

Hotel Association of Tarrant County

CBRE Hotels Forecast – Thursday, July 25, 2024

Andrew Hartley
Senior Vice President
Northeast & South-Central Divisions
CBRE Hotels Advisory

Who am I?



Andrew Hartley

Senior Vice President for the Northeast & South-Central Divisions for **CBRE Hotels Advisory**

- Specialty in hospitality **operations**, consulting, and real estate.
- From Oklahoma, New York, **Houston**, and New Jersey
- Went from theatre to fine dining to hotels to **hospitality** consulting.
- Consulted in every **major market** east of the Rocky Mountains.
- Bachelor of Fine Arts in **Theatre** – Oklahoma State University
- Masters in Science Hospitality – **Conrad Hilton School at University of Houston**

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The National
Economy

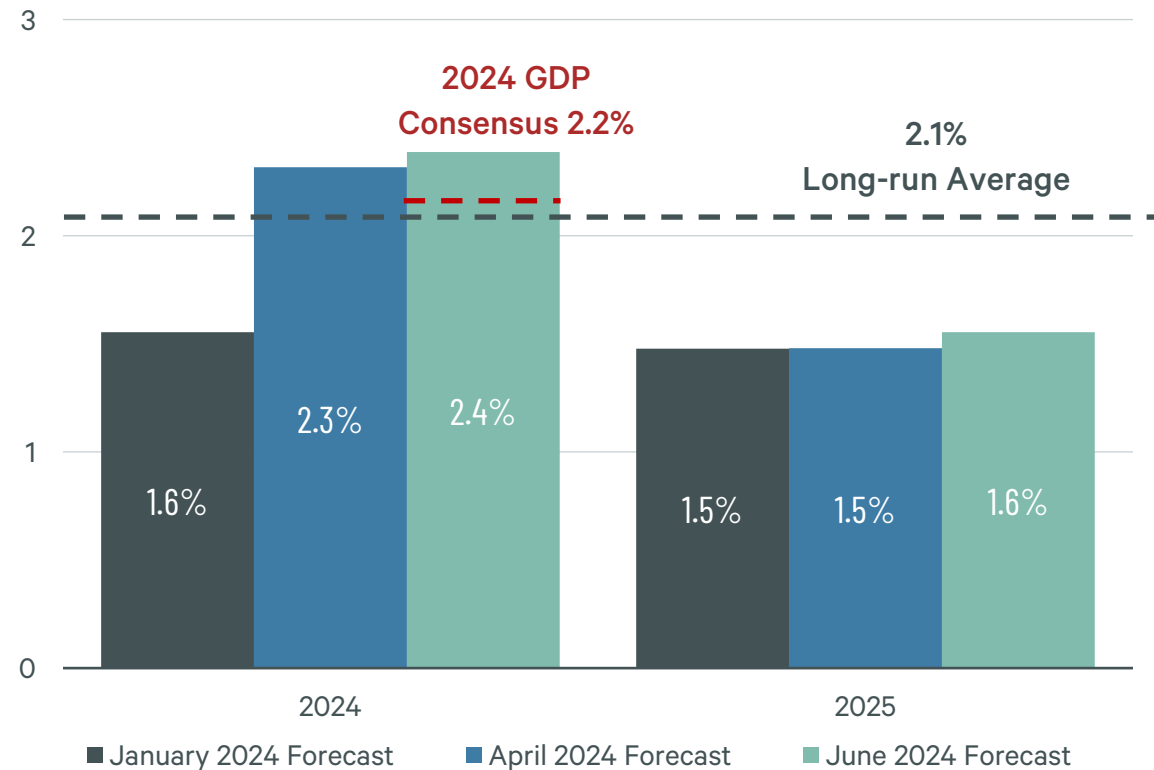
Factors Affecting the National Economy

- Inflation – Wage and Goods
- GDP growing but at a slower rate
- International Conflict and Wars
- Election/Political cycle
- Oil Prices
- Labor shortages
- International Travel
- Shifts in Work/Life Habits
- Home Prices
- Interest Rates

Despite the 1Q miss, 2024 growth was positively revised on expected 2Q strength

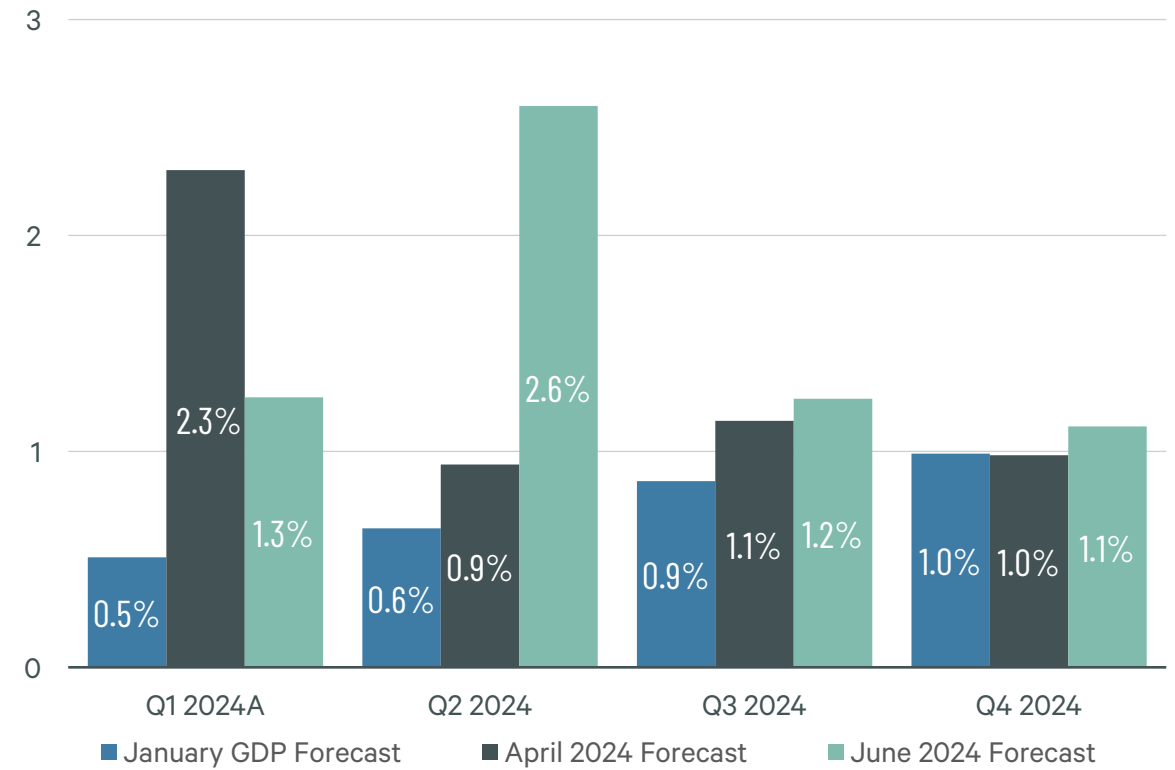
Annual Real GDP Change Forecast as of Release Date

Y-o-Y Change (%)



Quarterly Annualized Real GDP Forecast

Q-o-Q Change (%)

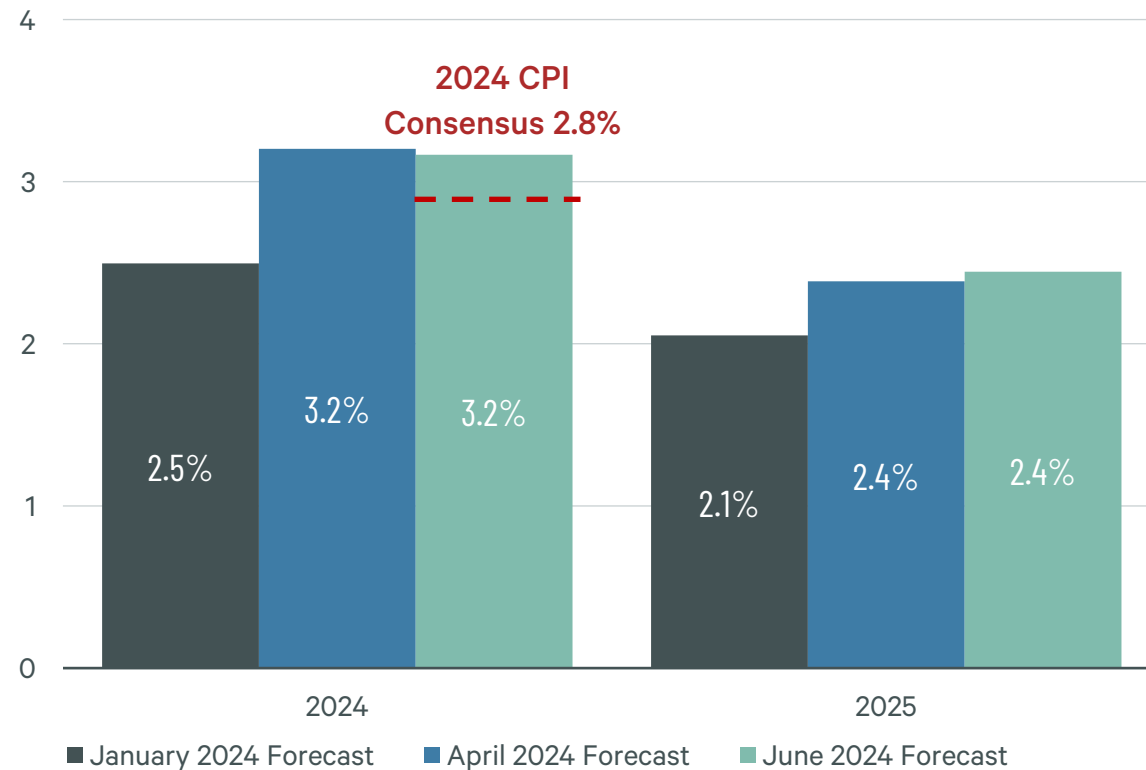


CBRE Hotels Research, BEA, Atlanta Fed, Forecast as of June 18, 2024 * Long Run Average 2000-2023

Inflation has been more elevated and persistent than previously expected

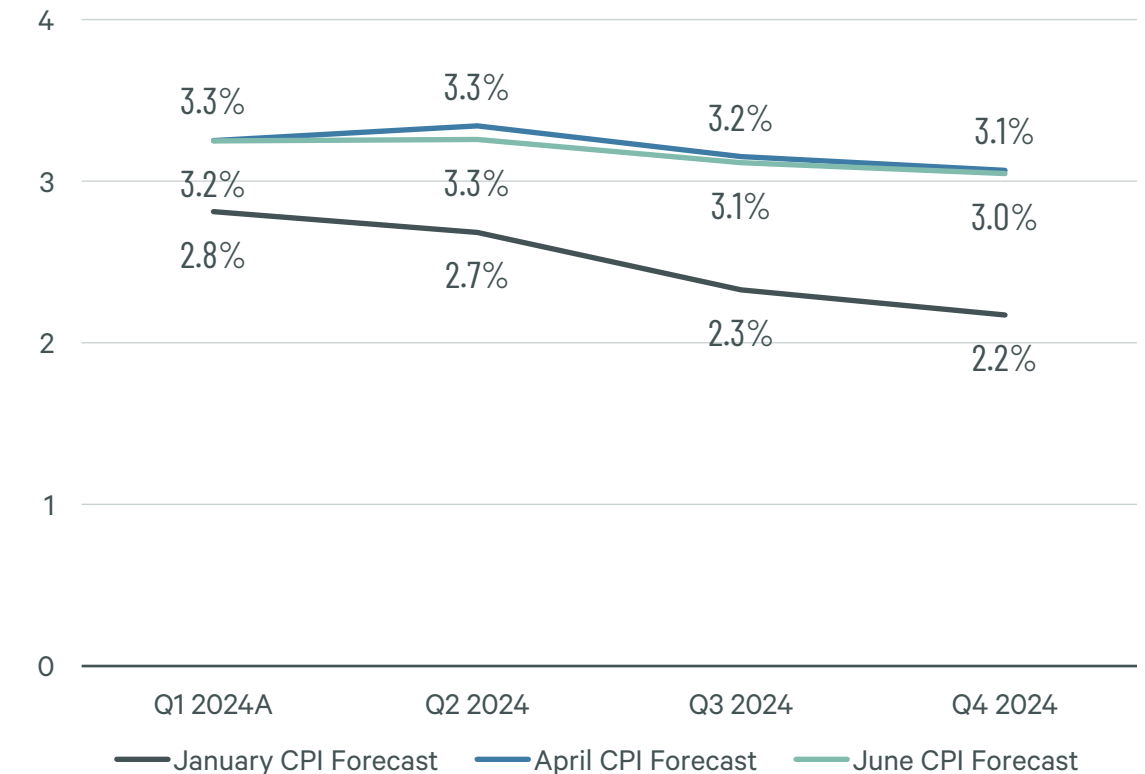
Annual CPI Change Forecast as of Release Date

Y-o-Y Change (%)



Quarterly CPI Change Forecast

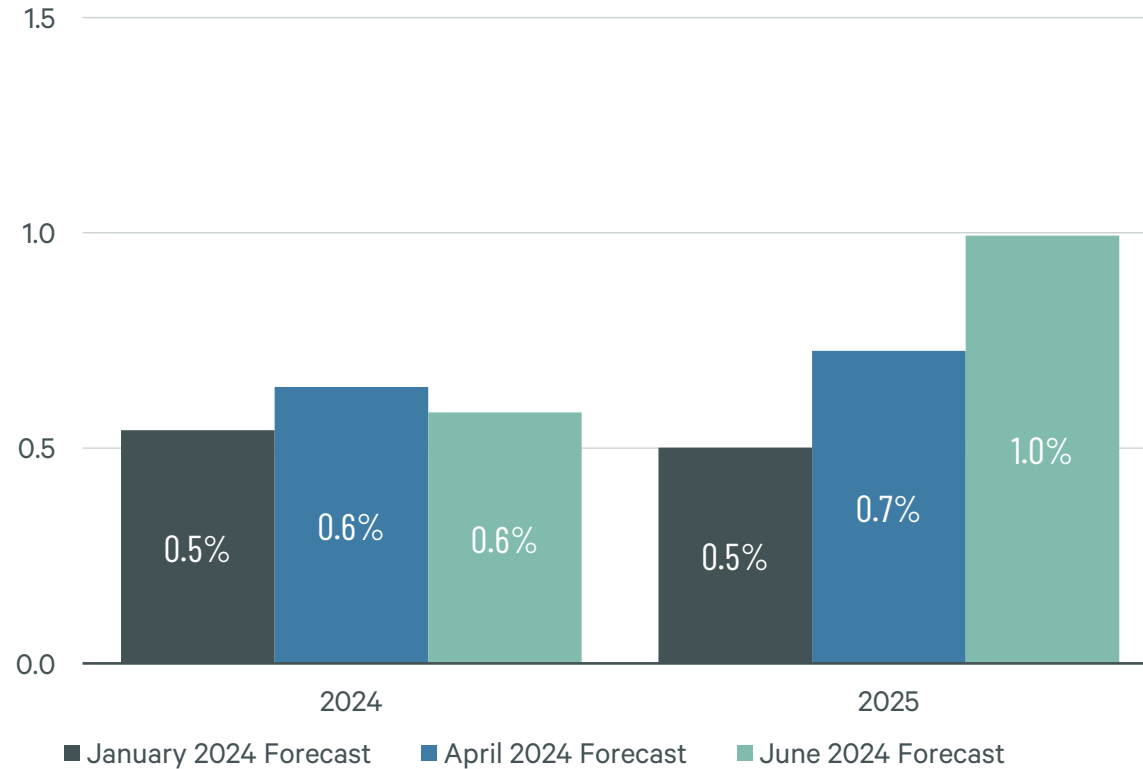
Y-o-Y Change (%)



CBRE expects employment gains to continue in 2024 and 2025

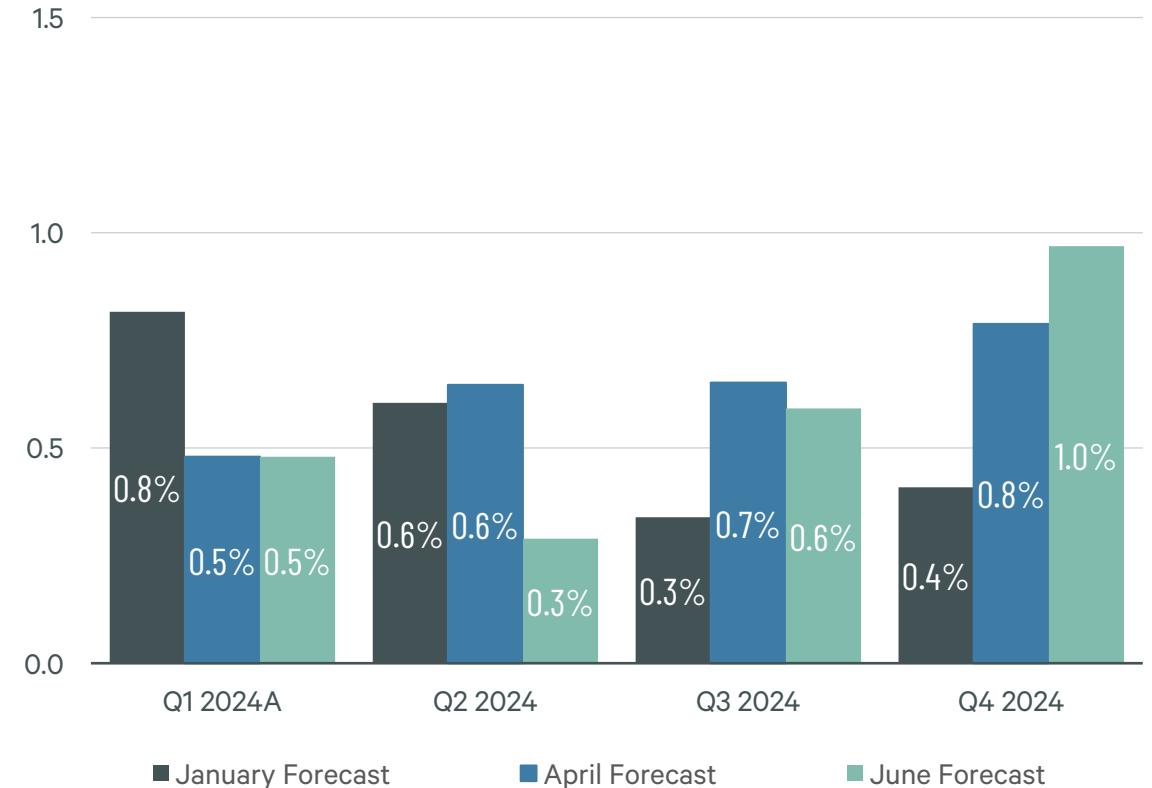
Annual Employment Change Forecast as of Release Date

