

# SAN DIEGO LODGING FORECAST UPDATE

Prepared for:  
San Diego Tourism Authority  
July 27, 2021



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# CONTEXT

San Diego Tourism Authority engaged Tourism Economics to prepare a 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.
- Tourism Economics' prior research on the San Diego tourism economy;
- STR hotel data through July 10, 2021; 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 in the midst of a strong recovery from the impacts of the Covid-19 pandemic. While activity is still below pre-Covid levels, the gap has closed considerably.

Rapid progress with vaccination programs and recent gains in economic and travel activity have helped reduce uncertainty around our forecast estimates. However, there remains uncertainty around aspects of disease containment and suppression measures in future periods, the economic recovery, and the timeline for a full return of business transient, group, and international travel.

Consequently, there is a high level of uncertainty around our forecast estimates. The impact and subsequent recovery could prove quite a bit stronger or weaker than anticipated in this outlook.

# FORECAST ASSUMPTIONS

	2021Q3	2021Q4	2022Q1
<b>Virus</b>	<ul style="list-style-type: none"> <li>Despite rise in infection rates with Delta variant, hospitalization rates remain low. Vaccine verifications/negative testing required through Oct. 1 for indoor conventions (more than 5,000 participants) continue.</li> </ul>	<ul style="list-style-type: none"> <li>US is broadly “safe from Covid-19”, with low infection levels. Conditions are similar to a very bad flu season, some outbreaks still occur in regions of the country.</li> </ul>	
<b>International</b>	<ul style="list-style-type: none"> <li>Restrictions on international inbound travel to US begin to ease.</li> </ul>	<ul style="list-style-type: none"> <li>Land travel from Canada and Mexico reopens in the Fall, and border opens for inbound travel from selected countries.</li> </ul>	<ul style="list-style-type: none"> <li>International travel gradually improves</li> </ul>
<b>Business travel</b>	<ul style="list-style-type: none"> <li>Corporate travel restrictions gradually ease nationally</li> </ul>		<ul style="list-style-type: none"> <li>Corporate travel improves.</li> </ul>
<b>Leisure travel</b>	<ul style="list-style-type: none"> <li>Leisure travel continues at levels ahead of 2019.</li> </ul>		<ul style="list-style-type: none"> <li>Leisure improves</li> </ul>
<b>Group travel</b>	<ul style="list-style-type: none"> <li><b>San Diego group demand begins to gradually resume.</b> Vaccine/negative testing restrictions assumed to end October 1. Assume first convention center event occurs on August 1.</li> </ul>		<ul style="list-style-type: none"> <li>Assume group demand recovers strongly but remains substantially below 2019 levels.</li> </ul>

# SPECIFIC SAN DIEGO MARKET SHIFTS

## March 2021 versus January 2021 Forecasts

### Travel policy:

- California executive order lifted most restrictions June 15. For indoor conventions (5,000 participants) vaccine verification/negative testing is required through October 1, 2021. No capacity restrictions.
- Meeting and events are resuming with reduced attendance. Expect attendance to gradually improve. First convention center event assumed August 1.

### 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 March 2021 forecast?

- Removal of restrictions and successful vaccination programs reduce downside risks (63.0% of California residents have received at least one dose).
- Due to strong leisure business, April to June results were significantly ahead of forecast. Assume this continues in July and August.
- Business transient travel is assumed to recover strongly in the fall but remain below 2019 levels as corporate travel policies restrict travel to manage risks.
- Land travelers from Canada are assumed to be permitted by the fall, with gradual openings of other countries as well, such as the UK.
- Current forecast assumes group activity remains quite suppressed through 2021, recovering to 56% below 2019 levels by 2021 Q4 (stronger group activity than in prior forecast).

# MARKET ASSUMPTIONS

## Historical

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

- Highlighted area shows the quarters with the most severe negative impact to group demand.

