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Meet the Money 2023

May 2023

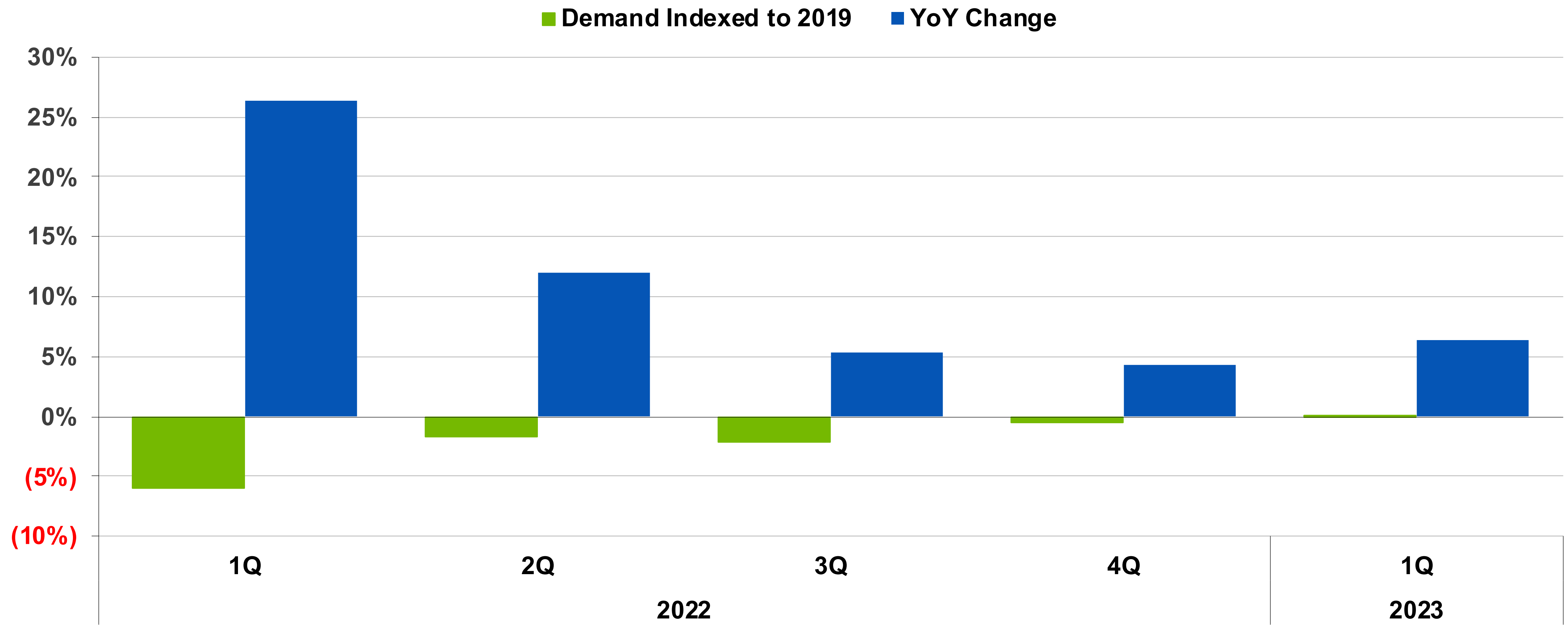
Romy Bhojwani
Director, Hospitality Market Analytics

Key Questions

- How are Lodging Industry Fundamentals Trending?
- What is the Macroeconomic outlook and the anticipated Impact on Hotels?
- How is Hotel Debt Performing?
- What is the outlook for CRE Debt Maturities?

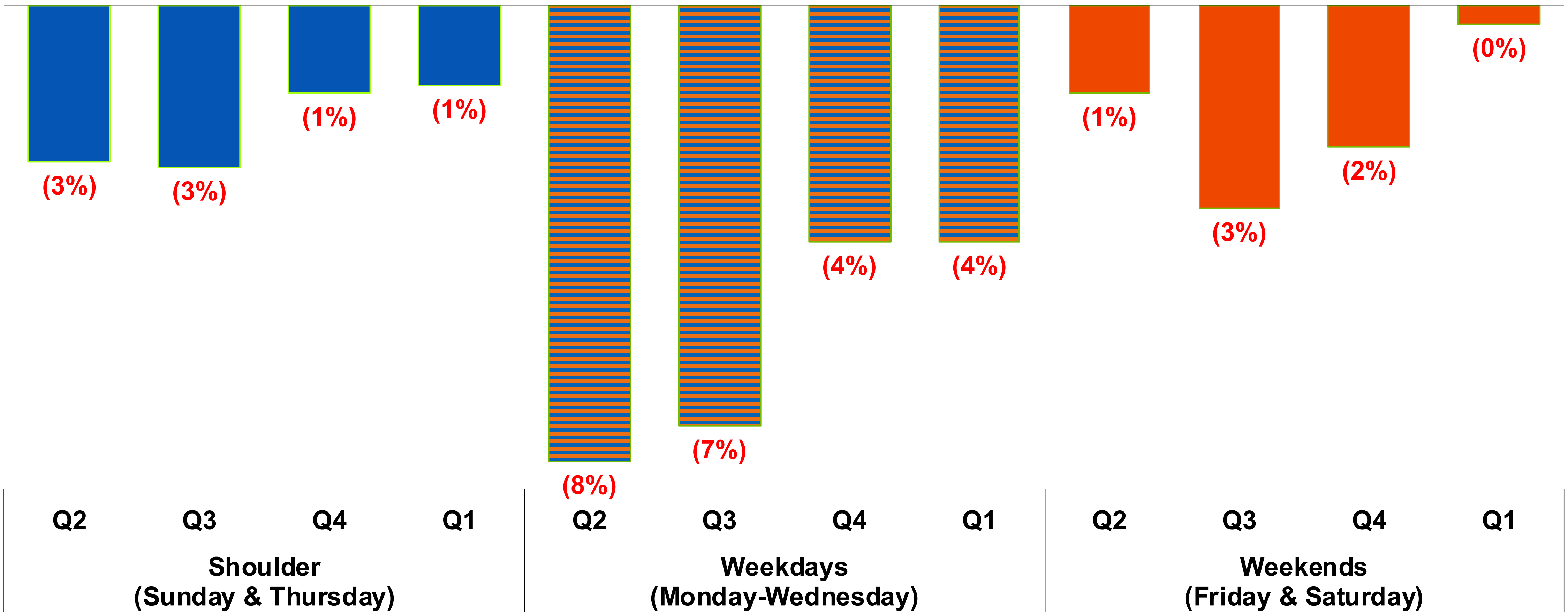
First quarter room demand continued to improve