Y-o-Y Change (%)



Quarterly Employment Change Forecast

Y-o-Y Change (%)

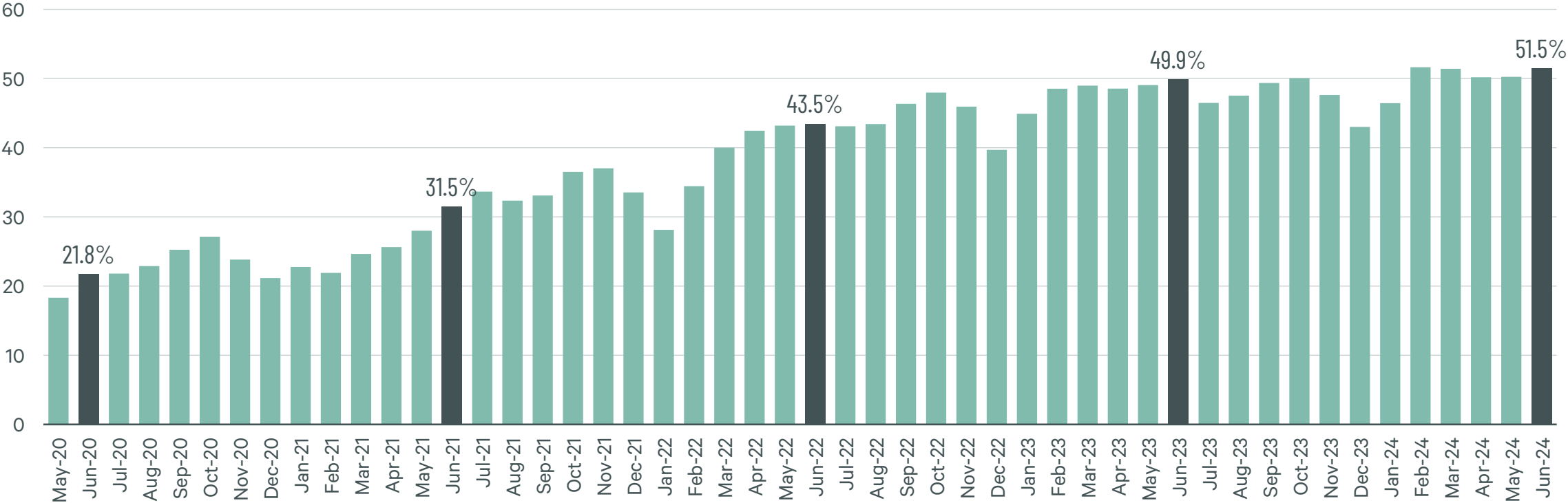


CBRE Hotels Research, BLS, Forecast as of June 18, 2024

Office attendance continues to increase but the pace of gains has slowed

Office Attendance Recovery

Percent of 2019 (%)

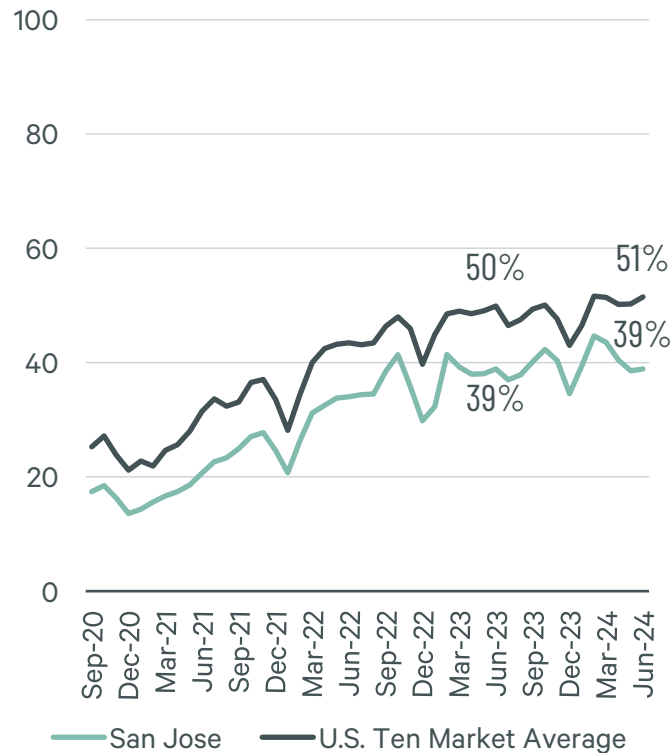


CBRE Hotels Research, Kastle

Office attendance is slowly improving, Austin is the standout

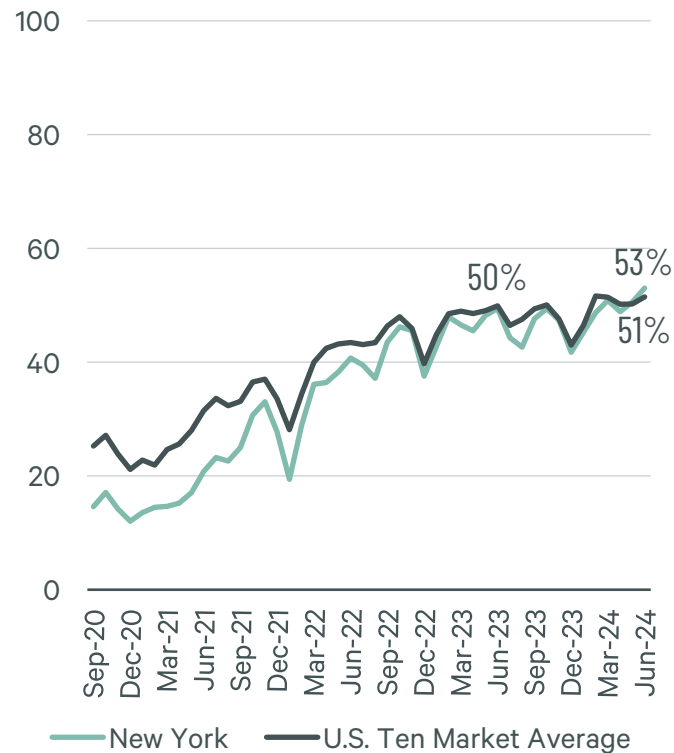
Weakest Office Attendance: San Jose

Percent of 2019 (%)



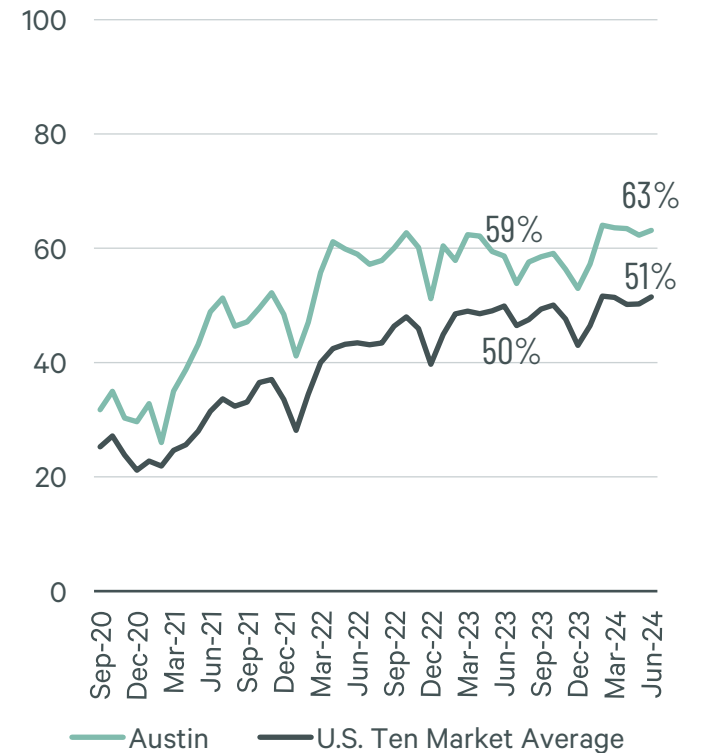
Median Office Attendance: New York

Percent of 2019 (%)



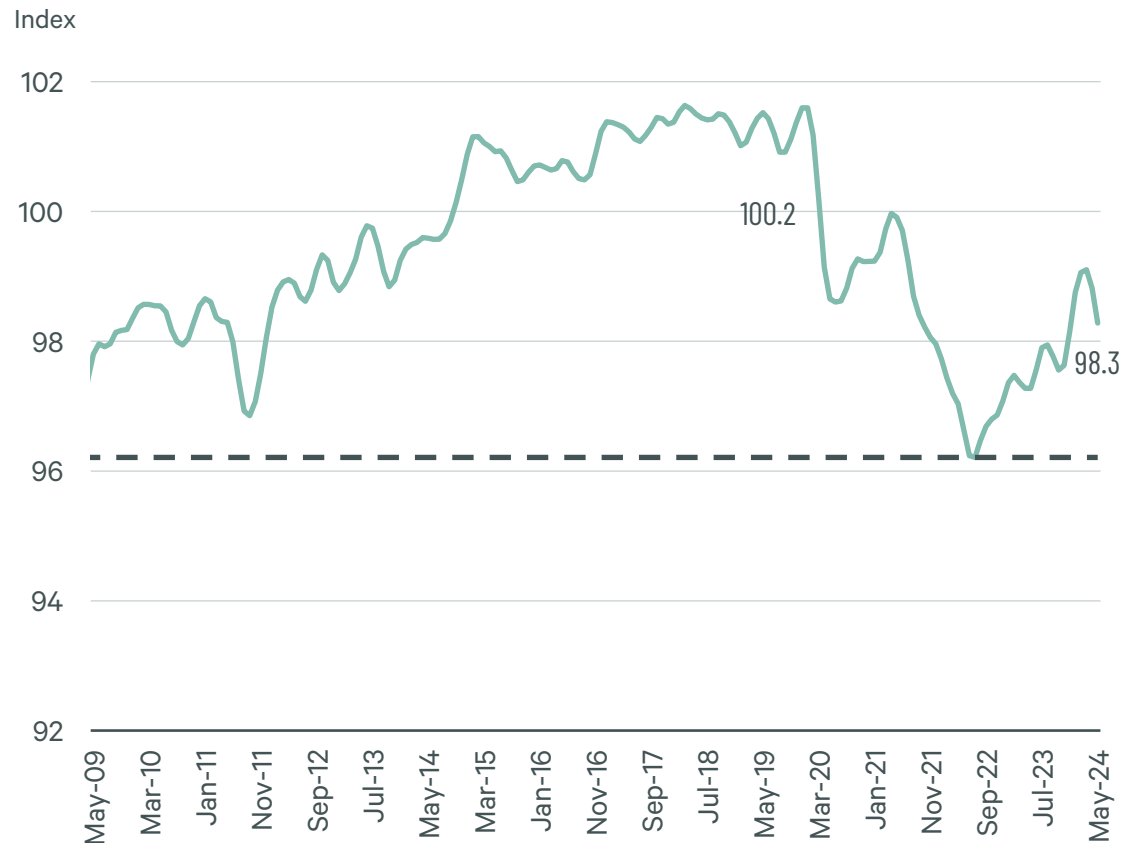
Strongest Office Attendance: Austin

Percent of 2019 (%)

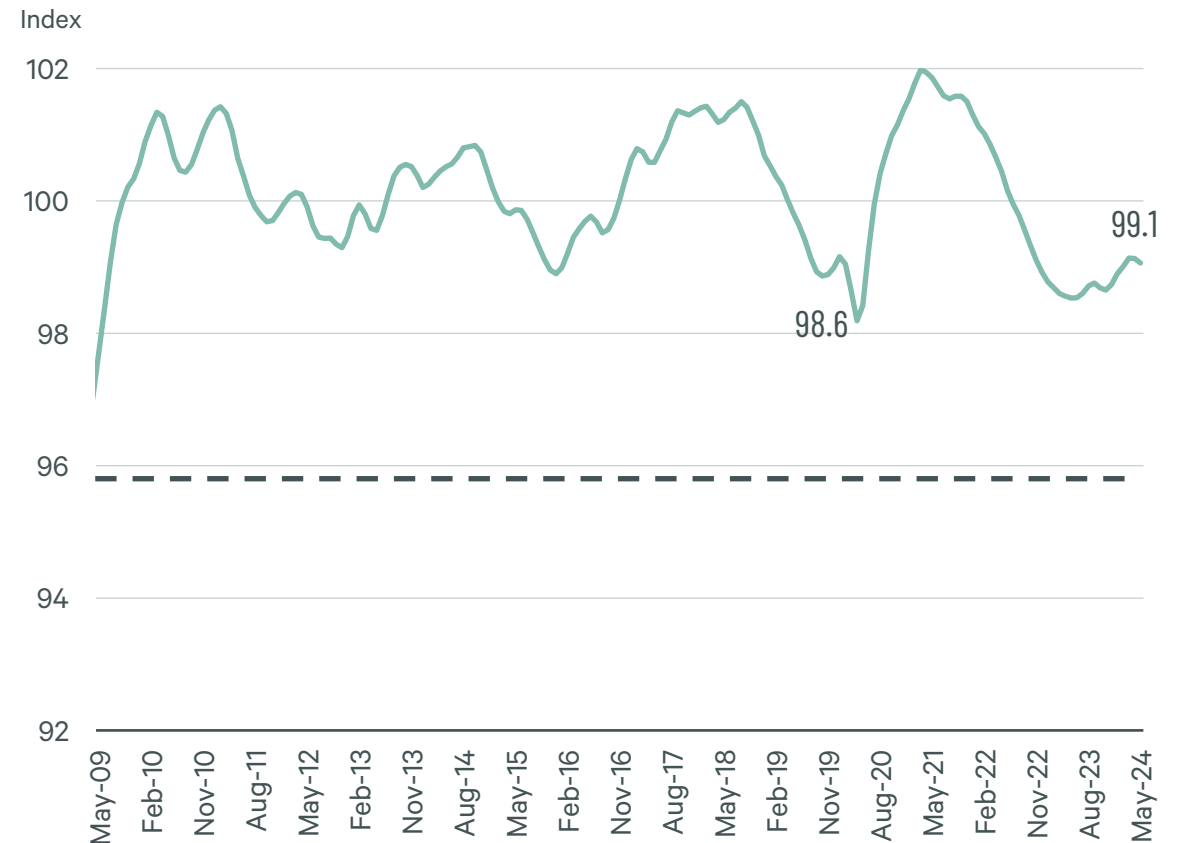


Business confidence is now above pre-pandemic levels, business investment is +5% y/y

