

SAN DIEGO LODGING FORECAST UPDATE

Prepared for:
San Diego Tourism Authority
July 17, 2020



WWW.TOURISMECONOMICS.COM

CONTEXT

The travel sector is being heavily impacted by the disease containment and suppression measures related to the Covid-19 pandemic.

San Diego Tourism Authority engaged Tourism Economics to prepare a custom forecast of key lodging sector indicators in San Diego County (consistent with the San Diego market as defined by STR). The analysis relies on:

- Data provided by San Diego Tourism Authority, such as historical guest segmentation and the current future convention calendar;
- Tourism Economics' prior research on the San Diego tourism economy;
- STR hotel data through July 4, 2020;
- economic forecasts prepared by Oxford Economics, parent company of Tourism Economics; and,
- assumptions on the future path of tourism sector recovery.

At this point there is a high level of uncertainty around the extent and duration of necessary disease containment and suppression measures. Consequently there is a high level of uncertainty around our forecast estimates. The impact and subsequent recovery could prove quite stronger or weaker than anticipated in this outlook.

CONTEXT

NATIONAL BASELINE ASSUMPTIONS

PANDEMIC TIMELINE



Virus remains a defining factor through 2021Q1.

Some regional outbreaks and second waves occur.

Progress in the development of therapeutics continues steadily.

A vaccine becomes available in early 2021.

POLICY RESPONSE



Easing of lockdown measures continues through the summer months.

Renewed lockdowns in response to virus outbreaks will be less severe.

International borders will be slow to reopen around the world.

ECONOMY



The US economy is in recession, with a 4.2% drop in GDP this year.

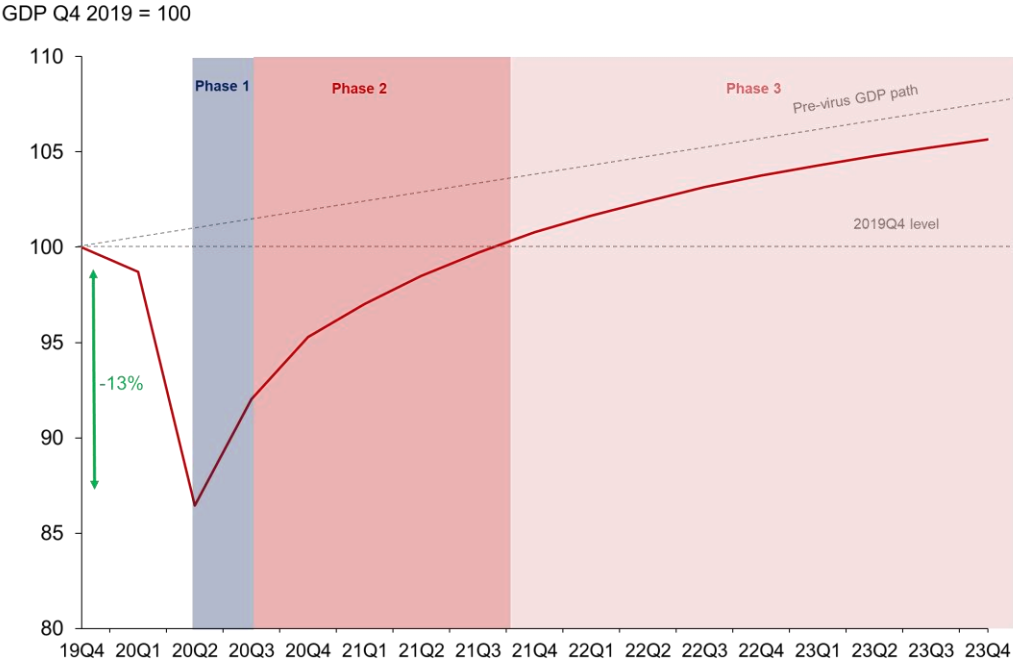
However, recovery will be brisk in the second half of 2020, driven by pent-up demand and historic government stimulus.

The path for the world economy will remain below pre-crisis levels.

