MARKET REPORT

2026/27 Federal Per-Diem Update: Growth Returns Following a Year of Stability

SEPTEMBER 10, 2026

After a stable fiscal-year 2026, the recently published fiscal-year 2027 per-diem rates indicate a return to measured growth, with the standard continental United States (CONUS) lodging allowance increasing by $3 per night. This article explores how long-term trends continue to reveal significant differences among U.S. lodging markets, particularly in major gateway cities and resort destinations.

Federal Per Diem Overview & Recap

The U.S. federal government per-diem rate is made up of a lodging allowance and a meals and incidental expense (M&IE) allowance. The per-diem lodging rates, which set the maximum amount a federal traveler can reimburse, are based on the average rates for mid-priced hotels and are set annually by the U.S. General Services Administration (GSA). A standard rate applies to most of the continental United States (CONUS), while individual rates apply to nearly 300 non-standard areas (NSAs), comprising key cities that are frequently traveled by federal workers.

Since the 2005 fiscal year, federal lodging per-diem rates have been based on average daily rate (ADR) data, less 5.0%. The rates are updated annually, with the next fiscal year's rates typically published in mid-August. As explained by the GSA, three factors influence the federal lodging rate and may result in per-diem rates that differ from the published market rates, as follows:

- Property Selection Criteria: The goal of the GSA is to choose properties that best represent mid-range hotels in each market using criteria such as location, fire-safe certification, and various property demographics.
- Time Frame of Data: The GSA uses ADR data from the trailing April–March period.
- Seasonality: Seasonal rates are created by the GSA in many markets that have a sustained period (two or more months)

where rates vary by at least 15% from the preceding or following period, based on three years of data.

FY2027 Rates Resume Growth

After a stable 2026 fiscal year, the GSA has implemented a modest increase to the standard CONUS lodging allowance for fiscal-year 2027. Effective October 1, 2026, the standard lodging rate will increase from $110 to $113 per night. The M&IE allowance, which is separately reviewed every three to five years, remains unchanged at $68 per day. In addition, the number of NSAs declined slightly from 296 to 295, as Allentown, Pennsylvania, returned to the standard CONUS rate category.

While the increase is relatively modest compared to some of the larger adjustments during the post-pandemic recovery years, it represents a return to growth. The FY2027 update suggests that average hotel rates continue to support higher reimbursement levels in many markets, while the relatively small increase reflects a lodging industry that has transitioned to a more normalized growth environment.

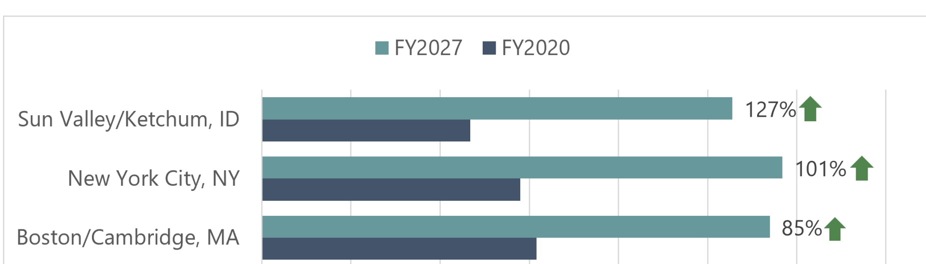
Per-Diem Trends Over Seven Years Tell the Bigger Story

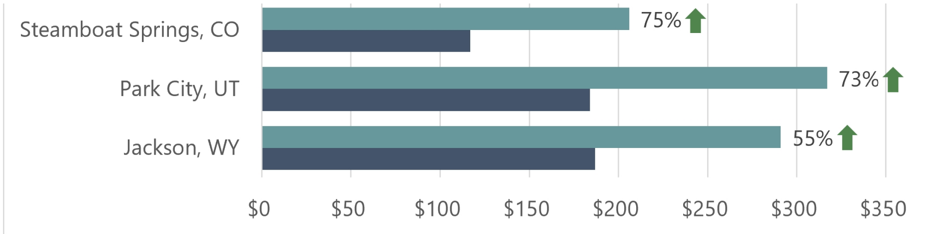
Since FY2020, the standard CONUS lodging allowance has increased from $96 to $113, representing growth of nearly 18%. Over the same period, the average lodging allowance across all markets in the HVS dataset (comprising both standard CONUS and NSAs) increased by 23%, from approximately $128 to $157. These trends reflect the broader recovery and strengthening of U.S. hotel average daily rates in the wake of the pandemic. Some destinations have experienced substantially stronger growth, particularly major gateway cities and high-end leisure/resort destinations.

