

**2024**

# HOTEL ECONOMIC FORECAST LUNCH MEETING

2020

2024

**SEPTEMBER 14, 2023**

11:15AM-1:30PM

WESTIN SAN DIEGO GASLAMP QUARTER



SAN DIEGO COUNTY  
**LODGING**  
ASSOCIATION

# Welcome

## Alyssa Turowski

SDCLA Secretary  
General Manager of  
Hilton La Jolla Torrey Pines



## Thank You to Our Lunch Sponsors



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# Introductions

## John Ford

SDCLA Board Member  
General Manager of  
Westin Gaslamp Quarter





## Nathan Kelly

*Director of Research  
San Diego Tourism Authority*



## Robert Rauch, CHA

*CEO of R.A. Rauch & Associates Inc.  
Faculty Associate, Arizona State University  
"The Hotel Guru"*





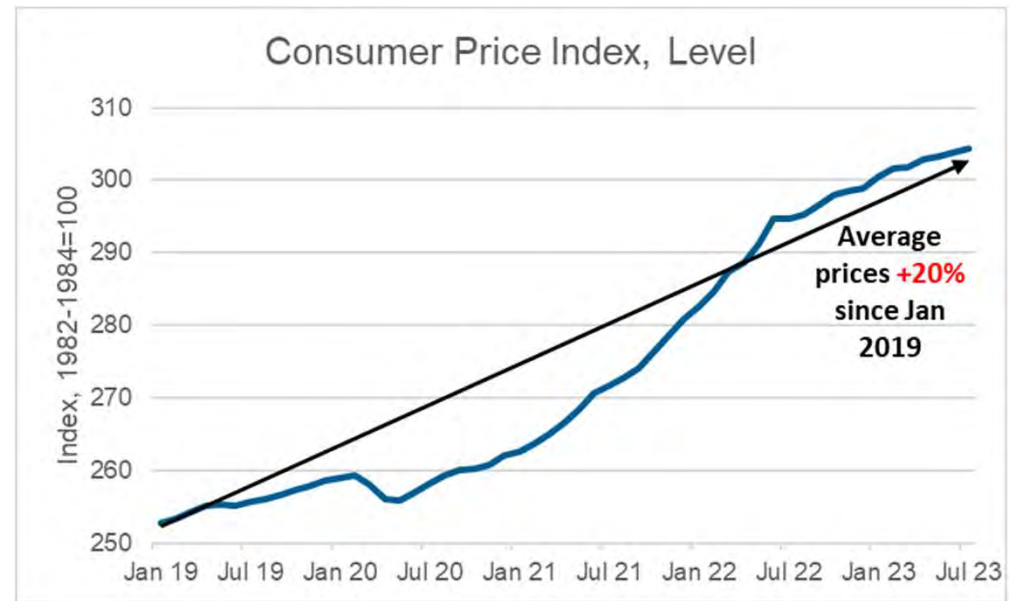
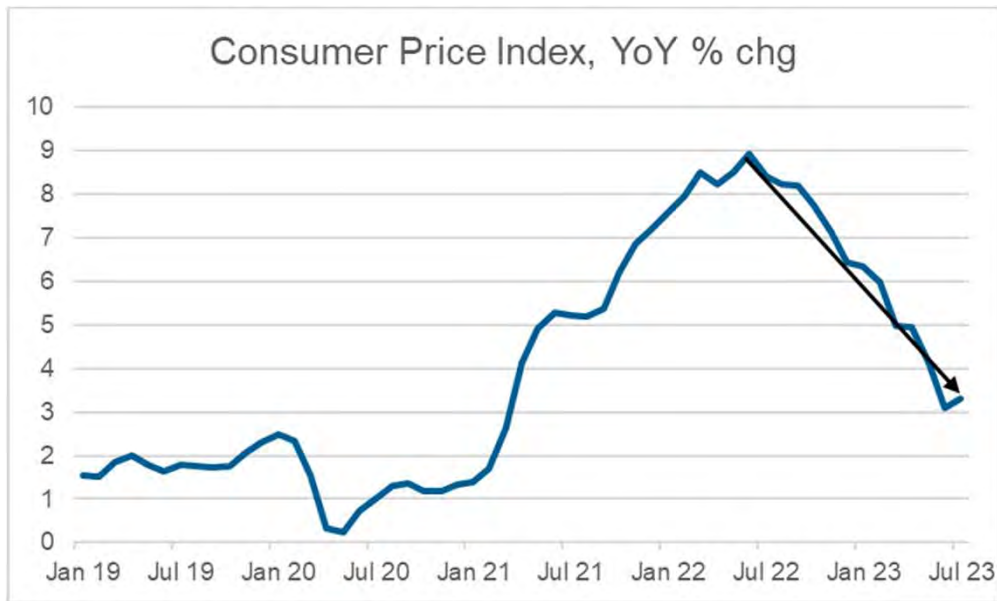
# Hotel Market & Forecast Update

