COSTAR INSIGHT

US Hospitality Industry Recovery Is Uneven Across Top Markets

Beach Destinations Near 2019 Levels, but Restriction-Heavy Cities Trail

Hotels in popular beach destinations like Myrtle Beach, South Carolina, have benefited from the vaccine-induced release of pent-up demand for leisure travel. (Getty Images)

By Chelsea McCready and Emmy Hise
CoStar Analytics

December 1, 2021 | 2:56 P.M.

Nationally, hotel performance has been on an upward trend since bottoming out with the onset of the pandemic in the spring of 2020. Beneath the surface, national averages hide the most uneven recovery in the history of the hospitality industry.

Full recovery is not expected until late 2022 or early 2023, according to the latest forecast from STR and Tourism Economics. Revenue per available room, the primary hotel performance metric that reflects both occupancy and average daily rates, is down by 20% so far this year compared to the same point in 2019.

Most of the largest markets have fared worse than the U.S. average because the types of demand large markets typically rely on. Besides domestic leisure visitors, the hospitality industry in bigger cities is supported by business travelers, convention attendees and international guests — all of which have struggled to recover in the pandemic era.

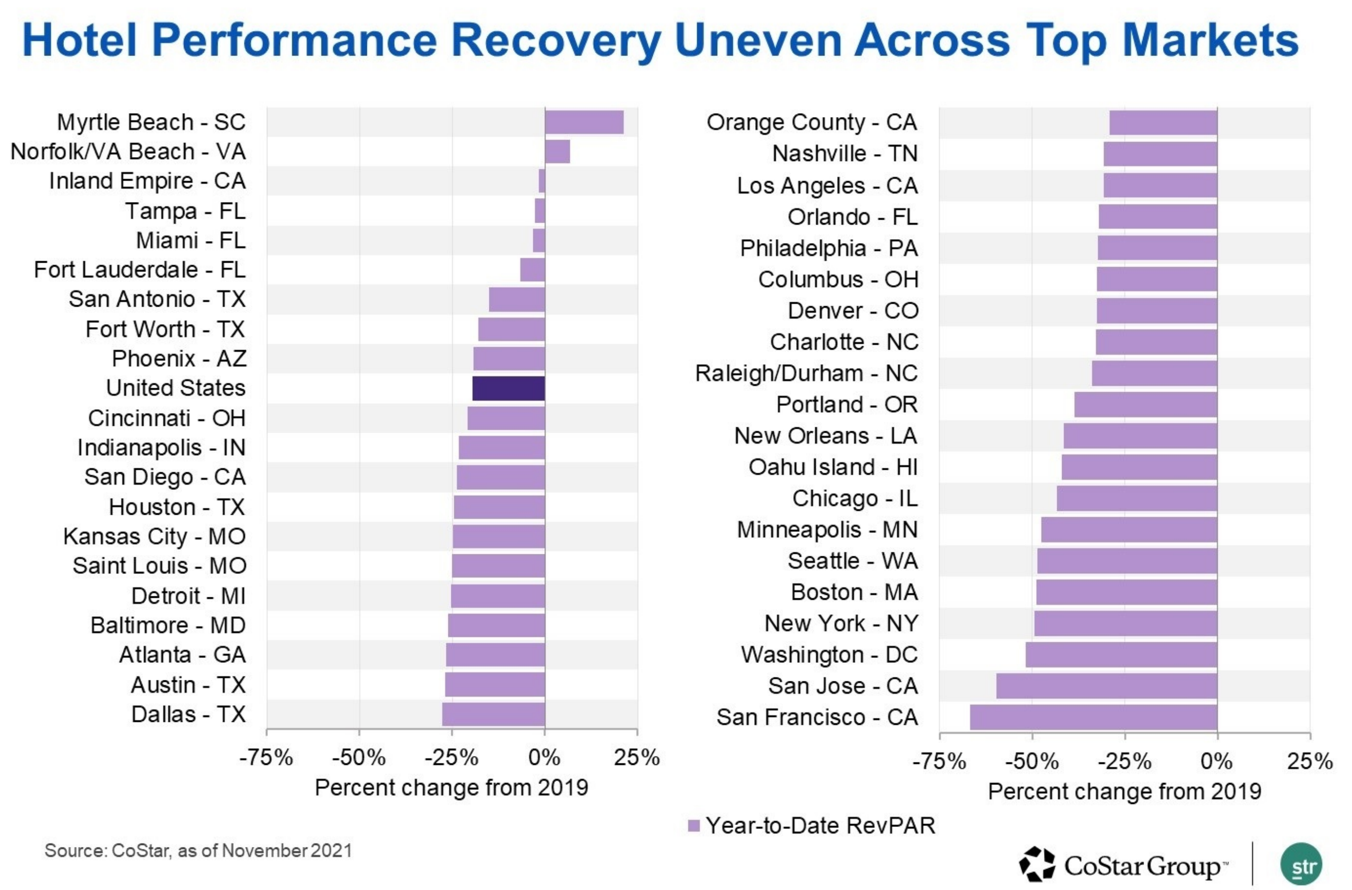
Some markets have exceeded or come close to 2019 levels, mostly popular beach destinations that benefited from the vaccine-induced release of pent-up leisure travel, including Myrtle Beach, South Carolina; Virginia Beach, Virginia; Tampa, Florida, and Miami. Peak season in Tampa and Miami is typically the first quarter of each year, but both destinations were able to maintain peak-level average daily rates, or ADR, through the summer, resulting in rates 20% to 40% higher than those seen in pre-pandemic summers.

