

THE VERY GOOD....

.....WILL GET EVEN BETTER

LODGING MARKET UPDATE

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PKF
HOSPITALITY
RESEARCH
A CBRE COMPANY

WHO WE ARE

PKF Consulting USA, a CBRE Company

- Experts in Hospitality and related industries
- Market Feasibility
- Appraisals & Valuation
- Operational Analysis
- Asset Management
- Specialty Expertise in Hospitality (Spa, Conv Ctrs, F&B, Public, etc.)

PKF Hospitality Research, a CBRE Company

- *Annual Trends® in the Hotel Industry*
- *Hotel Horizons®* (quarterly econometric forecast)
- *Trends® in the Hotel Spa Industry*
- *Trends® in the Conference Center Industry (IACC)*, and more...

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GOOD ... WILL GET BETTER

U.S. Lodging Market Overview

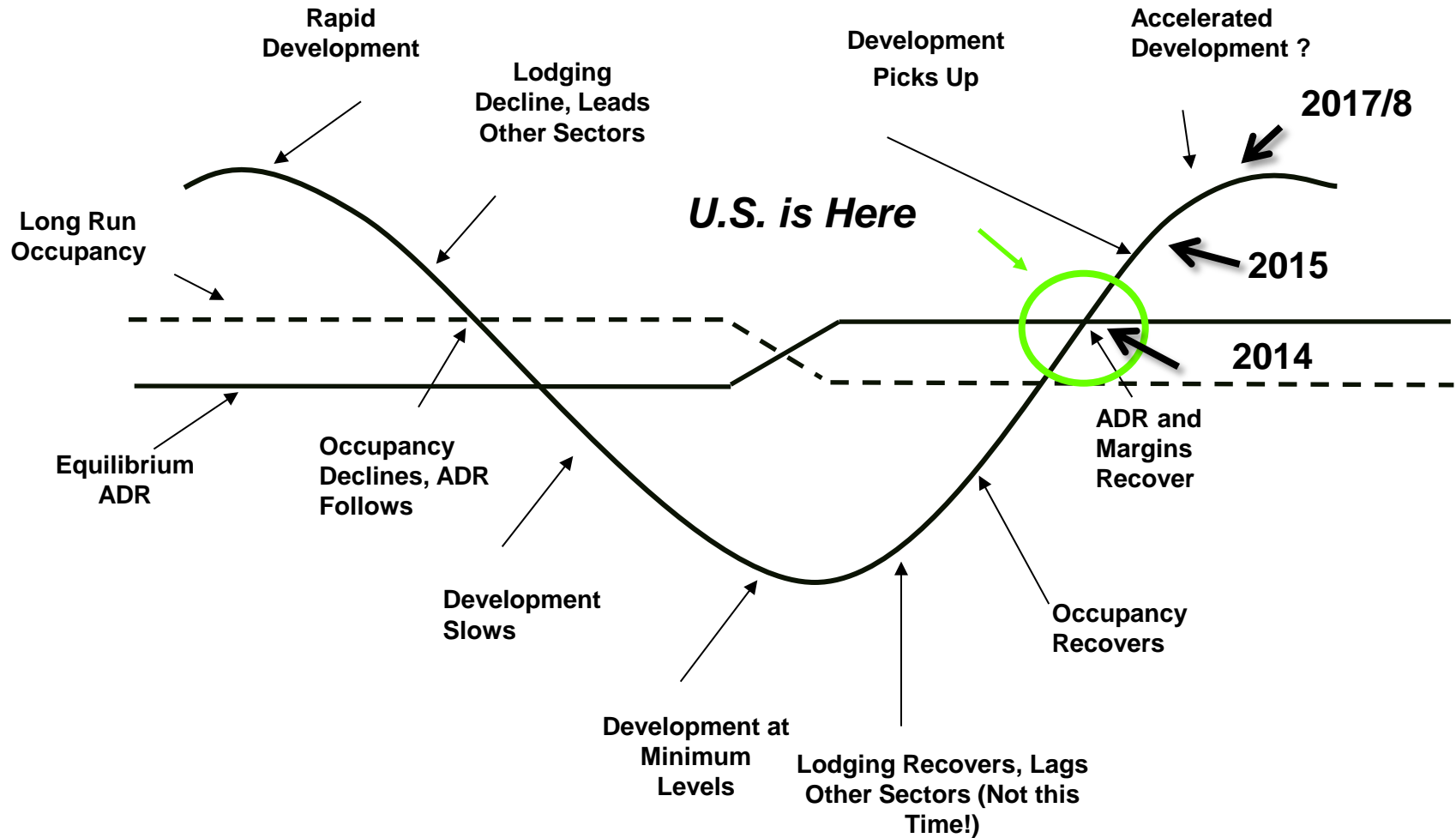
- Highlights for 2015
- The National Economy
- The Supply Story
- Market Forecasts
 - National / Location / Chain-Scale / Cities
- Operating Performance
 - Revenues (focus on spa) / Expenses / Profits

Next Topic

U.S. LODGING MARKET OVERVIEW

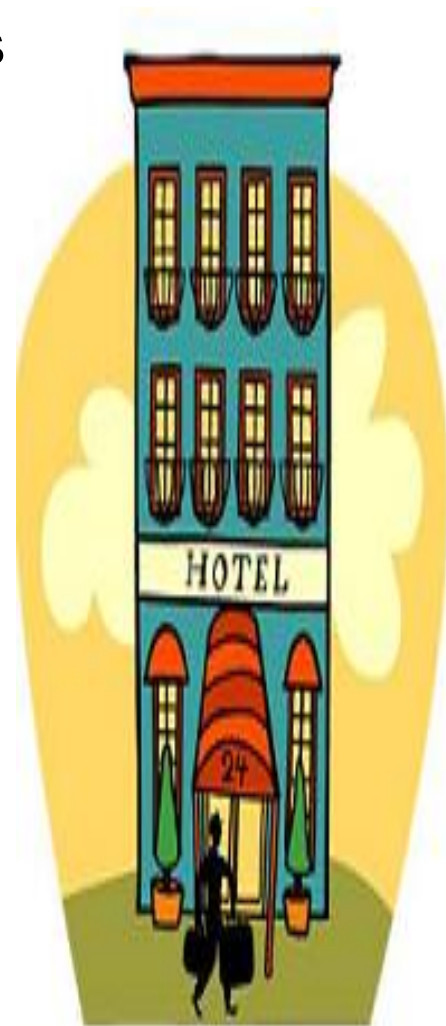
The Very Good Will Get Even Better.

THE HOTEL MARKET CYCLE

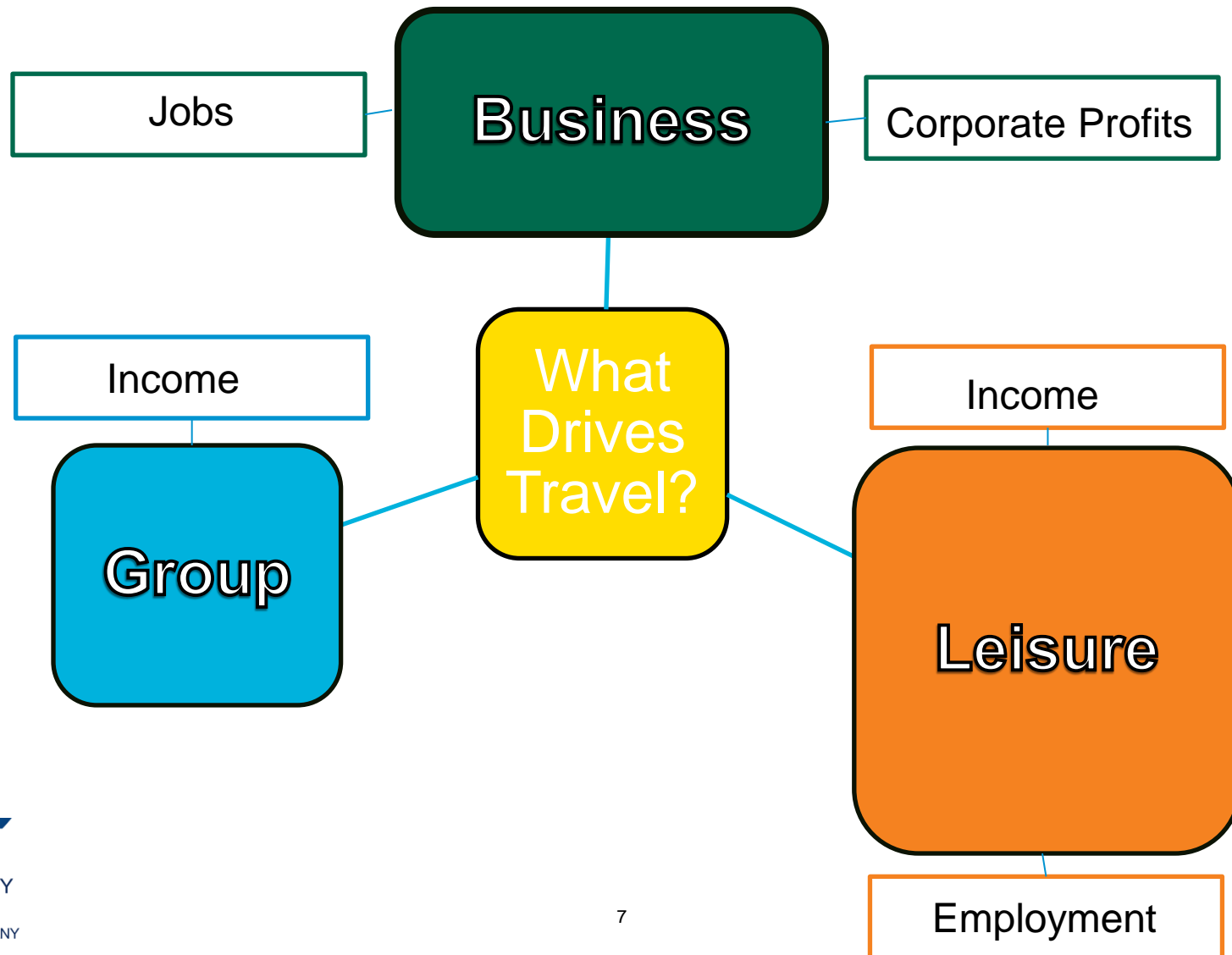


BY 2015, THE HOTEL INDUSTRY WILL HAVE ACHIEVED:

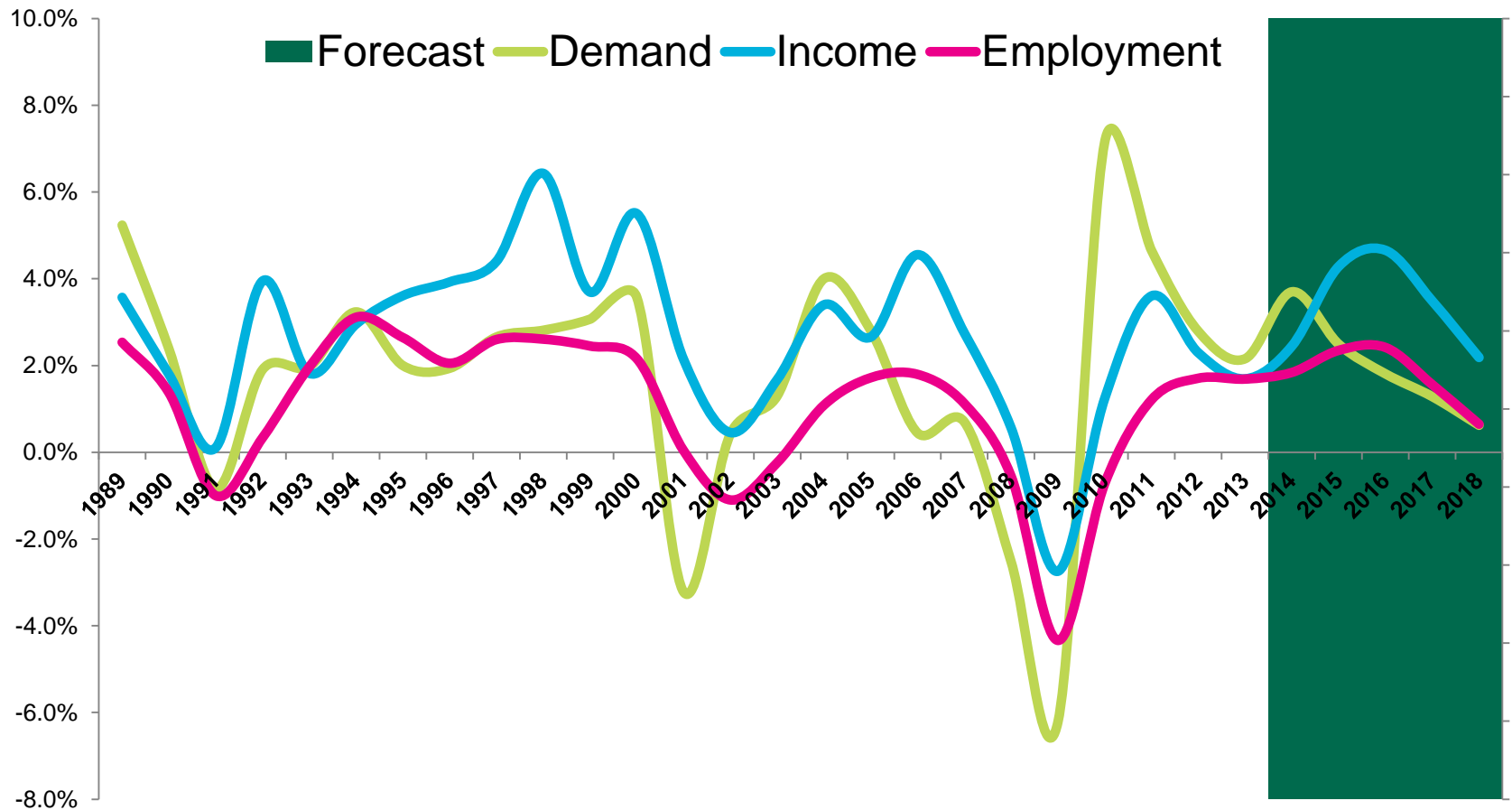
- A fourth year of accommodated demand in excess of the pre-recession peak of 2.8 million room nights.
- Six consecutive years of increasing occupancy, the longest since 1988.
- An occupancy level of 65.0 percent, the highest level of occupancy ever recorded by STR, Inc.
- 49 of 55 markets are above their long run average occupancy level.
- 14 of the 55 markets in the *Hotel Horizons*® universe will achieve their highest occupancy levels in the past 25 years.



