

July 30, 2021

# U.S. HOTELS

## State of the Union

# Key Takeaways

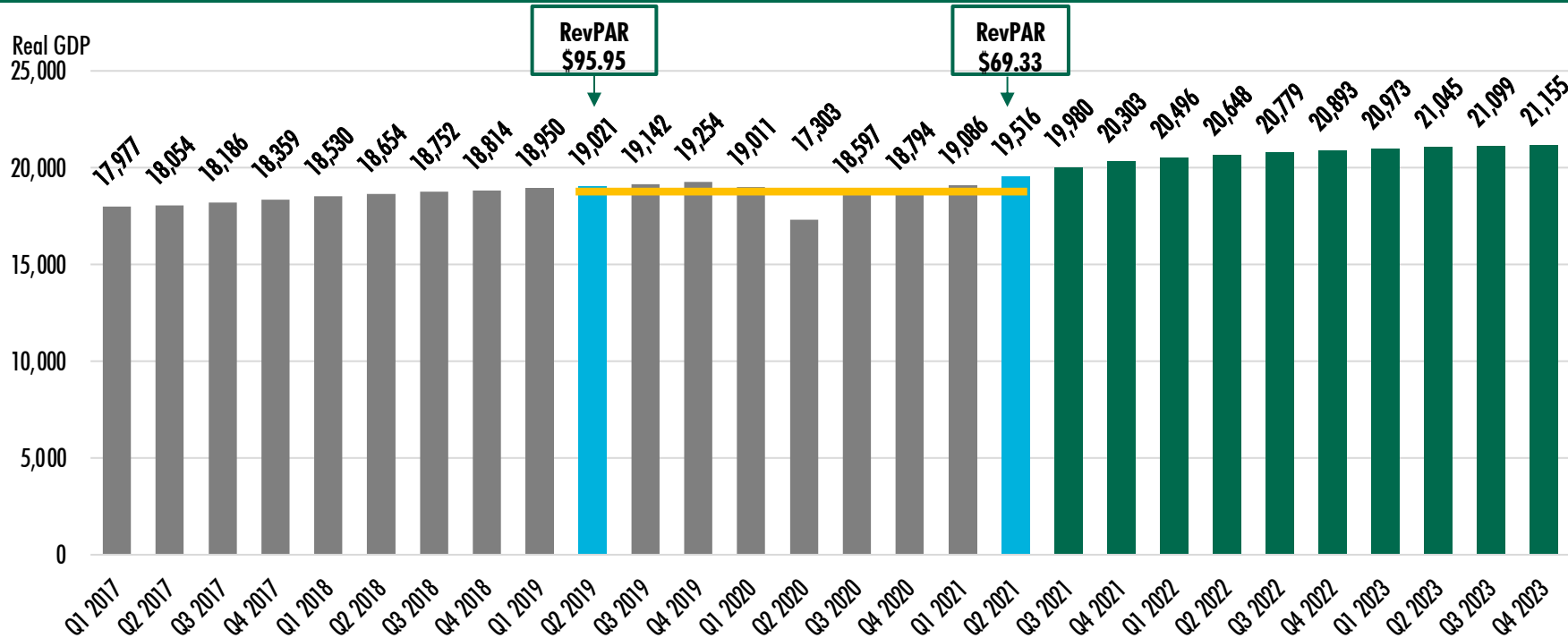
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- There are clear winners and laggards. Market level trends are more important than ever. (Slides 28-30)
- 2021 GDP forecasts continue to increase and are up 2.2 percentage points since the beginning of the year. (Slide 5)
- Unemployment is expected to be within 20 bps of pre-pandemic levels by the end of the year. (Slide 9)
- Hotel fundamentals continue to improve led by rate. (Slides 11 - 13)
- International travel restrictions are benefitting US hotels. (Slides 14 - 15)
- Record fixed investment and personal savings, combined with high business confidence bode well for future demand. (Slides 17 - 19)
- Despite headlines of moderating commodity costs, lumber, steel, and labor remain at or near their highs, pressuring future supply growth and bolstering same-store revpar growth this cycle. (Slides 24-26)
- Labor shortages and wage pressures are a headwind to NOI recovery, but operators are smart and have found efficiencies in each of the last cycles. (Slides 32-33)

# The Economy



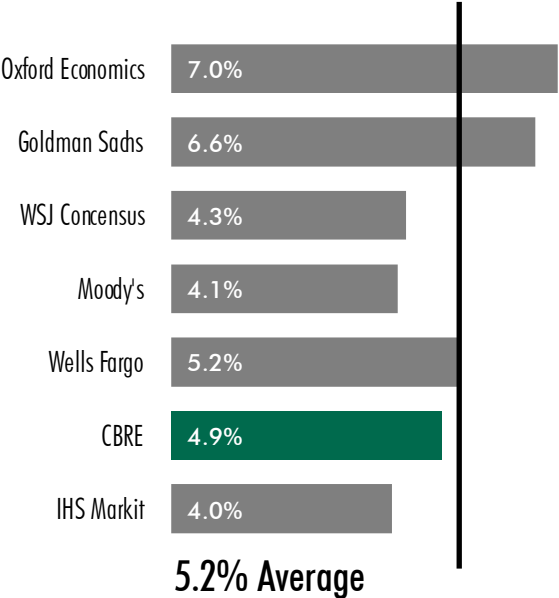
# The Question Is When, Not If, RevPAR Will Recover



Source: CBRE Hotels Research, CBRE EA, BLS, Kalibri Labs  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

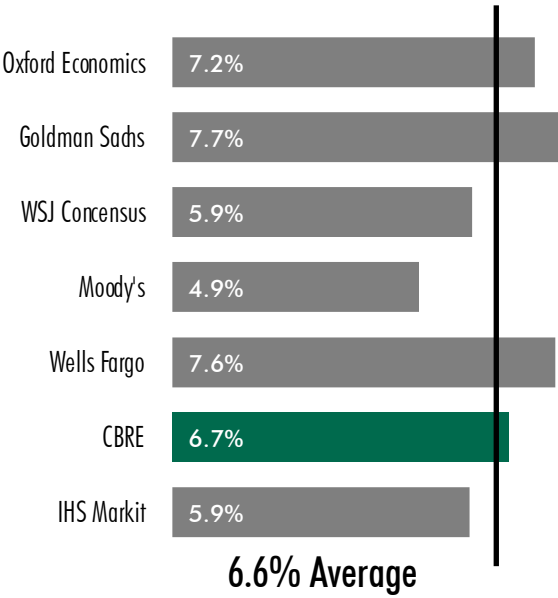
# GDP Forecasts Continue to Increase, +2.2 p.p.

2021 GDP Growth Forecast



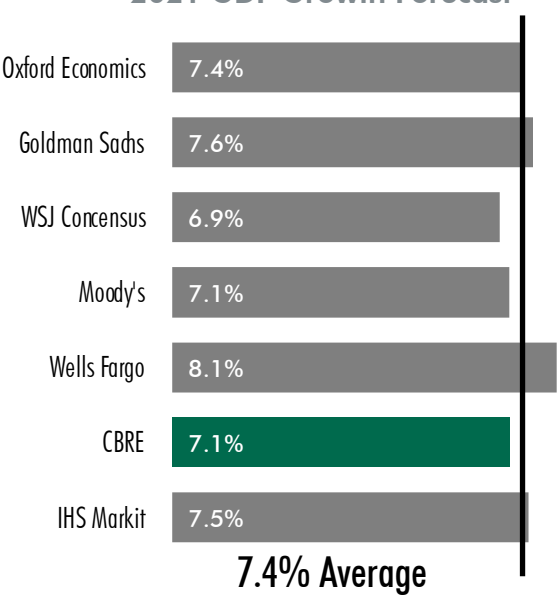
**JANUARY 2021**

2021 GDP Growth Forecast



**APRIL 2021**

2021 GDP Growth Forecast

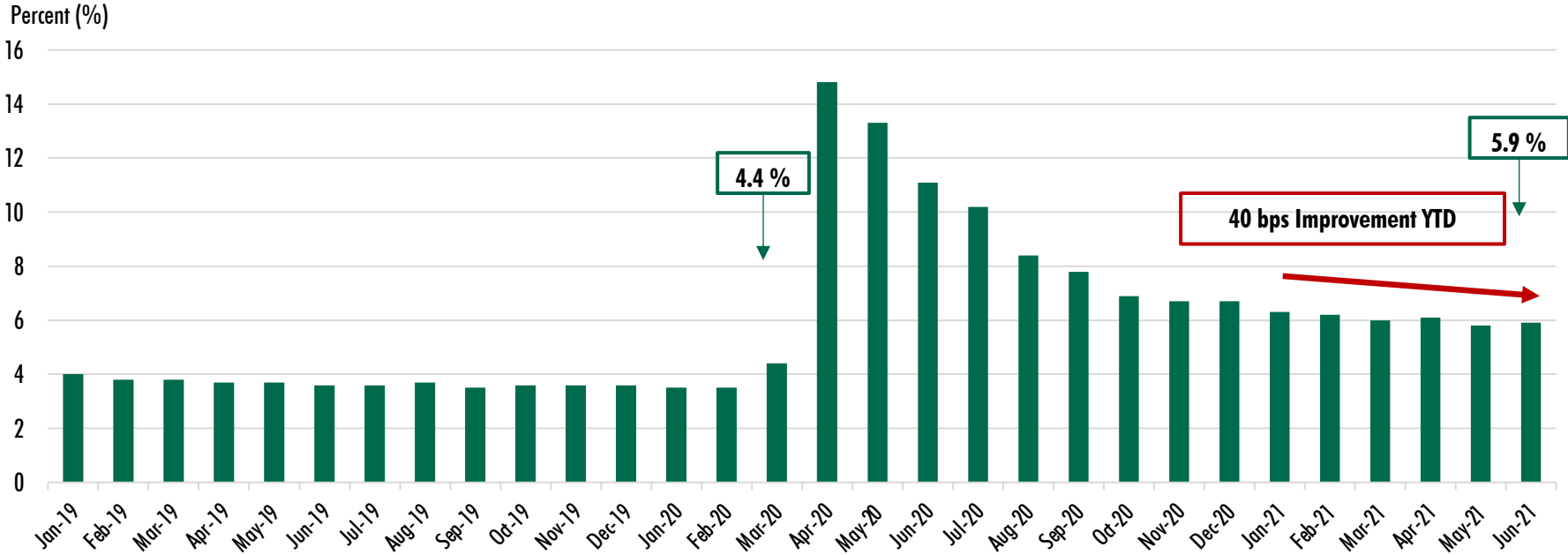


**JULY 2021**

Source: CBRE Hotels Research, CBRE EA, Wall Street Journal.

