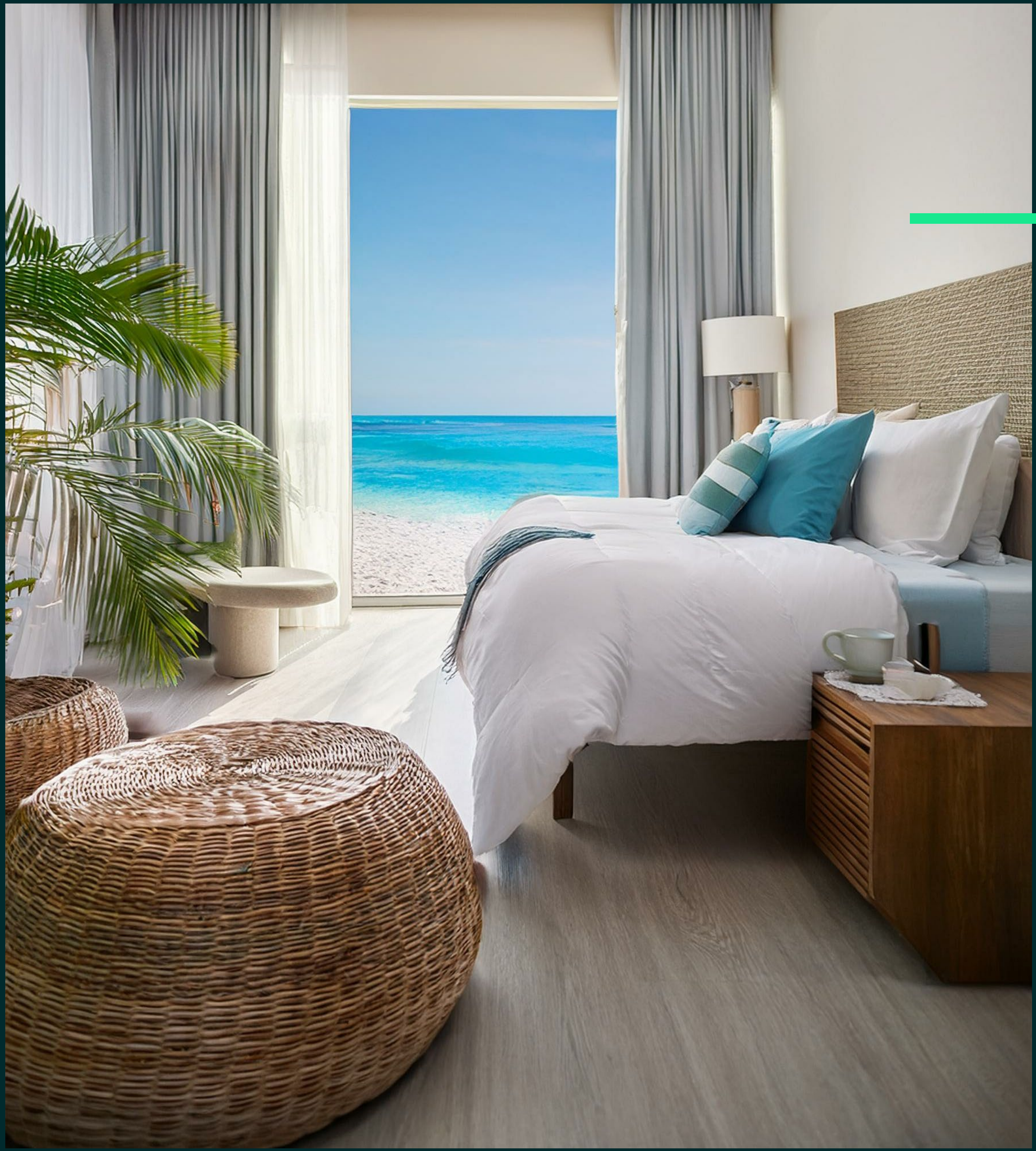

CBRE

U.S. Hotel State of the Union

July 3, 2025

Key Takeaways

Economy

After 1Q25's forecast release, CBRE cut its 2025 GDP outlook to 1.3% from 1.9%.

In June, CBRE reduced its 2025 and 2026 GDP growth estimate to 1.3% and 2.0%, respectively, below the long-run average of 2.1%. Inflation is now expected to increase in 2026 to 3.6% up from 2.7% previously, which could put sustained pressure on profits and margins. *[Slides 5, 6,]*

Employment continued to grow in May, even as unemployment rose slightly.

May employment increased 1.3% while unemployment ticked up to 4.2%. Recent employment, discretionary income, and wage gains, which are outpacing inflation by 147 bps, have not resulted in stronger RevPAR growth. *[Slides 11-14]*

Both CMBS loans' size and volumes dropped materially in May.

May credit spreads contracted by 50 basis points y/y. CMBS loan issuance has fallen substantially from $2.6 billion in May 2024 to $0.9 billion in May 2025, with average loan size decreasing from $55.0 million to $13.1 million. Though the average borrowing is smaller, the average loan issuance count rose from 48 to 67 y/y. *[Slides 51-53]*

Current Trends

May RevPAR was flat (+0.1%) as ADR gains were offset by lower occupancy.

ADR growth of 0.8% was offset by a 0.7% drop in occupancy, resulting in relatively flat RevPAR y/y. RevPAR growth for some chain scales softened in May. Luxury chains outperformed during the month, with a 3.4% RevPAR increase while economy chains continued to struggle with a 1.9% RevPAR decline. *[Slides 16-18]*

Short-term rentals continued to capture market share from hotels in May.

STRs demand increased 6.0%, well above the 0.3% contraction in traditional hotel demand. STR share of total demand increased again in May to 13.9% compared with 13.2% in 2024. STR RevPAR increased 5.7% in May as ADR rose to 144% of 2019 and occupancy dropped slightly y/y to 99% of 2019. *[Slides 45, 47]*

Total revenue, which is reported on a lag, grew 0.4% in April due to the Easter shift.

Weaker top line growth impacted by the shift in Easter led to a 2.4% decrease in profit dollars. While expense growth, particularly insurance costs, have started to moderate on a TTM basis, margins still contracted 0.1 p.p.. We expect margins to continue to be under pressure as muted revenue growth and higher inflation impact bottom line results. *[Slide 36-40]*

Food for Thought

Market sentiment held steady despite expectations of an economic slowdown.

Despite an uncertain economic outlook, business sentiment in May remained the same at 98.9 versus 99.0 last year. The S&P has recouped losses from earlier in the year, up 5.6% YTD, and earnings expectations could be a positive sign for travel demand. *[Slides 8, 9]*

Inbound-outbound travel gap widened in May despite a weak dollar.

Outbound international travel increased 3.4%, to 124% of 2019's level while inbound international travel declined 2.8% y/y falling to 84% of 2019. Given the current political and economic climate, it is likely that the imbalance between inbound and outbound travel will persist through at least 2026 creating a headwind to hotel demand. *[Slides 31]*

TSA throughput declined again in June by 1.0%.

Despite lower airfares and stable discretionary income, travel trends appear to be softening with declining throughput and minimal RevPAR growth. On a bright note, Google searches for corporate and redemption travel picked up in June, increasing 5.2% and 2.8% y/y, respectively. This could be a tailwind for travel in the second half of 2025. *[Slide 21, 24]*

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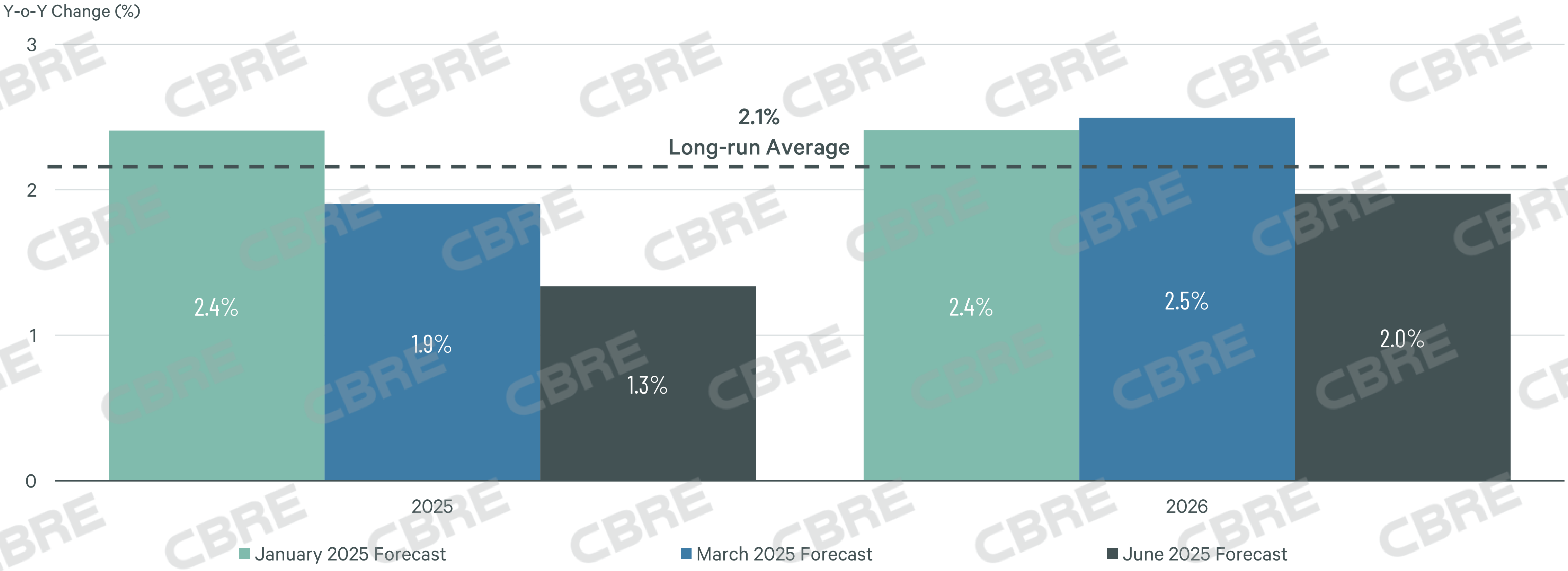
1

The Economy

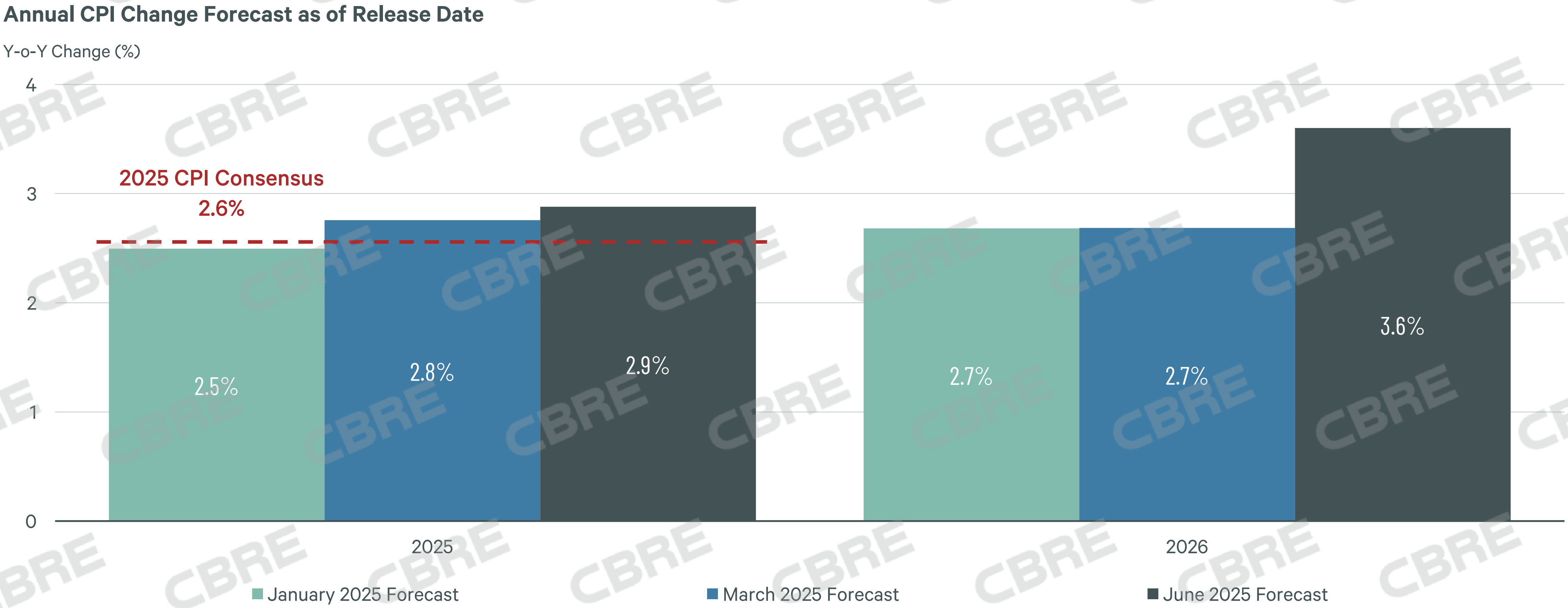
Following our most recent forecast release, CBRE made further cuts to the GDP forecast

Annual Real GDP Change Forecast as of Release Date



CBRE Hotels Research, BEA

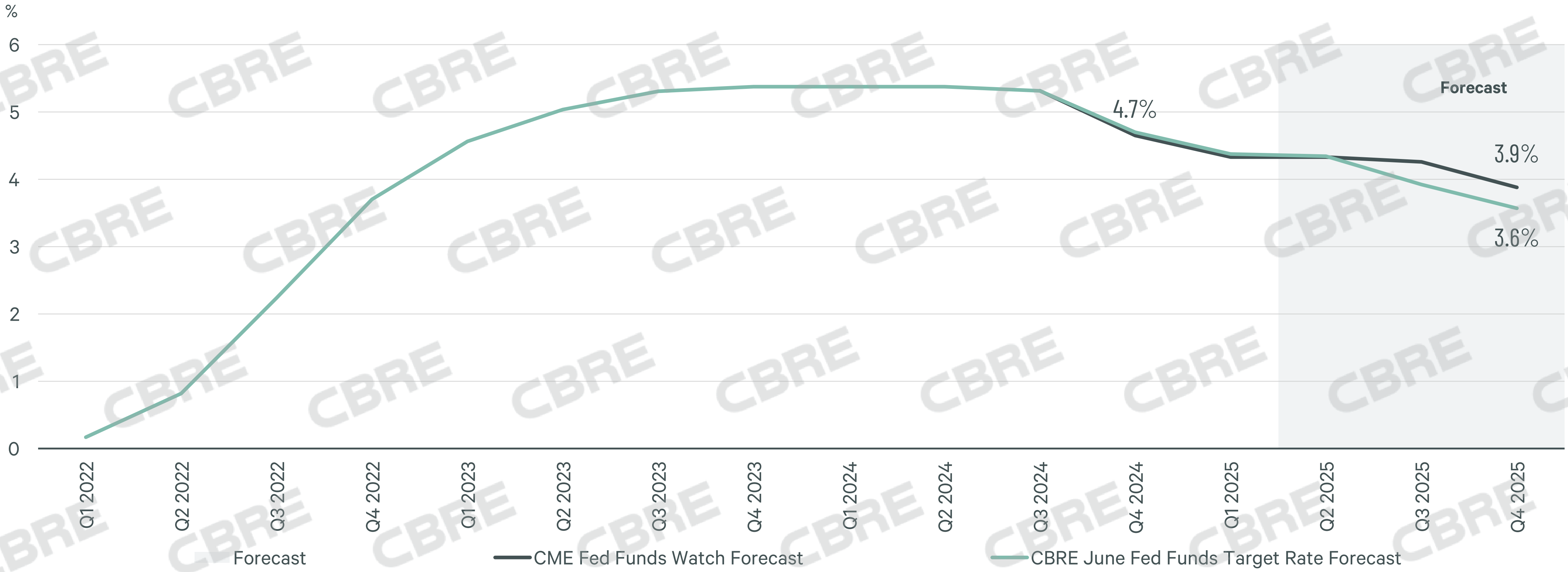
The outlook for higher inflation is likely to pressure margins and profits



CBRE Hotels Research, BLS

CBRE expects interest rates to fall 80-110 bps by Q4 2025

CBRE Federal Funds Forecasted Target Rate vs. CME Fed Watch

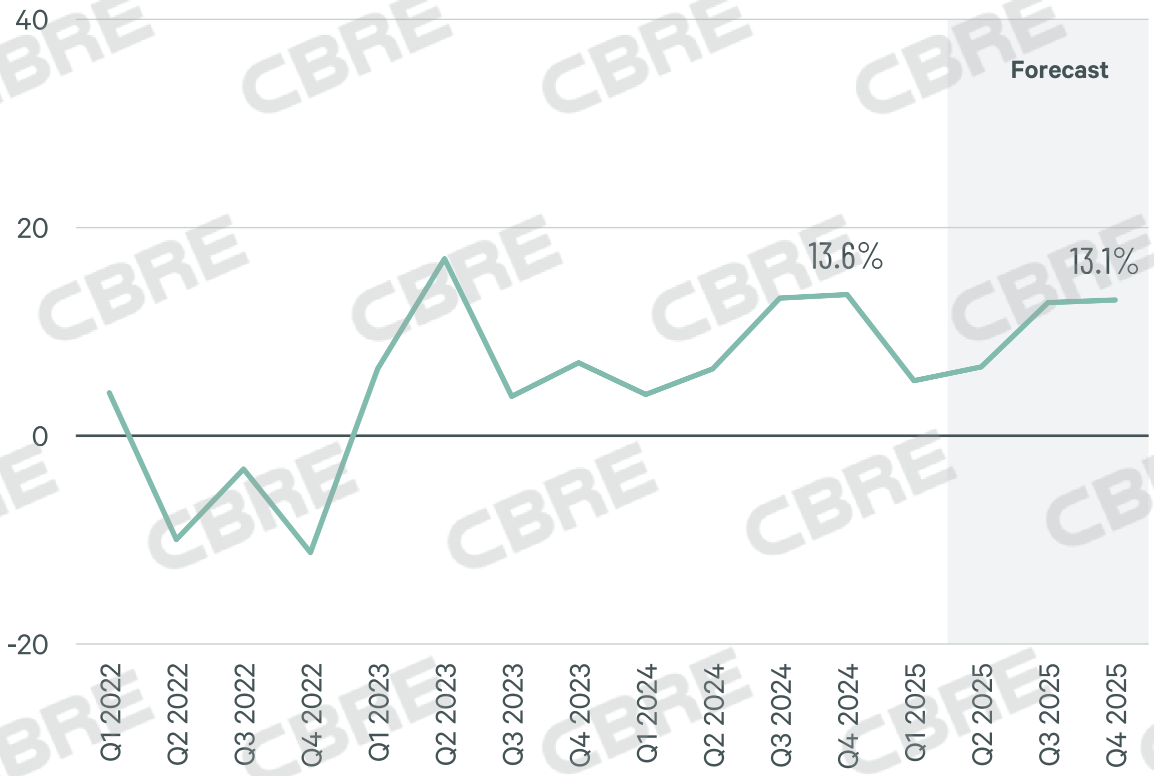


CBRE Hotels Research, CBRE EA, as of June 23, 2025, CME FedWatch as of June 30, 2025

Despite slowing GDP and higher inflation, business sentiment is stable, and earnings growth is solid

S&P 500 Operating Earnings per Share

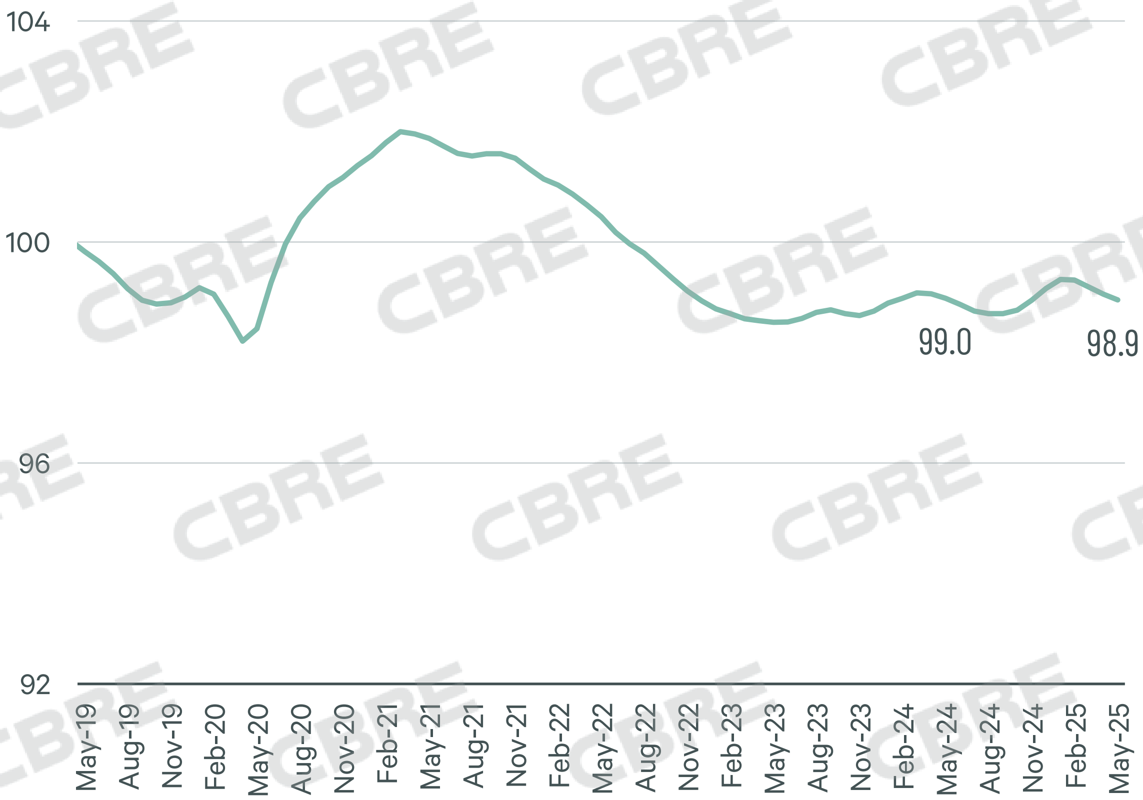
Y-o-Y Change (%)



CBRE Hotels Research, S&P Global

Business Confidence Index

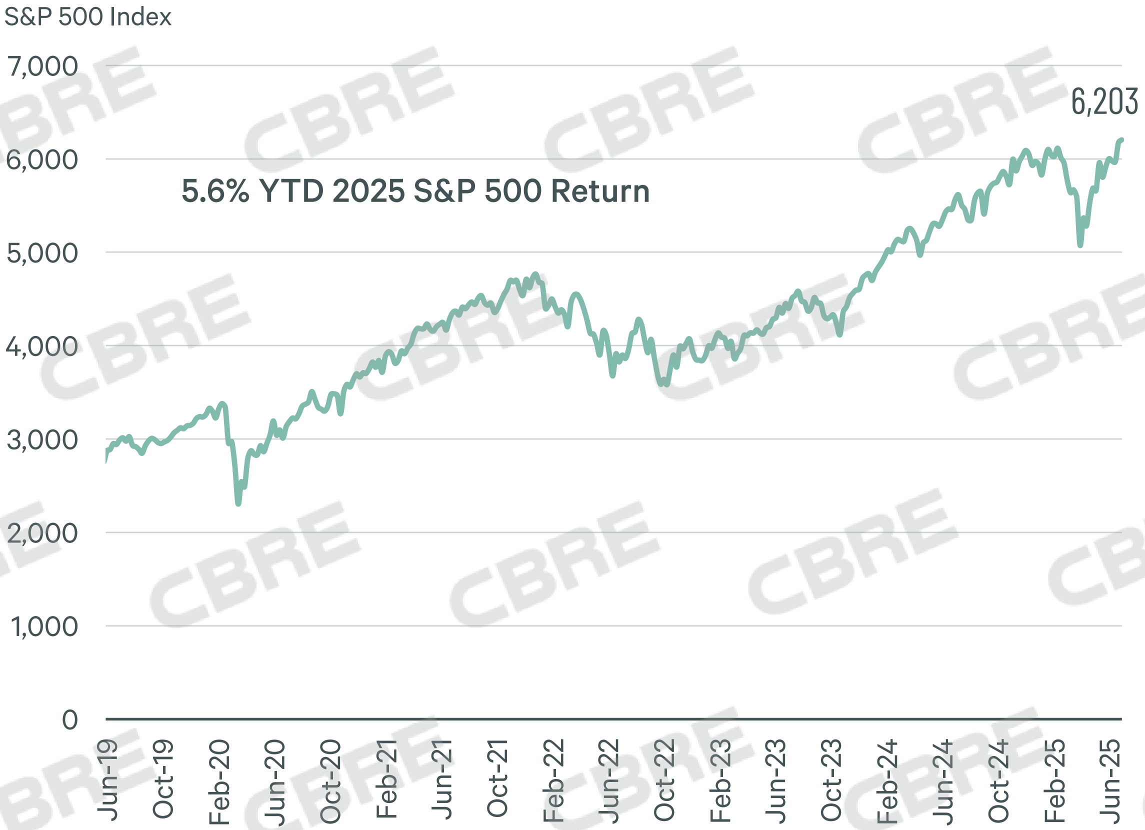
Index



CBRE Hotels Research, OECD

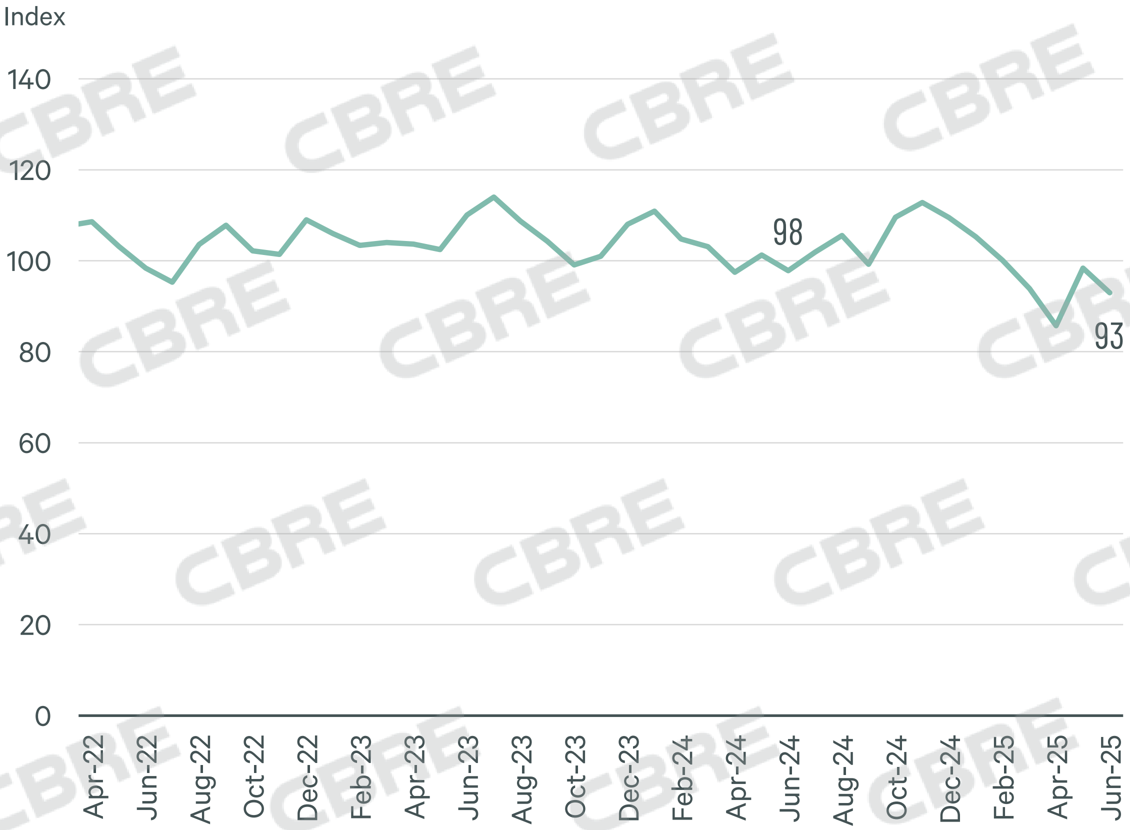
The S&P has recouped most of its earlier losses fueling improvement in consumer confidence