U.S. quarterly room demand, indexed to 2019



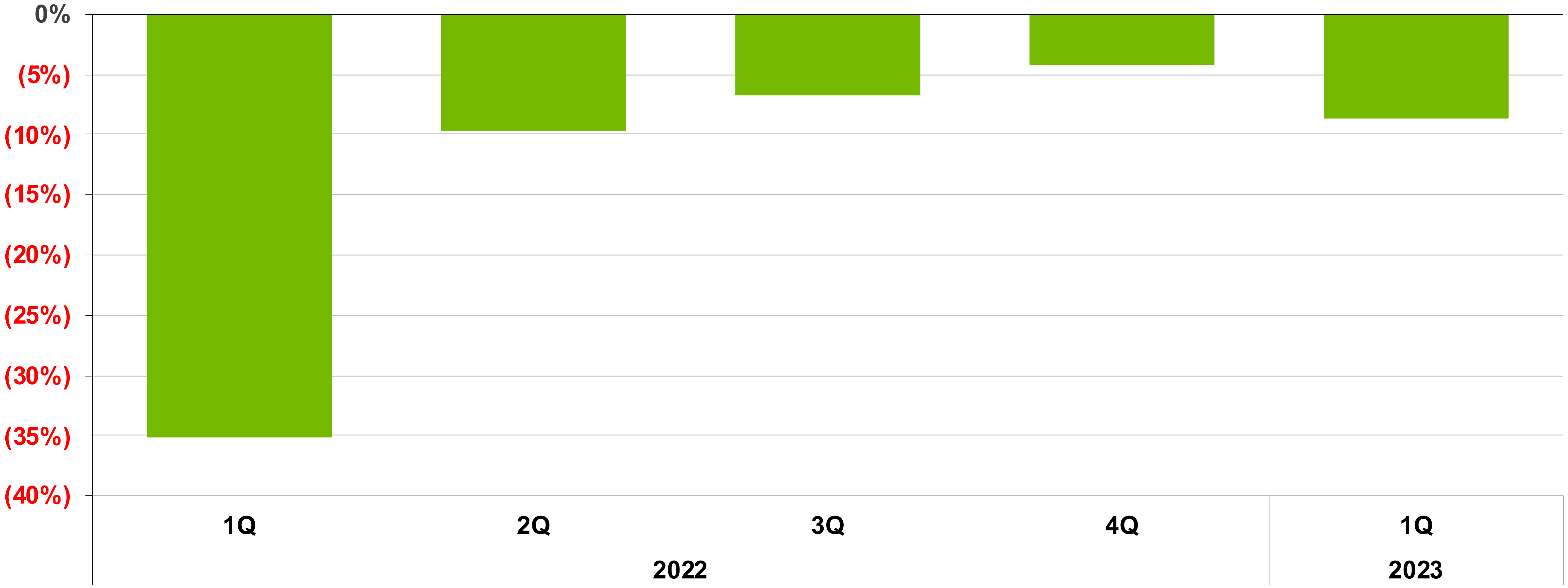
Demand patterns are different. Weekday deficit remains

