**COVID-19 ECONOMIC IMPACT ON HOTEL INDUSTRY**

Week of March 16, 2020

**Topline Talking Points**

* Since the public health issue began escalating in mid-February in the U.S., hotels have **already lost $1.5 billion in room revenue[[1]](#footnote-2)**.
	+ This figure is rapidly accelerating with hotels currently on pace to lose more than **$200 million in room revenue per day[[2]](#footnote-3)** based on current and future reported occupancy rates.
	+ This pace means a loss of **$1.4 billion every week[[3]](#footnote-4)** and will only further escalate as the situation worsens.
* The human toll is equally devastating with major hotel managers already reporting significant layoffs and furloughs.
	+ Based on current occupancy estimates for the immediate future and historical employment impact rates, **1 million direct jobs, or nearly 3.9 million total jobs[[4]](#footnote-5), have either been eliminated or will be eliminated in the next few weeks.**
* Individual hotels and major operators are projecting occupancies below 20% for upcoming months. At an occupancy rate of 35% or lower, hotel may simply close their doors, putting **33,000 small business at immediate risk[[5]](#footnote-6)**.

**Abrupt and Unprecedented Drop in Hotel Demand Shocks Industry**

The hotel industry is facing an abrupt and unprecedented drop in hotel demand that is gaining pace and getting progressively more severe each day that goes by.

* Additionally, announcements by colleges, schools and professional sports leagues to cancel major events across the country will soon hit leisure travel bookings and broaden the geographic impact of sharp demand declines, accelerating the damage across the industry and nation.
* Major hotel companies are reporting that they have already cut forecasts for groups and meeting related business, which represents roughly 20% of the industry, in half for the rest of the year.
	+ **For many hotels, groups and meeting related businesses represent the vast majority of their business in any given year.**
* In addition to the full year declines, major brands and hotel real estate ownership groups are projecting **occupancy for March and April to decline by 50% or more compared to last year.[[6]](#footnote-7)** These figures are worsening by the day.

**Industry Sees Sharp Decline In Revenue Due To Drastic Drop In Demand**

The hotel industry is already seeing actualized **revenue declines of more than 10% on a weekly basis,** and these declines are accelerating rapidly. For the week ended March 7th, the industry sold **1.4 million fewer rooms[[7]](#footnote-8) than last year**.

* Based on current occupancy declines of 50% or more in the coming weeks, **hotels are currently losing more than $200 million every day**, purely in room revenue and not accounting for additional spend in restaurants, meeting space and other ancillary revenue sources.
* A revenue decline of 35% for the industry would represent roughly **$76 billion in lost revenue[[8]](#footnote-9)** for the full year.
	+ A drop of 20 percentage points in occupancy, coupled with a 20% decrease in rate, would increase that to $95 billion[[9]](#footnote-10).

**Hotels Risk Foreclosures Due To Negative Cash-Flows**

The decline in occupancy is putting real estate asset owners at risk of being unable to make debt service payments.

* **A decline of 15% in hotel revenue puts many owners in a position where they are cash-flow negative,** and thus unable to pay debt service, putting them at risk of foreclosure by lenders. Major hotel companies are already forecasting far in excess of that decline.

**Hotels Forced To Consider Reducing Staff To Make Ends Meet**

The hotel industry directly supports over nearly **2.3 million jobs**[[10]](#footnote-11), but drastic declines in occupancy rates will lead to massive job losses for individuals across the industry. Hotel owners are already reporting facing massive, unavoidable layoffs and furloughs.

