

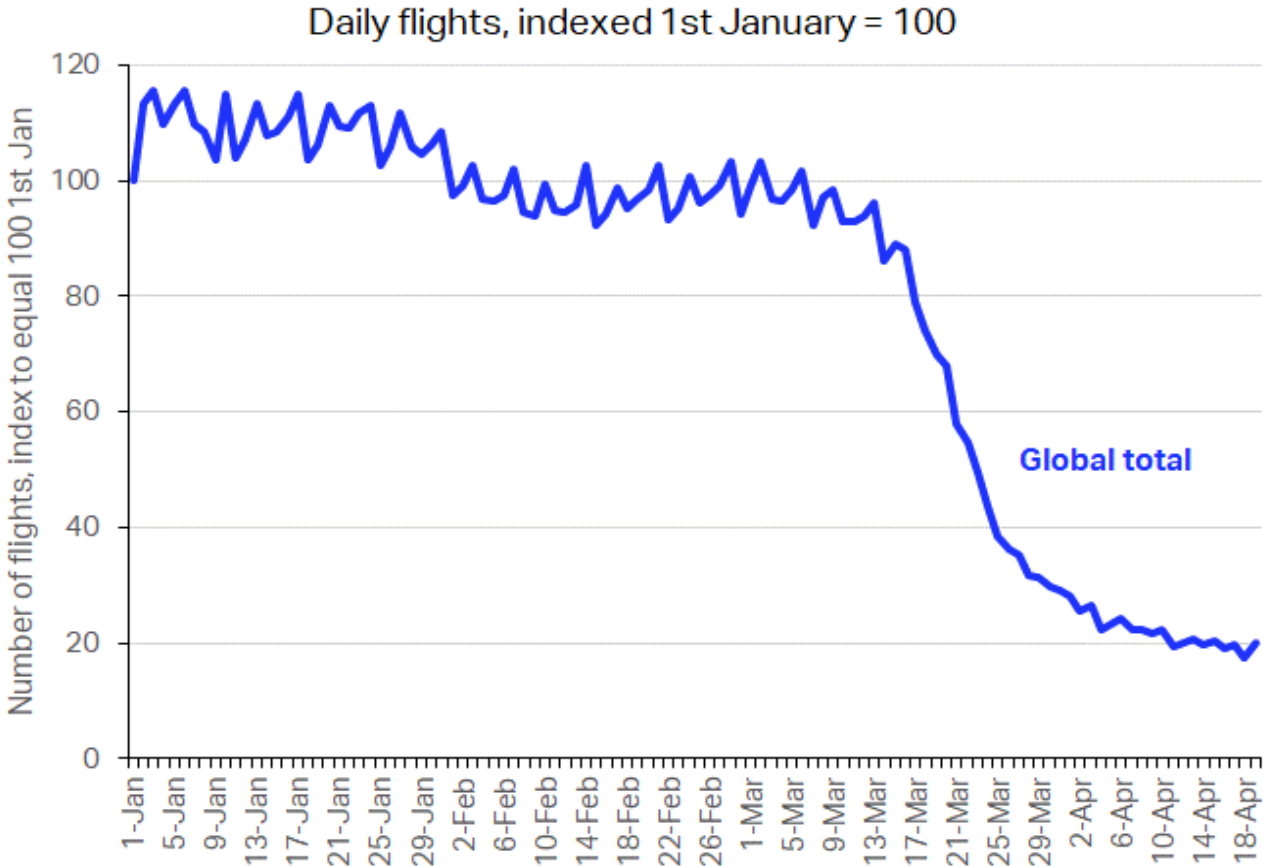
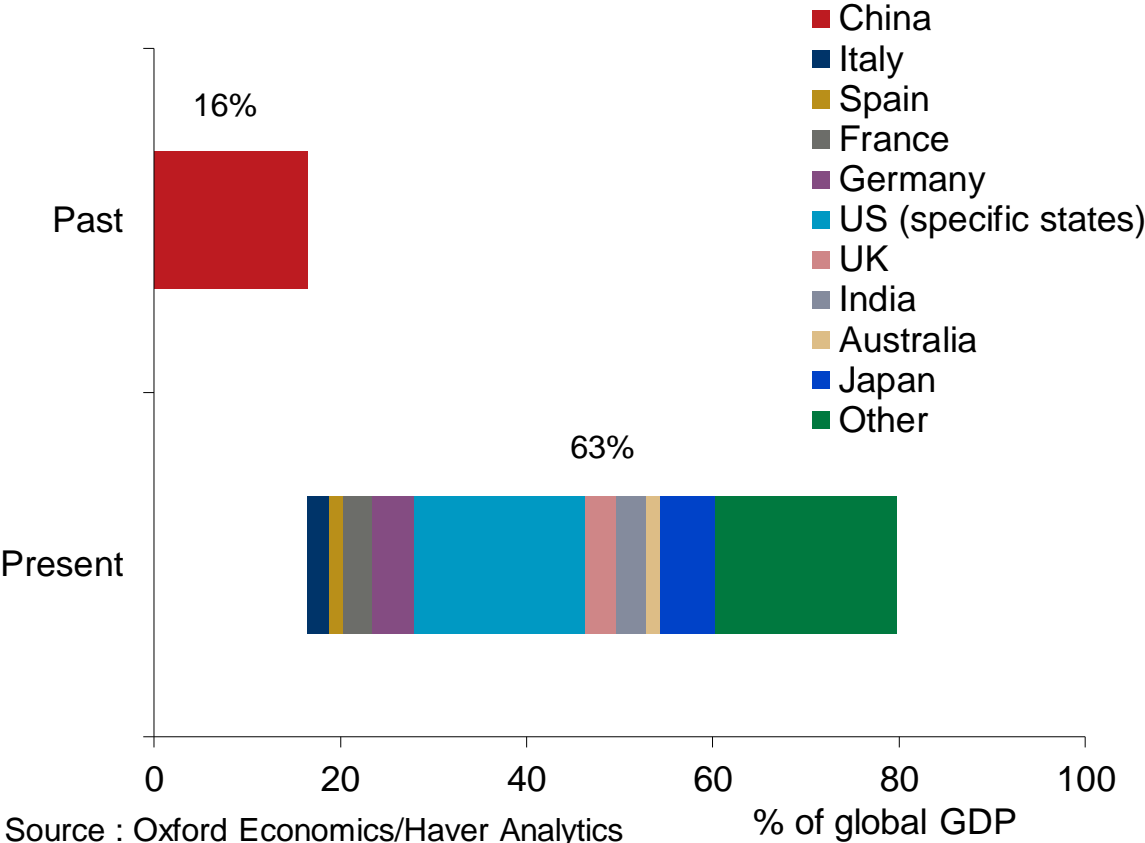
TOURISM ECONOMICS - WTM WEBINAR

EUROPEAN TOURISM AND CORONAVIRUS: 2020 LOSSES AND POTENTIAL RECOVERY

David Goodger
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Tourism Economics
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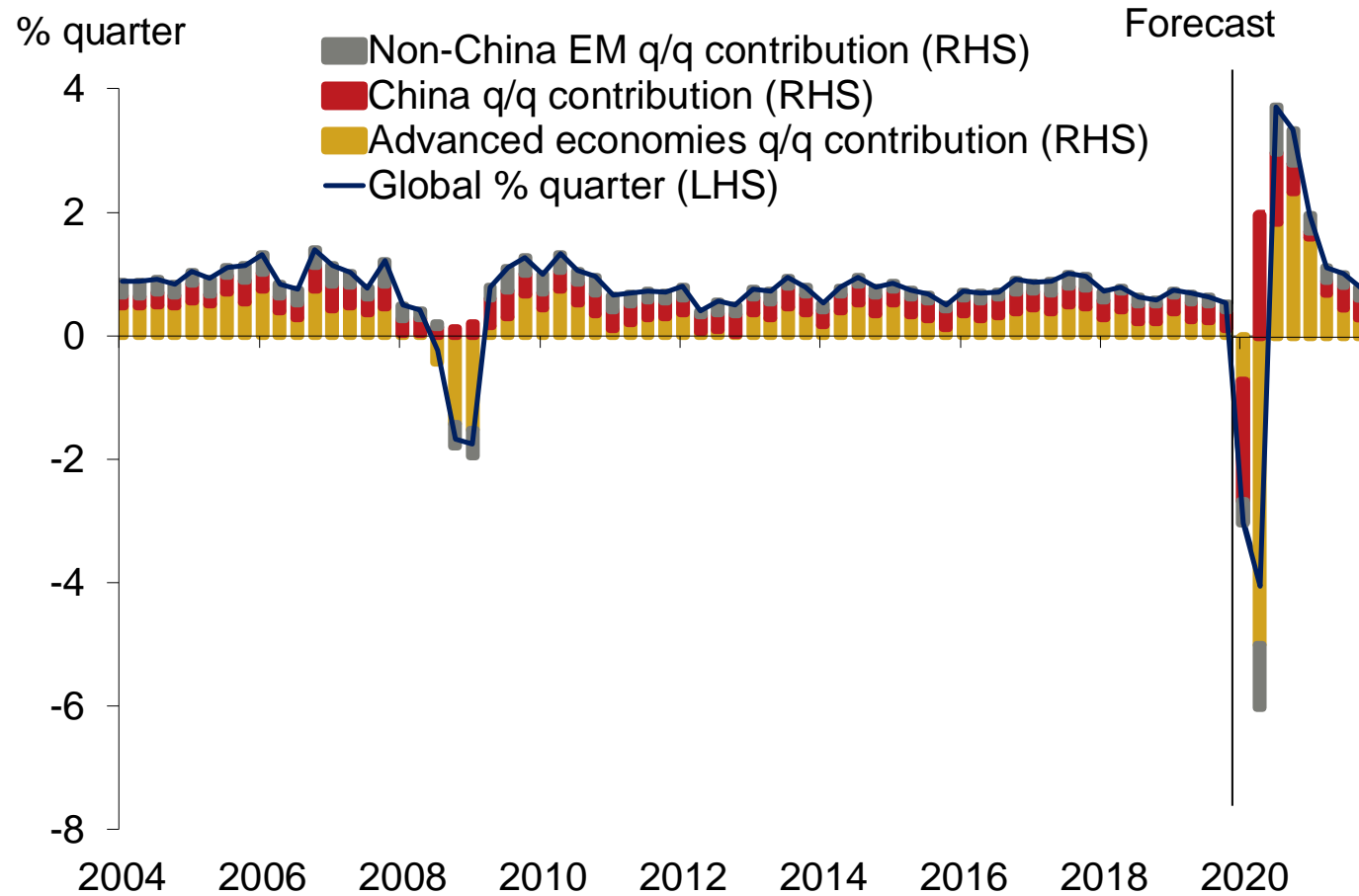
Global lockdowns are having a very large impact on economy and travel

Global lockdowns



Immediate economic impact will be greater than during GFC

World: GDP

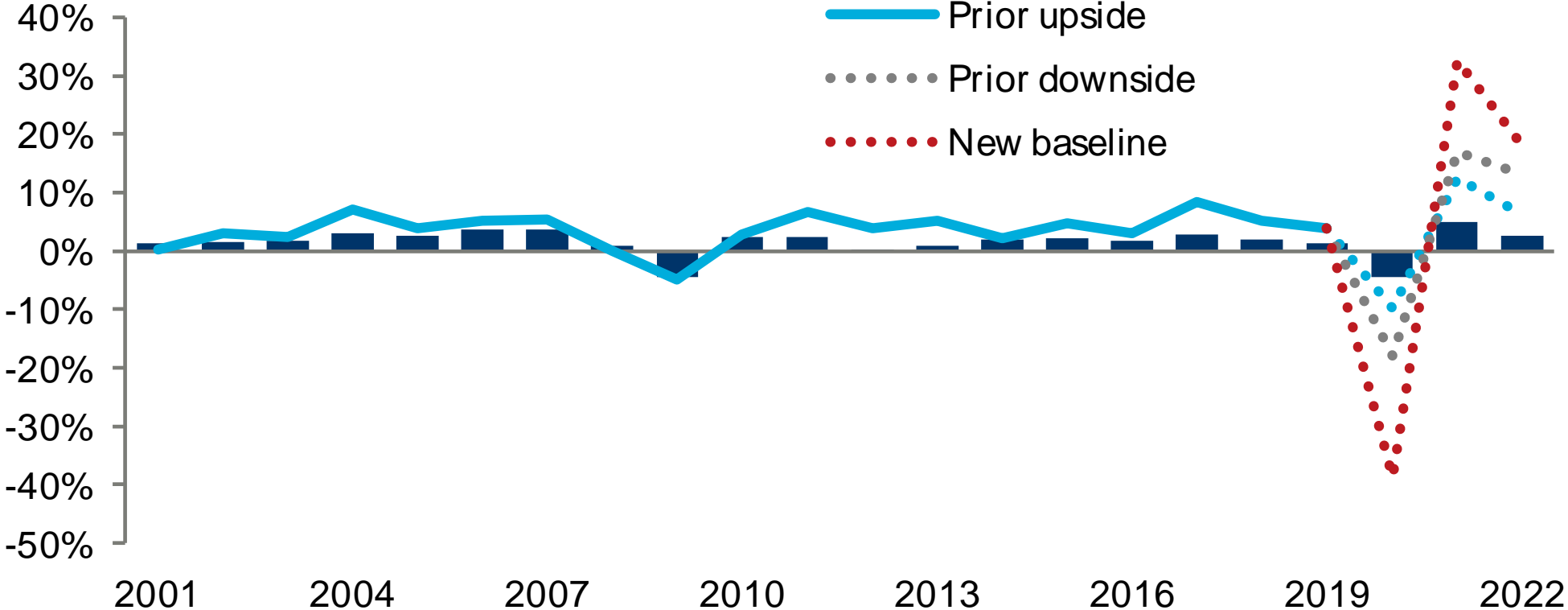


Source : Oxford Economics/Haver Analytics

Travel is falling more sharply than GDP

Europe GDP & Tourist Arrivals

Annual growth, %



Source: Tourism Economics

Travel restrictions are dominant effect in near-term

Coronavirus scenario assumptions: Europe

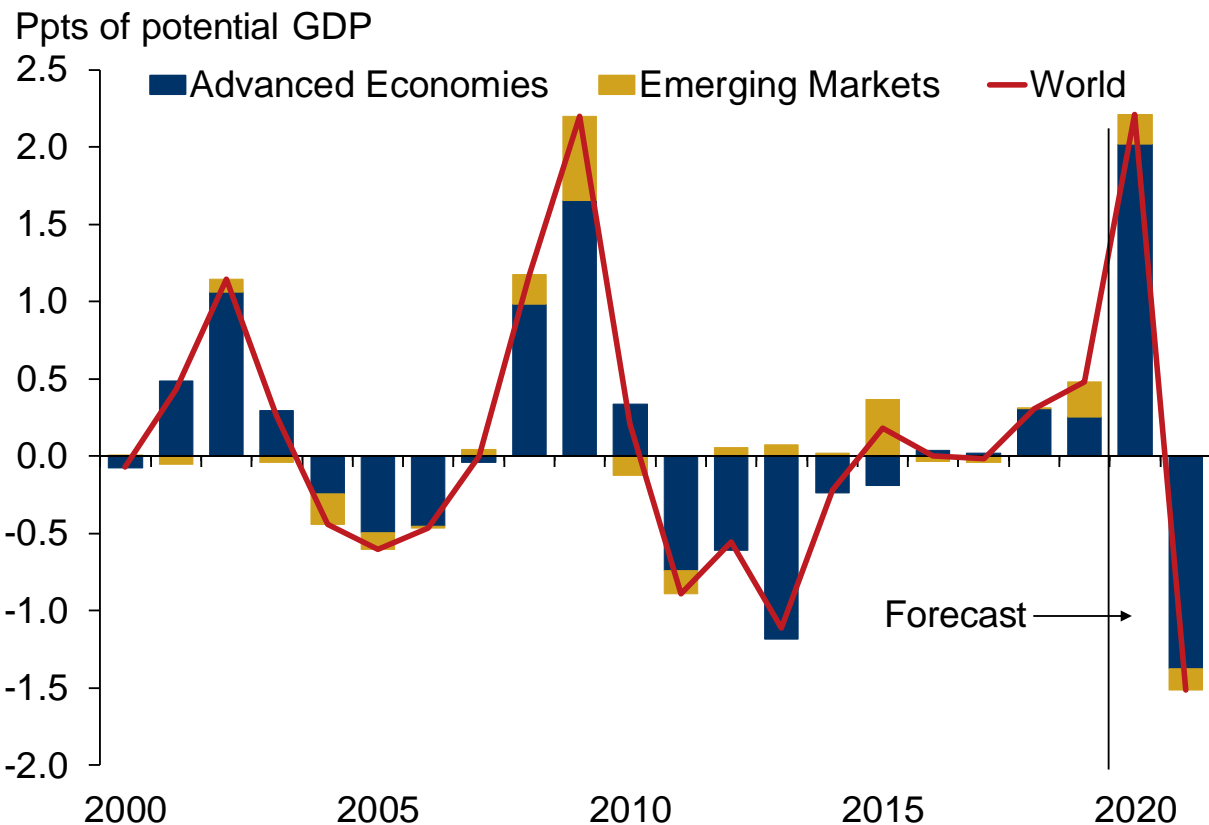
	Total expected impact duration		#months including:		Total 2020 travel fall* %year
	# months	%2020 affected	Current restrictions	Reduced restrictions	
Feb-Jul	6	60%	3	3	-28%
Feb-Sep	8	78%	4	4	-37%
Feb-Nov	10	90%	4	6	-48%
Feb-Jan	12	95%	6	6	-61%
Feb-Jul 21	18	95%	10	1	-76%