S&P 500



*S&P 500 Index is presented as weekly averages *Daily Close June 30, 2025 Is 6,203
CBRE Hotels Research, S&P Global

U.S. Consumer Confidence Index



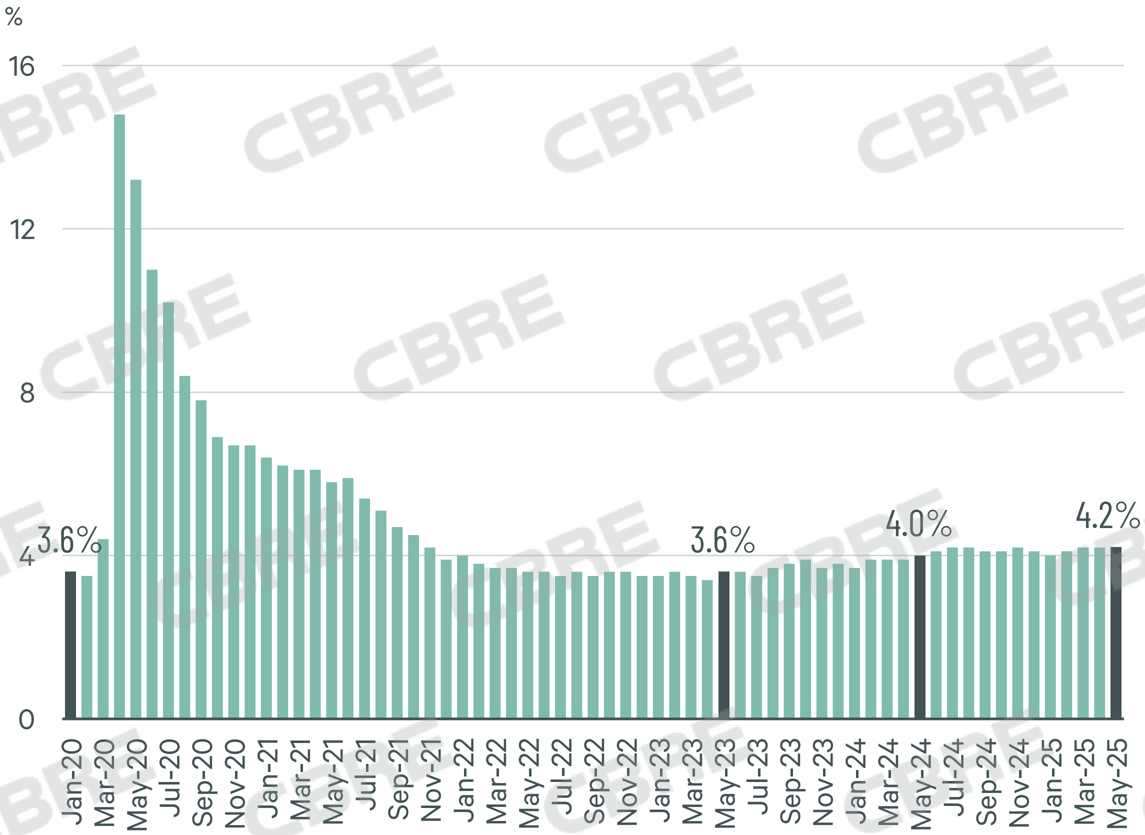
CBRE Hotels Research, The Conference Board

2

Labor

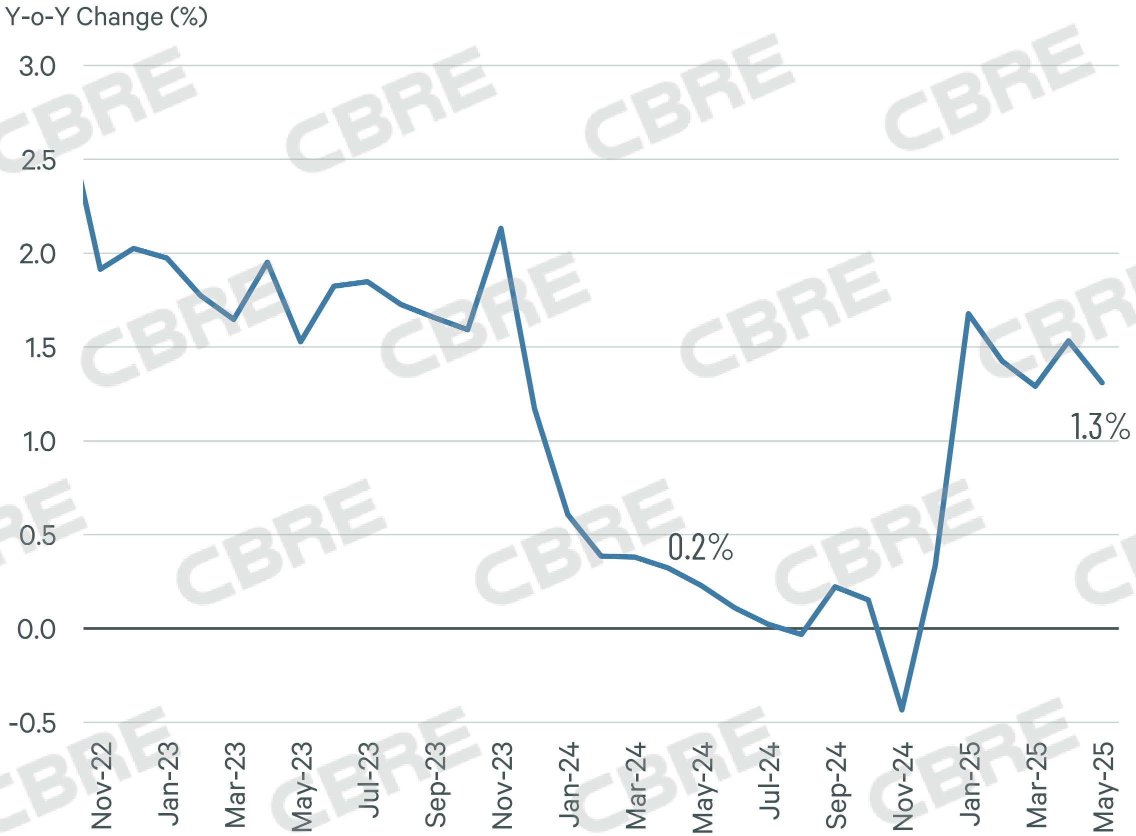
Despite rising unemployment, employment growth continues to supports travel demand

Monthly Unemployment Rate



CBRE Hotels Research, BLS

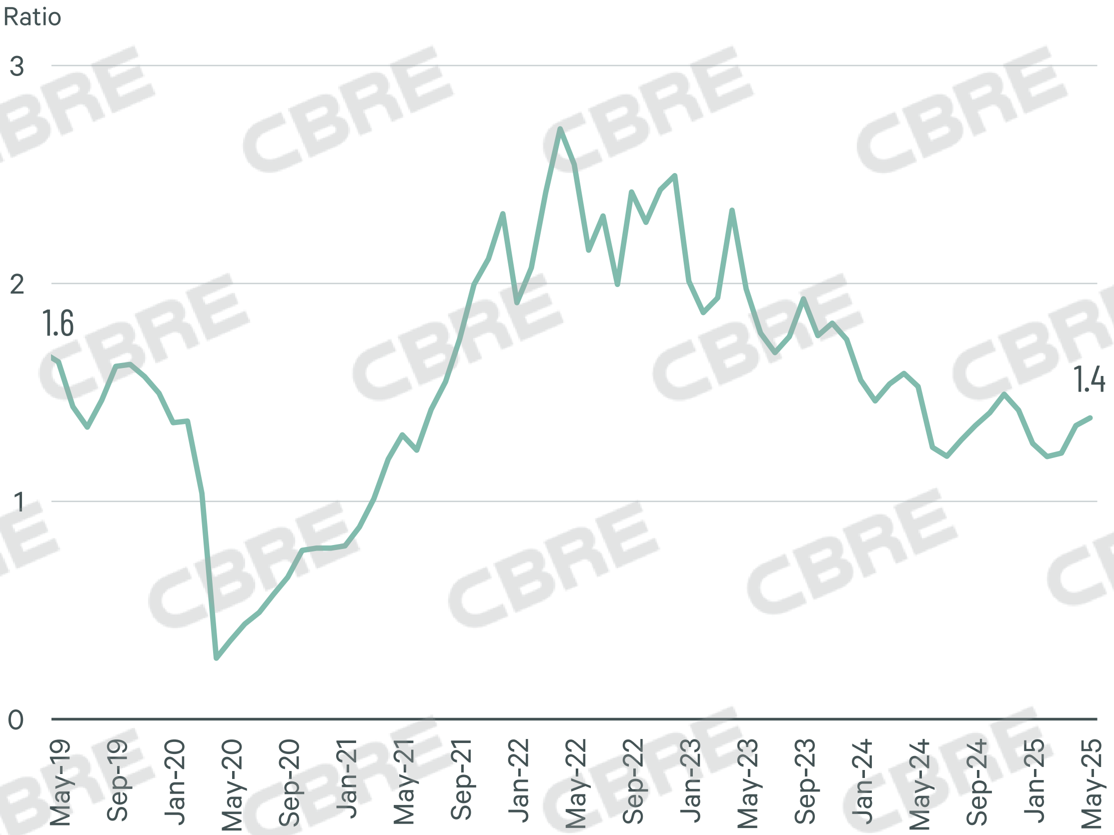
Total U.S. Employment Change



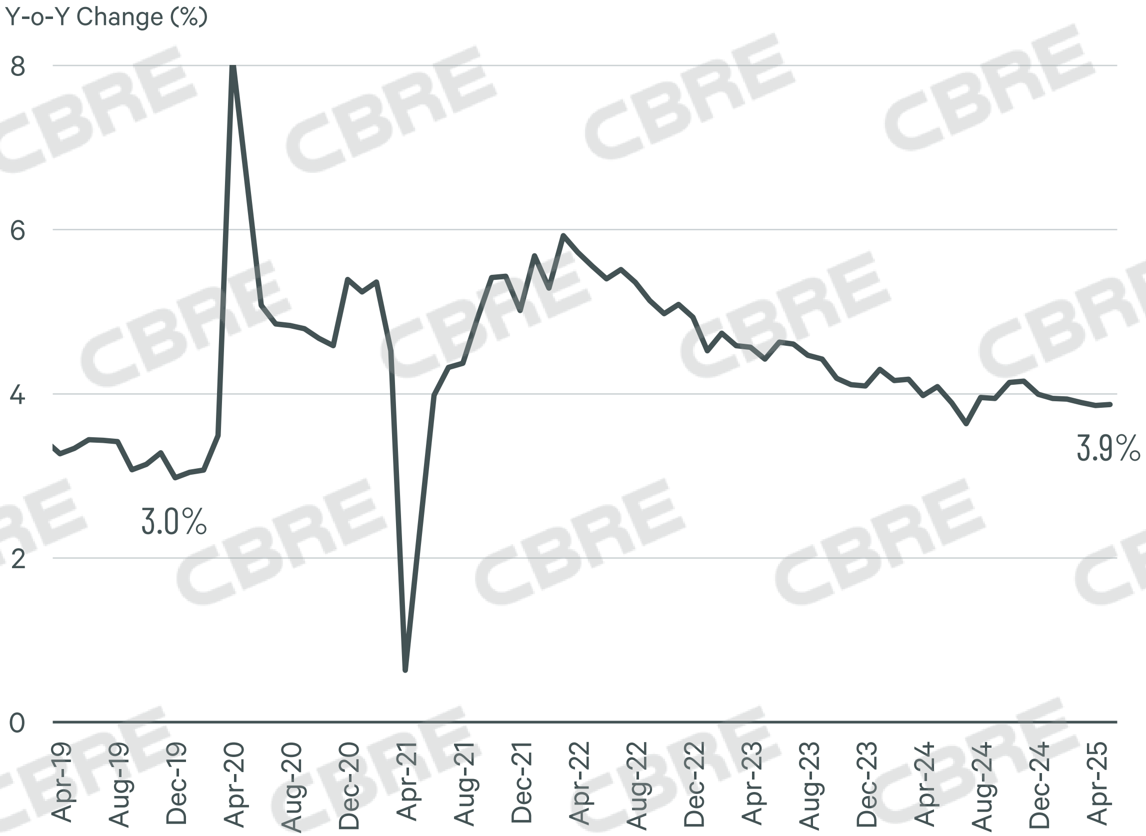
CBRE Hotels Research, BLS (Household Survey)

The labor market is loosening, and wage growth is above inflation at just below 4%

Ratio of U.S. Job Openings to Job Seekers



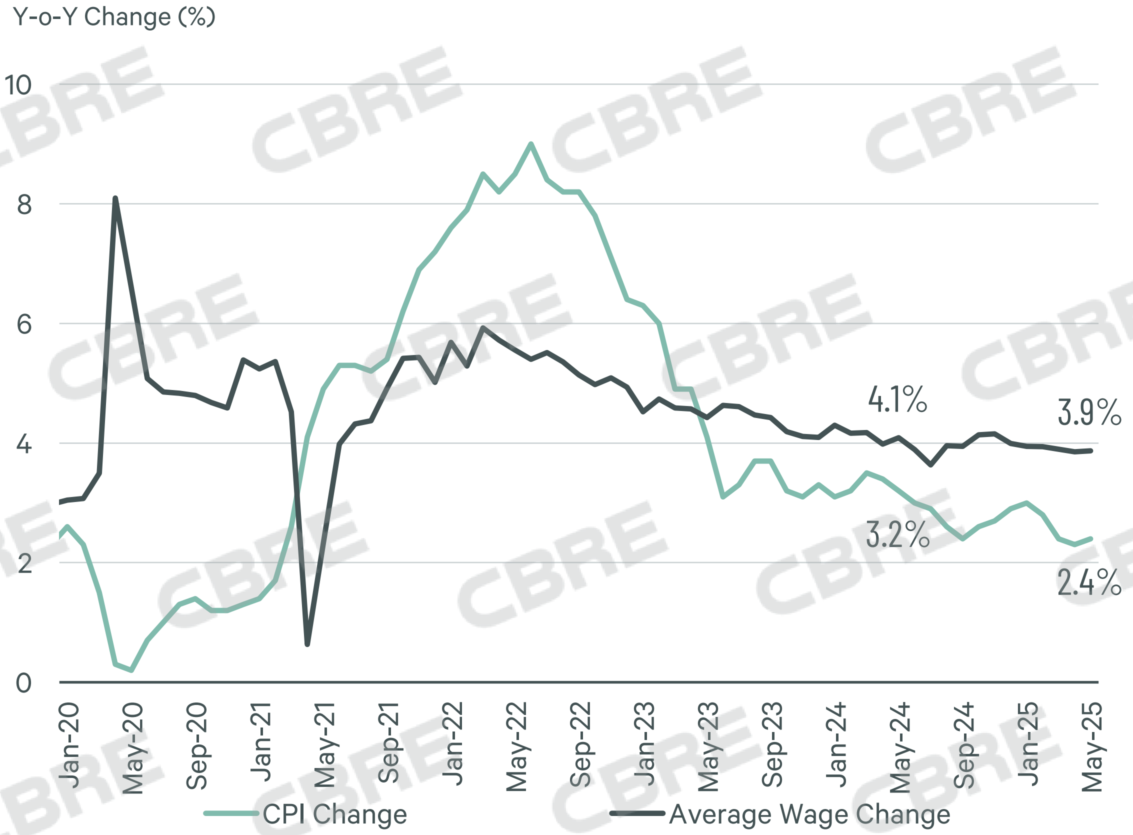
U.S. Average Wage Change



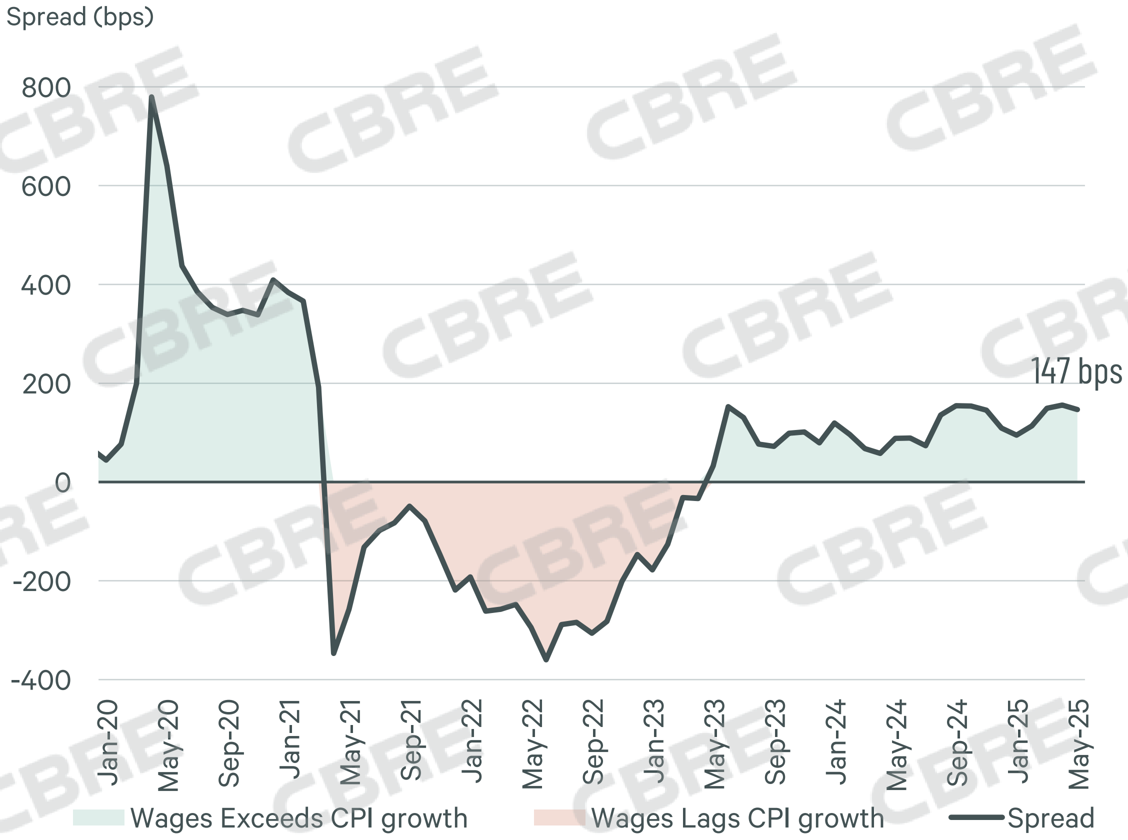
CBRE Hotels Research, BLS

Inflation is falling faster than wages, supporting discretionary income

U.S. CPI Change vs. U.S. Average Hourly Wage Change



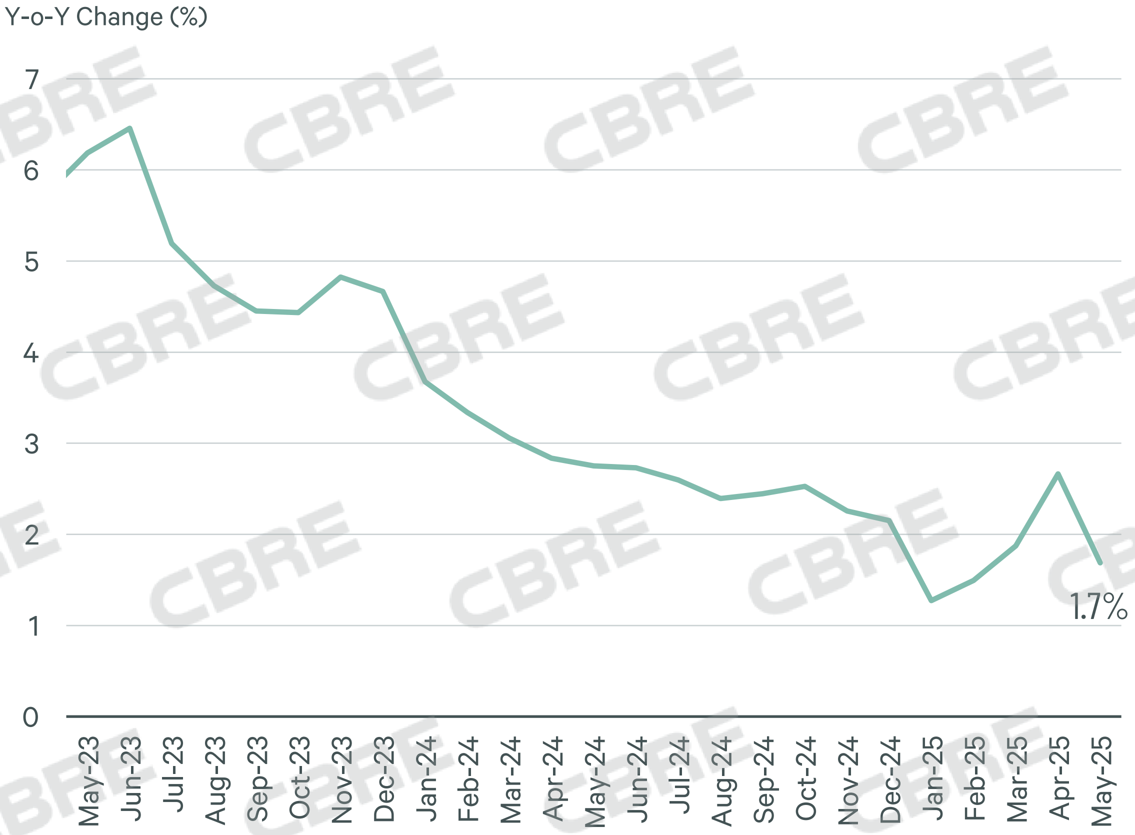
Spread between U.S. Average Hourly Wage and CPI Change



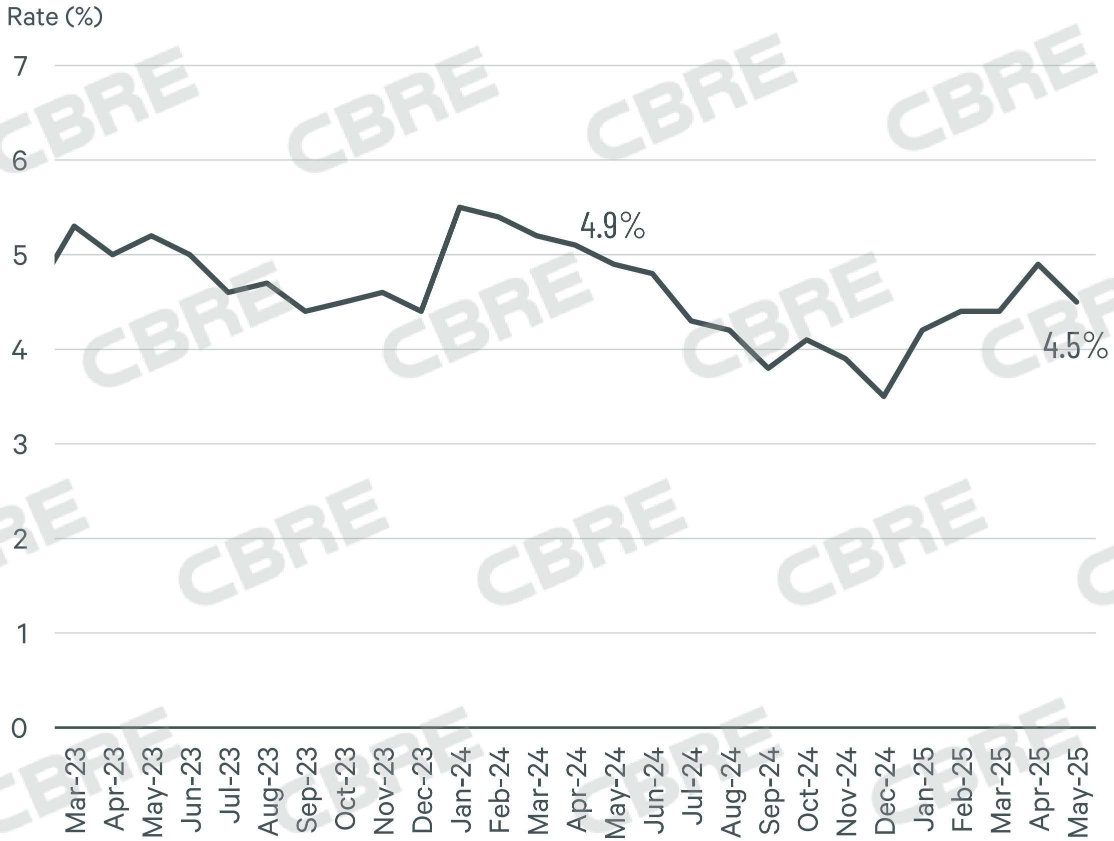
CBRE Hotels Research, BLS

Easing inflation and steady wage growth are supporting disposable income and savings growth

