Navigating Market Turbulence

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

Summer Edition

An Industry Report from Kalibri

June 25, 2025

Reporting Period:

- Trends analyzed from January 2024 through May 2025
- Actualized Room Nights through May 31, 2025
- 30-day future bookings as of May 30, 2025 (On-The-Books)

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Overview

Since the publication of Kalibri's April 2025 white paper, federal policy shifts, macroeconomic headwinds, and geopolitical instability have continued to influence the U.S. hotel landscape. With renewed tariff activity and tightening federal spending adding to the uncertainty, Kalibri has extended its national analysis through May 2025 to help stakeholders navigate evolving market dynamics. This second-phase review incorporates actualized and future booking data from over 35,000 hotels, spanning trends from January 2024 through May 31, 2025, with 30-day future bookings as of May 30.

While total U.S. room night volume remains relatively steady, underlying data reveal pockets of contraction—particularly in the government and corporate segments—alongside emerging rate pressure. This update builds upon the original report with expanded insights into booking behavior and rate patterns.

To support strategic decision-making, this report examines U.S. performance across total room night production, future booking activity, segment-level trends, market location types, and chain class. Weekly room night and rate data are presented using a 4-week moving average, which accounts for year-over-year timing shifts such as Easter. This edition also features updated market-level spotlights, including a closer look at Washington, DC/MD/VA—the top government volume market—and Atlanta, GA, to illustrate localized impacts of federal policy changes.

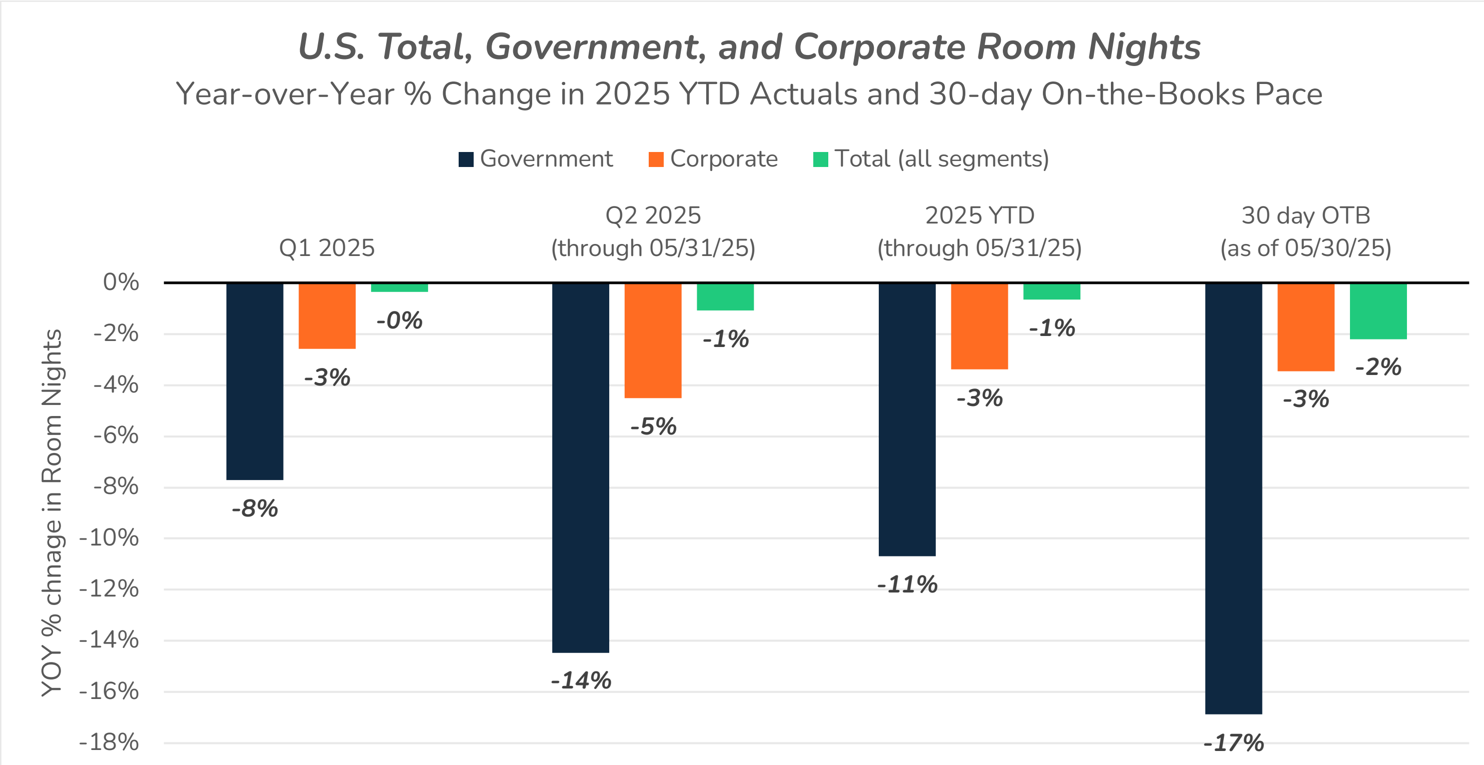
U.S. Trends and Segment Performance

As midyear 2025 approaches, U.S. hotel demand appears to have settled into a stabilized, albeit muted level. While macroeconomic uncertainty—including ongoing trade disruptions, policy shifts, and federal spending constraints—continues to affect traveler sentiment, total U.S. room night performance has remained relatively stable. Kalibri's data through May 2025 show total room nights down -1% and future booking activity down -2% year-over-year.

Total Room Night Production

Total U.S. hotel room night production (across all rate categories) declined by just -1% year-over-year through May 31, 2025. Most location types—including major metros, smaller cities, rural corridors, and resort destinations—tracked within a narrow ±1% range, indicating that national-level demand has not worsened materially since April. However, this apparent stability conceals variation beneath the surface. Segment-level declines—especially in government and corporate travel—continue to weigh on performance, driving uneven results across geographies, chain classes, and rate categories.

As in previous periods, several markets experienced atypical demand patterns due to non-routine events that influence year-over-year changes. These included lingering displacement from Hurricane Helene in North Carolina, eclipse-driven spikes in cities like Dallas, Indianapolis, and Cleveland, wildfire disruptions in and around Los Angeles, and heightened activity tied to the presidential inauguration in Washington, DC.



Hotel Performance by Market

Kalibri 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 May 31, 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*** (44% | 146 Markets)

  Demand rose between +1% and +26% compared to the same period in 2024 (through May 31).

  Top performers: Valdosta, GA; Abilene, TX; Midland, MI; Connecticut East Area, CT

- ***Flat Markets*** (7% | 25 Markets)

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

- ***Moderate Decline*** (43% | 143 Markets)

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

- ***Significant Decline*** (6% | 20 Markets)

  Markets in this category saw more substantial year-over-year drops of -10% to -18%.

  Most affected: Wichita Falls, TX; Bowling Green, KY; Sandusky, OH; Niagara Falls, NY

Hotel Performance by Submarket

Kalibri 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 May 31, 2025 (YTD) revealed a wide performance spectrum, shaped by localized economic conditions and travel dynamics:

- ***Growth Submarkets*** (43% | 418 Submarkets)

  Room night production increased between +1% and +26% year-over-year.

  Top performers: Valdosta, GA; Johnson City, TN; Orangeburg, SC; I-81 Corridor, VA

- ***Flat Submarkets*** (8% | 81 Submarkets)

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

- ***Moderate Decline*** (44% | 424 Submarkets)

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

- ***Significant Decline*** (5% | 52 Submarkets)

  These areas posted steeper losses of -10% to -21%.

  Most affected: New Orleans South/Jefferson; Wichita Falls, TX; Syracuse, NY; Portland, OR (Northwest)

Total Future Booking Activity

As of May 30, 2025, the volume of room nights booked 30 days into the future (across all rate segments) was tracking 2% below the same time last year. This represents a modest year-over-year decline and a relative improvement from the April white paper, when future bookings were down 4% compared to 2024. Even with the gain, booking activity remains uneven across the country.

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, 144 (43%) have bookings that are higher than 2024 levels for the upcoming 30-day period, with future bookings ranging from 1% to 86% higher than 2024.

At the same time, 166 or about half of all 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; Springfield, MO; Las Vegas, NV; and Las Cruces, NM. The remaining 24 markets (7%) have future bookings at about the same level as 2024.

