

Marcus & Millichap

2023

HOSPITALITY

*National
Investment Forecast*



TO OUR VALUED CLIENTS

The hospitality sector entered 2023 on comparably strong footing, with generally robust performance metrics supporting the sector. Domestic leisure travel has returned in force, lifting national occupancy above its long-term average and propelling daily room rates well beyond pre-pandemic figures. Business and international travel are also trending in positive directions. A larger convention slate this year should aid weekday hotel demand, while fewer border restrictions ease trips between countries. The horizon is nevertheless not free of headwinds.

Travel costs have been on the rise, led by generally higher airfares, fuel costs and hotel rates. While pent-up wanderlust has so far compensated for still-high inflation, the potential for a recession-driven pullback in spending remains a credible risk this year. Scenic destinations that have outperformed in recent years may begin to revert to traditional demand levels, while larger gateway markets and business hubs could get a lift. Businesses have suggested they may boost business travel this year, which, combined with additional international visitation, is poised to drive recovery in many of the nation's larger hospitality markets.

Improving property fundamentals have restored broad confidence in the hotel sector among investors. Trading was constrained at the start of the year, however, by the Federal Reserve's aggressive series of interest rate increases and the resulting jump in capital costs. Higher cap rates on average than in other property sectors may give investors more options amid higher debt costs, and as interest rates stabilize, buyers should be better able to pursue opportunities among both stabilized hotels and those poised for reimagination.

To help commercial real estate investors capitalize on the nuances of the current climate, Marcus & Millichap presents the 2023 Hospitality National Investment Forecast. As always, our investment brokerage and financing specialists across the U.S. and Canada are at your disposal, providing street-level investment guidance to empower your decisions.

Thank you and here's to your continued success,



BIRAN PATEL
Senior Vice President/Director
Hospitality Division



JOHN CHANG
Senior Vice President/Director
Research & Advisory Services

National Perspective

Executive Summary.....	3
U.S. Economy.....	4
U.S. Hospitality Overview.....	5
U.S. Capital Markets.....	6
U.S. Hospitality Investment Outlook.....	7
2023 Leisure Travel Outlook.....	8
2023 Business Travel Outlook.....	9
National Occupancy & ADR Trends.....	10
National Supply & Demand Trends.....	11

Market Overviews

Atlanta.....	12
Austin.....	13
Boston.....	14
Charlotte.....	15
Chicago.....	16
Cincinnati.....	17
Cleveland.....	18
Dallas-Fort Worth.....	19
Denver.....	20
Detroit.....	21
Fort Lauderdale.....	22
Houston.....	23
Indianapolis.....	24
Jacksonville.....	25
Las Vegas.....	26
Los Angeles.....	27
Miami-Dade.....	28
Minneapolis-St. Paul.....	29
Nashville.....	30
New York City.....	31
Orange County.....	32
Orlando.....	33
Philadelphia.....	34
Phoenix.....	35
Portland.....	36
Riverside-San Bernardino.....	37
Salt Lake City.....	38
San Antonio.....	39
San Diego.....	40
San Francisco.....	41
Seattle-Tacoma.....	42
St. Louis.....	43
Tampa-St. Petersburg.....	44
Washington, D.C.....	45

Client Services

Office Locations.....	46-47
Contacts, Sources and Definitions.....	48
Statistical Summary.....	Back Cover

Developed by Marcus & Millichap Research Services. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

National Economy

- Guided by stalwart fiscal and monetary policy support, demand from businesses and consumers boomeranged after early health crisis setbacks. Yet, supply chains were plagued by multi-faceted headwinds that generated an extended period of heightened inflation that stretches into this year. Some individuals accumulated significant savings during the rebound; however, others have become more dependent on debt.
- Following the pandemic lockdowns, many companies aggressively expanded their headcounts, leading to job openings well-exceeding the number of people looking for work. The pendulum has begun to swing in the other direction, however, with businesses across a wide range of industries limiting hiring or reducing staff counts in anticipation of economic headwinds.
- After shedding a net 4 million positions during 2020, the U.S. leisure and hospitality sector climbed within 5 percent of the 2019 tally last year. Despite this, the rebound has not been uniform. Markets like San Francisco and New York City have sector deficits, while several Florida and Texas locations have surpluses. In 2023, some beleaguered metros are set to make strides, while a handful of pandemic hotspots take a step back.

National Hotel Overview

- Abundant domestic leisure travel drove up hotel room demand last year to its third-highest total on record, helping lift ADR and RevPAR to new all-time highs. Domestic tourism may take a step back in 2023, however. Generally higher airfare, fuel costs and room rates weigh on the travel budgets of many households, while reopening international destinations may draw away some more affluent travelers.
- A growing share of travel managers anticipate their companies will take more business trips this year. Meanwhile, inbound international tourism is positioned to elevate even further in 2023, highlighted by easing travel restrictions from China and Japan. The increase in trips, following previous pandemic constraints, will help make up for the expected slowdown in domestic travel.
- More households may curtail or change their leisure trips, due to high inflation and economic uncertainty. Areas that have outperformed recently, such as Southeast Florida, Las Vegas and Austin, could be impacted. Instead, the nation's larger gateway metros — including New York City, Washington, D.C., Los Angeles and San Francisco — are expected to drive much of the growth in 2023.

Capital Markets

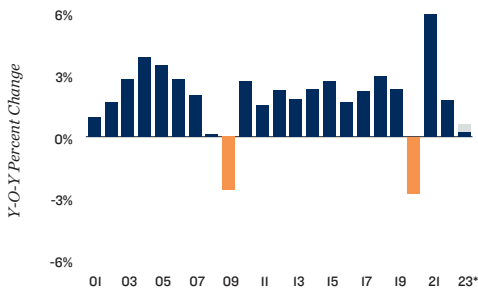
- The period of pandemic-induced accommodation by the Federal Reserve came to an abrupt halt last year, when the central bank began reducing its balance sheet and rapidly raising the federal funds rate. The fastest pace of rate hikes since the early 1980s pushed up other capital benchmarks, including U.S. treasuries and SOFR. The Federal Open Market Committee continued to inch up rates earlier this year, albeit at a moderated pace, opening the door for a pause this year. The consistency should allow lenders and borrowers to better find common ground.
- Capital availability for hotel investment sales has improved since the operational turmoil felt during 2020 and 2021. Some lingering risks and the Fed's quantitative tightening measures have nevertheless kept lenders cautious and pushed up spreads. While terms will vary, limited or select-service assets with strong fundamentals in well-traveled locations are most favored among capital providers. Hotels continuing to contend with severe cash flow challenges face greater financing hurdles.

Hotel Investment Outlook

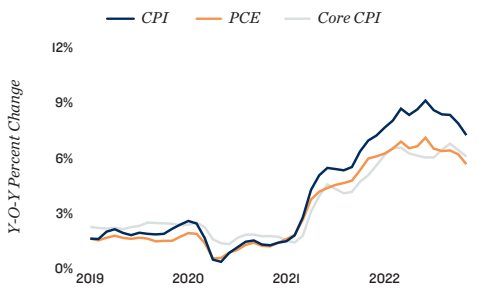
- Extraordinary growth in nationwide ADR and RevPAR over the past two years is supporting buyer activity for hotels. Interest rate hikes from the Federal Reserve and the resulting surge in debt costs have slowed the near-term outlook for sales activity, however, as buyers and sellers are misaligned on pricing. This expectations gap is anticipated to remain until interest rates stabilize. Many of the buyers working through these hurdles are focusing on limited-service establishments, which generally proved their resilience during elevated health concerns.
- Although limited-service hotels continue to make up a significant portion of total trades, investor interest for higher-tier assets is present. Many buyers are optimistic that business travel volume and convention activity will return to more normal levels in the near future, which aid in the investment appeal for these types of properties. Strong revenue growth may also heighten buyer demand for luxury hotels. A softening labor market may help reduce staffing shortages, helping more service-intensive hotels operate a larger number of rooms more consistently.

Economic Pressures Amid Labor Market Uncertainty Will Constrain Leisure Budgets this Year

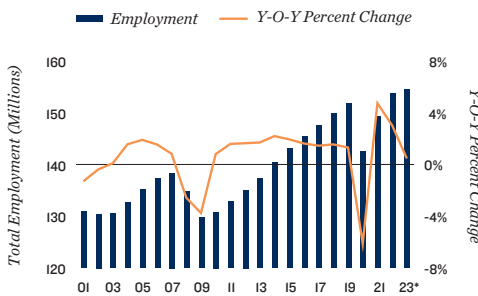
GDP Growth Slows in 2023



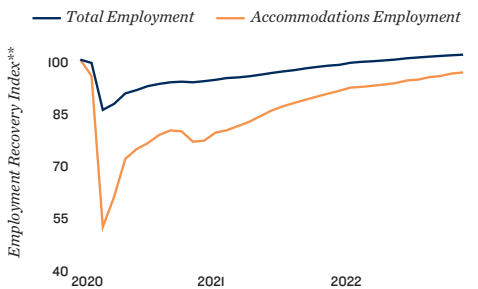
Key Inflation Measures are Elevated



Hiring Pace Trends Down



Hospitality Employment Nears Recovery



Expedited pandemic rebound creates repercussions. Guided by stalwart fiscal and monetary policy support, demand from businesses and consumers boomeranged after early health crisis setbacks. Yet, supply chains were plagued by multi-faceted headwinds that generated an extended period of heightened inflation that stretches into this year. Consumers are adjusting to elevated prices in nearly every category, including necessities like housing and medical care. While the costs of some products that impact travel considerations — like gasoline and airfare — began to soften last year, more progress is needed to curb overall inflation. Some individuals accumulated significant savings during the rebound, positioning them to weather the storm. However, others have become more dependent on debt, and the cost of borrowing has also climbed. These dynamics place additional stress on consumers, causing many to be more cautious in 2023.

Decelerating job market impedes sentiment, but there may be a hidden positive.

Following the pandemic lockdowns, many companies aggressively expanded their headcounts, leading to job openings well-exceeding the number of people looking for work. The pendulum has begun to swing in the other direction, however, with businesses across a wide range of industries limiting hiring or reducing staff counts in anticipation of economic headwinds. As a result, the U.S. employment market during 2023 will likely feature spans of net job loss mixed with stretches of renewed hiring, equating to a mild rate of annual growth. Individuals that lose their source of income, or fear that possibility, could avoid discretionary spending on travel and shy away from planning any major trips. These considerations could impair hotel demand during 2023. Conversely, a shift in employer-employee dynamics may benefit the sector. Many operators have dealt with staff shortages, as job seekers had attractive alternatives. Reduced employment prospects amid inflation could influence more individuals to seek positions with hotel operators.

2023 National Economic Outlook

- **Employment recovery not one-size-fits-all.** After shedding a net 4 million positions during 2020, the U.S. leisure and hospitality sector climbed within 5 percent of the 2019 tally last year. However, the rebound has not been uniform. Markets like San Francisco and New York City had sector deficits larger than 10 percent relative to pre-pandemic figures entering this year, while several locations in Florida and Texas have generated surpluses during the same span. In 2023, some of the more beleaguered metros are expected to make strides, while a handful of pandemic hotspots take a step back.
- **Milder fuel costs should aid road travel, but increases could resurface.** After the average retail price of gasoline nationwide surpassed \$5 for the first time ever last summer, the mean dipped into the mid-\$3 range entering this year. This relative decline could encourage consumers to take road trips during 2023. The outlook does face potential risks, as global fuel supplies remain threatened by the war in Ukraine and OPEC production cutbacks. An escalation in either area could again put pressure on gas prices.
- **Inflation prompts thriftier travel agendas.** The strain on household budgets amid historic price pressures may coax individuals to plan less costly trips this year. Traveling by roadway or taking shorter duration flights could be preferred options for vacations. Hotels located in small towns, along interstates and near areas of natural beauty, may benefit. Additionally, domestic travel, in general, could be favored over international trips.

* Forecast

** Employment Recovery Index: Feb. 2020 = 100

Hospitality Sector Shifts into Slower Recovery Phase; Progress Continues, but Tempered by Economic Hurdles

As national leisure travel crests, business and international trip-taking improve.

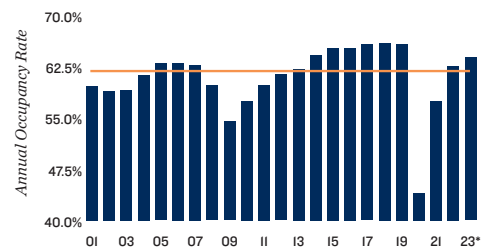
Abundant domestic leisure travel drove up hotel room demand last year to its third-highest total on record, helping lift ADR and RevPAR to new all-time highs. Domestic tourism may take a step back in 2023, however. Generally higher airfare, fuel costs and room rates weigh on the travel budgets of many households, while reopening international destinations may draw away some more affluent travelers. At the same time, other tailwinds are gathering. More than three-fourths of travel managers interviewed in a recent survey anticipated their companies will take more business trips this year. Meanwhile, inbound international tourism is positioned to elevate even further in 2023, highlighted by easing travel restrictions from China and Japan. While the prospects of an upcoming recession will pause some business and international travelers, the increase in trips, following previous pandemic constraints, will still be notable and help make up for the expected slowdown in domestic travel. Hotel occupancy, ADR and RevPAR are all anticipated to improve nationally this year, but by much more familiar and moderated margins.

Economic headwinds impacting where travelers go. Widespread inflation and near-term economic uncertainty are tightening consumers' budgets. As of November 2022, the personal savings rate was at 2.4 percent, near a historical low. More households may curtail their leisure trips as a result, or change their destinations to reduce expenses. Areas that have outperformed recently, such as Southeast Florida, Las Vegas and Austin, could be impacted. Instead, the nation's larger gateway metros — including New York City, Washington, D.C., Seattle-Tacoma, Los Angeles and San Francisco — are expected to drive much of the growth in 2023. These metros were among the hardest-hit during the pandemic, given their heavier reliance on business and international travel, and are therefore positioned for recovery as these types of trips become more frequent. Occupancy in each of these markets is projected to improve by at least 390 basis points this year.

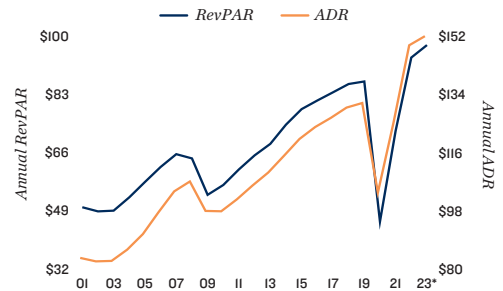
2023 National Hotel Outlook

- **A travel-budget crackdown could still help small markets.** Certain segments of the hospitality sector may benefit from a shift to less expensive trips. Some travelers may opt for more cost-effective vacations to smaller drive-to leisure destinations, such as Charleston, Napa Valley, Northeast Savannah and Sedona. Economy and midscale properties nationally may also benefit from cost adjustments, as guests who typically stay in higher-tier properties opt for less-expensive accommodations.
- **Construction activity accelerates for 2023.** The rapid growth in daily rates and hotel revenues over the past two years has improved hotel developer confidence. After falling to a near-decade low last year, hospitality development will return to more normal levels in 2023. Deliveries for this year are expected to exceed the long-term average by more than 23,000 rooms, with completions most pronounced in larger markets, such as Dallas-Fort Worth, New York City, Las Vegas, Phoenix and Atlanta.
- **Return to office could drive more gains.** Working from home drew down office attendance, and it remains well below pre-pandemic levels. Increased office usage could signal a rise in business travel as company operations normalize. At present, the business travel outlook is supported by a more active convention and trade show schedule.

