

Capital Trends

US Hotel

Q3'21 **11.4% YOY price change** **\$9.0b Transaction volume** **289% YOY volume change**

Deal volume for hotels bounced back more sharply than any other sector in Q3'21, with the highest triple-digit growth rates relative to a year ago. The high growth rate is more of a story of the rebound to normality rather than a shift to new patterns of investor demand as seen with the industrial sector. Nonetheless, some of the worst parts of the pandemic seem to be behind the hotel market.

Conferences are happening again and business people are returning to full-service hotels. Maybe not to the same extent as in the past, but it is a start made possible by vaccines. Investors are starting to look past the current challenges in the market to a future something like what was seen before.

Deal activity averaged \$9.4b for every third quarter period between 2015 and 2019, with some quarters as high as \$13.6b and others as low as \$7.3b. This puts the \$9.0b for Q3'21 within the range of normality. Deal structure is an important part of this return to normal levels of activity.

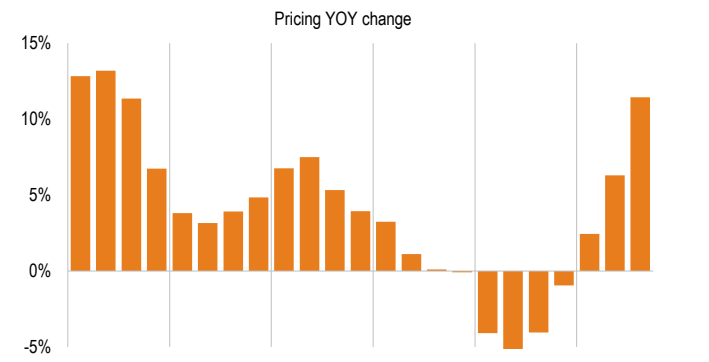
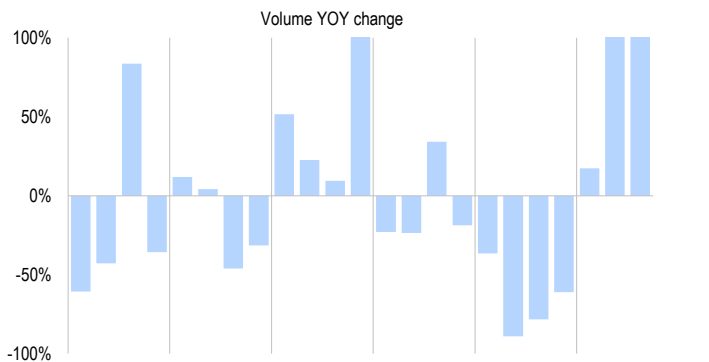
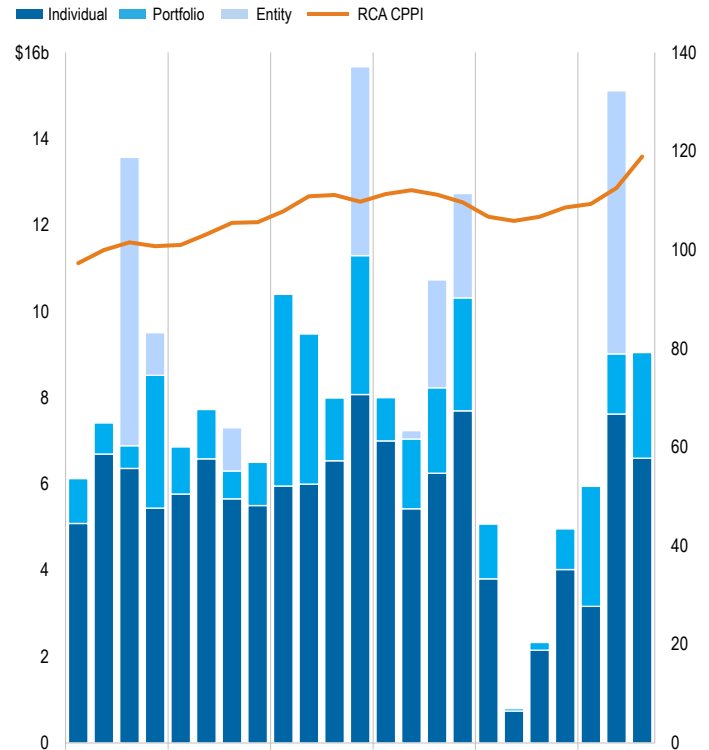
The deal activity involving individual assets for Q3'21 totaled \$6.6b, a figure up 207% from the lows of Q3'20. Looking past the lows of 2020 to the change from 2019 shows that these individual asset deals are where the return to normality is concentrated. Such sales totaled \$6.2b in Q3'19, placing the activity this year 6% ahead of that pre-pandemic mark.

