

Capital Trends

US Hotel

Q1 2022

17.8% YOY price change

\$11.0b Transaction volume

71% YOY volume change

Hotel property sales climbed relative to a year earlier in Q1'22 despite the turmoil of war, interest rate increases and inflationary pressures. The timelines to measure the closing of hotel deals though are measured in weeks or months, so the activity through the end of March reflects sentiment towards the beginning of the year. The fallout from spiking interest rates, if any, will likely be seen in coming months.

While deal volume was climbing at extraordinary rates over the last five quarters, it was not as if the hotel market was surging to record high levels of deal activity. Deal volume in Q1'22 was only the third most traded period over this time. The surging growth in deal volume and prices was more just a function of the market returning to normal.

Prices grew faster than ever before in Q1'22, with the RCA CPPI for hotels up 17.8% from a year earlier. Even in 2007 when investors were arguably too excited about the sector, prices were only up 16.8% YOY at the strongest point for the year. Still, it is not clear that hotel prices would continue to climb even excluding whatever impact rising interest rates may have.

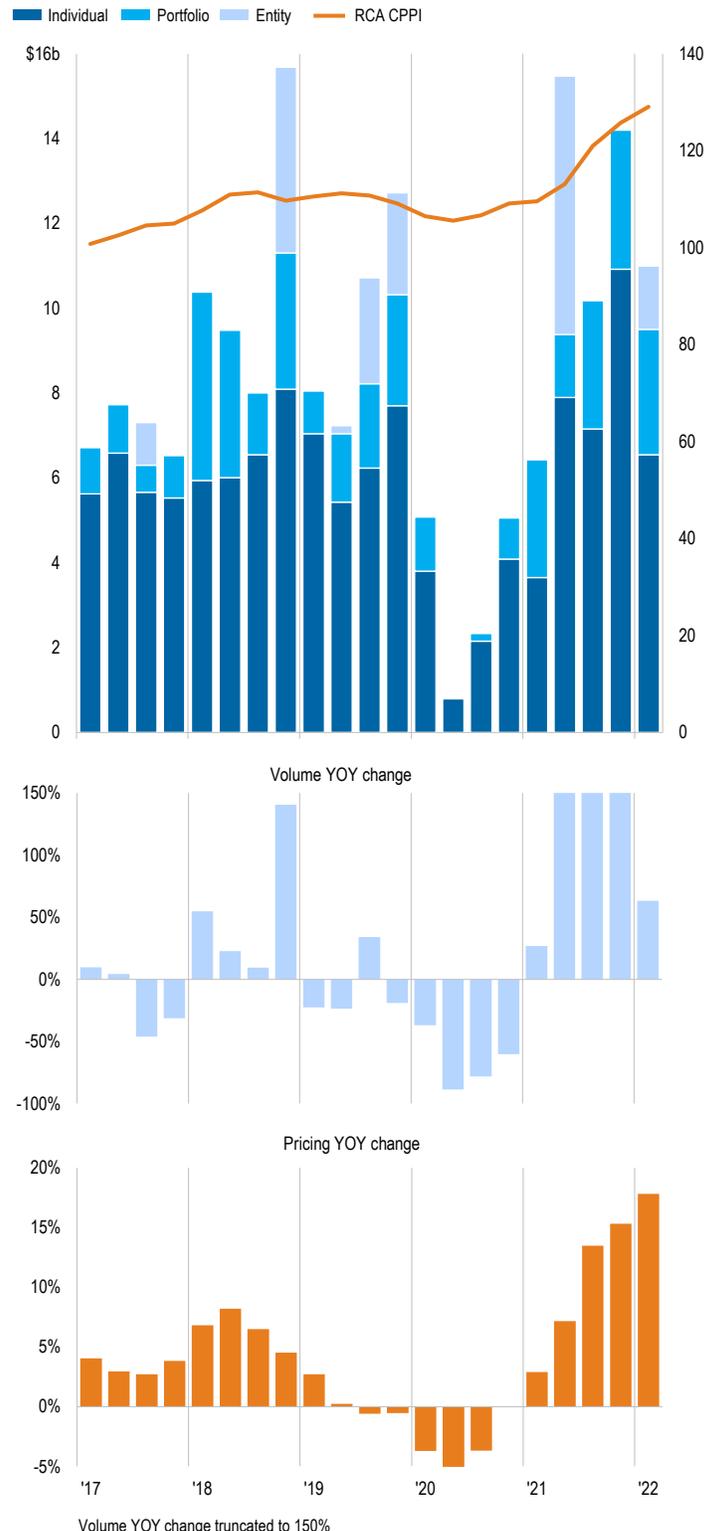
While hotel property prices climbed in Q1'22, the pace of growth was decelerating. Looking at the quarter-over-quarter figures, the pace has been slowing since Q3'21. Both deal volume and prices turned the corner to growth in 2021 as it became clear that vaccines were on the way and some of the fear limiting travel and room night sales would fade. Once that removal of fear had been priced in fully, it would be reasonable to see the price growth slow, independent of interest rate shocks.

