2026
STATE OF HOSPITALITY REPORT

ABOUT THIS REPORT

Each year, Hospitality Minnesota produces this report to give operators, policymakers, and partners a clear-eyed look at the forces shaping Minnesota's hospitality landscape — and what they mean for the road ahead.

This report draws on the latest data, member insights, and industry trends to paint an honest picture of where we stand, giving our members the context they need to make sound business decisions, and giving our elected officials the facts they need to craft smart, workable policy.

Hospitality Minnesota's research is considered the leading source for industry insights, trends, and concerns. Analysis is based on public economic, consumer, and private survey data. Visit hospitalityminnesota.com/soti/ for the latest industry trends and analysis.

The 2026 State of the Hospitality Report is based on research and analysis provided by Fluence Advisory in partnership with Hospitality Minnesota and its members.

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About Hospitality Minnesota
Hospitality Minnesota is a trade association that represents and advocates for businesses in Minnesota's hospitality industry, including restaurants, hotels, resorts, and other lodging and tourism-related enterprises. The organization works to support its members through advocacy, education, and business resources

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EXECUTIVE SUMMARY

Explore the data!

AT A GLANCE

While top-line indicators show a stable hospitality industry, the bottom line shows a bleak future for our industry. There is **a clear disconnect between high-level stability and bottom-line health.**

From all angles, our industry is being squeezed. Federal tariffs have increased wholesale prices. State and local regulations are punishing businesses for attempting to create high-paying and quality jobs. Consumers are pulling back due to economic uncertainty and tightening budgets.

For long-term recovery and survival, **our industry needs major reform with business-friendly policies that encourage a thriving hospitality industry instead of hindering it.**

AN ECONOMIC DRIVER

$8.8B
2024 contribution to statewide GDP

**Source: US Bureau of Economics*

229K +
Total hospitality jobs statewide

**Source: MNDEED*

$1.6B
cumulative sales taxes paid

**Source: MN DoR*

UNSTABLE ECONOMY

LOWER PROFIT	LOWER TRAFFIC	FINANCIAL DECLINE	EATING COSTS
56.8%	**52.4%**	**48.3%**	**12%**
OF BUSINESSES REPORTED LOWER PROFIT IN 2025	OF BUSINESSES REPORTED LOWER CUSTOMER TRAFFIC IN 2025	OF BUSINESSES REPORTED SOME STAGE OF FINANCIAL DECLINE IN 2025 (+12% SINCE 2024)	OF BUSINESSES NOT PASSING INCREASED WHOLESALE COSTS TO CUSTOMERS

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

DEVELOPING WORKFORCE

+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*

Explore the data!

STAGNANT & SQUEEZED INDUSTRY

Minnesota's hospitality industry is no stranger to uncertainty. Following the pandemic, hospitality was making a stunted recovery. **The first two months of 2026 stressed the industry to new limits.** With federal actions, locality responses, and consumer reactions, **Minnesota's hospitality industry is on the brink of no return.** The current economic environment in Minnesota is not sustainable.

Hospitality has always been a bellwether industry. **Businesses are finding it increasingly hard or impossible to navigate regulations, consumer dynamics, and politics.**

How Minnesota responds to these challenges will determine the health and vitality of our state's economy for decades to come. **Most people assume businesses will always be present, until they're not.** Our industry is at a breaking point and needs long-term strategic solutions to come out alive.

SHORT-TERM SOLUTIONS

- **Service Fees Restructuring:** Federal regulations exempt restaurants and lodging sectors from service fee regulations. In Minnesota, exempting hospitality businesses would allow for increased flexibility in a volatile industry.
- **Tip Pooling:** Tip pooling reform would address a long-standing inequity between front-of-house and back-of-house staff.
- **Swipe Fee Reform:** Credit card interchange fees on the tax and tip portions of transactions cost Minnesota hospitality operators millions of dollars annually.

KEY TAKEAWAYS

- **Overregulated:** Unneeded complexity and higher regulatory costs are plaguing industry recovery and growth.
- **Financially Squeezed:** Several external factors are compressing hospitality's potential. Our industry is powerful but weakened by current challenges.
- **Taken for Granted:** Hospitality has anchored Minnesota's economy through every downturn — but an industry that is overregulated, financially squeezed, and chronically overlooked will not always be able to absorb the weight.

Explore the data!

