Advisors weigh in on interest rate direction

Most members of Hotel Investment Today's advisory board see a 50- to 100-bps cut, but lament the unexpected.

NATIONAL REPORT – Perhaps the most impactful industry discussion surrounds the future of the Federal Reserve's policy on interest rates, especially considering the Trump administration's ongoing pressure to pursue more aggressive cuts.

The Fed made three 25 basis point cuts in the latter half of 2025 with the chairman holding steadfast in his position to be conservative with cuts to control inflation.

We asked Hotel Investment Today advisory board members to offer their best insights into what they think 2026 will hold in the way of further rate cuts by the Fed and how it could impact dealmaking, development pipelines and new construction.

Maki Nakamura Bara, president, co-founder, The Chartres Lodging Group
"My guess is that the Fed will cut rates only moderately again in 2026, given the latest cut didn't do much, and they have the difficult challenge of balancing inflation. I'm hopeful that this will translate to actual interest rates declining in 2026 as well as a continued tightening of spreads since there is a lot of money in this space competing for very few deals."

David McCaslin, co-founder, CapStar Advisors
"I believe interest rates will come down 50 basis points in 2026. However, I think both will be in the front half of the year. Transactions will pick up not because of that level of cut but a greater certainty that rates in the buyers hold period will be stable or lower and pressure to sell from a much longer hold period than originally envisioned. I think development will be less impacted as general RevPAR growth will be higher, but not massively higher. In addition, I expect construction costs to be higher, especially for labor, making it difficult for too many deals to pencil."

David Duncan, president and CEO, First Hospitality
"Short-term rates will decline up to 100bps, but it may not have a big impact on the longer end of the curve."

Sean Hehir, managing partner, Trinity Investment

"Modest easing of rates is likely but not a return to zero rates. Despite this easing of rates, the cost of labor and materials are still factors to consider for new construction. New development, especially in the upper-upscale and luxury segments, is expected to remain muted (particularly given the discounts to replacement costs for existing hotel transactions), boding well for existing hotels and potential trades in 2026."

Adi Bhoopathy, managing principal, head of Capital Markets, Noble Investment Group

"The forward curve is pricing in one 25-bps rate cut in 2026, which is also the median from the Dot Plot. That being said, there is a fair amount of dispersion. I've seen many projections from various banks/economists assuming two to three rate cuts in 2026."

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Eric Jacobs, chief global growth officer, Aimbridge Hospitality

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Glyn Aeppel, founder, president, CEO, Glencove Capital
“I see 0.5 points – it will probably not be more given the inflationary risks hovering. Development pipelines are still slow as construction costs remain relatively high, but lower interest rates will assist in fueling this pipeline and the volume of ground-up deals commencing with construction.”

Philip “Flip” Maritz, managing director Broadreach Capital Partners, co-founder, Maritz, Wolff & Co.
“Really? No real clue but perhaps 110 pbs... likely something unexpected will cause disruption.”

- By Jeffrey Weinstein | January 16, 2026