

July 30, 2021

# U.S. HOTELS

## State of the Union

# Key Takeaways

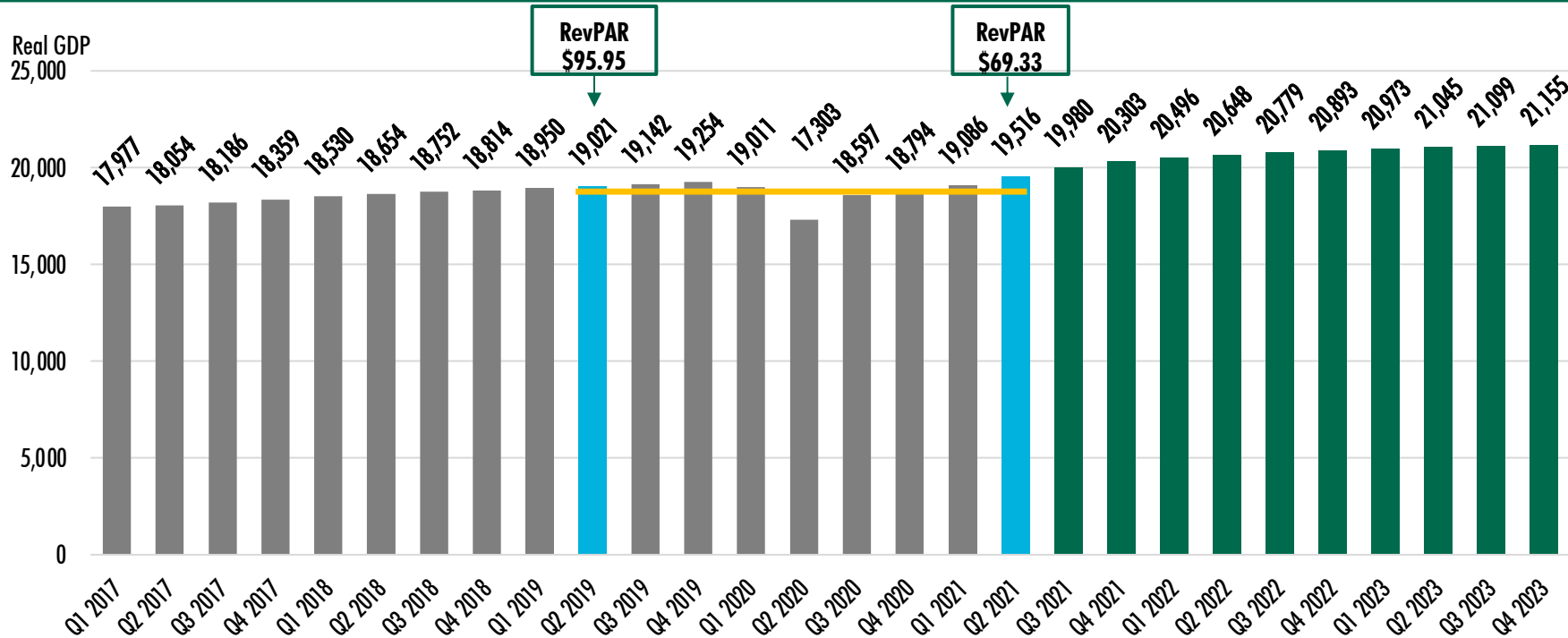
---

- There are clear winners and laggards. Market level trends are more important than ever. (Slides 28-30)
- 2021 GDP forecasts continue to increase and are up 2.2 percentage points since the beginning of the year. (Slide 5)
- Unemployment is expected to be within 20 bps of pre-pandemic levels by the end of the year. (Slide 9)
- Hotel fundamentals continue to improve led by rate. (Slides 11 - 13)
- International travel restrictions are benefitting US hotels. (Slides 14 - 15)
- Record fixed investment and personal savings, combined with high business confidence bode well for future demand. (Slides 17 - 19)
- Despite headlines of moderating commodity costs, lumber, steel, and labor remain at or near their highs, pressuring future supply growth and bolstering same-store revpar growth this cycle. (Slides 24-26)
- Labor shortages and wage pressures are a headwind to NOI recovery, but operators are smart and have found efficiencies in each of the last cycles. (Slides 32-33)

# The Economy



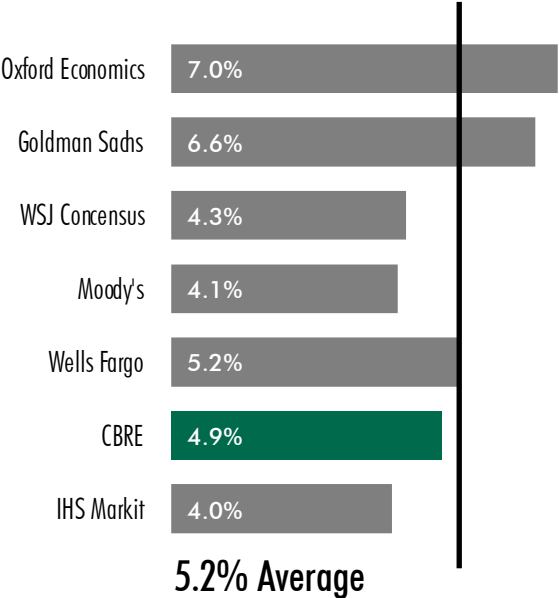
# The Question Is When, Not If, RevPAR Will Recover



Source: CBRE Hotels Research, CBRE EA, BLS, Kalibri Labs  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

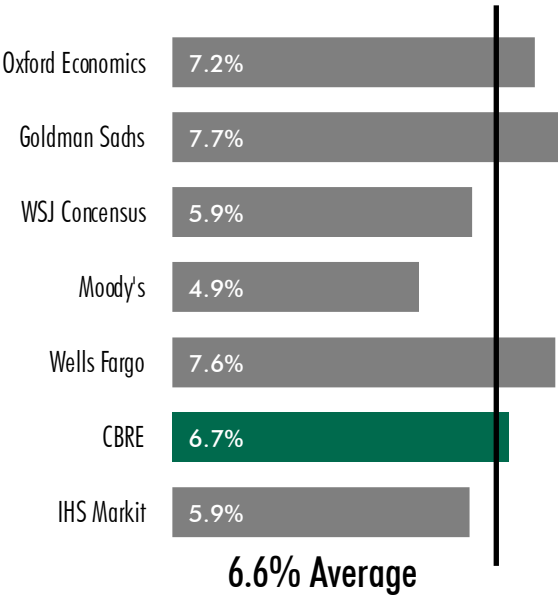
# GDP Forecasts Continue to Increase, +2.2 p.p.

2021 GDP Growth Forecast



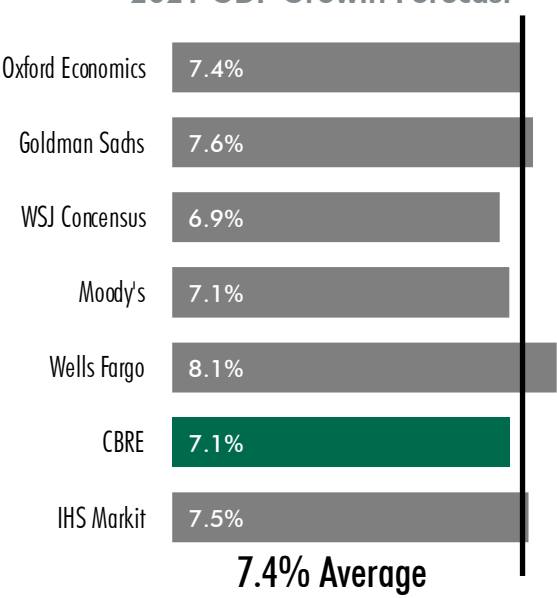
**JANUARY 2021**

2021 GDP Growth Forecast



**APRIL 2021**

2021 GDP Growth Forecast

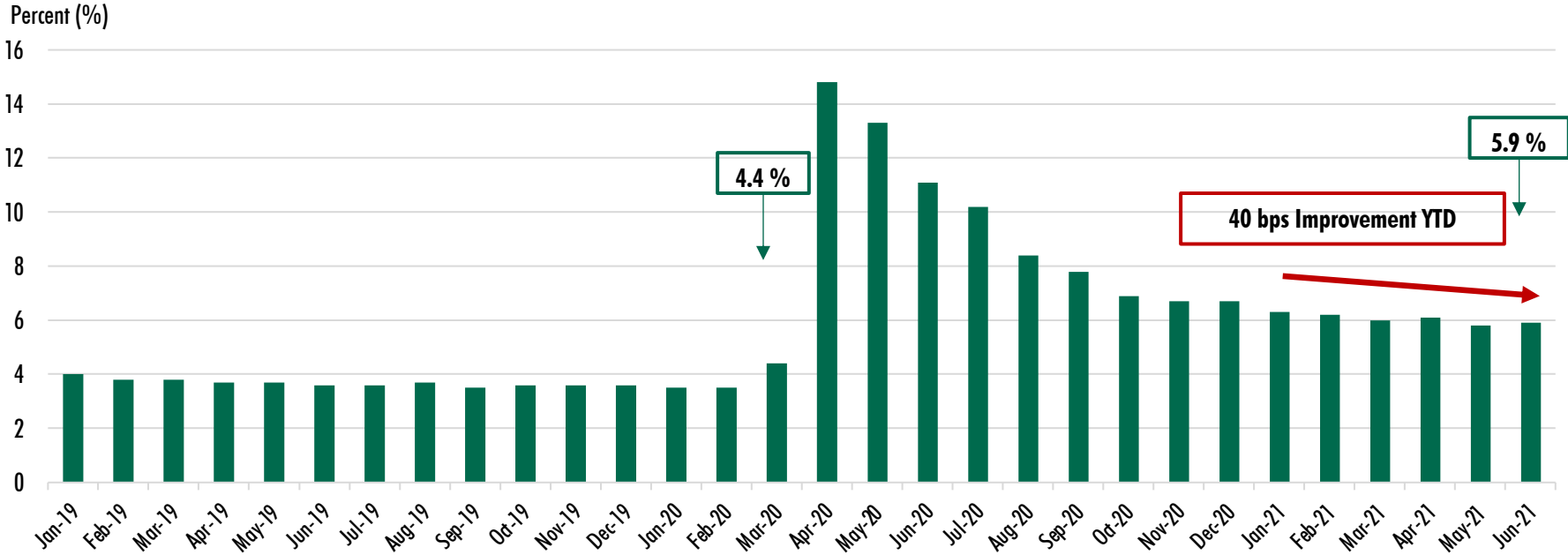


**JULY 2021**

Source: CBRE Hotels Research, CBRE EA, Wall Street Journal.