Portfolio and entity-level sales were up 1,296% from a year earlier in Q3'21, and while the levels are still low relative to 2019, a one-time event masks the true health of the market. The Chesapeake Lodging Trust sale for \$2.5b in Q3'19 sets too high of a hurdle to make comparisons, as these megadeals do not happen every quarter. Comparing portfolio sales alone, deal activity did come in at a stronger pace in Q3'21 with sales of \$2.4b, up 23% from the level set in Q3'19.

Transaction Volume Summary

	Q3 '21		YTD '21	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Hotel Total	9.0	289%	30.1	268%
Full-Service	4.9	350%	13.4	254%
Limited-Service	4.2	236%	16.7	279%
Single Asset	6.6	207%	17.4	160%
Portfolio	2.4	1296%	12.7	750%

Quarterly Transaction Volume & Pricing



Volume YOY change truncated at 100%

Recent Trends

Despite uncertainty over a return to normal travel patterns, hotel cap rates have compressed over the last year. The RCA Hedonic Series hotel cap rate hit the 8.2% level in Q3'21, trending down to the lows seen in 2010 during the recovery that followed the Global Financial Crisis.

Over the last year, cap rates for the total hotel market fell 30 bps. This drop was seen even as the risk-free rate of the 10yr UST rose. During the most uncertain parts of the pandemic from Q2'20 to Q4'20, the 10yr UST averaged 0.7% versus the 1.3% average for Q3'21. The spread to the risk-free rate has narrowed as investors become less fearful.

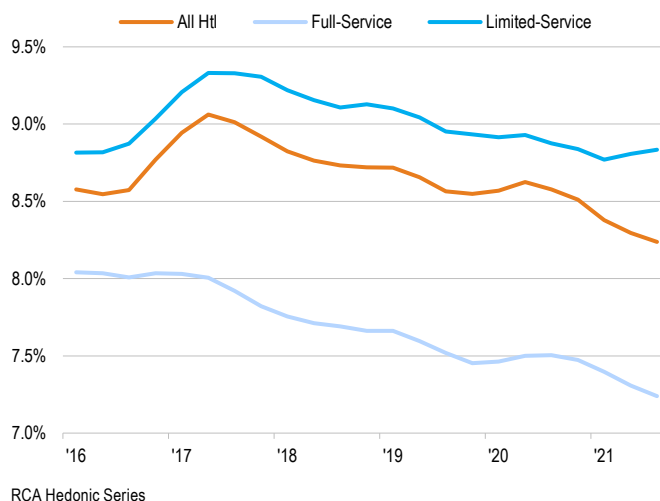
Cap rates for full-service hotels compressed more than those for limited-service assets over the last year, with the RCA HS cap rate for full-service segments down 30 bps to the 7.2% level. By contrast, limited-service hotels only saw a 10 bps decline in cap rates to reach 8.8%. The declines in cap rates for full-service hotels have really been a 2021 phenomenon as the promise of vaccines suggested that some sort of return to normality was possible. Deal volume has followed.

Throughout the most uncertain points of the pandemic, deal volume fell less for limited-service hotels than for full-service. Limited-service hotels are often servicing car-focused travelers and there were fewer fears of the virus traveling in one's own automobile than in a packed airplane.

