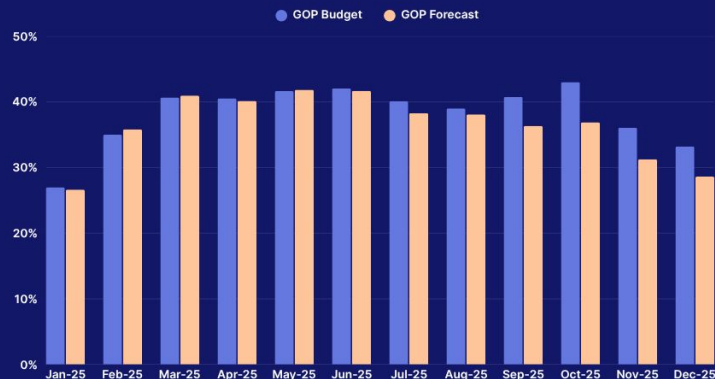


REPORT

Q3 2025: How Hotels Pivoted to Protect Profitability

What Q3 2025 reveals about the balance between revenue ambition and operational control in the US hotel sector.

GOP% Budget Vs Forecast 2025



So far, 2025 has been a year of continual adjustments to performance expectations for the US hospitality industry. Operators started the year with budgets built for growth. Expectations were set for 2025 to end stronger than it started. However, actual performance looks set to miss the mark. The data tells a story of recalibration, where profitability depended less on room rate and more on operational rigor and forecasting accuracy.

The first three quarters of the year marked a critical transition, defined by more disciplined forecasting, sharper cost management, and a renewed focus on profit margins as travel patterns normalized and cost inflation persisted. The insights captured in this report show how operators adjusted their strategy to maintain profitability through these changes and what their decisions signal for 2026 planning.

Comparing year-to-date (YTD) figures, we see that the budgeted RevPAR for the first nine months averaged \$131.37, with a GOP margin of 38.5%, compared to the actual RevPAR of \$119.22 and a GOP margin of 37.7%.

By analyzing data from thousands of US hotels across all chain scales, regions, and market types using Actabl's ProfitSword business intelligence platform, we can observe a strategic pivot from rate-driven growth in previous years to a focus on operational efficiency and profit margins.

In this report, we examine what US hoteliers budgeted for 2025, how they adjusted forecasts, and the actual performance figures for RevPAR, ADR, GOPPAR, and GOP%. We break this down by chain scale and consider how performance has varied by region.

Executive Summary

The Budget Shift

Initial 2025 budgets projected strong double-digit revenue growth (up to 15%), driven by occupancy gains, with Average Daily Rate (ADR) budgets remaining conservative (even showing slight declines). However, operators anticipated a decrease in gross operating profit margin (GOP%) of about one percentage point due to sticky cost inflation (labor, utilities, etc.).

[Discover more](#)

The Forecast Revision

By mid-year, reality set in. Revenue expectations were revised down by 7–10% from initial budgets, and profit forecasts were cut even deeper. Hotels sold fewer room nights at slightly lower rates than planned, while cost pressures intensified.

[Discover more](#)

The Actual Performance

Actual performance through Q3 2025 missed both the initial budgets and the revised forecasts across the board. Rooms revenue was 12% below budget, ADR was 4% below budget. However, the GOP margin held steady, falling just 1.2 percentage points below budget.

[Discover more](#)

The 2026 Mandate

Future success depends on precision planning. The industry must move to dynamic, data-informed forecasting that ties demand, pricing, channel cost, and labor models together in a tighter, faster cadence to protect margins.

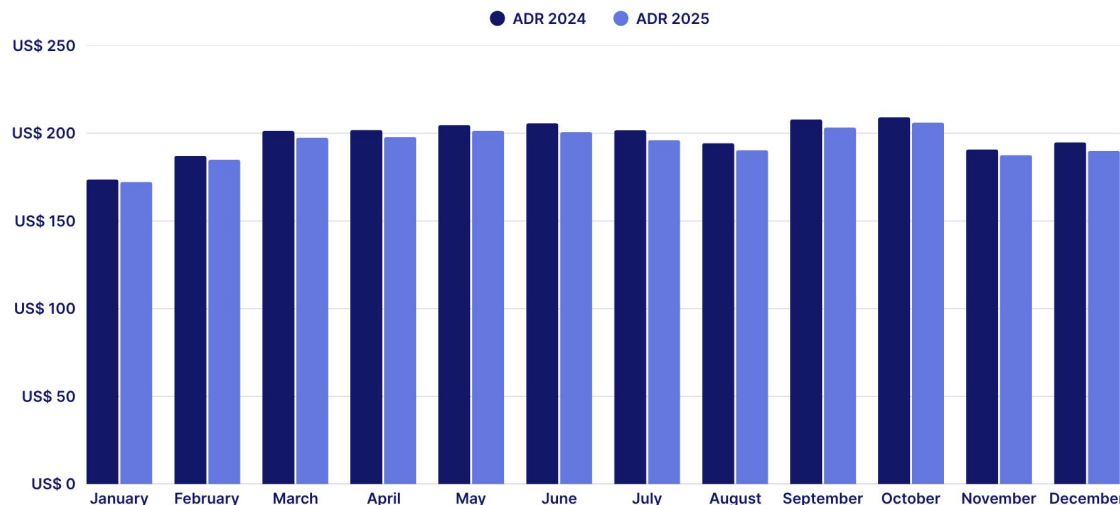
[Discover more](#)

The Budget: High Revenue Confidence

Hotel budgets forecast double-digit revenue growth for 2025. Total rooms revenue and operating revenue were both expected to increase by 13% to 15% year over year. Rooms revenue was forecast to increase by 14.1% during the first nine months of 2025 compared to the same period in 2024.

However, 2025 budgets did not see growth being driven by higher rates. Budgeted ADR for 2025 was expected to show year-over-year declines of 1.9% to 2.4%.

