



CBRE

Austin Hotel & Lodging Association

16th Annual Hospitality Expo & CBRE Meeting

Austin Convention Center
Austin, TX

August 22, 2024

Kevin M. Donahue, MAI
Executive Vice President
CBRE Hotels Advisory

Andrew Hartley
Senior Vice President
CBRE Hotels Advisory

Who are we?



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

Who are we?



Kevin M. Donahue, MAI

Executive Vice President for the South-Central Division for CBRE Hotels Advisory

- Specialty in appraisal and consulting for hospitality and most commercial real estate property
- From Houston originally, but been in Austin since 2008
- Lead a team of 5 hospitality-focused real estate professionals based out of Austin
- Focus on Texas hospitality markets but have experience across the country
- BBA in Finance and Real Estate – Baylor University
- MAI – Appraisal Institute

1

The National
Economy

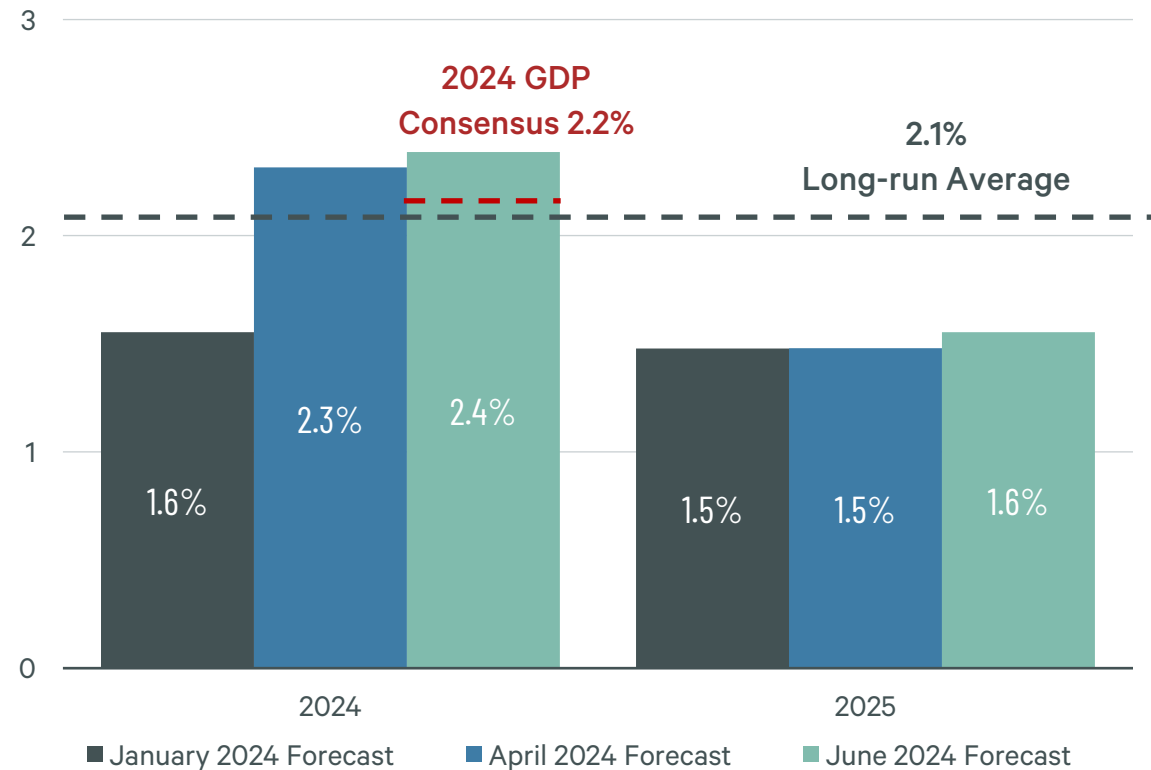
Factors Affecting the National Economy

- 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

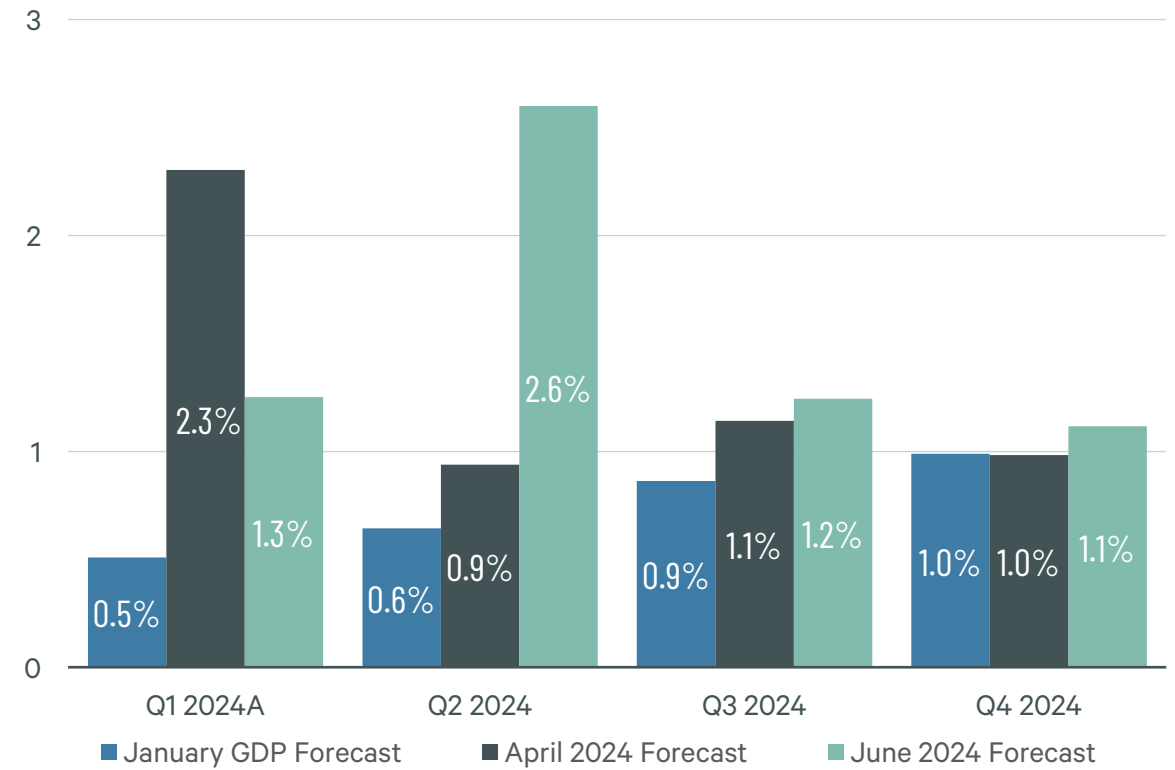
Annual Real GDP Change Forecast as of Release Date

Y-o-Y Change (%)



Quarterly Annualized Real GDP Forecast

Q-o-Q Change (%)

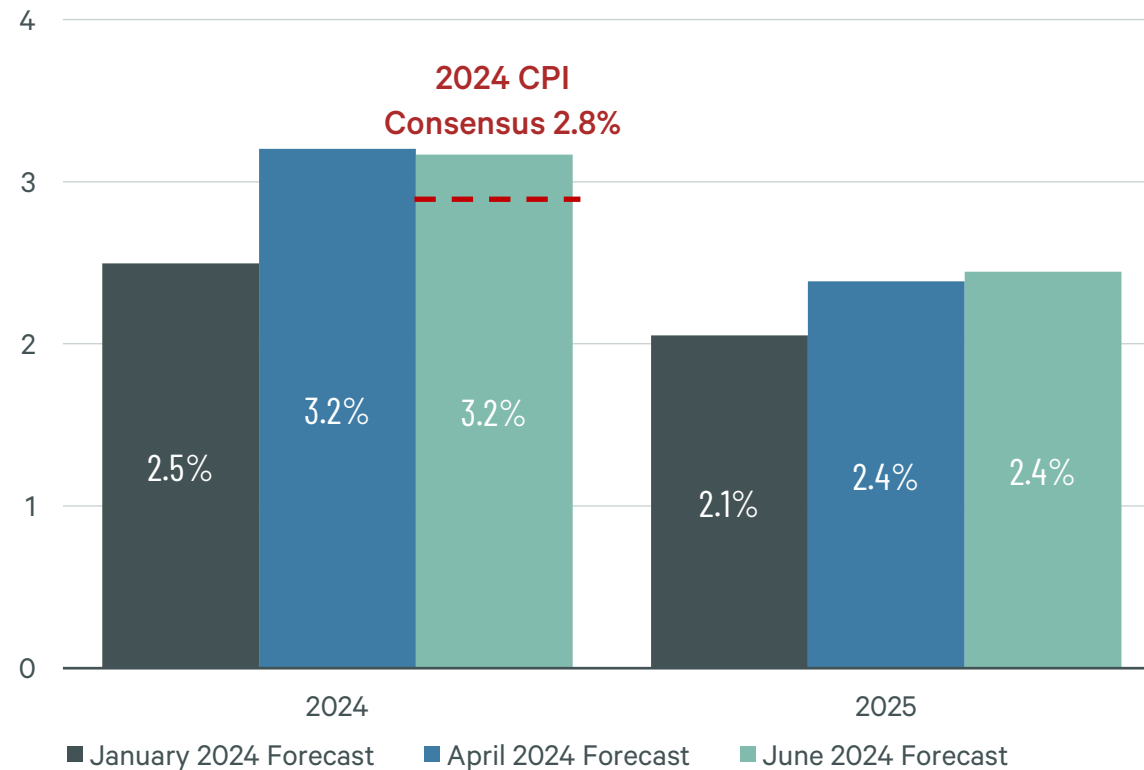


CBRE Hotels Research, BEA, Atlanta Fed, Forecast as of June 18, 2024 * Long Run Average 2000-2023

Inflation has been more elevated and persistent than previously expected

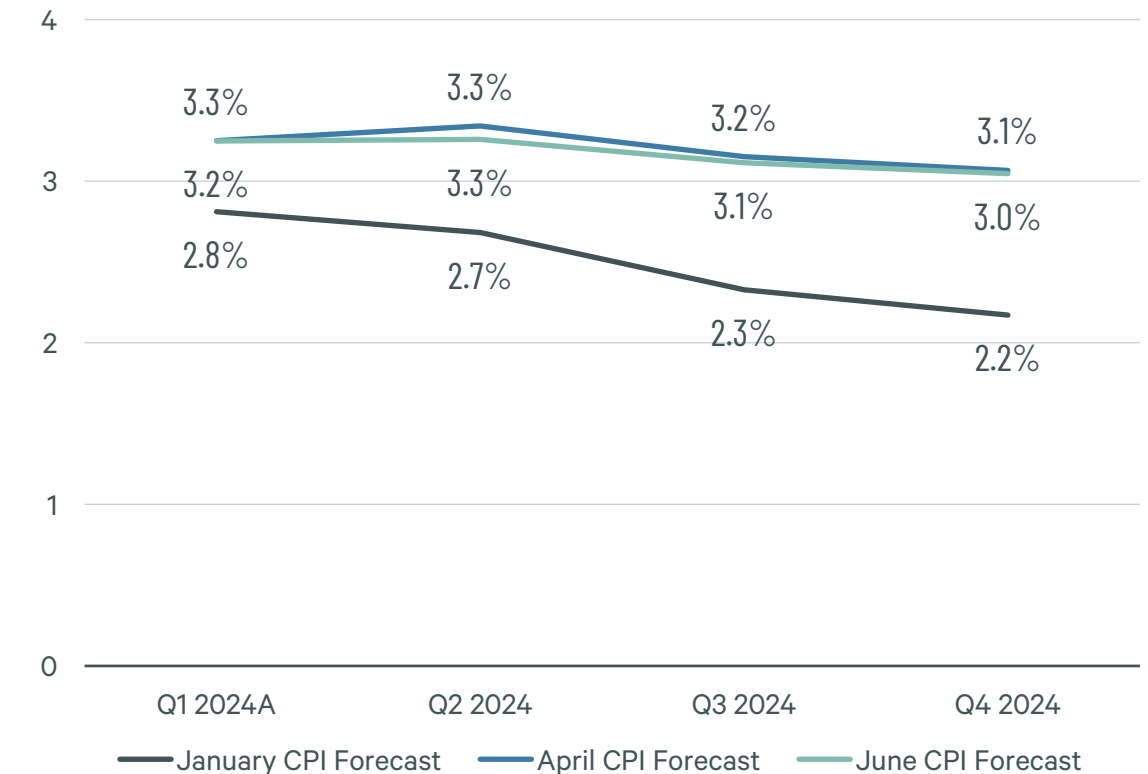
Annual CPI Change Forecast as of Release Date

Y-o-Y Change (%)



Quarterly CPI Change Forecast

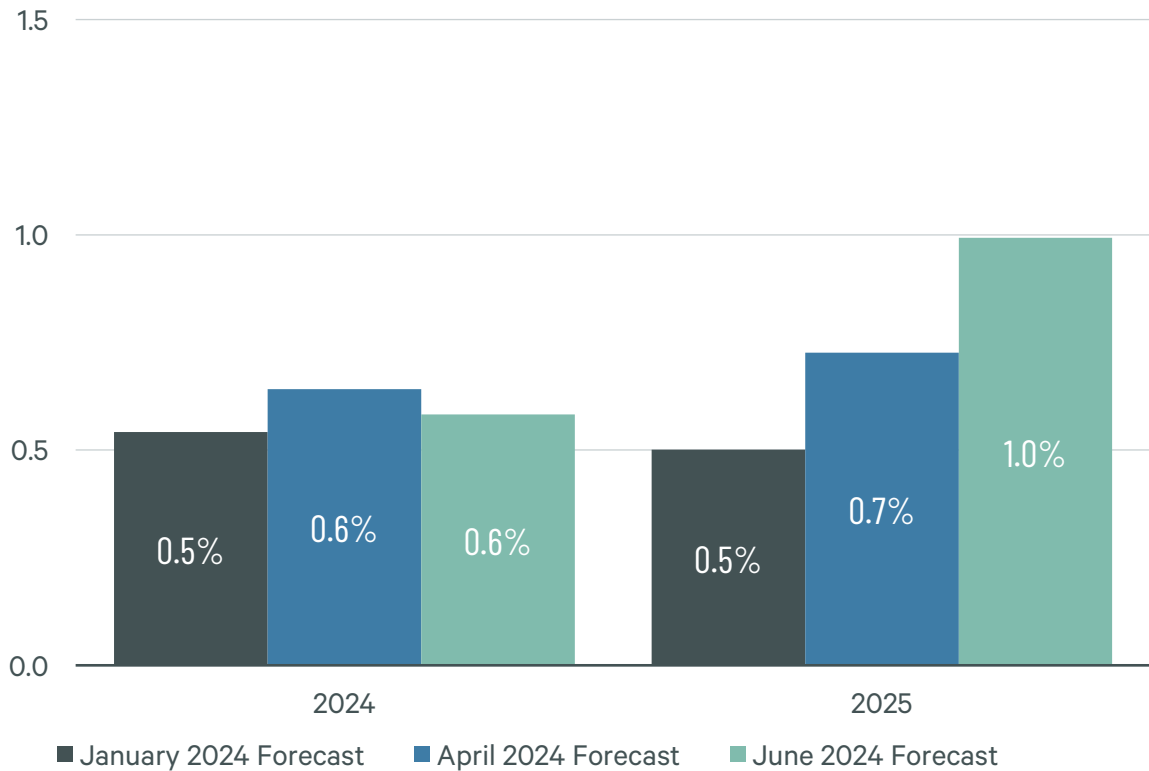
Y-o-Y Change (%)



CBRE expects employment gains to continue in 2024 and 2025

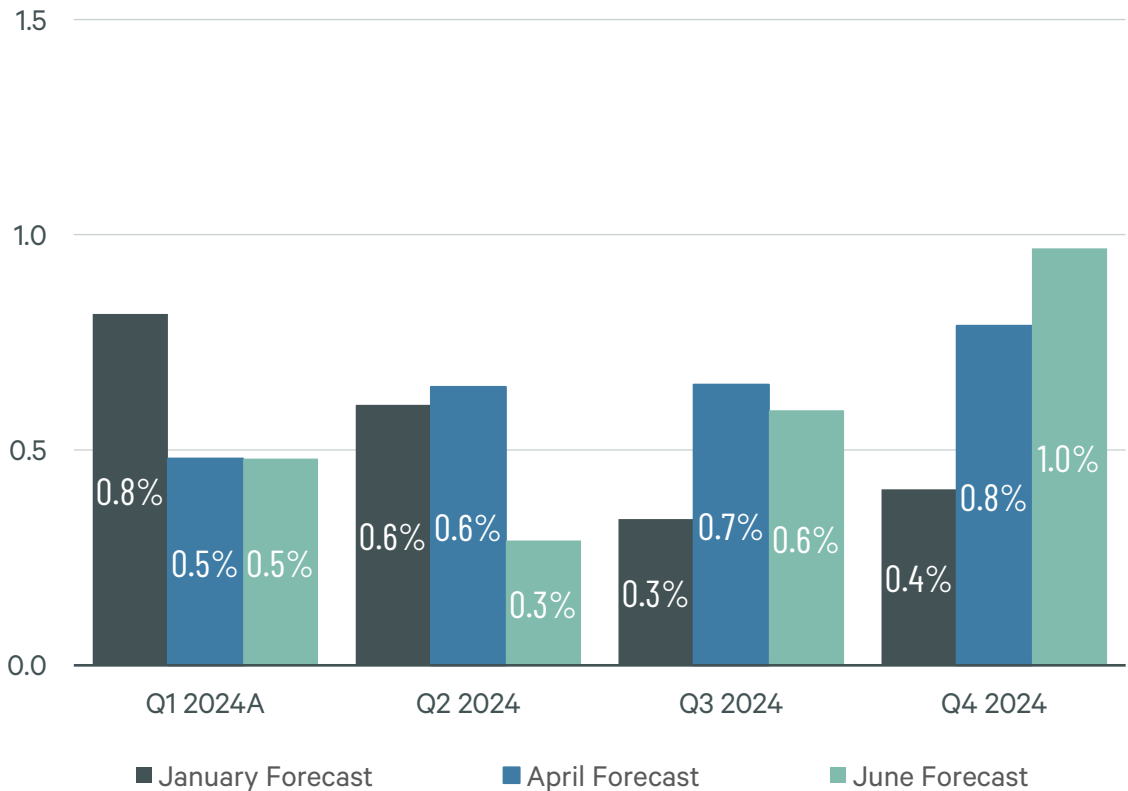
Annual Employment Change Forecast as of Release Date

Y-o-Y Change (%)



Quarterly Employment Change Forecast

Y-o-Y Change (%)

