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US Hotel Revenue Growth Forecast to Be Slowest Since Recession

Growth Projections Cut in Half As Average Daily Room Rates Slide

The upside to the latest hotel industry projections is that demand is expected to grow. (Flickr/Jason Kuffer)

The outlook for U.S. hotel revenue per available room, known as RevPAR, has been downgraded to less than 1% for 2019 and 2020, according to STR and Tourism Economics' final forecast revision of this year.

"U.S. hotels have posted nine straight years with RevPAR increases of basically 3% or higher, so growth levels below 1% will clearly represent the industry's worst years since the recession," said Amanda Hite, president of STR, a data and analytics firm for the travel industry owned by CoStar.

The previous version of the forecast released in August called for RevPAR increases of 1.6% for 2019 and 1.1% for 2020.

"At the risk of sounding like a broken record, the major factor in our revisions continues to be a lack of pricing confidence," Hite said in releasing the forecast. "Supply growth is coming in ahead of demand growth a bit sooner than expected, so occupancy levels are slightly lower than projected."

With occupancy at flat to slightly lower levels year-over-year, the average daily rate, known as ADR, has been the sole driver of growth in RevPAR lately.

The major difference in the new projections is with ADR, "where we downgraded by 80 basis points for 2019 and 60 basis points for 2020. ADR has grown below the level of inflation for five consecutive quarters," Hite said.

The upside to the projections is that demand is going to continue to grow beyond the record levels the industry has already achieved. Domestic travel continues to increase with forward-looking air bookings remaining strong. Vacation intentions are also holding above last year's levels.

"The trend that is not as positive, that could negatively affect demand, are the mixed results we're seeing in overseas arrivals," Hite said.

Fourteen of the top 25 markets are forecast to decrease in RevPAR for the rest of this year. The steepest declines are projected for Seattle, Washington and New York City.

For the rest of this year, of the 11 key markets projected to report RevPAR growth, four are likely to post an increase of 3% or higher: Atlanta, Denver, Phoenix and San Francisco/San Mateo.

For next year, 19 of the top 25 markets are projected to see a RevPAR increase for the year, led by Miami/Hialeah. New York is projected to record the steepest decline in the metric.