* impact on arrivals relative to counterfactual

- Assumed 8-month restriction period will reduce European travel by ~37% on top of other economic effects (eg reduced incomes)
- 6-month duration would bring smaller annual impact.
- Longer duration of any restrictions will have larger impacts on travel

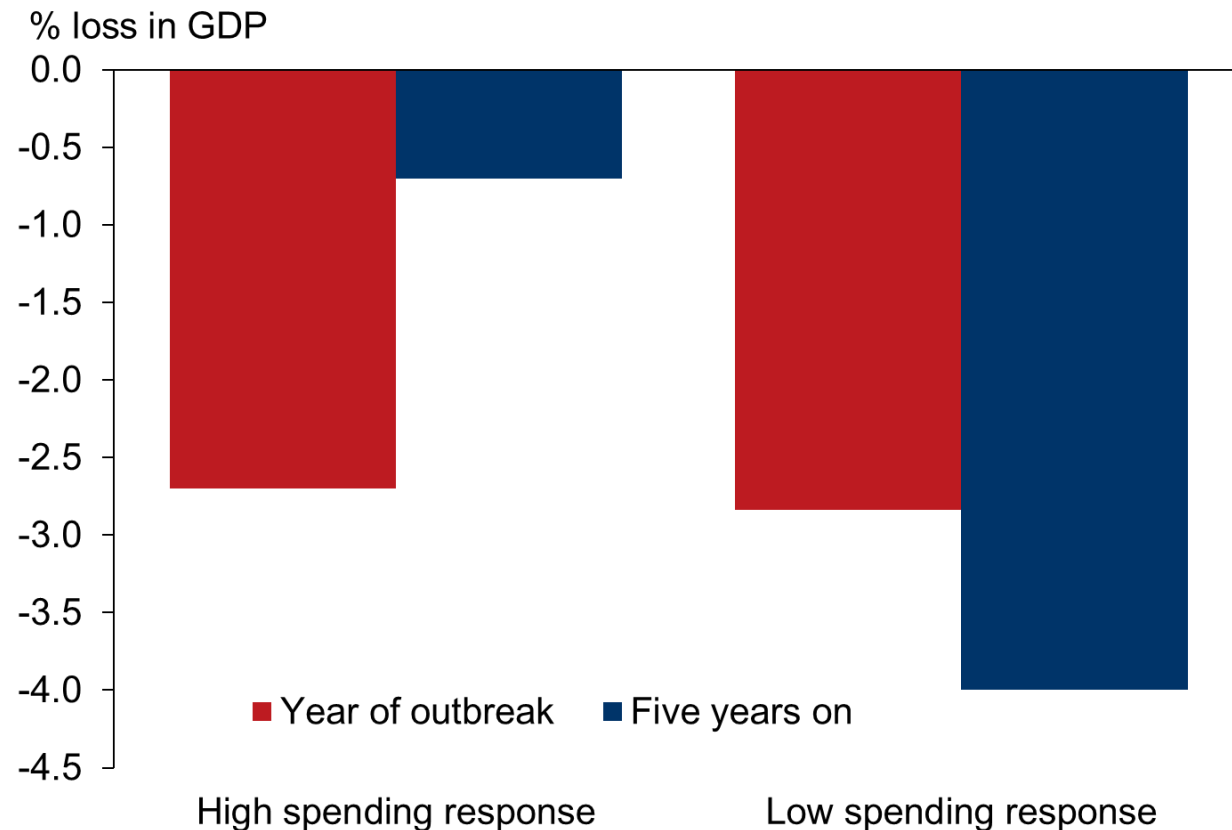
Policy stimulus is providing vital support for economic (& travel) recovery

Global: Fiscal impulse



Source : Oxford Economics/Haver Analytics

Effect of policy responses to epidemics/pandemics

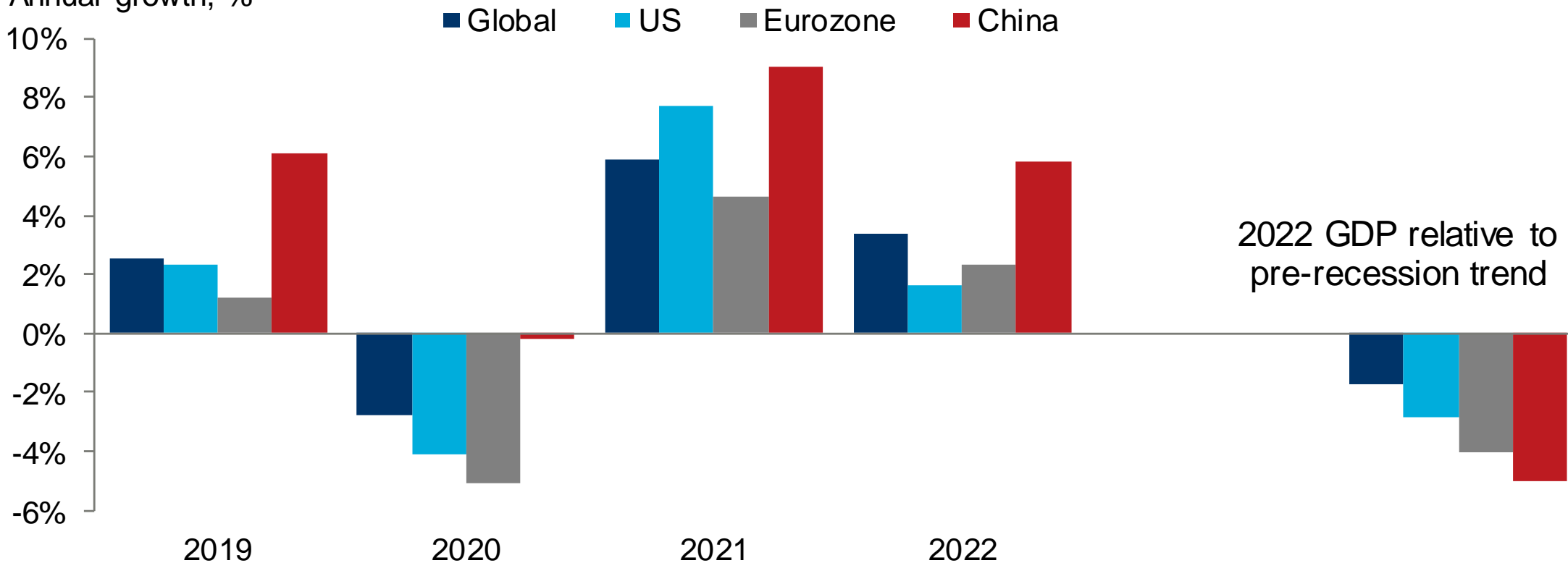


Source : Ma, Rogers and Zhou (2020)

Expected growth in recovery but impacts will be felt into the medium term

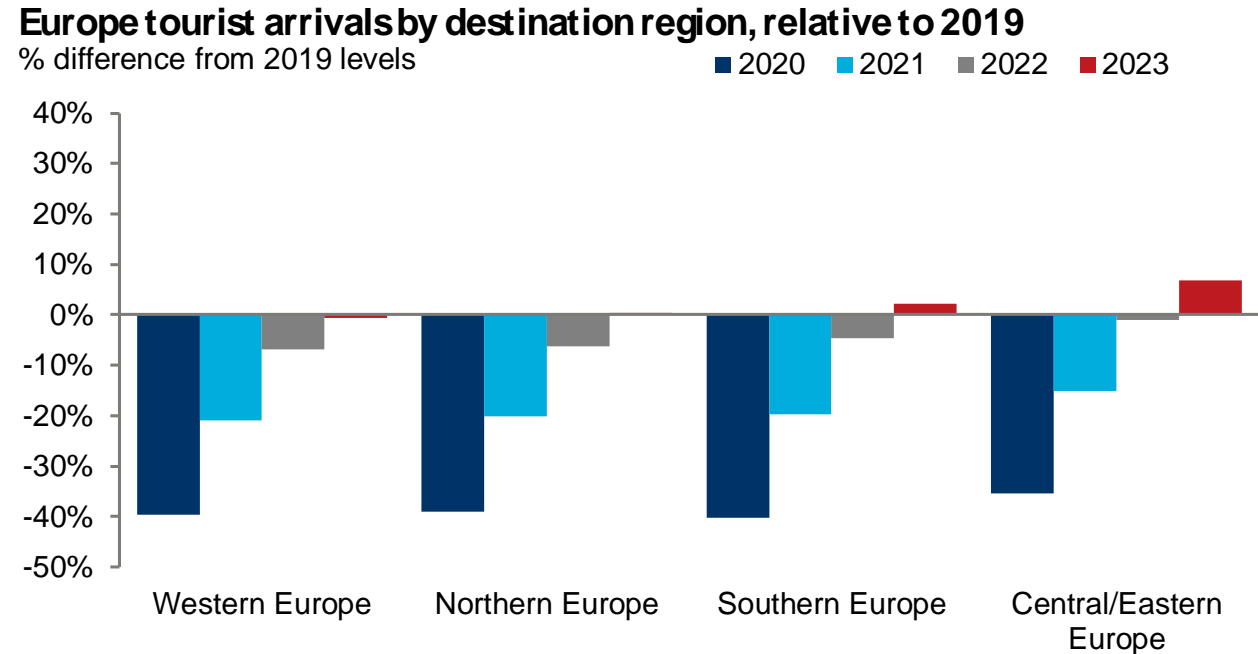
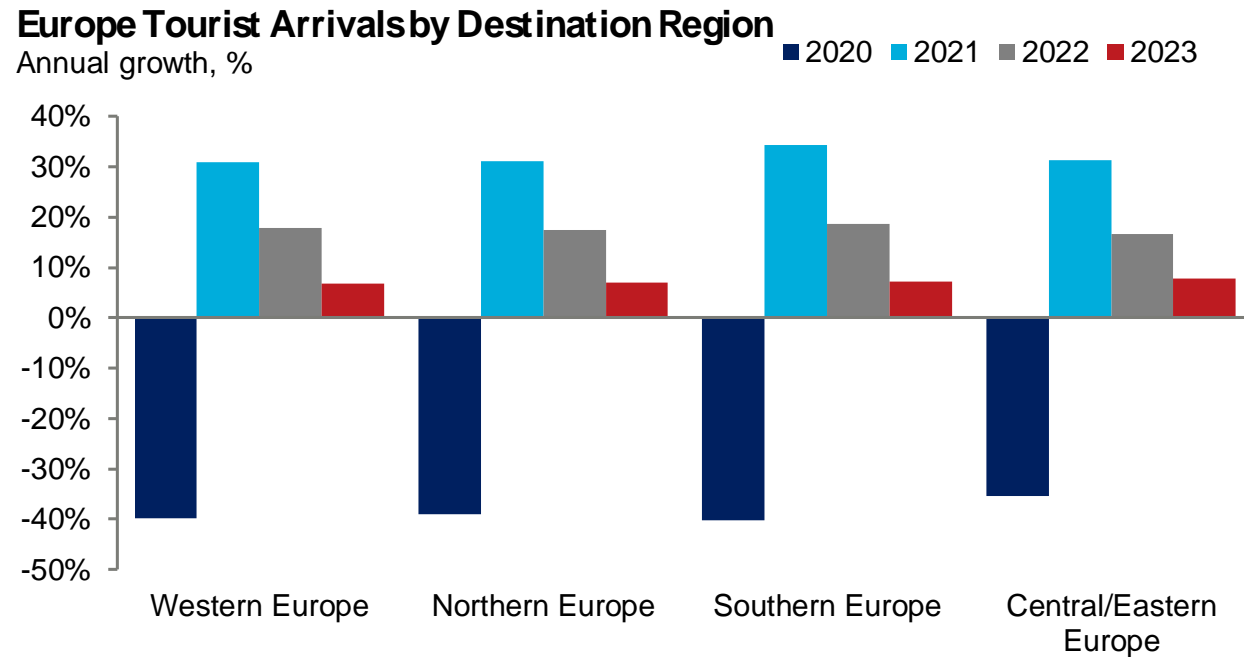
Global GDP Outlook

Annual growth, %



Source: Oxford Economics

No immediate return to prior levels of demand



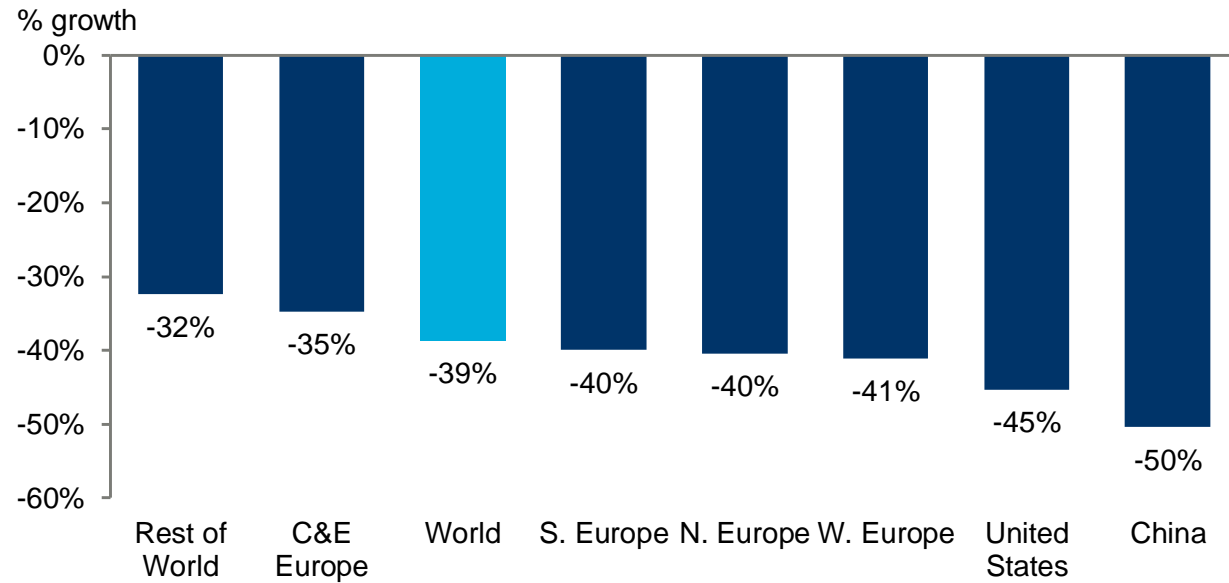
Source: TourismEconomics

Source: TourismEconomics

Questions: Use the Q&A box – please remain on mute

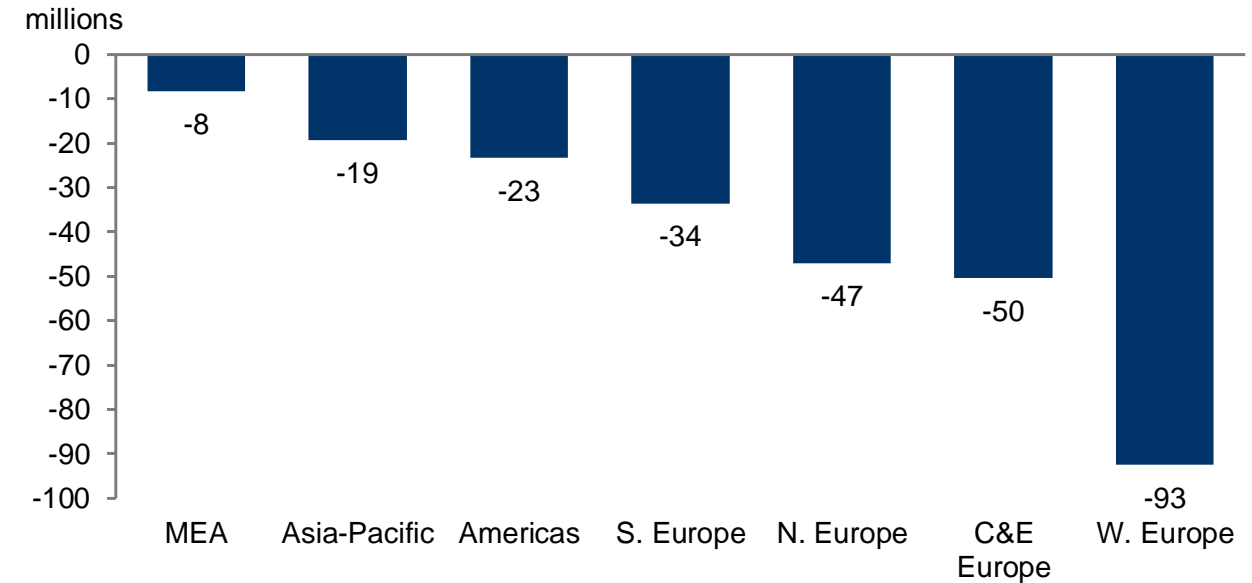
Long-haul travel is more volatile, but short-haul is important

