

CBRE HOTELS

The World's Leading Hotel Experts.

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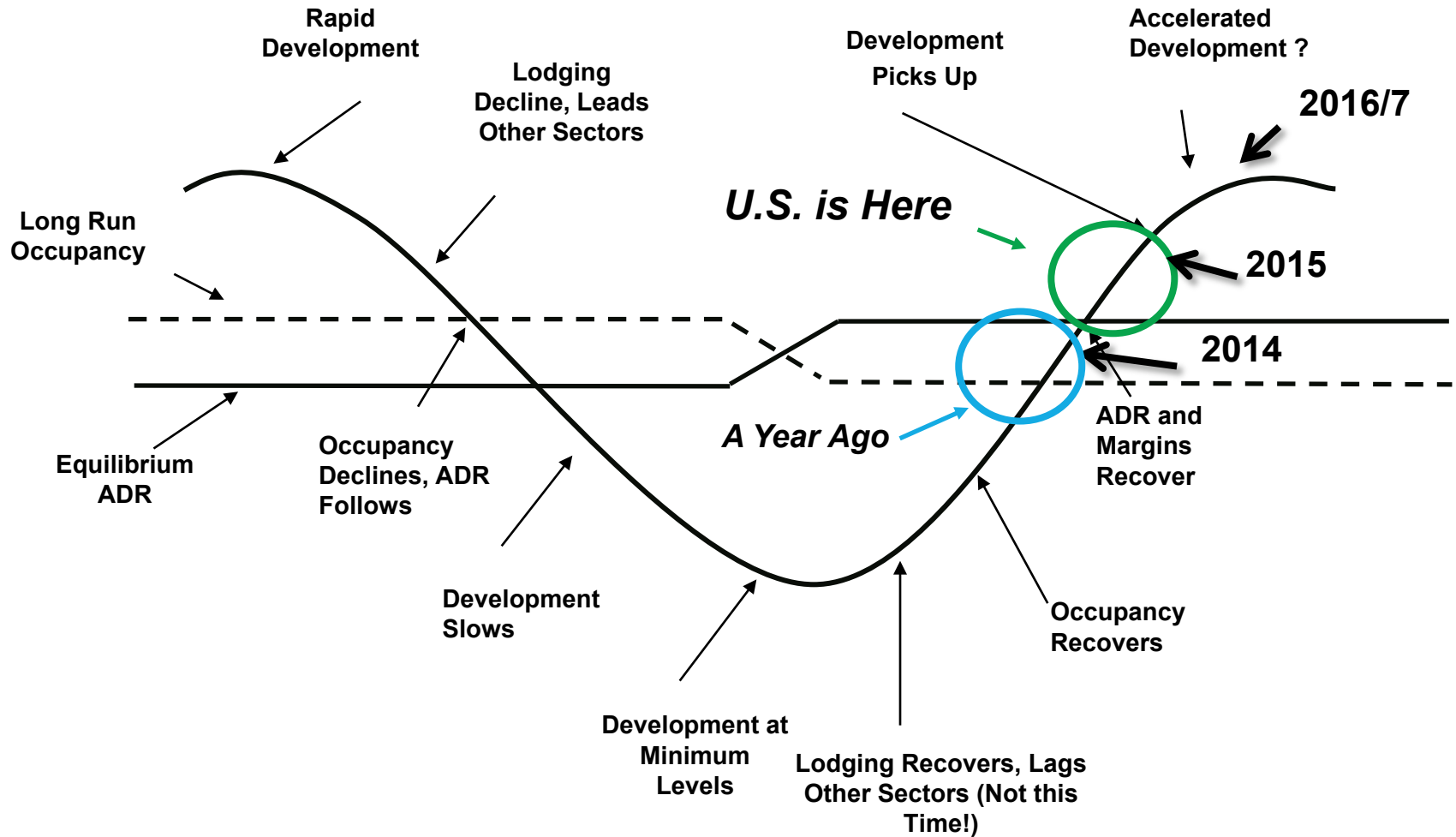
CBRE HOTELS & PKF HOSPITALITY RESEARCH

MAY 2015

HOTEL SECTOR UPDATE & FORECAST

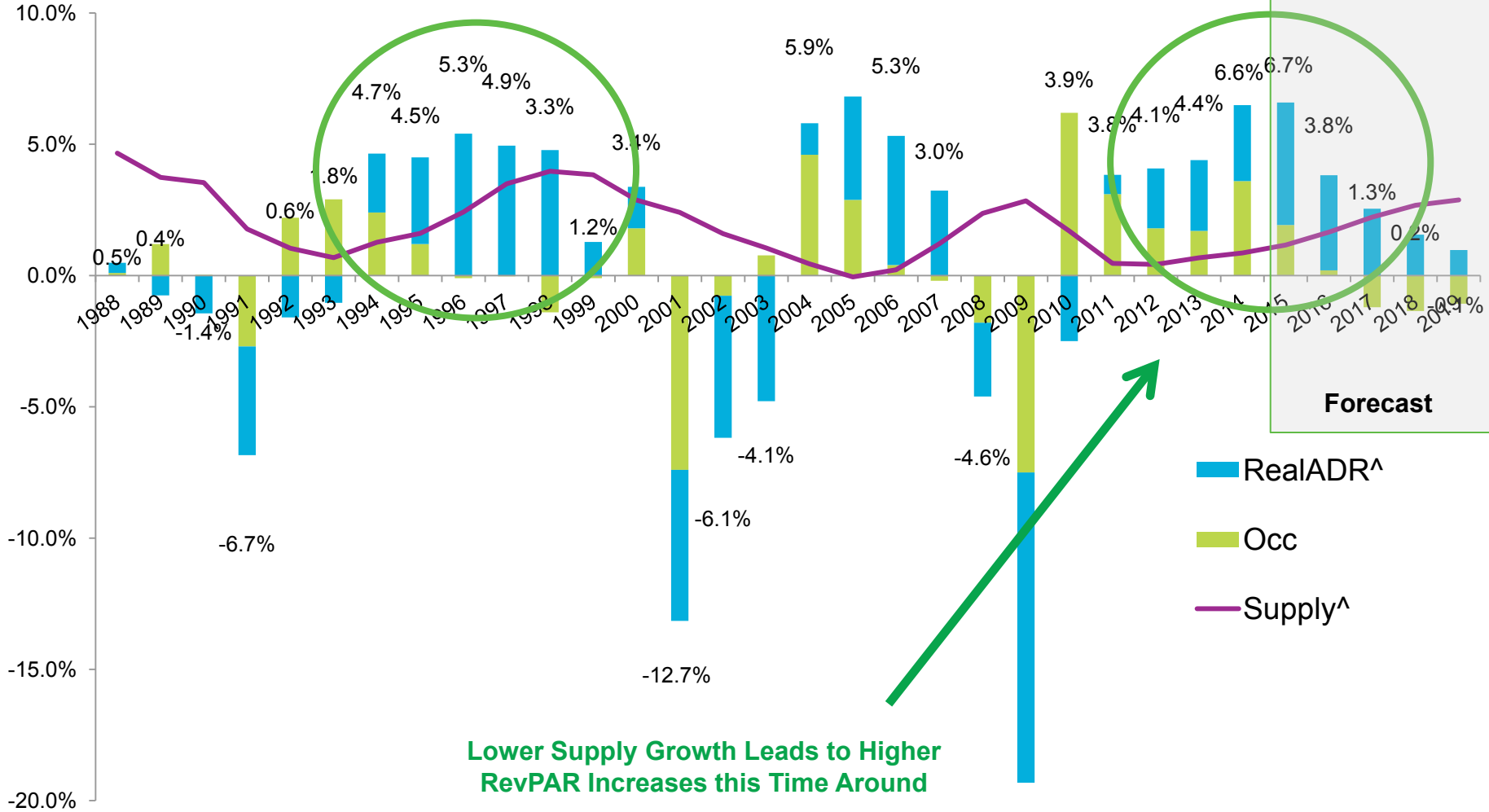
THE HOTEL MARKET CYCLE

Our Opinion



REAL REVPAR CHANGE – WHAT WE LEARN FROM PAST CYCLES

Party Like it is 1995!





