

June 1, 2020



US HOTEL OUTLOOK

**NAVIGATING THE STORM
FINDING SAFE HARBOR**

CBRE

SPEAKERS | JUNE 1, 2020



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Intro

Macro Overview

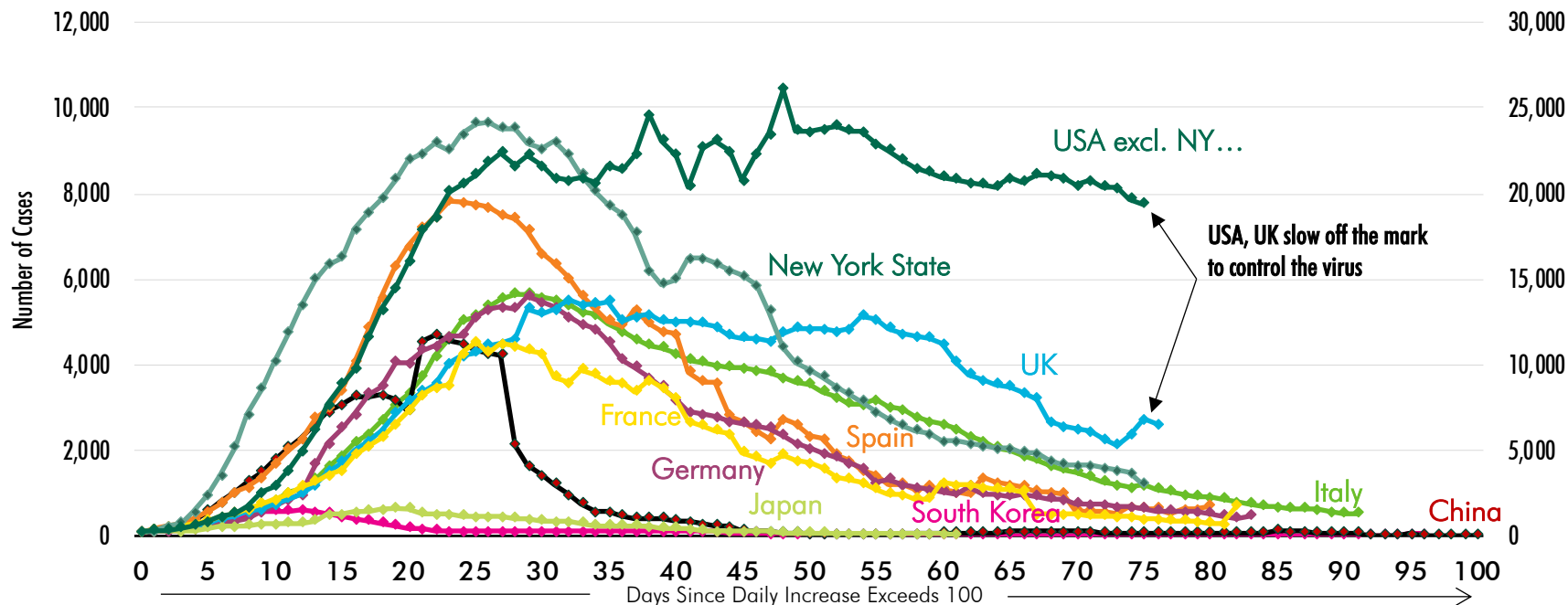
Forecast Review

Profitability Insights

Q&A/Closing Comments

WE ARE GENERALLY PAST THE PEAK IN NEW INFECTION

Daily new cases in 7-day moving averages

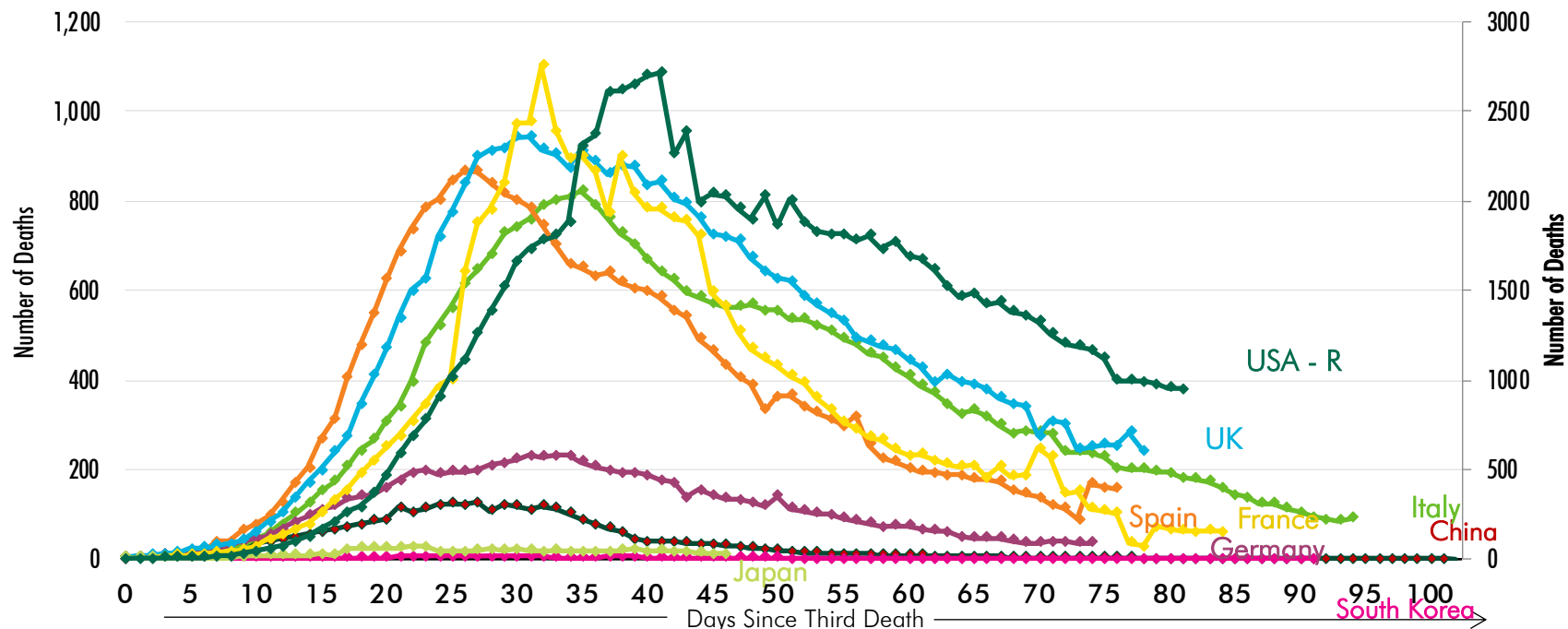


Source: CBRE Research, European Centre for Disease Prevention, COVID Tracking Project, Macrobond, 29 May 2020.

Note: Number reported as a 7-day moving average.

AND ALSO THANKFULLY IN FATALITIES

Daily new deaths, by number of days since 3 daily deaths

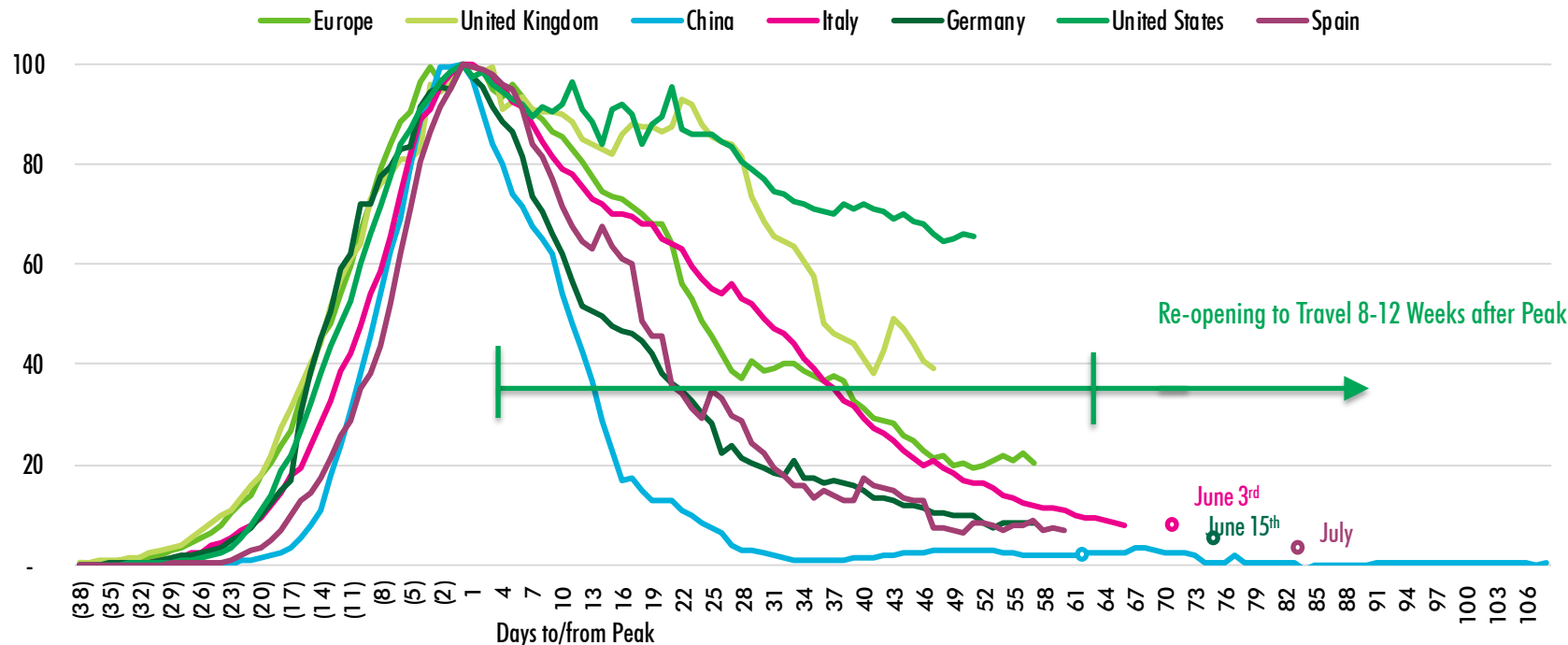


Source: Financial Times, CBRE Research, European Centre for Disease Prevention, Macrobond, 31 May 2020.

Note: Number reported as a 7-day moving average.

REDUCTION RATE OF NEW CASE NUMBERS MOVING TO REOPEN

Daily new cases confirmed, indexed and aligned from historical peak

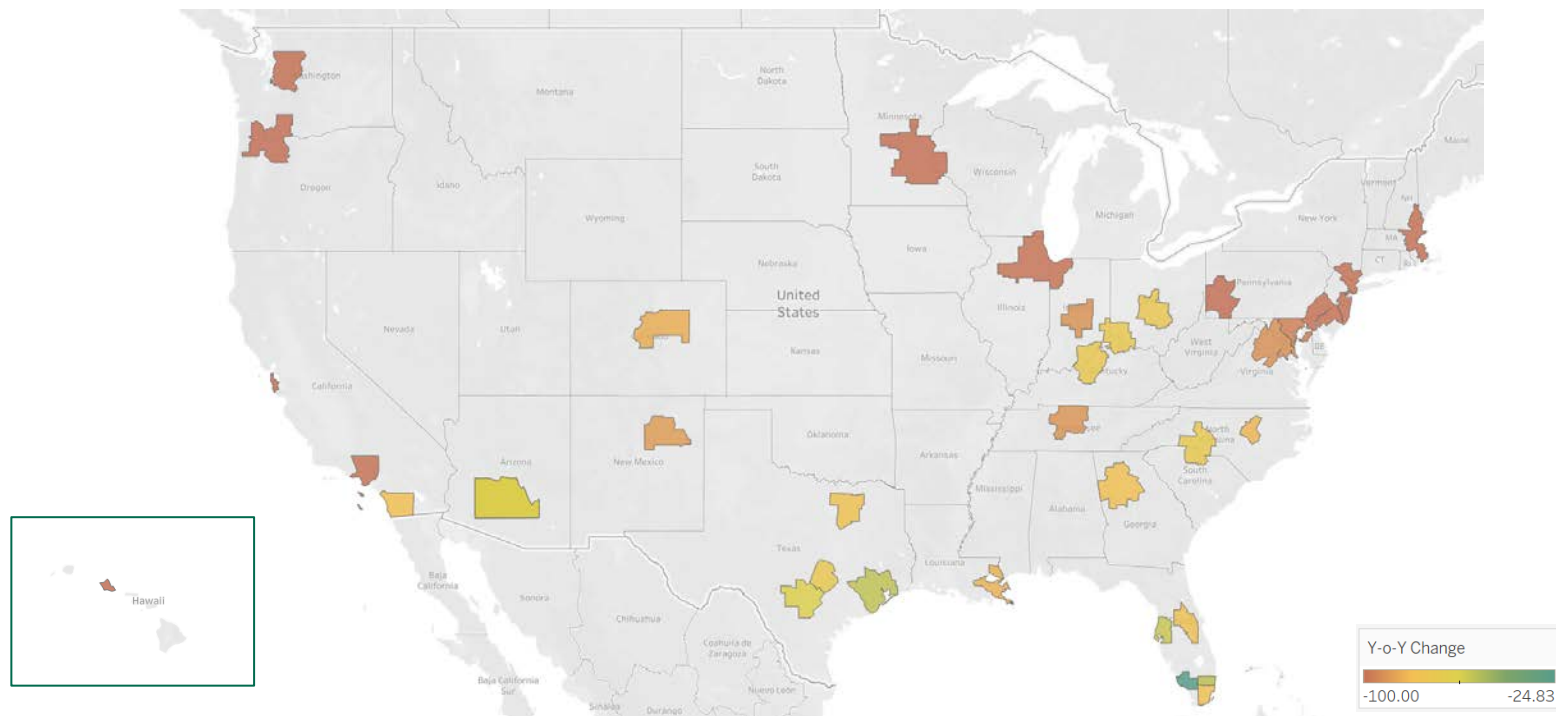


Source: CBRE Research, European Centre for Disease Prevention, Macrobond, 1 June 2020.

Note: Number reporting as a 7-day moving average with each country indexed and aligned from its peak.