Budgeted ADR 2024 Vs 2025



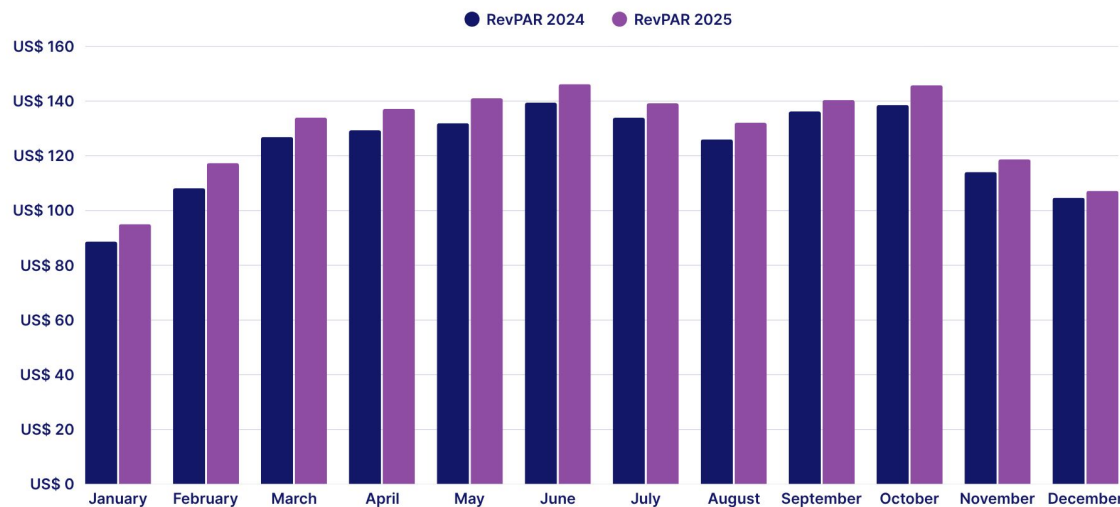
Source: Actabi data on HotelData.com

THE BUDGET: HIGH REVENUE CONFIDENCE

Budget plans instead relied on higher occupancy and a slight strengthening of RevPAR, which was expected to grow 4%-6% for the year.

2025 budgets reflected a move away from aggressive rate growth. Hotels were already planning for a more price-sensitive guest and a market where rate alone could not drive performance.

Budgeted RevPAR 2024 Vs 2025



Source: Actabl data on HotelData.com

THE BUDGET: HIGH REVENUE CONFIDENCE

Even as hotel leaders set their budget, their expectations for 2025 were built on:

- Group and corporate travel continuing to recover
- Domestic leisure demand expected to plateau
- Intense competitive pressure in urban and suburban markets
- Rate fatigue among both consumers and travel buyers

While the 2025 outlook for revenue was strong, 2025 budgets already revealed concern about operating profitability. GOP% was forecast to decline in every comparison period:

Budget Comparison	GOP % Change
Q3 2025 vs Q3 2024	-1.3 points
Jan-Sep 2025 vs Jan-Sep 2024	-1.0 points
Full-Year 2025 vs 2024	-1.1 points

Source: Actabl data on HotelData.com

THE BUDGET: HIGH REVENUE CONFIDENCE

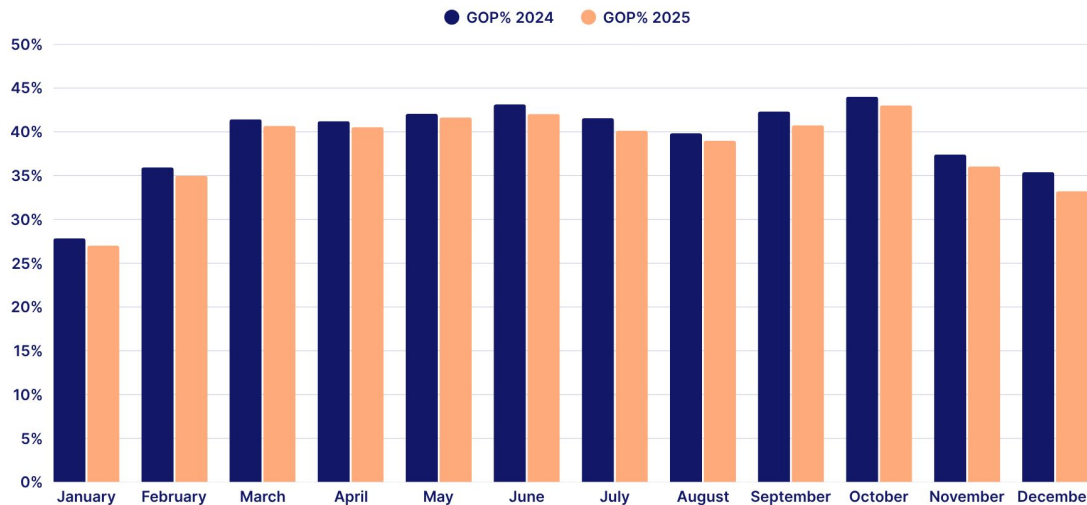
There were clear expectations of continued pressure from rising labor costs, wage legislation, and vendor and utility inflation.

“ If 2022–2023 was the era of rate power, and 2024 the year of normalization, 2025 was set up to be the year of operational truth.