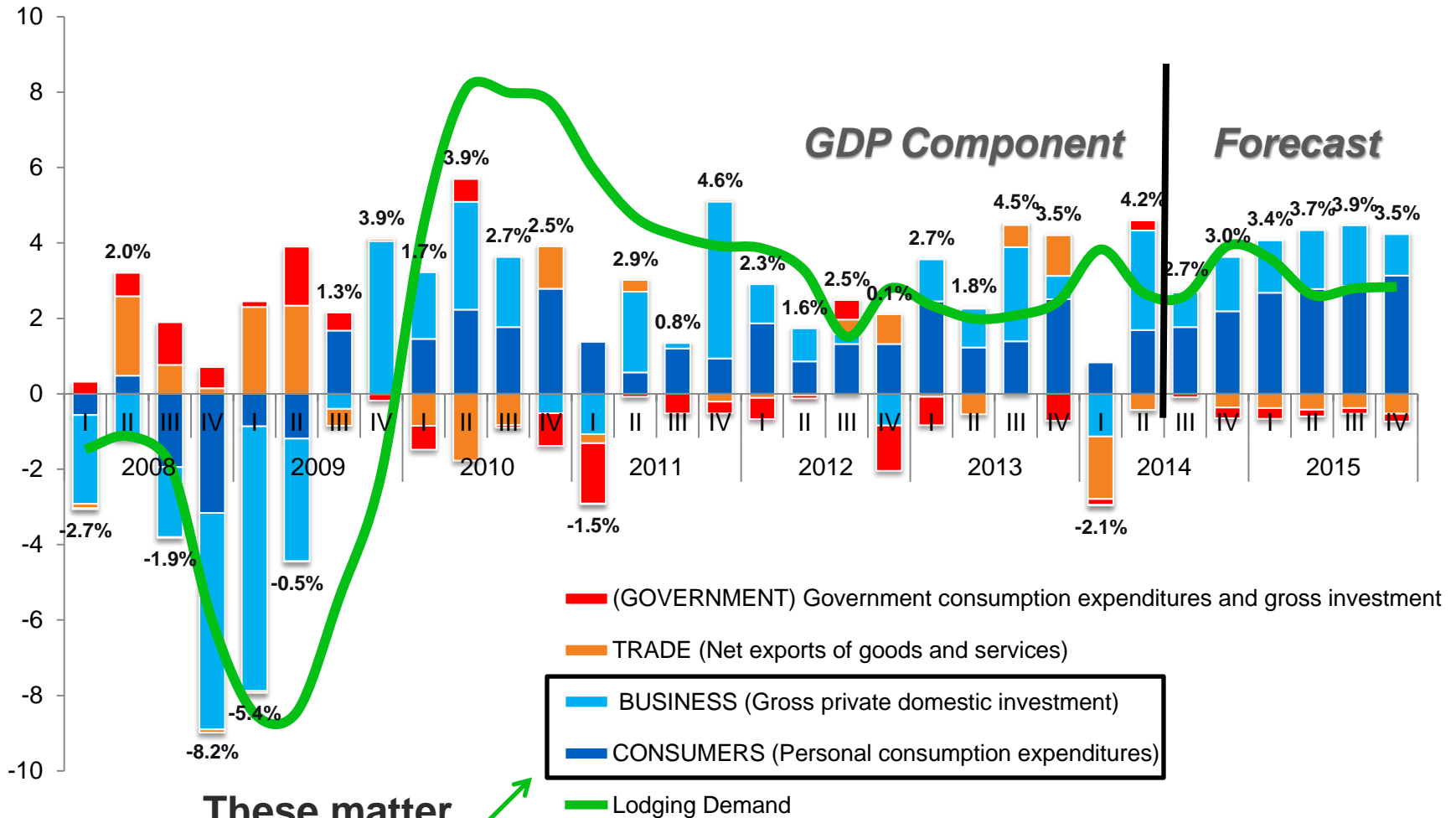
WHY PEOPLE TRAVEL



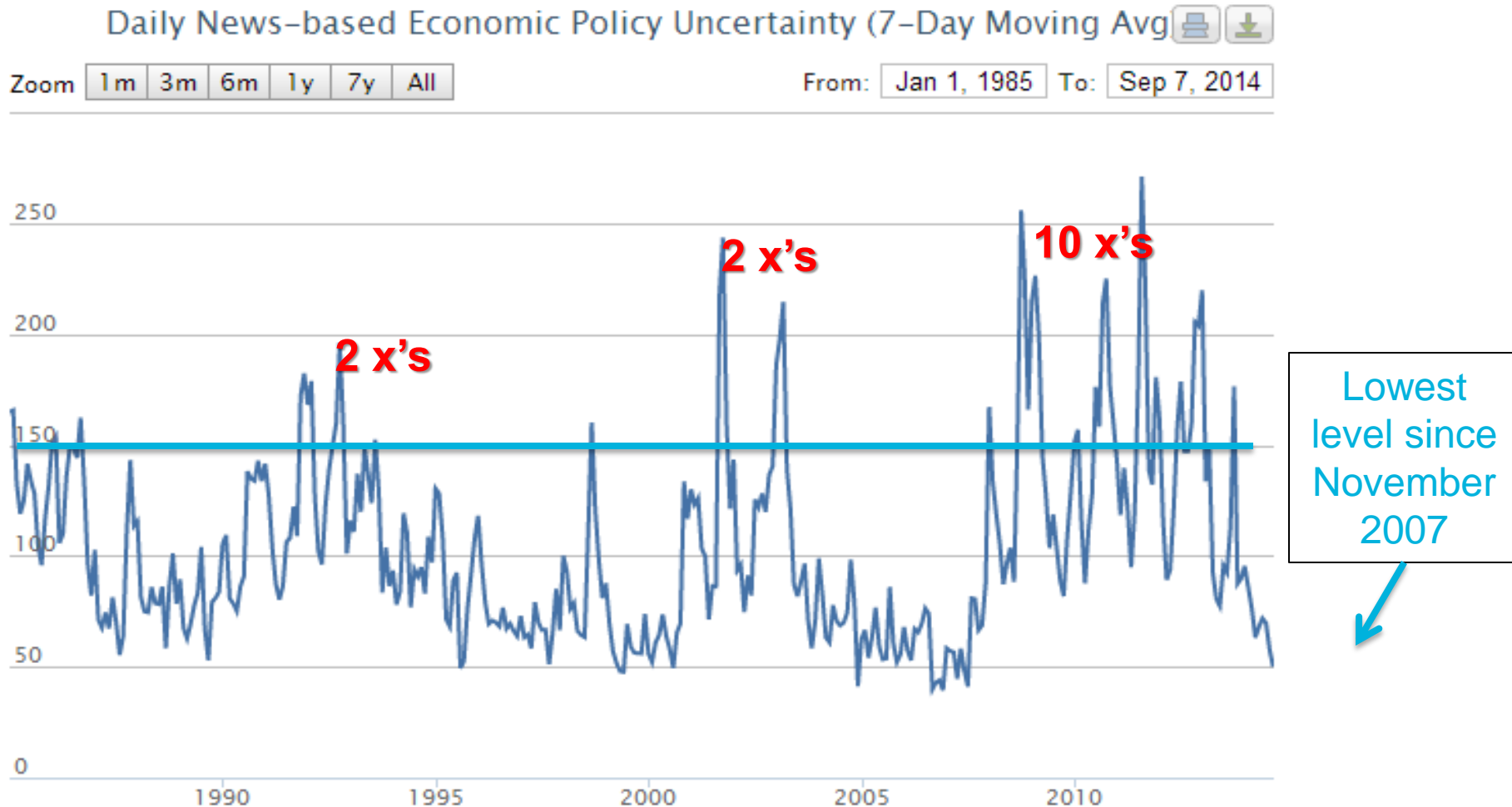
THE ECONOMICS OF HOTEL DEMAND



THE OUTLOOK FOR THE DRIVERS THAT ARE MOST IMPORTANT TO HOTELS REMAINS FAVORABLE



WHY PEOPLE DON'T TRAVEL:



WHY PEOPLE DON'T TRAVEL:

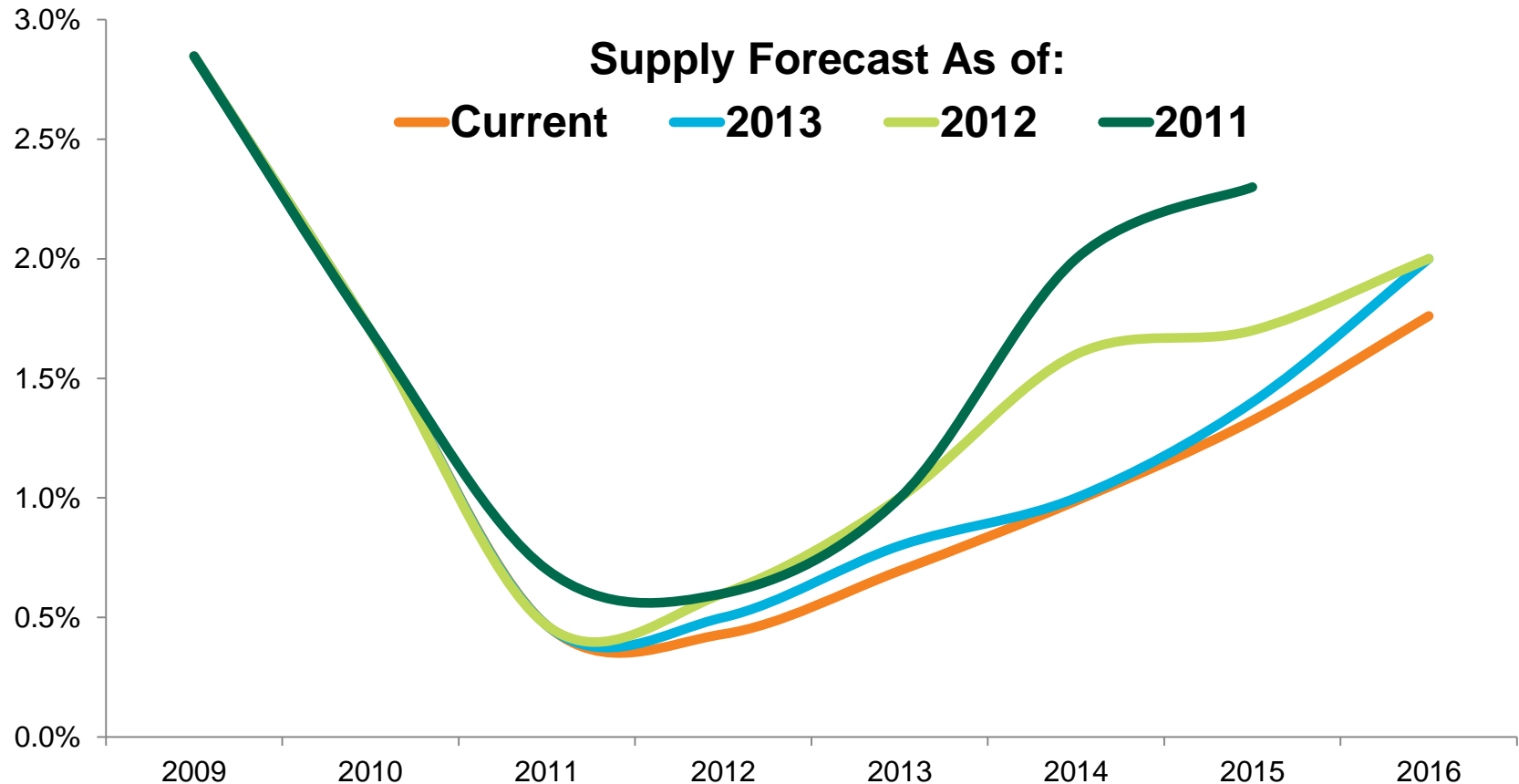


12-quarter moving average change in demand per STR, Inc.

