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PLANNING FOR THE RECOVERY (BASED ON DATA)

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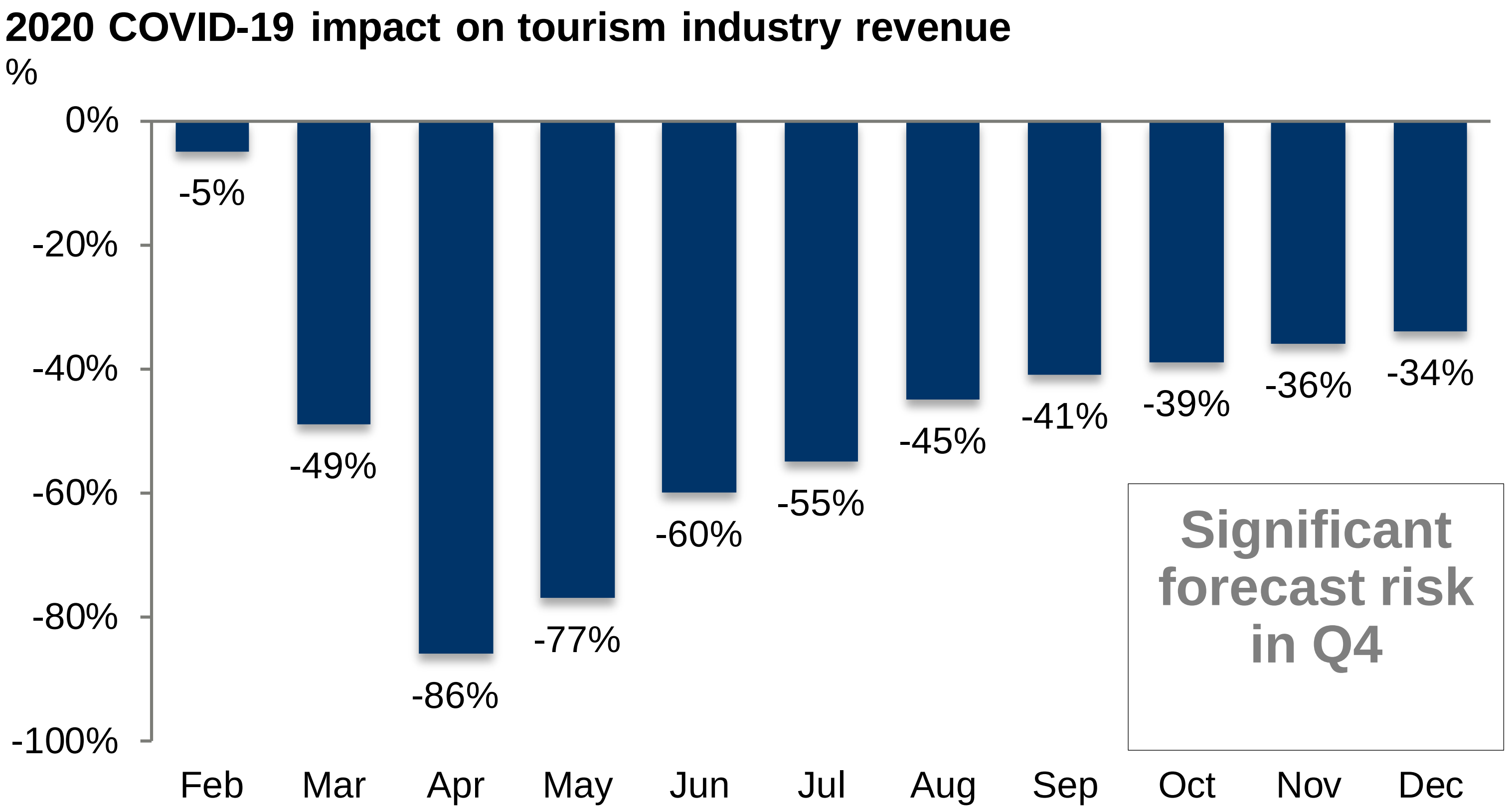
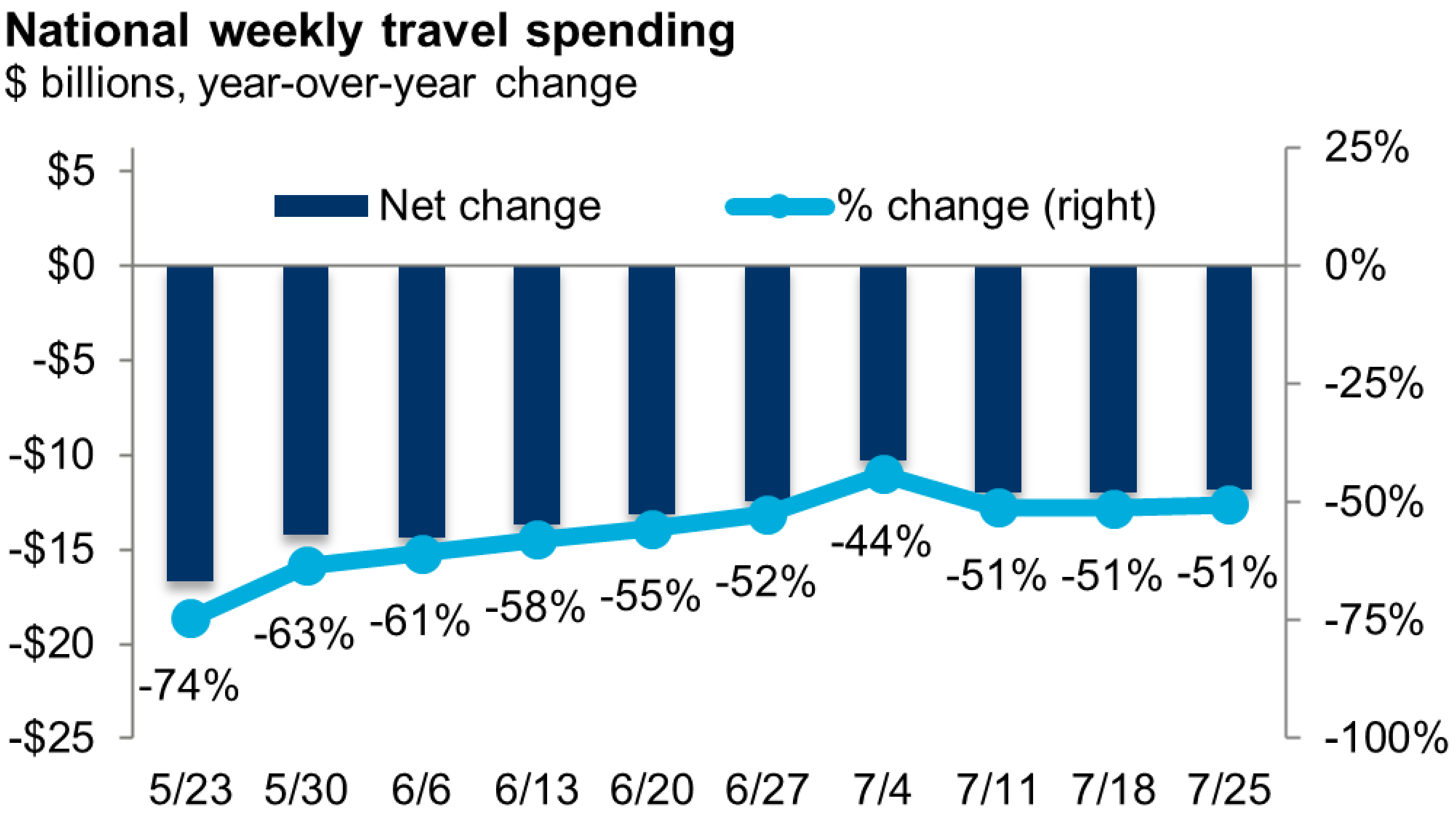
July 2020

