DESTINATION LEVEL RESERVATIONS ACTIVITY SUMMARY

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north lake tahoe

Destination: North Lake Tahoe **Period: Bookings as of Jun 30, 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 1,680 Units ('DestiMetrics Census'*) and 52.0% of 3,229 total units in the North Lake Tahoe destination ('Destination Census')**

MARKET OVERVIEW: June marks 2 months into the 2022 summer season with Average Daily Rate for the month holding steady above last year, up +2.3 percent, and more impressively, up +32.8 percent versus pre-pandemic 2019. However, slower booking pace resulted in softer occupancy for the month, down -2.9 percent versus 2021 and down -5.3 percent, compared the historic high of Summer 2019. What does this mean? A few things: 1) higher value consumers can withstand the high rates, and 2) they have continued to do-so even as economic conditions apply pressure possible bringing down the number of those consumers in the marketplace. Pursuit of this strategy in May and June, has resulted in Revenue per Available Room (RevPAR) being down -2.0 and -0.7 percent, respectively. As such, revenue strategists should consider all options for meeting revenue goals going forward, including improving occupancy rate with rate incentives. As the economy continues to work towards recovery, slowing is widespread. Consumers are starting to feel the pinch as the price of goods soar, not to mention the continuously rising cost of transportation. Widespread concerns of a decline in travel for the remainder of the summer are valid and should be part of seasonal planning going forward. Regardless, macroeconomic alarms are sounding as major financial houses and analysts are predicting a 75 percent chance of recession by quarter 1 of 2024. So, plan accordingly. One of the many signs we look towards for guidance monthly is job growth in the US. Jobs beat analysts' expectations, capturing 372,000 new positions while 250,000 were projected. Despite the job gains, unemployment has remained unchanged for the past 3 months at 3.6 percent. Job growth is considered quite strong, fueling arguments that the backbone of the economy is still intact, and will most likely signal to the Federal Reserve Bank that planned interest rate hikes can be stronger than initially intended, with a possibility of a full percentage point coming this month. It is important to remember that total nonfarm employment is still down 524,000 jobs from February 2020's total employment figure. In the travel industry, a massive gap of 1.3 million workers still exists compared to the highs of February 2020. Capturing the 3rd most new jobs gained in the month of June, there continues to be hiring in the Leisure and Hospitality sector, though the rate at which it is happening is slowing down. The good news on the economic front starts and stops at jobs though, as both the Consumer Confidence Index (CCI) and the Dow Jones Industrial Average (DJIA) decreased for the month with Consumer Price Index (CPI) and Inflation increasing yet again. The CCI fell -7.2 percent in June to 98.7 points (1985=100), following a decrease noted in May as well. As consumers were surveyed on their spending intentions looking forward, Lynn Franco, Senior Director of Economic Indicators at The Conference Board characterized travel intentions saying, "…Meanwhile, vacation plans softened further as rising prices took their toll." As previously mentioned, consumers are now more readily responding to changes in the price of goods as it seems there is no stop-point in sight. The Consumer Price Index (CPI), from which inflation is calculated, increased +1.4 percent in June from May (1982-84=100) and inflation is now at +9.1 percent. Inflation in the consumer marketplace may be the largest factor in the decision to travel as households are now feeling the squeeze on their budgets. As consumer marketplaces are down, financial markets are no different, and remain down as well with the Dow Jones Industrial Average (DJIA) decreasing since last month. Down -6.7 percent or -2,214.69 points compared to May, DJIA closed the month at 30,775.43 points . As we've noted in the past, the mountain travel consumer is generally more affluent, and therefore more likely invested in the marketplace. As decreased valuation of investments becomes more prominent, expect a slight pull back from these consumers regarding their spending habits. In June, the trend of economic malaise noted in May went a step further, and with that, consumers are starting to react to the myriad news sources and thought leaders using the terms recession and economic downturn. Hoteliers and property managers alike should note that the pent-up demand that fueled last summer season is not present in the marketplace this year and should stay nimble and set operating plans and sales strategies accordingly. Locally, North Lake Tahoe occupancy was up +7.6 percent in June versus 2021, accompanied by an increase in rate of +2.9 percent. North Lake Tahoe occupancy for the past six months (January - June) was up +19.5 percent compared to the same period last year, accompanied with an increase in rate of +14.6 percent. Bookings taken in June for arrival in June were down -38.3 compared to bookings taken in June 2021 (not shown).

