THE ROAD AHEAD ….

a DIP? or a BLIP?

BRUCE BALTIN
CBRE HOTELS ADVISORY

Radical innovat!on CHANGE everything

Agenda

- The Economy
- Too Much New Supply?
- The ADR Conundrum
- Our Forecasts
- Conference Center Update

TODAY'S MESSAGE:

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- The Economic Outlook Remains Favorable Well Into 2020.
- U.S. Hotels Remain Fundamentally Sound.
- Look for a "Blip" in Performance in 2021.
- Conference Venues Will Feel it First.

WHAT COULD END THE CURRENT CYCLE?

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1. The Economy
2. Over Building
3. Unpredictable Demand Shock
4. Oil/Energy Price Increases
5. Asset Price Bubble

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THE ECONOMY

CBRE HOTELS' LODGING INSIGHTS

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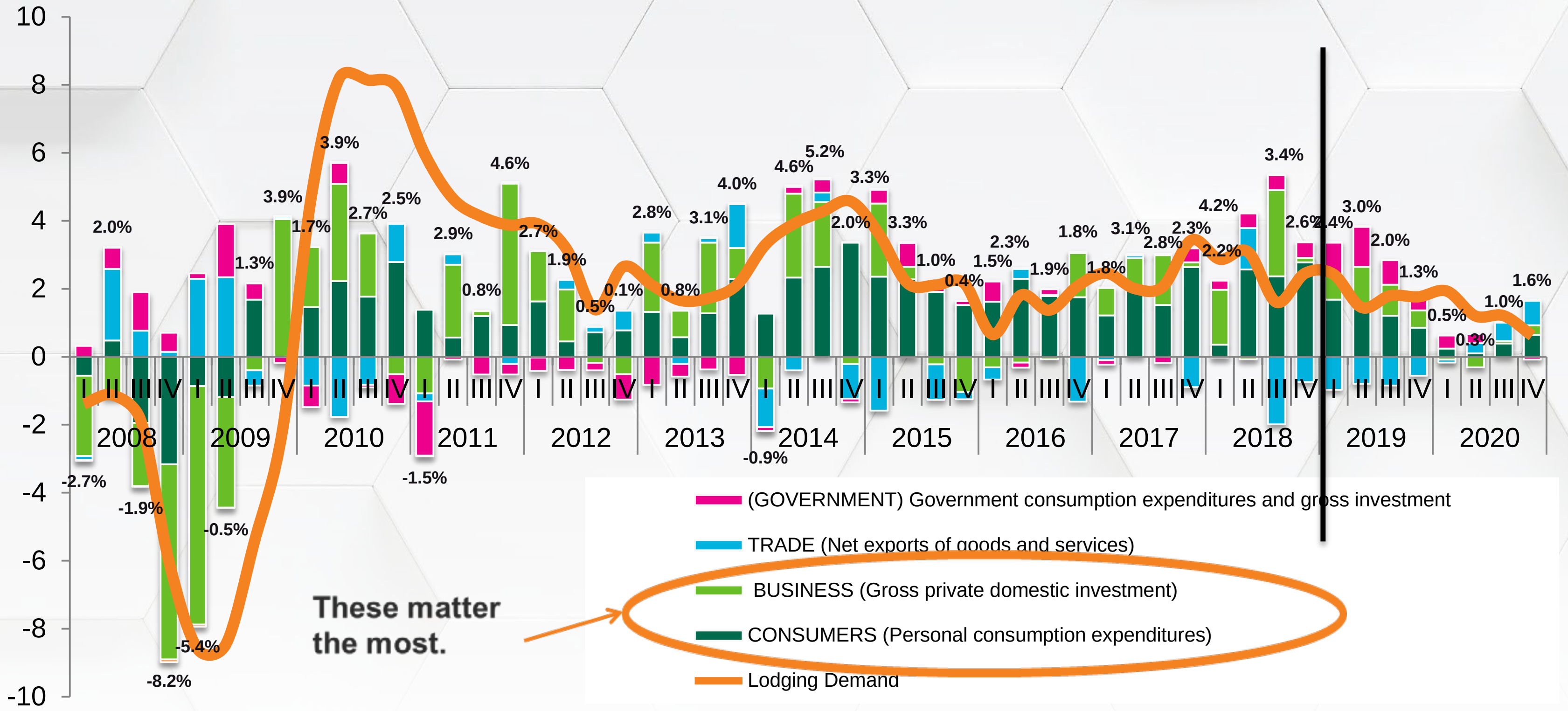
OUTLOOK ON MOST IMPORTANT HOTEL DRIVERS REMAINS FAVORABLE



Source: STR, Moody's, BEA, CBRE Hotels Americas Research, Q4 2018

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TOO MUCH NEW SUPPLY?

WHAT COULD END THE CURRENT CYCLE?