NATIONAL BASELINE ASSUMPTIONS

US recovery should accelerate into 2021 but will remain below par

Deepest economic contraction since 1946



Source : Oxford Economics

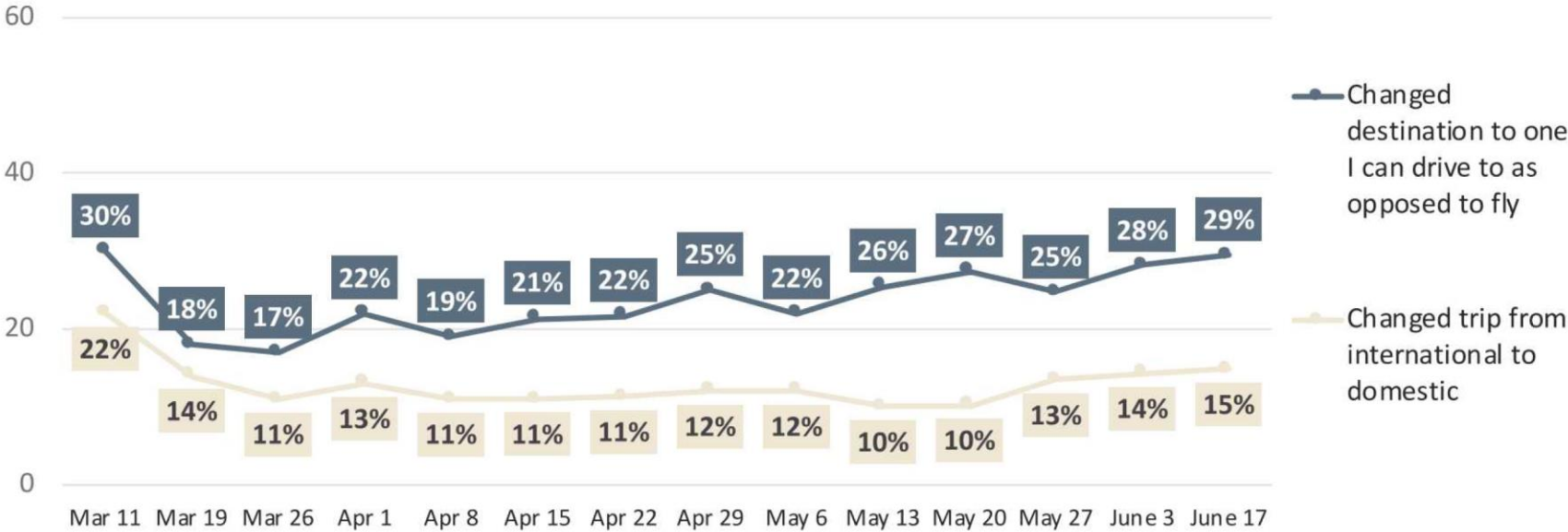
NATIONAL CONTEXT

Meetings and events

- High level of uncertainty, the environment is evolving quickly
- Delayed cancellation decisions obscure many traditional metrics
- Major markets are coming to grips with the prospects that virus-related restrictions will prevent many medium and large group meetings through 2020Q4 and into 2021Q1.

TRAVEL PLANS

Impact of COVID-19 on Upcoming Travel Plans Comparison

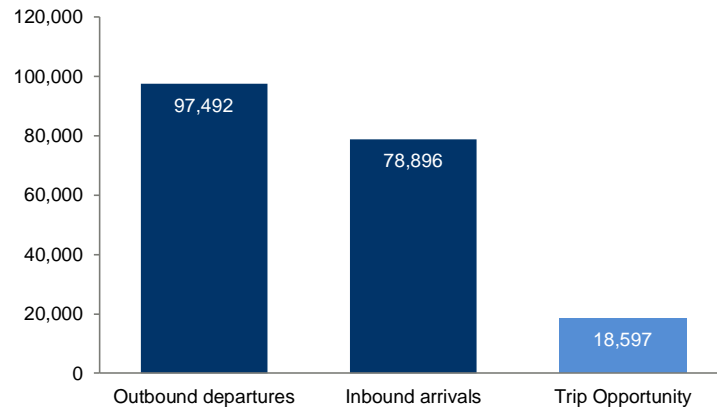


Base: Coronavirus Changed Travel Plans

INTERNATIONAL

US Balance of Travel (2019, trips)

