



SINGH COMMERCIAL
GROUP
HOTEL & INVESTMENT SALES

US HOSPITALITY MARKET OUTLOOK 2026

**Trends, Performance Forecasts,
Investment Signals & Strategy
for Owners, Buyers & Sellers**



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EXECUTIVE SUMMARY: 2026

2026 is shaping up as a **low-growth year** for U.S. hotels, with performance improving slightly from 2025, but **operating costs continuing to outpace rate growth**.

The big theme is not revenue growth. It's margin defense. CoStar's analysts have been blunt that 2026 conversations will be about **cost control and profitability** more than top-line expansion.

Winners in 2026 tend to be:

- Assets with pricing power (luxury, lifestyle, differentiated experiences)
- Strong operators using smarter revenue management
- Owners who use 2026 to renovate/reposition ahead of the next cycle

Under pressure in 2026:

- Older, undifferentiated economy/midscale stock
- Markets with rising supply where demand is not keeping up
- Hotels are overly dependent on OTAs / discount categories (volume without flow-through)



MACRO BACKDROP: GROWTH SLOWS, COSTS STAY HIGH

Multiple outlooks point to GDP growth below the long-run average and inflation staying elevated enough to keep hotel expenses pressured into 2026. CBRE specifically flags soft top-line growth + sticky inflation = sustained pressure on profits/margins.

What this means in practice:

- You can't "rate your way out" if ADR growth is around ~1% while cost categories (labor, insurance, utilities) move faster.
- Performance dispersion increases: strong assets still win, weak ones feel like they're running uphill.



2026 OPERATING REALITY: REVPAR UP, PROFITS SQUEEZED

Across major forecasters (CoStar/Tourism Economics, and others), 2026 expectations cluster around:

RevPAR growth:
0.6% - 0.9%

ADR growth:
+1.0%

Occupancy:
62% - 63%

That's "positive," but it's thin. The operational problem is that hotel cost stacks didn't normalize back to pre-2020 behavior.



Practical implication for owners/operators:

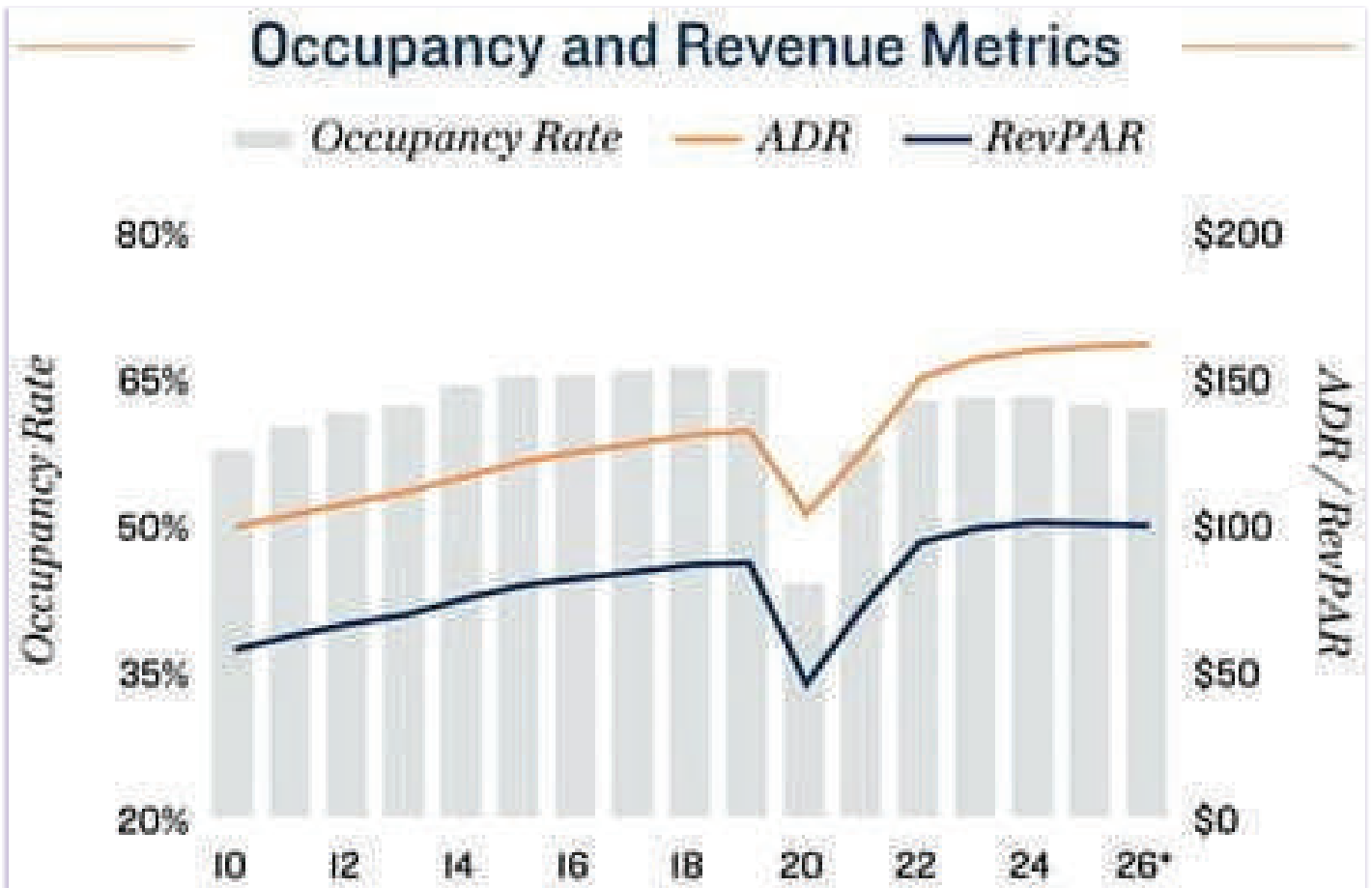
In **2026**, the difference between average and top-quartile performance often comes down to:

- **Better pricing decisions** (micro-segmentation, day-of-week discipline, event compression)
- **Smarter channel mix** (net revenue focus, not gross revenue)

Tight labor productivity + maintenance planning

FORECAST DASHBOARD: REVPAR, ADR, OCCUPANCY, INFLATION

Metric	2025	2026 Forecast	Key Driver
RevPAR	Flat to -0.5%	+0.9%	Rate growth
ADR	+0.5%	+1.0%	Luxury pricing power
Occupancy	63.5%	63.2	Supply pressure
Inflation	2.7%	2.4%	Labor & operations costs



Note: Forecasts reflect national averages. Performance will vary significantly by market, segment, and supply pipeline exposure.

THE BIFURCATION: WHY LUXURY WINS & ECONOMY GRINDS

CoStar's **2026** outlook explicitly highlights bifurcation: **higher-end segments** show growth while **lower-end segments** struggle.



Why luxury holds up:

- **Wealth effect + premiumization**
- **Experience-led travel** (food, wellness, design, exclusivity)
- Better ability to raise **ADR** without losing occupancy

Luxury remains positive but moderates. The economy shows

Why economy gets squeezed:

- Guests become more price sensitive as the cost-of-living rises
- Substitution is easier (short-term rentals, cheaper alternatives)
- Discount category mix drags realized **ADR**

stabilization but remains fragile, especially where supply is rising.

DEMAND STORY: WHAT'S ACTUALLY DRIVING ROOM NIGHTS

2026 demand is not one single engine. It's a blend:

- **Leisure:** normalized vs post-pandemic spikes, but still present where events, entertainment, and "experience trips" are strong
- **Group:** a stabilizer in many markets (midweek + F&B + meeting spend)
- **Business:** selective recovery; travel ROI scrutiny continues