# Overall Labor Market CBRE Forecasts 4.7% 2021 Unemployment

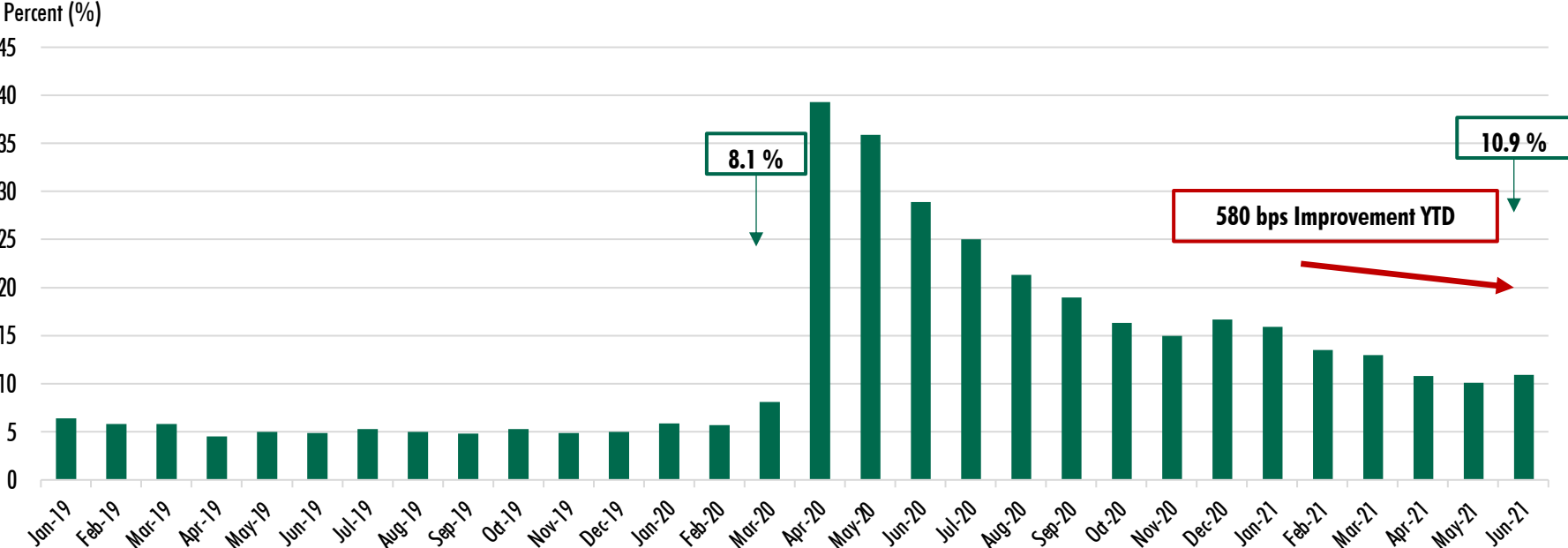
## UNEMPLOYMENT RATE



Source: CBRE Hotels Research, BLS.

# Leisure and Hospitality Labor Market

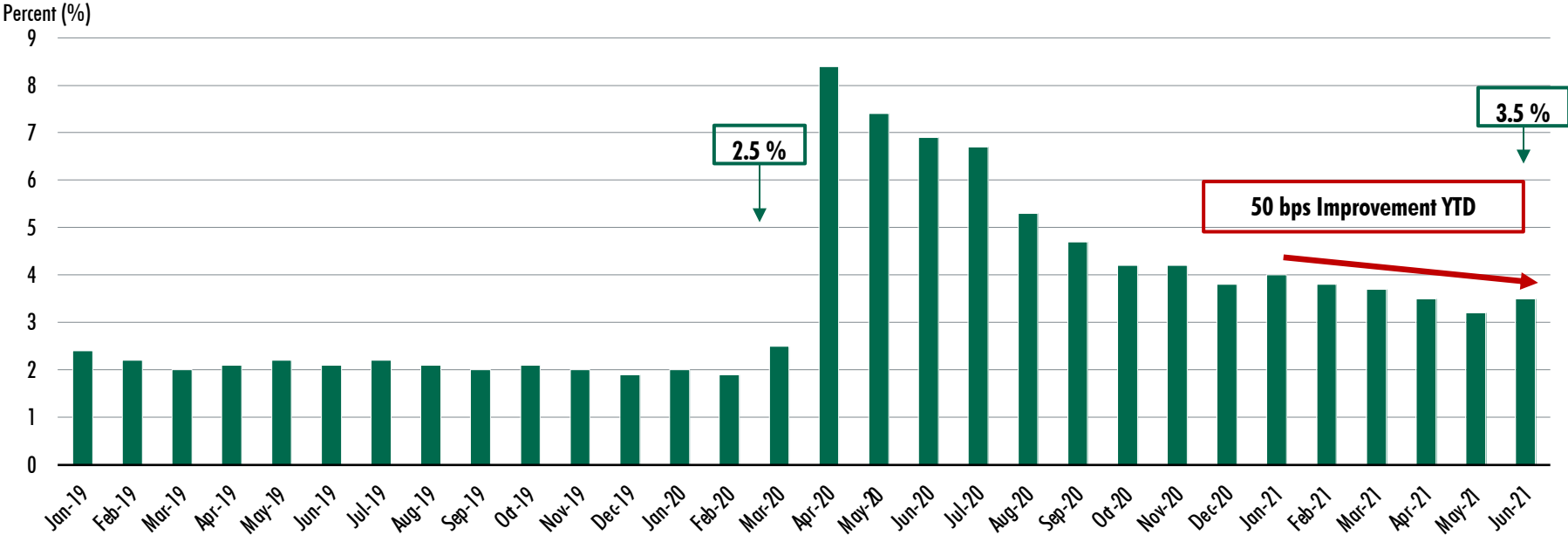
## UNEMPLOYMENT RATE



Source: CBRE Hotels Research, BLS.

# College Educated Labor Market

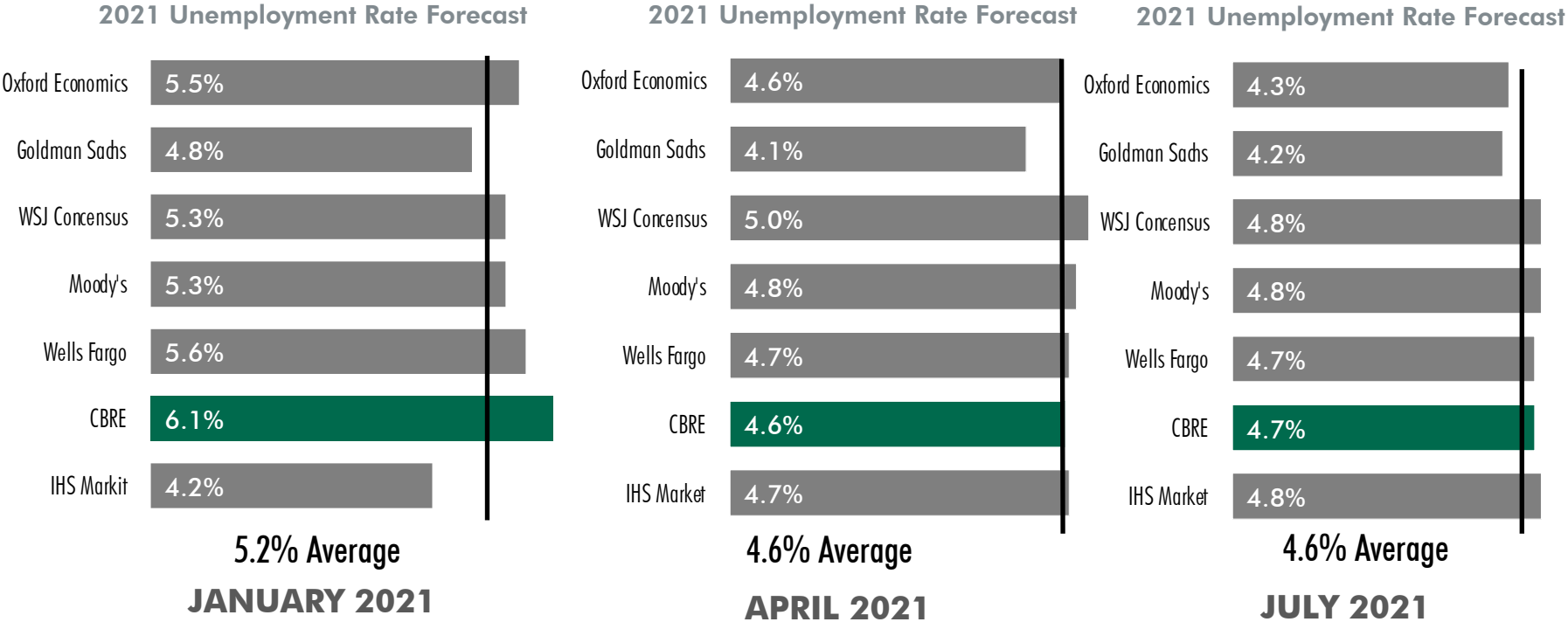
## UNEMPLOYMENT RATE – BACHELOR'S DEGREE AND HIGHER, 25 YRS. & OVER



Source: CBRE Hotels Research, BLS.



# Unemployment Expected to be Within 20 bps of Pre-pandemic Levels



Source: CBRE Hotels Research, Wall Street Journal, CBRE EA.