Consumer Confidence Index



Business Confidence Index

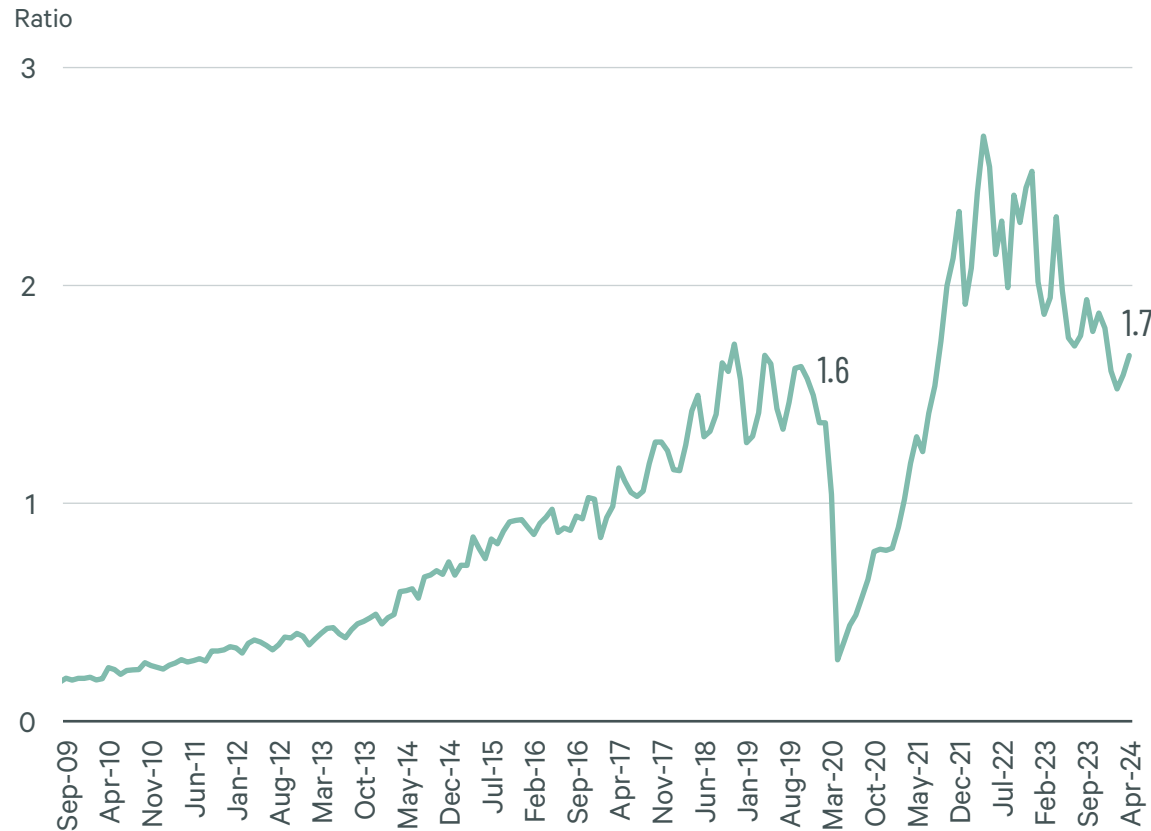


CBRE Hotels Research, OECD

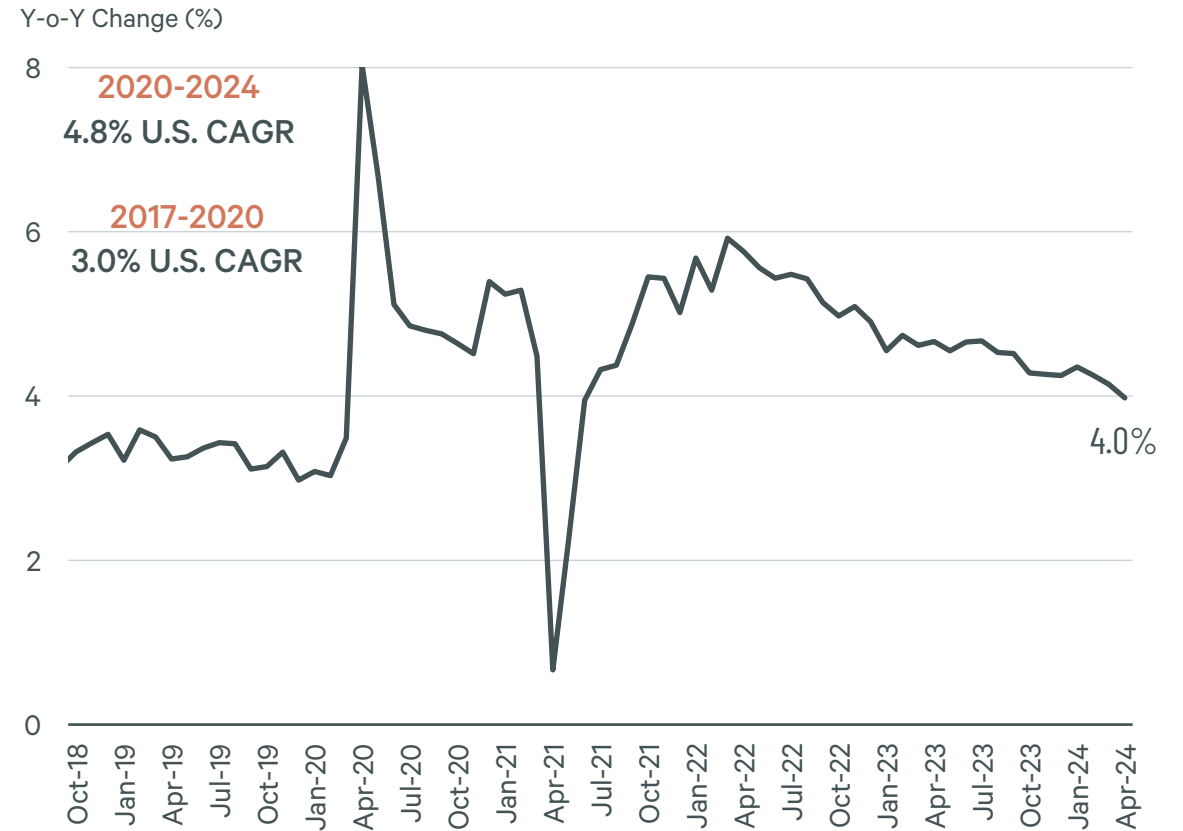
CBRE Hotels Research, OECD

The pullback in job openings is leading to moderating wage gains

Ratio of U.S. Job Openings to Job Seekers



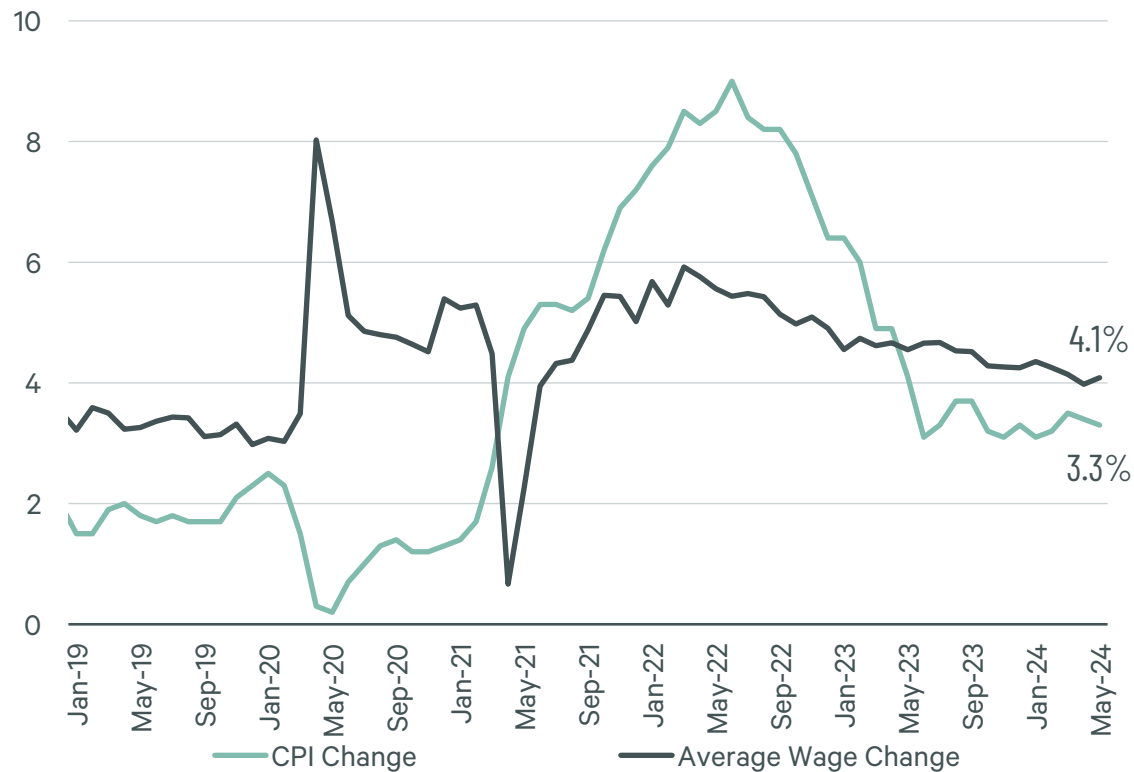
U.S. Average Wage Change



Wage growth is outpacing inflation, but the gap has been narrowing slightly

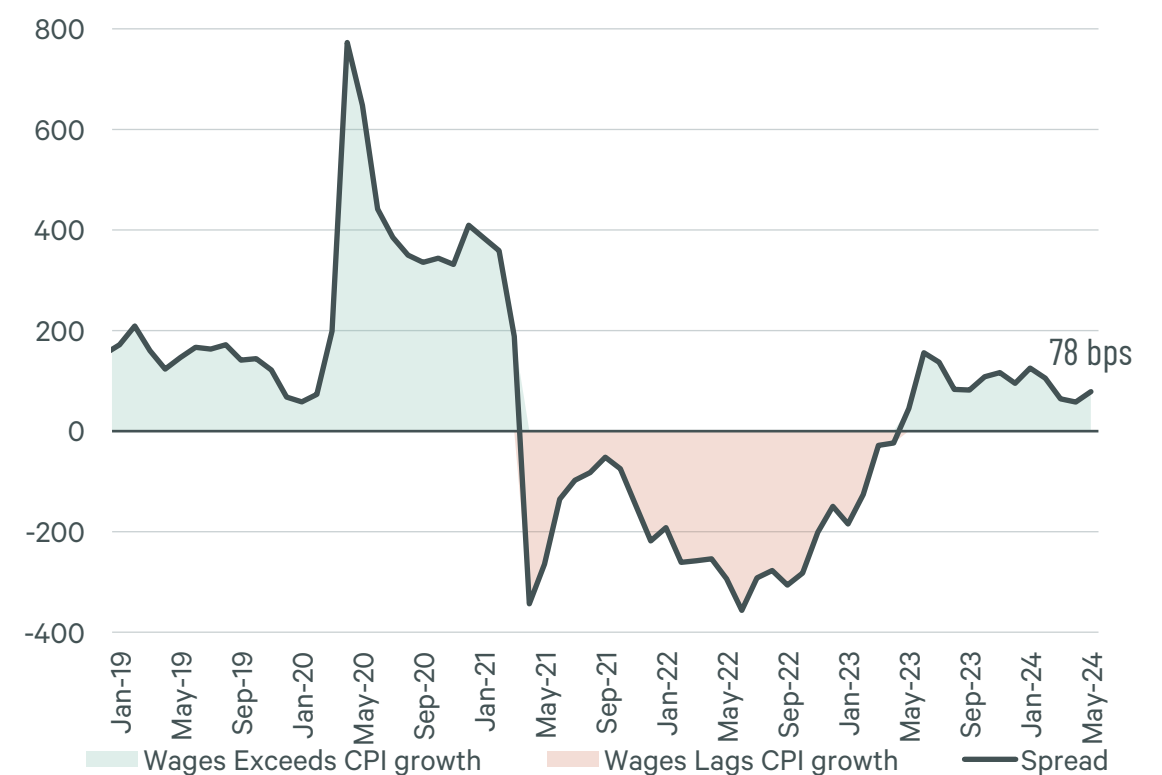
U.S. CPI Change vs. U.S. Average Hourly Wage Change

Y-o-Y Change (%)



Spread between U.S. Average Hourly Wage and CPI Change

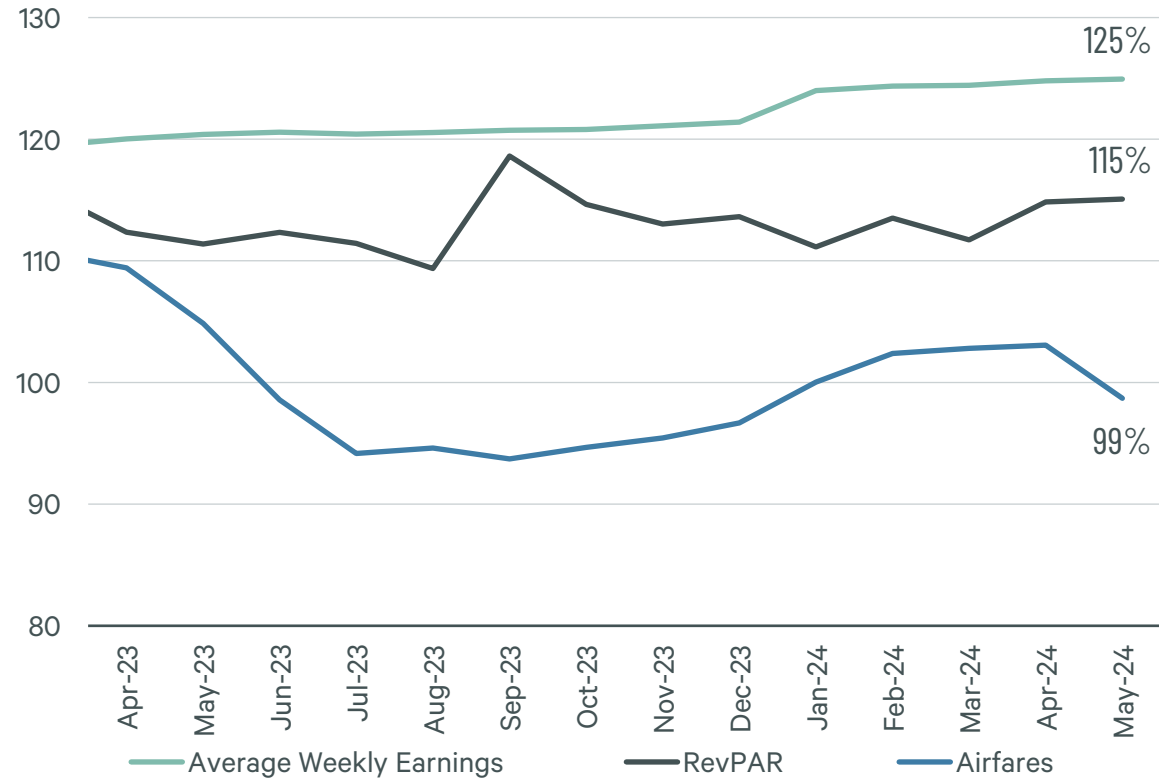
Spread (bps)



Persistently low airfares and steady wage gains may be supporting RevPAR growth

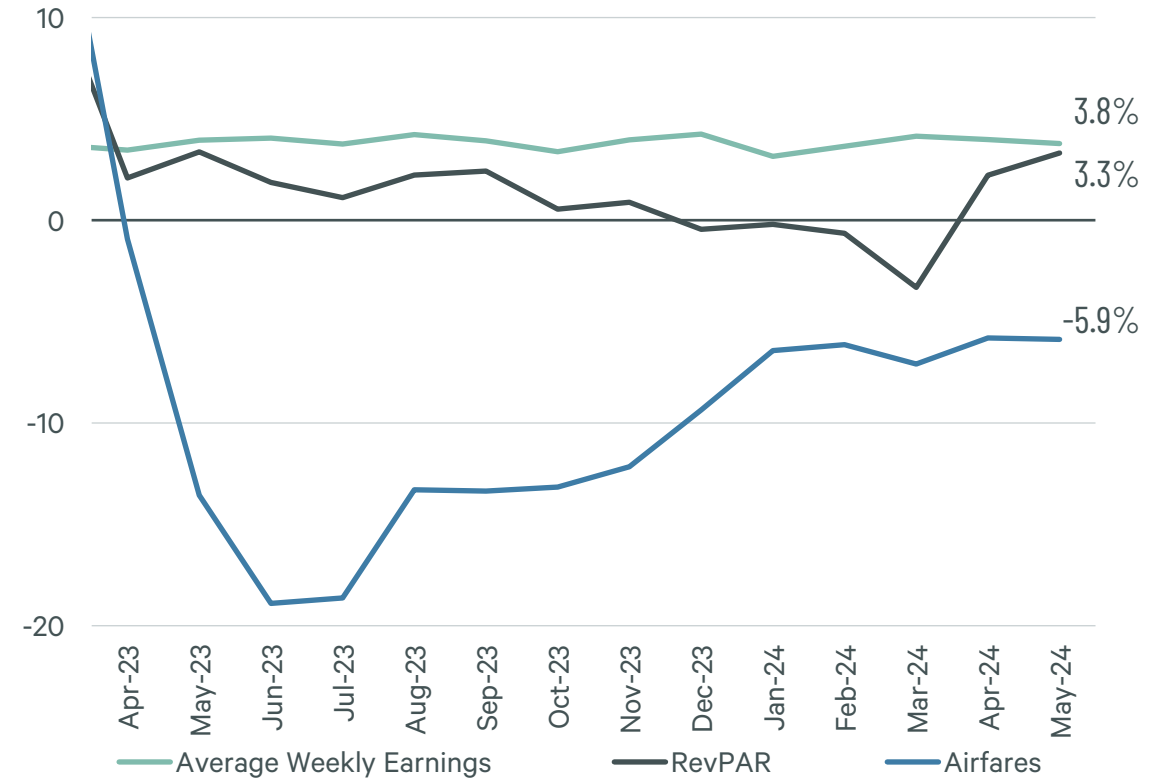
U.S. RevPAR, U.S. Average Weekly Earnings & Airfares CPI

Percent of 2019 (%)



U.S. RevPAR, U.S. Average Weekly Earnings & Airfares Change

Y-o-Y Change (%)

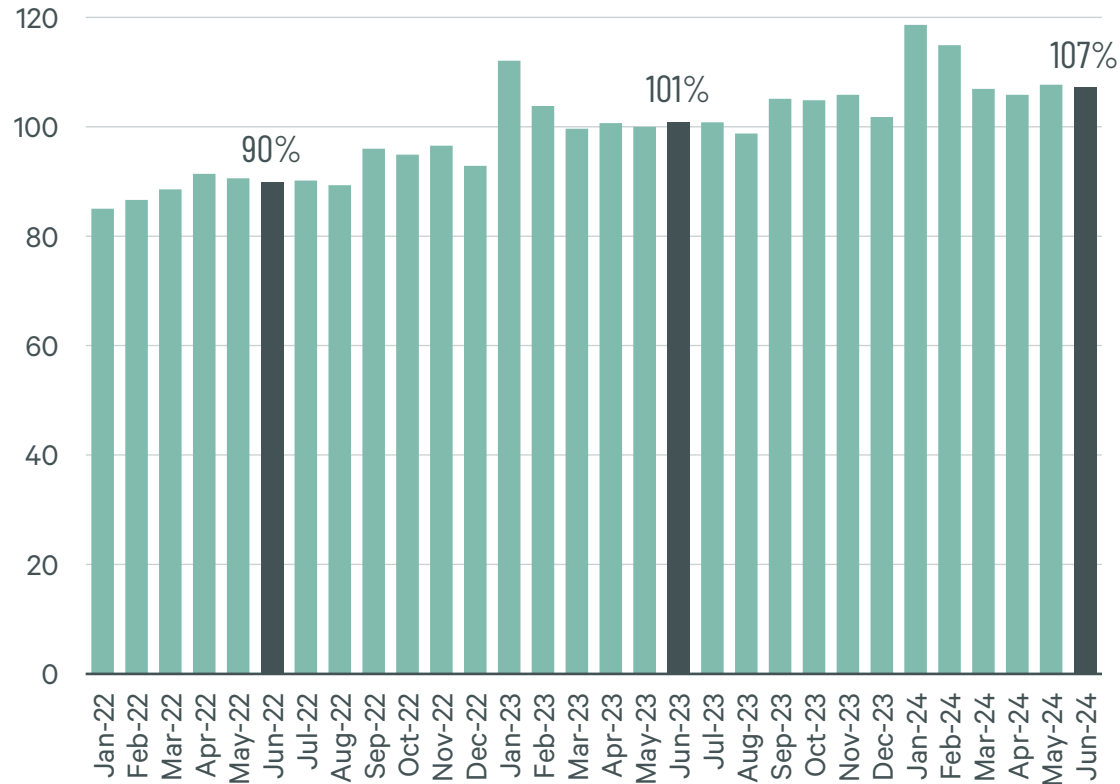


CBRE Hotels Research, BLS, Kalibri Labs

TSA throughput increased again in June, but the pace of gains is slowing

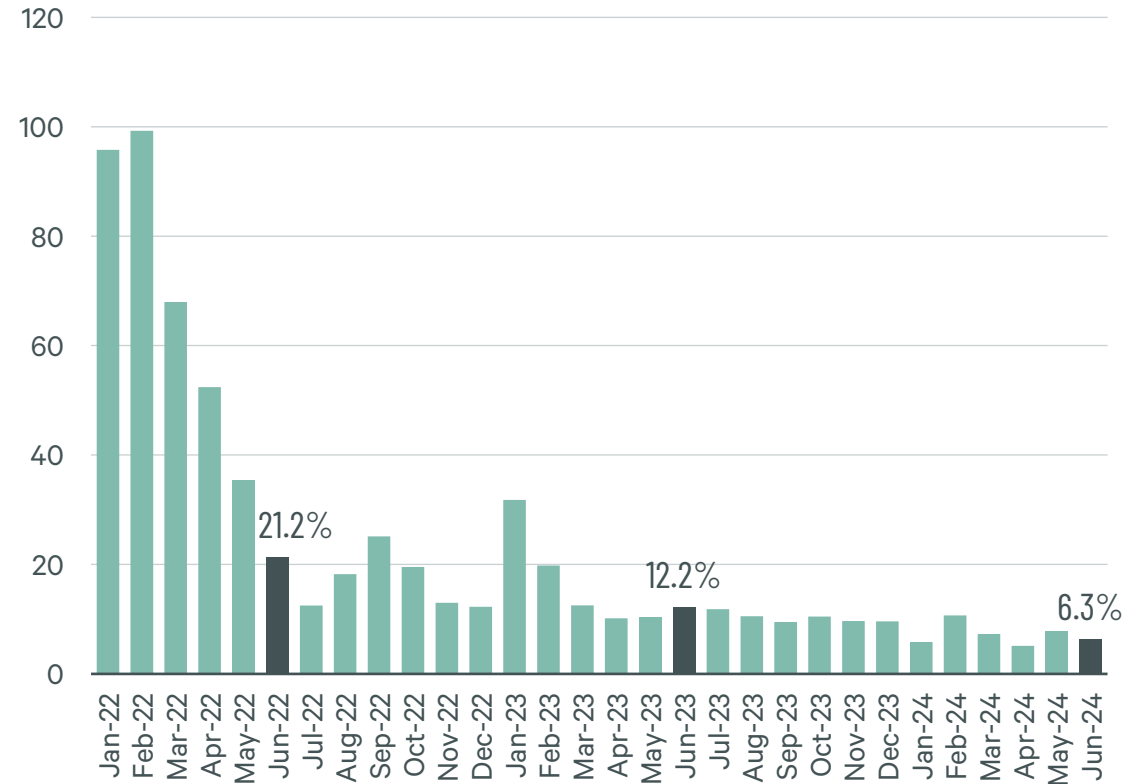
TSA Throughput as a Percent of 2019

Percent of 2019 (%)



