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# US Hospitality Directions

**Lodging outlook**
December 2025

"Even as RevPAR growth bifurcation persists, supply growth is finally expected to normalize across chain scales after several years of constraint for the midscale and economy chain scales. At the same time, AI's accelerating influence is fundamentally reshaping how hotels operate, compete, and connect with travelers."

—Abhi Jain, Principal, Real Estate & Hospitality, PwC US

After a period of post-pandemic recalibration, the US lodging industry is facing a more familiar, yet less forgiving, landscape. Growth is slowing, demand patterns remain inconsistent, and the cost of capital, while trending down from historical highs over the past 18-24 months, remains elevated. Some degree of predictability is returning, such as group travel, but it's modest and unevenly distributed.

Revenue per available room (RevPAR)—the sector's primary performance benchmark, combining occupancy and average daily rate—is expected to decline by 0.2% this year before rising 0.9% in 2026. While not a rebound, the forecast suggests a steadier trajectory ahead, supported by a more stable macro environment, easier year-over-year comparisons, particularly in the latter half of 2026, and major national events in 2026. Still, margin pressure is likely to intensify as supply grows faster than demand and inflationary pressures create a drag on flow-throughs, leaving operators and owners with narrower cushions and higher stakes.

This year's headwinds weren't a surprise. Business travel remained slow to rebound, group bookings fluctuated amid economic uncertainty, inbound international travel declined in the face of immigration headwinds, and high interest rates weighed on both consumers and developers. Still, 2025 offered signals of stabilization, particularly in the second half of the year. One early indicator: traveler's shifting priorities.

According to PwC's 2025 Holiday Outlook, 44% of consumers said they plan to travel for the holidays, pointing to a renewed emphasis on experiences. That sentiment, paired with a clearer macro-economic picture, a steadying credit environment, and a robust 2026 events calendar, suggests conditions are forming for moderate, if uneven, RevPAR growth.

**Our outlook for 2026 anticipates**

Supply growth projected to slightly outpace demand growth in 2026, resulting in an average **occupancy** of

## 62.2%

Growth in **average daily rate** to remain steady for an annual increase of

## 1.1%

As a result, anticipated **RevPAR growth** will accelerate from 2025, for an annual increase of

## 0.9%

Source: PwC analysis, based on data from Smith Travel Research (STR) as of September 2025

**Where demand is heading next**

We believe two distinct demand patterns are emerging. One is rising leisure travel, increasingly concentrated in warmer and secondary markets, driven by a busy US events calendar and wellness trends. The other—corporate travel, group bookings, and international inbound—has been slower to rebound. PwC's outlook anticipates short-term RevPAR growth headwinds in the first two quarters of 2026, followed by moderate sequential acceleration in the second half as large-scale events and a more stable macro environment begin to lift both business and inbound international travel.

In early 2025, RevPAR declines were concentrated in urban markets and upscale segments. Later in the year, consumer spending showed early signs of stabilization, though year-over-year comparisons remained challenging. Looking ahead, easier comps, particularly in the latter half of 2026, are expected to provide a more favorable backdrop for RevPAR growth.

But expectations should be recalibrated. PwC's forecast for 2026 points to normalization, not resurgence. While demand is being reshaped by new patterns—such as leisure concentration in secondary markets and softened corporate travel—the return of more predictable booking cycles and fewer macro disruptions may help operators reorient strategy. Still, growth is expected to remain uneven, favoring metropolitan geographies and chain scales more than others, continuing the trend observed over the past 18 months.

Higher-priced hotels are expected to outperform, supported by resilient spending among higher-income households, robust group travel demand (especially in the second half of 2026), and below-average, albeit accelerating, supply growth. Lower-priced hotels are likely to face continued RevPAR headwinds due to inflationary pressure on lower-income households and limited exposure to group and meeting-driven demand.

**AI is reshaping both travel behavior and hotel operations**

Behind the RevPAR forecast lies a broader transformation. AI is changing not only how people discover and book hotels, but also how owners and operators manage performance. Traditional brand touchpoints are being bypassed as AI-powered assistants surface personalized options earlier in the planning process.

These shifts, related to the rise of agentic commerce, are already visible in early-stage trip planning. As large language models (LLMs) influence destination choices, they can narrow booking funnels long before a traveler reaches a brand-owned platform. The implications are significant. Hotels will need to ensure their properties surface in AI-assisted searches, that rates, content, and loyalty programs are fully machine-readable, and that their brands are prepared to compete in a marketplace where the first "customer" is increasingly an algorithm.

