

Navigating the Longer Road Back: The Recovery of Manhattan's Hotel Market

June 13, 2025 / By Roland de Milleret, MAI, Patricia Shih



The Manhattan market has been experiencing a prolonged post-pandemic occupancy recovery, despite strong ADR gains. Although legislative and supply changes should bolster this recovery, recent geopolitical factors and the tariffs and policy changes enacted by the new federal administration are expected to affect short-term hotel market trends. Our current demand forecast shows a full recovery beyond 2019 levels by 2027/28.

The Manhattan market remained resilient during the decade ending 2019 but was severely affected by the COVID-19 pandemic. The last four years have been a period of continued occupancy recovery for the market, coupled with strong gains in average daily rate (ADR) driven in part by high inflationary levels. In 2023, the market ADR surpassed the 2019 level by over 20%. ADR then peaked in 2024, exceeding the 2019 level by over 26%. Occupancy continued to lag in 2024, ending in the mid-80s. Nonetheless, substantial ADR increases bolstered the market's 2023 RevPAR approximately 14% above the 2019 level and its 2024 RevPAR approximately 24% above the 2019 level.

The full market recovery will require the complete return of international travel, meeting and group business, and commercial demand. The current geopolitical factors and recently imposed tariffs, however, have created a strong level of uncertainty regarding international visitation to the United States. The unpredictable timing and nature of policy decisions and the rhetoric of the new administration contribute to the uncertainty of inbound international travel, making it difficult to provide a near-term forecast.

In early May 2025, **New York City Tourism + Conventions** revised its projection of 2025 visitation to 61.4 million, down from the February 2025 forecast of 64.4 million. However, inflationary levels may increase from the recently imposed tariffs, which may indirectly boost domestic travel. Some consumers may consider more cost-effective domestic trips to manage discretionary income, which could offset a portion of any loss in international room-night demand. A resumed trend of inflation increases may also affect ADR growth.



Hotels as Temporary Shelter Facilities

Most hotels that closed temporarily in 2020 reopened following the most significant effects of the pandemic. However, some have permanently closed, others are operating as temporary shelters for unhoused individuals or migrants/asylum seekers, and still others have been or may be converted to alternate uses. Prior to the pandemic, some of the outer-borough hotels were already contracting guestrooms with the **New York City Department of Homeless Services** (NYC DHS) to provide temporary shelter facilities for residents experiencing homelessness. Additional lodging facilities were temporarily utilized as shelters during 2020 and 2021 to meet

Summary

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social-distance requirements during the height of the pandemic.

Intensifying the housing dilemma, an influx of migrants and asylum seekers (many of whom were transported directly from other states) began to arrive in New York City in the second quarter of 2022; such influxes became a regular occurrence through mid-year 2024. More than 210,000 migrants and asylum seekers arrived in the city during this period. Several dozen hotels within the five boroughs have been utilized as temporary shelters as city officials attempted to manage the crisis surrounding unhoused residents and the influx of migrants and asylum seekers.

Given the reduced arrivals of migrants and asylum seekers and the limited funding, city officials have been closing the temporary shelters in waves since mid-year 2024. Numerous hotels have reopened to the public following the shelter closures. At least a dozen more lodging facilities are slated to close as temporary shelters by the end of June 2025, including the Roosevelt Hotel in Midtown Manhattan, which served as the main intake center and Humanitarian Emergency Response and Relief Center for migrants and asylum seekers. While most of these properties are expected to reopen to the public as hotels, the Roosevelt Hotel is anticipated to be demolished to make room for a large-scale development. Furthermore, many of the hotels currently operating as temporary shelters, as well as those that have remained closed with uncertain reopening dates, are older assets that are in fair to good condition, and many have significant obsolescence drawbacks. As such, we anticipate that over 50% of those hotels have a high probability of either closing permanently or being converted to another use over the next several years. In some cases, the use of hotels to shelter New York City's unhoused population could become a permanent solution to the city's affordable housing crisis.

Local Law 18

Local Law 18, known as the Short-Term Rental Registration Law, was adopted on January 9, 2022, requiring all short-term-rental hosts to register with the Mayor's **Office of Special Enforcement** (OSE). Local Law 18 prohibits booking platforms (such as **Airbnb**, **Vrbo**, and **Hotels.com**) from processing transactions for short-term rentals that are not registered with the OSE. On September 5, 2023, the OSE commenced the initial phase of Local Law 18 enforcement to ensure that short-term-rental hosts are using the city's verification system consistently and correctly. Given the tight restrictions, a large portion of the short-term rentals in New York City are not permitted to operate. Hotels have reportedly been absorbing a portion of this room-night demand. Hotel owners and operators in the market continue to carefully observe hotel demand trends for changes that develop in response to Local Law 18; however, some time is needed for these trends to evolve.

