

Cornell Hotel Indices

First Quarter 2024:

Large Hotels Reach a New Statistical Low

by Crocker H. Liu, Adam D. Nowak, and Robert M. White, Jr.

EXECUTIVE SUMMARY

Only the Midwest, South Atlantic, and West South-Central regions posted moderate single-digit hotel-price gains in the first quarter 2024 (Midwest, 3.2%; South Atlantic, 3.8%; and West South-Central, 1.6%). Hotels in gateway cities experienced a reversal, exhibiting better performance than hotels in non-gateway cities this quarter. Transaction volume fell year over year and quarter over quarter for both large and small hotels in gateway and non-gateway cities. Standardized prices of large hotels continue to soften while those of smaller hotels remain relatively stationary. The cost of hotel debt financing and the delinquency rate for hotels rose in the recent quarter, even though credit spreads continued to tighten and relative risk narrowed. As in prior periods, borrowing costs still exceed the return on hotels. Expect to see a rise in the price of large hotels and a decline in prices for small hotels next quarter based on our leading indicators of hotel price performance.

ABOUT THE AUTHORS

Crocker H. Liu is a professor of real estate at the School of Hotel Administration at Cornell where he holds the Robert A. Beck Professor of Hospitality Financial Management. He previously taught at New York University's Stern School of Business (1988-2006) and at Arizona State University's W.P. Carey School of Business (2006-2009) where he held the McCord Chair. His research interests are focused on issues in real estate finance, particularly topics related to agency, corporate governance, organizational forms, market efficiency and valuation. Liu's research has been published in the *Review of Financial Studies*, *Journal of Financial Economics*, *Journal of Business*, *Journal of Financial and Quantitative Analysis*, *Journal of Law and Economics*, *Journal of Financial Markets*, *Journal of Corporate Finance*, *Review of Finance*, *Real Estate Economics*, *Journal of Urban Economics*, *Regional Science and Urban Economics*, *Journal of Real Estate Research* and the *Journal of Real Estate Finance and Economics*. He is the former co-editor of *Real Estate Economics*, the leading real estate academic journal. He currently serves on the editorial boards of *Real Estate Economics* and *Journal of Real Estate Research*. He previously served on the editorial board of *Financial Review*, *Journal of Real Estate Finance and Economics*, *Journal of Property Research*, and the *Journal of Real Estate Finance*. He is a past president of AREUEA (2019), the leading real estate academic organization. Professor Liu earned his BBA in real estate and finance from the University of Hawaii, an M.S. in real estate from Wisconsin under Dr. James A. Graaskamp, and a Ph.D. in finance and real estate from the University of Texas under Dr. Vijay S. Bawa.



Adam D. Nowak is an associate professor of economics at West Virginia University. He earned degrees in mathematics and economics at Indiana University – Bloomington in 2006 and a degree in near-east languages and cultures that same year. He received a Ph.D. from Arizona State University. He was the research analyst in charge of constructing residential and commercial real estate indices for the Center for Real Estate Theory and Practice at Arizona State University. Nowak's research has been published in the *Review of Financial Studies*, *American Economic Review: Insights*, *Economic Inquiry*, *Journal of Urban Economics*, *Regional Science and Urban Economics*, *Journal of Applied Econometrics*, *Applied Economics Letters*, *Contemporary Economic Policy*, *Journal of Economics and Finance*, *Real Estate Economics*, and the *Journal of Real Estate Research*.



Robert M. White, Jr., CRE, is the founder and former president of Real Capital Analytics Inc., an international research firm that publishes the *Capital Trends Monthly*. On August 2, 2021, he sold Real Capital Analytics to MSCI. MSCI-Real Capital Analytics provides real time data concerning the capital markets for commercial real estate and the values of commercial properties. He is the 2014 recipient of the James D. Landauer/John R. White Award given by The Counselors of Real Estate. In addition, he was named one of National Real Estate Investor Magazine's "Ten to Watch" in 2005, Institutional Investor's "20 Rising Stars of Real Estate" in 2006, and Real Estate Forum's "10 CEOs to Watch" in 2007. Previously, Mr. White spent 14 years in the real estate investment banking and brokerage industry and has orchestrated billions of commercial sales, acquisitions and recapitalizations. He was formerly a managing director and principal of Granite Partners LLC and spent nine years with Eastdil Realty in New York and London. Mr. White is a Counselor of Real Estate, a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Homer Hoyt Institute. He serves on the board of directors for the Pension Real Estate Association and the advisory board for the Real Estate Research Institution. He is also a member of numerous industry organizations and a supporter of academic studies. Mr. White is a graduate of the McIntire School of Commerce at the University of Virginia. White's research has been published in the *Journal of Real Estate Finance and Economics*. Mr. White is a noted authority on the real estate capital markets with credits in *The Wall Street Journal*, *Barron's*, *The Economist*, *Forbes*, *The New York Times*, and the *Financial Times*, among others.



Acknowledgments

We wish to thank Glenn Withiam for copy editing this paper.

Disclaimer

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Cornell Hotel Indices

First Quarter 2024:

Large Hotels Reach a New Statistical Low

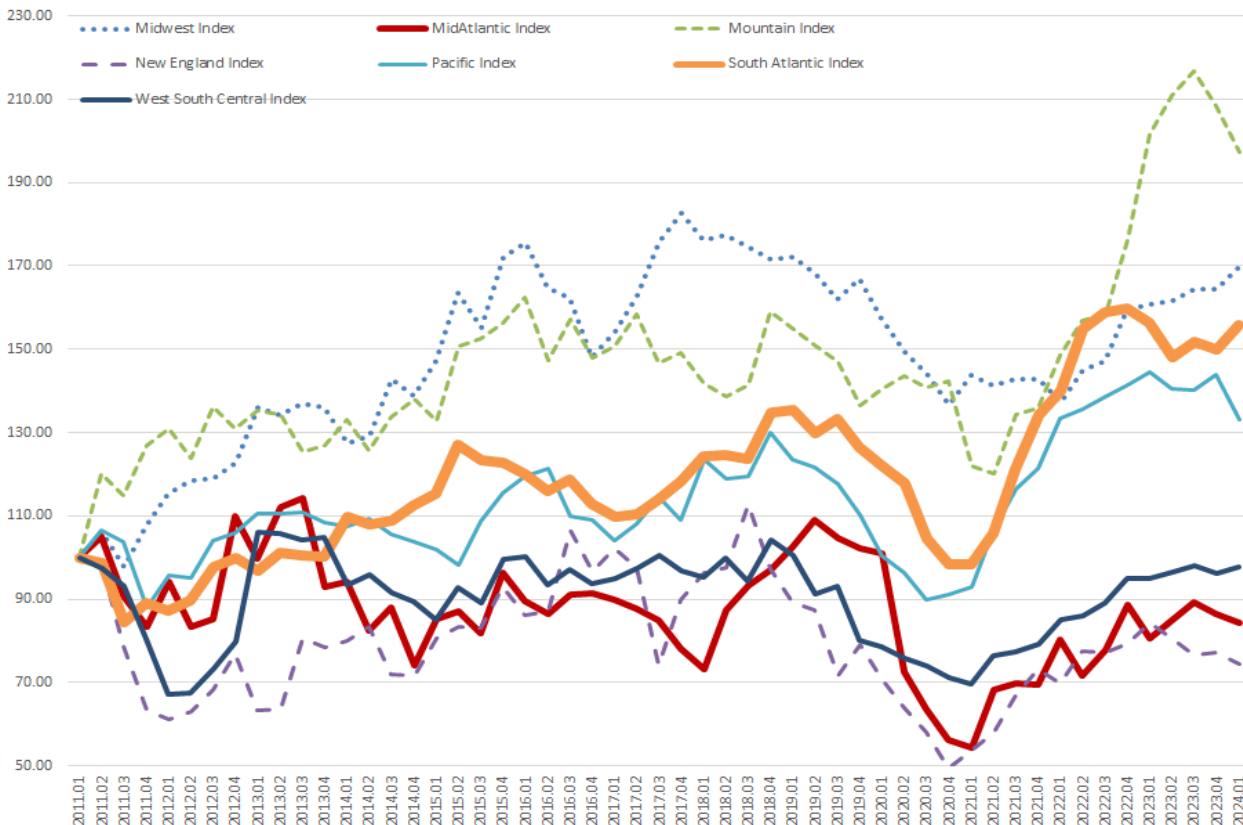
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Analysis of Indices through Q1, 2024

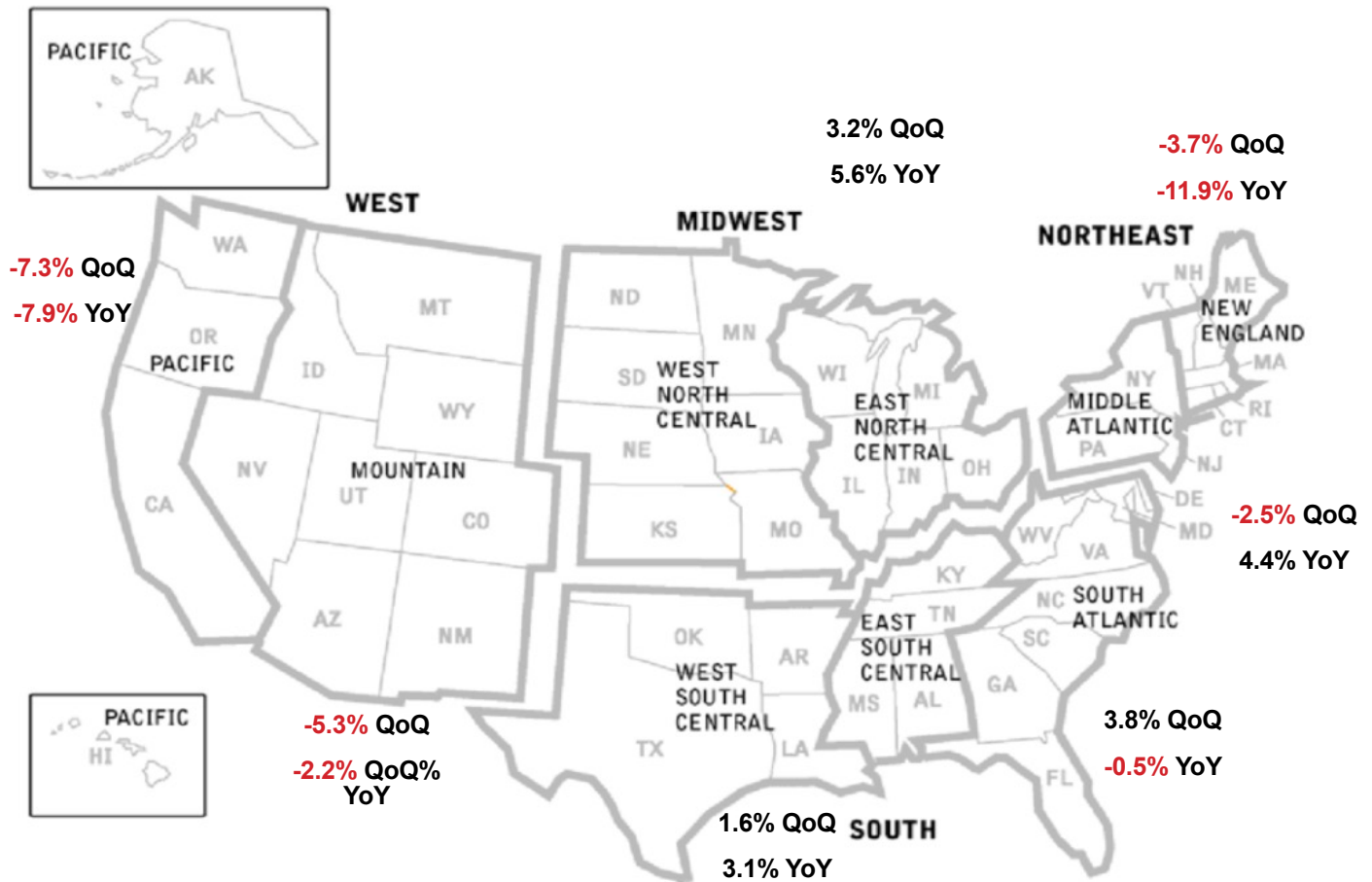
Only three regions exhibited positive hotel-price performance. Exhibits 1a through 1c show that only the Midwest (5.6%), Mid-Atlantic (4.4%), and West South-Central (3.1%) regions experienced year-over-year gains in the first quarter that exceeded gains in the prior period. The remaining regions all posted year-over-year price declines. A similar situation exists quarter over quarter; only the Midwest (3.2%), South Atlantic (3.8%), and West South-Central (1.6%) regions posted moderate single-digit quarter-over-quarter gains. Losses occurred in all other regions.

EXHIBIT 1A

Time series hotel performance for seven regions



Cross-section hotel performance for seven regions



Sources: Cornell Center for Real Estate and Finance, CoStar, Real Capital Analytics

Changes in regional price indices, year over year and quarter over quarter

	Midwest	Mid Atlantic	Mountain	New England	Pacific	South Atlantic	West South Central
Y-o-Y							
Current	5.6%	4.4%	-2.2%	-11.9%	-7.9%	-0.5%	3.1%
Prior	3.0%	-2.5%	18.4%	-2.9%	1.7%	-6.1%	1.3%
Q-o-Q							
Current	3.2%	-2.5%	-5.3%	-3.7%	-7.3%	3.8%	1.6%
Prior	-0.1%	-3.1%	-3.7%	0.8%	2.5%	-1.3%	-1.9%

Standardized Unexpected Prices (Z-Scores)

	Midwest	Mid-Atlantic	Mountain	New England	Pacific	South Atlantic	West South Central
2023.04	1.56	1.06	1.43	0.58	0.96	0.60	1.13
2024.01	1.82	0.72	0.88	0.15	0.22	0.75	1.13

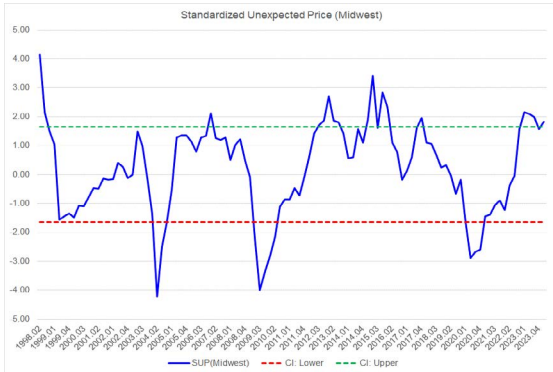
In terms of standardized unexpected prices (Z-Scores), which are useful in detecting turning points (peaks and troughs),¹ hotel prices trended downwards in all regions, moving towards their historical averages. The one exception is the Midwest region, which reached a new statistical high this quarter.

Hotels in gateway cities outperformed non-gateway cities, reversing a prior trend. Reversing the trend in the prior five periods, hotels in gateway cities finally exceeded hotels in non-gateway cities, increasing 5.4 percent compared to a decline of 1 percent

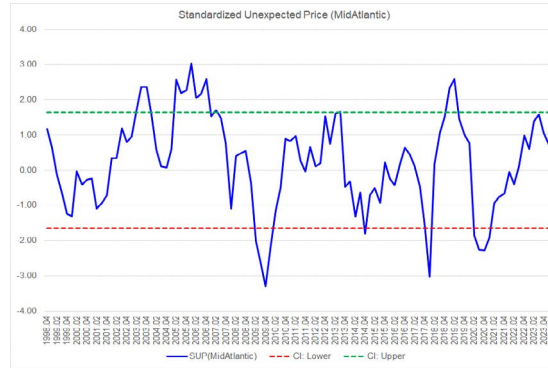
¹ A new statistical high is achieved at z = 1.645, while a new statistical low occurs at z = -1.645.

