CBRE HOTELS

The World's Leading Hotel Experts.

CURRENT STATE OF FORT WORTH LODGING MARKET PRESENTED BY JEFF BINFORD

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"Trying to predict the direction of the market over one year, or even two years is impossible"

- Peter Lynch, Magellan Fund Manager – Fidelity Investments

"Hotel markets are as much impossible as mutual funds in trying to predict occupancies, rates and RevPAR"

- Me



PRESENTATION OUTLINE



ECONOMIC OUTLOOK

11

NATIONAL/STATE LODGING TRENDS

FORT WORTH LODGING MARKET

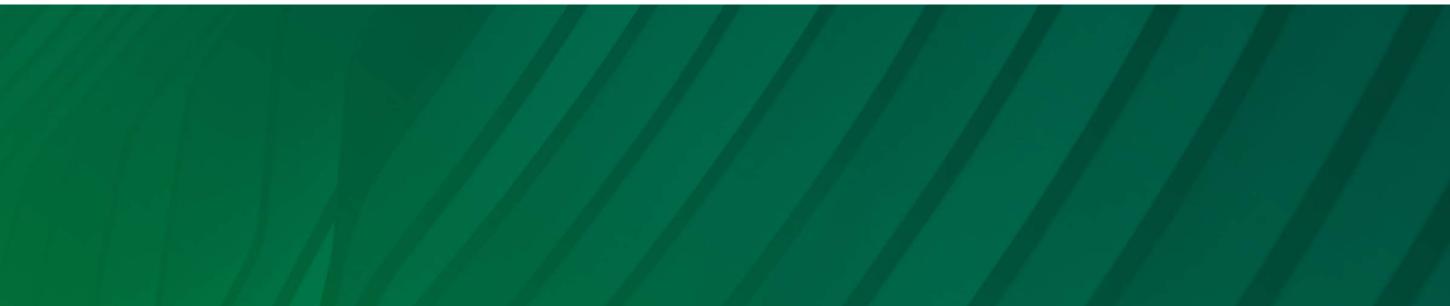
SUBMARKET PERFORMANCE

AIRBNB UPDATE

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ECONOMIC OUTLOOK



What Could End the Current Cycle?





UNITED STATES: ECONOMIC OUTLOOK

	Employment	Personal Income	GDP	CPI (Inflation)
2017	1.6%	1.0%	2.3%	2.1%
2018	1.5%	1.5%	2.7%	2.6%
2019	1.0%	2.3%	1.7%	1.9%
2020	-0.3%	1.9%	0.3%	1.4%
2021	0.2%	1.4%	2.2%	1.5%
2022	1.2%	2.0%	2.7%	1.9%
Source: CBRE Economic Ad				

FORT WORTH: ECONOMIC OUTLOOK

	Employment	Personal Income	GMP	CPI (Inflation)
2017	2.2%	1.4%	3.7%	2.1%
2018	2.3%	2.6%	3.8%	2.6%
2019	1.8%	3.1%	3.8%	1.9%
2020	0.8%	2.6%	1.9%	1.4%
2021	1.6%	2.8%	3.9%	1.5%
2022	1.7%	3.3%	4.2%	1.9%

Source: CBRE Economic Advisors, Moody's Analytics, Q2 2018



ECONOMIC OUTLOOK COMPARISON

	Emplo	yment	Perse Inco	onal ome	GDP /	′ GMP	C (Inflc	PI ition)
2017	1.6%	2.2%	1.0%	1.4%	2.3%	3.7%	2.1%	2.1%
2018	1.5%	2.3%	1.5%	2.6%	2.7%	3.8%	2.6%	2.6%
2019	1.0%	1.8%	2.3%	3.1%	1.7%	3.8%	1.9%	1.9%
2020	-0.3%	0.8%	1.9%	2.6%	0.3%	1.9%	1.4%	1.4%
2021	0.2%	1.6%	1.4%	2.8%	2.2%	3.9%	1.5%	1.5%
2022	1.2%	1.7%	2.0%	3.3%	2.7%	4.2%	1.9%	1.9%

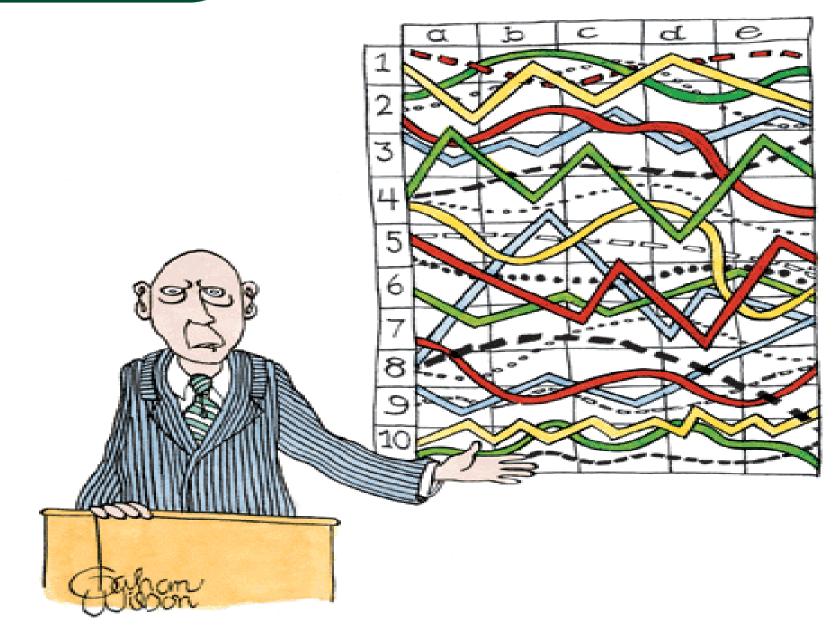
Source: CBRE Econometric Advisors & Moody's Analytics, July 2017





NATIONAL/STATE LODGING TRENDS

NATIONAL/STATE LODGING TRENDS

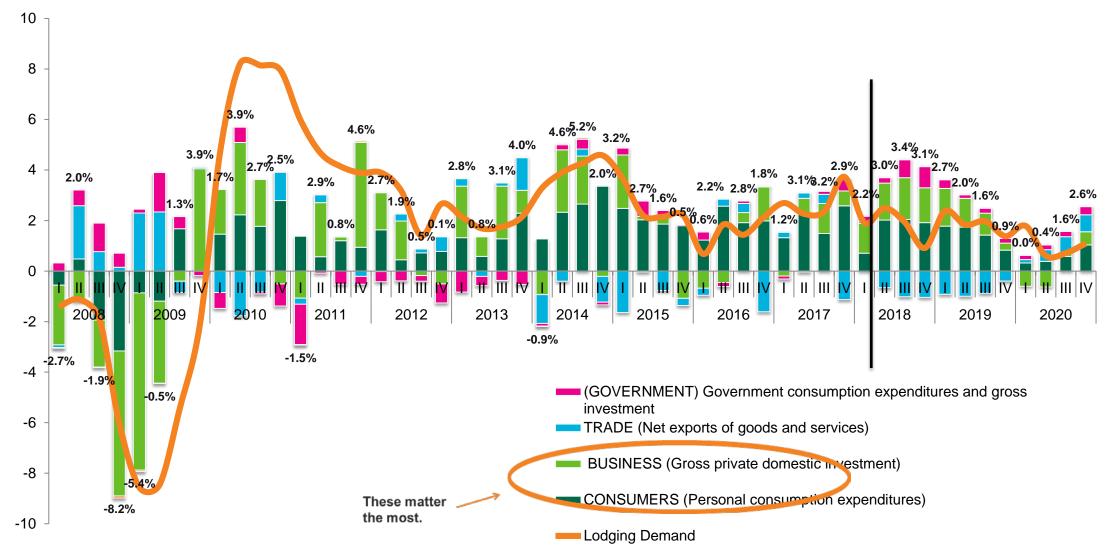


"I'll pause for a moment so you can let this information sink in."