Budgets showed:

- Pricing power flattening
- Stable demand but increased costs
- Margins to rely on productivity gains

Budgeted GOP% 2024 Vs 2025



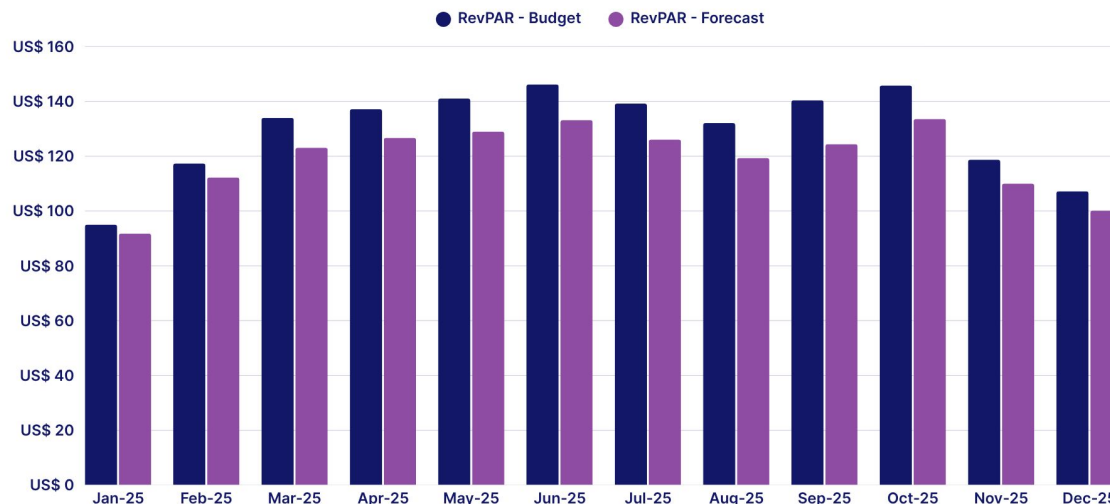
Source: Actabl data on HotelData.com

The Forecast: How Expectations Shifted Through the Year

In January, hotel leaders entered 2025 with optimism. Budgets showed that leaders were confident in demand recovery, believed occupancy growth would sustain double-digit revenue gains, and expected to manage margins despite rising costs. Nine months later, that optimism has softened. Forecast data from the same set of hotels shows a recalibration downwards.

Forecasts for 2025 show revenue trending below original budget targets by 7%-10%. Profit expectations have weakened by as much as two percentage points in reaction to slower demand normalization, cooling rate growth, and persistent cost pressure.

RevPAR Budget Vs Forecast 2025



Source: Actabl data on HotelData.com

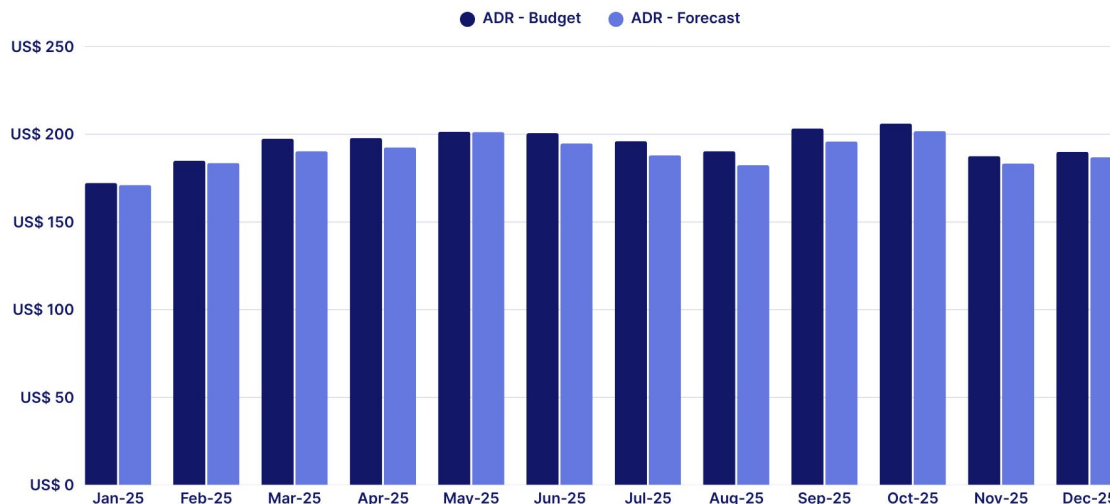
THE FORECAST: HOW EXPECTATIONS SHIFTED THROUGH THE YEAR

The most visible shift from budget to forecast lies in revenue expectations. Total rooms revenue for 2025 decreased by nearly 7% year over year, while total operating revenue is 7.5% below budget. The biggest difference occurred in Q3, with hotels reducing revenue forecasts by about 10% from their initial plans.

This downward revision is not isolated to one region or segment. It reflects a consistent industry-wide recalibration. Demand has proven stable but not accelerating. Group and corporate recovery have been slower than projected in many markets, while leisure demand has normalized faster than expected. Hotels that entered 2025 banking on strong summer compression are now facing longer booking windows and lower peak pricing than their original plans assumed.

ADR forecasts slipped by up to 4% from the budget. While modest in absolute terms, this reversal is significant in direction. The data indicates that hotels are selling fewer room nights and at lower rates.