Future Bookings by Submarket

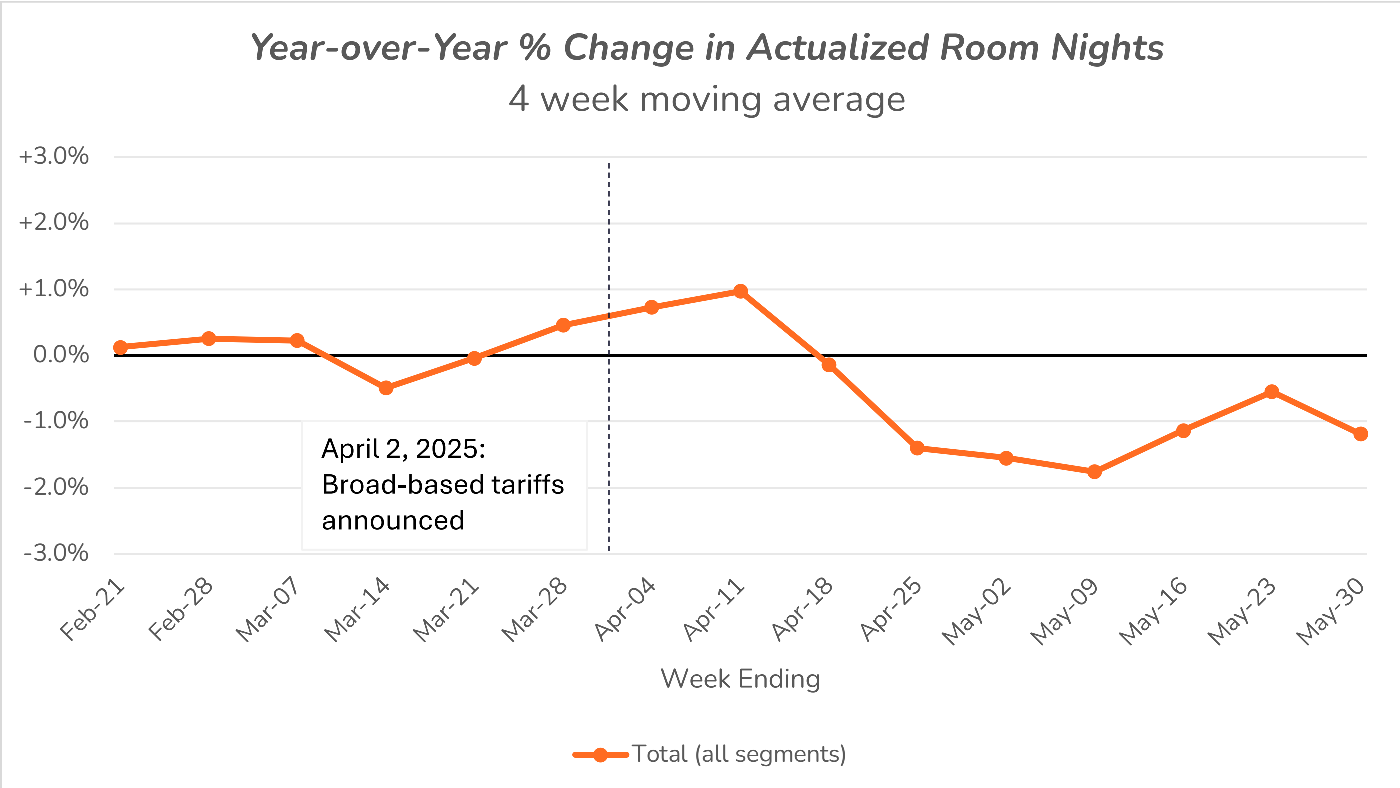
Across the 975 submarkets, 407 submarkets (42%) have more reservations on the books (i.e., reservations booked in the upcoming 30 days) compared to 2024 levels by margins ranging from +1% to +234%. Top performers include Chula Vista, CA; Stevens Point, WI; Harrisonburg – Charlottesville, VA; and Abilene, TX.

In contrast, 510 submarkets (52%) are behind 2024 in terms of future bookings on-the-books (-1% to -48.7%), with the weakest future booking activity seen in Dubuque, IA; Branson, MO; Austin West, TX; and West Memphis, TN. Fifty-one submarkets are tracking even with 2024 levels. Year-over-year future bookings data were not available for seven submarkets.

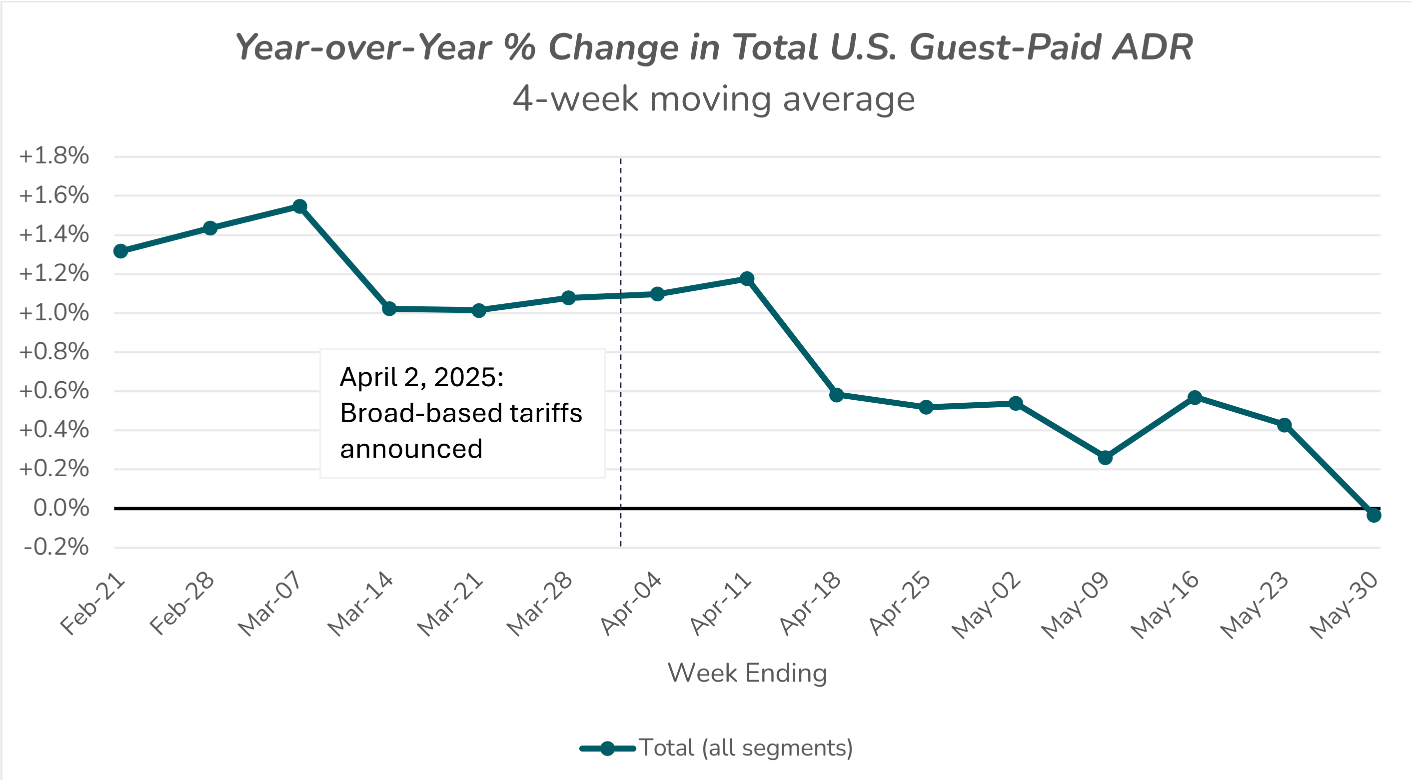
U.S. Weekly Room Night & ADR Trends

To track emerging shifts in demand and average rates, Kalibri monitors weekly actualized data using a four-week moving average. This method smooths short-term volatility and helps control for timing anomalies such as holiday shifts—for example, when Easter falls on different weeks in 2024 and 2025.

Since early April, both room night volume and guest-paid ADR have trended downward. While causality cannot be confirmed, the timing of the downward shift follows within a couple of weeks after the announcement of broad-based U.S. tariffs on April 2, 2025, with the most visible inflection in travel activity and rate setting behavior emerging by mid-April.



Room night demand had been pacing slightly ahead of 2024 levels into early April but declined steadily through the remainder of the month and into May. Meanwhile, guest-paid ADR began the year tracking 1.3% above 2024 levels, but gradually decelerated and fell below prior-year performance by the final week of May—bringing year-over-year growth flat to 2024 levels. This softening is especially notable given the broader industry context: since the pandemic recovery began, U.S. RevPAR growth has been driven primarily by rate acceleration rather than improving demand.



With room night demand growth now flat to negative and rate momentum slipping, the underlying drivers of hotel revenue growth appear increasingly uncertain. Despite the appearance of relatively flat performance overall, there is evidence of growth in both demand and ADR, but segment-level data further illustrates an interesting divergence in performance. Rate segments with stronger year-over-year room night growth—particularly Loyalty Member Rate/Promotion and OTA—are seeing weakness in ADR gains, while segments with weaker demand volume—such as Rack/BAR, Corporate, and Group—are demonstrating higher growth in ADR. While these patterns may reflect differing levels of price sensitivity and booking behavior across segments, the benefits of ADR growth in some segments may ultimately be cancelled out by the corresponding demand decline. Where we see some demand growth, it is being muted by a corresponding deceleration in ADR growth.

Since early May, some shifts have emerged within the higher-growth categories: OTA volume has decelerated slightly, while Loyalty Member Rate/Promotion demand has picked up, a promising indicator for profit contribution. Kalibri will continue to monitor these evolving trends closely as the industry moves into the leisure-oriented summer season.