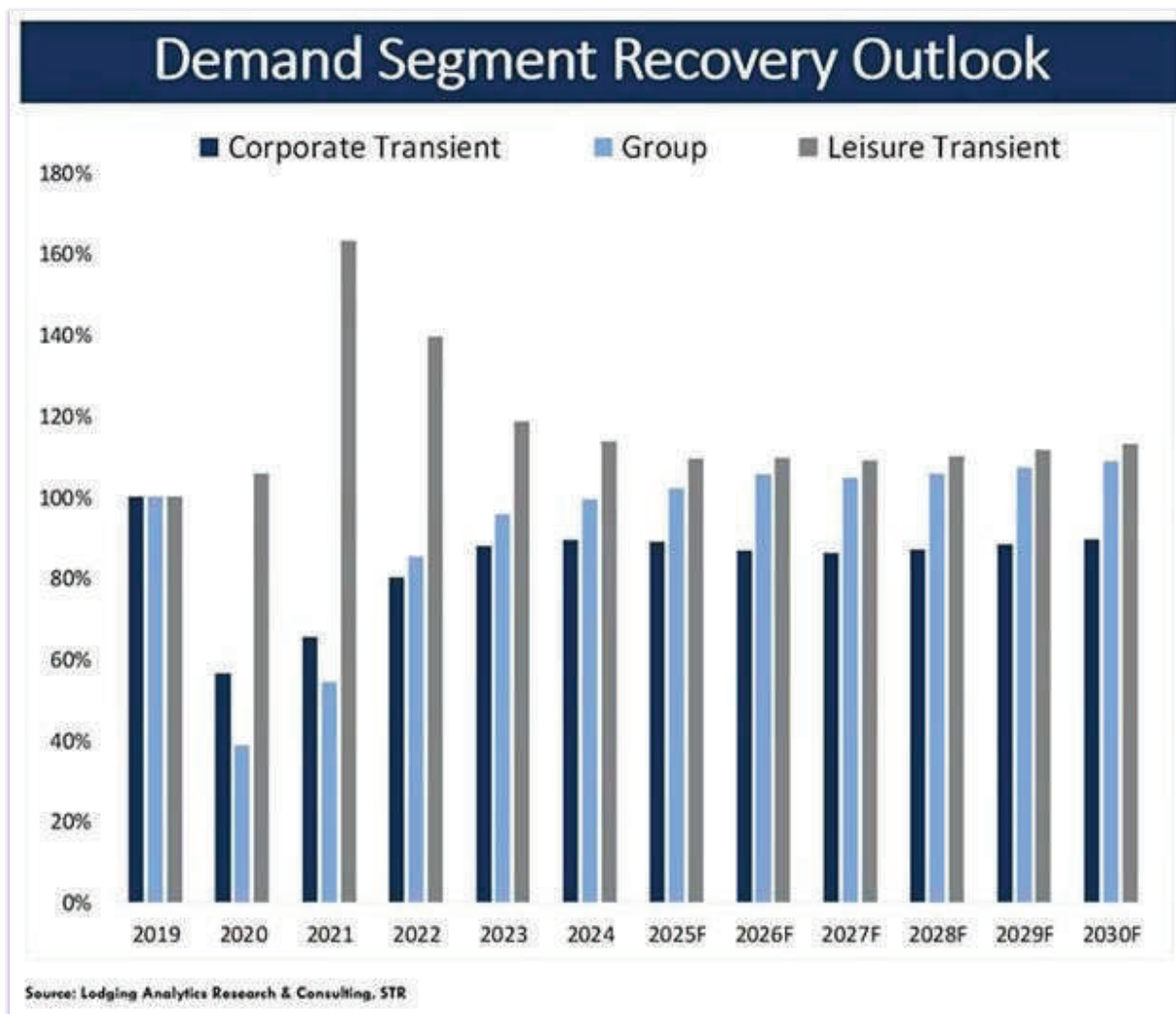
The useful takeaway:

Hotels that design offers around **micro-demand** (sports weekends, concerts, regional drive markets, university travel, medical hubs, corporate project work) win more consistently than hotels waiting for "the market" to lift them.



CORPORATE, GROUP, LEISURE: WHERE RECOVERY IS REAL

Demand Segment Recovery Outlook



- **Leisure** rebounded first and is now normalizing.
- **Group** steadily improves and becomes a bigger share of “profitable demand.”
- **Corporate** lags but stabilizes in many metros (especially for higher-quality products).



DISTRIBUTION & BOOKING: DIRECT VS OTA & WHY NET REVENUE MATTERS

Many operators still chase occupancy and forget flow-through.