## 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
<b>Hotel room night demand (in thousands)</b>												
Total	3,616	1,553	2,918	2,421	2,481	3,822	4,443	3,645	3,871	4,569	4,902	4,143
Business transient	413	159	270	245	280	336	425	408	487	474	520	447
Leisure transient	2,151	1,327	2,572	2,018	2,127	3,290	3,733	2,732	2,440	2,975	3,397	2,656
Group	1,052	67	76	158	74	196	285	506	944	1,121	985	1,040
<b>Growth (year-over-year)</b>												
Total	-15%	-66%	-40%	-41%	-31%	146%	52%	51%	56%	20%	10%	14%
Business transient	-23%	-69%	-51%	-48%	-32%	111%	58%	67%	74%	41%	22%	10%
Leisure transient	-4%	-52%	-19%	-19%	-1%	148%	45%	35%	15%	-10%	-9%	-3%
Group	-29%	-95%	-93%	-86%	-93%	194%	275%	221%	1178%	470%	246%	106%
<b>Impact relative to 2019</b>												
Total	-15%	-66%	-40%	-41%	-42%	-17%	-8%	-12%	-9%	-1%	1%	0%
Business transient	-23%	-69%	-51%	-48%	-48%	-34%	-23%	-14%	-9%	-7%	-6%	-6%
Leisure transient	-4%	-52%	-19%	-19%	-5%	19%	17%	9%	9%	8%	7%	6%
Group	-29%	-95%	-93%	-86%	-95%	-85%	-74%	-56%	-36%	-16%	-12%	-10%