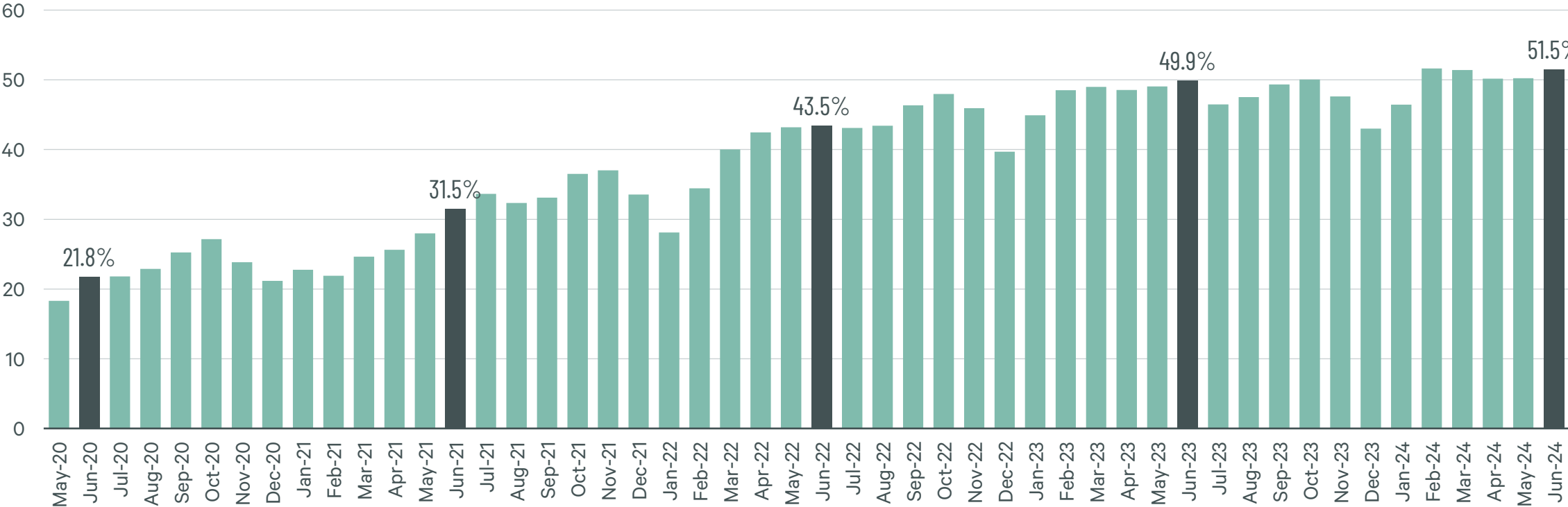


CBRE Hotels Research, BLS, Forecast as of June 18, 2024

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

Office Attendance Recovery

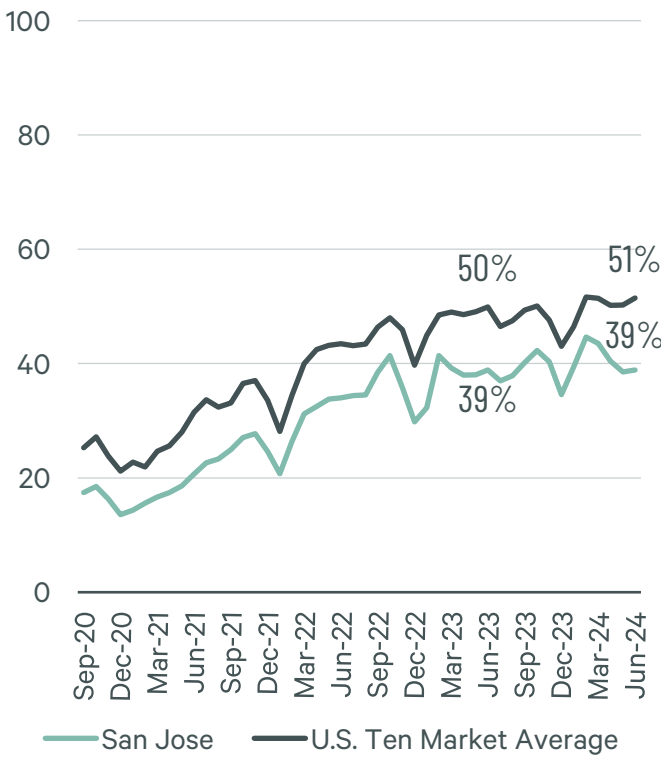
Percent of 2019 (%)



Office attendance is slowly improving, Austin is the standout

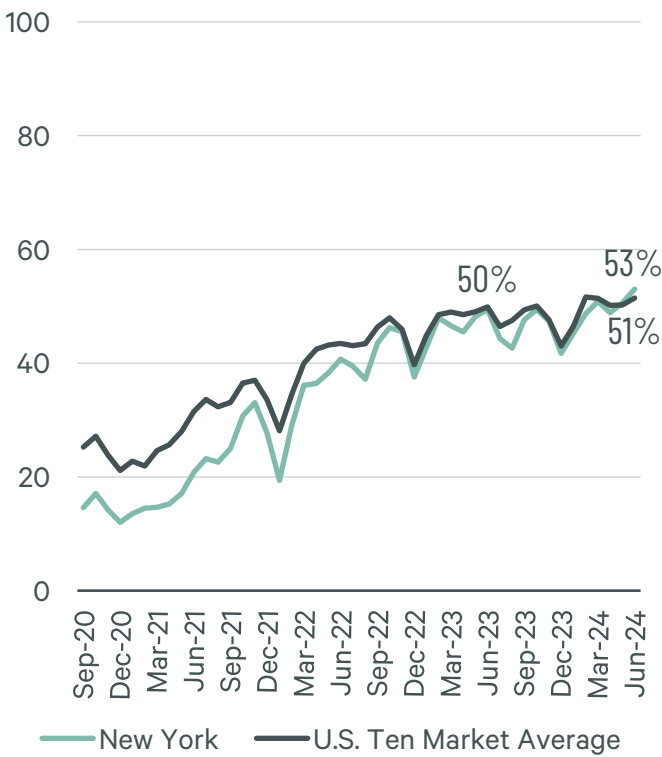
Weakest Office Attendance: San Jose

Percent of 2019 (%)



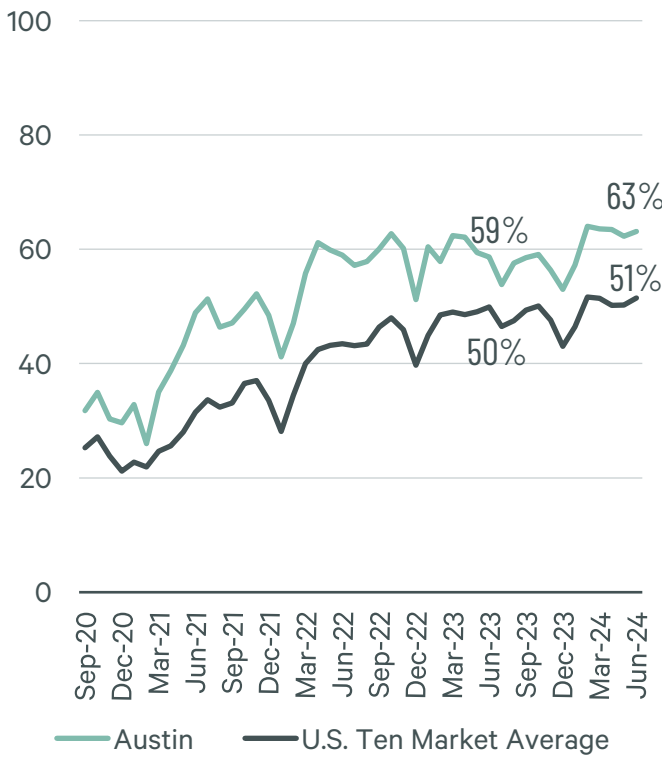
Median Office Attendance: New York

Percent of 2019 (%)



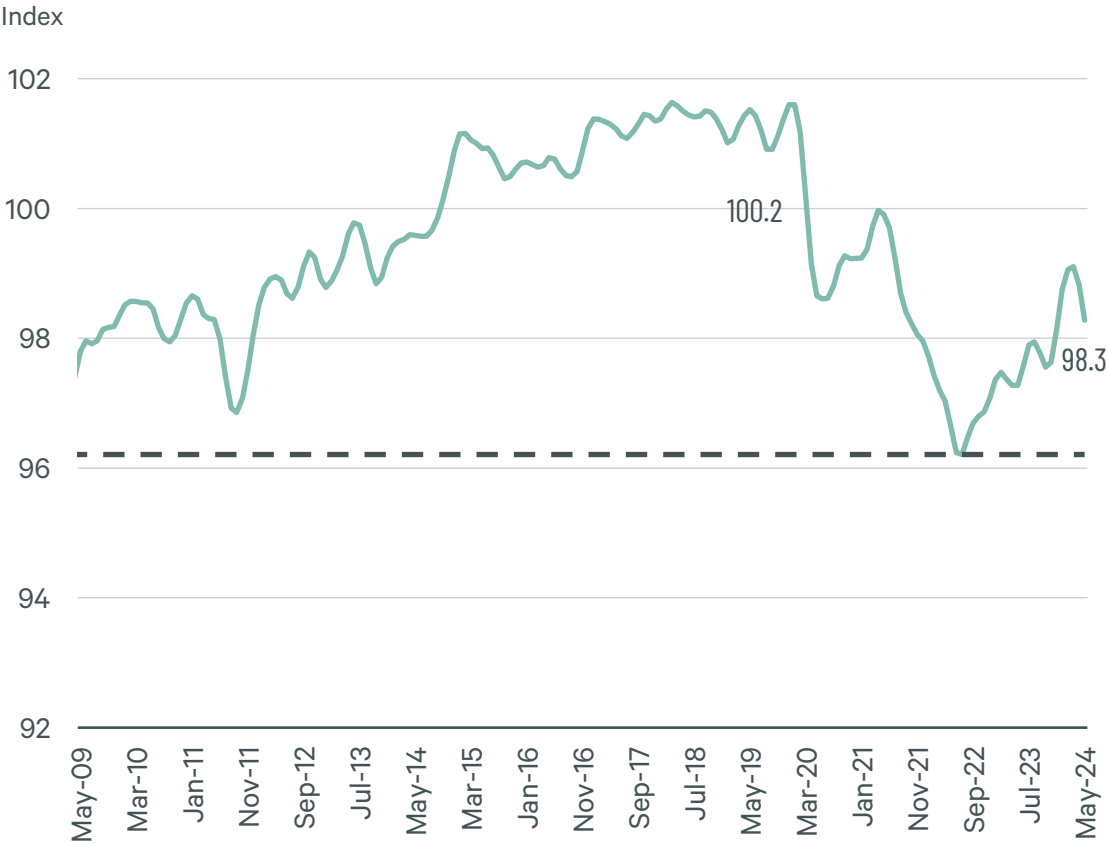
Strongest Office Attendance: Austin

Percent of 2019 (%)



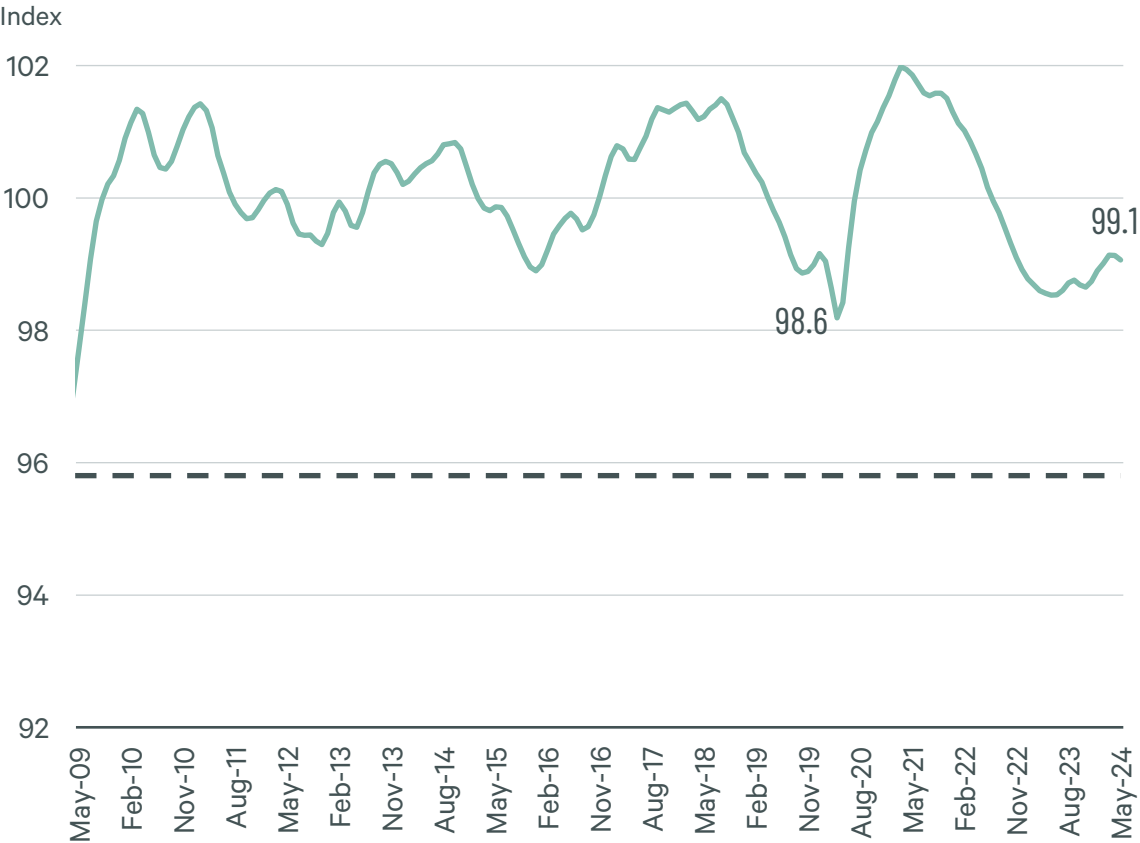
Business confidence is now above pre-pandemic levels, business investment is +5% y/y

Consumer Confidence Index



CBRE Hotels Research, OECD

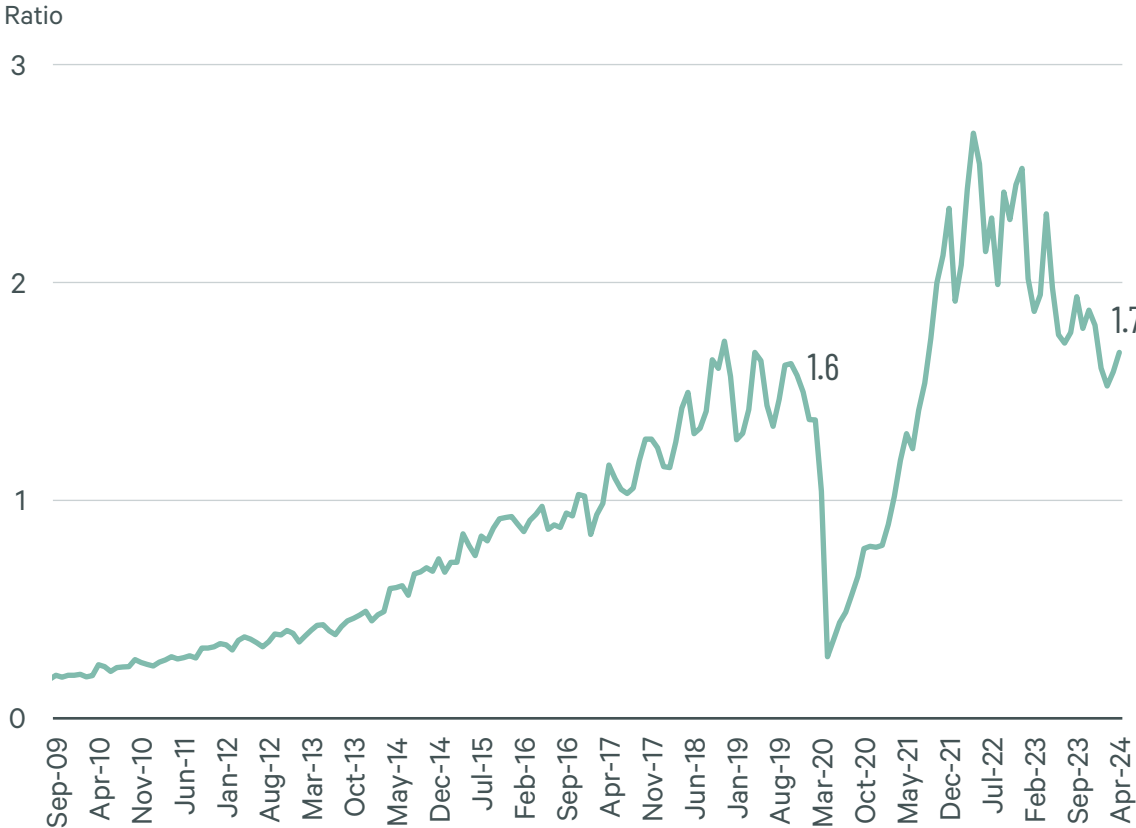
Business Confidence Index



CBRE Hotels Research, OECD

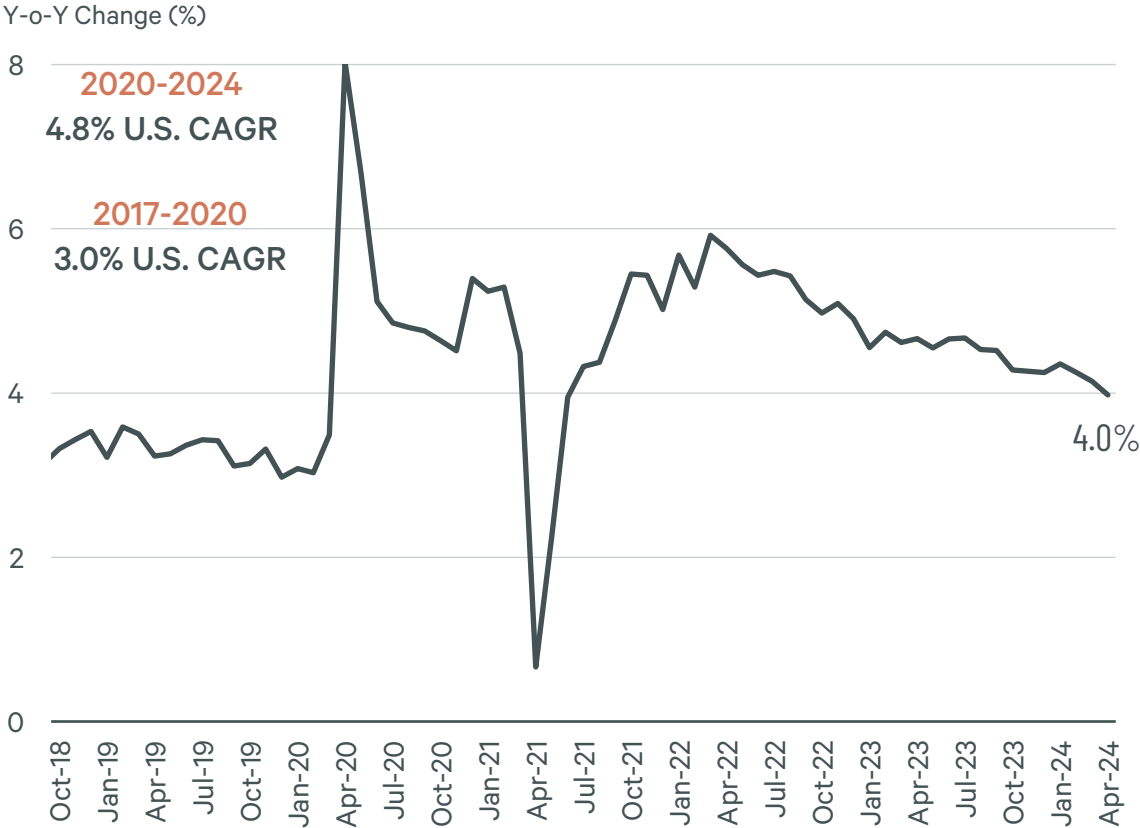
The pullback in job openings is leading to moderating wage gains

