

Navigating Market Turbulence

The Impact of Federal Policy Changes on U.S. Hotel Performance and Demand Outlook

An Industry Report from Kalibri Labs
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Reporting Period:

- Trends analyzed from January 2024 through early April 2025
- Actualized Room Nights through April 5, 2025
- 30-day future bookings as of April 4, 2025 (On-The-Books)



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Overview

In the wake of fast-moving federal policy changes, growing market uncertainty is reshaping travel dynamics across the U.S. hotel industry. In response, Kalibri Labs launched a comprehensive analysis of all markets and submarkets to evaluate the impact of geopolitical and macroeconomic shifts on U.S. lodging demand. Powered by performance data from over 35,000 hotels, this report covers trends from January 2024 through early April 2025. Throughout the report, year-to-date (YTD) actualized demand reflects data through April 5, and 30-day future bookings (on-the-books) are as of April 4, 2025.

The findings underscore mounting pressure on hotel performance, particularly within the government and corporate travel segments. The data reveal significant variation by segment, chain class, and location, indicating that while some markets are demonstrating resilience, most are experiencing notable contractions—both in government bookings and broader rate categories. This report presents a structured review of performance data to help owners, investors, and commercial strategists navigate these shifting dynamics.

To support this objective, this report features a U.S. performance analysis encompassing total room night production, future booking activity, market location types, and segment-specific booking trends. This foundation sets the stage for a focused examination of government segment dynamics, including high-volume and high-dependency markets such as the Washington, DC metro area. The report also includes a detailed chain class performance analysis, spanning economy through luxury and extended stay categories.



U.S. Trends and Segment Performance

Entering 2025, U.S. hotel demand fundamentals have exhibited increasing volatility, shaped by a confluence of macroeconomic headwinds, federal funding cuts, federal policy changes, and shifting traveler behaviors. Kalibri Labs' 2025 data through early April indicates emerging signs of softening in both actualized demand and future bookings.

Total Room Night Production

Total U.S. hotel room night production (across all rate categories) declined by 1% through April 5, 2025, compared to the same period in 2024. Most location types—including major metro areas, mid-sized and small cities/towns, and rural/interstate areas—were either flat or down just 1% year-over-year. In contrast, resort and destination markets underperformed more significantly, registering a 4% decline relative to 2024 level. While U.S. aggregate performance suggests only modest softening, the underlying data reveal significant dispersion across markets, submarkets, location types, and segments.

It's important to note that certain markets and submarkets experienced atypical performance in 2024 and 2025 due to non-routine events. These included Hurricane Helene in North Carolina, the total solar eclipse—which notably affected cities such as Dallas, Indianapolis, and Cleveland—wildfires in Los Angeles, and the presidential inauguration in Washington, DC.

Hotel Performance by Market

Kalibri Labs defines its 334 markets using proprietary, custom-defined geographies based on hotel supply concentration and demand drivers. These markets collectively represent full coverage of the U.S. lodging landscape. U.S. market-level performance through April 5, 2025, showed a range of outcomes



across the country, even as total room night production declined -1% year-over-year. Some markets were disproportionately affected:

- **Growth Markets** (41% | 137 Markets)

Demand rose between +1% and +31% compared to the same period in 2024 (through April 5).

Top performers: Valdosta, GA; Asheville, NC; Spartanburg, SC; Abilene, TX; Midland, MI.

- **Flat Markets** (6% | 20 Markets)

Minimal year-over-year change in room night production was recorded in these markets.

- **Moderate Decline** (46% | 155 Markets)

These markets experienced a -1% to -9% contraction, indicating a widespread yet moderate softening in demand.

- **Significant Decline** (7% | 22 Markets)

Markets in this tier saw more substantial year-over-year drops of -10% to -22%.

Most affected: Wichita Falls, TX; Atlantic City, NJ; Bowling Green, KY; Greensburg, PA; Niagara Falls, NY.

Hotel Performance by Submarket

Kalibri Labs defines its 975 submarkets using proprietary, custom-built geographic groupings based on hotel supply density and primary demand influences. These submarkets offer comprehensive coverage across the entire U.S. and provide a more granular lens into intra-market performance variability.

Submarket-level results through April 5, 2025 (YTD) revealed a wide performance spectrum, shaped by localized economic conditions and travel dynamics:



- **Growth Submarkets** (42% | 410 Submarkets)

Room night production increased between +1% and +32% year-over-year.

Top performers: Orangeburg, SC; Johnson City, TN; I-81 Corridor, VA; Biltmore, NC; Georgetown (Washington, D.C.).

- **Flat Submarkets** (6% | 59 Submarkets)

These submarkets showed minimal change in year-over-year room night production.

- **Moderate Decline** (45% | 438 Submarkets)

Submarkets in this group experienced a -1% to -9% decline, comprising the largest share of softening areas.

