MARKET REPORT

Transforming Coachella Valley: Setting the Stage for Success

OCTOBER 10, 2023

In the summer of 2023, occupancy in the Coachella Valley showed a return to normalcy after strong growth in 2021 and 2022 driven by pent-up leisure demand. Notably, ADR remains well above 2019 levels. The future looks promising, with the Acrisure Arena and Palm Springs International Airport expansion setting the stage for long-term success.

In 2022, the Coachella Valley experienced a resurgence in tourism, with visitor numbers surpassing pre-pandemic levels and spending reaching new heights. The direct visitor spending of $7.1 billion had a total economic ripple effect of $8.7 billion, showcasing the area's growing appeal. A significant chunk of this spending, more than 30%, was dedicated to lodging, including hotels and short-term rentals. Tourism is expected to remain robust throughout 2023, with major events like the Power Trip music festival in October 2023 poised to attract visitors from across the region.

Acrisure Arena

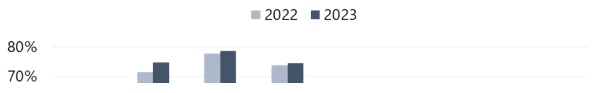


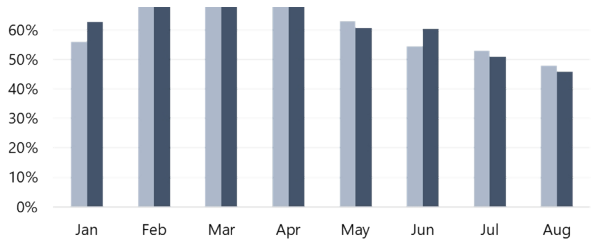
Source: Visit Greater Palm Springs

One of the standout developments of 2022 was the unveiling of the $300-million Acrisure Arena, a state-of-the-art facility with a seating capacity exceeding 11,000. This multi-purpose arena is an exciting addition to the Coachella Valley and serves as the official home of the AHL Coachella Valley Firebirds. With plans to host over 120 major events annually, the arena made a grand entrance, selling out its inaugural week of shows. The high demand for entertainment options in the Coachella Valley is unmistakable. Summer events attract visitors from across the L.A. metro area, bolstering hotel occupancies during usually slower months. As demand for accommodations in the Coachella Valley rises during arena events, we expect an increase in both hotel occupancy and ADR during these high-demand periods. The Acrisure Arena is also committed to environmental sustainability, aiming to achieve ILFI Net-Zero Carbon Certification for operations by 2025.

Growth in the Coachella Valley is further bolstered by the increasing availability of air travel. In 2020, Southwest Airlines initiated year-round air service to Palm Springs International Airport (PSP), a significant achievement for the destination. This move prompted other airlines to introduce nonstop services to PSP, resulting in a total of twelve airlines now providing nonstop flights from 32 destinations. In 2022, the airport welcomed nearly three million passengers, 16.3% more than the previous high in 2019. Growth has continued, as passenger traffic at the airport is up 25% from year-end 2019 to the trailing-twelve-month period through July 2023. Exciting developments are underway at the airport, with two projects set for completion in 2024. A comprehensive master plan will guide airport development over the next two decades, with the Palm Springs City Council expected to finalize it by 2025.

Coachella Valley Monthly Occupancy Data—2022 vs. 2023





Source: Visit Greater Palm Springs, STR

STR data for June through August of 2023 in the Coachella Valley (which includes nine cities in the greater Palm Springs area) show occupancy normalizing compared to 2022, with a 1% increase. However, ADR stands at an impressive 26% above the 2019 level, resulting in an all-time high RevPAR of $82.92, which represents a 27.5% increase over the 2019 level. Based on our conversations with local hotel managers in the greater Palm Springs area, we expect ADR to remain robust and occupancy to normalize further throughout the remainder of 2023.

The coming months and years are poised to be historic for the tourism industry in the Coachella Valley. The transformations we've witnessed so far are just the beginning of an exciting journey.

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