Next Topic

THE SUPPLY STORY

2014: NEAR TERM SUPPLY OUTLOOK BEGINS TO STABILIZE



Source: PKF Hospitality Research, STR, Inc.

WHY SO LITTLE NEW CONSTRUCTION?

1. *Financing remains a challenge.*
2. *Elevated uncertainty that characterized this past cycle has not yet been forgotten.*
3. *Construction costs are rising faster than property values in many markets, undermining the feasibility of new development.*
4. *Scarcity of brands that lenders are willing to finance.*

TROUBLING SIGNS IN THE PIPELINE?

<i>Phase</i>	<i>2014</i>	<i>2013</i>	<i>% Change</i>
In Construction	108,853	78,665	38.4%
Final Planning	123,291	124,591	<1.1%>
Planning	159,258	141,687	12.4%
Active Pipeline	<u>391,402</u>	<u>344,943</u>	13.4%

Total U.S. Pipeline, Number of Rooms by Phase, August 2014 and 2013

TODAY VS. THE PREVIOUS PEAK OF CONSTRUCTION ACTIVITY

Q1 2008

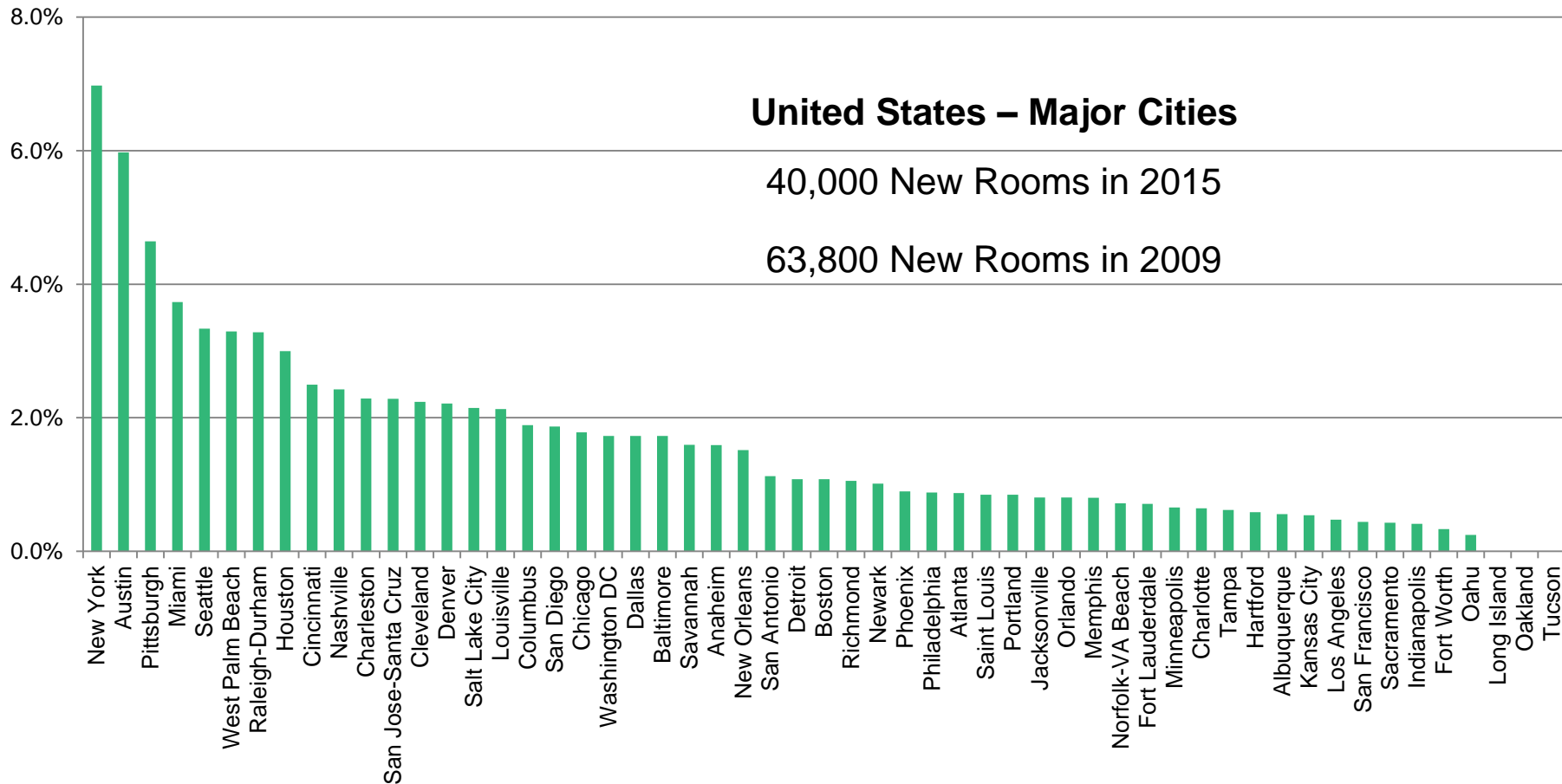
<i>Phase</i>	<i>2014</i>	<i>Q1/2008</i>	<i>% Difference Change</i>
In Construction	108,853	207,468	-47.5%
Final Planning	123,291	113,419	8.7%
Planning	159,258	344,363	-53.7%
Active Pipeline	<u>391,402</u>	<u>665,250</u>	-41.1%

Total U.S. Pipeline, Number of Rooms by Phase, August 2014 and March 2008

Source: STR, Inc.

NET SUPPLY CHANGE

2015



Next Topic

OUR FORECASTS

NATIONAL FORECAST

2014-2016

	Long Term Average	2009	2010	2011	2012	2013	2014F	2015F	2016F
Supply	1.9%	2.8%	1.7%	0.5%	0.5%	0.7%	0.9%	1.3%	1.7%
Demand	2.1%	-6.2%	7.2%	4.7%	3.0%	2.2%	4.5%	2.2%	1.6%
Occupancy	61.9%	54.5%	57.5%	59.9%	61.4%	62.2%	64.4%	65.0%	64.9%
ADR	2.9%	-8.7%	0.0%	3.8%	4.2%	3.9%	4.5%	5.7%	5.9%
RevPAR	2.9%	-16.7%	5.4%	8.2%	6.8%	5.4%	8.2%	6.7%	5.8%

REVPAR FORECAST BY CHAIN-SCALE

Lower-Priced Categories Moving Up The Recovery Curve

<i>Chain-Scale</i>	<i>2013</i>	<i>2014F</i>	<i>2015F</i>
Luxury	7.6%	5.9%	6.4%
Upper-Upscale	5.8%	7.2%	6.5%
Upscale	5.4%	8.1%	6.2%
Upper-Midscale	4.2%	8.1%	5.1%
Midscale	4.1%	7.9%	5.9%
Economy	4.8%	9.1%	6.5%
All Hotels	5.4%	8.2%	6.7%

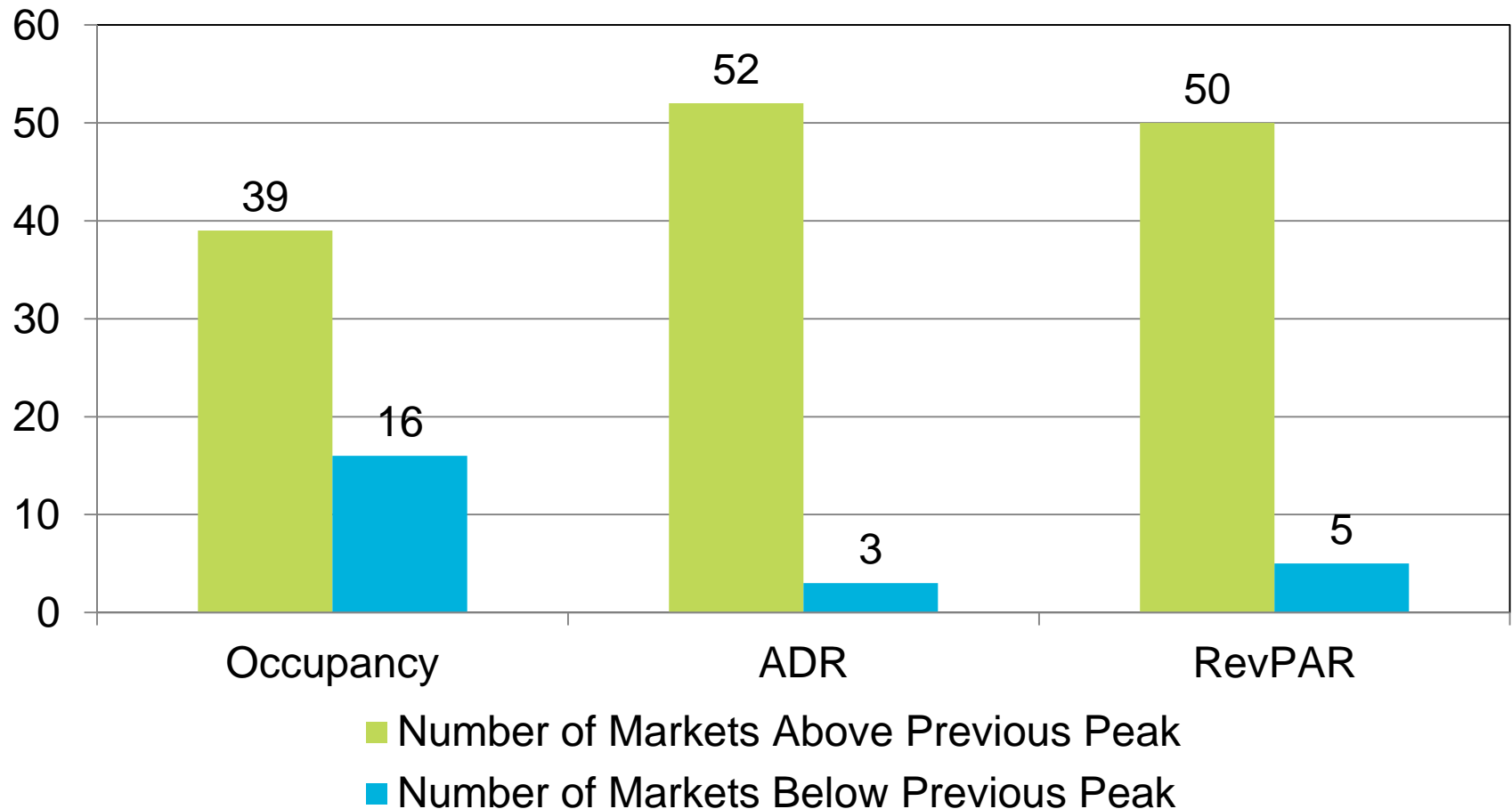
REVPAR FORECAST BY LOCATION

Only Interstate and Small Town Behind Pre-Recession Occupancy

Location	2013	2014F	2015F
Urban	6.1%	6.7%	6.5%
Suburban	5.3%	9.3%	7.8%
Airport	5.6%	8.8%	6.3%
Interstate	3.1%	7.2%	4.8%
Resort	7.1%	9.3%	6.8%
Small Town / Metro	3.7%	7.0%	4.8%
All Hotels	5.4%	8.2%	6.7%