U.S. occupancy indexed to 2019, by day type



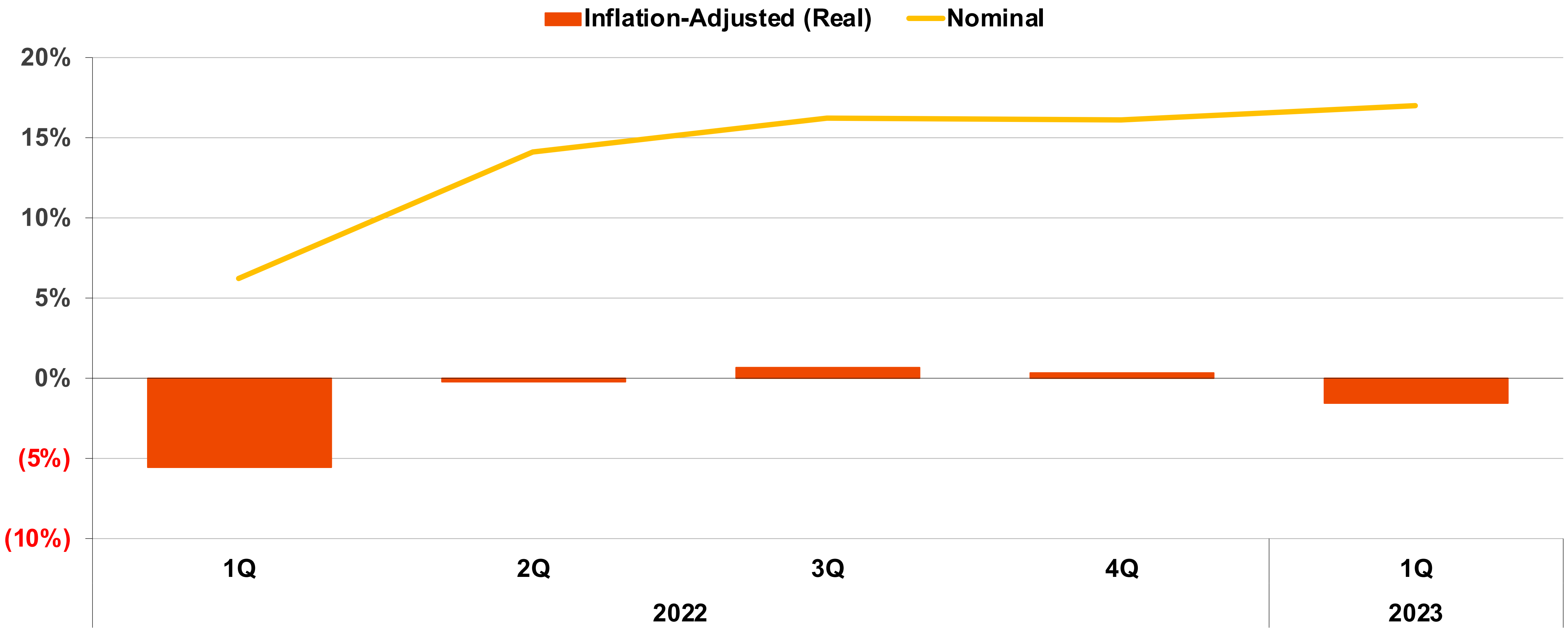
Group demand continued to improve

U.S. group demand indexed to 2019 (luxury & upper upscale classes only)



