CORPORATE HOUSING
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2023 Trends and Forecast for the Corporate Housing and Hospitality Industry

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Following three years of unpredictability brought by the onset of the COVID-19 pandemic, the business community is looking towards 2023 with hopes of stability and consistency. We have identified potential trends in business travel, the hotel/hospitality industry, short-term rental markets and inflationary concerns through research analysis to provide a 2023 forecast overview.

BUSINESS TRAVEL OUTLOOK FOR 2023

Business travel is shaping up for a boom in 2023, according to a variety of reports and surveys from economic experts, travel buyers and corporate managers – with many anticipating the strongest year for the sector since the onset of the COVID-19 pandemic. While concerns surrounding COVID-19 caused business travel apprehension from 2020-2022, it has since been replaced in surveys by economic concerns. With that said, 78% of travel managers anticipate that their companies will make more business trips in 2023, and 85% of business travel decision-makers estimate an overall gain in total bookings year over year. According to a report from the Global Business Travel Association (GBTA), domestic business travel is at 63% of pre-COVID levels, with international travel back at over 50%. Morgan Stanley Equity Analyst Ravi Shanker projects we will see travel budgets "nearly back to normal in 2023," following "noticeable improvement in 2022." He adds, given inflation, to "expect an increase in budgets, the majority believe that 2023 budgets will be between 6% to 10% higher than 2019." Of this projected increase in demand for business travel, smaller companies will lead the recovery with more travel requests. However, 68% of companies with greater than $1B in revenue are also anticipating an increase in business travel budgets in 2023. While international business travel has seen slower growth and will likely tread behind the domestic sector, GBTA's CEO Suzanne Neufang adds that practical considerations of the global economy serve to quickly explain this. "It is also important to understand the context. Asia is still opening its borders, international business travel in general started picking up only earlier this year across the globe, and the U.S. has only permitted unrestricted travel since June. In summary, expect to see a rise in the levels of business travel in 2023, as particularly smaller companies seek to get employees back out there, with the most significant growth in the domestic sector."

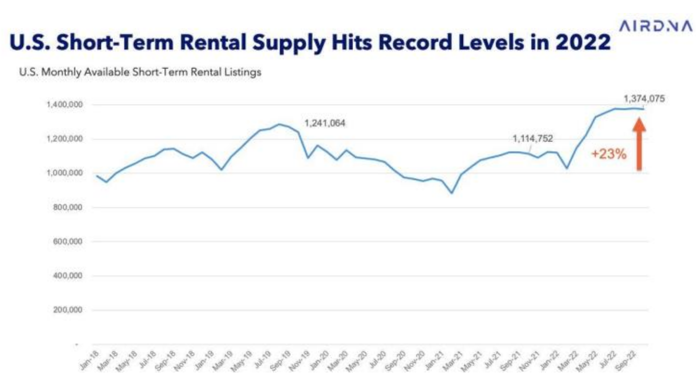
RELOCATION TRENDS AND GROWING CITIES

While the digital nomad era came about in the earlier years of the pandemic, new concerns regarding inflation and an impending recession are now more instrumental in deciding where to relocate vs. a desire to explore major metropolises. Moving trends indicate that people are seeking stability and affordability in communities that are less hectic and more environmentally friendly. In terms of the homebuying economy, cities like El Paso, Texas; Columbia, South Carolina; Hartford, Connecticut; and Buffalo, New York are projected to see the most growth. In terms of the rental market, cities like Durham, Pittsburgh, Nashville, Des Moines and Charlotte are projected to see the most growth.

Growth in unexpected locations is a pervasive trend, one that is impacting the business world as well as the homebuyer and rental markets. This growth presents a new opportunity for early investment in cities posited for upcoming surges in growth. While major marquee cities such as Miami and Austin saw significant growth during the pandemic, experts are pointing to smaller cities becoming hotspots for the rapidly increasing sector of remote tech workers coming from high-earning companies, who no longer need to work onsite in places like San Francisco and Seattle. Floridian cities, such as Sarasota and Lakeland, are anticipating major growth throughout the year, as well as Boise, Idaho, and Myrtle Beach, South Carolina. Keep an eye on smaller Floridian cities throughout the year, as U.S. News' list of Fastest Growing Cities (measured by net migration of each metro area) have seven locations in Florida within the top 10 of their list. Where recoiling economic effects of the pandemic have now priced many Americans out of major urban areas, expect to see under-the-radar locations acting as emerging hubs for the remote workforce.

SUPPLY AND DEMAND IN THE UNITED STATES

The unpredictability of the hotel industry is signaling apprehension in the leisure travel sector, with the largest portion of Americans likely to cut spending on travel before anything else if faced with an economic hardship. However, minus a few bumps in the road, the hotel industry in general has been trending upwards, with experts predicting a similarly steady rise in 2023. Nightly rates are projected to rise anywhere from 4-8.5% across major urban markets according to a report by Amex Global Business Travel, with San Francisco and New York emerging as the domestic breadwinners. More interesting, however, is the short-term rental market seeing a surge in supply throughout the pandemic. The implications of this are predicted to show themselves in the upcoming calendar year. While demand remains in the business sector, with 31% of surveyed business travelers planning to use short-term rental services in 2023, supply issues will produce a second year of overwhelming demand. Experts are projecting that hosts may have to manage rates more effectively to stay in the game. To further stay competitive, trends surrounding guest experience and innovation in technology will keep property owners current, meeting the expectations of the post-COVID traveler. Optimizing the check-in process with mobile keys, allowing for points of contactless payment and offering VR property tours have become the new normal across the hospitality industry. That trend is likely to trickle down and become commonplace within the short-term market by the year's end.



