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2020 Was The Worst Year Ever For U.S. Hotels. Here's What's Next

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CLAIRE MILLER



Hotel staff stand ready to receive guests on June 4, 2020, at Caesars Palace in Las Vegas. U.S. hotels hit all-time lows in occupancy and in revenue per available room last year.

David Becker/Getty Images

The U.S. hotel industry suffered its worst year on record in 2020 as the coronavirus pandemic severely crimped business travel and Americans gave up on vacations to stay at home.

Hotels hit all-time lows in occupancy and in revenue per available room last year, according to data provider STR.

With an occupancy rate of just 44%, the industry surpassed 1 billion unsold room nights for the first time in history, eclipsing the 786 million that went unsold during the global financial crisis in 2009.

And with revenue per available room down nearly 48%, the industry is expected to show close to zero profit for 2020, according to STR.



THE CORONAVIRUS CRISIS

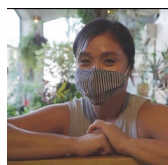
More Lysol, No More Pens In Rooms. Hotels Adapt To Win Back Guests

And in 2021, conditions will remain poor before they start to improve.

The first half of the year will look much like 2020 as Americans start to line up for vaccine shots, according to STR and the American Hotel & Lodging Association.

But in the second half of the year, pent-up demand for experiences could finally be unleashed, bolstering the industry and offering a first glimpse of post-pandemic life — though not nearly enough to yank the industry out of turmoil.

"We, along with airlines and restaurants, were the first hurt and the worst hurt," says Chip Rogers, the president and CEO of the AHLA. "As most other businesses come out of this, we're still going to be hurting for a while."



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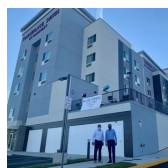
There is room for hope. Hotel industry insiders are especially looking forward to the summer, anticipating a repeat of last year, when Americans finally hopped into their cars and drove, searching for a change of scenery and a break from Zoom calls.

Demand was strong as travelers took advantage of low hospitality prices and booked rooms at roadside hotels and motels even past Labor Day, which traditionally marks the end of summer.

Still, increased leisure travel in the second half of the year won't save hotels from a tough 2021, as corporate travel is expected to remain depressed.

Business travel accounts for 60% to 65% of all revenue in the industry, Rogers says.

Hotels in city centers with convention halls were among the hardest hit in 2020 as business conferences went virtual. A report from the AHLA says that in 2021, business travel will still be down 85% compared with two years ago.



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And overall, the hotel industry is bracing for years of potential pain.

According to the AHLA, travel won't return to 2019 levels until 2024.

But even that projection for recovery in 2024 comes with an asterisk, because while the number of rooms sold may make a comeback, room rates will not return to 2019 levels until 2025, according to Jan Freitag, the national director of hospitality market analytics at CoStar Group, which owns STR.

Tough as the outlook appears, Freitag says the industry is trying to maintain hope.

"The story that hotel people tell themselves right now is that this could be the Roaring '20s, that there's all this pent-up demand," says Freitag.

"There's more money in banks waiting to be spent because already we've bought everything we need," he adds. "What we couldn't do was have experiences. Once the vaccinations hit, that will allow us to experience again, and the floodgates will open."

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