WELCOME

DON WELSH
PRESIDENT AND CEO
DESTINATIONS INTERNATIONAL
QUESTIONS?

PLEASE TYPE ANY QUESTIONS IN THE CHAT BOX.
US Hotels and COVID-19 Impact

Jan D. Freitag | SVP
jfreitag@str.com
Supply now outpacing demand growth in regions around the world
Global Supply & Demand % Change, 2019 Full Year

North America & Caribbean
Supply: 2.1%
Demand: 1.9%
North America & Caribbean
Supply: -1.6%
Demand: 1.1%
Central America
Supply: 1.4%
Demand: 3.2%
South America
Supply: 1.4%
Demand: 1.8%
Europe
Supply: 5.8%
Demand: 8.2%
Middle East
Supply: 1.1%
Demand: 2.2%
Africa
Supply: 3.6%
Demand: 2.2%
Asia
Supply: 1.9%
Demand: 0.9%
Australia & Oceania
Supply: 1.4%
Demand: 1.8%

Source: STR / 2020 © CoStar Realty Information, Inc.
China drops Occ by 89% within 2 weeks
Mainland China, Occupancy, Daily Data, January 1\textsuperscript{st} – March 1\textsuperscript{st} 2020

Occ decrease: -89%

Source: STR. 2020 © CoStar Realty Information, Inc.
High impact markets in Europe

Occupancy % Chg., Weekly data from weeks starting the 3rd, 10th, 17th and 24th of February 2020

Source: STR. 2020 © CoStar Realty Information, Inc.
Majority of events postponed to a later date

Cancelled/postponed events related to COVID-19 as at 04.03.20

<table>
<thead>
<tr>
<th>Month</th>
<th>Cancelled</th>
<th>Postponed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Mar</td>
<td>30</td>
<td>61</td>
</tr>
<tr>
<td>Apr</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>May</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Jul</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>99</td>
</tr>
</tbody>
</table>

Source: STR. 2020 © CoStar Realty Information, Inc.
### US Forecast: No Growth / Slow Growth

Key Performance Indicator Outlook (% Change vs. Prior Year)

<table>
<thead>
<tr>
<th>Metric</th>
<th>2020 Forecast</th>
<th>2021 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>1.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Demand</td>
<td>1.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>-0.3%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>ADR</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>0.0%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Source: STR 2020 © CoStar Realty Information, Inc.
...And So it Begins...
Total US RevPAR % Change, Week ending 3/7

-11.6%
28 Day RevPAR % Change: Buckle Up

Total U.S., by Week

Source: STR. 2020 © CoStar Realty Information, Inc.
Hello darkness, my old friend
3-07-2020 R7 Airport Demand % Change

Source: STR. 2020 © CoStar Realty Information, Inc.
Top25: RevPAR Falls Off A Cliff

Segmentation RevPAR % Change, Week end March 7

Source: STR. 2020 © CoStar Realty Information, Inc.
ADR Rebound After External Shock Takes Time
Total U.S., ADR $, 12MMA , Post-9/11
ADR Rebound After External Shock Takes Time
Total U.S., ADR $, 12MMA , Post Lehman Bros Bankruptcy (09/2008)

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

Presentation is available for download.

To view this presentation, click “STR Data Presentations” from the drop-down menu on www.HotelNewsNow.com.
Legal Considerations
FORCE MAJEURE CLAUSES

• A contract provision that excuses a party’s performance of its obligations under a contract when certain circumstances beyond their control arise, making performance *inadvisable*, commercially *impracticable*, illegal, or *impossible*.

• The invocation of the clause generally needs to be tied to official governmental action or a clear threat to public safety – as of today, it’s arguable that in the US we aren’t there – yet.

• What would be an official governmental action?
  – Declaration of a State of Emergency (beyond mere resource procurement), including:
    • Intra-state (or City) travel restrictions
    • Ordered closure of facilities

• Postponement is *NOT* cancellation for a Force Majeure.

• Mere poor performance (such as decreased anticipated attendance at a conference) or increased cost to perform alone often is not a sufficient basis to excuse performance.

• So - *Don’t act without analyzing your situation.*
Contractual Implications

– Where is my exposure?
  • What contracts do you have?
  • What are your obligations in those agreements? and those of the other party?