Regional comparison of standardized unexpected prices (SUP), with confidence boundaries

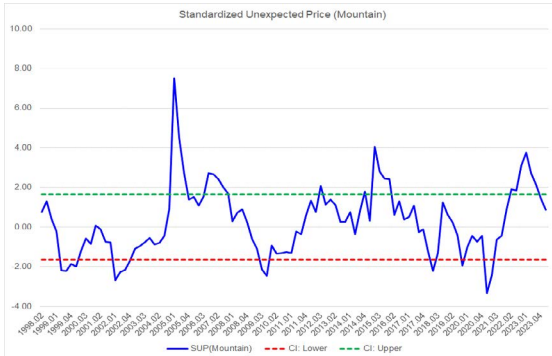
Midwest



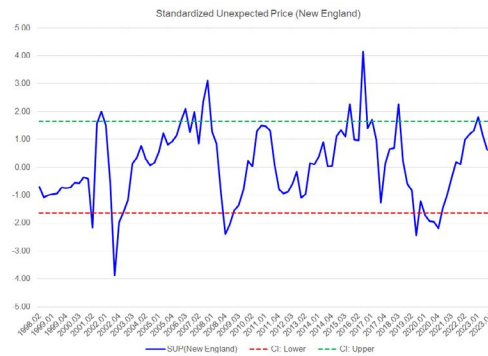
Middle Atlantic



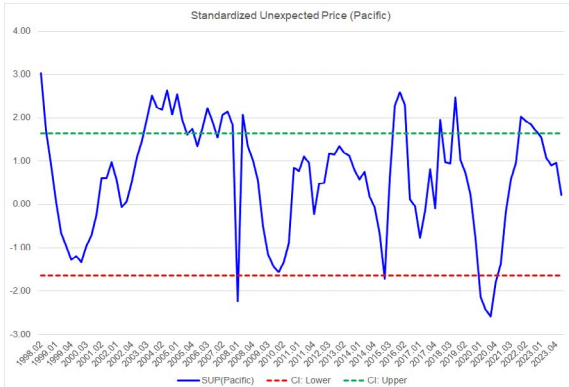
Mountain



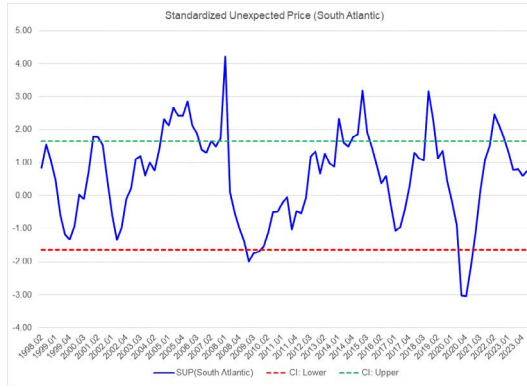
New England



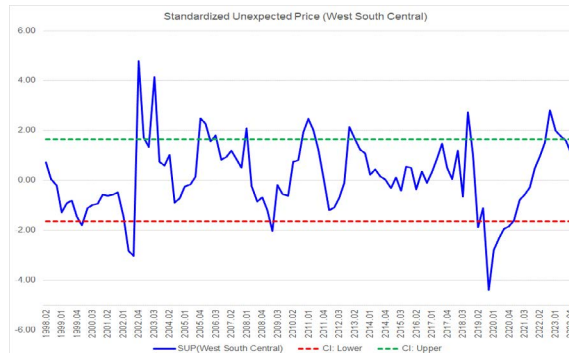
Pacific



South Atlantic

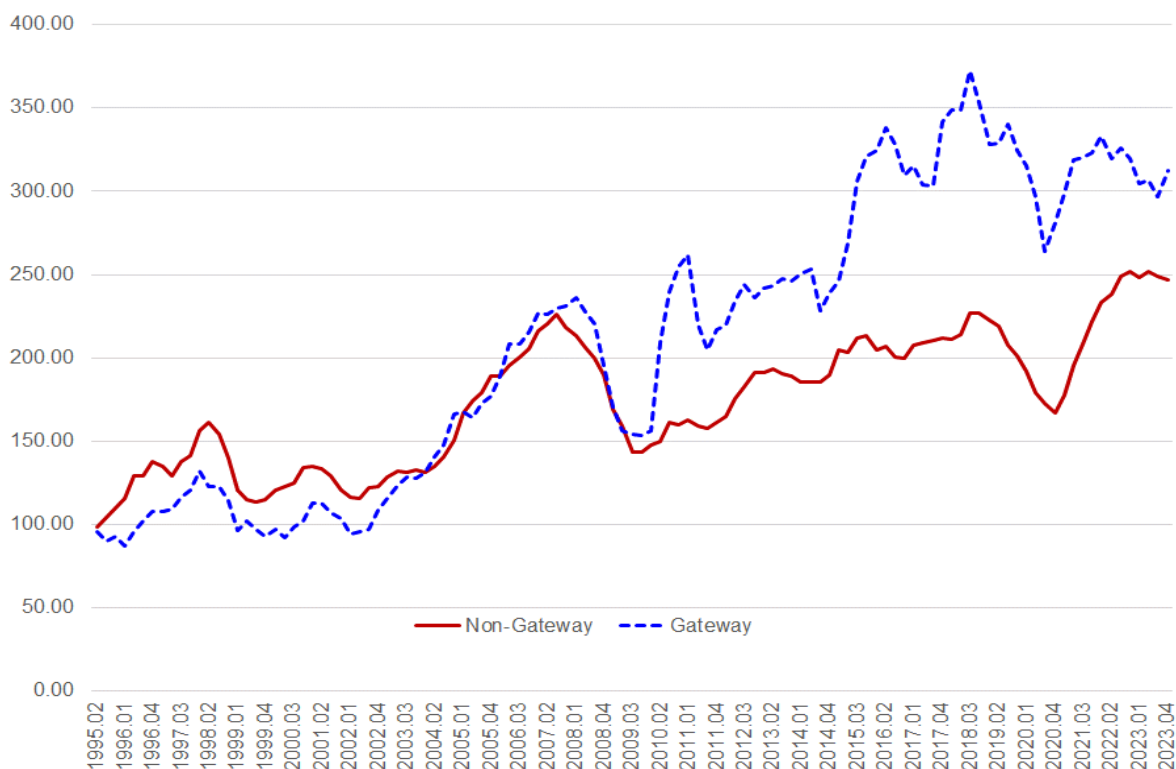


West South Central



Note: Regions are as follows: **Middle Atlantic** region: New Jersey, New York, and Pennsylvania; **New England** region: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont; **South Atlantic** region: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia; **East South Central** region: Alabama, Kentucky, Mississippi, Tennessee; **East North Central** region: Illinois, Indiana, Michigan, Ohio, and Wisconsin; **West South Central** region: Arkansas, Louisiana, Oklahoma, and Texas; **West North Central** region: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota; **Mountain** region: Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, and Wyoming; **Pacific**: Alaska, California, Hawaii, Oregon, and Washington.

Hotel performance for gateway cities versus non-gateway cities



Sources: Cornell Center for Real Estate and Finance, CoStar, Real Capital Analytics

Quarter over Quarter	Gateway Cities	Non-Gateway Cities
Current Period (2024Q1)	5.4%	-1.0%
Prior Period (2023Q4)	-3.4%	-1.0%
Year over Year		
Current Period (2024Q1/2023Q1)	-2.1%	-1.9%
Prior Period (2023Q4/2022Q4)	-9.0%	0.2%

for non-gateway cities on a quarter-over-quarter basis, as shown in Exhibit 2. Year over year, hotel prices in both gateway and non-gateway cities declined approximately 2 percent.

Transaction volume fell year over year and quarter over quarter for both large and small hotels in gateway and non-gateway cities. Weakness in transaction volume

on all hotel transactions (both large hotels and small hotels combined) continued year over year. Transaction volume was also weaker quarter over quarter for all categories, including large hotels, small hotels, and hotels in gateway and non-gateway markets (see Exhibits 3A, 3B, and 3C). Exhibit 4 and Exhibit 5 show this year-over-year trend in the number of transactions for large hotels and small hotels.

Transaction volume (observed) and median sale price (1995–2003)

Year	Quarter	Full Sample		Big			Small			Gateway			No Gateway		
		Median Sale Price	N	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales
1995	1	2,357,500	20	NA	0	0%	2,357,500	20	100%	3,400,000	7	35%	2,100,000	13	65%
1995	2	3,150,000	29	15,712,500	6	20.68%	2,670,000	23	79.31%	3,800,000	12	41.37%	2,906,150	17	58.62%
1995	3	2,562,500	44	12,400,000	4	9.09%	2,378,000	40	90.90%	3,500,000	20	45.45%	2,000,000	24	54.54%
1995	4	3,400,000	41	27,750,000	10	24.39%	2,625,000	31	75.60%	5,075,000	14	34.14%	3,100,000	27	65.85%
1996	1	2,500,000	39	14,475,000	8	20.51%	1,700,000	31	79.48%	2,500,000	13	33.33%	2,687,500	26	66.66%
1996	2	2,925,000	43	29,150,000	12	27.90%	2,500,000	31	72.09%	3,200,000	15	34.88%	2,730,000	28	65.11%
1996	3	6,500,000	57	17,740,000	20	35.08%	3,000,000	37	64.91%	5,500,000	25	43.85%	6,890,500	32	56.14%
1996	4	2,735,000	58	19,000,000	17	29.31%	2,200,000	41	70.68%	4,650,000	27	46.55%	2,400,000	31	53.44%
1997	1	5,053,250	74	16,635,500	23	31.08%	3,500,000	51	68.91%	6,300,000	29	39.18%	4,075,000	45	60.81%
1997	2	2,862,500	72	17,750,000	17	23.61%	2,150,000	55	76.38%	2,445,000	24	33.33%	3,047,350	48	66.66%
1997	3	3,437,500	90	19,000,000	21	23.33%	2,400,000	69	76.66%	5,140,000	38	42.22%	2,550,000	52	57.77%
1997	4	4,330,950	78	17,000,000	27	34.61%	2,300,000	51	65.38%	10,435,445	27	34.61%	3,600,000	51	65.38%
1998	1	4,698,800	92	20,000,000	31	33.69%	3,100,000	61	66.30%	6,353,000	33	35.86%	4,600,000	59	64.13%
1998	2	3,635,000	95	23,765,000	21	22.10%	3,000,000	74	77.89%	3,998,240	28	29.47%	3,625,000	67	70.52%
1998	3	2,961,059	92	16,740,000	12	13.04%	2,690,550	80	86.95%	2,255,000	30	32.60%	3,365,000	62	67.39%
1998	4	2,500,000	83	35,000,000	15	18.07%	2,337,500	68	81.92%	4,450,000	29	34.93%	2,500,000	54	65.06%
1999	1	2,425,000	88	24,638,095	10	11.36%	2,125,000	78	88.63%	3,500,000	32	36.36%	2,300,000	56	63.63%
1999	2	2,106,250	94	67,000,000	5	5.31%	2,000,000	89	94.68%	2,067,500	28	29.78%	2,106,250	66	70.21%
1999	3	2,500,000	99	20,711,100	10	10.10%	2,130,000	89	89.89%	1,800,000	19	19.19%	2,522,500	80	80.80%
1999	4	2,470,000	86	18,190,000	14	16.27%	2,095,000	72	83.72%	2,325,000	22	25.58%	2,575,000	64	74.41%
2000	1	2,400,000	109	23,253,895	10	9.17%	2,300,000	99	90.82%	2,350,000	43	39.44%	2,428,500	66	60.55%
2000	2	2,450,000	88	14,500,000	9	10.22%	2,275,000	79	89.77%	2,325,000	24	27.27%	2,450,000	64	72.72%
2000	3	2,650,000	94	20,346,875	16	17.02%	2,275,000	78	82.97%	2,925,000	24	25.53%	2,537,500	70	74.46%
2000	4	2,475,000	101	18,050,000	14	13.86%	2,300,000	87	86.13%	4,500,000	26	25.74%	2,350,000	75	74.25%
2001	1	2,970,650	104	28,437,500	18	17.30%	2,422,500	86	82.69%	2,650,000	29	27.88%	3,000,000	75	72.11%
2001	2	2,800,000	109	23,795,000	12	11%	2,690,000	97	88.99%	5,825,000	25	22.93%	2,687,150	84	77.06%
2001	3	2,650,000	86	16,000,000	6	6.97%	2,500,000	80	93.02%	3,150,000	21	24.41%	2,600,000	65	75.58%
2001	4	2,400,000	73	20,500,000	5	6.84%	2,300,000	68	93.15%	2,800,000	17	23.28%	2,300,000	56	76.71%
2002	1	2,125,000	70	11,518,052	5	7.14%	2,000,000	65	92.85%	1,700,000	17	24.28%	2,200,000	53	75.71%
2002	2	2,400,000	105	18,125,000	10	9.52%	2,295,000	95	90.47%	3,125,000	33	31.42%	2,322,496	72	68.57%
2002	3	2,390,200	80	12,750,000	5	6.25%	2,250,000	75	93.75%	2,197,500	24	30%	2,485,000	56	70%
2002	4	2,907,500	100	23,500,000	16	16%	2,575,000	84	84%	2,907,500	34	34%	2,862,500	66	66%
2003	1	2,530,000	94	13,000,000	9	9.57%	2,425,000	85	90.42%	3,850,000	21	22.34%	2,425,000	73	77.65%
2003	2	2,750,000	110	18,500,000	10	9.09%	2,509,500	100	90.90%	3,160,000	31	28.18%	2,600,000	79	71.81%
2003	3	3,333,000	141	14,359,286	28	19.85%	2,600,000	113	80.14%	3,660,000	45	31.91%	3,032,500	96	68.08%
2003	4	2,650,000	147	16,375,000	18	12.24%	2,430,000	129	87.75%	2,975,000	34	23.12%	2,500,000	113	76.87%

Transaction volume (observed) and median sale price (continued, 2004–2012)

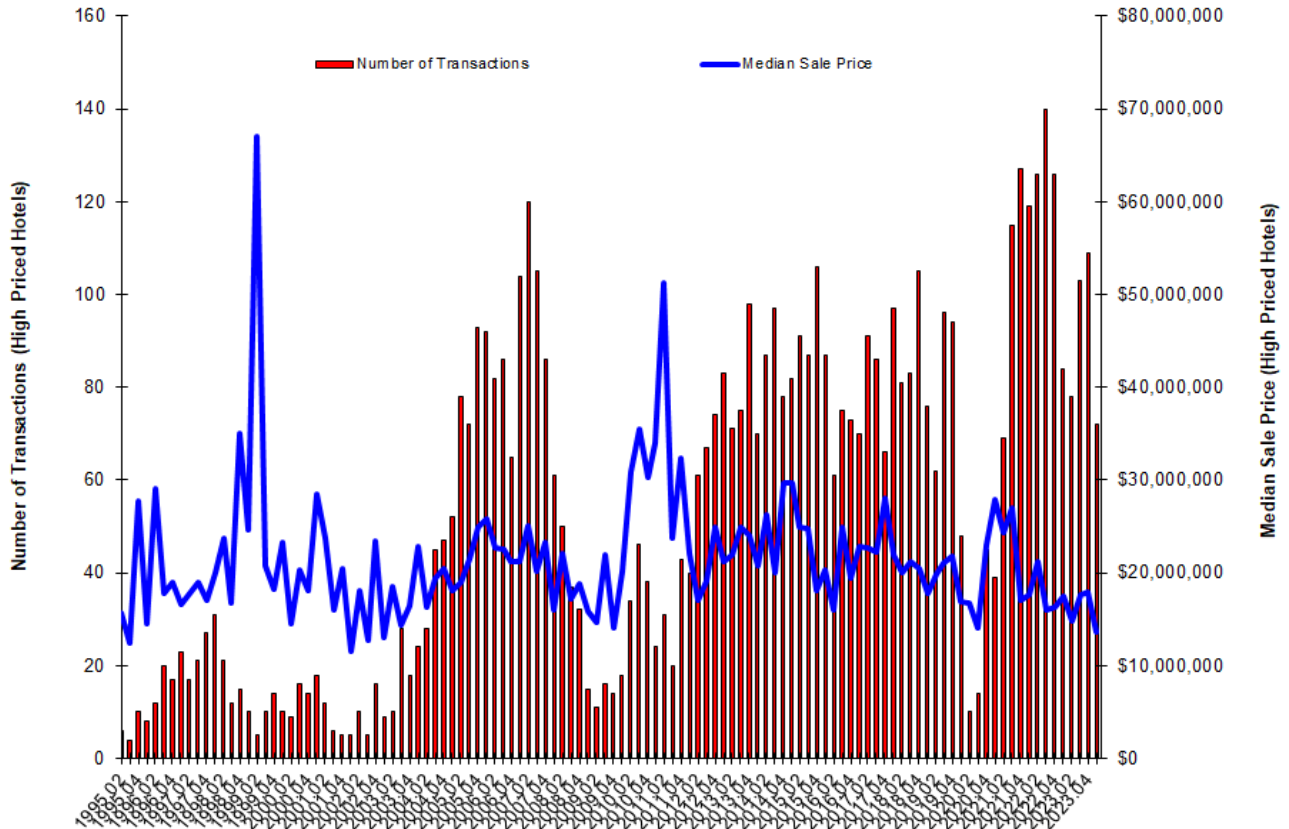
Year	Quarter	Full Sample		Big			Small			Gateway			No Gateway		
		Median Sale Price	N	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales
2004	1	2,925,000	166	22,875,250	24	14.45%	2,536,756	142	85.54%	3,450,000	41	24.69%	2,894,000	125	75.30%
2004	2	2,750,000	193	16,280,000	28	14.50%	2,500,000	165	85.49%	4,500,000	39	20.20%	2,575,000	154	79.79%
2004	3	3,535,000	212	19,350,000	45	21.22%	2,700,500	167	78.77%	5,018,750	48	22.64%	3,328,250	164	77.35%
2004	4	4,000,000	177	20,475,000	47	26.55%	3,085,500	130	73.44%	8,850,000	36	20.33%	3,600,000	141	79.66%
2005	1	4,400,000	229	18,100,000	52	22.70%	3,400,000	177	77.29%	6,687,500	40	17.46%	3,800,000	189	82.53%
2005	2	4,588,750	314	18,956,812	78	24.84%	3,292,650	236	75.15%	6,500,000	67	21.33%	4,400,000	247	78.66%
2005	3	4,237,500	270	21,475,000	72	26.66%	3,150,000	198	73.33%	6,100,000	61	22.59%	3,850,000	209	77.40%
2005	4	4,425,000	300	25,000,000	93	31%	3,150,000	207	68.99%	11,200,000	65	21.66%	4,000,000	235	78.33%
2006	1	5,387,500	298	25,750,000	92	30.87%	3,825,000	206	69.12%	19,800,000	63	21.14%	5,000,000	235	78.85%
2006	2	4,750,000	313	22,750,000	82	26.19%	3,500,000	231	73.80%	6,175,000	56	17.89%	4,500,000	257	82.10%
2006	3	5,000,000	285	22,500,000	86	30.17%	3,650,000	199	69.82%	7,000,000	59	20.70%	4,705,399	226	79.29%
2006	4	4,587,500	248	21,200,000	65	26.20%	3,550,000	183	73.79%	8,093,750	56	22.58%	4,270,000	192	77.41%
2007	1	6,205,000	284	21,225,000	104	36.61%	3,744,750	180	63.38%	9,525,000	62	21.83%	5,706,500	222	78.16%
2007	2	5,668,000	381	25,125,000	120	31.49%	3,800,000	261	68.50%	9,125,000	66	17.32%	5,500,000	315	82.67%
2007	3	5,500,000	327	20,100,161	105	32.11%	3,949,250	222	67.88%	8,611,500	51	15.59%	5,018,277	276	84.40%
2007	4	4,680,000	249	23,250,000	86	34.53%	3,150,000	163	65.46%	9,375,000	36	14.45%	4,500,000	213	85.54%
2008	1	5,000,000	255	16,000,000	61	23.92%	3,985,000	194	76.07%	5,990,000	46	18.03%	4,650,000	209	81.96%
2008	2	5,062,900	228	22,150,000	50	21.92%	3,890,000	178	78.07%	8,725,000	38	16.66%	4,800,000	190	83.33%
2008	3	4,300,000	170	17,133,333	37	21.76%	3,350,000	133	78.23%	5,500,000	27	15.88%	3,950,000	143	84.11%
2008	4	4,050,000	159	18,850,000	32	20.12%	3,500,000	127	79.87%	4,972,500	27	16.98%	3,920,000	132	83.01%
2009	1	4,150,000	81	15,800,000	15	18.51%	3,600,000	66	81.48%	7,375,000	16	19.75%	3,700,000	65	80.24%
2009	2	3,090,231	86	14,722,500	11	12.79%	2,864,310	75	87.20%	5,410,250	16	18.60%	3,000,000	70	81.39%
2009	3	3,400,000	89	22,000,000	16	17.97%	3,000,000	73	82.02%	4,608,750	14	15.73%	3,237,500	75	84.26%
2009	4	3,562,500	84	14,100,000	14	16.66%	3,010,250	70	83.33%	4,520,000	12	14.28%	3,400,000	72	85.71%
2010	1	3,900,000	89	20,162,500	18	20.22%	2,825,000	71	79.77%	8,450,000	15	16.85%	3,825,000	74	83.14%
2010	2	3,700,000	138	30,833,449	34	24.63%	3,000,000	104	75.36%	15,400,000	34	24.63%	3,100,000	104	75.36%
2010	3	4,925,000	119	35,500,000	46	38.65%	2,850,000	73	61.34%	25,000,000	37	31.09%	3,133,500	82	68.90%
2010	4	3,988,800	100	30,353,182	38	38%	2,420,000	62	62%	38,500,000	23	23%	3,265,000	77	77%
2011	1	4,325,000	84	34,050,000	24	28.57%	2,797,750	60	71.42%	12,275,000	15	17.85%	3,800,000	69	82.14%
2011	2	4,200,000	97	51,200,000	31	31.95%	2,250,000	66	68.04%	15,600,000	23	23.71%	3,175,000	74	76.28%
2011	3	3,350,000	73	23,772,500	20	27.39%	2,800,000	53	72.60%	3,700,000	17	23.28%	3,275,000	56	76.71%
2011	4	5,100,000	156	32,400,000	43	27.56%	3,250,000	113	72.43%	10,950,000	34	21.79%	4,400,000	122	78.20%
2012	1	5,266,981	130	22,100,000	40	30.76%	3,337,500	90	69.23%	13,837,500	28	21.53%	4,225,000	102	78.46%
2012	2	4,000,000	209	17,000,000	61	29.18%	2,779,500	148	70.81%	15,900,000	22	10.52%	3,700,000	187	89.47%
2012	3	7,000,000	169	19,100,000	67	39.64%	2,720,250	102	60.35%	16,050,000	32	18.93%	5,250,000	137	81.06%
2012	4	5,661,250	206	24,866,613	74	35.92%	3,150,000	132	64.07%	16,174,794	39	18.93%	5,100,000	167	81.06%

