



USRC Winter 2023 Hotel Investor Survey

Capital Market Changes Slow Recovery

COLUMBUS, OHIO, UNITED STATES, March 27, 2023 /EINPresswire.com/ -- The results of the Winter 2023 Hotel Investor Survey indicate a continuation of the trend toward modestly higher capitalization rates also seen in the Mid-Year 2022 survey. This trend reflects upward pressure on rates seen across all real estate sectors as the Federal Reserve action has led to generally increasing, although volatile, treasuries and interest rates. In fact, it could be argued that the hotel sector has seen lower levels of capital market impact compared to other sectors, as underlying economic fundamentals in the industry remain relatively strong.

Economic uncertainty has, however, begun to impact investor expectations. While ADR growth of 4.3% and 5.3% for limited- and full-service hotels, respectively, remains above historically stabilized growth levels, the expectations are down significantly from 7.0% and 8.4% in the last survey. This is in part a return to more normalized growth following the COVID-recovery period; but, also is influenced by potentially lower inflationary pressures if the economy slows, weakens, or even, as some predict, contracts over the next year.

In the same way, expense growth expectations also slowed. But the spread between ADR growth and expense growth is now minimal, and in fact is negative for limited-service hotels, which if correct, could place increased pressure on flow-through and profitability.

The complete survey, including data on capitalization rates, discount rates, ADR and expense growth expectations, marketing time, and other data for both full-service and limited-service hotels can be ordered through the company's website at www.usrc.com, and clicking "Publications".

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