The University of Texas at TYLER Soules College of Business

Hibbs Brief

Hibbs Institute for Business & Economic Research

COVID-19 Pandemic Effects on the Hotel Industry during 2020 in Tyler MSA

Manuel Reyes, D.E.D.

In this issue of the Hibbs Brief, we discuss some facts related to the hotel industry and how it was impacted by the COVID-19 pandemic during 2020 in the United States and Tyler.

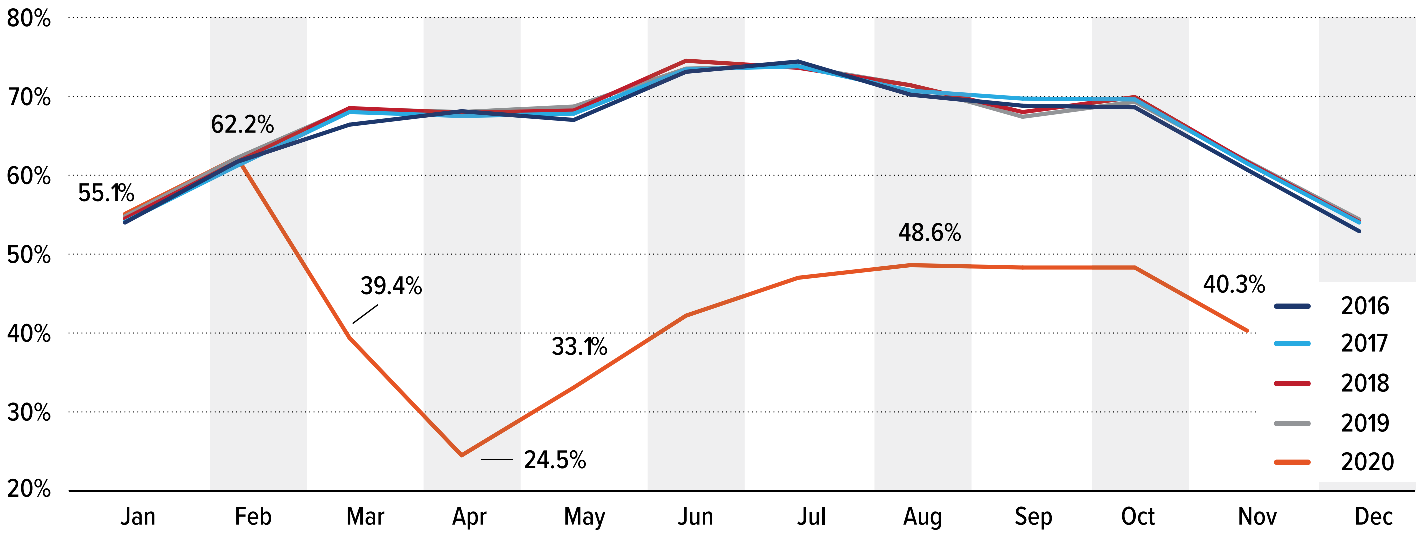
About 12 months ago, on January 20, 2020, the first patient of a new coronavirus (COVID-19) was diagnosed in the U.S. by the Centers for Disease Control and Prevention (CDC).[1] Probably none of us imagined how harmful this virus would be, affecting people's health and economy (among other things) across the entire world.

The pandemic caused by the virus impacted the U.S. economy differently from region to region and person to person. Different industries of the economy faced unprecedented challenges during the progression of the pandemic during 2020. Many cities across the nation shut down their business activities and encouraged individuals to stay at home for several weeks, affecting the economic activity of local businesses. Some businesses deemed non-essential, such as food services and bars, recreation and entertainment, many retail (not related to groceries), and personal care, were among the most negatively impacted.

In 2020, we were encouraged to follow some "healthy" practices to reduce the spreading of the virus. We cleaned our hands, we wiped surfaces, we wore a face mask, and we kept at least a six-foot distance from each other – the so-called "social distance rule." As we avoided having contact with other people, some common activities were substantially reduced, such as hanging out with family or friends at restaurants and bars, going to the movies, concerts, or visiting museums, and we canceled most of our traveling plans – if not all of them.

Last year, the hotel industry in the U.S. experienced its worst year on record. National occupancy rates fell dramatically to 44% on yearly average (with the lowest levels in April, below 25%), which represents a decrease of 33.3% with respect to 2019.[2] **Figure 1** illustrates fairly consistent occupancy rates from 2016 to 2019 in different months of the year. Other common metrics in the field also reflect considerable drops from 2019 to 2020. While the average daily rate (ADR)[3] decreased by 21.3%, the revenue per available room (RevPAR)[4] fell 47.5%.

