtown Nashville, closer to the urban core than the Gaylord Opryland Resort & Convention Center. In 2015, the Ascend Amphitheater, an open-air event space, opened in Metro Riverfront Park.

On the business side, Nashville's total job growth of more than 3.2% per year from 2017 through 2019 was twice the U.S. growth rate those years. Nashville's economy[27] received considerable recognition in late 2018 when Amazon selected it for its new "Center of Excellence" which is under construction in the 17-acre Nashville Yards development[28]. Amazon is slated to create 5,000 high-income jobs at the center, which is expected to open in the first half of 2021. Their announcement followed AllianceBernstein's May 2018 declaration that it would move its headquarters from Manhattan to Nashville at another new mixed-use development, Fifth + Broadway[29], which is also expected to open in the first half of 2021.

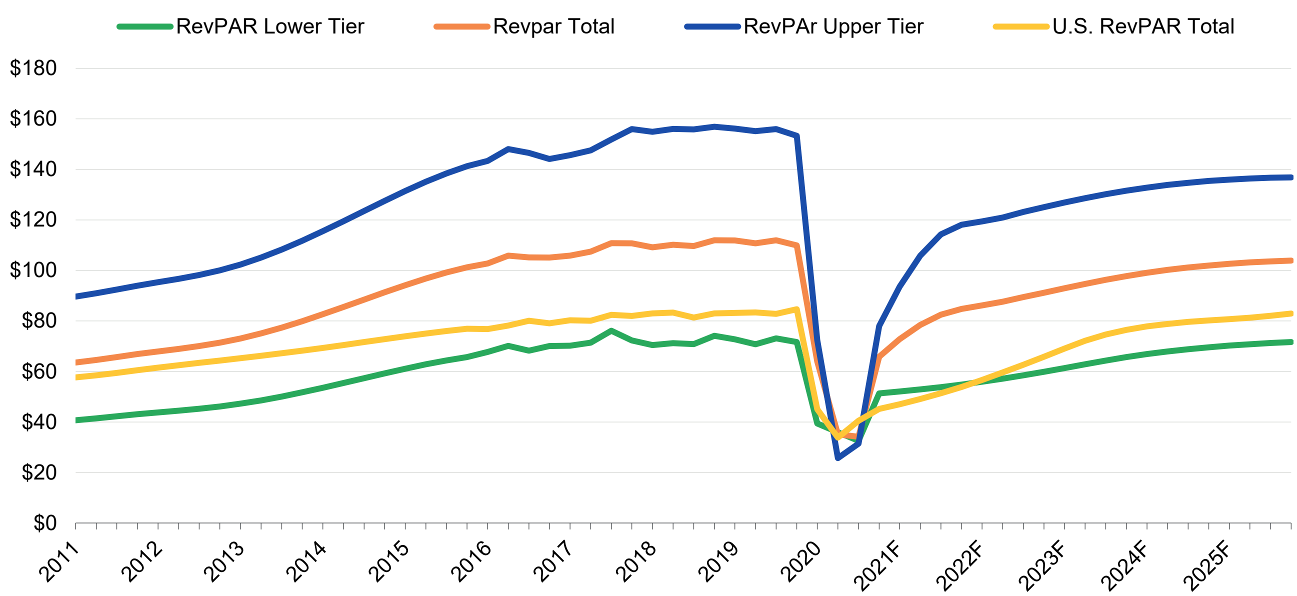
[22] https://www.nytimes.com/2020/10/06/business/hotels-transformation-offices-shelters-coronavirus.html
[23] https://www.nytimes.com/2020/09/21/nyregion/nyc-hotels-closing.html?searchResultPosition=1
[24] According to the New York Times, the city leased 63 of the city's 700 hotels to house homeless people. It also leased 11,000 rooms from April to June to house at-risk medical personnel. https://www.nytimes.com/2020/10/06/business/hotels-transformation-offices-shelters-coronavirus.html
[25] The New York City Airbnb law says it's illegal to rent apartments for fewer than 30 days in most buildings, particularly "Class A" dwellings.
[26] https://www.newyorkfed.org/medialibrary/media/research/current_issues/ci1-7.pdf
[27] Nashville also serves as the headquarters for HCA, Nissan North America, Bridgestone Americas, Dollar General, Caterpillar Financial, and EY, which in 2018 announced that they would open a new $22-million Nashville office, bringing 600 jobs to Nashville's Music Row district. https://www.tennessean.com/story/news/2018/11/13/ey-announces-22-m-nashville-office-bringing-600-jobs/1987436002/
[28] The 25-story Grand Hyatt hotel opened in Nashville Yards in October.
[29] Fifth + Broadway will have office, residential, retail and culture including the new National Museum of African American Music. https://www.wsmv.com/news/fifth-broad-development-set-to-open-in-2020/article_dda0cc5e-bae2-11e9-9378-67b6b9103916.html

The growth in its music industry and overall economy fueled demand growth of 60% according to visitmusiccity.com[30] as the number of visitors to Nashville increased from 10 million in 2010 to 16.1 million in 2019, while visitor spending nearly doubled from $3.8 million in 2010 to $7.0 billion[31] in 2018.

