



**INOX** | PROPERTIES  
TRUST

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**Limited Service  
Hotel Insights  
2025 Report**

A red level and a drill bit are positioned on a construction blueprint. The level is at the top, and the drill bit is pointing towards the center of the blueprint. The blueprint shows architectural drawings with various lines, dimensions, and labels.

# 2025: Construction To Conversions

Limited-service hotels are increasingly turning to conversion brands as a cost-effective growth strategy, reducing reliance on the high costs and long timelines associated with new construction. Conversion brands allow owners and investors to rebrand existing properties under globally recognized franchises, providing faster market entry, lower upfront costs, and quicker stabilization. This shift is particularly relevant in today's environment of rising construction costs and tighter lending conditions, where repositioning existing assets offers a practical solution for maximizing returns.

Major hospitality companies are leading this trend by expanding their conversion-focused offerings. Hilton's Spark targets the economy segment with streamlined conversion processes and access to Hilton's robust network. Marriott's City Express caters to midscale travelers in urban and suburban areas, while IHG's Garner addresses the upper-midscale market with adaptable brand standards and dependable experiences. These brands provide flexibility by tapping into the global recognition and loyalty programs of major hotel chains.

By reducing the risks and delays of new construction, they help investors optimize underperforming assets and generate cash flow more quickly. As brands like Spark, City Express, and Garner continue to gain traction, they are reshaping the limited-service hotel landscape, offering a scalable and profitable path for growth while meeting the evolving needs of travelers and investors alike.



# Premium Preference



## Growth to remain concentrated in upper-tier chains

U.S. RevPAR, YoY % change



Source: Tourism Economics, STR

The 2025 STR projections highlight a significant shift in guest preferences toward premium and upscale hotel properties, driven by a demand for higher-quality experiences and enhanced amenities. This trend is expected to result in stronger RevPAR growth for the upscale and premium segments compared to economy properties, which face slower recovery and limited pricing power. As travelers prioritize value and elevated accommodations, upscale brands are well-positioned to capture this demand, further widening the performance gap between these segments.



# Interest Rates Stabilizing



## Growth to remain concentrated in upper-tier chains

U.S. RevPAR, YoY % change



Source: Tourism Economics, STR

With interest rates projected to stabilize and trend lower in 2025, the hotel industry is poised to benefit from improved pricing and increased transaction activity. Lower borrowing costs will ease financing challenges, enabling more investors to re-enter the market and driving higher valuations for hotel assets. This stabilization will also boost buyer confidence, leading to a more competitive transaction environment and supporting strong demand for both new acquisitions and refinancing opportunities. As a result, the hospitality sector is expected to see enhanced liquidity and more favorable pricing dynamics.



# Change of Guard

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The potential return of the Trump White House could bring policies that may benefit the broader hotel industry. Historically, pro-business initiatives such as tax cuts, deregulation, and infrastructure investments have been linked to economic growth, increased consumer spending, and higher demand for travel. If these policies were to be reintroduced, they could stimulate domestic tourism and business travel, which would positively impact hotel occupancy rates and pricing power, particularly for properties in urban and high-demand locations.

While political leadership can influence market dynamics, the hospitality sector remains largely driven by underlying economic factors, consumer behavior, and global trends. Any policy shifts under a future administration could have varying impacts on the industry, but the overall outlook for hotel investments will depend on broader market conditions and travel patterns. Keeping a close eye on these developments will be important as the market evolves.

# Capital Allocation Strategy

Our plans will largely be unchanged going into 2025. We believe limited service hotels will continue to be strong. We'll also shift our strategy to include a focus on value-add opportunities where we can implement conversions.

Our capital allocation strategy is based on our SWOT analysis of the industry.



## Strength

- Leisure demand continues to outperform
- Limited supply



## Weaknesses

- Labor expense growth
- Cost of insurance has risen significantly
- Property tax rates increasing



## Opportunities

- One of the highest risk-adjusted returns in real estate
- Poor management and lack of financing may create some distress
- Seasoned operators will be able to up brand or complete PIPs



## Threats

- Creation of new flags will create further competition inter-brand
- Labor shortage, although it has improved, still presents challenges

# Closing Statement

As we look ahead to 2025, we remain confident in the resilience and growth of the hotel sector. Strong RevPAR increases are expected as demand for premium and upscale accommodations continues to outpace that of economy properties, driving revenue growth across the industry.

Additionally, with interest rates stabilizing at lower levels, the hotel market will benefit from more favorable financing conditions, improving both pricing and transaction activity. This will provide an opportunity for increased investor confidence and market liquidity.

Finally, a potential shift in the political climate could offer further support for the hospitality sector, particularly through pro-business policies that stimulate economic growth and travel demand. Together, these factors position the hotel industry for a strong performance in 2025, despite broader market uncertainties.