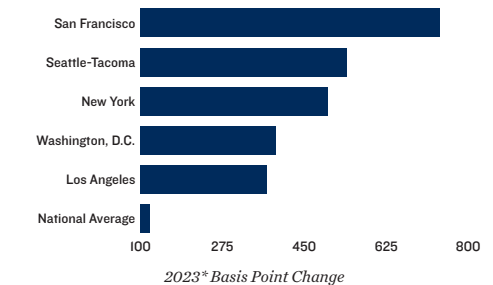
U.S. Occupancy vs. Long-term Average



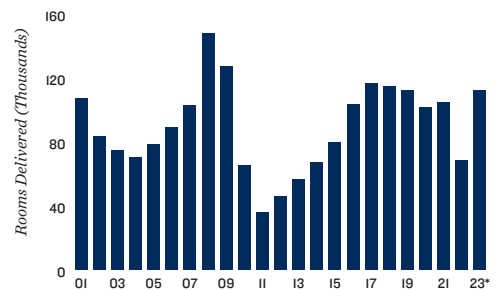
RevPAR and ADR Growth Trends



Occupancy Gains by Metro

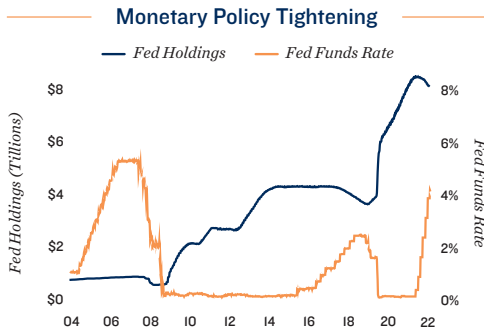


U.S. Supply Trends

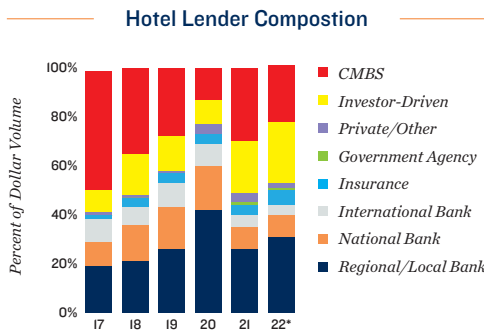


* Forecast

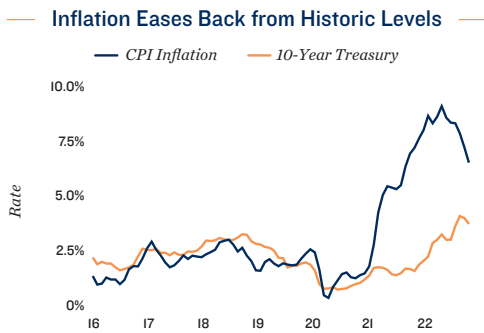
Return to Higher Interest Rate Environment Complicates Hotel Lending, Even as Operations Broadly Improve



Fed’s inflation solution bears capital market consequences. The period of pandemic-induced accommodation by the Federal Reserve came to an abrupt halt last year, when the central bank began reducing its balance sheet and rapidly raising the federal funds rate. By year-end, the Fed had increased the overnight lending rate above 4 percent, up from a zero lower bound in March. The fastest pace of rate hikes since the early 1980s pushed up other capital benchmarks, including U.S. treasuries and SOFR. While some metrics – particularly the 10-year treasury – dipped at the close of 2022, upward pressures have not ceased as the Federal Open Market Committee (FOMC) continued to inch up rates earlier this year. The pace has moderated, however, as inflation metrics have started to decelerate, opening the door for the FOMC to settle on rates at some point this year. While this terminal level will be higher than what many have become accustomed to, the consistency should allow lenders and borrowers to better find common ground.



Lenders open to well-performing hotels, higher costs a challenge for borrowers. Capital availability for hotel investment sales has improved since the operational turmoil felt during 2020 and 2021. Some lingering risks and the Fed’s quantitative tightening measures have nevertheless kept lenders cautious and pushed up spreads. While terms will vary property-to-property and borrower-to-borrower, limited or select-service assets with strong fundamentals in well-traveled locations are most favored among capital providers. Hotels continuing to contend with severe cash flow challenges face greater financing hurdles. Even for well-performing assets, higher debt costs are restraining transaction activity, with a bid-ask gap forming among buyers and sellers in some situations. Once the Federal Reserve settles on rates, however, lenders and investors should be better able to determine valuations. Overall, banks are offering the lowest lending rates, although often with a recourse requirement. Non-recourse options may be available for some assets from CMBS. For hotels facing upcoming maturities and persisting operational issues, bridge financing may be an avenue, although at higher costs.



2023 Capital Markets Outlook



- **Distress currently low, but risks not absent.** The hospitality sector has not experienced pandemic-related distress on a level similar to the global financial crisis. However, as more maturities come due, under-performing hotels could find themselves at a cross-roads, especially older full-service hotels in downtown settings of major gateway metros. In such situations, owners may need to turn to new capital partners.
- **Large-scale deals likely to continue.** While down slightly from the end of 2021, last year was still one of the most active periods for hospitality merger and acquisition activity in over a decade. Similar entity-level actions, as well as large portfolio transactions, are likely to persist as such deals are less exposed to the current interest rate challenges. These can help investors stabilize cash flows as various properties recover on differing time tables.
- **High debt cost climate has long-term construction implications.** After openings slowed last year, the current pipeline suggests a pick up in supply arrivals for 2023. High financing costs, on top of other elevated construction expenses, may again temper deliveries after this year, as fewer projects under planning ultimately pencil.

* Estimate
** Sales \$2.5 million and greater

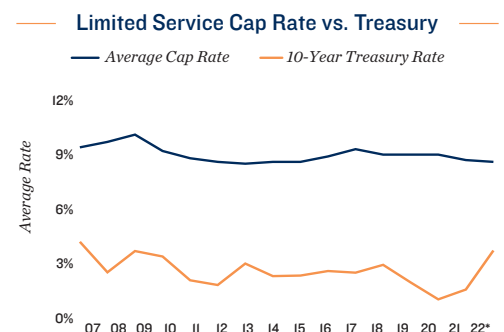
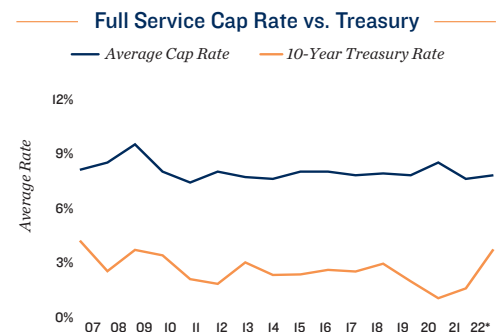
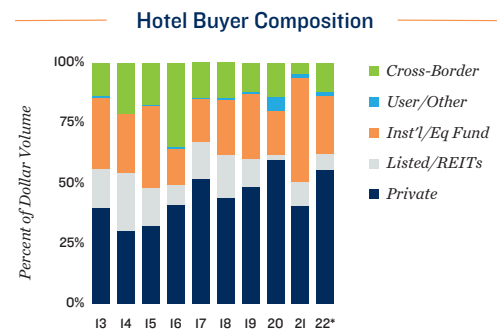
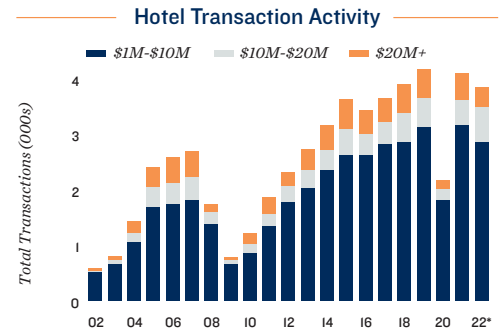
Robust Revenue Growth Bolstering Investor Confidence, but Escalated Debt Costs a Hurdle

Limited-service assets lead amid constrained deal flow. Extraordinary growth in nationwide ADR and RevPAR over the past two years is supporting buyer activity for hotels. Transaction velocity in 2022 was robust, outpacing the U.S. long-term average by more than 70 percent. The bulk of trading occurred in the first half of the year, however, when the Federal Reserve had just begun tightening monetary policy. The resulting surge in debt costs has since slowed sales activity as buyers and sellers became misaligned on pricing. This expectations gap is anticipated to remain until interest rates stabilize. Many of the buyers working through these hurdles are focusing on limited-service establishments, accounting for nearly half of all trades last year. These types of hotels usually change hands at lower entry costs, generally proved their resilience during elevated health concerns, and have noted robust demand growth since. Smaller staff counts have also helped these businesses contend with labor shortages. Throughout this year, limited-service hotels near major highways and tourist destinations may be coveted, in order to capitalize on necessity travelers and those looking to reduce lodging expenses. Markets with minimal new supply and high barriers to entry may also garner interest, as limited competition is expected to aid existing property performance in these areas.

Consideration of higher-tier assets is gaining momentum. Although limited-service hotels continue to make up a significant portion of total trades, investor interest for higher-tier assets is present. Deal flow for hotels in the upper-midscale segment rose by more than 40 percent in 2022. Many buyers are optimistic that business travel volume and convention activity will return to more normal levels in the near future, which aid in the investment appeal for these types of properties. Furthermore, hotels of this caliber are positioned to perform well during economic uncertainty, as they offer amenities many group and business travelers desire at a lower price point than upscale assets. Strong revenue growth may also heighten buyer demand for luxury hotels. RevPAR for assets in this chain scale increased by more than 40 percent over the past year. Increased flexibility in work and school schedules is benefiting property performance for these higher-tier hotels, as affluent travelers have been more inclined to take longer weekend trips

2023 Investment Outlook

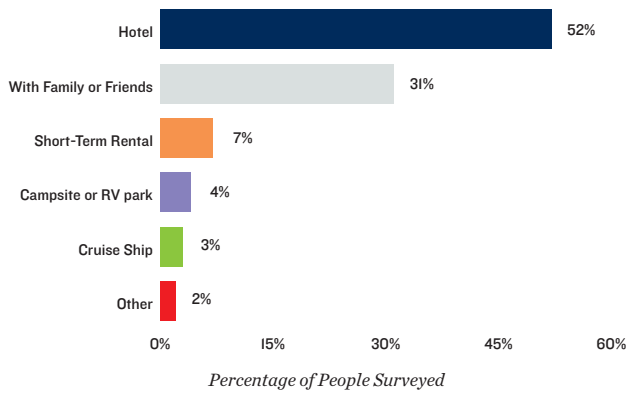
- **Higher yields add to investment appeal.** While cap rates are beginning to trend up across property types, the average hotel yield of 8.5 percent closing out last year is still roughly 170 basis points higher than any other major commercial asset class. This could provide investors with more options, given high debt costs. However, it is important to note that lender spreads are typically wider for hotels relative to other property types.
- **Large West Coast markets could garner buyer attention.** Notable metros, such as Los Angeles, the San Francisco Bay Area and Seattle-Tacoma, could potentially benefit from an acceleration of international tourism in 2023. Late last year, China and Japan lifted the requirement for returning citizens to quarantine, and this news is expected to accelerate outbound travel from the Asia region in the coming year. Property performance should benefit from this and increase investment appeal for hotels in these areas.
- **Improving hospitality employment helping bottom line.** Entering this year, the leisure and hospitality workforce was roughly 900,000 positions below the pre-pandemic peak. As headcounts return toward more normal levels, hotels that had to limit occupancy, due to staffing shortages, will have the ability to service a larger number of rooms more consistently, providing a benefit to profitability across multiple property tiers.



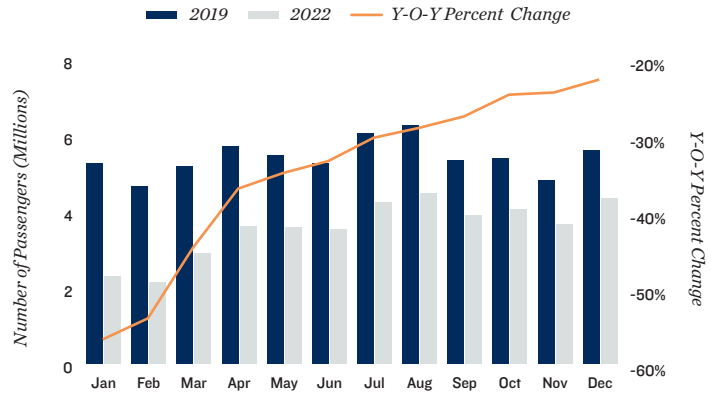
* Estimate

International Arrivals Help Bolster Leisure Travel in 2023

Leisure Travelers Prefer to Stay in Hotels

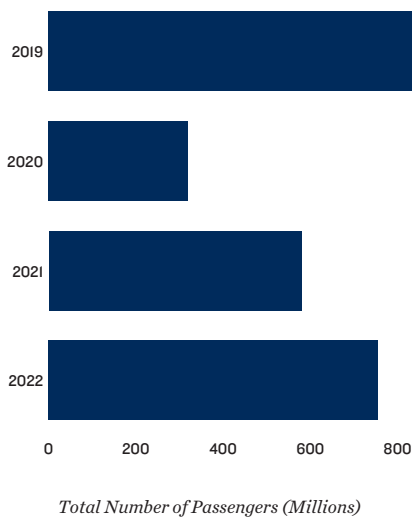


Non-U.S. Citizen Foreign Arrivals Still in Recovery

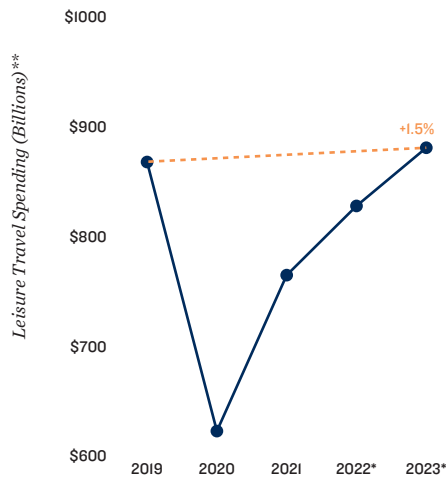


TSA Checkpoint

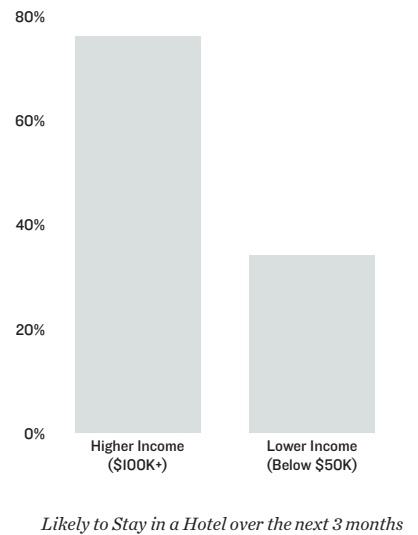
Travel Numbers are on the Rise



Overall Leisure Travel Spending Rebounds in 2023



Higher-Income Earners to Drive Hotel Demand



Majority of People Planning More Longer Trips



Of Business Travelers are interested in extending their work trips for leisure



Of Parents wish they could travel more



Plan to take more trips in 2023 compared to 2022



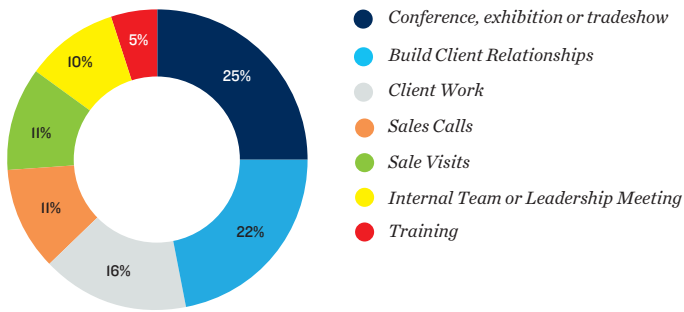
Plan to take longer leisure/vacation trips in 2023 compared to 2022

