

Strong Rate Growth and New Travelers Discovering New York State's Resort Markets: The Impact of COVID-19 and the Recovery of the Finger Lakes, the Adirondacks, and the Catskills/Hudson Valley Markets

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While New York City has been the focus of discussion around the state's pandemic recovery, the Finger Lakes, the Adirondacks, and the Catskills/Hudson Valley markets have offered some of the biggest surprises. This article looks at how these three resort markets have fared throughout the pandemic, as well as the factors affecting their recent performance.

While New York City and its metropolitan area have largely steered the conversation around New York State's pandemic recovery, with some secondary discussion of larger markets such as Buffalo, Rochester, Albany, and Syracuse, in my opinion, the state's resort markets have been the most interesting and have offered some of the biggest surprises to me and local market participants.

I moved back to New York State to launch our firm's Buffalo office in the middle of the pandemic and began working on assignments in the Finger Lakes, the Adirondacks, and the Catskills/Hudson Valley regions. While each individual market has unique attributes that we will explore later in this article, there were many trends that were evident across all three markets that are worth detailing.

The biggest (and most welcome) surprise came from ADR. While ADR has been soaring across the nation with inflation increasing notably, these markets saw record ADR increases starting in 2020 and accelerating further in 2021, when many other markets were still offering rate discounts. During the early days of the COVID-19 pandemic, the many unknowns, both around the pandemic and the related economic downturn, caused many owners and operators not to be overly optimistic about the timing or forecast of the recovery.

In past recessions, occupancy was the first metric to recover and reach stabilized levels, while ADR typically lagged and rebounded at a more modest pace. During the uncertainty of 2020, market participants assumed that historical trends would generally repeat this time around; however, as I revisited each of these markets over the past couple of years, this

is not what happened. In fact, the opposite is being observed: occupancy is still working its way back to pre-pandemic levels, but ADR for these markets in 2021 was significantly higher than the rates attained in 2019. So far, the 2022 data reflect a continuation of this trend, with occupancy still climbing its way back to 2019 levels, while average rates are continuing to build on the notable increases realized in 2021. There are several commonalities among these markets that help tell the story behind the data.

Trends Across the Markets

Coming out of the pandemic, the leisure segment was typically the quickest to recover; however, some leisure markets that centered around amusement parks or event venues were slower to recover. Corporate travel was depressed during the initial recovery period, as many companies continued to have employees work remotely and restricted corporate travel. In addition, restrictions on group gatherings and the advance timing needed to book large group events continued to stifle the group segment's recovery during the early recovery.

As noted, these resort markets were not immune to the occupancy decline noted in 2020, especially in April and May when stay-at-home orders were in effect and the most severe constraints were placed on travel; however, as restrictions loosened and many people sought to leave the house after isolating, these three markets had a unique appeal to those looking to travel again.

These three markets are outdoor-centric, predominately drive-to destinations that are primarily reliant on leisure demand; these factors made them ideal destinations as both solo travelers and families looked to leave home and enjoy a safe vacation during the pandemic. Hiking, biking, and water-related activities, such as boating and kayaking, were among the primary attractions for these markets long before the pandemic. Furthermore, travel options were notably limited during this time. Families that previously went on annual cruises were now heading to the lakes in these markets instead, and many families that previously took annual ski trips out west were now considering mountains in the Adirondacks or the Catskills to avoid air travel. Market participants in all three markets reported that given the travel restrictions, a significant number of new travelers were introduced to these markets for the first time, and the expectation is that a notable number of these first-time visitors will return in the future.