SIGNS OF LIFE IN THE RESTAURANT SECTOR

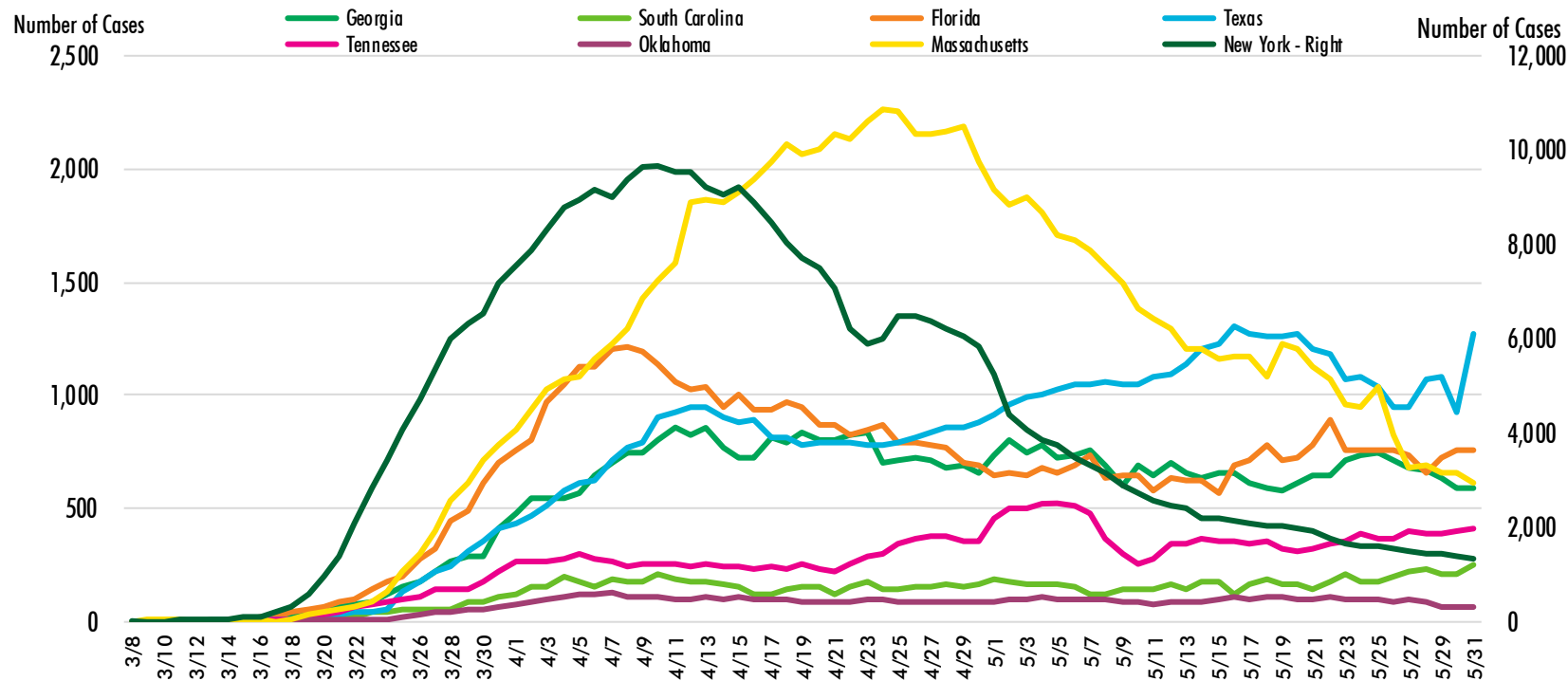
Y-o-Y change in OpenTable restaurant booking



Source: OpenTable, 31 May 2020.

A STATE BY STATE APPROACH TO REOPENING

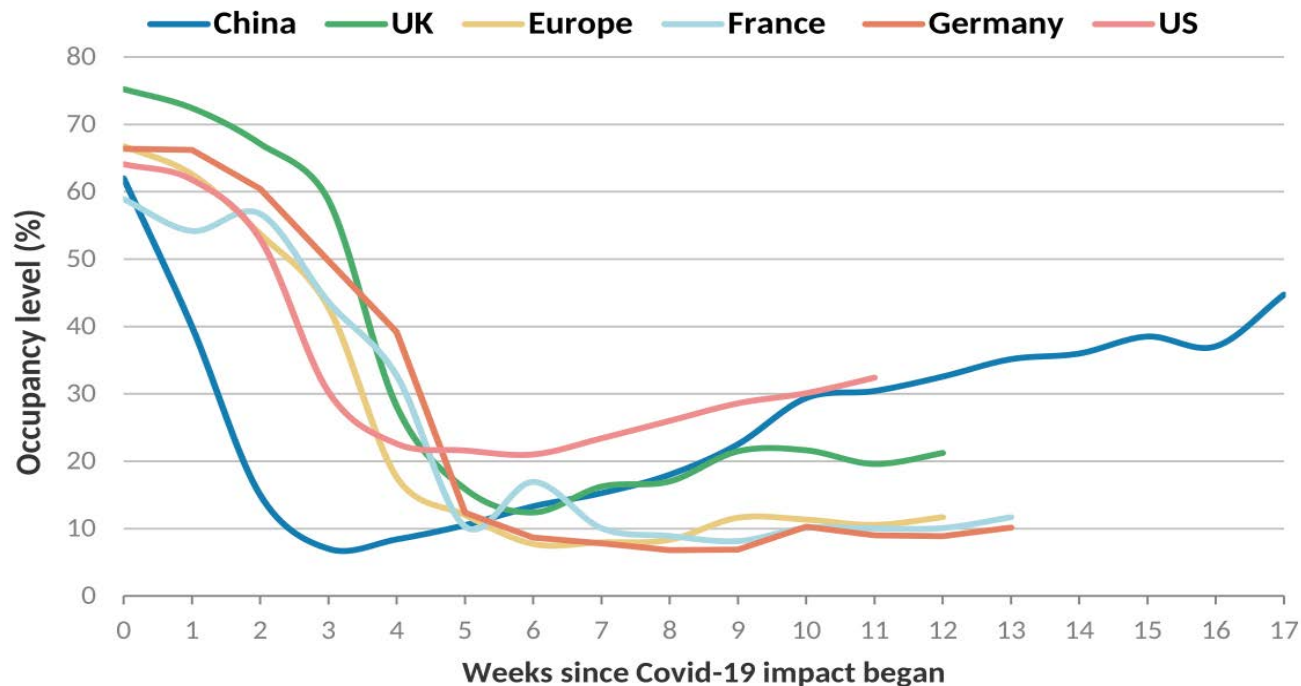
7-Day average daily new cases confirmed



Source: CBRE Research, European Centre for Disease Prevention, COVID Tracking Project, Macrobond, 31 May 2020.

Note: Number reported as a 7-day moving average.

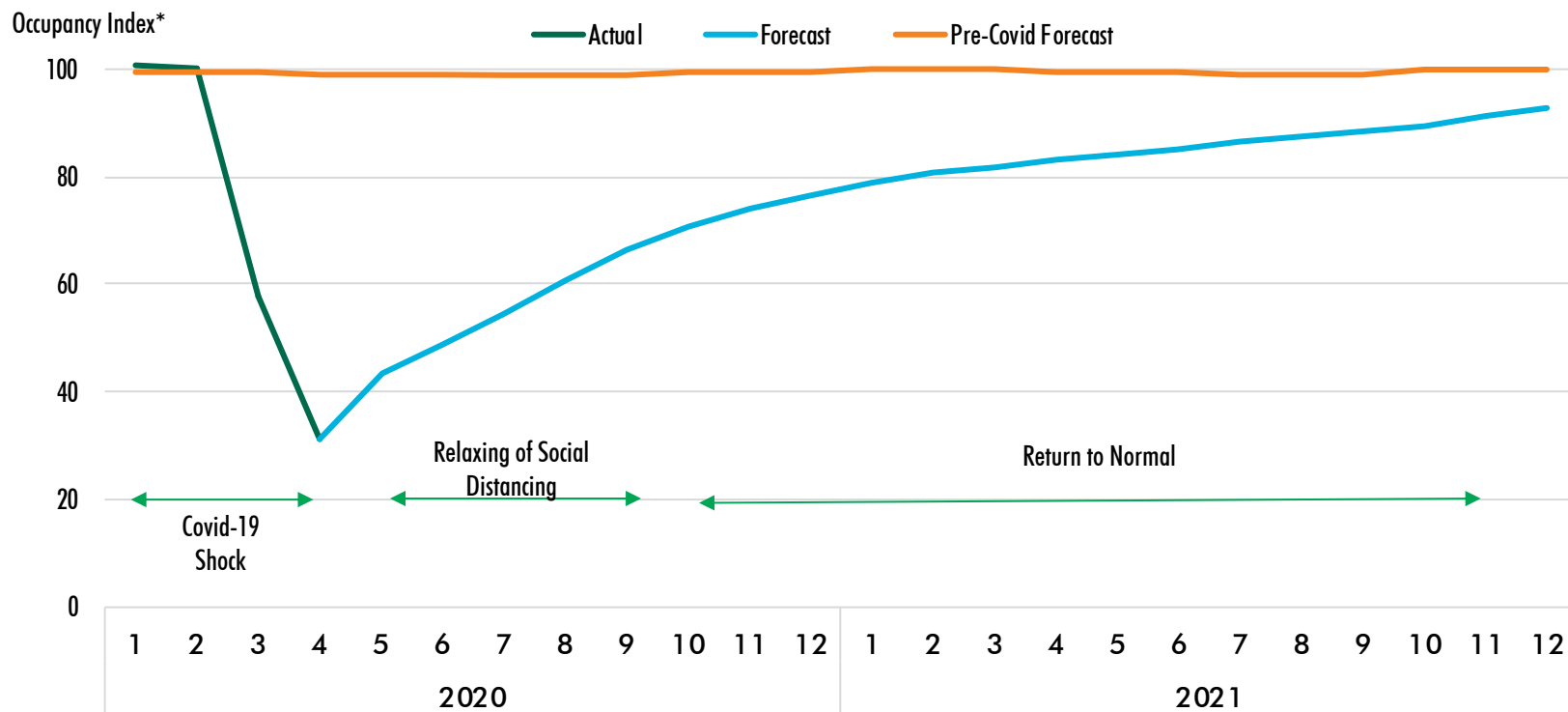
DISRUPTION CURVE – HOTEL OCCUPANCY



Source: CBRE, STR, Morgan Stanley, May 20 2020.

Note: China data beginning week ending 16th Jan, France and Germany from w/e 15th Feb, UK and Europe from w/e 22nd Feb, US from w/e 29th Feb, which all correspond to the weekly occupancy highs this year

FORECASTING THE COVID-19 IMPACT



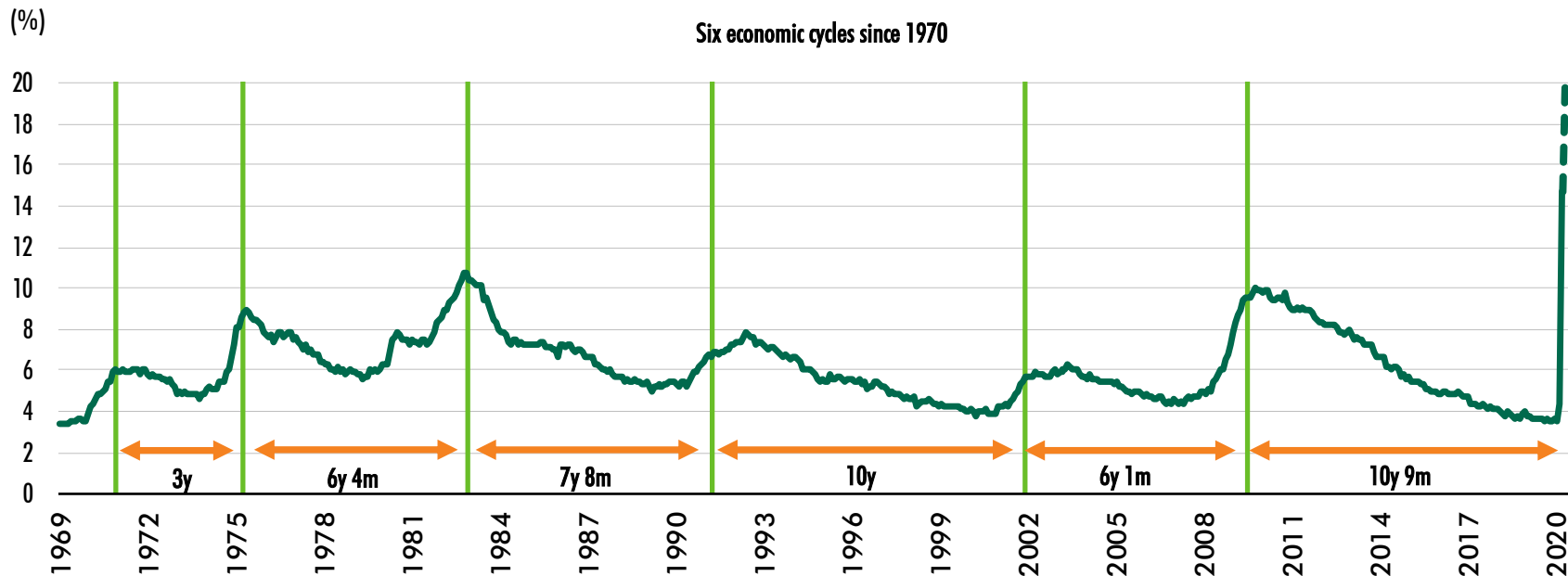
Note: Occupancy Indexed to 2019 Levels
Source: CBRE Hotels Research, Oxford, STR, Q1 2020.