Europe inbound arrivals growth 2020 by region



Source: Oxford Economics

Europe inbound arrivals growth 2020 by region

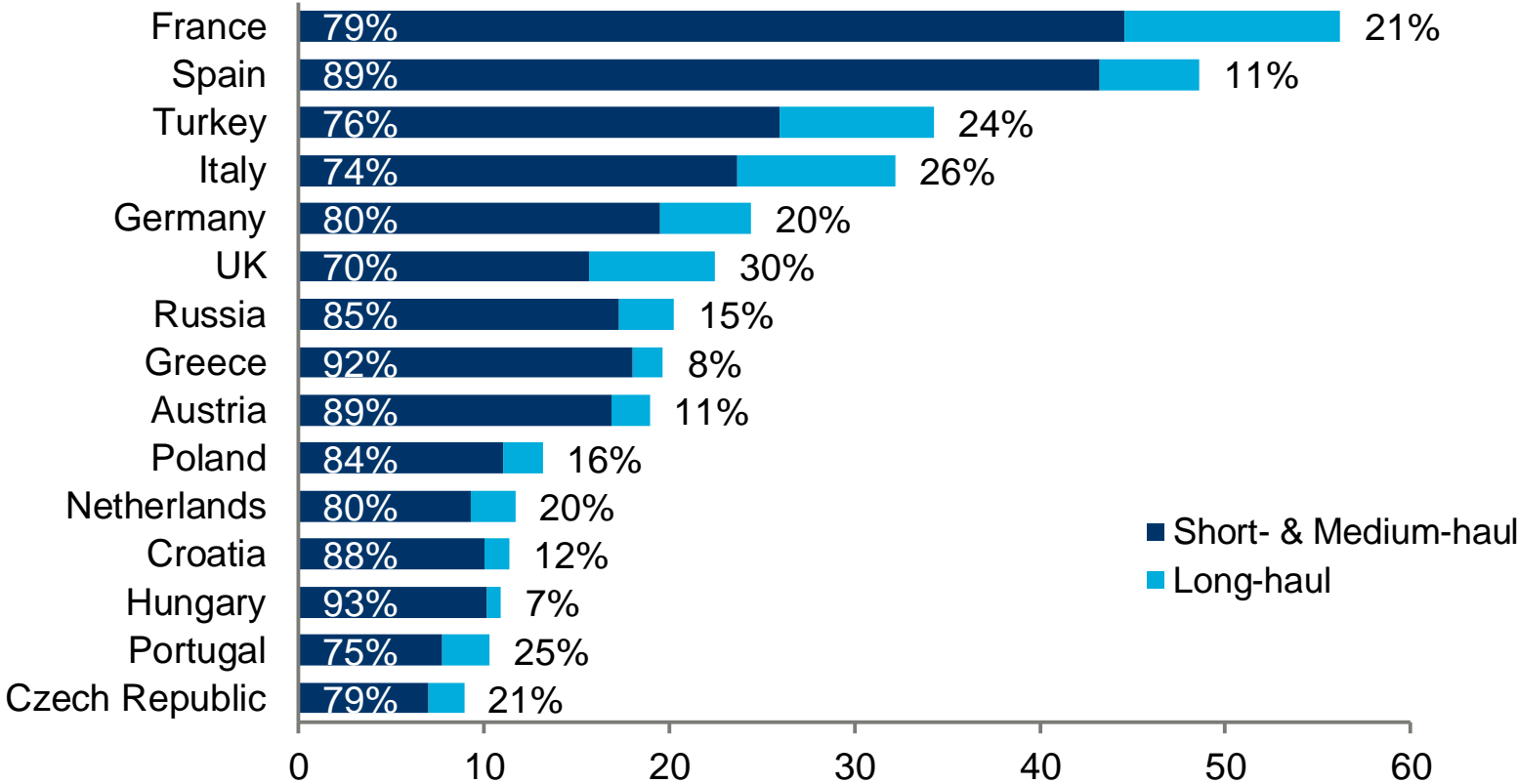


Source: Oxford Economics

Short-haul recovery will be essential in early phases

Top 15 country destinations, split by distance, 2020

Millions

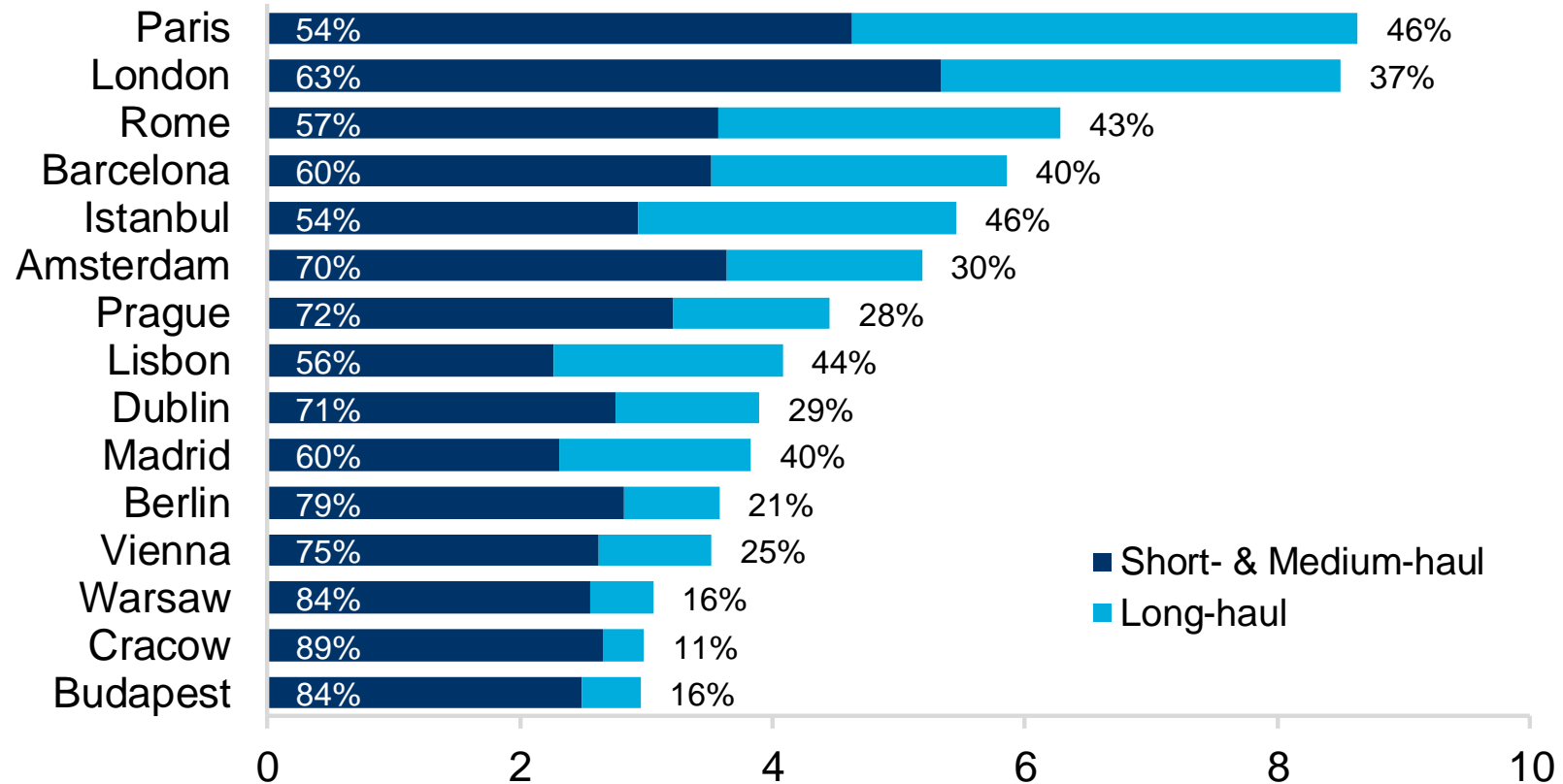


Source: Tourism Economics

Long-haul is more important for major city destinations

Top 15 city destinations, split by distance, 2020

(mn)