Ratio of U.S. Job Openings to Job Seekers



CBRE Hotels Research, BLS

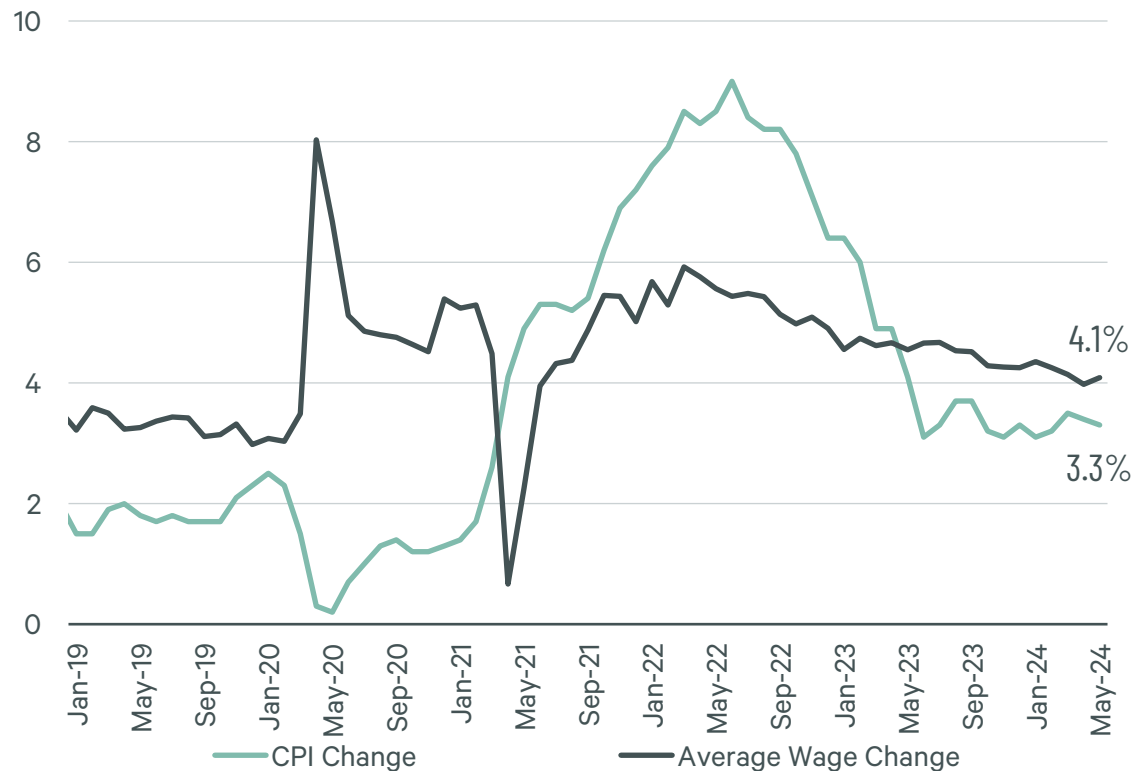
U.S. Average Wage Change



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

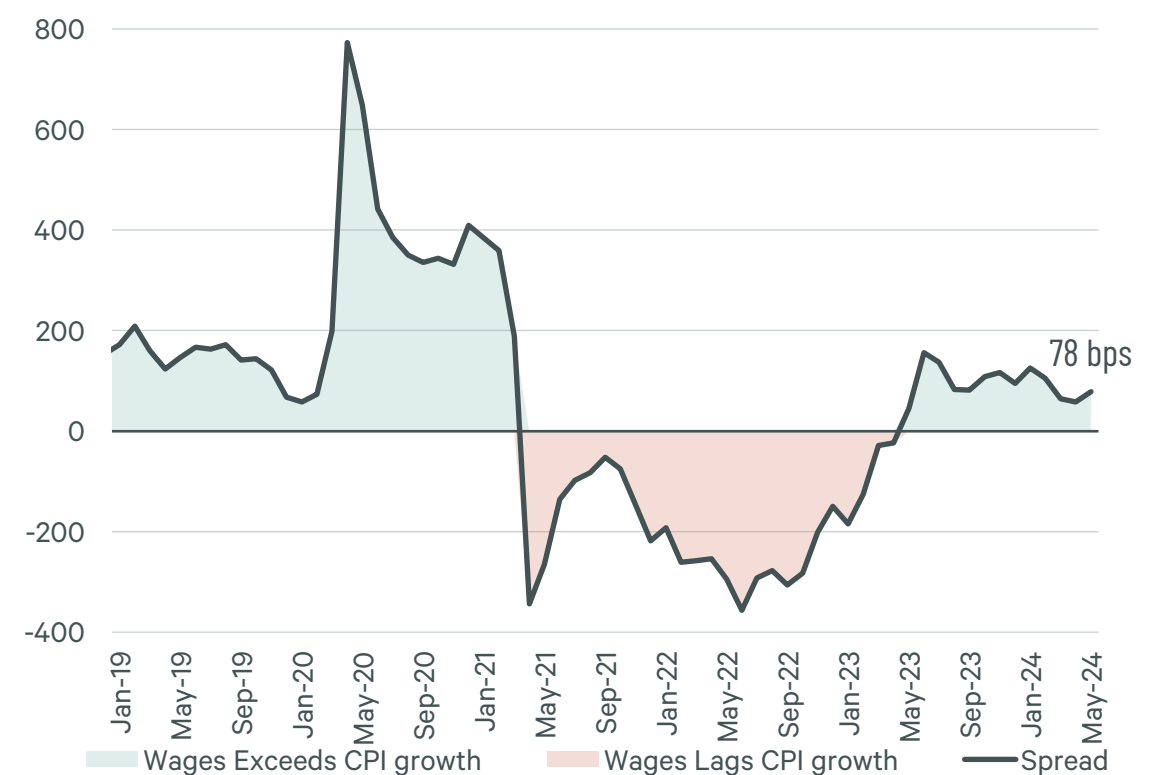
U.S. CPI Change vs. U.S. Average Hourly Wage Change

Y-o-Y Change (%)



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

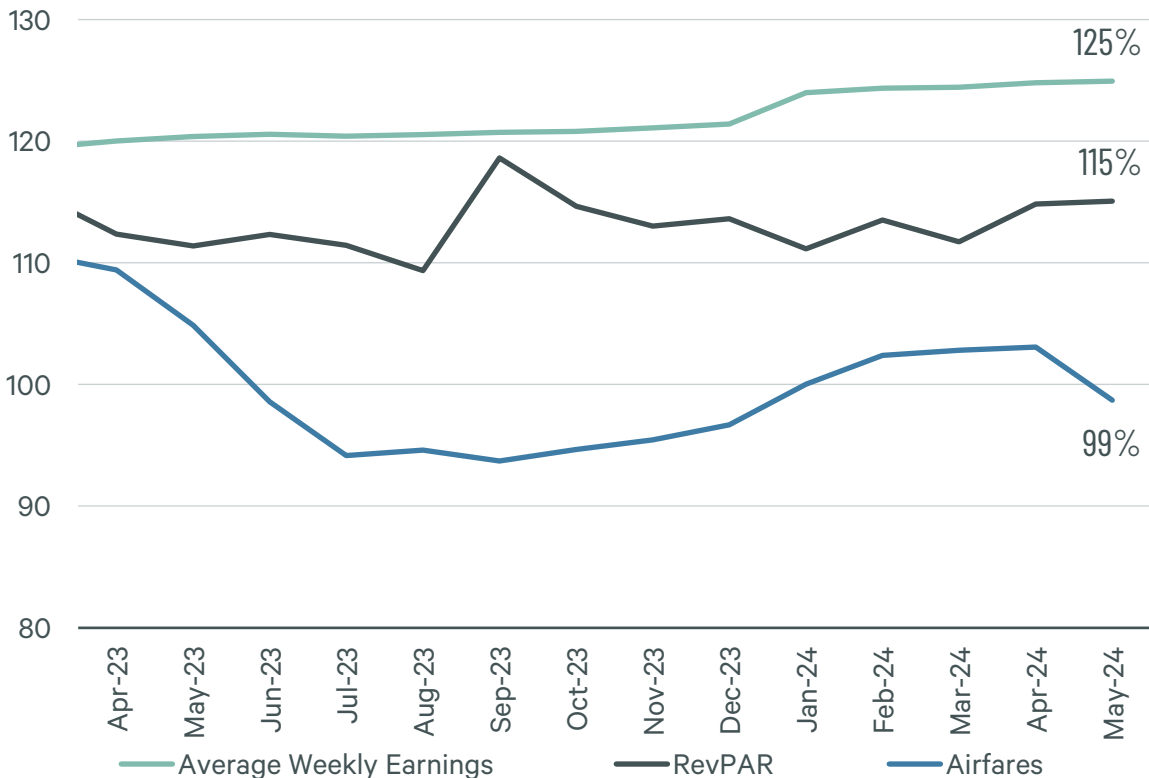
Spread (bps)



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

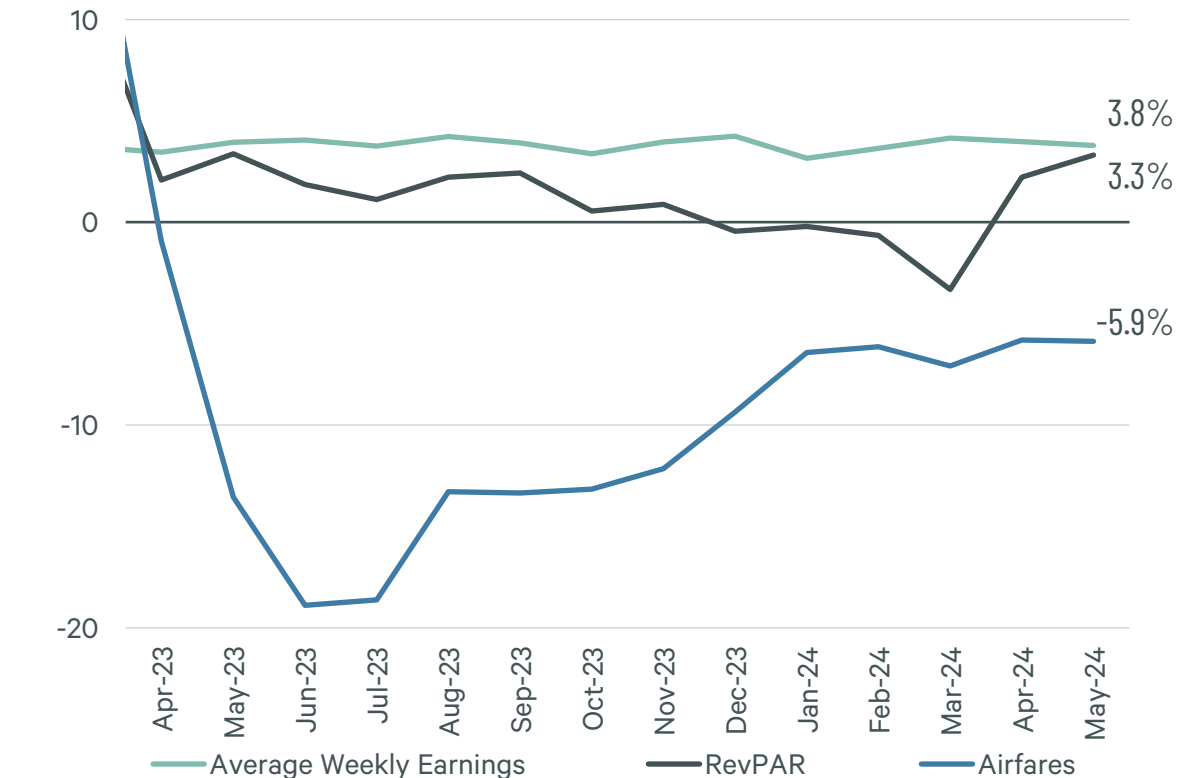
U.S. RevPAR, U.S. Average Weekly Earnings & Airfares CPI

Percent of 2019 (%)



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

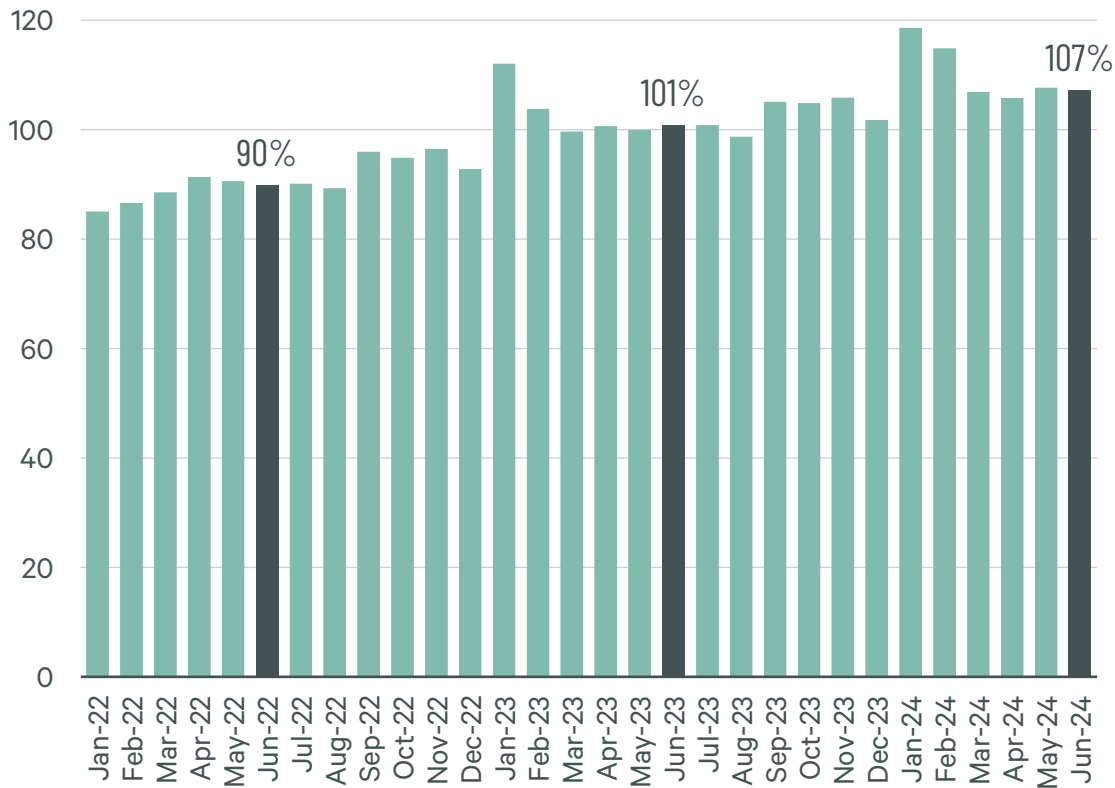
Y-o-Y Change (%)



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

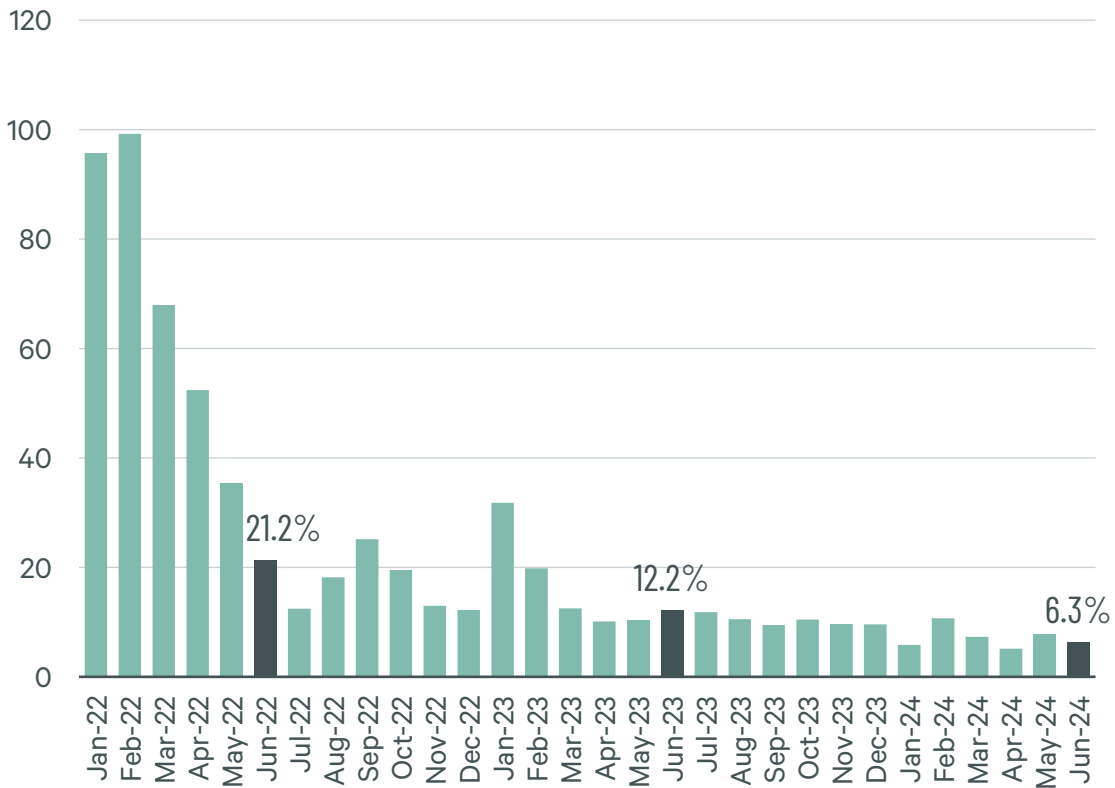
TSA Throughput as a Percent of 2019

Percent of 2019 (%)



