



Operate

Research: Hotel rates, pricing power set to increase this year

by [Alicia Hoisington](#) | Apr 7, 2019 10:25pm



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Hotel bookings may be seeing a dip, but that doesn't mean rate is suffering because of it. In fact, many hoteliers are finding pricing power despite facing some challenges, whether they be political or natural (disaster) in nature.



Rate Growth Holds Steady Despite Booking Declines

Average daily rate is up 2.7 percent across all travel segments during the first quarter of 2019, according to TravelClick's March 2019 North American Hospitality Review. That growth was led by group travel, which was up 3.8 percent. Transient business was up 2.1 percent, while transient leisure travel rose 2.2 percent.

Although rates were up during the quarter, analysts at TravelClick noted that bookings were down 4.5 percent, and the numbers show that transient bookings are slowing. Revenue per available room also took a small hit (-0.5 percent).

Looking from March 2019 through 2020, TravelClick shows that transient bookings are down 6.2 percent year over year, but ADR for the segment is up 3.6 percent. The transient leisure segment is down 8.6 percent in terms of bookings, but ADR is up 3.2 percent. Meanwhile, transient business bookings are down 2.1 percent and ADR is up 2.6 percent. Finally, group bookings are down 0.9 percent while ADR is up 3.6 percent.

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Travelers Pay More for U.S. Hotel Stays

In other rate news: Pricing for global accommodation prices will increase 3 percent this year, reaching levels not seen since 2004, according to the most recent Hotel Price Index from Hotels.com. And, the research shows good news for the United States hotel industry, which is forecast to remain strong as several major cities reported higher visitation figures, driven mostly by domestic travelers.

Despite the impact of the California wildfires and two major hurricanes hitting the Carolinas and Florida in 2018, U.S. hotels experienced growth among domestic travelers with average prices rising in 27 of the top 50 destinations. Las Vegas topped the list as the most popular domestic destination, and New York notched second place. Orlando, San Diego and Chicago completed the top five destinations for domestic travelers in the States. Meanwhile, travelers from overseas paid 2 percent more for hotels in the U.S. per night than in 2017: averages increased in 33 of the top 50 destinations for international travelers.

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Chinese Outbound Spend to Rise

Speaking of global travel, here's something U.S. hoteliers need to keep an eye on: what's the latest trend with outbound Chinese travelers? They are spending more on travel, according to GlobalData's latest report, "Tourism source market: China – Analysis of tourist profiles & flows, spending patterns, current and potential destination markets and the risks and opportunities."

The report shows that outbound expenditure of Chinese travelers will increase from \$244 billion in 2018 to \$375 billion by 2022. That translates to a compound annual growth rate of 11.3 percent. However, overnight stays for Chinese travelers are expected to slow down in growth over the next five years, although analysts said tourists will be traveling internationally more frequently. Outbound trips will increase because of improved air services and connectivity, visa policy adjustments, and the development of new and upcoming destinations, according to the report.