2020 will be a year to forget… but the worst appears to be behind us



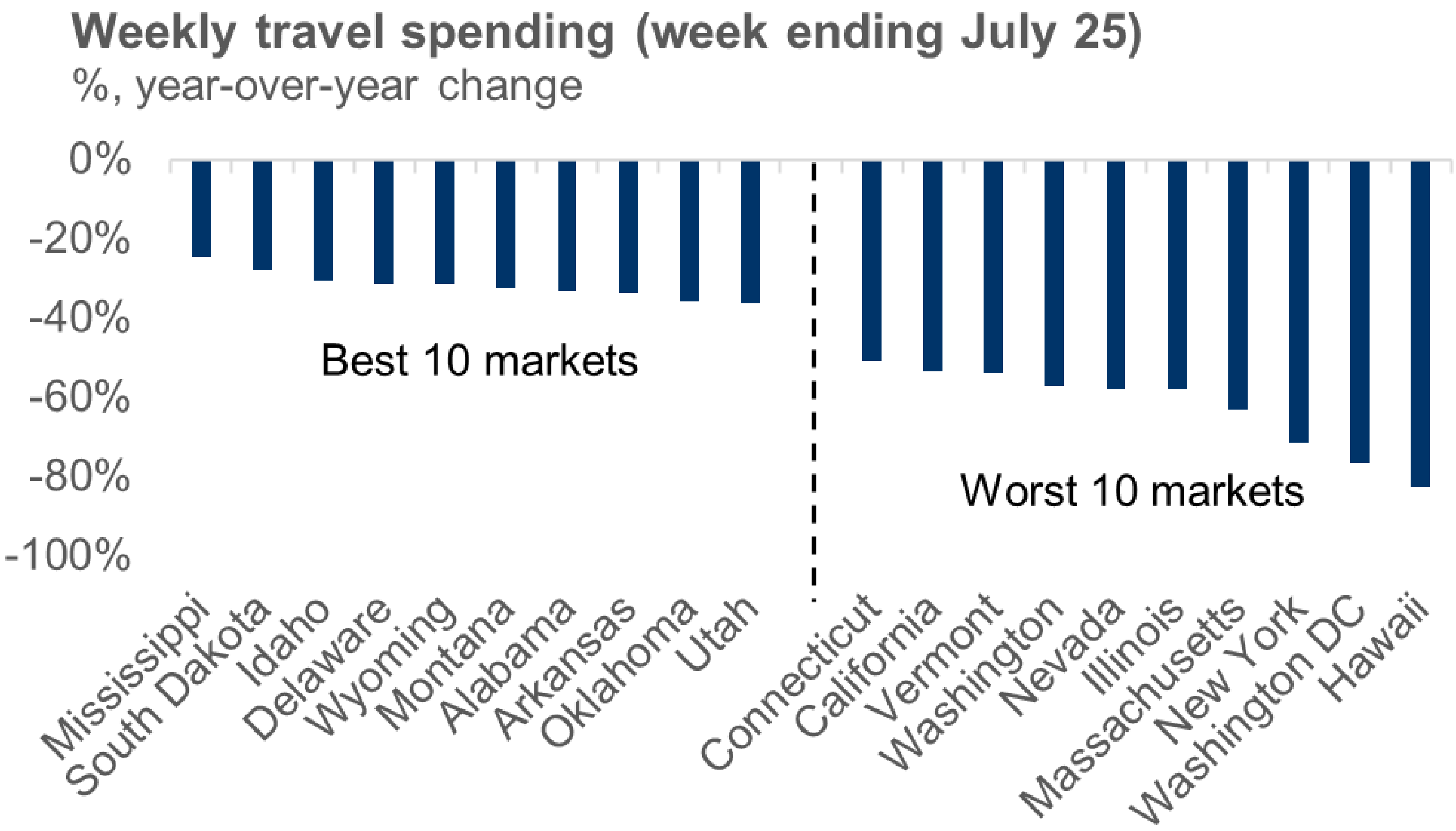
Source: Oxford Economics

Losses appear to have leveled off at around 50%



Source: Tourism Economics, U.S. Travel Association

Rural and outdoor destinations are outperforming



Source: Tourism Economics, U.S. Travel Association

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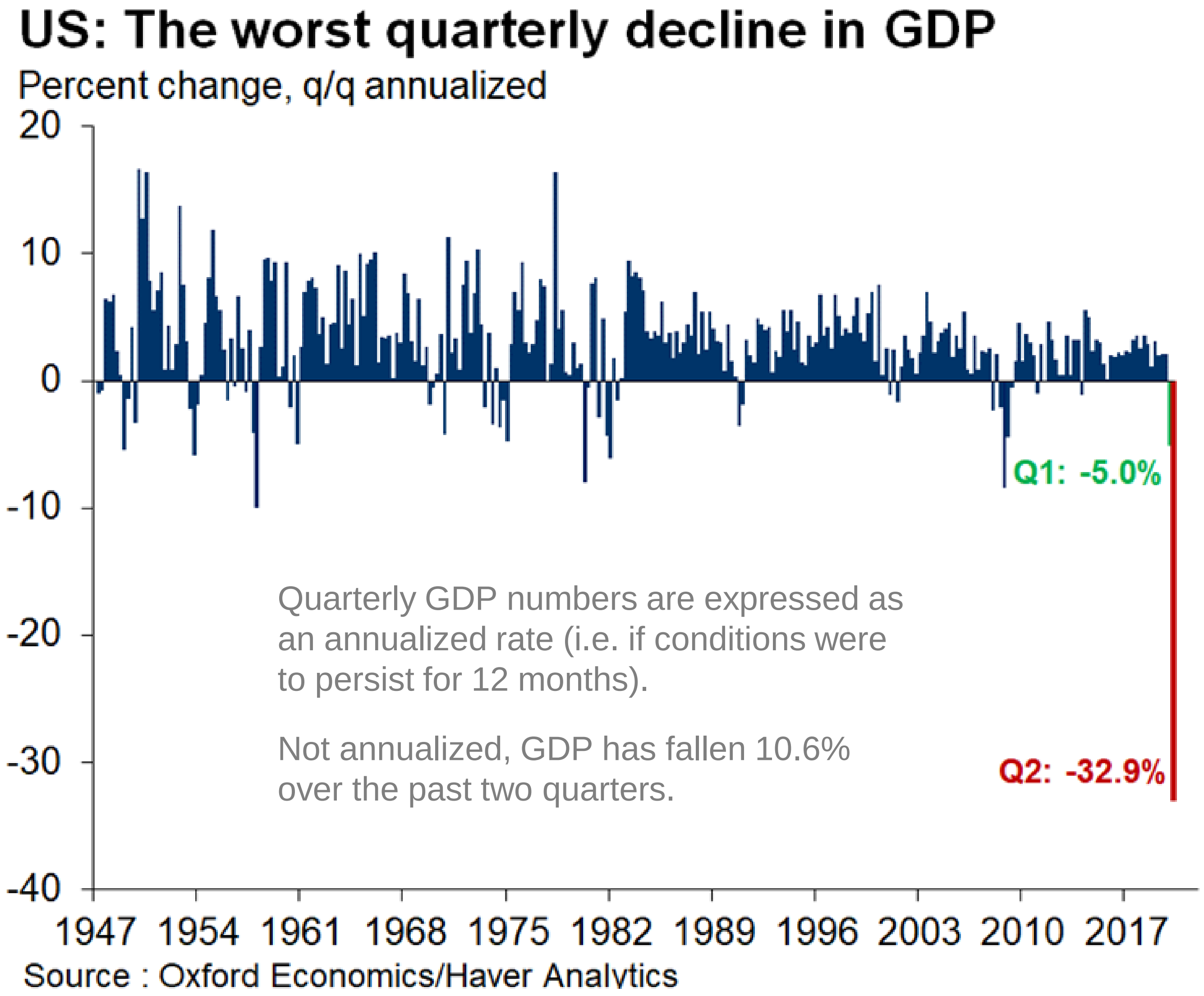
The indicators that matter

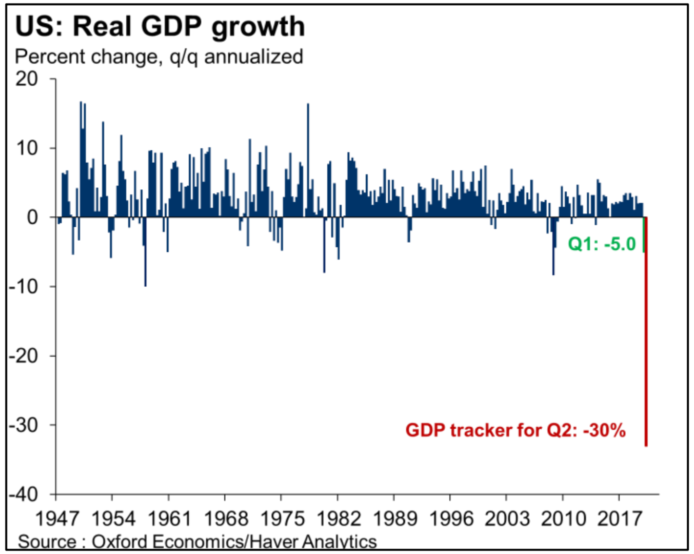
Q2 GDP: Historic and meaningless



Quarterly GDP numbers are expressed as an annualized rate (i.e. if conditions were to persist for 12 months).

Not annualized, GDP has fallen 10.6% over the past two quarters.

Oxford forecast



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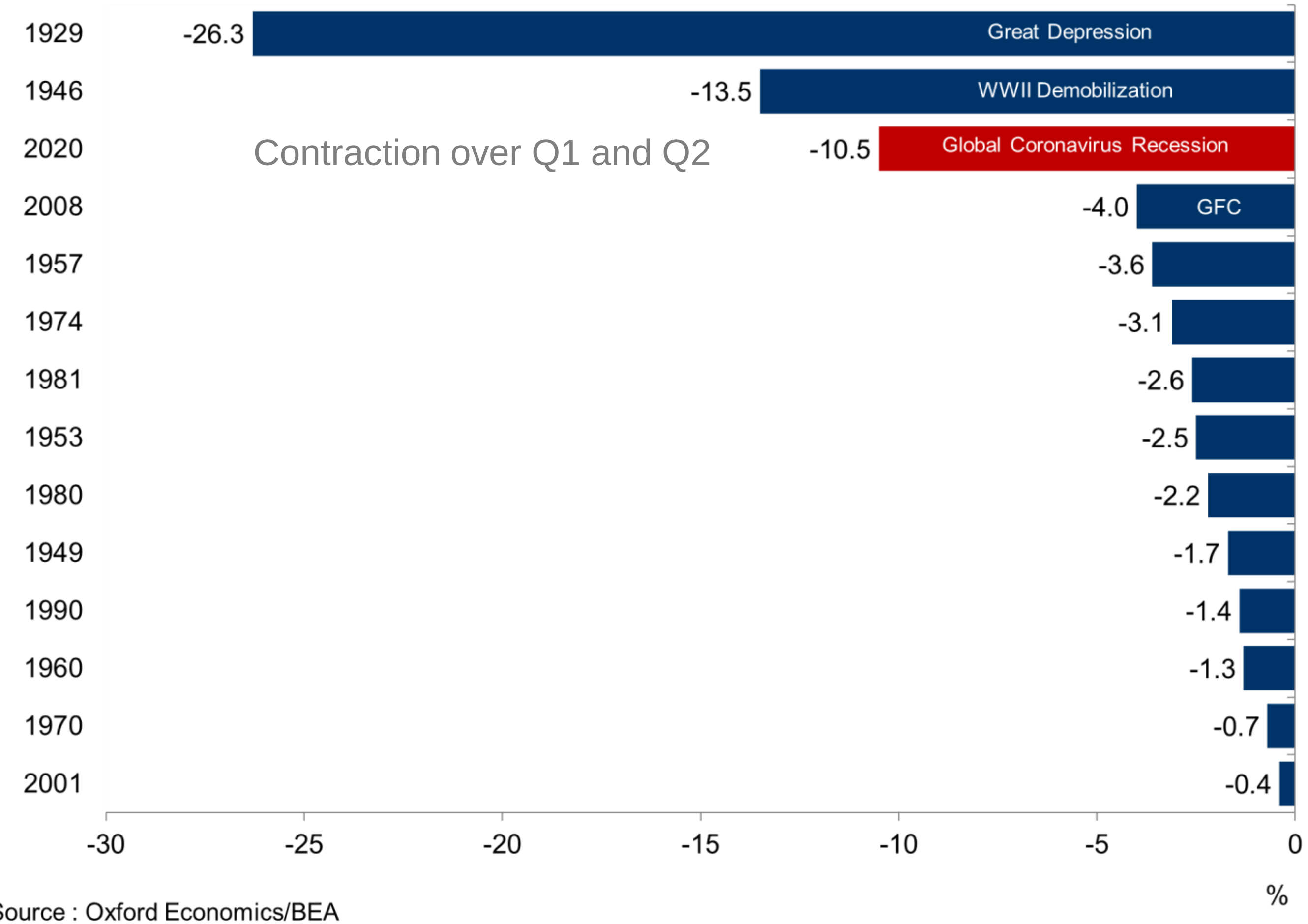
Historic

