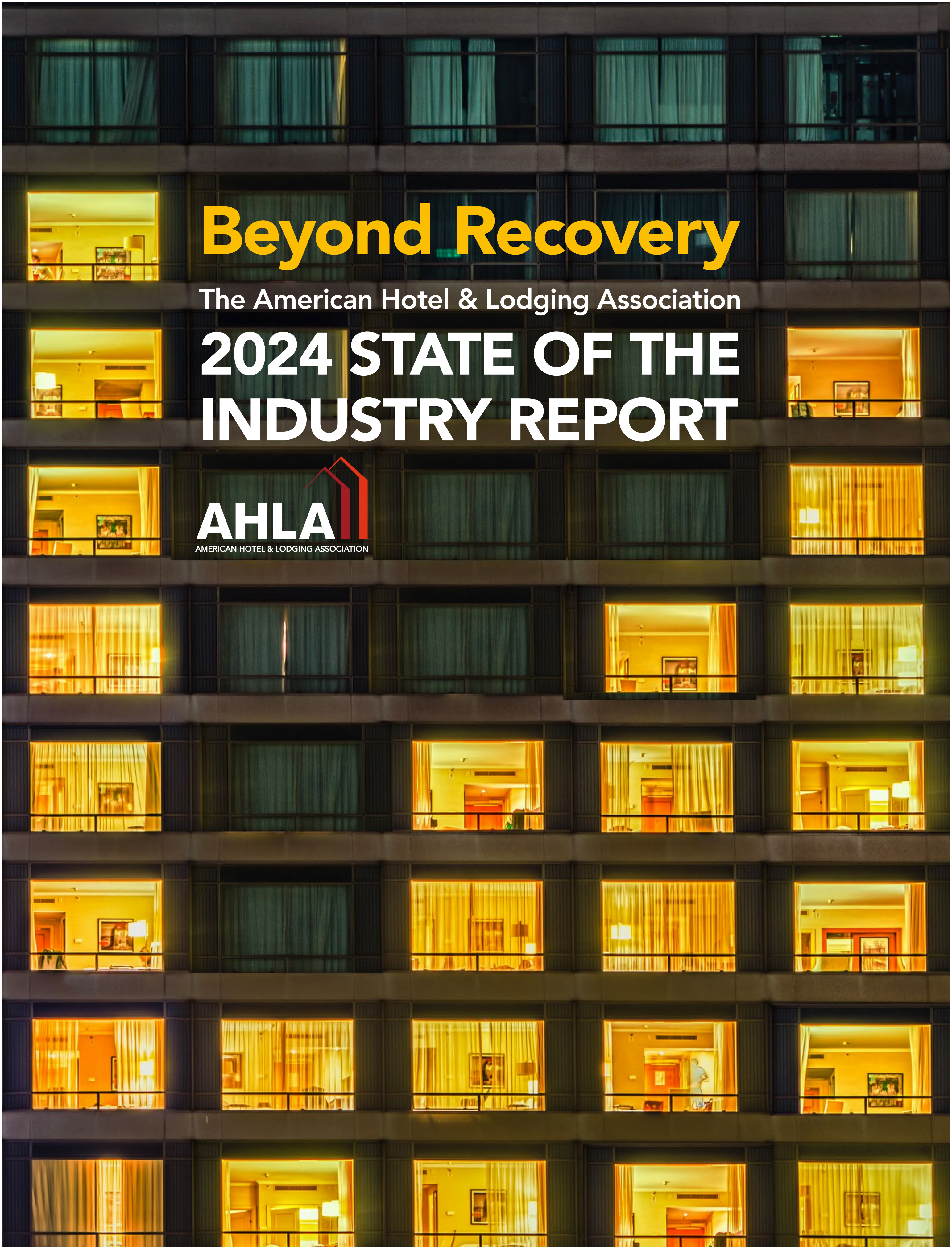

Beyond Recovery

The American Hotel & Lodging Association

2024 STATE OF THE INDUSTRY REPORT

AHLA

AMERICAN HOTEL & LODGING ASSOCIATION

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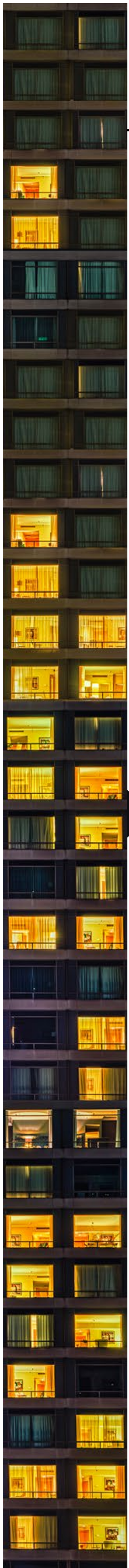


FOREWORD

Hotels entered a new era of recovery in 2023.[1] A year ago, we anticipated that economic challenges would overshadow COVID as hoteliers' top concerns. At the same time, traveler preferences also shifted away from pandemic-era precautions toward issues like pricing and sustainability.

As the world changed, hoteliers adapted. Their resilience brought the U.S. hotel industry back from the brink of collapse in 2020.[2] Despite headwinds, including inflation and staffing shortages, the U.S. hotel industry's recovery is now well underway. Guest spending has recovered on a nominal basis, and U.S. hotel revenue per available room (RevPAR) has reached a nominal high, according to Oxford Economics and STR.[3]

Demand for leisure travel recovered in 2022 and dipped slightly in 2023, according to data prepared for AHLA by Kalibri Labs.[4] By the end of the year, leisure travel accounted for more than 605 million U.S. room nights sold—just 6.5% shy of 2019's level. Business travel recovery is also progressing and accounted for 439 million room nights sold in 2023—8.2% below the pre-pandemic comparison.

Hoteliers will continue to acclimate to this new environment in 2024, adopting sophisticated technology and strategies to make their operations more efficient and sustainable while enhancing guest experiences. In tandem with implementing new tools and strategies, the industry will continue to invest in bolstering the hospitality workforce, attracting new talent, and preparing teams for the future of travel.

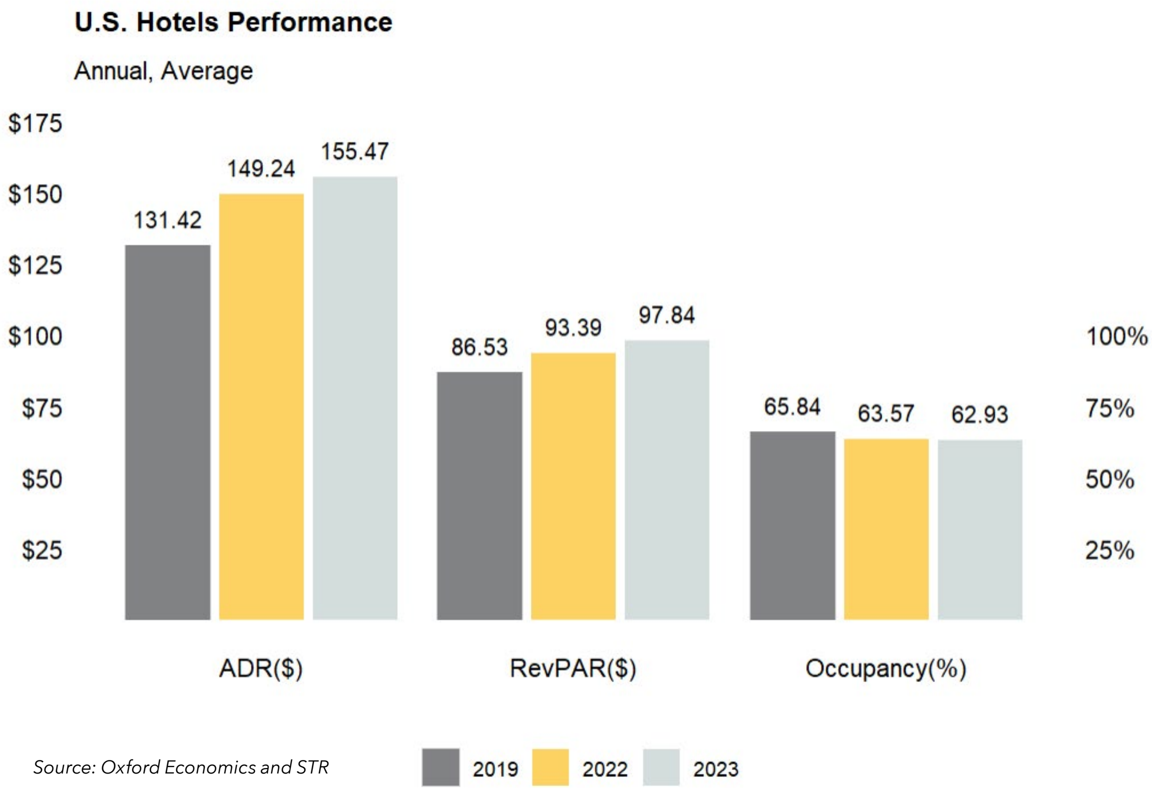
2023 Highlights: Predictions vs. Outcomes

In 2023, we observed the following key developments in the hospitality space:

- **RevPAR reached new heights.** An analysis for AHLA by Oxford Economics found that the U.S. hotel industry achieved a 4.8% year-over-year increase in RevPAR in 2023[3]—outperforming the November 2022 projection by 1.5% and marking a 13.0% improvement over 2019's pre-pandemic RevPAR level. Nationwide average daily rate (ADR) also exceeded expectations in 2023, increasing by 4.2% year over year and outpacing the forecasted level by 2.8%.[3] Several key U.S. markets, including New York City, ramped up recovery and saw significant average daily rate (ADR) gains in 2023.[9]

- **Occupancy inched closer to recovery.** U.S. hotel occupancy fell short of last year's expectations, averaging 62.9% compared to the forecasted 63.8%, driven primarily by slower recovery in business travel room nights. Still, nationwide occupancy improved 0.5% year over year and came within 4.4% of the 2019 pre-pandemic level, according to an analysis for AHLA by Oxford Economics.[3]

2023 Highlights: Predictions vs. Outcomes CONTINUED



Source: Oxford Economics and STR

- **Market forces impacted product pricing and availability.** Last year, AHLA Platinum Partner Avendra noted higher-than-expected demand for many commodities experiencing price increases, including seafood, beef, cooking oil, and coffee.[1] Food and beverage prices remain elevated, but demand slowed or declined throughout 2023, according to Avendra's Q1 2024 Commodity Market Update.[5] Amenity cost drivers stabilized after some volatility in early 2023. Costs associated with key raw material inputs, fuel, freight, and ocean shipping dropped from peak levels as supply, labor, and trade-related stresses eased.

- **Guests continue to prioritize cleanliness.** Travelers once again ranked cleanliness as the number-one step hotels can take to ensure a positive guest experience, according to a November 2023 survey from AHLA Platinum Partner Ecolab. Of those surveyed, 59% said guestroom cleanliness is most important, followed by overall property cleanliness (48%).[6]

- **Meetings and events came back strong.** The top 25 U.S. markets recovered 99.1% of group business in the third quarter of 2023 compared to 2019, according to Knowland and Amadeus' Q3 2023 Hospitality Group and Business Performance Index.[7]

- **Technological advancements propelled the industry forward.** One year ago, the Executive Leadership Group of HTNG, AHLA's technology arm, suggested that 2023 could be a turning point for the wide-scale adoption of artificial intelligence (AI).[1] According to a 2023 analysis from AHLA Platinum Partner Oracle, hotels will continue to leverage innovations like AI to increase operational efficiency and enhance guest experiences, particularly as lingering inflation and other potential economic headwinds dampen would-be travelers' discretionary spending.[8]

2024 Projections at a Glance

In 2024, hotels will continue to face economic challenges, but opportunities will emerge to enhance technology, meetings and events, and guest experiences.

