TOURISM ECONOMICS

San Diego Travel Forecast

April 2021

Report Prepared For:
San Diego Tourism Authority

TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

Contents

1 Executive Summary

- The travel sector has been heavily impacted by factors related to the Covid-19 pandemic, including disease suppression measures, risk aversion, and disruption of economic activity. Recent progress suppressing the disease and the accelerating pace of vaccination programs support expectations of an improved context for travel in the months and quarters ahead. At this point there continues to be a high level of uncertainty around the extent and duration of disease suppression measures, and the impact on group events. The impact and subsequent recovery could prove quite a bit stronger or weaker than anticipated in this outlook.
- In our outlook, we have assumed that vaccination programs and public health measures result in low infection rates by the end of 2021 Q2, and that improved levels of vaccinations and immunity will result in ongoing improvements in leisure travel, followed by gains in business transient and leisure travel. Due to the complexity in planning and committing to group meetings and events, a firm recovery in the group segment is not anticipated to occur until there is sufficient progress on the public health crisis and improved clarity on future potential restrictions related to group events. International inbound travel is also assumed to take longer to recover. Recovery in leisure visitation to the market is expected to be quite strong as the context for travel improves. Overall, risk aversion and restrictions on certain types of venues and activities, as well as factors such as the effects of the economic downturn and lags in resumption of travel activity (e.g., group decision process, corporate cost containment) are expected to delay a full recovery in overall visitation to 2019 levels until 2023.
- San Diego visitation and traveller spending was significantly impacted by Covid-19 in 2020 and is expected to start improving in 2021. Visitation to San Diego in 2021 is expected to total 24.9 million, which is approximately 10 million fewer visitors than 2019 (35.1 million). Day and overnight visitation are both expected to improve during 2021, but remain 35% and 24% below 2019 levels, respectively. Visitor expenditures are expected to recover to 34.6% below 2019 levels in 2021, with equal losses expected for overnight visitors (34.6% decrease) and day visitors (34.4% decrease).
- San Diego visitation is expected to return to 2019 levels in 2023, driven by day visitors. Overnight visitors are expected to grow at a slightly slower rate than day visitors and are not expected to return to 2019 levels until 2024. Overall visitation growth is forecast to remain high in 2022 (38%), then slow to a more gradual pace in 2023 through 2025. Visitor spending is anticipated to take a little longer to return to 2019 levels than visitation, which is expected to happen in 2024. We forecast overall visitor spending will grow 38.3% in 2022 before stabilizing between 5.1% and 6.2% from 2023 and 2025.
- Our outlook on the US hotel sector assumes this year will be a year of two halves, with hotel performance improving relative to 2019 as we progress through the year, such that the second half of 2021 is substantially better than the first half. Overall, US hotel demand declined 35.7% in 2020 compared to 2019 and is expected to recover to approximately 12.5% below by 2021 Q4. The negative performance impact has been especially severe

in major urban markets, and for upper upscale and luxury hotels, particularly those that traditionally accommodate group business. For example, while overall US hotel room revenue declined 49.4% in 2020, upper upscale revenue declined 62.0%, and the average of top 25 markets tracked by STR experienced a 57.4% decline. Overall, we expect US hotel room revenue in 2021 to recover to 37.8% below its 2019 level, reaching full recovery in 2024.

- Overall hotel demand in San Diego is anticipated to remain below 2019 levels through at least 2022, with a full recovery to 2019 room nights forecasted to occur in 2024. Certain parts of the San Diego market will recover much more quickly, with leisure transient-oriented properties experiencing sooner demand recoveries. An improvement of overall ADR levels in the market is expected to take time, and moderately lag the demand recovery. Overall, San Diego market room revenue is expected to recover to $1.7 billion in 2021 (41.5% below 2019), and then almost $2.5 billion in 2022, 15.8% below its 2019 level and similar to the overall market revenue in 2015. Traditional importance of the group segment in San Diego means that full recovery of the market will be postponed until the public health crisis is sufficiently resolved. We have assumed that local public health restrictions on events will be adjusted to permit some level of event activity in 2021 Q3 and Q4, such as allowing events at 25% indoor capacity. Since many event planners must make essentially go-no-go decisions well in advance of the actual event (e.g., six months ahead of the event date), current and near term uncertainty about the public health situation and corresponding regulations, is anticipated to push the timing of a firm recovery in group demand into the first half of 2022.

- The US and global economies have begun to recover following the Covid-19 pandemic. A year ago, the US economy plunged into the deepest and fastest economic contraction since WWII. This year, improving health conditions, expanding vaccine distribution, and generous fiscal stimulus will form a powerful cocktail that lifts real GDP growth to its fastest rate since the early 1980s. Domestic GDP is expected to grow 7.0% this year, while global GDP growth is forecast at 5.6%.

San Diego Tourism Summary Outlook (annual % growth, unless stated)							
	2019	2020	2021	2022	2023	2024	2025
Visits	-1.9%	-59.2%	73.7%	37.8%	2.2%	2.8%	2.5%
Day	-3.3%	-67.3%	99.3%	51.3%	2.1%	2.4%	2.3%
Overnight	-0.5%	-51.3%	57.3%	26.7%	2.3%	3.2%	2.8%
Expenditure	1.3%	-55.6%	47.5%	38.3%	6.2%	5.9%	5.1%
Day	-0.2%	-69.1%	111.8%	56.1%	0.7%	2.4%	2.8%
Overnight	1.5%	-54.3%	43.1%	36.4%	6.9%	6.3%	5.3%
Hotel Sector							
Room supply	2.2%	-6.8%	7.9%	2.2%	0.4%	0.7%	0.7%
Room Demand	-0.2%	-40.9%	28.3%	25.9%	3.4%	3.3%	2.9%
Occupancy (%)	76.6	48.5	57.7	71.1	73.2	75.1	76.7
ADR ($)	$165.96	$129.30	$128.00	$146.40	$155.89	$163.27	$168.89

2 San Diego Tourism Outlook

2.1 Visitor Trends

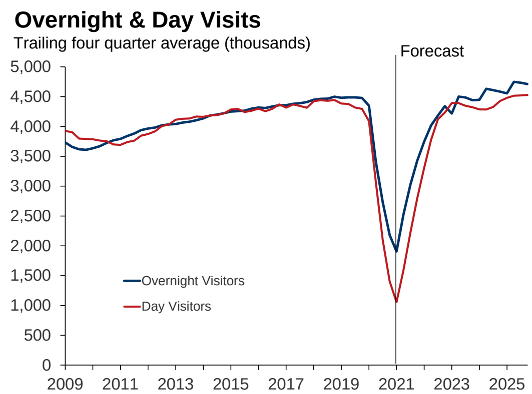
Visitation to San Diego in 2021 is expected to total 24.9 million, which is approximately 10 million fewer visitors than 2019 (35.1 million). It is expected that visitation will return to 2019 levels in 2023. Day and overnight visitation are both expected to improve during 2021, but remain 35% and 24% below 2019 levels, respectively. Mexican day visitation is expected to fall sharply in 2021 compared to 2019 (-43%), as is day visitation excluding Mexico (-32%).

Total visitation is expected to recover in 2021 to a level 29% lower than in 2019. However, when compared to the low watermark established in 2020 due to Covid-19, total visitation is expected to grow 74% year-over-year. As more people receive vaccinations, quarantine restrictions begin to ease, and consumers gain more confidence to travel, domestic travel is expected to return, followed by international travel.

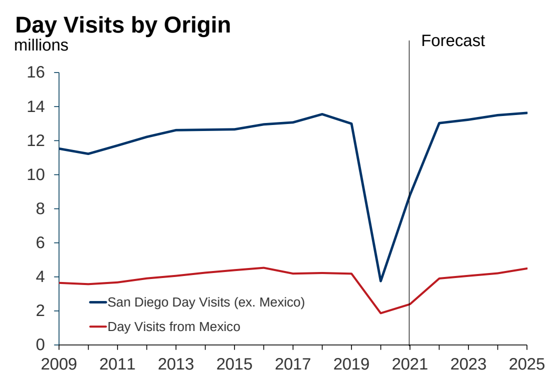
We expect both day and overnight visitation to continue to support overall visitation growth in 2021, growing 99% and 57% year-over-year. Overall visitation growth is forecast to remain high in 2022 (38%), before it stabilizes between 2.2% and 2.8% from 2023 through 2025.

US GDP is expected to grow 7.0% this year, following growth of 2.2% in 2019 and a contraction of 3.5% in 2020. GDP is forecast to remain softer in the coming years, falling to 3.0% in 2022 and remaining below 1.4% through 2024. Consumer spending is expected to grow 7.6% in 2021 and 4.5% in 2022, before stabilizing between 1.1% and 1.8% in 2023 through 2025. Business investment is expected to follow a similar trend to consumer spending, growing 7.5% in 2021 before stabilizing between 0.5% and 2.0% in 2022 through 2025. For these reasons, we forecast overall visitation growth hovering around 2.0% in the long-term.

Source : Tourism Economics/CIC Research



Source : Tourism Economics/CIC Research



Source : Tourism Economics/SDCVB

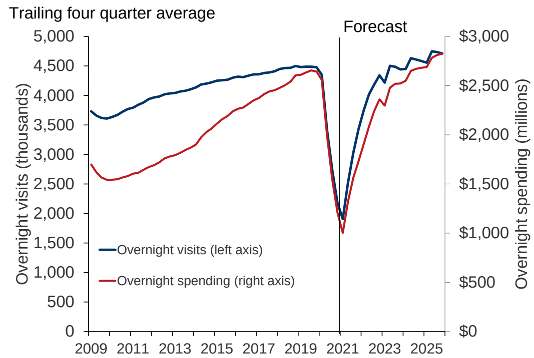
2.2 Expenditures

Visitor expenditures in 2021 are expected to recover to 34.6% below 2019 levels, with equal differences expected for overnight visitors (34.6% decrease) and day visitors (34.4% decrease). Spending by day visitors from Mexico is projected to recover in 2021 to 41.2% below 2019 levels, while spending by day visitors excluding Mexico is expected to recovery to 32.4% below.

Day visitor spending is expected to rebound at a quicker pace than overnight visitors, with day visitors expected to surpass 2019 levels in 2022, compared to 2024 for overnight visitors. Dav visitor spending growth is expected to be 2.4% and 2.8% in 2024 and 2025, respectively, while overnight visitors are expected to increase 6.3% and 5.3% in 2024 and 2025, respectively.

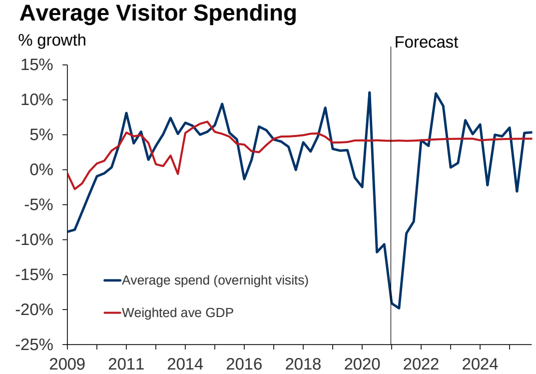
We forecast overall visitor spending growth will remain between 5.1% and 6.2% from 2023 and 2025.

Overnight Visits & Expenditures



Source : Tourism Economics / CIC Research

Average Visitor Spending



Source : Tourism Economics

2.3 Hotel Performance

San Diego hotel room revenue declined 54.0% in 2020, which is similar to the average decline experienced by the top 25 hotel markets tracked by STR (57.4% decline), and hotel performance continues to be heavily suppressed. It is anticipated that the San Diego room revenue decline during 2021 Q1 relative to the corresponding quarter in 2019 (59.7%) will be slightly more severe than in 2020 Q4 (53.9%). This slightly worsening in the comparison to 2019 is primarily because group room revenue has historically been quite important to first quarter performance in the market and traditional types of group demand remain largely prohibited.

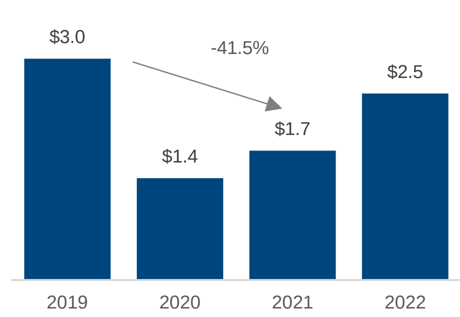
First quarter performance is anticipated to be partially supported by improving trends in transient demand. With the regional stay at home order lifted, trends toward reduced disease prevalence, and accelerated pace of vaccinations, the context for regional and longer distance leisure travel has improved. Improving leisure demand progressively through 2021 is expected to help close the gap relative to 2019 performance, with total San Diego hotel demand down 41% in 2021 Q1 relative to 2019 improving to down 18% in 2021 Q4. In many periods of 2021, leisure demand is assumed to be slightly ahead of 2019 levels, as the context for travel improves, and as hotels seek to fill hotel rooms that traditionally have been occupied by group and business transient guests.

However, the traditional importance of the group segment in San Diego means that full recovery of the market will be postponed until the public health crisis is sufficiently resolved. We have assumed that local public health restrictions on events will be adjusted to permit some level of event activity in 2021 Q3 and Q4, such as allowing events at 25% indoor capacity. Since many event planners must make essentially go-no-go decisions well in advance of the actual event (e.g., six months ahead of the event date), current and near term uncertainty about the public health situation and corresponding regulations, is anticipated to push the timing of a firm recovery in group demand into the first half of 2022.

The implication of these trends is that overall hotel demand is anticipated to remain below 2019 levels through at least 2022, with a full recovery to 2019 room nights forecasted to occur in 2024. Certain parts of the San Diego market will recover much more quickly, with leisure transient-oriented properties experiencing sooner demand recoveries. An improvement of overall ADR levels in the market is expected to take time, and moderately lag the demand recovery. Overall, San Diego market room revenue is expected to recover to $1.7 billion in 2021 (41.5% below 2019), and then almost $2.5 billion in 2022, 15.8% below its 2019 level and similar to the overall market revenue in 2015.

