

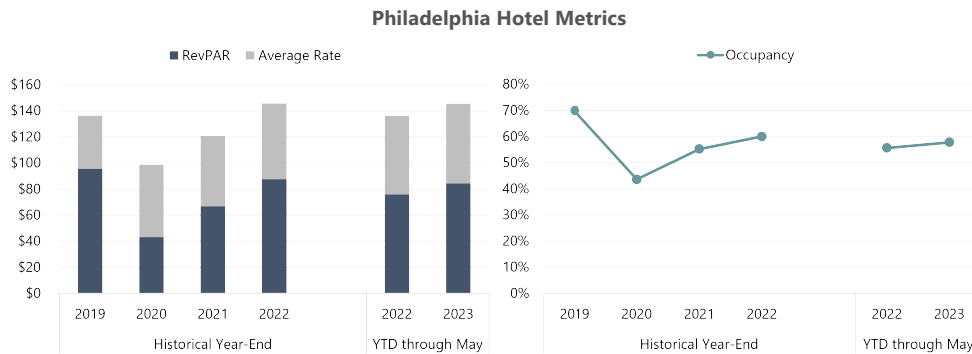
Philadelphia's Hotel Market: Poised for Success

July 20, 2023 / By Michael Lambdin, Scott Killheffer

The lodging market in Philadelphia is vibrant and diverse, catering to the needs of both tourists and business travelers. The city's rich history and wide range of attractions draw visitors throughout the year. Philadelphia offers a variety of lodging options, from luxurious hotels in the bustling city center to charming bed-and-breakfasts in historic neighborhoods.

Recent Hotel Trends & Data

The following table details Philadelphia's historical and year-to-date occupancy, average rate, and RevPAR. This set of data includes both independent and branded properties across all chain scales.

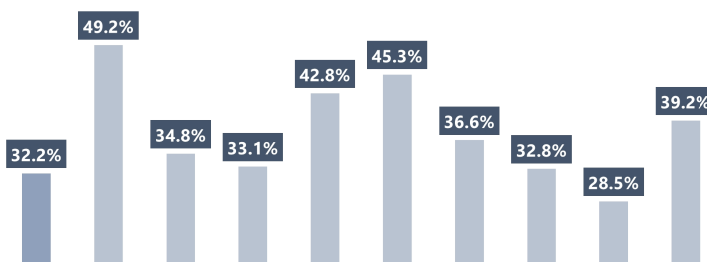


Source: STR

The Philadelphia lodging market continues to recover from the peak period of COVID-19, with strong performance in 2022. Philadelphia's 2022 average rate level demonstrates that ADR has fully recovered, exceeding 2019 levels. However, the 2022 occupancy and RevPAR levels remain below the 2019 pre-pandemic levels, illustrating that a recovery is still underway.

The primary factor limiting Philadelphia hotels' full recovery is the stagnant commercial and group demand segments, resulting from a significant number of office vacancies across the city. According to **Kastle's Back to Work Barometer**, the Philadelphia metropolitan area had an office occupancy percentage of 32.2% as of July 5, 2023, which was the second lowest among the United States' top-ten metropolitan areas.^[1] Officials in the city believe that office occupancy will increase after the summer months, as companies across the city begin to provide lunch and even time-off incentives for workers to return to the office full-time.^[2]

Office Occupancy of Major Metro Areas



Summary

Since the COVID-19 pandemic, Philadelphia's ADR has fully recovered, but occupancy and RevPAR remain below 2019 levels. The primary factor limiting the recovery is the stagnant commercial and group demand segments. However, leisure demand has increased, and the city is preparing to host several large events in the coming years, supporting a positive outlook.

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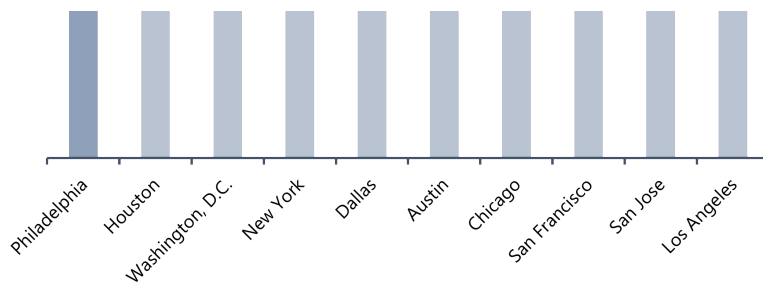
Economic Trends and Cycles

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Source: Kastle's Back to Work Barometer

Demand Factors for 2022 and Beyond

In the past year, leisure and tourism demand increased across the city, as Philadelphia's airport lifted all COVID-19-related restrictions in early 2022. This boosted visitation at Philadelphia colleges such as **St. Joseph's University** and historical venues like **Independence Hall** and the **Liberty Bell**.