Transaction volume (observed) and median sale price (concluded, 2013–2024)

Year	Quarter	Full Sample		Big			Small			Gateway			No Gateway		
		Median Sale Price	N	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales	Median Sale Price	Obs	% Total Sales
2013	1	5,997,496	236	21,154,582	83	35.16%	2,975,000	153	64.83%	7,750,000	50	21.18%	5,575,000	186	78.81%
2013	2	4,700,000	217	22,000,000	71	32.71%	2,500,000	146	67.28%	16,000,000	38	17.51%	4,200,000	179	82.48%
2013	3	5,385,855	244	25,000,000	75	30.73%	3,500,000	169	69.26%	9,949,500	35	14.34%	5,000,000	209	85.65%
2013	4	4,633,750	312	24,000,000	98	31.41%	2,800,000	214	68.58%	13,500,000	55	17.62%	4,000,000	257	82.37%
2014	1	5,625,000	228	20,750,000	70	30.70%	3,300,000	158	69.29%	8,825,900	59	25.87%	5,000,000	169	74.12%
2014	2	4,300,000	317	26,250,000	87	27.44%	2,837,500	230	72.55%	11,200,000	59	18.61%	3,725,000	258	81.38%
2014	3	5,625,000	348	20,000,000	97	27.87%	3,500,000	251	72.12%	12,633,718	63	18.10%	5,000,000	285	81.89%
2014	4	4,625,000	308	29,625,000	78	25.32%	3,185,000	230	74.67%	8,225,000	72	23.37%	4,040,000	236	76.62%
2015	1	6,000,000	250	29,750,000	82	32.80%	3,156,050	168	67.20%	8,280,000	47	18.80%	5,550,000	203	81.20%
2015	2	6,300,000	267	25,000,000	91	34.08%	3,250,000	176	65.91%	18,765,000	46	17.22%	5,525,000	221	82.77%
2015	3	5,050,000	299	24,800,000	87	29.09%	3,012,500	212	70.90%	12,100,000	53	17.72%	4,275,000	246	82.27%
2015	4	6,650,000	292	18,080,000	106	36.30%	3,125,000	186	63.69%	14,415,000	51	17.46%	5,400,000	241	82.53%
2016	1	5,608,750	292	20,375,000	87	29.79%	3,400,000	205	70.20%	13,600,000	45	15.41%	5,300,000	247	84.58%
2016	2	4,100,000	319	16,000,000	61	19.12%	3,375,000	258	80.87%	11,600,000	48	15.04%	3,750,000	271	84.95%
2016	3	4,862,500	284	25,000,000	75	26.40%	3,200,000	209	73.59%	24,500,000	34	11.97%	4,362,500	250	88.02%
2016	4	4,100,000	261	19,480,000	73	27.96%	2,800,000	188	72.03%	13,352,600	28	10.72%	3,720,000	233	89.27%
2017	1	5,275,000	252	22,880,750	70	27.77%	3,600,000	182	72.22%	14,726,254	28	11.11%	4,950,000	224	88.88%
2017	2	5,150,000	329	22,660,000	91	27.65%	3,356,250	238	72.34%	16,450,000	37	11.24%	4,525,000	292	88.75%
2017	3	5,000,000	321	22,250,000	86	26.79%	3,431,000	235	73.20%	22,250,000	38	11.83%	4,525,000	283	88.16%
2017	4	4,532,000	263	28,000,000	66	25.09%	2,950,000	197	74.90%	12,208,000	26	9.88%	4,300,000	237	90.11%
2018	1	5,500,000	309	21,882,400	97	31.39%	3,500,000	212	68.60%	14,750,000	40	12.94%	5,000,000	269	87.05%
2018	2	4,805,200	364	20,000,000	81	22.25%	3,300,000	283	77.74%	17,625,000	40	10.98%	4,300,000	324	89.01%
2018	3	5,150,000	331	21,265,000	83	25.07%	3,730,000	248	74.92%	13,342,500	22	6.64%	5,000,000	309	93.35%
2018	4	6,490,000	279	20,500,000	105	37.63%	3,300,000	174	62.36%	14,440,000	33	11.82%	5,580,556	246	88.17%
2019	1	5,350,000	285	17,802,698	76	26.66%	3,600,000	209	73.33%	15,750,000	34	11.92%	4,820,000	251	88.07%
2019	2	4,080,000	330	19,848,485	62	18.78%	3,384,500	268	81.21%	6,300,000	35	10.60%	3,942,000	295	89.39%
2019	3	4,700,000	399	21,000,000	96	24.06%	3,500,000	303	75.93%	15,850,000	42	10.52%	4,350,000	357	89.47%
2019	4	5,002,498	380	21,855,650	94	24.73%	3,350,000	286	75.26%	11,000,000	35	9.21%	4,697,000	337	88.68%
2020	1	4,100,000	303	16,900,000	48	15.84%	3,400,000	255	84.15%	6,313,000	22	7.26%	4,090,000	281	92.73%
2020	2	3,380,000	80	16,787,500	10	12.50%	2,515,000	70	87.50%	6,700,000	7	8.75%	3,360,000	73	91.25%
2020	3	2,850,000	171	14,062,500	14	8.18%	2,600,000	157	91.81%	7,219,750	12	7.01%	2,670,000	159	92.98%
2020	4	3,625,000	242	23,053,000	45	18.59%	2,800,000	197	81.40%	10,725,000	36	14.87%	3,000,000	206	85.12%
2021	1	3,925,750	212	27,900,000	39	18.39%	3,100,000	173	81.60%	11,500,000	19	8.96%	3,700,000	193	91.03%
2021	2	3,500,000	346	24,352,000	69	19.94%	2,900,000	277	80.05%	9,675,000	34	9.82%	3,337,500	312	90.17%
2021	3	4,350,000	448	27,000,000	115	25.66%	3,125,000	333	74.33%	33,820,000	38	8.48%	4,000,000	410	91.51%
2021	4	4,712,500	492	17,100,000	127	25.81%	3,300,000	365	74.18%	9,687,500	36	7.31%	4,380,000	456	92.68%
2022	1	5,062,500	439	17,600,000	119	27.10%	3,475,000	320	72.89%	12,025,000	42	9.56%	4,875,000	397	90.43%
2022	2	5,300,000	556	21,140,000	126	22.66%	3,750,000	430	77.33%	9,250,000	50	8.99%	5,074,500	506	91%
2022	3	5,277,500	550	16,050,000	140	25.45%	3,650,000	410	74.54%	11,000,000	61	11.09%	5,000,000	489	88.90%
2022	4	5,675,000	468	16,358,750	126	26.92%	3,995,000	342	73.07%	9,300,000	35	7.47%	5,500,000	433	92.52%
2023	1	5,000,000	348	17,456,879	84	24.13%	3,585,000	264	75.86%	11,750,000	28	8.04%	4,850,000	320	91.95%
2023	2	5,173,300	402	14,760,099	78	19.40%	3,800,000	324	80.59%	5,025,000	24	5.97%	5,173,300	378	94.02%
2023	3	5,500,000	351	17,700,000	103	29.34%	3,700,000	248	70.65%	15,000,000	31	8.83%	5,094,096	320	91.16%
2023	4	6,000,000	381	18,000,000	109	28.60%	4,162,500	272	71.39%	9,600,000	41	10.76%	5,800,000	340	89.23%
2024	1	5,269,000	325	13,575,000	72	22.15%	3,750,000	253	77.84%	9,550,000	20	6.15%	5,200,000	305	93.84%

Source: Cornell Center for Real Estate and Finance

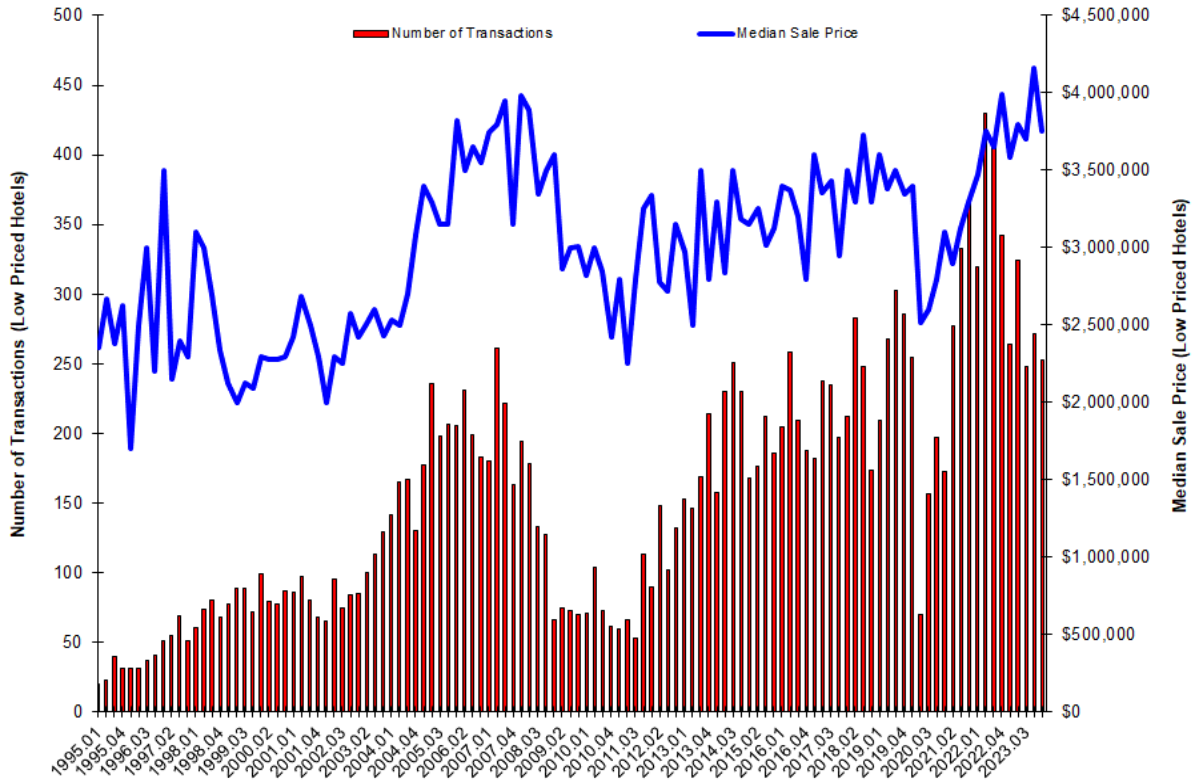
Median sale price and number of sales, large hotels (sale prices of \$10 million or more)



Sources: CoStar, Real Capital Analytics

	Full Sample		Large Hotels		Small Hotels	
	Median Price	No. of Sales	Median Price	No. of Sales	Median Price	No. of Sales
2024Q1	\$5,269,000	325	\$13,575,000	72	\$3,750,000	253
Quarter over Quarter	-12.2%	-14.7%	-24.6%	-33.9%	-9.9%	-7.0%
Year over Year	5.4%	-6.6%	-22.2%	-14.3%	4.6%	-4.2%
	Full Sample		Gateway Hotels		Non-Gateway Hotels	
	Median Price	No. of Sales	Median Price	No. of Sales	Median Price	No. of Sales
2024Q1	\$5,269,000	325	\$9,550,000	20	\$5,200,000	305
Quarter over Quarter	-12.2%	-14.7%	-0.52%	-51.2%	-10.3%	-10.3%

Median sale price and number of sales, small hotels (sale prices less than \$10 million)



