

Signals Suggest Cause for Optimism in Hospitality



A recent report from data provider LightBox suggests there is a dawning but cautious optimism among commercial real estate (CRE) professionals when it comes to the prospects of the hospitality sector. Their second quarter 2021 Investor Sentiment Report declares that resort and leisure travel was looking strong for the “all-important summer season”, while the return of business and convention travel is still a matter of debate.

Looking Ahead

The LightBox report authors write: “Sales are expected to spike significantly in the second half of 2021, potentially reaching pre-pandemic levels in 2022 and 2023. Many buyers will focus first on properties that can benefit from leisure travel, particularly those within driving distance of large population pools”.

Additionally, the report suggests that hotel distress statistics “are potentially misleading”, arguing that although “more hotels than any other property type are in the distress pipeline [...] looking ahead, the stat does not evoke widespread concern”.

Visitor Data

Certainly, there are signs of relative strength coming from various sources including popular tourism and leisure destinations. The Chicago Loop Alliance (CLA) has been producing monthly reports on downtown activity, and its latest iteration – July 2021 – found that pedestrian visitors to State Street in the Loop surpassed one million per week for the first time since the pandemic began.

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In their analysis of the report, REJournals writes: “Pedestrian activity on State Street overall in July hit its highest levels since before the pandemic, increasing to 66 percent of 2019 levels in the last week of the month”.

Not Clear Yet

Before you pop the champagne, though, June 2021 data from the American Hotel & Lodging Association warns that cities that rely on business tourism are far from ‘out of the woods’. These urban markets were disproportionately impacted by the pandemic and “urban hotels were down 52 percent in room revenue in May” year-on-year. The next anticipated report from the association will cover the timeframe including the latest holidays and peak summer season.

Investment Case

Still, the sense of cautious optimism has found its way to hotel-property stocks and real estate investment trusts (REITs) with hospitality exposure, as these assets show signs of slight improvement – according to the Wall Street Journal.

As Jan Freitag, the national director of hospitality analytics at CoStar Group, told the journal, in a separate piece, the “U.S. hotel industry is very slowly regaining solid footing”.

