

Despite near-term pressures, hotel fundamentals remain durable, executives say

Experts share why the asset class is not a 'melting ice cube'



In terms of hotels as an asset class, Louis Stervinou, managing director at Eastdil Secured, said the time to buy is now. (ALIS)

By **Natalie Harms**

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LOS ANGELES — While the hotel asset class has inarguably been affected by macroeconomic headwinds over the past year, members of the Industry Real Estate Financing Advisory Council advised hoteliers at the [Americas Lodging Investment Summit](#) to take a step back and look at the bigger picture to see that things might not be as bad as they seem.

"I think that when people look at the hospitality industry today, there's certainly a lot of concerns about cash flow, margins, durability. And you sort of think, just given a tone of conversations over the last six to eight months, that the hospitality industry is this melting ice cube, and it's absolutely not," said Larry Kwon, managing director at Moelis & Company.

While there are pressures on the hotel sector, they are cyclical, Kwon said. When you step back to look at travel and hospitality demand trends as a whole, the outlook looks good, he added.

"I do think that there's a little bit of pessimism in the sector that's probably unwarranted," Kwon said. "But when you look at the broader picture, step back 10 to 15 years, everything looks really positive in terms of demand for the asset class. I'm not sure that you could say that about every other real estate asset class."

Seeing the 'opportunity to invest'

Louis Stervinou, managing director at Eastdil Secured, was asked what one thing he wished hotel investors knew going into 2026. His answer? "The time is now."

"We've never seen these type of deals. You've got a functioning capital market, and you can adequately underwrite growth. Long term, there should be efficiencies in the operation. There needs to be," he said. "The, kind of, waiting for everything to widen where they are — I don't think that's going to happen. This could be the new normal. ... I think right now, these yields are really, really appealing, and it's an opportunity to invest."

It won't take long for hoteliers to realize they might have missed out on a good opportunity to buy, said Shai Zelering, global head of hospitality for Brookfield Properties. He agreed that now is the time to buy "as long as you're a long-term investor and you're really looking at the durability of the business." But it's certain assets that he'd bet on.

"I would buy those boring hotels in secondary, tertiary markets, where I see really good dynamics — from labor, from infrastructure and manufacturing," he said. "So, I'll look specifically at those markets, and it's not the top 10 markets, because I feel that they are less business-friendly."

Leeny Oberg, chief financial officer and executive vice president of development at Marriott International, said she'd target two types of deals as an investor, which she will be following her upcoming retirement from Marriott. She'd look for a resort outside of a top 10 market with a wellness theme as well as a more efficient, select-service hotel in the "right market the right elements over the next decade."

Oberg echoed concerns about the bifurcation in hotel demand across the chain scales, which for this length of time is unprecedented. However, hotel companies seem to have gotten used to the uncertainty of last year and now recognize this unpredictable business environment could be the "new normal" operators have to keep going with. The thing Oberg said the hotel industry should keep an eye on is unemployment.

"GDP can be a little misleading, depending on which segment of the economy is getting investment at the end of the day," she said. "People need to have current income and jobs to be out there spending."

Focus on what you can control

As tempting as it is to try to predict where the markets are headed and plan for your business accordingly, Kwon said the hospitality industry is too obsessed with

revenue per available room when hoteliers should be focused on cost structure, margin and cash flow.

"In discussions that we've had with real estate owners and operators, I think there's a general focus on what you can control, and don't worry about the rest. None of us can control what's going to happen out there in the world. None of us can control the macro environment," he said.

Kwon added there's a little more predictability when you make that shift.

"Nobody can claim to have a crystal ball and what's going to happen to RevPAR, what's going to happen to a market in any given 12 months, but you should at least have a hazy crystal ball that gives you some insight into what the cost side of the P&L is going to look like," he said.

Some of that responsibility has put an emphasis on third-party hotel managers to start "to think of themselves less as hotel companies, more as professional services organizations," Kwon said.

The role of AI

Whether artificial intelligence can move the needle on costs remains to be seen, Zelering said. He explained that he discounts AI's effects on the hotel industry for three reasons.

First, hospitality has never been quick to adapt to new technology, and second, the financial savings will barely trickle down to hotel owners. His last reason is that hospitality should prioritize the guest experience.

"You don't have a ranch in the mountains to have the obligation to provide an experience to the guest. Hopefully, we take those funds that are allocated to whatever they're doing in the offices and focus on the hospitality," he said.

Oberg's opinion of AI is slightly different. She said the technology can enhance the guest's experience before they even step foot on property.

"The reality is, in today's world for the hospitality of guests, very much of it is before you get to that hotel — very much digital, tech-driven. And so I think we need to be focusing as much on that customer experience, and frankly, the cost related to that, because I think they will drive down affiliation costs over time, with size and scale," she said.

AI and the streamlined experience it provides guests will bring them further into the ecosystem at a lower acquisition cost, Oberg said. And the technology will allow hotel workers to free up time for more face-to-face interaction.

Kwon said there's an opportunity to use customer data to enhance the experience.

"I think that the area where AI and technology can have the biggest impact is just in the aggregation of customer data — to be able to deliver not just a generic experience, but a customized experience," Kwon said. "I think the brands are probably in the best position initially to sort of provide that insight to managers and to owners."

Zelering said hoteliers are looking at AI efficiencies wrong. From the consumer side, more efficient productivity across industries can translate to more time for people to travel.

"We might not be looking at the five-day [workweek] when all this efficiency comes in," he said. "I think that as an industry, in the long term, we're in a great position, because people are going to have more leisure time."

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