

VOICES OF MONTANA TOURISM REPORT FOR MONTANA LODGING & HOSPITALITY ASSOCIATION

by Dax Schieffer, Director of Voices of Montana Tourism

We are emerging from one of the most disruptive events in this industry's history and sincerely wish this newsletter update finds you healthy, healing, and hopeful. From the depths of uncertainty we all experienced at the beginning of the pandemic and lock-down to a recovery for many parts of the state that have exceeded expectations, this is the time to reflect on how Montana must chart its path forward.

Voices of Montana Tourism was formed ten years ago with the goal to bring together stakeholders and unite on the core issues impacting the visitor economy. Voices strives toward this goal with education and outreach to communicate the immense value a sustainably-grown industry provides for all Montanans.

It should be noted for newer members, your association played a key role in the development of Voices of Montana Tourism and have leveraged your position to maximize influence on the most critical issues facing our state.

The visitor economy landscape looks very different than it did just two years ago, and the work of Voices is more important than ever in managing the story and addressing incorrect assumptions as they arise. As we shared at the MLHA Annual Conference in Whitefish,

two distinct trends are occurring in Montana that must be approached differently but are equally important to be addressed.

It is clear from the data that the eastern part of Montana is still reeling from the effects of the pandemic and has not shared in the recovery. By looking at the first 2 quarters of bed tax collections of 2021 as compared to 2019, Missouri River Country and Central Montana are tracking 6 percent declines in sales with Southeast Montana nearly flat. The numbers are more distressing compared to 2020. This is the time that Montana needs to double down and ensure proper resources are in these communities providing economic stability and promotions to increase visitation. Fortunately, Voices is at the table to support this needed effort with partners at MLHA.

The other trend is at face value, a success story. Western Montana and communities near Yellowstone and Glacier have seen record visitation. By using the same data measuring bed tax collections of Q1 and Q2 of 2021 to 2019, we see Glacier Country tracking 52% increase and Yellowstone Country at 37% increase. However, new threats have emerged while these growing areas are managing workforce issues connected with

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MONTANA LODGING AND HOSPITALITY ASSOCIATION 2021/ 2022 BOARD OF DIRECTORS

