

US hotels posted solid performance heading into Labor Day weekend

Hotel occupancy and inflation-adjusted average daily rate remains below comparable 2019 week



During the week of Aug. 25-31, Chicago hotels posted a 23.8% gain in revenue per available room, outpacing the other top 25 U.S. hotel markets. (Gian Lorenzo Ferretti/CoStar)

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STR

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As August came to an end, U.S. hotel revenue per available room increased for the seventh consecutive week, boosted by both increases in average daily rate and occupancy. Yet RevPAR growth heading into Labor Day weekend was modest.

For the week of Aug. 25-31, U.S. hotel RevPAR rose 3.6% with occupancy growth (+1.9%) even stronger than ADR (+1.6%). RevPAR in the top 25 U.S. hotel markets rose 3.8% and increased in all other markets by 3.4%. Weekdays showed the largest RevPAR increase (+5.8%) with Wednesday earning the top spot, up 6.4%, as ADR rose 2.7% and occupancy grew 2.3 percentage points.

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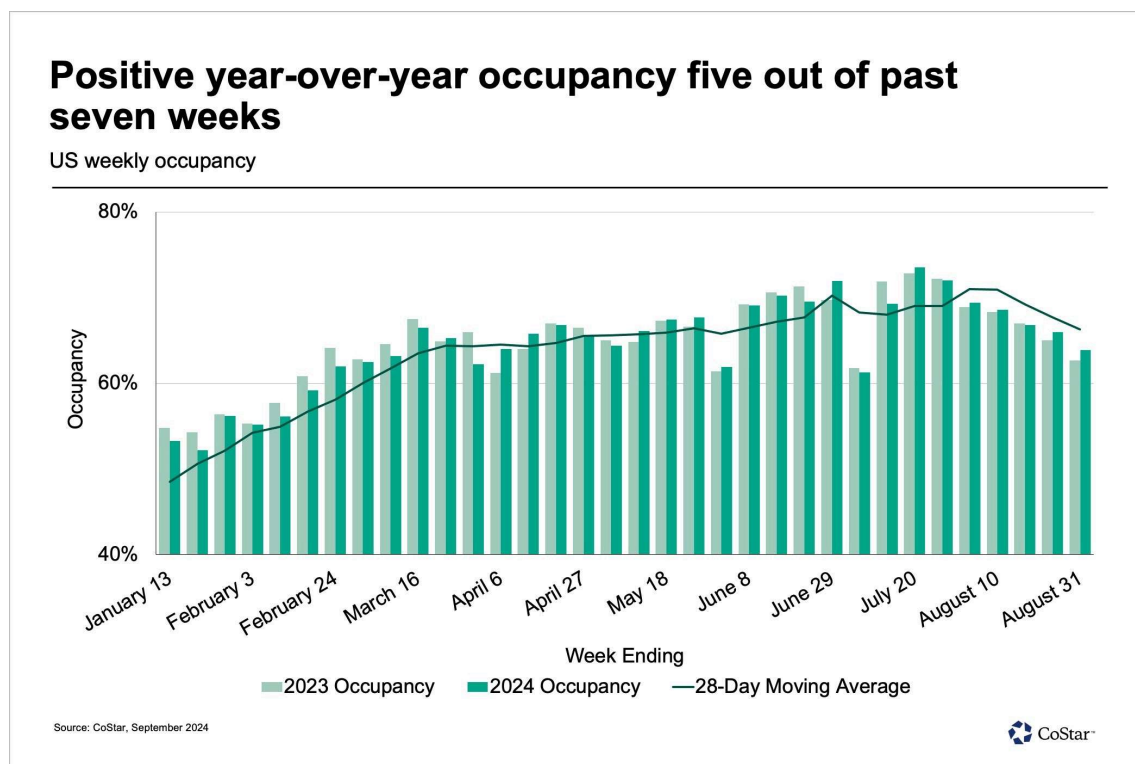
Slower Labor Day weekend growth

Friday and Saturday of Labor Day weekend RevPAR was considerably slower (+0.9%), as occupancy was flat and ADR barely moved. This week aligns perfectly on a calendar basis to the holiday weekend in 2019. While year-over-year RevPAR growth occurred, hotel occupancy continued to be at a deficit, down 2.6 percentage points for the week, down 3.6 percentage points on weekdays (Monday to Wednesday) and down 2.4 percentage points on the weekend days (Friday and Saturday).