September 14, 2023



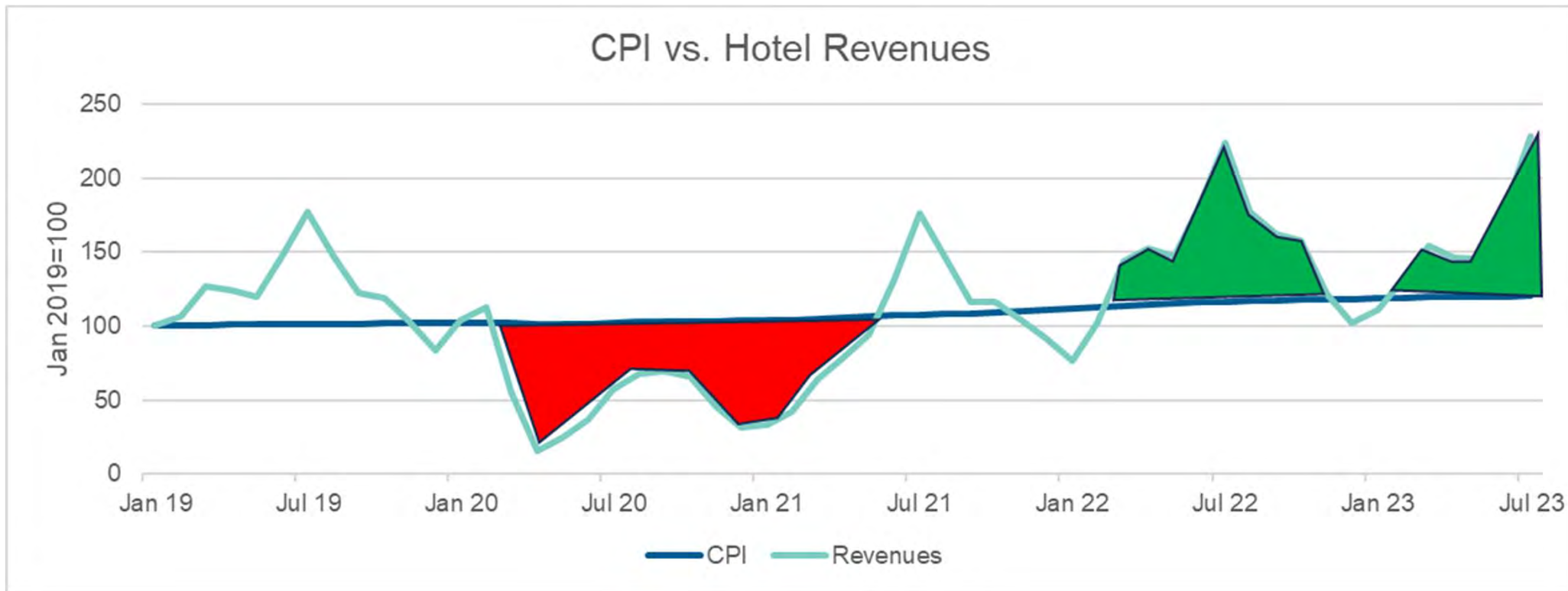
TOURISM AUTHORITY

# Inflation Has Slowed, BUT...





# Higher ADR Justified as Hotels Recover Losses from the Pandemic

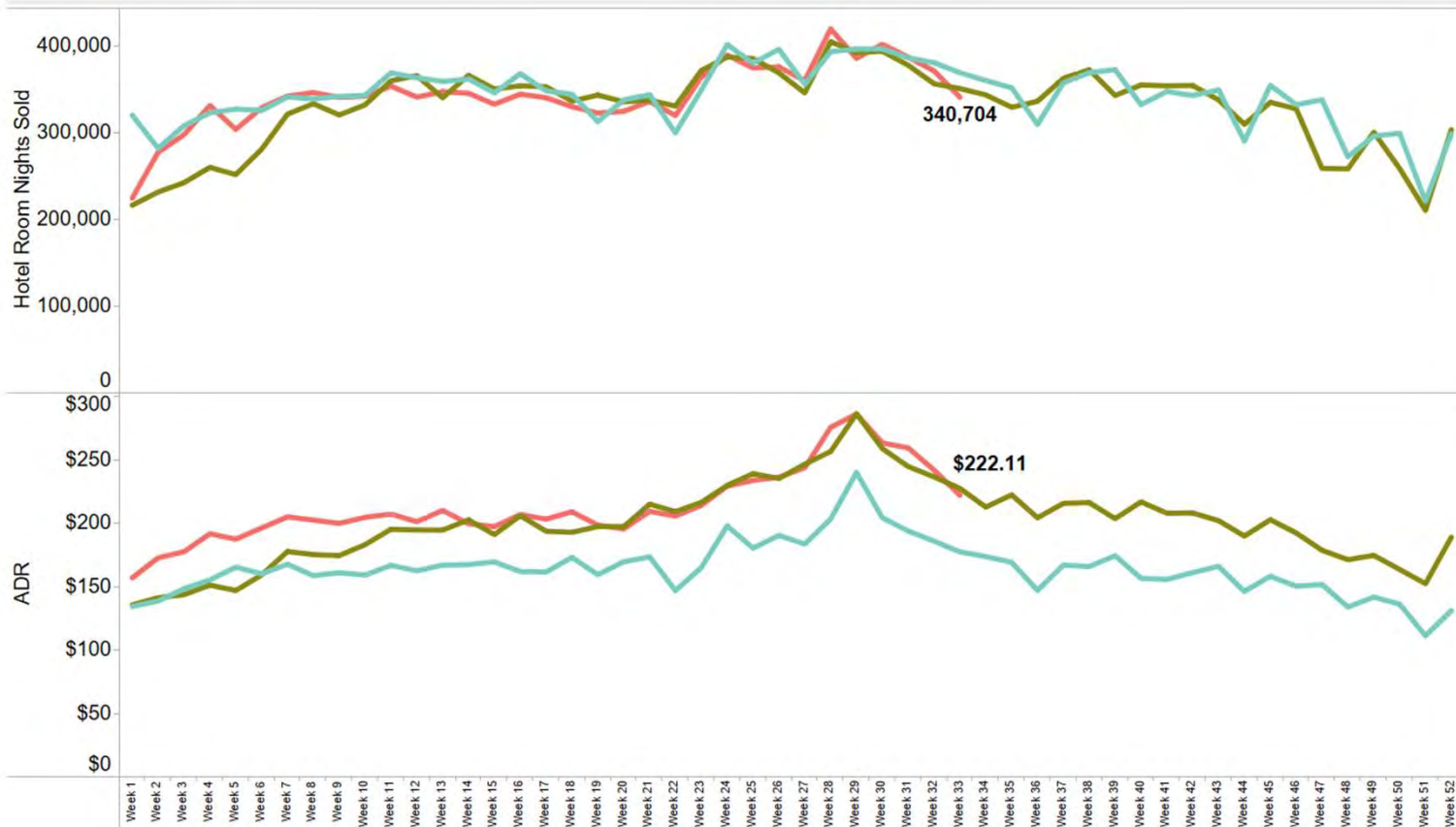