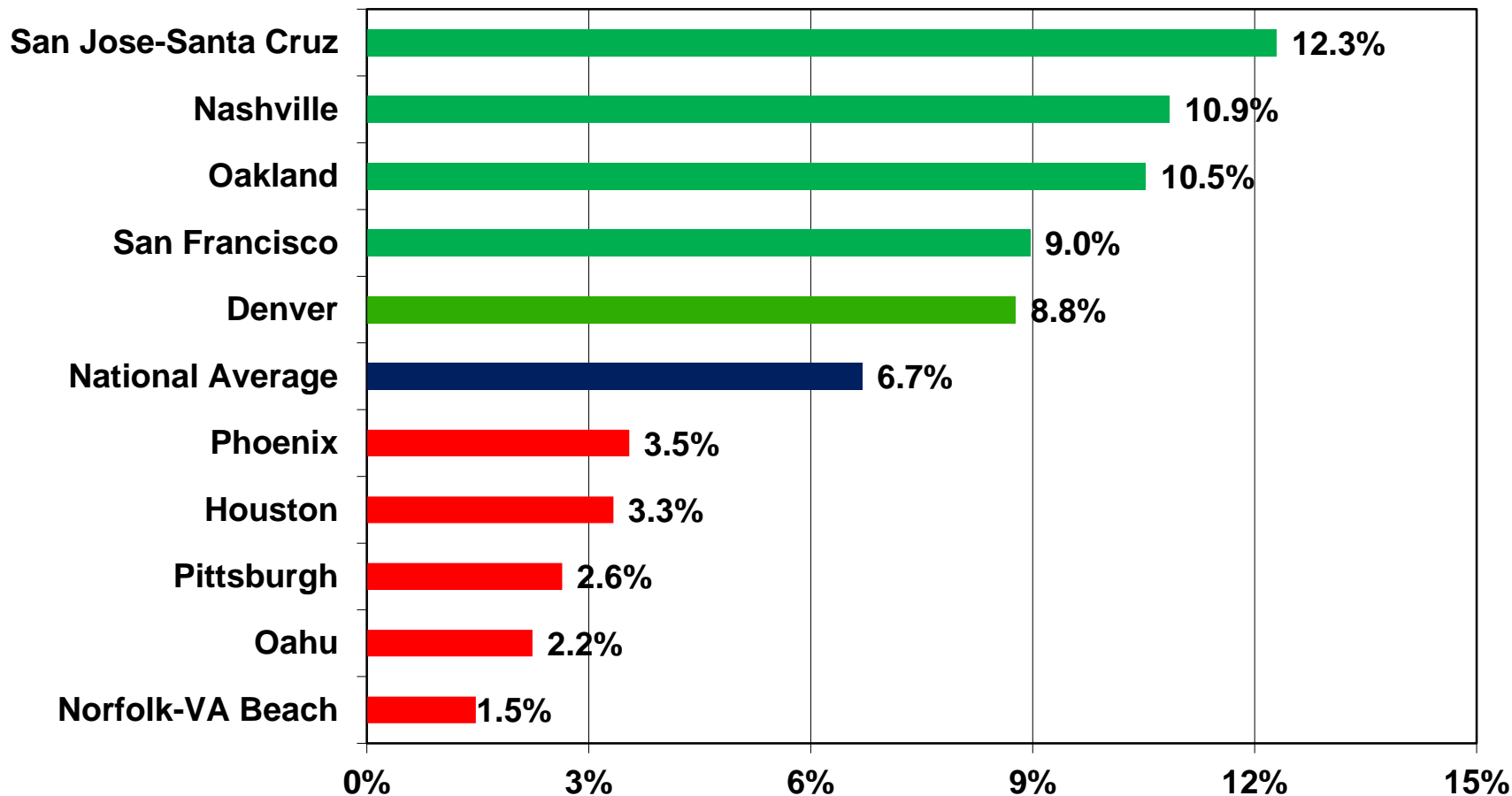
U.S. LODGING MARKETS SURPASS THEIR PREVIOUS PEAKS

Counts Based On 2014 Forecast



U.S. HOTEL MARKETS GREATEST AND LEAST CHANGE IN REVPAR

Forecast Change 2014 to 2015



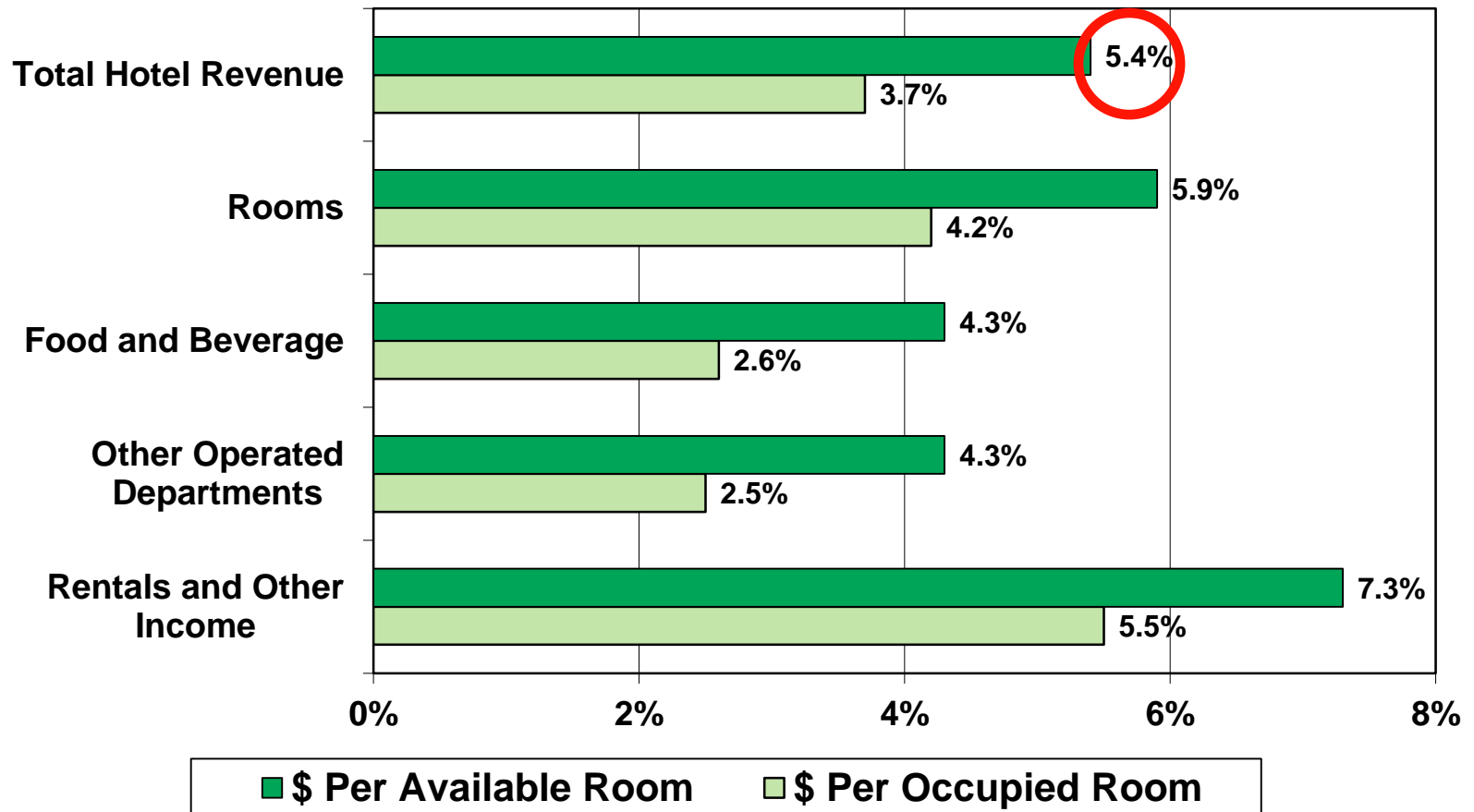
Source: PKF Hospitality Research, September 2014 Hotel Horizons® reports.