* Forecast ** Inflation-adjusted

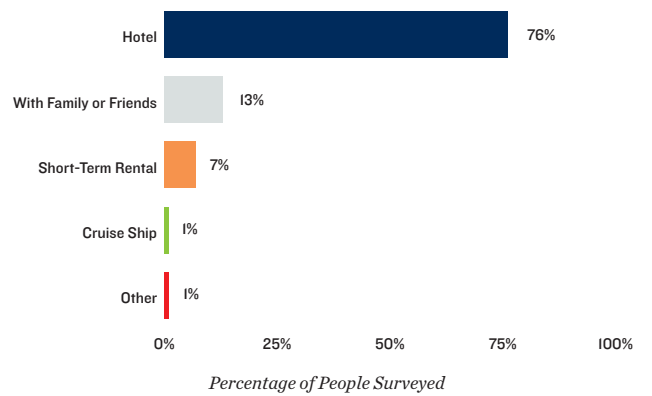
Sources: Marcus & Millichap Research Services; AH&LA; Morning Consult; Transportation Security Administration; U.S. Travel Association

More Business Trips Planned, but Progress Hindered by Low Office Attendance

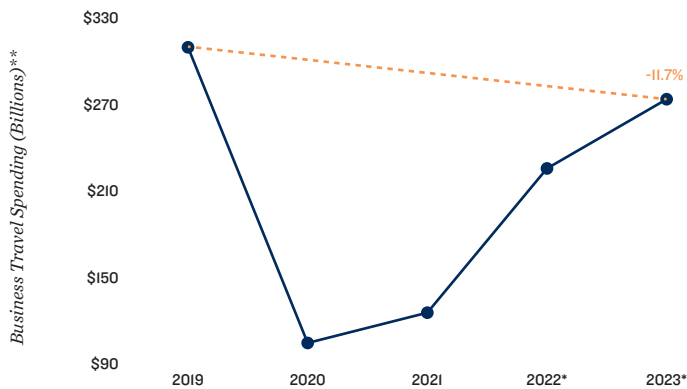
Primary Reasons for Business Travel in 2022



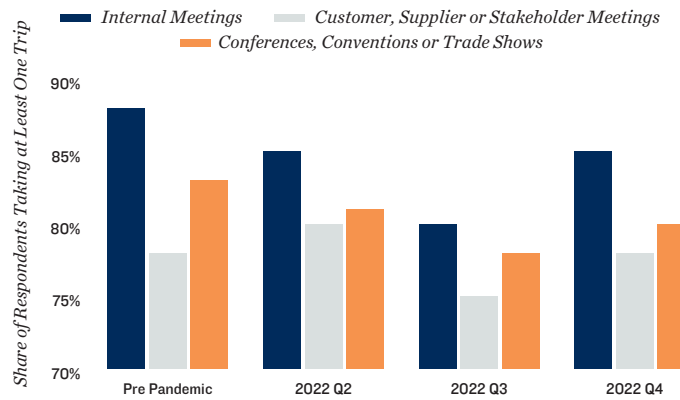
Hotels are the Most Popular Option for Business Travelers



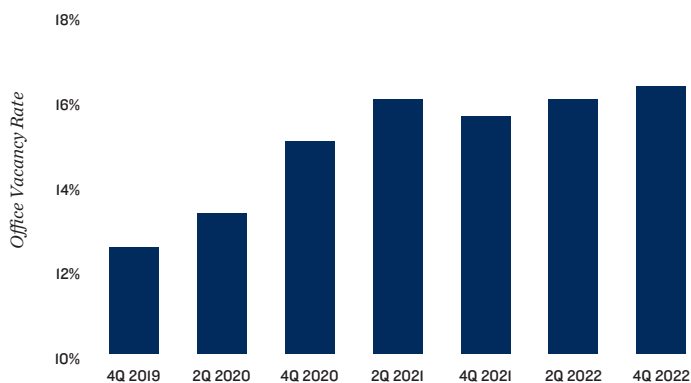
Business Travel Spending Remains Below 2019 Level



Business Travel Plans Next Six Months



Office Vacancy Presents Headwinds



Office Usage Rates Are Slow to Recover

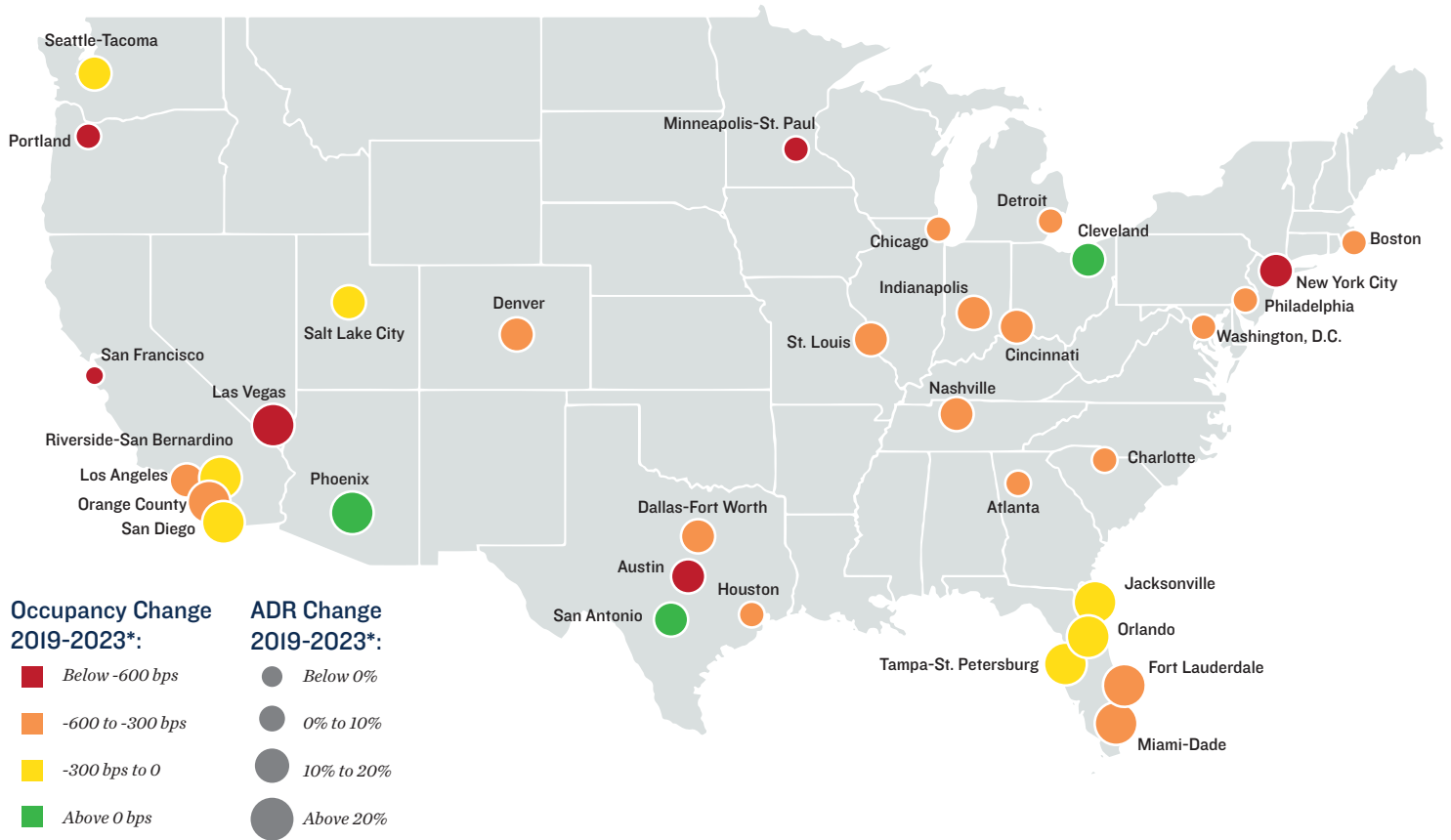


* Forecast ** Inflation-adjusted

Sources: Marcus & Millichap Research Services; Business Travel Association, CoStar Group, Inc.; Deloitte; Kastle Systems; Morning Consult

Room Rates Stay Ahead of 2019 Levels as Occupancy Shortfalls Shrink

Change in Occupancy and ADR from 2019 to 2023*



Top 10 Markets by Occupancy Change

Market	2023 Occupancy*	2019 - 2023* Occupancy Change
Cleveland	63.8%	250
San Antonio	67.7%	180
Phoenix	71.4%	70
San Diego	75.8%	-70
Orlando	74.1%	-190
Seattle-Tacoma	71.9%	-200
Tampa-St. Petersburg	70.1%	-210
Salt Lake City	66.8%	-260
Riverside-San Bernardino	64.4%	-270
Jacksonville	68.1%	-300
United States	63.8%	-210

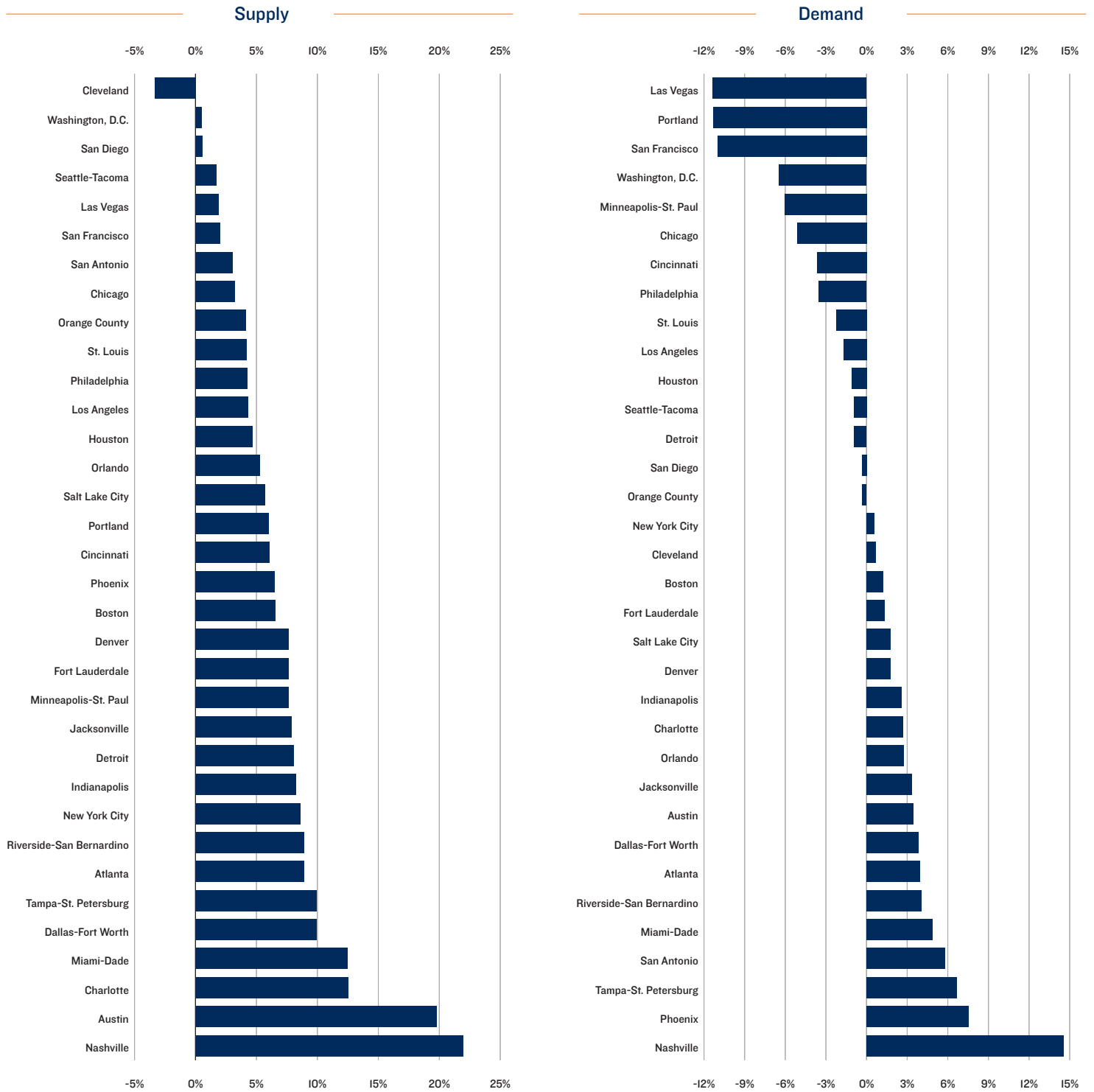
Top 10 Markets by ADR Change

Market	2023 ADR*	2019 - 2023* ADR Change
Las Vegas	\$180.38	35.9%
Phoenix	\$168.62	27.5%
Orange County	\$208.64	26.3%
Fort Lauderdale	\$181.68	25.4%
Riverside-San Bernardino	\$153.92	25.4%
Miami-Dade	\$243.29	25.0%
Jacksonville	\$145.39	24.4%
Tampa-St. Petersburg	\$161.08	22.1%
Orlando	\$152.74	20.8%
San Diego	\$200.02	20.2%
United States	\$152.56	16.5%

* Forecast
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

Room Demand Improving, but New Supply is Keeping Pace

Change in Room-Night Supply and Demand from 2019 to 2023*



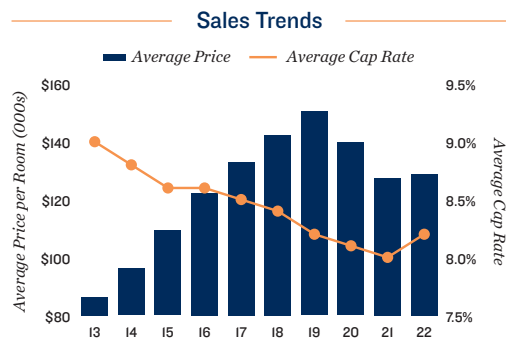
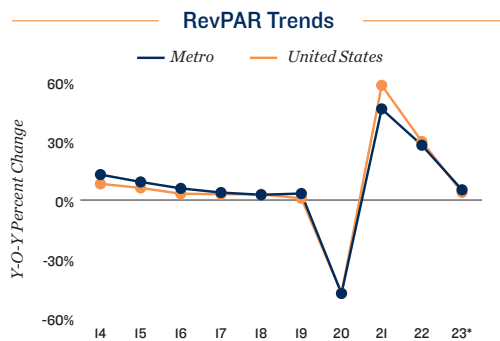
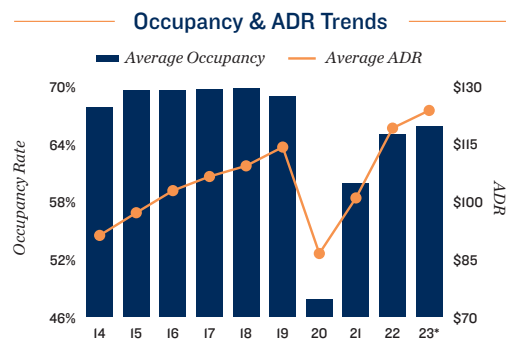
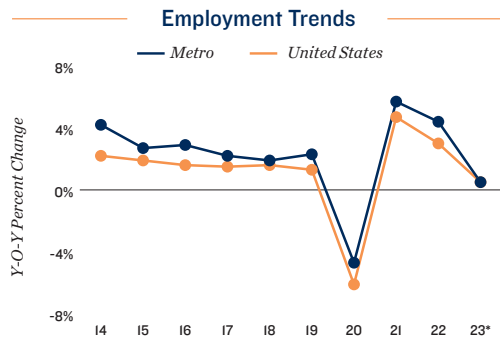
* Forecast

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

Silver Linings Apparent in Recovering Business Travel; Investment Activity Edges Outside the Beltway

New corporate operations and returning international tourism stimulate visitations. Leisure travel to Atlanta has returned to a near pre-pandemic level; however, a still-recovering business travel segment poses a large hurdle for the local hospitality industry. Hotel revenue from this sector remained 14 percent below the pre-pandemic equivalent as of late 2022, though a tight local labor market should continue to assist recovery in this segment. Building on this, multiple cybersecurity hubs, including operations from Walmart and Nike, will open in Atlanta this year, facilitating tech recruitment amid an otherwise challenging time in this field. This should translate to room bookings as prospective hires are invited to Atlanta for interviews, further supported by the employment base growing in 2023. The metro should also benefit from recuperating international travel. As the world's foremost air transit hub, Hartsfield-Jackson International Airport will generate demand for nearby hotels, allowing these properties to observe notable occupancy gains stemming from layovers and cancellations.