Real inflation-adjusted ADR heading into Labor Day weekend 2024 was also below 2019 for the week (-2.5%) with both shoulder days of Sunday and Thursday and weekdays down. The latter was at a 7.3% deficit to 2019. However, weekend ADR was 4% higher than in the benchmark year.

Despite the softness of hotel performance when directly compared to Labor Day weekend 2019, U.S. hotels continued their lucky streak during the week ending Aug. 31. Not only did RevPAR for the total U.S. increase for the seventh week in a row, but group demand in luxury and upscale hotels rose for the seventh straight week as well. All seven days of the week produce positive RevPAR comparisons with weekdays leading the industry. All chain scales, except economy, saw RevPAR growth led by weekdays. The weekend

produced a modest RevPAR gain for a second consecutive week following four weeks of declines. The strong weekday performance bodes well for the coming months as the industry heads into the peak business travel season.

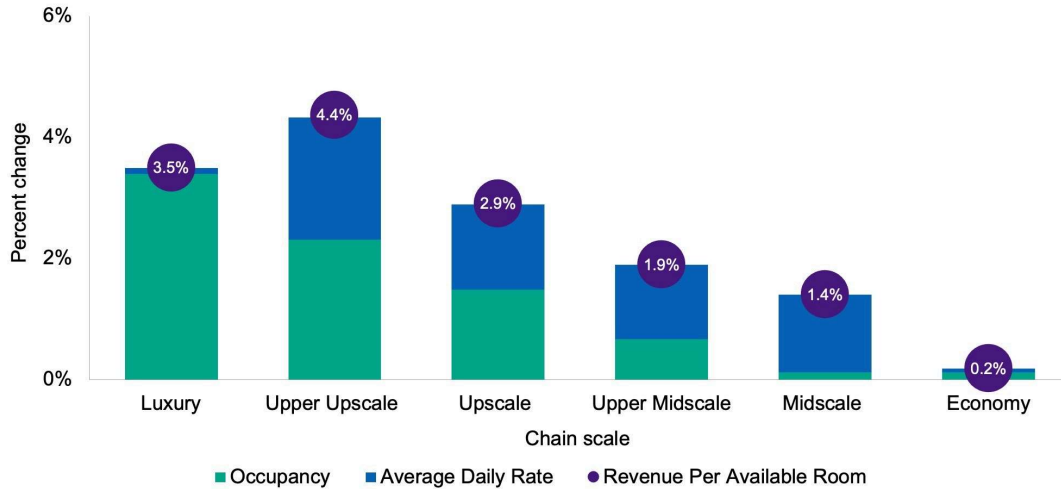


RevPAR gains for all chains scale except economy hotels

Occupancy drove RevPAR growth across the top four hotel chain scales — luxury, upper upscale, upscale and upper midscale — with RevPAR gains ranging from 2.5% in upper midscale to a 5.4% increase in upper upscale. Luxury and upper-upscale hotels each saw occupancy growth of more than 5%. Midscale hotels benefited exclusively from ADR gains while economy hotel RevPAR fell as both occupancy and ADR decreased. Demand for economy hotels was down 2.5%, which was the largest decrease in some time. We're not reading too much into that larger decrease as economy hotel demand declines have been lessening since early this year. In the six weeks ending Aug. 31, economy hotel demand on a 28-day moving average was down 1% versus 1.2% in the prior six weeks. Total hotel industry demand on the same basis is also trending better.

