

June 1, 2021

# U.S. HOTEL State of the Union

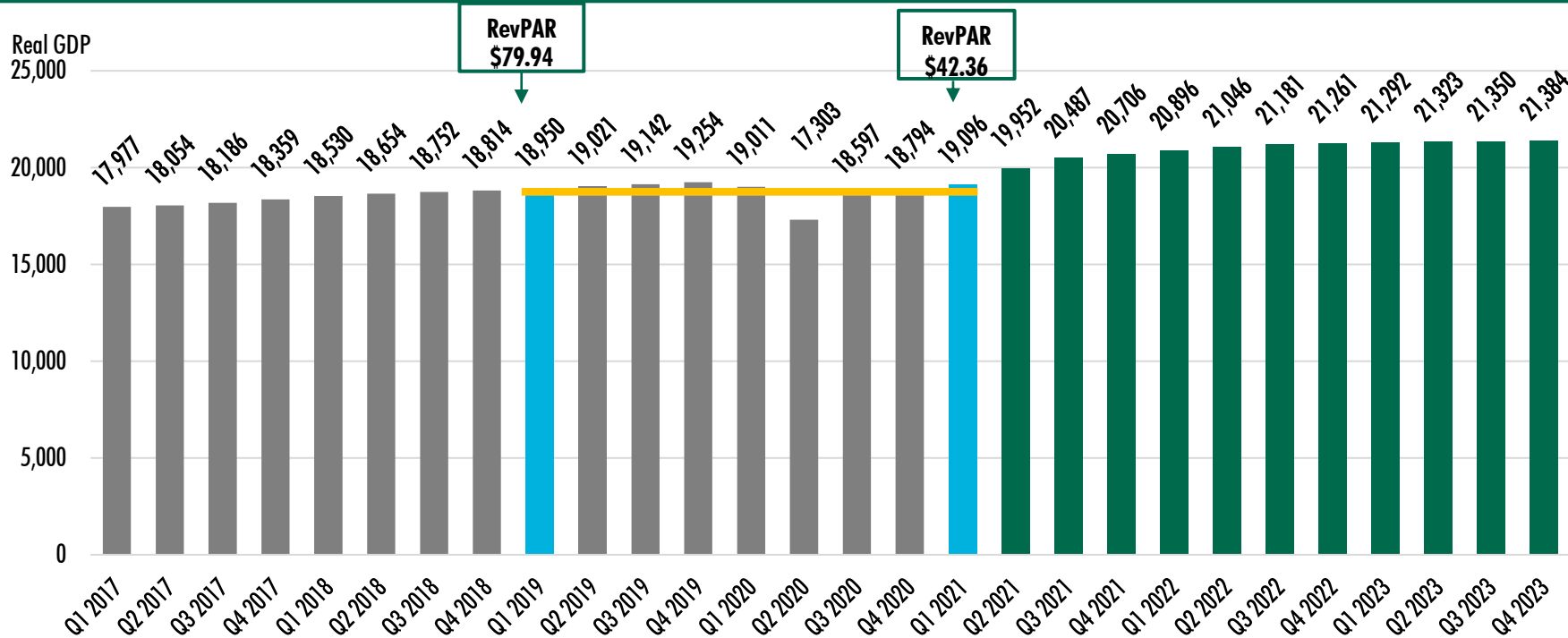
# Key Takeaways

- The college-educated unemployment rate – key for business travel – is now within 100 bps of its pre-pandemic levels and has been consistently improving since the start of the year. (Slide 7)
- Business investment and business confidence are at all-time highs. (Slide 13)
- Key business travel word searches are now down approximately 20% from pre-pandemic levels. (Slide 14)
- The recovery is not just leisure-based at this point. (Slide 17)
- Construction cost inputs will limit supply growth, bolstering same-store RevPAR growth this cycle. (Slides 19 – 21)
- Labor shortages and wage pressures are a headwind to NOI recovery, but operators are smart and have found efficiencies in each of the last cycles. (Slides 23 -26)
- Lenders continue to reenter the market as delinquencies wane, but construction lending still lags. (Slides 28 – 31)

# The Economy



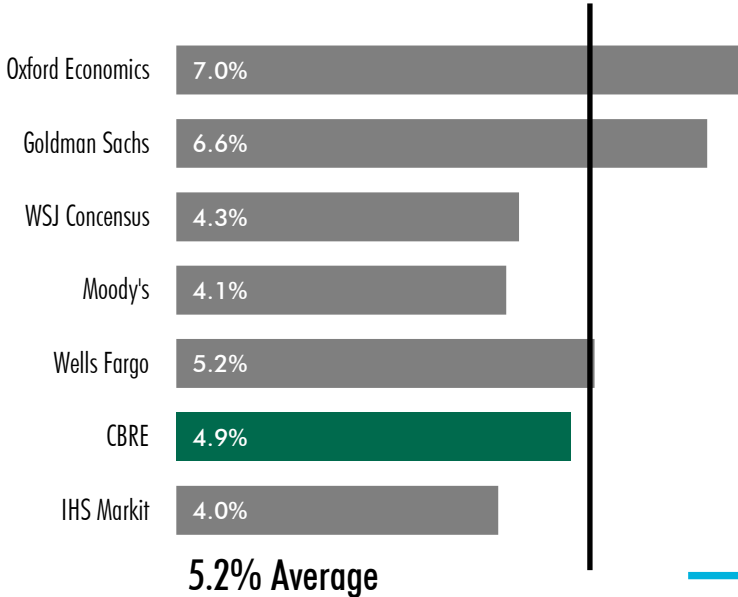
# The Question Is When, Not If, RevPAR Will Recover



Source: CBRE Hotels Research, CBRE EA, BLS, Kalibri Labs  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

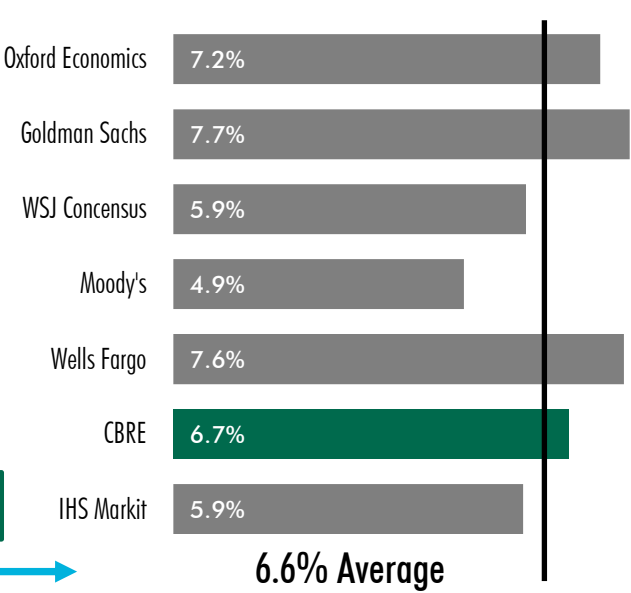
# GDP Forecasts – January vs April

2021 Full Year GDP Growth Forecast



**FORECAST AS OF JANUARY 2021**

2021 Full-Year GDP Growth Forecast



**FORECAST AS OF APRIL 2021**

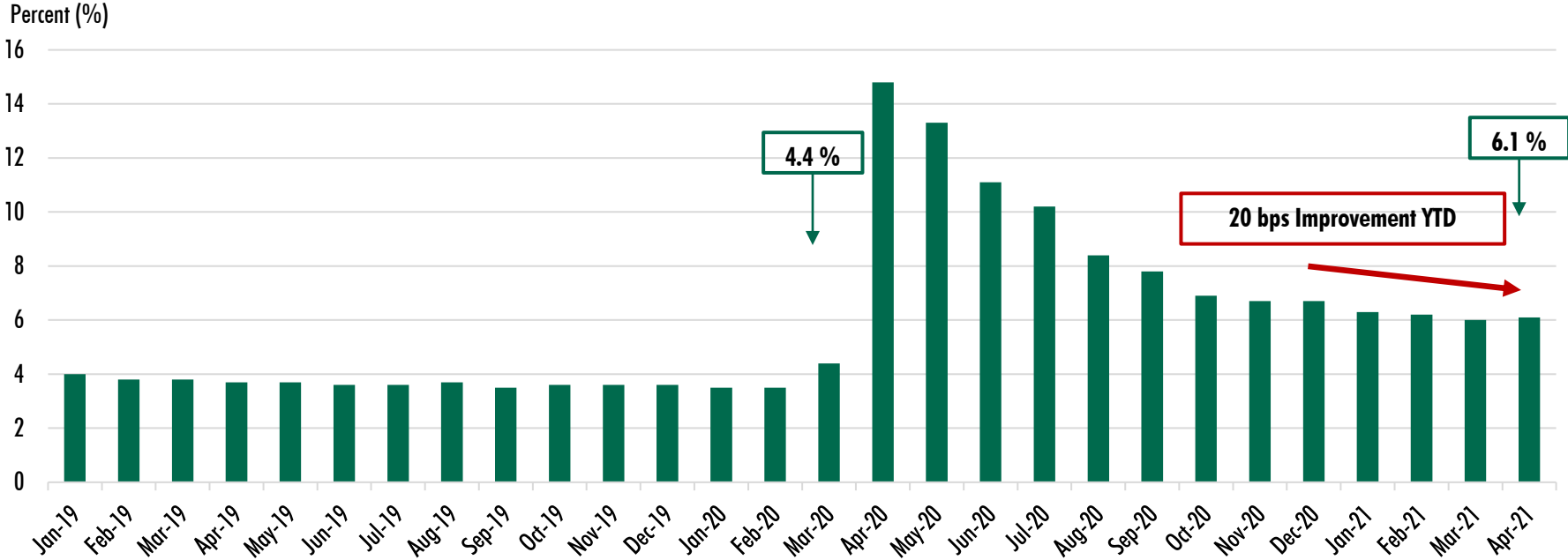
+ 140 bps

Source: CBRE Hotels Research, CBRE EA, Wall Street Journal.  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