Officers

Tim Giesler, Chair – Term expires 2023

Billings Homewood Suites

3420 Ember Lane tim.giesler@erckhotels.com
Billings, MT 59102 406-656-0525

Jim Tucker, Vice Chair – Term expires 2023

Comfort Suites of Helena

3180 N. Washington St. JimT@townpump.Biz
Helena, MT 59601 406-495-0505

Whitney Bergmann, Treasurer – Term expires 2023

Best Western Plus Grant Creek Inn

5280 Grant Creek Road whitney@bestwesternmissoula.com
Missoula, MT 59808 406-543-0700

Matt Sease, Past Chair – Term expires 2023

Hampton Inn and Suites

6340 Hwy 93 South matt@lamberthotels.com
Whitefish, MT 59937 406-581-8798

Directors

Bryce Baker – Term expires 2022

My Place - Kalispell

755 Treeline Road kalispell@myplacehotels.com
Kalispell, MT 59901 406-752-4847

Erica Kimble – Term expires 2023

Hilton Garden Inn – Billings

2465 Grant Rd. erica.kimble2@hilton.com
Billings, MT 59102 406-281-9625

Stefan Cattarin – Term expires 2023

Billings Homewood Suites

3420 Ember Lane Stefan.Cattarin@Hilton.com
Billings, MT 59102 406-656-0525

Shelli Mann – Term expires 2022

Boothill Inn & Suites

242 E Airport Rd. shellimann@boothillinn.com
Billings, MT 59105 406-245-2000

Valerie Edwards – Term expires 2022

Springhill Suites Bozeman/Residence Inn Downtown Bozeman

1601 Baxter Lane Valerie.edwards@marriott.com
Bozeman, MT 59715 406-579-0910

Barb Rooney- Term expires 2022

Big Sky Resort

P.O. Box 160001 brooney@bigskyresort.com
Big Sky, MT 59716 406-995-5800

Becky Henne – Term expires 2022

Lambert Hotels

75775 Hwy 43 becky@lamberthotels.com
Divide, MT 59727 406-465-0147

Steve Wahrlich – Term expires 2023

Best Western Plus ClockTower Inn

2511 1st Avenue North sw@bwclocktowerinn.com
Billings, MT 59101 406-325-1732

Sandra Johnson-Thares – Term expires 2023

O'Haire Motor Inn

P.O. Box 1667 omi@mcn.net
Great Falls, MT 59401 406-454-2141/406-788-5682

Sales & Marketing Council

Melissa Sigmundstad, President – Term expires 2022

Cottonwood Inn & Suites

54250 U.S. Highway 2 melissa@cwimt.net
Glasgow, MT 59230 406-228-3021

Chantelle McDuffie, Vice President – Term expires 2022

Lambert Hotels

6820 N. Montana Ave. chantelle@lamberthotels.com
Helena, MT 59602 406-410-0620

Allied Director

Dan Cramer – Term expires 2022

First West Insurance

1905 Stadium Dr. Dan@fstwest.com
Bozeman, MT 59715 406-922-6062/406-589-4260

Ad Hoc

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H1 2021 U.S. LODGING CAPITAL MARKET TRENDS

NOTABLE IMPROVEMENT IN LODGING PERFORMANCE SPURRED TRANSACTION ACTIVITY IN H1 2021

The COVID-19 pandemic had a drastic and immediate impact on U.S. hotel investment activity, with total hotel transaction volume down 72% in 2020 relative to 2019. In 2021, we are seeing renewed optimism around hotel investment following the rapid dissemination of vaccines, which has boosted leisure demand and consumer travel sentiment. In YTD June 2021, RevPAR recovered to 70% of 2019 levels. This performance is translating to increased transaction volume, with H1 2021 sales totaling \$15.3 billion, up nearly three times the level achieved in the same period in 2020 and 40% above H1 2019 levels. The extraordinary surge in volume was supported by portfolio transactions, most notably The Blackstone Group and Starwood Capital Group's joint acquisition of Extended Stay America for \$6.0 billion. Moreover, Q2 2021 saw four staggering luxury resort transactions close at \$1.0 million+ per room.

RECORD LEVELS OF DRY POWDER MAKE PRIVATE EQUITY THE DOMINANT ACQUIRER OF HOTEL ASSETS

Despite the flurry of fundraising activity that occurred in 2020 – \$17.8 billion raised in closed-end funds targeting hotels & hospitality assets in North America – private equity groups continue to raise funds in early 2021, raising \$6.3 billion in H1 2021. Given the buyer group's vast financial resources, it's no surprise that since April 2020, private equity has accounted for 63% of overall hotel transaction activity. With an abundance of capital to be deployed, private equity is anticipated to continue searching for high-yield acquisition opportunities across the hotel sector.

Family offices and high net worth investors are also increasing their participation in the hotel investment space by evaluating opportunistic hotel investments at meaningful discounts. Hotel REITs have been selective acquirers, with the buyer group embracing a disciplined investment strategy as they continue to monitor liquidity levels and pay off debt.

HOTEL INVESTMENT RECOVERY WILL BE UNEVEN AND INFLUENCED BY MARKET CHARACTERISTICS

While travel sentiment and overall trends in the lodging

industry are pointing in a positive direction, the recovery timeline for different markets and hotel types stands to be uneven, more so now with the rise of the delta variant. When we take a closer look at hotel investment activity across the top-five most liquid markets in H1 2021, it becomes apparent that investor interest is focused on resort destinations or high-growth, less dense secondary markets. As evidenced, markets such as Fort Lauderdale and California North observed the highest year-over-year increases in transaction volume. While it is true that New York reigns as the top liquid market under the analyzed period, it is also the market that remains the most depressed when comparing YTD June 2021 RevPAR to YTD June 2019 RevPAR, suggesting that the market's recovery timeline will be more protracted. This is a phenomenon other urban markets are expected to observe given their dependence on transient business and group demand. In the second half of the year, we could see more investment activity in urban centers influenced by opportunistic hotel investors looking to enter markets at a historically attractive basis.

THE HOSPITALITY DEBT MARKETS STRENGTHENED IN THE FIRST HALF OF 2021

The hospitality debt markets improved significantly in the first half of 2021 with spreads tightening 100 - 200 basis points since January. While the focus remains on the highest quality assets, markets, and sponsors, all major lender types – banks, debt funds, life insurance companies and fixed/floating rate CMBS lenders – are now back in the market and the number of active lenders within each lender type is growing. Moreover, leverage levels have increased with banks and insurance companies pushing leverage to 65% from 55% - 60% earlier in the year. Similarly, debt funds are willing to push leverage levels as high as 75% - 80% for the best assets but prefer to maintain leverage at 70% or lower. In terms of pricing, apart from CMBS Single Asset Single Borrower (SASB) securitizations which offer higher leverage and lower pricing, banks continue providing the lowest cost of capital. Construction financing is selectively available, but only for the most extraordinary projects and best sponsors.