Real Disposable Income



Personal Savings Rate



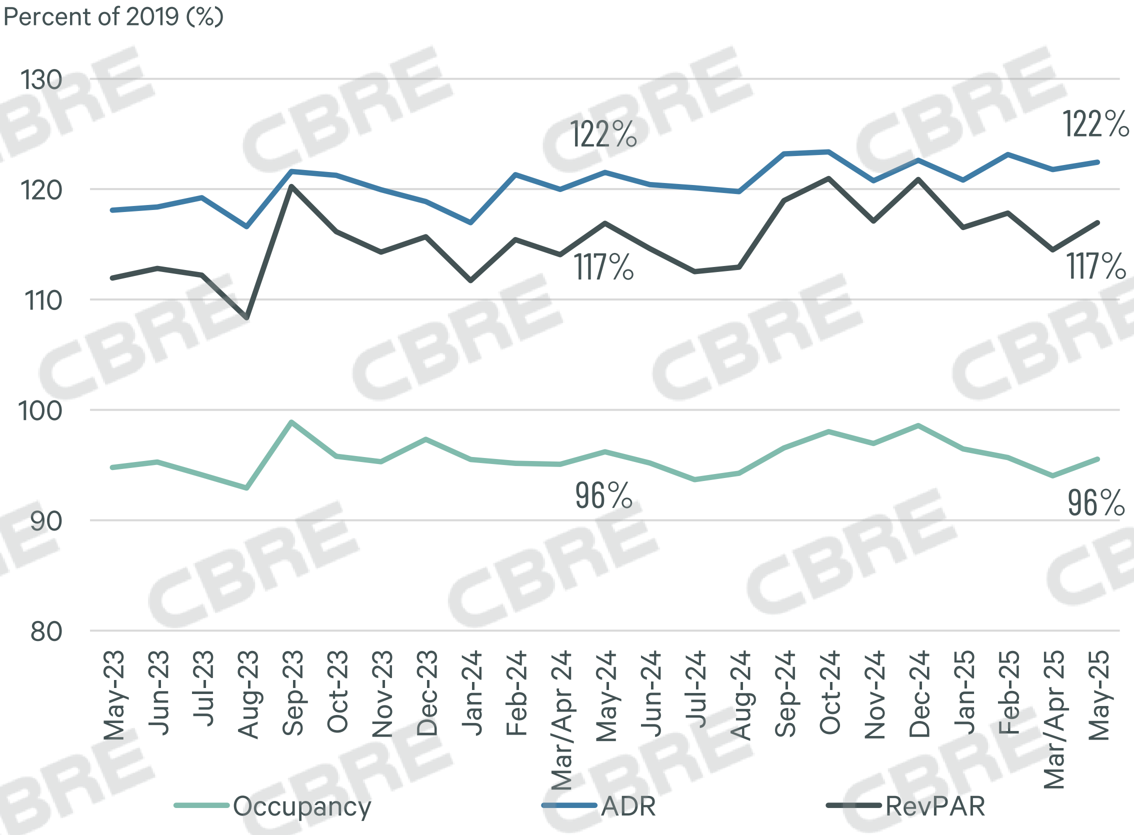
CBRE Hotels Research, BEA

3

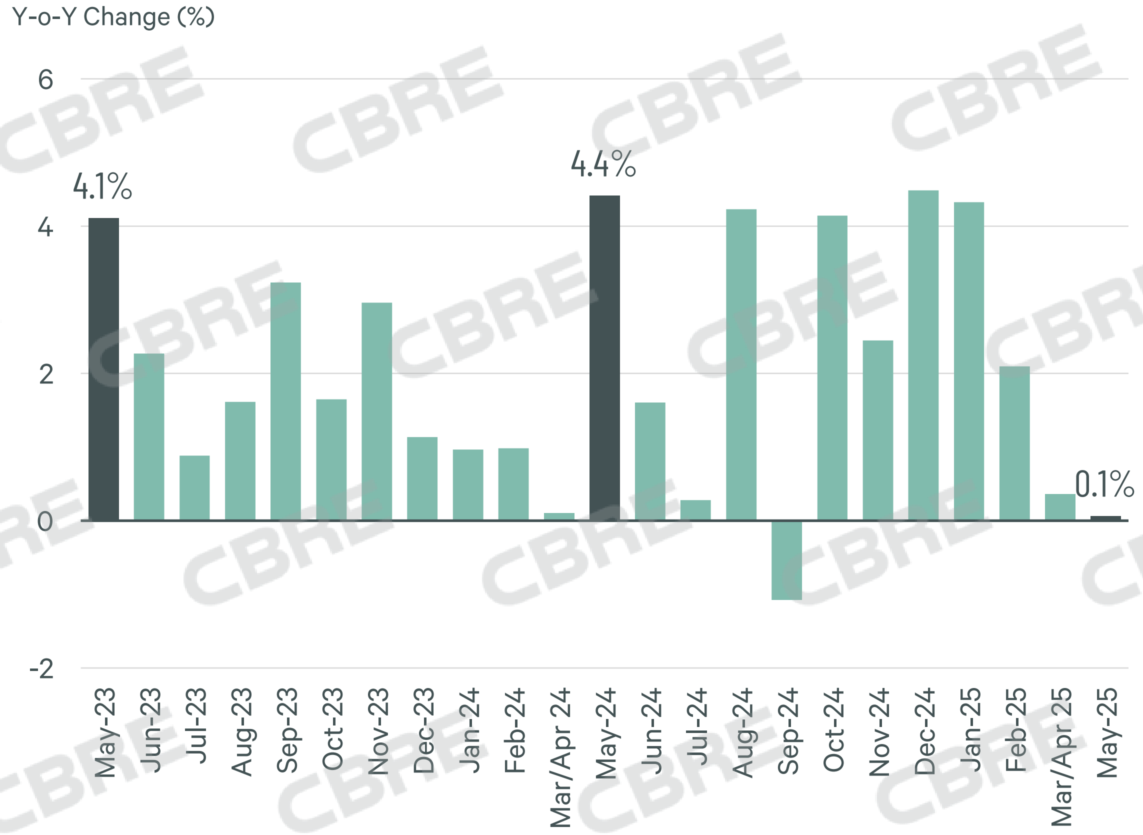
Monthly Data

RevPAR growth slowed in May as ADR and Occupancy remained inline with 2019

U.S. Occ, ADR and RevPAR Relative to 2019



U.S. RevPAR Change

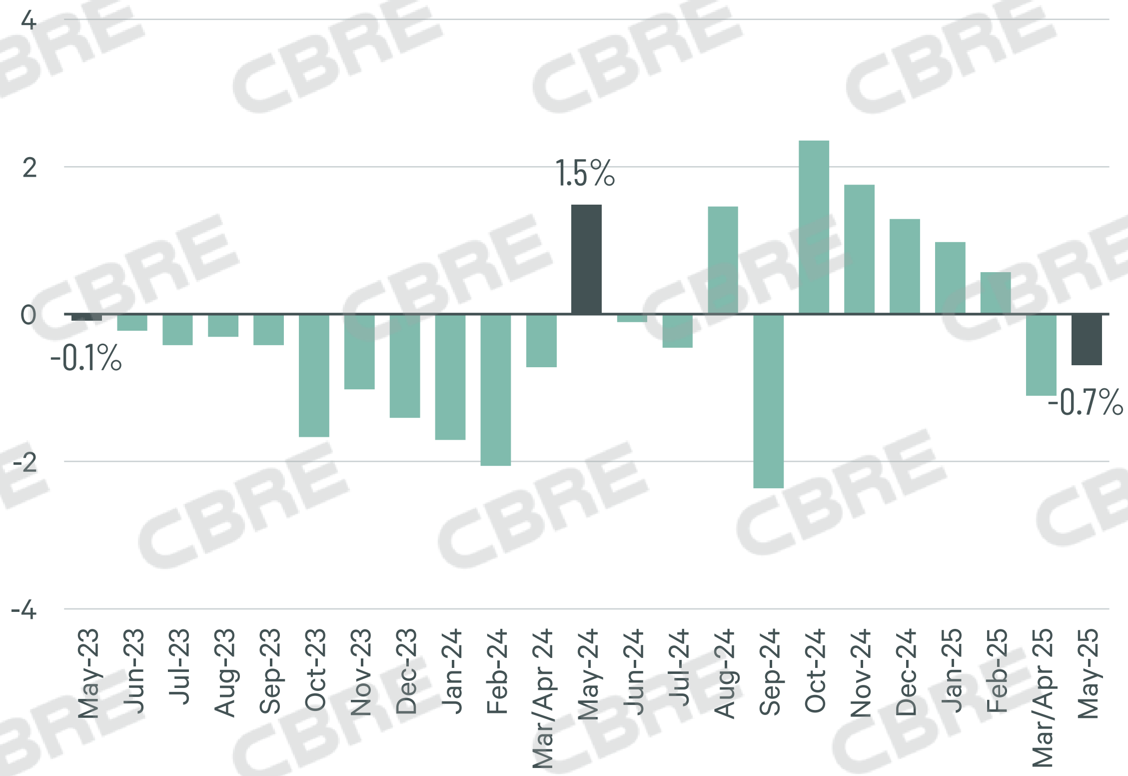


CBRE Hotels Research, CoStar

ADR gains were offset by occupancy declines resulting in relatively flat RevPAR in May

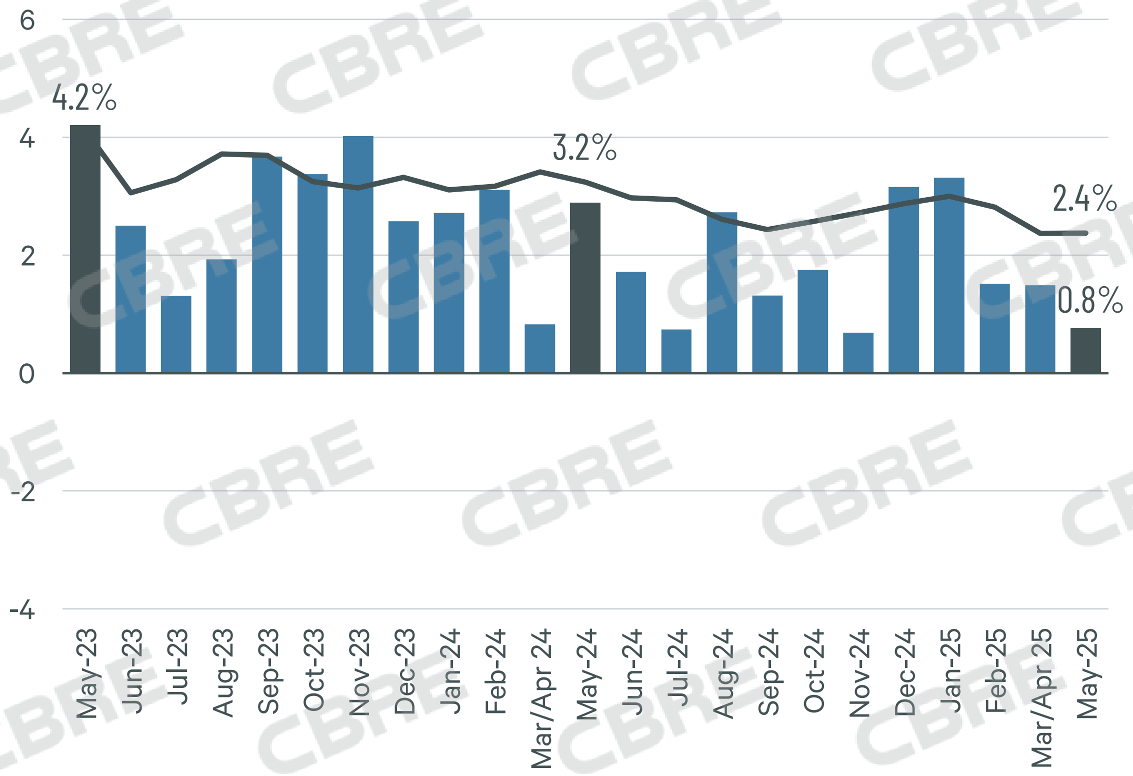
U.S. Occupancy Monthly Change

Y-o-Y Change (%)



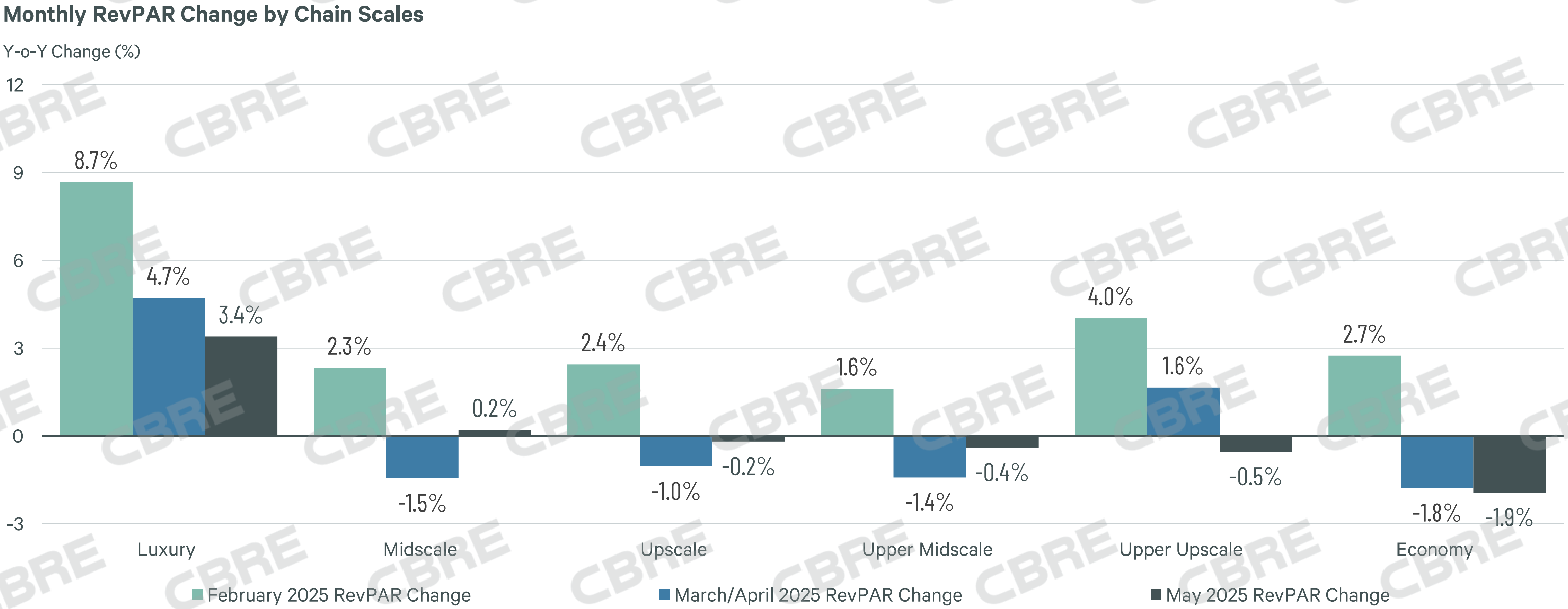
U.S. ADR and CPI Monthly Change

Y-o-Y Change (%)



CBRE Hotels Research, CoStar, BLS

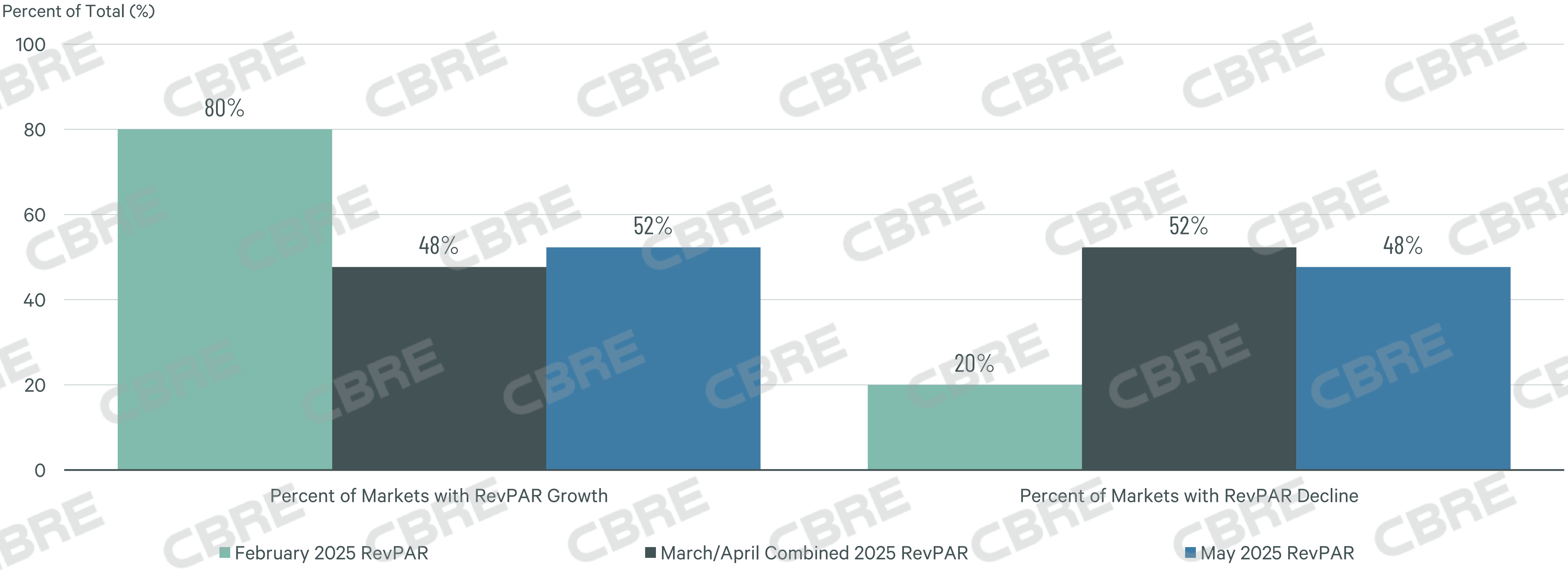
Upper priced hotels are outperforming, other chain scales report lackluster RevPAR growth



CBRE Hotels Research, CoStar

The number of markets growing vs. contracting remains relatively balanced

Monthly: Percent of Total Markets with RevPAR Growth and Decline



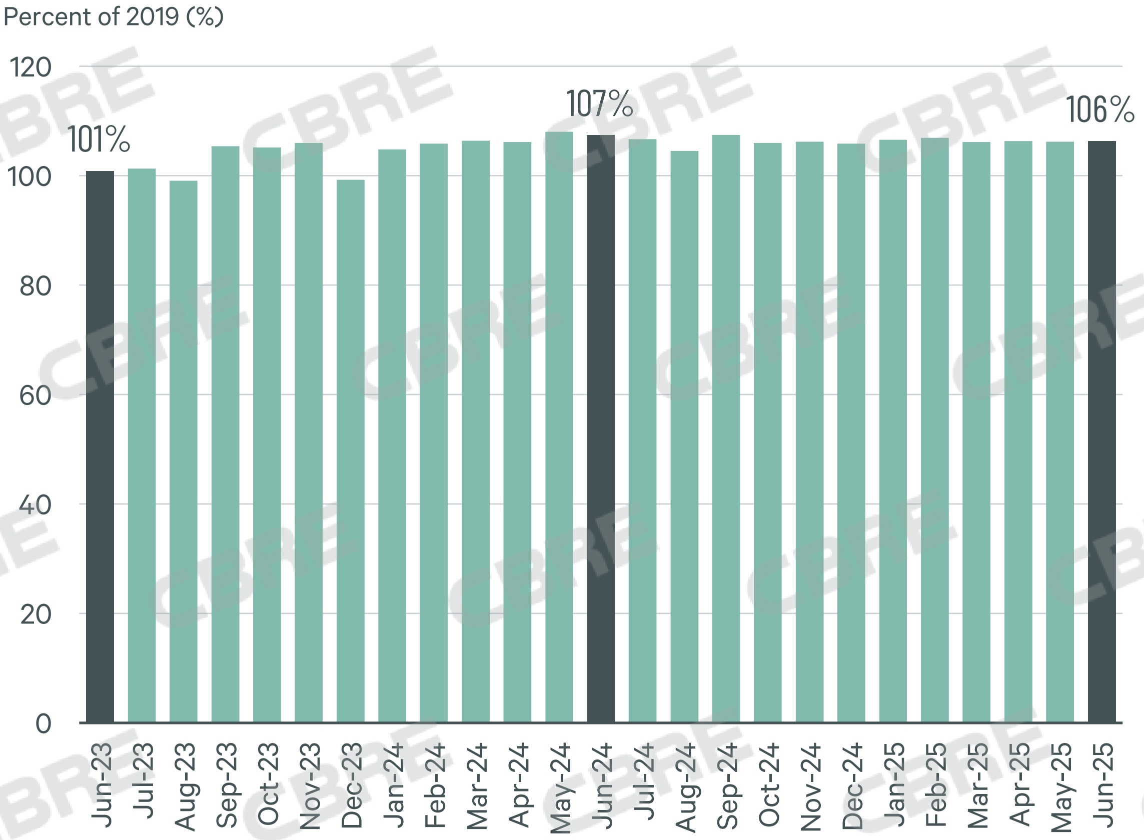
CBRE Hotels Research, CoStar

4

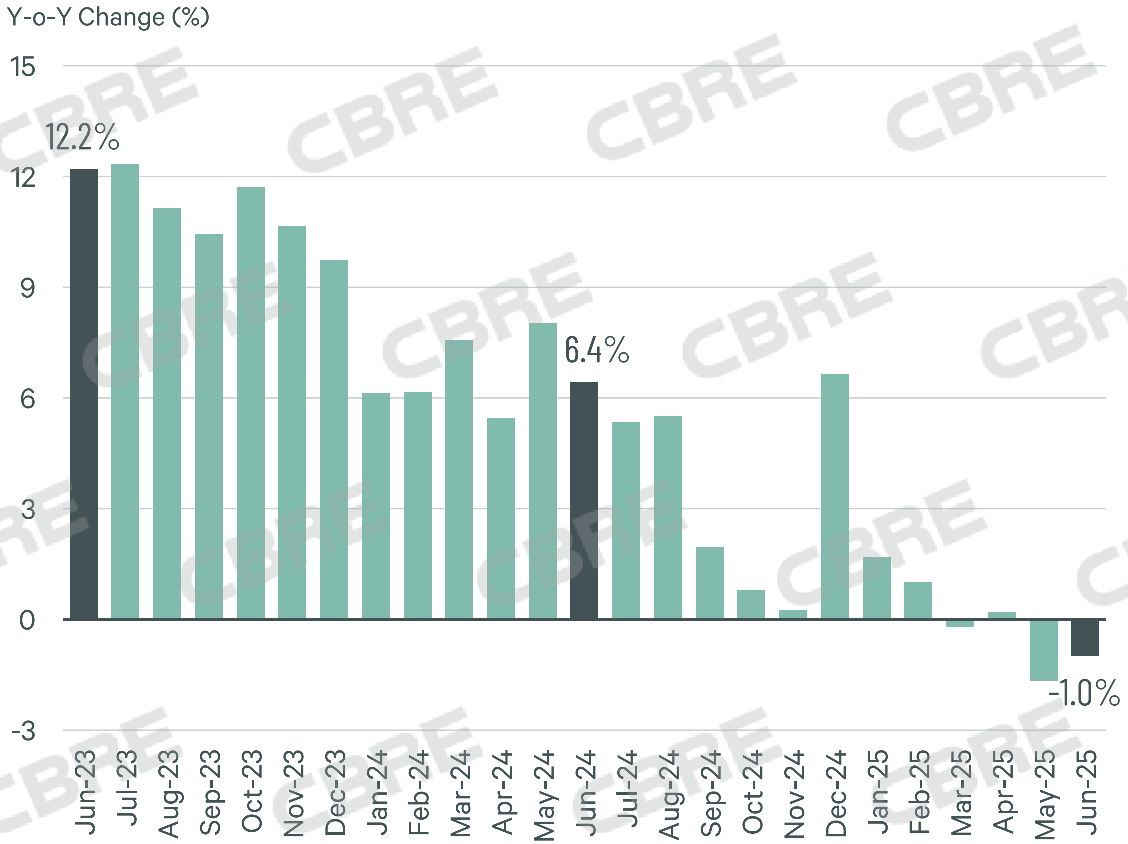
Current Trends

Another month of declining TSA throughput reflects softening travel trends

TSA Throughput as a Percent of 2019

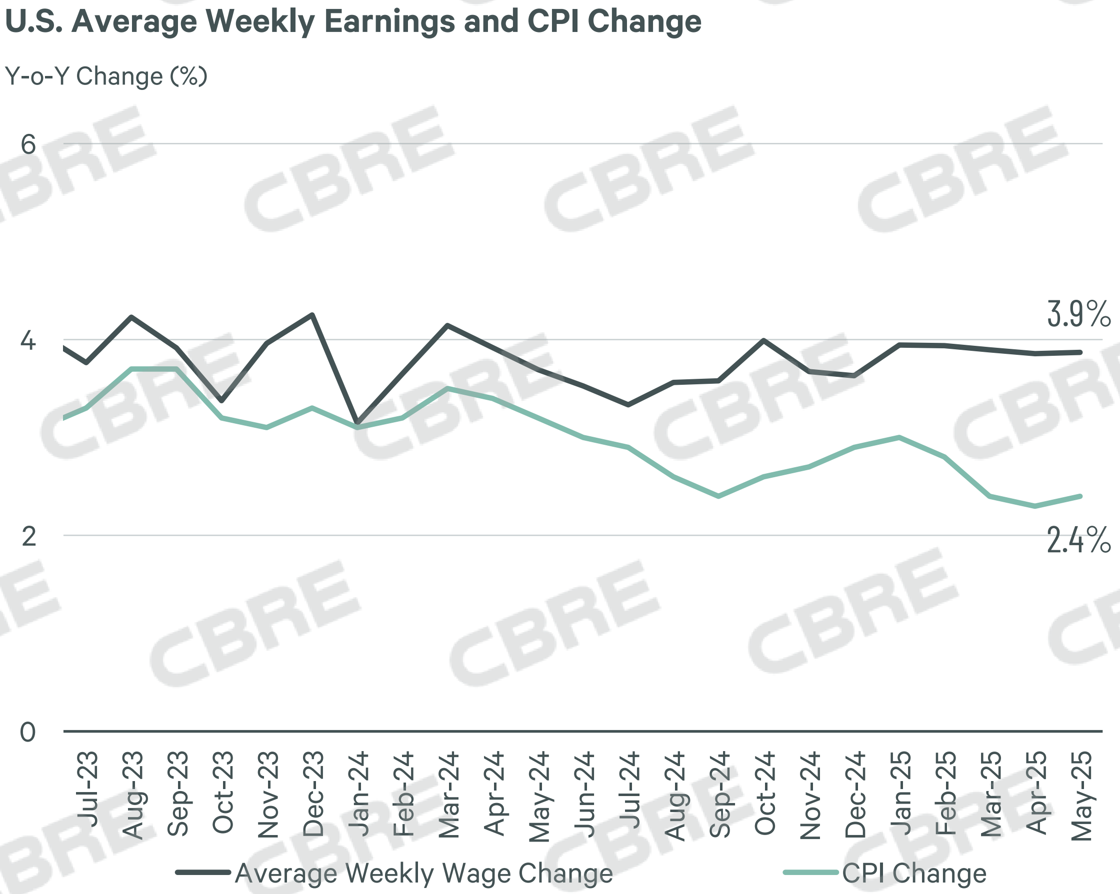


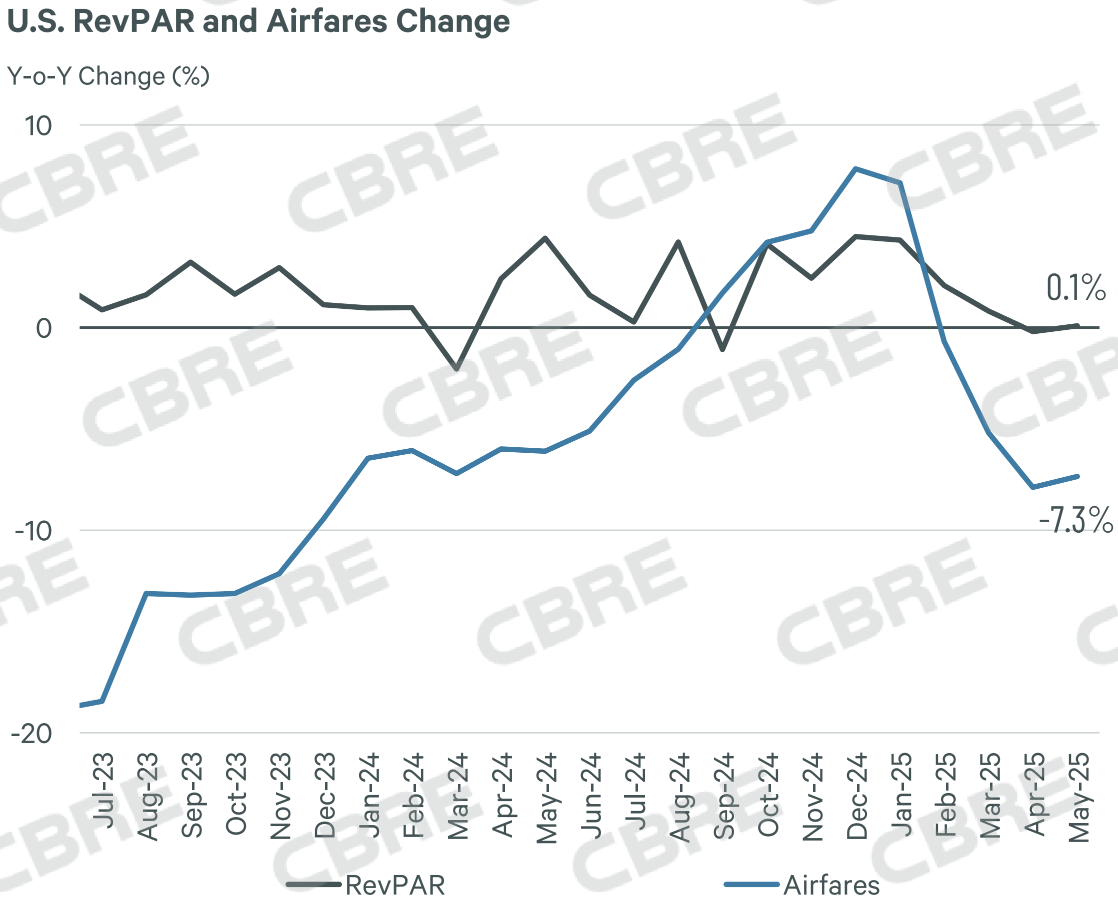
TSA Throughput Y-o-Y Change



CBRE Hotels Research, TSA, * adjusted for leap year in 2024

Despite lower airfares and stable discretionary income, RevPAR growth is muted



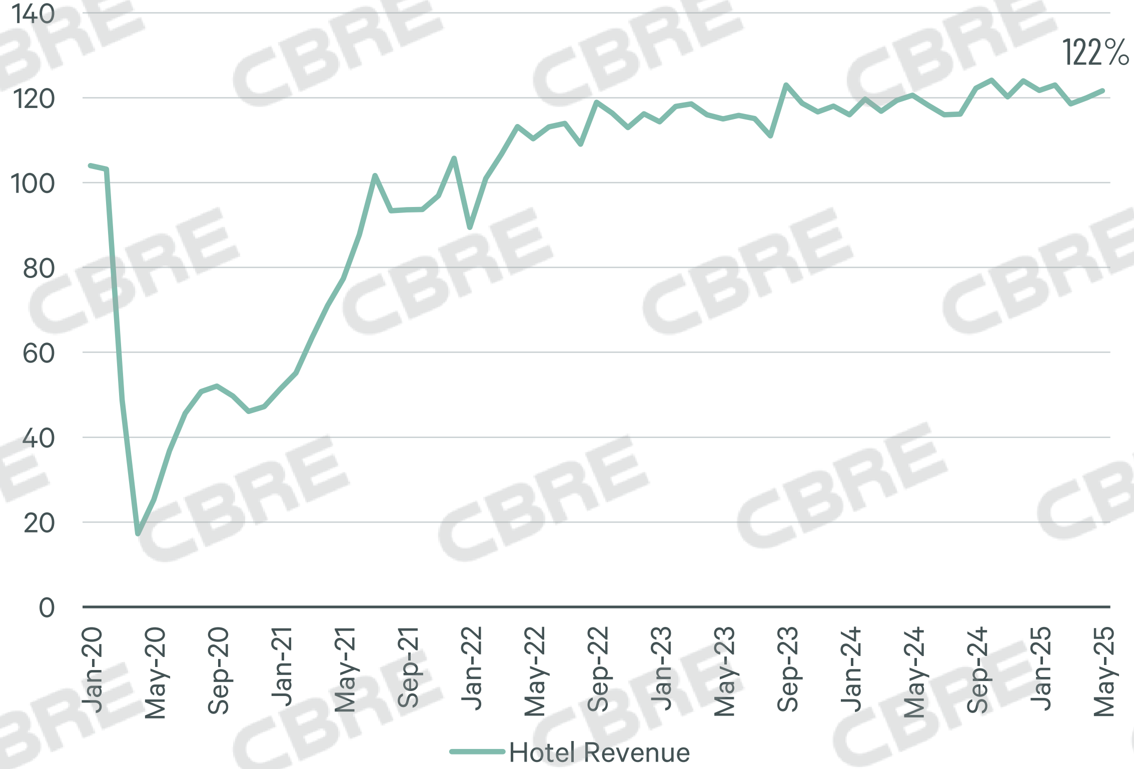


CBRE Hotels Research, BLS, CoStar

Alternative lodging outperforms traditional hotels, with short-term rentals leading

