

Hotels benefit from marijuana legalization, study finds

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A Penn State researcher found that recreational-marijuana legalization positively affected hotel revenues in Denver, totaling approximately \$130 million in new hotel revenues. Credit: Alex Person, Unsplash

Legalization of recreational marijuana may lead to increased hotel

revenues, according to a Penn State researcher, who found that after legalizing marijuana, the City of Denver, Colorado, saw roughly \$130 million in new hotel revenues.

"The production, sale and consumption of recreational [marijuana](#) have been legalized in at least 10 states, and many others are considering legalization," said John O'Neill, professor of hospitality management. "My findings could be useful to government officials and business owners in states that are considering legalization."

O'Neill focused his study on Denver, Colorado, since the state was one of the first to legalize recreational marijuana at the beginning of 2014. No other area provides a longer period of time to study, he said, adding that Denver is a large and diverse area, providing both a substantial and possibly generalizable sample from which to draw results.

O'Neill used hotel data from STR, formerly known as Smith Travel Research, as well as the geocoordinates and opening dates of recreational marijuana dispensaries in the Denver area, to conduct his study. He used these data to examine marijuana's effects on hotel performance in the ensuing years. His findings appeared in the latest issue of the Journal of Real Estate Literature.

"I found that recreational marijuana legalization positively affected hotel revenues in Denver, totaling approximately \$130 million in new hotel revenues," said O'Neill.

The [positive effects](#) lasted only about a year, primarily as a result of increases in prices. After a year, [revenue](#) rates returned to normal.

"We found that Denver hotels were able to charge and receive higher prices for hotel rooms following recreational marijuana legalization, and also found increased visitation to the Denver area with growth in

occupied hotel rooms of 9% in 2014, higher than any other year we studied, resulting in positive economic impact," said O'Neill.

O'Neill also found that the positive effects were more pronounced in tourist-oriented, lower-priced hotels than in higher-priced hotels catering to commercial travelers. Additionally, the positive effects were unrelated to the distance between hotels and recreational marijuana dispensaries.

"I found that although hotels generally located in the neighborhoods and areas of the city where dispensaries are located experienced the most positive effects, there was no evidence that distance to marijuana stores was a significant factor affecting hotel performance," said O'Neill. "It could be that guests visit dispensaries only once or twice during any trip, and that proximity to other support amenities, such as restaurants, lounges and conventional retail establishments, as well as hotel attributes, such as brand and price, are more important considerations in their hotel selection."

O'Neill notes that the time period he examined in his study corresponds to a period of general economic growth in the United States.

"Although I studied Denver during a period of economic growth, its growth after legalizing recreational marijuana was above and beyond what would have been otherwise expected without legal recreational marijuana," he said. "In addition, its growth was greater than comparable cities, such as Albuquerque, Austin and Salt Lake City. Also, its growth was greater than national averages. I believe the difference in [hotel](#) revenues was due to the [legalization](#) of recreational marijuana in Denver."

Provided by Pennsylvania State University

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