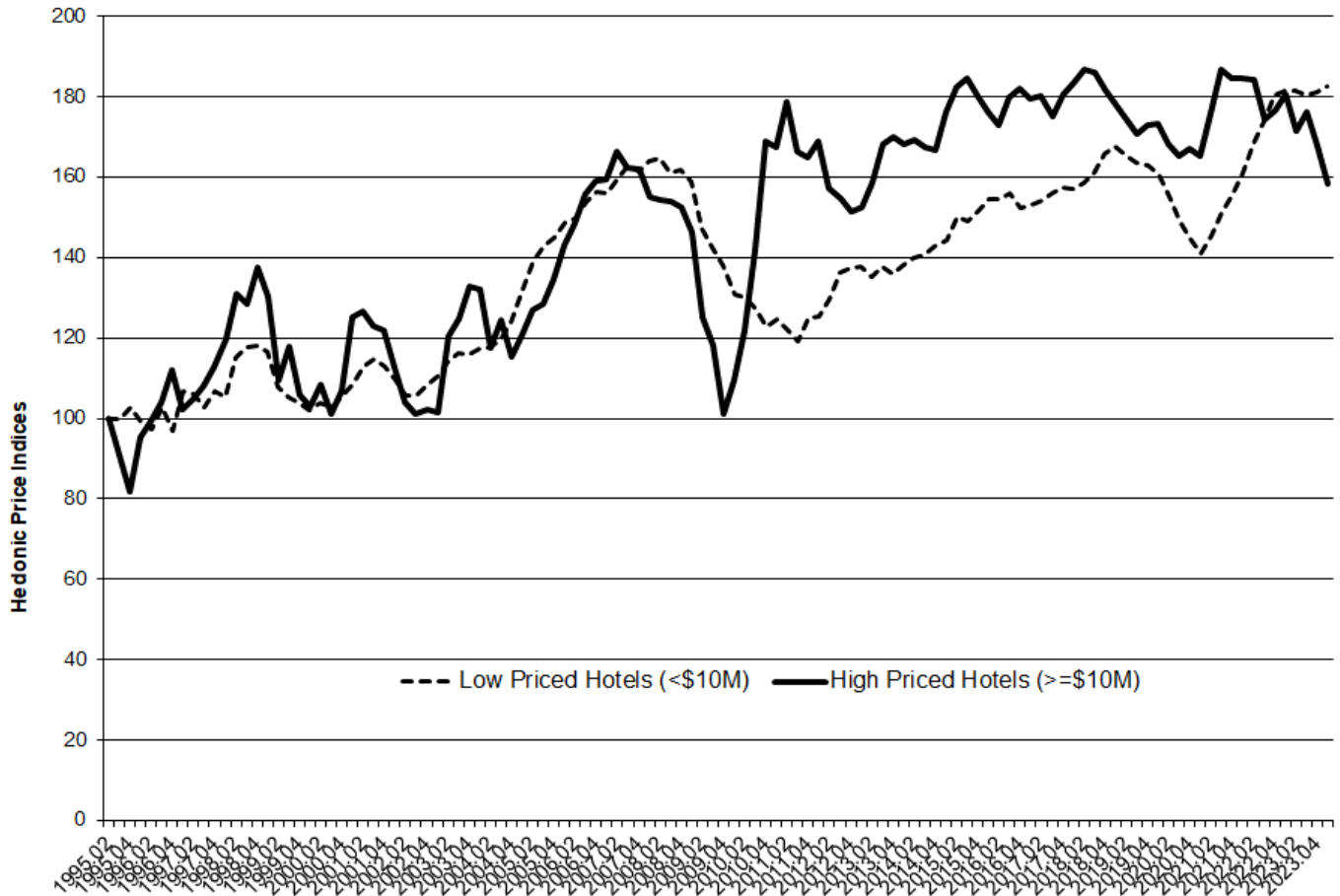
Sources: CoStar, Real Capital Analytics

Hotel indices through 2024, quarter 1

YrQtr	Low Priced Hotels (<\$10M)	High Priced Hotels (>=\$10M)	Non Gateway Index	Gateway Index	Repeat Sales Index	Index Value Repeat Sales	YrQtr	Low Priced Hotels (<\$10M)	High Priced Hotels (>=\$10M)	Non Gateway Index	Gateway Index	Repeat Sales Index	Index Value Repeat Sales
1995.02	97.91	94.12	81.95	103.60	63.93	NA	2010.01	128.12	103.03	117.79	159.16	116.15	120.38
1995.03	97.68	85.60	80.48	99.35	66.72	NA	2010.02	127.47	114.79	121.25	162.07	108.70	113.37
1995.04	100.65	76.97	85.19	93.01	68.43	NA	2010.03	124.68	133.42	122.98	216.91	110.03	114.96
1996.01	97.07	89.78	90.15	96.10	70.14	NA	2010.04	120.09	158.88	131.96	248.13	111.77	114.96
1996.02	95.36	93.43	94.62	90.48	73.85	NA	2011.01	121.92	157.55	130.78	263.67	111.64	112.73
1996.03	100.50	97.89	105.72	99.21	72.87	NA	2011.02	119.56	168.22	133.51	271.36	111.68	111.62
1996.04	95.02	105.55	105.61	105.56	74.15	NA	2011.03	116.57	156.45	130.51	227.90	110.55	110.39
1997.01	104.40	96.18	112.72	111.81	87.61	NA	2011.04	122.28	155.13	128.99	212.15	111.28	111.24
1997.02	103.89	98.53	110.85	111.99	88.34	NA	2012.01	122.63	159.10	132.38	224.37	112.71	111.84
1997.03	100.46	101.75	105.70	112.81	94.29	NA	2012.02	127.06	147.95	135.27	227.71	115.40	116.36
1997.04	104.59	106.15	112.75	120.72	100.44	NA	2012.03	133.60	145.70	143.58	242.28	119.17	119.57
1998.01	103.01	112.72	115.68	125.15	97.04	NA	2012.04	134.33	142.52	149.50	252.64	121.16	121.90
1998.02	112.58	123.25	128.07	136.78	102.88	NA	2013.01	134.94	143.39	156.47	244.46	122.28	124.32
1998.03	115.37	120.97	132.39	127.58	104.86	NA	2013.02	132.43	149.31	156.81	250.66	124.22	127.03
1998.04	115.75	129.58	126.50	126.86	102.67	NA	2013.03	134.78	158.11	158.52	251.94	126.48	130.40
1999.01	114.02	122.56	114.50	118.67	95.52	NA	2013.04	133.25	159.90	156.06	256.19	129.72	134.88
1999.02	105.54	103.14	98.61	99.96	89.34	NA	2014.01	135.25	158.43	154.90	255.33	135.23	139.98
1999.03	103.05	110.89	94.05	105.62	87.21	NA	2014.02	136.84	159.19	151.90	259.23	134.86	138.18
1999.04	101.53	99.64	92.90	100.43	89.57	NA	2014.03	137.74	157.67	151.93	262.02	136.17	139.22
2000.01	100.07	96.92	94.46	96.33	95.18	90.478	2014.04	139.94	156.90	152.03	236.22	135.24	136.84
2000.02	101.68	101.97	99.14	100.48	97.92	90.478	2015.01	141.28	165.93	155.81	247.58	137.14	138.15
2000.03	100.78	95.10	100.77	95.40	97.41	87.745	2015.02	146.96	171.57	167.97	254.79	141.22	142.11
2000.04	103.61	100.81	102.65	102.19	94.61	88.532	2015.03	145.93	173.55	166.55	278.65	150.11	151.60
2001.01	106.44	117.92	110.03	105.76	93.18	88.624	2015.04	148.52	169.69	173.81	316.65	160.24	161.85
2001.02	110.51	119.04	110.46	116.77	93.83	88.249	2016.01	151.18	165.75	174.74	332.16	162.88	165.04
2001.03	112.39	115.72	109.11	116.55	94.90	91.442	2016.02	151.43	162.66	167.53	335.84	164.03	166.98
2001.04	110.62	114.77	105.70	111.33	94.72	89.038	2016.03	152.57	169.18	169.54	350.50	162.89	164.50
2002.01	107.53	106.02	98.93	107.10	95.53	91.877	2016.04	149.03	171.45	164.19	339.89	157.76	160.11
2002.02	103.40	97.76	95.25	97.42	94.05	91.37	2017.01	149.93	168.76	163.64	320.40	160.92	163.38
2002.03	103.31	95.20	94.67	99.22	94.71	90.263	2017.02	151.04	169.65	169.86	326.29	167.62	170.60
2002.04	105.93	96.15	99.78	100.82	95.81	94.365	2017.03	152.56	164.95	171.47	315.11	168.55	172.46
2003.01	108.00	95.66	100.42	112.35	96.85	93.59	2017.04	154.03	170.07	172.50	314.04	171.52	174.77
2003.02	111.60	113.45	105.02	120.08	99.26	97.329	2018.01	153.68	172.68	173.82	353.59	172.57	175.99
2003.03	113.73	117.40	108.23	128.22	101.18	101.64	2018.02	155.14	175.65	173.03	361.53	172.84	175.11
2003.04	113.55	124.91	107.82	133.06	102.75	104.63	2018.03	157.70	174.98	175.35	361.00	176.64	178.46
2004.01	114.96	124.38	108.97	132.55	102.19	105.66	2018.04	162.43	171.02	186.17	385.79	179.45	180.97
2004.02	115.21	110.52	107.72	135.82	102.62	106.48	2019.01	164.12	167.58	185.81	365.54	179.85	180.71
2004.03	116.92	117.16	110.44	145.47	107.40	112.16	2019.02	161.99	164.05	182.70	339.58	179.65	179.72
2004.04	121.27	108.57	115.36	152.96	108.84	112.53	2019.03	160.03	160.50	179.23	340.37	179.57	179.99
2005.01	128.59	113.61	123.62	172.31	114.01	117.16	2019.04	159.58	162.86	170.36	352.46	181.04	181.87
2005.02	136.41	119.67	136.79	174.08	119.86	123.65	2020.01	157.38	162.96	165.16	336.53	180.71	182.10
2005.03	139.78	120.79	142.51	170.04	121.85	124.53	2020.02	152.00	158.11	157.55	326.79	181.75	183.81
2005.04	141.99	126.88	146.85	179.10	128.00	131.64	2020.03	145.92	155.47	146.91	307.45	179.21	181.33
2006.01	145.60	134.60	154.81	183.37	132.49	136.45	2020.04	141.67	157.40	141.79	273.14	180.64	183.02
2006.02	146.81	139.89	154.86	196.19	135.78	139.63	2021.01	138.01	155.65	136.78	290.90	179.40	181.65
2006.03	150.68	146.56	160.32	215.61	138.14	141.86	2021.02	142.46	165.44	145.81	309.43	180.82	182.76
2006.04	153.15	149.55	164.21	216.14	141.84	143.74	2021.03	147.93	175.67	160.36	330.65	189.01	189.98
2007.01	152.68	149.89	168.54	223.49	145.30	146.6	2021.04	152.24	173.76	170.99	331.98	197.65	196.46
2007.02	156.40	156.71	176.91	234.72	149.27	150.42	2022.01	157.73	173.75	182.07	334.49	205.76	203.98
2007.03	159.55	152.86	180.91	234.28	155.45	158.38	2022.02	164.89	173.38	191.44	344.95	219.70	218.19
2007.04	158.10	152.39	185.07	237.73	157.35	160.99	2022.03	170.34	163.94	195.50	331.28	224.22	223.31
2008.01	160.42	145.83	178.78	239.64	158.82	165.12	2022.04	176.70	166.26	203.83	337.34	225.50	227.29
2008.02	161.22	145.30	174.91	244.27	159.24	166.62	2023.01	177.73	169.93	206.20	330.67	231.94	235.87
2008.03	157.57	144.85	169.13	235.89	158.84	164.04	2023.02	177.69	161.24	203.56	315.54	228.41	234.38
2008.04	158.45	143.36	163.56	228.66	159.23	165.48	2023.03	176.70	165.78	206.30	317.96	224.83	229.99
2009.01	155.42	137.75	155.80	202.37	154.24	160.72	2023.04	177.30	158.01	204.19	307.14	222.97	227.57
2009.02	144.01	117.92	138.74	176.44	149.94	154.41	2024.01	178.82	149.12	202.19	323.62	219.07	221.91
2009.03	139.60	111.37	130.72	161.66	134.89	139.4							
2009.04	135.32	95.22	117.76	159.80	122.07	126.7							

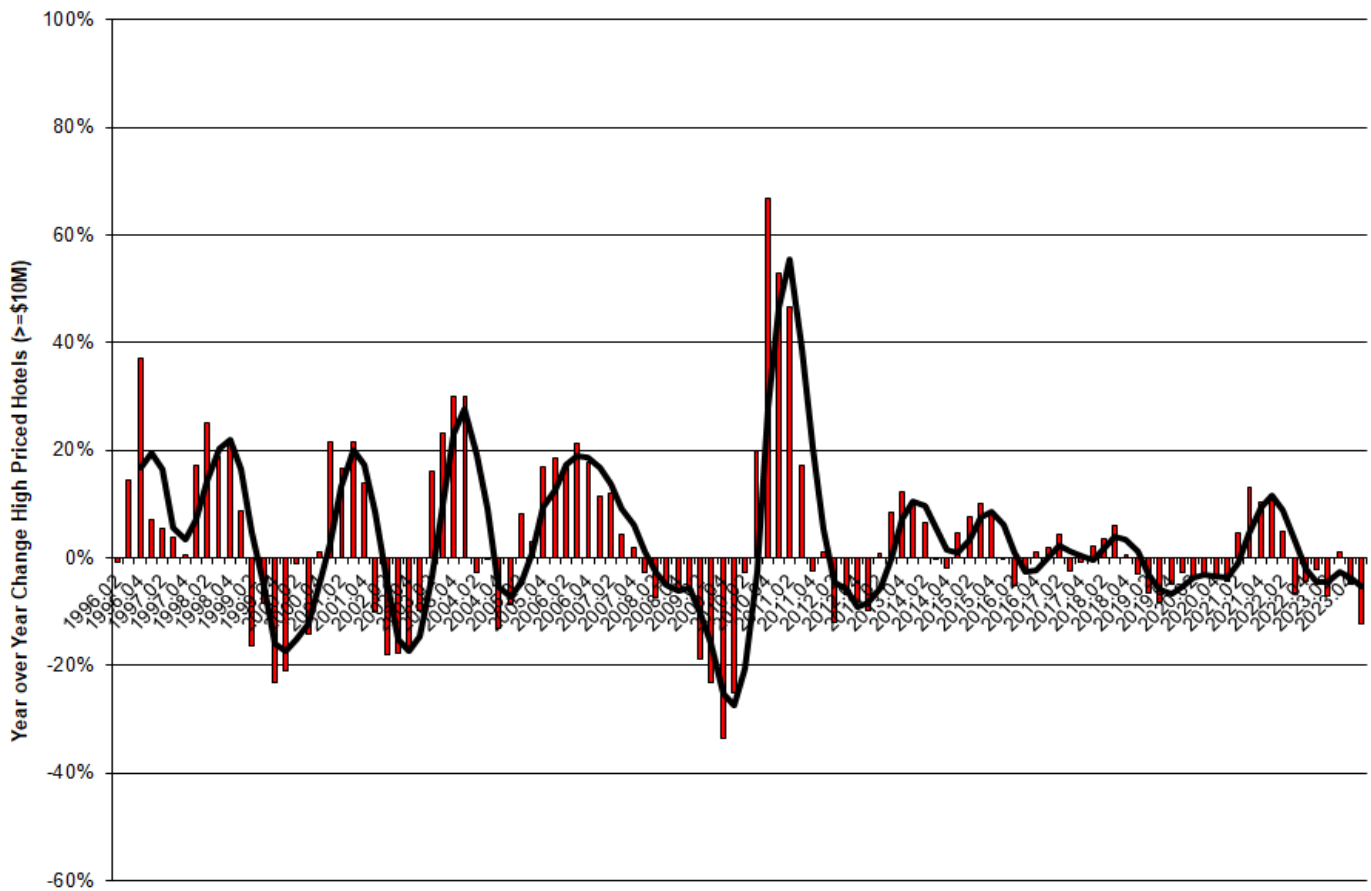
Source: Cornell Center for Real Estate and Finance

Hedonic hotel indices for large and small hotel transactions



Moving averages indicate a “sell” signal for large hotels and a “buy” signal for small hotels. Standardized prices of large hotels continue to soften, while small hotel prices remain relatively stationary. Exhibit 7 graphs the prices reported in Exhibit 6. The price of large hotels fell almost 6 percent, while the price of small hotels remained relatively flat at .9 percent this quarter.

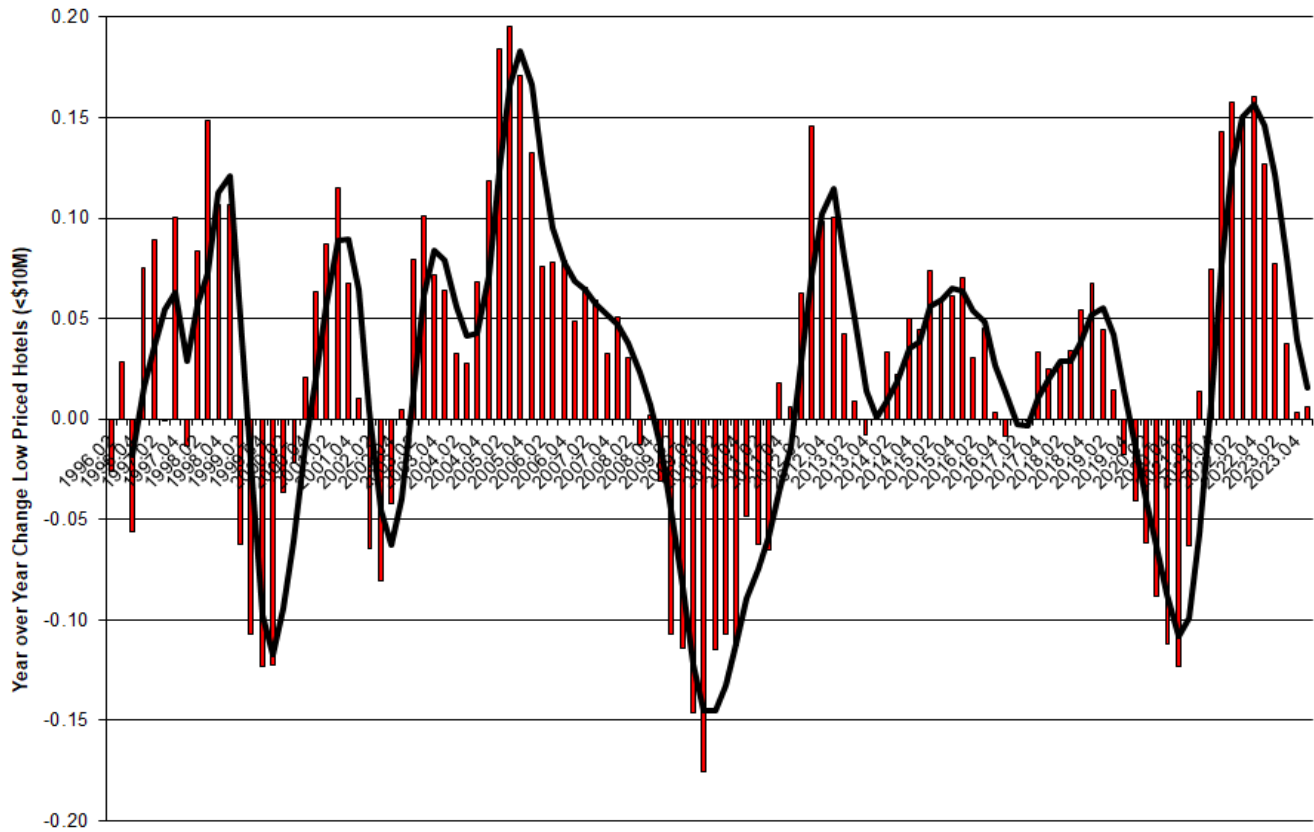
Year-over-year change in large-hotel index with a moving average trendline



Sources: Cornell Center for Real Estate and Finance, CoStar, Real Capital Analytics

