State of global hotel pricing - H1 2023:
Mid–year market snapshot of hotel room rates by OTA Insight
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Introduction

Overall, consumer spend on travel is resilient, with travellers looking towards typical vacation destinations and Average Daily Rate (ADR) growth has been steady in H1 2023 for the global hotel industry. Although, the US, which was leading the way in terms of travel demand, may be a harbinger of softening growth as household incomes face tighter budgets later in the year and into 2024. It seems that rapidly increasing interest rates in the US and falling real terms incomes are being felt, as the bounce in services spending following the reopening of the economy in 2022 fades.

What to look out for:

• Average room prices have just about exceeded their inflation-adjusted pre-pandemic levels in Europe and are now comfortably above 2019 levels in North America.

• After several difficult years, Asian hotels are now in growth mode, with advertised prices 19% higher in the second half of 2023 than in H2 2022.

• Short-term rentals are in high demand in Europe and the Middle East, with the former posting 2%+ month-on-month growth rates to open 2023.

• Tourists in Asia-Pacific are heading back to established favourites, with destinations in Japan, Thailand and Indonesia some of the strongest performers.

• Similarly, summer sun seekers are out in force in Europe and heading to typical favourites, with great room rate growth in H2 2023 for destinations in Southern Europe.

• Momentum appears to be slowing slightly in the North American market, with the US dominating the list of lowest performing destinations for room pricing in H2 2023 and demand indicators fading.

• It seems that rapidly increasing interest rates in the US and falling real terms incomes are being felt, as the bounce in services spending following the reopening of the economy in 2022 fades.
Steady hotel room pricing growth in H1 2023

As we close out the first half of 2023 all regions have experienced growth in hotel rates compared to one year ago, representing a broad-based continuation of spending growth in the global tourism and travel market.

Furthermore, all regions bar Africa are now above pre-pandemic levels in the average non-inflation adjusted rates posted by hotels.

When taking into account inflation, North American properties are now priced comfortably above 2019 levels after very strong rebounds in consumer spending on services, with non-adjusted prices nearly a third above where they sat three years previously, as are rooms in Oceania.

Looking at Europe, prices in H1 2023 have just surpassed inflation-adjusted rates, and the overall picture for the year looks extremely bright.

However, not all regions have entirely escaped the long shadow of disruption, as room prices in inflation-adjusted terms remain well below 2019 levels in Asia and Africa on average, with the typical room in Asia priced just 6% more than in H1 2019 in nominal US dollars.

We can see how reduced barriers to travel in Asia are changing this picture though, as year on year (YoY) growth in H1 2023 topped 19%, making it the best performing region. Growing confidence in travel and capability to make international journeys should continue this trend in H2 2023.
Average room price change from H1 2019 and H1 2022 to H1 2023 in USD

- Africa: -7%
- Asia: 19%
- Europe: 11%
- Latam: 15%
- Middle East: 17%
- North America: 31%
- Oceania: 33%
Short-term rental recovery is now firmly established

On a global basis short-term rental rates are now comfortably above pre-pandemic levels in nominal terms and exceed 2019 levels on an inflation-adjusted basis across global regions, with the exception of Asia.

Typically, regional prices have risen by more than 20% from 2019 and have trended upwards YoY for the opening five months of 2023. Asia is the region that bucks this overall positive picture, with prices stagnating this year compared to last and falling behind inflation for the reasons noted above, although this should turn around in the second half of 2023 and into 2024.

North America is also seeing rates remain roughly where they were to open 2022, marking a slowing pace after high growth rates in 2022.

In contrast, the star performer is the Middle East, where rates for the first five months of 2023 sit over 40% higher than where they were four years prior, leading all regions.

Another geography seeing excellent price growth is Europe, which is remarkable for the consistency in rising ADR over the recovery period. Prices for short-term rentals have grown by 2% or more month-on-month in Europe to open the first half of the year and are on course to be around a third higher than pre-pandemic for peak season, underlining excellent demand growth and a strong desire to travel to, and within, the region.
Average daily rate for short-term rentals in USD
Across the first five months of 2019, 2022 and 2023

[Graph showing average daily rates for short-term rentals across different regions and months from 2019 to 2023]
Strong US travel demand begins to moderate

The US hospitality market has been one of the best global performers since 2019. The US government eased travel restrictions earlier than other markets and there was robust spending on services following reopening as savings built up during the pandemic and stimulus checks flowed into pent-up travel demand.

