

SAN DIEGO LODGING FORECAST UPDATE

Prepared for:
San Diego Tourism Authority
October 19, 2020

FINAL



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CONTEXT

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, the current future convention calendar outlook, and hotel forecast survey of which 32 hotels across the region participated.
- Tourism Economics' prior research on the San Diego tourism economy;
- STR hotel data through October 3, 2020; economic forecasts prepared by Oxford Economics, parent company of Tourism Economics; and, assumptions on the future path of tourism sector recovery.

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

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.

FORECAST ASSUMPTIONS

2020Q4

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

- International inbound travel to US substantially reduced

2021Q1

- Easing restrictions on international inbound travel to US

- Corporate travel restrictions gradually ease nationally

- Some households remain cautious, willingness to travel gradually improves nationally. Leisure travel to San Diego fluctuates close to 2019 levels.

- **Virtually no San Diego group demand.**

- **Very low San Diego group demand January, February and March.**

2021Q2

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

- **San Diego group demand begins to resume in April** with physical distancing requirements. However, some groups choose not to meet and attendance at events is lighter than normal.

SPECIFIC SAN DIEGO MARKET SHIFTS

October 2020 versus July 2020 Forecasts

Travel policy unchanged:

- Leisure Travel Allowed
- Meetings and Events Still Not Allowed

Positive San Diego market factors unchanged:

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

What has changed relative to July 2020 forecast?

- Q3 actual results were well above forecast largely due to strong leisure demand. July forecast underestimated Q3 demand by 375,000 room nights and ADR by \$10.43, with September especially strong relative to expectations.
- Current forecast assumes group activity begins gradually in April 2021 compared to March 2021 in prior forecast.
- Group demand reaches 20% below 2019 levels in September 2021 (compared to June in prior forecast).

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 April 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	3,580	1,538	2,922	2,638	2,733	3,668	4,394	3,847	4,003	4,391	4,673	3,981
Business transient	409	163	268	286	394	411	473	420	485	471	518	447
Leisure transient	2,130	1,313	2,605	2,302	2,242	2,655	3,076	2,429	2,186	2,703	3,120	2,451
Group	1,041	61	49	51	96	603	846	998	1,333	1,217	1,035	1,083
Growth (year-over-year)												
Total	-15%	-66%	-39%	-35%	-24%	139%	50%	46%	47%	20%	6%	3%
Business transient	-23%	-68%	-51%	-39%	-4%	152%	76%	47%	23%	15%	10%	7%
Leisure transient	-4%	-52%	-17%	-7%	5%	102%	18%	6%	-3%	2%	1%	1%
Group	-29%	-95%	-96%	-96%	-91%	884%	1629%	1852%	1282%	102%	22%	9%
Impact relative to 2019												
Total	-15%	-66%	-39%	-35%	-35%	-19%	-9%	-6%	-5%	-4%	-3%	-3%
Business transient	-23%	-68%	-51%	-39%	-25%	-18%	-14%	-10%	-8%	-6%	-5%	-4%
Leisure transient	-4%	-52%	-17%	-7%	1%	-3%	-2%	-2%	-1%	-1%	-1%	-1%
Group	-29%	-95%	-96%	-96%	-93%	-54%	-23%	-13%	-9%	-7%	-6%	-6%