NATIONAL/STATE LODGING TRENDS

THE OUTLOOK FOR THE DRIVERS THAT ARE MOST IMPORTANT TO HOTELS REMAINS FAVORABLE



Source: BEA, Moody's Analytics, CBRE Hotels Americas' Research Hotel Horizons, STR, May 2018



Leading Economic Indicators Percent Change In the Last 6 Months



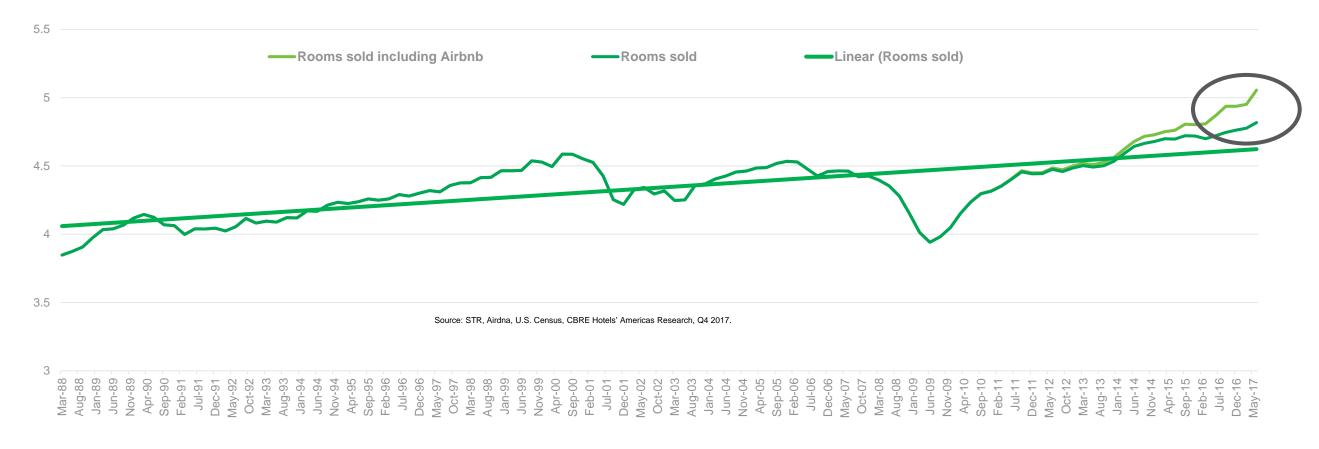
Source: The Conference Board, CBRE Hotels' Americas Research, STR, May 2018



More people renting rooms

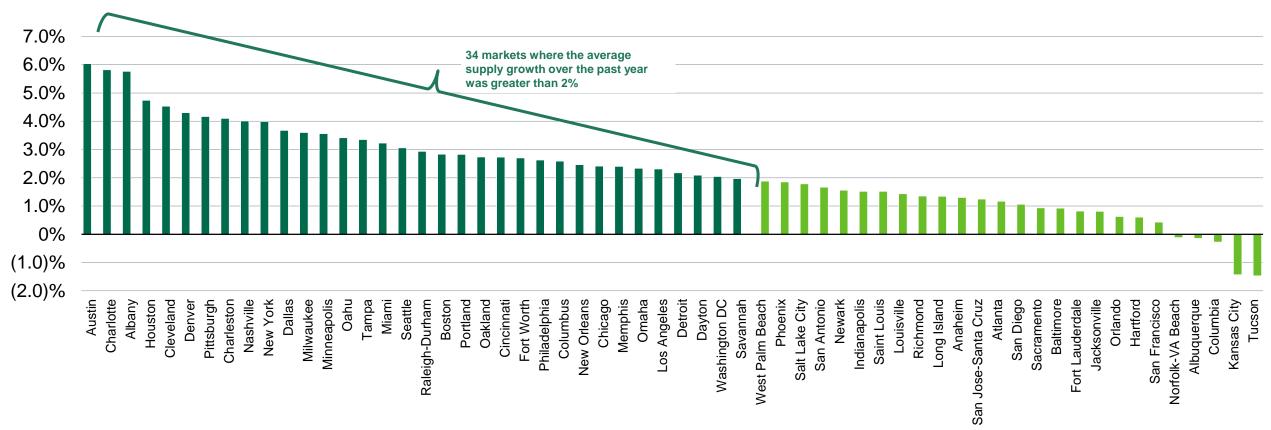
Well in Excess of What Historical Trends Would Suggest

RATIO OF ANNUAL ROOMS SOLD TO WORKING-AGE POPULATION OF THE U.S.





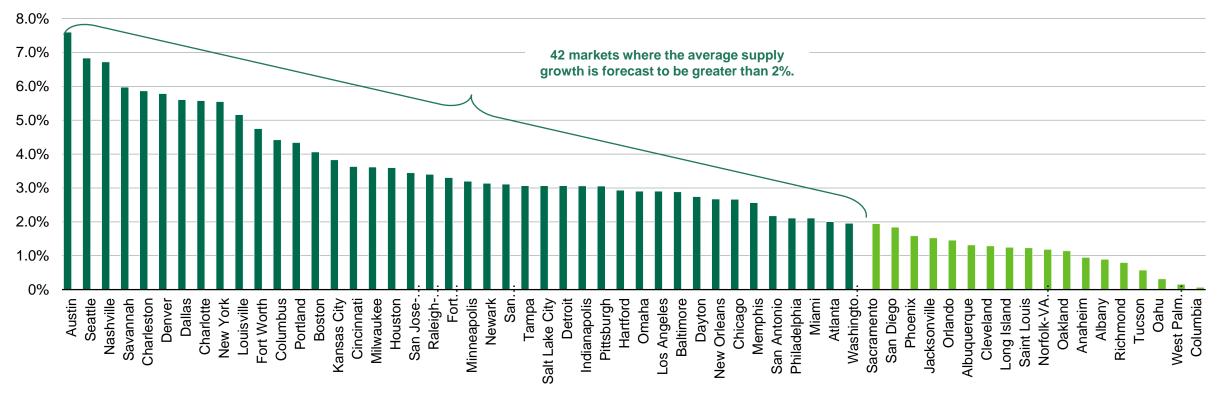
SUPPLY CHANGE 2016-2017



Source: CBRE Hotels' Americas Research; STR, Q4 2017.