U.S. Hotel Room Revenue

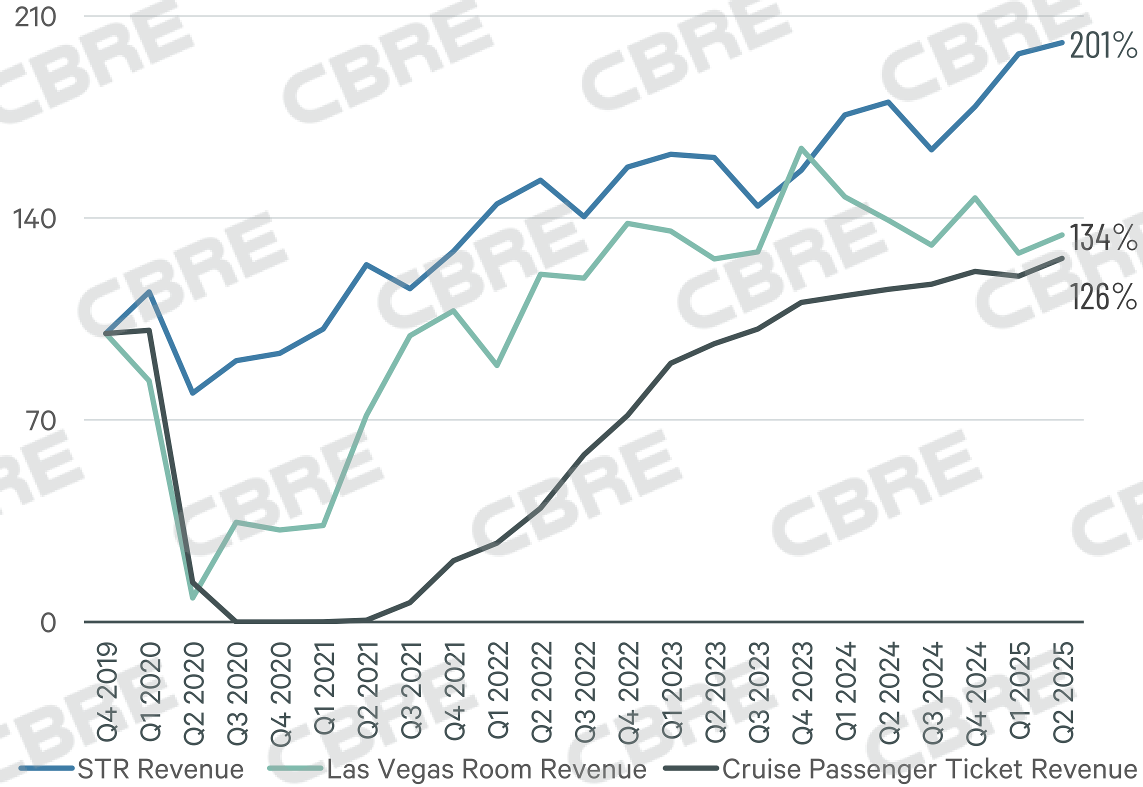
Percent of 2019 (%)



CBRE Hotels Research, CoStar

Cruise Line, Las Vegas & Short-Term Rental Revenue

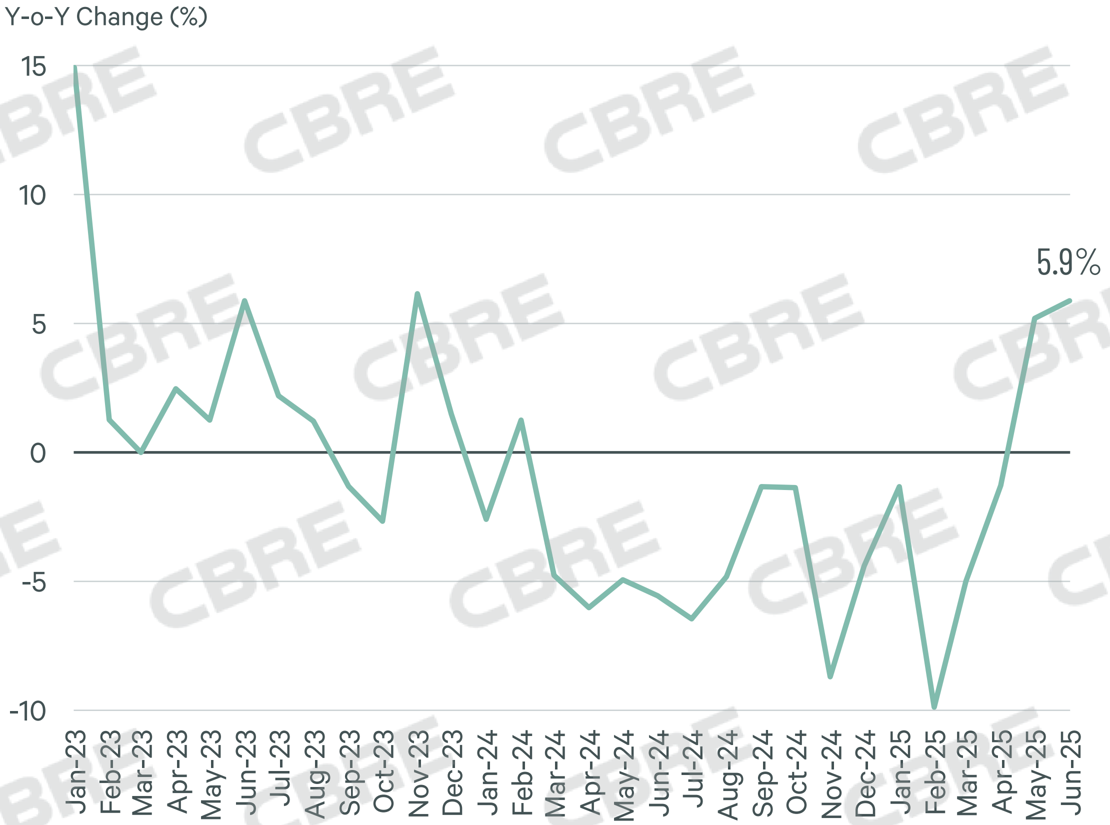
Percent of 2019 (%)



CBRE Hotels Research, AirDNA, LVCVA as of May, Cruise line data is from Carnival as of Q2 2025
*Passenger Ticket Revenue and Vegas Room Revenue

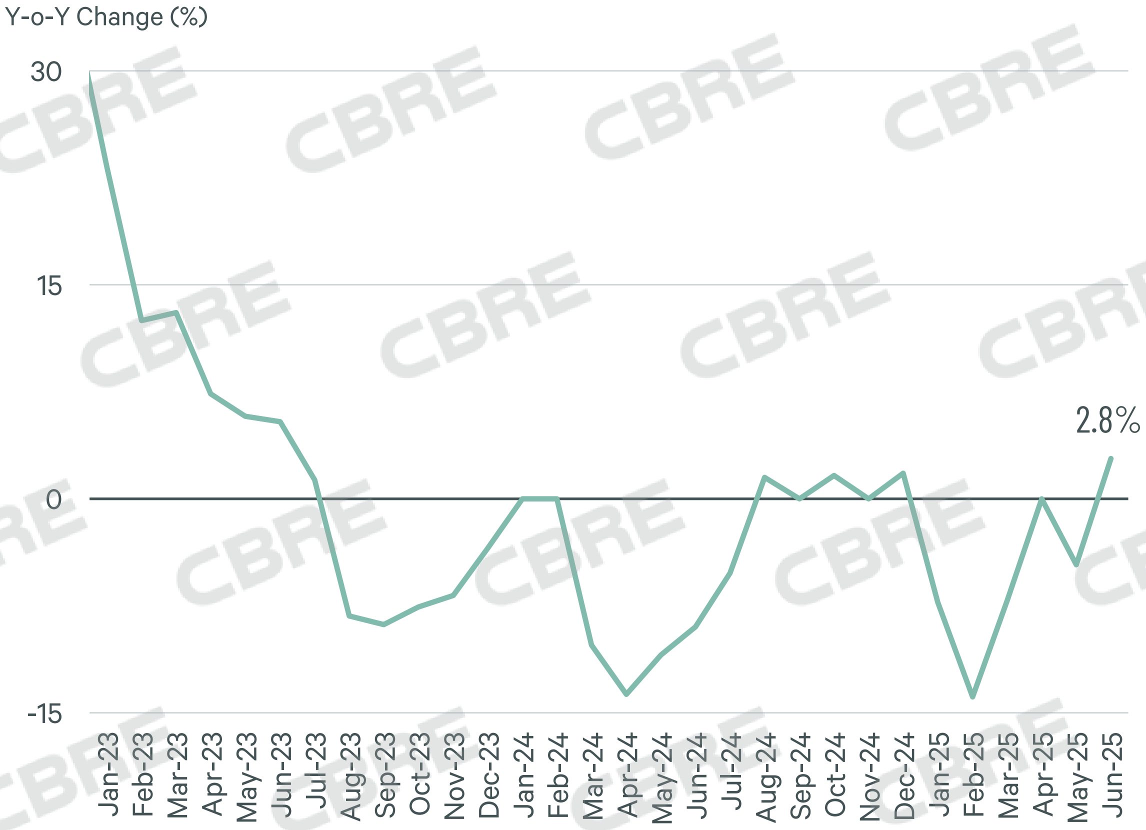
Corporate and redemption travel searches continue showed positive growth in June

Corporate Brands Average Searches Index Change



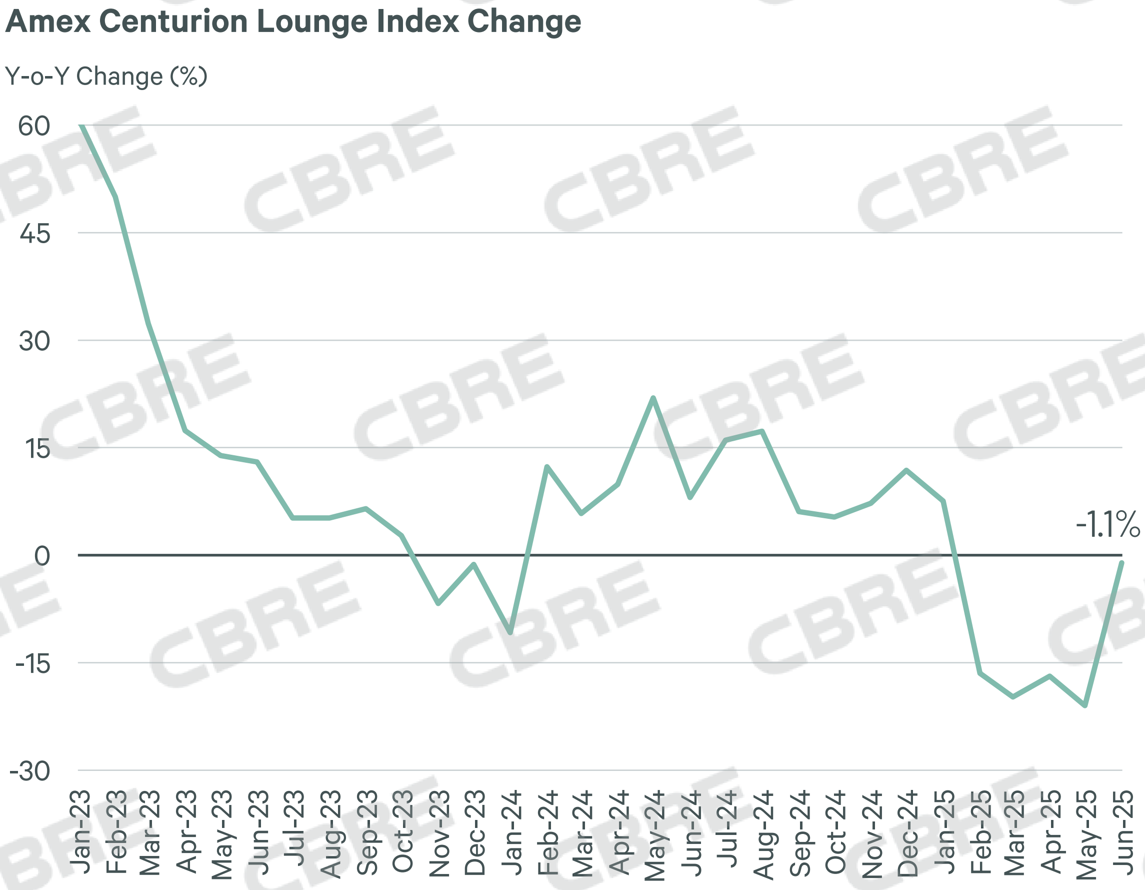
CBRE Hotels Research, Google Trends. Keywords: Hilton, Marriott, Hyatt, IHG Hotels & Resorts, as of June 30, 2025

Brand Loyalty Program Searches Index Change

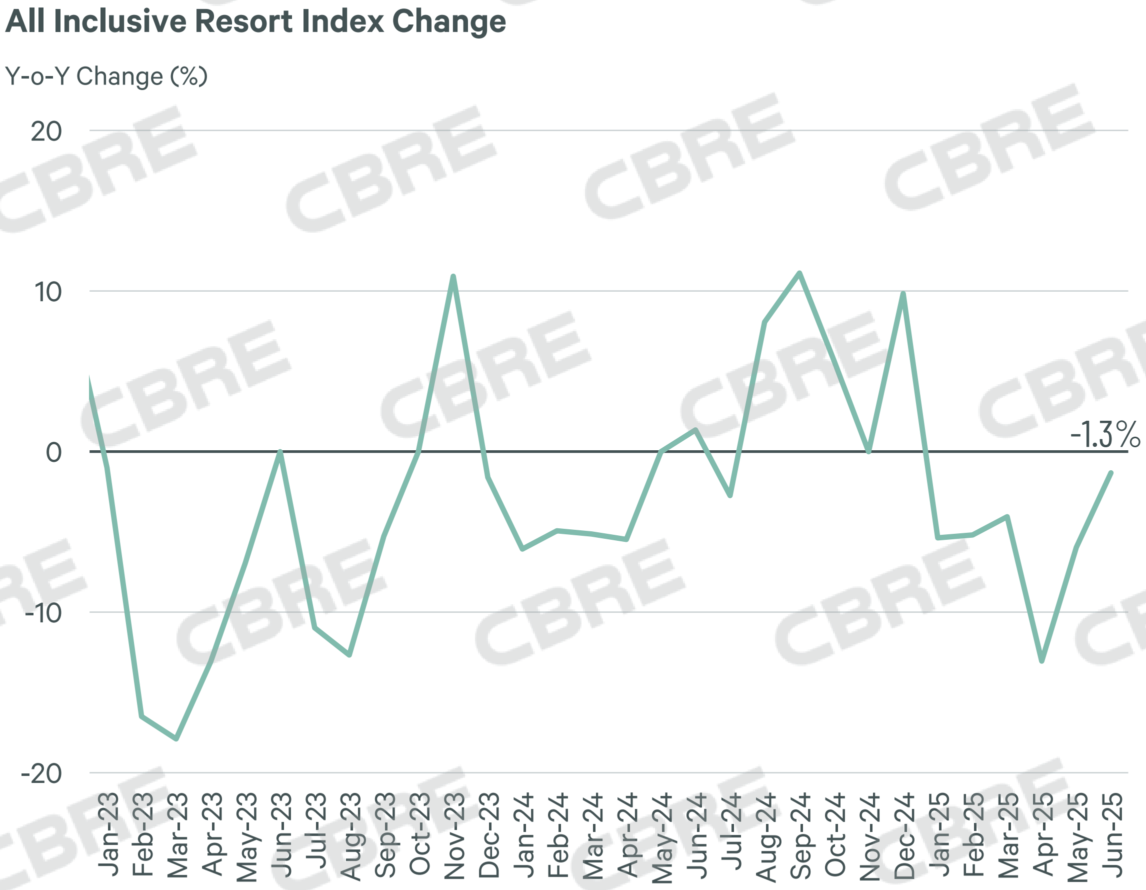


CBRE Hotels Research, Google Trends Keywords: Hilton Honors, Marriott Bonvoy, World of Hyatt, IHG Rewards, as of June 30, 2025

All-inclusive and Lounge searches pulled back in June



CBRE Hotels Research, Google Trends. Key words: Centurion Lounge, as of June 30, 2025



CBRE Hotels Research, Google Trends Key words: All-inclusive Resort as of June 30, 2025

5

Office Update

Office attendance matters more in some markets than others

Relationship between Office Attendance and Hotel Demand Recoveries

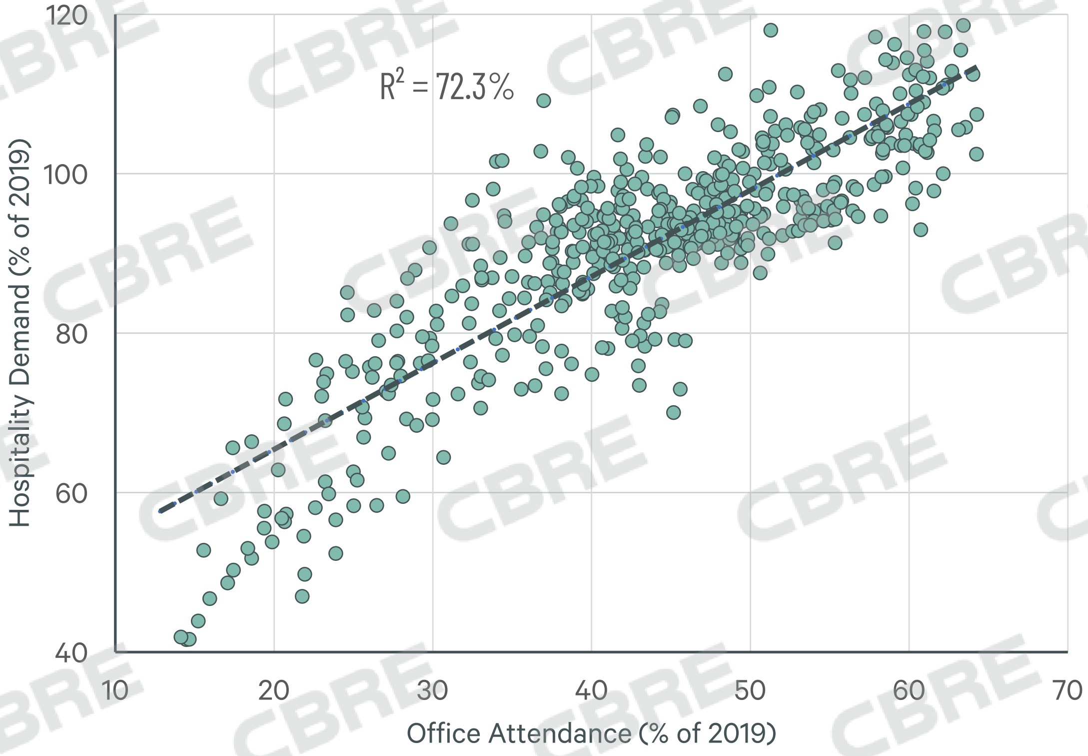
Percent of 2019 - Correlation January 2021 through May 2025: Monthly

Rank	Market	R^2
1	New York	91.2%
2	San Francisco	82.6%
3	Chicago	78.1%
4	San Jose	75.2%
5	Austin	72.7%
6	Washington, DC	72.8%
7	Philadelphia	70.9%
8	Los Angeles	58.5%
9	Dallas	53.2%
10	Houston	43.4%

*Office Attendance and Hotel Demand percent of 2019 correlation is calculated starting in January 2021
CBRE Hotels Research, Costar, Kastle Office Attendance

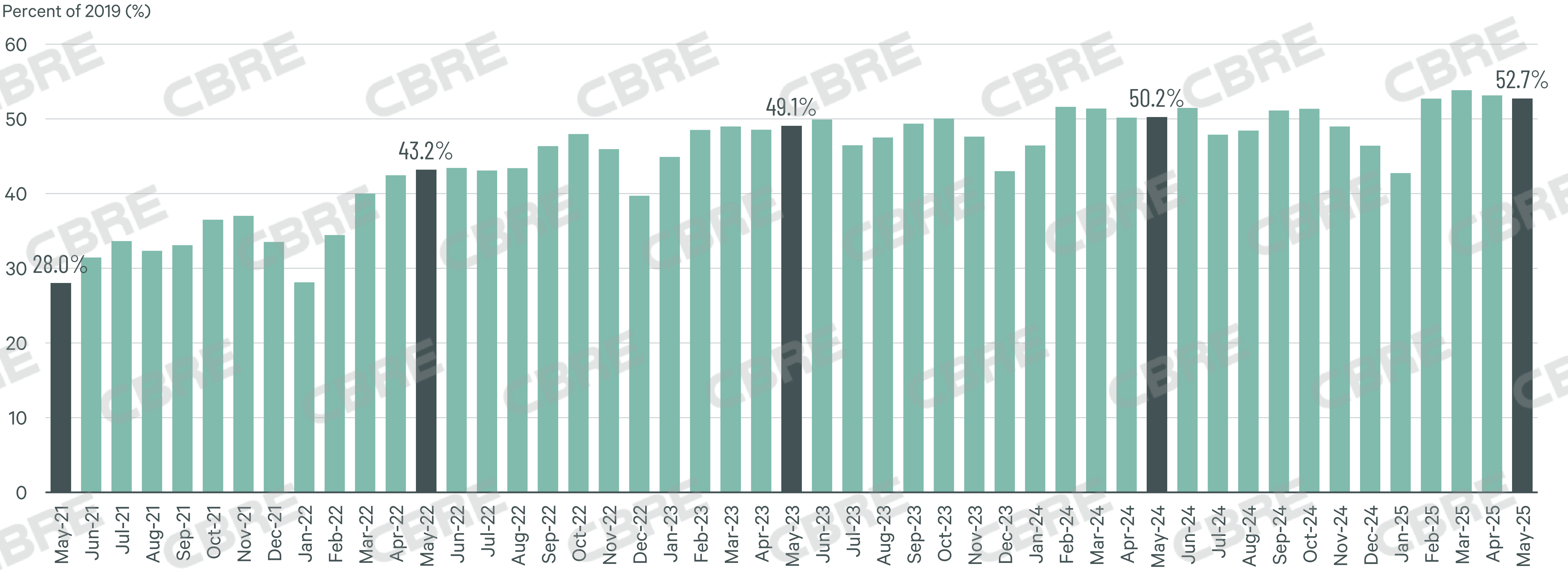
Relationship of Office Attendance and Hotel Demand Recoveries

Percent of 2019 - Correlation January 2021 through May 2025: Monthly



Office attendance remained above 50% for the fourth month in a row in May

Office Attendance Recovery

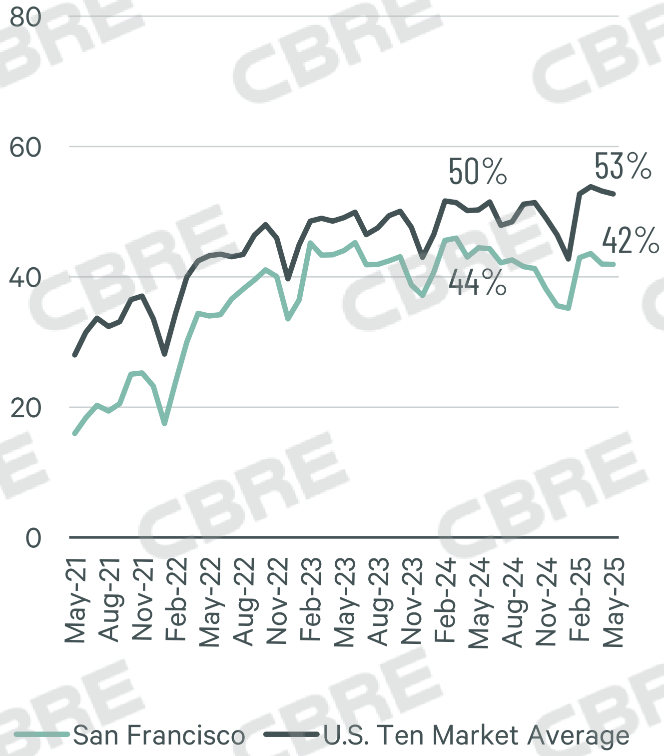


CBRE Hotels Research, Kastle

Office attendance increased in May; Houston led the way while San Francisco lagged