- **Inflationary pressures in key areas will continue to affect the hospitality industry.** While inflationary pressures have eased from peak levels, the outlook for 2024 remains elevated and above pre-pandemic historical averages, according to AHLA Platinum Partner Avendra's Q1 2024 Commodity Market Update.[5] Geopolitical risk related to ongoing conflicts remains concerning, with potential implications for hoteliers in the U.S.

- **Cleanliness and friendliness remain essential to positive guest experiences.** A survey conducted on behalf of AHLA Platinum Partner Ecolab asked consumers what steps hotels should take to ensure their guests enjoy a positive experience, and travelers ranked guestroom cleanliness, property cleanliness, and friendly staff as the most important factors.[10]

- **Groups will demand more memorable events that foster human connections.** Nearly half of meeting planners are increasing their budgets in 2024, according to preliminary Q4 2023 Planner Pulse survey results from AHLA Platinum Partner Encore.[11] Additional research shows that there's more interest in the individual, societal, organizational, and cultural impact of events. Human connection and cultivating a sense of belonging remain top values even as events incorporate AI, augmented reality (AR), and virtual experiences.[12]

- **Transaction activity is expected to accelerate in 2024.** U.S. hotel transaction volume fell to a 10-year low in 2023 (excluding 2020) driven by capital market dislocation stemming from the Federal Reserve's ongoing monetary tightening policies, according to an analysis by AHLA Premier Partner JLL.[13] Despite economic uncertainty, fundamental performance continues to accelerate as consumers prioritize spending higher portions of their discretionary income on travel. This, combined with multiple other stress points, should spur transaction activity in 2024.

- **Hotels will leverage cloud technology and AI to increase operational efficiency and enhance guest experiences.** These are among five technology trends expected to transform the hospitality industry in 2023, according to AHLA Platinum Partner Oracle.[8] Amid these technological advancements, organizations will heighten their focus on data security and compliance and bring technology leaders in closer connection with the executive level.

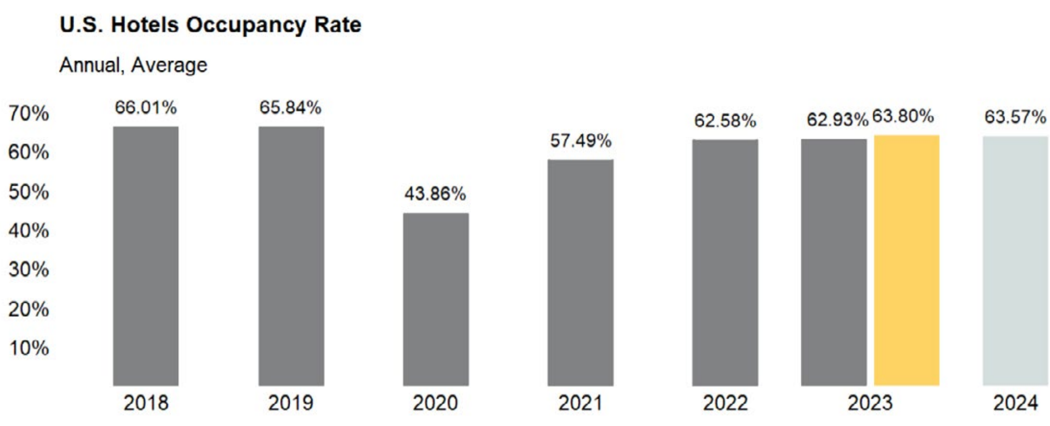
- **Parking will play a role in enhancing the guest experience and providing new sources of hotel revenue.** The global parking management market is expected to reach $12.9 billion by 2032, growing at a compound annual growth rate (CAGR) of 9.1% from 2023 to 2032.[14] Technology solutions are increasingly creating seamless experiences for both valet and self-parking operations while greatly improving parking revenue capture, according to an analysis by AHLA Premier Partner Towne Park.[15]

HOTEL INDUSTRY OUTLOOK FOR 2024

Occupancy

OCCUPANCY WILL CONTINUE TO IMPROVE

U.S. hotel occupancy is expected to reach 63.6% in 2024, 3.4% shy of 2019's recorded level (65.8%) and a significant improvement over 2020's historic low (43.8%). The 2024 projection for U.S. hotel occupancy is a slight improvement over 2023's level (62.9%).

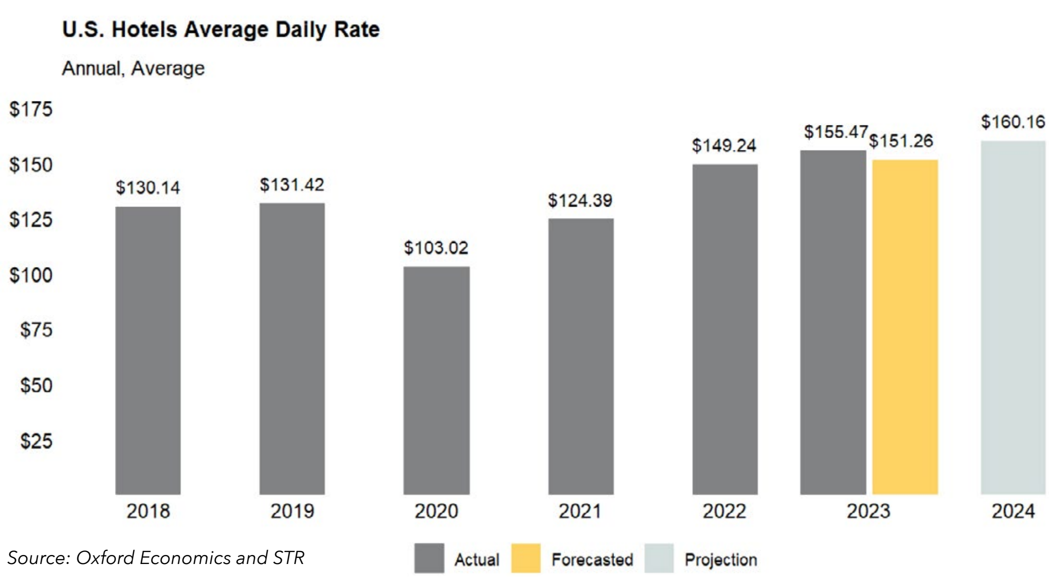


Source: Oxford Economics and STR

Average Daily Rate

ADR REMAINS ON AN UPWARD TRAJECTORY

ADR is expected to continue its upward trajectory in the year ahead. U.S. hotels achieved a 4.2% increase in ADR in 2023, reaching $155.47 compared to the forecasted $151.26. In 2024, ADR is projected to top 2023's rate by 3.0% and climb to $160.16, 21.8% above 2019's ADR of $131.42.

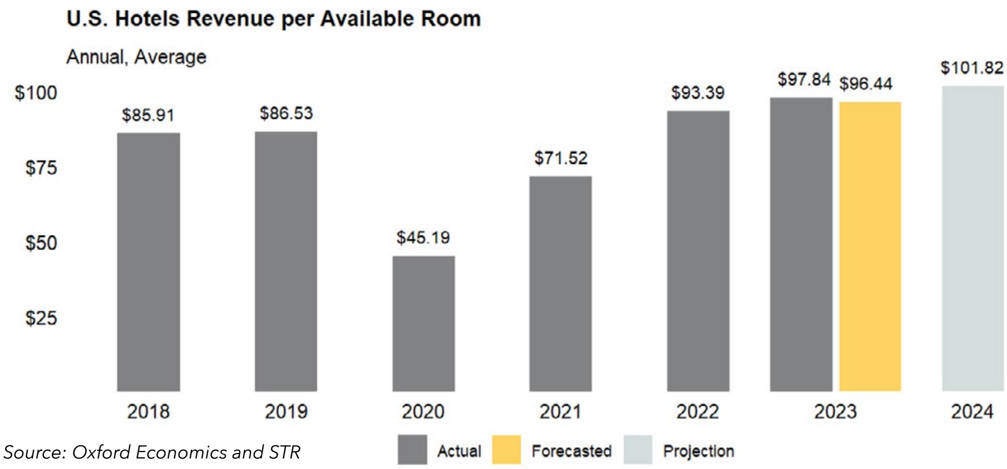


Source: Oxford Economics and STR

Revenue Per Available Room

REVPAR WILL HIT A NOMINAL HIGH

Nationwide RevPAR surpassed pre-pandemic levels on a nominal basis in 2022 and continued to improve from there. U.S. hotel RevPAR reached $97.84 in 2023, up from $93.39 in 2022, reflecting a 4.8% year-over-year growth and surpassing the forecasted $96.44. In 2024, RevPAR is expected to further exceed 2023's level by 4.1%, hitting a nominal high of $101.82.

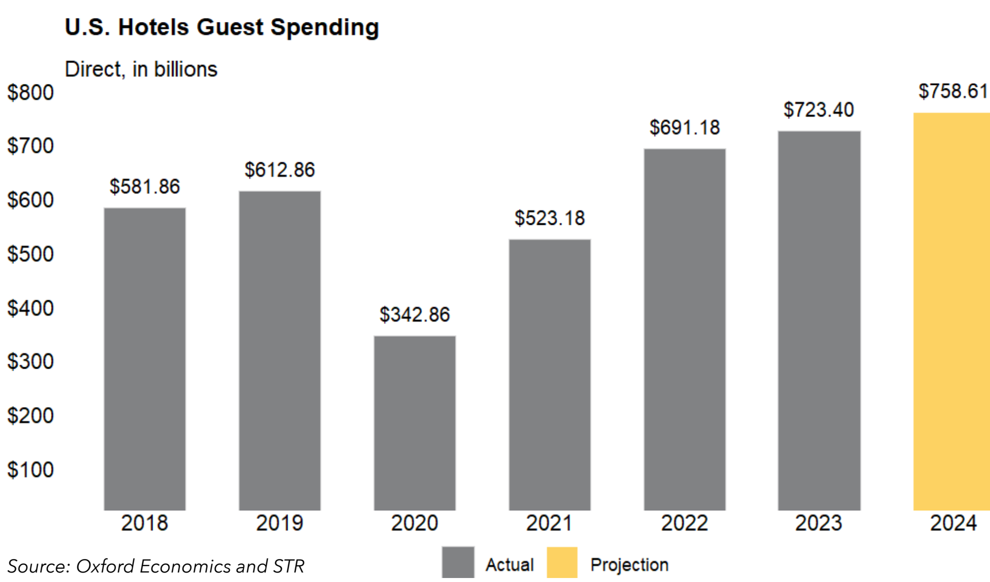


Source: Oxford Economics and STR

Guest Spending

GUEST SPENDING WILL BREAK A RECORD

Amidst inflationary and economic pressures, guest spending at U.S. hotels is expected to hit a record high in 2024 at $758.61 billion. This projection surpasses 2023's spending record of $723.4 billion and marks a significant jump on a nominal basis from both 2019's ($612.86 billion) and 2020's ($342.86 billion) spending levels.