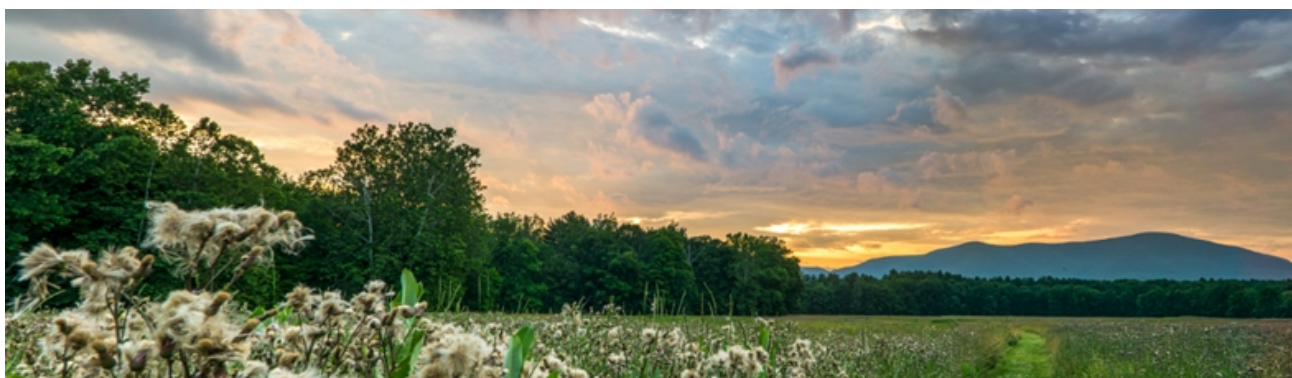
In addition to their appeal throughout pandemic, there are several other commonalities across these markets. They are highly seasonal, with heightened occupancy from July through October. They are all popular summer destinations known for their extensive hiking trails. The outdoor activities and fall foliage help these markets maintain their tourism appeal even as the weather starts to cool down and water-based activities are less enticing.

Conversely, the period of November through February is slower, as the weather is cold. While some demand is generated during these months by winter activities such as snowshoeing and snowmobiling, with notable ski demand in the Adirondacks and Catskills, demand in winter is significantly lower than in the summer months. The slowest time of the year is typically in March and April, with some improvements starting in May. This time of the year is known as mud season, when conditions are poor for most outdoor activities.

Despite ADR reaching record high levels, a strong rebound in the leisure segment, and the unique appeal of these destinations, especially over the past couple of years, occupancy has not fully rebounded due to several factors. The

seasonality of these markets naturally caps the annual occupancy potential; furthermore, the pandemic-related economic downturn limited the number of leisure travelers and the availability of disposable income. Given the record-setting rates, some travelers have been priced out of these markets. Despite lower occupancy levels, RevPAR is far exceeding 2019 levels because the increases in rate more than offset the comparatively modest decline in occupancy.

While there are many commonalities throughout these markets, each market has its own unique aspects with certain considerations, as laid out below.



Catskills/Hudson Valley

The Catskill Mountains region was a prestigious resort destination in the first half of the 20th century. While the area still accommodates vacationing families, it no longer offers the same type of appeal as it once did, and many of the once-popular resorts are now dated or closed. However, the area remains a regional tourism destination and is in the midst of revitalization, with many of the old resorts undergoing significant renovations and a notable number of new, high-end resorts and lodging facilities entering the market. This resurgence began prior to the outbreak of COVID-19 but significantly increased throughout the pandemic, as people sought to leave cities for more rural destinations.

The Catskills and Hudson Valley region draws demand from throughout the Northeastern United States. Leisure travelers from major markets such as New York City, Philadelphia, and Boston, as well as secondary markets including Albany, Providence, Hartford, and Jersey City, visit the Catskills year-round for mountain biking, fishing, skiing, hiking, and dining.

The Catskills market features very few branded hotels and only a small number of hotels that report to STR, so concrete data for this market is harder to obtain than the other markets explored in this article. When working in this market and identifying trends, we instead rely on data from rate shopping, our expertise and experience from previous work done in the region, and interviews with market participants such as hotel operators, economic development officials, and local tourism organizations. With limited market data available for purchase, thorough fieldwork, “boots on the ground” research, and professional connections within the local area are significantly more important in this market than others.