Surprisingly, international travel restrictions were a boon for Miami hotels, as U.S. residents who would typically travel overseas chose to visit Miami Beach instead.

On top of record average rates this summer, the Norfolk-Virginia Beach market has benefited from increased activity at the Port of Virginia and Naval Station Norfolk. The military base has been busy with the drawdown and transport of troops from Afghanistan.

Though not a beach destination, the Inland Empire was also aided by the leisure demand surge, as many Californians chose drive-to destinations with outdoor activities to recharge. Recovery was further bolstered by out-of-state visitors when California fully reopened in June. Surrounded by mountains and hot springs, popular tourist areas include Joshua Tree

National Park and greater Palm Springs, which is a popular resort location in Southern California.



But other coastal destinations haven't recovered at nearly the same pace, especially the Bay Area and the mid-Atlantic corridor. The Washington, D.C., market continues to lag in its recovery due to weak tourist demand, few group visits and a federal government workforce that continues to work from home. While some cities, such as Boston and New York, saw gains in weekend occupancy through the summer and fall, D.C. has not. With the federal government, and many government contract firms still working remotely, travel demand from the government sector remains very low, which also contributes to the D.C. region's weak recovery.

San Francisco has also struggled to capture leisure travelers largely due to strict COVID-19 guidelines that forced closures or reduced attendance to attractions, and the loss of international visitors. Prior to the pandemic, one-third of visitors to San Francisco were international, especially from Asian countries.

San Francisco also relied heavily on convention business, but frequently changing COVID-19 restrictions have caused many events to cancel, move locations or occur with limited attendance. For example, the annual DreamForce conference historically draws over 170,000 attendees, but was initially adjusted this September to accommodate just 5,000 attendees. However, it was further reduced to 500 people weeks before the conference as the delta variant emerged.

Additionally, San Francisco and San Jose are heavily reliant on tech and finance industries, which generally have been the most flexible with work-from-home and hybrid policies, thus muting corporate travel recovery.

The recent discovery of the omicron variant has injected yet another bout of uncertainty into the outlook for the hospitality industry, but the wide disparities in hotel performance across markets is expected to continue regardless. At this point, New York City and San Francisco are not expected to recover to 2019 revenue per available room, or RevPAR, levels by 2025, while Miami and Tampa are likely to make a V-shaped recovery and reach full recovery by the end of this year. The broader hotel recovery depends on everyday travelers, event organizers and corporations seeing travel as a low-risk activity again.

Anne Purcell, director of hospitality analytics at CoStar Group, contributed to this report.

TRENDING

1. Landlord With Knack for Landing Big Office Tenants Considers Serving Up Pickleball Courts

2. Franchise Group’s Plan To Sell Kohl’s Real Estate Draws Skepticism

3. Tishman Speyer Calls Off Chicago Office Development Amid US Economic Concerns

4. Never Mind Traffic Backups or Dwindling Driver Numbers. This Parking Garage Owner Is Buying in Big Cities.

5. US Military’s Housing Partners Mobilize Institutional Investors To Finance Billions in Improvements

6. Apartment Industry's Largest Trade Show Aims To Return to Pre-Pandemic Activity

7. Texas Supreme Court Rules in Favor of Long-Stalled High-Speed Rail Project

8. Yelp To Close Offices in New York, Chicago and DC

9. Dallas City Council Approves Incentives for Goldman Sachs' New Proposed Campus

10. Disney Delays Opening of New Florida Campus

Company

About CoStar

CoStarGroup.com

Careers

Press Room

Privacy Notice

CA: Do Not Sell My Personal Info

Terms of Use

Help Fight Data Theft

Accessibility

Contact Us

Social