Capital shifts toward suburban environments. Atlanta's hospitality buyer pool is heavily characterized by local investors, despite the market's national prominence. This cohort is often more apt to recognize burgeoning neighborhoods and direct capital toward these locales. Transaction activity has been noticeably less geographically centralized, with trades in Atlanta proper accounting for a smaller share of deal flow in 2022 than historical norms. This trend is poised to continue, as investors are becoming increasingly active in the suburbs north and east of the city, areas that may see increased visitation as a result of the population gains seen in these locales. Despite a trend away from denser core zones, a local investment climate of long-term optimism resulted in the first positive pricing bump since 2019. Cap rates have also shown commendable stability; since the onset of the health crisis, the average yield has held firmly within the low-8 percent zone.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 2.2% With more than 4,800 rooms underway at the onset of 2023, Atlanta boasts the fifth-largest development pipeline among major U.S. metros. More than 2,000 of these keys are scheduled for delivery this year, translating to a notable supply increase.
- Occupancy** up 90 bps Following two years of surging travel recovery, occupancy gains will be comparatively modest in 2023, bringing the yearlong average rate to 65.8 percent. Before the health crisis, the typical occupancy level hovered between 69 and 70 percent.
- ADR** up 3.9% After marking a full recovery in 2022, this metric will post a third consecutive year of expansion. The 12-month average daily rate will close out 2023 at \$123.44.
- RevPAR** up 5.2% Daily rate growth will foster a full RevPAR recovery early this year. The metric is on track to end December at \$81.19, the highest yearlong average on record.
- Investment** Pricing under the pre-pandemic level influences active investors to increase their pursuit of full-service assets, allowing higher-end trading to constitute a larger share of deal flow.

Nationally High Population Gains Fuel Airport Traffic; Supply Wave Presents Occupancy Headwinds

Pre-pandemic occupancy remains just out of reach. Austin-Bergstrom International Airport had its busiest year on record during 2022, aiding adjacent hotels and those in growing submarkets. Last year's surge in activity came as Austin's population grew at the fastest rate among major U.S. markets, which supported visitations by family and friends of new residents, along with corporate relocations. These dynamics boosted both leisure and business-related travel to the metro, raising annual occupancy to nearly 70 percent. This year, however, mounting economic headwinds could slow travel volumes, leading to a reduction in occupancy. An additional challenge to hotel demand and ADR is a surge in supply. Among major metros, Austin is slated to record the second-largest supply change from 2019-2023 with three projects — each surpassing 200 rooms — delivering in the CBD this year. Still, several major events will prevent a substantial slide in bookings. The Formula 1 U.S. Grand Prix will be held in Austin for an 11th year, and the World Golf Championships-Dell Technologies Match Play will also be held again in 2023.

Investors look to corporate hubs. The mean sale price for an Austin hotel increased for the first time in five years during 2022, allowing the metro to retain the highest entry cost in Texas. The recent improvement in pricing may motivate some owners to list assets, with the intention of using sales proceeds to invest in less management-intensive properties. Northwest Austin is likely to garner investor interest as a diverse local tech roster generates business travel demand for higher-quality rooms. Apple's expanding campus here also presents a longer-term business travel draw, as it undergoes a multi-phase enlargement to be fully completed in 2025. Corporate relocations to the urban core should drive business visitations in the coming years, augmenting leisure demand stimulated by familiar downtown festivals, such as South by Southwest and Austin City Limits.

2023 Market Forecast

Supply
up 4.9%



Entering 2023, over 2,800 rooms were underway in the metro. While this is the lowest active pipeline for Austin in eight years, the market's supply of room nights will register the third-largest percent growth among major metros.

Occupancy
down 590 bps



Bookings in 2023 will slip from last year's record high, contributing to occupancy rate compression. The yearlong average rate will land at 62.1 percent, which is 980 basis points below the 2019 recording.

ADR
down 2.2%



Lower occupancy will necessitate an adjustment to ADR. Decreasing slightly from 2022's mark, the average daily rate will settle at \$163.98 in 2023.

RevPAR
down 10.7%

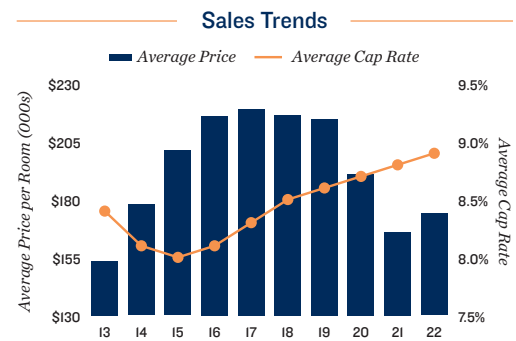
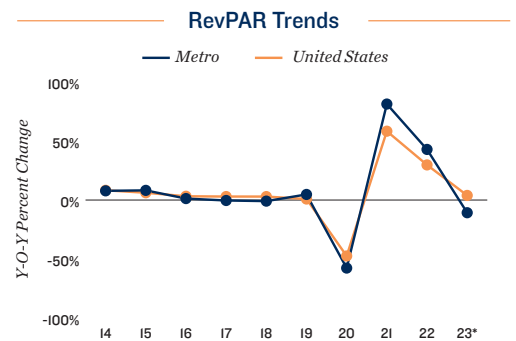
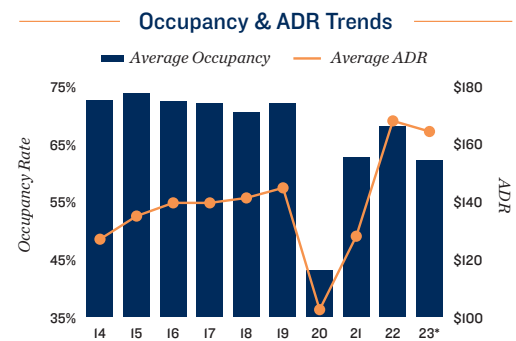
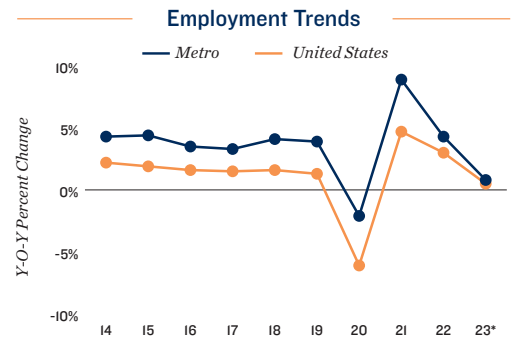


A drop in bookings and ADR this year will lead to a decrease in RevPAR. The metric will shrink to \$101.81 in 2023, a figure roughly \$2 below the 2019 mark.

Investment



The University of Texas at Austin noted record enrollment for the fall 2022 semester. A rising student body and corresponding visitors may draw active buyers to Central and East Austin.



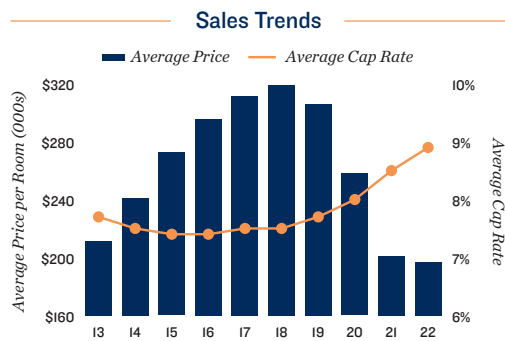
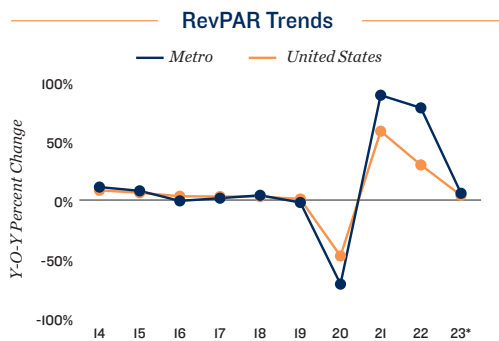
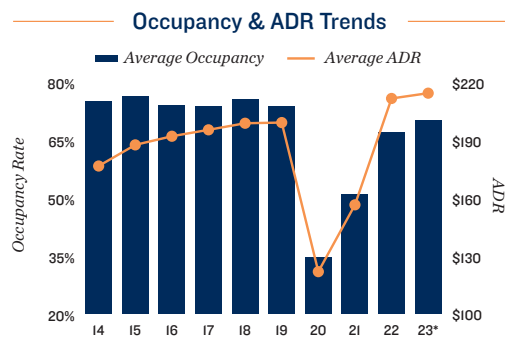
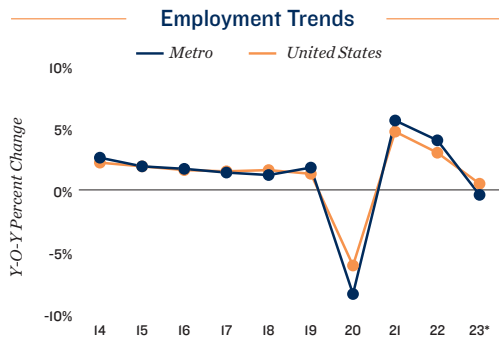
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

New Venues Set Stage for Business Travel Recovery; Lower Entry Costs Lead Buyers to Upscale Options

New infrastructure and eased health regulations foster continued occupancy gains. Nominal revenues marked a full recovery from the health crisis last year, supported by a surge in domestic leisure tourism. Monthly visitations exceeded 120 percent of the equivalent 2019 level in September 2022, and are expected to remain elevated. Though the timeline for business travel recovery will extend into at least 2024, infrastructure developments will facilitate a solid foundation for future growth in this segment. A \$225 million renovation to Gillette Stadium will add 75,000 square feet of year-round convention space before the inauguration of the 2023 NFL season, potentially attracting more bookings in Foxborough and adjacent zones. Additionally, the Boston Convention and Exhibition Center will relax the last of its COVID-19 restrictions on major events this year, easing the burden of holding these expositions. This should bolster hotel occupancy in South Boston and the Seaport zone, particularly from business-related travel. By the end of 2023, hotel demand across Greater Boston will exceed 16 million room nights, the highest level in metro history.

Ongoing recovery provides opportunities to entrants. Boston's hospitality market has seen dramatic pricing declines since the onset of the pandemic, as owners that were previously struggling chose to put properties on the market. Pricing appears to have stabilized after two years of double-digit percentage declines, with the average price per room falling just 2 percent last year. Nevertheless, these listings have opened the doors for many parties that were previously locked out of the market. In 2022, private investors made up a larger share of the buyer pool than any year on record. Lower entry costs have also pushed some buyers toward traditionally more expensive listings. Upscale and upper midscale assets are trading more often than the historical norm. Moving forward, investors may seek to acquire assets in the CBD and adjacent zones in anticipation of further business travel recovery.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 0.3% 📍 Boston's active pipeline entered 2023 totaling 950 doors, marking the first January in which less than 1,000 keys have been underway in nearly a decade. During that span, an average of 2,400 rooms were advancing at any given time.
- Occupancy** up 300 bps 📍 Yearlong occupancy will reach a post-2020 high of 70.2 percent at the close of December, 540 basis points shy of the pre-pandemic peak. This year's gain marks a normalization from the 1,610-basis-point surge observed in 2022.
- ADR** up 1.3% 📍 Despite solid demand growth, macroeconomic headwinds will translate to a modest improvement in the average daily rate, which will end 2023 at \$214.59.
- RevPAR** up 5.7% 📍 Daily rates will see record highs this year, pushing RevPAR to clear the 2019 benchmark. The metric reaches \$150.59, more than 2 percent above the previous peak.
- Investment** 📍 Investors targeting demand generated by events at the renovated Gillette Stadium will likely pursue deals along the Interstate 95 and 495 corridors near Foxborough.

Charlotte Occupancy Challenged by Recent Supply Growth; Investors Keep Eyes on Performance

New builds increase competition for existing hotels. Entering this year, hotel demand in Charlotte notably exceeded 2019 levels. Fully recovered pre-pandemic passenger volumes at the Charlotte Douglas International Airport, along with a collection of other factors, indicate this standing will continue over the near term. However, by the end of 2023, local room inventory will have grown by more than 12 percent over the past four years, resulting in significant additional ground to be made up before the metro can return to a pre-pandemic level of occupancy. The annual rate is projected to fall 600 basis points below the 2019 recording, amid the completion of roughly 1,300 new rooms this year. Nevertheless, tailwinds exist that may aid occupancy in select areas. Business travel, which has been a prominent draw for hotel bookings in the CBD, should remain steady this year as remote workers are called to main offices for mandatory meetings and traditionally office-using firms continue to hire from outside the metro. Furthermore, the full-fledged return of the Wells Fargo Championship – which brought in an estimated 40,000 attendees in 2019 – should generate demand for rooms near Quail Hollow.

Economy trading headlines investment activity. Trades are slowing amid economic uncertainty and a more stringent lending environment. Despite these setbacks, economy hotels are still well-positioned, being the only chain scale to exceed pre-pandemic occupancy during 2022. The outlying suburbs of York and Rowan County should remain targeted locales among active investors. Ongoing inflationary pressures could funnel more hotel demand to either area, as tourists elect for budget-friendly lodging when visiting. Elsewhere, economy trades have recently been prevalent in nearby suburbs along Interstate 77 South. Closer proximity to the core can appeal to travelers, thereby drawing investors willing to accept a slightly higher cost-per-room for a more central location.

2023 Market Forecast

Supply
up 0.8%



Hotel developers remain relatively active during 2023 as Charlotte enters the year with approximately 1,300 rooms under construction. Ongoing builds are mostly concentrated in the CBD, highlighted by the 270-key InterContinental Charlotte.

Occupancy
down 200 bps



More than 9.7 million room nights are expected to be booked this year, the second-highest total on record. Yet, new supply facilitates a lower annual occupancy of 62.3 percent. Still, economy hotels will boast a rate 270 basis points higher than 2019.

ADR
up 0.9%



Amid a moderation in occupancy, ADR growth slows to a fraction of its 2022 pace. Nevertheless, the average daily rate will rise to a record mark of \$120.39.

