

Q1 2026 Major U.S. Hotel Sales Survey & Lodging Sector Overview

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May 13, 2026



Summary

Hotel room demand outpaces supply, driving 3.8% RevPAR growth in Q1 despite a US energy shock and sticky inflation. Major transactions hit \$4.6 billion across 110 deals, reflecting a 64% annual jump in dollar volume and a 30% surge in price per room compared to Q1 2025.

Largely driven by escalating geopolitical conflict in the Middle East and the resultant spike in energy prices, the first quarter (Q1) of 2026 was characterized by a sharp shift from early-year optimism to heightened volatility. The U.S. blockade of the Strait of Hormuz which followed Iran's closure of the waterway in reaction to the U.S. and Israeli military operation in February, has sparked a global energy supply shock, which analysts warn could exceed the disruptions caused by Russia's invasion of Ukraine in 2022. Domestically, a significant dichotomy exists as the stock market has reached

record highs while consumer sentiment remains low, driven by persistent concerns around a perceived artificial intelligence (AI) investment bubble, affordability challenges, and the country's limited fiscal space. This disconnect highlights that markets are forward-looking and driven by corporate profits, while sentiment reflects immediate, personal financial stress.

Real GDP grew at an annualized rate of 2.0% in Q1 2026, rebounding from 0.5% growth in Q4 2025. Total nonfarm payroll employment increased by 178,000 in March 2026, and the unemployment rate held at 4.3%. The labor market is broadly described as a "low-hire, low-fire" environment as job creation has slowed meaningfully, however layoffs remain limited. Productivity growth, not hiring, is increasingly driving economic expansion. Inflation remains stubbornly elevated as tariffs are now showing more prominently in prices fueled further by the energy supply shock. The Federal Reserve has held rates steady at its last three Federal Open Market Committee (FOMC) meetings and given heightened inflation risk, reductions in the near term appear unlikely. In short, the U.S. economy is growing at a moderate pace with resilient business investment and a stable job market, however, faces meaningful headwinds from sticky inflation, geopolitical energy shocks, tariff uncertainty, and a Federal Reserve that has little room to cut rates.

During Q1 2026 the U.S. hotel industry experienced stronger than expected momentum, with room night demand rising 2.0% which outpaced a room supply increase of 0.6%. Overall hotel occupancy increased by 0.8% year-over-year in Q1, while average daily rate (ADR) rose by 2.2%, thus driving a 3.8% increase in revenue per available room (RevPAR). Despite geopolitical and economic challenges, resilient demand for lodging indicates underlying strength in the travel environment, and early year metrics suggest a robust 2026, with significant, high-growth events expected later in the year. While operating expense growth has slowed, costs remain elevated compared to pre-pandemic levels, with labor expenses a top concern for the sector. Furthermore, elevated oil prices and rising airfares, driven by higher fuel costs, pose potential risks.

The LW Hospitality Advisors (LWHA) Q1 2026 Major U.S. Hotel Sales Survey included 110 single sale transactions over \$10 million which totaled approximately \$4.6 billion and included approximately 17,500 hotel rooms with an average deal size of roughly \$42 million and an average sale price per room of roughly \$262,000.

- In comparison the LW Hospitality Advisors (LWHA) Q4 2025 Major U.S. Hotel Sales Survey included 111 single sale transactions over \$10 million which totaled approximately \$5.0 billion and included approximately 23,600 hotel rooms with an average deal size of \$45 million and an average sale price per room of roughly \$212,000. Comparing Q1 2026 with Q4 2025, the number of trades was flat while total dollar volume decreased roughly 8 percent, average deal size declined roughly 7 percent and sale price per room increased 24 percent.
- By further comparison, the LWHA Q1 2025 Major U.S. Hotel Sales Survey included 83 single asset sale transactions over \$10 million which totaled nearly \$2.8 billion and approximately 13,900 hotel rooms with an average deal size of \$33.7 million, and an average sale price per room of \$201,000. Comparing Q1 2026 with Q1 2025, the number of trades increased roughly 34 percent while total dollar volume increased approximately 64 percent, average deal size rose nearly 23 percent and sale price per room increased 30 percent.

Notable Q1 2026 observations include:

Twenty-six trades, or 23 percent of the national Q1 2026 total, occurred in Florida and New York. These transactions total over \$2.5 billion of investment activity or 55 percent of the national Q1 2026 aggregate.

- Twenty major hotel sale transactions in the State of Florida represented just over \$2 billion of investment activity or 24 percent of the national Q1 2026 aggregate.
- Six major hotel sale transactions in the State of New York represented roughly \$472 million of investment activity, or 10 percent of the national Q1 2026 aggregate.
- BDT & MSD Partners LLC acquired from Host Hotels & Resorts, Inc. the 444-room Four Seasons Resort Orlando at Walt Disney World Resort in Orlando, Florida and the 125-room Four Seasons Resort and Residences Jackson Hole in Teton Village, Wyoming, for a combined sale price of \$1.1 billion. The Orlando property traded for \$750 million or \$1.69 million per unit and the Jackson Hole facility sold for \$350 million or \$2.8 million per room.

