

HVS Takeaways – The Lodging Conference

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The event was marked by cautious optimism as industry professionals assessed the current state of the U.S. hotel market. With the Federal Reserve lowering interest rates, many believe that the worst effects of rate hikes and inflation are behind us, offering hope for a rebound in hotel transactions after the significant slowdown over the last 18 months. The upcoming election and intensifying geopolitical concerns continue to somewhat balance the rising optimism.

Top-line performance has stabilized without significant growth expected in the near term, in line with this year's supply/demand trends. Concerns about profitability persist as rising expenses continue to challenge the industry. Labor costs and other operational expenses have put pressure on profit margins, with flow-through rates remaining low. As a result, many operators are focused on managing costs more efficiently to protect their bottom line.

High construction costs are also inhibiting new hotel development and the addition of new supply. This dynamic is helping to balance the supply/demand equation, but it also means that significant new development projects are unlikely in the short term. Overall, the conference reflected an industry adapting to new economic realities, with stakeholders optimistic when it comes to future transaction activity yet focused on maintaining stability and finding ways to preserve profitability amid shifting market conditions.

Hoteliers are increasingly focused on maximizing the potential of their existing assets. Many property owners are exploring rebranding opportunities to reposition their hotels and enhance revenue streams while carefully managing the costs associated with property improvement plans (PIPs) and franchise or affiliation fees. Over the past year, major hospitality franchisors have expanded their portfolios with new conversion offerings, including Spark by Hilton, Hyatt Studios, Garner by IHG, and Marriott's City Express. These brands provide midscale hotel owners with the option to align with prominent hotel companies and potentially boost their revenue. However, the decision to pursue rebranding remains a case-by-case consideration, depending on individual asset performance and market conditions.

HVS is here to help you navigate these interesting times. Please reach out to us and we can connect you with the best person to assist as you tackle these challenges and work toward your goals.