RevPAR
down 2.2%

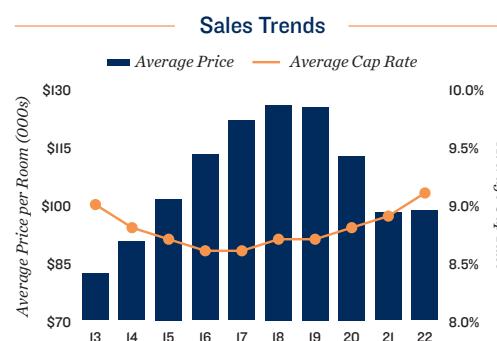
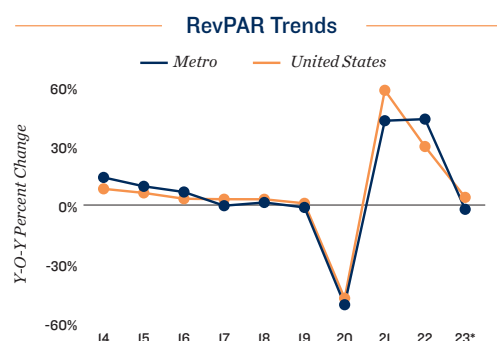
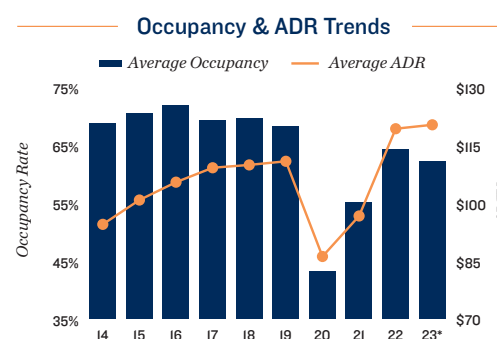
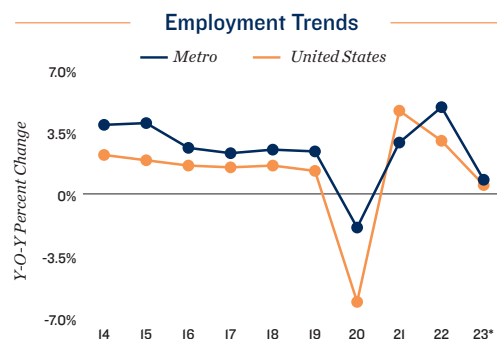


The drop in overall occupancy during 2023 reduces RevPAR to \$75.03. Economy hotels, however, should sustain solid RevPAR growth, supported by the strongest demand among chain scales.

Investment



Hotels located in Concord and Salisbury may pique investor interest, as limited competition from new supply facilitates a metro-high local ADR growth of over 7 percent during 2023.



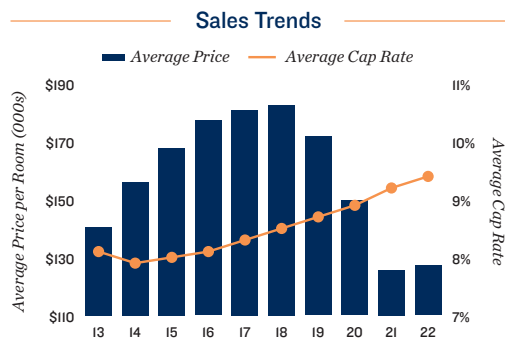
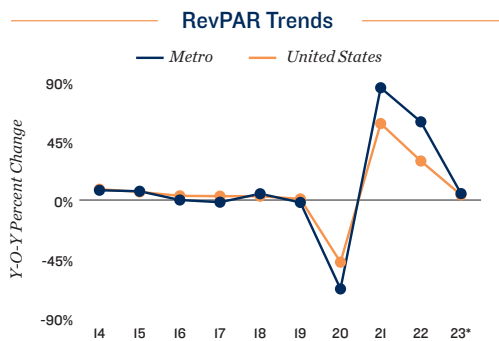
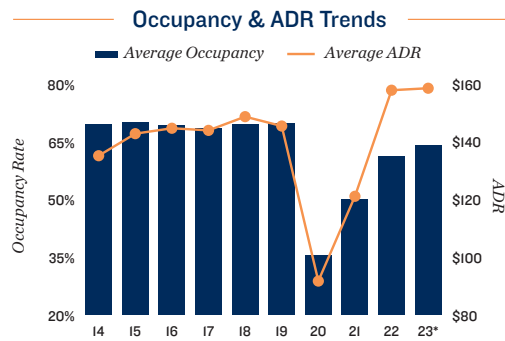
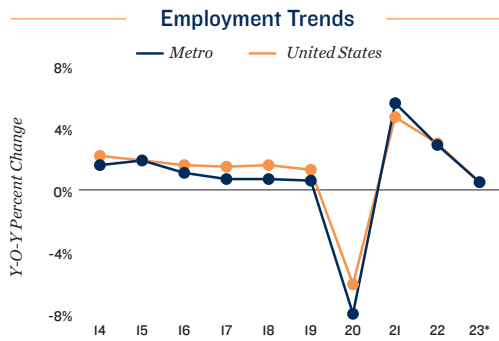
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

Notable Recovery Gains Hit a Plateau; Cross-Border Trades Boost Investor Sentiment

Improved travel aids fundamentals, but a long road ahead. Business and leisure visitation continued to progress last year, as O’Hare International Airport closed out 2022 with passenger volumes up nearly 20 percent from the prior period. Summer travel remains a bright spot for the hospitality sector in 2023, with festivals like Lollapalooza drawing roughly 100,000 attendees. Additional events, such as the inaugural NASCAR race in Grant Park, help boost RevPAR during the summer months by more than 30 percent above the annual average, a wider margin than in 2019. Nevertheless, despite hotel usage above the metro’s long-term mean, tourism levels are not expected to return to pre-pandemic norms until 2025, constricting the rate of recovery. This is reflected in Chicago’s occupancy rate remaining more than 550 basis points below the 2019 mark this year. Daily rates have shown more marked gains, but after an accelerated rebound during 2021-2022, softer consumer spending weighs on the pace of ADR growth, expanding less than 1 percent in 2023.

Elevated foreign investment a boon for Chicago’s long-term outlook. Transactions in the Loop, Magnificent Mile and Fulton Market highlighted CBD deal flow last year, with foreign investment here surging to its largest volume since 2016. This trend was emphasized by a Canadian-based firm’s acquisition of a portfolio, which included the 560-room Renaissance Hotel in the Loop, while additional investment originating from Europe and Asia was noted. Foreign investors may remain active in Chicago as occupancy and revenues continue to approach former highs. Buyers familiar with the market and willing to take on management-intensive assets with upside focus on the metro’s more financially troubled hotels. Those seeking stabilized assets in the sub-\$10 million tranche frequent DuPage County suburbs, such as Naperville and Oak Brook. Here, RevPAR jumps by 8 percent this year as the confluence of Interstates 88, 355 and 294 make it a heavily-trafficked corridor.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 2.4% ▶ Construction of roughly 1,885 rooms was underway entering 2023, led by the 192-key St. Regis Hotel along the Chicago Riverwalk opening in April. Nevertheless, deliveries fall nearly 30 percent below the metro’s 10-year average in 2023.
- Occupancy** up 270 bps ▶ Chicago’s recovery in hotel occupancy is ongoing, with the rate rising 100 basis points above the long-term average to 63.9 percent this year. Occupancy in the CBD, however, remains 1,100 basis points below its pre-pandemic point during 2023.
- ADR** up 0.4% ▶ The metro’s average daily rate expands marginally during 2023, reaching \$158.25 per night. Due to a swift recovery last year, the rate will stand 9 percent above the 2019 figure.
- RevPAR** up 4.9% ▶ Notable occupancy gains and ADR well-above the pre-pandemic point aid the metro’s RevPAR this year, bringing the metric to \$101.17 and within \$1.70 of its historical peak in 2018.
- Investment** ● The Chicago Bears’ intended relocation to a new stadium in Arlington Heights could spark an uptick in trading activity. However, the team will remain at Soldier Field until at least 2026.

Central Location and Sporting Events Support Visitorship; Active Investors Seek Northern Kentucky Assets

Domestic travel to the metro prevents notable shift in occupancy. Last year, Cincinnati’s hotel sector achieved an annual occupancy rate of 60 percent for the first time since 2019, an improvement that translated to the addition of nearly 5,000 leisure and hospitality positions. This year, macroeconomic headwinds will present slight challenges to Cincinnati’s hotel sector; however, the metro is positioned to welcome a steady inflow of domestic visitors. The market’s professional sports scene is partially to credit, as it should draw fans from across Ohio and neighboring states to Cincinnati. The metro’s proximity to other major markets could also benefit area hotels, as more households are expected to take shorter, more local trips amid an overall softening in consumers’ discretionary spending power. This dynamic should allow economy flags and hotels along major transportation routes to register some of the highest occupancy rates among chain scales this year, supporting a moderate gain in the metro’s overall ADR.

Buyers set sights on airport-adjacent hotels. Investors targeting areas with lower entry costs and higher yields than their home metros may increasingly focus on Midwest markets during 2023. Having logged the second-lowest sale price per room in the region last year and home to a low-9 percent average cap rate, Cincinnati may stand out to this buyer pool, specifically during a period of more stringent lending practices. Investors active in the marketplace should browse available listings near the Cincinnati/Northern Kentucky International Airport, as the area historically registers an occupancy rate well in excess of the metro’s other submarkets. Potentially further stoking buyer interest in the locale, the airport will begin direct flights to London’s Heathrow Airport in June of this year, potentially increasing international travel or overnight stops in Cincinnati.

2023 Market Forecast

Supply
up 3.6%



This year will note the second-largest change in supply over the last decade, with an annual high of approximately 1,400 rooms coming online. The majority of newly-constructed doors are slated for Cincinnati South near the airport.

Occupancy
down 110 bps



Amid elevated prices and recessionary fears, occupancy will decline in 2023, landing at 58.8 percent. This is, however, the most moderate annual rate of change since before the health crisis, indicating stabilizing demand.

ADR
up 2.2%



The average daily rate continues to advance as demand normalizes, reaching \$120.31 during 2023. This rise is more historically consistent when compared to last year’s 14.7 percent surge.

RevPAR
up 0.3%



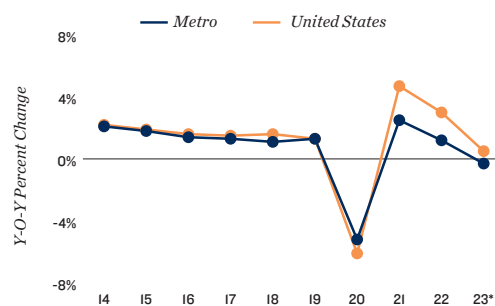
A slight change in occupancy and moderate ADR growth nominally advance RevPAR to \$70.80. Revenue growth in the economy segment, however, will exceed 5 percent.

Investment

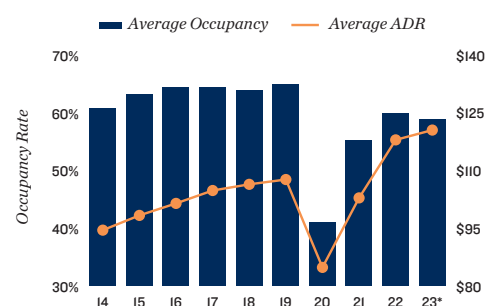


Upper midscale assets in Blue Ash will likely garner investor interest as the submarket’s concentration of financial services firms supports business travel to the area.

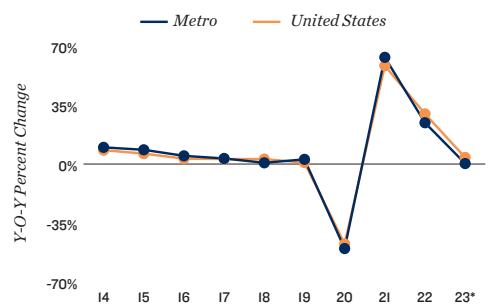
Employment Trends



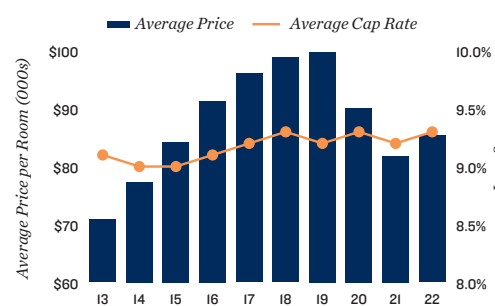
Occupancy & ADR Trends



RevPAR Trends



Sales Trends



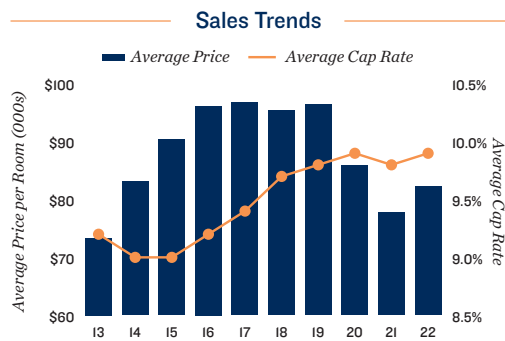
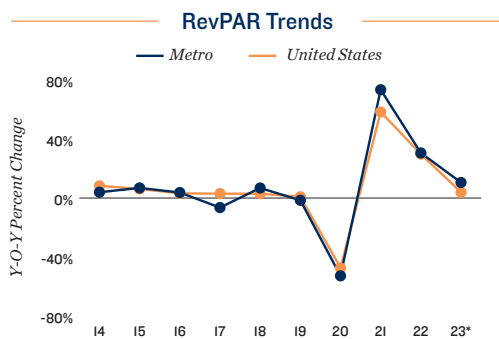
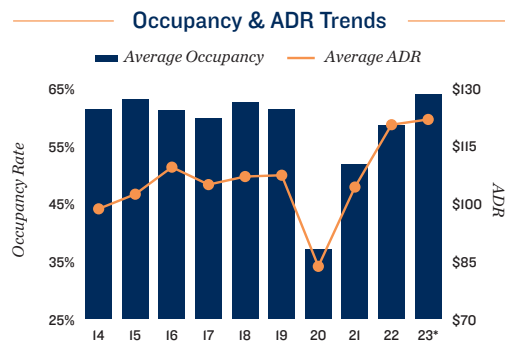
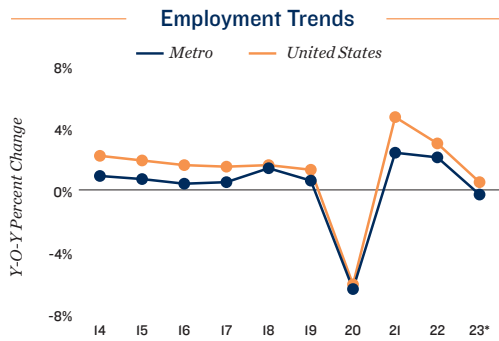
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

Strong Hotel Demand from Regional Travel and Low Entry Costs Turn Investor Interest to Cleveland

Demand rebound enables occupancy to reach a multi-decade high. Among major Ohio markets, Cleveland boasts the highest occupancy and ADR in 2023. Only one other major Midwest metro notes better performance in these metrics. Occupancy this year will elevate above the 2019 high as Cleveland hosts a variety of sporting events, aiding regional tourism. The Greater Cleveland Sports Commission estimates that sporting competitions outside of regular athletic seasons will bring \$17.9 million in economic impact, some of which will come from overnight stays. Regional visitors coming for such events — typically staying for less than a week — will often choose limited service hotels. The segment is likely to note the greatest rise in occupancy among service levels, as travel from within Ohio and neighboring states continues to grow. Plans underway to redevelop the lakefront Port of Cleveland into a nature-integrated, mixed-use park may contribute higher volumes of regional tourism and allow strong fundamentals to persist long term in the locale.

Improving occupancy and ADR in Cleveland appeal to active investors. Recessionary fears and an uncertain borrowing environment contributed to slowing transaction velocity at the end of 2022. Cleveland did, however, note the lowest average sale price per room among major Midwest markets in 2022 at \$82,000, paired with one of the highest mean first-year returns. Active buyers may seek out properties specifically in Cleveland’s perimeter neighborhoods, which offer proximity to Akron and the University of Akron. Assets in this submarket can also be found with sale prices mostly ranging from \$60,000 to \$70,000 per room, attracting investors looking for lower entry costs. Core assets found downtown, as well as the adjacent area of Independence, may increase in popularity as the lakefront is expected to be redeveloped, drawing visitors long term. Bookings also rose here the fastest in 2022, allowing the locale to boast relatively strong fundamentals entering this year.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 1.0% Over the past three years, hotel closures have reduced Cleveland’s room inventory; however, new arrivals this year will help bring the total count back near 25,000. Among the three major Ohio markets, Cleveland has the lowest number of keys.
- Occupancy** up 540 bps Limited supply change and elevated hotel demand will enable the occupancy rate to rise to 63.8 percent, at least 500 basis points above either Cincinnati or Columbus. This rate is the highest on record for the metro since at least 2000.
- ADR** up 1.1% Having risen 13.5 percent since the end of 2019, Cleveland’s ADR will reach \$121.63 in 2023. This increase is fueled by an expected 10.4 percent gain in hotel demand.
- RevPAR** up 10.5% As occupancy and ADR rise, RevPAR will land at \$77.62 in 2023. The difference between the average daily rate and revenue per available room will be at its lowest since February 2020.
- Investment** Hotels near Cleveland Hopkins Airport may see heightened interest. The airport will add a direct flight to Dublin, Ireland in 2023, potentially increasing overnight stays in the area.