* Individual hoteliers have reported shutting down part or all of their hotels and **needing to lay off 50% or more of their staff**.
* For every 10% drop in hotel occupancy,the industry will have to let go of around **345,000 employees.[[11]](#footnote-12)**
* The human toll is equally devastating with major hotel managers already reporting significant layoffs and furloughs.
	+ Based on current occupancy estimates for the immediate future and historical employment impact rates, **1 million jobs, or 45% of all hotel jobs[[12]](#footnote-13), have either been eliminated or will be eliminated in the next few weeks.**
* The industry is already facing massive furloughs:
	+ One specific major hotel management company reported that last week they were forced to furlough 75% of their staff – 5,000 workers.[[13]](#footnote-14)
	+ John Boardman, with Unite Here Local 25, represents some 7,000 hospitality workers in the DC metro area. He says 75 percent of his members are not working right now, and that number will likely rise to 90 percent next week.[[14]](#footnote-15)

**Economic Impact Will Ripple Through Hotel Industry Supply Chain**

The hotel industry indirectly supports **nearly 8.3 million jobs**[[15]](#footnote-16). An economic crisis that reduces hotel occupancy rates would send a crippling ripple effect through industry suppliers (food, linens, amenities), retail and restaurant industries, and businesses that operate along-side hotels (parking garages, etc.).

* **Current forecasts for a 20-30% drop in hotel occupancy over a full year would result in between 2.5 - 3.9 million jobs being lost.[[16]](#footnote-17)**

**Potentially Hundreds of Billions Lost in GDP**

The hotel industry contributes nearly **$660 billion**[[17]](#footnote-18) to the U.S. Gross Domestic Product (GDP) but could drop to as low as $160 billion due to drastic drop-in occupancy rates.

* For every 10% drop in hotel occupancy, the industry will support **$100 billion less in GDP[[18]](#footnote-19)**.
* **Current forecasts of a 20-30% drop in hotel occupancy would result in between nearly $200-300 billion[[19]](#footnote-20) in lost GDP.**

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1. Data through 3/7 based on Smith Travel Research, 2020 STR, LLC, 3/8-3/14 compiled and averaged from anonymous AHLA member survey responses. [↑](#footnote-ref-2)
2. Data compiled and averaged from anonymous AHLA member survey responses combined with historical performance from Smith Travel Research, 2020 STR, LLC. [↑](#footnote-ref-3)
3. Data compiled and averaged from anonymous AHLA member survey responses combined with historical performance from Smith Travel Research, 2020 STR, LLC. [↑](#footnote-ref-4)
4. Data compiled and averaged from anonymous AHLA member survey responses combined with Oxford Economics [↑](#footnote-ref-5)
5. Oxford Economics, August 2019. [↑](#footnote-ref-6)
6. Data compiled and averaged from anonymous AHLA member survey responses. [↑](#footnote-ref-7)
7. STR Data, Accessed 3/13/20. [↑](#footnote-ref-8)
8. Data compiled and averaged from anonymous AHLA member survey responses combined with historical performance from Kalibri Labs and Smith Travel Research, 2020 STR, LLC. [↑](#footnote-ref-9)
9. Data compiled and averaged from anonymous AHLA member survey responses combined with historical performance from Kalibri Labs and Smith Travel Research, 2020 STR, LLC. [↑](#footnote-ref-10)
10. Oxford Economics, August 2019. [↑](#footnote-ref-11)
11. Oxford Economics, August 2019. [↑](#footnote-ref-12)
12. Data compiled and averaged from anonymous AHLA member survey responses combined with Oxford Economics [↑](#footnote-ref-13)
13. Data compiled and averaged from anonymous AHLA member survey responses. [↑](#footnote-ref-14)
14. “Union Rep: 75 Percent Of Hospitality Workers Are Idled, Soon To Be 90 Percent,” WJLA, 3/13/20. [↑](#footnote-ref-15)
15. Oxford Economics, August 2019. [↑](#footnote-ref-16)
16. Oxford Economics, August 2019. [↑](#footnote-ref-17)
17. Oxford Economics, August 2019. [↑](#footnote-ref-18)
18. Oxford Economics, August 2019. [↑](#footnote-ref-19)
19. Oxford Economics, August 2019. [↑](#footnote-ref-20)