 ECONOMY

COVID-19 HAS BROUGHT AN ABRUPT END TO THIS CYCLE

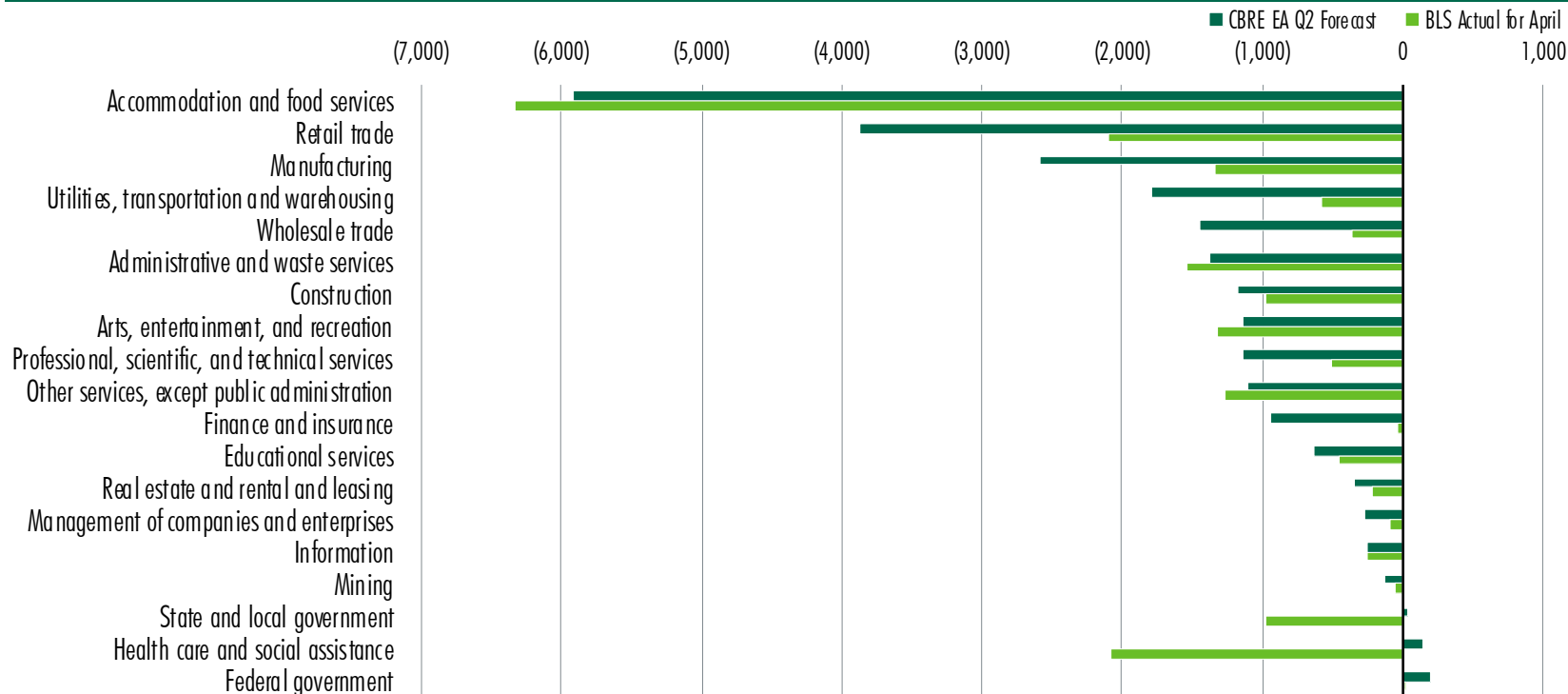
U.S. unemployment rate %, a common indicator of economic cycle



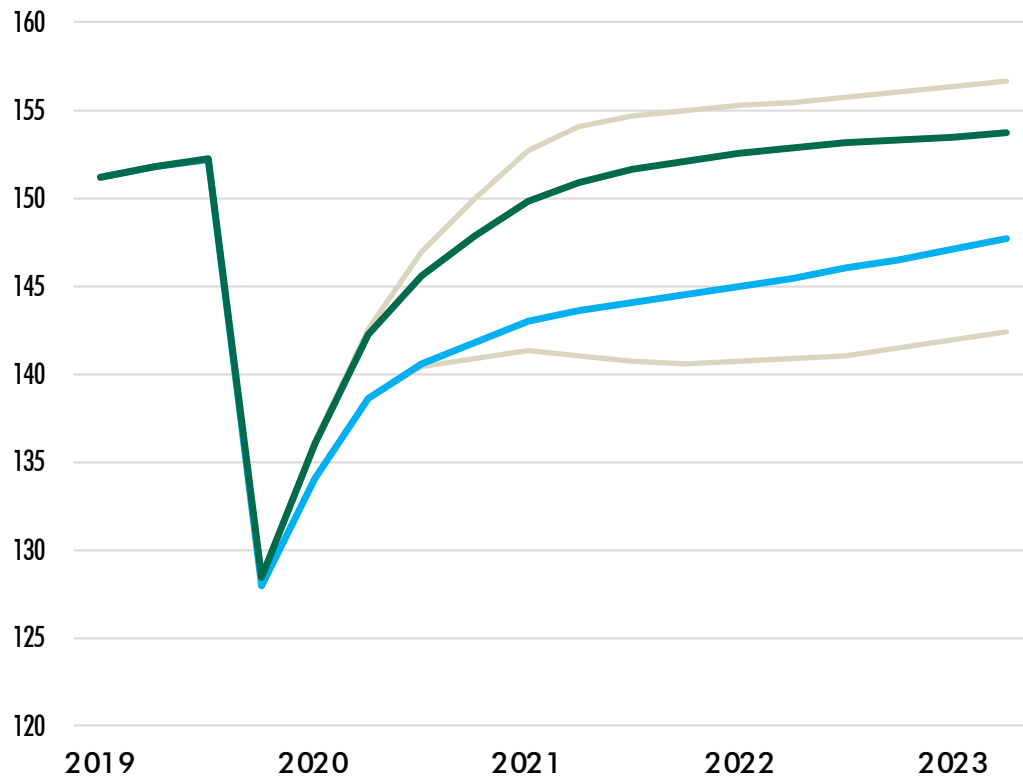
Source: Bureau of Labor Statistics, CBRE Research, May 2020.

ACTUAL EMPLOYMENT IMPACT BY INDUSTRY

U.S. employment change in Q2 2020



CBRE'S CURRENT FORECAST SCENARIOS ON U.S. GDP



UPSIDE

A swift reopening of the economy and robust stimulus unleashes a wave of pent-up demand.

BASELINE

- Gov't stimulus will keep many firms afloat.
- Improved consumer sentiment will support the recovery.

DOWNSIDE

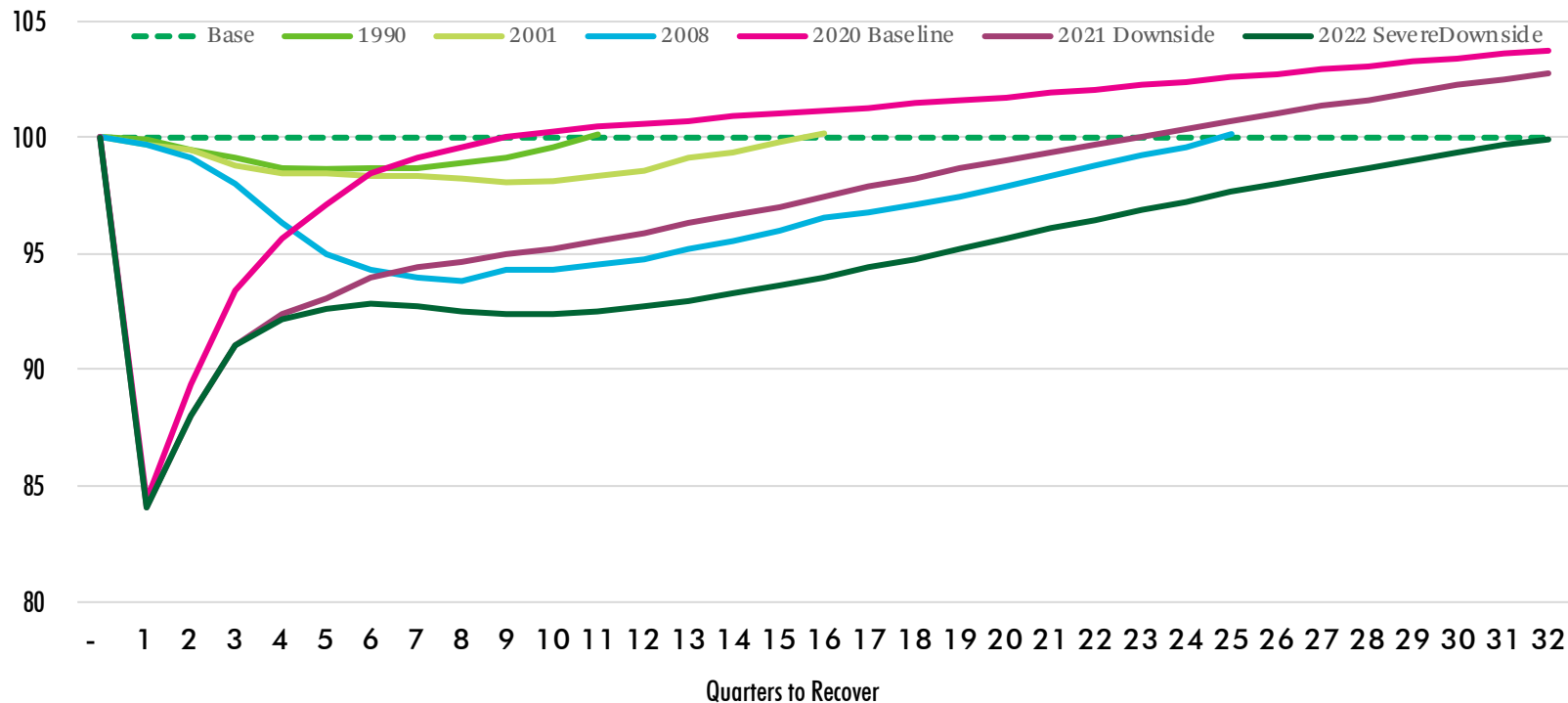
- The reopening of the economy is slow.
- Pre-virus employment levels are not regained before 2024.

SEVERE DOWNSIDE

A prolonged recession causes a wave of bankruptcies that severely stress the financial system.

U.S. EMPLOYMENT FORECASTS

Current forecast scenarios compared to past recessions

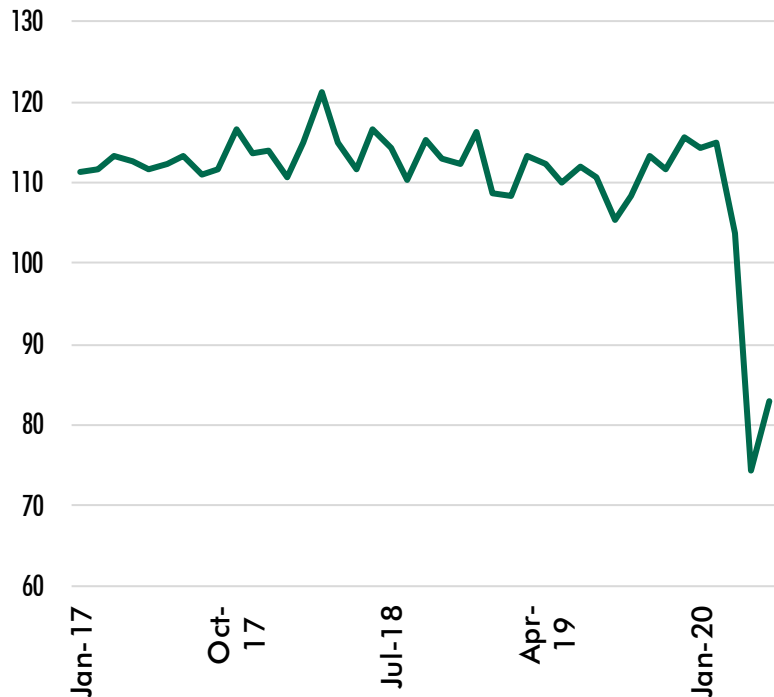


Source: BLS, CBRE Research, April 2020.

Note: Employment Indexed to Pre-recession levels

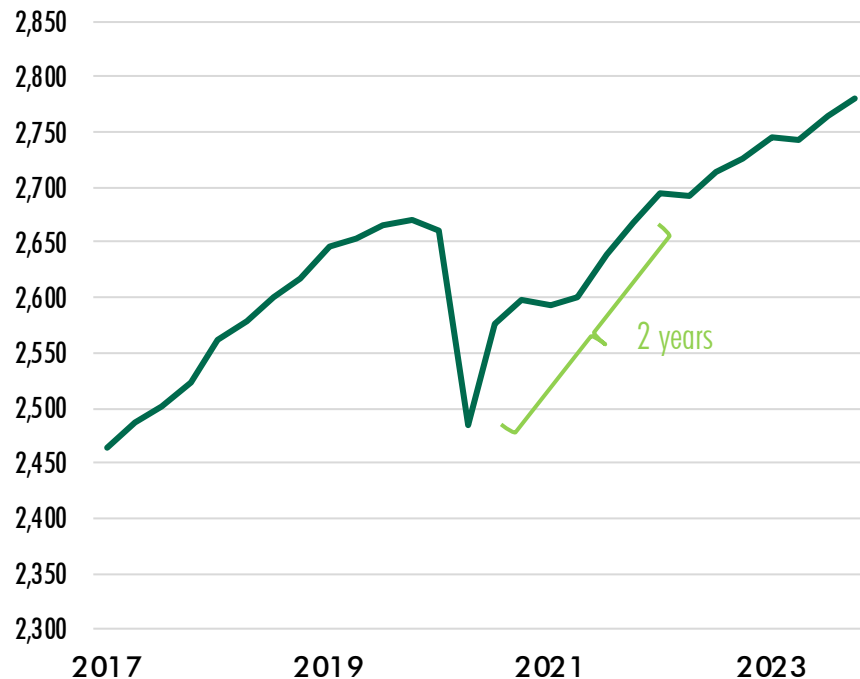
KEY MACRO DRIVERS OF HOTEL DEMAND

University of Michigan: Consumer Sentiment Index



Source: BLS, University of Michigan, CBRE Research, April 2020.

Real personal income (\$ billions)





KEY DOWNSIDE RISKS

- Premature end to lock-down in the U.S.A leading to flare up?
- Inadequate testing, tracking and technology fails to control winter resurgence?
- A financial crisis in Europe or Emerging Markets?
- Geopolitical tension undermines the recovery?



