

U.S. Hotels State of the Union



Key Takeaways



Outlook

CBRE raised RevPAR growth in 2023 from 5.6% to 5.8%.

RevPAR growth will be fueled primarily by a 4.2% increase in ADR and a 1.6% increase in occupancy.

[Slides 51-53]

Employment remains strong.

Unemployment remained steady at 3.7% in November and is expected to increase further in 2023.

[Slides 9-12]

CBRE expects higher and more persistent inflation.

Inflation is expected to remain above the long-run average of 2.8% through 2024.

[Slides 14,15]



Current Trends

RevPAR fell slightly as a percentage of 2019 in October.

Most chain scales and location types experienced a slight pullback from post-pandemic highs as a percentage of 2019.

[Slides 17-21]

Search trends softened in November.

Google searches for future business and leisure travel pulled back in November. TSA throughput pulled back slightly.

[Slides 23, 26, 27]

Transaction pricing remains stable.

Transaction price per key for limited-service and full-service remained relatively stable despite increasing interest rates.

[Slides 49]



Food for Thought

The personal savings rate is near historic lows.

As consumer credit card balances continue to climb, the personal savings rate is 2.3%.

[Slides 6, 24]

Profit increases are mitigating the rise in interest rates.

Credit spreads have widened since before the pandemic from 240 bps to 386 bps, on average, while GOP margins are mostly exceeding 2019.

[Slides 48]

International travel continues to drive growth.

The mid-October reopening of Japan and continued easing of travel restrictions in China should fuel growth in 2023.

[Slides 32-35]

Table of Contents



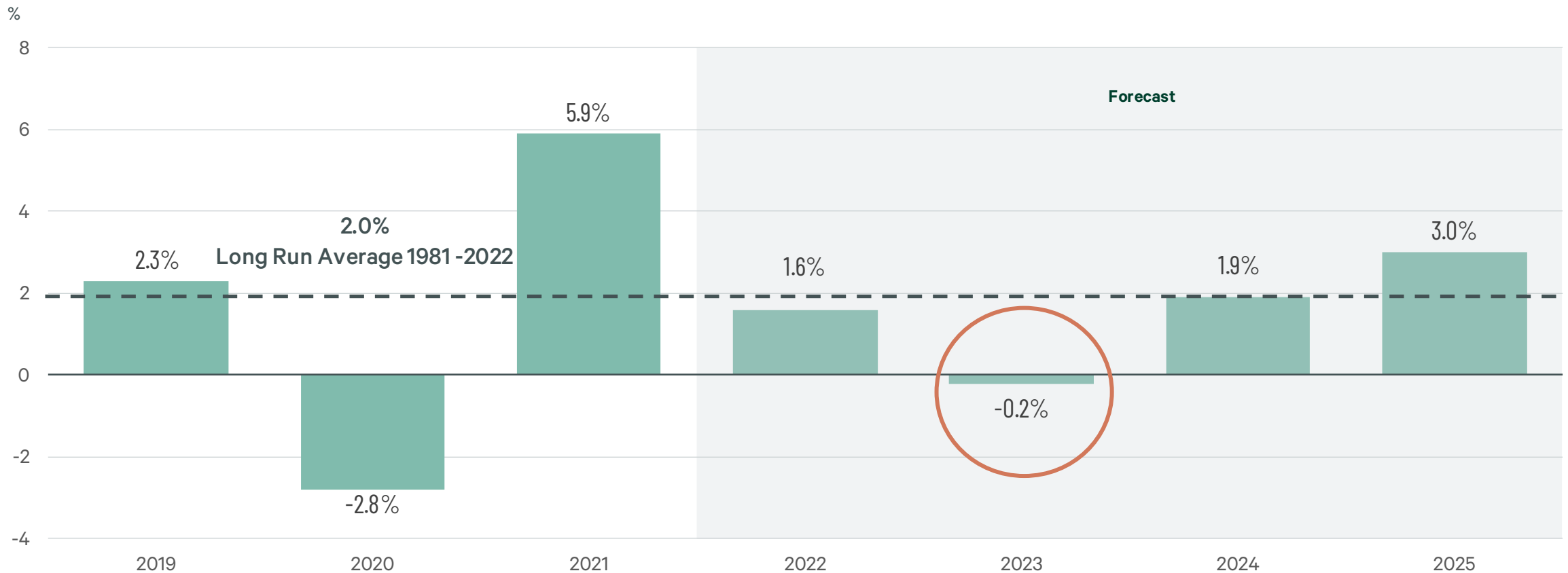
1	The Economy
2	Labor
3	Inflation
4	Monthly Data
5	Current Trends
6	Office Update
7	International Travel
8	Operating Performance
9	Supply Inputs
10	Capital Markets
11	Forecasts

1

The
Economy

CBRE EA forecasts below-average GDP growth through 2024

Real GDP Growth (annual averages) - House View

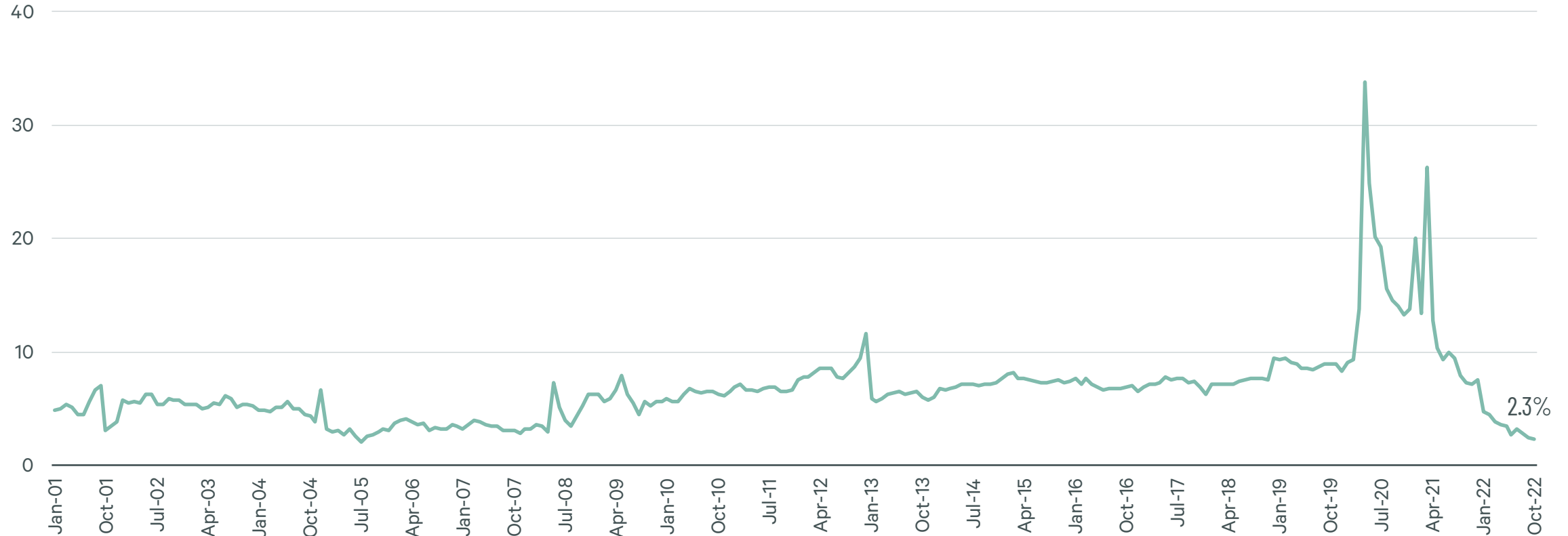


CBRE Hotels Research, CBRE EA, BEA, Forecasts as of November 16, 2022

Personal savings rate is near historic lows at 2.3%

Personal Savings Rate

Rate (%)

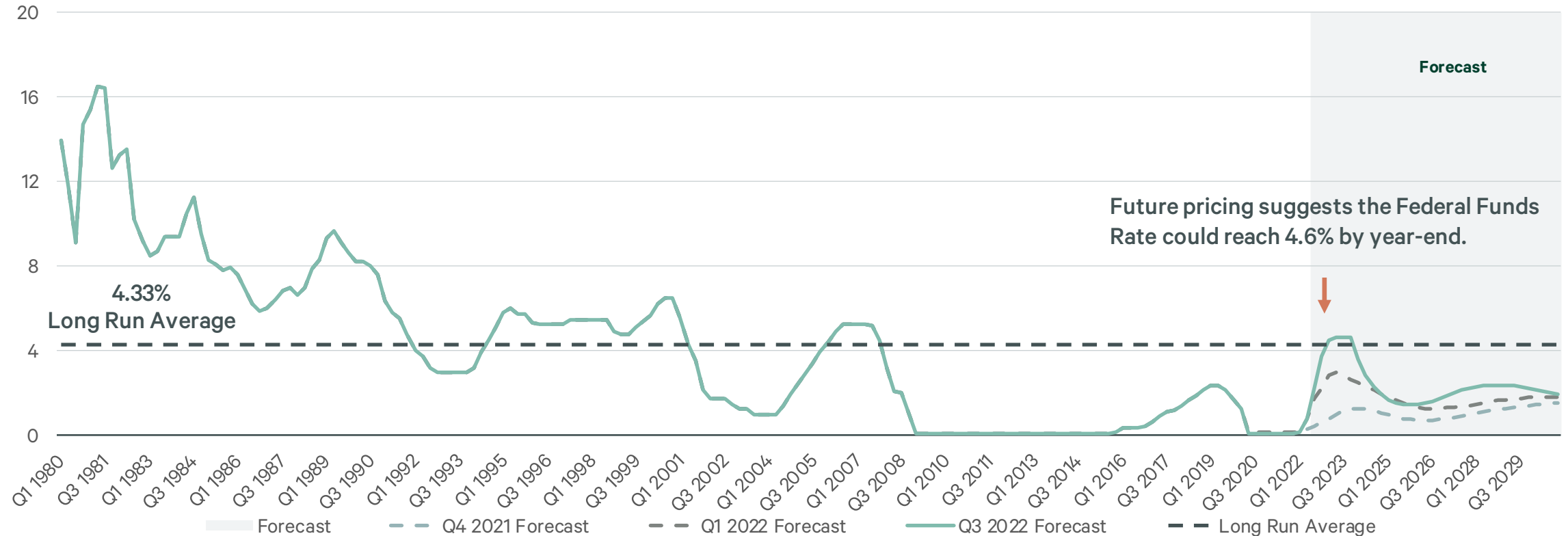


CBRE Hotels Research, BEA, Federal Reserve

Interest rates are forecast to reach long-run average by early 2023

CBRE EA's Federal Funds Rate Forecast

Interest Rate (%)



Future pricing suggests the Federal Funds Rate could reach 4.6% by year-end.

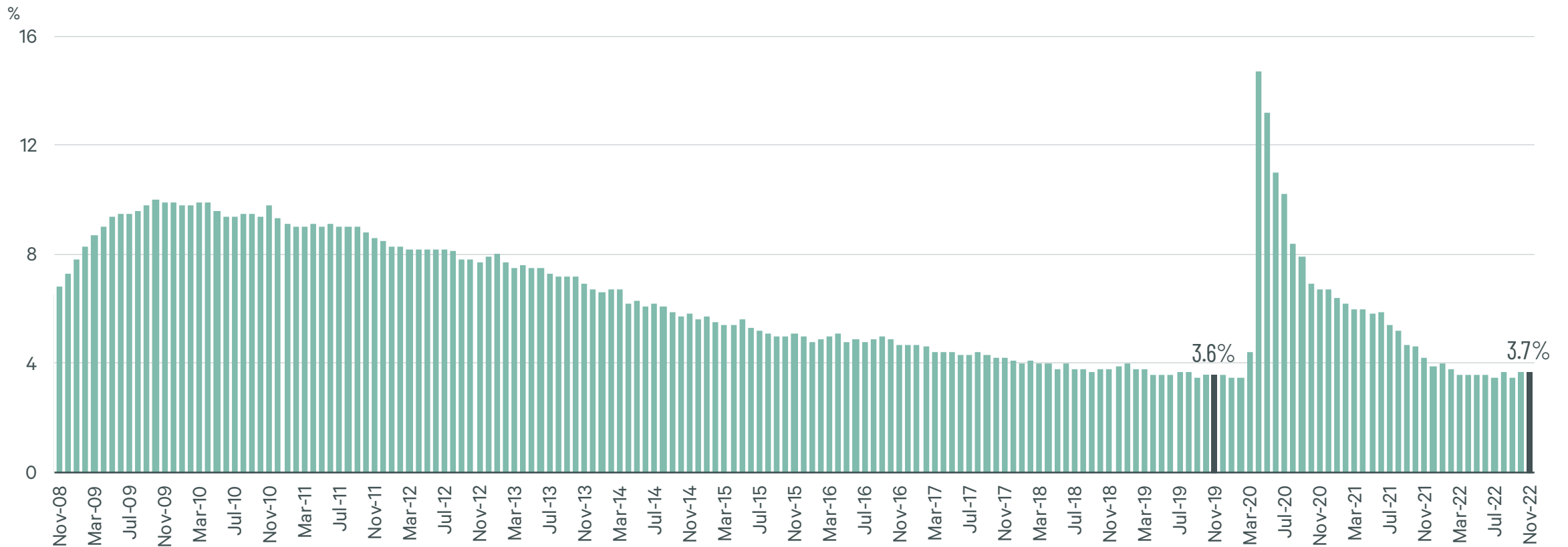
CBRE Research, CBRE EA, Forecasts as of November 16, 2022

2

Labor

Unemployment held steady in November and is expected to continue to rise in 2023

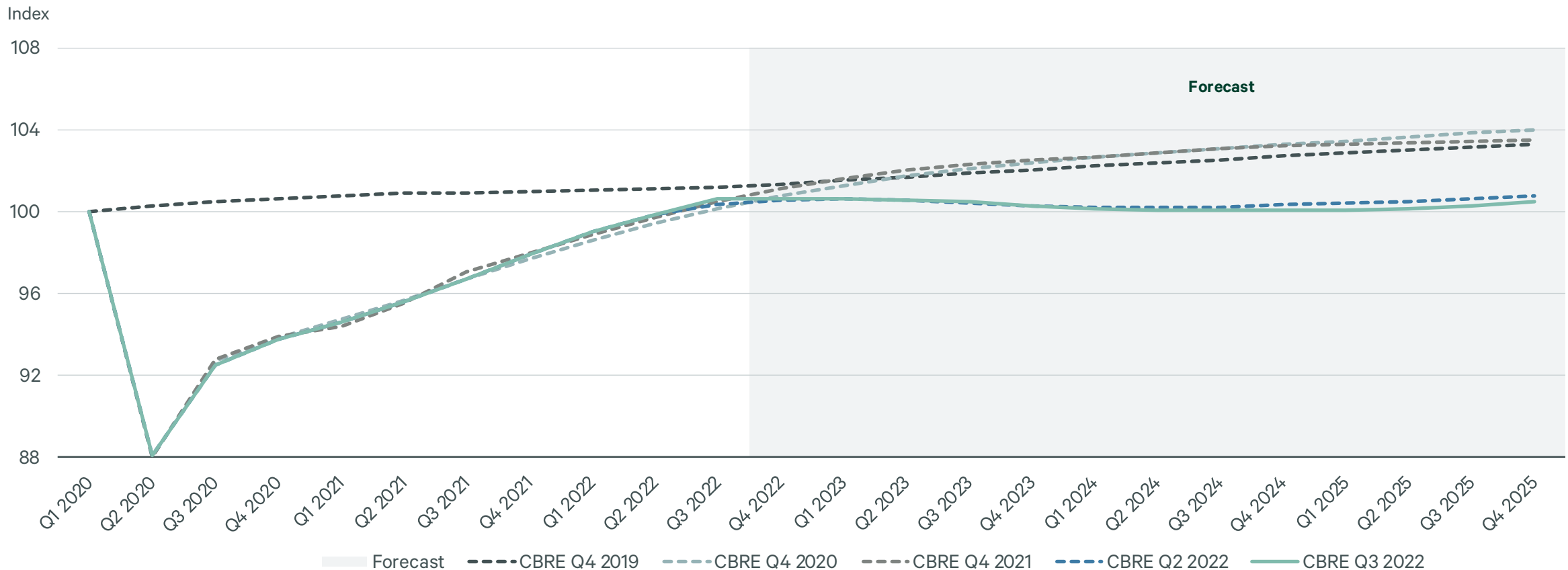
Monthly Unemployment Rate Nov. 2008 – Nov. 2022



CBRE Hotels Research, CBRE EA, BLS

Employment is above pre-pandemic levels, but growth projections are modest

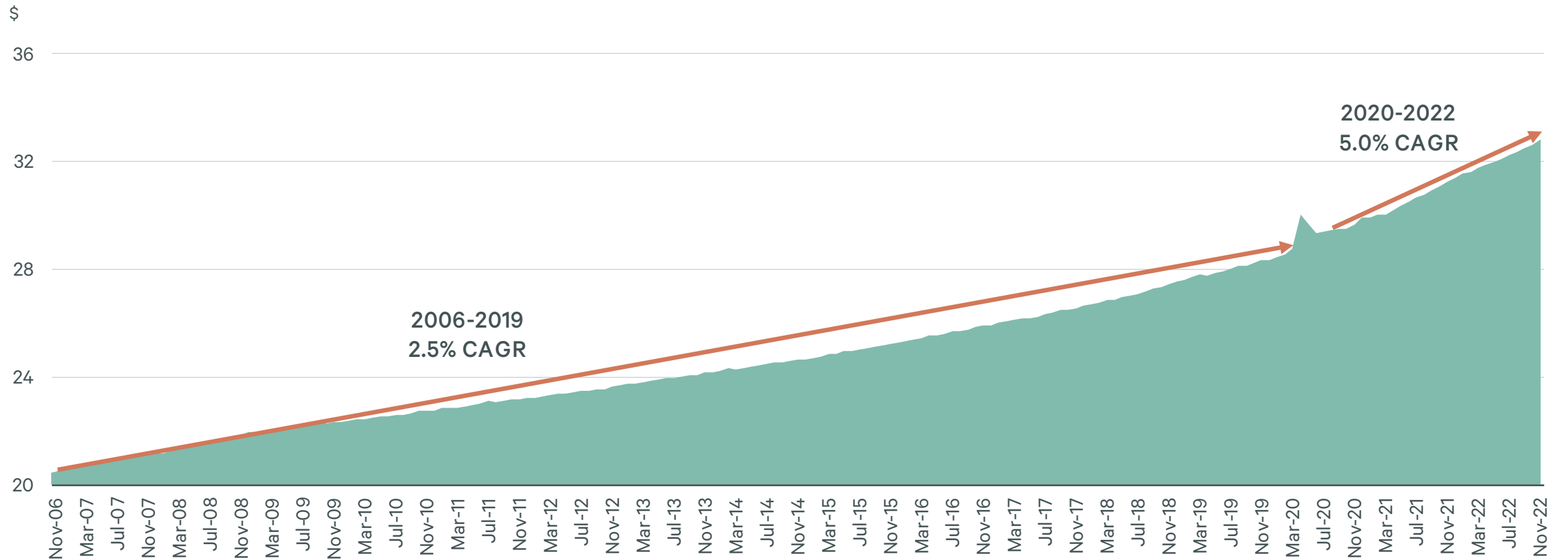
Total Employment Levels Indexed to Q1 2020



