

**HOTEL REAL ESTATE**  
**COVID-19 UPDATES FROM WEEK OF 03.23.2020**  
*by hotelAVE*

**STR REVPAR TRENDS – 3 WEEKS OF COVID-19 IMPACT (-12%, -33% and now -70%)**

Week Ended:	Week Ending March 21 - Percent Change vs. Prior Year								
	Occ % Change			ADR % Change			RevPAR % Change		
	7-Mar	14-Mar	21-Mar	7-Mar	14-Mar	21-Mar	7-Mar	14-Mar	21-Mar
<b>Total US</b>	<b>-7.3</b>	<b>-24.4</b>	<b>-56.4</b>	<b>-4.6</b>	<b>-10.7</b>	<b>-30.2</b>	<b>-11.6</b>	<b>-32.5</b>	<b>-69.5</b>
Luxury	-12.2	-38.3	-79.2	-1.9	-2.2	-14.6	-13.9	-39.7	-82.3
Upper Upscale	-11.2	-39.0	-79.7	-4.4	-7.1	-18.8	-15.2	-43.4	-83.5
Upscale	-7.9	-28.8	-68.3	-4.8	-7.3	-18.0	-12.4	-34.0	-74.0
Upper Midscale	-6.2	-21.8	-57.0	-3.7	-6.0	-16.1	-9.7	-26.5	-63.9
Midscale	-5.7	-17.9	-44.0	-2.7	-6.4	-16.3	-8.2	-23.2	-53.1
Economy	-5.2	-13.6	-30.4	-3.6	-7.7	-19.1	-8.6	-20.2	-43.7
Urban	-10.9	-38.9	-76.6	-8.3	-15.9	-36.3	-18.3	-48.6	-85.1
Airport	-10.0	-25.9	-56.7	-5.6	-10.6	-24.0	-15.1	-33.7	-67.1
Destination Resort	-11.8	-33.2	-73.6	0.3	-1.9	-11.8	-11.5	-34.5	-76.7
Convention	-13.3	-39.3	-77.9	-3.2	-5.1	-26.3	-16.1	-42.4	-83.7
Spa	-11.6	-33.6	-74.0	-1.7	-3.0	-22.3	-13.0	-35.7	-79.8
Boutique	-10.5	-36.5	-79.1	-7.2	-9.8	-23.5	-16.9	-42.7	-84.0
<b>Segments (Luxury/Upper Upscale)</b>	<b>-11.5</b>	<b>-38.9</b>	<b>-79.6</b>	<b>-3.6</b>	<b>-5.2</b>	<b>-17.1</b>	<b>-14.6</b>	<b>-42.0</b>	<b>-83.0</b>
Transient	-8.4	-31.7	-76.3	-5.0	-5.6	-13.5	-13.0	-35.5	-79.5
Group	-16.7	-56.6	-96.1	-1.2	-4.0	-13.9	-17.7	-58.3	-96.6
Contract	-12.2	-12.9	-5.9	-3.1	-4.8	-12.9	-14.9	-17.0	-18.1

*Source: STR*

According to CBRE and SunTrust, we are 7 weeks behind China and 3 weeks behind Italy.

United States Occupancy Based on China & Italy			
2019 Occ	Week Ending	Based on China	Based on Italy
66.6%	3/7/2020	61.8%	61.8%
70.1%	3/14/2020	53.0%	53.0%
69.6%	3/21/2020	30.3%	30.3%
69.5%	3/28/2020	13.0%	6.2%
68.7%	4/4/2020	13.2%	2.7%
69.9%	4/11/2020	14.8%	-
65.7%	4/18/2020	16.0%	-
68.9%	4/25/2020	18.8%	-
68.9%	5/2/2020	19.3%	-