Supply Change 2018 - Forecast

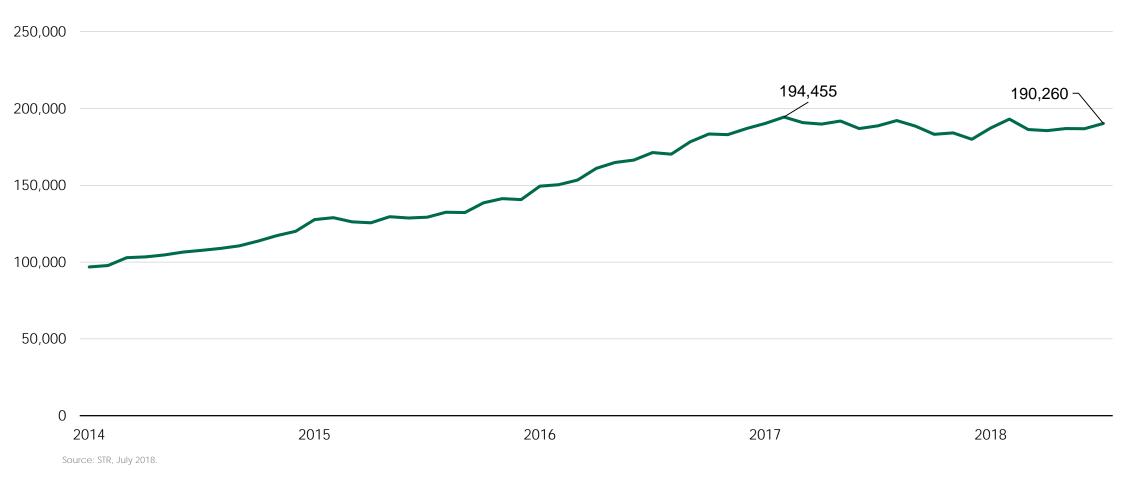


Source: CBRE Hotels' Americas Research Q4 2017



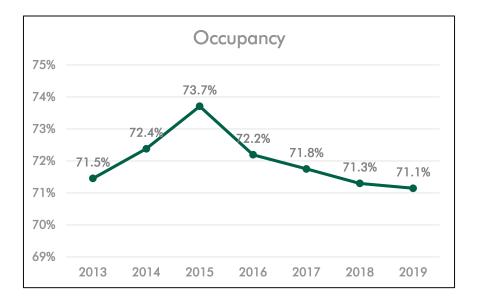
Pipeline is Slowing

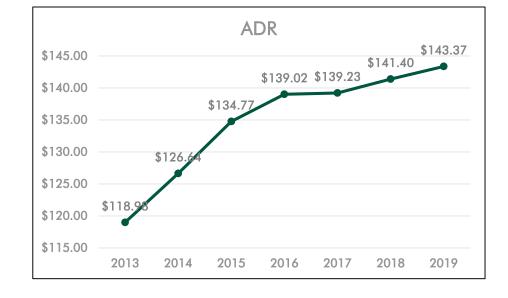
NUMBER OF ROOMS UNDER CONSTRUCTION

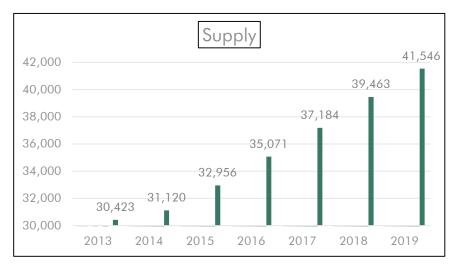


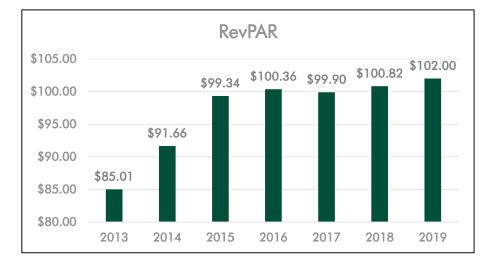
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Austin Summary



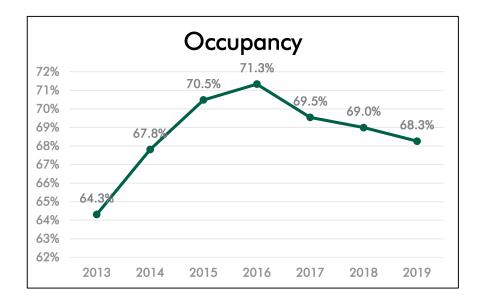


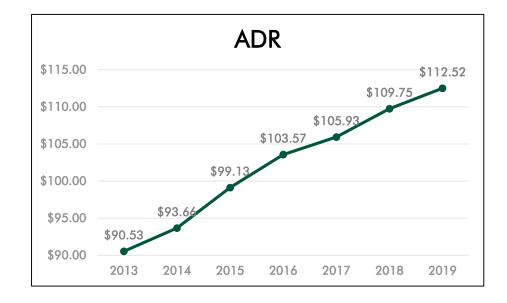


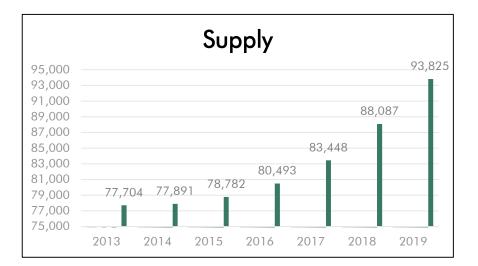


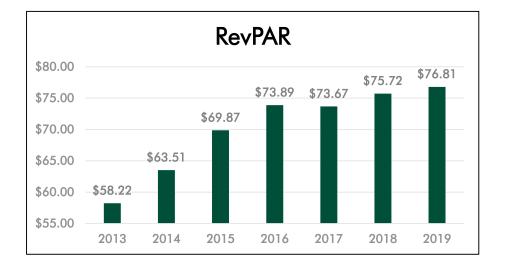


Dallas Summary



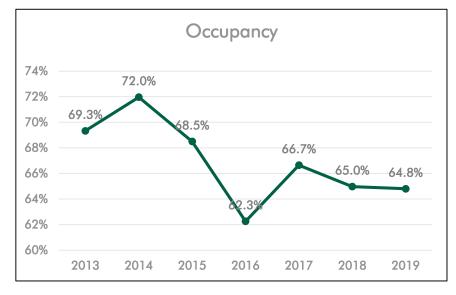


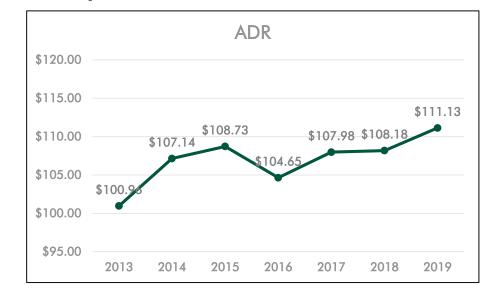


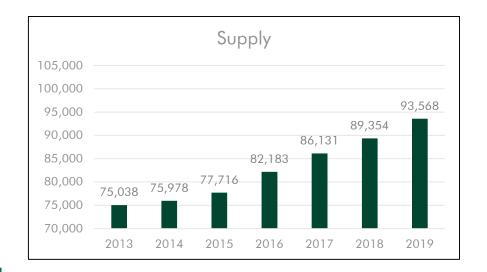


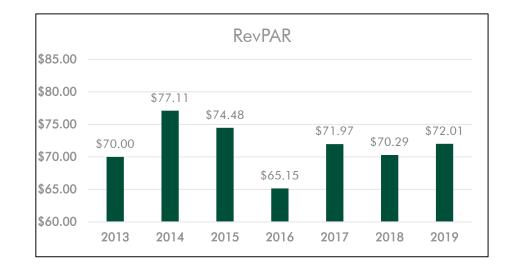


Houston Summary

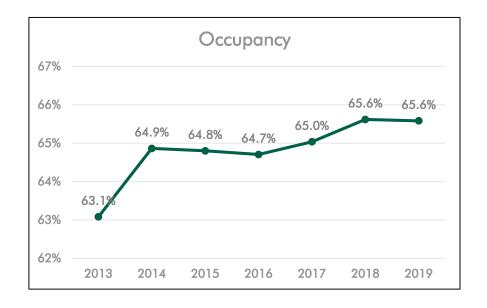


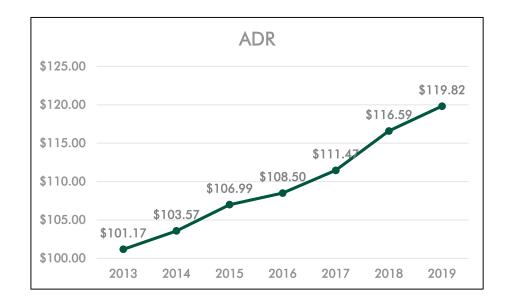


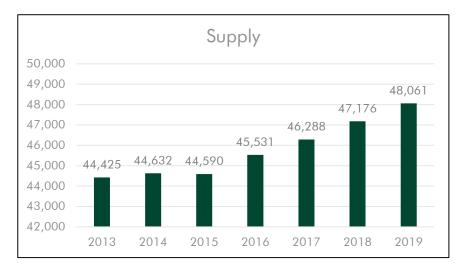


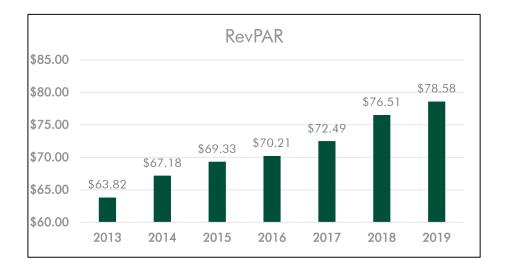


San Antonio Summary













FORT WORTH LODGING MARKET

HQ2?