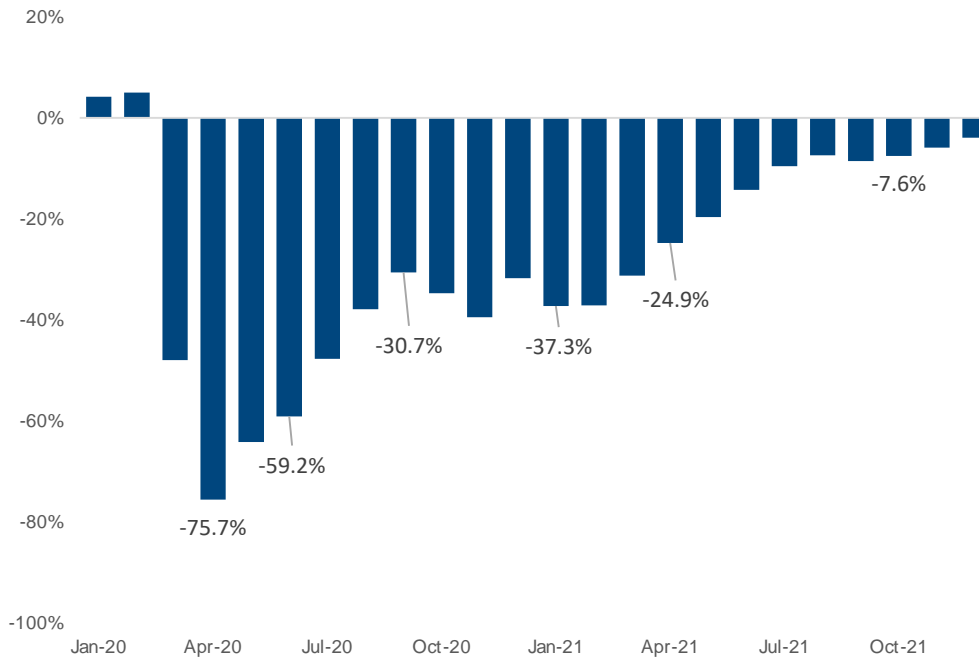
Source: STR; Tourism Economics

KEY RESULTS

Comparison to 2019 as a base year

Demand impact

Difference relative to same month in 2019



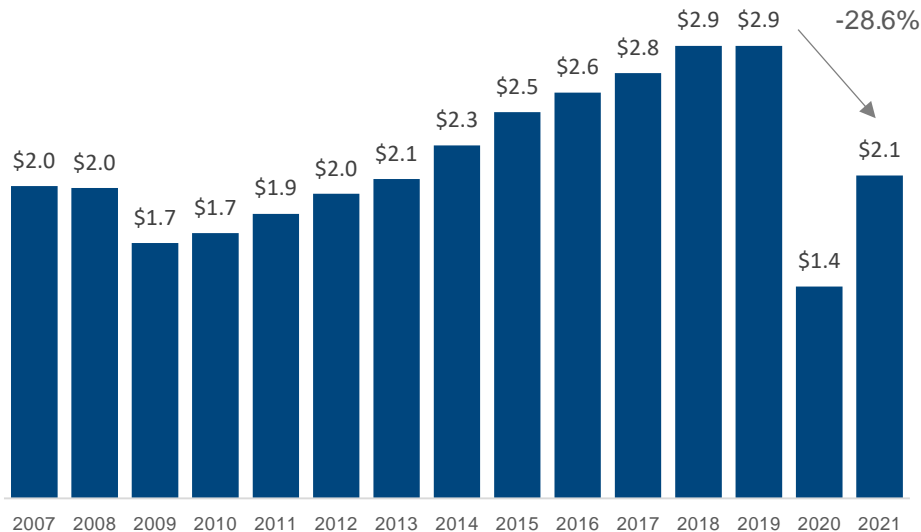
Source: STR, Tourism Economics

- Demand improved in September to a level 30.7% below 2019
- Forecast assumes October , November and December are largely stable.
- But then performance is assumed to retreat in January and February to about 37% below 2019 levels.
- April demand is assumed to be 24.9% below 2019 levels.

KEY RESULTS

Comparison to 2019 as a base year

Room revenue In billions



Source: STR, Tourism Economics

- Room revenue decline of 53.2% expected for 2020, but then 52.3% growth in 2021.
- Recovery in 2021 to room revenue 28.6% below 2019. This would be a similar level as nine years ago.
- The prior forecast (July) anticipated room revenue in 2021 would be 31.0% below 2019.

SUMMARY TABLE

Annual

Forecast summary

	2017	2018	2019	2020	2021
Supply (in millions)	22.4	22.5	23.0	21.6	23.6
Demand (in millions)	17.3	17.7	17.7	10.7	14.6
Occupancy	77.1%	78.5%	76.7%	49.3%	62.1%
ADR	\$160.35	\$166.56	\$166.72	\$129.15	\$143.49
RevPAR	\$123.57	\$130.78	\$127.80	\$63.72	\$89.18
Room revenue (in millions)	\$2,767.3	\$2,944.5	\$2,943.8	\$1,379.1	\$2,101.0
Growth					
Supply (in millions)	1.2%	0.5%	2.3%	-6.0%	8.9%
Demand (in millions)	1.2%	2.4%	-0.1%	-39.5%	37.1%
Occupancy	0.1%	1.9%	-2.4%	-35.6%	26.0%
ADR	3.5%	3.9%	0.1%	-22.5%	11.1%
RevPAR	3.6%	5.8%	-2.3%	-50.1%	40.0%
Room revenue (in millions)	4.8%	6.4%	0.0%	-53.2%	52.3%
Difference from 2019 level			0.0%	-53.2%	-28.6%

