



Analysts, economist outline factors behind more conservative US hotel outlooks

Despite slower demand growth, consumer intent to travel still stable



STR President Amanda Hite speaks during the NYU International Hospitality Investment Forum. (NYU IHIF)

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NEW YORK — Hotel data experts took a deep dive on what's happening in the industry at the NYU International Hospitality Investment Forum this week to explain the macroeconomic factors pressuring travel and tourism in realistic ways.

Across three keynote addresses, each presenter considered wavering consumer sentiment, the enduring labor market and changing tariff landscape — among other factors — to present a state of the industry and economy as it pertains to hoteliers.

Downgraded hotel forecast

STR President Amanda Hite detailed a revised U.S. hotel outlook for the rest of the year, lowering expectations in light of the softer hotel performance that surfaced in the first and second quarters. Not every data point is positive, she said, but things aren't as bad as they may seem. Revenue per available room, for instance, is up across the country by 1.6% through April. That's compared to 0.5% growth last year.

"I keep telling people, 'don't read the headlines.' I think it's good to ground ourselves in what's actually happened, because RevPAR year to date is actually ahead of where we were this time last year," she said.

Hotel demand is also telling a different story. While the data show demand slowing, it's not the full picture. Bifurcation across the demand segments is continuing, with growth in the higher chain scales and decline in the lower ones.

"The headlines make it seem like things are falling off a cliff, but we do have demand growing," Hite said.

U.S. hotel average daily rate is still lagging inflation, and expense growth is outpacing revenue growth — especially with labor costs continuing to rise. Hite said these are headwinds to keep an eye on for the rest of the year.

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The updated forecast for the year affected all top-line metrics. Supply was downgraded by 0.1 percentage point, demand was decreased by 0.6 percentage points, ADR was reduced by 0.3 percentage points and RevPAR was lowered by 0.8 percentage points. STR made similar changes to the 2026 forecast, slightly lowering the growth outlook for supply, demand, ADR and RevPAR.

US hotel forecast
Year-over-year percent change

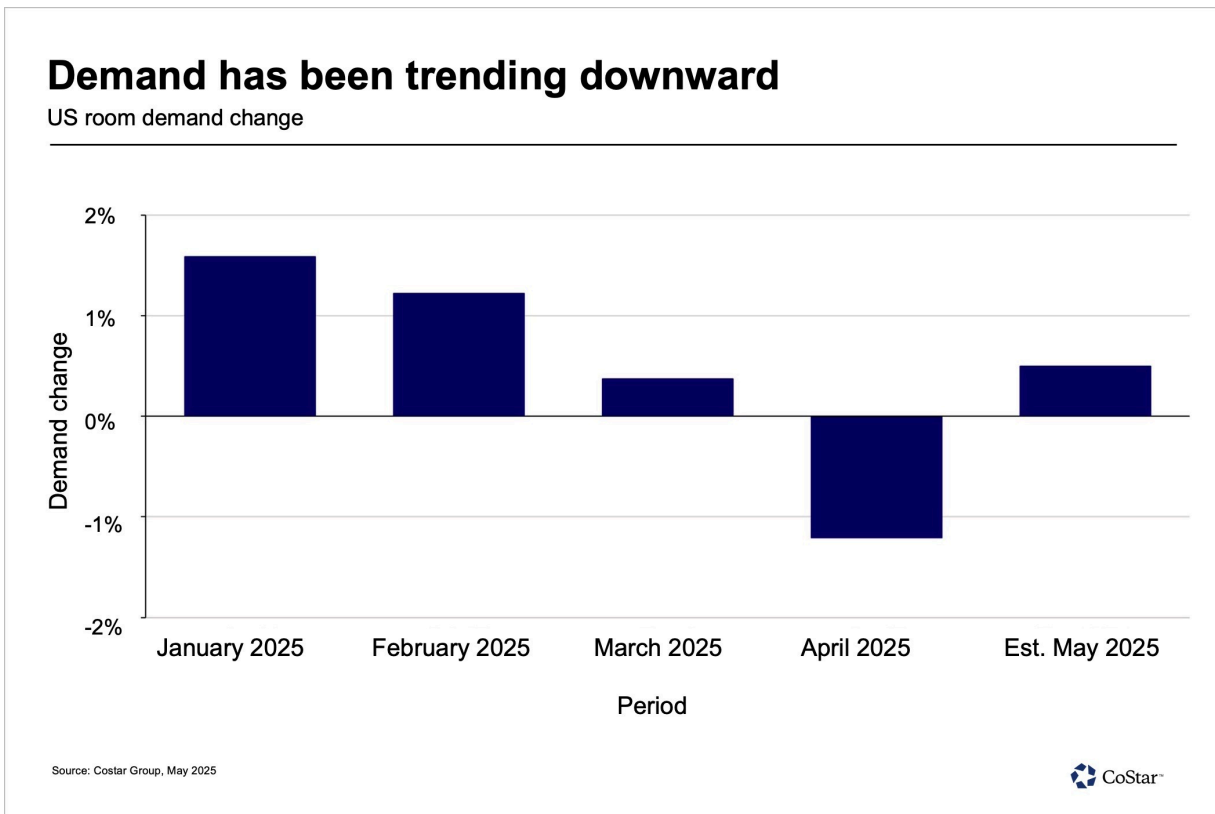
	2024 Actual	2025 Forecast	2026 Forecast
Supply	+0.5%	+0.8%	+0.8%
Demand	+0.5%	+0.5%	+1.1%
Occupancy	63.0%	62.8%	63.0%
Average daily rate	+1.8%	+1.3%	+1.3%
Revenue per available room	+1.9%	+1.0%	+1.5%