There has been continued opposition to Local Law 18 from city residents, as the short-term rental restrictions have had negative financial consequences for homeowners who rely on short-term rentals for additional income. On November 13, 2024, a few City Council members presented **Intro. 1107** that would grant some short-term-rental flexibility for owners of one- and two-family homes. The proposed Intro. 1107 has full support from the **Restore Homeowners Autonomy & Rights** group, which comprises several hundred homeowners and has been pushing for changes to Local Law 18. An amended Intro. 1107-A was introduced on February 3, 2025. Tenant advocates, hotel industry participants, and the Hotel Trades Council oppose the proposed Intro. 1107 and do not support the amended Intro. 1107-A. No final decision has been made yet regarding the amended Intro. 1107-A.

Local Law 97

Local Law 97 was passed in April 2019 as part of the **Climate Mobilization Act**, which requires that most buildings greater than 25,000 gross square feet must meet new energy-efficiency and greenhouse gas-emissions standards as of 2024, reduce emissions by 40% as of 2030, and reduce emissions by 100% as of 2050. Many property owners and operators have reported that their hotel buildings meet the 2024 and 2030 requirements.

Starting on July 1, 2025, penalties will be issued for either non-compliance with the requirements or non-reporting. Thus, owners of older hotels must take into account the cost of either making the required upgrades or remitting penalty fines. While Local Law 97 does not directly affect Manhattan guestroom inventory, these potential costs, along with the associated higher development costs and other expenses (e.g., higher property

and liability insurance premiums), must be considered by hotel developers, hotel ownership entities, and hotel operators.

Safe Hotels Act (Bill Int. 991)—Effective May 3, 2025

In July 2024, the **New York City Council** introduced the proposed bill **Int. 991-2024**, which is known as the “Safe Hotels Act.” The proposed bill underwent a few revised versions between August and October 2024 following review and discussions between the City Council, **Hotel and Gaming Trades Council**, and **Protect NYC Tourism Coalition**. A final version of the proposed bill was signed into law on November 4, 2024, and the Safe Hotels Act went into effect on May 3, 2025.

The law includes numerous service and safety requirements, which many hotels already follow as part of their standard operating procedures. The following are the main new regulations:

- All hotels in New York City are required to obtain a hotel license, which will be valid for a two-year term, for the operation of the hotel. The hotel operator must obtain a hotel license renewal every two years thereafter.
- All hotels in New York City (regardless of guestroom count) must maintain continuous front desk coverage during operational hours. As such, at least one staff member must provide front desk services during overnight periods.
- All hotels in New York City with 100 or more guestrooms cannot subcontract “core hotel” positions and must directly employ these staff members. “Core hotel” positions are defined as front desk, housekeeping, and front service (e.g., house person, bell person, door person).
 - This requirement does not apply to hotels with less than 100 guestrooms.
 - Subcontractor staffing contracts that were executed prior to the law’s May 3, 2025, effective date may remain in effect if the contracts provide for termination by a certain date.
 - A hotel owner need not directly employ core employees if the owner retains a single hotel operator to manage all hotel operations involving core employees, in which case the hotel operator must be the direct employer of the core employees.
- All hotels in New York City with more than 400 guestrooms (categorized as “large hotels”) must have at least one security guard onsite during all operating hours.
- No hotels in New York City, with the exception of airport hotels, may offer guestroom bookings for less than four hours.

The hotel license application has been online since at least April 2025, and a large portion of market hotels have reportedly submitted the license application. Hotel market participants are thoroughly observing the entire process as all of the regulations are implemented.

NYC Citywide Hotels Text Amendment

In December 2018, the City Council adopted a text amendment to the M1 zoning district regulations, creating a requirement for a special-use permit for new hotel developments in M1 zoning districts. On December 9, 2021, the City Council adopted the **Citywide Hotels Text Amendment**, which extends the special-use permit requirement to all new hotel construction projects in all five boroughs. This essentially eliminated as-of-right hotel development in Manhattan.

The Citywide Hotels Text Amendment also requires that hotel construction commencing after December 9, 2021, use unionized construction workforces. Hotel owners and operators must then adhere to collective bargaining agreements for hourly staff in the operational departments (rooms, food and beverage, and engineering/maintenance). Thus, hotel owners and operators must consider the higher costs associated with these labor requirements. We note that food and beverage operations leased to external operators are exempt from the unionized workforce requirement.

Although the development of limited- and select-service lodging facilities is expected to be stifled by the NYC

Citywide Hotels Text Amendment, the potential remains for the development of upper-upscale and luxury products where revenue generation could offset the higher construction and operational costs.

