

MARCH 2026

Why Hospitality Now

Structural Tailwinds, Cyclical Opportunity, and a Window for Specialist Capital

KEY TAKEAWAYS

- Travel is the third-largest category in U.S. consumer spending, and the money is concentrating at the top. The wealthiest 10% of U.S. households now account for 52.5% of leisure spend, with total spending projected to reach \$544 billion in 2026 and per-trip spend up 55% since 2022. This is not cyclical. It is a structural shift in who drives the travel economy.^{1,3}
- Hotel supply growth has fallen well below the 1.6% long-term average. Historically, when supply is at or below that threshold, RevPAR has grown at 5.1% annually versus 0.8% when supply growth is elevated (CoStar, 1989–present).
- Discount-to-replacement cost for U.S. full-service urban hotels has expanded to 71%, creating a historic entry point. Meanwhile, \$114B in hotel debt matures through 2027, generating a deep pipeline of forced-action opportunities.⁶
- Institutional hospitality allocations have been cut in half (12% to 6%). Capital markets have sidelined public REITs as buyers. Near-term debt maturities, combined with rising PIP requirements, are compounding owner distress and forcing liquidity events. This creates a dislocation that disproportionately rewards dedicated hospitality specialists who have the flexibility to deploy across the full opportunity set.⁷

Hospitality real estate today presents a rare convergence: durable demand growth flowing into constrained supply; transaction pricing far below replacement cost; and a less competitive landscape where institutional capital has retreated. Each of these dynamics alone would merit attention. Together, they define a window for disciplined, operationally focused investors. It will not stay open long.

I. THE STRUCTURAL BACKDROP: TRAVEL IS ENDURING

The long-term case for hospitality rests on something more fundamental than a macro forecast. Human beings have always traveled, and they always will. Travel is wired into how we connect, celebrate, learn, and signal who we are. It is the third largest component of U.S. consumer spending, behind only housing and healthcare. The spending behind it is not just growing; it is concentrating in the hands of the consumers least sensitive to economic cycles.¹¹

The top 10% of U.S. households now account for more than half of all consumer spending, and that concentration is especially evident in travel. Affluent leisure travelers are projected to spend \$544 billion in 2026, equal to 52.5% of total U.S. leisure travel expenditure. Travel frequency is also higher at the top end of the income spectrum: households in the top 10% average 4.3 leisure trips per year, while the top 1% average six. Spending per trip has risen sharply as well. The top 10% now spend approximately \$7,900 per trip, up from \$5,100 in 2022, compared with roughly \$3,700 for the average traveler. Over the same period, the share of top-10% travelers taking six or more trips annually increased from 11% to 18%. This is not a cyclical rebound, but rather illustrative of a structural reallocation of wallet share toward experiences by the cohort with the most durable purchasing power.¹

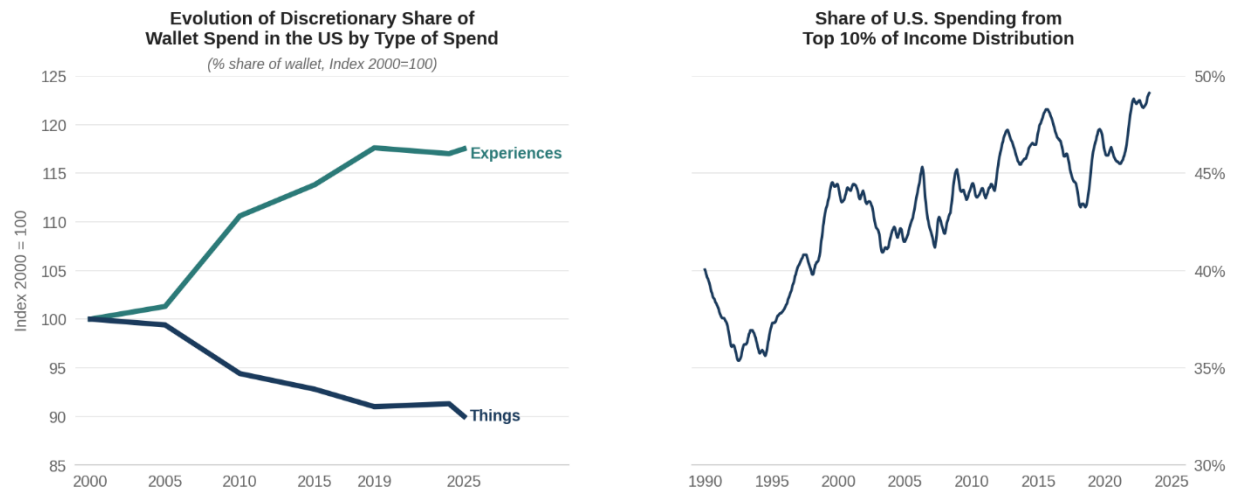
The generational shift provides additional momentum. Two-thirds of consumers now say they'd rather buy experiences than things. Younger people, who spend close to 30% of their income on travel, even rank it above buying a home. COVID did not create this preference; it exposed and accelerated it. Remote and hybrid work have extended average trip durations and unlocked shoulder-season demand. Resort and leisure travel remain durable. Business and group travel are crawling back too, helped by companies nudging people back to offices. Corporate confidence is rising again, and that means bigger travel budgets. Put it all together, and you have a demand base that has proven durable over the long term and is accelerating.²