Next Topic

OPERATING PERFORMANCE

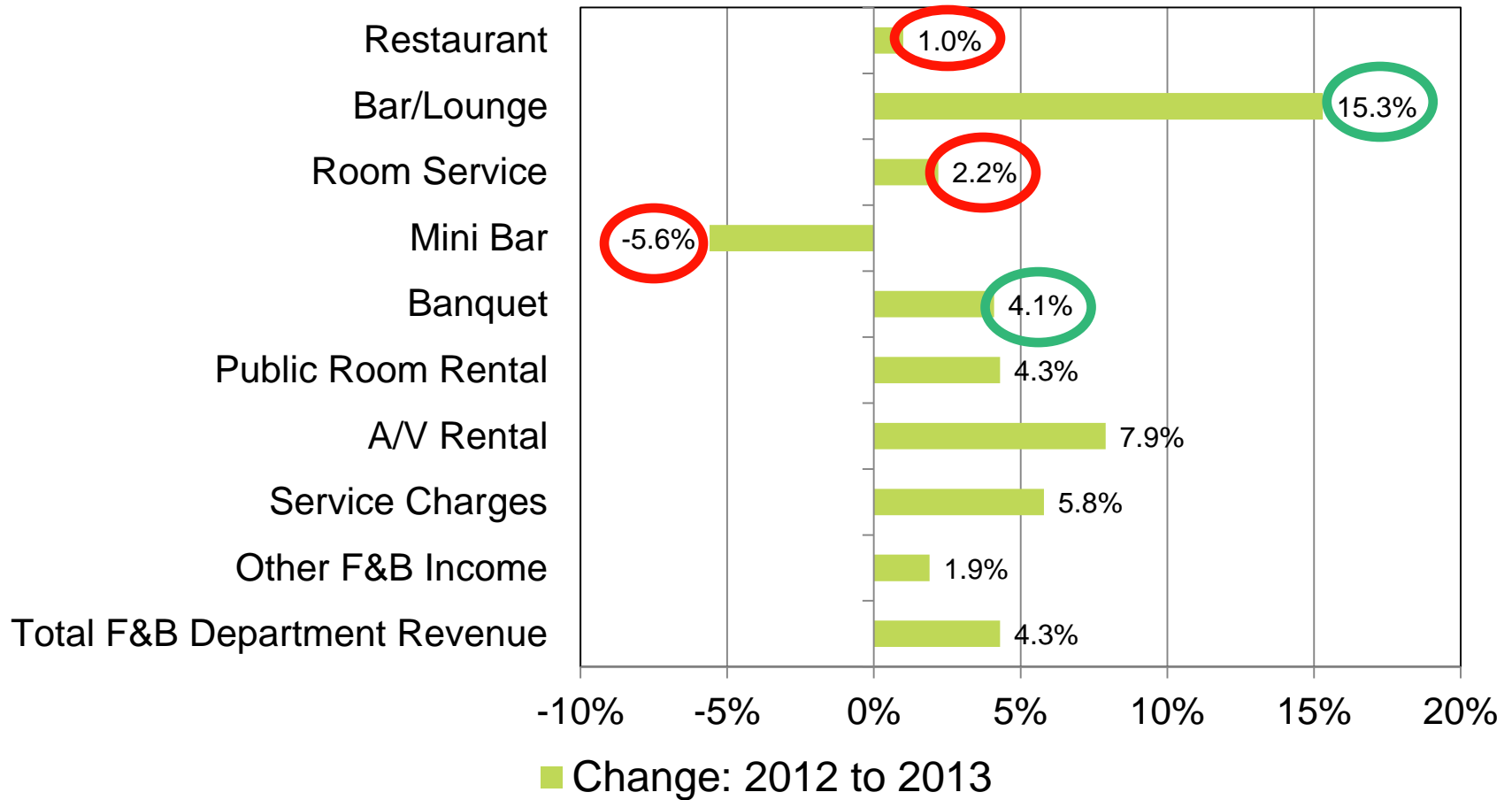
2013 U.S. HOTEL REVENUES

Change From 2012



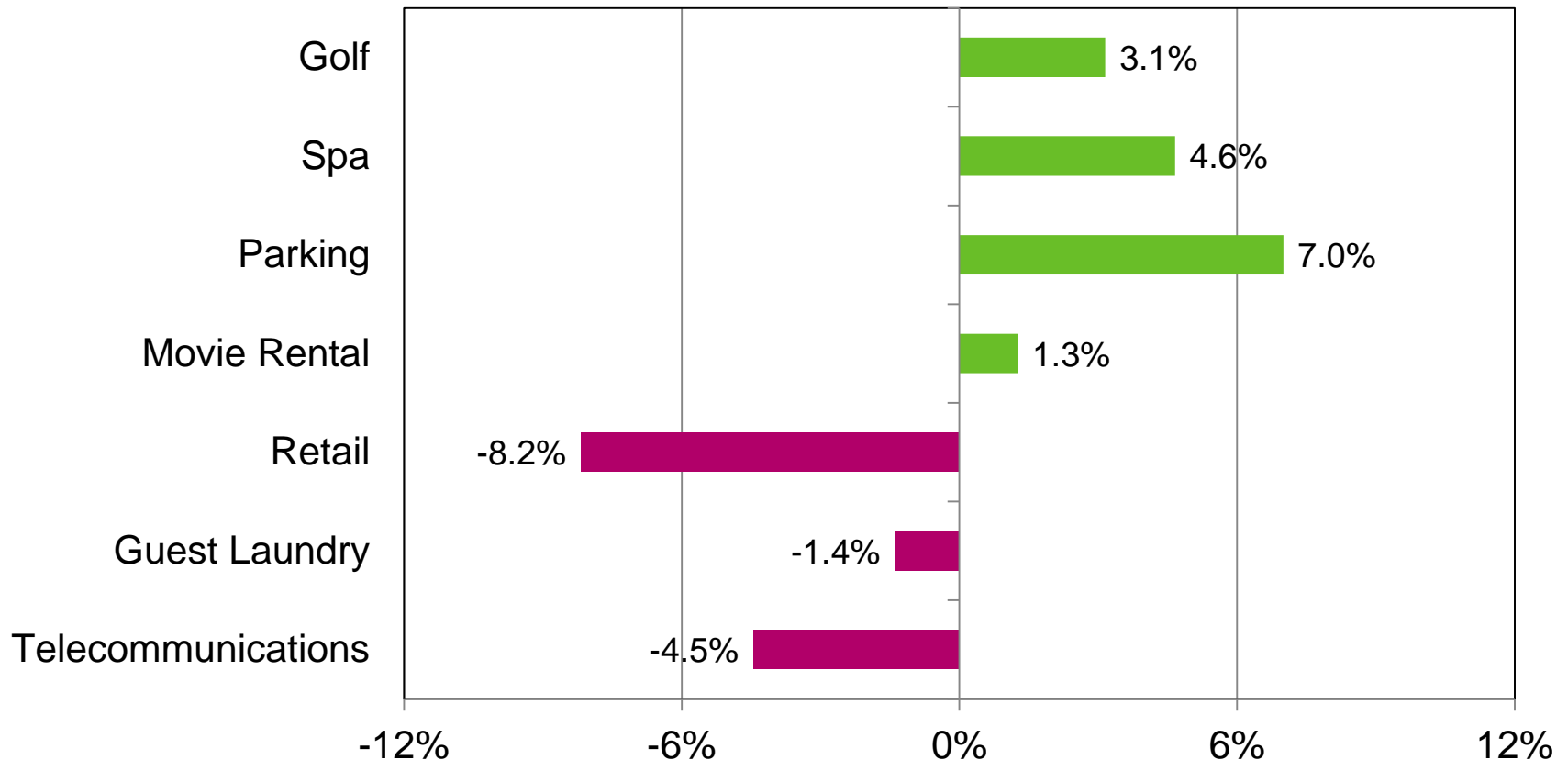
2013 HOTEL F&B DEPARTMENT REVENUES

Full-Service Hotels



SELECT “OTHER” HOTEL REVENUES

Change From 2012 to 2013



Sample: Only properties that reported respective revenue source.

Source: PKF Hospitality Research, 2014 Trends® in the Hotel Industry Report

TRAVEL AND HEALTH

Our Deteriorating Profile

- Aging population
- Less healthy
- More overweight
- More stressed
- Traveling more than ever before

More Travel, More Stress

- Record level of hotel rooms sold in the last 4 years
- Stress is interwoven in today's travel experience

HOW DOES WHAT WE DO MATTER?

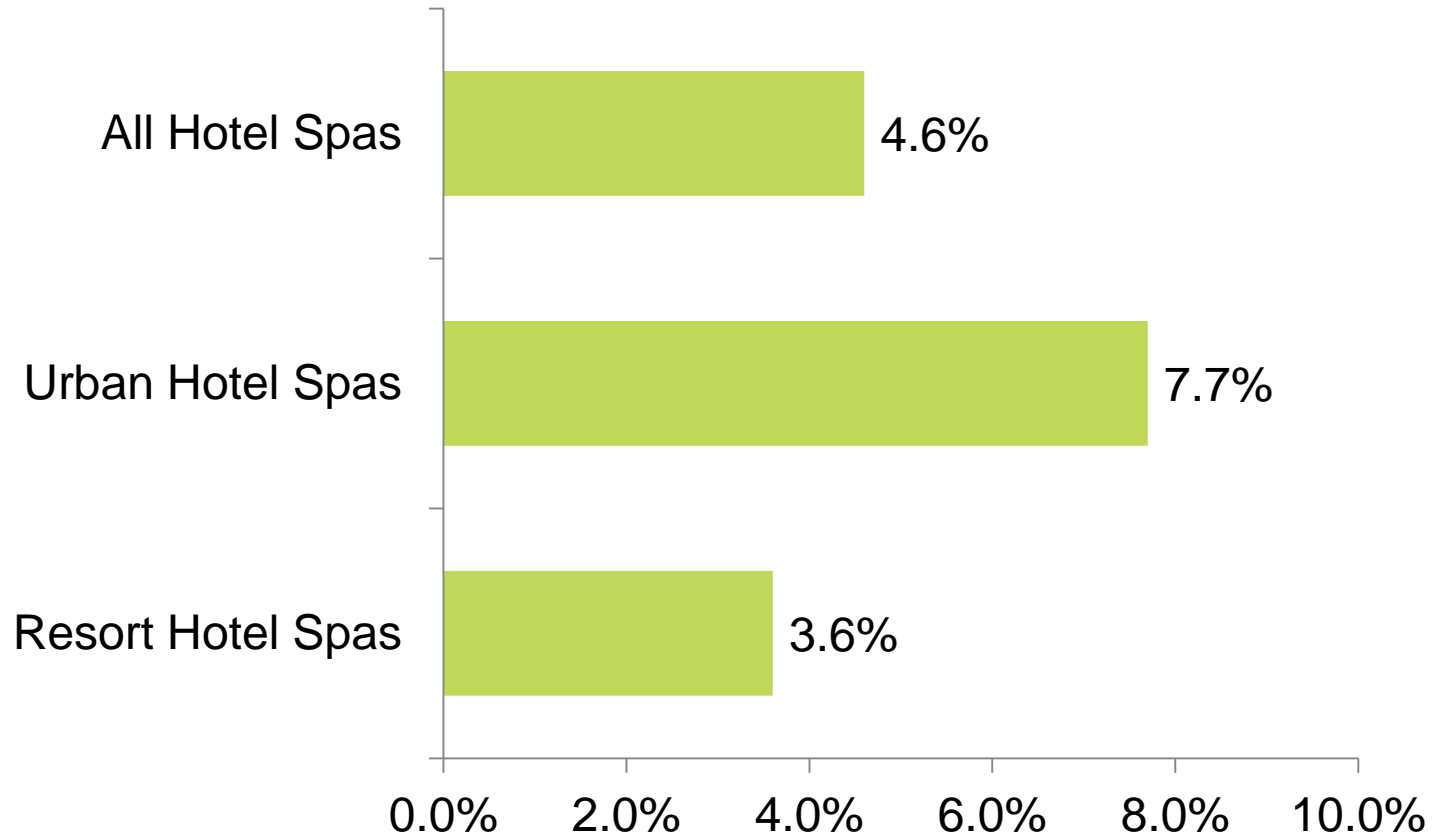
To Whom?

- Guests
- Management
- Owners

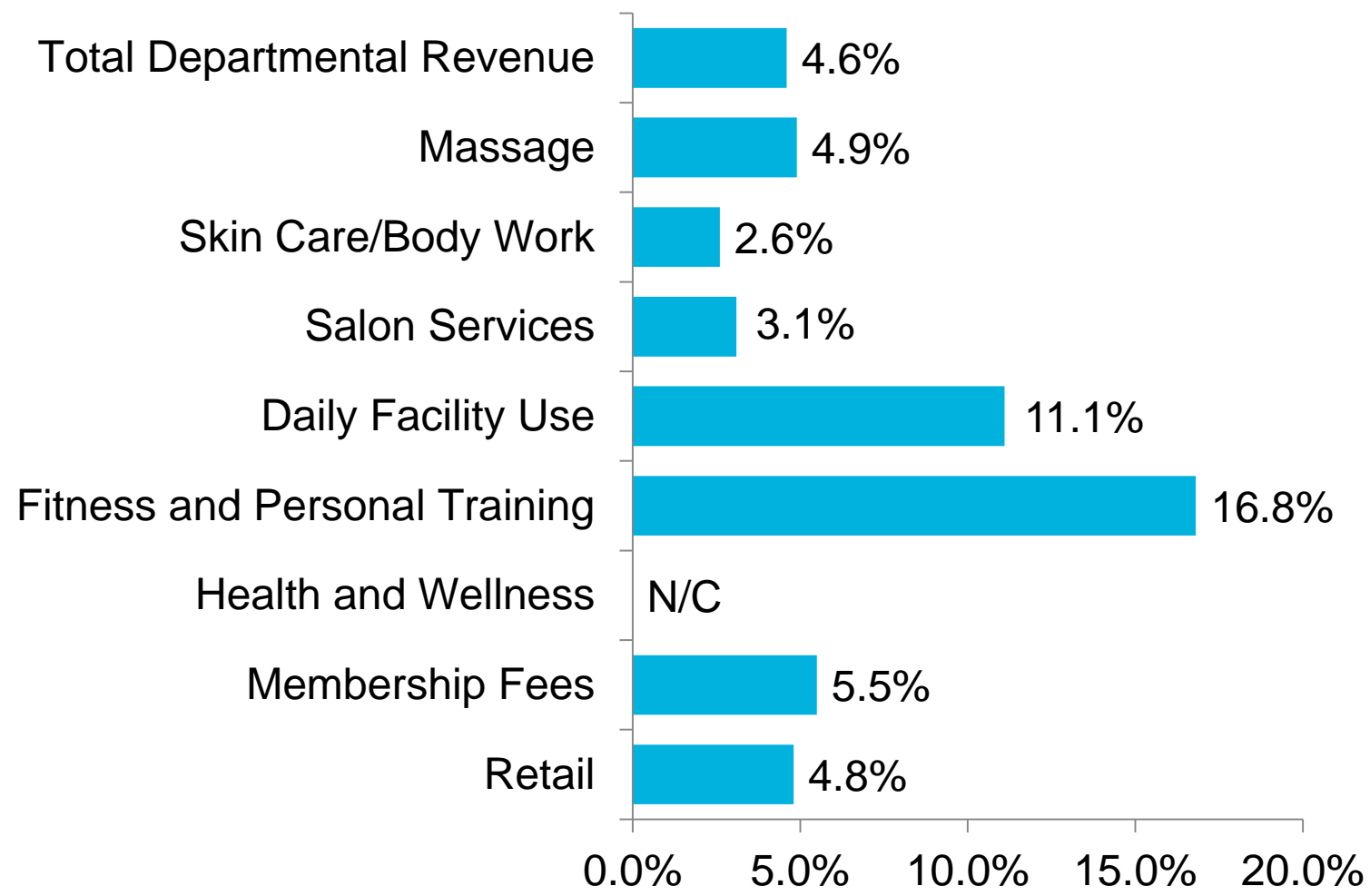
In What Way?