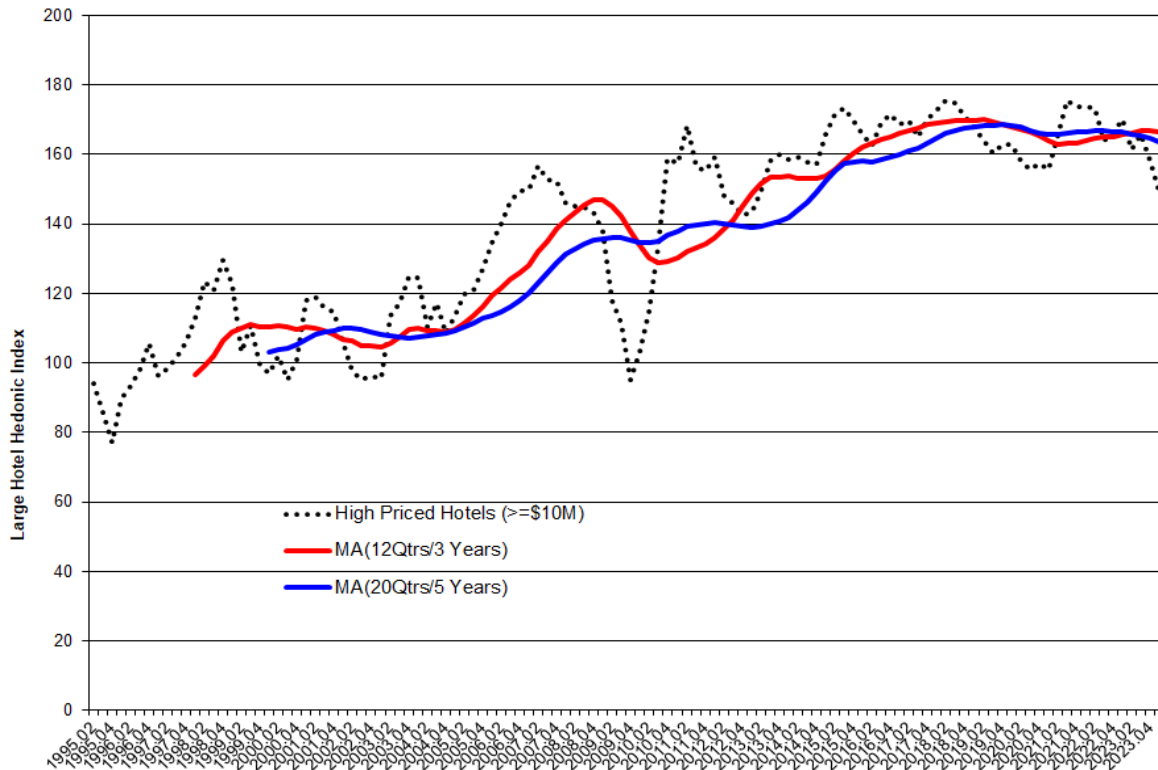
Exhibit 8 and Exhibit 9 show the historical year-over-year change in large and small hotel indices. Year over year, large hotels fell 12 percent, compared to an imperceptible increase of .6 percent in the price of small hotels. To gauge whether the prices of large and small hotels signal a buy or sell, we compare the hedonic price relative to the 3-year and 5-year moving averages in Exhibit 10 and Exhibit 11.

Year-over-year change in small-hotel index with a moving average trendline



Sources: Cornell Center for Real Estate and Finance, CoStar, MSCI-Real Capital Analytics

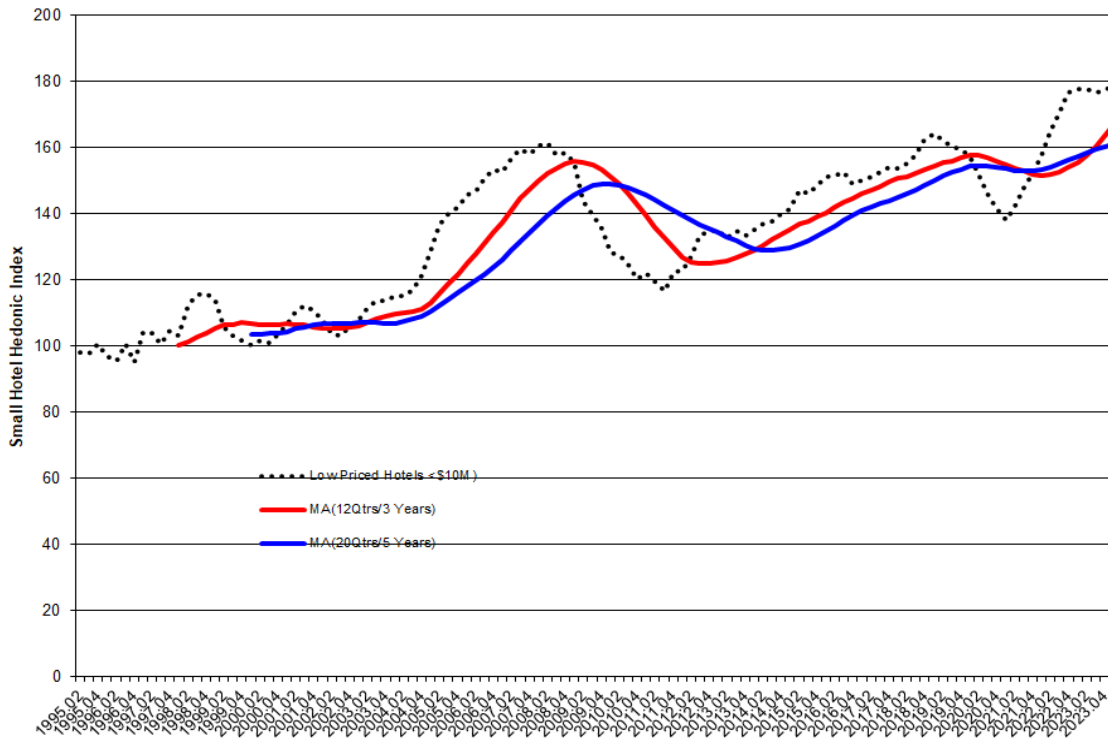
Moving average trendlines for large hotel index



Sources: Cornell Center for Real Estate and Finance, CoStar, MSCI-Real Capital Analytics

	Hedonic Price	Moving Average		Standardized Unexpected Price (Z-Score)	
		3 Year	5 Year	3 Year	5 Year
Large Hotels	Price				
2023Q1	169.93				
2023Q4	158.01			-1.36	-1.05
2024Q1	149.12	166.36	163.66	-2.23	-2.05
Quarter over Quarter	-5.6%				
Year over Year	-12.2%				
Small Hotels	Price	3 Year	5 Year	3 Year	5 Year
2023Q1	177.73				
2023Q4	177.30			0.93	1.31
2024Q1	178.82	166.71	160.86	0.91	1.31
Quarter over Quarter	0.9%				
Year over Year	0.6%				

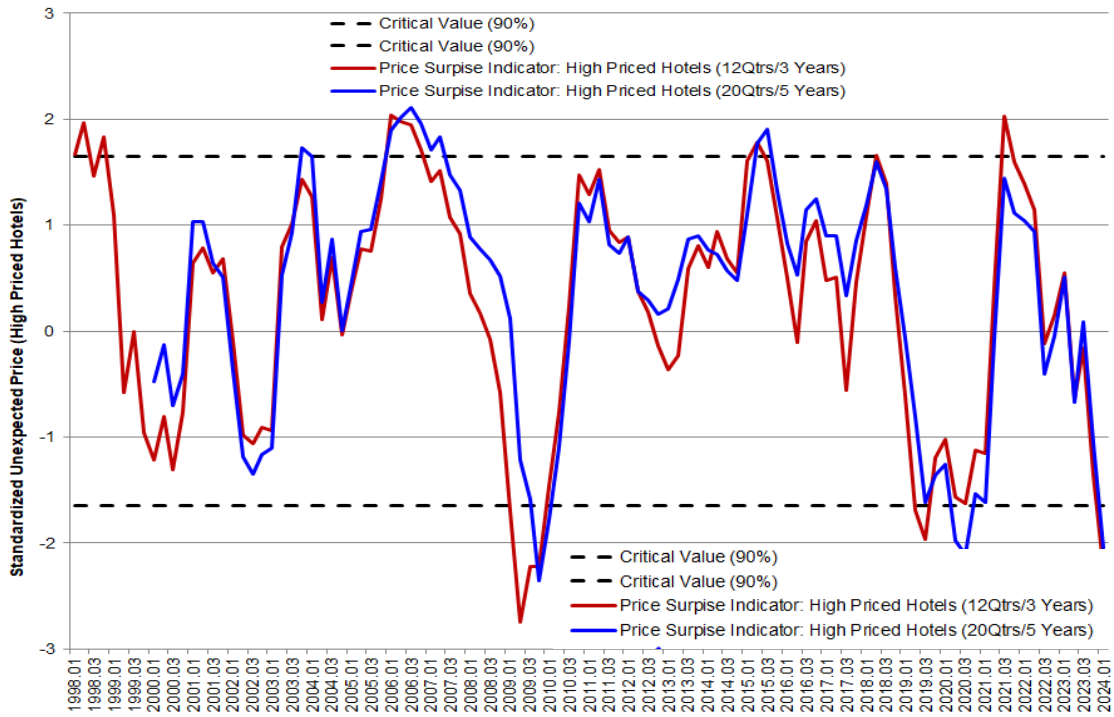
Moving average trendlines for small hotel index



Sources: Cornell Center for Real Estate and Finance, CoStar, MSCI-Real Capital Analytics

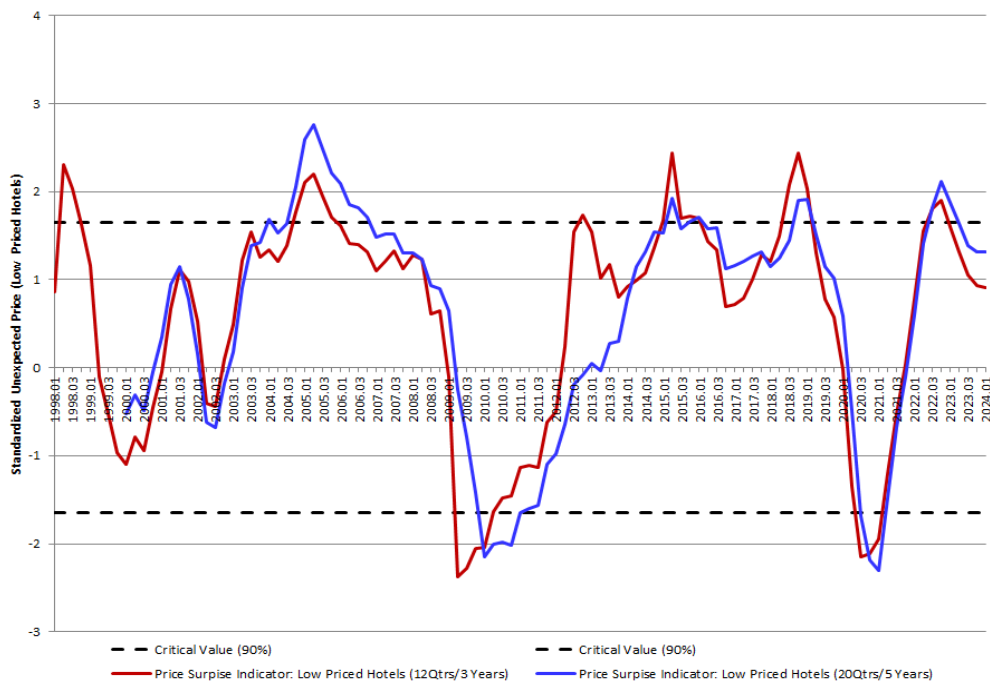
If the price is above a moving average, the trend is up, whereas a price below the moving average is depicted as a downtrend. Since the hedonic price for large hotels is below both its associated 3-year and 5-year moving averages, this indicates a sell signal. In contrast, the hedonic price that is above the moving averages for small hotels indicates a buy signal. To assess whether the price of a large or small hotel has reached a new statistical high or low, we again use the Z-scores statistical technique (see appendix) to standardize prices so that the average price is at zero. As a reminder, if prices rise above 1.645, then this indicates a new statistical high, whereas if prices fall below -1.645, this

Standardized unexpected price (SUP) for large hotel index



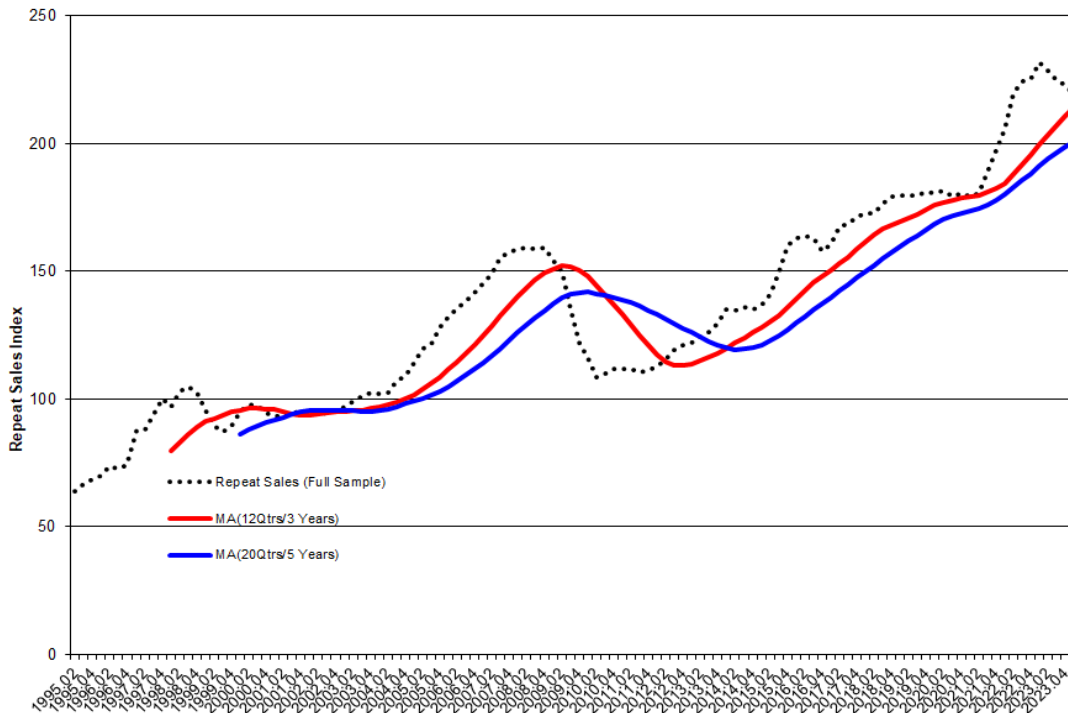
Sources: Cornell Center for Real Estate and Finance, CoStar, MSCI-Real Capital Analytics

Standardized unexpected price (SUP) for small hotel index



Sources: Cornell Center for Real Estate and Finance, CoStar, MSCI-Real Capital Analytics

Moving average trendline for repeat-sale hotel index

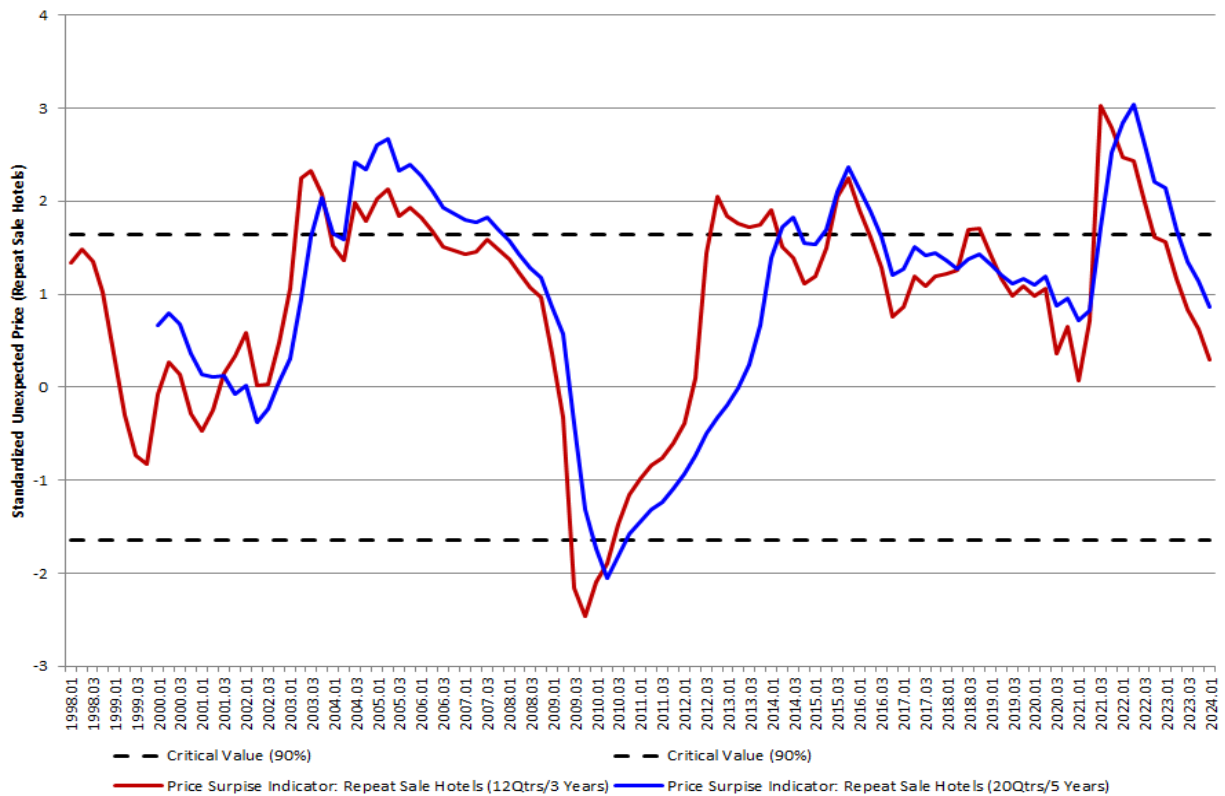


Sources: Cornell Center for Real Estate and Finance, CoStar, MSCI-Real Capital Analytics

	Repeat Sale Price	Moving Average		Standardized Unexpected Price (Z-Score)	
		3 Year	5 Year	3 Year	5 Year
Repeat Sale Hotels	Price				
2023Q1	231.94				
2023Q4	222.97			0.63	1.14
2024Q1	219.07	214.16	200.59	0.29	0.87
Quarter over Quarter	-1.8%				
Year over Year	-5.6%				

is a new statistical low. Exhibit 12 and Exhibit 13 show that the standardized price for large hotels and small hotels has continued to lose momentum. In that regard, the standardized price of large hotels reached a statistically significant new low, while the standardized price of small hotels slid imperceptibly but again remained above its standardized average price of zero.