# Overall Labor Market

## CBRE Forecasts 4.6% 2021 Unemployment

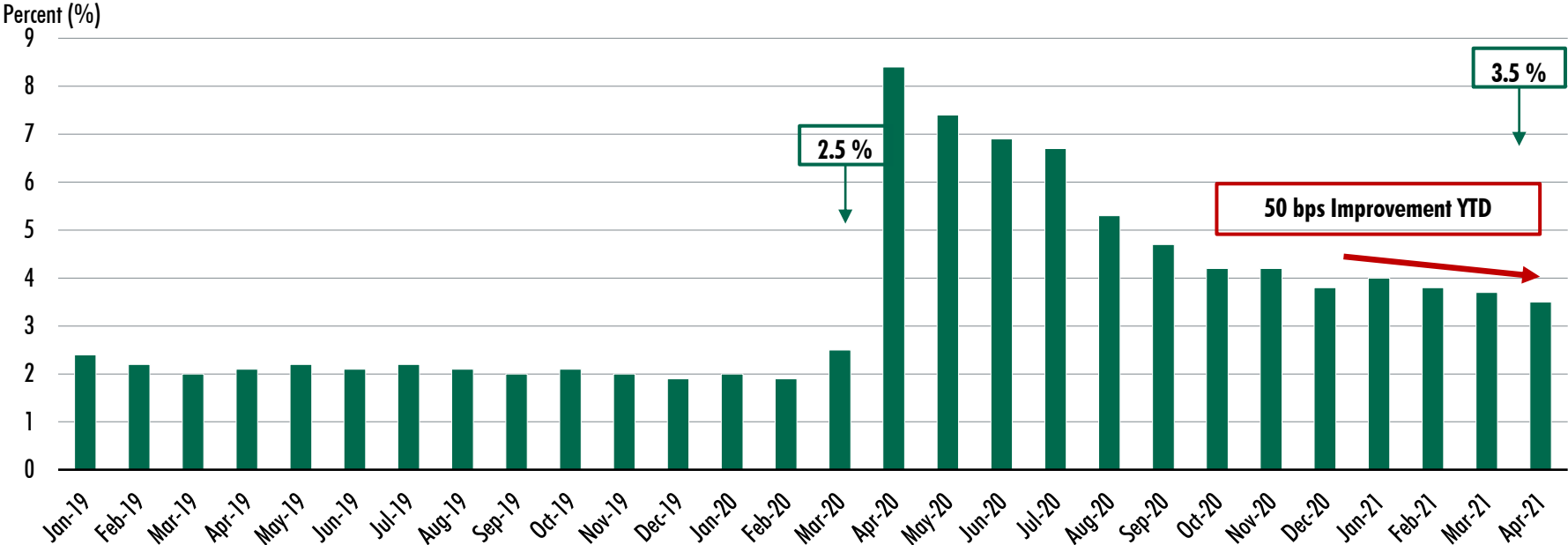
### UNEMPLOYMENT RATE



Source: CBRE Hotels Research, BLS.

# College Educated Labor Market

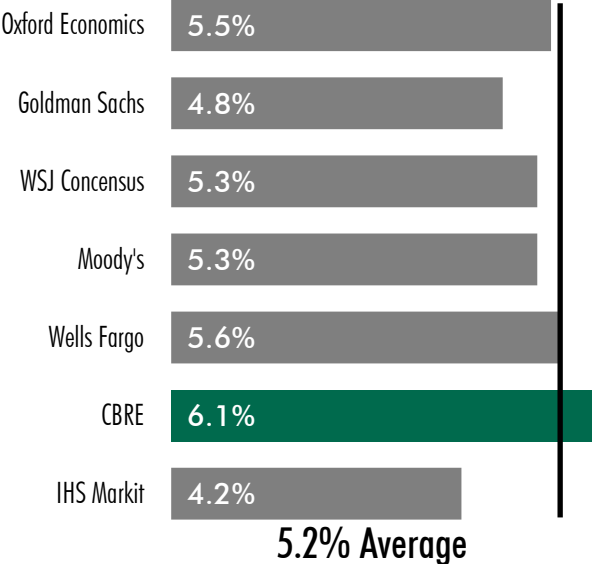
## UNEMPLOYMENT RATE – BACHELOR'S DEGREE AND HIGHER, 25 YRS. & OVER



Source: CBRE Hotels Research, BLS.

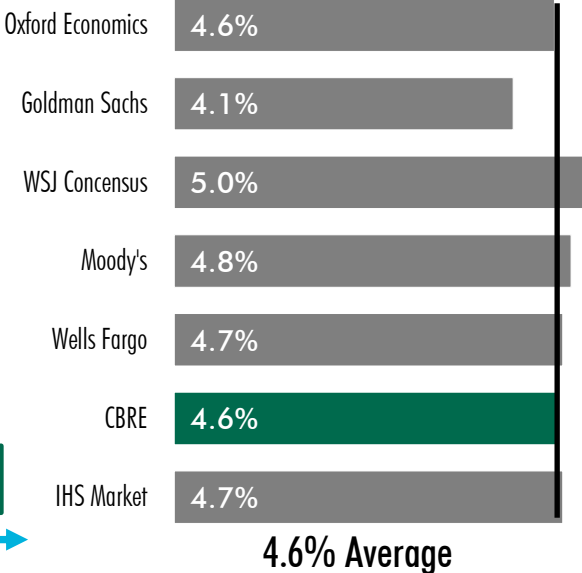
# Unemployment Forecasts- January vs April

2021 Unemployment Rate Forecast



**FORECAST AS OF JANUARY 2021**

2021 Unemployment Rate Forecast



**FORECAST AS OF APRIL 2021**

60 bps Improvement



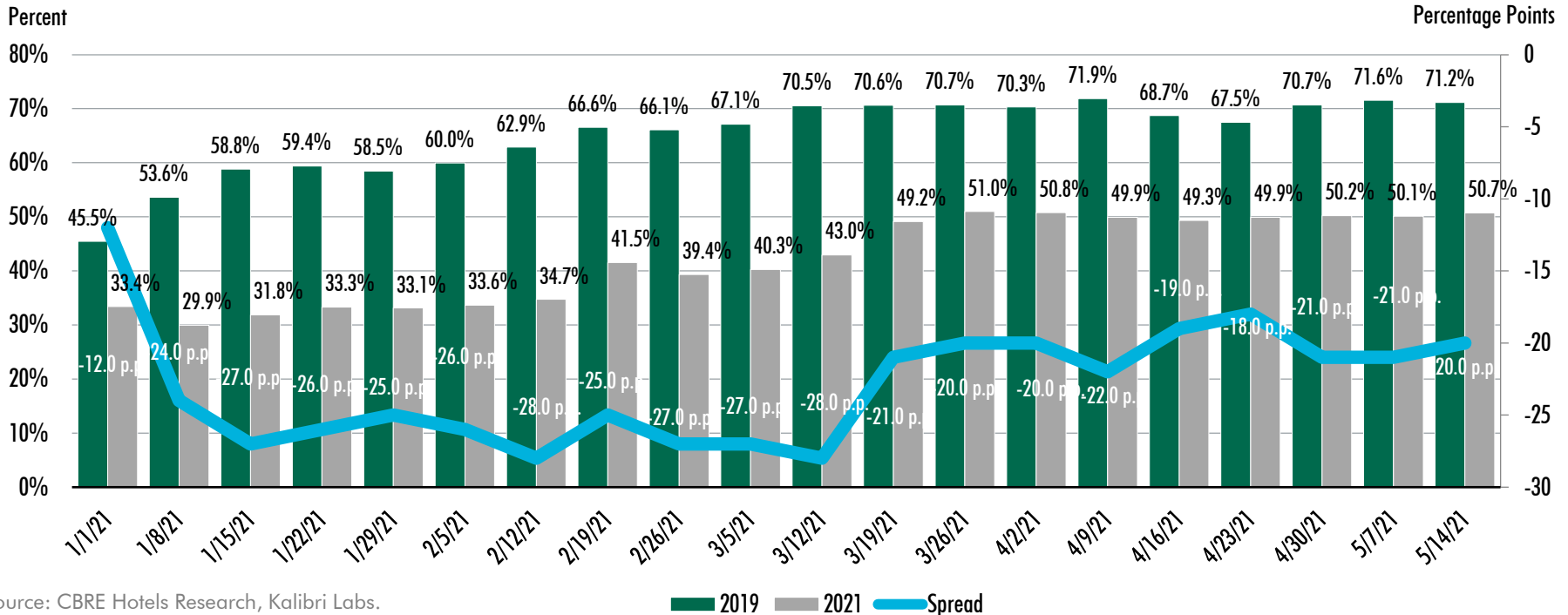
Source: CBRE Hotels Research, Wall Street Journal, CBRE EA.  
U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