Things to Worry About

QUESTION:

What Should We be Worried About?



WHAT SHOULD WE BE WORRIED ABOUT?

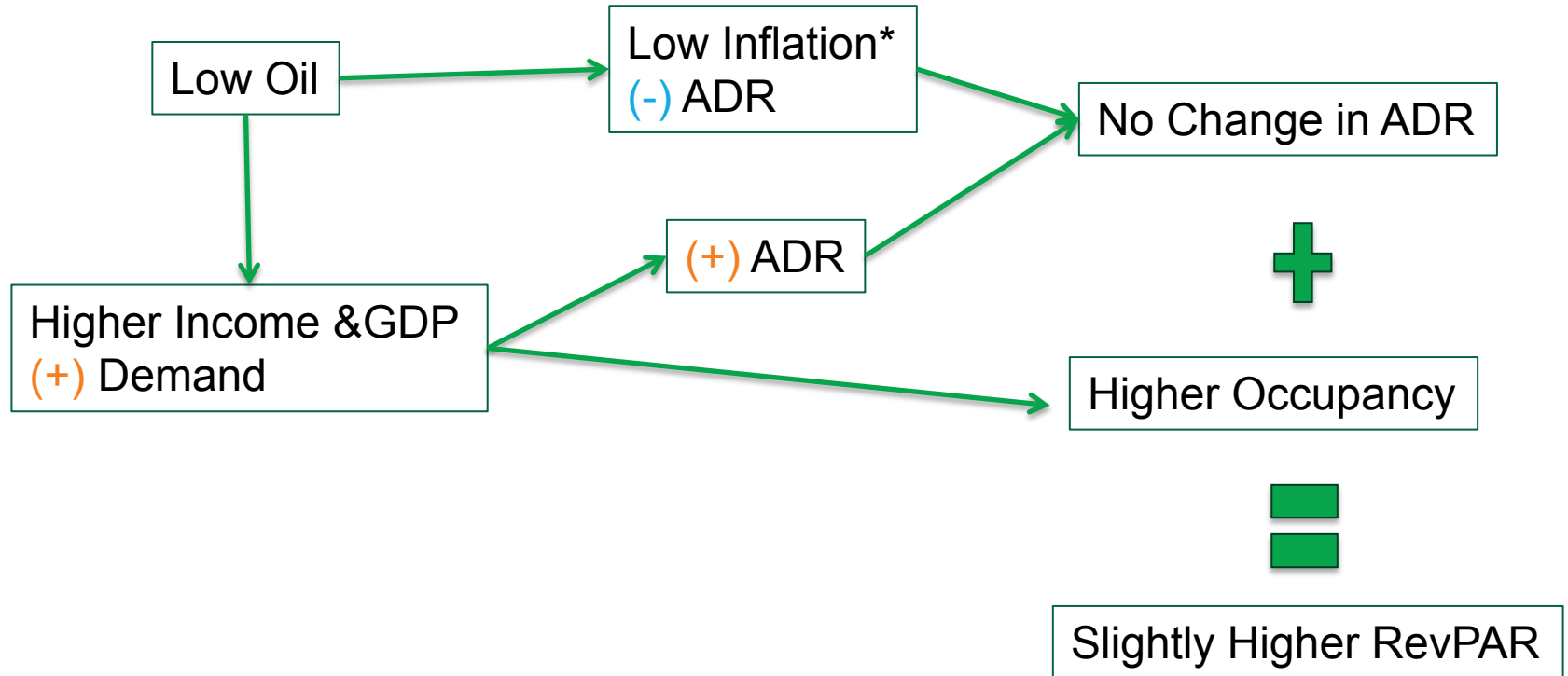


This Guy?

WHAT COULD DERAIL THE GOOD TIMES?

1. The Economy Okay, moving to good
2. Asset Price Bubble Stable?
3. Unpredictable Demand Shock ?
4. Oil/Energy Price Increases Decreasing Risk
5. Over Building Mostly no, some yes.

IMPACT ON OUR BASELINE FORECAST



Source: PKF Hospitality Research

* - PKF-HR econometric research shows a 1:1 relationship between change in inflation and ADR during expansionary periods, holding the effect of occupancy constant



OUR FORECASTS



OUR VIEW:

The Very Good Will

Get Even Better

NATIONAL FORECAST – ALL U.S. HOTELS

2014-2016

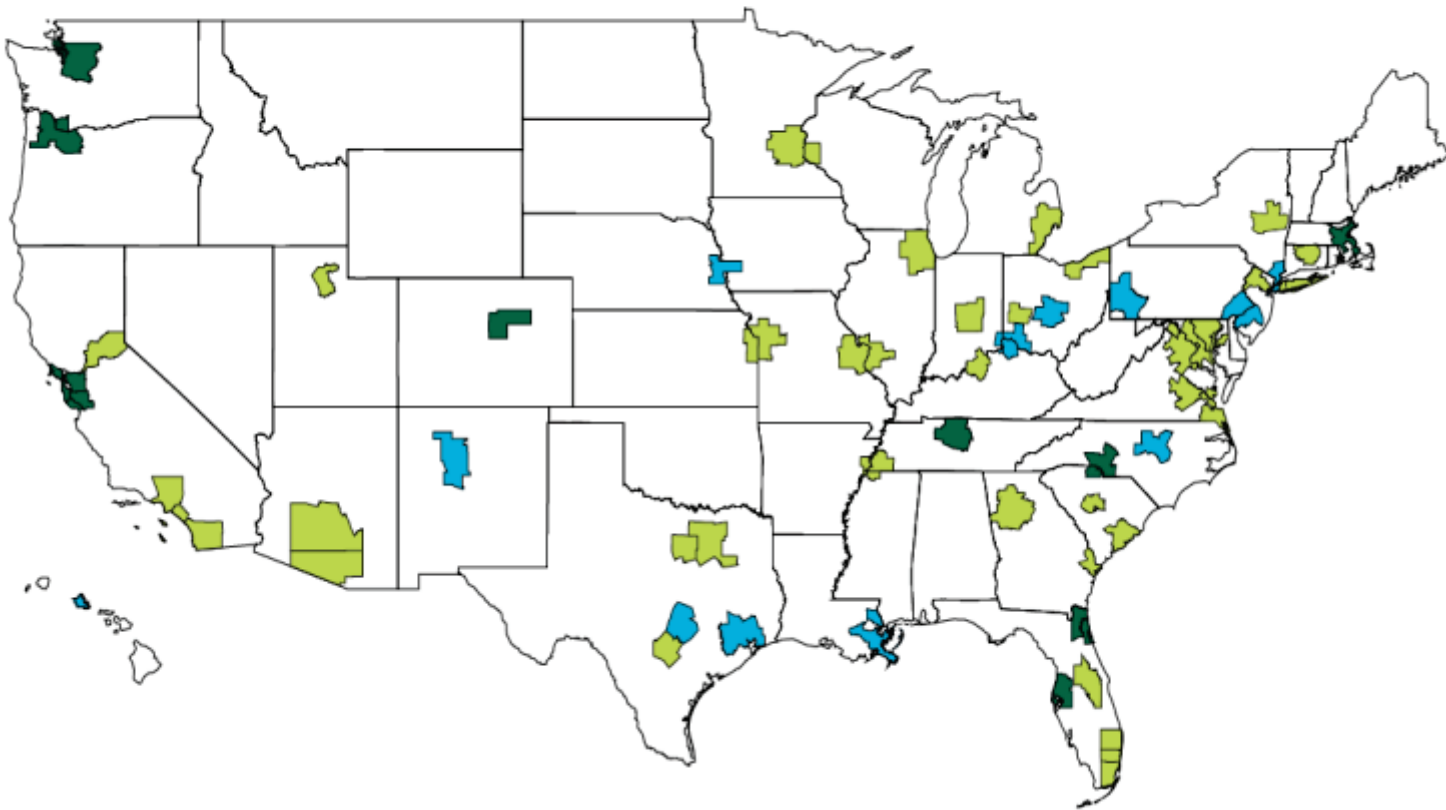
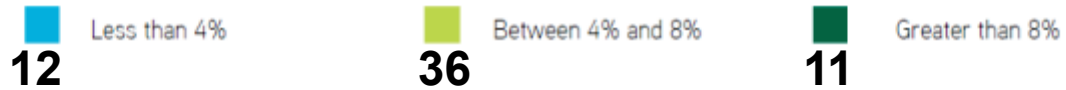
	Long Run Average	2012	2013	2014	2015F	2016F
Supply	1.9%	0.5%	0.7%	0.9%	1.2%	1.7%
Demand	2.1%	3.0%	2.2%	4.5%	3.1%	1.9%
Occupancy	61.9%	61.4%	62.2%	64.4%	65.6%	65.8%
ADR	2.9%	4.2%	3.9%	4.6%	5.3%	6.3%
RevPAR	2.9%	6.8%	5.4%	8.3%	7.3%	6.5%