In many markets that experienced notable ADR growth in 2021, some rate correction is expected; however, this not the case for the Catskills due to a number of factors. In addition to the amount of investment currently taking place in the area, which is helping to rehabilitate this market’s reputation, the area’s proximity to New York City should allow this

market to continue to build on the gains realized over the past couple of years. Many New York City-based corporations shifted to either a work-from-home or a hybrid work model rather than being fully office-based. With so many more companies operating this way, they have been able to significantly reduce the amount of office space needed. With reduced office space and fewer face-to-face interactions among employees, more companies are reallocating their previous office space budgets to quarterly in-person retreats. The Catskills region is already a popular destination for corporate retreats given its proximity to New York City, so this market should benefit from the increase in this type of demand.

Similarly, family reunions and weddings for New York City residents are expected to increase as the area's image continues to improve and higher-end product offerings become available.



Finger Lakes

The Finger Lakes region is characterized by rolling hills, flat plains, and numerous lakes. The climate and the lakes support New York State's largest wine-producing region, with over 100 wineries and vineyards located in four distinct wine trails along Cayuga, Keuka, Canandaigua, and Seneca Lakes. The region also provides a variety of recreational opportunities, drawing thousands of boaters, campers, hikers, and rafters annually. The area's attractiveness is further enhanced by its proximity to Rochester and Syracuse and their educational and cultural sites.

The established wine region continues to increase in popularity, and many new travelers were introduced to this region while seeking safer, less crowded alternatives during the pandemic. The Finger Lakes market does not offer the same skiing options as the other markets mentioned in this article and is less popular in the winter.

This region currently features a limited number of upper-upscale or luxury properties, but supply has been increasing. The Lake House on Canandaigua opened in the midst of the pandemic after undergoing an extensive renovation that repositioned the hotel to offer a higher-end experience. Furthermore, a new waterfront Tapestry Collection by Hilton is currently under construction and will feature a full-service spa. Based on conversations with market participants, some rate correction is expected as the market recovers; however, given the addition of higher-end properties and the current inflation outlook, much of the ADR growth realized since 2020 is expected to be retained.





The Adirondacks

The Adirondack Park is part of New York State's Forest Preserve; its six million acres include more than 30,000 miles of rivers and streams, 3,000 lakes, and numerous varieties of flora and fauna. The region was originally utilized as hunting grounds by the Algonquin and Mohawk Native American tribes and was settled by Europeans in the early 16th century.

Within the park, Lake Placid, Saranac Lake, and Tupper Lake comprise the Tri-Lakes Region, which is the most popular travel destination within the Adirondacks. Lake Placid hosted the Winter Olympic Games in 1932 and 1980, including the semifinal hockey match between the USA and USSR dubbed the "Miracle on Ice." Saranac Lake is known for its annual Winter Carnival where an ice castle is erected each year. Tupper Lake is home to the Wild Center, a popular experiential attraction within the region.

Another popular destination within the Adirondack Park is the Lake George Area, comprising Bolton Landing, Lake George, and North Creek. This area hosts annual events such as the Adirondack Balloon Festival, where dozens of hot-air balloons rise above the Adirondack Mountains; Americade, a week-long motorcycle rally; and the Adirondack Nationals Car Show.

Unlike the Finger Lakes, which is increasing in popularity and becoming a better-known resort market, and the Catskills region, which is undergoing a resurgence, the Adirondacks is already well established as a resort market, with few changes expected to the existing demand drivers. There have been some changes in inventory, such as a proposed Cambria; the Saranac Waterfront Lodge, which opened in November 2020, before closing due to a fire and reopening in May 2021; and the Grand Adirondack Hotel, to be affiliated with Marriott's Tribute Portfolio upon the completion of its renovation from the Hotel North Woods, Ascend Hotel Collection. However, given the strong demand anchors and existing supply, these changes should not have a major impact on the market.

Similar to the Finger Lakes, a modest rate correction is expected in this market as other destinations become viable travel alternatives again, such as cruise ships and ski trips to the West Coast; nevertheless, a majority of the rate gains are anticipated to be retained, especially in consideration of the current inflation environment.