- Sculptor Diversified Real Estate Income Trust, Inc. (a private, non-traded REIT) in partnership with Trinity Investments acquired from Barings LLC, the 809 room JW Marriott Marco Island Beach Resort for \$835 million or just over one million dollars per unit.
- A joint venture between Westbrook Partners and Korea Investment Corporation sold the 253 key Ritz-Carlton New York, Central Park to Gencom for \$321.1 million or nearly \$1.3 million per unit. Miami-based Gencom has made a major, long-term bet on New York City's hospitality market, having also recently acquired the 587-unit Thompson Central Park New York and the 607 room InterContinental New York Times Square.
- DoveHill Capital Management acquired the 35 room Mayflower Inn & Spa located on 58 acres in Washington, CT for \$38 million or nearly \$1.1 million per unit.

For many, the next phase of hotel transaction activity will not be driven by choice but by necessity. As a historic wall of loans originated in a lower interest rate environment mature, sponsors will encounter inability to refinance at the same proceeds and be forced to decide to either inject new equity or sell. The resulting pricing reset of assets will represent opportunities for disciplined capital keen to be deployed into the lodging sector.

The U.S. hotel industry is navigating a pivotal transition adapting to new demand patterns, technological disruption, and a permanently altered competitive landscape. During the near-term, luxury and upper-upscale hotels are expected to continue to outperform, driven by steady group demand and wealthy consumers, while lower-priced segments may face continued headwinds due to inflationary pressure. Existing hotel owners and operators are benefiting from constrained supply growth, which for the foreseeable future will be the norm due to elevated construction costs and the lag associated with development of new lodging facilities.

Rising leisure travel, increasingly concentrated in warmer and secondary markets, is being driven by an active U.S. events calendar and wellness trends. The 2026 FIFA World Cup, which will be played across the U.S., Canada, and Mexico, is forecast to contribute outsized gains in both demand and average rate within host markets. While corporate travel demand and group bookings remain healthy, international inbound visitation to the U.S., which has been weakened by shifting geopolitical dynamics and more restrictive travel policies, is anticipated to gradually improve.

Weak revenue growth coupled with operating costs rising faster than inflation persist, and margins are expected to continue to be under pressure. Sophisticated hotel operators are now shifting the focus from RevPAR to revenue per square foot by concentrating on maximizing square footage by turning lobbies, rooftops, and even guest rooms into co-working hubs, wellness sanctuaries, and community event spaces.

One of the lodging industry's most challenging issues is that employees today seek flexible, remote-friendly work, avoiding traditional, physically demanding hospitality roles, resulting in sector labor shortages along with rising compensation costs, a phenomenon that is anticipated to continue. The industry is attempting to mitigate this challenge through implementation of technology automation, flexible hours, and increased reliance on immigrant labor. With this said, America's hotel industry continues to experience intensified labor unrest, with thousands of union members across major cities including Boston, San Francisco, Seattle, and Honolulu having during the recent past initiated strikes over stagnant wages, high workloads, and pandemic-era staffing cuts. Concurrently, local governments are implementing regulations, such as in New York City, to mandate safer staffing and higher wages, adding pressure to operating costs. Finally, the NYC Industry-Wide Agreement (IWA) the master contract between the Hotel and Gaming Council (HTC) and the Hotel Association of New York City, is set to expire at midnight on June 30, 2026, which will be in the middle of the 2026 FIFA World Cup in the NYC/NJ region. A hotel union labor strike during the weeks-long tournament would likely cause significant disruptions and risks turning New York's biggest tourism moment in decades into a crisis. Furthermore, this high-stakes negotiation is being closely watched by other major cities because the current IWA is considered one of the most union-favorable agreements in the country, featuring strict management limits and robust job protections that unions in other regions seek to replicate.

Adoption of AI is rapidly accelerating and emerging as the hotel industry's most consequential long-term variable as it is now embedded in systems that enhance guest experience and drives revenue and margin performance. More disruptively, AI platforms are reshaping how travelers plan trips and seek lodging accommodations. Unlike traditional website Search Engine Optimization (SEO), AI search optimization requires hotels to structure information in ways that can be easily processed by AI systems.

The U.S. lodging industry's long-term outlook is best described as resilient but transformed. Americans' enduring appetite for travel, the experiential economy, major events including the 2026 World Cup and America250 celebrations, and a constrained new supply pipeline support a cautiously optimistic base case.

LW Hospitality Advisors LLC (LWHA), brings more than 40 years of expertise in a wide range of hospitality operational, investment counseling, valuation, advisory, and transactional services. He provides services to corporate, institutional, and individual clients as well as public agencies on all facets of hospitality real estate including: litigation support and expert testimony, site evaluation, highest and best use analysis, appraisals for mortgage, acquisition, and portfolio management, workout strategies, operational analysis, development consulting, property tax assessment appeal evaluations, economic impact studies, fairness opinions, deal structuring, and negotiation of management and franchise agreements. Mr. Lesser had been retained in connection with a broad variety of lodging assets throughout the Americas, as well as in Europe, the Middle East and Asia.

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