TARRANT COUNTY - SUPPLY/DEMAND FACTORS

- Fort Worth/Tarrant County:
 - DFW Airport
 - American Airlines
 - Lockheed
 - Oil & Gas Strengthening and Stabilizing
 - Dickies Arena
 - Industrial Growth
 - Office Absorption
 - Stockyards major tenant and hotel
 - Clearfork
 - Housing
 - Multi-family booming
 - XTO ExxonMobil
 - Population Growth 2030

- Arlington:
 - Entertainment area
 - Repurpose Stadium
 - Covered Stadium
 - Texas Live!
 - Loews Hotel
 - GM SUV
 - Commerce Center
- Grapevine:
 - Corporate Relocations
 - Water Park Hotel
 - Dual-branded hotels
 - Main street hotel



SUBMARKET COMPARISON YEAR-END 2017

All Hotels – Fort Worth Submarket Analysis Year-End 2017 Compared to Year-End 2016

	Oc	Occupancy		ADR		RevPAR	
Submarket	Percent	Pt. Change	\$ Amount	% Change	\$ Amount	% Change	
Arlington	68.4%	-1.6%	\$93	1.2%	\$64	-1.1%	
Bedford / Grapevine	76.2%	-0.4%	\$140	0.7%	\$107	0.3%	
CBD / I-820	70.2%	0.7%	\$118	1.6%	\$83	2.6%	
North	72.0%	0.3%	\$79	1.8%	\$57	3.6%	
South / West*	61.3%	2.5%	\$68	3.4%	\$41	7.6%	
Fort Worth Average / Change	69.8%	0.4%	\$105	1.5%	\$74	2.1%	



SUBMARKET COMPARISON MID YEAR 2018

All Hotels – Austin Submarket Analysis Mid-Year 2018 Compared to Mid-Year 2017

	Oc	Occupancy		ADR		RevPAR	
Submarket	Percent	Pt. Change	\$ Amount	% Change	\$ Amount	% Change	
Arlington	70.7%	2.1%	\$92	2.1%	\$65	5.1%	
Bedford / Grapevine	77.2%	0.8%	\$144	3.7%	\$111	4.7%	
CBD / I-820	73.5%	0.5%	\$125	3.1%	\$92	3.8%	
North	75.1%	2.6%	\$82	1.5%	\$58	3.6%	
South / West*	64.6%	3.0%	\$69	3.2%	\$45	8.2%	
Fort Worth Average / Change	72.2%	1.5%	\$108	2.9%	\$78	5.1%	



SLICE AND DICE IT





FORT WORTH PIPELINE – BY THE NUMBERS

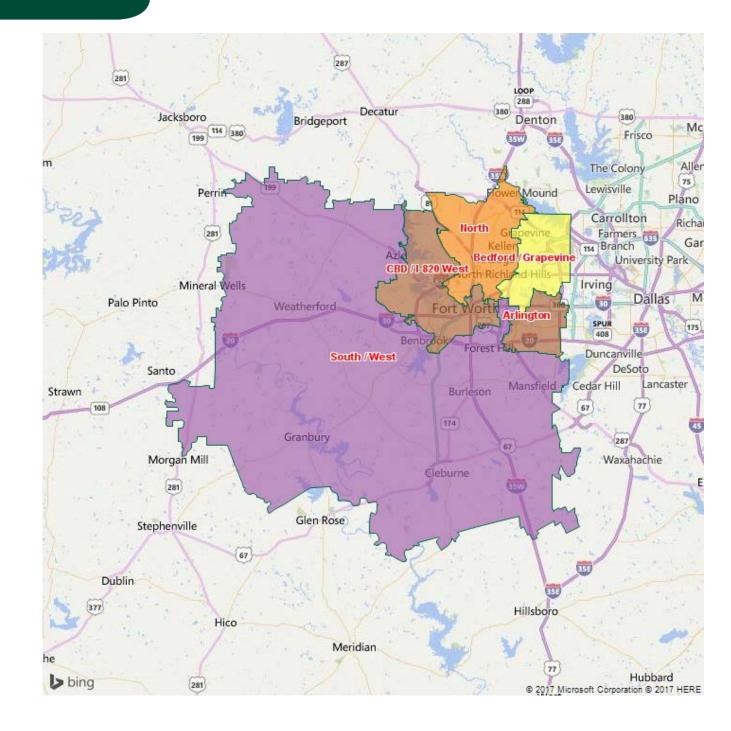
Properties	<u>Factor</u>	<u>Rooms</u>	
	<u>STATUS</u>		
97	TOTAL Fort Worth Pipeline	13,091	
-	Abandoned	-	
2	Deferred	372	
3	Unconfirmed	500	
40	Planning	5,627	
33	Final Planning	3,992	
19	Start	2,490	
	PRICE TIER		
46	Upper	7,344	
51	Lower	5,747	
	TIMELINE		
2	No Dates	500	
11	Open by YE 2018	1,342	
32	Open by YE 2019	4,223	
52	Open 2020 and Beyond	7,026	





