

## Health Check: the State of Hospitality and Hotel CRE



It's been a roller-coaster 18 months for everyone, including market analysts who have had to provide insight and predictions on an unprecedented event, as the world bounded through recession, recovery, and reconfiguration. As it stands now, the US recovery has been swift, if uneven.

GlobeSt's latest piece on this makes the argument for understanding this recession in different terms from so-called traditional ones, writing: "The COVID-19 recession was not caused by monetary factors, rather it has been a disruption akin to an unanticipated natural disaster which typically temporarily interrupts economic activity while leaving intact the underlying demand and supply of goods and services."

### Outlook

The above forms part of their outlook reporting for hotel sales, and as has been well-established, hotels, tourism and hospitality were dramatically affected during the peak of the pandemic travel bans and "shelter at home" orders.

GlobeSt points to some encouraging signs, including the volume of startup businesses launching, low levels of household debt-service burdens (in relation to net income), rising house prices, increases in personal savings and the Dow Jones Industrial Averaging gaining some 18% compared to February 2020 (a pre-pandemic peak for the index). Altogether, these are positive signs that the American consumer may well have additional discretionary spending in the coming months and the tourism space could be on the receiving end.

## Health Check: the State of Hospitality and Hotel CRE

Corporate travel is expected to increase in the second half of the year, on top of the increases already evidenced by daytrippers and weekend travel. As schools reopen, they are anticipating patterns to shift from leisure to work trips.

### Early 2021 Winners

The Wall Street Journal reported earlier this year that real estate investment trusts (REITs) and companies with holdings in retail and hotels “mounted a first-quarter comeback”.

“Real-estate investment trusts overall rose 9% during the three months, beating the S&P 500’s 6% gain,” according to data-analytics firm Green Street. Fueling the REIT rally was an 18% rise in the shares of lodging owners and a 32% gain by mall owners.

### Creative Strategies

Additionally, according to CNBC, distressed hotels were in demand from buyers looking for possible redevelopment and conversion projects and other creative solutions to the low supply of affordable housing. “So-called Class C housing stock is now 96% occupied nationally and 99% occupied in the Midwest, according to RealPage, a property management software company,” CNBC writes.

And for hotels with no intentions of conversion – the vast majority – the pandemic also provided a kind of reset that allows for model innovation. “Similar to the airline’s ala carte approach, the hotel industry is attempting to move guests toward an opt-in choice for various services, such as daily room cleaning,” reports GlobeSt.