Source: Oxford Economics and STR

Workforce

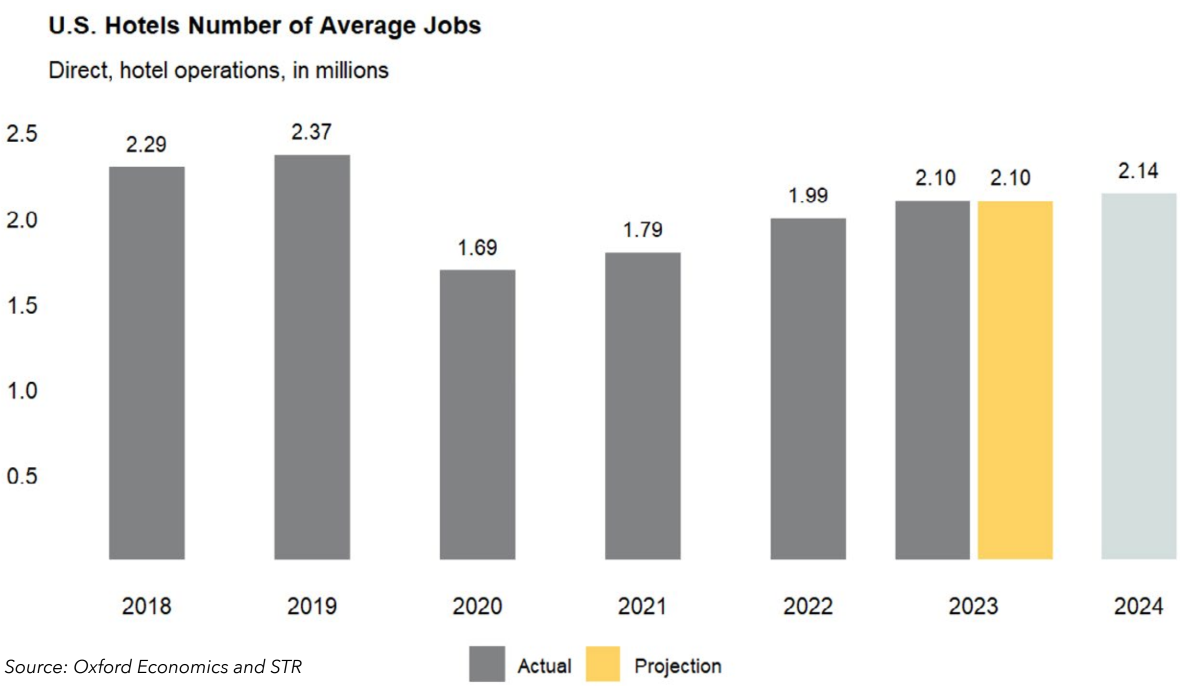
THE U.S. HOTEL INDUSTRY WILL CONTINUE TO INVEST IN THE HOSPITALITY WORKFORCE

U.S. hotels lost more than 680,000 direct employees in one year from 2019 to 2020. Three years later, the industry has successfully added back more than 400,000 employees, but the workforce has still not fully recovered to pre-pandemic levels. In January 2024, more than 67.6% of respondents experienced staffing shortages, according to a survey of hoteliers conducted by AHLA.[16]

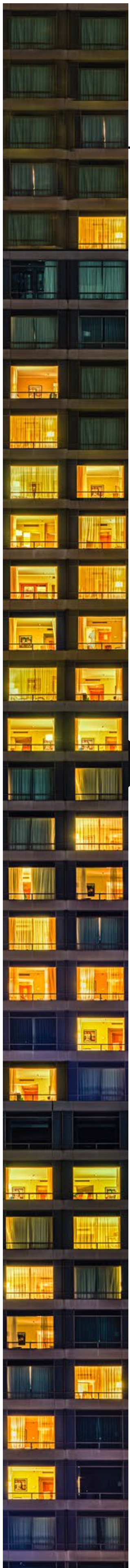
Hotel staffing needs have presented historic career opportunities. In 2023, the national average hotel wage reached an all-time high of more than $23 per hour,[17] and hoteliers offered improved benefits and more flexibility to attract and retain talent.

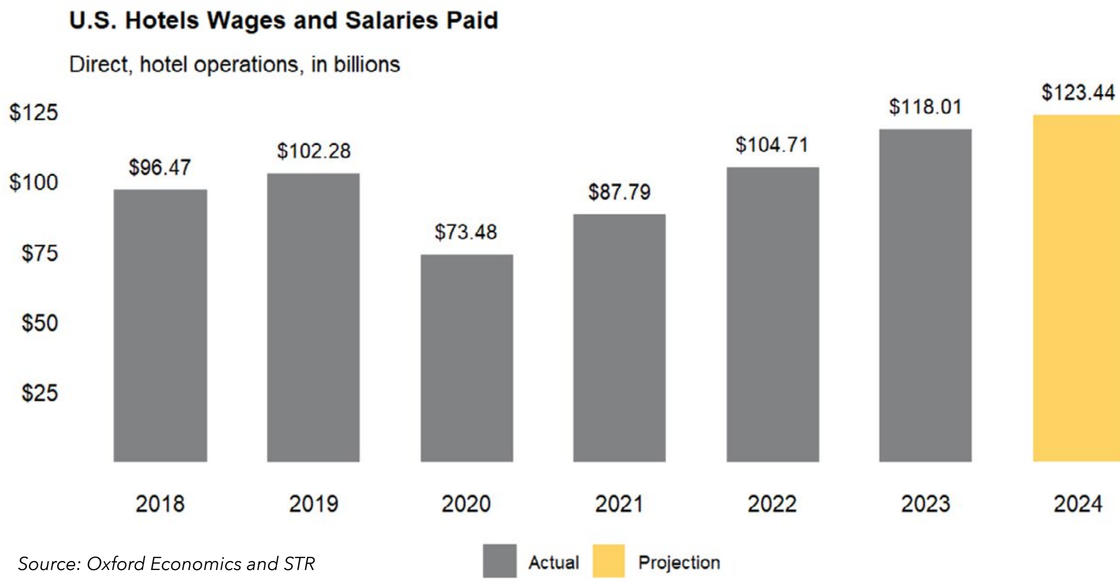
AHLA Foundation's work plays a vital role in helping hotel employees find their home in hospitality, championing the hotel workforce at every stage of their careers. Since 1953, AHLA Foundation has reinvested $40 million into the hotel industry, and 41,000 people have been impacted by Foundation programs. The hotel industry's greatest asset is its people, and when they thrive, the industry thrives along with them.

In 2024, the industry will continue to rebuild the hospitality workforce. U.S. hotels are expected to directly employ more than 2.1 million people in 2024 while paying $123.4 billion in wages and salaries.



Source: Oxford Economics and STR





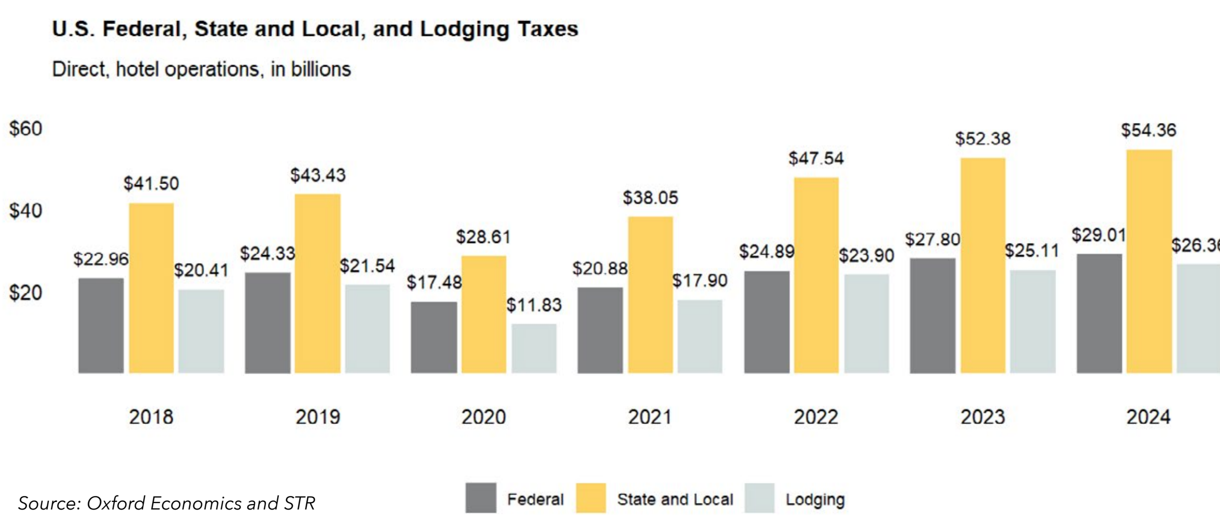
Source: Oxford Economics and STR

Tax Revenue

HOTELS WILL CONTINUE TO STRENGTHEN THEIR COMMUNITIES

Every day, hotels across the nation are helping to boost their local economies. They create jobs, encourage tourism, and generate spending in the neighborhoods they serve. When hotels thrive, so do their communities.

In 2024, hotels across the country are expected to generate $54.36 billion in state and local taxes (up 3.7% over 2023), and $29 billion in federal taxes (up 4.3% over 2023). Lodging taxes are projected to top $26.36 billion in 2024, a 5% jump from the previous year.



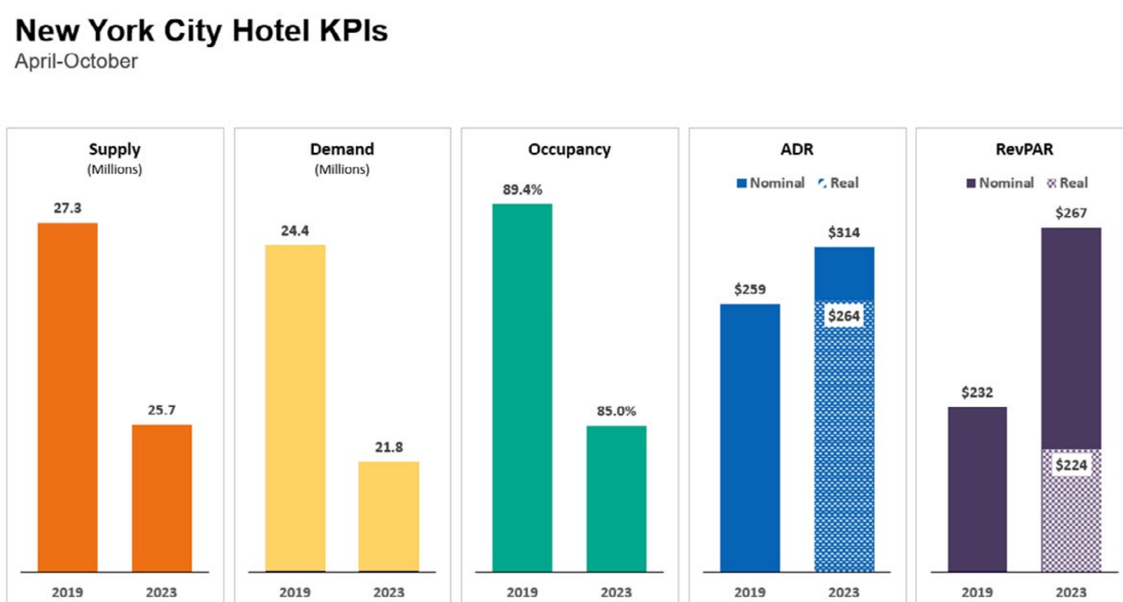
Source: Oxford Economics and STR

NOTABLE MARKET TREND: DISSECTING NEW YORK CITY'S JUMP IN ROOM RATES

By Isaac Collazo, Vice President of Analytics, AHLA Platinum Partner STR

Key Findings

- New York City went from reporting the nation's seventh-highest ADR growth between April and August 2023 to the highest in September and October.
- Four submarkets, generally smaller and outside the traditional leisure apex, propelled ADR gains.
- Supply decreases in the four smaller submarkets, particularly among economy-class hotels, added nearly two percentage points of ADR growth to the market in September and October.