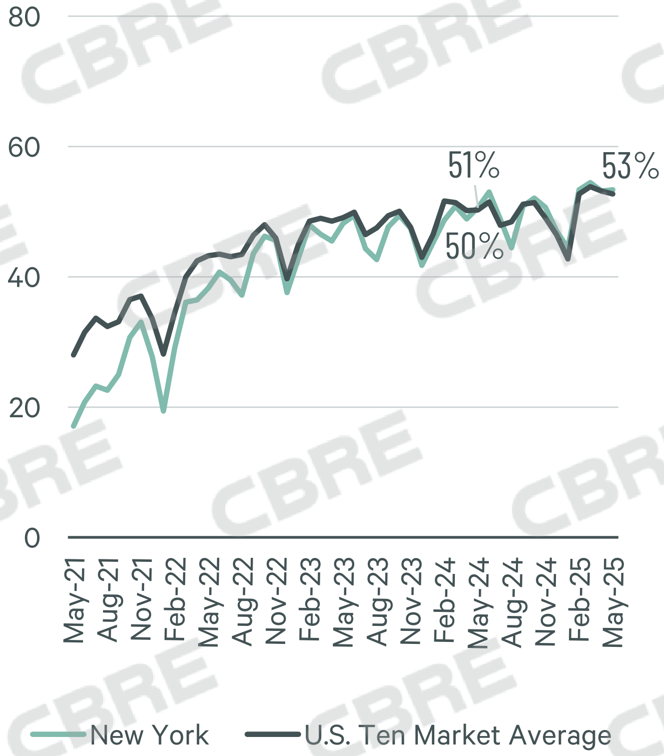
Weakest Office Attendance: San Francisco

Percent of 2019 (%)



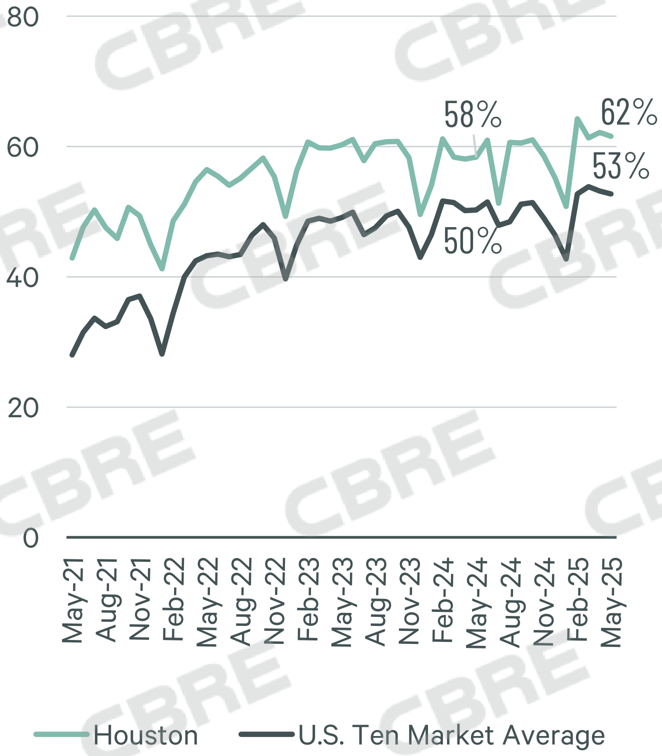
Median Office Attendance: New York

Percent of 2019 (%)



Strongest Office Attendance: Houston

Percent of 2019 (%)



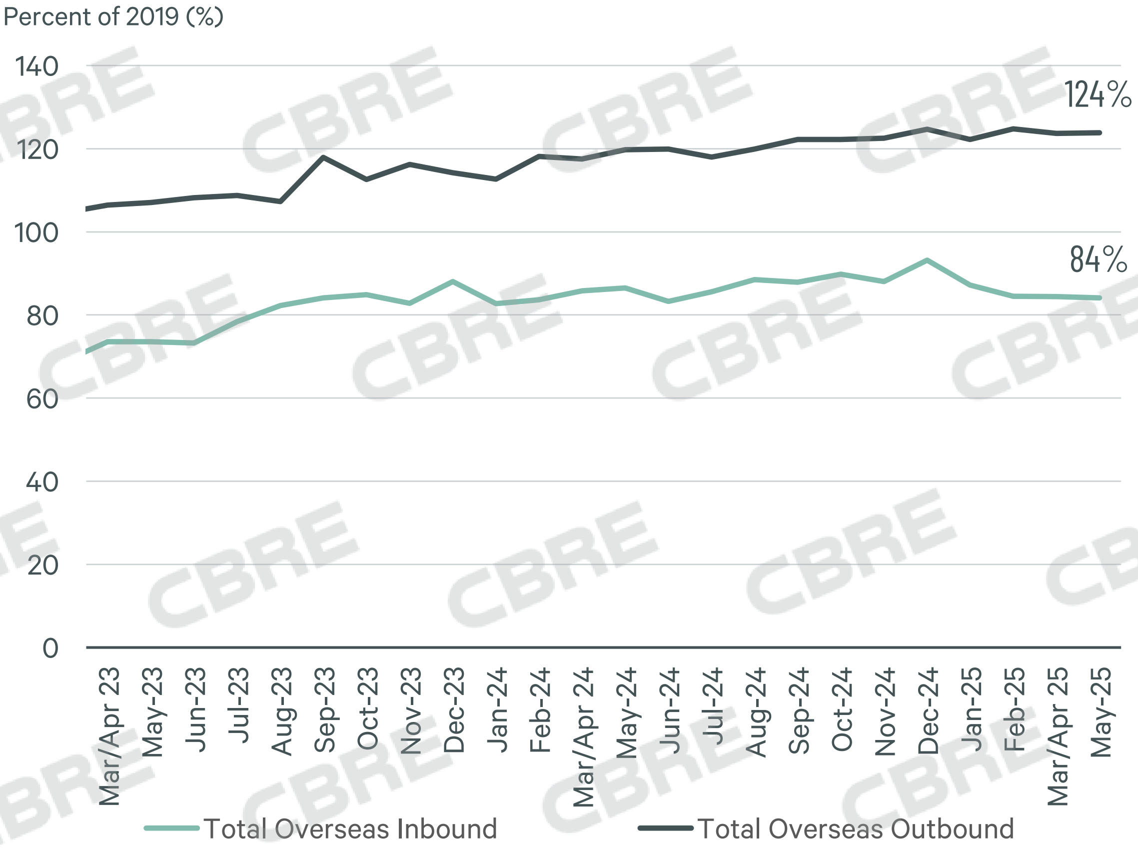
CBRE Hotels Research, Kastle

6

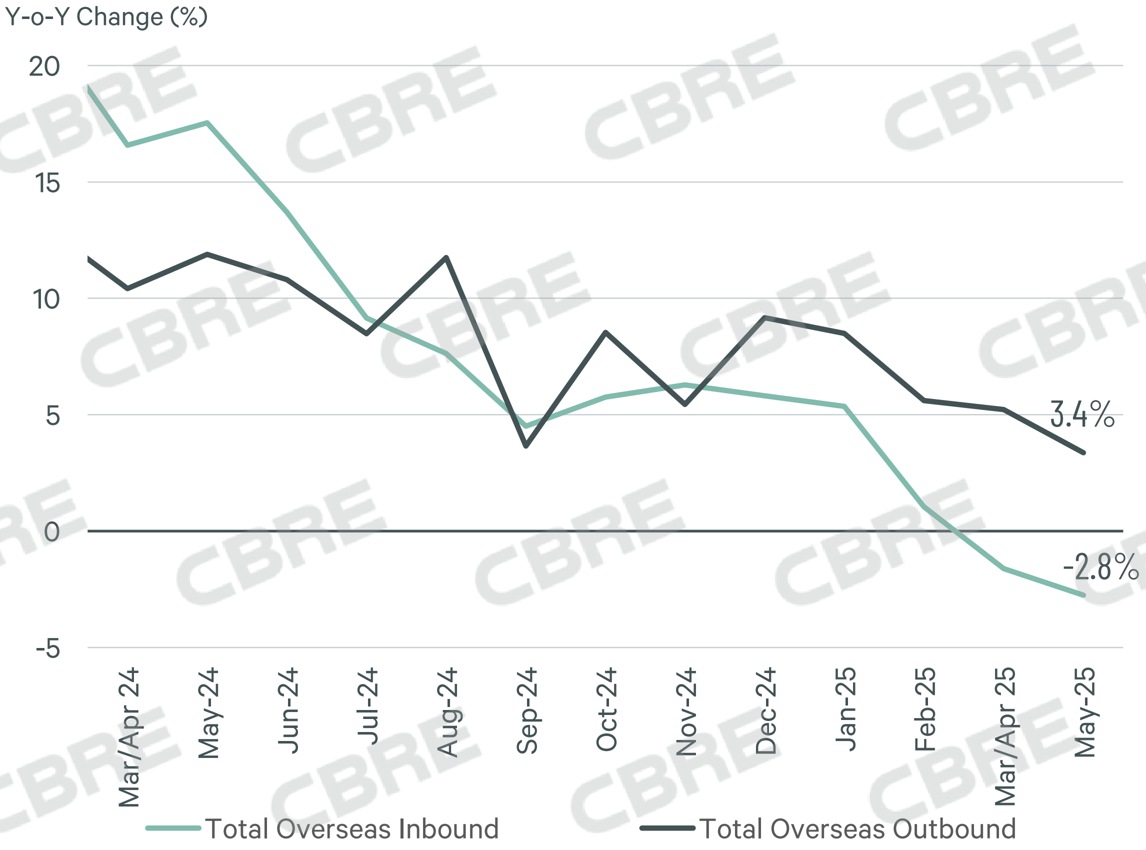
International Travel

Inbound visitation declined again in May as the impact of travel restrictions takes a toll

Inbound vs. Outbound International Travel



Inbound vs. Outbound Change

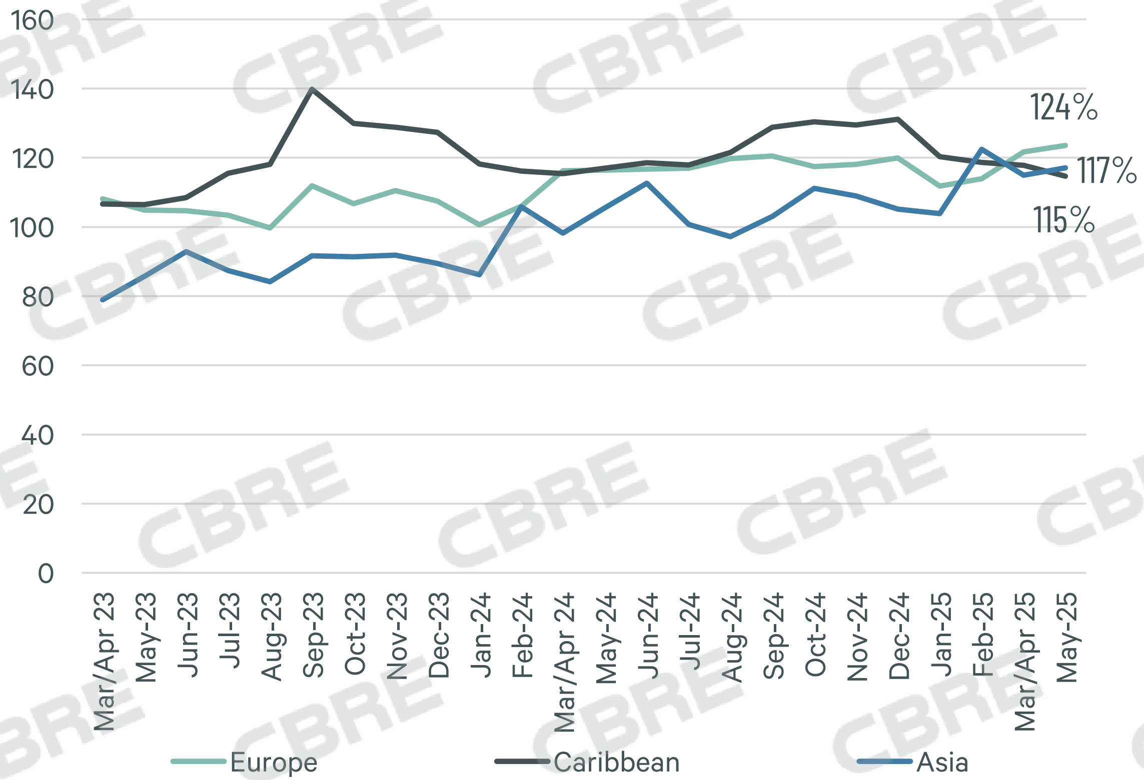


CBRE Hotels Research, NTTO, *excludes Mexico and Canada, February 2024 adjusted for leap year

All outbound regions are above 2019's levels, but all inbound regions continue to lag

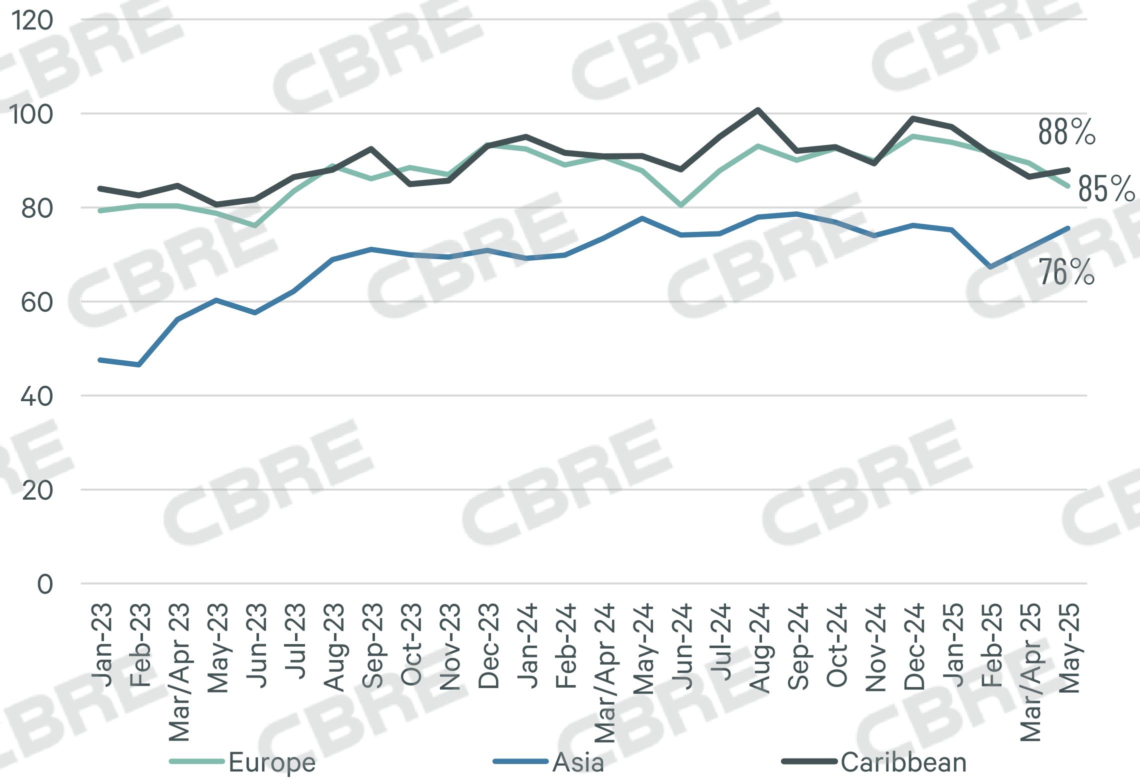
Outbound Overseas Travel from the U.S. by Destination

Percent of 2019 (%)



Inbound Overseas Travel into the U.S. by Region

Percent of 2019 (%)

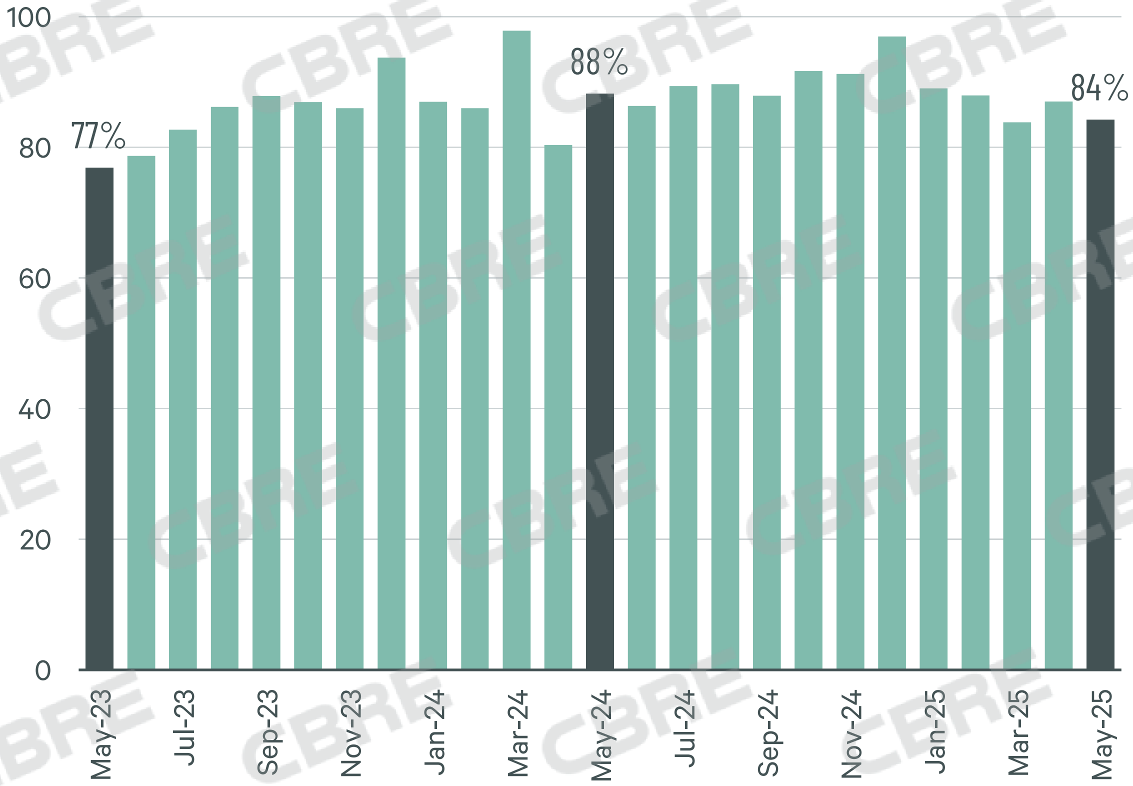


CBRE Hotels Research, NTTO, *excludes Mexico and Canada, February 2024 adjusted for leap year

Inbound travel declined on both coasts remaining well below 2019

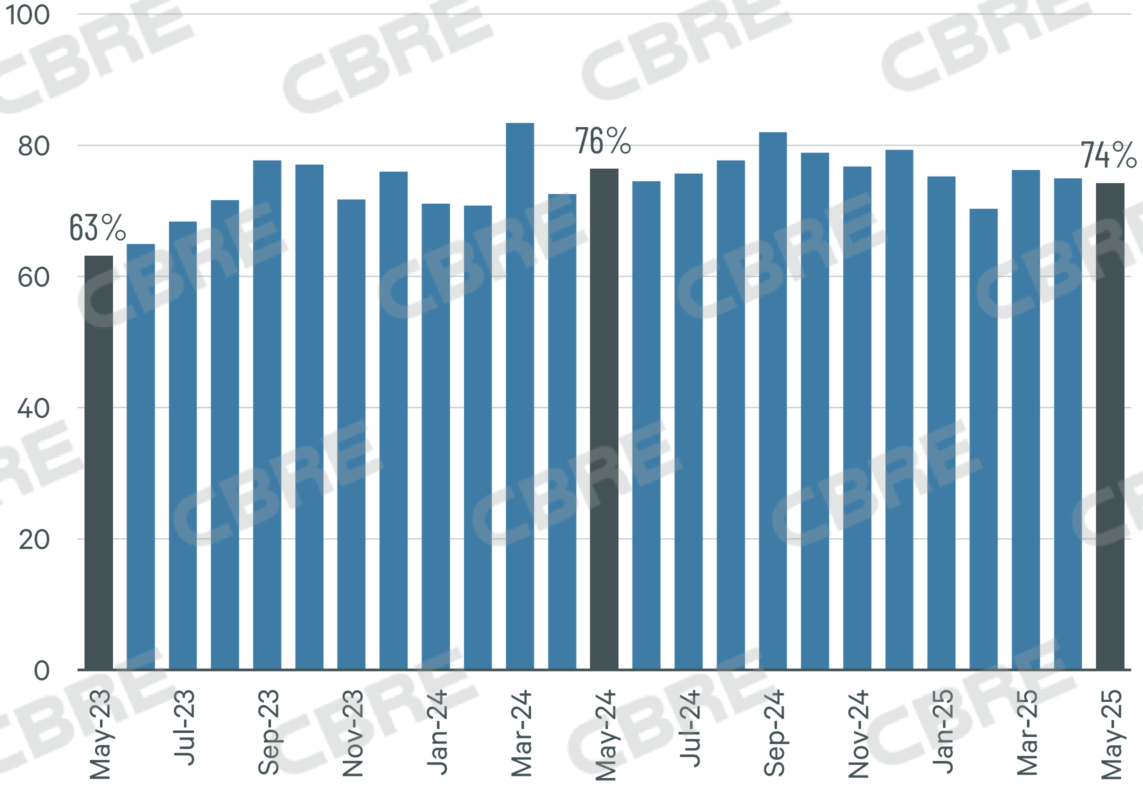
East Coast: New York, Newark, Washington DC, Miami

Percent of 2019 (%)



West Coast: Los Angeles, San Francisco

Percent of 2019 (%)

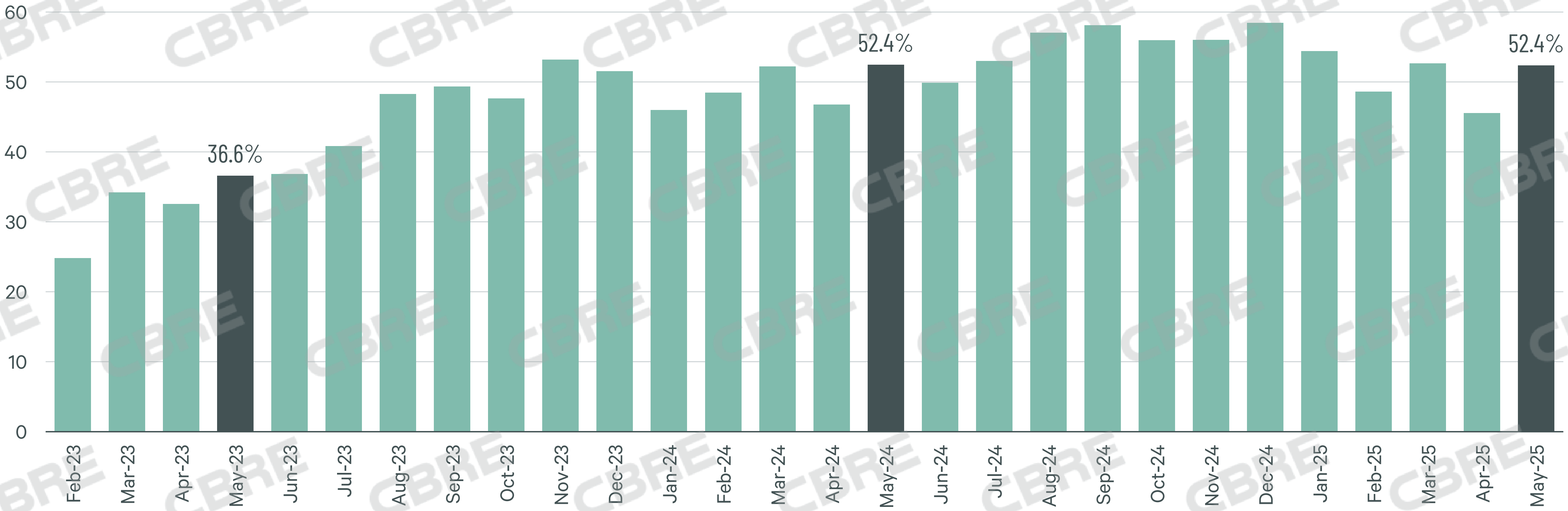


CBRE Hotels Research, NTTO ADIS I-94 *excludes Mexico and Canada, February 2024 adjusted for leap year

Inbound travel from China and Japan was flat y/y in May at roughly 52% of 2019 levels

Inbound Arrivals from China & Japan as percent of 2019

Percent of 2019 (%)



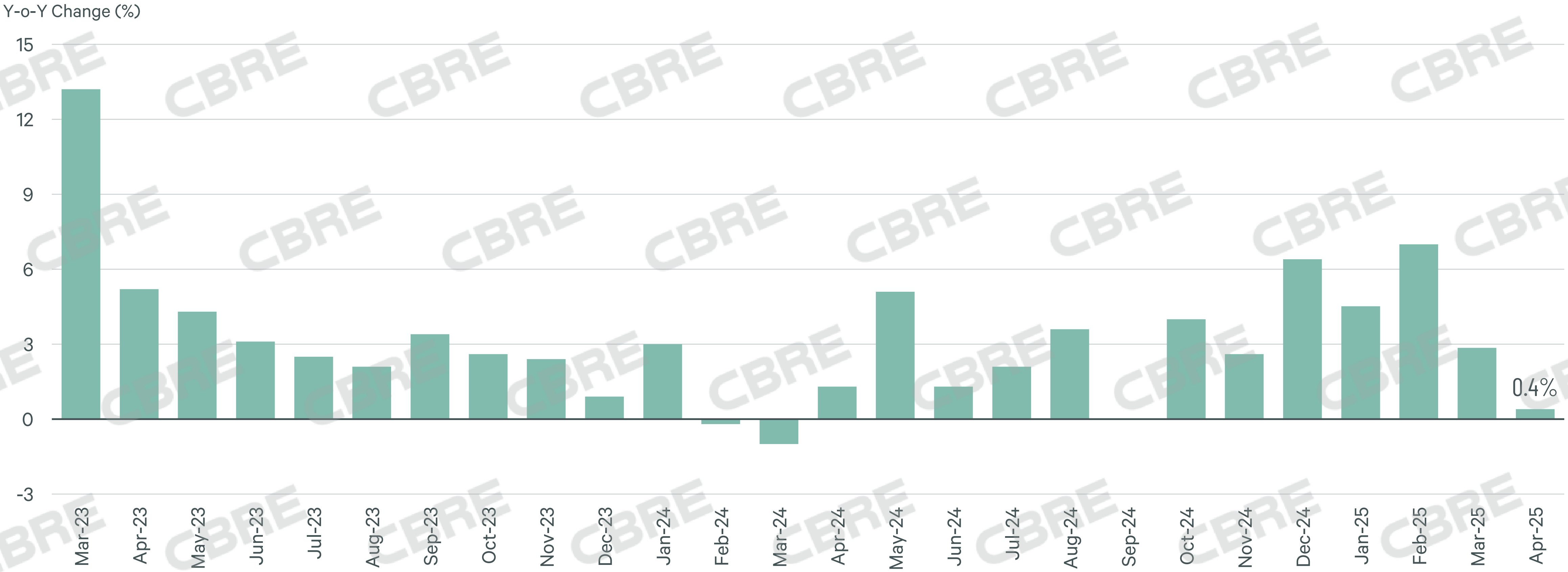
CBRE Hotels Research, NTTO, February 2024 adjusted for leap year

7

Operating Performance

The shift in Easter from March to April resulted in slower total revenue growth, up 0.4%

Total Operating Revenue (Dollars Per Available Room)

