

HOTELS

Hilton still waiting for large corporations to get back on the road

By Tovin Lapan  | Oct 27, 2021



The New York Hilton Midtown is one of the city's major conference hotels.

During the company's third-quarter earnings call Wednesday, Hilton CEO Chris Nassetta said recovery continues to be driven by leisure travel, with groups and business travel from large corporations the slowest to rebound.

Nassetta said he expects business travel to steadily move upward during the fourth quarter, driven by small and medium-size enterprises.

"At the same time, with kids mostly if not entirely back in school and people getting back into offices, we expect a tick down in midweek leisure travel, but the weekends will continue to rage. We've had extraordinary weekend demand."

While travel among small and medium-size enterprises is 5% to 10% below pre-pandemic times, bookings from large corporations remain 40% below 2019 levels, Nassetta said, and he anticipates improvement in 2022 along with group bookings.

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"The delta variant cooled off momentum on group travel, which takes some advanced planning and spending of money," Nassetta said. "So recent group travel has largely been for sports and social, and we think that will continue into the fourth quarter."

He added that with the advanced planning that group travel typically entails and winter flu season approaching, the company is predicting group travel to remain slow into the first quarter of 2022 before picking up through the remainder of the year.

"The fourth quarter is sizing up to be similar to the third, and 2022 should be another big step forward to recovery to more normalized times," Nassetta said.

Average daily rate and occupancy rise from Q2

Hilton's average daily rate for the third quarter was \$140.57, up from \$124.75 in the second quarter.

Systemwide comparable revenue per available room (RevPAR) increased 99% for the third quarter from the same period in 2020, while still 19% below the same period in 2019.

Occupancy in Q3 was 64%, up 5 percentage points from the second quarter of the year. The occupancy rate at U.S. hotels rose 4 percentage points, to 68%.

Nassetta said the recovery from the pandemic has differed from previous downturns because room rates have rebounded quickly.

"We can reprice product every second of every day, so it's a very good hedge when you think about inflation," he said.

99% of hotels are open

At the end of September, 99% of Hilton's hotels worldwide were open, while 88 hotels had temporarily suspended operations due to issues related to Covid-19. The company expects nearly all of its properties to be open by the end of 2021.

During the third quarter, Hilton opened 96 new hotels, representing net unit growth of roughly 11,200 rooms. The company opened the 500th hotel under its Home2 Suites by Hilton brand while also celebrating the opening of three new hotels under LXR Hotels & Resorts.

Nassetta announced that the Homewood Suites brand will adopt a new pet-friendly policy, driven by a change in customer behavior during the pandemic. The company is working toward making all of its limited-service brands pet friendly by the first quarter of 2022.

After starting 2021 with a first-quarter net loss of \$109 million, Hilton reported second-quarter net income of \$128 million and \$240 million in net income for the third quarter.

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