# Current Trends



# Rebounding Hotel Performance

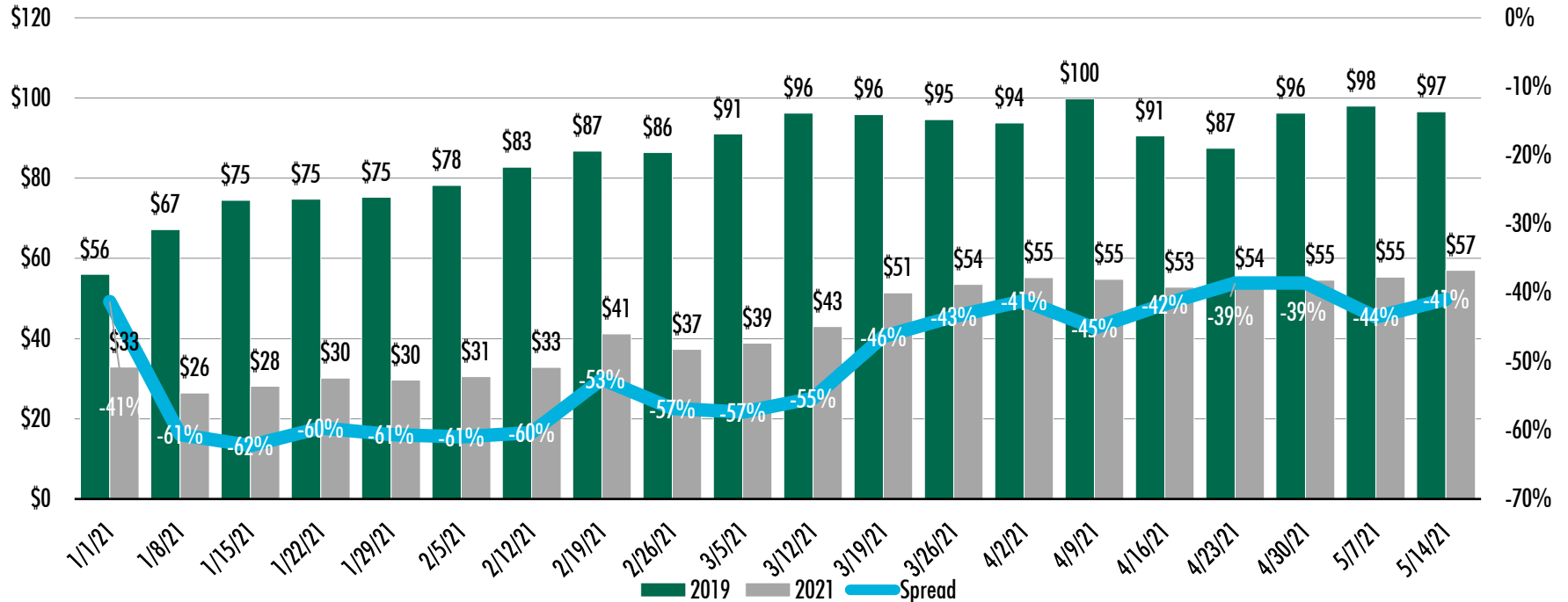
## US WEEKLY OCCUPANCY



Source: CBRE Hotels Research, Kalibri Labs.  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

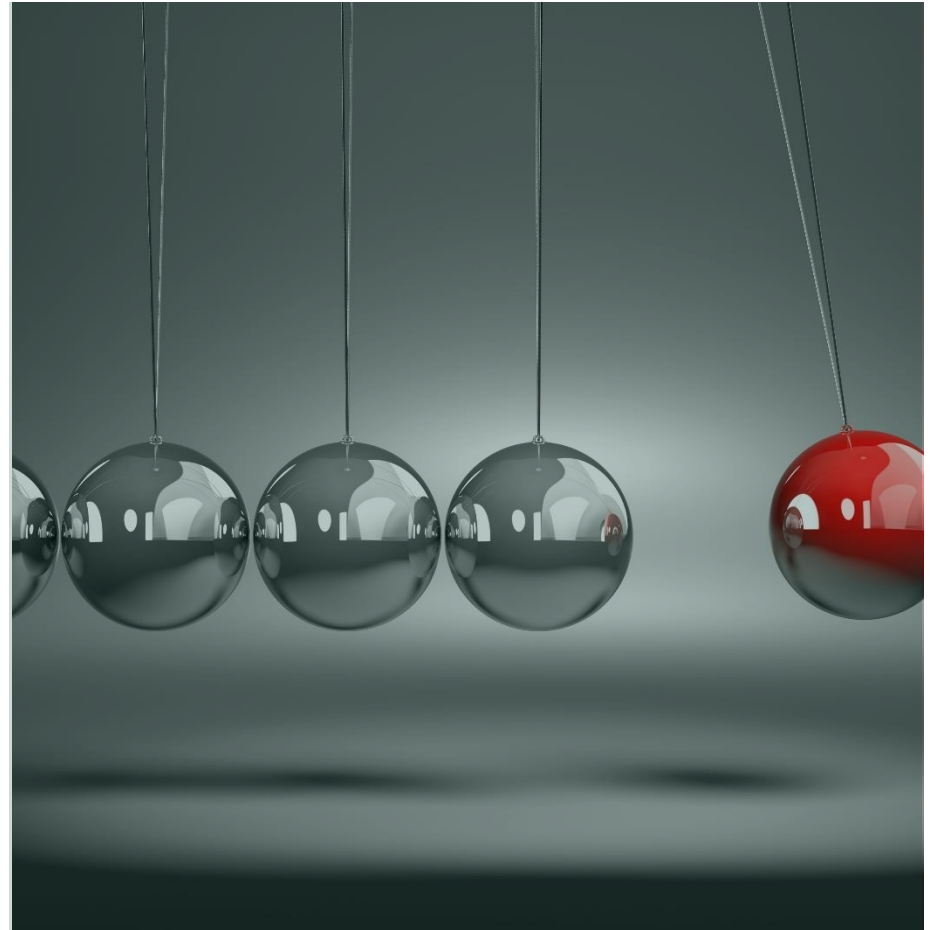
# Rebounding Hotel Performance

## US WEEKLY REVPAR



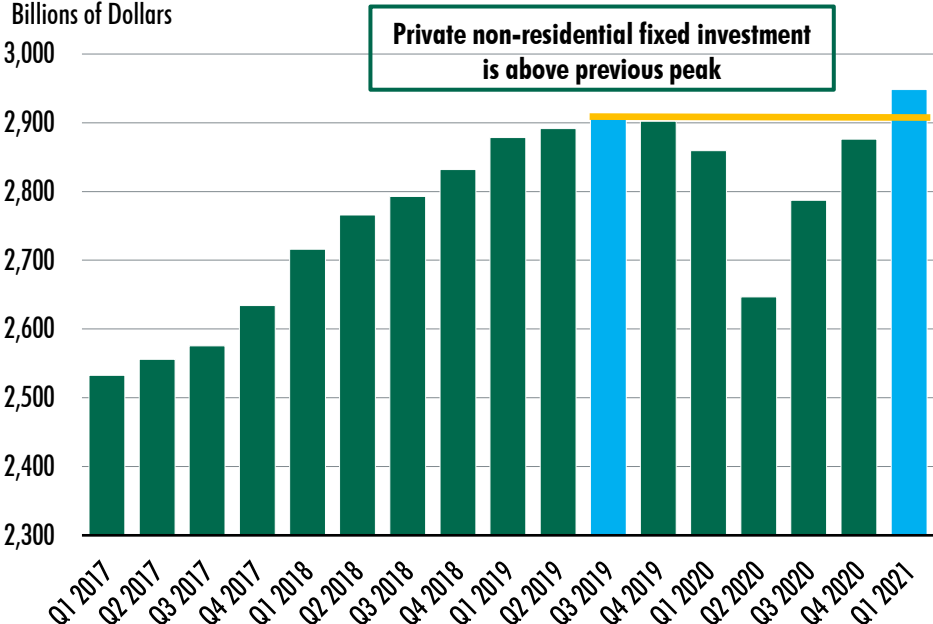
Source: CBRE Hotels Research, Kalibri Labs.

# Leading Indicators

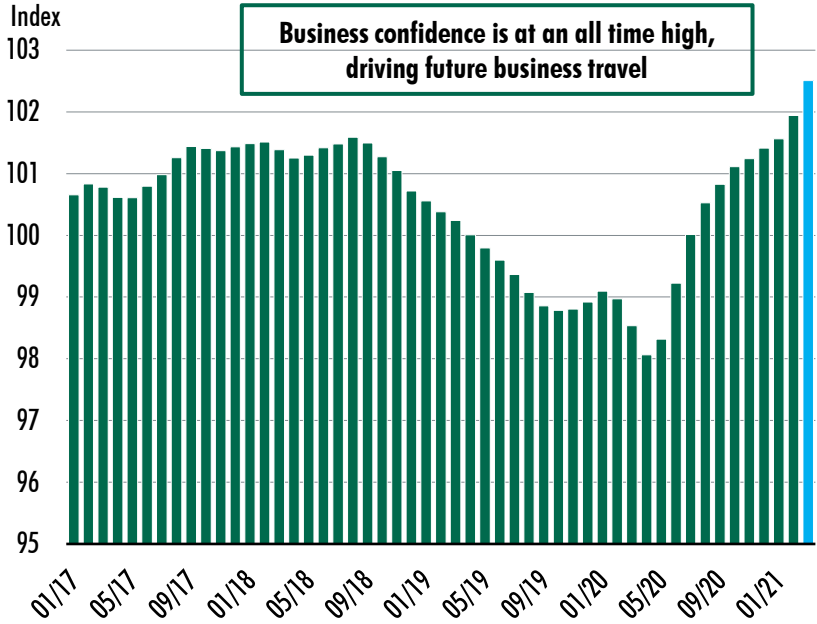


# High Fixed Investment and Record Level Business Confidence

## PRIVATE NONRESIDENTIAL FIXED INVESTMENT



## BUSINESS CONFIDENCE INDEX

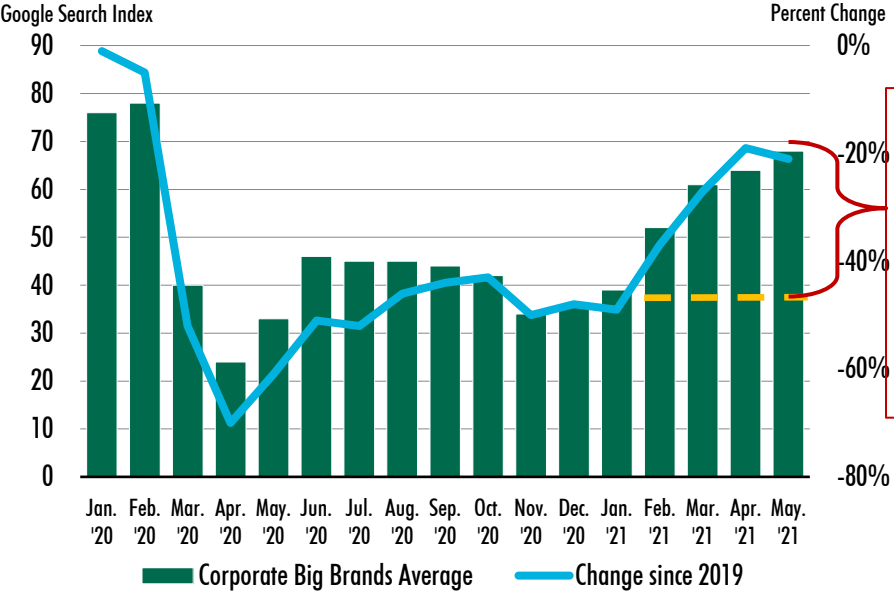


Source: CBRE Hotels Research, BLS.