– What can I recover?
  • Deposits? Expenses?
  • Am I going to be forced to perform (and pay in full)?
    • Attrition clauses
    • Minimum Guarantees

– Is there a remedy for a show cancelling at the last minute?
– Should I cancel something coming up?
– Will insurance cover any of these losses?
What other things do I need to worry about?

- What duties do I have to our visitors?
  - Duty to inform

- What are my obligations under the City Contract?
  - Communications / OEM
  - Budget
  - Risk assessment
  - Emergency procurement

- What legal obligations do I have to my employees?
  - Duty to take any measures to prevent or reduce the likelihood of employee exposure.
  - What about the privacy of employees?
  - Duty to communicate
    - Inform
    - Advise
  - Address issues quickly; Be Proactive
Best Practices

- Understand and evaluate the individual facts and circumstances
- Monitor the situation in real time. The current situation is fluid, meaning facts and circumstances can change quickly, and often do.
- Know what your contracts say, and understand the implications of your decisions. Review before you act.
- Keep detailed records that include the scope of the interruption to your business, and detail the factors leading to impossibility.
- Review your insurance coverages.
- Consider whether there are alternative means to perform contractual obligations.
- Consider business solutions to legal issues, such as a mutual agreement to move your event to a time after the crisis is over, or a negotiated resolution.
Bryan X. Grimaldi
Of Counsel
Greenberg Traurig, LLP
MetLife Building | 200 Park Avenue | New York, NY 10166
T +1 212.801.9337 C +1 917.972.6889
grimaldib@gtlaw.com | www.gtlaw.com
Looking into the crystal ball

**Situation is evolving rapidly, this is my best analysis with current information**
• Modeling by Destination Type
• Short-Term Expectations
• Long-Term Expectations
Successful Model Planning

• **Know your history**
  – What happened at 9/11
  – What happened in 2008
    **My prediction – 9/11 impact with much quicker recovery**

• **Know your market**
  – Group
  – Business Transient
  – Leisure Transient

• **Talk to your partners**
  – Hotels can help with their pace data
Large Destinations

- **Understand your city council actions**
  - What does your disaster declaration actually do
    - Can groups use force majeure to cancel?
    - Are there limits on gathering size?
    - Can your City invest in additional marketing AFTER declaration expires?
- **Group and Business Transient Heavy**
  - Some group business cannot be moved
  - Business travel from most Fortune 1000 companies is being restricted to “essential” or “client facing”
- **Contingency Planning**
  - Hotel Tax Decreases – 40% for Q1, 35% for Q2 and 30% for Q3 and Q4
  - Plan for decreases of private revenue by 20%
  - Expense controls to consider:
    - Employee spend and benefits, what is discretionary versus required (specifically matching on retirement plans, bonuses, raises, freeze hiring)
    - Reduce international travel and representation
    - Reduce, don’t cancel trade shows, client events, etc.
**Mid-Size Destination**

- **Start talking to your council members**
  - Explain impact of disaster declarations in other communities
  - Work actively to avoid a declaration
- **Understand business mix**
  - State/regional groups are seeing less impact
  - National/international groups are seeing highest impact
  - Leisure is softening but people still want experiences
  - Know what drives your business transient (large or small companies)
- **Contingency Planning**
  - Hotel Tax Decreases – 20-25% for Q1, 15-20% for Q2 and 10% for Q3 and Q4
  - Understand claw backs with your funding contract (if they have “front-loaded” payments, can they come back?)
  - Expense controls to consider:
    - Employee spend and benefits, what is discretionary versus required (specifically matching on retirement plans, bonuses, raises, freeze hiring)
    - Shift marketing dollars
    - Limit travel to client facing (1 person versus 2 people)
Smaller Destinations

• **Do you have an opportunity?**
  – Will leisure drive market business increase?
  – Can you encourage local meetings at hotel properties?
  – What small groups can you host? Think about corporations limiting size.