Exhibit 1: Experience Spend Is Rising as Consumer Spending Concentrates at the Top

Discretionary spend has steadily rotated toward experiences since 2000, while the top 10% now drive roughly half of total U.S. consumer spending.

A. *Discretionary wallet share: Experiences vs. Things (Index 2000 = 100). Sources: U.S. Bureau of Economic Analysis; A&M Analysis*

B. *Share of U.S. spending from the top 10% of households. Source: Moody's Analytics (via published research)*



This demand base forms the foundation: a durable, multi-decade tailwind. It does not, by itself, create a compelling entry point. What makes today different is the supply and capital environment into which this demand is flowing.

II. THE CYCLICAL SETUP: PRICING POWER FOR OWNERS

While structural demand provides the long-term foundation, today's opportunity is defined by where that demand is landing. In prior hotel cycles, strong demand triggered a rapid supply response. Cheap capital, feasible construction, and new rooms would flood markets within 24 to 36 months. This cycle is fundamentally different.

New Development Has Stalled

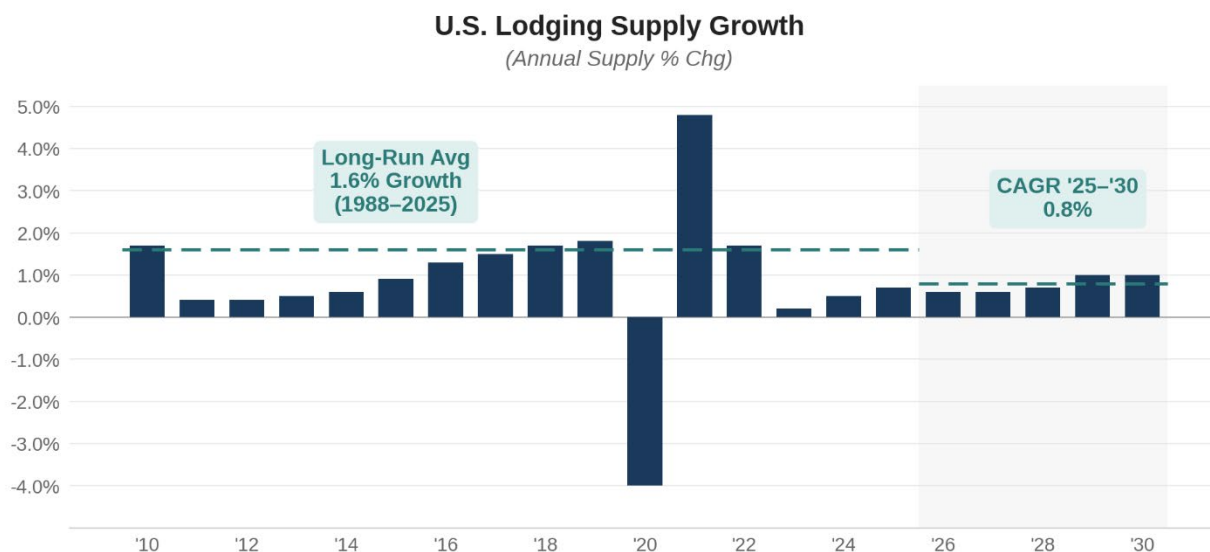
The hotel construction pipeline, measured as a percentage of existing inventory, sits well below prior-cycle peaks. Developers face a compounding headwind: construction costs have risen 30 to 40% since 2019; interest rates remain elevated; lender appetite for ground-up hospitality has contracted sharply; and entitlement timelines have lengthened across gateway and resort markets.⁵

In many submarkets, the all-in cost of delivering a new hotel now exceeds the achievable stabilized value. Even if conditions improved tomorrow, the one-to-two-year construction lag means the supply response would not arrive for years. Industry forecasters anticipate a multi-year stretch of limited deliveries. This supports an extended window of pricing power for existing owners.