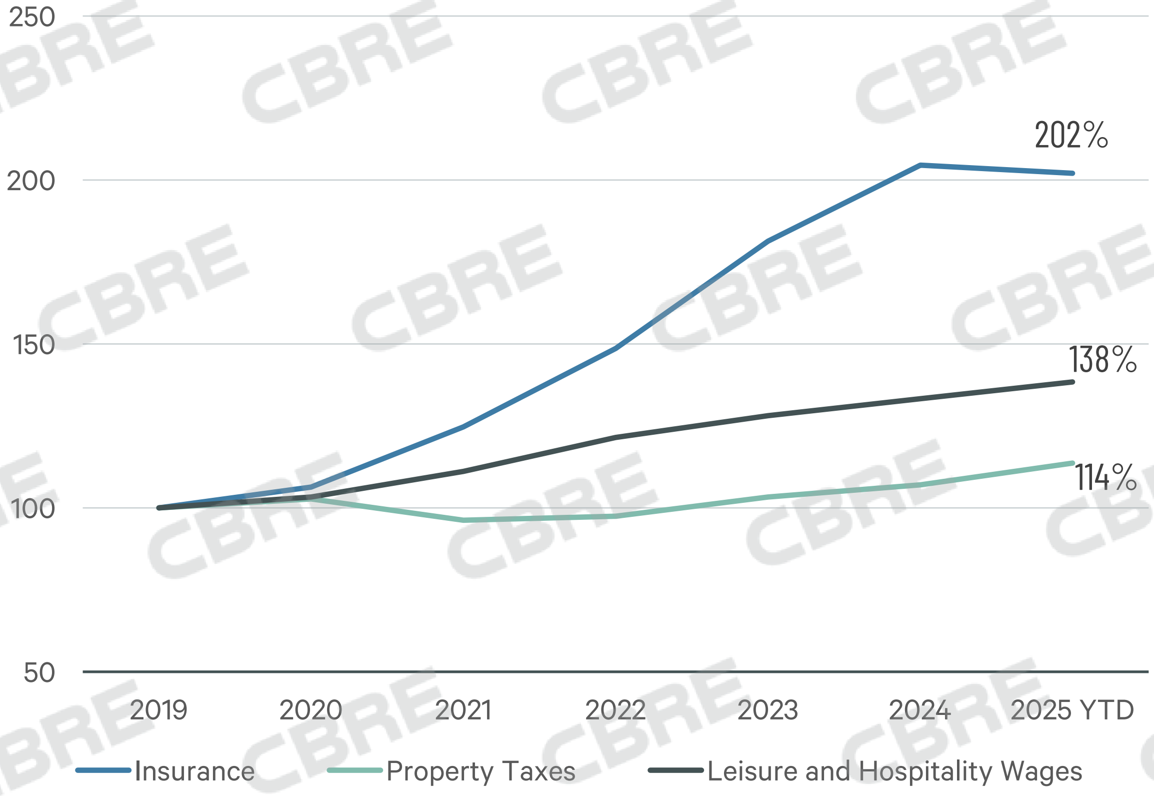


CBRE Hotels Research, *Trends® in the Hotel Industry* – Sample of 2,450 properties that provide monthly P&L data

After years of outsized growth insurance costs are moderating, other categories remain elevated

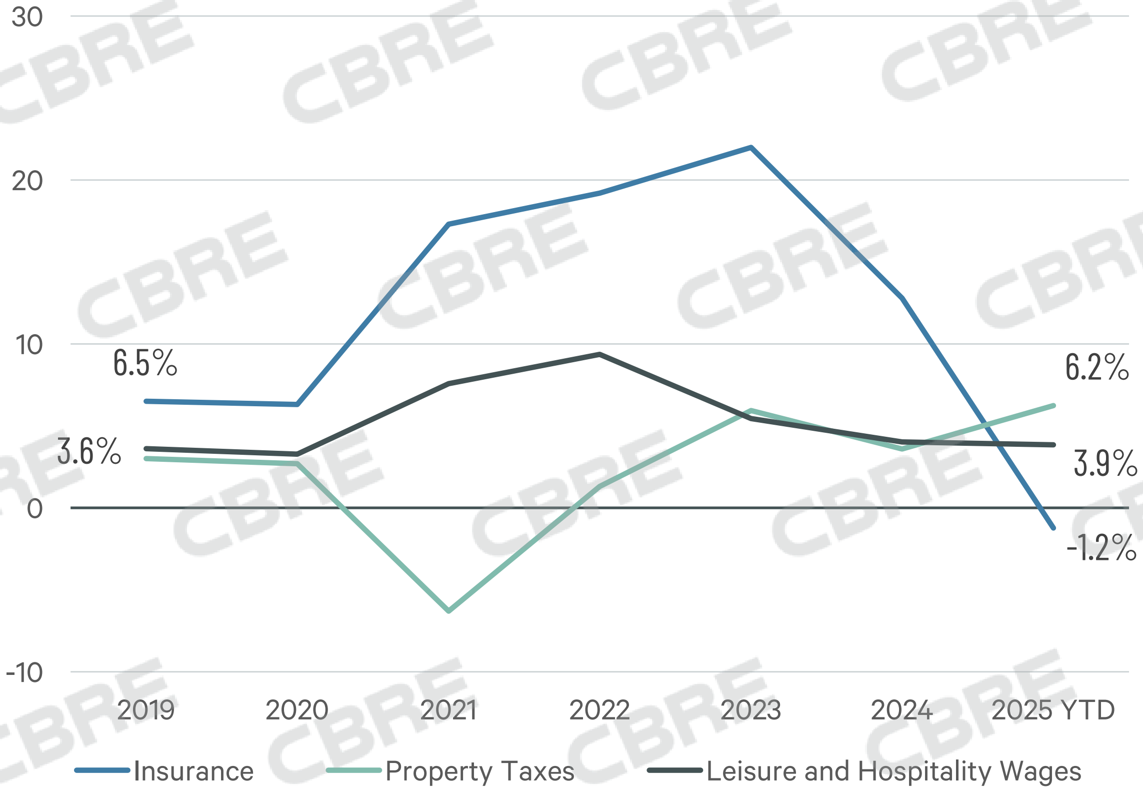
Hotel Property Taxes, Insurance and L&H Average Hourly Wage

Percent of 2019 (%)



Hotel Property Taxes, Insurance and L&H Average Hourly Wage Change

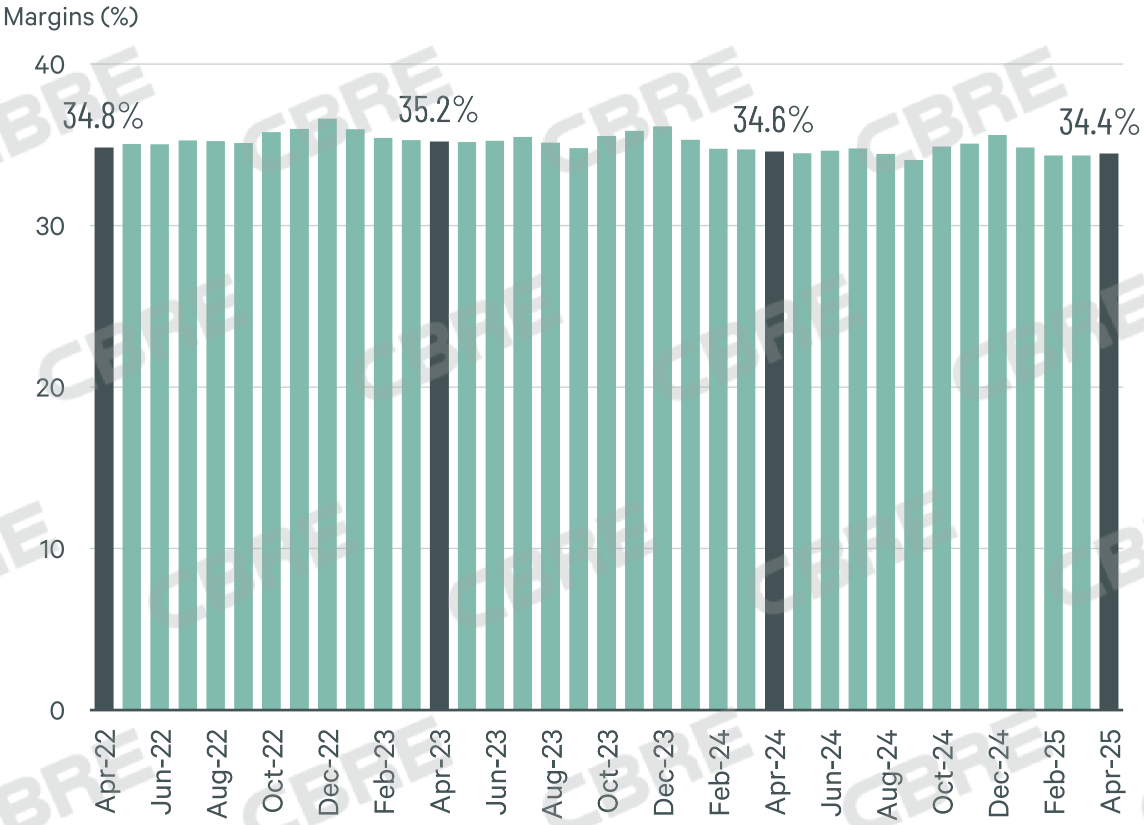
Y-o-Y Change (%)



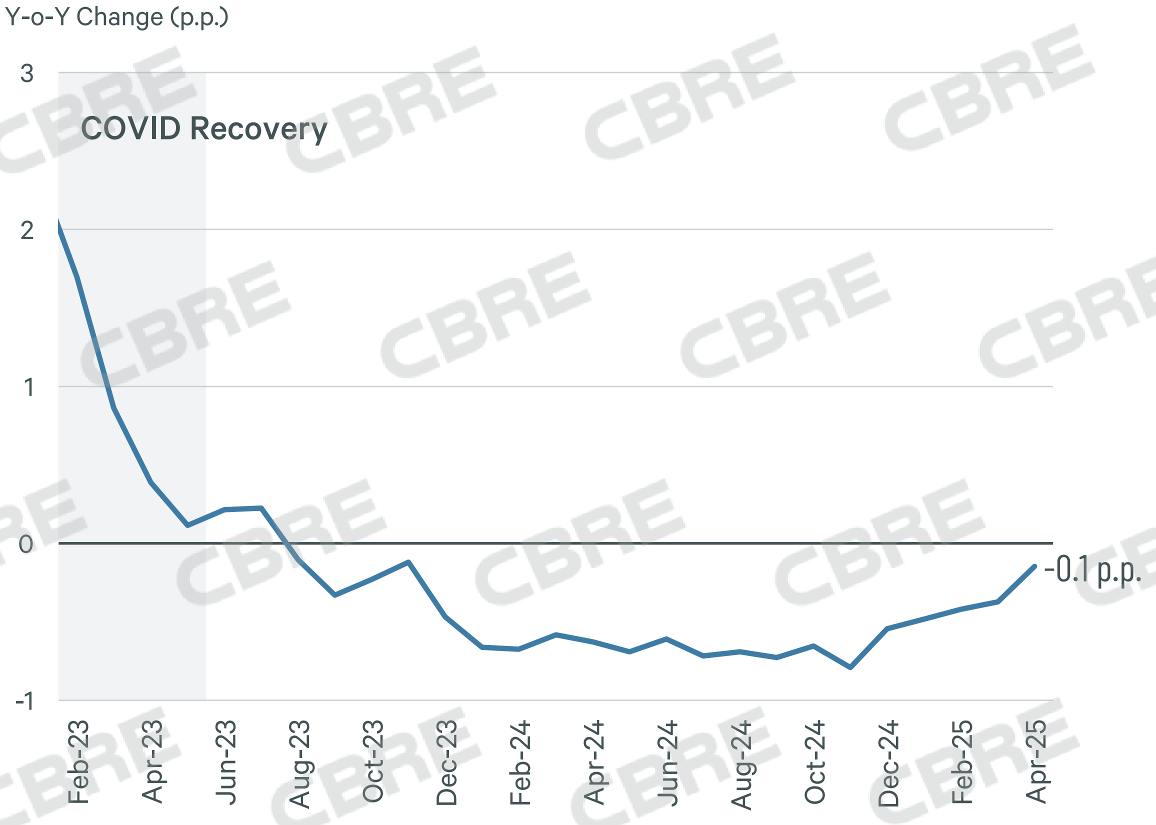
CBRE Hotels Research, *Trends® in the Hotel Industry* – Sample of 2,450 properties that provide monthly P&L data

Margins continued to contract with TTM margin declining 0.1 p.p. in April

GOP Margin TTM



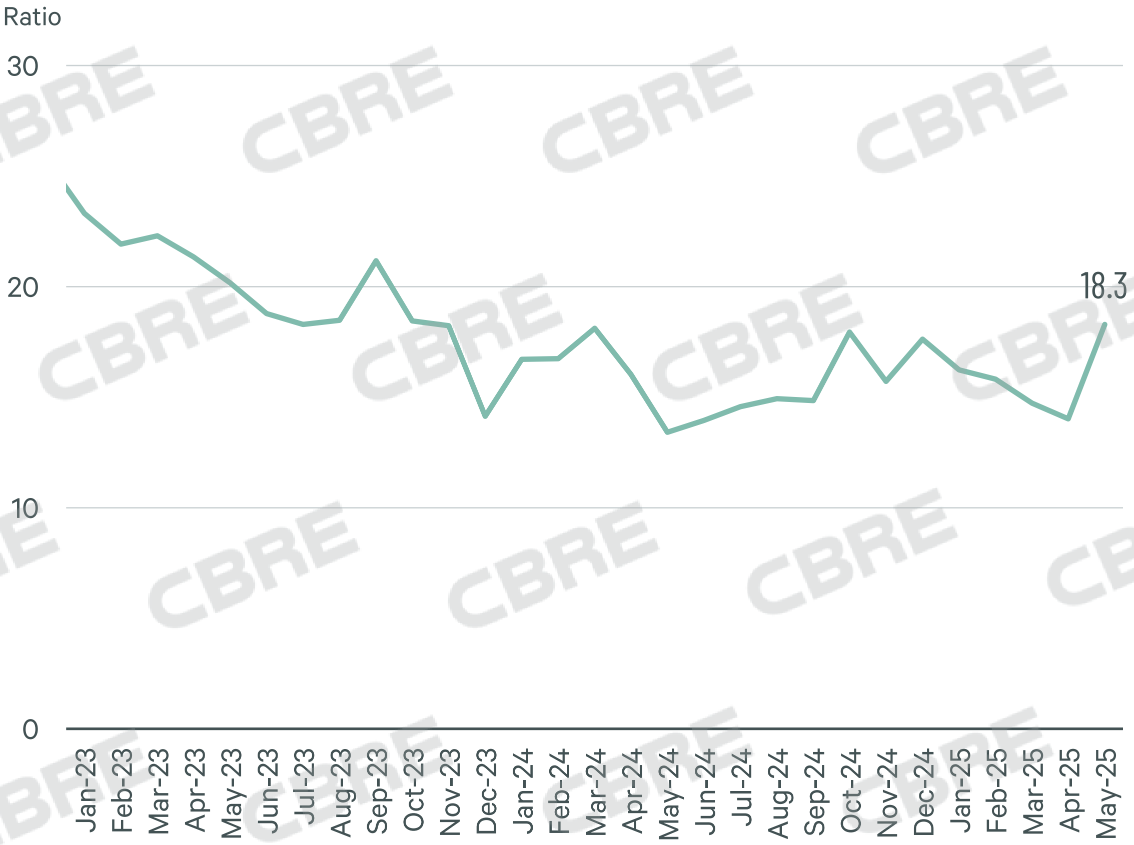
GOP Margin TTM Change



CBRE Hotels Research, *Trends® in the Hotel Industry* – Sample of 2,450 properties that provide monthly P&L data

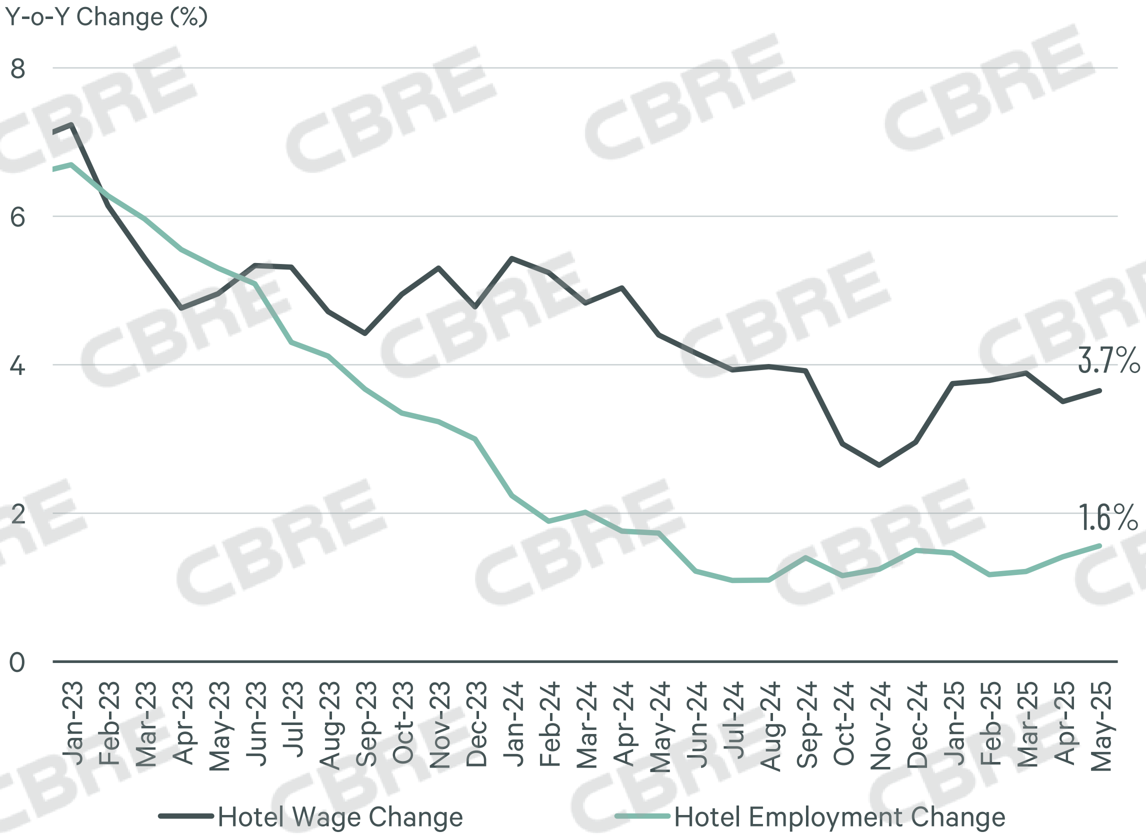
Job openings increased sharply y/y reflecting a tightening labor market supporting wage gains

Monthly Job Openings per Hotel



CBRE Hotels Research, BLS, CoStar

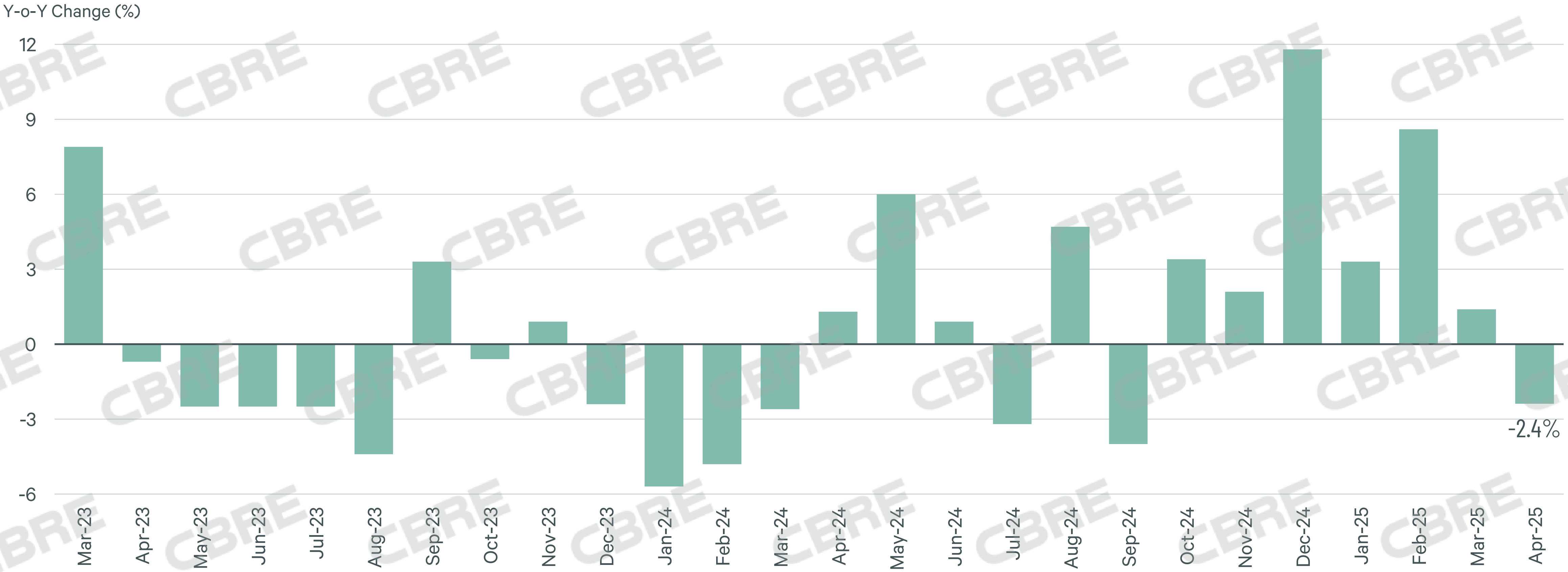
Leisure and Hospitality Wages Change



CBRE Hotels Research, BLS

The Easter shift resulted in slower total revenue, contracting margins and a drop in profits in April

Gross Operating Profit Change (Dollars Per Available Room)



CBRE Hotels Research, *Trends® in the Hotel Industry* – Sample of 2,450 properties that provide monthly P&L data

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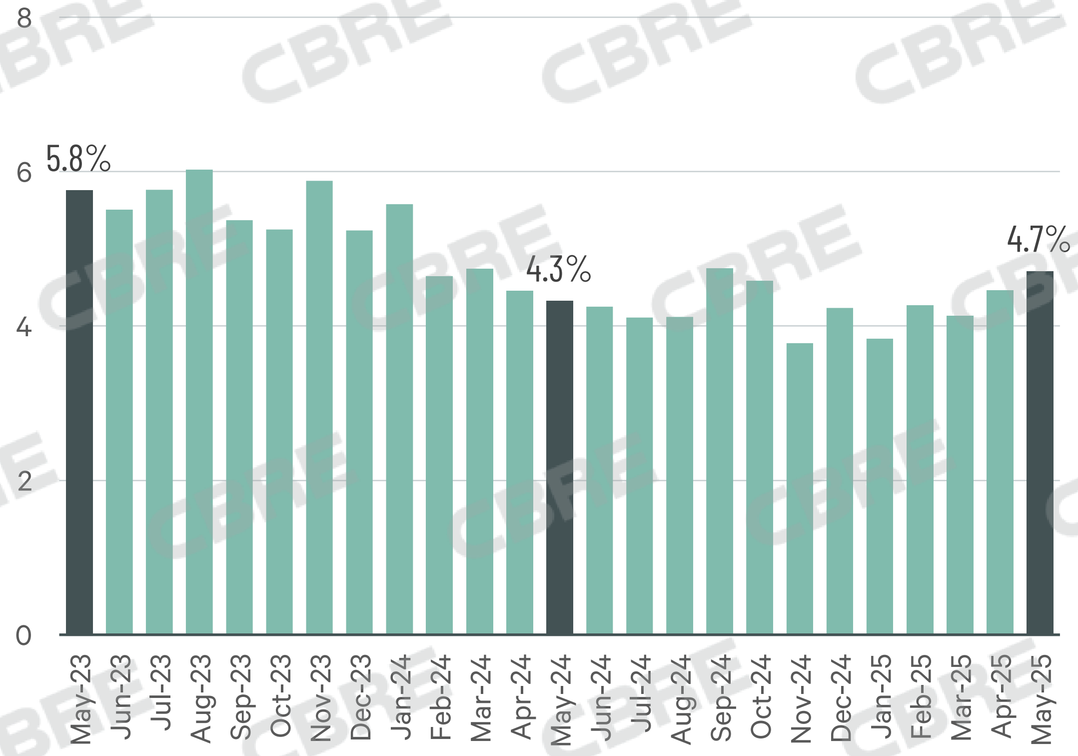
Supply Inputs

Construction wage gains and employment growth slowed

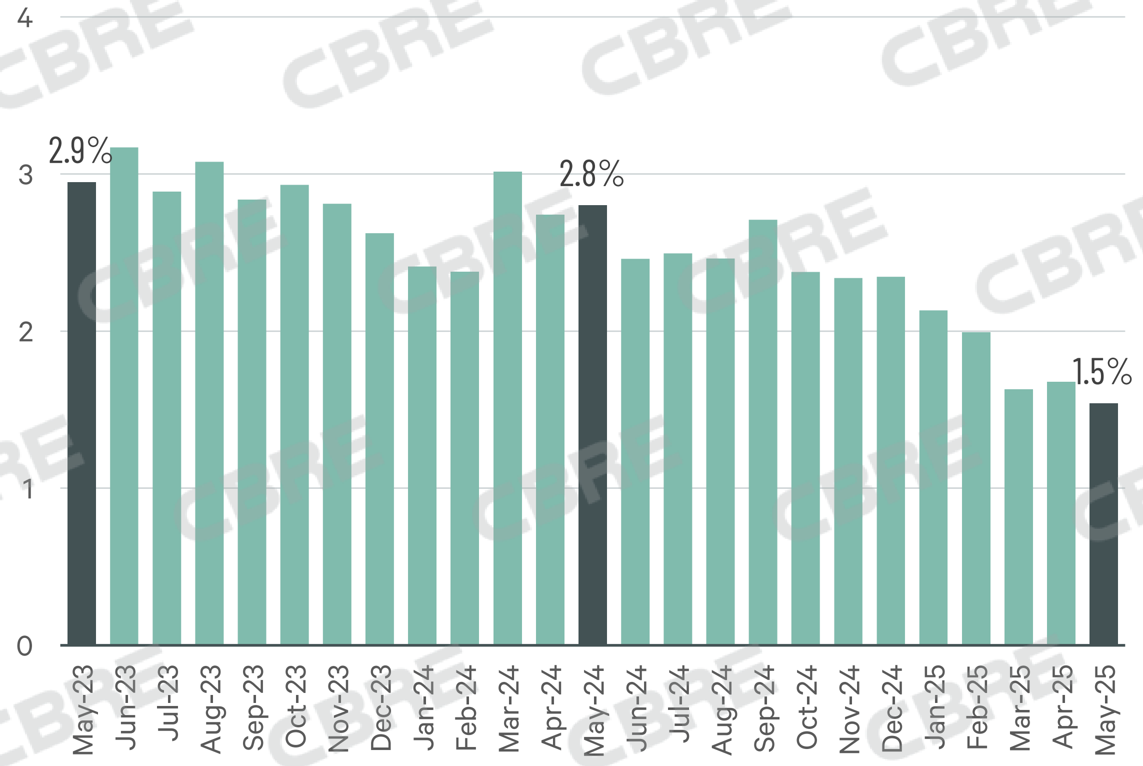
Constructions Wages

Y-o-Y Change (%)