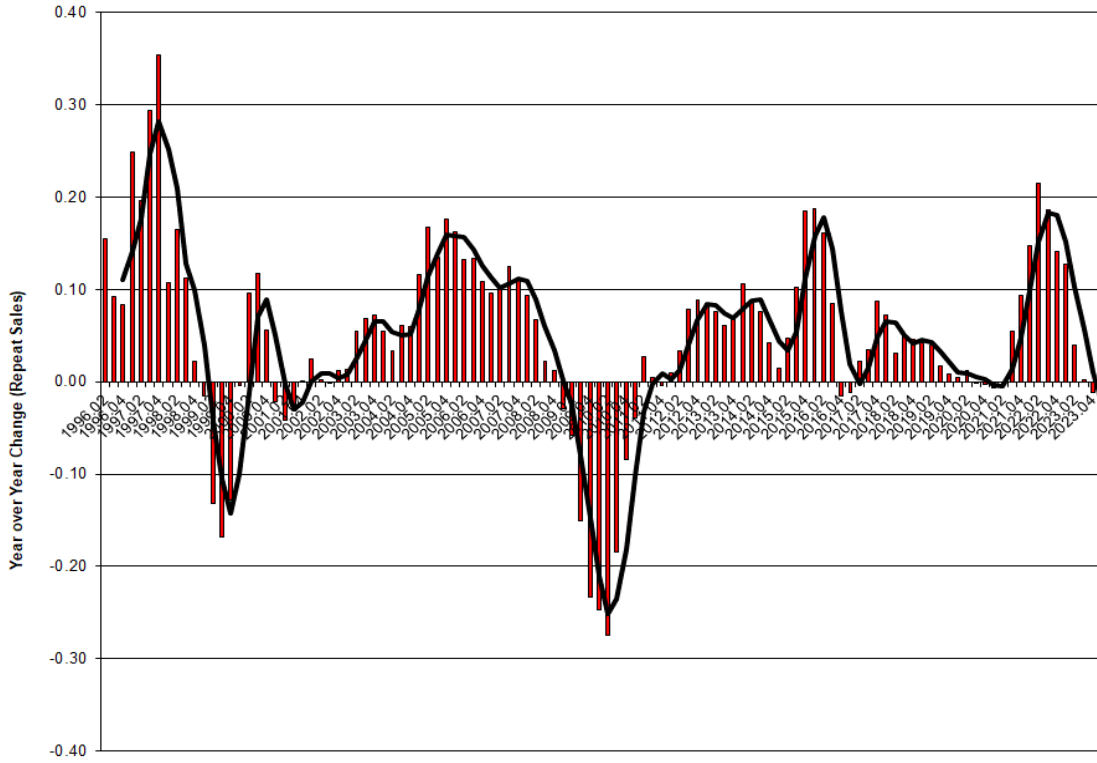
Standardized unexpected price (SUP) for hotel repeat-sale index (full sample)



Sources: Cornell Center for Real Estate and Finance, CoStar, Real Capital Analytics

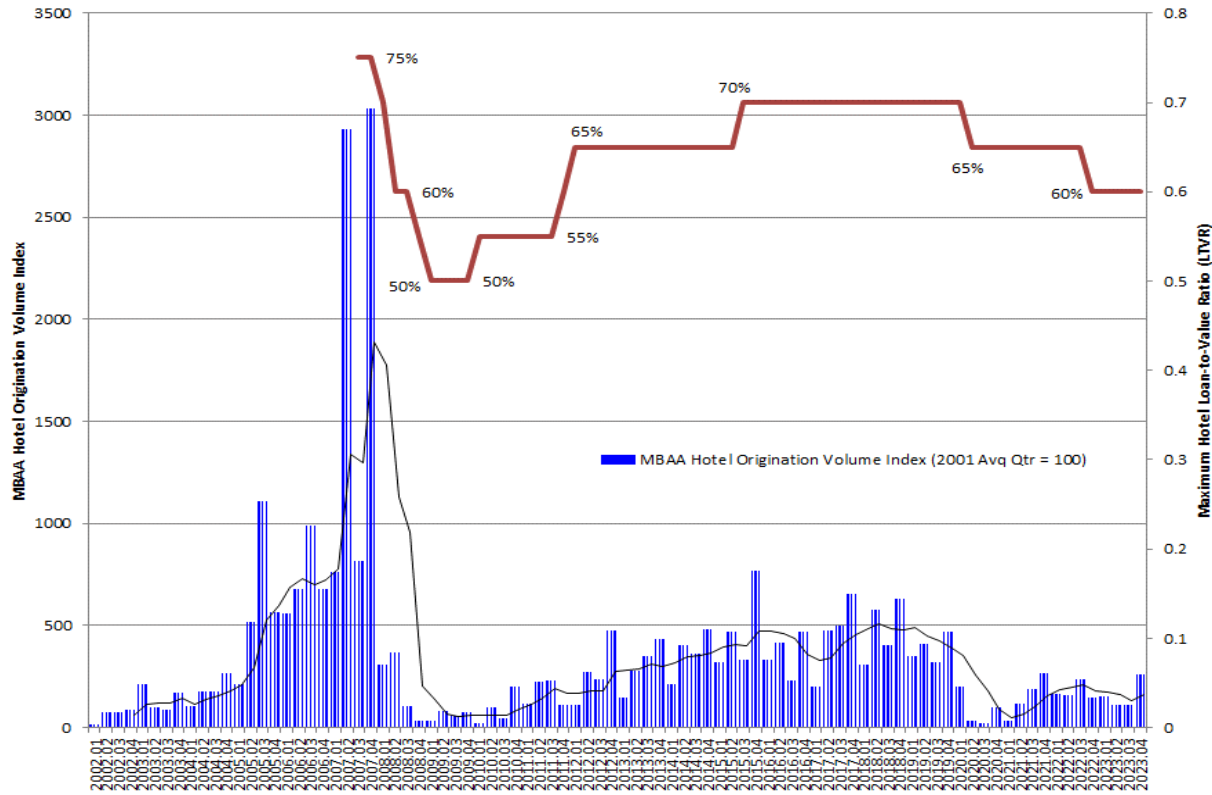
Prices of frequently sold hotels remain above their moving averages, signaling a buy-hold. Standardized prices of repeat-sale hotels continue to revert toward their standardized average. Hotels that tend to sell frequently fell almost 2 percent this quarter and lost 6 percent year over year (see also Exhibit 16). Like small hotels, our repeat sale indicator continues to remain above both its short-term (219.07 > 214.16) and long-term (219.07 > 200.59) moving averages (see Exhibit 14). Thus, these hotels continue to remain a buy opportunity. Our SUP performance metric in Exhibit 15 indicates that both the 3-year and 5-year SUP continue to revert toward their standardized mean (of zero).

Year-over-year change in repeat-sale-hotel index with a moving average trendline



Sources: Cornell Center for Real Estate and Finance, CoStar, Real Capital Analytics

Mortgage origination volume versus the loan-to-value ratio for hotels



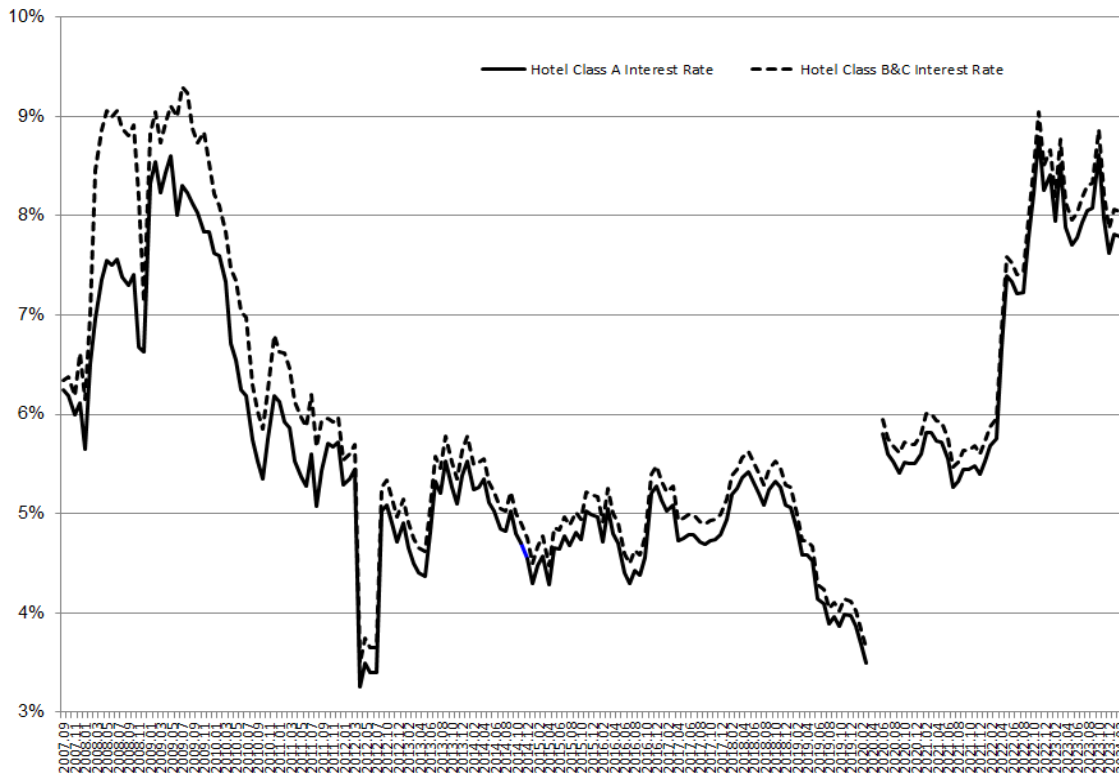
Sources: Mortgage Bankers Association, Cornell Center for Real Estate and Finance, Cushman Wakefield Sonnenblick Goldman

	MBAA Hotel Origination Volume Index (2001 Avg Qtr = 100)
2022Q4	145
2023Q3	113
2023Q4	262
Quarter over Quarter	131.9%
Year over Year	80.7%

Mortgage financing volume rose 132 percent for the most recent quarter reported, and rose 80 percent year over year. Exhibit 17 shows that the mortgage origination volume for hotels, as reported for the fourth quarter of 2024, rose 132 percent this quarter compared to a 2-percent increase in the previous quarter. Hotel loan volume also rose 81 percent year over year, reversing what had been a 52-percent decline in the prior year-over-year period. The maximum loan to value (LTV) ratio for hotels remains at 60 percent this quarter.

The cost of hotel debt financing rose in the recent quarter even though credit spreads continued to tighten and relative risk narrowed. The cost of obtaining hotel debt financing as reported by Cushman Wakefield Sonnenblick Goldman rose 2 percent quarterly, from 7.62 percent (7.87 percent) in December 2023 to 7.78 percent (8.03%) in March 2024 for Full-service Class A hotels (Class B&C hotels). However, interest rates have declined 8.5 percent year over year. In March 2023, interest rates for Class A and Class B&C hotel were at 8.52 percent and 8.77 percent respectively. The rise in interest rates hinders the feasibility of hotel deals near term. Exhibit 18 displays the historical time series graph of hotel interest rates.

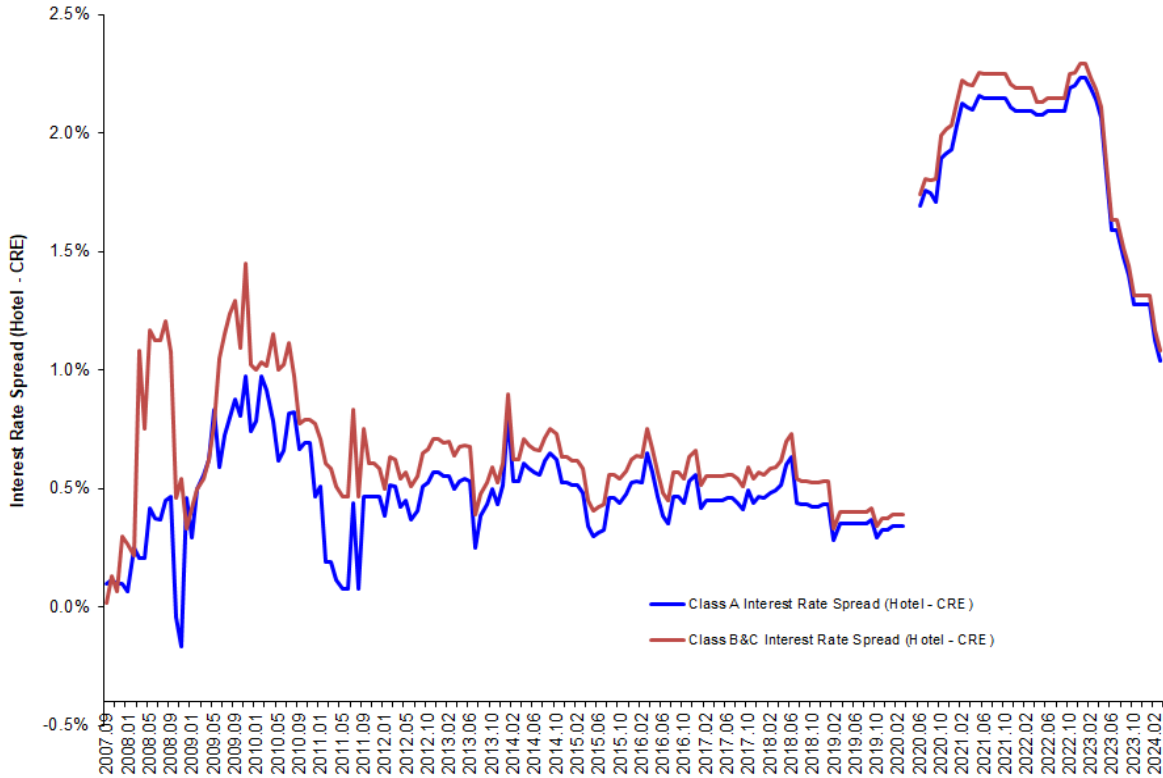
Interest rates on Class A versus Class B & C hotels



Sources: Cornell Center for Real Estate and Finance, Cushman Wakefield Sonnenblick Goldman

To evaluate how risky hotel interest rates are, we compare the interest rate on hotels to other types of commercial real estate (CRE). The interest rate spread for both higher quality (Class A) and lower quality (Class B&C) hotels continues to tighten from the previous two quarters and the previous two year-over-year periods. This indicates that lenders have lowered the additional compensation they require to make hotel loans compared to loans on other major property types given the relative riskiness for hotels. To obtain further insights, we also compare the interest rate on hotels to the yield on a 10-year Treasury bond. The interest-rate spread on this metric has also continued to narrow for both Class A and Class B&C hotels.