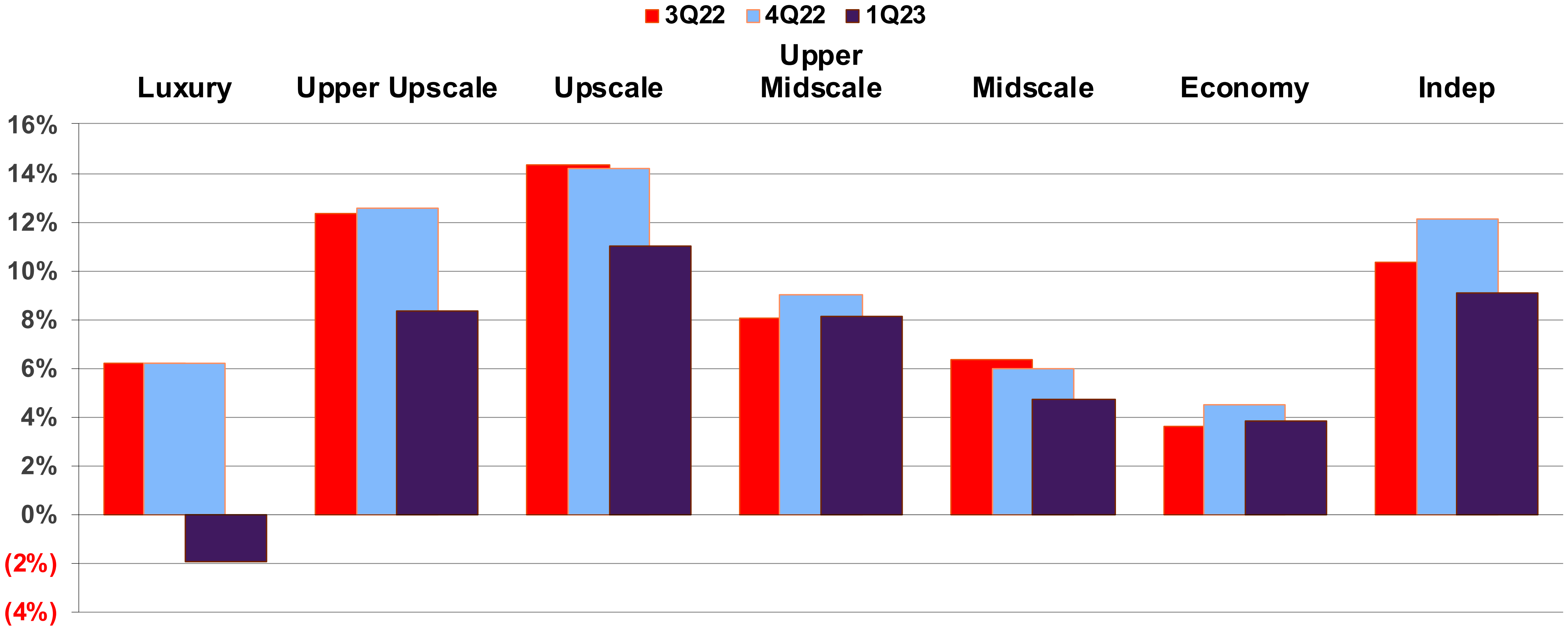
Real ADR growth rates stable; 1Q23 down

U.S. ADR indexed to 2019



Luxury ADR declined for the first time in the post-pandemic recovery

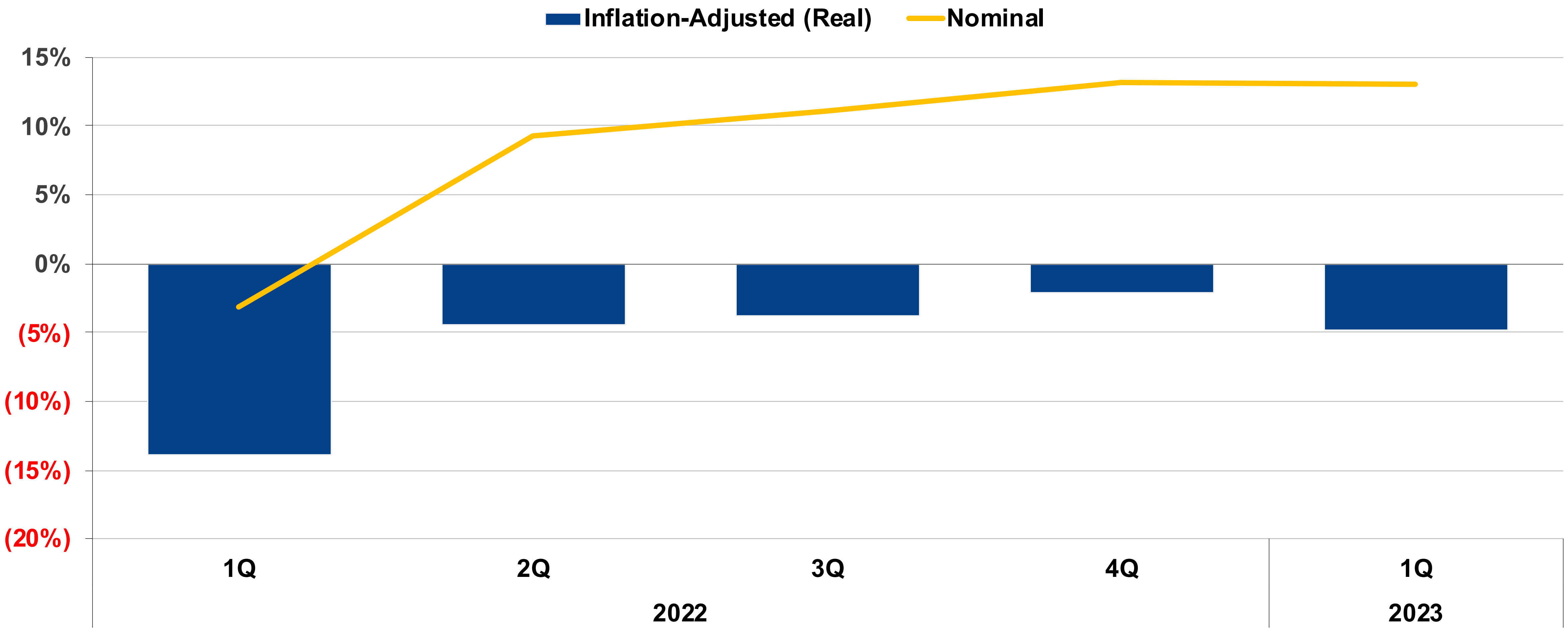
U.S. ADR change YoY



Source: STR. © 2023 CoStar Group

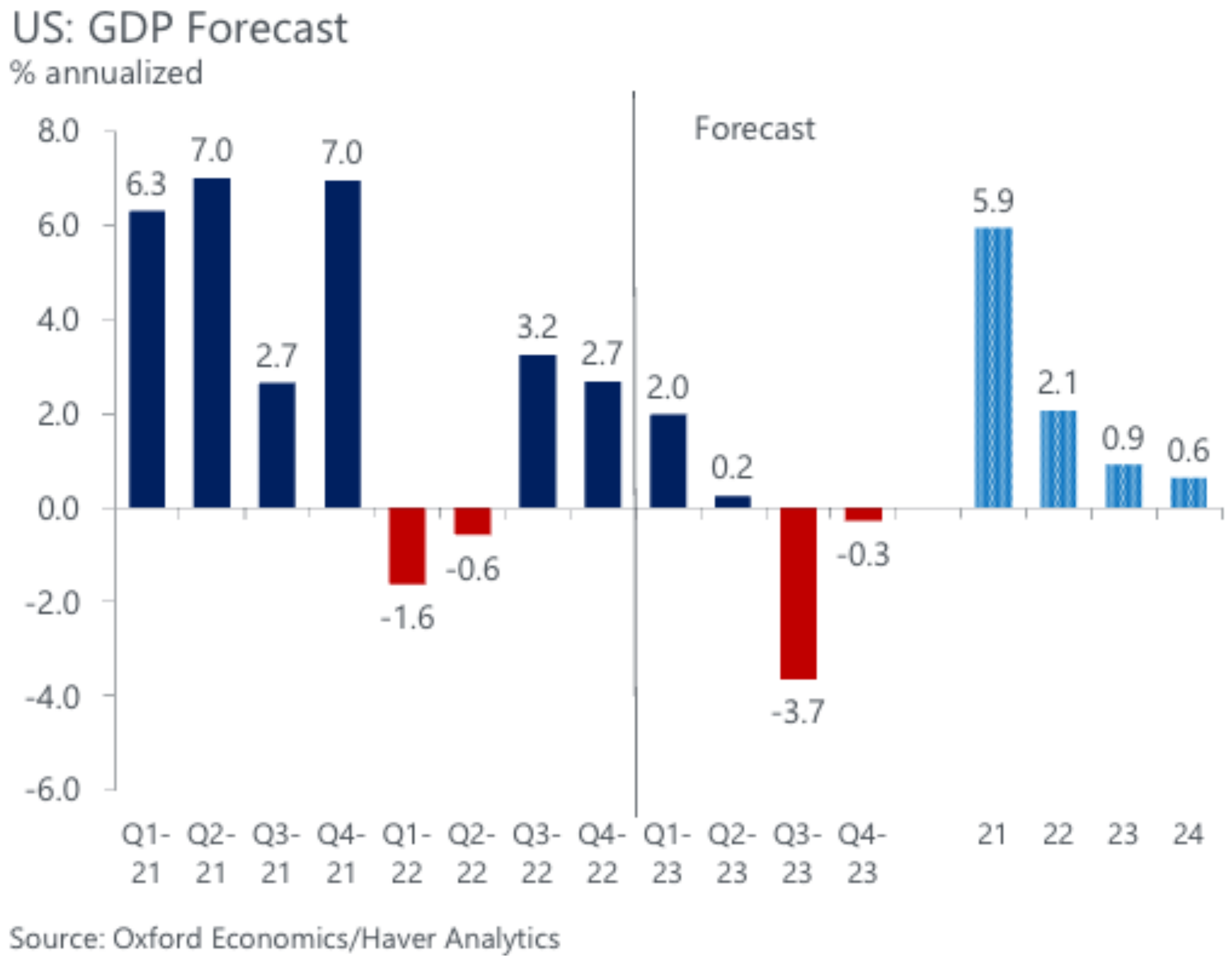
Real RevPAR stable but not fully recovered