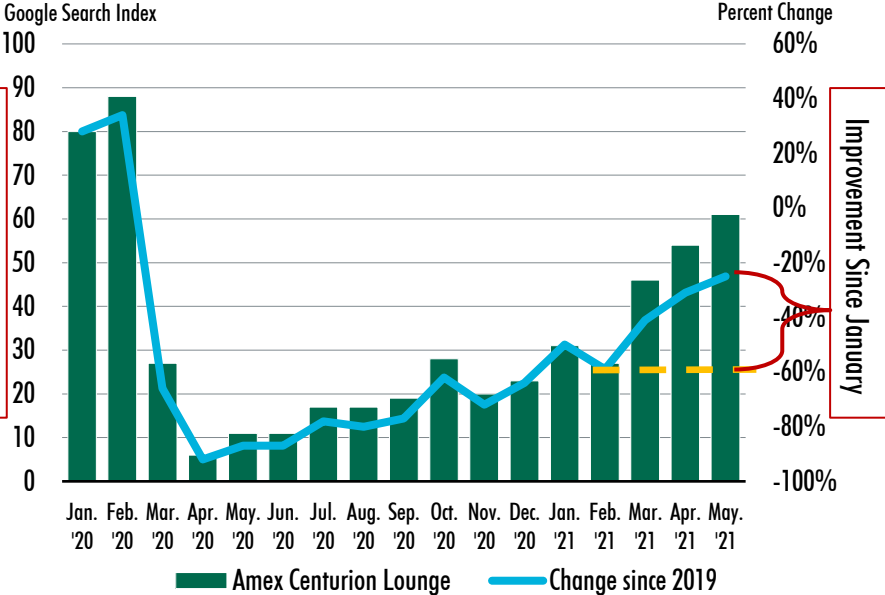
# Google Trends Analysis Business Travel Recovery

## BUSINESS TRAVEL LEADING INDICATORS

### Corporate Big Brands Average



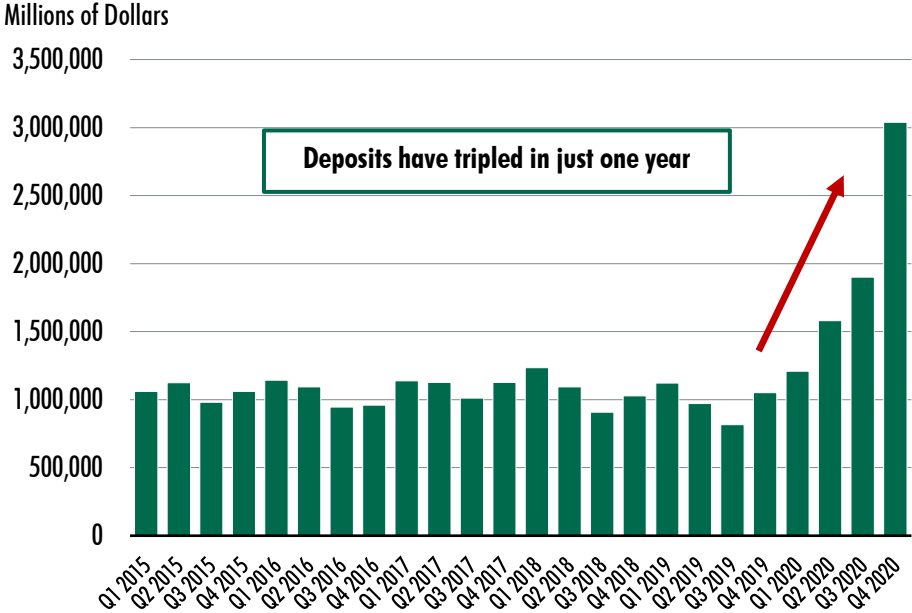
### Amex Centurion Lounge



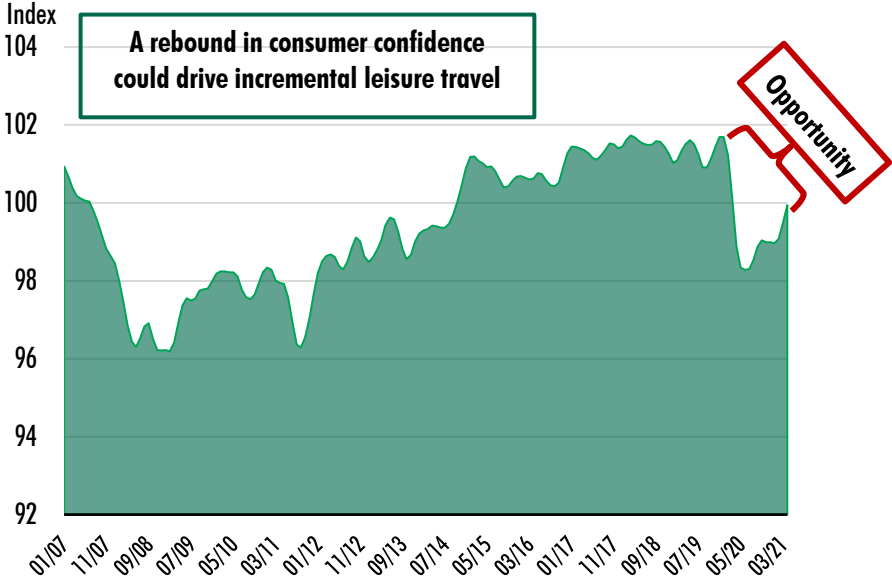
Source: CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, Amex Lounge, Centurion Lounge

# Record Level Household Savings But Consumer Confidence is Lagging

## HOUSEHOLD CHECKABLE DEPOSITS



## CONSUMER CONFIDENCE INDEX



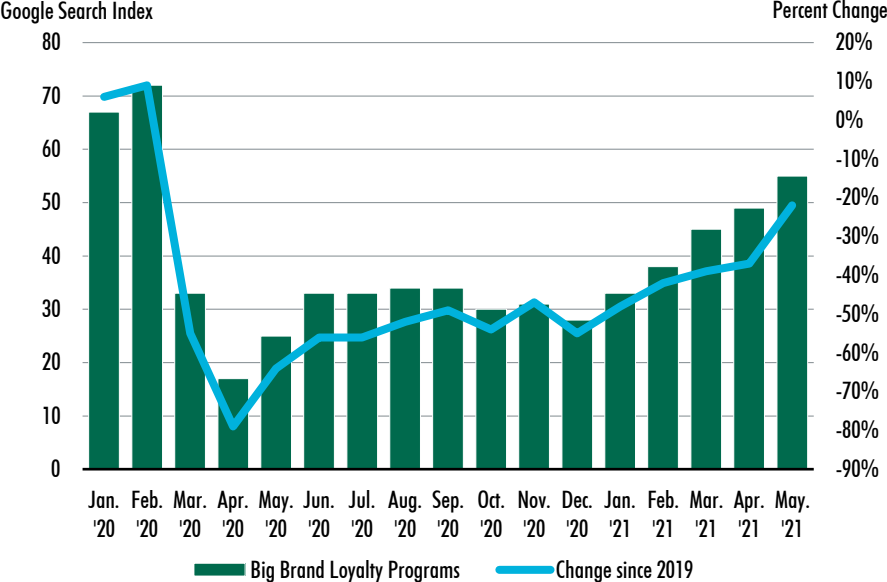
Source: CBRE Hotels Research, BLS.