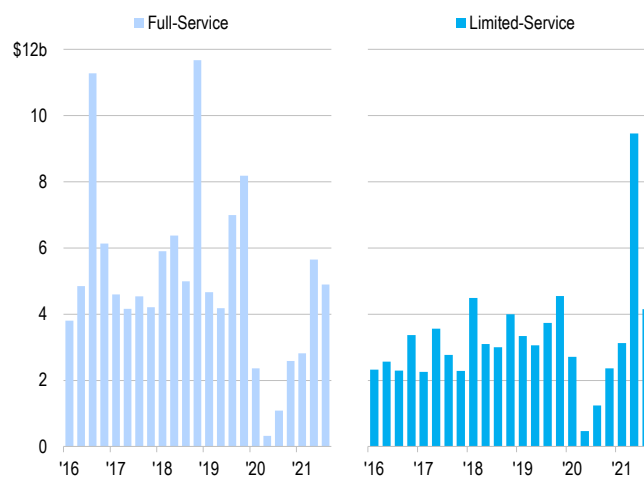
Relative to Q3'19, before Covid-19 hit the U.S., individual asset sales involving full-service hotels have climbed more than those for limited-service. Again, looking at individual asset sales removes the one-time jump from the Chesapeake Realty Trust deal in Q3'19, a deal with a number of full-service assets. Such deals for full-service hotels were up 7% from the pace set in Q3'19 and 4% for limited-service hotels.

In line with the sharper compression in cap rates, the RCA CPPI for full-service hotels has climbed more over the last year than that for limited-service. Full-service hotel prices are up 17.7% from a year earlier while those for limited-service hotels are up 5.5%.

Cap Rates



Quarterly Transaction Volume by Subtype



Q3'21 Deal Volume and Pricing Summary

	Quarterly Volume				RCA CPPI			Price Averages	
	\$b	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	\$/unit	Cap Rate	YOY Chg (bps)
Hotel	9.0	289%	515	129%	5.6%	11.4%	162,468	8.2%	-30
Full-Service	4.9	350%	123	251%	5.0%	17.7%	243,031	7.2%	-30
Limited Service	4.2	236%	392	106%	4.4%	5.5%	113,053	8.8%	0
6 Major Metro	2.5	177%	76	124%	2.7%	5.6%	263,292		
Non-Major Metro	6.5	363%	439	130%	5.4%	12.0%	141,737		

RCA Hedonic Series cap rates

Top Markets

Blackstone and Starwood Capital's purchase of Extended Stay America had a tremendous impact on the rankings for the top hotel investment markets. Without this \$6b megadeal, East Bay would drop off the list to be replaced by Savannah, nine markets would fall in the rankings and 11 would rise. Only five ranks would remain unchanged.

Even without the cushion from the Extended Stay transaction, Orlando's #1 ranking would remain intact. A focus on leisure-oriented assets helped make Orlando a draw for investors. Through the first three quarters of the year, 63% of transaction activity in Orlando was tied to the purchase of a resort asset.

After ranking #15 at year-end, San Francisco ended the third quarter in the #4 position. Large deal sizes helped propel the market up the list. San Francisco had four deals priced at \$100m or more, tying with #3 Austin for the most deals of this size.

Rising 33 spots from its year-end place, Seattle's record setting pace of investment landed the market in the #2 slot. Through the first three quarters of any year, Seattle had previously only ranked as high as the #9 spot in the rankings. Through the year to date, the largest single asset sale in the market was the acquisition of a former Sheraton for \$155m. However, the purchase had very little to do with investor interest in the hotel sector. Tishman Speyer acquired the vacant hotel asset with the intent to redevelop the asset to its highest and best use.

Appearing at #5 in the rankings, Manhattan was one of only two top markets to have no exposure to the Extended Stay America acquisition. In a ranking based solely on single assets, the bedrock of the market, Manhattan would take the top spot.

Most Active Hotel Markets Year to Date '21

■ Single asset ■ Portfolio/entity-level

2019	2020	YTD'21	Market	Sales Volume (\$m)	YOY Change
37	19	1	Orlando	1,152	640%
9	35	2	Seattle	1,090	3070%
29	16	3	Austin	1,007	1358%
5	15	4	San Francisco	1,005	2544%
1	1	5	Manhattan	966	134%
6	2	6	Los Angeles	950	340%
2	12	7	Miami/Dade Co	941	269%
15	4	8	Atlanta	845	68%
21	22	9	Houston	841	734%
12	13	10	Dallas	723	278%
16	11	11	San Diego	682	330%
3	8	12	Orange Co	655	479%
19	14	13	DC VA burbs	635	190%
22	5	14	DC	587	41%
20	18	15	San Antonio	575	355%
4	3	16	Phoenix	574	4%
26	36	17	Broward	562	1178%
7	7	18	Chicago	544	120%
30	6	19	San Jose	525	315%
17	38	20	Tampa	515	1245%
38	57	21	East Bay	500	2312%
10	9	22	Boston	485	452%
23	41	23	No NJ	471	1278%
13	23	24	Denver	446	781%
14	10	25	Nashville	379	40%