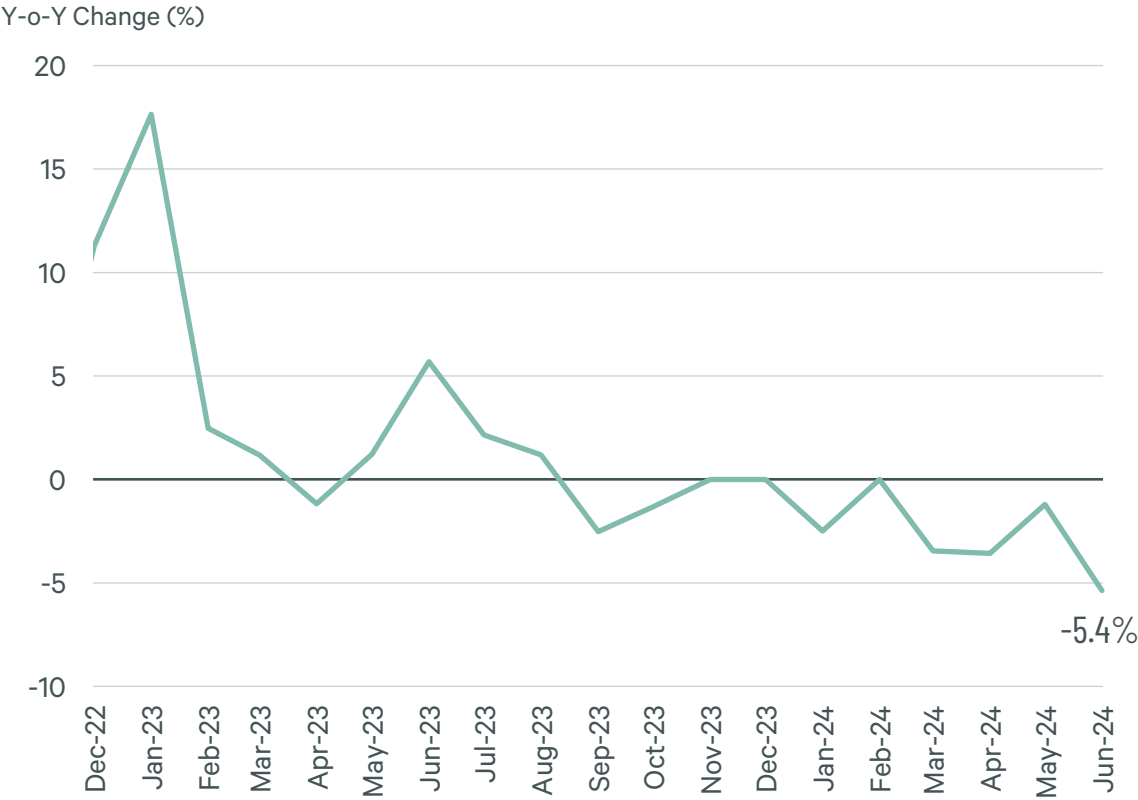
TSA Throughput Y-o-Y Change

Y-o-Y Change (%)



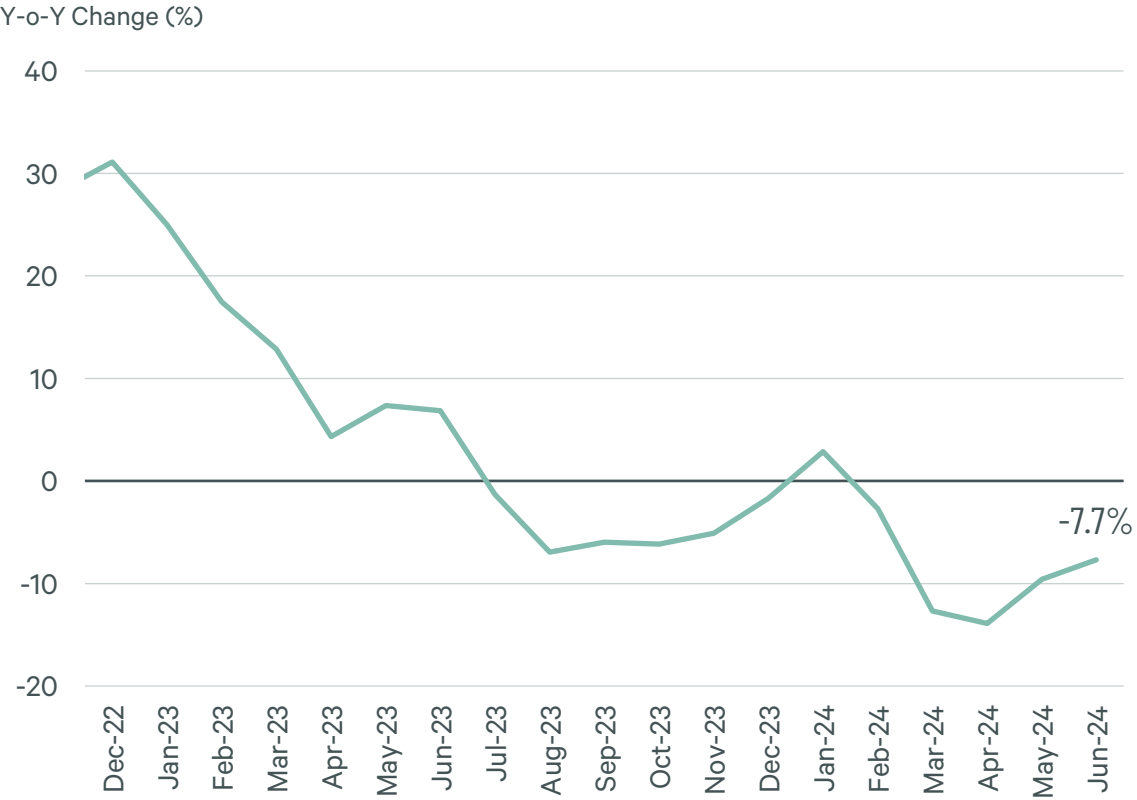
Google searches for paid and loyalty redemption travel remain weak

Corporate Brands Average Searches Index Change



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

Brand Loyalty Program Searches Index Change



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

2

National
Hotel Market

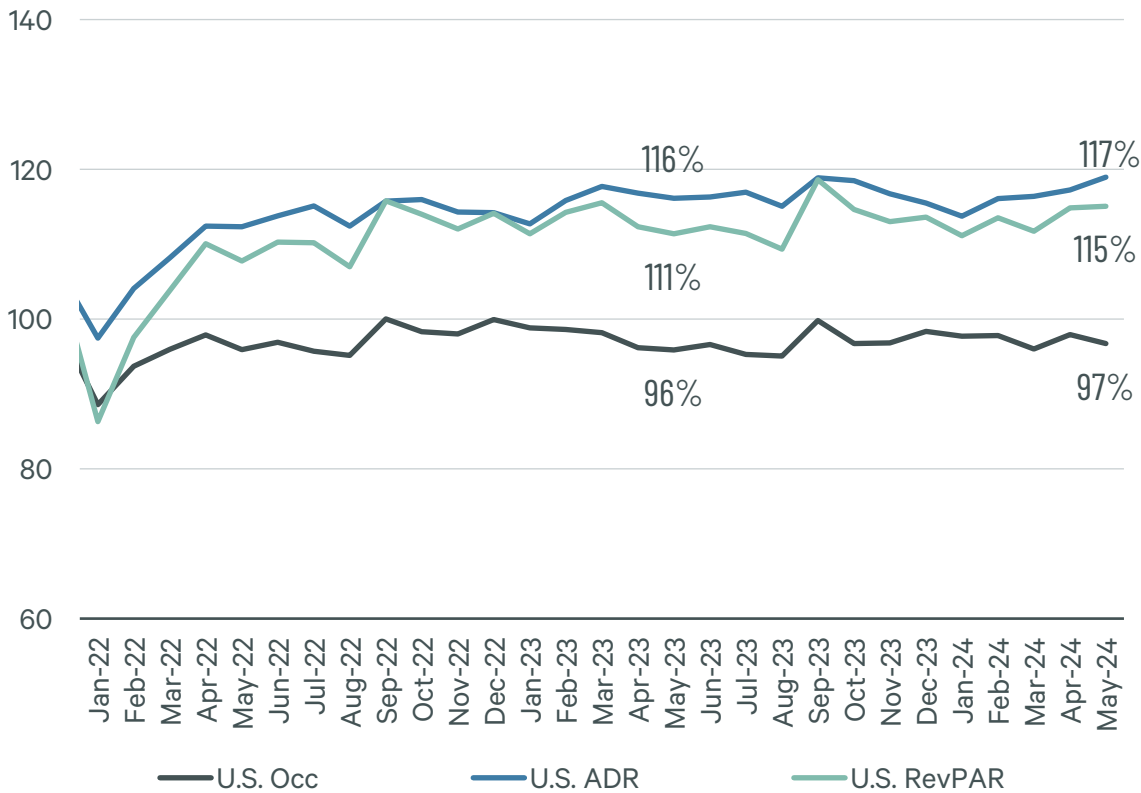
Factors Affecting the National Hotel Market

- 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

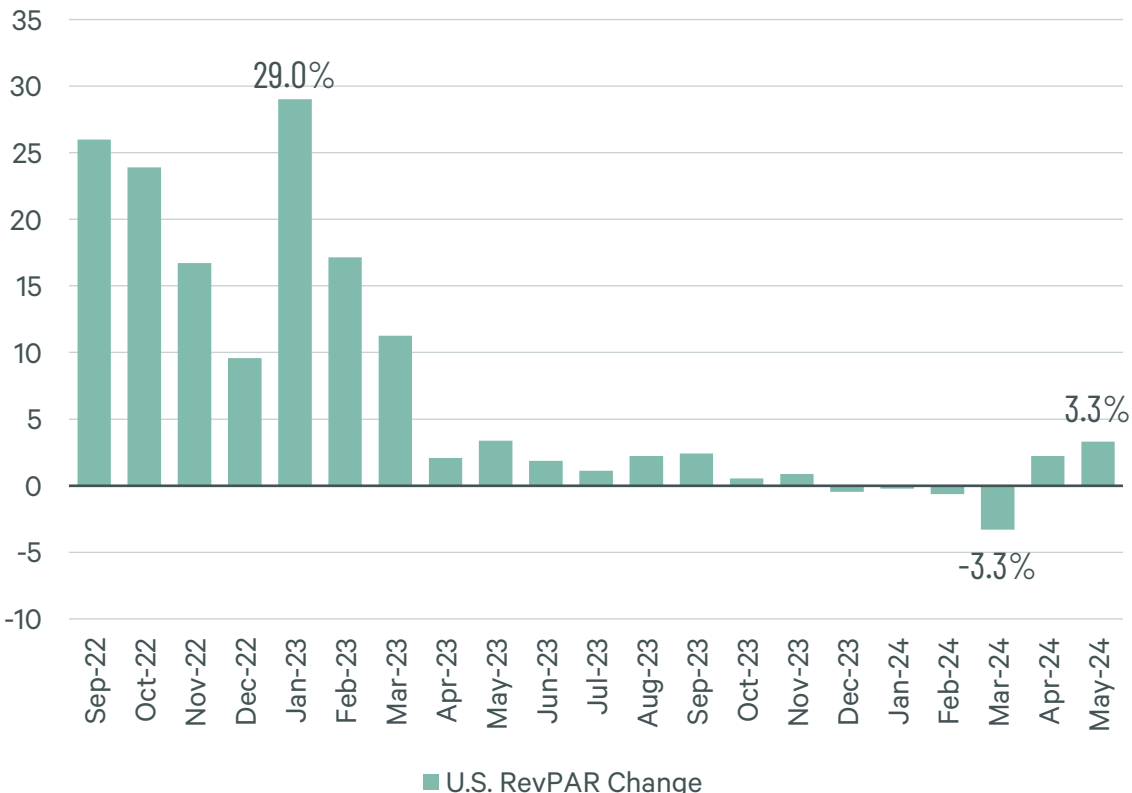
U.S. Occ, ADR and RevPAR Relative to 2019

Percent of 2019 (%)



U.S. RevPAR Change

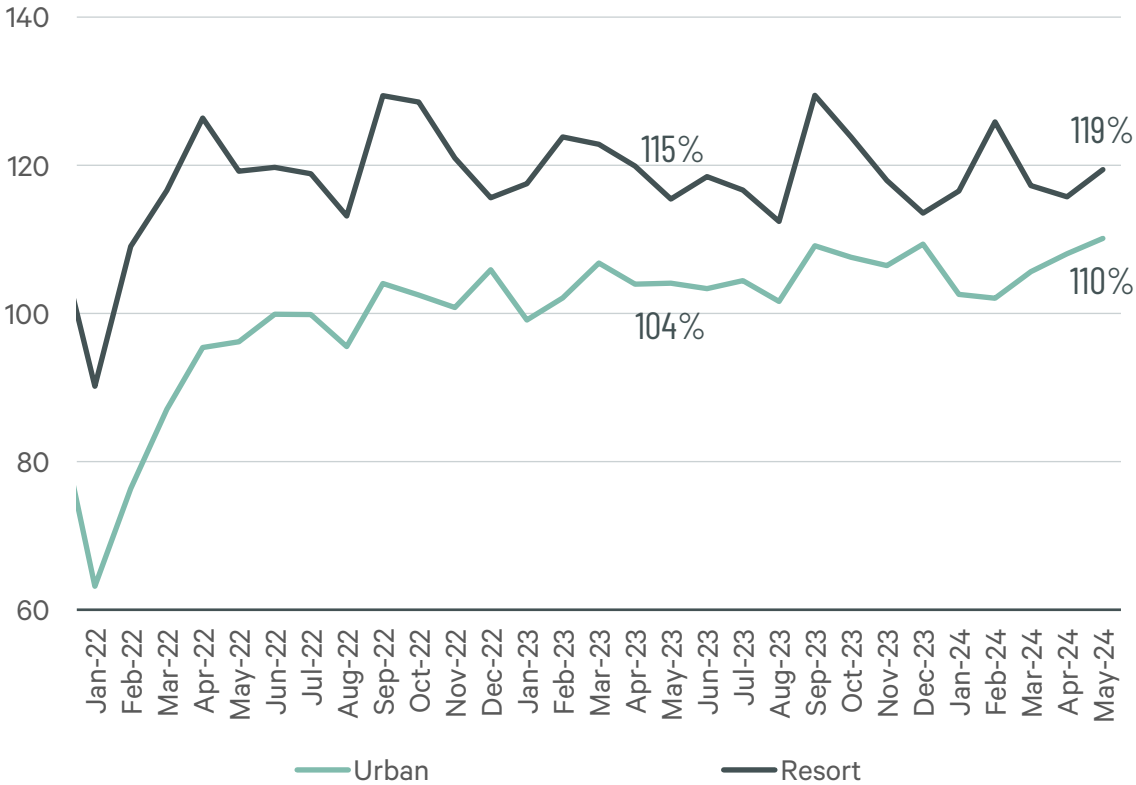
Y-o-Y Change (%)



Urban hotels continue to close the performance gap vs. resorts

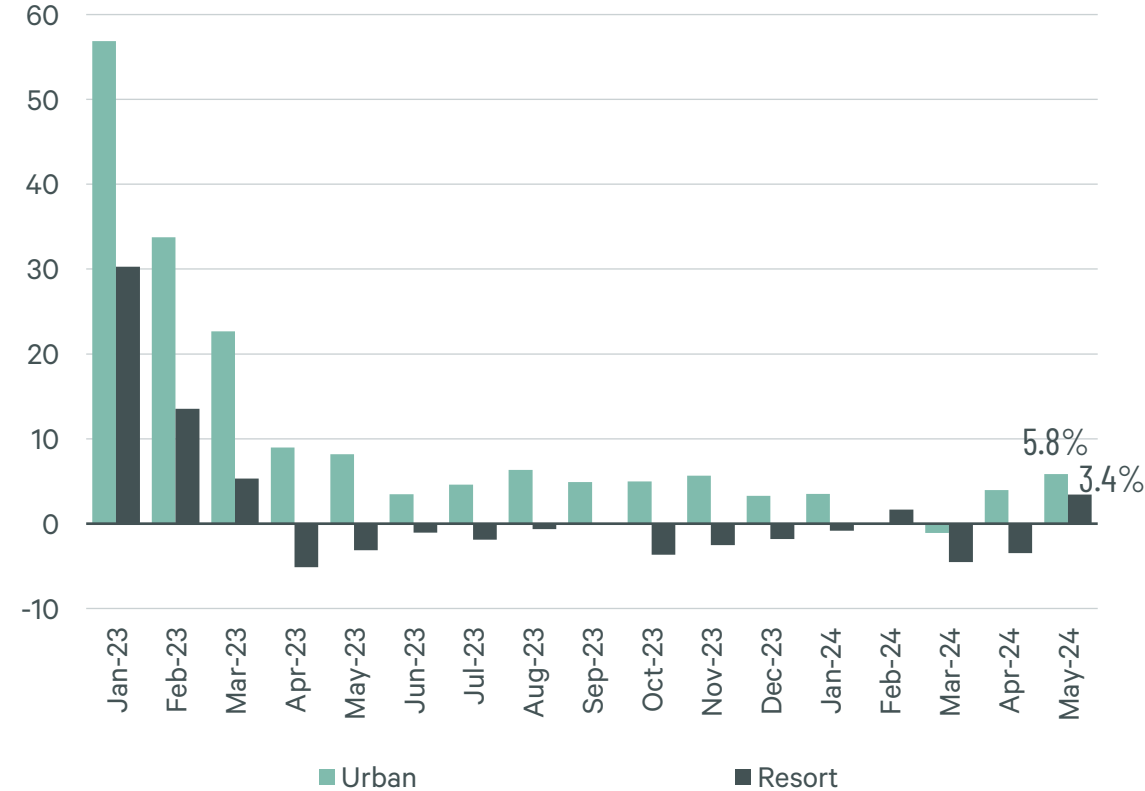
RevPAR Relative to 2019

Percent of 2019 (%)



RevPAR Change

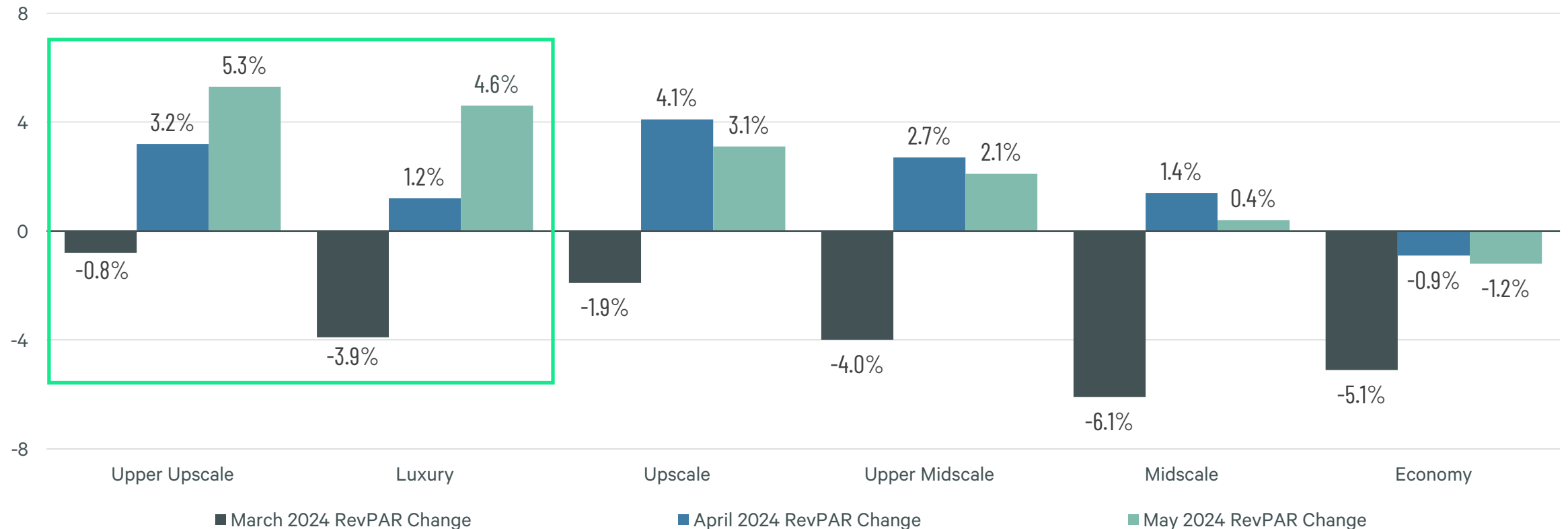
Y-o-Y Change (%)