# Current Trends

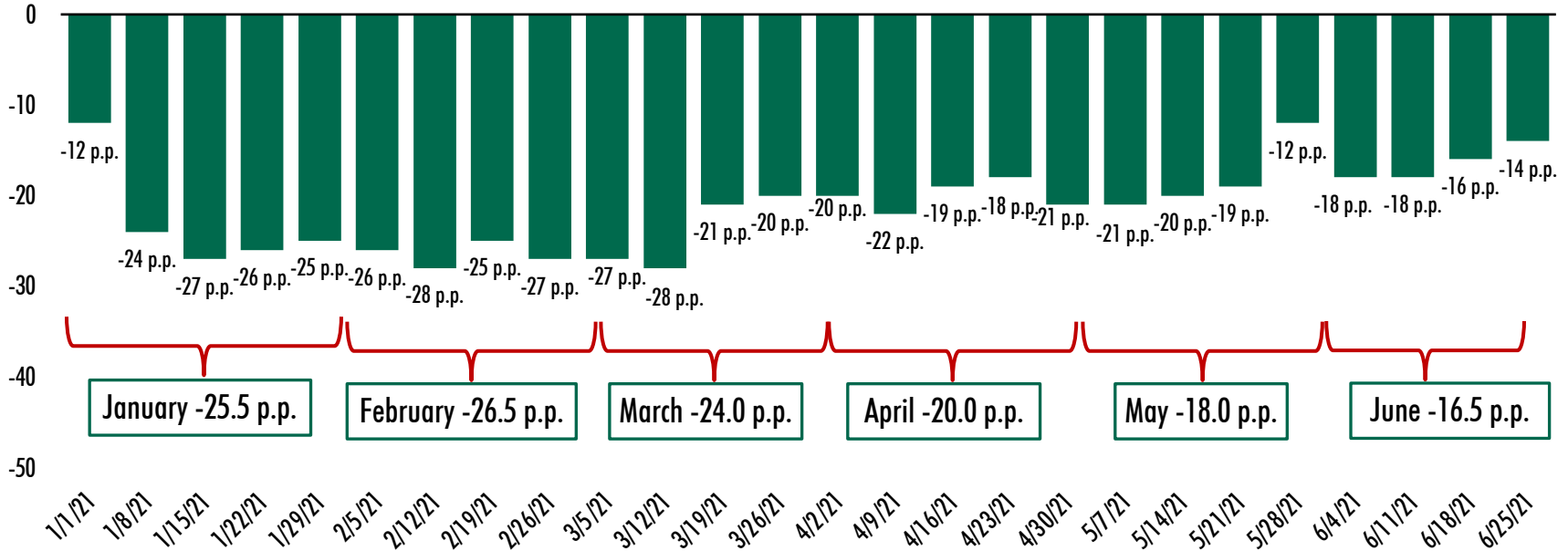


# Rebounding Hotel Performance

## US WEEKLY OCCUPANCY

Percentage Points

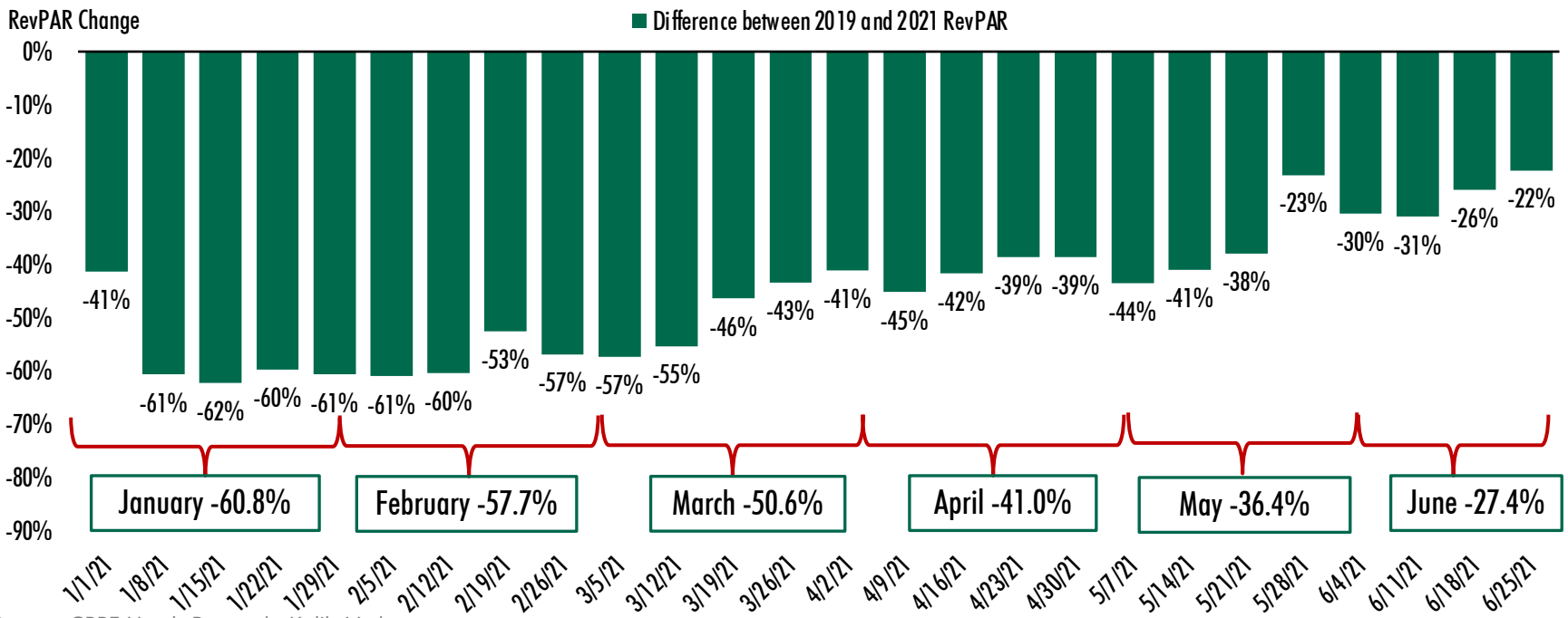
■ Difference Between 2021 and 2019 Occupancy



Source: CBRE Hotels Research, Kalibri Labs.

# Rebounding Hotel Performance

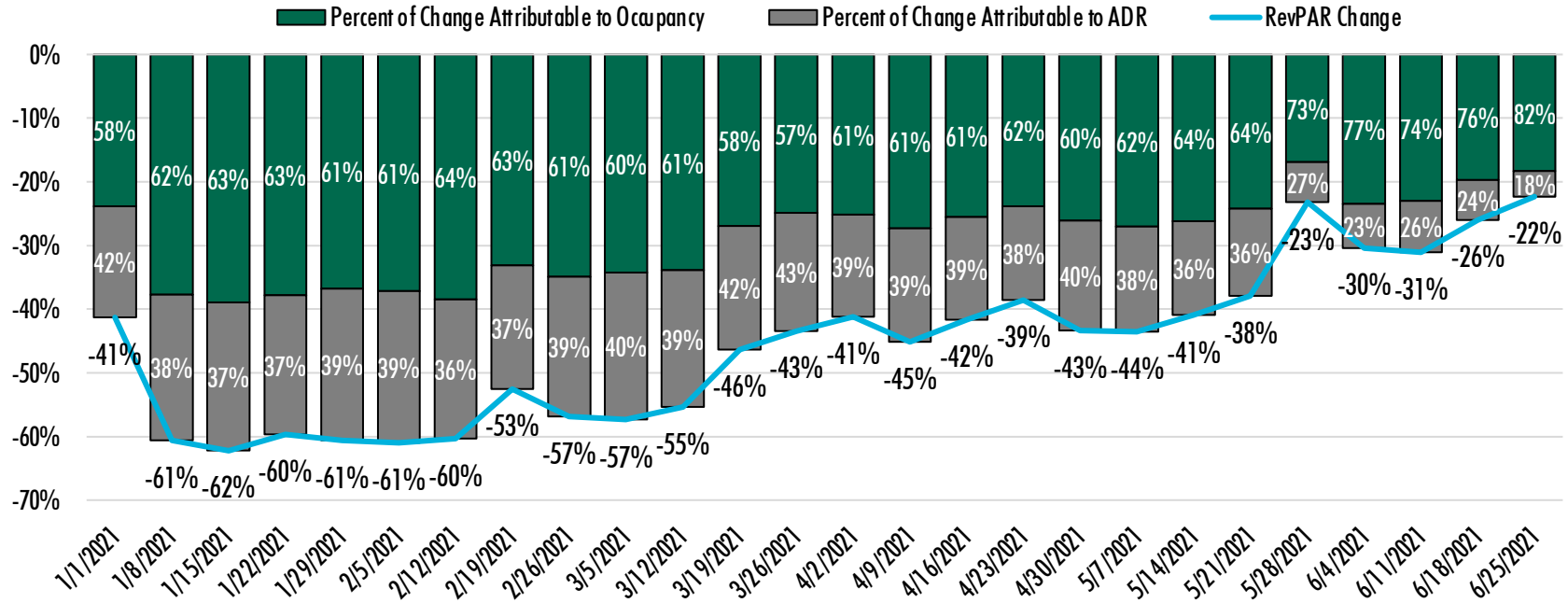
## US WEEKLY REVPAR



Source: CBRE Hotels Research, Kalibri Labs.

# Breaking Down 2021 RevPAR Decline

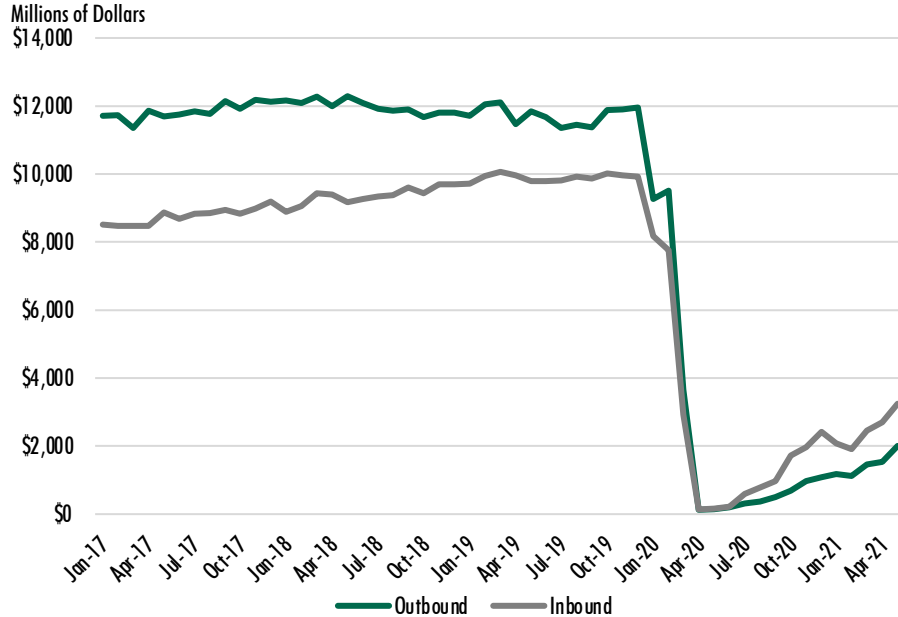
RELATIVE TO 2019 THE BULK OF THE SHORT FALL IS FROM OCCUPANCY



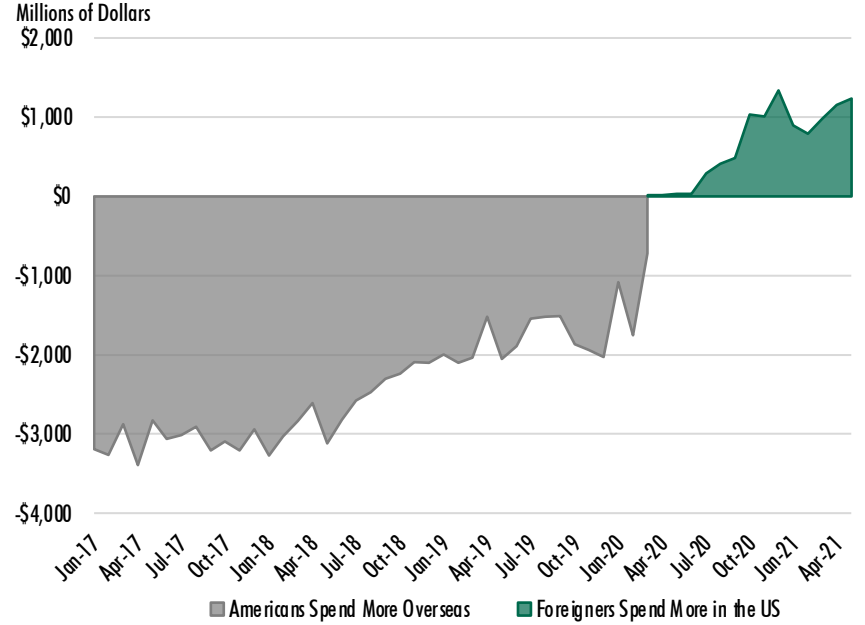
Source: CBRE Hotels Research, Kalibri Labs.