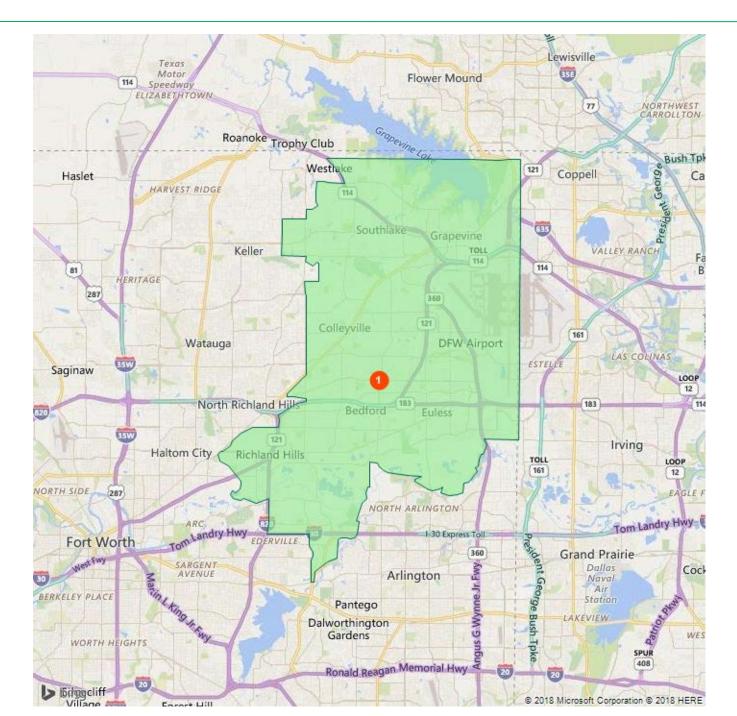
SUBMARKET PERFORMANCE

FORT WORTH LODGING MARKET



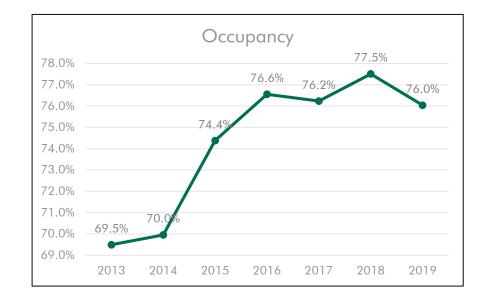
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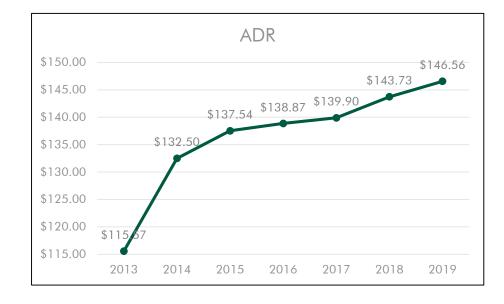
BEDFORD / GRAPEVINE