# Good News Is Performance Is Strong...



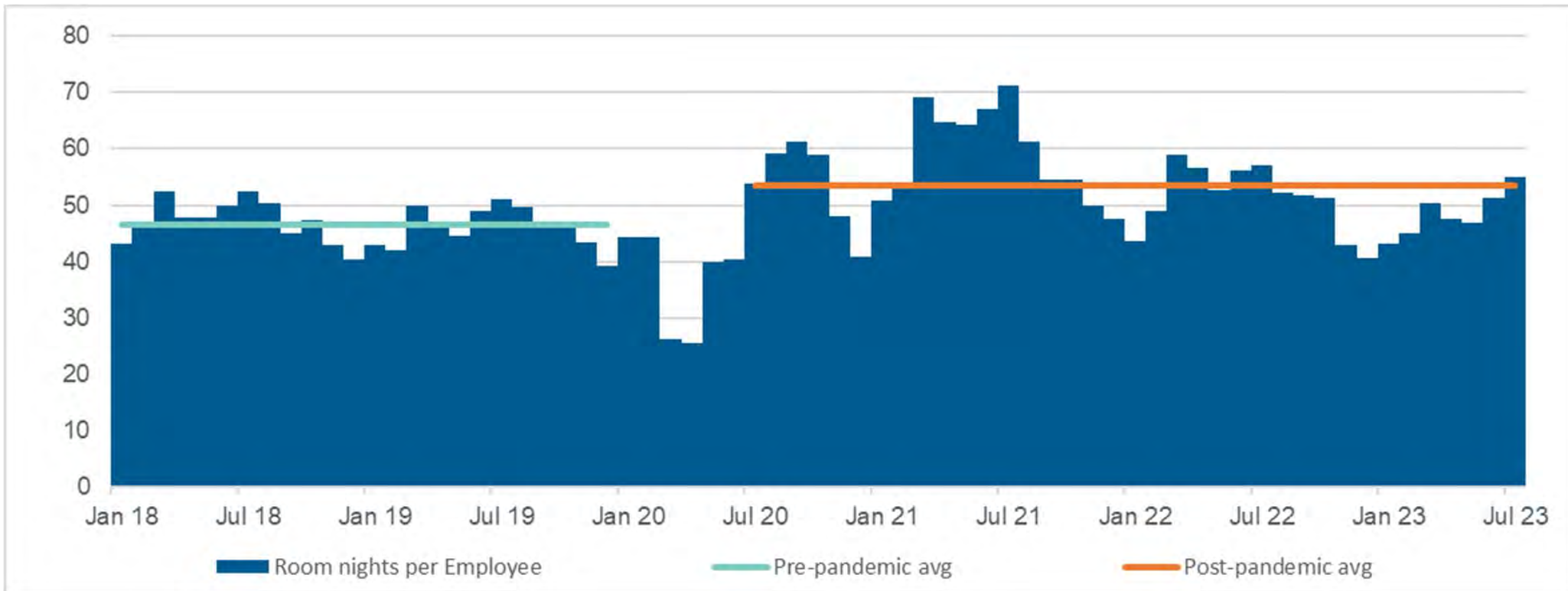
San Diego County Weekly Demand & Average Rate Trend  
 Calendar Year 2019 Benchmark  
 Source: STR, Inc