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MLHA ISSUES TWO LEGISLATIVE AWARDS

CONGRATS & THANKS SENATOR ELLSWORTH & SENATOR HOVEN!

The Montana Lodging & Hospitality Association (MLHA) is pleased to announce that Senator Jason Ellsworth of Hamilton and Senator Brian Hoven of Great Falls have both received "Distinguished Legislator Awards."



Senator Jason Ellsworth (left) receives MLHA award from Stuart Doggett of MLHA.

SENATOR ELLSWORTH

MLHA Chair, Tim Giesler stated, "Senator Ellsworth was chosen because of his extraordinary leadership in sponsoring Senate Bill 52, a bill that modernizes outdated tax laws and clarifies which entities should be remitting lodging taxes. For years we have been concerned that new types of lodging accommodations, sold

through on-line platforms, did not comply with laws followed by traditional lodging operators."

Giesler added, "MLHA has supported bills similar to SB 52 in past sessions that did not cross the goal line, but in working with Senator Ellsworth, we have finally passed a significant policy change that ensures tax fairness without increasing tax rates."

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higher expenses, sustainable housing and daycare shortages. (We recognize all of Montana shares these challenges.) These threats are spilling into challenges at the community level on perceptions of the value visitors bring that we must be proactive in setting the narrative.

We are seeing important work being done by the regions and CVB's in engaging residents to ensure long term success in family businesses. Voices of Montana Tourism can serve an important role in using the data to illustrate the positive economic impact improving services that are in essence, subsidized by the visitors.

Addressing these two different concerns is an evolved approach to adopt and with your continued support, we are prepared to lead with innovative organization shifts and targeted messages.

SENATOR HOVEN

MLHA Board Member Sandi Johnson-Thares, who is also the owner of the O'Haire Motor Inn stated, "Senator Hoven was chosen because his steadfast effort in sponsoring Senate Bill 152, a bill we requested to allow for online training involving swimming pool recertification. This money saving bill changed the law to allow interested lodging operations the option of providing online recertification training instead of having to wait and pay for in-person programs. This bill recognizes the future is here."

Sandi added, "Senator Hoven also sponsored and passed Senate Bill 396, a bill that revises antiquated boiler licensing laws and creates a new, more practical category to licensing low-pressure engineers. The old laws created regulatory burdens and thanks to Brian, we now have a simpler process for commercial businesses to license engineers that operate basic hot water boilers."



Senator Brian Hoven

WELCOME
NEW MEMBERS!

Lodging

- Kimpton Armory Hotel – Bozeman
- Three Bears Motel – Lincoln
- TownePlace Suites by Marriott – Whitefish
- AC Hotel Bozeman Downtown
- Days Inn and Suites by Wyndham Downtown Missoula - University
- Residence Inn Bozeman Downtown
- Residence Inn Bozeman by Marriott-East Valley
- The Forge by Best Western – Anaconda
- The Duck Inn Lodge - Whitefish
- Whitefish Downtown Suites

MLHA AWARD WINNERS

WELL DONE ERICA, CHANTELLE AND STUART



CHANTELLE MCDUFFIE "SALES & MARKETING COUNCIL PERSON OF THE YEAR"



Chantelle McDuffie, Regional Sales Director for Lambert Hotels, received the "Sales and Marketing Person of the Year Award" during the Association's annual Awards Banquet.

MLHA Board Member Becky Henne shared the following regarding Chantelle's achievements. "As the

Regional Sales Director for Lambert Hotels, Chantelle covers a large territory from Billings to Whitefish effectively and with the utmost of professionalism. In her duties, she pulls from her past experiences in hotel operations to support the family of Lambert Hotels. She does so by keeping daily contact with accounts and hotel properties in her region. While Chantelle balances a full plate, she still finds time to be deeply committed to her local Helena community and serves as the Vice President of the MLHA Sales and Marketing Council."