# International Travel Restrictions Are Benefitting US Hospitality

## INTERNATIONAL TRAVEL SPENDING



## INTL. TRAVEL RESTRICTIONS BENEFIT US HOTELS



Source: CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

# US Border Entrants By Country

## YEAR TO DATE APRIL 2019

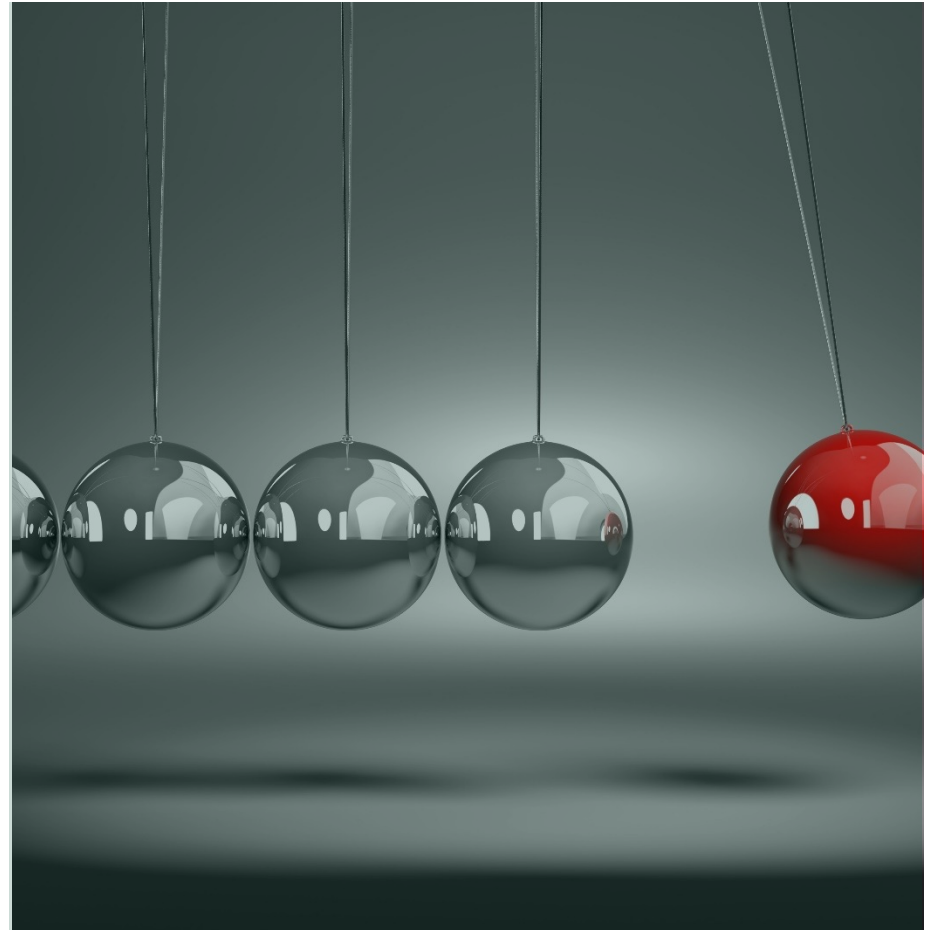
Rank	Country
1	Canada
2	Mexico
3	United Kingdom
4	Japan
5	China, PRC (excluding Hong Kong)
6	Brazil
7	South Korea
8	Germany
9	France
10	India

## YEAR TO DATE APRIL 2021

Rank	Country
1	Mexico
2	Canada
3	Colombia
4	India
5	Dominican Republic
6	Ecuador
7	Peru
8	Argentina
9	Honduras
10	Venezuela

Sources: U.S. Department of Commerce, ITA, I&A, National Travel and Tourism Office (NTTO) I-94 Program, Statistics Canada, and Instituto Nacional de Estadística y Geografía/INEGI (Banco de Mexico).

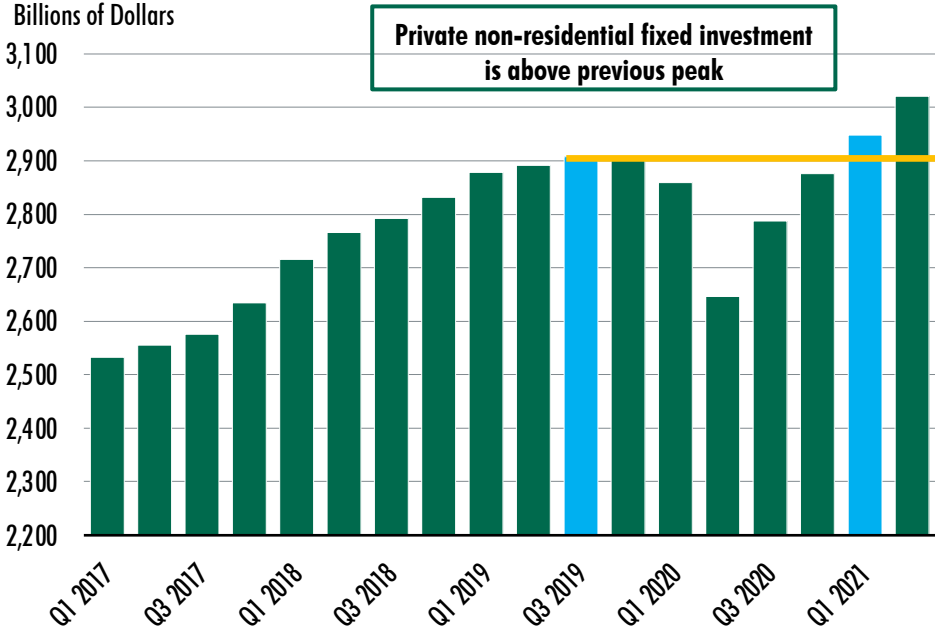
# Leading Indicators



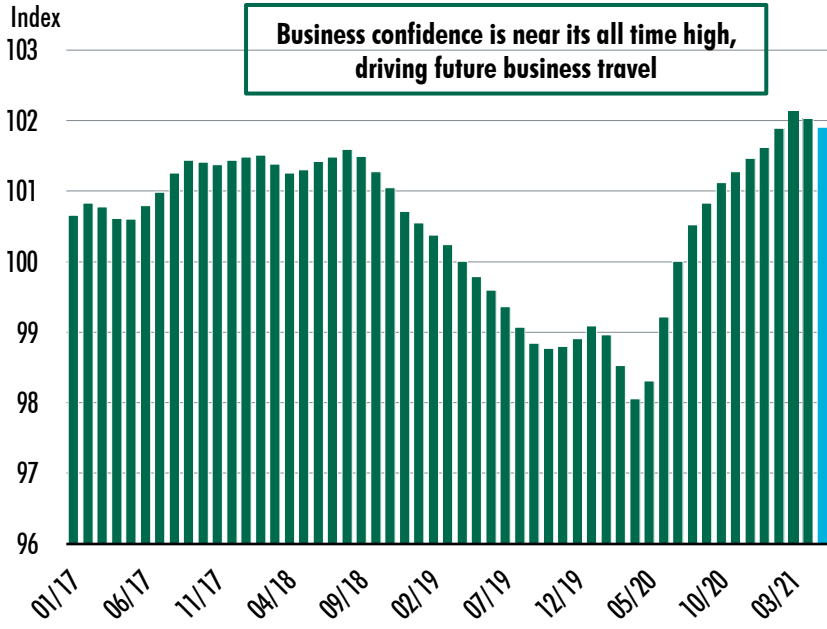


# Record Fixed Investment and High Business Confidence

## PRIVATE NONRESIDENTIAL FIXED INVESTMENT



## BUSINESS CONFIDENCE INDEX

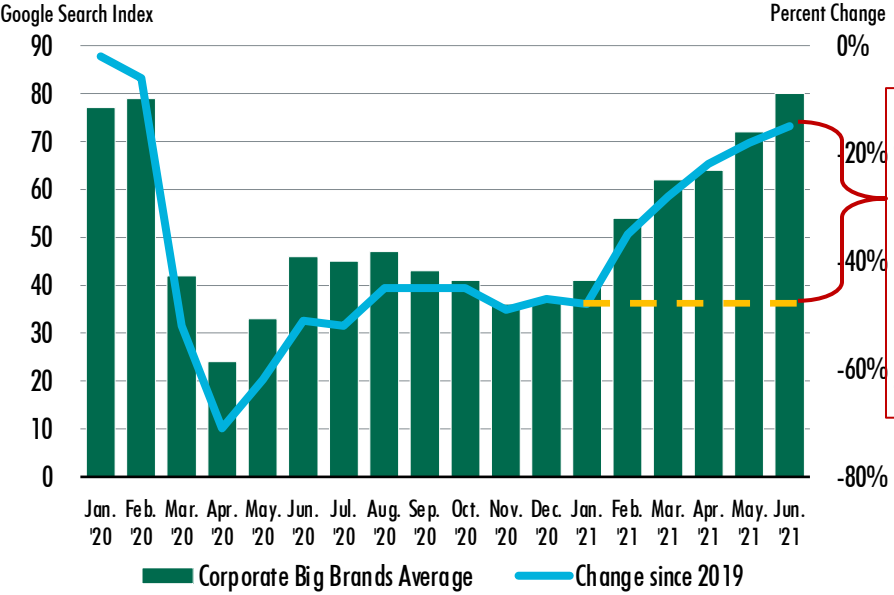


Source: CBRE Hotels Research, BLS, OECD.  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

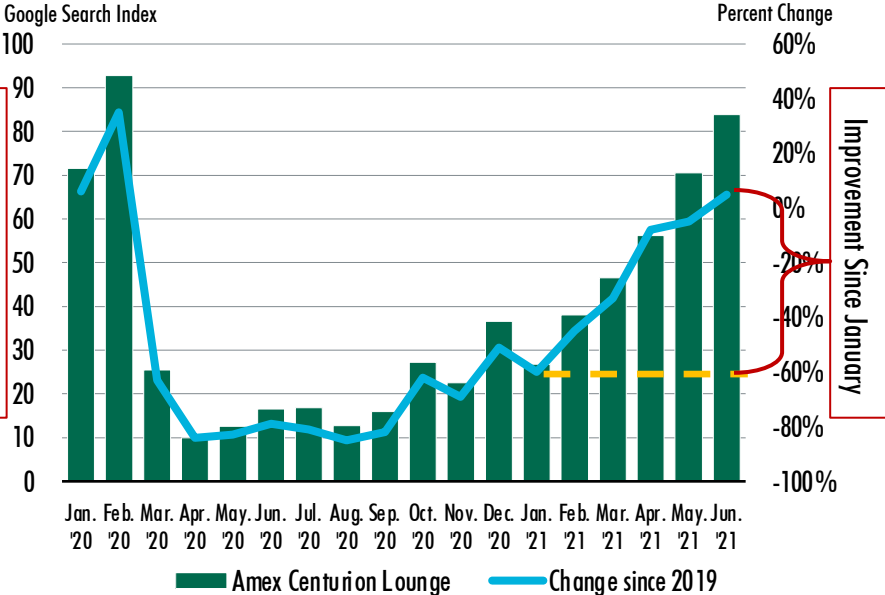
# Google Trends Analysis Business Travel Recovery