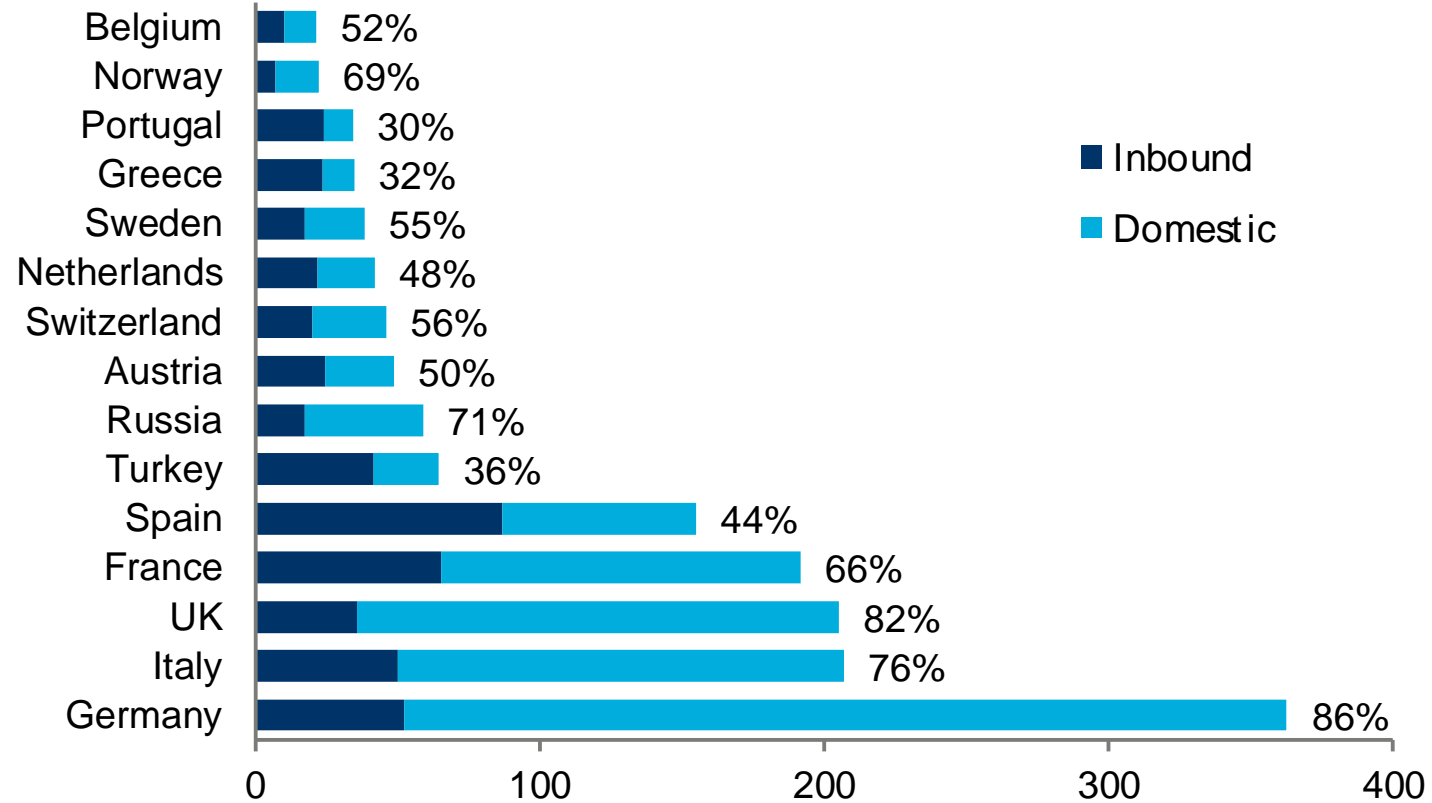


Source: Tourism Economics

Domestic travel remains very important for many markets

Domestic & international tourism spend for largest European destinations

US\$bn, 2019, domestic % share as labels

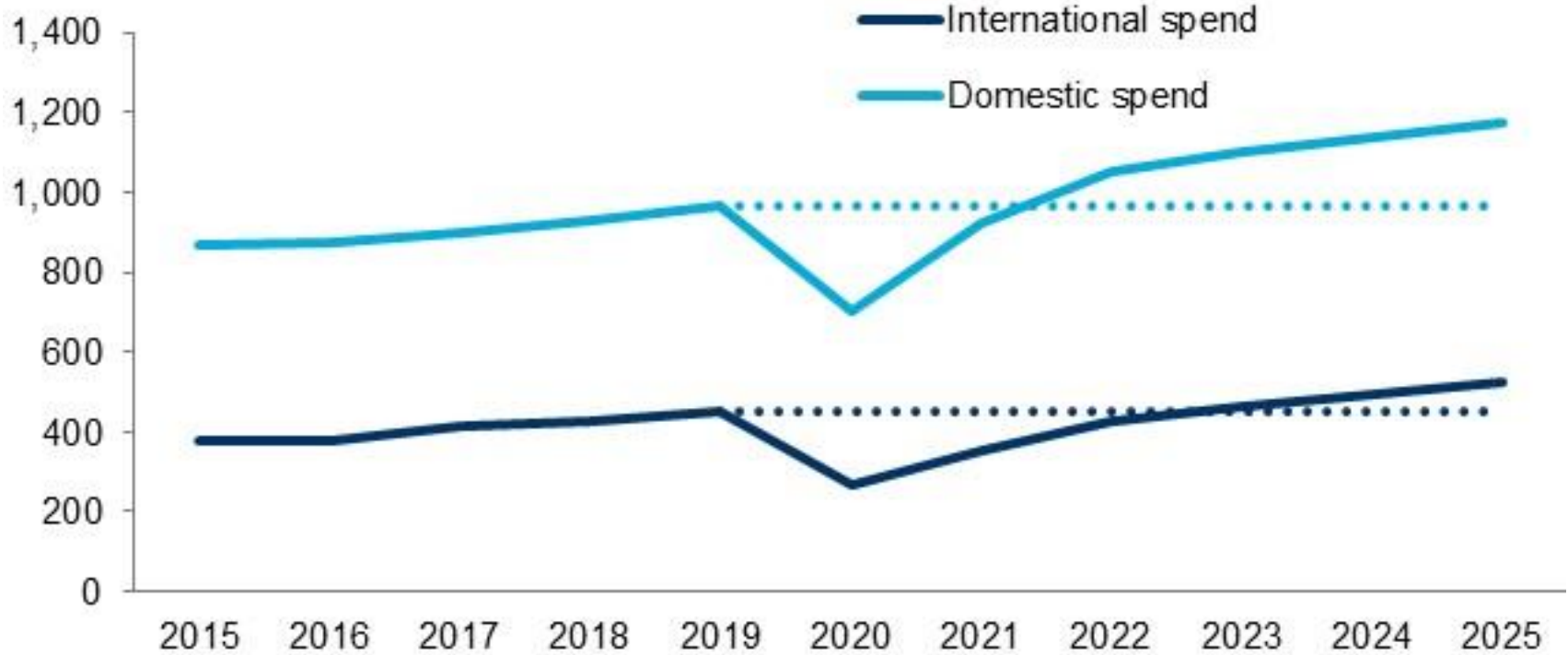


Source: Tourism Economics

Domestic travel recovery expected ahead of international

Europe: International spend vs domestic spend

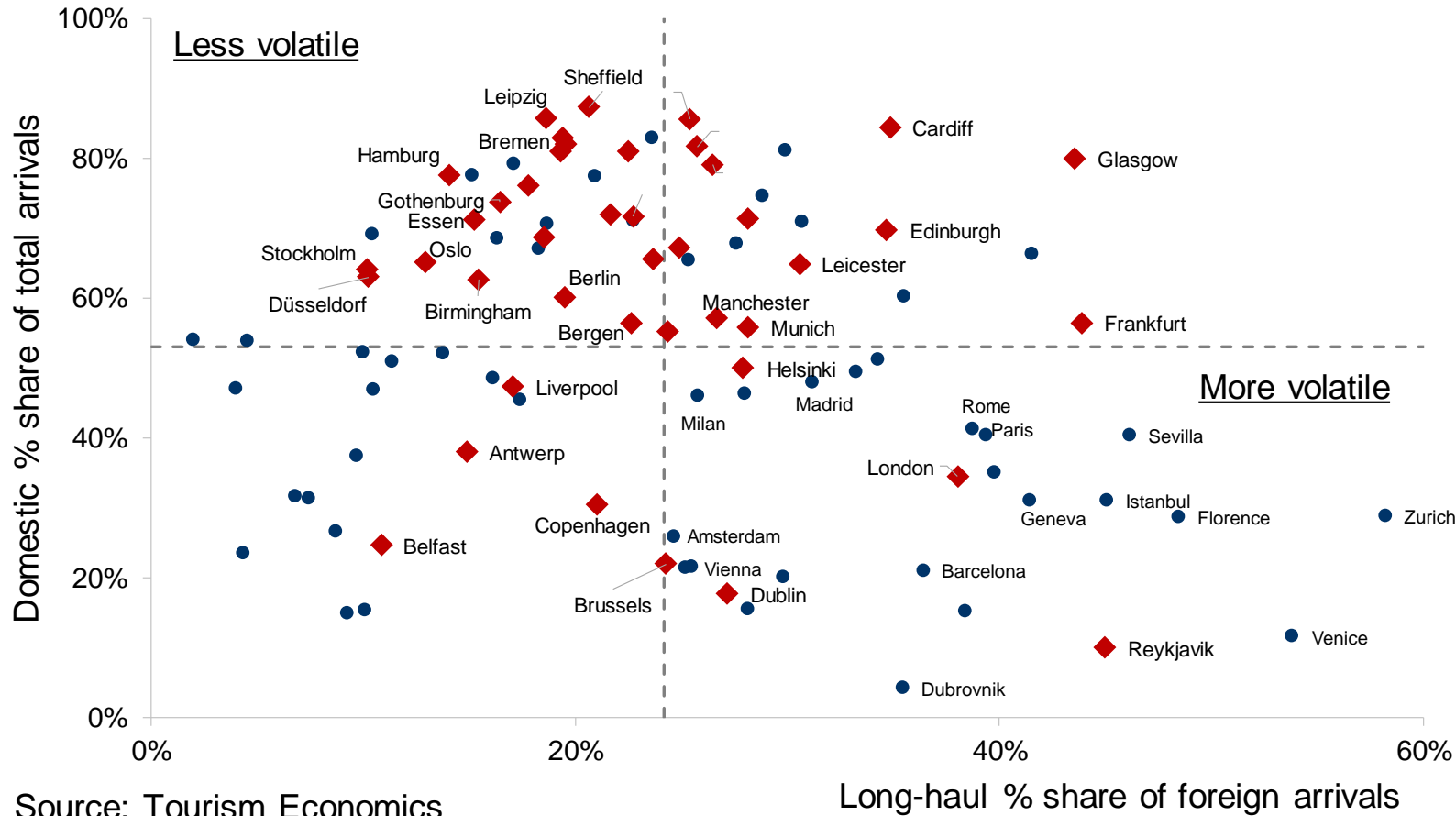
Euro, billions



Source: Tourism Economics

Destination performance will rely on source market mix

European city reliance on domestic and long-haul arrivals, 2019



Source: Tourism Economics

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Impact of COVID-19 on Global Hotel Industry

Robin Rossmann – Managing Director International



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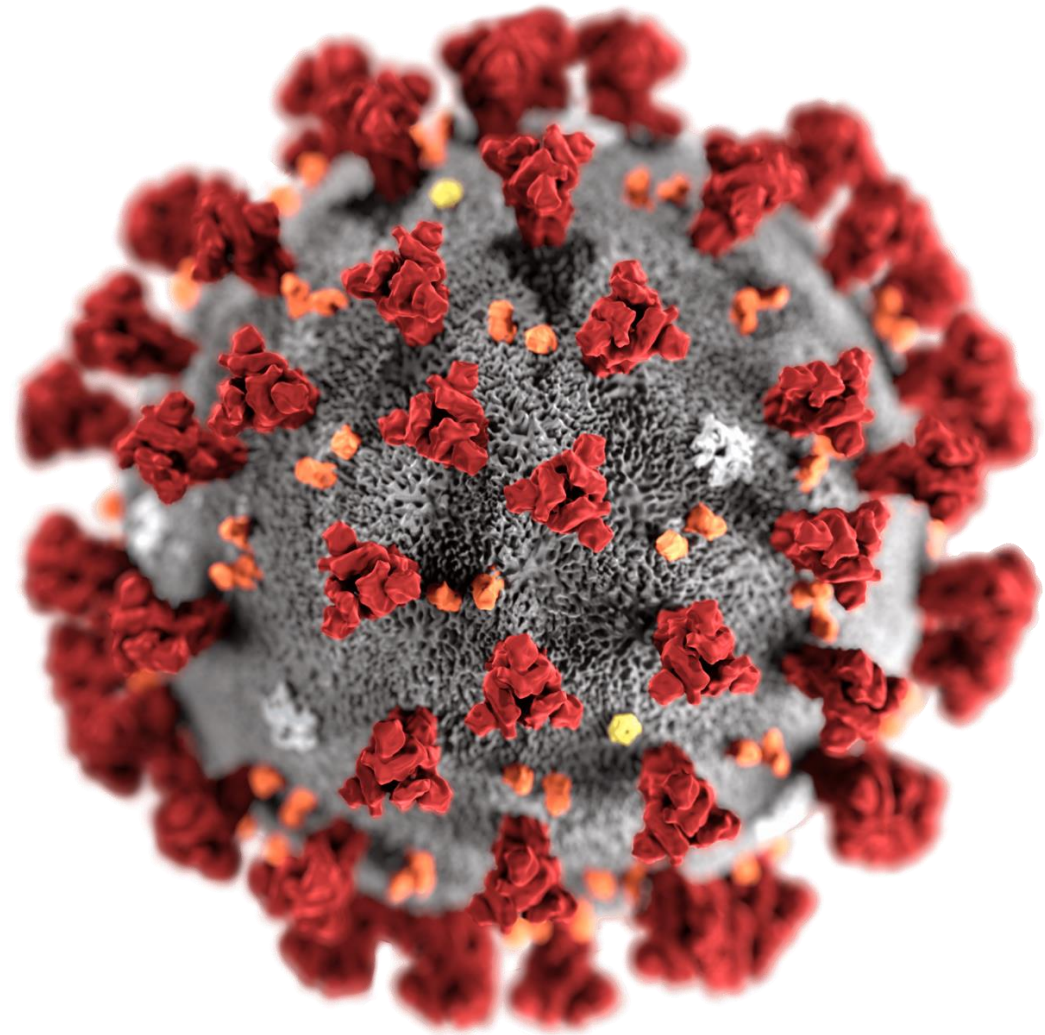
Agenda



1. Global impact of COVID-19 & China green shoots
2. Focus on Europe
3. Previous recovery cycles

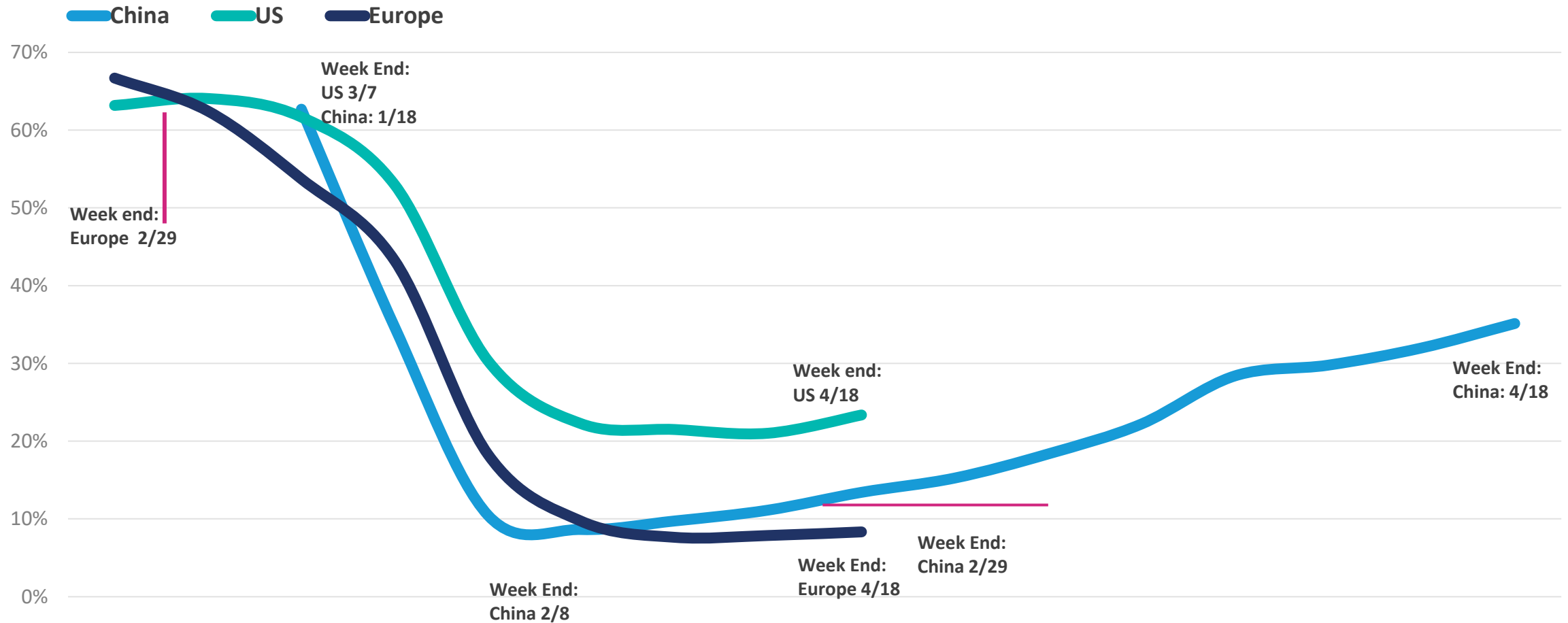


1. Global impact of COVID-19 and China green shoots



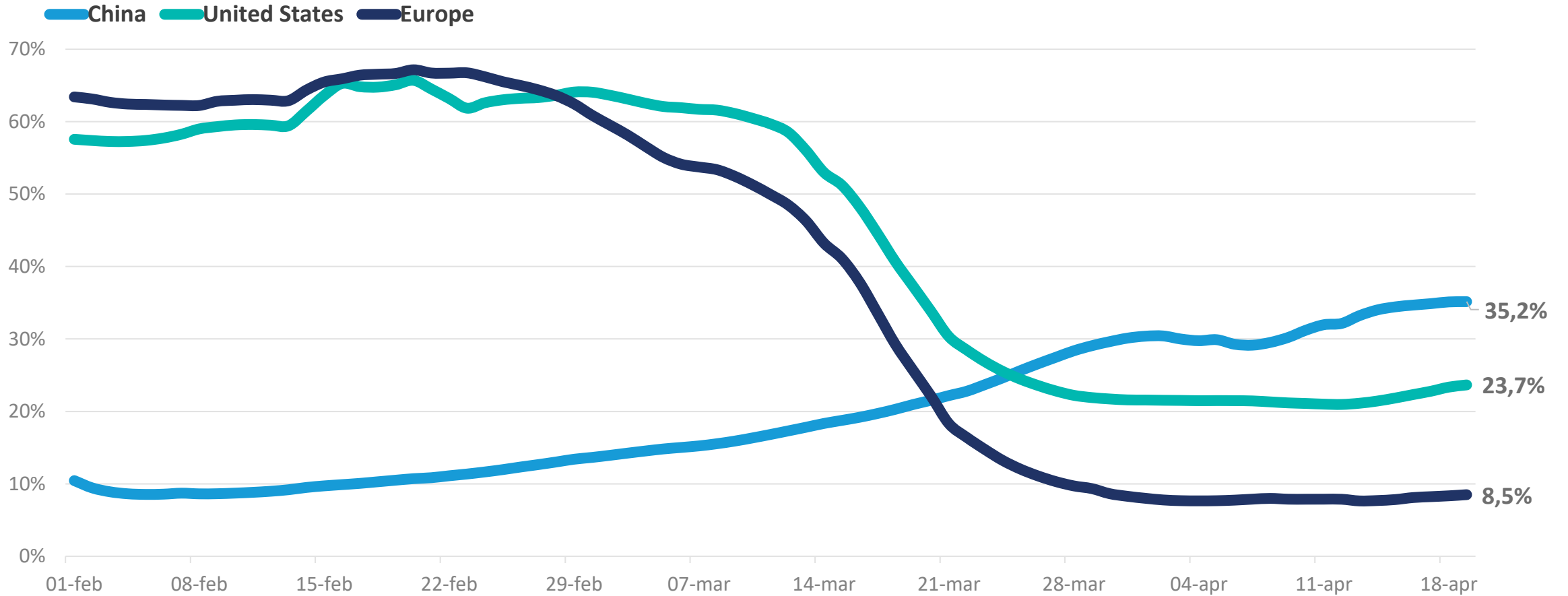
Rest of the world is about 2 months behind China

Absolute Weekly Occupancy, Select Countries, Aligned by level of OCC



China recovers as US & Europe level-out at the bottom

Absolute R7 occupancy by day

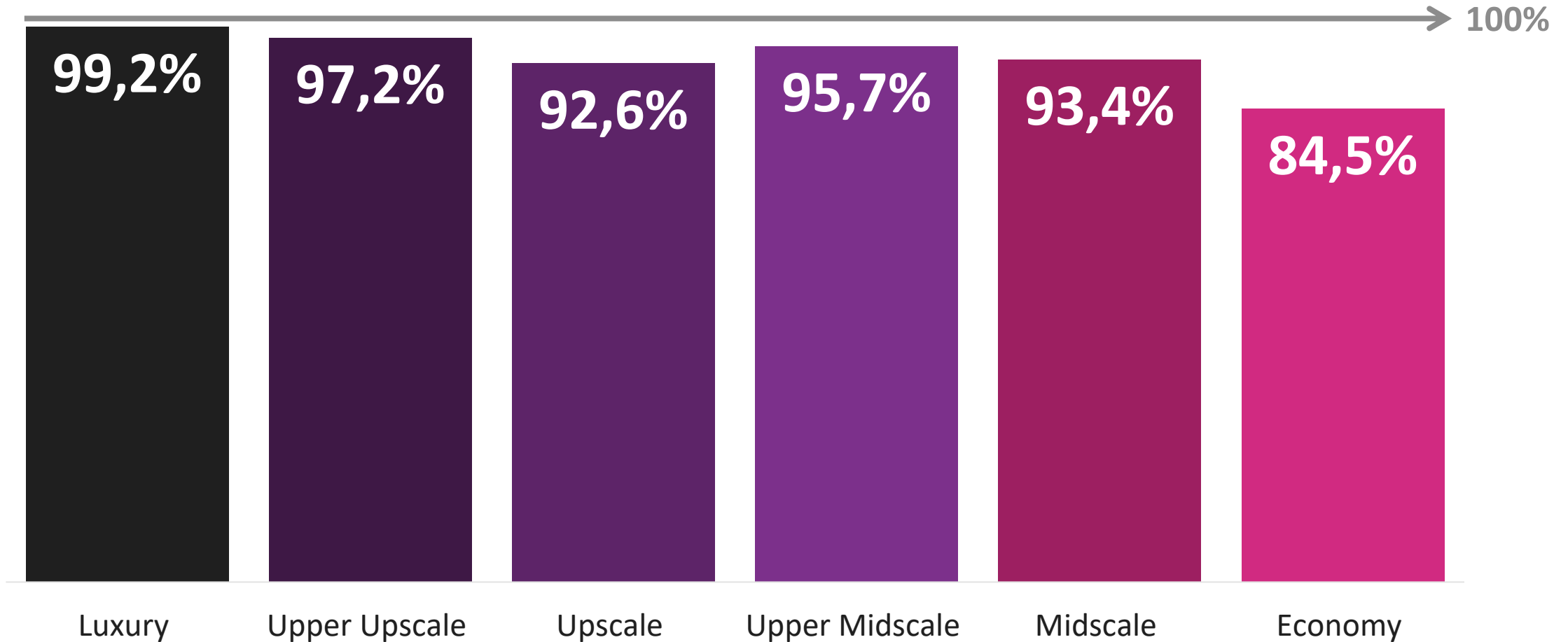


Over 90% of hotels in China are open

More than half were closed in February



benchmarking



Percentage of hotels participating with STR open at end of March vs. January 2020

Source: STR. 2020 © CoStar Realty Information, Inc.

