August 13, 2021

U.S. HOTELS
State of the Union

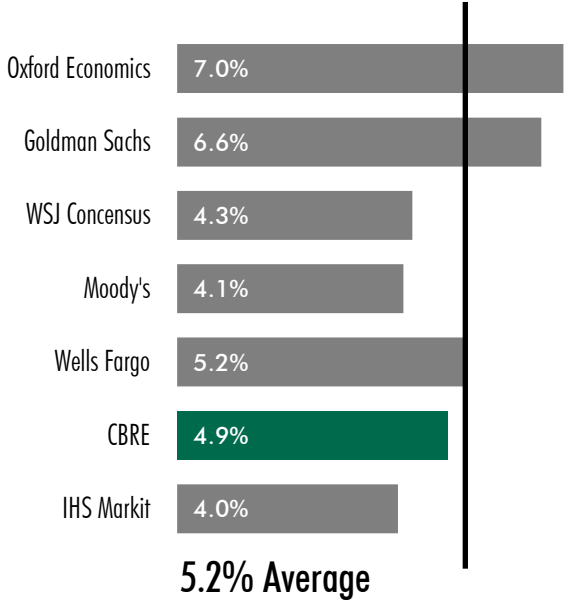# The Economy

The Question Is When, Not If, RevPAR Will Recover
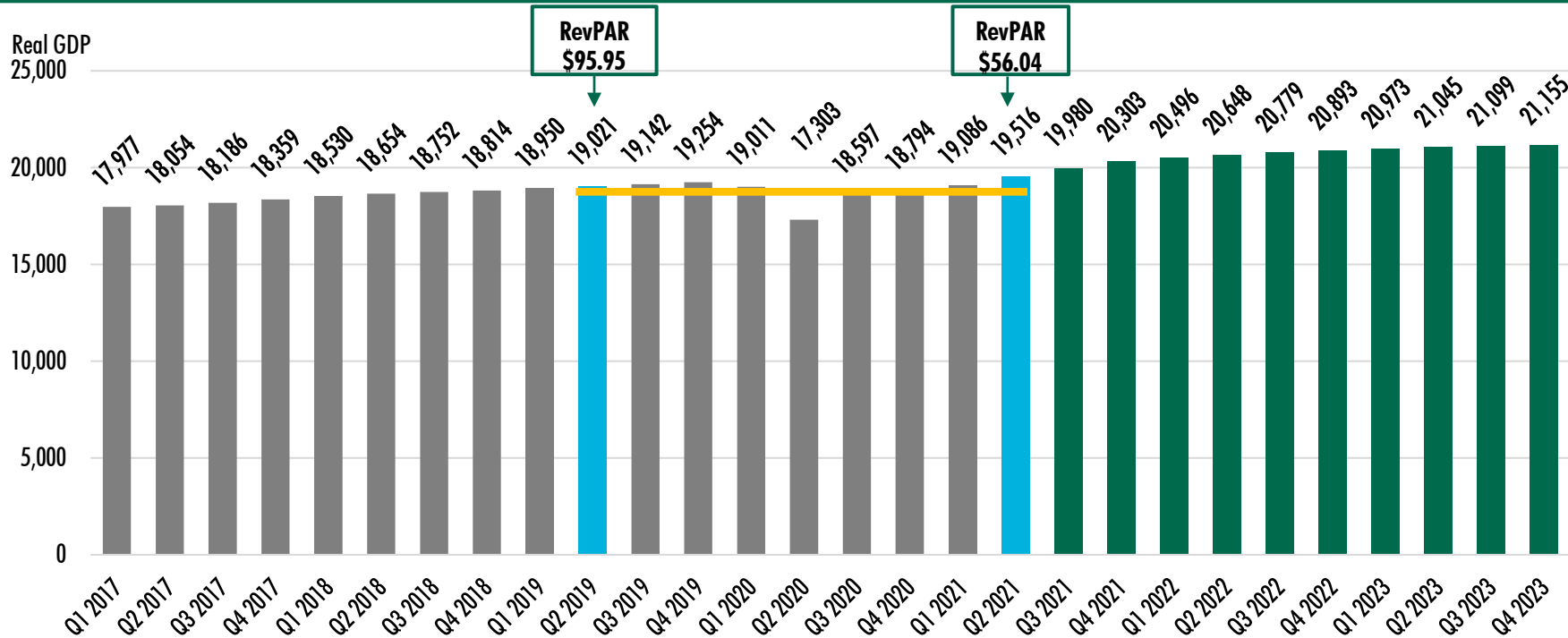
Real GDP

RevPAR $95.95

RevPAR $56.04

Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
17,977	18,054	18,186	18,359	18,530	18,654	18,752	18,814	18,950	19,021	19,142	19,254	19,011	17,303	18,597	18,794	19,086	19,516	19,980	20,303	20,496	20,648	20,779	20,893	20,973	21,045	21,099	21,155

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

JANUARY 2021

2021 GDP Growth Forecast

Firm	Forecast
Oxford Economics	7.0%
Goldman Sachs	6.6%
WSJ Concensus	4.3%
Moody's	4.1%
Wells Fargo	5.2%
CBRE	4.9%
IHS Markit	4.0%

5.2% Average

APRIL 2021

2021 GDP Growth Forecast

Firm	Forecast
Oxford Economics	7.2%
Goldman Sachs	7.7%
WSJ Concensus	5.9%
Moody's	4.9%
Wells Fargo	7.6%
CBRE	6.7%
IHS Markit	5.9%

6.6% Average

JULY 2021

2021 GDP Growth Forecast

Firm	Forecast
Oxford Economics	7.4%
Goldman Sachs	7.6%
WSJ Concensus	6.9%
Moody's	7.1%
Wells Fargo	8.1%
CBRE	7.1%
IHS Markit	7.5%

7.4% Average
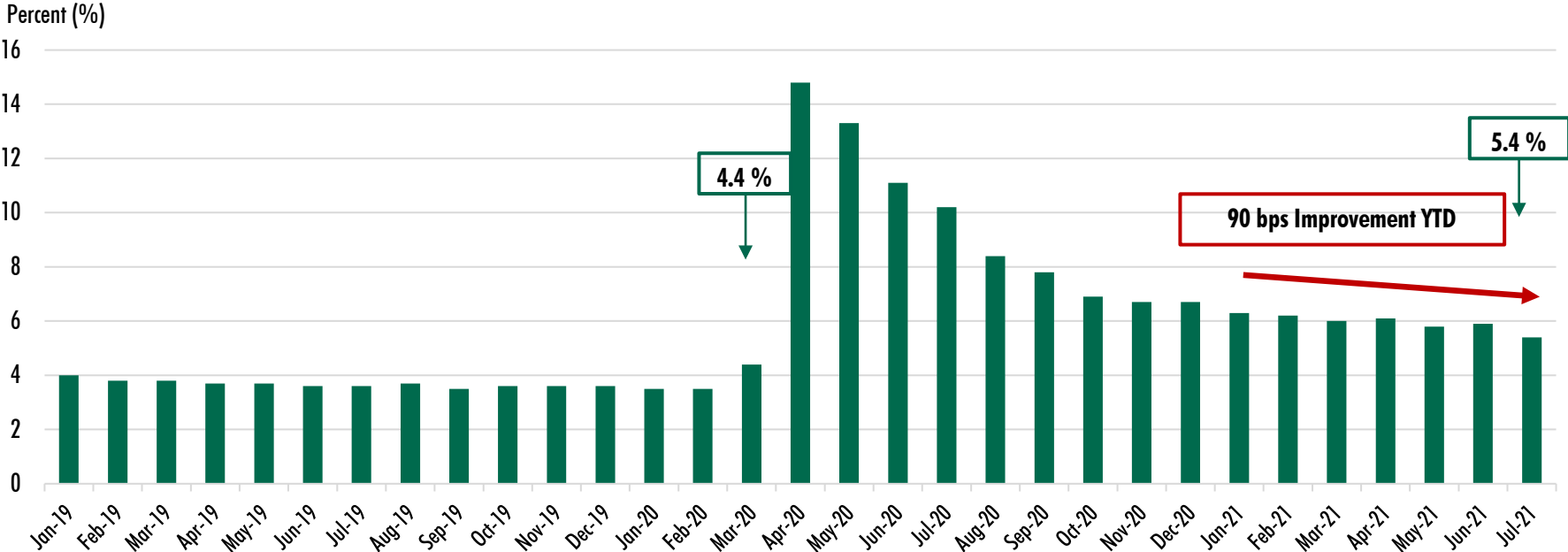
Source: CBRE Hotels Research, CBRE EA, Wall Street Journal.

Overall Labor Market
CBRE Forecasts 4.7% 2021 Unemployment

UNEMPLOYMENT RATE
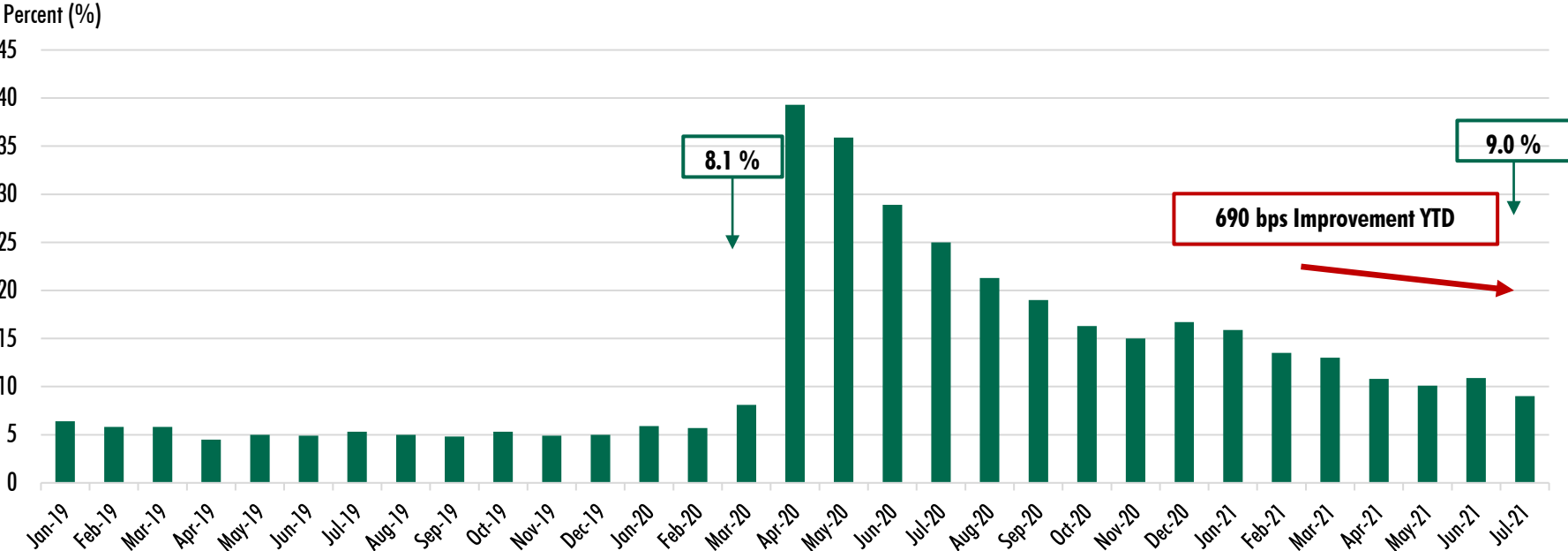

Percent (%)

4.4 %

5.4 %

90 bps Improvement YTD

Leisure and Hospitality Labor Market

UNEMPLOYMENT RATE

Percent (%)

8.1 %

9.0 %

690 bps Improvement YTD

College Educated Labor Market

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

Percent (%)

2.5 %

3.1 %

90 bps Improvement YTD
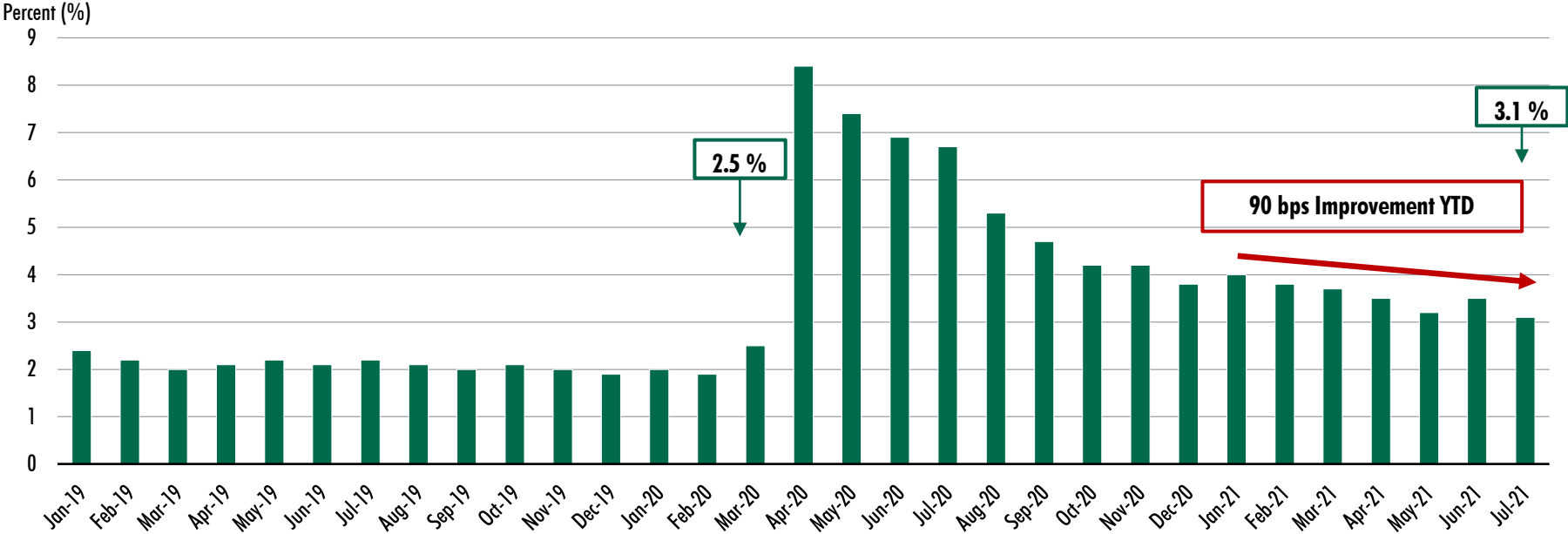
Unemployment Expected to be Within 20 bps of Pre-pandemic Levels