ADR Budget Vs Forecast 2025



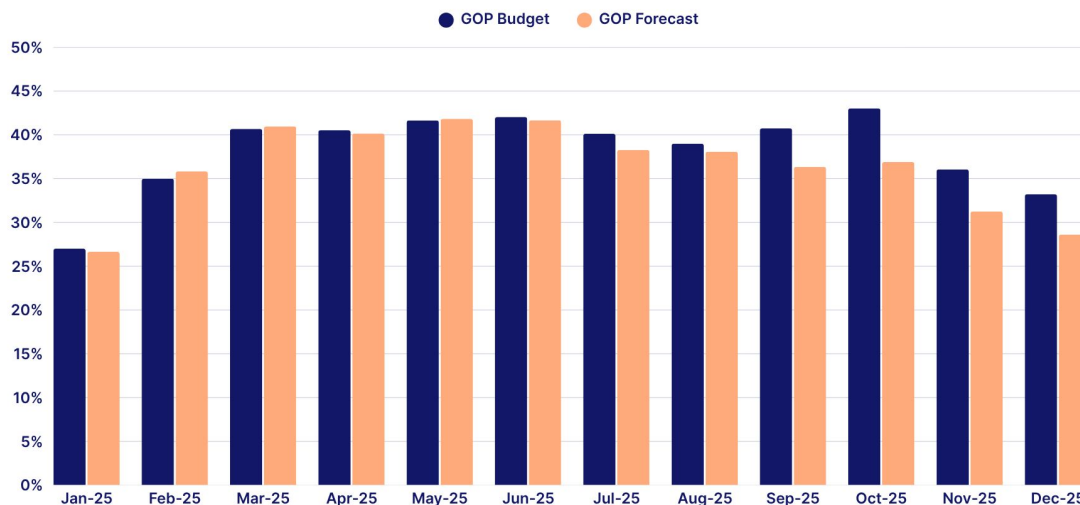
Source: Actabi data on HotelData.com

THE FORECAST: HOW EXPECTATIONS SHIFTED THROUGH THE YEAR

GOP margins tell the other half of the story. The 2025 budgets expected the GOP margin to decrease slightly, about one percentage point less than in 2024. Q3 forecasts suggest a sharper downturn, with margins projected to be 1-2 points lower.

In Q3, the gap is widest: GOP margins are now tracking roughly two and a half points below budget. That drop aligns with rising variable expenses, particularly labor and utilities, as well as slower-than-expected cost recovery in food and beverage operations.

GOP% Budget Vs Forecast 2025



Source: Actabl data on HotelData.com

The Operational Story Behind the Forecast

This shift in forecast behavior signals a maturing response to market volatility. Early 2025 budgets reflected confidence, perhaps even residual optimism from the strong rebound seen in 2022-2024. By midyear, reality tempered those expectations. Forecasts now show an industry embracing data realism, aligning future outlooks with actual booking trends, labor availability, and shifting guest behavior.

Three forces explain the adjustment:

1. **DEMAND NORMALIZATION:**

Leisure travel continues, but at a lower yield. Corporate demand is recovering unevenly, and group business remains volatile quarter to quarter.

2. **PRICE RESISTANCE:**

Consumers are reacting to rate fatigue, especially in markets that outperformed during the recovery phase.

3. **COST RIGIDITY:**

Expense structures built on 2023-2024 inflation are proving sticky. Hotels have absorbed higher costs without matching productivity gains.

Budget vs Forecast vs Reality: The 2025 Hotel Performance Gap

Hotel performance through the third quarter of 2025 reveals a clear pattern: actual market conditions fell short of both budgeted expectations and the revised forecasts made earlier in the year.

Hotels entered 2025 expecting double-digit revenue growth. In our previous report, [Closing the Budget Gap: A Hotelier's Guide to 2026 Planning](#), we highlighted how RevPAR for H1 2025 was down 15% against budget. That trajectory continues through the third quarter:

- **Rooms revenue finished 13.2% below budget in Q3 and 11.9% below budget YTD.**
- **Compared with the forecast, room revenue still trailed expectations by 4.7% in Q3 and 5.2% YTD.**
- **Total operating revenue showed a similar gap, down 13.9% vs budget in Q3 and 12.3% YTD, and 5% behind forecast.**

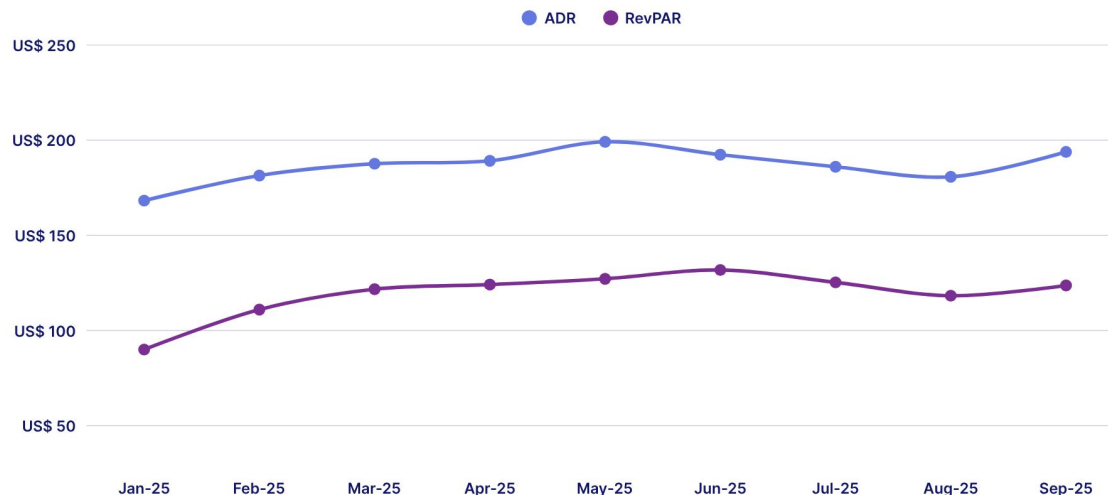
BUDGET VS FORECAST VS REALITY: THE 2025 HOTEL PERFORMANCE GAP

This confirms that revenue expectations were optimistic in budget season and still slightly overstated in reforecast cycles. While demand remains stable, growth expectations have reset to modest, not accelerated.

Rate also contributed to the gap.

- ADR finished 4.9% below budget in Q3 and 3.8% below budget YTD.
- Against forecast, ADR still finished lower by 1.0% in Q3 and 1.3% YTD.
- RevPAR finished 10.8% below budget in Q3 and 9.3% below budget YTD, also trailing forecast by around 1%.