# Google Trends Analysis

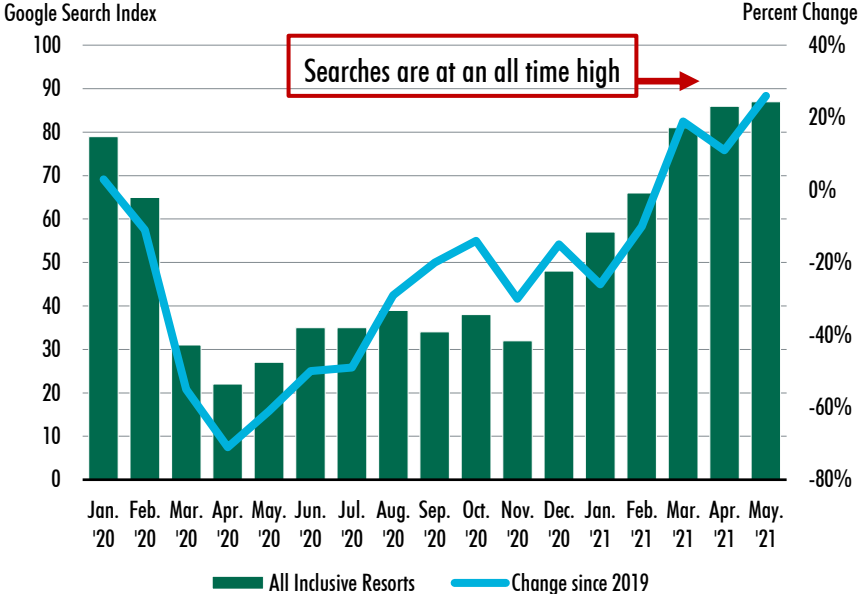
## Leisure Travel Recovery

### LEISURE TRAVEL LEADING INDICATORS

#### Big Brand Loyalty Programs



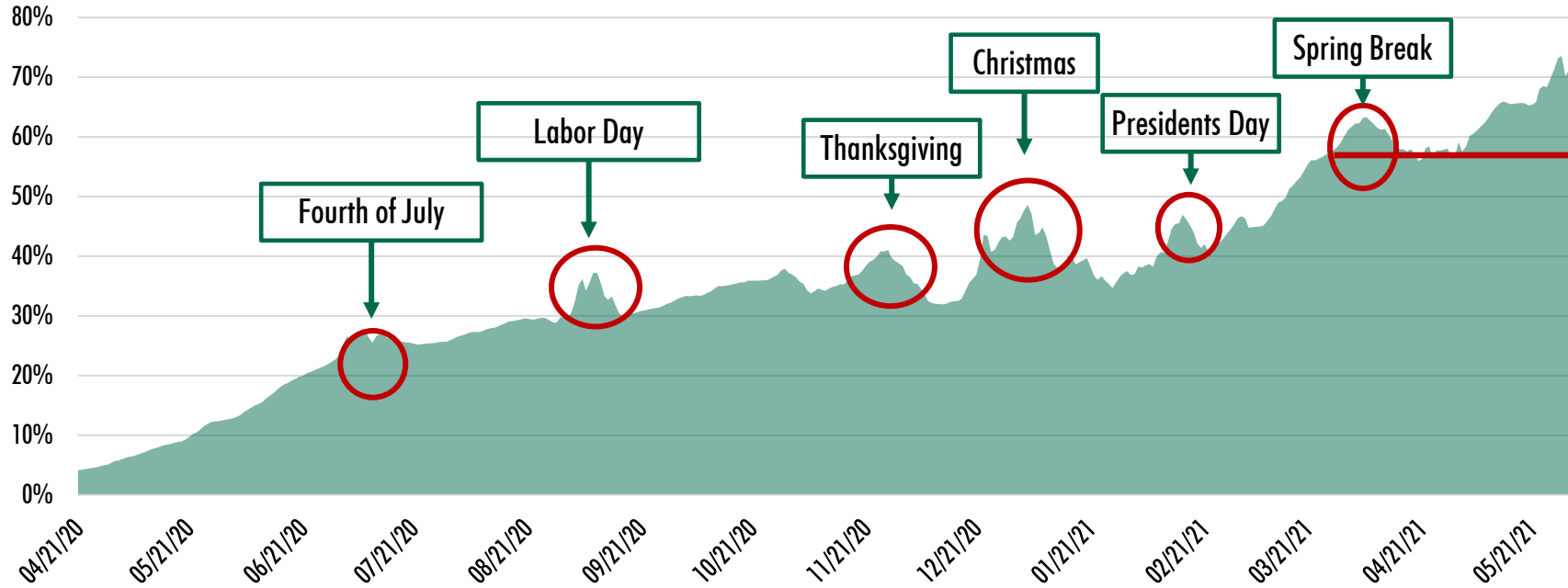
#### All Inclusive Resorts



Source: CBRE Hotels Research, Google Trends. Key words: Bonvoy, Hilton Honors, World of Hyatt, IHG Rewards, All-inclusive Resort.

# Its Not Just A Leisure Recovery Air Travel Increases outside of Holidays

TSA THROUGHPUT AS A PERCENT OF 2019 LEVELS



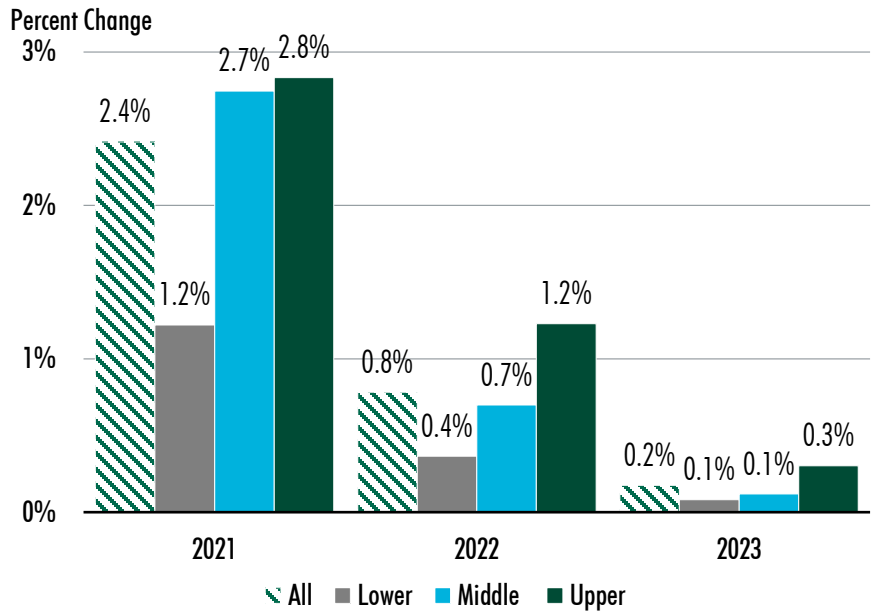
Source: CBRE Hotels Research, TSA.

# Supply

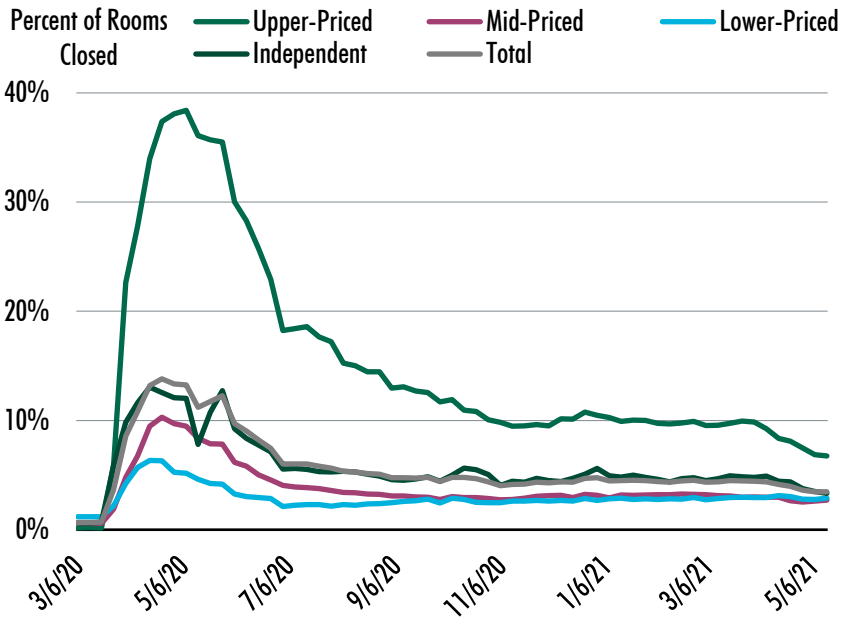


# New Projects + Re-openings Represent Above Average Supply Growth

## “IN CONSTRUCTION” SUPPLY GROWTH



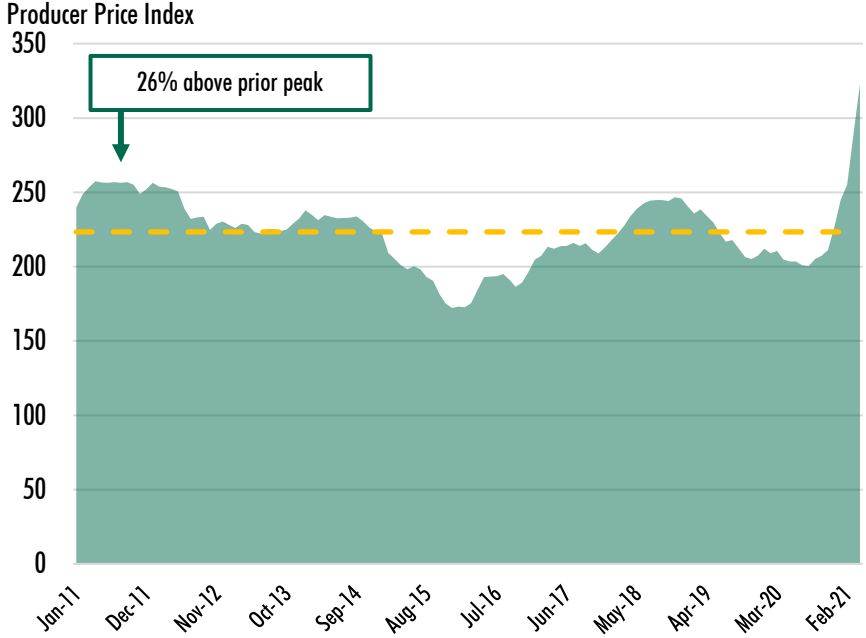
## 3.5% OF ROOMS REMAIN CLOSED



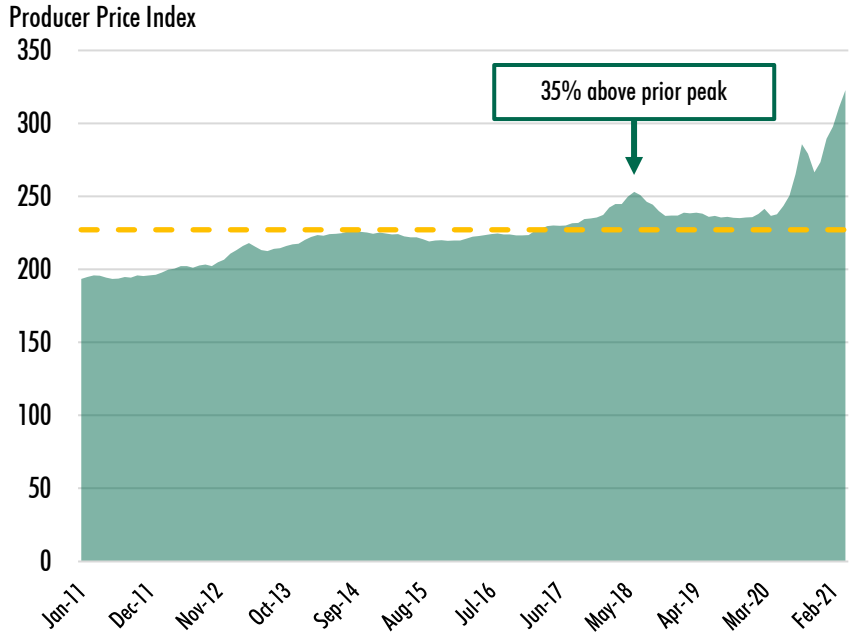
Source: CBRE Hotels Research, Kalibri Labs, Dodge Data Analytics  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

