

FIGURES | U.S. HOTEL | Q1 2024

Early Easter Holiday Slightly Lowers Q1 Hotel Market Performance



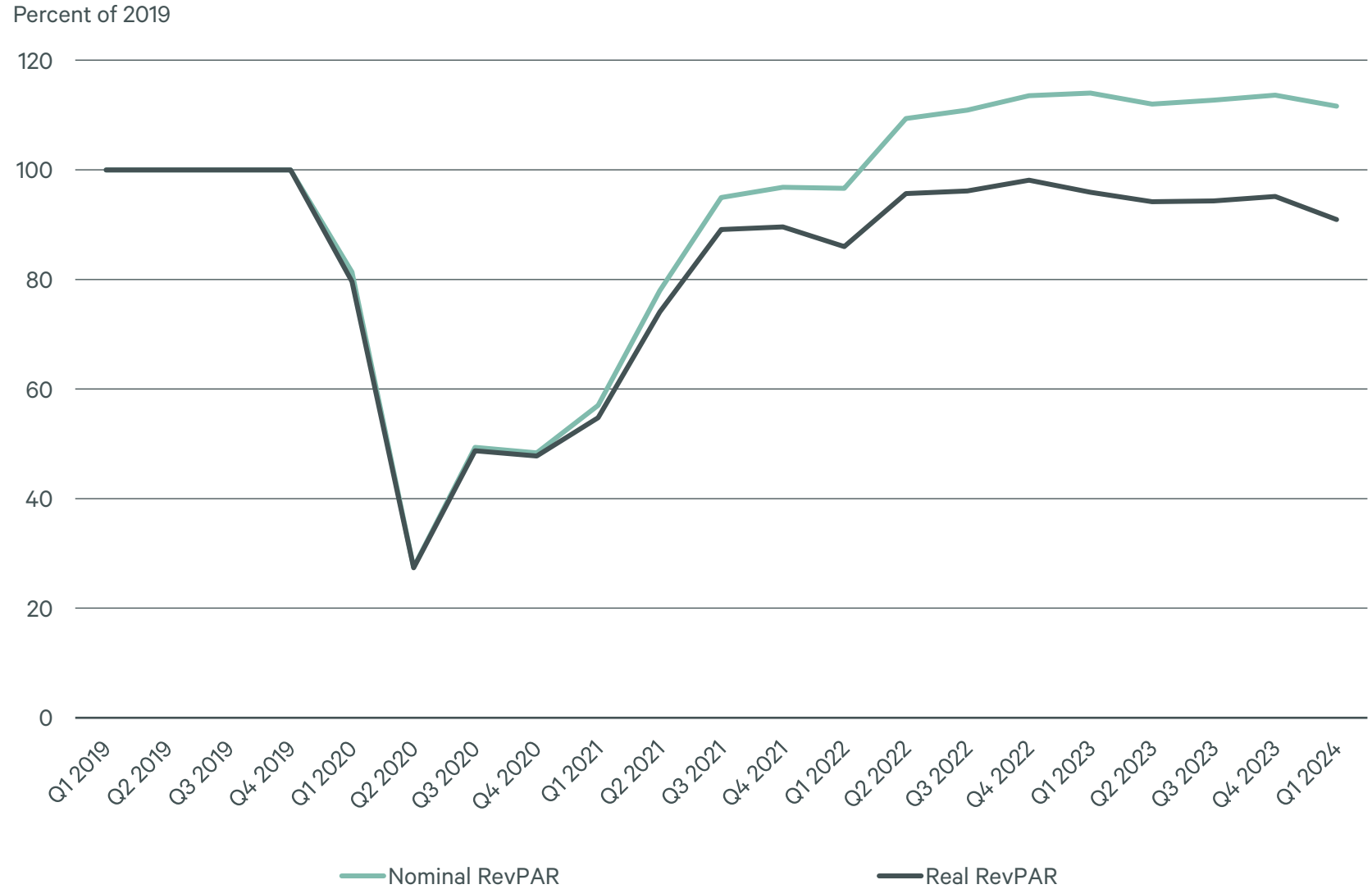
Percentages are year-over-year growth rates. Arrows indicate change in year-over-year growth rates from those of the same quarter in the previous year. Source: Kalibri Labs

Executive Summary

- A 1.4% year-over-year decrease in hotel demand and a 0.6% increase in supply led to a 2.0% drop in Q1 occupancy. A 0.1% decline in average daily rates (ADR) resulted in a 2.1% decrease in revenue per available room (RevPAR).
- The slight drop in year-over-year fundamentals is partially due to the Easter holiday season falling in Q1 this year vs. Q2 last year. Business travel historically drops in the days just before and after Easter.
- Hotel demand continued to be pressured by competition from other lodging sources, such as short-term rentals and cruise lines, as well as record outbound international travel.
- Hotel wage growth accelerated in Q1 to 5.5% from 4.9% in Q4, outpacing the national average of 4.5% for all industries. However, the average hourly hotel wage remained about \$10 lower than the overall national average.
- Half of the top 10 year-over-year RevPAR growth markets were smaller secondary metros. West Coast markets like Seattle and San Jose posted strong year-over-year gains, as did larger markets like New York City, Washington, D.C. and Boston.
- Occupancy rates for all location types were below 2019 levels in Q1. Interstate and town locations were the closest to their 2019 level at 99%, while urban locations were at 92%.
- Brand.com continued to take share from other distribution channels, increasing by 3.5 percentage points to 21.6% compared with Q1 2019.