TURNING TO HOTELS

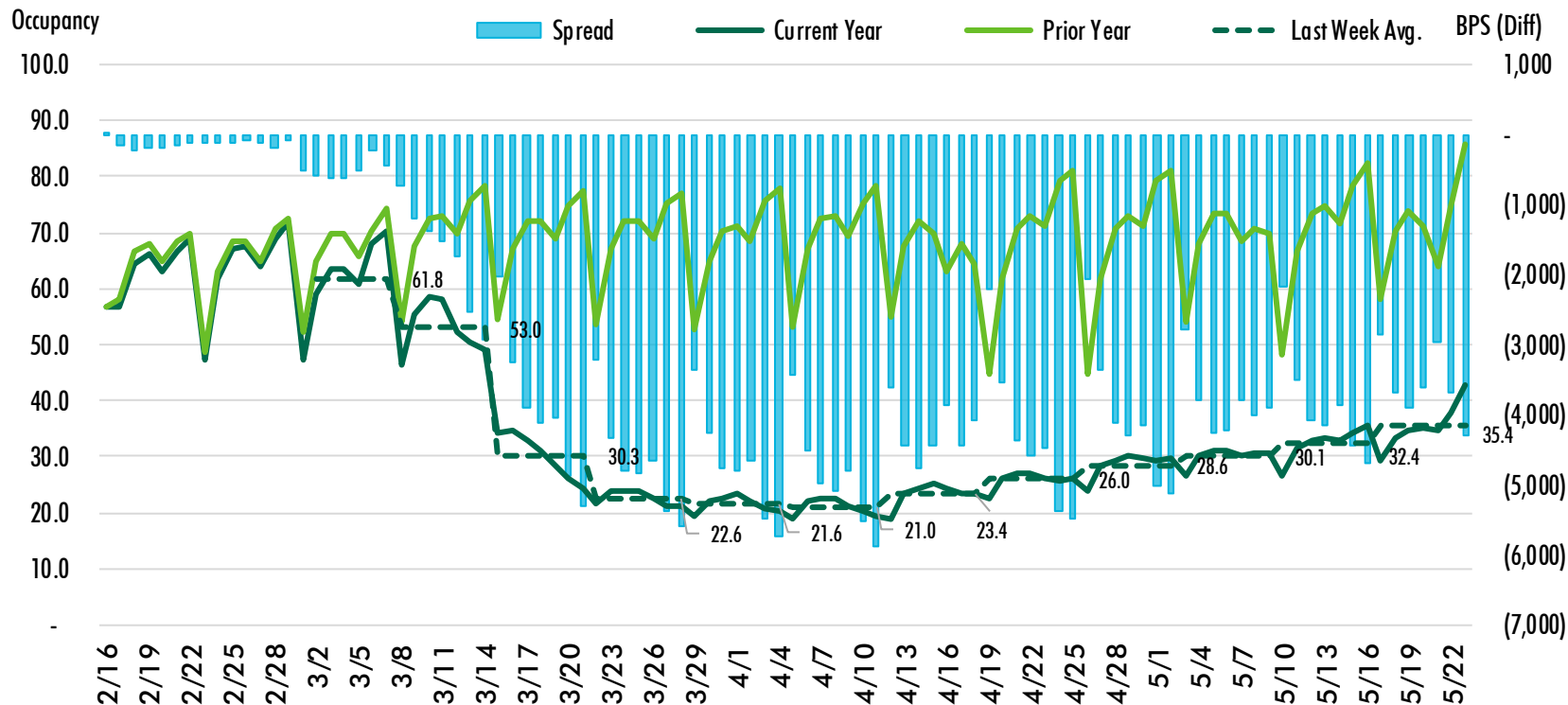
DRIVE-TO DEMAND IS BACK.... IF YOU HAVE A BEACH

Week ending May 16th

Submarket	Weekday Occ %	Weekend Occ %	Point Difference
Myrtle Beach/South, SC	23.7	74.9	51.2
Daytona Beach, FL	35.0	73.1	38.0
Fort Walton Beach, FL	43.3	80.6	37.3
Myrtle Beach/North, SC	32.0	67.3	35.3
Gatlinburg/Pigeon Forge, TN	19.7	52.3	32.6

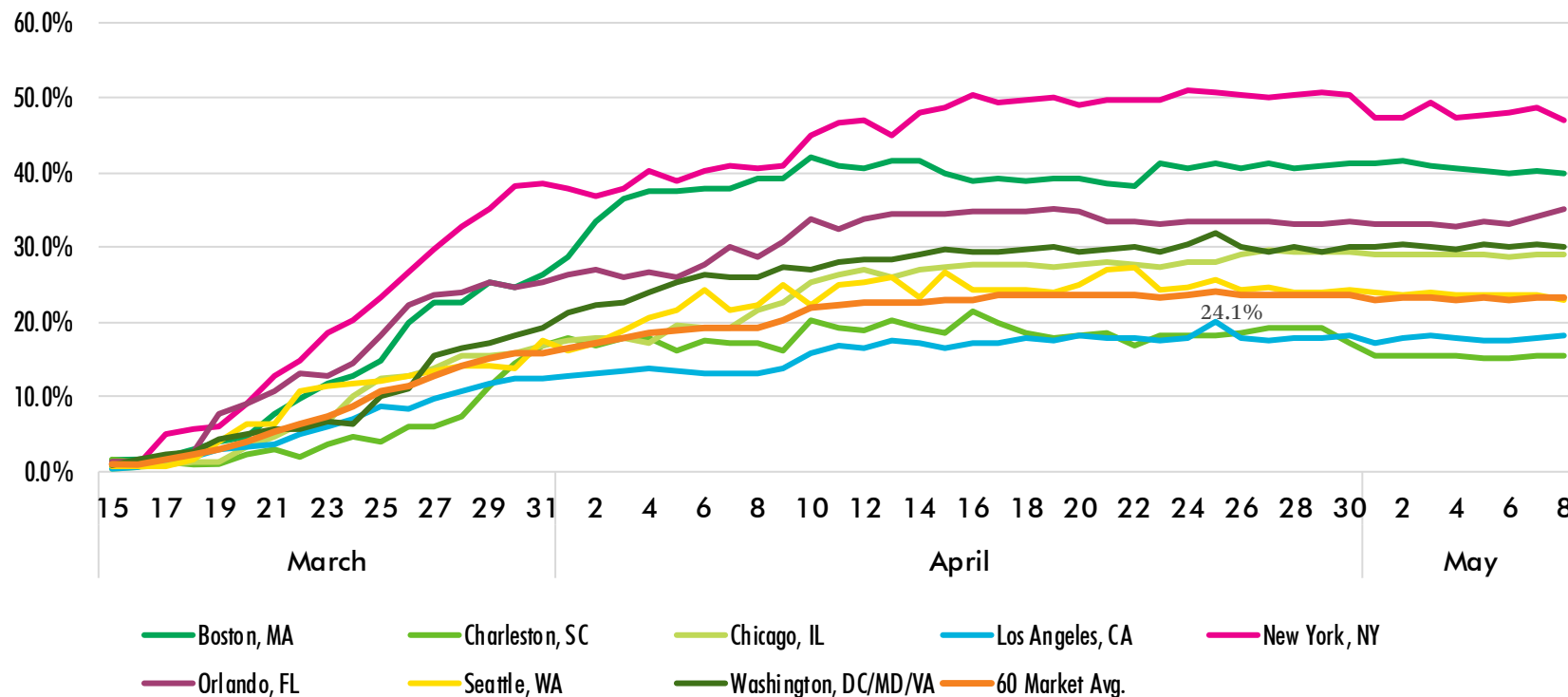
Source: CBRE Hotels Research, STR, May 20th, 2020.

US OCCUPANCY LEVELS ARE SLOWLY RISING



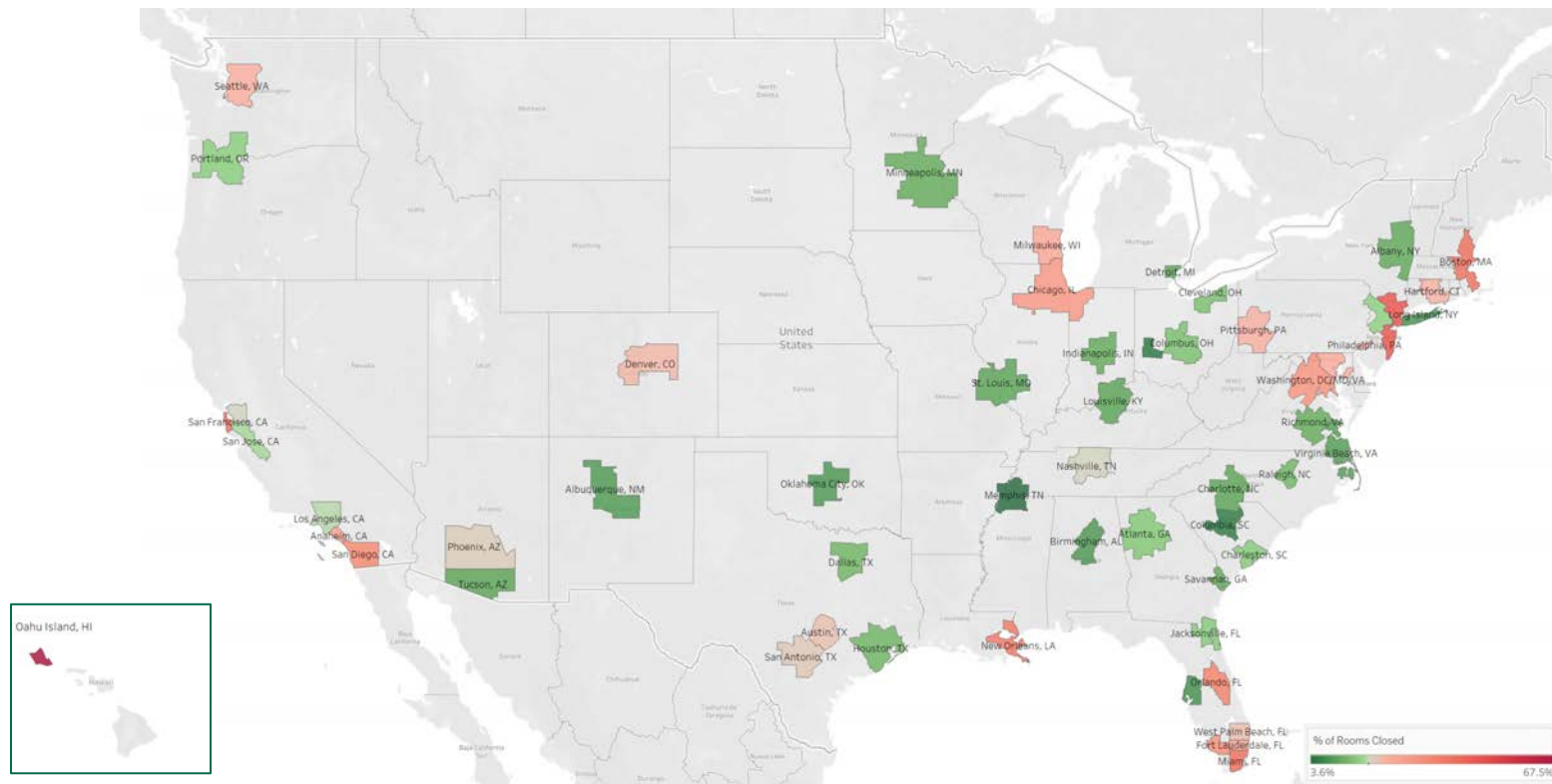
Source: CBRE Hotels Research, STR, May 28th, 2020.

CLOSURES PEAKED IN LATE APRIL



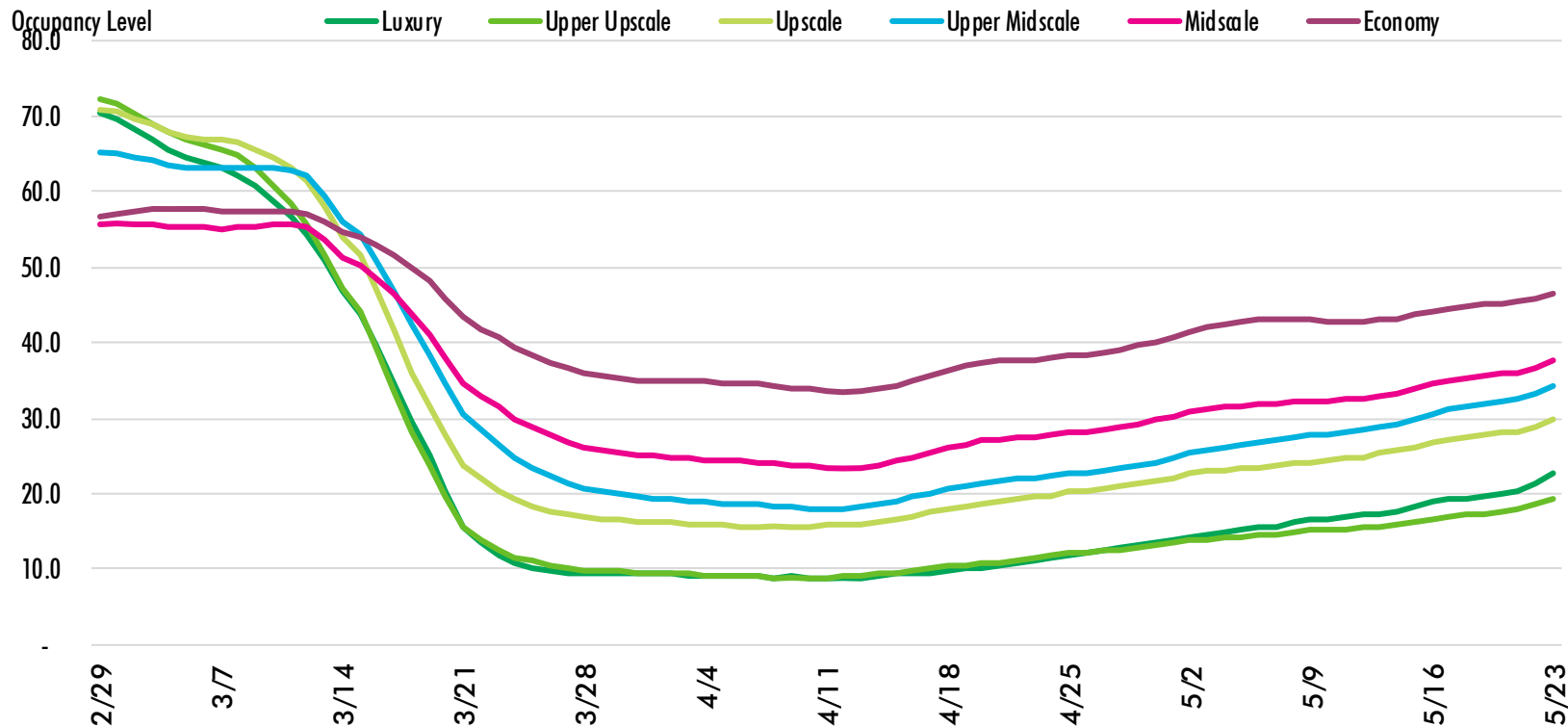
Source: CBRE Hotels Research, Hotel Compete, Kalibri, May 20th, 2020