Second-Largest Hotel Pipeline Nationwide Converges With Economic Pressures to Constrain Occupancy

Fort Worth shines, but new development could hamper momentum. Entering 2023, nine of 14 Metroplex submarkets had returned to an average yearlong occupancy rate exceeding 65 percent, including four of the five areas that comprise Fort Worth-Arlington. Adjacent to the DFW International Airport – which hosted the second-largest passenger volume worldwide during 2022 – higher occupancy and ADR in the Bedford-Grapevine submarket allowed RevPAR growth here to exceed 30 percent last year. The Fort Worth CBD-I-280 West submarket similarly notched a 30-plus percent annual RevPAR gain during 2022, buoyed by strength in the University and medical center areas. New supply could become a serious hurdle for these and other outperforming pockets of the Metroplex, however. Dallas-Fort Worth’s construction pipeline is the second largest in the country, with about 25 percent of scheduled deliveries for 2023 headed to these two submarkets. Denton-Lewisville-McKinney, meanwhile, will have the greatest share of new keys during 2023, warranted by its claim on the market’s second-highest average occupancy rate last year. As a whole, Dallas-Fort Worth occupancy will slide down in 2023 as elevated development coincides with an economic slowdown and reduced travel sentiment.

Buyers assess performance and potential new competition. Recent strength in several of Fort Worth-Arlington’s submarkets should generate investor attention. Assets in Fort Worth’s urban core near the University area and medical center could be relatively resistant to 2023’s economic headwinds, as demand for these hotels is typically less correlated to discretionary leisure travel. An increasing enrollment count at Texas Christian University and unwavering needs for lodging near in-patient health facilities serve as a backbone for these areas. Investors opting for submarkets with lower supply pressure could favor the Dallas South-East Corridor, East Plano-Richardson or Arlington.

2023 Market Forecast

Supply
up 2.3%



Inventory expands at the fastest pace in 14 years during 2023, with the room count growing by over 6,000 by the end of December. Five submarkets are expected to add at least 500 new keys this year, with six other areas adding at least 200 doors.

Occupancy
down 170 bps



The more aggressive development slate, paired with a less optimistic economic outlook, results in a lower occupancy measure this year. Dallas-Fort Worth’s yearlong average rate will dip to 64.2 percent, still 300 basis points above the long-term mean.

ADR
up 3.5%



Following two straight years of double-digit percentage growth rebounding from 2020’s setback, the average daily rate climbs at a more moderate clip to \$121.62 across the duration of 2023.

RevPAR
up 0.9%

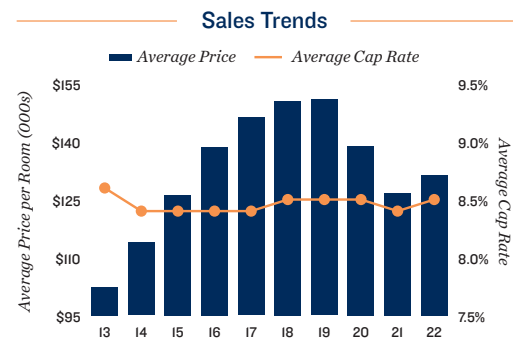
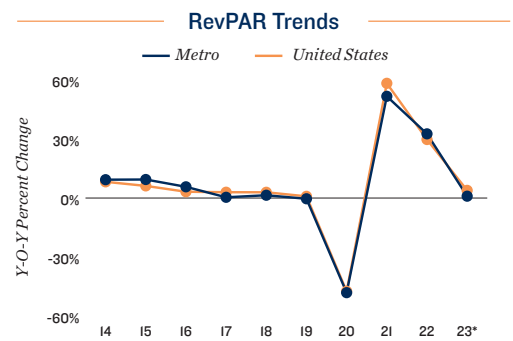
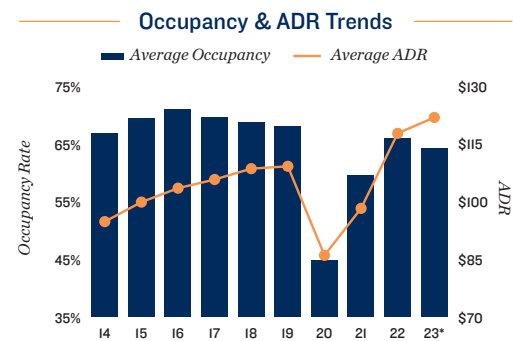
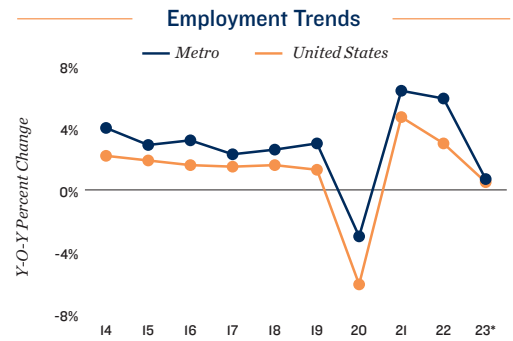


Declining occupancy is offset by an improving average daily rate, producing a mild RevPAR gain. The metric will notch a new record-high for a yearlong span at \$78.13 this year.

Investment



This January, Universal Parks and Resorts announced the purchase of 97 acres in Frisco for a new theme park. If this project materializes, it will be a major boon for local hotel demand.



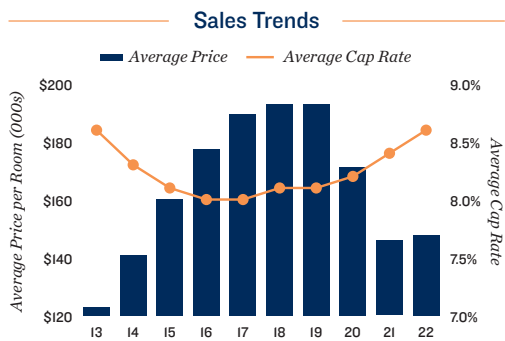
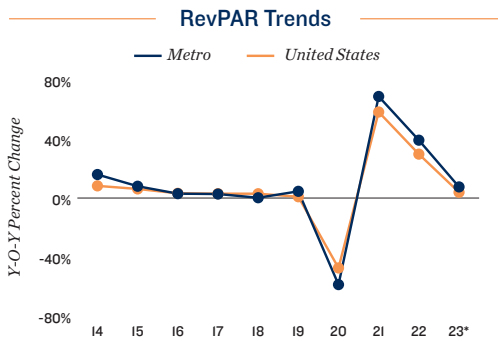
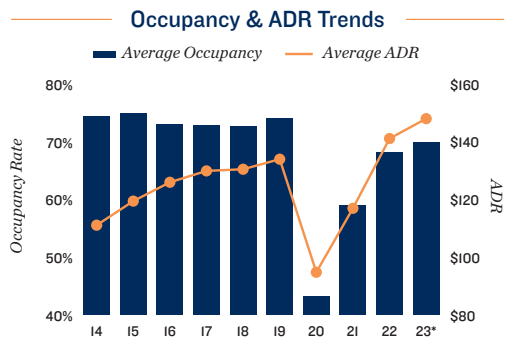
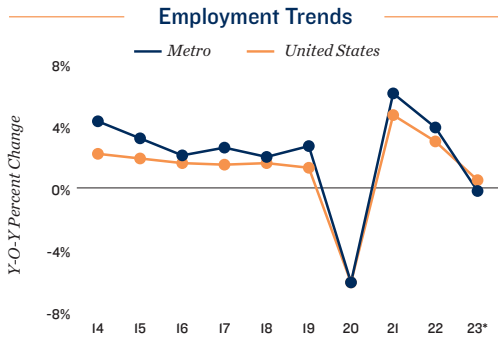
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

Global Recognition Elevates Hotel Outlook; Activity Near the Airport Steers Deal Flow

Concerts and international travel back demand momentum. Following notable recovery gains across the prior two years, Denver’s hotel fundamentals continue to progress during 2023, allowing occupied room nights and RevPAR to exceed pre-pandemic figures. The world’s most-visited concert venue and a rise in international tourism contribute to this improvement. In 2022, Red Rocks Amphitheater hosted more than 1.5 million attendees, ranking the venue as the most popular music hall for a second straight year. Worldwide recognition of the amphitheater will continue to attract artists and fans alike, many of whom may use the opportunity to explore greater Denver, supporting hotel demand in the CBD and elsewhere. On the eastside of the metro, Denver International Airport welcomed nearly 1.8 million inbound international travelers last year, placing the metro 20 percent ahead of its 2019 figure. This gain coincided with the airport adding 37 new gates last year. A similarly elevated visitor count this year should foster hotel demand across the metro. The rising popularity of glamping across the Rocky Mountains may also benefit the sector as travelers experience Denver on their way into the front range for outdoor leisure attractions.

Lone submarket highlights metrowide sales velocity. Despite rising debt costs and economic headwinds, deal flow in East Denver exceeded its historical peak in 2022. Accounting for nearly one-third of metrowide transactions, hotels near the airport and Aurora have been popular targets among active investors amid significant aviation expansion and localized residential development. Fundamentals here that match pre-pandemic figures and exceed metrowide averages could maintain investor demand for available listings this year. On a broader scale, the metro’s mid-8 percent average cap rate during 2022 — the highest recording since 2013 — may attract yield-driven buyers with experience owning management-intensive assets that require property or efficiency upgrades upon acquisition.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast






- Supply** up 1.3% — The metro adds roughly 900 doors this year, the lowest since 2013. Of the active pipeline, more than half of new keys come to the Airport-East Denver submarket, helping support the anticipated 100 million annual passengers within the next decade.
- Occupancy** up 170 bps — Hotel occupancy reaches 69.8 percent for the year. However, an 80-basis-point decline in North Denver holds the submarket’s occupancy rate nearly 600 basis points below its respective pre-pandemic mark, weighing on the metrowide average.
- ADR** up 4.9% — A 9.5 percent gain in the Denver Airport-East submarket helps the metro’s ADR expand at the nation’s fifth-fastest pace, elevating the metric to \$147.72 this year.
- RevPAR** up 7.5% — Metrowide revenues exceed \$2.2 billion this year as Denver’s RevPAR surpasses its pre-pandemic mark, with the 12-month average amplifying to \$103.18 in 2023.
- Investment** — West Denver’s proximity to venues like Red Rocks and other outdoor attractions, alongside a 40 percent room rate discount to the CBD, could boost bookings and investor sentiment.

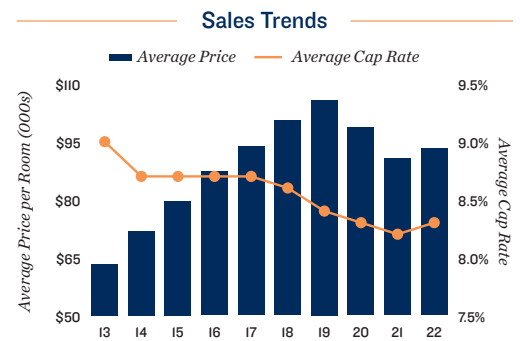
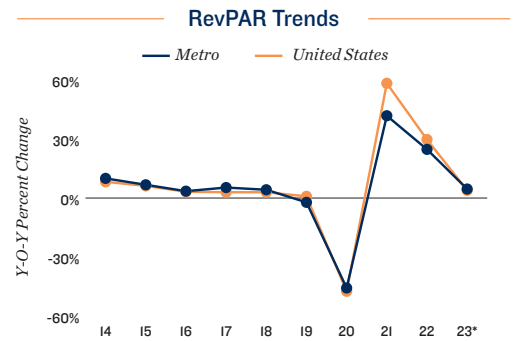
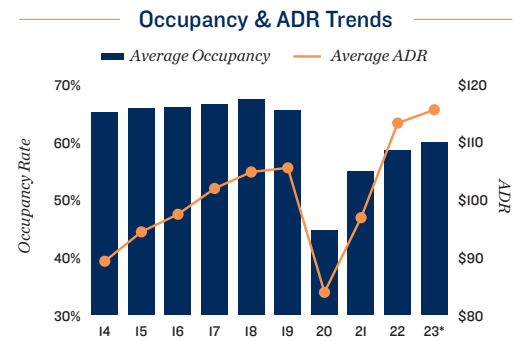
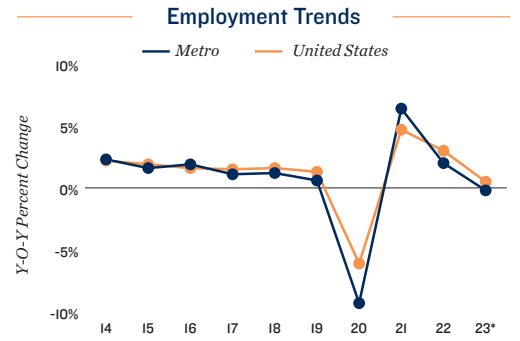
Substantial Construction Elongates Rebound Timeline, Detroit's Steady Sector Recovery Pushes Onward

New hotels in the market's lowest occupancy area could hinder progress. The trajectory of Detroit's hotel sector recovery has been largely middle-of-the-pack for the Midwest. Relative to 2019 figures, the metro's occupancy rebound is comparatively stronger than Chicago and Minneapolis-St. Paul, but falls short of most other major tertiary markets in the region. Similarly, Detroit's pace of ADR growth since the pandemic's onset measures as the third slowest in the Midwest, beating only Cincinnati and Cleveland. Those relative ranks are set to remain consistent during 2023, as the market faces greater pressure from new construction. Detroit's rate of supply expansion is projected to be the 12th-fastest nationally this year and includes a trio of projects that will deliver a combined 500 rooms in the urban core, most of which are upscale or upper upscale. This presents near-term hurdles for the Detroit-Dearborn submarket, which had the lowest yearlong average occupancy rate in the metro last year. Renovations to Huntington Place convention center among other urban revitalizations, however, signal longer-term hotel demand tailwinds downtown. Remaining completions in 2023, meanwhile, should be well-dispersed in northern suburbs.

Commendable price stability is a potential influence. Comparing the average hotel per room sale price on assets traded during 2022 relative to 2019, Detroit's magnitude of decline ranks as the 10th-smallest for major hospitality markets nationwide. Price resistance during one of the most challenging spans in history could help ease buyer hesitancy heading into another uncertain economic period. Investors may become increasingly selective, however, favoring strong-performing suburban assets over downtown hotels that are recovering slower and face pressure from new supply. On the south end of the metro, the Romulus-Airport area warrants greater buyer attention, after a 500-basis-point occupancy lift last year secured it the highest average rate in the market.

2023 Market Forecast

- Supply** up 2.9%  For the fourth consecutive time, Detroit had more than 2,000 hotel rooms under construction entering a new year. The 2,300 doors underway at the onset of 2023, however, is smaller than the equivalent tallies to start the prior two years.
- Occupancy** up 140 bps  As 2023 marks the third straight year in which annual supply growth exceeds 2 percent, consistent competition from new additions puts a lid on occupancy improvement. Still, the yearlong average rate will bump up to 59.9 percent during 2023.
- ADR** up 2.0%  Detroit's 12-month ADR will top the 2019 measure by almost 10 percent. Driven by gains in lower-cost segments like economy hotels, the overall average nightly rate reaches \$115.40 this year.
- RevPAR** up 4.6%  The number of occupied room nights across a full year comes the closest to pre-pandemic norms since the onset of the health crisis, helping move the RevPAR metric to \$69.15 in 2023.
- Investment**  The flow of goods across the U.S.-Canadian border surged in recent years, fueling trucker lodging needs. Limited-service assets near Port Huron and Interstate 94 may offer steady demand.

