



2025 STATE OF HOSPITALITY REPORT



REPORT SUMMARY

CHALLENGING LANDSCAPE, OPPORTUNITIES AHEAD

Our inaugural report provides a comprehensive overview of the current state of hospitality in Minnesota, highlighting key trends, challenges, and opportunities. It underscores the **need for strategic action to support the industry's recovery** and long-term sustainability.

Recovery from the pandemic remains incomplete, and emerging headwinds threaten future growth. Based on data throughout, this report reveals a **concerning trend of declining revenue, customer traffic, and financial health** within the industry.

Restaurants, in particular, are grappling with **rising labor costs and a shrinking workforce** despite increasing establishments. The lodging sector, while showing some improvement, **still lags behind pre-pandemic occupancy rates**. Despite these challenges, there are bright spots.

A majority of hospitality businesses still report positive financial health and **workforce development programs like ProStart are experiencing growth**.

ECONOMIC CONTRIBUTIONS



\$392B

Average annual contribution to statewide GDP (10%) since 2019.

*Source: US Bureau of Economics



29% Growth

Increase in hospitality economic activity since 2019.

*Source: US Bureau of Economics

KEY TAKEAWAYS

- **Recovery Stalled:** Statewide, our industry has not recovered since 2020.
- **Regulations:** Burdensome regulations hinder growth.
- **Sustainability:** The future of our enterprises is at stake.

AT A GLANCE:

HOSPITALITY IS AN INDUSTRY UNDER PRESSURE

Recovery from the pandemic remains incomplete, with industry data revealing a concerning trend of declining revenue, customer traffic, and financial health within the hospitality industry. Restaurants, in particular, are grappling with **rising labor costs and a shrinking workforce** despite increasing establishments. The lodging sector, while showing some improvement, **still lags behind pre-pandemic occupancy rates**.

Despite these challenges, **there are bright spots**, such as Hospitality Minnesota Education Foundation's **ProStart Programs**, which have experienced considerable growth over the past few years.

AN ECONOMIC DRIVER



\$392B

Average annual contribution to statewide GDP (10%) since 2019.

*Source: US Bureau of Economics



+384K

Total hospitality jobs statewide*

*Source: AHLA and NRA data

BY THE NUMBERS:

AN INDUSTRY IN NEED

LOWER REVENUE

49.7%

OF BUSINESSES REPORTED LOWER REVENUE IN 2024 (22.26% IN 2021)*

LOWER TRAFFIC

51%

OF BUSINESSES REPORTED LOWER CUSTOMER TRAFFIC IN 2024 (20.4% IN 2021)*

LOWER OCCUPANCY

52.5%

MINNESOTA STATEWIDE HOTEL OCCUPANCY RATE (55.9% IN 2019)**

NOTING DECLINE

35.9%

OF BUSINESSES REPORTED SOME STAGE OF FINANCIAL DECLINE IN 2024*

*Source: Minneapolis Fed/Explore Minnesota/Hospitality Minnesota Business Conditions Surveys

**Source: CoStar Reports

WORKFORCE PROGRAMS:

A CHANCE TO RECOVER



+13K

Students enrolled in hospitality workforce development programs, compared to 1,617 in 2020.*

*Source: Minnesota Department of Education



+2K

Students working in the state's hospitality industry already, compared to 864 in 2020.*

*Source: MN Department of Education

WORKFORCE DEVELOPMENT: OFFERS MUCH NEEDED RELIEF

OVERVIEW

GROWING WORKFORCE PROGRAMS

Our industry is addressing our workforce development needs through investments in five growing programs offered through the **Hospitality Minnesota Education Foundation**, including our flagship workforce development program offered in partnership with the National Restaurant Association - **Minnesota's ProStart Program**, which offers a curriculum blending culinary arts and restaurant management, preparing students for careers in hospitality.

BY THE NUMBERS: CAPTURING PROSTART'S IMPACT

YEAR	SCHOOLS ENROLLED	STUDENTS ENROLLED	STUDENTS IN INDUSTRY
2020	43	1,617	864
2021	47	5,484	1,079
2022	44	5,643	923
2023	69	10,671	2,226
2024	69	12,989	2,128

*Source: Minnesota Department of Education

- **Addressing Skills Gap:** Minnesota's ProStart Programs address the industry's skills gap.
- **Building Talent Pipeline:** ProStart creates a pipeline of qualified individuals, alleviating staffing shortages.
- **Boosting Industry Image:** Investing in education demonstrates a commitment to nurturing talent.

