



# US Hospitality Directions

May 2026



# 2.9%

projected YoY RevPAR  
growth in 2026

# 3.2%

projected YoY demand  
growth in 2026

# 2.3%

projected YoY supply  
growth in 2026

## **The US lodging sector enters a new growth phase as RevPAR rebounds, demand broadens, and consumers reengage with travel.**

Rising prices and geopolitical tension continue causing some degree of uncertainty, but consumers aren't waiting for clarity before making travel plans. After a cautious 2025, momentum is building across the US lodging sector.

The shift is evident in revenue per available room (RevPAR), the sector's primary performance benchmark, combining occupancy and average daily rate. After consistent year-over-year declines throughout 2025, RevPAR reversed course in early 2026, climbing 4.3% in February and 5.9% in March compared to the same months last year. Overall, after declining 0.2% in 2025, US RevPAR is now expected to grow by 2.9% in 2026.

Rising year-over-year comparisons are part of the story, but they don't tell it in full. While month-over-month inflation has increased this year, it's still lower than what it was in 2025. Overall demand appears to be strengthening across segments, with consumers expecting to spend on leisure travel this summer, according to [PwC's recent US Consumer Poll on Summer Spending](#), and an uptick in group business and domestic business travel.

After more than a year of uneven performance, demand is finally moving ahead of supply, and the recovery is reaching segments that lagged through most of 2025. The next six to 12 months won't be without volatility—geopolitical tensions, inflation, and the rate path all remain live variables—but the underlying drivers point to durable forward movement.

## A more even recovery takes hold

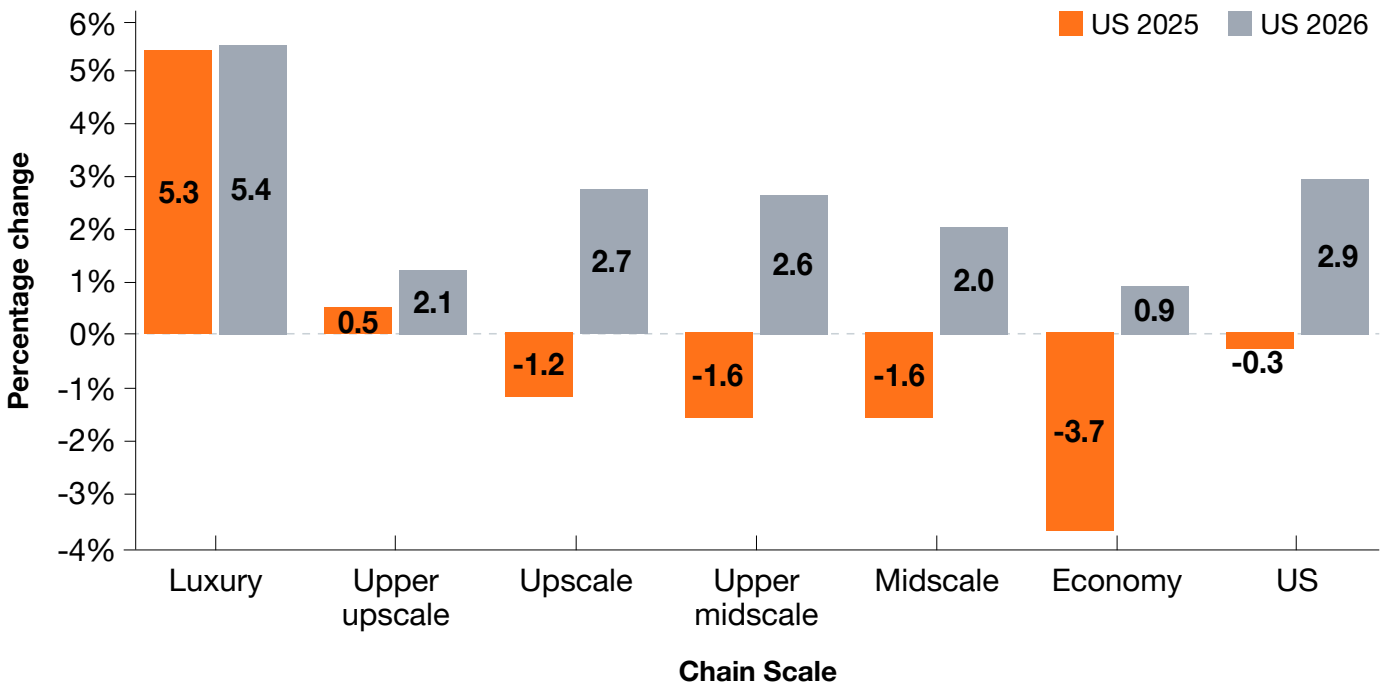


On the supply side, constraints remain a defining feature, but the trajectory is coming into clearer focus. Uncertainty around the path of interest rates and inflation, especially in light of the Iran war and broader Middle East conflict, has tempered new development activity, while transaction markets are showing early signs of recovery. The result is a supply environment that's growing steadily but no longer outpacing demand, providing pricing power for operators.