• **Group and Business Transient Heavy**
  – Some group business cannot be moved
  – Business travel from most Fortune 1000 companies is being restricted to “essential” or “client facing”

• **Contingency Planning**
  – Hotel Tax Decreases – 15-20% for Q1, 15% for Q2 and 10% for Q3 and Q4
  – Expense controls to consider:
    • Employee benefits, what is discretionary versus required (specifically matching on retirement plans, bonuses, raises, freeze hiring)
    • Shift marketing dollars
Every destination is different…reiterate

• **Know your history**
  – What happened at 9/11
  – What happened in 2008
  **My prediction – 9/11 impact with much quicker recovery**

• **Know your market**
  – Group
  – Business Transient
  – Leisure Transient

• **Talk to your partners**
  – Hotels can help with their pace data

• **Talk to your City/Funding Source**

*Plan conservatively, it’s easier to spend money at the end of the year than to cut if we haven’t planned.*
ANDREAS WEISSENBORN
DESTINATIONS INTERNATIONAL
Tracking Lost Opportunities | Cancelled Business through EIC

Andreas Weissenborn
Research & Advocacy
Proper Definitions of Lost Opportunity VS Cancelled
Lost Opportunity | Reasons

A potential event in the lead or tentative stage that was subsequently lost by the destination. This does NOT include venue changes within the destination. The Destination should track the number of estimated room nights, attendance and attendee spending and the reason associated with the lost opportunity.

A list of possible Lost Opportunity reasons should include, but is not limited to:

- Dates not available at hotels
- Safety concerns
- Hotel room rates too high
- Meeting was cancelled/postponed
- Lack of hotel interest
- Union/labor costs
- Dates not available at convention center
- Transportation/access issues
- Convention center costs too high
- National/international incidents
- No hotel adjacent to convention center
- Board preference/internal politics
Cancelled Business

An event that was booked for the destination (it can be a confirmed or a contracted booking for a citywide/convention center event) that subsequently did not take place, either because the event itself was cancelled or left the destination before taking place.

The Destination should track the estimated number of room nights, attendance and attendee spending and the reason associated with the cancellation.
**Start a new calculation (don’t overwrite)**

<table>
<thead>
<tr>
<th>Event Parameters</th>
<th>Hosting Costs</th>
<th>Organizer/Exhibitor Spending</th>
<th>Tax/Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Event Name</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location</td>
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<td></td>
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<tr>
<td>Start Date</td>
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</tr>
<tr>
<td>End Date</td>
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<td>Market Segment</td>
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<tr>
<td>Meeting Space</td>
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<tr>
<td>Overnight Visitors</td>
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</tr>
<tr>
<td>Day Visits (optional)</td>
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</tr>
<tr>
<td>Local share of day visitors</td>
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</tr>
<tr>
<td>Room Block (optional)</td>
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<tr>
<td>Room Rate ($)</td>
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<td></td>
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<tr>
<td>Persons Per Room</td>
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<td></td>
</tr>
<tr>
<td>Include Aviation Impacts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overnight attendees arriving by air (%)</td>
<td>75%</td>
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**Start a new calculation (don’t overwrite)**

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<th>Tax/Assessment</th>
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<tr>
<td>Organization</td>
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<tr>
<td>Location</td>
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<tr>
<td>Start Date</td>
<td></td>
<td></td>
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<td>End Date</td>
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<tr>
<td>Meeting Space</td>
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<tr>
<td>Overnight Visitors</td>
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<td></td>
<td></td>
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<tr>
<td>Day Visits (optional)</td>
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</tr>
<tr>
<td>Local share of day visitors</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

- Room Block (optional)
- Room Rate ($)
- Persons Per Room: 1.10
- Include Aviation Impacts
- Overnight attendees arriving by air (%): 75%
# Hosting Costs & Organizer Spending

## NEW CALCULATION

<table>
<thead>
<tr>
<th>Event Parameters</th>
<th>Hosting Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Destination/Subscriber Hosting</strong></td>
<td></td>
</tr>
<tr>
<td>Discounts</td>
<td>$ 0</td>
</tr>
<tr>
<td>Cash Incentives</td>
<td>$ 0</td>
</tr>
<tr>
<td>In-Kind Services</td>
<td>$ 0</td>
</tr>
<tr>
<td>Budget Allocation</td>
<td>$ 0</td>
</tr>
<tr>
<td>Other</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 0</td>
</tr>
</tbody>
</table>