CBRE Hotels Research, CBRE EA, BLS, Forecasts as of November 16, 2022

U.S. average wage growth has doubled since before the pandemic

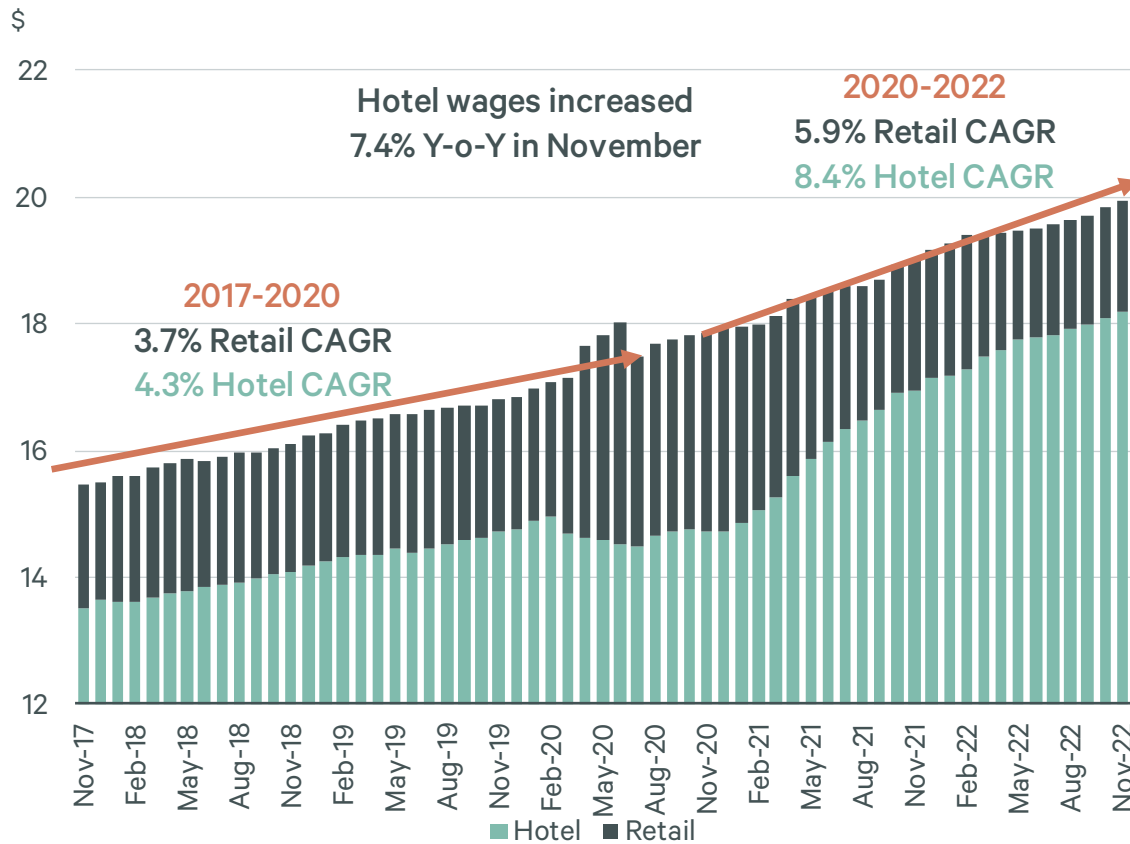
Average U.S. Hourly Wages



CBRE Hotels Research, CBRE EA, BLS

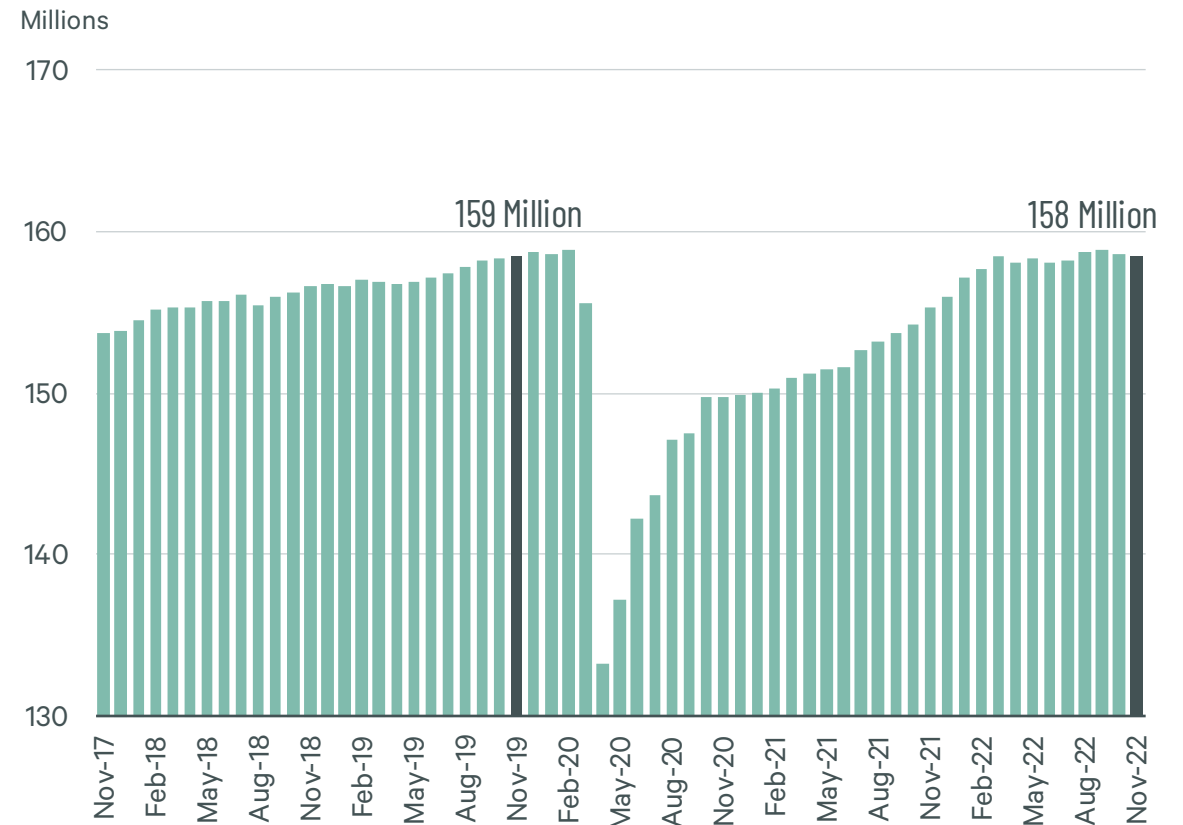
Higher wages and full employment are topline positives but margin headwinds

U.S. Avg. Hourly Hotel Wages vs. U.S. Avg. Hourly Retail Wages



CBRE Hotels Research, CBRE EA, BLS

Total U.S. Employment



CBRE Hotels Research, CBRE EA, BLS

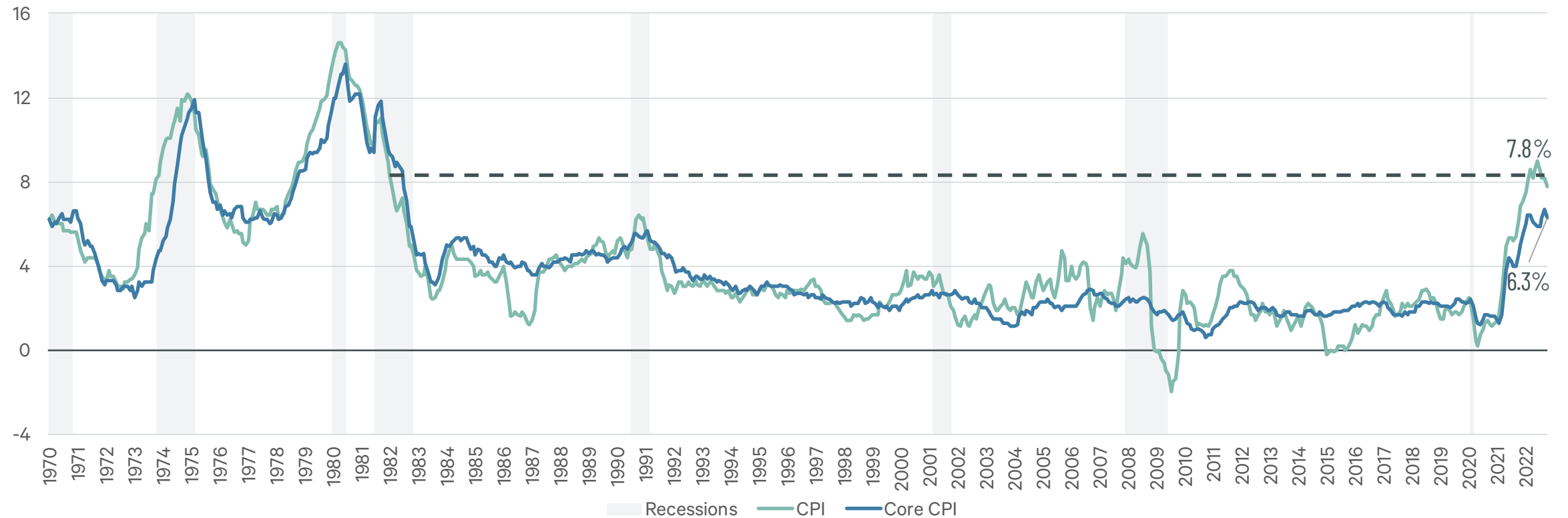
3

Inflation

U.S. inflation remains near 40-year high, but has pulled back slightly

National CPI vs. Core CPI Growth

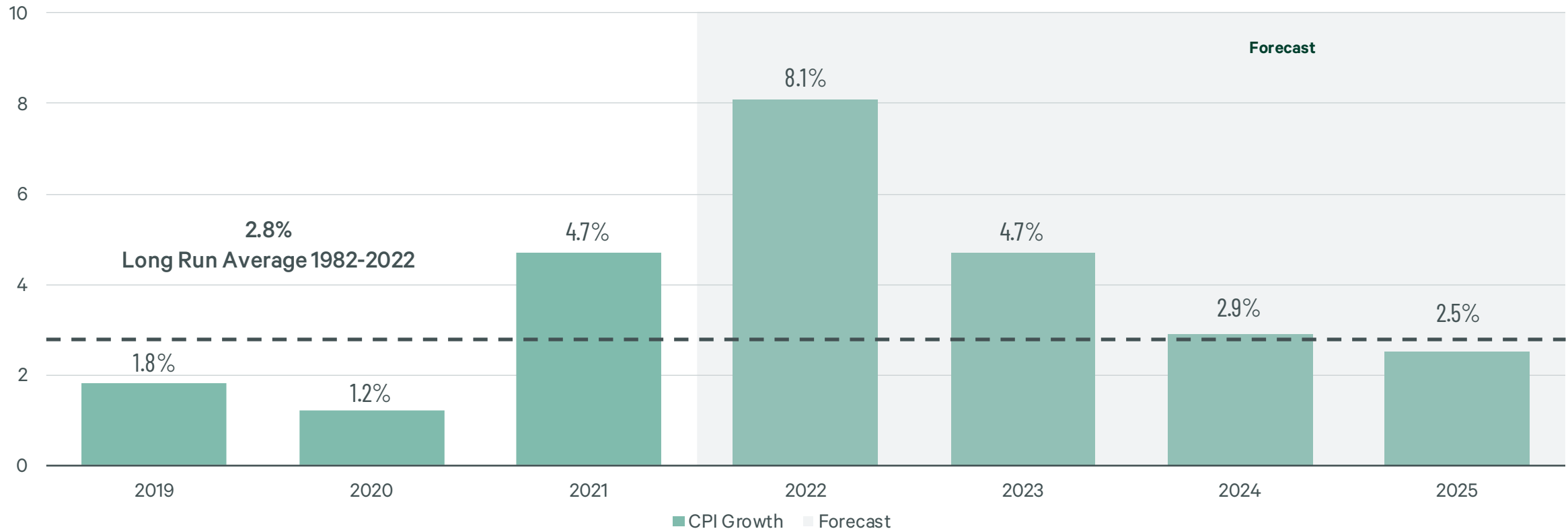
Y-o-Y Change(%)



Inflation is expected to remain elevated at least through 2023

Forecasted Annual Consumer Price Index Growth

Y-o-Y Change(%)



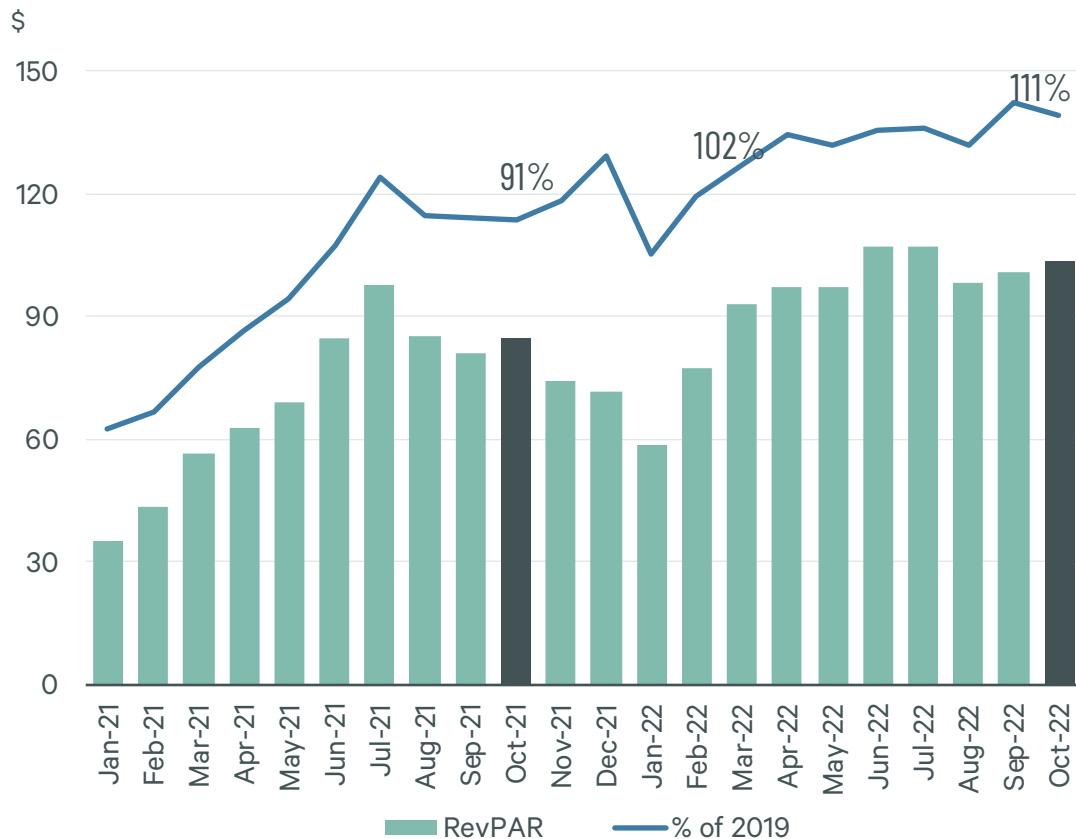
CBRE EA, CBRE Research, BLS, Forecasts as of November 16, 2022