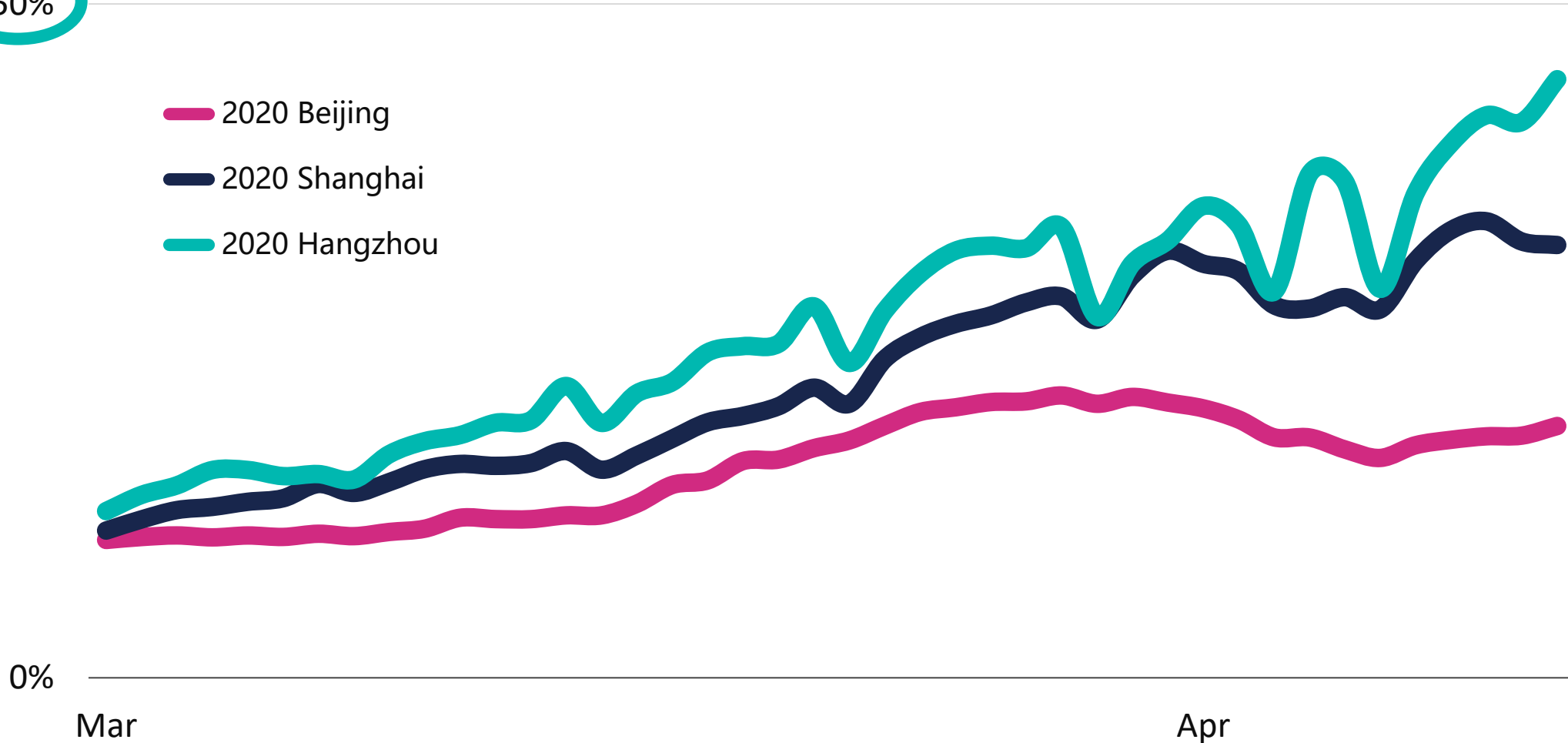
Variations in recovery speed - Hangzhou leading the way to 50%