Hotel room revenue

In billions



Source: STR, Tourism Economics

3 US Tourism & Lodging Outlook

Domestic Person Trips in the US
(Millions)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	2,059.6	2,109.3	2,178.7	2,206.6	2,240.8	2,278.0	2,318.0	1,599.8	1,904.5	2,271.6	2,375.5	2,455.1
% change	1.4	2.4	3.3	1.3	1.6	1.7	1.8	-31.0	19.0	19.3	4.6	3.4
By purpose												
Business	439.8	443.5	459.8	454.8	454.2	458.7	463.9	184.8	228.8	395.3	433.1	457.4
% change	1.2	0.8	3.7	-1.1	-0.1	1.2	1.1	-60.2	23.8	72.7	9.6	5.6
Leisure	1,619.9	1,665.8	1,718.9	1,751.8	1,786.6	1,819.3	1,854.1	1,414.9	1,675.7	1,876.4	1,942.4	1,997.8
% change	1.5	2.8	3.2	1.9	2.0	1.8	1.9	-23.7	18.4	12.0	3.5	2.9
Hotel room demand												
Roomnights	1,107.6	1,152.1	1,180.5	1,198.7	1,227.5	1,257.4	1,281.4	783.2	1,035.6	1,221.8	1,287.0	1,339.3
% change	1.9	4.0	2.5	1.5	2.4	2.4	1.9	-38.9	32.2	18.0	5.3	4.1

Forecast prepared October 2020
Source: US Travel Association

Summary US Lodging Forecast

	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Rooms (mn roomnights)												
Room Supply	480.6	431.9	475.3	481.5	472.3	490.1	503.0	503.9	491.5	503.6	512.1	509.4
Room Demand	249.1	144.7	228.2	201.4	175.6	238.9	291.9	264.9	269.0	319.3	336.0	291.6
Occupancy (% balance)	51.8%	33.5%	48.0%	41.8%	37.2%	48.7%	58.0%	52.6%	54.7%	63.4%	65.6%	57.2%
ADR ($)	$123.95	$83.59	$101.37	$93.90	$96.68	$105.70	$114.10	$109.68	$112.16	$117.19	$119.49	$116.17
RevPAR ($)	$64.25	$28.00	$48.67	$39.27	$35.96	$51.52	$66.21	$57.66	$61.38	$74.30	$78.40	$66.50

(year-to-year % growth)

	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Room Supply	2.0%	-10.8%	-3.6%	-2.0%	-1.7%	13.5%	5.8%	4.6%	4.1%	2.7%	1.8%	1.1%
Room Demand	-14.3%	-57.2%	-34.6%	-33.5%	-29.5%	65.1%	27.9%	31.5%	53.1%	33.6%	15.1%	10.1%
Occupancy (% balance)	-15.9%	-52.1%	-32.1%	-32.1%	-28.3%	45.5%	20.9%	25.7%	47.2%	30.1%	13.1%	8.9%
ADR	-3.8%	-37.1%	-24.0%	-27.2%	-22.0%	26.5%	12.6%	16.8%	16.0%	10.9%	4.7%	5.9%
RevPAR	-19.1%	-69.9%	-48.4%	-50.6%	-44.0%	84.0%	36.0%	46.8%	70.7%	44.2%	18.4%	15.3%

Forecast prepared January 2021
Source: STR

4 Key Origin Economies

4.1 US Market Summary

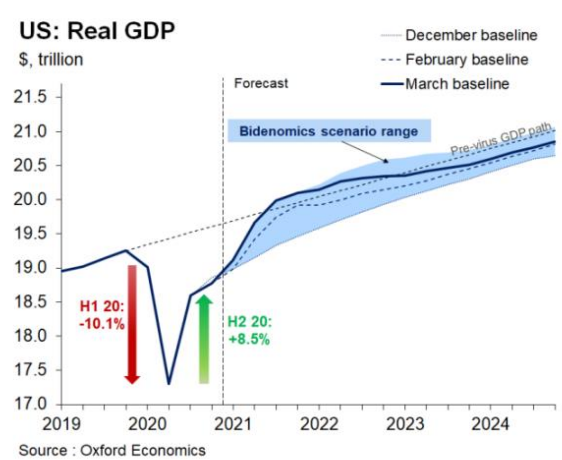
Key DMA Economy Comparisons

	Forecast growth (2019 to 2022, CAGR)			Unemployment rate		
Metro	Employment	GDP	Retail sales	2020	2021	2022
Dallas	0.8%	2.1%	4.7%	6.7	4.9	4.6
Denver	0.5%	2.4%	4.4%	6.8	5.1	4.7
Las Vegas	-0.1%	1.3%	3.3%	14.6	8.9	7.6
Los Angeles	-0.1%	1.4%	3.2%	13.3	10.3	8.0
Phoenix	0.9%	2.1%	5.0%	7.0	5.8	5.5
Sacramento	0.1%	1.4%	3.5%	8.5	6.4	5.3
Salt Lake City	0.8%	1.9%	4.3%	5.2	3.6	3.4
San Diego	-0.1%	1.5%	3.4%	8.9	7.0	5.7
San Francisco	0.2%	2.8%	6.0%	7.2	5.4	4.1
Seattle	0.4%	2.8%	5.1%	7.8	5.6	5.1

Note: Real GDP, real retail sales including vehicles.
Source: Oxford Economics

Signs of a strong 2021 are becoming clear

In January, febrile US households awoke to $600 checks and extended unemployment benefits. The 10% surge in personal income was used wisely. Some funds ended up in the piggy bank, some used to pay off debt, and a decent chunk was used to restock, refuel, redesign, and revive old spending habits.



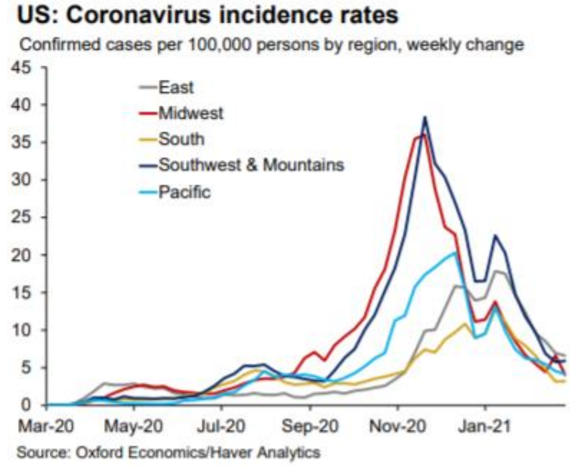
Disposable income adjusted for inflation surged 11% in January, pushing it 12.6% above its pre-coronavirus level. Real consumer spending reversed its declines of the two prior months, rising a solid 2%, as spending on goods surged 5.1% and outlays on services warmed up 0.5%. The personal savings rate rose 10ppts to 20.5% in January – 13.4ppts above the level last year – as income outpaced spending.

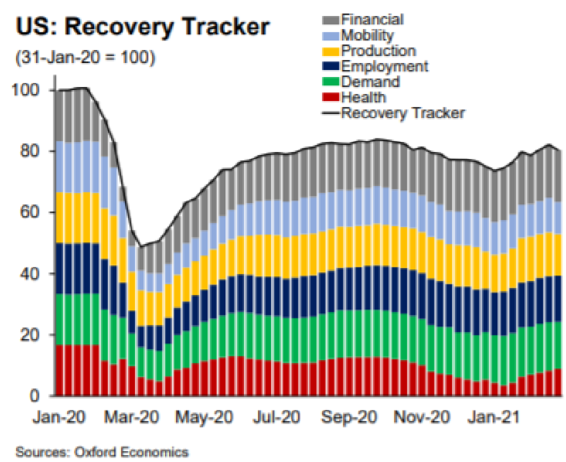
Looking ahead, we expect the cocktail of generous fiscal stimulus from the American Rescue Plan and improving health conditions to fuel a burst in consumer spending. We see real consumer spending growth of 7.6% in 2021, supporting 7% GDP growth.

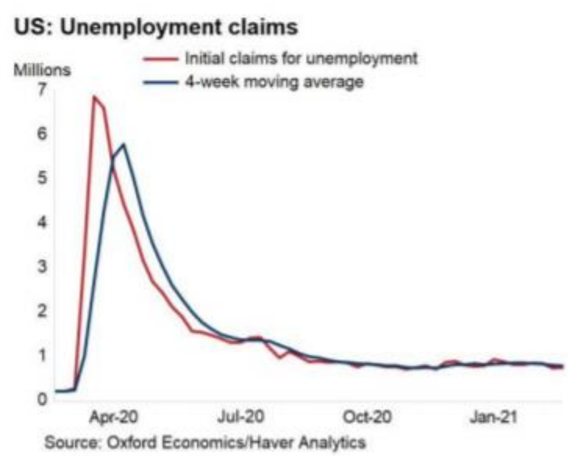
Fiscal policy and vaccines tilt risks to upside

The pandemic remains the key downside risk for the US economy. However, the number of new virus cases has fallen sharply, vaccination diffusion is accelerating, and the risks for further fiscal stimulus are tilted towards the upside.

- **Vaccine rollout:** The latest vaccination rate is about 2 million daily doses, at which pace the US will achieve herd immunity (70% of the adult population inoculated) by early summer. This will ease virus fears and allow for a relaxation of activity restrictions.
- **Fiscal policy:** The full $1.9tn American Rescue Plan was signed into law by President Biden in early March. The Plan will boost real GDP growth 3.3ppts by Q4 2021 and support growth of 7% in 2021.
- **Rising inflation:** Inflation will undoubtedly warm up in 2021, though it's unlikely to spiral out of control amid a lingering demand gap in some sectors of the economy and anchored inflation expectations. We see headline PCE inflation averaging 2.5% in 2021.
- **Consumer spending:** US households will drive the recovery. Real consumer spending rebounded strongly in January after two months of decline, and the upward momentum is set to continue. Lower-income families will benefit from generous fiscal transfers totaling $900bn, including checks, unemployment benefits, and tax credits. Higher-income families will be able to spend their steady income streams and some of the accumulated $1.8 trillion in excess savings.
- **Labor market:** Nonfarm payrolls rose 379k in January, while the unemployment rate fell 0.1ppt to 6.2%. We expect the economy to add nearly 7 million jobs this year.
- **Business investment:** Capital goods data show ongoing strength in investment at the start of the year. We see capex growing a firm 8.3% across 2021.
- **Survey housing activity:** The housing sector remains a bright spot, buoyed by low rates and fiscally supported income. We see residential investment up 11.9% in 2021.
- **Trade flows recovering slowly:** The US economy is outpacing the rest of the world. We therefore expect a stronger pull for imports and a more gradual exports recovery will lead to a widening current account deficit to 3.6% of GDP.



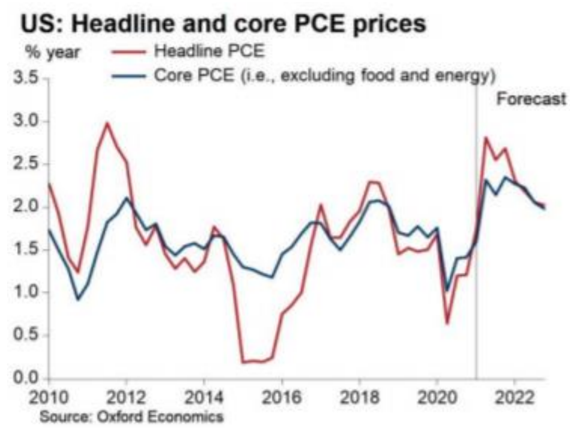




Fed looks to calm impatient markets

The striking rise in long-term bond yields has prompted the Fed to reinforce its very dovish forward guidance. Chair Powell recently underscored the Fed's "patient" approach to a likely near-term inflation pick-up, pointing explicitly to higher yields as a risk to the Fed achieving its goals. Although his remarks failed to slow the bond sell-off, we still don't expect the Fed to immediately shift to yield curve control or a longer maturity profile for its QE purchases.

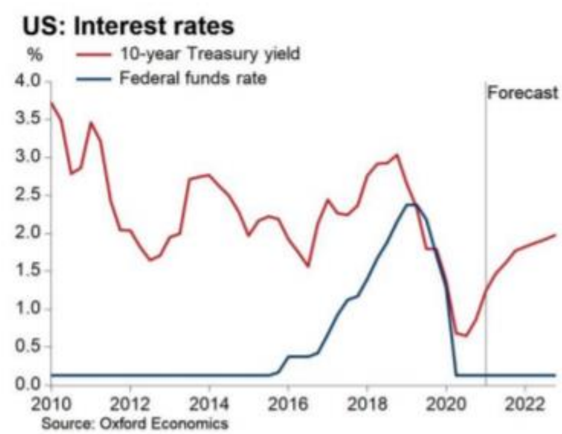
Stronger economic activity should boost inflation to a sustainable 2%-plus pace and lead to full employment by 2023. This would satisfy the conditions for rate lift-off, so we expect the first Fed rate hike in mid-2023. A gradual tapering of QE asset purchases should precede this in 2022.



Long-term factors

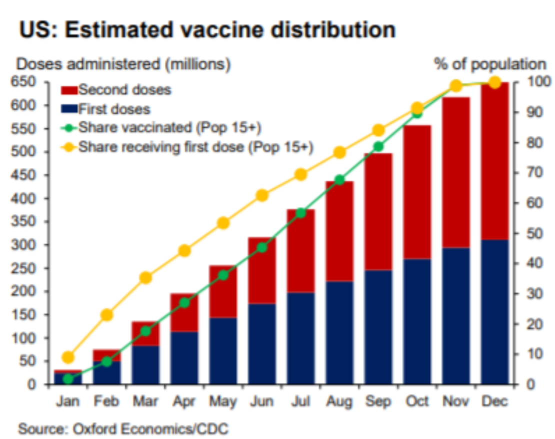
After the sharp rebound in activity this year, economic growth should steady at around 1.7% a year between 2024-2030, broadly in line with potential.

- **Flexible labor force:** The US will maintain a flexible labor force, giving it an advantage over its peers.
- **Steady productivity:** We expect productivity growth to sustain a steady but modest pace in the long term.
- **Population challenges:** Lower projected population growth will result in lower output growth in the long run.



What to watch out for

Coronavirus pandemic: Coronavirus cases have fallen across the US. New strains of the virus emerging around the world could threaten a fresh wave of cases, especially if current vaccines prove less effective against them. However, coronavirus risks now look more balanced as a faster-than-expected vaccine rollout will allow earlier re-openings and boost the economic outlook.