In a margin-pressure year, the real game is:

- Maximizing **net RevPAR** (RevPAR after commissions/discount leakage)
- Protecting rate integrity
- Balancing **OTA** fill with direct/brand contribution

A practical framework:

- Keep **OTAs** as a **tactical tool** for need periods.
- Build **direct demand** using:
 - better mobile booking UX
 - loyalty hooks
 - “book direct” value adds (parking, upgrades, late checkout)
- Track **channel profitability** weekly, not monthly.

SUPPLY & PIPELINE: WHERE NEW ROOMS HURT THE MOST

CoStar/Tourism Economics recently noted supply/demand adjustments in forecasts and ongoing pipeline dynamics.

Where supply pressure matters most:

- **Midscale/economy segments**
- Markets with heavy **select-service builds**
- Submarkets where **brand clustering** drives price competition

What owners should do:

- Benchmark against expanded comp sets (not just 5–7 hotels)
- Track “new supply coming” within a 10–15 minute drive-time, not just your immediate cluster



CAPEX & RENOVATIONS: THE “HIDDEN” 2026 ADVANTAGE

CoStar’s 2026 expectations call out that renovations are likely to pick up even while the pipeline stays muted.

Why that matters:

- If new supply is limited, a **renovated asset** can win share faster.
- Renovations support **ADR growth** without relying on market-wide lift.

Useful insert for owners:

- Prioritize guest-facing capex with ADR impact:
 - bathrooms, bedding, lighting, common areas, arrival experience
- Don’t ignore back-of-house:
 - **HVAC efficiency**, laundry, energy management = margin gains



DEALS & VALUATIONS: WHAT BUYERS ARE PAYING FOR (AND AVOIDING)

PwC's hospitality & leisure deals outlook emphasizes that deal activity has become more selective, with a focus on **differentiated assets & AI/digital enablement**.

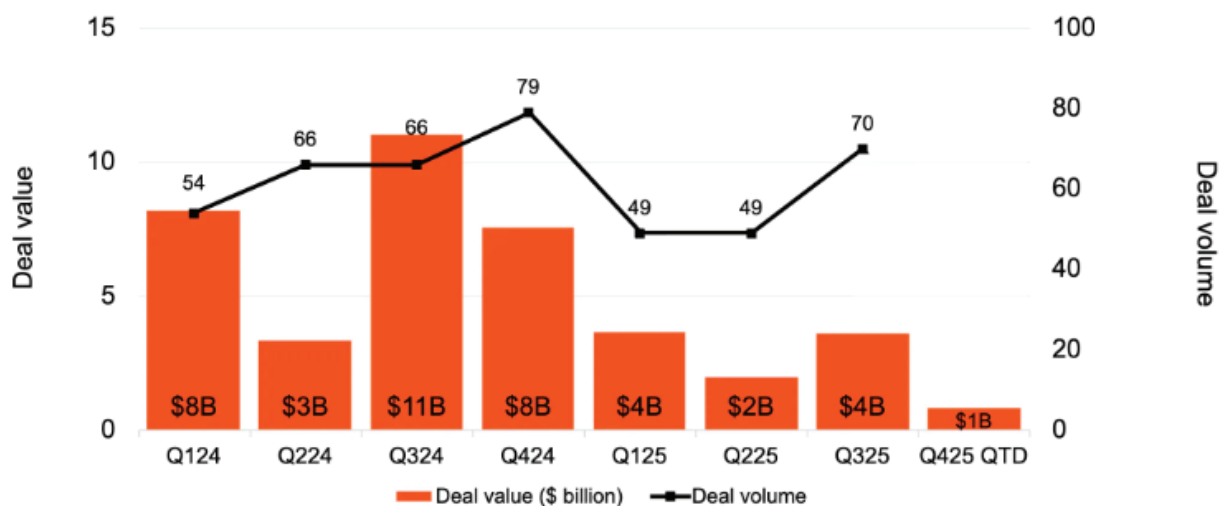
PwC data also points to meaningful shifts in deal volume patterns heading into 2026.