CLOSURES STILL VARY SIGNIFICANTLY BY MARKET



Source: CBRE Hotels Research, Hotel Compete, Kalibri, May 20th, 2020

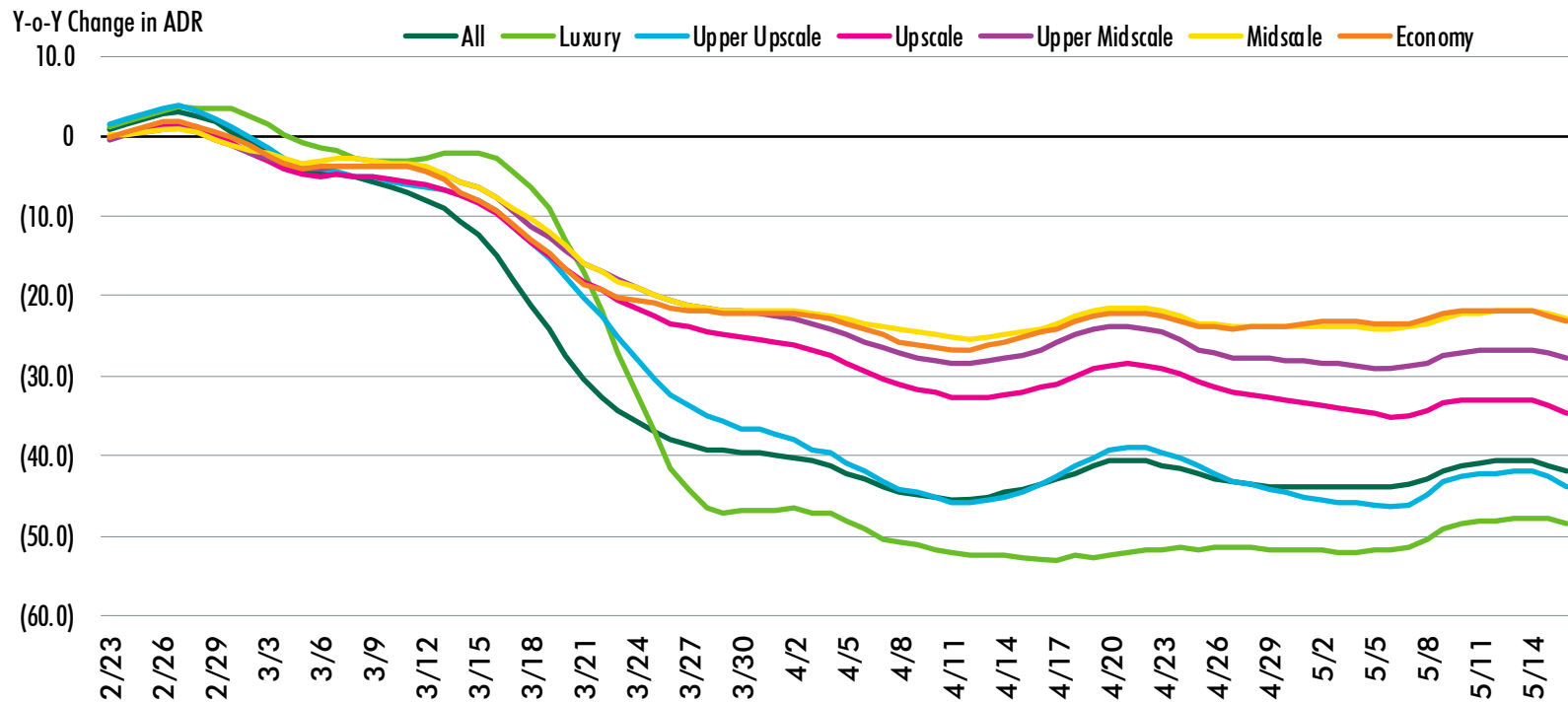
HIGHER THE ADR, LOWER THE OCCUPANCY



Source: CBRE Hotels Research, STR, May 28th, 2020.

Note: 7 Day Moving Avg.

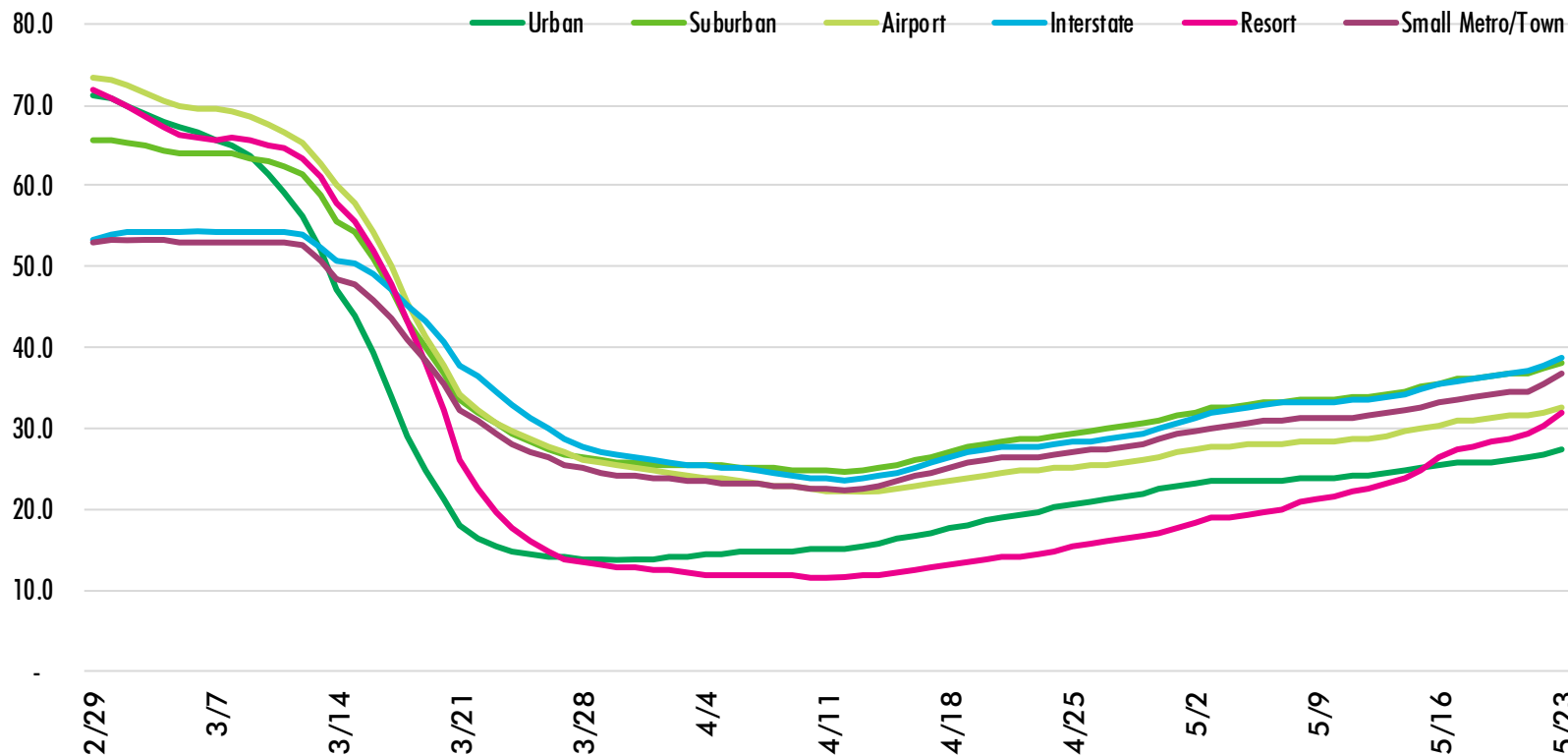
ADRS STILL DECELERATING IN SOME CASES



Source: CBRE Hotels Research, STR, May 20th, 2020.

Note: 7 Day Moving Avg.

OCCUPANCY IN RESORT AREAS ARE ACCELERATING



Source: CBRE Hotels Research, STR, May 28th, 2020.

Note: 7 Day Moving Avg.

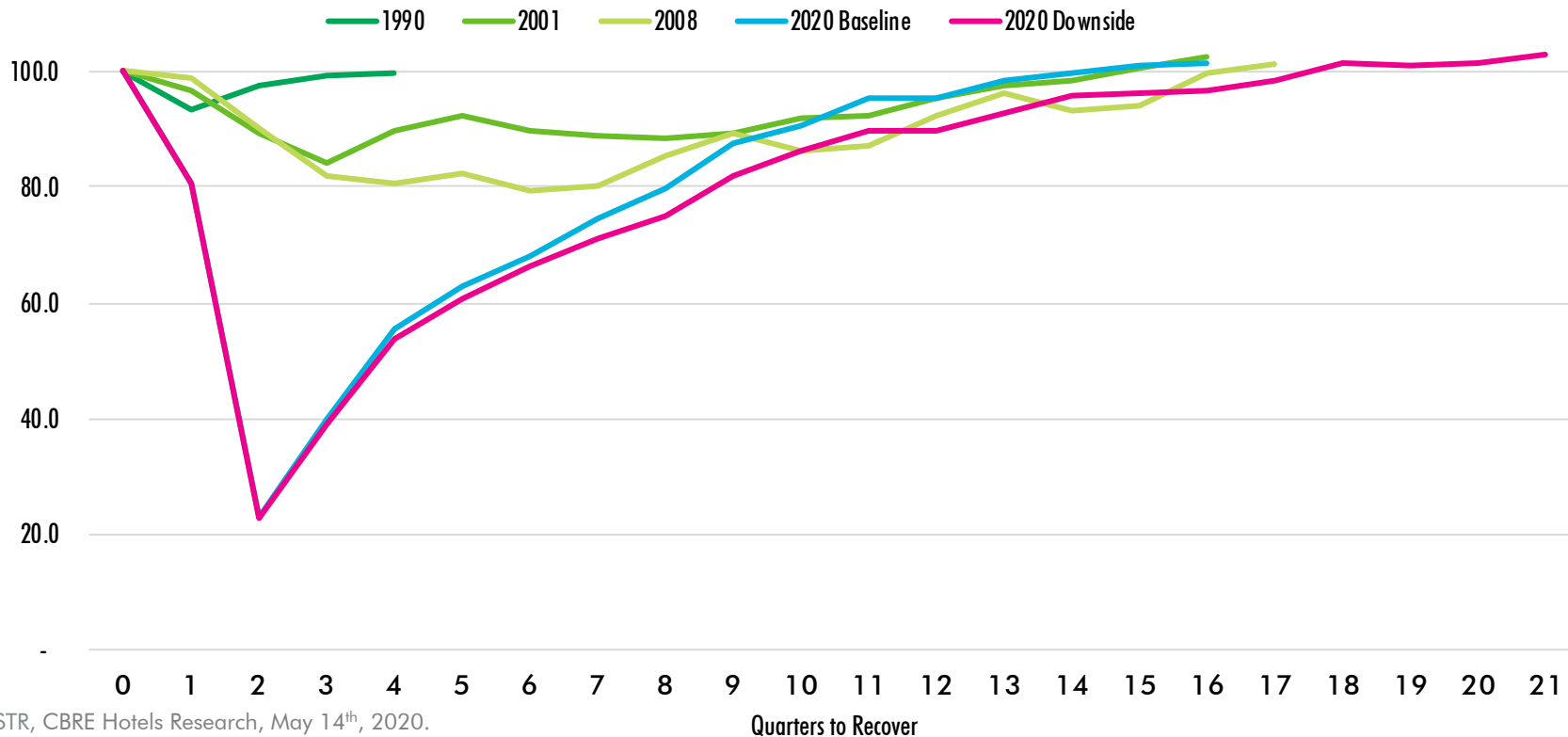
CBRE HOTELS - BASELINE FORECAST

Year	Occ	ΔOcc	ADR	ΔADR	RevPAR	ΔRevPAR	ΔSupply	ΔDemand
2018	66.1%	0.4%	\$129.91	2.4%	\$85.90	2.9%	2.0%	2.4%
2019	66.1%	-0.1%	\$131.11	0.9%	\$86.64	0.9%	2.0%	2.0%
2020	41.0%	-38.0%	\$101.67	-22.5%	\$41.67	-51.9%	1.5%	-37.0%
2021	55.9%	36.3%	\$110.69	8.9%	\$61.83	48.4%	-1.1%	34.8%
2022	65.0%	16.4%	\$122.93	11.1%	\$79.95	29.3%	0.0%	16.4%
2023	66.6%	2.4%	\$130.47	6.1%	\$86.92	8.7%	0.5%	3.0%
2024	66.5%	-0.2%	\$135.63	4.0%	\$90.18	3.7%	0.9%	0.7%

Source: CBRE Hotels Research, STR, May 14, 2020.

