2026 Market Check-in Daniel Lesser — ALIS DESIGN+

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ALIS DESIGN+ Market Update



One macroeconomic "assumption" from January that's no longer applicable: The assumption that economic momentum will trickle down to the broader U.S. hotel market no longer holds true. Rather than steady, across-the-board recovery, the industry is experiencing highly fragmented performance where select-service and economy hotels face prolonged ADR compression while only the luxury segment drives pricing power.

More or less optimistic than in January: I am more optimistic today than I was at the beginning of the year as the U.S. economy is robust and demonstrably resilient. Despite the effects of relatively low consumer confidence, adoption of AI is rewriting the global economic and operational landscape at unprecedented speeds resulting in all-time high stock valuations. It is an exciting time to be alive as I believe the AI revolution will end up being akin to the Industrial revolution on steroids.

Macroeconomics and geopolitics – more or less of a concern? More of a concern today than they were in January. Due in part to the Middle East conflict and Strait of Hormuz closure, early-year optimism regarding a predictable easing cycle and mild inflation gave way to structural inflation risks, a prolonged pause in central bank rate cuts, and multi-decade highs in energy prices.

One contrarian development bet: Although the market has bottomed out, San Francisco remains a compelling basis play for hotel acquisition. Significant new AI investment is producing a surge in demand and office utilization, which is supporting a rebound in inbound travel. San Francisco has a history of boom and bust, and the market is rebounding from the harsh effects of the global pandemic.

Biggest surprise in how the travel market behaved: The market has dramatically shifted from a previously stagnant outlook to one of brighter performance forecasts. Travel demand has remained fiercely resilient despite low consumer sentiment and ongoing wars in Europe and the Middle East. High construction and labor costs have resulted in muted new ground-up development which will be a boon to existing property owners.