

DESTINATION LEVEL RESERVATIONS ACTIVITY SUMMARY

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north lake tahoe

Destination: North Lake Tahoe

Period: Bookings as of Aug 31, 2022

Executive Summary - Year over Year Variance and Analysis

Data based on a sample of up to 10 properties in the North Lake Tahoe destination, representing up to 1,494 Units ('DestiMetrics Census'**) and 46.3% of 3,229 total units in the North Lake Tahoe destination ('Destination Census'***)

MARKET OVERVIEW: As August is wrapped up and the final peak month of our summer season is in the books, we see some changes in booking patterns, as well as economic indicators, leading into the upcoming shoulder season. An increase in booking pace in August compared to both August 2021 and 2019, which is a reversal of the long negative trend in pace since the start of the year, is a positive move in the data. While some of this booking pace increase can be drawn to the surge in COVID-19 cases last year, keeping consumers from booking arrival dates in August and September, the increase is a heavy-handed 41.4 percent, leaving us to surmise that the increase cannot be attributed only to a lack of business last year. More importantly, an increase in pace of more than 5 percent versus pre-pandemic 2019 supports this position. This year, media coverage of a potential increase in COVID-19 cases leading into the summer, as well as the uncertainty (still) surrounding economic conditions largely played into consumer considerations when looking at traveling. Though economic conditions are changing, the potential COVID-19 surge came and went quietly, and consumers have recognized this. The Consumer Confidence Index (CCI) increased since last month, up 8.3 percent, to 103.2 (1985=100), the first month-over-month increase since April. After analyzing responses from consumers in the survey, Lynn Franco, Senior Director of Economic Indicators at The Conference Board shared, "..... vacation intentions reached an 8-month high. Looking ahead, August's improvement in confidence may help support spending, but inflation and additional rate hikes still pose risks to economic growth in the short term." While year-over-year inflation declined from 8.5 to 8.3 percent in August, actual prices increased from July, which has had a strong negative impact on financial markets. Though seemingly contradictory, this is a great example of the complexities around economic metrics. In the same realm of inflationary increases is our cost per barrel of crude oil, which directly influences the cost of travel, regardless of the method of transport. Oil prices decreased -11.1 percent in August, now standing at \$90.09 per barrel. This level is also still quite high as a similar analysis of 2011 to 2021 monthly prices shows an average price of \$68.38 (not adjusted for inflation) per barrel, a -24.1 percent decrease from current levels. While these are high levels, consumers have found a way to make it work, and have continued to travel to their favorite destinations, absorbing all the costs along the way, one of which is continued record-high Average Daily Lodging Rates (ADR). ADR continues to climb to the detriment of occupancy rate. August ADR notched \$413, up 5.0 percent versus last summer, and up a whopping 37.0 percent versus August 2019. While ADR was up, occupancy was down -5.0 percent versus last year, and -9.7 percent vs 2019. Though as noted in the past, this isn't the worst thing for property managers who have been struggling to hire staff since mid-pandemic reopening. A decrease in the overall number of guests at the property means less staff is needed to provide adequate services, and so far, the ADR increases have worked to meet revenue goals for most months prior to August, with RevPAR down a very slight -0.2 percent versus last year, while up 23.3% vs 2019. Will this tactic remain in place and remain profitable into the winter season and beyond is the (multi) million-dollar question. Expectations are that at some point a price ceiling will be met as a larger majority of consumers are priced out of the market, though it doesn't appear to be imminent as we saw booking pace jump in August. Overall, consumers are affirming their desire to travel in the upcoming months, and they have no problems paying the high rates, helping keep revenues flat versus last year, positive in the long run. Locally, North Lake Tahoe occupancy was up +21.6 percent in August versus 2021, accompanied by an increase in rate of -0.3 percent. North Lake Tahoe occupancy for the past six months (March - August) was up +7.7 percent compared to the same period last year, accompanied with an increase in rate of +2.9 percent. Bookings taken in August for arrival in August were up an undefined amount compared to bookings taken in August 2021, as last year had negative fill (not shown).

| | | Year over Year | | |
|--|-------------------------|----------------|---------|--------|
| | | 2022/23 | 2021/22 | % Diff |
| a. Last Month Performance: Current YTD vs. Previous YTD | | | | |
| Occupancy Rates during last month (August, 2022) were up (21.6%) compared to the same period last year (August, 2021), while Average Daily Rate was down (-0.3%). | Occupancy (August) : | 59.3% | 48.7% | 21.6% |
| | ADR (August) : | \$499 | \$501 | -0.3% |
| b. Next Month Performance: Current YTD vs. Previous YTD | | | | |
| Occupancy Rates for next month (September, 2022) are up (43.9%) compared to the same period last year, while Average Daily Rate is also up (13.0%). | Occupancy (September) : | 51.3% | 35.7% | 43.9% |
| | ADR (September) : | \$370 | \$328 | 13.0% |
| c. Historical 6 Month Actual Performance: Current YTD vs. Previous YTD | | | | |
| Occupancy Rates for the previous 6 months (March - August) are up (7.7%) compared to the same period last year, while Average Daily Rate is also up (2.9%). | Occ - 6 Month Historic | 55.5% | 51.6% | 7.7% |
| | ADR - 6 Month Historic | \$446 | \$433 | 2.9% |
| d. Future 6 Month On The Books Performance: Current YTD vs. Previous YTD | | | | |
| Occupancy Rates for the upcoming 6 months (September - February) are up (10.9%) compared to the same period last year, while Average Daily Rate is also up (8.5%). | Occ % - 6 Month Future | 24.6% | 22.2% | 10.9% |
| | ADR - 6 Month Future | \$402 | \$370 | 8.5% |
| e. Incremental Pacing - % Change in Rooms Booked last Calendar Month: Aug. 31, 2022 vs. Previous Year | | | | |
| Rooms Booked during last month (August, 2022) compared to Rooms Booked during the same period last year (August, 2021) for all arrival dates are up by (0.0%). | Booking Pace (August): | 6.1% | -1.9% | 0.0% |

LOOKING FORWARD: We enter the shoulder season with some momentum from the positive shift in booking pace in August. With an eight-month decline streak versus both 2021 and 2019 now broken, we'll look with interest on whether the gains can be sustained into the fall. Room rates, meanwhile, are picking up where they left off last winter, with double-digit gains on-the-books for each of the winter months ahead when compared to last year, and the large 30 percent – plus gains versus 2019 securing revenue wins over the long-term. Interestingly, the month that saw the largest benefit of the booking surge in August was January 2023, with a remarkable 38 percent increase in bookings for arrival in that month compared to pre-pandemic 2019. However, December remains soft – at least in terms of occupancy, largely the result of the shift in school breaks in the two weeks before the holiday, creating a sharp decline in occupancy for those days – but also an opportunity to fill in the blanks in the weeks ahead. And though we're feeling optimistic about much of the data, our concern around how consumers will respond to the dramatic declines on Wall St in response to the new inflation data are probably justified. Locally, North Lake Tahoe on-the-books occupancy for September 2022 is up +43.9 percent compared to 2021, accompanied with an increase in rate of +13.0 percent. Occupancy on-the-books for the upcoming six months (September - February) is up +10.9 percent compared to the same period last year, with an increase in rate of +8.5 percent. North Lake Tahoe bookings taken in August for arrival August - January are up an undefined amount compared to the same period last year, as last year's pacing was negative.

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