

Who would have thought?

Merriam-Webster defines the term “forecast” as *“to calculate or predict (some future event or condition) usually as a result of study and analysis of available pertinent data.”* After the passage of time a forecast can then be compared with what in fact occurred. In most cases, forecasts end up being different compared to what transpired, and regardless of how sophisticated the methodology, there are always matters beyond one’s control that can impact prediction(s) one way or the other. Forecasting is fundamentally challenged by the innate uncertainty rooted in many “unknown unknowns,” and therefore prediction of the future is a best and/or educated informed guess.

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The global health crisis of 2020/2021 is among the most significant events to occur during the past 100 years. Included are the start of World War I and II during 1914 and 1939 respectively; the 1941 attack on Pearl Harbor ushering the entry of the U.S. into WWII; the assassination of President John F. Kennedy in 1963; the fall of the Berlin Wall in 1989; the attacks of 9/11/2001; and the global financial crisis of 2007-2008. Today, we are approaching the two-year anniversary of the World Health Organization COVID-19 pandemic declaration and the subsequent pronouncement of a U.S. national emergency and lockdowns.

Obviously, prior to late 2019, no one on the planet forecasted a global pandemic. Furthermore, once the epidemic evolved into a full-blown crisis, a tremendous amount of uncertainty of additional unknowns roiled markets throughout the world. Thinking back to late Q1 2020, most could not have imagined any of the following notions and/or events that were about to occur during this extraordinary calamity.



- Panic buying resulting in a shortage of toilet paper.
- The shortest ever U.S. economic recession lasting just two months.
- A swift U.S. economic recovery unlike any in recent history.
- Consumers becoming flush with trillions of dollars of fiscal stimulus and snapping up manufactured goods and scarce materials at a record pace.
- Corporate earnings experiencing a boost from unleashed pent-up consumer demand resulting in record high stock market indexes during a worldwide pandemic during 2021.
- After sudden mass layoffs, companies across most industries being unable to fill labor positions needed to support rebounding consumer demand, due in part to a phenomenon now commonly referred to as the Great Resignation.
- A booming economy triggering turmoil as high demand coupled with widespread shortages of raw materials, commodities, and labor, along with supply chain challenges placing upward pressure on prices and resulting in a surge of inflation not seen for decades.
- Corporations adopting permanent work-from-home arrangements.
- A record surge in home prices.
- Virtual meetings becoming a permanent phenomenon.
- Institutional investment firms raising significant amounts of leverageable capital in anticipation of a wave of distressed commercial properties including hotels, that ultimately never transpired.

- An unprecedented amount of domestic and overseas debt and equity earmarked for all capital stack tranches in connection with single existing and proposed hotel assets, portfolios, and mergers and acquisition financings and refinancing's.
- Record setting pricing of select geographic lodging markets and trophy resort properties.

Forecasting is regarded as the basis for rational business and/or investment decision-making. No different than a meteorological agency utilizing data to predict the weather, business forecasting employs historical facts and information to make reasoned estimates about the direction of future trends.

In a fast-changing world, uncertainties and risk are inherent in all forecasts. Uncertainty is difficult to manage but uncertainties can be converted into known risk. When risk is understood, it can be categorized, mitigated, managed, hedged, or even avoided.

Uncertainties require continual review to identify changing facts and circumstances that affect risk. While business forecasting will always be critical to making well-founded decisions, it is important to be cognizant that predicting the unpredictable is to some extent a crapshoot, and that accurate forecasting is based in part on science and luck.