Over past four weeks, revenue per available room positive for all chain scales

US key performance indicators percent change, 28 days ending August 31, 2024 vs. 2023 comparable



Source: CoStar, September 2024



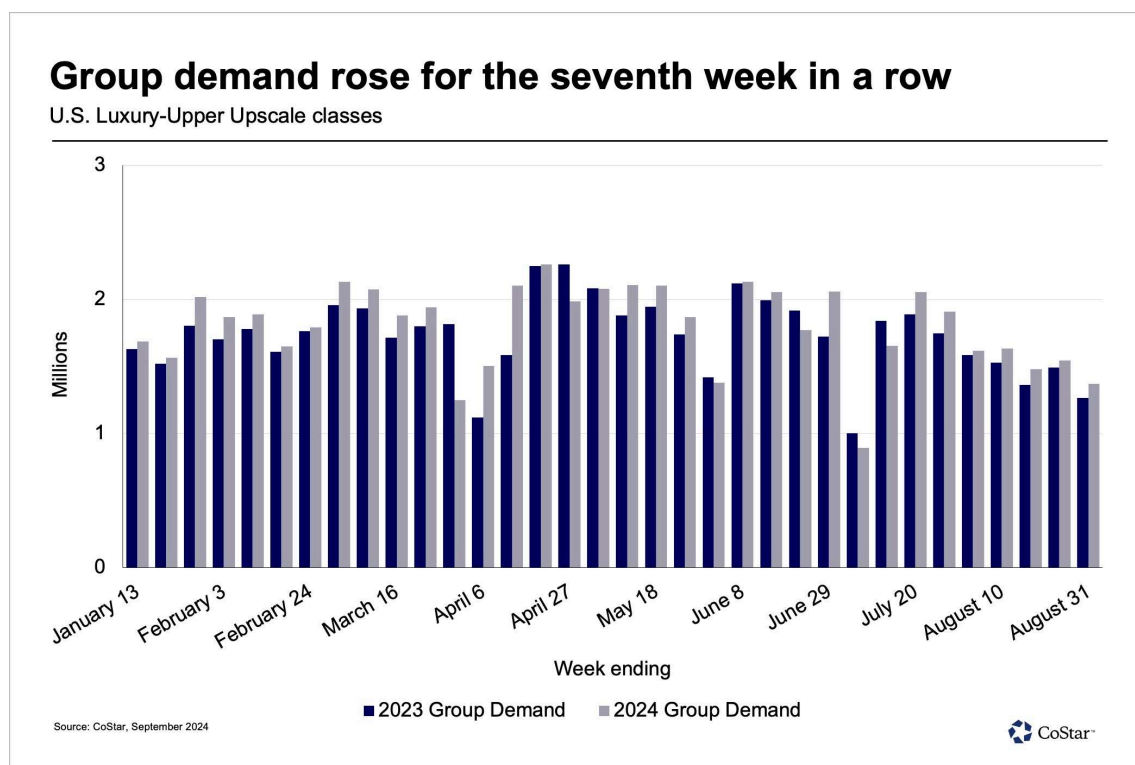
Chicago hotels hold the top RevPAR growth spot again

Following a significant lift from the Democratic National Convention, Chicago again had the highest RevPAR growth of any top 25 U.S. hotel market, up 23.8% with all days of the week producing double-digit gains. Atlanta, Houston, Seattle, and Tampa all saw RevPAR gains of more than 10% during the week with the latter three posting growth of more than 20%. Outside of the top 25 markets, Des Moines, Iowa; Columbus, Ohio; and Milwaukee saw hotel RevPAR advance by more than 30%.

Unstoppable group performance for the seventh week in a row

While the base tends to be small this time of year, group demand in luxury and upscale hotels advanced by 8.5%, which was the seventh consecutive weekly gain. Much of the growth was the result of activity outside the top 25 U.S. hotel markets — where group occupancy increased 2 percentage points — while in the top 25, group occupancy increased 0.3 percentage points. Overall group ADR was flat (-0.1%), softened by non-top 25 markets (-2.3%) while the measure increased in the top 25 by 2%. As seen over the past five weeks, weekdays continued to drive group demand, which rose

12.8%. Demand on shoulder days was also strong, up 9.4%, while weekend gains were a modest 0.8%. ADR increased slightly across all days.



Transient performance across luxury and upper-upscale hotels was up for a second consecutive week with demand increasing 5.3% while ADR was flat (+0.1%). Transient demand increased across all days with ADR growing the most on shoulder days (+1.3%) followed by weekdays (+0.4%) and the weekend (-0.4%).

