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MARKET REPORT

Key Takeaways from the GF Hotels Forum, Q1 2023

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This post recaps the SWOT analysis for the U.S. hotel real estate and investment industry as outlined at the GF Hotels Forum in Towson, Maryland.

It's a difficult lending environment across the nation at the moment, but RevPAR is expected to continue to rise in the foreseeable future, particularly supported by ADR growth. Debt, while very expensive, is available, and one lesson learned from the pandemic is the importance of sponsorship, including relationships with the brands.

Below is the SWOT analysis for the U.S. hotel real estate and investment industry as outlined at the GF Hotels Forum in Towson, Maryland.

Current strengths of the hotel real estate industry

- Hotels are a good inflation hedge for investors.
- Assets being put up for auction are seeing substantial price increases over broker opinions of value (BOV) or appraised values.
- Transaction volume should increase in Q3, as buyers become accustomed to the new norm in the lending environment.
- Seller financing is emerging for short-term, below-marketing financing.

Weaknesses of the hotel real estate industry

- Remote working is becoming a new normal, which corresponds to less room night demand.
- The industry is facing a significant labor shortage, increasing cost of labor, supply chain issues, and rising energy costs and property taxes. There are also international travel challenges due to visa delays, which affect hotels in more densely populated areas.
- New projects are difficult to finance because of the cost of capital and heightened construction costs.

Opportunities for hotel owners

- Owners can create savings within the rooms department, particularly in housekeeping because of a decrease in cleaning services.
- Technology is also being embraced to streamline operations.
- Airbnb has an influx of lower-quality rentals and rising prices, which is helping hotels; the rentals are not as clean, and anything rated four stars and under is in relatively bad shape.
- Hotel brands such as Ritz-Carlton, Aman, and Four Seasons are starting to get into yacht accommodations, which is a great diversification strategy for the brands and travelers looking for a different experience.

Threats for hotel owners

- Retailers and restauranteurs are coming into the hotel space, which could cause oversaturation.
- Transaction volume has slowed, and there's concern of an impending recession.
- Pandemic fears are ongoing.
- Cyber security issues are prominent, with hotels being a prime target.
- Worldwide geopolitical issues remain a concern, such as tension between Russia and China.
- Urban areas are converting some hotels to homeless housing, and local laws could be passed in more urban areas to allow unhoused people with vouchers to stay at any hotel where rooms are available regardless of chain scale.
- Supersonic jets being introduced into the market over the long term could reduce room-night demand. A trip from New York to London on such a jet could take less than 90 minutes from take-off to landing, allowing travelers to make day trips to other countries versus staying overnight.

For more information, or to discuss your specific project, please feel free to contact Jerod Byrd, MAI, at (901) 481-3058 or .

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