Mar 1st – Apr 11th 2020 Absolute Occupancy



50%

- 2020 Beijing
- 2020 Shanghai
- 2020 Hangzhou

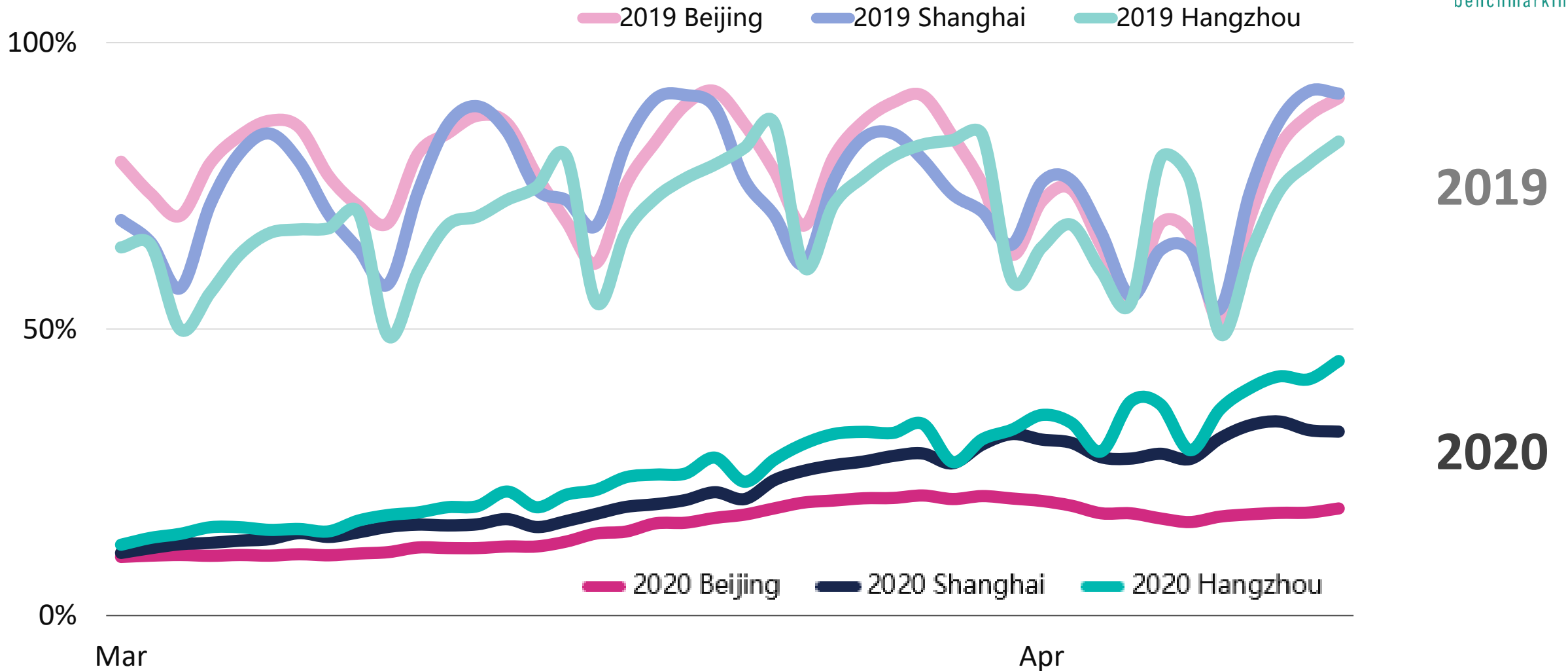


Still some way to go compared to 2019

Mainland China, Mar 1st – Apr 11th 2020 vs 2019 Absolute Occupancy



benchmarking

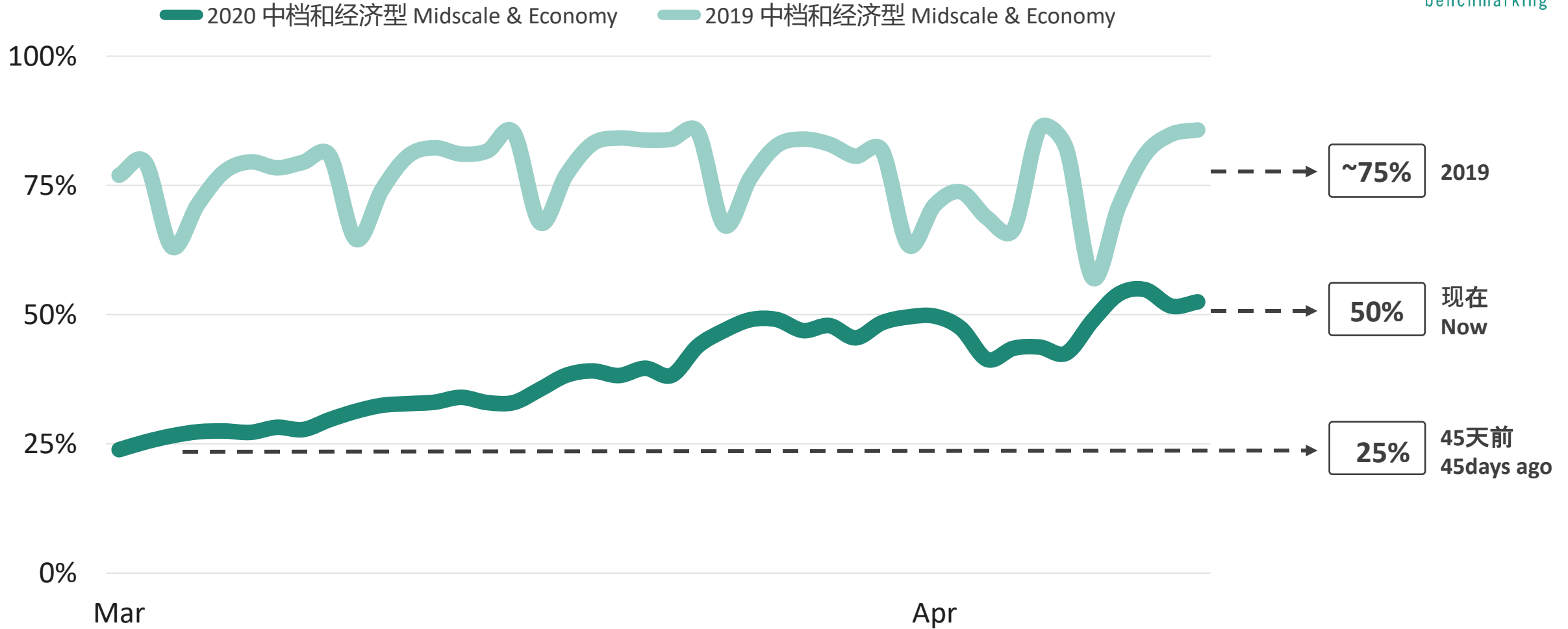


Midscale and Economy have regained half the Occupancy from last year

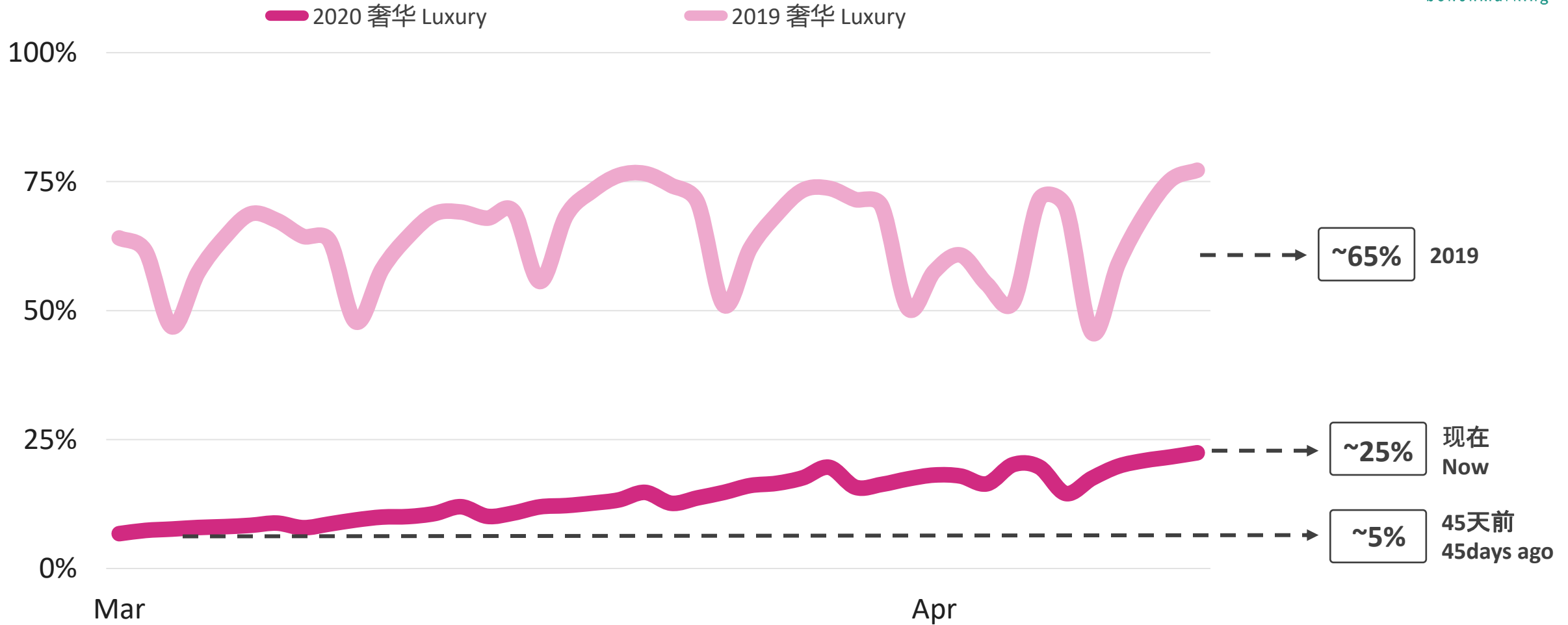
No weekday changes in 2020



benchmarking



Luxury will take longer to reach similar levels



China recovery lessons

Might be applicable as we look forward to recovery across the rest of the world



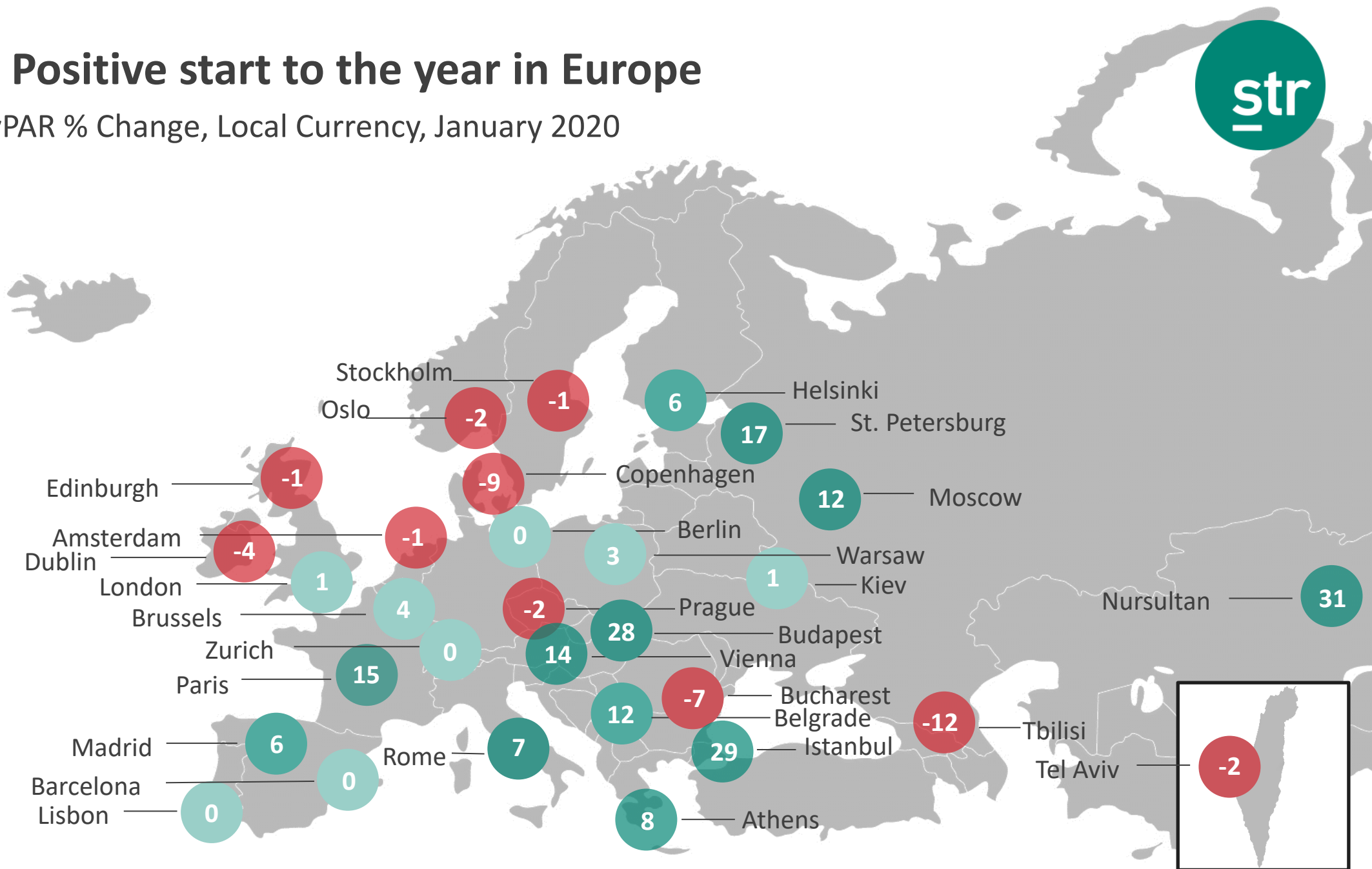
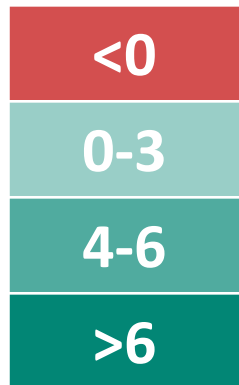
- Most closed hotels re-opened in 2 months – but some still closed
- First phase demand drivers have been
 - domestic leisure
 - corporate business at industrial park area
 - quarantined guests stay at hotels close to airport
- Lower scale hotels gained higher occupancy first
- Tangible factors/indicators of hygiene will matter
- Will recovery continue or will it flatten?



Europe

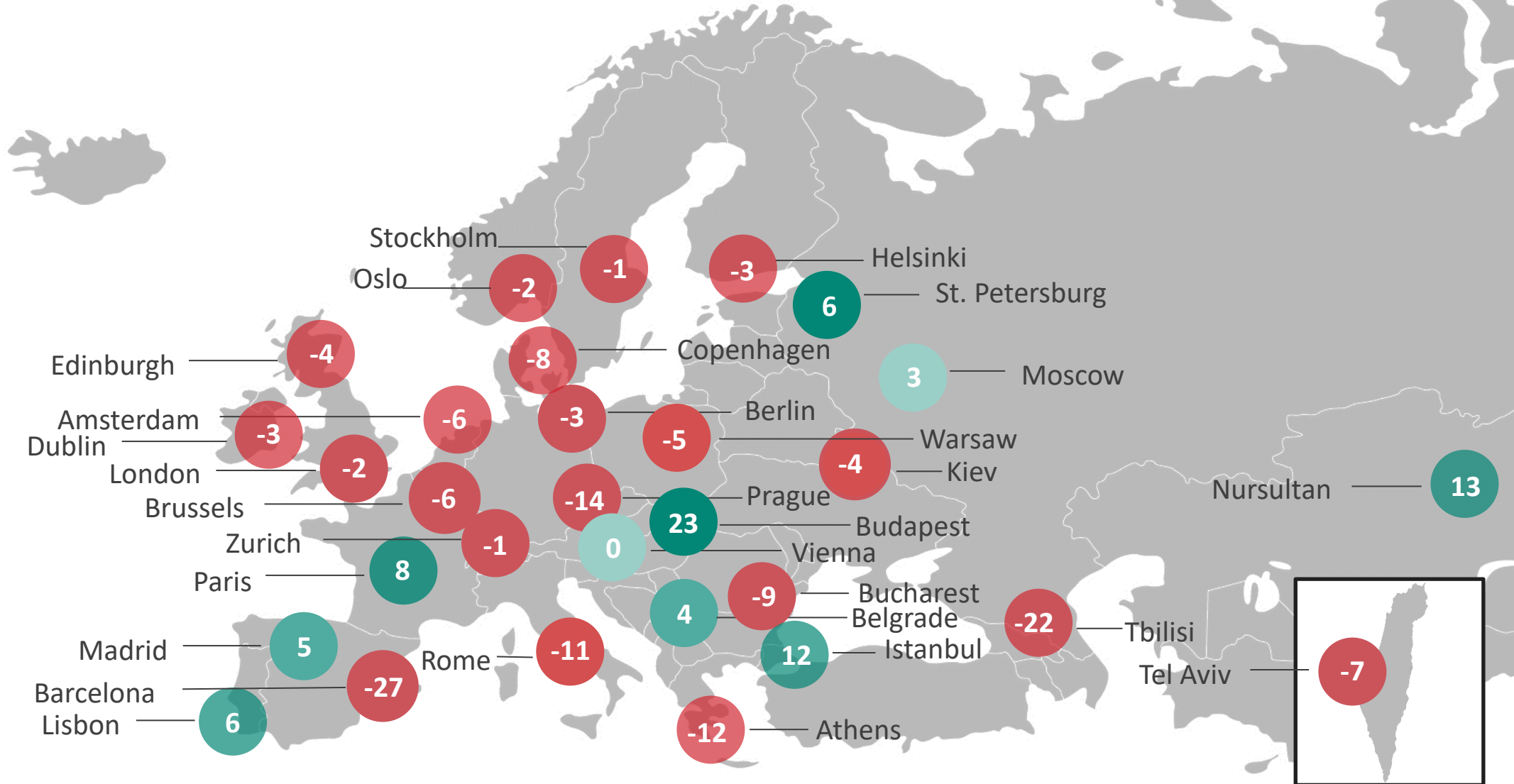
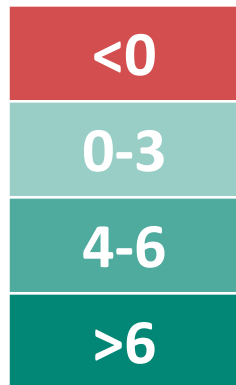
January - Positive start to the year in Europe

Europe – RevPAR % Change, Local Currency, January 2020



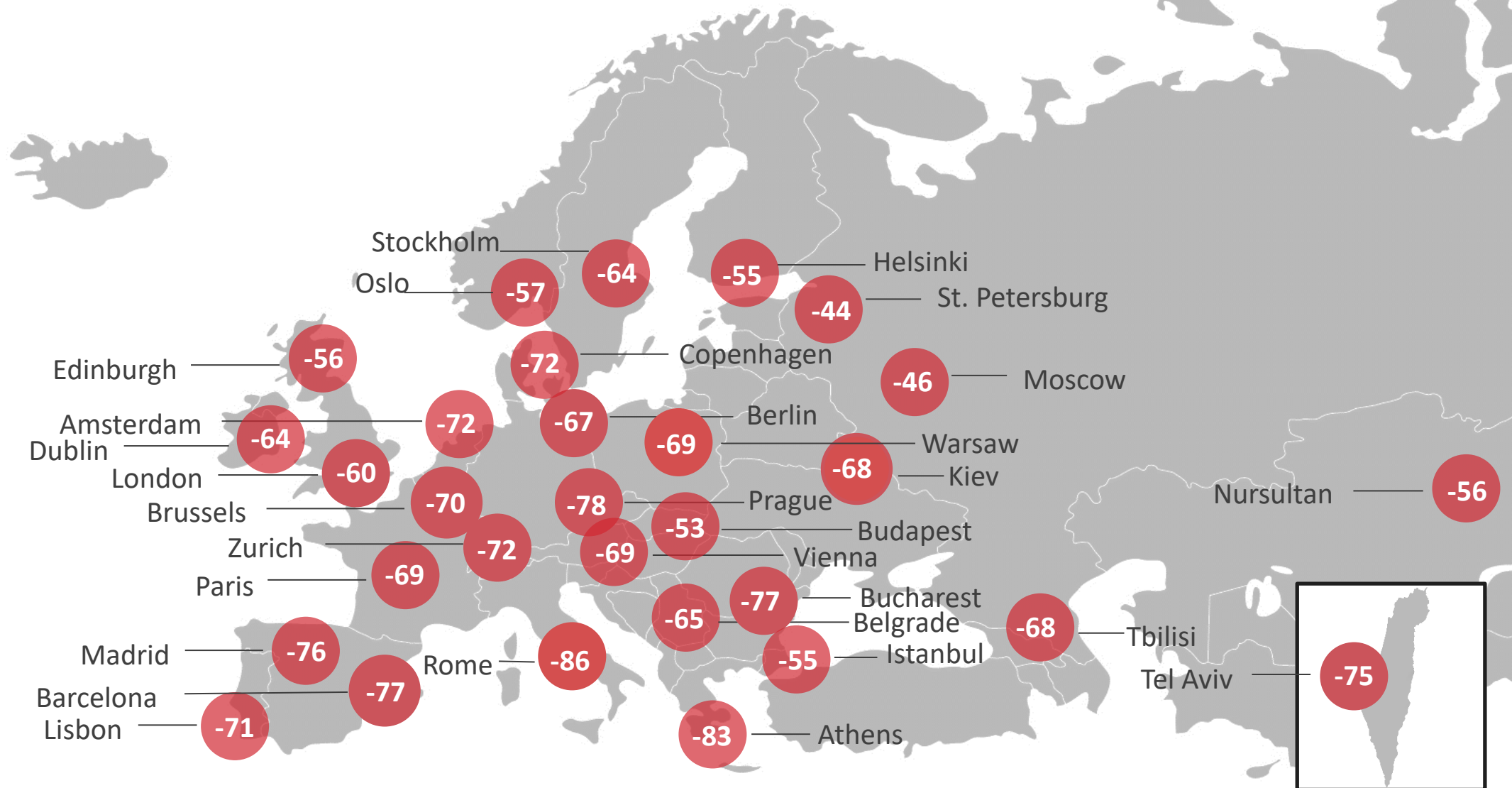
February - COVID-19 impact can start to be felt across Europe

Europe – RevPAR % Change, Local Currency, February 2020



March - strong RevPAR declines due to the spread of COVID-19

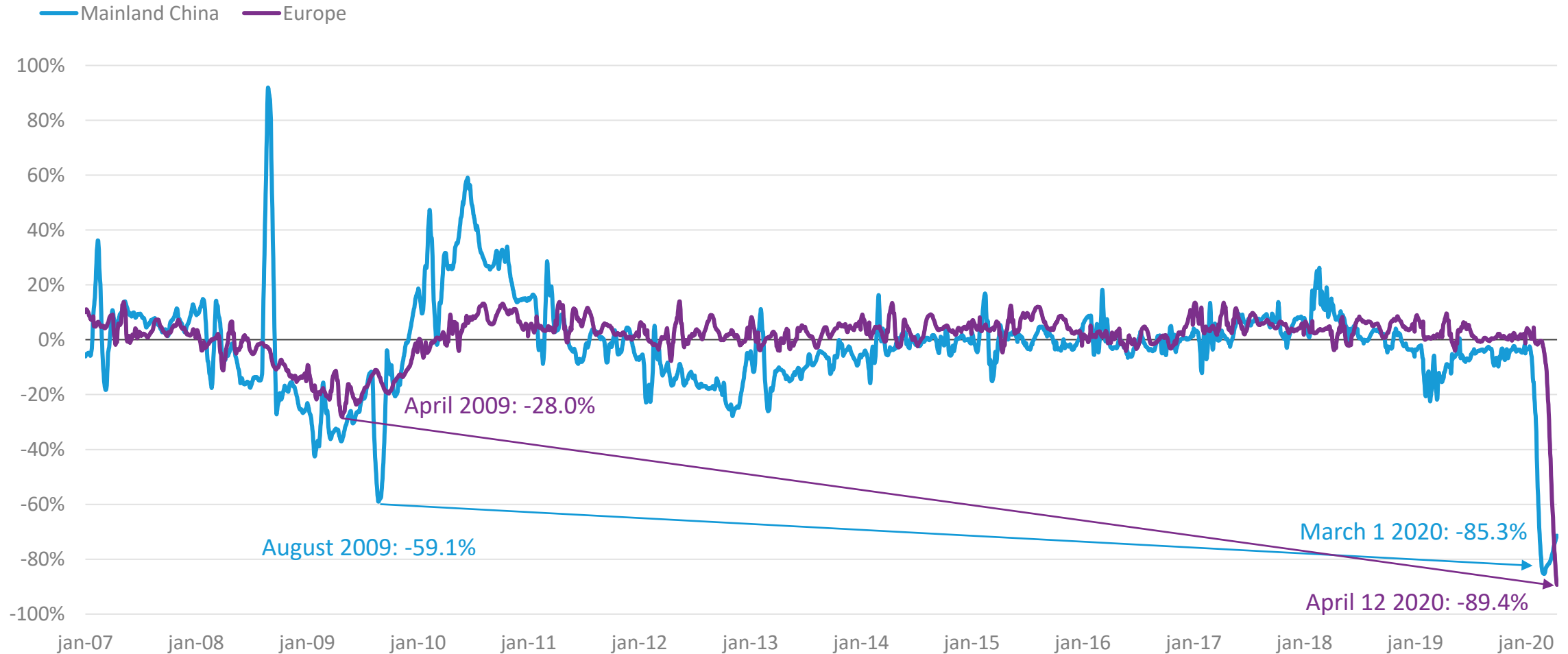
Europe – RevPAR % Change, Local Currency, March 2020



Europe RevPAR decline is now significantly worse than 2008/9



Mainland China & Europe, RevPAR % change over prior year, Rolling 28 days



Anticipated easing of social distancing is likely to be gradual

... and there is still a lot of uncertainty and lack of clarity about how it will be phased



Country	Minimum dates that restrictions will remain in place						
	Easing of lock-down starts	Schools	Construction, Manufacturing	Retail	Restaurants /hotels	Gatherings > 100 people	Borders
Denmark	13 April	15 April	?	10 May	?	August	10 May
Italy	4 May	3 May	?	13 April	?	?	?
Spain	9 May	20 April	13 April	26 April	?	?	?
Portugal	1 May	September	?	?	?	?	15 April
France	11 May	11 May	Never fully shut	TBC	June	?	?
UK	7 May	?	Never fully shut	?	?	?	Never closed
Germany	3 May	4 May	Never fully shut	20 April	Soon?	31 August	?
Switzerland	April 27	11 May	?	27 April	?	?	?

