



## Hotel Industry Performance in 2019-2020, COVID-19 Impact, and the *JHFM* Index

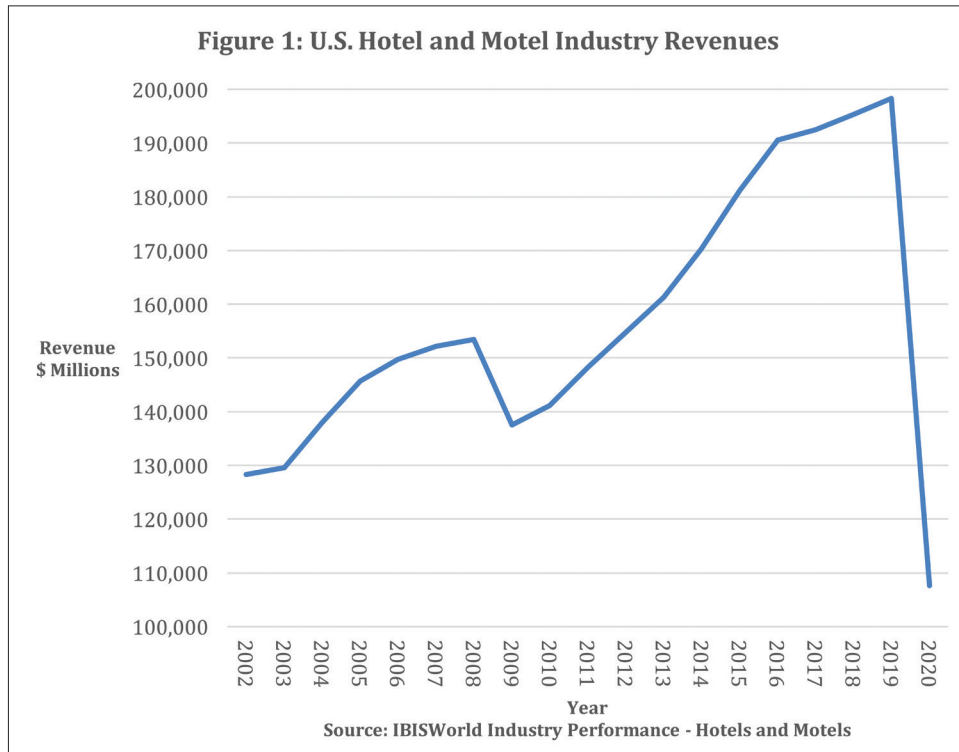
Item Type	Editor Note
Authors	Sheel, Atul
DOI	<a href="https://doi.org/10.7275/7m54-0b48">10.7275/7m54-0b48</a>
Download date	2026-06-14 00:37:38
Link to Item	<a href="https://hdl.handle.net/20.500.14394/31055">https://hdl.handle.net/20.500.14394/31055</a>

## Hotel Industry Performance in 2019–2020, COVID-19 Impact, and the JHFM Index

The hotel industry in the United States grew at a moderate pace during the first two months of 2020. However, the industry was severely paralyzed in the subsequent quarters. According to the latest Smith Travel Research (STR) report (August 2020), the year-to-date occupancy for lodging firms was 41.8%, relative to 67.4% in August 2019. The year-to-date average daily rate or ADR (August), declined 23.1% to 107.17 USD. The year-to-date ADR was 131.93 USD (same period) in 2019. The August year-to-date revenue per available room (RevPAR) of these firms also fell sharply by 52.7% to 44.77 USD relative to 94.55 USD (same period) in 2019. Needless to mention, the sharp declines in occupancy, ADR, and RevPAR in 2020 relative to the same period in earlier years are a direct

consequence of the current COVID-19 pandemic, and are deeply concerning, and do not bode well for the industry.

Per latest IBISWorld Industry Report for Hotels and Motels in the United States, the current global COVID-19 pandemic has led to a significant volatility and decline in the financial health of hotels and motels, consequent to shut-downs, travel restrictions, legislative mandates requiring social distancing, and a sharp decline in consumer confidence and spending. The hotel and motel industry has been one of the industries severely hit by this coronavirus pandemic, and industry revenues are expected to fall 45.7% alone in 2020 to record lows of \$107.7 billion. Figure 1 summarizes the trend of revenues in this industry since 2002.



**Figure 1.** U.S. Hotel and Motel Industry Revenues  
**Source:** IBISWorld Industry Performance–Hotels and Motels

Hotel industry investors are also concerned and cautious about this pandemic-induced deterioration in the industry's performance during 2020. Table 1 summarizes the 2020 stock returns of key hotel industry firms from both lodging and hotel-motel REIT sectors.