2021 Unemployment Rate Forecast

Oxford Economics	5.5%
Goldman Sachs	4.8%
WSJ Concensus	5.3%
Moody's	5.3%
Wells Fargo	5.6%
CBRE	6.1%
IHS Markit	4.2%

5.2% Average
JANUARY 2021

2021 Unemployment Rate Forecast

Oxford Economics	4.6%
Goldman Sachs	4.1%
WSJ Concensus	5.0%
Moody's	4.8%
Wells Fargo	4.7%
CBRE	4.6%
IHS Market	4.7%

4.6% Average
APRIL 2021

2021 Unemployment Rate Forecast

Oxford Economics	4.3%
Goldman Sachs	4.2%
WSJ Concensus	4.8%
Moody's	4.8%
Wells Fargo	4.7%
CBRE	4.7%
IHS Market	4.8%

4.6% Average
JULY 2021

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

Current Trends

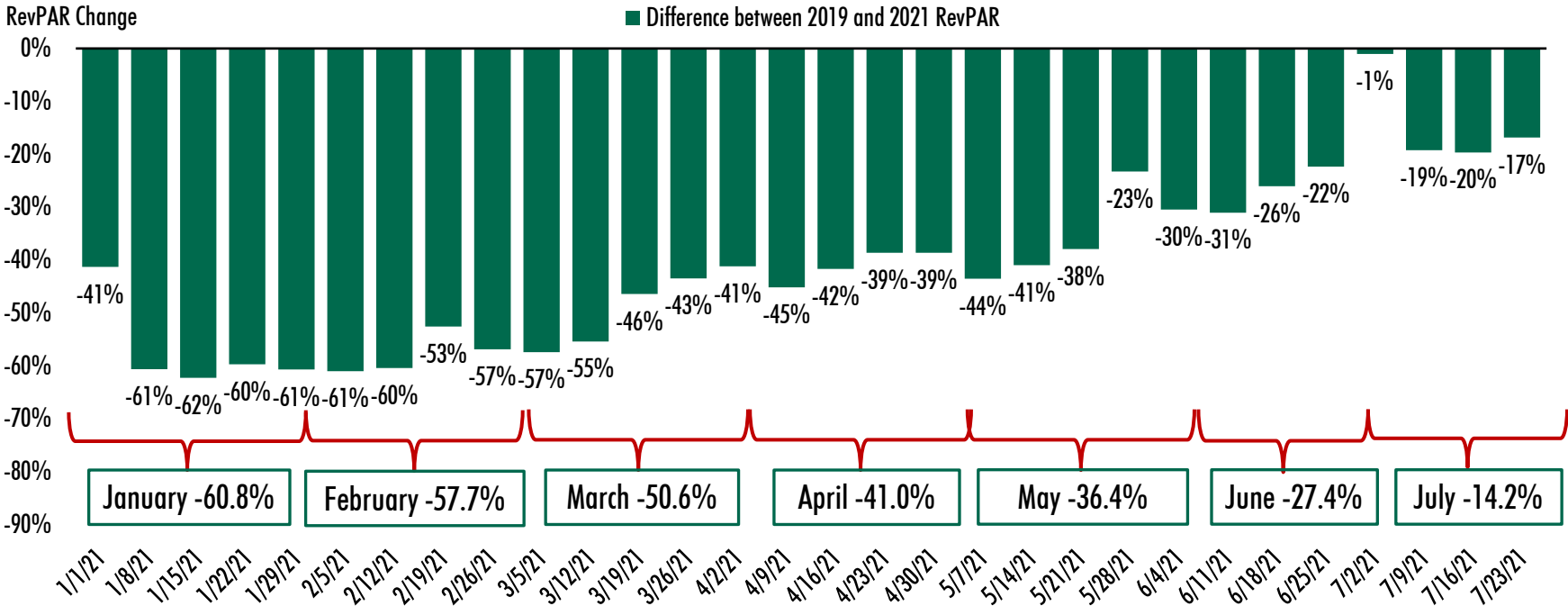# Rebounding Hotel Performance

US WEEKLY OCCUPANCY

Percentage Points

■ Difference Between 2021 and 2019 Occupancy

Month	Value
January	-25.5 p.p.
February	-26.5 p.p.
March	-24.0 p.p.
April	-20.0 p.p.
May	-18.0 p.p.
June	-16.5 p.p.
July	-11.7 p.p.

Weekly values: -12 p.p., -24 p.p., -27 p.p., -26 p.p., -25 p.p., -26 p.p., -28 p.p., -25 p.p., -27 p.p., -27 p.p., -28 p.p., -21 p.p., -20 p.p., -20 p.p., -22 p.p., -19 p.p., -18 p.p., -21 p.p., -21 p.p., -20 p.p., -19 p.p., -12 p.p., -18 p.p., -18 p.p., -16 p.p., -14 p.p., -4 p.p., -16 p.p., -15 p.p., -14 p.p.

Dates: 1/1/21, 1/8/21, 1/15/21, 1/22/21, 1/29/21, 2/5/21, 2/12/21, 2/19/21, 2/26/21, 3/5/21, 3/12/21, 3/19/21, 3/26/21, 4/2/21, 4/9/21, 4/16/21, 4/23/21, 4/30/21, 5/7/21, 5/14/21, 5/21/21, 5/28/21, 6/4/21, 6/11/21, 6/18/21, 6/25/21, 7/2/21, 7/9/21, 7/16/21
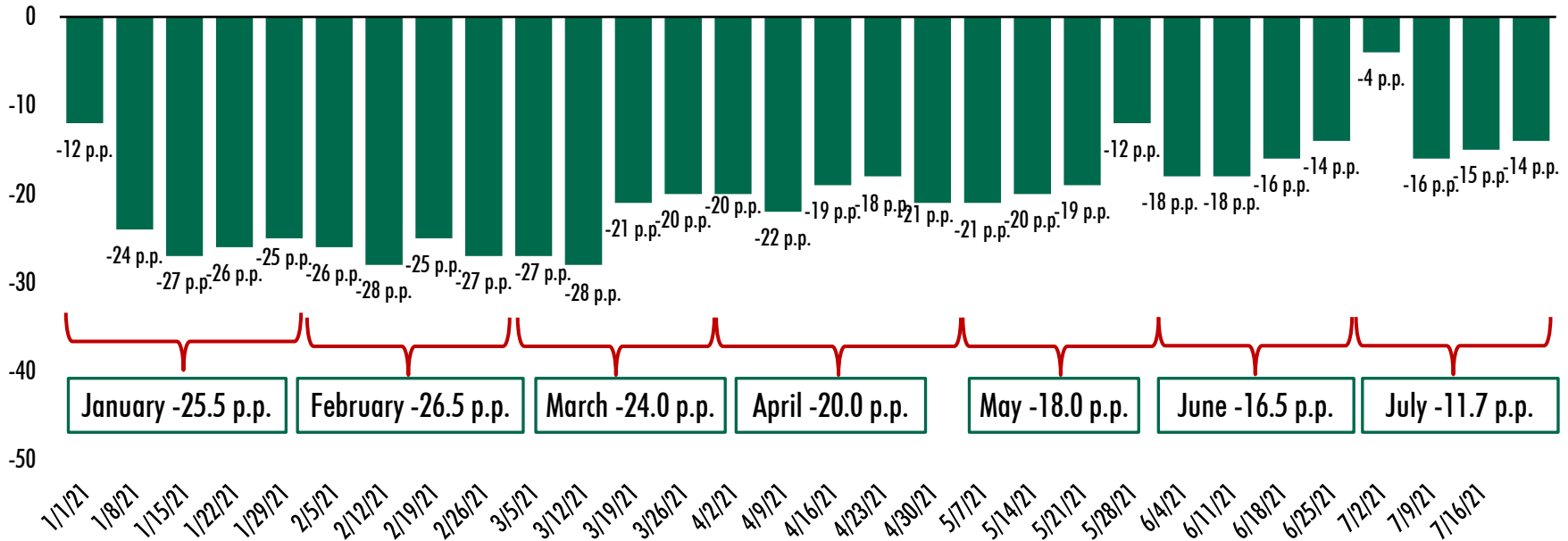
Rebounding Hotel Performance

US WEEKLY REVPAR

RevPAR Change

■ Difference between 2019 and 2021 RevPAR

| January -60.8% | February -57.7% | March -50.6% | April -41.0% | May -36.4% | June -27.4% | July -14.2% |

Breaking Down 2021 RevPAR Decline

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

Legend: ■ Percent of Change Attributable to Occupancy ■ Percent of Change Attributable to ADR — RevPAR Change
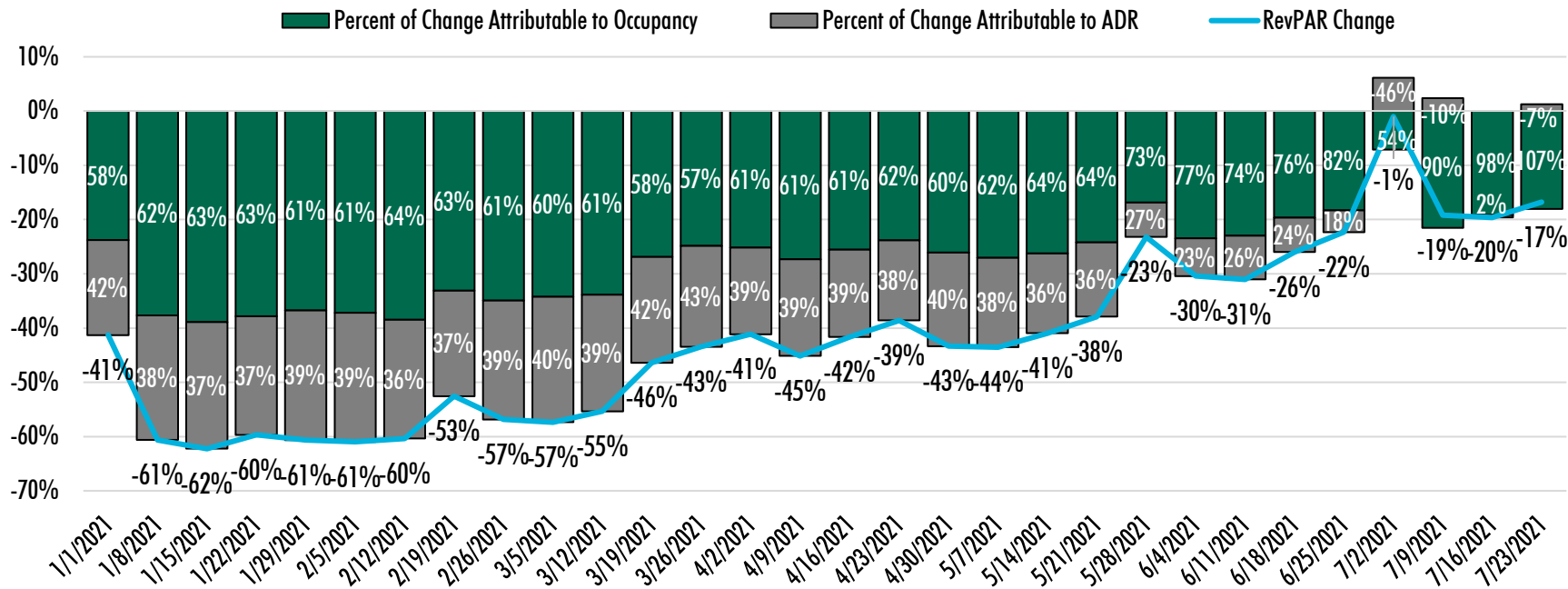
Source: CBRE Hotels Research, Kalibri Labs.