Thousands

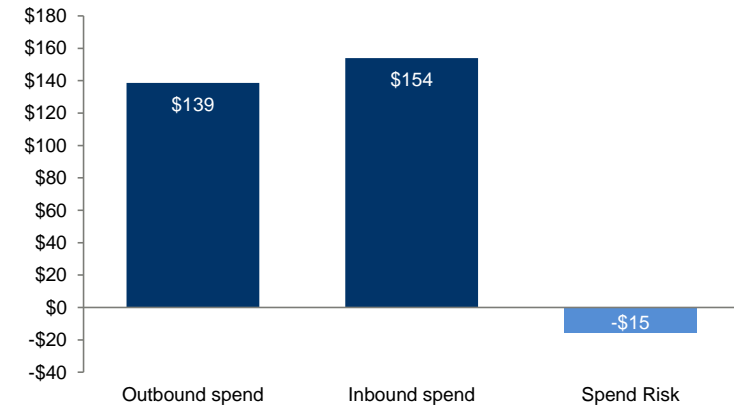


Source: Tourism Economics

19 million more US outbound trips than inbound

US Balance of Travel (2019, spend)

Billion \$



Source: Tourism Economics

Outbound travel spending counterbalances 90% of inbound

SAN DIEGO

SAN DIEGO FORECAST ASSUMPTIONS

Scenario: Baseline

2020Q4

- Progress against disease allows gradual easing of restrictions (e.g., through therapeutics, reduced disease prevalence)

- **Virtually no group demand.**

- International inbound travel substantially reduced by virus-related factors

- Some households remain cautious, willingness to travel gradually improves

- Corporate travel restrictions gradually ease

2021Q1

- Vaccine or other substantial progress against disease allows further easing of restrictions

- **No group demand January and February. Some group demand in March** with physical distancing requirements. However, some groups choose not to meet and attendance at events is lighter than normal.

- Easing restrictions on international inbound travel

ASSUMPTION COMPARISON

What has changed relative to April 2020 forecast?

- Q2 actual results were close to forecast. (May was stronger than forecast, and June weaker than forecast).
- Previous forecast assumed groups could meet in 2020Q4, but this is now postponed to 2021Q1.

What hasn't changed? Positive San Diego factors:

- Large regional drive market for leisure travel
- Business activity supported by biotech, government, Navy-related
- Strong long-term prospects as a group market

MARKET ASSUMPTIONS

Rate Category	Est. Proportion of Historical Annual Demand	Room Nights Estimate 2019
Group: Citywide (SDCC) On books as of 7/8	6% (incl. around block)	1.1 M
Group: Single property meetings and conventions	22%	3.9 M
Leisure transient Including wholesale	60%	10.6 M
Corporate and government	12% biotech, wireless, defense, military, defense	2.1 M
Total	100%	17.7M (San Diego County)

Source: Table based on San Diego Tourism Authority estimates and hotel survey responses, and Tourism Estimates

SEGMENTATION

Forecast is based on recovery assumptions by demand segment, relative to 2019 levels

- Group demand assumed to start to recover in March 2021

Quarterly demand segmentation

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Hotel room night demand (in thousands)												
Total	3,586	1,548	2,547	2,275	2,505	3,860	4,357	3,772	3,918	4,300	4,584	3,927
Business transient	524	177	212	260	358	406	477	423	487	473	520	449
Leisure transient	2,020	1,317	2,313	1,996	1,890	2,451	2,913	2,319	2,098	2,610	3,028	2,393
Group	1,043	53	22	19	258	1,003	967	1,030	1,333	1,217	1,035	1,085
Growth (year-over-year)												
Total	-15%	-66%	-47%	-44%	-30%	149%	71%	66%	56%	11%	5%	4%
Business transient	-1%	-65%	-61%	-45%	-32%	129%	125%	62%	36%	16%	9%	6%
Leisure transient	-9%	-52%	-27%	-19%	-6%	86%	26%	16%	11%	7%	4%	3%
Group	-29%	-96%	-98%	-98%	-75%	1792%	4270%	5381%	417%	21%	7%	5%
Impact relative to 2019												
Total	-15%	-66%	-47%	-44%	-41%	-15%	-9%	-8%	-7%	-6%	-5%	-4%
Business transient	-1%	-65%	-61%	-45%	-32%	-19%	-13%	-10%	-8%	-6%	-5%	-4%
Leisure transient	-9%	-52%	-27%	-19%	-15%	-11%	-8%	-6%	-6%	-5%	-4%	-3%
Group	-29%	-96%	-98%	-98%	-82%	-24%	-13%	-10%	-9%	-8%	-6%	-6%

