

COVID-19's Impact on Values

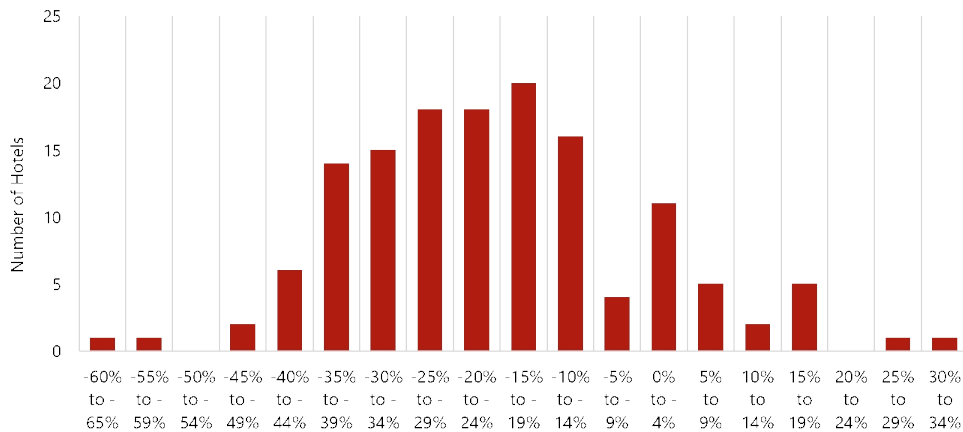
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The hotel sector is most certainly managing its way through the trough of the current downcycle, and a tough winter lies ahead for the U.S. lodging industry, although brighter skies should emerge next year. We took this opportunity to review our valuation findings and compare these to valuations of the same hotels we completed in the years and months leading up to the spring 2020 decline. We have appraised over 1,000 hotels since the start of the pandemic (most from mid-summer to today). Of these, 140 were also appraised by our

firm in the 2017–2019 peak-value timeframe. The percentage change in value for each hotel is tallied in the following chart.

Values Have Predominantly Declined Between 15% and 30%



Source: HVS

The range of change spans a 61% decline to a 33% increase. Twenty hotels declined in value between 15% and 19%, with most hotels realizing a decline in value between 15% and 30%. As noted previously, this analysis reflects our work on 140 hotels that have been re-appraised; these most recent valuations were completed between the months of July and September of 2020. As we begin to see this low point of the cycle in the rearview mirror, this trend line of values will begin to move to the right, and values will begin to recover. These valuations represent roughly \$5 billion in value today vs. \$6.6 billion in pre-COVID value, equating to a decline of 24%.

Pre-COVID Values for Selected 140 Hotels Totaled \$6.6 Billion, Today Total \$5 Billion (24% Decline)

Not all values declined; of the survey set, three showed no change in value and 14 hotels showed improvement in value. The factors contributing to value increases include hotels that underwent major PIP and renovations between the two valuations, markets that experienced RevPAR growth stronger than anticipated in the months leading up to the pandemic, or markets and hotels that have fared well in the pandemic environment (e.g., extended-stay hotel assets).

By chain scale, all tiers have been affected when reviewing the data on a weighted average basis, but the weighted percentage decline has been less so in the lower three tiers vs. the higher three tiers. This is to be expected, as these tiers rely less on group and convention demand and are also less reliant on high-volume, corporate-account travel.

Summary

Since mid-summer, we have re-appraised 140 hotels that we valued in the years and months leading up to the onslaught of the COVID-19 pandemic in March 2020. Not every hotel has lost value, but value declines have predominantly fallen in the range of 15% to 30%.

1 Comments

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By Chain Scale, Economy Hotels Have Fared Best, on Average, in Current Downturn

	Number of Hotels	Range of Value Change		Average Value Change
		Low	High	
Economy	11	-44%	- 18%	-13%
Midscale	16	-40%	- 16%	-18%
Upper-Midscale	34	-39%	- 33%	-17%
Upscale	35	-45%	- 18%	-23%
Upper-Upscale	34	-61%	- 27%	-25%
Luxury	9	-42%	- 19%	-24%

Source: HVS

The wide ranges of value change reflect the complexity of the hotel industry and the nuances and numerous factors that can affect one value vs. another. Simply applying the average to any one hotel, market, or segment is ill advised. When reviewing the data by region, our work in the West (outside of California) reflects a lower average value decline than other regions in the United States, largely due to the profile of hotels valued, many of which benefited from strong drive-to leisure demand over the summer months; fewer were center-city urban hotels that have been more adversely affected by this downturn.

Value Change by Region Shows Consistent Average Declines Across the Country

	Number of Hotels	Range of Value Change		Average Value Change
		Low	High	
West (except CA)	12	-39%	- 27%	-11%
California	22	-38%	- 19%	-27%
South Central (except TX)	12	-36%	- 10%	-21%
Texas	25	-61%	- 33%	-22%
Midwest	28	-45%	- 8%	-28%
Southeast	19	-44%	- 16%	-25%
Middle Atlantic	7	-42%	- 3%	-23%
Northeast	10	-45%	- 18%	-22%

Source: HVS

The other categories are more in line with our national average of 24%. The data also reflect a wide range of value changes; thus, it is important to consider influences of local markets, neighborhoods, and the specific asset being analyzed.

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About Rod Clough



Rod Clough, MAI, President - Americas, oversees strategy execution throughout 40 Americas locations. He recently brought together all US Valuation Consulting offices under common ownership, and has revolutionized the way the company is led and managed. This group of offices represents over 120 hotel industry professionals and executes over 4,000 assignments a year. Rod has been working in the hospitality industry for 30 years and is a graduate of Cornell's School of Hotel Administration. He is a Designated Member of the Appraisal Institute (MAI) and a state-certified general appraiser. Contact Rod at (214) 629-1136 or [\[email protected\]](#).

About Ryan Mark



Ryan Mark, a Director with HVS Denver, brings first-hand experience, excellent communication and problemsolving skills, and attention to detail to conduct hotel market studies, feasibility studies, and valuations. Before joining HVS, Ryan worked in various roles in housekeeping and front office management at the 1,100-room Hyatt Regency Denver; he also acted as Assistant Manager of the hotel. Ryan earned his BS in Restaurant and Resort Management from Colorado State University. Contact Ryan at (303) 881-4762 or [\[email protected\]](#).

About Chris Cabrera



A Senior Project Manager with HVS Miami, Chris has conducted appraisals and feasibility studies for hotels throughout the Midwest and Southeast regions. Prior to joining HVS, Chris held multiple operations and finance positions at a number of large hotels. Additionally, Chris worked on feasibility studies as a Hotel Development and Asset Management intern with Horwath HTL in Atlanta. Contact Chris at (516) 603-9655 or [\[email protected\]](#).