Figure 1
Real vs. nominal RevPAR as a percent of 2019

- Nominal and real RevPAR fell by 2.1% and 5.2%, respectively, in Q1, partly due to the timing of Easter and inflation outpacing the change in RevPAR.
- Real RevPAR was at 91% of 2019’s Q1 level. The gap between nominal and real RevPAR indexed to 2019 widened to 21 percentage points in Q1 2024 from 19 in Q4 2023.



Source: Kalibri Labs, CBRE Hotel Research, BLS, Q1 2024.

Figures 2a Hotel wage growth picks up

- Hourly hotel wages increased by 5.5% year-over-year in Q1, a full percentage point higher than overall national average wage growth but still more than \$10 lower than the national average wage.



Source: CBRE Hotels Research, U.S. Bureau of Labor Statistics, Q1 2024.

Figures 2b Job openings per hotel

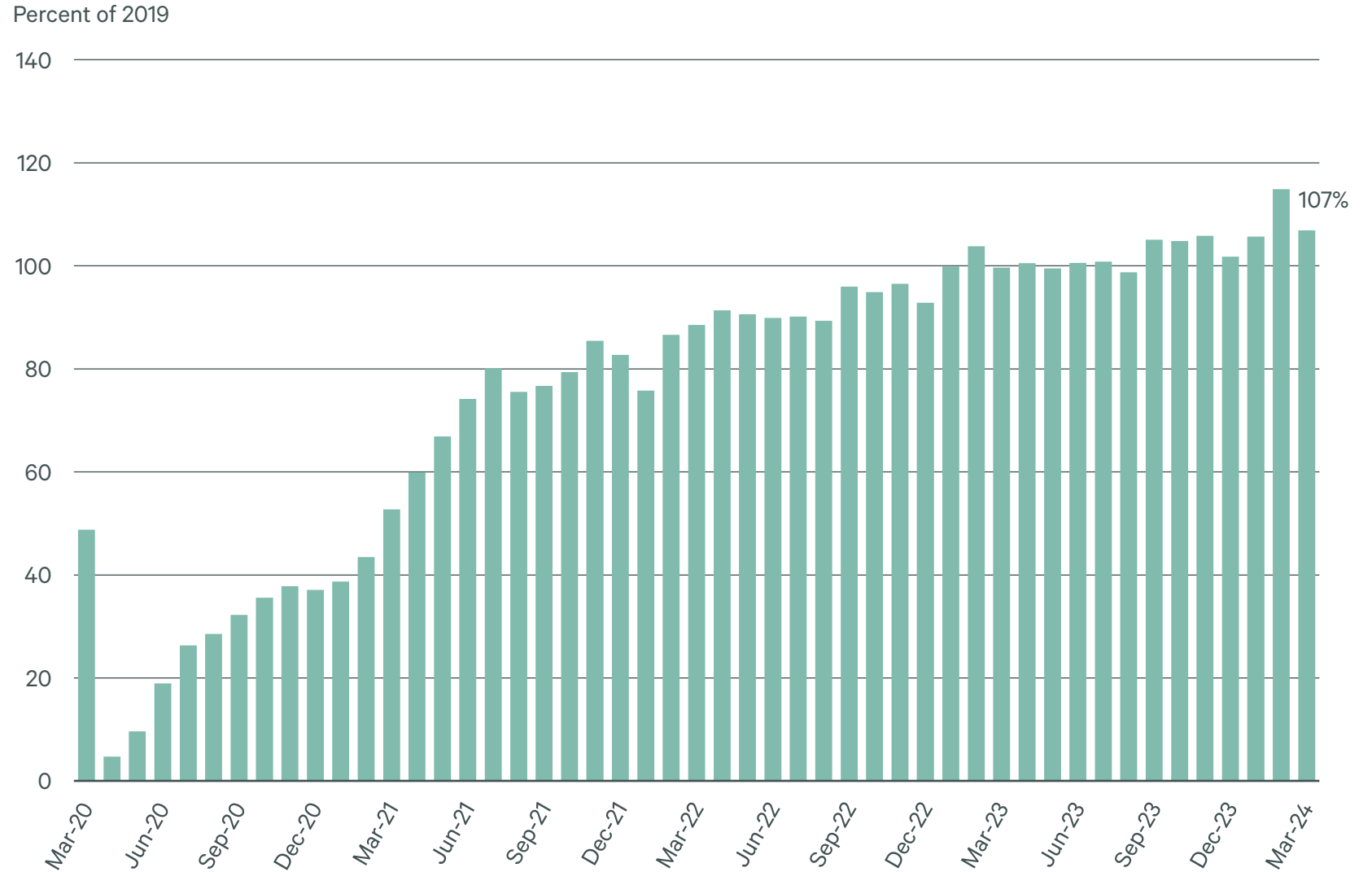
- Job openings per hotel fell nearly 20% to 18 from 23 a year ago. Total hotel employment was 2% above Q1 2019 levels.



Source: CBRE Hotels Research, U.S. Bureau of Labor Statistics and CoStar, February 2024.