4

Monthly Data

National RevPAR has exceeded 2019's levels since March

2021 and 2022 Monthly RevPAR Levels With a Comparison to 2019

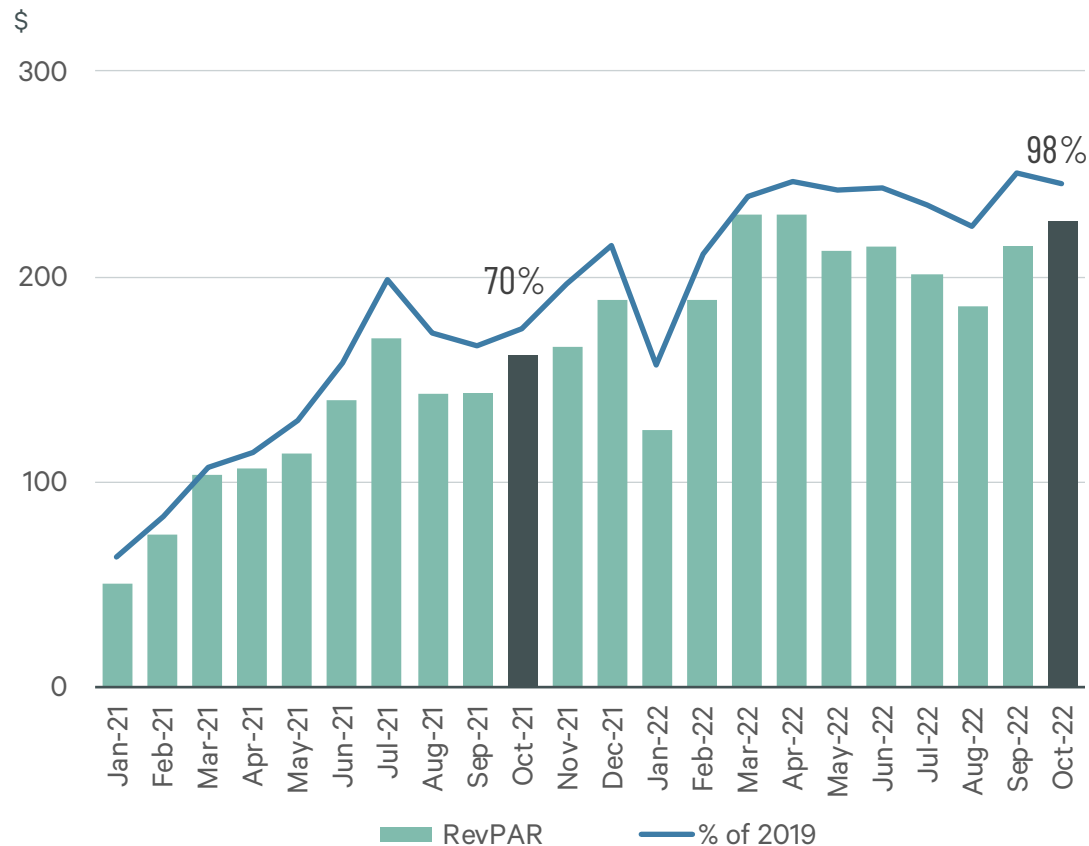


RevPAR Indexed to 2019 by Resort and Urban Location Type

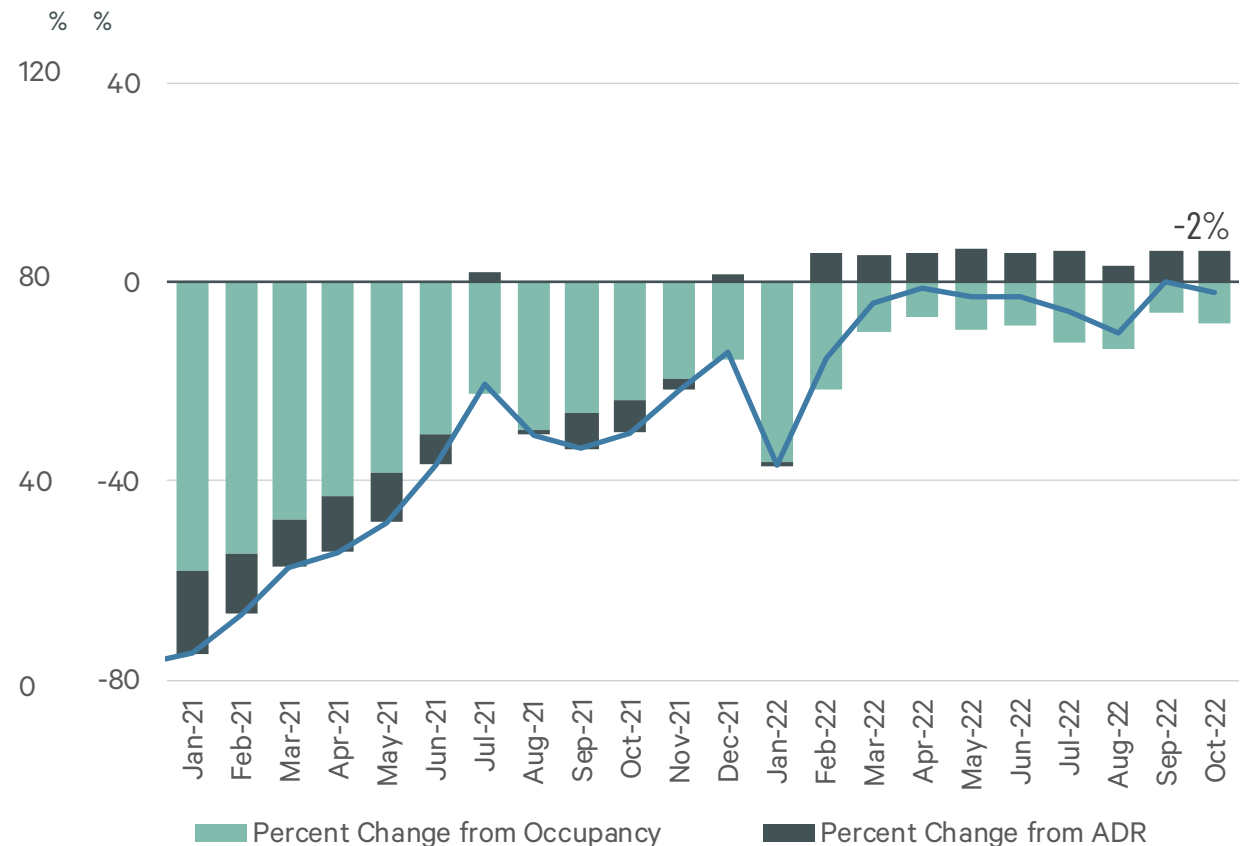


Luxury RevPAR fell slightly below 100% of 2019 levels in October

Luxury RevPAR Relative to 2019

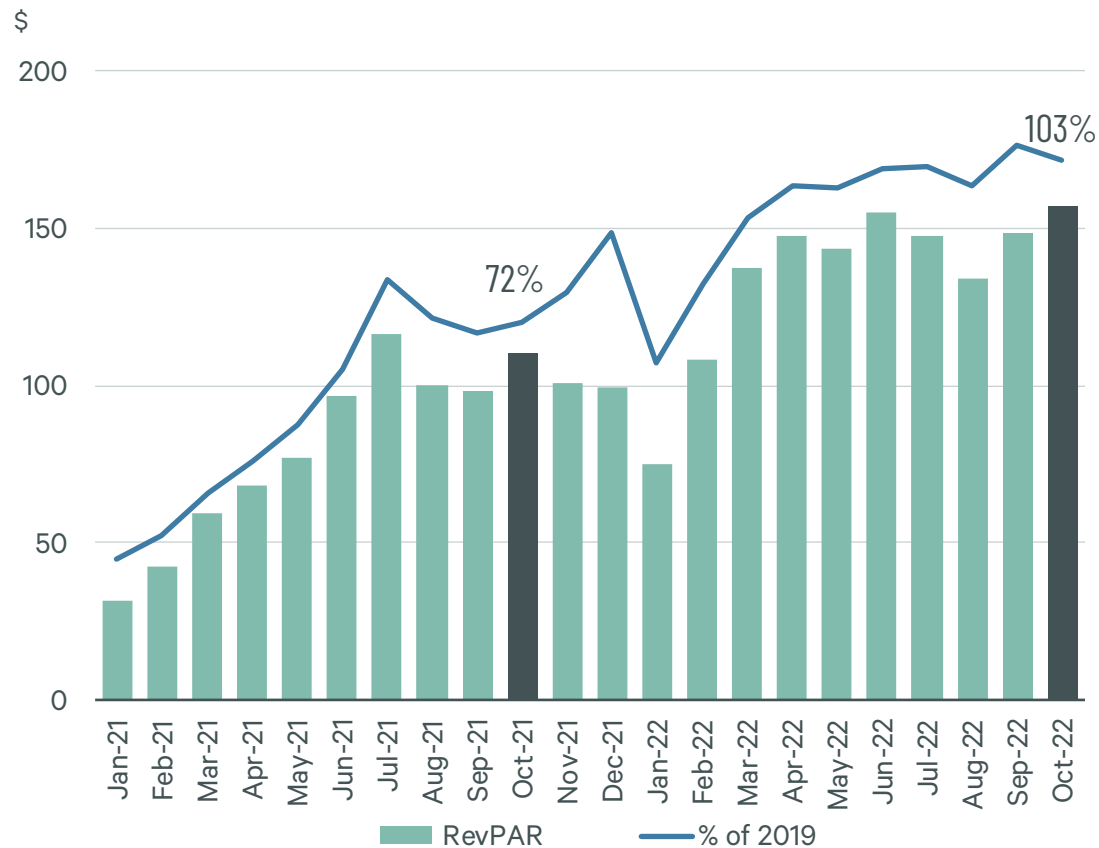


Luxury RevPAR Growth Decomposition

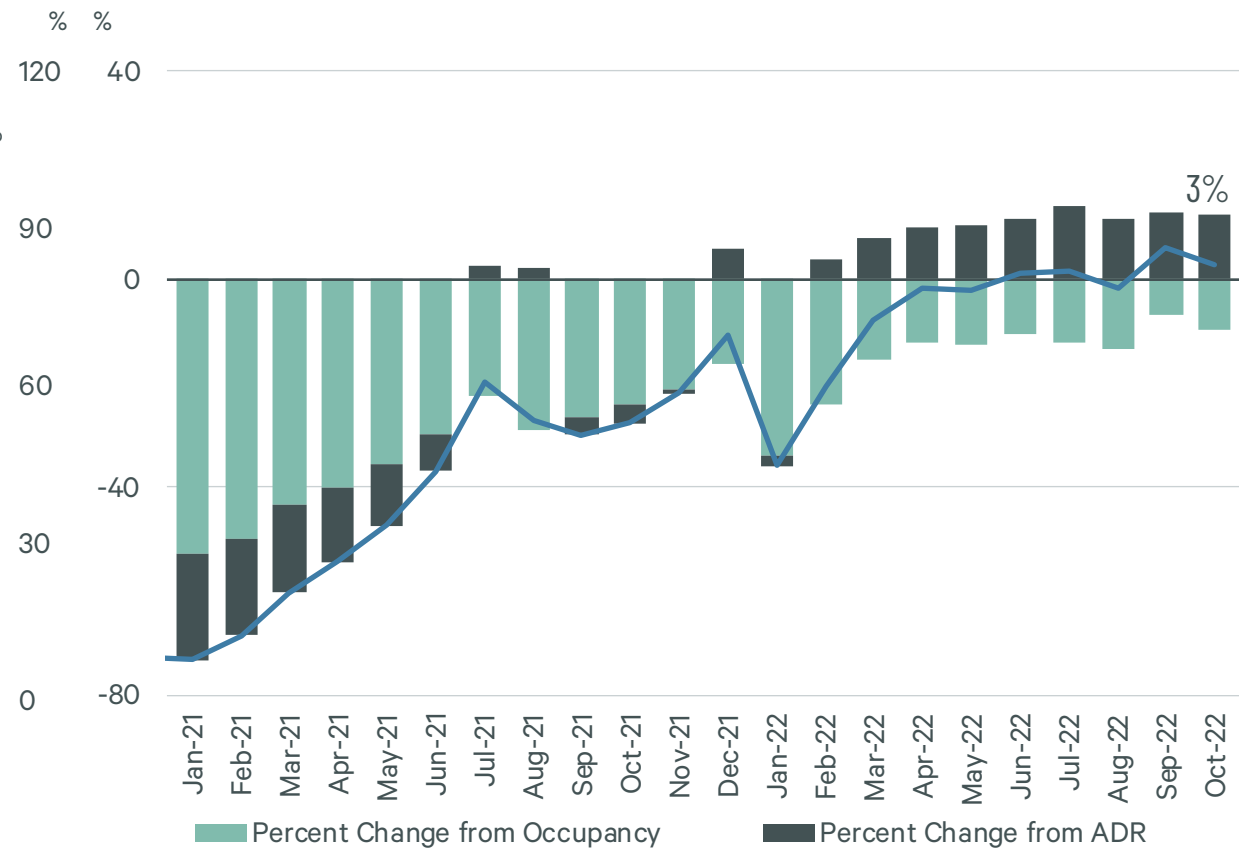


Upper-upscale RevPAR fell slightly but remained above 2019 levels in October

Upper-Upscale RevPAR Relative to 2019

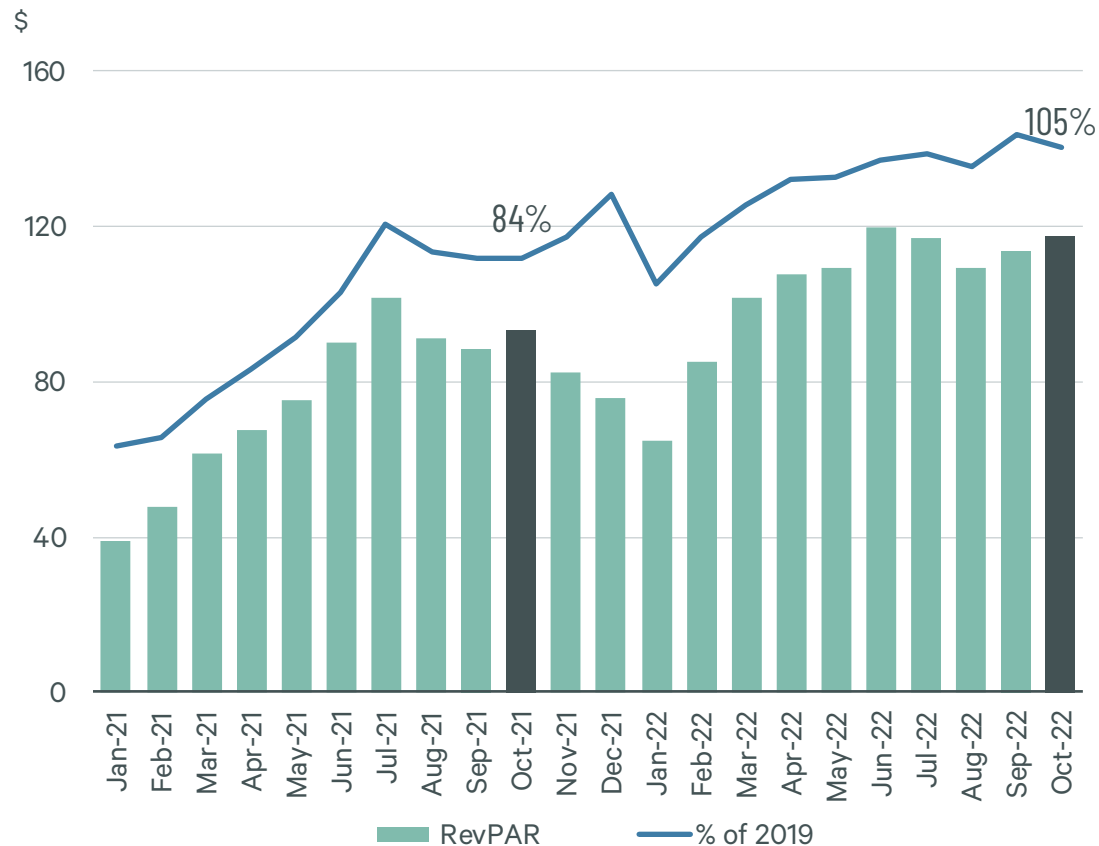


Upper-Upscale RevPAR Growth Decomposition

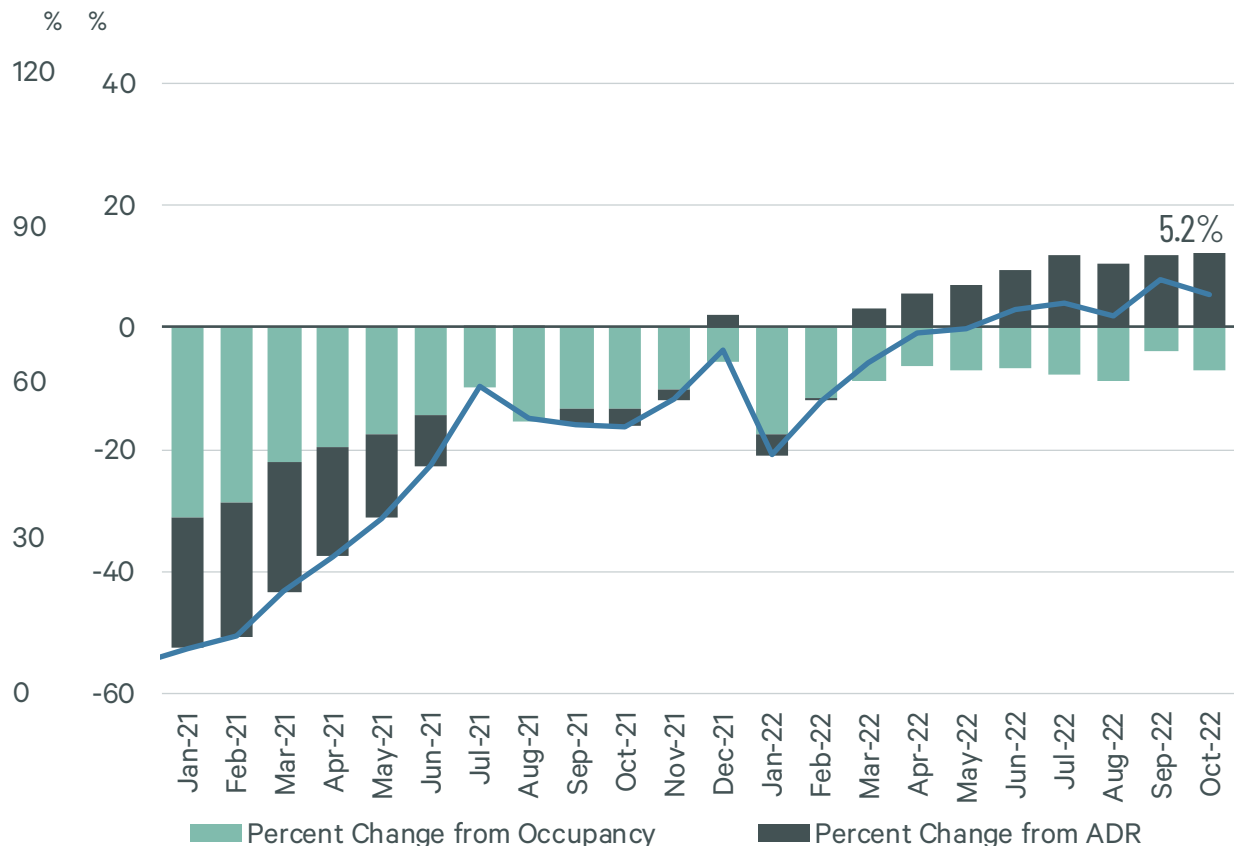


Upscale RevPAR fell slightly but remained above 2019 levels in October

Upscale RevPAR Relative to 2019

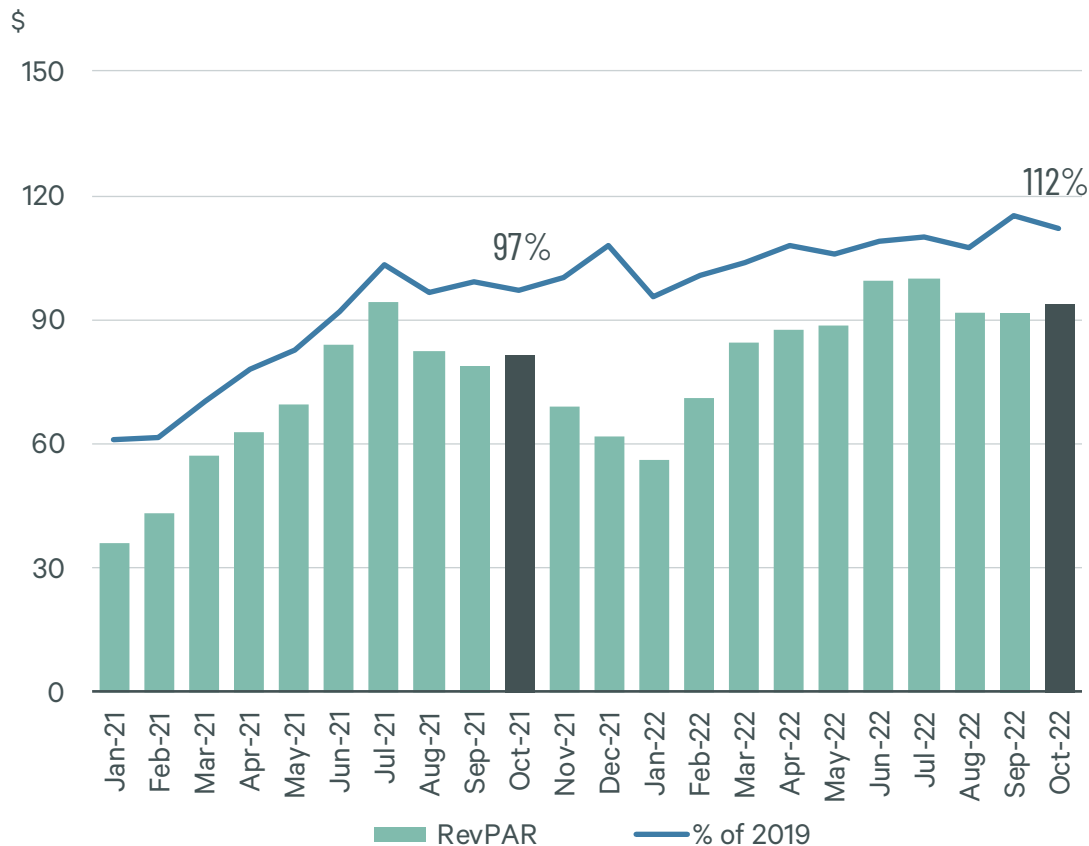


Upscale RevPAR Growth Decomposition

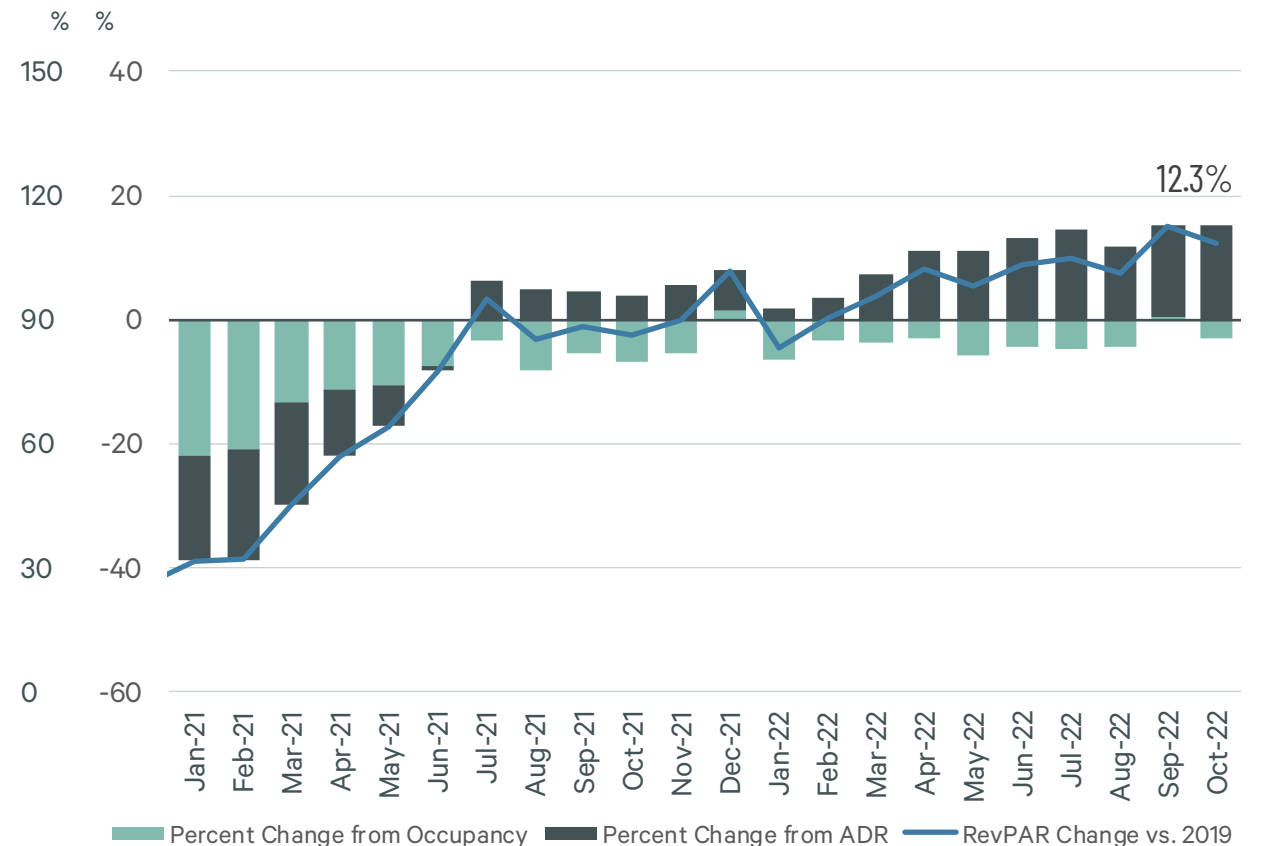


Upper-midscale RevPAR fell slightly but remained above 2019 levels in October

Upper-Midscale RevPAR Relative to 2019



Upper-Midscale RevPAR Growth Decomposition

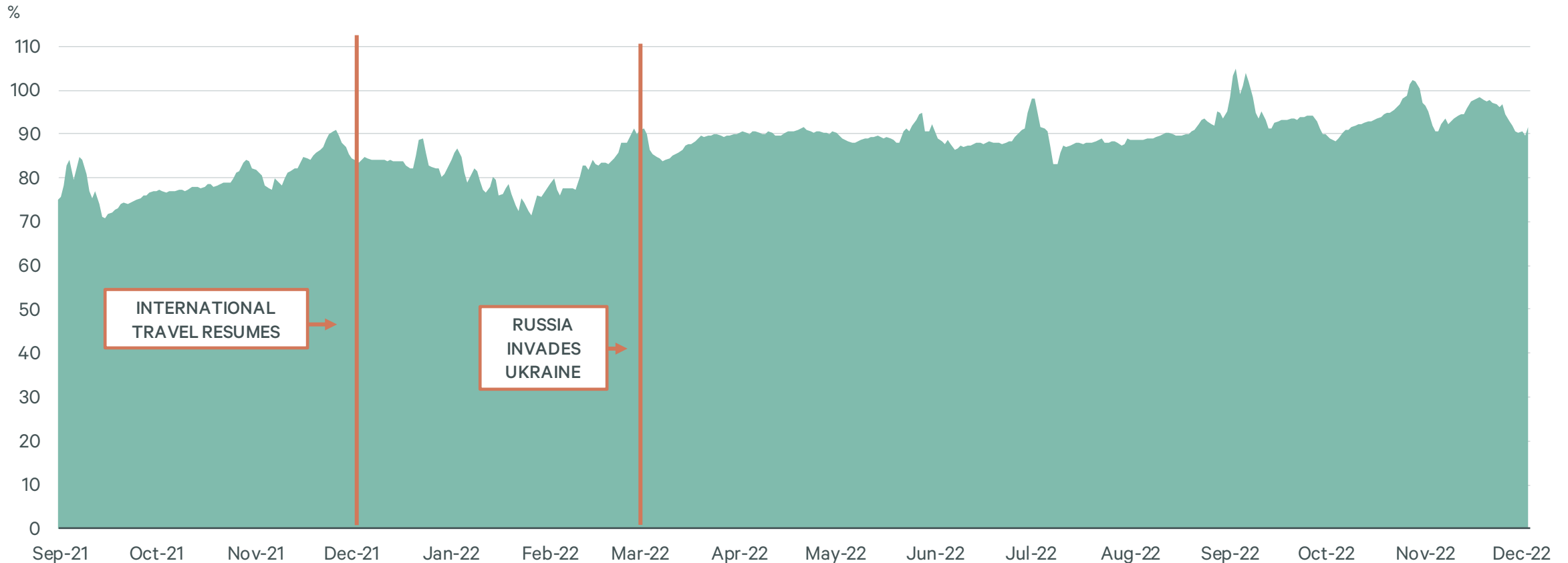


5

Current