Interpretation that owners/buyers care about:

- **Buyers** want durable demand, a clean story, and upside they can execute.
- **"Average" hotels** trade more slowly unless there's clear repositioning value.
- **Cap rates/returns expectations** remain disciplined due to financing costs.

Hospitality and leisure: Deal value and volume.

Hospitality and leisure: Deal value and volume



Source: PwC analysis of data from S&P Global Market Intelligence (and its affiliates, as applicable); source data through November 30, 2025. Copyright © 2025

FINANCING & CAPITAL MARKETS: UNDERWRITING IS TIGHTER, BUT DEALS STILL HAPPEN



In **2026**, the buyer pool tends to split:

- **Experienced operators** who can drive **NOI** through operations
- Groups looking for **value-add conversion** or **repositioning**
- **Investors** focused on strong markets and durable demand generators

Lenders care most about:

- **DSCR** resilience under stress
- **Sponsor strength**
- **Renovation plans** & timing
- Property's **channel mix** & rate strategy



AI & AUTOMATION: PRACTICAL USE CASES WITH ROI IMPACT

Where AI actually helps hotels in 2026:

1. Revenue management

- better demand forecasting
- faster pricing reactions to pickup changes

2. Operations

- predictive maintenance (reduce downtime + emergency repairs)
- energy optimization tied to occupancy forecasts

3. Guest experience

- messaging automation for upsells (parking, late checkout, upgrades)
- concierge-style recommendation tools

Positioning line:

“AI doesn’t replace hospitality. It removes inefficiency so teams can focus on service.”

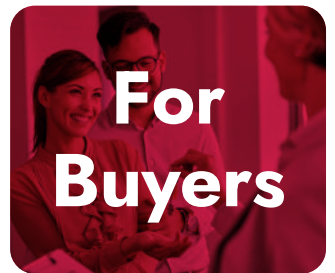
STRATEGY PLAYBOOK: OWNERS, BUYERS, SELLERS

Where AI actually helps hotels in 2026:



- Audit channel profitability (net revenue by channel)
- Improve pricing discipline (day-of-week + event strategy)
- Target 2–3 cost levers: labor productivity, energy, maintenance planning
- Capex plan: revenue-driving upgrades first

- Underwrite operations, not just market RevPAR
- Look For:
 - Brand repositioning
 - Renovation upside
 - Mismatched channel mix
 - Secondary markets with durable demand drivers



- Package the story around:
 - Documented capex + condition
 - Revenue management opportunity
 - Expanded demand generators
 - Clean financials with add-backs support
- If there's upside, show it with a plan (not just "potential").

WHAT TO WATCH MONTHLY IN 2026: A SIMPLE SCOREBOARD

Track monthly:

- Occupancy vs comp set (index)
- ADR vs comp set (index)
- Net RevPAR (after commissions)
- Labor cost as % of revenue
- Energy cost per occupied room
- Direct booking share
- 30/60/90-day forward pickup



CONCLUSION

The **2026 hospitality landscape** reflects a period of **steady stabilization** and **strategic opportunity**. While growth is measured, demand remains resilient, and well-located, experience-driven properties continue to perform strongly. Hotels that focus on **operational efficiency, guest experience, and smart revenue strategies** are well-positioned to strengthen profitability and market position.

For **owners**, this year presents an opportunity to enhance performance through **targeted upgrades, technology adoption, and refined pricing strategies**. **Buyers and investors** can uncover attractive value in **repositioning opportunities** and high-demand **secondary markets**, while **sellers** who clearly present performance and growth potential can attract qualified interest. **Personalization, sustainability, and operational innovation** are becoming powerful drivers of guest preference and long-term asset value.

Periods of **normalization** often create the strongest foundations for future growth. By strengthening operations and positioning assets strategically in **2026**, hospitality stakeholders can build resilience today and be well prepared to benefit from the next phase of expansion.

At Singh Commercial Group, we specialize in helping buyers, sellers, and investors navigate this evolving landscape with expert guidance and tailored strategies. Partner with us to unlock the full potential of your hospitality investments in 2025 and beyond.



RAV SINGH, CCIM
National Hospitality Division
Leader, KW Commercial

CONTACT US

 **210-696-9996**

 **info@SinghCommercialGroup.com**