

Strong Recovery in the Cards for US and European Hospitality Industry



Over the last few years, the hospitality industry has taken some hard hits. For Commercial Real Estate (CRE) professionals focusing on the sector, 2020 may well have felt like a trial by fire. When we looked at the industry last year, however, things were starting to look up, with at least some evidence of a mounting recovery.

The good news in 2022 is that, as business travel and tourism resume, the hospitality sector seems set to hit highs we haven't seen since before the pandemic.

RevPAR Revving Up

According to a recent article by hospitality analysts STR, the RevPAR (Revenue Per Available Room) for US hotels is set to surpass levels seen in 2019. RevPAR is an important metric for the industry and is used by owners to calculate hotel performance. The new predictions suggest a \$6 increase in RevPAR compared to 2019.

It's worth noting, though, that the gains fall short when adjusted for inflation and it's likely the industry will only achieve full recovery in 2024. That said, the sentiment in the hospitality sector still seems to be bullish, especially on the back of average daily occupancy rates of nearly 60% in May this year.

Back in Business

One factor that seems to be fueling the gains is an uptick in business travel. STR president Amanda Hite states: "...right now, we are forecasting demand to reach historic levels in 2023 as business travel recovery has ramped up and joined the incredible demand from the leisure sector."

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The New York Times adds that domestic business travel in particular is on the increase, with cities like Las Vegas leading the pack in terms of the number of trade shows and events scheduled in 2022.

While the recovery for international travel seems to be slower, they note that business trips to Europe are leading recuperation on that front.

The European Connection

The hospitality situation in Europe is certainly heating up, with many top destinations reporting strong gains in the last few months.

In Paris, for example, the hotel market is expected to make an early recovery, buoyed by tourism and international events like the Rugby World Cup and Olympic Games. Meanwhile Berlin hotels are also reporting hikes in RevPAR and occupancy and Portugal is anticipating pre-pandemic levels of tourism in 2023.

A Hopeful Outlook

Taken together, these latest reports suggest that there may be some welcome relief for the hospitality sector as travel, both for business and pleasure, resumes. Going into 2023 and 2024, we may see a level of robust recovery that means the industry can finally put the hard times of the last few years behind it.