RevPAR driven by ADR Growth

Source: PKF Hospitality Research - *Hotel Horizons*® March-May, 2015, STR, Inc.

THE VIEW FROM WHERE YOU SIT

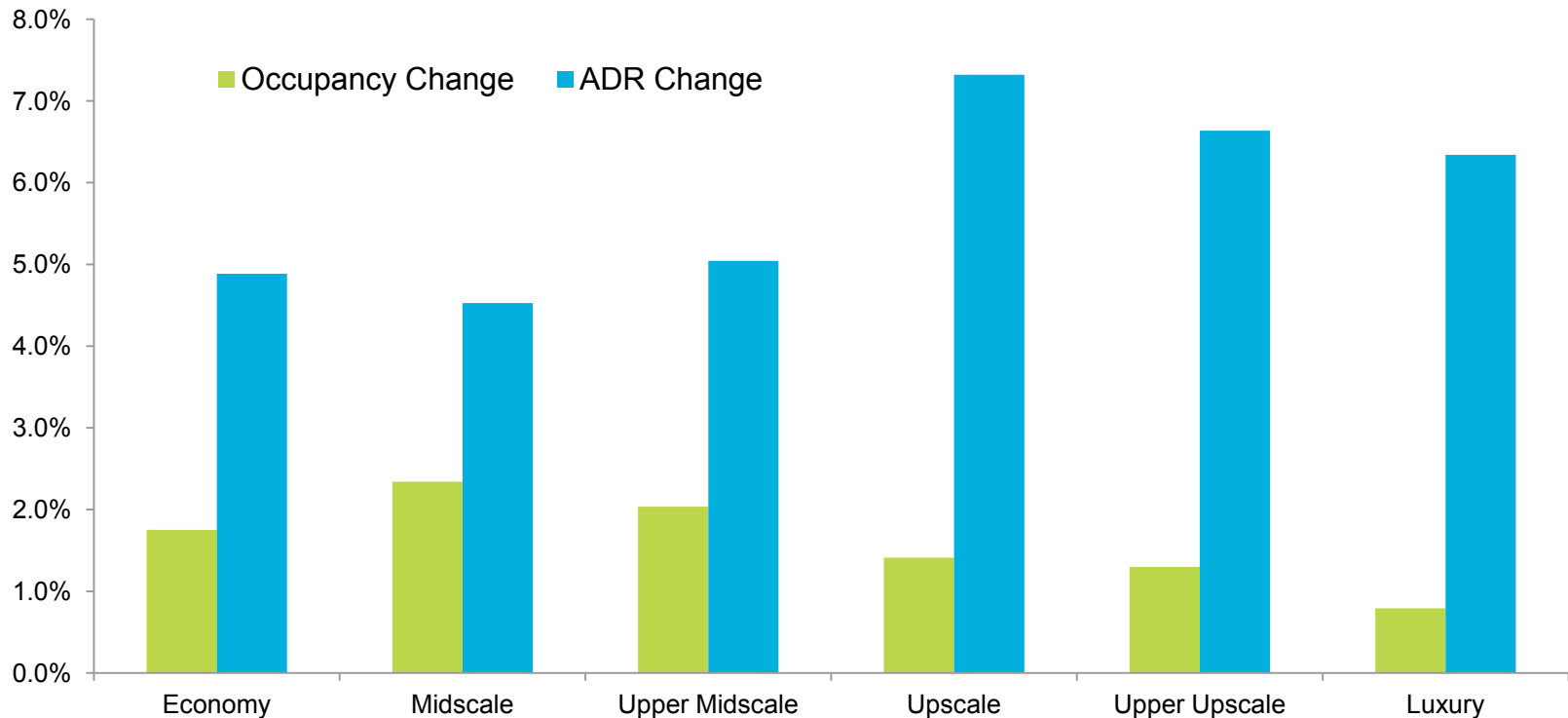
Colors represent 2015 year over year change in RevPAR