Year  
 2019  
 2022  
 2023



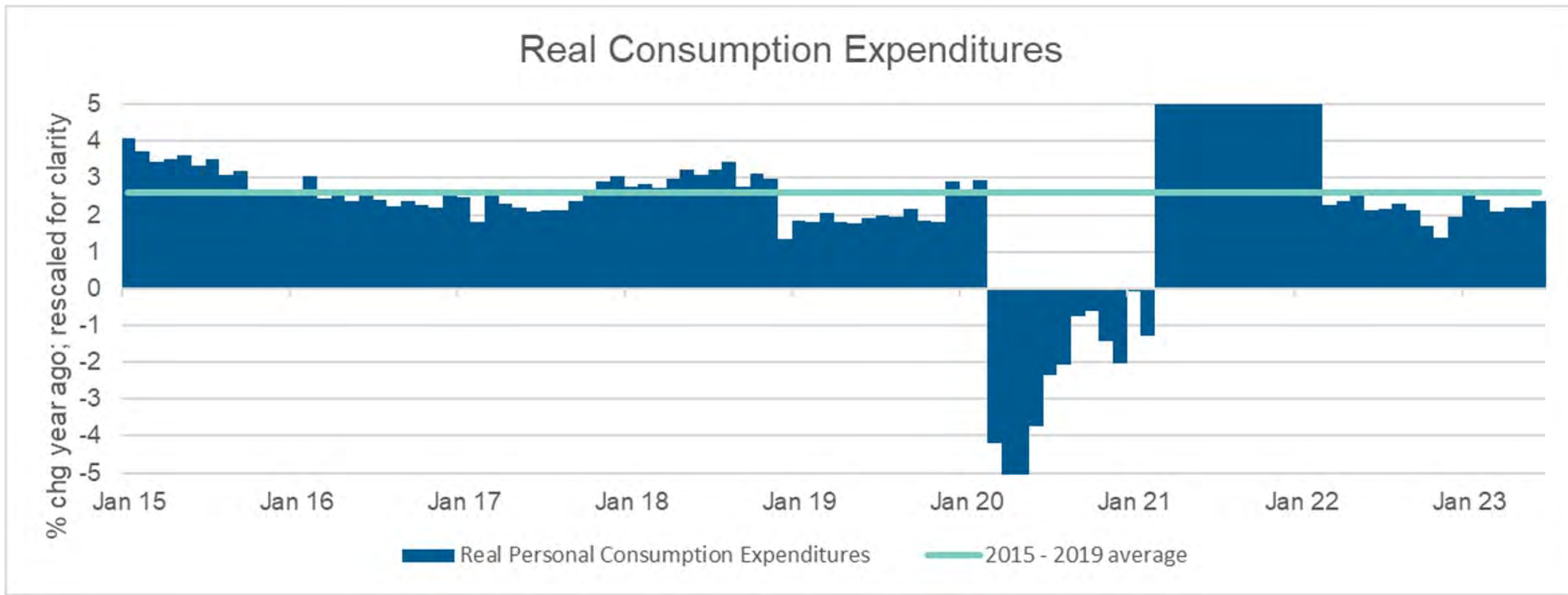
Sources: STR, SDTA

# ...But Workers Are Taking on More

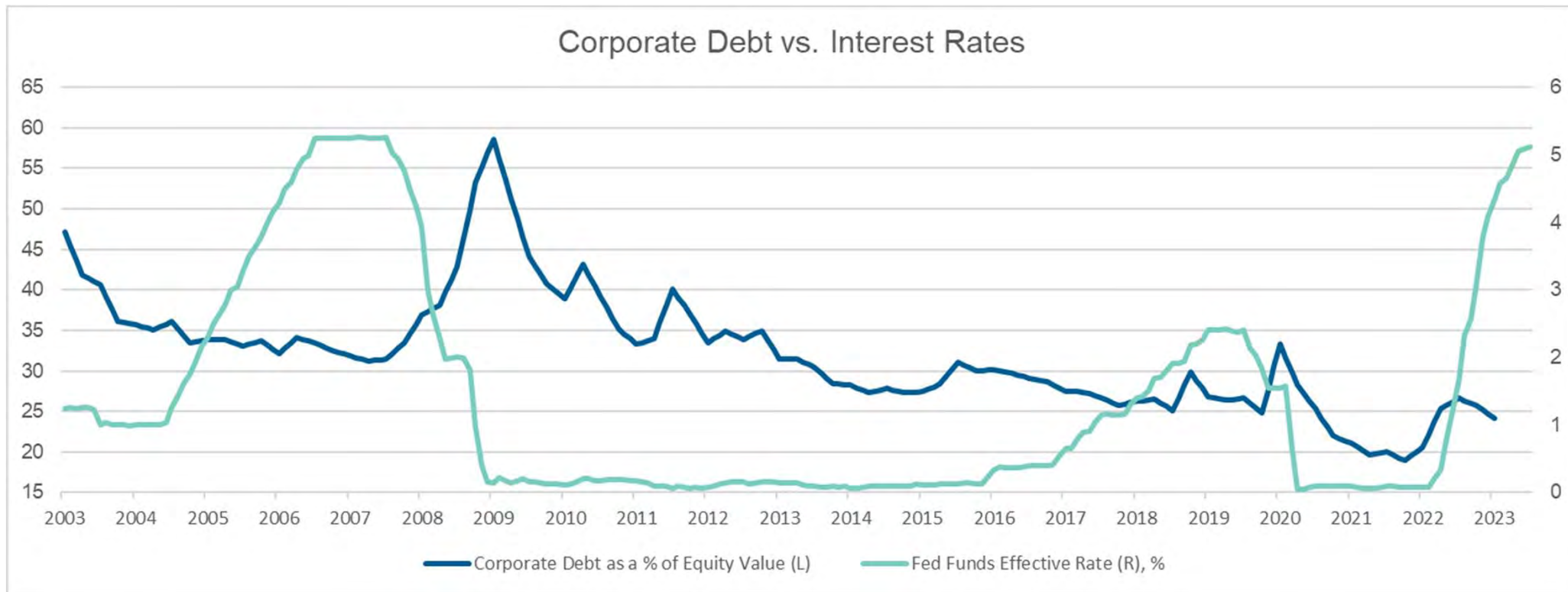




# Consumers Are Still Spending



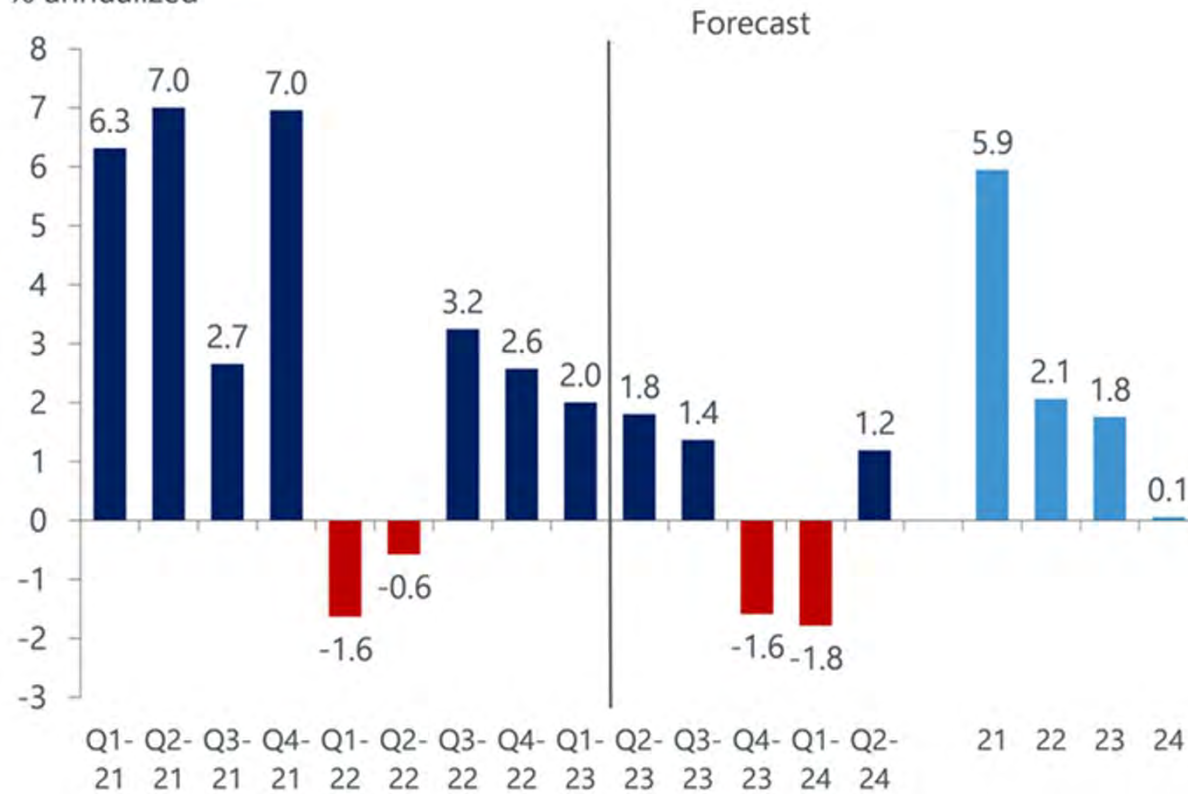
# Corporate Debt Levels Are Under Control



# U.S. Economy Assumptions

## US: GDP Forecast

% annualized



- Tourism Economics expects a US GDP annualized decline of 1.6% in 2023 Q4.
- US GDP growth is expected to resume by 2024 Q2 (1.2%).