TSA Throughput Y-o-Y Change

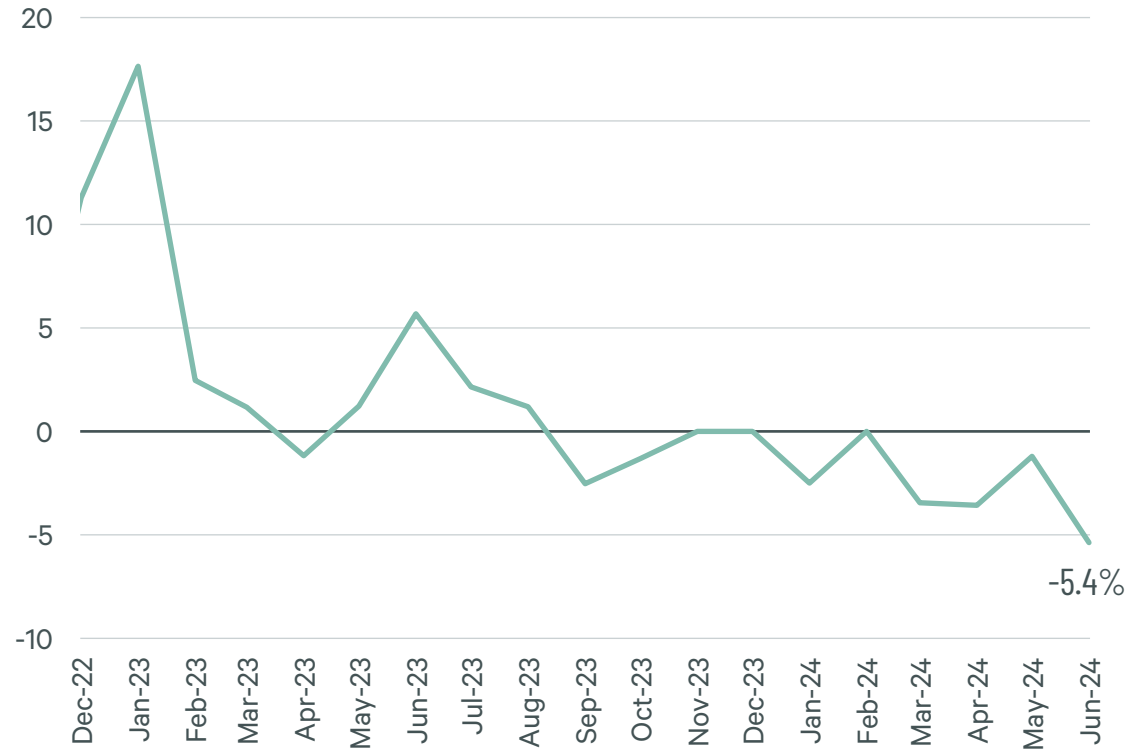
Y-o-Y Change (%)



Google searches for paid and loyalty redemption travel remain weak

Corporate Brands Average Searches Index Change

Y-o-Y Change (%)



Brand Loyalty Program Searches Index Change

Y-o-Y Change (%)



CBRE Hotels Research, Google Trends. Keywords: Hilton, Marriott, Hyatt, IHG Hotels & Resorts, as of June 30, 2024

CBRE Hotels Research, Google Trends. Keywords: Hilton Honors, Marriott Bonvoy, World of Hyatt, IHG Rewards, as of June 30, 2024

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National
Hotel Market

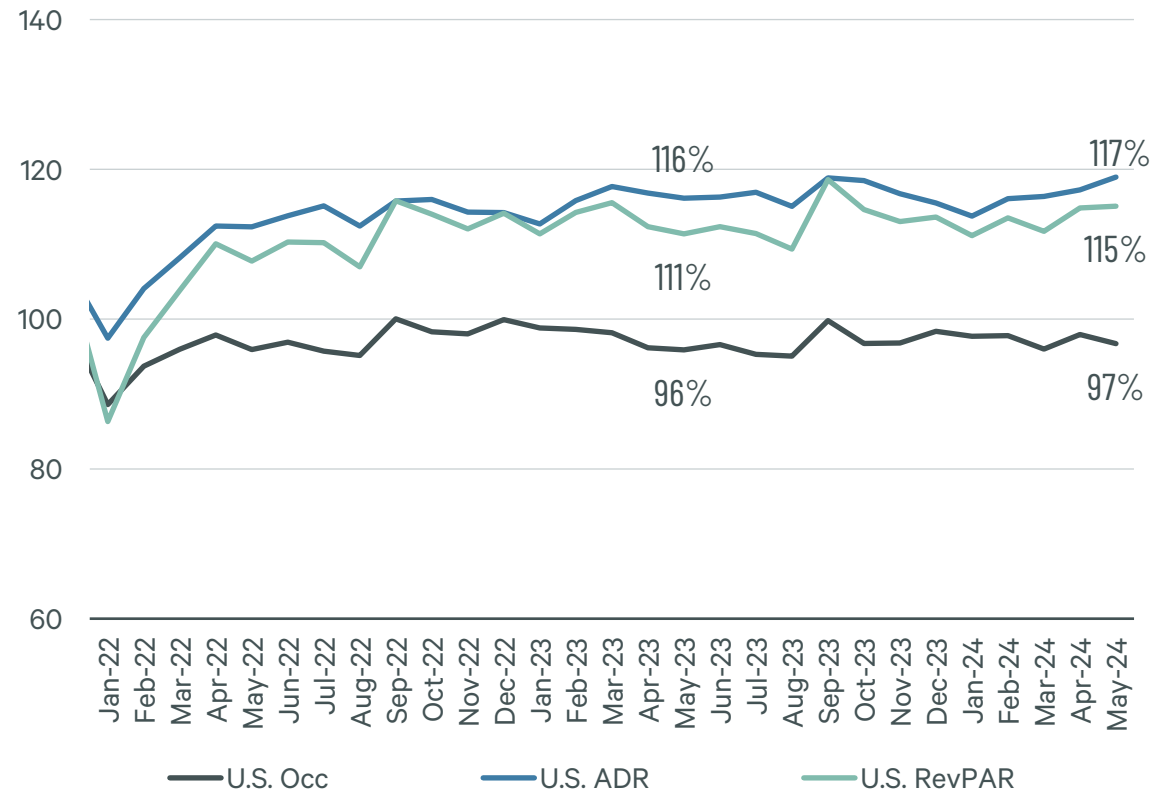
Factors Affecting the National Hotel Market

- ADR Inflation
- Wage Inflation
- Group travel
- Leisure Travel
- Corporate Travel
- Construction Costs
- Oversupply

May's RevPAR growth strongest in a year, fueled by Vegas, NYC, and SFO

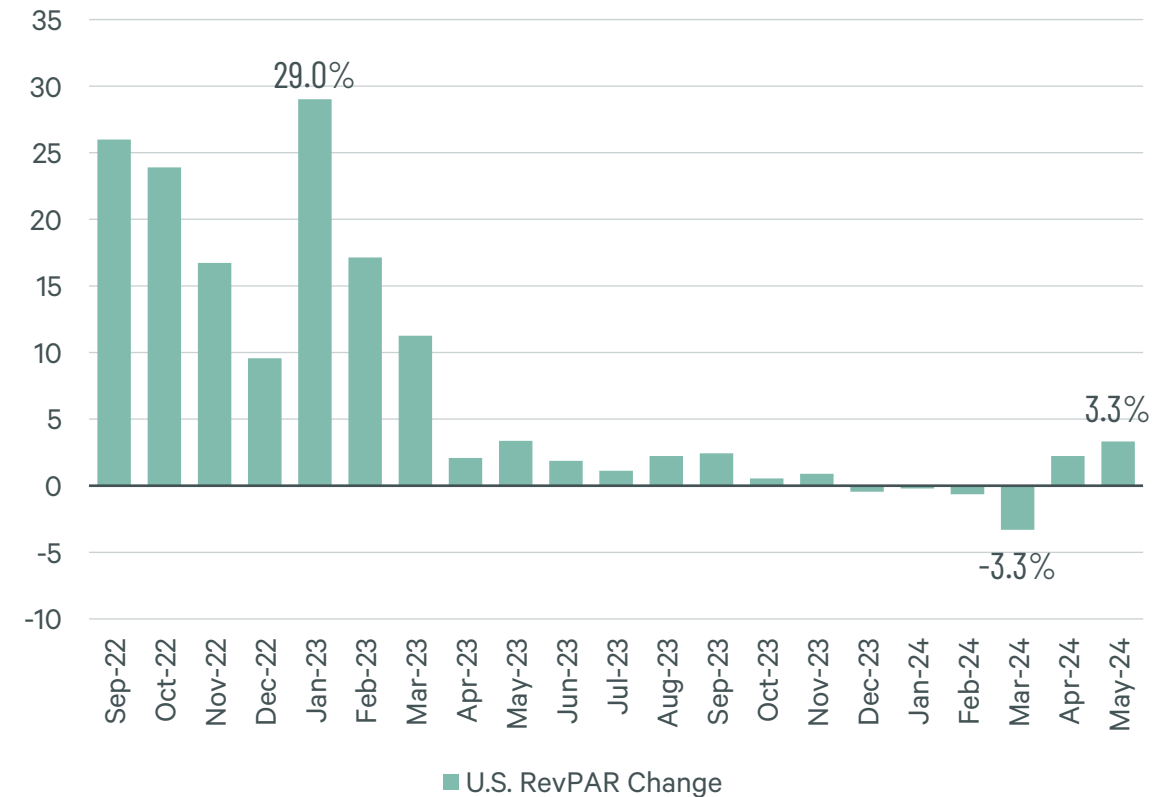
U.S. Occ, ADR and RevPAR Relative to 2019

Percent of 2019 (%)



U.S. RevPAR Change

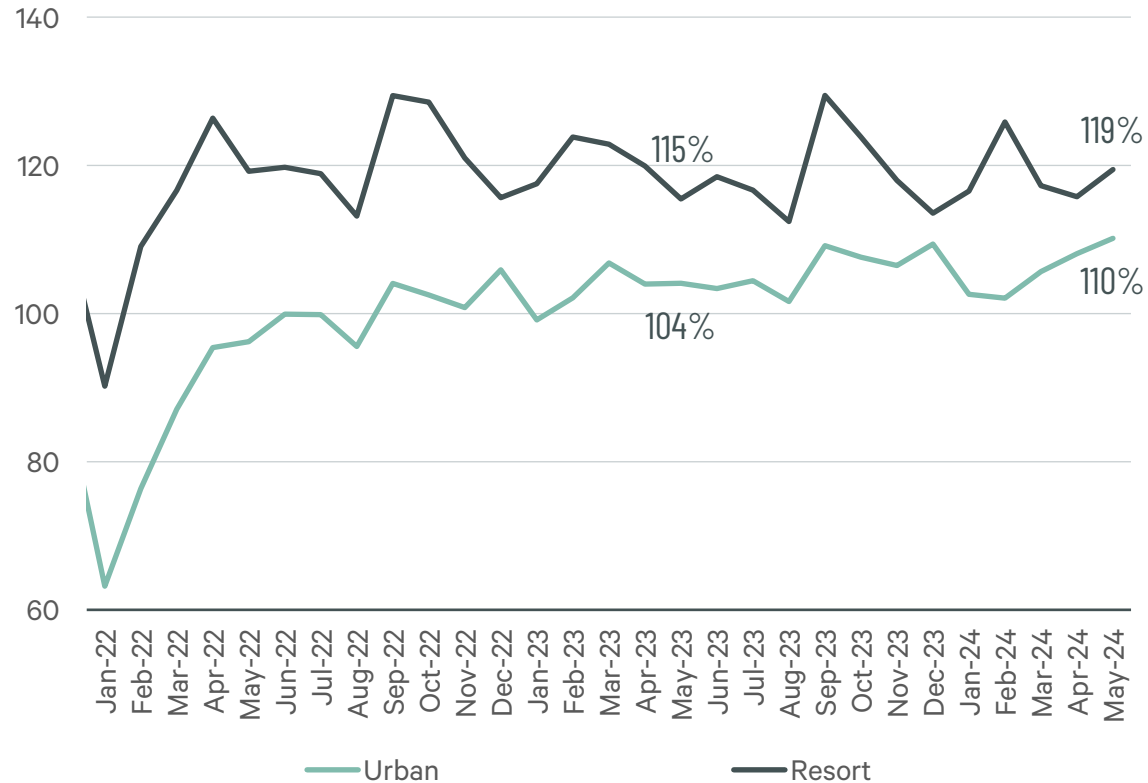
Y-o-Y Change (%)



Urban hotels continue to close the performance gap vs. resorts

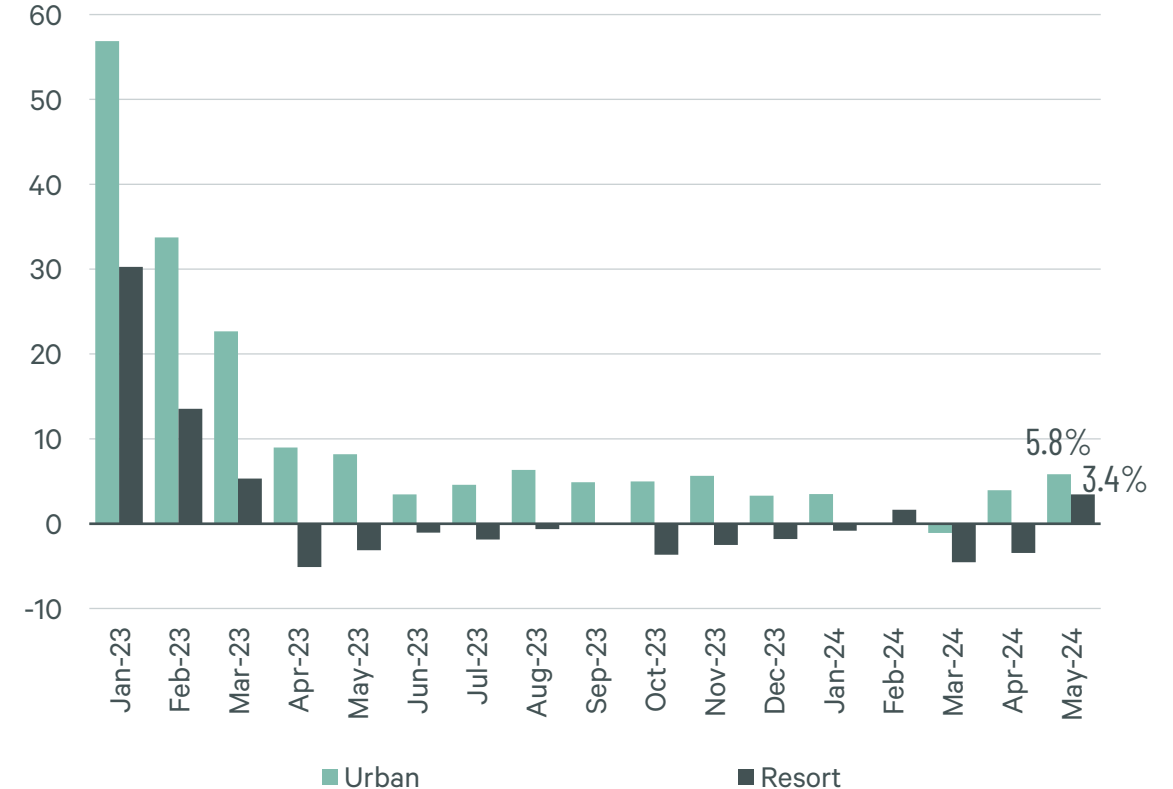
RevPAR Relative to 2019

Percent of 2019 (%)



RevPAR Change

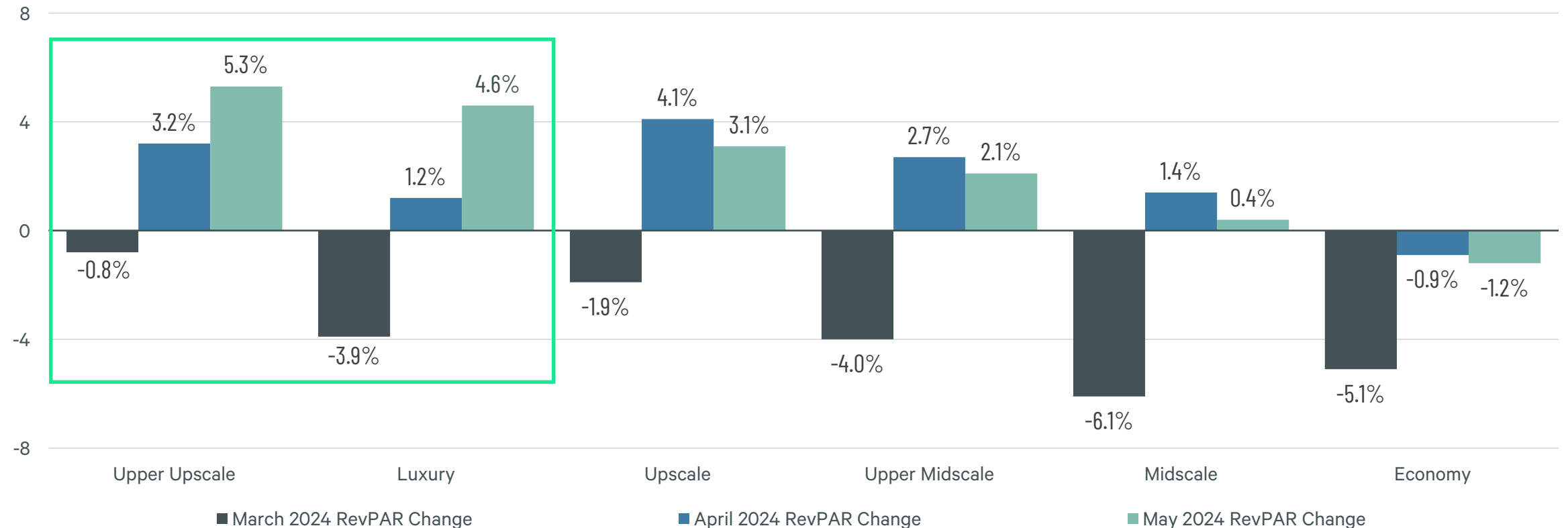
Y-o-Y Change (%)