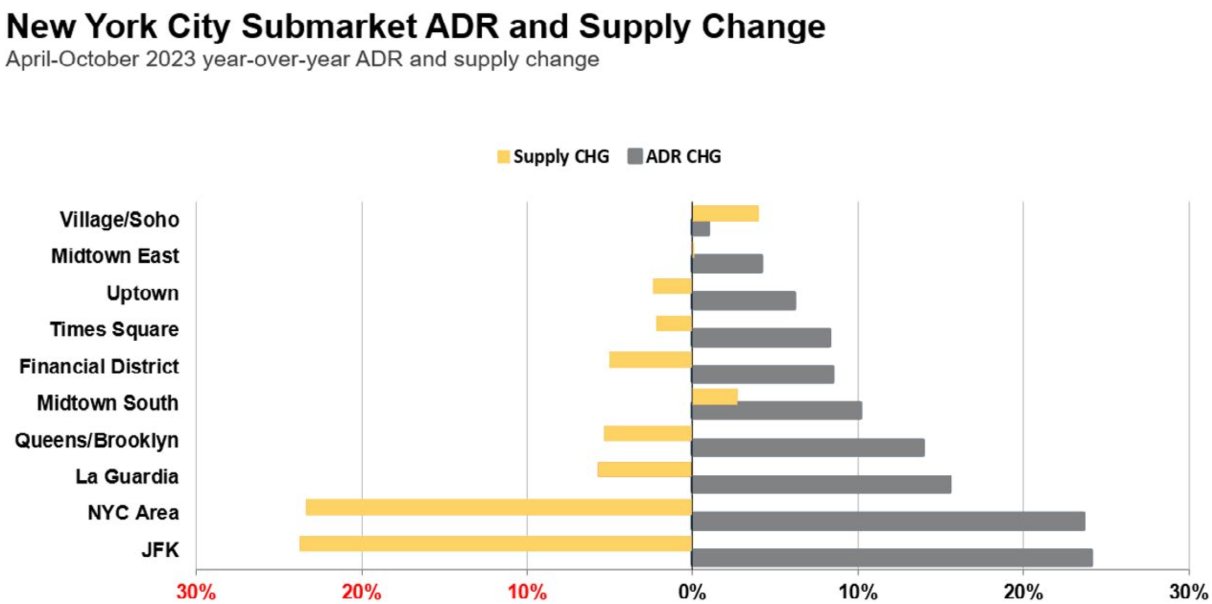
Source: CoStar

In the two months ending October 2023, New York City posted the nation's highest year-over-year growth rate in ADR. Hotel industry coverage has largely attributed that growth to new shared-accommodation rules, which went into effect Sept. 5 and limit short-term rentals operating in the city. A look at a longer time series and more granular cuts of data suggests that, while the new regulations contributed to this increase, there are other factors at play. The full impact of the regulations will become more apparent in the coming years.

Different Submarkets, Different Story

New York City's ADR has been on the rise. Between April and August, the market's ADR gain (up 8.7% year over year) was the seventh-highest in the country—similar to Washington, D.C., another city ramping up in recovery in early 2023. Interestingly, four smaller submarkets that are less commonly included in conversations about New York City collectively led rate growth in those months. (These markets, the "NY4," include JFK/Jamaica, New York City Area, La Guardia/Queens North, and East River-Queens/Brooklyn West). ADR growth averaged 17% for the NY4 between April and August compared to 6.3% for the six submarkets outside of the NY4.

September and October ushered in much stronger growth in the city, with NY4 ADR rising 22.5% and all other submarkets advancing 8.8%. The former propelled the total New York City market to an 11.6% increase year over year, which was more than two percentage points higher than the next closest market nationally.



Source: CoStar

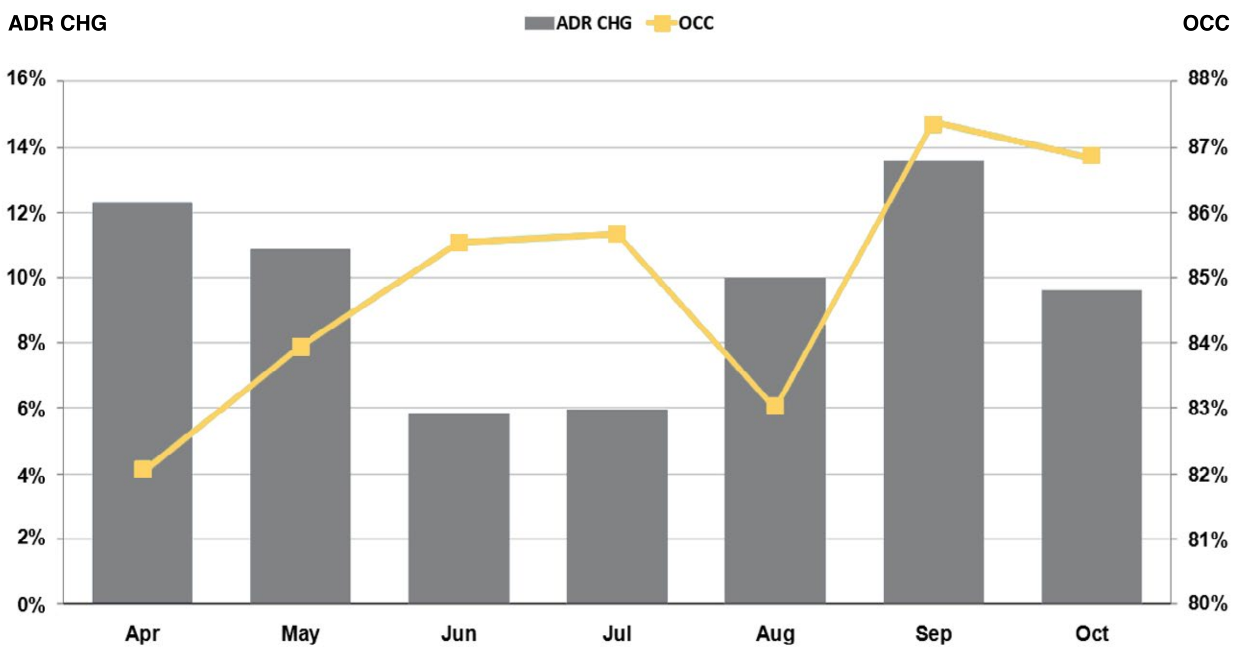
Why is the higher growth in the NY4 noteworthy? Each submarket lost hotel supply in September and October when compared to the same period in 2022. Overall, supply is down 15.5% among these four submarkets as compared to a slight gain (up 0.2%) in the more popular submarkets. The NY4 supply decreases began to intensify in April, with double-digit declines occurring in every month since May.

The Occupancy Impact

Further insight can be found in market occupancy, which was the highest in the nation for the October year-to-date (80.8%), April-August (84%), and September-October (87.1%) periods. Despite the impressive levels, occupancy in the September-October period was still 2.8 percentage points behind 2019, though the gap to the pre-pandemic comparable did shrink. NY4 occupancy from April through August was essentially the same as the remaining submarkets (roughly 87%), but in the September-October period, NY4 occupancy outpaced the rest of the market by 0.7 percentage points and surpassed the pre-pandemic level. The other submarkets remained in arrears (down 3.5 percentage points) in the September-October period.

New York City ADR Change and Occupancy

2023 ADR year-over-year percentage change and absolute occupancy



Source: CoStar

The Occupancy Impact CONTINUED

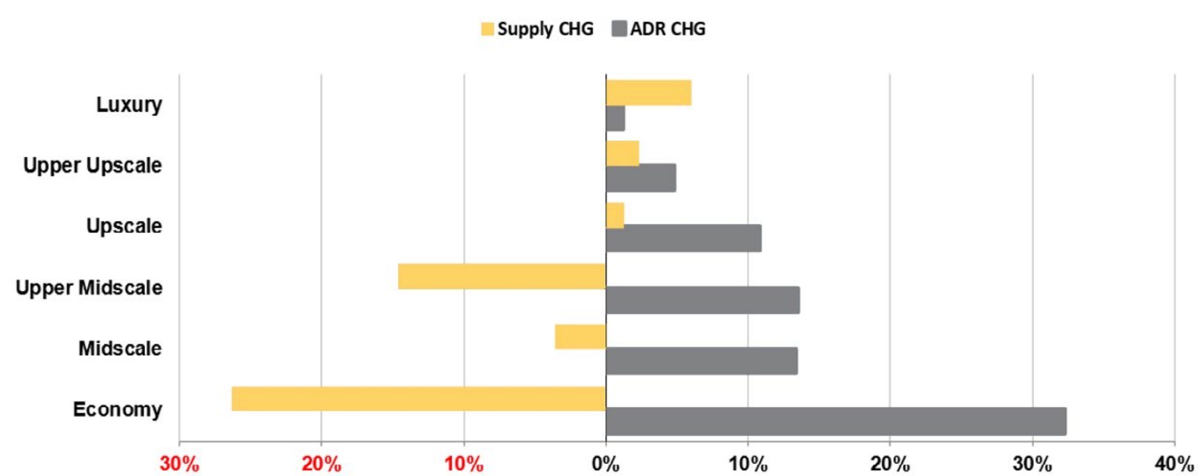
The highest September-October occupancy level was seen in upscale hotels (91.4%), and its ADR growth (up 11.7% year over year) seemed appropriate given the level of occupancy and the rate benefits of the U.S. Open and the United Nations General Assembly, both of which occurred during that period along with numerous other conferences.

However, economy hotels, with the city's third-highest occupancy in September-October, reported an ADR increase of 43.4%. Importantly, these are the hotels that have seen the largest supply decline (down 27.8%). Recall, New York City ADR in September-October was up 11.6%, but when excluding economy hotels, the growth rate drops to 9.6%.

Not surprisingly, NY4 economy hotels reported the highest ADR gains (up 46.5% year over year). Without economy hotels, the NY4 September-October year-over-year ADR increase would drop from 22.5% to 15.8%. Not to be left behind, economy hotels in the remaining submarkets also showed strong growth (up 35.6% year over year) but excluding that segment didn't impact ADR growth in those submarkets as it did in the NY4. Furthermore, excluding NY4 and all economy hotels in the market, core New York City hotel ADR growth was just 8.3% in September and October and 6.6% in October alone.

New York Hotel Class ADR and Supply Change

April-October 2023 year-over-year ADR and supply change



Source: CoStar

Shared Accommodation Performance

From analysis co-produced by STR and AirDNA, shared accommodation ADR in the market was $212 from January through May, the period reviewed, but slightly less for one-bedroom/studio units, which are the closest to resembling a traditional hotel. Economy-class hotels during that same period reported a significantly lower ADR ($139.61). Also, while rising year on year, demand for shared accommodation was well below the level seen in hotels (down 43%) when compared to 2019. In fact, shared accommodations made up approximately 8.4% of all demand in the city from January to May 2023, slightly lower than the full-year 2022 average and well below 2018 and 2019 (approximately 12%).

Conclusion

A basic assumption that New York City's hotel ADR growth was simply a result of the change in shared accommodation regulations seems incomplete. Given that shared accommodations make up 8% of total accommodations, restrictions should have meant a perceptible increase in hotel demand for the city, especially October. In actuality, New York City hotel demand fell by one percent year over year during September-October. Additionally, more than one-third of all hotels in the market reported a decline in occupancy during that period.

It seems likely that hotels temporarily or permanently closed for economic reasons and/or repurposed to house immigrants are driving larger ADR gains. This was particularly acute in smaller markets and in lower-priced hotels, where demand exists but with significantly fewer hotels from which to choose. Of course, there is likely some impact from the new shared accommodation regulations, but its contribution isn't readily noticeable this early into the timeline.

