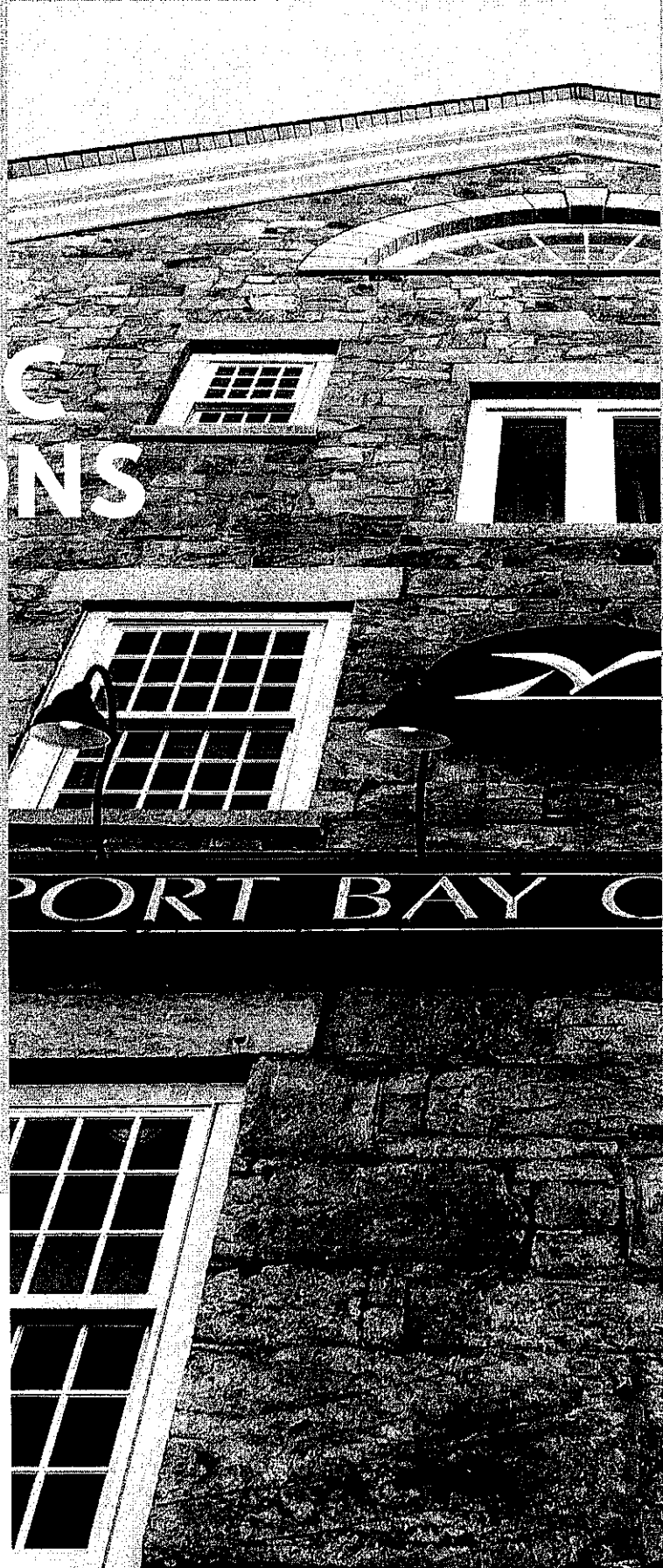


ECONOMIC CONDITIONS REPORT 2020



NEWPORT BAY CLUB & HOTEL
THE HEART OF HISTORIC NEWPORT HARBOR

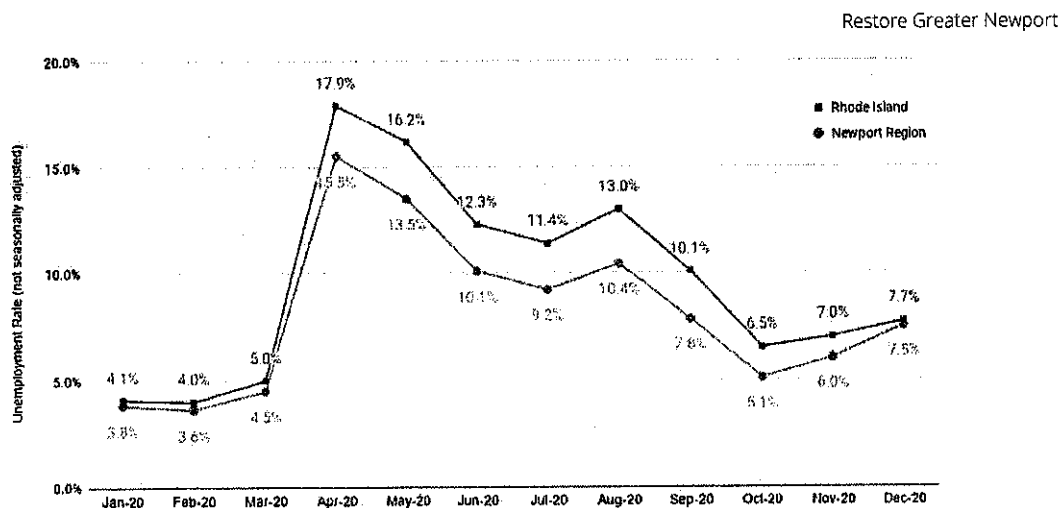


2020 Economic Conditions Report

The Newport Bay Club Homeowners Association develops an annual economic conditions report for distribution to our membership that is designed to provide you with a snapshot of the economy and its impact on the tourism industry in and around Newport and Rhode Island. As 2020 began, the predictions for the travel industry were confident and strong – an industry that had seen a decade of growth was expected to continue the trend, and then the COVID-19 pandemic changed it all.

Impact of COVID-19

Rhode Island's economy was doing well at the end of 2019, with the unemployment rate at 3.2%. It was difficult for service-oriented businesses like hotels and restaurants to find and keep employees. Then the pandemic hit, and by Mid-March 2020, Rhode Island's Governor closed the state for all but essential services. Between March and April, the Ocean State lost 98,100 jobs, and the unemployment rate skyrocketed to 18.9%. Today, while there has been some recovery, the unemployment rate at the end of December was 7.7%. Since the pandemic began more than 15,700 leisure and hospitality jobs remain lost in Rhode Island.



In December 2019, the unemployment rate was 3.2% for the state, 2.7% for Bristol County, and 2.9% for Newport County.

There is still a long road to recovery for Rhode Island. University of Rhode Island economist Leonard Lardaro told the *Providence Journal* in December, "Rhode Island got crushed." And he along with others predict the state will not recover from the effects of the pandemic for at least three to five years. Gary Sasse, founding director of the Hassenfeld Institute of Public Leadership at Bryant University, told the *Journal*, Rhode Island's economy is "fragile and uncertain."

Impact of COVID-19 on the BayClub