Upper tier hotels outperformed in May and lower tier hotels continue to struggle

Monthly RevPAR Change by Chain Scales

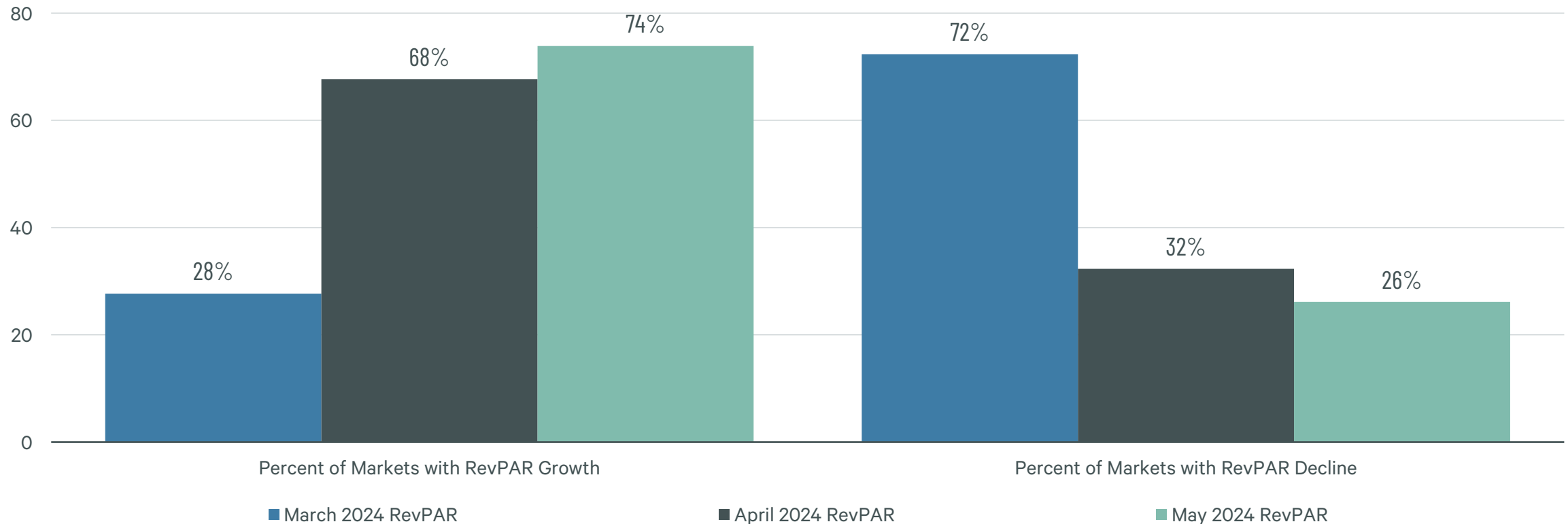
Y-o-Y Change (%)



May was a standout with nearly 3/4 of markets experiencing growth

Percent of Total Markets with RevPAR Growth and Decline

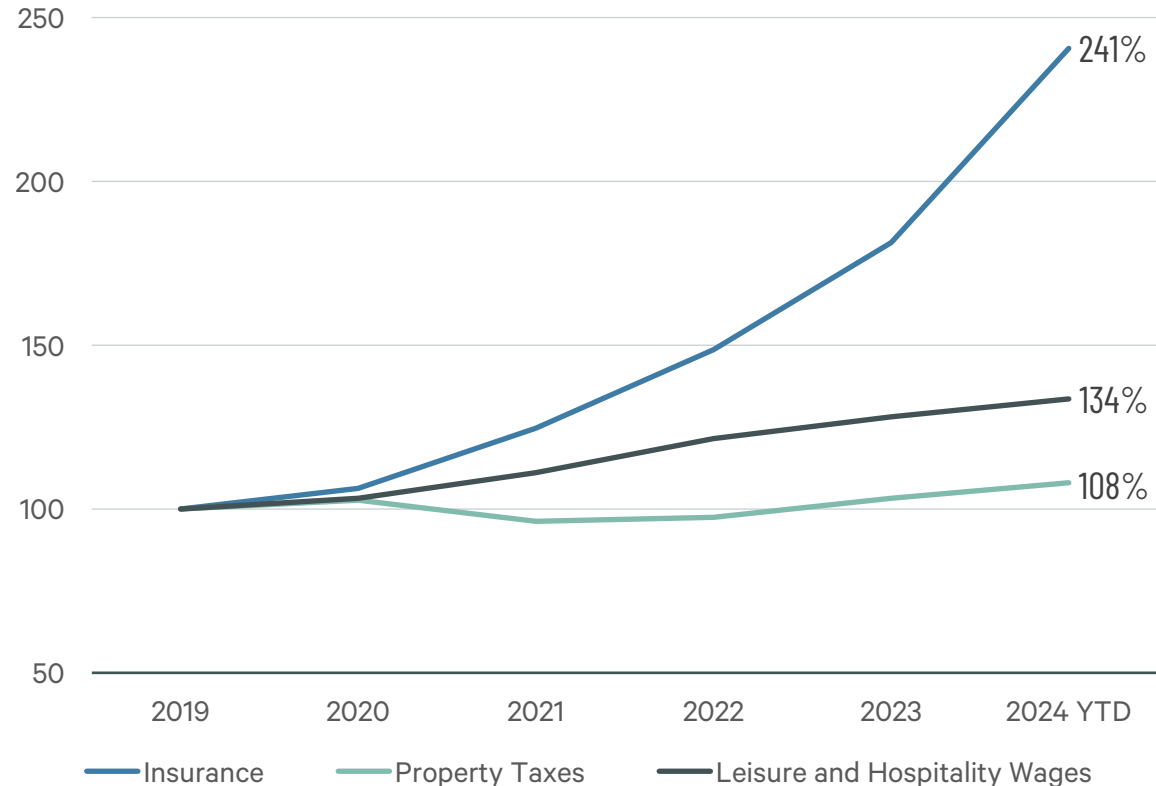
Percent of Total (%)



Wage and property tax increases are moderating, but still above revenue growth

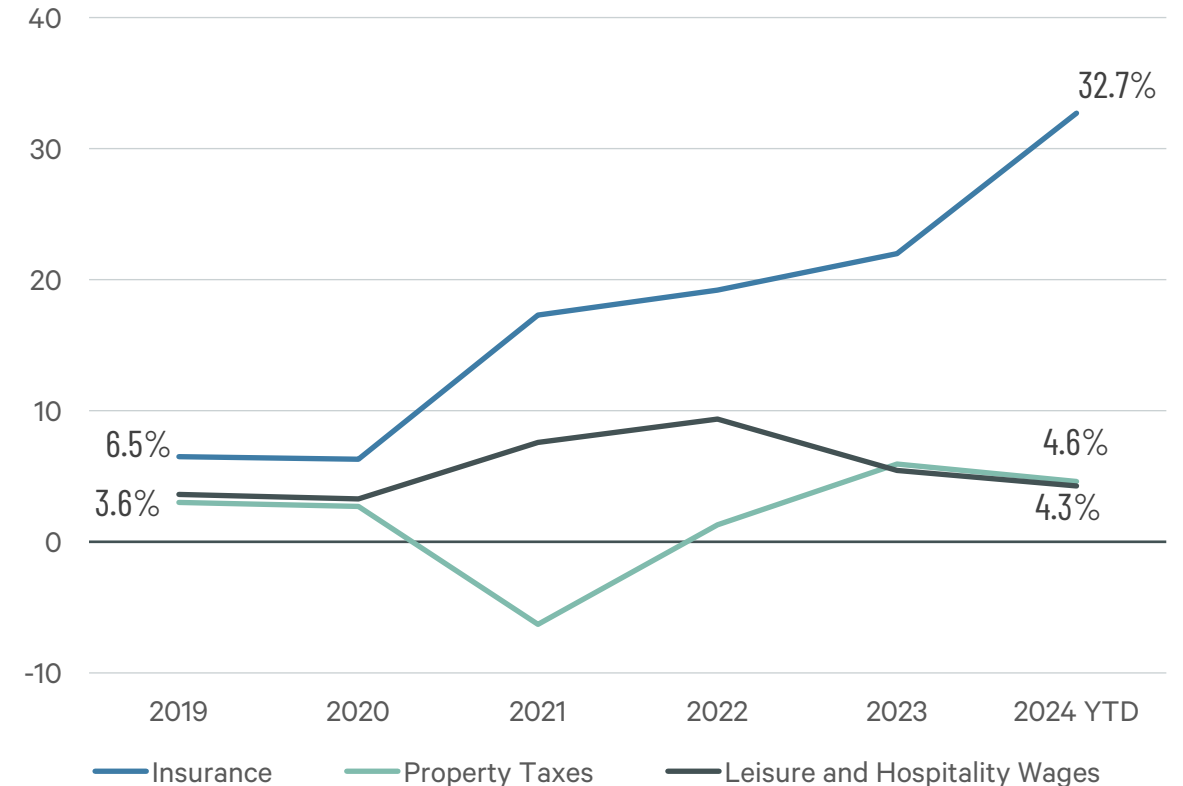
Hotel Property Taxes, Insurance and L&H Average Hourly Wage

Percent of 2019 (%)



Hotel Property Taxes, Insurance and L&H Average Hourly Wage Change

Y-o-Y Change (%)



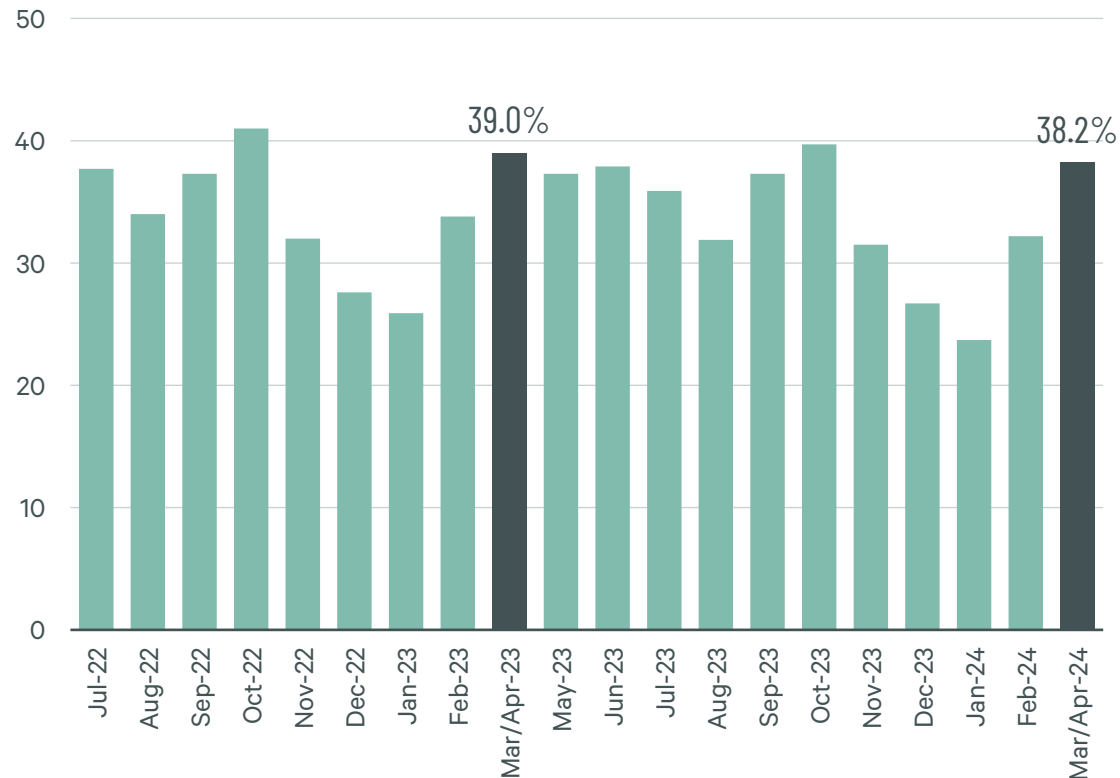
CBRE Hotels Research, *Trends® in the Hotel Industry* – Sample of 2,450 properties that provide monthly P&L data, YTD through April

Margins continued to compress in March/April, declining 80bps y/y



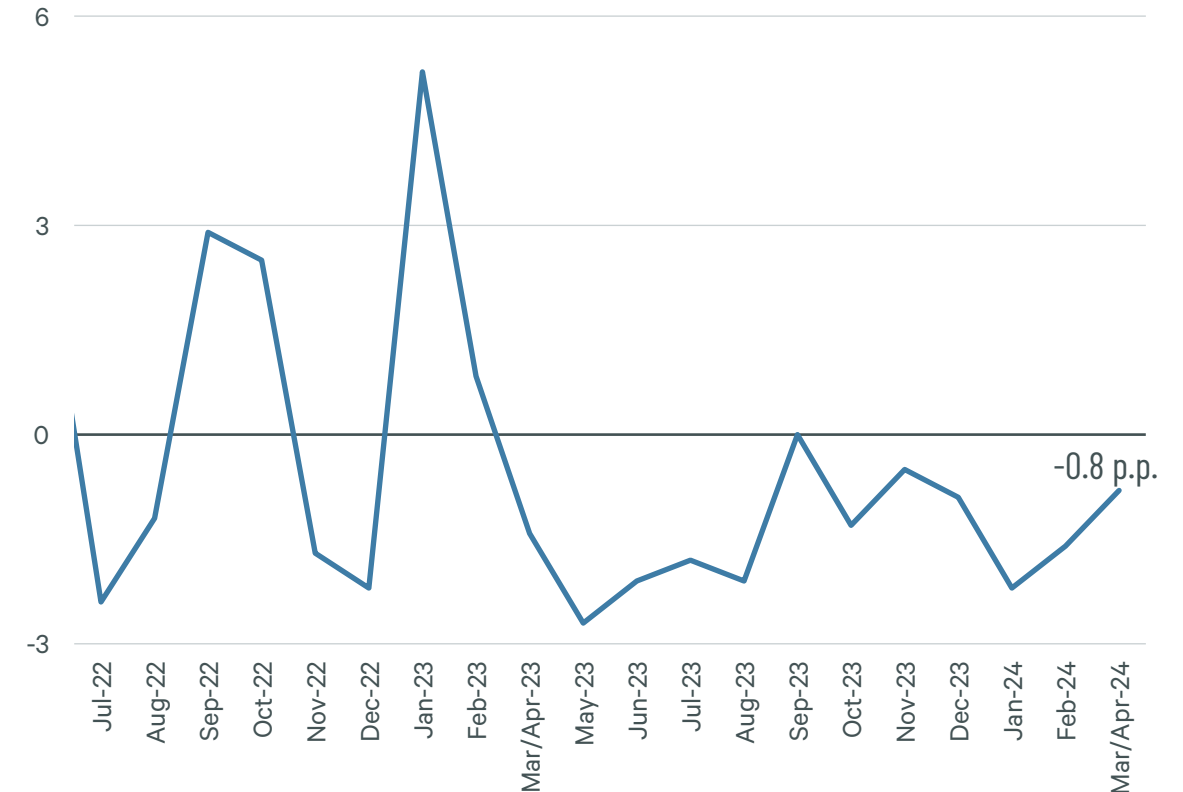
GOP Margin

Margins (%)



GOP Margin Change

Y-o-Y Change (p.p.)

