QUARTERLY MARKET REPORT

Q3 2021

NAVIGATING HOTEL NEGOTIATIONS IN A CHANGING ENVIRONMENT

INTRODUCTION

The more things change, the more they stay the same. Or do they? There are a lot of travel suppliers and prognosticators who probably wish they could take August out of the mix for 2021.

At TRIPBAM, we've been tracking hotel data across the globe and saw a 10% month-over-month rise in market rates since January, as noted in the second quarter edition of our Quarterly Market Report. We expected that trend to continue — but then August hit.

In this edition of our Quarterly Market Report we'll take a look at the plateau of market rates in the middle of the quarter. We'll also review traveler booking behavior by brand, chain, and destination and the impact those bookings are having on rates and market share.

As always, we'll share some forward-looking guidance and offer updated strategies travel buyers can use to adapt their programs to the various market shifts underway for the rest of 2021 and into 2022.

One tip to keep you reading: last room availability (LRA) is about to become a much bigger issue.

METHODOLOGY

The data outlined in this report is sourced from TRIPBAM's global hotel data covering the Americas, EMEA, and APAC. The analysis is based on data pulled September 12 from TRIPBAM's system and is based on a 12-month running average unless otherwise indicated in the text or charts that follow. The booking data is limited strictly to corporate bookings made by TRIPBAM customers and does not include leisure or large group bookings.

CHANGES IN AVERAGE MARKET RATE, BOOKED RATE & VOLUME

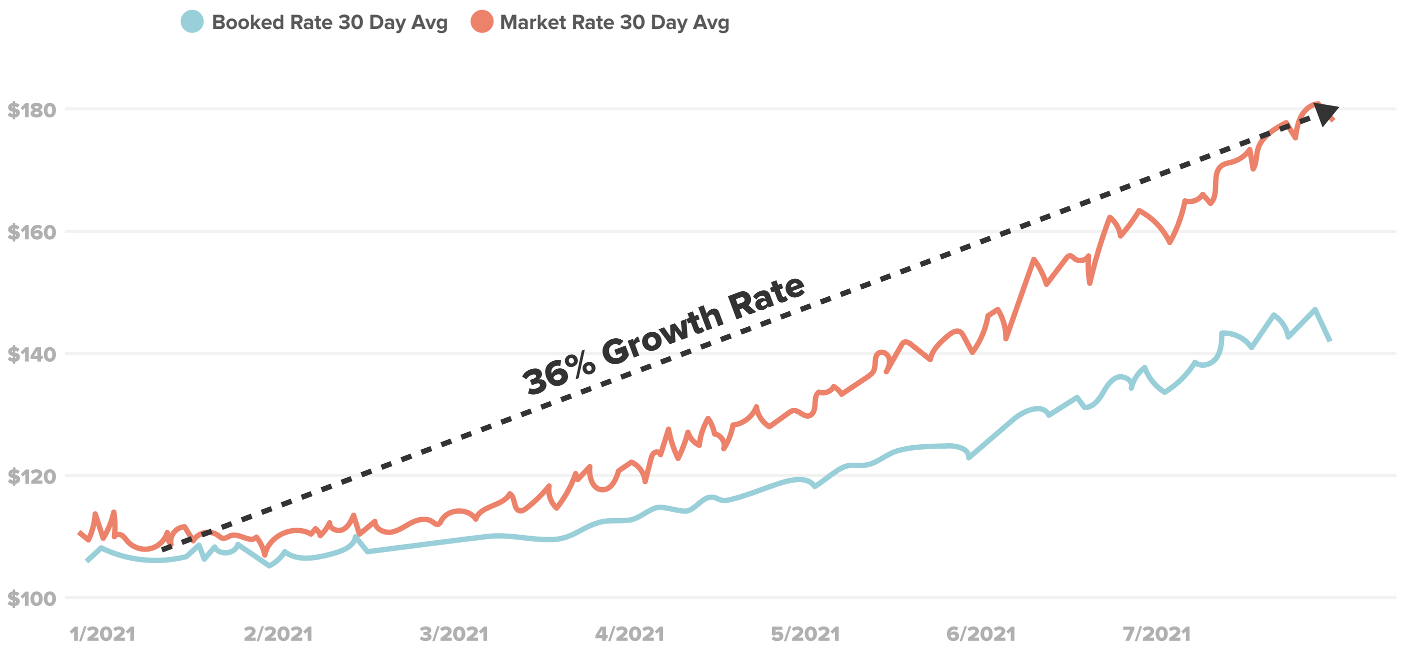
Looking from the second quarter of this year to now, the biggest change we've seen is in market rates (the best available rate in the market, or BAR) and booked rates.