At the same time, on the operational side, many hotels are still in pilot mode with AI, automation, and analytics, but many leading brands are accelerating their progress quickly. With RevPAR growth slowing, margin protection is increasingly dependent on smarter scheduling, leaner service models, and real-time forecasting. The challenge is no longer whether to invest in AI, but whether existing operating models, data infrastructure and governance can support performance at scale.

**Supply growth returns and brings margin pressure with it**

After a prolonged slowdown, hotel supply is starting to grow again, though it remains below long-term averages. Projects paused during the pandemic have resumed, and financing pipelines are reactivating, particularly in high-growth secondary markets. But we forecast rising supply will outpace still-fragile demand.

Occupancy rates, already under pressure, may further soften in certain segments and locations. Reflecting the bifurcation highlighted above, luxury hotels are set to experience the strongest supply growth in 2025, while supply in the economy segment is expected to remain flat. By 2026, however, development activity is projected to further normalize, with supply expanding more evenly across all chain scales—marking a shift away from the bifurcation that has characterized the industry in recent years.

**The road ahead: Disciplined strategy, emerging opportunities**

For owners and investors, the next 12 months will require sharper underwriting, disciplined capital deployment, and a clearer portfolio thesis. Volatility is no longer just a headwind. It's a strategic opening. The bid-ask spread remains wide compared to 24 months ago, but with RevPAR stabilizing and rate expectations holding steady, 2026 could present more opportunities for dealmakers with conviction and balance sheet agility.

For operators, margin management remains the near-term focus. With topline growth constrained, gains are likely to come from cost discipline, tech adoption, and pricing strategy. Labor optimization, AI-assisted forecasting, and service orchestration between tech and human touch will increasingly differentiate performance. For brands, digital visibility and loyalty economics are in play. Synthetic customers can help provide actionable insights. AI-assisted travel planning is reshaping discovery and booking behavior. Competing in these emerging ecosystems will require new strategies for brand placement and content readiness.

The sector isn't retreating—but easy growth is over. Success will depend on sharper execution, stronger tech integration, and closer alignment with shifting consumer behavior.

**Looking ahead**

If 2025 was a year of recalibration, 2026 offers a slow, deliberate step forward. The industry isn't reverting to past cycles, nor entering decline. It's adapting to a landscape where growth should be earned. For owners, operators and brands, progress will hinge on navigating tighter margins, evolving guest needs, accelerating technology and AI disruption, and persistent workforce constraints.