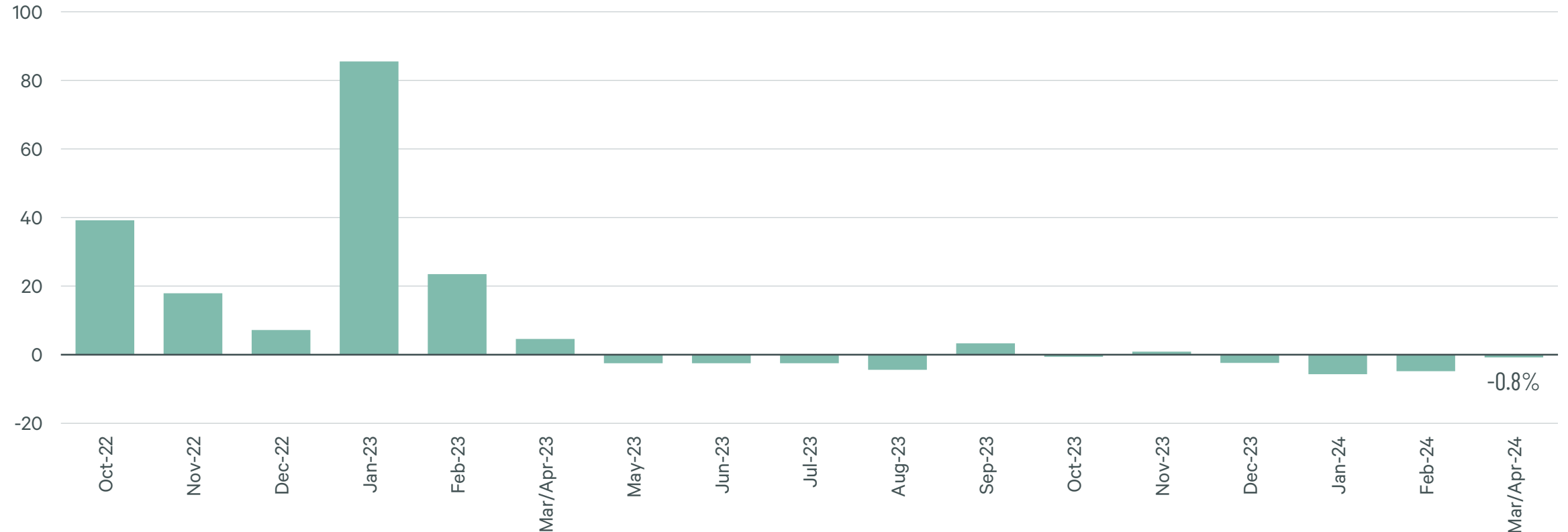


CBRE Hotels Research, Trends® in the Hotel Industry – Sample of 2,450 properties that provide monthly P&L data

Lower revenues and margin contraction are resulting in GOP declines Y-o-Y

Gross Operating Profit Change (Dollars Per Available Room)

Y-o-Y Change (%)



CBRE Hotels Research, *Trends® in the Hotel Industry* – Sample of 2,450 properties that provide monthly P&L data

3

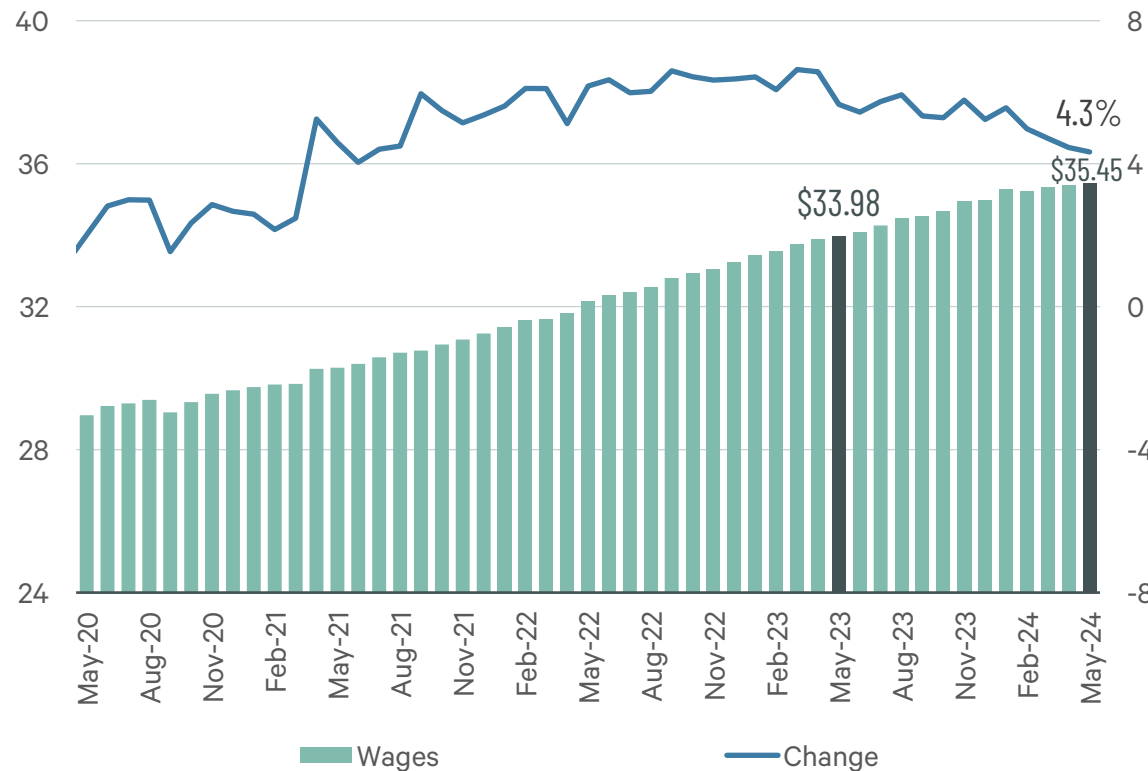
New
Construction

Construction wages increased 4.3% Y-o-Y owing to employment gains

Constructions Wages

(\$) Dollars Per Hour

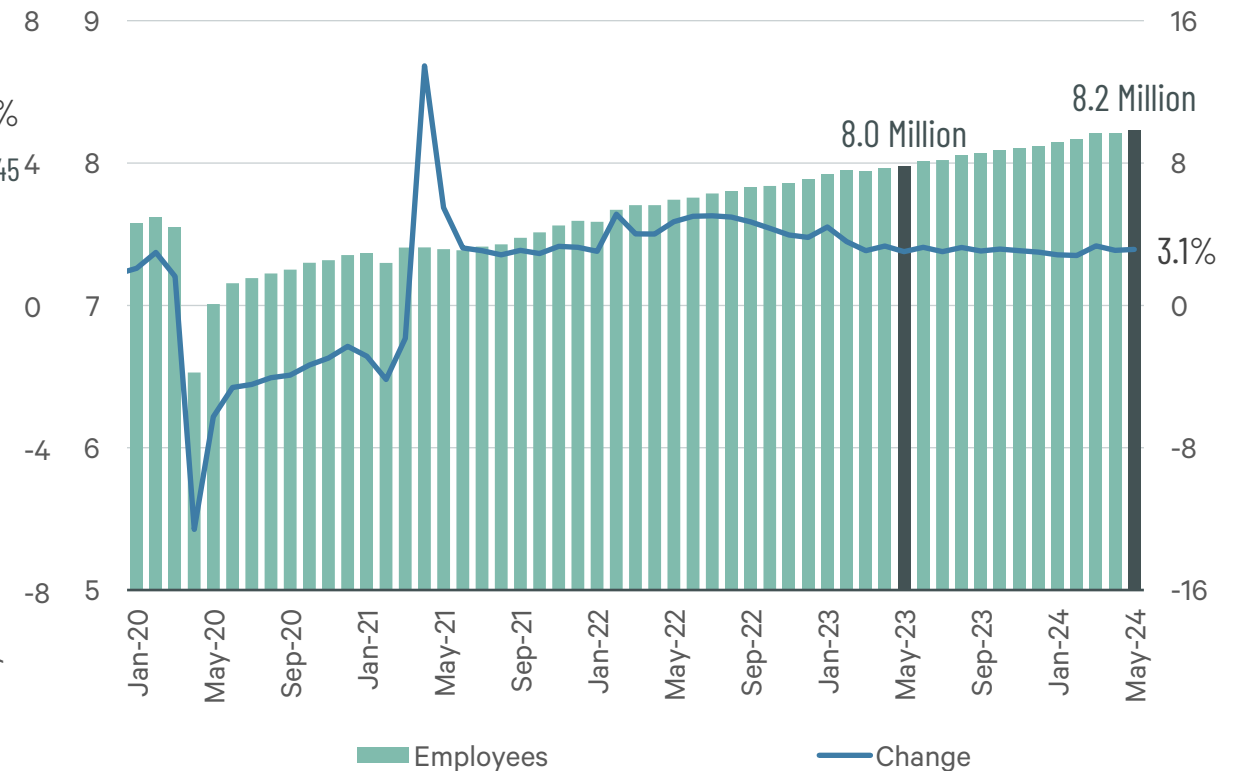
Y-o-Y Change (%)



Number of Construction Employees

Millions

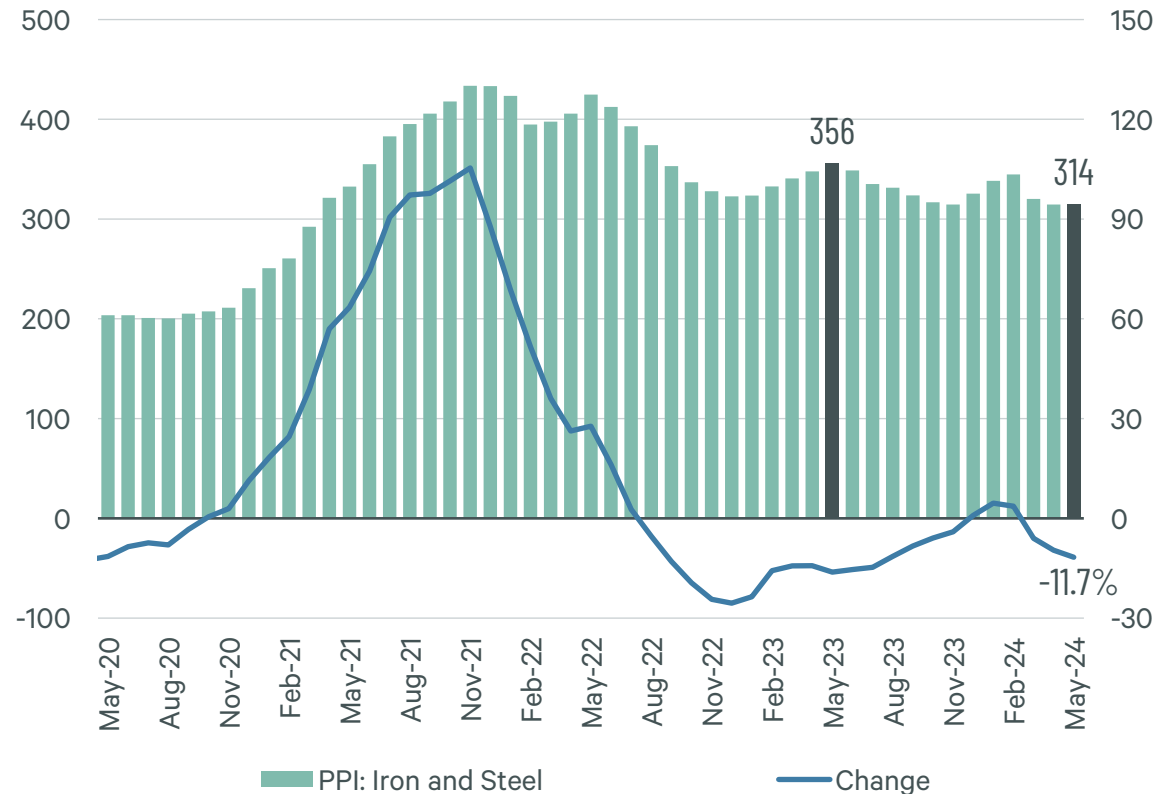
Y-o-Y Change (%)



Construction input costs are declining y/y but remain above their long term averages

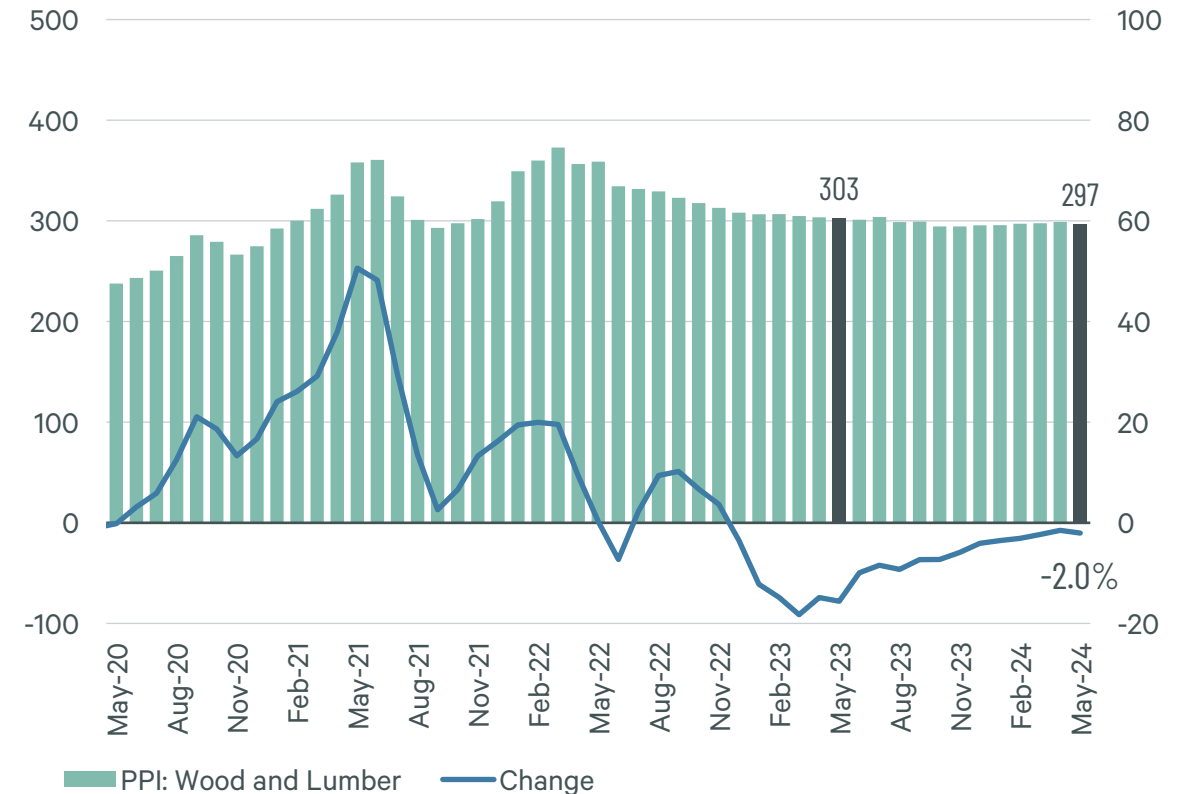
Iron and Steel

Producer Price Index



Lumber and Wood Products

Producer Price Index



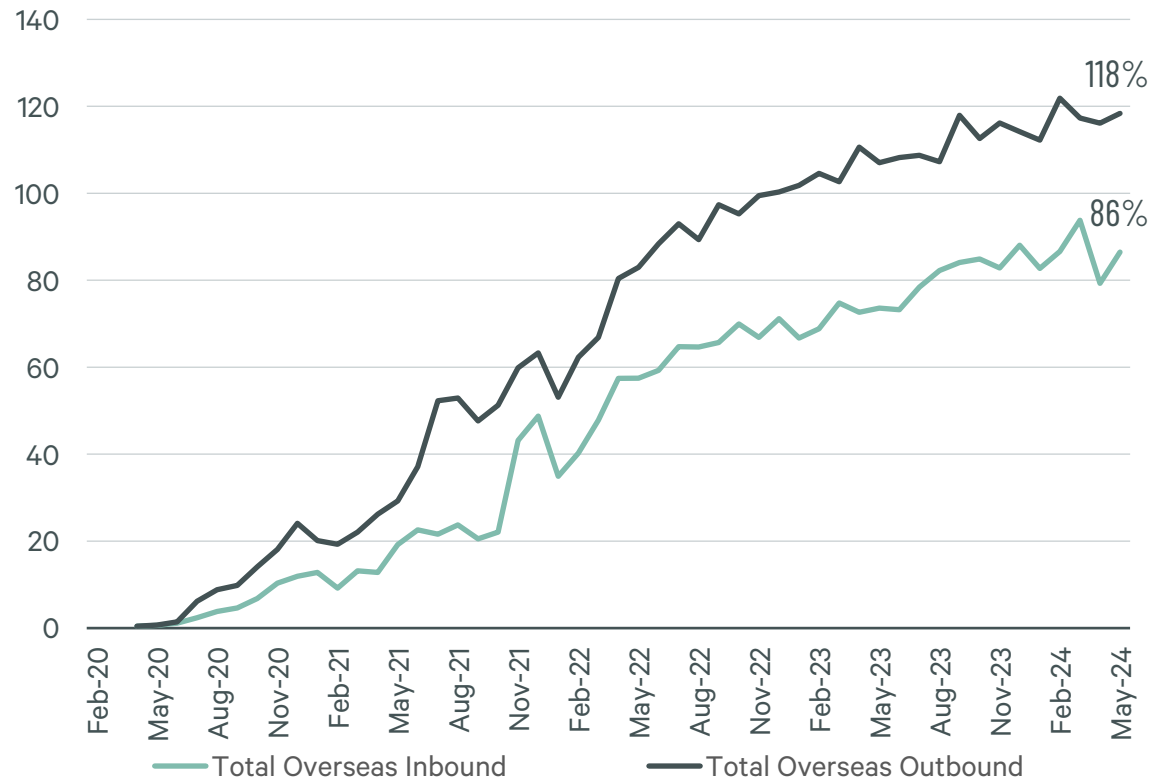
4

International
Travel

Inbound international travel is range bound but outbound continues to increase

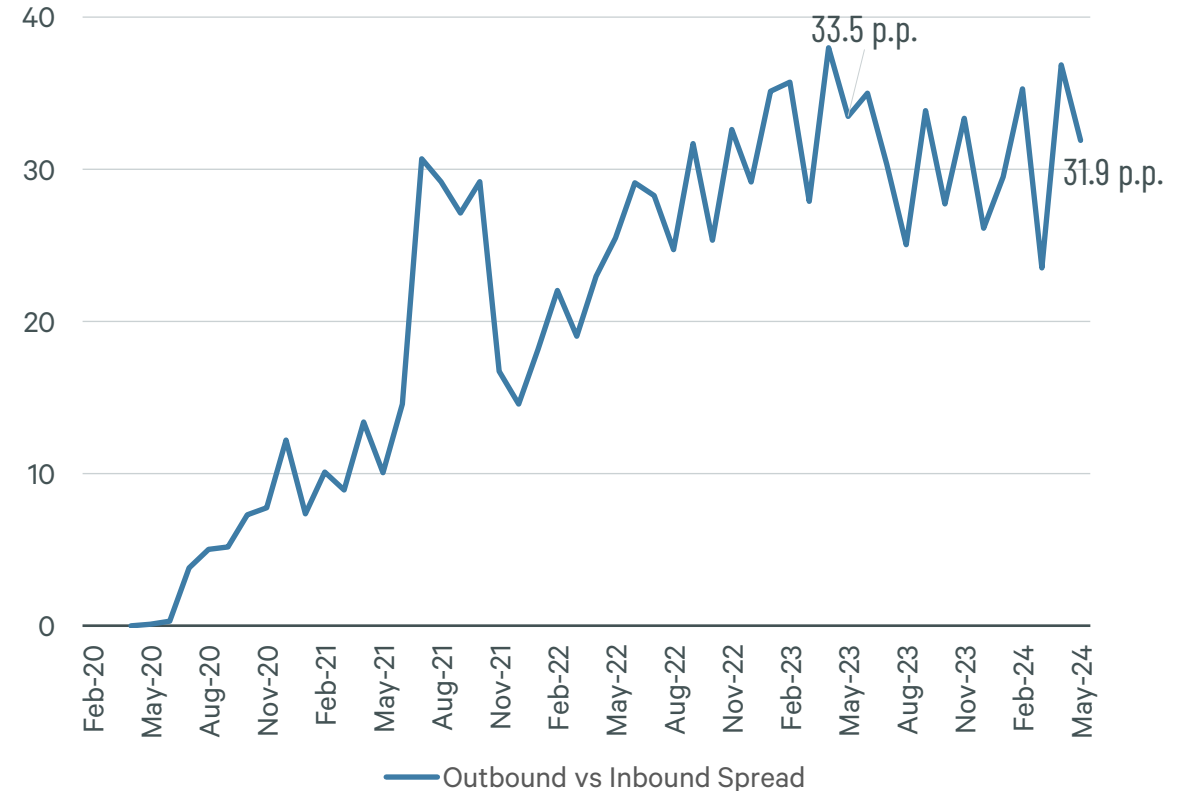
Inbound vs. Outbound International Travel

Percent of 2019 (%)



Spread between Inbound/Outbound International Travel Indexed to 2019

Spread (p.p.)

