AHLA

The American Hotel & Lodging Association

2025 STATE OF THE INDUSTRY REPORT

In collaboration with accenture

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FOREWORD

The United States hospitality industry continues to evolve, propelled by accelerating shifts in traveler behaviors, this while travel rates normalize; economic pressures and rising operating costs continue; and rapid advances in technology develop. With these dynamics in mind, this "2025 State of the Industry" first captures a moment-in-time look at the industry, then outlines novel emerging growth opportunities. Our goal: equipping industry leaders with the insights they need to navigate this dynamic market successfully, as the cost of doing business for hoteliers continues to rise and hotels are affected with costly wage and operational mandates from local governments.

With U.S. travelers increasingly favoring unique, experience-driven journeys over traditional destinations, the industry is witnessing a surge in demand for immersive and sustainable experiences. This shift reflects broader cultural changes where travel is becoming an expression of personal identity and values. Coupled with an influx of sports-related tourism and significant international events, such as the upcoming FIFA World Cup (2026) and the Olympic Games (2028), the hospitality sector is poised to pursue new and exciting ways to grow, even as overall travel rates flatten and hoteliers face potential macroeconomic and regulatory headwinds at the local level.

As AHLA's technology arm, HTNG, asserts, "Technology is the single most powerful force driving the future of hospitality." Tapping into advanced technologies such as generative AI, cloud-based solutions, and smart hotel systems can significantly accelerate companies' efforts to meet evolving customer expectations and enhance operational efficiency. The key is using these technologies in ways that build and sustain trust with both customers and employees, demonstrating shared values along the way. Leaders who prioritize trust as the foundation of their operations can reinvent their organizations, leveraging real-time data to deliver personalized services, remove repetitive tasks from employees, and empower them to provide superior service. These technologies can also help organizations collaborate more effectively with external partners, offering new and unique experiences that surprise and delight travelers. By harnessing the power of these advancements, companies can drive growth and improve both customer satisfaction and operational performance.

We hope this report inspires organizations in this industry to identify winning strategies, strengthen their ability to adapt and innovate, and thrive in a fast-changing future.

THE STATE OF THE INDUSTRY AND OUTLOOK FOR 2025

After the vibrant rebound in post-pandemic demand, the U.S. hotel industry has been navigating a period of stagnation. Year-over-year occupancy rates remained essentially unchanged in 2024 and average daily rates (ADR) and revenue per available room (RevPAR) flattened, signaling a shift toward normalization in travel patterns.[1]

In an environment where operating costs are outpacing revenue growth in many areas, cost-conscious behavior remains important, but identifying new revenue streams becomes paramount. To that end, executives need to be sure their efforts to upgrade technology and operations in support of efficiency also enable innovation. Companies will need to meet and even get ahead of rapidly evolving consumer expectations to reignite growth in this competitive landscape. Oxford Economics and AHLA Platinum Partner STR are forecasting record-high growth in spending by guests, and hoteliers must be able to rebuild and retain the workforce to meet this demand.

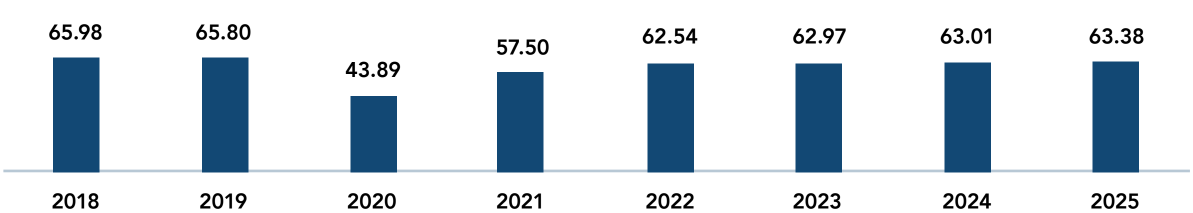
Consider the industry's past and projected performance from a host of vantage points: occupancy, ADR, RevPAR, guest spending, workforce size and wages, tax revenues, and the hotel construction pipeline.

Occupancy

OCCUPANCY RATES WILL HOLD STEADY BUT FALL SHORT OF 2019 LEVELS

U.S. hotel occupancy is projected to reach 63.38% in 2025, just 2.42 percentage points shy of the 2019 level of 65.80% and a notable recovery from 2020's historic low of 43.89%, according to Oxford Economics and STR data. However, 2025's expected average occupancy rate represents just a slight increase over both 2023 (62.97%) and 2024 (63.01%). Occupancy for 2024 fell just shy of Oxford Economics and STR's forecasted 63.57% for the year.[1]

U.S. Hotels' Average Occupancy Rate (%)



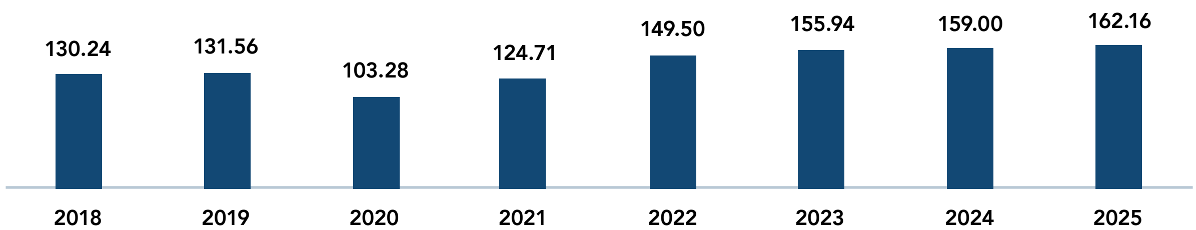
Source: Oxford Economics and STR/CoStar Group

ADR

AVERAGE DAILY RATE WILL CONTINUE TO CLIMB, HOWEVER MODESTLY

ADR has been climbing steadily since 2020's low of $103.28. In 2022, ADR reached $149.50, surpassing 2019's level of $131.56, and continued to improve from there. In 2024, ADR came in at $159.00, lower than the forecasted $160.16. ADR is likely to rise again in 2025 to a new high of $162.16, exceeding the 2024 rate by 1.99%.[1]

U.S. Hotels' Average Daily Rate ($)



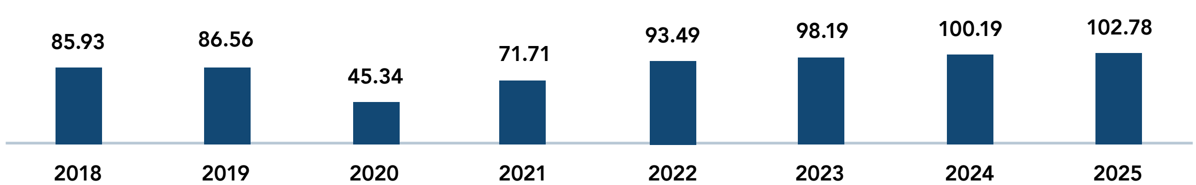
Source: Oxford Economics and STR/CoStar Group

RevPAR

REVENUE PER AVAILABLE ROOM WILL IMPROVE SLIGHTLY

Nationwide, RevPAR nominally exceeded pre-pandemic levels in 2022 and has continued to improve since then. In 2024, it reached $100.19, reflecting a 2.04% year-over-year increase and falling just short of the forecasted $101.82. This marks a strong comeback from 2020's low ($45.34) and a nominal improvement over 2019 ($86.56). In 2025, RevPAR is expected to rise by 2.58% and reach a record high of $102.78.[1]

U.S. Hotels' Revenue Per Available Room ($)



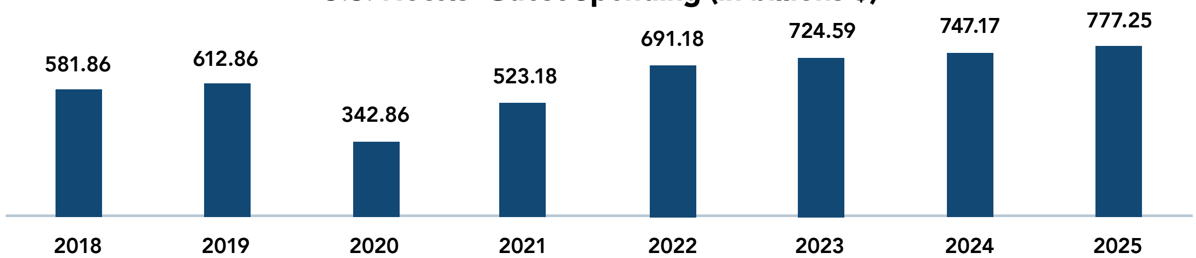
Source: Oxford Economics and STR/CoStar Group