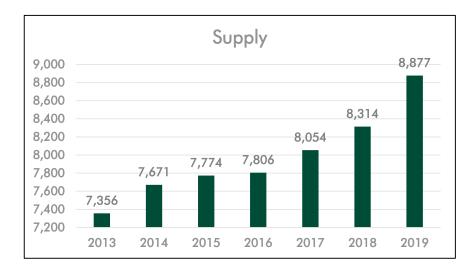


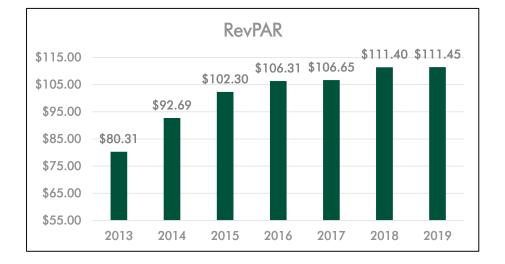


Bedford/Grapevine



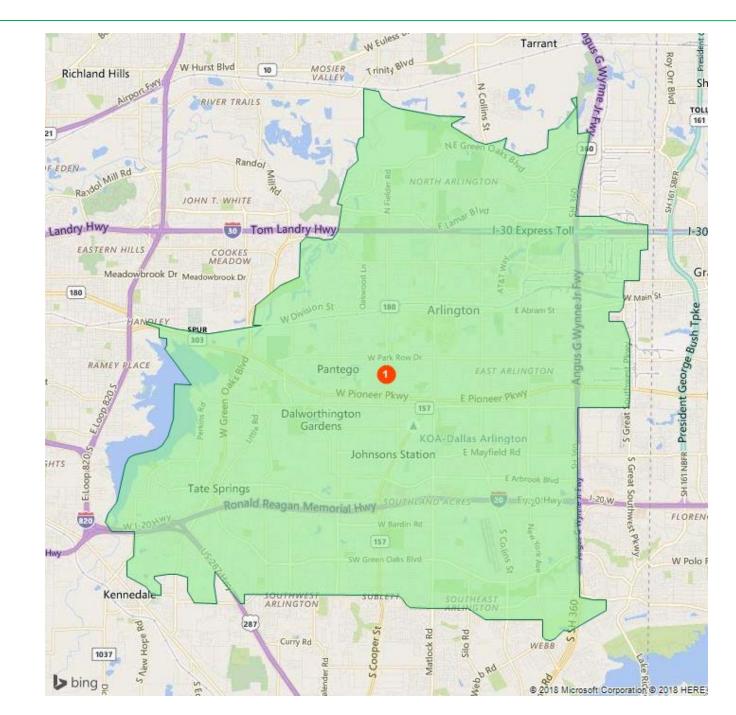






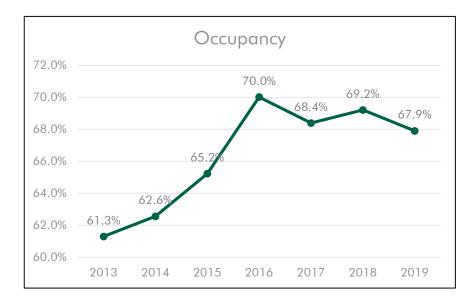


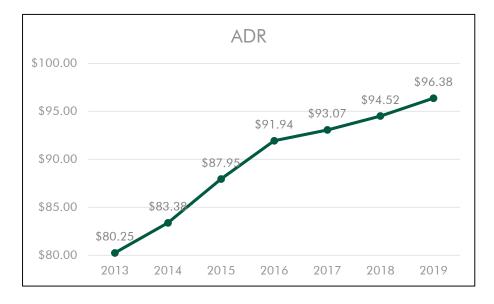
ARLINGTON

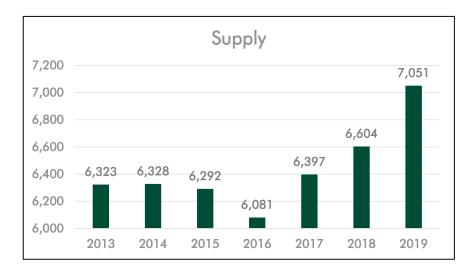


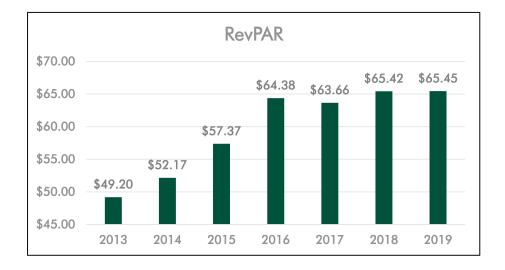


Arlington



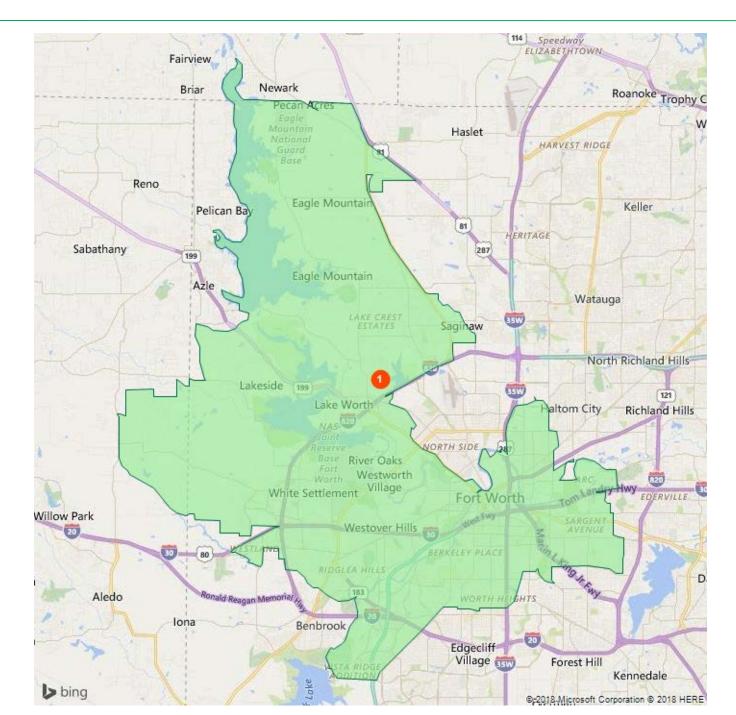






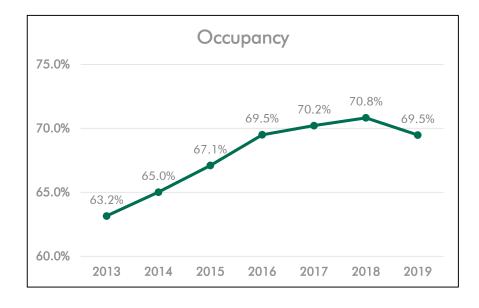


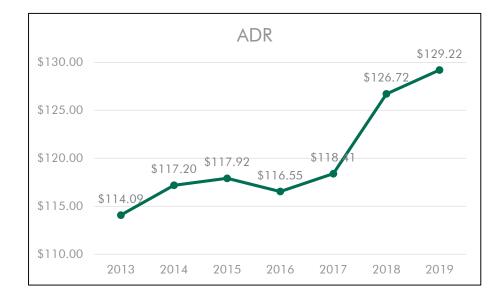
DOWNTOWN / I-820

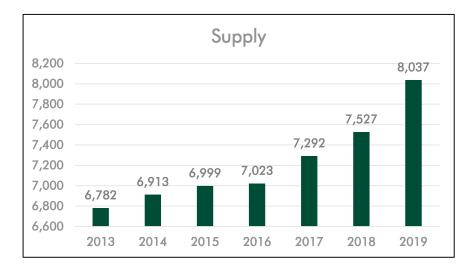


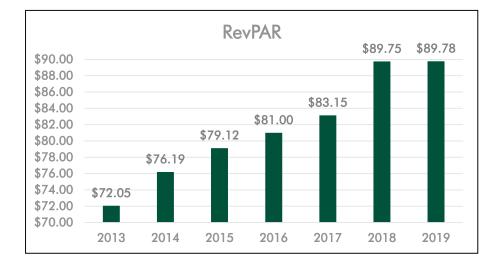


Downtown/I-820



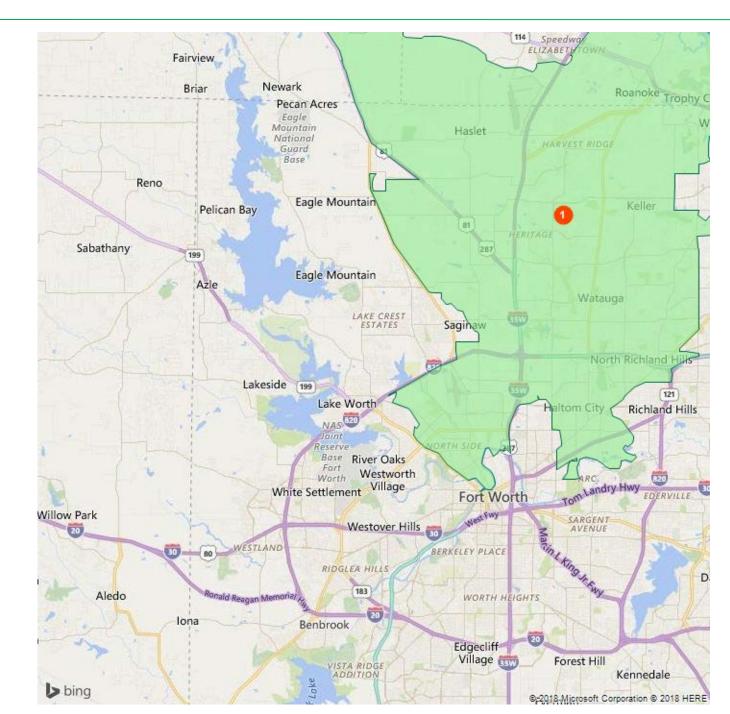






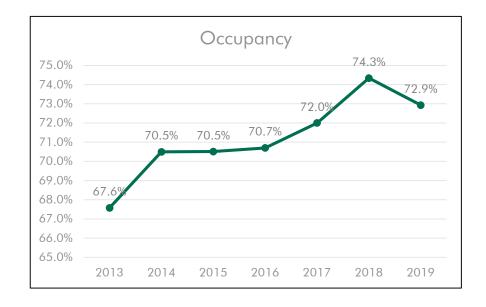


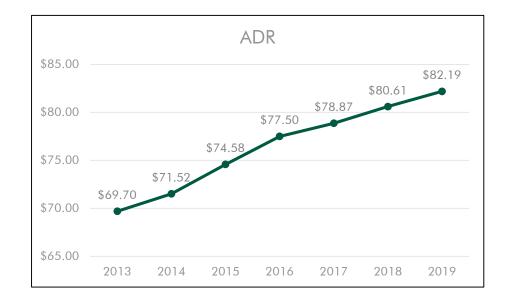
FORT WORTH NORTH

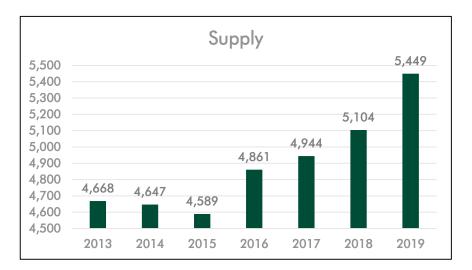


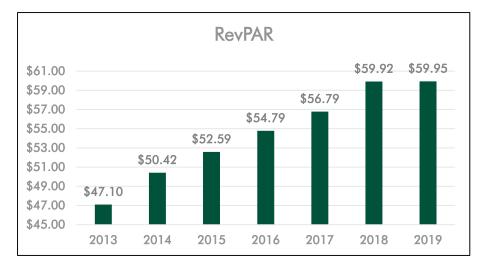


Fort Worth North



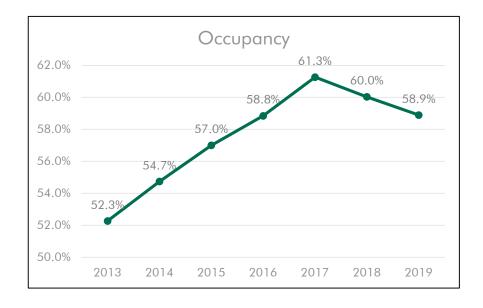


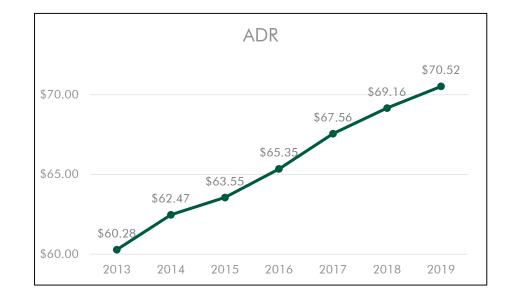


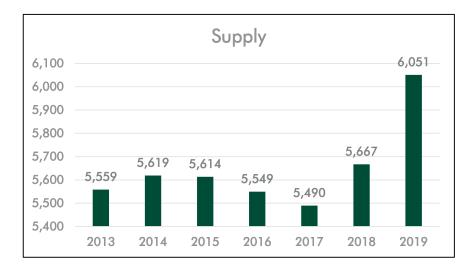


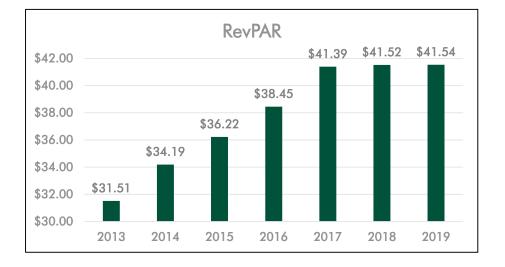


Fort Worth South/West



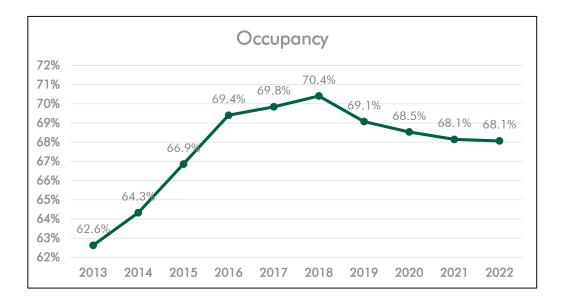


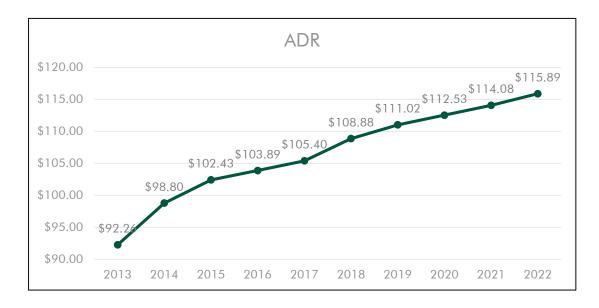


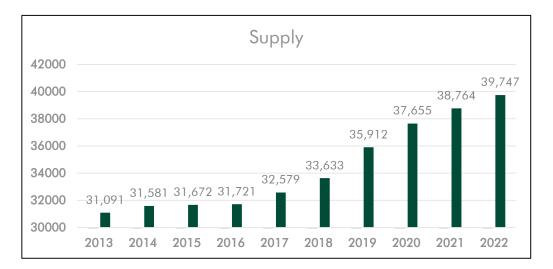