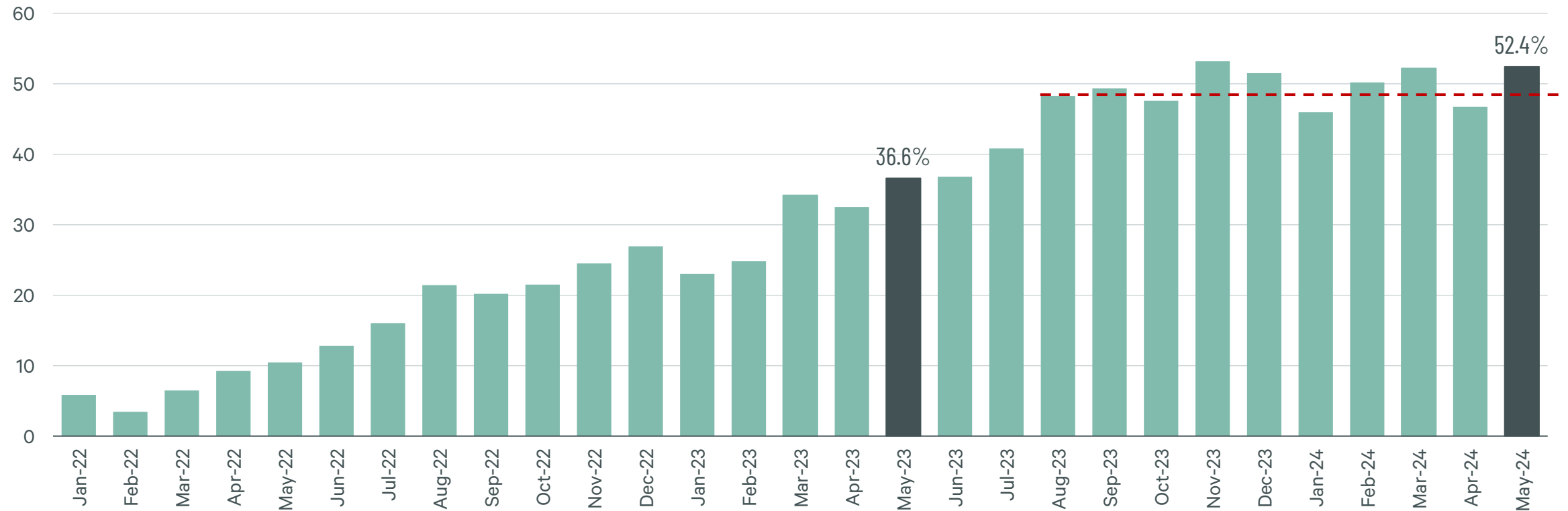


CBRE Hotels Research, NTTO, *excludes Mexico and Canada

Inbound visitation from Japan and China has stabilized at roughly 50% of 2019's levels

Inbound Arrivals from China & Japan as percent of 2019

Percent of 2019 (%)



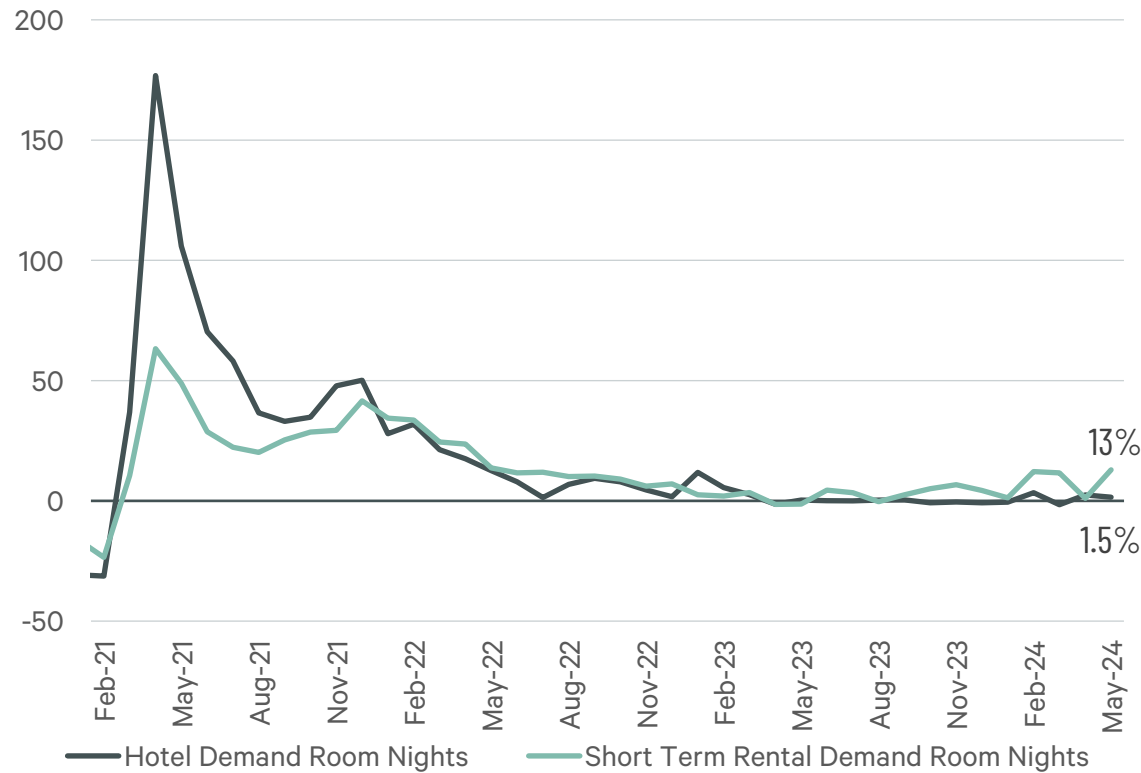
5

Short-term
Rentals

Despite demand increasing 1.5% y/y in May, STRs continued to take market share

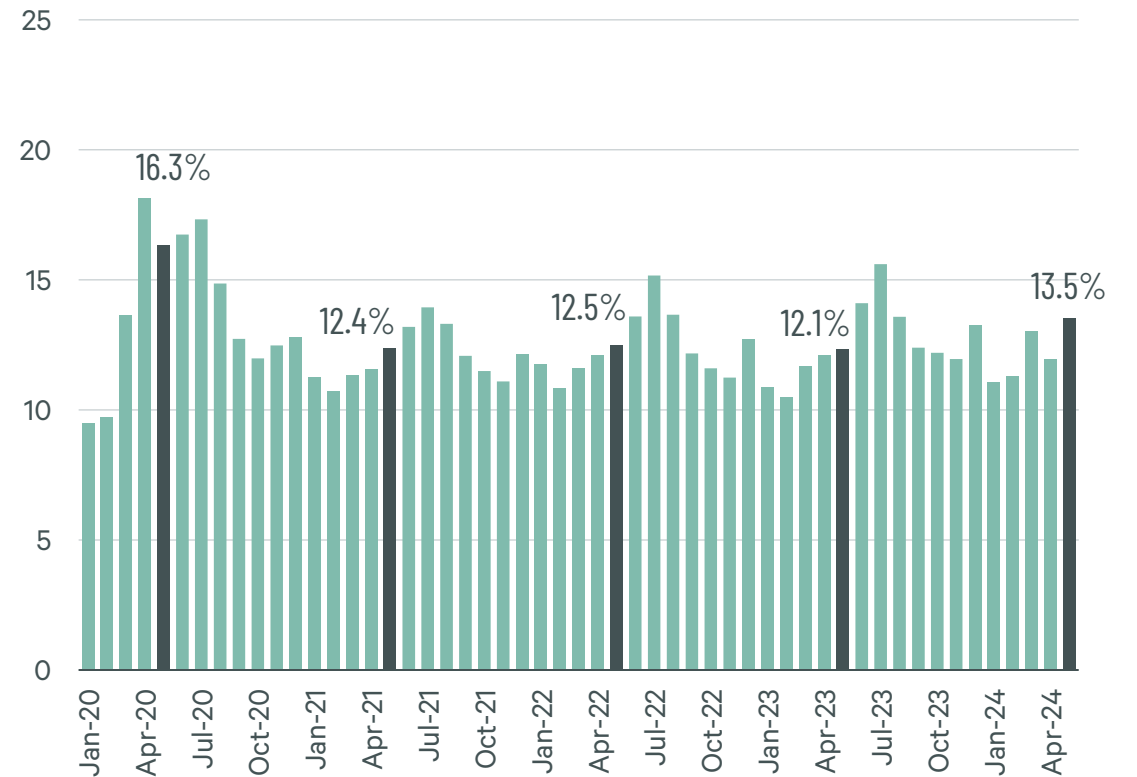
Hotels & STR Demand Change

Y-o-Y Change (%)



STR Demand as a Percent of Total Hotel and STR Demand

Percent of Total (%)

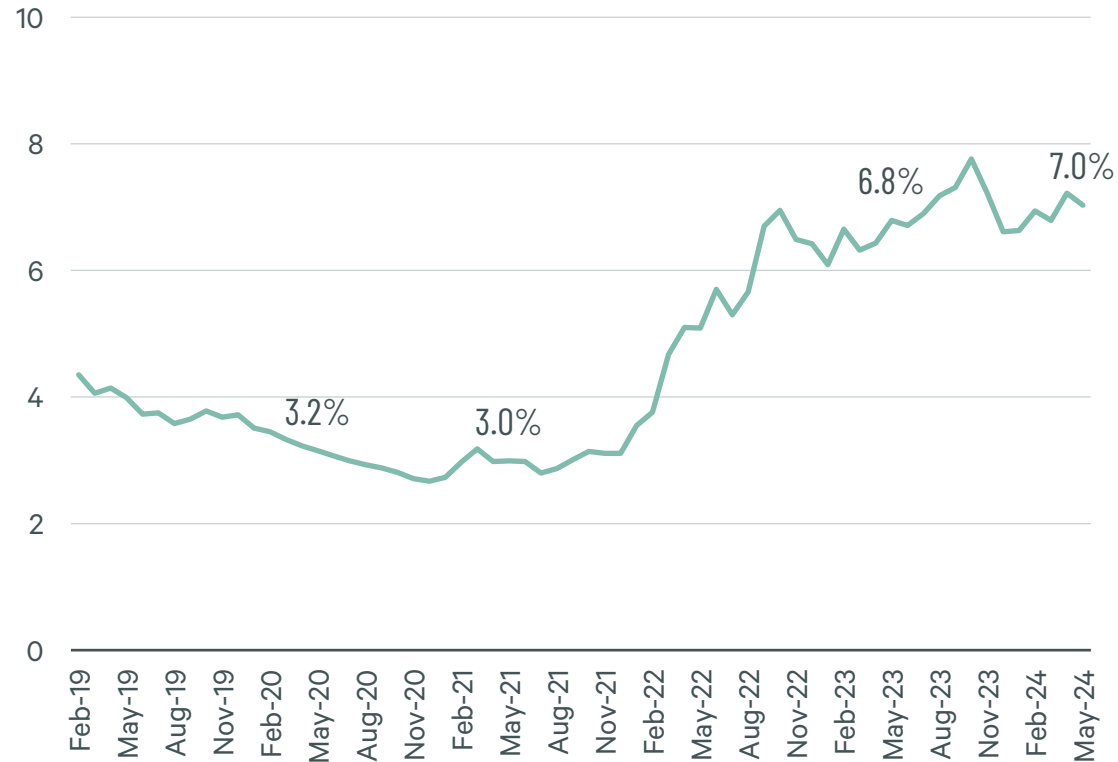


CBRE Hotels Research, Kalibri Labs, AirDNA (Includes VRBO & Airbnb)

Higher interest rates haven't slowed short-term rental supply growth

30 Year Fixed Mortgage Interest Rates

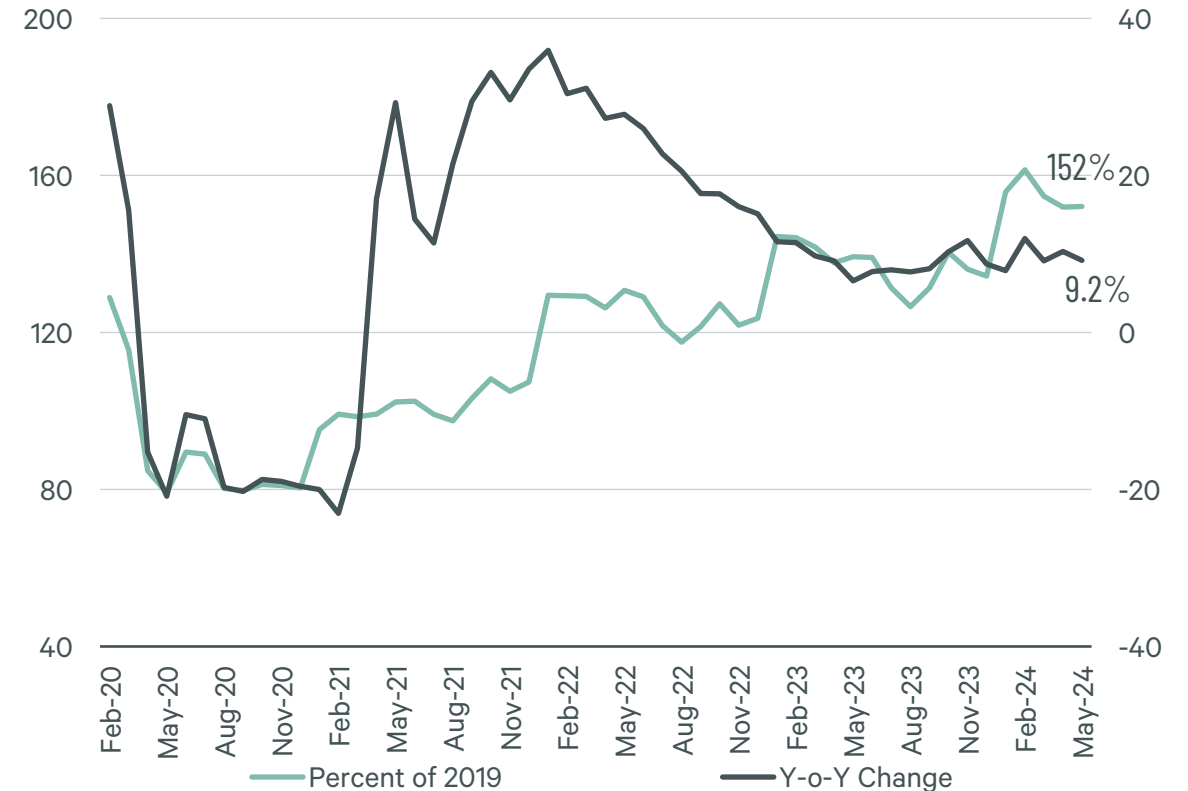
Interest Rate (%)



Short Term Rental Supply Change

Percent of 2019 (%)

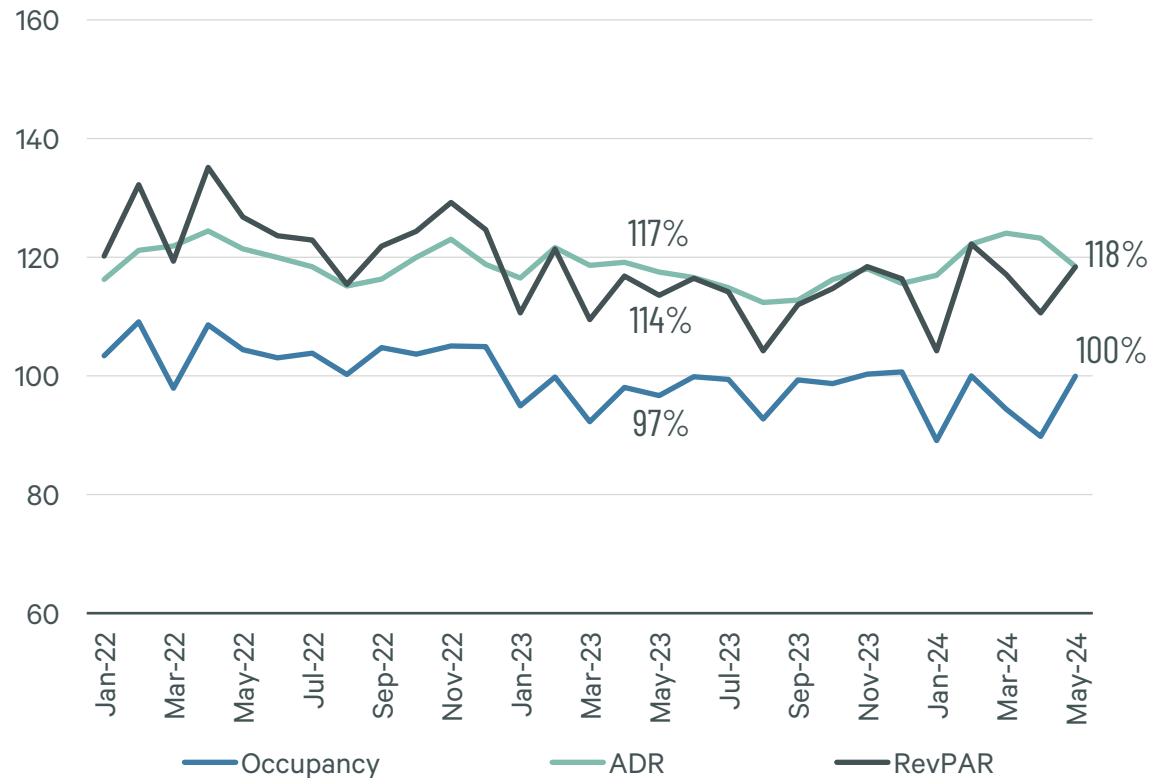
Y-o-Y Change (%)