The sale of individual hotel properties was up slightly more than the market overall, rising 79% from a year earlier in Q1'22. One entity-level sale had a notable impact on the market with the sale of 21,862 rooms in March. The take-private transaction involving CorePoint Lodging which closed in March was a joint venture between Highgate Holdings and Cerberus.

Transaction Volume Summary

	Mar '22		Q1 '22	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Hotel Total	4.4	12%	11.0	71%
Full-Service	1.5	-17%	3.8	17%
Limited-Service	2.9	37%	7.2	128%
Single Asset	2.6	92%	6.5	79%
Portfolio	1.8	-31%	4.4	60%

Quarterly Transaction Volume & Pricing



Recent Trends

Hotel price growth decelerated for both the full-service and limited-service segments in Q1'22, though on an absolute basis, the full-service segments are still posting stronger rates of price growth.

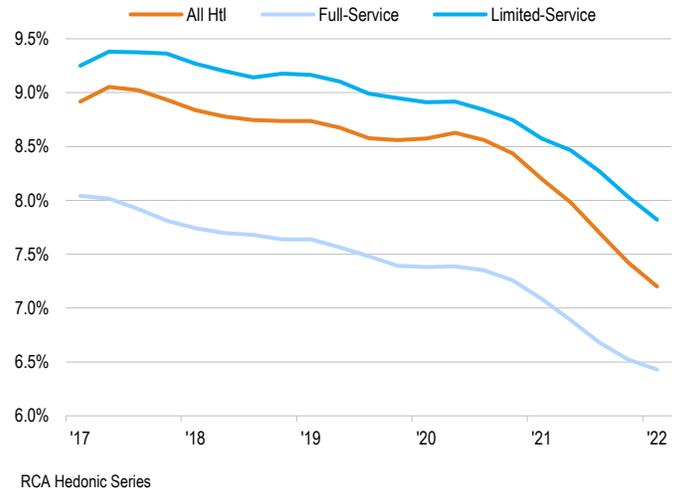
The RCA CPPI for full-service hotels rose 21.2% from a year earlier in Q1'22. The annualized rate of change between Q4'21 and Q1'22 was slower, however, and would imply only a 13% annual pace of price growth. Over the years, a 13% annual pace of growth would be fantastic for the hotel sector. This said, the relative 820 bps downward shift in price growth between the two measures shows that much of the price momentum for these hotels was in 2021.

The RCA CPPI for limited-service hotels was up 13.5% from a year ago in Q1'22, with a 5% annualized rate of change between Q4'21 and Q1'22. The relative downshift in price growth for the limited-service hotels is comparable to that of the full-service hotels and also shows that much of the momentum for price growth was in 2021.

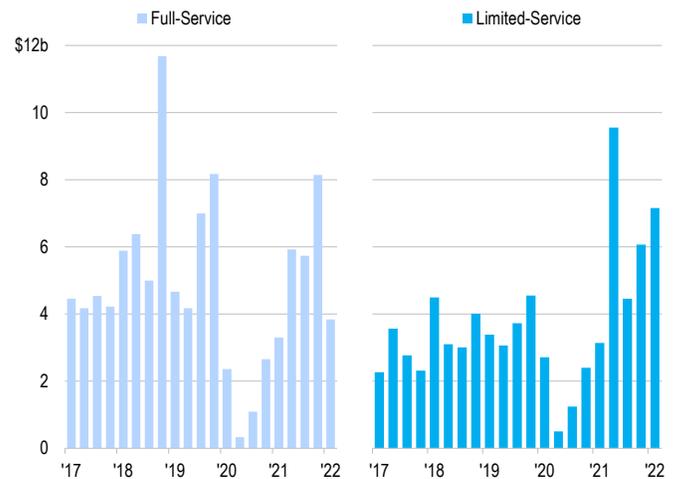
Deal volume rose more for the limited-service segments of the market than full-service in Q1'22. The 128% YOY pace of growth in sales was influenced by the CorePoint Lodging transaction. Looking only to the sale of individual limited-service hotel assets, deal volume was up 100% from a year earlier. The full-service segments posted only a 17% rate of growth in deal volume into Q1'22; portfolio sales a year earlier were simply too high of a hurdle for the market to clear. Looking at individual asset sales, the investor demand for full-service segments was still there in the quarter, with volume up 62% from a year earlier.