While rents similarly saw a surge after the initial year of the pandemic, experts across the industry are preparing for a slowdown in this growth. Some are predicting the potential *decline* *in some markets* as the market corrects for this high pricing, and as wage growth is disproportionate to inflation. [RealPage analyst Jaw Parsons]states, “A number of indicators suggest that the once blazing-hot rental housing market is cooling.” However, multifamily development is projected to be more stable than single-family housing in these forecasts, and projected to enter [positive territory again in 2024]. Regional differences in supply and demand make it difficult to predict the most optimal place to build, but trends in consumer behavior surrounding a desire for stability point to places with higher supply being hotspots - such as off-the-beaten-path cities like Topeka, Kansas; Virginia Beach, Virginia; and Worcester, Massachusetts.

Multilytics Rent Growth Forecast, 2023-27

Region	2023	2024	2025	2026	2027	~CAGR
National	**-2% to 0%**	**-1% to 1%**	**0% to 2%**	**1% to 3%**	**2% to 4%**	**0% to 2%**
California	0% to 2%	-1% to 1%	0% to 2%	1% to 3%	1% to 3%	0% to 2%
Florida	-1% to 1%	5% to 7%	7% to 9%	4% to 6%	4% to 6%	4% to 6%
Mid-Atlantic	-2% to 0%	-2% to 0%	-1% to 1%	1% to 3%	1% to 3%	-1% to 1%
Midwest	0% to 2%	1% to 3%	1% to 3%	1% to 3%	1% to 3%	1% to 3%
New England	1% to 3%	0% to 2%	1% to 3%	1% to 3%	1% to 3%	1% to 3%
Pacific Northwest	-2% to 0%	0% to 2%	0% to 2%	1% to 3%	1% to 3%	0% to 2%
Rocky Mountains	0% to 2%	0% to 2%	0% to 2%	1% to 3%	2% to 4%	1% to 3%
The South	-2% to 0%	2% to 4%	5% to 7%	4% to 6%	2% to 4%	2% to 4%
Southwest	-1% to 1%	5% to 7%	6% to 8%	4% to 6%	4% to 6%	4% to 6%
Texas	-4% to -2%	4% to 6%	5% to 7%	2% to 4%	2% to 4%	2% to 4%

Consensus among analysts and experts is that inflation has already peaked, however it will be years before it has returned to the gold standard of 2%. 92% of Fund Managers predict the American economy will experience a cycle of slow economic growth and high inflation, known informally as “stagflation.” Stagflation is when the economy is malfunctioning, when prices keep soaring while economic growth — the rate of increase in the output of goods and services — slumps. The lack of economic growth over time can lead to higher unemployment, limited growth and a lengthened return of a healthy economy. Threats of a looming recession have been fueling economic news cycles for the past year and will likely continue in the upcoming 2023.

CONCLUSION

In broad terms, this analysis outlined economic trends emerging in 2023 according to the principle of correction in service of stability: where 2020 saw dramatic and severe plummets in growth, revenue supply chain issues, 2021-2022 has sought to overcorrect in a variety of ways. Surging rent prices, emerging major metropolitan area growth, normal folk investing and entering the short-term rental market indicate actions taken in a recoil attempt to grow from 2020’s low point. The market, however, is demonstrating that this growth may be volatile. It will likely take more time to achieve a “predicable” level in late 2023.

Our overall assessment is that you need to be aware and prepared for the various unexpected roadblocks and waves of stability throughout 2023. While business travel is projected to grow to pre-pandemic levels, the traveler budgets may lag behind the rate of inflation.

About The Authors

James Higgins is the founder of Revalant Consulting and Recruiting. Serving as the Senior Partner, Revalant specializes in corporate housing, residential real estate, and the hospitality industry. As a former Vice President and sales leader at BridgeStreet, Oakwood and Convene, he has an expertise in having companies act more strategically, reach their maximum potential, achieve significant revenue growth, and deliver market expansion through sales development, branding, marketing, project management, and talent acquisition. Scott Higgins is the contributing author and head research analyst at Revalant. He is a 2021 graduate of George Washington University with a degree in both psychology and English.

Revalant works with organizations to successfully sell into the Fortune 1000, vertical markets, and uncover sales and operational advancement. Members of the Revalant team are experts in millennial workforce integration, business development, lead generation and project management. With exceptional leadership and a unique perspective for developing and driving others to fulfill their potential. Revalant delivers results on both the strategic and tactical level by providing executive leadership and direction, targeting sustainable revenue growth and market expansion. Revalant aims to assist businesses that are looking to improve various aspects within their company. Revalant tailors their approach to the company's specific needs and budget, while isolating key areas for development and creating a plan to implement and execute for success.

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