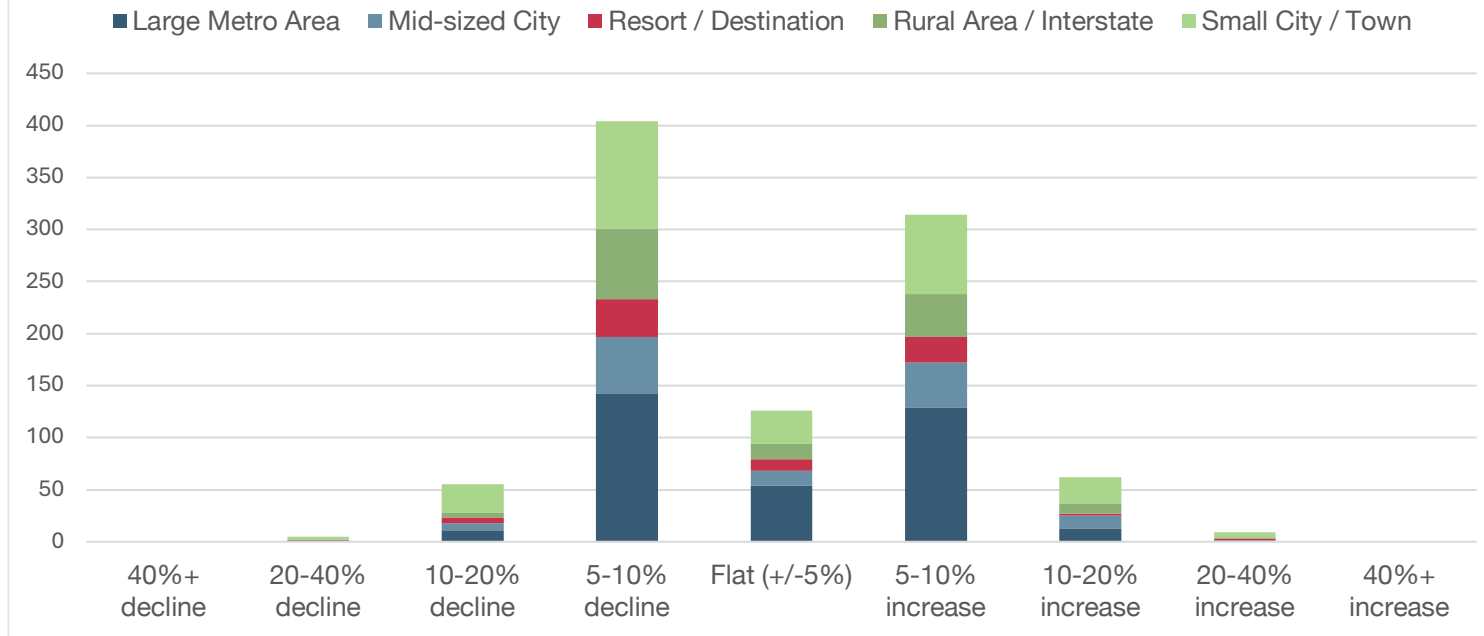
- **Significant Decline** (7% | 68 Submarkets)

These areas posted steeper losses of -10% to -22%.

Most affected: Portland, OR; Jersey Shore, NJ; McAllen, TX; Syracuse, NY; New Orleans South/Jefferson.



Distribution Across 975 U.S. Submarkets | All Rate Segments 2025 YTD Room Nights % Change from Prior Year



Year-To-Date (YTD) Actualized Performance Through April 5, 2025

Total Future Booking Activity

As of April 5, 2025, the volume of room nights booked (across all rate segments) 30-days into the future is 4% below the level seen at the same time in 2024. While this U.S. average suggests potential deceleration, individual market performance shows greater variation.

It is important to note that when evaluating future “on-the-books” data, almost half of all bookings in 2024 were made within 7 days of arrival and lead times tend to decline in uncertain times; further, at least one-third of hotel bookings don’t materialize with almost half of cancellations occurring less than



two days prior to arrival. Views into future reservations can give some directional sense of booking activity but should be viewed as one factor of many in anticipating future performance.

Future Bookings by Market

Among the 334 markets, 109 or approximately one-third have bookings that are higher than 2024 levels for the upcoming 30-day period, with future bookings ranging from 1% to 63% higher than 2024.

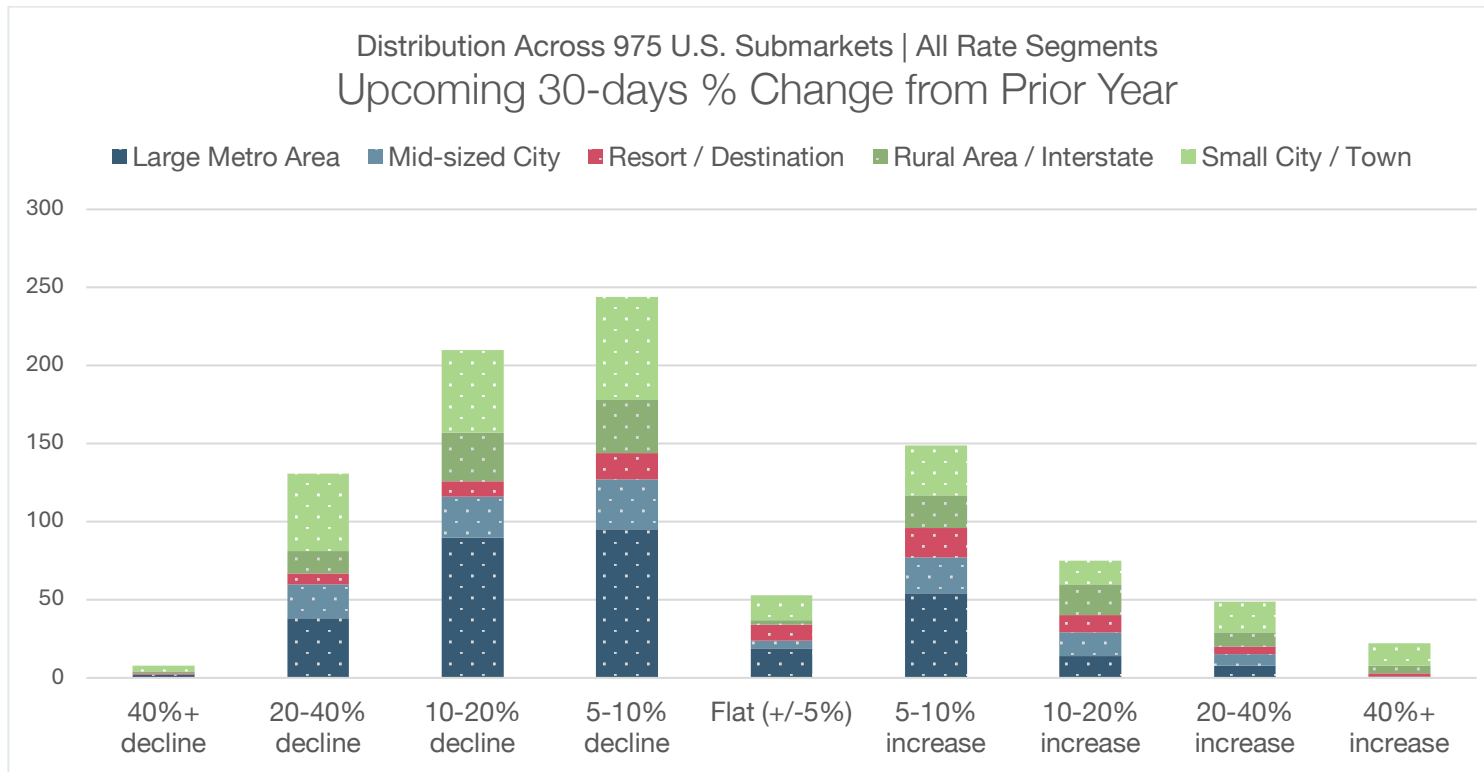
At the same time, almost two-thirds or 200 markets reflect future reservations that are below 2024 levels, with deficits ranging from -1% to -48% compared to 2024. Underperforming markets in this category include Branson, MO; Greensburg, PA; the Texas West Area; Missoula, MT; Wilmington, DE; and Bloomington, IL. Twenty-three markets have future bookings at about the same level as 2024.