# Construction Inputs are More than 30% Above their Long Run Averages

## STEEL AND IRON



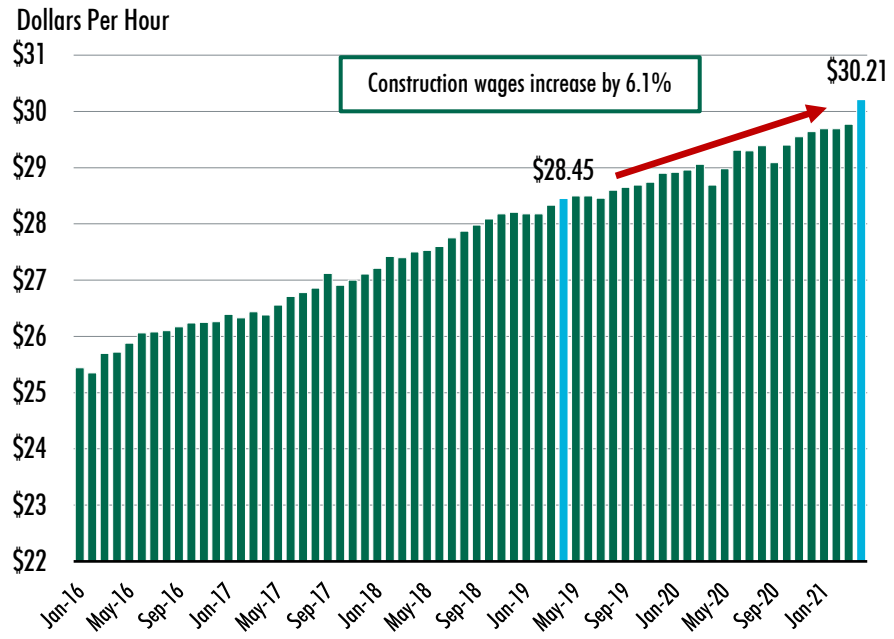
## LUMBER AND WOOD PRODUCTS



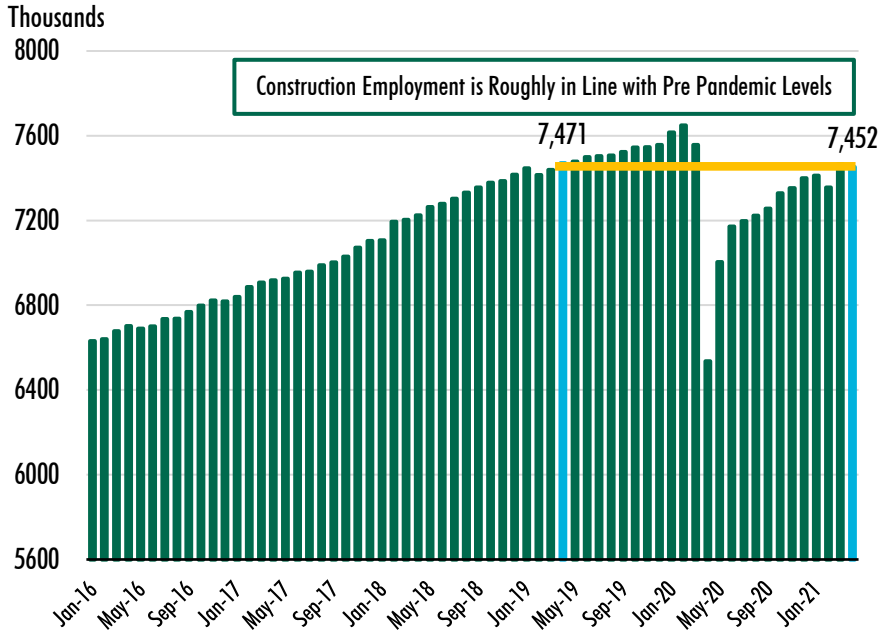
Source: CBRE Hotels Research, BLS  
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# Higher Wages and Employment Headwinds New Construction

## CONSTRUCTION WAGES



## NUMBER OF CONSTRUCTION EMPLOYEES



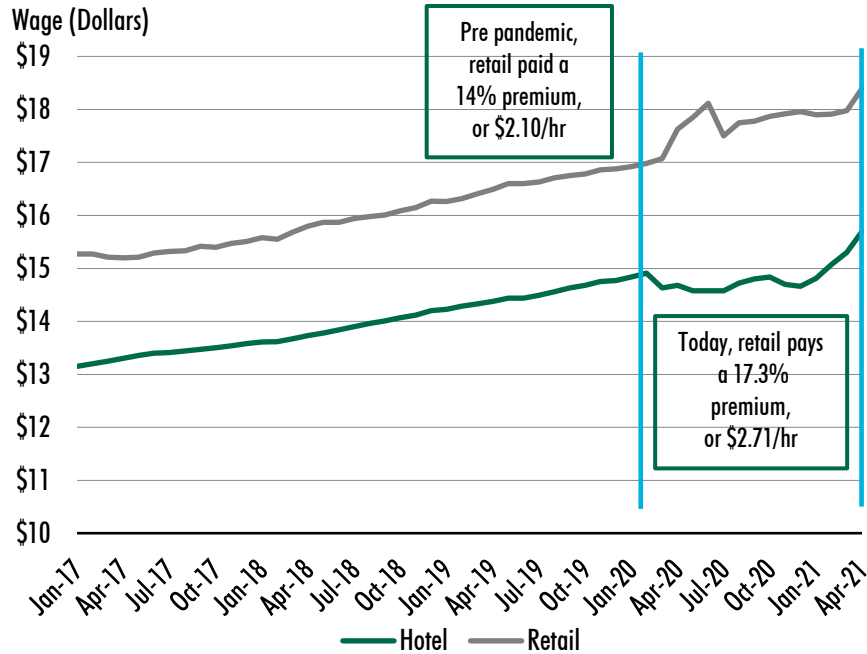
Source: CBRE Hotels Research, BLS  
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# Operating Performance