ADR Vs RevPAR YTD 2025



Source: Actabl data on HotelData.com

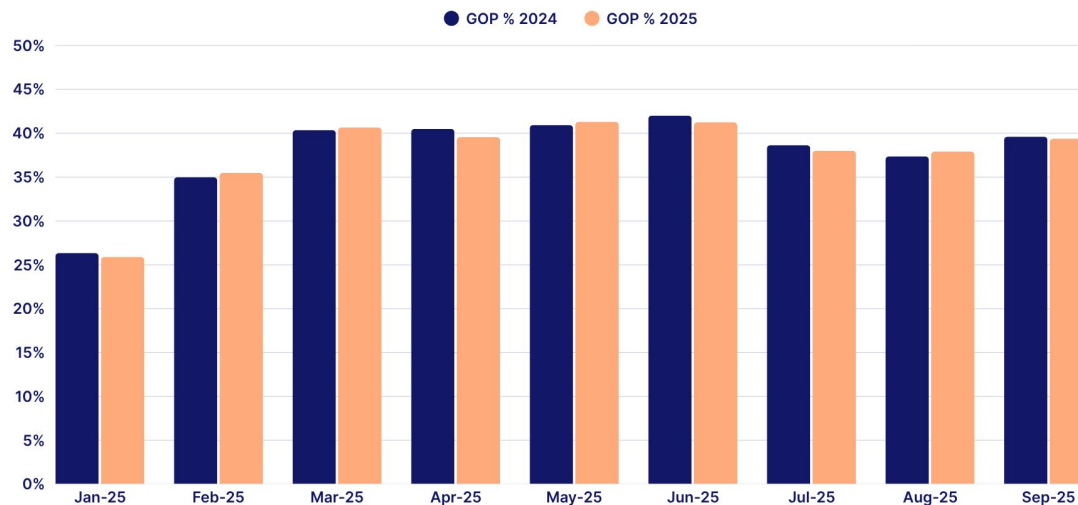
BUDGET VS FORECAST VS REALITY: THE 2025 HOTEL PERFORMANCE GAP

Profit performance continues to lag revenue, but the gap between forecast and actual results narrowed slightly.

- GOP margin fell 1.5 percentage points below budget in Q3 and 0.8 points below budget YTD.
- Compared with the forecast, margins were essentially on track, up 0.9 points in Q3 and flat YTD.
- Compared with 2024 figures, the GOP margin also remained steady, with an average of 38.5% in Q3 2024 and 38.4% in Q3 2025.

Forecast revisions throughout the year helped narrow the expectation gap, but did not eliminate it. The smaller variance between forecast and actual indicates improved planning discipline, yet forecasts still underestimated the rate of softening demand and expense inflation.

GOP% 2024 Vs 2025

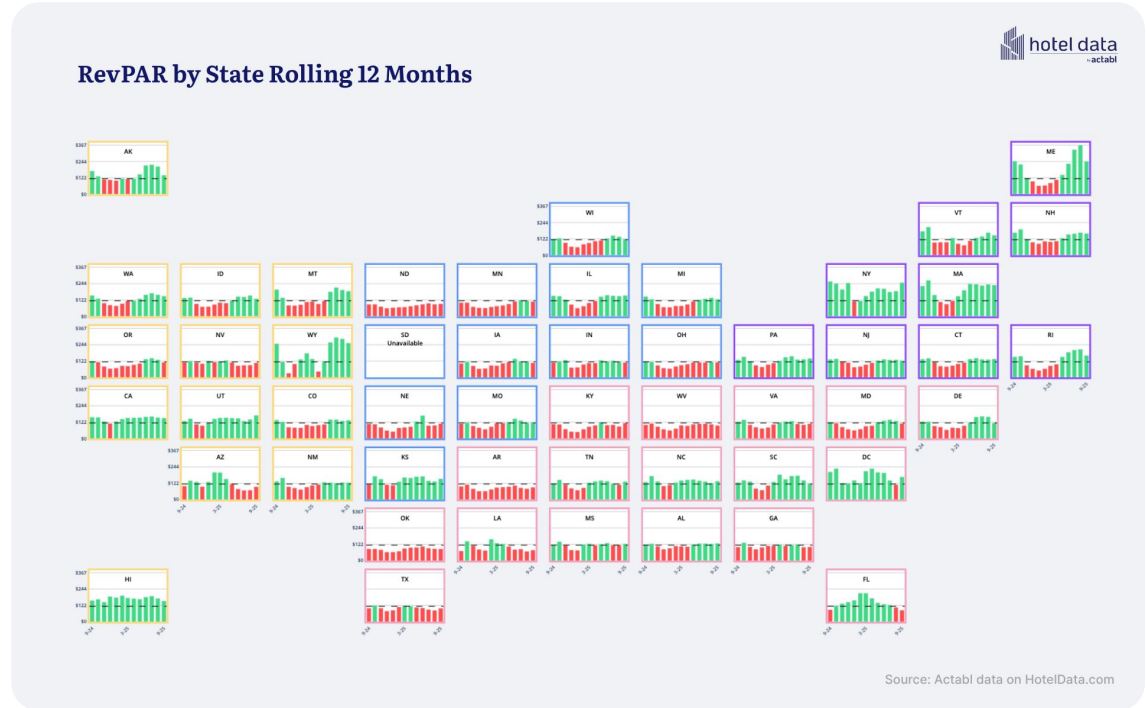


Source: Actabl data on HotelData.com

2025 Regional Variances

Hotel RevPAR performance varied across the states, with traditional tourism hotspots like Florida, New York, and California performing well, while central states experienced more months of decline.

Looking at the tile map, we can see that many properties saw an improvement from May onwards. On average, RevPAR for all properties achieved \$116.02 (September 2024 to September 2025). There were mixed performances across the US, with only Hawaii enjoying a strong RevPAR above average for the past 12 months. California enjoyed similar success, with properties only declining below the median line in December 2024. Similarly, New York saw similar success, with properties only declining below the median line in January 2025. DC was another state that has performed consistently, with August being the only month its RevPAR fell below the average.



2025 REGIONAL VARIANCES

Regional RevPAR comparisons indicate that hotels in the Northeast and the West performed the strongest.

