PROFIT MATTERS

Global Hotel Performance Review

2020

HOTSTATS
Hospitality Intelligence

HOTSTATS

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PAYING REMEMBRANCE TO A YEAR TO FORGET

2020 will go down as the most difficult year on record for the global hotel industry—until the next one. Which is to say that there is an inevitability of something beyond anyone's control impacting travel and hospitality, testing its resiliency.

COVID-19 was the black swan event the hotel industry often alludes to and hopes to perpetually avoid. In an act of defiance, 2020 went rogue. The start of the new decade was one to forget and remember. Antithetical, sure, but a reminder that preparedness is about lessons learned through difficulty. And if ever there was a year of upheaval, it was 2020.

The first shocks came in February when Asia performance plummeted. The hotel industry calved like a glacier from then on, shedding revenue and profit as case counts mounted and demand deflated. Hotels overnight went from serving guests to survival mode.

But the global hotel industry has never been one to throw in the towel. The initial blow was hard, but like a seasoned prizefighter, the hotel industry is working its way off the mat. And like a plucky pugilist, it's now fighting its way back into the match—week by week, month by month.

A review of 2020 industry performance is akin to watching a horror film: It's frightening and at turns silly. Almost every measurement HotStats tracks fell as much as or more than 50% year-over-year, both on the revenue and expense sides of the ledger. Context matters and in the course of tracking the recovery, year-over-year comps just don't cut it. The rebound will be measured incrementally, on a month-to-month basis, and across the entire profit-and-loss spectrum.

In years past, our annual "Profit Matters" tracker assessed the performance of an assortment of global cities across revenue, expense and profit. Unless you subscribe to masochism, the anomaly that was 2020 renders that normal evaluation pointless. Instead of cataloguing individual cities, we decided to take a different tack. This year, each section hits on the trends, data and subjects that mattered most to hoteliers. We accomplished it in association with some of our industry partners, who offered an "on-the-ground" recreation.

The subsequent chapters follow a format that mimics the hotel industry's choppy ride in the wake of COVID-19. Hotels were faced with the decision to either close or stay open as occupancy dwindled. That choice ultimately led to operators and asset managers running break-even analyses to figure out at what occupancy a hotel can run to be profit neutral. The loss in revenue impacted this examination; so, too, did costs. One of the first steps hoteliers took was to reduce their expense exposure, from labor to supplies, in order to limit their losses. One of the silver linings to the pandemic will be a heralded carryover of these efficiencies into the post-pandemic rebound. Hotels are rethinking how to run leaner, smarter by reassessing the use of space and how things like rejigging food and beverage service can lead to a stronger bottom line.

All of this is dependent on demand coming back and that is contingent on the return of corporate and group travel. Though leisure travel, especially outside core, urban markets and within resort locations, has given some succor to hotels, until companies and groups return to the travel fold with gusto, the hotel industry will bounce along the bottom of the profitability curve.

Where the industry is headed is better than where it has been. Time will tell how soon it arrives, but one thing is certain: the hotel industry isn't checking out. And the data don't lie.

BREAKING EVEN WHEN THE HOTEL INDUSTRY BROKE

COVID-19 presented hoteliers with one pressing question: Stay open or close?

COVID-19 turned the hotel game into a game of survival. As the pandemic sapped demand and sent profit spiraling, hoteliers were faced with a decision they thought they'd never have to seriously consider: stay open or shut the doors. In order to make that choice, running a break-even analysis—an exercise that shows what hotel occupancy needs to be achieved in order to be profit neutral—became a hotelier's first move.

It was an initial step for management company Prism Hotels & Resorts, which huddled with owners to understand cash position and determine cash burn. "We looked at operating models where hotels could break even on gross operating profit and from cash flow," said Paul Mengacci, VP of Finance and Analytics for Prism Hotels & Resorts.

Closing a hotel altogether is not a decision to be taken lightly. First, closing a hotel doesn't mean it won't still incur costs, such as a skeleton staffing, utilities, property taxes and insurance. Also to consider are existing long-term sales contracts. Moreover, though it might appear that closing a hotel will save money in the long run, there, too, are reopening costs subsequent to a temporary closure. Due to health and safety regulations and maintenance required, the costs of reopening can be significant.

"Every hotel has its own personality so you can't treat all hotels the same; you have to look at them on an individual basis to understand what works and what doesn't work," said John Stuart, former COO of RBH Hospitality Management, who also serves on the board of the InterContinental Hotels Group Owners Association (IHGOA). "When we look at a hotel's break-even, even if we're not making money, we'll look at which option will lose us less money. On the whole, whenever possible, you try to keep the hotel open."

In the balancing act between opening or closing a hotel, hoteliers will ask themselves how low the occupancy levels can be before they start reporting negative profit. A break-even analysis helps to determine the level of occupancy required for a property to generate income that will allow it to cover both fixed and variable costs. Put another way: What is the minimum occupancy level for a property to be profitable?

As hotels ease back into opening, they must take their break-even point into consideration. A break-even analysis will influence pricing, determine staff levels and impact purchasing decisions.

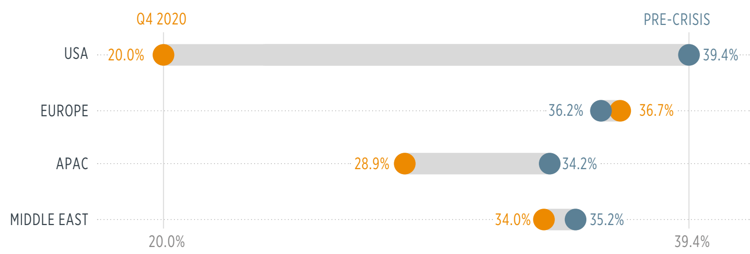
According to Luc Boschmans, Managing Director of Hospitality at Tristan Capital Partners and a Hospitality Asset Managers Association (HAMA) Europe board member, asset managers are focused on protecting asset values and cash management, reviewing forecasts and renegotiating with lenders and vendors.

> "Every hotel has its own personality so you can't treat all hotels the same; you have to look at them on an individual basis to understand what works and what doesn't work."

— John Stuart, former COO, RBH Hospitality Management, IHGOA board member

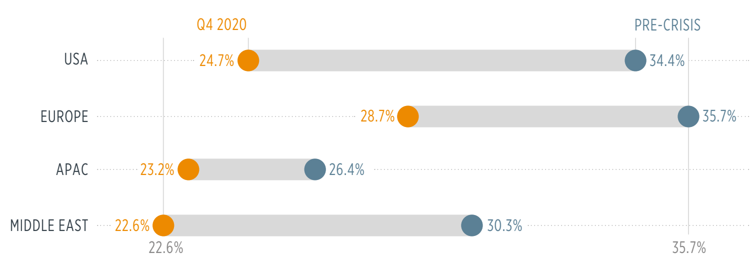
"A silver lining would be a better understanding of fixed and variable cost structures," Boschmans said. In order to effectively manage costs, hoteliers are turning back to zero-based budgeting, a method of budgeting in which all expenses must be justified and approved for each new period. It's a meticulous process to go through every single line item and get down to a bare-bone operating model.

Prism Hotels tracked its break-even analysis at varying occupancy intervals—10%, 25%, 50%. "Then, rather than looking at pre-COVID levels, you were building up from a zero base," said Mengacci. "In this chaotic time in our industry, it was better to start from scratch—we had to reset. It came down to determining what the costs would be to keep the lights on without business coming in. We challenged all hotels to go through every single P&L line item. In this exercise, new efficiencies emerged that we will carry forward—items hotels can either do without or do better."