US: Peak-to-trough GDP decline during recessions



Source : Oxford Economics/BEA

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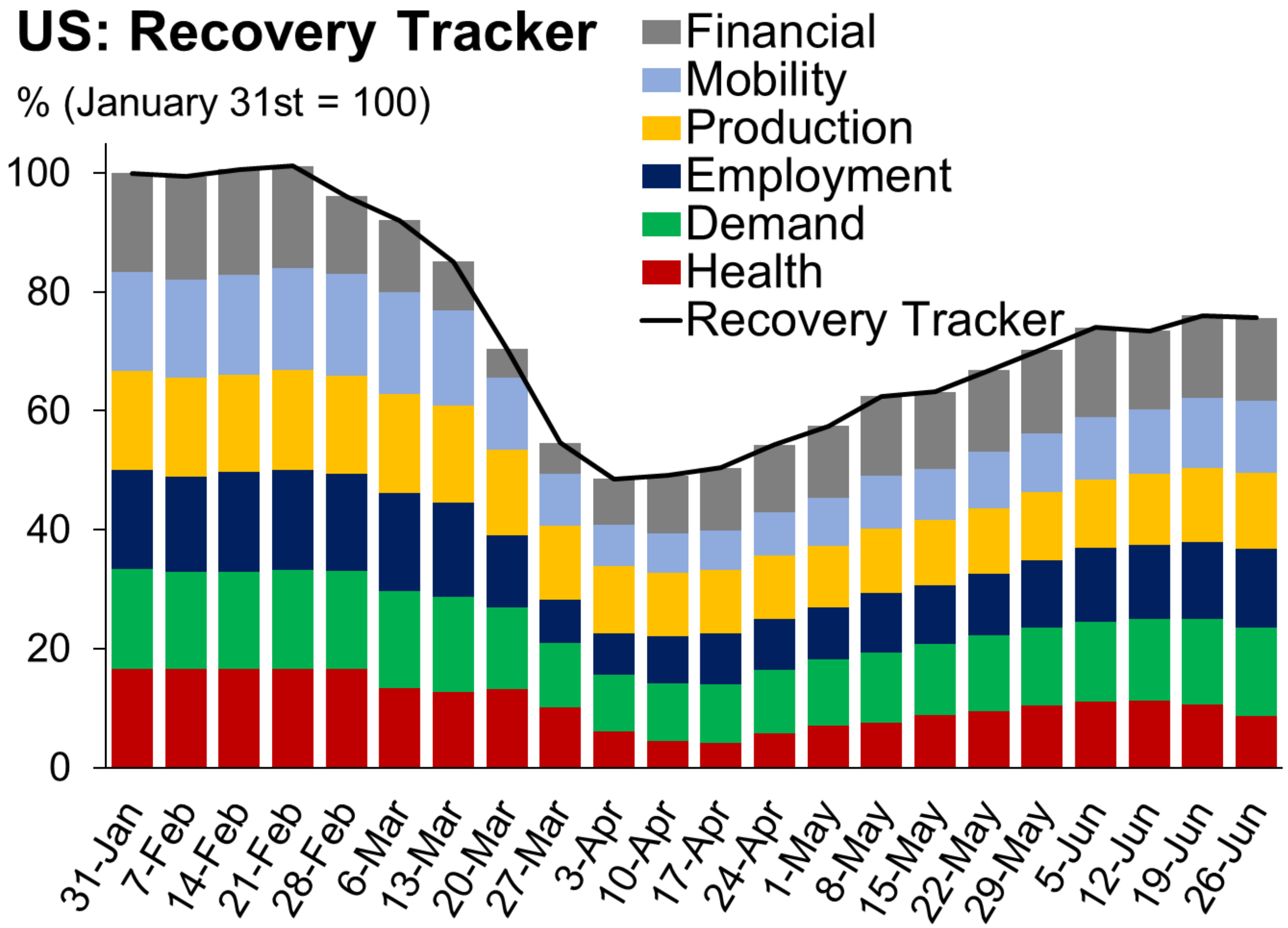
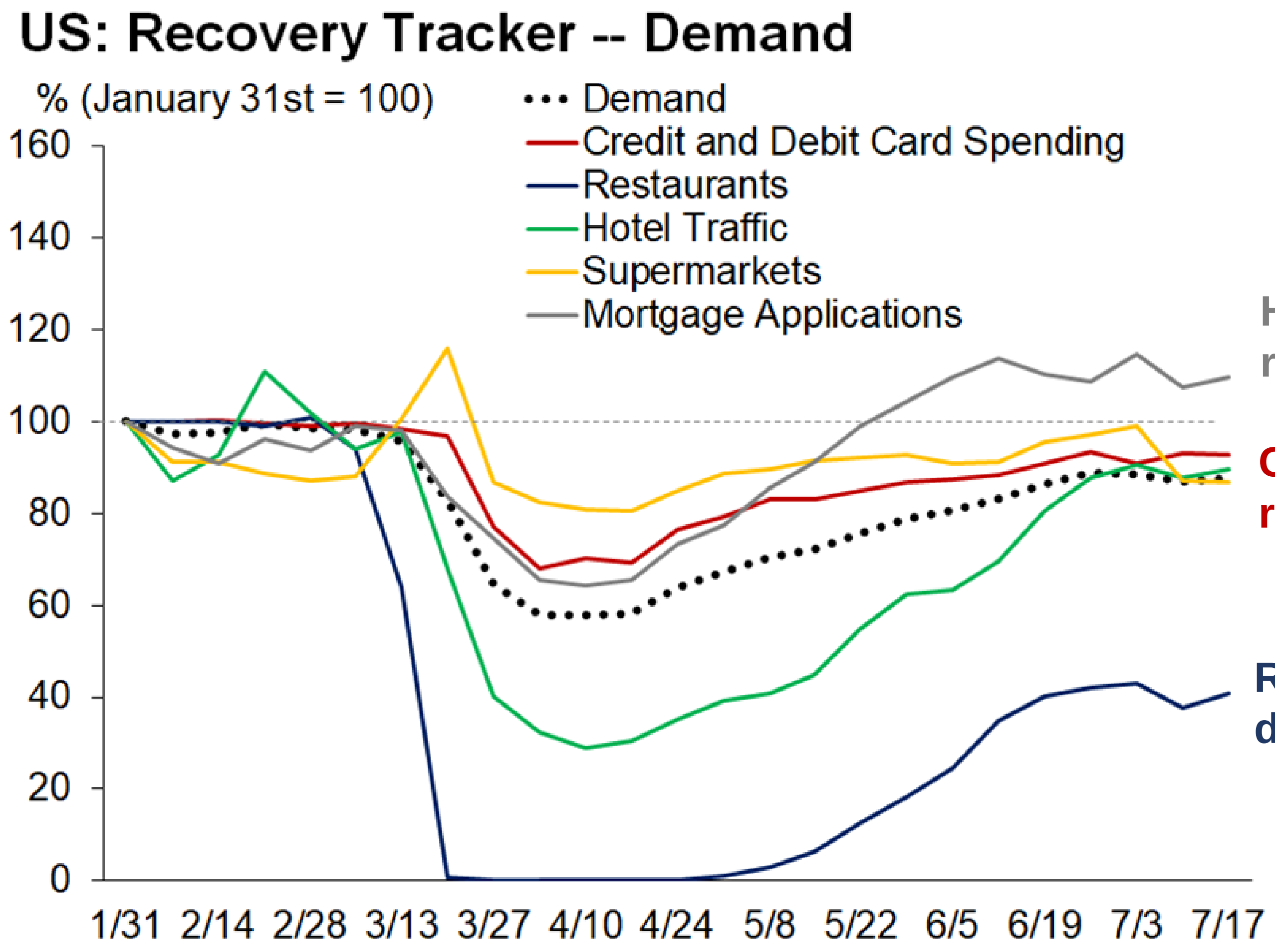
But what matters… recovery is stalling on rising health concerns



Sources: Oxford Economics, Apple, Baker Hughes, COVID Tracking Project, Haver Analytics, EIA, FlightRadar24, Google, Safegraph, Opportunity Insights,OpenTable, Our World in Data, University of Maryland

Consumption still has a ways to go



Sources: Oxford Economics, Apple, FlightRadar24, Google

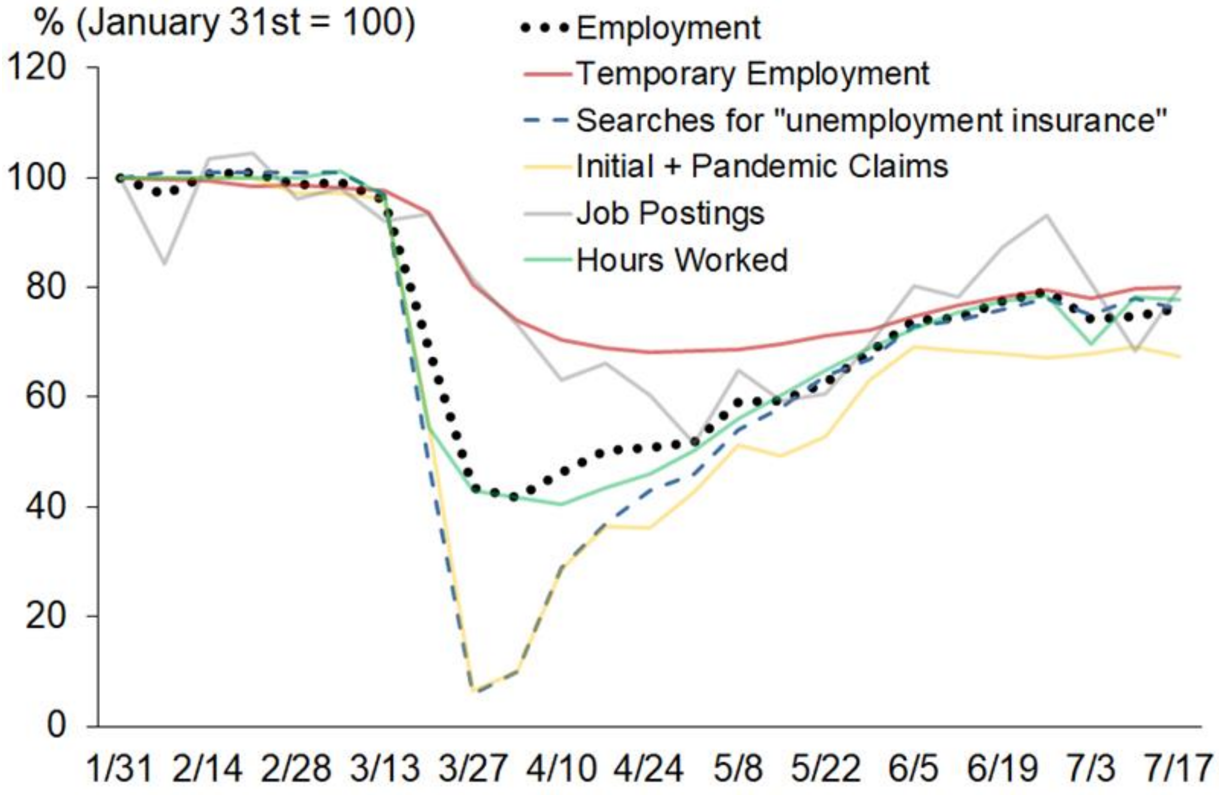
Homes sales and refinancing!