Future Bookings by Submarket

Across the 975 submarkets, one-third or 319 submarkets have more reservations on-the-books, or reservations booked in the upcoming 30-days compared to 2024 by margins ranging from +1% to +132%. Top performers include Athens/Sweetwater, TN; Northwest Iowa State Area; Oshkosh/Fond du Lac, WI; Stevens Point, WI; Eureka, CA; and Port Arthur/Beaumont, TX.

In contrast, 597 submarkets almost two-thirds are behind 2024 in terms of future bookings on-the-books (-1% to -58.6%), with the weakest future booking activity seen in West Memphis, TN; Watertown Area, NY; South Illinois Area; Columbus/Edinburgh, IN; and Brownsville/McAllen, TX. Fifty-nine submarkets are tracking even with 2024 levels.





On-the-Books Data as of April 4, 2025

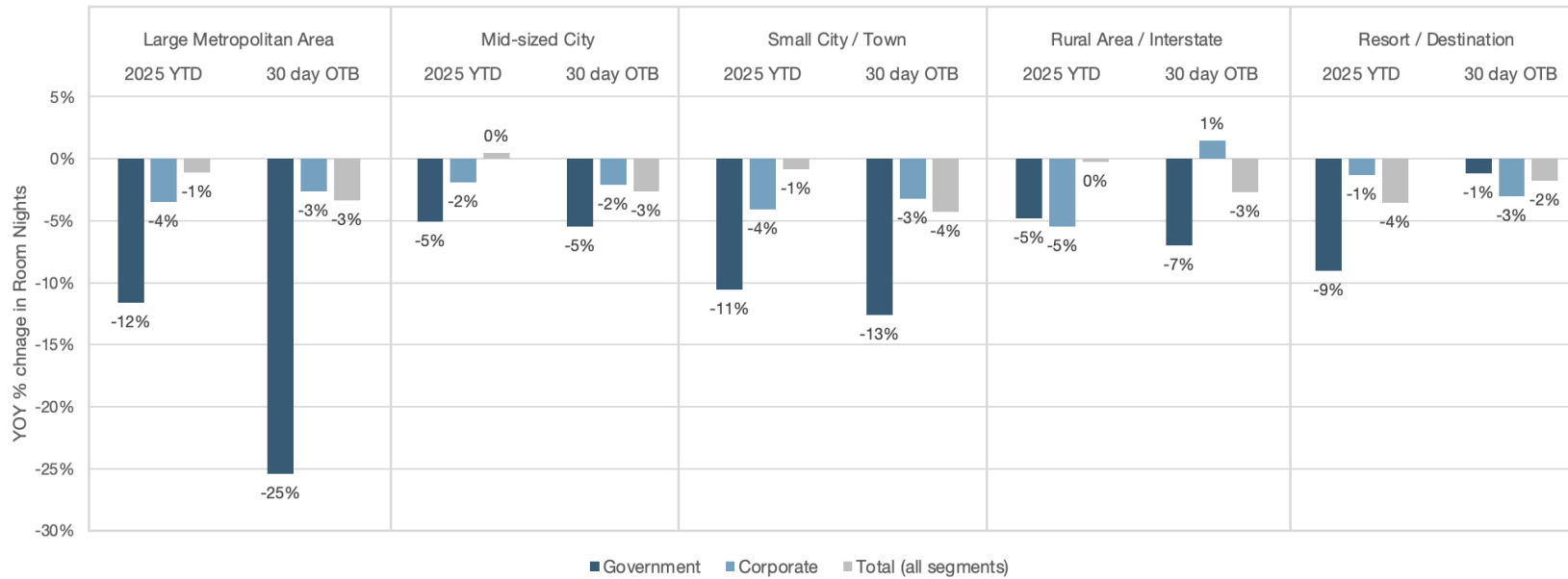
Market Location Types

When examining market types, actualized room night demand (across all rate segments) through April 4, 2025, was close to flat or -1% for large metro cities, mid-sized cities, small city/towns, and rural/interstate locations with only resort/destinations showing a larger actual demand decline at -4% down through early April 2025. As for the 30-day booking pace, all market location types are down -3% or -4% compared to the same time in 2024, with resort destinations looking slightly stronger at -2%.