## Table 1: US outlook (December 2025)

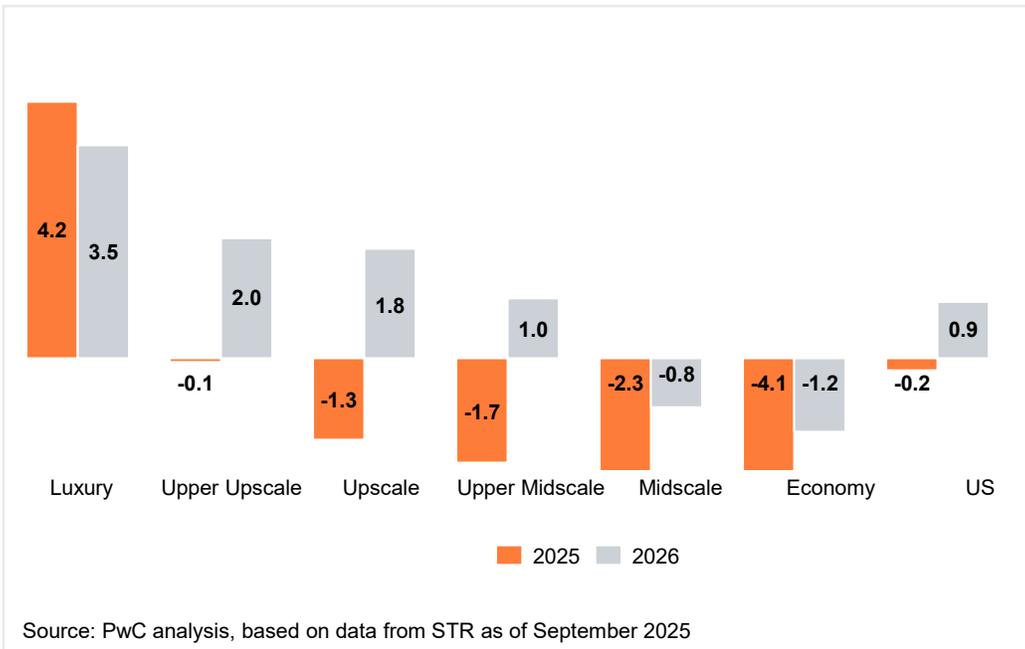|  | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Demand growth | 1.2% | 2.5% | 2.2% | 1.5% | -36.2% | 37.9% | 10.6% | 1.0% | 0.3% | 0.3% | 2.1% |
| Supply growth | 1.0% | 1.8% | 1.8% | 1.8% | -4.2% | 5.2% | 1.7% | 0.2% | 0.2% | 1.5% | 2.3% |
| Occupancy | 65.2% | 65.7% | 66.0% | 65.8% | 43.9% | 57.5% | 62.5% | 63.0% | 63.0% | 62.3% | 62.2% |
| *% change* | *0.1%* | *0.7%* | *0.5%* | *-0.3%* | *-33.4%* | *31.1%* | *8.8%* | *0.8%* | *0.0%* | *-1.2%* | *-0.2%* |
| Average daily rate | $124.54 | $127.10 | $130.25 | $131.56 | $103.29 | $124.72 | $149.53 | $156.16 | $158.99 | $160.56 | $162.30 |
| *% change* | *3.0%* | *2.1%* | *2.5%* | *1.0%* | *-21.5%* | *20.8%* | *19.9%* | *4.4%* | *1.8%* | *1.0%* | *1.1%* |
| RevPAR | $81.24 | $83.47 | $85.94 | $86.58 | $45.30 | $71.72 | $93.52 | $98.40 | $100.23 | $100.03 | $100.95 |
| *% change* | *3.2%* | *2.7%* | *3.0%* | *0.7%* | *-47.7%* | *58.3%* | *30.4%* | *5.2%* | *1.9%* | *-0.2%* | *0.9%* |
| GDP, % change Q4/Q4 | 2.2% | 3.0% | 2.1% | 3.4% | -0.9% | 5.8% | 1.3% | 3.4% | 2.4% | 1.8% | 2.2% |
| Inflation, % change | 1.0% | 1.7% | 2.0% | 1.4% | 1.1% | 4.1% | 6.6% | 3.8% | 2.5% | 2.9% | 2.9% |

Source: PwC analysis, based on data from STR as of September 2025; Bureau of Economic Analysis; S&P Global (forecast released October 2025)


## Table 2: Chain scale outlook, percentage change from prior year

| Chain scale | 2025 | | | | | 2026 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Demand | Supply | Occupancy | ADR | RevPAR | Demand | Supply | Occupancy | ADR | RevPAR |
| Luxury | 4.5 | 4.6 | (0.1) | 4.3 | 4.2 | 1.4 | 1.8 | (0.3) | 3.8 | 3.5 |
| Upper upscale | 2.0 | 3.0 | (1.0) | 0.9 | (0.1) | 1.5 | 2.2 | (0.7) | 2.7 | 2.0 |
| Upscale | 0.7 | 2.0 | (1.2) | (0.1) | (1.3) | 2.6 | 3.0 | (0.4) | 2.2 | 1.8 |
| Upper midscale | 0.5 | 2.0 | (1.5) | (0.2) | (1.7) | 1.8 | 2.7 | (0.9) | 1.9 | 1.0 |
| Midscale | 1.5 | 3.1 | (1.5) | (0.8) | (2.3) | 2.1 | 3.1 | (1.0) | 0.2 | (0.8) |
| Economy | (2.1) | 0.0 | (2.1) | (2.1) | (4.1) | (0.1) | 1.1 | (1.2) | (0.0) | (1.2) |