What are the factors that can impact the forecast



Let's consider the three demand types of Leisure, Corporate Transient, and Corporate Group

	Demand type	Quicker recovery scenarios	Slower recovery scenarios
Faster Recovery speed Slower	Leisure	<ul style="list-style-type: none"> Pent-up demand drives summer rebound Domestic-led Travellers who are immune 	<ul style="list-style-type: none"> Virus persists/resurfaces in Autumn/2021 Borders remain closed/restricted Recovery dependant on vaccine available
	Corporate transient	<ul style="list-style-type: none"> Sharp economic rebound In-person contact always important 	<ul style="list-style-type: none"> Prolonged recession Move to digital changes travel behaviour
	Corporate group	<ul style="list-style-type: none"> Postponed events happen in Q3/Q4 2021 is a year of catch-up 	<ul style="list-style-type: none"> Only after vaccine implementation Cost control supresses recovery

V

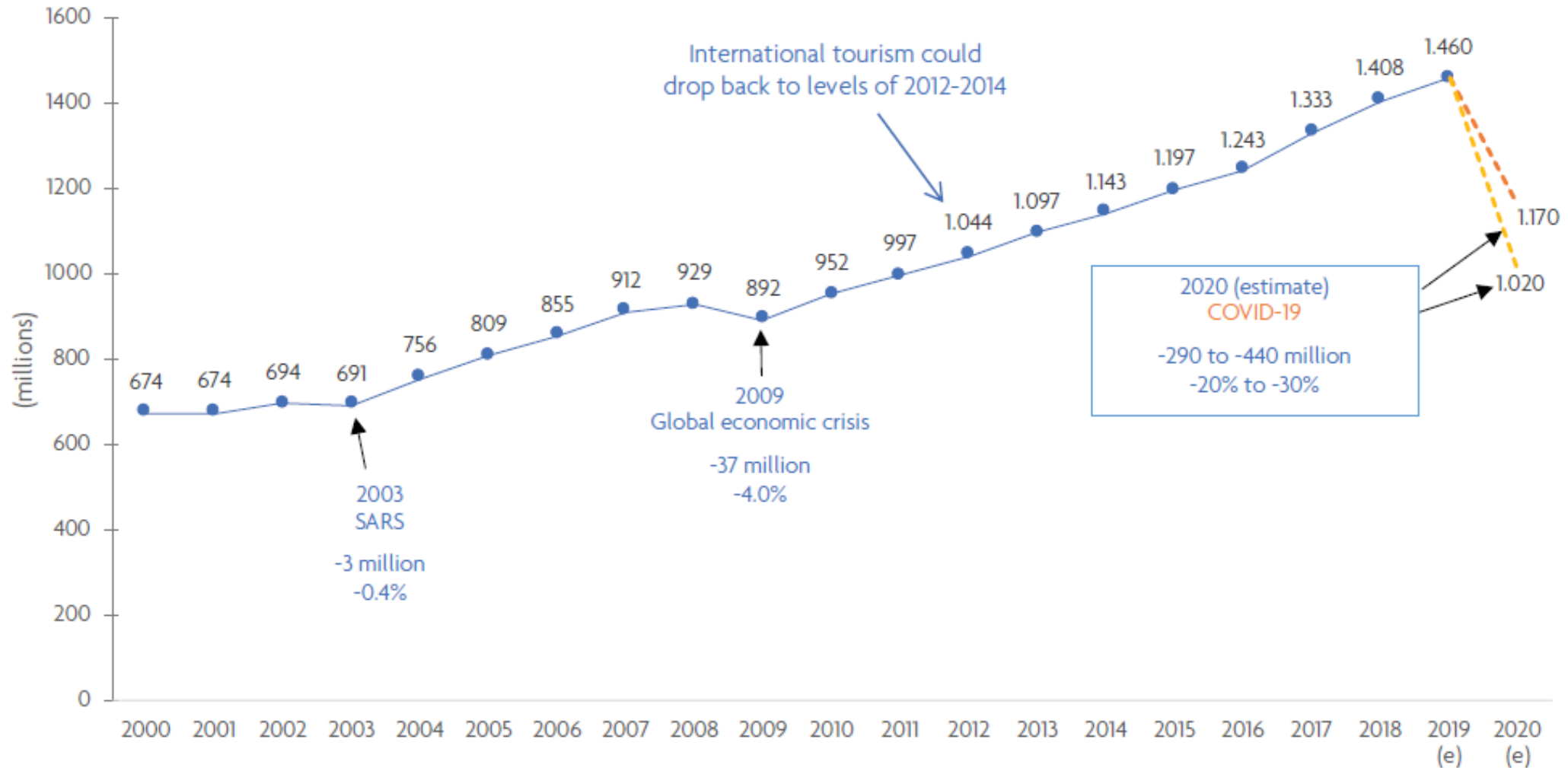
U

W



Travel has proved its resilience to demand shocks before

UNWTO statistics on international travel numbers

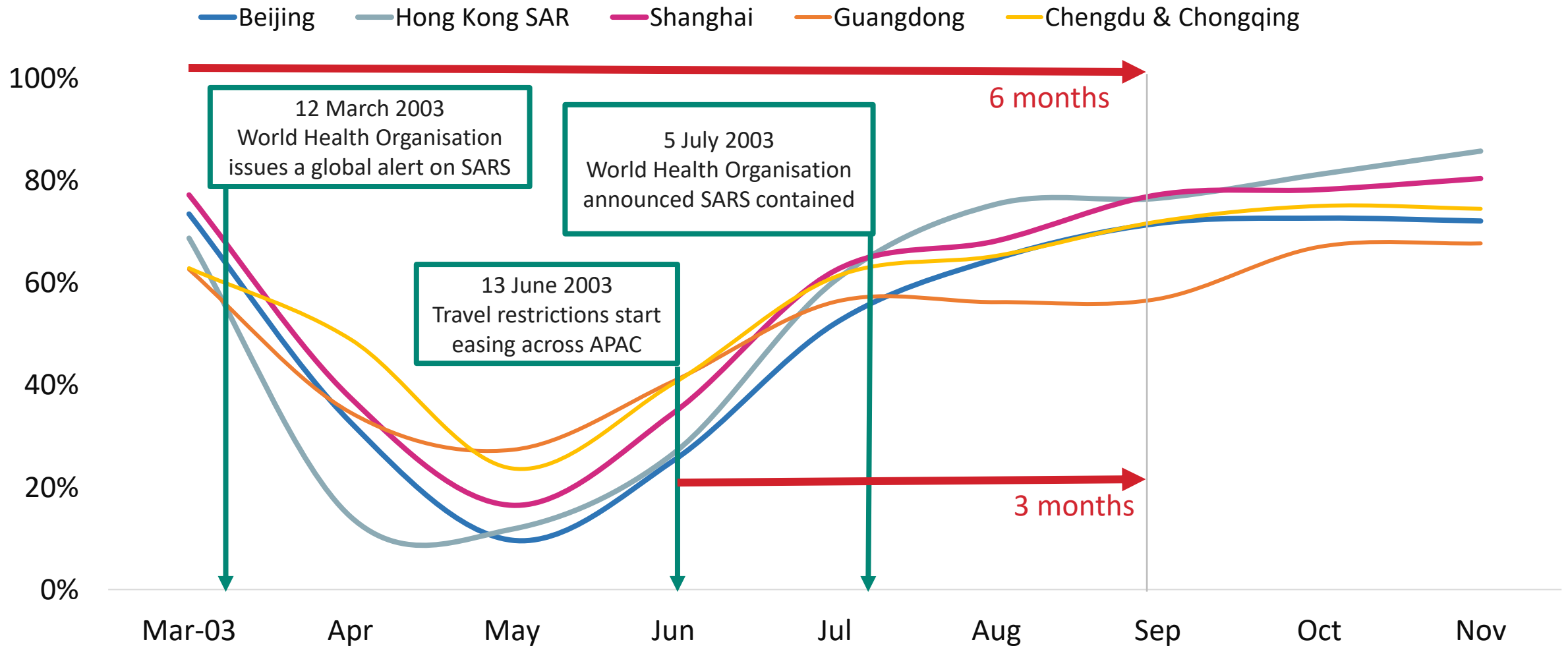


Source: UNWTO (e) Estimate

V... A SARS like 'short-term' decline and bounce-back seems unlikely



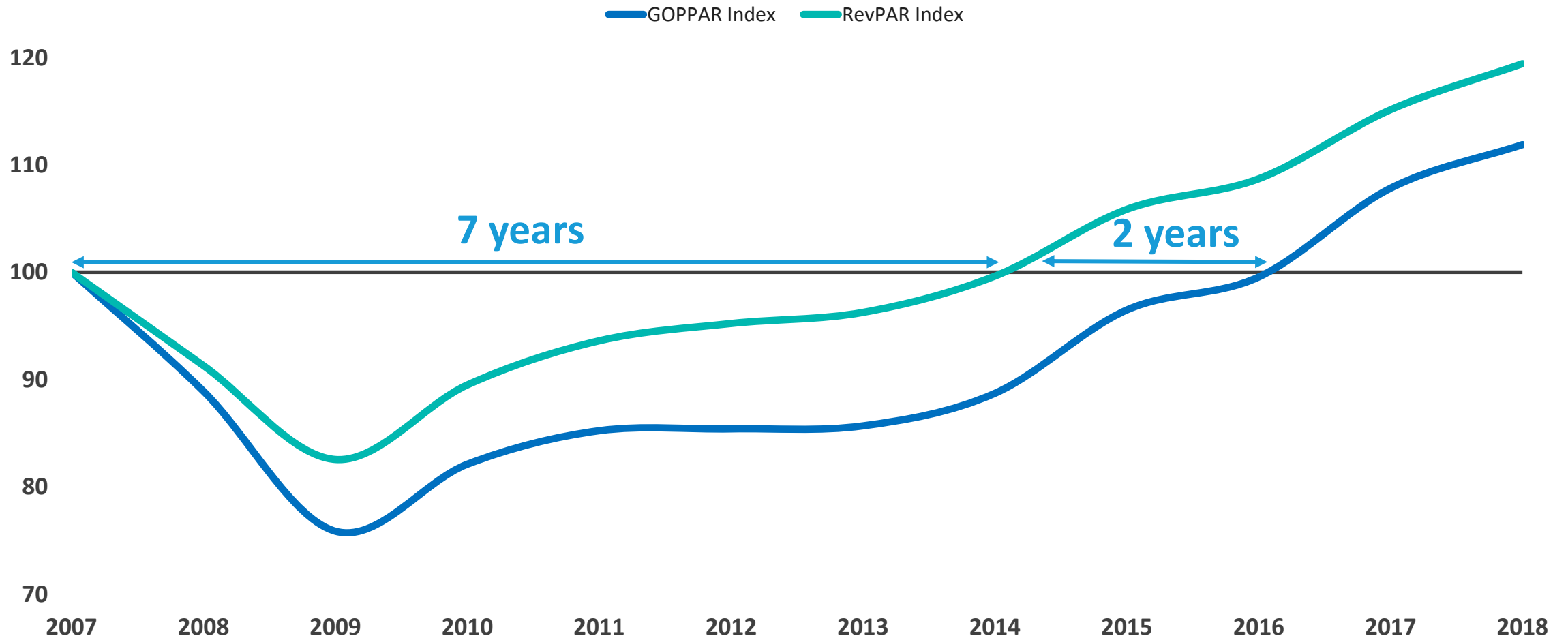
China Hotel Occupancy March-November 2003



U... but will it be as/more severe than the Global Financial Crisis?

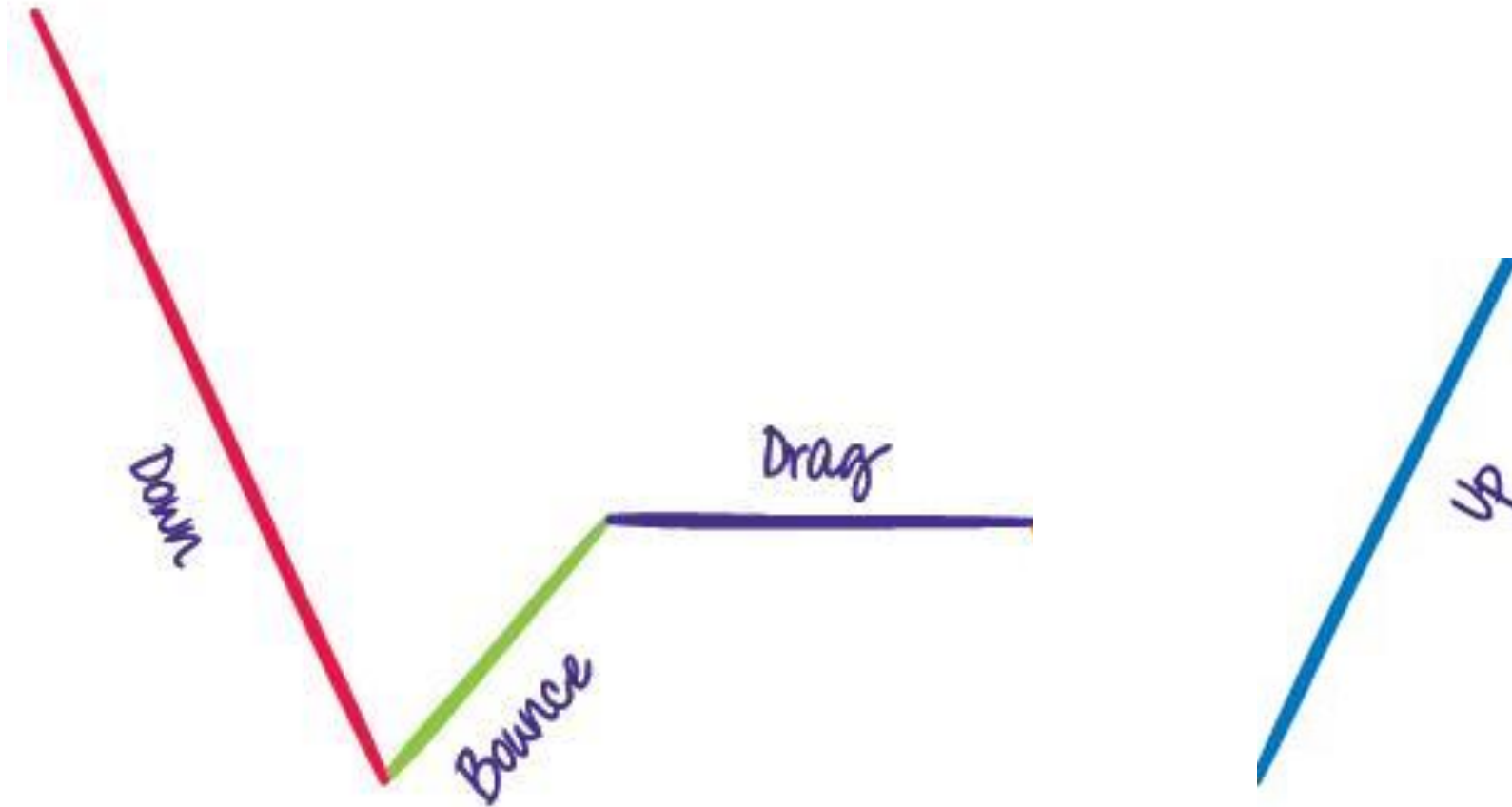


Europe, Consistent Sample, RevPAR and GOPPAR Indexed to 2007, EUR, Constant Currency



So what's a **W** shaped recovery

An initial recovery, followed by stagnation/decline until virus cured/controlled then recovery



Conclusions



1. **China seems to be at the end of the beginning of its recovery**

- Occupancies near/heading towards half of what they would usually be
- Driven by domestic demand of both leisure (first) then business
- Time will tell if the recovery continues or flattens out

2. **Europe's recovery has not yet begun**

- Occupancies have bottomed out but hotels still closing
- Some planning of easing lock-downs but still seems some way off for hotels
- Restrictions on travel and hotels likely to remain in place longer... and borders even longer

3. **Everything will be OK in the end... it's not OK yet... so it's not the end**

- Most forecasts are still for a bounce-back... even if there is a drag
- It matters more now than ever to have good hotels with strong brands and management teams



Questions



HOTEL DATA
CONFERENCE
Hosted by STR and Hotel News Now

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Current State of the Nordic Hotel Industry

