

DESTINATION LEVEL RESERVATIONS ACTIVITY SUMMARY

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north lake tahoe

Destination: North Lake Tahoe

Period: Bookings as of May 31, 2022

Executive Summary - Year over Year Variance and Analysis

Data based on a sample of up to 12 properties in the North Lake Tahoe destination, representing up to 1,625 Units ('DestiMetrics Census'**) and 50.3% of 3,229 total units in the North Lake Tahoe destination ('Destination Census'***)

MARKET OVERVIEW: Following the close of a spectacular Winter season last month, May starts our Summer season with a different tone. Occupancy levels at destination mountain resorts declined compared to prior years, -6.8 percent versus last year, and -13.6 percent compared to the pre-pandemic May 2019. Though occupancy actualized down versus the prior years, at \$259 Average Daily Rate (ADR) experienced increases of +5.6 percent versus last year, and +36.1 percent versus May 2019. May's stalemated performance can be considered an after effect of the economic pressures currently facing consumers. Key economic indicators show a reversal of recovery that has been "OK" at best for the past few months, with broad swings and net losses across markets. Combine the economic malaise with new COVID-19 case rates – which continue to show a direct correlation with consumer bookings - and the upcoming summer season is riddled with question marks. According to data reported by the Centers for Disease Control and Prevention (CDC) 7-day average new COVID-19 cases grew from 58,843 on May 1st to 103,774 on May 31st, an increase of +76.4 percent. While mask mandates, occupancy caps, and social distancing requirements have not been enacted in most if any locations, the prominent spread increases the risk factor for some travelers, potentially leading to cancelled trips or changes to travel dates. As COVID-19 cases increased and complicated travel, economic indicators for the month were sluggish. The US economy has experienced a slowing of job growth since March, putting further pressure on hiring managers in need of workers for the upcoming season. While unemployment remained at 3.6 percent for May for the third consecutive month, only 390,000 new jobs were added, a steep decline from the prior 3-month average of 526,000. As job growth slows, the Consumer Confidence Index (CCI) also remains stagnant. CCI decreased -2.0 percent in May to 106.4 points (1985=100), following a small increase in April, and continues to waver while being slightly down from the 111.1-point mark in January. Lynn Franco, Senior Director of Economic Indicators at The Conference Board said, "...consumers also do not foresee the economy picking up steam in the months ahead.". As consumers face the economic realities around them and consider their budgets, factors like gas prices drive discretionary spending. Crude oil prices increased +9.4 percent in May from April, and currently sit at \$114.38 per barrel, +72.5 percent higher than last year at this time. The rising cost of energy continues to be front of mind for many consumers as gas prices climb further and are starting to dictate changes in fuel consumption behavior. According to researchers at DataTrek, current US gasoline consumption rates are -3.0 percent lower than last year at this time, showing weekly declines between 3 and 5 percent since the start of April. In addition to job growth, the CCI, and crude oil prices indicating a stalled economic recovery, the Dow Jones Industrial Average (DJIA) experienced little change from last month, increasing +0.04 percent or 12.91 points, and closed the month at 32,990.12 points. With consumers facing pressures of price increases and a stalling economic recovery, traveling to their favorite mountain destination may take the back seat of paying the bills if rates continue to climb to unsustainable levels. Overall, while the first month of the summer season can be considered a rate win, falling occupancy rates should trigger some concern around how the rest of the summer season may pan out. Locally, North Lake Tahoe occupancy was up +17.9 percent in May versus 2021, accompanied by an increase in rate of +3.4 percent. North Lake Tahoe occupancy for the past six months (December - May) was up +34.4 percent compared to the same period last year, accompanied with an increase in rate of +22.9 percent. Bookings taken in May for arrival in May were down -72.1 compared to bookings taken in May 2021 (not shown).