Guest Spending

GUEST SPENDING WILL HIT ANOTHER RECORD HIGH

Despite inflationary and economic challenges, guest spending across lodging, transportation, retail, restaurants, and other expenditures in local economies at U.S. hotels is projected to reach a record high of $777.25 billion in 2025. This figure surpasses the previous record of $747.17 billion set in 2024. Although guest spending in 2024 fell below the forecasted $758.61 billion, it still surpassed 2023's spending level ($724.59 billion), and represents a significant improvement on a nominal basis over spending levels in both 2020 ($342.86 billion) and 2019 ($612.86 billion).[1]

U.S. Hotels' Guest Spending (in billions $)



Source: Oxford Economics and STR/CoStar Group

Workforce

HISTORIC HOTEL CAREER OPPORTUNITIES WILL ABOUND, BUT WORKER SHORTAGES WILL PERSIST

Over the past four years, U.S. hotels successfully added back more than 467,000 direct employees out of the more than 680,000 employees lost due to COVID in one year from 2019 to 2020. The work to rebuild the hospitality workforce continues: In 2024, hotels directly employed more than 2.15 million people, slightly more than last year's forecast (2.14 million). Altogether, U.S. hotels paid more than the projected amount in wages and salaries in 2024: $125.79 billion versus the forecasted $123.44 billion.[1,2]

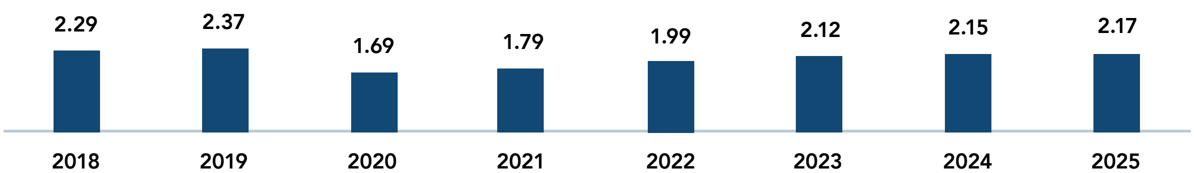
In 2025, hotels are expected to continue rebuilding the hospitality workforce with a focus on employee retention, employing over 2.17 million people and increasing total wages, salaries, and compensation by 2.13%, surpassing $128.47 billion. Even though hotels are expected to add more than 14,000 direct employees in 2025, employment levels will still fall short of 2018 and 2019 levels.[1]

Despite improvements in overall employment levels, U.S. hoteliers continue to face staffing shortages. A December 2024 survey by AHLA and AHLA Gold Partner Hireology revealed that 64.9% of respondents are still dealing with staffing challenges. To attract and retain employees, hoteliers are focusing on three main strategies: raising wages (47.5%), offering more flexible work hours (19.6%), and providing hotel discounts (13.4%). Other efforts include offering enhanced benefits, collaborating with local workforce organizations, and both advertising and participating in job fairs. Additionally, 72.1% of respondents believe that opportunities for career advancement are better than ever or have remained the same since the pandemic. Indeed ranks hotel housekeeping jobs among the top 12 careers for upward mobility, emphasizing the potential for promotion to management positions after just a few years of experience.[3,4]

Workforce CONTINUED

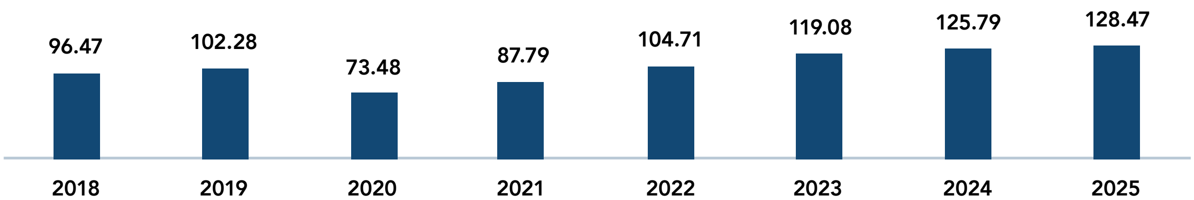
The AHLA Foundation's work continues to address this ongoing challenge by supporting the recruitment, retention, and advancement of employees throughout the industry. Through career development programs and scholarship initiatives, the AHLA Foundation plays a vital role in helping hotel employees find their home in hospitality. Since its inception, the AHLA Foundation has reinvested nearly $44 million into the hotel industry and supported more than 45,000 potential leaders through its programs and initiatives. Through today's investments, the AHLA Foundation is building tomorrow's hotel industry.

U.S. Hotels' Number of Average Jobs (in millions)



Source: Oxford Economics and STR/CoStar Group

U.S. Hotels' Wages and Salaries Paid (in billions $)



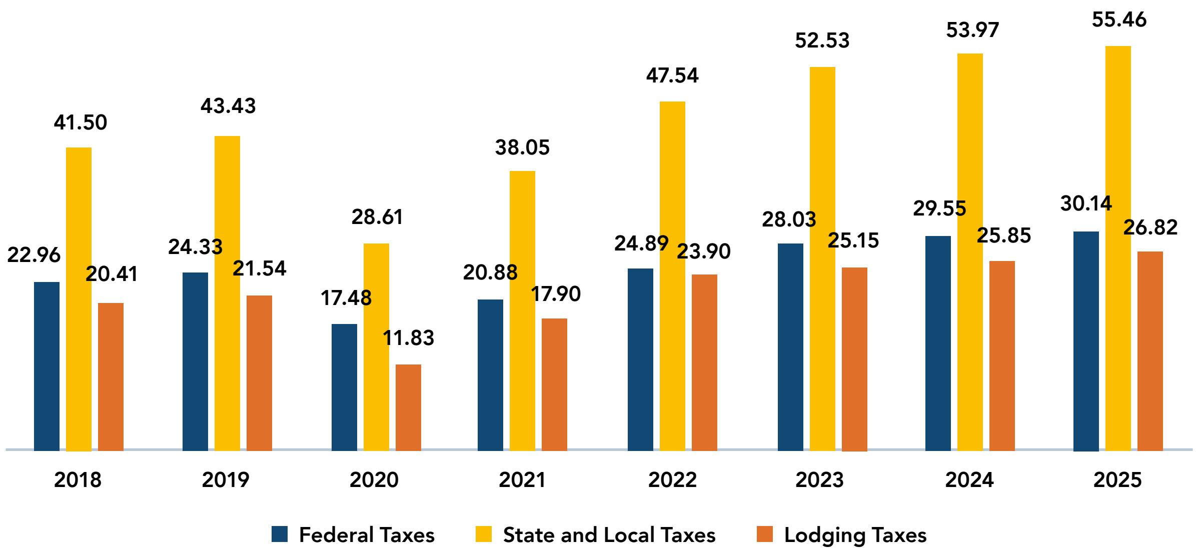
Source: Oxford Economics and STR/CoStar Group

Tax Revenue

HOTELS WILL REMAIN VITAL ECONOMIC ENGINES IN THEIR COMMUNITIES

The hotel industry is an essential presence in local economies nationwide. Hotels provide jobs, welcome tourists, and help boost spending in their markets. In 2025, hotels nationwide are projected to generate $55.46 billion in state and local taxes, representing a 2.76% increase from 2024, and $30.14 billion in federal taxes, up 2% from the previous year. Additionally, lodging taxes are expected to exceed $26.82 billion in 2025, marking a 3.72% rise compared to 2024.[1]

U.S. Federal, State, Local, and Lodging Taxes (in billions $)



Source: Oxford Economics and STR/CoStar Group *State and local taxes include lodging taxes.*

The Hotel Construction Pipeline Widens

After years of stagnation, the U.S. hotel industry experienced a notable increase in construction activity in 2024, with the number of rooms under construction rising for seven consecutive months.[5] STR highlighted that despite persistently high interest rates throughout 2024, developers remain enthusiastic about new projects. The interest rate cut in September 2024 further bolstered investor confidence, leading to significant growth in both the planning and final planning stages of hotel development.