International Travel Restrictions Are Benefitting US Hospitality

INTERNATIONAL TRAVEL SPENDING

Millions of Dollars

Legend: Outbound, Inbound
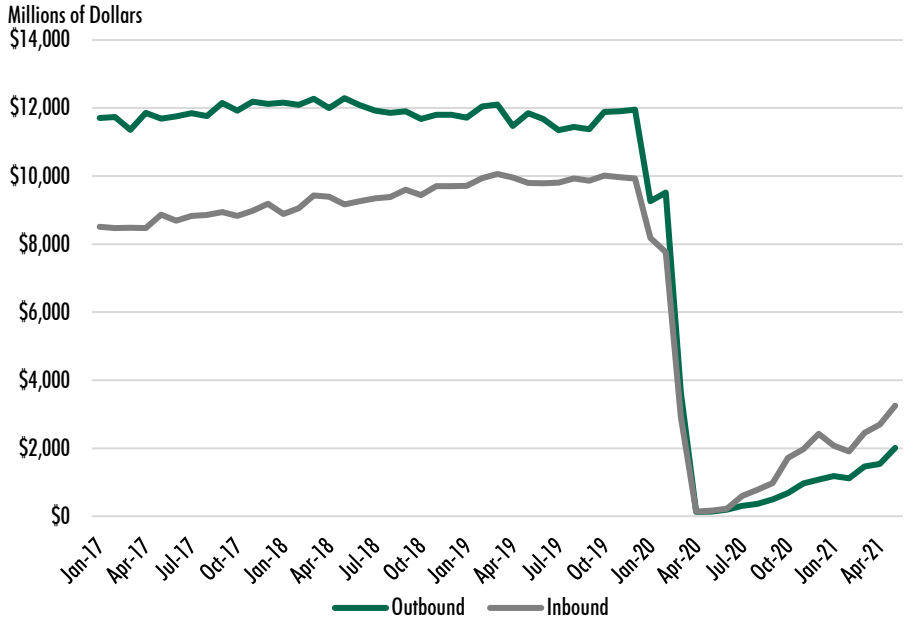
INTL. TRAVEL RESTRICTIONS BENEFIT US HOTELS

Millions of Dollars

Legend: Americans Spend More Overseas, Foreigners Spend More in the US
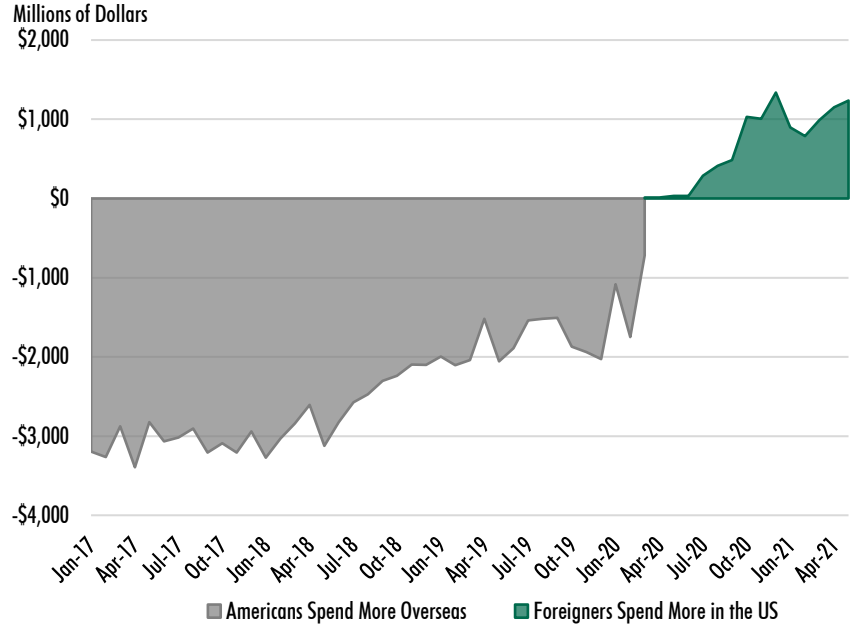
Source: CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

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

Quarter to Date Results vs Forecast

CBRE Hotel Horizons ® Forecast		Q3 2021	
Forecast As Of	Q3	As of	Q3
2021.1	**Occupancy**: 55.6% **ADR**: $109.84 **RevPAR**: $61.10	7.23.21	**Occupancy**: 61.3.% **ADR**: $134.68 **RevPAR**: $82.62

3Q21 QTD RevPAR actuals are running 35.2% above our forecasts as of July 23, 2021.

Leading Indicators
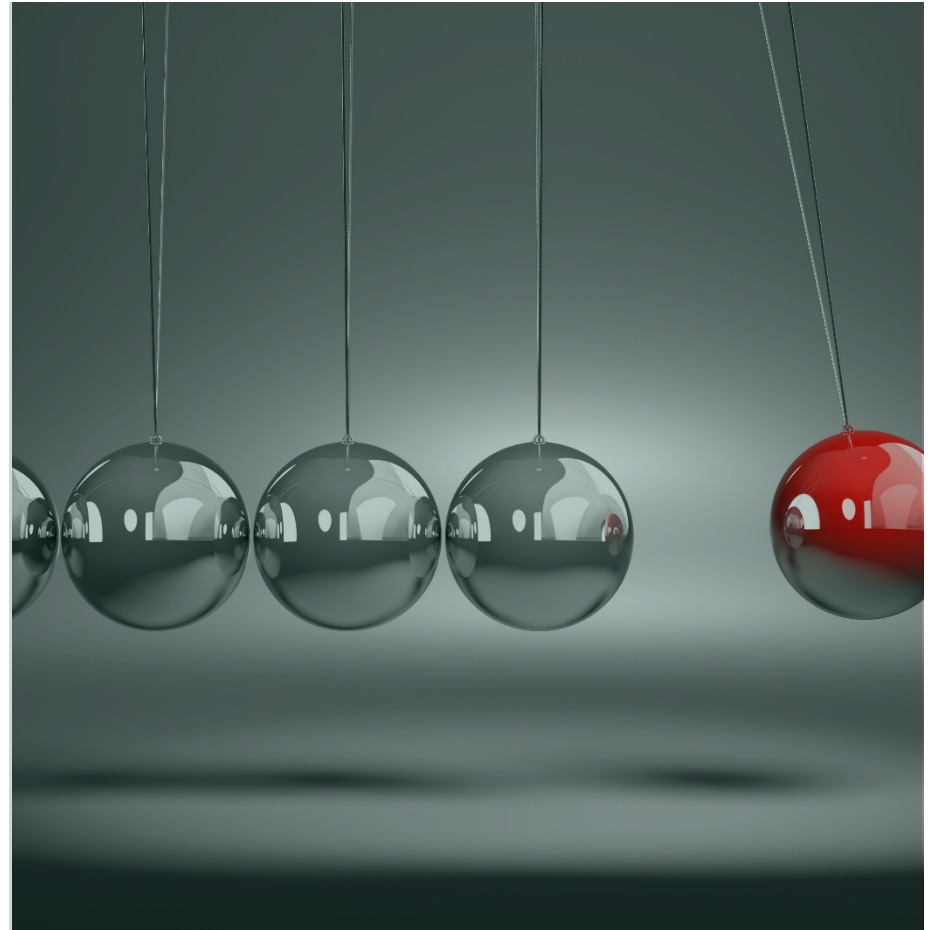
Record Fixed Investment and High Business Confidence

PRIVATE NONRESIDENTIAL FIXED INVESTMENT

Billions of Dollars

Private non-residential fixed investment is above previous peak

BUSINESS CONFIDENCE INDEX

Index

Business confidence is near its all time high, driving future business travel
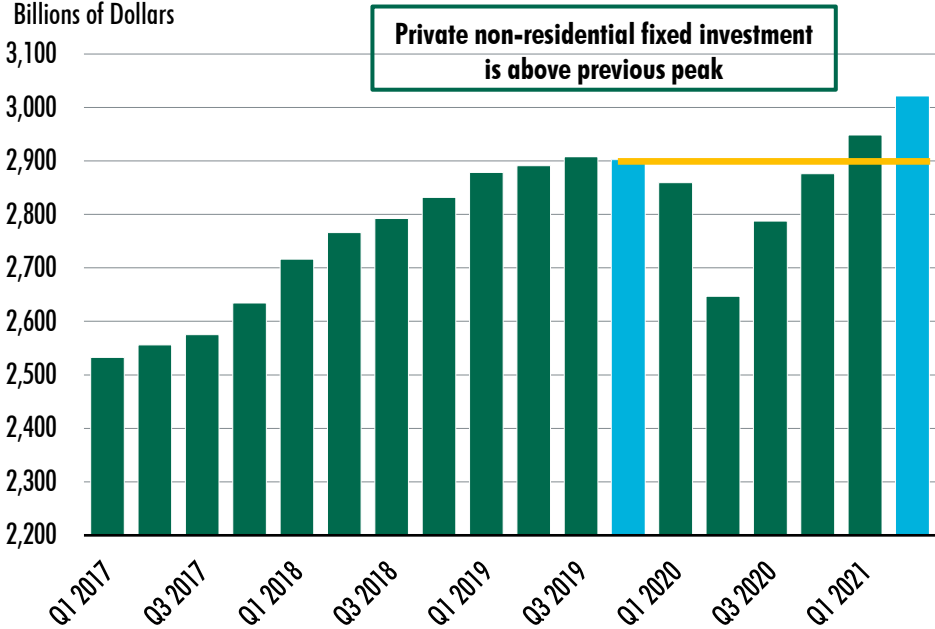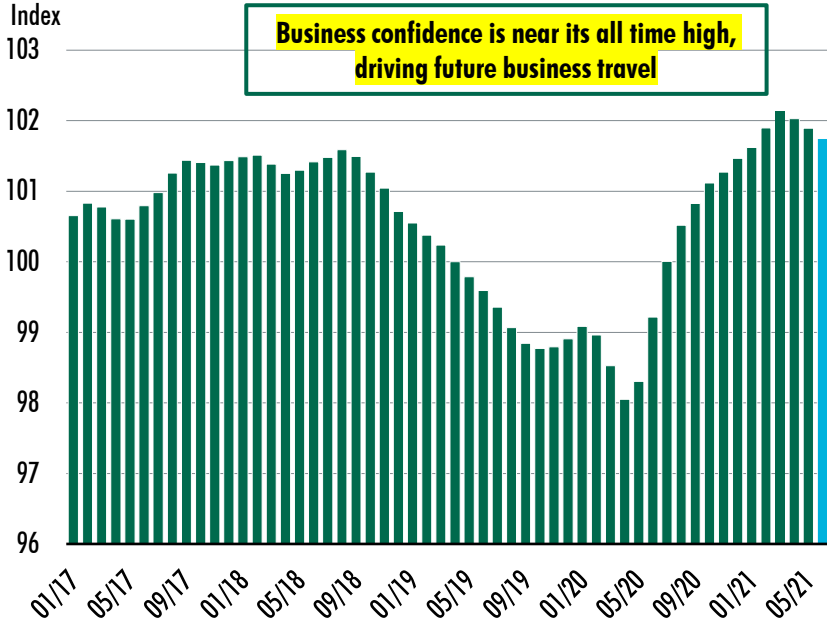
Source: CBRE Hotels Research, BLS, OECD.