UNSTABLE SECTOR

$8.8B
Industry GDP contribution in 2024

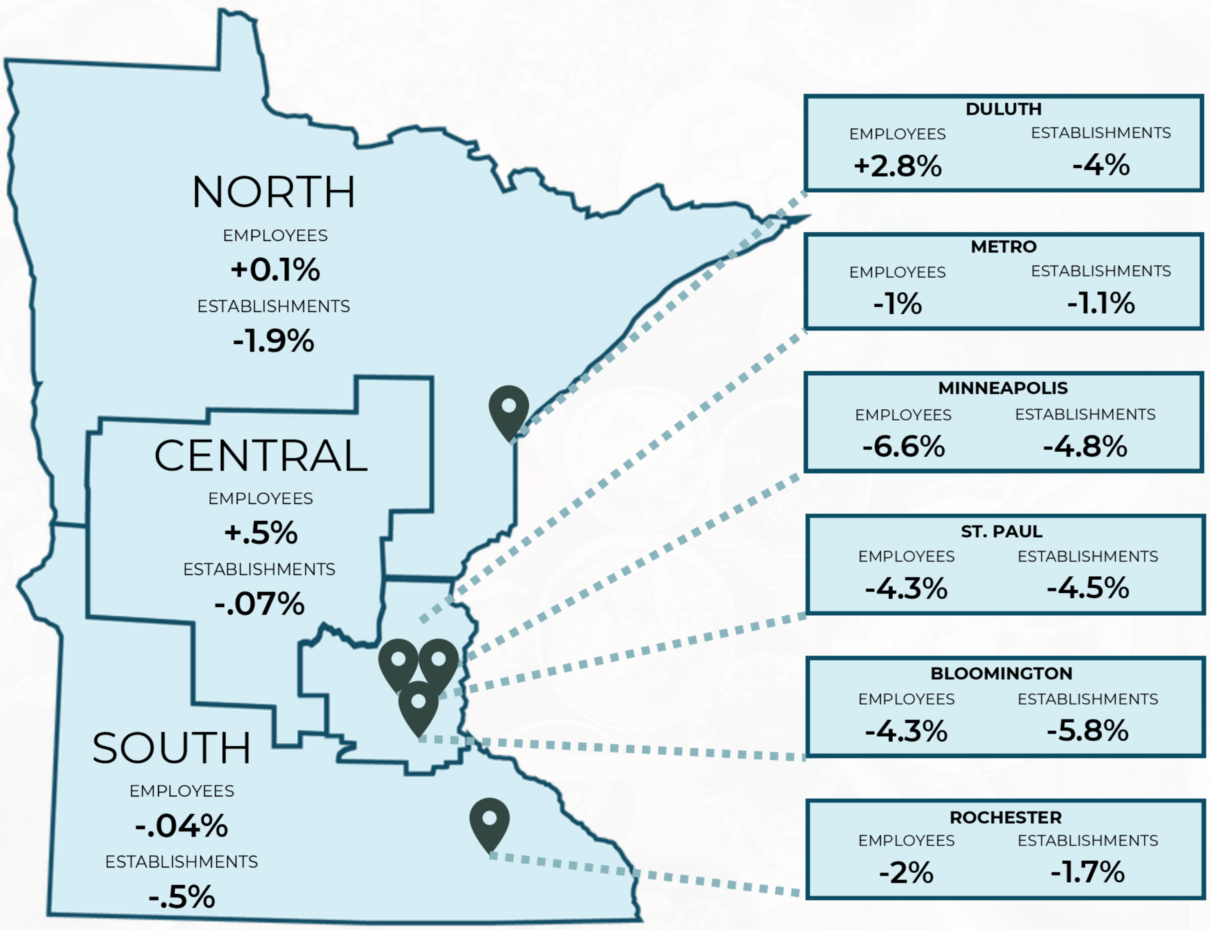
1% Growth
Since 2023.

**Source: US Bureau of Economics*

Minnesota's hospitality industry is home to nearly 230,000 employees and nearly 13,000 businesses — **a significant economic force in every corner of the state.**

The North, Central, and South regions are seeing employment essentially flat — within a fraction of a percent in either direction. 0.32% of establishments have dipped slightly, but the **overall trend is one of resilience.**

Minneapolis has lost 6.6% of its hospitality workforce and nearly 5% of its businesses year-over-year. St. Paul and Bloomington are each down more than 4% in both categories. Rochester is off 2% in employment.