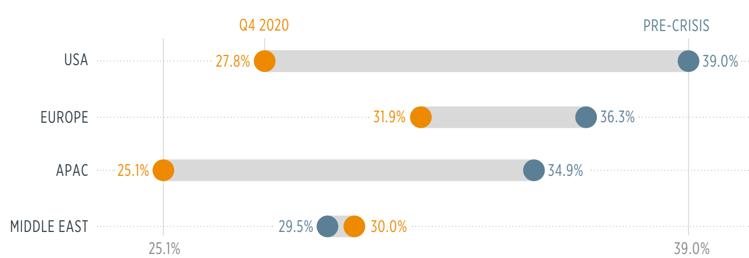
BREAK-EVEN OCCUPANCY ECONOMY HOTELS

PRE-CRISIS AVERAGE VS Q4 2020 AVERAGE



BREAK-EVEN OCCUPANCY LUXURY HOTELS

PRE-CRISIS AVERAGE VS Q4 2020 AVERAGE



BREAK-EVEN OCCUPANCY FULL-SERVICE HOTELS

PRE-CRISIS AVERAGE VS Q4 2020 AVERAGE

Generally, the farther down the chain scale, the higher the occupancy rate needed to break even. The break-even point will also differ depending on the location and revenue mix of the hotels.

HotStats' analysis showed that hotels managed to break even at a 35% occupancy on average prior to the pandemic, but after, with costs reductions in effect, the break-even point has been lowered.

There are two main factors that impacted the break-even levels in various global regions: the ability to strip out the costs and the level of government support.

Regions such as Asia-Pacific and the Middle East broke even at higher occupancy levels in the last three months of 2020 than Europe, which reached a break-even point at 23% occupancy.

As furloughs and payroll cuts reduce, along with the temporary exclusion of operating costs returning, the break-even point will change and impact the profitability of hotels.

The next few years will be focused on occupancy restoration and total revenue generation that goes beyond solely the sale of rooms. Ultimately, it will be about how to successfully convert revenue into profit and doing it as effectively or better than the competition.

"As 2021 develops, both asset managers and operators will need to remain focused on leveraging all programs to support the businesses in cost reductions and creatively sourcing new market segments, especially those in larger urban locations," said Harriet Durbin, Managing Director at Panorama Hospitality and HAMA Europe board member.

UNDER PRESSURE: THE COST OF DOING BUSINESS

Revenue isn't the only thing that's been lost due to the pandemic.

The hotel industry's single most precious commodity is people. COVID-19 removed it posthaste, leaving a trail of lost revenue and profit shortfall. In a twist, it also produced unprecedented expense reductions in both the operated and undistributed departments. And though hoteliers would assuredly trade lost revenue for a normalcy in costs incurred, the pandemic has put a refocus on expense management. To the point, owners are now asking, "Why am I paying for this?"

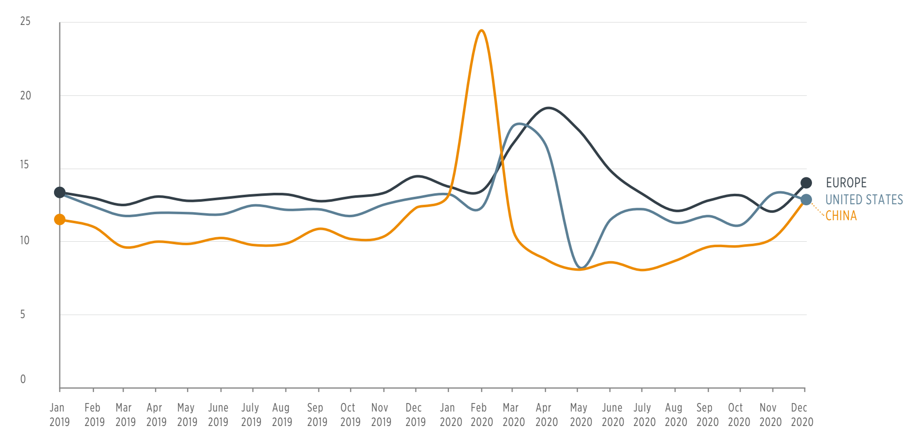
In the current climate, hotel operators are reassessing what's needed and what's not required. As Sourav Ghosh, EVP, CFO & Treasurer at Host Hotels & Resorts, put it, "Properties had to rethink the operating model from the ground up."

The shortfall in revenue was too much to overcome in 2020, but measures taken to curb expense certainly cushioned the bottom line. Now, the expectation is that those cost reductions—what many are euphemistically calling efficiencies—will carry forward through 2021.

In two surveys conducted by HAMA Europe during the pandemic, members revealed that cashflow and liquidity management topped the priority list. "The art has been finding the right balance between scrutinizing every cent spent and concurrently ensuring that guest services are carefully adapted to the hygiene requirements," said Theodor Kubak, Managing Partner at Value One - Arbireo Hospitality Invest and HAMA Europe President Emeritus.

The one change in terms of cost structure that was particularly noticeable at the start of the pandemic was a sudden spike in the cost of operating supplies, cleaning guestrooms and servicing guests, on a per-occupied-room basis. This trend was apparent across all regions, including North America, Asia-Pacific, the Middle East and Europe. Hoteliers were challenged by many of the new health and safety guidelines put forth by the brands and hotel representation associations that had to be implemented.

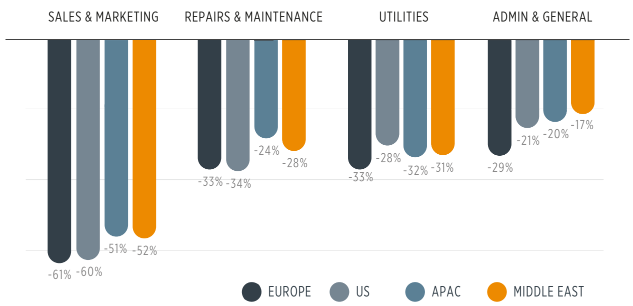
As it turned out, the increases were temporary, lasting four to five months.Costs associated with operating supplies are now coming down to pre-crisis levels.



ROOM OPERATING EXPENSES PER OCCUPIED ROOM (USD)

Overheads in all departments have seen a large decrease throughout the crisis. Undistributed expenses combined showed a year-over-year decrease of 30% to 50%, depending on the region.

The sales and marketing department was affected the most globally (50%-70% drop) due, in part, to the marketing fee being linked to hotel revenue.



TOTAL OVERHEAD EXPENSES

2020 VS 2019 YEAR-ON-YEAR % CHANGE

Sales and marketing is one cost line that is getting the once-over. To that end, Host Hotels worked with its operators to reduce the fixed portion of above-property charges, or fees paid for shared services such as sales, marketing, revenue management and IT. As many of Host's hotels are large operations with on-property personnel providing key services in-house, Host desired a more flexible above-property cost structure.

"Given the on-property talent and expertise at several of our hotels, we wanted our above-property cost structure to be less fixed, with greater flexibility to opt-in for services on an as-needed basis," Ghosh said, pleased that brands are now more willing and receptive to work with owners regarding standard fee schedules. He reported that Host's expenses have decreased significantly in the wake of the pandemic, with fixed costs down close to 50%.

Overall, owners are expecting to receive more value directly from the brands, particularly in the area of guest acquisition.

Meanwhile, all expenses are gaining further inspection, leading to many owners and operators turning to zero-based budgeting as a means to review and cope.

