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In the Short Term, Hotel Executives Anticipate Slow Transactions Pace and Travel Budgets To Decrease

Economist Says Recession Is Unlikely Due to Strong Labor, Income Metrics

By Trevor Simpson

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PHOENIX — Group travel is continuing its strong recovery to 2019 levels and the hotel industry is in a good place as this year approaches its final quarter.

But speakers at The Lodging Conference said the economic environment remains a major cause of concern as transactions in the hotel industry remain slim pickings and leisure travel demand starts to plateau.

“Deals are happening, I hear about them every day, but they’re more difficult. They’re more expensive; they’re more restrictive. When will that change? Will it change? Is it the new normal?” said Harry Javer, founder and producer of The Lodging Conference.

With consumer debt in the U.S. at an all-time high of more than \$17 trillion, there’s already been decreased spending in lodging accommodations and food services when adjusted for inflation, said **Bernard Baumohl, chief global economist for The Economic Outlook Group.**

That doesn’t mean consumer spending will halt, leading to a recession in the near future, however. The strength of the job market and increasing household incomes should keep the economy afloat even if there is a cutback on spending, **Baumohl** said.

“You cannot have a full employment recession; it’s an oxymoron,” he said. “People will cut back on spending, and yes, it's going to have an effect on the economy, but not a recession, not a serious downturn in economic activity.”

Baumohl said he isn't forecasting a recession due to the labor dynamics and international inbound travel opening up.

There will likely be a concurrent dip in hotel performance and the economy in the near future, but both are expected to pick up in the second half of 2024, said Amanda Hite, president of STR, CoStar's hospitality analytics division.

Hite said there will be positive revenue per available room growth in 2024, and it will come from rate growth, not occupancy.

“We've got really strong fundamentals, very low supply. As we move into the second half of '24, occupancy will start to pick up again,” she said. “Still strong growth in '24 with 4.1% RevPAR gains, but again, mostly driven by rates.”

Quotes of the Day

“Your risk management strategies, risk management tools, having contingency plans in place has to be a top priority now in every business.”
— **Bernard Baumohl**, chief global economist for The Economic Group, on exterior risks to the hotel industry such as the 2024 U.S. presidential election and the war in Ukraine.

“Our associates within a group of hotels have the ability to not only schedule themselves, but schedule between various hotels and trade shifts really in an automated way. [Lack of scheduling flexibility] is one of the biggest reasons we find why people leave our industry, so us addressing that is one of the most important things we can do to prevent that.”
— Mark Tamis, global president of Aimbridge Hospitality, on increasing scheduling flexibility.

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