

Top Twelve Trends to Monitor in the Hospitality Industry in 2025

By: Karl Barnickol, Angela Elbert, Lee Eulgen, Kristin Michaels, Elizabeth Radichel & David Wheeler

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The hospitality industry will need to focus on several key areas to minimize risk in the year ahead, including data privacy and cybersecurity protections, employment and labor law compliance, and even insurance coverage and adherence to sustainability regulations. Most importantly, proper contract management and understanding of liability issues, especially regarding guests' safety, are essential in 2025 to avoid disputes and litigation.

1. Keep Up With Data and Privacy Obligations

With new state and international regulations scheduled to come online in 2025, make sure to keep up with these new and fast-evolving regulations to avoid running afoul of regulators.

2. Keep Your Eyes Out for Scammers

Be sure to watch for copycat domain name registrations and similar scams that have hit the hospitality sector hard, particularly using fraudulent employment schemes.

3. New Administration's Approach to Federal Regulation Creates Compliance Uncertainty

The current administration has paused the implementation of the new FCC rules on one-to-one consent requirements for text message marketing, but companies should remain vigilant on state law and international law developments that address digital marketing.

4. While AI Appears to be on a Path to Less Expensive Application Provider and Developer Regulatory Requirements Still Remain

The EU AI Act General Provisions become effective February 2, 2025. Providers and developers of AI systems must take measures to ensure that AI systems are trustworthy and safe, developed and used in accordance with fundamental rights obligations.

5. Steel Your Online Presence Against the Plaintiffs' Bar

Litigation continues to arise over online accessibility and over the use of technologies, such as pixel tags, that are common in the hospitality sector.

6. Perform A Union Vulnerability Assessment

Union organizing of the hospitality sector continues at a vigorous pace. Consider conducting a review of your hotel's operations to determine if all appropriate steps have been taken to address organizing and related labor actions.

7. Review Potential Joint Employer Issues

Labor and employment issues may arise under the Fair Labor Standards Act, the National Labor Relations Act, and other federal and state statutes for entities that are joint employers. The joint employer test under these various statutes has changed often, and a hotel should assess whether a hotel is vulnerable to claims of joint employer status.

8. Insurance Program Vigilance

2024 was a rough year for this insurance industry. For the first time in six years, worldwide insured losses from natural catastrophes surpassed \$100 billion without a single event causing over \$10 billion in damages, according to Deloitte's "2025 Global Insurance Outlook." This indicates a broader spread of smaller, yet costly, events that cause increased anxiety among real estate investors and is especially relevant to the hospitality space, where US properties may be located in areas prone to weather-related disasters (California, Florida, Southeast corridor). In this environment, it is important to be proactive in working with brokers and independently monitoring the strength of insurers backing your program. Consider a policy review by legal counsel who represent policyholders. Property owners will also need to consider increased costs of insurance as well as investment in weather-resilience enhancement measures and repairs in deal underwriting and performance metrics.

9. Uncertainty Remains Surrounding Construction Costs

Uncertainty related to the rising costs of construction remain across all real estate industry sectors, including hospitality. . Although the new federal administration may usher in certain opportunities in the commercial real estate space, such as the potential limitation of regulatory red tape, particular concern is placed on international trade policy/tariffs and consequences on the price of steel, lumber, and other raw materials. Increased construction costs result in lower profit margins, which may shift focus for some to retrofitting spaces rather than pursuing new development.

10. Fluctuating Finance

Uncertainty also continues to prevail as it relates to the future of interest rates and inflation, a major driver in deal volume across all property sectors, including hospitality. A substantial amount of real estate debt across all sectors is expected to reach maturity in 2025 and 2026. Much of this debt has been locked at historically low interest rates, and refinancing at similar rates does not, at the moment, seem realistic.

11. The “Hotel-ization” of Non-Hospitality Properties

There is a rising trend in the multifamily and office sectors related to the incorporation of hotel-quality amenities (new gyms, spas, boutique services, etc.) in those spaces. Certain traditional hospitality investors are using their expertise to shift investments from traditional hospitality assets into those other classes, seizing opportunities (especially in-office) to capitalize on low-cost assets in need of a facelift vs. competing for higher priced traditional hospitality properties.

12. Green Initiatives and Corporate Social Responsibility

Sustainability and environmental regulations, both in the US and in the EU are still gaining prominence. As governments push for green initiatives, hospitality businesses will need to continue to adapt and comply with new standards for waste management, energy efficiency, and sustainable practices.

This alert was authored by

Karl Barnickol | (312) 269-8047 | kbarnickol@nge.com

Angela Elbert | (312) 269-5995 | aelbert@nge.com

Lee Eulgen | (312) 269-8465 | leulgen@nge.com

Kristin Michaels | (312) 269-8475 | kmichaels@nge.com

Elizabeth Radichel | (312) 269-5650 | eradichel@nge.com

David Wheeler | (312) 269-5328 | dwheeler@nge.com

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