

STATE OF THE HOSPITALITY INDUSTRY



HOSPITALITY INDUSTRY IN 2020

- The pandemic has had a hugely negative impact on the hospitality industry. After being forced to close under the Emergency Order on March 16, 2020, it was months until restaurants and hotels could reopen.
- However, the impact has not been equal across the restaurant industry. Certain business models have been doing well while others, terrible. Restaurants that were based on a drive-thru or take-out business model prior to the pandemic have done extremely well. On the other hand, the casual and fine dining sectors have been devastated and had to reinvent themselves. Expanded outdoor dining was the saving grace for many in this category.
- The lodging and events industry has been almost universally dreadful. Corporate travel disappeared overnight and is not anticipated to come back in a meaningful way until late this year and probably won't recover entirely until 2024.
- The estimated loss in sales in calendar year 2020 is somewhere north of \$723M which is about 23% of industry sales in 2019.
- Almost 7,000 people are still unemployed in our industry which is roughly 10% of our workforce. That doesn't account for the thousands more who are underemployed.
- The PPP loans and CARES Act funds have been critically important in helping the industry survive to this point.
- Operating costs have jumped significantly as well. The cost of providing PPE, food costs, energy costs, and more have all gone up in 2020.

RESTAURANT INDUSTRY

- The impact of the pandemic varied significantly depending on the restaurant business model in how they fared during the shutdown and the pandemic overall.
- Quick Service Restaurants (QSRs) have done quite well and I have heard that many did as well in 2020 as they did in 2019 due to the increased demand for limited contact and grab and go service.
- On the other hand, the casual and fine dining sectors were hugely impacted. Almost all restaurants in this category had to rebuild their menus to allow for take-out and delivery friendly. They adopted new technologies to facilitate on-line orders, had to invest heavily in barriers and air handling equipment, and more. It turned their business upside down over night and required them to invest heavily at a time when they were down as much as 50-60% in sales.
- About 11% of the foodservice workforce is still unemployed. This does not reflect the number of current workers who are underemployed.
- The restaurant industry will need to continue expanded outdoor dining this summer if they hope to have a chance to start really make up some of the losses they have experienced. The industry cannot thank all the municipalities enough for all their accommodations last year and hope we can continue the partnership this year.



LODGING INDUSTRY

- The lodging industry has also been hard hit. After operating at 50% for a couple of months, they were able to open at 100% capacity in June of 2020.
- Consumer demand was down overall, with room occupancy rates in 2020 down 33% and room revenue down 41%.
- A significant portion of these losses are due to limited corporate travel taking place. It is anticipated that there will be some recovery in corporate travel in 2021/22, but it isn't expected to fully recover until 2024.
- Roughly 15% of the lodging workforce is still unemployed which doesn't reflect the number of employees who are currently underemployed.



EVENT INDUSTRY

- Due to the severe restrictions on events, most suffered significant losses in 2020. Events are still only operating at 50% capacity today.
- Due to the restrictions and uncertainty around events, many weddings and other events were rescheduled to 2021 or even 2022. While this is better than losing the business, a facility can only accommodate so many events in a year, so the losses are real and can't be recouped.
- Event facilities are telling me that they are poised to have a good year provided that vaccine distribution continues to improve and that current restrictions can be eased by summer.



LOOKING AHEAD

- We anticipate that the first quarter of 2021 will be the hardest stretch for the industry. With the number of cases, hospitalizations, and deaths in the month of January at a concerning level for many people, consumer confidence is extremely low.
- We anticipate that in the second quarter we will start to see some recovery as vaccinations become more widespread, cases decline, and consumer confidence improves.
- We are hopeful that by Q3 the industry will be starting to return to some semblance of normal.
- The most important factor in building consumer confidence in regards to travel and dining will be the distribution of the vaccine.
- We do anticipate pent up demand from consumers for leisure travel, dining out, and entertainment, but there will be a number of factors that determine when consumers will be comfortable participating in these activities.
- Overall, we believe that 2021 will be better than 2020, but still a far cry from prepandemic levels.
- We anticipate that operating costs will continue to impact the bottom line across the industry.



THANK YOU

www.nhlra.com

 Mike Somers

 (603) 228-9585

 msomers@nhlra.com