

## How Have Rhode Island Hotels and Restaurants Performed Post-Pandemic?

### Key Takeaways

- FY 2022 inflation-adjusted Rhode Island hotel tax revenue exceeded pre-pandemic revenue by 4%.
- Newport exceeded its pre-pandemic revenue by 32%, but Providence is still trailing its FY 2019 value by 20%.
- Alternate hotel platforms (such as room resellers and hosting platforms) have gained more traction in recent years but still make up less than 20% of all hotel revenue across the state.
- Meal/beverage tax revenue recovered to pre-pandemic levels statewide.

### Hotel Tax

For the purposes of this analysis, monthly CPI-U values<sup>1</sup> were used to convert nominal revenue to real revenue generated for the state between July 2018 and April 2023, expressed in 2023 dollars. Through the 1% hotel sales tax the state generated \$6.3 million in real revenue during FY 2022, exceeding pre-pandemic levels (Figure 1). The state also has a 5% tax on most hotel rentals (excluding whole-home rentals) and applies the 7% sales tax to hotel activity. This report only considers the 1% local hotel tax collected by the state and distributed to municipalities.

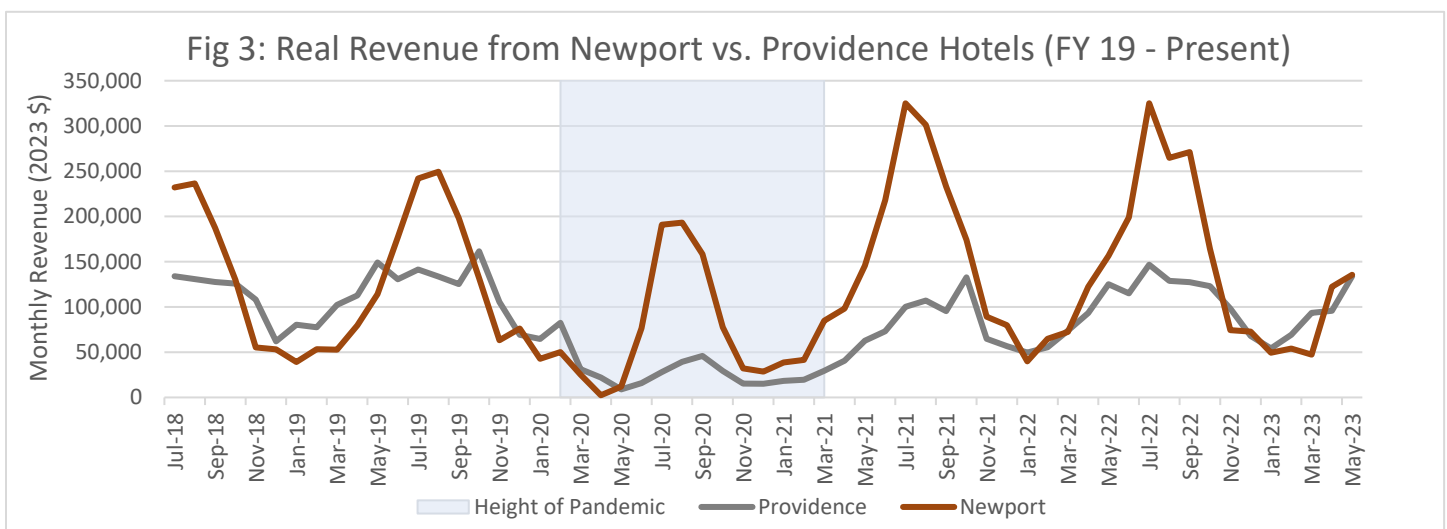
The year-to-date comparison of the hotel revenue from the current and most recent fiscal years shows that FY 2023 appears to be following the same trends as 2022. The growth in revenue from 2021 to 2022 does not appear to be a trend but simply a recovery period from the restrictions of the pandemic.

