

The Changing Landscape and Recovery of the Newark Airport Hotel Market

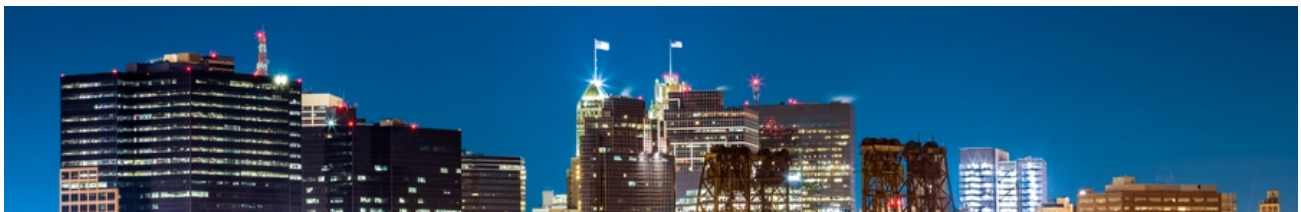
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Changing Hotel Landscape

As passenger traffic levels at Newark Liberty International Airport lessened at the onset of the COVID-19 pandemic, hotel demand within the surrounding airport submarket declined significantly as well. This provided an opportunity for assets in the market that were plateauing from an ADR perspective or were approaching brand-mandated PIP renovations to undertake significant renovation projects. The former Hampton by Hilton located on Spring Street, directly west of U.S. Route 1/9, was renovated and converted to a Holiday Inn Express in April 2021. The former Holiday Inn, also located directly west of U.S. Route 1/9, was renovated and converted to a Hampton by Hilton in May 2022. Lastly, the former Country Inn & Suites, located southeast of Newark Airport and adjacent to The Mills at Jersey Gardens, was renovated and converted to a Hampton by Hilton in December 2022. It is also worth noting that a Home2 Suites by Hilton opened in the submarket in January 2019, while a Comfort Inn & Suites opened in November 2023, increasing the number of available midscale hotel rooms in the market by almost 15%.





Recovery of Hotel Submarket

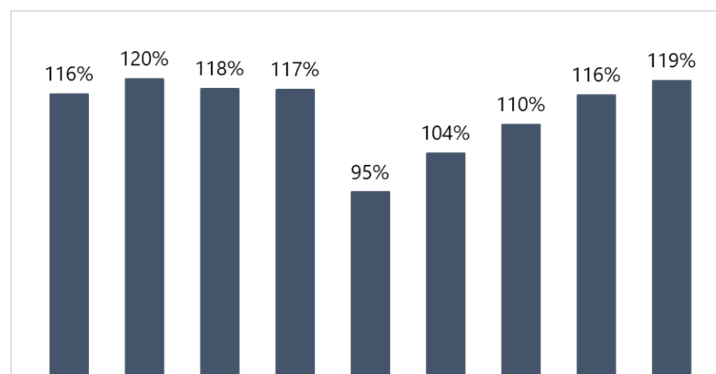
Despite the modest increases in hotel supply, the renovation of multiple assets and the rebound in passenger traffic have resulted in a slow but strong overall recovery of the Newark Airport hotel submarket. By year-end 2023, hotel occupancy in this airport hotel market rebounded to just under 78%, according to STR. This level falls slightly below the pre-pandemic occupancy peak of nearly 84%. Occupancy data for 2024 illustrate further improvement but remain behind pre-pandemic levels. While market occupancy has not yet fully recovered, market ADR has followed a much different trend. ADR for this Newark Airport hotel submarket surpassed its pre-pandemic peak in 2022 and increased further in 2023 by almost 10%. ADR growth slowed significantly in 2024 but remained favorable. The significant gains in market ADR resulted in a 2024 RevPAR level roughly \$15 above the pre-pandemic peak.