We wish to congratulate Chantelle as the 2021 MLHA "Sales and Marketing Person of the Year" and share our gratitude for her work on behalf of the Montana lodging industry.

ERICA KIMBLE "LODGING PERSON OF THE YEAR"



Erica Kimble, General Manager of the Hilton Garden Inn in Billings, received the "Lodging Person of the Year Award" during the Association's annual Awards Banquet on October 19 in Whitefish, Montana.

Presenting the award to Erica was Shelli Mann, MLHA Board Member and General Manager of the Boothill Inn in Billings.

She detailed Erica's extensive record of achievements and read portions of the award nomination letter that stated, "During the pandemic, Erica did not waiver and came to work with a positive attitude which reflected throughout the hotel. At the local level, she also gives back and generously donates her time whether it's for Special Olympics, food drives or blood drives."

Erica is a member of the MLHA Board of Directors and was the Chairperson of the Annual Conference Committee. Congratulations Erica!

STUART DOGGETT "TOURISM FRIEND OF THE YEAR"



MLHA Executive Director, Stuart Doggett was announced as the Association's "Tourism Friend of the Year Award," during this year's convention banquet. Stuart is the third recipient of this award that was first presented to Dax Schieffer in 2018 and Alex Tyson in 2019.

MLHA Board Member and Legislative Committee Co-

Chair Steve Wahrlich, presented the award to Stuart and stated, "Stuart has long been in the background pushing and advocating for our Association at the Montana Legislature. This award recognizes the amount of time and effort he has spent, especially in recent years, to work with the Legislature as well as with current and past administrations to protect our interests. He has given a lot and worked hard for MLHA."

In his concluding remarks, Wahrlich noted that Stuart had been deeply involved in the crafting of legislative bills in the last two sessions that enhanced funding for historic projects across Montana, as well as a bill to make sure on-line travel companies collect and remit all accommodation taxes. A row of five small colored dots: orange, teal, gold, light blue, and red.

SALES & MARKETING COUNCIL MEETING

By Chantelle McDuffie, Sales & Marketing Council Vice President



"Unity is strength... when there is teamwork and collaboration, wonderful things can be achieved."

~ Mattie Stepanek

Unity and collaboration throughout the hospitality sales community in Montana was a common theme at the council meeting this year. More specifically, how would it be possible to grow the council and enable the members to communicate with one another on a simplified level. More than ever, we need to nurture our relationships and expand the foundation currently in place.

While we only had a few members at the annual meeting, we had a fantastic discussion on some of the challenges we all have faced over the course of the last year and a half. The hospitality sales market shifted in ways unparalleled, and, consequently we saw restrictions that had a devastating impact on travel and tourism. The pandemic brought with it hardships including months of shutdowns, the inevitable furloughs, and in some cases hotel closings.

International travel became all but nonexistent and domestic travel slowed to a trickle except for essential travel. Sales became scarce and what little business there was came primarily in the form of RFPs which had to be concise, quick, comprehensive, and in most cases benefited the clients and rarely the property. With the abrupt loss of demand and traditional markets, it became critical to evaluate and shift strategies. Many of our members were furloughed, worked reduced hours, or took on additional roles at the properties while others were fortunate enough to continue their roles unabated.

When the spring of 2021 arrived the travel industry began to recover with a vengeance and is anticipated to have a full recovery by 2023 or 2024. Unfortunately, there were still group cancellations primarily in the spring, schools weren't allowed to take overnight trips until the fall, and international travel was especially challenging as borders were slow to open. Overall, most of us started to see an increase in rates with summer coming in extraordinarily strong as people were ready to reconnect, discover new destinations, revisit their favorites, or just get away from the confines of their homes.

Overall, our meeting was filled with a broad spectrum of strategies on how to effectively rebuild our relationships as we return to work and welcome new members to the board. In addition, our goal is to engage our members and build a stronger council through communication, referrals, and connections that will benefit not only our members, but the hospitality industry in Montana. Since the last time we met we have seen so many changes in the market, both good and bad, it is essential that we empower each other on ways to thrive and move forward towards a brighter future.

JUST A FEW REMINDERS:

The Sales & Marketing retreat will remain in Missoula for the 2022 year at the AC Hotel Missoula with the dates to be determined. It was voted in for the 2021 year but, due to the pandemic and employee concerns, it was postponed for a year.

General Managers please ensure that the sales contact for your property has been updated with MLHA.