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NEW ROOMS ADDED

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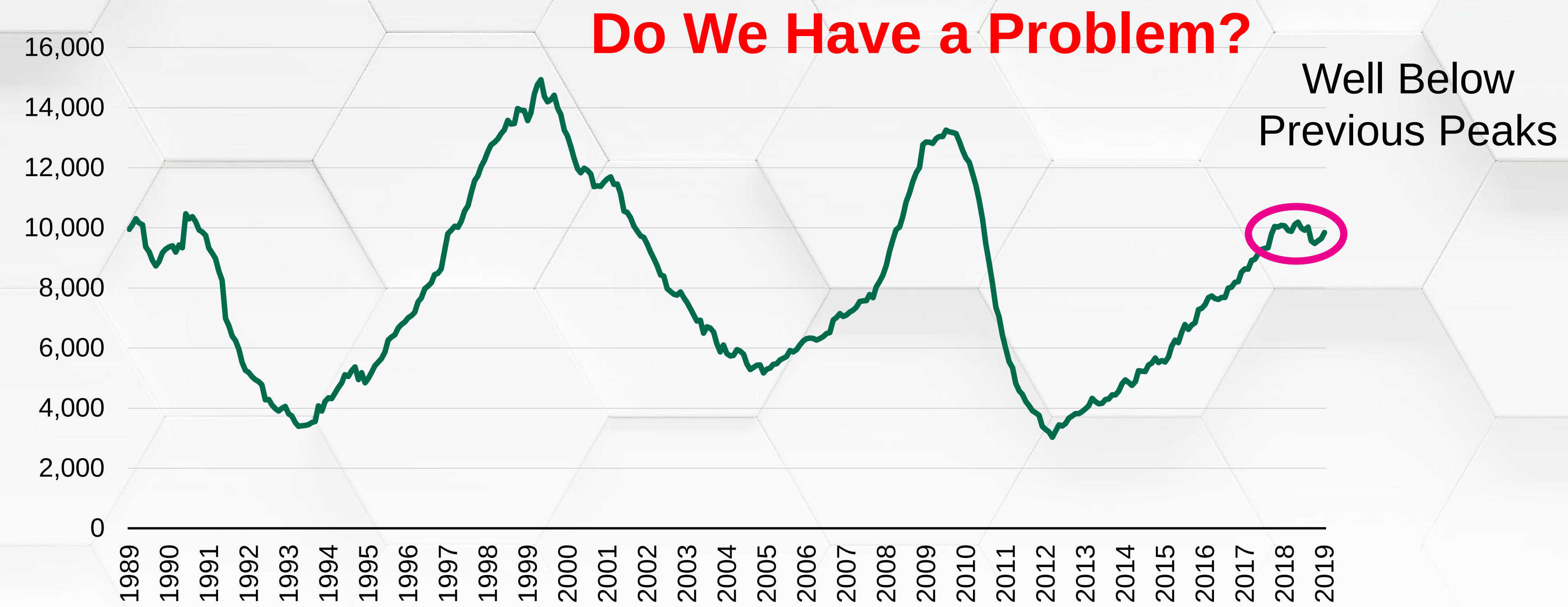
12 MMA of New Hotel Room Added in the U.S.



Source: STR, CBRE Hotels' Americas Research, Jan. 2019.

PIPELINE

ROOMS UNDER CONSTRUCTION

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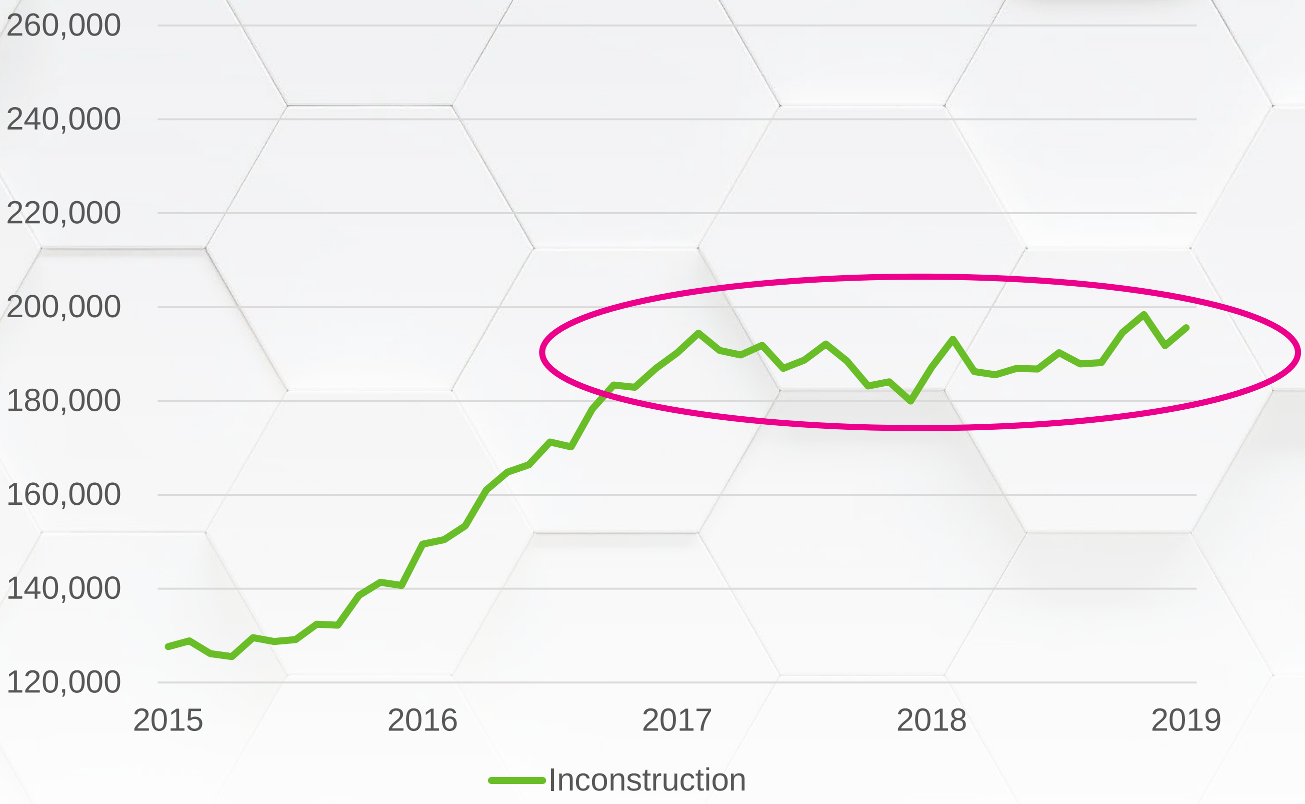