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								
	2020 Q1	5,729,233	3,579,835	62.5%	150.20	93.85	537,697,573	5,729,233
	2020 Q2	4,456,156	1,537,851	34.5%	99.37	34.29	152,818,222	5,802,066
	2020 Q3	5,634,152	2,921,976	51.9%	132.95	68.95	388,484,349	5,903,364
	2020 Q4	5,823,454	2,638,243	45.3%	113.74	51.53	300,070,771	5,909,464
	2021 Q1	5,749,322	2,732,650	47.5%	122.44	58.20	334,592,240	5,798,930
	2021 Q2	5,866,671	3,668,343	62.5%	147.30	92.11	540,355,979	5,881,697
	2021 Q3	5,955,708	4,394,017	73.8%	163.49	120.62	718,364,272	5,964,664
	2021 Q4	5,987,912	3,846,540	64.2%	131.98	84.78	507,648,410	5,983,064
Growth								
	2020 Q1	2.0%	-14.9%	-16.6%	-5.1%	-20.8%	-19.2%	2.0%
	2020 Q2	-22.2%	-66.2%	-56.6%	-42.3%	-75.0%	-80.5%	1.3%
	2020 Q3	-3.4%	-39.2%	-37.0%	-28.1%	-54.7%	-56.3%	1.2%
	2020 Q4	-0.5%	-35.5%	-35.1%	-23.2%	-50.2%	-50.5%	0.9%
	2021 Q1	0.4%	-23.7%	-23.9%	-18.5%	-38.0%	-37.8%	1.2%
	2021 Q2	31.7%	138.5%	81.2%	48.2%	168.6%	253.6%	1.4%
	2021 Q3	5.7%	50.4%	42.3%	23.0%	74.9%	84.9%	1.0%
	2021 Q4	2.8%	45.8%	41.8%	16.0%	64.5%	69.2%	1.2%
Relative to 2019								
	2020 Q1	2.0%	-14.9%	-16.6%	-5.1%	-20.8%	-19.2%	2.0%
	2020 Q2	-22.2%	-66.2%	-56.6%	-42.3%	-75.0%	-80.5%	1.3%
	2020 Q3	-3.4%	-39.2%	-37.0%	-28.1%	-54.7%	-56.3%	1.2%
	2020 Q4	-0.5%	-35.5%	-35.1%	-23.2%	-50.2%	-50.5%	0.9%
	2021 Q1	2.4%	-35.0%	-36.5%	-22.6%	-50.9%	-49.7%	3.2%
	2021 Q2	2.4%	-19.5%	-21.4%	-14.4%	-32.7%	-31.1%	2.7%
	2021 Q3	2.1%	-8.6%	-10.4%	-11.6%	-20.8%	-19.1%	2.2%
	2021 Q4	2.3%	-5.9%	-8.0%	-10.9%	-18.1%	-16.2%	2.2%

Source: STR; Tourism Economics

SUMMARY TABLE

Monthly level

Forecast summary: Monthly levels

Levels	Hotel room supply	Hotel room demand	Occupancy	ADR	RevPAR	Room revenue	Total-room-inventory supply
Oct-19	1,970,391	1,478,210	75.0%	159.43	119.61	235,673,886	1,970,391
Nov-19	1,909,830	1,372,299	71.9%	149.01	107.07	204,489,843	1,909,830
Dec-19	1,974,700	1,237,951	62.7%	133.72	83.83	165,541,238	1,974,700
Jan-20	1,969,399	1,386,896	70.4%	148.20	104.37	205,544,132	1,969,399
Feb-20	1,784,328	1,382,758	77.5%	160.86	124.66	222,427,424	1,784,328
Mar-20	1,975,506	810,181	41.0%	135.43	55.54	109,726,017	1,975,506
Apr-20	1,409,940	364,433	25.8%	89.69	23.18	32,687,283	1,911,780
May-20	1,413,166	515,317	36.5%	93.93	34.25	48,405,529	1,975,506
Jun-20	1,633,050	658,101	40.3%	108.99	43.92	71,725,410	1,914,780
Jul-20	1,796,574	886,386	49.3%	132.38	65.31	117,340,158	1,989,177
Aug-20	1,948,288	1,006,504	51.7%	133.23	68.83	134,094,615	1,989,177
Sep-20	1,889,290	1,029,086	54.5%	133.18	72.54	137,049,577	1,925,010
Oct-20	1,956,245	964,143	49.3%	130.73	64.43	126,046,407	1,989,177
Nov-20	1,899,946	829,622	43.7%	111.76	48.80	92,718,146	1,928,010
Dec-20	1,967,262	844,478	42.9%	96.28	41.33	81,306,219	1,992,277
Jan-21	1,974,314	834,334	42.3%	112.41	47.50	93,787,874	1,995,377
Feb-21	1,789,632	826,639	46.2%	122.53	56.60	101,291,958	1,805,076
Mar-21	1,985,376	1,071,677	54.0%	130.18	70.27	139,512,409	1,998,477
Apr-21	1,928,185	1,127,619	58.5%	137.59	80.47	155,153,348	1,937,010
May-21	1,999,554	1,158,188	57.9%	142.35	82.45	164,864,570	2,004,677
Jun-21	1,938,932	1,382,536	71.3%	159.37	113.64	220,338,061	1,940,010
Jul-21	2,007,777	1,534,842	76.4%	183.75	140.47	282,024,688	2,007,777
Aug-21	2,010,877	1,502,527	74.7%	158.96	118.78	238,846,571	2,010,877
Sep-21	1,937,054	1,356,648	70.0%	145.57	101.96	197,493,013	1,946,010
Oct-21	2,014,389	1,366,314	67.8%	141.87	96.23	193,837,072	2,013,977
Nov-21	1,954,086	1,291,282	66.1%	132.93	87.84	171,644,227	1,952,010
Dec-21	2,019,437	1,188,944	58.9%	119.57	70.40	142,167,111	2,017,077