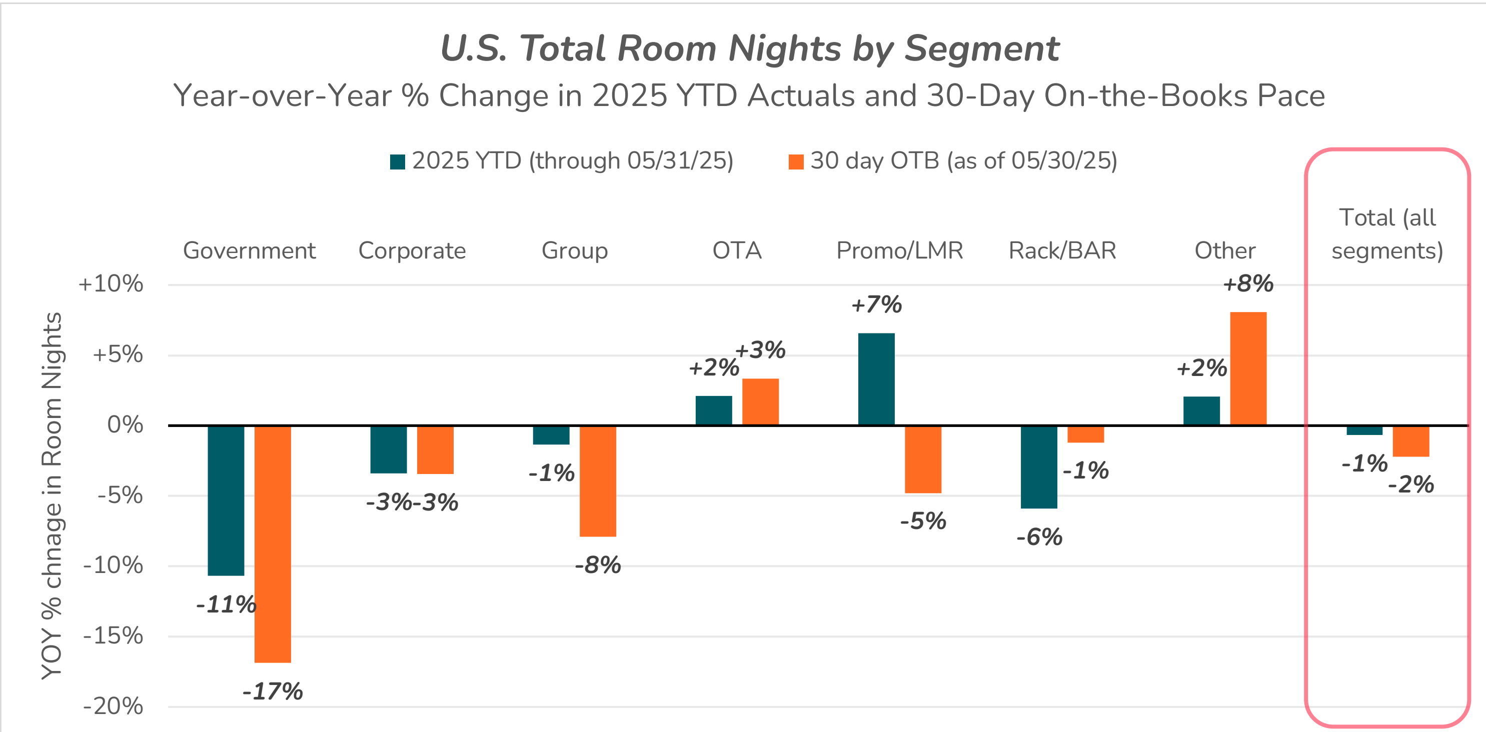
Segment-Specific Booking Trends

Not surprisingly, government-related travel continues to face the steepest declines, with actual transient per diem bookings down -11% year-over-year as of May 31—worsening from the -9% drop reported in the April white paper. Corporate transient bookings, the segment most likely to be affected by government contractor activity, remain soft as well, though the year-over-year decline has improved slightly to -3%, compared to -4% previously. The short-term outlook for both segments remains negative, with the 30-day future bookings pace down -17% for government and -3% for corporate, modestly better than the prior month's figures of -20% and -4%, respectively.

Despite persistent headwinds in commercial travel, select segments continue to show resilience. Loyalty Member Rates (LMR) and Promotions have strengthened further, rising +7% compared to +4% a month ago while OTA bookings are up, but only by +2% year-over-year, consistent with April levels. The

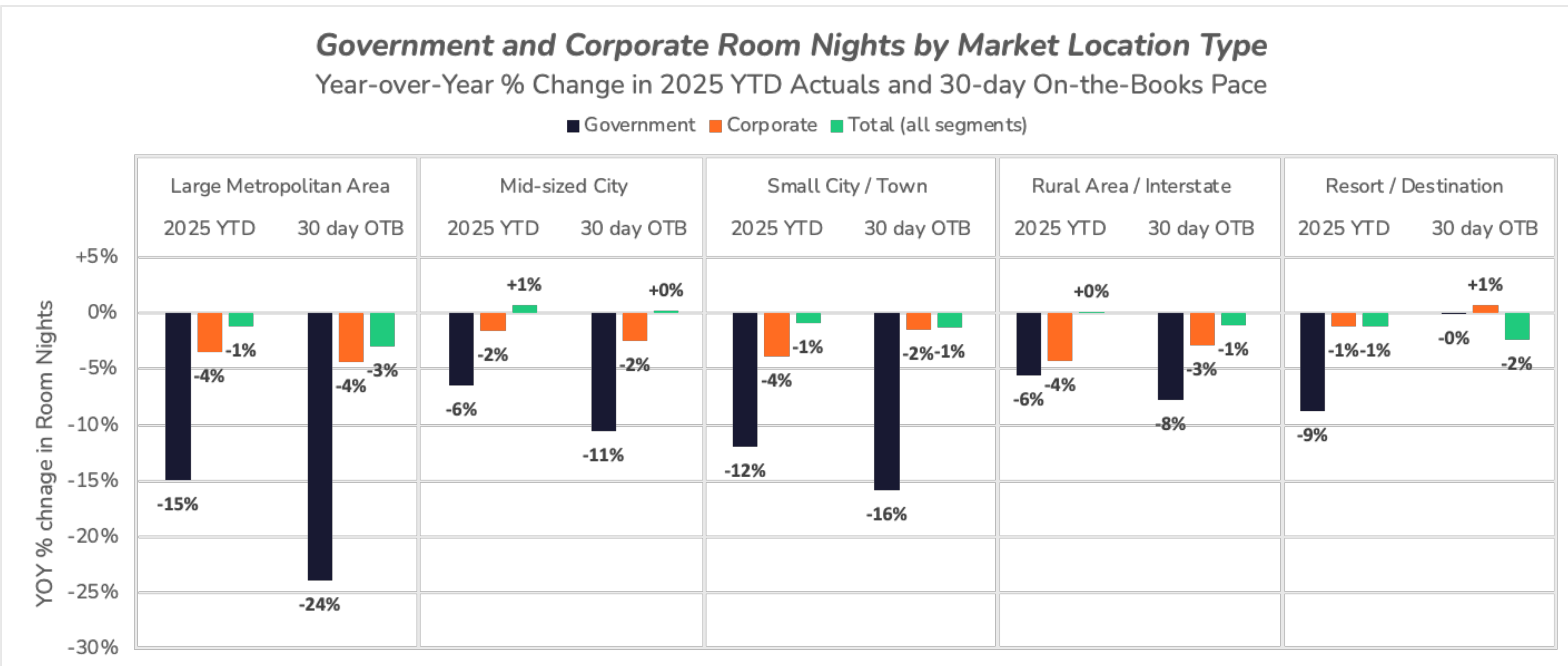
"Other" segment—which includes bookings such as loyalty redemption, package and advance purchase—has also gained momentum, with actualized room nights up +2% and future booking pace accelerating to +8%, the fastest among all tracked categories.

Still, these gains have not been sufficient to counter broader softness, with total 30-day future booking activity across all segments now tracking slightly below (-2%) the same period in 2024.



Market Location Types

When examining market location types, actualized room night demand (across all rate segments) through May 31, 2025, remained relatively stable compared to April trends. Large metros and small cities/towns each declined by -1% year-over-year, in line with prior-month levels. Mid-sized cities continued to outperform, improving from flat to a +1% gain, while rural and interstate locations held steady with no change to 2024 at 0%. Notably, resort and destination markets showed improvement, narrowing their decline from -4% in April to just -1% in May.



Looking ahead, 30-day future bookings pace is showing slight improvement across several location types. Most markets are now pacing between -1% and -3% year-over-year (all segments), a modest gain from the -3% to -4% range reported in the April white paper. Mid-sized cities are pacing flat year-over-year, while resort/destination markets are down -2%. Large metro areas are showing the slowest near-term growth, pacing at -3% versus prior year levels.

Chain Class Performance Analysis

Hotel performance through end of May 2025 continues to show wide variation across chain classes, reinforcing the ongoing effects of rate segment shifts and demand fragmentation.