Global market rates are down 28% from an average of $234 to $168, while global booked rates are down 22% from an average of $195 to $150.

On an individual market basis, rates are down most significantly in San Francisco (-36%), New York City (-20%), Orlando (-9%), and Boston (-12%). We're seeing higher rates in Atlanta (1%) and Dallas (91%).

As highlighted in our Q2 report, global market rates had been increasing approximately 10% month-over-month since the start of 2021. That continued in July but halted for a couple of weeks in August when market-rate growth flattened out.

RATE GROWTH, BOOKED RATES & MARKET RATES: GLOBAL



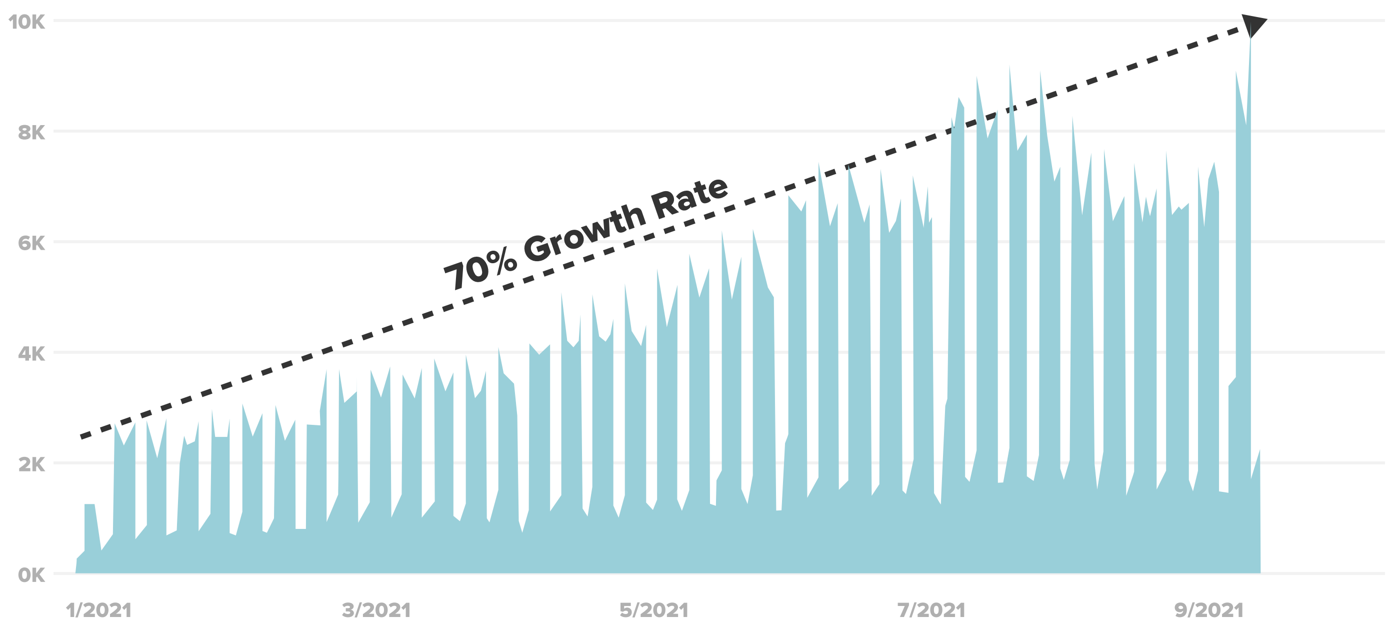
This is on par with what other travel suppliers and corporates reported. A Global Business Travel Association survey released August 26 attributed the change to the emergence of the Delta variant of COVID-19. Some 81% of travel professionals who work for companies that haven't resumed non-essential business travel said their company is likely to hold off on resuming non-essential domestic business travel because of the variant and 79% said the same for international business travel.

August also saw the return of increased rate volatility, which relates to the variability of hotel rates over time. It's a metric that was on a fairly consistent downward trend since the start of 2021. As of September, rate volatility was 16% on average, higher than the 2019 average of 12%. For those leveraging TRIPBAM reshopping in their hotel programs, higher rate volatility translates directly to increased savings.

Despite the performance we saw in August, our early data from September shows that volumes are back on the upward swing and volatility is again going down, indicating that the dip we saw was related more to late summer holidays than it was to long-term concerns about the Delta variant.

