

# Sometimes it is about the destination

*As leisure travel continues to drive the recovery, hotels in destination markets prepare for a hot summer*

The summer of 2021 is shaping up to be a solid step toward recovery from the COVID-19 pandemic. Eager travelers, many of them fully vaccinated, are about to start long delayed trips, primarily to vacation destinations such as beaches and national parks.

It could mean the end of a long drought and not just for upscale resorts. Destination markets also provide benefits to midscale and economy class hotels.

For example, Danny Patel opened his Scottish Inn & Suites in Kemah, Texas, on Galveston Bay specifically to be in a resort area. His hotel now sits near the city's beachside boardwalk, with its amusement park, and a marina.

"It's a good location by the ocean," Danny said.

The past year has been challenging even for markets like Wilmington, North Carolina, where tourists used to flock to the city's beaches seven days a week, said Sanjeev Badhiwala, owner of a Red Carpet Inn in the town.

"It used to be Friday and Saturday, both days we got filled up, until this year," Badhiwala said.

Returning to pre-COVID, 2019 levels of business, the new post-pandemic goal, is still two or three years away. However, there's a lot of good news to encourage those who own hotels in markets that depend on tourism for survival, said Ali Hoyt, STR's senior director for consulting and analytics.

"We recently revised our U.S. forecasts for this year (see story p.



Sanjeev Badhiwala, owner of a Red Carpet Inn in the beach town of Wilmington, North Carolina, said tourists used to come seven days a week before the pandemic, but now that business is primarily on weekends. He is pictured here with his wife, Hita.

12) and we increased the occupancy projections because of the strong performance that we've seen during the first quarter and now continuing into the second quarter. All the signs are pointing to a strong Memorial Day weekend," Hoyt said. "All of those things point to this summer being better than last summer. Now, last summer isn't as hard to beat."

## *A nation on vacation*

Even last summer, however, destination markets saw upticks in occupancy during the summer months despite being in the midst of the pandemic. Now, a growing percent of the U.S. population has been vaccinated and even more people are expected to take vacations they have been postponing since last year.



**“We’re hoping everything goes right. Everybody can take a COVID-19 shot, so all these things are working in our favor to become a good summer.”**

**Danny Patel, owner of the Scottish Inn & Suites in Kemah, Texas**

Cities in Florida have been leading the way in occupancy gains for many months, Hoyt said.

“We saw a boost with spring break travel in Florida. And a lot of those markets now those are areas that typically perform very well,” she said. “Daytona is performing at just above their 2019 performance, so they’re doing incredibly well. Miami, Tampa, we’re right around 80 percent in Tampa, almost back to their 2019 numbers. So that’s really encouraging to see.”

Leisure travel also has led to increases in weekend travel, Hoyt said. Meanwhile, the top 25 markets tracked

by STR have been underperforming the rest of the country.

“So those big, urban markets like New York, Boston, San Francisco, Los Angeles, those large urban centers are still not performing as well,” she said. “That performance is really being driven by the leisure traveler right now.”

Still, Patel and Badiwala are preparing for a surge in the coming months.

### *Open for business*

Patel took over management of his hotel in the beach town of Kemah from his uncle, who retired. He said business has been slowed severely by the pandemic, but that’s beginning to change.

“The government put a lot of restriction on the bars and the restaurants and the amusement park. It literally shut down for six or nine months,” Danny said. “It’s getting better now since spring break and because the Texas has decided to open 100 percent on the bars and restaurants.”

Travelers also seem encouraged by the Centers for Disease Control and Prevention’s recent recommendation that vaccinated people no longer have to wear masks in most situations, Patel said. Guests at his Scottish Inn & Suites are required to have a mask on when they check in, but outside they can take it off.

The tourists coming to his town on weekends are mostly local, but some events do attract visitors from out of state.

“We had a crawfish boil the year before and a lot of people came from Louisiana to eat crawfish



**Danny Patel opened his Scottish Inn & Suites in Kemah, Texas, on Galveston Bay specifically to be in a resort area. His hotel now sits near the city’s beachside boardwalk, with its amusement park, and a marina.**



**Wilmington, North Carolina, hotelier Sanjeev Badiwala enjoys the beach with his family. The town used to see tourists coming for the beach seven days a week before the pandemic, Badiwala said.**

here because some of the restaurants makes the best crawfish,” Patel said.

In Wilmington, Badhiwala’s Red Carpet Inn sees some corporate business and construction workers during the week, but it’s also a beach town so the weekends are filled by tourists.

“It used to be seven days a week beach market but now it’s only for weekends because a lot of people stopped coming because of COVID,” he said.

Badhiwala said he is expecting business to start increasing over the summer.

“From May 15 through Sept. 15, it should be picking up all the weekends,” he said. “We are doing a lot better than other markets. And, also we have economy hotels and we’ve been here for a long time, so our ADR is good even if the occupancy got a little lower. It always goes up and down a little bit but



it's a more steady market.”

That steady market includes a particular type of competition in upscale resorts. However, Badhiwala and Patel operate economy hotels successfully with a little extra work.

## Keeping up with the neighbors

To compete with their luxury neighbors, midscale and economy owners do have to take some extra steps with the physical amenities at their properties.

“I spend a lot of money to get like a boutique hotel,” Patel said. “We put a hot tub outside for six people, a lot of things we needed.”