"Many operators, with the support of the asset managers, have worked a zero-base budgeting business model, where plans have been constantly revisited. Every dollar or euro spent is scrutinized to assess if any savings can be made," said Anne Marie Auriault, Managing Director at Pimlico Asset Management and a HAMA Europe board member.

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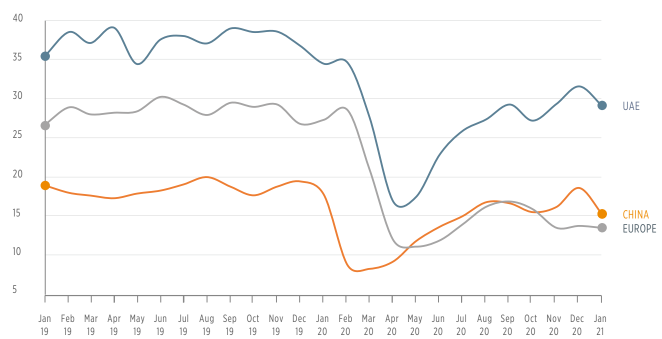
>
> — Anne Marie, MD, Pimlico Asset Management, HAMA Europe board member

For any hotel, closing came as a last resort, since ramping back up to an open can produce even more of a cost headache. For asset manager RevPAR International, it came down to blowing up the old model. That meant understanding its fixed and variable expenses. "What we did is start from a zero base—what is the minimum we need to operate, not what do we need to cut?" said Chris Cylke, COO of RevPAR International. "Then we went back and said, 'Ok, if we close the hotel, we can afford to lose $25,000 to $100,000 per month. That's your number. You can't keep it open and have a greater loss.'"

In most regions, revenue levels are still debilitated. In the coming months, hotels will find out if and how costs will start making their way back into the business. Early evidence from China suggests that expenses in the undistributed departments (except for sales and marketing) have been normalizing since February and, in some cases, are now reaching pre-pandemic levels.



UNDISTRIBUTED EXPENSES PER AVAILABLE ROOM (USD)

EXCLUDING LABOR COSTS

When things do return to more normalcy, "How will that impact certain changes implemented during the pandemic, such as cleaning protocols and F&B?" asked Biran Patel, Chairman of the Asian American Hotel Owners Association. "Will brands abandon grab-and-go breakfasts and return to buffets? Will owners implement such rigorous sanitization regimens in guestrooms and common areas? It is difficult to say with any degree of certainty because we are still headed into the recovery phase."

HALF STAFF: LOPPING LABOR

Payroll was the first expense to be slashed amid the pandemic. What's the future of labor?

The biggest cost to hoteliers is typically the first one to be shed when times get tough. The unfortunate result of the COVID-19 pandemic has been significant and unavoidable cuts to payroll, which, in normal times, can account for as much as half of all operating expenses.

Typically, total labor will account for around 35% of total revenue. In 2020, amid the dearth of revenue, that number was as much as or more than 50%.

The hotel industry is a labor of love, but 2020 was anything but affectionate. As the pandemic's grip tightened and hoteliers grasped the true scope of it, labor cuts and furloughs ensued. According to Casi Johnson, COO at accounting platform M3, many customers began managing labor by the hour by allocating dollars week to week. "People realized how vulnerable they were," she said. "They want to bring people back, but also don't want to lay people off again. It's about: How many people do I really need to get by?"

Technology, automation and cross-training are viewed as methods to keeping labor costs down, but at what detriment to the guest experience?

That's one question Hyatt is asking: How to balance service and staffing levels? "Labor management is our biggest focus as business ramps back up," said Rob Mangiarelli, Global Head of Asset Management at Hyatt Hotels Corp. "We have to manage that cost creep," which includes, he said, the idea of not rehiring back some positions until there is revenue to support it. Yes, you need housekeepers, but may not also need a housekeeping supervisor.

The goal is to come out of this crisis more efficient than before. Some, like Bill Deller, SVP of Hotel Finance for Aimbridge Hospitality, believe things like daily housekeeping could cease as an included service; others, like Evan Weiss, COO and Principal of LW Hospitality Advisors, doesn't expect some guests to want to give it up—especially at higher-end hotels—but does see potential in hotels offering credits and the like for opting out of daily cleaning.

Still, others, such as Chris Green, CEO of Chesapeake Hospitality, aren't entirely buying into the notion of everlasting expense efficiency. "For the near term, probably," he conceded. "But I've been through 9/11 and the Great Recession, and we'd always say there is a better way."

There is room for smart reduction, such as further fine-tuning of the sales and marketing department, and combining roles within it. Or removing and merging job silos. Staff flexibility is key in the current climate, as working split shifts and working in multiple departments have become much more prevalent. With that comes additional training requirements. Working in more than one department means that all team members will need to know how to use the PMS, for instance, how to answer calls and fully understand health and safety regulations.

> "Labor management is our biggest focus as business ramps back up."
> "We have to manage that cost creep."
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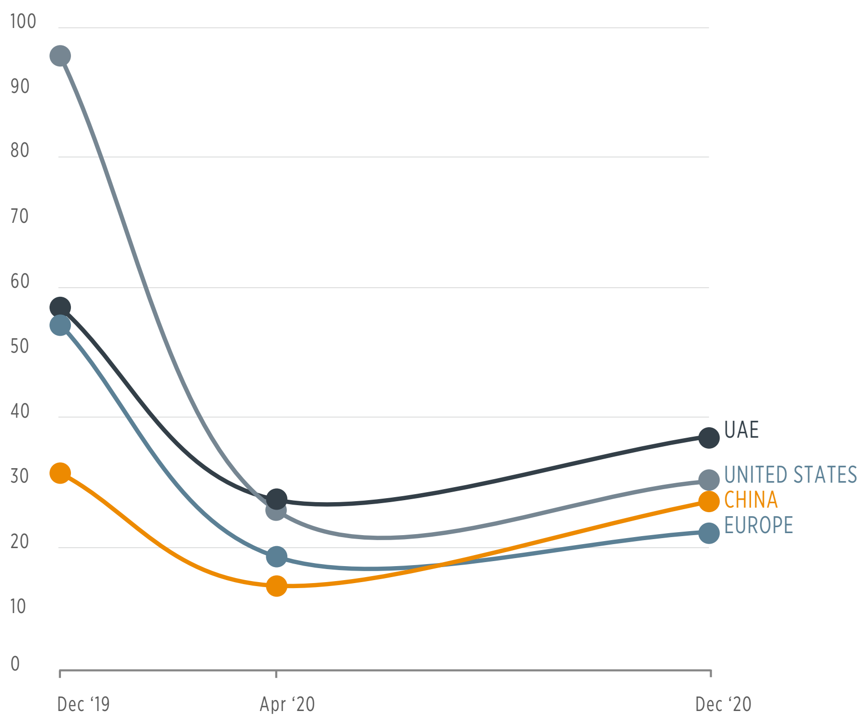
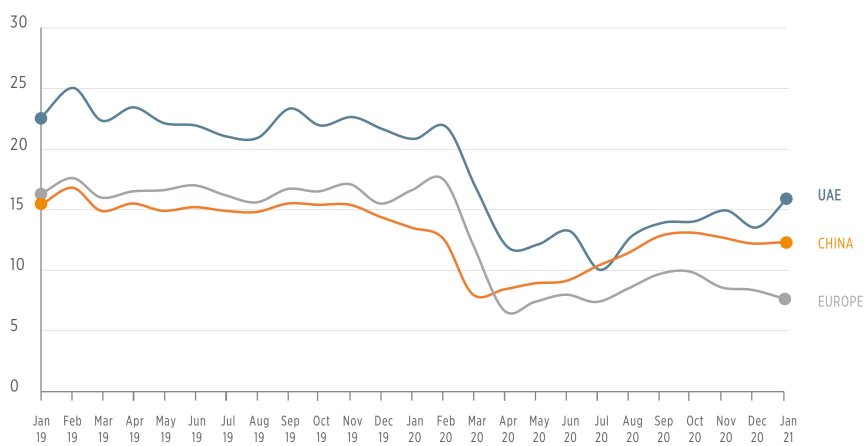
> — Rob Mangiarelli, Global Head of Asset Management, Hyatt Hotels Corp.