Trends

Despite recent pull back, TSA throughput still above 90% of 2019 levels

TSA Throughput as a Percent of 2019

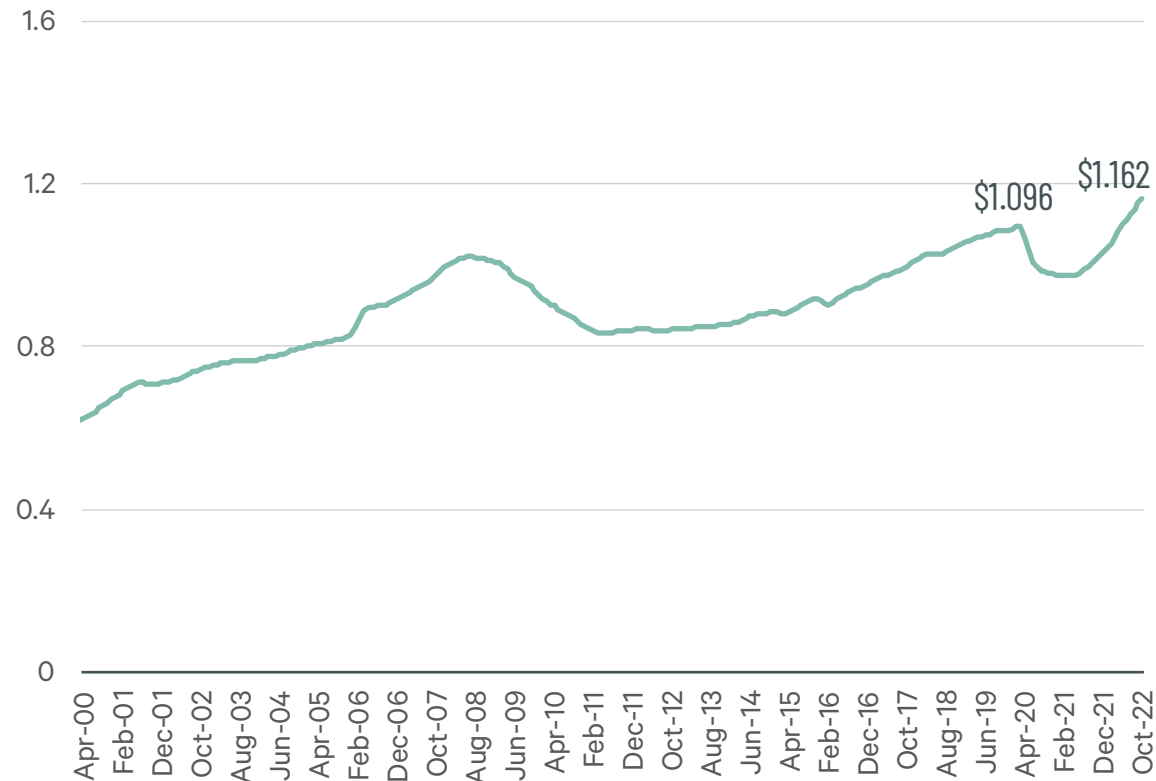


CBRE Hotels Research, TSA

Consumer confidence improved in November, but leverage is increasing

Revolving Consumer Credit on Three-month Moving Average

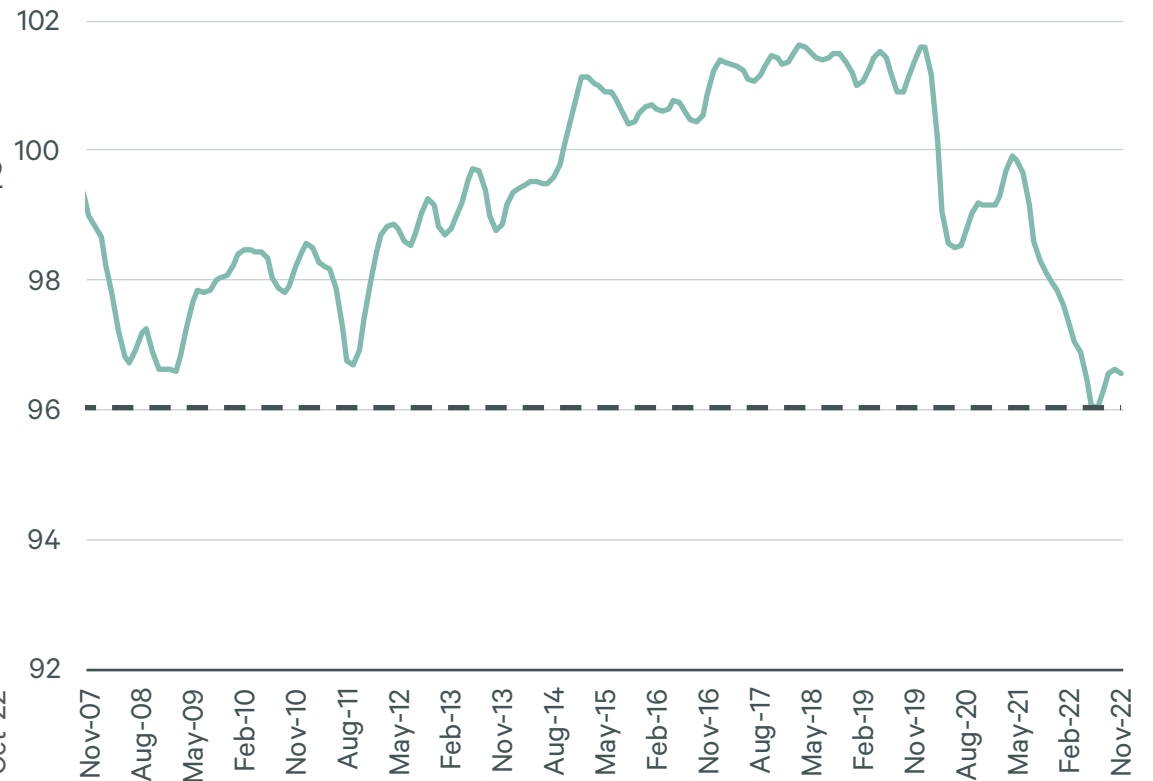
(\$) Trillions



CBRE Hotels Research, federalreserve.gov

Consumer Confidence Index

Index

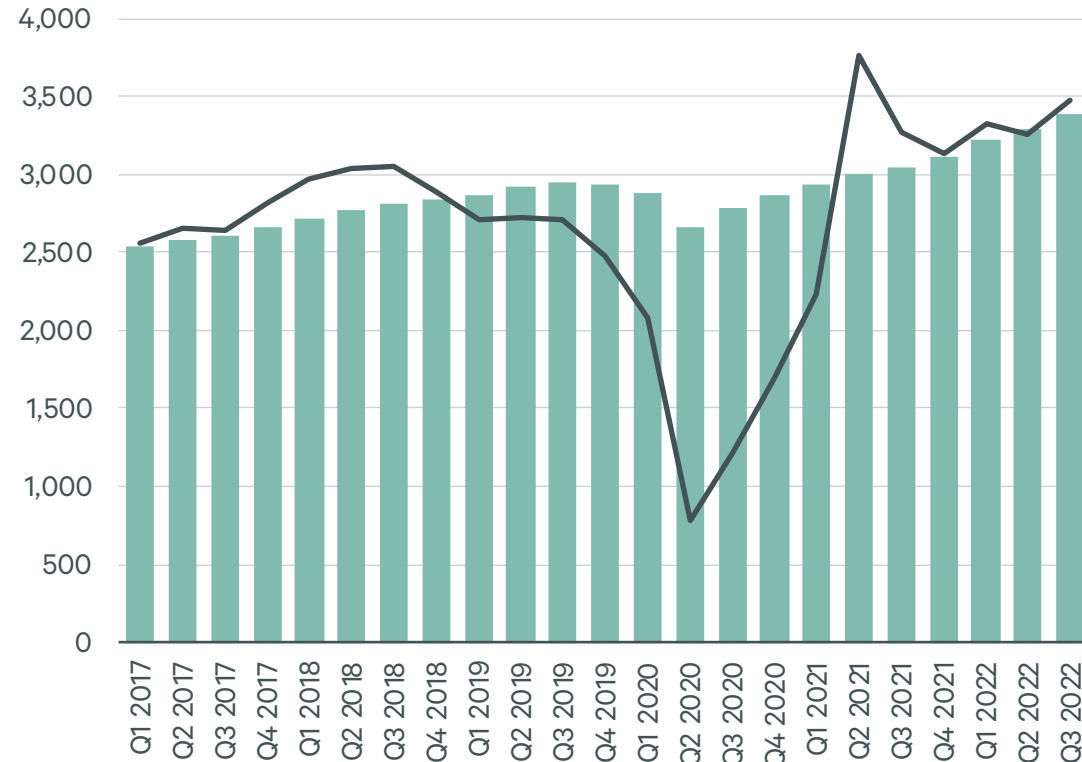


CBRE Hotels Research, CBRE EA, OECD

Fixed investment increased 11% Y-o-Y in Q3, but confidence continues to wane

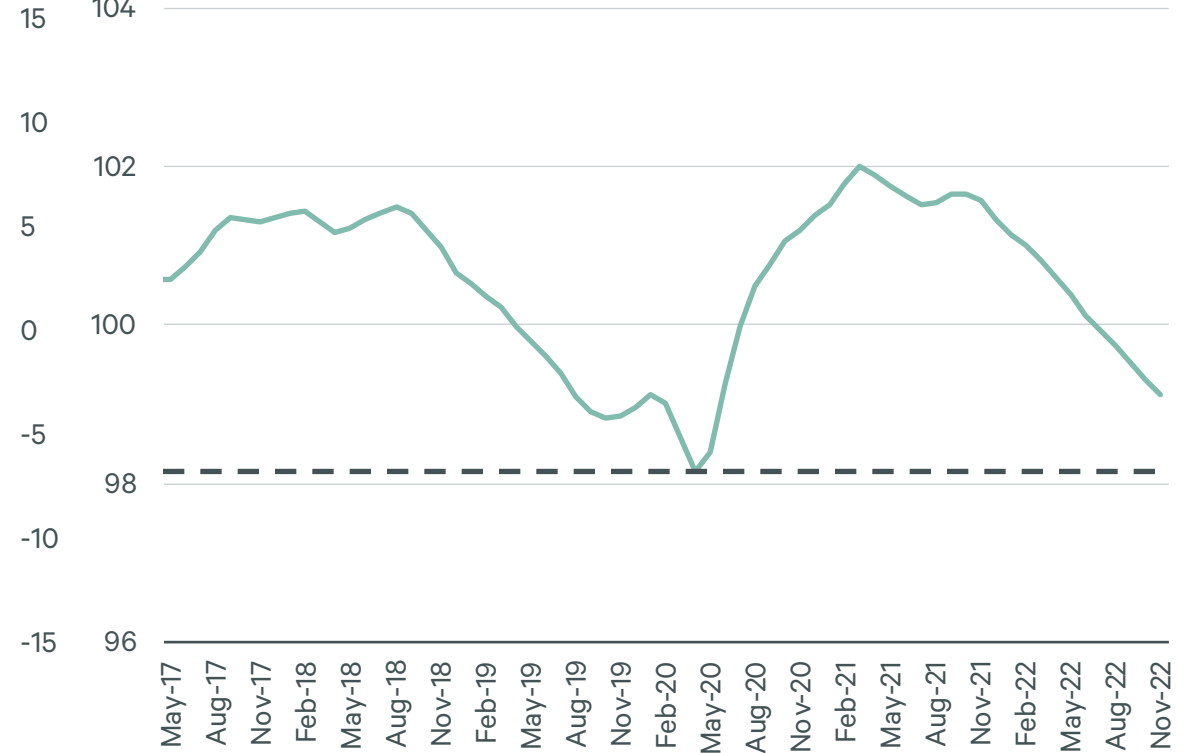
Private Non-residential Fixed Investment

(\$) Billions



Business Confidence Index

Index

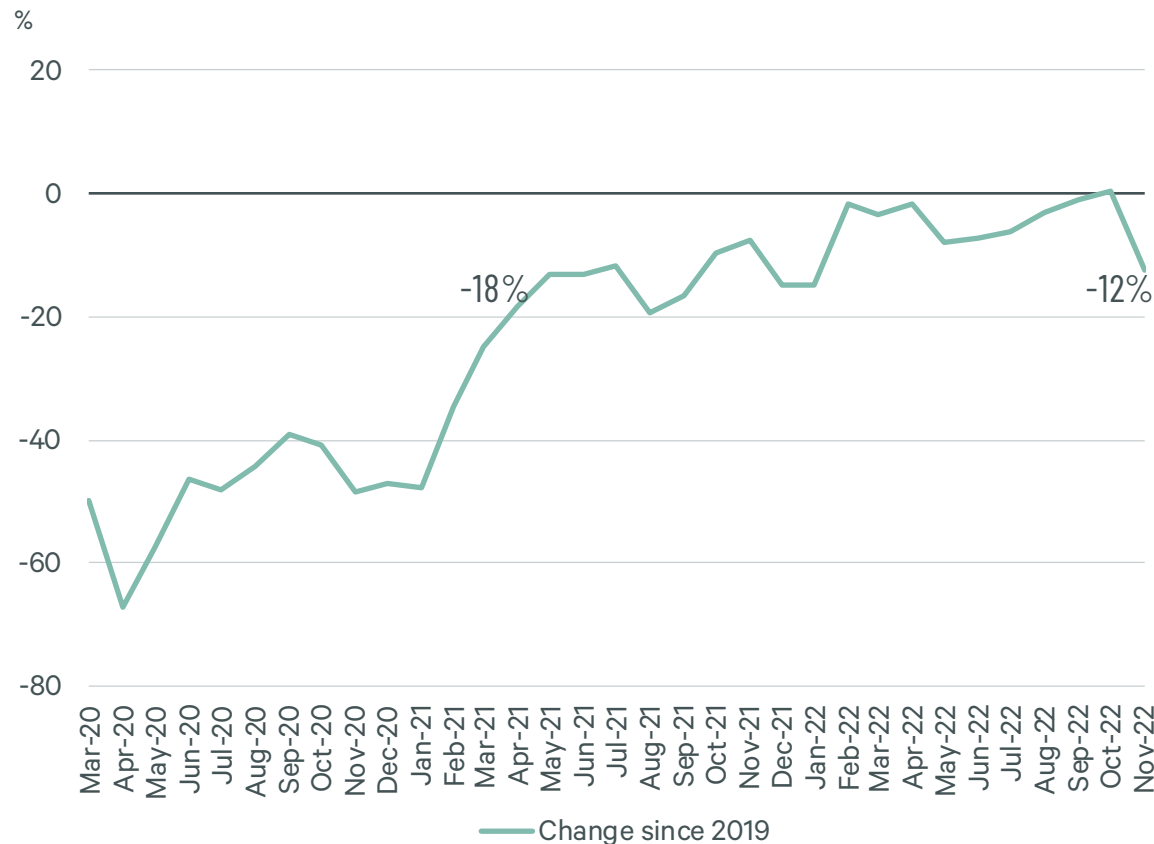


CBRE Hotels Research, CBRE EA, BEA

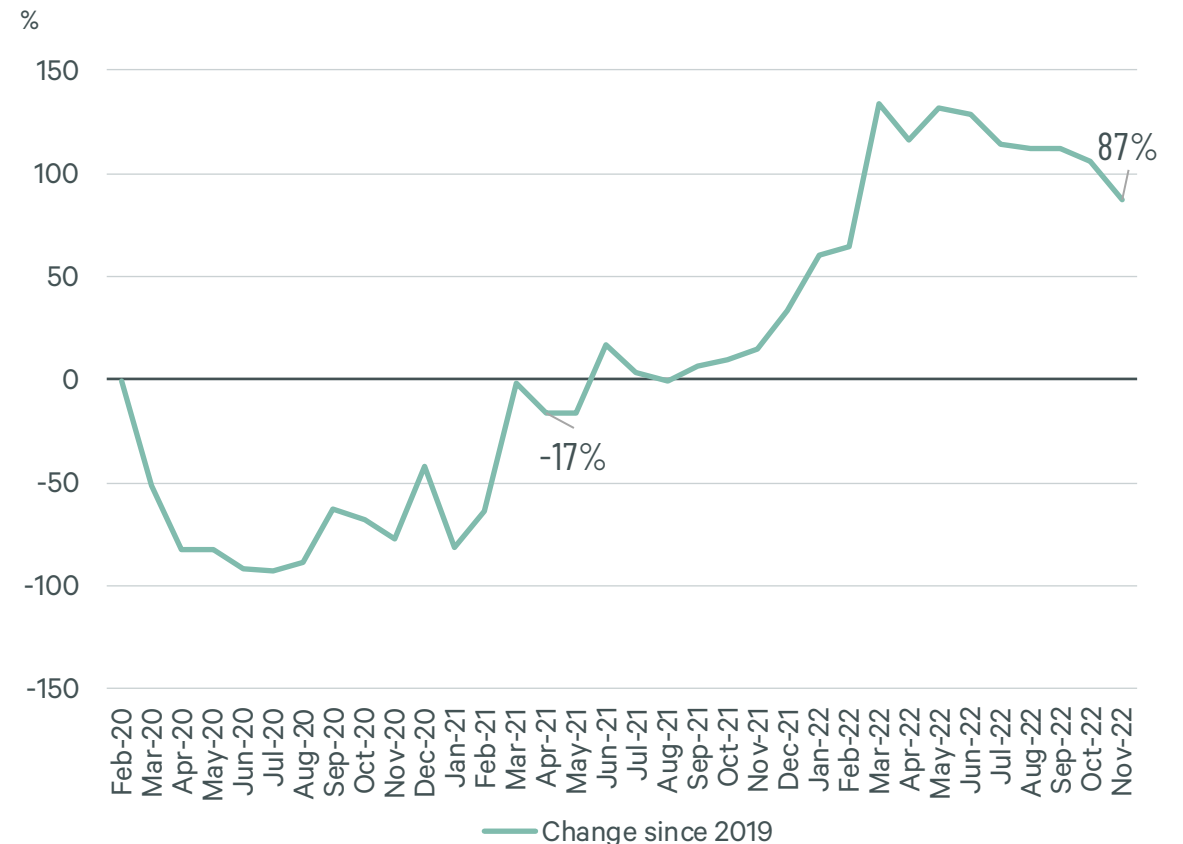
CBRE Hotels Research, CBRE EA, OECD

Search trends for future travel pull back in November

Corporate Brands Average Index Change since 2019



Amex Centurion Lounge Index Change since 2019

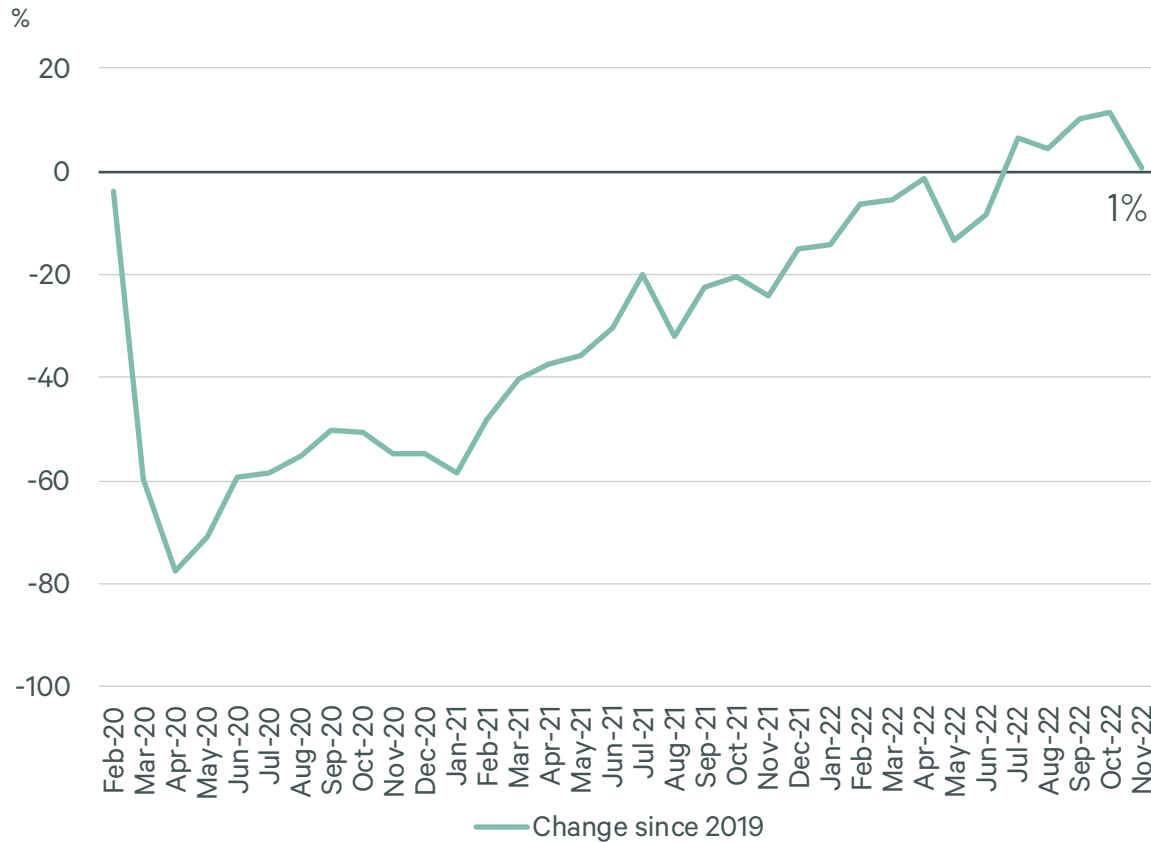


CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, Represents data through October 27, 2022

