

Capital Trends

US Hotel

19.0% YOY price change
\$1.8b Transaction volume
-23% YOY volume change

Hotel investment fell relative to last year in April after 13 months of double- to quadruple-digit growth rates in sales volume. Some sort of pullback in growth should not come as a surprise as the market has been moving beyond the recovery from the fear-induced lows of 2020. The outright decline in sales relative to last year was a shock, however.

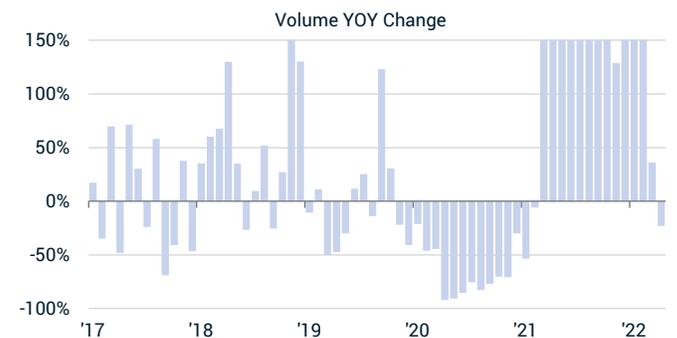
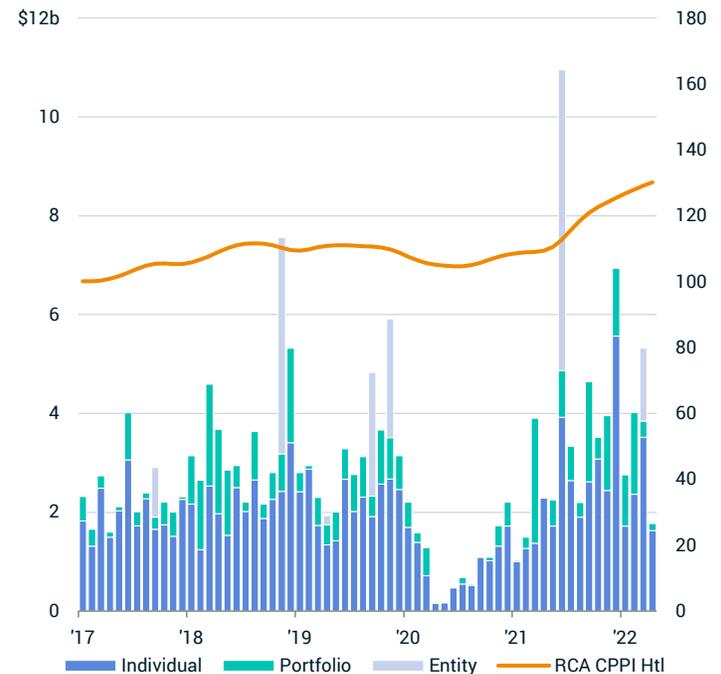
The hotel market is responding to the change in the interest rate environment that hit in the second half of March. Once the 10yr UST pushed past the 2% level on a consistent basis, investors began to worry about underwriting for new acquisitions. Deal volume has become the first sign of market difficulty as potential buyers and lenders reassessed their ability to put capital to work in hotel properties.

The scale of the decline in April did not wipe out the gains seen since the worst parts of the pandemic faded. Hotel investment volume in April of last year came in at \$2.3b, essentially back to normal. Deal volume fell to a low of just \$153m in April of 2020 on investor fears over the scale of the shock ahead. The \$1.8b in April of this year is still well ahead of the activity seen during the worst part of the pandemic.

The hotel market did see some resilience around the sale of limited-service hotels in April. Investment activity here was up 15% from a year earlier, with all of the growth coming from the sale of individual assets. Full-service hotels were the source of the declines for the month, with activity down 40% from a year earlier. Deal activity involving individual full-service hotels was down more for the month, falling 47% from a year earlier.

Despite these shocks to deal activity, pricing measures show little evidence of stress. The RCA CPPI for hotel properties climbed 19.0% YOY in April. The change in this price measure from April to March suggests only a 9.6% annualized pace of growth. In any normal period, a pace of price growth that high would be great news, but price growth is decelerating. Cap rates stood at 8.3% in April, down 30 bps from a year earlier.

Monthly Transaction Volume and Pricing



Trailing 12-mth cap rates; volume YOY change truncated at 150%

Transaction Volume Summary

	April 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Hotel Total	1.8	-23%	13.9	59%
Full-Service	1.0	-40%	5.4	11%
Limited-Service	0.8	15%	8.4	121%
Single Asset	1.6	-29%	9.2	56%
Portfolio	0.1	651%	4.6	65%

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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of May 24, 2022 unless otherwise stated.

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Australia, Europe and Global Capital Trends are published quarterly.

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