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

Monthly RevPAR Change by Chain Scales

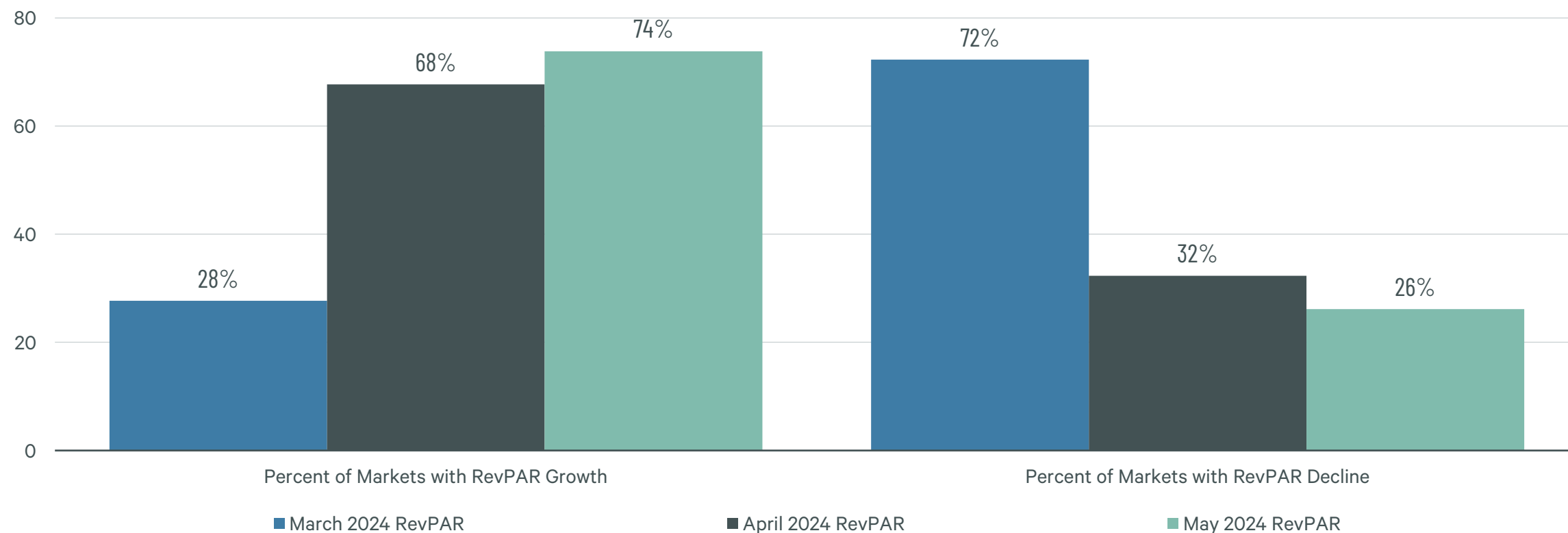
Y-o-Y Change (%)



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

Percent of Total Markets with RevPAR Growth and Decline

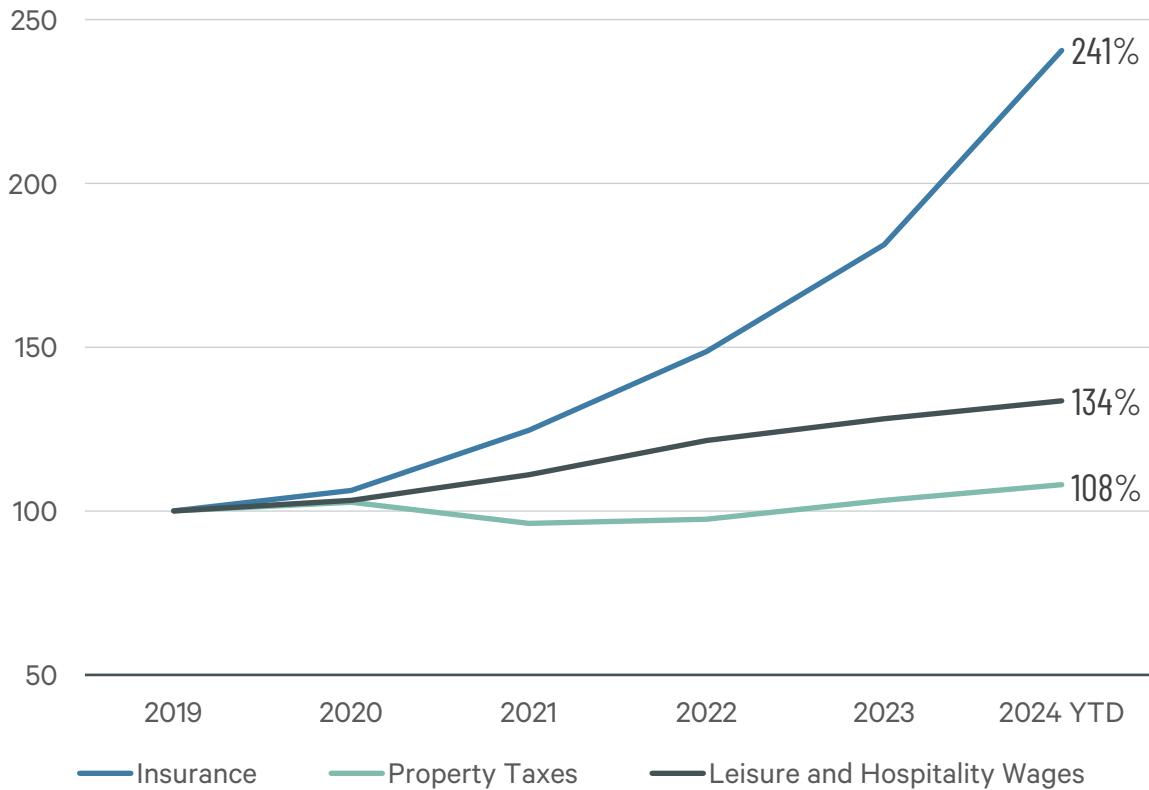
Percent of Total (%)



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

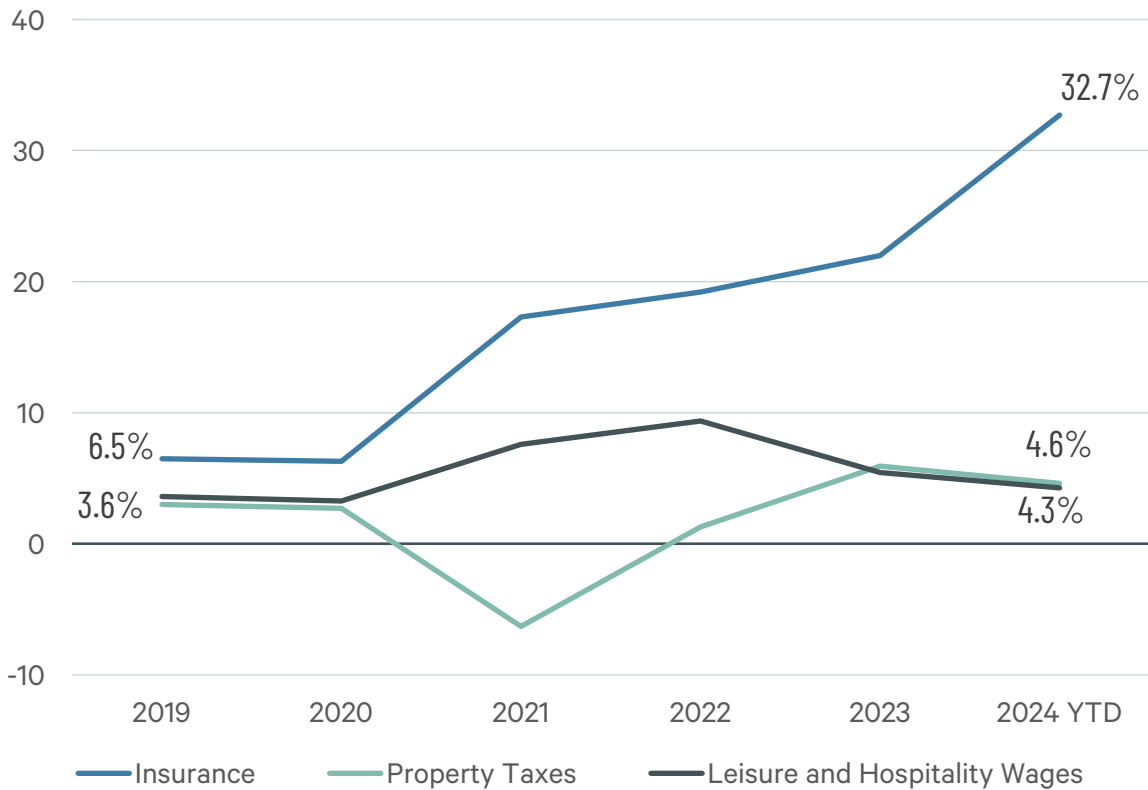
Hotel Property Taxes, Insurance and L&H Average Hourly Wage

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

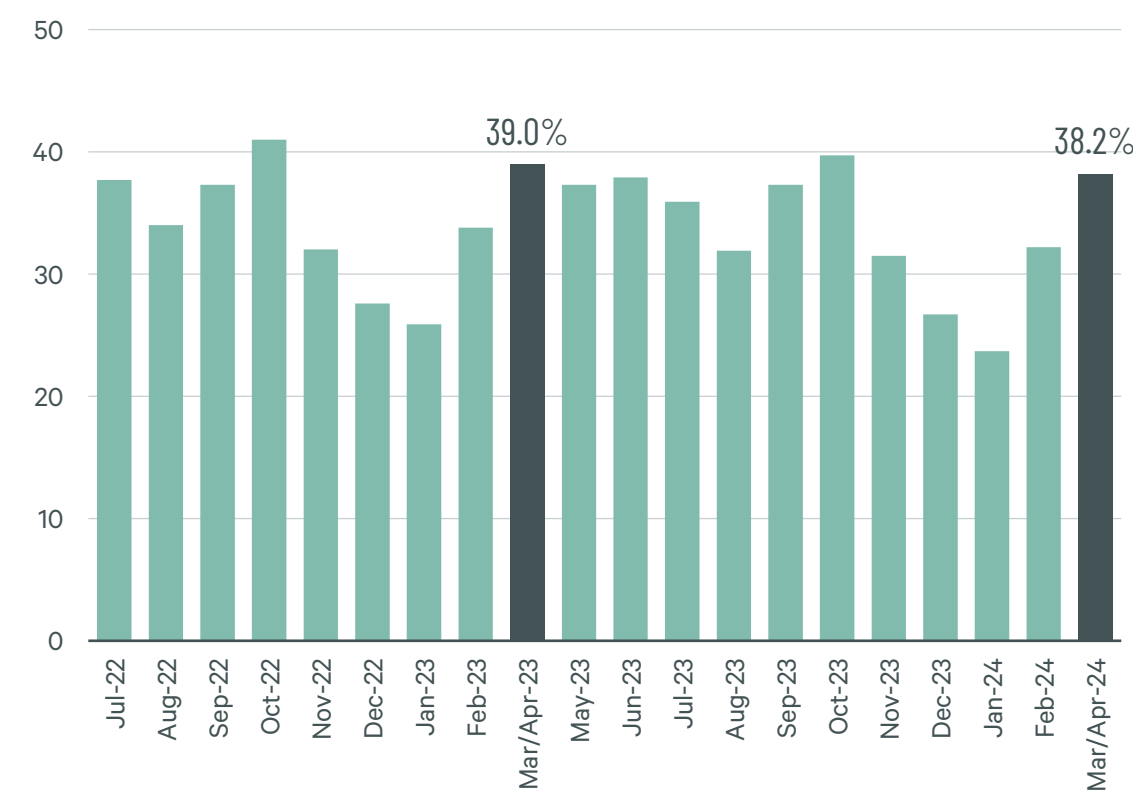
Margins continued to compress in March/April, declining 80bps y/y



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

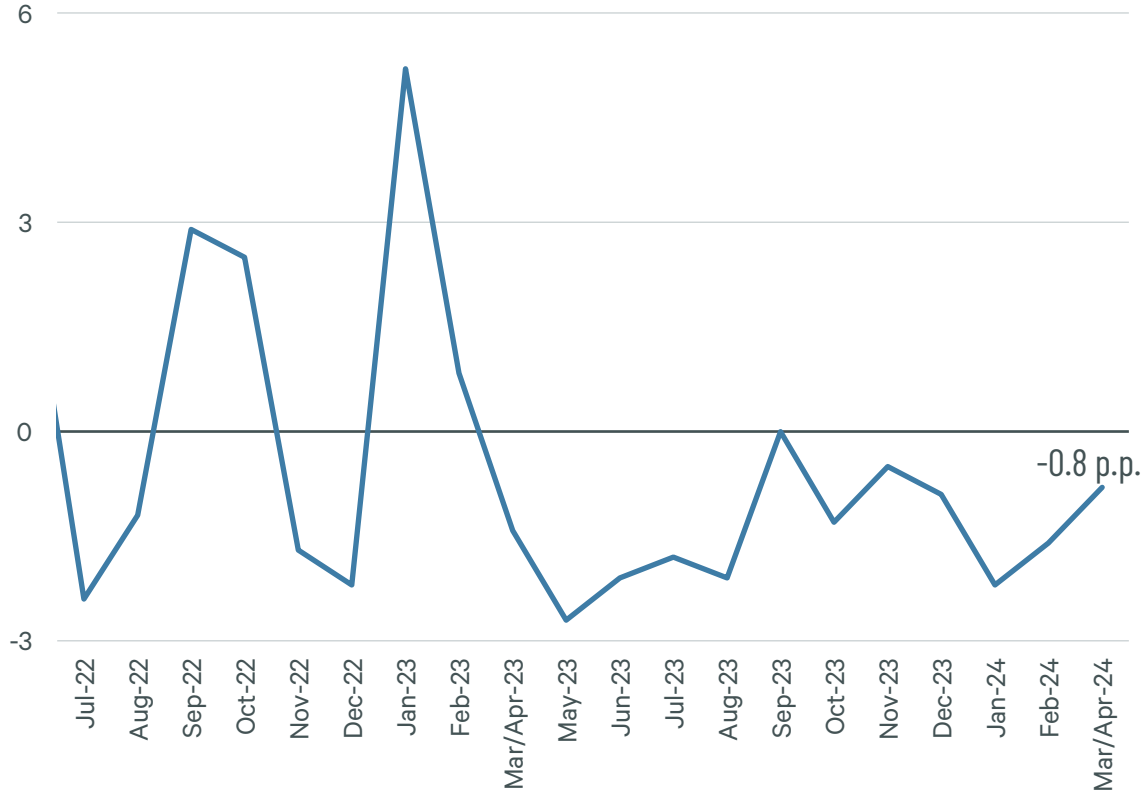
GOP Margin

Margins (%)



GOP Margin Change

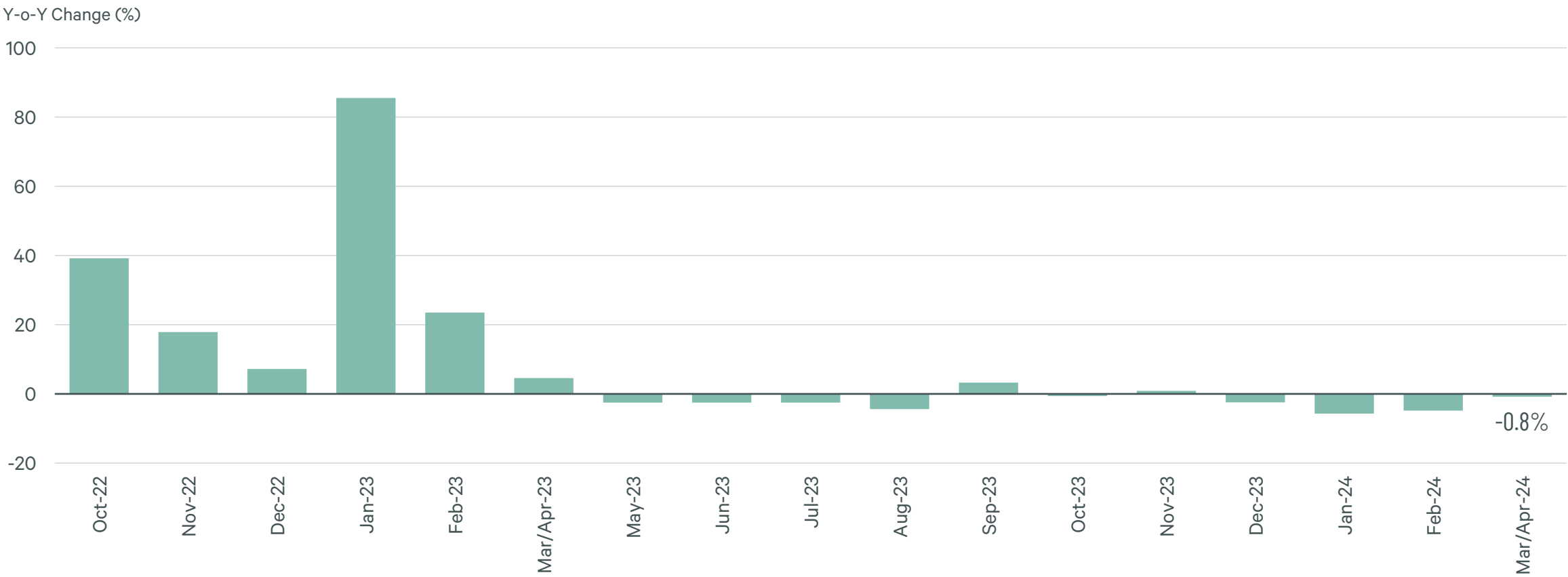
Y-o-Y Change (p.p.)