## BUSINESS TRAVEL LEADING INDICATORS

### Corporate Big Brands Average



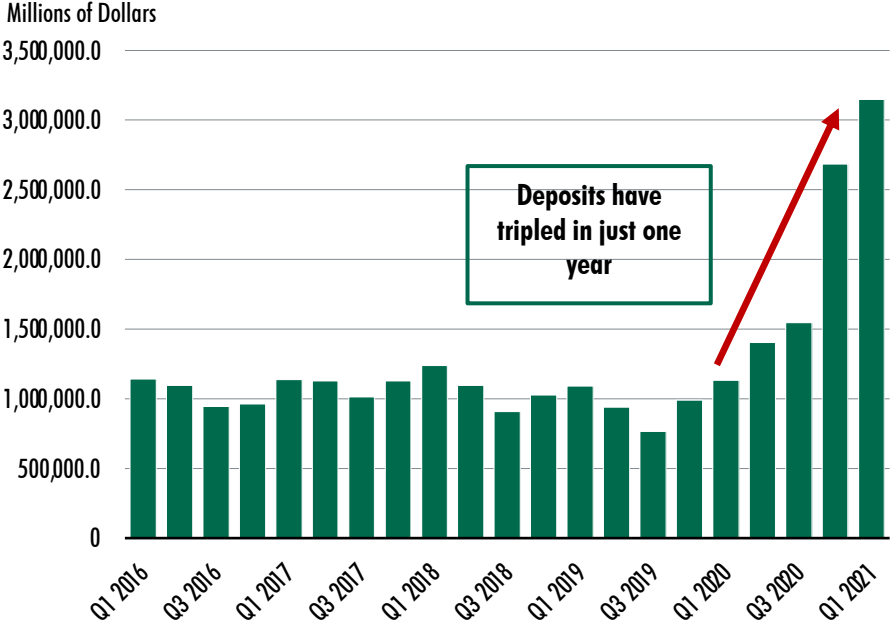
### Amex Centurion Lounge



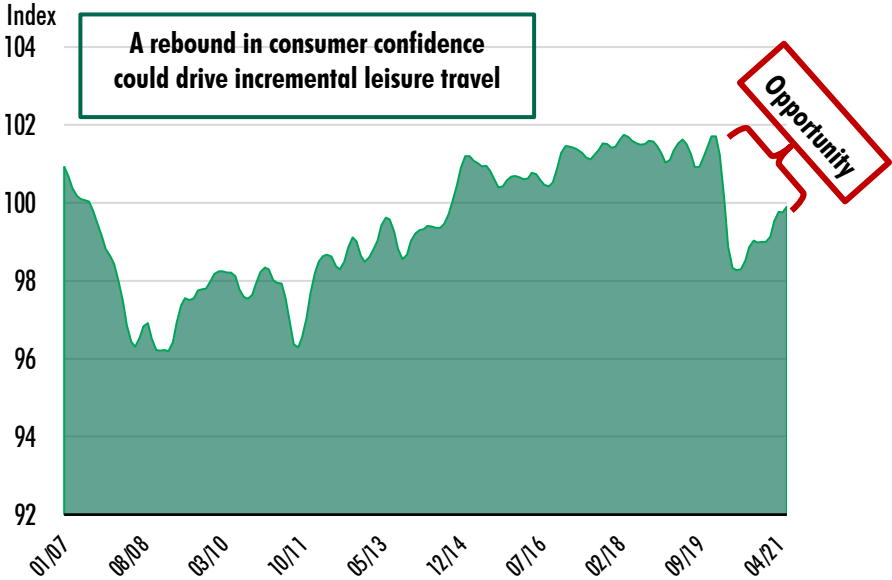
Source: CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, Amex Lounge, Centurion Lounge

# Record Level Household Savings But Consumer Confidence is Lagging

## HOUSEHOLD CHECKABLE DEPOSITS



## CONSUMER CONFIDENCE INDEX

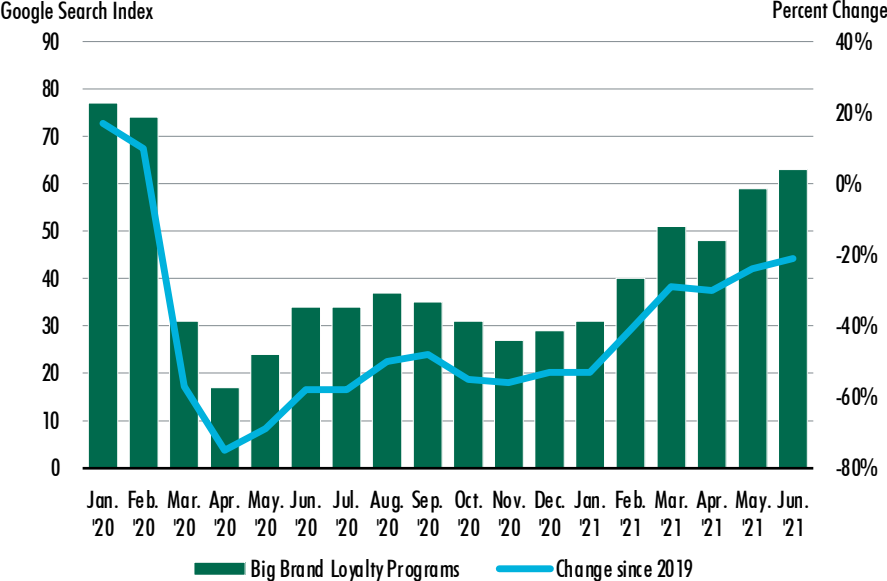


Source: CBRE Hotels Research, BLS, OECD.

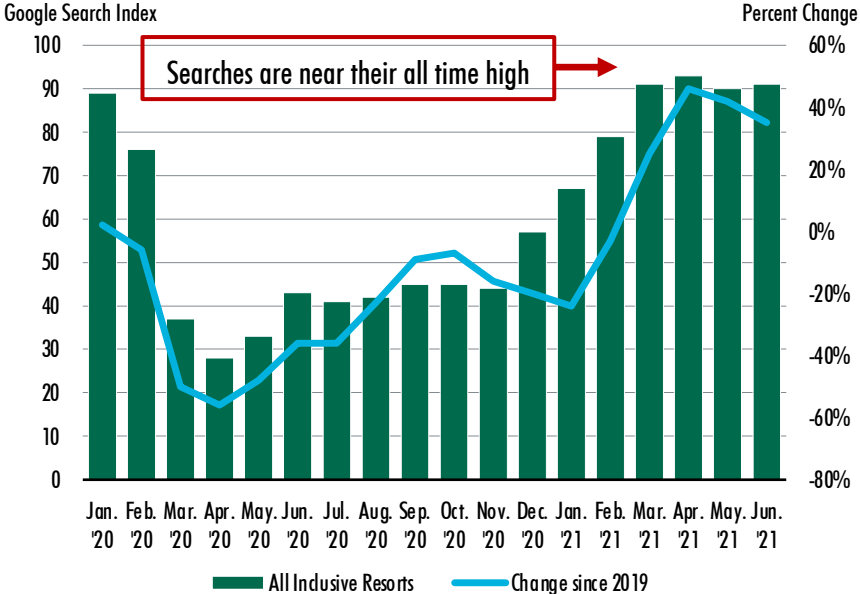
# Google Trends Analysis Leisure Travel Recovery

## LEISURE TRAVEL LEADING INDICATORS

### Big Brand Loyalty Programs



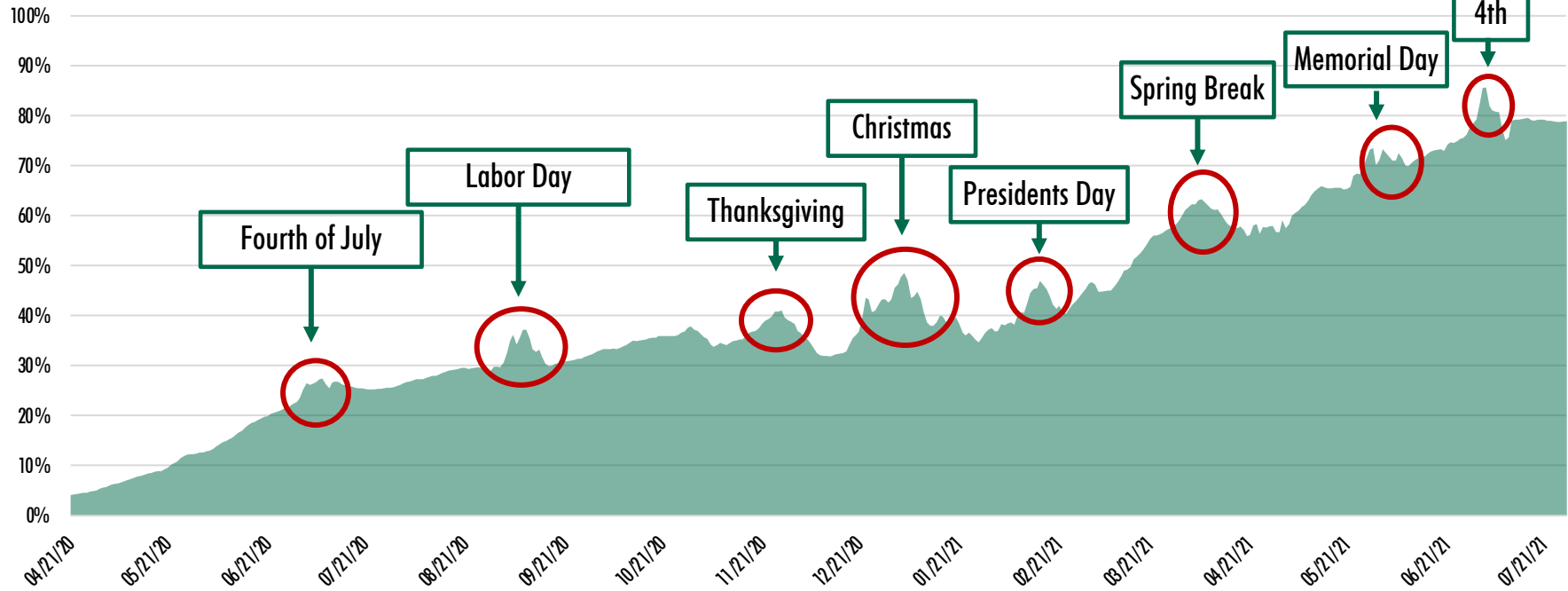
### All Inclusive Resorts



Source: CBRE Hotels Research, Google Trends. Key words: Bonvoy, Hilton Honors, World of Hyatt, IHG Rewards, All-inclusive Resort.