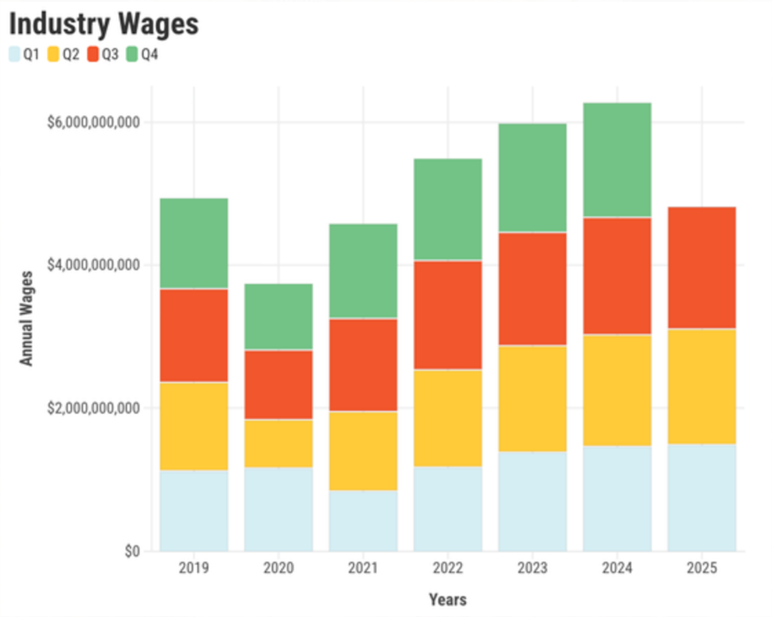
**Source: MN DEED*
***Q3 Comparison*

ECONOMIC INSTABILITY

Explore the data!

RISING WAGES

Wages across the state are growing with fewer workers. Across each region, total wages have increased by 2-6% since 2024.



*Source: MNDEED

Hospitality is one of the few industries that opens its doors to everyone. **We are an industry of economic opportunity, and we are proud of it.**

However, when wages rise faster than revenue can follow, operators are forced to make painful decisions — reduced hours, smaller staffs and closed doors. That doesn't help the workers we all want to see succeed.

3% Growth
Since same period in 2024

$4.8B
Total wages paid to employees by end of 2025 Q3

*Source: MNDEED

EMPLOYMENT, BUSINESS AND WAGE COMPARISON

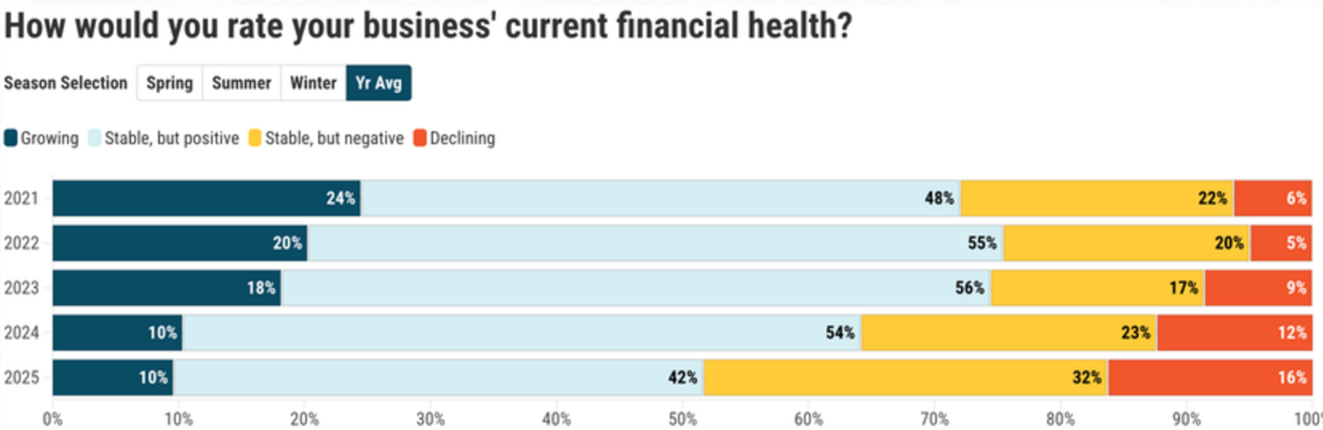
MEASUREMENTS	2024	2025	Change
Employment	230,986	229,919	-0.46%
Businesses	12,851	12,843	-0.06%
Weekly Wage Average	$517.67	$535.67	+3.48%
Total Wage	$4.6B	$4.8B	+3.72%

*Source: MNDEED
**Q3 Comparison

STRESSED INDUSTRY

Explore the data!

