

Maura Gast

From: CBRE Hotels Research <noreply@cbrecommunications.com>
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Hospitality Market Update

CBRE



Michael Yu

Vice Chairman, CBRE Hotels Capital Markets
+1 713 577 1629
michael.yu@cbre.com

Fresh from the Hunter Conference, two themes reign supreme right now. The first is uncertainty. Following last week's tumultuous stock market sell-off and the ongoing tariff chaos, our outlook on the future remains as uncertain as it was two years ago, if not more so today. The second theme is the beer and wine analogy: while wine appreciates in value with age, no one wants an old beer. Having sold nearly 300 hotels over the past five years, thanks to Mitch Patel from Vision Hospitality Group, I feel more like I'm in the liquor wholesale business than hotel brokerage. With that in mind, my comments will center around our beloved beer and wine theory:

1. Plenty of wines have turned into beer lately. The pandemic, inflation, a challenging labor market, high interest rates, and constantly shifting brand requirements have collectively downgraded a lot of fine wine to just beer. And let's not forget the impact that politicians can have on local markets - some entire cases of wine were ruined.

2. Everyone will be selling their beer this year. With rising operating costs, choppy demand growth, and stubbornly high interest rates, there's little incentive to hold onto beer inventory.
3. Given today's tariffs and immigration policies, accurately estimating the cost of new construction projects feels nearly impossible. Since almost everything currently on the market is heavily discounted compared to replacement costs, buying often makes much more sense than building.
4. The extended-stay market is becoming very crowded. With numerous new brands under construction or coming online soon, it remains to be seen if all this hype will mature into fine wine or fizzle out into flat beer. Stay tuned!
5. The debt market remains incredibly liquid, with U.S. Treasuries finally trending downward again. However, we've seen delays in government-guaranteed loan approvals—firing a bunch of SBA workers did indeed slow things down initially. Hopefully, the survivors at SBA will pick up the pace soon—just as Mr. Musk has suggested.

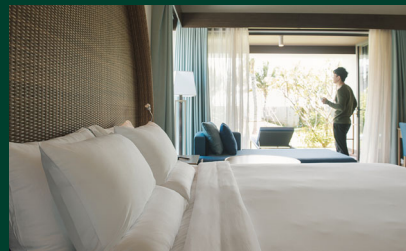
Overall, I anticipate an active market this year, especially in beer sales. Wine, on the other hand, might just remain on the shelf. Most sellers won't be pleased with their wine being valued at beer prices. However, if you're a savvy operator who can create operational efficiencies, I strongly recommend stocking up on as much beer as possible this year. With the AI revolution on the horizon, the days of computers checking in guests and robots cleaning rooms might be closer than we think. Who knows, perhaps some beer will age gracefully back into wine—or maybe I've just had too many tastings!

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