# Overall Labor Market CBRE Forecasts 4.7% 2021 Unemployment

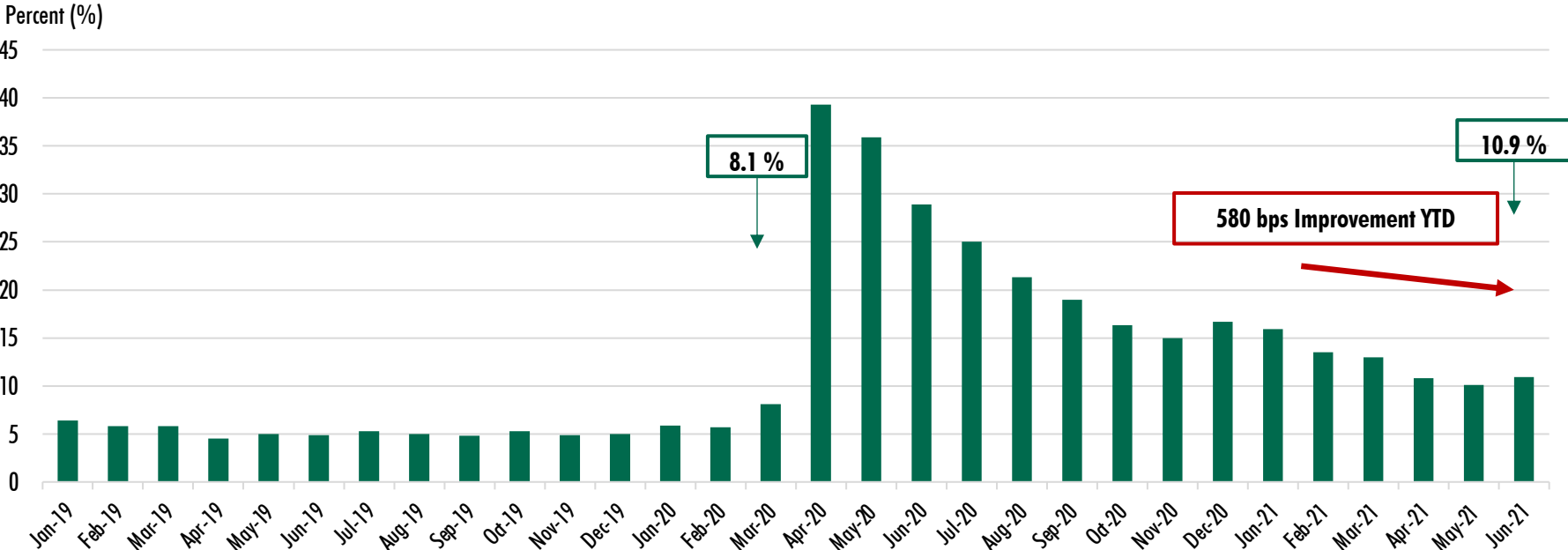
## UNEMPLOYMENT RATE



Source: CBRE Hotels Research, BLS.

# Leisure and Hospitality Labor Market

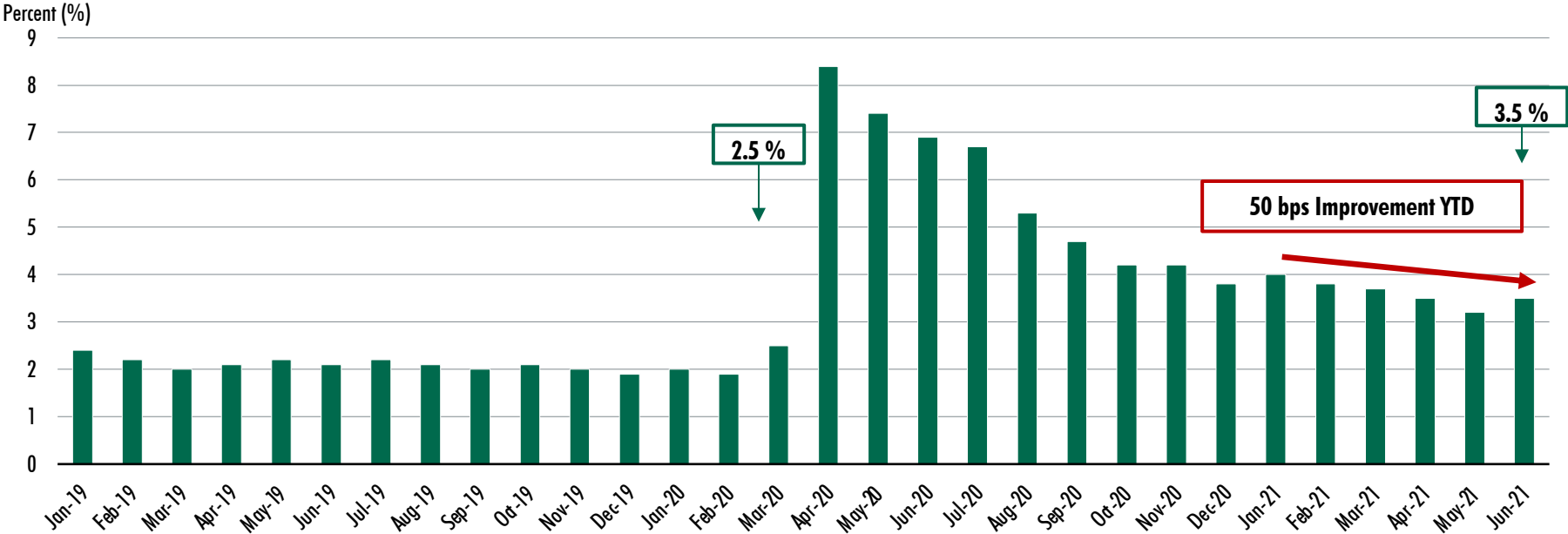
## UNEMPLOYMENT RATE



Source: CBRE Hotels Research, BLS.

# College Educated Labor Market

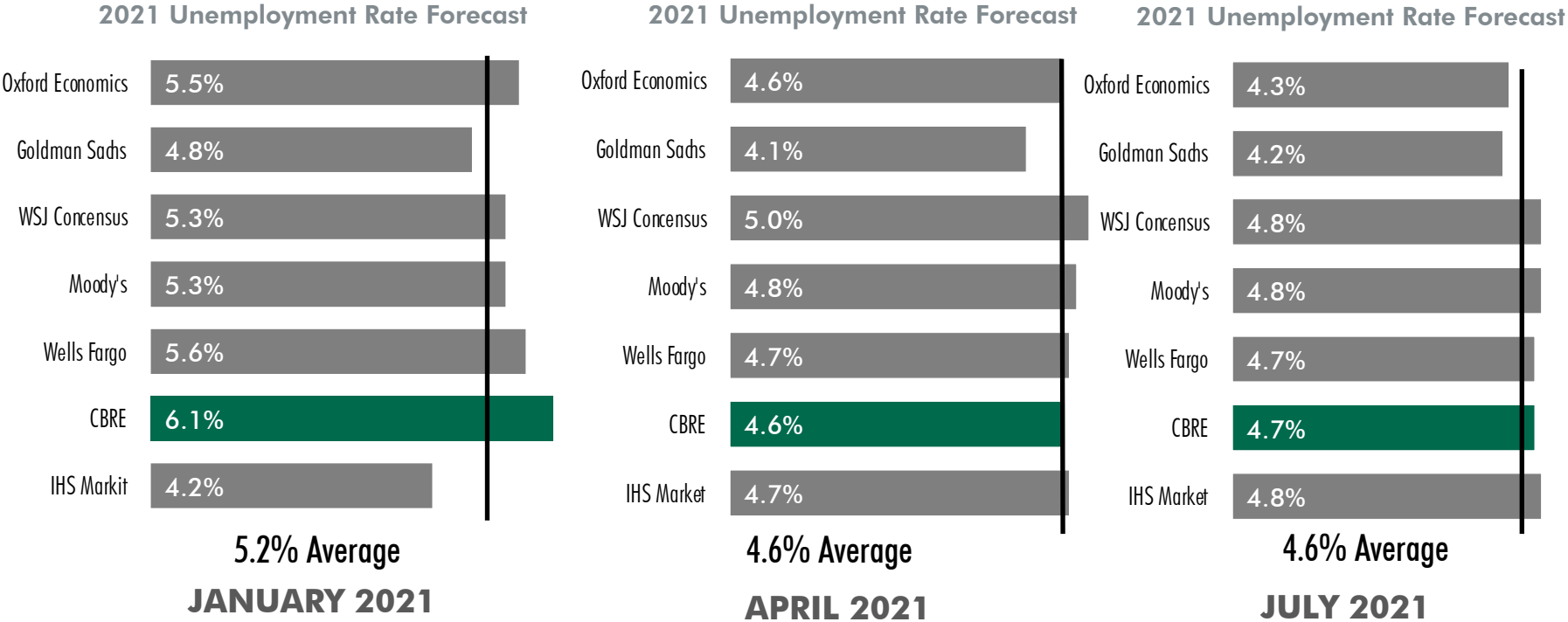
## UNEMPLOYMENT RATE – BACHELOR’S DEGREE AND HIGHER, 25 YRS. & OVER



Source: CBRE Hotels Research, BLS.



# Unemployment Expected to be Within 20 bps of Pre-pandemic Levels



Source: CBRE Hotels Research, Wall Street Journal, CBRE EA.

