

## US hoteliers have mixed expectations for summer demand

Shorter booking window pairs with worries over international inbound, government travel



Olympia Hospitality is seeing steady demand for summer travel already, including at its 21 Broad Hotel in Nantucket, Massachusetts. (Greg Ceo/Olympia Hospitality)

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As U.S. hoteliers look ahead to the coming summer months, their outlook is tied to an industry saying: It depends on the market — and the hotel.

The summer has long been a big travel season in the U.S., and hoteliers enjoyed the benefits of "revenge travel" during the start of the recovery from the pandemic. However, once international destinations and cruises became options again, the domestic travel boom took a hit.

As hoteliers look ahead to this year's summer season, there are reasons to be optimistic and reasons to be cautious.

Crestline Hotels & Resorts' summer destination markets are doing well, said Leah McFarland, senior vice president of revenue strategy. They're not going to set any records this year, but they should perform similarly to how they did in 2024. Beach properties and destination properties are busy, but people are starting to venture to different locations as well.

"I feel like we're seeing a lot more this year of diversification of where people are going," she said. "They're hitting some places more off the beaten trail. They're hitting some new areas of wine country or the Bourbon Trail or going to the Northeast."

Some urban locations will see a resurgence in summer travel, she said. New York City, in particular, is one of them. San Francisco and other larger cities in California are shaping up better than in the past.

"But New York specifically looks to me like they're going to have a great travel season this year," she said.

Olympia Hospitality has a variety of hotels in its portfolio, ranging from properties in urban markets to hotels in resort-type locations in New England, said Lori McNaught, vice president of revenue management. Summer travel has a significant impact on the portfolio overall.

July and August, typically the peak months for summer travel, seem to be pacing flat compared to last year, she said. There aren't any big increases, but no large decreases either. Boston is seeing an increase due to finance and information technology business, however.

Among leisure travelers, there's a growing trend of individuals going on solo trips, seeking unique and personalized experiences, said Mary Beth Cutshall, chief growth officer at Vision Hospitality Group. That shift presents opportunities for hoteliers to cater to them with specific amenities and services. There's also an uptick in travel centered around sporting events.

"We've observed that fans are planning trips to games and tournaments, and those trends underscore the importance of hospitality providers accommodating sports-related travel needs," she said.

There are a lot of companies that are in wait-and-see mode, Cutshall said. There's been erratic messaging and uncertainty about government policy directions, so that has made businesses take a more cautious approach, especially as the stock market has been more volatile.

"If you're a company, one of the things that corporations can do is they can modify travel," she said. "That's one of the things where there's sometimes more flexibility on. I think that the uncertainty of where we are and where we are heading has an impact on future travel plans for [business transient]."

Businesses need to have a clear idea of what's coming and have conditions stabilize for a period of time for them to have more confidence, she said.

## Booking window bifurcation

The booking window looks to have a lot of activity further out from and closer to a person's stay while there's a big gap in the middle, McFarland said. There are people who are traveling no matter what and can comfortably book a trip well in advance because they know they have the money available to do it. Then there's a period that starts about three months out when things slow down until about 45 days out before it starts to heat up again.

There's a separation of travelers and their motivations for traveling, their ability to spend and when they're willing to commit their dollars, she said. This uncertainty seems to be affecting leisure transient more than the other demand segments.

"We definitely have kind of a split, and the booking window does is not really narrowing," she said.

Consistent among Olympia's properties is that guests tend to pay higher rates by booking further out when normally one would think the other way around would be true, McNaught said. Those booking within a shorter window are more price sensitive, and hotels trying to fill rooms last minute tend to drop rate to capture that last-minute, price-sensitive customer.

Hotels used to be able to overbook to compensate for no-shows and still sell out, she said. That's not the case anymore, for the most part.

"You're not sold out in advance," she said. "You're filling day of, so it's really important to have that day-of strategy and have someone paying attention to it."

While Hospitality Ventures Management Group doesn't operate in the luxury segment, it does have some high-revenue-per-available-room beach hotels that are seeing guests book further ahead, said Cory Chambers, executive vice president and chief commercial and analytics officer. That's likely as much an availability issues as it is means and affluence.