Credit card spending reflects caution

Restaurants in dire shape

Jobs recovery has paused

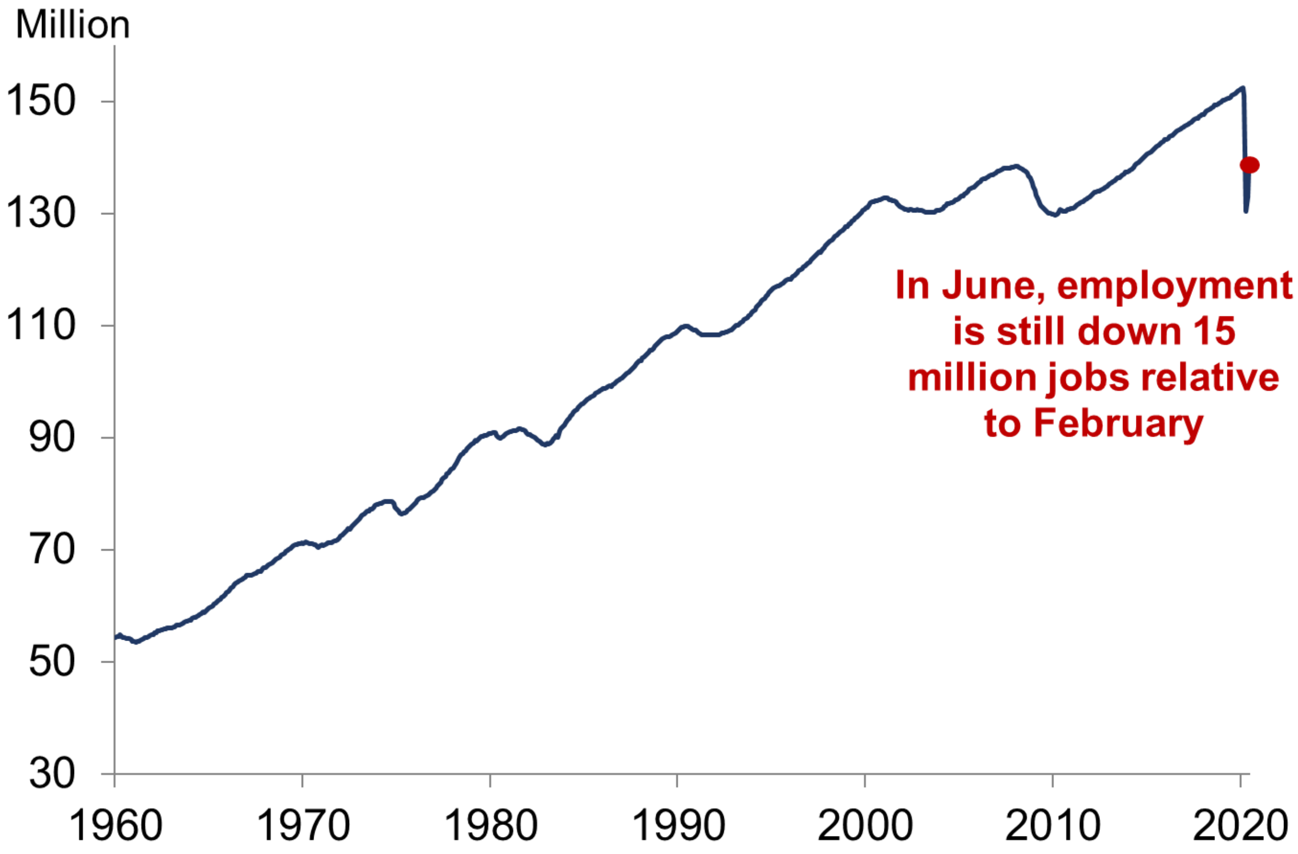
US: Recovery Tracker -- Employment



Sources: Oxford Economics, Homebase, Google, Burning Glass, Department of Labor, American Staffing Association

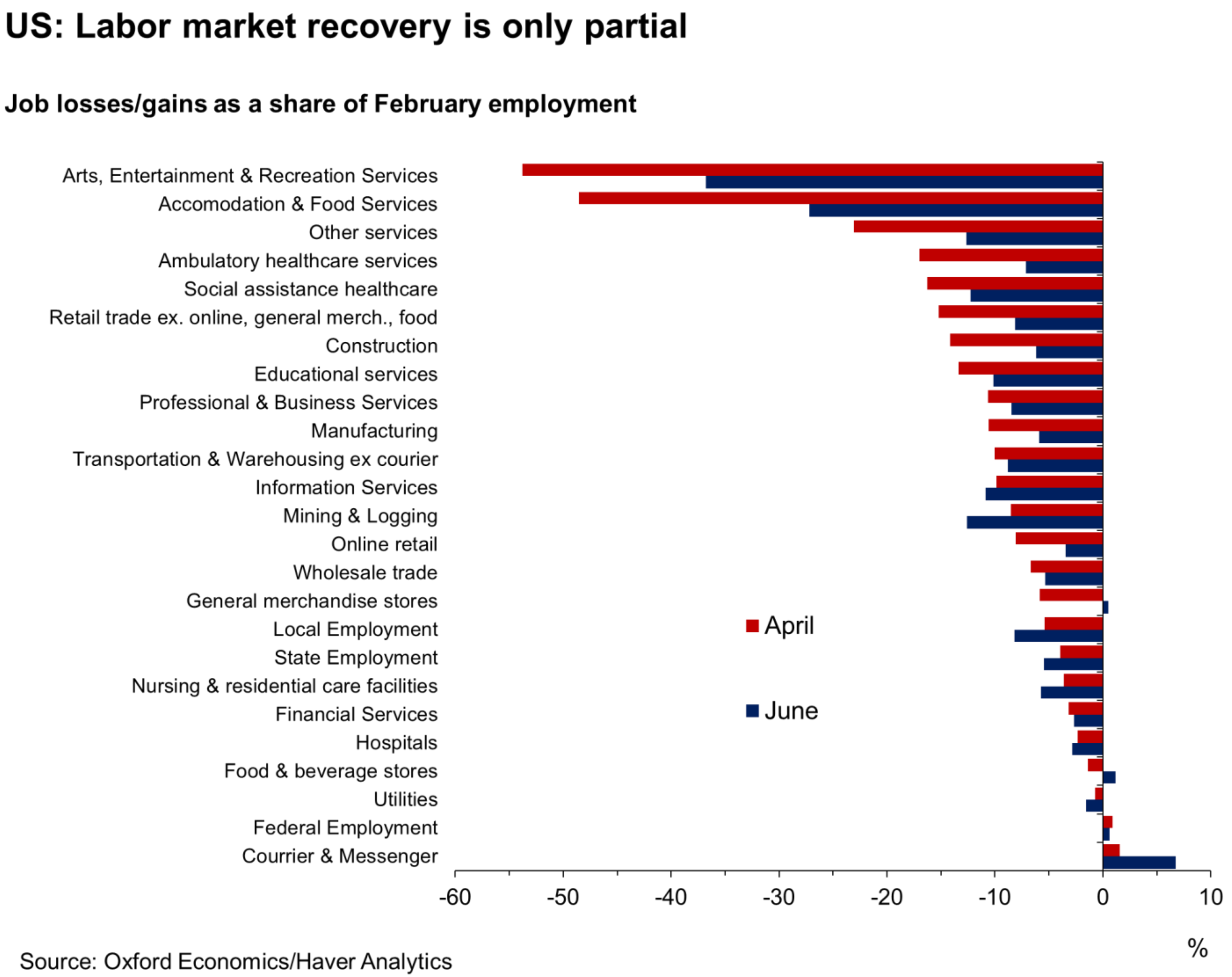
Despite gains, economy is still down 15 million jobs

US: Perspective on job losses



Source: Oxford Economics/Haver Analytics

The travel industry continues to suffer, but has improved



Source: Oxford Economics/Haver Analytics

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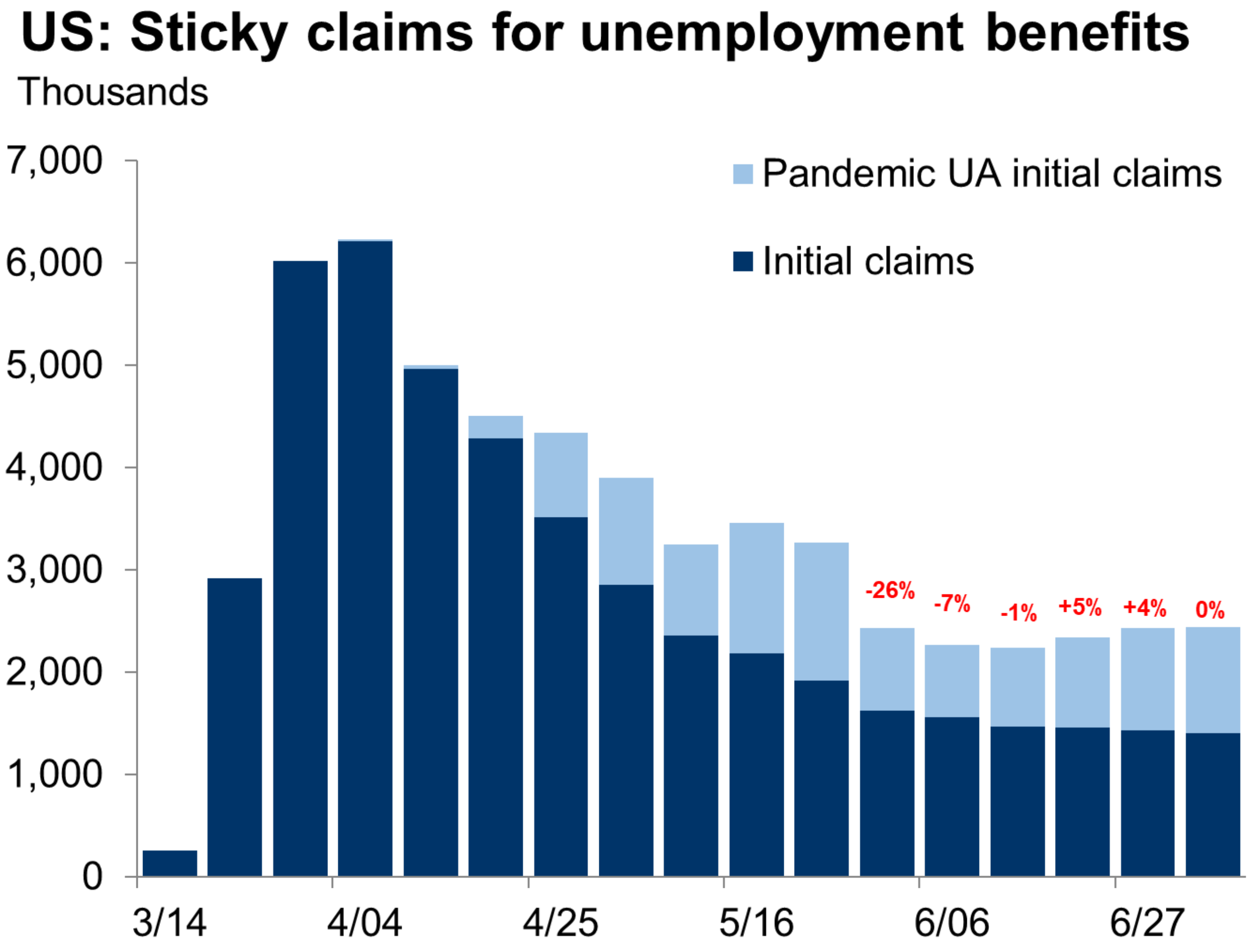
Unemployment claims remain high (base of 30 mn)



Source : Oxford Economics/Haver Analytics

Our forecast

Reminder: forecasts are still important

Real-time uses for scenario planning are more vital than usual

- Set partner and stakeholder expectations
- Develop budgets (staffing and other cost decisions)
- Establish targets
- Advocacy
- Time sales and marketing efforts
- Inform recovery strategy

Current “baseline” assumptions

PANDEMIC TIMELINE

Virus remains a defining factor through 2021Q1 with regional outbreaks and second waves.

Progress in the development of therapeutics continues steadily.

A vaccine becomes available in early 2021.

POLICY RESPONSE

Easing of lockdown measures supports regional travel through the summer months.

Renewed lockdowns in response to virus outbreaks will be less severe.

International borders will be slow to reopen.