# Current Trends

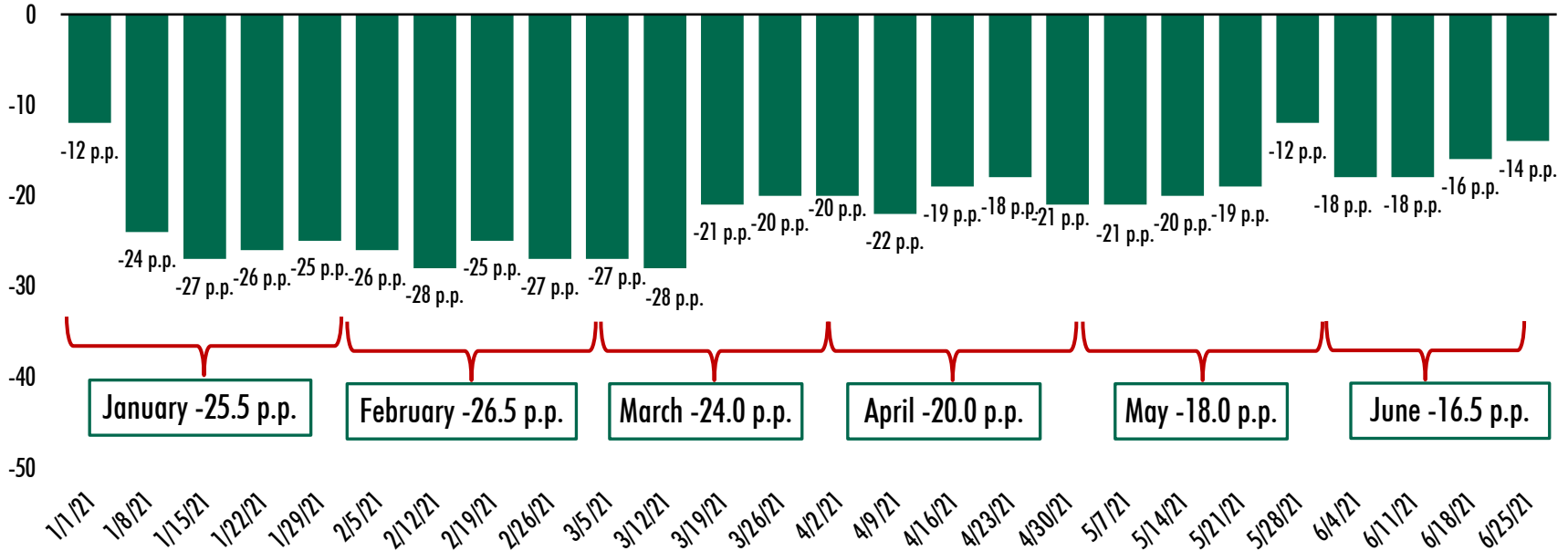


# Rebounding Hotel Performance

## US WEEKLY OCCUPANCY

Percentage Points

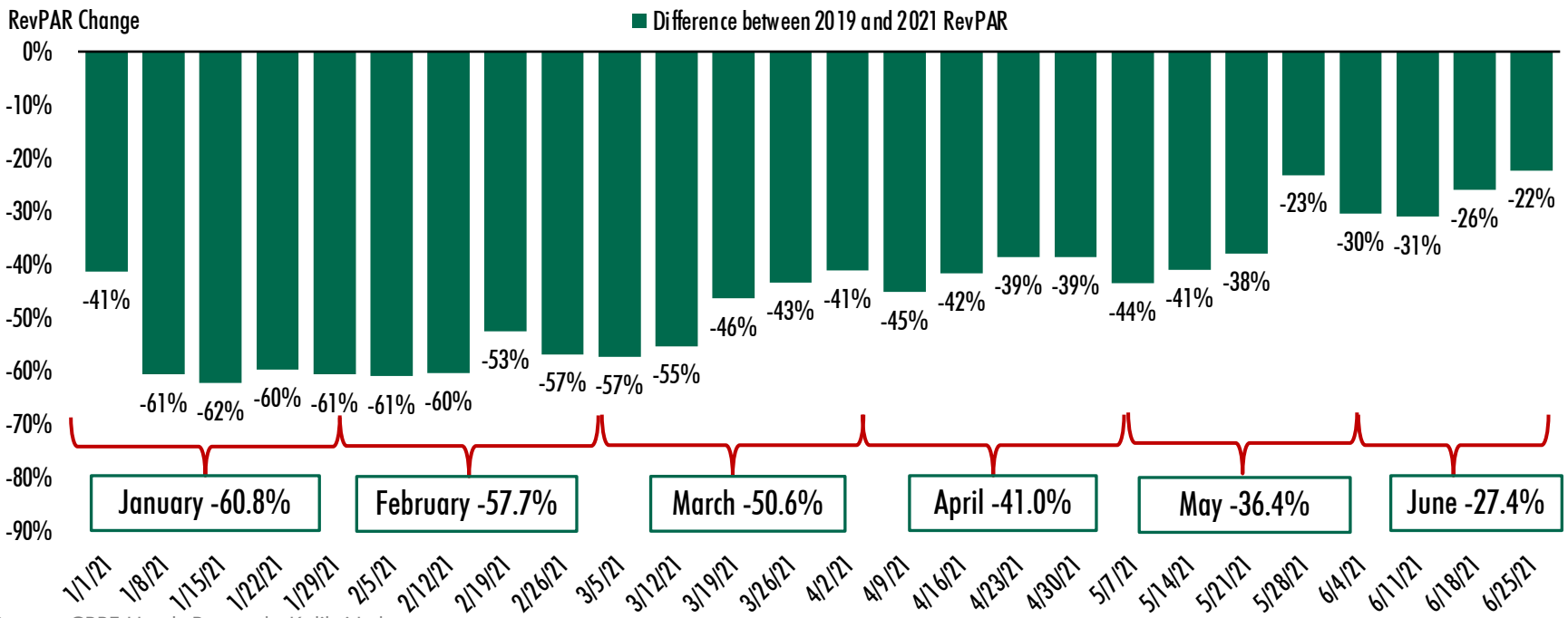
■ Difference Between 2021 and 2019 Occupancy



Source: CBRE Hotels Research, Kalibri Labs.

# Rebounding Hotel Performance

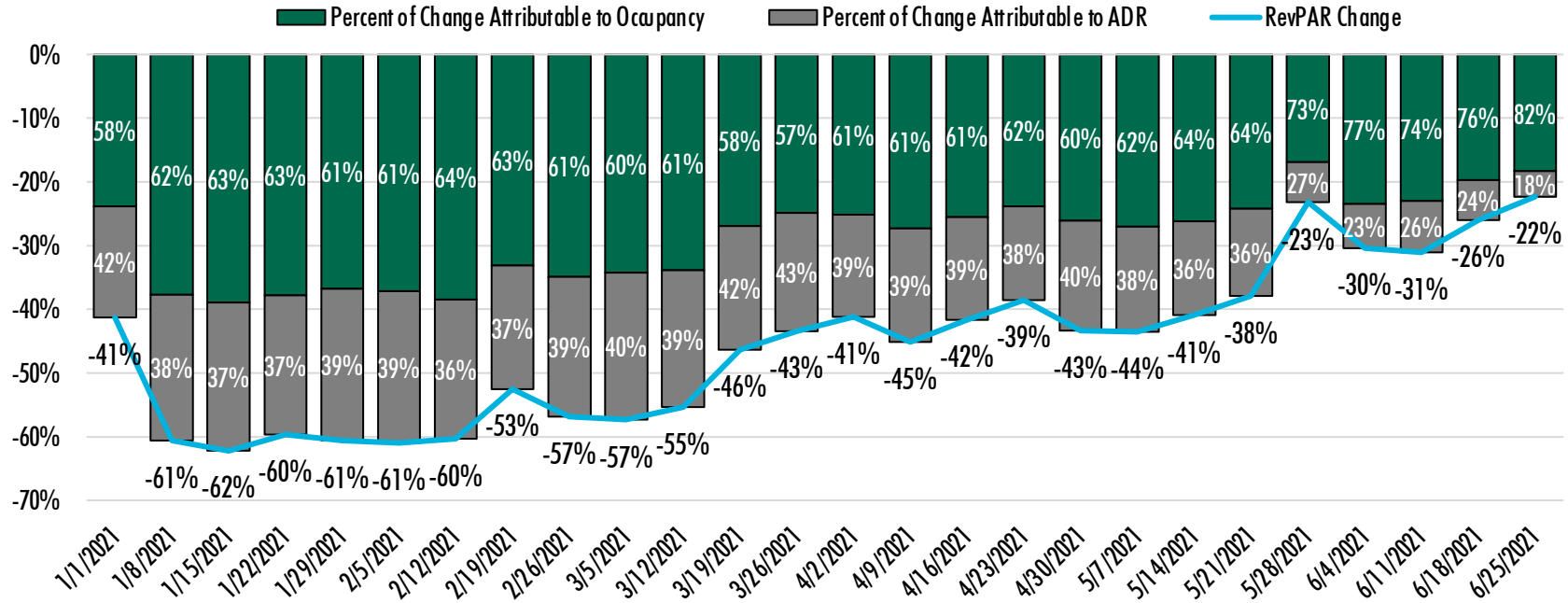
## US WEEKLY REVPAR



Source: CBRE Hotels Research, Kalibri Labs.

# Breaking Down 2021 RevPAR Decline

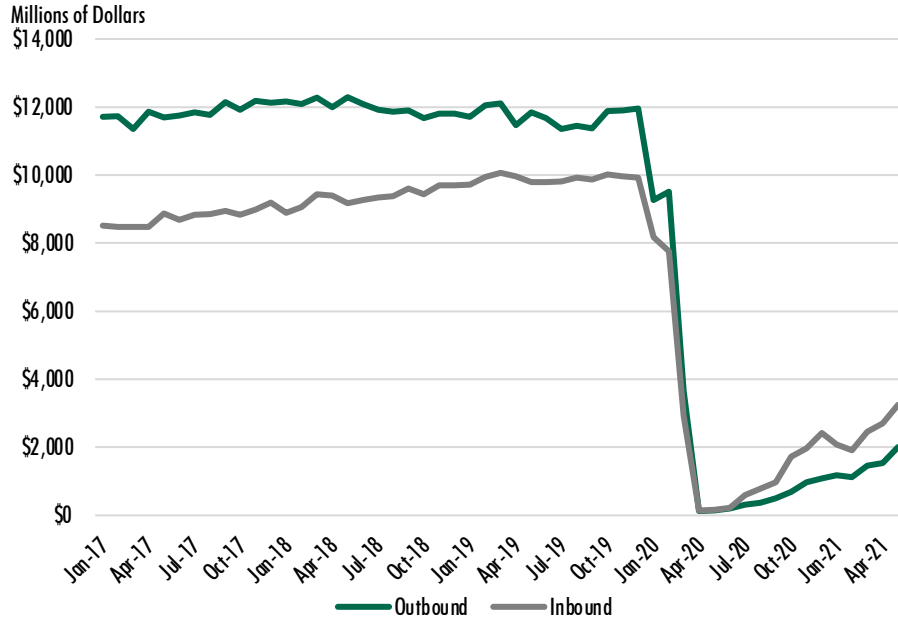
RELATIVE TO 2019 THE BULK OF THE SHORT FALL IS FROM OCCUPANCY



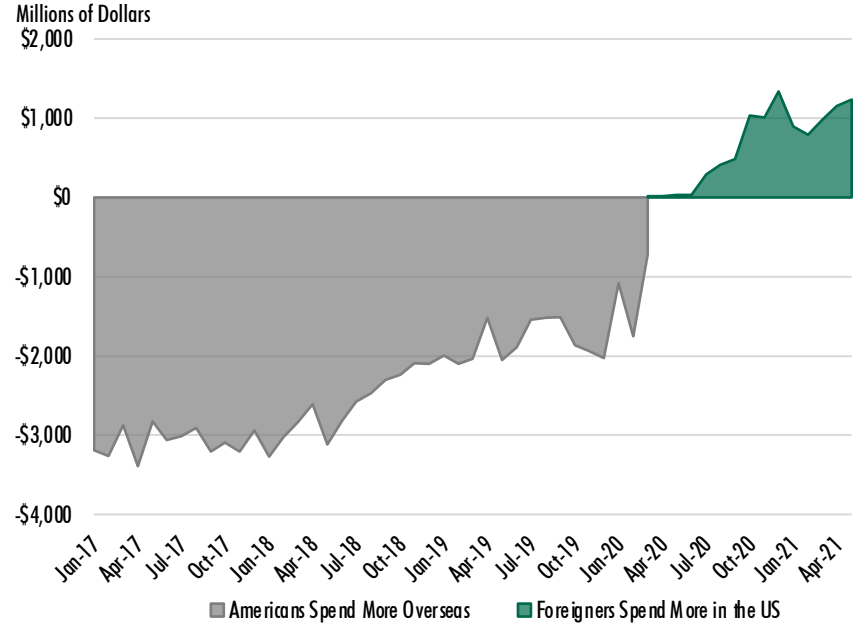
Source: CBRE Hotels Research, Kalibri Labs.