But like many cities, Nashville's hotel supply grew robustly, adding more than 9,000 rooms, or 23.8%, from 2015 to 2019, according to the NCVC and CBRE[32]. Moreover, Top Hotel News reported that supply was expected to grow by 7,300 rooms, or another 15%, over the next few years with 12 hotels or 3,160 rooms planned for 2020, 11 hotels (2,230 rooms) in 2021, and 10 more in the pipeline for 2022 and beyond.[33]

Business and tourism growth generated significant demand for Nashville's hotels, but supply growth was equally as strong as the overall occupancy rate declined from a high of 75% in 2015 through 2017 to just below 74% in 2018 and 2019. Likewise, Figure 6 shows how RevPAR climbed steadily from an average of $65 in 2011 before plateauing at $111 in 2018 and 2019.

Figure 6 Nashville Revenue per Available Room (RevPAR)



Source: Moody's Analytics REIS

In the second quarter, RevPAR fell to $35 as occupancy fell to 32%. Although Nashville is expected to recover at a faster rate than the U.S. as a whole, RevPAR and room rates are not expected to exceed their respective 2019 highs until after 2025. Although hotel occupancy should bounce back in a few years, some of the return to the pre-pandemic occupancy rate will be due to the closing of some hotels that will not survive the pandemic. Nashville's recently added supply as well as that under construction, combined with reduced travel due to the pandemic, will impact room rates. The forecast shows that RevPAR in the first quarter of 2022 is expected to be 23% below the RevPAR of the first quarter of 2019.

30 The tourism bureau estimated that 23% of Nashville's visitors traveled for business reasons and another 37% of its visitors booked travel in "group blocks" whose purpose was unknown. https://www.visitmusiccity.com/research

31 The Nashville Convention & Visitors Corp. (NCVC) hosts the visitmusiccity.com website. Along with the growth, NCVC reported that 112 new restaurants, bars or cafes opened in 2019, the 3rd year in a row with more than 100 openings.

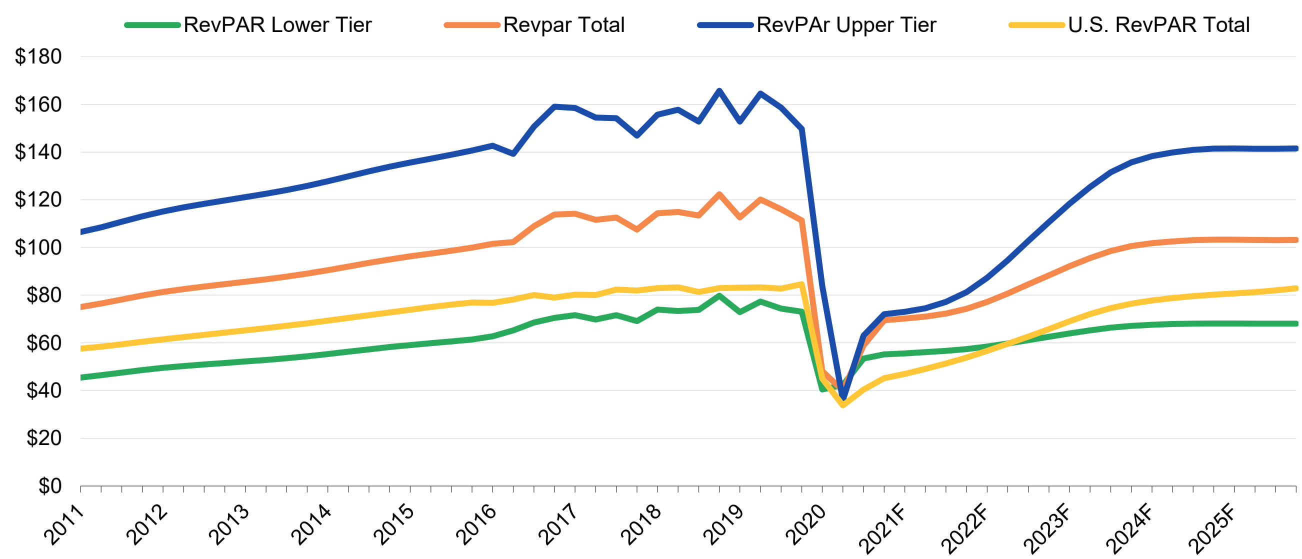
32 http://cbre.vo.llnwd.net/grgservices/secure/Hotel_SEOR2019_Nashville.pdf?e=1602270946&h=1e1f22073de102af2eaaf258b597bd9cs