Fiscal stimulus: Our new baseline incorporates the full $1.9 trillion of fresh fiscal stimulus contained in President Biden's American Rescue Plan. The administration may now look to enact further fiscal stimulus geared towards infrastructure spending. This would boost the short- and long-term outlook.

Financial risk: Financial conditions have eased since the early stages of the crisis. However, the sharp rise in long-term yields risks a renewed tightening that could slow the recovery. Pockets of risk in the corporate sector and nonbank mortgage lending should also be closely monitored.

Household savings and consumer spending: While the household savings rate (flow measure) is expected to fall back to pre-coronavirus levels by early 2022, excess savings (stock measure) isn't expected to run down rapidly. Instead, these accumulated personal savings will continue to flow into financial assets and be turned gradually into wealth, from which the propensity to consume will be minimal, gradual, and partial. A faster or slower run-down in savings could influence the speed of the economy.

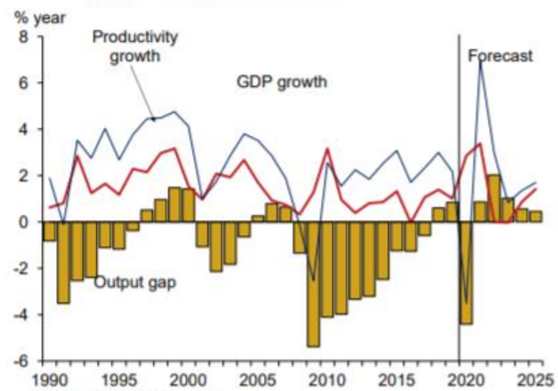
Immigration: If the Biden administration doesn't ease current immigration restrictions, the impact on the labor supply will limit short- and long-term growth prospects.

Long-term prospects

We forecast long-term US GDP growth will settle around 1.7% in 2030, with supportive fundamentals including:

- **Solid labor supply growth:** The labor supply will expand steadily in the medium and long term.
- **Competitive wage costs:** Relative unit labor costs are still close to the lowest levels in the last 30 years.
- **Deleveraged households:** Household's debt-to-income ratio has fallen back to near its long-term average.
- **Fiscal stance:** Reduced fiscal restraint over the long term should cause less of a headwind for the economy.
- **Oil prices:** A return to oil prices above $60pb in the medium to long term should support energy activity.
- **Climate change:** Higher, but still moderate, average temperatures are expected to drag slightly on long-term growth.
- **Productivity growth:** We expect gains in real output per hour to maintain a moderate pace in the long run.

US: Supply-side performance



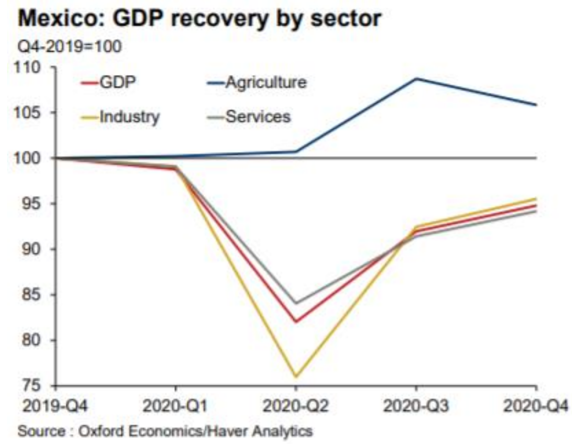
Source: Oxford Economics

Potential GDP and Its Components Average Percentage Growth	2010-2019	2020-2029
Potential GDP*	1.7	1.7
Employment at NAIRU	0.7	0.3
Capital Stock	1.8	1.2
Total Factor Productivity	0.5	1.1

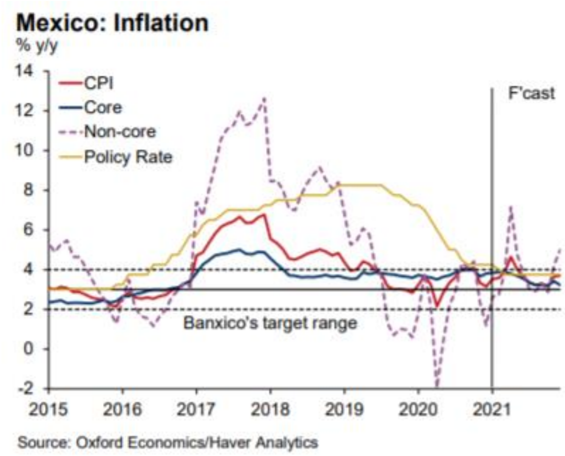
*ln(Potential GDP)=0.65*ln(Employment at NAIRU) +0.35*ln(Capital Stock)+ln(Total Factor Productivity)

4.2 Mexico

We maintain our forecast 2021 GDP growth of 5.6% following an estimated 8.7% contraction in 2020. However, there are downside risks to the 2021 outlook if vaccination delays increase the likelihood of an expansion of restrictions to March. We expect the currently soft restrictions to be phased out in Q2.



Preliminary Q4 GDP estimates showed a stronger-than-expected 3.1% q/q expansion, driven by a recovery in manufacturing and services. INEGI's preliminary release did not include full year data revisions, but indicated a seasonally adjusted 8.5% GDP contraction in 2020, suggesting an upside revision to previous quarters. We expect a continuation of restrictions to cause a marginal 0.3% q/q GDP contraction in Q1.



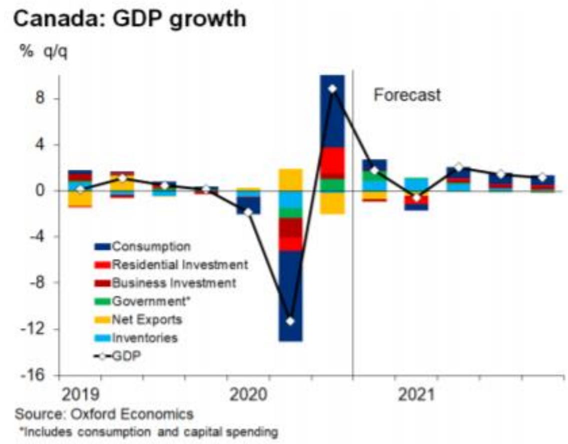
Inflation accelerated in January to 3.5% from 3.2% in December, due to an unexpected surge in energy and food prices. Accumulated distortions on inflation and price formation dynamics could partially offset the ample economic slack and prevent a quick convergence to the inflation target. We expect headline inflation to exceed Banxico's target range of 3% (+/-1%) in Q2, and then ease to 3.7% by year-end.

Banxico's unanimous decision to end its monetary policy pause with a 25bps cut to 4% at the February 11 meeting caused us to revise our forecast. We now expect a final 25bps cut to 3.75% at the March 25 meeting. However, we expect upside risks to the inflation outlook to prevent additional easing.

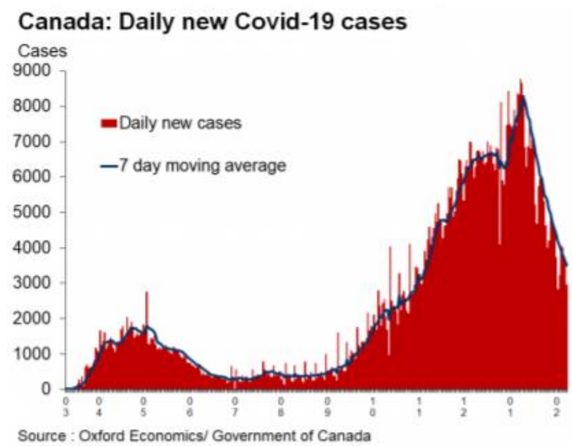
Lack of comprehensive fiscal stimulus, depletion of 'rainy-day' funds, and overzealous tax collection allowed for a better-than-expected 0.2% GDP primary budget surplus in 2020. However, we expect a primary deficit of 0.5% in 2021 due to higher spending ahead of the mid-term election and the exhaustion of one-off revenues.

4.3 Canada

Although Q1 GDP will likely contact 0.6% q/q, the Canadian economy already looks to have turned a hopeful corner. An improving health situation and rollout of vaccinations should support a sustained easing of health restrictions and a quick resumption of economic recovery, aided by more robust US growth. As a result, we now expect the Canadian economy to rebound 4.4% in 2021, 0.4ppts stronger than last month, after contracting an estimated 5.4% in 2020.



New coronavirus cases have been steadily declining for several weeks and the reproductive rate has fallen below the critical threshold of 1 for the first time since last summer. This has led several provinces to announce plans to slowly loosen restrictions in the coming weeks. Downside risks around variants and mutations remain, but the health situation is looking better than it was a few weeks ago.



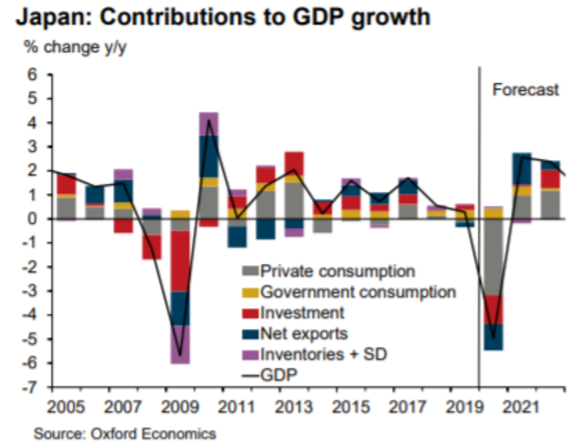
The slow start to vaccinations has been exacerbated by recent delivery delays. As of February 10, only 3% of Canadians have received an initial vaccine dose, and 0.3% of Canadians have been fully vaccinated. We still think most of the population will be inoculated by the end of Q3, but further vaccine delivery disruptions raise the risk that it could take longer for the country to reach herd immunity.

Tighter measures to contain the second wave of coronavirus caused employment to tumble 213,000 (-1.2%) in January. The drop was larger than we had expected, but was entirely part-time workers in Quebec and Ontario in industries directly affected by stricter public health restrictions, suggesting a quick rebound once restrictions ease.

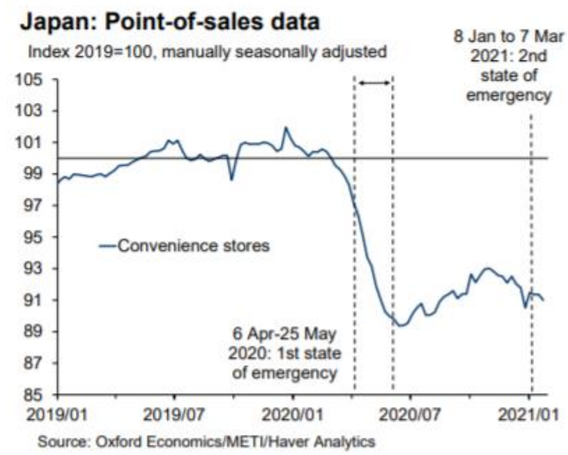
With the US Fed now expected to begin hiking rates in 2023 and our forecast for stronger domestic growth, increased exports, and higher inflation, we anticipate the Bank of Canada will also begin raising interest rates in early 2023, a year sooner than our prior forecast.

4.4 Japan

More than two-thirds of the Japanese economy remain under restrictions as coronavirus cases remain elevated nationwide, prompting an extension of the state of emergency covering Tokyo and other major prefectures to early March. This will hit activity, but we expect the overall impact to be mild as the vaccine rollout and stronger growth in the US and China will lift activity from mid-year onward. We expect GDP to grow 2.6% in 2021, following a drop of 5% in 2020. For 2022, we project GDP to grow 2.4%.



The recovery continued in Q4 2020 despite softer momentum in December. Real export growth moderated to 2.6% y/y (after 4.6% in November), while industrial production slipped to -4.8% y/y (from -3.1% before) due to a weaker performance in the automobile sector. Positively, the au Jibun Bank Manufacturing PMI registered only a modest drop to 49.8 in January (after a final reading of 50 in December) and industry forecasts for January-February do not indicate an imminent large decline, despite coronavirus-related restrictions remaining in place domestically and abroad.



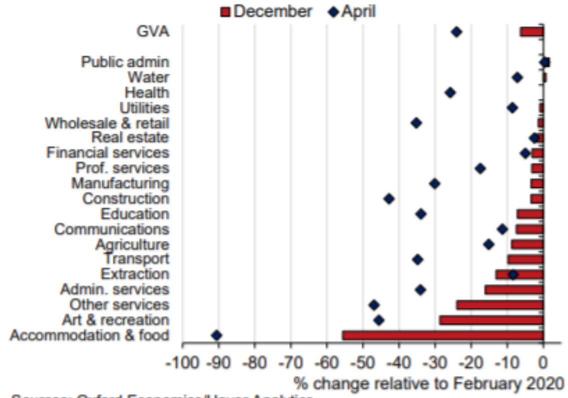
The gradual rollout of a coronavirus vaccine should allow for a more significant recovery in services and spending from mid-2021 onward, while stronger growth in the US and China should benefit the manufacturing sector and exports. That said, the consumer outlook remains vulnerable as wages remain at very subdued levels, and the current state of emergency will likely set back employment in services once again in early 2021.

The Suga administration's third supplementary budget for fiscal year 2020 and its 2021 annual budget extend fiscal support for businesses, households, and the health care system into 2021. Meanwhile, we expect the BoJ to continue to focus on support for corporate credit while maintaining interest rates at their current low level.

4.5 United Kingdom

The carry-over from firmer-than-expected data in Q4 last year has led us to nudge up our forecast for GDP growth in 2021 to 5.5% from 5.4% last month. Although the current lockdown looks likely to last slightly longer than we previously thought, the UK's aggressive approach to vaccinations should allow a strong consumer-led recovery in activity from Q2.