Government and Corporate Room Nights by Location Type

Year-over-Year % Change in 2025 YTD Actuals and 30-Day On-the-Books Pace

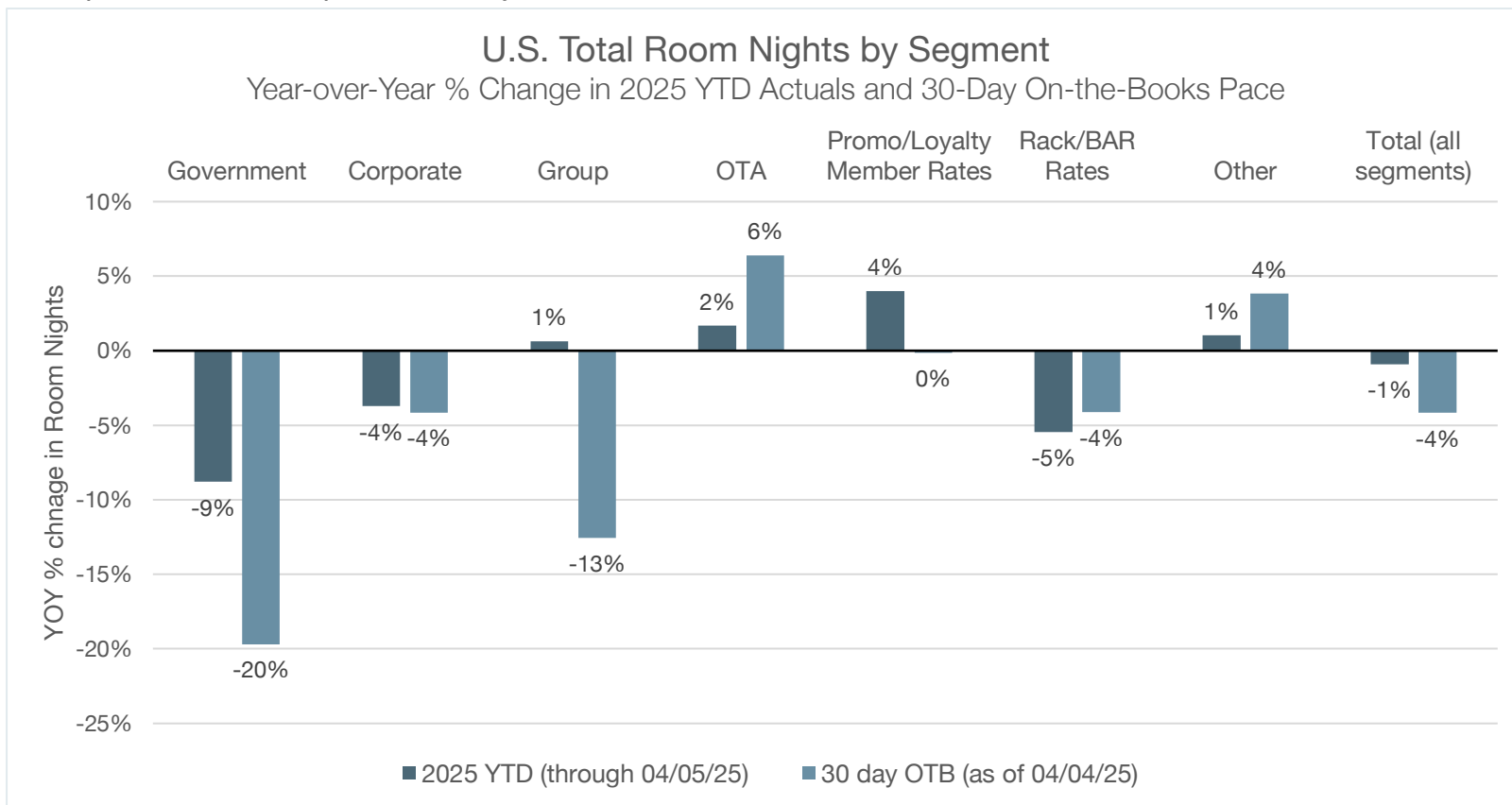


YTD Actualized Performance Through April 5, 2025 | On-the-Books Data as of April 4, 2025



Segment-Specific Booking Trends

Of all the demand segments tracked by Kalibri, government-related travel has been disproportionately affected, with actual transient per diem bookings down 9% compared to the corresponding period in 2024. Corporate transient travel (actual) has also declined by 4% year-over-year. The outlook for both segments remains negative, with 30-day future bookings pace down 20% for government and 4% for corporate travel compared to last year.



YTD Actualized Performance Through April 5, 2025 | On-the-Books Data as of April 4, 2025

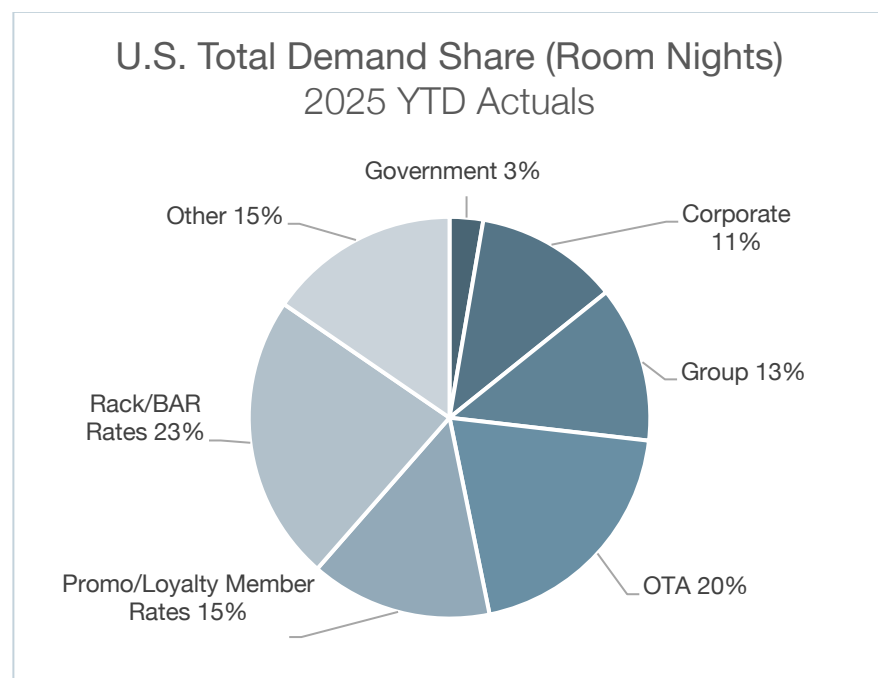


Despite the broader downward trend, two segments have posted gains, both of which are discount categories. Online Travel Agency (OTA) bookings rose 2% while bookings under Promotions and Loyalty Member Rates (LMR) increased by 4% year-over-year. These positive signals, however, may not be enough to offset the 4% decline in total future bookings pace across the board.



Government Segment Deep Dive

Although transient government per-diem business represents just over 3% of U.S. demand in aggregate, it varies widely at the market level—ranging from 1% to 15% of total demand. A significant decrease in this business is likely to influence a sizeable amount of related demand as well, including government contractors working with federal agencies or military installations (booking under corporate or Rack/BAR), and leisure guests visiting those residing on military bases or recipients of federal grants for commercial or non-governmental purposes (NGOs). These stays may be booked through loyalty or other promotional programs, or via online travel agencies. Changes in per-diem demand appear to reflect only a small portion of the overall volume affected by federal funding cuts or policy changes.