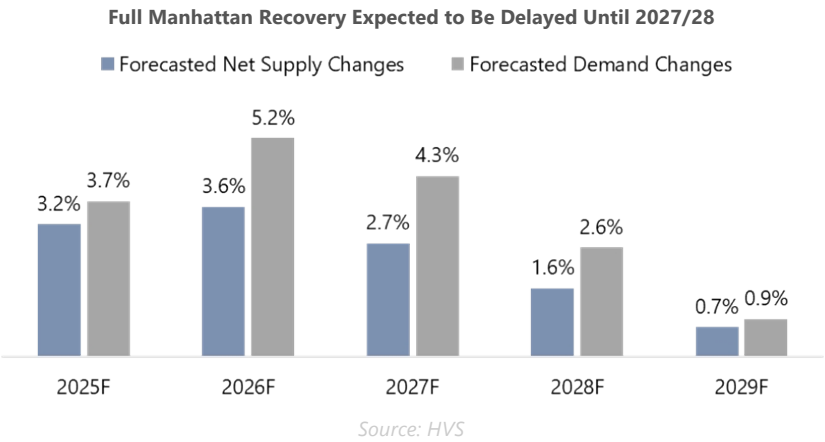
Expiration of Local Law 50 and New Housing Laws

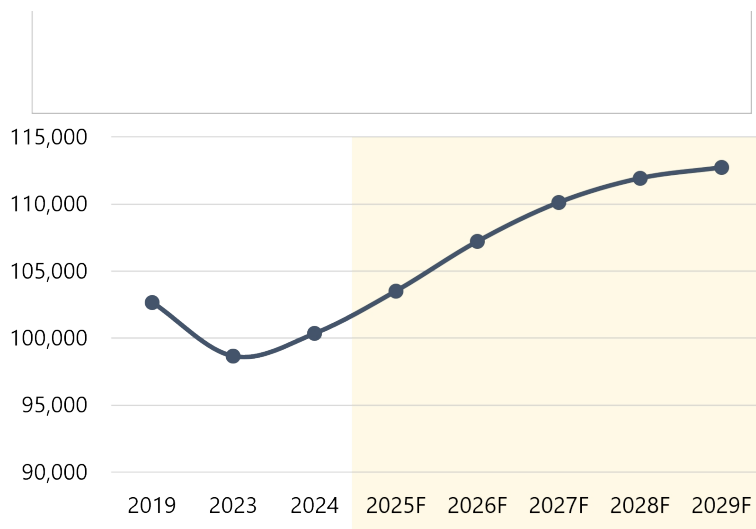
Local Law 50 was enacted in 2015 to prohibit the conversion of hotels with more than 150 guestrooms to alternate uses. Under Local Law 50, owners of large hotels could convert only 20% of the guestroom inventory to another use, such as micro apartments and student housing; at least 80% of the property’s guestroom inventory was required to be retained for hotel use. Local Law 50 expired in June 2019; thus, some hotels may operate with a reduced guestroom count in an effort to increase operational efficiencies.

Additionally, the **Housing Our Neighbors with Dignity Act**, or HONDA (S5257C/A6593B), that was signed into New York State law in June 2021 enables financially distressed hotels and office buildings to be permanently converted to affordable housing. Moreover, the **Hotel Conversion Bill** (S4937C/A6262B) was enacted in June 2022, allowing residential hotels with different building regulations (Class B hotels) located within residential zoning districts or within 400 feet of such districts to be converted to permanent residential units with their existing certificates of occupancy.

Manhattan Market Forecast 2025–2029

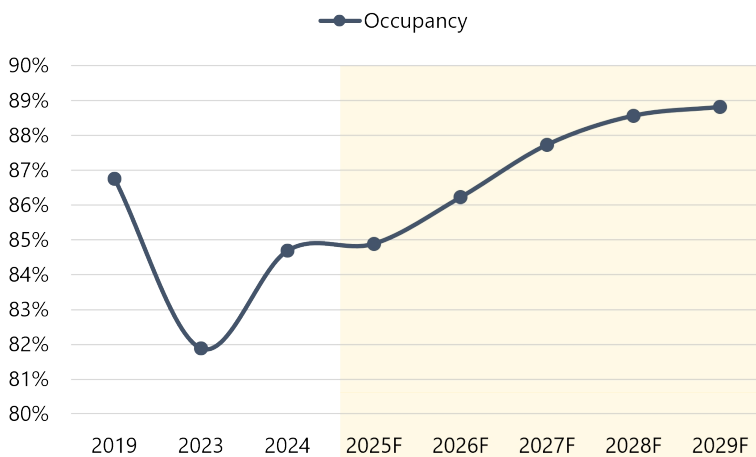
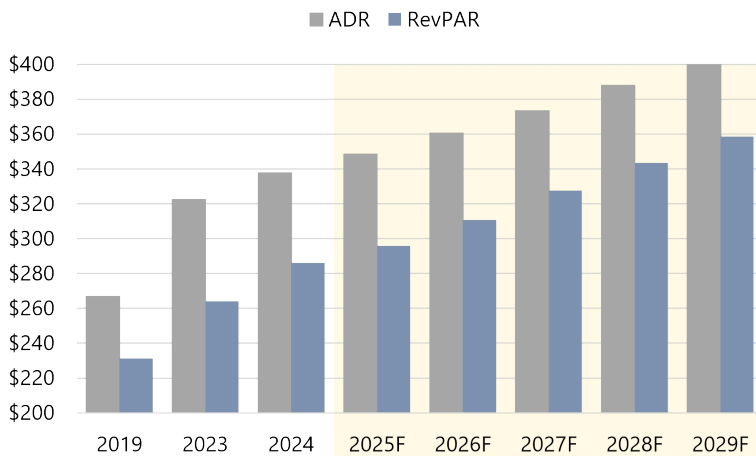
Based on our analysis of the historical data, a review of the net new supply pipeline, the potential short-term impact of the current geopolitical factors and imposed tariffs, and the long-term outlook for demand growth, we have prepared the following forecasts for the Manhattan lodging market through 2029.