As shown in Table 1, the JHFM index for hotel industry stocks yielded negative and shockingly low market premiums this year on an average (-9.8, -37.96, and -15.34% for the lodging, REIT, and overall hotel industry indices, respectively). The JHFM index is a market-capitalization weighted index maintained by the *Journal of Hospitality Financial Management*. It is a two-part index measuring the performance of hotel stocks trading in the U.S. equity markets. The first part is the JHFM Lodging Index consisting of the 10 largest market-cap firms in the lodging sector. The second part is the JHFM Hotel-Motel REITS Stock Index consisting of the 10 largest Hotel-Motel REIT firms currently trading in U.S. equity markets.

Contrary to previous years, the JHFM indices for hotel industry stocks have significantly underper-

formed the market index this year. The unusually negative returns and sharp decline in current market premiums of these indices are concerning, and suggestive of the fact that the current state of this industry is much worse than during all the other financial crises in recent past. Hotel-Motel REITs continue to be worst hit by this year's coronavirus crisis, as suggested by the negative 37.96% returns for the JHFM Hotel-Motel REITS Stock Index. Per some industry gurus, it is obvious that the U.S. hotel sector is in an uncharted territory (Jelski, 2020), and that its post-pandemic recovery will be rather slow, possibly even as long as two or three years. On the positive side, however, it is nice to see the industry's resolve to recover, by quickly adapting to all required CDC guidelines with innovative structural, technological, and procedural changes, including necessary cleaning and social distancing protocols.

Atul Sheel, PhD

*University of Massachusetts, Amherst*

**Table 1.** JHFM Index and 2020 Total Stock Returns of Key Hotel Industry Firms

Stock Name	Sector*	Ticker	Market Cap (Million \$)	1-Year Return%
Marriott International Inc.	L	MAR	33,729	-16.68
Hilton Worldwide Holdings Inc.	L	HLT	25,230	0.72
Accor SA	L	ACCYY	6,756	-32.59
InterContinental Hotels Group PLC	L	IHG	10,203	-7.45
Hyatt Hotels Corp.	L	H	6,140	-19.03
Choice Hotels International Inc.	L	CHH	5,334	6.93
Wyndham Hotels & Resorts	L	WH	5,006	4.02
Extended Stay America Inc.	L	STAY	2,227	-10.61
Red Lion Hotels Corp.	L	RLH	56.65	-63.28
Portsmouth Square Inc.	L	PRSI	29.37	-45.95
Host Hotels & Resorts Inc.	REIT	HST	8,238	-27.00
Park Hotels & Resorts Inc.	REIT	PK	2,646	-51.01
Ryman Hospitality Properties Inc.	REIT	RHP	2,179	-46.83
Service Properties Trust (formerly Hospitality Properties Trust)	REIT	SVC	1,400	-60.49
Pebblebrook Hotel Trust	REIT	PEB	1,841	-48.21
Apple Hospitality REIT	REIT	APLE	2,438	-28.21
Sunstone Hotel Investors Inc.	REIT	SHO	1,842	-32.90
RLJ Lodging Trust	REIT	RLJ	1,679	-37.50
Xenia Hotels & Resorts Inc.	REIT	XHR	1,092	-51.98
Diamondrock Hospitality Co.	REIT	DRH	1,136	-39.98
JHFM Lodging Stock Index (Weighted Average)*				-9.81
JHFM Hotel-Motel REITS Stock Index (Weighted Average)*				-37.76
JHFM Hotel Industry Stock Index (Weighted Average)**				-15.34
Overall Market S & P 500				20.78
Market Premium—JHFM Lodging Stock Index (Weighted Average)				-30.59
Market Premium—JHFM Hotel-Motel REITS Stock Index (Weighted Average)				-58.54
Market Premium—JHFM Overall Hotel Industry Stock Index (Weighted Average)				-36.12

**Note:** \* L = Lodging Sector; RHM = REIT (Hotel-Motel); \*\* Combines Lodging and REITs (Hotel-Motel) sectors

**Source:** Morningstar Investment Research Center Data, September 18, 2020.

## References

- Hyland, R. (2019, April). Hotels & Motels in the US. *IBIS-World Industry Report 72111*. Retrieved September 21, 2019, from <http://www.ibisworld.com/industry/home.aspx>
- Jelski, C. (2020, August 21). Hotels will be hurting into 2021, forecasts show. *Travel Weekly*. Retrieved from <https://www.travelweekly.com/>
- Morningstar Investment Research Center Data. (2020). Retrieved September 18, 2020, from <http://www.morningstar.com/>
- Smith Travel Research. (2020, September 19). *STR: U.S. hotel performance for August 2019*. [Press release]. Retrieved from <https://str.com/press-release/str-us-hotel-performance-august-2020>