Source: STR, Q1 2019

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PIPELINE

ROOMS IN FINAL PLANNING & UNDER CONSTRUCTION

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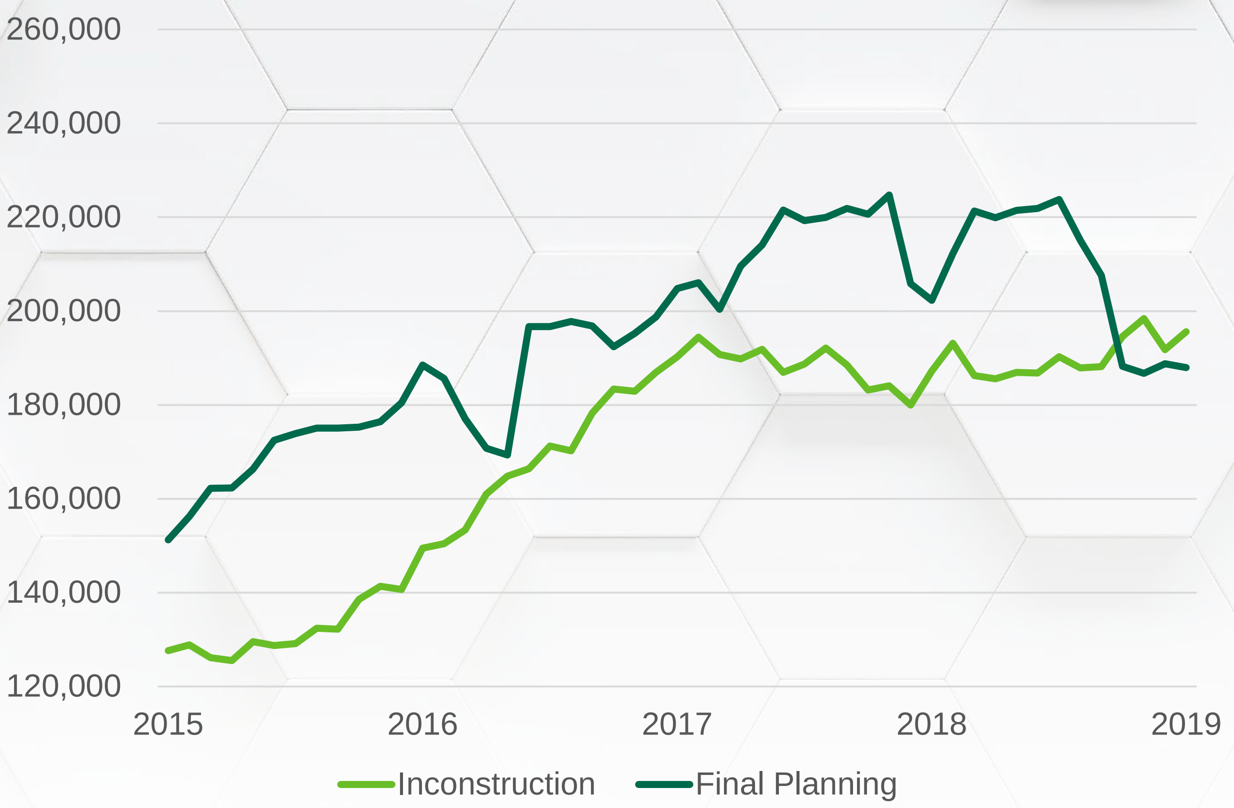