HIGH-LEVEL INFLATION OVERVIEW: PRESSURES EXPECTED ON KEY AREAS WITHIN THE HOSPITALITY INDUSTRY

Content From AHLA Platinum Partner Avendra

While inflationary pressures have eased from the peak levels seen through much of 2022, there remain risks that keep the inflation outlook elevated and above pre-pandemic historical averages. The following leading factors have contributed to the outlook for the first quarter of 2024, according to Avendra's Q1 2024 Commodity Market Update.[5]

- **Aggressive measures implemented by the Federal Reserve** and central banks globally to cool inflation off historic highs are expected to continue until core indicators return closer to target levels near 2%.
- Even with the central banks' actions meant to slow economic activity to curb price growth, **labor market conditions remain strong** with job growth continuing. The unemployment rate remains near historic lows, keeping consumer spending solid even in the current inflationary environment.[18]
- **Food demand,** after removing inflation effects (i.e., on a unit volume basis), slowed or declined throughout 2023, with the sharpest falls in retail food sales. Foodservice sales are beginning to dip below year-ago levels based on United States Department of Agriculture (USDA) food expenditure data.
- **Costs associated with key raw material inputs, fuel, freight, and ocean shipping** have dropped from peak levels as supply, labor, and trade-related stresses eased. In year-over-year producer price index changes, input cost inflation in some industrial sectors is nearing or falling below 0%.
- **Geopolitical risk due to the ongoing conflict in the Middle East and Ukraine** remains concerning. A further escalation of the conflict in the Middle East could have serious implications for already high food insecurity, both in areas directly impacted by the conflict and at the global level. Gold prices, which often indicate global uncertainty, have risen. The rise in natural gas prices due to Russia's invasion of Ukraine and the corresponding impact on industrial metals remain a challenge.

HIGH-LEVEL INFLATION OVERVIEW: CONTINUED PRESSURES EXPECTED ON KEY AREAS WITHIN THE HOSPITALITY INDUSTRY CONTINUED

For budgeting and planning purposes, the following is a high-level summary of expected inflation in key purchasing categories and suggestions to help mitigate price increases, based on Avendra's Q1 2024 Commodity Market Update.[5] While these estimates are intended to provide budgeting guidance on broad categories, some specific items will experience higher or lower price changes than indicated below.

Category	Inflation Projection and Mitigation Recommendation
Food & Beverage	**Projection:** Inflation continues to slow, but food and beverage prices remain at elevated levels. Expect single-digit inflation in the food and beverage (F&B) category at least through the first two quarters of 2024. Pork, chicken, and turkey supplies have improved, creating some price relief in those categories. Beef inventories remain strained, and pricing will stay elevated. Seafood is still a good alternative protein option. Grain markets have eased but remain volatile. Higher interest rates, the wars in Ukraine and Israel, and the ongoing threat of a potential recession may put downward pressure on prices, but commodity markets will remain volatile due to uncertainty. **Mitigation Recommendation:** Adjust menu items, downsize items/portions, be flexible with protein and produce choices, and/or adjust menu prices as needed. Continue working with your master food distributor to optimize deliveries, enhance drop size, and reduce costs. Keep an open line of communication with fresh food distributors to reduce supply issues.
Disposables (Paper, Resins, Towel-Tissue)	**Projection:** Expect sporadic disruptions across the industry and inflation ranging from 3% to 5% into 2024 as supply chain disruptions stabilize. Demand remains robust in the F&B to-go packaging categories, along with a continued focus on using more sustainable options. These challenges will continue to put price pressure on all raw materials in the category including resins, paper, fiber products, and pulp across the board. **Mitigation Recommendation:** Communicate with distribution for available alternatives.
Smallwares & Equipment	**Projection:** Do not expect to see any significant price increases in Q1 2024. Expect annual price increases for 2024 in the range of 3% to 6%. The scarcity of several key raw materials combined with sustained transportation and labor costs continue to put pressure on both domestic manufacturing and overseas products. Although some inflationary levels have come in slightly below forecast, a number of cost inputs remain high and support supplier cost increases across many of the items that fall into this segment. **Mitigation Recommendation:** Capital equipment procurement continues to increase. To prevent service disruptions, plan for extended lead times.
Rooms (Amenities)	**Projection:** The amenities category cost drivers have stabilized after some mid-to-late 2022 and early 2023 volatility. These trends indicate short-term pricing stability on branded programs. Long term, if products shift to more sustainable ingredients, cost inputs may be slightly elevated. Pricing in 2024 could be impacted by negative geopolitical and global economic conditions. Suppliers are starting to hedge against geopolitical instability. Expect increases between 0% and 5% for the remainder of 2023 and between 2% and 12% going into 2024. **Mitigation Recommendation:** Branded amenity supply is very strong within distribution. Maintain consistent and adequate periodic automatic replenishment (PAR) levels to support business conditions and your branded program's standard operating procedures (SOP). For operators that are part of a branded amenity program in the large format but have not yet transitioned, work with distribution sales representatives to check stock, place orders, and convert to the brand standard program.

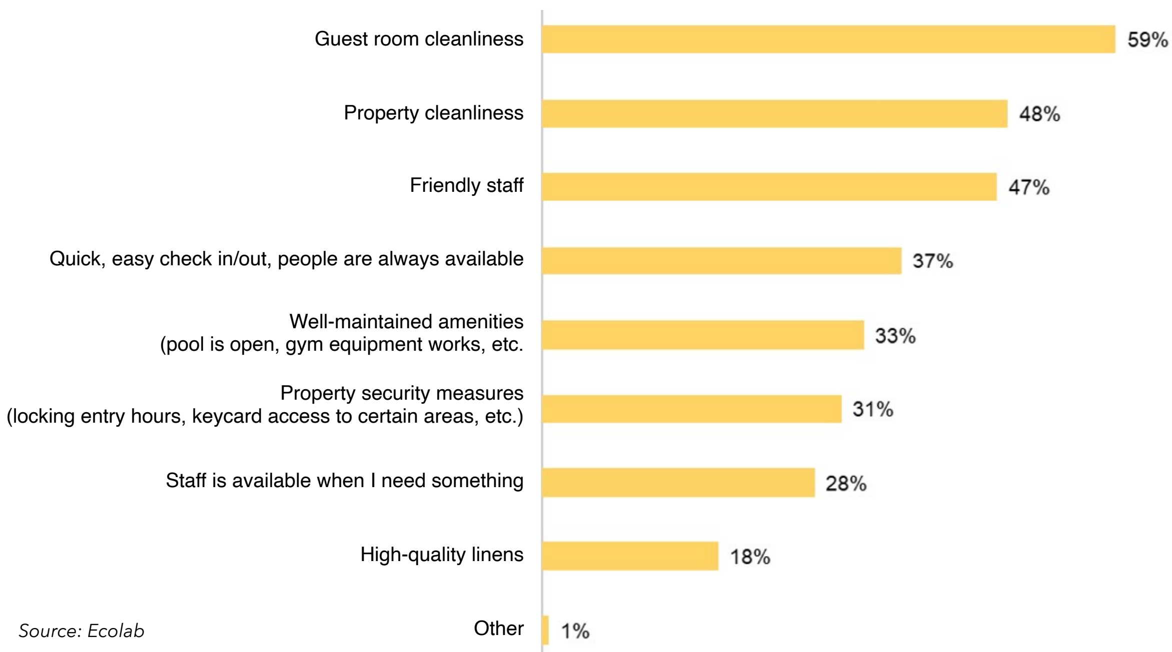
CLEANLINESS AND FRIENDLINESS ARE ESSENTIAL TO POSITIVE GUEST EXPERIENCE

Content From AHLA Platinum Partner Ecolab

Amidst staffing challenges and competing priorities, where should lodging owners and operators focus their efforts to make the biggest impact on guest satisfaction and reviews? In November 2023, a third-party research vendor on behalf of Ecolab surveyed 549 consumers about their hotel preferences and what parts of their experience could drive them to leave negative or positive reviews.[6]

When it comes to ensuring guests have a positive experience, hotels should focus on these top three areas: guestroom cleanliness, property cleanliness, and friendly staff. Ensuring the most effective cleaning solutions and procedures are in place and focusing on talent can help deliver a positive guest experience.

What are the top three steps a hotel should take to ensure you have a positive experience?

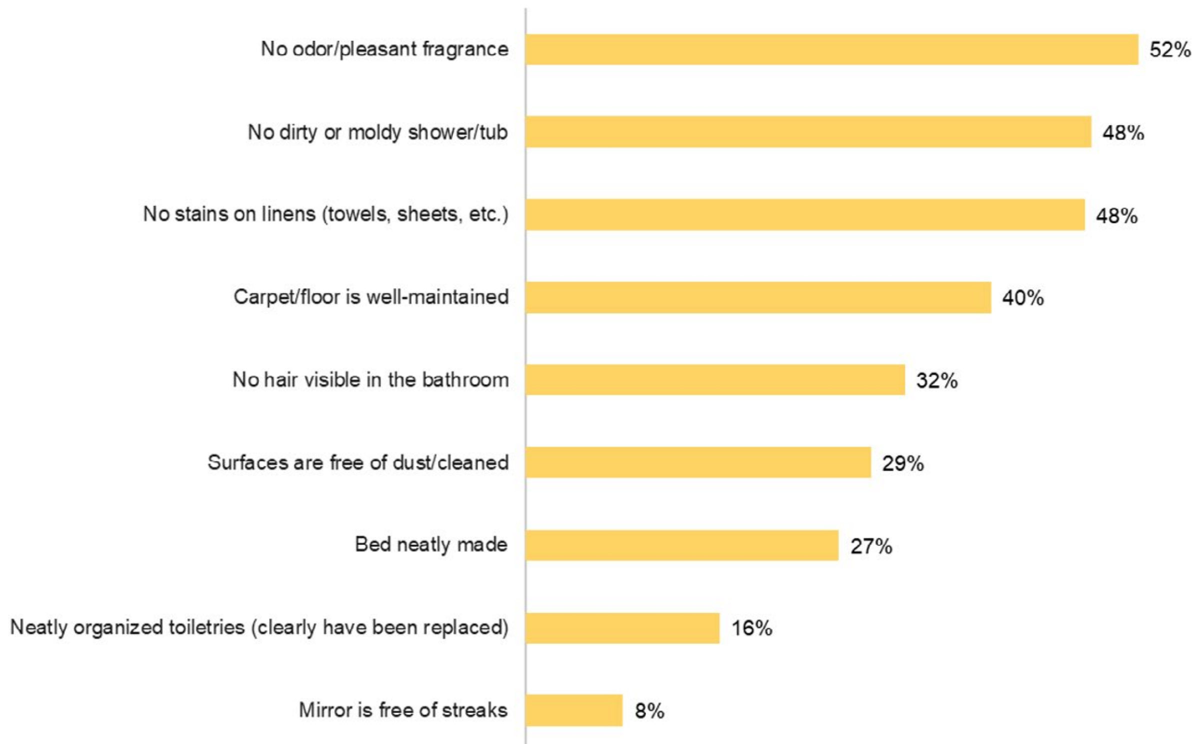


Source: Ecolab

CLEANLINESS AND FRIENDLINESS ARE ESSENTIAL TO POSITIVE GUEST EXPERIENCES CONTINUED

First impressions matter when a guest steps into a room. When asked what areas indicate a hotel guestroom is clean, consumers selected the following as their top three: no odor/pleasant fragrance, no dirty or moldy shower/tub, and no stains on linens. These findings demonstrate the importance of having the right guestroom cleaning procedures and solutions in place. Beyond the guestroom, efficient and effective laundry operations can help deliver clean, stain-free linens so that guestrooms are ready to impress.

What are the top three things that indicate a hotel room is clean?