The upscale and upper-midscale segments accounted for approximately 50% of rooms in the final construction phase through the first nine months of 2024. Notably, the luxury and midscale categories had the highest growth rates, of 48.5% and 34.5% respectively, indicating a strong demand for higher-end accommodations. As of September 2024, the U.S. hotel pipeline had 157,253 hotel rooms under construction, marking a 7% year-over-year increase. Additionally, 268,190 rooms were in the final planning stage (up 10.4% year-over-year) and 336,205 rooms were in the planning stage (up 38.4% year-over-year).

U.S. Hotel Pipeline by Stages

Stage	As of Sept. 2024	Change from Sept. 2023 (%)
In construction	157,253 rooms	+7.0%
Final planning	268,190 rooms	+10.4%
Planning	336,205 rooms	+38.4%

U.S. Hotel Pipeline by Hotel Segments

Segment	Percent of existing supply (September 2024)	In-construction room count (September 2024)
Luxury	5.6%	8,508 rooms
Upper Upscale	2.6%	18,156 rooms
Upscale	4.2%	38,401 rooms
Upper Midscale	3.4%	40,255 rooms
Midscale	2.9%	14,902 rooms
Economy	1.2%	7,653 rooms

Enhanced operational execution and disciplined cost management have resulted in increased operating profits for several hospitality companies. Many are optimizing their distribution channels to improve operational efficiency and shifting to asset-light models to minimize the risk of margin contraction. However, rising utility costs and wages are forcing hotels to implement more cautious and targeted cost-control measures.

The cost of doing business is growing rapidly

Despite these efforts, rising costs continue to present significant challenges. According to CBRE's Trends in the Hotel Industry report, insurance expenses increased by 15.3% for all hotels in the CBRE sample through October 2024, with midscale and small economy hotels facing even sharper increases of over 19.6%.[6] Additionally, property operations and maintenance, sales and marketing, and IT expenses each rose by nearly 5%, further intensifying financial pressures on hotel operations.

Top Markets

The top 25 U.S. markets outperformed the remaining markets for most of 2024, with RevPAR up 2.4% and ADR up 1.6%, according to STR. More than half of the top 25 markets achieved year-over-year RevPAR growth through the first 11 months of 2024, with Houston, New York City and Chicago reporting the highest gains (up 15.4%, 8.6% and 7.6% year-over-year, respectively).

As of November 2024, New York City led the U.S. in hotel occupancy at 84%, a position it has consistently maintained. When it comes to hotel performance metrics, New York City is recognized as a high performer and a bellwether for other major markets. The city's hotels are preparing for the implementation of the Safe Hotels Act in May 2025. This new legislation requires hotels to obtain operational licenses and mandates the direct employment of core staff, effectively eliminating the use of third-party contractual staffing, along with other operational prohibitions.[7]

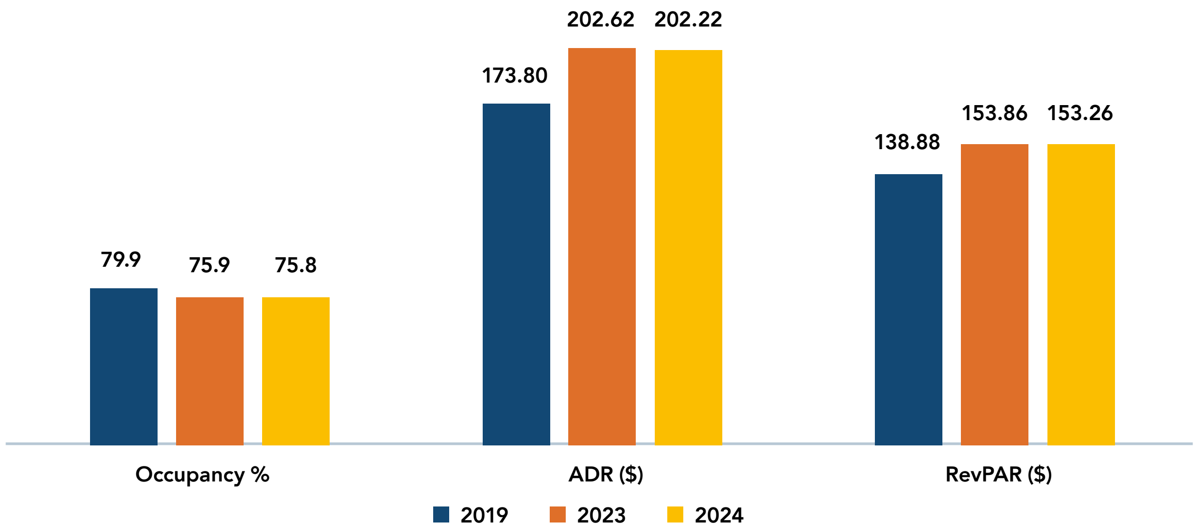
Industry stakeholders are closely monitoring the impacts of the Safe Hotels Act in New York on hotel operations and guest experiences. The Safe Hotels Act and the proposed wage requirements in Los Angeles, along with proposed hotel sector-specific legislation in other major markets, raise significant concerns as hoteliers continue to grapple with economic issues and operational challenges.[8,9] These regulations could hinder hotels' ability to accommodate guests traveling for major events such as the 2026 FIFA World Cup and the upcoming Los Angeles Olympics, potentially disrupting the hospitality industry during these high-profile occasions.

Los Angeles remains an important market under close industry observation, with the 2028 Olympic Games still on the horizon. Unfortunately, the region is currently grappling with the ongoing devastation of wildfires. In this challenging time, the city's hospitality and tourism leaders are urging travelers to keep Los Angeles in their plans, emphasizing that visitor support is vital for the city's recovery efforts. Upcoming major events, such as the Olympics, are crucial to supporting the city's recovery, as Los Angeles' hospitality industry has already been facing a slow rebound from the pandemic, with performance metrics lagging in October and the fall quarterly data.

Although ADR has seen a notable increase of over 10% compared to 2019, nominal RevPAR growth remains below 5% on a quarterly basis. When adjusted for inflation, real RevPAR growth turns negative, emphasizing the persistent challenges in Los Angeles' recovery trajectory.[10] This is coupled with proposed travel sector-specific mandated hourly wage increases that are poised to further increase operating costs beyond revenue growth.

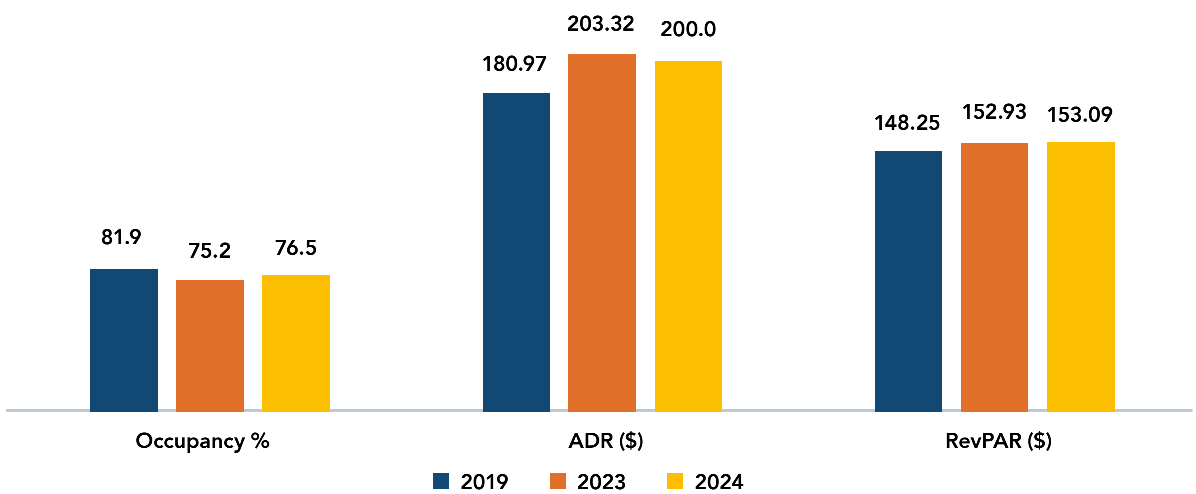
Top Markets CONTINUED

Comparison of LA Performance - October



Source: STR/CoStar Group

Comparison of LA Performance - 3 Months Moving Average (September)