The **Philadelphia Convention & Visitors Bureau** also reported an increase in event and convention activity across the city. Reportedly, 224 events were held in 2022, with approximately 513,400 hotel room nights generated from those events. Event levels in 2022 remained below those of 2019 when over 300 events generated 1.1 million hotel room nights. But Philadelphia's convention and event outlook remains positive. Notably, 223 events had been booked for future years as of year-end 2022.^[3]

Additionally, Philadelphia's sports teams contributed to the lodging market's growth in 2022. That year, the **Philadelphia Eagles** went to **Super Bowl LVII**, the **Philadelphia Phillies** team took its eighth trip to the **MLB World Series**, and the **Philadelphia Union** made its first-ever MLS Cup appearance.

The city's occupancy is forecast to continue its positive trend after strong year-to-date 2023 performance, especially considering the city's future events and developments.



New Hotel Supply and City Developments

Several new hotels opened in Philadelphia in 2021, including the 208-room **Live! Casino Hotel Philadelphia** and the 751-room dual-branded **Element by Westin** and **W Hotel** in **Center City**.

The number of proposed hotel projects in the city has slowed significantly since late 2021, considering Philadelphia's ongoing recovery and the ever-increasing interest rates across the country. More recent hotel openings across Philadelphia include the **Sonder Onyx** in February 2023 (an apartment-style hotel in Philadelphia's **Museum Mile**) and the 127-room **Hotel West & Main** in October 2022, which is part of the greater Philadelphia-Conshohocken region.

Other hotels in the city recently underwent large-scale renovations at the end of 2022 and in early 2023. Philadelphia's historic **Independence Park Hotel** was redesigned, and the 1,408-room **Philadelphia Marriott** in Center City received significant technology, public space, and guestroom upgrades.^[4]

In addition to recent hotel openings and renovations, the city's civic design and review committee reviewed

roughly 90 proposed residential and commercial developments in 2022. Some of these developments were completed within the past several months, such as the **Laurel Condominium at Rittenhouse Square** and the **Morgan Lewis** law firm headquarters in Center City West.

Development projects down the pipeline include the ongoing \$6-billion project at the **Navy Yard**, which includes residential buildings, commercial centers, and a proposed hotel.^[5] The most talked-about development currently being reviewed is the proposed \$1.3-billion **76 Place Arena** in Center City, the prospective new home of the **Philadelphia 76ers**. While the overall economic impact of the arena has yet to be determined, this type of major attraction would have a positive impact on hotel demand in Center City.



Proposed 76 Place Arena Rendering, Center City Philadelphia

Looking Forward

Philadelphia's outlook is positive considering future economic growth in the region. Furthermore, the most recent 2023 year-to-date trends illustrate continued improvement for Philadelphia's hotels, with occupancy increasing by 3.0% and average rate growing by 7.0% over the 2022 year-to-date data. The most recent Philadelphia Convention & Visitors Bureau statistics illustrate further improvement in event activity, as 207 events have already been held in the city. Philadelphia is also preparing to host large events such as the **WWE's WrestleMania 40** in 2024 and the international spectacle that is the **FIFA World Cup** in 2026. The occupancy growth driven by the preparation for these events and the continued developments across the city will continue to support Philadelphia's recovery.

HVS is well informed of the developments and latest trends within Philadelphia's lodging market. For more information, please contact **Scott Killheffer** or **Michael Lambdin** of our **Philadelphia office**.

^[1] Kastle Systems, "**Kastle Back to Work Barometer**." June 26, 2023. Retrieved July 17, 2023.

^[2] Tom MacDonald, *WHYY*, "**Center City seeing more foot traffic, but business district still working to draw back employees to the office**." May 13, 2023. Retrieved July 5, 2023.

^[3] PHLCVB, "**Philadelphia Convention and Visitors Bureau & Pennsylvania Convention Center Authority Annual Report**." April 27, 2023. Retrieved July 5, 2023.

^[4] Chelsea Ann Ronvan, *DiscoverPHL*, "**New Hotels in Philadelphia**." May 19, 2023. Retrieved July 5, 2023.

^[5] Navyyard.org, "**Navy Yard Plan**." December 2022. Retrieved July 5, 2023.