Source: STR; Tourism Economics

SUMMARY TABLE

Monthly growth

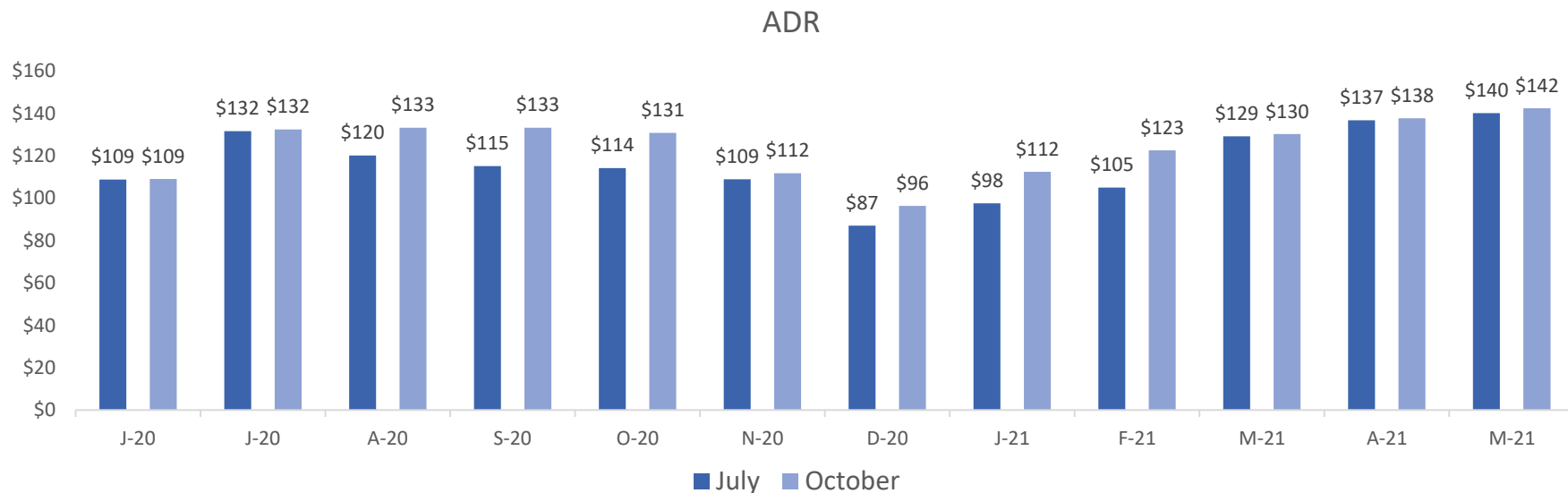
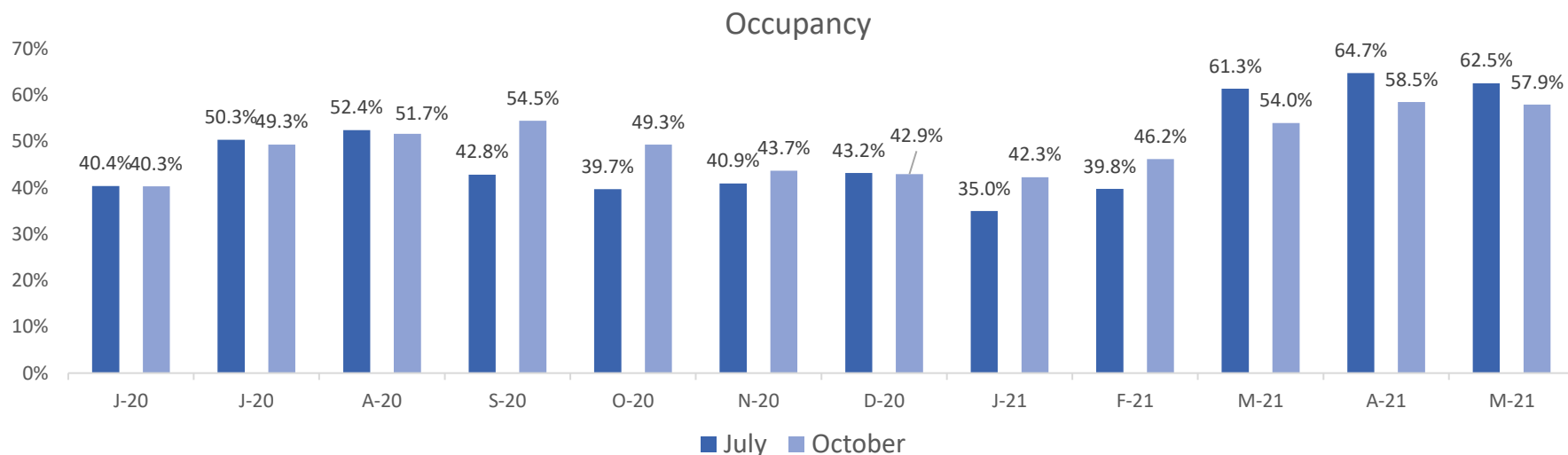
Forecast summary: Monthly growth