Fig 1: Local Hotel Tax Revenue

FY	Nominal	Real
2019	\$5,072,891	\$6,090,594
2020	\$4,299,317	\$5,086,676
2021	\$3,749,642	\$4,323,026
2022	\$5,856,253	\$6,340,517

Fig 2: Local Hotel Tax Revenue by City

FY	Newport (Real)	Providence (Real)
2019	\$1,410,363	\$1,340,453
2020	\$1,169,182	\$961,184
2021	\$1,306,736	\$416,345
2022	\$1,857,276	\$1,069,063



<sup>1</sup> From the Bureau of Labor Statistics: [Bureau of Labor Statistics Data \(bls.gov\)](https://www.bls.gov)

Newport’s average annual hotel revenue is much higher than that of Providence, but it also shows more seasonal variability. Newport reached 32% higher real revenues in FY 2022 compared with FY 2019 while Providence was still trailing by 20% compared with its FY 2019 level (Figures 2 and 3).

During the pandemic (FYs 2020 and 2021), a shift occurred from traditional hotels to a variety of other platforms including room resellers, whole-home vacation rentals, and hosting platforms. Consumer preference for options like Airbnb, reportedly seen as a safer alternative to traditional hotels during the pandemic, likely explain this trend.<sup>2</sup> However, by FY 2022 the percentage of revenue from traditional hotels was close to FY 2019 levels (Figure 4).

**Fig 4: Share of Hotel Revenue by Type (Real)**

<i>FY</i>	<i>Traditional Hotels</i>	<i>Other Lodging Options</i>
<b>2019</b>	82.8%	17.2%
<b>2020</b>	78.7%	21.3%
<b>2021</b>	74.6%	25.4%
<b>2022</b>	81.9%	18.1%

### Meal and Beverage Tax

The state’s meal and beverage tax has recovered to reach pre-pandemic levels as well. Figure 5 displays that the pandemic damaged the food and beverage industry, with FY 2021 real revenue declining by 15% compared with FY 2018. However, FY 2022 saw an uptick in sales that surpassed the previous three years in total revenue, a trend that appears to continue throughout FY 2023 as well.

**Fig 5: Meal and Beverage Tax Revenue**

<i>FY</i>	<i>Nominal</i>	<i>Real</i>
<b>2018</b>	\$28,884,773	\$35,152,062
<b>2019</b>	\$28,297,063	\$33,709,966
<b>2020</b>	\$26,153,929	\$30,693,664
<b>2021</b>	\$26,005,401	\$29,788,779
<b>2022</b>	\$32,516,283	\$34,830,521

Differences between Newport and Providence are much smaller when comparing meal and beverage tax revenue. In FY 2022, Providence was still \$375,000 (4.9%) behind its FY 2018 real revenue amount, yet Newport had once again improved from its pre-pandemic values by \$200,000 (0.5%).<sup>3</sup>

### Analysis

The post-pandemic decline in business travel likely explains Providence’s lower revenue since the pandemic.<sup>4</sup> The fact that Rhode Island also appeals to more seasonal vacation travel, which has rebounded, likely explains the overall recovery of the hotel sector in the state. Employment data sheds more light on several of these trends.

First, Rhode Island’s employment recovery in the “Accommodation and Food Services” sector compares favorably to neighboring Massachusetts and Connecticut. Comparing average seasonally adjusted employment in FY 2022 to FY 2019, Rhode Island recovered 94% of jobs in this sector, compared to 88% for Massachusetts and 92% for Connecticut. More recent data suggests Rhode Island has slipped behind Connecticut in the trajectory of this recovery.<sup>5</sup>

Second, there is a new trend that during winter, with employment in this industry dropping more since COVID than pre-pandemic. For example, July 2023 non-seasonally adjusted employment dropped 22% from the previous July in Rhode Island. In January 2019, that same drop was 11%.

Third, states that are assumed to be hotspots for business travel (Florida, California, New York, and Nevada) generally did not return to pre-pandemic levels of employment in FY 2022. The only state of that group to experience a higher proportion of accommodation and food services jobs regained across FY 2022 than Rhode Island was Florida, at 96% (perhaps due to a strong summer travel sector similar to Rhode Island).

<sup>2</sup> From an Emerald.com journal article: [Airbnb vs hotel? Customer selection behaviors in upward and downward COVID-19 trends](#)

<sup>3</sup> FY 2018 is used as the base year because FY 2019 contains unusual refund activity, distorting the analysis.

<sup>4</sup> From the Morning Consult February 2023 report: [Business, but Not as Usual](#)

<sup>5</sup> From the U.S. Bureau of Labor Statistics: <https://data.bls.gov/PDQWeb/sm>