Source: STR, Q1 2019

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PIPELINE

ROOMS IN PLANNING, FINAL PLANNING & UNDER CONSTRUCTION

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Source: STR, Q1 2019

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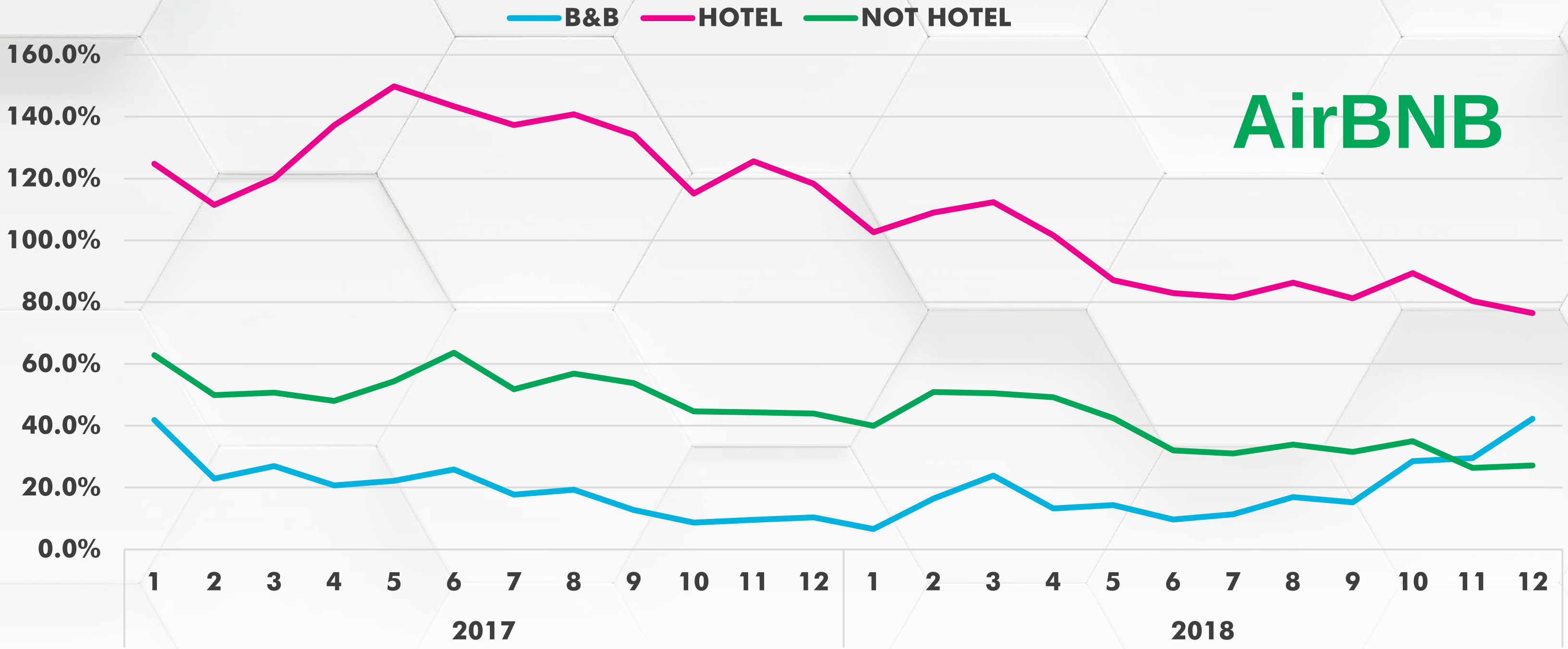
SEARCHING FOR GROWTH – AIRBNB IS NOW ALLOWING HOTEL LISTINGS

Y-O-Y Growth in Units on Airbnb



Source: CBRE Hotels' Americas Research, Airdna, Q1 2019.
Note: Based on self-classification by host on Airbnb.com (Excludes B&B properties)

AIRBNB & HOTEL SUPPLY IN THE US

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Average Daily Active Airbnb & Hotel Supply in U.S.

Year	Hotel Rooms	Hotel ^	Airbnb Units	Airbnb ^	Airbnb+Hotels	Airbnb+Hotels ^
2012	4,848,884	0.3%	13,000	150%	4,848,885	0.5%
2013	4,873,095	0.5%	28,000	115%	4,873,095	0.8%
2014	4,902,655	0.6%	58,000	107%	4,902,655	1.2%
2015	4,947,954	0.9%	115,235	99%	5,063,189	2.1%
2016	5,017,721	1.4%	223,710	98%	5,241,431	3.5%
2017	5,103,984	1.7%	342,865	53%	5,446,848	3.9%
2018	5,205,425	2.0%	469,425	37%	5,674,851	4.2%

Previous Peak @ 3.1% Q1 2009

Source: CBRE Hotels' Americas Research, Airdna, Google Trends, STR, Q1 2019.