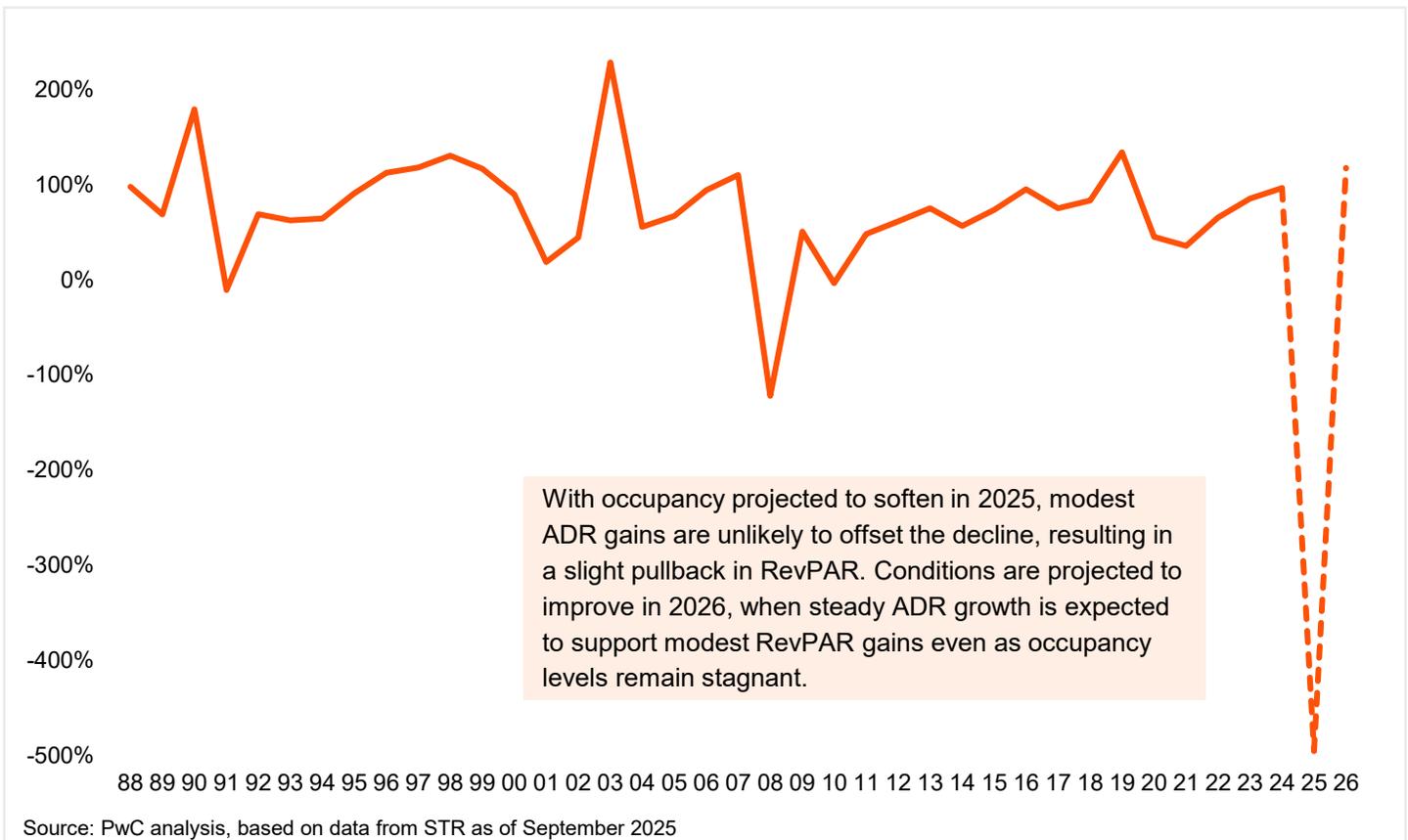Source: PwC analysis, based on data from STR as of September 2025

## Figure 1: RevPAR % change, US and chain scales



Chart values by category:
- Luxury: 4.2 (2025), 3.5 (2026)
- Upper Upscale: -0.1 (2025), 2.0 (2026)
- Upscale: -1.3 (2025), 1.8 (2026)
- Upper Midscale: -1.7 (2025), 1.0 (2026)
- Midscale: -2.3 (2025), -0.8 (2026)
- Economy: -4.1 (2025), -1.2 (2026)
- US: -0.2 (2025), 0.9 (2026)

■ 2025  ■ 2026

Source: PwC analysis, based on data from STR as of September 2025

**Hospitality Directions Outlook Tables**

For detailed outlook tables covering the US and each of the chain scales, please access the **Hospitality Directions Outlook Tables** available online.

## Figure 2: ADR contribution to change in RevPAR



With occupancy projected to soften in 2025, modest ADR gains are unlikely to offset the decline, resulting in a slight pullback in RevPAR. Conditions are projected to improve in 2026, when steady ADR growth is expected to support modest RevPAR gains even as occupancy levels remain stagnant.

Source: PwC analysis, based on data from STR as of September 2025

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## Definitions

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Abbreviated terms include average daily rate ("ADR"), revenue per available rooms ("RevPAR"), and real gross domestic product ("GDP"). Growth rates are percentage change in annual averages.

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