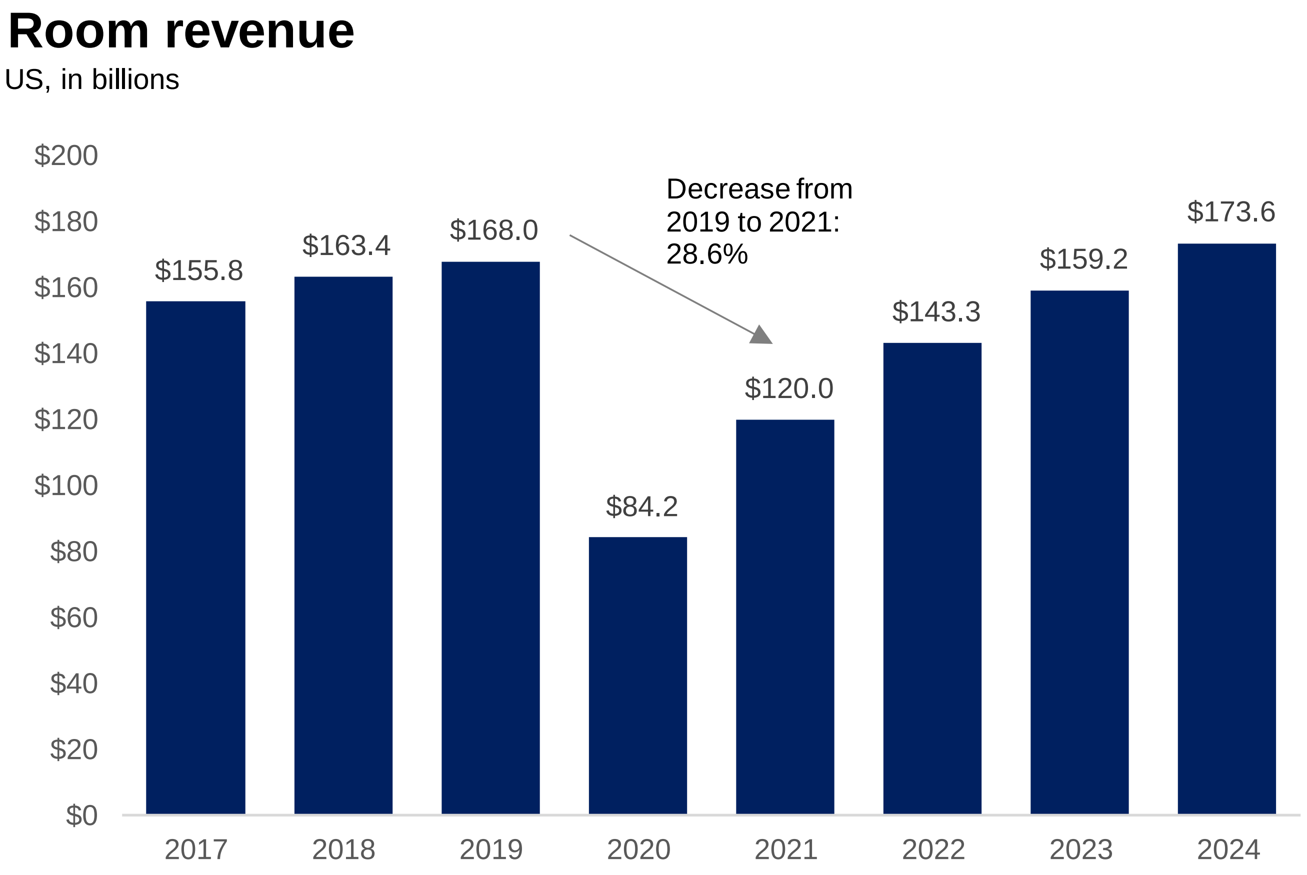
ECONOMY

The US economy is in recession, with a 4.2% drop in GDP this year.

Initial recovery will be brisk in the latter part of 2020 , driven by pent-up demand and historic government stimulus.

The path for the economy will remain below pre-crisis levels.

US hotel room revenue: down 50% this year



Source: STR; Tourism Economics

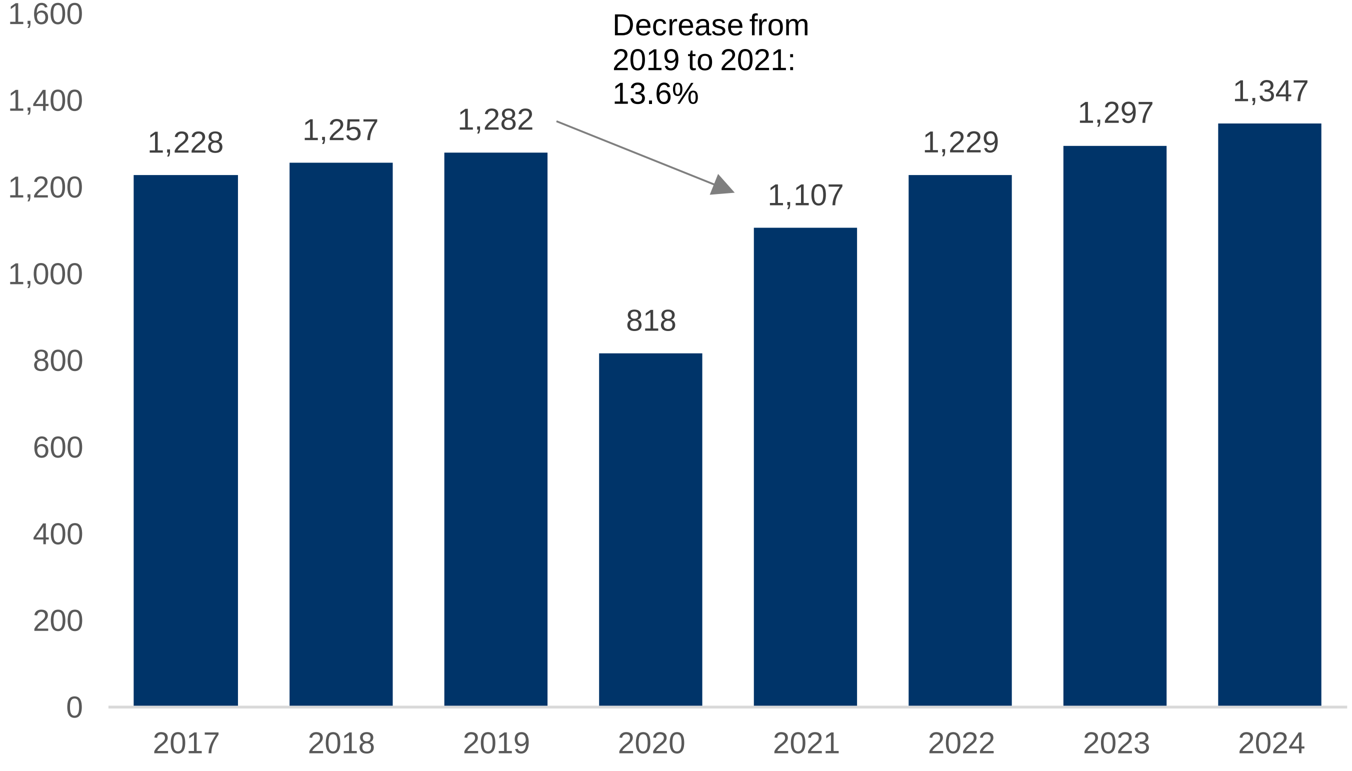
However, next year will recover to 71% of 2019 levels