YTD Actualized Performance Through April 5, 2025

Government Market Performance

In examining the transient per-diem government business, more than three-fourths (76%) of all 334 U.S. markets experienced a year-over-year decline in actual room night demand through early April 2025. However, 39 markets recorded growth of 10% or more compared to the corresponding period in 2024. Some of the more significant shifts may be attributed to unusual weather events, natural disasters, or other anomalous regional activities (e.g., a presidential inauguration).

Top 10 Growth and Declining Markets Government Room Nights 2025 YTD

Top 10 Growth Markets		Top 10 Declining Markets	
Market	% Change YoY	Market	% Change YoY
1 Asheville, NC	296%	1 Sandusky, OH	-61%
2 Sioux City, IA	145%	2 Portland, ME	-55%
3 Ocean City, MD	119%	3 Providence, RI	-42%
4 Sarasota, FL	97%	4 Wichita Falls, TX	-41%
5 Saratoga Springs, NY	86%	5 Pueblo, CO	-40%
6 NC West Area, NC	70%	6 Blacksburg, VA	-37%
7 Valdosta, GA	48%	7 Niagara Falls, NY	-37%
8 San Angelo, TX	47%	8 FL Keys Arch. Area, FL	-36%
9 Tallahassee, FL	45%	9 Santa Fe, NM	-34%
10 Greenville, SC	40%	10 Wytheville, VA	-33%

YTD Actualized Performance Through April 5, 2025



In examining future bookings for the transient per-diem government business, 231 of the 334 U.S. markets declined in year-over-year bookings. There are 76 markets that appear to have growth in their future bookings of 10% or greater than the corresponding period in 2024, and the remaining 27 markets have 1% to 9% growth year-over-year.

Top 10 Growth and Declining Markets Government Room Night 30-day On-The-Books Pace

Top 10 Growth Markets

Market	% Change YoY
1 Elmira, NY	414%
2 Asheville, NC	346%
3 Sioux City, IA	240%
4 CA Southeast Area, CA	232%
5 Valdosta, GA	180%
6 Laredo, TX	167%
7 Sarasota, FL	162%
8 NC West Area, NC	150%
9 Saratoga Springs, NY	127%
10 San Angelo, TX	119%

Top 10 Declining Markets

Market	% Change YoY
1 Portland, ME	-83%
2 Sandusky, OH	-83%
3 ME State Area, ME	-68%
4 Wichita Falls, TX	-63%
5 MO North Area, MO	-59%
6 Stockbridge, MA	-57%
7 PA State Area, PA	-57%
8 Providence, RI	-56%
9 Huntsville, AL	-54%
10 Lubbock, TX	-53%

On-the-Books Data as of April 4, 2025



Top Volume Government Markets

To illustrate where government demand is most concentrated, the top U.S. hotel markets are listed below based on total government per-diem room night volume in 2024. Most of these markets have experienced year-over-year declines in both YTD performance and for bookings 30-days into the future.

Key Observations:

- Washington, DC/MD/VA saw a -20% YTD decline in actual government room nights through April 5, 2025, and an even steeper -44% drop in future bookings for the upcoming 30-day period.
- The Hawaiian Islands (-27%) and Las Vegas (-13%) reported similar downward trends for YTD government room nights year-over-year.
- Notably, Los Angeles, CA reported a +19% YTD gain in actual room nights and a +20% increase in 30-day future bookings, standing in contrast to the broader trend and likely attributed to disaster-related and recovery activities.



Top Volume Government Markets

(based on 2024 Room Night Demand)

Market	2025 YTD % Change YoY	2025 30-Day OTB % Change YoY
1 Washington, DC/MD/VA	-20%	-44%
2 Hawaiian Islands, HI	-27%	-26%
3 Las Vegas, NV	-13%	-36%
4 San Diego, CA	-20%	-26%
5 Virginia Beach, VA	-11%	-26%
6 Houston, TX	-3%	-17%
7 Atlanta, GA	-8%	-31%
8 Orlando, FL	-12%	-18%
9 Los Angeles, CA	19%	20%
10 Chicago, IL	-16%	-31%

YTD Actualized Performance Through April 5, 2025 | On-the-Books Data as of April 4, 2025

Top Government-Reliant Markets

Although some markets are much smaller in terms of overall hotel room night demand, there are several with a high proportion of their room night demand tied to government travelers (using 2024 as a baseline). These markets are likely to be disproportionately affected by federal funding cuts and policy changes.



Key Observations:

- Santa Fe, NM and Huntsville, AL faced the most significant YTD losses, at -34% and -28%, respectively through April 5, 2025.
- Las Cruces, NM recorded a 18% increase in future bookings for the upcoming 30-day period despite a modest -4% YTD decline.
- Most other markets—including El Paso, TX; Woodbridge, VA; and Maryland South Area—continue to face substantial declines across both measures.