Cap rates continued to compress in Q1'22 and the average hotel cap rate came in at 7.2% for the quarter. This figure is down 100 bps from a year earlier and represents a record low. The limited-service segments of the market posted an average 7.8% figure, while the full-service segments averaged 6.4%.

Cap Rates



Quarterly Transaction Volume by Subtype



Q1'22 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	11.0	71%	721	47%	2.6%	17.8%	146,938	7.2%	-100
Full-Service	3.8	17%	98	-9%	3.1%	21.2%	207,345	6.4%	-70
Limited Service	7.2	128%	623	63%	1.2%	13.5%	113,618	7.8%	-80
6 Major Metro	2.5	61%	98	9%	-0.7%	5.6%	192,564		
Non-Major Metro	8.5	74%	623	55%	3.6%	20.2%	132,518		

RCA Hedonic Series cap rates

Top Brokers Q1 2022

By Region

Mid-Atlantic

CBRE
Eastdil Secured
Newmark
Berkadia
Marcus & Millichap

Midwest

Eastdil Secured
JLL
CBRE
Marcus & Millichap
Paramount Lodging

Northeast

CBRE
Walker & Dunlop
Berkadia
Marcus & Millichap
JLL

Southeast

Hodges Ward Elliott
Marcus & Millichap
CBRE
Hunter
Cushman & Wakefield

Southwest

Newmark
Marcus & Millichap
Hunter
CBRE
Avison Young

West

CBRE
Eastdil Secured
Hodges Ward Elliott
Hunter
Colliers International

Ranked by investment volume

By Hotel Investment Volume

Full-Service



Limited-Service

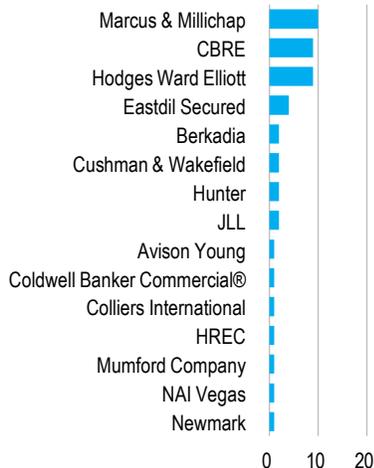


All Hotel

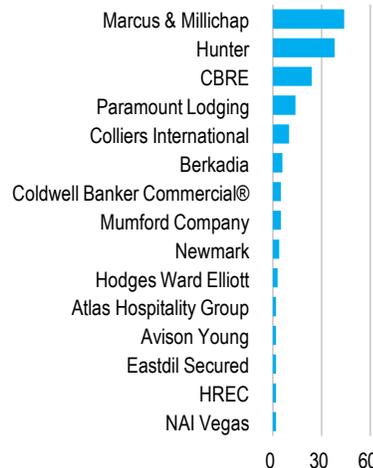


By Number of Hotel Properties

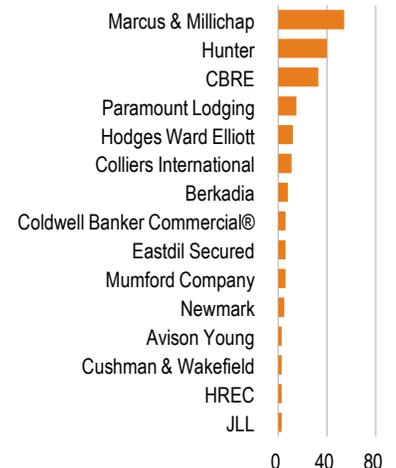
Full-Service



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 Q1 2022

Property Sales

	Property	Location	Size	Type	Volume(\$m) ^A	\$/unit	Buyer	Seller
1	W Hotel	Nashville, TN	346 units	HTL	328.7	950,000	Xenia	Magellan Dev Grp JV Corner Partnership LLC
2	Sheraton Boston	Boston, MA	1,216 units	HTL	233.0	191,612	Varde Ptnrs JV Hawkins Way Capital	Host Hotels & Resorts
3	Wyndham Grand Resort	Clearwater, FL	343 units	HTL	170.0	495,627	JEMB Realty Corp	K & P Partners
4	Fashion Island Hotel	Newport Beach, CA	292 units	HTL	145.0	496,575	Eagle Four Partners	Irvine Co
5	Baltimore Marriott Waterfront	Baltimore, MD	750 units	HTL	-	-	London + Regional	H&S Properties Dev Corp
6	The Scottsdale Resort	Scottsdale, AZ	326 units	HTL	113.0	346,626	Driftwood Hospitality	Junson Capital
7	Hutton Hotel	Nashville, TN	250 units	HTL	-	-	Georgetown Company	BentallGreenOak JV Geolo Capital
8	Hyatt Place San Francisco	San Francisco, CA	230 units	HTL	105.9	460,243	Lodging Dynamics	Stonebridge Cos
9	Marriott Boston Quincy	Quincy, MA	464 units	HTL	86.1	185,489	Paceline Equity Ptnrs JV BlackPearl Cap	Columbia Sussex Corp
10	Beach House Hilton Head	Hilton Head Island, SC	202 units	HTL	86.0	425,743	Beach Forest Drive Resort Owner LLC	Apollo Global RE JV Northview Hotel Group