	Hotel room supply	Hotel room demand	Occupancy	ADR	RevPAR	Room revenue	Total-room-inventory supply
Year-over-year growth							
Jan-20	2.4%	4.2%	1.8%	-1.1%	0.7%	3.0%	2.4%
Feb-20	2.2%	5.0%	2.7%	-0.2%	2.5%	4.8%	2.2%
Mar-20	1.4%	-48.0%	-48.8%	-16.8%	-57.4%	-56.8%	1.4%
Apr-20	-25.2%	-75.7%	-67.5%	-45.9%	-82.4%	-86.9%	1.4%
May-20	-27.5%	-64.3%	-50.7%	-43.5%	-72.2%	-79.8%	1.3%
Jun-20	-13.7%	-59.2%	-52.7%	-40.5%	-71.9%	-75.7%	1.2%
Jul-20	-8.3%	-47.8%	-43.1%	-36.4%	-63.8%	-66.8%	1.5%
Aug-20	-0.9%	-38.0%	-37.4%	-25.8%	-53.6%	-54.0%	1.2%
Sep-20	-1.1%	-30.7%	-29.9%	-18.8%	-43.1%	-43.7%	0.8%
Oct-20	-0.7%	-34.8%	-34.3%	-18.0%	-46.1%	-46.5%	1.0%
Nov-20	-0.5%	-39.5%	-39.2%	-25.0%	-54.4%	-54.7%	1.0%
Dec-20	-0.4%	-31.8%	-31.5%	-28.0%	-50.7%	-50.9%	0.9%
Jan-21	0.2%	-39.8%	-40.0%	-24.2%	-54.5%	-54.4%	1.3%
Feb-21	0.3%	-40.2%	-40.4%	-23.8%	-54.6%	-54.5%	1.2%
Mar-21	0.5%	32.3%	31.6%	-3.9%	26.5%	27.1%	1.2%
Apr-21	36.8%	209.4%	126.3%	53.4%	247.1%	374.7%	1.3%
May-21	41.5%	124.8%	58.8%	51.5%	140.7%	240.6%	1.5%
Jun-21	18.7%	110.1%	76.9%	46.2%	158.7%	207.2%	1.3%
Jul-21	11.8%	73.2%	54.9%	38.8%	115.1%	140.3%	0.9%
Aug-21	3.2%	49.3%	44.6%	19.3%	72.6%	78.1%	1.1%
Sep-21	2.5%	31.8%	28.6%	9.3%	40.6%	44.1%	1.1%
Oct-21	3.0%	41.7%	37.6%	8.5%	49.3%	53.8%	1.2%
Nov-21	2.8%	55.6%	51.3%	18.9%	80.0%	85.1%	1.2%
Dec-21	2.7%	40.8%	37.2%	24.2%	70.3%	74.9%	1.2%

Source: STR; Tourism Economics

October vs July 2020 Forecast

Comparison of Occupancy and ADR (June 2020 - May 2021)



prepared by SDTA

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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