# Its Not Just A Leisure Recovery Air Travel Increases outside of Holidays

TSA THROUGHPUT AS A PERCENT OF 2019 LEVELS



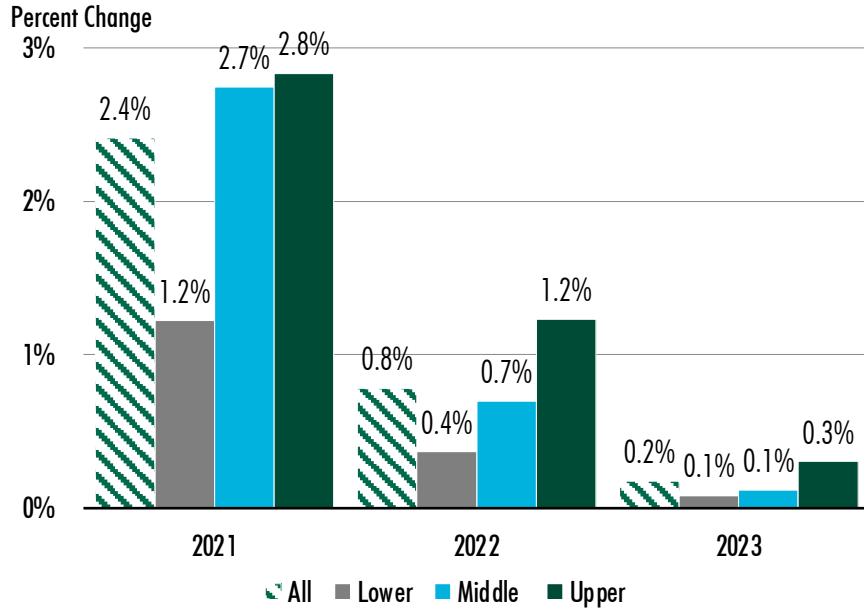
Source: CBRE Hotels Research, TSA.

# Supply

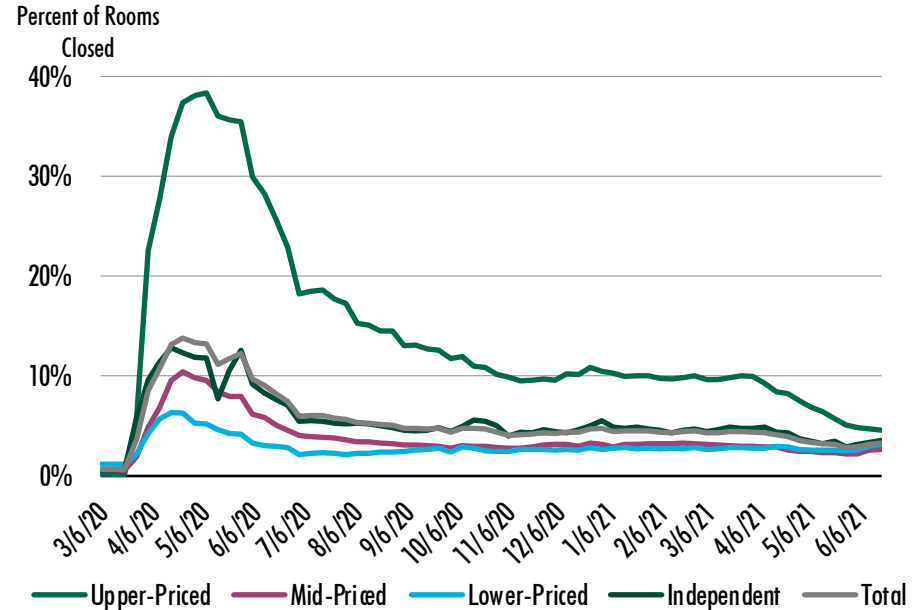


# New Projects + Re-openings Represent Above Average Supply Growth

## “IN CONSTRUCTION” SUPPLY GROWTH



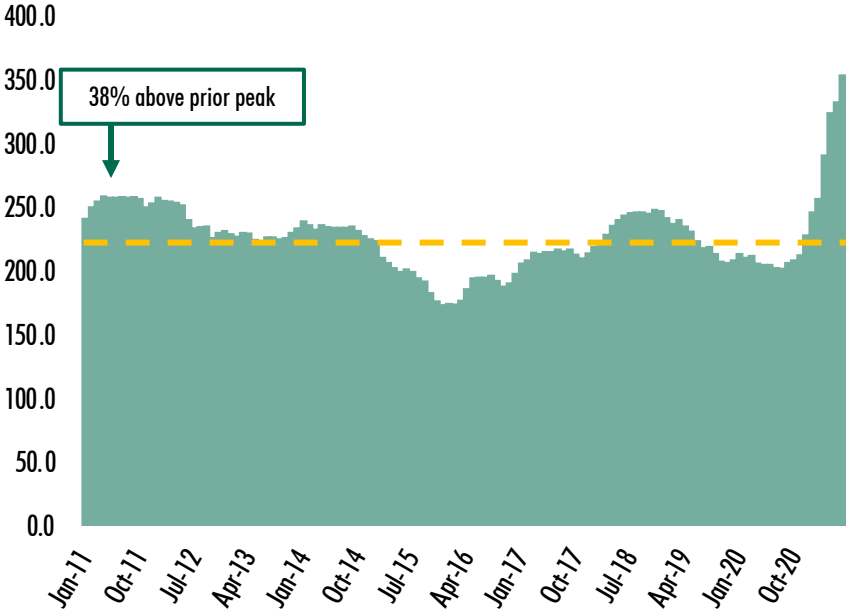
## 3.0% OF ROOMS REMAIN CLOSED



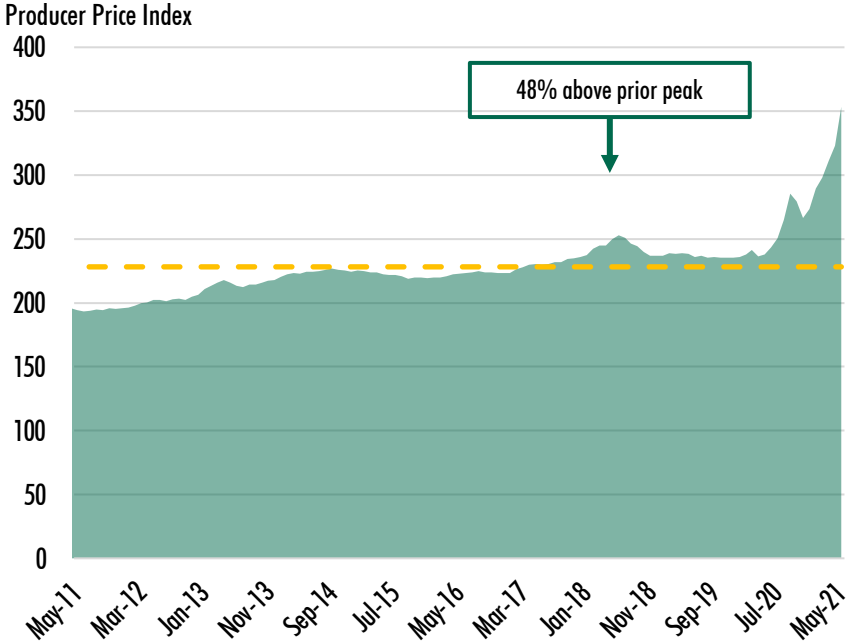
Source: CBRE Hotels Research, Kalibri Labs, Dodge Data Analytics