BUSINESS PINCHED



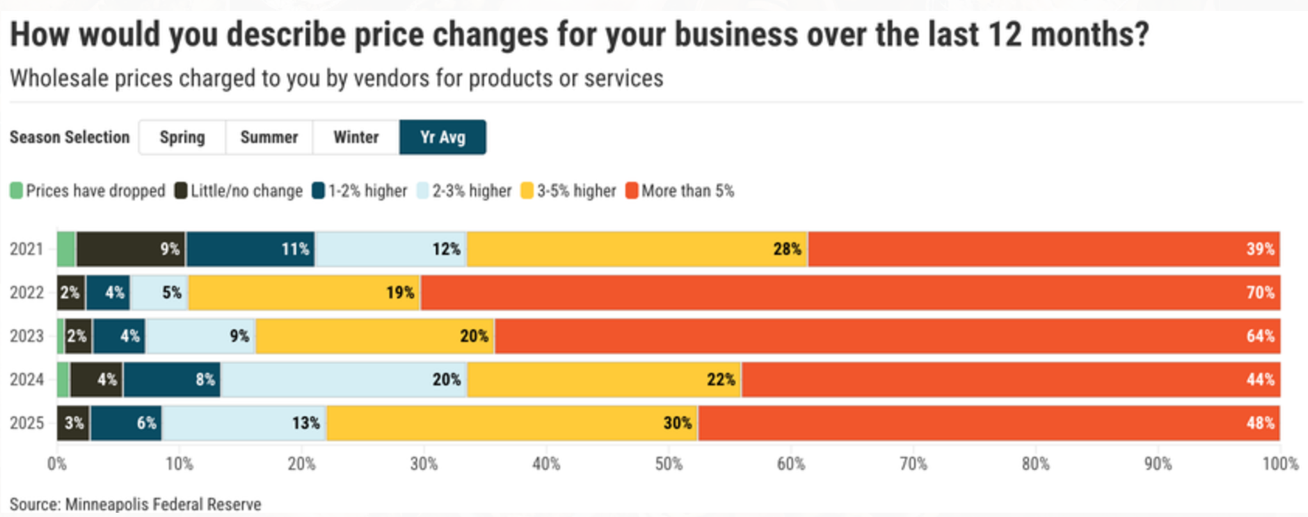
*Source: Minneapolis Federal Reserve

48% of hospitality businesses report negative financial health. Up 12% since last year.

Hospitality businesses across Minnesota are expecting/reporting declines in customer traffic, revenue, and profits. Our industry is continuing to face a bleak future.

Tariffs and inflation are hurting hospitality businesses more:

- **12% are "eating" costs** in an attempt to keep prices low for customers
- **92% are facing wholesale price hikes**
- **80% have been forced to raise prices**



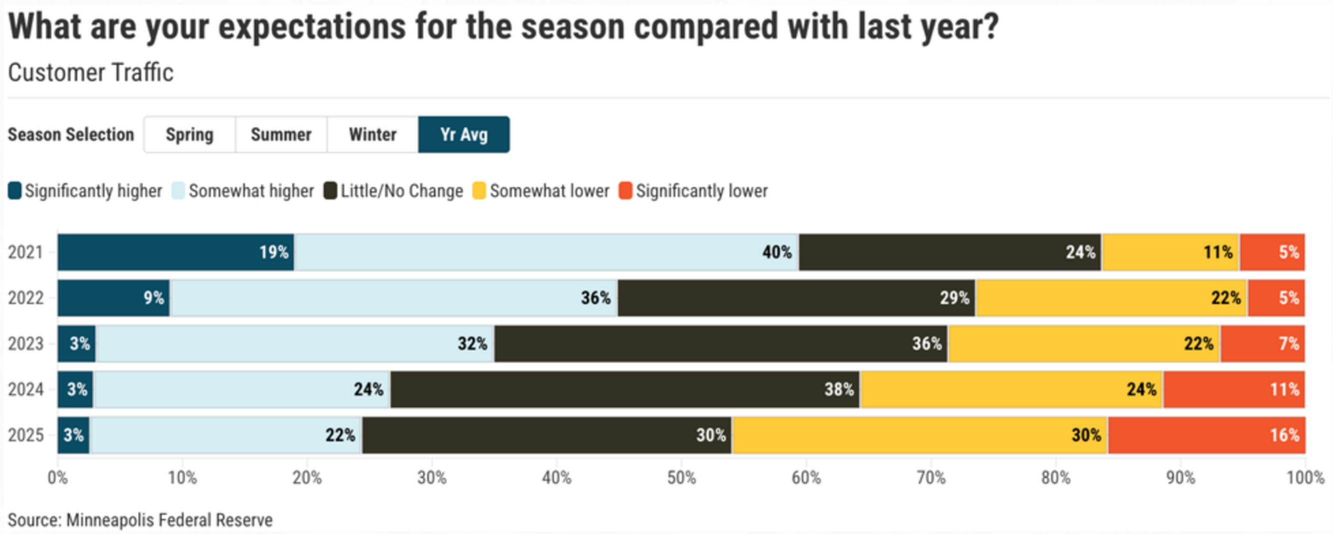
Explore the data!