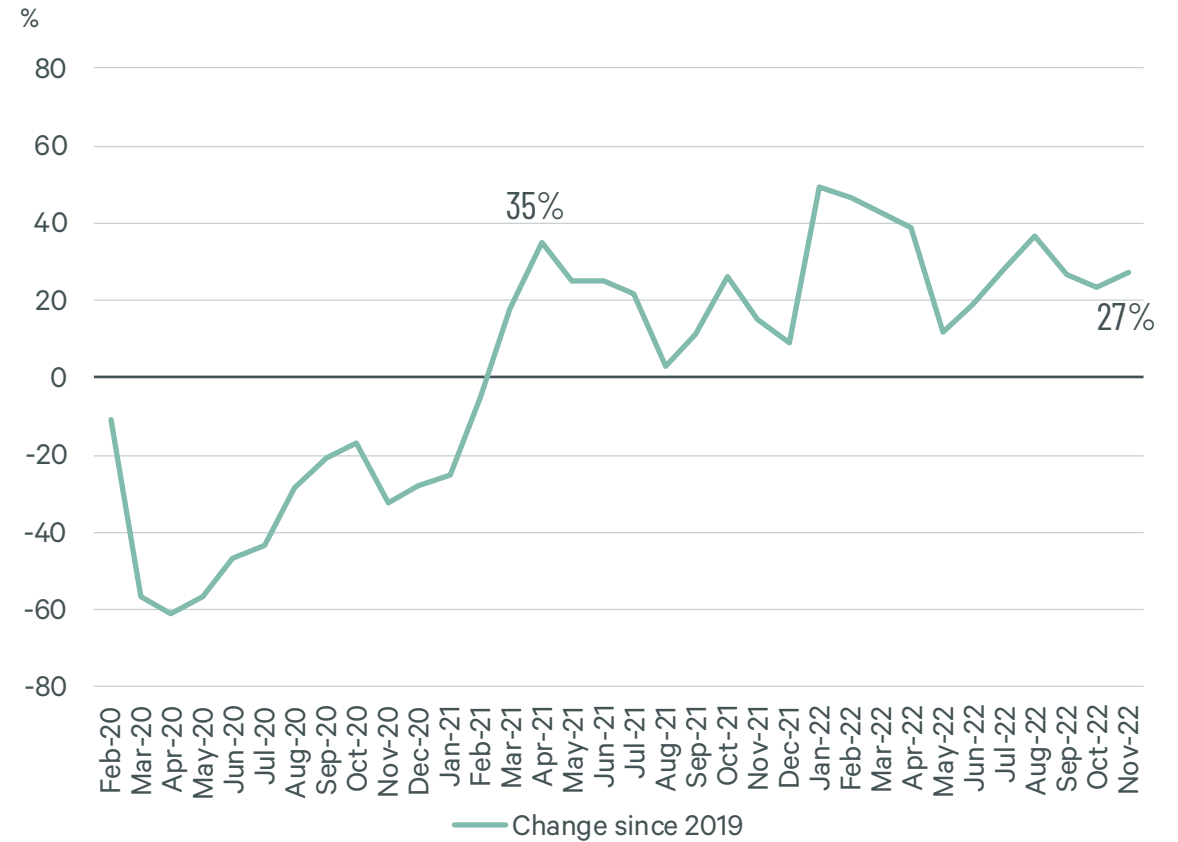
CBRE Hotels Research, Google Trends. Key words: Amex Centurion Lounge, Represents data through October 27, 2022

All-inclusive resort searches picked up slightly in November

Brand Loyalty Program Index Change since 2019



All-Inclusive Resort Index Change since 2019



CBRE Hotels Research, Google Trends Key words: Hilton, Marriott, Hyatt, IHG Hotels, Represents data through October 27, 2022

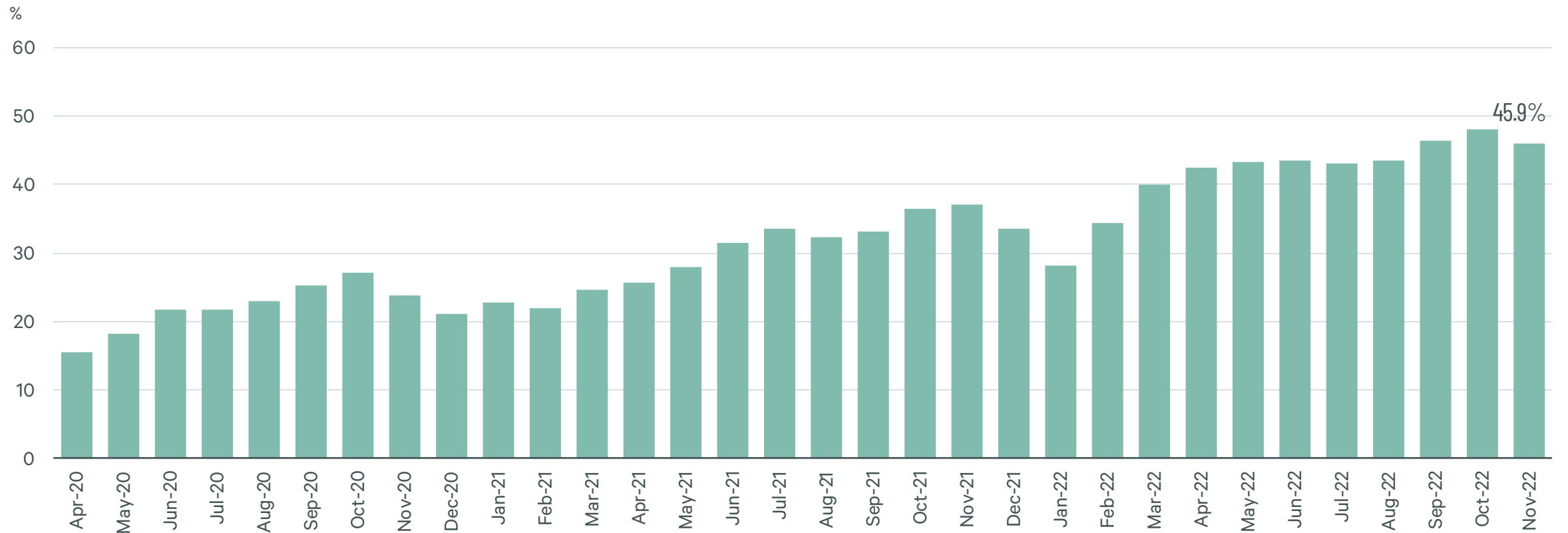
CBRE Hotels Research, Google Trends Key words: All-inclusive Resort, Represents data through October 27, 2022

6

Office Update

Office attendance is on an upward trend but pulled back slightly owing to Thanksgiving

U.S. Average Office Attendance



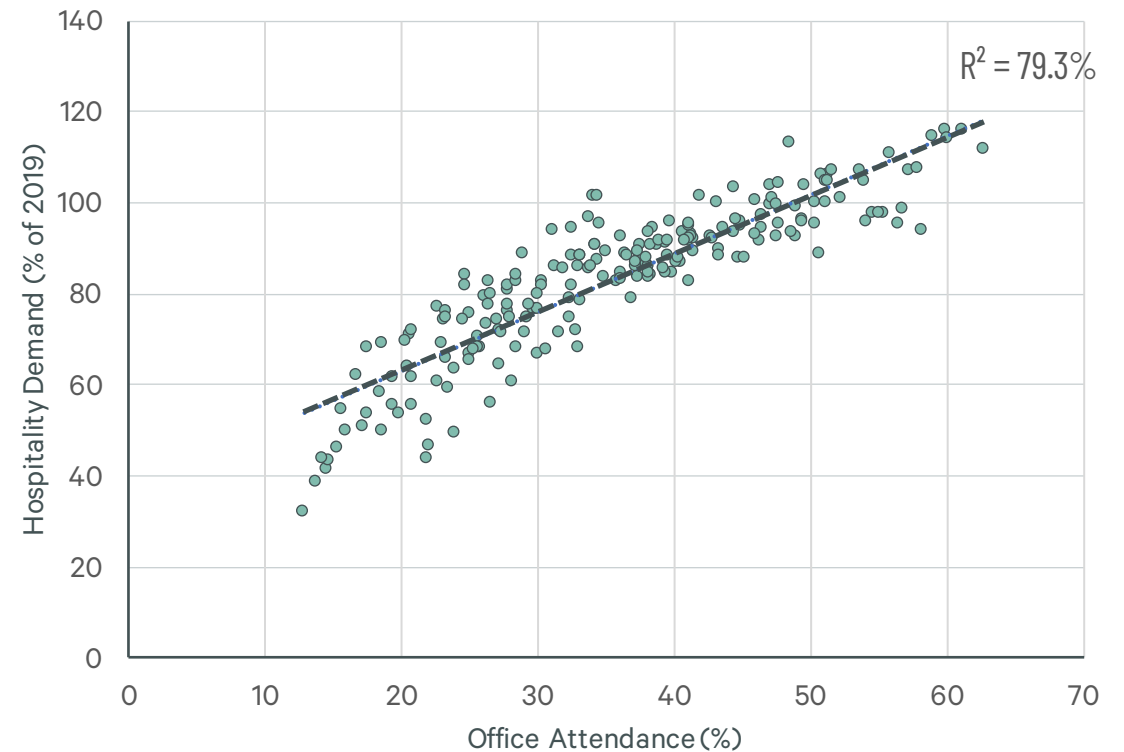
CBRE Hotels Research, CBRE EA, Kastle

Muted office attendance is a headwind to a full demand recovery

Relationship between Office Attendance and Hotel Demand in Key Markets

Rank	Market	R ²
1	New York	95.0%
2	San Francisco	86.7%
3	San Jose	85.2%
4	Chicago	84.8%
5	Austin	83.2%
6	Philadelphia	76.6%
7	Dallas	67.6%
8	Washington, D.C.	62.5%
9	Houston	50.2%
10	Los Angeles	49.0%

Relationship between Monthly Office Attendance and Hotel Demand



CBRE Hotels Research, Kastle Office Occupancy

CBRE Hotels Research, Kalibri Labs, Kastle Office Occupancy

7

International
Travel

International visitation improves, but easing Asian restrictions should support growth

International Visitors as a Percent of 2019, (excluding Mexico and Canada)

Port of entry	Coast	October 2021	December 2021	March 2022	June 2022	September 2022	October 2022
NY, Newark, D.C., Miami	East	31%	63%	62%	69%	74%	76%
LA, San Francisco	West	13%	39%	38%	50%	56%	58%

CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

Reopening of China could spur growth for inbound international travel

Year to Date – November 2019

RANK	COUNTRY
1	Canada
2	Mexico
3	United Kingdom
4	Japan
5	China
6	South Korea
7	Germany
8	Brazil
9	France
10	India

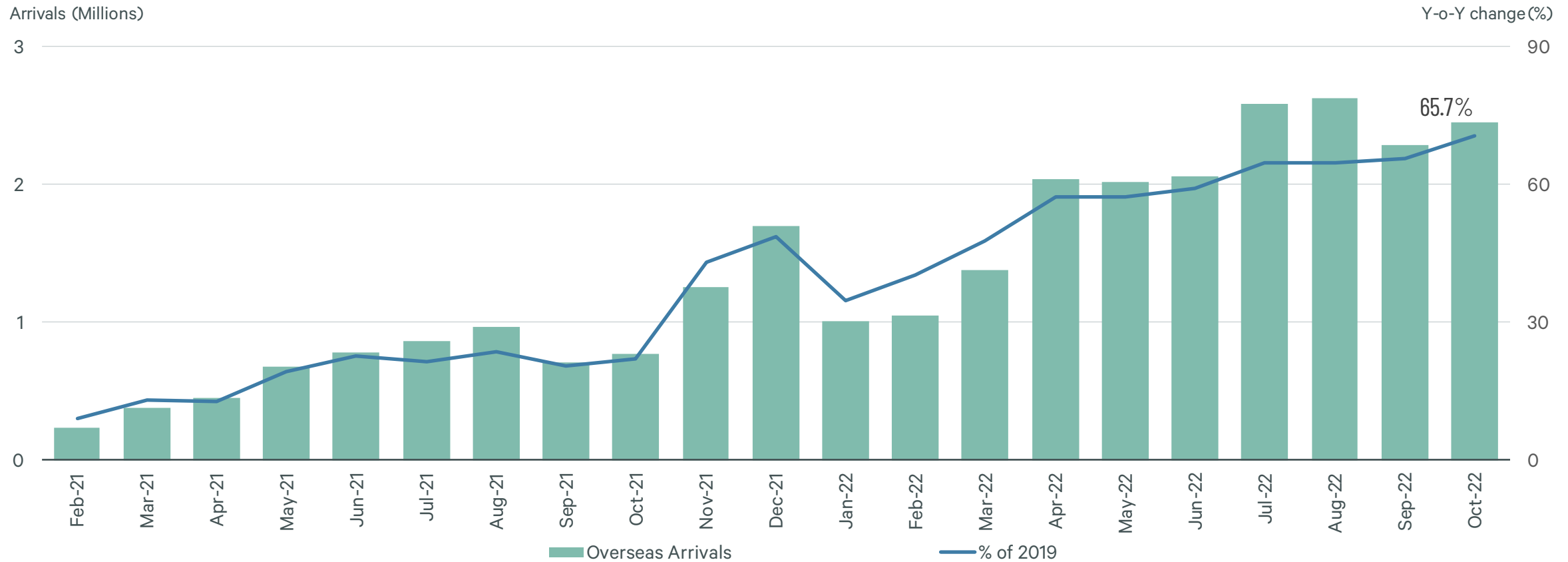
Year to Date – November 2022

RANK	COUNTRY
1	Canada
2	Mexico
3	United Kingdom
4	Germany
5	France
6	India
7	Brazil
8	Colombia
9	South Korea
10	Spain

CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

Inbound international arrivals reached post pandemic high in October relative to 2019

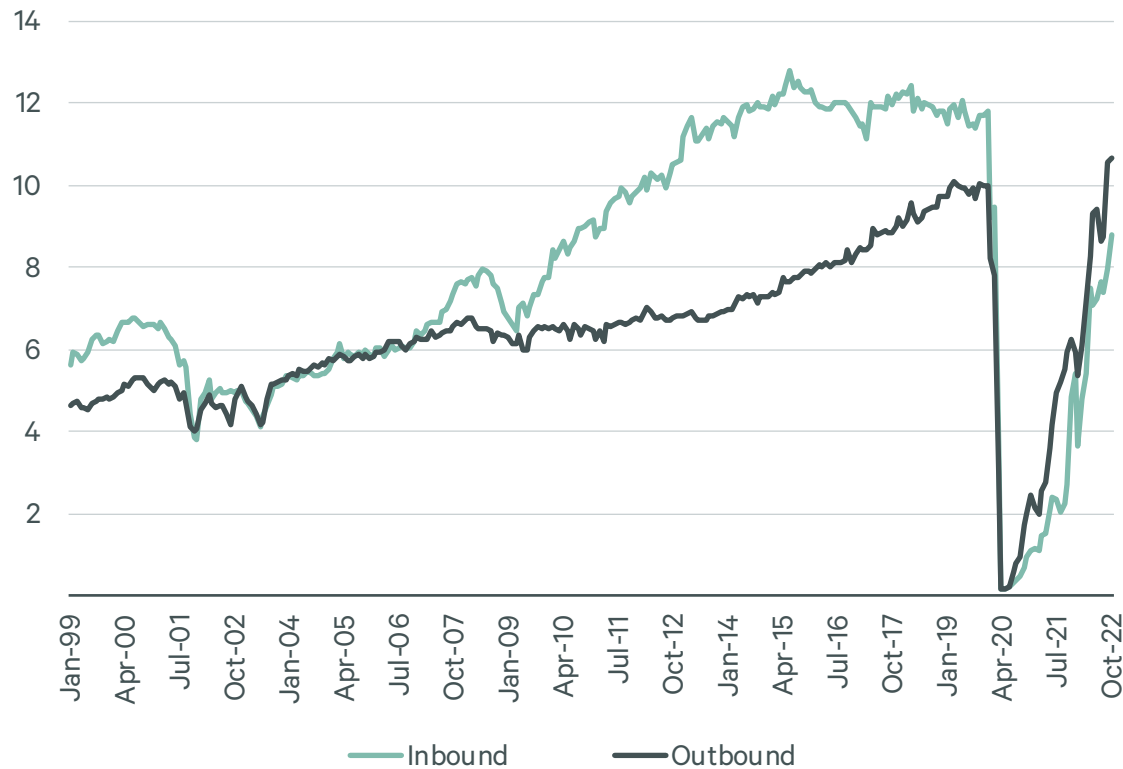
Overseas Arrivals into the U.S. as a Percent of 2019



Inbound spending continued to lag outbound spending in October

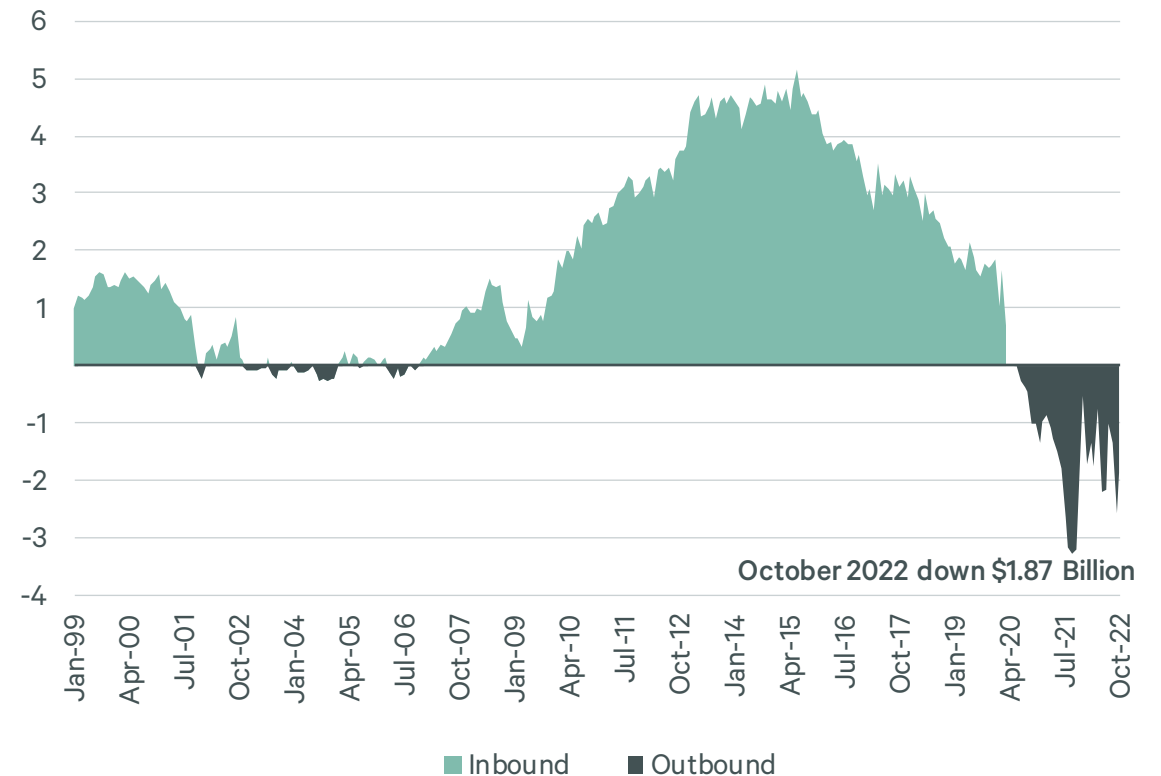
International Travel Spending

(\$) Billions



International Outbound Spending Outpacing Inbound

(\$) Billions



CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)