U.S. RevPAR indexed to 2019



Can Travel Defy Economic Gravity?

We are headed toward a recession in the second half of 2023



We expect the recession to be mild because there are no glaring imbalances in the economy's balance sheet.

Household balance sheets are in great shape, nonfinancial corporate balance sheets are healthy, and state and local governments are flush with cash.

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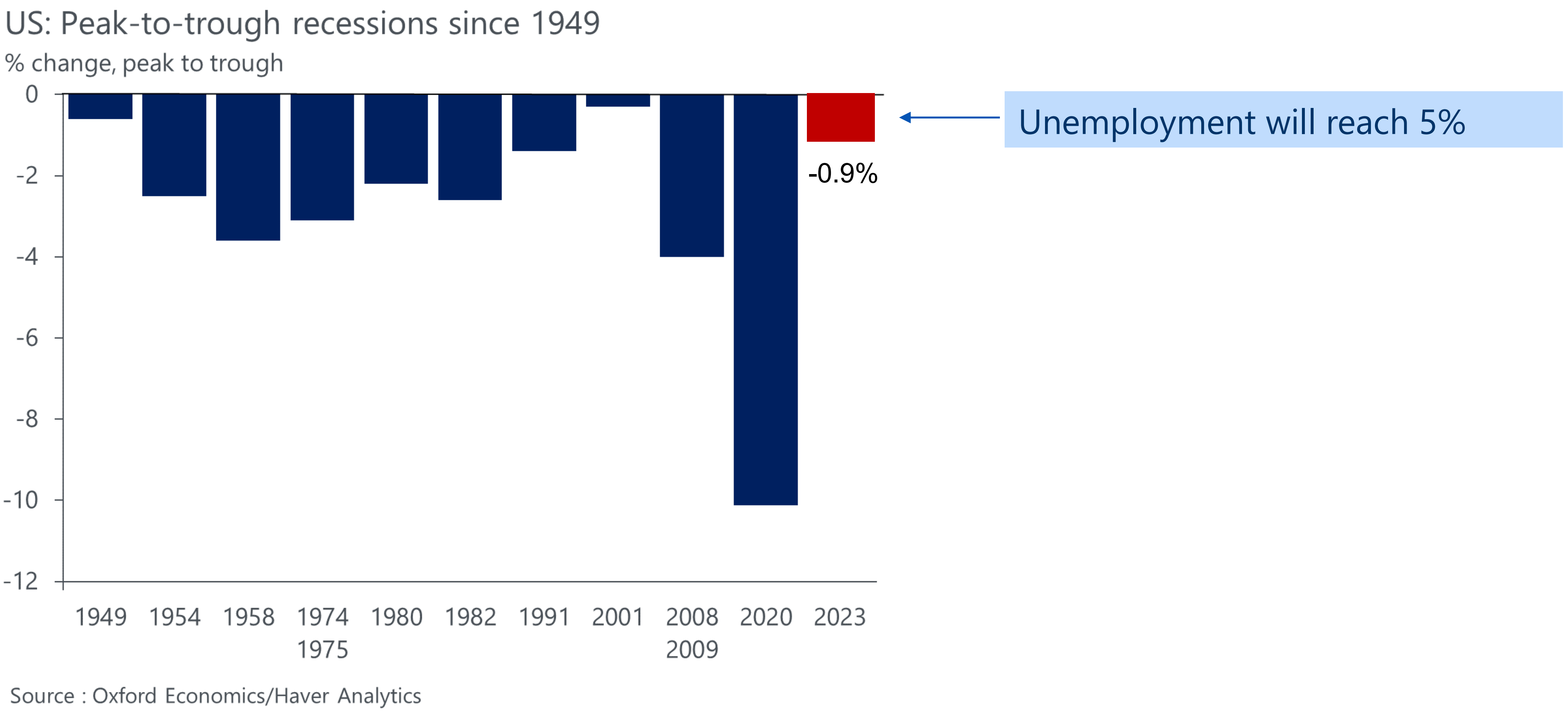
The US recession will be mild by historical standards