Source: PKF Hospitality Research, March – May 2015 Hotel Horizons®

2015 CHAIN SCALE FORECASTS

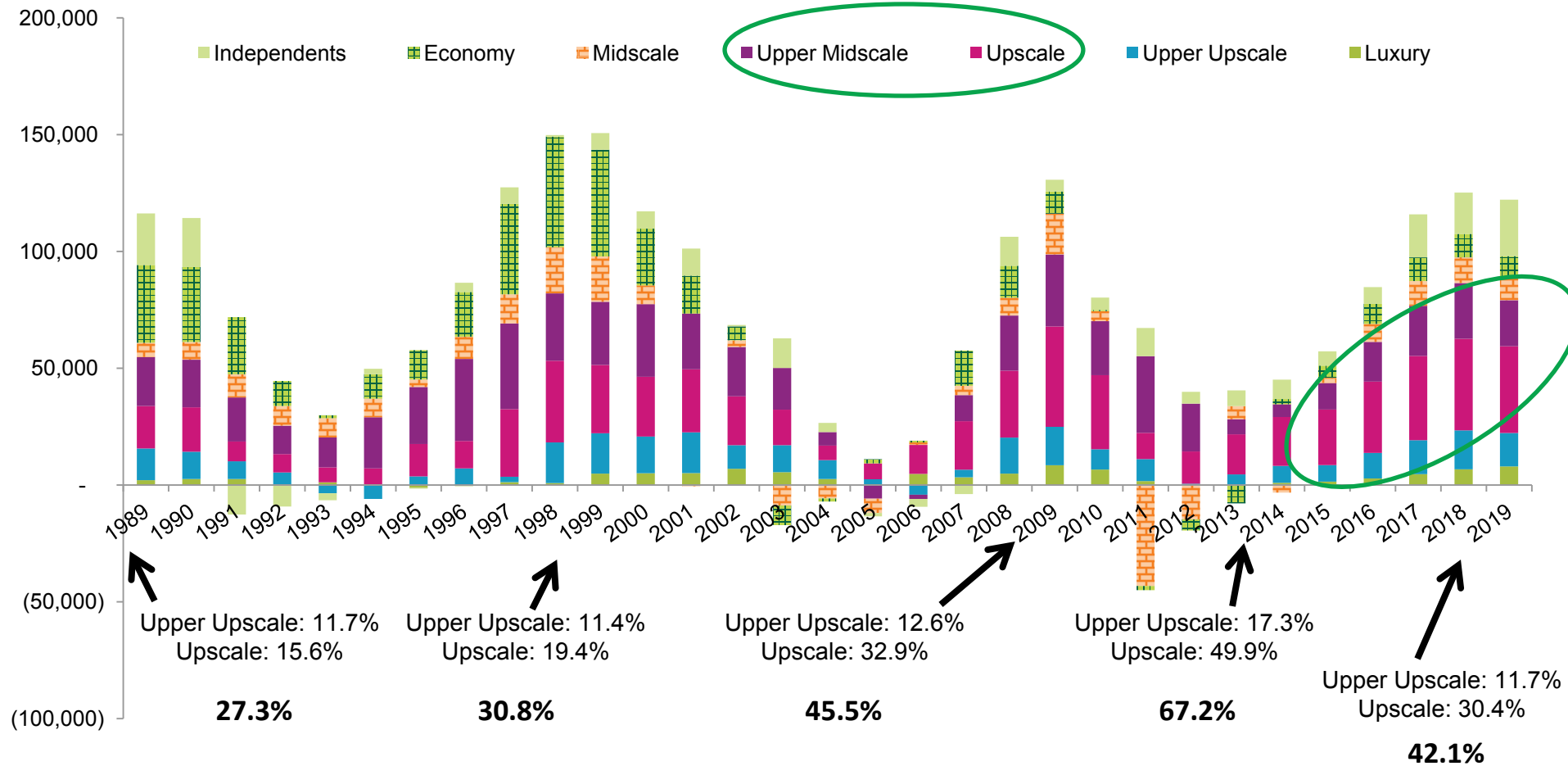
Upper-Priced Chains Approaching Peak Growth this Year



Source: PKF Hospitality Research, March – May 2015 Hotel Horizons®, STR, Inc.

U.S. SUPPLY CHANGE

Components of the Net Annual Change in Available Supply



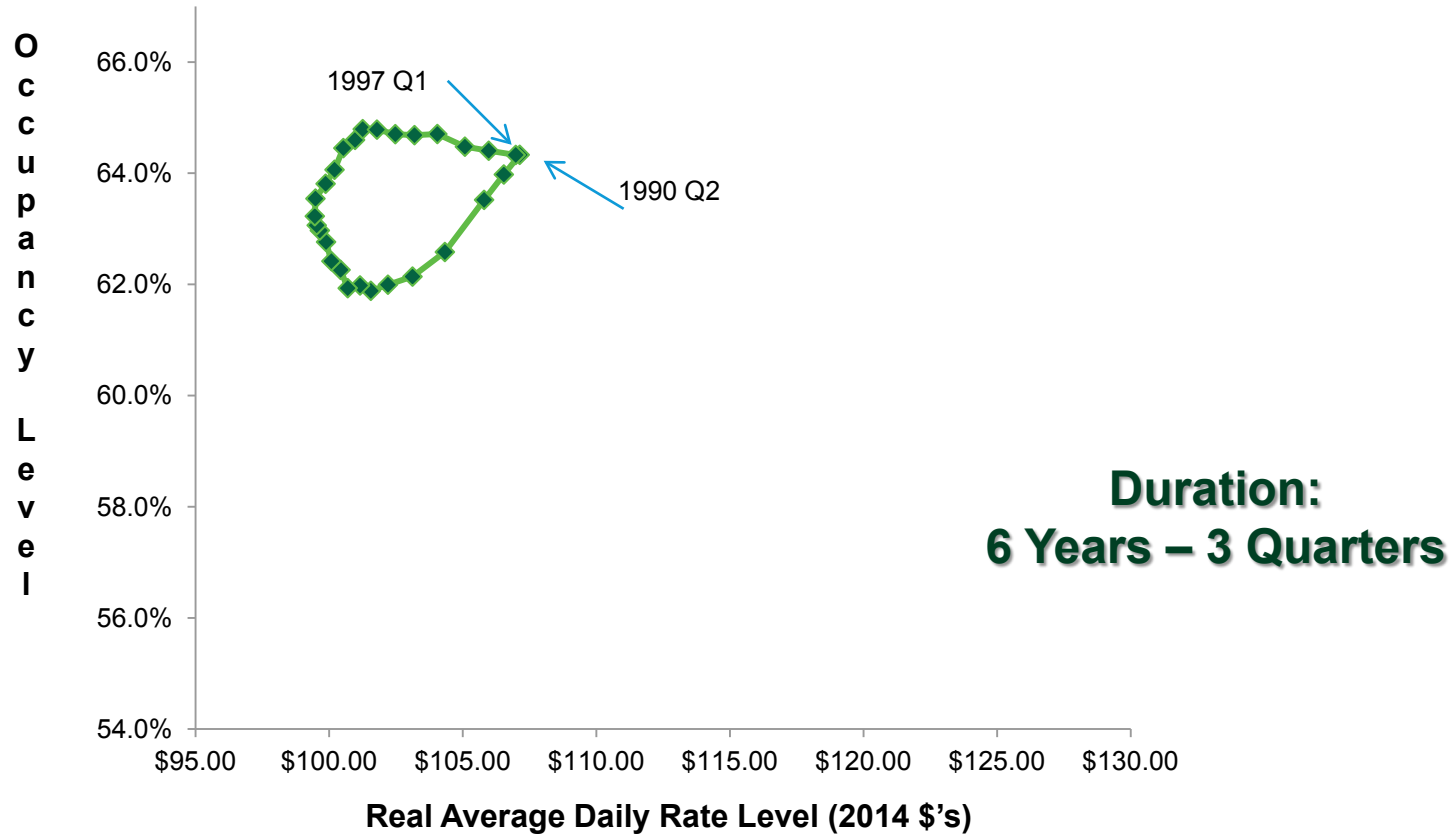


TRACKING THE BUSINESS CYLCES OF U.S. HOTELS

REAL ADR PERFORMANCE – U.S.