"If you know you're going to a certain destination or region, or you have a certain week, I don't think that you're necessarily going to get a better deal by waiting if you are price sensitive," he said.

Half of the transient demand at HVMG's hotels is inside of a week, but that's largely driven by the business type of hotels, he said. The more resort-driven markets have a booking window two to three times that. Even so, about 80% of its demand is inside four weeks while resorts may see it at five to six weeks.

"The booking window is always something we watch," he said. "I don't necessarily see it shifting meaningfully, because people are waiting because they either can't afford to travel or because they think they're going to get a better deal."

## International inbound concerns

There has been a pivot from travel to the U.S. from Canada, Mexico and even South America, Cutshall said. The tariffs and trade war are making people choose to travel elsewhere. Other countries, including the United Kingdom and Germany, have issued travel advisories to their citizens about trips to the U.S.

“I am concerned about a pretty dramatic drop-off from international travelers, and I think it’s something that the U.S. hospitality industry really needs to pay attention to and speak to, because they spend a lot of money,” she said. “They come over for long stays. They definitely affect the economy of markets beyond the hotel.

“This is something we all need to watch very closely and hope that there is some sort of shift. I think it will have an impact in the summer if things do not change.”

There looks to be less Chinese inbound travel than in previous years, that’s that more pronounced in urban markets, such as Chicago and Boston, McNaught said. However, there are indications that Japanese travelers may replace some of that missing Chinese travel demand. That hasn’t materialized yet, but that’s been part of the discussion.

“We do have some concerns with Canadian travel,” she said. “We have had a couple of cancelations from groups that are coming from Canada, so we’re watching that, but in the transient side of things, we haven’t seen a decrease yet.”

Most of the international inbound is coming to the major cities on the East Coast and some in California, McFarland said. A lot of the inbound from Central and South America is going to South Florida.

“But it’s not going crazy,” she said. “It’s definitely not what we saw at one point. And let’s be real, there’s some uncertainty there, too. It’s going to be interesting to see as summer picks up.”

Some markets, particularly those in the South, have short-term pickup in business, so how it plays out remains to be seen, she said.

“I’m cautiously optimistic it’s going to be on par with what we saw in 2024, but I’m not 100% sure,” she said.

## Government travel pullback

The layoffs at federal government agencies and general tightening of spending has had a significant impact on the amount of direct and indirect government travel, McFarland said. For hotel companies with properties in large government-segment areas, that’s a cause for concern. Crestline’s portfolio has hotels that have little government-related demand as well as much as 50%, she said.

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“Right now, we’re seeing a major fall-off in government travel, and not just government direct travel, but government-funded travel,” she said, referring to nonprofits and other associations that receive federal money. “We’re seeing a wide swath of changes in the government segment and how things are booking.”

That means Crestline’s affected hotels have to capture more demand in other segments to safeguard against the potential situation in which it doesn’t return anytime soon, she said. They’re looking at adding group and transient demand where they can, but there’s only so much flexibility.

“We’re not in a position to sacrifice a lot of rate to get occupancy, because inflation hit the hotel industry hard, so our cost of goods, our cost of labor — all of those things are through the roof,” she said. “It is very, very hard for hotels to be profitable right now in a situation where we are not able to drive [average daily rate] to the level of what we’re seeing on increased costs.”

HVMG’s forecast through April expects its government demand segment to be down about 15% year over year, Chambers said. However, government demand makes up about 2.5% of the company’s overall revenue mix.

“So, it’s a big chunk of a small segment, but it is still an issue because that obviously has a trickle effect into other segments,” he said.

If the revenue mix contracts a little because of a year-over-year change, it’s something the company has to offset through other channels, he said. The challenge is strength in the other segments, such as retail or discount group, hasn’t been sufficient to pick that up.

“When you go from segment to segment as a percentage of revenue, government is down the most, but it’s not the only one that’s down,” he said.

*Correction, April 17, 2025: The story has been updated to correct a source’s title.*

<https://www.costar.com/article/1181215107/us-hoteliers-have-mixed-expectations-for-summer-demand>