As the pandemic took hold in March, by April our room revenue was down by 97% and as each day progressed, we were receiving cancellations for hotel reservations in May and June with no clear indication as to when things might change. When the federal government offered small businesses the opportunity to partake in the **Payroll Protection Program**, the Board authorized our general manager to move forward in an effort to preserve our staff. We were approved and received a PPP loan from Bank Rhode Island for \$92,750. While we had strong months in January, February, July, August, September and October ultimately, we ended 2020 with occupancy down 25% which combined with a decrease in our average daily rate by 9% resulted in total room revenue down by 29% for the year from 2019 levels.



By Spring of 2020, the Greater Newport Chamber of Commerce, along with several other organizations on Aquidneck Island launched **Restore Greater Newport** - a task force dedicated to regaining economic prosperity in the region. The organization is a group of private, public, and government representatives working collaboratively to minimize the economic impact of the COVID-19 economic crisis, especially for the most vulnerable businesses and workers in the community. Restore Greater Newport tracks the impacts to the hotel and hospitality industry in Newport and the surrounding areas. You can visit their website to see its' Recovery Dashboard which provides updates including room rates, occupancy and other key metrics for the Newport Region. The Newport Bay Club and Hotel is a member of the Greater Newport Chamber of Commerce.

Travel Outlook for 2020: News of COVID-19 vaccines being approved for use in the United States has had an immediate impact on the travel industry. On December 11, 2020 the same day the Pfizer vaccine was approved, Rate Gain, the travel technology company whose software is behind the booking platforms for Hotwire, Trivago, Hyatt and others said it represented the largest number of daily bookings since the pandemic began. The US Travel Association notes that while leisure travel spending was down 34% in 2020 in the United States, it is predicting leisure travel spending will grow by 20% in 2021 and by 15% in 2022. Meanwhile new research from Hotels.com finds Americans will make up for being home with spontaneous travel in 2021. In fact, 89% of Americans in a Hotels.com survey say they intend to be more spontaneous than ever with 35% more likely to drop everything to grab a vacation if they can't.