Economy and Midscale

Economy and midscale properties experienced a -2% and -3% drop in actualized demand through May 31, 2025 (across all rate segments), respectively—a slight deepening from the -1% and -3% reported in the April white paper. Year-to-date softness continues to be driven by ongoing weakness in government and corporate travel, particularly in midscale, where both segments are down -12% versus the same timeframe in 2024. Economy properties also recorded material declines, with government bookings down -7% and corporate down -8% year-over-year.

Despite these pressures, future booking activity has surged. The 30-day outlook across all rate segments now shows a +19% increase compared to the same period in 2024, up sharply from the +6% gain reported in the April white paper. This lift is driven by a +21% year-over-year increase in corporate future bookings, while government future bookings remain flat. The strength in future booking pace suggests a potential summer rebound. However, the composition of segment demand and the sustainability of current rate levels warrant continued scrutiny.

Upper Midscale

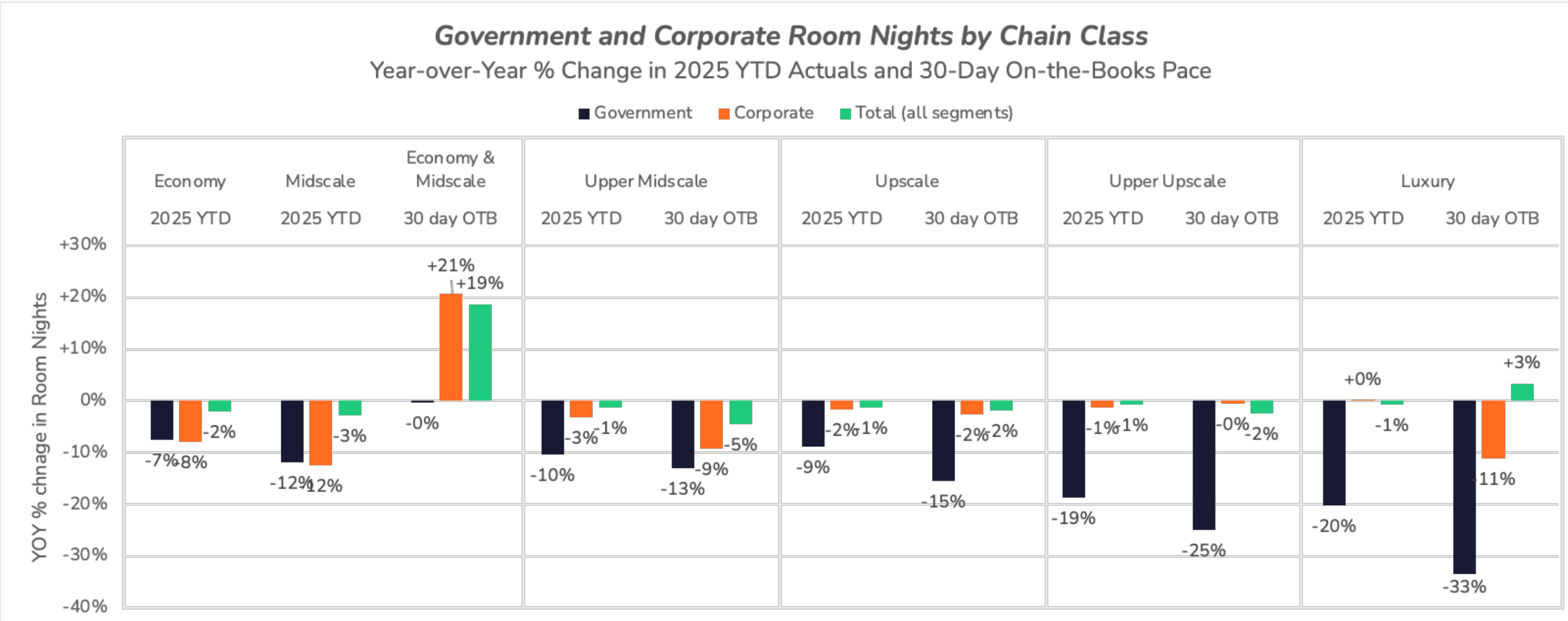
Upper midscale hotels reported a -1% decline in actualized demand through May 31, 2025 (across all rate segments), unchanged from April levels. Year-to-date softness remains broad-based but continues to be driven most heavily by government transient demand, which is now down -10%—a further drop from the -7% decline reported in April. Corporate demand has also softened more modestly, holding at -3% year-over-year, consistent with last month's performance.

Future booking activity has shown some improvement. The 30-day outlook across all rate segments is now pacing -5% below prior year levels, up from a steeper -12% decline reported in April. Government future bookings have improved to -13% (from -18%), and corporate is now pacing at -9% (from -13%). While both segments remain down year-over-year, the gains suggest a potential strengthening in commercial pace heading into summer.

Upper Tier

Upper tier hotel types—including upscale, upper-upscale, and luxury properties—each recorded a -1% decline in actualized demand through May 31, 2025 (across all rate segments). This marks a slight softening across the segment compared to early April, when overall performance ranged from flat to slightly negative—reflecting increased pressure across the tier.

Looking ahead, 30-day future bookings are showing mixed signals. Upscale and upper-upscale properties are pacing -2% below prior year levels, a modest improvement from April's broader shortfall of -4% to -7%. In contrast, luxury hotels are now pacing +3% ahead of 2024—a potentially encouraging signal for high-end demand. However, as with all future booking indicators, this data should be considered alongside other factors given the variability in lead times and booking behavior.



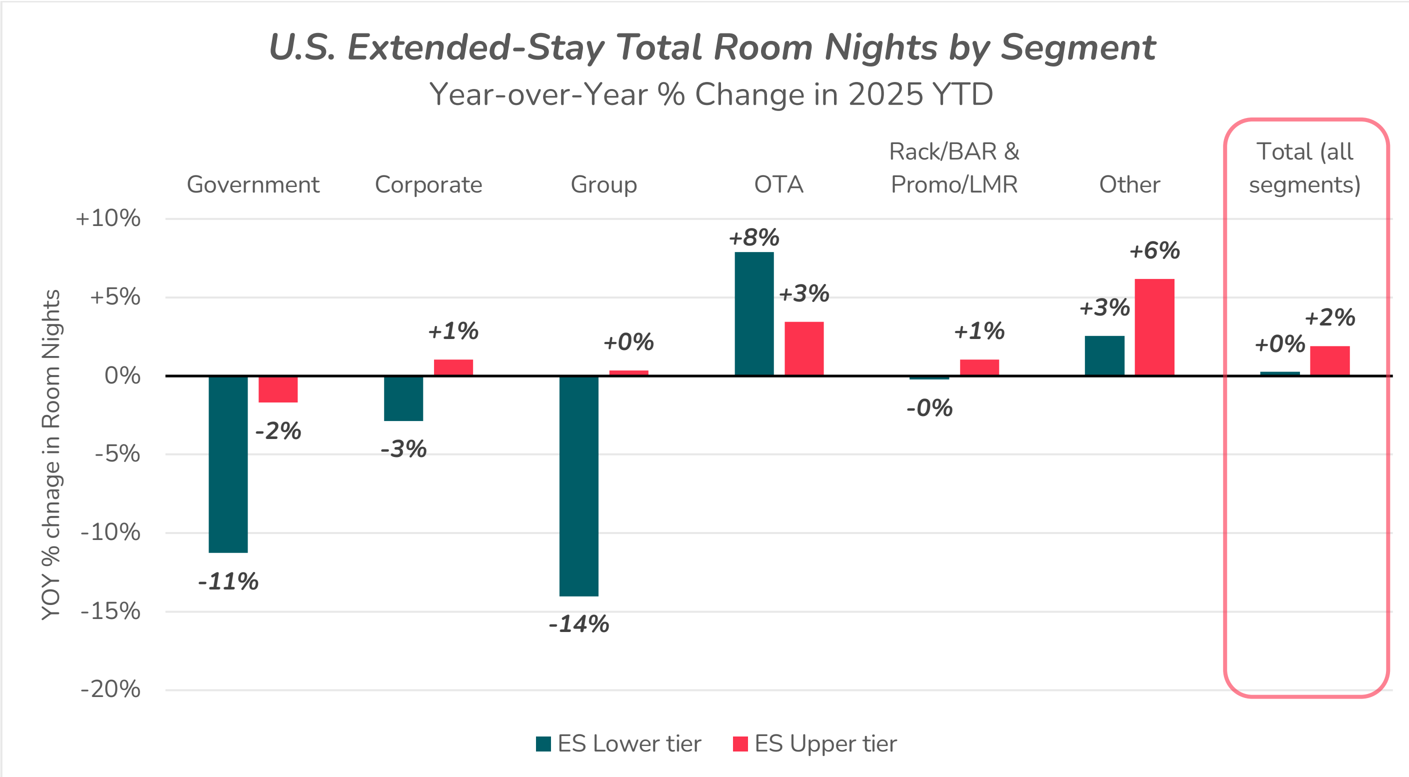
Despite being a relatively small portion of demand, government volume continues to weigh on performance across all three categories, with actualized declines ranging from -9% to -20%, and future bookings pacing even lower—down as much as -33% year-over-year in the luxury tier. Corporate demand, by contrast, has held relatively steady year-to-date, but future booking pace in luxury shows slight softening, currently down -11% year-over-year compared to -10% as of April 5. Together, these trends point to a muted performance across the upper tier heading into the summer.