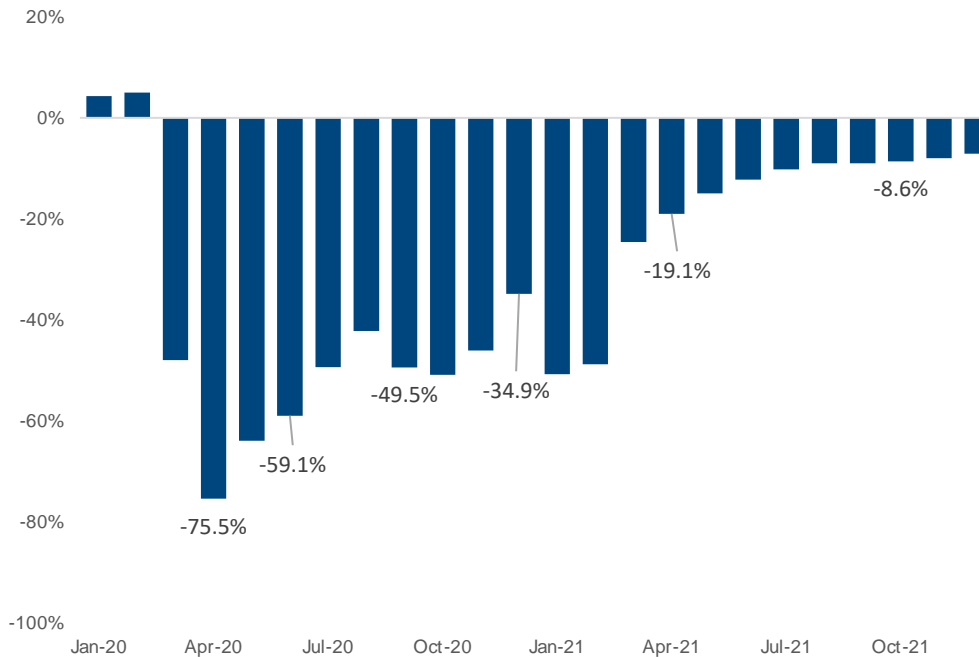
Source: STR; Tourism Economics

KEY RESULTS

Comparison to 2019 as a base year

Demand impact

Difference relative to same month in 2019



Source: STR, Tourism Economics

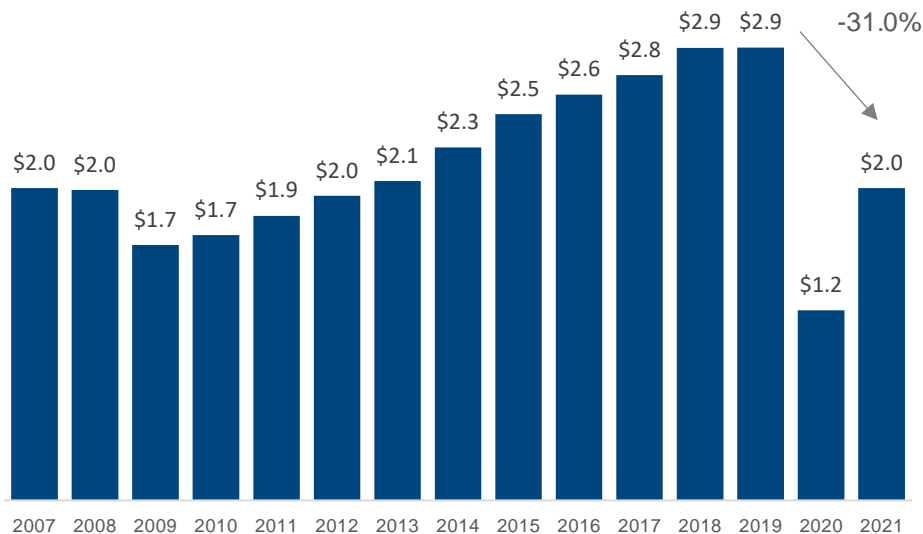
- Demand improved in June to a level 59.1% below 2019
- Forecast assumes further improvement in July and August. But then performance is assumed to retreat in Sep-Nov to about 50% below 2019.
- By April 2021, demand is expected to improve to 19.1% below 2019.