- Experience
- Perception/Rating
- Competitive
- Differentiated
- Revenue
- Profitability
- Drives Asset Value

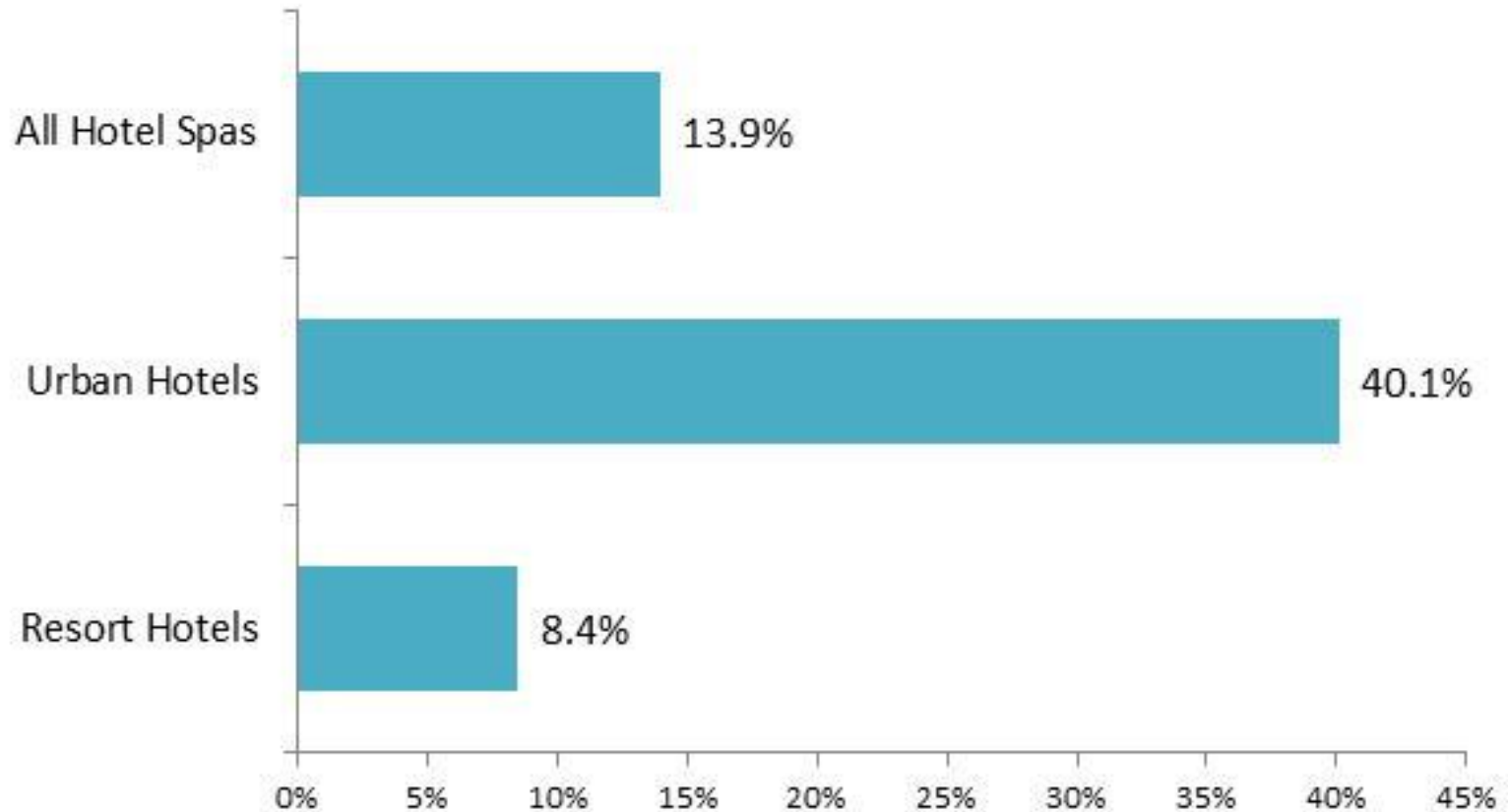
GREATER REVENUE GROWTH IN URBAN HOTEL SPAS



COMPONENTS OF HOTEL SPA REVENUE INCREASES



GREATER PROFIT GROWTH IN URBAN HOTEL SPAS



EXPAND BEYOND THE SPA WALLS

Positioning – More
than Luxury, Focus on
Wellbeing

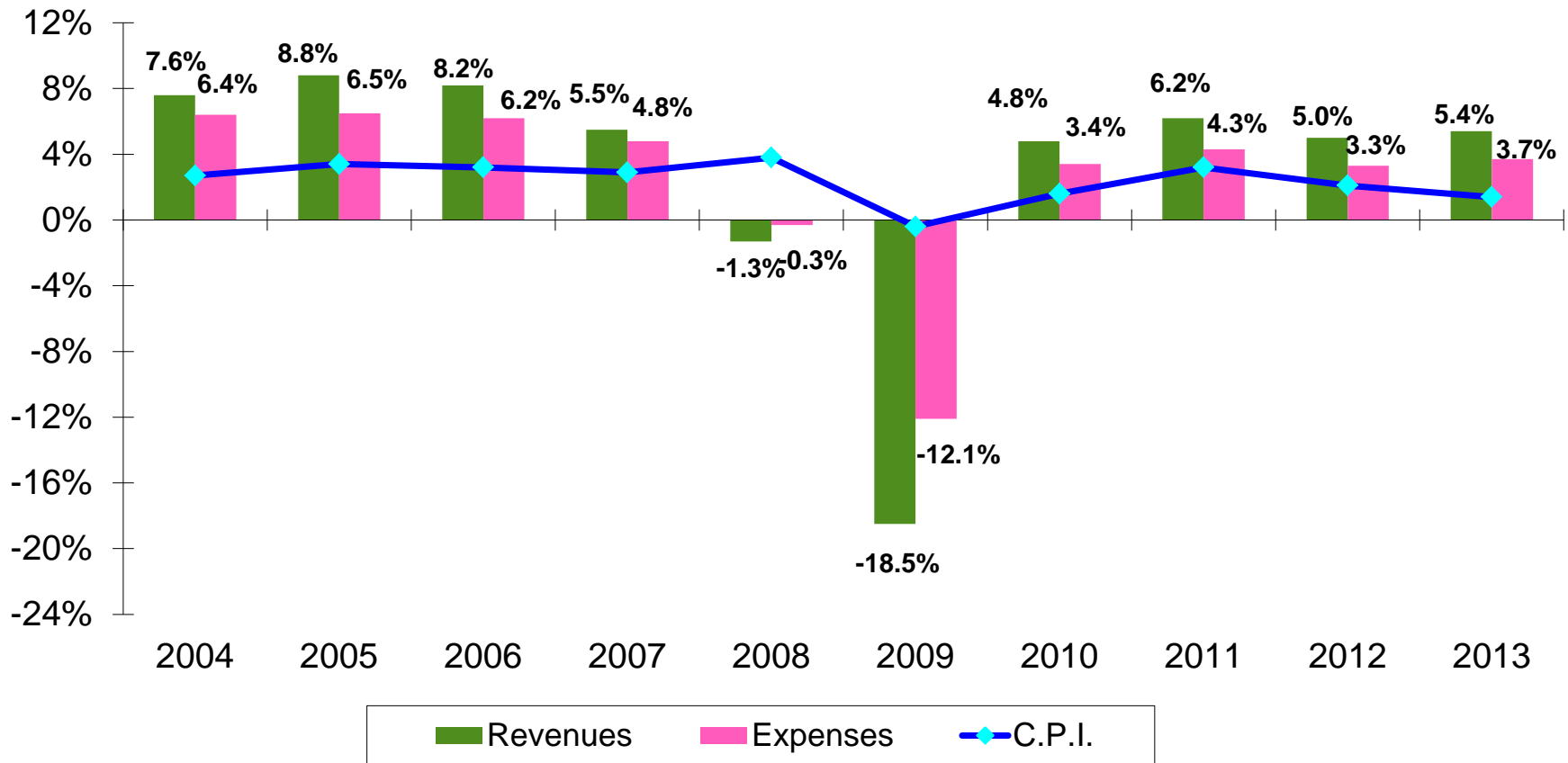
Broaden Revenue
Drivers

Create Unique
Experiences

Create a Connecting
Thread of Wellness

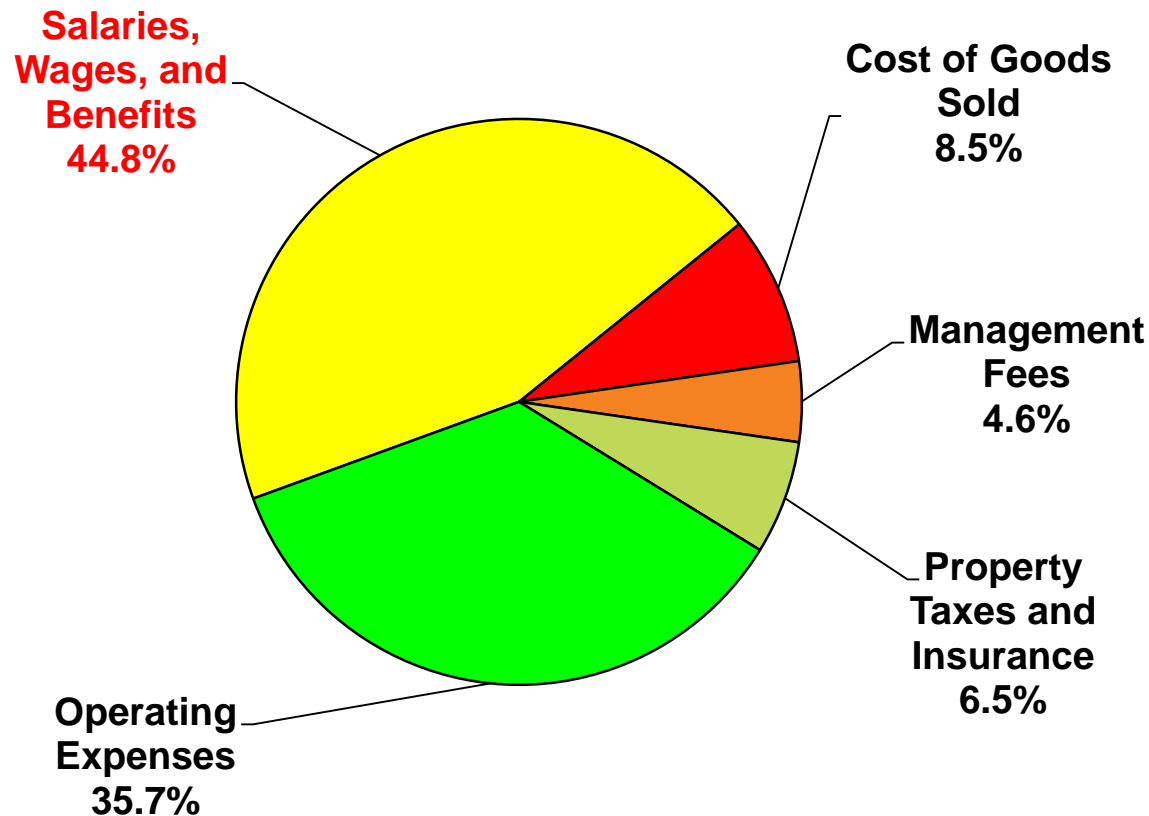
REVENUE VS EXPENSE* GROWTH

Annual Change



WHERE DO THE DOLLARS GO?