However, our data suggests that this rapid rate of growth is now easing, with demand potentially plateauing across the remainder of 2023 according to initial indicators.

Looking at the differences in room prices between the second halves of 2022 and 2023, there is a 1% growth in non-adjusted prices in North America, compared to 6% in Asia and 5% in Europe.
Average room price change from H2 2022 to H2 2023

- Africa: 6.3%
- Asia: 5.2%
- Latam: -0.1%
- Middle East: -0.1%
- North America: 0.8%
- Oceania: -1.8%
- Europe: -4.9%
US vacation destinations to see a drop in room pricing

Furthermore, it is striking how prevalent US destinations are when we look at the weaker performers for room rate pricing changes globally, across the second half of 2023.

Thirteen of the bottom 20 worst performers for room price growth from H1 to H2 2023 are in the US, which runs counter to the typical pattern in North America of better pricing performance in the latter half of the year.

These locations are headed by some typically strong vacation destinations, particularly in Florida. West Palm Beach (-37%), Miami (-22%), Miami Beach (-25%), Florida Keys (-23%) and Tampa (-20%) are all in the bottom 20 worst global performers for price growth across the year.

Even previous high-flyer Maui, which we noted here last year as performing well, is now seeing forecasted prices for H2 2023 9% lower than in H2 2022.

There is spill over to nearby countries too, with weakness appearing in several of the most popular destinations for US tourists in Mexico, with poor pricing performance in Cancun, Los Cabos and Tulum this year, although Canadian destinations don’t appear to be impacted thus far.

Comparing regions further highlights the disparity. While there are just four destinations with falling prices between H1 2022 and H1 2023 in Asia, and seven in Europe, there were well over twenty in the US.

What likely lies behind this is that US consumers are facing some headwinds as interest rates have risen faster than in the EU and real incomes have been declining, while intent to save has risen.
Bottom 20 destinations for price growth for H1 2023 vs H2 2023

- West Palm Beach (Florida) (US) -36.8%
- Naples (Florida) (US) -34.7%
- Boca Raton (Florida) (US) -29.8%
- Sarasota (Florida) (US) -29.1%
- Khao Lak (TH) -28.9%
- Phuket (TH) -28.7%
- Palm Springs (California) (US) -27.1%
- Phoenix (US) -26.4%
- Fort Lauderdale (US) -26%
- Miami Beach (US) -24.9%
- Punta Cana (La Altagracia) (DO) -24.5%
- Saint Petersburg (Florida) (US) -24.2%
- Langkawi (MY) -24.1%
- Florida Keys (Florida) (US) -22.9%
- Miami (Florida) (US) -22.2%
- Tucson (US) -21.6%
- Marrakech (MA) -21.4%
- Cancun (MX) -20%
- Zermatt (CH) -21.4%
- Tampa (US) -21.4%
A Mediterranean summer beckons

As noted earlier, European rates and search volumes have performed well across the first half of 2023, indicating rising demand. That strength is set to continue through to the second half of the year, but the trend appears most pronounced in Southern European destinations, with prices soaring around a variety of picturesque Mediterranean locations.

These can be seen when we look at pricing growth from H1 2023 to H2 2023. The strongest global performers here are some of Europe’s foremost sun and sand tourism destinations. The Algarve (+84%), Ibiza (+67%), Santorini (65%), Benidorm (+65%), Sorrento (+47%) and Mallorca (+43%) are all experiencing rapidly rising rates both across 2023, and in comparison to 2022.

This indicates a strong summer season for Europe overall, but with the highest demand manifesting itself in ‘Instagrammable’ locations. This can also be seen in the very high presence of renowned, highly photographed Italian destinations in our top performing destinations, with Lake Garda, Florence and Rome sought-after destinations.

Top 20 destinations for positive price growth for H1 2023 vs H2 2023
Asian vacation favourites return at last

Asia has been a straggler in terms of pricing growth over the last two years, with weak demand in a wide variety of locations due to travel restrictions and lack of consumer confidence.

Most notably Japan and China have been two major markets that until relatively recently had controls on tourist movements.

As those restrictions have been lifted, confidence in making travel plans has returned for, and to, the largest markets. A variety of Asia’s most popular destinations are now on a rapid path to exceeding 2019 pricing levels after years of underperformance.

Those making the biggest YoY gains were amongst Asia’s most popular pre-pandemic international tourist destinations, showing a trend for travellers to return to known quantities and trusted spots.

Destinations in three prominent Asian countries dominate the top 20 countries for YoY price growth in H1 2023: Japan, Thailand and Indonesia.

