27th Annual
Meet the Money

Bright Horizons.... .... Dusty Dawns

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CBRE HOTELS
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THE AGENDA

- The Economy
- The Impact of New Supply
- Leading and Lagging Markets
- Room to Grow?
- Our Forecasts

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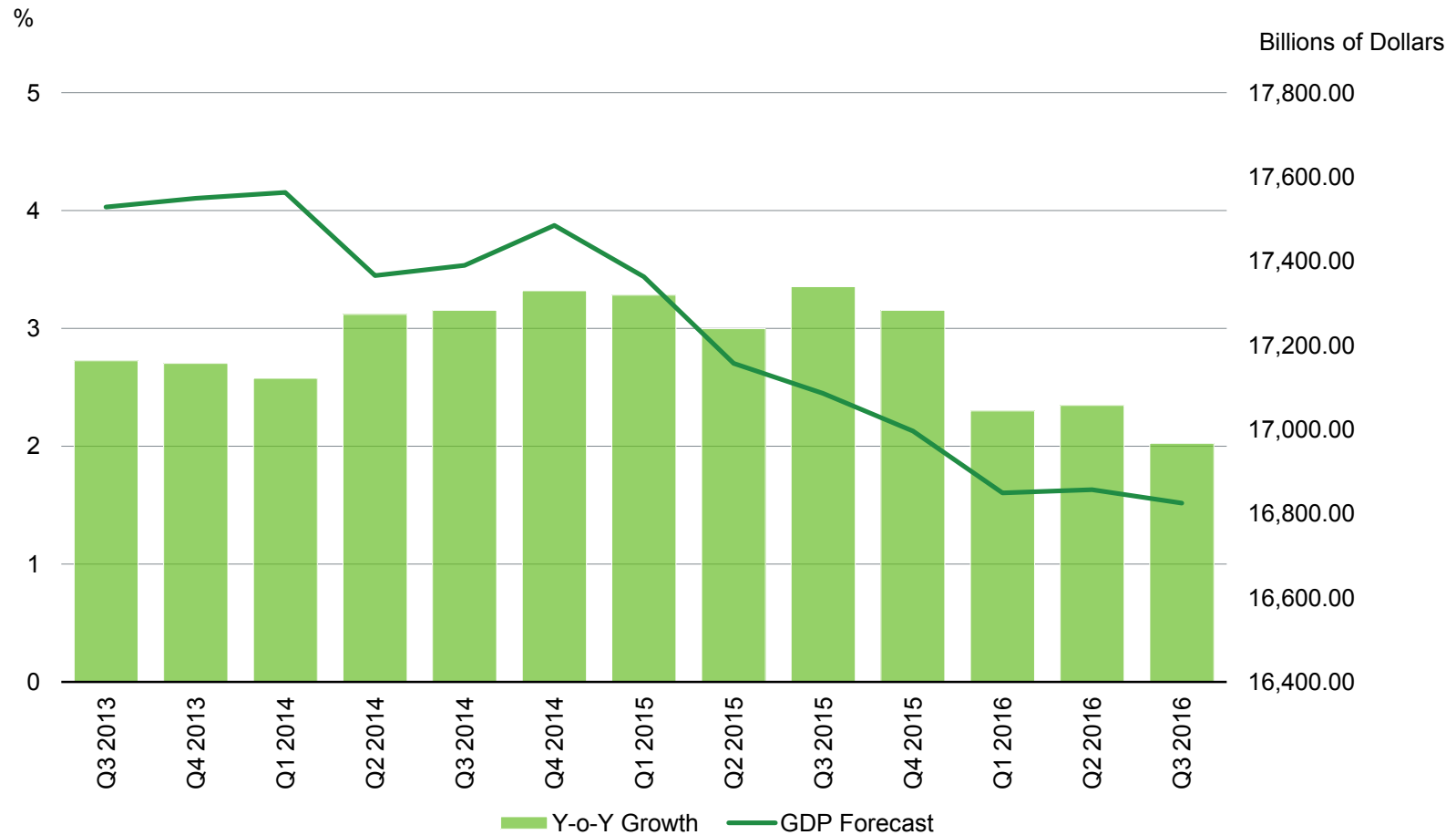# HOW WAS THE ECONOMY IN 2016?

Good?

Okay?

Bad?

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NOT NEARLY AS GOOD AS EXPECTED!

