

**ULI Chicago's "Front Stoop Series"**  
**Hospitality: The Road to Recovery**  
**August 27, 2020**

A Conversation With:  
Craig Foreman, *Vice President*, PGIM Real Estate  
Nate Sahn, *Executive Vice President*, CBRE Hotels  
Terry Dammeyer, *President and CEO, Investments and Development*, White Lodging Services

On August 27<sup>th</sup>, ULI Chicago members convened for the Front Stoop Series to discuss "Hospitality: The Road to Recovery." The discussion was led by Craig Foreman, *Vice President*, PGIM Real Estate with Nate Sahn, *Executive Vice President*, CBRE Hotels and Terry Dammeyer, *President and CEO, Investments and Development*, White Lodging Services providing light on where hospitality is headed.

The conversation's opening thoughts set the tone for a deeper discussion. There is a glimmer of optimism for the long term as some hotel segments have seen better-than-expected performance in ADR and RevPAR than others.

**Where is the silver lining?** Extended stay hotels, economy hotels and drive-travel destination resorts have been performing relatively well compared to business, convention, and other types of hotels.

**What does a recovery look like?** Different opinions were shared for timing. One optimistic view of recovery by 2022 was offered while there was a consensus of a longer recovery cycle extending to 2024. There is also a level of consensus that the recovery depends on perception of risk to traveler. A vaccine or herd immunity will provide some level of comfort to hesitant travelers – but it won't happen instantly. For a full recovery, business and conference travelers will need to feel comfortable with the level of personal risk. But... will the ubiquitous use of virtual meetings displace a lot of the travel? Convincingly, no. *Face-to-face business is preferred for most major business interactions*. The exception is transactional business and most of this was conducted by phone before the pandemic.

So far, even with historic low RevPAR and national average occupancy rates at ~40% (~20% in urban markets), hotel operators have tightened their belts in the short term and anticipate pent up demand will drive an increase to ADR. They are counting on this for the summer of 2021 to get them through to achieving favorable business performance conditions.

**Closing thoughts included:** Will a successful sporting event or concert be a catalyst for people to gather in large crowds as a vaccine or herd immunity offers a lower level of risk? And, will society start attending conferences, booking rooms and eating at local restaurants soon after?

Summary written by Tony Kempa, *Managing Director, Shareholder*, Environmental Systems Design, Inc.