THE ADR CONUNDRUM

STR HISTORY OF U.S. HOTEL FINANCIAL PERFORMANCE

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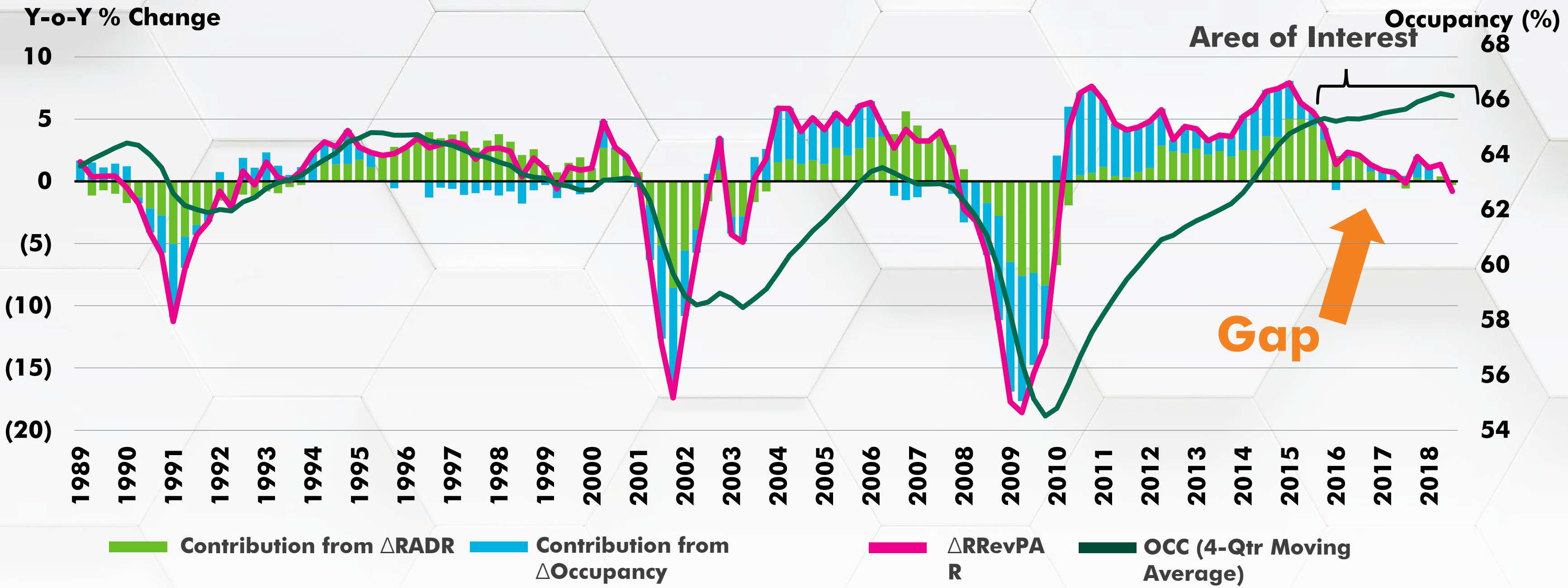
1989 – 2018 Y-o-Y Percent Change in ADR/Occ/RevPAR & Occupancy Level



Notes: Previous historical peak occupancy 66.2% (2018 Q2), Current occupancy 66.1% (2018 Q4)
Sources: CBRE Hotels' Americas Research, STR Q4 2018

MODELED ADR - IF HISTORY WAS REPEATED?!

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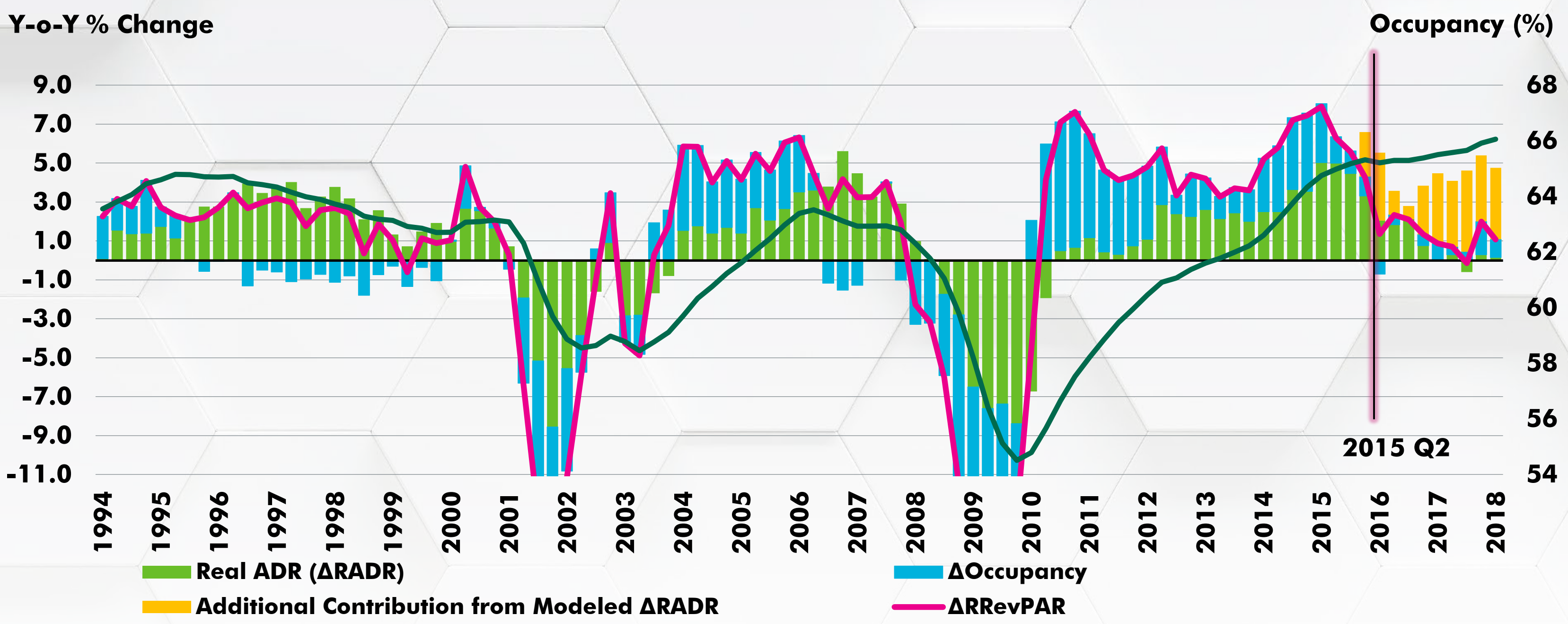
1994 – 2018 Y-o-Y Percent Change in Real ADR/Occ/RevPAR with Occupancy Levels



Notes: Previous historical peak occupancy 66% (2017 Q4), Current occupancy 66.1% (2018 Q1)
Sources: CBRE Hotels' Americas Research, STR Q4 2018.