CBRE Hotels Research, Trends® in the Hotel Industry – Sample of 2450 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)



CBRE Hotels Research, *Trends® in the Hotel Industry* – Sample of 2450 properties that provide monthly P&L data

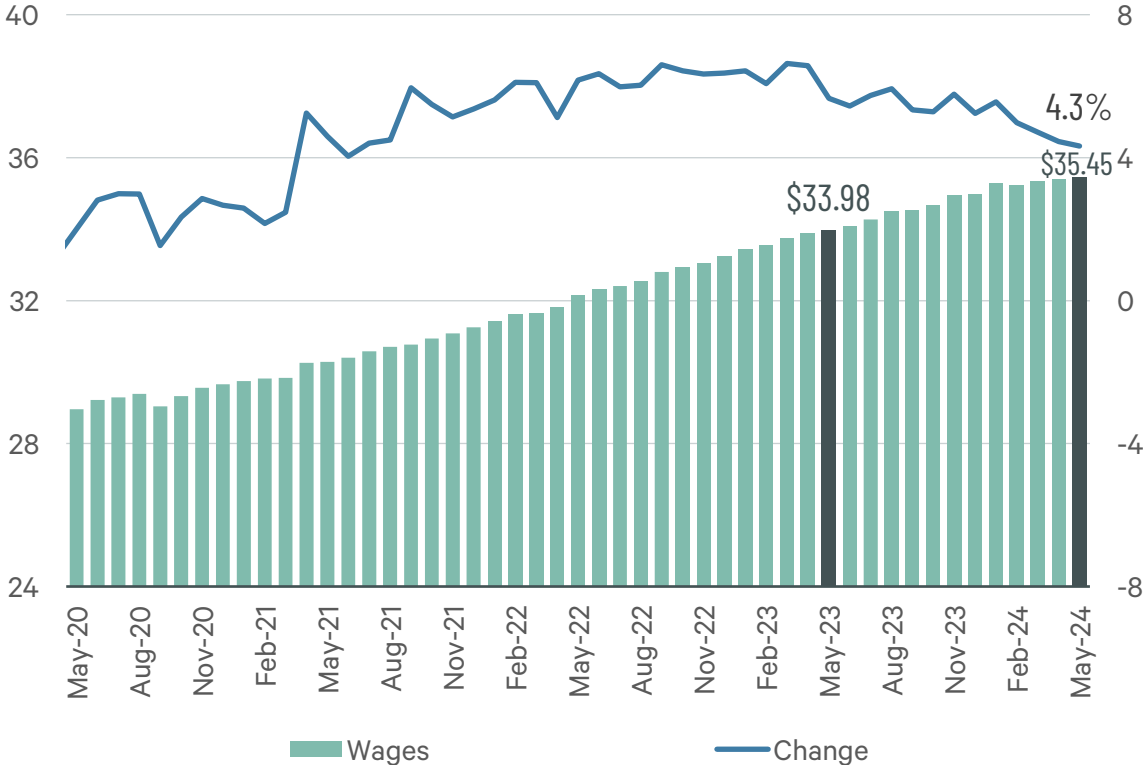
3

New
Construction

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

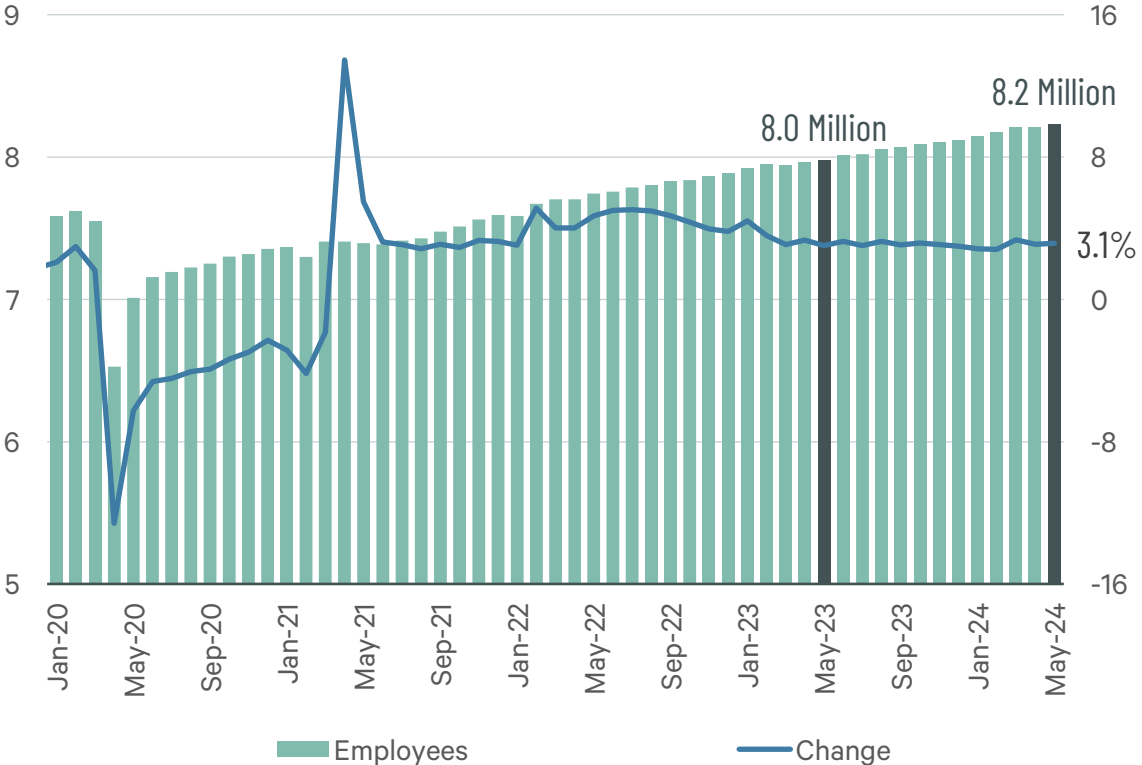
Constructions Wages

(\$) Dollars Per Hour



Number of Construction Employees

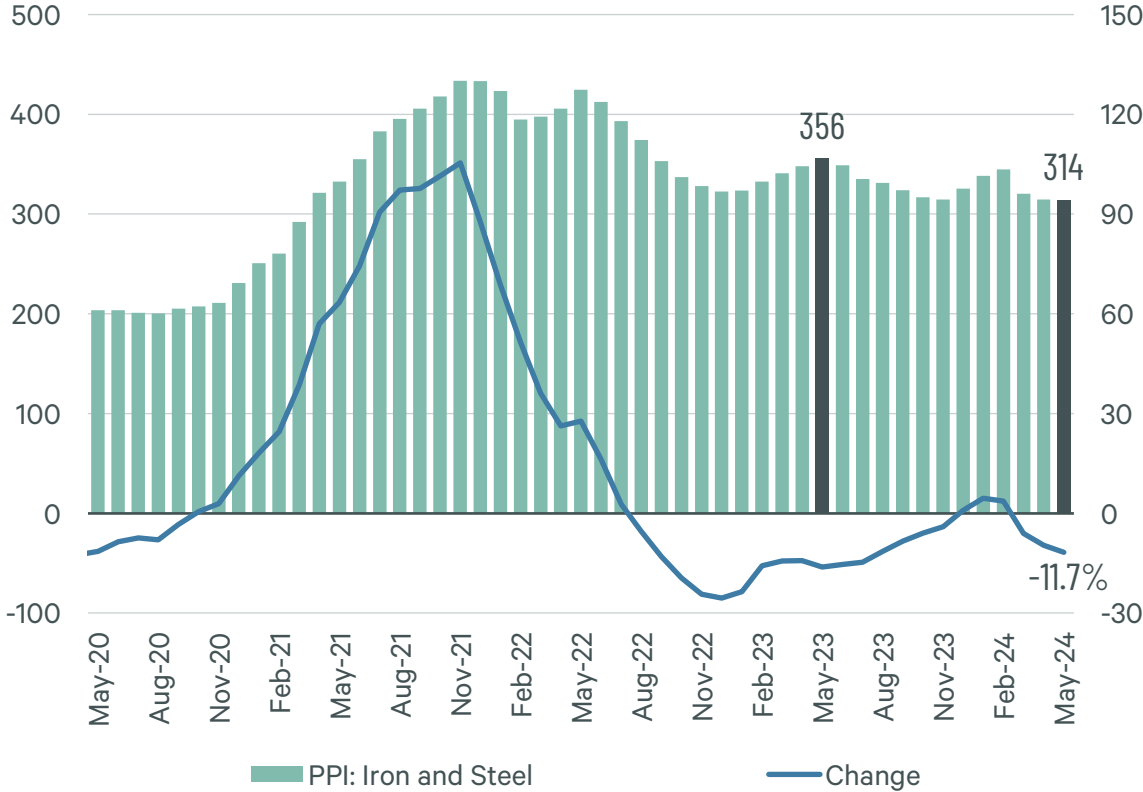
Millions



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

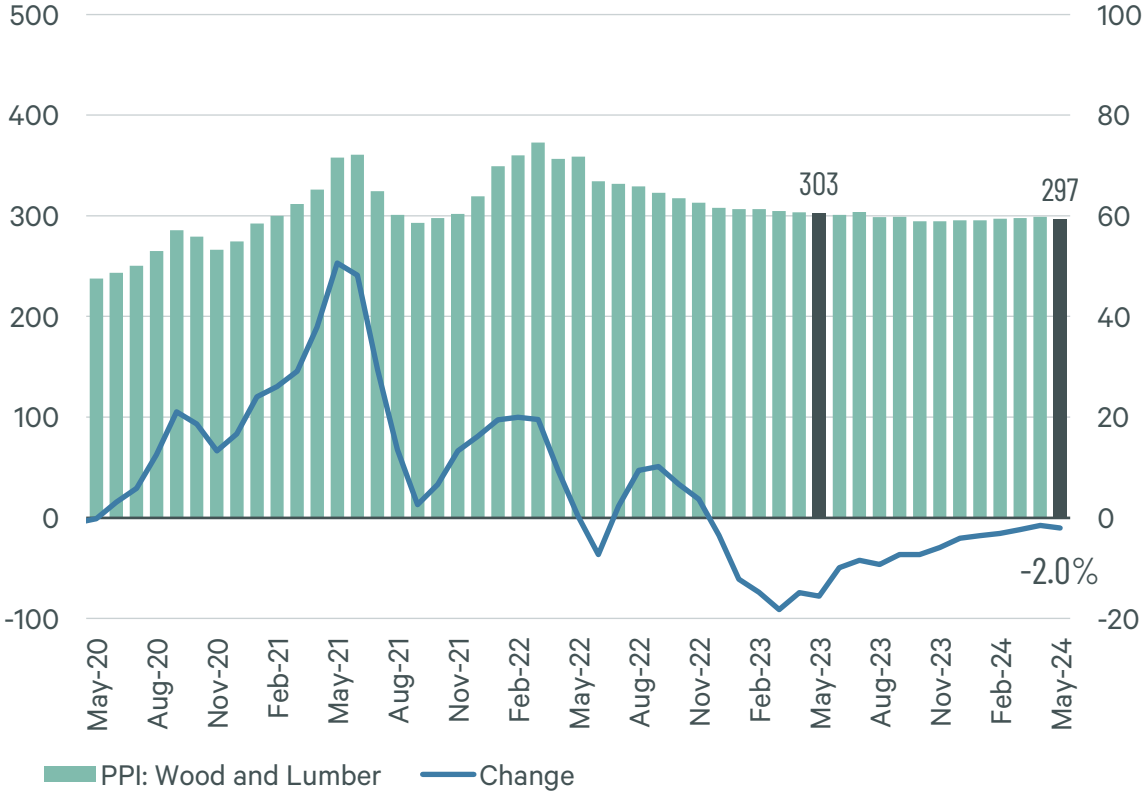
Iron and Steel

Producer Price Index



Lumber and Wood Products

Producer Price Index



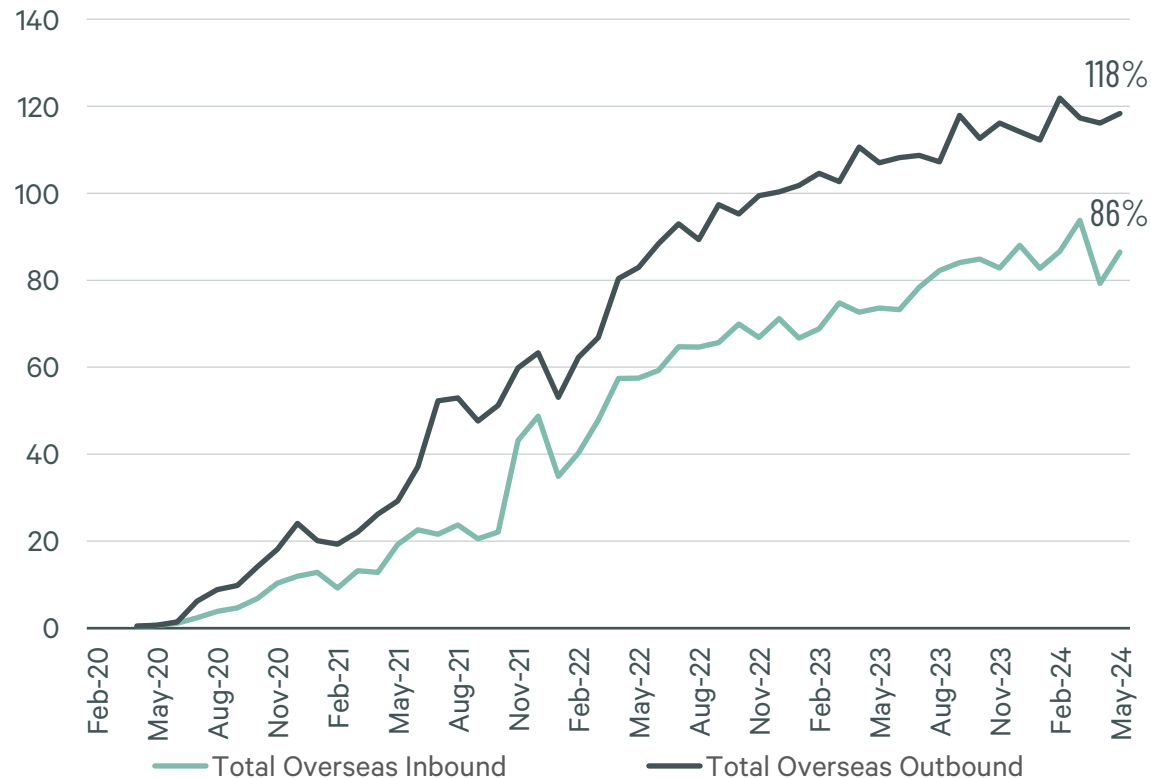
4

International
Travel

Inbound international travel is range bound but outbound continues to increase

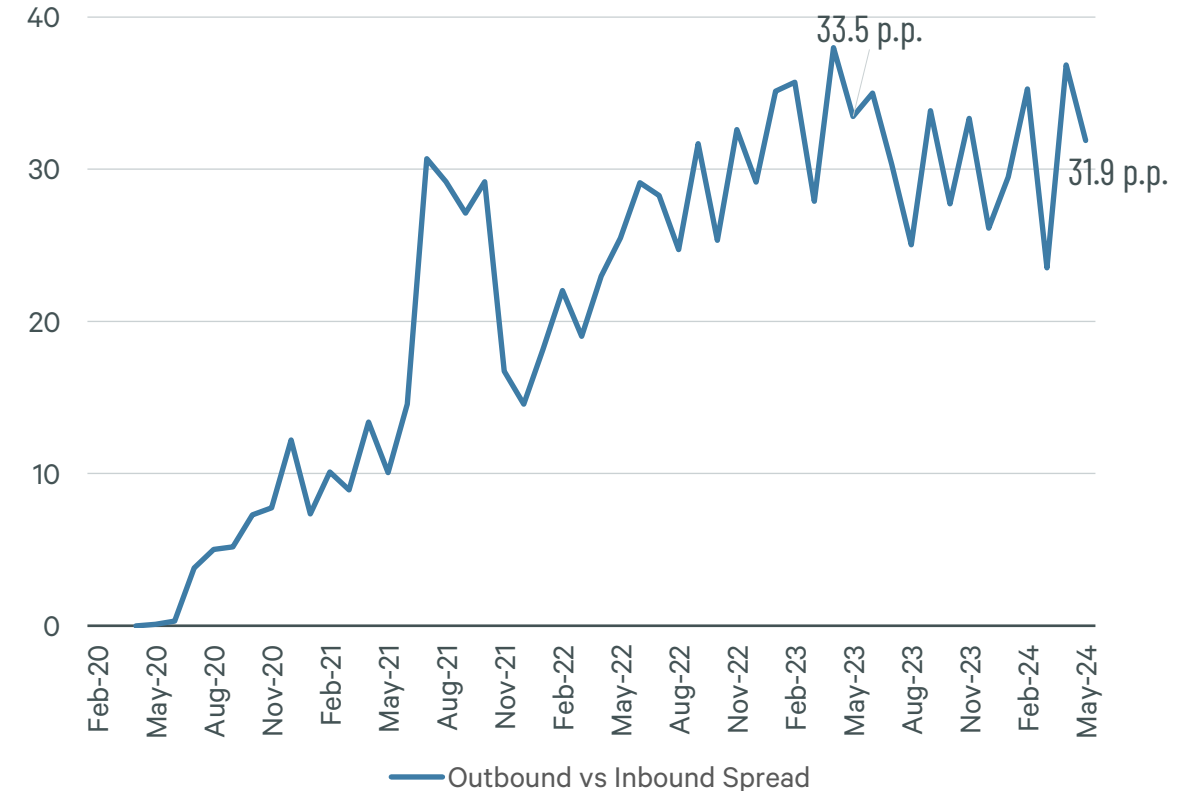
Inbound vs. Outbound International Travel

Percent of 2019 (%)



Spread between Inbound/Outbound International Travel Indexed to 2019

Spread (p.p.)

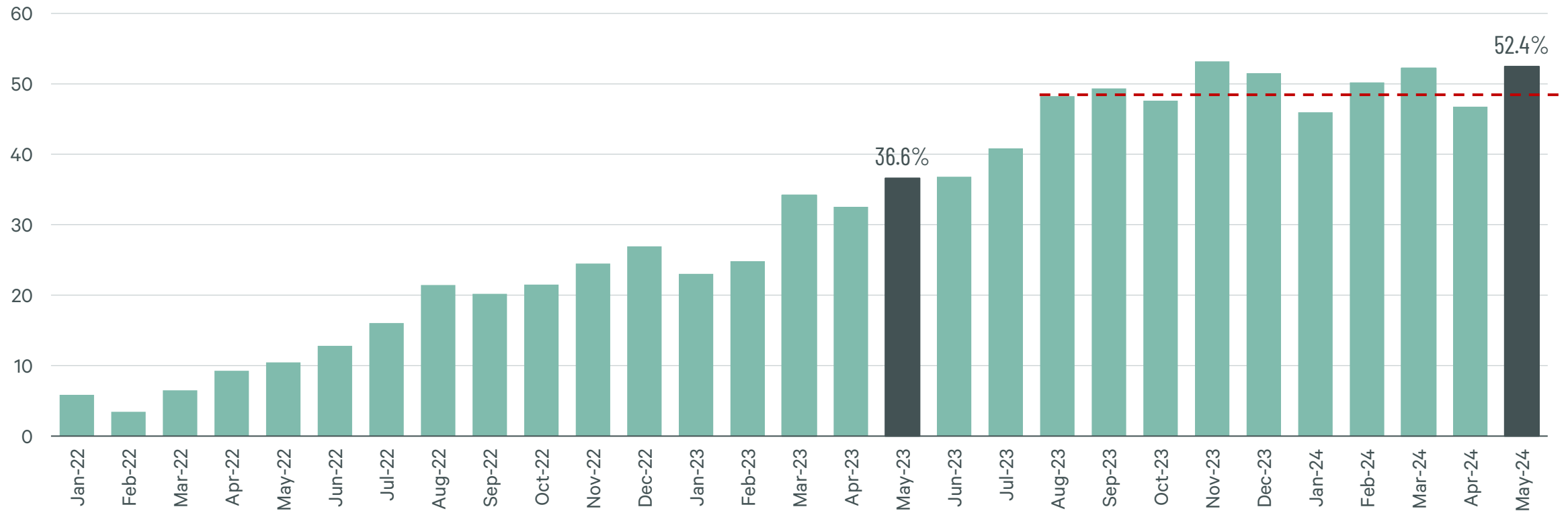


CBRE Hotels Research, NTTO, *excludes Mexico and Canada

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 (%)