Google Trends Analysis Business Travel Recovery

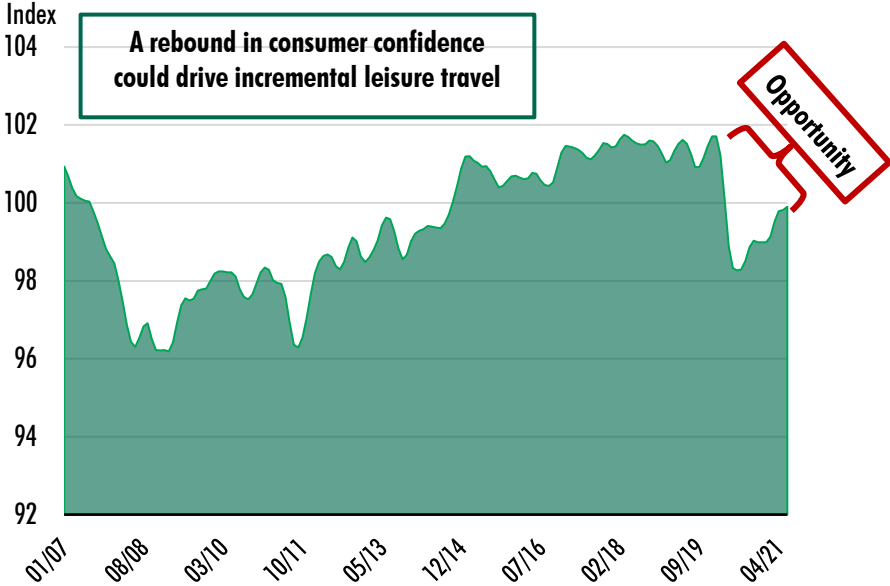## BUSINESS TRAVEL LEADING INDICATORS

Corporate Big Brands Average

Google Search Index / Percent Change / Improvement Since January

Legend: Corporate Big Brands Average — Change since 2019

Amex Centurion Lounge

Google Search Index / Percent Change / Improvement Since January

Legend: Amex Centurion Lounge — Change since 2019
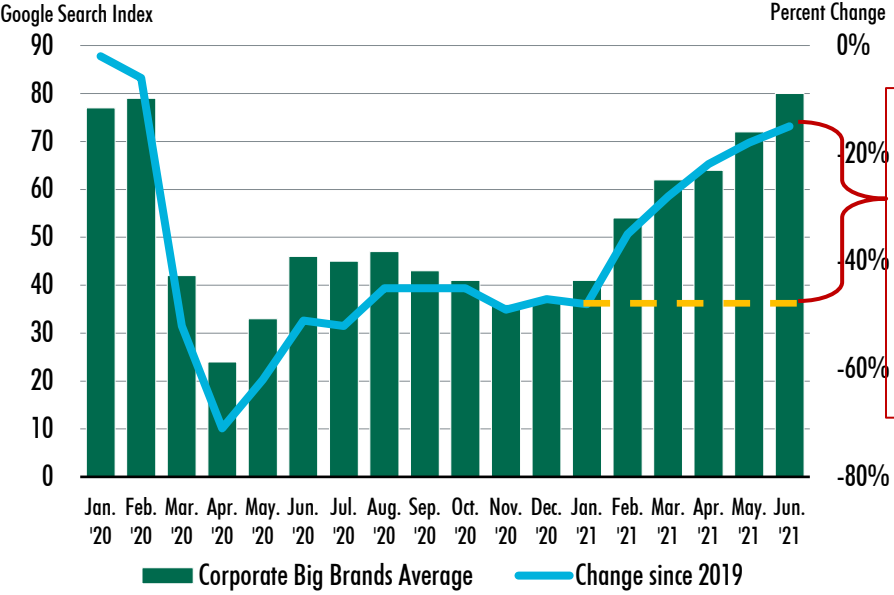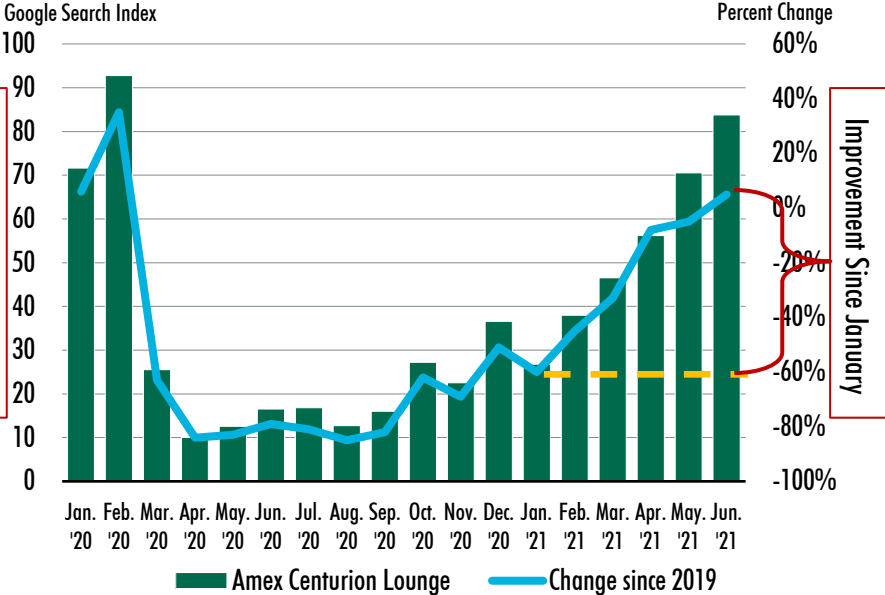
Source: CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, Amex Lounge, Centurion Lounge

Record Level Household Savings But Consumer Confidence is Lagging

HOUSEHOLD CHECKABLE DEPOSITS

Millions of Dollars

Deposits have tripled in just one year

(Bar chart with x-axis: Q1 2016, Q3 2016, Q1 2017, Q3 2017, Q1 2018, Q3 2018, Q1 2019, Q3 2019, Q1 2020, Q3 2020, Q1 2021. Y-axis: 0 to 3,500,000.0)

CONSUMER CONFIDENCE INDEX

Index

A rebound in consumer confidence could drive incremental leisure travel

Opportunity

(Area chart with x-axis: 01/07, 08/08, 03/10, 10/11, 05/13, 12/14, 07/16, 02/18, 09/19, 04/21. Y-axis: 92 to 104)

Google Trends Analysis
Leisure Travel Recovery

LEISURE TRAVEL LEADING INDICATORS

Big Brand Loyalty Programs

Google Search Index (left axis, 0–90)
Percent Change (right axis, -80% to 40%)

Legend: Big Brand Loyalty Programs — Change since 2019

X-axis: Jan. '20, Feb. '20, Mar. '20, Apr. '20, May. '20, Jun. '20, Jul. '20, Aug. '20, Sep. '20, Oct. '20, Nov. '20, Dec. '20, Jan. '21, Feb. '21, Mar. '21, Apr. '21, May. '21, Jun. '21

All Inclusive Resorts

Google Search Index (left axis, 0–100)
Percent Change (right axis, -80% to 60%)

Searches are at an all time high →

Legend: All Inclusive Resorts — Change since 2019

X-axis: Jan. '20, Feb. '20, Mar. '20, Apr. '20, May. '20, Jun. '20, Jul. '20, Aug. '20, Sep. '20, Oct. '20, Nov. '20, Dec. '20, Jan. '21, Feb. '21, Mar. '21, Apr. '21, May. '21, Jun. '21

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
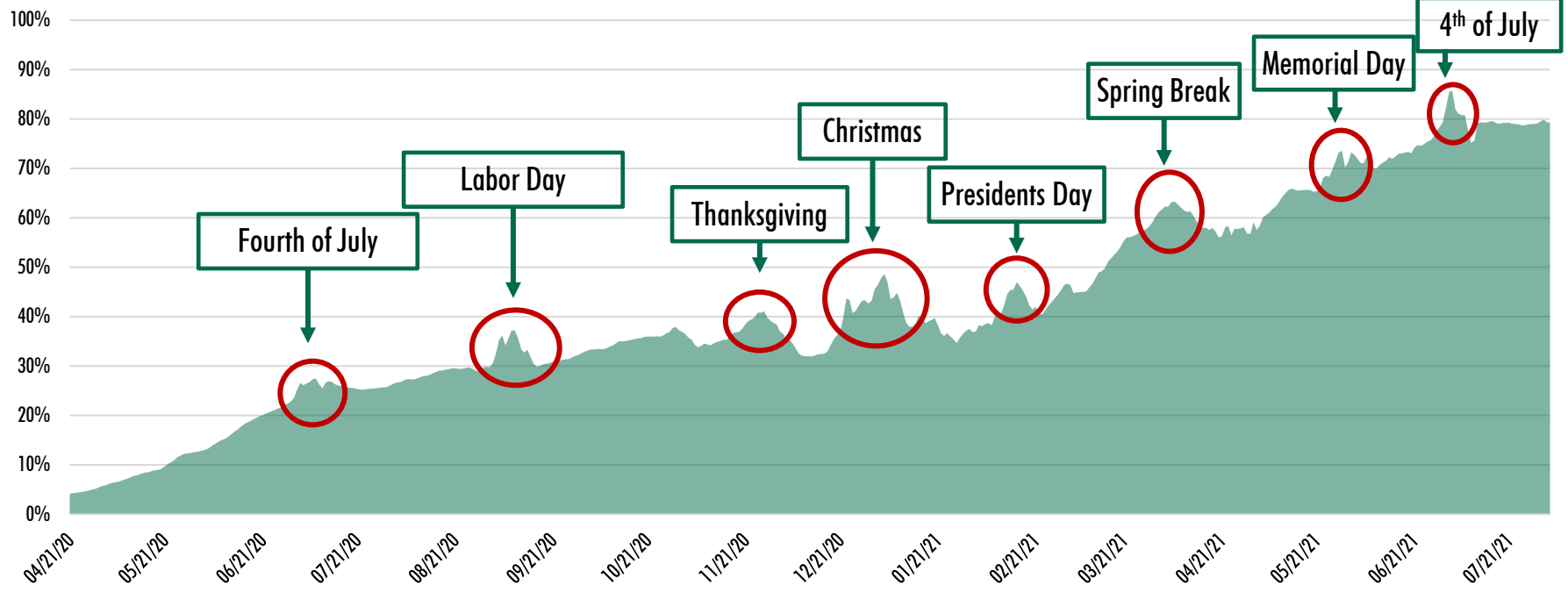
Source: CBRE Hotels Research, TSA.

Supply

New Projects + Re-openings Represent Above Average Supply Growth

"IN CONSTRUCTION" SUPPLY GROWTH

Percent Change

Bar chart data:

2021: All 2.4%, Lower 1.2%, Middle 2.7%, Upper 2.8%
2022: All 0.8%, Lower 0.4%, Middle 0.7%, Upper 1.2%
2023: All 0.2%, Lower 0.1%, Middle 0.1%, Upper 0.3%

Legend: All, Lower, Middle, Upper
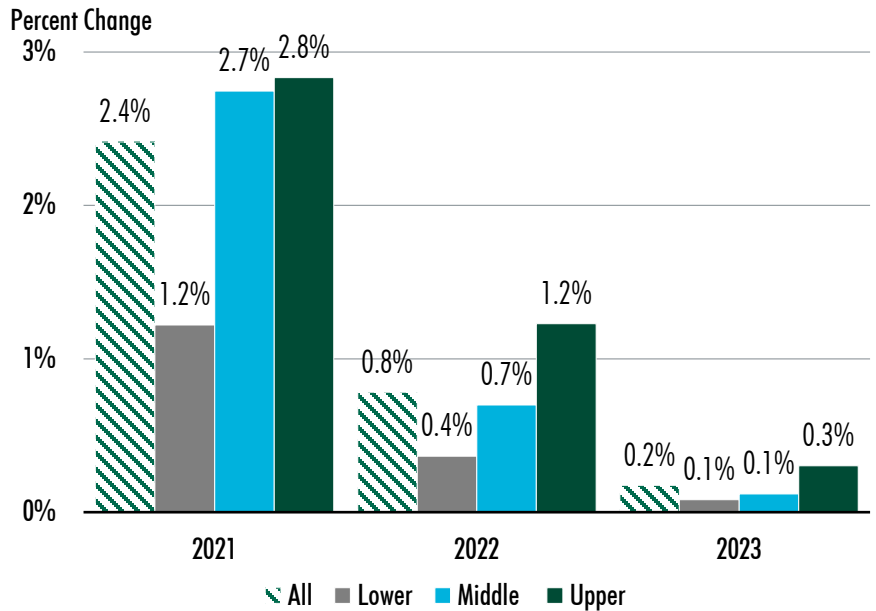
3.0% OF ROOMS REMAIN CLOSED

Percent of Rooms Closed

Line chart with x-axis dates from 3/6/20 to 7/6/21.

Legend: Upper-Priced, Mid-Priced, Lower-Priced, Independent, Total
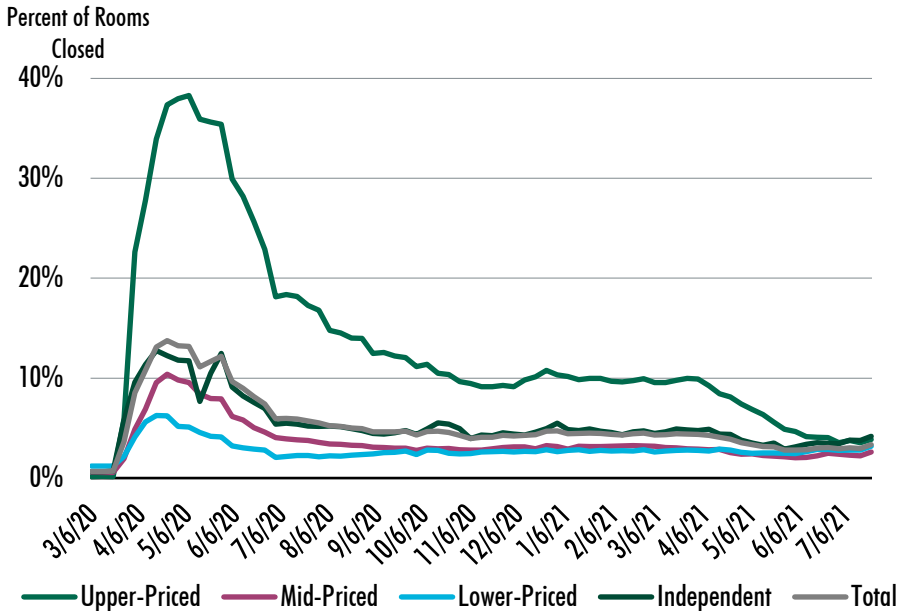
Source: CBRE Hotels Research, Kalibri Labs, Dodge Data Analytics