Similar to hotels, short term rentals saw solid RevPAR growth in May

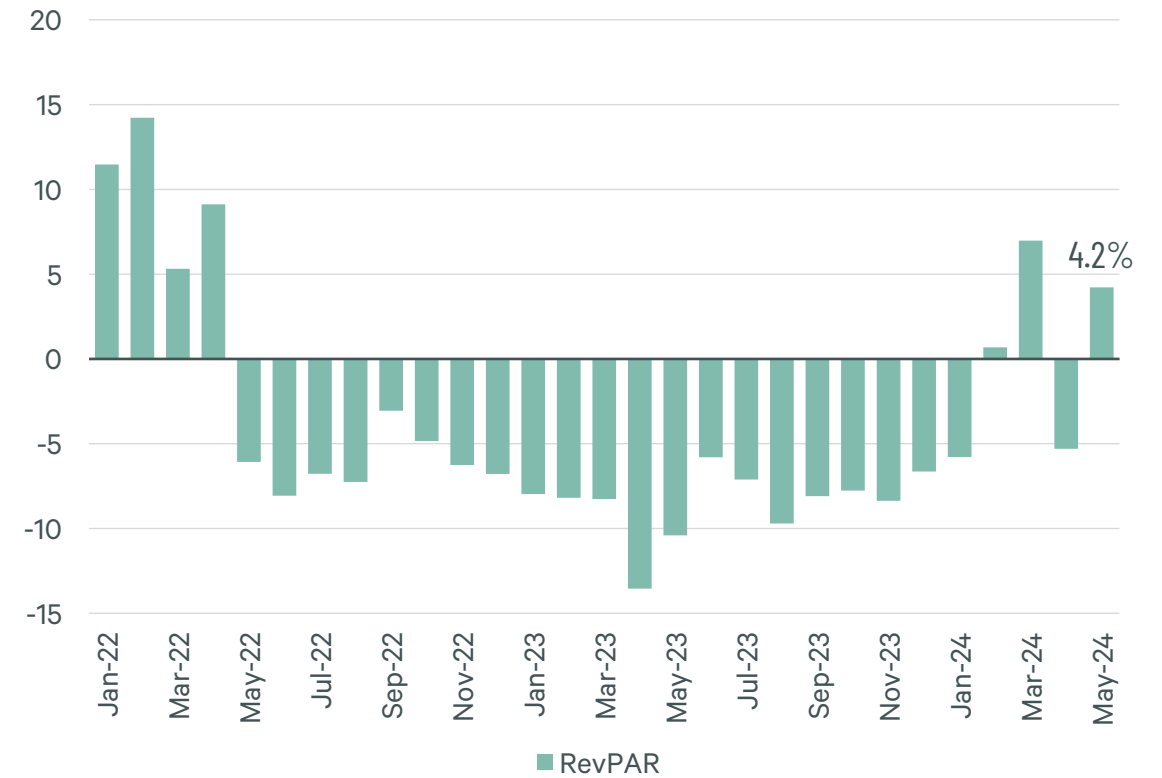
Short-Term Rental: Occupancy, ADR and RevPAR

Percent of 2019 (%)



Short-Term Rental: RevPAR Change

Y-o-Y Change (%)

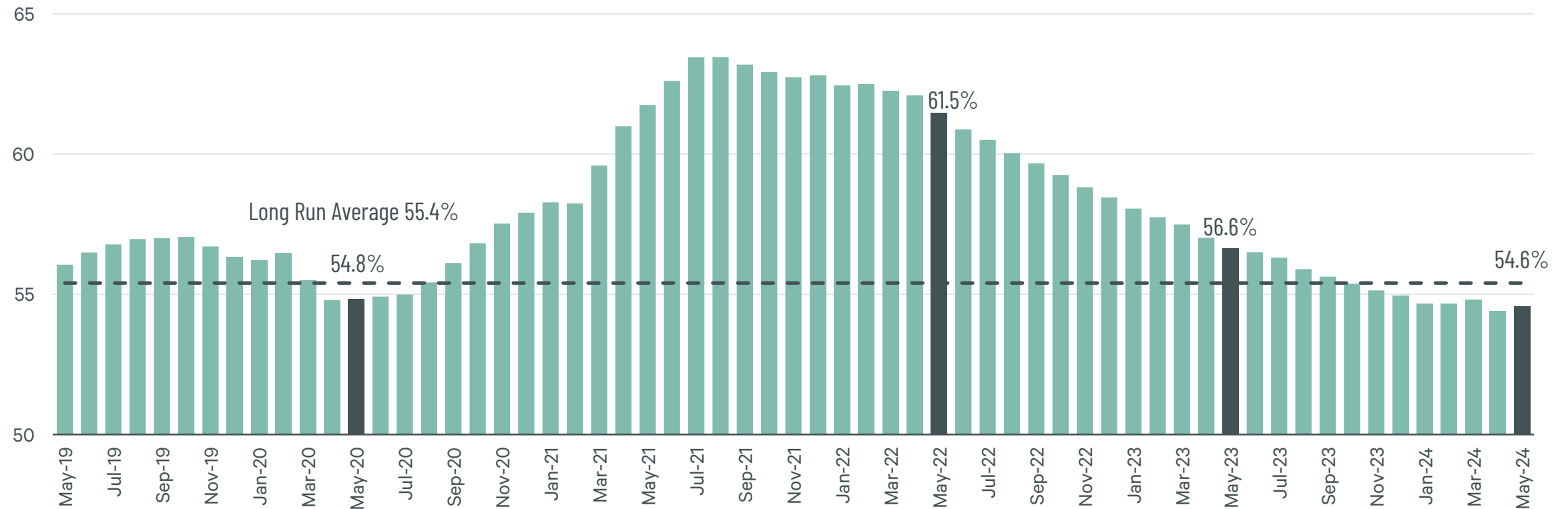


CBRE Hotels Research, Kalibri Labs, AirDNA * Includes VRBO & AirBNB

STR occupancies continue to decline and are just below pre-pandemic levels

Trailing Twelve Month Average U.S. STR Occupancy Levels

Occupancy (%)



6

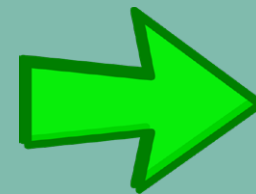
Addenda

Hotels Forecasts and Trends Data Analytics

The CBRE Hotels Research and Data Analytics information for Forecasts and Trends that were presented during this conference are confidential and proprietary, and you must be a member of our research data platform to access this information.

For a copy of the data, please contact Celeste Santangelo, Director of Client Engagement for CBRE Hotels Research at celeste.santangelo@cbre.com

**To Learn more about our Hotels Research
Tools and Services, please scan this QR Code!**



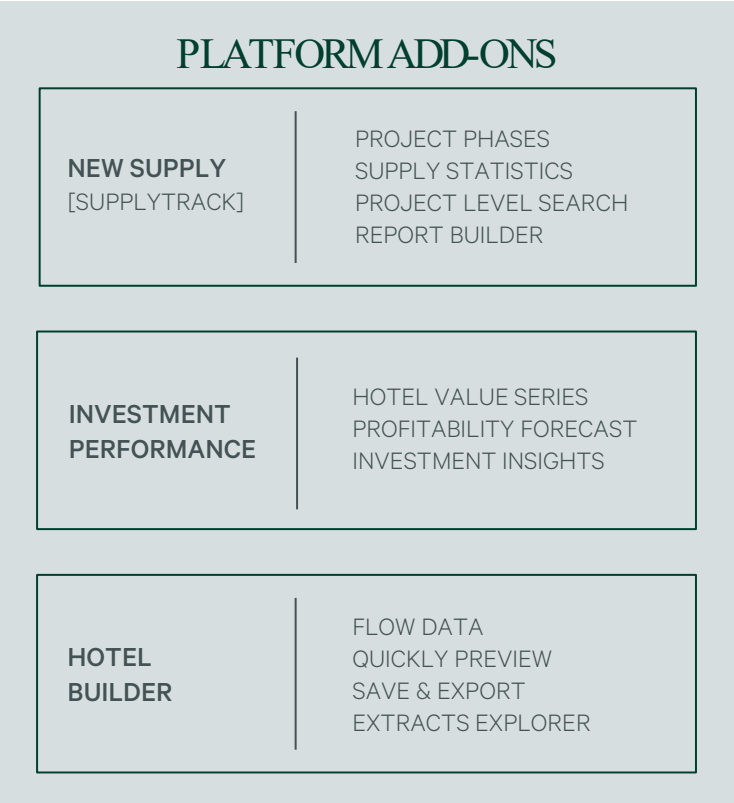
Hotels Research Platform & Data Products

CBRE Hotels Research specializes in analyzing and reporting on both the historical and future performance of the lodging industry.

Offering a variety of forecast and benchmarking reports, as well as maintaining extensive databases of hotel income statements and property values. These reports and data provide the foundation for strategic planning by all who have an interest in hotel property financial performance.



[Schedule a Platform Demo Today!](#)





CBRE Hotels

Advisory Capabilities

CBRE Hotels Advisory

Insight. Integration. Results.

Our industry leading advisors, consultants and valuers are specialized hospitality experts, covering every market across the globe and offering services for all clients and property types.

Market Demand & Financial
Feasibility Analysis

Real Estate Appraisals

Highest & Best Use Analysis

Capex ROI Analysis

Transaction Due Diligence

Financial Benchmarking

\$60.8B

U.S. Hotels Advisory
Assignments 2023

\$365M

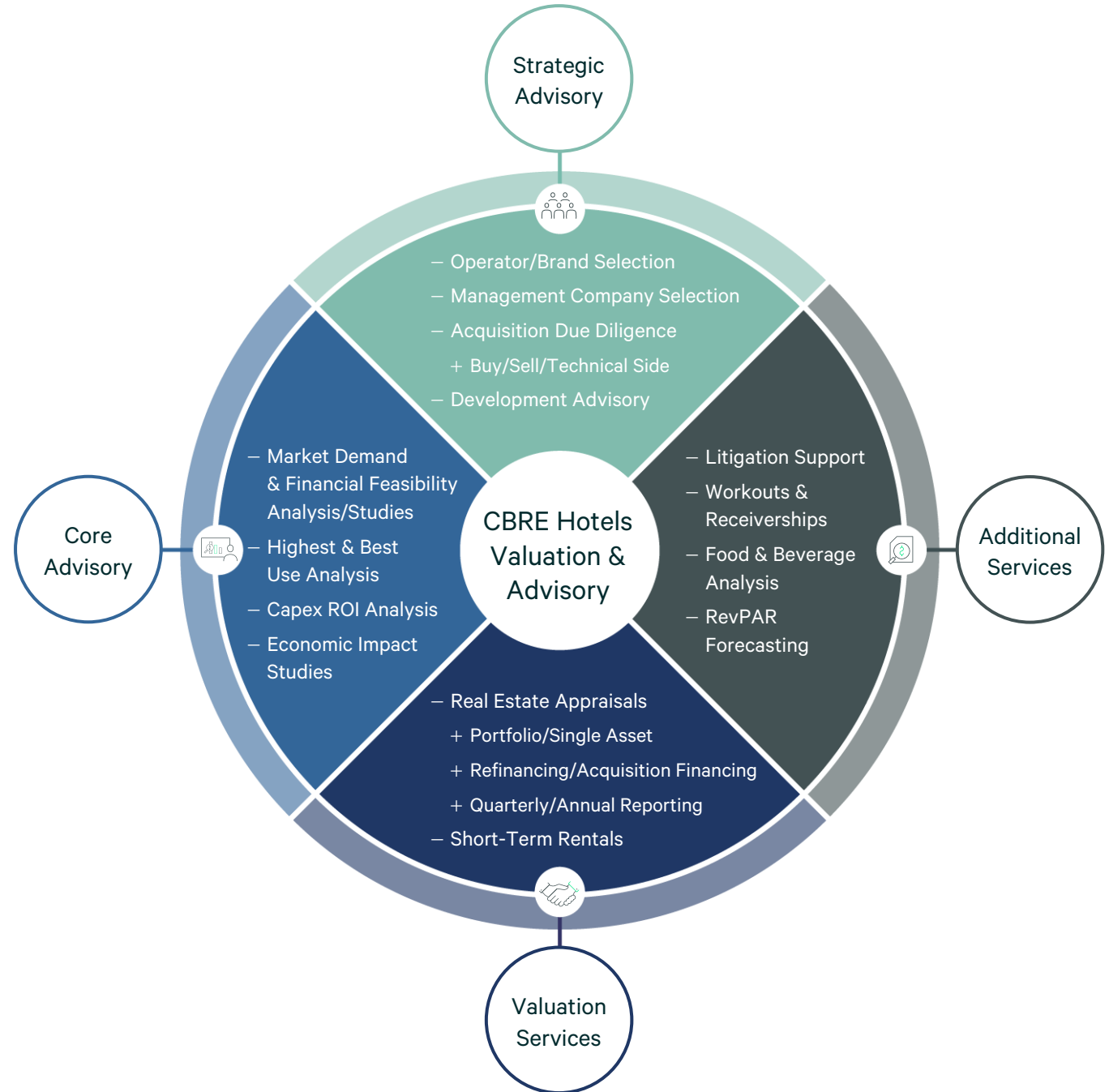
Largest Hotels Advisory
Assignment 2023

2,200+

Average Annual Hotels
Advisory Assignments

Intuitive services.

Our CBRE Hotels Valuation & Advisory Services protects and ensures your investment throughout its life cycle. Our multifaceted lens gives us a clear perspective of each asset to realize maximum value for our clients, whatever your ownership interest or financial investment position.



We see more.

From single assets to large-scale portfolios, our team guides clients across the full spectrum, drawing on our extensive experience as developers, asset managers, advisors, owners, operators, buyers, sellers, lenders, and franchisors of hospitality properties.



Core Advisory

- Market Demand & Financial Feasibility Analysis/Studies (new & existing)
- Highest & Best Use Analysis
- Capex ROI Analysis
- Economic Impact Studies
- Benchmarking
- Business Interruption Service
- TOT Forecasting (Transient Occupancy Tax)



Strategic Advisory

- Operator/Brand Selection
- Management Company Selection
- Acquisition Due Diligence
 - Buy Side
 - Sell Side
 - Technical Side
- Debt Advisory
- Operational Reviews
- Development Advisory
- Financial Benchmarking



Valuation Services

- Real Estate Appraisals
 - Portfolio/Single Asset
 - Refinancing/Acquisition Financing
 - Partnership Buyouts
 - Property Tax Appeals
 - Estate Purposes
 - Quarterly/Annual Reporting
- Impairment Testing
- Lodging Tax Forecasting
- Short-Term Rentals



Additional Services

- Litigation Support
- Workouts/Receiverships
- Stress Tests
- Branding, Re-Branding & Marketing
- Food & Beverage Analysis
- Occupancy Forecasting
- RevPAR Forecasting

Valuations — Experience that drives value.

Our hotel professionals provide an array of valuation services in our internationally recognized platform, with strong quality control and high-level format oversight. We offer market-leading capabilities and the national infrastructure to handle the largest portfolio valuations, with consistent methodology and reporting formats across all markets.

CBRE is unmatched in access to asset and market intelligence. Our hotels valuation professionals have access to a national database containing thousands of annually updated hotel financial statements, confirmed sales transactions, plus other hotel market information.

Valuation Services

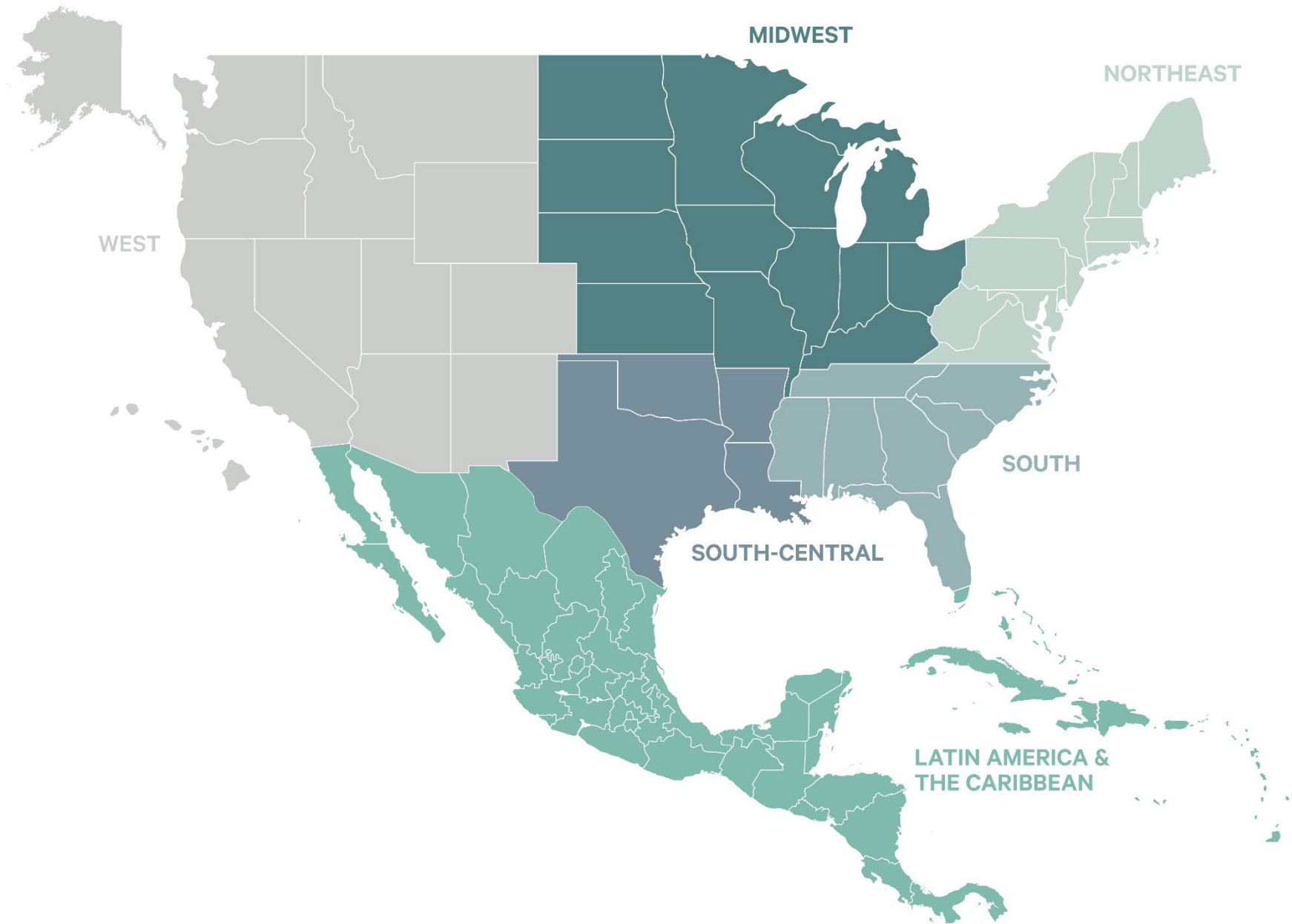
- Appraisals
 - Real Estate Appraisals
 - Business Valuations
- Stress Tests
- Impairment Testing
- Business Interruption Forecasting
- Liquidity Assessment
- Litigation Support
- RevPAR Forecasting
- Lodging Tax Forecasting

Property Types

- Hotels (all chain scales)
- Resorts
- Casinos
- Mixed-Use Projects
- Proposed Developments
- Convention Centers
- Sports & Entertainment Venues
- Golf & Leisure

Covering every market.

Our Valuation & Advisory professionals are strategically located, with full coverage in all North American markets including Latin America and the Caribbean.



Thank you

CBRE



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Northeast Division Leader
CBRE Hotels Advisory

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