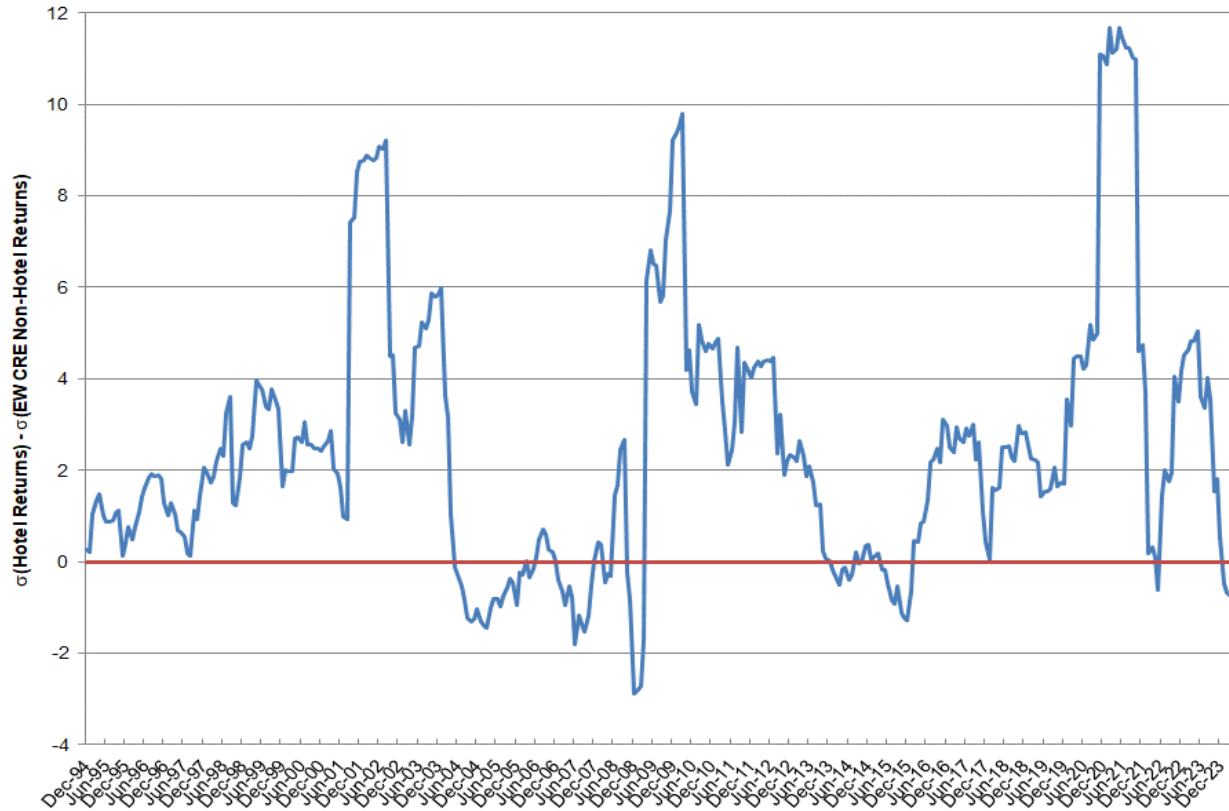
Interest rate spreads of hotels versus non-hotel commercial real estate



Sources: Cornell Center for Real Estate and Finance, Cushman Wakefield Sonnenblick Goldman

	Interest Rates Full-Service Hotels		Interest Rate Spread (Hotel – CRE)		Interest Rate Spread (Hotel – 10 Yr TBond)	
	Class A	Class B&C	Class A	Class B&C	Class A	Class B&C
March 2023	8.52%	8.77%	2.14%	2.18%	4.55%	4.80%
December 2023	7.62%	7.87%	1.28%	1.32%	3.75%	4.00%
March 2024	7.78%	8.03%	1.04%	1.08%	3.45%	3.70%
Quarter over Quarter	2.1%	2.0%	-18.3%	-17.7%	-8.0%	-7.5%
Year over Year	-8.7%	-8.4%	-51.4%	-50.4%	-24.2%	-22.9%

Risk differential between hotel REITs and non-hotel commercial-property REITs

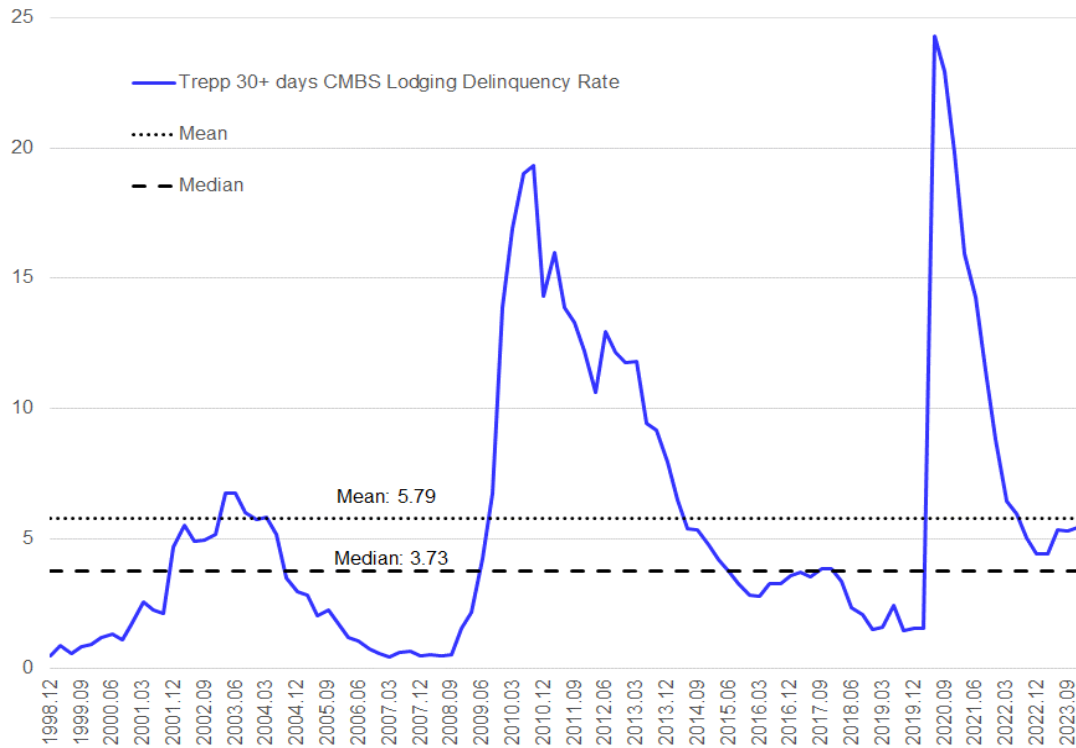


Sources: NAREIT, Cornell Center for Real Estate and Finance

Another way to view default risk is to look at the equity market. Exhibit 20 shows that the total risk of hotel REITs relative to the total risk of an equally weighted portfolio of commercial real estate equity REITs (office, industrial, retail, and multifamily). The risk differential, which should reflect the risk that is unique to hotel properties, is currently at -.73 percent ($\sigma_{\text{Hotel}} - \sigma_{\text{CRE}} = 6.22\% - 6.94\%$), down from .54 percent ($\sigma_{\text{Hotel}} - \sigma_{\text{CRE}} = 8.33\% - 7.78\%$) in the prior quarter. This indicates that the expected default risk for hotels has decreased relative to other major types of commercial real estate. This suggests that the cost of financing for hotels should become less expensive relative to other major property types in the short run.

The delinquency rate on hotel loans rose slightly this quarter. The CMBS delinquency rate (30+ days) of 5.45 percent for lodging properties in March is only slightly above the previous quarter’s hotel delinquency rate of 5.4 percent (December 2023). It is also higher than the 4.41-percent hotel delinquency rate in same period for the prior year (March 2023). The hotel delinquency rate is lower than the retail delinquency rate of 5.56 percent and the office delinquency rate of 6.58 percent. Exhibit 21 displays the historical 30+ day delinquency rate for hotels, while Exhibit 22 shows the standardized version of the 30+ day delinquency rate for hotels.

30-plus-day delinquency rate for hotels



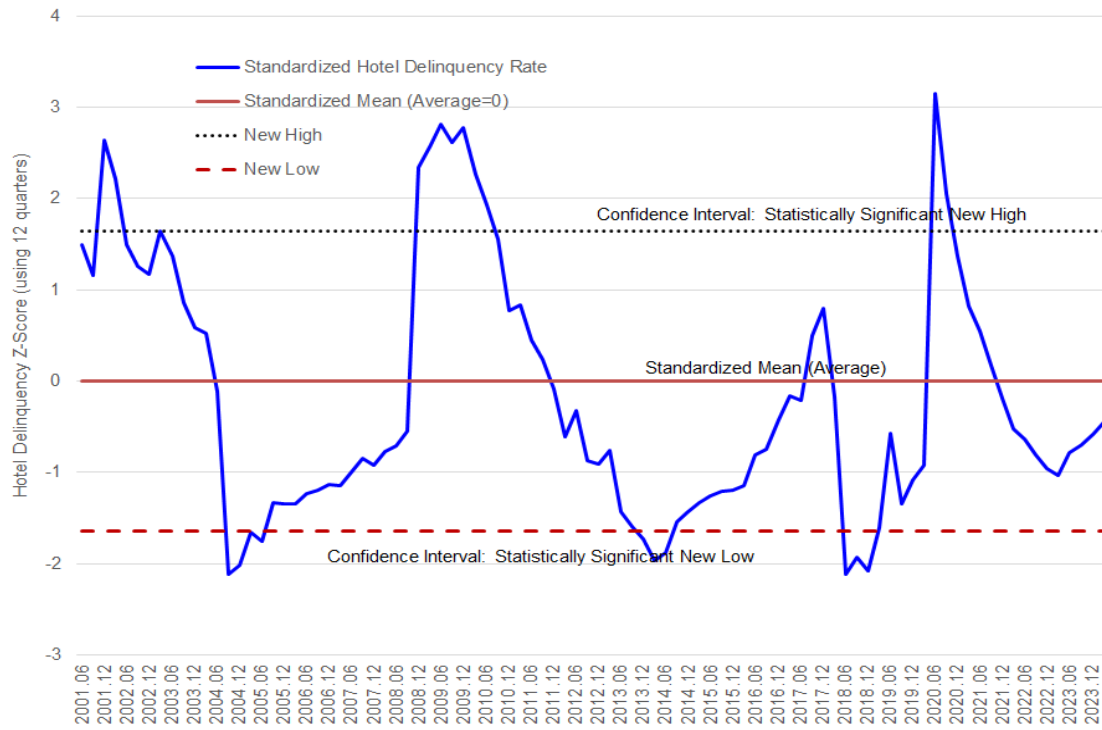
Source: Trepp

Trepp 30+ days CMBS Lodging Delinquency Rate					
	Lodging	Industrial	Multifamily	Office	Retail
March 2023	4.41	0.37	1.91	2.61	6.23
December 2023	5.40	0.57	2.62	5.82	6.47
March 2024	5.45	0.47	1.84	6.58	5.56
Quarter over Quarter	0.9%	-17.5%	-29.8%	13.1%	-14.1%
Year over Year	23.6%	27.0%	-3.7%	152.1%	-10.8%

The cost of borrowing continues to exceed the return for hotels. Our economic value added (EVA) or economic profit is -1.52 percent, while the shareholder value added (SVA) stands at -3.8 percent. Both the EVA and SVA continue to be negative, as they have since April 2022. This indicates that economic profit for hotels is negative (*i.e.*, the return on hotels is less than their total borrowing cost (EVA), and the return on equity for hotels is less than their cost of equity (SVA). Consequently, the return on hotels is driven mainly from anticipated future price gains. Exhibit 23 depicts the historical EVA and SVA hotel performance.

EXHIBIT 22

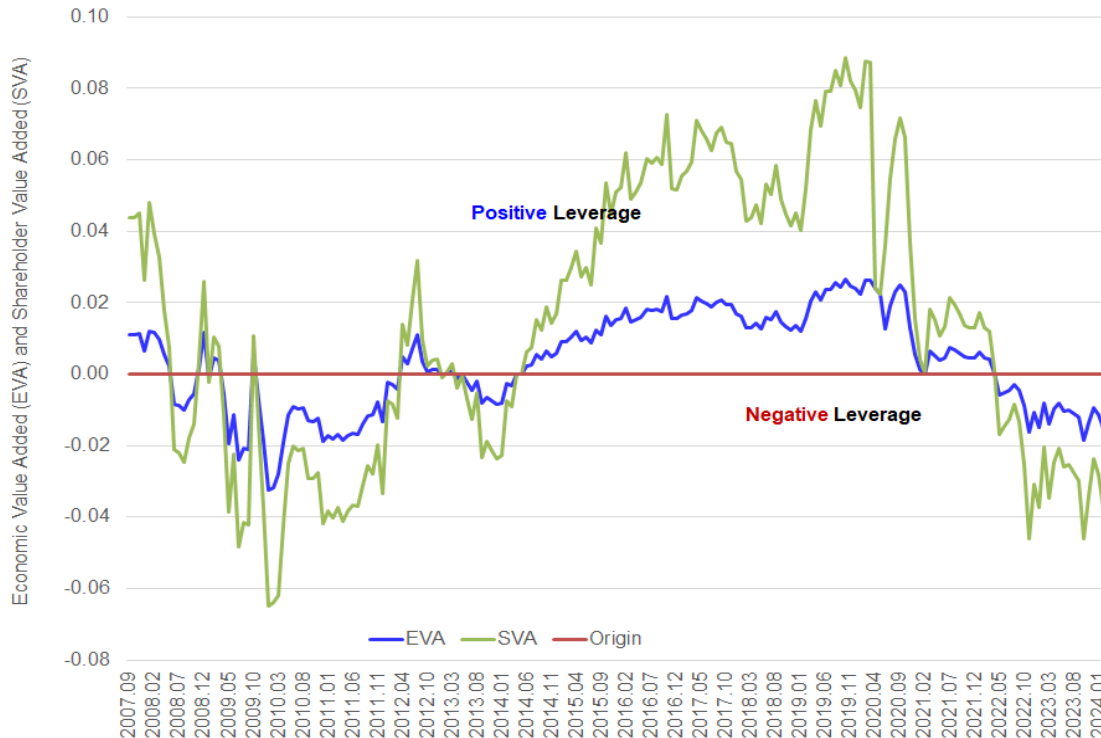
Standardized 30-plus-day delinquency rate for hotels



Source: Trepp

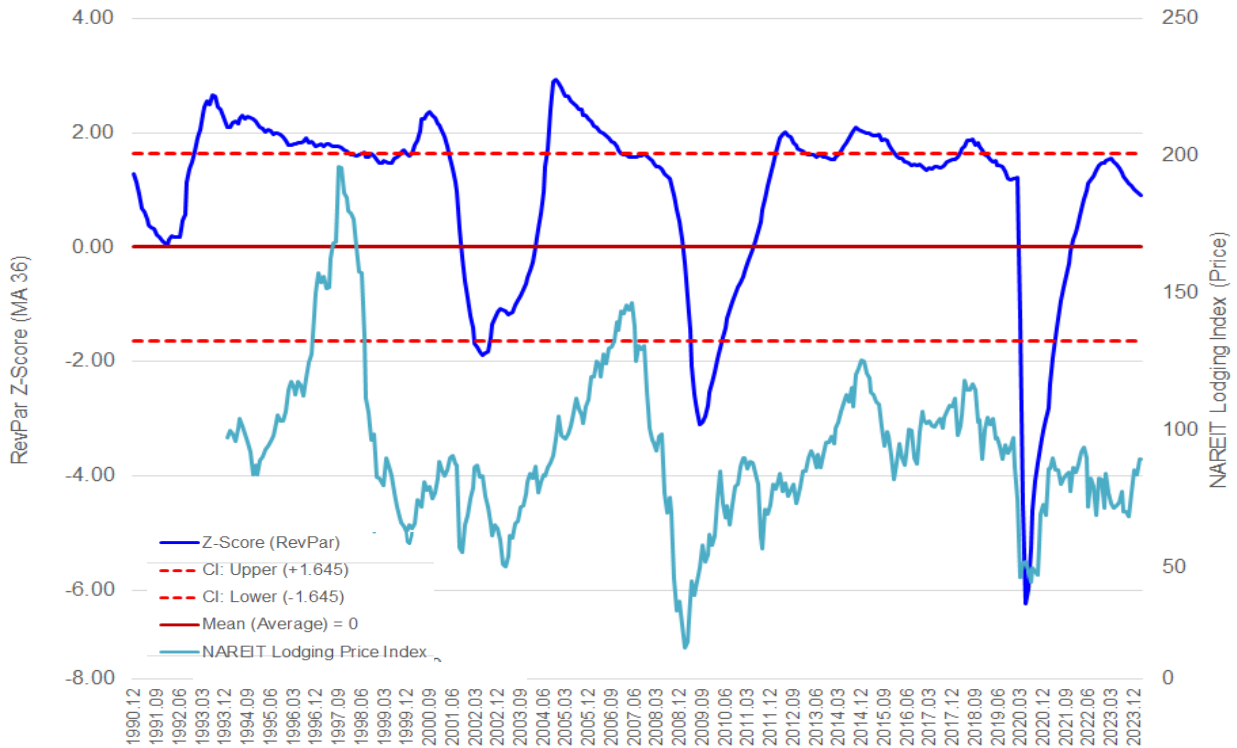
EXHIBIT 23

Economic value added (EVA) and equity (shareholder) value added (SVA) for hotels



Sources: Cornell Center for Real Estate and Finance, Cushman Wakefield, NAREIT, MSCI-Real Capital Analytics, St Louis Fed

Standardized unexpected RevPAR (36-month moving average) vs. NAREIT lodging-price index



Sources: Cornell Center for Real Estate and Finance, CoStar (STR), NAREIT

	ROIC	WACC	EVA	ROE	Cost of Equity	SVA
June 2023	8.45%	9.4%	-1.04%	8.05%	10.64%	-2.59%
September 2023	8.62%	9.81%	-1.19%	8.10%	11.07%	-2.97%
December 2023	8.56%	9.50%	-0.95%	8.51%	10.87%	-2.36%
February 2024	8.21%	9.73%	-1.52%	7.43%	11.23%	-3.80%

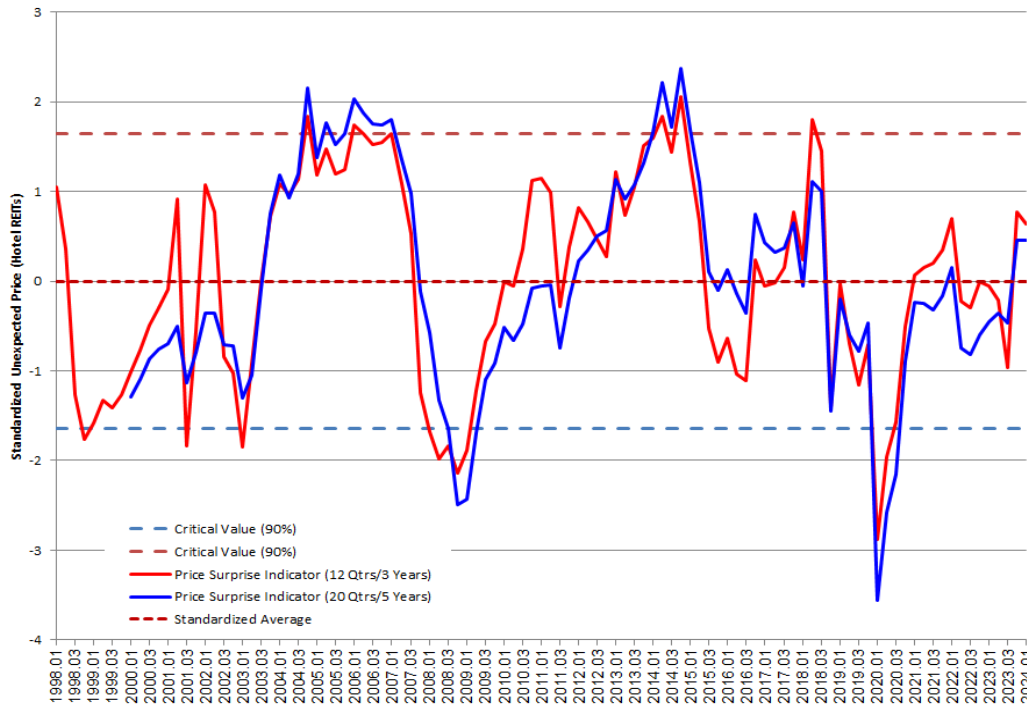
Note: ROIC is the return on invested capital (cap rate), WACC is the weighted average cost of capital, and ROE is the return on equity or cash on cash.