Why the travel industry will likely defy economic gravity

1. US households are in a position of strength
2. Pent-up demand and prioritization of travel is real
3. Remote and Hybrid work are driving new sources of hotel demand
4. International inbound still rebuilding

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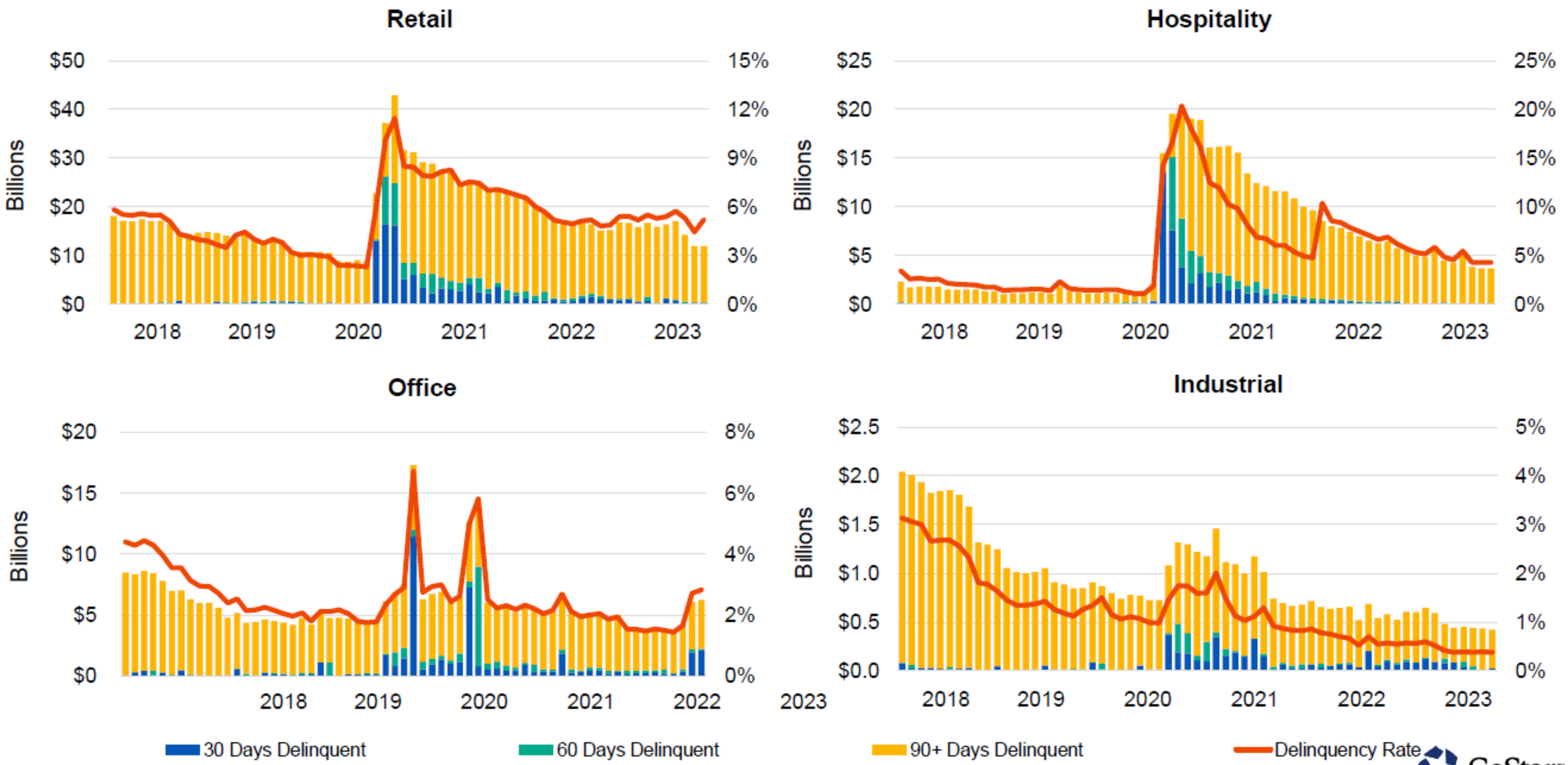
How is Hotel Debt Performing?