Those same geopolitical dynamics are also reshaping the demand side. Heightened travel risks and shifting consumer sentiment around certain international destinations appear to be redirecting a share of the would-be outbound trips back into the domestic market. While difficult to size precisely, this stay-closer-to-home effect adds a modest but meaningful tailwind for US lodging in 2026, particularly for leisure-oriented markets that compete with international vacation alternatives.

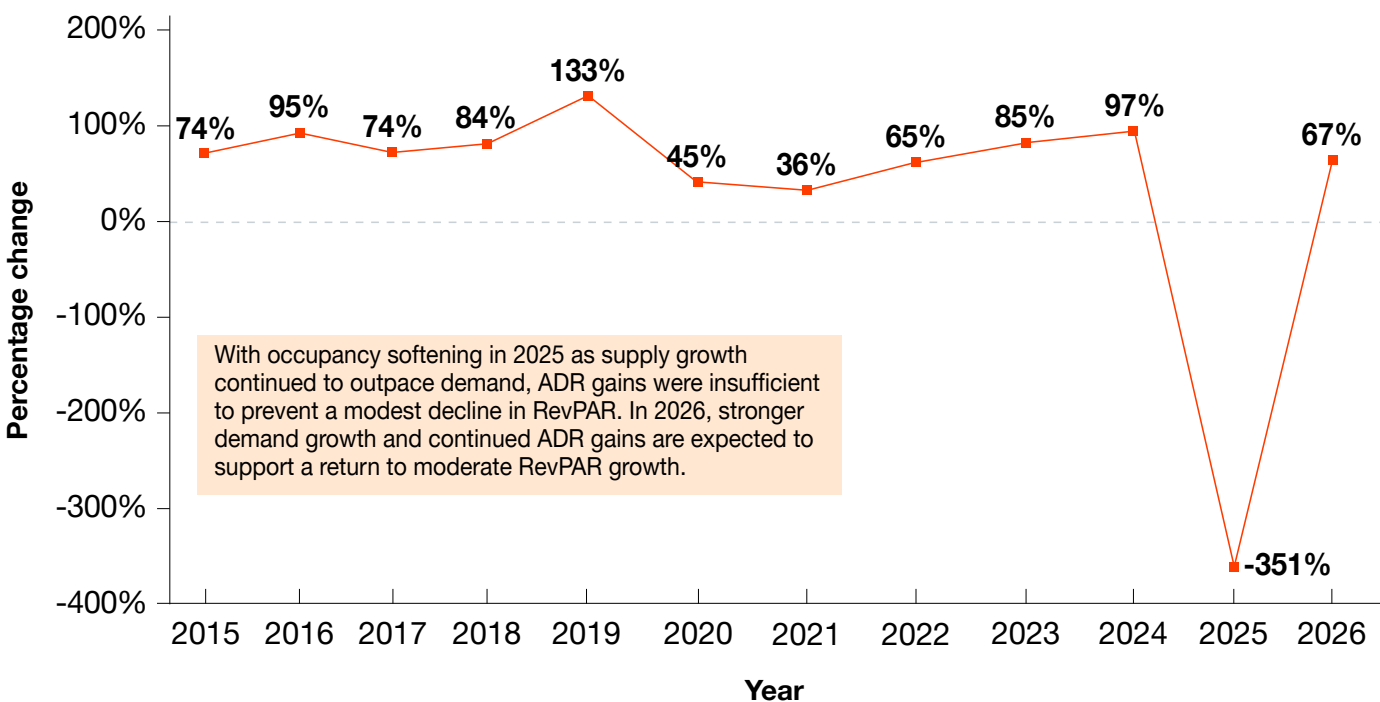


**Figure 1: RevPAR % change—US and chain scales**



Source: PwC analysis, based on CoStar data as of March 2026

**Figure 2: ADR contribution to change in RevPAR**



Source: PwC analysis, based on CoStar data as of March 2026



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“Demand growth is on track to outpace supply growth by roughly a full percentage point in 2026—the widest favorable spread the sector has seen since before the pandemic. Combined with a recovery that’s finally broadening beyond the upper end of the market, the sector isn’t just stabilizing—it’s reorienting toward a more durable footing.”

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

## Forecasting summer travel spend



Consumers say they're ready to open their wallets for travel this summer.