From the second week in January to the first week of September, new bookings on a global basis rose 70%, even with the August blip.

NEW BOOKINGS (VOLUME): GLOBAL



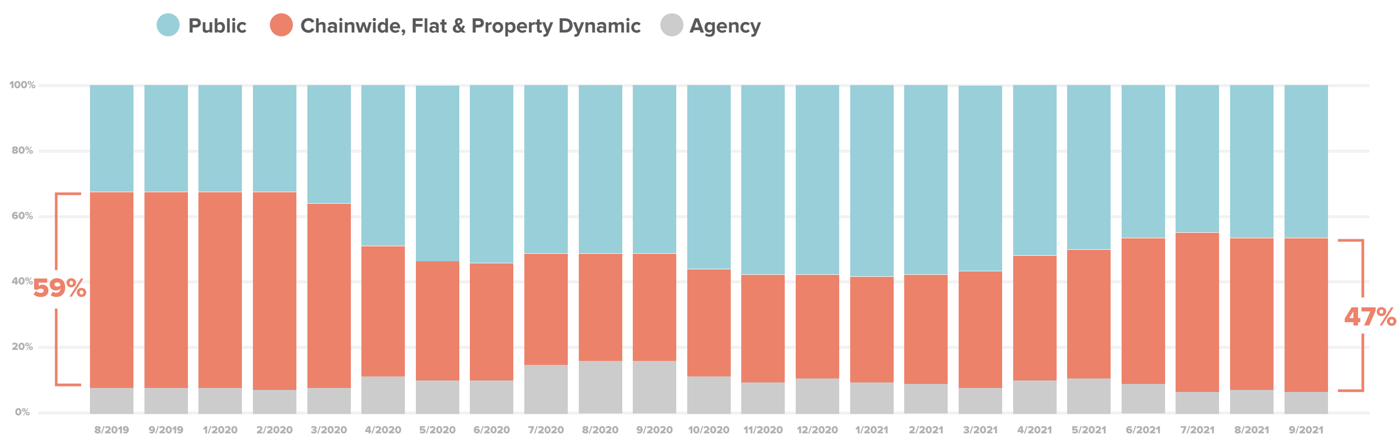
In the Americas, volume is down about 70% from 2019 levels and rates are down 17%. Pent up leisure travel has pushed up rates in leisure markets, including Miami, Fort Lauderdale, and Vegas, with many markets seeing rates already above 2019 levels.

In Europe, where travel remains more restrictive than domestic US travel, volume is down 77% from 2019 and rates are down 10%.

CHANGES BY RATE TYPE, STAR RATING & CHAINS

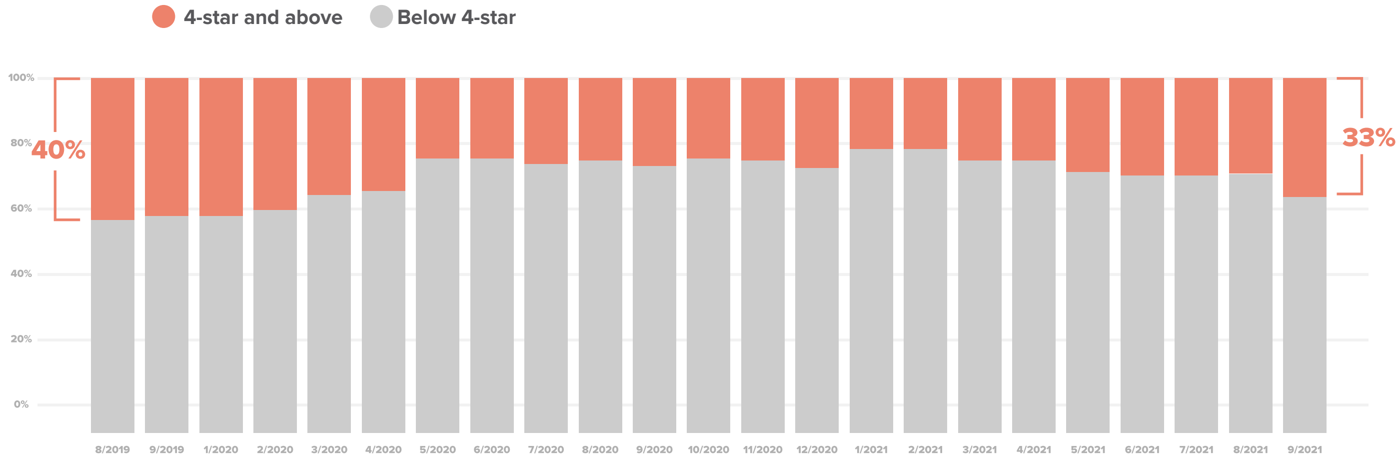
Corporate travelers are booking negotiated rates 47% of the time, an improvement from the second quarter share of 26%. However, that's still down from 2019 when negotiated discounts were being used 59% of the time. That's bad news for corporate travel managers who opted to rollover their negotiated rates to 2021, as they're likely being beat by competitive publicly available rates. We do expect that to change in 2022 and the share of negotiated rates booked by travelers will trend closer to 2019 levels.