# International Travel Restrictions Are Benefitting US Hospitality

## INTERNATIONAL TRAVEL SPENDING



## INTL. TRAVEL RESTRICTIONS BENEFIT US HOTELS



Source: CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

# US Border Entrants By Country

## YEAR TO DATE APRIL 2019

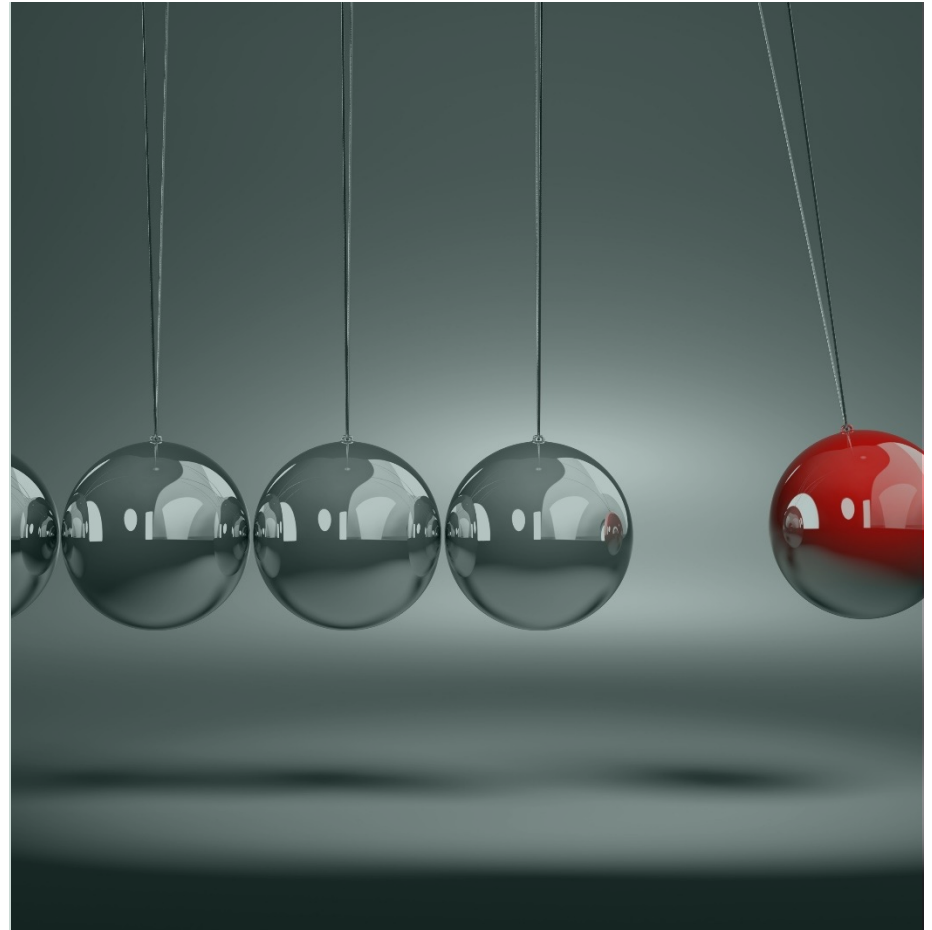
Rank	Country
1	Canada
2	Mexico
3	United Kingdom
4	Japan
5	China, PRC (excluding Hong Kong)
6	Brazil
7	South Korea
8	Germany
9	France
10	India

## YEAR TO DATE APRIL 2021

Rank	Country
1	Mexico
2	Canada
3	Colombia
4	India
5	Dominican Republic
6	Ecuador
7	Peru
8	Argentina
9	Honduras
10	Venezuela

Sources: U.S. Department of Commerce, ITA, I&A, National Travel and Tourism Office (NTTO) I-94 Program, Statistics Canada, and Instituto Nacional de Estadística y Geografía/INEGI (Banco de Mexico).

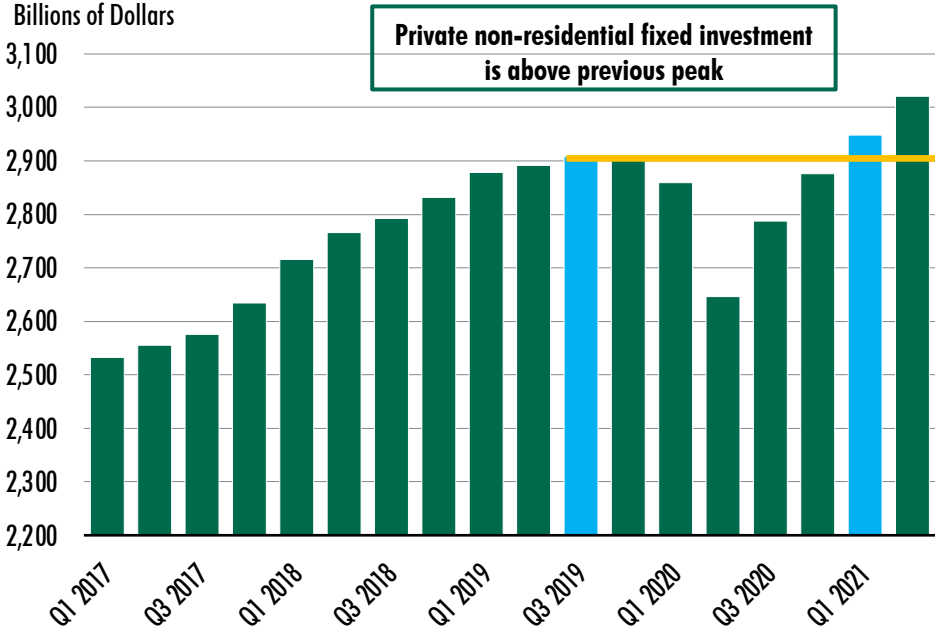
# Leading Indicators



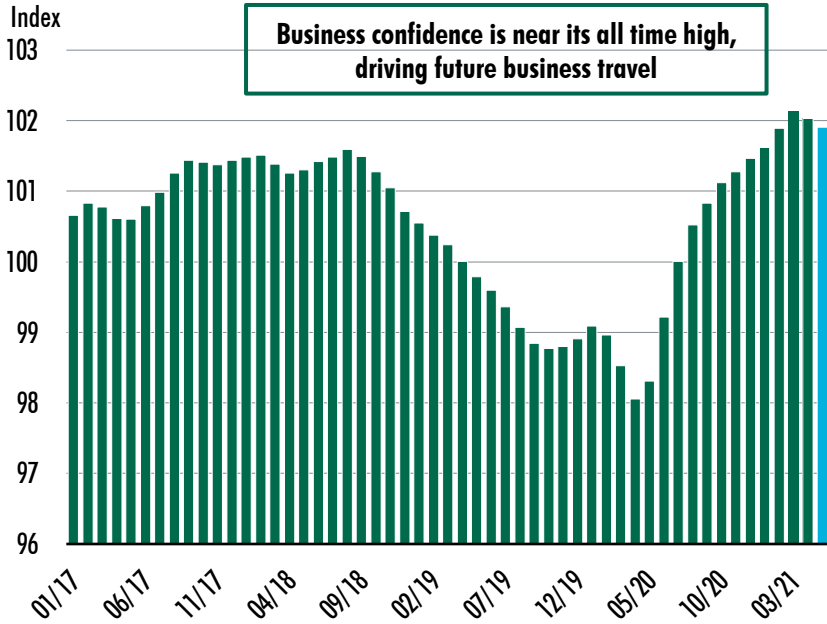


# Record Fixed Investment and High Business Confidence

## PRIVATE NONRESIDENTIAL FIXED INVESTMENT



## BUSINESS CONFIDENCE INDEX

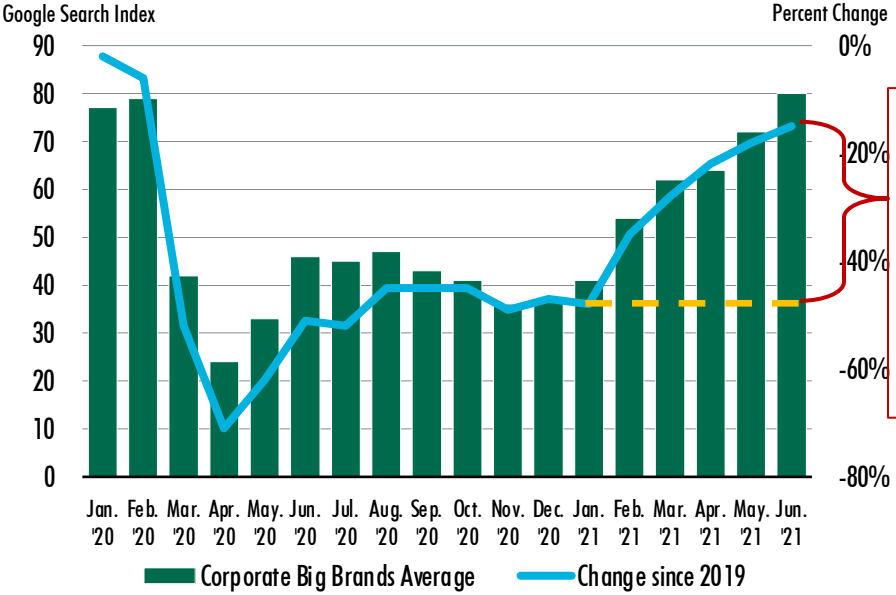


Source: CBRE Hotels Research, BLS, OECD.

