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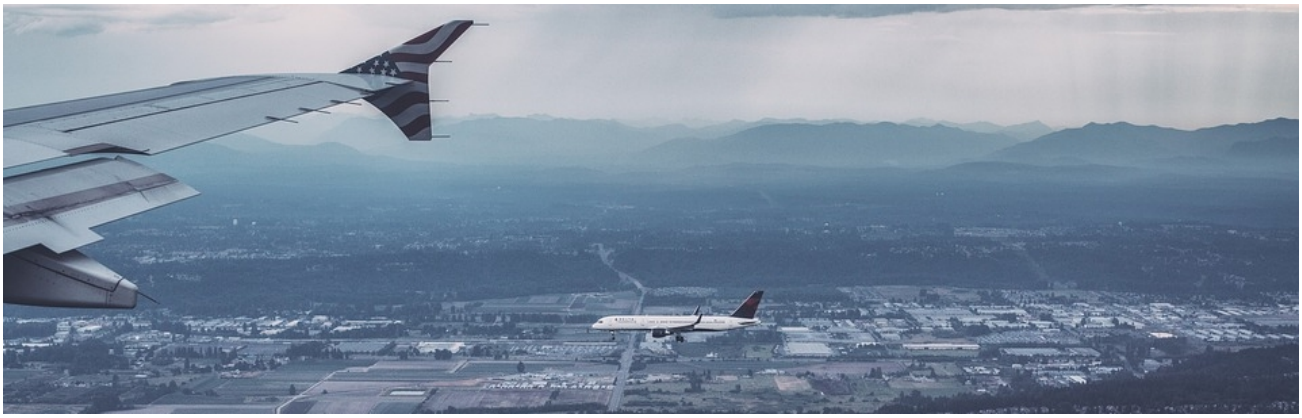
MARKET REPORT

Federal Per Diem: Fiscal 2020/21 & Historical Trends

AUGUST 31, 2020

This publication provides an overview of upcoming, current, and historical trends in the federal lodging per diem, with a focus on the per-diem rates for the top hotel lodging markets, as defined by STR.

Government per-diem rates are set for a number of locations, many applying to multiple regions or localities in each state. A per-diem rate is made up of three components: a lodging allowance, meals allowance, and incidental expense allowance[1]; however, this article and the data presented below focus solely on the lodging allowance. The per-diem lodging rates, which provide a maximum amount that a federal traveler can reimburse, are based on the costs of mid-priced hotels, and are set annually by the U.S. General Services Administration (GSA). The following article examines the per-diem trends of the top lodging markets, as defined by STR. Hawaii is typically included in this list of top lodging markets; however, it has been excluded because the per diem rates are only set for the continental states.



What is a Per-Diem Rate and How is it Calculated?

Since 2005, the U.S. General Services Administration (GSA) has set the rates for the continental United States based on the average daily rate (ADR) data provided by STR, less 5%. There are also a number of criteria on which the GSA bases its calculations, including (1) hotels that comply with the Hotel & Motel Fire Safety Act of 1990, (2) properties within the mid-price range by STR, (3) ADR data from the prior twelve-month period, (4) Monday through Thursday weekday travel data,

and (5) sustained seasonal rate periods. Given the criteria above, the GSA sets a standard continental United States (Standard CONUS) per-diem rate; however, it also establishes individual rates for Non-Standard Areas (NSAs) that tend to have per-diem rates higher than the standard.

As one can imagine, the per-diem rates, as well as the areas represented, change annually as trends in local economies vary. For example, hotels in certain counties or cities may historically have been in the standard rate category, but perhaps their lodging ADRs have since increased, thus requiring that the GSA create a new NSA for that destination to allow a higher allowance to the federal traveler. The opposite also applies. For fiscal 2020/21, 319 NSAs were considered to have higher rates than the standard rate, which was reported to be $96 for the lodging allowance; in fiscal 2019/20, there were 322 NSAs.[2]

For the fiscal year 2020/21 per-diem study, the GSA used ADR data generated from March 2019 to February 2020, but the rates are not effective until October 1 of each year. The following data[3] reflect lodging average per-diem rates for the top U.S. lodging markets, taking any seasonality into account, presented in order from the destination with the highest difference above the Standard CONSUS.