Looking ahead

U.S. hotel performance in August was a welcome improvement after a lackluster July, but keep in mind that this August had an extra weekend which lifted the entire month. The good news is that we are seeing an improvement in demand based on the 28-day moving average.

The week containing Labor Day Monday will show much lower hotel performance due to the holiday, but September should perform well as group calendars adjust to the movement of the Jewish observances, which

fall in October this year. Additionally, year-over-year comparisons will be easier due to their movement, but October will suffer as a result.

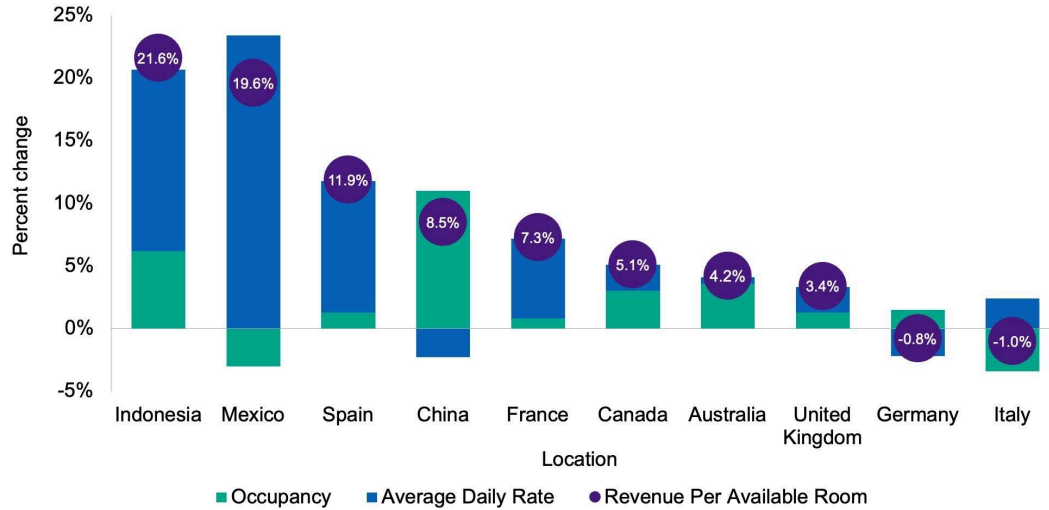
Halloween falls on a Thursday this year, disrupting travel but less so than last year, when it fell on a Tuesday. The U.S. election is the following week, which will also slow travel.

An unexpected global hotel occupancy boost, the greatest since April

Global hotel performance improved for a 13th consecutive week as RevPAR grew 9.2%. The uplift was largely driven by ADR, which rose 4.5% along with occupancy, which rose 2.9 percentage points and showed the strongest gain since April. ADR dominated RevPAR growth across the three largest countries based on hotel supply. Indonesia took top honors again with RevPAR up 21.6%. It has been in the top three of the largest countries in every week since May. Mexico's hotels grew RevPAR by 19.6%, entirely on 23.4% ADR growth, while occupancy declined 3 percentage points. Hotels in Spain also performed well, with RevPAR up 11.9% thanks to a 10.5% ADR increase.

Average daily rate drives top 3 countries while occupancy lifts fourth place China

Top countries, key performance indicator percent change



Source: CoStar, September 2024

Note: Year-over-year, week ending August 31, 2024 versus comparable week in 2023



For the first time since June, RevPAR in China's hotels increased, up 8.5% thanks to a 6.9-percentage-point increase. Nearly all markets were up with strong gains in Guizhou (+53.4%) and Macau (+41%). The largest markets in the country also saw strong growth with Guangdong up 38.2%. RevPAR grew by 5% or more in the other large markets.

Global hotel performance is expected to remain healthy while slowing as summer comes to an end. Many eyes will be on China to see if this week's positive performance is an indication of things to come.

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This article represents an interpretation of data collected by CoStar's hospitality analytics firm, STR. Please feel free to contact an editor with any questions or concerns. For more analysis of STR data, [visit the data insights blog on STR.com](#).

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