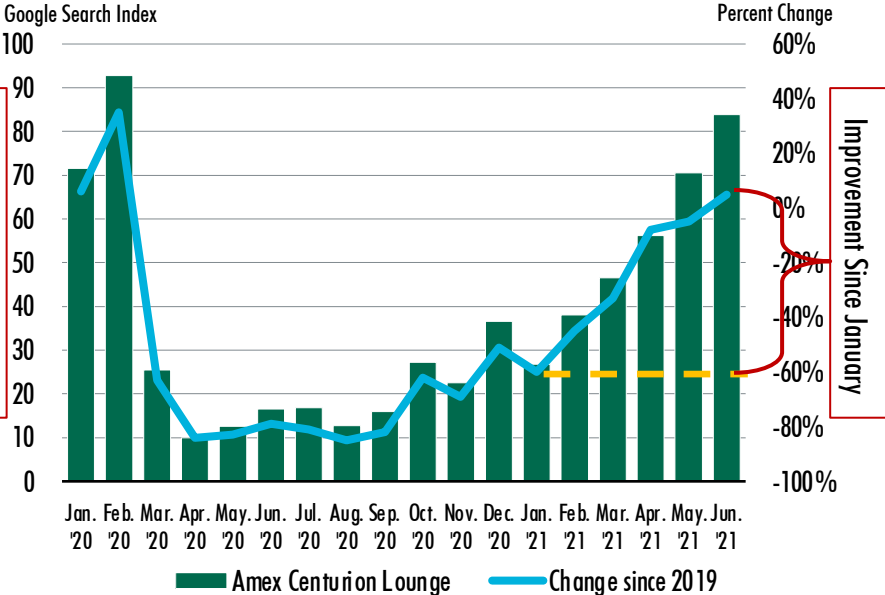
# Google Trends Analysis Business Travel Recovery

## BUSINESS TRAVEL LEADING INDICATORS

### Corporate Big Brands Average



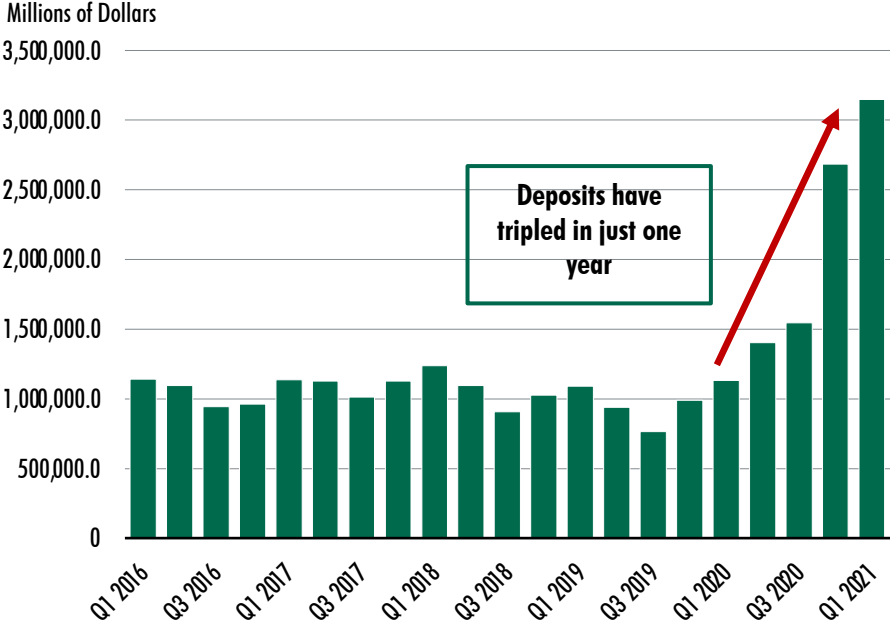
### Amex Centurion Lounge



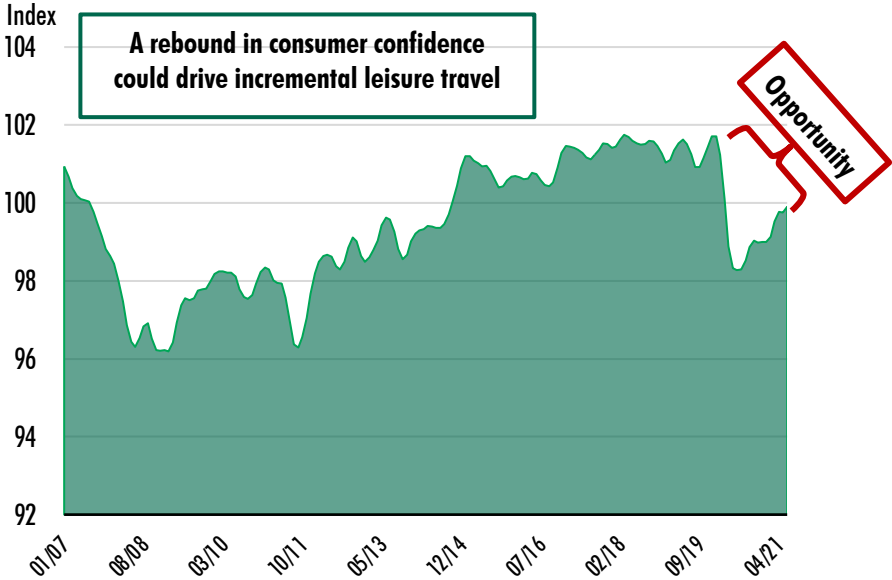
Source: CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, Amex Lounge, Centurion Lounge

# Record Level Household Savings But Consumer Confidence is Lagging

## HOUSEHOLD CHECKABLE DEPOSITS



## CONSUMER CONFIDENCE INDEX

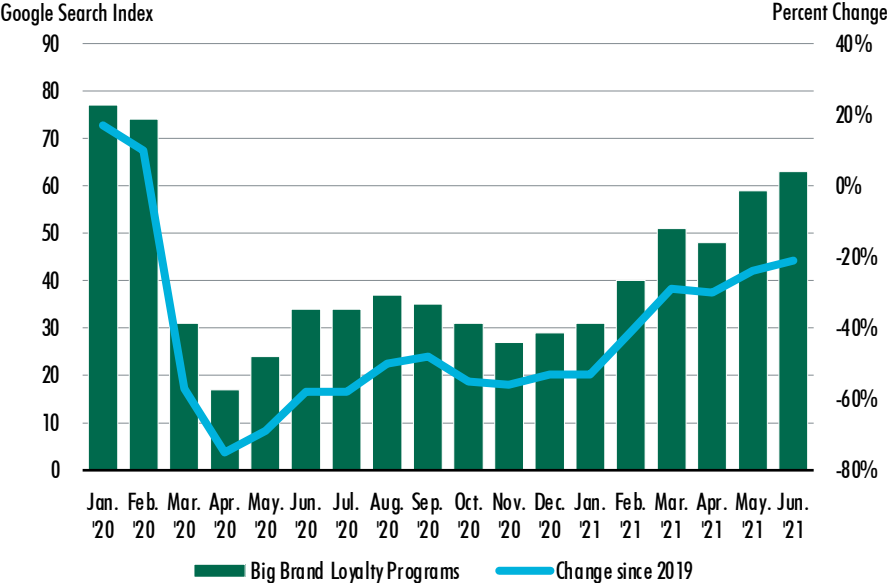


Source: CBRE Hotels Research, BLS, OECD.

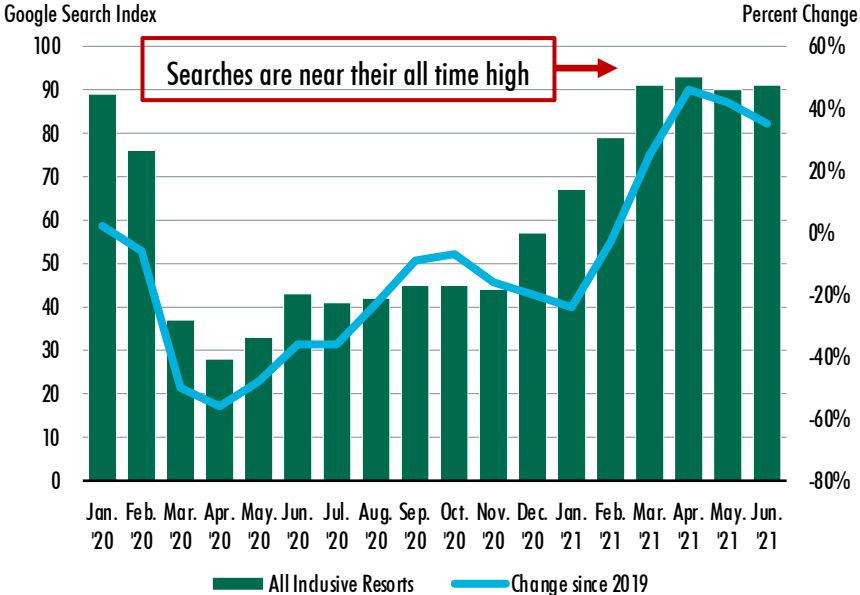
# Google Trends Analysis Leisure Travel Recovery

## LEISURE TRAVEL LEADING INDICATORS

### Big Brand Loyalty Programs



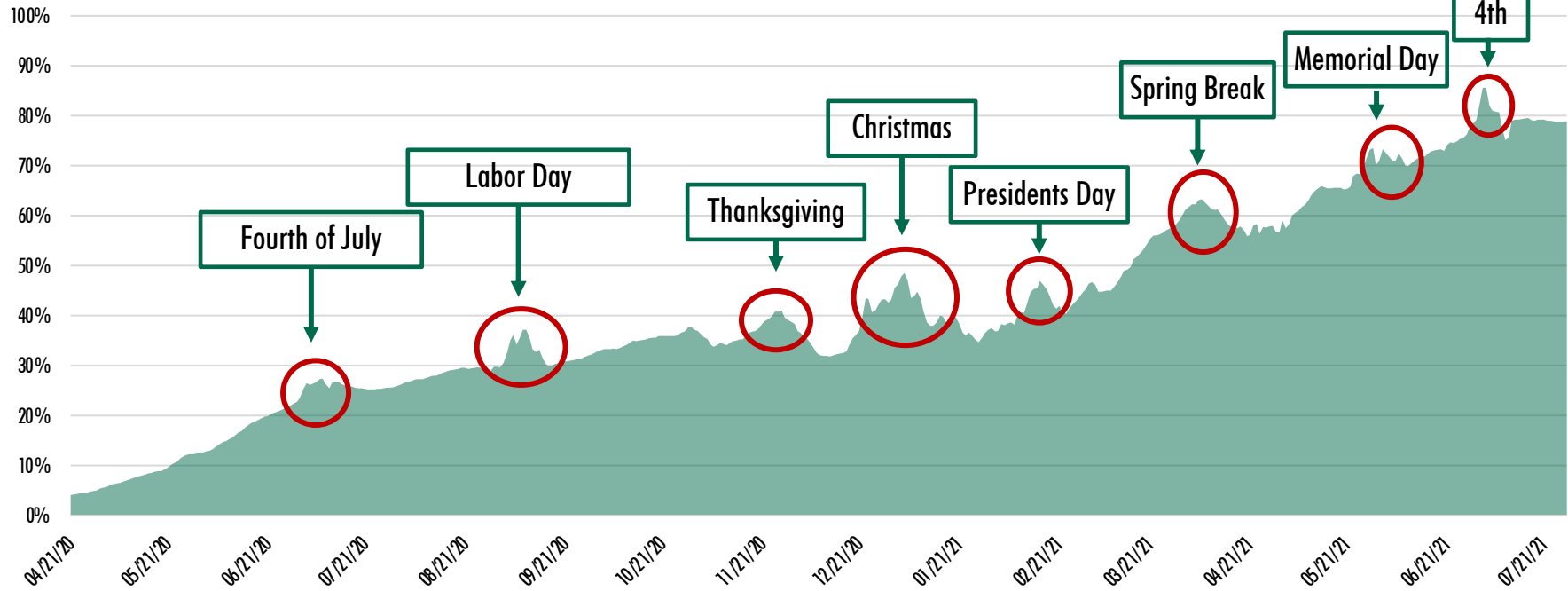
### All Inclusive Resorts



Source: CBRE Hotels Research, Google Trends. Key words: Bonvoy, Hilton Honors, World of Hyatt, IHG Rewards, All-inclusive Resort.