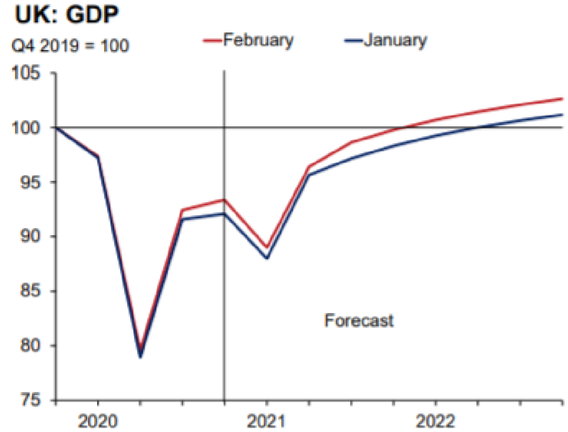
UK: GVA relative to February level



Sources: Oxford Economics/Haver Analytics

GDP rose by 1.0% q/q in Q4 2020, an upside surprise which reflected attempts by the ONS to incorporate the impact of the coronavirus test, track and trace scheme on output in the health sector. This factor will also boost output in early-2021, but the impact will be mitigated by the likelihood that the lockdown will remain in place for longer than previously anticipated. The government delayed the re-opening of schools from mid-February to 8 March at the earliest and has suggested that restrictions on other sectors will be lifted later. Initial evidence on the lockdown indicates that activity has been hit harder than in November but that the impact has been much more modest than in the spring 2020 lockdown. We expect GDP to fall by 4.7% q/q in Q1.

UK: GDP



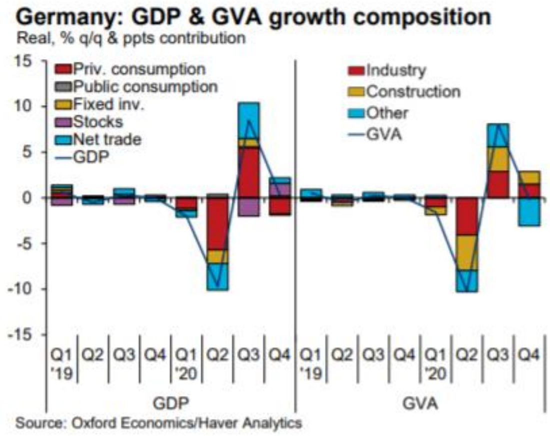
Sources: Oxford Economics, Haver Analytics

However, the vaccination roll-out is progressing well and thus far the lockdown has been successful in lowering Covid cases and hospitalisations. Therefore, we continue to expect a meaningful relaxation of social distancing restrictions during Q2, leading to a strong consumer-led rebound in GDP.

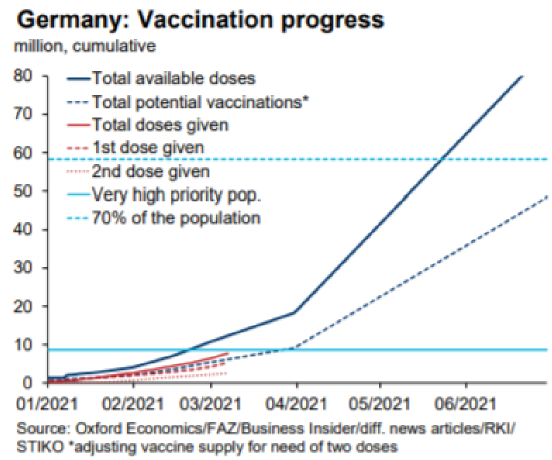
The BoE's consultation on negative interest rates found that this policy could not be implemented in a "safe and sound way" for six months. To give it the option of using the policy, the MPC asked the financial sector to begin preparations but stressed this should not be viewed as an intention to actually implement negative rates. Given we expect activity to be rebounding strongly in six months' time, the chances of negative interest rates being adopted in this cycle still look slim.

4.6 Germany

Upwardly-revised Q4 2020 GDP provides a stronger starting point for the German economy in 2021, so we have nudged up our growth forecast to 3.8% from 3.6% last month. But weak January activity data supports our view that GDP will contract moderately in Q1. Growth should then pick up meaningfully in Q2 as the government embarks on lockdown easing, but virus mutations, high case numbers and slow vaccination roll-out keep risks on the downside. We still see a return to pre-crisis GDP levels by end-2021, and then growth of 4.3% in 2022.



The economy started the year on a weak note. Industrial production fell by 2.5% m/m in January as car makers slowed their output partly due to a semiconductor shortage. But the industrial outlook remains positive. Factory orders rose strongly and surveys are at elevated levels, signalling ongoing impetus from resurgent global trade. Retail sales fell 4.5% m/m in January after plunging 9.1% in December, hit by lockdowns and the reversal of last year's VAT cut. But sales should rebound when shops open.

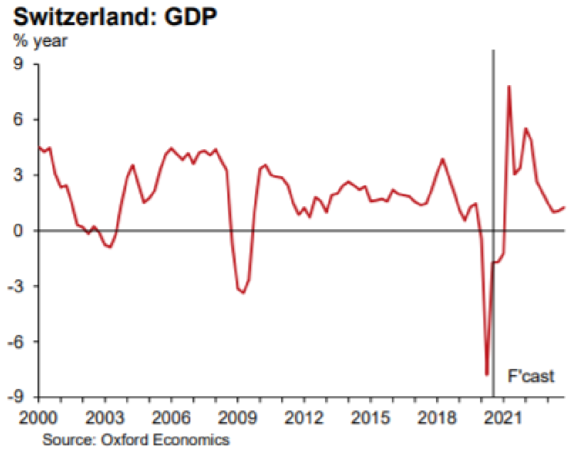


The federal and 16 state governments agreed a partial opening of retail and contact-intensive services in March alongside more testing. Restaurants may open outside as early as late-March depending on infection numbers. With numbers still elevated and slow vaccination progress, this step seems in part driven by political considerations and carries risks of reversal as seen elsewhere in Europe. Overall, we have nudged down our Q1 GDP call to -0.8% q/q but still see strong growth by mid-year.

Inflation edged up to 1.2% in February from 1.0% in January on further gains in energy prices and despite slowing food inflation, with core inflation measures turning out a tad higher than expected. Along with our upwardly-revised oil price forecast, this lifts our 2021 inflation forecast to 2.0% from 1.8%. But we now also see a sharper slowdown to 1.4% in 2022 as we still think that underlying price pressures will remain muted amid sluggish wage growth and subdued capacity utilisation.

4.7 Switzerland

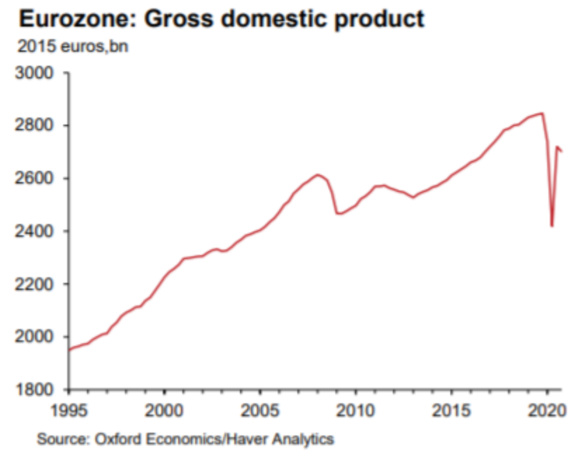
We have cut our Swiss GDP growth forecast for 2021 to 3.2% from 3.4% last month, after an estimated 2.9% contraction in 2020. Latest government press statements do not indicate much loosening of the virus containment measures during March, so the current strong restrictions are likely to weigh on activity until the end of Q1. But despite the gloomy short-term outlook, we still expect a strong recovery in the summer and GDP growth is then seen picking up to 3.8% in 2022.



Regarding the ongoing pandemic, we now assume that current lockdown measures, including closure of non-essential shops, will be largely retained through March. This is in line with latest press statements from members of the government. The next concrete decisions will be announced on 17 February. Increasing opposition to the current strict rules could lead to a faster easing than expected, which would mean an upside risk to our current forecast of a 1.3% q/q GDP fall in Q1 2021. But overall, there is not much to suggest a pick-up in the coming weeks, especially as vaccination roll-out will remain below target for some time. Thus the beginning of Q2 will still be characterized by economic restrictions for contact-intensive services.

However, we still expect a strong rebound over the summer as vaccination roll-out improves significantly during Q2. In line with the ongoing robust industrial sector, this will help GDP to grow strongly in H2. We expect growth to be supported also by license fees from the Olympics and the European football championship, as the IOC and UEFA are located in Switzerland. But the risks to the forecast remain on the downside as both these events are in danger of downsizing, further postponement or even cancellation.

4.8 Eurozone



GDP data show that the eurozone economy withstood the Covid-19 restrictions better than previously anticipated in the last part of 2020, with Q4 activity only suffering a moderate decline. But with the health situation still posing a great risk in several countries and a slow start of the vaccination roll-out, restrictions are being extended, probably leading to a double-dip recession in Q1. We now expect GDP to grow 4.1% in 2021 and 4.8% in 2022, after a 6.8% drop last year.

Q4 GDP fell 0.7% from the previous quarter, a milder fall than expected, leading to a 6.8% contraction in 2020. While a breakdown by components is not yet available, we anticipate weaker household spending drove the fall in GDP. With most governments announcing an extension of restrictions to curb the renewed rise in Covid-19 cases, we expect another quarterly contraction in Q1 of a similar magnitude to that seen in Q4 2020. Initial data at the start of the year shows the economy remains weak, with the composite PMI falling again in January.

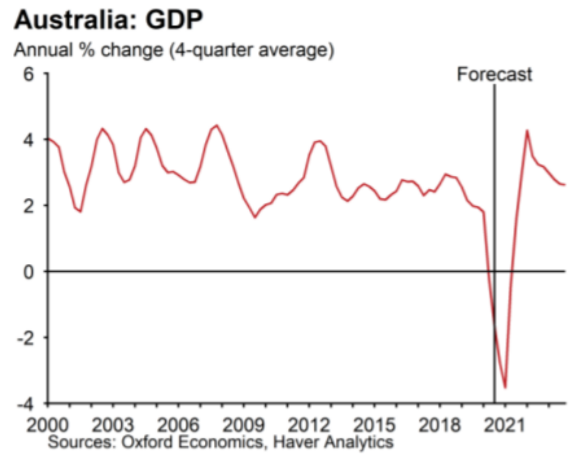
Consumer confidence and spending is likely to remain weak in the short term, and the new restrictions will mean a further postponement in the recovery in air travel and tourism. We expect manufacturing to remain much less affected by the new round of lockdown measures than the more contact-intensive services sector.

We still anticipate a pick-up in growth in Q2 and Q3 as restrictions are rolled back, but we do not expect eurozone GDP to return to its pre-crisis level until the start of 2022, with the hardest-hit countries seeing even slower recoveries and greater permanent damage to their economies.

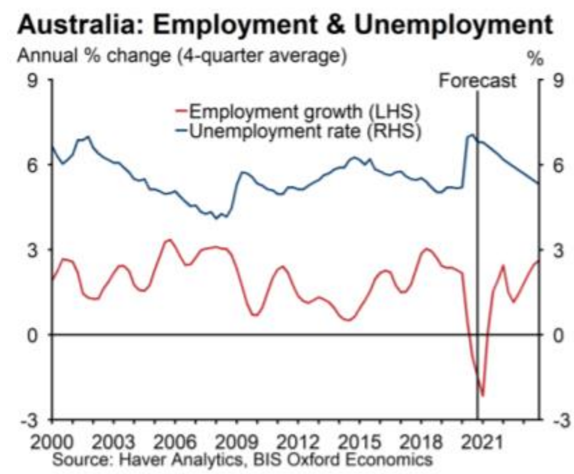
Inflation rose to 0.9% in January. Although the rise was partially driven by higher energy prices, core inflation also shot up to 1.4%, the highest in five years.

4.9 Australia

The economy ended 2020 on a positive note, with retail sales, trade flows, and the labour market all performing well in December and over Q4. The initial recovery stage has now largely passed, and so we expect momentum to slow over 2021. Domestic border closures during the holiday period pose a further headwind to growth in Q1. We expect that GDP fell by 2.8% in 2020 but will rebound to growth of 2.9% in 2021.



Australia's coronavirus vaccine rollout is due to begin later this month. State governments are prepared to respond swiftly and aggressively to any detected cases while the rollout of the vaccine progresses. Perth's recent lockdown demonstrates the government's responsiveness, with the city going into a five-day lockdown following the detection of one case. Border restrictions and the disruption to interstate travel will affect household consumption and retail sales in early 2021.



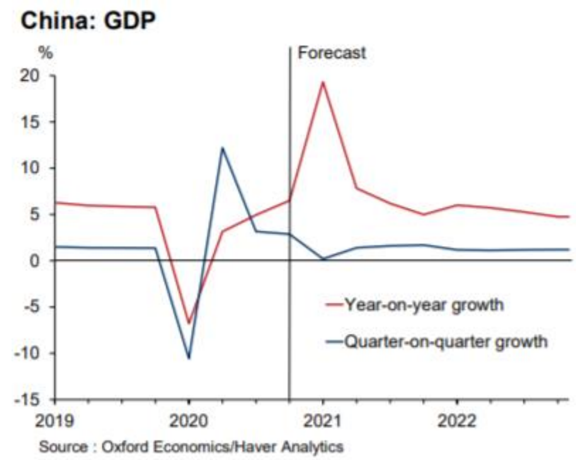
CPI inflation increased by 0.8% q/q in Q4, driven by the unwinding of cost-of-living support measures introduced in Q2. There were pockets of strength in goods prices, but momentum in underlying inflation was weak. We expect inflation will undershoot the RBA's target range of 2%-3% over the next three years, notwithstanding some further volatility in the coming quarters.

The labour market recovery continued in December, albeit at a slower rate. Employment increased by 50,100 jobs (+0.5% m/m), while the unemployment rate eased to 6.6% and the participation rate reached 66.2%. Victoria drove growth in Q4 employment as the state recovered from the stage four lockdown in Melbourne. But momentum has tailed off elsewhere, most notably in New South Wales, where the loss of international students and tourists is weighing on the recovery.

4.10 China

China's economy ended 2020 on a stronger note than we expected, and industry growth was especially rapid. We have a positive outlook for exports and manufacturing investment this year, and still expect household consumption to become an important driver of growth. However, reduced travel during the Chinese New Year (CNY) holidays will weigh on sequential consumption growth in Q1. Overall, we expect GDP to grow 8.9% in 2021.