KEY RESULTS

Comparison to 2019 as a base year

Room revenue

In billions



- Room revenue decline of 58.0% expected for 2020, but then 64.2% growth in 2021.
- Recovery in 2021 to room revenue 31.0% below 2019. This would be a similar level as nine years ago.
- April forecast anticipated room revenue in 2021 would be 22.7% below 2019.

Source: STR, Tourism Economics

SUMMARY TABLE

Annual

Forecast summary

	2017	2018	2019	2020	2021
Supply (in millions)	22.4	22.5	23.1	21.0	23.2
Demand (in millions)	17.3	17.7	17.7	10.0	14.5
Occupancy	77.1%	78.5%	76.7%	47.4%	62.5%
ADR	\$160.35	\$166.50	\$166.57	\$124.27	\$140.17
RevPAR	\$123.57	\$130.74	\$127.68	\$58.93	\$87.67
Room revenue (in millions)	\$2,767.3	\$2,944.6	\$2,945.7	\$1,237.2	\$2,031.7
Growth					
Supply (in millions)	1.2%	0.6%	2.4%	-9.0%	10.4%
Demand (in millions)	1.2%	2.5%	0.0%	-43.7%	45.6%
Occupancy	0.1%	1.9%	-2.4%	-38.1%	31.9%
ADR	3.5%	3.8%	0.0%	-25.4%	12.8%
RevPAR	3.6%	5.8%	-2.3%	-53.8%	48.8%
Room revenue (in millions)	4.8%	6.4%	0.0%	-58.0%	64.2%
Difference from 2019 level			0.0%	-58.0%	-31.0%