Figure 1. Occupancy Rates in the U.S. (2016–2020)

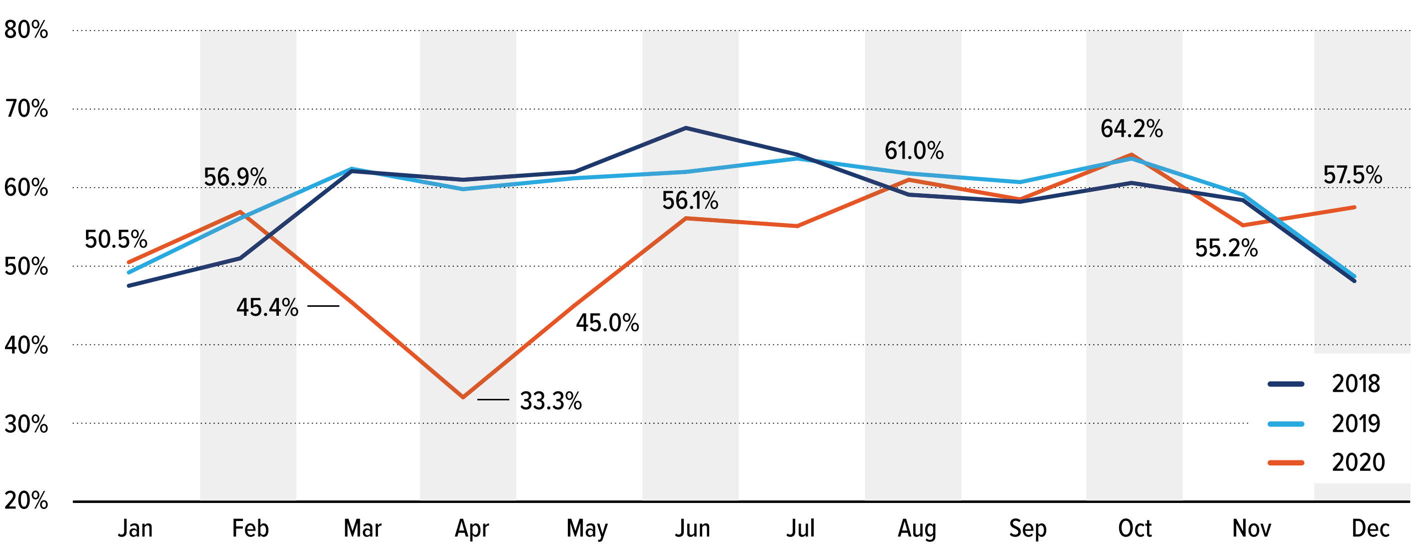


Source: Statista.com

Similar to the U.S., the pandemic has had a significant impact on the hotel industry in Tyler. The city has 42 hotel establishments, which currently have a total of 3,253 rooms.[5] In March 2020, when we saw the first COVID-19 case in East Texas,[6] occupancy rates fell and reached their lowest level, at 33%, in April during Tyler's business shut down. This number represents a drop of about 44% with respect to recent years (2018 and 2019). Although rates returned to normal in August (around 60%) and stayed consistent for a few months, occupancy figures went down again in November (55%)[7] when we saw a new spike of cases in the area (**Figure 2**).

Remarkably, occupancy rates went up in December to reach 57.5%, an increase of nearly 10 percentage points with respect to 2018 and 2019 in that same month (**Figure 2**). According to *Visit Tyler*,[8] the increase is the result of state-supported travel nurses who were brought into the regional area to provide specialized skills. The state collaborated with local healthcare professionals to address the nursing deficit caused by COVID-19. Tyler is located in the RAC-G[9] service area. *Visit Tyler* estimates that as many as 400 travel nurses stayed in local hotels.[10]

Figure 2. Occupancy Rates in Tyler (2018–2020)



Source: Visit Tyler Department, a division of the Tyler Area Chamber of Commerce.

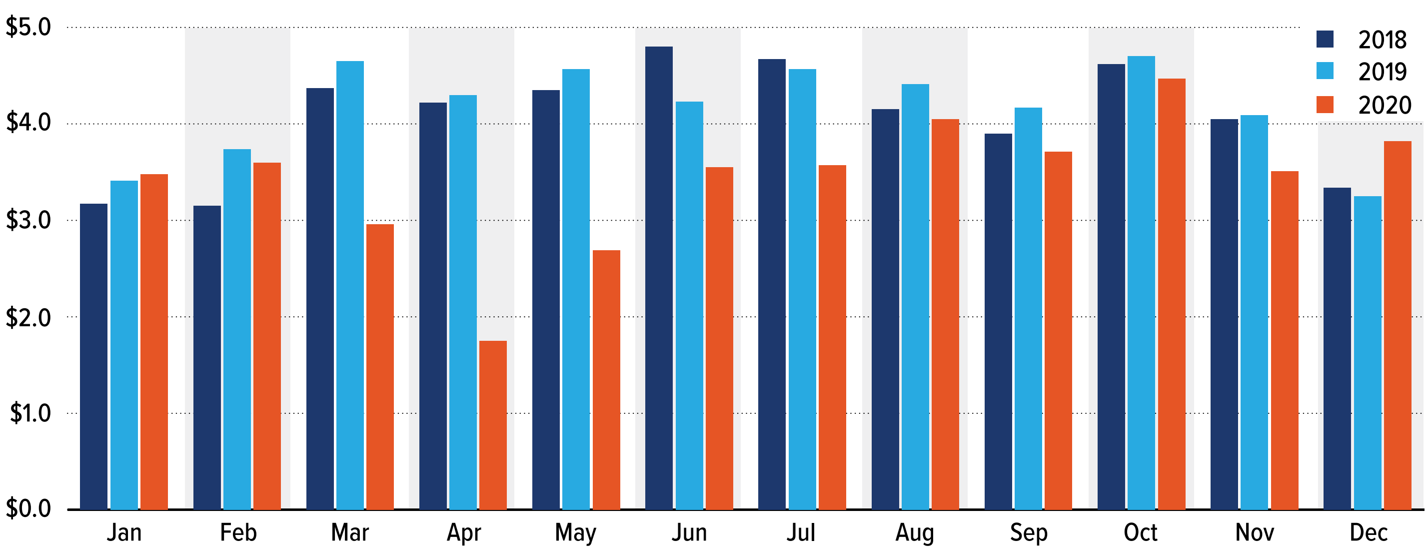
As a result of lower occupancy rates during several months in 2020, Tyler's hotel industry suffered financial losses (**Figure 3**). Between March and November of 2020 (months highly affected by the pandemic), the hotel industry experienced a $9.4 million decrease in revenue compared to the same period in 2019. The drop in revenue adversely affected the income of hotel proprietors and their employees who lost their jobs or may have had their working hours reduced during these months; a negative ripple effect is expected.[10]