Top 65 Market 2021 Supply Growth

2021 SUPPLY GROWTH FORECAST

36 markets below and 29 markets above the 3.6% average
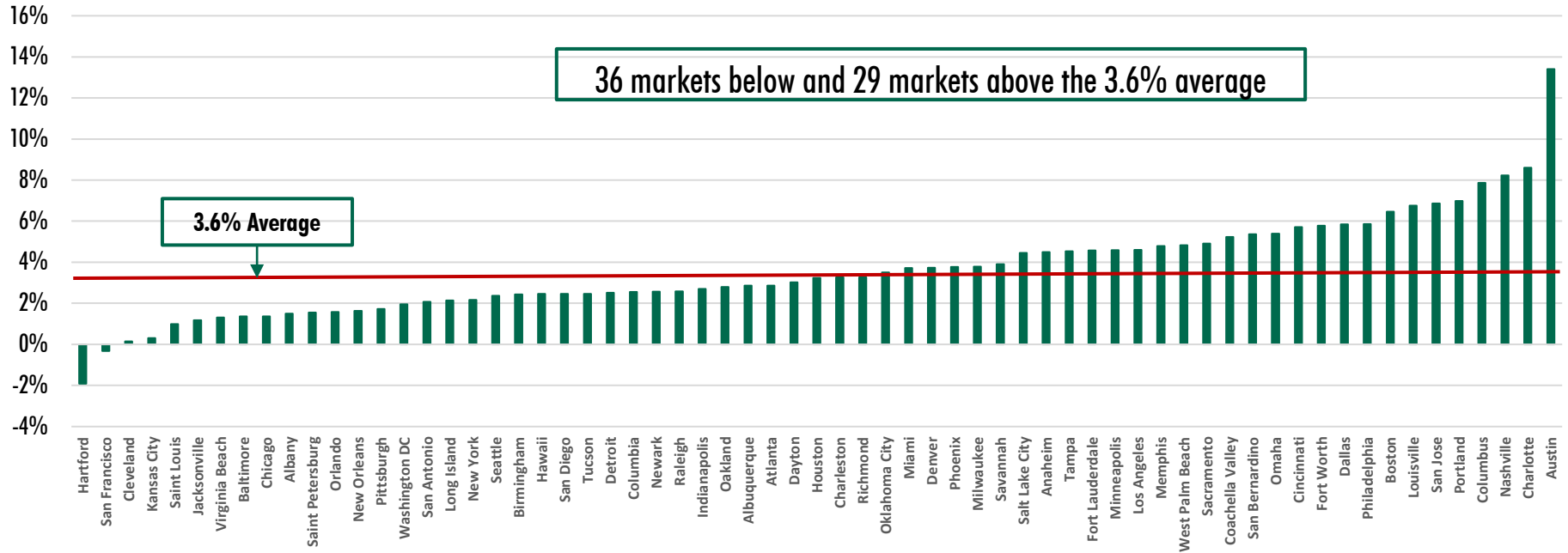
3.6% Average

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

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

STEEL AND IRON

Producer Price Index

37% above prior peak
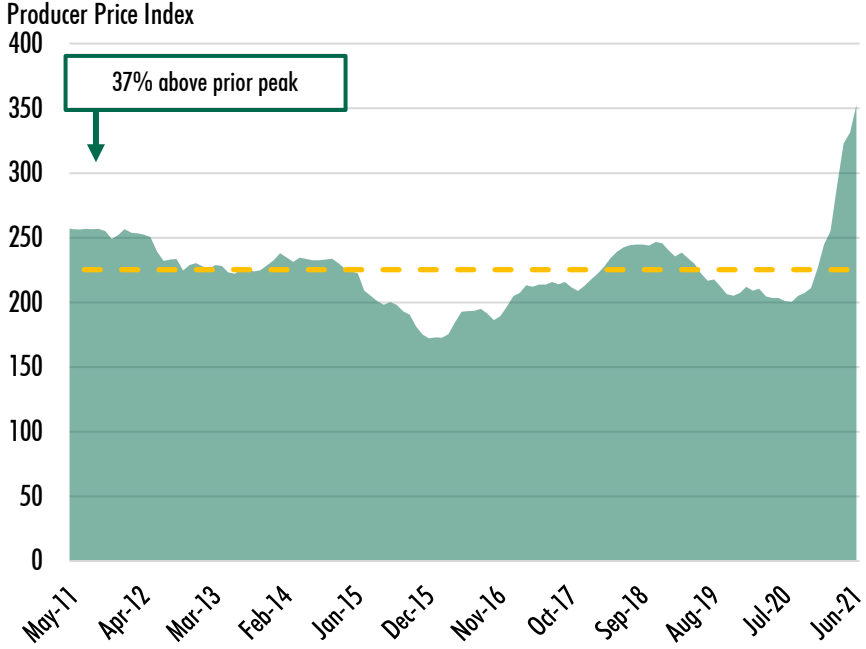
LUMBER AND WOOD PRODUCTS

Producer Price Index

50% above prior peak
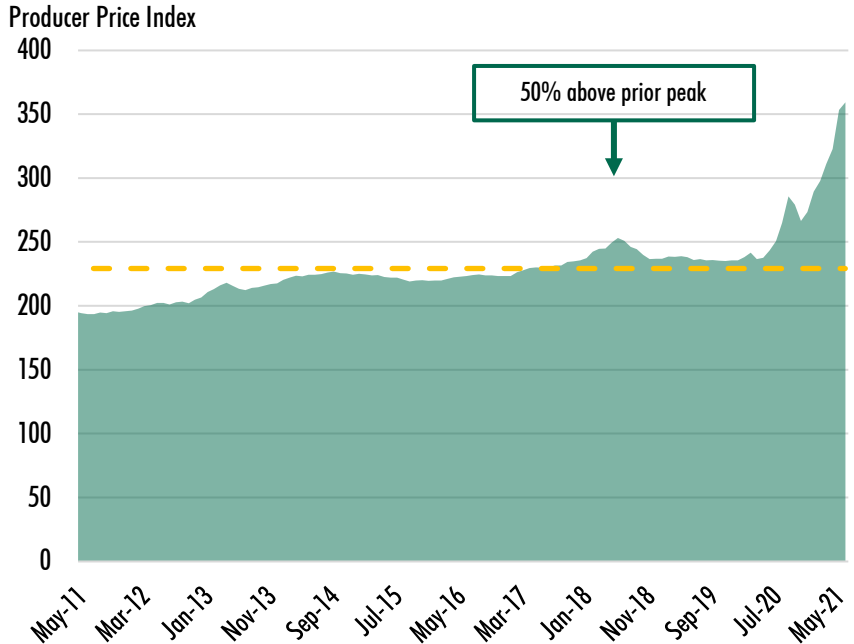
Source: CBRE Hotels Research, BLS

Futures Pricing Indicate Continued Headwinds

STEEL FUTURES

Steel Futures
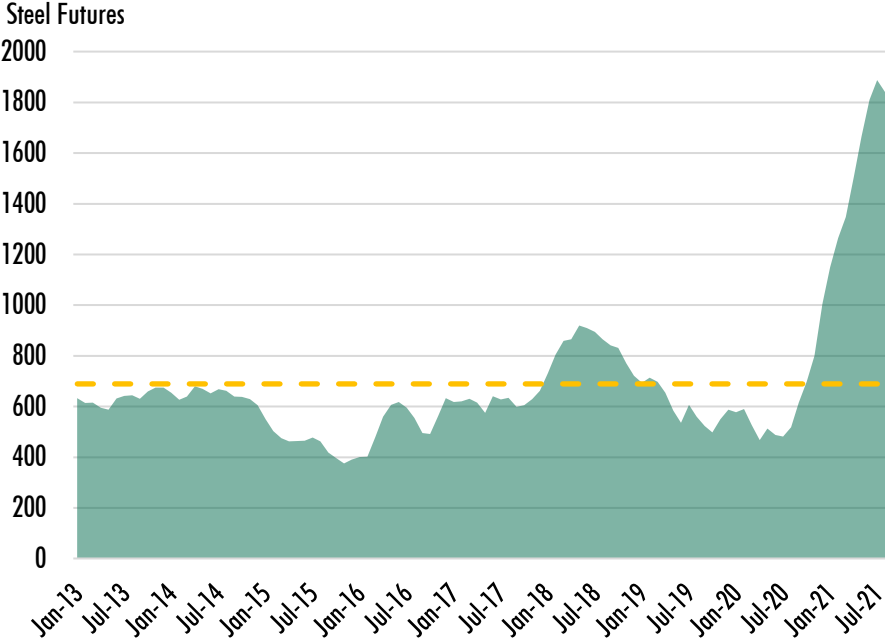
LUMBER FUTURES

Lumber Futures
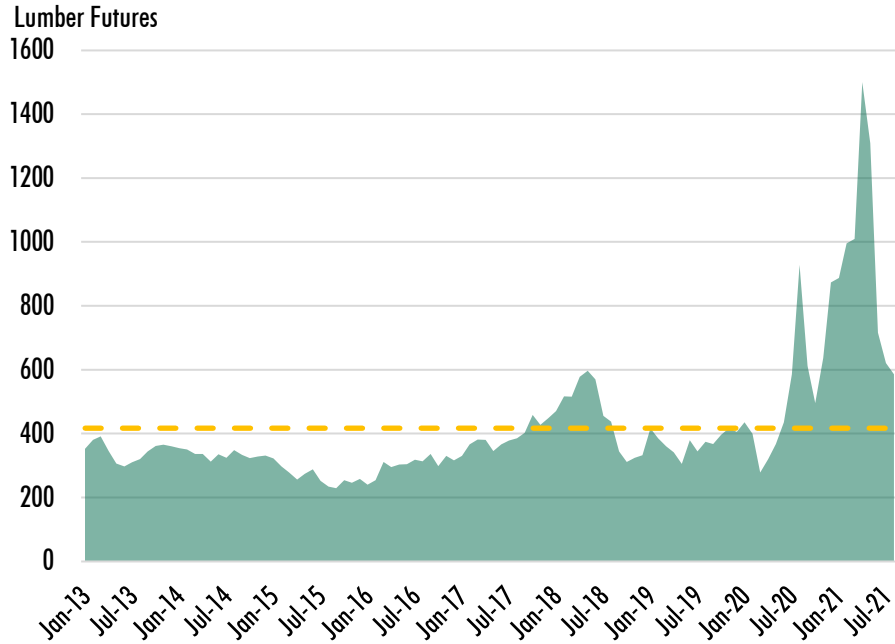
Source: CBRE Hotels Research, CME Group

Higher Wages and Employment Headwinds New Construction

CONSTRUCTION WAGES

Dollars Per Hour

Construction wages increase by 6.9%

$30.47

$28.50
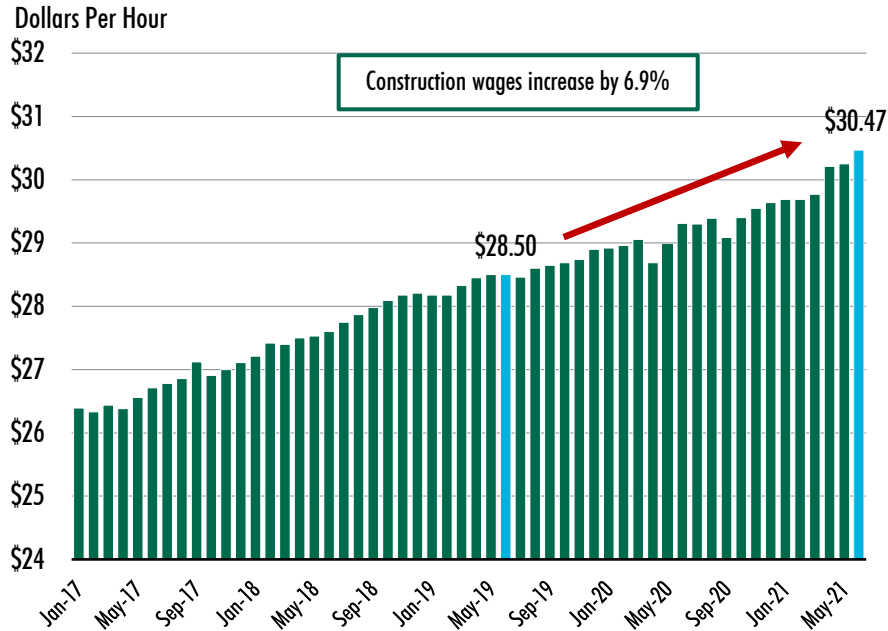
NUMBER OF CONSTRUCTION EMPLOYEES

Thousands

Construction Employment is 1.2% below Pre Pandemic Levels

7,503

7,410
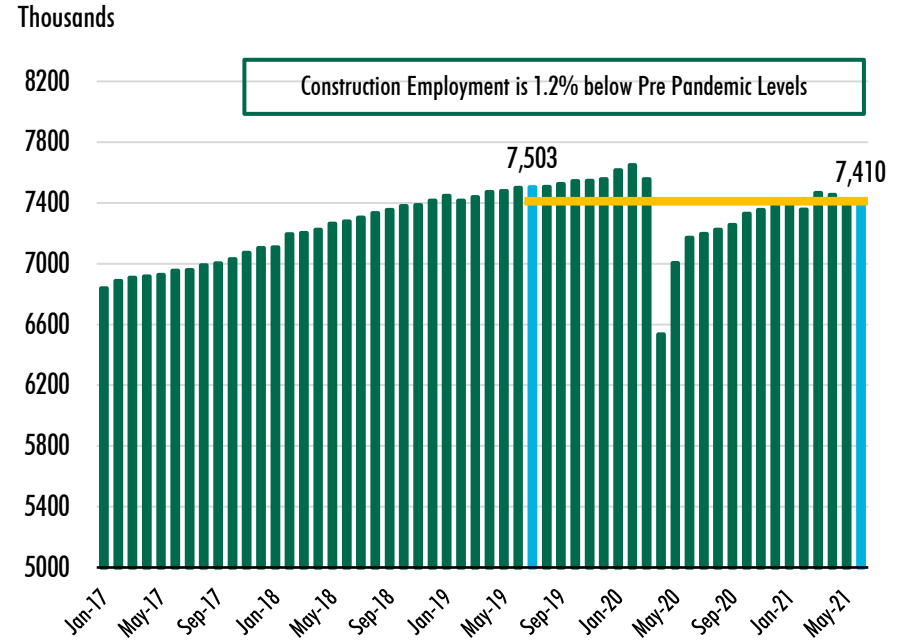
Source: CBRE Hotels Research, BLS

Q1 2021
Forecast

CBRE Revised US Lodging Forecast

FULL RECOVERY IN MID 2024 LED BY HIGHER MARGIN ADR GROWTH

Year	Occ	ΔOcc	ADR	ΔADR	RevPAR	ΔRevPAR	RevPAR % of 2019
2019	67.0%	0.4%	$132.93	0.6%	$89.05	0.9%	100%
2020	41.7%	-37.8%	$103.05	-22.5%	$42.96	-51.8%	48%
2021	50.5%	21.2%	$107.44	4.3%	$54.30	26.4%	61%
2022	56.3%	11.4%	$119.66	11.4%	$67.36	24.1%	75%
2023	61.0%	8.3%	$126.82	6.0%	$77.33	14.8%	87%
2024	64.1%	5.1%	$137.29	8.3%	$87.95	13.7%	99%
2025	65.7%	2.5%	$141.07	2.8%	$92.64	5.3%	104%

Source: CBRE Hotels Research, Kalibri Labs.