*Source: hAVE, STR*

Week Ending March 21 - Percent Change vs. Prior Year										
Top 25 Markets	Occ % Change			ADR % Change			RevPAR % Change			
	Week Ended:	7-Mar	14-Mar	21-Mar	7-Mar	14-Mar	21-Mar	7-Mar	14-Mar	21-Mar
Anaheim/Santa Ana, CA		-27.3	-33.9	-75.8	-19.9	-17.9	-36.4	-41.8	-45.8	-84.6
Atlanta, GA		-9.0	-22.1	-56.8	-6.7	-7.4	-35.5	-15.1	-27.8	-72.2
Boston, MA		-5.7	-40.4	-74.9	-3.3	-14.2	-29.7	-8.8	-48.9	-82.4
Chicago, IL		-13.5	-35.0	-69.6	-5.8	-12.4	-31.9	-18.5	-43.1	-79.3
Dallas, TX		-5.6	-26.1	-55.9	-1.6	-13.4	-32.3	-7.1	-36.0	-70.1
Denver, CO		-11.1	-31.8	-62.2	-0.5	-11.5	-27.4	-11.5	-39.6	-72.6
Detroit, MI		1.9	-20.9	-49.3	0.0	-10.6	-29.3	1.9	-29.3	-64.1
Houston, TX		-6.1	-26.6	-52.8	-6.6	-17.8	-33.7	-12.4	-39.6	-68.7
Los Angeles/Long Beach, CA		-8.2	-31.6	-64.9	-0.7	-12.2	-29.0	-8.9	-39.9	-75.1
Miami/Hialeah, FL		-9.0	-25.5	-62.8	-1.5	-10.2	-30.5	-10.4	-33.1	-74.1
Minneapolis/St Paul, MN-WI		-10.7	-28.4	-67.5	-3.2	-8.6	-26.4	-13.6	-34.6	-76.1
Nashville, TN		1.8	-16.1	-61.4	-0.7	-8.6	-39.4	1.1	-23.3	-76.6
New Orleans, LA		-10.3	-24.6	-76.0	-17.3	-22.8	-43.6	-25.8	-41.8	-86.5
New York, NY		-13.1	-43.9	-80.5	-8.3	-19.1	-30.9	-20.3	-54.6	-86.5
Norfolk/Virginia Beach, VA		-2.4	-20.8	-46.0	1.3	-8.2	-23.2	-1.1	-27.3	-58.6
Oahu Island, HI		-12.2	-19.9	-52.2	1.7	-1.6	-9.3	-10.6	-21.2	-56.7
Orlando, FL		-12.2	-37.1	-74.7	-5.3	-14.7	-40.5	-16.8	-46.3	-84.9
Philadelphia, PA-NJ		-6.2	-26.7	-62.1	-2.0	-7.2	-35.5	-8.1	-32.0	-75.6
Phoenix, AZ		-10.5	-26.3	-64.7	-4.5	-11.6	-35.8	-14.6	-34.9	-77.3
San Diego, CA		-9.9	-34.5	-66.0	-1.6	-15.3	-32.3	-11.3	-44.5	-77.0
San Francisco/San Mateo, CA		-21.8	-51.6	-80.7	-30.4	-24.2	-44.7	-45.5	-63.3	-89.3
Seattle, WA		-26.4	-55.0	-72.0	-11.5	-24.7	-34.4	-34.8	-66.1	-81.6
St Louis, MO-IL		-11.1	-32.2	-60.3	-4.1	-8.7	-24.6	-14.8	-38.1	-70.1
Tampa/St Petersburg, FL		-6.5	-17.9	-54.2	-2.8	-7.0	-22.6	-9.1	-23.6	-64.5
Washington, DC-MD-VA		-5.2	-33.4	-69.8	-2.1	-8.6	-38.0	-7.2	-39.1	-81.3

Source: STR

### HOTSTATS: CHINA GOP DATA IS LEADING PERFORMANCE INDICATOR FOR MARCH-MAY

- In January, the Asian markets of Shanghai, Hong Kong and Beijing reported GOP declines of 48.1%, 74.2% and 49.1%, respectively.
- China's January is March for the United States in the progression of the virus impacting travel and the economy.
- See below for China's February results. Expect to see something similar for April in the US.