Number of Construction Employees

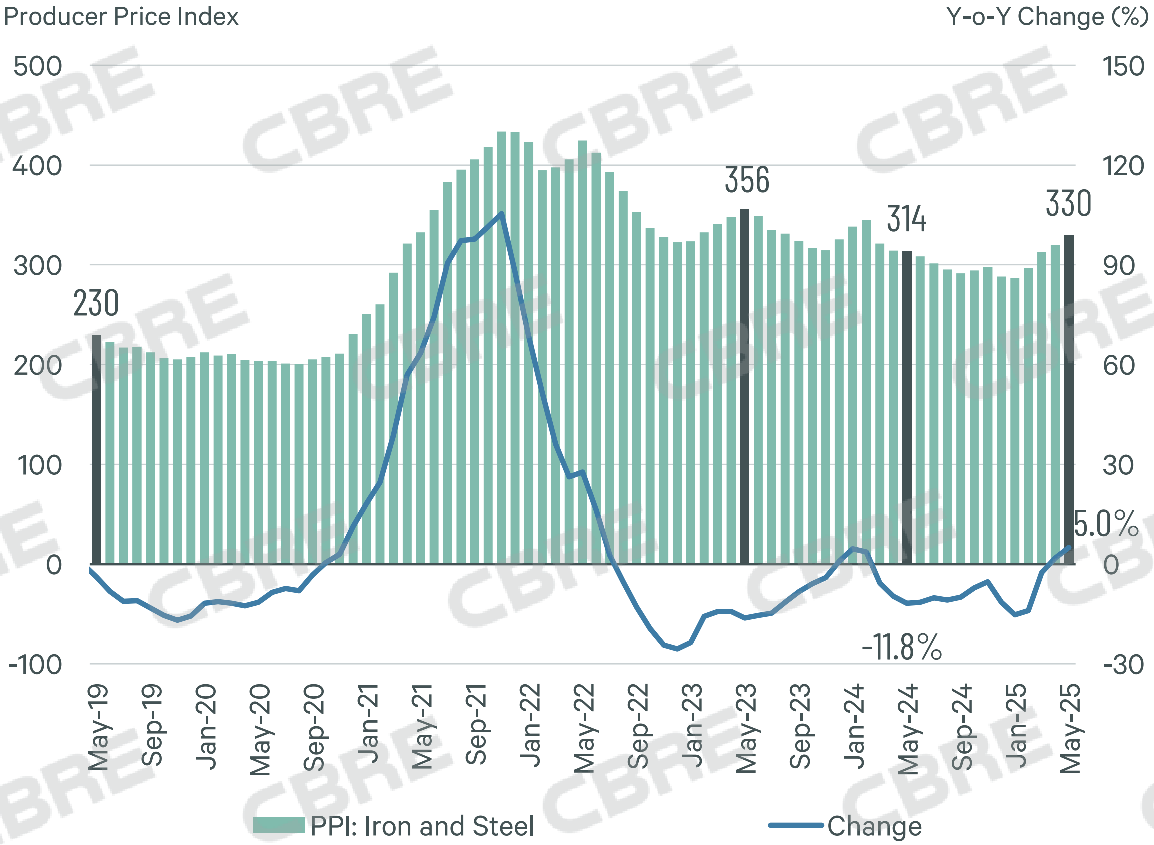
Y-o-Y Change (%)



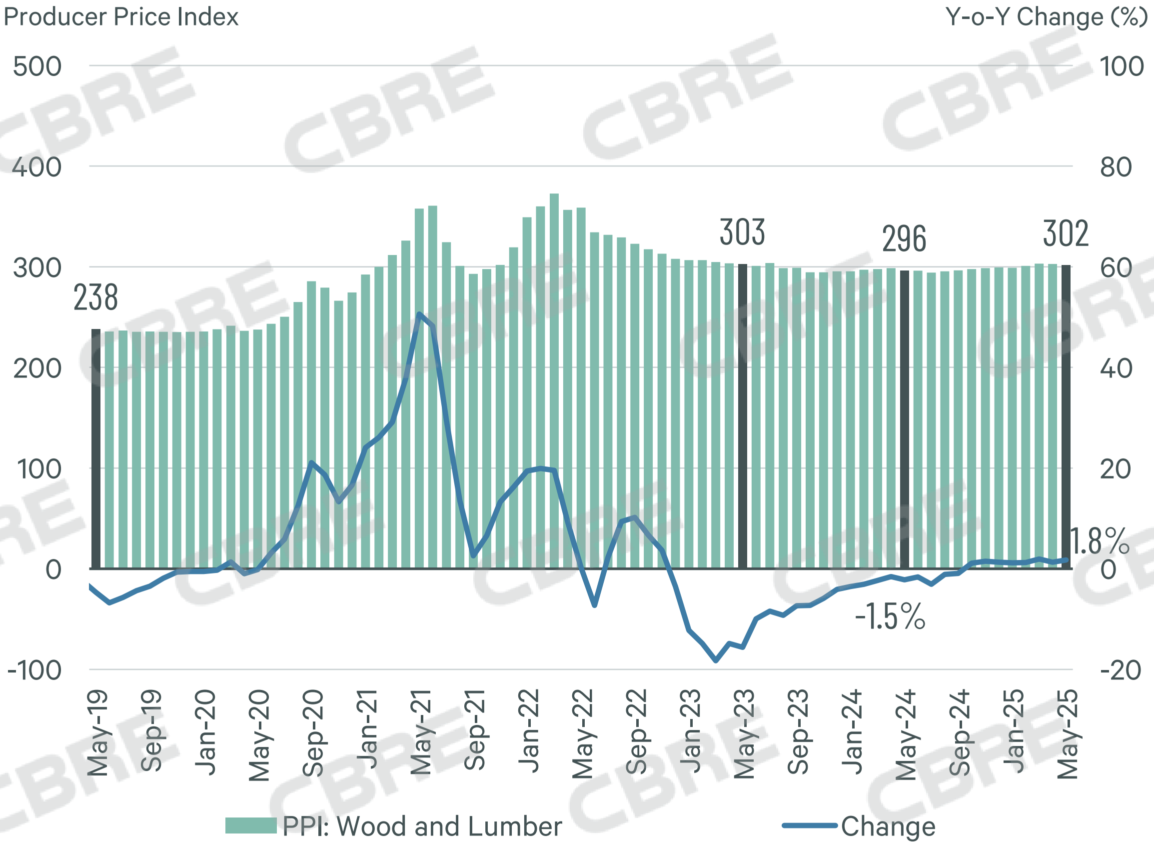
CBRE Hotels Research, BLS

Following a few years of declines, construction inputs are seeing a slight uptick in pricing

Iron and Steel



Lumber and Wood Products



CBRE Hotels Research, BLS

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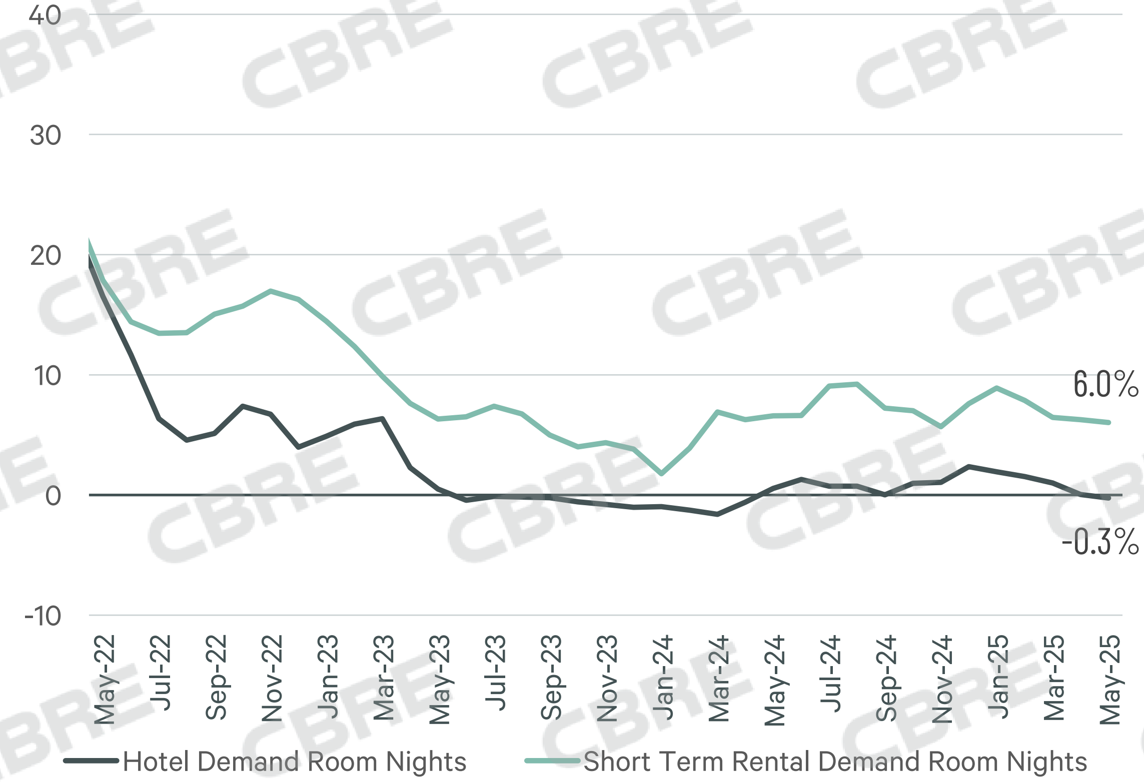
Short-term Rentals

Short-term rental demand increased y/y, taking share from traditional hotels

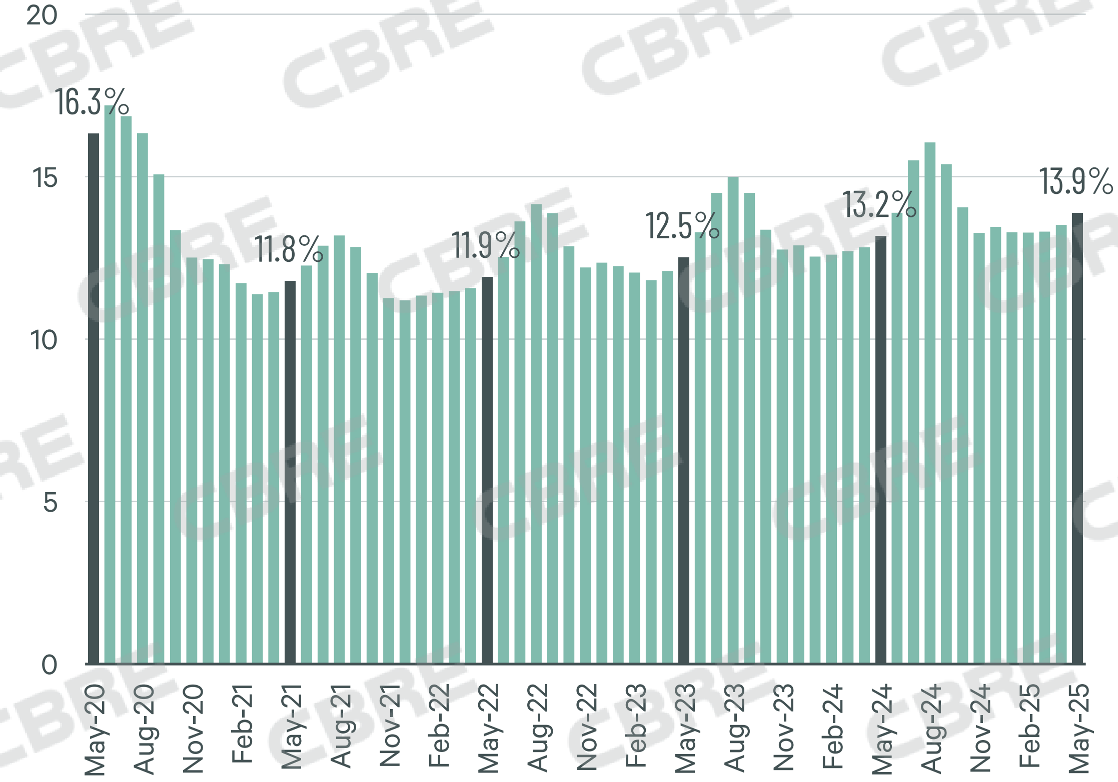
T3M Hotels & STR Demand Change

Y-o-Y Change (%)



T3M STR Demand as a Percent of Total Hotel and STR Demand

Percent of Total (%)

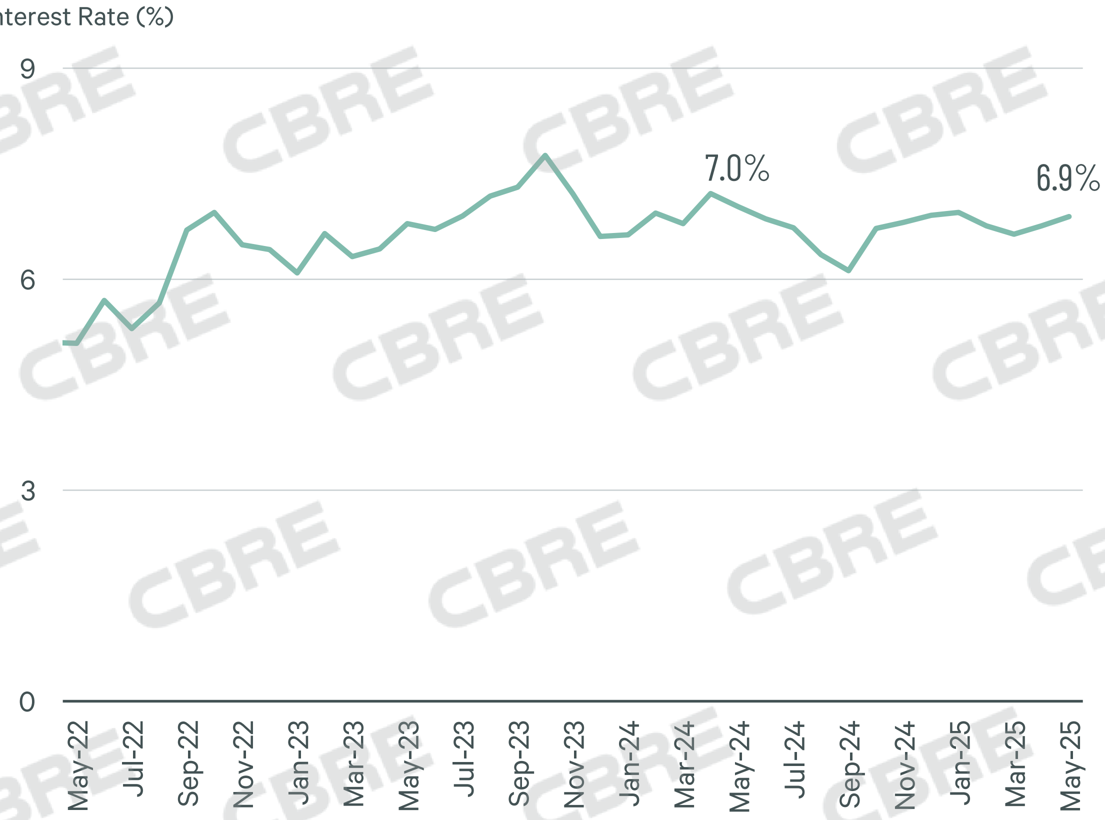


CBRE Hotels Research, CoStar, AirDNA (Includes VRBO & Airbnb), February 2024 adjusted for leap year

Higher interest rates and increasing supply are leading to moderating STR inventory growth

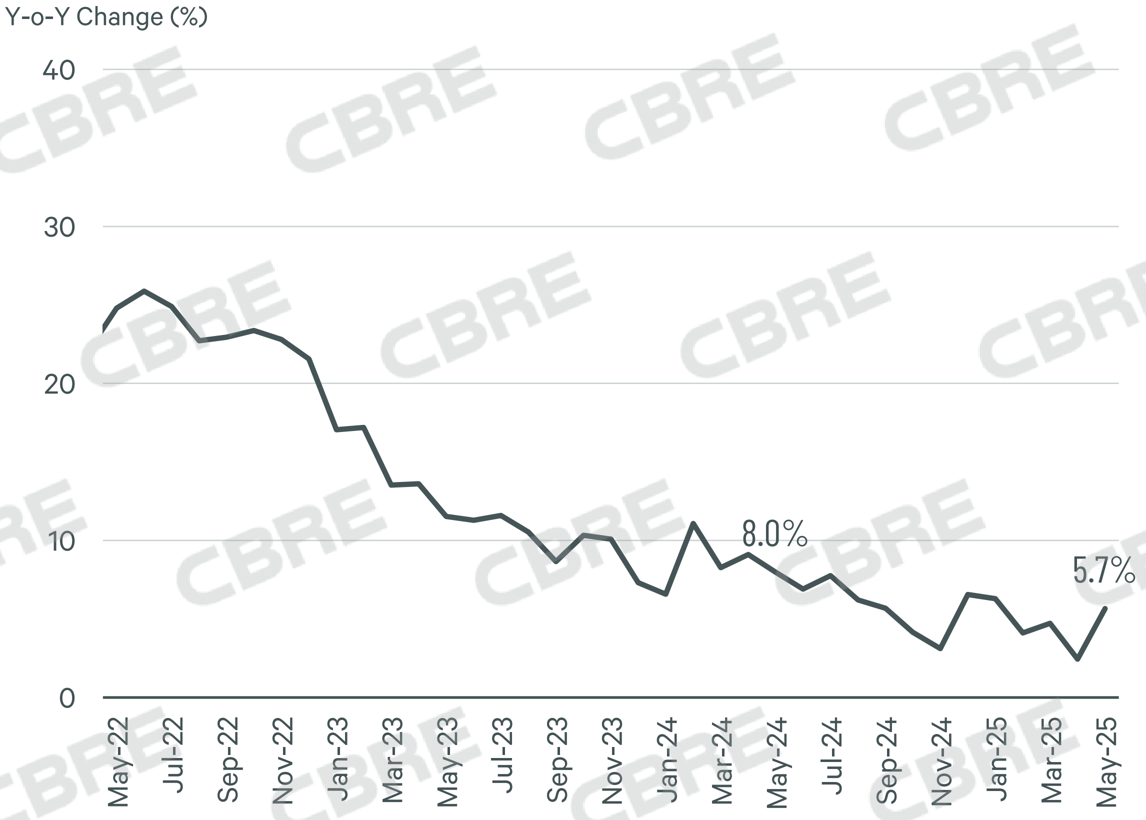
CBRE

30 Year Fixed Mortgage Interest Rates



CBRE Hotels Research, Freddie Mac

Short Term Rental Supply Change

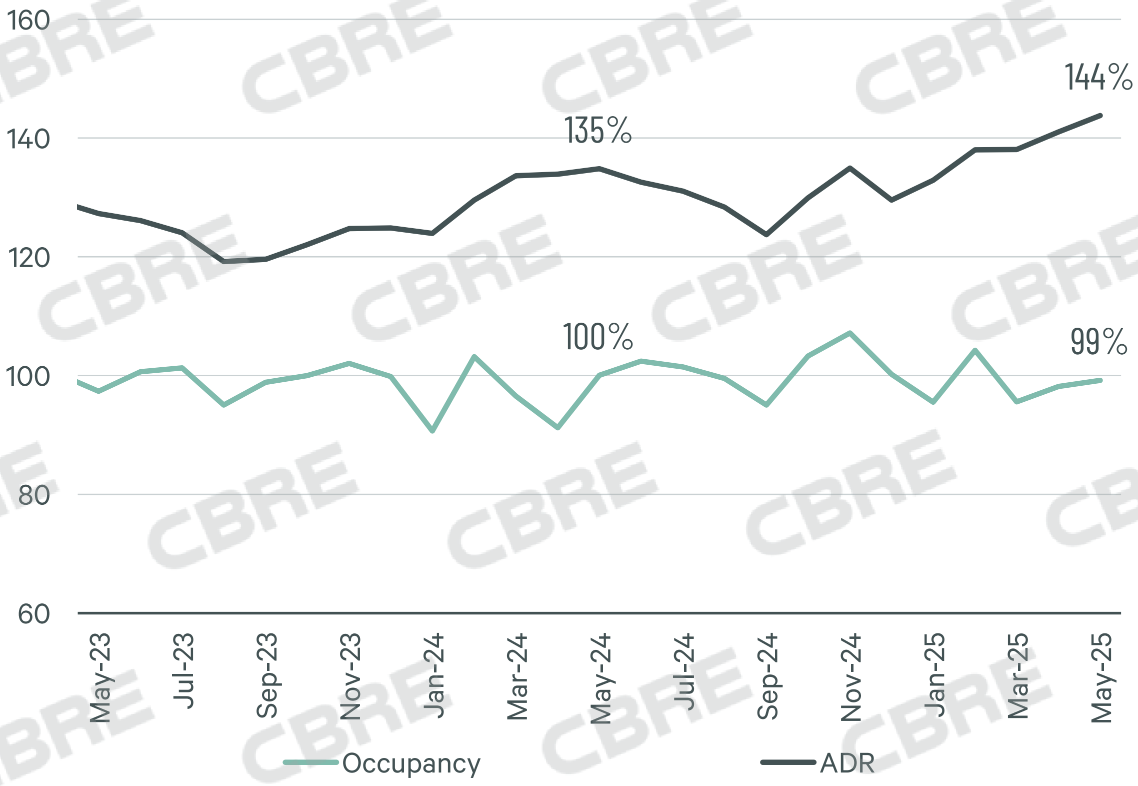


CBRE Hotels Research, AirDNA * Includes VRBO & Airbnb, February 2024 adjusted for leap year

Strong ADR growth offset a decline in occupancy resulting in healthy y/y RevPAR growth in May

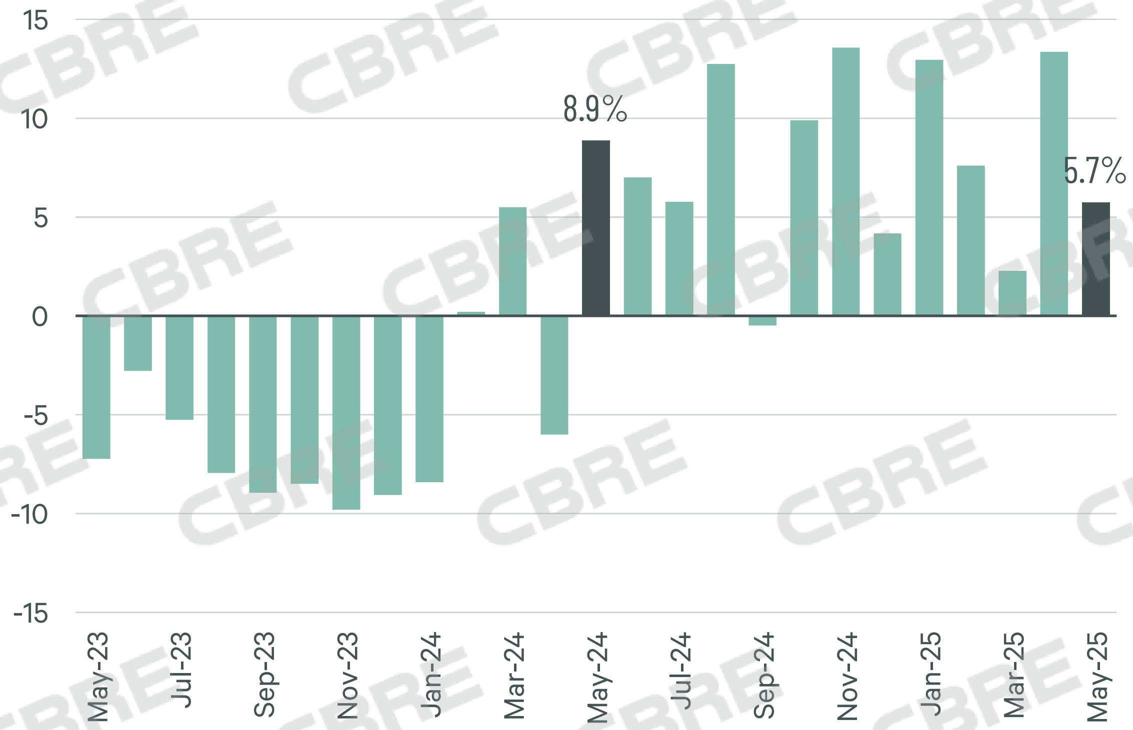
Short-Term Rental: Occupancy and ADR Relative to 2019 (%)

Percent of 2019 (%)



Short-Term Rental: RevPAR Change

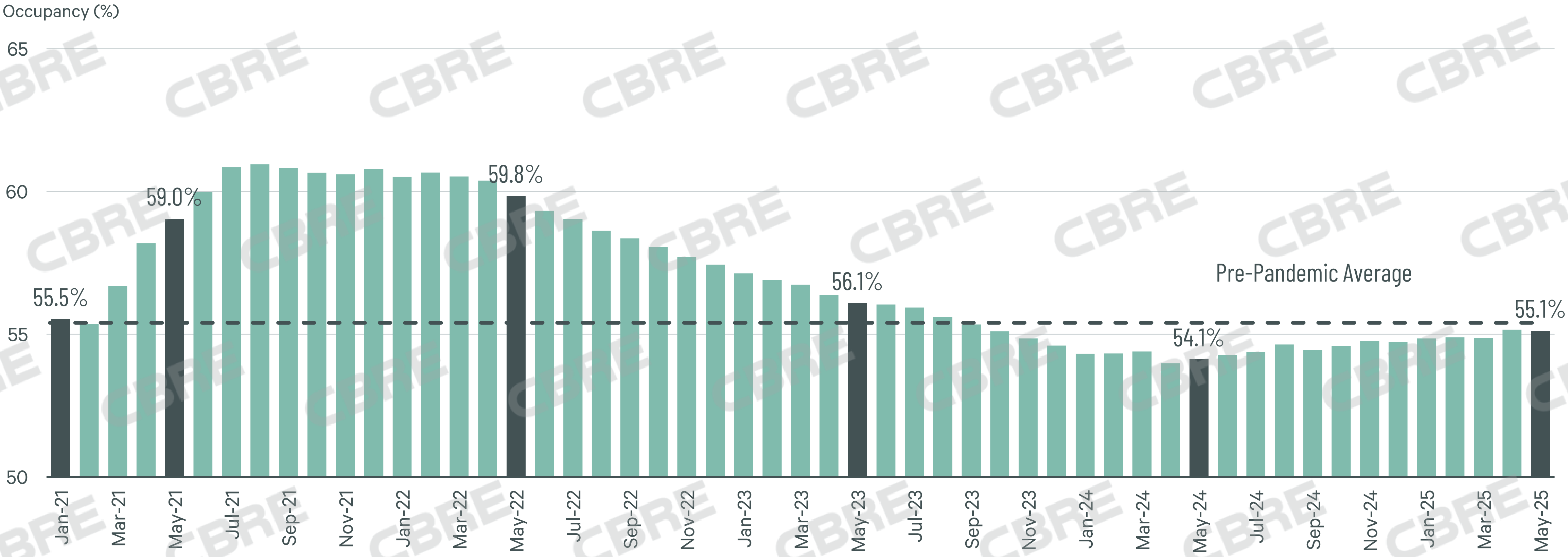
Y-o-Y Change (%)



CBRE Hotels Research, AirDNA * Includes VRBO & AirBNB, February 2024 adjusted for leap year