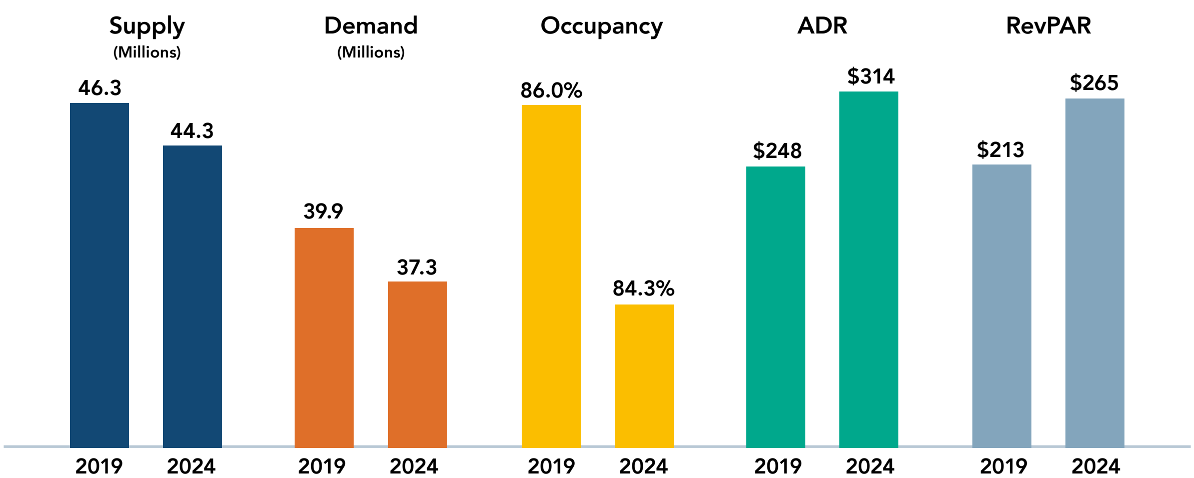
Source: STR/CoStar Group

Impact of Short-Term Rental Regulations: New York City Market Analysis

With a healthy sample size since the September 2023 implementation of New York City's Local Law 18 regulating short-term rentals, Isaac Collazo, Vice President of Analytics at STR, notes that broader factors are driving the market's performance growth. These factors, including supply contraction, are likely having a greater impact than regulatory shifts alone.

In 2018, the city passed an ordinance restricting short-term rentals to owner-occupied units, which went into effect in 2023 after years of litigation. However, in late 2024, the city introduced new legislation aimed at rolling back these restrictions. AHLA and other stakeholder groups are closely monitoring the potential impact of these evolving regulations on the hospitality industry.[11,12]

New York City KPI's
12-Months ending November 2024



Source: STR/CoStar Group

Impact of Short-Term Rental Regulations: New York City Market Analysis CONTINUED

Demand Remains at a Deficit

According to data from AirDNA, New York City's short-term rental demand decreased by more than 50% through the 12 months ending November 2024.[13] That equates to an estimated 1.8 million fewer room nights sold in short-term rental units. At the same time, hotel room demand in New York City increased by 1.2 million—less than the shortfall in short-term rental demand.

Even though New York City had healthy demand growth over the 12 months ending November 2024, occupancy remained 1.8 percentage points below the same period in 2019—a period when short-term rentals were abundant. New York City's room demand deficit (down 6.3% versus 2019) was among the worst of the top 25 markets.

Growth Aligned With Other Key Markets

Over the 12 months ending November 2024, New York City's RevPAR rose 9.3%, driven primarily by a 5.6% lift in ADR—a gain well above the national average (+1.6%) and the second-highest increase of any top 25 market. New York City's demand growth during this period (+3.3%) is comparable to other major markets like Philadelphia and Chicago.

New York City had the highest absolute ADR ($314) among top 25 markets in the 12 months ending November 2024. The city's ADR led the top 25 from 2000 until 2019 but trailed Oahu and Miami post-pandemic. Furthermore, from 2000 to 2019, New York City's ADR was two times higher than the aggregate of the remaining 24 markets, versus 1.6 times greater in the past five years. The average, however, rose to 1.8 times in the 12 months ending November 2024.

While robust, New York City's demand and ADR gains aren't dissimilar to those of other top 25 markets, and the city still fell short of its pre-pandemic levels as of the 12 months ending November 2024.

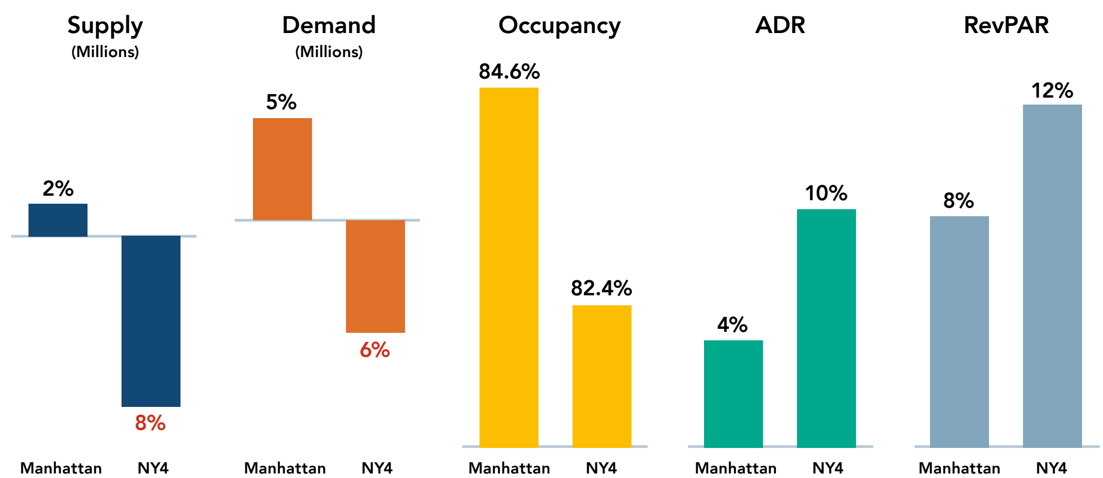
Supply Impact Outside of Popular Lodging Areas

A year ago, STR identified four New York City submarkets—East River-Queens/Brooklyn West, JFK/Jamaica, LaGuardia/Queens North and the broader New York City Area (the "NY4")—that experienced more than double the ADR growth compared to other submarkets. This ADR increase was a key driver behind the city's robust performance from April to December 2023.[2]

The NY4 saw not only substantial ADR gains but also a notable 14% reduction in supply. Lower-tier budget hotels comprised most of the closures, which led to a shift in the overall hotel mix toward higher-tier properties. This change further fueled ADR growth in 2023, a trend that continued into 2024. The supply reduction in the NY4 can be attributed to both economic challenges and migrant housing in the city-contracted hotels in Brooklyn, Queens, and the Bronx—areas included in the four identified submarkets.