Extended Stay

Purpose-built extended stay brands—both lower and upper tier—continued to demonstrate stable performance through May 31, 2025. Actualized demand was flat for lower-tier properties and up +2% for upper-tier properties (across all rate segments), generally consistent with April trends. While both tiers experienced softness in government and corporate demand, these declines were offset by strength in discount transient segments.

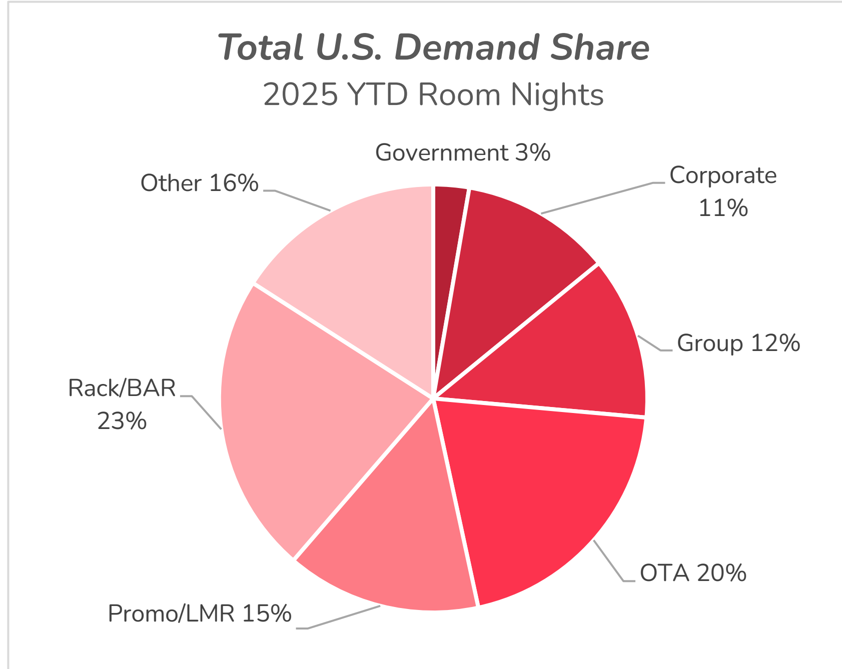
Extended stay performance continues to be supported by OTA and Other rate categories, which together represent roughly one-quarter of U.S. room night demand. OTA bookings rose +8% for lower-tier and +3% for upper-tier extended stay brands, while Other bookings increased +3% and +6%, respectively. The Other category comprises loyalty redemption, advance purchase, and other discount transient segments.

Although government demand within the extended stay tier declined—down -11% for lower-tier and -2% for upper-tier properties—this segment represents only 4% of extended stay total volume. As a result, broader rate category performance has played a larger role in sustaining demand across this lodging category.


U.S. Extended-Stay Total Room Nights by Segment
Year-over-Year % Change in 2025 YTD
Government
Corporate
Group
OTA
Rack/BAR & Promo/LMR
Other
Total (all segments)
+10%
+5%
0%
-5%
-10%
-15%
-20%
YOY % chnage in Room Nights
-11%
-2%
-3%
+1%
-14%
+0%
+8%
+3%
-0%
+1%
+3%
+6%
+0%
+2%
ES Lower tier
ES Upper tier

Total U.S. Government Segment Deep Dive

Although government segment travelers represent just over 3% of total U.S. hotel demand, their impact is far more pronounced in certain markets—where in many cases they account for as much as 12% of total room nights. Reductions in government demand often signal broader shifts affecting federally affiliated travelers such as government contractors, military personnel, grant recipients, and their associated leisure or business stays. These guests may book through a wide range of rate categories—including corporate, Rack/BAR, OTA, and loyalty member rate—highlighting the importance of interpreting rate segment data in the broader context of demand drivers and traveler affiliation.



Since Kalibri's April 2025 white paper, the economic environment has remained volatile. Global conflicts, heightened operating costs, and sweeping federal policy shifts are shaping hotel performance well beyond the corporate and government segments. While many of these effects are surfacing across all rate categories, activity in the government segment continues to provide an indicator of how federal policy changes are beginning to influence broader hotel demand, particularly in markets more heavily dependent on government travel.

Government Market Performance

Total U.S. government room night demand is down 11% year-over-year in actualized performance through May 31, 2025, with future bookings for the next 30 days pacing even lower—17% below 2024 levels. While year-to-date government demand remains steady across much of the country—with two-thirds of submarkets showing flat performance—the sharper drop in future booking pace signals rising uncertainty among federally affiliated travelers. This contraction appears to reflect a combination of federal policy shifts and a broader climate of economic and geopolitical uncertainty.

Top Volume Government Markets

Year-over-Year % Change in 2025 YTD Government Room Nights

	Market	YoY % Change in 2025 YTD Actuals
1	Washington, DC/MD/VA	-26%
2	Hawaiian Islands, HI	-26%
3	Las Vegas, NV	-15%
4	San Diego, CA	-24%
5	Virginia Beach, VA	-15%
6	Houston, TX	-10%
7	Atlanta, GA	-11%
8	Orlando, FL	-14%
9	Los Angeles, CA	18%
10	Chicago, IL	-17%

YTD through 05/31/25; OTB as of 05/30/25

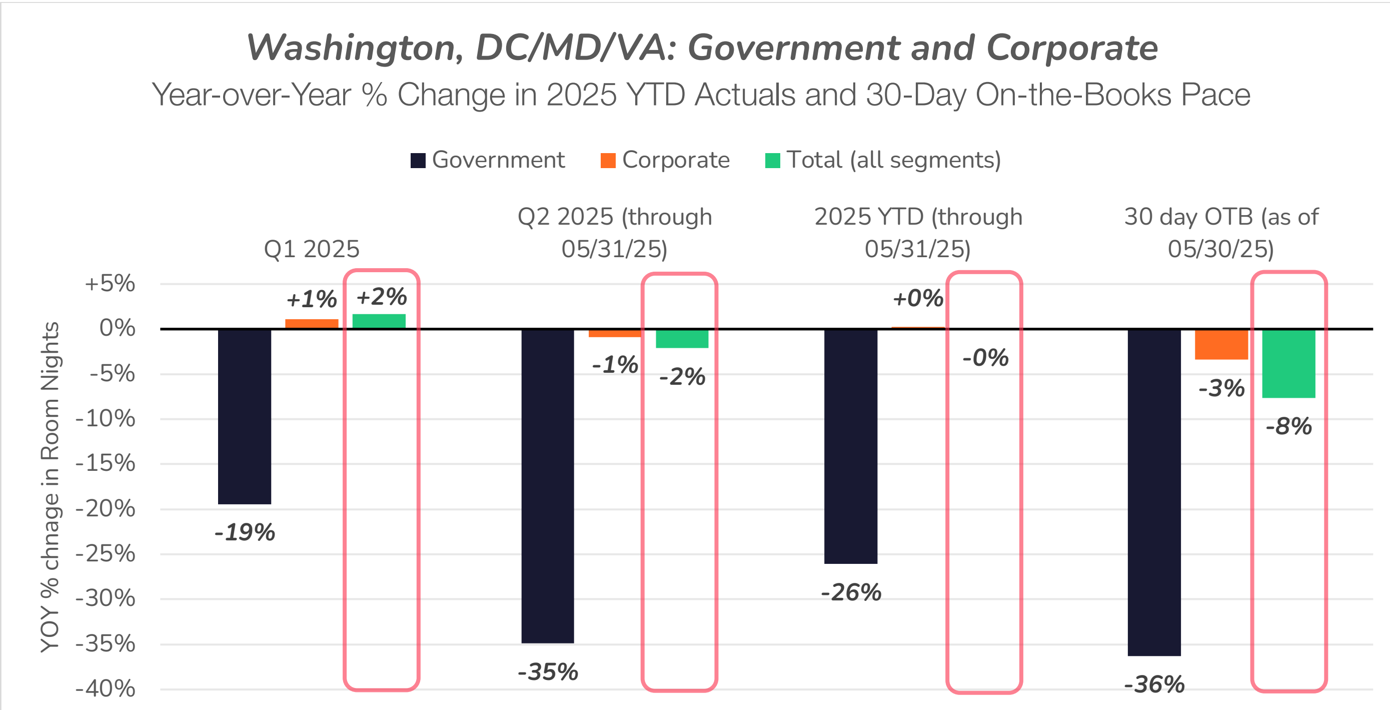
While most of the future softness is concentrated in small towns, suburban corridors, and rural areas, some submarket types—such as mid-sized city airports and select resort destinations—are showing signs of resilience. These early signals may reflect local travel patterns or delayed federal planning cycles, but they also reinforce the importance of monitoring government demand as a high-frequency indicator of federally linked activity.

