pwc

US hospitality directions

November 2026



Demand is outpacing new supply, and hoteliers are turning to AI to keep more of what they earn as costs climb

7.1%

third-quarter YoY RevPAR growth in 2026

2.0%

projected YoY demand growth in 2026

0.5%

projected YoY supply growth in 2026

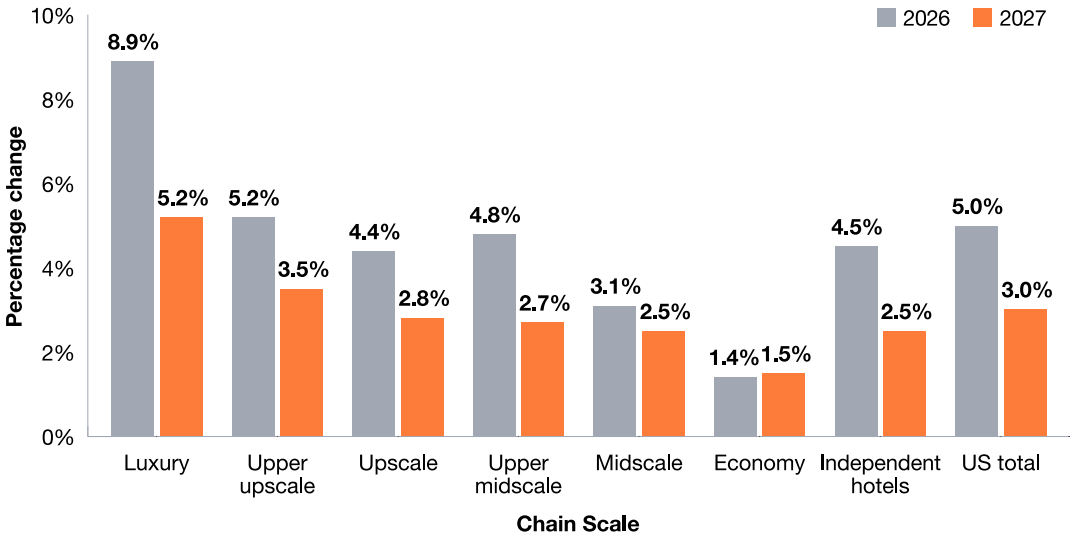
Americans are not letting inflation or economic uncertainty prevent them from traveling for pleasure, business, or family events. After a stronger-than-expected summer, boosted in part by international soccer matches hosted across North America, the US lodging sector is heading into year-end on a stronger footing than many anticipated earlier this year.

The shift is evident in revenue per available room (RevPAR), the sector's primary performance benchmark combining occupancy and average daily rate. After RevPAR's slow start this year, it accelerated through the summer and fall. Growth reached 7.1% year over year in the third quarter, and early fourth-quarter trends point to continued strength for the remainder of 2026. PwC now forecasts 5.0% RevPAR growth for 2026, supported by 3.4% average daily rate (ADR) growth and 1.5% occupancy growth.

"US lodging sector performance has continually exceeded expectations this year and is on a solid footing heading into 2027. With supply growth well below the long-term average, domestic demand has supported strong occupancy, more than compensating for tepid international inbound demand. As AI reshapes how consumers book, owners, brands, and operators should watch near-term opportunities in the distribution landscape and AI's impact on demand, particularly leisure."

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

RevPAR % change by US chain scales



Source: PwC analysis, based on data from STR as of September 2026

What is the outlook for US hotel RevPAR in 2027?

Given that supply growth is significantly lower than expected, ADR is carrying more of this year's RevPAR gains. In 2027, RevPAR growth is expected to moderate to 3.0%, with demand up 1.4% and supply up 1.2%. 2027 will mark another year in a long-lived industry trend of contained supply growth amid a step up in demand: Since 1994, demand has grown about 1.9% a year and supply about 1.4%. Supply growth now is running well below its long-term pace, supporting the industry's strong occupancy levels. Despite this strength, real pricing power has remained elusive, with inflation-adjusted RevPAR growing at an annual average pace of 2.0%, while core inflation has grown at 2.1% during the same period.

Strip out the summer's sports-driven demand and easier year-over-year comparisons, and growth may look considerably less impressive. With that summer pricing surge behind them, hotels are facing softer demand and fewer opportunities to push rates higher in 2027. For operators planning for 2027, every dollar of growth may be harder to earn.

