

"Hotel Investments: Cautiously Optimistic, Business as Usual; Yet Clouded by Uncertainty of Eventual Impact of Trump Administration Policies"

(Denver, CO) For the past 20 years, the members of the hotel industry's preeminent think tank, "LIIC – The Lodging Industry Investment Council," are annually surveyed to develop a list of the major hotel investment opportunities and challenges for the coming year. This exhaustive survey results in the LIIC Top Ten, a highly regarded profile of investment sentiment and attitudes for the lodging industry for the forthcoming 12 months. Altogether, the members of LIIC represent direct acquisition and disposition control of well over \$60 billion of lodging real estate.

The hospitality industry's leading influential investors, lenders, corporate real estate executives, REITs, public hotel companies, brokers and significant lodging equity sources are represented on the Council. LIIC serves as the leading industry think tank for the lodging real estate business (www.liic.org).

Mike Cahill, LIIC co-chairman, produced this year's survey. Mr. Cahill is CEO and Founder of HREC – Hospitality Real Estate Counselors, a leading international hotel and casino brokerage and advisory firm (24 offices nationwide) specializing in lodging property sales, debt financing and consulting (www.hrec.com). George Davis and Olivia Brenner, Associates in HREC's Denver office, assisted throughout the process.



2025 LIIC Top Ten Survey Results:

1 **Hotel Property Investment – Cautiously optimistic, business as usual; yet clouded by uncertainty of eventual impact of Trump Administration:**

Overall, the 2025 LIIC Survey presents cautiously positive predictions for the next 12 months. Investors remain eager to buy, and lending is available from a variety of sources. Going-in cap rates may increase slightly, but more sellers have reconciled to selling at current pricing, resulting in anticipated increases in both dollar volume and number of transactions. Uncertainty around the impact of the Trump Administration policies, especially tariffs, has created a short-term hazy cloud for both existing assets and new hotel development.

2 **Greatest Four Threats to Your Hotel Investment:**

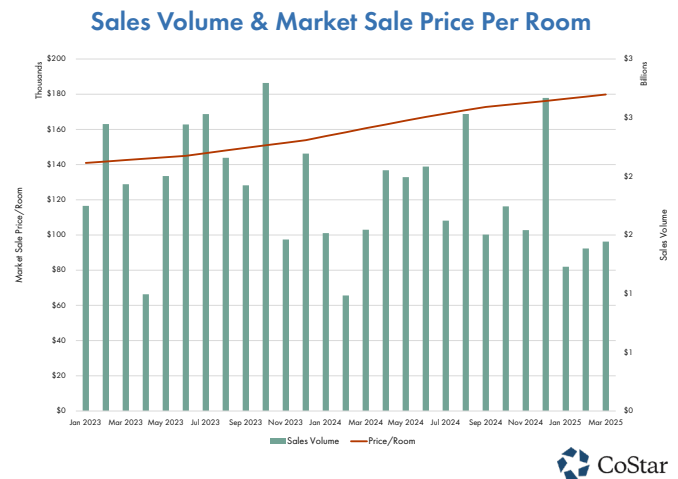
- I. **Interest Rate Costs for Acquisition Debt:** Similar to last year's survey, interest rates are the number one threat, although the impact softened from 68% last year to 38% this year. Hotel investors seem to have accepted the latest interest rates as the "new normal".
- II. **Availability of Suitable Acquisition Assets in Your Targeted IRR Range:** The ability of buyers to find premium purchase opportunities that achieve targeted IRR pro formas is still challenging. However, conditions have improved over the last year as some sellers are becoming more open to moving their assets.
- III. **Change-of-Ownership PIP Mandates from Brands:** Hotel investors are still struggling with the high cost of change-of-ownership PIPs from the major brands. 63% believe that brand PIP requirements continue to become more demanding, even compared to the last several years of hardship.
- IV. **Tariff-Driven Construction Costs:** New to the list, the impact of tariffs on construction costs for new builds and renovations is now a top four concern.

2025 LIIC Top Ten Survey Results:

- 3 Hotel Cap Rates and Transactions Market?** Hotel going-in acquisition cap rates are predicted to increase by 63% of respondents, albeit the majority anticipate only a slight increase of less than 50 bps. Approximately half of LIIC anticipate the total dollar volume of U.S. hotel transactions will increase overall by year-end 2025 relative to year-end 2024. This represents a slowing from last year's 75% prediction, including 43% seeing only a modest increase of 1% to 10%. In terms of the total number of transactions, the dollar volume expectations are essentially mirrored.