THE BOTTOM LINE: CONTINUED INVESTMENT IS CRITICAL

- **Meeting Demand:** Growth is essential to meet ongoing workforce needs.
- **Sustaining Program Growth:** Consistent funding is crucial for maintaining and expanding programs, including ProStart. Fluctuations in appropriations highlight the need for stable support.
- **Expanding Access:** Investment ensures accessibility for all students.
- **Enhancing Curriculum:** Continued investment allows for curriculum updates and relevance.

AN INDUSTRY UNDER PRESSURE

Despite higher wages, hospitality business activity and revenue are down since 2021.

Operators are paying more but earning less.

HOSPITALITY WAGES ARE RISING EMPLOYEE INCOME HITS RECORD HIGHS

YEAR	\$12-\$15/hr	\$15-\$20/hr	\$20-\$30/hr	+\$30/hr
2021	27.33%	39.33%	18.33%	4.33%
2022	16.33%	39.67%	30.67%	9.00%
2023	13.34%	45.51%	29.69%	8.36%
2024	8.68%	47.16%	28.93%	11.61%

*data from Minneapolis Fed/Explore Minnesota/Hospitality Minnesota Business Conditions Surveys

Hospitality's workforce is earning higher hourly wages, with **earnings under \$15/hr decreasing** and the percentage of **earnings between \$15-\$20/hr and \$20-\$30/hr increasing** since 2021.

BUSINESS ACTIVITY IS DECLINING CUSTOMER TRAFFIC REACHES NEW LOWS

BUSINESS ACTIVITY	2021	2024	% CHANGE
SIGNIFICANTLY LOWER	11.96%	21.57%	+9.61%
SOMEWHAT LOWER	10.30%	28.13%	+17.83%
LITTLE OR NO CHANGE	12.81%	24.44%	+11.63%
SOMEWHAT HIGHER	35.58%	22.17%	-11.31%
SIGNIFICANTLY HIGHER	29.38%	3.69%	-25.69%

*data from Minneapolis Fed/Explore Minnesota/Hospitality Minnesota Business Conditions Surveys

Hospitality operators reporting **'significantly lower business activity' increased by +9.6%** in 2024 since 2021. Additionally, operators reporting **'somewhat lower' business activity increased by +17.8%** in 2024 since 2021.

HOSPITALITY'S OUTLOOK OPTIMISM TO UNCERTAINTY

By 2024, the number of **businesses expecting lower revenue has more than doubled**, and the proportion predicting higher revenue has been nearly halved.

A growing segment now anticipates little to no change, **signaling a sense of cautious stability amidst increasing uncertainty.**

OPERATORS SIGNAL DOWNTURN

WHAT ARE
YOUR REVENUE
PROJECTIONS
IN COMPARISON
TO LAST YEAR?*

YEAR	SIGNIFICANTLY LOWER	SOMEWHAT LOWER	LITTLE/NO CHANGE	SOMEWHAT HIGHER	SIGNIFICANTLY HIGHER
2021	5.33%	11.67%	23.33%	41.33%	18.00%
2022	4.00%	20.67%	24.67%	43.00%	7.67%
2023	5.71%	20.00%	34.63%	36.77%	2.89%
2024	10.71%	23.99%	38.63%	23.36%	3.31%

*data from Minneapolis Fed/Explore Minnesota/Hospitality Minnesota Business Conditions Surveys

BY THE NUMBERS AN INDUSTRY IN NEED

<p>LOWER REVENUE</p> <p>49.7%</p> <p>OF BUSINESSES REPORTED LOWER REVENUE IN 2024 (22.26% IN 2021)*</p>	<p>LOWER TRAFFIC</p> <p>51%</p> <p>OF BUSINESSES REPORTED LOWER CUSTOMER TRAFFIC IN 2024 (20.4% IN 2021)*</p>	<p>LESS OPTIMISM</p> <p>26.7%</p> <p>OF BUSINESSES EXPECT REVENUE TO INCREASE IN 2024 (59.33% IN 2021)*</p>	<p>NOTING DECLINE</p> <p>35.9%</p> <p>OF BUSINESSES REPORTED SOME STAGE OF FINANCIAL DECLINE IN 2024*</p>
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*data from Minneapolis Fed/Explore Minnesota/Hospitality Minnesota Business Conditions Surveys

AN INCOMPLETE REBOUND

MINNESOTA HOTEL OCCUPANCY RATES (2019-2024)*

CoStar data reveals the clear impact the COVID-19 pandemic had on Minnesota's lodging industry. It also raises concerns about the strength of the ongoing recovery and the potential for new challenges to emerge.