Figure 3 Total airline passengers surpass 2019 levels

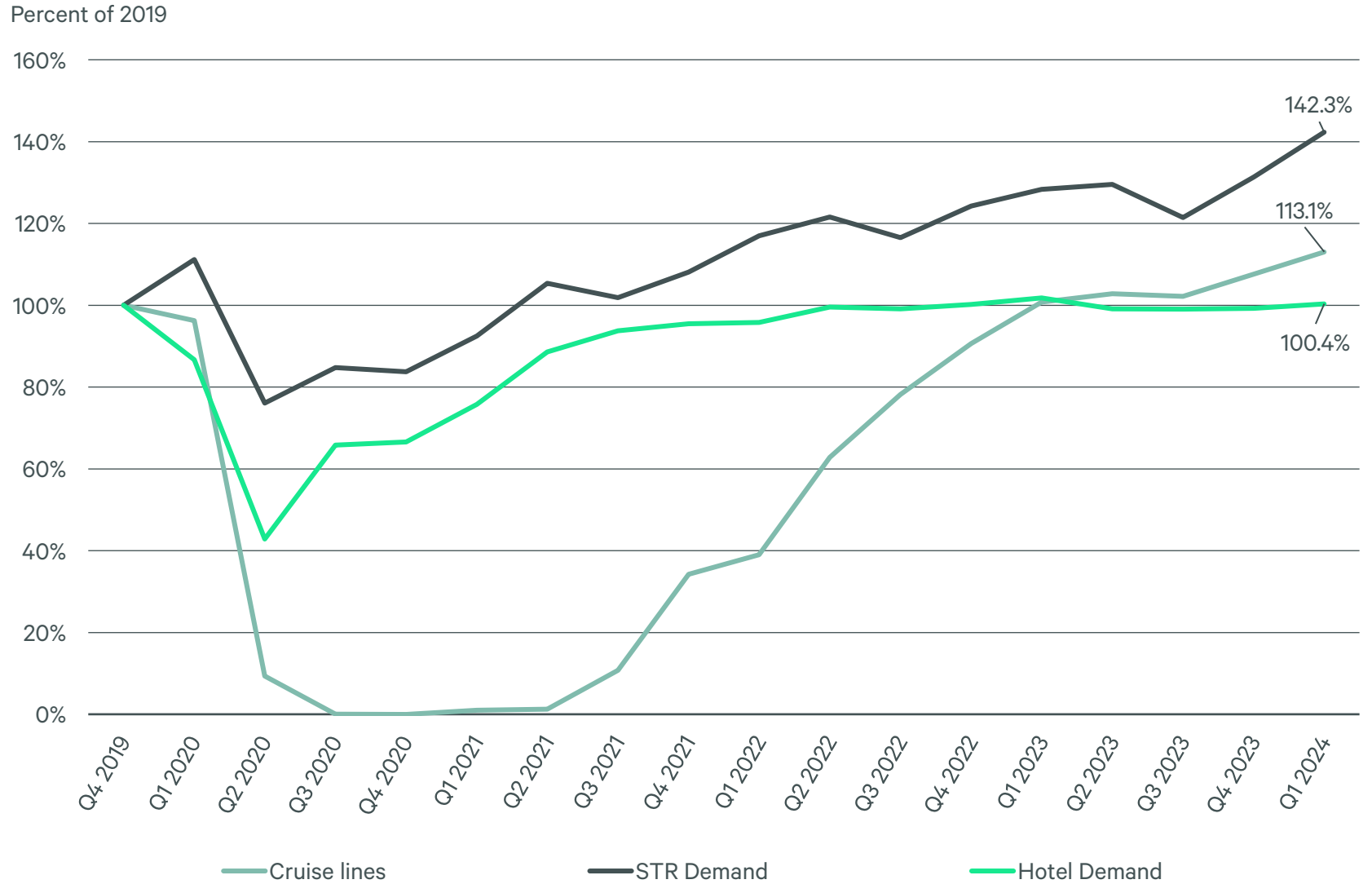
- Daily airline passenger counts in the U.S. averaged 7% above both Q1 2019 and Q1 2023 levels.
- Despite the increase in passengers, Q1 hotel demand fell by 1.4% year-over-year.



Source: CBRE Hotels Research, U.S. Transportation Security Administration, March 2024.