"Every owner believes they operate their hotels efficiently," said John Stuart, former COO of RBH Hospitality Management and IHGOA board member. "What the pandemic has done is to totally change mindsets and culture within the business and multitasking has been significant."



TOTAL HOTEL LABOR COSTS PER AVAILABLE ROOM (USD)



UNDISTRIBUTED LABOR EXPENSES PER AVAILABLE ROOM (USD)

The picture for labor costs varies significantly among the regions and also depends greatly on government support available. Most of Northern Europe, for example, has experienced a solid level of assistance in the form of furlough packages. In the U.S., The CARES Act's Paycheck Protection Program provides forgivable loans to help businesses keep their workforce employed during the crisis.

Hoteliers are looking to drive efficiency in every department, which is one of the reasons why outsourcing options are being reevaluated. Outsourcing of the housekeeping department, for example, has been common in recent years.

The question still comes down to this: Will payroll structure change permanently in the years to come? There are assumptions that leaner hotels will be the future. Early evidence out of China, in particular, suggests that this might be the case for undistributed payroll costs.

There have certainly been changes in how hotels have managed payroll during the crisis and how they will approach it going forward. "We need to make sure that we keep the efficiencies and balance it with a fun place to work," said Stuart. "It's ultimately what hospitality was and is."

FOOD FOR (RE)THOUGHT

COVID-19 has forced hotels to chew on F&B. What is the future line between expense and expectation?

Even in a good year, hoteliers sighed in relief when inspection of the P&L revealed no loss in food and beverage. Breaking even was a winning proposition.

But F&B, like anything else, is constantly evolving. In some instances, hotel restaurants became sought-out destinations due to the rise in celebrity chefs, for example. Meanwhile, as palates changed, so, too, did costs. Market places that packaged foods for "on-the-go" clientele became en vogue, and as costs associated with things like room service escalated, some hotels pulled the plug altogether.

Though breakfast is the one consistency, a full-service property turning a profit on a three-meal-a-day restaurant remains a tough proposition. The diametrical opposite is the complimentary breakfast served up at many a select-service hotel—a breakfast that typically includes hot and cold items, much revered by road warriors and families on a travel budget. Still, there is no such thing as a free lunch (or breakfast) and as the complimentary breakfast expanded, so too did food costs.

Then came a pandemic. Buffets—long the preferred conveyance of breakfast to belly—became leprous and avoided; even if indoor dining was available and not shut down by ordinance, physical distancing protocols limited the number of covers.

COVID-19 is giving hotels of all ilk motive to rethink F&B. If there is a silver lining for the hotel industry, it's this: Never let a crisis go to waste.

"There is an opportunity to simplify F&B structures permanently," said Rob Mangiarelli, Global Head of Asset Management at Hyatt Hotels Corp. "Or skinny it down," as Chris Green, CEO of Chesapeake Hospitality, put it.

"Self-service is not seen as a negative and it's more efficient from a labor perspective and cost control," added Mangiarelli. "Three-meal restaurants are going away."

A pivot to "touchless" everything (think QR codes replacing physical menus) will have a profound impact on the state of hotel F&B. Room service, which traditionally had a human-to-human component, could become more of a "knock-and-drop" transaction, as Bill Deller, SVP of Hotel Finance at Aimbridge Hospitality, artfully put it—a win for introverts and the shy, alike.

F&B has—and will continue to be—a value play in the select-service space, said Chris Cylke, COO of asset manager RevPAR International. Conversely, in full-service, like a knife cutting through a thick steak, trimming the fat will be the move. The first casualty Cylke pointed to is the buffet. "It's inefficient," he said. He, like most, believes the biggest shakeup in F&B will be in the full-service segment, as grab-and-go becomes more ubiquitous, at the upscale level and up. "People like—and many prefer—that flexibility," Hyatt's Mangiarelli said.

> **"There is an opportunity to simplify F&B structures permanently."**
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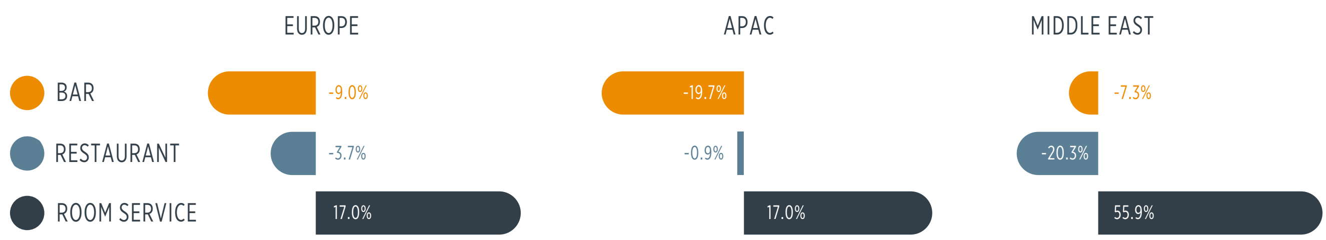
The future of F&B is tied to human interaction and protocols that dictate spatial distribution. Profit margins were already tight for restaurants and if limits on the amount of people permitted to dine inside prevail, the traditional restaurant is endangered. HotStats' research performed last year found that restaurants that followed the most lenient rules of physical distancing (5-foot/1.5-meter diameter between diners) were only able to generate 76.4% of pre-pandemic revenue.



F&B REVENUE POR

2020 VS 2019 YEAR-ON-YEAR % CHANGE

Hoteliers will be forced to balance guest needs against cost and restrictions to conceive the optimal F&B strategy. Ghost kitchens, for instance, cooking facilities that produce food solely for delivery or takeout, are becoming a stopgap for some hotels eager to maximize unused space. The trend could continue as a measure to generate revenue via a third-party lease opportunity and addresses the gap between owners looking to maximize their return on investment and the challenges associated with F&B operations.

Still, until the traveling public and locals alike regain the confidence to gather and carouse, traditional F&B, and by extension profit, looks at best murky. With profit margins already slim in restaurants and bars, hotels historically depended on banquet business to make up for the shortfall. How or if that piece of business comes back will go a long way toward sustaining F&B profit. As Mangiarelli explained, "The real money is through banqueting. Focus on those to drive margins and limit all else."

THE BUSINESS REMIX

Hoteliers rely on consistency across business channels. COVID-19 changed that fast.

Hoteliers like reliability. They build forecasts off of dependability of business. The global contagion of COVID-19 upset those best-laid plans, stabbing certainty in the heart, twisting the knife and leaving it in for good measure.