Consumers aren’t staying home, but they’re spending differently

Not all hotels are feeling the same pressures. Affluent travelers continue to spend, giving luxury properties more room to raise rates. PwC forecasts luxury ADR growth of 6.8% in 2026, compared with –0.1% for economy hotels, a gap that has widened since May. Lower-priced hotels face a tougher challenge as budget-conscious guests become more selective. The divide resembles PwC’s **Pac-Man economy** thesis, in which higher-income consumers power spending growth across industries while those with tighter budgets carefully choose where to spend.

Travelers are making those trade-offs when booking trips. Our **2026 Holiday Outlook** found that consumers expect to spend 24% less on travel this holiday season, averaging $419 per person. Among those planning hotel stays, 38% expect to choose budget or midrange properties.



Hotels don’t have to slash room rates to win over budget-conscious guests. Perks like free parking or breakfast, flexible cancellation policies, complimentary room upgrades, and discounts on longer stays can make a trip more affordable for travelers without the hotel sacrificing room rates. Letting guests pay for part of their stay with points, such as through an app at checkout, can also lower out-of-pocket costs without discounting the room rate. The key is delivering more value while protecting margins.

Where guests are coming from matters just as much as what they’re willing to spend. International tourism, specifically from Canada, Europe, and Mexico, remains under pressure. Some US destinations, particularly integrated resorts, continue to struggle to replace lost bookings. The beneficiaries are markets drawing more domestic guests or hosting major events.

Business and group travel could help fill some of that gap in certain markets. Early third-quarter earnings point to strong business and group demand, particularly in luxury and upper-upscale hotels, giving properties a firm foundation for pricing transient demand. If that holds, business and group travel strength could carry into 2027. That could provide some welcome relief for hotels facing softer leisure demand, although the benefits won’t be felt equally across markets.

“The booking channel is becoming part of the competitive equation. If AI brings guests to a property, brands still need a reason for those travelers to return. That starts with useful information before the stay and a service experience worth repeating.”

—Jeanelle Johnson, Principal, Travel, Transportation and Hospitality, PwC US

How is AI changing hotel discovery and bookings?



AI is becoming a bigger part of how people plan travel. Our recent Holiday Outlook found that 60% of consumers planning holiday trips expect to use AI somewhere along the way. That doesn't mean AI is making the reservations, but it is increasingly influencing which hotels guests discover, compare, and ultimately choose, often before they ever visit a property's website.

Meanwhile, many hotels aren't waiting around to see how AI plays out. Brands are using AI-powered tools to drive more direct bookings and respond faster to group inquiries.