Impact of Short-Term Rental Regulations: New York City Market Analysis CONTINUED

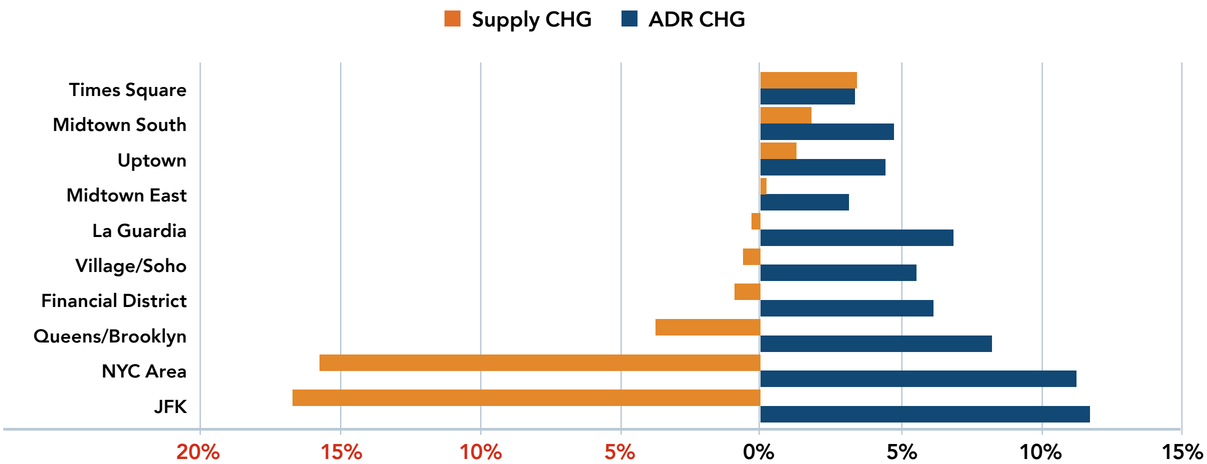
New York City KPI's
12-Months ending November 2024



Source: STR/CoStar Group

The NY4 submarkets continued to positively impact New York City's overall performance in 2024. Supply in the four submarkets declined 8% in the 12 months ending November 2024, while ADR and RevPAR increased 9.6% and 12.1%, respectively. Collectively, the NY4 added 1.3 percentage points to market ADR growth and 1.1 percentage points to the RevPAR increase. The six remaining submarkets experienced robust demand growth (+5.4%) that outpaced the total market. However, this growth still does not account for the total loss in short-term rental room nights.

New York City Submarket ADR and Supply Change
12-Months ending November 2024, year-over-year ADR and supply change



Source: STR/CoStar Group

Although short-term rental regulations affected the demand in the hotel industry, other factors likely influenced New York City's hotel performance growth in 2024, including the recovery of the top 25 markets, the enduring appeal of the city, and ongoing supply contractions in non-tourist submarkets.

KEY TRENDS SIGNAL EMERGING GROWTH OPPORTUNITIES

To equip industry leaders with the insights to navigate the dynamic market successfully, we further explore four key emerging trends that have been identified by Accenture Research.

1. New Traveler Archetypes Expand the Target Market as Demographics Shift
2. Beyond the Stay: Changing Consumer Desires Open Opportunities to Diversify Revenues
3. The Draw of Events: Sports and Entertainment Reveal New Ways to Leverage Consumer Enthusiasm
4. Generative Artificial Intelligence Enables Companies to Break Through Noise, Rebuild Trust

TREND #1

New Traveler Archetypes Expand the Target Market as Demographics Shift

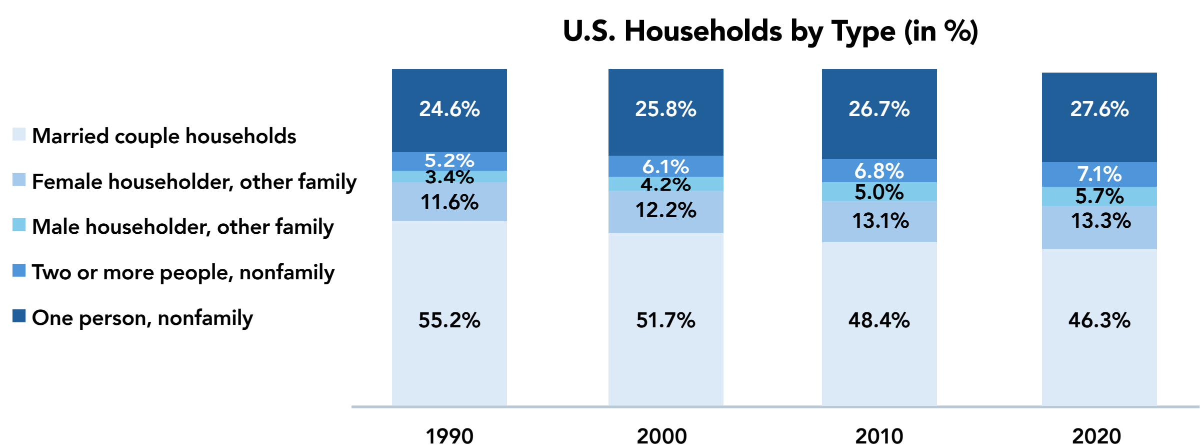
Demographics have changed. Household structures have changed. Definitions of success and what constitutes a life milestone have changed. All these factors offer new opportunities to expand markets for the hospitality industry.

Demographics and household structures

The rapid growth of the aging population in the U.S. is among the most significant drivers of change. From 2020 to 2023, the 65-and-over demographic in the U.S. surged 9.4%, reaching approximately 59.2 million[14]—a figure comparable to the entire population of Italy.

Critically, driven by longer life expectancies and aging baby boomers, this expansion is redefining what it means to retire. Today's older adults are embracing wellness-driven lifestyles, multigenerational travel, and active retirement, representing a rapidly growing market for the hospitality industry. The ways to meet their needs include accessible accommodations, connection-focused travel packages, and even tailored health services. For this group, such features are no longer luxuries but necessities.

A summary of U.S. households[15]



Source: U.S. Census Bureau *Note: In 1990, 2000 and 2010, the data for households with married couples represented only opposite-sex couples.*

TREND #1: New Traveler Archetypes Expand the Target Market as Demographics Shift

CONTINUED

The structure of the American household is also changing rapidly, expanding the meaning of family. Consider these:

- Single-parent homes—68% led by women—are more prevalent than ever.[16]
- Individuals living alone now account for 81% of nonfamily households.[16]
- 46.4% of adults (117.6 million Americans) are single, including widowed and divorced individuals and people who have never married.[17]
- By 2021, same-sex couple households accounted for around 1.2 million of the population.[18]
- A higher percentage of same-sex married couples (31.6%) were interracial compared to opposite-sex married couples (18.4%) in 2021.[18]
- Coupled households remained the most prevalent household type in 2020. However, they represented a smaller percentage overall in 2020 (53.2%) than they did in 2010 (55.1%) and 2000 (56.9%). Additionally, in 2020, married couples with children under 18 decreased by 6% from 2010. This decline reflects the aging population and the trend of delaying parenthood as couples prioritize careers and financial stability, leading to a rise in the average age of first-time parents.[15]
- Meanwhile, due to declining fertility rates, the under-25 population is projected to shrink after 2030, significantly altering workforce dynamics, economic systems, and cultural expectations.[19]

For younger generations, rising housing costs and student debt are reshaping priorities. Career, travel, and personal growth are increasingly taking precedence over more traditional life milestones, such as marriage, homeownership, or starting a family. Smaller families or child-free lifestyles—pragmatic responses to economic realities—are influencing travel preferences. These priority shifts are seen among the broader population, within and beyond U.S. borders, as well. Nearly 48% of people now plan their lives less than a year ahead—or not at all—choosing meaningful experiences over possessions, according to a recent Accenture study of more than 15,000 individuals across 21 countries.[20]

Dual-income Households With No Children Shape the Luxury Housing Segment in Brooklyn, New York[21]

A luxury Brooklyn development exemplifies the shift in U.S. consumer preferences, catering to DINKs (Dual Income, No Kids) with amenities including a Pilates studio, rooftop pool, and dog spa—while omitting playrooms and family-sized units. The company is adapting to the changing preferences. Designed for young professionals delaying parenthood, this project reflects broader trends such as declining birth rates, wellness-focused lifestyles, and flexible urban living.

TREND #1: New Traveler Archetypes Expand the Target Market as Demographics Shift
CONTINUED

Implications as new traveler archetypes join more traditional customers

For the hospitality industry, these shifting demographics offer a chance to create value across generations, especially by focusing on shared values such as sustainability and meaningful connections.