RATE TYPE USAGE: 2019 VS. 2021



Essential workers and personnel continue to make up the bulk of those business travelers still hitting the road. That means extended-stay accommodations and lower chain scale properties in suburban markets are securing a greater share of the bookings than typical business travel properties. Travelers are booking upscale hotels only 33% of the time, compared to 40% in 2019, but that share has been trending upwards as more companies loosen travel restrictions.

SHARE OF 4-STAR AND ABOVE BOOKINGS AMONG CORPORATE TRAVELERS: 2019 VS. 2021



Taking a look at the performance of major chains around the globe, Hyatt, Marriott, and the independent category of hotels have seen the greatest declines in both volumes and rates. This is to be expected given the portfolios of Hyatt and Marriott feature a higher proportion of luxury and upper-upscale brands and properties than some of their competitors.

LOOKING AHEAD TO Q4 & BEYOND

Despite some setbacks to corporate travel's recovery, the industry appears to be moving in a positive direction. What can buyers expect to see for the remainder of 2021 and the start of 2022?

In terms of volume, TRIPBAM data suggests business travel bookings on a global basis will be between 40% to 60% of 2019 levels by year-end. As of the end of 2022, we expect to reach 80% of 2019 volumes.

TRIPBAM's conversations with corporate buyers have pointed to a longer-term reduction in business travel bookings owing to a combination of improved video conference technology, internal budget cuts, and new sustainability initiatives. We estimate a 20% reduction in business travel long-term compared to 2019.

As noted in previous reports, labor shortages, stalled new builds, and properties operating at reduced capacity have and will continue to create a mismatch between hotel supply and hotel demand.

We anticipate market rates will reach 2019 levels by the first quarter of 2022 and will likely exceed 2019 levels in the proceeding quarters.
In the Americas in particular, where recovery is advancing more quickly than in Europe, the window to negotiate favorable discounts with hotels is closing quickly. The seller's market is almost here.

WHAT BUYERS CAN (& SHOULD) DO NOW

As we enter an environment where rates are expected to increase and demand will outpace supply, it's important for buyers to adapt their programs accordingly.

Here's what we recommend:

1. **Audit for last room availability.** That corporate travel staple is going to become a much bigger issue in 2022. Make sure you negotiate for it and have a way to verify your travelers are actually getting it.

2 **Stay flexible.** As the market continues to shift and the threat of new variants and surges in COVID remain, consider using continuous sourcing to adjust your program as needed.

3 **Don't roll over rates.** You may have chosen to do it for 2021, but for 2022 you really should be securing new discounts and doing it as soon as possible to get favorable agreements.

4 **Don't fear dynamic discounts.** In the past, these may have been difficult to calculate and audit, but TRIPBAM has your back, making it easy to do both and secure savings.

5 **Leverage rate caps and targets.** Rates are sure to spike by market and during periods of high demand in 2022, so make sure you set limits on which rates travelers can book through your company's online booking tool.

6 **Beware dual rate loading.** Some corporates worked with their hotel partners to introduce dynamic discounts and rollover their 2020 static negotiated rates to act as a rate cap for 2021—an arrangement that guaranteed the best of both worlds. But TRIPBAM contract audits have revealed that dual rate loading is often having the opposite effect. The static rate is acting as the floor rate, rather than a cap, leading corporates to pay more.

The changes brought about in the market by COVID will continue to have a long-term impacts on the hotel industry and hotel program managers.

The imbalance we expect to see between hotel supply and hotel demand will drive rates up even as organizations use budget concerns, sustainability and video conferencing technology as drivers to cut travel volumes. This environment has and will persist in making it difficult to predict what will happen to rates in any given market.

For those buyers who opt to negotiate static rates with hotel properties, make sure you're tracking how they're performing against publicly available rates so you don't end up overpaying. For those buyers willing to adopt dynamic discounts, we expect you'll have a better opportunity to realize savings for your organization as the markets continue to swing in 2022 and beyond.