

CHALLENGES FOR THE HOTEL INDUSTRY IN 2023



How do industry experts from the fields of hospitality, tourism, futurology, urban and project development assess the likely developments in the hotel real estate market in 2023? The answers are provided by an expert survey conducted by mrp hotels.

Last year, the global hotel industry was able to recover somewhat from the Corona crisis. Now the current geopolitical and economic situation is putting a damper on the annual forecast for 2023 from all perspectives. Despite all the challenges, however, we expect the market to calm down in the coming year. **The industry has learned to adapt to changing market conditions and to react flexibly accordingly.**

In addition to the macroeconomic challenges, the mega-trends of digitalization and environmental regulation remain present topics for the industry this year.

While the performance figures of the vacation hotel industry are expected to rise to 2019 levels this year, the city hotel industry is also slowly catching up. Experts predict a full recovery in 2024.

Another substantial increase in Average Daily Room Rate (ADR) will be necessary to offset inflation-related increases in operating costs. However, many operations will not be able to sustain inflation-adjusted ADR growth.

Compared to the past two years, the pre-booking situation is less short-term. Nevertheless, some experts also expect demand to be subdued, as higher energy costs will influence the travel decisions of private households.

In the budget segment, a lot is being automated to remain attractive to a price-sensitive audience and to better cope with the shortage of staff. The premium segment continues to focus on personal service as well as a variety of offerings, but will have to raise its prices significantly due to sharply rising employee costs.

The pressure is increasing most in the mid-range segment, where an exodus of the target audience is to be expected due to increased price sensitivity.

The general market uncertainty and the volatile financing environment are slowing down transaction activity. Banks continue to be risk-averse. Constantly changing financing requirements and construction costs make calculations for new projects almost impossible. As a result, investors continue to focus on value-add transactions or transactions involving existing properties.

Fully digitized products, such as new serviced apartment concepts, reach break-even despite the lower occupancy rates, as less personnel is needed and thus fewer operational costs are incurred.

As the relevance of ecological regulation continues to grow, operators, owners and developers are forced to implement planned measures despite current cost pressures.

Date: 2023-02-06

Article link: <https://www.tourism-review.com/survey-reveals-hotel-industry-challenges-news12923>