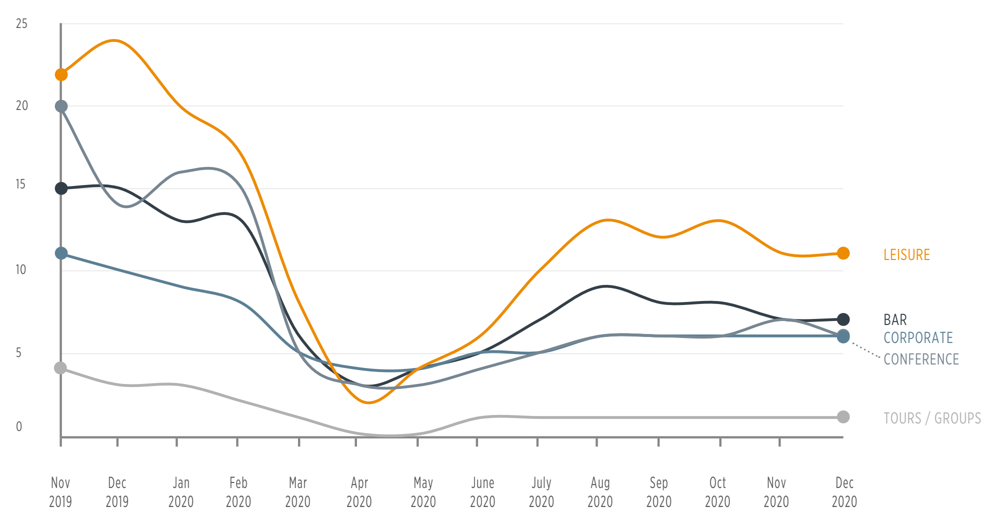
For full-service, city-center and convention hotels that rely on corporate and group business, the wound was gaping and continues to ooze. The free fall that began toward the beginning of 2020 and carried through into 2021 removed business from the books, pushed business into the still-precarious future and, overall, choked off trusted revenue that turned the bottom line into a bottomless pit of pain.

There will come a point when that pain is assuaged. "Corporate, group and conference business will return," said Dan Lesser, President & CEO of LW Hospitality Advisors. He alluded to "Zoom fatigue," or the weariness of online and virtual meetings and conferences. "The first time someone shows up to pitch a service as opposed to doing it via Zoom, guess who wins? Hotels."

The leisure transient segment proved to be relatively resilient in the face of pandemic pressure, especially over the summer months, proving that travel may be down but never out. Consider Europe, where in August, both leisure volume and rate mix were up year-over-year. Still, leisure can only sustain the hotel industry so much, and only for a select segment of hotels.

"There is a continued delay in the travel restart, especially for business travelers and convention business," said Patrick Scholes, Managing Director, Lodging and Leisure Equity Research at SunTrust Robinson Humphrey. At the outset, "We thought it was [short term] and we will be back soon. But the goal posts keep moving."

"Corporate is the scary piece," said Bill Deller, SVP of Hotel Finance at Aimbridge Hospitality.



GLOBAL SEGMENTATION

SEGMENTATION OCCUPANCY TRENDS

> "The first time someone shows up to pitch a service as opposed to doing it via Zoom, guess who wins? Hotels."
>
> — Dan Lesser, President & CEO, LW Hospitality Advisors

"We keep saying that groups will come back; that there's business on the books. But the business keeps getting pushed back. We need new bookings."

Though corporate travel remains stunted, many hotels are seeing a return of SMERF business (social, military, education, religious, and fraternal). "A good return in it," said Rob Mangiarelli, Global Head of Asset Management at Hyatt Hotels Corp. "Corporate will be dependent on the vaccine. Smaller meetings will come back first before bigger conferences." He posits that association business will be back before corporate. "They need to meet in order to make money and I expect to see it back in Q3 or Q4," he said.

Some canny hotels are using savvy to create and sustain business within the incentive travel segment, as Chris Cylke, COO of asset manager RevPAR International, points out. Instead of refunds, he said, a hotel will offer a credit greater than 100% that an employer can give as an individual gift card. They can choose to come on their own, but the hotel will hold the cash. "It's transforming group into transient business," Cylke said.

Business growth by segment remains contingent on vaccine execution. The quicker the distribution, the faster travel will return. The good news is that the number of new COVID-19 cases globally has been falling, the World Health Organization (WHO) has reported. In the U.S., new cases have declined by 61 percent compared to the peak level on January 8. Signs like these offer light at the end of what's been a dark tunnel.

"Leisure will lead the charge come summertime 2021," said Paul Mengacci, VP of Finance and Analytics for Prism Hotels & Resorts. "There is pent-up demand. Corporate, group and large meetings will lag, but it's just a matter of time and patience."