Outlook for CRE Debt Maturities

CMBS Delinquencies



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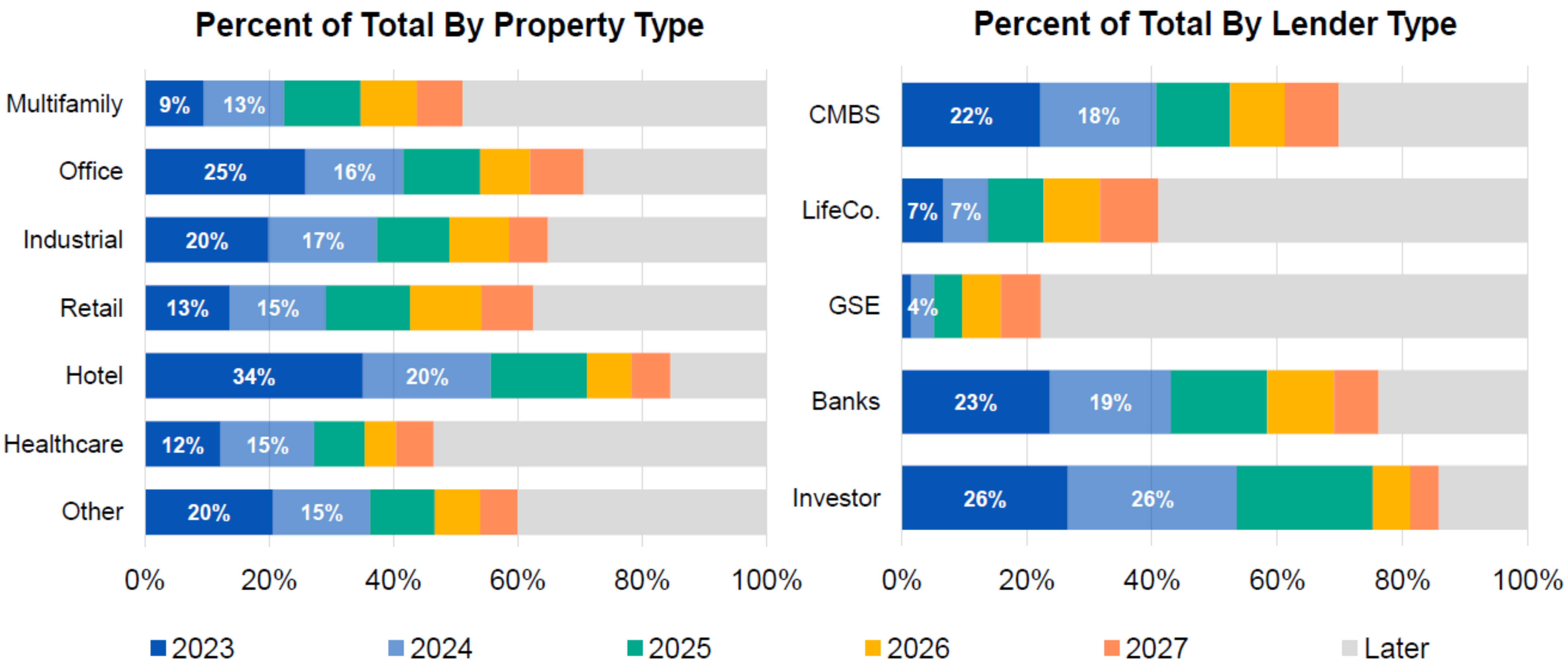
$4.5T of Maturities By Property and Lender



Source: MBA; Investor-driven lenders include mortgage REITS, pensions, debt funds

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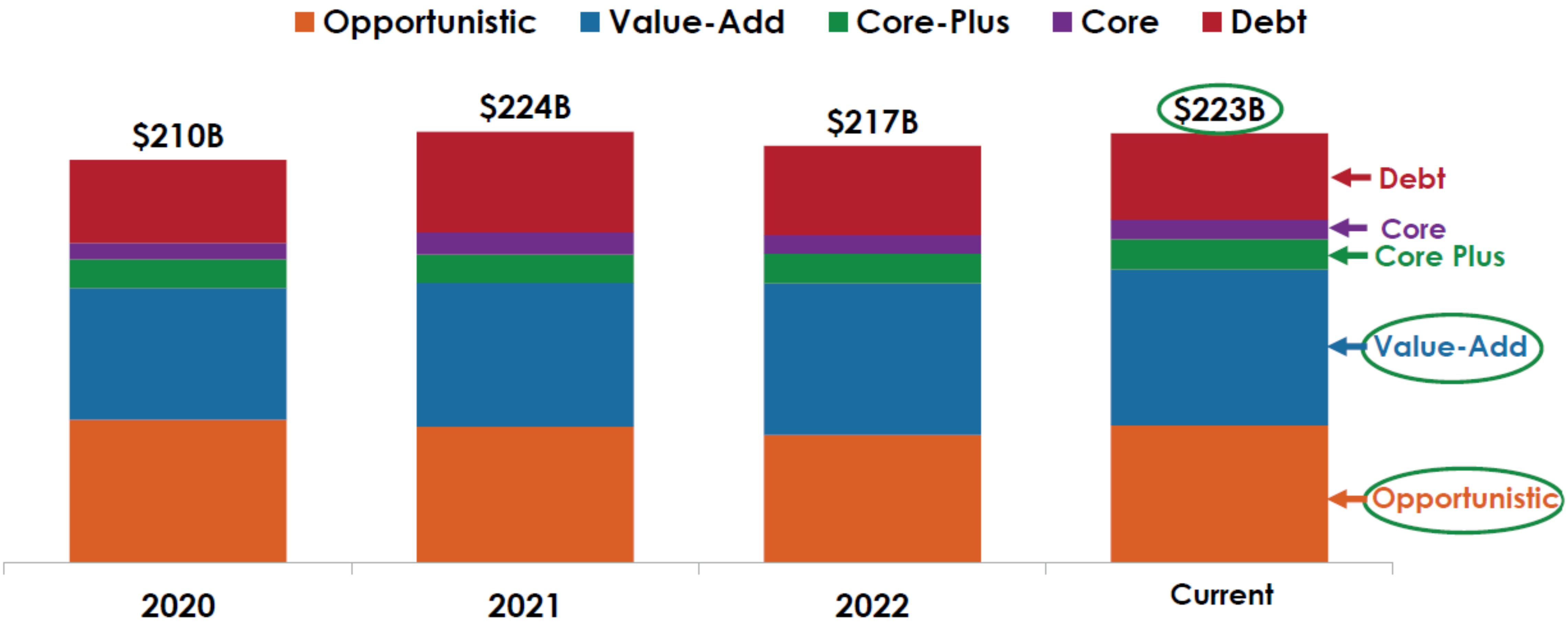
WE HAVE SIGNIFICANT CAPITAL AVAILABLE – BUT MOST OF THAT CAPITAL IS SEEKING 13% – 20% LEVERED IRR

North American Focused Real Estate Closed End Fund Dry Powder



Source: Preqin. As of February 2023. Reflects capital focused on North America.