SQUEEZED FROM BOTH SIDES

46% of hospitality businesses reported lower customer traffic compared to 2024. Year-over-year reports are revealing a concerning trend of Minnesota consumers.

Consumers are becoming less and less likely to visit their favorite restaurant, hotel, and resort. Recreational and hospitality spending is among the first to be cut when consumers tighten budgets.

Operators cannot continue to absorb regulatory costs on one side while consumer demand erodes on the other. The margin in between — where businesses survive, where workers keep their jobs, where communities keep their restaurants and hotels — is disappearing.



NOT JUST AN OPERATORS PROBLEM

When operators are squeezed, workers lose hours, local economies lose revenue, and communities lose the businesses that anchor them. **The data is clear — this is a statewide problem that demands lawmakers attention.**

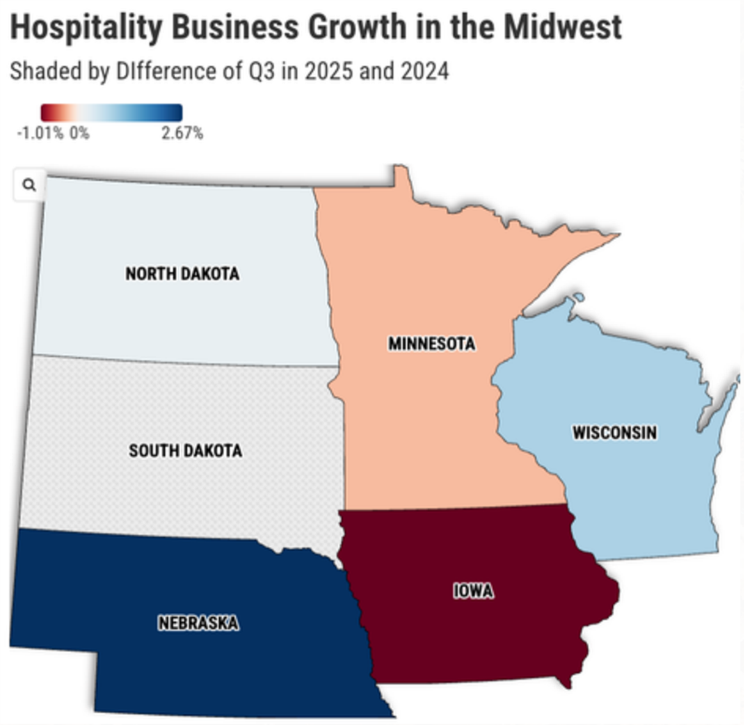
Explore the data!

REGULATORY DIFFERENTIATOR

The data points to the regulatory environment as a key differentiator.

Minnesota operators are navigating the same economic headwinds as our neighboring states — slower GDP growth, shifting consumer spending — but with the added weight of the state mandates that surrounding states are escaping.

MAPPING IT OUT



**Source: State's Respective Workforce Departments*

State	Q3 24 - 25 DIFFERENCE	NET BUSINESSES
IOWA	-1.01%	-75
MINNESOTA	-0.32%	-41
NEBRASKA	2.67%	+180
NORTH DAKOTA	0.18%	+4
WISCONSIN	0.85%	+129

Almost every state around Minnesota has seen growth in its hospitality sectors. The net business growth between Q3 2024 and 2025 shows only two states slowing: Minnesota and Iowa. Over two dozen of Iowa's restaurants have closed, primarily in Des Moines.