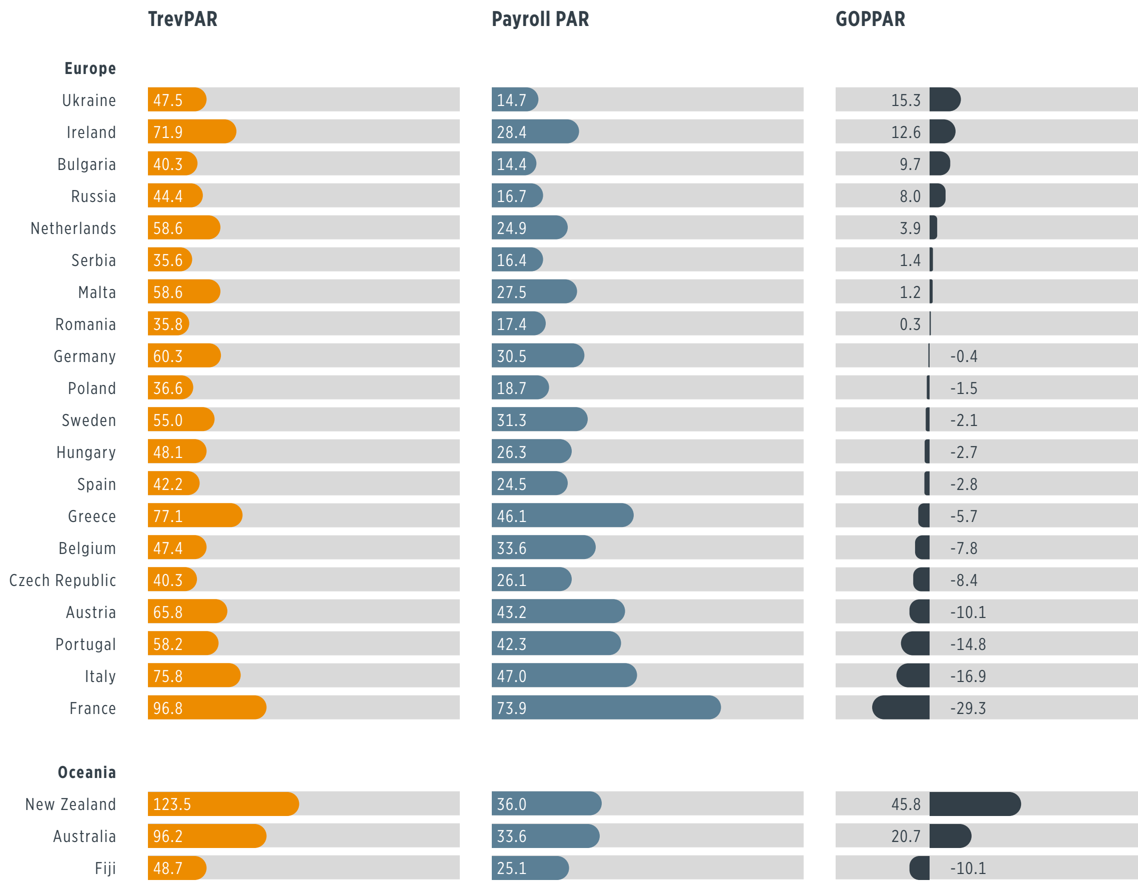
2020 COUNTRY LEVEL HOTEL PERFORMANCE

All values in USD

	TrevPAR	Payroll PAR	GOPPAR
Africa			
Seychelles	241.8	50.7	109.4
Ethiopia	74.6	23.4	22.8
Nigeria	80.7	30.6	13.7
Egypt	46.9	17.7	4.9
South Africa	35.0	13.4	0.9
Algeria	39.9	23.0	-3.8
Morocco	42.9	27.1	-10.5
Kenya	26.6	22.1	-12.7
Mauritius	65.6	41.7	-21.6
Americas			
Aruba	198.8	75.0	39.4
Costa Rica	154.1	65.3	15.2
Mexico	78.6	31.6	9.4
United States	78.9	40.1	7.2
Peru	36.4	15.6	2.8
Colombia	36.2	17.5	-1.8
Canada	53.8	28.3	-2.1
Brazil	31.3	16.2	-2.4
Panama	32.6	15.6	-2.8
Uruguay	29.7	16.6	-4.1
Argentina	27.3	19.5	-7.7
Chile	42.1	32.5	-15.0
Asia			
Maldives	253.5	100.6	43.1
Qatar	158.0	56.5	40.0
Singapore	129.8	43.7	36.9
United Arab Emirates	113.4	39.7	21.3
Kuwait	93.9	41.4	17.5
Turkey	56.2	17.8	17.1
China	75.8	26.5	16.5
Taiwan	127.0	55.4	12.8
Philippines	64.4	22.9	9.0
Saudi Arabia	72.1	32.4	9.0
India	45.1	13.0	8.4
Kazakhstan	42.5	16.3	5.8
Japan	170.2	71.9	4.3
Bahrain	97.4	47.8	2.2
Georgia	23.1	10.5	0.3
Nepal	32.9	16.2	-1.3
Thailand	54.6	28.5	-1.6
Azerbaijan	43.0	26.1	-3.8
Israel	117.7	71.1	-4.4
Malaysia	40.2	21.8	-5.3
Lebanon	50.9	30.5	-8.1
South Korea	133.1	66.9	-8.5
Jordan	53.2	32.4	-13.2
Oman	67.2	43.8	-14.4
Hong Kong	114.0	70.8	-15.6
Vietnam	64.7	28.2	-31.1
Indonesia	36.2	22.7	-46.8

2020 COUNTRY LEVEL HOTEL PERFORMANCE

All values in USD



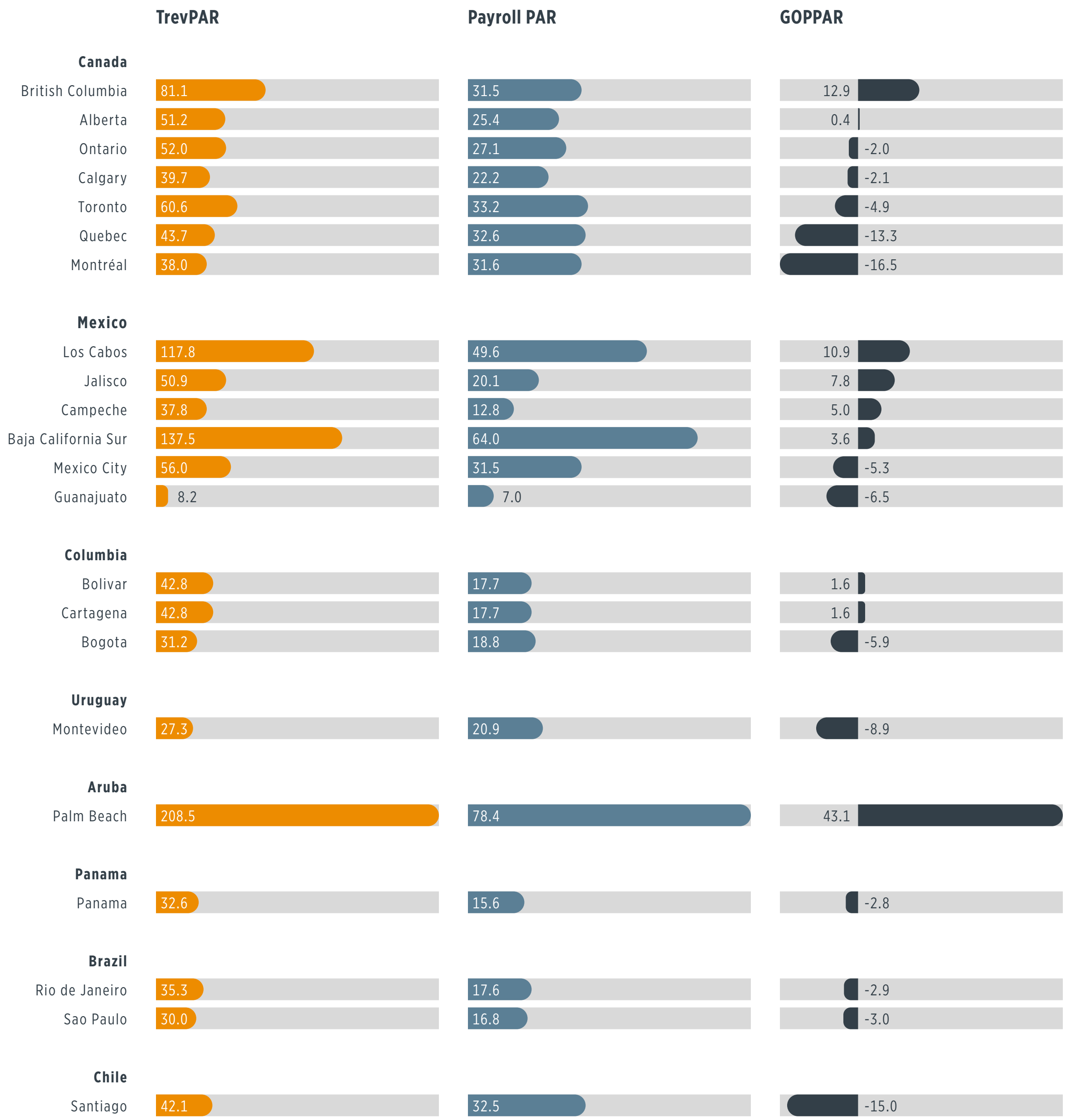
UNITED STATES PERFORMANCE

All values in USD

United States	TrevPAR	Payroll PAR	GOPPAR
Florida	113.9	37.8	36.7
Montana	81.7	25.6	30.9
Utah	82.1	29.5	30.5
Idaho	66.9	15.9	29.7
Arizona	110.6	42.6	28.3
Wyoming	62.3	16.0	25.5
South Dakota	79.5	25.4	24.5
Delaware	69.6	20.1	24.1
Alaska	52.9	12.7	22.4
Mississippi	50.4	12.3	21.1
Alabama	53.8	13.4	20.6
Iowa	59.6	14.4	20.4
Nevada	82.1	33.6	18.5
Louisiana	63.8	20.9	18.4
New Hampshire	61.8	19.5	18.2
Tennessee	56.7	17.9	16.0
Colorado	80.4	33.7	15.6
Georgia	67.2	24.3	15.5
Texas	65.9	25.0	15.0
Rhode Island	55.4	17.1	14.8
California	89.1	42.4	14.3
South Carolina	59.5	21.0	14.3
Vermont	57.2	19.3	14.3
New Mexico	62.4	24.9	12.9
North Carolina	50.4	17.6	12.1
West Virginia	42.8	12.9	12.0
Kentucky	42.8	13.4	11.8
Nebraska	39	9.7	11.2
Maine	48.7	18.2	11.0
Arkansas	43.2	13.9	10.4
North Dakota	42.4	14.9	9.8
Oregon	50.7	21.6	9.1
Michigan	46.8	18.1	8.4
Connecticut	50.4	21.1	7.9
Indiana	42.5	14.9	7.9
Kansas	38.5	14.5	7.2
Virginia	51.2	23.4	6.1
Wisconsin	47.6	20.2	6.0
Maryland	48.7	21.5	5.9
Missouri	44.2	19.3	4.5
Ohio	41.4	17.3	4.4
Oklahoma	34.3	13.5	4.2
Hawaii	122.4	68.2	3.5
Washington	51.9	26.8	2.0
Pennsylvania	48.1	24.7	0
New Jersey	47.2	25.8	-0.8
Minnesota	37.5	21.4	-3.7
Massachusetts	54.7	32.5	-4.4
District of Columbia	64.4	46.3	-11.8
Illinois	36.7	30.7	-13.9
New York	63.9	65.6	-31.6

