

By [Jerod Byrd](#)

The Quarterly HVS Industry Statistics Update shows key economic metrics that relate to the hotel industry's recent performance and near-term forecast.

RevPAR across the U.S. strengthened 1.2% through the first half of 2019, and STR is projecting the calendar year to end at roughly 2.0%. Profit margins should remain generally stable in light of an increase in operating expenses, particularly attributed to rising labor costs in connection with low unemployment levels. RevPAR growth through the near- to mid-term is expected to come in the form of ADR growth, with occupancy remaining generally stable. As illustrated, while RevPAR is down slightly across the top 25 markets, all other markets are averaging 2.3% growth, which is moderately above the current inflationary rate of roughly 1.8% and, therefore, indicative of a "real" RevPAR gain.

Despite a deceleration in demand growth, supply increases remain at around 2.0%, with Hilton and Marriott franchising roughly 58% of the overall new supply in the pipeline, with the remaining of the "Big 6" (Choice, IHG, Wyndham, and Hyatt, according to STR) at 25%. Construction costs have continued to climb over the years, with an average annual increase of 5.0% since 2015; the increase is a primary contributor to the constrained supply growth, which may not necessarily be a bad thing considering hotel metrics are stabilizing. From a sales perspective, Marriott and Hilton led the median price per key among the more popular upper-midscale brands for the first half of 2019; the select-service flags were also analyzed, but limited sales comparable data for the first six months of 2019 were available for flags such as Hyatt Place and Hotel Indigo, among others, to formulate a credible comparison to the more widely sold Courtyard by Marriott and Hilton Garden Inn hotels.

The lending appetite for hotels continues to remain strong, although transaction activity was down through the first half of 2019 because of waning RevPAR growth; the decelerating growth, in conjunction with rising labor costs, should result in hotel values remaining generally stable through 2020. For the near term, hotel owners should assume value appreciation to come in the form of asset operating efficiencies and not necessarily from market growth.

U.S. Market Performance			
Performance (STR)	H1 2018	H1 2019	% Change
Occupancy	65.9%	65.9%	0.1%
ADR	\$129.72	\$131.20	1.1
RevPAR	\$85.45	\$86.51	1.2
Supply			2.0
Demand			2.1
HVS Forecast		2019	2020
RevPAR (% Change)		2.0%	1.5%
STR Forecast		2019	2020
RevPAR (% Change)		2.0%	1.9%

Source: STR, HVS

Top 25 Markets: H1 2019 RevPAR Performance	
Winners	% Change
San Francisco, CA	8.1%
Atlanta, GA	7.8
Phoenix, AZ	4.6
Tampa/St. Petersburg, FL	4.1
Nashville, TN	3.6
Losers	% Change
Houston, TX	-7.2%
Minneapolis, MN	-5.9
Seattle, WA	-4.6
New York, NY	-3.8
Orlando, FL	-2.7
Overall	% Change
Top 25 Markets	-0.3%
All Other Markets	2.3

Source: STR

Investment Opportunities
HVS Americas re-launched its Brokerage and Advisory division in 2018. HVS Brokerage in the Americas is seeking talented hotel brokers to join our team. Contact <a href="#">Rod Clough, MAI</a> if you are interested.
View our current listings here:
<a href="https://hvs.com/services/brokerage-and-transaction-advisory/listings">https://hvs.com/services/brokerage-and-transaction-advisory/listings</a>

Leading Brands Median Sale Price Per Key: H1 2019		
Upper Midscale Brands	# Sales	\$ Per Key
Comfort Inn by Choice	27	\$63,000
Comfort Suites by Choice	23	\$75,000
Fairfield Inn by Marriott	15	\$105,000
Hampton Inn by Hilton	41	\$121,000
Holiday Inn Express by IHG	35	\$81,000
Wingate by Wyndham	8	\$70,000
Select-Service Brands	# Sales	\$ Per Key
Courtyard by Marriott	24	\$104,000
Hilton Garden Inn by Hilton	13	\$131,000

Source: HVS (Authored by Jerod Byrd)

Financing Conditions				
Asset Type	Leverage	Interest Rate	Equity Yield	Total Property Yield
Trophy (Top 3%)	65 - 70%	4.5 - 5.0%	12 - 14%	8.0 - 9.0%
High Quality	65 - 70%	5.0 - 5.25%	15 - 18%	9.0 - 10.5%
Middle Quality	60 - 65%	5.5 - 6.5%	18 - 21%	10.5 - 13.0%
Lower Quality	55 - 60%	6 - 7.0%	19 - 25%	12%+

Source: HVS

Construction Cost Trends	
Year	% Change
2006	10.6%
2007	7.7
2008	6.3
2009	-8.4
2010	-4.0
2011	1.6
2012	2.1
2013	4.1
2014	4.4
2015	4.5
2016	4.8
2017	5.0
2018	5.6
Q1 2019	1.34
Q2 2019	1.23

Source: Turner Building Cost Index



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