The lagging recovery in market occupancy is attributed to a number of factors, including the aforementioned increases in hotel supply. The permanent shift in office dynamics is another issue, as remote-work trends and policies have persisted. Moreover, given this continuation of remote-work policies, training groups from nearby companies and other sources of corporate-group demand have lagged in returning to the market. Fortunately, strong leisure travel to nearby New York City has largely offset the delayed recovery of commercial and group demand.

Market RevPAR Analysis

An analysis of the Newark market RevPAR level as compared to the national average illustrates how significant the decline in demand was at the onset of the COVID-19 pandemic, as well as where the airport submarket is in its overall recovery. Newark's RevPAR has historically registered above the national average; however, the metro area suffered heavier losses during the pandemic and has been slower in its recovery. Nevertheless, demand growth and strong ADR gains have fueled improvements in RevPAR through 2024, which registered a 119% penetration when compared to the national RevPAR average, according to STR. This level is slightly below the pre-pandemic peak of 120%, indicating there is still some room for recovery.

Newark Hotel Market RevPAR Penetration Nearing Full Recovery After 2020 Decline





Source: STR

Newark Airport Upgrades

The performance of the Newark Airport hotel submarket is directly tied to the levels of passenger traffic through the airport, which surpassed pre-pandemic levels in 2023. According to airport officials, passenger traffic remained relatively stable in 2024 but decreased by 3.0% in February 2025 and 1.6% in March 2025. The recent minor decreases are a result of economic uncertainty regarding the tariffs instituted by the federal government, which has led to a decline in both international and domestic travel. The upgrading of the airport’s facilities is an important component in maintaining consistent growth in passenger traffic levels.

Newark Airport has undergone a variety of upgrades over the last decade. Most recently, the Terminal A Redevelopment Program was completed in early 2023 and became fully operational in August 2023. The \$2.7-billion, one-million-square-foot Terminal A is LEED Gold-certified and features 33 new gates, improved airside and landside infrastructure, and various state-of-the-art passenger amenities.

Ongoing projects as part of the EWR Vision Plan include the construction of a new AirTrain system and plans to redevelop Terminal B and enhance the existing Terminal C, as detailed below.

- Following years of discussion, plans for the AirTrain Newark Replacement Program were announced in August 2023. The new AirTrain system will connect the airline terminals, rental-car facilities, hotel shuttle area, and RailLink station (where NJ Transit and Amtrak rail lines are located). Construction is expected to begin in 2025, and the AirTrain is planned to be fully operational in 2029 at an estimated cost of \$570 million.
- The Terminal B redevelopment and Terminal C enhancement projects were announced in October 2024; a timeline has not yet been established. The Port Authority of New York and New Jersey reported that these projects will support growth in passenger traffic in the years to come.

The recent Terminal A expansion increased the airport’s capacity, while the anticipated Terminal B and Terminal C projects will allow for additional passenger-traffic growth. The construction of an AirTrain is anticipated to improve the efficiency of travel to the airport and ease of access to the hotels in the submarket. Local hotels are expected to benefit from construction-related demand as these upgrades are performed, as well as increased visitation once complete.

Market Outlook

While occupancy for the Newark Airport hotel market has not yet regained its pre-pandemic levels, ADR growth has been very strong in recent years, resulting in a 2024 market RevPAR level significantly above the pre-pandemic peak. Additionally, there are no new hotels under construction or planned for development within the airport submarket, which should prevent significant disruptions in the coming years.

It is important to note that the available hotel supply in the greater New York City market has declined significantly since

the onset of the COVID-19 pandemic. Many hotels within Manhattan and the outer boroughs have either closed permanently or been converted to temporary shelter housing, thereby creating more potential overflow demand to markets like Newark, particularly during periods of peak activity. It is also important to note that tourism and travel are anticipated to decline nationwide in 2025 given the new federal administration's policies; however, it is not yet clear if or how this will affect the Newark market. Overall, the outlook for the Newark Airport hotel market is optimistic at this time given the strong passenger traffic levels at Newark Liberty International Airport, the significant upgrades at the airport, and the lack of new hotel supply planned for the area.

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