Top Government-Reliant Markets

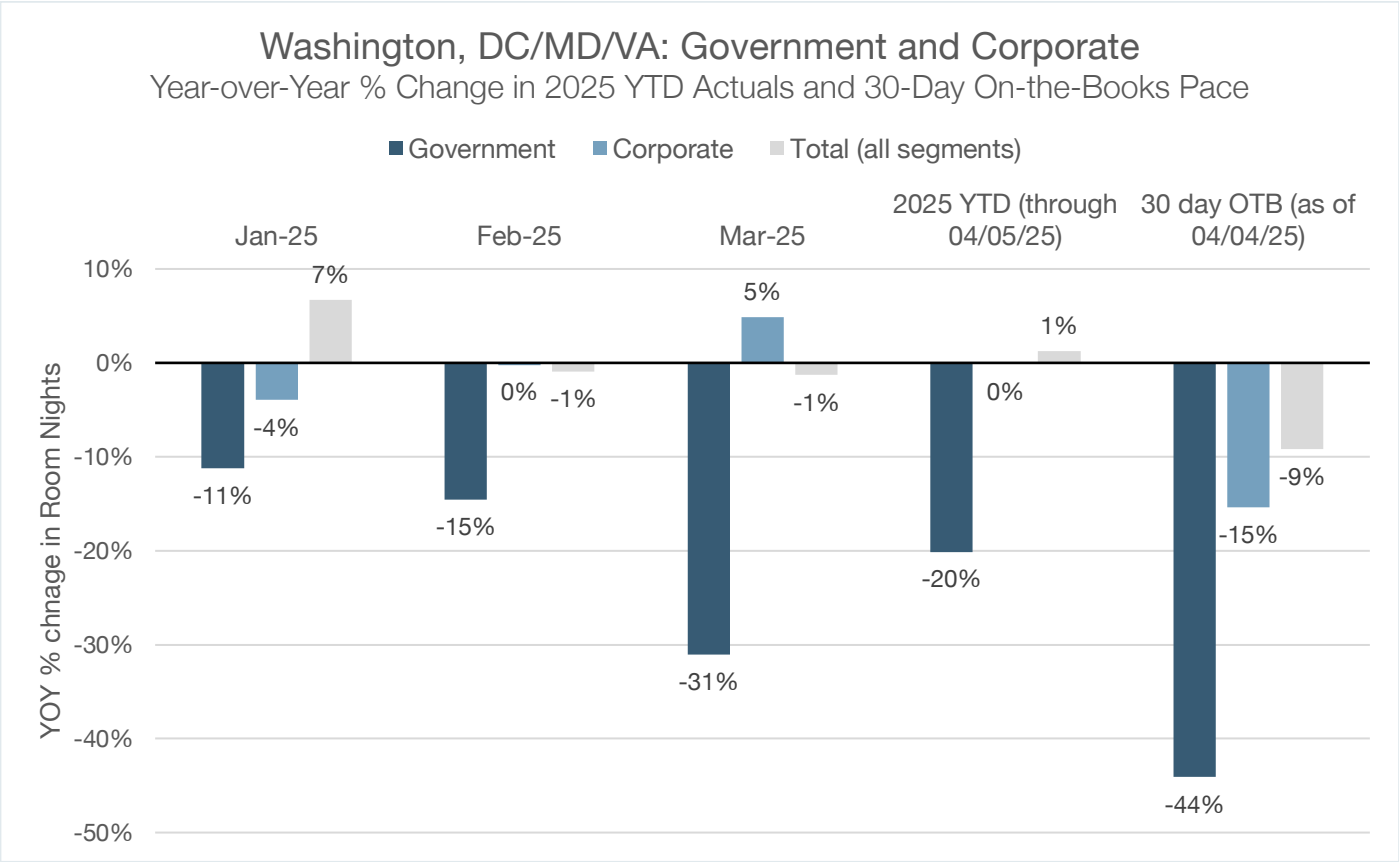
(based on 2024 Room Night Demand Share)

Market	2025 YTD % Change YoY	2025 30-Day OTB % Change YoY
1 MD South Area, MD	-8%	-41%
2 Aberdeen, MD	-7%	-39%
3 Fayetteville, NC	-6%	-16%
4 Santa Fe, NM	-34%	-43%
5 Woodbridge, VA	-21%	-19%
6 Las Cruces, NM	-4%	18%
7 El Paso, TX	-15%	-18%
8 Huntsville, AL	-28%	-54%
9 MA/RI State Area. MA/RI	-3%	-33%
10 AZ State Area, AZ	-9%	-13%

YTD Actualized Performance Through April 5, 2025 | On-the-Books Data as of April 4, 2025

Regional Deep Dive: Washington, DC/MD/VA

Given its location as the U.S. capital, the Washington, DC/MD/VA region will certainly be heavily affected by federal funding cuts and changes in policy for federal agencies. Kalibri Labs' regional analysis for Q1 2025 highlights important dynamics in both demand volume and demand share.



YTD Actualized Performance Through April 5, 2025 | On-the-Books Data as of April 4, 2025

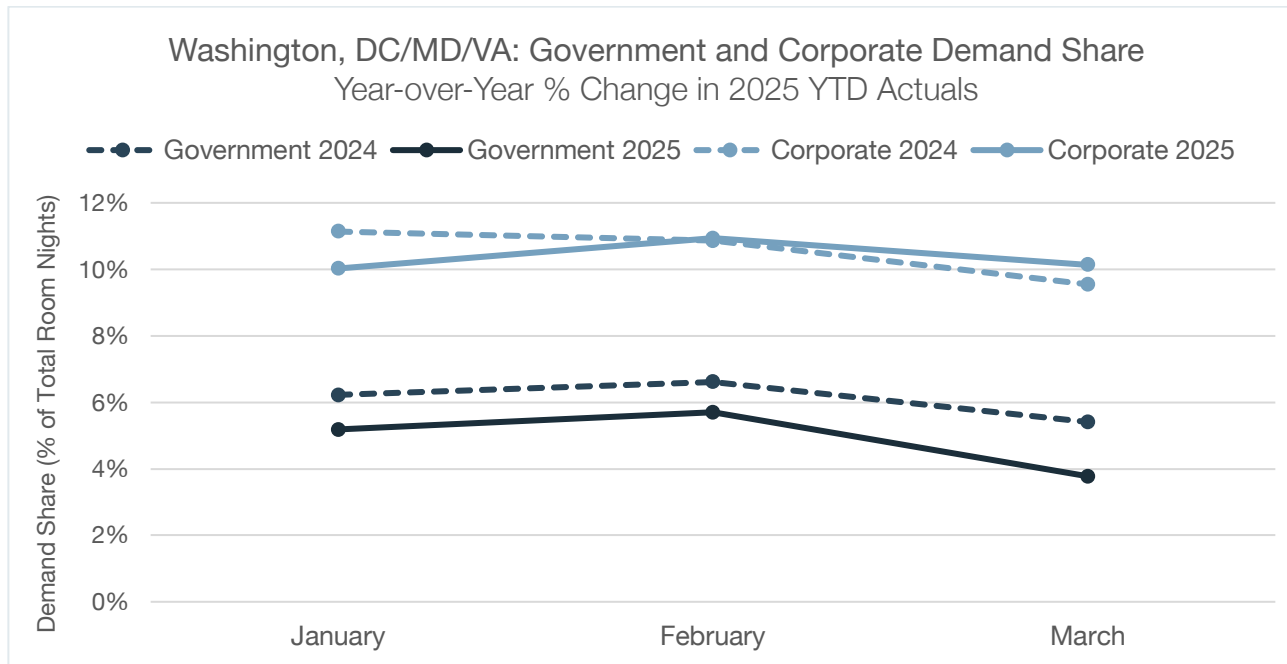


The above chart examines year-over-year room night changes across government, corporate, and total segments for January through March 2025, alongside YTD and future bookings for the upcoming 30-days or on-the-books trends:

- Government bookings have consistently weakened as 2025 has progressed, down to a -31% decline in actualized room nights in March resulting in -20% YTD figure through April 5 and a further decline to -44% drop in future bookings for the upcoming 30-days
- Corporate travel showed modest fluctuations, including a brief uptick of +5% in March, but ultimately landed as flat for YTD. In looking at 30-day future bookings, the corporate segment is running -15% behind the same period in 2024.

Despite these declines, total actualized demand for the Washington, D.C. market ended YTD (through April 5, 2025) at 1% above 2024 levels. The increase was largely concentrated in January, likely coinciding with elevated travel tied to inauguration-related activity. This early bump helped offset softer performance in February and March. Looking ahead to the next 30-days through April 2025, the D.C. market is pacing 9% below 2024 booking levels across all rate categories.





Demand share reflects the percentage of total room nights attributed to a given segment within the market. The chart above tracks monthly trends in government and corporate segment share relative to total demand, benchmarked against the same months in 2024:

- Government demand share fell below prior year levels in each month, with the rate of decline accelerating through March.
- Corporate demand share remained more stable and even showed a modest year-over-year improvement in February yet still reflects a slightly downward trend as the quarter progressed.

Together, these charts highlight a key market under pressure—one traditionally disproportionately reliant on government demand now facing pronounced short-term declines.

Chain Class Performance Analysis

Hotel performance through early April 2025 continues to vary widely across chain classes, underscoring a complex interplay of rate segment shifts and evolving traveler behavior.

Economy and Midscale

Economy and midscale properties experienced a 1% to 3% drop in actual demand through April 5, 2025 (across all rate segments). While bookings into the upcoming 30-days are currently showing a 6% increase compared to 2024 levels, the year-over-year softness in both government and corporate segments through early April underscores a market in flux.

Upper Midscale

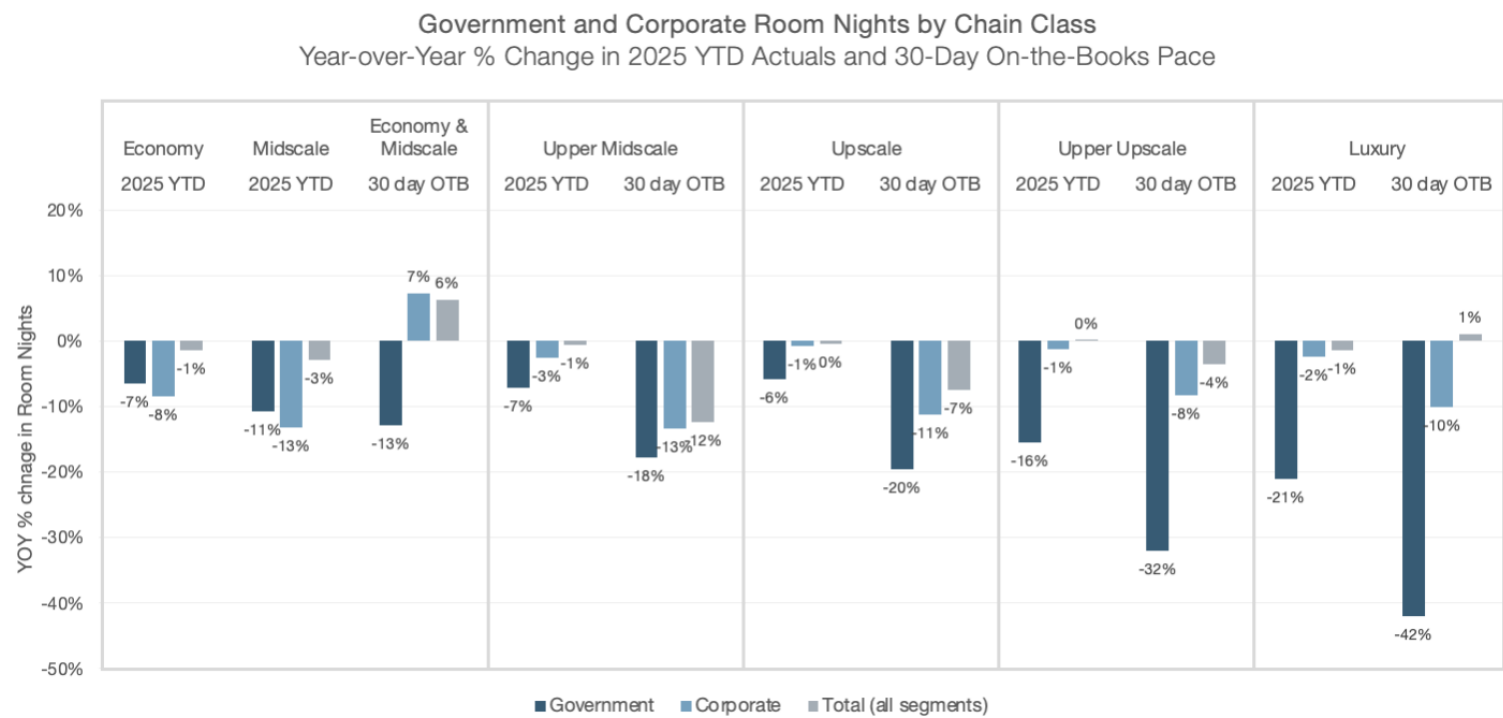
Upper midscale hotels reported a 1% decline in demand through April 5, 2025, and a 12% drop in future bookings (across all rate segments). The softness is broad-based but particularly pronounced in government transient demand—a notable trend given this tier’s heightened dependence on per diem-based government bookings.