The government urged people not to take 'unnecessary' trips during the CNY holidays to avoid a surge in coronavirus cases. Reduced travel benefited urban consumption, but hurt consumption in rural areas. Even so, growth in urban consumption has been modest compared to pre-pandemic rates. Underwhelming spending data during the holiday season suggests that consumption will weigh on growth in Q1. But we expect stronger growth from Q2 onwards, barring a significant jump in coronavirus cases.



We expect China's macro leverage to stabilize this year following a sharp rise in 2020, with credit growing in line with nominal GDP growth. Property developers, fintech companies, and banks will face stricter financial regulations. Credit to finance infrastructure investment should decelerate due to fiscal policy normalization and Beijing's concern about local government debt. That said, we think that policymaking will be flexible and based on data signals to avoid premature policy tightening.

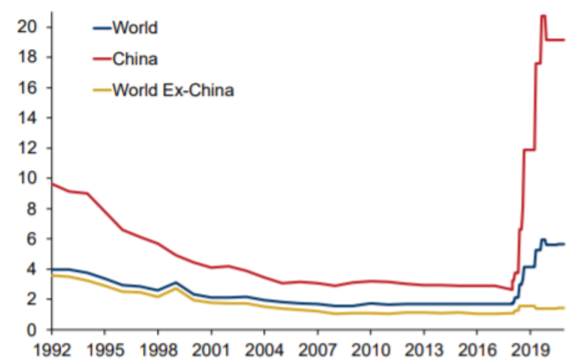
We don't expect credit to the corporate sector to slow sharply, and credit to small and medium enterprises, innovation, and 'green' development should remain strong. Household loan growth will likely slow somewhat this year, but the pace should remain sufficient to support a revival in consumption.

5 Highest hurdle to a more open trade policy is still China

President Biden inherits significant trade tensions across the world. The key question is how far can and will his administration seek to cut trade barriers introduced over the last four years. While we think Biden's team will be able to cut tariffs with Europe and successfully steer past points of friction in North America, the relationship with China is where the risk of persistent tariffs is highest. A slow pace of tariff cuts and ongoing US-China tensions will make it harder for exports and imports to recover their pre-trade war share of GDP. In late 2017, goods trade was over 25% of GDP, but we don't expect it to reach that level again until 2025. In the mix, exports will lag imports.

US: Average tariff rates for the world & China

% tariff, import weighted



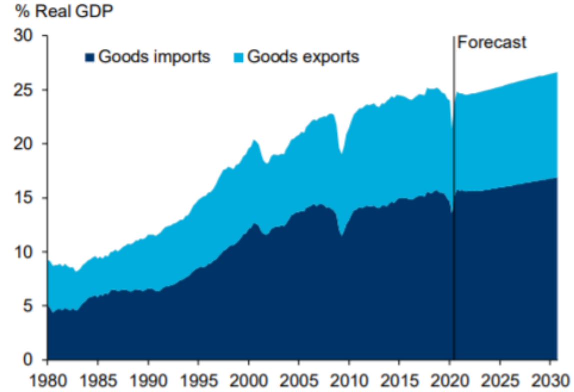
Source : Oxford Economics/Haver Analytics/World Bank WITS

China tensions still the biggest risk and cost

How much the US can deescalate tensions and tariffs with China represents the most critical question for trade policy. Despite the trade war cutting bilateral trade by more than 21% between end-2017 and end-2019, China is by far the largest trading partner with the US outside North America, making up over 11% of total US trade. The size of these trade flows means the current average tariff of over 19% on Chinese imports is very costly for the US economy. We estimate that GDP is 0.5% lower as a result of the trade war due to higher costs for consumers and producers, and the damage to investment from increased uncertainty. Yet despite these costs, we expect few tariff cuts in the near term. Tensions remain high, and the key disputes focus on core features of the two economies' growth models.

US: Trade shares still set to rise, but slower

% Real GDP

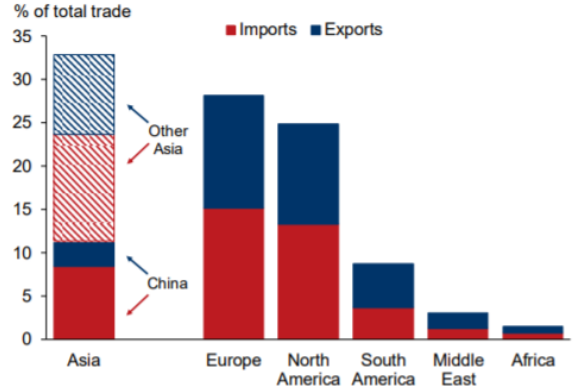


Source : Oxford Economics/Haver Analytics

While no major tariff hikes have occurred since the phase one deal, broader tensions with China have still been rising. In recent months, Donald Trump's White House imposed export controls on Chinese tech firms like Huawei and SMIC, and banned investment in firms linked to China's military, which prompted the NYSE to delist three Chinese telecoms. On their own, these moves are unlikely to affect aggregate activity, but they add to the acrimonious relationship that works against reaching a deal to reduce tariffs. The Biden administration has signaled openness to ease these barriers: The Treasury Department has delayed the investment ban pending review, and new officials haven't committed to maintaining export controls on Huawei.

US: Shares of overall trade by region

% of total trade

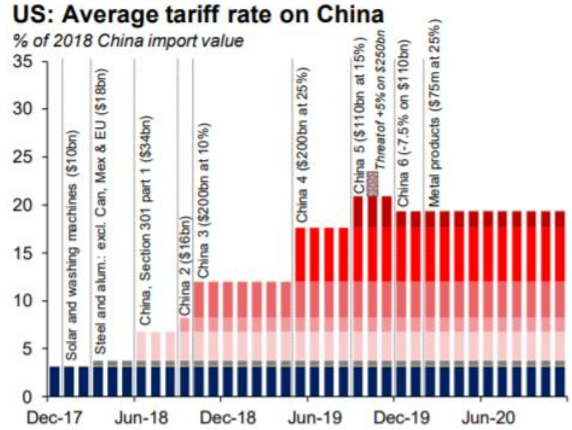


Source : Oxford Economics/Haver Analytics

These signs of a pragmatic and measured approach to China will help ease the uncertainty that characterized Trump's trade policy. Greater certainty boosts consumer and business confidence while lifting investor sentiment. Yet the lack of existing progress on the underlying policy conflicts between the US and China risks preserving the status quo of high tensions and tariffs. While the phase one deal addressed issues concerning technology transfers and intellectual property, its focus on export targets left longstanding problems like subsidies, dumping, and market access largely unresolved. With no schedule for further tariff cuts in the deal, we expect Biden to eliminate only the 7.5% tariff on $110 billion of consumer goods imports from China to cut costs for households. However, this would represent a boost of only 0.1ppt to GDP growth.

US: Average tariff rate on China

% of 2018 China import value

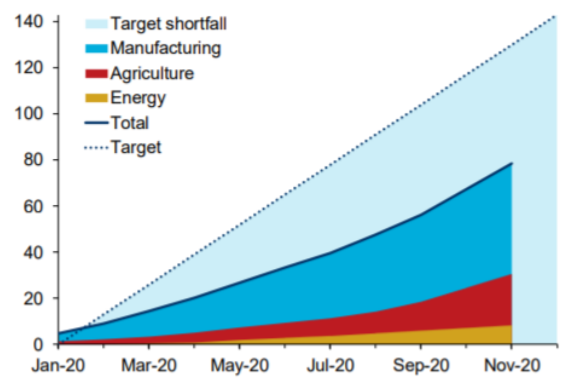


Source : Oxford Economics, Peterson Institute for International Economics

Beyond this, further progress will likely be conditional on economic policy shifts. Talks on any phase two deal have not been a priority amid the pandemic, and China was over 40% behind its phase one import targets in the latest data.

US: Exports to China vs. Phase One deal target

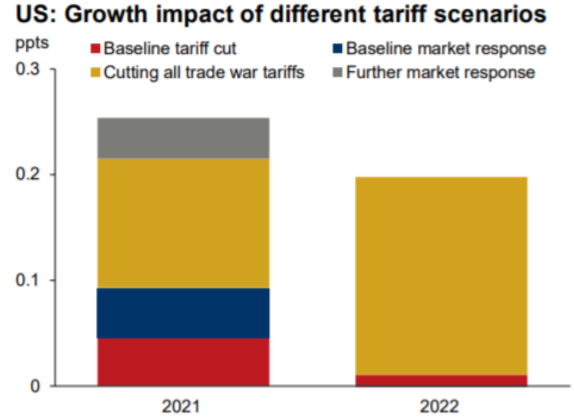
$ billions



Source : Oxford Economics/Haver Analytics

At Treasury Secretary Janet Yellen's confirmation hearing, she set out the administration's priorities on "China's abusive, unfair, and illegal practices," emphasizing dumping, nontariff barriers, subsidies, intellectual property theft, and forced tech transfers. Despite progress on some of these issues following the phase one deal, state-owned enterprises and a relatively state-led growth model remain a core part of China's economic setup. As a result, even with the US and China sharing some interests in "global commons" issues such as climate change, negotiations are likely to be tough, and further tariff cuts may be out of reach.

US: Growth impact of different tariff scenarios



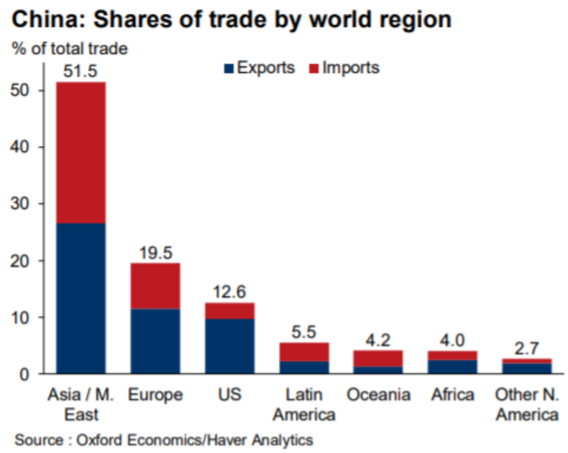
Source : Oxford Economics

This would be a key missed opportunity for trade policy in coming years. Simulations in our Global Economic Model suggest that if President Biden instead cut tariffs with China back to pre-trade war levels gradually in each quarter across his first year in office, this would boost GDP growth by 0.3% in 2021 and another 0.2% in 2022.

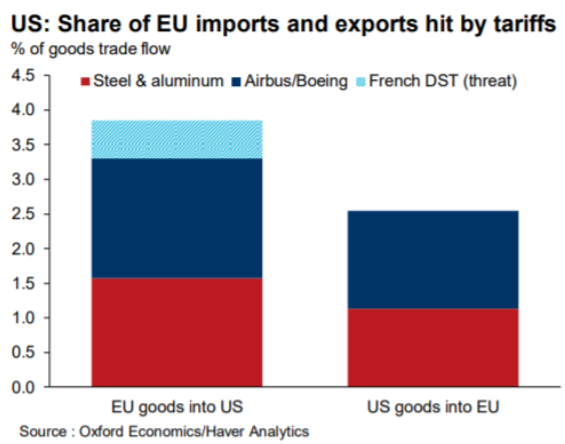
Resolving EU tensions vital for China progress

Even to make the modest gains in trade policy with China that we expect, the Biden administration will need European allies. As a bloc, the EU accounts for more of China's trade than the US. Europe makes up over 20% of China's exports, while the US accounts for 17%, so the total would create significant negotiating leverage. Yet the US also has unresolved trade policy tensions with Europe.

On a positive note, progress is already likely in key disputes with Europe. The main issues are US tariffs on aluminum and steel; bilateral, WTO-approved tariffs in the Airbus-Boeing subsidies dispute; and EU countries' calls for digital service taxes (DSTs) that would hit large US companies. The EU has signaled it would immediately cut tariffs on over $3 billion of imports if the US cuts its metal tariffs, and there is a bilateral or multilateral framework for negotiating both other issues. EU-US talks were already underway on aircraft subsidies, while Secretary Yellen has referred to the need for a global agreement on corporate taxes, which is under negotiation at the OECD. "Buy American" rules for federal procurement may complicate the subsidies dispute, but we expect the administration to get back to negotiations swiftly.

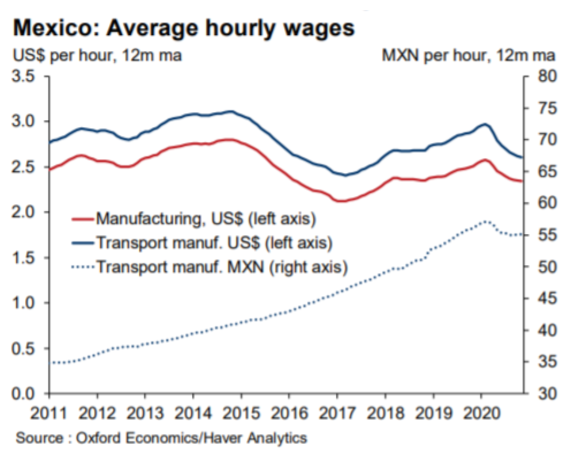


However, the direct gains from resolving these tensions with European partners are small. Higher tariffs affect only around 3% of bilateral trade, and cutting both the duties on steel and aluminum and the Airbus-Boeing tariffs would boost 2021 trade growth by only 0.1ppts. This means the main benefit from resolving tensions with the EU would be potentially unlocking leverage in negotiations with China. The EU's recent investment treaty with China could complicate these efforts, but while that deal did cover issues like forced tech transfers and barriers to investment, EU officials have also been clear that it doesn't address key ongoing disputes with China. These include overcapacity in steel production, industrial subsidies, and trade in counterfeit goods. These points still leave plenty of room for a common US-EU front in negotiations with China.



