

5 things to know: 19 March 2020

From the desks of the Hotel News Now editorial staff:

- US RevPAR down 32.5%
- Chinese booking site predicts rebound
- Marriott outlines coronavirus response
- Analysts see risk for hotel REITs
- HotelAVE predicts five-year recovery period

By the HNN editorial staff

1 U.S. RevPAR down 32.5%: With the U.S. economy coming to a screeching halt amid concerns about COVID-19's spread, U.S. hotels posted predictably bad performance [during the week ending 14 March](#). According to data from HNN's parent company STR, revenue per available room dropped 32.5% year over year to \$63.74.

That drop can largely be attributed to a 24.4% drop in occupancy to 53%, but there was also a 10.7% drop in average daily rate to \$120.30.

Seattle, which was one of the first U.S. markets to struggle with coronavirus outbreaks, had the worst performance among the top 25 markets, with a 66.1% drop in RevPAR.

2 Chinese booking site predicts rebound: China-based Trip.com is seeing "a glimmer of hope in a sea of economic gloom" [with a rebound in domestic travel bookings](#), Reuters reports. The booking site reported \$4.4 billion in travel cancelled amid COVID-19 concerns.

"Even as international flights are grounded and countries close their borders, the People's Republic is gradually lifting curbs," the news agency reports. "Trip says hotels and airlines across the country are resuming business and it anticipates a quick recovery in domestic tourism. Likewise, smaller peer Tongcheng-Elong earlier this month reported a surge in hotel and flight reservations at the end of February; notably, airline ticket sales for June also have ticked up as travelers look ahead."

3 Marriott outlines coronavirus response: Marriott International executives provided an update on their business this morning, outlining their response to the sudden drop in demand faced by the global hotel industry.

The executives confirmed plans, reported Wednesday, to furlough tens of thousands of employees, and today's announcement included "measures such as closing food and beverage outlets, reducing staff and closing floors or even entire hotels," [according to a news release](#).

Executives at both [DiamondRock Hospitality](#) and [Ashford Inc.](#) also discussed cuts in response to the drop in demand. According to a news release, DiamondRock has suspended its dividend, suspended operations of some outlets and “right-sized” some hotels, and is drawing the \$360 million available in its credit facility. According to a report from CBS News, Ashford Inc. CEO Monty Bennett said the company is unable to keep up with debt obligations.

4 Analysts see risk for hotel REITs: Not surprisingly given the widespread dividend and operations cutbacks, analysts are painting [a dreary picture for hotel REITs](#), HNN’s Sean McCracken reports. Stock prices for REITs such as Pebblebrook Hotel Trust and RLJ Lodging Trust have drastically dropped, down 75.4% and 73.8% respectively.

The silver lining for hotels struggling to keep up with their debt is banks are unlikely to want to seize properties that default.

“Banks are not in a rush to take keys back,” said C. Patrick Scholes, managing director of lodging, gaming and leisure equity research at SunTrust Robinson Humphrey. “They don’t want to be in that business. But that can only last for so long.”

5 [HotelAVE](#) predicts five-year recovery period: While some are hopeful for a quick rebound for travel following the lifting of restrictions, asset management group [HotelAVE](#) is predicting [a five-year recovery period](#) for the hotel industry.

“Hotels in the United States must not just focus their efforts, energies and resources on getting through the pandemic but, most importantly, they must prepare for the recovery from a financial, operational and marketing standpoint,” said [HotelAVE CEO Michelle Russo](#).

Compiled by Sean McCracken.