Source: Ecolab

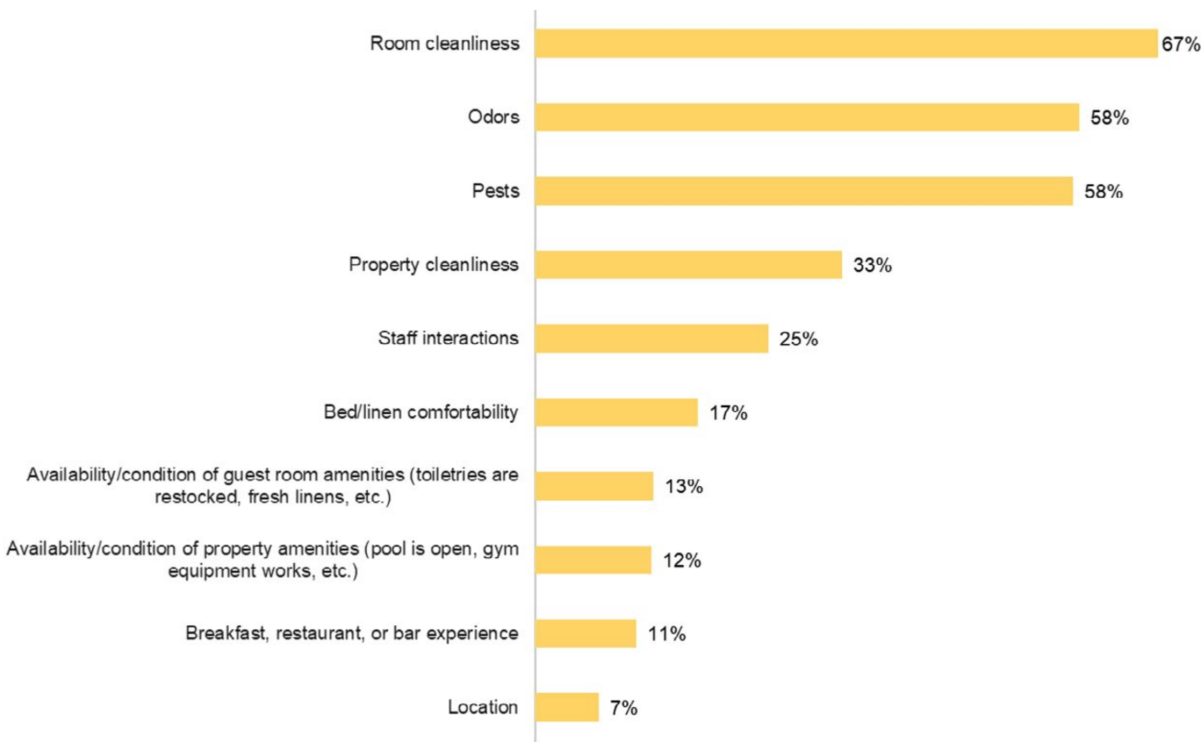
CLEANLINESS AND FRIENDLINESS ARE ESSENTIAL TO POSITIVE GUEST EXPERIENCES CONTINUED

A survey from Dimensional Research found that guests are more likely to share their negative experiences rather than positive ones: 95% of users were likely to share bad experiences while 87% would share good experiences. Participants of the survey also reported broad use of social media (45% for bad and 30% for good) and online review sites (35% for bad and 23% for good) to spread stories about their experiences.[19]

When it comes to sharing experiences about hotel stays—whether from person to person, in shared stories, on social media, or across online review sites—reasons for both negative and positive reviews are important to consider.

Consumers ranked the following areas as the top reasons they'd leave a negative review: room cleanliness, pests, and odors.

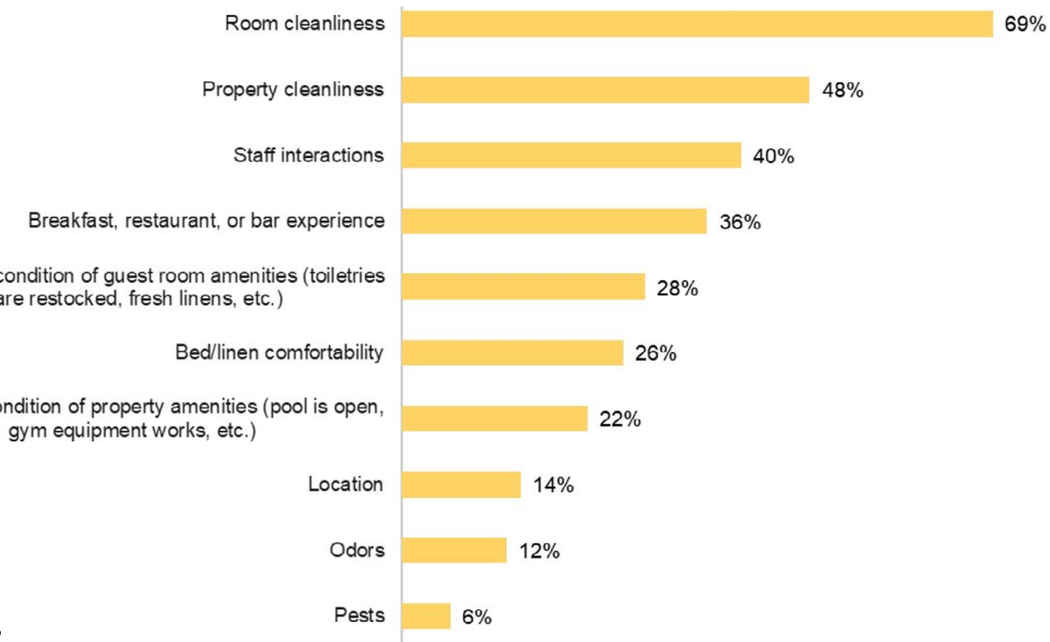
What are the top three things that would lead you to a negative review?



Source: Ecolab

Of the same list of reasons that could lead to a negative review, consumers ranked the following areas as the top reasons they'd leave a positive review: room cleanliness, property cleanliness, and staff interactions.

What are the top three things that would lead you to a positive review?



Source: Ecolab

To help mitigate negative reviews and boost positive reviews, a regimented and efficient cleaning program with effective products and tools can help with guestroom and property cleanliness. A clean property also means having the right pest elimination program and partner in place. Paired with a targeted focus on staff interactions and training, these strategies can help hotel owners and operators deliver positive and memorable stays for their guests.

GROUPS WILL DEMAND MEMORABLE EVENTS THAT FOSTER HUMAN CONNECTIONS

By Renee MacDonald, Vice President of Strategic and Venue Partnership Development, AHLA Platinum Partner Encore

As the industry pauses to evaluate the path ahead, what's top of mind for many is the group customer mindset. What challenges do they face to justify meetings and deliver impactful outcomes for their business? How can hospitality partners continue to deliver service excellence amid increasing attendee expectations for "wow" factors and luxury experiences?

The Group Customer Pulse

The preliminary results from the Q4 2023 Encore Planner Pulse survey show that 47% of meeting professionals planned to increase their budgets in 2024 and 40% expected their budgets to remain flat—a similar outlook compared to early 2023.[11] This illustrates a baseline understanding that the cost of doing business has increased, and therefore budgets must increase.

When asked what they would cut due to budgetary constraints, planners listed décor, entertainment, and off-site excursions—a healthy indication that group customers feel the value that hotel, food and beverage, and event technology experiences deliver to the success of their event.

However, when asked where they are most challenged by their stakeholders to defend their spend, both event technology and food and beverage ranked in the top five areas of concern.

The takeaway here is that the path to continued growth will require hospitality partners to innovate and effectively communicate the value of the total event experience, with event technology and food and beverage as priority components.

Insights for the Future

In 2023, Encore embarked on a journey with a leading research firm to conduct qualitative research across business leaders and influencers around the globe as well as in-depth quantitative research among event professionals. The results showed that the shifting cultural values of the last two years are quickly actualizing and will likely impact how hospitality providers serve their teams and customers in 2024 and beyond.

INSIGHT #1: THERE'S INCREASED INTEREST IN THE INDIVIDUAL, SOCIETAL, ORGANIZATIONAL, AND CULTURAL IMPACT OF EVENTS.

Reasons to believe:

- 74% of global adults believe businesses have a responsibility to make society fairer
- 39% report that "being memorable" is the second most important thing in events

Business implication:

There's an opportunity to cater to the attendees' value system by innovating aspects of sustainability and diversity, equity, inclusion, and belonging (DEIB) throughout the food and beverage and event technology experience to incrementally deliver a "return on emotion" (ROE) that makes events more memorable. Delivering a return on investment (ROI) and ROE arms customers with more data to support their business case for meetings.

INSIGHT #2: EMERGING TOOLS FOR AR, AI, AND VIRTUAL EXPERIENCES WILL REMAIN BUZZWORTHY AND BEGIN TO SEE MORE ADOPTION, BUT HUMAN CONNECTION REMAINS A TOP VALUE.

Reasons to believe:

- 32% of global adults believe "connecting with others" is a top-three priority for events, behind "being memorable"
- 69% believe "humanness"—seeking to connect with real people—is an extremely or very important personal value

Business implication:

While in-person, real-life connections are paramount, they will inevitably require supplementation from technology to deliver the "wow" factor, personalization, and immersive qualities that have taken hold in the zeitgeist. Innovations in event technology and production are a vital part of total revenue growth and the customer experience.

INSIGHT #3: A SENSE OF BELONGING IS NON-NEGOTIABLE AT EVENTS.

Reasons to believe:

- 52% of global adults believe belonging is an extremely or very important personal value

Business implication:

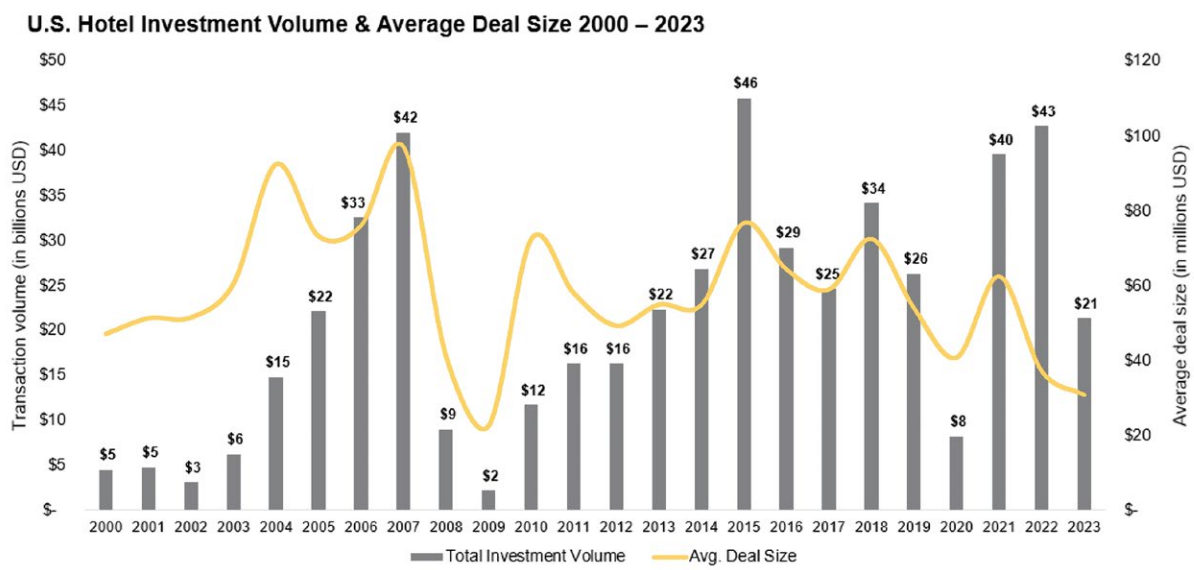
Hospitality partners must evaluate how they are training their teams to continue to elevate personalized, empathetic service and exceed customer expectations in every facet of the event experience. By marrying smart internal technology and a strong culture of belonging, organizations can help make their teams' workdays more effective, fulfilling, and connected to a greater purpose: to serve their customers and communities.