Operating
Performance

Strong September ADR growth drove margin expansion



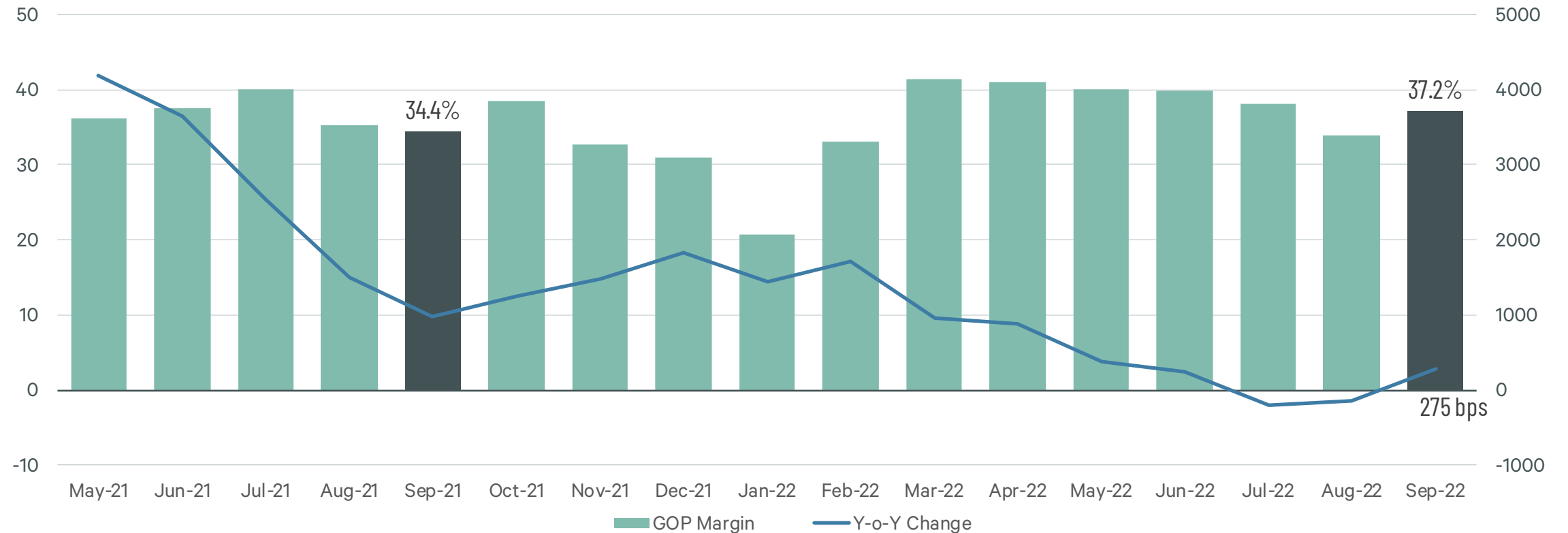
Explore BenchmarkerSM

Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

GOP Margin vs. Change in GOP Margin Y-o-Y

Margin (%)

Margin Change (bps)



CBRE Hotels Research, Monthly Trends Survey

Elevated oil prices will be a margin headwind through utilities

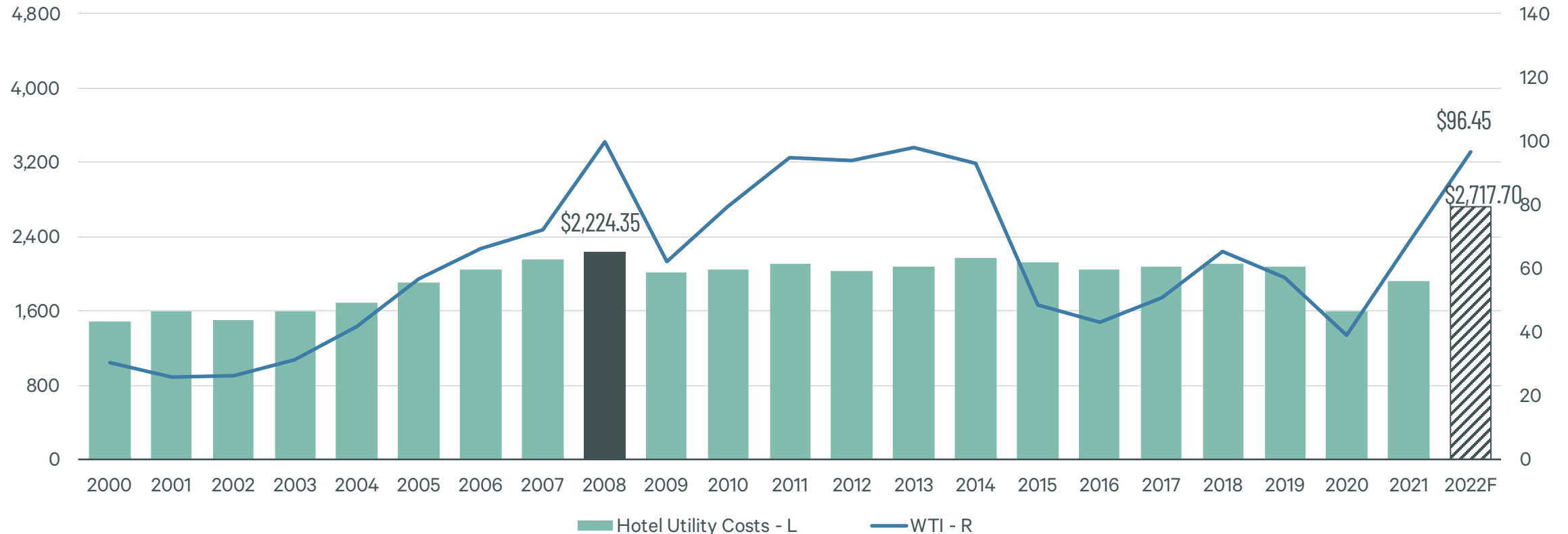


Explore BenchmarkrSM
 Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

Hotel Utility Costs vs. Price of Oil

(\$) Dollars per Available Room

(\$) Price per Barrel



CBRE Hotels Research, Fred, CBRE EA

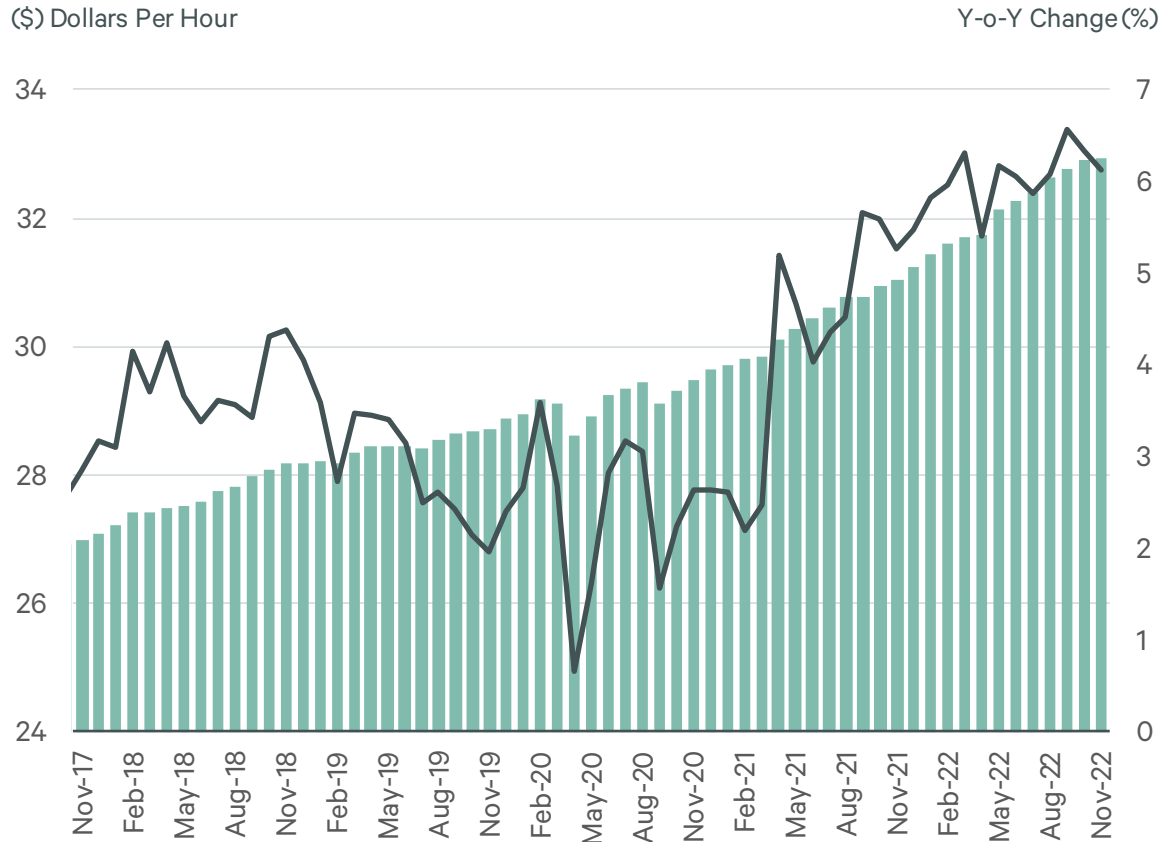
9

Supply Inputs

Higher wages and higher employment are headwinds to new construction

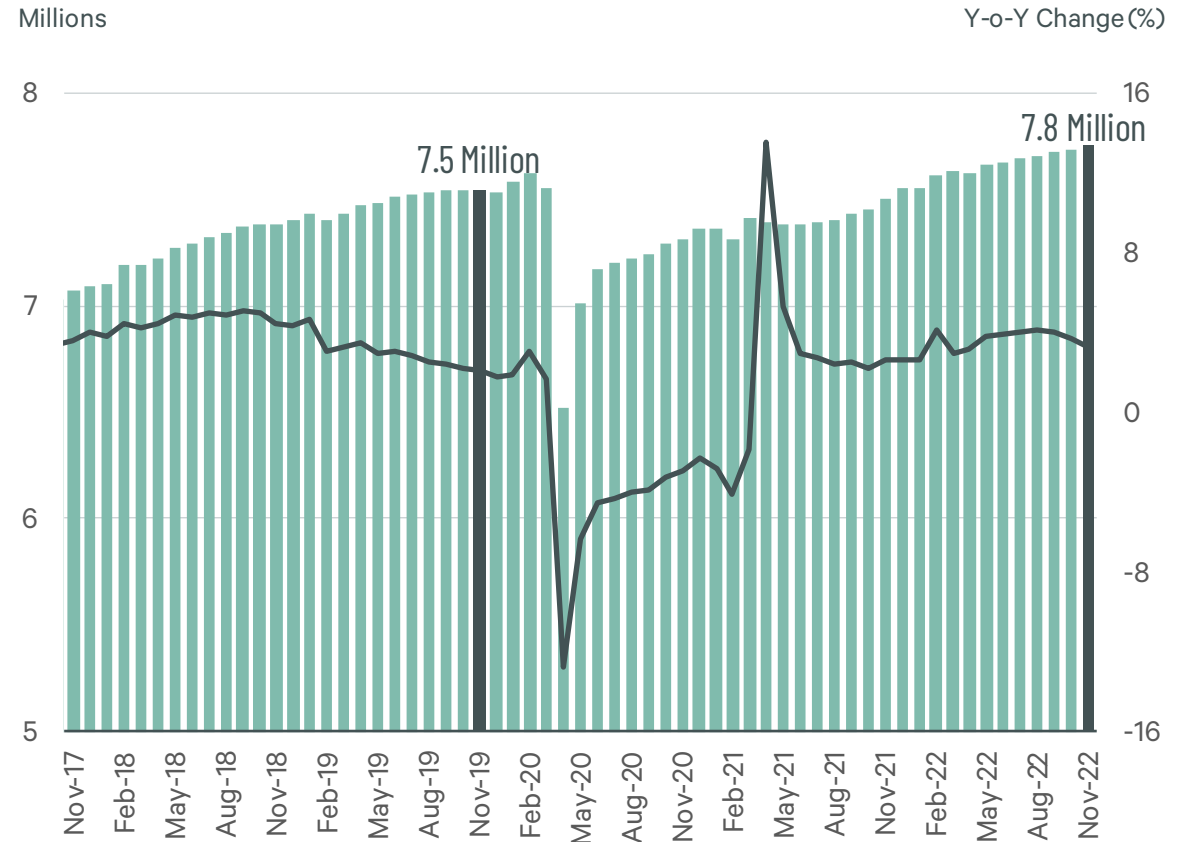
Construction Wages

(\$) Dollars Per Hour



Number of Construction Employees

Millions

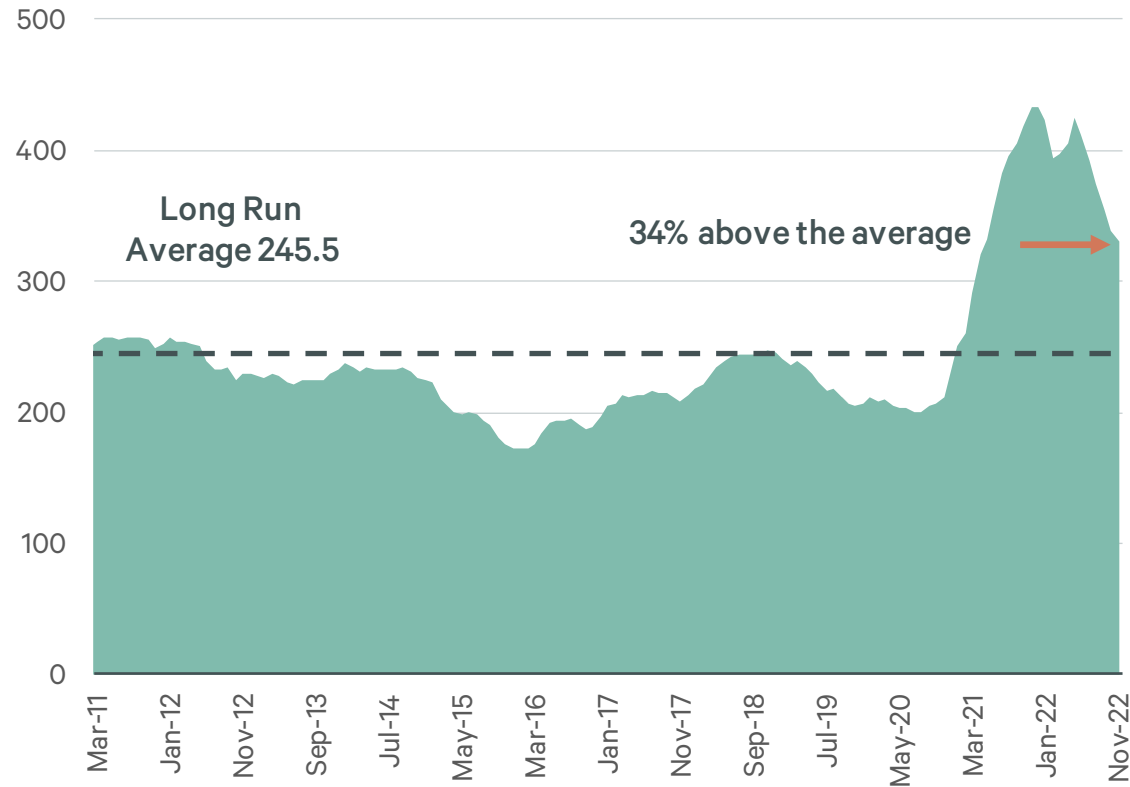


CBRE Hotels Research, CBRE EA, BLS

Construction inputs are still well above their long-run averages

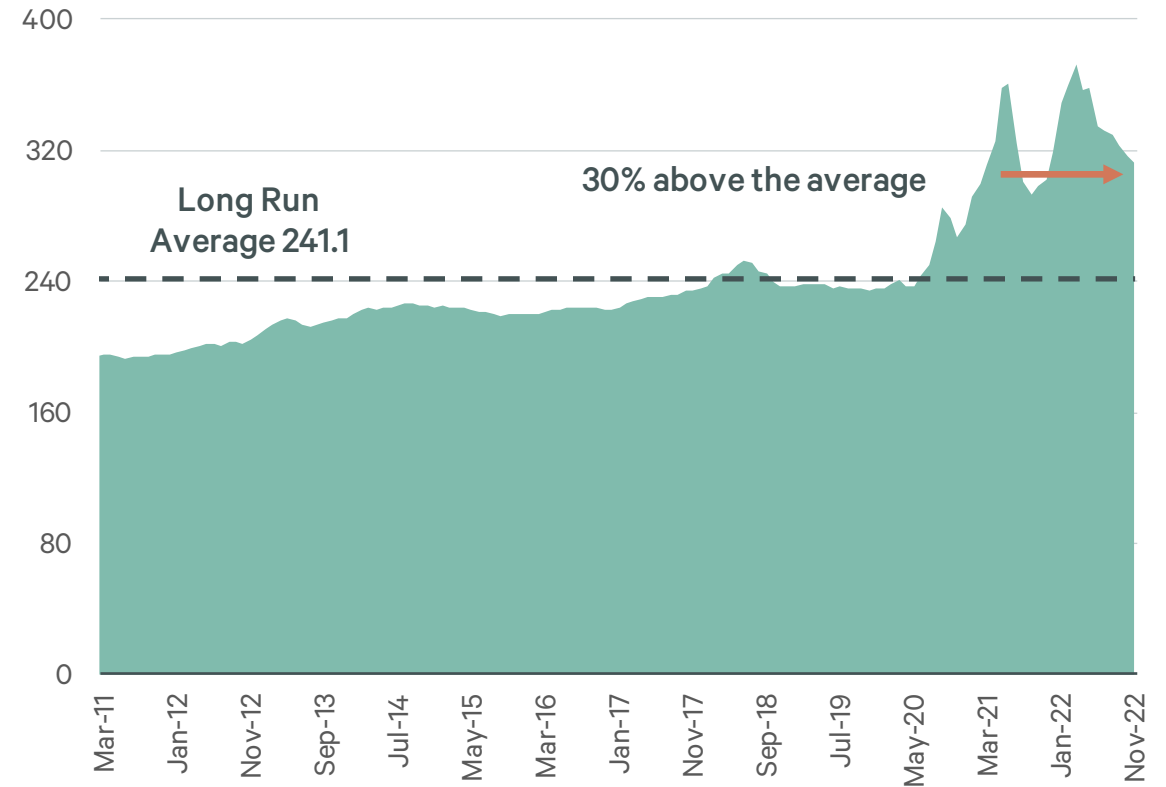
Steel and Iron

Producer Price Index



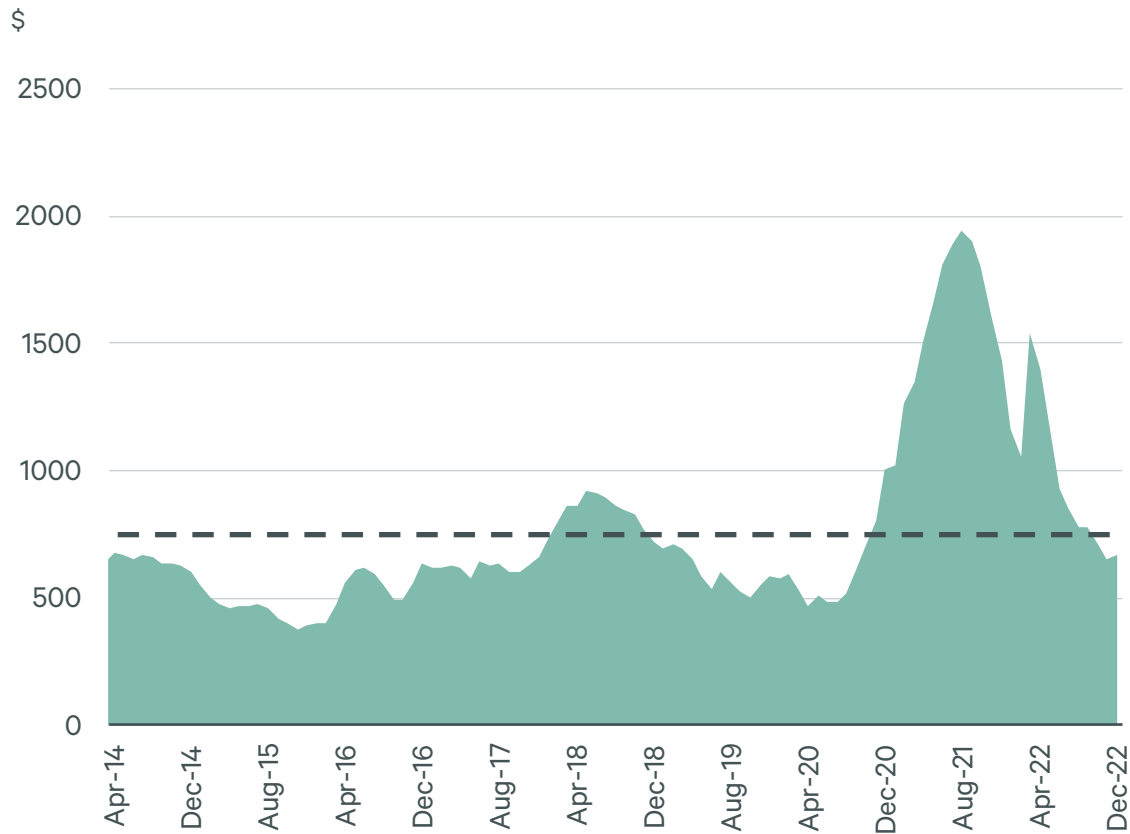
Lumber and Wood Products

Producer Price Index



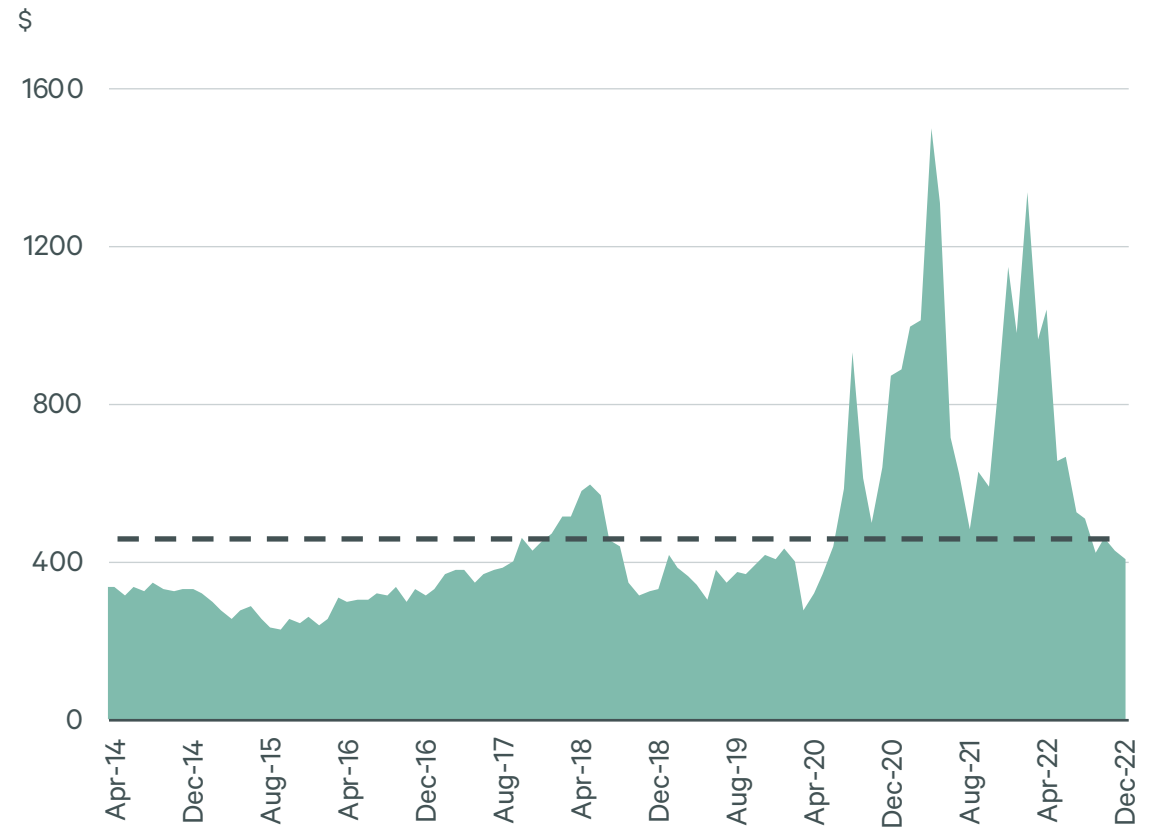
Futures indicate steel and lumber prices should moderate