The destinations growing fastest in these locations are the principal tourism draws in each country, with the major cities in Japan and Thailand performing well, alongside multiple locations in Bali.

The role of Chinese tourists here is undeniable, with Hong Kong also seeing prices nearly double from last year and Chinese tourists clearly favouring trustworthy destinations, but also often restricted to these locations while airlines re-establish flight routes.

The preferences of Chinese tourists can also be seen in the fact that many Taiwanese destinations have not had the same boost in 2023, as Chinese travellers shy away from the island, leading to falling prices in locations such as Kaohsiung and Taichung.
Top 20 destinations for positive price growth for H1 2023 vs H1 2022

- Winnipeg +53%
- Mississauga +52%
- Milan +48%
- Cairo +61%
- Chiang Mai +53%
- Bangkok +53%
- Phuket +82%
- Tokyo +106%
- Hong Kong +92%
- Fukuoka +88%
- Southern Peninsula +51%
- Seminyak +68%
- Kuta +56%
- Wellington +56%
- Queenstown +85%
- São Paulo +55%
- Buenos Aires +56%
Looking forward to H2 2023 and beyond

Consumers continue to display a desire to spend on travel and tourism, prioritising trusted, known destinations strongly associated with leisure travel. Leisure travel intent remains strong overall and is likely to return to pre-pandemic international travel levels if this trend continues for the remainder of 2023.

What to look out for:

- Travellers in Europe are looking towards coastal destinations, particularly in Southern Europe, alongside some of the continent’s most picturesque cities, such as Florence, Rome, Nantes and Prague.

- Similarly, travellers in Asia-Pacific are returning to popular pre-pandemic destinations and cities such as Tokyo, Kyoto, Bangkok and Chiang Mai have experienced high growth rates so far and are forecasted to perform well in H2 2023.

- The return of Chinese travellers is a major boost to regional spend, but those Chinese tourists are not venturing too far from the mainland or to more adventurous destinations as flight capacity remains constrained and group tours are yet to re-establish themselves.

- Spend appears to be slowing in the US, with pricing growth in H2 2023 coming in below the preceding two years.

- This is likely being driven by US economic conditions, as higher interest rates have fed through to the wider economy, while incomes have struggled to keep up with inflation, softening consumer spending.

- There is potential that the US is a predictor of things to come for the wider travel market, as consumer’s disposable incomes get squeezed even further. Travel spend may therefore moderate globally in 2024, reducing the rate at which hotels can increase prices.

Contact us today for more information and see the power of integrated real-time pricing, demand, and short-term rental data for yourself.

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About our tools

You too can access the largest source of hotel and short-term rental data in the world by using our industry leading, cloud-based data intelligence platform.

Rate Insight +
Make smarter pricing decisions. Get real-time rate intelligence with the industry’s leading hotel rate shopper.

Revenue Insight
Make better, faster decisions with dynamic hotel PMS analytics and unlock your revenue potential.

Market Insight
The industry’s first predictive market intelligence solution that captures hotel booking intent in real time to uncover new revenue opportunities.

Parity Insight
The end-to-end solution for groups and chains to track hotels’ parity performance, efficiently manage online partnerships and solve the right parity issues across OTAs and metasearch.

Spider
Unleash the power of unified data with a fully-automated, brand neutral business intelligence solution.

Benchmark Insight (Beta)
Empowering hoteliers with actionable intelligence on business performance that shapes strategic decision making and provides a deeper understanding of hotel market share.
About OTA Insight

OTA Insight empowers hoteliers to deliver smarter revenue, distribution, and marketing outcomes through its market-leading commercial platform.

Launched in 2012 with a mission to help the hospitality industry visualise and leverage its data in the most simple way, OTA Insight delivers the most comprehensive, complete and user-friendly commercial tech stack to hoteliers.

Through years of constant development and enhancement, OTA Insight equips hoteliers with historical, current and future-looking data to guide decision-making with complete, real-time and visually friendly datasets.

With live updates, 24/7 support, and highly intuitive and customisable dashboards, OTA Insight integrates with industry tools including hotel property management systems, leading RMS solutions, and data benchmarking providers. OTA Insight’s team of international experts supports more than 60,000 properties in 185 countries.

Winner of the Best Rate Shopping & Market Intelligence Solution, Parity Management Software, and Business Intelligence categories in the 2021, 2022 and 2023 HotelTechAwards, OTA Insight is widely recognised as a leader in hospitality business intelligence.