US HOTEL REVPAR

Current forecast scenarios compared to past recessions



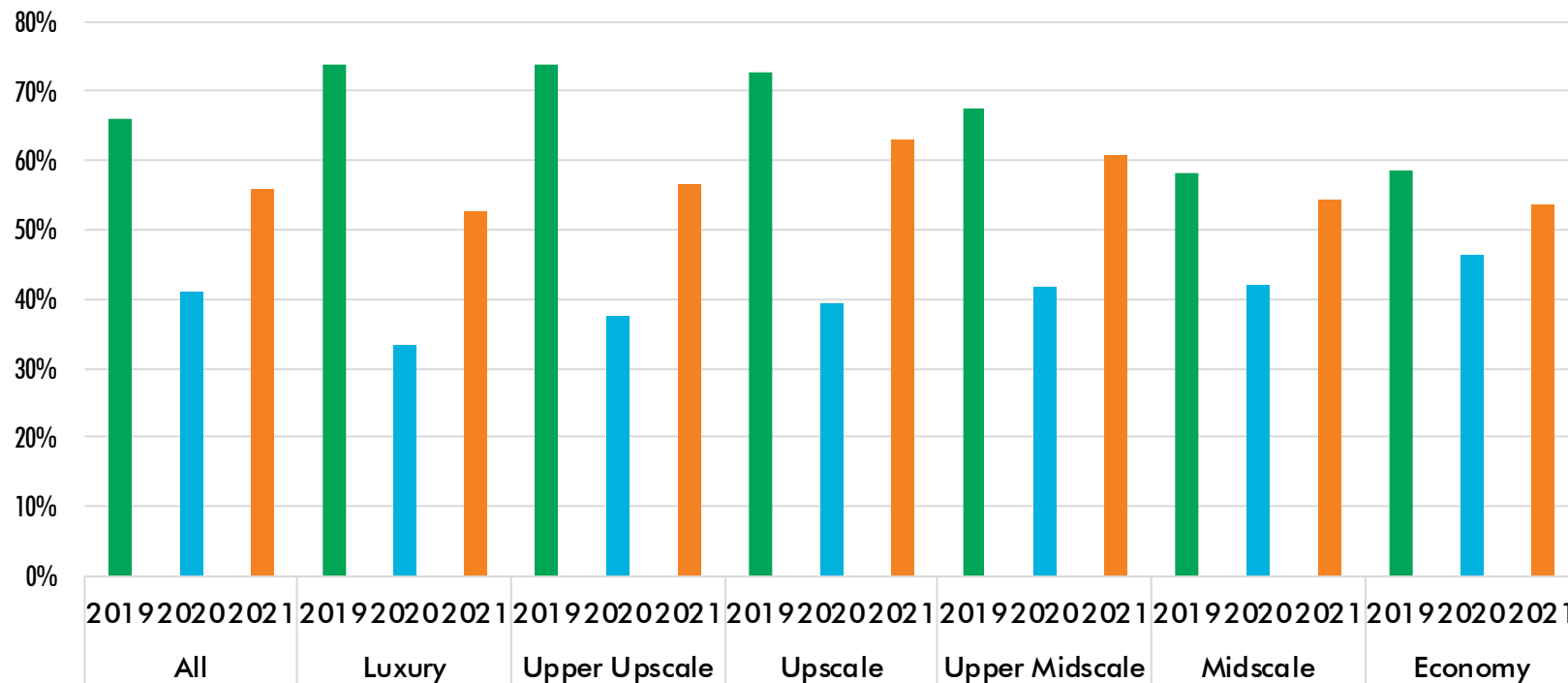
Source: STR, CBRE Hotels Research, May 14th, 2020.

Note: RevPAR Indexed to Pre-recession levels

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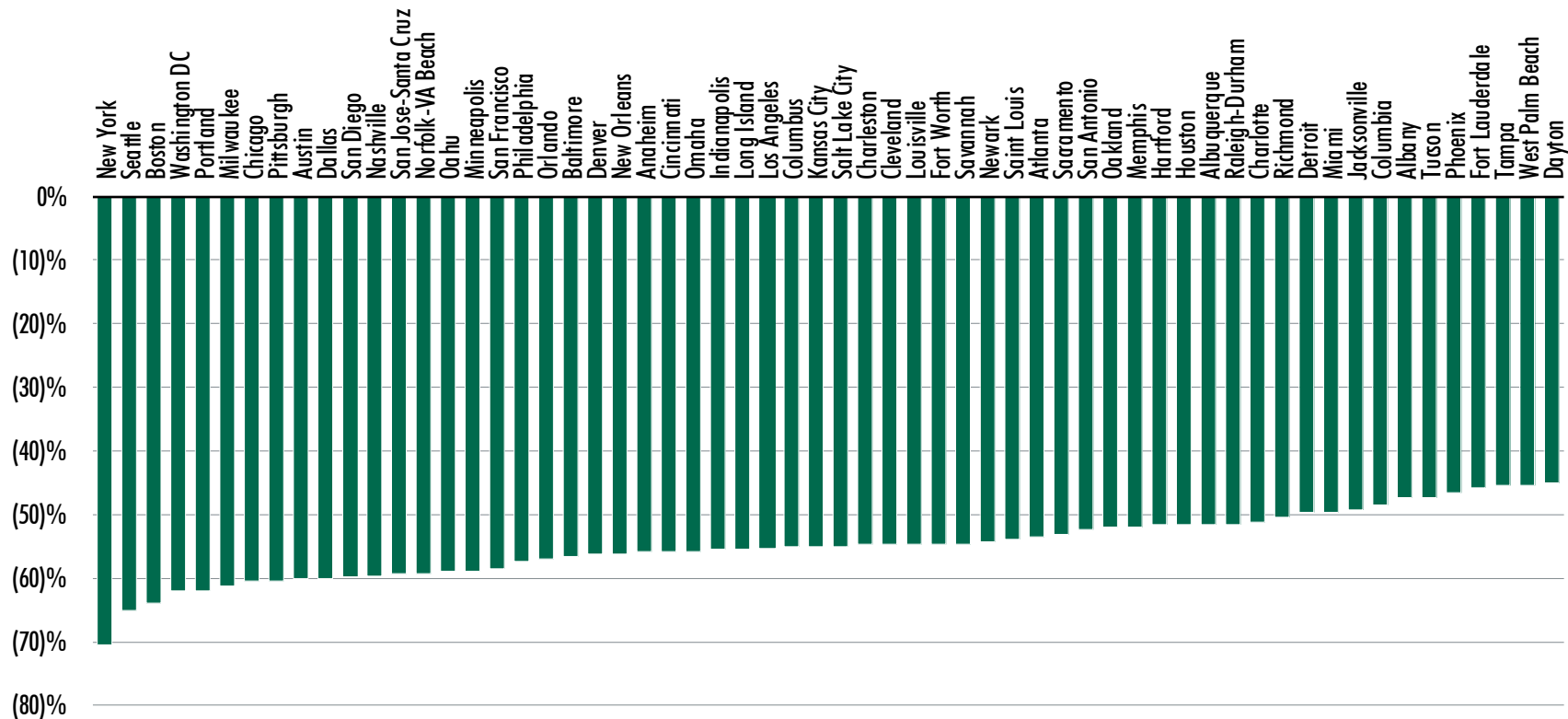


FORECASTS OF OCCUPANCY LEVELS BY CHAIN SCALE



Source: CBRE Hotels Research, STR, May 14, 2020.

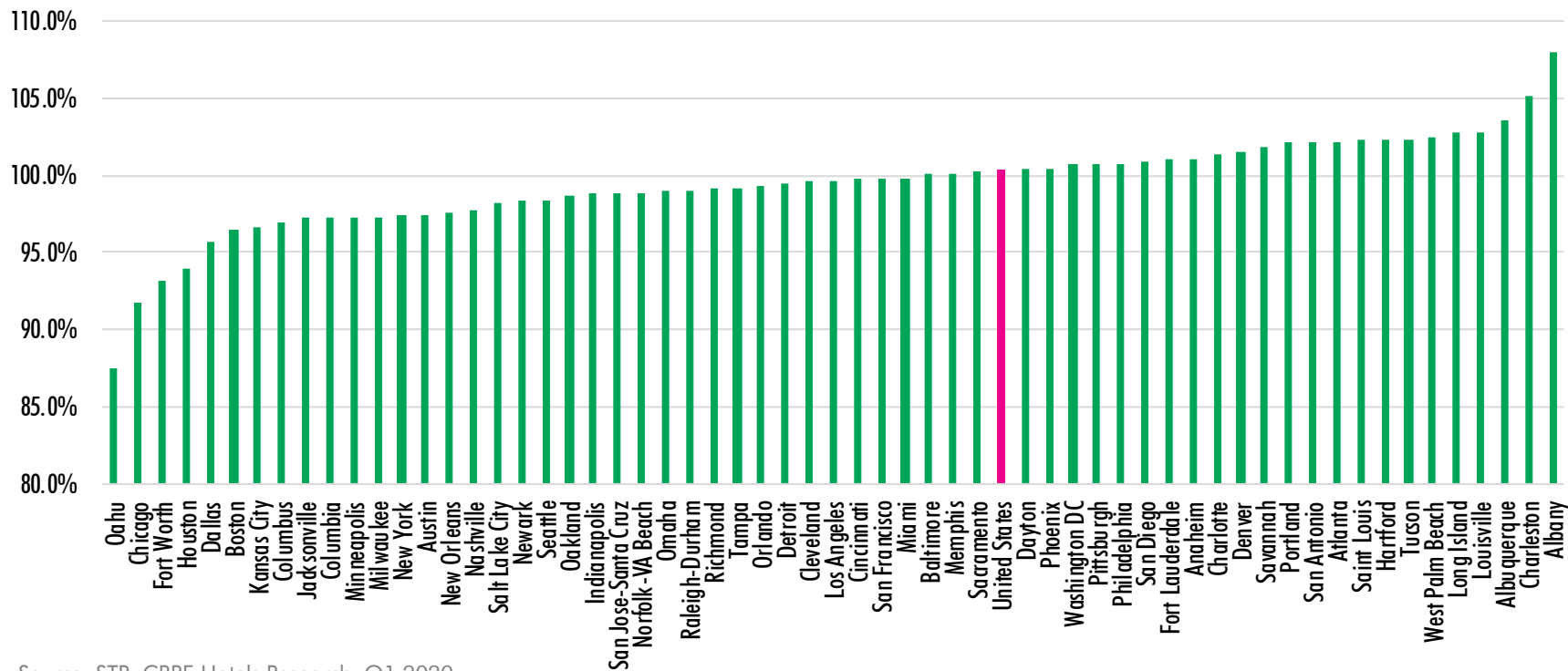
2020 REVPAR Y-O-Y % CHANGE



Source: CBRE Hotels Research, STR, May 14th, 2020.

HOTEL REVPAR RECOVERY

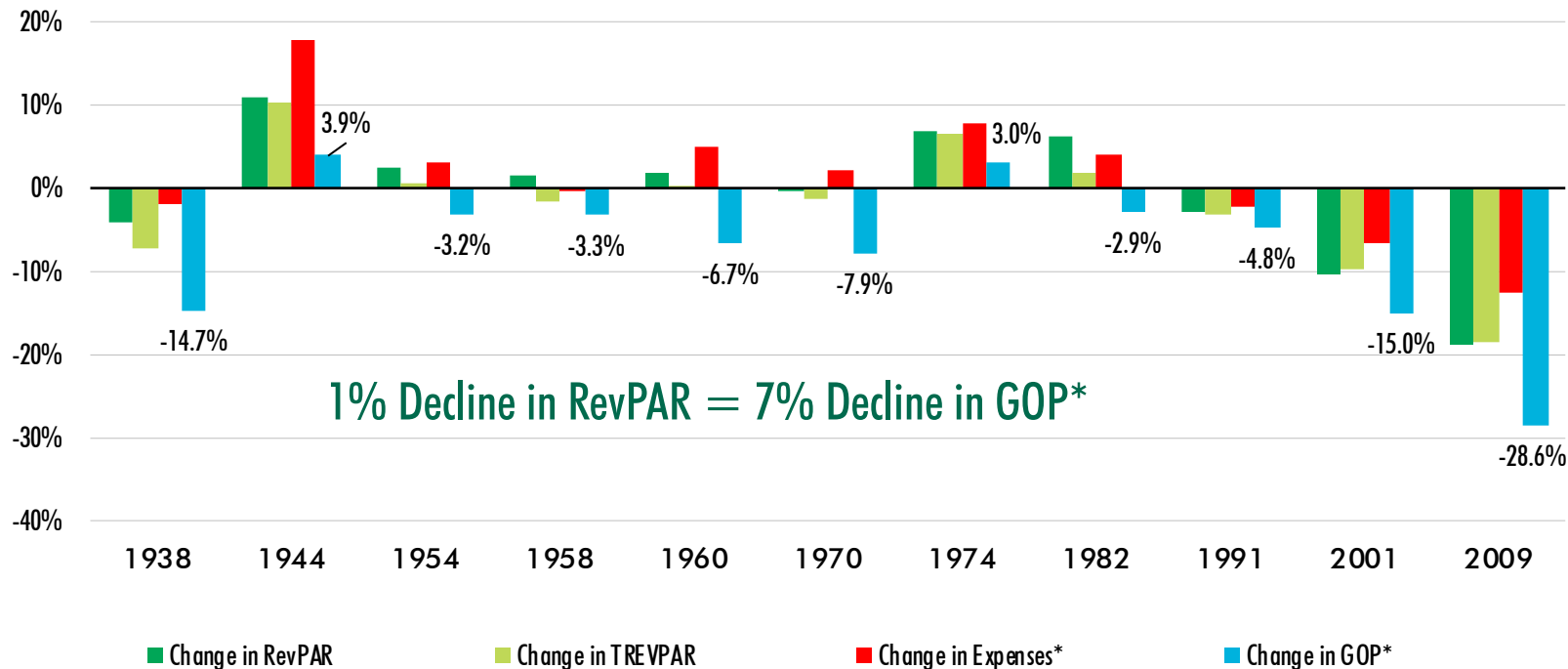
2023 RevPAR forecast as a % of 2019 levels