Top U.S. Lodging Markets: Average Per-Diem Rates – Rankings

STATE	DESTINATION	2020/21 Per Diem	Standard Per Diem
CA	San Francisco	$291.66	$195.66
MA	Boston/Cambridge	$251.23	$155.23
NY	New York City	$244.90	$148.90
DC	District of Columbia	$220.21	$124.21
TN	Nashville	$219.81	$123.81
WA	Seattle	$204.15	$108.15
PA	Philadelphia	$184.49	$88.49
IL	Chicago	$184.25	$88.25
CO	Denver/Aurora	$182.13	$86.13
CA	Los Angeles	$179.67	$83.67
CA	San Diego	$170.95	$74.95
GA	Atlanta	$163.00	$67.00
FL	Miami	$148.50	$52.50
MN	Minneapolis/St. Paul	$148.00	$52.00
LA	New Orleans	$145.14	$49.14
MO	St. Louis	$141.00	$45.00
AZ	Phoenix/Scottsdale	$137.17	$41.17
FL	Tampa/St. Petersburg	$136.89	$40.89
FL	Orlando	$134.97	$38.97
MI	Detroit	$133.00	$37.00
TX	Dallas	$132.37	$36.37
VA	Virginia Beach	$126.11	$30.11
TX	Houston	$122.00	$26.00
Standard CONUS Lodging Per Diem		$96.00	---

Source: U.S. General Services Administration

As mentioned previously, per-diem rates can change annually. The following data illustrate the change in rate over the last five fiscal years. With the key below, the reader can see that market per-diem rates change relatively frequently, often tied to the overall health of the area's lodging market performance. The markets below are presented in alphabetical order.

Top U.S. Lodging Markets: Lodging Per-Diem Rates – Five-Year Trend

6.01%	to	8.00%	Significant Increase
2.01%	to	6.00%	Moderate Increase
-2.00%	to	2.00%	Stable
-6.00%	to	-2.01%	Moderate Decrease
-8.00%	to	-6.01%	Significant Decrease

STATE	DESTINATION	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016
AZ	Phoenix/Scottsdale						
CA	Los Angeles						
CA	San Diego						
CA	San Francisco						
CO	Denver/Aurora						
DC	District of Columbia						
FL	Miami						
FL	Orlando						
FL	Tampa/St. Petersburg						
GA	Atlanta						
IL	Chicago						
LA	New Orleans						
MA	Boston/Cambridge						
MI	Detroit						
MN	Minneapolis/St. Paul						
MO	St. Louis						
NY	New York City						
PA	Philadelphia						
TN	Nashville						
TX	Dallas						
TX	Houston						
VA	Virginia Beach						
WA	Seattle						
Standard CONUS							

Source: U.S. General Services Administration

While federal travelers may not represent primary sources of demand in many markets throughout the United States, the rates still provide a number of economic indications for certain areas. From a valuation standpoint, in markets where federal government travel is significant to hotel demand, a hotel's pro forma and any revenue projections should heavily consider the most recently published rates, including the seasonality changes and recent changes that may affect future per-diem rates, as this could influence the hotel's revenues. Given that the ADR data used by GSA to set per-diem rates for the fiscal 2020/21 period are from March 2019 to February 2020, the effects of the COVID-19 pandemic are not reflected in the rates set. It is unclear how per-diem rates will be set for the fiscal 2021/22 year, if different from historical procedures, given the substantial declines in ADR in markets nationwide because of the COVID-19 pandemic.

[1] FY 2021 Per Diem Highlights (gsa.gov/travel/plan-book/per-diem-rates)

[2] FY 2021 Per Diem Highlights (gsa.gov/travel/plan-book/per-diem-rates)

[3] Per Diem Rates (gsa.gov/travel/plan-book/per-diem-rates)