# Its Not Just A Leisure Recovery Air Travel Increases outside of Holidays

TSA THROUGHPUT AS A PERCENT OF 2019 LEVELS



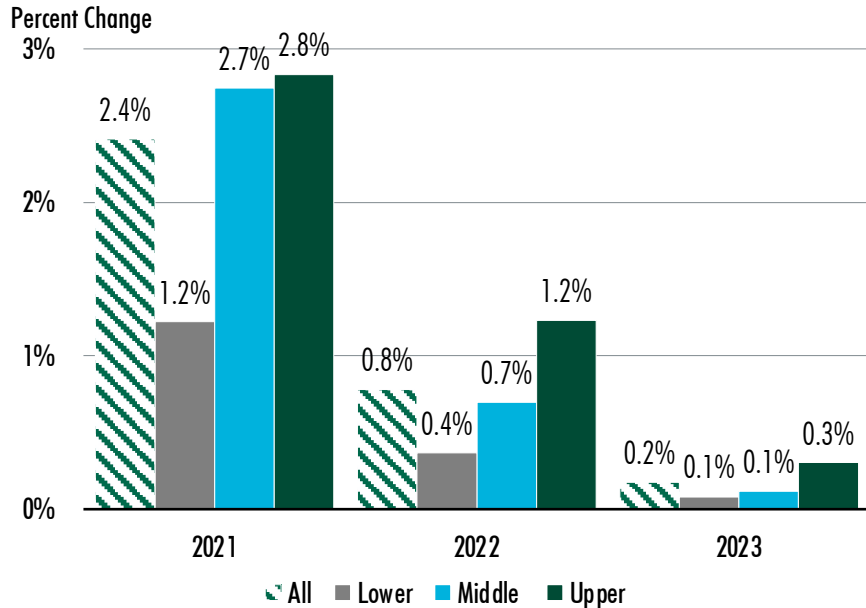
Source: CBRE Hotels Research, TSA.

# Supply

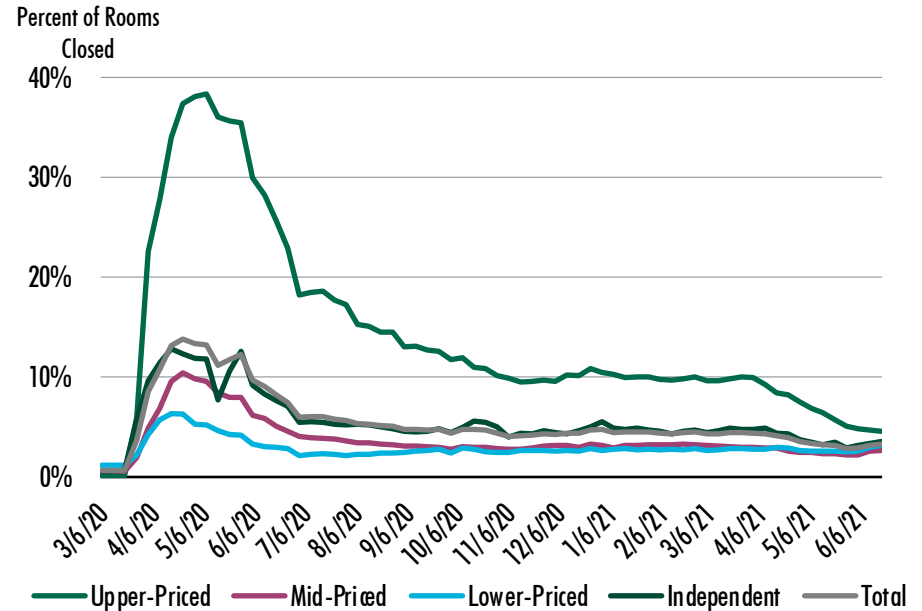


# New Projects + Re-openings Represent Above Average Supply Growth

## “IN CONSTRUCTION” SUPPLY GROWTH



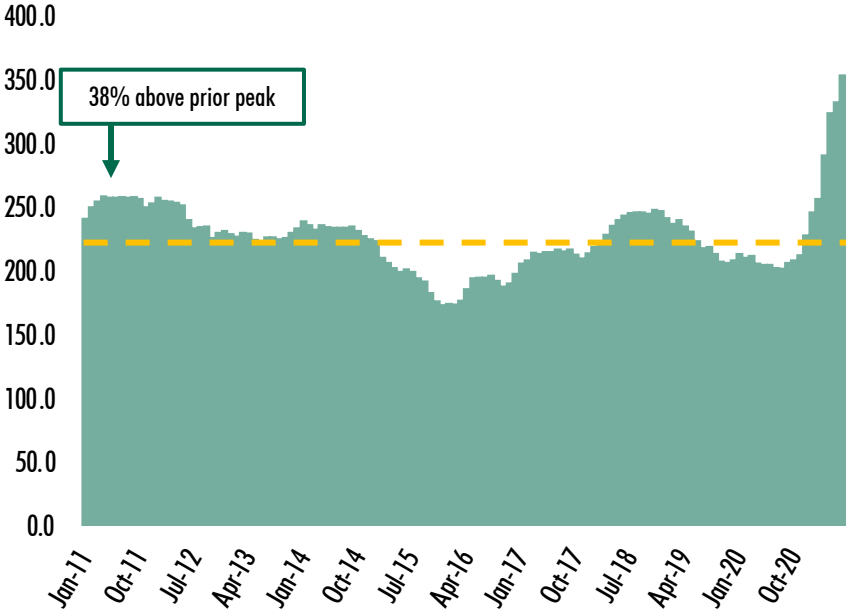
## 3.0% OF ROOMS REMAIN CLOSED



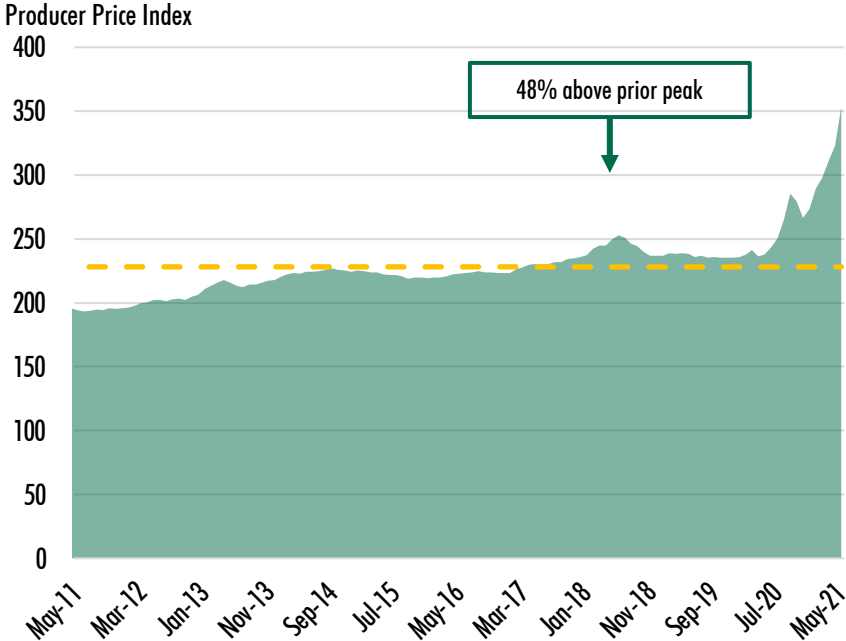
Source: CBRE Hotels Research, Kalibri Labs, Dodge Data Analytics