Source: STR, CBRE Hotels Research, Q1 2020

U.S. HOTELS: HISTORICAL PERFORMANCE DURING RECESSIONS

Annual Nominal Change – Year of Most Significant Drop in GOP*

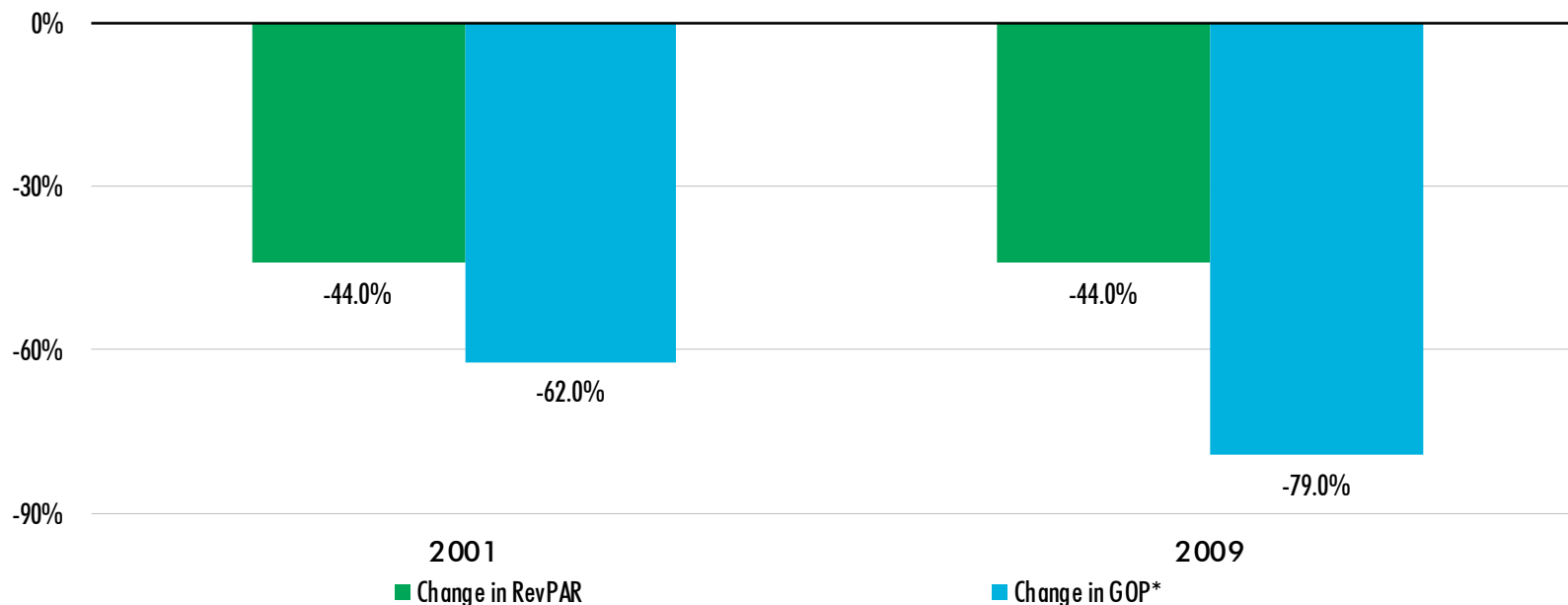


Note: * Before Management Fees and Non-Operating Income and Expenses
 Source: CBRE, Trends® in the Hotel Industry

FOCUS ON TWO MOST RECENT RECESSIONS

PROPERTIES WITH REVPAR DECLINE > 40%

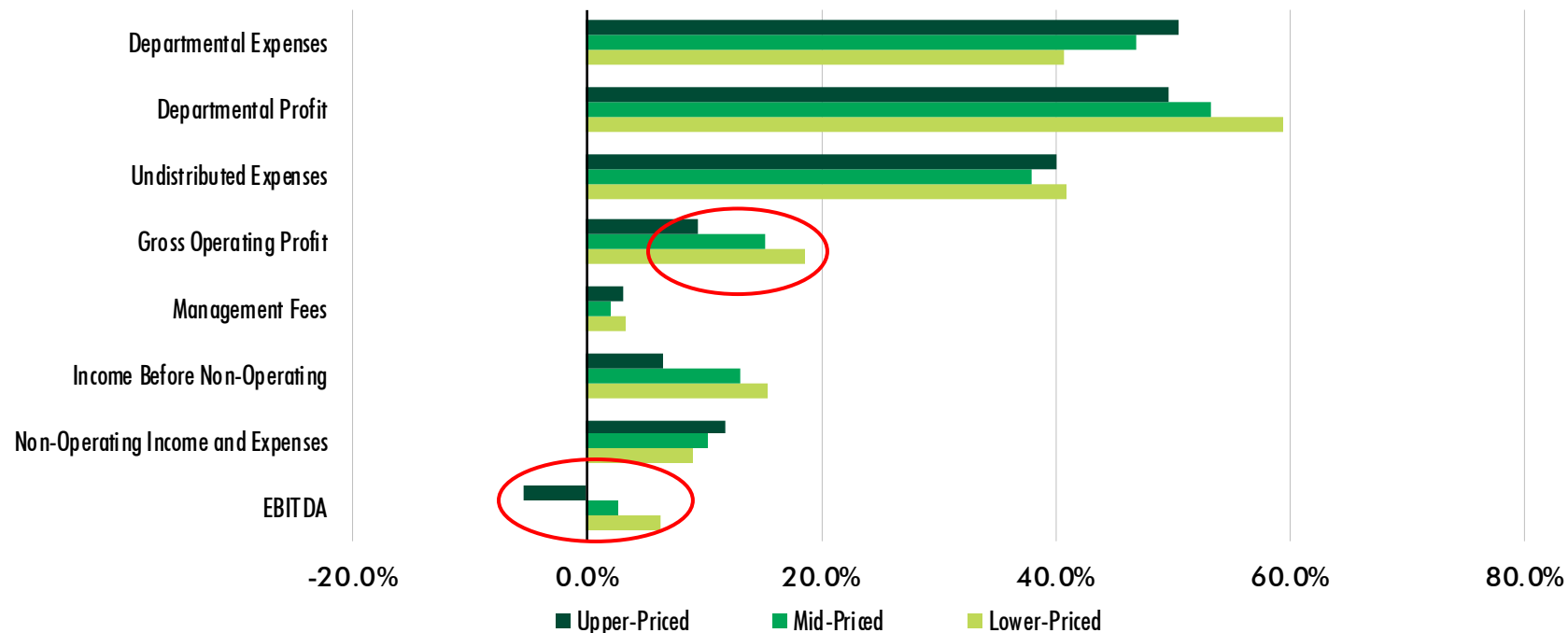
Nominal Change in RevPAR and GOP*



Note: * Before Management Fees and Non-Operating Income and Expenses
Source: CBRE, Trends® in the Hotel Industry

U.S. HOTEL PERFORMANCE BY CHAIN-SCALE GROUPS BASED ON PROJECTED 2020 ANNUAL OCCUPANCY LEVEL

Percent of Total Operating Revenue by Chain-Scale Groups

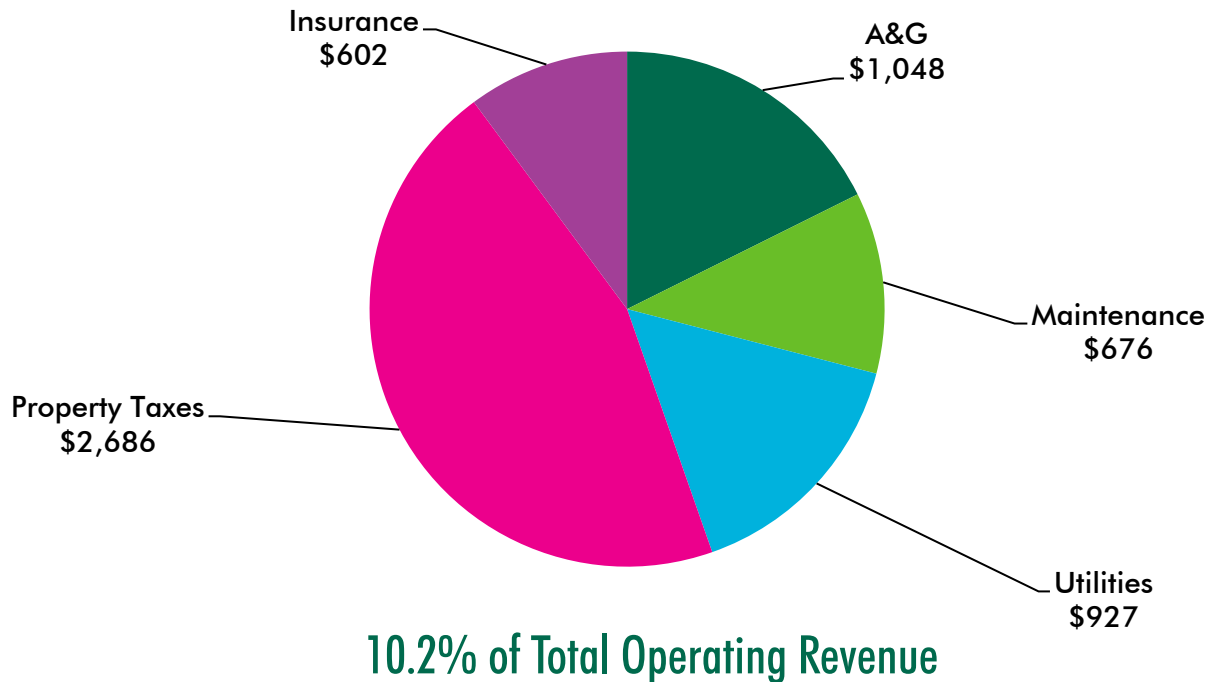


Note: Upper-Price (Luxury, Upper-Upscale), Mid-Priced (Upscale, Upper-Midscale), Lower-Priced (Midscale, Economy)

Source: CBRE, Trends® in the Hotel Industry, Sample of hotels reporting occupancy proximate to 2020 forecast for respective chain-scale, May 11, 2020

MINIMAL FIXED COSTS* - CLOSED HOTEL

2019 Dollars Per Available Room

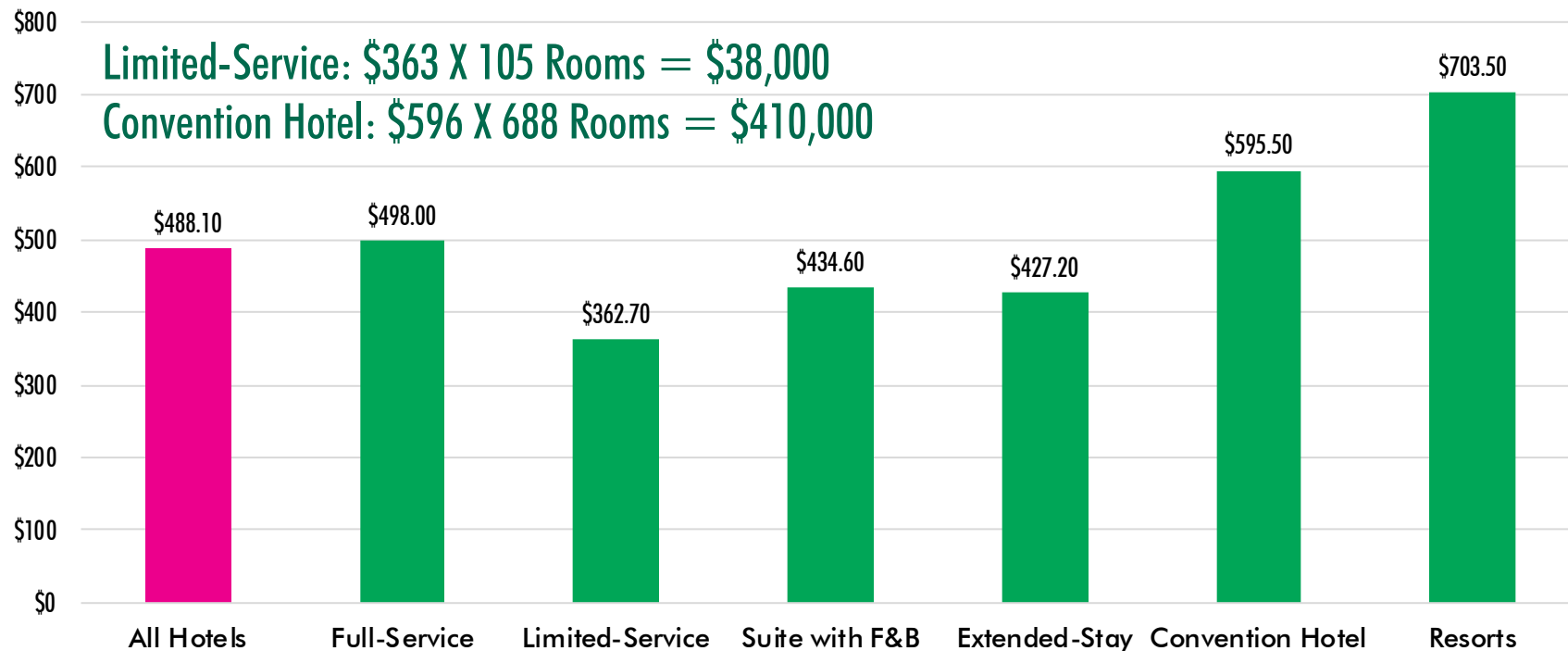


Note: * Assumed minimal labor costs. Assumed 50% utility cost. Property Taxes. Insurance. Before rent and debt service.

Source: CBRE, 2020 Trends® in the Hotel Industry

MINIMAL FIXED COSTS* - CLOSED HOTEL

2019 Dollars By Property Type – Daily Cost Per Room Per Month

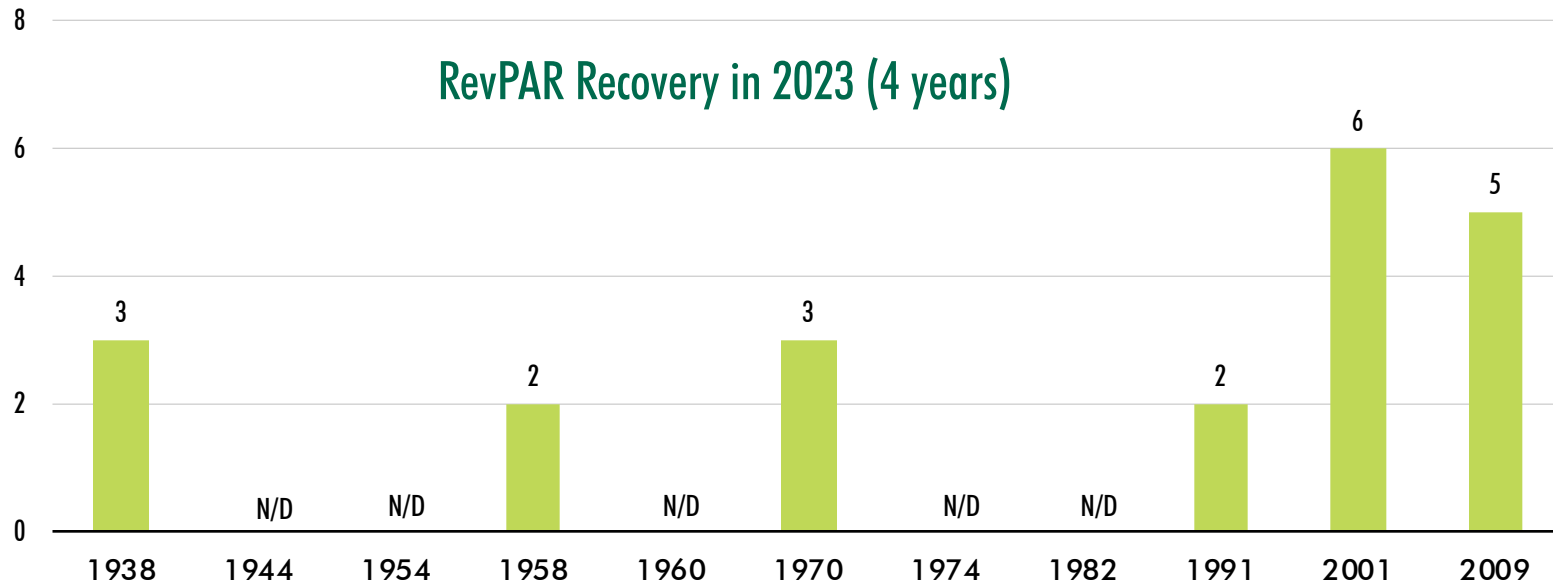


Note: * Assumed minimal labor costs. Assumed 50% utility cost. Property Taxes. Insurance. Rent. Before rent and debt service.

