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MARKET REPORT

Galveston's Lodging Sector Evolves with Cruise Growth, Supply Changes, and Regulatory Shifts

AUGUST 28, 2025

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Positioning for Upside

Over the past five years, Galveston's $400 million in tourism-related spending has encompassed new cruise terminals, historic property restorations, and increasing boutique lodging options.

The 840-acre Port of Galveston, now the fourth busiest cruise port in North America, anchors both the local economy and the area lodging market. The port currently operates three terminals, and Terminal 10's 2022 debut helped raise passenger volume to 1.7 million in 2024. The $156-million Terminal 16, scheduled for completion in late 2025, will be a home port for MSC Cruises and Norwegian Cruise Line and should push annual capacity beyond two million passengers.

Leisure visitation is further supported by Galveston's beaches, attractions, and cultural events, while corporate and group travel is underpinned by activity in logistics, health care, education, and petrochemicals.

Galveston's investment wave is enhancing its hospitality landscape and pairing landmark restorations with select new projects, as illustrated below.



Sources: The Tremont House, Grand Galvez, Hilton Galveston Island Resort, Hotel Lucine, Margaritaville Beach Resort Galveston (courtesy of Finn Partners)

Additional notable supply changes include the opening of Mansard House in 2022 as a boutique hotel conversion; the repositioning of Beachfront Palms under the Clarion Pointe brand in 2025; the 2025 acquisition and renovation of Commodore on the Beach, with reopening scheduled for 2026; and the construction of the Seabreeze Hotel, planned to open in 2026 under the Ascend Collection flag.

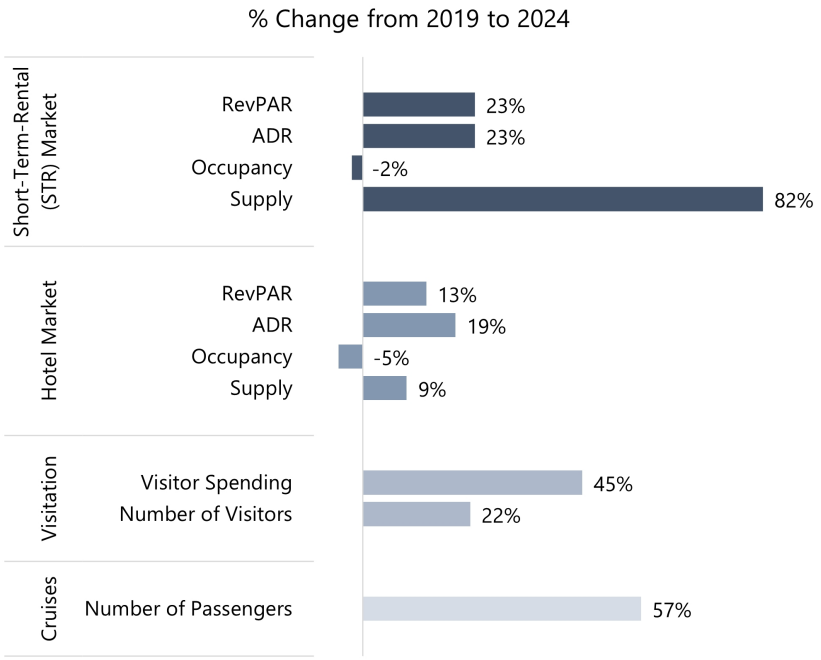
As a barrier island, Galveston faces geographic and regulatory land constraints that have historically kept annual hotel supply growth under 2.0%. These factors are expected to continue to limit new supply.

Overall, reinvestment in legacy hotels and the arrival of new boutique offerings have elevated the quality of the inventory. Occupancy has eased modestly since 2019, but ADR increased at a faster pace, reflecting that inflation and upgraded products have helped support revenue performance.

Snapshot of Market Performance Metrics

Galveston's lodging market is operating at its greatest scale, supported by record visitation, $1.3 billion in tourism spending, and its position as one of the busiest cruise ports in North America. From 2019 to 2024, cruise passengers increased more than 50%, while hotel room supply grew less than 10%. Occupancy declined by about five points, but ADR improved by 20%, driving a 13% RevPAR gain. Short-term rentals (STRs) nearly doubled, with ADR growth for STRs outpacing occupancy. The table below outlines the market's changes in cruise-passenger, visitation, hotel, and STR performance.

Performance Data Illustrate Significant Growth in STR Supply, Visitation, and Cruise Passengers since 2019



Source: Visit Galveston, Port of Galveston, Galveston Park Board

The number of STRs in Galveston has nearly doubled since 2019, and this sector has become a major component of lodging supply. Regulation began with the Park Board's implementation of mandatory registration and hotel occupancy tax collection in 2015 and strengthened in 2021 with advertising disclosure rules. Profitability has tightened as insurance premiums have risen. Meanwhile, beginning in 2024, STR furnishings were taxed as business property, bringing STRs and hotels closer to parity. A structural shift will arrive in October 2025 when the city assumes oversight of registration and tax collection. Given these regulations, the STR sector in Galveston is transitioning from rapid expansion to a controlled, complementary role within the lodging market.

Outlook: Measured Growth

Galveston's lodging market is evolving through reinvestment, selective construction, and regulatory oversight rather than unchecked growth. Cruise infrastructure expansion, highlighted by the construction of Terminal 16, is expected to drive sustained demand, while Margaritaville and new boutique properties will broaden hotel product diversity. Coastal development limits and phased project delivery keep annual inventory growth modest. Hotels are benefiting from limited supply, with ADR supported by renovations and brand upgrades, while STRs are stabilizing under stricter governance. Given these factors, Galveston is positioned for measured expansion. For investors, the market offers a compelling mix of stable fundamentals and long-term growth catalysts within a controlled supply environment.

At HVS, our strategic positioning within local markets empowers us to conduct primary interviews with key market participants. This approach ensures we obtain real-time insights and current data for each market we operate in. Learn more about the impact of Galveston's expansion on hotel demand by contacting Bunmi Oyinloye, your local HVS Gulf Coast hospitality expert.

Sources

Visit Galveston

Galveston Park Board, TX | Official Website

Port of Galveston, TX | Official Website

STR