Markets in orange denote record high year-to-date volume in 2021

Market Table *All Hotel*

All Hotel Transactions Reported Closed		Volume				Price Per Sq Ft			Cap Rate		
		YTD '21	Vol (\$M)	YOY Change	# Props	YOY Change	Low	Avg	High	Low	Avg
Mid-Atlantic 	Baltimore	219.2	94%	18	260%	60,185	63,945	72,396			
	DC	587.3	41%	8	60%	196,099	396,560	674,847			
	DC MD burbs	249.2	374%	20	233%	37,379	69,088	125,714			
	DC VA burbs	635.1	190%	31	417%	60,000	95,910	205,056			
	Philadelphia	175.1	1219%	20	900%	27,155	94,892	171,324			
	Pittsburgh	93.8	115%	11	83%	20,670	56,000	153,409			
	Richmond/Norfolk	220.5	499%	28	300%	41,655	81,146	161,538			
	Tertiary Mid-Atlantic	315.3	99%	53	130%	17,857	67,910	360,085	8.8%	10.2%	13.1%
	Total	2,495.4	137%	189	215%	17,857	126,474	674,847	8.8%	10.2%	13.1%
	Midwest 	Chicago	543.6	120%	51	122%	17,400	84,448	303,371		
Cincinnati		51.1	13%	9	200%	35,142	43,247	52,174			
Cleveland		22.2	274%	4	300%	26,027	29,203	33,840			
Columbus		97.4	475%	14	250%	64,859	107,521	154,362			
Detroit		205.3	398%	24	200%	31,436	152,713	203,750			
Indianapolis		54.7	-55%	12	0%	58,955	77,337	98,077			
Kansas City		67.7	53%	9	29%	50,490	50,741	50,869			
Minneapolis		224.9	197%	13	63%	110,891	143,816	216,192			
St Louis		48.1	164%	9	200%						
Tertiary Midwest		678.1	69%	112	53%	16,000	49,596	284,091	7.4%	10.1%	12.6%
Total	1,993.0	96%	257	81%	16,000	71,776	303,371	7.4%	10.3%	12.6%	
Northeast 	Boston	484.6	452%	24	380%	38,679	137,500	310,714			
	Hartford	71.3	63%	7	75%						
	Long Island	197.1	703%	9	200%	163,158	190,926	216,857			
	Manhattan	965.8	134%	15	275%	11,976	243,212	659,898			
	No NJ	470.6	1278%	26	767%	69,697	112,500	131,849			
	NYC Boroughs	205.1	1069%	6	100%	177,206	258,143	383,858			
	Stamford	61.4		6							
	Westchester	87.5		8		54,167	61,932	71,250			
	Tertiary Northeast	622.4	169%	72	140%	23,188	101,605	375,281			
	Total	3,165.8	271%	173	233%	11,976	174,676	659,898	5.4%	7.8%	10.2%
Southeast 	Atlanta	845.0	68%	50	150%	18,390	167,759	342,612	8.6%	9.4%	10.2%
	Broward	561.9	1178%	24	243%	59,586	326,192	731,707			
	Charlotte	249.9	2338%	22	1000%	32,979	115,473	330,537	5.5%	6.7%	7.4%