CBRE Hotel Horizons®
Q1 2021 US Lodging Forecast By Market

2021 REVPAR AS A PERCENT OF 2019

29 markets below and 36 markets above the 60.3% average

60.3% Average
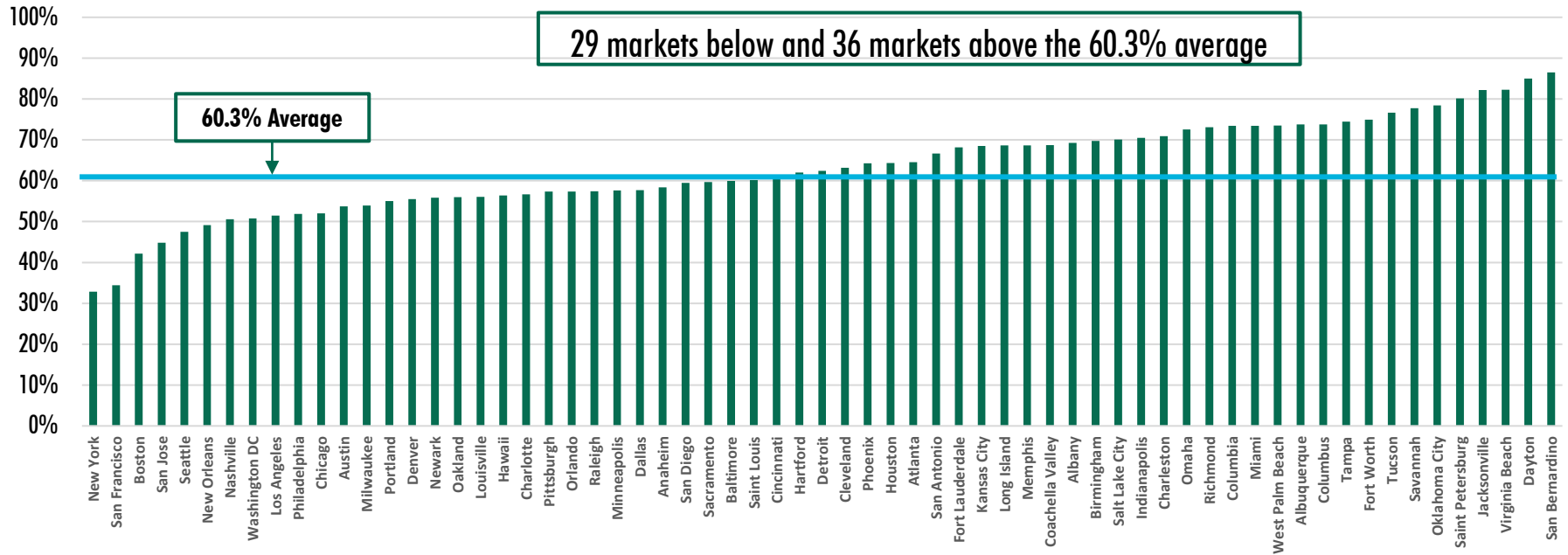
CBRE Hotel Horizons®
US Lodging Forecast By Chain Scale

REVPAR INDEXED TO 2019 LEVELS

Source: CBRE Hotels Research, Kalibri Labs.
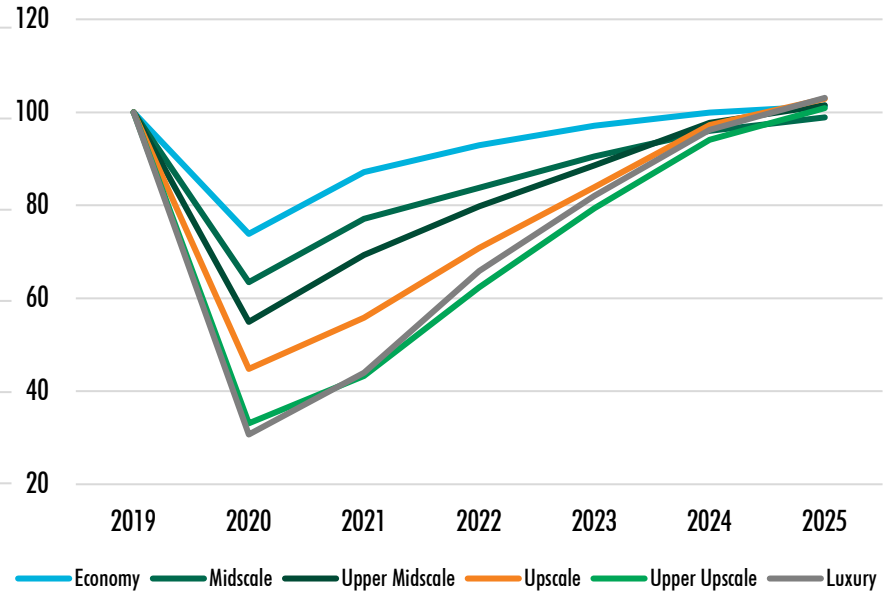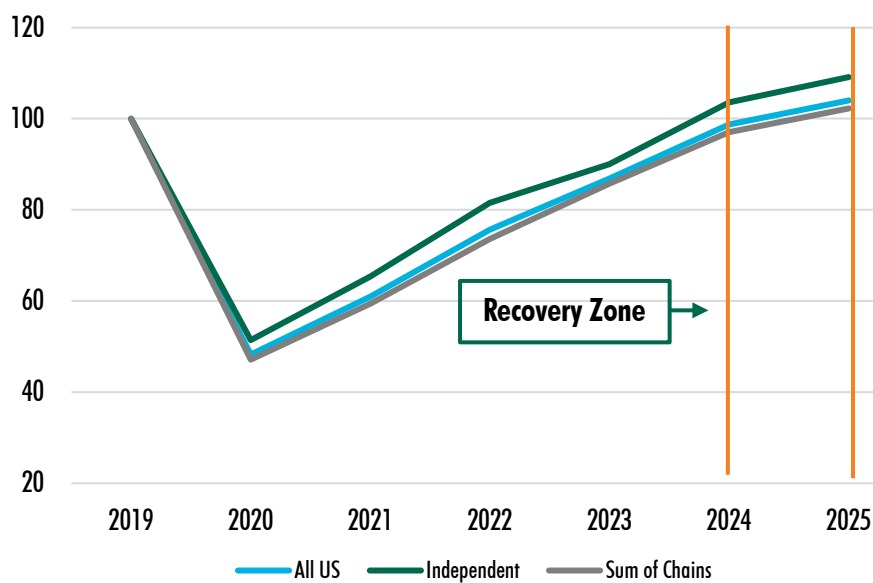
CBRE Hotel Horizons®
Q1 2021 US Lodging Forecast By Market

2021 REVPAR GROWTH

36 markets below and 28 markets above the 38.6% average

38.6% Average
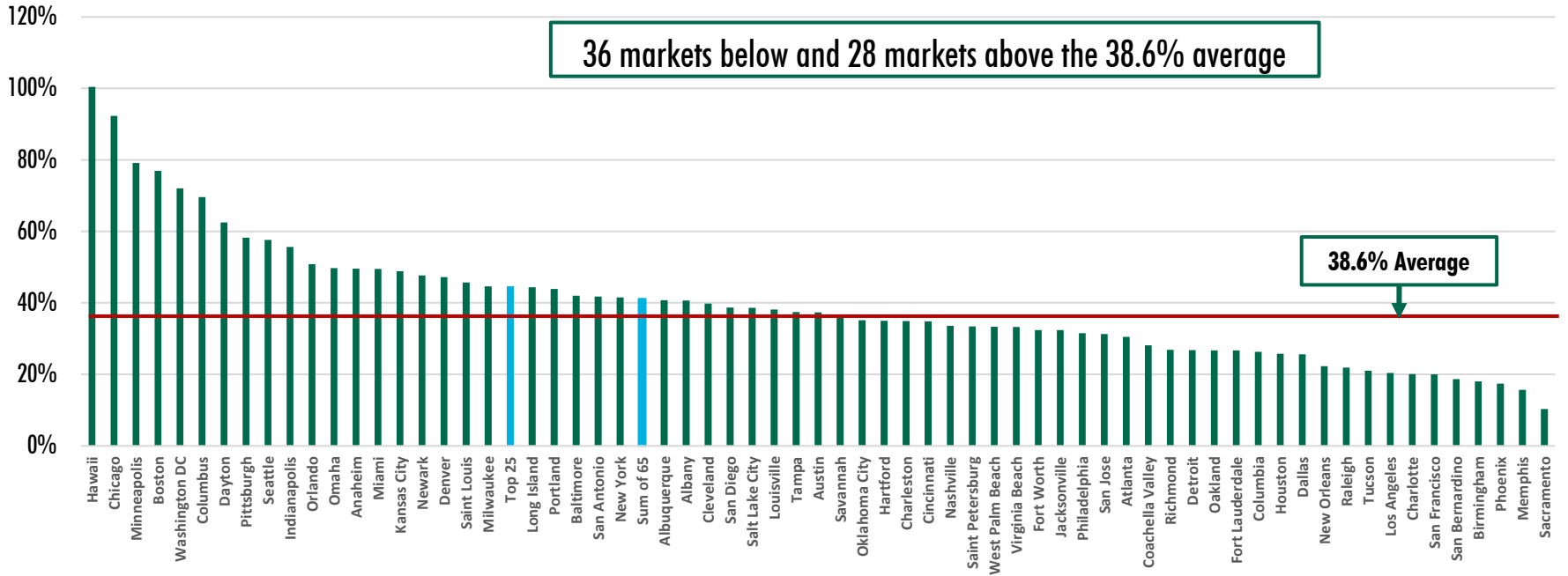
Source: CBRE Hotels Research, Kalibri Labs.