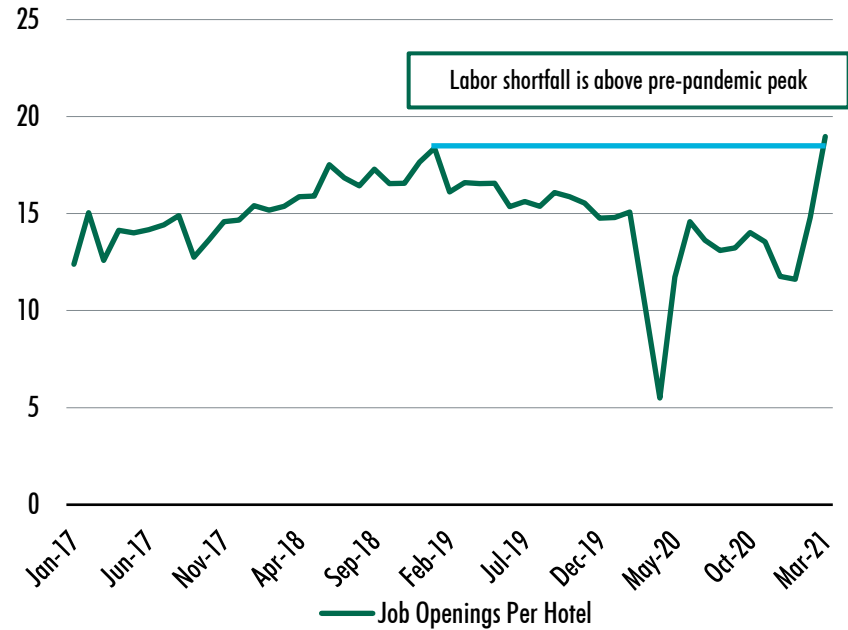


# Hotel Operators Continue To Confront a Challenging Labor Environment

## WAGE PRESSURES A HEADWIND TO MARGINS

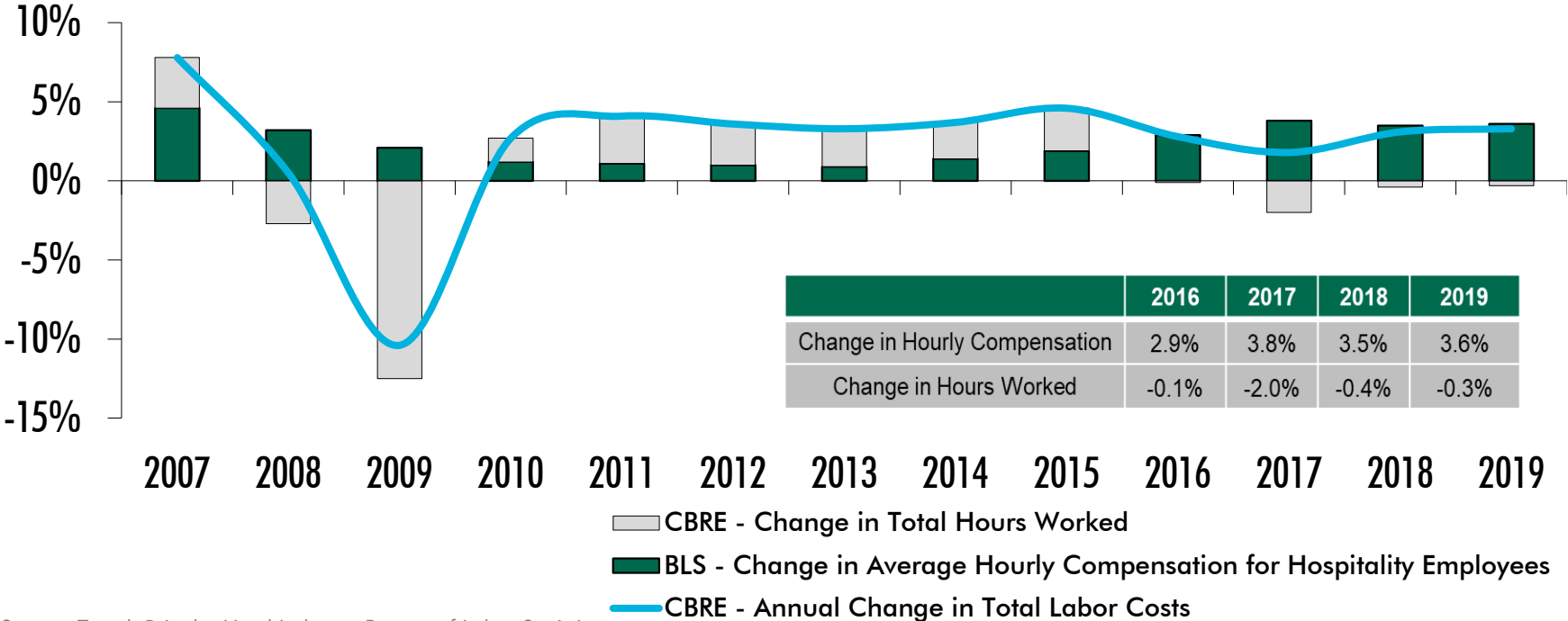


## JOB OPENINGS PER HOTEL ARE INCREASING



# Pre-Pandemic, Operators Sought Efficiencies Owing to Wage Pressures

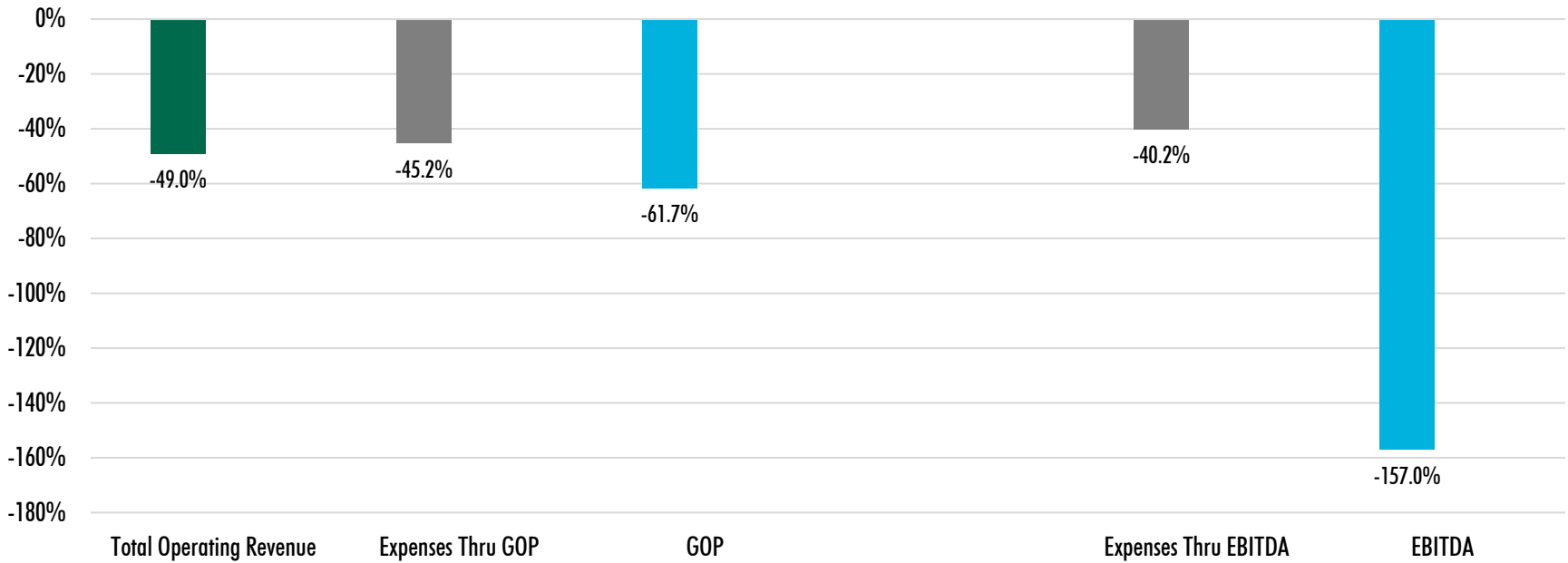
ANNUAL CHANGE IN COMPONENTS TO TOTAL LABOR COSTS – PROPERTY LEVEL



Source: Trends® in the Hotel Industry, Bureau of Labor Statistics

# Change in Revenues, Expenses and Profits: All hotels

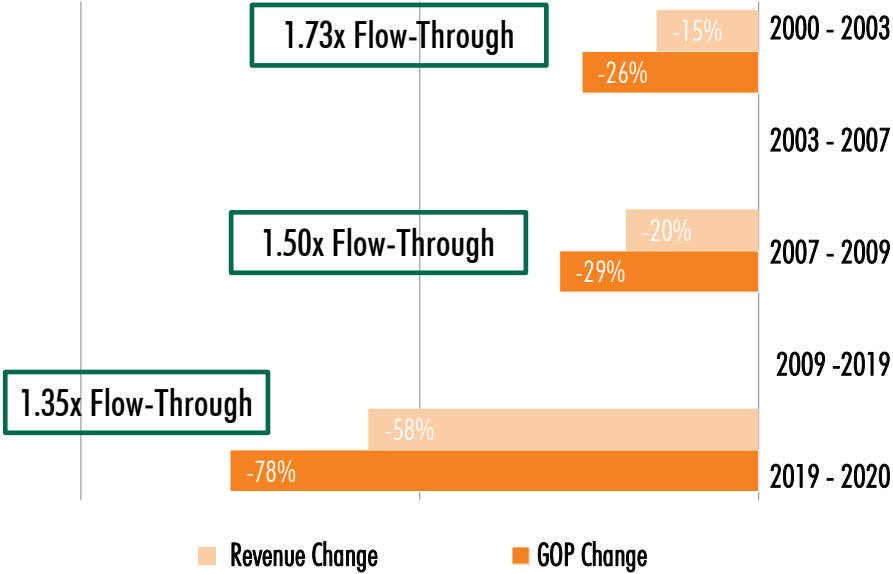
MARCH YTD 2021 VS MARCH YTD 2019



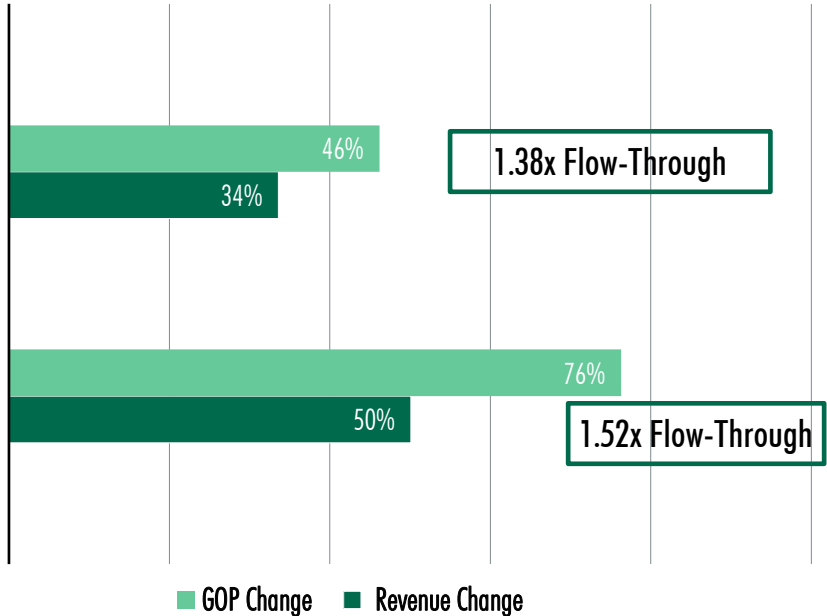
Source: CBRE Hotels Research, Same-Store Sample, Open All Twelve Months.  
U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

# Operators have Become More Efficient With Each Cycle

## CONTRACTION



## EXPANSION



Source: CBRE Hotels Research, CBRE Econometric Advisors.

