

Allied Appliance

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STATE OF THE HOSPITALITY INDUSTRY FOR 2022

Coming off a catastrophic 2020 due to the COVID-19 pandemic, expectations were that 2021 would bring some relief to the hospitality industry with the release of the newly developed vaccines. 2020 saw occupancy rates decrease 33.3% to 44% occupancy from the previous year. (1) STR and Tourism Economics recently upgraded their 2021 hotel forecast for occupancy to a projected 54.4%, a 1.4% increase from the previously released forecast. While those numbers certainly were well received, based on STR data from 2018 for occupancy rate was 66.1%, indicating that 2021 will still come in 12% lower than that mark.

If you work in the hotel industry, none of these figures are all that surprising. While the numbers are trending upward, the industry is still facing additional headwinds with the COVID-19 Delta and Omicron variants, inflation, and workforce participation. For 2022, CBRE Hotels Research is currently forecasting an 8% occupancy rate increase (62%) with a 7.1% increase in the daily rate. This will result in a 15.6% increase in RevPAR for the year.

About Allied Appliance

Allied Appliance has been serving the hospitality industry since 1964. Working with major manufacturers such as GE, Amana, Frigidaire and Whirlpool, Allied provides air conditioners, appliances, laundry and hospitality products to management companies, hotels, motels, extended stays, and resorts within the continental United States. For more information on Allied Appliance go to www.goallied.com or call 1-800-991-8480.

Business Versus Leisure Travel

Historically, business travel represents approximately 30% of total travel expenditures per year and is currently between 50-60% of normal. Business travelers tend to spend much more per trip than leisure travelers, so this sector has an outsized impact on the travel industry. Experts see an uneven return to normal business travel based on several factors including the ongoing pandemic, airline flight unpredictability, and inflation related costs.

Reviewing operating costs, CBRE predicts that business convention travel, while still lagging from previous years, will resume first in areas with lower costs, fewer health mandates and that feature less costly airfares. Cities that fit these criteria include Dallas, San Antonio, Las Vegas, and Orlando among others. The U.S. Travel Association estimates that we won't fully recover for business travel until sometime in 2024.

When it comes to leisure travel, CBRE "expects leisure demand will continue to boost the performance of properties in resort and remote locations, supplemented by growth in 'bleisure' travel, which combines business and leisure pursuits." (2) Marriott International remains bullish for 2022 boosted by their 2021 3Q worldwide occupancy rate of 58%, compared to a disappointing 23% the year prior during the height of the pandemic. Marriott's CFO, Leeny Oberg listed a few reasons for the increase that includes pent-up demand, increased savings rates, and more flexibility in travel. The chain has continued to see a greater increase in leisure travel over business since 2010.

Expectations for 2022

The industry still faces multiple challenges on several fronts but expectations going forward are much higher than they were going into 2021. As long as the Omicron variants is as mild as some experts assert and inflation worries can be efficiently managed, both business and leisure travel should see increases in the coming year.

- (1) Statista, "Occupancy rate of the US hotel industry 2001-2020", March 29, 2020
- (2) Hotel Management, "CBRE updates U.S. lodging forecast to account for delta variant", October 12, 2021