Our reading of the tea leaves suggests that we should see a rise in price for large hotels, but negative price momentum for small hotels near term. Standardized unexpected RevPAR continued its decline, falling from 1.16 in September 2023 to 1.02 in December 2023 and further to .91 in March 2024, as shown in Exhibit 24. In contrast, the NAREIT Lodging Price Index rose from 85.34 last quarter to 89.28 this quarter. The standardized unexpected price of the NAREIT Lodging Index is currently .64, as Exhibit 25 depicts. Based on the standardized unexpected price and the 12-month moving average of the NAREIT Lodging

Price Index, we expect hotel prices based on repeat sales to rise in the near term.

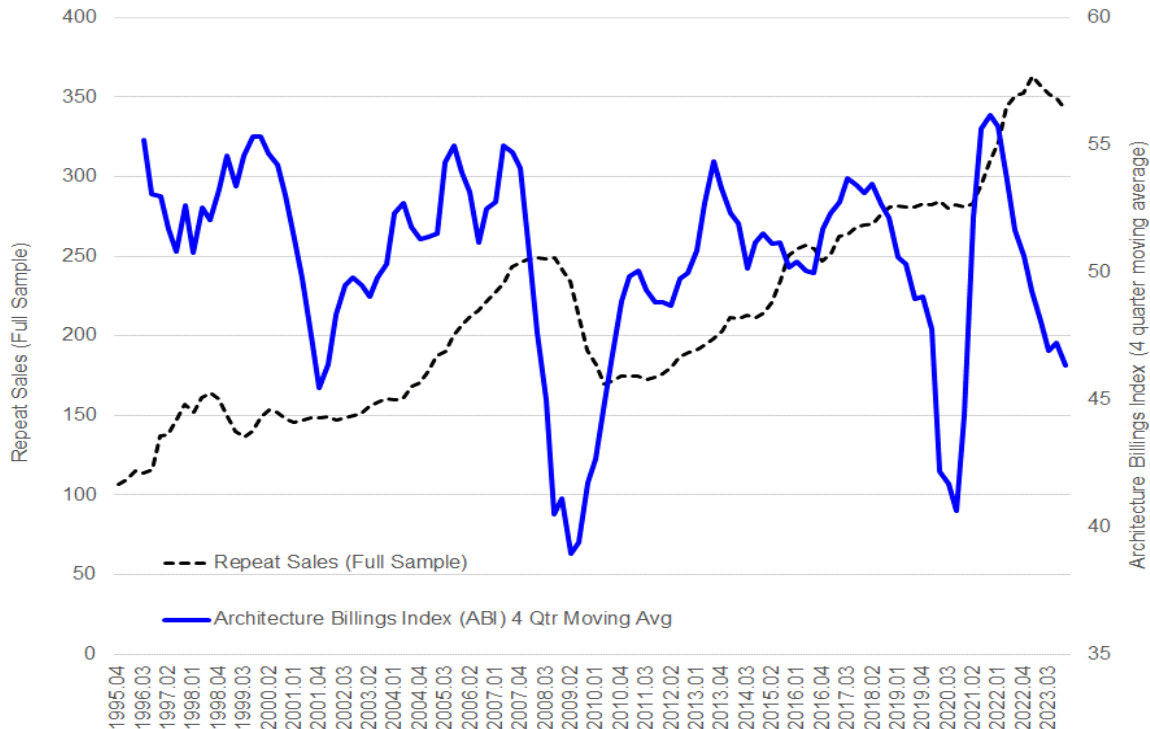
The architecture billings index (ABI) for commercial and industrial property shown in Exhibit 26 remained relatively flat, declining imperceptibly 0.6 percent this quarter from 46.40 to 46.10 (based on the February 2024 value). Year-over-year, the index was also down 7.2 percent, decreasing from 49.7 to 46.10. Based on the moving average of the ABI index, we should expect downward price momentum in the next period.

Standardized unexpected NAREIT lodging/resort price index



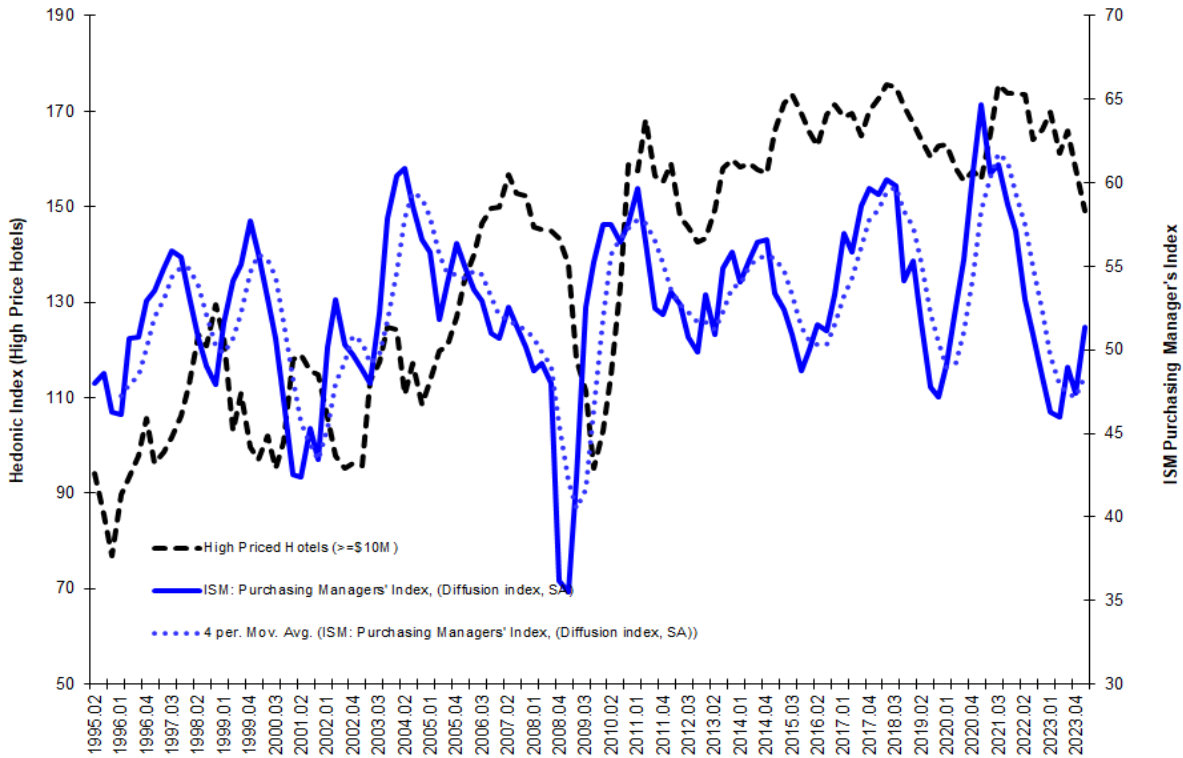
Sources: Cornell Center for Real Estate and Finance, NAREIT

Repeat sales index versus the architecture billings index



Sources: American Institute of Architects, Cornell Center for Real Estate and Finance Center for Real Estate and Finance

Business confidence and high-price hotels index

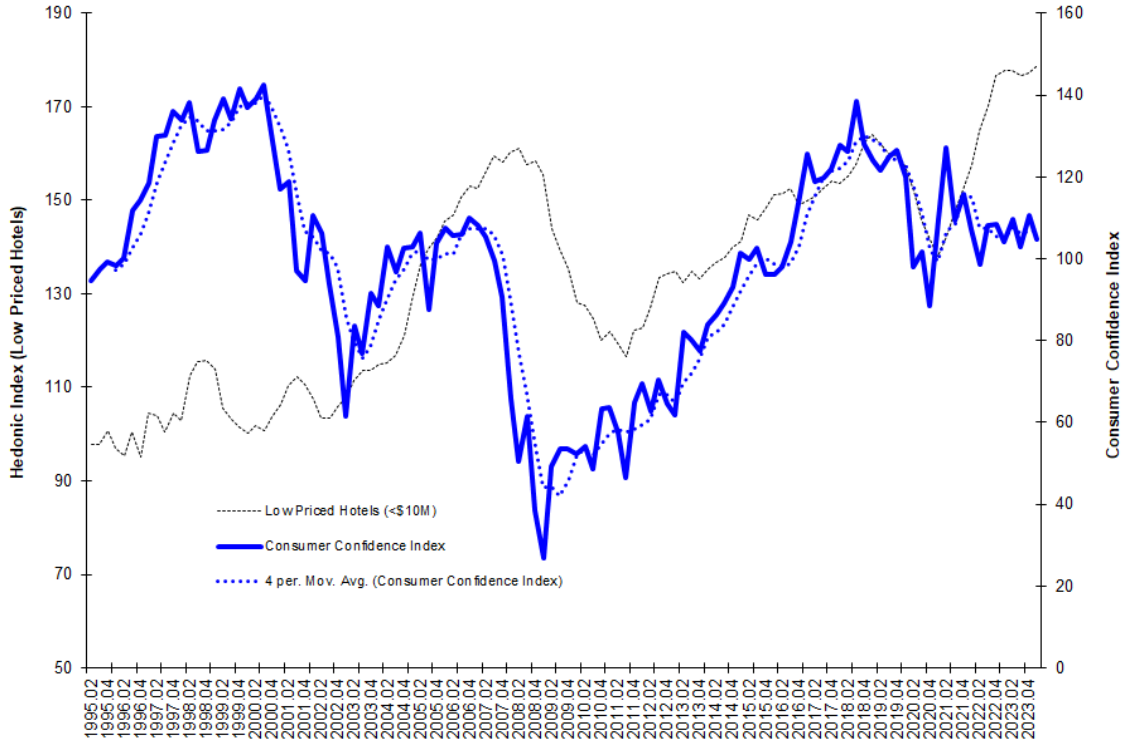


Sources: Cornell Center for Real Estate and Finance, Institute for Supply Management (ISM)

The National Association of Purchasing Managers (NAPM) index shown in Exhibit 27, an indicator of anticipated business confidence, currently stands at 51.4. It rose 8.4 percent (47.4 to 51.4) this quarter, compared to a decline of 3.3 percent last quarter (49 to 47.4). Year over year, the NAPM index increased 11 percent (from 46.3 to 51.4). This contrasts with a fall of 2.1 percent in the prior period (48.4 to 47.4). Expect high-price hotels to rise further in price in the near term.

Finally, the Conference Board’s Consumer Confidence Index, graphed in Exhibit 28, our proxy for anticipated consumer demand for leisure travel and a leading indicator of the hedonic index for low-price hotels (<\$10 million), fell 5.4 percent this quarter. However, it was relatively stationary (0.5%) year over year. Expect low-price hotels to decline in the near term based on a four-quarter moving average of the Consumer Confidence Index. ■

Consumer confidence and low-price hotels



Sources: Conference Board, Cornell Center for Real Estate and Finance

Hotel Valuation Model (HOTVAL) Has Been Updated

We have updated our hotel valuation regression model to include the transaction data used to generate this report. We provide this user-friendly hotel valuation model in an Excel spreadsheet entitled HOTVAL Toolkit as a complement to this report, which is available for download from our [CREF website](http://cref.cornell.edu) (cref.cornell.edu).

Appendix

SUP: The Standardized Unexpected Price Metric

The standardized unexpected price metric (SUP) is similar to the standardized unexpected earnings (SUE) indicator used to determine whether earnings surprises are statistically significant. An earnings surprise occurs when the firm's reported earnings per share deviates from the street estimate or the analysts' consensus forecast. To determine whether an earnings surprise is statistically significant, analysts use the following formula:

$$SUE_Q = (A_Q - m_Q)/s_Q$$

where SUE_Q = quarter Q standardized unexpected earnings,

A_Q = quarter Q actual earnings per share reported by the firm,

m_Q = quarter Q consensus earnings per share forecasted by analysts in quarter Q-1, and

s_Q = quarter Q standard deviation of earnings estimates.

From statistics, the SUE_Q is normally distributed with a mean of zero and a standard deviation of one ($\sim N(0,1)$). This calculation shows an earnings surprise when earnings are statistically significant, when SUE_Q exceeds either ± 1.645 (90% significant) or ± 1.96 (95% significant). The earnings surprise is positive when $SUE_Q > 1.645$, which is statistically significant at the 90% level assuming a two-tailed distribution. Similarly, if $SUE_Q < -1.645$ then earnings are negative, which is statistically significant at the 90% level. Intuitively, SUE measures the earnings surprise in terms of the number of standard deviations above or below the consensus earnings estimate.

From our perspective, using this measure complements our visual analysis of the movement of hotel prices relative to their three-year and five-year moving average (μ). What is missing in the visual analysis is whether prices diverge significantly from the moving average in statistical terms. In other words, we wish to determine whether the current price diverges at least one standard deviation from μ , the historical average price. The question we wish to answer is whether price is reverting to (or diverging from) the historical mean. More specifically, the question is whether this is price mean reverting.

To implement this model in our current context, we use the three- or five-year moving average as our measure of μ and the rolling three- or five-year standard deviation as our measure of σ . Following is an example of how to calculate the SUP metric using high price hotels with regard to their three-year moving average. To calculate the three-year moving average from quarterly data we sum 12 quarters of data then divide by 12:

$$\text{Average } (\mu) = \frac{(70.6+63.11+58.11+90.54+95.24+99.70 +108.38+99.66+101.62+105.34+109.53+115.78)}{12} = 93.13$$

$$\text{Standard Deviation } (\sigma) = 18.99$$

$$\text{Standardized Unexp Price (SUP)} = \frac{(115.78-93.13)}{18.99} = 1.19$$

SUP data and σ calculation for high-price hotels (12 quarters/3 years)				
Quarter	High-price hotels μ	Moving average	σ	Price surprise indicator (SUP)
1995.02	70.60			
1995.03	63.11			
1995.04	58.11			
1996.01	90.54			
1996.02	95.24			
1996.03	99.70			
1996.04	108.38			
1997.01	99.66			
1997.02	101.62			
1997.03	105.34			
1997.04	109.53			
1998.01	115.78	93.13	18.99	1.19
1998.02	126.74	97.81	19.83	1.46

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Cornell Hospitality Reports

April 2024 Vol. 24, No. 9

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About the Cornell Hotel Indices

In our inaugural issue of the *Cornell Hotel Index* series, we introduced three new quarterly metrics to monitor real estate activity in the hotel market. These are a large hotel index (hotel transactions of \$10 million or more), a small hotel index (hotels under \$10 million), and a repeat-sale index (RSI) that tracks actual hotel transactions. These indices are constructed using the CoStar and RCA commercial real estate databases. The large and small hotel indices are similar in nature and construction to the consumer price index (CPI), while the repeat-sale hotel index is analogous to the retail concept of same-store sales. Using a similar logic process for hotels, we compare the sales and resales of the same hotel over time for that index. All three measures provide a more accurate representation of the current hotel real estate market conditions than does reporting the average transaction prices, because the average-price index doesn't account for differences in the quality of the hotels, which also is averaged. A more detailed description of these indices is found in the first edition of this series, "Cornell Real Estate Market Indices," which is available at no charge from the Cornell Center for Real Estate and Finance.

Starting with our 2018Q1 issue, we introduced the Gateway Cities Index as a new metric in our hotel analytics arsenal.* In our 2019Q2 issue, we introduced our new regional indices to add further granularity to hotel performance. More recently, we have included information on hotel delinquencies, as well as short-term and long-term hotel earnings expectations to aid hotel decisionmakers. We also present updates and revisions to our hotel indices along with commentary and supporting evidence from the real estate market. Starting in 2021Q2, we included standardized unexpected price for our regional price indices as well as standardized unexpected RevPAR for the U.S. as a whole. We also introduced shareholder value added (SVA) as a complementary metric to EVA so that readers can now compare the profitability of hotel real estate to investors' equity return.

* Cities that we define as gateway cities are Boston, Chicago, Honolulu, Los Angeles, Miami, New York, San Francisco, and Washington, DC. For a general discussion on what constitutes a gateway city, please see Corgel, J.B. (2012), What is a Gateway City?: A Hotel Market Perspective, *Center for Real Estate and Finance Reports*, Cornell University School of Hotel Administration (<https://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1007&context=crefpubs>). The study of Corgel, J. B., Liu, C., & White, R. M. (2015). Determinants of hotel property prices. *Journal of Real Estate Finance and Economics*, 51, 415-439 finds that a significant driver of hotel property prices is whether a hotel is located in a gateway city. The presumption is that hotels (and other real estate) in gateway cities exceed other cities as IRR generators in part due to a generally stronger economic climate as a result of higher barriers to entry, tighter supply, and/or relatively stronger performance in terms of revenue per available room than other top cities that are not gateways.