	Jacksonville	182.2	311%	21	163%	22,727	76,816	216,071	9.1%	9.4%	9.8%
	Memphis	99.6	331%	14	250%	24,757	48,036	65,000			
	Miami/Dade Co	941.3	269%	29	867%	67,500	361,471	777,778			
	Nashville	378.9	40%	17	70%	56,338	206,725	352,075			
	Orlando	1,152.3	640%	40	264%	34,750	176,371	1,373,874	4.7%	7.5%	9.3%
	Palm Beach Co	157.0	277%	5	67%						
	Raleigh/Durham	245.7	192%	28	180%	15,441	73,337	223,880			
	Tampa	515.1	1245%	35	600%	46,154	143,858	397,059			
	Tertiary Southeast	3,431.1	317%	292	173%	17,052	124,983	1,087,379	5.0%	8.3%	12.2%
	Total	8,760.1	282%	577	204%	15,441	149,951	1,373,874	4.7%	8.2%	12.2%
Southwest 	Austin	1,006.7	1358%	35	250%	33,333	287,701	560,081	10.0%	11.3%	12.5%
	Dallas	723.0	278%	68	196%	44,925	89,305	177,632	7.8%	8.2%	8.7%
	Denver	446.4	781%	27	286%	41,327	105,482	341,250	8.0%	8.3%	8.6%
	Houston	841.2	734%	73	306%	27,642	89,692	288,889			
	Phoenix	573.8	4%	43	258%	26,639	123,967	326,633			
	San Antonio	575.1	355%	26	44%	28,049	252,048	685,484			
	Tertiary Southwest	1,152.3	167%	155	99%	15,060	83,907	985,075	4.7%	8.1%	12.4%
	Total	5,318.5	250%	427	157%	15,060	125,908	985,075	4.7%	8.5%	12.5%
	West 	East Bay	500.5	2312%	24	2300%	34,653	138,722	267,938		
Inland Empire		195.4	32%	21	91%	25,203	81,504	266,667			
Las Vegas		107.0		10		72,072	91,954	126,984			
Los Angeles		950.0	340%	45	150%	59,770	234,433	1,156,857			
Orange Co		655.4	479%	36	260%	42,460	130,547	587,805			
Portland		294.2	587%	24	500%	87,302	141,900	223,140			
Sacramento		248.1	183%	22	100%	71,429	129,326	182,634			
Salt Lake City		152.8	245%	15	400%	57,018	103,966	140,249	7.5%	8.3%	9.1%
San Diego		681.6	330%	27	200%	25,000	193,199	390,909			
San Francisco		1,004.8	2544%	14	367%	186,667	411,634	615,278	5.9%	6.6%	7.2%
San Jose		525.3	315%	20	900%	148,387	264,754	330,913			
Seattle		1,089.5	3070%	53	960%	41,935	235,561	865,922			
Tertiary West		1,968.4	367%	154	196%	20,925	174,131	2,508,475	11.6%	11.8%	12.0%
Total	8,372.9	477%	465	260%	20,925	194,570	2,508,475	4.8%	7.9%	12.0%	
Total	Total US	30,105.6	268%	2,088	183%	11,976	148,059	2,508,475	4.7%	8.5%	13.1%