CITIES WITH THE DISEASE AND THOSE WITHOUT (TOTAL = 60)

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WITH (37)

New York, NY
San Francisco/San Mateo, CA
Miami/Hialeah, FL
Austin, TX
Anaheim/Santa Ana, CA
Charlotte, NC-SC
Denver, CO
Oahu Island, HI
Pittsburgh, PA
Boston, MA
Houston, TX
Fort Lauderdale, FL
Nashville, TN
New Orleans, LA
Portland, OR
Oakland, CA
Fort Worth/Arlington, TX
San Diego, CA
Seattle, WA
San Jose/Santa Cruz, CA
Charleston, SC
West Palm Beach/Boca Raton, FL
Tampa/St Petersburg, FL
Newark, NJ
Dallas, TX
Chicago, IL
Los Angeles/Long Beach, CA
Washington, DC-MD-VA
Albany/Schenectady, NY
Baltimore, MD
Louisville, KY-IN
Raleigh/Durham/Chapel Hill, NC
Atlanta, GA
Philadelphia, PA-NJ
Long Island
Savannah, GA
St Louis, MO-IL

WITHOUT (23)

Columbus, OH
Cincinnati, OH-KY-IN
Phoenix, AZ
Detroit, MI
Jacksonville, FL
Minneapolis/St Paul, MN-WI
Milwaukee, WI
San Antonio, TX
Orlando, FL
Cleveland, OH
Columbia, SC
Omaha, NE
Salt Lake City/Ogden, UT
Memphis, TN-AR-MS
Sacramento, CA
Kansas City, MO-KS
Richmond/Petersburg, VA
Hartford, CT
Indianapolis, IN
Dayton/Springfield, OH
Tucson, AZ
Albuquerque, NM
Norfolk/Virginia Beach, VA

CBRE HOTELS' LODGING INSIGHTS

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AN ONGOING QUESTION: HIGH OCCUPANCIES/WEAK ADR GROWTH

- New Supply
  - Traditional Hotels
  - Sharing Economy
- Intermediaries Capturing an Increasing Share
- Uncertainty

ANOTHER QUESTION:

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When you are uncertain about something, what do you typically do?

Delay, Postpone or Nothing if you can!

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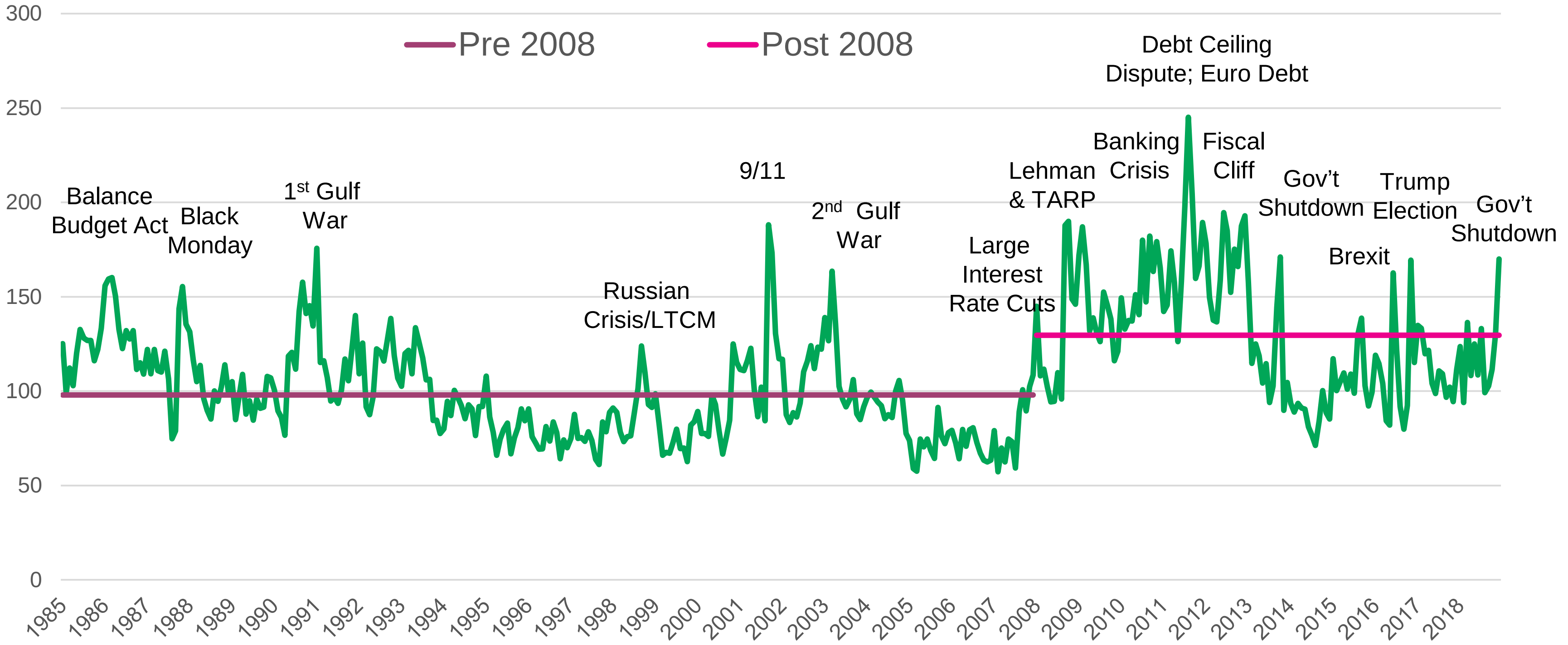
POLICY UNCERTAINTY INDEX – DOES ELEVATED UNCERTAINTY IMPACT ADR?