May STR Occupancy has nearly recovered to the pre-pandemic average

TTM Average U.S. STR Occupancy Levels



CBRE Hotels Research, AirDNA, February 2024 adjusted for leap year

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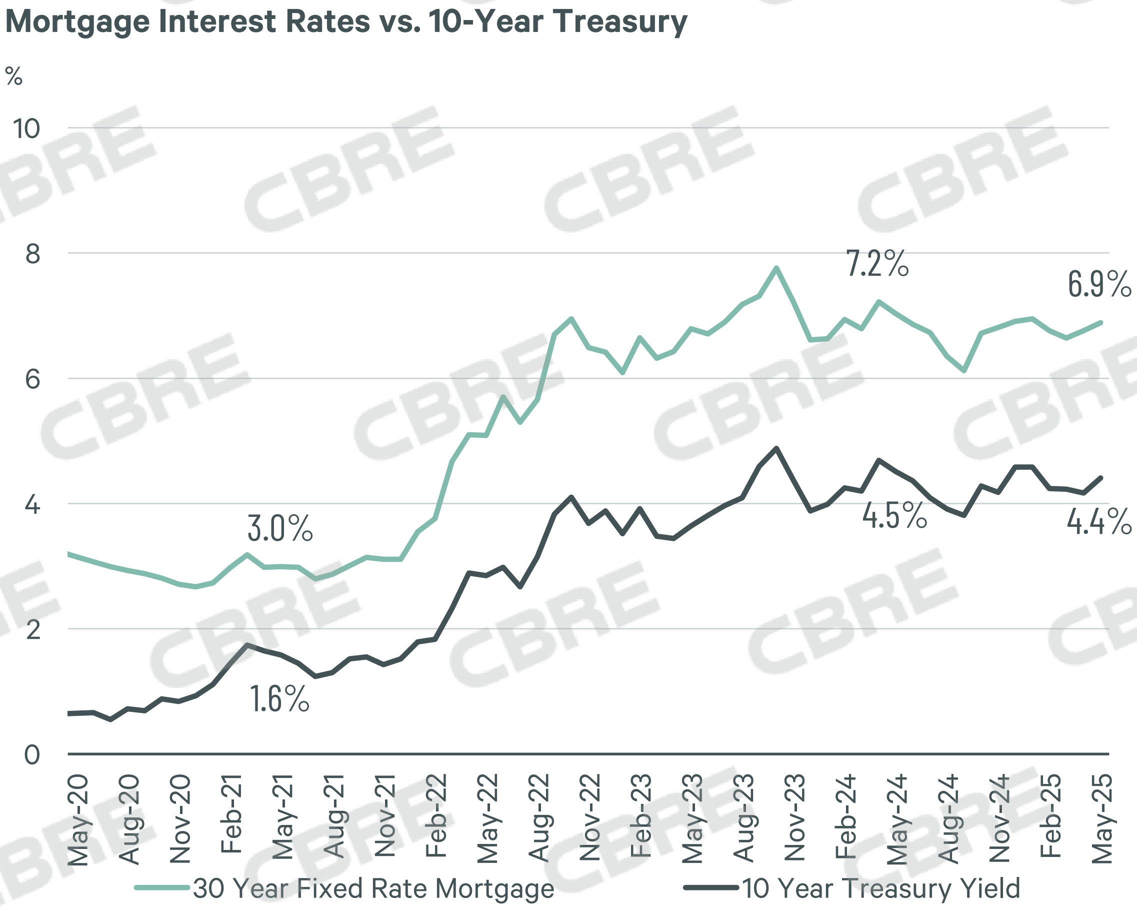
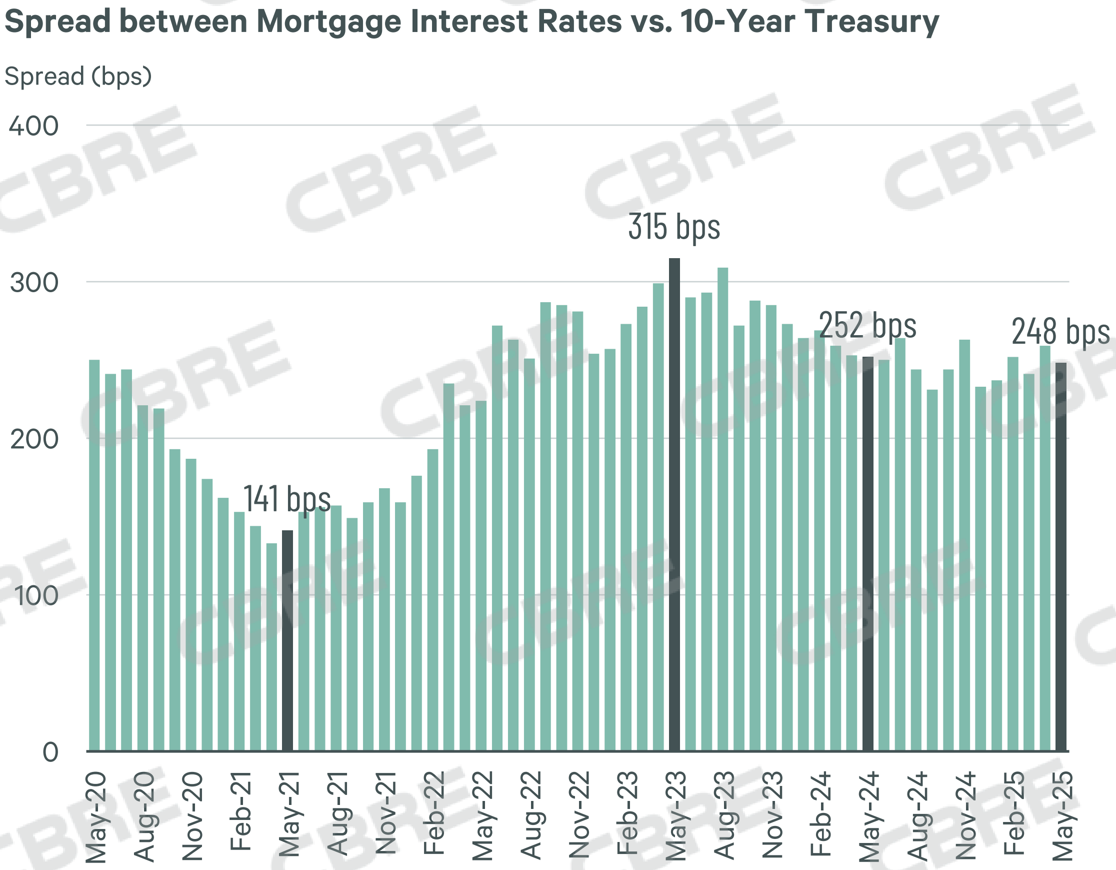
Capital Markets

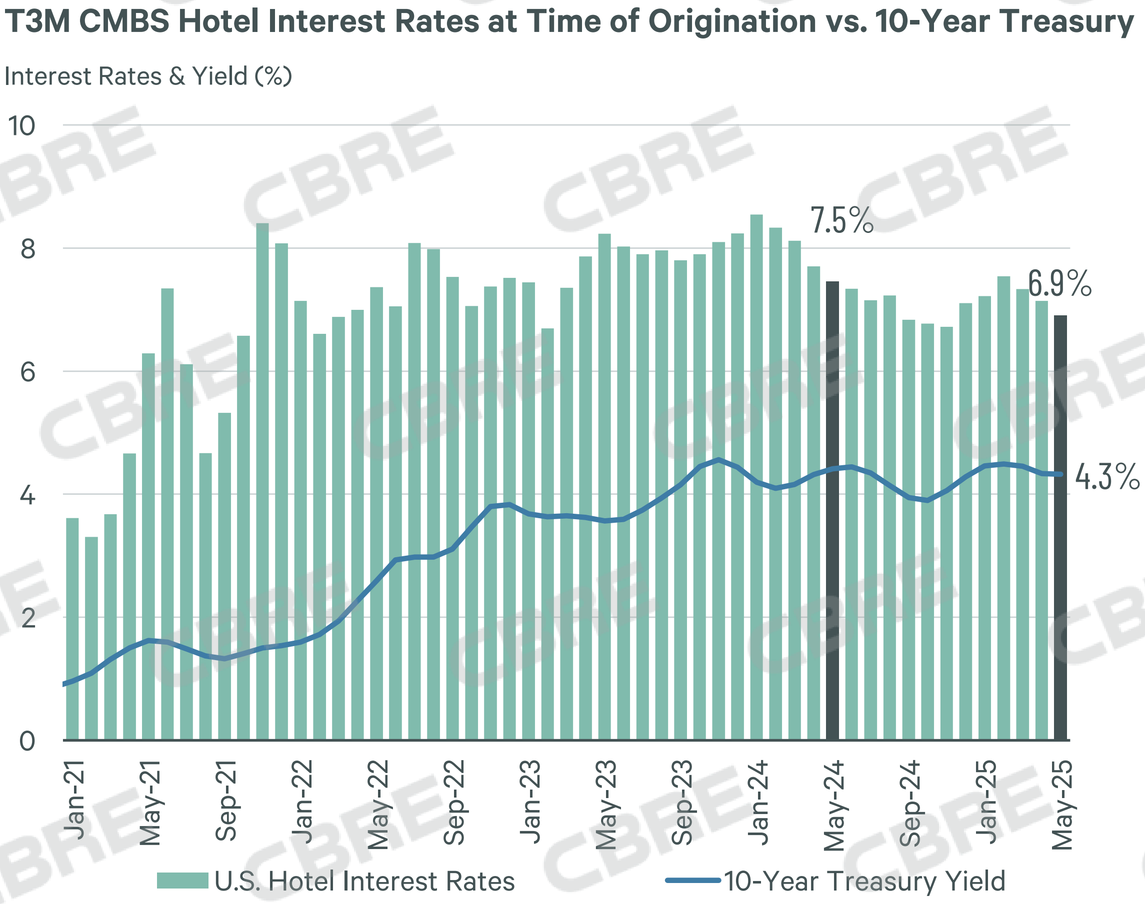
Spreads and rates are relatively consistent with last year

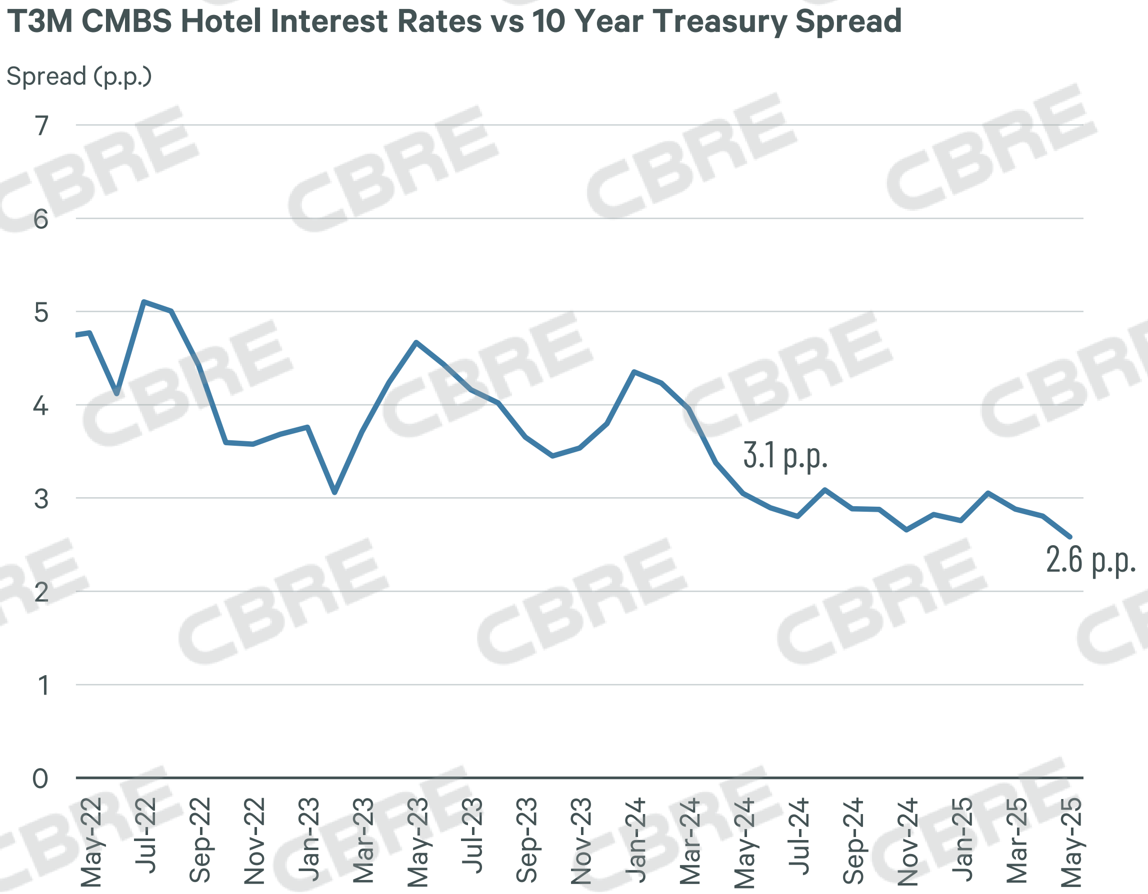




CBRE Hotels Research, Federal Reserve

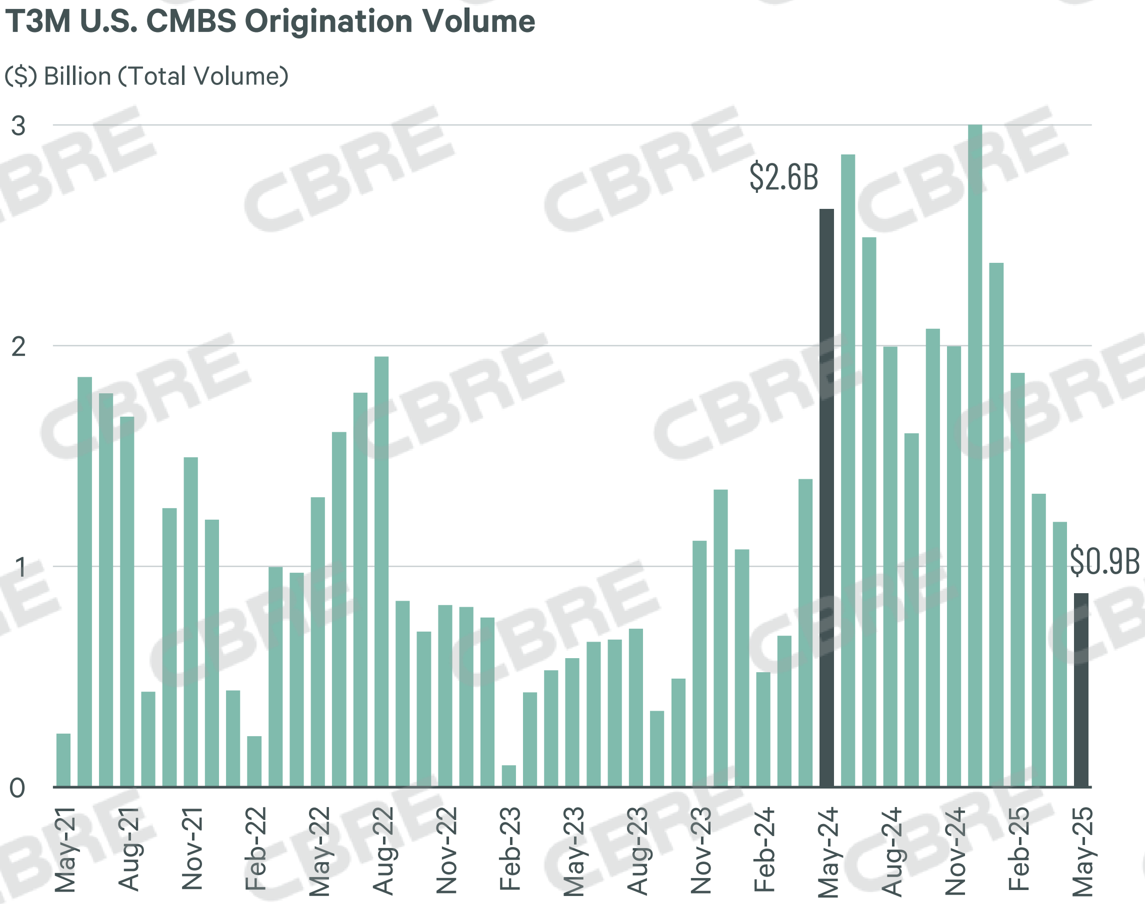
CMBS rates have moderated largely on spread compression

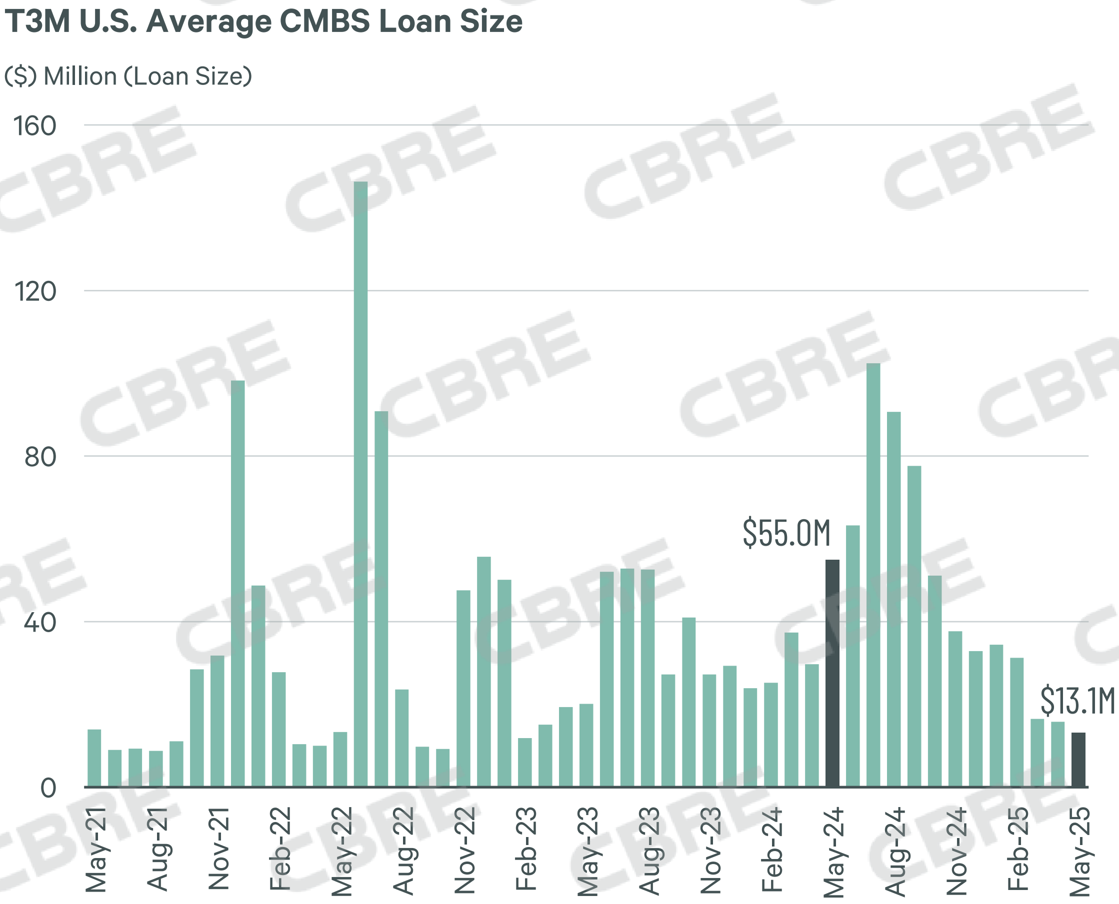




CBRE Hotels Research, CoStar, Federal Reserve

Both CMBS origination volumes and loan size are declining materially

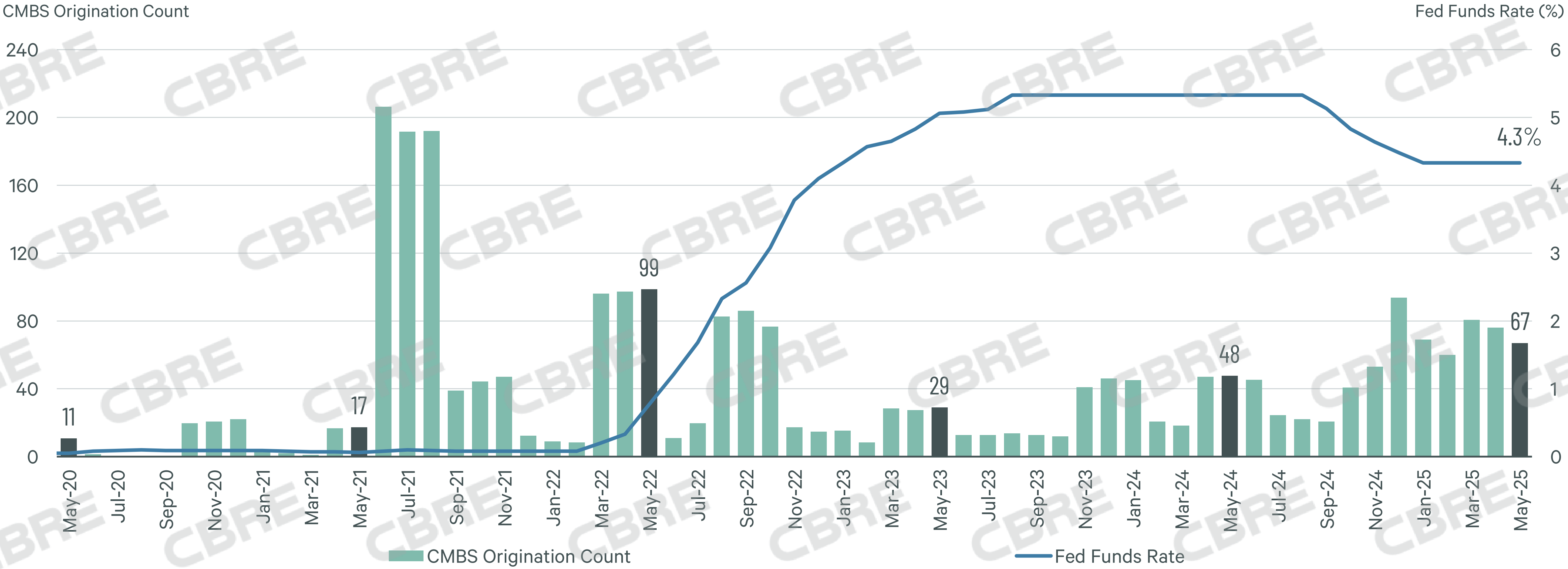




CBRE Hotels Research, CoStar

Loan originations are down from recent highs but remain above last year's levels

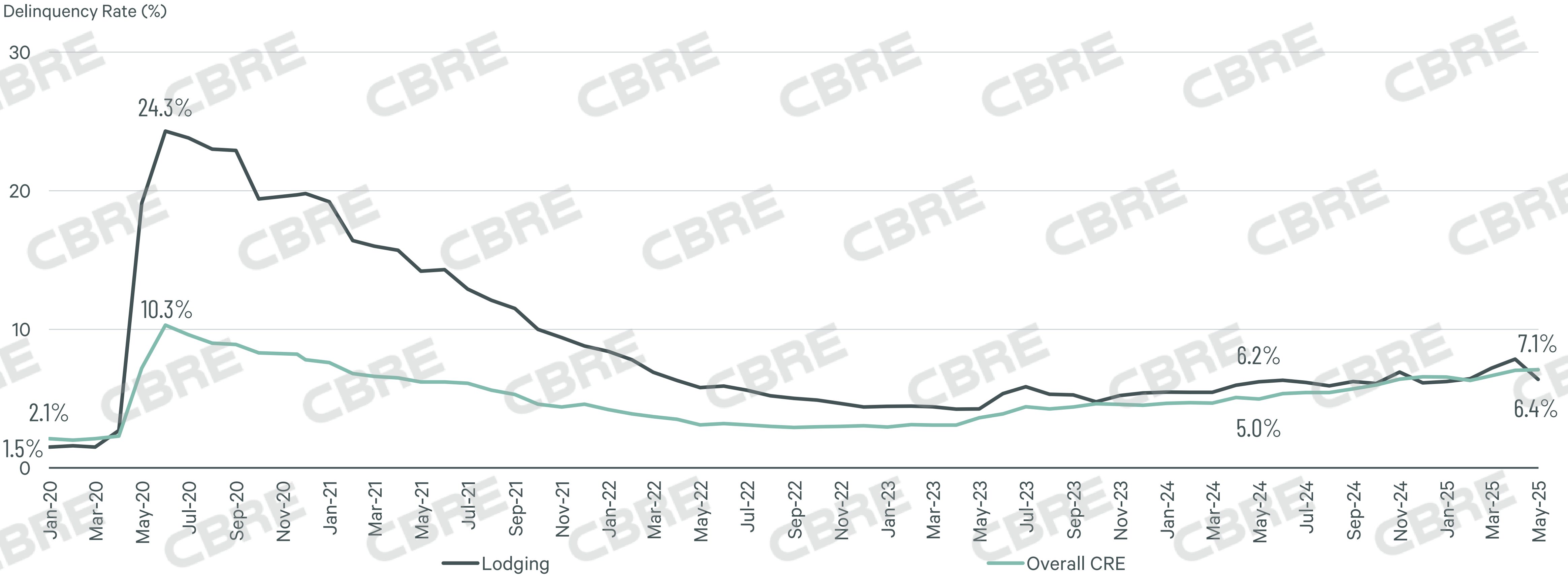
T3M U.S. CMBS Origination Count vs. Fed Funds Rate



CBRE Hotels Research, CoStar, BEA

Interestingly, in May the hotel delinquency rate was below overall CRE delinquencies

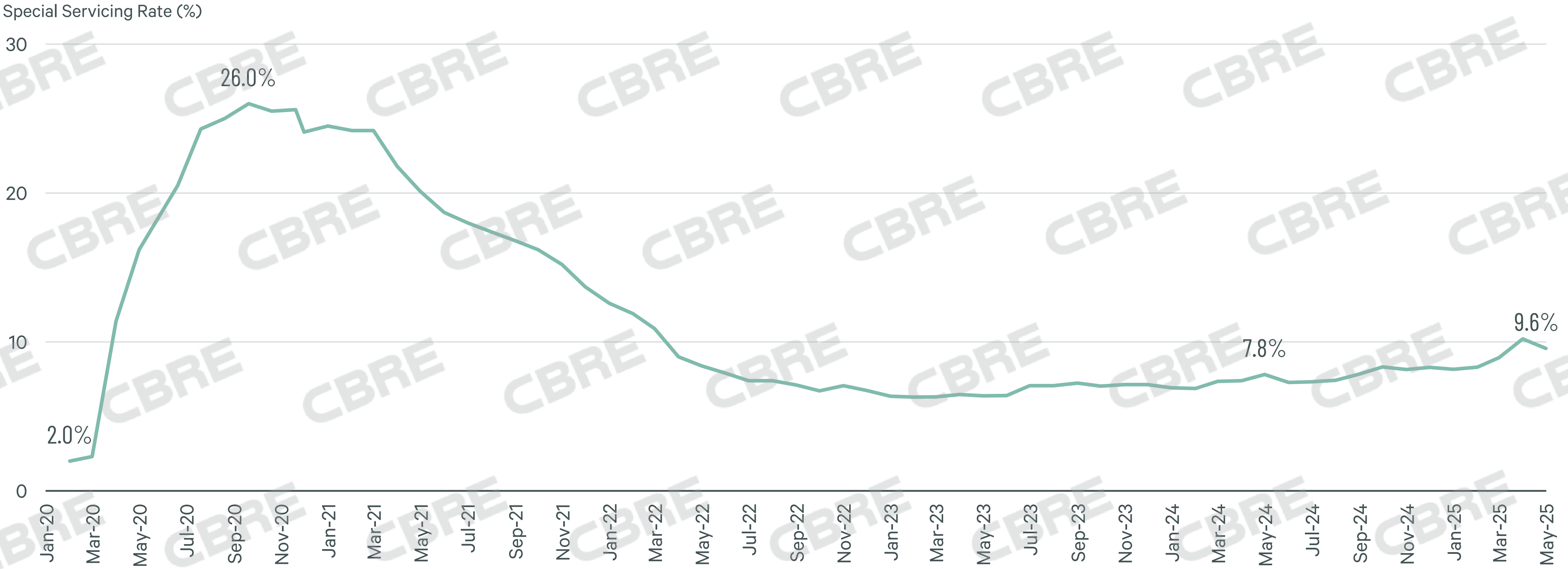
Lodging Delinquency Rate vs Overall Commercial Real Estate



CBRE Hotels Research, Trepp

Nearly 10% of hotel loans are in special servicing, +180 bps y/y

Pre-/Post-COVID - Special Servicing Rate Lodging CMBS



CBRE Hotels Research, Trepp

Thank you

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HOTELS RESEARCH ANALYSTS

Will Webster

Research Manager
M +1 404 326 9288
will.webster@cbre.com

Christine Bang

Research Manager
M +1 917 543 9698
christine.bang@cbre.com

Hogan McDade

Sr. Research Data Analyst
T +1 303 824 4705
hogan.mcdade@cbre.com

HOTELS RESEARCH LEADER

Rachael Rothman, CFA

Head of Hotels Research
M +1 804 201 2004
rachael.rothman@cbre.com

CBRE HOTELS RESEARCH ECONOMIST

Michael Nhu

Sr Economist, Global Hotels Forecasting
T +65 63478863
michael.nhu@cbre.com

INFORMATION SERVICES

Robert Mandelbaum

Research Director
T +1 404 812 5187
robert.mandelbaum@cbre.com

CLIENT SERVICES

Celeste Santangelo

Director, Client Engagement
T +1 917 207 1857
celeste.santangelo@cbre.com

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