Distinct generational behaviors remain, of course. Millennials emphasize curated experiences that balance cost and authenticity. Gen Z, in contrast, exemplifies travel preparedness, with 45% planning their 2024 trips well in advance—outpacing all other age groups.[22] For this generation, travel is an expression of personal growth and identity, favoring immersive, off-the-beaten-path adventures that align with their values. Older adults prioritize experiences, often combining bucket-list destinations with a focus on relaxation and connection.

But both older adults and younger travelers share an increasing appetite for cultural immersion, sustainable travel, and unique adventures.

This intergenerational trend reflects a broader move toward meaningful travel:

- Older adults: 75% have a travel "bucket list."[23]
- Gen Z travelers: Favor unique, off-the-beaten-path experiences that align with their values.[24]

Additional key statistics amplify these and other opportunities:

Decoding Travel: Key Statistics

- Relaxation focus: 51% of Gen X and 57% of baby boomers prioritize relaxation while traveling.[25]
- Millennials on curated travel: Nearly 25% of Millennials view traditional sightseeing as outdated, while 28% of Gen Z travelers dismiss the priority of learning new things while traveling.[25]
- Solo travel growth: Solo travel among women aged 65 and older surged from 4% in 2019 to 18% in 2022.[26]
- Solo dining: Solo diners spend 48% more than any other diners, averaging $84 per person.[27]
- Financial priorities: Travel is a top financial priority for 89% of Gen Z and 87% of Millennials.[28]

TREND #1: New Traveler Archetypes Expand the Target Market as Demographics Shift

CONTINUED

Evolving traveler expectations: Strategic recommendations for hospitality

With 72% of consumers expecting companies to adapt to their evolving expectations,[29] hospitality brands need to meet the customers where they are. To remain competitive, these brands must adapt to customer demands across their travel lifecycle.

Strategies to consider include:

- **Inspiration-driven marketing:** Revamp distribution channels and build strategies tailor-made for personas. For younger audiences, platforms like TikTok and Instagram are essential, while Condé Nast remains a go-to for luxury travelers. According to TikTok's head of travel, 64% of Gen Z users prefer TikTok as their primary search engine, followed by 50% of Millennials.[30] Scrutinize strategies against real-time data to be sure messaging is relevant and forward-thinking.
- **Single-occupancy travel:** Curate opportunities for solo travelers and enhance offerings with tailored amenities such as communal spaces, wellness programs, and opportunities for meeting others through shared local experiences, or for solitary explorations or encounters. Align pricing for these travelers to the extent possible.
- **Customizable group accommodations:** Enable friends and families to customize their stay easily, from room configurations and activities to arrivals and departures (reservations). Offer event coordination services curated to their interests. Offer breakout events for smaller groups within the large group.
- **Purpose-driven partnerships:** Seek unique connections with local businesses to differentiate your offerings from others in the interests of reflecting travelers' values. For example, explore opportunities to engage and amplify the local community, sustainability, responsible travel through cultural immersion activities, and service opportunities.
- **Wellness and digital detox programs:** For travelers seeking enhanced physical and mental well-being, explore cutting-edge and traditional opportunities to meet their needs and standards with offerings that include nature-driven activities, fitness classes, and partnerships that expand the wellness experience beyond the hotel stay.
- **Enhanced safety measures for solo women travelers:** Address safety concerns by incorporating features like secure room locks, well-lit pathways, and 24/7 concierge support. Consider offering women-centric travel packages, including curated group activities, which can create opportunities for connection and reduce barriers to solo travel.
- **Extra care for aging travelers helps all:** Prioritize accessibility and inclusivity—above and beyond regulatory requirements—with features such as ramps and elevators, clear signage, audible and visual directions, and well-communicated safety and emergency procedures. Many of these offerings will benefit other travelers as well. Offer health and wellness services, such as tailored fitness classes and spa treatments, alongside concierge assistance for itinerary planning.

By aligning services with the evolving preferences of these diverse traveler groups, hospitality brands can capture market share and retain guest loyalty. The challenge lies in finding innovative ways to achieve this amidst market saturation. Hospitality brands that deliver unmatched or unexpected value and personalized experiences will stand out from the crowd.

TREND #2

Beyond the Stay: Changing Consumer Desires Open Opportunities to Diversify Revenues

A major hotel chain is expanding into camping accommodations.[31] A leading hospitality company is focusing on gaming and entertainment to enhance the guest experience.[32] Furthermore, a global hotel brand is investing heavily in experiential travel.[33] These efforts align with the broader consumer trends favoring personalized, meaningful, and value-driven experiences, positioning these businesses for growth. They also challenge other organizations to respond in kind, perpetuating a cycle of innovation.

That cycle will prove increasingly valuable. As macroeconomic headwinds such as inflation and fluctuating consumer confidence persist, it is increasingly important for hospitality companies to diversify their revenue streams for sustainable growth. Companies should build resilient businesses that can grow and generate consistent income as travel demand fluctuates. From branded accommodations and gaming, to ancillary services such as food and beverage and retail, these efforts offer significant profit potential for property owners.[34]

Indeed, to thrive in this saturated market, the hospitality industry must embrace diversification as a cornerstone of its growth strategy. Traditional revenue drivers like net unit growth, RevPAR, and occupancy are no longer enough to ensure sustainable growth.

Reduced to the essentials, the journey to revenue diversification breaks into three phases:[34]

1. **Identify new sources of revenue:** Look across core, ancillary, and adjacent markets. By broadening their scope, hospitality brands can attract diverse customer segments, deliver more personalized experiences, and unlock untapped growth opportunities.
    - Think beyond traditional stays: High-growth markets such as vacation rentals, wellness retreats, and co-working spaces offer new ways to meet travelers' evolving lifestyle needs. These options seamlessly blend leisure, wellness, and productivity, creating richer, more cohesive experiences.
    - Explore opportunities for guests to customize their stay: Dynamic offerings such as à la carte amenities or personalized room bundles put control in the hands of the traveler. Guests could pay for access to premium dining, wellness facilities, or cultural activities, enhancing satisfaction while optimizing hotel operational costs.
    - Fit loyalty programs to modern lifestyles: Building long-term relationships means rethinking loyalty programs. Subscription-based travel memberships, curated local experiences, and all-inclusive plans—popular in other industries—can offer frequent travelers discounted stays, exclusive perks, and tailored itineraries while fostering loyalty and increasing engagement.

TREND #2: Beyond the Stay: Changing Consumer Desires Open Opportunities to Diversify Revenues CONTINUED

2. **Refine the value proposition:** Once new revenue pools are identified, the challenge turns to developing offerings that resonate with travelers and align with operational goals. Successful models require balancing customer demand with practical execution and long-term profitability.
   - Consider feasibility early on: Concepts should be scalable, operationally efficient, and seamlessly integrated into existing systems, from staffing to technology.
   - Balance upfront investments with future potential: Consider the longer-term picture, even while supporting and testing initiatives.
   - Partner for impact: Collaborate with local businesses, tech providers, or industry leaders to infuse strategy development with fresh ideas and expertise, and expand reach. Partnerships can enhance guest experiences, from connected local culinary events to immersive cultural activities.
3. **Turn ideas into results:** Move quickly, validate concepts, and scale successful initiatives.
   - Start small, think big: Prototyping offers a low-risk way to test ideas in real-world conditions. Whether piloting a wellness retreat package or a new loyalty model, gathering customer feedback early ensures alignment with market needs.
   - Scale without losing quality: Once proven, successful concepts should be integrated into loyalty programs or operational platforms for seamless scalability. Maintaining consistency across locations is critical to ensuring guest satisfaction and brand integrity.

Diversification is no longer a question of "*should we*" but "how quickly and effectively *can we.*"

Decoding Travel: Notable Insights

Meeting expectations, setting new standards:

- A leading hotel brand is collaborating with a rideshare company to enable its members to earn loyalty points. This partnership bridges daily habits with travel rewards, adding value to the loyalty program.[35]
- A leading airline is proactively offering rideshare booking services based on scheduled flights.