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Looking ahead at the BayClub

As the vaccine roll out continues, we anticipate our bookings will increase, just how long that will take however, remains to be seen. We saw in 2020 great improvement when lockdowns were lifted, but when states like Massachusetts and New York imposed travel restrictions to Rhode Island, our occupancy numbers suffered.

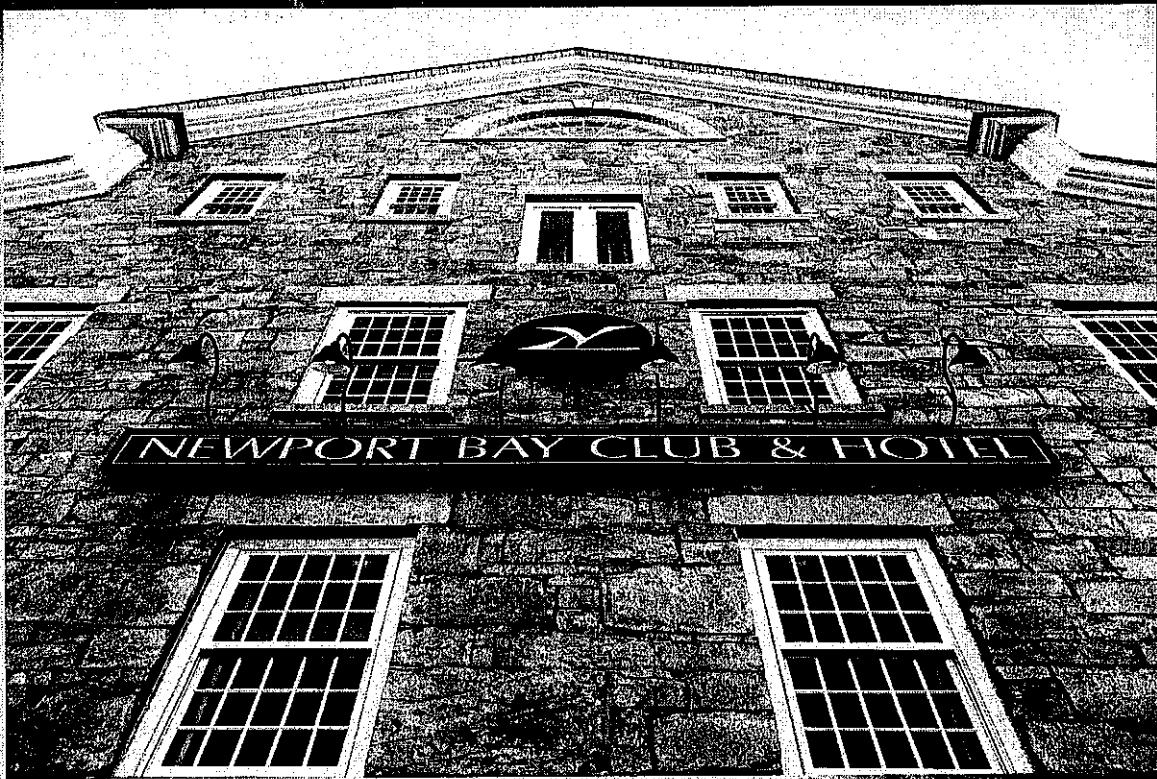
We have a strong property in a great location. We have invested in anti-COVID-19 precautions, and our guests repeatedly let us know they feel comfortable at the Bay Club. Rest assured, we will be here, when you are ready to visit.

Finally, it is important to note, that in 2018 when the Board of Directors recommended changing the by-laws to remove the requirement of a vote in 2021 on whether the Bay Club would continue as a timeshare association, we could never have predicted the world-wide economic collapse brought on by the pandemic. As you know our by-law change simply removed the requirement of such a vote in 2021. Thank goodness we did hold that vote at that time, and it was approved, for if we had not, we well might have found a situation where we had a vote forced upon us that could have spelled economic disaster for all of us.

The bylaws of the Newport Bay Club Homeowners Association were drafted by the original developers when they began selling units here in 1984. After reviewing the bylaws, the Board's legal committee is recommending updates to a number of provisions that we are legally held to, but that are simply out of date in the 21st Century and impede our ability to conduct business efficiently.

In the coming months, the Board will be making recommendations to you as to specific by-law changes that will modernize our operating structure and for which you will be asked to vote upon during our annual meeting in November.





Newport Bay Club Homeowners Association
2020 Economic Conditions Report