## Organizer Spending

<table>
<thead>
<tr>
<th>Use Model Defaults</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Space Rental</td>
<td>$ 0</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>$ 0</td>
</tr>
<tr>
<td>Audio / Visual</td>
<td>$ 0</td>
</tr>
<tr>
<td>Internet</td>
<td>$ 0</td>
</tr>
<tr>
<td>Security</td>
<td>$ 0</td>
</tr>
<tr>
<td>Other Services</td>
<td>$ 0</td>
</tr>
<tr>
<td>Additional Costs</td>
<td>$ 0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 0</td>
</tr>
</tbody>
</table>
# Speaking to Stakeholders

## Direct Business Sales

### Sales by Source

<table>
<thead>
<tr>
<th>Source</th>
<th>Attendees</th>
<th>Organizer</th>
<th>Media/Sponsors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendees</td>
<td>$77,647,059</td>
<td>$2,583,243</td>
<td>$0</td>
<td>$80,230,302</td>
</tr>
<tr>
<td>Organizer</td>
<td>$9,612,597</td>
<td>$861,081</td>
<td>$18,283</td>
<td>$10,491,960</td>
</tr>
<tr>
<td>Media/Sponsors</td>
<td>$21,980,694</td>
<td>$1,560,573</td>
<td>$0</td>
<td>$23,541,267</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$126,270,971</td>
<td>$22,912,583</td>
<td>$4,133,878</td>
<td>$153,317,432</td>
</tr>
</tbody>
</table>

### Sales by Sector

- Trans.
- Space Rental
- Retail
- Recreation
- Food/Bev
- Business Services
- Lodging

<table>
<thead>
<tr>
<th>Sector</th>
<th>Attendees</th>
<th>Organizer</th>
<th>Media/Sponsors</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>$77,647,059</td>
<td>$2,583,243</td>
<td>$0</td>
<td>$80,230,302</td>
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<tr>
<td>Transportation</td>
<td>$9,612,597</td>
<td>$861,081</td>
<td>$18,283</td>
<td>$10,491,960</td>
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<tr>
<td>Food &amp; Beverage</td>
<td>$21,980,694</td>
<td>$1,560,573</td>
<td>$0</td>
<td>$23,541,267</td>
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<tr>
<td>Retail</td>
<td>$12,271,626</td>
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<td>Recreation</td>
<td>$4,758,996</td>
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<td>$0</td>
<td>$4,758,996</td>
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<tr>
<td>Space Rental</td>
<td>$0</td>
<td>$3,427,422</td>
<td>$51,574</td>
<td>$3,478,996</td>
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<td>Business Services</td>
<td>$0</td>
<td>$14,480,265</td>
<td>$4,064,021</td>
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<tr>
<td>TOTAL</td>
<td>$126,270,971</td>
<td>$22,912,583</td>
<td>$4,133,878</td>
<td>$153,317,432</td>
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### Economic Impact Details

<table>
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<th>Direct</th>
<th>Indirect/Induced</th>
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<tbody>
<tr>
<td><strong>Business Sales</strong></td>
<td>$153,317,432</td>
<td>$103,909,384</td>
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<tr>
<td><strong>Personal Income</strong></td>
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<td>$34,502,546</td>
<td>$84,479,667</td>
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<tr>
<td><strong>Jobs Supported</strong></td>
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<tr>
<td>Persons</td>
<td>22,273</td>
<td>7,427</td>
<td>29,700</td>
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<td>Annual FTEs</td>
<td>1,299</td>
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<td>1,732</td>
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<td><strong>Taxes and Assessments</strong></td>
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<td>Federal Total</td>
<td>$13,715,893</td>
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<td>State Total</td>
<td>$12,768,194</td>
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<tr>
<td>sales</td>
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<td>$1,623,584</td>
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<tr>
<td>bed</td>
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<tr>
<td>other</td>
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<td>$721,624</td>
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<td>per room charge</td>
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<td>$0</td>
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<td>-</td>
<td>$0</td>
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<td>property tax</td>
<td>$1,819,749</td>
<td>$894,088</td>
<td>$2,713,837</td>
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Q&A

(Please type your questions in the chat box.)