Source: STR, Tourism Economics

TABLES

SUMMARY TABLE

Quarterly

Forecast summary: Quarterly

	Quarter	Hotel supply	Hotel room demand	Occupancy	ADR	RevPAR	Room revenue	Total-room-inventory supply
Levels								
	2019 Q1	5,624,068	4,212,272	74.9%	158.06	118.38	665,802,667	5,624,068
	2019 Q2	5,734,305	4,560,975	79.5%	172.04	136.84	784,653,896	5,734,305
	2019 Q3	5,842,200	4,812,079	82.4%	184.71	152.14	888,848,008	5,842,200
	2019 Q4	5,870,285	4,098,626	69.8%	147.94	103.29	606,356,407	5,870,285
	2020 Q1	5,743,993	3,585,792	62.4%	149.97	93.62	537,751,693	5,743,993
	2020 Q2	4,490,840	1,547,551	34.5%	99.16	34.17	153,455,248	5,817,142
	2020 Q3	5,246,361	2,547,398	48.6%	122.52	59.49	312,118,982	5,896,124
	2020 Q4	5,514,101	2,275,014	41.3%	102.79	42.41	233,850,188	5,908,424
	2021 Q1	5,487,129	2,505,276	45.7%	114.33	52.20	286,426,779	5,794,880
	2021 Q2	5,750,387	3,860,075	67.1%	144.74	97.16	558,710,390	5,877,602
	2021 Q3	5,951,574	4,357,372	73.2%	159.49	116.77	694,968,573	5,960,524
	2021 Q4	5,983,769	3,771,847	63.0%	130.32	82.15	491,560,568	5,978,924
Growth								
	2020 Q1	2.1%	-14.9%	-16.7%	-5.1%	-20.9%	-19.2%	2.1%
	2020 Q2	-21.7%	-66.1%	-56.7%	-42.4%	-75.0%	-80.4%	1.4%
	2020 Q3	-10.2%	-47.1%	-41.1%	-33.7%	-60.9%	-64.9%	0.9%
	2020 Q4	-6.1%	-44.5%	-40.9%	-30.5%	-58.9%	-61.4%	0.6%
	2021 Q1	-4.5%	-30.1%	-26.9%	-23.8%	-44.2%	-46.7%	0.9%
	2021 Q2	28.0%	149.4%	94.8%	46.0%	184.3%	264.1%	1.0%
	2021 Q3	13.4%	71.1%	50.8%	30.2%	96.3%	122.7%	1.1%
	2021 Q4	8.5%	65.8%	52.8%	26.8%	93.7%	110.2%	1.2%
Relative to 2019								
	2020 Q1	2.1%	-14.9%	-16.7%	-5.1%	-20.9%	-19.2%	2.1%
	2020 Q2	-21.7%	-66.1%	-56.7%	-42.4%	-75.0%	-80.4%	1.4%
	2020 Q3	-10.2%	-47.1%	-41.1%	-33.7%	-60.9%	-64.9%	0.9%
	2020 Q4	-6.1%	-44.5%	-40.9%	-30.5%	-58.9%	-61.4%	0.6%
	2021 Q1	-2.4%	-40.5%	-39.0%	-27.7%	-55.9%	-57.0%	3.0%
	2021 Q2	0.3%	-15.4%	-15.6%	-15.9%	-29.0%	-28.8%	2.5%
	2021 Q3	1.9%	-9.4%	-11.1%	-13.7%	-23.2%	-21.8%	2.0%
	2021 Q4	1.9%	-8.0%	-9.7%	-11.9%	-20.5%	-18.9%	1.9%

Source: STR; Tourism Economics

SUMMARY TABLE

Monthly level

Forecast summary: Monthly levels

Levels	Hotel room						Total-room-inventory supply
	Hotel room supply	demand	Occupancy	ADR	RevPAR	Room revenue	
Oct-19	1,975,568	1,481,731	75.0%	159.20	119.40	235,884,999	1,975,568
Nov-19	1,914,840	1,375,620	71.8%	148.81	106.90	204,701,777	1,914,840
Dec-19	1,979,877	1,241,275	62.7%	133.55	83.73	165,769,631	1,979,877
Jan-20	1,974,483	1,390,091	70.4%	147.99	104.19	205,719,585	1,974,483
Feb-20	1,788,920	1,384,563	77.4%	160.67	124.35	222,453,050	1,788,920
Mar-20	1,980,590	811,138	41.0%	135.09	55.33	109,579,058	1,980,590
Apr-20	1,418,010	367,588	25.9%	89.56	23.22	32,921,442	1,917,893
May-20	1,436,540	519,403	36.2%	93.75	33.90	48,692,655	1,981,589
Jun-20	1,636,290	660,560	40.4%	108.76	43.90	71,841,150	1,917,660
Jul-20	1,706,827	859,086	50.3%	131.59	66.23	113,044,490	1,984,682
Aug-20	1,789,004	938,305	52.4%	120.14	63.01	112,725,830	1,987,782
Sep-20	1,750,531	750,007	42.8%	115.13	49.33	86,348,662	1,923,660
Oct-20	1,831,611	726,445	39.7%	114.21	45.30	82,966,300	1,990,882
Nov-20	1,811,060	740,855	40.9%	108.86	44.53	80,648,124	1,926,660
Dec-20	1,871,429	807,714	43.2%	86.96	37.53	70,235,764	1,990,882
Jan-21	1,874,343	655,134	35.0%	97.51	34.08	63,879,520	1,993,982
Feb-21	1,695,587	673,998	39.8%	104.90	41.70	70,702,218	1,803,816
Mar-21	1,917,199	1,176,144	61.3%	129.10	79.20	151,845,041	1,997,082
Apr-21	1,877,590	1,215,673	64.7%	136.65	88.48	166,126,790	1,935,660
May-21	1,963,216	1,227,679	62.5%	140.08	87.60	171,968,468	2,003,282
Jun-21	1,909,580	1,416,723	74.2%	155.72	115.53	220,615,132	1,938,660
Jul-21	2,006,382	1,526,466	76.1%	178.39	135.72	272,303,248	2,006,382
Aug-21	2,009,482	1,478,481	73.6%	155.21	114.20	229,473,107	2,009,482
Sep-21	1,935,710	1,352,425	69.9%	142.85	99.80	193,192,218	1,944,660
Oct-21	2,012,994	1,354,068	67.3%	139.79	94.03	189,283,390	2,012,582
Nov-21	1,952,735	1,265,219	64.8%	131.21	85.01	166,010,301	1,950,660
Dec-21	2,018,040	1,152,560	57.1%	118.23	67.52	136,266,877	2,015,682