YEAR-END 2023 U.S. HOTEL INVESTMENT TRENDS: EXPECT TRANSACTION ACTIVITY TO ACCELERATE IN 2024

Content From AHLA Premier Partner JLL. Contributors include JLL Hotels & Hospitality Group Americas CEO Kevin Davis, Global Head of Hotels Research Zach Demuth, and Senior Capital Markets Research Analyst Ophelia Makis.

Transaction Volume Declines Underpinned by Capital Market Dislocation

U.S. hotel transaction volume fell to a 10-year low in 2023 (excluding 2020) driven by capital market dislocation stemming from the Federal Reserve's ongoing monetary tightening policies. While the year saw the second-most transactions ever, the average deal size shrank to $31 million, its lowest point since the global financial crisis (GFC) as investors grappled with high debt costs. Despite the economic uncertainty, fundamental performance continues to accelerate as consumers prioritize spending higher portions of their discretionary income on travel. This, combined with multiple other stress points, should spur transaction activity in 2024.



Source: JLL Research
Notes: Includes all transactions in the U.S. (including PR & USVI) $5M+ excluding casinos. Numbers above the charts represent annual transaction volume in billions for the listed year. 2023 data updated through Dec 7th.

Multiple Catalysts to Spur Transaction Activity on the Horizon

Amidst ongoing capital market dislocation, investors are resetting their strategies as they look to opportunistically deploy capital. Expect the velocity of transaction activity to accelerate in 2024 catalyzed by impending loan maturities, deferred capital expenditures, and private equity fund life expirations. Transactions of $75 million or less will likely continue to get more traction due to smaller-equity check size and the ability to get cost-effective financing from local and regional banks. Look for must-have assets, particularly in the luxury space, to remain the most favored; investors who are less reliant on leverage will have an advantage to acquire quality assets.

2023 Hotel Investment Highlights

- **Single-asset transactions drove 81.7% of volume**, the highest portion since 2009. Portfolio volume shrank to a level seen only during COVID (2020) and the GFC (2009) as investors struggled to finance larger deals. Expect this trend to continue over the medium term as capital market volatility persists.

- **Select-service assets accounted for 52.5% of liquidity,** their second-highest portion in U.S. history as investors gravitated toward the sector, underpinned by smaller check sizes, strong operating performance, and rising yields.

- **Full-service pricing for single-asset sales grew 28.8% year over year,** underpinned by 11 transactions that traded at more than $1 million per key. Pricing is likely to be bifurcated over the short-to-medium term, with luxury assets in resort and urban gateway markets continuing to generate pricing premiums while pricing for hotels in secondary markets begins to normalize.

- **Private equity continues to be the largest acquirer of hotels, accounting for 36.7% of total 2023 volume.** Expect this trend to continue in 2024 as many funds have significant dry powder on hand. Look for high-net-worth individuals (HNWIs) and other lower-leverage buyers to be increasingly acquisitive, while real estate investment trusts (REITs) are largely on the sidelines for new acquisitions as they selectively prune their existing portfolios to shore up their balance sheets.

- **Foreign investment, which has been largely absent for the past three years driven by geopolitical volatility and widespread border closures, has begun to reemerge,** accounting for 9.4% of 2023 volume, its highest portion since 2019. Expect further increases in cross-border investment over the coming months driven predominantly by cash-rich buyers from the Middle East and select Asian investors.

- **Buoyed by a resurgence in group and corporate demand, city/urban markets were the most liquid in 2023,** accounting for 32.5% of volume. While this remains 12.2 percentage points behind pre-COVID (2015-2019) averages, it should continue to accelerate in tandem with rising fundamental performance. Look for urban markets like Chicago, Los Angeles, and New York City to drive transaction activity.

- **Amidst a backdrop of challenging conditions across other commercial real estate assets, hotels have emerged as a preferred sector amongst some investors.** As such, hotel allocations within broader real estate funds are increasing as hotels on average generate higher capitalization rates and have proven resilient during prior economic disruptions.

2024 HOSPITALITY TECHNOLOGY PREDICTIONS: CLOUD ADOPTION, ARTIFICIAL INTELLIGENCE, AND STRATEGIC IMPERATIVES

By Alex Alt, Executive Vice President and General Manager, AHLA Platinum Partner Oracle Hospitality

As inflation and other economic headwinds dampen would-be travelers' discretionary spending, hotels will continue to leverage cloud technology and AI innovations to increase operational efficiency and enhance guest experiences. Below are five technology trends that are expected to transform the hospitality industry this year:

- **Cloud adoption moves from a conversation to a reality.** The past five years have involved a lot of talk and preparation for cloud adoption in the hospitality industry. Thanks to new tools that automate the data migration and archival processes, there is now real action. Organizations are shifting from the planning phase to actively implementing these technologies in order to boost efficiency and operational capabilities. Many hoteliers are now leveraging a modular, unified hospitality platform to remove silos and friction across various functional areas both on and above property. Holistic views of rates and inventory, as well as reservations, groups, and profiles, together with a unified end-user experience, make information accessible to all key stakeholders at all customer touchpoints.

- **Hoteliers will look to AI-innovations that elevate guest experiences, simplify operational tasks, and increase efficiency.** The hospitality industry will maintain its strong focus on AI-driven automation, extending from enhanced guest experiences through streamlined check-in processes to more personalized experiences that empower employees to allocate more time to value-driven tasks. Additionally, spurred by open application programming interfaces (APIs) and plug-in marketplaces, hotels can test new technologies faster and cheaper than ever before. Where it previously may have taken months for a new technology to fail or succeed, hoteliers can now see results in just a few weeks and decide whether to fully adopt new solutions or quickly pivot to another technology.

  Organizations will look to AI to streamline distinct workflows, helping to minimize complex or time-consuming efforts and maximize their workforce. This will make a significant impact throughout the business, especially in areas like customer service, where technology will be able to make real-time, personalized suggestions for everything from room upgrades to acting like a virtual concierge with dining suggestions. Simultaneously, AI will revolutionize operational efficiency in line with the growing industry demand for flexibility in performing various job roles and responsibilities.

- **Demand for technology consultants will surge.** With the industry seeking assistance on digital transformation, demand for technology-driven consulting services will surge. Organizations will actively seek expert guidance to optimize the implementation of unified cloud hospitality platforms. Consultants will help optimize end-to-end operations by evaluating and developing consistent, personalized guest experiences and automating various workflows on and above property. This will also help ensure organizations meet the latest security and compliance standards. As such, companies will also look to work with experienced technology partners with a track record of delivering solutions that aid in optimizing businesses like theirs.

- **The industry will heighten its focus on security and compliance.** In the face of technological advancements and the rapid shift to cloud-based solutions, brands and hotels will look to trusted technology partners to enhance data security and compliance as they jettison risky, legacy premise-based technology. The industry's focus on security measures and compliance strategies will be pivotal to safeguarding data integrity, protecting guest privacy, and ensuring alignment with evolving global regulations. This will be especially true for companies looking to scale quickly and meet sovereign data residency requirements.

- **Technology, and the chief information officer, will move from a business function to a strategic imperative.** In the hospitality industry, technology has shifted from a behind-the-scenes necessity to a vital strategic component affecting all aspects of an organization. This transformation is reshaping CIO roles while emphasizing innovation, rapid experimentation, and continuous improvement. Additionally, the transformation is enhancing transparency in decision-making and bringing technology leaders in closer connection with the executive level, facilitating quicker progress.

  In tandem, the infusion of talent from diverse industries is significantly impacting the market, with CIOs from various backgrounds contributing innovative strategies such as new AI-driven solutions for customer service, personalized customer recommendations, and predictive analysis to enhance operations, ultimately driving both progress and innovation within the industry.

PARKING WILL PLAY A ROLE IN ENHANCING GUEST EXPERIENCE AND PROVIDING NEW SOURCES OF HOTEL REVENUE

By Joshua Miller, Senior Vice President of Revenue Optimization, AHLA Premier Partner Towne Park

Parking plays a pivotal role in shaping guest experiences and satisfaction in the hotel industry. Parking services are the first and last touchpoint for guests and a reflection of a hotel's brand that can influence a guest's stay and repeat bookings.

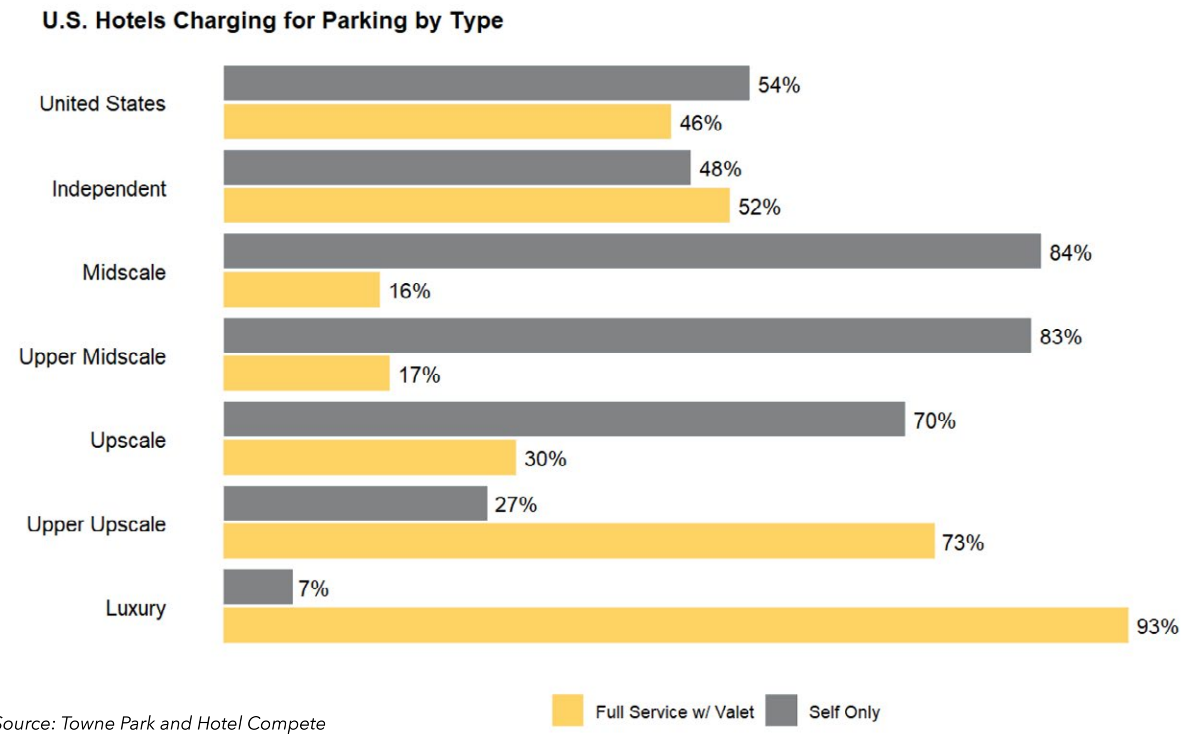
Beyond convenience, an effective parking management program can be an important source of incremental hotel revenue. Unlike other sources of ancillary revenue, parking has an extremely high profit margin and can make a substantial impact on a hotel's earnings before interest, taxes, depreciation, and amortization (EBITDA).