Source: CBRE, 2020 Trends® in the Hotel Industry

U.S. LODGING INDUSTRY – RECESSION REVENUE* RECOVERY

Years to Recovery – Nominal Dollars

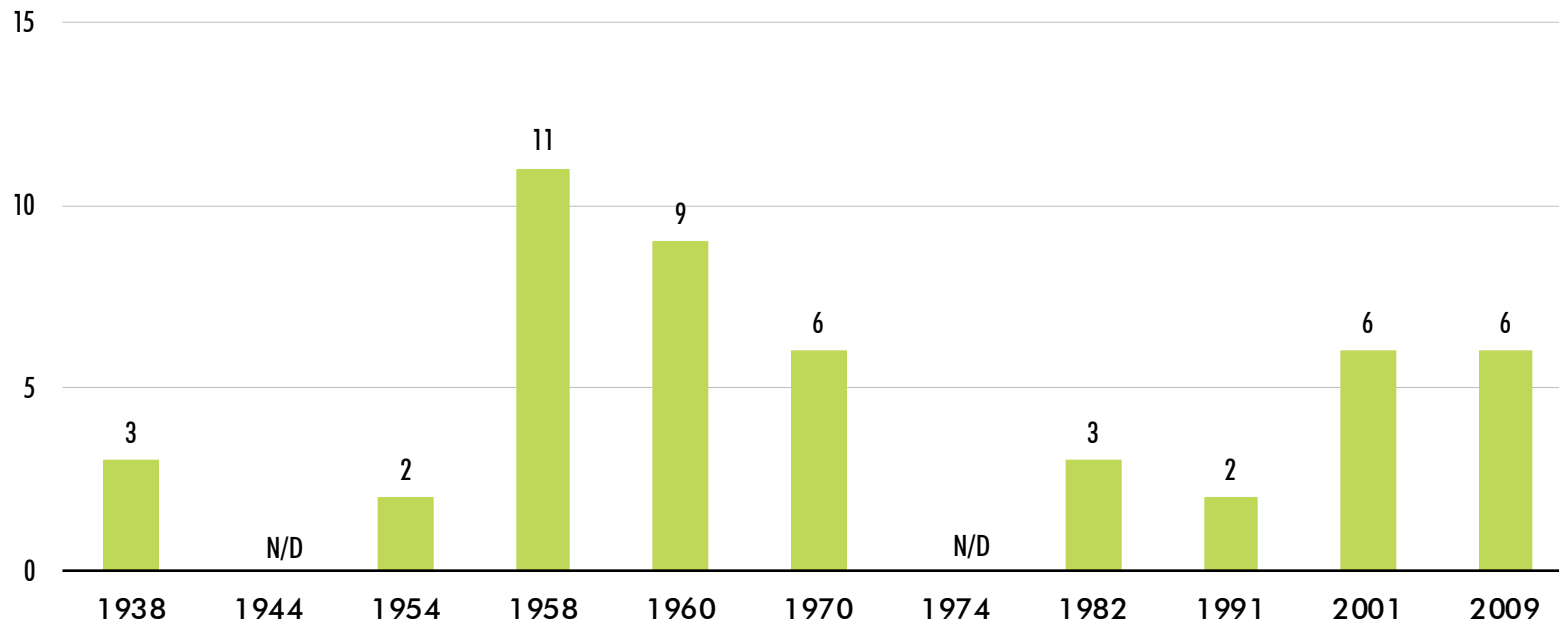


Notes: * Total operating revenue
N/D – No decline

Source: CBRE Hotels Research, Trends® in the Hotel Industry

U.S. LODGING INDUSTRY – RECESSION PROFIT* RECOVERY

Years to Recovery – Nominal Dollars



Notes: * Before deductions for management fees and non-operating income and expenses

N/D – No decline

Source: CBRE Hotels Research, Trends® in the Hotel Industry



HUNTING FOR GREEN SHOOTS

TRAVEL DATA –GREEN SHOOTS?

Arrivalist: US daily travel index

Arrivalist US Daily Travel Index

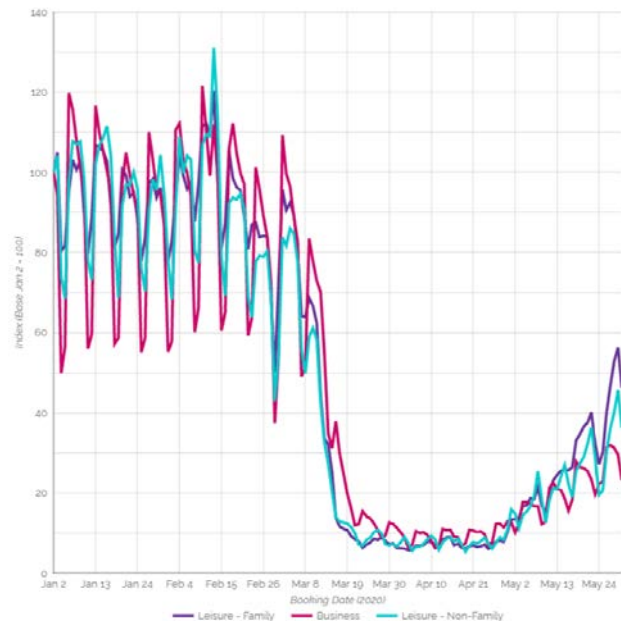


Daily drive market index of US travelers who moved at least 50 miles from their home and spent a minimum of 2 hours on their journey. The index is the relative daily volume of travelers compared to the average number of daily travelers in February 2020.
Last updated: 05/30/2020

Source: ARRIVALIST, 5/30/2020

ADARA: US hotel booking volume

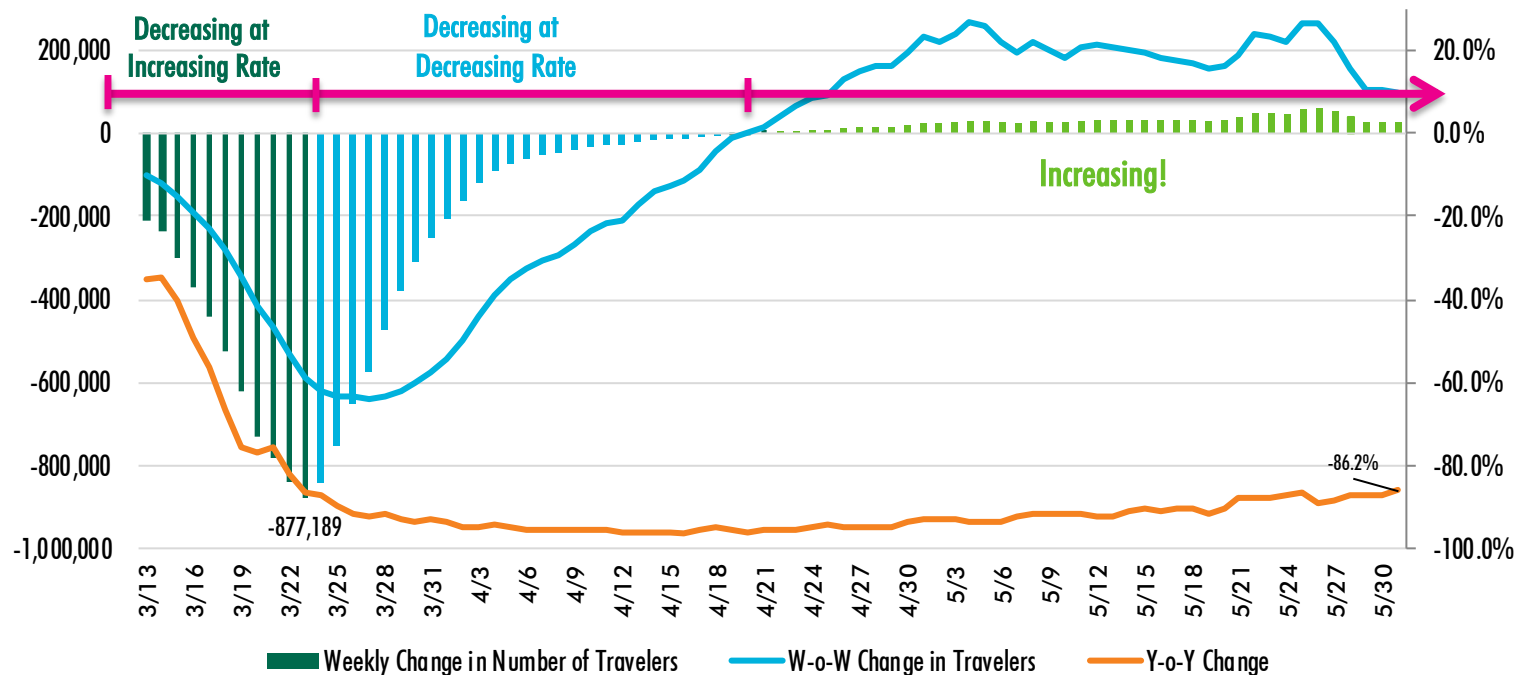
HOTEL VOLUME BY PURPOSE



Source: ADARA, 5/30/2020

TSA CHECKPOINTS - SLOW AND STEADY

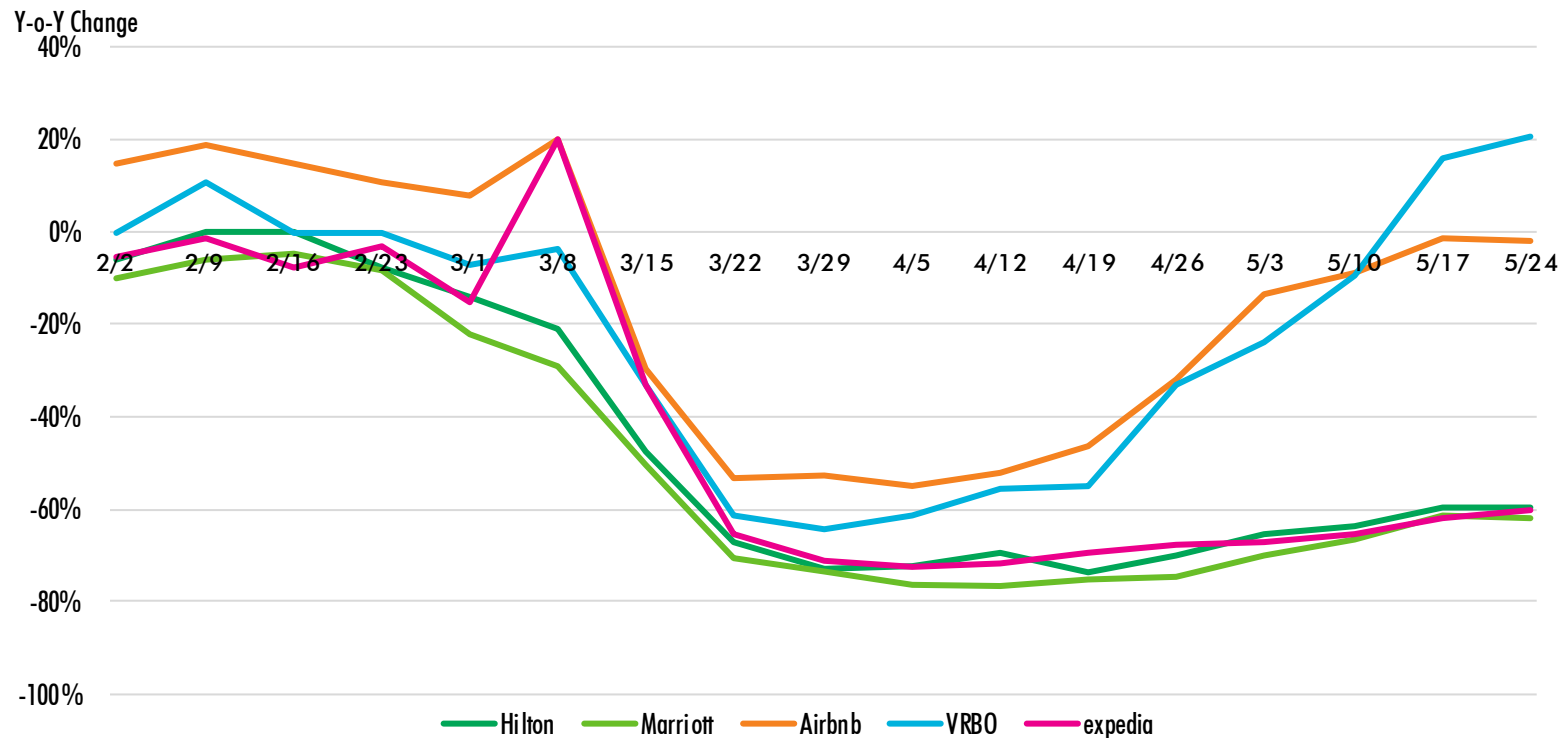
Change in Number & Percent of Travelers, 7 Day Moving Average



Source: TSA, CBRE Hotels Research, 6/1/2020

A COMPETITION RESET – SHORT TERM RENTALS

Google Trends Search History for Major Lodging Travel Brands



Source: Google Trends, CBRE Hotels Research, 5/29/2020



Q&A

PLEASE DON'T HESITATE TO CONTACT US.

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