Historical Moody's Forecasts of Q4 2016 Nominal GDP

Source: CBRE Hotels' Americas Research; Moody's Analytics.
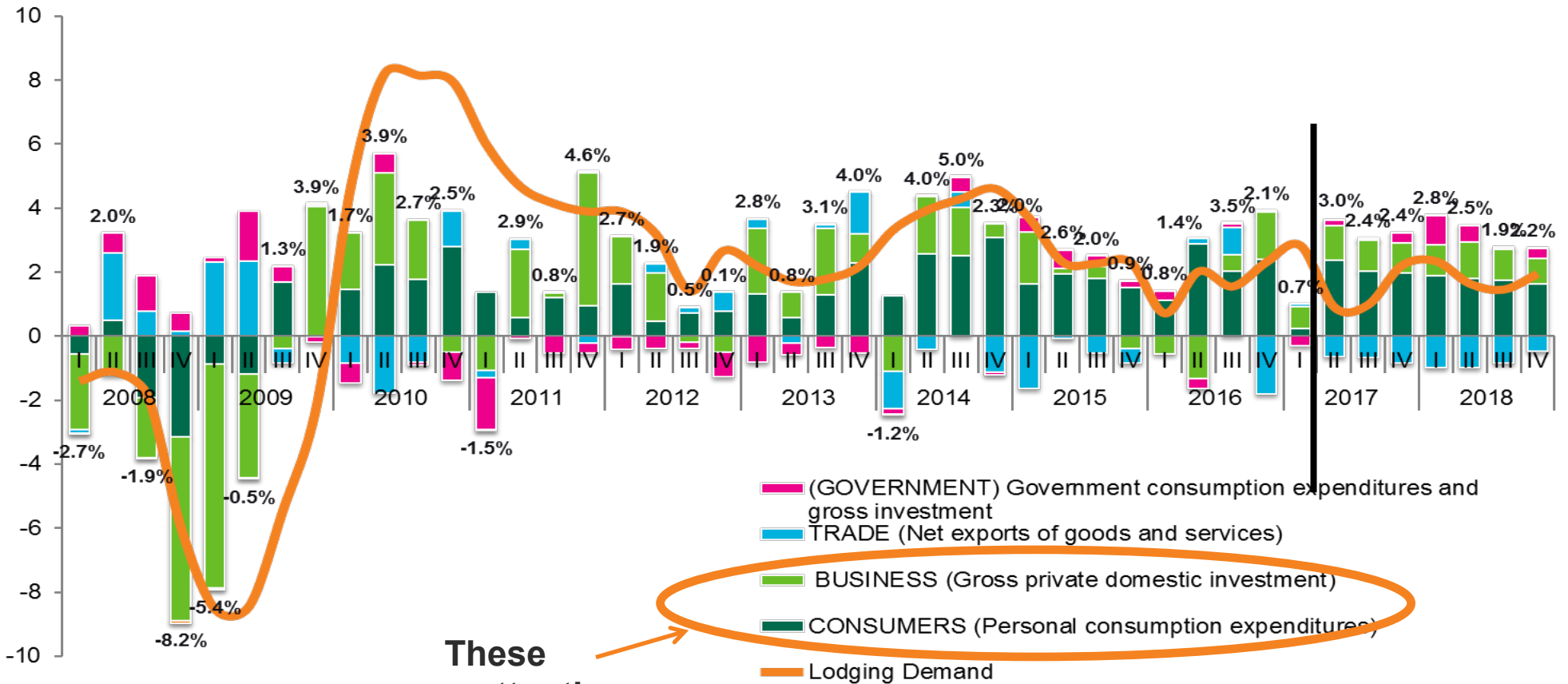
How Will the Economy Be in 2017?

Better?

Same as 2016?

Worse?