STATE

YEAR	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YEARLY AVERAGE
2019	42.4%	48.9%	48.1%	52.6%	56.6%	66.9%	71.4%	70.5%	63.2%	60.6%	46.1%	43.1%	55.9%
2020	43.0%	47.2%	30.4%	19.3%	27.5%	40.2%	48.5%	50.7%	50.5%	46.8%	32.6%	28.9%	38.8%
2021	33.3%	37.0%	40.4%	44.0%	48.5%	63.5%	67.3%	65.1%	60.0%	58.0%	45.7%	42.9%	50.5%
2022	40.6%	44.0%	45.6%	47.9%	54.7%	65.6%	66.6%	67.7%	63.5%	60.1%	46.5%	43.8%	53.9%
2023	43.4%	45.1%	48.7%	48.1%	54.1%	65.1%	66.2%	66.4%	62.8%	57.9%	45.4%	41.7%	53.7%
2024	39.9%	43.2%	42.8%	50.3%	52.3%	62.2%	65.1%	65.1%	59.5%	59.4%	44.7%	39.6%	52.0%

NORTH

YEAR	YRLY AVG
2019	55.4%
2020	40.6%
2021	53.3%
2022	54.7%
2023	54.4%
2024	52.3%
Mo. Avg	51.8%

CENTRAL

YEAR	YRLY AVG
2019	52.6%
2020	35.9%
2021	48.5%
2022	53.1%
2023	52.7%
2024	49.4%
Mo. Avg	48.7%

SOUTH

YEAR	YRLY AVG
2019	53.1%
2020	38.9%
2021	50.2%
2022	51.9%
2023	50.9%
2024	49.2%
Mo. Avg	49.0%

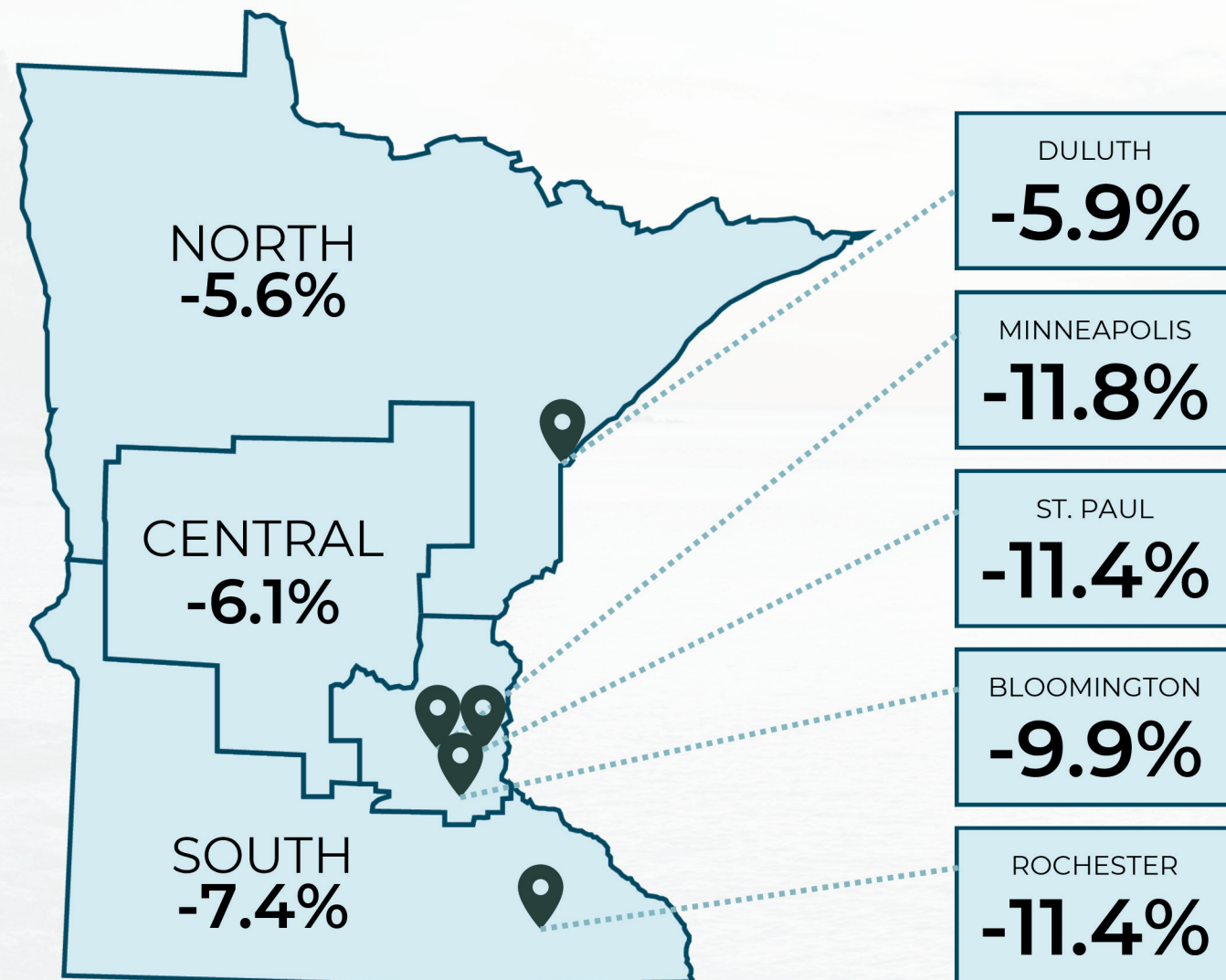
*Source: CoStar Group

MINNESOTA LODGING: SLOW STATEWIDE RECOVERY

STUMBLING RECOVERY

Statewide, our lodging industry is facing a delayed recovery. In comparison to 2019 occupancy rates, each of our **lodging regions are down by at least 5.6% or more.**