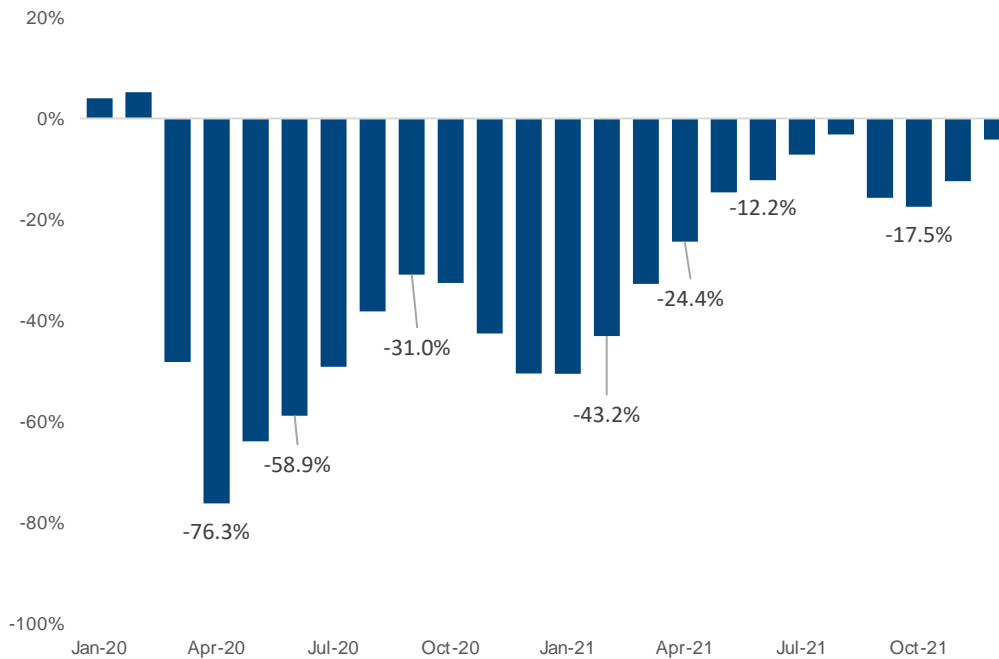
Source: STR; Tourism Economics

# KEY RESULTS

Comparison to 2019 as a base year

## Demand impact

Difference relative to same month in 2019



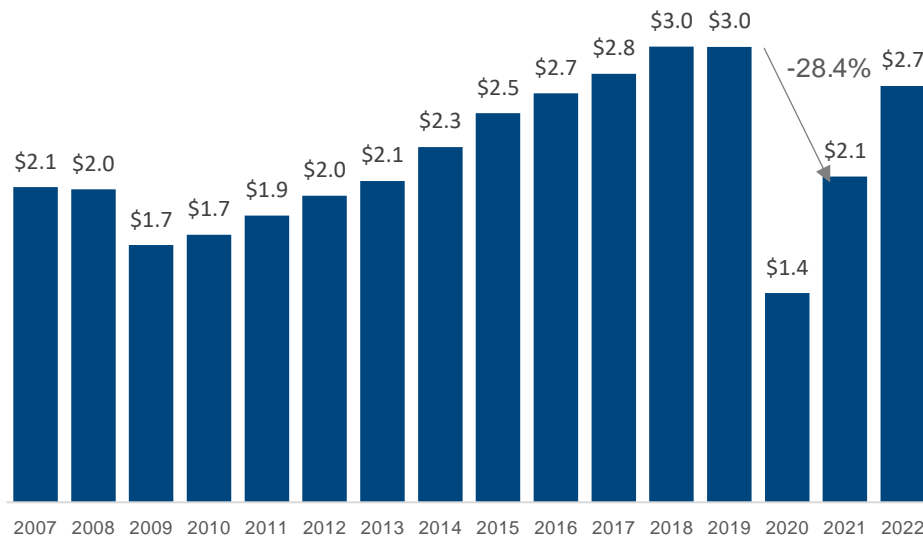
Source: STR, Tourism Economics

- Demand during June averaged 12.2% below 2019
- Forecast assumes performance improves through the summer, driven by gains in leisure demand.
- By August, demand is assumed to be only 3.2% below 2019 levels.
- In the fall, comparisons to 2019 are expected to weaken given assumptions of weak group activity.

# KEY RESULTS

Comparison to 2019 as a base year

## Room revenue In billions



- Room revenue in 2021 is expected to average 28.4% below 2019 levels. This would be similar to the annual revenue in the 2009 to 2010 period.
- The prior forecast (March) anticipated room revenue in 2021 would be 41.5% below 2019.

Source: STR, Tourism Economics



# SUMMARY TABLE

Annual

## Forecast summary

	2017	2018	2019	2020	2021	2022	2023
Supply (in millions)	22.7	22.8	23.3	21.6	23.4	23.8	24.0
Demand (in millions)	17.5	17.9	17.8	10.5	14.4	17.5	18.1
Occupancy	77.0%	78.5%	76.6%	48.7%	61.6%	73.4%	75.5%
ADR	\$159.52	\$165.77	\$165.98	\$129.55	\$147.30	\$154.88	\$163.20
RevPAR	\$122.84	\$130.08	\$127.16	\$63.05	\$90.73	\$113.63	\$123.16
Room revenue (in millions)	\$2,787.1	\$2,964.5	\$2,961.8	\$1,361.3	\$2,119.8	\$2,708.3	\$2,955.0
<b>Growth</b>							
Supply (in millions)	1.1%	0.4%	2.2%	-7.3%	8.2%	2.0%	0.7%
Demand (in millions)	1.2%	2.4%	-0.2%	-41.1%	37.0%	21.5%	3.6%
Occupancy	0.1%	1.9%	-2.4%	-36.5%	26.6%	19.1%	2.9%
ADR	3.5%	3.9%	0.1%	-21.9%	13.7%	5.1%	5.4%
RevPAR	3.6%	5.9%	-2.2%	-50.4%	43.9%	25.2%	8.4%
Room revenue (in millions)	4.8%	6.4%	-0.1%	-54.0%	55.7%	27.8%	9.1%
<b>Difference from 2019 level</b>			0.0%	-54.0%	-28.4%	-8.6%	-0.2%