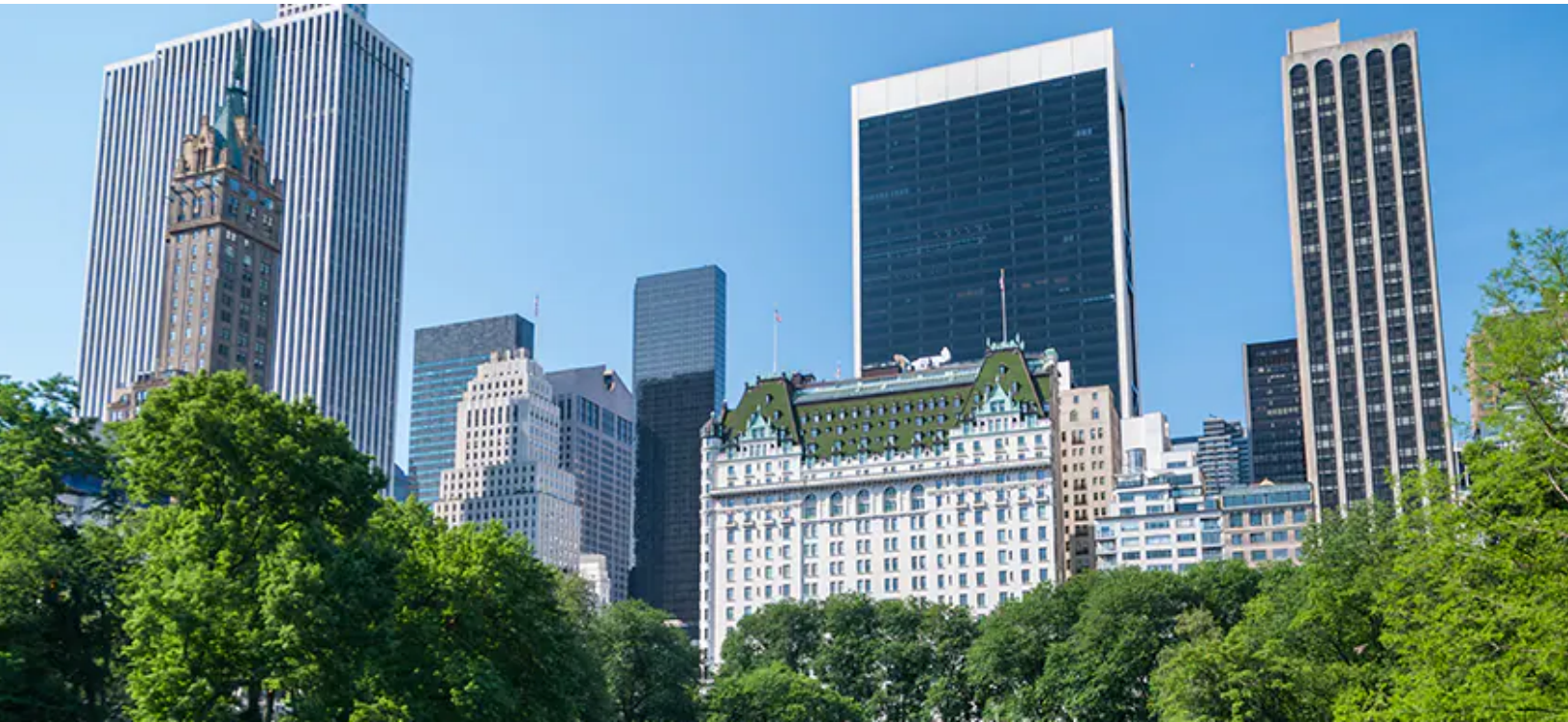
Those efforts are starting to pay off. Recent earnings reports point to AI-related improvements in direct bookings and group sales, including one brand reporting an increase of more than 5 percentage points in direct booking contribution from its AI concierge. Another brand reported a 3.6-percentage-point improvement in group inquiry conversion using AI-powered tools, contributing to double-digit group revenue growth.

Agents could take that competition a step further. New personal AI agents can connect to a traveler's email, calendar, and payments in order to search, compare prices, and even contact hotels on their behalf. As more guests turn to these tools to plan trips, hotels need to make sure information on their rates, availability, amenities, and loyalty benefits is machine readable. Hotels should also consider the role AI can play at the front desk, helping teams respond faster to requests so they can spend more time providing the personal service that builds brand loyalty.

How can hotels protect profitability as operating costs rise?

More revenue doesn't necessarily equate to more money in owners' pockets. According to the American Hotel & Lodging Association (AHLA), hotel operating costs are rising four times as fast as revenue. Between 2019 and 2025, insurance costs jumped 111%, while utilities rose 28% and labor costs climbed 15%. Even filling more rooms comes at a price, with additional housekeeping and staffing expenses eating into gains. That means stronger RevPAR doesn't always translate into healthier profits.

With margins under pressure, hotel brands are looking for ways to make properties less expensive to run. Some are reassessing brand and management fee structures, some offering more affordable property technology, and some using smarter staffing and energy management to keep operating expenses in check. For owners, even modest savings could be meaningful as revenue growth slows in 2027.



The next growth opportunity—making existing properties work harder

Building new hotels isn't the only way to grow. More brands are turning to conversions, which helps them expand faster and with less up-front capital than new construction. The US hotel conversion pipeline reached 1,567 projects in the second quarter of 2026, up 15% year over year, according to Lodging Econometrics. Recent earnings commentary points to conversions accounting for a growing share of net unit growth, with one major hotel company expecting most of its US openings in 2026 to come from conversions.

However, a new flag is just the beginning of turning a conversion into a successful project. Owners need to weigh additional bookings against the fees and operating costs of a brand. With RevPAR growth expected to return to more typical levels, conversion break-evens face a higher bar in the coming year. And for owners weighing their next move, making an existing property more profitable could be a wiser use of capital than adding another location. As noted in **Emerging Trends in Real Estate® 2027**, elevated construction costs and financing challenges continue to constrain new hotel development, shifting investment activity toward acquisitions, renovations, and repositioning opportunities, particularly for underinvested assets with significant capital needs and value-add potential.



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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