The constraint is most pronounced in the Upper Upscale segment, where only 0.7% of inventory is under construction, the lowest of any chain scale. Urban supply growth tells a similar story. After averaging 1.9% annually from 2010-2019, U.S. urban hotel supply growth is forecast at just 0.4% in 2026. For owners of high-quality urban assets, this translates directly into stronger group business capture, greater pricing power, and outsized revenue per available room (RevPAR) growth in gateway markets as business, convention, and international inbound travel continue to recover.⁴

Exhibit 2: Annual Hotel Supply Growth (2010–2030)

Supply growth has reset below the long-term average of 1.6%, with nationwide growth projected to average approximately 0.8% annually through 2030E. Sources: CoStar, LARC Analytics.



Low Supply Equals Pricing Power

RevPAR growth is highly sensitive to net supply additions. Historical regression analysis shows a strong inverse relationship. When annual supply growth falls below the long-term average of 1.6%, RevPAR has grown at 5.1% annually; RevPAR grows only 0.8% when supply exceeds that threshold. That is a six-fold difference in pricing power for existing hotel owners. Current supply growth remains well below the threshold. Even if GDP growth slows, the math supports continued RevPAR expansion.³

Below-Replacement-Cost Entry

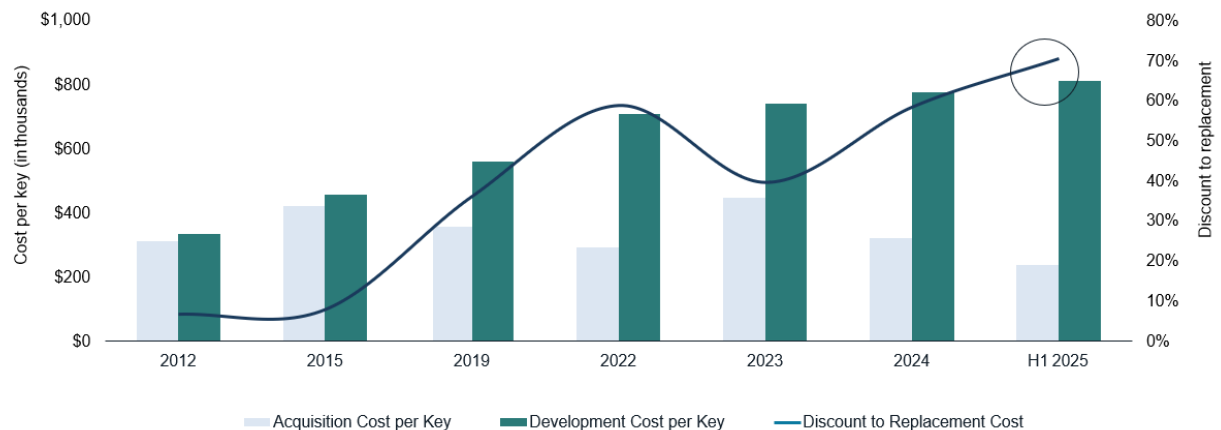
For U.S. full-service urban hotels, the discount to replacement cost has expanded to roughly 71%. This represents a historic opportunity to acquire high-quality assets at a fraction of what it would cost to build them. The dynamic is self-reinforcing. Below-replacement pricing discourages new construction, which further constrains supply and protects existing owners. Buyers entering at this basis have their downside anchored by the tangible cost of replication, and their upside driven by cash-flow growth and eventual cap-rate compression as capital returns to the sector.⁶

Exhibit 3: U.S. Full-Service Urban Hotel Acquisition vs. Development Cost Per Key

Acquisition cost per key has diverged sharply from development cost, with the discount to replacement expanding to 71% as of H1 2025. Sources: JLL Research, RLB Construction Cost Report.

Note: All transactions data pertains to single-asset, full-service hotel transactions \$5M+, excluding casinos that closed exclusively in the largest U.S. urban markets. Full-service is defined using STR criteria. Construction data is based on weighted averages across largest urban U.S. markets for full-service hotels. Construction costs include land, site improvement, soft costs, FF&E, working capital, and development fees.⁴

U.S. full-service urban hotel acquisition and development cost per key



III. CAPITAL DISLOCATION

The most overlooked dimension of today's opportunity is the capital side. Institutional allocators reduced hospitality exposure following pandemic-era write-downs and NAV volatility. That rotation has persisted and deepened even as operating fundamentals have recovered.

