Economic Forecast 2027: Lodging Sector Session with Bernie Baumohl

The U.S. economy has entered what Bernie Baumohl calls a “new regime,” and it’s one that matters directly to hotel owners and operators.

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Economist Bernie Baumohl, ranked top US forecaster in 2025, projects 2.1% GDP growth in 2027 with no recession, constrained hotel supply, and roughly 4% RevPAR growth for the lodging sector.

The U.S. economy has entered what Bernie Baumohl calls a “new regime,” and it’s one that matters directly to hotel owners and operators. Baumohl, chief global economist at The Economic Outlook Group, delivered his outlook at The Lodging Conference 2026 in Phoenix. He’s worth listening to: The Wall Street Journal ranked him the top economic forecaster in 2025, the second time he’s earned that distinction.

I’ll admit I expected a more cautious outlook. Instead, Baumohl was every bit as optimistic as I am. I’d already written my own 2027 forecast before hearing him speak, so it was reassuring to see us land in the same place.

Early in 2026, the conversation was about cutting interest rates. Today, the Fed is moving in the opposite direction. Inflation remains elevated, energy prices are at or near record levels, and global demand for capital has surged. Yet despite these pressures, the lodging sector continues to outperform expectations.

A Slower but Stable Growth Path

Economic growth will moderate but not collapse. Baumohl projects 2.6% GDP growth in 2026, easing to 2.1% in 2027 and 2.0% in 2028. This isn’t a recessionary profile; it’s a slow-growth environment driven by three forces:

-- AI investment, which becomes a dominant contributor to GDP, rising from 41.6% of growth in 2026 to 48% in 2027.

-- Government spending, which remains elevated.

-- Consumer spending begins to cool, falling from 27.8% of GDP to roughly 20% by 2027.

For lodging, this means demand remains intact, but the composition shifts. Higher-income travelers, business travel tied to AI and tech clusters, and government-related activity will carry more weight as lower-income households face increasing stress.

Household Pressure Is the Real Risk

Baumohl's most important warning concerns consumers. Spending continues to exceed take-home pay. Savings rates are falling. Credit-card balances and home-equity withdrawals are rising. Ninety-four percent of workers are non-union, and inflation is outpacing wage gains.

Monetary policy hits households first and hardest. The Fed raised rates 25 basis points on Sept. 16, and Baumohl expects two more increases: another 25 basis points late in 2026 and 50 basis points in 2027. As rates rise, the pressure on discretionary spending will grow. For hotels, this means watching two indicators closely:

-- Delinquency rates: If they rise meaningfully, leisure travel will soften.

-- Wage growth: Without real wage gains, the lower half of the income distribution will pull back.

Rates, Capital, and the 10-Year Treasury

The capital environment is shifting in ways owners cannot ignore. Baumohl expects the 10-year Treasury to exceed 5% in 2027 and 2028, driven by:

-- Massive AI-related capital demand

-- War-related spending

-- Rising deficits

-- Reduced foreign appetite for U.S. Treasuries

He even raises the possibility of “bond vigilantes” pushing yields toward 6%. For hotel investors, this means higher cap rates, tougher refinancing conditions, and more conservative underwriting. Deals will still pencil, but only with realistic exit assumptions and disciplined capital structures.

Why Lodging Still Looks Strong

Despite these headwinds, Baumohl is clear: the lodging industry is in good shape.

-- Supply is constrained. High construction costs and expensive financing have kept new development muted.

-- Demand is resilient. August consumer spending was up 5.9%, outpacing CPI by a wide margin.

-- The industry has been restructured. Hotels have become more agile, with better pricing discipline, leaner operations, and the ability to reprice daily.

In a slow-growth economy, these structural advantages matter. Lodging doesn’t need a booming consumer to perform well; it needs stable demand and limited supply, and it has both right now.

What Could Go Wrong

Baumohl’s risk list is long, and several items are geopolitical. For hotel owners, the most relevant threats are:

-- Energy shocks: High gas, oil, and diesel prices raise travel costs and operating expenses.

-- Consumer slowdown: Particularly among lower-income households.

-- Rate overshoot: A 10-year rate drifting toward 6% would pressure valuations and transactions.

-- AI volatility: A cooling of AI investment would remove one of the economy’s key growth engines.

The geopolitical risks (Russia and NATO, China and Taiwan, and conflict in the Middle East) are low-probability but high-impact. They would disrupt travel flows and capital markets quickly.

These are worth watching, but I don’t expect any of them to derail 2027.

The Bottom Line

The lodging sector is operating in a new economic environment, one defined by elevated inflation, higher interest rates, massive AI investment, and growing household stress. Yet the industry's fundamentals remain solid. Supply is constrained, demand is diversified, and operators have become more resilient.

This is not a market to fear. It's a market to navigate with discipline: conservative underwriting, operational agility, and a clear understanding of where demand is coming from. In Baumohl's view, no recession is in sight, just a slower, more complex economy where well-run hotels continue to outperform.

That lines up with my own view. In my hotel industry outlook, published Aug. 25, I called for roughly 4% RevPAR growth in 2027: about 1% from occupancy and 3% from rate. Nothing I heard in Phoenix changes that, and Baumohl's outlook gives me even more confidence that 2027 will be a solid year.

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