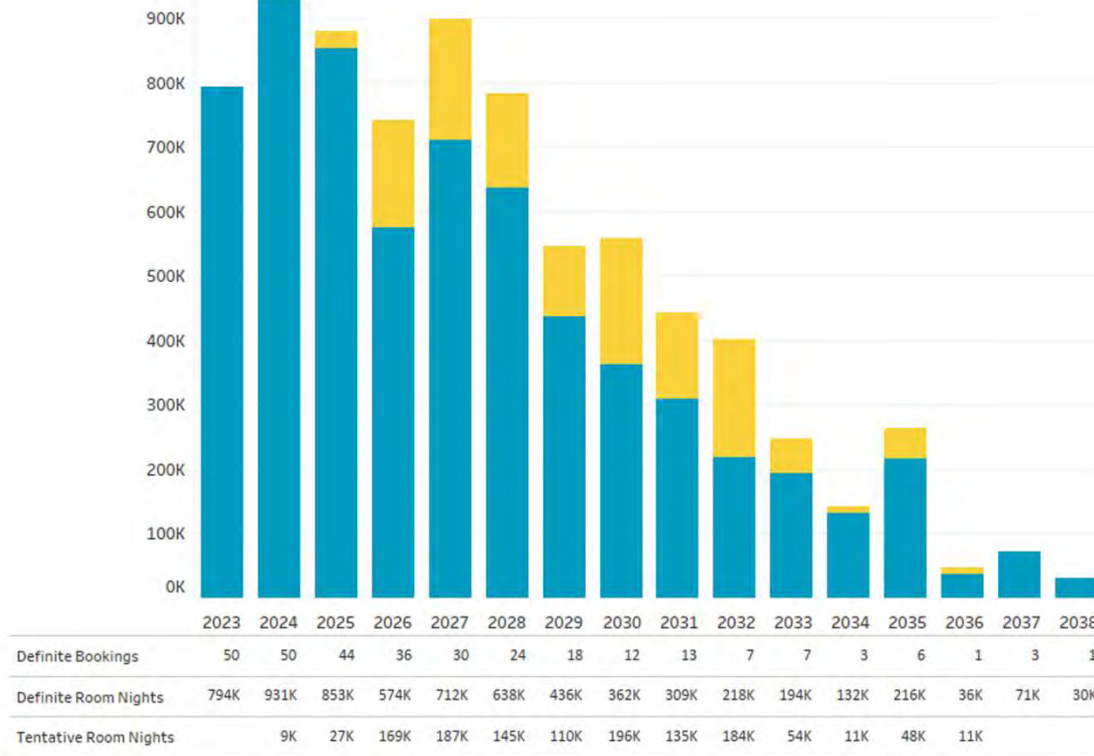


# Convention Calendar Looks Healthy

## ROOM NIGHT SUMMARY

Figures based on calendar year of event begin date

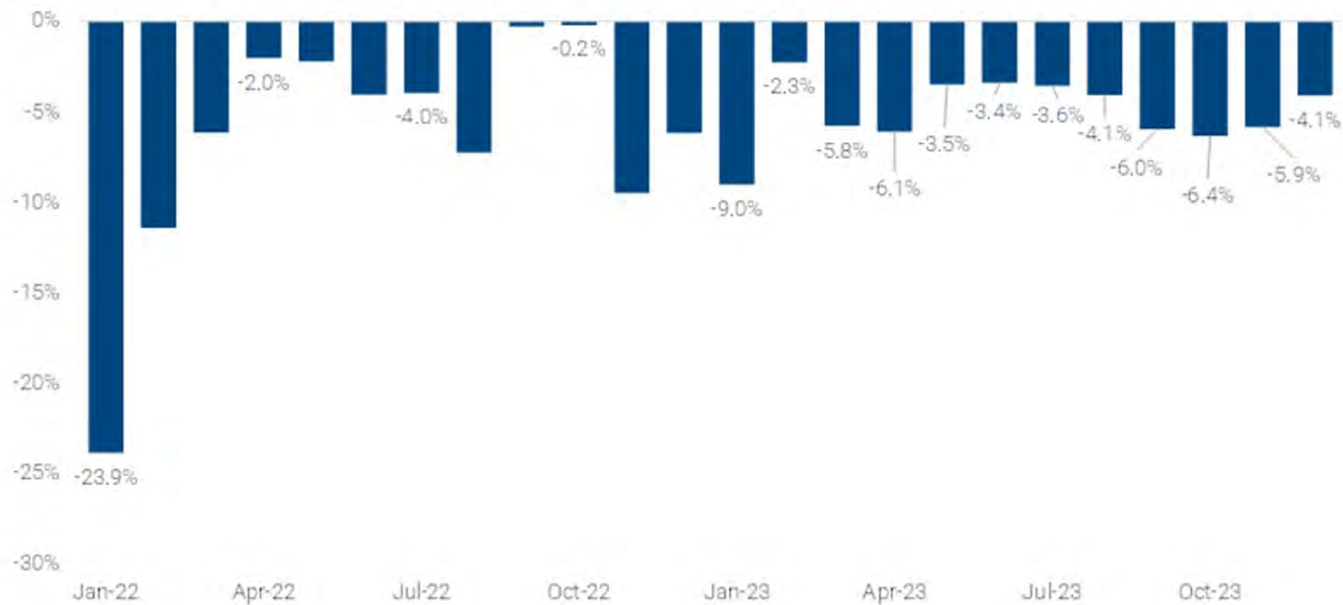
Lead  
Definite



# San Diego Demand Still Recovering

## Demand impact

Difference relative to same month in 2019

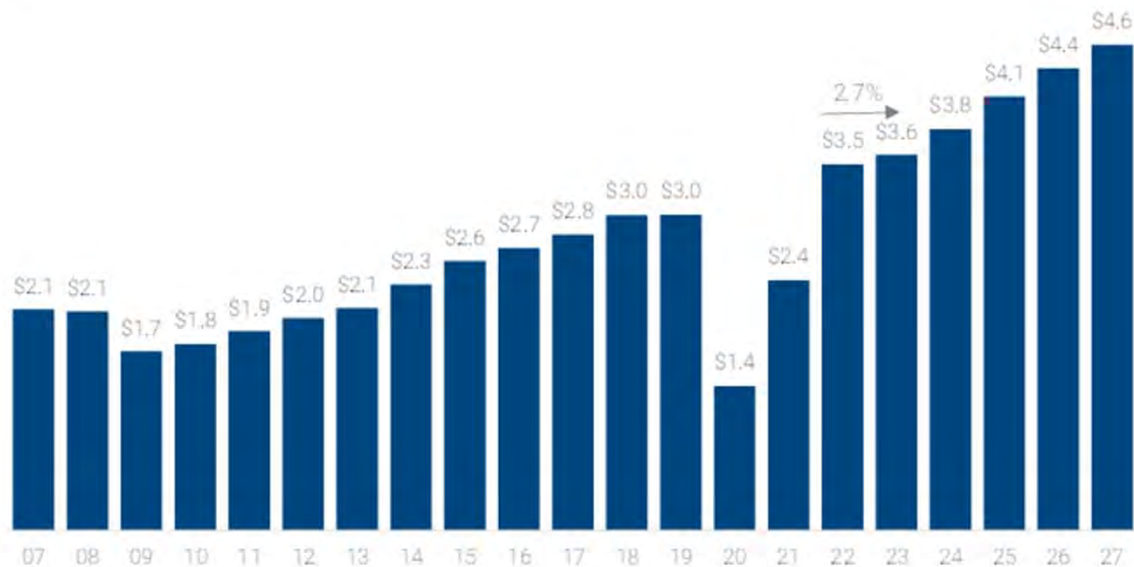


Source: STR, Tourism Economics

- Forecast assumes demand in 2023 will be below 2019 levels.

# San Diego Demand Still Recovering

Room revenue  
In billions



Source: STR, Tourism Economics

- Overall, room revenue in 2023 is expected to grow 2.7% from 2022.





TOURISM AUTHORITY

# THANK YOU!

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(619) 557-2824

For additional data, insights, and resources, visit:

[sandiego.org/about/industry-research.aspx](http://sandiego.org/about/industry-research.aspx)

<https://members.sandiego.org/sdta-members/research-and-reports.aspx>





# 2024 SAN DIEGO LODGING FORECAST

ROBERT A. RAUCH, CHA  
SEPTEMBER 14, 2023



## U.S. LODGING FORECAST

- Strong lodging demand will continue in 2024. Leisure should maintain but not grow, group and corporate markets should improve, and markets and submarkets will have varying success as to occupancy and ADR growth
- Short-term Rentals, lifestyle hotels, and branded boutiques (soft brands) will perform very well
- New development will continue to be muted, largely due to difficulty with construction financing
- Continued difficulty finding good talent
- Operating costs are a big challenge (labor, insurance, energy, food)
- Americans believe travel is a birthright, consumers continue to travel

Source: Brick Hospitality



## ***SAN DIEGO DOWNTOWN***

All three pillars of hotel demand are forecasted to be strong. There is significant new growth under construction or planned. Biggest challenge? Homeless! Occupancy is up 8.2%, ADR up 6.5%, RevPAR up 15.2%!