# Construction Inputs are More than 50% Above their Long Run Averages

## STEEL AND IRON



## LUMBER AND WOOD PRODUCTS

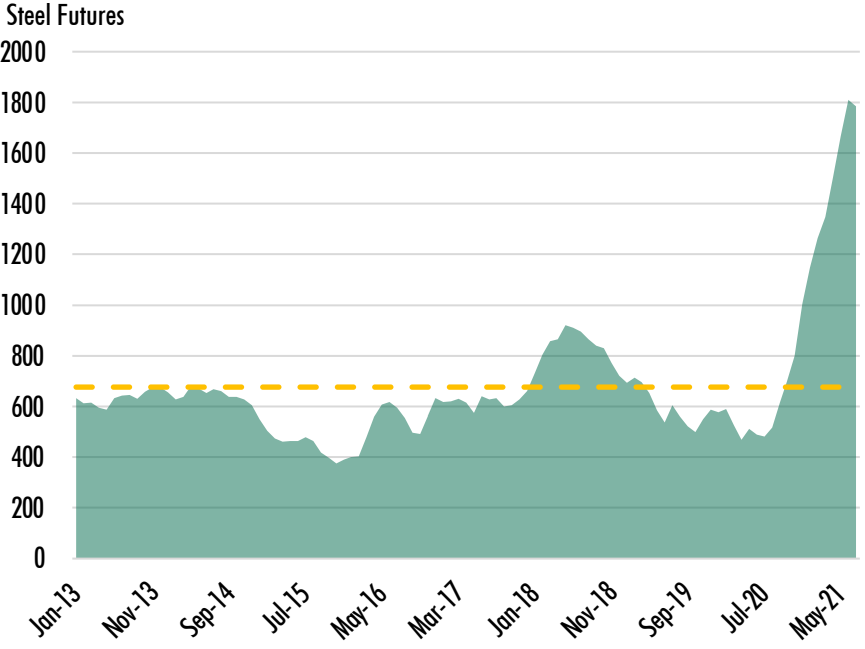


Source: CBRE Hotels Research, BLS

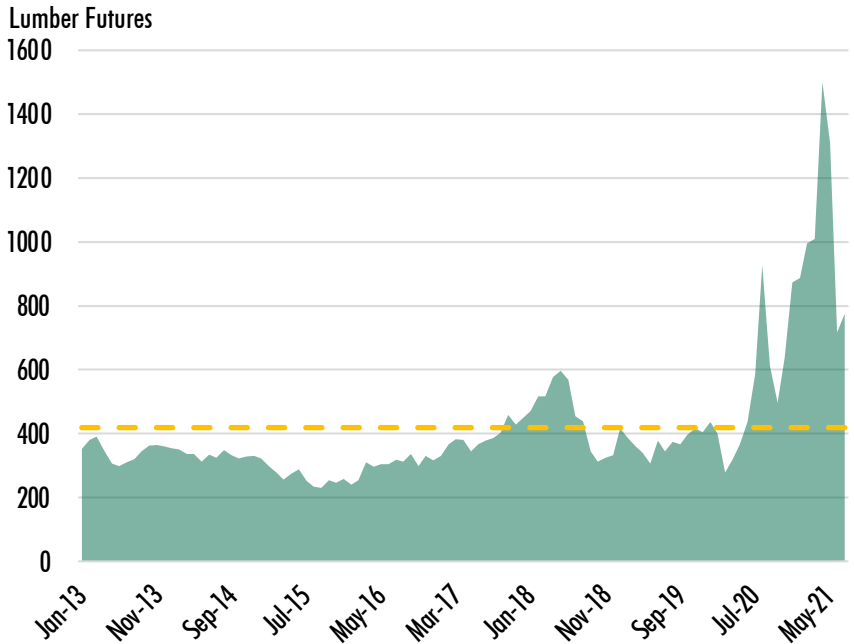


# Futures Pricing Indicate Continued Headwinds

## STEEL FUTURES



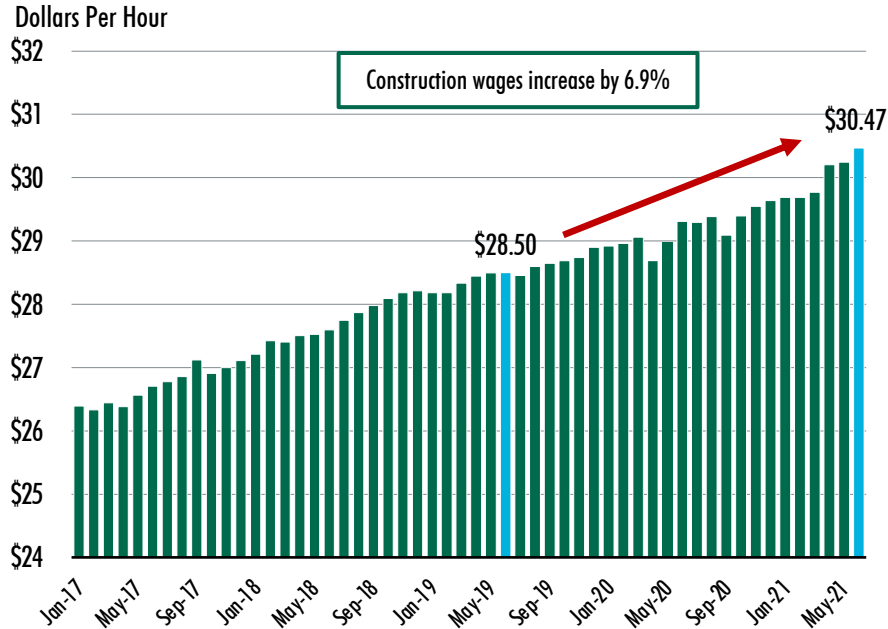
## LUMBER FUTURES



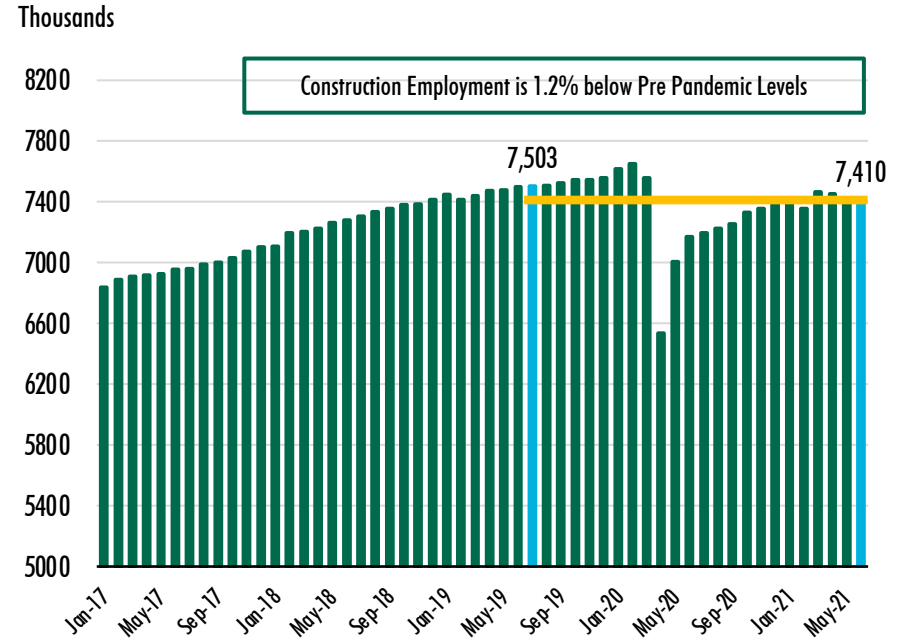
Source: CBRE Hotels Research, CME Group

# Higher Wages and Employment Headwinds New Construction

## CONSTRUCTION WAGES



## NUMBER OF CONSTRUCTION EMPLOYEES



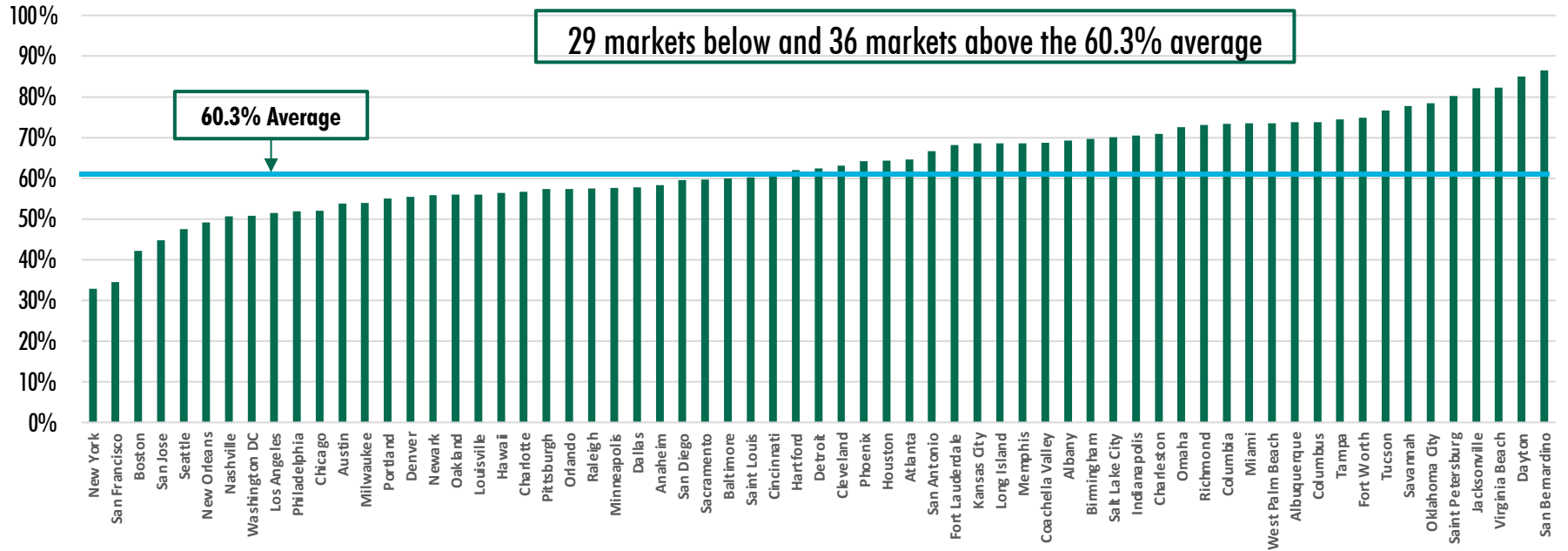
Source: CBRE Hotels Research, BLS

# Current Forecast



# CBRE Hotel Horizons® US Lodging Forecast By Market

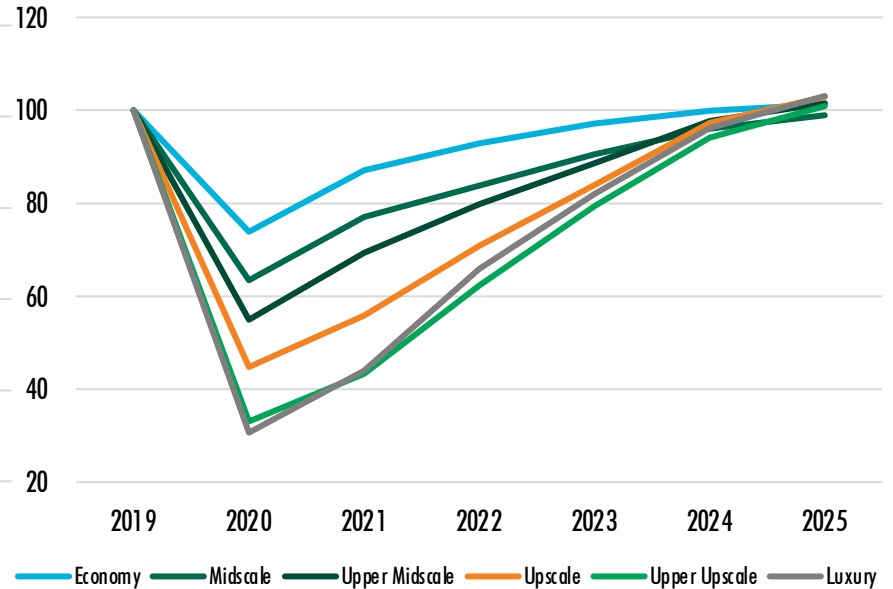
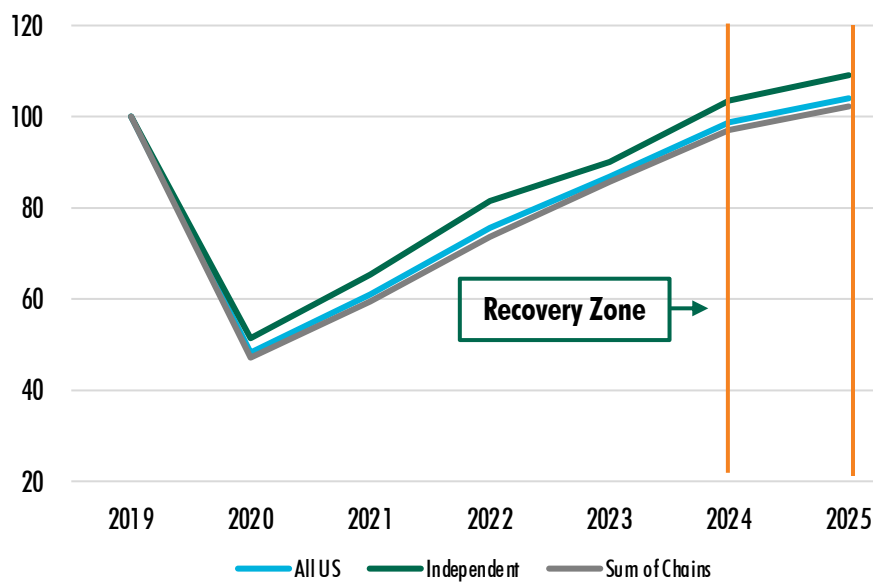
## 2021 REVPAR AS A PERCENT OF 2019



Source: CBRE Hotels Research, Kalibri Labs.

