MARKET REPORT

HVS U.S. Market Pulse: May 2026

MAY 29, 2026

The U.S. hotel sector continues to show strength, with weekly RevPAR gains averaging 4.0% YTD through April and exceeding 4.0% in recent weeks. We have updated our RevPAR growth forecast for 2026 from 2.2% to 3.0%, and this may be on the conservative side if elevated travel trends continue through the summer vacation and fall convention seasons.

After consistent RevPAR growth above expectations this year, we have updated our RevPAR growth forecast for 2026 from 2.2% to 3.0%. Our forecast reflects continued favorable RevPAR growth this year, but at levels moderately below those posted from March through early May, as last year's performance during those weeks was affected by the initial launch of DOGE efforts and the tariffs announcements, which shook the economy and influenced travel. In the trailing-28-day period ending May 16, national RevPAR was up 4.9%, according to STR/CoStar (April RevPAR was up 4.4%). This is turning out to be a strong year for our industry, with RevPAR growth that has been relatively consistent since February.

What is causing this rather remarkable RevPAR trend during a time of international conflict, lackluster employment growth, and continued uncertainty? We are ultimately experiencing a time when a significant segment of the public understands that this climate may be the "new normal" for now and it is time to get back to enjoying travel, attending conventions, and doing business. Many other key factors are contributing to the RevPAR expansion, which we have detailed in prior articles. For example, many cities had more favorable convention calendars this spring, the Minneapolis market realized an influx of demand in early 2026 during the surge in ICE enforcement activity, and the Bay Area is experiencing a strong rebound as a center of A.I. research and development, among other market-specific lifts nationwide.

A portion of U.S. travelers who would have vacationed abroad for spring break and leisure trips in late February through early May chose stateside destinations this year due to conflicts and other perceived risks to having a hassle-free, peaceful trip. Couple this trend with more "revenge travel" occurring this year following the cancellation or postponement of some trips during a tumultuous 2025, and RevPAR is experiencing the benefits (particularly in the luxury, upper-upscale, and upscale categories that include most resorts).

Our updated U.S. forecast is as follows.

HVS Forecast for U.S. Hotel Metrics Through 2028

	Occupancy	ADR	% Chg	RevPAR	% Chg
2025 (Actual)	62.3 %	$161	0.9 %	$100	-0.3 %
2026	**63.0**	**164**	**2.4**	**103**	**3.0**
2027	**63.3**	**169**	**3.0**	**107**	**4.0**
2028	**63.6**	**174**	**3.0**	**111**	**4.0**

2028	63.6	1.4	3.0	111	4.0

Source: HVS (Forecast), STR/CoStar (Historical)

HVS offers the HVS MarketCast if you require an occupancy and ADR forecast for a specific market or submarket. Please reach out to me to learn more.



If the positive signals in the months ahead outweigh any negative impacts, our 3.0% RevPAR forecast may be revised even higher in the coming months. A ceasefire announcement and reopening of shipping routes in the Middle East are beginning to ease oil prices as of the writing of this article in late May. FIFA World Cup events may not be the boon expected for the national market, but they should nevertheless lift their host markets in the coming weeks, along with what may be a strong summer vacation season (if spring break was an early indicator). A robust fall convention season may also be on tap for September through November based on what occurred this spring.

Transactions remain relatively few and far between this year given the uncertainty in the market during much of 2025 and going into 2026. But favorable 2026 performance is likely to lead to a more active transactions market in the second half of 2026 as improved cash flows help to narrow the buy-sell gap. The industry's overall average cap rate remains near 8.5%, with transactions averaging 8.6% for Q1, just above the 8.3% average for the twelve months ending March 2026.



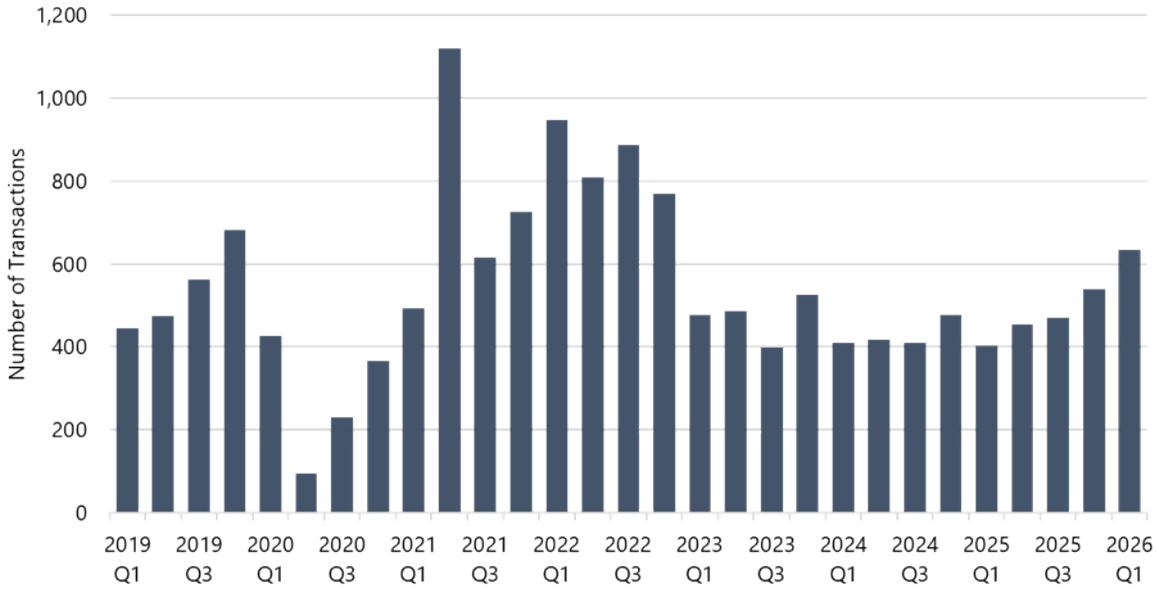
Source: MSCI Real Capital Analytics (Closed U.S. Hotel Transactions)

We expect average cap rates to trend upward in the second half of 2026, as we see more sellers start to meet the market and accept lower prices, which ultimately reflect higher cap rates. A normal cap rate in today's market (for a stabilized or

near-stabilized property) remains near the 8.0% to 8.5% mark, with an exit cap rate 100 basis points higher. Economy, extended-stay hotels and luxury hotels will likely trend below this level, while older limited-, select-, and full-service hotels facing a big renovation will likely trend above this mark.

Sales activity is starting to pick up, albeit remaining at levels well below the prior peak. Slow improvement is being registered as declining interest rates are helping bridge the buy-sell gap in the market. Quarterly data for hotel transactions in the U.S. is shown below.

Number of U.S. Hotel Transactions Increased Modestly in Most Recent Quarters



Source: MSCI Real Capital Analytics

Prevalent hotel discount rates are in the 10% to 11% range and could be lower for gateway markets, high-barriers-to-entry markets, and luxury hotels. Be wary of valuations that use exit cap rates and discount rates that are aggressively low, particularly if the asset is not in a high-barrier-to-entry area. A valuation with an exit cap rate in the 6% to 7% range in a low-barrier-to-entry market for a typical limited-, select-, or full-service hotel should flash yellow lights for your investment review team.

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