Figures 4a Cruise line, short-term rental & hotel demand vs. 2019

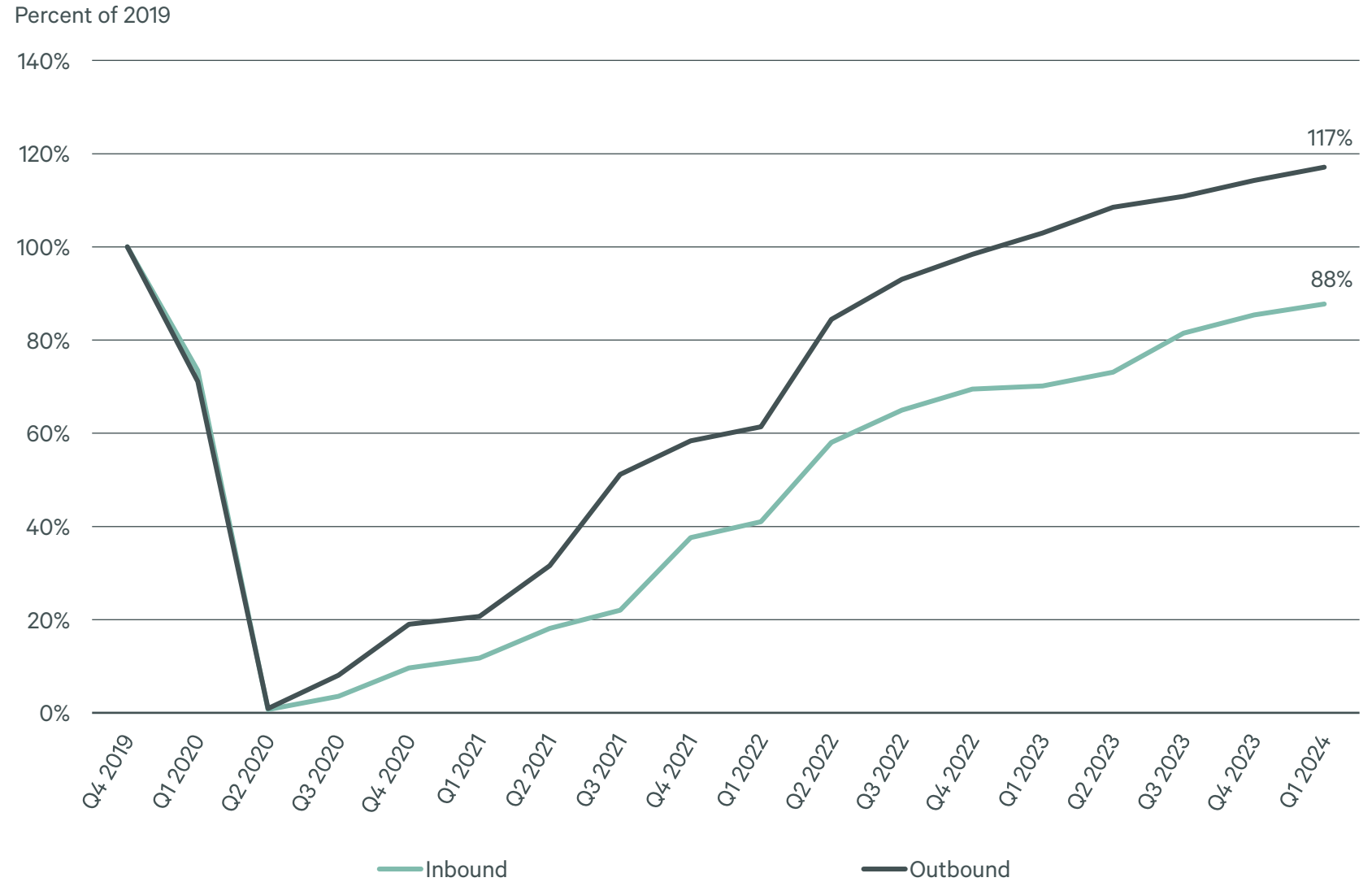
– Q1 demand for short-term rentals and cruise lines increased relative to Q1 2019 levels by 42% and 13%, respectively. Competition from alternative lodging sources likely stifled demand for traditional hotels, which was less than 1% above 2019 levels in Q1 2024.



Source: Las Vegas Convention & Visitors Authority, Carnival Cruise line public filings.

Figures 4b Inbound & outbound international travelers vs. 2019

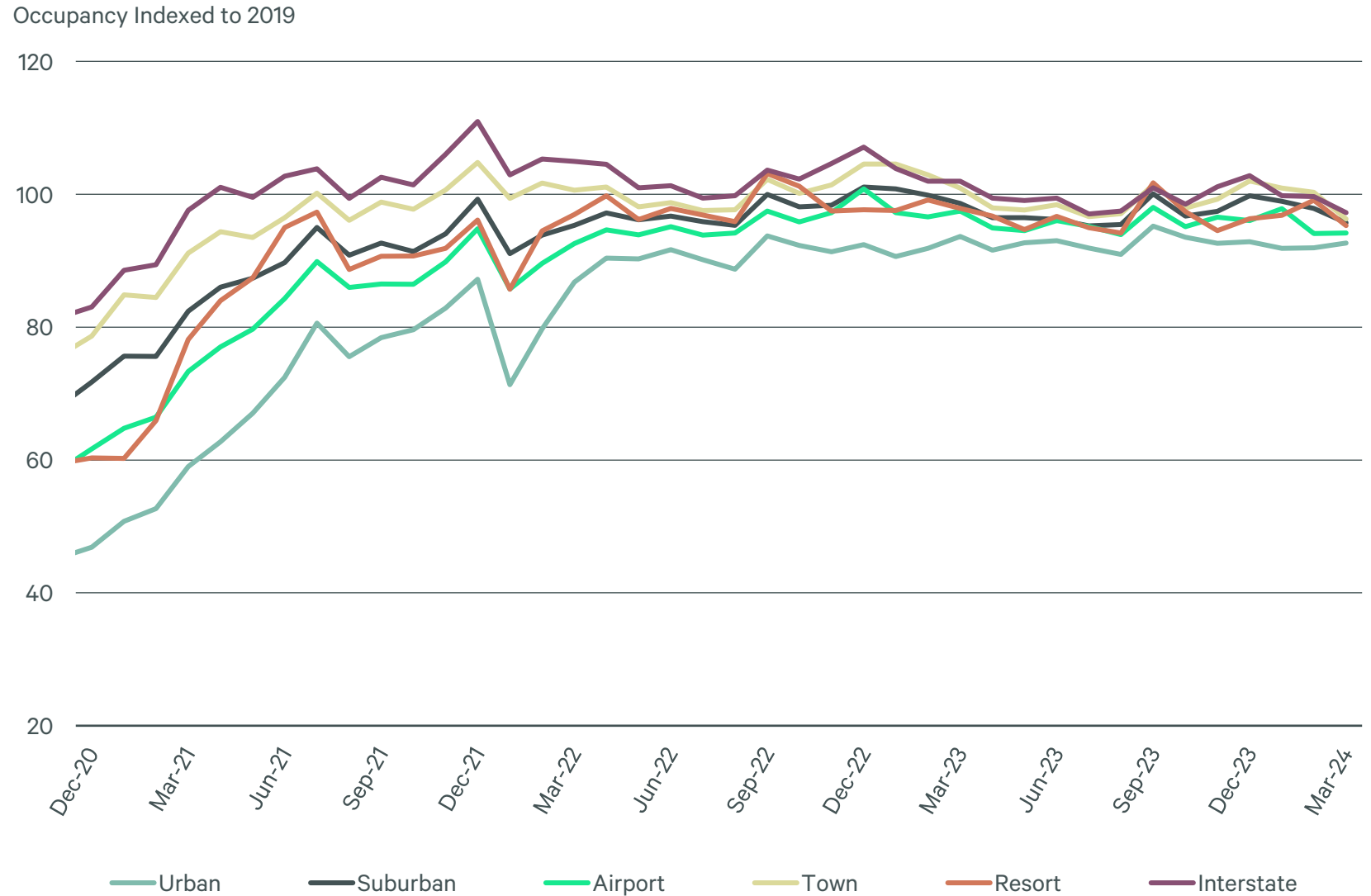
— Outbound international travel increased by 17% from its Q1 2019 level, while inbound travel fell by 12%. We expect inbound international travel to increase and boost hotel occupancies as the summer travel season begins in Q2.