# Construction Inputs are More than 50% Above their Long Run Averages

## STEEL AND IRON



## LUMBER AND WOOD PRODUCTS

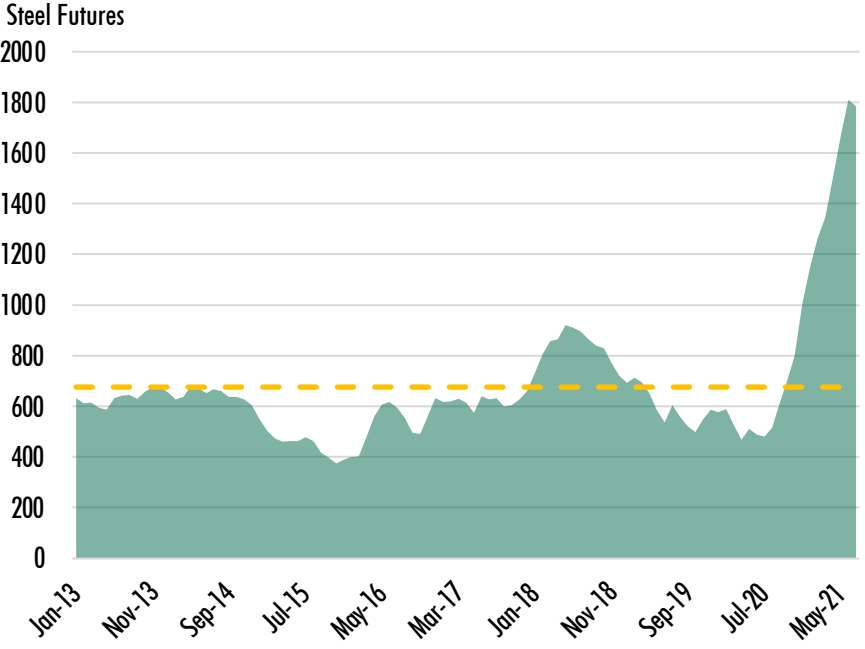


Source: CBRE Hotels Research, BLS

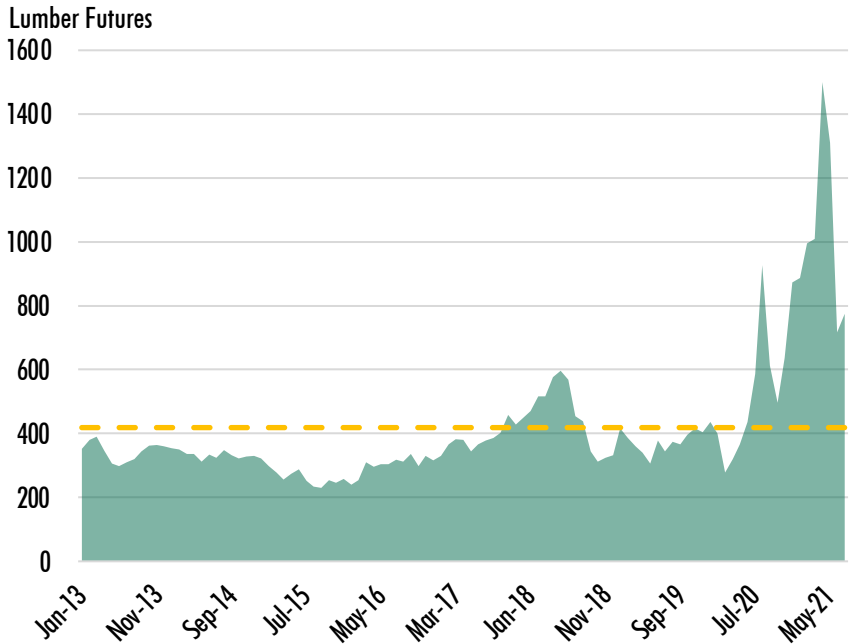


# Futures Pricing Indicate Continued Headwinds

## STEEL FUTURES



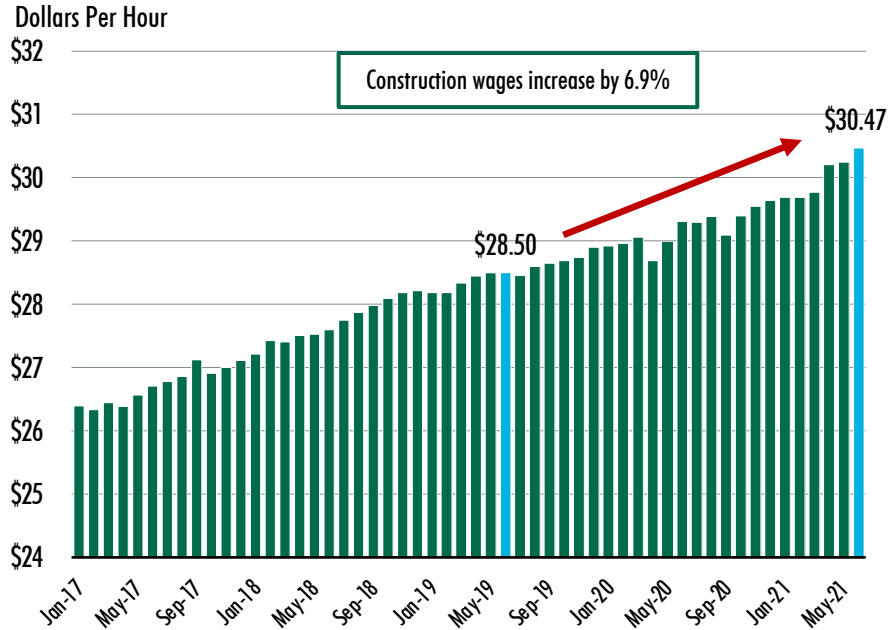
## LUMBER FUTURES



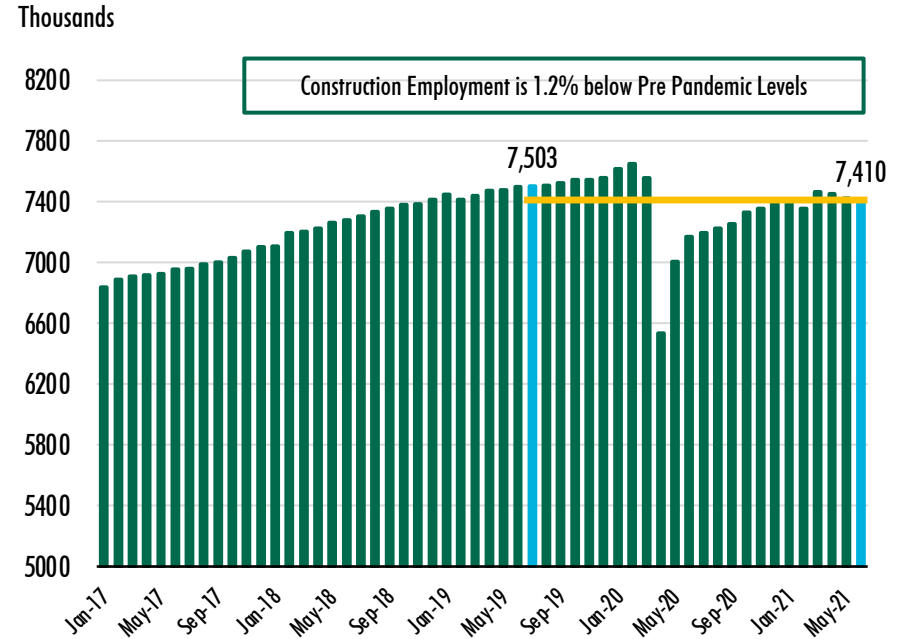
Source: CBRE Hotels Research, CME Group

# Higher Wages and Employment Headwinds New Construction

## CONSTRUCTION WAGES



## NUMBER OF CONSTRUCTION EMPLOYEES



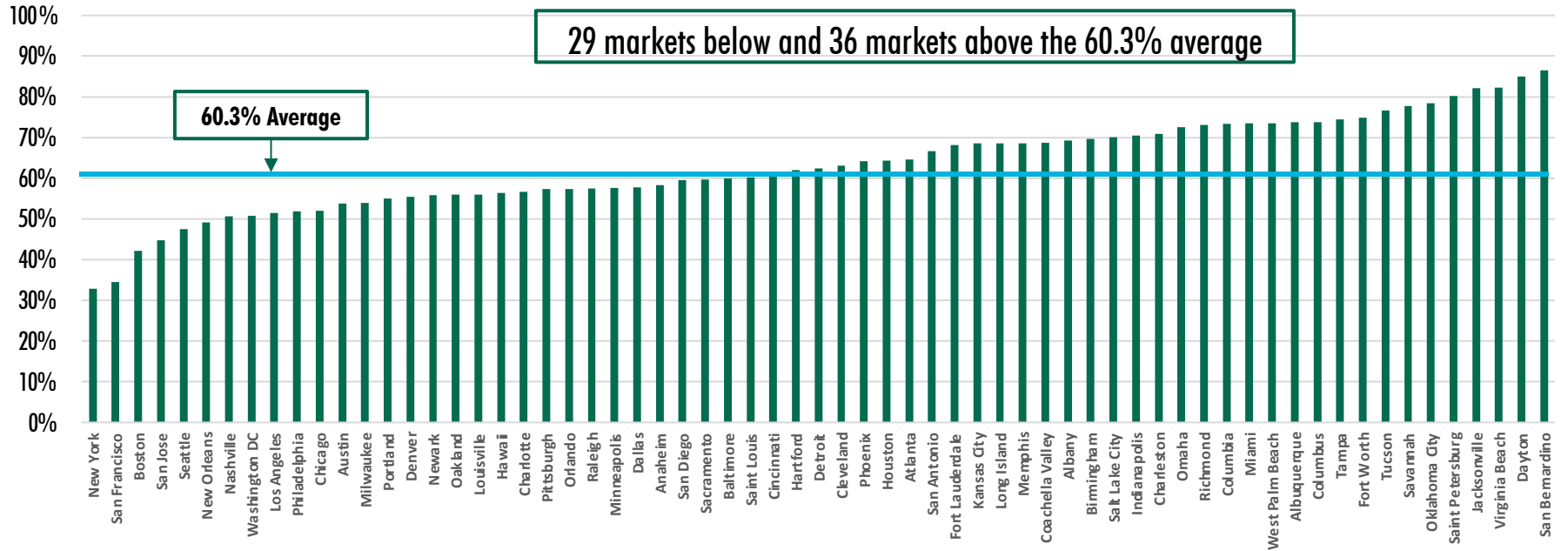
Source: CBRE Hotels Research, BLS

# Current Forecast



# CBRE Hotel Horizons® US Lodging Forecast By Market

## 2021 REVPAR AS A PERCENT OF 2019

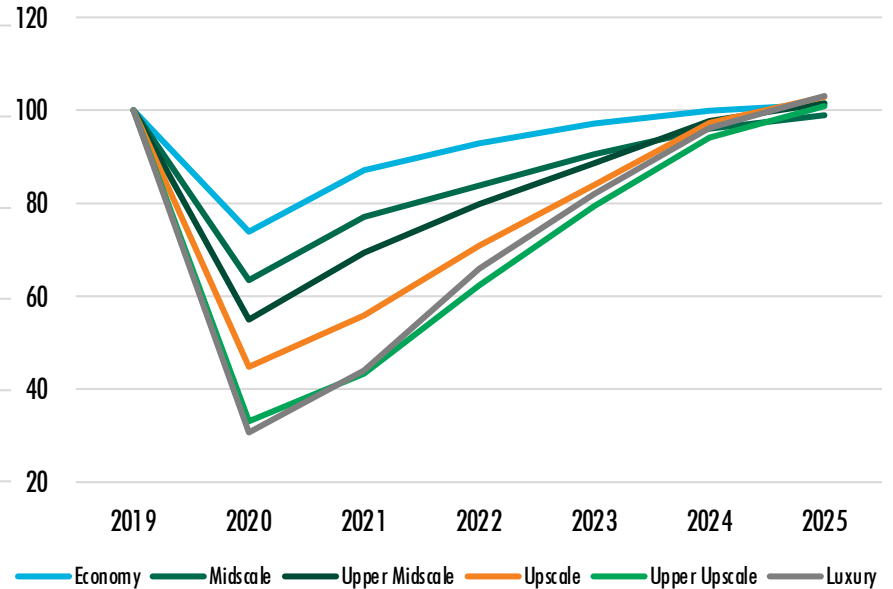
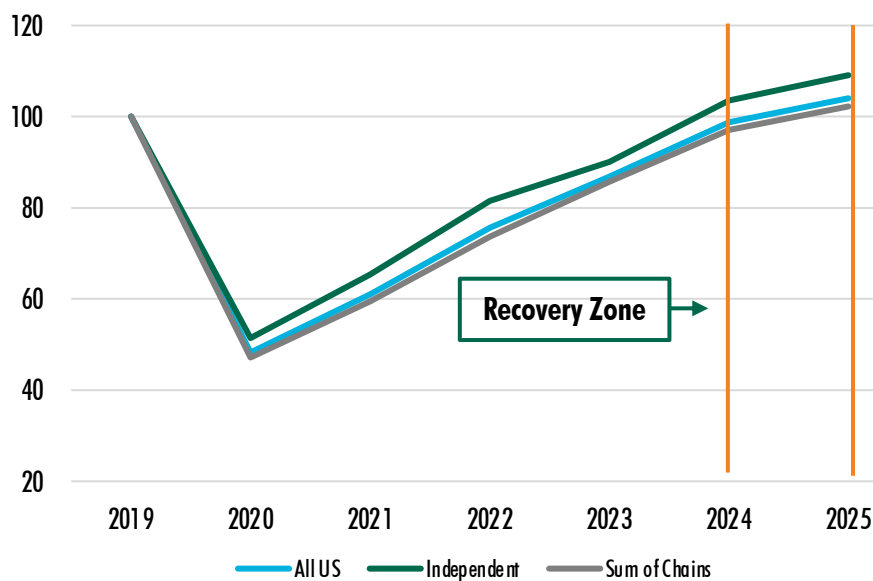


Source: CBRE Hotels Research, Kalibri Labs.