North America unlikely to pose major hurdles

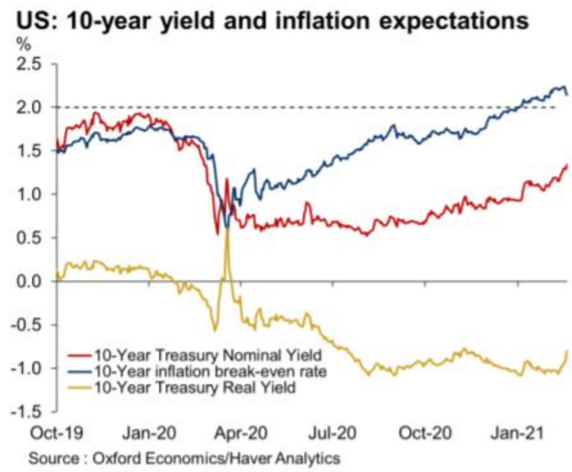
The least risk of trade friction is in North America. With no major tariffs currently facing either Canada or Mexico, and the USMCA enjoying bipartisan support in the US, potential points of disagreement in the near term are unlikely to threaten the US' largest trading relationships. Tensions with Canada could focus on Biden's decision to cancel the Keystone oil pipeline, and tighter Buy American rules on federal procurement. However, neither issue looks likely to cause major problems. Canadian Prime Minister Justin Trudeau expressed "disappointment" on the Keystone move but also emphasized shared aims on climate policy. Canada is already the US' largest supplier of foreign oil, at 65% of import volumes. Canada may also seek a Buy American exemption like the one secured in the Obama administration.



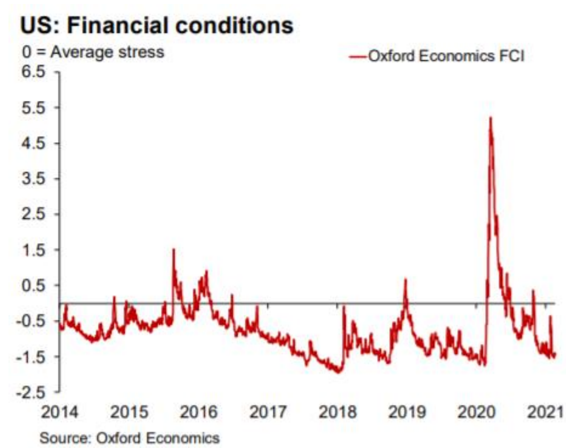
For Mexico, rules of origin for autos in the USMCA are the main risk. The deal states that by 2023, to avoid the 2.5% Most Favored Nation tariff, 40%-45% of the value of an imported auto must be made in facilities paying $16 per hour. Mexican auto worker wages average under $3 per hour, making this condition a steep challenge. While some Mexican plants may hire more high-wage staff like engineers and managers, others may accept the 2.5% tariff hike. Given that around 8%-11% of value-added in autos sold in the US originates in Mexico, even if firms fully pass on the tariff, the cost increase for US consumers should be only around 0.2%. For Mexico, vehicles make up 10% of exports to the US, raising the average tariff just 0.25%. These impacts are unlikely to trigger wider tensions and were anticipated when the USMCA was signed.

6 Chair Powell puts more focus on job recovery than inflation

In his semi-annual monetary policy testimony before the Senate Banking committee, Fed Chair Powell continued to deliver very dovish forward guidance. As he has since the Fed unveiled its new monetary policy framework in August, Powell emphasized the high priority that the Fed places on supporting a broad-based recovery in employment. He said that despite an anticipated strong rebound in economic activity, it will take “some time” to achieve a broad-based and inclusive recovery in the labor market.



Despite rising expectations for faster economic growth and inflation, Powell signaled the Fed will remain very patient with regards to raising interest rates. Additionally, he reiterated that “it is likely to take some time for substantial further progress to be achieved” towards meeting its dual mandates, thus the Fed will not be changing the current pace of $120bn in QE asset purchases anytime soon.



Powell does not believe the rise in inflation would be “large or persistent” and neither would inflation expectations become unanchored. Inflation dynamics take a long time to change and the “burst” in fiscal stimulus should not be maintained over several years. He expected inflation to be volatile going forward, but overall inflation will only moderately outpace the 2% target in the medium-term.

In the coming months, Powell echoed our view that there will be an imminent increase in inflation due to easy year-on-year price comparisons and ongoing supply chain constraints, followed by a possible one-time rise in relative prices as the economy opens more widely in the spring and summer. However, as the minutes from the January FOMC meeting noted it is important to distinguish between one-time price changes and “changes in the underlying trend for inflation.”

The Chairman indicated that the rise in bond yields this year signals increased confidence in the economic recovery and a return to a more normal pace of inflation. He also commented that the Fed looks at broad range of financial conditions. Our proprietary financial conditions index reveals that conditions remain very easy.

Powell said that there is a link between easy monetary policy and higher asset prices, but that it was not the only factor. Other factors included expectations for the pandemic ending, higher corporate profits, and increased fiscal stimulus.

Once again Powell refrained from weighing in on the current specifics of the American Rescue Plan. However, he disagreed with concerns that inflation would jump sharply higher due to the extremely accommodative monetary and fiscal policy stance.

7 Lasting Covid imprint on labor force participation

The collapse in the labor force participation rate (LFPR) has been one of the most striking labor market developments of the global coronavirus recession. The 3.1ppts plunge last year was unparalleled, and nearly as large as the seven year decline in the aftermath of the 2008-2009 recession. As of January 2021, the LFPR has only regained just over a third of its drop, with 4.3 million more people out of the workforce than in February last year.

Analyzing the contributions to the decline in the participation rate from workers who are retired, disabled, discouraged as well as working-age students reveals two important trends. First, an unprecedented wave of discouraged younger workers left the workforce last year. Second, the early retirement of baby boomers and disabled workers amplified the existing structural demographic decline in the LFPR. Together, these two trends accounted for 85% of the overall drop in the LFPR in 2020.

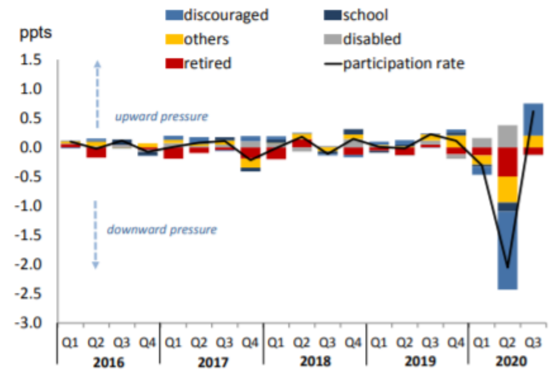
Younger workers on their way back

Across the age groups, the most significant decline in labor force participation was observed among younger workers who dominate the hard-hit services industries. The LFPR among young adults aged 20-24 and 25-34 suffered the largest decline in the wake of the coronavirus crisis, falling by a cumulative 8.1ppts and 4.3ppts, respectively, between January and April 2020. Together, these age groups accounted for about 45% of the drop in the working-age participation rate. Yet younger workers' participation in the labor force has recovered very rapidly, with the 20-24 age group regaining two-thirds of its drop. Lower health risks from the virus, the partial reopening of some services activities, and a decline in college enrolment help explain the swift rebound.

Baby boomers take the nearest exit

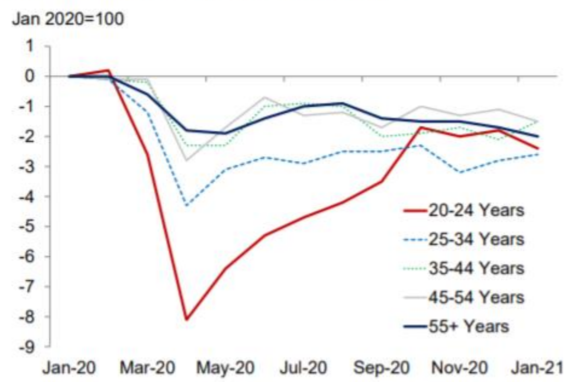
While participation among workers aged 55 and over fell less during the initial stages of the pandemic, it has been on a downtrend since last summer, and it is currently lower than at the worst of the crisis. We see three factors behind this development: the job losses associated with the coronavirus recession, the health risks posed

US: The ins and outs of the participation rate



Source: Oxford Economics/ Shigeru Fujita, Federal Reserve Bank of Philadelphia

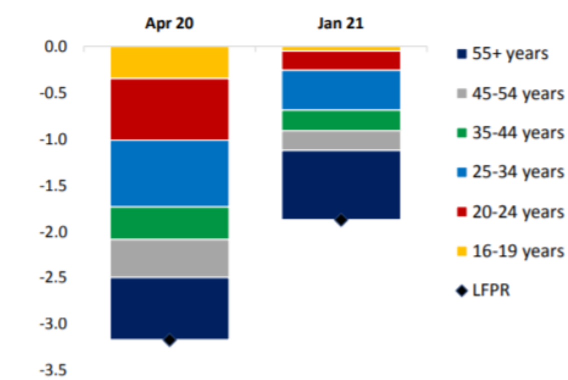
US: Labor force participation rate



Source : Oxford Economics/Haver Analytics

US: Contributions to participation rate shortfall

Change from Feb 2020 level, weighted as share of working-age population



Source: Oxford Economics/Haver Analytics by the virus for the most senior workers, and early retirement decisions boosted by well cushioned 401k accounts supported by strong financial market performance.

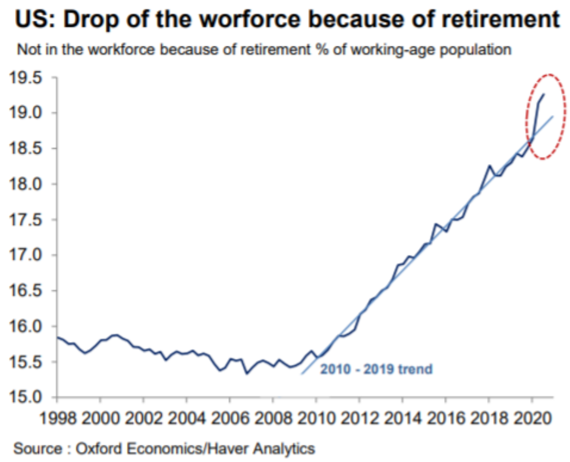
We estimate that ageing of the population would reduce the LFPR by about 0.06ppt every quarter, or 250,000 workers, under normal circumstances. But that drag on LFPR was a large 0.5ppts in May 2020, and will reach a cumulative 1.2ppts by the end of 2022. More than 2 million workers have left the labor force to retire since the start of the pandemic. This is more than double the number of people who dropped out of the labor force to retire in 2019.

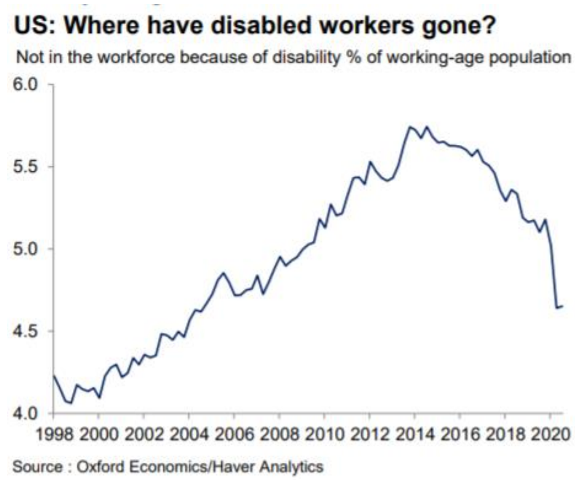
Historical labor market flows data indicate that once an individual has left the labor force for retirement, the odds of returning (employed or unemployed) are slim at around 2% per month (Fujita, 2014). The 16% rise in stock prices over the past year likely provided a welcome lift to retirement accounts, and further reduced the need to return to the labor market for some. We therefore believe this early retirement phenomenon is unlikely to reverse once labor market conditions improve and will permanently reduce the LFPR by about 0.4ppts.

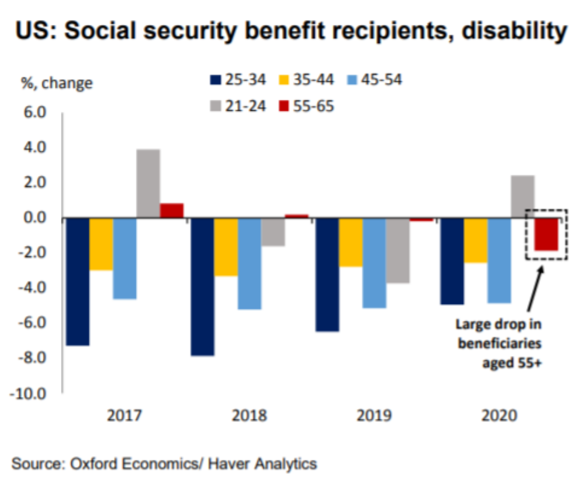
There may not be much of a participation rate boost from returning retirees, but early retirement will result in fewer future retirees than the natural aging of the population would imply over the coming years.

Disabled workers transitioning to retirement

The evidence concerning disability is more puzzling, since this component provided a surprisingly positive offset to the decline in labor force participation in Q2. At first glance, a positive contribution would be interpreted as the re-entry of disabled workers into the workforce, a trend that was taking place before the pandemic hit. However, anecdotal evidence suggests that workers with disabilities were severely impacted by the crisis because they were more susceptible to the virus. As such, we suspect that some of the older disabled workers who were out of work could have transitioned into retirement. This appears to be corroborated by data on social security benefits, which show that the number of older recipients declined markedly in 2020.



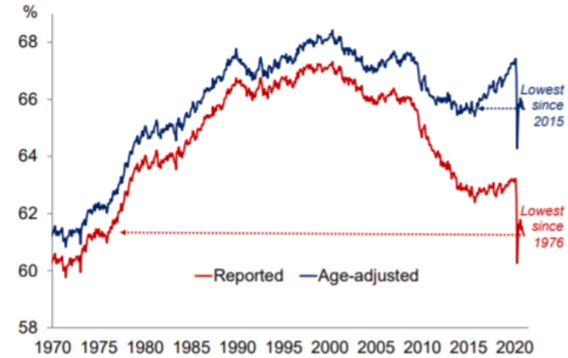




All eyes on prime-age participation

Given the ongoing downward pressure from the retirement of baby boomers, it's important to neutralize the effect of the aging of the population to get a more accurate picture of labor market participation. While the reported participation rate is at its lowest level since the 1970s, our age-adjusted measure of labor force participation is at its lowest level since 2015, or 1.8ppts below its pre-pandemic level.