- ✓STR through 7/31/23: 78.3% at \$251.05; RevPAR is \$196.47
- ✓Forecast 2024: 78% at \$260, RevPAR at \$202.80





## ***AIRPORT / POINT LOMA***

The airport terminal expansion reinforces its regional destination footprint. The submarket continues to be a sustainably strong hotel market for the foreseeable future with Harbor/Shelter Island/Point Loma. Occupancy is up 4.1%, ADR 5.7%, RevPAR is up 10%!

- ✓STR through 7/31/23: 76.5% at \$183.65, RevPAR \$140.43
- ✓Forecast 2024: 77% at \$190, RevPAR \$146.30

## **MISSION VALLEY/OLD TOWN/KEARNY MESA**

Mission Valley has Snapdragon and residential projects. Old Town and Kearny Mesa remain strong. Occupancy is up 4.1%, ADR up 6.1% and RevPAR up 10.4%!

- ✓STR through 7/31/23: 79.8% at \$161.55, RevPAR \$128.93
- ✓Forecast 2024: 80% at \$166, RevPAR \$132.80





## ***MISSION BAY/PACIFIC BEACH***

Mission Bay shows how independent hotels can thrive today as these hotels continue to renovate. While group business was slow to recover, a nice mix of leisure and some group demand allowed it to approach 70 percent occupancy without brands. Pacific Beach continues to slowly evolve. Occupancy is up 3.8%, but ADR is down 4.6% for a negative RevPAR of -1%

- ✓STR through 7/31/23: 69.9% at \$275.37, RevPAR \$192.60
- ✓Forecast 2024: 72% at \$280, RevPAR \$201.60



## ***SAN DIEGO / LA JOLLA***

One would think La Jolla is bulletproof, but this coastal village remains slow to redevelop. The market enjoys high occupancy and even higher rates, but Q2 softened the outlook. Occupancy was down .6%, ADR was up 1.5% for modest RevPAR growth of .9%

- ✓STR through 7/31/23: 71.2% at \$336.05, RevPAR \$239.12
- ✓Forecast 2024: 72% at \$345, RevPAR \$248.40



## ***UTC – CARMEL VALLEY***

This corporate/leisure/group submarket has strong biosciences and communications technology sectors with Illumina, Qualcomm, BD and it's expansion and more. Occupancy is up .5%, ADR up 4.9% for RevPAR growth of 5.4%

✓STR through 7/31/23: 78.4% at \$222.65, RevPAR  
\$174.60

✓Forecast 2024: 80% at \$230, RevPAR \$184





## ***I-15 CORRIDOR***

This corridor has a strong corporate base of business with Apple, HP and many more providing mid-week room demand, some group demand and access to all other submarkets to pick up leisure business. Occupancy is up 5.3%, ADR up 10.3% and RevPAR up a whopping 16%!

✓STR through 7/31/23: 76.3% at \$185.15, RevPAR \$141.35  
✓Forecast 2024: 77% at \$195, RevPAR \$150.15



## 2024 BUSINESS PLAN AND BUDGETING GREATER SAN DIEGO

- We see 2024 up in occupancy by 1 point with average rates up 4 points and RevPAR up 5%
- Corporate negotiated business and corporate/association groups are expected to show improvement in 2024
- Leisure business will fall into a more normal pattern in 2024. Weekend occupancy and rates are continuing to hold up but with fewer mid-week leisure stays
- Expect that all segments will contribute to occupancy growth as leisure holds, business grows, group business grows and international business comes back
- Our biggest challenges are labor and supply costs in 2024 as these exceed ADR increases by a wide margin



## TOP TRENDS FOR 2024

- Deployment of Artificial Intelligence and Machine Learning will enhance revenue management, forecasting, menu engineering, guest education, wine pairing, and much more
- Personalized Service – texts in advance, during, and after a stay are just the beginning; guests want to be treated as special when they pay top-dollar
- Training – Generation Z will require high pay, lots of training, and flexibility—we need talent!
- Robotics will be deployed to help with customized service, staff support, security, and continued guest loyalty
- Wellness, Fitness, and Diet – expanded fitness centers, personalized spa treatments, and healthy, tasty food and beverage served creatively will rule

Source: Brick Hospitality





**Bob Rauch** serves as Chairman of Brick Hospitality. He is an internationally recognized hotelier, educator, author, and speaker with nearly 50 years of hospitality-related management experience.

Bob has been directly involved in developing several San Diego hotels. In addition to being the “hotel guru,” he publishes Hospitality Insights, an electronic newsletter, and is a faculty associate at Arizona State University where he teaches tourism industry entrepreneurship. Brick Hospitality was formed in August, 2023 as an employee-owned company.

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# Questions?



Thank You!



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