A Look at Past Cycles – 1991 Recession

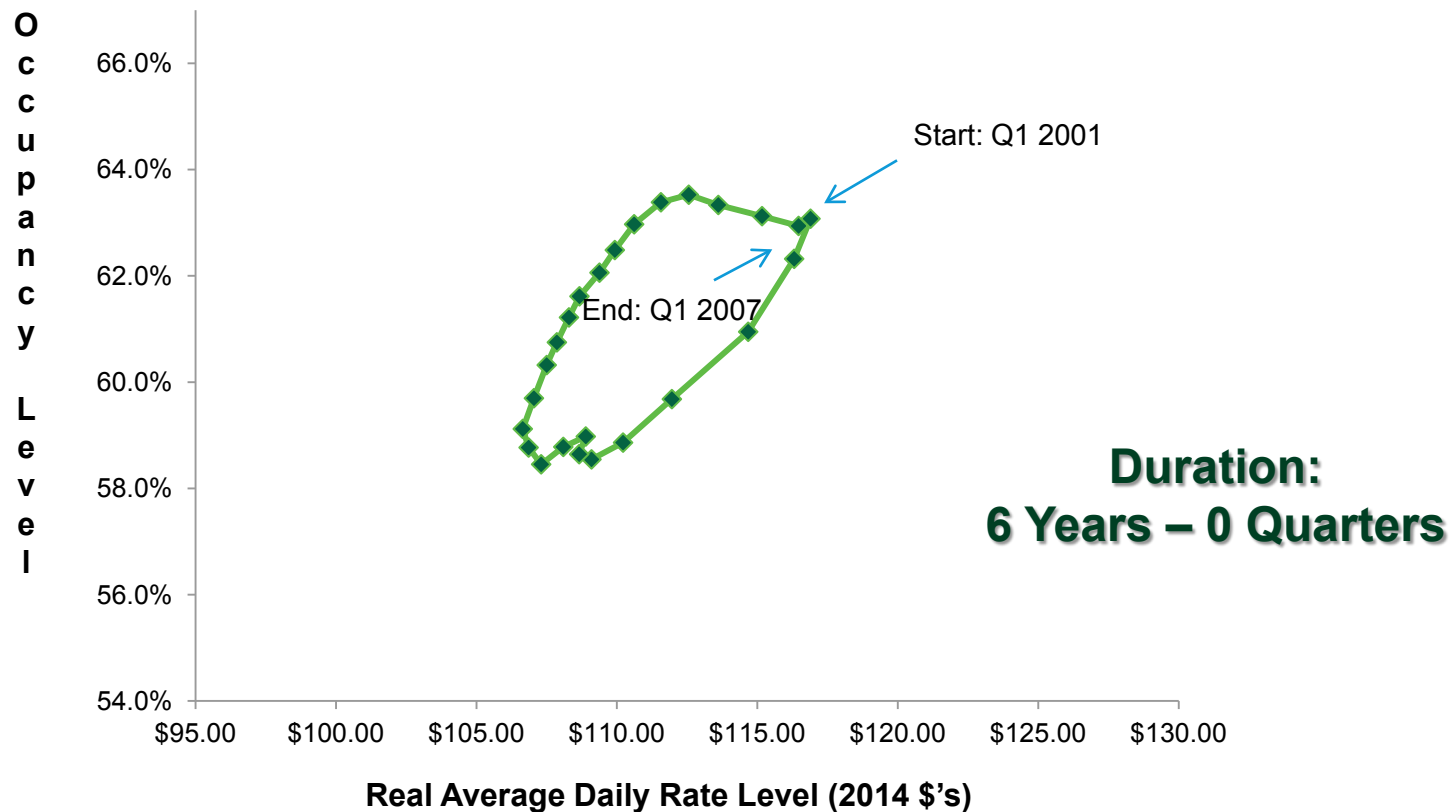
The Path and Duration of Occupancy and Real ADR Recovery



REAL ADR PERFORMANCE – U.S.

A Look at Past Cycles – 2001 Recession

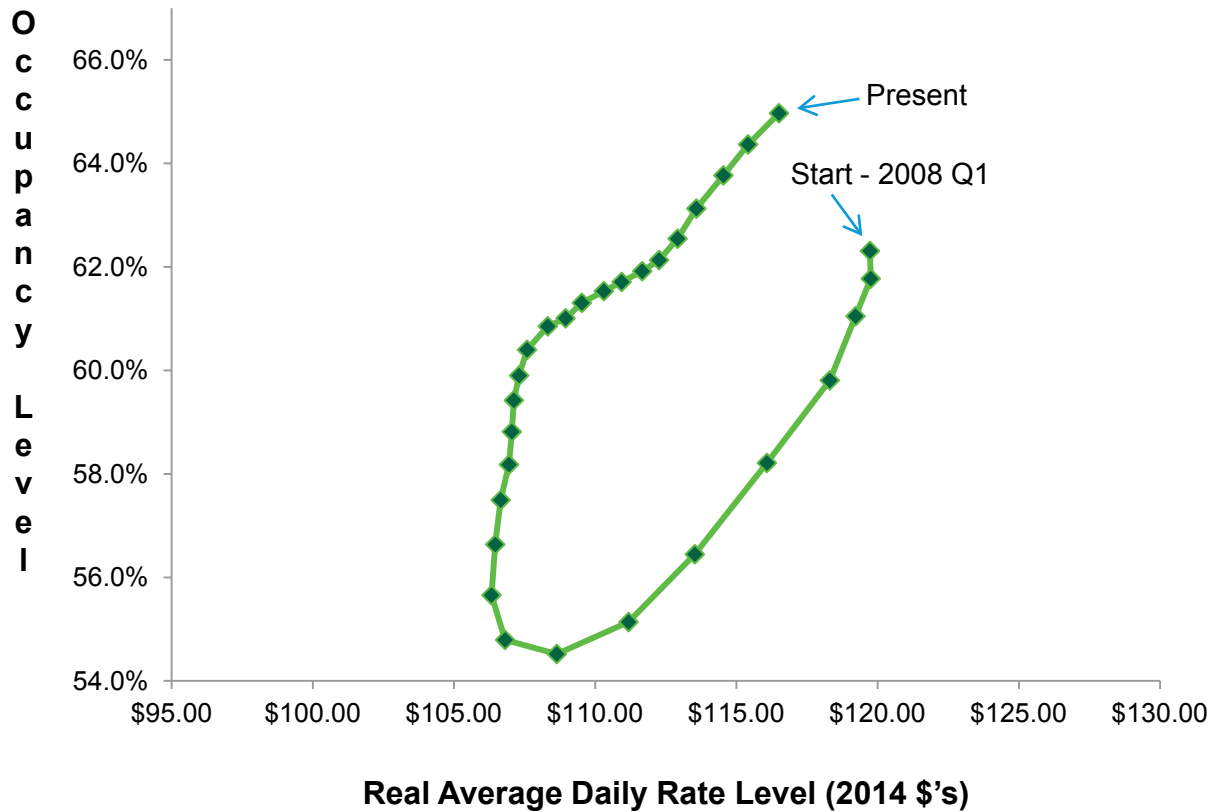
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REAL ADR PERFORMANCE – U.S.