CBRE Hotels Research, NTTO

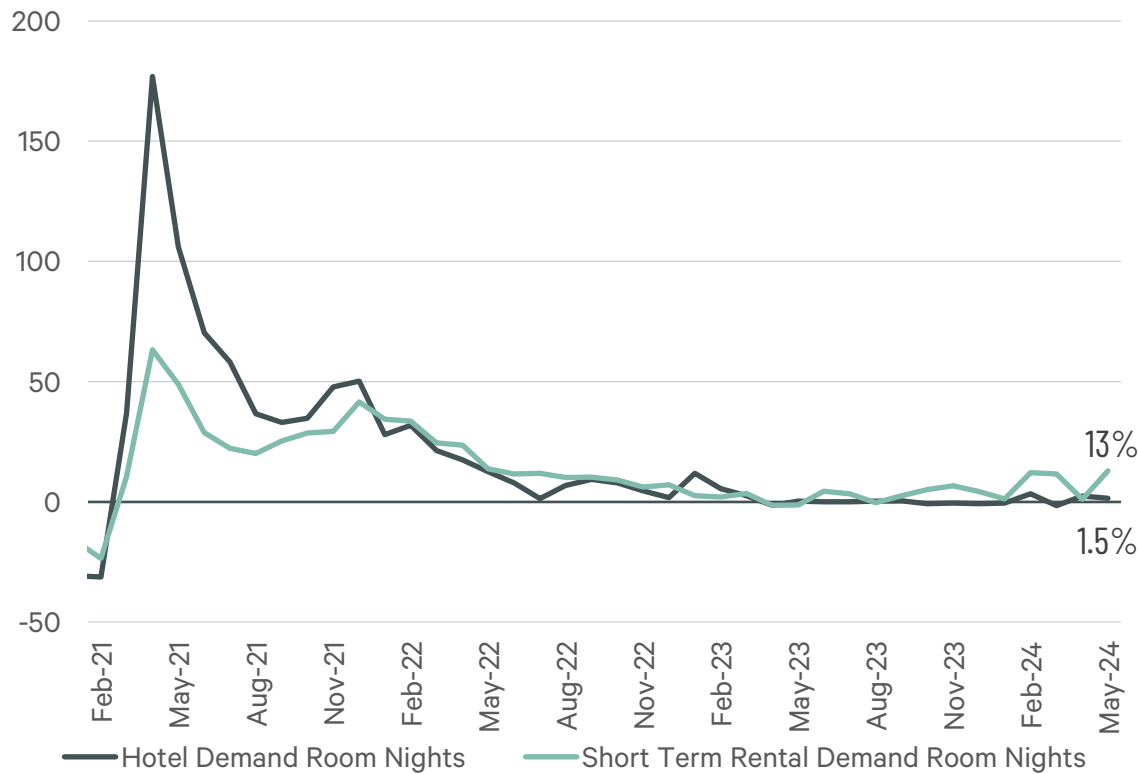
5

Short-term
Rentals

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

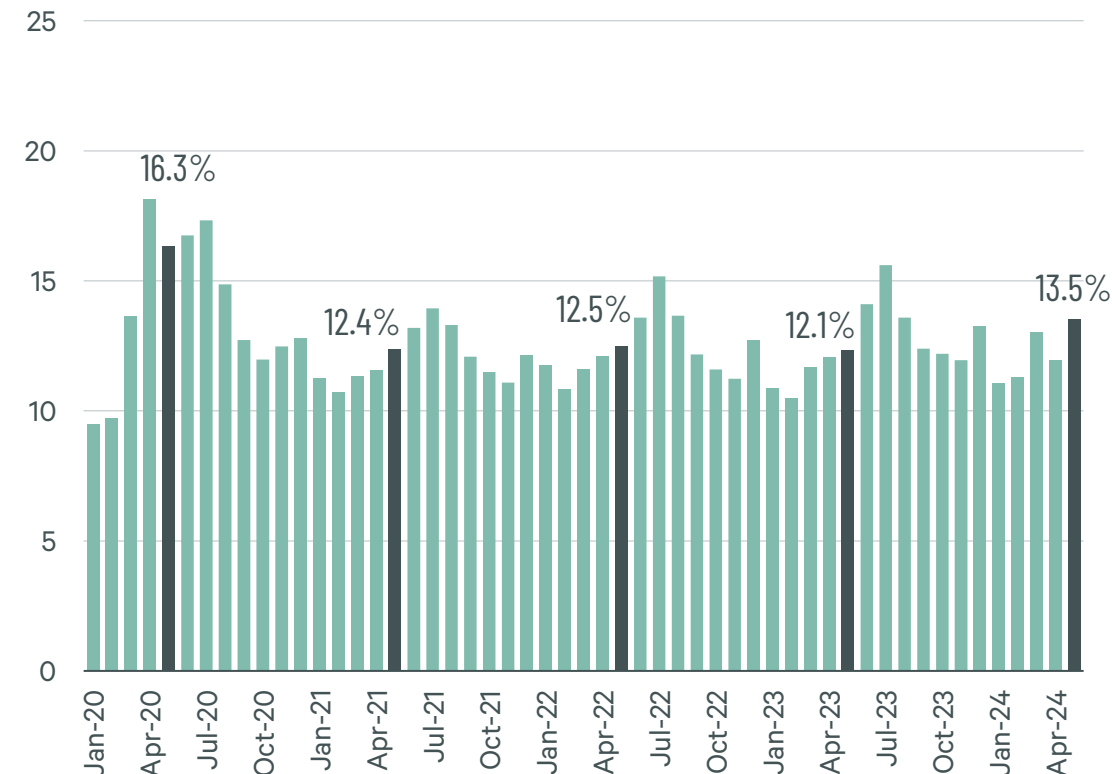
Hotels & STR Demand Change

Y-o-Y Change (%)



STR Demand as a Percent of Total Hotel and STR Demand

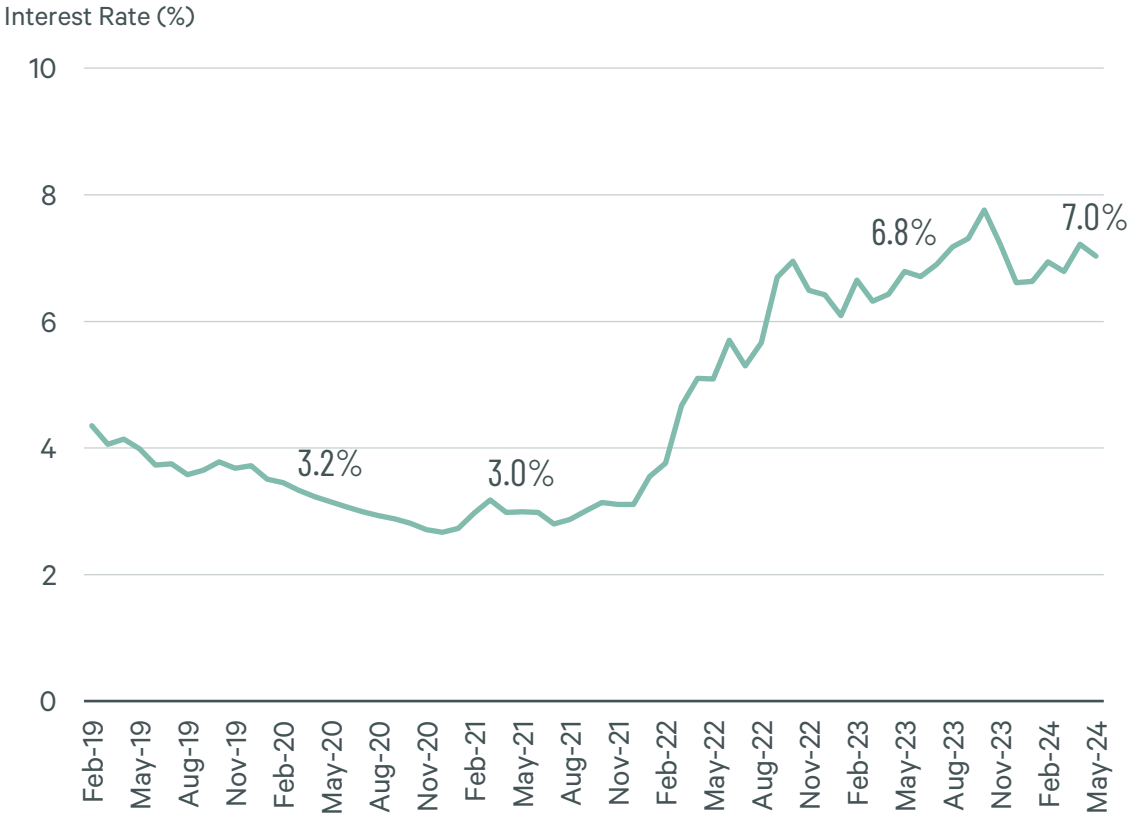
Percent of Total (%)



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

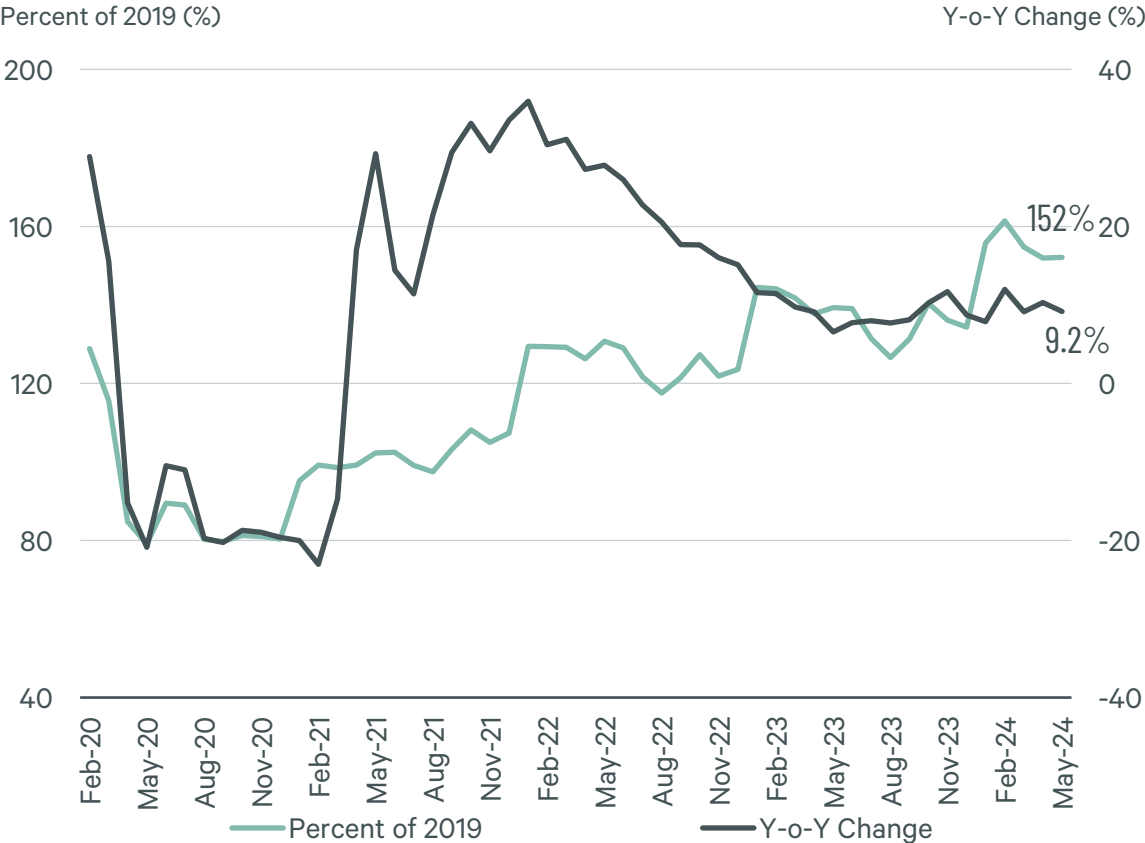
Higher interest rates haven't slowed short-term rental supply growth

30 Year Fixed Mortgage Interest Rates



CBRE Hotels Research, Freddie Mac

Short Term Rental Supply Change

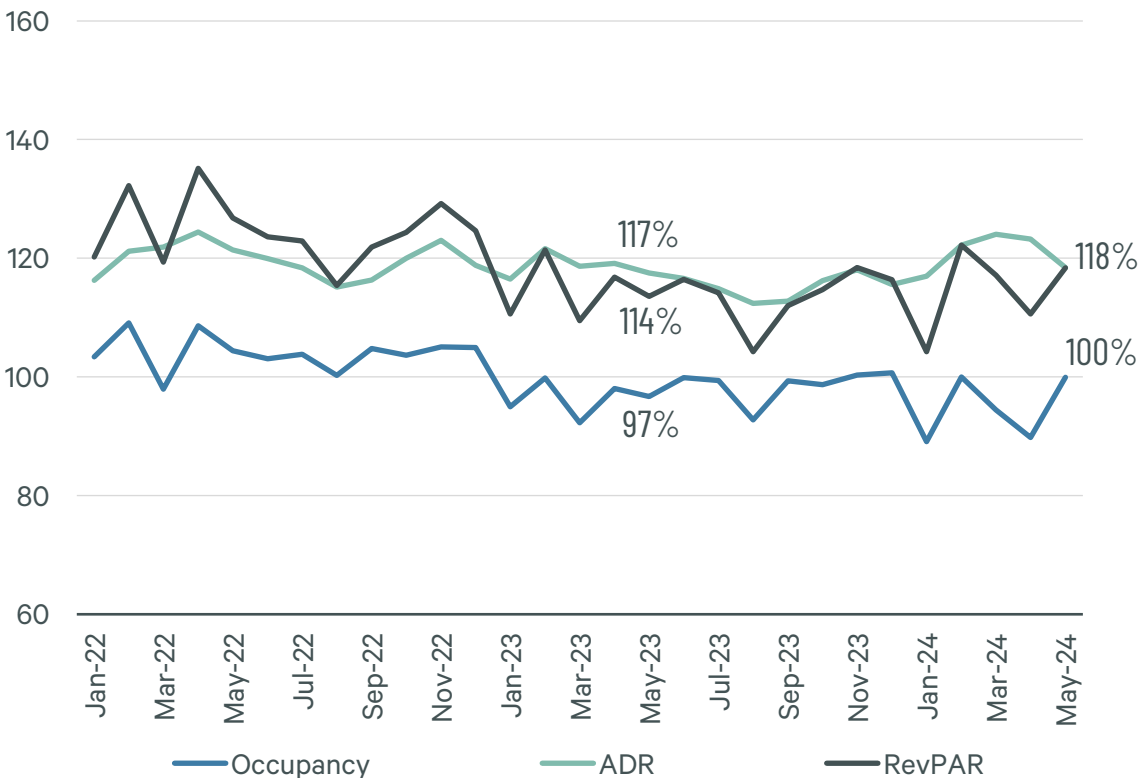


CBRE Hotels Research, AirDNA * Includes VRBO & Airbnb

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

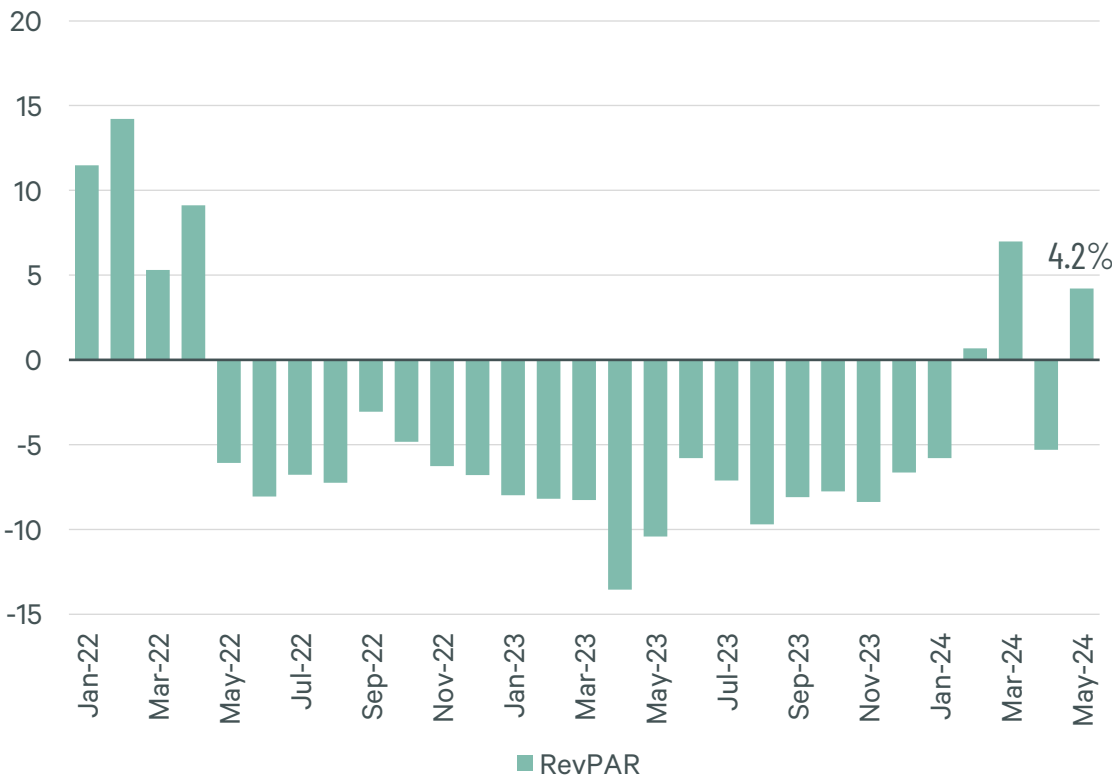
Short-Term Rental: Occupancy, ADR and RevPAR

Percent of 2019 (%)



Short-Term Rental: RevPAR Change

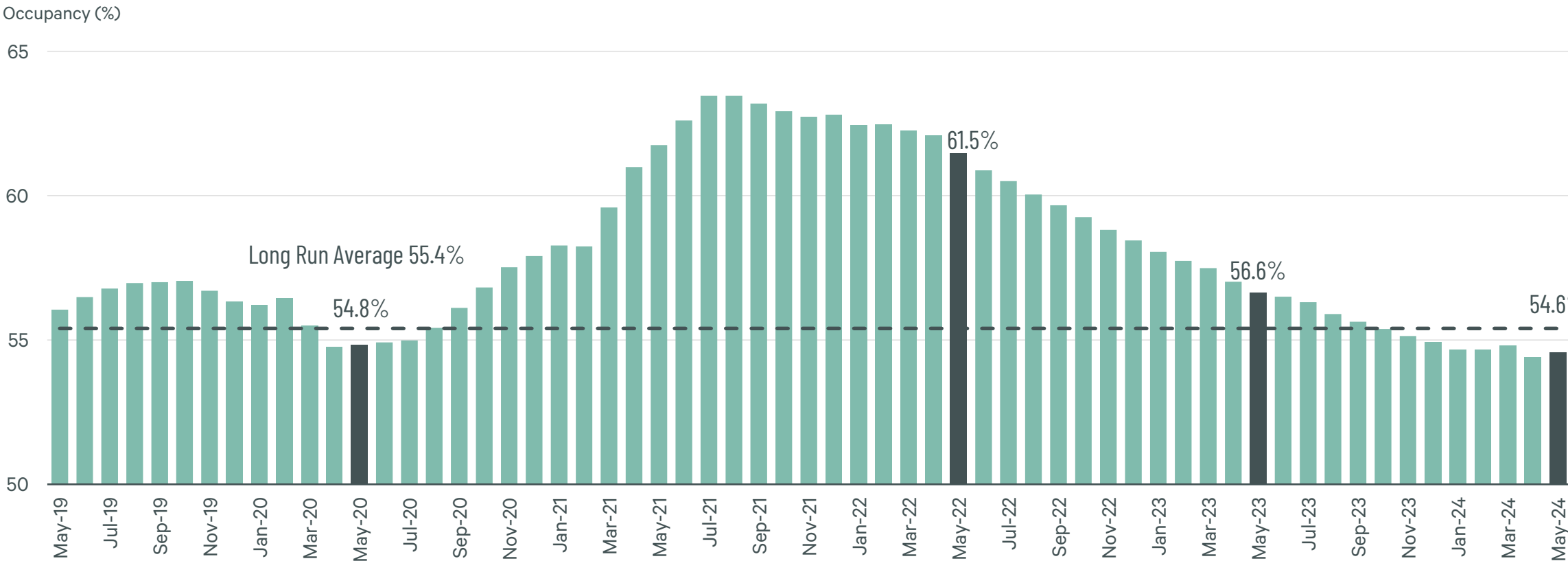
Y-o-Y Change (%)



