HVS

MARKET REPORT

HVS U.S. Market Pulse: February 2026

FEBRUARY 26, 2026

U.S. hotels began 2026 steadily, with flat occupancy and slightly higher ADR for January. As of February, HVS expects modest RevPAR growth in 2026 and stronger gains in 2027 and 2028. Cap rates are trending downward as more distressed assets sell, while transaction activity is slowly gaining momentum, supported by lower interest rates.

The year started off as expected, with a 52.4% occupancy level in the U.S. and ADR at roughly $152, according to the STR Lodging Review (January 2026). Compared to January 2025, occupancy is essentially flat and ADR is up by roughly one dollar. Better year-over-year comparisons should start to emerge in March. The San Francisco Bay Area RevPAR was up 10%, thanks in part to the Super Bowl (and the continuation of its longer-term recovery pattern), while the Minneapolis area was up 26%, due in large part to the influx of ICE personnel, press, protesters, and others. Other key “up” markets were Miami and St. Louis, while key “down” markets were Tampa Bay, Atlanta, and Washington, D.C. (with no inauguration).

Our latest U.S. forecast is as follows.

HVS Forecast for U.S. Hotel Metrics Through 2028

	Occupancy	*ADR*	*% Chg*	*RevPAR*	*% Chg*
2025 (Actual)	62.3 %	$161	0.9 %	$100	-0.3 %
2026	**62.7**	**163**	**1.5**	**102**	**2.2**
2027	**63.1**	**168**	**3.0**	**106**	**3.6**
2028	**63.6**	**174**	**3.5**	**110**	**4.3**

Source: HVS, STR/CoStar

HVS offers the HVS MarketCast if you require an occupancy and ADR forecast for a specific market or submarket. Please reach out to me to learn more.

A more optimistic outlook is emerging, and RevPAR improvement should accelerate over the next few years. We expect only 2.2% RevPAR growth in 2026, with greater opportunity for gains likely shifted to 2027 and 2028. ADRs will be lifted by special events this year, such as the highly anticipated FIFA World Cup. The travel freezes and reductions that happened in conjunction with DOGE mandates, larger-scale government shutdowns, and economic shocks from unforeseen government announcements (such as the first tariff announcement last year) are hopefully behind us, and we are seeing key submarkets now stabilize. Better convention calendars are on tap for certain cities, and challenging 2025 vs. 2024 comparisons in other cities (such as Austin and Houston) should not recur in 2026. If we do transition into a period of greater economic certainty this year, corporations are expected to bolster hiring efforts and travel budgets.

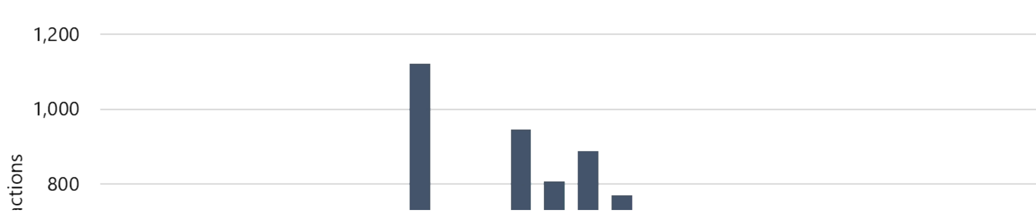
The industry's overall average cap rate is on the decline, with transactions averaging 8.3% for Q4, similar to the 8.2% average for the year.

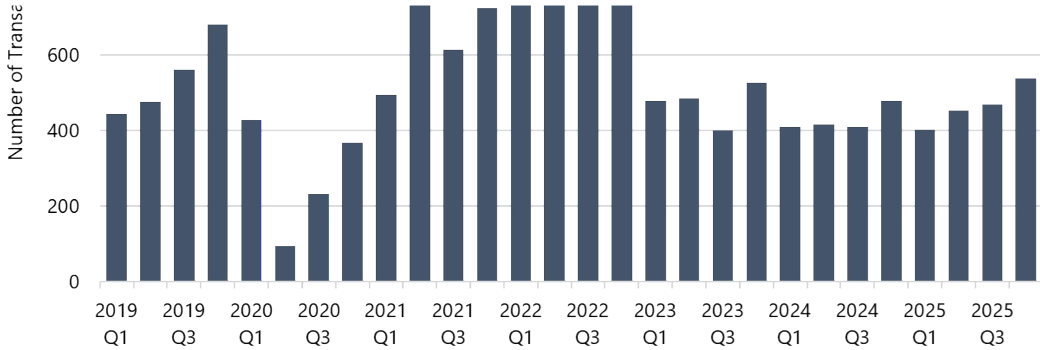
Source: MSCI Real Capital Analytics (Closed U.S. Hotel Transactions)

We expect average cap rates to trend downward in 2026, as we see more turnaround properties with challenged NOI levels being sold. These hotels, which often sell with a cap rate in the low single digits, will bring down the average that is blended with stabilized assets that sell at 8% to 9% cap rates. A normal cap rate in today's market (for a stabilized or near-stabilized property) remains near the 8.0% to 8.5% mark, with an exit cap rate 100 basis points higher. Economy, extended-stay hotels and luxury hotels will likely trend below this level, while older limited-, select-, and full-service hotels facing a big renovation will likely trend above this mark.

Sales activity is starting to pick up, albeit remaining at levels well below the prior peak. Slow improvement is being registered as declining interest rates are helping bridge the buy-sell gap in the market. Quarterly data for hotel transactions in the U.S. is shown below.

Number of U.S. Hotel Transactions Trended Modestly Upward in Most Recent Quarters





Source: MSCI Real Capital Analytics

Prevalent hotel discount rates are in the 10% to 11% range and could be lower for gateway markets, high-barriers-to-entry markets, luxury hotels, and high-performing economy, extended-stay hotels. Be wary of valuations that use exit cap rates and discount rates that are aggressively low, particularly if the asset is not in a high-barriers-to-entry area. A valuation with an exit cap rate in the 6% to 7% range in a low-barriers-to-entry market for a typical limited-, select-, or full-service hotel should flash yellow lights for your investment review team.

About HVS Leadership

At HVS Americas, our thought leadership is represented by our HVS Standards and Excellence Committee, comprising these leaders:

- Rod Clough, MAI, CRE, MRICS, President – Americas
- Anne Lloyd-Jones, CRE, Director of Consulting & Valuation Services, National Practice Leader
- Katy Black, MAI, Managing Director, Leader – Rocky Mountain Region, Leader – HVS Americas Complex Consulting Group
- Tanya Pierson, MAI, ISHC, Senior Managing Director, HVS Minneapolis
- John Lancet, MAI, Senior Managing Director, Practice Leader – Southeast and Caribbean Regions
- Carrie Russell, AACI, MAI, RIBC, ISHC, Senior Managing Partner – HVS Canada
- Chelsey Leffet, Chief Operating Officer – HVS Americas
- John Berean, Managing Director, HVS San Francisco and HVS Honolulu
- Ryan Mark, Senior Vice President, HVS Denver
- Marc Greeley, Senor Director, Leader – Nashville Office

In total, we have a 35-person senior leadership team at HVS Americas composed of exceptional, experienced consultants. We are based in cities from Buenos Aires to Montreal and 30 additional cities in between, with teams covering all markets across North and South America. We will be closely monitoring how the year unfolds, and we are here to help when you need us.