Back to "par" in 2024

US hotel room demand: down 36% this year

Demand

US, room nights, in millions

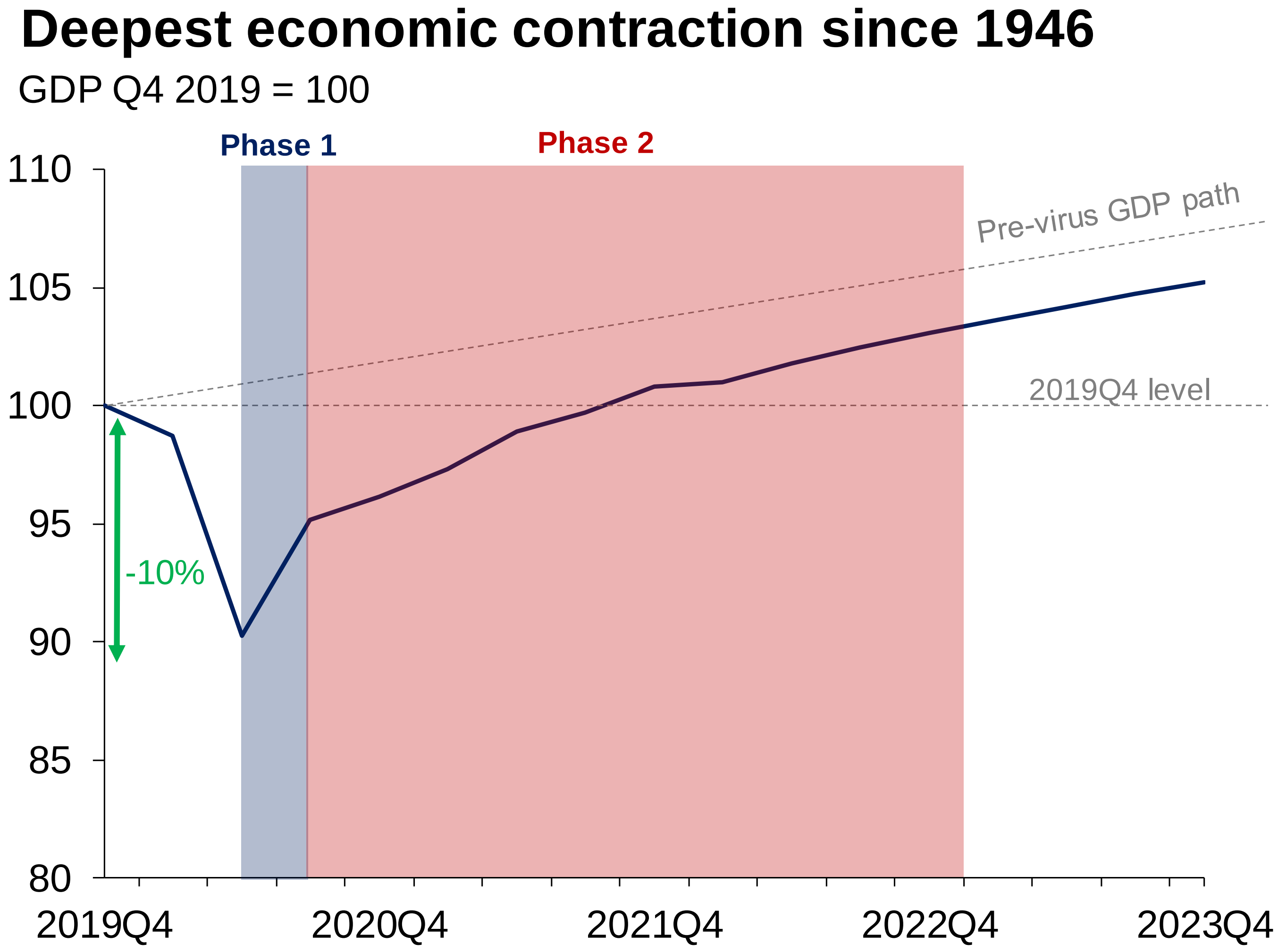


Source: STR; Tourism Economics

However, next year will recover to 86% of 2019 demand levels

Back to “par” in 2023

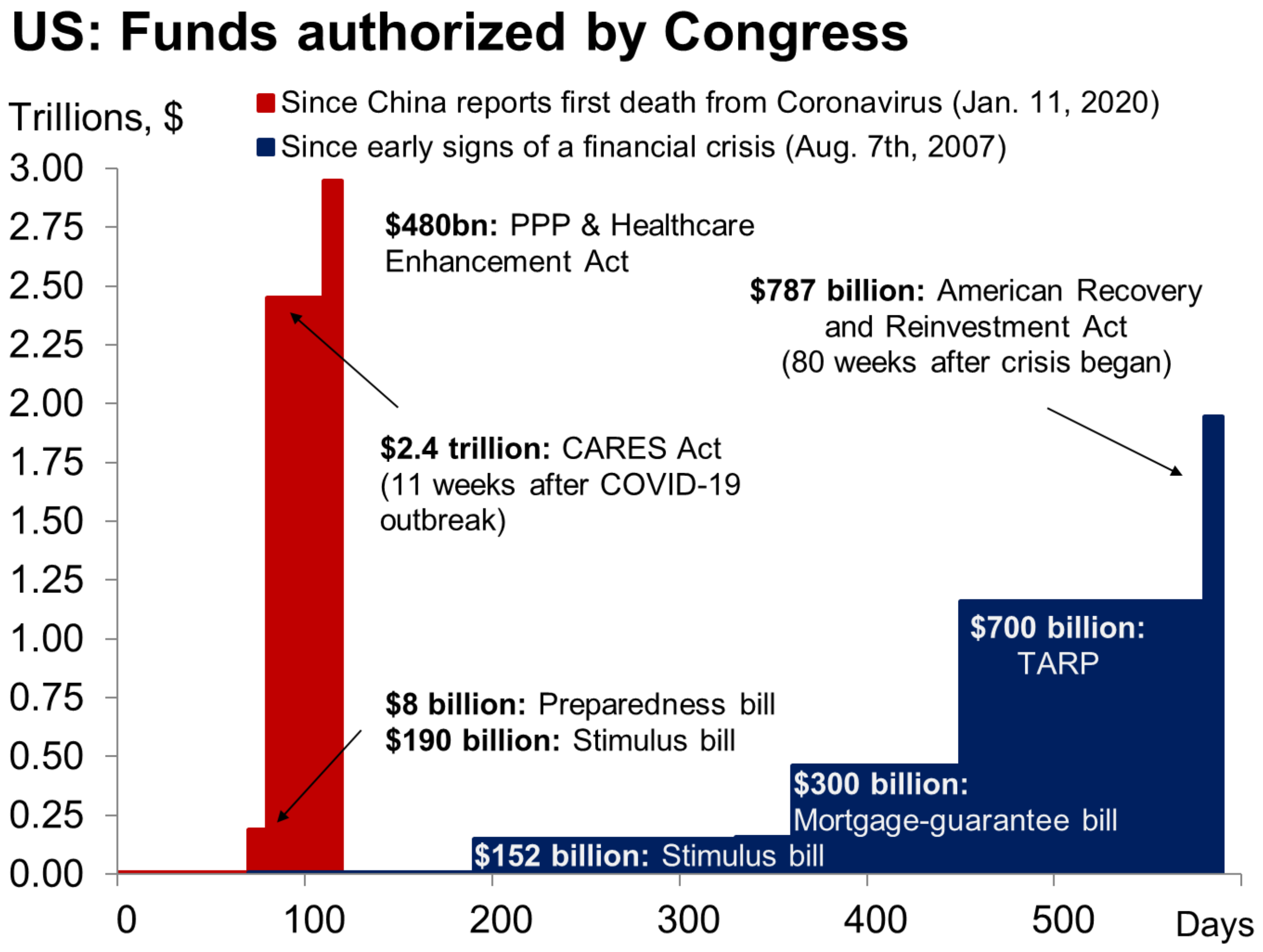
US recovery should accelerate into 2021 but will remain below par