TREND #3

The Draw of Events: Sports and Entertainment Reveal New Ways to Leverage Consumer Enthusiasm

Sports and entertainment have long been drivers of occupancy, pricing, and economic growth, but their influence is increasing exponentially. From iconic events such as the Super Bowl and NCAA Finals to cultural phenomena such as Taylor Swift's Eras Tour, events are reshaping travel patterns. They're also presenting a widening scope of options for redefining how cities and hotels engage with visitors.

Now in scope: FIFA 2026 (happening across 16 cities in the U.S., Canada, and Mexico) and the 2028 Summer Olympics in Los Angeles. These occasions are poised to elevate the nation's status as a premier destination for event-driven tourism, providing significant growth opportunities for the hotel industry.

Recent revenue impact

Consider the revenue impact of recent events in more detail. In 2024, the Super Bowl in Las Vegas generated $700 million in economic impact, with ADR surging to $758 to $808 on weekends. This contributed to a 140% increase in RevPAR compared to 2023. Similarly, the 2024 NCAA Final Four fueled unprecedented demand in Phoenix and Cleveland, with both cities recording a sharp rise in occupancy, ADR, and RevPAR—surpassing previous host cities like Houston and Dallas. Cleveland saw a 227% year-over-year increase in RevPAR to $195 while occupancy reached 81%, a 60% year-over-year jump. Phoenix mirrored this success with RevPAR climbing to $238, up 109% year-over-year, and occupancy hitting 87%, a 38% increase. These events demonstrate the immense potential of sports tourism in bolstering local economies and elevating hospitality performance.[36,37]

The economic effect

Such events are also catalysts for economic growth, urban transformation, and cultural vitality. Across the U.S., cities are evolving into vibrant hubs of sports and entertainment tourism, reimagining their infrastructure and hospitality offerings to provide engaging, and memorable experiences for visitors.

Take Orlando, Florida, for example. Building on its reputation as the home of many globally recognized theme parks and ancillary attractions, the city has been expanding its hotel capacity to accommodate the influx of sports-oriented visitors. In 2024, it was named the top sports event city in the U.S. by Sports Business Journal.[38] Between 2022 and 2023, the city added 1,000 new hotel rooms, with plans to expand by another 3,000 by the end of 2024. The city also attracted the inauguration of a luxury resort located in southwest Orlando in 2024.[38,39]

The Booming Impact of Sports and Music Tourism[42,43]

- Industry growth: Sports and music tourism are projected to become a $1.5 trillion industry by 2032.
  - Sports tourism leads this growth, currently valued at $564.7 billion in 2023 and expected to surge to $1.33 trillion.
  - Music tourism, though smaller, is set to more than double, growing from $6.6 billion to $13.8 billion.
- Traveler trends:
  - Among travelers flying to events, over 83% have attended sports events, while 71% have traveled for music events in the past three years or plan to do so in the next year.
  - Over half (56%) of event tourists attend multiple events annually, with 22% participating in three or more.

TREND #3: The Draw of Events: Sports and Entertainment Reveal New Ways to Leverage Consumer Enthusiasm CONTINUED

Houston offers another example with broader effects on urban infrastructure. The city's revamped public transit system connects fans to key activity centers, making it easier to navigate between venues without logistical hurdles.[40] Similarly, Los Angeles is gearing up for the 2028 Summer Olympics with ambitious projects like the Crenshaw Line and Regional Connector.[41] These expanded transit systems are designed to provide smooth connections between major venues and downtown hotspots, setting new standards for accessibility.

By aligning transit innovations, cutting-edge venues, and expanded accommodation options, U.S. cities are setting new standards for sports and entertainment tourism. These investments go beyond functionality—they're reshaping urban landscapes and elevating hospitality as a cornerstone of unforgettable guest experiences.

The next frontier: U.S. hospitality prepares for upcoming sports events

The 2026 FIFA World Cup, set to generate over $5 billion in economic impact across North America, promises to be a game-changer for the hospitality sector.[46] With FIFA projecting $11 billion in revenue for the 2023-2026 cycle, including $3.1 billion from hospitality rights and ticket sales, hotels, and event venues have a significant chance to capitalize on the world's largest sporting event.[47]

The stakes are even higher when looking ahead to the 2028 Olympics in Los Angeles. With an anticipated $11 billion in economic impact,[48] the event will require 40,000 hotel rooms and an Olympic Village for 15,000 participants. California's tourism and hospitality industries stand to benefit immensely from the influx of international visitors, creating opportunities for new partnerships, global exposure, and long-term growth.[49]

Taylor Swift's Eras Tour: A Cultural and Economic Juggernaut [44,45]

In 2023, Taylor Swift's Eras Tour proved to be a financial powerhouse, generating $2.2 billion in ticket sales and driving substantial economic gains across the U.S. and beyond. Spanning 51 cities and 149 shows, with 23 cities and 51 shows in the U.S., the tour not only revitalized the entertainment sector but also influenced broader markets.

Cities including Pittsburgh hit record hotel occupancy levels, with visitors spending an estimated $46 million. In Los Angeles, the tour created 3,300 temporary jobs and added $160 million into the local economy over just six nights. Small businesses thrived as fans dined, shopped, and used rideshares—Lyft reported an 8.2% increase in demand.

Total direct spending linked to the tour reached approximately $5 billion and could surpass $10 billion when indirect effects are factored in. Dubbed the "Taylor Swift Effect," the economic impact rivals major sporting events like the Super Bowl.

The tour concluded in Vancouver, leaving a legacy of economic renewal and offering a stunning example of how entertainment can drive commerce. Hosting such mega-events transforms cities into cultural hubs, spurring spending on hotels, dining, and entertainment, ultimately demonstrating the power of entertainment in fostering growth.

TREND #3: The Draw of Events: Sports and Entertainment Reveal New Ways to Leverage Consumer Enthusiasm CONTINUED

Mega-events also bring significant challenges. Infrastructure and security costs frequently exceed projections, while inflated hospitality rates can deter non-Olympic travelers. The Paris 2024 Olympics offered a cautionary tale, where high prices and overcrowding led to a 15% drop in foreign visitors during July 2024.[50] Airlines, including Delta and Air France-KLM, reported losses, underscoring the critical need for careful planning to balance tourism surges with long-term financial sustainability.[51]

Winning approaches for hospitality companies

To thrive in the event-driven travel market, hospitality brands should explore:[34,52]

1. Event-specific packages: Bundle accommodations for major events with tickets, transportation, and themed amenities. For instance, packages for FIFA 2026 could include stadium access alongside curated local experiences.
2. Integrated tours: Combine event attendance with regional attractions, such as game tickets paired with city tours, to offer a richer guest experience. A "follow your team" package for FIFA 2026 could incorporate guided city tours and exclusive fan events.
3. Exclusive event experiences: Distinguish your property with VIP offerings like pre-event parties or meet-and-greet sessions, creating memorable interactions. These personalized experiences enhance guest satisfaction while commanding premium rates.
4. Luxury amenities: Cater to high-end travelers with premium services like chauffeured luxury cars or personalized concierge experiences.
5. Loyalty collaborations: Forge partnerships with event organizers and brands to deliver unique loyalty perks. A prominent hotel group's partnership with a major sports organization illustrates the trend of loyalty collaborations, offering exclusive experiences for loyalty program members at premium tournaments.[53] This enhances engagement and provides unique access to memorable sporting events and hospitality.

As cities plan for upcoming global events, the hospitality industry can prepare with targeted investments of their own, seeking to build meaningful partnerships and maximize short-term economic benefits with the longer-term impact in mind.

TREND #4

Generative Artificial Intelligence Enables Companies to Break Through Noise, Rebuild Trust

Even as leading brands explore the potential of tools driven by artificial intelligence (AI)—chatbots for booking assistance, personalized itinerary planning, and real-time service adjustments—they must prioritize trust and responsibility.