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



CBRE Hotels Research, AirDNA

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!**



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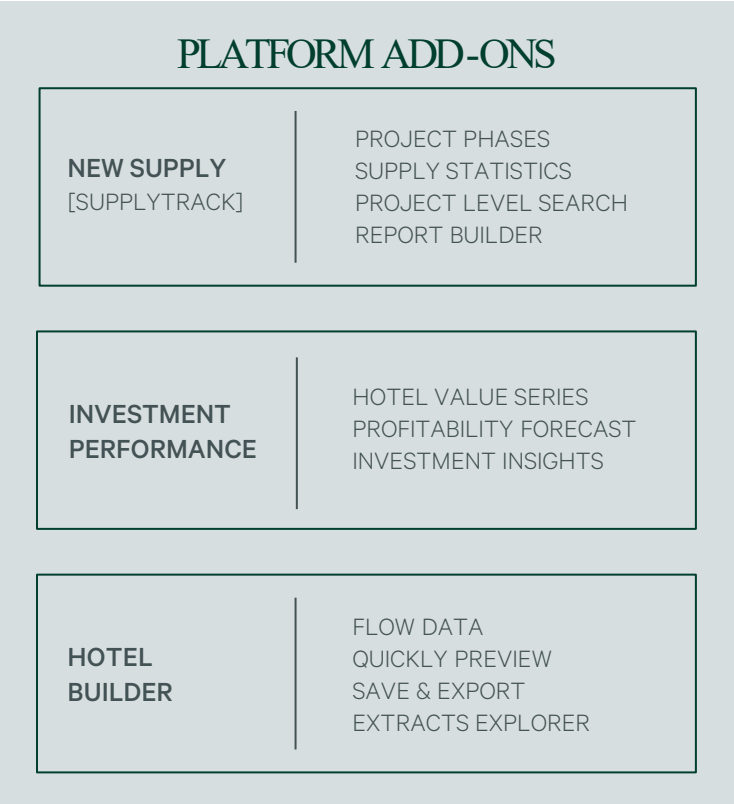
Addenda

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

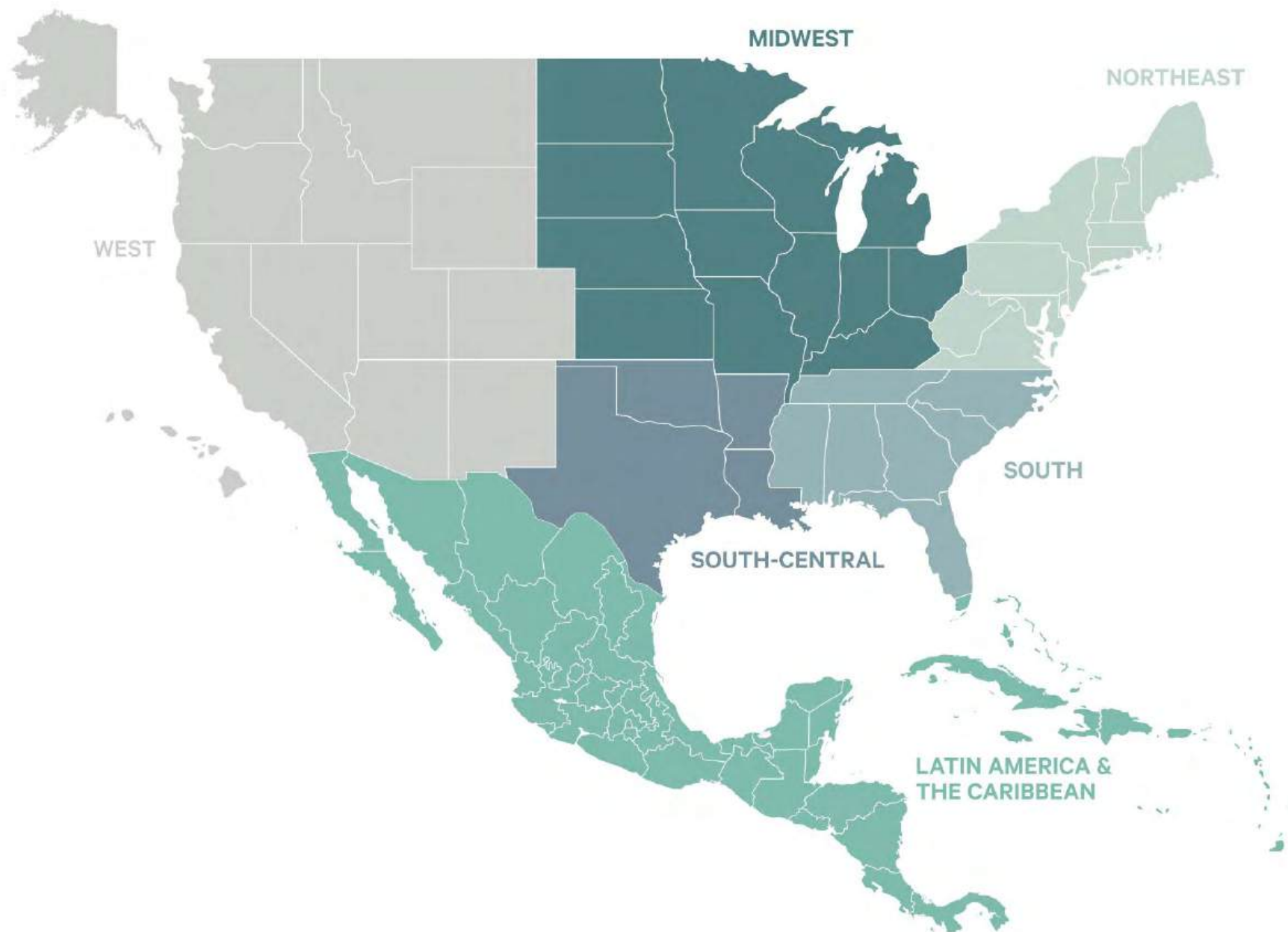
Property Types

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

CBRE Hotels Advisory

Covering every market.

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



Our National Leadership.

Our CBRE Hotels platform allows our team members to tap into national resources and industry leading intelligence for every assignment. We're dedicated to developing best-in-class solutions.



Advisory National Board Director
BILL GRICE



Advisory National Board Director
LES LINDER



National Practice Leader
TOMMY CROZIER

National
Business Development
Leader



**TIM
DICK**
Atlanta

Mid-Atlantic
Division
Leader



**MIKE
CUMMINGS**
Norfolk

South
Division
Advisory Leader



**PAUL
ISAACSON**
Atlanta

Midwest
Division
Advisory Leader



**RICHARD
MANDIGO**
Chicago

Midwest
Division
Valuation Leader



**MARK E.
LETSCHER**
Chicago

South-Central
Division
Valuation Leader



**KEVIN M.
DONAHUE**
Austin

Northeast
Division
Valuation Leader



**EDWARD R.
ESCHMANN**
New York

Northeast
Division
Advisory Team



**KANNAN
SANKARAN**
Washington D.C.

Northeast
Division
Advisory Team



**ANDREW
HARTLEY**
New York

South Florida &
Caribbean
Valuation Team



**SCOTT L.
WEBB**
Boca Raton

West
Division
Advisory Leader



**BRANDON J.
FEIGHNER**
Los Angeles

West
Division
Advisory Team



**MIKE
BAKER**
Los Angeles

West
Division
Valuation Leader



**ALAN M.
JUTTE**
Seattle

West
Division
Valuation Team



**JUSTIN E.
SCHLAGETER**
Sacramento

West
Division
Appraisal Team



**DAN
BEVERLY**
Newport Beach

CASE STUDY

33.9535° N, 118.3390° W

Hollywood Park Inglewood, California

Key Highlights

- Exceptional Opportunity to be Part of a Highly-Anticipated Development
- Excellent Accessibility
- Exclusive Hotel Opportunity at Hollywood Park
- Retail District
- Dynamic Office Market
- Dynamic Development Market
- NFL Stadium Impact
- Community Epicenter
- Brand and Management Opportunity
- Lease Terms

Mixed-Use Development NFL Stadium, Hotel, Conference/Meeting Centers, Retail + More

CBRE Hotels, in conjunction with Wilson Meany— one of the premier mixed-use developers in California – assisted in seeking proposals from hotel developers, franchisors, franchise companies, and management companies for the leasehold interest in the development of an upscale, full-service hotel as part of Hollywood Park (“Hollywood Park”), the iconic new development in Inglewood, CA, next to the new SoFi NFL Stadium. This monumental project covers almost 300-acres and is located two miles east of Interstate-405, one and a half miles north of Interstate-105, and three miles east of LAX. The centerpiece of the district is a 70,000-seat state of the art stadium that will be the home of NFL games for both the Los Angeles Rams and Los Angeles Chargers.



CASE STUDY

32.8998° N, 97.0403° W

DFW Airport Grand Hyatt Operator RFP Dallas Fort Worth, Texas

Key Highlights

- Client assigned CBRE for their preliminary market study
- Client retained CBRE for their RFQ Operator search plus more advisory services as needed

Hotel Operator Selection

CBRE Hotels, assisted DFW Airport in seeking proposals from Operators, franchise companies, and management companies for the management interest of the flagship Grand Hyatt at DFW Airport.

CBRE facilitated in determining optimal operator/brand targets and facilitating RFP materials.. Additionally, the CBRE performed market and feasibility diagnostics to determine the economic viability of a proposed Property Improvement Plan.



CBRE



CASE STUDY

38.9531° N, 77.4565° W

Metropolitan Washington Airports Authority, Dulles International Airport - Sterling, Virginia

Competitive Advantages

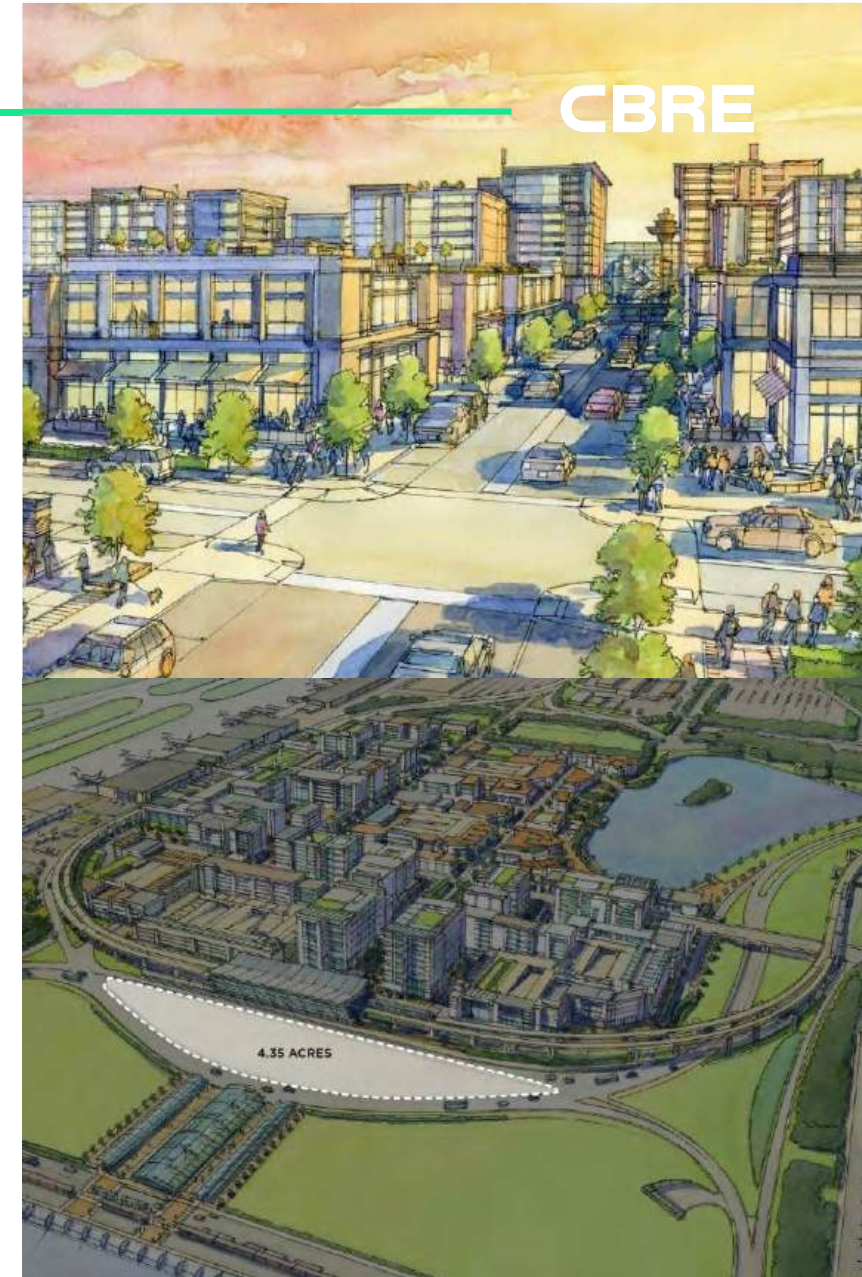
- Hotel Site: within a few hundred yards of the iconic Saarinen Terminal Building
- Dulles Metro Station: under construction & immediately adjacent to the Hotel site
- Future Development Potential: leverage off of new commercial, retail, & hospitality land uses
- Passenger Traffic: 20+ million worldwide passengers per year
- Loudon and Fairfax Counties: two of the U.S.'s most prosperous & fastest growing counties
- Washington Dulles Airport Marriott: closing on or before 2027 (100+ thousand room nights)

RFP for Development Team Search

CBRE Hotels Advisory is currently engaged by the Metropolitan Washington Airports Authority to develop and run an RFP process to solicit proposal submissions from qualified Hotel Development Teams to build a premier hotel at Washington Dulles International Airport.

The approximate 4.35-acre site is located within a few hundred yards to the north of the Saarinen Terminal Building and is situated immediately to the south of the under-construction Dulles Airport Station on Metro's Silver Line, which will offer an additional transportation alternative to/from Dulles within the next few years.

MWAA, in partnership with its external advisors, is in the early stages of developing a grounded vision for future development in the area to the north of the hotel site, to include a mix of office, retail, and complementary hospitality uses. While the specific components of this future integrated destination have not yet been determined, a world-class hotel would serve as a catalyst and anchor for this unique development opportunity.



CASE STUDY

29.1932° N, 81.0714° W

One Daytona, Int'l Speedway Corporation Daytona, Florida

Key Highlights

- Iconic NASCAR Racetrack
- Dynamic Mixed-Use Entertainment District
- Large-Scale Redevelopment
- Nearby Beaches
- Brand and Management Opportunity

Mixed-Use Development NASCAR Stadium Improvements, 2 Marriott Hotels, Retail Lifestyle Center+ Residential

CBRE Hotels worked with International Speedway Corporation (“ISC”) in the development of two Marriott hotels. CBRE Hotels successfully negotiated the development and operating agreements and the franchise agreements. Subsequently, CBRE Hotels provided asset management and project management services during construction. The 105-room Fairfield Inn & Suites opened in December 2017, and the 144-room The Daytona, an Autograph by Marriott opened in Spring 2019.

CBRE successfully negotiated the development and operating agreements and the franchise agreements. Subsequently, CBRE provided asset management and project management services during construction. The 105-room Fairfield Inn & Suites opened in December 2017, and the 144-room The Daytona, an Autograph by Marriott is under construction with a planned opening prior to Speed Weeks in First Quarter 2019.



CASE STUDY

45.6550° N, 69.6506° W

Moosehead Lake, Feasibility & Site Planning Greenville, Maine

Key Highlights

- The MLREDC commissioned a hotel feasibility study by the hotel-consulting firm, CBRE
- The feasibility study determined that a mid-sized hotel with conference center space is indeed economically feasible
- The MLREDC is working to promote this opportunity for the future growth and development of this type of business in the Moosehead Lake region

City Hospitality Site Selection and Planning/ Proposed 4 Season Resort Destination Feasibility - Marina, Ski, Lodge, Residential

CBRE Hotels worked with the City of Greenville to recommend the most feasible site and development within the hospitality space to complement the natural attractions involving the Moosehead Lake (the largest lake in Maine) and an adjacent mountain with alpine skiing. The project morphed into an analysis to determine the economic feasibility, programming, and velocity of a proposed Ski operation, Hotel, Lodge, and for sale vacation residential. Project is currently in pre-development status with a selected developer.



Notable Engagements



**AC Hotel Fort Worth
Downtown**
Fort Worth, TX
Market Demand Study



Private Equity Group
15 Hotel Assets / Various U.S.
Locations
Portfolio Pricing Analysis



HNW Individual
800 Room Resort / Punta Cana, DR
Hotel Brand & Operator Selection



Sandals Resorts Portfolio
17 All-Inclusive Resorts /
Caribbean Islands
Appraisal Valuations Services



**Chula Vista Bayfront Resort
Hotel & Convention Center**
San Diego, CA
Master Plan Development, Tax
Revenue Reporting, Ground Rent
Analysis, Development Advisory
Services

Notable Engagements



Queensgate-Freehand & Generator Portfolio
Various U.S. Locations
Appraisal, Buy-Side Due Diligence & Strategic Growth Analysis



LVMH & Belmond Portfolio
Various Worldwide Locations
Global Acquisition Diagnostic



Frenchman's Reef & Morning Star Marriott Beach Resort
U.S. Virgin Islands
Market & Capital Investment Diagnostics



Financial Advisors Representing King County
King County, WA
Market & Capital Investment Diagnostics



The Westin Irving Convention Center At Las Colinas
Irving, TX
Market Demand Study for Public/Private Bond Issue

Notable Engagements



DEN - Denver International Airport
Denver, CO
West Approach, Mixed Use
Developments, Feasibility,
Development, RFP Company
Selection, Asset Management



Montage Beverly Hills Hotel
Beverly Hills, CA
Buy-Side Due Diligence &
Appraisal Services



Inn at Aspen Condo Hotel
Aspen, CO
Operator Selection & Advisory
Services



Proposed Hotel at Santa Fe Railyard
Santa Fe, NM
Operator Selection & Advisory
Services



Orbite Astronaut Training Facility
Merritt Island, FL
Market Analysis for Lodging at
Astronaut Training Facility

Thank you

CBRE Hotels Advisory

CBRE



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