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
<b>Levels</b>								
	2021 Q1	5,639,039	2,480,656	44.0%	110.59	48.65	274,327,932	5,798,982
	2021 Q2	5,816,859	3,822,486	65.7%	156.86	103.08	599,592,720	5,898,497
	2021 Q3	5,921,136	4,442,892	75.0%	175.62	131.77	780,252,913	5,981,268
	2021 Q4	5,987,212	3,645,293	60.9%	127.74	77.77	465,653,476	5,986,808
	2022 Q1	5,868,919	3,870,730	66.0%	140.67	92.77	544,481,938	5,862,060
	2022 Q2	5,939,595	4,569,474	76.9%	158.75	122.13	725,402,834	5,932,654
	2022 Q3	6,010,372	4,902,390	81.6%	174.64	142.45	856,148,418	6,003,348
	2022 Q4	6,015,919	4,143,223	68.9%	140.53	96.78	582,246,838	6,008,888
<b>Growth</b>								
	2021 Q1	-2.5%	-31.4%	-29.6%	-26.1%	-48.0%	-49.3%	0.3%
	2021 Q2	32.0%	146.1%	86.5%	56.5%	191.9%	285.3%	0.6%
	2021 Q3	6.0%	52.2%	43.7%	32.8%	90.9%	102.3%	0.5%
	2021 Q4	3.0%	50.6%	46.2%	10.9%	62.1%	67.0%	0.8%
	2022 Q1	4.1%	56.0%	49.9%	27.2%	90.7%	98.5%	1.1%
	2022 Q2	2.1%	19.5%	17.1%	1.2%	18.5%	21.0%	0.6%
	2022 Q3	1.5%	10.3%	8.7%	-0.6%	8.1%	9.7%	0.4%
	2022 Q4	0.5%	13.7%	13.1%	10.0%	24.4%	25.0%	0.4%
<b>Relative to 2019</b>								
	2021 Q1	-0.8%	-41.7%	-41.2%	-29.8%	-58.7%	<b>-59.0%</b>	2.0%
	2021 Q2	0.4%	-17.0%	-17.4%	-8.5%	-24.4%	<b>-24.1%</b>	1.8%
	2021 Q3	0.4%	-8.5%	-8.8%	-4.6%	-13.0%	<b>-12.7%</b>	1.3%
	2021 Q4	1.2%	-11.8%	-12.8%	-13.3%	-24.4%	<b>-23.5%</b>	1.1%
	2022 Q1	3.3%	-9.0%	-11.9%	-10.7%	-21.3%	<b>-18.7%</b>	3.1%
	2022 Q2	2.6%	-0.8%	-3.3%	-7.4%	-10.4%	<b>-8.1%</b>	2.4%
	2022 Q3	1.9%	1.0%	-0.9%	-5.1%	-5.9%	<b>-4.2%</b>	1.7%
	2022 Q4	1.6%	0.3%	-1.3%	-4.7%	-6.0%	<b>-4.4%</b>	1.5%