Commentary: Total hotel dollar sales volume in 2024 decreased by 11.6% compared to 2023. Meanwhile, the average price-per-key has continued to soar, reaching over \$176,000—up from approximately \$134,000 in 2021.

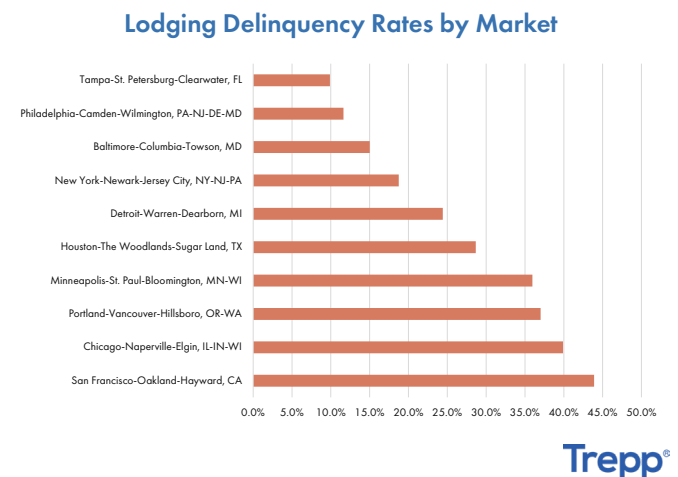
Source: CoStar, as of March 2025



- 4 Hotel Debt Situation Improving:** Hotel mortgage financing availability appears positive over the next 12 months, with 35% seeing an improvement and 37% anticipating stability. 50% still plan to refinance their existing debt in the next 12 months. The top three anticipated sources of hotel debt (total volume) are: 1. Debt Funds, 2. CMBS and 3. Regional Banks.

Commentary: The April 2025 Trepp report saw overall CMBS delinquency rates rise to 7%, up 38 bps month-over-month and 196 bps year-over-year. This is the first time this has risen above 7% since January 2021. Hotel delinquency rates increased to 7.85% in April from 6.23% in January and 5.97% last year.

Source: Globe Street, as of May 2025



- 5 Investors Still Want to Purchase Hotels:** 88% of LIIC plans to purchase hotels over the next 24 months. Hotel packages (five or more) have become less favorable over the last several years, with 43% unwilling to pay a package premium, and astonishingly, 31% actually expect a purchase price discount for a bulk acquisition.
- 6 What Do Lodging Investors Want?** Upper Upscale is the preferred target scale for buyers today, mirroring the 2024 survey. Over the next 12 months, transaction volume is expected to be strongest in the Upscale and Upper Upscale segments.
- 7 Hotel Buyers Finding Suitable Product?**

Quantity: 43% estimate that the quantity (number of hotels) on the market is better than 2024, a reversal of trends since Covid.

Quality: Compared to previous surveys, hotel investors are also finding that the desirability of hotels suitable for purchase is improving, with 32% seeing an improvement over 2024. For a select-service hotel acquisition, investors are targeting hotels under 15 years old, with 6-10 years as the preferred "sweet spot."

2025 LIIC Top Ten Survey Results:

8 Where to buy a hotel? LIIC members were asked to pick which of the top 25 markets they “would consider buying a hotel.” The four most desirable markets are as follows:

1. Boston, Massachusetts (also first last year)
2. New York, New York (up from third)
3. Tampa, Florida (down from second)
4. Dallas, Texas (new to top list)

Where NOT to buy? #1 Los Angeles, CA; #2 Chicago, IL; #3 Minneapolis, MN and St. Louis, MO (tied)

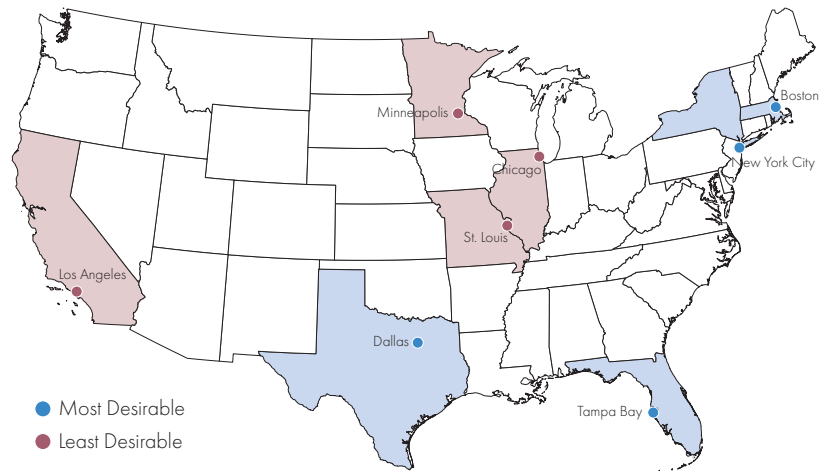
Commentary: Of the markets to buy in, Tampa experienced the greatest 12-month RevPAR change as of March 2025. Of the markets NOT to buy in, Los Angeles stood out as the only market where ADR decreased during the same period, although RevPAR still increased slightly (0.4%).