Why? Because consumers have grown increasingly weary of the deluge of information coming their way—and increasingly wary of scams. Decision stress, fueled by countless booking options and a barrage of online content, often leaves travelers feeling paralyzed and suspicious. According to one recent Accenture study, a majority of people (74%) have walked away from making a purchase because they felt overwhelmed.[54] And according to another, 59.9% of individuals express skepticism about online content.[55]

In the hospitality industry, the latter isn't a surprise. Travelers and hospitality providers have been dealing with dubious and outright fake travel-related information for some time. In 2021, TrustPilot eliminated around 2.7 million fraudulent submissions. In 2022, TripAdvisor identified approximately 1.3 million fake reviews on its platform.[56] In 2023, the platform blocked a record 2 million misleading reviews.

But rising distrust translates into missed bookings and diminished guest loyalty. Even long-established brands are not immune.

The irony is that while generative-AI-powered tools in the hands of bad actors can build distrust, they can also help organizations strengthen and perpetuate trusted relationships with consumers.

When companies enable employees to access the data they need when they need it, they can improve the service they offer. Better service *that reflects careful and responsible use of data* builds trust.

Real Losses From Scams Drive Real Trust Issues

In 2023, the Federal Trade Commission (FTC) reported that Americans lost a staggering $10 billion to scams, marking the highest losses ever recorded. Impostor scams topped the list, accounting for $2.7 billion in reported losses, as scammers impersonated trusted entities including banks and government agencies. Social media scams also surged, resulting in losses of $1.4 billion, which represents an increase of $250 million from 2022.

The median loss per victim was $500, with younger adults aged 20-29 reporting more frequent losses, though older adults faced the highest financial impacts. Scams that began with a phone call resulted in the highest average loss per individual, with victims losing approximately $1,480 each.[57,58]

TREND #4: Generative Artificial Intelligence Enables Companies to Break Through Noise, Rebuild Trust CONTINUED

Takeaways for the industry

Hospitality companies are already using generative AI to reinvent their back offices, automate work, and enable employees to do more purposeful work.

But the need for more innovative customer-facing AI-powered solutions is reaching critical levels. Used well, generative AI can enhance personalization and service at every stage of the traveler's journey.[34]

Discovery: Generative-AI-powered tools turn confusion into clarity by offering personalized and reliable recommendations. AI-driven platforms analyze past preferences to suggest tailored room options or destination ideas, ensuring guests feel understood while prioritizing transparency and data protection.

Conversion: By understanding traveler motivations, AI moves beyond generic transactions to deliver curated experiences that foster deeper connections. Dynamic pricing, tailored bundles, and hyper-personalized itineraries transform the guest journey, adding value and elevating satisfaction.

Loyalty: Generative AI shifts the focus from brand-centered strategies to human-centered engagement. By enabling thoughtful and personalized interactions, AI builds trust, deepens connections, and fosters guest loyalty—encouraging repeat visits and enthusiastic advocacy.

Surfing Through Travelers' Thoughts and Preferences[5]

- **87%** of travelers want generative AI advisors to provide reliable and specific recommendations.
- **82%** desire surprise suggestions they wouldn't have considered otherwise.
- **88%** expect AI to offer options from multiple brands.
- **79%** wish AI could manage tasks like negotiating and resolving queries.
- **Over 87%** want AI advisors available anytime, anywhere—whether in-store, online, or via an app.

Taking a human-centered approach to technology adoption will separate winning organizations from the rest. When travelers feel understood as individuals and valued as customers, they are more likely to trust the brand, fostering deeper loyalty and advocacy. And trust will seal the deal if companies commit to:[34]

Empowering travelers by providing clear privacy settings to give guests control over their personal information; and

Ensuring transparency by clearly labeling recommendations or reviews generated by AI to build confidence in their authenticity. Communicating product details, cancellation policies, and pricing structures upfront will enable informed choices.

A NEW GROWTH TRAJECTORY IS TAKING SHAPE

The next chapter in hospitality will be defined by how we balance innovation with the timeless need for connection. By 2025, trends like solo travel, generative AI, and sustainability won't just shape experiences—they will transform expectations. For the hospitality industry, this year can and should be about demonstrating how resilience—and timeless principles of hospitality—can intersect with change.

As the sector anticipates a slow rise to new heights of ADR, occupancy, RevPAR, and guest spending, executives should focus on expanding scope and diversifying revenues to uncover new possibilities. The sector is already evolving to meet shifting consumer expectations, harnessing technologies such as generative AI to elevate guest experiences while streamlining operations. And with events such as the FIFA World Cup and the Olympic Games in Los Angeles on the horizon, the industry can also demonstrate its ingenuity on a global stage by leaning into the power of ecosystems to create new and meaningful experiences.

The years ahead are rich with opportunity for hospitality businesses that reframe today's challenges as a catalyst for creating breakthrough value for all stakeholders. Success will come to brands that anticipate needs, harness technology to deliver personalized and sustainable experiences, create meaningful moments that inspire loyalty, and develop new performance frontiers.

The choices made now will determine how we welcome the travelers of tomorrow.

American Hotel & Lodging Association 2025 State of the Industry Report In Collaboration with Accenture

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organizations build their digital core, optimize their operations, accelerate revenue growth and enhance citizen services—creating tangible value at speed and scale. We are a talent- and innovation-led company with approximately 799,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology and leadership in cloud, data and AI with unmatched industry experience, functional expertise and global delivery capability. Our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Song, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients reinvent and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities. Visit us at **https://www.accenture.com/us-en/industries/travel**.

In creating this report, AHLA engaged Accenture as knowledge partner. While this report draws on work done by Accenture, the policy recommendations included in this report are those of AHLA and do not reflect the opinions or views of Accenture.

EPILOGUE: A LOOK AHEAD

The AHLA State of the Industry: Partner Trends and Insights Report, to be released in February 2025, takes a closer look at some of the choices facing the industry. Leading industry observers and vendors offer their observations on emerging challenges and opportunities:

- **Millennials and Gen Z are redefining the travel industry.** AHLA Platinum Partner American Express finds that Millennials and Gen Z are helping drive U.S. growth and recovery in travel. These card members spent almost twice as much on lodging in 2023 as in 2019. They're also more likely to prioritize travel experiences than previous generations.[60]
- **The cost outlook indicates a slow but steady march toward recovery.** AHLA Platinum Partner Avendra International's annual cost outlook, The Avendra Edge, shows a slight cooling of the labor market, coupled with some recovery in the commodity markets. As demand increases align with supply capacities, Avendra International anticipates a slight growth in U.S. GDP.[61]
- **Cleanliness remains essential to hotel selection, positive experiences and reviews.** As the industry and guest preferences continue to evolve, what remains constant is the importance guests place on cleanliness. A study conducted on behalf of AHLA Platinum Partner Ecolab found that cleanliness continues to be a top factor influencing hotel selection (beyond price and location), and is the top driver of positive experiences and reviews.
- **Cutting-edge innovations in human resources are addressing team member needs.** Seasonal fluctuations remain difficult for the hotel industry. AHLA Platinum Partner Encore finds that innovative HR programs, including a first-of-its-kind overtime savings program and seasonal leave of absence, are providing flexibility for team members while encouraging financial well-being.
- **Hotels can improve retention by offering a positive onboarding experience and leveraging technology in hiring.** Research from AHLA Gold Partner Hireology shows job seekers prioritize competitive pay, flexibility, and career growth. Candidates are more selective, requiring clear, mobile-friendly job postings, and fast application processes.
- **Artificial intelligence and eco-innovation are making headway as guests take control of their journey.** Technology is at the heart of the transformation awaiting the hospitality industry. AHLA Platinum Partner Oracle expects AI-driven automation in the hospitality industry will move from experiments to concrete initiatives that solve acute industry problems, create new opportunities, and give guests more power and control.
- **Arrival through departure is becoming an integrated experience.** AHLA Silver Partner Towne Park finds that hotels are creating strong and lasting first impressions by integrating valet, self-parking, and bell and door services into a seamless operation. Towne Park data also shows that an effectively managed and operated hotel parking program can significantly drive both revenue and profitability.

As the leading voice representing every segment of the hotel industry, AHLA stands ready to help its members navigate the challenges ahead and make decisions that benefit all their stakeholders.

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