He also painted the building and

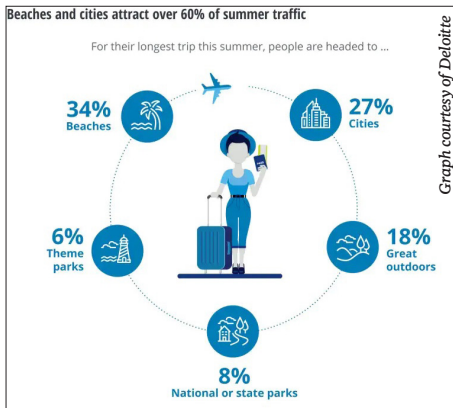


Photo by Chandan Khanna/AFP via Getty Images

**A boost in travel over spring break allowed some Florida hotels to surpass 2019 occupancy levels, according to STR. The city of Miami Beach, shown here in March, was overrun by crowds.**

doors in bright colors two years ago.

“A lot of things I’ve changed to keep the people happy,” Patel said.

Patel said also he gets customers because he’s half the price of a bigger resort.

Badhiwala said he constantly renovates his properties, and the layout of the rooms is attractive to tourists.

“Most rooms have microwaves and

some rooms have a stove and kitchen.

Especially for the Red Carpet Inn, we have a room with three beds with full kitchens for people who like to stay longer,” he said, adding that that feature also attracts corporate travelers. “Apparently people keep coming because they like to stay and they can tell other people ‘Hey, this place has three beds and a kitchen so let’s go there.’”

## Coming back strong

### STR: Some destination markets exceeding 2019 occupancy

**D**estination markets, particularly some beach communities in Florida and the Gulf Coast, are seeing surges in occupancy as COVID-19 pandemic restrictions ease, according to STR data. In mid-May, some of those markets exceeded 2019 levels for the comparable dates in that year.

The top five destination markets for the week ending May 15, with occupancy rates for this year compared to 2019, are:

Market	2019	2021
Florida Keys	80.5 percent	87.9 percent
Miami	79.4 percent	72.3 percent
Tampa, FL	72.8 percent	72.1 percent
McAllen/ Brownsville, Texas	63.9 percent	72.6 percent
Mobile, Alabama	65.4 percent	70.1 percent

“We’re starting to see some midweek gains, which points to business travel starting,” said Ali

Hoyt, STR’s senior director for consulting and analytics. “But, it’s still these leisure destinations that have been performing very well over the past.”

Orlando, one of Florida’s biggest tourist markets, is expecting a busy summer. By April, Orlando-area hotels are booked at 66 percent occupancy, the highest since the pandemic began and up from 51 percent during Christmas week, Daryl Cronk, director of market research and insights for tourism promotion agency Visit Orlando told local media.

“Spring break occupancy rates more than doubled where they were earlier in the year,” Cronk said. “The great performance for spring break has raised expectations for what we might be able to achieve in summer.”

The summer travel surge is benefitting luxury hotels as well as ADR for the segment is recovering faster than the total U.S. rate, said Jan Freitag,



**The Florida Keys saw 87.9 percent for the week ending May 15, up from 80.5 percent during the comparable week in 2019, according to STR. Destination markets, driven by leisure travel, are leading the recovery.**

STR’s senior vice president of lodging insights in a video analysis of April’s U.S. hotel performance.

“What we’ve seen in the summer at the beginning of 2021 is that the leisure customer with trillions of dollars in additional savings are eager to hit the road again,” Freitag said. “As vaccination numbers in the U.S. continue to increase, more travelers are willing to take trips just to get away and out of the house that they’ve occupied for the past 14 months or so.”

## The challenge of the day

The immediate future is brighter, but Hoyt said the recovery is still ongoing.

“Some of those Florida markets, we’re already seeing them, at least as we look at daily data, starting to return to those 2019 levels,” she said. “At the entire industry level, we’re forecasting that demand will recover to 2019 levels in 2023. So, we’re still a couple of years away from a full demand recovery.”

The main hurdle for hotels to leap at this point is staffing to meet the demand.

“I think that the most talked about thing right now in the industry is labor and just the shortage in the in the labor market that hotels in some of these areas that are seeing their occupancy levels return to what they saw in 2019,” Hoyt said. “Labor is a significant challenge.”

Patel said he has encountered that problem, particularly since the pandemic has required them to do more cleaning.

“I’ve had to do it myself,” he said. “It’s hard to find a labor.”

The lack of job applicants is forcing hotels to continue wage increases and offer special signing bonuses, said Jan



Photo by Frederic Brown/AFP via Getty Images

The rising vaccination rate in the U.S., along with slowing cases of COVID-19 infections, is contributing to high expectations for the summer travel season.

Freitag, STR’s senior vice president of lodging insights in a video analysis of April’s U.S. hotel performance.

“Hiring is not happening fast enough and some operators are telling us that they’re leaving rooms unsold not because there’s no demand but because they just don’t have the capacity to

clean them,” Freitag said. “If that issue is not resolved throughout the summer it can certainly be a headwind for the fall when corporate travel demand is going to pick up in earnest.”

The only other challenges with operating in destinations like Kemah and Wilmington are higher insurance rates from operating close to the ocean and higher property taxes, the hoteliers said. Their outlook remains mostly positive.

“We are hoping it will be a bit more compared to last year because last year, we were almost shut down,” Patel said. “We’re hoping everything goes right. Everybody can take a COVID-19 shot, so all these things are working in our favor to become a good summer.”

Ali Hoyt, STR’s senior director for consulting and analytics, said destination markets should expect a strong summer this year.



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