Source: **CoStar/STR** (Historical), **HVS** (Forecast)

Manhattan Occupancy, ADR & RevPAR Forecast to Stabilize in 2027/28



Source: **STR** (Historical), **HVS** (Forecast)

MetLife Stadium has been awarded eight tournaments for the **FIFA World Cup 2026**, as well as the World Cup final. MetLife Stadium is located in East Rutherford, New Jersey, roughly ten miles (by car) northwest of Manhattan. Given this location, the World Cup matches will be hosted jointly by New York City and New Jersey. The eight World Cup tournaments and the World Cup final are anticipated to substantially bolster leisure and tourism demand and ADR levels for the local area. Manhattan is expected to be particularly affected given the borough's direct access to/from northern New Jersey. The current geopolitical factors and the new administration's immigration policies may affect visitation for the matches in 2026; however, the level of impact

remains to be seen.

Strengthening demand and a constrained supply pipeline are expected to support continued ADR growth. Contributors to the anticipated demand growth include the sustained return of international leisure travelers, further gradual return of business travel, and stronger meeting and group activity. Occupancy is anticipated to reach the mid-to-high 80s by 2026/27, mirroring the market's performance in the decade prior to the pandemic. We have forecast occupancy to stabilize at 88.8% in 2029, modestly higher than the 2019 peak, given the restricted supply pipeline.

Conclusion

The Manhattan lodging market experienced extraordinary growth in the decade prior to 2020. During this period, demand growth was approximately 57%, which outpaced the 52% increase in supply. Occupancy levels were firmly established in the upper 80s during this period. However, the introduction of new guestroom inventory contributed to a decline in ADR from 2015 to 2017 and again in 2019.

The COVID-19 pandemic altered the trajectory of Manhattan lodging performance and had severe effects on the market beginning in 2020. The market has been experiencing an accelerating recovery for the last three years, with growth primarily due to strong gains in average rate. The current geopolitical factors and the imposed tariffs and policy changes of the new administration, however, may affect room-night demand in the short term. The market is well positioned for continued economic success over the longer term, supported by a diverse base of employers, a robust tourism industry, and an expanded convention center, as well as multiple new and planned larger-scale, mixed-use developments. Occupancy levels should return to historical norms as global travel continues to strengthen and New York City remains a premier gateway destination. Finally, as the net new supply is absorbed through 2028 and the new supply pipeline contracts considerably, ADR increases are expected to strengthen, supporting the forecasted RevPAR growth.

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About **Roland de Milleret, MAI**



Roland de Milleret, MAI, is a Senior Managing Director of HVS New York. Since joining HVS in 1999, Roland has provided hotel investment advice and conducted appraisals, feasibility studies, and other consultancy assignments for over 3,500 hotels and resorts in the U.S., Mexico, and the Caribbean. His industry expertise also includes the selection of management companies and the negotiation of management agreements. Roland is a leading expert on the Manhattan lodging market and has worked on assignments for most of the hotels in that market. Roland was an adjunct professor at NYU's School of Continuing and Professional Studies, where he taught a course on hotel development each spring semester from 2007 to 2009. For further information, please contact Roland at (516) 209-7305 or [\[email protected\]](#).

About **Patricia Shih**



Patricia Shih is a Director at HVS New York, bringing over 15 years of industry experience to her role. She specializes in hotel consulting, appraisals, feasibility studies, and market analyses, with a strong focus on the Tri-State Area. Her consulting experience spans a wide range of property types, including large urban hotels, boutique and lifestyle properties, limited- and select-service hotels, extended-stay lodging facilities, and special-use accommodations. Patricia's expertise has guided investors through the intricacies of New York's hotel sector, particularly the impacts of demand shifts and local policy changes on asset performance and investment strategy. Contact Patricia at (404) 791-5509 or [\[email protected\]](#).