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Trends in the Lodging Industry

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Editor's Note...

Trends in the Lodging Industry

For the U.S. lodging industry, 2001 was indeed a significant year. At the onset came speculations about the robustness of our economy. With a sudden decline in the apparently overpriced equity prices, especially the dot com firms, it was evident that the economic bubble in our equity markets had finally burst, and that recession was setting in. On a positive note, however, the series of bold tax cuts by the federal government somehow managed to keep the real estate market alive in the United States.

The terrorist attacks of September 11 brought more damage to our economy. No other industry was more directly affected than tourism by these attacks. Air travel was severely affected. Major losses were reported not just in airlines but also in the lodging sector. Per recent reports, many hotel analysts are predicting major declines in occupancy rates, hotel revenues, and income during 2002. Some argue that the adverse effects attributable to terrorism should only be temporary. However, the impact of the current economic recession on the lodging sector should be of major concern for hotel operators and experts. How long should we expect such declines in lodging occupancy rates and revenues to continue? Some analysts, such as those at PricewaterhouseCoopers, expect 2003 to be a rebound year. Others, such as those at HVS, expect an up-tick in the lodging industry's financial performance by the middle of 2002. It is best to leave the onus of forecasting the industry's future to qualified experts. However, just the thought that several months of economic recession are already behind us could be construed as a silver lining by many optimists!