Current Cycle

The Path and Duration of Occupancy and Real ADR Recovery

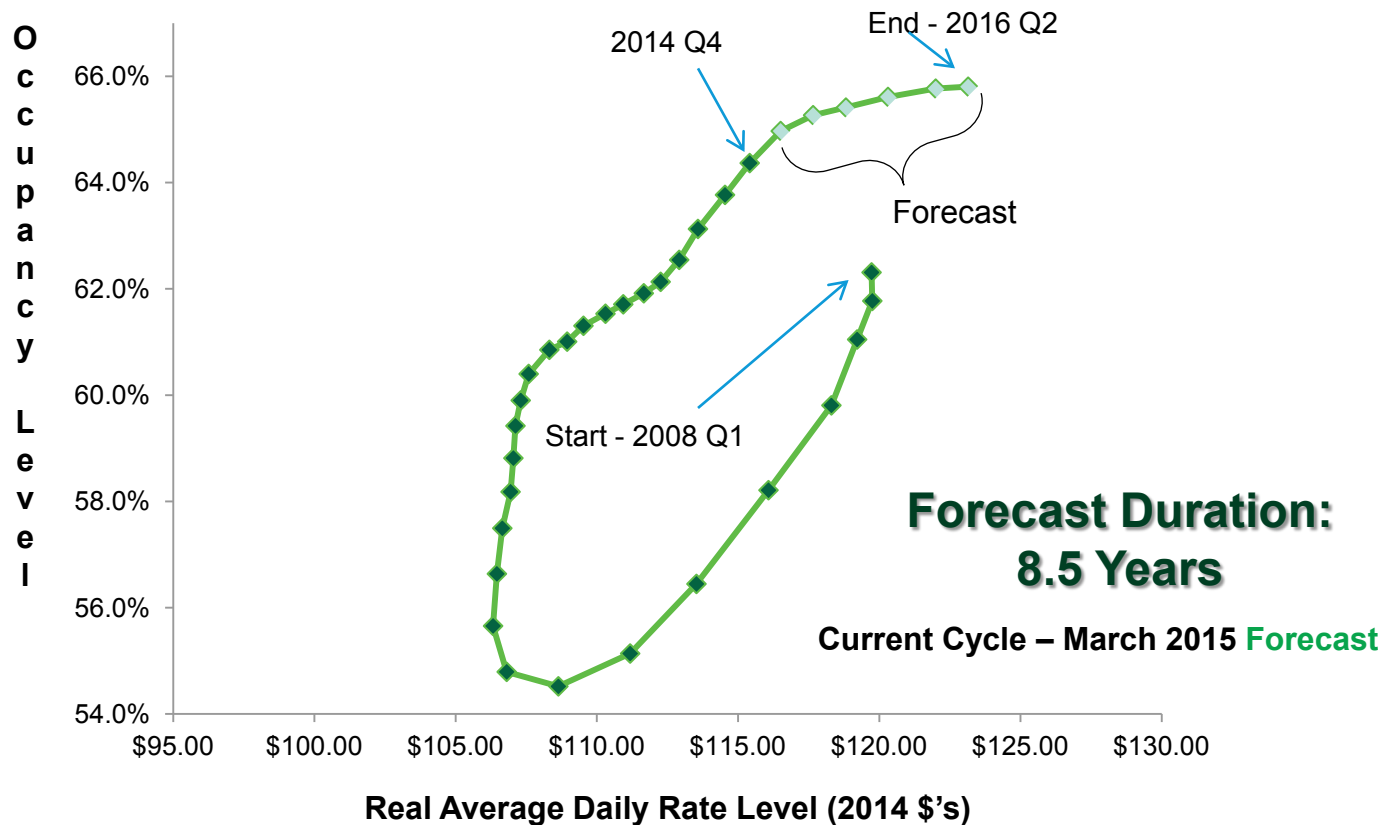


Source: PKF Hospitality Research, STR, Inc.

REAL ADR PERFORMANCE – U.S.

Current Cycle – cont'd

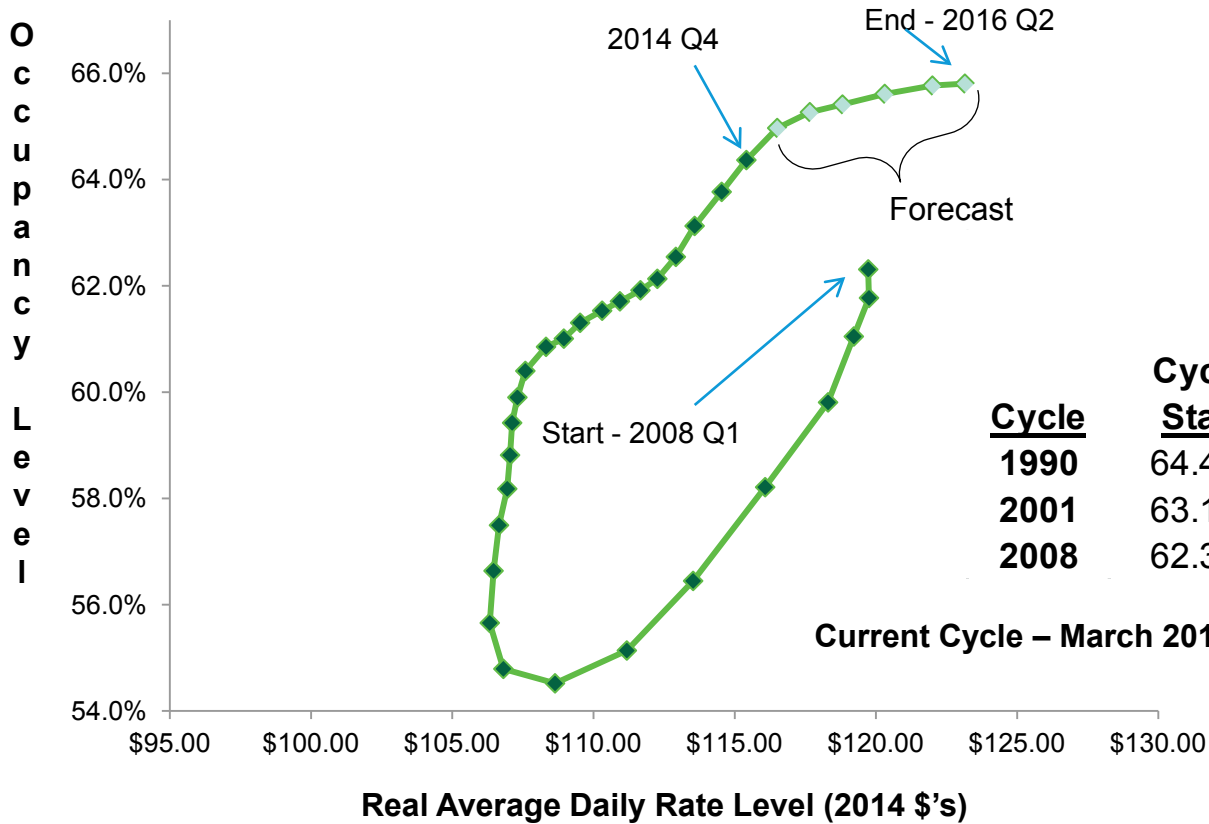
The Path and Duration of Occupancy and Real ADR Recovery



REAL ADR PERFORMANCE – U.S.