Source: CoStar, as of March 2025

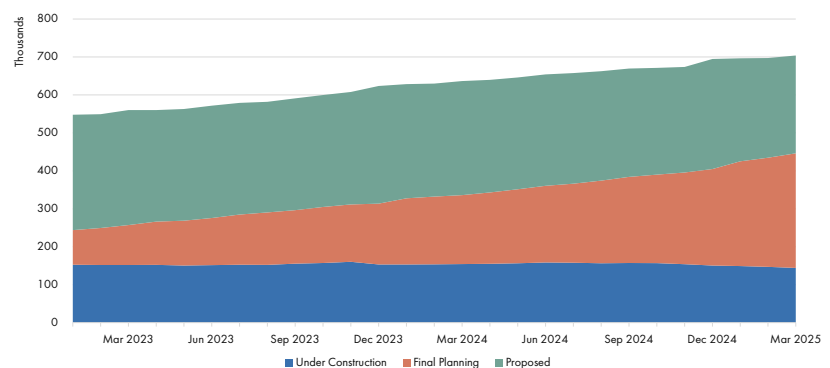
9 Impact of Trump Tariffs? Hotel investors appear worried about the impact (market and property-level) by the end of 2026 if the Trump Administration enacts significant tariffs. 85% of respondents believe the negative impact on existing hotel investments will be moderate or substantial. Relative to new hotel development, 89% believe significant tariffs will decrease new hotel development, with 42% predicting the decrease will be substantial.

Commentary: Although respondents believe significant tariffs will decrease new hotel development, the total rooms in the U.S. pipeline (proposed, final planning, or under construction) for March 2025 is up 10.5% from March 2024. This begs the question: Are developers getting a head start before significant tariffs are fully enacted?

Source: CoStar, as of March 2025



Rooms in Pipeline



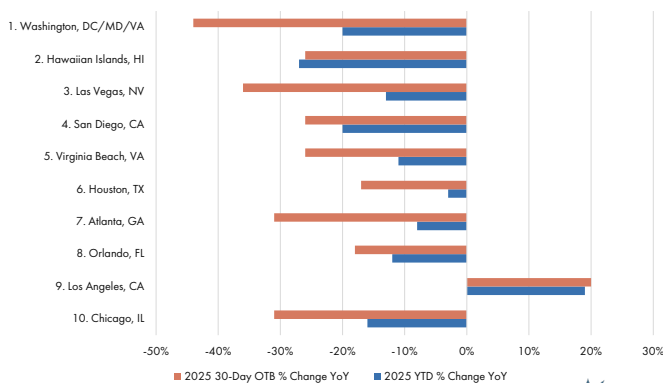
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- 10 Hotel Guestroom Demand?** Future corporate demand has turned negative from last year, with only 32% cautiously optimistic. More revealing, 31% are "uncertain" and another 31% are "pessimistic." 51% believe that group demand (RevPAR) will be the strongest segment relative to transient and contract. 36% of LIIC investors have redlined markets that rely heavily on government-generated hotel demand.

Commentary: Government travel has declined sharply, with 76% of U.S. markets experiencing year-to-date declines in government per-diem room nights. Year-to-date government bookings are down 9%, while future bookings lag 20% behind last year's levels.

Source: Kalibri Labs, as of April 2025

**Top Volume Government Markets
(based on 2024 Room Night Demand)**



 kalibri LABS

LIIC Bonus Questions:

- **The Trump Impact:** By 2027, 66% of LIIC predict the current actions of the Trump Administration will make hotel property investments less profitable. A wise, visionary 18% believe Trump will make hotels more profitable.
- **SNL – Saturday Night Live:** Two-thirds of LIIC do not regularly watch Saturday Night Live.
- **Hotel Owners Tech Flexible!** 54% of LIIC have rapidly embraced mobile check-in and digital keys, actively utilizing these options.

SATURDAY NIGHT LIVE



Mobile Check-In
Source: AdobeStock

For additional information, please contact:

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Commentary References:

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