

USRC Mid-Year 2024 Hotel Investor Survey

Capitalization Rates Minimally Impacted Thus Far From Treasury Decline

COLUMBUS, OH, UNITED STATES, September 28, 2024 /EINPresswire.com/ -- The results of the Mid-Year 2024 Hotel Investor Survey indicate some general stabilization in capitalization rates, following two years of generally higher rates. While discount rates continued to grow, capitalization rates fluctuated by just 10 basis points for both limited- and full-service hotels. Limited-service hotels saw their first capitalization rate decline since Winter 2022.

Although the capital markets remain volatile, interest rates were generally declining in 3Q24, as treasuries saw notable declines in anticipation of the Fed's September cut, which ended up being a significant 50 basis points. This had the impact of generally stabilizing capitalization rates, although it is yet to be seen whether future rate cuts will lead to a declining cap rate trend.

The ADR growth expectations now average 2.8% for limited-service hotels and 3.3% for full-service hotels, generally falling to near longer-term expectations. This is further evidence that inflation expectations are generally declining, approaching stabilized levels.

On a note of caution, ADR growth expectations now slightly lag expense growth expectations, reviving some negative sentiment regarding possible NOI flowthrough/profitability issues.

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".

Peter Hathaway
US Realty Consultants
+1 6145517585
phathaway@usrc.com

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