

# Hotel experts react to Fed cutting interest rates for first time in nearly a year

AAHOA CEO calls cut 'lifeline' for owners



Federal Reserve Chair Jerome Powell speaks during a news conference explaining the Federal Open Market Committee's decision to cut the federal funds rate by 25 basis points. (Getty Images)

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After nine months of hotel owners and investors anxiously waiting, the Federal Reserve has cut interest rates by 25 basis points.

The Federal Open Market Committee met and voted this week to lower the target range for the federal funds rate by 0.25 percentage points to 4% to 4.25%.

The committee last cut the federal funds rate in December 2024, [dropping it by 25 basis points](#) as well after [cutting it by 50 basis points in September](#). Many had projected interest rate cuts earlier in 2025, but they did not materialize as hoped.

Citing its goal to achieve maximum employment and keeping inflation at a 2% long-run average, the committee said in [a statement](#) Wednesday that conditions have changed enough to warrant a reduction.

“Recent indicators suggest that growth of economic activity moderated in the first half of the year,” the Fed said in the statement. “Job gains have slowed, and the unemployment rate has edged up but remains low. Inflation has moved up and remains somewhat elevated.”

Along with lowering the federal funds rate, the committee will continue to reduce its holdings of Treasury securities and agency debt and agency mortgage-backed securities.

## Industry response

Calling the rate cut an unsurprising move, Jan Freitag, national director for hospitality market analytics at CoStar, said via email the impact on longer-term rates that govern much of commercial real estate lending will likely be muted.

“Hotel industry lenders, borrowers and investors had anticipated this rate cut for a while now, and many industry participants are actually anticipating a further rate cut through the remainder of the year,” he said. “In other words, this is old news and as such will likely not impact the deal-making environment much.”

Freitag pointed to the recent sale of [the EAST Miami hotel](#), which he said shows motivated buyers and sellers are still getting together to trade trophy assets no matter what the Federal Reserve says or does.

“The hotel industry is a street-corner business, and the macro lending environment is often not as relevant as the relationships between a local banker and a local hotel owner,” he said.

The rate cut lands at a pivotal moment as hundreds of Asian American Hotel Owners Association members are in Washington, D.C. AAHOA President & CEO Laura Lee Blake said in a statement that members plan to advocate for SBA loan increases to \$10 million, restoring Brand USA funding and repealing the Visa Integrity Fee to jumpstart international travel.

“This cut is more than a headline — it’s a lifeline,” she said. “For America’s nearly 37,000 AAHOA member-owned hotels, representing 60% of the nation’s lodging industry, access to affordable capital is not a luxury, it is oxygen. Lower borrowing costs will empower hotel owners to refinance debt, reinvest in their properties, retain staff and keep America’s travel economy thriving.”

### Powell’s comments

In his [prepared remarks](#) about the committee’s decision, Federal Reserve Chairman Jerome Powell said gross domestic product rose at a pace of about 1.5% during the first half of the year, down from 2.5% in 2024. That moderation in growth largely reflects a slowing in consumer spending. Business investment in equipment and intangibles has increased from last year, however. Investment in the housing sector remains weak.

In the committee’s summary of economic projections, the median participant projects GDP to rise 1.6% this year and 1.8% in 2026, slightly stronger than projected in June, Powell said. The labor market has seen unemployment reach 4.3% in August, a slight increase but overall at a relatively low level.

“Payroll job gains have slowed significantly to a pace of just 29,000 per month over the past three months,” he said. “A good part of the slowing likely reflects a decline in the growth of the labor force, due to lower immigration and lower labor force participation.”

Labor demand has softened, and the recent job creation pace is running below the “breakeven” rate to keep the unemployment rate constant, Powell said. Wage growth continues to moderate while still outpacing inflation.

“Overall, the marked slowing in both the supply of and demand for workers is unusual,” he said. “In this less dynamic and somewhat softer labor market, the downside risks to employment appear to have risen.”

The median projection in the SEP is for the unemployment rate to reach 4.5% by the end of the year and edge down after, he said.

Inflation has eased significantly from its highs in mid-2022 but has stayed somewhat elevated relative to the Fed’s 2% longer-run goal, Powell said.

Estimates based on the Consumer Price Index and other data show that total PCE prices rose 2.7% over the 12 months ending in August. Excluding volatile food and energy categories, core PCE prices rose 2.9%.

“These readings are higher than earlier in the year as inflation for goods has picked up,” he said. “In contrast, disinflation appears to be continuing for services.”

The committee’s near-term measures of inflation expectations have moved up over the course of the year due to news about tariffs, he said. Beyond next year, most longer-term expectations show it lowering. The median projection for total PCE inflation is 3% in 2025, 2.6% in 2026 and 2.1% in 2027.

“A reasonable base case is that the effects on inflation will be relatively short-lived — a one-time shift in the price level,” he said. “But it is also possible that the inflationary effects could instead be more persistent, and that is a risk to be

assessed and managed. Our obligation is to ensure that a one-time increase in the price level does not become an ongoing inflation problem.”

The median participant projects the appropriate level for the federal funds rate will be 3.6% by the end of 2025, 3.4% at the end of 2026 and 3.1% at the end of 2027.

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