Metro markets average yearly occupancy rate has **decreased by 9.9% or more.** A 3.3% difference to rural regions.



**Source: CoStar Group*

MINNESOTA FOODSERVICE: A SHIFTING LANDSCAPE

MINNESOTA RESTAURANT LABOR

YEARS	RESTAURANT EMPLOYMENT	RESTAURANT ESTABLISHMENTS	RESTAURANT AVG. ANNUAL WAGE	RESTAURANT TOTAL PAYROLL
2019	163,582	7,727	\$19,084	\$3,181,976,473
2020	128,041	7,702	\$20,003	\$2,484,197,775
2021	141,553	7,686	\$22,187	\$3,114,021,548
2022	153,693	8,020	\$24,440	\$3,651,455,720
2023	159,280	8,212	\$25,220	\$3,937,991,527

**Source: MN DEED*

Restaurants are expanding, but their workforce isn't. While the number of restaurant locations has grown 6.3% since 2019, **employment has shrunk by 2.6%.**

Even though wages have jumped 32.2%, total payroll is up only 23.8%. This points to a significant labor shortage. Despite offering higher pay, restaurants are struggling to staff their growing number of locations.

MINNESOTA CATERING LABOR

YEARS	CATERER EMPLOYMENT	CATERERS ESTABLISHMENTS	CATERERS AVG. ANNUAL WAGE	CATERERS TOTAL PAYROLL
2019	3,232	199	\$20,332	\$65,883,817
2020	1,715	196	\$22,412	\$37,618,541
2021	2,120	201	\$23,764	\$51,128,214
2022	2,727	221	\$24,908	\$68,476,029
2023	2,927	229	\$26,572	\$77,914,616