Minnesota's recovery has been stunted due to increased state mandates. **The proof is in the data - undue regulations stunt growth.**

REGIONAL REGULATION IMPACT

Explore the data!

LABOR COSTS

While hospitality businesses attempt to recover following years of uncertainty, our report finds that those **hospitality businesses in proximity to increased regulation are experiencing a harder recovery path.**

In 2017, Minneapolis passed an increased minimum wage above the state's rate. In 2018, St. Paul followed suit. Both cities are recovering substantially slower than surrounding suburbs.

MINNEAPOLIS

2012 - 2017	2018 - 2024
+11%	**+0.5%**
NET 116 BUSINESSES WERE CREATED	*NET SIX BUSINESSES WERE CREATED*

ST. PAUL

2012 - 2018	2019 - 2024
+12%	**+2%**
NET 69 BUSINESSES WERE CREATED	*NET 13 BUSINESSES WERE CREATED*

MAPLE GROVE

2012 - 2017	2018 - 2024
+5%	**+14%**
NET SIX BUSINESSES WERE CREATED	*NET 18 BUSINESSES WERE CREATED*

ROSEVILLE

2012 - 2018	2019 - 2024
-5%	**+9%**
NET SIX BUSINESSES WERE LOST	*NET 11 BUSINESSES WERE CREATED*

**Source: MNDEED*

Hospitality businesses would benefit from sustainable policy environments. Minneapolis and St. Paul appear to have deviated from this approach. And it shows in the number of hospitality businesses that have relocated to the suburbs.

These location changes impact everyday Minnesotans. Before the Minneapolis minimum wage increase, 3,600+ hospitality jobs were created between 2012 and 2017. **By 2024, *Minneapolis had lost 2,947 jobs. St. Paul had lost 1,206 jobs.***

The suburbs are exceeding their pre-COVID employment numbers.

Regulations that harm businesses are hurting the industry and local proprietors' ability to create and maintain good-paying jobs.

Explore the data!

SALES TAXES

The State of Minnesota has a 6.875% sales tax rate. Local governments across our state levy additional sales taxes to support their own initiatives. Some of these taxes include city, county, transit, and housing. Local sales taxes may hinder the hospitality industry's growth and recovery.

Our research indicates that **recovery rates are trending downward by 2-7% in localities with a combined sales tax rate of 1.25% or more.**

Hospitality welcomes taxes that benefit the industry and community at large (i.e., lodging taxes), yet warns that **excessive taxes only raise prices for consumers and make it harder to provide quality and good-paying jobs.**

DIFFERENCES BETWEEN Q3 2024 & 2025

Localities	Local Sales Tax *(No Special Taxes)*	Average Recovery Rate	Hospitality Buinesses	Hospitality Employees	Lodging Businesses	Lodging Employees	Restaurant Businesses	Restaurant Employees
MN South	0 - 1.25%	+1%	-0.4%	-0.5%	-0.9%	+10.4%	-1.2%	-1.4%
MN Central	0 - 1.25%	0%	-0.7%	+0.5%	-5%	+3.2%	+0.1%	+1.4%
MN North	0 - 1.25%	-1%	-2%	+0.1%	-2.8%	-0.8%	-1.6%	+0.5%
Rochester	1.25%	-2%	-1.7%	-2%	-	-	-1%	-2%
Duluth	2%	-3%	-4%	-3.7%	+5.2%	-2.8%	-5.6%	-5.3%
Bloomington	2.15%	-4%	-5.8%	-4%	-4%	+2.7%	-6%	-8%
Minneapolis	2.15%	-4%	-4.8%	-6.6%	0%	-0.3%	-5%	-7.6%
St. Paul	3%	-7%	-4.5%	-4%	-14%	-9%	-4%	-3.9%

**Recovery Rate calculated by index of YoY tracked metrics such as businesses and employees segmented by industry and sector.*
**Source: CoStar and MN DoR*

Hospitality jobs lost since 2024:
- Minneapolis: 1,737
- St. Paul: 483
- Bloomington: 336
- Duluth: 209
- Rochester: 162

As our industry strives to recover, taxes and regulations are hindering growth and employment.