RevPAR by Region, Rolling 12 Months



Source: Actabl data on HotelData.com

2025 REGIONAL VARIANCES

In terms of GOPPAR, we see similar trends as tourism hotspots continued to perform well, with Nevada and Hawaii being the only two states to see a constant 12-month high performance above the median line of \$53.79. California also saw strong performance, with only December lagging behind the median, and New York saw similar success, with January its only month of below-average performance.

GOPPAR by State, Rolling 12 Months



Source: Actabi data on HotelData.com

2025 REGIONAL VARIANCES

Regional comparisons show that hotels in the Northeast and the West performed the strongest in terms of GOPPAR. In the northeast, January and February were the only months that saw below-average performance, while in the west, November, December, and January were the weakest months. In contrast, hotels in the Midwest experienced the entire last 12 months performing below average.

GOPPAR by Region, Rolling 12 Months

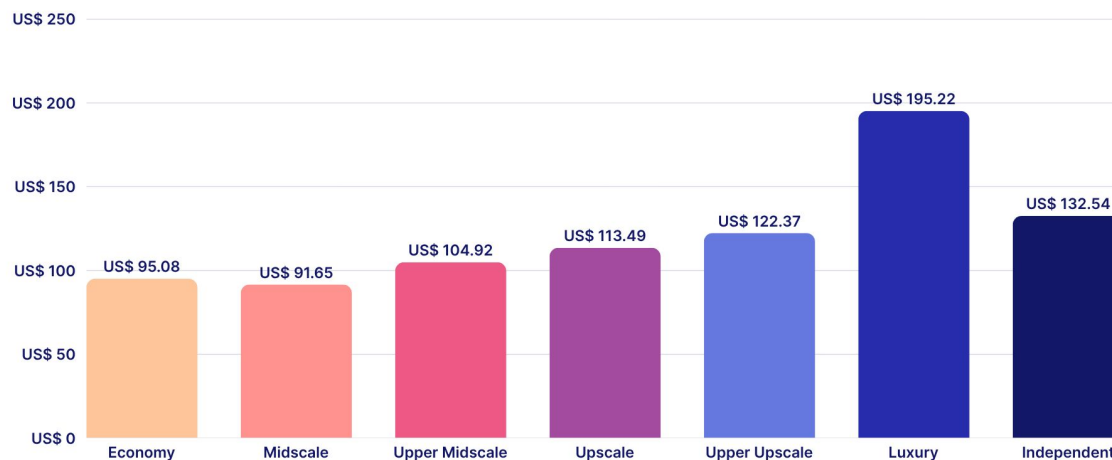


Source: Actabl data on HotelData.com

2025 Chain Scale Performances

RevPAR varies considerably across chain scales; luxury properties can charge higher room rates due to premium services, prime locations, and an affluent target market. These high-income travelers are less impacted by economic pressures and are willing to spend on indulgent experiences. As such, our data shows that hotels in the luxury chain scale had an average RevPAR YTD of \$195.22 (Q3 \$188.19), while midscale properties were at the lower end of the spectrum at \$91.65 (Q3 \$99.67).

RevPAR by Chain Scale YTD

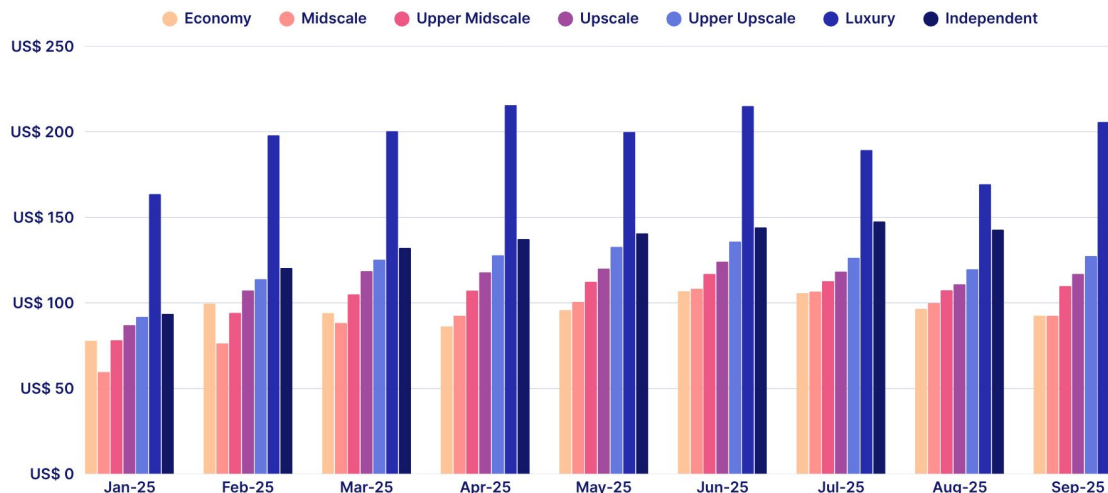


Source: Actabl data on HotelData.com

2025 CHAIN SCALE PERFORMANCES

Breaking that down by month, we can see how luxury properties led the market in each of the nine months, topping out at \$215.54 in April. Independent hotels outperformed all other chain scales, showing us that travelers are prepared to pay for unique experiences. Midscale properties appear to be most impacted by economic drivers, with RevPAR dropping below that of economy hotels in the first three months of 2025.