Source: PolicyUncertainty.com

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YES!

Using our Econometric Models, we can estimate the impact of Policy Uncertainty:

- Negative Impact on both Demand & **ADR (Largest Impact on ADR)**
- Price Elasticity of 0.02 in our national model

While additional research is required, these preliminary observations suggest that these elevated levels of uncertainty since 2008, which can mostly be attributed to actions in Washington D.C., may have caused annual ADR growth to be 0.5% lower than would have been the case if more normal levels of uncertainty were present, holding everything else constant.

Seems to be more of an issue for Upper-Upscale and Luxury hotels.


OUR FORECASTS

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HOTELS TO PEAK IN MID-2020 – SLOWDOWN WILL BE A MILD ONE

A Blip!

	Long Run Average	2017	2018	2019F	2020F	2021F	2022F
Supply	1.8%	1.7%	2.0%	1.9%	1.8%	1.8%	1.7%
Demand	2.0%	2.5%	2.5%	1.9%	1.2%	-0.1%	2.5%
Occupancy	62.3%	65.9%	66.2%	66.2%	65.8%	64.6%	65.1%
ADR	3.0%	2.2%	2.4%	2.6%	2.6%	1.3%	0.6%
RevPAR	3.3%	2.9%	2.9%	2.5%	2.0%	-0.6%	1.4%

Source: STR, CBRE Hotels' Americas Research, Hotel Horizons® Q4 2018

U.S. TOP 25 MARKETS – ALL HOTELS

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AN EVEN MILDER SLOWDOWN IN THE LARGER MARKETS

A Smaller Blip!

	Long Run Average	2017	2018	2019F	2020F	2021F	2022F
Supply	1.8%	2.4%	2.7%	3.3%	3.1%	2.5%	2.4%
Demand	2.2%	2.9%	2.5%	3.0%	2.6%	0.9%	2.5%
Occupancy	67.3%	73.7%	73.6%	73.4%	73.0%	71.9%	71.9%
ADR	3.1%	1.7%	2.7%	2.4%	2.5%	1.6%	1.4%
RevPAR	3.5%	2.2%	2.5%	2.2%	2.0%	0.1%	1.4%

Source: STR, CBRE Hotels' Americas Research, Hotel Horizons® Q4 2018

REAL REVPAR CHANGE FROM PRE-RECESSION PEAK

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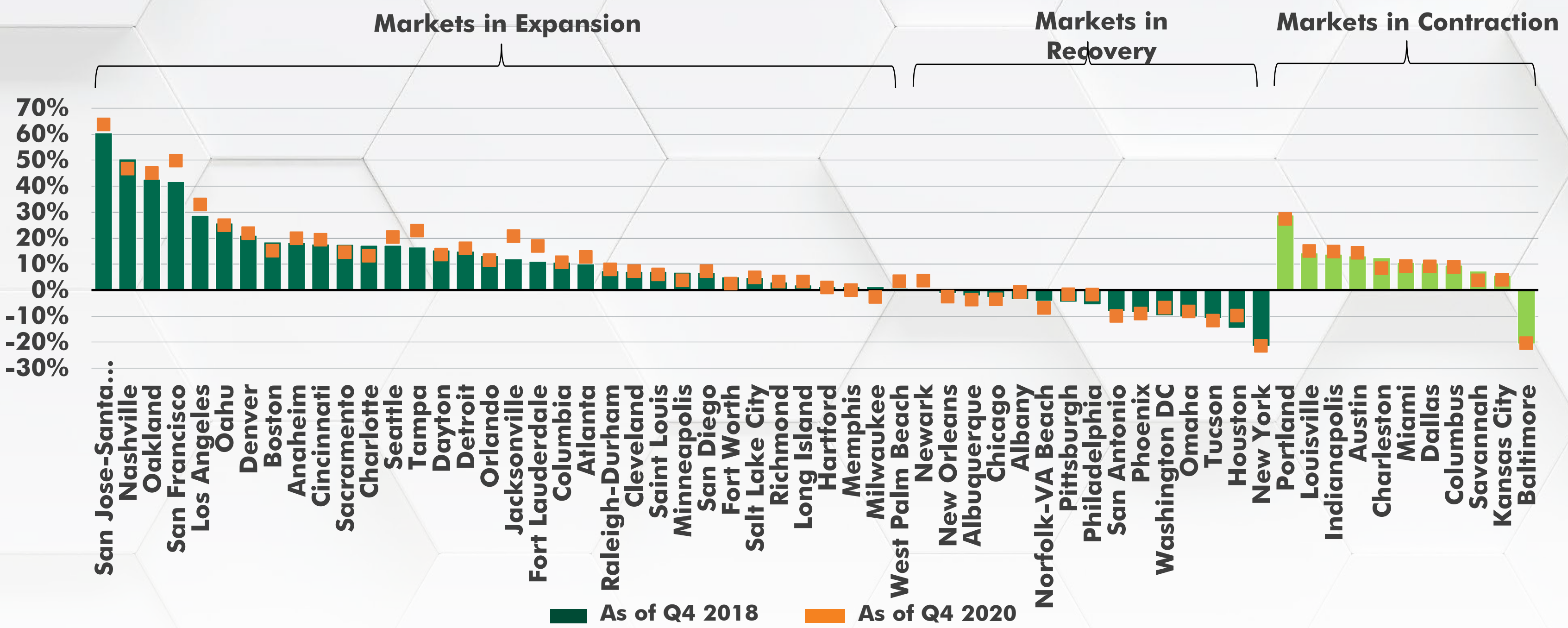
Not All Markets Have Fully Recovered From the Last Recession