Although the FY2027 national increase was limited, the longer-term trends tell a more interesting story. New York City's average lodging allowance has increased from roughly $145 in FY2020 to $292 in FY2027, representing more than 100% growth and the largest dollar increase among major U.S. lodging markets. This trend reflects the market's strong recovery and renewed pricing power since the pandemic period.

Gateway cities have posted some of the more notable increases since FY2020, but the strongest growth has not been limited to urban markets. Resort and leisure-oriented destinations such as Sun Valley/Ketchum, Park City, Jackson, Steamboat Springs, Key West, Naples, Myrtle Beach, Bar Harbor, Kalispell/Whitefish, and Savannah have recorded some of the greatest rises in lodging allowances nationwide. These trends reflect the sustained strength of leisure demand and suggest that many outdoor, coastal, and resort destinations continue to command rates well above pre-pandemic levels.

Markets with Largest Increases Since FY2020



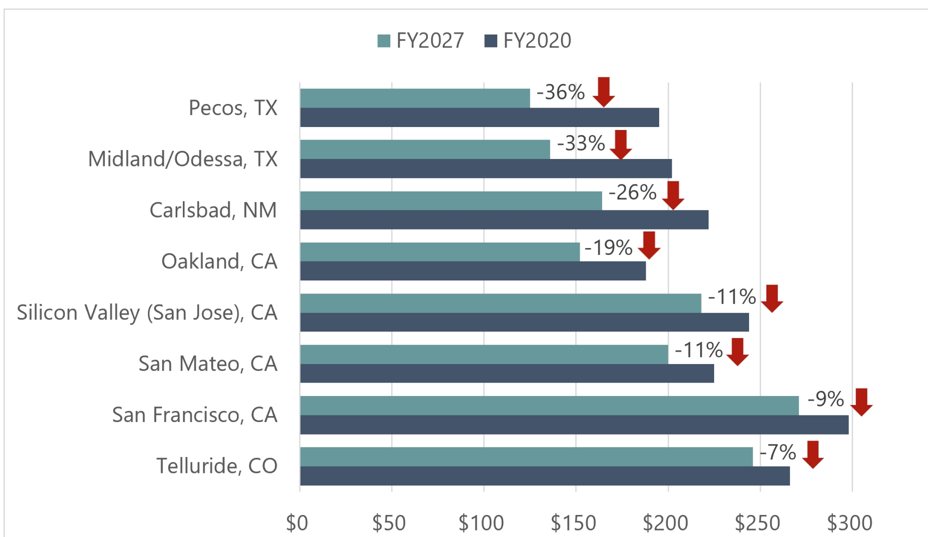


Source: GSA

Among major government-oriented markets, Washington, D.C., also recorded substantial growth, with average lodging allowances increasing from approximately $179 in FY2020 to nearly $246 in FY2027.

However, not all markets have shared equally in the post-pandemic recovery. Several energy-driven destinations, including Pecos, Midland/Odessa, and Carlsbad, continue to report lodging allowances well below FY2020 levels, reflecting changing economic conditions and hotel demand dynamics. Likewise, certain historically expensive markets, including San Francisco, Oakland, Silicon Valley, Telluride, and Vail, remain below the peaks established earlier in the decade.

Markets Still Below FY2020 Levels



Source: GSA

M&IE Allowance Holds Steady Ahead of Next Review

Although lodging-rate adjustments are determined annually based on market performance, the M&IE allowance follows a separate review process. The most recent M&IE adjustment occurred in FY2025, and GSA has historically conducted M&IE studies every three to five years, moving to a three-year review cadence beginning in FY2016. Based on that schedule, FY2028 is expected to be the next review cycle for M&IE rates, making it an important year to watch for potential changes.

While the outcome of any future study remains uncertain, hotel owners, hotel operators, and government travelers alike should be watching for potential adjustments following two consecutive years with no changes to the M&IE allowance.

Final Thoughts

Beyond serving as a reimbursement mechanism for government travelers, the per-diem rates provide a useful indicator of lodging market performance, helping hotel owners, investors, and valuation professionals identify where pricing has shifted over time.

While federal travel may not represent a significant source of hotel demand in every U.S. market, per-diem rates remain a valuable indicator of broader lodging trends, providing insight into ADR growth, seasonality, and changing demand patterns in general. From a hotel advisory and valuation perspective, the most recently published per-diem rates serve as an important benchmark when developing forecasts or assessing seasonality patterns, and they are especially informative when measuring the relative strength of markets that benefit from government-related travel demand.

At HVS, our consulting, valuation, advisory, asset management, and brokerage professionals provide on-the-ground market intelligence from nearly 40 offices across the United States. By combining national resources with deep local market expertise, our teams help clients understand the trends shaping hotel performance and investment decisions. For additional insight into your market's per-diem changes and the lodging trends they may reveal, please contact Chelsey Leffet, who can connect you with an HVS expert serving your region.