Steel Futures



CBRE Hotels Research, CME Group, US. Midwest Domestic Hot-Rolled Coil Steel

Lumber Futures



CBRE Hotels Research, CME Group, Lumber Futures

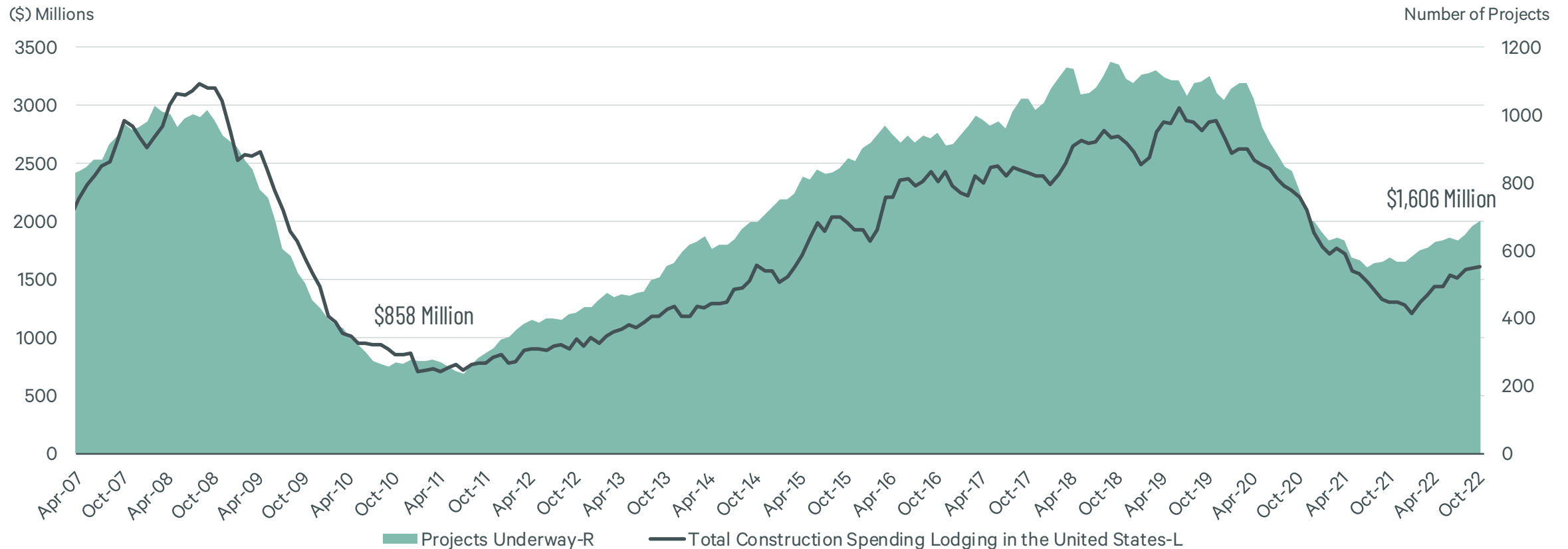
Hotel projects are + 18.4 % Y-o-Y, construction spending is +23.4 % Y-o-Y



Explore New Supply Pipeline

Track proposed, underway, and completed hotel projects in the U.S. and Canada through our pipeline database.

Projects Underway vs. Total Construction Spending



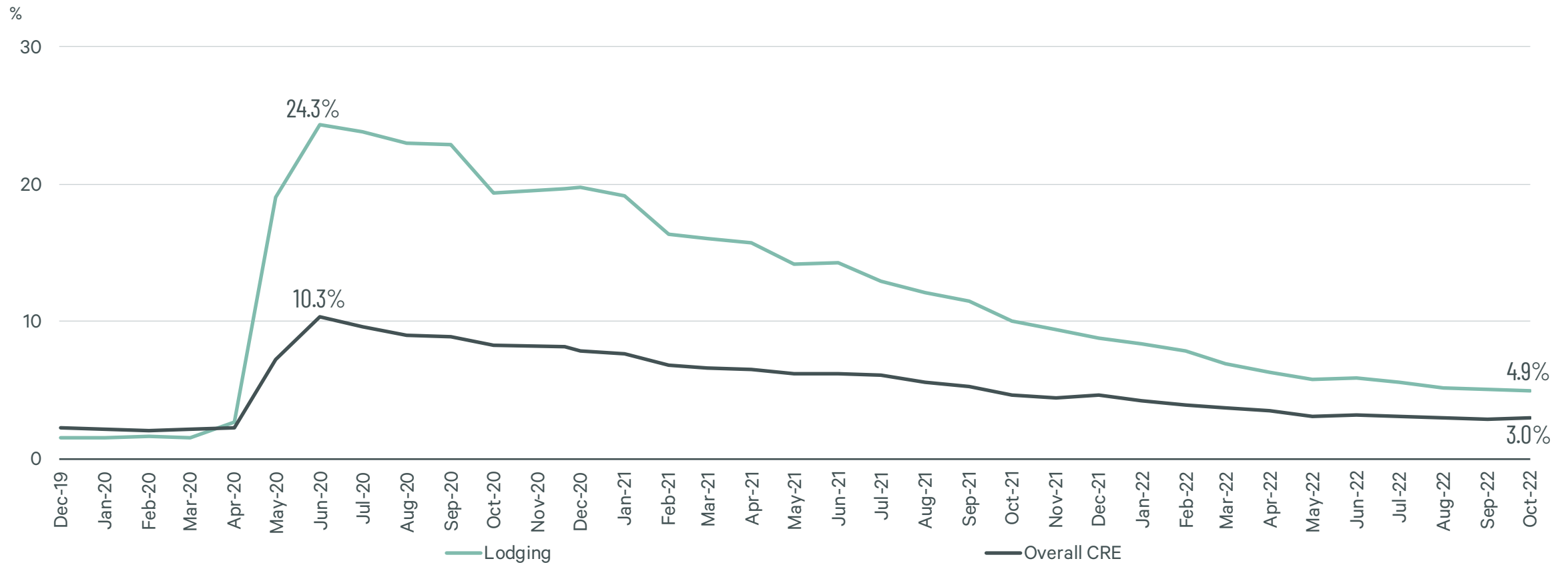
CBRE Hotels Research, U.S. Census Bureau, Dodge Analytics

10

Capital
Markets

Delinquency rates have improved dramatically, but are above pre-pandemic levels

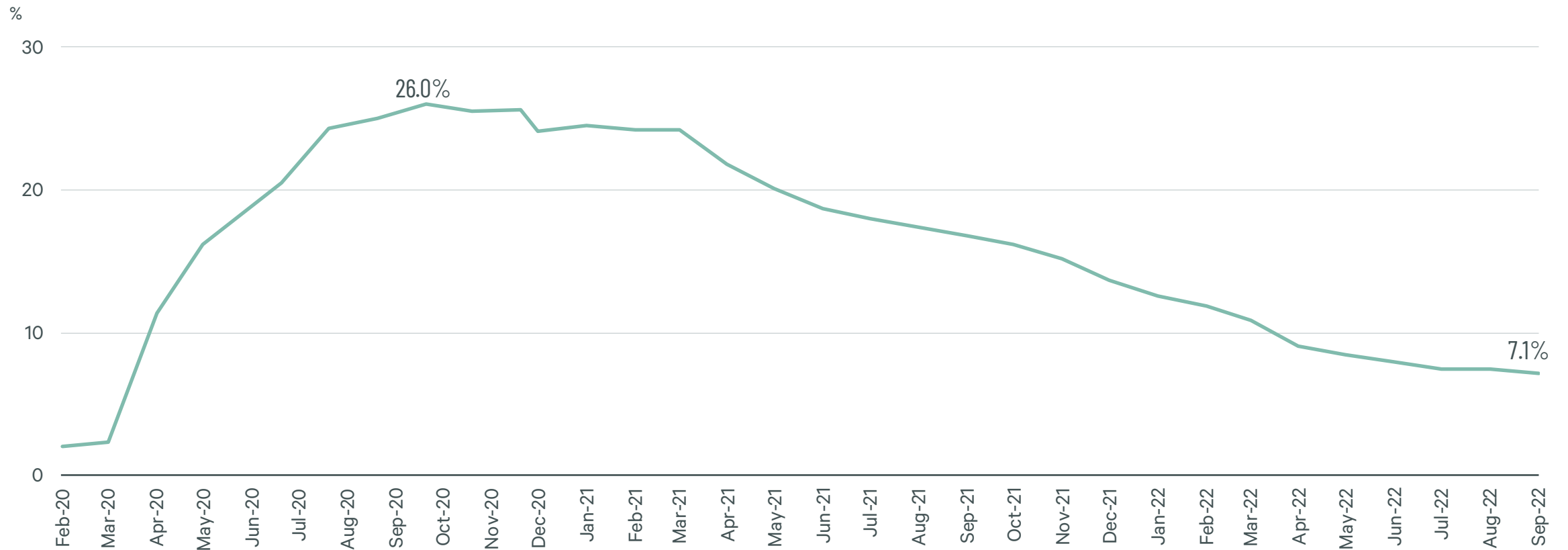
Lodging Delinquency Rate Vs. Overall Commercial Real Estate



CBRE Hotels Research, CBRE Debt & Structured Finance.

Lodging CMBS special servicing begins to level off at 7.1%

Pre-/Post-COVID - Special Servicing Rate Lodging CMBS

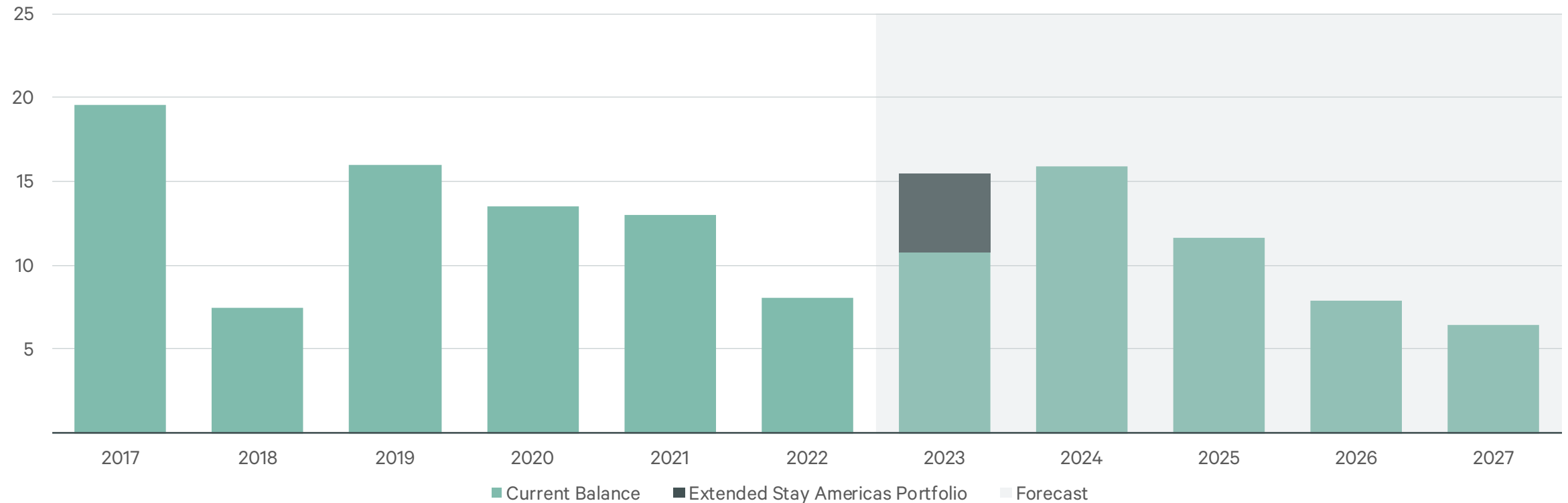


CBRE Hotels Research, CBRE Debt & Structured Finance.

For most companies, maturities remain modest until 2024

Hotel Loans Maturing 2017 - 2027

(\$) Billions

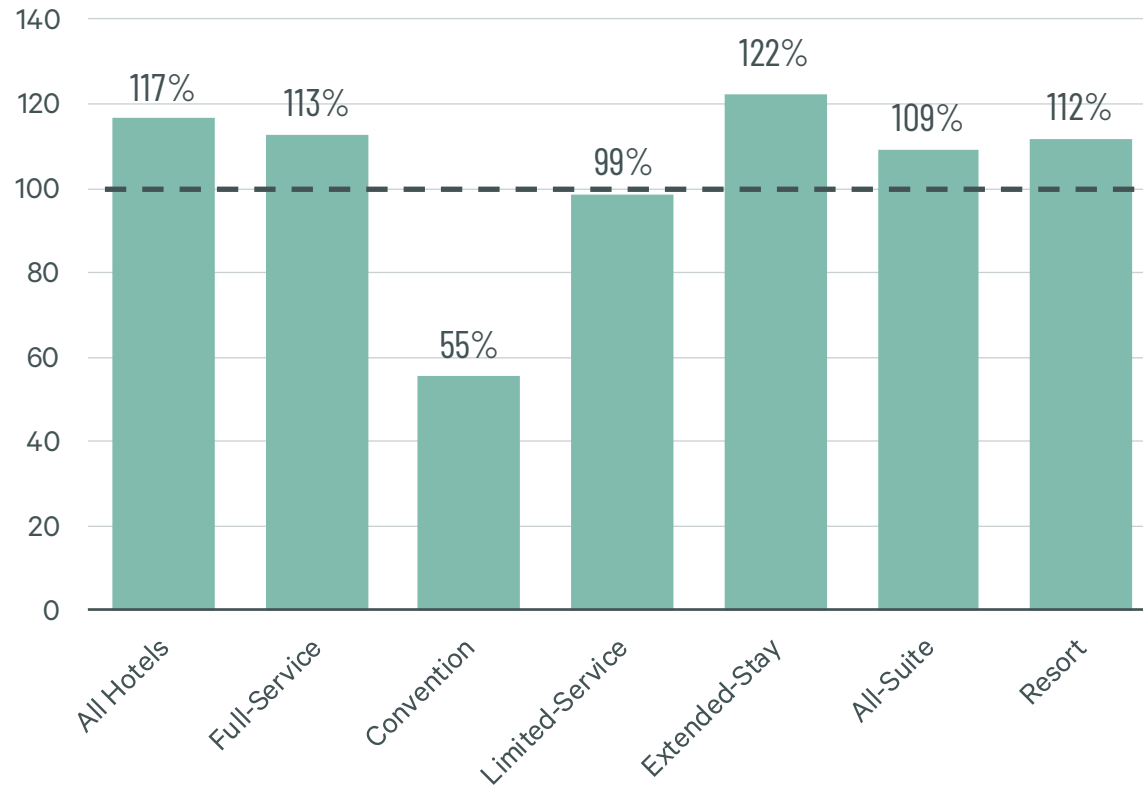


CBRE Hotels Research, DRBS Morning Star

Profit increases are mitigating interest rate increases

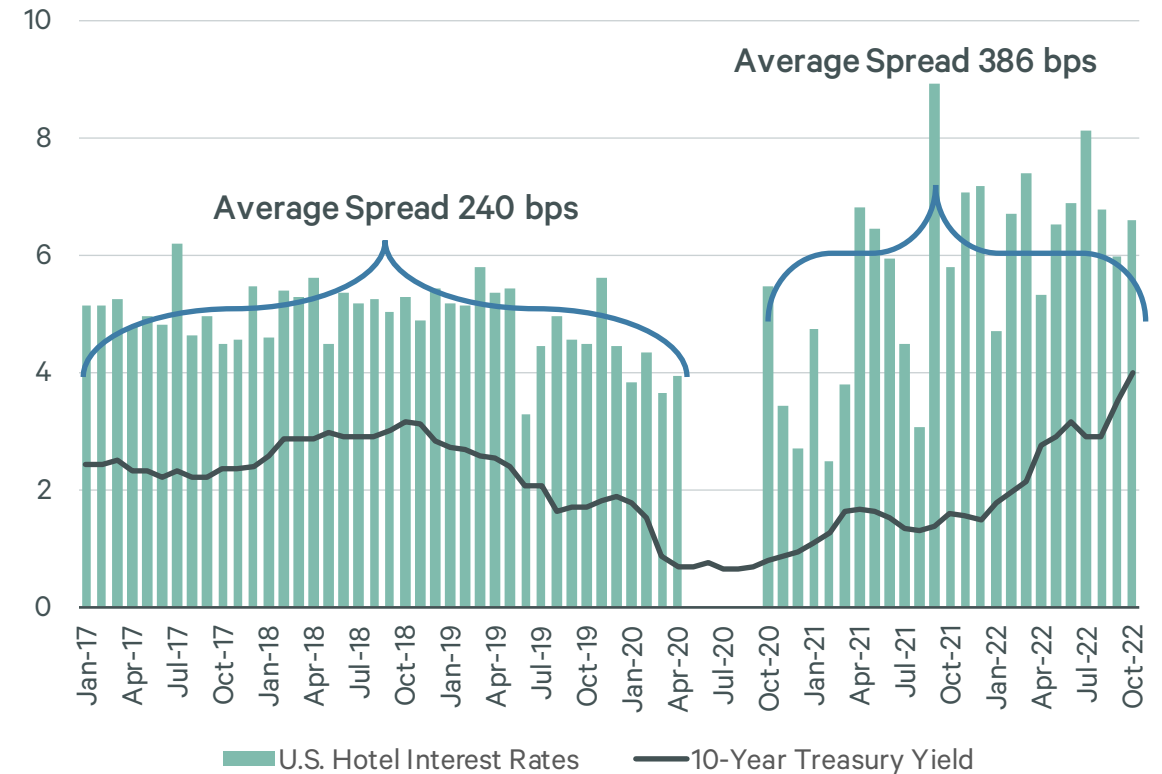
Gross Operating Profit as a Percent of 2019

Per Available Room (%)



Monthly Hotel Interest Rates at Time of Origination vs. 10-Year Treasury

Interest Rates & Yield (%)