RevPAR by Chain Scale by Month

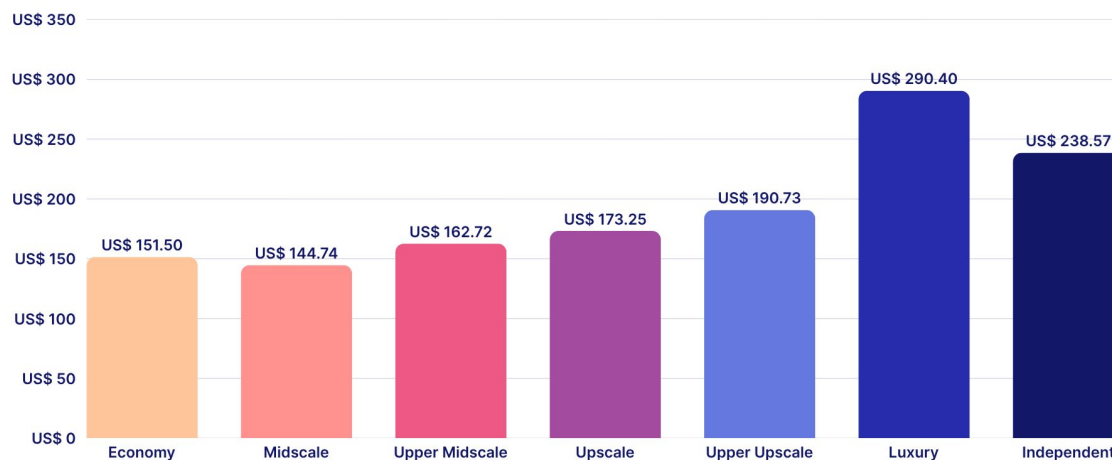


Source: Actabl data on HotelData.com

2025 CHAIN SCALE PERFORMANCES

Luxury hotels continue to perform well in terms of ADR, although the gap between luxury and independent hotels is smaller, at just \$51.83, compared to a gap of \$62.68 in RevPAR. Again, the middle of the chain scale remains impacted by traveler trade downs, as cost-conscious consumers opt for lower chain scales. Midscale hotels saw ADR trade below those of economy properties on average for the first three quarters.

ADR by Chain Scale YTD



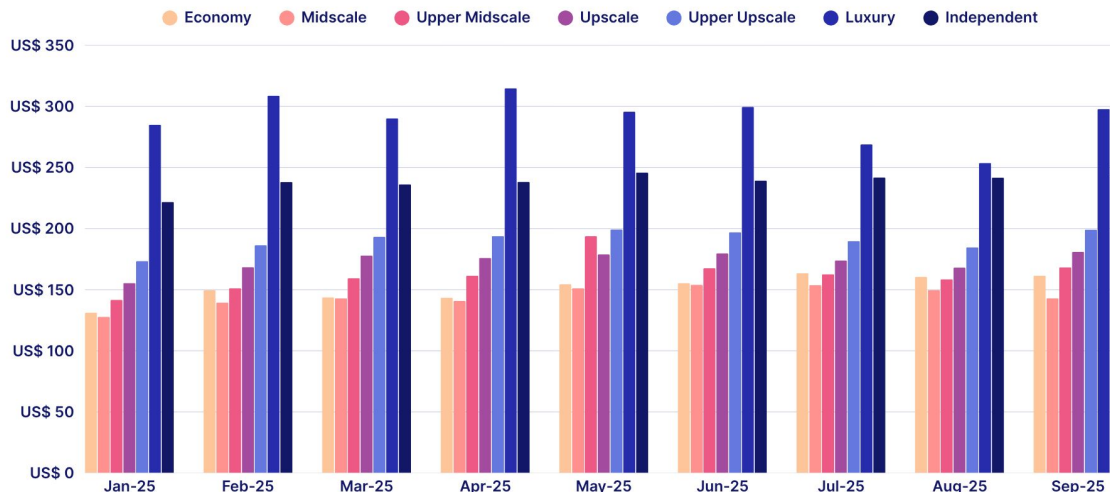
Source: Actabl data on HotelData.com

2025 CHAIN SCALE PERFORMANCES

By month, again, we can see that midscale properties achieved the lowest ADR over the last three quarters, underperforming economy properties in every month.

Luxury saw strong performance, with ADR breaking the \$300 mark in February and May. Independent hotels saw consistent performance throughout the nine months.

ADR by Chain Scale by Month

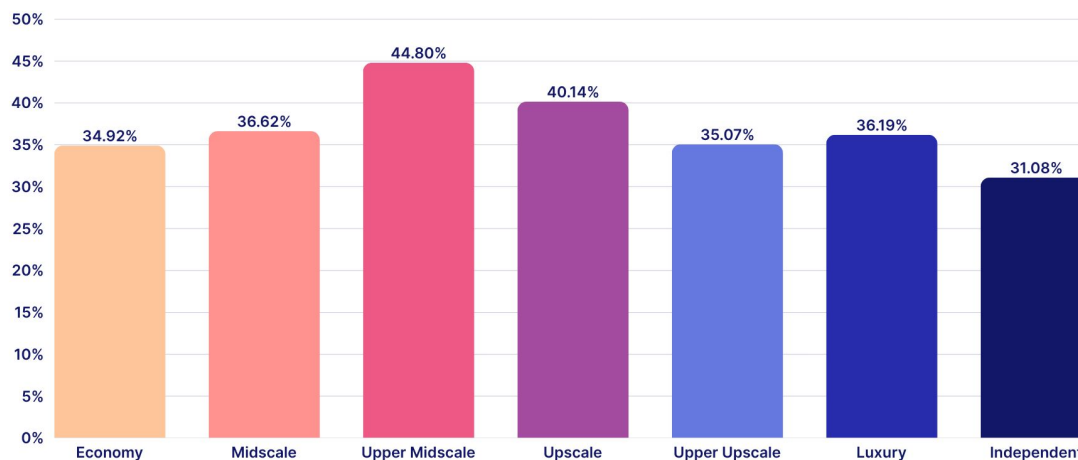


Source: Actabi data on HotelData.com

2025 CHAIN SCALE PERFORMANCES

GOP% by chain scale shows that, while luxury and independent hotels may have performed strongest in terms of RevPAR and ADR, the middle of the chain scale proved the most profitable, with Upper Midscale achieving a GOP margin of 44.80% and Upscale at 40.14%. Midscale properties, which appeared to be the underdogs in terms of RevPAR and ADR, proved more profitable than luxury hotels by nearly half a percentage point.