Key Observations:

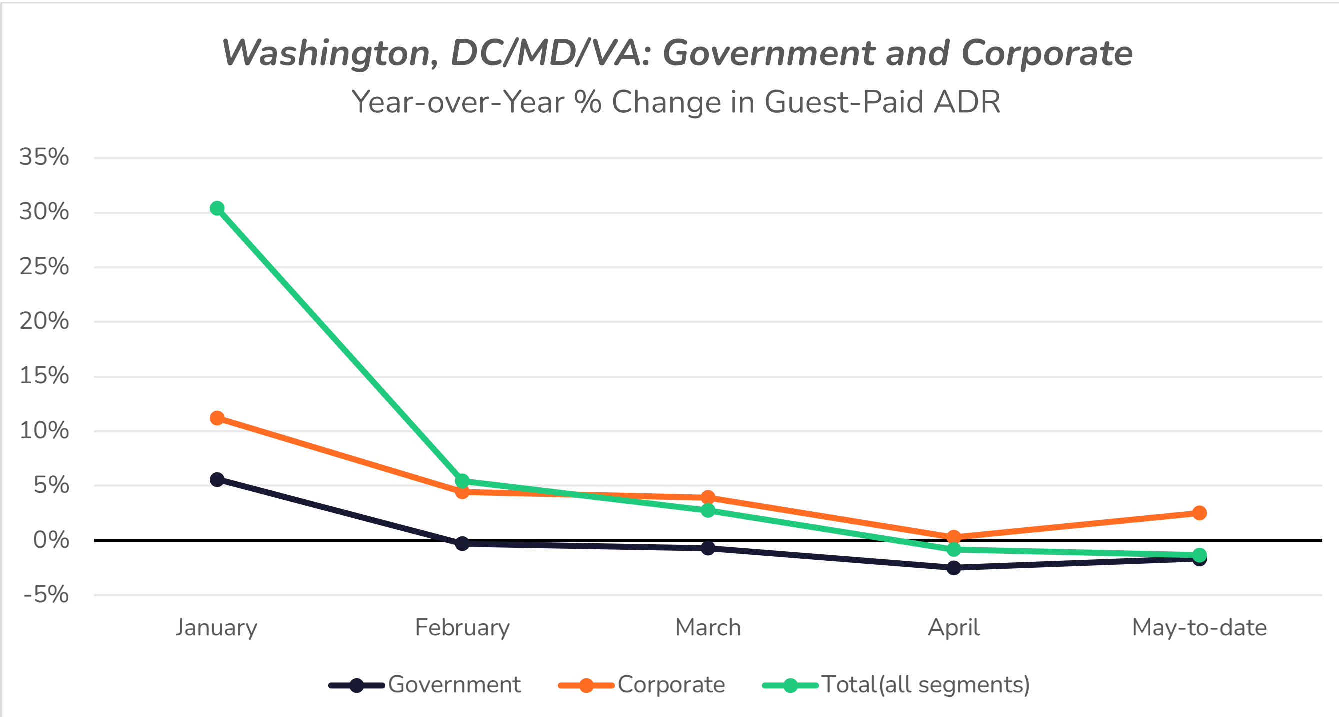
- 66% of submarkets reported flat year-to-date actuals (±5%) in government room nights.
- 19% of submarkets experienced year-over-year declines in demand, with 15% seeing moderate drops between -5% and -10%, and 4% falling by more than -10%.
- A total of 15% of submarkets saw year-over-year growth in government demand: 9% increased by +5% to +10% and 6% by +10% to +40%.
- 56% of mid-sized city airport submarkets are pacing flat or ahead in 30-day future bookings—the highest share of any submarket type.
- Most future softness is concentrated in small cities/towns, suburban metro areas, and rural locations—accounting for 66% of submarkets pacing more than 20% below 2024.
- Among top-volume government markets, Washington, DC, Hawaii, and San Diego are each down 24% to 26% year-over-year in government transient room nights; Los Angeles stands out with an 18% gain, likely linked to disaster-related activity such as wildfire response or recovery.

Market Deep Dive: Washington, DC/MD/VA

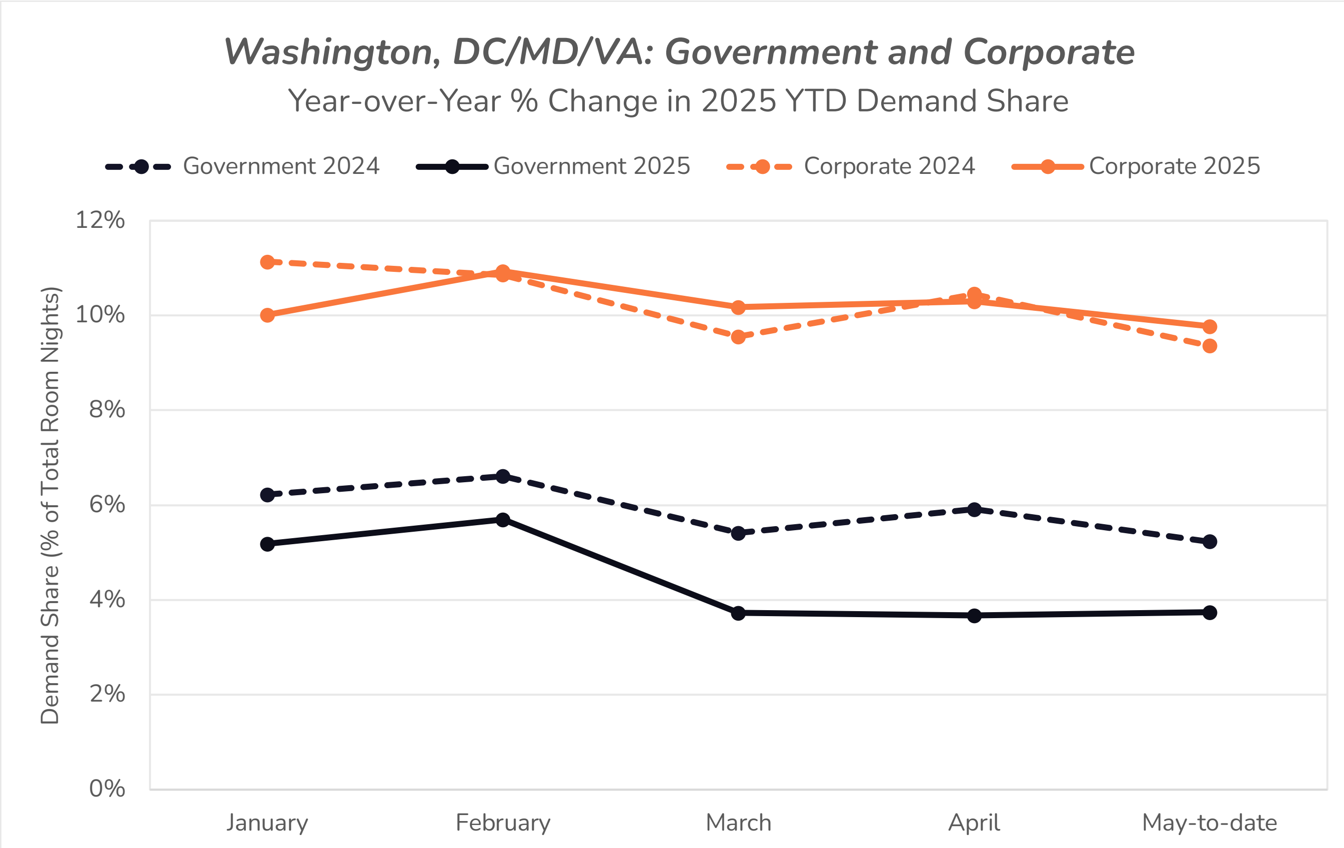
As the U.S. capital and a bellwether for federally driven travel, the Washington, DC/MD/VA market continues to experience meaningful pressure under the current policy and macroeconomic climate.