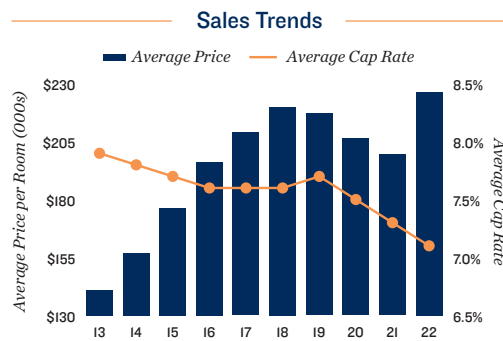
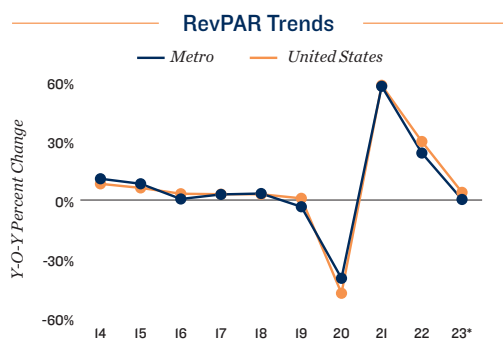
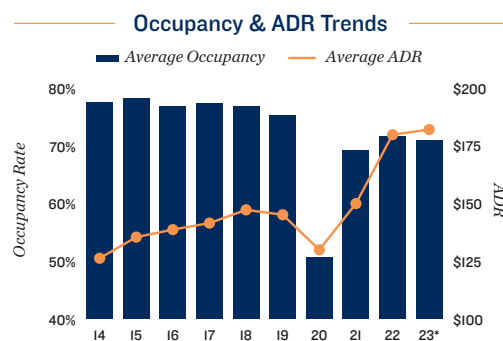
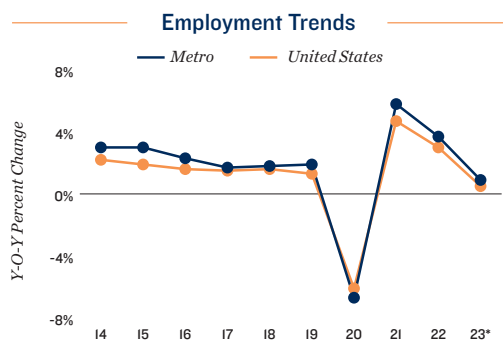


* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Revenue Metrics Hold Steady as the Metro Surrenders Some Travel to Other Destinations Amid High Inflation

Momentum begins to slow. Historic levels of domestic travel to Southeast Florida have greatly benefited hospitality fundamentals in Fort Lauderdale. The influx of visitors in 2022 lifted room demand to unprecedented levels, with the number of occupied room nights reaching nearly 10 million. Both ADR and RevPAR grew by at least 20 percent in response. However, occupancy remained below pre-pandemic levels as the market continued to absorb the 4,100 rooms that opened from 2018 through 2021. Looking ahead, several factors will contribute to stagnant growth across key performance indicators. Increased competition in the overall travel landscape has ramped up as some demand has begun to shift back to urban destinations and international trips, slowing momentum in Fort Lauderdale and other beach locations that have outperformed over the past two years. Furthermore, widespread inflation and rising interest rates are tightening consumers' budgets and their reliance on credit and savings. Leisure travel will likely moderate as a result, softening some of the ADR momentum Broward County has experienced over the past two years.

Hotels near the airport are coveted. The robust ADR growth Fort Lauderdale's hotel sector has recorded over the past two years should fuel buyer interest for local assets during 2023. Strong demand from market participants has the potential to place additional upward pressure on the average sale price, which increased by nearly 14 percent in 2022. However, deal flow is expected to slow in the near term, while investors await more clarity from the Federal Reserve on the path for interest rates. Buyers that remain in the market may target limited-service hotels proximate to Fort Lauderdale-Hollywood International Airport, the submarket that recorded the largest RevPAR gains in 2022. Meanwhile, investors that prefer higher-tier properties should continue to comb beach communities that are popular, year-round tourist destinations.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 0.6%

There were around 1,700 rooms underway entering this year, accounting for more than 4 percent of existing inventory. The 800-room Omni Fort Lauderdale Hotel represents the largest project in the pipeline and is slated for delivery in 2025.
- Occupancy** down 70 bps

A slowdown in leisure travel to the metro will result in occupancy declining on an annual basis for the first time since 2020. The rate will fall to 70.8 percent by year-end, roughly 440 basis points below the level observed in 2019.
- ADR** up 1.2%

Local ADR will increase for the third consecutive year, despite a potential recession and a small decline in occupancy. The rate is projected to reach \$181.68 in 2023.
- RevPAR** up 0.3%

The increase in ADR will be largely negated by the small decline in occupancy, resulting in RevPAR remaining relatively steady in Broward County throughout this year at \$128.59.
- Investment**

Hotels in and proximate to the Fort Lauderdale CBD could receive heightened interest from investors throughout this year, as business and group travel are expected to improve.

Areas Dense with High-End Lodging Face Longest Paths Back; In-State Roadway Travel Benefits West Locales

Bifurcated recovery correlated to hotel composition. Among all U.S. hospitality submarkets with at least 8,000 rooms of local inventory, the Houston CBD’s occupancy climb ranked in the top-25 last year. The metric downtown, however, trailed its 2019 equivalent by the second-largest margin in Houston during 2022, beating only the adjacent Galleria-Greenway Plaza. Corridors that are the most recovered compared to pre-pandemic occupancy figures include the Northwest and Southwest Freeway areas, where hotel demand should be less impaired by economic conditions in 2023. The Northwest submarket spans U.S. Route 290 west to Austin, while the Southwest encompasses U.S. Route 90 west to San Antonio and State Route 6 south to Galveston. During a year in which travelers may be looking to cut costs amid inflation, in-state road trips could become more popular, further supporting hotel demand in these areas. On the other hand, the two locales that are the least recovered – the CBD and Galleria-Greenway Plaza – as well as the neighboring Medical Center-Reliant Stadium submarket, have characteristics that signal additional challenges ahead. In all three areas, roughly one-third to one-half of local hotel inventory is in the full-service category, making it difficult to attract budget-sensitive visitors.

Nation’s highest average cap rate reflects risk and opportunity. For the fourth straight annual period, Houston topped all major U.S. markets, with an average first-year yield exceeding 10 percent during 2022. The wider spread between implied returns and borrowing costs could make financing deals less complicated. However, lofty cap rates also indicate substantial risk, making it likely that lenders scrutinize deals in the current environment. Assets positioned to be more resilient, such as limited-service hotels near major roadways, may attract buyers and ease financing hurdles. Recent strength in the Northwest and Southwest Freeway should reinforce the appeal of these submarkets.

2023 Market Forecast

- Supply** up 0.6%

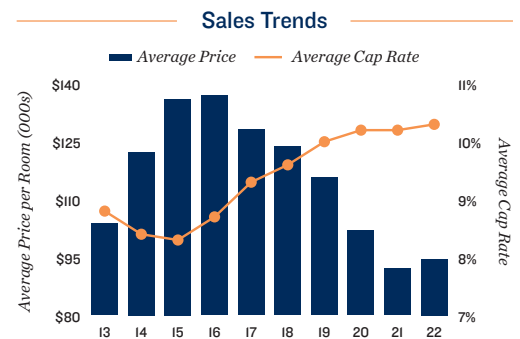
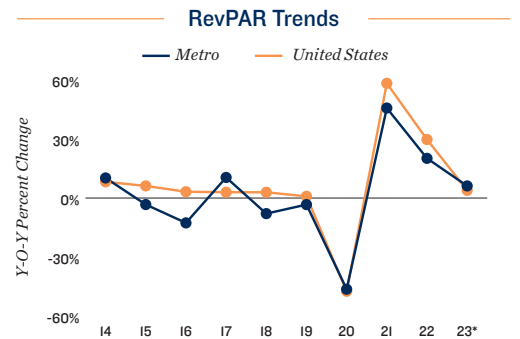
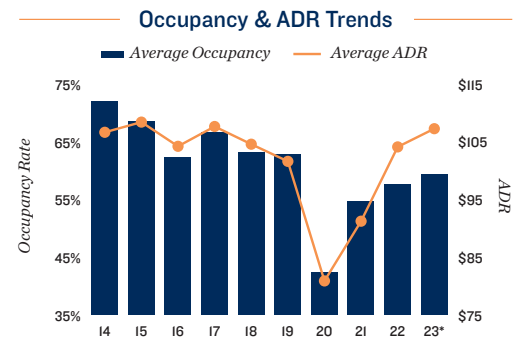
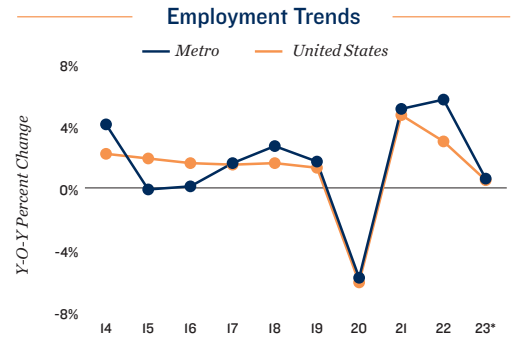
Approximately 2,550 doors were under construction at the onset of 2023, the third-smallest total to start a year across the past decade. As a result, the pace of supply growth during 2023 will be just one-fourth of the market’s historic average.
- Occupancy** up 170 bps

Subdued construction activity and an ongoing rebound from the pandemic disruption allow yearlong average occupancy to rise for a third straight period. The 12-month mean of 59.3 percent projected for 2023 is within 350 basis points of 2019.
- ADR** up 3.0%

Higher occupancy, driven by a booked room nights figure that exceeds any year since the arrival of the health crisis, fuels ADR growth. The mean reaches \$107.13 across the duration of 2023.
- RevPAR** up 6.2%

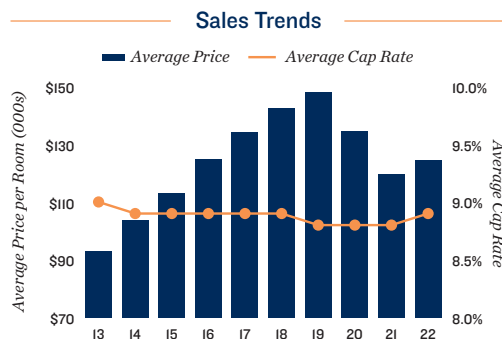
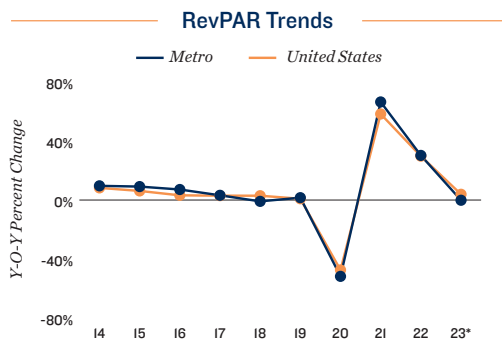
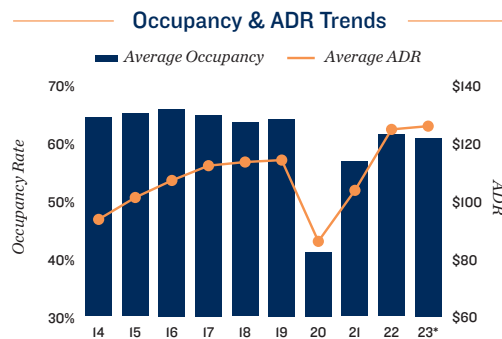
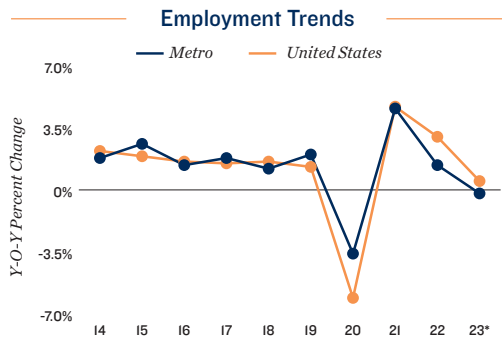
Houston will boast the second-strongest RevPAR gain among major Texas markets this year, measuring at \$63.55 on average. This figure is only 0.3 percent shy of the pre-pandemic metric.
- Investment**

Buyers seeking potential ADR upside may favor the George Bush Airport Area this year. United Airlines opened a training school here in January, planning for 600 attendants monthly.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Indianapolis Awaits Returning Business Travel as Local Investors Capitalize on Reduced Competition



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Speedway holds as metrowide bright spot. Local hotels entered the year having gained back significant ground during 2022. The Indianapolis 500 drew its largest attendance figure in over two decades last May, helping ADR and RevPAR in the Airport-Speedway submarket exceed pre-pandemic highs. Although to a lesser degree this year, upward momentum is anticipated to continue, enabling the locale to register the highest annual occupancy rate among Indianapolis submarkets in 2023. At the metrowide level, hotel demand shifts marginally as an expected softening in households' discretionary spending and slow-to-return business travel weighs on local fundamentals. This dynamic, combined with upcoming supply additions heavily concentrated in downtown, will translate to a moderate decline in occupancy this year. Nevertheless, the metro's annual rate will remain above its 2000-2019 average by 130 basis points, aiding the overall outlook for the sector.

Historic investment levels recede. Elevated domestic leisure travel and improving performance metrics boosted deal flow in Indianapolis last year, with the metro noting its largest trade count on record. Closing out 2022, total revenues from non-business travel surpassed the 2019 count by nearly 20 percent, supporting sizable gains in hotel RevPAR. Amid these improvements, increased competition for listings helped lift the average sale price 4 percent last year, although still trailing the 2019 peak by about 15 percent. Paired with stronger fundamentals, this is poised to garner interest from investors in 2023. Out-of-state buyers, in particular, remain heavily involved, having accounted for roughly half of the metro's deal flow last year. Sales activity will be hindered, however, by higher lending rates and other economic headwinds, such as elevated inflation and reduced consumer spending. Active buyers likely focus on the North Loop near Carmel, where a notable retail and office pipeline aims to draw a larger portion of business and leisure travel in the coming years.

2023 Market Forecast

- Supply** up 1.4%
 - Indianapolis adds more than 800 keys this year, helping metro supply exceed 13 million room nights. The Airport-Speedway and CBD submarkets will account for over three-quarters of this development, with large projects of at least 100 rooms.
- Occupancy** down 60 bps
 - Reduced non-essential business travel results in notable hotel occupancy declines within the North Loop and CBD submarkets in 2023. This results in a metrowide pullback to 60.8 percent, more than 300 basis points below the 2019 figure.
- ADR** up 0.9%
 - The market's average daily rate ticks up to \$125.68 as reduced occupancy slows the pace of growth. A notable gain in the Southeast submarket supports this marginal advance.
- RevPAR** down 0.1%
 - Occupancy compression and stabilized ADR growth pull on metro RevPAR this year. Still, at \$76.37, the metric remains 5 percent above the 2019 mark as revenues exceed \$1 billion.
- Investment**
 - Guests seeking budget-friendly lodging may elevate investor interest in midscale assets, as the segment's local occupancy rate should surpass the pre-pandemic mark this year.