Operating Performance

Hotel Operators Continue To Confront a Challenging Labor Environment
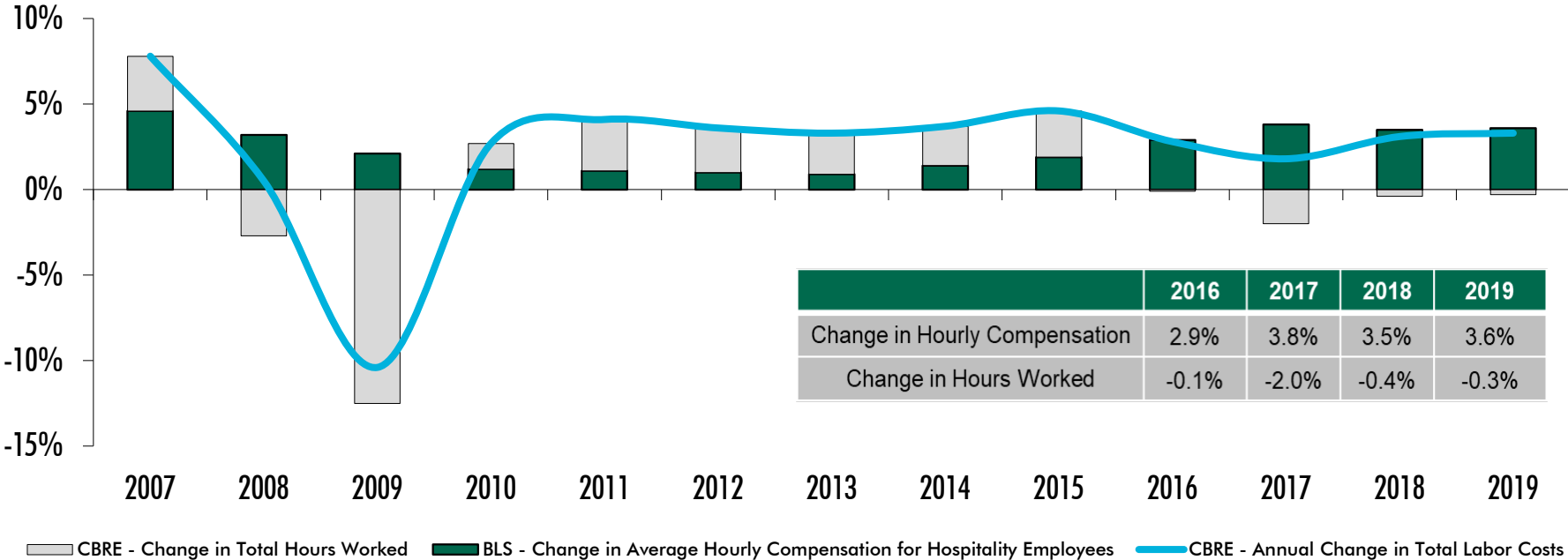
WAGE PRESSURES A HEADWIND TO MARGINS

Wage (Dollars)

Pre pandemic, retail paid a 14% premium, or $2.08/hr

Today, retail pays a 12.8% premium, or $2.10/hr

Legend: Hotel — Retail
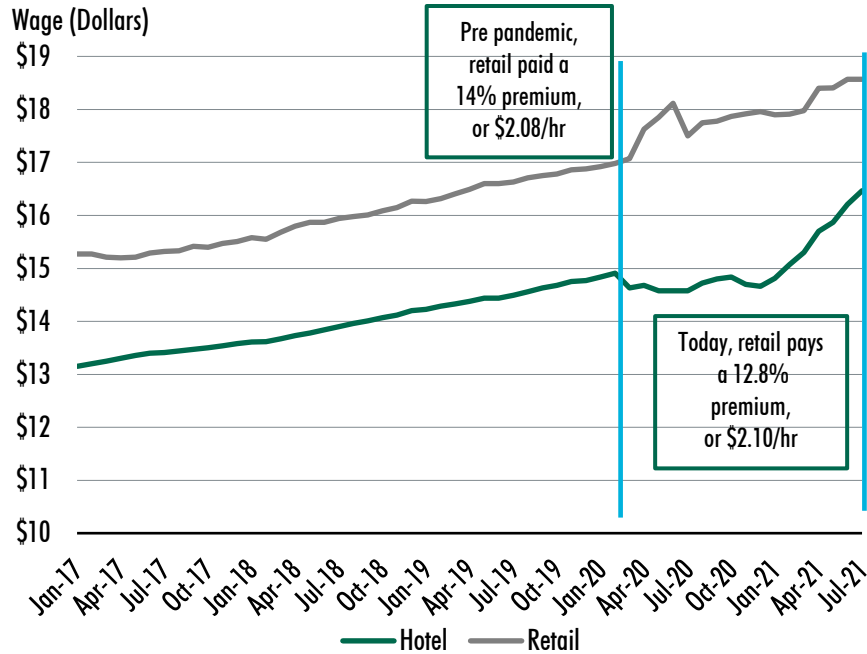
JOB OPENINGS PER HOTEL ARE INCREASING

Labor shortfall is above pre-pandemic peak

Legend: Job Openings Per Hotel
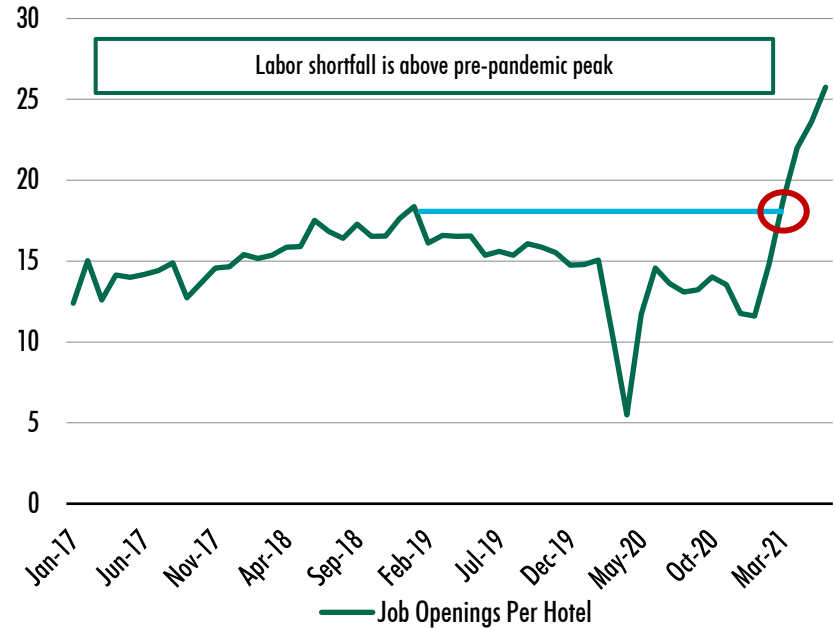
Pre-Pandemic, Operators Sought Efficiencies Owing to Wage Pressures

ANNUAL CHANGE IN COMPONENTS TO TOTAL LABOR COSTS – PROPERTY LEVEL

	2016	2017	2018	2019
Change in Hourly Compensation	2.9%	3.8%	3.5%	3.6%
Change in Hours Worked	-0.1%	-2.0%	-0.4%	-0.3%

Legend:
- CBRE - Change in Total Hours Worked
- BLS - Change in Average Hourly Compensation for Hospitality Employees
- CBRE - Annual Change in Total Labor Costs

Source: Trends® in the Hotel Industry, Bureau of Labor Statistics

Change in Revenues, Expenses and Profits: All hotels

MARCH YTD 2021 VS MARCH YTD 2019
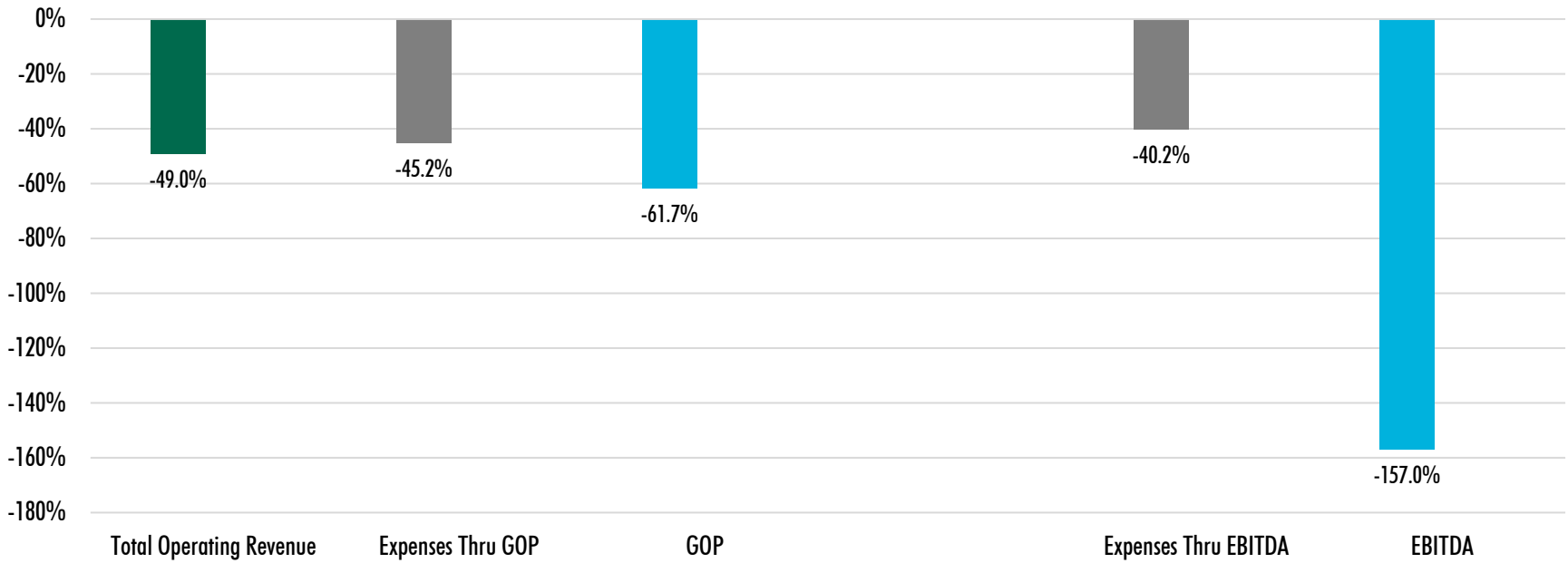
Source: CBRE Hotels Research, Same-Store Sample, Open All Twelve Months.

U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH   36   CBRE

Operators have Become More Efficient With Each Cycle

CONTRACTION

EXPANSION

	2000 - 2003	

1.73x Flow-Through
-15% (Revenue Change)
-26% (GOP Change)

| 2003 - 2007 |
46% (GOP Change)
34% (Revenue Change)

1.38x Flow-Through

1.50x Flow-Through
2007 - 2009
-20% (Revenue Change)
-29% (GOP Change)

2009 - 2019
76% (GOP Change)
50% (Revenue Change)

1.52x Flow-Through

1.35x Flow-Through
2019 - 2020
-58% (Revenue Change)
-78% (GOP Change)

Revenue Change   GOP Change

GOP Change   Revenue Change
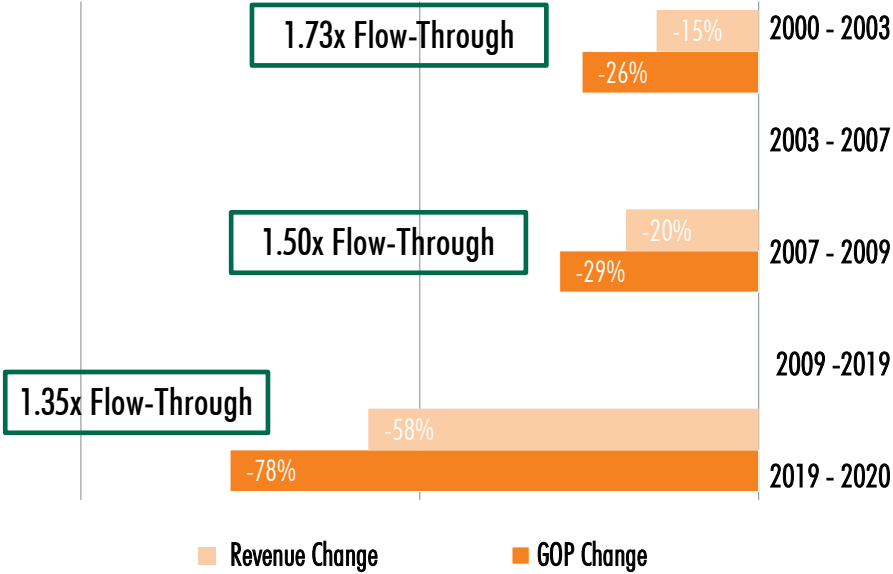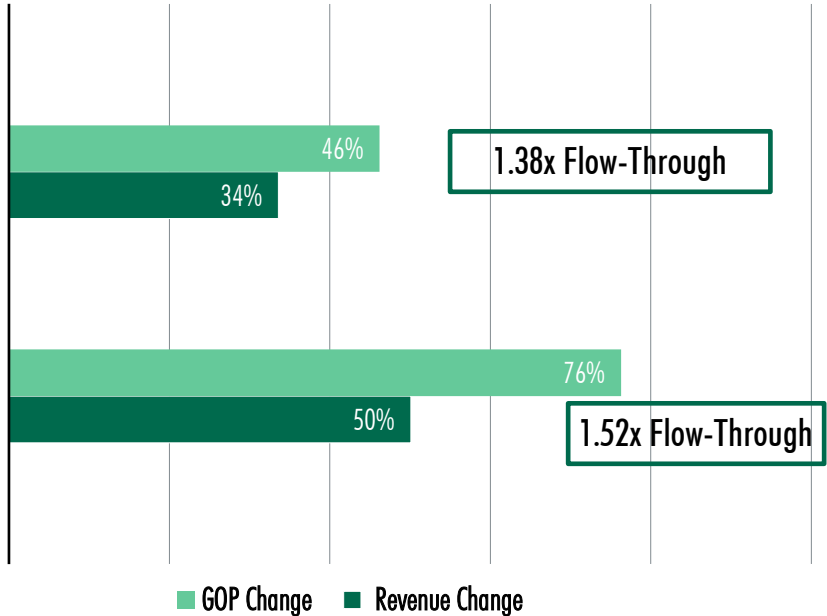
Source: CBRE Hotels Research, CBRE Econometric Advisors.