Upper Tier

Upper tier hotel types—including upscale, upper-upscale, and luxury properties—posted flat to slightly negative performance through early April 2025 (across all rate segments), declining collectively by up to 1%. Upscale and upper-upscale future bookings are pacing 4% to 7% below 2024 levels. A consistent theme across these segments is the relative weakness in government volume. While corporate demand has seen modest YTD declines, the 30-day outlook points to a continued pullback in bookings that may



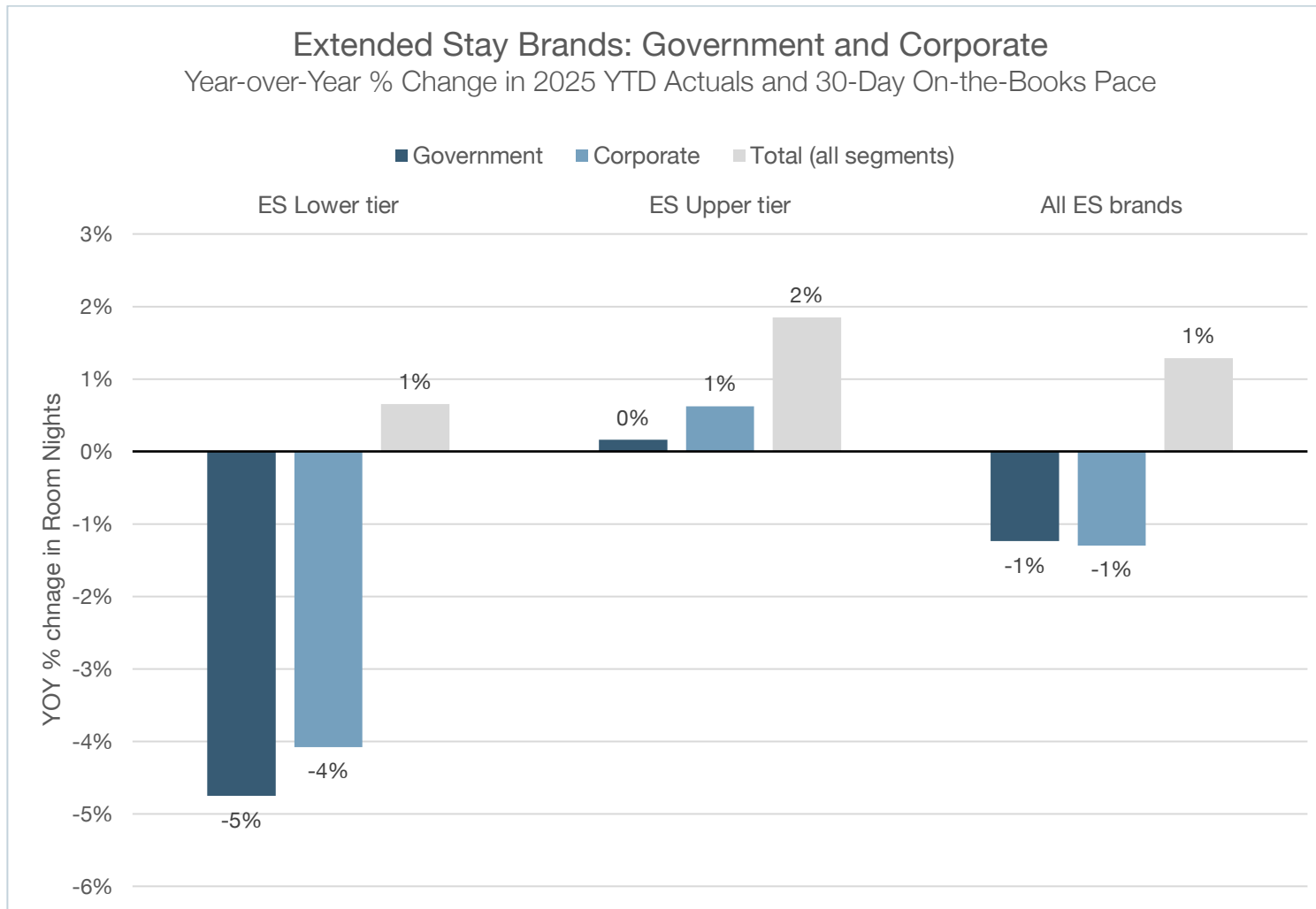
be partially connected to general economic uncertainty and may be influenced by drops in government contractor volumes.



YTD Actualized Performance Through April 5, 2025 | On-the-Books Data as of April 4, 2025

Extended Stay

Purpose-built extended stay brands, both lower and upper tier, are showing relative strength. YTD demand in this brand category has outpaced 2024 by 1% to 2% (across all rate segments). Less dependent on the declining government and corporate segments, this property type benefits from project-based business and some leisure activity booked through alternative rate categories—contributing to steady performance through the April 5, 2025.



YTD Actualized Performance Through April 5, 2025 | On-the-Books Data as of April 4, 2025



Summary

These findings paint a picture of a hotel landscape shaped by recent demand disruption, leading to disparities by region, market, and hotel type.

Understanding micro-market demand trends, monitoring future booking activity, and targeting demand sources that are accretive to profit will be increasingly essential in a turbulent market. The path forward may be complex, but it also presents opportunities for those prepared to act decisively. Future Kalibri reports will continue to examine trends by market, submarket, location type, rate category, and hotel chain scale, as well as performance insights on top government contractors across the U.S.

To support agile commercial decision-making, the data will be refreshed weekly and key highlights will be available at www.kalibrilabs.com. In addition, a monthly report will be published to spotlight significant developments.



About Kalibri Labs

Kalibri Labs is the hospitality industry's leading revenue performance platform, purpose-built to improve asset values by identifying the most profitable mix of business. Powered by a proprietary database of actualized and future booking data from over 35,000 hotels across 100 brands, Kalibri also integrates cost of customer acquisition, loyalty contribution, and length of stay—variables no other source can match. Its AI-driven models analyze performance trends across 334 U.S. markets and 975 submarkets to surface high-margin targets for commercial and operations teams. The Kalibri software platform also equips owners and real estate developers to conduct smarter, data-backed underwriting and site discovery for real estate investment opportunities.

For more information on market performance or to access Kalibri Labs' full suite of data and software products, visit www.kalibrilabs.com.