**Source: MN DEED*

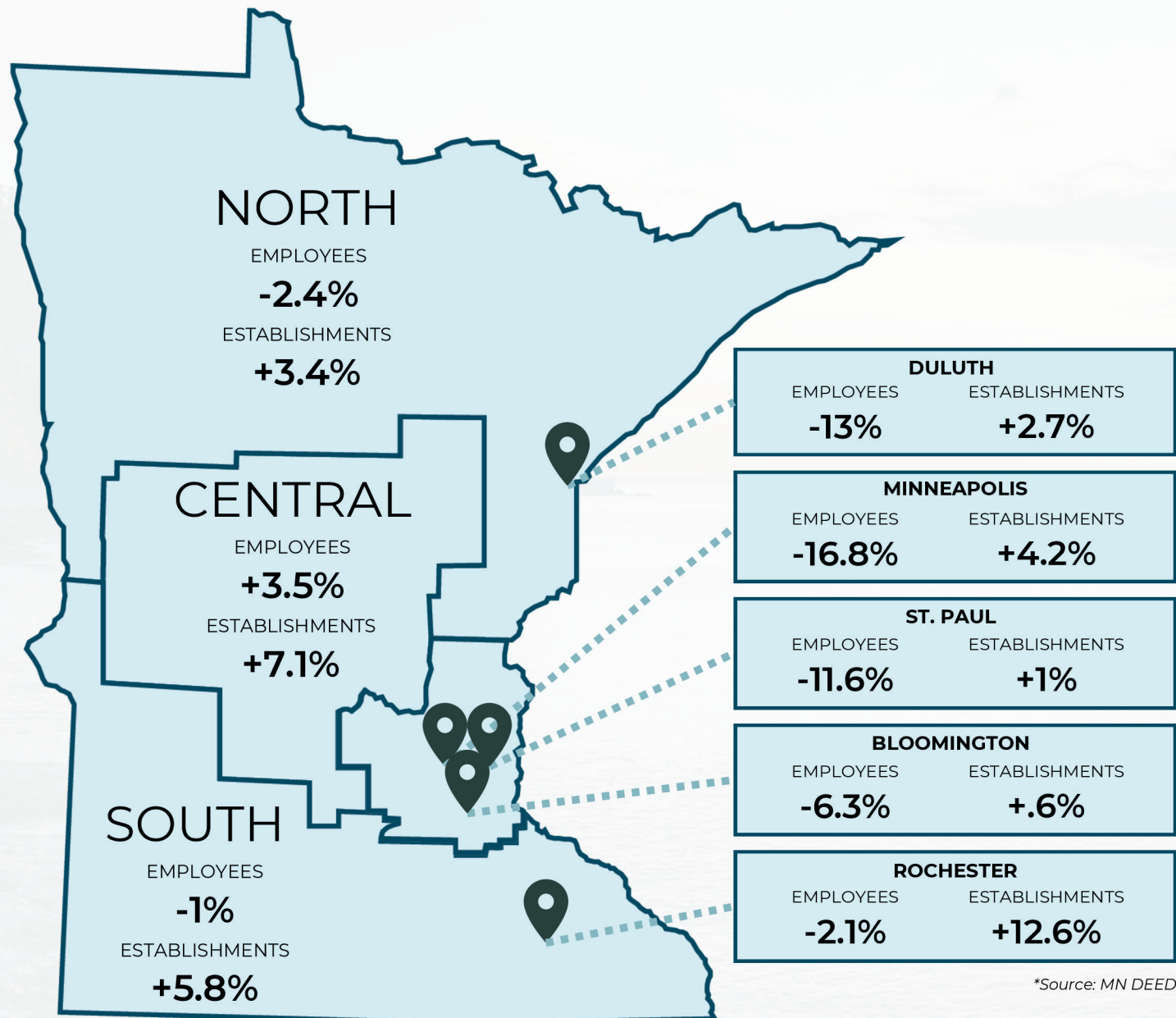
Catering establishments have increased 15% since 2019, but employment is still down 9.5%. While average wages have risen by 30.7%, total payroll remains 12.3% below pre-pandemic levels.

Caterers, like restaurants, are facing a workforce shortage. This potentially limits their ability to fully capitalize on the growing demand for their services.

MINNESOTA FOODSERVICE: EMPTY SEATS AT THE TABLE

STRESSED ECONOMICS

Restaurants across the state are expanding their footprints since the pandemic. Despite this, their employee numbers have reversed course, indicating a workforce shortage plaguing the industry. Restaurants continue to do more with less.



MINNESOTA FOODSERVICE: EMPTY SEATS AT THE TABLE

BY THE NUMBERS:

STATE EMPLOYMENT & ESTABLISHMENTS (2019-2023)*

STATE

YEAR	EMPLOYEES	ESTABLISHMENTS
2019	163,582	7,727
2020	128,041	7,702
2021	141,553	7,686
2022	153,693	8,020
2023	159,280	8,212

NORTH

YEAR	EMPLOYEES	ESTABLISHMENTS
2019	22,844	1,307
2020	18,639	1,299
2021	20,821	1,301
2022	21,813	1,329
2023	22,300	1,351

CENTRAL

YEAR	EMPLOYEES	ESTABLISHMENTS
2019	16,690	833
2020	14,222	827
2021	15,862	827
2022	16,657	860
2023	17,282	892

SOUTH

YEAR	EMPLOYEES	ESTABLISHMENTS
2019	22,108	1,203
2020	18,432	1,194
2021	20,269	1,188
2022	21,256	1,237
2023	21,889	1,273

*Source: MN DEED