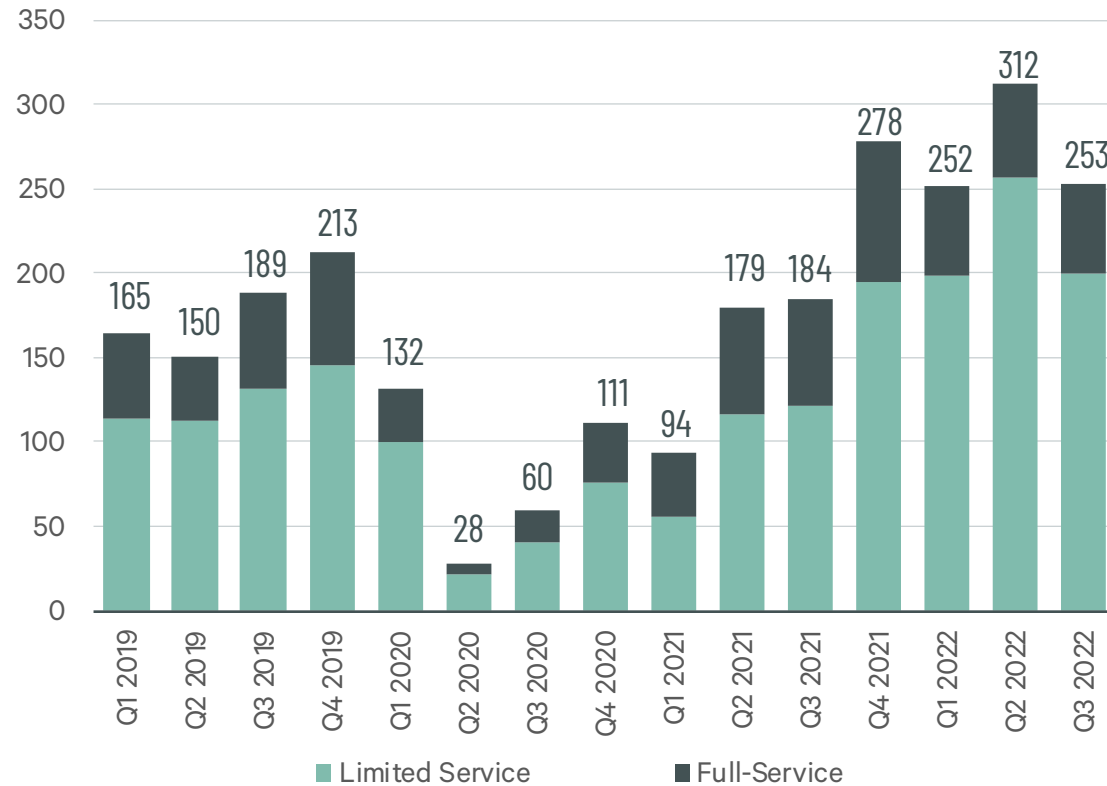


CBRE Hotels Research, CoStar, Monthly Trends Survey, Federal Reserve

Assets continue to trade hands at relatively stable pricing

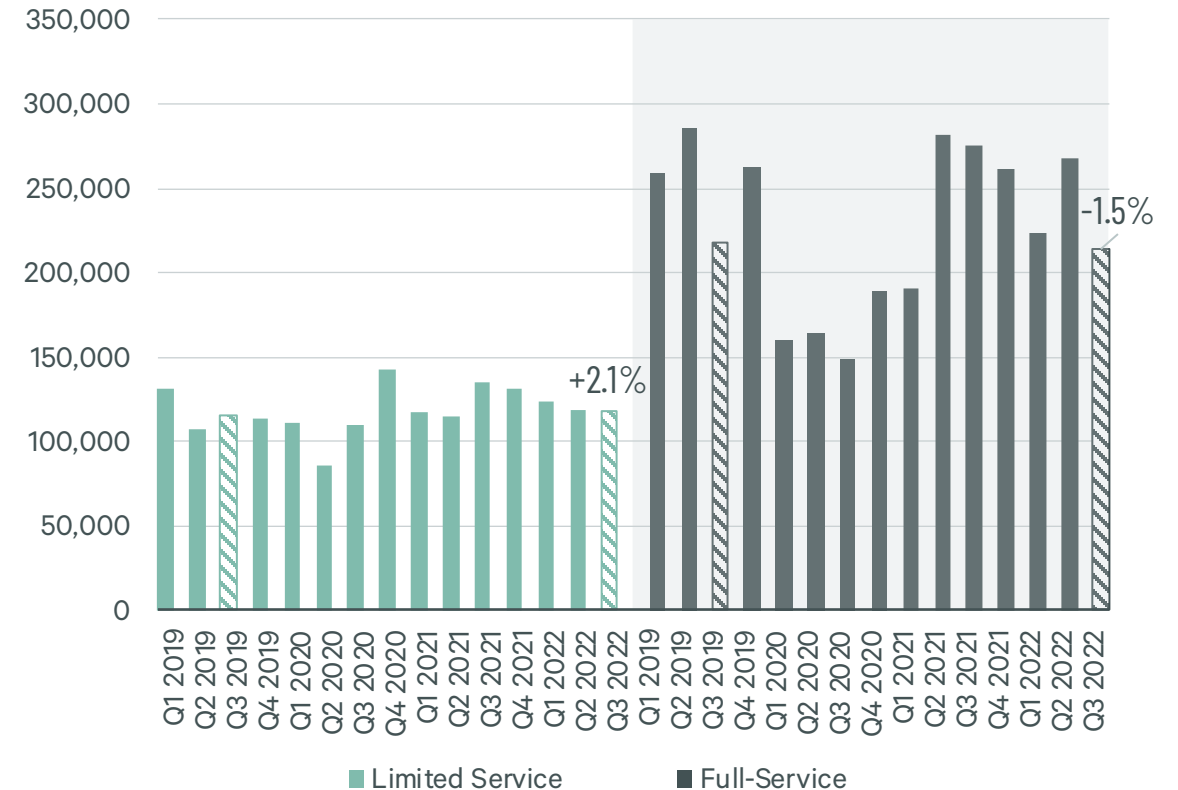
Full- and Limited-Service Number of Transactions

Number of Transaction



Full- and Limited-Service Price per Key

(\$ Price per Key




CBRE Hotels Research, CBRE EA, RCA

Labels indicate: (Left) total number of transactions, (Right) Q3 2022 growth from Q3 2019

11

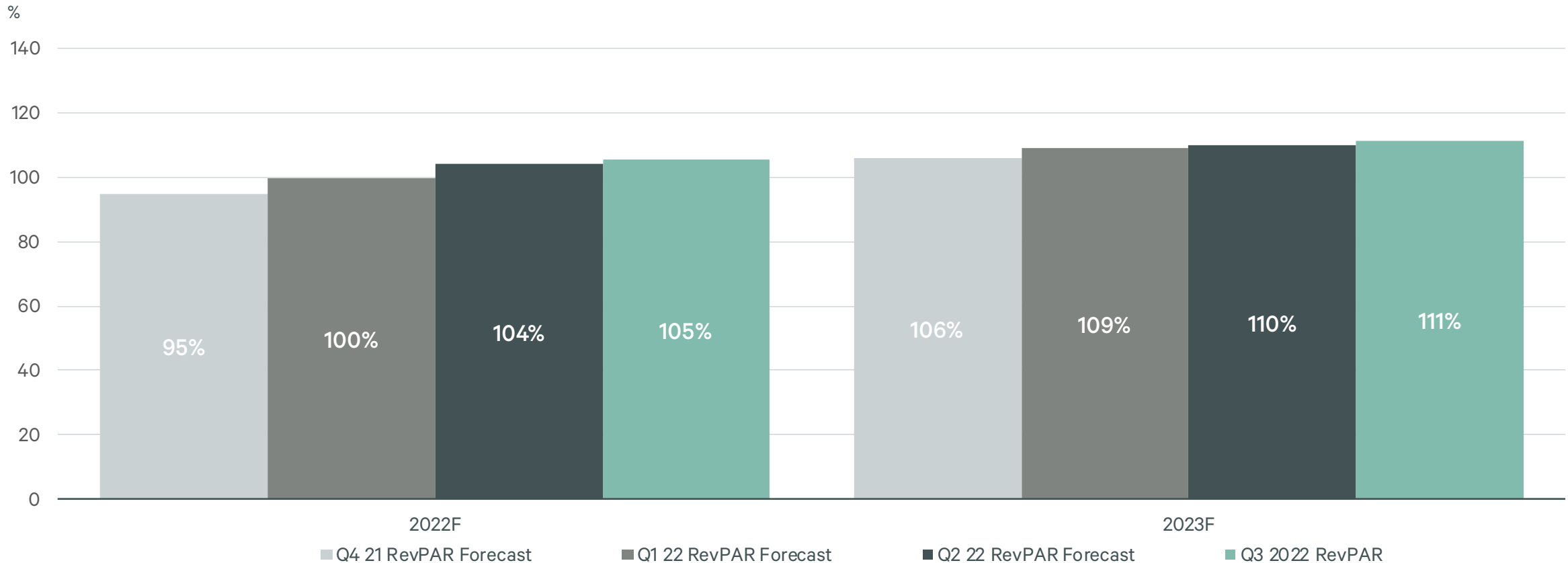
Forecasts

CBRE Hotels Research raises outlook slightly




Explore Hotel Horizons®
 Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

RevPAR as a Percent of 2019



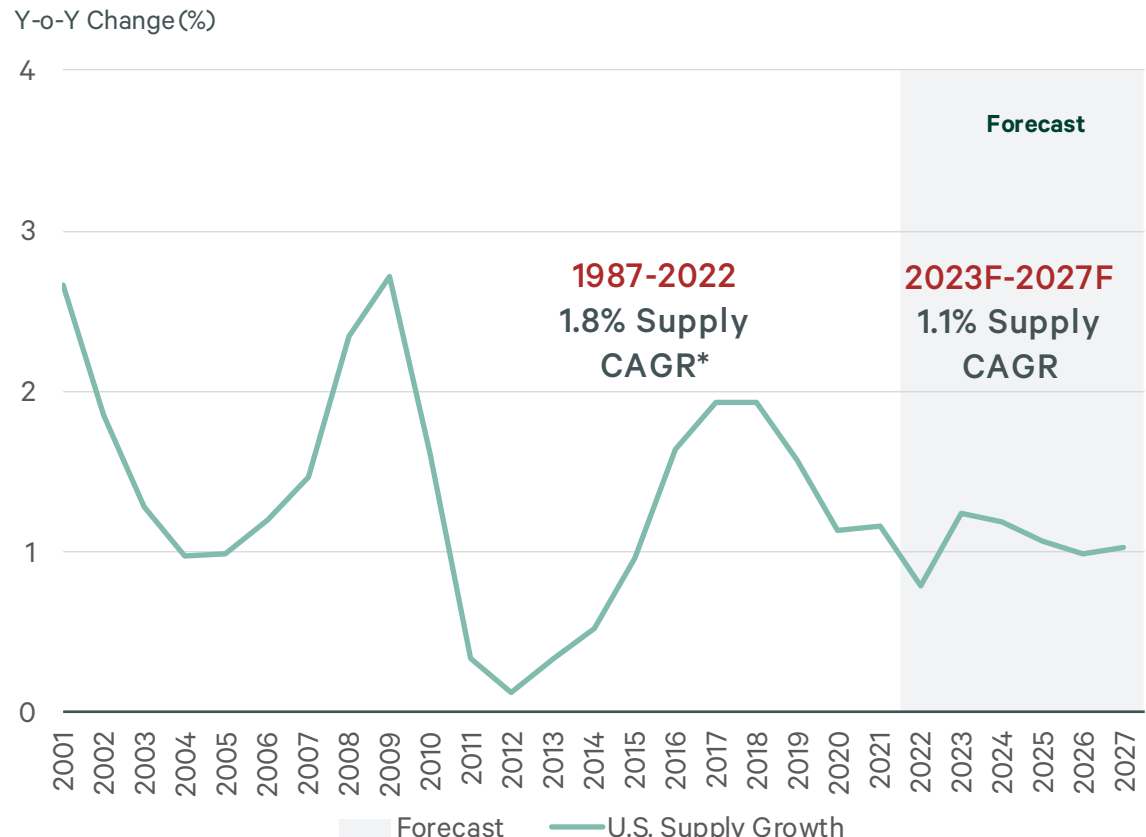
CBRE Hotels Research, CBRE EA, Kalibri Labs, Forecasts as of November 16, 2022

Supply growth remains well below historic norms

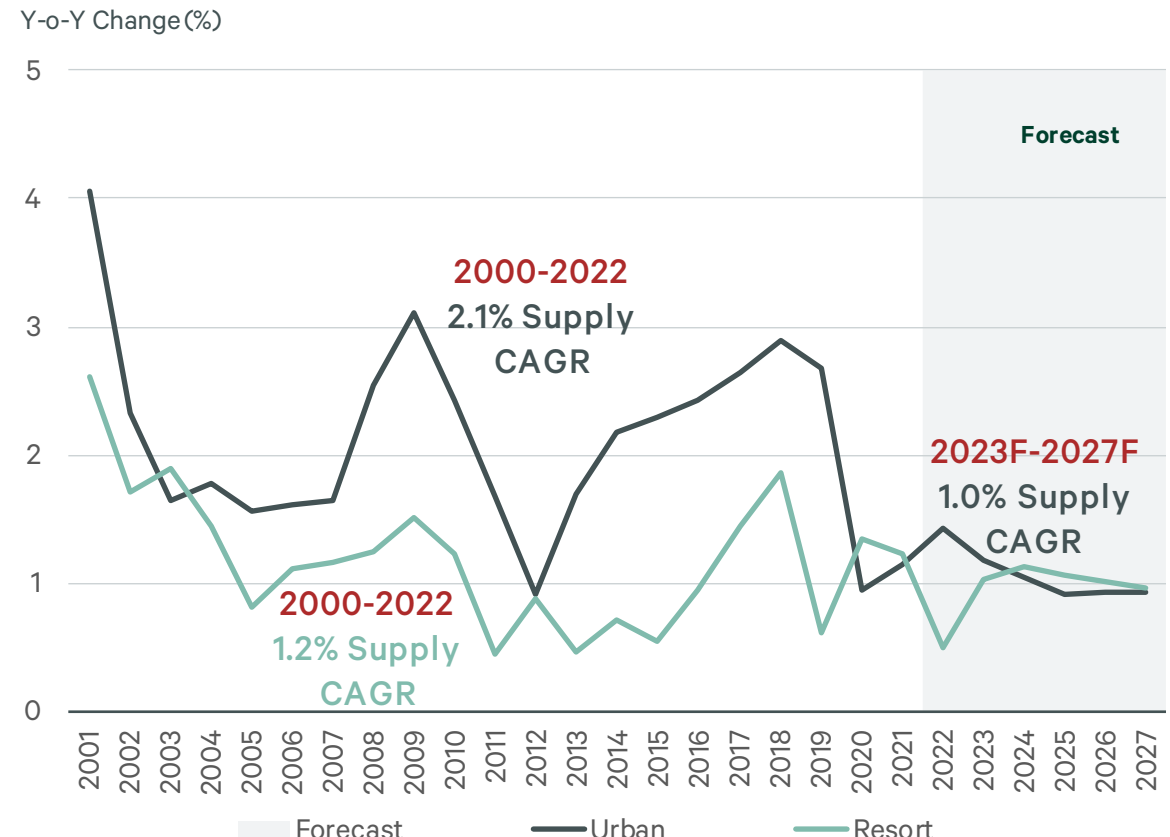


Explore Hotel Horizons®
 Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

U.S. Annual Supply Change (2000 – 2027F)



Annual Supply Change (2000 – 2027F) by Location Type

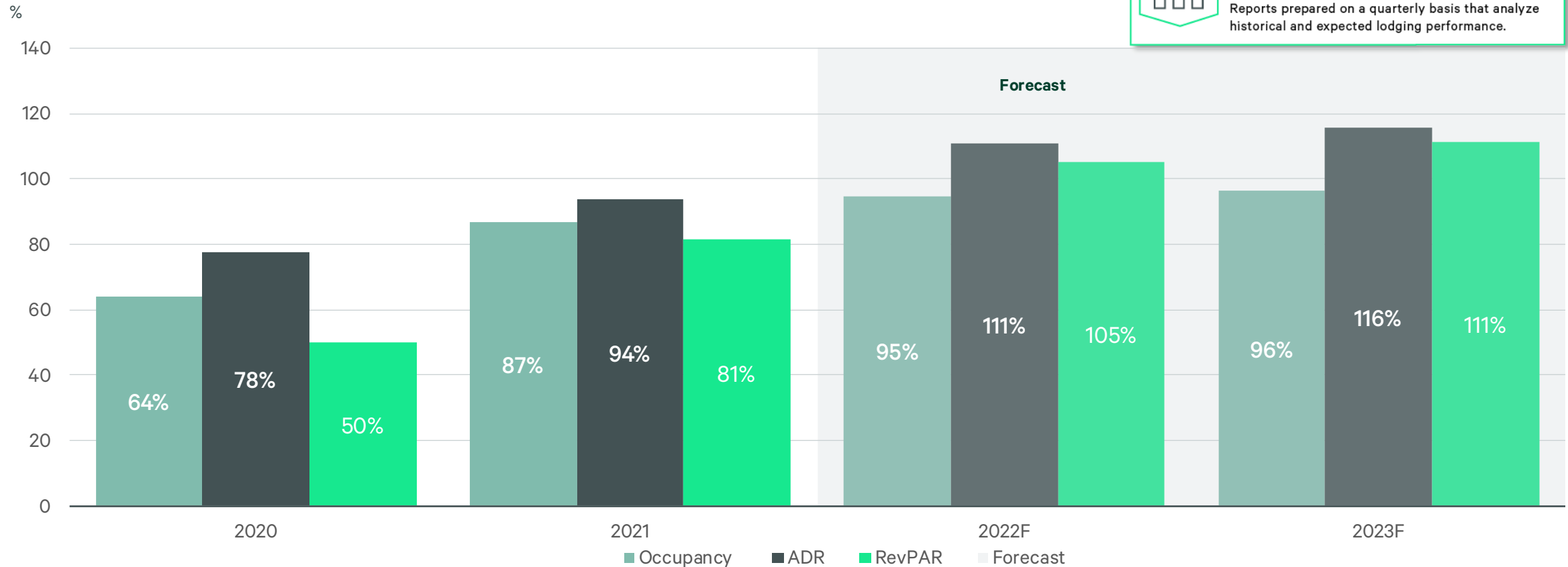


CBRE Hotels Research, CBRE EA, Kalibri Labs, Dodge Analytics, Forecasts as of November 16, 2022

*CoStar used to calculate US historical CAGR

Nominal RevPAR and ADR should fully recover this year; Occupancy will recover in 2025

Hotel Performance Indicators as a Percent of 2019



Explore Hotel Horizons®
 Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

CBRE Hotels Research, CBRE EA, Kalibri Labs, Forecasts as of November 16, 2022

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!

**E
X
P
L
O
R
E**

MARKET FORECASTS
[HOTEL HORIZONS®]

- ECONOMETRICALLY DERIVED REPORTS
- 65 MAJOR U.S. MARKETS, 435+ SUBMARKETS
- FORECAST & HISTORICAL DATA
- MARKET SEGMENTATION
- ON-DEMAND ANALYSIS

**E
X
P
L
O
R
E**

BENCHMARKING
[BENCHMARKERSM]

- FINANCIAL REPORTING
- CUSTOMIZED CRITERA
- OPERATING PERFORMANCE DATA
- DATA ANALYSIS
- REPORTS PRESENTED IN USALI FORMAT

PLATFORM ADD-ONS

NEW SUPPLY [SUPPLYTRACK]	PROJECT PHASES SUPPLY STATISTICS PROJECT LEVEL SEARCH REPORT BUILDER
INVESTMENT PERFORMANCE	HOTEL VALUE SERIES PROFITABILITY FORECAST INVESTMENT INSIGHTS
HOTEL BUILDER	FLOW DATA QUICKLY PREVIEW SAVE & EXPORT EXTRACTS EXPLORER

Thank you

CBRE

HOTELS RESEARCH ANALYSTS



Will Webster

Sr. Research Analyst
M +1 404 326 9288
will.webster@cbre.com



Christine Bang

Sr. Research Analyst
M +1 917 543 9698
christine.bang@cbre.com



Lindsay Dyer

Sr. Research Data Analyst
T +1 202 585 5599
lindsay.dyer@cbre.com



Hogan McDade

Research Data Analyst
T +1 303 824 4705
hogan.mcdade@cbre.com

HOTELS RESEARCH LEADER



Rachael Rothman, CFA

Head of Hotels Research
M +1 804 201 2004
rachael.rothman@cbre.com

CBRE ©2022 All Rights Reserved. All information included in this proposal pertaining to CBRE—including but not limited to its operations, employees, technology and clients—are proprietary and confidential, and are supplied with the understanding that they will be held in confidence and not disclosed to third parties without the prior written consent of CBRE. This letter/proposal is intended solely as a preliminary expression of general intentions and is to be used for discussion purposes only. The parties intend that neither shall have any contractual obligations to the other with respect to the matters referred herein unless and until a definitive agreement has been fully executed and delivered by the parties. The parties agree that this letter/proposal is not intended to create any agreement or obligation by either party to negotiate a definitive lease/purchase and sale agreement and imposes no duty whatsoever on either party to continue negotiations, including without limitation any obligation to negotiate in good faith or in any way other than at arm's length. Prior to delivery of a definitive executed agreement, and without any liability to the other party, either party may (1) propose different terms from those summarized herein, (2) enter into negotiations with other parties and/or (3) unilaterally terminate all negotiations with the other party hereto. CBRE and the CBRE logo are service marks of CBRE, Inc. All other marks displayed on this document are the property of their respective owners, and the use of such logos does not imply any affiliation with or endorsement of CBRE.