

# Capital Trends

US Hotel

**16.1%** YOY price change  
**\$3.1b** Transaction volume  
**36%** YOY volume change

After falling April volume signaled a potential cooling in the hotel market, sales of hotel properties rebounded in May. The \$3.1b in activity for the month represents a reversion to the average pace of May hotel activity as seen in the five years prior to the pandemic. The return to those norms marks a turnaround from May of 2020 when lockdowns and travel restrictions froze the market.

Hotel deal volume in May was not a function of a one-off megadeal, either. Rather, single asset sales – the bedrock of the market – fueled deal volume. Individual hotel deals reached \$2.9b for the month, the highest level for any May on record.

Between the hotel subtypes, the full-service segment was the better performer in May, with volume rising 65% YOY. Helping to fuel activity was investment in resort assets, which fall into the full-service component of the market. In May, the \$600m in resort sales represented a 257% increase versus the prior year. The \$2.0b in year-to-date resort sales consisted almost entirely of the sale of single assets, which were at a record level for the period.

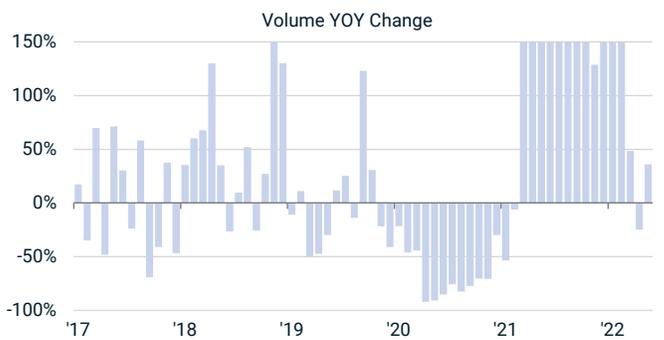
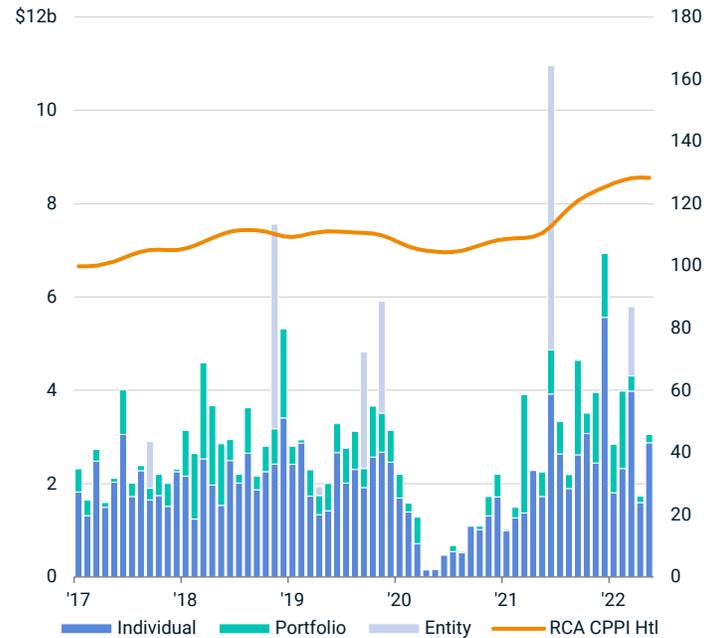
Growth in limited-service deal activity was more muted, rising 9% versus the prior May. Still, with \$1.3b in sales, it was the highest activity level for the month of May since 2007. Here too, single asset sales provided the lion’s share of deal volume. At \$1.1b, limited-service deals of this structure were higher than any other May on record.

The RCA CPPI for hotels climbed 16.1% YOY in May. Price growth has been decelerating since March when annual growth had reached 17.6%. Cap rates compressed 30 bps from the prior year to 8.3%. With the 10yr UST at 2.9%, the spread between the average cap rate and 10yr UST was around 520 bps in May. This is more than 100 bps narrower than the average spread seen between 2015 and 2019 but remains the largest spread of the core asset classes.

## Transaction Volume Summary

	May 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Hotel Total	3.1	36%	17.4	59%
Full-Service	1.8	65%	7.5	25%
Limited-Service	1.3	9%	9.9	99%
Single Asset	2.9	67%	12.6	65%
Portfolio	0.2	-66%	4.8	45%

## 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 June 21, 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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