		Year over Year		
		2021/22	2020/21	% Diff
a. Last Month Performance: Current YTD vs. Previous YTD				
Occupancy Rates during last month (May, 2022) were (17.9%) compared to the same period last year (May, 2021), while Average Daily Rate was also (3.4%).	Occupancy (May) :	38.8%	32.9%	17.9%
	ADR (May) :	\$316	\$306	3.4%
b. Next Month Performance: Current YTD vs. Previous YTD				
Occupancy Rates for next month (June, 2022) are up (11.8%) compared to the same period last year, while Average Daily Rate is also up (1.9%).	Occupancy (June) :	58.4%	52.2%	11.8%
	ADR (June) :	\$447	\$438	1.9%
c. Historical 6 Month Actual Performance: Current YTD vs. Previous YTD				
Occupancy Rates for the previous 6 months (December - May) are up (34.4%) compared to the same period last year, while Average Daily Rate is also up (22.9%).	Occ - 6 Month Historic	53.7%	40.0%	34.4%
	ADR - 6 Month Historic	\$454	\$369	22.9%
d. Future 6 Month On The Books Performance: Current YTD vs. Previous YTD				
Occupancy Rates for the upcoming 6 months (June - November) are down (-8.2%) compared to the same period last year, while Average Daily Rate is up (2.5%).	Occ % - 6 Month Future	33.9%	36.9%	-8.2%
	ADR - 6 Month Future	\$454	\$443	2.5%
e. Incremental Pacing - % Change in Rooms Booked last Calendar Month: May, 31, 2022 vs. Previous Year				
Rooms Booked during last month (May, 2022) compared to Rooms Booked during the same period last year (May, 2021) for all arrival dates are down by (-34.1%).	Booking Pace (May):	4.3%	6.5%	-34.1%

LOOKING FORWARD: Along with the greater economy, destination mountain travel appears to be approaching – or at – an inflection point that will manifest itself fully over the coming summer season. Sustained high room rates are combining with declining markets (and savings) and an 8.6 percent national inflation rate to put downward pressure on bookings, evidenced in a sustained 5-month decline in booking pace versus both last year and 2019. The declines in occupancy for the balance of the summer ahead is not being offset by the moderate gains in room rate, putting RevPAR into negative year-over-year territory for the summer as of May 31, something that hasn't happened since May 2010. Granted, RevPAR versus Summer 2019 at this point remains up dramatically, but those gains are built entirely on the dramatic 30 percent-plus higher rates being charged this year. As bookings soften, room nights decline by more than 6 percent, and the economy continues to take hits, the question must be "what's the solution?". Suppliers can choose to maintain current rate levels but at the risk of occupancy declines, in which case rate must grow enough to offset those declines to maintain revenue growth. Alternatively, suppliers can choose to ease rate downward and attract consumers that are feeling a pinch, hopefully recovering occupancy and keeping rates flat or down slightly from their pedestal. Both lead to success, but with a different look and feel – and perhaps long-term consequence. The recent experiences of the pandemic have taught the industry how to manage through a public health crisis, and they've done it exceedingly well. The recovery has been almost organic, and it's served to aid a strong recovery for the past eighteen months. But we now need to cast our memories back to lessons learned more than a decade ago, the last time the economy felt this much pressure, and ensure that we don't find ourselves upside-down and backwards as we did then. Locally, North Lake Tahoe on-the-books occupancy for June 2022 is up +11.8 percent compared to 2021, accompanied with an increase in rate of +1.9 percent. Occupancy on-the-books for the upcoming six months (June - November) is down -8.2 percent compared to the same period last year, with an increase in rate of +2.5 percent. North Lake Tahoe bookings taken in May for arrival May - October are down -34.1 percent compared to the same period last year.

For more information:			
North Lake Tahoe Contact Info:	Bart Peterson, Director of Sales	Bart@GoTahoe.com	www.GoTahoeNorth.com
	Amber Burke, Director of Marketing	Amber@GoTahoeNorth.com	
Inntopia Contact Information:		info@DestiMetrics.com	www.DestiMetrics.com