Source: CoStar Group, Tourism Economics, May 2025



"Looking at demand across the country, it has definitely been a roller coaster so far in the first five months of the year, but there have been some really bright spots," Hite said, pointing to RevPAR growth in most of the top 25 markets and weather-related events that drove demand in certain parts of the country. Changes to the Easter holiday

and and elongated spring break season also had mixed effects on demand.



It's also possible U.S. hoteliers could experience a softer summer season that will be driven by a shortened booking window — a trend that's being caused by uncertainty in the economy, Hite said. June should be solid, but July and August will be down year over year, she added.

"This is not something we're raising a big red flag about right now," she said. "This is more a highlight of that short booking window that we're hearing about. So we do think that things will warm up, but there could be a little more softness than what we have seen a year ago in this number just because of the slumping economy."

Considering all the factors

Adam Sacks, president at Tourism Economics, provided his overview of the hotel industry and the various headwinds it's facing. He first

zoomed in on some aggregate data that is affecting consumer sentiment and spending.

"Consumer spending has continued to pace, even as consumer sentiment struggles. This is important to watch, because it could be self-fulfilling, but right now it has not been so," Sacks said.

U.S. consumer sentiment did increase in May, so only time will tell if that rebound will continue, Sacks said.

While household income is growing, some consumers have felt the pressure when it comes to debt. Credit card and auto loans have leveled off, but financial stress surrounding student loans has skyrocketed thanks to the current administration's actions.

"That stress is almost entirely at the lower end of incomes, and we as an industry are indexed [in] the upper end of income arms," Sacks said.



Adam Sacks, president of Tourism Economics, speaks during the NYU International Hospitality Investment Forum. (NYU IHIF)

Sacks also pointed to a recent report from Future Partners that showed that people are still prioritizing travel. According to the report, more than 60% of respondents in April said that travel would be a somewhat high, high or extremely high priority for them in the next three years.

"One of the enduring legacies of COVID is that we value travel from a leisure perspective more than we ever did before, and that has continued even through this uncertainty, however, with a lower budget," Sacks said.

While international travel has continued to be lower than expected, it's very much a market-by-market effect. Overall for the year, international travel is down 2%, Sacks said, with inbound Canadian travel being down more than 30% in March and April.

"There is a silver lining, which is a U.S. residents [are] likely to bring travel from abroad back to domestic in the coming year," he said.

Future bookings for both domestic and international inbound are also down for the coming months, according to April data.

Travel forecasting used to be easy, Sacks said. Hotel demand used to fall directly in line with the country's gross domestic product. That has not been the case recently, but Sacks hopes a return to that normal is in sight.

"I remain extremely bullish for our industry. ... If I look at five years, much less 10 years, that relationship between GDP and room demand — I think they're going to find each other again, which means that we're going back into the world of talking about room demand that will be over 2% year over year," he said. "We're not there now, but I do

think that the fundamentals that drive travel are going to drive growth that will bring us back to that historic relationship that we saw."

Economic overview

Matthew Luzzetti, chief U.S. economist at Deutsche Bank, addressed the broader economic headwinds and their effect on hotels and tourism.

"I think as a starting point, we should consider that over the past three years or so, U.S. consumers and the global consumers have been hit with a number of historic shocks," he said.

Luzzetti pointed to the largest tightening cycle from the U.S. Federal Reserve in 40 years, a banking sector crisis in March of 2023 that started with Silicon Valley Bank and affected other banks, too, and, most recently, the largest tariff increase in a century.



Matthew Luzzetti, chief U.S. economist at Deutsche Bank, speaks during the NYU International Hospitality Investment Forum. (NYU IHIF)

"And despite all these shocks that we've seen over the past three years, ... the services sector has been very steady. The goods sector has actually accelerated in year-over-year terms over the past three years," Luzzetti said. "And so the key question is, can this continue? Is the tariff shock something that finally breaks the consumer? Is the consumer sentiment that we're seeing weak enough that this really undermines this story? And I would argue no."

Luzzetti outlined aggregate data — rise in incomes, savings, household income — all of which are looking good, but these figures don't tell the full story. Other factors to consider include a rise in delinquency rates, incoming legislation from Congress and, of course, the ever-evolving trade war. He also explained that consumer sentiment has been greatly politicized over the past decade, so while it's something to keep an eye on, it's not the most trustworthy statistic. The labor market, however, will be a key factor.

"The ultimate risk is, if the labor market picture breaks down," Luzzetti said. "The labor market is resilient."

In light of some of the Trump administration's pullback on tariffs, this risk might have been mitigated, he added.

"As long as we are on this path toward retrenchment and relenting on the trade front, I think this kind of rosy picture around the U.S. consumer can continue, but maybe be watchful of that story," he said. "We're expecting U.S. consumer growth to be around 1.5%, but at the same time, we think that we avoid a recession."

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