Source: National Travel & Tourism Office.

Figure 5
Occupancy indexed to 2019 by location type

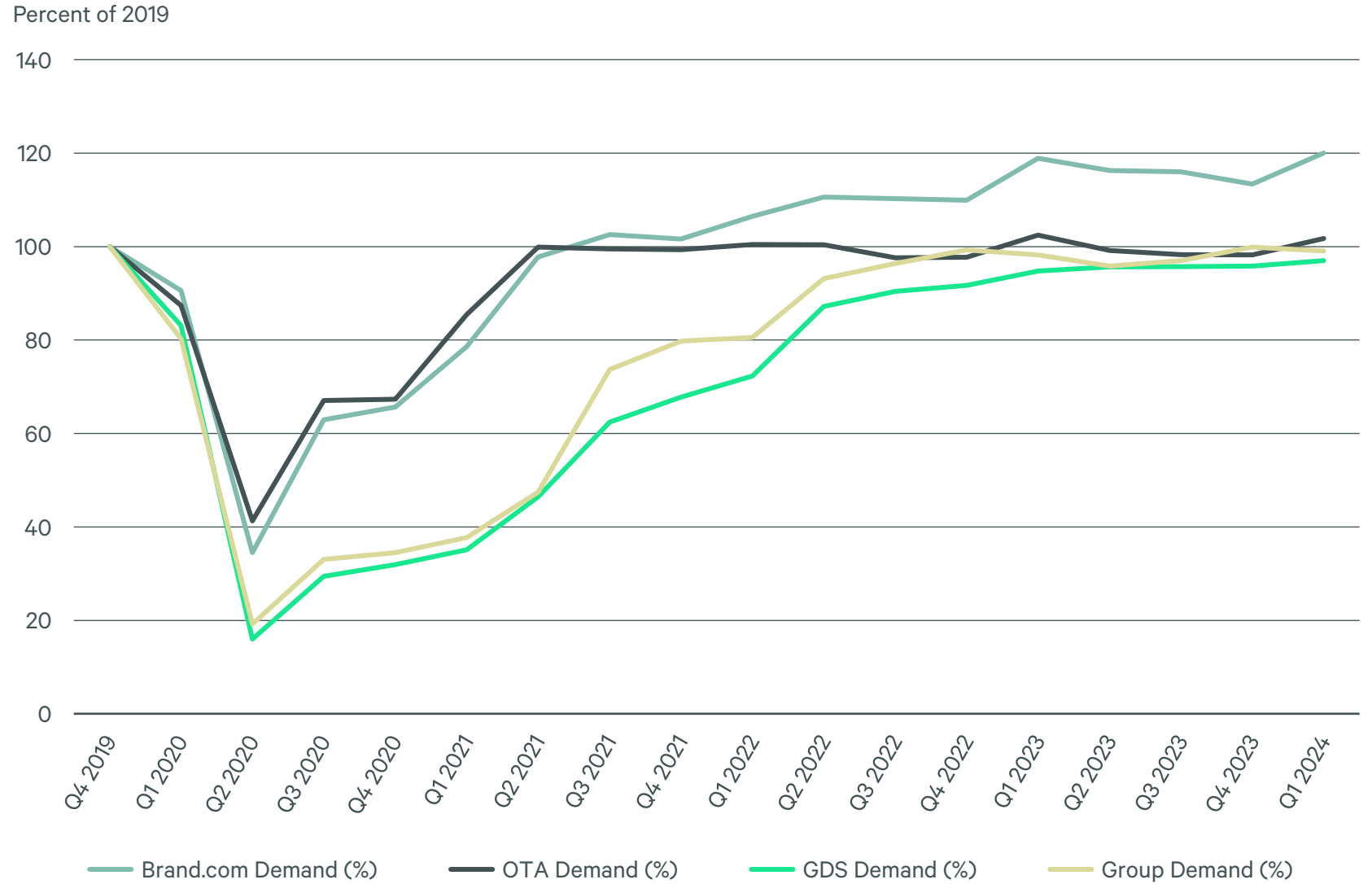
- The occupancy rate for urban locations was flat in Q1 compared with a year ago, while the occupancy rates for all other location types fell.
- Occupancy rates for all location types were below 2019 levels. Despite outperforming on a year-over-year growth basis, urban locations lagged in the overall recovery at 92% of the Q1 2019 level. Town and interstate locations were at nearly 99%.