Current Cycle – cont'd

The Path and Duration of Occupancy and Real ADR Recovery



Occupancy Level

<u>Cycle</u>	<u>Cycle Start</u>	<u>Cycle Peak</u>	<u>At Real ADR Recovery</u>	<u>Delta</u>
1990	64.4%	64.8%	64.3%	-0.1%
2001	63.1%	63.5%	62.9%	-0.2%
2008	62.3%	65.8%	65.4%	3.1%

Current Cycle – March 2015 Forecast

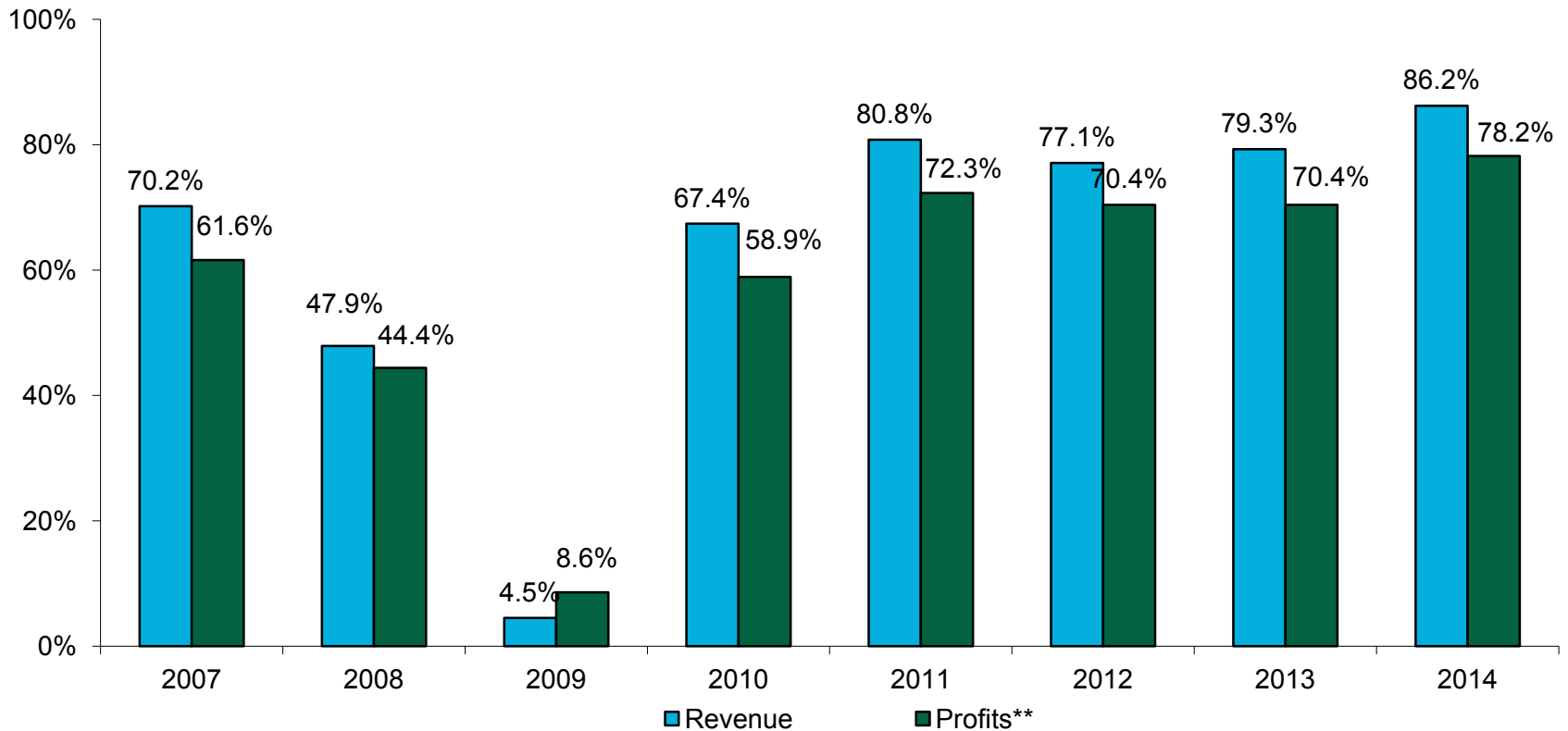


MORE HOTELS ENJOYING GROWTH IN PROFITS*

Percent of Hotels** Posting an Increase in Total Revenue or Profits From Prior Year

(*) - Before deductions for capital reserves, rent, interest, income taxes, depreciation, and amortization.

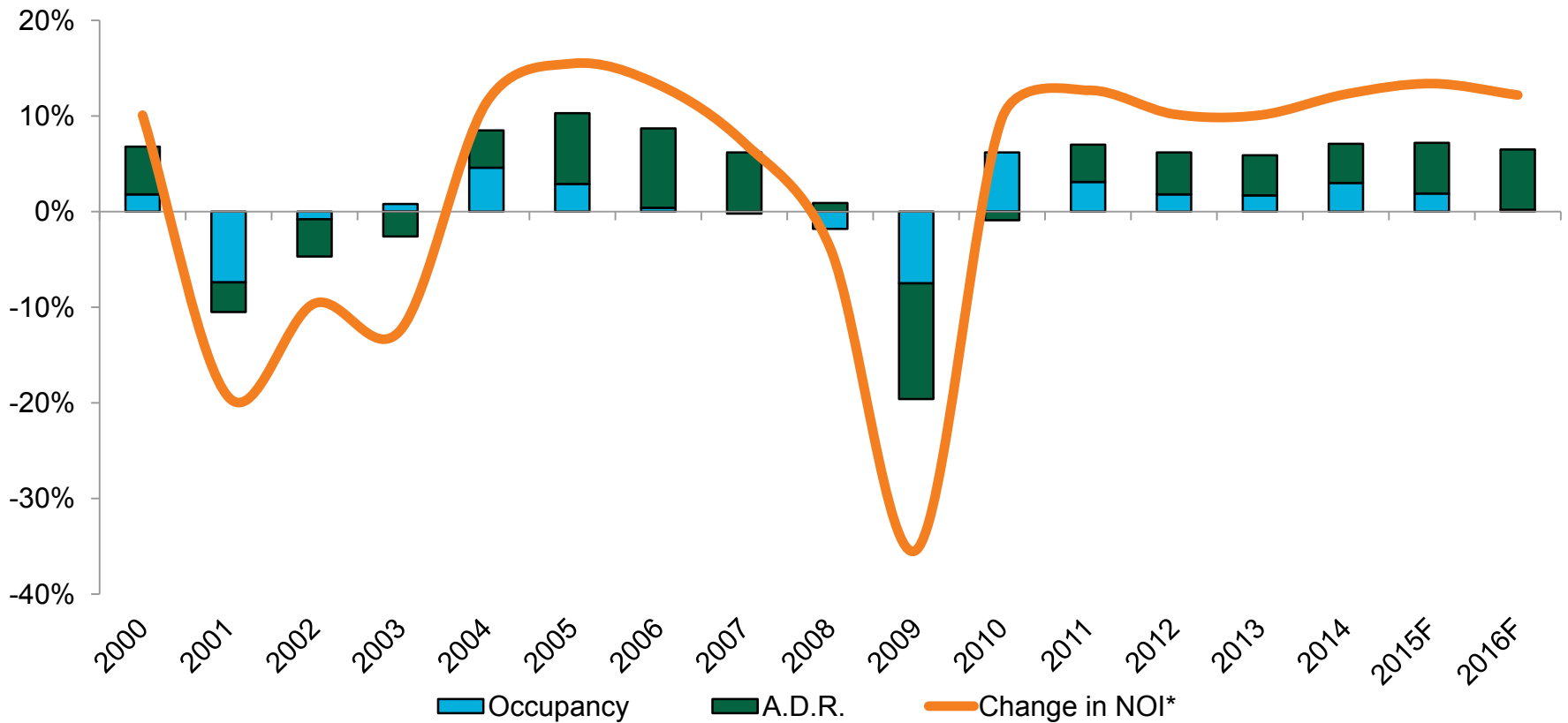
(**) - Trends® in the Hotel Industry sample.



Source: PKF Hospitality Research, a CBRE Company, Trends® in the Hotel Industry reports.

