

Shifting Hospitality Trends as Travelers Choose Budget Options



During the recent 2023 Hotel Data Conference, hoteliers and industry experts gathered to discuss potential recession effects on the industry and several new trends that have come to light in recent months.

Among the topics covered were how travelers have adjusted their plans to accommodate tighter budgets. In some cases, that means booking all-inclusive trips, but many are also choosing shorter, cheaper stays, according to data from CoStar's hospitality analytics division: STR.

Leisure Travelers “Trading Down”

The trend, dubbed “trade-down,” is the result of budget-savvy travelers responding to soaring hotel rates.

STR Senior Analyst Hannah Smith, who presented the findings at the conference, notes that travelers can't afford the same hotels that they could have a few years ago. She states: “Forty percent of all hotels are more expensive — even accounting for inflation — than they were back in 2019.”

To compensate for these price shifts, travelers are choosing lower-tier hospitality options, booking shorter stays and picking better value hotels further from bustling city centers.

Corporate Travel is Still “Business as Usual”

When it comes to groups there's still little evidence of a trade-down effect but that may be because of a time delay in the data. Large corporate groups tend to book far in advance when planning an event.

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Smith notes: “It’ll be interesting to look at a year from now — of the groups that are planning right now, maybe those are the more price-sensitive groups, [whether] they’re getting a little concerned about travel budgets.”

Smith adds that another factor to keep an eye on is business travelers booking accommodation from their own budget and how preferences in that segment change in the coming year.

Worth noting is that we have already seen some changes in how individual business travelers are booking their stays – specifically a shift towards extended stays in midscale accommodations. That trend is also likely to increase in popularity in the future as individual workers take advantage of remote work situations.

Luxury Deals

Among travelers who are booking more high-end accommodations, there’s been a similar move towards better value. Additional data presented at the conference shows these travelers are increasingly opting for package deals, such as all-inclusive resort offerings. A key part of the value proposition for these packages is creating a personalized and tailored offering that caters to the needs of the individual traveler.

Depending on the context, that could mean adding extra options to the services provided by the hotel or resort, or making special provisions for growing demographics like solo travelers.

Trends and Opportunities

For commercial real estate (CRE) professionals, these shifting trends in the hospitality sector provide some interesting opportunities, especially when it comes to boosting the value of properties located away from traditionally popular areas, like downtown centers.

While travel demand is expected to normalize in the near future after a post-pandemic surge, speakers at the Hotel Data Conference gave a vote of confidence for the sector’s overall resilience in the coming year. Experts note that the industry is “likely to be insulated” from severe effects even if a recession does occur.