The global parking management market is expected to reach $12.9 billion by 2032, growing at a compound annual growth rate (CAGR) of 9.1% from 2023 to 2032, according to a market report by the Business Research Company.[14]

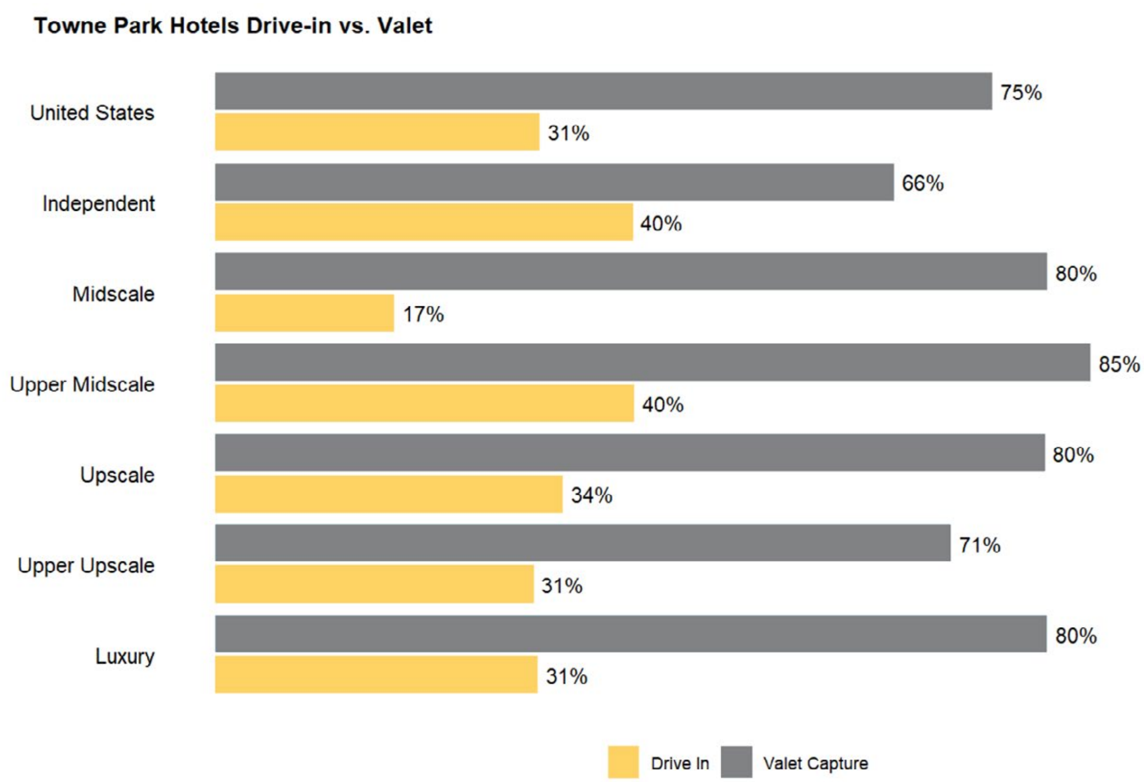
Among U.S. hotels that charge for parking, 54% currently use self-parking only while 46% offer full-service parking with valet, according to a Towne Park study conducted in partnership with AHLA Allied Member Hotel Compete.[20] Hotel Compete conducts market research, data aggregation, and analysis and maintains an extensive database of property and operating data from more than 60,000 hotels in North America and more than 180,000 hotels worldwide.

Self-parking and valet both have distinct roles depending on hotel type and guest expectations. The parking study shows that 84% of midscale, 83% of upper-midscale, and 70% of upscale properties offer self-park only while 73% of upper-upscale and 93% of luxury hotels offer valet. Among independent hotels, 52% offer valet, and 48% offer self-park only. According to Towne Park's proprietary drive-in and valet capture data from actual company operations, guests across chain scales utilize a mix of both valet and self-parking options, although valet dominates, comprising 66% of independent, 80% of midscale, 85% of upper midscale, 80% of upscale, 71% of upper-upscale, and 80% of luxury hotels.

Today's parking management solutions include new technologies to support both self-parking and valet. While valet is a high-touch service, the efficiency of technologies such as text-to-retrieve can enhance the experience. With self-parking, both high-touch and low-touch options are available with gateless, digital solutions. With no capital investment requirement and easy implementation, these options are a growing trend.



Source: Towne Park and Hotel Compete



Source: Towne Park

The Role of Parking in Guest Experience

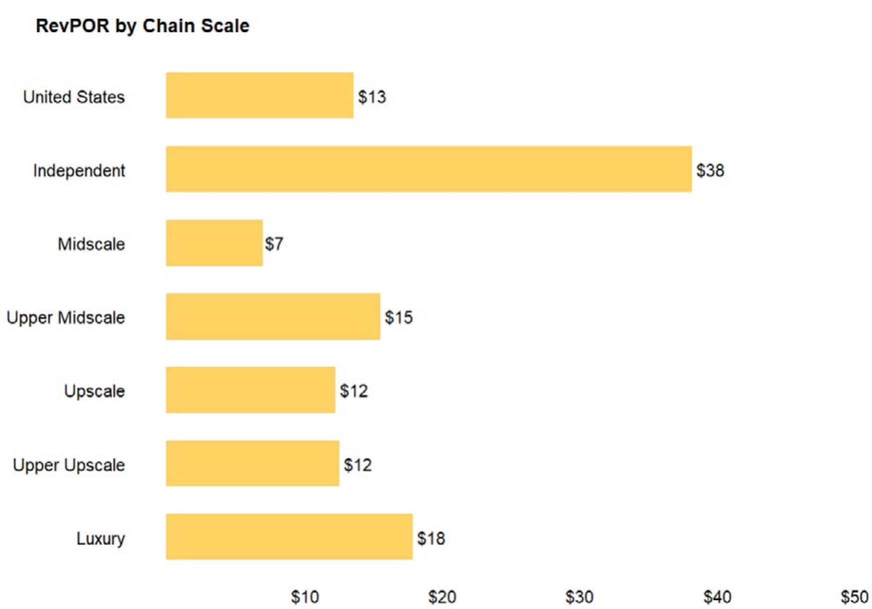
The role of parking extends to the guest's perception of their entire experience at a hotel. Service-oriented valet and parking operations align with how a hotel may think about the overall guest experience and contribute to positive guest satisfaction that in many cases is reflected in reviews and ratings. The arrival and departure experiences are a direct reflection of the hotel brand and reinforce the reputation of the hotel.

To ensure customer satisfaction, hotels that implement paid parking must maintain clear communication and deliver consistent service excellence with customized parking solutions.

Parking as a Key Revenue Driver

Just like hotels have a strategic approach to room pricing and inventory management, a proactive approach to parking asset management can significantly contribute to accelerating revenue per occupied room (RevPOR), turning parking facilities into a dynamic revenue driver and an important part of a hotel's revenue mix.

Deliberate and strategic pricing strategies can impact these results and ensure effective service delivery. Towne Park data shows significant RevPOR impact with formal parking management programs across most hotel segments, with independent hotels recording the highest RevPOR ($38), followed by luxury ($18) and upper midscale ($15).



Source: Towne Park

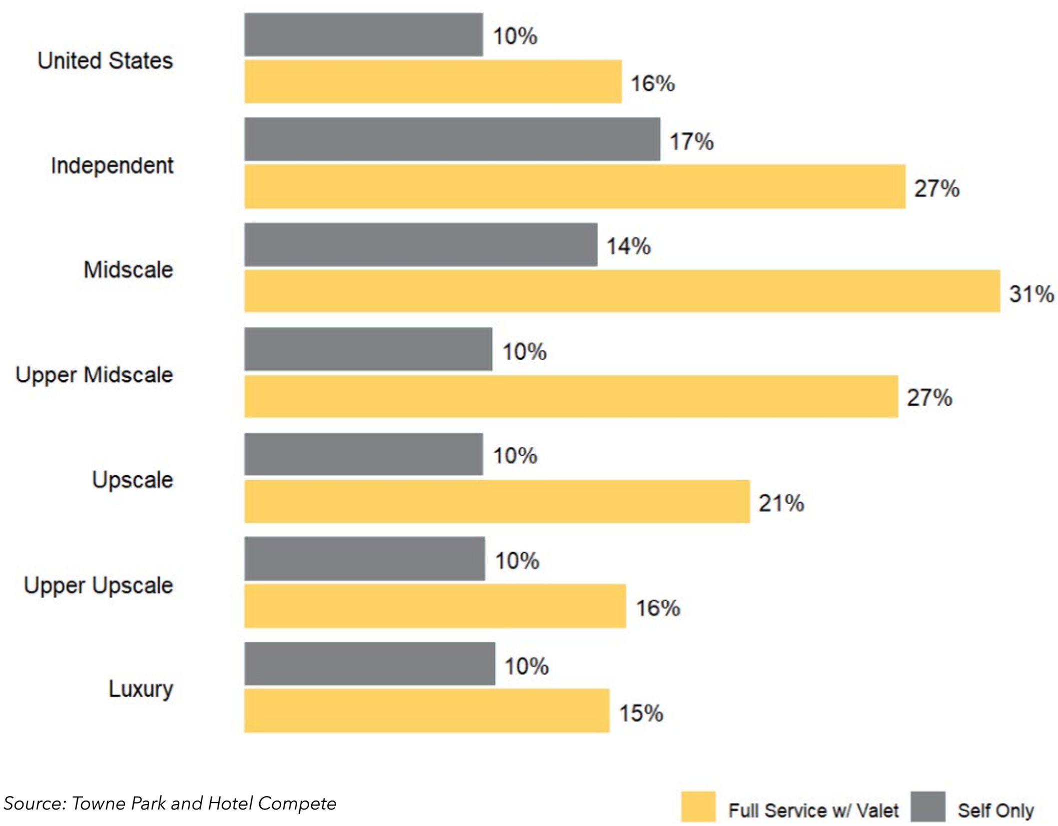
Revenue per available space (RevPAS) can be used to measure how effectively a property is leveraging its parking asset to drive revenue.[21] Optimizing RevPAS should be the goal of all parking facility owners in the same way optimizing revenue per available room (RevPAR) is related to hotel rooms.

Revenue Generation Strategies

Similar to some of the strategies hotels utilize to optimize selling rooms, these strategies can be leveraged to optimize valuable parking assets.

- **Rate optimization:** Analyzing historical data, market trends, and competitor pricing to determine the optimal rate for parking.
- **Dynamic pricing:** Adjusting parking rates in real-time based on demand, seasonality, and local events.
- **Segmentation:** Different pricing tiers based on the length of stay, time of day, and type of vehicle.
- **Aggregators:** As for rooms, technology can be used to optimize multiple aggregators to maximize parking utilization and revenue.

Average Daily Rate (ADR) Contribution by Chain Scale and Parking Type



Source: Towne Park and Hotel Compete

Technology Trends in Hotel Parking

Technology creates a better guest experience by providing a blend of personalization, efficiency, and convenience that was previously unattainable. Adopting parking technology allows hotels to update antiquated solutions and move away from an "honor system" to provide improved guest experiences.

Technology solutions are increasingly creating seamless experiences for both valet and self-parking operations and greatly improving parking revenue capture:

- **License plate recognition:** Automatically reads and recognizes license plates, allowing for ticketless parking, streamlined enforcement, and easy tracking.
- **Wait-time monitors:** Provides real-time data on expected wait duration.
- **Text-to-retrieve:** A simple text alerts a valet to retrieve the guest's vehicle.
- **Integrated payment methods:** Modern valet and self-parking solutions integrate with various payment systems, offering contactless payment options and integration with customer relationship management, property management systems, or billing software for easy payment.
- **Self-parking gateless solutions:** Provide convenient and seamless experiences while reducing operational costs. Many hotels are starting to take advantage of these new solutions, and 54% opt for gateless technology with digital mobile-friendly solutions.

Finding the balance of technology-enabled solutions with a personalized, high-touch, service-oriented approach will continue to drive the most substantial revenue results.

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AHLA CONTRIBUTORS

Gizem Kilic
Director, Industry Research, Government Affairs

Curt Cashour
Vice President, Media Relations and Enterprise Initiatives

Matt Carrier
Vice President, Government Affairs, Policy, and Research