Webinar 2020-04-29

Broad decline with slight differences between markets

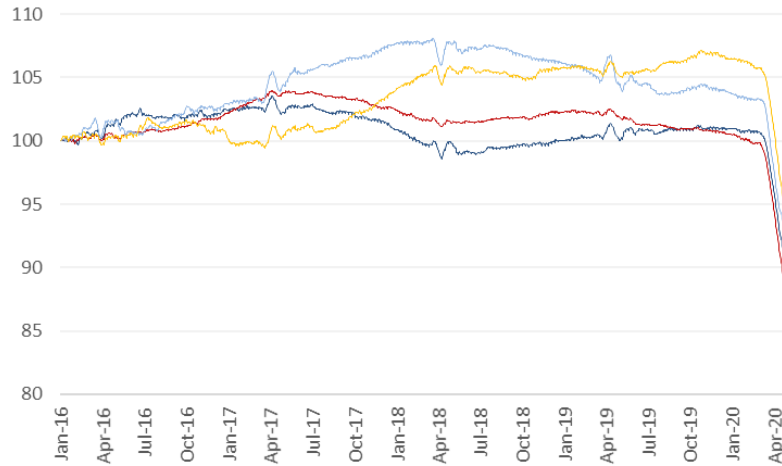
Occupancy and ADR YoY 1 Mar-26 Apr 2020 (local currencies)



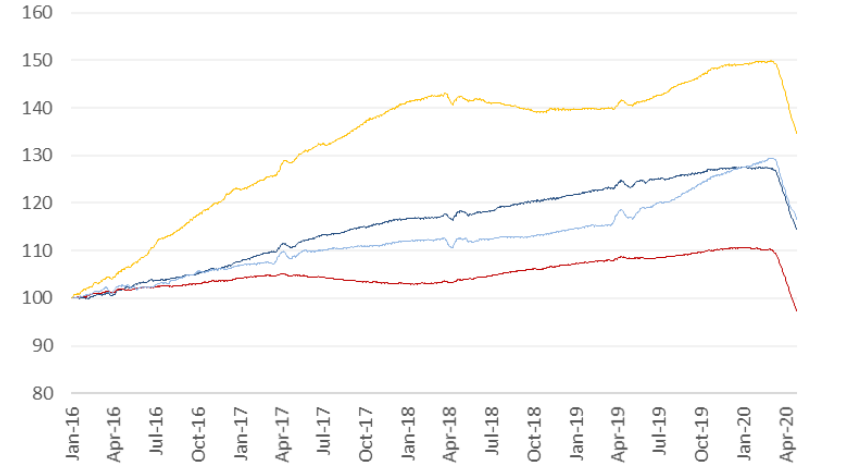
Sudden and massive decline in demand

Occupancy, sold rooms, room revenue and closed rooms rolling 12 months indexed 2015-2020YTD (local currencies)

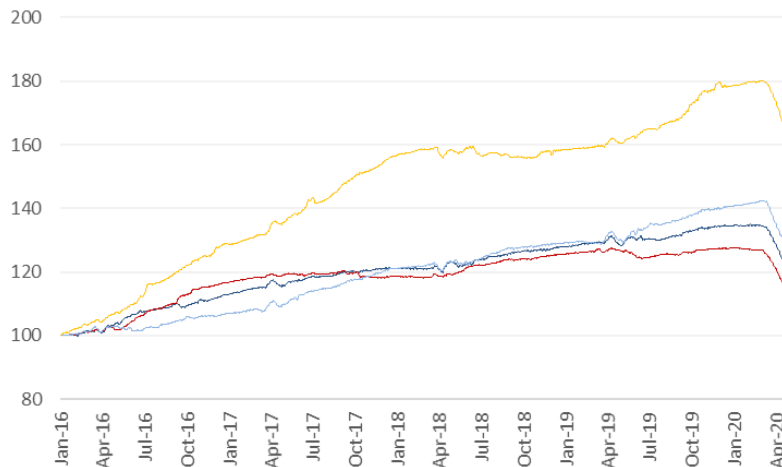
Occupancy



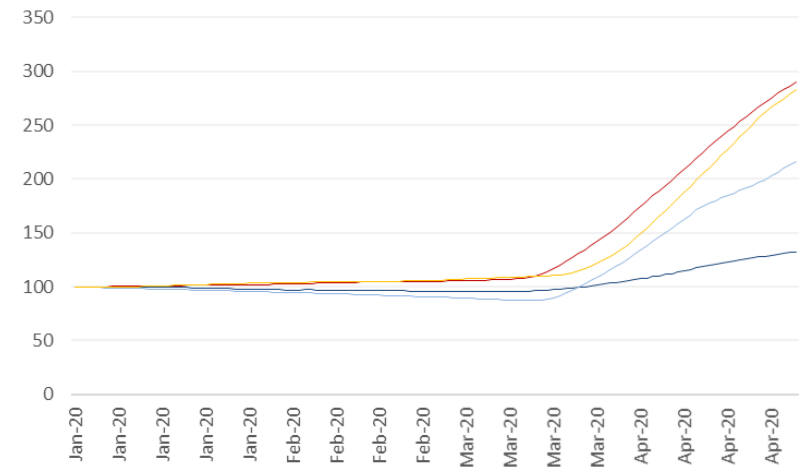
Sold Rooms



Room Revenue



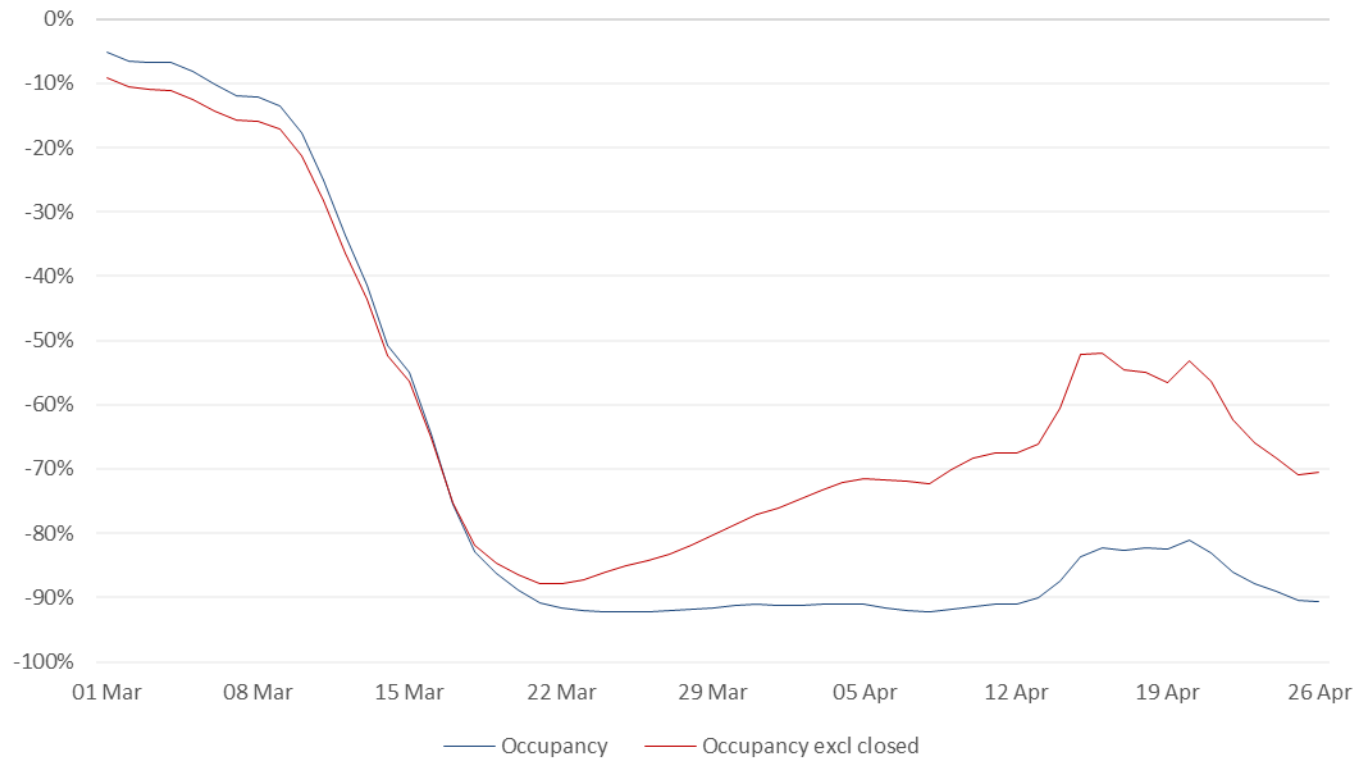
Closed Rooms



> 9-12% decline in all Nordic capitals on a rolling 12 months basis year on year since 1 March 2020

Temporary closings benefit those staying open

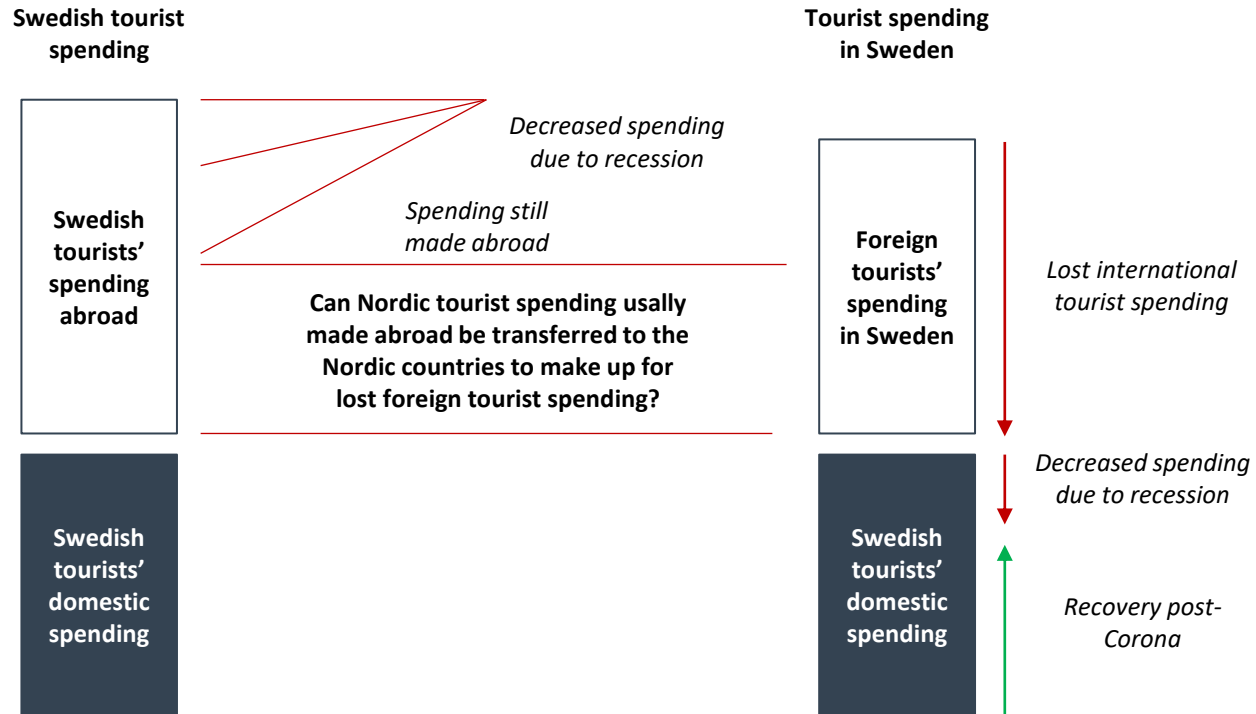
Occupancy with fixed availability and occupancy with adjusted availability 7 days rolling YoY [Oslo]



> Significant positive effect for hotels staying open from other hotels closing

Increased domestic travel may make up for lost export

Foreign vs domestic spending on travel [Sweden]



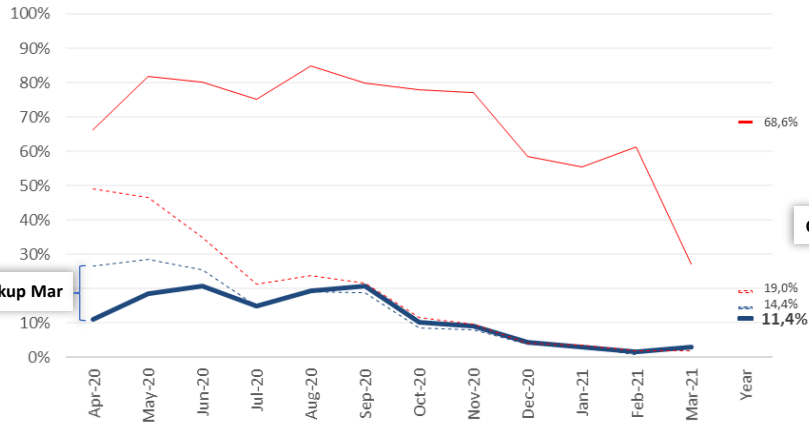
Source: Statistics Sweden / The Swedish Agency for Economic and Regional Growth
NB! Schematic illustration

> Significant potential in increased domestic travel spending short-term in the Nordics

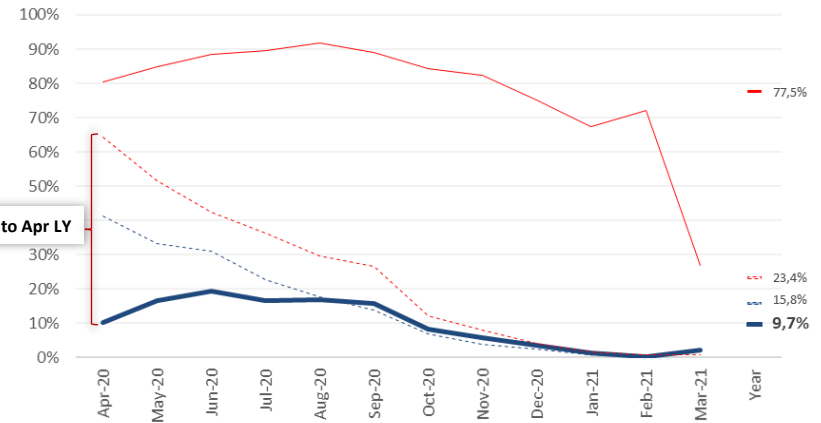
Occupancy On the Books indicate short-term effect so far

Occ On the Books per month as of 1 Apr 2020, 1 Mar 2020, 1 Apr 2019 and actual occupancy last year

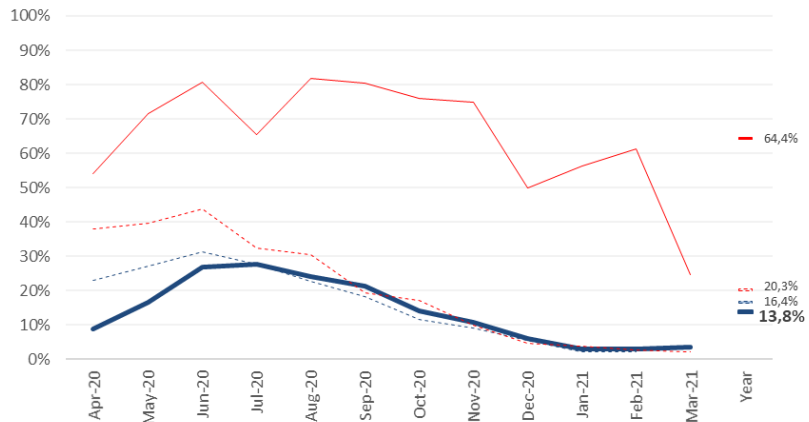
Stockholm



Copenhagen



Oslo



Note: Helsinki market not covered with On the Books

— Occ OTB 1 Apr 2020

- - - Occ OTB 1 Mar 2020

· · · Occ OTB 1 Apr 2019

— Actual Occupancy Last Year

> Negative pickup short-term, passive medium-term

Current State of the Nordic Hotel Industry

Summary

- > So far – a severe demand problem
 - Ability and willingness to spend may yet be upheld
 - Cancellation patterns indicated by OTB data shows negative expectations only short-term so far, passive attitude medium-term
- > The million-dollar question: How long will this last?
 - When does a short-term shock turn into a long-term recession?
 - So far, very few bankruptcies in the hotel sector in Sweden
 - The fiscal measures of unprecedented dimensions may be added to even more
 - Will the aftermath of the crisis have a long-term effect on international travel?
- > For the medium to long term we may still see a positive development
 - Hotels still open may get much welcomed boost from other hotels closing down
 - Exchange rate effects may prove positive to Sweden, Norway and Iceland if international travel resumes
 - Broad spread of staycation concept may be the single most important factor to hope for in most Nordic countries