Percent of Total Expenses

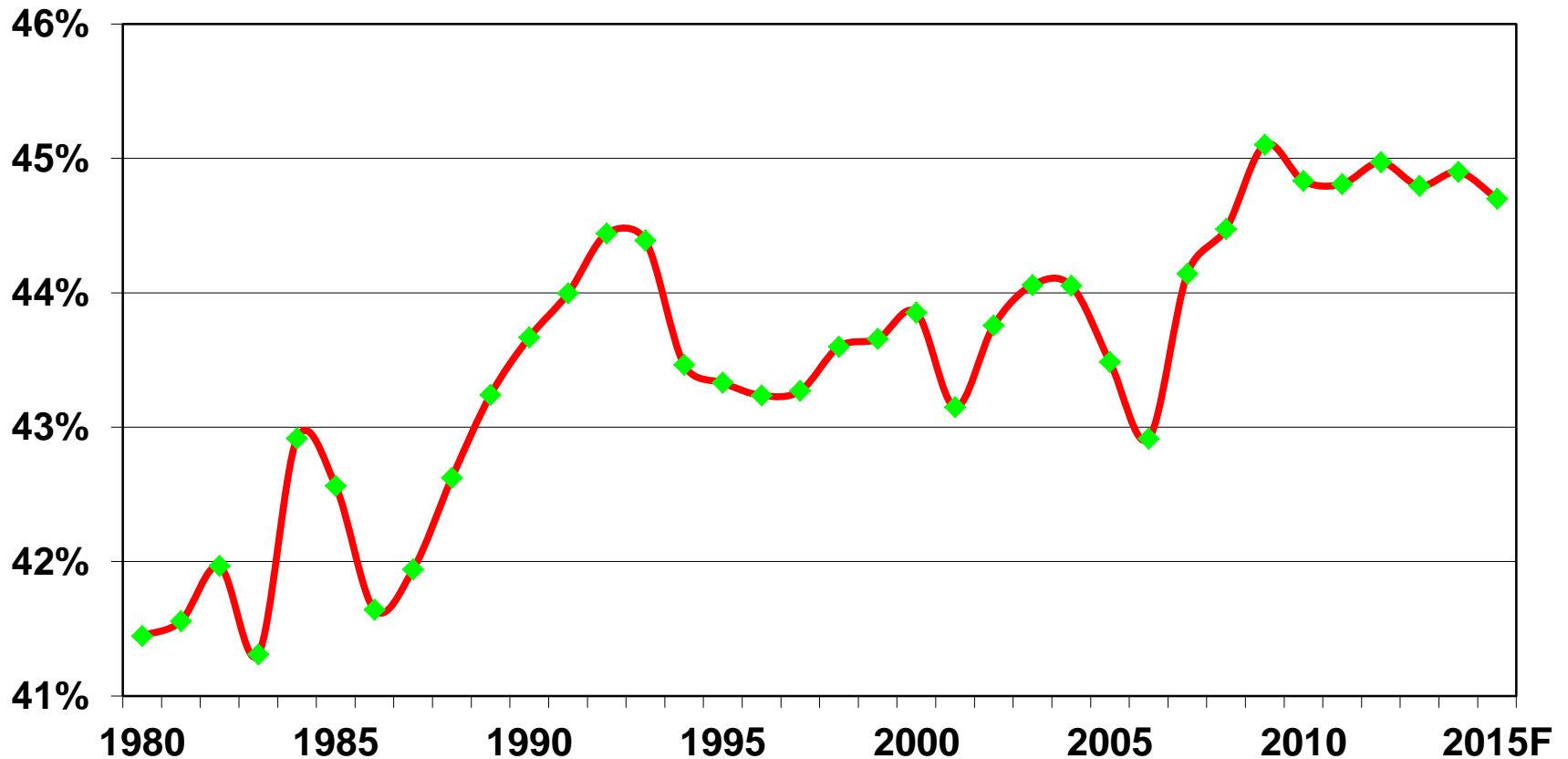


Note: * Before deductions for capital reserve, rent, interest, income taxes, depreciation, and amortization.

