

A Strong Finish for the Global Hotel Industry

The global hotel industry finished the year strong, with 2023 revenue per available room (RevPAR) rising by 24% year over year. While both occupancy and average daily rate (ADR) reported solid year-on-year gains, occupancy growth edged ahead to drive double-digit RevPAR growth. This isn't surprising as 2023 was the first year since the pandemic that global travel neared normality. Outbound U.S. travel, propelled by favorable exchange rates, drove demand to many European destinations including France, Italy, and the U.K. In addition to increased U.S. outbound travel, domestic travel also rebounded in the European Union and in Asia Pacific, according to data from Tourism Economics. With demand increasing, global ADR rose by 8.9%, but its rate of growth slowed as the year unfolded. Growth was strongest in 1Q (+14%) due to weak comparisons in 2022 caused by the Omicron variant and travel restrictions. By 4Q, ADR growth had moderated to 6.2%.

Considering inflation since 2019, global ADR is down 3.3% as compared to year-end 2019. 2023 room demand also surpassed the level seen in 2019. However, even with its solid increases, global occupancy remains below 2019 as hotel supply is up 6.7% versus 2019 while demand has increased by only 2%. Like ADR, room demand gains also slowed as the year progressed, a trend expected to continue in 2024. Nearly all the 132 countries tracked reported room demand growth in 2023 with the largest increase coming from hotels in China, which accounted for 41% of the hotel industry's global

growth in room demand. China's gain was expected given that its COVID restrictions were lifted early in the year, paving the way for a travel recovery. ADR increased by 22% year over year but was essentially flat relative to 2019 level. Even with the strong growth, occupancy remained below what was seen before the pandemic as supply has grown consistently and faster than room demand since 2019. Robust growth was also seen across nearly all key countries. Both occupancy and ADR were on the rise

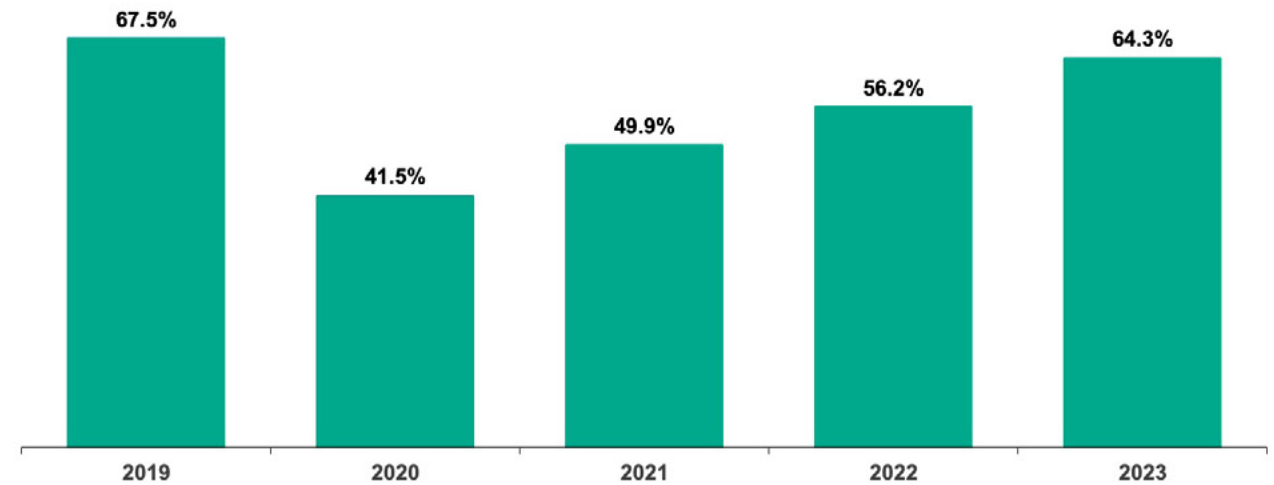
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Occupancy growth edged ahead to drive double-digit RevPAR growth



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VP of Analytics, STR

STR provides premium data benchmarking, analytics and marketplace insights for the global hospitality industry.

Global Occupancy
Full-year, preliminary results



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with many of the ten largest countries, based on supply, reporting ADR gains above 10% year over year. Japan had the largest ADR growth (39%) followed by Indonesia (30%) and China. All but China had higher ADR in 2023 than what was seen in 2019. With the strong growth reported in China and Japan, Asia Pacific drove global room demand growth and had the largest ADR gain, up 20%. Nearly all countries in the region reported double-digit room demand and ADR growth. The Middle East and Africa region had the next largest ADR gains of a region, up 13% year over year. Rates in Egypt jumped 68% in 2023

as an economic crisis led to one currency devaluation, with calls for another on the horizon. Consequently, absolute ADR levels remained reasonable (US\$114), despite the extreme year-on-year growth. Half of the countries in the region saw ADR increase by more than 10% with rates in Saudi Arabia rising by 18% as the Kingdom ramped up tourism efforts and fully reopened to religious pilgrimages. Europe benefited from increased inbound travel. ADR in Southern Europe was up 15% led by Turkey (+68%), another country struggling with currency crisis. Italy and Spain, the region's largest hotel markets, saw ADR grow by 12% and 8% respectively. Room demand was also on the rise in both countries with occupancy topping 70%. The U.K., the largest hotel market in Northern Europe, reported 78% occupancy with ADR gaining 9% in the year, roughly in line with inflation expectations. The Americas reported mixed results with South America

seeing strong ADR growth, much of which was from inflation-led Argentina, but even when excluding, the sub-region had the highest growth rate of the continent (18%) with occupancy (59%). The Caribbean continued to see ADR advance (+11%) with occupancy slightly above its 2019 level. North America, dominated by the U.S., reported modest ADR gains (4%) which was equal to the U.S. increase. Canada was the regional standout, with ADR up 10% and occupancy ahead of 2019 level. Mexico, however, saw a slight slowdown in ADR even as room demand continued to grow. Looking ahead, we expect growth rates in both room demand and ADR to moderate further. Economic conditions are expected to be favorable, but we believe that robust recovery gains are behind us, and more normal growth rates are ahead.