Investor real estate allocations to hospitality fell from 12% in 2007-2011 to 8% in the pre-COVID period (2015–2019 average), and have since declined further to 6% in 2024-2025. This appears to be the trough of the hospitality capital cycle. Meanwhile, industrial and multifamily allocations have surged to historic peaks. Banks have tightened hotel lending. CMBS issuance remains selective. Public hotel REITs, historically natural buyers in the space, are also constrained. Many trade at persistent discounts to NAV, often 30 to 50% below implied private-market asset values. This effectively shuts off accretive equity issuance.⁸ With growth capital unavailable, boards are being pushed toward asset sales, portfolio rationalizations, and in some cases full take-private transactions to unlock trapped value.⁷

Adding urgency: \$114 billion in U.S. hotel debt matures through 2027, with \$46 billion peaking in 2026 alone. Many owners face a punishing refinancing landscape: materially higher rates, stricter underwriting, and lenders who remain cautious despite improving sentiment. Banks have actively reduced hotel exposure, CMBS issuance has stayed selective, and overall hospitality lending activity remains well below prior years. Rate and credit spreads may stabilize, but optimism has yet to translate into increased capital availability for the sector.⁹

Compounding the pressure, brand-mandated property improvement plans have grown materially in spend and scope across all chain scales, with costs now more than 30% higher than 2019. During COVID, brands broadly deferred PIP enforcement, leading to years of delayed capital expenditure that is now being pulled forward at the point of sale. As ownership changes, brands are using the

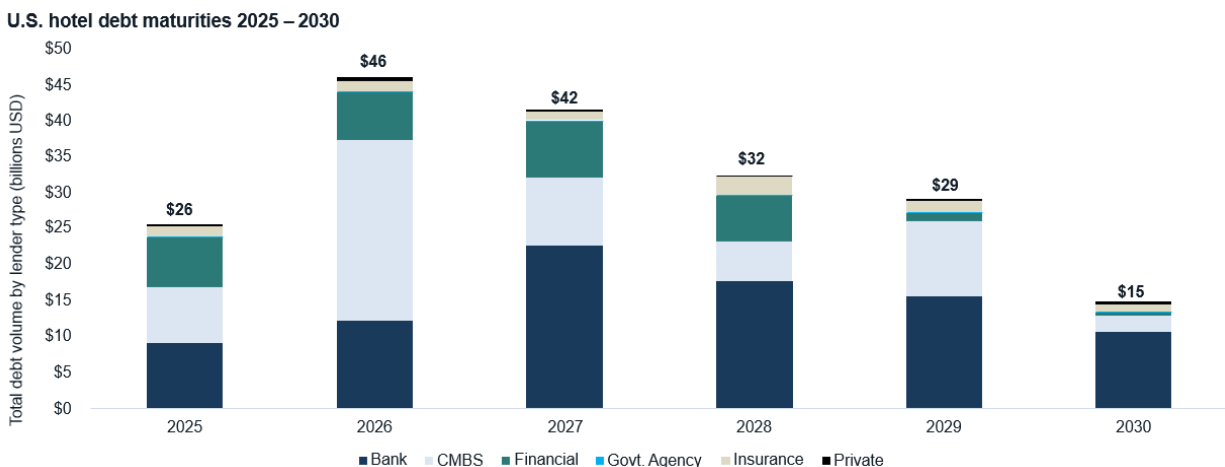
transfer event to reset properties to current standards, expanding PIP scopes beyond historical norms and front-loading post-acquisition capex requirements. For undercapitalized sellers, this widens the gap between what they can afford and what the brand demands. For well-capitalized buyers, it pushes pricing down and creates lower-basis entry points with embedded value-add upside.¹⁰

Capital structures that worked when rates were near zero are now breaking, forcing difficult choices between recapitalizing, selling, or surrendering keys. Transaction volume has remained below historical averages, and hospitality continues to be underweighted by many institutional allocators following COVID-era volatility. This scarcity of capital has kept spreads wider and shifted negotiation leverage decisively toward buyers, particularly for sponsors facing near-term maturities and refinancing gaps in a higher-for-longer rate environment. For disciplined, well-capitalized investors, the result is a deep and expanding pipeline of actionable opportunities.