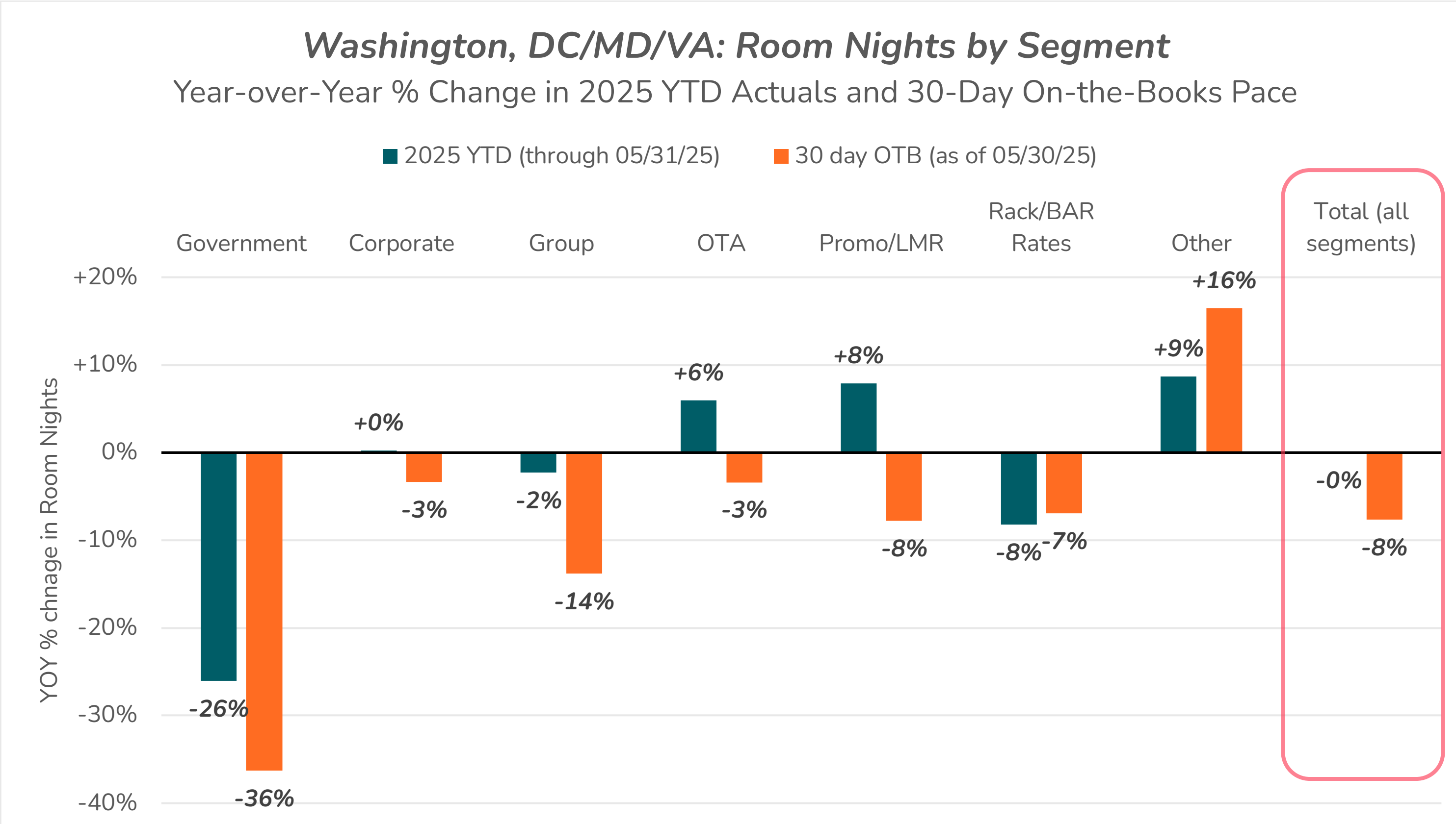
Through May 31, 2025, government segment demand in the Washington, DC market is down -26% year-over-year, with future bookings for the upcoming 30-day period falling further to -36%. While the corporate segment has shown greater stability—flat year-to-date and pacing -3% for the 30-day period following May 30—these declines are contributing to pricing pressure and demand share shifts. Guest-paid ADR for the government segment was higher than 2024 levels in January, a month that included the Inaugural period, but turned negative by February and has remained soft through May, possibly due to anecdotal reports of federal agencies requesting discounts on per diem rates.



Segment-level demand share trends also reflect the shift. Government's share of total room nights in the region has declined to below 4% year-to-date, compared to 5% in the same period last year. It is encouraging that the Corporate share is relatively unchanged at 10% while Group (24%), OTA (16%), and Other (17%) segments continue to comprise the largest shares of demand.



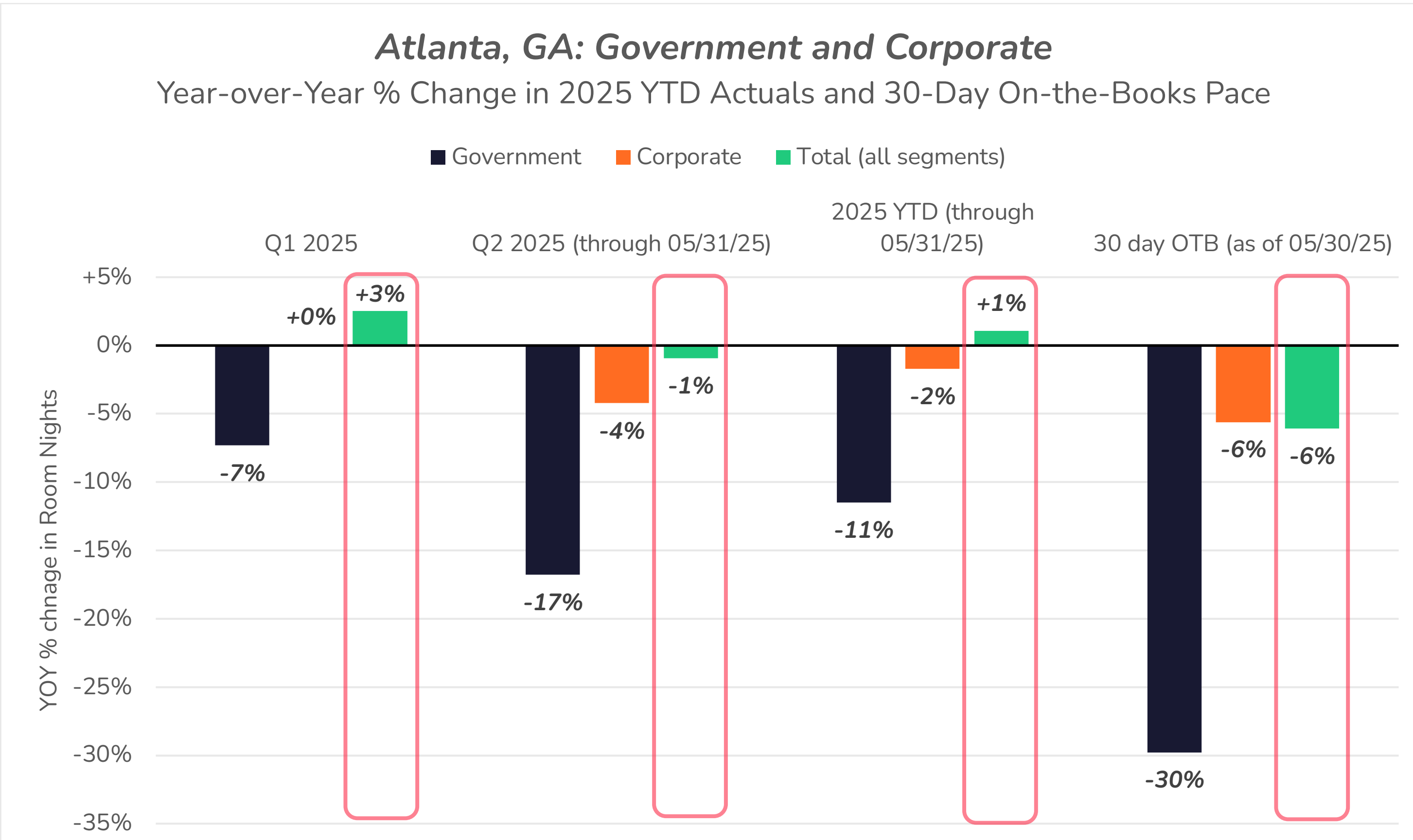
While lower-rated segments—such as OTA, Loyalty Member Rate (LMR), and discount transient categories within Other—have posted gains, they have not fully offset the deeper losses in government demand. As a result, total room night volume across all segments is now flat year-over-year, while guest-paid ADR has slipped below 2024 levels. This shift highlights the growing influence of discount-driven segments on topline performance and signals ongoing margin pressure as the region's demand mix continues to evolve.