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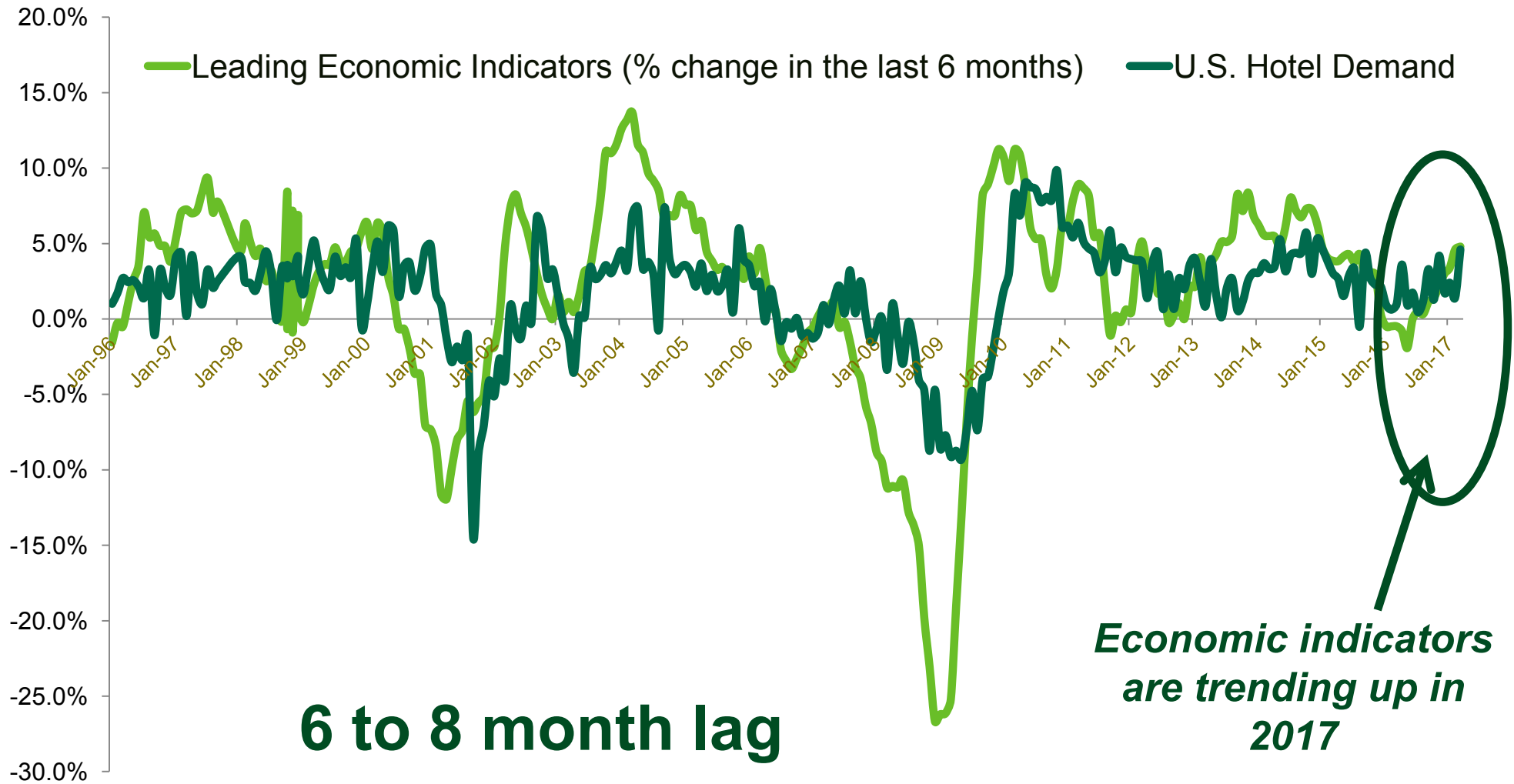# The Economy: Good….Getting Better?

The Outlook for the Drivers that are Most Important to Hotels Remains Favorable

Source: BEA, Moody's Analytics, CBRE Hotels | Americas Research Hotel Horizons:
March 2017, STR, Inc.

LEADING ECONOMIC INDICATORS
Percent Change In the Last 6 Months

Leading Economic Indicators (% change in the last 6 months) — U.S. Hotel Demand

6 to 8 month lag

Economic indicators are trending up in 2017

Source: The Conference Board, CBRE Hotels' Americas Research, STR, March 2017

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The Impact of New Supply

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Bright Horizons….Dusty Dawns: U.S. Gateway Cities

An Uneven Landscape:

Low Supply:Strong ADR Growth

* Sensitive to Exchange Rate Fluctuations

U.S. Gateway Cities				U.S. Averages
2011 - 2016				
Gateway City	Cumulative ADR Change (23.9%)	Cumulative Supply Change (4.6%)	2016 Occupancy (65.5%)	
Boston*	40.1%	6.1%	74.2%	
Chicago*	25.2%	4.0%	69.0%	
Los Angeles*	60.0%	0.1%	81.3%	
Miami*	37.2%	12.2%	75.9%	
New York*	12.9%	25.9%	85.8%	
Oahu	51.5%	-0.3%	84.2%	
Orlando	42.9%	3.1%	75.6%	
San Francisco*	68.7%	0.1%	84.3%	
Washington, D.C.*	14.7%	5.0%	72.1%	

Source: CBRE Hotels' Americas Research, STR, Q1 2017

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Bright Horizons….Dusty Dawns: U.S. Gateway Cities

An Uneven Landscape:

High Supply:Weak ADR Growth

* Sensitive to Exchange Rate Fluctuations

U.S. Averages

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Washington, D.C.*	14.7%	5.0%	72.1%

Source: CBRE Hotels' Americas Research, STR

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The Years Ahead
Leading and Lagging Markets

Buyers Markets – Upper-Priced Hotels*

* Top 10 Market

Opportunities for Better Pricing!