AMERICAS EXCLUDING UNITED STATES

All values in USD



ASIA CITIES

All values in USD

	TrevPAR	Payroll PAR	GOPPAR
China			
Sanya	133.9	37.6	49.1
Guangzhou	124.8	39.3	35.1
Shenzhen	124.5	40.6	34.9
Jinan	101.8	29.6	31.4
Changsha	100.7	32.3	30.0
Hangzhou	97.1	31.7	26.7
Xi'An	83.2	26.0	22.5
Nanjing	88.9	30.2	20.9
Guiyang	72.9	24.1	20.8
Chongqing	70.5	21.2	20.3
Chengdu	71.1	22.3	19.8
Zhengzhou	66.1	20.4	19.6
Haikou	76.0	22.4	18.9
Shanghai	91.8	34.7	18.7
Suzhou	78.4	26.3	16.6
Wuhan	73.3	24.0	16.3
Hefei	66.2	22.2	15.8
Fuzhou	72.5	23.9	15.4
Changzhou	77.8	24.6	14.8
Xiamen	72.1	26.9	13.6
Ningbo	76.8	25.8	13.4
Beijing	79.4	34.5	10.5
Foshan	53.4	17.8	10.4
Huizhou	66.2	24.7	10.2
Shenyang	59.4	20.0	9.4
Yantai	45.6	15.7	7.9
Wuxi	67.7	25.4	7.8
Qingdao	60.5	23.1	7.7
Zhenjiang	65.1	25.5	6.4
Dalian	52.2	20.4	5.6
Yinchuan	38.6	14.9	5.3
Tianjin	53.9	24.5	1.2
Zhongshan	36.9	14.8	0.9
Zhuhai	56.5	27.7	-0.3
Jiaxing	40.8	20.5	-0.6
Baishan	34.4	14.3	-1.0
Langfang	30.1	18.6	-7.8
China, Hong Kong Special Administrative Region			
Hong Kong Island	148.6	92.6	-20.4
China, Macao Special Administrative Region			
Macau	80.4	65.5	-37.8

ASIA CITIES

All values in USD

	TrevPAR	Payroll PAR	GOPPAR
India			
Mumbai	71.3	20.6	18.2
New Delhi	56.5	16.0	11.8
Gurgaon	40.1	10.3	10.4
Calcutta	50.4	13.5	10.2
Jaipur	35.2	8.4	8.3
Hyderabad	37.5	11.3	5.5
Ahmedabad	32.8	10.7	3.2
Pune	39.3	12.4	2.2
Chennai	36.7	12.5	2.0
Bangalore	31.4	11.9	0.4
Indonesia			
Kuta	16.1	12.2	-35.9
Bandung	33.4	14.1	-36.1
Jakarta	44.3	26.0	-41.3
Nusa Dua	41.5	38.4	-73.2
Japan			
Osaka	189.1	75.7	14.2
Minato	312.2	130.2	8.3
Kyoto	254.3	149.2	-78.7
Malaysia			
Kuala Lumpur	37.5	22.1	-8.9
Nepal			
Kathmandu	32.9	16.2	-1.3
Republic of Korea			
Busan	190.4	54.6	28.5
Seoul	150.3	84.9	-20.1
Singapore			
Singapore	129.8	43.7	36.9
Taiwan			
Taipei City	133.6	59.6	10.6
Thailand			
Hua Hin	94.5	33.4	20.8
Bangkok	54.4	28.6	-3.8
Ko Samui	118.9	77.1	-18.4
Vietnam			
Da Nang	46.7	19.0	-1.3
Hanoi	79.4	32.2	-23.8
Ho Chi Minh City	68.4	26.5	-59.9