Source: PKF Hospitality Research, 2014Trends® in the Hotel Industry

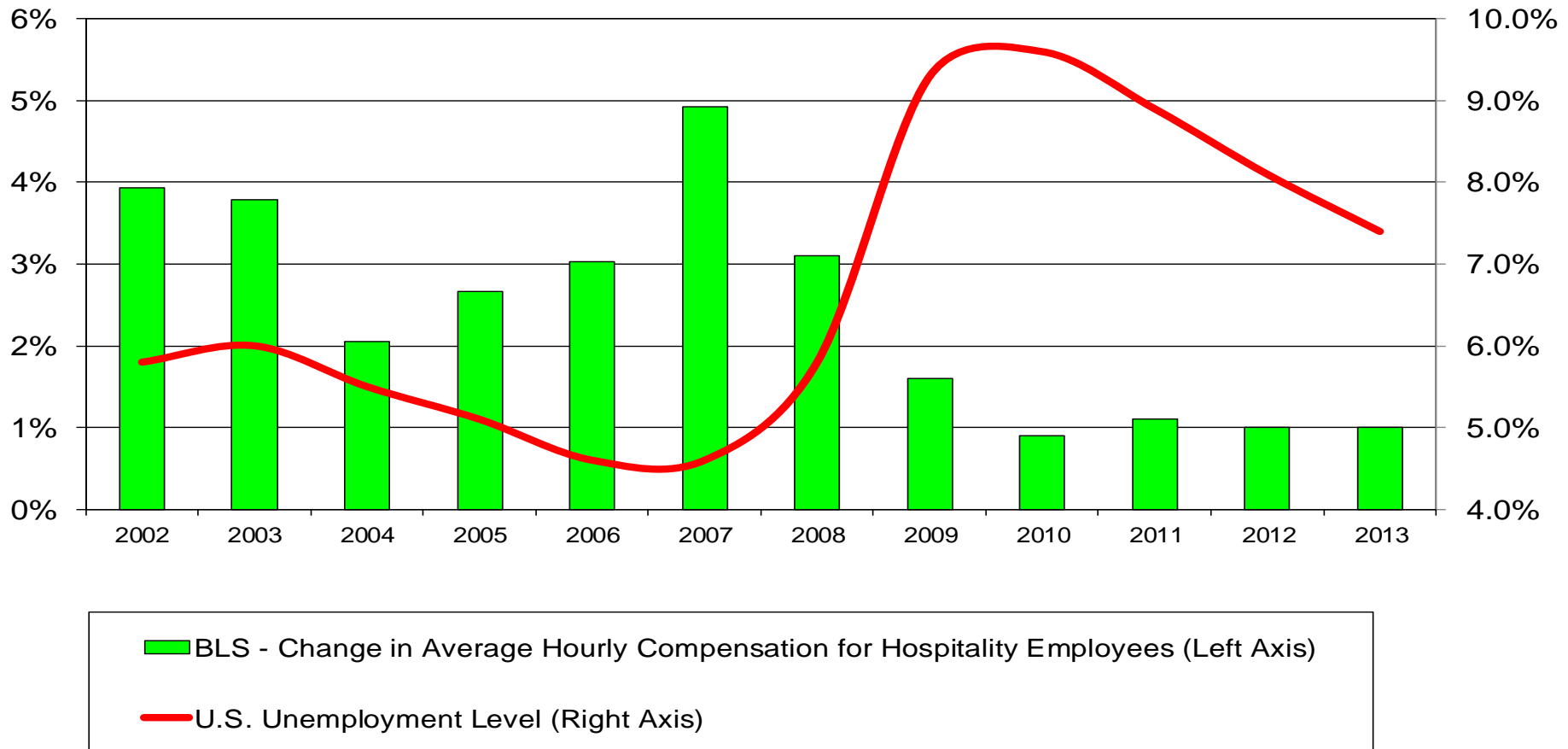
TOTAL U.S. HOTEL LABOR COSTS

Percent of Total Expenses

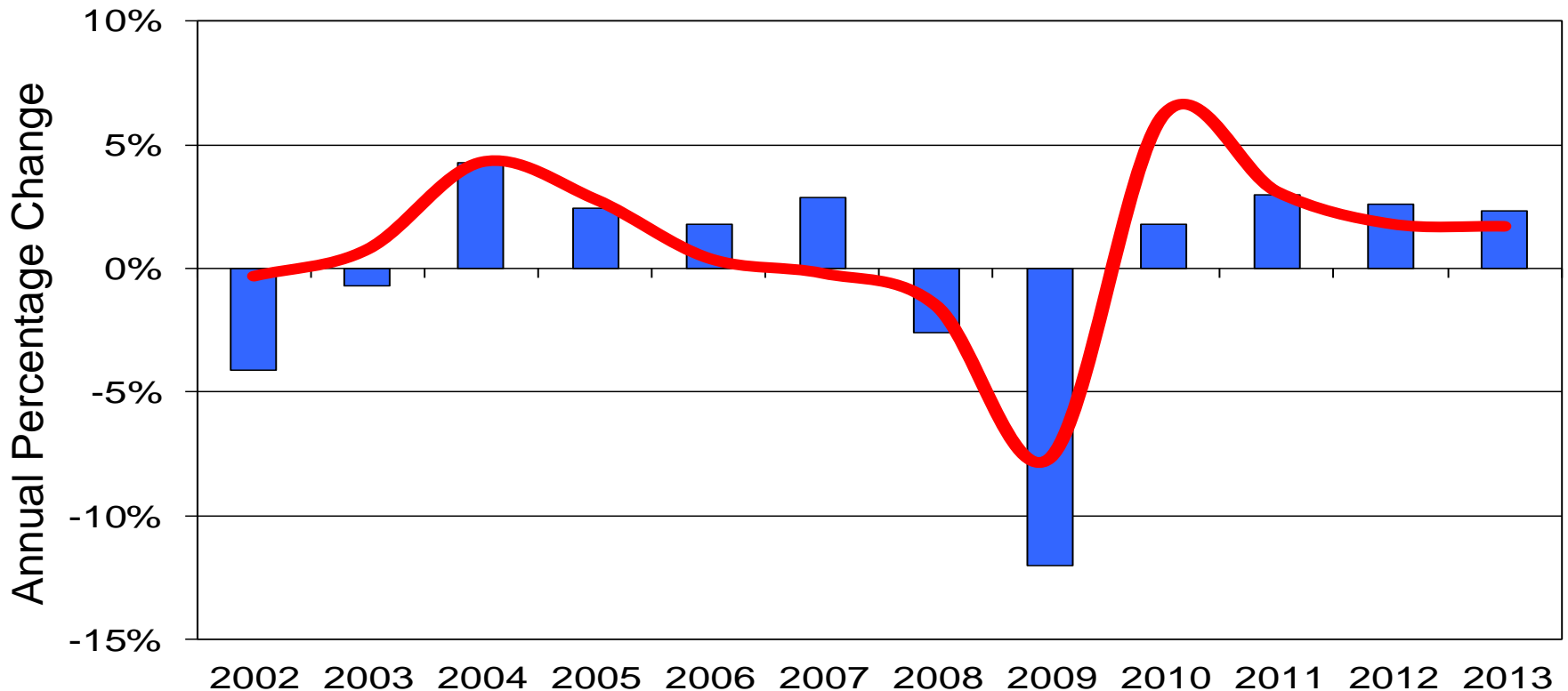


COMPENSATION VS. UNEMPLOYMENT

Change in Average Hourly Wage



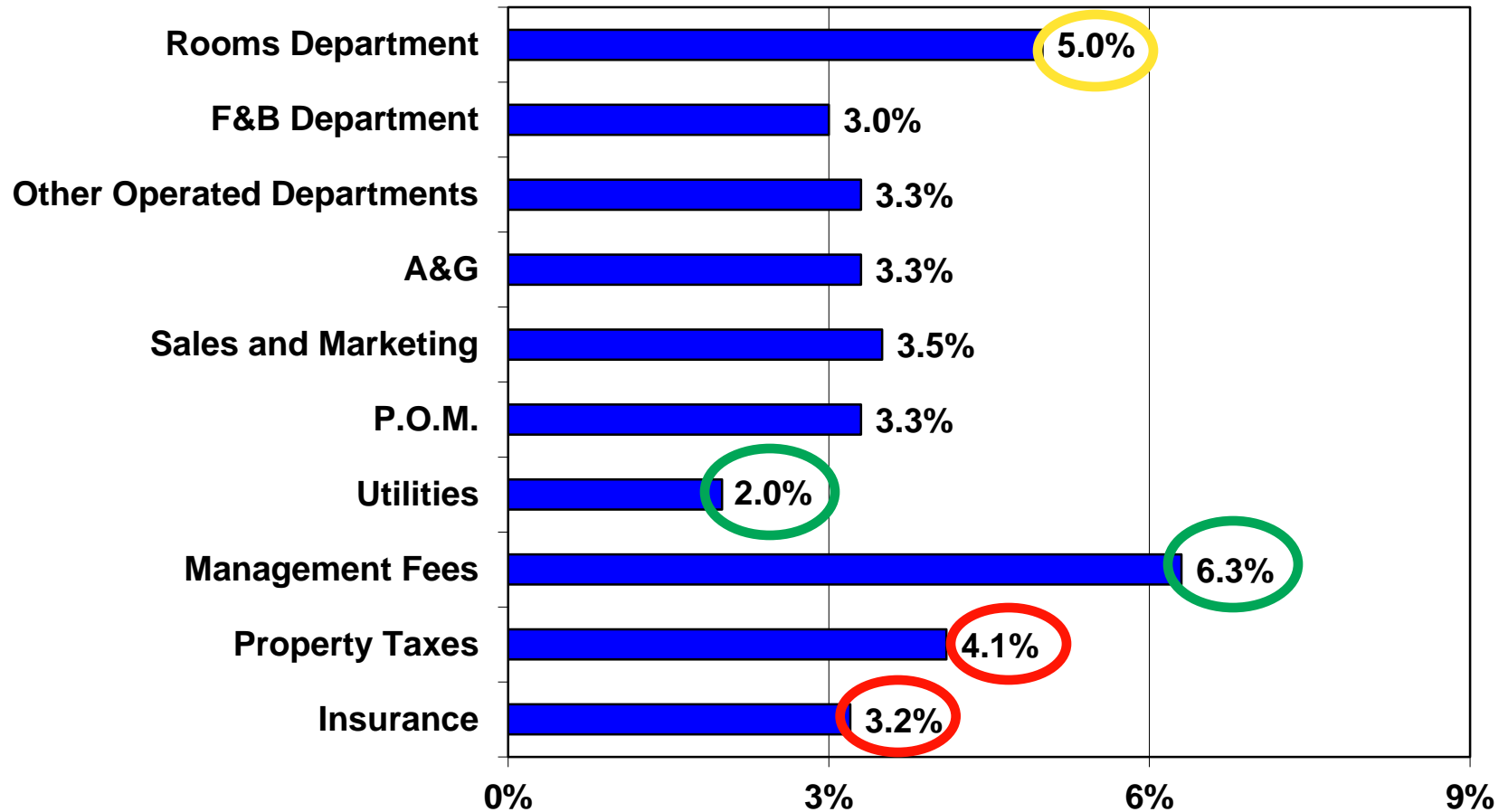
HOURS WORKED VS. ROOMS OCCUPIED



■ Change in Total Hours Worked
— PKF-HR Change in Occupied Rooms

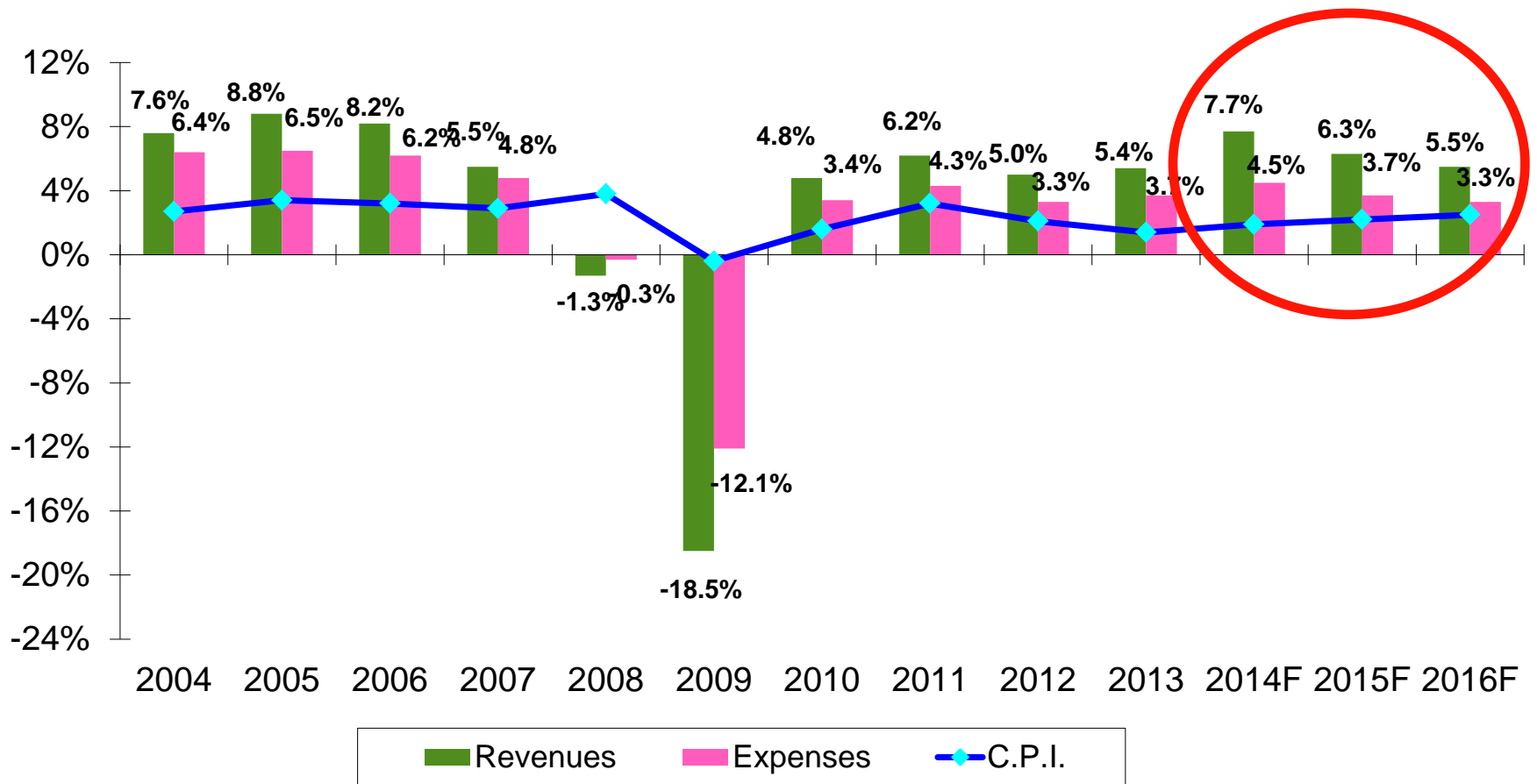
HOTEL OPERATING EXPENSES

Change from 2012 to 2013

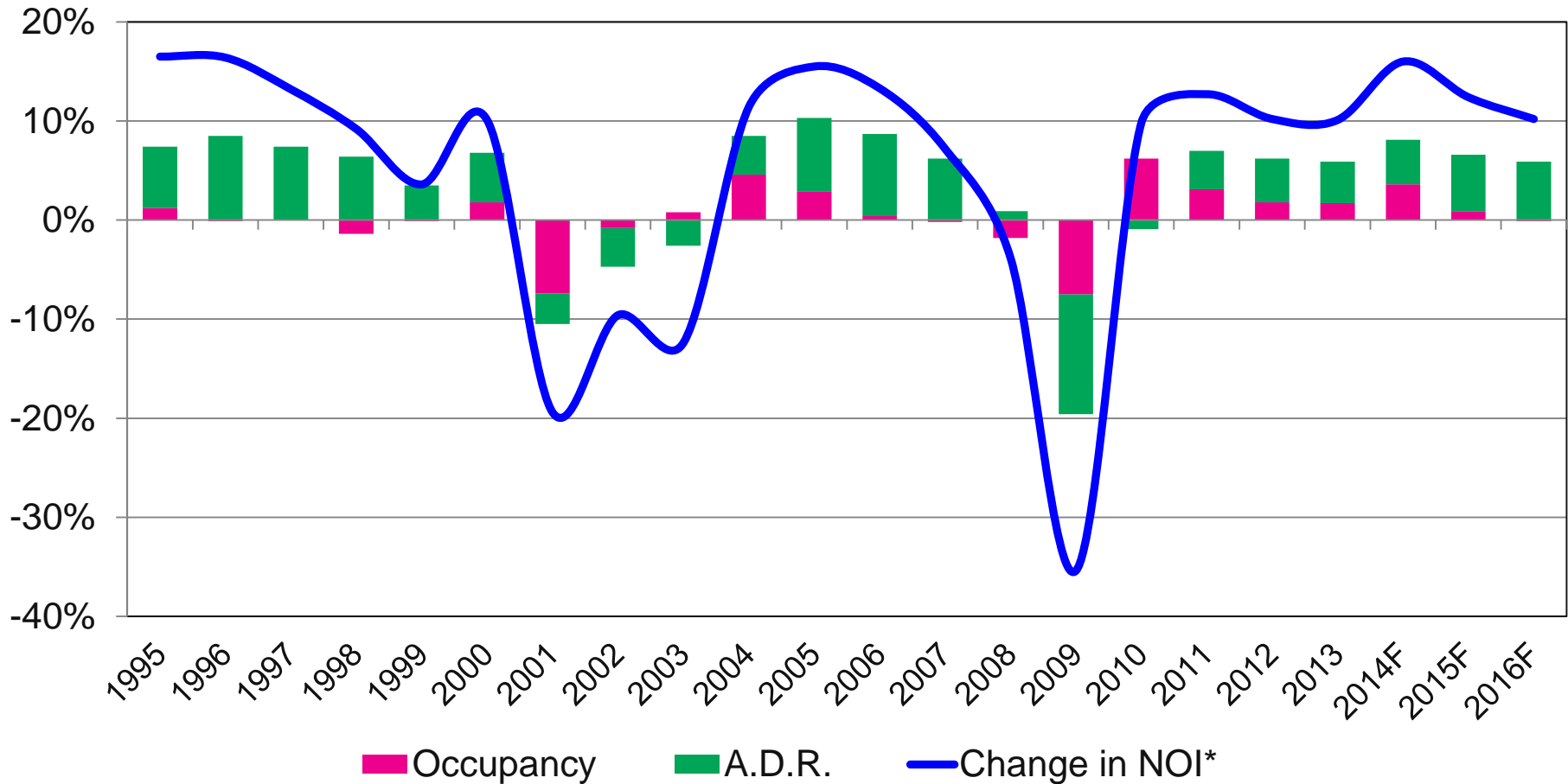


REVENUE VS EXPENSE* GROWTH

Annual Change

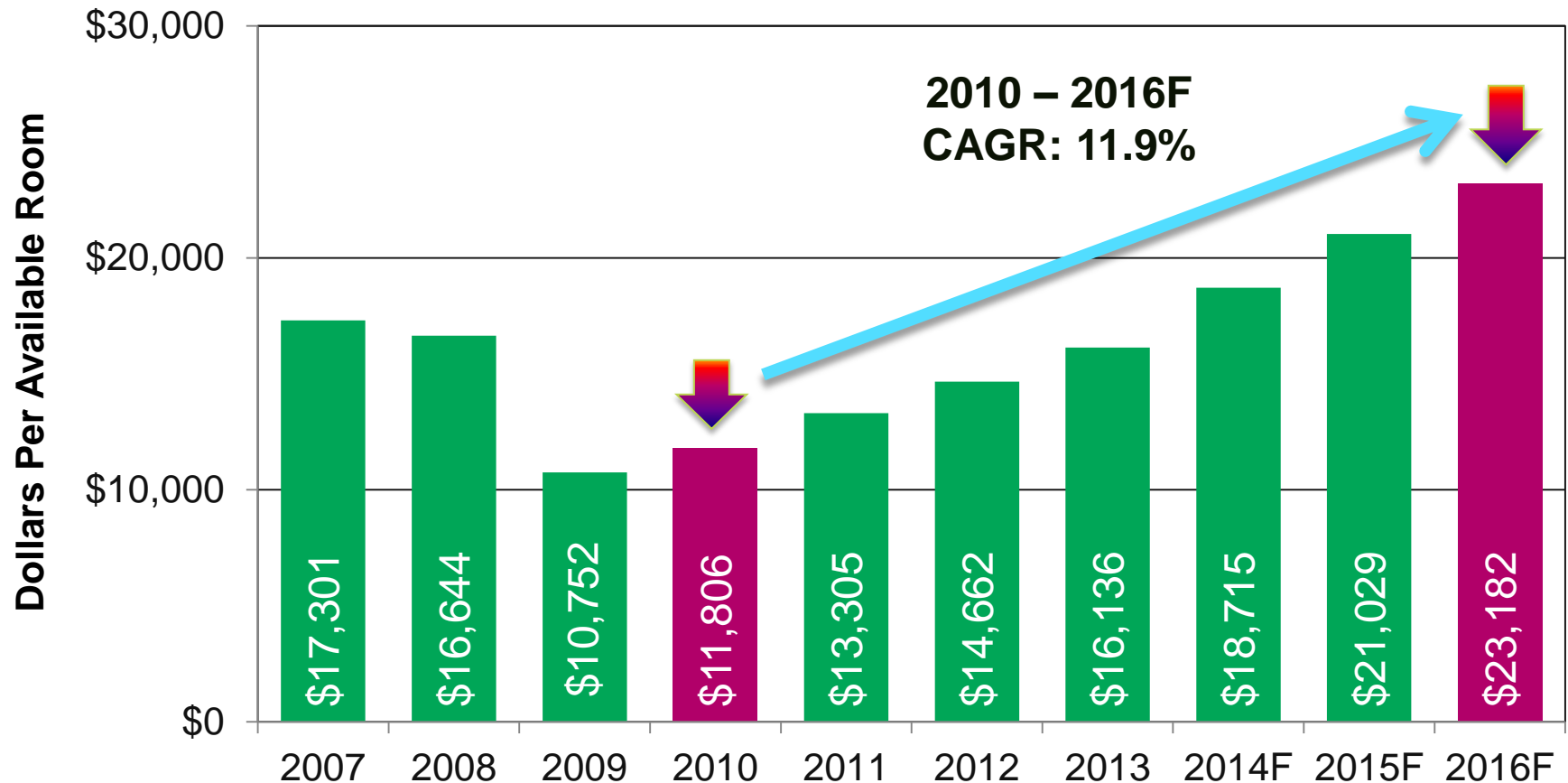


REVPAR COMPONENTS AND NOI* CHANGE



NOMINAL DOLLAR OPERATING PROFITS*

Six Years of Double Digit Growth



THANK YOU



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HORIZONS®

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