

Capital Trends

US Hotel

10.1% YOY price change
\$1.7b Transaction volume
-48% YOY volume change

People like to visit resorts and hotels in the summer, but fewer investors liked buying these assets in July. Deal activity decelerated in July and some of the declines will very likely be revised to a more favorable trend in September. However, based on the typical pattern of revisions, the usual end-of-summer catch-up is not likely to erase the double-digit declines posted in July.

The lagged effects of large entity-level deals a year earlier can often cast a cloud over growth rates in the hotel sector. No such accounting challenge drove the double-digit declines in July, as there were no entity-level transactions this July or last. Investors looking to get access to the hotel market in scale were a problem for the month, however.

Much of the decline in deal activity for July came in the form of a pullback in portfolio sales. Such transactions fell 90% from a year earlier, with substantial declines in both the full-service and limited-service segments. Across portfolio and entity-level sales, year-to-date volume fell 42% from 2021.

It was not as if deal activity fared well for individual asset sales, however. Sales of one hotel building at a time fell below the \$1b mark for both the full-service and limited-service segments in July. In total, individual asset sales were down 36% from a year earlier in the month. Full-service hotel activity felt the sharpest decline for such deals, down 53%, versus a 10% drop for limited-service activity.

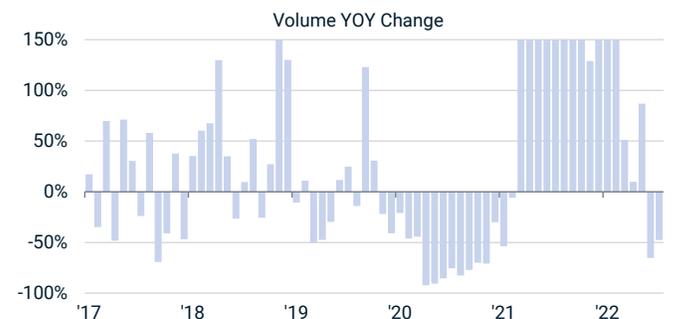
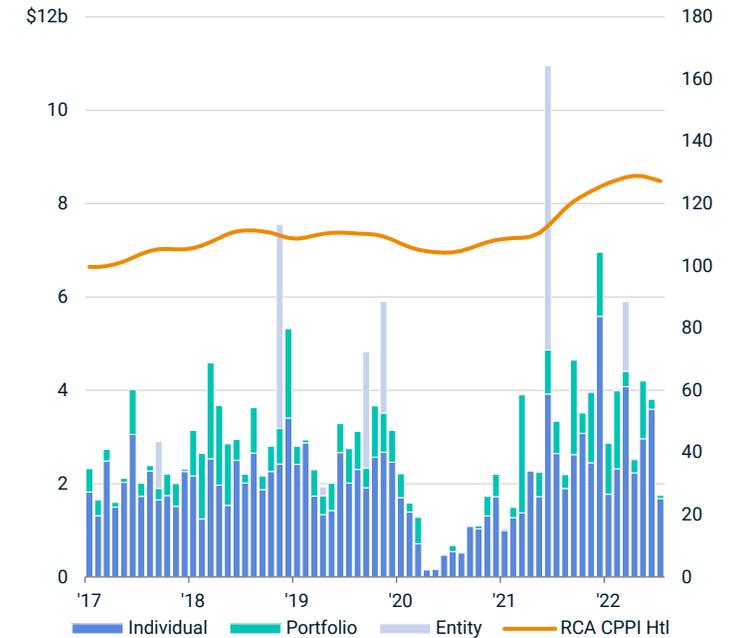
The full-service hotels that are trading tend to be on the smaller side as well. The average full-service hotel property sold for \$32.3m in July, down from a high of \$52.6m in March.

Cap rates averaged 8.3% for the month, down 20 bps from a year earlier. Cap rates for limited-service hotels averaged 8.5% while those for full-service were at 7.2%.

Transaction Volume Summary

	July 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Hotel Total	1.7	-48%	25.0	-1%
Full-Service	0.8	-60%	11.0	-2%
Limited-Service	1.0	-30%	14.1	0%
Single Asset	1.7	-36%	18.6	31%
Portfolio & Entity	0.1	-90%	6.4	-42%

Monthly Transaction Volume and Pricing



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

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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of August 23, 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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