Source: CBRE Hotels Research, Kalibri Labs, Q1 2024.

Figure 6
Room nights by channel vs. 2019

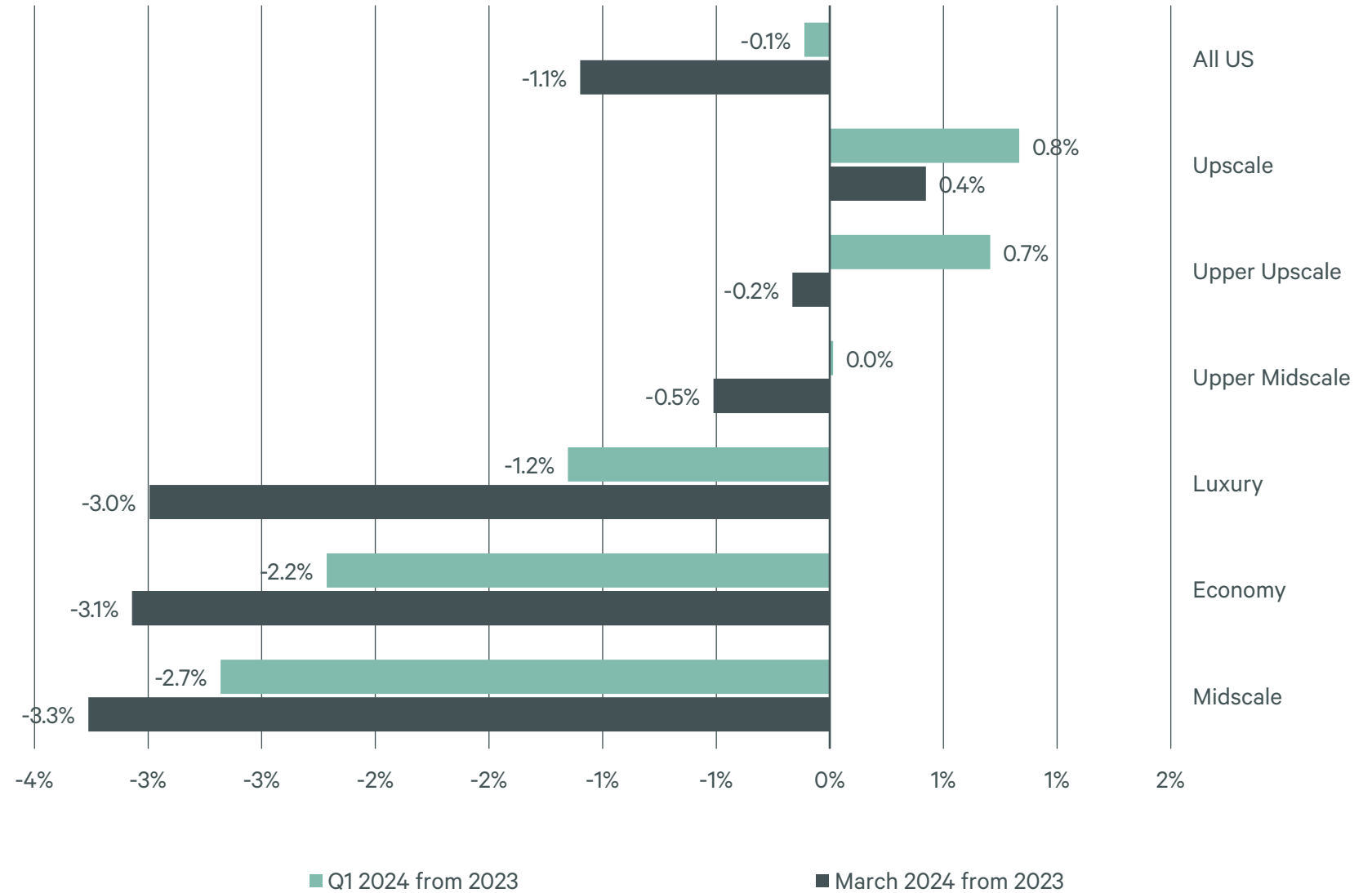
- Brand.com and Online Travel Agency (OTA) bookings both ended the quarter above pre-pandemic 2019 levels by 20% and 2%, respectively. Group and Corporate demand remained slightly below 2019 levels by 1% and 3%, respectively.
- Brand.com increased its share of total bookings by 3.5 percentage points from Q1 2019 levels to 22%.