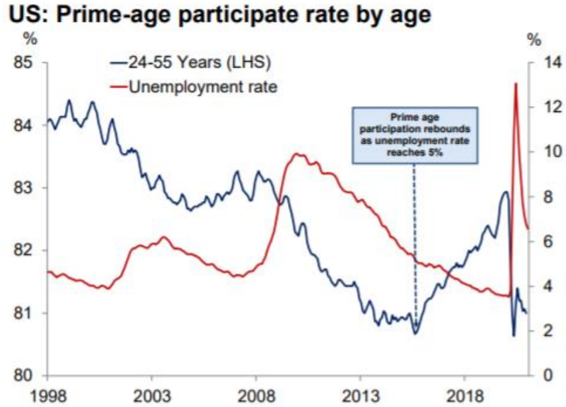
US: Cyclical versus structural participation rate



Source : Oxford Economics/Haver Analytics

Fed Chair Jerome Powell recently stated that examining the share of prime-age workers holding or actively seeking work is another way of stripping out the effects the aging of the population. After rebounding strongly in the latter phase of the prior economic expansion, the prime-age participation rate plunged 3.1ppts last year. Following a tepid recovery, the rate is currently 1.8ppts below its pre-pandemic peak.

US: Prime-age participate rate by age



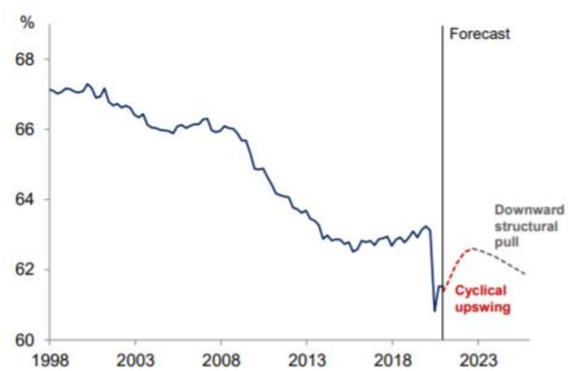
Source : Oxford Economics/Haver Analytics

The evolution of the prime age participation rate will be important to monitor, as it will indicate how complete is the labor market recovery. The GFC experience shows us that labor market scarring can continue to depress labor force participation even as the unemployment rate falls toward pre-recession levels.

Fed in no rush as healing will take time

Broader vaccine distribution and increased fiscal support should boost labor demand this year and pull many discouraged workers back into the workforce. As the economic and labor market recoveries accelerate, we expect the aggregate participation rate to recover to around 62.4% by year-end. By the end of 2022, we believe the rebound in labor force participation will be near-complete at a rate of 62.6%, While this is lower than the pre-pandemic rate just above 63%, the shortfall will mostly reflect the ageing of the population. We anticipate the unemployment rate should sit around 4.3% by the end of 2022 as the rebound in the participation rate slows the implicit decline in the unemployment rate.

US: Labor force participation rate



Source : Oxford Economics/Haver Analytics

Our forecast aligns with a generally dovish monetary policy stance over the coming years. Powell has stressed that the Fed will wait for realized broad-based and inclusive labor market gains and inflation before deciding to tighten policy. We believe the Fed won't consider raising the federal funds rate before mid-2023. Importantly, the Fed has now incorporated into its reaction function the economy's ability to sustain a robust job market without triggering a surge in inflation. As such, the Fed will therefore be in no rush to remove policy accommodation even in the event of a more rapid non-inflationary tightening in labor market conditions than anticipated.

8 San Diego Forecast Tables

San Diego Visitor Forecast
(millions)

	2019	2020	2021	2022	2023	2024	2025
Visits	35.1	14.3	24.9	34.3	35.1	36.0	37.0
Total Overnight	17.91	8.72	13.71	17.37	17.76	18.34	18.84
Hotel / Motel	10.19	5.02	7.81	9.78	10.05	10.38	10.68
Household	6.67	3.09	5.06	6.56	6.67	6.90	7.09
Other	1.06	0.61	0.84	1.02	1.04	1.05	1.08
Day Visitors	17.2	5.6	11.2	16.9	17.3	17.7	18.1
Day (excl Mexican)	13.0	3.8	8.8	13.0	13.2	13.5	13.6
Mexican Day Visitors	4.2	1.9	2.4	3.9	4.1	4.2	4.5

(year-to-year % growth)

	2019	2020	2021	2022	2023	2024	2025
Visits	-1.9%	-59.2%	73.7%	37.8%	2.2%	2.8%	2.5%
Total Overnight	-0.5%	-51.3%	57.3%	26.7%	2.3%	3.2%	2.8%
Hotel / Motel	-0.5%	-50.7%	55.6%	25.3%	2.8%	3.3%	2.9%
Household	-0.6%	-53.7%	63.7%	29.8%	1.7%	3.4%	2.7%
Other	0.4%	-42.3%	38.6%	21.4%	1.6%	1.2%	2.2%
Day Visitors	-3.3%	-67.3%	99.3%	51.3%	2.1%	2.4%	2.3%
Day (excl Mexican)	-4.1%	-71.1%	134.6%	48.1%	1.6%	2.0%	0.9%
Mexican Day Visitors	-0.9%	-55.5%	28.4%	63.2%	4.0%	3.7%	6.7%

San Diego Visitor Forecast
(relative to 2019)

	2019	2020	2021	2022	2023	2024	2025
Visits	0.0%	-59.2%	-29.1%	-2.3%	-0.1%	2.7%	5.3%
Total Overnight	0.0%	-51.3%	-23.5%	-3.0%	-0.8%	2.4%	5.2%
Hotel / Motel	0.0%	-50.7%	-23.4%	-4.0%	-1.3%	1.9%	4.9%
Household	0.0%	-53.7%	-24.2%	-1.6%	0.0%	3.4%	6.2%
Other	0.0%	-42.3%	-20.1%	-3.0%	-1.5%	-0.3%	1.9%
Day Visitors	0.0%	-67.3%	-34.9%	-1.4%	0.6%	3.1%	5.4%
Day (excl Mexican)	0.0%	-71.1%	-32.3%	0.3%	1.8%	3.9%	4.9%
Mexican Day Visitors	0.0%	-55.5%	-42.9%	-6.8%	-3.1%	0.6%	7.3%

San Diego Visitor Forecast
(millions)

	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Visits	7.34	9.06	10.51	8.19	6.00	1.20	3.93	3.20	3.52	5.79	8.47	7.12	6.82	8.78	10.52	8.18
Total Overnight	3.91	4.49	5.10	4.41	3.40	0.73	2.40	2.20	2.30	3.19	4.41	3.80	3.57	4.29	5.08	4.43
Hotel / Motel	2.31	2.75	2.84	2.29	1.95	0.45	1.38	1.23	1.38	2.04	2.48	1.91	2.08	2.63	2.82	2.24
Household	1.38	1.47	1.95	1.87	1.26	0.21	0.83	0.79	0.77	0.95	1.66	1.67	1.29	1.39	1.95	1.93
Other	0.22	0.27	0.32	0.25	0.18	0.06	0.18	0.18	0.15	0.20	0.27	0.22	0.20	0.26	0.31	0.26
Day Visitors	3.43	4.57	5.40	3.78	2.61	0.47	1.53	1.00	1.21	2.60	4.06	3.31	3.24	4.49	5.44	3.75
Day (excl Mexican)	2.41	3.53	4.40	2.66	1.72	0.22	1.17	0.64	0.84	2.12	3.43	2.41	2.40	3.55	4.46	2.62
Mexican Day Visitors	1.02	1.04	1.01	1.13	0.88	0.25	0.36	0.37	0.38	0.48	0.63	0.90	0.85	0.94	0.98	1.14

(year-to-year % growth)

	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Visits	-4.0%	0.0%	-2.3%	-1.6%	-18.2%	-86.7%	-62.6%	-61.0%	-41.4%	382.3%	115.7%	122.6%	93.9%	51.6%	24.2%	15.0%
Total Overnight	-1.8%	0.5%	0.0%	-0.9%	-13.1%	-83.8%	-53.1%	-50.2%	-32.3%	338.6%	84.1%	73.2%	55.2%	34.3%	15.1%	16.4%
Hotel / Motel	-1.2%	0.5%	0.7%	-2.3%	-15.4%	-83.5%	-51.3%	-46.4%	-29.2%	348.3%	78.9%	55.9%	50.6%	29.5%	14.1%	17.0%
Household	-2.9%	0.1%	-1.3%	1.4%	-9.0%	-85.6%	-57.4%	-57.9%	-39.1%	350.3%	100.7%	111.9%	67.5%	46.0%	17.0%	15.8%
Other	-0.9%	3.4%	2.6%	-4.2%	-15.6%	-77.4%	-42.2%	-27.3%	-18.5%	227.5%	48.3%	22.1%	34.8%	28.4%	13.1%	15.9%
Day Visitors	-6.4%	-0.5%	-4.4%	-2.3%	-24.0%	-89.6%	-71.6%	-73.5%	-53.4%	449.5%	164.9%	230.9%	167.1%	72.8%	34.0%	13.3%
Day (excl Mexican)	-5.4%	-0.6%	-5.5%	-5.0%	-28.6%	-93.7%	-73.3%	-76.1%	-51.3%	857.0%	192.6%	280.0%	185.5%	68.1%	30.0%	8.5%
Mexican Day Visitors	-8.7%	-0.3%	1.0%	4.8%	-12.9%	-75.7%	-64.2%	-67.5%	-57.5%	92.2%	75.2%	145.8%	126.0%	93.3%	55.3%	26.4%

San Diego Visitor Expediture Forecast

($ million)

	2019	2020	2021	2022	2023	2024	2025
Expenditure	11,643	5,164	7,619	10,534	11,192	11,857	12,460
Total Overnight	10,572	4,833	6,917	9,438	10,088	10,727	11,299
Hotel / Motel	7,952	3,455	4,827	6,738	7,369	7,985	8,487
Household	1,545	727	1,204	1,598	1,616	1,640	1,685
Other	1,075	652	886	1,103	1,104	1,102	1,127
Day Visitors	1,071	331	702	1,096	1,104	1,130	1,161
Day (excl Mexican)	819	219	554	846	851	865	884
Mexican Day Visitors	252	112	148	250	252	265	277

(year-to-year % growth)

	2019	2020	2021	2022	2023	2024	2025
Expenditure	1.3%	-55.6%	47.5%	38.3%	6.2%	5.9%	5.1%
Total Overnight	1.5%	-54.3%	43.1%	36.4%	6.9%	6.3%	5.3%
Hotel / Motel	1.2%	-56.6%	39.7%	39.6%	9.4%	8.4%	6.3%
Household	3.3%	-53.0%	65.7%	32.7%	1.1%	1.5%	2.8%
Other	1.0%	-39.4%	35.9%	24.4%	0.1%	-0.1%	2.2%
Day Visitors	-0.2%	-69.1%	111.8%	56.1%	0.7%	2.4%	2.8%
Day (excl Mexican)	-1.0%	-73.2%	152.5%	52.8%	0.6%	1.6%	2.2%
Mexican Day Visitors	2.6%	-55.5%	32.2%	68.6%	1.1%	4.9%	4.5%

San Diego Visitor Expenditure Forecast

(relative to 2019)

	2019	2020	2021	2022	2023	2024	2025
Expenditure	0.0%	-55.6%	-34.6%	-9.5%	-3.9%	1.8%	7.0%
Total Overnight	0.0%	-54.3%	-34.6%	-10.7%	-4.6%	1.5%	6.9%
Hotel / Motel	0.0%	-56.6%	-39.3%	-15.3%	-7.3%	0.4%	6.7%
Household	0.0%	-53.0%	-22.1%	3.5%	4.6%	6.2%	9.1%
Other	0.0%	-39.4%	-17.6%	2.6%	2.6%	2.5%	4.8%
Day Visitors	0.0%	-69.1%	-34.4%	2.3%	3.1%	5.5%	8.4%
Day (excl Mexican)	0.0%	-73.2%	-32.4%	3.3%	4.0%	5.7%	8.0%
Mexican Day Visitors	0.0%	-55.5%	-41.2%	-0.9%	0.2%	5.0%	9.8%

San Diego Visitor Expediture Forecast

($ million)

	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Expenditure	2,504	3,073	3,411	2,655	2,115	538	1,369	1,143	1,203	1,944	2,518	1,955	2,036	2,786	3,246	2,466
Total Overnight	2,308	2,783	3,061	2,420	1,964	510	1,273	1,086	1,142	1,779	2,246	1,750	1,844	2,496	2,878	2,221
Hotel / Motel	1,763	2,130	2,266	1,794	1,485	354	864	753	795	1,318	1,542	1,172	1,312	1,824	2,044	1,557
Household	298	355	486	406	277	74	214	162	172	235	429	369	293	365	516	425
Other	247	298	309	221	202	83	195	172	175	227	276	208	239	307	318	239
Day Visitors	196	289	351	235	151	28	96	57	61	165	272	205	193	290	368	245
Day (excl Mexican)	137	231	292	159	98	13	74	35	41	137	234	142	139	236	306	165
Mexican Day Visitors	59	58	59	76	53	15	22	23	20	28	38	63	53	54	62	80

(year-to-year % growth)

	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Expenditure	0.8%	3.3%	2.4%	-1.7%	-15.6%	-82.5%	-59.9%	-56.9%	-43.1%	261.5%	84.0%	71.0%	69.3%	43.3%	28.9%	26.2%
Total Overnight	1.0%	3.4%	2.9%	-1.9%	-14.9%	-81.7%	-58.4%	-55.1%	-41.9%	248.9%	76.4%	61.1%	61.5%	40.3%	28.1%	26.9%
Hotel / Motel	0.6%	3.7%	2.8%	-2.9%	-15.8%	-83.4%	-61.9%	-58.0%	-46.4%	272.6%	78.5%	55.8%	65.0%	38.4%	32.5%	32.8%
Household	3.5%	1.6%	3.4%	4.4%	-7.0%	-79.2%	-55.9%	-60.2%	-38.0%	218.0%	100.2%	128.3%	70.7%	55.3%	20.4%	15.0%
Other	1.1%	3.7%	2.3%	-4.4%	-18.1%	-72.3%	-36.8%	-22.2%	-13.4%	174.8%	41.1%	21.4%	36.2%	35.2%	15.3%	14.9%
Day Visitors	-2.3%	2.4%	-1.4%	0.5%	-23.2%	-90.4%	-72.8%	-75.6%	-59.6%	495.4%	184.4%	257.2%	216.1%	76.4%	35.6%	19.5%
Day (excl Mexican)	-2.0%	2.6%	-2.3%	-2.7%	-28.8%	-94.4%	-74.6%	-78.2%	-58.2%	966.0%	216.2%	309.8%	240.7%	72.5%	30.8%	15.8%
Mexican Day Visitors	-3.1%	1.4%	3.2%	8.0%	-10.2%	-74.6%	-63.5%	-70.0%	-62.3%	86.9%	74.8%	176.8%	165.7%	95.6%	65.2%	27.9%