Profit & Loss Indicators - China (USD)	
KPI	February
<b>RevPAR</b>	<b>\$6.67</b>
Change to STLY	-89.4%
<b>TRevPAR</b>	<b>\$10.41</b>
Change to STLY	-89.9%
<b>Payroll PAR</b>	<b>\$27.03</b>
Change to STLY	-31.2%
<b>GOPPAR</b>	<b>-\$27.73</b>
Change to STLY	-216.4%

Source: Special Report: COVID-19 Profit Impact on Asia Markets by HotStats

### CBRE NOW SAYING 2020 REVPAR AND GOP WILL BE DOWN 37% & 71%, RESPECTIVELY, BUT STR SAYS THAT REVPAR WILL BE DOWN MORE - A DECREASE OF 51%

- CBRE forecasting 2020 RevPAR, demand & ADR decline to be 37%, 28% & 11%, respectively.
- STR forecasting 2020 RevPAR, demand & ADR decline to be 51%, 51% & 14%, respectively.

- CBRE’s forecasted occupancy decline (-29% to an annual occupancy level of 47%) is significantly lower than that of STR’s forecast (-43% to an annual occupancy level of 38%).
- STR is forecasting a slightly greater decline in ADR (-14%) vs. CBRE (-11%).
- STR forecasts that supply changes in 2020 will be significantly impacted (a decline of 15%) by the pandemic, while CBRE is forecasting no impact (forecasting supply growth of 1.9%).
- CBRE forecasts full recovery by 2022, which is inconsistent with our data (especially ADR recovery). STR’s forecast for a full recovery is likely a year behind CBRE’s forecast.
- CBRE forecasts a much quicker rebound in ADR than STR (STR’s forecasted ADR for 2021 is roughly equal to CBRE’s forecasted ADR for 2020).
- CBRE’s GOP flex is consistent with the industry standard loss of \$1 on the top and \$2 on the bottom, but that traditional model has never been tested at such an extreme decline of revenue.

United States Forecast - 2020 to 2022						
		2020F		2021F		2022F
	2019	CBRE	STR	CBRE	STR	CBRE
Occupancy	66.1%	46.8%	37.9%	60.2%	59.7%	64.0%
% Change	0.0%	-29.3%	-42.6%	28.7%	57.3%	6.4%
ADR	\$131.20	\$117.09	\$112.91	\$125.78	\$117.05	\$134.15
% Change	1.0%	-10.8%	-13.9%	7.4%	3.7%	6.7%
RevPAR	\$86.73	\$54.76	\$42.84	\$75.72	\$69.86	\$85.89
% Change	0.9%	-36.9%	-50.6%	38.3%	63.1%	13.4%
Demand Change	2.0%	-27.9%	-51.2%	30.7%	81.8%	6.7%
Supply Change	2.0%	1.9%	-14.9%	1.5%	15.6%	0.4%

Sources: Updated 2020 Outlook: Expectations for the Year Ahead by Jaime Lane, March 24, 2020; STR

**CARRY COSTS DURING CLOSURE AVERAGE 23% OF A HOTEL’S NORMALIZED MONTHLY EXPENSES (BEFORE DEBT SERVICE)**

- Results are from hotelAVE’s survey of our closed hotel portfolio.
- Higher labor cost hotels averaged 25% while lower labor cost hotels averaged 19%.
- Full-service averaged 23%, or roundly \$1,500 per guestroom.
- Urban Select-service also averaged 23%, or roundly \$500 per guestroom.

