

# Post COVID-19 Edition

## Pathway to Profitability



HOSPITALITY GROUP

3<sup>rd</sup> Quarter 2020

# Where We Are

- ▶ Roughest Quarter
- ▶ OCC has increased – still not cash flowing
- ▶ Many closed hotels will not reopen
  - New York – 20,000 to 25,000 rooms
- ▶ Public hotel companies – down 40% to 60%
- ▶ 1<sup>st</sup> inning of recovery

# February 2020 Projections – RevPAR Flat to Slightly Up

	9/11	08/09	COVID-19
OCC	63.4% ↓ 59.9%	63% ↓ 54.7%	66% ↓ 21%/41%
ADR			<22.5%>
RevPAR	<16.7%>	<6.7%>	<51%>

# Recovery History

- ▶ 9/11 - 2006 = 5 years
- ▶ 08/09 - 2015 = 6 years
- ▶ COVID-19 - (2023 – 2025) = 3-5 years

# Pricing Expectations

- ▶ Always been a gap
- ▶ Today – sellers are at 15%  
buyers are at 35%+
- ▶ Public companies implied Cap Rate – 2019  
December was 7.7% average  
Today 10.7%+ average  
= 28% discount
- ▶ Street is 11% - 13% Cap on 2019

# Next Two Years

- ▶ #1 Sellers will be lenders
- ▶ 4 – 7 Quarters to profitability
- ▶ Values will be 25% - 35% below 2019
- ▶ Back to 2019 values

*Late 2023*

*Mid 2024*

# What We Do

- ▶ Three Things
- ▶ Sell hotels, closed 420+ since 2013
- ▶ Sell notes, AY Principals have sold \$9 billion of notes  
(all commercial segments)
- ▶ Handle auctions through Ten-X platform, AY has successfully closed 76 auctions at an average of 112% of reserve.

# Avison Young 2020

- ▶ Valuation are always free
- ▶ Use us as a resource
- ▶ All the best in the balance of 2020



# Thank You

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