# CBRE Hotel Horizons®

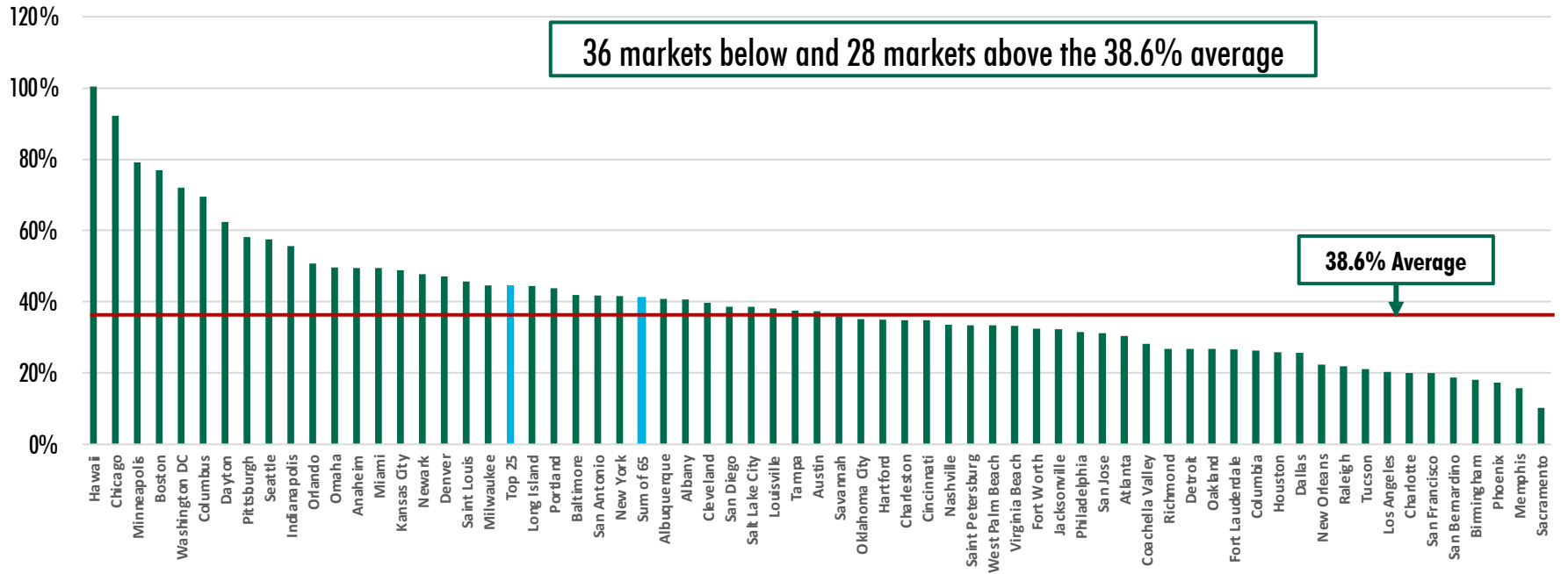
## US Lodging Forecast By Chain Scale

### REVPAR INDEXED TO 2019 LEVELS



# CBRE Hotel Horizons® US Lodging Forecast By Market

## 2021 REVPAR GROWTH



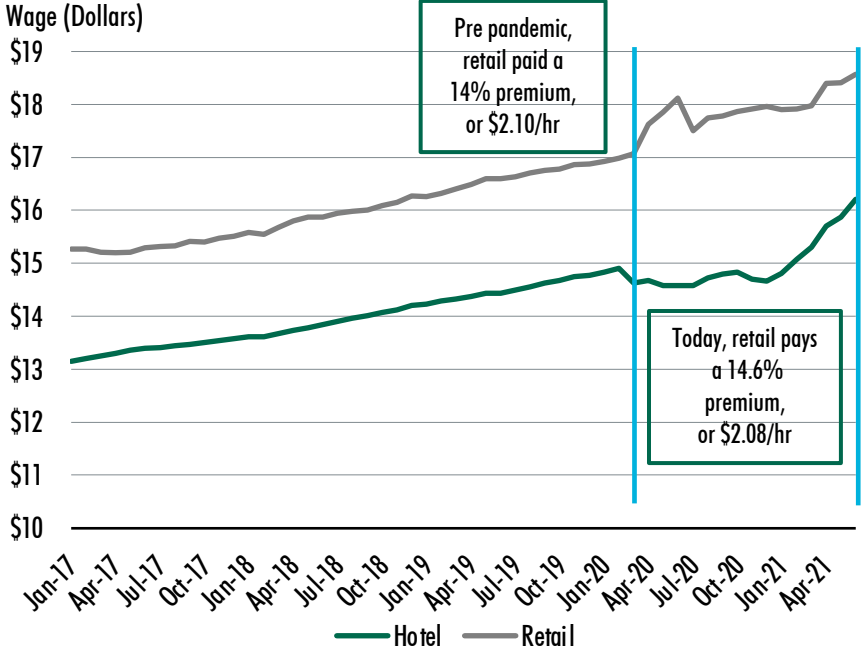
Source: CBRE Hotels Research, Kalibri Labs.

# Operating Performance

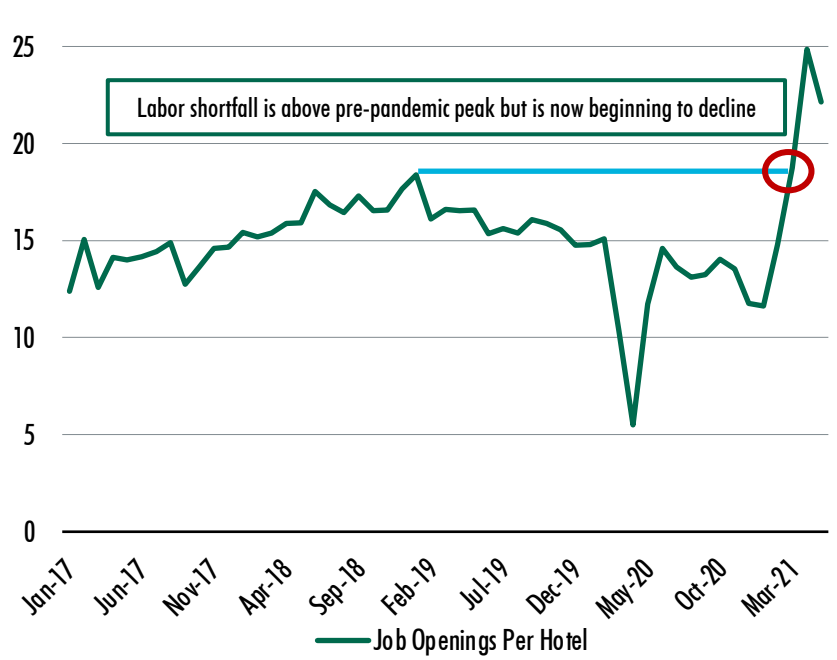


# Hotel Operators Continue To Confront a Challenging Labor Environment

## WAGE PRESSURES A HEADWIND TO MARGINS



## JOB OPENINGS PER HOTEL ARE INCREASING

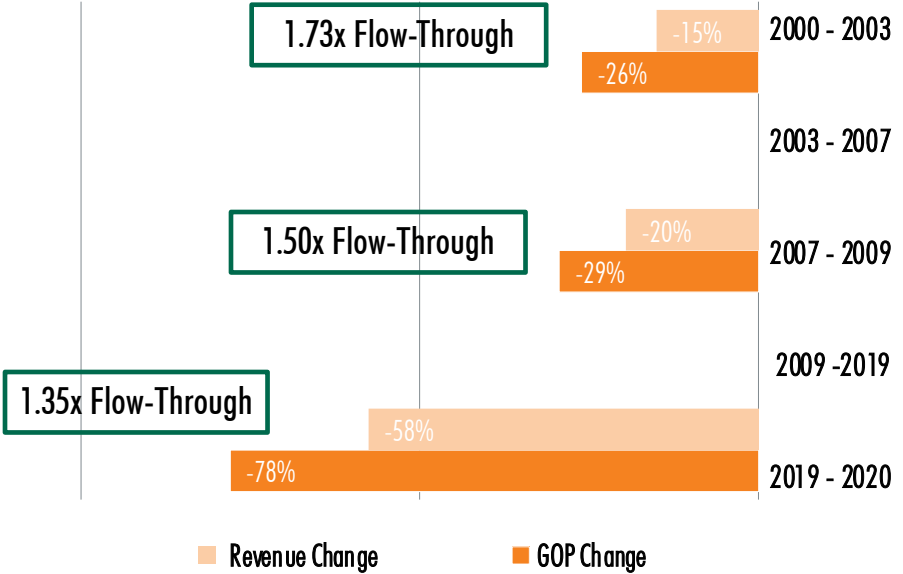


Source: CBRE Hotels Research, BLS, CoStar  
 U.S. HOTEL OUTLOOK | CBRE HOTELS RESEARCH

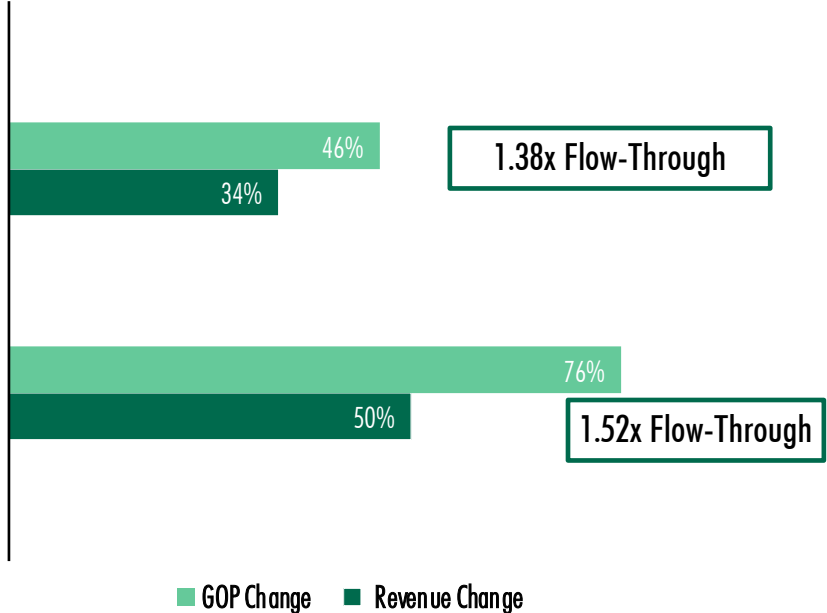


# Operators have Become More Efficient With Each Cycle

## CONTRACTION



## EXPANSION



Source: CBRE Hotels Research, CBRE Econometric Advisors.

# Thank You

## **WILL WEBSTER**

Sr. Research Analyst  
CBRE Hotels Research  
+1 404-326-9288  
[Will.Webster@cbre.com](mailto:Will.Webster@cbre.com)

## **RACHAEL ROTHMAN, CFA**

Head of Hotels Research and Data Analytics  
CBRE Hotels  
+1 804-201-2004  
[Rachael.Rothman@cbre.com](mailto:Rachael.Rothman@cbre.com)

**CBRE**

This presentation has been prepared in good faith based on CBRE's current views of the commercial real-estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change. Nothing in this presentation should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities – of CBRE or any other company – based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this presentation, you waive all claims against CBRE and the presenter as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.