Source: STR; Tourism Economics

SUMMARY TABLE

Monthly growth

Forecast summary: Monthly growth

	Hotel room supply	Hotel room demand	Occupancy	ADR	RevPAR	Room revenue	Total-room-inventory supply
Year-over-year growth							
Jan-20	2.5%	4.3%	1.8%	-1.2%	0.6%	3.1%	2.5%
Feb-20	2.4%	5.0%	2.6%	-0.3%	2.3%	4.7%	2.4%
Mar-20	1.6%	-48.0%	-48.9%	-16.9%	-57.5%	-56.8%	1.6%
Apr-20	-24.9%	-75.5%	-67.4%	-45.9%	-82.4%	-86.8%	1.6%
May-20	-26.4%	-64.0%	-51.1%	-43.6%	-72.4%	-79.7%	1.5%
Jun-20	-13.6%	-59.1%	-52.6%	-40.6%	-71.9%	-75.7%	1.2%
Jul-20	-13.0%	-49.5%	-41.9%	-36.7%	-63.2%	-68.0%	1.2%
Aug-20	-9.1%	-42.3%	-36.5%	-33.1%	-57.5%	-61.4%	1.0%
Sep-20	-8.4%	-49.5%	-44.9%	-29.7%	-61.3%	-64.5%	0.6%
Oct-20	-7.3%	-51.0%	-47.1%	-28.3%	-62.1%	-64.8%	0.8%
Nov-20	-5.4%	-46.1%	-43.1%	-26.8%	-58.3%	-60.6%	0.6%
Dec-20	-5.5%	-34.9%	-31.2%	-34.9%	-55.2%	-57.6%	0.6%
Jan-21	-5.1%	-52.9%	-50.4%	-34.1%	-67.3%	-68.9%	1.0%
Feb-21	-5.2%	-51.3%	-48.6%	-34.7%	-66.5%	-68.2%	0.8%
Mar-21	-3.2%	45.0%	49.8%	-4.4%	43.2%	38.6%	0.8%
Apr-21	32.4%	230.7%	149.8%	52.6%	281.1%	404.6%	0.9%
May-21	36.7%	136.4%	73.0%	49.4%	158.4%	253.2%	1.1%
Jun-21	16.7%	114.5%	83.8%	43.2%	163.1%	207.1%	1.1%
Jul-21	17.6%	77.7%	51.2%	35.6%	104.9%	140.9%	1.1%
Aug-21	12.3%	57.6%	40.3%	29.2%	81.2%	103.6%	1.1%
Sep-21	10.6%	80.3%	63.1%	24.1%	102.3%	123.7%	1.1%
Oct-21	9.9%	86.4%	69.6%	22.4%	107.6%	128.1%	1.1%
Nov-21	7.8%	70.8%	58.4%	20.5%	90.9%	105.8%	1.2%
Dec-21	7.8%	42.7%	32.3%	36.0%	79.9%	94.0%	1.2%

Source: STR; Tourism Economics

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality , Quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 250 professional economics; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford economics has offices in London, Oxford, Dubai, Philadelphia and Belfast.

For more information:

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