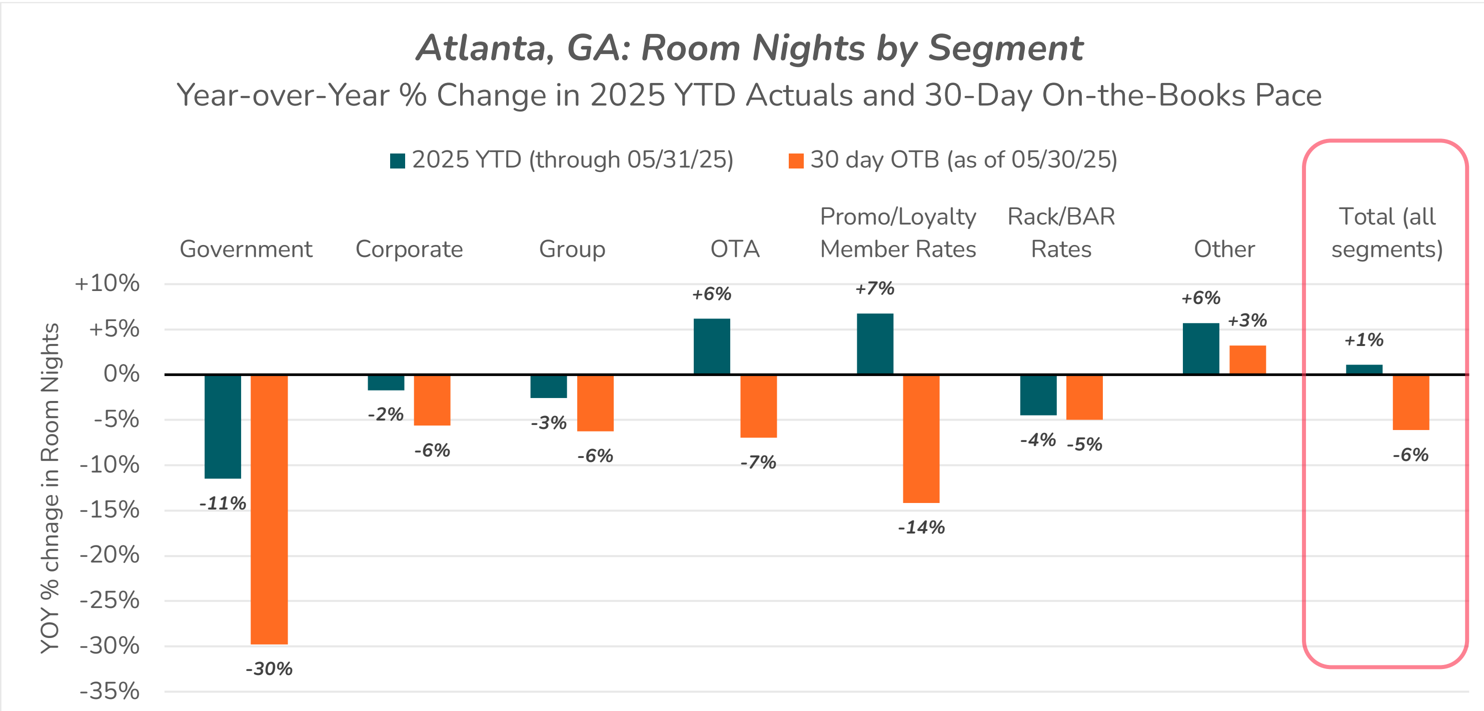
Washington, DC/MD/VA: Room Nights by Segment
Year-over-Year % Change in 2025 YTD Actuals and 30-Day On-the-Books Pace
2025 YTD (through 05/31/25)
30 day OTB (as of 05/30/25)
Government
Corporate
Group
OTA
Promo/LMR
Rack/BAR Rates
Other
Total (all segments)
YOY % chnage in Room Nights
+20%
+10%
0%
-10%
-20%
-30%
-40%
-26%
-36%
+0%
-3%
-2%
-14%
+6%
-3%
+8%
-8%
-8%
-7%
+9%
+16%
-0%
-8%

Market Deep Dive: Atlanta, GA

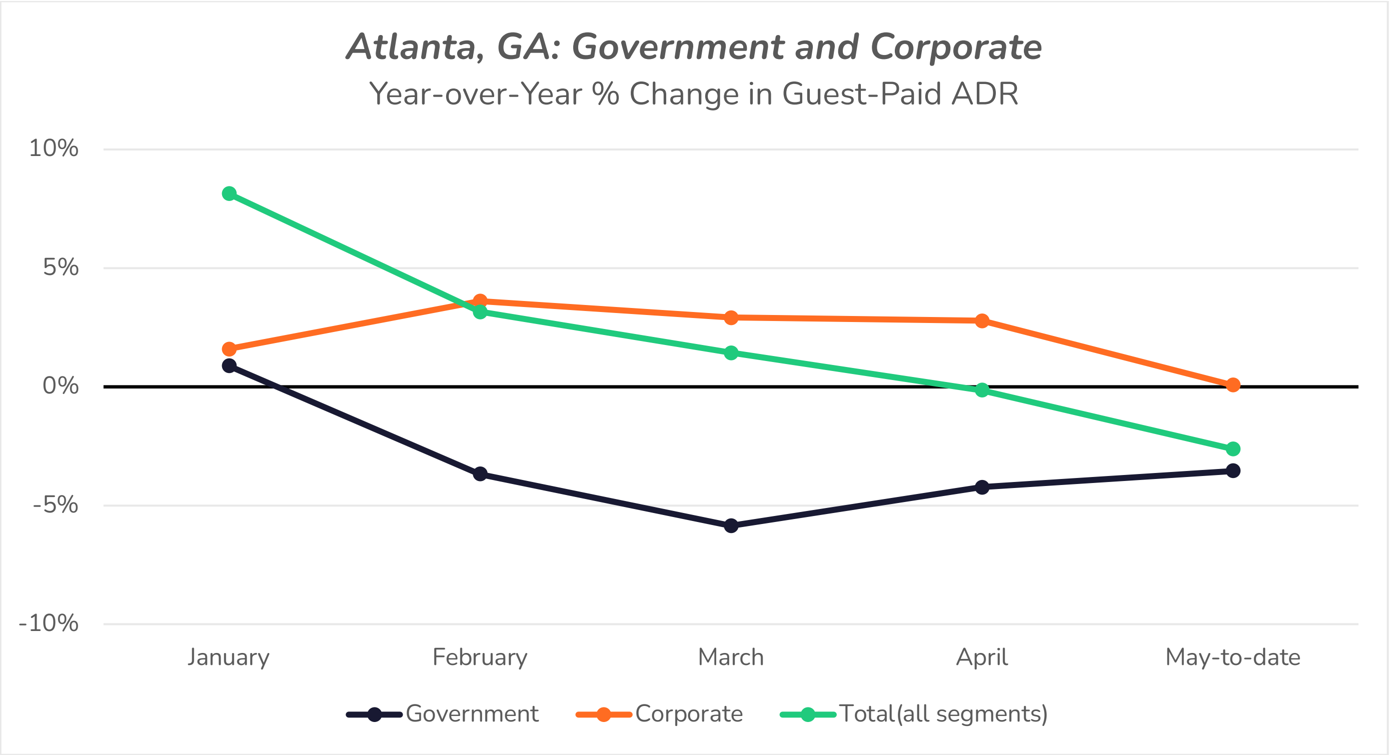
As a major Southeastern business and convention hub, the Atlanta market is holding relatively steady in 2025, with total room night demand up +1% year-over-year. However, segment-level trends reveal meaningful shifts in composition. Government demand has declined -11% YTD, with 30-day future bookings pacing even lower at -30%.



Year-to-date, group and corporate segments are down -3% and -2%, respectively, adding to the overall softness in commercial-related demand. These declines are being offset by gains in OTA and Promo/LMR demand, which are up +6% and +7% year-to-date, respectively, along with growth in several discount transient segments within the Other category.



Guest-paid ADR trends in Atlanta reflect softening in government and total performance. Government ADR declined steadily from February through April and remains several points below 2024 levels. Total ADR growth followed a similar pattern, turning negative by May. In contrast, corporate ADR growth has remained above 2024 levels for most of the year, though recent data shows it trending closer to flat. These shifts point to growing market rate pressure.



Taken together, these results highlight a market with reduced but stable topline volume along with increasing dependence on discount segments. As the summer season approaches, continued monitoring will be essential to assess whether this shift in business mix persists—and what it may mean for overall profitability in Atlanta.

Summary

The findings in this report underscore a U.S. hotel landscape experiencing limited growth with performance shaped by federal policy shifts, geopolitical volatility, and segment-level contraction in key demand drivers such as government and corporate travel. While total U.S. room night volume remains steady at a slightly lower level than 2024, the underlying data reveal differences by region, chain class, rate segment, and market location type. In many areas, growing reliance on discount rate categories is contributing to downward pressure on ADRs—introducing new challenges in sustaining profit margins and preserving asset value.

In this evolving environment, staying responsive to micro-market demand signals, monitoring booking patterns, and aligning with higher-yielding sources of business will be essential. The path ahead remains dynamic, but opportunities exist for those who can adapt quickly and deploy commercial resources with precision.

Future Kalibri reports will continue to track trends by market, submarket, location type, rate segment, and hotel chain class. Weekly data updates and monthly highlights will be available on Kalibri's website. In addition, detailed market- and submarket-level insights will soon be accessible through a new intelligence tool designed to support more agile and informed decision-making. Visit www.kalibrilabs.com/hummingbird-new to learn more.

About Kalibri

Kalibri is the hospitality industry's first Profit Platform—purpose-built to help hotels grow profit contribution and asset value. As hotel operating costs rise and commercial complexity intensifies, Kalibri enables owners, operators, and asset managers to shift beyond RevPAR and topline metrics and adopt a ProfitFirst™ strategy focused on high-margin revenue performance.

Powered by unmatched transaction-level data from over 35,000 hotels and driven by predictive AI, Kalibri's platform delivers visibility into the business mix that drives the greatest bottom-line impact. It equips hotel teams with the tools to align sales and marketing investments with margin growth, improve commercial decision-making, and maximize flow-through.

Kalibri's platform analyzes performance trends across 334 U.S. markets and 975 submarkets—incorporating cost of customer acquisition, length of stay, loyalty contribution, and future booking activity to reveal true profit potential. By redefining how success is measured, Kalibri is equipping hotel stakeholders with the insights needed to navigate uncertainty and execute smarter commercial strategies.

To learn more about Kalibri's solutions or to schedule a product demo, visit www.kalibrilabs.com/demo.