A MESSAGE FROM THE CURRENT COUNCIL PRESIDENT

It saddens me deeply that I could not be at the conference to see all your friendly faces in person. As we are all aware, things have been difficult and very different this past year. I want to praise you all for realizing how important the Montana Lodging and Hospitality Association is, and for attending this meeting. It is the professionals like you that make this industry such a great one. I hope that you all have found new professional connections, friends, better practices, and useful tips to help you navigate the ever-changing waters that are our industry. Charge ahead, keep your chin up and continue to be the strong, amazing professionals I know you all are.

Melissa Sigmundstad

Sales & Marketing Council President

REMINDER

CHANGES IN LODGING RELATED LAWS-EFFECTIVE SINCE OCT. 1, 2021



We remind MLHA members that starting October 1, 2021 there are three changes in Montana law that have positive impacts for the lodging industry. Each of these three changes were the result of bills MLHA supported and successfully help pass during the last legislative session. Please see an explanation of each change below.

SB 52 – This bill was supported by MLHA to revise the lodging facility use tax, align definitions of two bed taxes and require registration and payment by short-term rental/on-line booking. MLHA was instrumental in enhancing the bill to clearly define “Online Hosting Platforms” so there is no question about which entities should be remitting lodging taxes. This new law went into effect on October 1, 2021 and MLHA has been working with the Department of Revenue in an effort to ensure the law is accurately enforced. We have shared this information in various MLHA e-bulletins as well as posting information on the Association website.

SB 152 – A bill supported by MLHA that allows for online training involving swimming pool recertification. The bill was passed and went into effect October 1.

Lodging properties can now have the option of online training to help members meet state requirements while reducing the costs of having to send staff out of town for testing programs.

SB 396 – A bill supported and passed by MLHA to revise boiler licensing laws and create a new category for limited, low-pressure engineers. This measure also went to effect on October 1 and it allows for a simpler and cheaper process for commercial businesses to license engineers to operate hot water heating boilers that are “Not in excess of 30 pounds per square inch gauge pressure and 210 degrees F temperature, and hot water supply boilers not in excess of 160 pounds per square inch gauge pressure and 210 degrees F temperature.”



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Based on the amount of available liquidity and improving fundamentals, we expect this positive momentum to continue through the balance of the year. As evidence, our pipeline includes balance sheet financings – bank, debt fund and life insurance company – and SASB CMBS financings, and covers the broad array of transaction types: existing stabilized assets, light and heavy value add situations, new hotels with modest cash flows that are ramping up, medium and large construction deals, preferred equity/joint venture equity and loan restructurings and modifications.

THE LODGING SECTOR'S DELINQUENCY RATE REMAINS FLAT RELATIVE TO PRIOR MONTH AT 13.6% BUT IMPENDING LOAN MATURITIES POINT TO THE POTENTIAL FOR RISING DISTRESS ON THE HORIZON

Lenders continue being accommodative with hotel owners by granting forbearance agreements and as such, the level of distress originally anticipated has not manifested as yet. At the height of the pandemic,

hotel delinquency rates peaked at 23.2% in June 2020. Since then, rates have steadily declined and in June 2021, stabilized at 13.6%. Helping curtail the level of distress in the market has been the \$1.9 trillion government stimulus packaged provided by the Biden Administration coupled with improving cash flows at the property level as demand has recovered quicker than expected once city COVID-19 restrictions were lifted.

Nevertheless, as the lodging industry continues to face challenges while operating in a COVID-19 environment, many owners will soon have to grapple with maturing debt loans. According to data reported by Trepp, between 2022 and 2025, \$31.8 billion worth of securitized hotel debt is set to mature. Looming debt maturities and relatively elevated loan delinquency and foreclosure rates should result in increasing opportunities for hotel acquisitions at attractive price points in the mid- to long-term. (JLL Research)



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Events



FEBRUARY 7, 2022

Tourism Advisory Council Meeting, Zoom

OCTOBER 3, 2022

Tourism Advisory Council Meeting, Location
TBD

APRIL 17-19, 2022

Governor's Conference on Tourism, Billings

OCTOBER 2022

MLHA Annual Convention & Trade Show,
Northern Hotel, Billings, Dates TBD -
Tentatively October 25-27

JUNE 14-15, 2022

Tourism Advisory Council Meeting,
Lewistown

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