		2022	2021	Year over Year % Diff
a. Last Month Performance: Current YTD vs. Previous YTD				
Occupancy Rates during last month (June, 2022) were up (7.6%) compared to the same period last year (June, 2021) , while Average Daily Rate was also up (2.9%).	Occupancy (June) :	61.3%	57.0%	7.6%
	ADR (June) :	$474	$461	2.9%
b. Next Month Performance: Current YTD vs. Previous YTD				
Occupancy Rates for next month (July, 2022) are down (-8.6%) compared to the same period last year, while Average Daily Rate is up (5.2%).	Occupancy (July) :	62.3%	68.1%	-8.6%
	ADR (July) :	$571	$543	5.2%
c. Historical 6 Month Actual Performance: Current YTD vs. Previous YTD				
Occupancy Rates for the previous 6 months (January - June) are up (19.5%) compared to the same period last year, while Average Daily Rate is also up (14.6%).	Occ - 6 Month Historic	54.7%	45.8%	19.5%
	ADR - 6 Month Historic	$438	$383	14.6%
d. Future 6 Month On The Books Performance: Current YTD vs. Previous YTD				
Occupancy Rates for the upcoming 6 months (July - December) are down (-19.0%) compared to the same period last year, while Average Daily Rate is up (6.3%).	Occ % - 6 Month Future	29.5%	36.4%	-19.0%
	ADR - 6 Month Future	$467	$439	6.3%
e. Incremental Pacing - % Change in Rooms Booked last Calendar Month: Jun. 30, 2022 vs. Previous Year				
Rooms Booked during last month (June, 2022) compared to Rooms Booked during the same period last year (June, 2021) for all arrival dates are down by "(-34.8%).	Booking Pace (June):	4.3%	6.6%	-34.8%

LOOKING FORWARD: Booking pace for arrival in June through November was slightly improved in June from its May performance, though it continued to underperform both 2021 and pre-pandemic 2019, the sixth consecutive month of declines. The resulting deficit in room nights will be hard or perhaps even impossible to overcome, certainly versus 2021 and likely versus 2019, as consumers withdraw from discretionary spending, including travel, and defend against 9.1 percent inflation. One result of current economic conditions is a shift in booking arrival dates away from the peak months of June, July, and August and towards the less-expensive arrival months of September, October, and the first winter season month of November. While still capturing those nights is a win for occupancy, rates for September and October are – on average – some 45 percent lower than for arrival in July and August, which will have an impact on the bottom line even as it sustains volume. Look for the pattern of lower-priced bookings for shoulder season arrivals to continue until such time that room rates for the busier months come down, which in the case of mountain destination is more of an "if" than a "when". Lastly, we can expect that consumers will continue to be fickler than we've seen in some time. The pent-up demand of reopening and vaccines has run its course and we expect that booking pace and volume will remain soft for the balance of the summer season. Economic conditions are not likely to improve within the next six months, and anticipating a slowdown is missing the boat; the slowdown has been measured and reported since January and the opportunity to stay ahead of it is running out. Locally, North Lake Tahoe on-the-books occupancy for July 2022 is down -8.6 percent compared to 2021, accompanied with an increase in rate of +5.2 percent. Occupancy on-the-books for the upcoming six months (July - December) is down -19.0 percent compared to the same period last year, with an increase in rate of +6.3 percent. North Lake Tahoe bookings taken in June for arrival June - November are down -34.8 percent compared to the same period last year.

For more information:

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