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# Key Transactional Takeaways from Americas Lodging Investment Summit (ALIS) 2023

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1. The cost of capital—equity and debt—began to put pressure on the lodging market in the second half of 2022 and continues to do so, with expectations that such pressure will remain through the first half of 2023 before market participants come to terms with elevated interest rates.
2. The bid-ask spread for lodging assets is widening again as sellers may feel improved cashflows warrant a higher asking price. However, buyers are using higher investment rates, bringing down offer figures. There is optimism that the bid-ask spread will decrease in the second half of 2023.
3. Some hotel owners are adjusting their internal hurdle rates and internal rates of return (IRR) downwards to close deals.
4. Foreign capital inflows for U.S. hotel real estate remain low in many markets, particularly capital inflows from the Asia-Pacific region.
5. The transaction pace is slowing in the lodging market, though not due to liquidity issues. Market participants are adjusting to the rising cost of capital and uncertainty surrounding when interest rates will stabilize. Rates are now trending between 8.00% and 9.00%, roughly double what they were in early 2022.
6. New construction financing is available but challenging to secure due to very low Loan-to-Cost (LTC) ratios and recourse terms.
7. Preferred equity has become a backstop for hotel properties seeking refinancing that are unable to secure traditional bank financing. Though preferred equity cost has increased considerably, approximately 200 basis point premiums above lender rates are now typical.
8. Approximately \$40 billion in U.S. hotel debt will mature/need to be refinanced over the next 18 months.
9. Loan extensions appear unlikely, with creative refinancing buying down debt, CPACE lending (when capital expenditures are required) or seeking private lending.