Source: CBRE Hotels Research, Kalibri Labs, Q1 2024.

Figure 7
ADR percent change vs. 2023 by chain scale

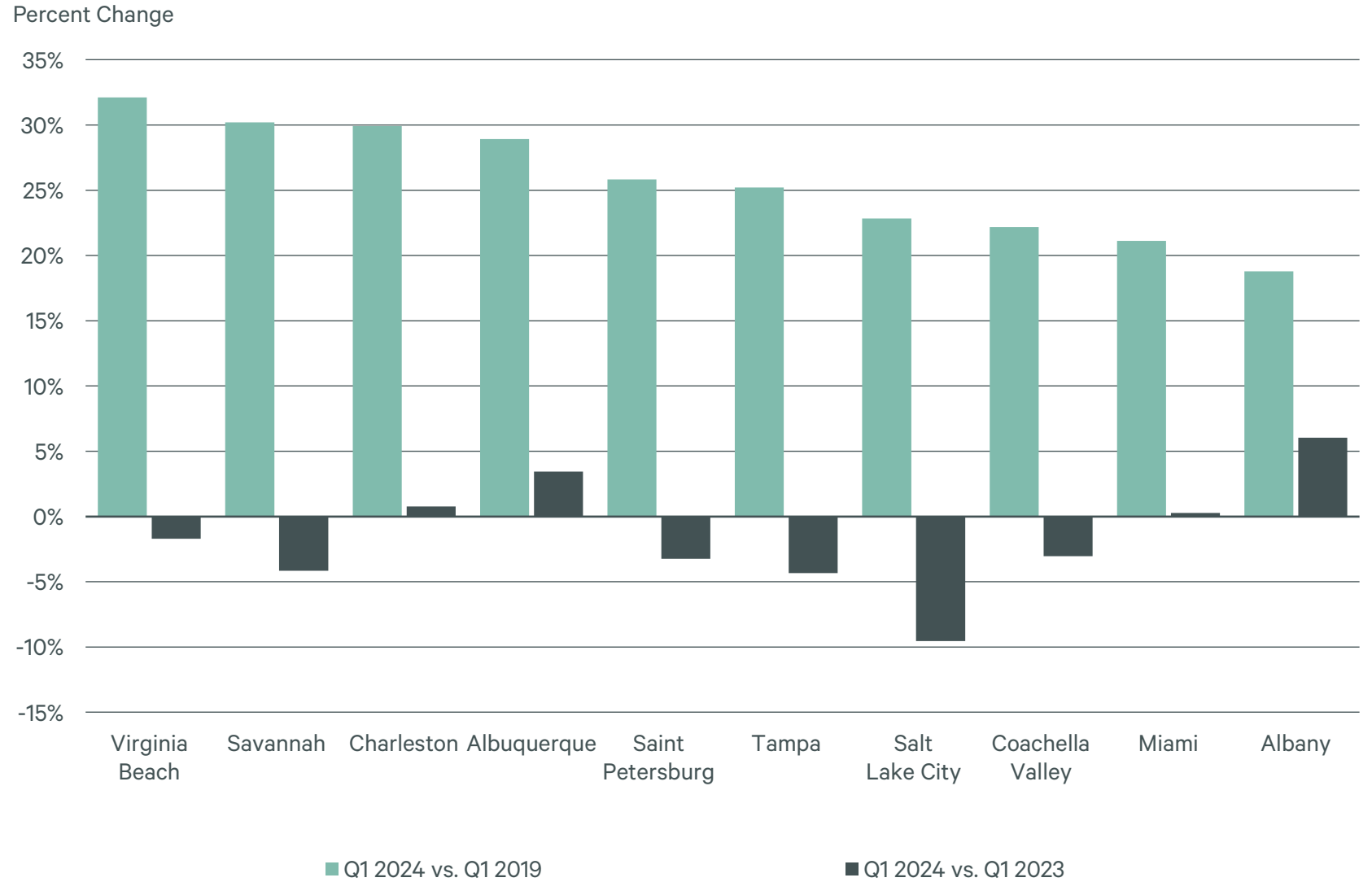
- ADR fell 1.1% year-over-year in March 2024 and just 0.1% for the full quarter. The decline was partly due to the Q1 timing of Easter this year vs. Q2 last year. The Easter period generally attracts more leisure guests and fewer corporate and group bookings.
- ADRs for upscale and upper-upscale chains each rose by 1% year-over-year in Q1. ADR for upper midscale chains was flat during the quarter. The rest of the chain scales saw ADR declines in Q1, led by midscale chains with a 2.7% drop.



Source: CBRE Hotels Research, Kalibri Labs Q1 2024.

Figure 8
Top 10 RevPAR markets, Q1 2024 vs. Q1 2019 & Q1 2023

- Virginia Beach had the biggest RevPAR gain of 32% in Q1 2024 compared with Q1 2019. All top 10 markets recorded double-digit increases over the same comparison periods.
- Six of the top 10 markets had less RevPAR in Q1 2024 vs. Q1 2023. Many of these markets, including Savannah, St. Petersburg, Coachella Valley and Tampa, recovered early from the pandemic and are now showing signs that RevPAR is normalizing. Charleston, Albuquerque and Albany posted RevPAR gains in Q1 2024 compared with Q1 2023.