Source : Oxford Economics

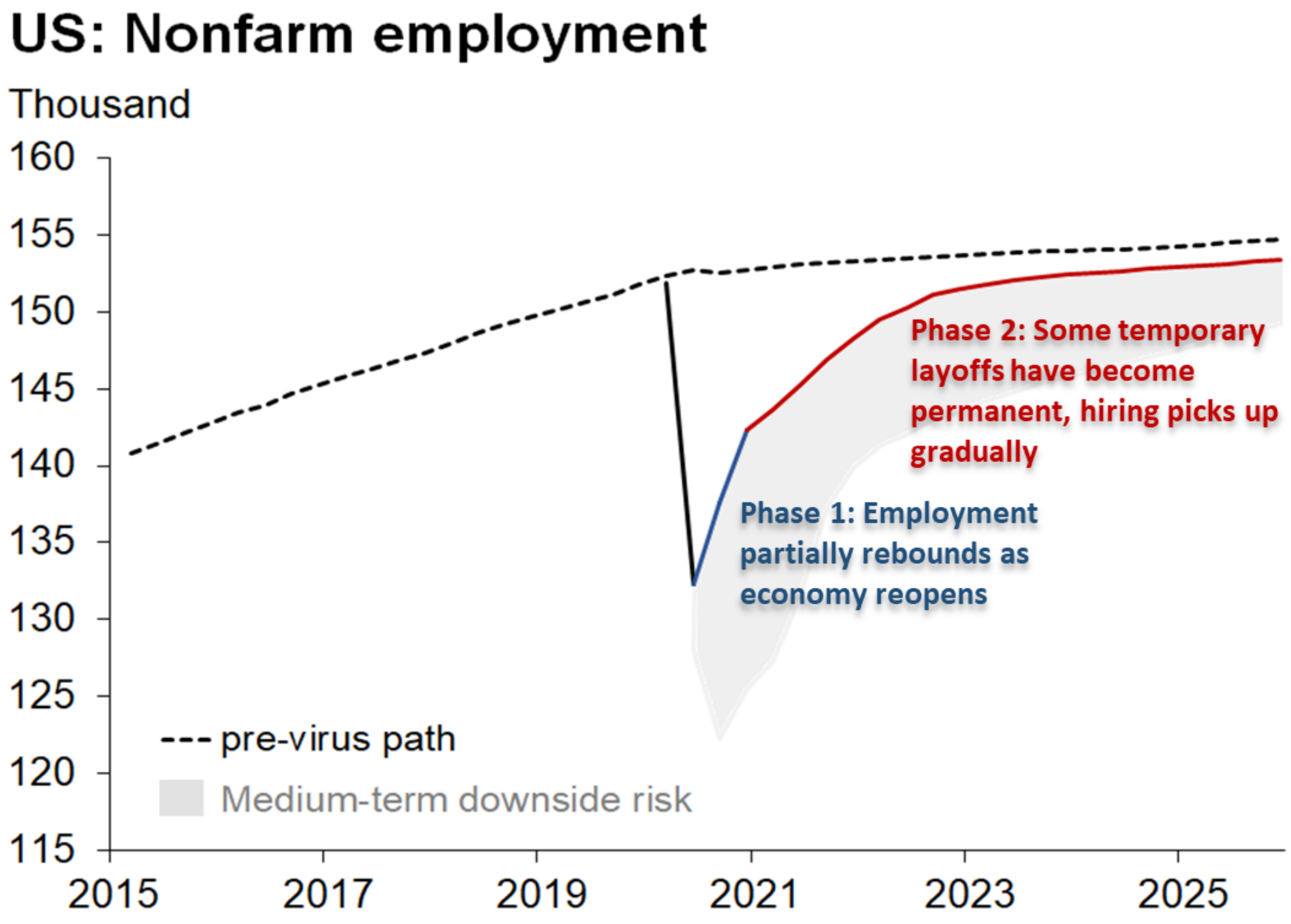
Risks are skewed to the downside

…but an easing of lockdowns will release stimulus impact



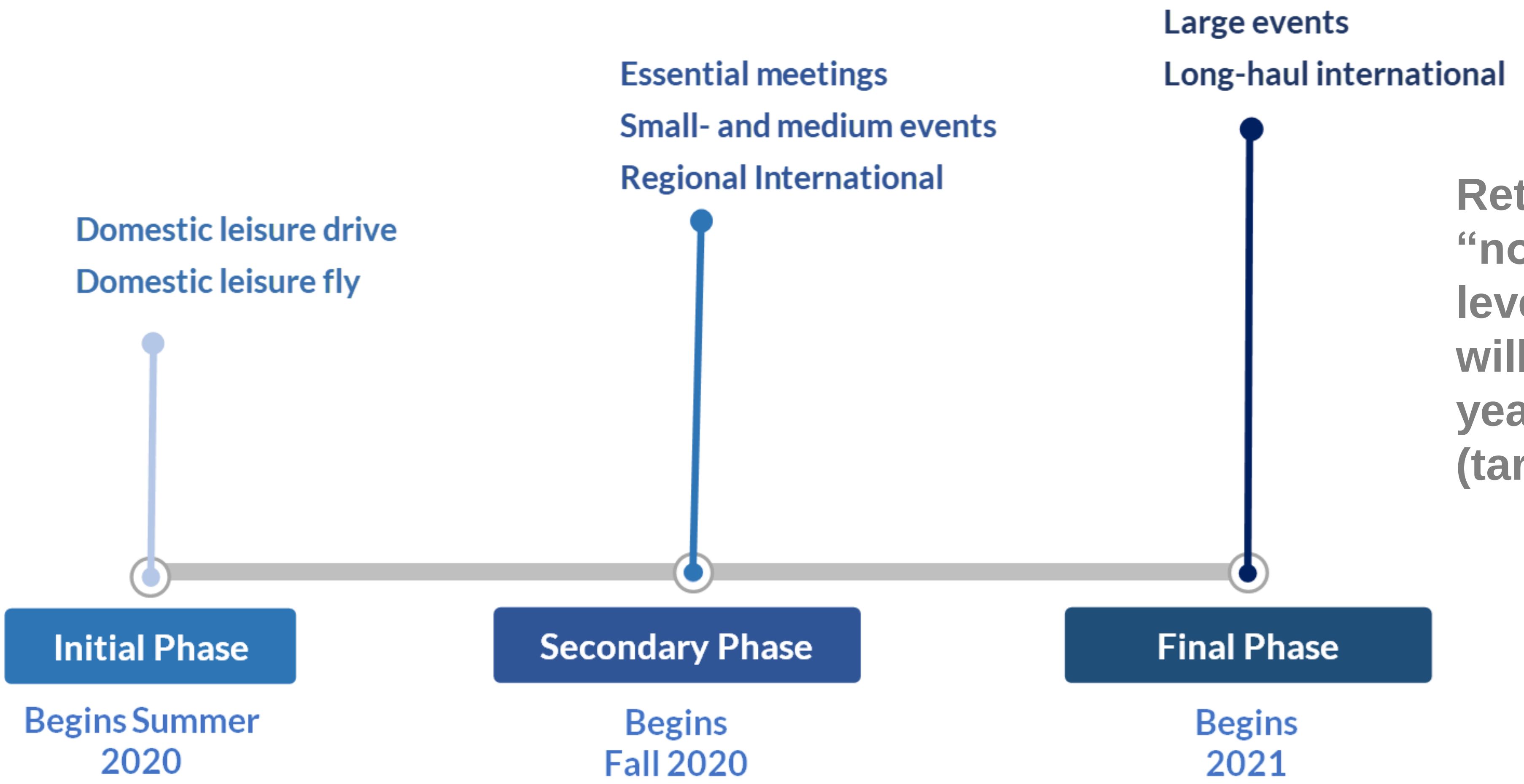
Source : Oxford Economics/CBO

A two-phase labor market recovery



Source : Oxford Economics/Haver Analytics

Anatomy of a travel recovery

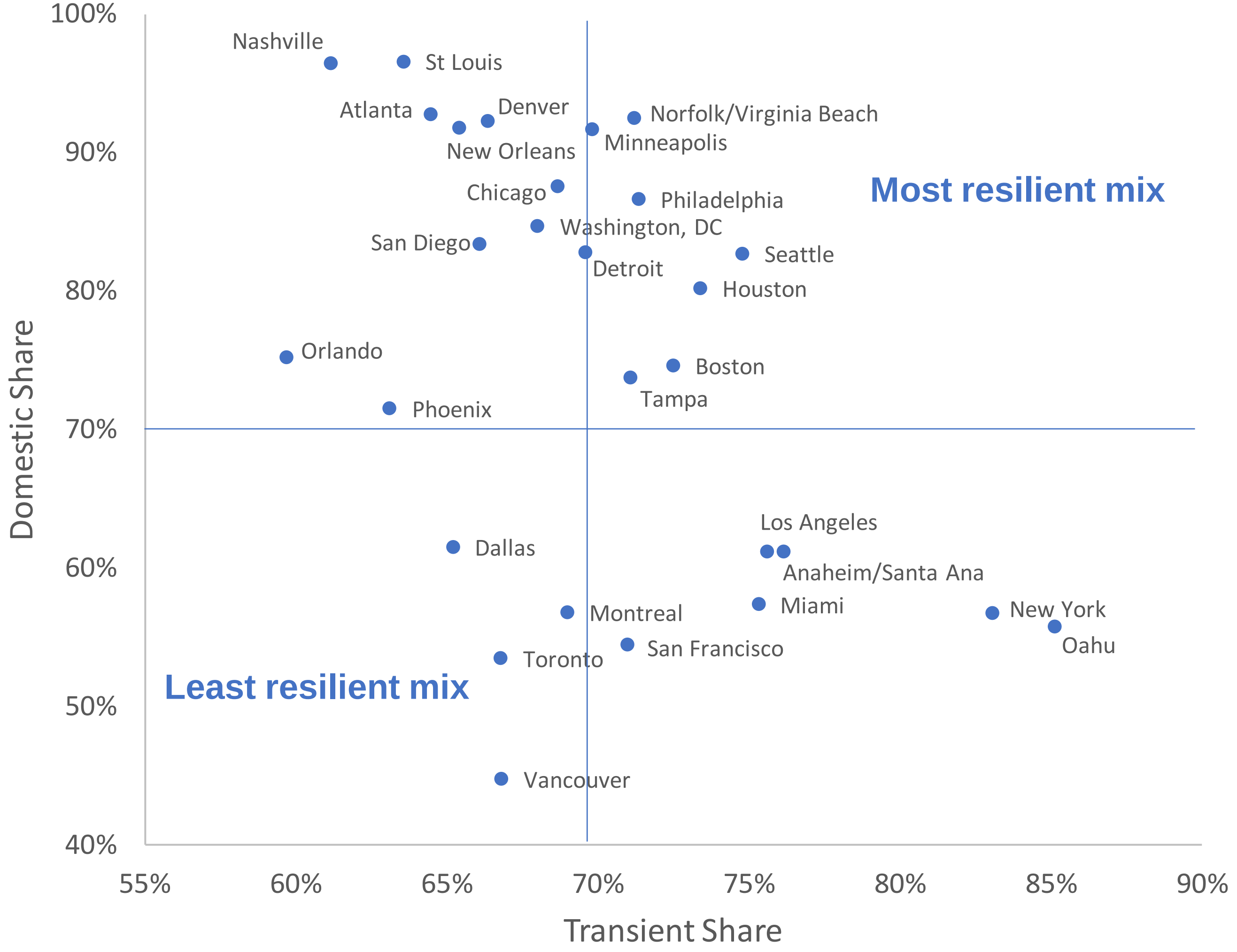


Return to "normal" levels of travel will be a multi-year effort (target 2023)

Destination performance will largely hinge on exposure

Hotel room demand by customer type

Share of 2019 room nights sold

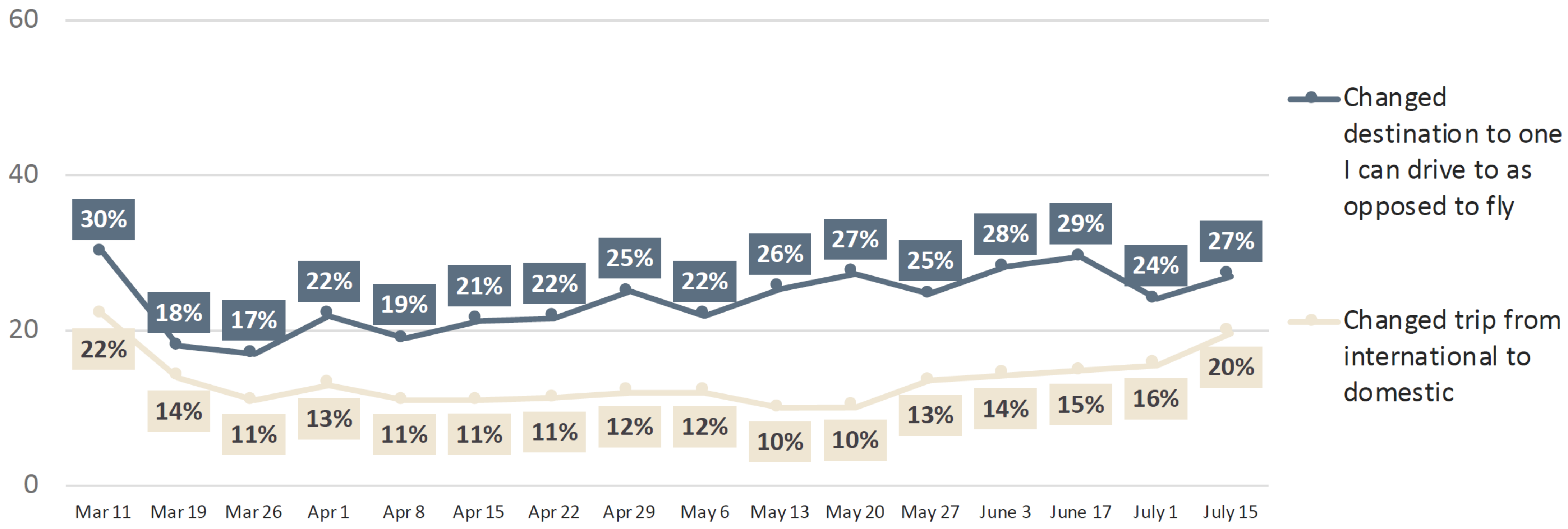


But historical mix is only part of the story.

Ability to transition to new markets will be key to accelerating recovery.

Major reshuffling of the deck

Impact of COVID-19 on Upcoming Travel Plans Comparison

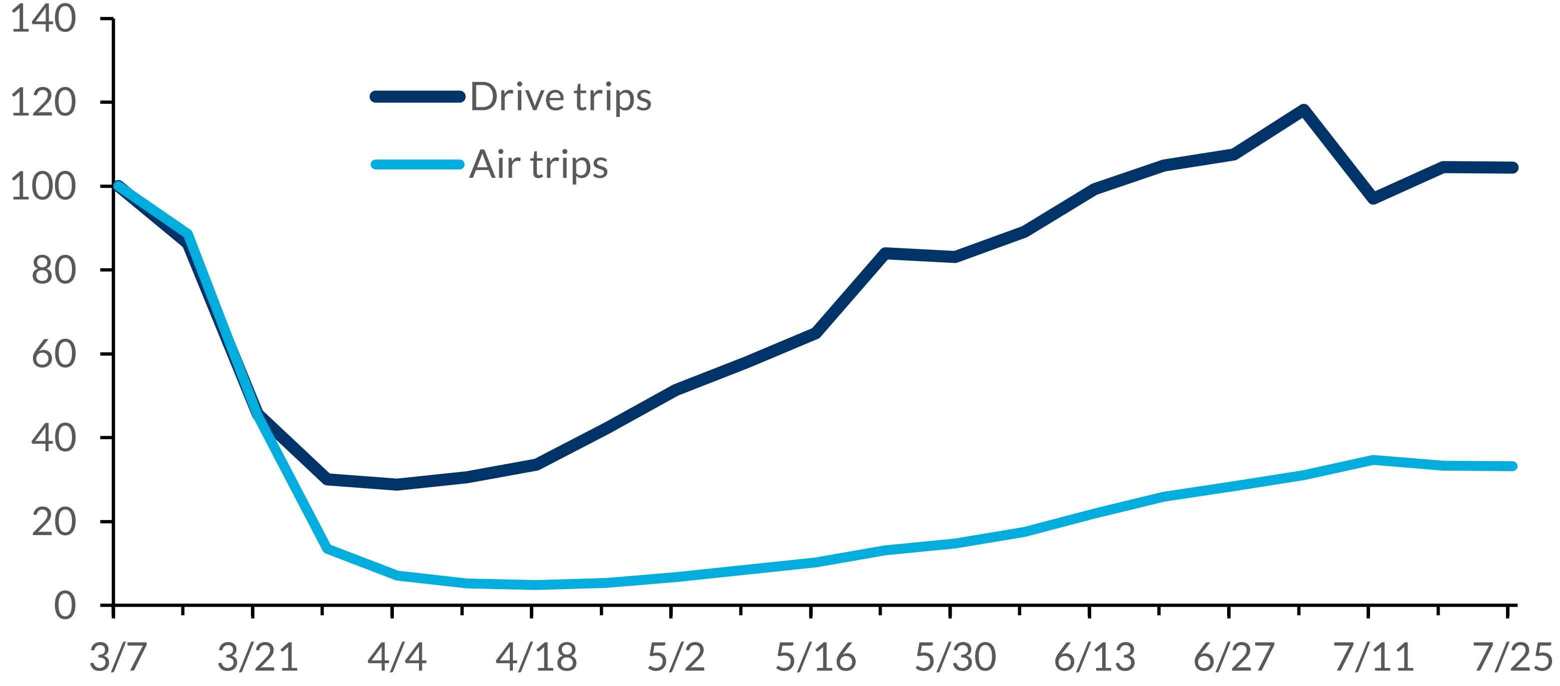


Base: Coronavirus Changed Travel Plans

Mode of travel disparity

Trips by travel type

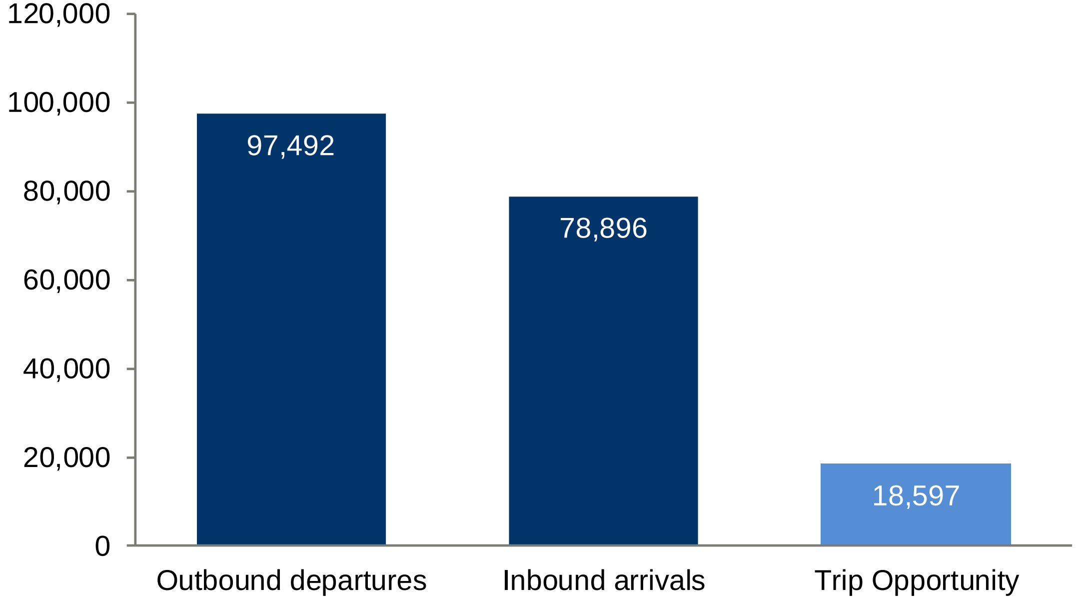
Weekly, Index (week ending 3/7 = 100)