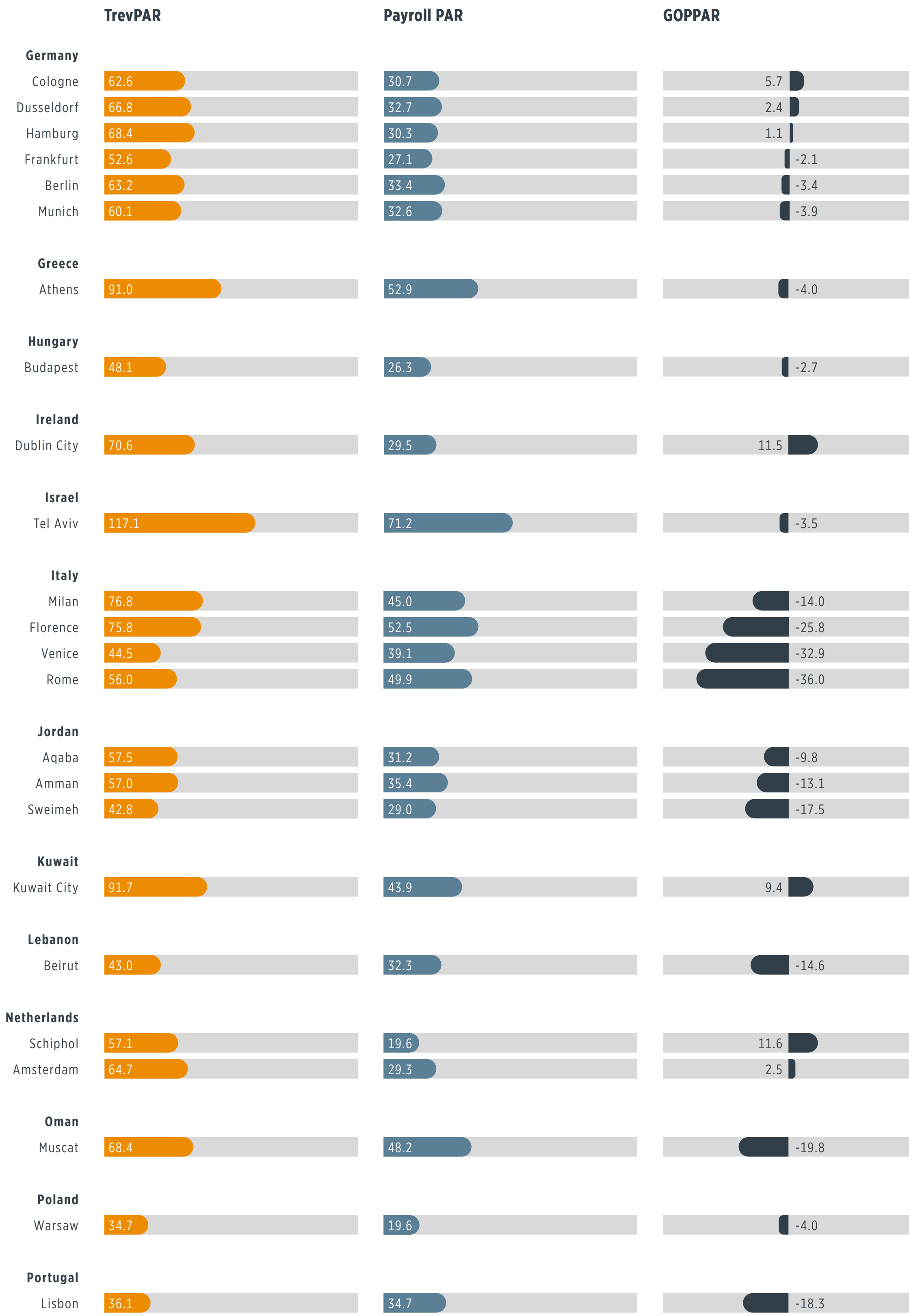
EUROPE & MIDDLE EAST CITIES

All values in USD

	TrevPAR	Payroll PAR	GOPPAR
Austria			
Vienna	65.6	42.0	10.0
Azerbaijan			
Baku	43.0	26.1	3.8
Bahrain			
Manama	74.8	38.4	-3.4
Belgium			
Brussels City	26.5	26.7	-16.9
Czech Republic			
Prague	41.5	28.5	-11.0
United Kingdom			
Exeter	58.1	14.3	15.6
Southampton	54.3	17.5	11.5
Bristol	45.0	14.5	8.2
Bournemouth	49.0	16.4	7.8
Brighton	75.1	31.7	7.0
Cambridge	54.4	20.7	6.2
Oxford	51.7	22.3	6.1
Inverness	46.2	16.3	5.7
Sheffield	35.4	12.1	5.4
Liverpool	45.1	15.8	5.1
Luton	30.6	10.7	3.8
York	59.2	25.8	3.4
Aberdeen	37.4	14.4	3.0
Belfast	33.7	13.7	1.6
Northampton	45.7	18.1	1.3
London	65.2	33.4	0.7
Gloucester	44.9	19.2	0.0
Birmingham	30.6	12.6	-0.3
Manchester	42.2	18.2	-0.8
Leicester	37.2	16.9	-1.6
Swindon	33.3	14.5	-1.7
Cardiff	50.3	24.5	-3.5
Edinburgh	39.8	21.0	-3.7
Leeds	39.0	19.3	-3.9
Stratford-upon-Avon	48.0	21.7	-4.3
Glasgow	42.9	21.7	-4.4
Nottingham	33.2	17.4	-5.8
Cheltenham	44.7	23.5	-8.0
France			
Nice	70.5	43.5	-11.0
Paris	111.3	100.7	-50.0

EUROPE & MIDDLE EAST CITIES

All values in USD



EUROPE & MIDDLE EAST CITIES

All values in USD

	TrevPAR	Payroll PAR	GOPPAR
Qatar			
Doha	158.0	56.5	40.0
Romania			
Bucharest	37.6	18.6	0.1
Russian Federation			
Saint Petersburg	33.1	12.2	4.3
Moscow	44.3	22.2	0.4
Saudi Arabia			
Al Khobar	109.8	40.1	28.3
Riyadh	119.0	48.4	25.1
Dammam	68.2	27.4	18.6
Al Jubail	67.3	25.2	13.3
Jeddah	83.2	43.9	1.5
Medina	55.8	30.0	-3.0
Makkah	25.5	17.7	-9.4
Serbia			
Belgrade	35.6	16.4	1.4
Spain			
Seville	38.9	22.5	-3.7
Madrid	33.4	20.6	-3.7
Barcelona	52.7	31.4	-4.6
Granada	14.7	11.5	-6.4
Sweden			
Stockholm	51.6	28.7	-1.1
Switzerland			
Zurich	114.5	70.9	-1.8
Geneva	193.8	140.1	-27.0
Turkey			
Istanbul	64.8	24.5	14.5
Ankara	32.9	14.0	5.3
Ukraine			
Kiev	36.3	13.8	8.0
United Arab Emirates			
Ras al Khaimah	137.9	33.9	48.2
Dubai	112.6	38.1	23.3
Abu Dhabi	125.2	54.4	8.8
Sharjah	39.6	18.4	-3.1

SUMMATION

The future of travel is hazy, but a future is coming.

COVID-19 was a gut punch to the global hospitality industry, which remains keeled over as a result. But like any champion, the hotel industry is far from being counted out; it will just take time to gather its full footing.

2020 was a year for the record books—and not in a good way. After years of smooth sailing, the hotel industry was bound for a correction; the hope, however, was for a blip, not a full blowout. The latter was what it got. "We were in a 10-year period of growth," said Paul Mengacci, VP of Finance and Analytics for Prism Hotels & Resorts. "That long-term shared success allowed us to gain weight, including on expenses. We're counting every calorie now."

Now, the comeback commences. There is no quick fix but patience and time. If there is good news, it's this: This was not a crisis of finance, a crisis of manufactured strife or a crisis of confidence. The fundamentals of the hospitality industry were and remain strong and the optimist in us all believes that though the light of the end tunnel may be indiscernible to the naked eye, it is there, and is inextinguishable.

Right now, it's a demand dilemma, straight and simple. Until the traveling public is confident and free of fear, travel will be stymied. There are signs that things are turning, underscored by the weekly drops in case counts, a propitious sign that though the pandemic is not over, it could be decelerating.

Reason suggests that as case counts decrease, fear of travel would, likewise, subside. Prevailing opinion holds that leisure travel will prop the segment up until companies start sending their employees back out on the road to do business. But that could take time and a recent study by McKinsey Global Institute stated that 20% of business travel won't ever come back and about 20% of workers could end up working from home indefinitely. Heady stuff.

"Vaccine distribution prioritizes high-risk populations, such as those 65 and older, and businesses may look to return to a more structured workplace situation before ramping up business travel," said Biran Patel, Chairman of the Asian American Hotel Owners Association. "It is likely that leisure travel will pick up before corporate travel."

And though some propagate the notion that travel as we know it is over, or at least changed forever, some within the hospitality space, naturally, are rosier. "Travel will come back with a vengeance, from corporate through to conference," said Dan Lesser, President & CEO of LW Hospitality Advisors. "We are not getting deprogrammed. In other downturns, there were 'OMG' moments; now, lower Manhattan, for instance, is back. If you told someone today about being scared to go into a high-rise building, they'd laugh."

How it will all shake out is still indefinite, but in the meantime, hoteliers will have to strategize on the demand they do have. That means a focus on total revenue management, total expense control and total profit maximization. And that means rethinking every nook and cranny of a property.

"Scaling the operation down during the pandemic to reduce losses is a must," said Chris Cylke, COO of RevPAR International. "It's about identifying and refocusing cost structures. Rethink what to spend money on and always ask: Why are we paying for this?"

In the long run, better expense management will promote better flow through and profitability. In order to validate process success, hotels need a point of measurement. That's the role profitability benchmarking fills. "Absent a budget, and last year data having little value, benchmarking the bottom line is key," said Mengacci. "The pandemic is unprecedented. We need context."

Hotels are not going anywhere. The art of hospitality is not going anywhere. "Fastballs are always coming at us," said Lesser. "But people have short memories."

DISCLAIMER

Data used and cited in the "Profit Matters Global Hotel Performance Review 2020" is comprised of more than 10,000 hotels and 1.7 million guestrooms worldwide. The hotels within the report are predominantly branded and cover all segments, including economy, extended-stay, select-service, full-service and luxury. HotStats would also like to thank M3 for its contribution to our U.S. hotel database.

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