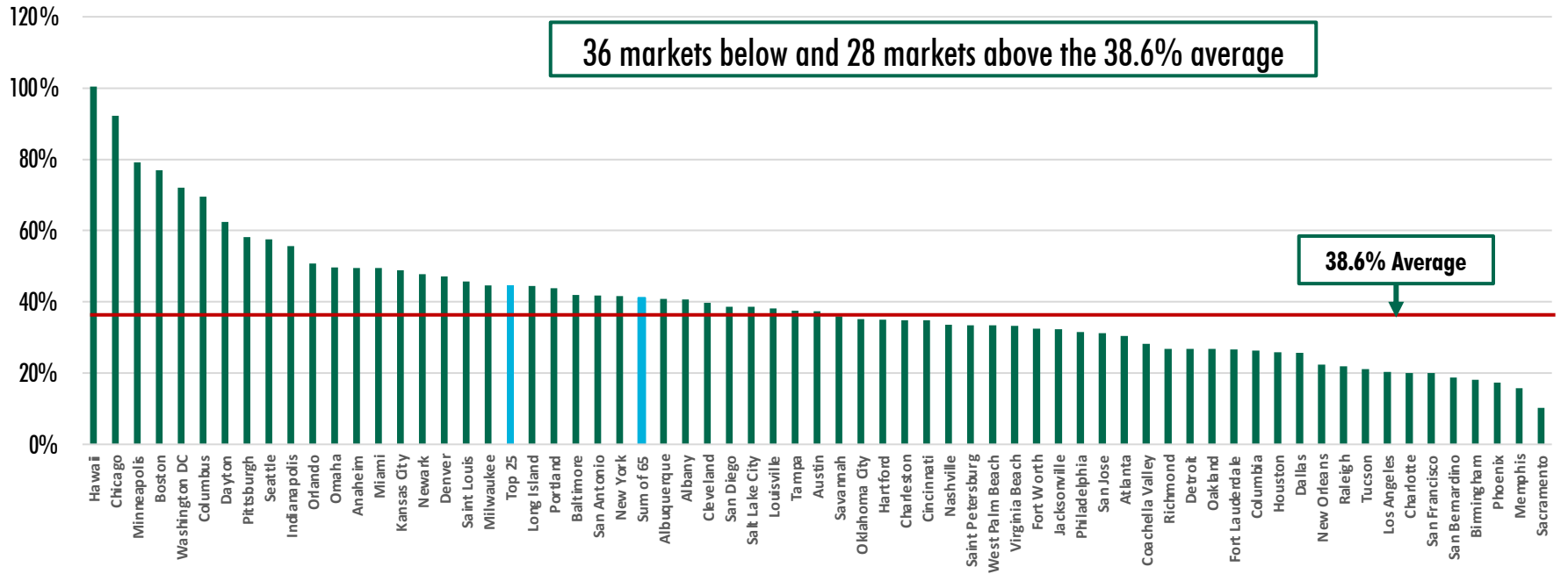
# CBRE Hotel Horizons® US Lodging Forecast By Chain Scale

## REVPAR INDEXED TO 2019 LEVELS



# CBRE Hotel Horizons® US Lodging Forecast By Market

## 2021 REVPAR GROWTH



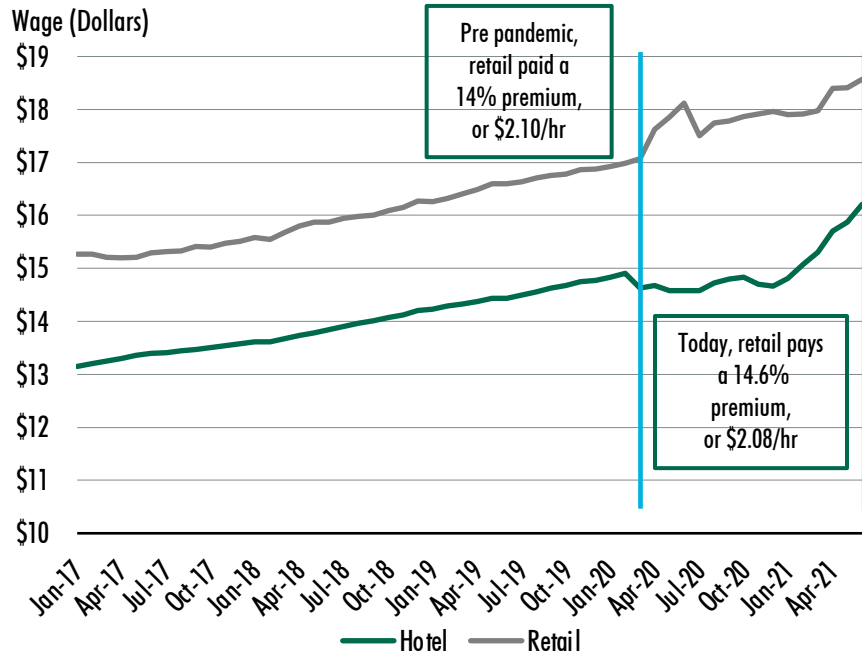
Source: CBRE Hotels Research, Kalibri Labs.

# Operating Performance

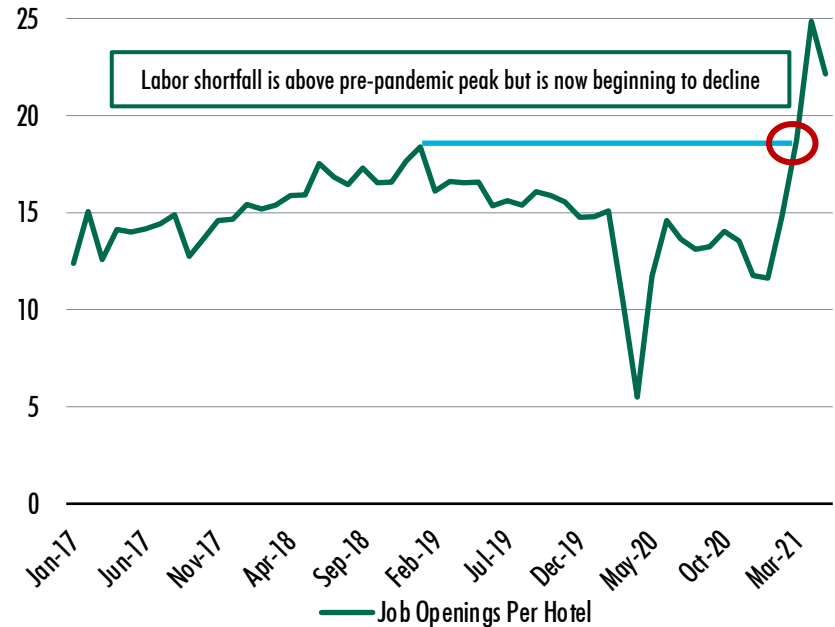


# Hotel Operators Continue To Confront a Challenging Labor Environment

## WAGE PRESSURES A HEADWIND TO MARGINS



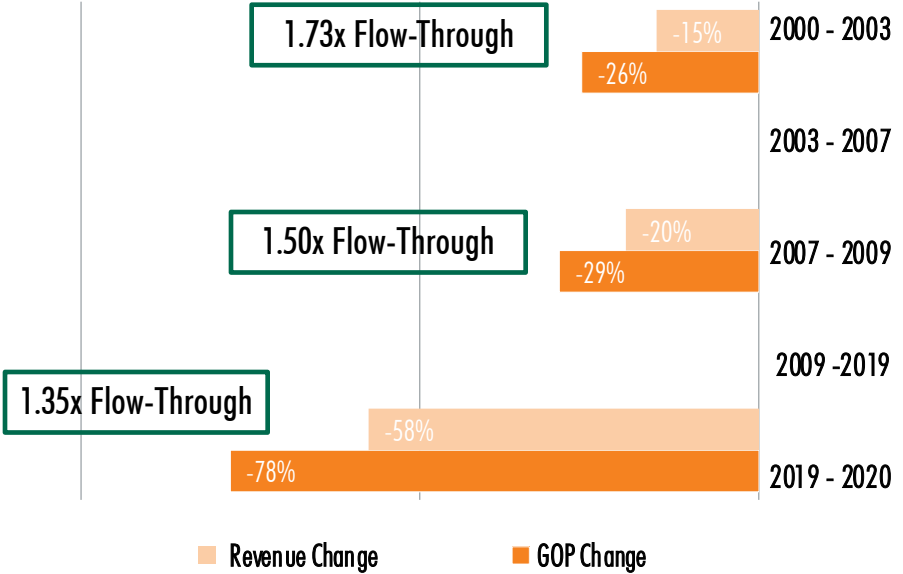
## JOB OPENINGS PER HOTEL ARE INCREASING



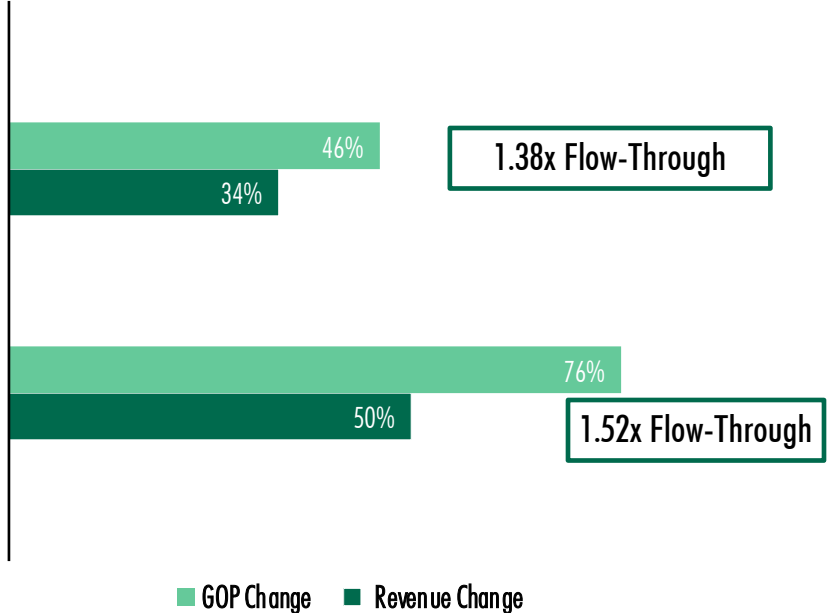


# Operators have Become More Efficient With Each Cycle

## CONTRACTION



## EXPANSION



Source: CBRE Hotels Research, CBRE Econometric Advisors.

# Thank You

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The CBRE logo is located in the bottom right corner of the slide. It consists of the letters "CBRE" in a bold, white, sans-serif font. The background of the slide is a low-angle photograph of several skyscrapers reaching towards a clear blue sky, with a central building featuring classical architectural details like columns and arched windows.

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