According to [PwC's US Consumer Poll on Summer Spending](#), 71% of adults plan to spend the same or more on summer travel as they did last year, a strong signal of sustained demand heading into the season. And generational divides remain pronounced. Forty-nine percent of Gen Z and 43% of millennials said they plan to travel over Memorial Day weekend, far outpacing Gen X (29%) and baby boomers (21%). Notably, spending on nontraditional lodging such as vacation rentals came in relatively low at \$217 on average across the full summer, compared to \$605 for hotels, a potentially encouraging sign for hotels competing for the summer wallet.

That spending power is also shifting even younger. Raised in a digital world, [Generation Alpha](#) is quickly becoming one of the most influential consumer groups within their households, a dynamic hotel brands should get ahead of. That digital nativity is already reshaping how travel is discovered and booked today. In [PwC's US Consumer Poll on Summer Spending](#), 44% of survey respondents say they often or always use AI tools to compare prices and look for discounts, 42% use them to research destinations and travel options, and one-third use AI agents or bots to book parts of their trip.

As agentic commerce takes hold, the first customer in the booking funnel could be an algorithm. Hotel brands that ensure their properties, rates, and loyalty programs are fully machine-readable can have a meaningful advantage in reaching the consumers most likely to spend.

## Cheering from closer to home



Additional tailwinds are on the horizon, though with some nuance. The major international soccer tournament landing in the United States this summer is generating significant consumer engagement, with 59% of PwC's poll respondents saying they plan to watch or follow the championship. But hotel booking activity tied to the event has been more modest than initially anticipated. Among the same poll respondents, 11% of fans said they plan to attend games in person and expect to spend an average of \$328 on travel costs and \$311 on hotels.

However, the broader viewership interest hasn't translated into proportional accommodation demand. Part of the explanation likely lies in ticket distribution. Many tickets appear to have been purchased by fans living in or near host cities, which dampens the need for hotel stays. Compounding that, softer inbound international demand, has further limited the international visitor surge typically associated with global sporting events. Ticket pricing that pushed all-in trip costs higher than many international fans anticipated has added to the drag. As a result, the tournament's hotel demand impact appears to be skewing more domestic than international, a meaningful shift from initial expectations and one that further concentrates demand around US-based fan travel patterns.

This suggests that while the tournament will likely drive strong engagement and ancillary spending across food, dining, and entertainment venues, the direct hotel revenue impact may be more concentrated around host cities during match days rather than creating sustained regional demand. Combined with significant growth in group business, these dynamics should still provide a solid base for RevPAR growth in the first half of 2026, though operators should calibrate expectations around event-driven demand accordingly.

## Strength, with nuance, returns to Manhattan



One market gaining traction quickly is Manhattan, where RevPAR is up roughly 5% year over year in the first quarter of 2026. But it's pricing power, not volume, that's leading the performance. Average daily rates rose year over year by about 6.5% in the first quarter even as occupancy modestly declined.

The trend is most pronounced at the high end. Luxury properties continue to command strong rates, though softer occupancy points to some normalization in demand at the top of the market. Notably, upper midscale hotels, the lowest tier of the Manhattan market, bucked the broader occupancy trend, managing to grow both occupancy and rates, with average daily rates running approximately 5.5% higher in the first quarter of 2026 than in the same period last year.



## What's next



If 2025 was a year of recalibration, 2026 is shaping up as a year of deliberate, broadening recovery. RevPAR is growing again, consumers are spending, and the long-standing divide between high-end and lower-end performance is beginning to close. The US lodging sector is not returning to post-pandemic peak dynamics, but it is finding a more sustainable footing.

For owners and investors, improving RevPAR trends and a supply-constrained environment present selective opportunities, particularly for those with conviction and balance sheet flexibility to move as bid-ask spreads continue to narrow.

For operators, margin management remains the near-term priority. With topline growth returning but remaining moderate, gains will likely come from cost discipline, technology adoption, and dynamic pricing strategy. AI-assisted forecasting, labor optimization, and the orchestration of technology and human service can increasingly separate top performers from the rest.

For brands, the summer travel season and the major events calendar through year-end represent a critical window to deepen loyalty and capture new guests across segments—particularly as younger, digitally native consumers continue to reshape how travel is discovered, planned, and booked.

The path forward requires sharper execution, stronger technology integration, and closer alignment with evolving consumer behavior. But for the first time in over a year, the direction of travel is clearly forward.



## About Hospitality Directions

PwC Hospitality Directions is a near-term outlook for the US lodging sector, commonly used by industry decision-makers and stakeholders to better understand the impact of policy and other macro-environmental factors on the sector's operating performance. Our outlook includes metrics for the overall sector as well as for the chain scales, and is used by our clients for:

- Strategic planning and capital allocation purposes
- Demand and supply
- Occupancy
- Average daily rate
- Revenue per available room

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