Source: hotelAVE

**COMPILATION OF ASKS TO AND OFFERS MADE BY LENDERS FOR HOTEL BORROWERS**

The following represents the most common real time bid/ask requests between owners and lenders in their forbearance discussions:

- Defer interest and/or principal payments for 90 days and add to the balloon payment due at maturity.
- Use of FF&E reserve to fund debt service and/or operating shortfalls.
- Full replenishment of FF&E reserve as priority to owner distributions until caught up.
- Working capital loan.
- Drop LIBOR floor.
- No requirement to fund FF&E for a year.
- Covenant waivers, including abate DSC test and revise to look back to T6 from T12, waive LTV, guarantor net worth and liquidity tests.

Source: hotelAVE

## **NY REGULATED BANKS REQUIRED TO GRANT 90-DAY FOREBEARANCES**

- Governor Cuomo issued an Executive Order on March 21, 2020 lasting thru April 20, 2020, deeming it an unsafe business practice for any NY regulated bank to not grant a 90-day forbearance to any borrower experiencing a financial hardship due to the COVID-19 crisis.
- According to Kane Kessler, the order appears to apply to New York State licensed banks, New York branches of other states' banks or non-U.S. banks licensed by New York State.
- Owners should consult with their lawyers before relying on this order as it's not clear that it's enforceable and there are many unanswered questions.

Source: *Press Release from Kane Kessler March 25, 2020*

## **PANDEMIC RISK INSURANCE ACT (PRIA) COULD PROVIDE RELIEF TO HOTEL OWNERS**

- If enacted, PRIA would provide:
  - a federal loss-sharing program or reinsurance backstop for insurance claims relating to losses resulting from a certified pandemic or epidemic like COVID-19.
  - reinsurance backstop to cover losses to insurance sector from the Coronavirus crisis because there is a need for pandemic insurance.
- Recommendations exist to make coverage retroactive (covering current COVID-19 epidemic).
- Request came from US National Retail Federation because most insureds are not able to claim on business interruption (BI) because the policy did not cover pandemic.
- Being compared to the Terrorism Risk Insurance Act (TRIA).

Source: *Pandemic Risk Insurance Act of 2020: Proposed Legislation in Response to COVID-19 by Christa Dommers and Thomas Michaelides of Seyforth Shaw and Steve Evans of Artemis, March 25, 2020*

## **SENATE REACHES DEAL ON CARES ACT WITH \$349B TO ELIGIBLE SMALL BUSINESSES AND \$454B TO ELIGIBLE MID-SIZED BUSINESSES WHOSE CONTINUED OPERATIONS WERE AFFECTED BY COVID-19**

There are 2 primary sections that apply to hotel owners (Title 1 and 2). The situation surrounding COVID-19 is evolving and the subject matter discussed herein may change on a daily basis as the SBA and Treasury department issue further guidelines.

### Title 1 – Up to \$10M Payroll Protection Loan from SBA

- Business must apply no later than June 30, 2020; but \$349B of loans is “first come, first serve”.
- Only funds used for eligible payroll, utilities, rent and interest on mortgage payments during the first 8 weeks of the loan would be eligible to be forgiven. The calculation of the actual amount forgiven is based on an FTE factor (full time equivalents).
- Does not require personal guarantees or collateral and no fees to borrower; therefore, lender pre-approval may not be required. Borrower should still check with existing lender.
- AHLA is concerned that this limit will not allow owners to meet both payroll and debt service beyond 4-8 weeks.

### Title 2 – Employer Payroll Tax Credit & Social Security Tax Deferral

- Payroll tax credit for each quarter is equal to 50% of eligible payroll taxes paid after March 12<sup>th</sup> and before January 1, 2021 for each **quarter** the criteria is met.
- 100% of employer's share of Social Security taxes can be deferred for the same period as the Payroll Tax Credit is in place.
- No application process required. It would be calculated when filing quarterly tax deposits.

Sources: *hotelAVE, AHLA; CARES Act*

Disclaimer: Please note that the situation surrounding COVID-19 is evolving and the subject matter discussed in these publications may change on a daily basis as the SBA and Treasury department will be issuing further guidelines. Presented herein is the preliminary interpretation of hotelAVE which cannot be relied upon by third parties. Information will be updated as it becomes available.