Capital Markets

Debt and Structured Finance
All Hospitality Lenders

FEWER CONSTRUCTION LENDERS WILL BE A HEADWIND TO FUTURE SUPPLY

Number of Lenders

75%+ lenders are active in the market

—— Lenders in Market   —— Construction Lending
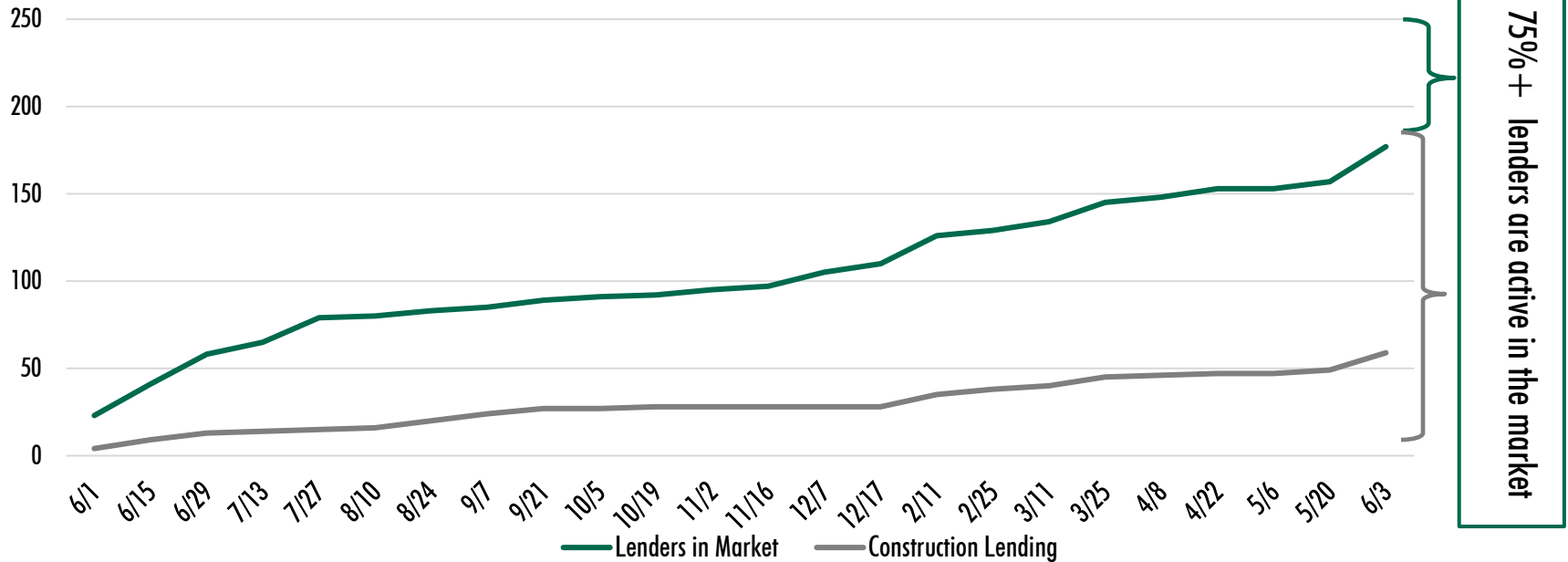
Source: CBRE Hotels Research, CBRE Debt & Structured Finance.

Lodging CMBS
30+ Day Delinquency

THE DELINQUENCY RATE SHOULD CONTINUE TO IMPROVE AS HOTELS REOPEN

Percent

Lodging values: 1.5%, 2.1%, 2.3%, 19.1%, 24.3%, 23.8%, 23.0%, 22.9%, 19.4%, 19.7%, 19.8%, 19.2%, 16.4%, 16.0%, 15.7%, 14.2%

Overall CRE values: 2.7%, 7.2%, 10.3%, 9.6%, 9.0%, 8.9%, 8.3%, 8.2%, 7.8%, 7.6%, 6.8%, 6.6%, 6.5%, 6.2%

— Lodging   — Overall CRE
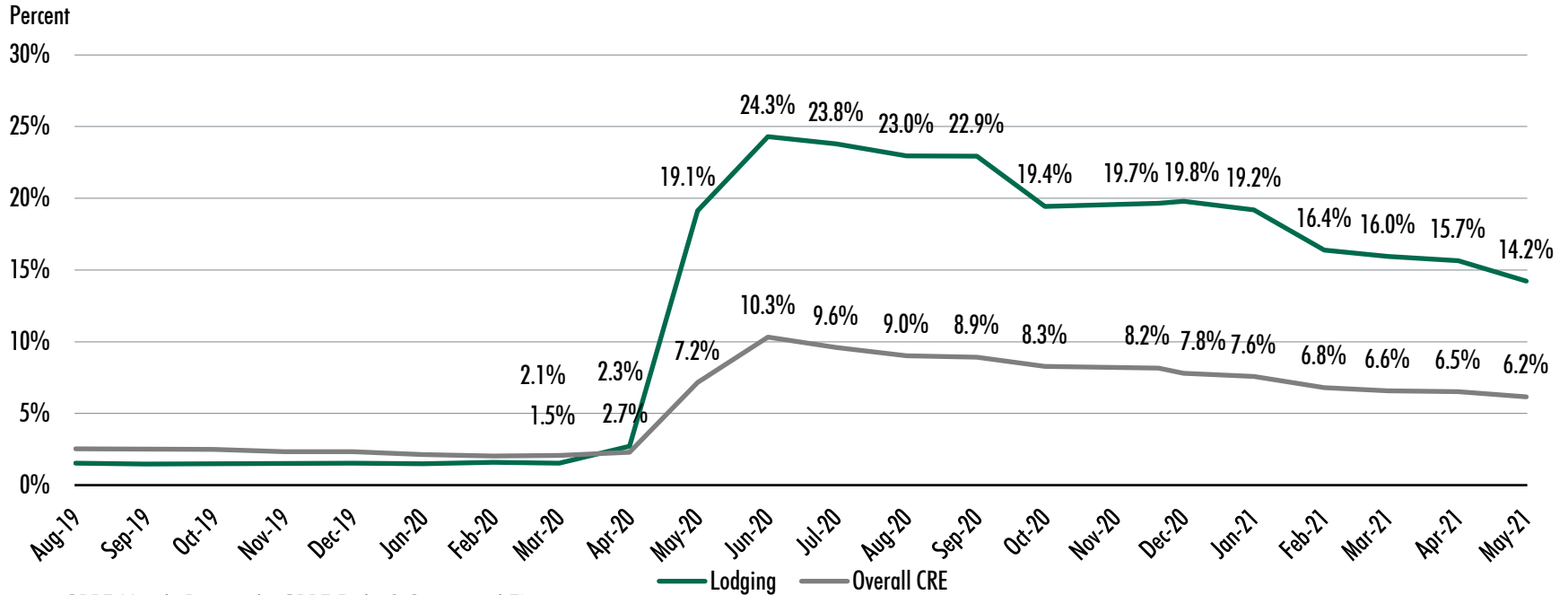
Source: CBRE Hotels Research, CBRE Debt & Structured Finance.

Lodging CMBS Special Servicing

PRE-/POST-COVID - SPECIAL SERVICING RATE LODGING CMBS

Percent

Chart data points:
- Jan-20: 1.9%
- Feb-20: 2.0%
- Mar-20: 2.3%
- Apr-20: 11.4%
- May-20: 16.2%
- Jun-20: 20.5%
- Jul-20: 24.3%
- Aug-20: 25.0%
- Sep-20: 26.0%
- Oct-20: 25.5%
- Nov-20: 25.6%
- Dec-20: 24.1%
- Jan-21: 24.5%
- Feb-21: 24.2%
- Mar-21: 24.2%
- Apr-21: 21.8%
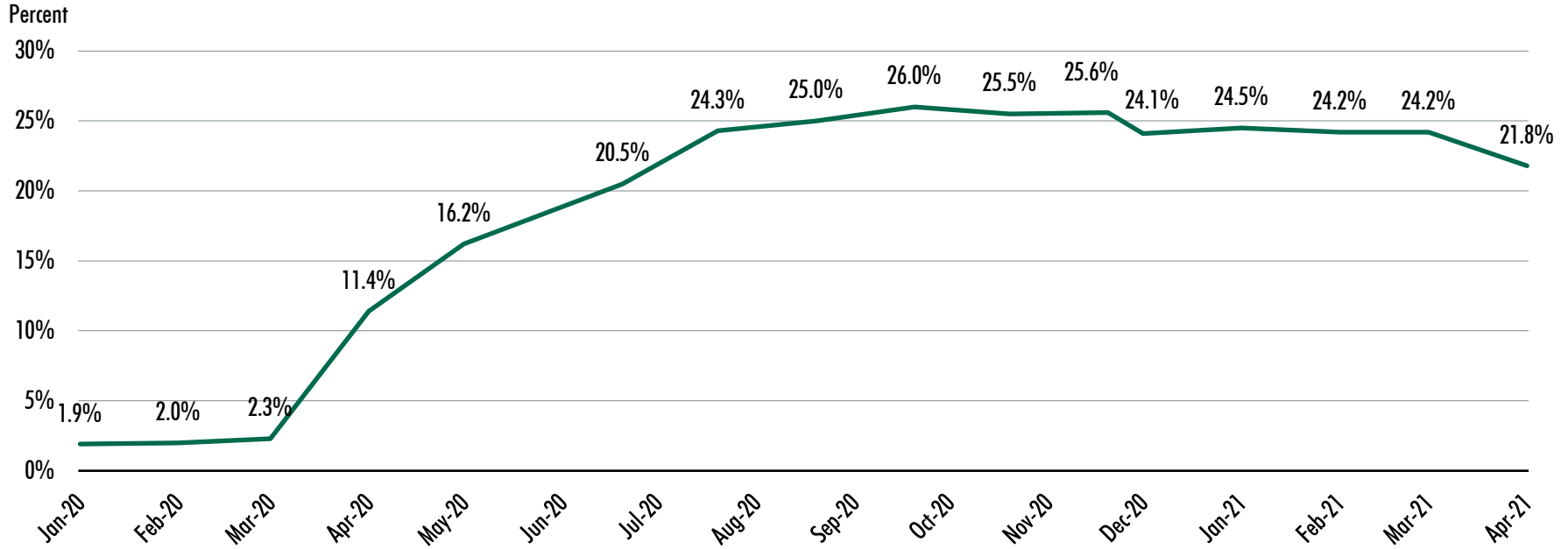
Source: CBRE Hotels Research, CBRE Debt & Structured Finance.

Debt and Structured Finance Hospitality Leverage

MAXIMUM LEVERAGE LEVELS
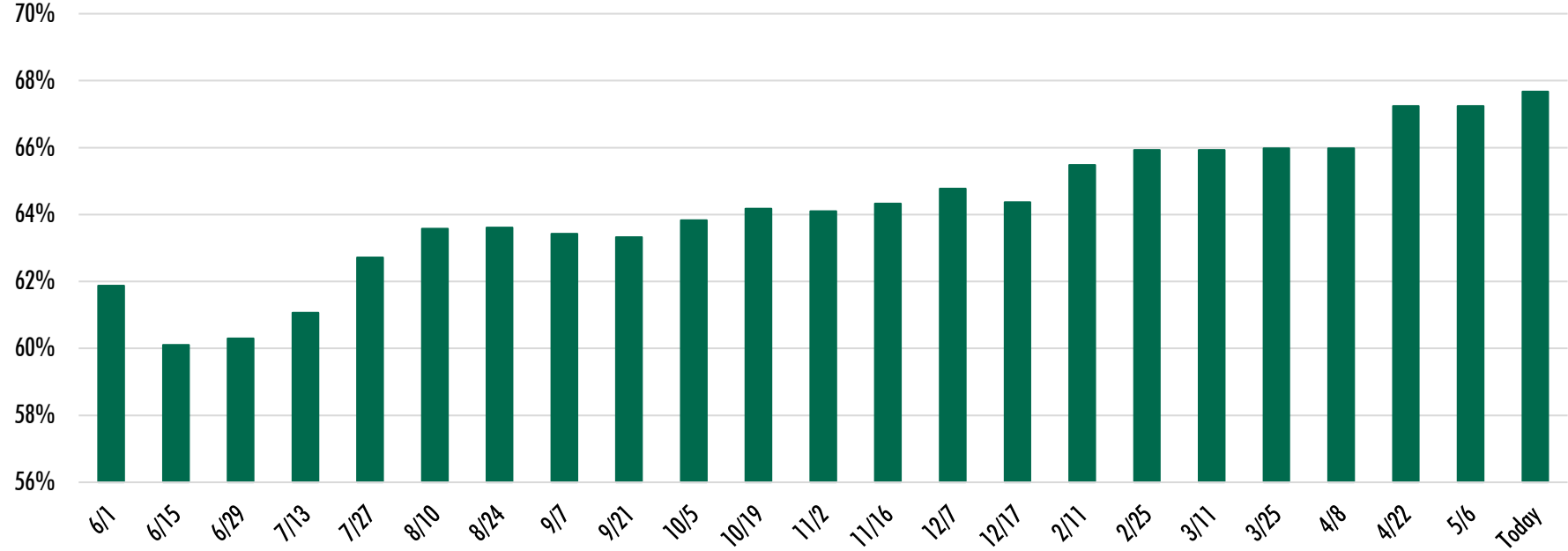
Thank You

WILL WEBSTER

Sr. Research Analyst
CBRE Hotels Research
+1 404-326-9288
Will.Webster@cbre.com

RACHAEL ROTHMAN, CFA

Head of Hotels Research and Data Analytics
CBRE Hotels
+1 804-201-2004
Rachael.Rothman@cbre.com

CBRE