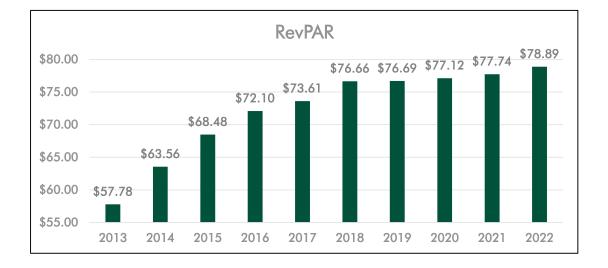


Fort Worth Summary









CBRE

HOTEL HORIZONS®

- Econometric Forecasting Model
 - Smith Travel Research historical lodging data, pipeline data
- CBRE Econometric Advisors & Moody's economic forecasts
- Five-Year Forecasts of Supply, Demand, Occupancy, ADR, RevPar
 60 Major U.S. Markets
- Updated Quarterly







AIRBNB UPDATE



	Listings	
Booking.com	5 M	
airbnb	4.85 M	
HomeAway [®]	2 M	
on tripadvisor	800 K	

Sources: Airbnb, Bookings.com, HomeAway, TripAdvisor

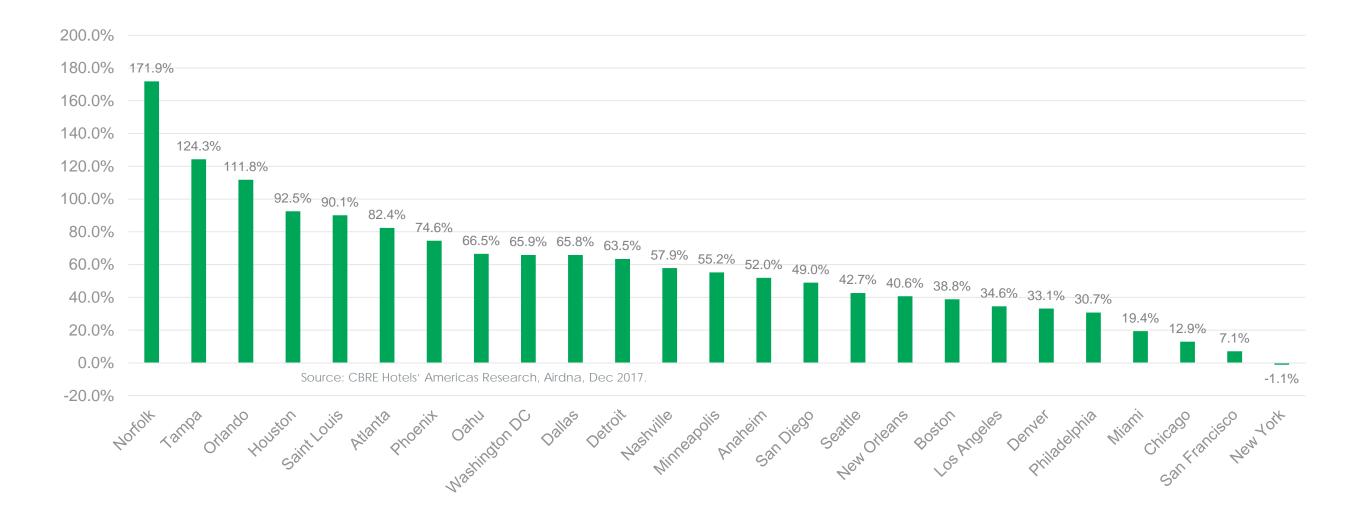


Average Daily Supply in the U.S.

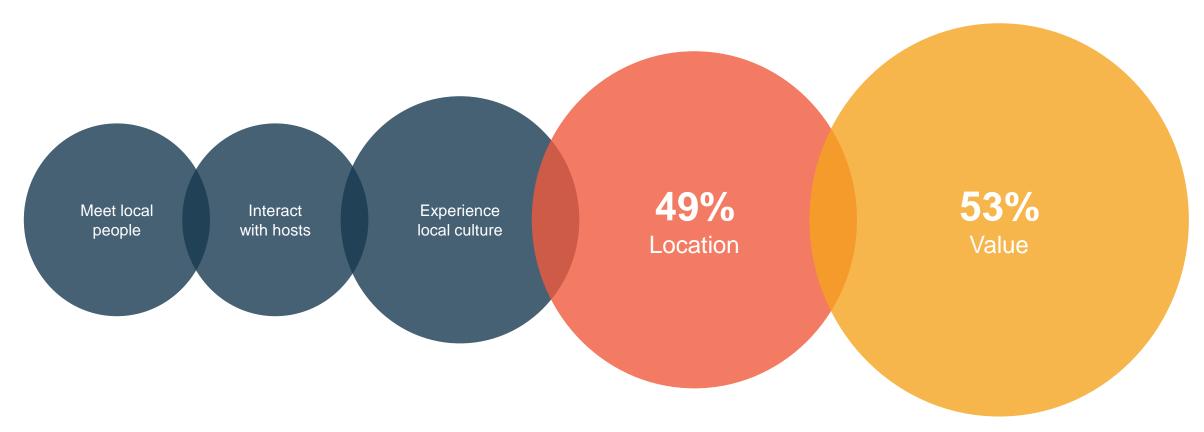
Year	Hotel Rooms	Hotel^	Airbnb Units	Airbnb^	Airbnb+Hotels	Airbnb+Hotels^
2012	4,849,352	0.30%	13,000	150%	4,862,352	0.50%
2013	4,875,064	0.50%	28,000	115%	4,903,064	0.8%
2014	4,905,305	0.60%	58,000	107%	4,963,305	1.2%
2015	4,953,177	1.00%	115,235	99%	5,068,412	2.1%
2016	5,027,238	1.50%	224,630	95%	5,251,868	3.6%
2017	5,119,907	1.80%	347,748	55%	5,467,655	4.1%
Source: CBRE Hotels' Ar	urce: CBRE Hotels' Americas Research, Airdna, Google Trends, Dec 2017. Previous Peak @ 3.1% Q1 2009					



Trends in Airbnb Unit Growth 2017 Y-o-Y Change in Active Entire-Home Units



WHY THEY RENTED?