33 Of the 33 new hotels planned, 24 are four-star rated and 9 are five-star rated. https://tophotel.news/city-overview-nashvilles-hotel-market-set-to-grow-by-over-7300-rooms-infographic/

Case Study III: San Diego

San Diego's hotel sector also soared over the last few years as both leisure and business travel increased steadily through 2018. Unlike that of New York and other metros, San Diego's occupied room nights growth of 34% from 2009 to 2019 outpaced the overall inventory growth of 10% for the same period, according to the San Diego Tourism board[34]. This is consistent with the Moody's Analytics REIS RevPAR data shown in Figure 7, which clearly indicates a bumpier yet clear upward trend. However, similar to most metros, San Diego had a number of new hotels under construction at the start of the pandemic. The metro added 1,489 rooms in 2020, after adding 1,461 rooms in 2019 and 450 rooms in 2018, according to the tourism board statistics. Another 1,376 are in the pipeline for 2021 and another 4,355 are under construction for 2022 and beyond[35].

Figure 7 San Diego Revenue per Available Room (RevPAR)



Source: Moody's Analytics REIS

San Diego has many outdoor amenities that will continue to draw leisure travelers from within driving distance, but it will suffer from a drop in business travel as it had drawn a number of conventions and conferences over the last few years. The forecast shows that RevPAR in the first quarter of 2022 will be 31% below the RevPAR of the first quarter of 2019.

As shown earlier, RevPAR numbers in New York City, Nashville, and San Diego are not expected to surpass the peak of 2019 until beyond 2025.

Figure 8 Comparison of Select Performance Metrics

		GROWTH FROM 2014 TO 2019		DECLINE FROM 2019 TO 2020		FORECAST 2020 TO 2025	
RANK OF 69 IN 2014-2019 REVPAR GROWTH	METRO	REVENUE PER AVAILABLE ROOM	EMPLOYMENT LEISURE AND HOSPITALITY	REVENUE PER AVAILABLE ROOM	EMPLOYMENT LEISURE AND HOSPITALITY	EMPLOYMENT LEISURE AND HOSPITALITY	YEAR THAT REVPAR SURPASSES 2019 LEVEL
			TOP FIVE RANKED BY REVPAR 2014 TO 2019				
16	Nashville	28%	27%	-55%	-17%	15%	>2025
62	New York City	1%	14%	-67%	-35%	24%	>2025
20	San Diego	24%	15%	-53%	-22%	15%	>2025

Source: Moody's Analytics REIS and Bureau of Labor Statistics

34 https://www.sandiego.org/about/industry-research.aspx. According to the San Diego Tourism Authority, 29% of the 17.8 million hotel room nights sold in 2018 were for "group" or business purposes.
35 https://www.nbcsandiego.com/news/local/san-diego-hotel-boom-staying-power-for-2019/504/

Conclusion

The hotel sector saw significant growth over the previous expansion before getting crippled by the pandemic. The metros that saw the highest inventory growth over the last 10 years saw lower RevPAR growth and yet still suffered a significant drop in RevPAR in 2020, on par with those that saw high RevPAR growth prior to the pandemic.

Although the pent-up demand for travel has increased during the pandemic, most will not fly for leisure purposes until a vaccine is widely adopted. Likewise, business travel will not return to pre-COVID levels until the economy fully recovers. The downturn will also affect international visitors to the U.S.

Thus, it will take a quite a few years for most metros to see average room rates, occupancy rates, and RevPAR numbers return to their 2019 highs, and many hotels will close for good as they will not be able to survive the pandemic. But most will survive and will one day see healthy occupancy rates again. Some of these will recover faster than others depending on a number of factors including the density of the population surrounding the area; the metro's popularity as a destination; the growth of the economy; and ultimately, the comfort level that the business community has for convening in person again.

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https://www.selectusa.gov/travel-tourism-and-hospitality-industry-united-states

https://www.ustravel.org/answersheet