Top Buyers Year to Date '21

Top Buyers by Region

Mid-Atlantic

- Blackstone
- Starwood Capital
- Highgate Holdings
- Cerberus
- PIMCO

Midwest

- Blackstone
- Starwood Capital
- Highgate Holdings
- Cerberus
- Magna Hospitality Group

Northeast

- Blackstone
- Starwood Capital
- KKR
- Highgate Holdings
- Cerberus

Southeast

- Blackstone
- Starwood Capital
- Host Hotels & Resorts
- Highgate Holdings
- Cerberus

Southwest

- Ohana Real Estate Investors
- Blackstone
- Starwood Capital
- Highgate Holdings
- Cerberus

West

- Blackstone
- Starwood Capital
- Highgate Holdings
- Cerberus
- Sunstone Hotel

Ranked by investment volume

By Hotel Investment Volume

Buyers

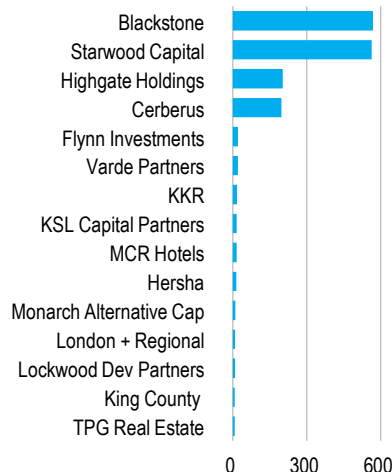


Sellers

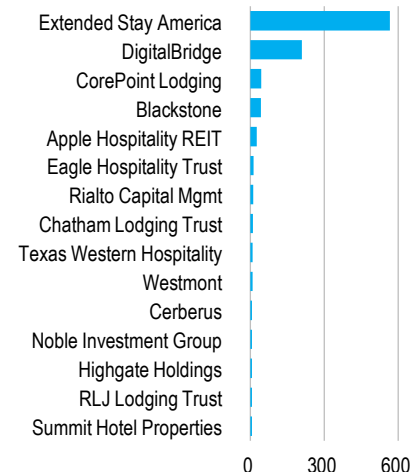


By Number of Hotel Properties

Buyers



Sellers



Methodology: Rankings are based on the pro-rated share of the total property or portfolio value. In the case of joint ventures, full credit is assigned to each investor. For more information please visit the RCA website.

Top Brokers Year to Date '21

By Region

Mid-Atlantic

Newmark
Eastdil Secured
Hodges Ward Elliott
CBRE
Berkadia

Midwest

CBRE
JLL
Hodges Ward Elliott
Marcus & Millichap
Avison Young

Northeast

JLL
CBRE
Eastdil Secured
Paramount Lodging
Hunter

Southeast

Hodges Ward Elliott
Hunter
JLL
CBRE
Marcus & Millichap

Southwest

CBRE
JLL
Marcus & Millichap
Hodges Ward Elliott
NewGen Advisory

West

Eastdil Secured
CBRE
JLL
Hodges Ward Elliott
Newmark

Ranked by investment volume

By Hotel Investment Volume

Full-Service



Limited-Service



All Hotel



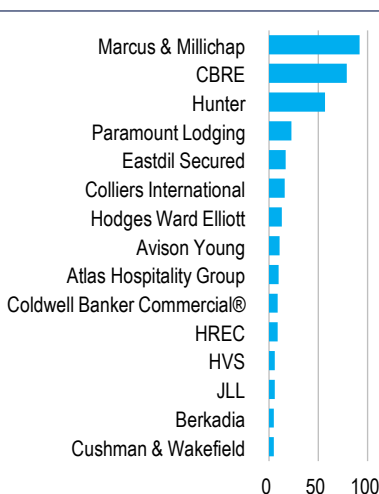
\$ billion

By Number of Hotel Properties

Full-Service



Limited-Service



All Hotel



Methodology: Full credit assigned to each broker when multiple brokers involved. For partial-interest, volume is based on the pro-rated share of the total property or portfolio value. Based on sell-side representation. The transaction volume of brokerage firms that have merged are left unconsolidated before the merger date and are attributed to the surviving or newly formed company after the merger date. For more information on rankings please visit the RCA website.