San Diego Hotel Sector Forecasts

	2019	2020	2021	2022	2023	2024	2025
Rooms (mn roomnights)							
Room Supply	23.3	21.7	23.4	24.0	24.1	24.2	24.4
Room Demand	17.8	10.5	13.5	17.0	17.6	18.2	18.7
Occupancy (% balance)	76.6%	48.5%	57.7%	71.1%	73.2%	75.1%	76.7%
ADR	$165.96	$129.30	$128.00	$146.40	$155.89	$163.27	$168.89
RevPAR	$127.13	$62.77	$73.91	$104.16	$114.14	$122.64	$129.56
(year-to-year % growth)							
	2019	2020	2021	2022	2023	2024	2025
Room Supply	2.2%	-6.8%	7.9%	2.2%	0.4%	0.7%	0.7%
Room Demand	-0.2%	-40.9%	28.3%	25.9%	3.4%	3.3%	2.9%
Occupancy	-2.4%	-36.6%	18.9%	23.2%	2.9%	2.6%	2.1%
ADR	0.1%	-22.1%	-1.0%	14.4%	6.5%	4.7%	3.4%
RevPAR	-2.3%	-50.6%	17.7%	40.9%	9.6%	7.4%	5.6%

San Diego Hotel Sector Forecasts

	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Rooms (mn roomnights)																
Room Supply	5.7	5.8	5.9	5.9	5.8	4.5	5.6	5.9	5.7	5.8	6.0	6.0	5.9	6.0	6.0	6.0
Room Demand	4.3	4.6	4.9	4.1	3.6	1.6	2.9	2.4	2.5	3.5	4.2	3.4	3.8	4.4	4.8	4.0
Occupancy (% balance)	74.8%	79.5%	82.3%	69.8%	62.5%	35.2%	52.0%	41.6%	44.1%	60.6%	69.3%	56.3%	64.1%	74.5%	78.9%	66.9%
ADR ($)	$157.46	$171.38	$184.07	$147.38	$149.50	$98.87	$132.26	$115.32	$108.14	$126.42	$147.01	$120.96	$133.89	$150.73	$164.23	$132.31
RevPAR ($)	$117.86	$136.25	$151.43	$102.88	$93.49	$34.78	$68.79	$47.95	$47.72	$76.62	$101.86	$68.11	$85.88	$112.27	$129.63	$88.52
(year-to-year % growth)																
	2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Room Supply	1.7%	2.0%	2.6%	2.7%	1.9%	-23.0%	-4.8%	-1.1%	-2.2%	29.2%	6.6%	2.8%	4.2%	3.5%	0.8%	0.4%
Room Demand	-0.6%	0.4%	0.9%	-1.7%	-14.9%	-65.9%	-39.8%	-41.1%	-31.0%	122.6%	42.1%	39.2%	51.4%	27.3%	14.9%	19.3%
Occupancy (% balance)	-2.2%	-1.6%	-1.7%	-4.2%	-16.5%	-55.8%	-36.8%	-40.4%	-29.4%	72.3%	33.2%	35.4%	45.4%	22.9%	13.9%	18.8%
ADR	2.4%	3.4%	-0.9%	-5.0%	-5.1%	-42.3%	-28.1%	-21.8%	-27.7%	27.9%	11.2%	4.9%	23.8%	19.2%	11.7%	9.4%
RevPAR	0.2%	1.8%	-2.6%	-9.0%	-20.7%	-74.5%	-54.6%	-53.4%	-49.0%	120.3%	48.1%	42.0%	80.0%	46.5%	27.3%	30.0%

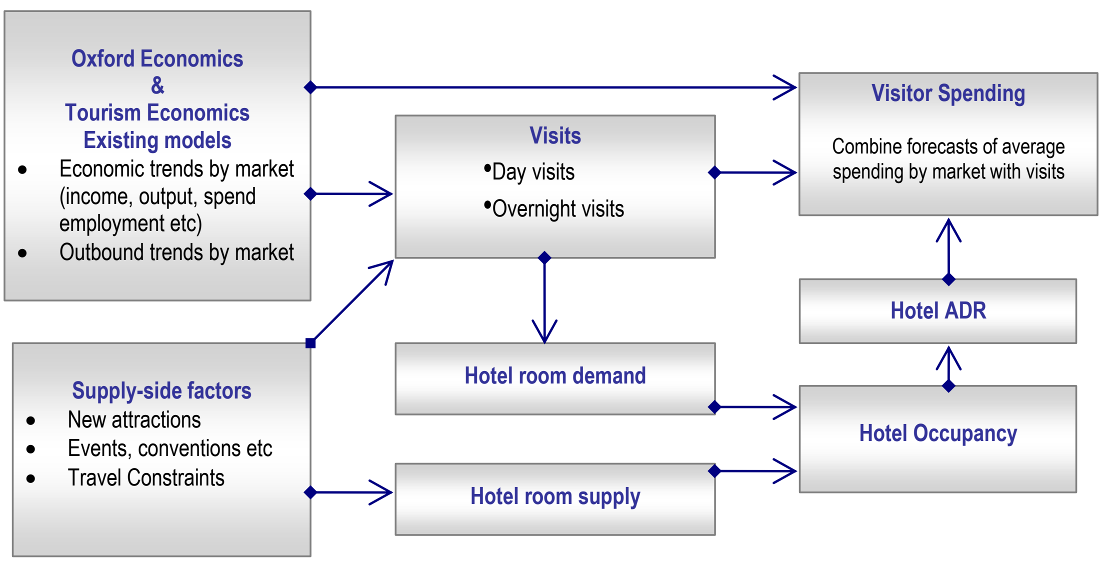
9 Forecast Methodology Overview

Forecasts reported in this document represent the baseline outlook with a business as usual marketing effort. This does not take any specific marketing programs directed at key markets into account.

The forecasts are primarily based upon expected economic developments in key origin markets as well as anticipated costs. Previous tourism trends relative to economic demand and travel conditions have been tracked and relationships have been quantified. Estimated relationships are applied to the economic and broader tourism forecasts.

Forecasts do account for the impact of important events which would influence visits and/or spend, such as air service restrictions and special events in San Diego such as hosting the Superbowl or US Open.

Summary of Main Model Relationships



- **Overnight Visitors**. Trends in overnight visits have been identified and are forecast separately for stays in hotels and in private households. Forecasts account for different trends according to purpose of visit (business and leisure) as well as by origin market. Economic developments in key origin markets at the city, state, national and international level are included.
- **Day Visitors**. Travel patterns from nearby drive markets tend to differ from those from longer-haul markets. For day visitors the impact of economic developments in key origin markets and tourism costs (such as hotel room rates) differs from the impact on overnight visits. Mexican visitors represent a significant proportion of day visitors to San Diego and trends have been separately identified. For non-Mexican day visitors, business and leisure trends have again been

separately identified taking developments in origin markets into account.

- **Visitor Days**. Visitor days spent in San Diego are calculated from the number of overnight visits multiplied by average length of stay, plus day visits. Differences in the average length of visit according to origin markets are taken into consideration as well as any impact of economic developments.
- **Visitor Spending**. Average spending per day is calculated for different market segments and applied to visitor days. This takes tourism-related price inflation in both San Diego into account (such as hotel room rates), as well as spending patterns according to origin market and the impact of more general tourism costs (such as airfares and fuel costs).
- **Hotel Rooms sold**. Hotel room demand largely follows the trend in overnight visitor days. The impact of local demand on rooms is also accounted for as locals tend to use more rooms in economic downturns as a replacement for longer-haul travel.
- **Hotel Rooms supply**. Supply is calculated as the current stock of hotel rooms plus planned and current hotel construction. Probabilities are applied to the current timetable of projects underway to determine when new capacity will be available. It is assumed that almost all hotels under construction are completed, while a smaller proportion of those in the planning stage are completed according to plan.
- **Hotel Occupancy**. Occupancy is simply determined as the ratio of room demand to supply in terms of room nights.
- **Hotel Average Daily Rate (ADR)**. The cycle in daily rates follows occupancy closely, with a slight lag. Over time, more general price inflation also needs to be taken into consideration and price developments in San Diego as well as in origin markets are important factors.

10 San Diego Hotel Project Pipeline

San Diego TOURISM AUTHORITY | RESEARCH

San Diego County Potential New Supply Developments

Updated March 2021

Property Name	Street Address	City	Zipcode	Potential Open Date	Number of Rooms	Potentiality Rating*
Legacy International Center	875 Hotel Circle South	San Diego	92108	Feb-20	127	OPEN
Hampton Inn & Suites Imperial Beach	771 Palm Avenue	Imperial Beach	91932	May-20	100	OPEN
Home2 Suites - Carlsbad/Palomar Airport	1901 Wright Place	Carlsbad	92008	Jun-20	142	OPEN
Hampton Inn	100 Fletcher Parkway	El Cajon	92020	Jun-20	96	OPEN
Ayres Hotel Vista	2100 W San Marcos Blvd	Vista	92081	Jul-20	103	OPEN
Town and Country San Diego - *Remodel*	500 Hotel Circle North	San Diego	92108	Aug-20	675	OPEN
SpringHill Suites Carlsbad San Diego	3136 Carlsbad Boulevard	Carlsbad	92008	Aug-20	104	OPEN
				2020 Total	**1,347**	
Encinitas Beach Resort Alila	2100 N Coast Highway 101	Encinitas	92024	Mar-21	130	OPEN
The Monsaraz, A Tapestry Collection Hotel	2912 Garrison Street	San Diego	92106	Apr-21	92	5
The Seabird Resort, a Destination Hotel	101 Mission Avenue	Oceanside	92054	Apr-21	226	5
Mission Pacific Hotel, a Joie de Vivre Hotel	201 N. Meyers Street	Oceanside	92054	Apr-21	161	5
Fairfield Inn & Suites San Diego Mission Bay	4345 Mission Bay Drive	San Diego	92109	Jun-21	111	5
AC Hotel (Autograph Collection by Marriott)	743 Fifth Avenue	San Diego	92101	Oct-21	147	5
				2021 Total	**867**	
Hilton Garden Inn - San Marcos	2151 Montiel Road	San Marcos	92069	Nov-22	128	3
Pinnacle Columbia & A	1270 Columbia Street	San Diego	92101	Nov-22	301	3
Homewood Suites	Seventh & Island	San Diego	92101	Dec-22	87	3
Tapestry Collection Hotel San Diego Gaslamp	Seventh & Island	San Diego	92101	Dec-22	238	3
Element at the Watermark	I-15 and Scripps Poway Parkway	San Diego	92131	Dec-22	140	4
				2022 Total	**894**	
Gaylord Resort & Convention Center Chula Vista	Sandpiper Way & Bayside Parkway	Chula Vista	91910	Apr-23	1,600	5
Hotel Belvedere	901 Mission Ave	Oceanside	92054	May-23	124	3
375 Airport Road Hotel	375 Airport Road	Oceanside	92058	Jun-23	86	3
WoodSpring Suites - Santee	8801 Mission Gorge Road	Santee	92071	Jun-23	122	3
Two America Plaza	B Street between Kettner & India	San Diego	92101	Jun-23	301	3
Manchester Pacific Gateway Convention Hotel	Broadway, PCH, Harbor Dr.	San Diego	92101	Dec-23	1,035	4
				2023 Total	**3,268**	
PROPOSED PROPERTIES IN DESIGN						
Fairfield Inn & Suites El Cajon	Oakdale Lane & 2nd Street	El Cajon	92021	Dec-22	111	2
Courtyard by Marriott San Diego Chula Vista	Olympic Parkway & Town Center Drive	Chula Vista	91913	Dec-22	153	2
Columbia & Hawthorn	Hawthorn St between Columbia & Grape St	San Diego	92101	Dec-22	22	2
State & Grape	NWC of Grape St & State St	San Diego	92101	Dec-22	60	2
Costa Verde Center Boutique Hotel	Costa Verde Shopping Center	San Diego	92122	Jun-23	200	2
Embassy Suites San Diego Airport Liberty Station	2300 Lee Court	San Diego	92133	May-23	240	2
Hilton Garden Inn Vista	Melrose Drive S & Faraday	Vista	92083	May-23	128	2
499 West Ash Hotel	Ash/A/Columbia/State	San Diego	92101	Jul-23	284	2
Fairfield Inn and Suites	1620 Oceanside Blvd	Oceanside	92054	Jul-23	99	2
Springhill Suites San Diego Del Mar	El Camino Real & Carmel Valley Rd	San Diego	92130	Sep-23	112	2
AC Hotels by Marriott San Diego Airport Pt Loma	Scott St & Emerson St	San Diego	92106	Sep-23	95	2
Ponto Beachfront Hotel	Carlsbad Blvd & Avenida Encinas	Carlsbad	92011	Dec-23	267	2
element by Westin - Costa Azul	El Camino Real & Carmel Valley Rd	San Diego	92130	Dec-23	123	2
Hyatt Place Hotel	3510 Valley Centre Drive	San Diego	92130	Dec-23	127	2
Motto by Hilton	705 Sixth Ave	San Diego	92101	Dec-23	180	2
				Proposed Rooms	**2,201**	

***Potential Hotels Rating Scale:** (5) Hotel is under construction. (4) Financing for hotel is secured. (3) City approved the project and all permits. (2) Architectural design/renderings, environmental documents prepared and ready to obtain permits and approval from city. (1) Conceptual idea only.

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