Source: TSA, Arrivalist

What happens if all international travel stops? Domestic opportunity

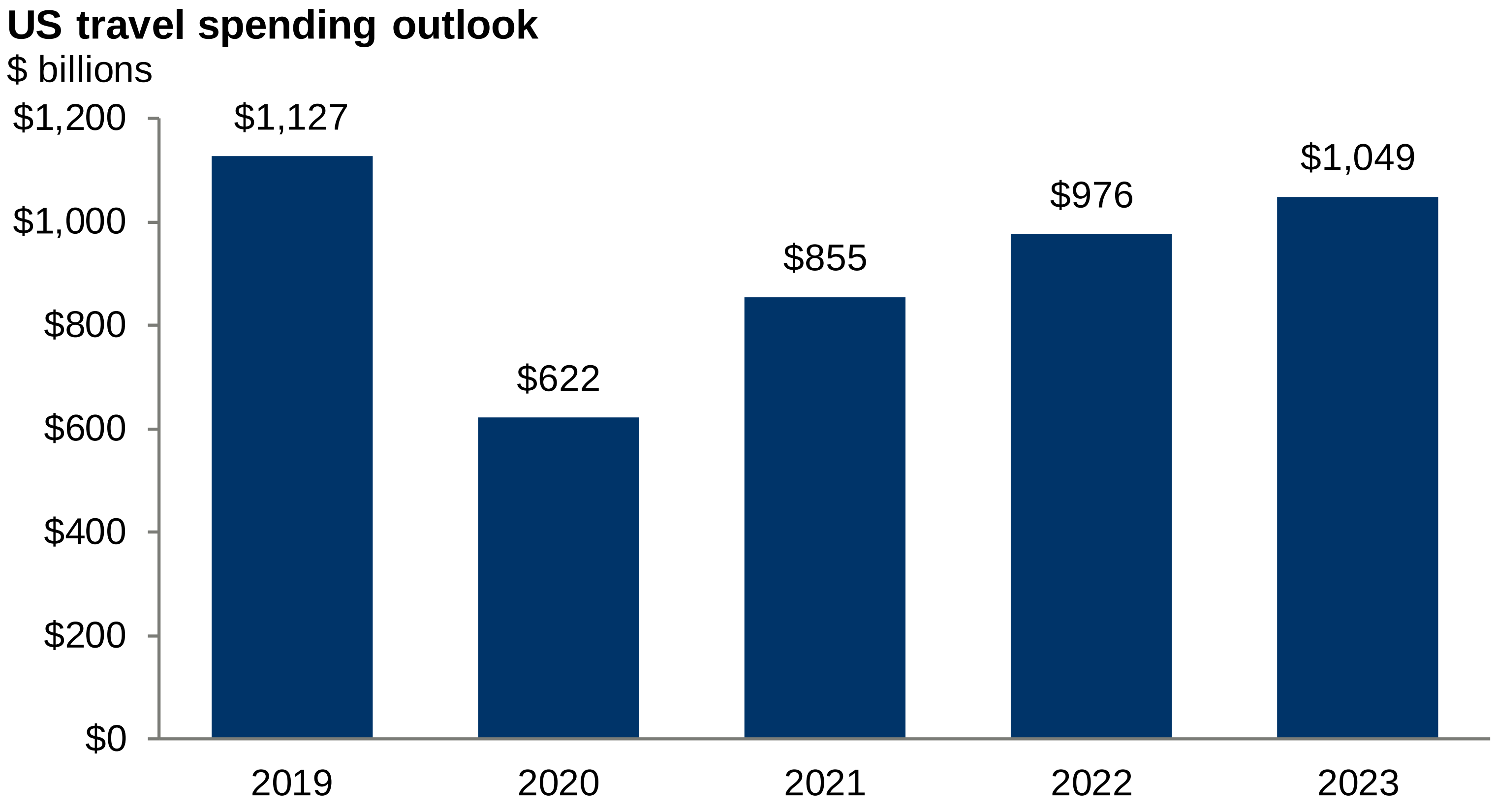
US Balance of Travel (2019, trips)
Thousands



Source: Tourism Economics

19 million <u>more</u> US outbound trips than inbound

Pandemic + recession = four-year setback



Source: Oxford Economics

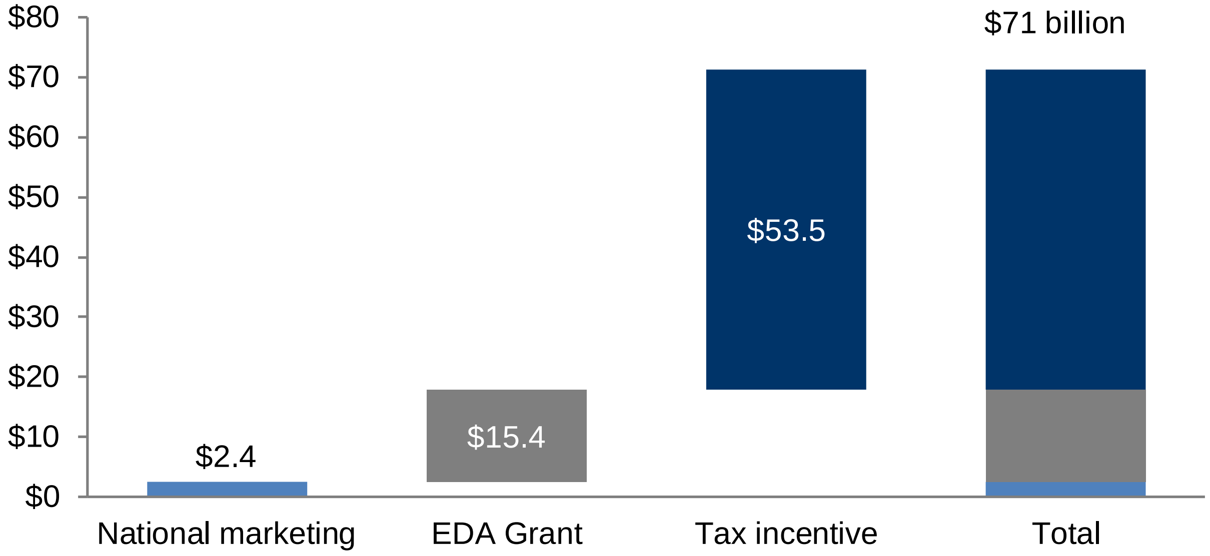
$1 trillion in travel spending losses by the end of 2023

Three recovery initiatives

Marketing campaign	EDA grant to DMOs	Tax incentive
Recovery Initiatives		
A national and global marketing campaign to encourage travel in the United States. Campaign is executed in late 2020 with the majority of benefits realized in 2021. The campaign is estimated to generate $2.4 billion in visitor spending and $386 million in taxes.	A grant of $1 billion is made available to destination marketing organizations for states and cities. These funds would be used for destination preparedness and marketing. The investments would yield $15.4 billion in incremental travel spending by the end of 2021. The program would generate $2.5 billion million in taxes.	A tax incentive for travel by end of 2021 would include a 50% credit; up to $4,000 per household. Assuming 50% of the population taxes advantage of the program and 1-in-3 trips is incremental as a result of the program, an additional $53 billion in US travel-related spending would be generated. The program would generate $8.5 billion in taxes.

Accelerating the recovery: $71 bn in spending. $162 bn in impact.

Recovery initiative impacts
$ billions, 2020-21



…6% lift to travel spending by the end of 2021

Recovery Initiatives Summary
$ millions

	2020	2021	Spending Impact	Economic output	Tax Impact	Jobs Impact*
National Marketing Campaign	$ 605	$ 1,815	$ 2,420	$ 5,515	$ 386	25,258
EDA Grant for Destination Marketing	$ 5,400	$ 10,028	$ 15,428	$ 35,157	$ 2,463	161,017
Tax Incentive	$ 16,039	$ 37,424	$ 53,463	$ 121,836	$ 8,536	557,994
Total	$ 22,044	$ 49,267	$ 71,311	$ 162,508	$ 11,386	744,268

* Jobs recovered by end of 2021

Key guideposts for the next 18 months

- Recovery has begun (notwithstanding the risks)
- Performance by destination will be incredibly disparate for the next 9 months
- Recovery timeline will be largely a function of:
    1. Travel market exposure (drive, leisure)
    2. Ability to pivot to recovering markets
    3. Pandemic exposure
- Recovery initiatives can accelerate recovery

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Downside risks after a strong initial recovery phase

- The unique feature of the Global Coronavirus Recession (GCR) is its speed. Following a dramatic near-20% plunge in activity in March and April, consumer spending and business investment have experienced a faster-than-expected rebound.
- While this strong first phase of the recovery has led us to revise our 2020 real GDP forecast from -6.1% to -4.2%, the economy already appears to be entering the slower, second phase. Accordingly, we have toned down our 2021 growth outlook, from 6.3% to 3.9%.
- Since the foundation for this recovery is an improving health outlook, rising Covid infections, as well as looming fiscal cliffs, represent significant downside risks to growth.
- The June jobs report has all the makings of a great summer cocktail: payrolls are rebounding strongly, up 4.8 million in June, the unemployment rate is steadily declining, down to 11.1%, and participation in the labor market is recovering. However, one should sip this cocktail prudently to avoid a bad hangover. Beneath the appealing look, the labor market is still facing a net loss of 14.7 million jobs.
- Consumer spending sprang back to life in May and registered a record 8.1% advance as the nation reopened. But don’t be fooled, the rebound was only partial and largely supported by April’s massive fiscal stimulus injection – consumers are still fearful.
- The minutes from the June 9-10 FOMC meeting underscored the Fed’s caution on the outlook and its dovish stance. The policy rate will likely remain pegged near zero over the next couple of years, open-ended QE continues, and the Fed stands ready to lend via its emergency facilities. Outcome or data-based forward guidance and yield curve control are being studied but are unlikely to be implemented before the fall.