REVPAR COMPONENTS AND NOI* CHANGE

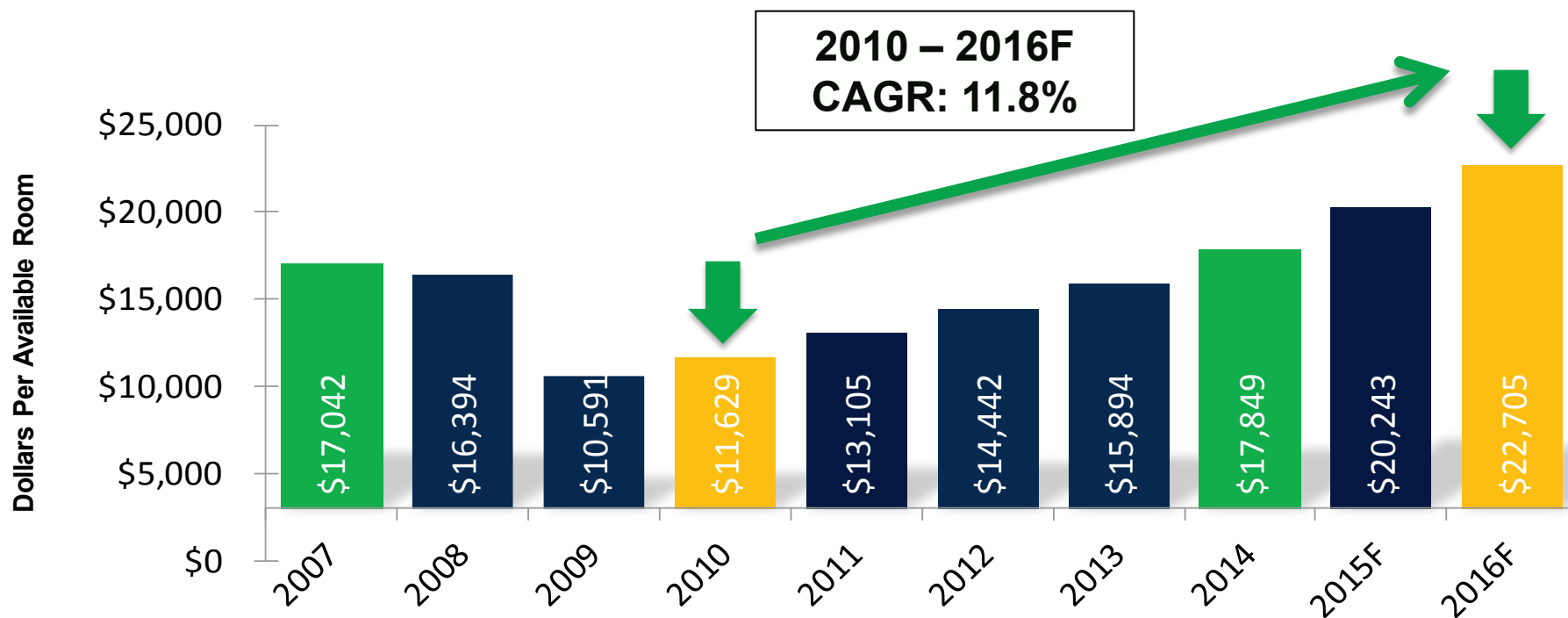
(*) - Before deductions for capital reserve, rent, interest, income taxes, depreciation, and amortization



Source: PKF Hospitality Research, a CBRE Company, 2015 Trends® in the Hotel Industry report.

U.S. HOTEL PERFORMANCE

Nominal Dollar Operating Profits*
Six Years of Double Digit Growth



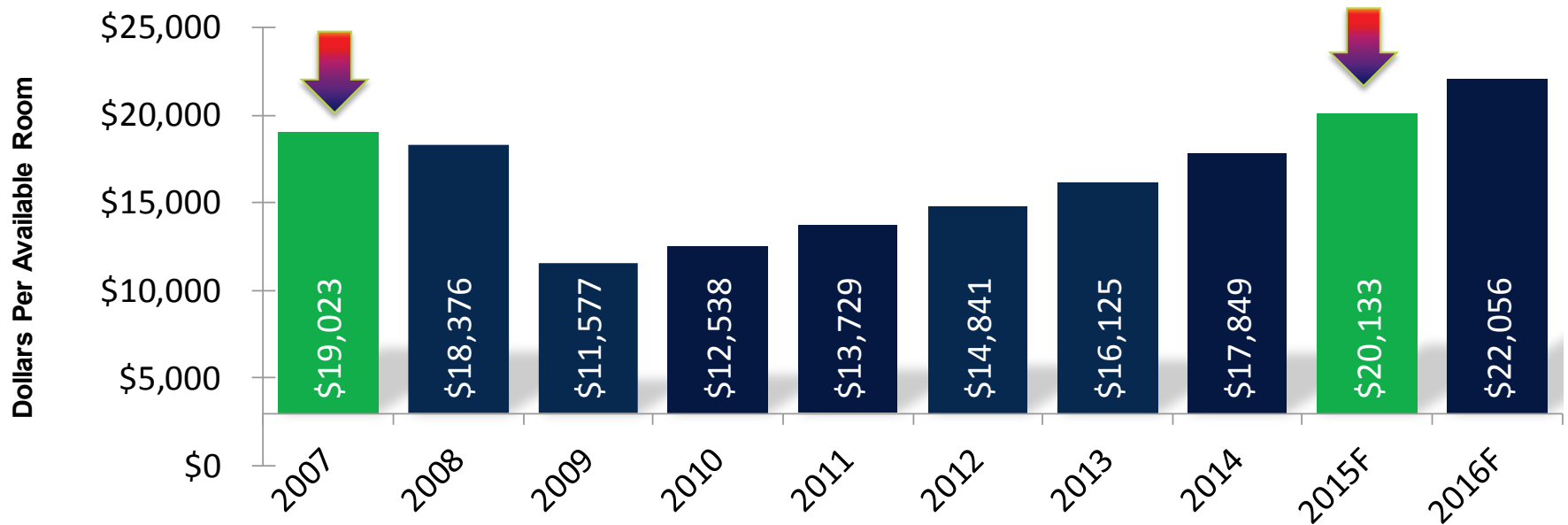
Note: * Before deductions for capital reserve, rent, interest, income taxes, depreciation, and amortization.

Source: PKF Hospitality Research, a CBRE Company, *Trends® in the Hotel Industry*, March 2014 *Hotel Horizons®* forecast

U.S. HOTEL PERFORMANCE

Constant 2014 Dollar Operating Profits*

Real Recovery Not Until 2015



Note: * Before deductions for capital reserve, rent, interest, income taxes, depreciation, and amortization.

Source: PKF Hospitality Research, a CBRE Company, *Trends® in the Hotel Industry*, March 2014 *Hotel Horizons®* forecast

SUMMARY THOUGHTS

The Very GoodWill Get Even Better

1. No threats from the factors that historically have brought an end to the good times.
2. The fundamentals are solid across the vast majority of markets.
3. Elevated industry growth will persist comfortably through 2016 and likely beyond.
4. High occupancy levels will provide the leverage needed to achieve large real ADR increases for the next two-three years.
5. Competition for building materials and labor will continue to present challenges for developers in most markets. Below average hotel construction will be the result for the next three years.
6. Above long run average occupancy levels will lead to strong profit growth comfortably through 2016, enough to off-set increasing labor costs.
7. It is a great time to be in the hotel business!

THANKS FOR YOUR TIME

CBRE HOTELS & PKF HOSPITALITY RESEARCH

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