	Market	2016-2018 Annual Increase in ADR
	Norfolk-VA Beach	1.8%
	Austin	1.8%
*	San Francisco	1.7%
	Philadelphia	1.6%
	West Palm Beach	1.6%
	Omaha	1.3%
	Pittsburgh	1.1%
*	Miami	0.9%
*	New York	0.6%
	Albany	-0.2%
	National Average	2.5%

* Luxury, Upper-Upscale and Upscale Hotels per STR

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Sellers Markets - Upper-Priced Hotels*

Hotels should have the upper hand.

* Top 10 Market

Market	2016-2018 Annual Increase in ADR
Sacramento	4.8%
* Washington DC	4.8%
Oakland	4.7%
* Atlanta	4.5%
Tucson	4.3%
Jacksonville	4.1%
Indianapolis	3.9%
Savannah	3.9%
Minneapolis	3.8%
Detroit	3.7%
National Average	**2.5%**

* Luxury, Upper-Upscale and Upscale Hotels per STR

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Room to Grow?

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Room to Grow?

Comparing Weekday vs. Weekend Performance

Demand Distribution		
Year	Weekday	Weekend
2000	68.9%	31.1%
2005	68.8%	31.2%
2010	68.7%	31.3%
2016	68.6%	31.4%
Source: STR		

Weekend Demand Share Has Been Increasing

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Room to Grow?

Comparing Weekday vs. Weekend Performance

Year	Occupancy Level					
	Weekday	% ^	Weekend	% ^	Total	% ^
2000	60.5%		68.3%		62.8%	
2005	60.2%	-0.6%	68.3%	0.0%	62.5%	-0.4%
2010	54.8%	-8.9%	62.5%	-8.5%	57.0%	-8.8%
2016	62.3%	13.8%	71.3%	14.0%	64.9%	13.9%
2000-16 Change	1.4%		1.8%			1.6%
Source: STR						

Weekend Occupancy Level is <u>9.0 points</u> Higher than the Weekday Level

Room to Grow?

Comparing Weekday vs. Weekend Performance

	Average Daily Rate					
Year	Weekday	% ^	Weekend	% ^	Total	% ^
2000	$ 82.41		$ 79.74		$ 81.57	
2005	$ 87.73	6.5%	$ 87.92	10.3%	$ 87.79	7.6%
2010	$ 94.02	7.2%	$ 93.18	6.0%	$ 93.75	6.8%
2016	$118.54	26.1%	$120.87	29.7%	$119.28	27.2%
2000-16 Change	2.3%			2.6%		2.4%
Source: STR						

ADR is Now Higher on the Weekend

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Our Forecasts

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Market Outlook

Occupancy Levels will Decline in 51 of our 60 Top U.S. Markets this Year, but in only 45 Markets in 2017.

Average Daily Rate Growth will Exceed 2.0% in 52 Markets this Year and Next.

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Bright Horizons….Dusty Dawns: U.S. National Forecast

Forecast calls for a continual decline in RevPAR growth mainly due to slowing employment gains and new supply diluting ADR.

	Long Run Average	2014	2015	2016	2017F	2018F
Supply	1.8%	0.7%	1.0%	1.6%	2.0%	2.1%
Demand	2.0%	4.1%	2.7%	1.7%	1.9%	1.8%
Occupancy	62.2%	64.3%	65.4%	65.5%	65.4%	65.1%
ADR	3.1%	4.6%	4.5%	3.1%	3.1%	2.9%
RevPAR	3.3%	8.2%	6.2%	3.2%	3.0%	2.5%

Source: CBRE Hotels' Americas Research, STR

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Summary Thoughts Bright Horizons…..Dusty Dawns

1. The fundamentals remain attractive across the vast majority of markets.

2. Industry growth will persist comfortably through 2018 and likely beyond.

3. High occupancy levels should provide leverage to achieve attractive ADR increases for the next two-three years; scale of new supply in some markets represents a strong headwind.

4. Increasing hotel construction will continue; the threat of over building is the exception and not the rule.

5. Above long run average occupancy levels will lead to revenue growth, but increasing labor costs will become more of an issue. Profit growth will remain good, but not great, for most.

6. Steady, if unremarkable, growth is to be expected overall. Some markets certainly better than others. Upside potential during the week.

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