GOP by Chain Scale YTD

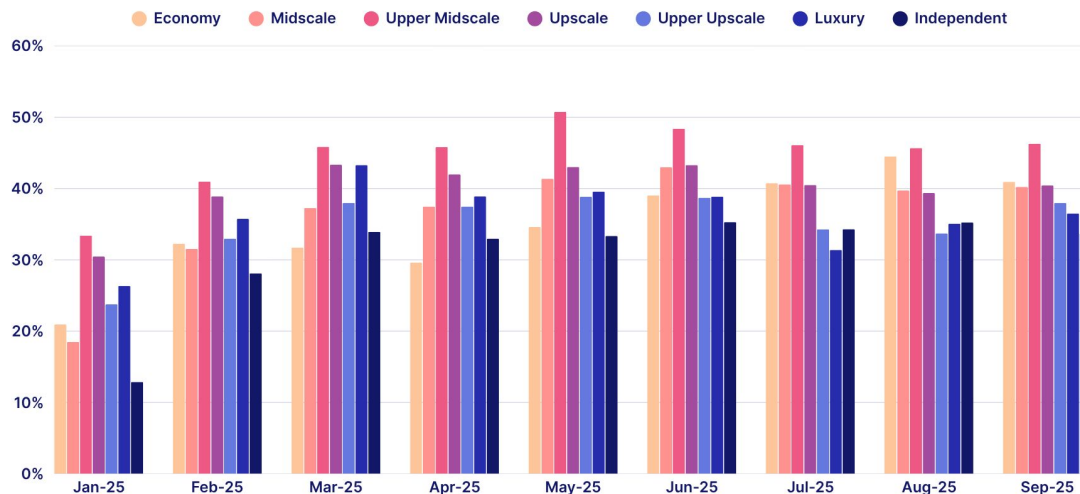


Source: Actabl data on HotelData.com

2025 CHAIN SCALE PERFORMANCES

Breaking this down by month, we can see that Upper Midscale and Upscale outperformed all other chain scales YTD, with Upper Midscale posting the year's highest GOP margin in May at 50.73%.

GOP by Chain Scale by Month



Source: Actabi data on HotelData.com

The 2026 Mandate: Strategic Takeaways & Next Steps

2025 has been a year of operational truth for hoteliers. After two years of rate-led recovery, performance stabilized but growth momentum slowed. Budgets were ambitious, forecasts were cautious, and actuals landed in between — reinforcing that forecasting accuracy and cost alignment will define future profitability.

KEY TAKEAWAYS

1. **Forecast precision must improve:**
Quarterly reforecasting remains too slow for today's pace volatility. Monthly cadence, dynamic modeling, and tighter integration of demand, pricing, and labor data are essential.
2. **Revenue mix optimization is critical:**
Target contribution margin, not just RevPAR. Midscale profitability proves that leaner structures can outperform higher rates.
3. **Labor and cost modeling require innovation:**
As the report previews, labor expenses remain the key variable affecting GOP recovery. Efficiency tools, scheduling intelligence, and automation will drive margin growth in 2026.

A Framework for Hotel Leaders Planning 2026

Forecast with precision

The 2025 cycle revealed that even improved forecasts still trailed actual performance. For 2026, hotels must move from static budgets to living forecasts that update monthly and reference weekly booking pace. Integrated data across revenue, labor, and expenses will allow teams to respond to market shifts in real time.

Action:

Track forecast accuracy as a key KPI. Reward accuracy, not optimism.

Price for profit, not just growth

Rate flexibility helped fill rooms in 2025, but profitability requires smarter pricing. In 2026, focus on contribution margin, not RevPAR alone. Every pricing decision should reflect its flow-through impact to GOP, not just topline appeal.

Action:

Set contribution margin thresholds for each segment and channel before discounting.

Align labor to demand

Labor remains the decisive factor in GOP performance. Build staffing plans around occupancy, arrivals, and outlet activity rather than static revenue projections. Tie labor forecasting directly to demand forecasts so schedules flex as business levels shift.

Action:

Automate schedule adjustments when forecasted occupancy changes by more than 2%.

A FRAMEWORK FOR HOTEL LEADERS PLANNING 2026

Plan costs dynamically

Inflation is no longer a surprise—it's a condition. Prepare for it with scenario-based cost planning: define lean, base, and stretch models and deploy them based on pace and booking trends. Empower department leaders to activate the appropriate model without delay.

Action: *Introduce early-warning triggers when pace dips below 95% of plan.*

Redefine what growth means

The era of recovery-driven expansion is over. Success in 2026 will come from steady, profitable growth. Evaluate which markets, segments, and channels drive actual contribution, and shift investment there. Prioritize GOP margin as a performance benchmark.

Action: *Add GOP% to your monthly reporting and strategy dashboards.*

Build a culture of forecasting accuracy

Treat forecasting as a continuous discipline. Cross-functional reviews, variance analysis, and predictive modeling will improve accuracy and confidence. A shared understanding of variance drivers creates accountability across departments.

Action: *Make forecast accuracy and labor efficiency per occupied room the leading success indicators for 2026.*

Closing Thought

The 2025 cycle offered valuable insight into how plans translate into performance. The lessons from this year's results provide a foundation for smarter, faster, and more agile planning. The hotels that lead in 2026 will be those that forecast with precision, plan with intent, and act with agility, turning planning discipline into a lasting performance advantage.

Get in Touch

- Discover how Actabl's solutions, including ProfitSword and Hotel Effectiveness, can help your teams plan with precision and act with confidence. [Connect with us](#) to start the conversation.
- Already part of the Actabl community? Reach out to your CSM to explore new ways we can support your 2026 goals, and don't forget to subscribe to [HotelData.com](#) for fresh performance data and insights to stay ahead of market shifts.
- We'd love your input: what data points matter most to you when building your budget or forecast? Share your thoughts with the HotelData.com team at editor@hoteldata.com.