11	Hyatt Centric Wall Street NY	New York, NY	253 units	HTL	84.7	334,743	Navika Cap Grp JV Blue Sky Hosp	Hakimian Org JV Peykar Brothers Realty
12	Postcard Inn on the Beach	Saint Pete Beach, FL	196 units	HTL	83.0	423,469	The LCP Group JV Safanad	The Procaccianti Group
13	The Madison a Hilton Hotel	Washington, DC	356 units	HTL	82.0	230,337	Crescent	Prospect Ridge
14	Amangani Resort	Jackson, WY	40 units	HTL	-	-	M Development	Canyon Equity
15	Maui Seaside	Kahului, HI	181 units	HTL	77.4	427,624	ASAP Intl OBO Chinese Investor	Springboard Hospitality JV Kimi Hotels Inc
16	The Bethesda	Bethesda, MD	269 units	HTL	74.8	277,881	BLT JV Green Hollow	Bernstein Cos JV Angelo Gordon & Co.
17	AC by Marriott	Fort Lauderdale, FL	171 units	HTL	74.3	434,503	Lodging Dynamics	Key Intl JV Wexford Real Estate Investors
18	Hampton Inn/Homewood Suites	Long Beach, CA	241 units	HTL	71.0	294,606	MetLife	Nexus
19	Hyatt Centric Chicago	Chicago, IL	419 units	HTL	67.5	161,098	NW Memorial Hospital	Sunstone Hotel
20	Hyatt House Hotel	Austin, TX	189 units	HTL	67.1	355,026	Brookfield AM	Magna Hospitality Group
21	Tranquility Bay Beach House	Marathon, FL	103 units	HTL	63.0	611,650	DiamondRock Hospitality Co	Northwood Investors
22	Silverado Resort & Spa	Silverado Resort, CA	449 units	HTL	62.4	138,976	KSL Cap Ptnrs JV Arcade Cap LLC	Johnny Miller
23	The Hotel at Times Square	New York, NY	203 units	HTL	59.5	293,103	Premier Hotels LLC	Apple Core Holdings
24	Canopy by Hilton New Orleans	New Orleans, LA	176 units	HTL	56.0	318,182	Summit Hotel Properties JV GIC	NewcrestImage
25	Hotel Constance Pasadena	Pasadena, CA	136 units	HTL	55.9	411,029	MCR Development	Singpoli

Portfolio and Entity Sales

	Buyer	Seller	Location	# Props	Type	Volume(\$m) ^A
1	Highgate Holdings JV Cerberus	CorePoint Lodging	Multiple, USA	159	HTL	-
2	Blackstone JV Starwood Capital	Brookfield AM	Multiple, USA	111	HTL	1,455.0
3	Summit Hotel Properties JV GIC	NewcrestImage	Multiple, USA	26	HTL	766.0
4	Magna Hospitality Group	Sunstone Hotel	Chicago, IL	2	HTL	127.0
5	MCR Hotels	ICON Lodging	Dallas	5	HTL	-
6	NewcrestImage	Blackstone	Multiple, AZ	9	HTL	85.0
7	Taconic Capital	Akhi Hospitality Inc	Denver, CO	2	HTL	70.0
8	Peachtree Hotel Grp	Widewaters Group	Multiple, USA	3	HTL	-
9	KKR (KREF) JV Riller Capital	Gardner Batt JV	Scottsdale, AZ	2	HTL	54.5
10	ARA US Hospitality Trust	Concord Hospitality	Raleigh/Durham	2	HTL	48.3

^A 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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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of April 20, 2022 unless otherwise stated.

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.

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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

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