Private Markets: Asset Class Performance in Context

Annual Returns of Key Indices, Ranked in Order of Performance (2007-3Q'22)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD	Annualized Total Return[(1)]
22.4%	11.4%	58.2%	27.0%	16.0%	16.5%	32.4%	28.8%	15.0%	17.1%	21.8%	10.9%	31.5%	25.6%	41.7%	12.5%	12.4%
16.0%	1.8%	51.6%	18.1%	9.8%	16.0%	19.5%	13.7%	10.7%	12.0%	19.2%	8.3%	24.3%	18.4%	38.1%	4.2%	9.1%
10.2%	-4.9%	26.5%	16.4%	8.4%	15.8%	13.9%	12.5%	5.5%	11.2%	8.6%	8.1%	15.2%	9.9%	28.7%	0.6%	8.4%
8.8%	-6.5%	26.3%	15.8%	8.1%	14.0%	12.7%	12.1%	1.4%	10.6%	7.6%	1.8%	14.5%	7.1%	22.2%	-3.3%	7.4%
5.5%	-10.0%	18.7%	15.1%	7.5%	13.1%	7.4%	9.6%	1.3%	10.2%	7.5%	1.4%	14.3%	5.8%	12.8%	-3.3%	5.7%
4.8%	-23.3%	13.2%	15.1%	6.6%	10.9%	5.3%	7.5%	1.2%	8.8%	6.4%	0.4%	9.0%	5.5%	5.3%	-8.7%	4.1%
4.6%	-26.2%	8.0%	10.1%	5.0%	9.8%	1.3%	2.6%	0.0%	7.1%	4.1%	-2.1%	8.6%	3.1%	5.2%	-14.7%	3.8%
2.1%	-29.1%	0.1%	9.0%	2.1%	9.7%	0.0%	2.5%	-0.7%	6.1%	3.7%	-2.5%	5.3%	1.2%	0.0%	-18.7%	3.0%
1.9%	-37.0%	-1.4%	5.3%	1.5%	1.7%	-1.3%	1.6%	-0.7%	1.1%	1.1%	-4.4%	5.2%	0.5%	-1.0%	-23.9%	2.4%
-17.8%	-39.1%	-29.8%	0.1%	0.1%	0.1%	-1.5%	0.0%	-4.5%	0.3%	0.8%	-5.8%	2.2%	-8.7%	-1.7%	-28.9%	0.9%

- Private Equity
- Private Credit
- Private Real Estate

- Public Equities
- HY Bonds
- Leveraged Loans
- Public REITs
- IG Bonds
- Treasuries
- Cash

Source: Bloomberg and Preqin, as of 9/30/2022. Represents total returns for the respective calendar year, ranked in order of performance. Asset classes presented are based on the following indices: Preqin Private Equity Quarterly Index for "Private Equity", S&P 500 Index for "Public Equities", NCREIF ODCE Index for "Private Real Estate", Cliffwater Direct Lending Index for "Private Credit", Bloomberg U.S. Corporate High Yield for "HY Bonds", Morningstar LSTA US Leveraged Loan Index for "Leveraged Loans", Bloomberg U.S. Corporate Bond Index for "IG Bonds", MSCI US REIT Index for "Public REITs", Bloomberg U.S. Treasury Bill 1-3 Month Index for "Cash", Bloomberg U.S. Intermediate Treasury Index for "Treasuries". Past performance is not necessarily indicative of future results. There can be no assurance any alternative asset classes will achieve their objectives or avoid significant losses. The volatility and risk profile of the indices is likely materially different from that of a fund. The indices employ different investment guidelines / criteria than a fund and do not employ leverage; a fund's holdings and the liquidity of such holdings may differ significantly from securities comprising the indices. The indices aren't subject to fees / expenses, and it may not be possible to invest in the indices. The indices' performance has not been selected to represent an appropriate benchmark to compare to a fund's performance, but rather is disclosed to allow for comparison to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. The indices are not necessarily the top performing indices in the given asset class and recipients should consider this when comparing the performance of any fund or investment to that of the indices. See "Important Disclosure Information," including "Index Comparison."

This is a golden moment for private credit solutions.

We believe this could be a historic opportunity for capital deployment in private credit to drive equity-level returns via a debt position.

Jon Gray, President and COO Blackstone

Q1 2023 Earnings Call

Observations

- Lodging Fundamentals strong and growing; some weakness in Luxury ADR
- Mild recession forecast in 2H23, but Hotel Demand will continue to grow
- Hotel Delinquencies trending down; Office and Retail Delinquencies trending up
- Gaps in Hotel Debt Maturities likely filled by Private Credit

THANK YOU!

Romy Bhojwani

RBHOJWANI@COSTAR.COM