Exhibit 4: U.S. Hotel Debt Maturities 2025–2030

Over \$114B in hotel debt comes due through 2027, with peak maturities of \$46B in 2026, creating a sustained wave of refinancing stress and forced-action opportunities. Sources: JLL Research, RCA.

Note: Based on independent reports of properties and portfolios of \$2.5 million and greater. Loan maturities include all lender types. Data updated Jun 2025 and believed to be accurate but not guaranteed.



IV. WHY SPECIALISTS WIN

Hospitality is an operating business attached to real estate. Transient buyers and sellers can get carried out. A dedicated specialist is necessary to survive long term and perform through cycles. In dislocated markets, that expertise becomes the primary return driver, not just a risk mitigant. The edge belongs to investors with an owner-operator mindset and a multi-cycle track record of bringing creative solutions where others stall. Finally, specialists must operate without rigid boxes or mandates. Travel is enduring, but the way people access and experience it keeps changing. The investor who can move across strategies as the cycle shifts will consistently find the best risk-adjusted opportunities.

Execution Advantages in the Current Environment

- Speed and certainty of close when sellers face maturing debt, refinancing pressure, and limited alternatives.

- Structural flexibility, including preferred equity, mezzanine, and rescue capital, to complete capital stacks traditional lenders will not fill.
- Focus on smaller, sub-scale investments often overlooked by larger funds, where deal complexity and limited competition create the most attractive risk-adjusted pricing.
- Underwriting depth across structured capital, value-add, and special situations, built from multi-cycle repetition and granular understanding of hospitality operations that generalist investors cannot replicate.

Where the Opportunity Is Most Actionable

The current environment supports deployment across multiple strategies, each targeting a distinct segment of the dislocation:

Structured Capital	Rescue Capital & Recaps	Select NPL / Loan-to-Own
Thesis Preferred equity and mezzanine that solve basis gaps and refinance shortfalls. Current yield with equity upside participation.	Thesis Well-located assets held by capital-constrained sponsors. Sound real estate, impaired balance sheet.	Thesis Distressed debt secured by hospitality assets in supply-constrained markets. Path to ownership at significant discount to intrinsic value.

CONCLUSION: THE WINDOW IS OPEN

The most attractive entry points in real estate occur when long-term structural growth intersects with short-term dislocation. None of these conditions are permanent. Construction costs will eventually moderate. Lenders will re-engage. Institutional allocators will rotate back once the memory of COVID write-downs fades. When they do, entry pricing will no longer reflect dislocation. It will reflect competition.

The window is measurable in quarters, not decades. The time to allocate is now.

SOURCES

¹ **Affluent travel spending, trip frequency, and leisure expenditure projections:** Resonance Consultancy, “2026 Future of Luxury Travel” (January 2026), in partnership with Léger. As reported by Hospitality Net, January 27, 2026.

² **Consumer experience prioritization and generational travel preferences:** McKinsey “State of Travel” Survey (2024); Harris Poll (January 2026); Booking.com Global Travel Research (2019); Klook Travel Pulse 2026.

³ **Hotel supply growth, RevPAR regression, and pipeline data:** CoStar Group (1989–2025); STR.

⁴ **Urban supply growth (2010–2026F):** CoStar; Real Capital Analytics (RCA). Percent of inventory under construction by chain scale: Lodging Econometrics.

⁵ **Construction cost escalation and replacement cost analysis:** JLL Research; RLB Construction Cost Report; Turner Construction Cost Index.

⁶ **Discount-to-replacement cost (71%):** JLL Research, RLB Construction Cost Report.

⁷ **Investor real estate allocations to hospitality (12% to 6%):** Real Capital Analytics, Newmark. Hodes Weill & Associates, “Institutional Real Estate Allocations Monitor” (2024).

⁸ **Hotel REIT NAV discounts (30–50%):** Green Street Advisors; company filings.

⁹ **Hotel debt maturity schedule (\$114B through 2027):** JLL Research, RCA.

¹⁰ **Brand-mandated PIP cost escalation (30%+ above 2019):** Source: Costar, Newmark Research.

¹¹ **Lodging personal consumption expenditures:** U.S. Bureau of Economic Analysis (BEA) via FRED.

¹² **Exhibit 1 data sources:** U.S. Bureau of Economic Analysis; A&M Analysis (experience vs. goods index); Moody’s Analytics (top-10% household spending share, via published research).

¹³ **Exhibit 2 supply growth projections:** LARC Analytics; CoStar.

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