Source: STR; Tourism Economics

# SUMMARY TABLE

Monthly level

## Forecast summary: Monthly levels

Levels	Hotel room					
	Hotel room supply	demand	Occupancy	ADR	RevPAR	Room revenue
Jan-20	1,988,247	1,399,087	70.4%	147.67	103.91	206,600,777
Feb-20	1,801,324	1,401,372	77.8%	160.05	124.52	224,293,583
Mar-20	1,994,323	815,574	40.9%	134.99	55.21	110,098,067
Apr-20	1,389,390	358,738	25.8%	88.85	22.94	31,873,964
May-20	1,394,163	524,806	37.6%	94.89	35.72	49,798,159
Jun-20	1,623,720	669,588	41.2%	110.46	45.55	73,961,685
Jul-20	1,749,206	871,853	49.8%	130.84	65.21	114,071,654
Aug-20	1,940,941	1,012,822	52.2%	132.45	69.12	134,151,094
Sep-20	1,897,170	1,033,520	54.5%	133.10	72.51	137,558,140
Oct-20	1,958,084	1,006,079	51.4%	128.00	65.77	128,777,076
Nov-20	1,906,380	795,365	41.7%	112.37	46.88	89,372,381
Dec-20	1,948,195	619,260	31.8%	98.08	31.18	60,737,614
Jan-21	1,936,446	663,921	34.3%	97.39	33.39	64,657,258
Feb-21	1,747,144	756,947	43.3%	109.32	47.36	82,745,943
Mar-21	1,955,449	1,059,788	54.2%	119.76	64.91	126,924,731
Apr-21	1,910,100	1,146,491	60.0%	135.04	81.06	154,823,919
May-21	1,988,619	1,245,039	62.6%	150.63	94.31	187,541,000
Jun-21	1,918,140	1,430,956	74.6%	179.76	134.10	257,227,801
Jul-21	1,984,592	1,593,155	80.3%	203.00	162.96	323,414,820
Aug-21	1,995,280	1,588,275	79.6%	173.43	138.05	275,453,329
Sep-21	1,941,265	1,261,462	65.0%	143.79	93.44	181,384,765
Oct-21	2,012,641	1,231,355	61.2%	133.02	81.38	163,797,386
Nov-21	1,954,297	1,214,220	62.1%	128.78	80.01	156,361,456
Dec-21	2,020,275	1,199,719	59.4%	121.27	72.02	145,494,633
Jan-22	2,020,896	1,135,636	56.2%	130.12	73.12	147,767,820
Feb-22	1,825,886	1,203,645	65.9%	142.35	93.84	171,342,430
Mar-22	2,022,137	1,531,449	75.7%	147.16	111.45	225,371,689

Source: STR; Tourism Economics

# SUMMARY TABLE

## Monthly growth

### Forecast summary: Monthly growth

	Hotel room supply	Hotel room demand	Occupancy	ADR	RevPAR	Room revenue
<b>Year-over-year growth</b>						
Apr-20	-27.1%	-76.3%	-67.6%	-46.2%	-82.5%	-87.3%
May-20	-29.3%	-64.0%	-49.1%	-42.7%	-70.8%	-79.4%
Jun-20	-15.1%	-58.9%	-51.6%	-39.5%	-70.7%	-75.1%
Jul-20	-11.7%	-49.2%	-42.5%	-36.9%	-63.7%	-67.9%
Aug-20	-2.3%	-38.3%	-36.8%	-25.9%	-53.2%	-54.3%
Sep-20	-1.7%	-31.0%	-29.7%	-18.5%	-42.8%	-43.7%
Oct-20	-1.7%	-32.6%	-31.4%	-19.3%	-44.7%	-45.6%
Nov-20	-1.2%	-42.6%	-41.9%	-24.2%	-56.0%	-56.5%
Dec-20	-2.4%	-50.6%	-49.3%	-26.3%	-62.7%	-63.5%
Jan-21	-2.6%	-52.5%	-51.3%	-34.1%	-67.9%	-68.7%
Feb-21	-3.0%	-46.0%	-44.3%	-31.7%	-62.0%	-63.1%
Mar-21	-1.9%	29.9%	32.5%	-11.3%	17.6%	15.3%
Apr-21	37.5%	219.6%	132.5%	52.0%	253.3%	385.7%
May-21	42.6%	137.2%	66.3%	58.7%	164.0%	276.6%
Jun-21	18.1%	113.7%	80.9%	62.7%	194.4%	247.8%
Jul-21	13.5%	82.7%	61.1%	55.2%	149.9%	183.5%
Aug-21	2.8%	56.8%	52.5%	30.9%	99.7%	105.3%
Sep-21	2.3%	22.1%	19.3%	8.0%	28.9%	31.9%
Oct-21	2.8%	22.4%	19.1%	3.9%	23.7%	27.2%
Nov-21	2.5%	52.7%	48.9%	14.6%	70.7%	75.0%
Dec-21	3.7%	93.7%	86.8%	23.6%	131.0%	139.5%
Jan-22	4.4%	71.0%	63.9%	33.6%	119.0%	128.5%
Feb-22	4.5%	59.0%	52.2%	30.2%	98.1%	107.1%
Mar-22	3.4%	44.5%	39.7%	22.9%	71.7%	77.6%