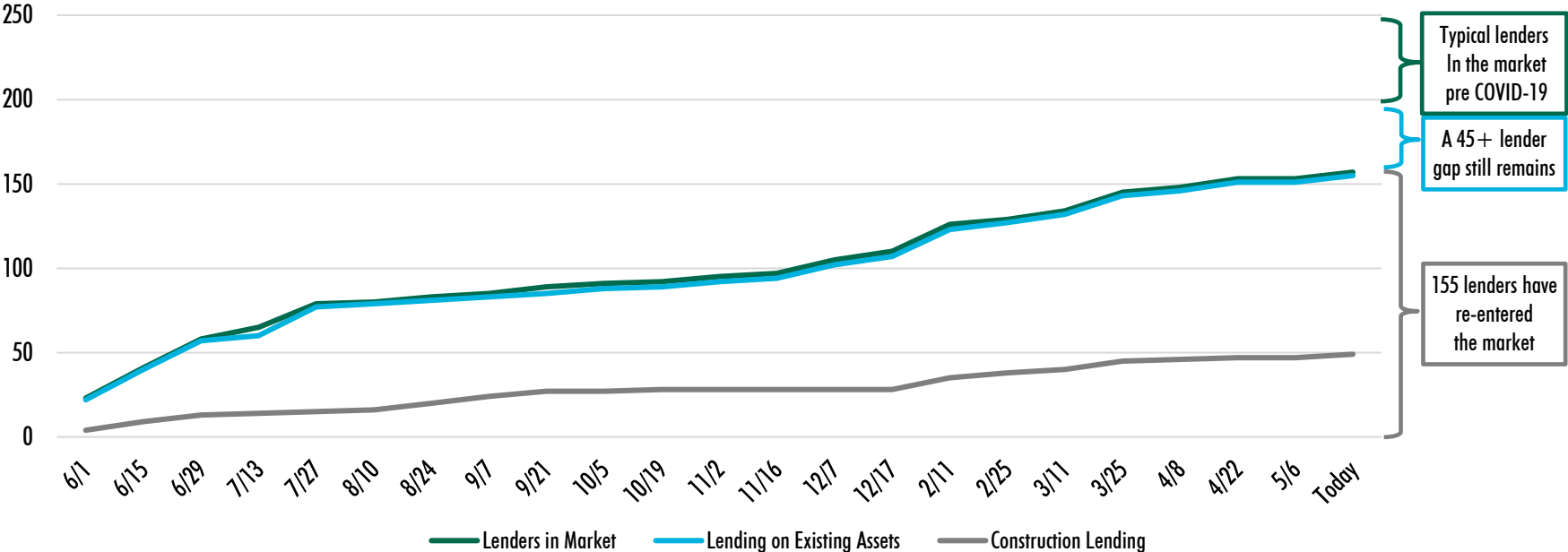
# Capital Markets



# Debt and Structured Finance

## All Hospitality Lenders

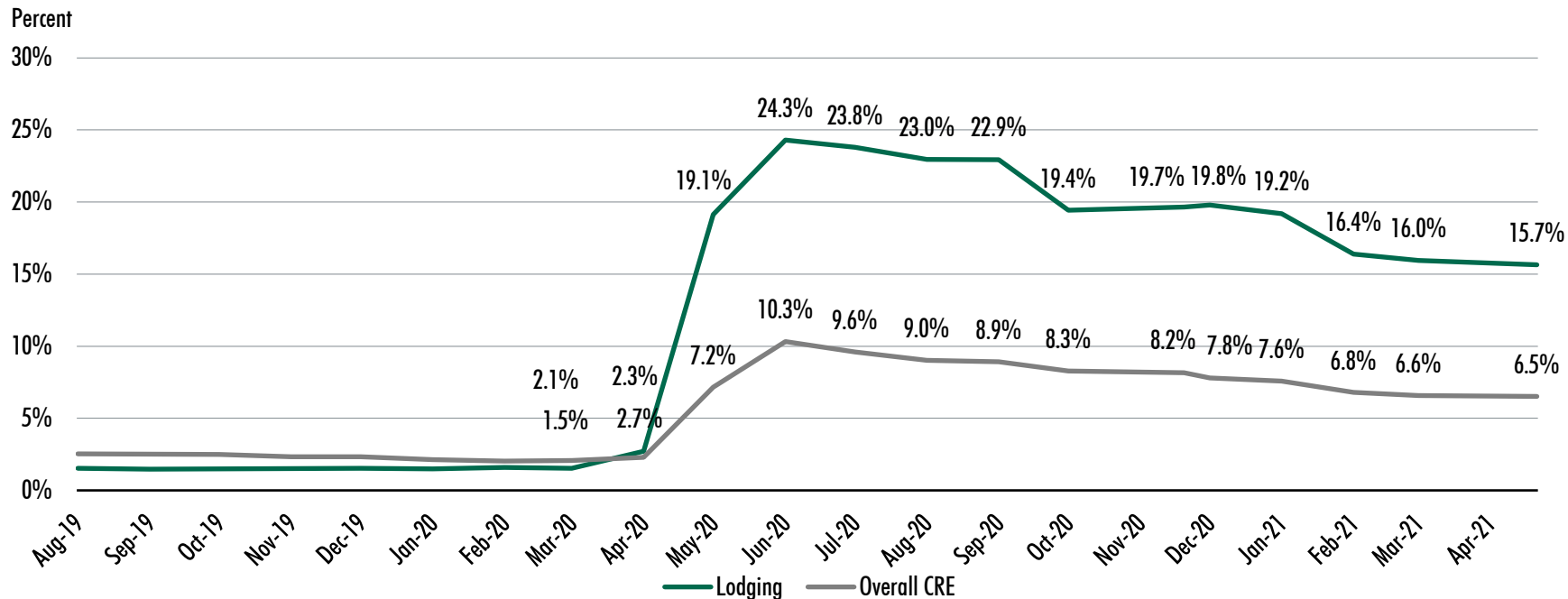
### FEWER CONSTRUCTION LENDERS WILL BE A HEADWIND TO FUTURE SUPPLY



Source: CBRE Hotels Research, CBRE Debt & Structured Finance.

# Lodging CMBS 30+ Day Delinquency

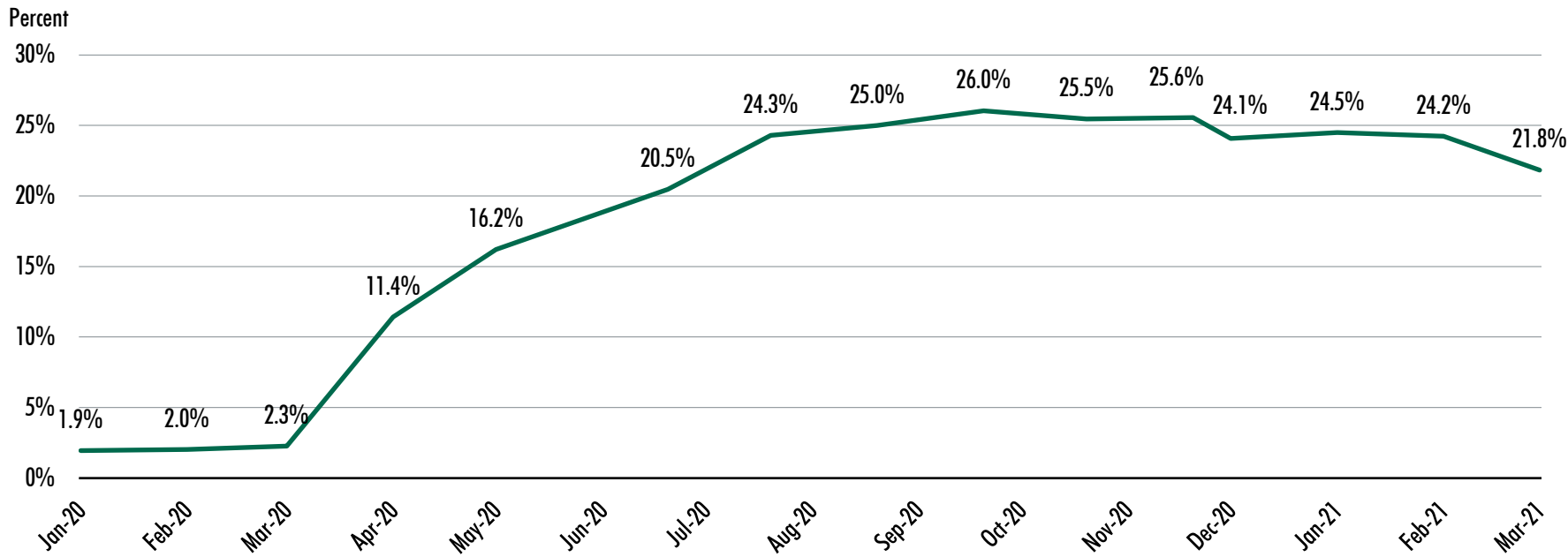
THE DELINQUENCY RATE SHOULD CONTINUE TO IMPROVE AS HOTELS REOPEN



Source: CBRE Hotels Research, CBRE Debt & Structured Finance.

# Lodging CMBS Special Servicing

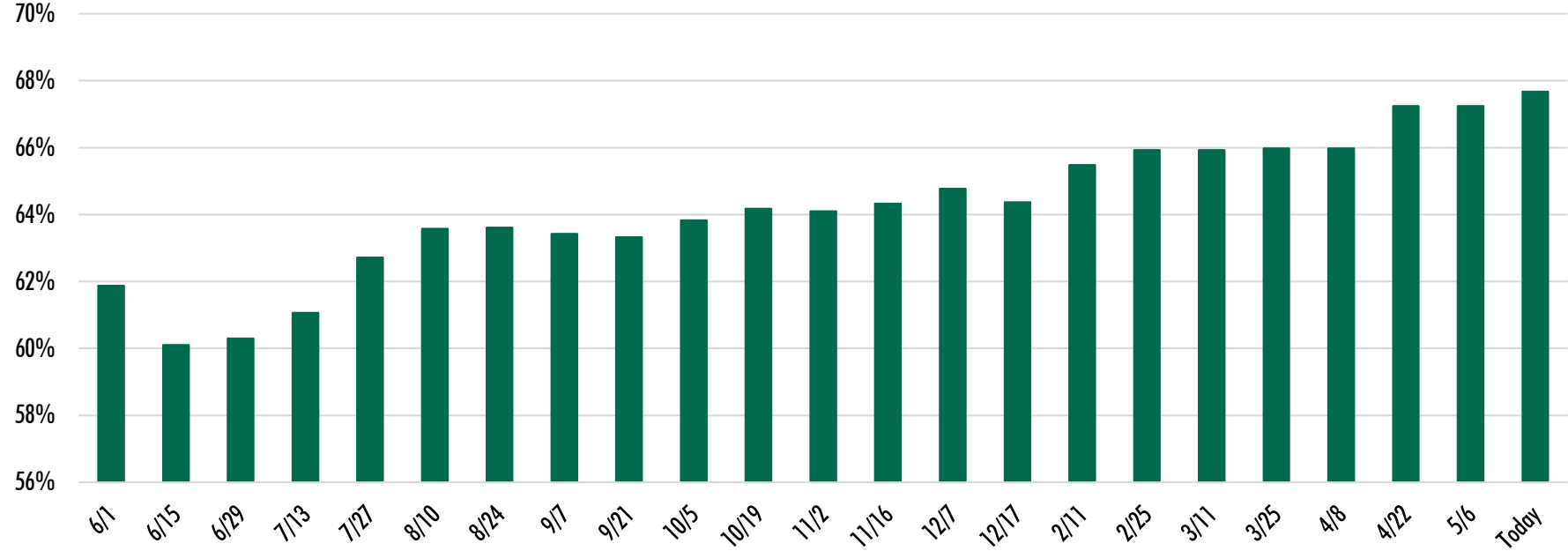
## PRE-/POST-COVID - SPECIAL SERVICING RATE LODGING CMBS



Source: CBRE Hotels Research, CBRE Debt & Structured Finance.

# Debt and Structured Finance Hospitality Leverage

## MAXIMUM LEVERAGE LEVELS



Source: CBRE Hotels Research, CBRE Debt & Structured Finance Loan to Value.

# Thank You

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