Source: STR, CBRE Hotels' Americas Research, Hotel Horizons® Q4 2018

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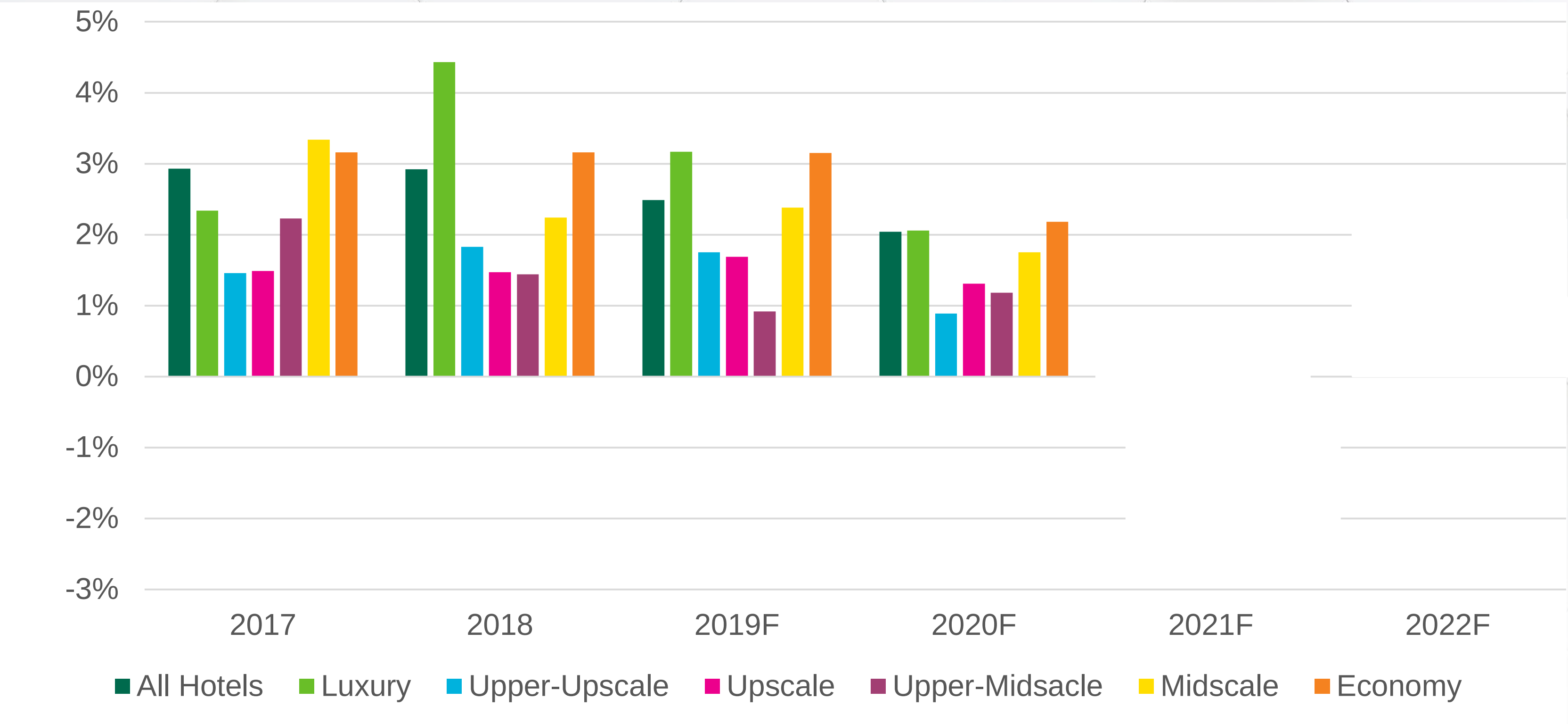
U.S. LODGING INDUSTRY: CHAIN-SCALE FORECAST – REVPAR CHANGE



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Summary Thoughts

- The U.S. lodging industry has been operating at peak levels for the past three years – 2018 played out somewhat better than expected.
- Accelerated supply growth in recent years has been readily absorbed in most markets because of the expanding economy. This has; however, contributed to weaker than normal ADR growth.
- Despite rising salary and wage rates and slowing revenue growth, operators have controlled costs sufficiently to achieve increases in profit margins. GOP margins are at their highest levels since the 1960s.
- While the fundamentals remain attractive across the vast majority of markets, elevated uncertainty (among other factors) has impaired management's ADR pricing power. This has also contributed to weaker-than-expected NOI growth.
- Watch for a Blip, and not a Dip!

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Q & A

APRIL 11, 2019

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