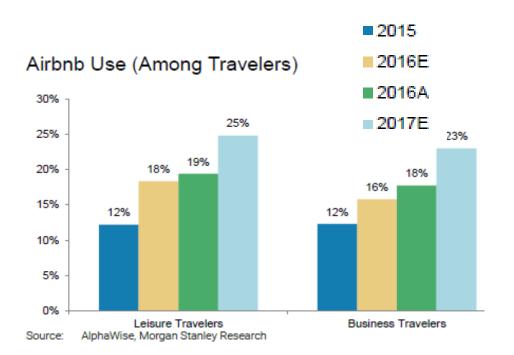


• Source: Phocuswright's A Market Transformed: Private Accommodation in the U.S.,

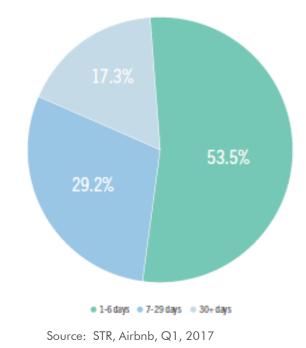


Profile of Airbnb Demand

Morgan Stanley Survey & STR Report



Trip Length Distribution for 7 US Markets July 2016, 12-Month Moving Average





Business Travel on Airbnb?

"Business Travel Ready" Airbnb listings have a majority of 5-star reviews, and they provide:

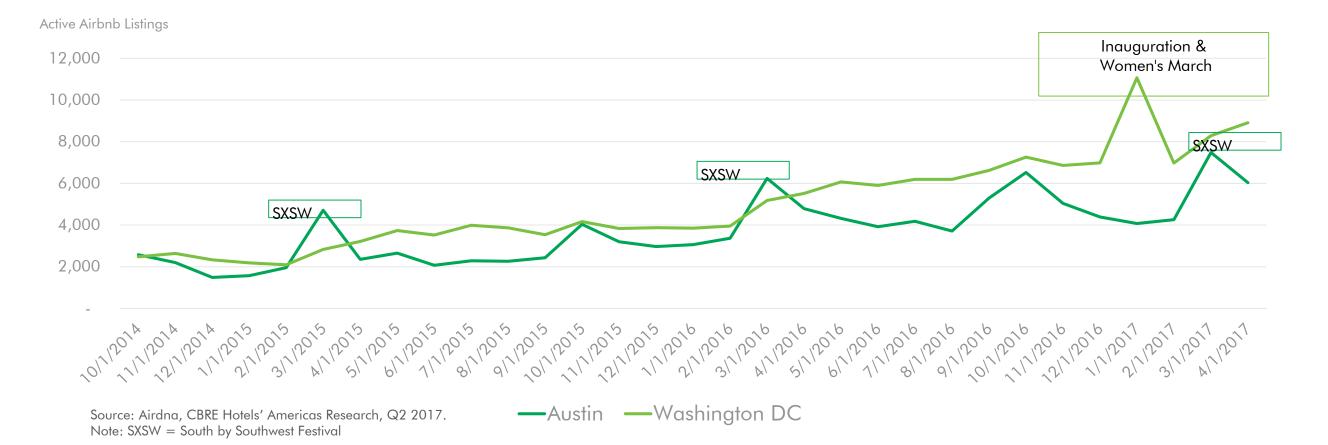
- 🛜 Wireless Internet
- Laptop-friendly workspace
- 😽 Self check-in
- 🛁 Smoke detector
- Carbon monoxide detector
- Iron and ironing board
- 🖗 Hair dryer
- Hangers
- 5 Shampoo
- Essentials (toilet paper, clean towels, and fresh linens)

11% of all Airbnb Guests are business travelers

30% of Airbnb Guests in Urban Markets are business travelers

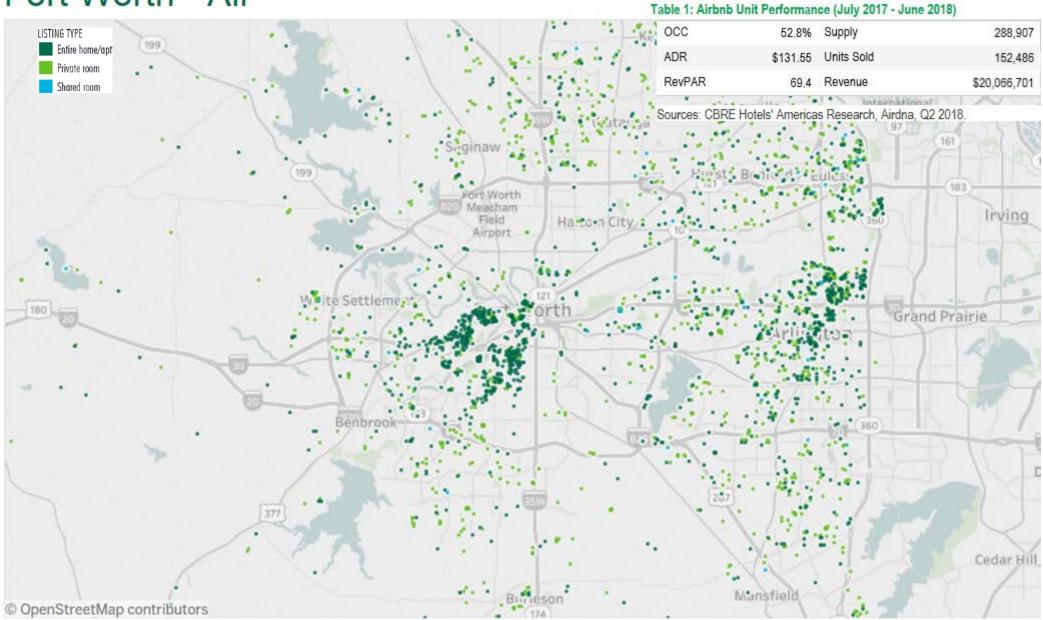


Special events lead to surge in Airbnb supply





Fort Worth - All





TRENDS® IN THE HOTEL INDUSTRY

Annual Benchmarking Survey – Origin: 1937

- Annual voluntary survey of thousands of U.S. hotel financial statements
- First survey conducted in 1937
 - Occ: 64.4%
 - ADR: \$3.04
- Data converted to USALI to ensure comparability
- 2018 Survey Sample (2017 data)
- 7,785 hotels across the U.S.
- Occupancy: 75.6%
- ADR: \$179.25





CLOSING THOUGHTS

- 1. The fundamentals within the hotel industry remain solid; therefore attractive.
- 2. Fort Worth economic indices consistently outperform state and nation, and is expected to continue.
- 3. Occupancies percentages will begin to slide to the high 60's, still above the long run average of 61.8%. Additions delivered beginning Q3 of 2018, peak in 2019 and begin slowing in 2020, which will likely cause occupancies to decline.
- 4. Growth in Average Daily Room Rates are expected to slow from previous years, below the long term average of 3.2%.
- 5. RevPAR increases continue to be driven by ADR, NOT Occupancy. (Drive Rate where you can!)
- 6. Timing for convention center renovations/expansions critical.
- 7. Hotel construction will continue; the threat of overbuilding is the exception and not the rule.
- 8. Creative revenue growth and staffing help cushion cost issues. Profit growth should remain good, not great.
- 9. Sharing economy is here to stay will be more of a factor for traditional hotels, but no threat to Fort Worth hotels . . . yet.

10.Create EXPERIENCES, market EXPERIENCES, sell EXPERIENCES.

CBRE

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