Source: STR, Tourism Economics

# About Tourism Economics

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

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

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

For more information:

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# APPENDIX: SDCC Conventions on the books for 2021

Hotel Room Nights and Attendance estimated to best of client's ability based on current knowledge and market conditions.

As of 8/5/21



## Convention Calendar 2021

Last Updated 8/5/2021 1:29:13 AM

Convention Sales Role

Primary Sales Manager

Year

2021

SAN DIEGO  
convention center



Month	Account Name	Event Begin Date	Event End Date	Peak Rooms	Blocked Room Nights (not pick-up)	Total Attendance
August	SPIE	8/1/2021	8/5/2021	969	4,586	1,500
	Society for Vascular Surgery	8/16/2021	8/22/2021	2,350	10,040	1,300
	The United Association of Journeymen and Apprentices of the Plu..	8/20/2021	8/27/2021	3,765	28,427	4,500
	American Academy of Orthopaedic Surgeons	8/31/2021	9/3/2021	7,750	35,466	19,000
September	Clarion Events	9/13/2021	9/15/2021	1,200	4,105	5,000
	U.S. Green Building Council	9/21/2021	9/23/2021	2,049	8,012	4,000
October	American Society of Anesthesiologists	10/8/2021	10/12/2021	5,000	22,050	6,500
	Mortgage Bankers Association	10/17/2021	10/20/2021	2,371	7,517	4,200
	Competitor Group, Inc.	10/20/2021	10/25/2021	4,000	9,865	40,000
	Digital Solutions Cooperative	10/24/2021	10/27/2021	1,423	5,218	2,500
	Medical Group Management Association	10/24/2021	10/27/2021	2,285	9,055	2,280
November	American Society of Nephrology	11/2/2021	11/7/2021	5,939	26,070	7,000
	National Association of Realtors	11/12/2021	11/15/2021	7,500	35,299	16,500
	San Diego Comic-Con, Inc.	11/22/2021	11/29/2021	14,292	59,026	40,000
	MultiMedia Animal Care LLC	11/30/2021	12/6/2021	500	1,916	5,000
December	California School Boards Association	12/2/2021	12/4/2021	2,000	6,005	4,500
	Irrigation Association	12/6/2021	12/10/2021	1,000	3,410	2,500
	National Association of Insurance Commissioners	12/13/2021	12/16/2021	1,160	4,320	2,000
<b>Grand Total</b>				<b>500</b>	<b>280,387</b>	<b>168,280</b>

# APPENDIX: SDTA New Hotel Openings

## San Diego County Potential New Supply Developments

Updated July 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
<b>2020 Total</b>					<b>1,347</b>	
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	OPEN
The Seabird Resort, a Destination Hotel	101 Mission Avenue	Oceanside	92054	May-21	226	OPEN
Mission Pacific Hotel, a Joie de Vivre Hotel	201 N. Meyers Street	Oceanside	92054	May-21	161	OPEN
Fairfield Inn & Suites San Diego Mission Bay	4345 Mission Bay Drive	San Diego	92109	Jun-21	111	OPEN
AC Hotel (Autograph Collection by Marriott)	743 Fifth Avenue	San Diego	92101	Oct-21	147	5
<b>2021 Total</b>					<b>867</b>	
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
<b>2022 Total</b>					<b>894</b>	