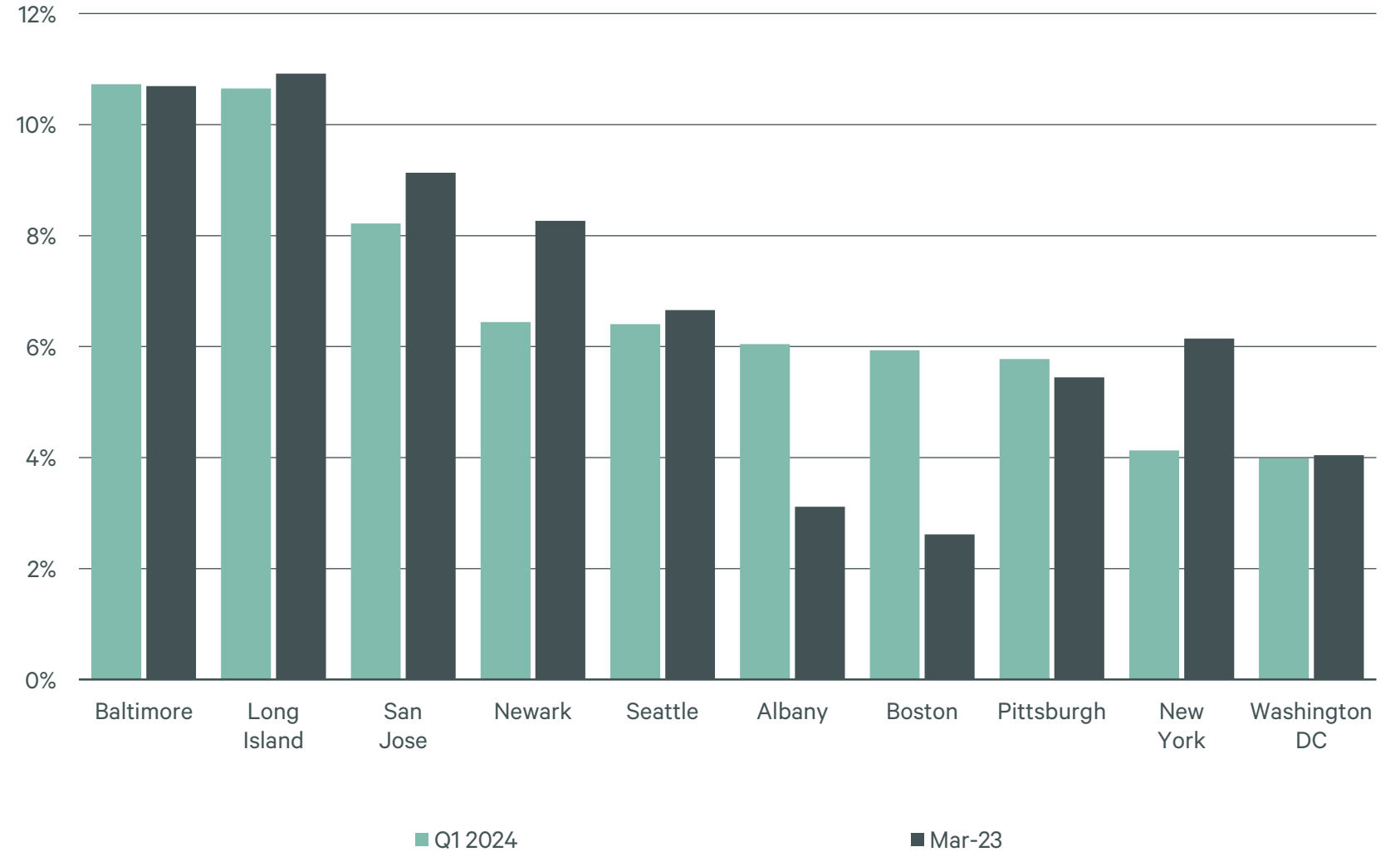


Source: CBRE Hotels Research, Kalibri Labs, Q1 2024.

Figure 9 Q1 & March top 10 RevPAR markets vs. 2023

- Secondary markets like Baltimore, Long Island, Newark, Albany and Pittsburgh had among the highest year-over-year RevPAR growth in Q1. West Coast markets like Seattle and San Jose also posted strong gains.
- These top 10 markets achieved positive RevPAR growth in March through occupancy and ADR gains, contrary to trends in other markets.

Change vs. 2023



Source: CBRE Hotels Research, Kalibri Labs, Q1 2024.

Contacts

Richard Barkham, Ph.D., MRICS

Global Chief Economist
& Head of Americas Research
+1 617 912 5215
richard.barkham@cbre.com

Rachael Rothman, CFA

Head of Hotels Research
& Data Analytics
+1 646 831 5886
rachael.rothman@cbre.com

Bill Grice

President, Head of CBRE Hotels, Americas
+1 404 812 5245
bill.grice@cbre.com

Robert Mandelbaum

Director of Research Information
Services, CBRE Hotels Research
+1 404 812 5187
robert.mandelbaum@cbre.com

Christine Bang

Research Manager
CBRE Hotels Research
+1 917 543 9698
christine.bang@cbre.com

Will Webster

Research Manager
CBRE Hotels Research
+1 404 326 9288
will.webster@cbre.com

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.