The economic impact of tourism helps improve the standard of living for local residents. The tax revenues generated by tourism are very important to Tyler. The more dollars visitors spend, the more funds the city government collects to support public services such as street maintenance, law enforcement and public amenities (among other economic benefits). The *Visit Tyler* department has estimated that without tourism, every household in Tyler would see a property tax increase of $624 to maintain the same level of public services supported by the city and state governments.[10]

Without a doubt, 2020 was a very difficult year for all industries, and the Tyler hotel sector was no exception. Fortunately, the numbers for Tyler were not as bad as the national average; the drop was not as deep, and the bounceback was stronger. These figures are not just unique to the Tyler hotel industry. Several sectors of the local economy suffered proportionally less than their national counterparts–evidence of Tyler's economic strength and resilience. There is still a great distance to go on the path to recovery, and Tyler seems to be on the right track.

We would like to thank Ms. Shari Lee, president of *Visit Tyler*, for the information and data provided to the Hibbs Institute to produce this issue of the Hibbs Brief.

Figure 3. Hotel Industry Revenues in Tyler, in U.S. Dollars in Millions (2018–2020)



Source: Visit Tyler Department, a division of the Tyler Area Chamber of Commerce.

[1] "A patient in the United States was given a diagnosis of infection with this virus by the state of Washington and the U.S. Centers for Disease Control and Prevention on January 20, 2020."; Centers for Disease Control and Prevention.
https://wwwnc.cdc.gov/eid/article/26/6/20-0516_article

[2] "2020 officially the worst year on record for U.S. hotels"; press release, January 20, 2021. Smith Travel Research (STR).
https://str.com/press-release/str-2020-officially-worst-year-on-record-for-us-hotels

[3] The Average Daily Rate (ADR) is considered a key performance indicator. It accounts for the difference in room rates within a given hotel and is calculated by dividing room revenue by rooms sold: ADR = Total room revenue for that day / The total number of rooms sold that day
https://str.com/data-insights/resources/glossary

[4] The Revenue Per Available Room (RevPAR) is also considered a key performance indicator. It measures how more rooms translate into more profits and is calculated by dividing room revenue by rooms available: RevPAR = Total room revenue for that day / Number of rooms available
https://str.com/data-insights/resources/glossary

[5] These figures were obtained from the Visit Tyler department, a division of the Tyler Area Chamber of Commerce.

[6] The first confirmed case of COVID-19 in East Texas occurred on March 10 in Gregg County. On March 13, three cases were confirmed in Smith County. "COVID-19 by the Numbers in Texas"; UT Tyler Hibbs Institute.
https://www.uttyler.edu/hibbs-institute/files/briefs/2020/hibbs-brief-the-university-of-texas-at-tyler-covid-19-by-the-numbers-in-texas.pdf

[7] These figures were obtained from the Visit Tyler department, a division of the Tyler Area Chamber of Commerce.

[8] The Visit Tyler department, a division of the Tyler Area Chamber of Commerce. https://visittyler.com/

[9] Regional Advisory Councils (RACs) are the administrative bodies responsible for trauma system oversight within the bounds of a given Trauma Service Area in Texas. Each of the 22 RACs is tasked with developing, implementing, and monitoring a regional emergency medical service trauma system plan. Tyler and Smith County are located in the Service Area G. (https://www.dshs.texas.gov/emstraumasystems/etrarac.shtm). As the State of Texas continues to respond to the COVID-19 pandemic, it is imperative that the state's hospital regions—known as Trauma Service Areas—have the hospital capacity to serve the needs of Texans. The number of COVID-19 hospitalized patients in Trauma Service Area G has exceeded 15% of total hospital capacity, making it an area with high hospitalizations. (http://www.rac-g.org/EXECORD31.pdf).

[10] This information was provided to the Hibbs Institute by Ms. Shari Lee, president of the Visit Tyler department, a division of the Tyler Area Chamber of Commerce.