Top Deals Year to Date '21

Property Sales

	Property	Location	Size	Type	Volume (\$m) ^Δ	\$/unit	Buyer	Seller
1	Four Seasons Resort Disney World	Bay Lake, FL	444 units	HTL	610.0	1,373,874	Host Hotels & Resorts	Silverstein Properties JV Dune RE Partners LP
2	La Cantera Resort & Spa	San Antonio, TX	496 units	HTL	-	-	Ohana Real Estate Investors	Starwood Hotels & Resorts JV USAA Real Estate
3	Hyatt Regency Lost Pines	Cedar Creek-Red Rock, TX	491 units	HTL	275.0	560,081	Ohana Real Estate Investors	Hyatt Hotels
4	Margaritaville Hollywood Beach	Hollywood, FL	369 units	HTL	270.0	731,707	Pebblebrook Hotel Trust	KSL Capital Partners
5	Montage Healdsburg Resort	Healdsburg, CA	130 units	HTL	265.0	2,038,462	Sunstone Hotel	Ohana Real Estate Investors
6	Montage Palmetto Bluff	Bluffton, SC	206 units	HTL	224.0	1,087,379	South Street Ptnrs JV Henderson Park	PBLH LLC
7	Le Meridien	San Francisco, CA	360 units	HTL	221.5	615,278	KHP Cap Partners	Park Hotels & Resorts
8	Hotel Washington	Washington, DC	326 units	HTL	220.0	674,847	PIMCO JV Schulte Hospitality	Dubai World
9	Baker's Cay Resort Key Largo	Key Largo, FL	200 units	HTL	200.0	1,000,000	Host Hotels & Resorts	KHP Cap Partners
10	Lexington New York City	New York, NY	725 units	HTL	185.2	255,503	Island Capital JV MCR Hotels	DiamondRock Hospitality Co
11	Sheraton Grand Nashville Dwtm	Nashville, TN	482 units	HTL	169.7	352,075	Dreamscape Companies	JRK Property Holdings
12	Hyatt Place Hotel	New York, NY	520 units	HTL	166.2	319,673	NY 39th Street LLC	McSam Hotel Group JV Square Mile Capital
13	Hyatt Regency Austin	Austin, TX	448 units	HTL	161.0	359,375	Host Hotels & Resorts	Edinburgh Fund JV Bank of Scotland
14	W Atlanta-Midtown	Atlanta, GA	467 units	HTL	160.0	342,612	Schulte Hospitality	GEM Realty
15	Sir Francis Drake	San Francisco, CA	416 units	HTL	157.6	378,876	Northview Hotel Grp JV Angelo Gordon	Pebblebrook Hotel Trust
16	fmr Sheraton	Bellevue, WA	179 units	HTL	155.0	865,922	Tishman Speyer	PMF Investments
17	Ventana Big Sur Resort	Big Sur, CA	59 units	HTL	148.0	2,508,475	Hyatt Hotels	Geolo Capital JV Wanxiang Grp
18	Four Seasons Hotel	Miami, FL	221 units	HTL	130.0	588,235	Fort Partners	Westbrook Partners
19	Salisbury Hotel	New York, NY	197 units	HTL	130.0	659,898	Alchemy-ABR Invmt Ptnrs JV Cain Intl	Calvary Baptist Church
20	South Seas Island Resort	Captiva, FL	579 units	HTL	-	-	Wheelock Street Cap JV The Ronto Grp	Blackstone
21	Hilton Garden Inn Homewood	San Diego, CA	364 units	HTL	121.4	333,443	Property Reserve	T2 Hospitality
22	The Perry Lane Hotel	Savannah, GA	168 units	HTL	-	-	Wheelock Street Capital	Flank Inc
23	Westin-Savannah Harbor	Savannah, GA	404 units	HTL	112.0	277,228	Brookfield AM	Clearview Hotel Cap LLC
24	Sofitel	Redwood City, CA	421 units	HTL	-	-	Arden Group	CBRE Investment Mgmt
25	Sheraton Austin	Austin, TX	365 units	HTL	-	-	Brookfield Prop Ptnrs	Watermark Lodging Trust (WLT)

Portfolio Sales

	Buyer	Seller	Location	# Props	Type	Volume (\$m) ^Δ
1	Blackstone JV Starwood Capital	Extended Stay America	Multiple, USA	564	HTL	-
2	Highgate Holdings JV Cerberus	DigitalBridge	Multiple, USA	197	HTL	2,340.8 *
3	KKR	DigitalBridge JV Chatham Lodging Trust	Multiple, USA	48	HTL	-
4	Monarch Alternative Cap JV Hersha	Eagle Hospitality Trust	Multiple, USA	10	HTL	360.0
5	LOWE	Howard Hughes	The Woodlands, TX	3	HTL	252.0
6	Flynn Investments JV Varde Partners	Apple Hospitality REIT	Multiple, USA	20	HTL	211.0
7	KSL Capital Partners	Carlyle Group JV Economos Properties	Islamorada, FL	4	HTL	-
8	Jackson Hole Trust Co OBO London + Regional	TRT Holdings Inc	Multiple, USA	5	HTL	-
9	Blackstone	JBG Cos	Arlington, VA	2	HTL	183.0
10	Davidson Kempner	Ares Management JV CV Properties	Boston, MA	2	HTL	142.0

^Δ When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although \$/unit reflects 100% valuation.

* Partial interest ** Forward sale

The number of buyers or sellers shown on a deal is truncated to two. For full deal and player information go to the RCA website.

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About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London, Singapore and Sydney. RCA is owned by MSCI, a leading provider of critical decision support tools and services for the global investment community. For more information, visit: www.rcanalytics.com

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. 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.

Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of October 19, 2021 unless otherwise stated.