Metro Well-Positioned, Despite Near-Term Pullback; Investors Hedge with Limited-Service Assets

Delivery slate initiates downward pressure. Like many other Sun Belt metros, Jacksonville's hotel sector recovered quickly from the pandemic shock, with room bookings exceeding the pre-pandemic count in each of the past two years. The metro's warm coastal climate and relative affordability compared to other Florida locales helped place it among the top five markets nationally in occupancy and RevPAR recovery since the onset of the health crisis. Improved conditions and elevated tourism levels have sparked a notable amount of development, however, with total supply set to expand by 3.2 percent in 2023. This growth places pressure on existing hotels at a time when economic headwinds and slowing consumer spending may reduce visitor volume. Stretching from Fernandina Beach to Marineland, the Jacksonville Beaches submarket stands to be most impacted by these dynamics, with annual occupancy expected to decline here by more than 300 basis points.

Investors seek stability among desirable areas. Trading velocity reached a new high last year as out-of-state buyers established or grew their Jacksonville footprints. The elevated level of investor competition pushed average pricing up 13 percent, the largest jump since 2016. Easing performance indicators, a notable development pipeline and higher debt costs, however, will impact deal flow. Given these challenges, active investors may focus on the limited-service segment. Economy hotels, in particular, should remain in demand among cost-sensitive households and individuals, allowing the segment to register the highest occupancy and RevPAR growth rates among chain scales this year. Buyers that prefer coastal assets frequented by leisure travelers will likely favor St. Augustine. Here, economy assets are commonly available for less than \$5 million. The stretch of Interstate 95 between the airport and downtown may also record limited-service deal flow as the area is popular among travelers seeking lodging proximate to major thoroughfares.

2023 Market Forecast

Supply
up 3.2%



More than 1,800 rooms were underway entering this year, as supply expands at its fastest pace in over a decade. Of the sizable pipeline, over one-third of deliveries will arrive along the coast in the Jacksonville Beaches submarket.

Occupancy
down 260 bps



Slowing tourism levels amid easing consumer spending and the returning popularity of alternative vacation spots results in a drop in hotel demand, compressing the metro's occupancy rate to 68.1 percent this year.

ADR
up 4.6%



Easing occupancy challenges ADR growth this year. However, the 12-month mean still elevates to \$145.39 as the pace of expansion remains above the metro's long-term mean.

RevPAR
up 0.7%

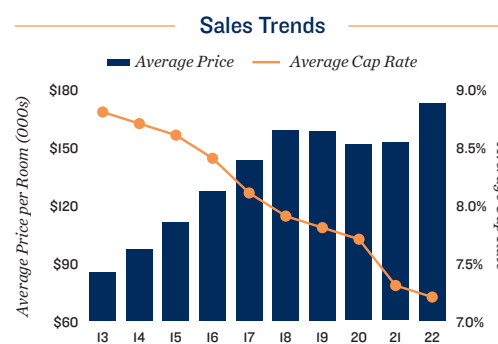
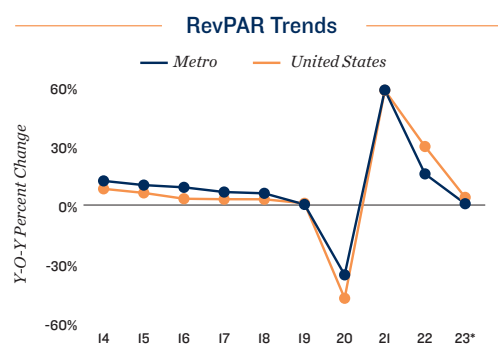
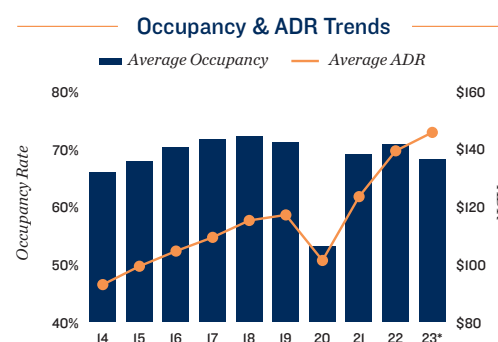
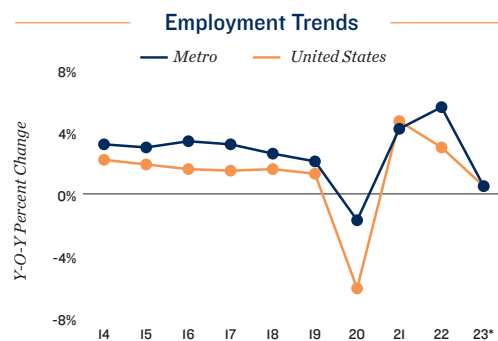


An above-average jump in the metro's ADR helps offset the pullback in occupancy, resulting in a moderate uptick in RevPAR. This brings the metric to \$98.96 this year.

Investment



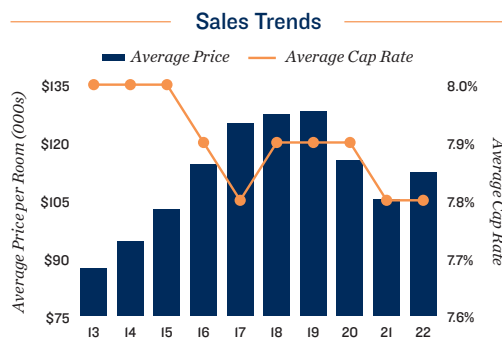
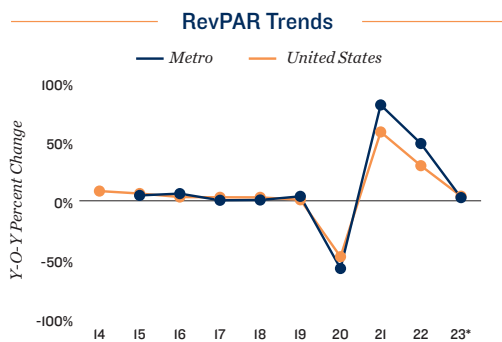
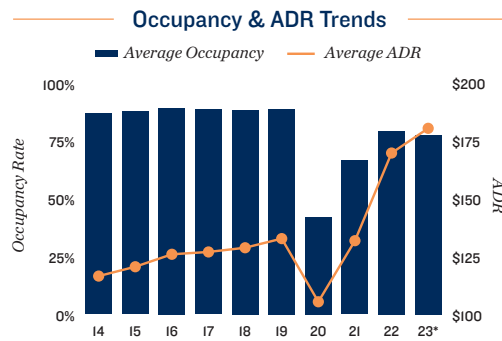
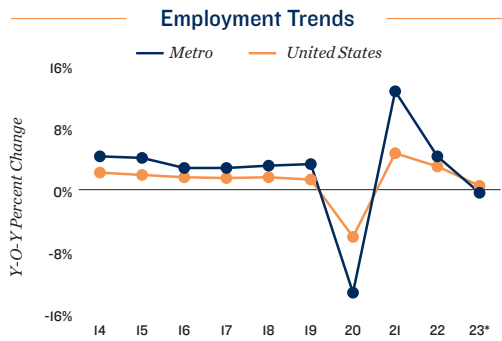
Investors may keep an eye on downtown near the sports complex amid renovations to TIAA Bank Field, helping attract non-football events, boosting hotel demand here down the line.



* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

Sports and Concerts Reduce Convention Reliance; Investors Target Assets with Quick Access to the Strip



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Hotels embrace diverse event model. As the primary source of international visitorship and midweek hotel demand in Las Vegas, convention activity should continue to recover this year. Nearly 60 major events are slated to occur, highlighted by CES and World of Concrete. Still, uncertainty surrounds how well this slate of conventions will be attended amid potential declines in business and foreign travel. Fortunately, Las Vegas has become a mecca for major sporting events and concerts, which draw hordes of outside fans to area hotels on weekends. Recent data reflects this, as collective weekend occupancy during the last nine months of 2022 surpassed the 90 percent threshold, with average daily auto traffic at the Nevada-California border exceeding pre-pandemic recordings. Nevertheless, the lag in midweek demand will prevent overall occupancy improvement from occurring in 2023. Aiding hoteliers, however, competition will increase only moderately over the near term, as both downtown and the Strip lack large-scale deliveries this year.

Opportunities emerge outside of the Resort Corridor. Amid an overall softening in U.S. consumers' discretionary spending, more Las Vegas visitors may seek locally-discounted room rates at hotels away from the Strip. Anticipating this, active market investors and private buyers from Southern California metros are likely to target economy properties along Fremont Street and near the Arts District. These smaller assets commonly trade for less than \$100,000 per room, equating to a potential collection of sub-\$5 million property transactions this year. Institutional investors may instead favor midsize and larger independent hotels just west of Interstate 5 that require upgrades or rebranding, potentially as part of multi-property trades. Across the buyer pool, listings in North Las Vegas may also prove appealing, as rapid industrial expansion here and in neighboring Speedway is poised to foster long-term demand for lower-cost lodging, specifically among the trucking industry.

2023 Market Forecast

- Supply** down 1.9%

Entering 2023, developers were underway on 5,400 rooms; however, just 15 percent of these keys will be completed this year. Near-term deliveries are concentrated in the suburbs and are relatively smaller in nature, averaging 140 doors.
- Occupancy** down 160 bps

Guests book more than 40 million room nights, placing annual occupancy at 77.6 percent. Still, this rate is substantially lower than recordings from the three years prior to the pandemic, when 88 percent-plus occupancy was the norm.
- ADR** up 6.3%

Despite a decline in overall occupancy, weekend hotel demand is expected to be strong, specifically during large-scale events. This will allow the average daily rate to reach \$180.38 per night.
- RevPAR** up 2.7%

The combination of 90 percent-plus weekend occupancy and overall daily rate growth elevates Las Vegas' average RevPAR to \$138.92 this year.
- Investment**

UNLV's enrollment topped 30,000 last fall as the college welcomed one of its largest freshmen classes. This growth may attract investors to hotels located between campus and the Strip.

West Coast’s Largest Delivery Slate Gauges Pent-Up Demand; Window of Opportunity May Exist for Buyers

Full recovery hinges on international component. Los Angeles’ hospitality industry makes additional strides this year; however, economic headwinds, a sizable local delivery slate and uncertainty surrounding international travel may temper sector momentum. Over the course of 2023, more than 2,200 rooms will be completed metrowide, the third largest annual total this century. The near-term influx of upper midscale, independent and upscale properties will hold yearlong occupancy well-below the pre-pandemic norm, despite the overall number of bookings nearly matching the 2016-2019 average. Cognizant of the metro’s international appeal, local organizations and airlines are taking steps to ensure foreign tourism realigns with the pre-health crisis level by 2024. Through March of this year, Los Angeles Tourism is running a large-scale media campaign in Australia, a nation that contributed 421,000 visitors to the market in 2019, the largest overseas source behind China. Additionally, Delta Airlines will add service from New Zealand to Los Angeles in fall.

Buyers likely to broaden their list of targeted submarkets. Investors with experience owning management-intensive properties may view 2023 as a time to acquire Los Angeles-area hotels. Spanning the past four years, the average sales price fell by 20 percent, indicating a window of discounted pricing may exist during a period of improving demand. Furthermore, hotels provided investors with a mid-7 percent average cap rate last year, a return substantially higher than most other commercial real estate segments. While the city of Los Angeles typically accounts for a sizable share of hotel sales, a shift may be upcoming. Within the municipality, a new fee on all real property sales priced over \$5 million is slated to take effect this year. Private investors may respond by targeting smaller economy assets in the city, which often close below this threshold. Others may look outside the area more frequently when targeting larger or higher-quality properties.

2023 Market Forecast

Supply
up 2.7%



Construction was underway on 2,940 rooms at the onset of 2023, with 85 percent of these keys slated for completion by year-end. Three projects – two in Downtown Los Angeles and one in Burbank – each account for more than 300 doors.

Occupancy
up 370 bps



Hotel demand increases by 8 percent on an annual basis, allowing occupancy to average 74.7 percent this year. Five of six chain scales are expected to register improvements, highlighted by the economy segment’s 710-basis-point rise.

ADR
up 3.2%



Annual occupancy reaches at least 72 percent across all hotel classes this year, elevating Los Angeles County’s average daily rate to a record \$206.95 per night.

RevPAR
up 8.5%

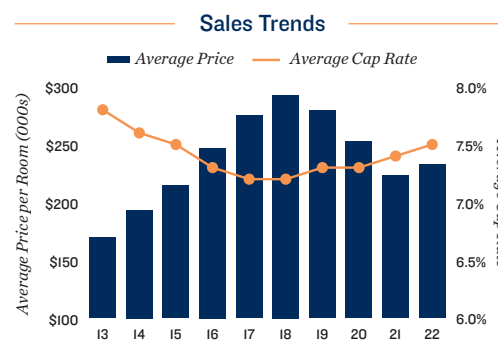
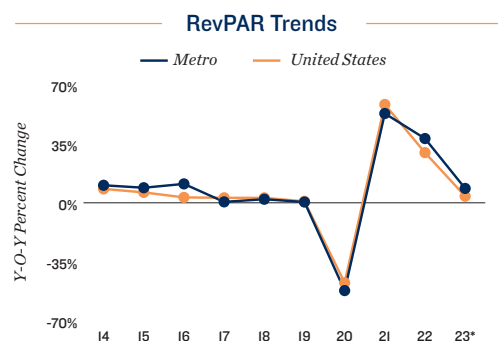
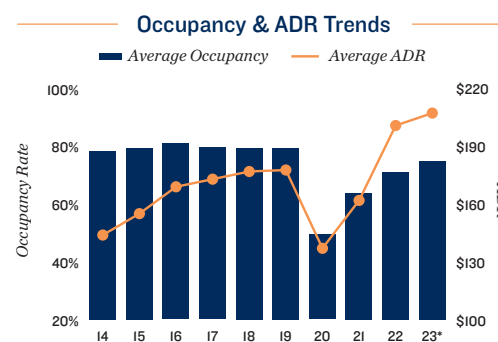
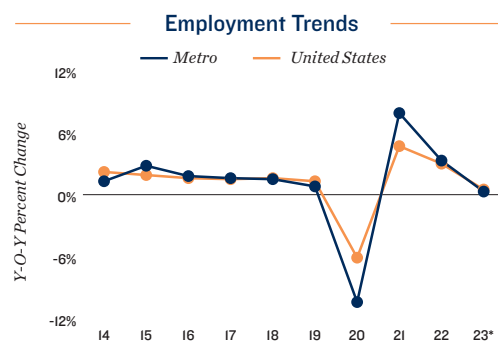


Demand improvements across the economy, midscale and upper upscale segments support double-digit revenue growth in these sectors, elevating overall metro RevPAR to \$154.56.

Investment



Buyers seeking areas of sparse construction focus on Long Beach and South Bay. The two locales account for nearly 20 percent of metro stock, yet lack additions over the next two years.



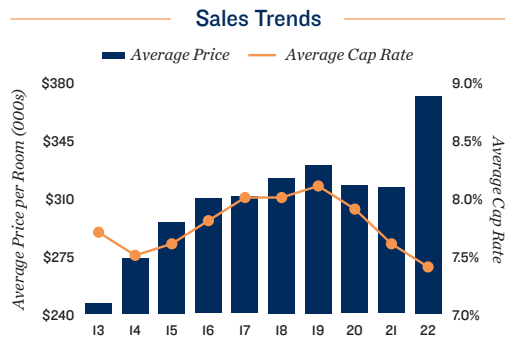
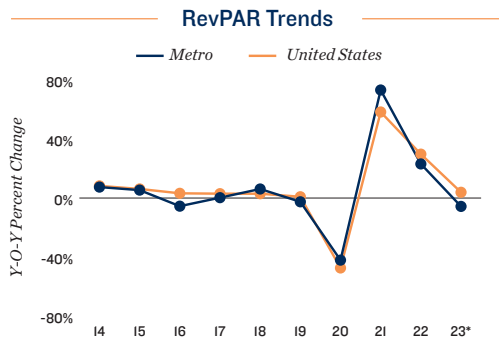
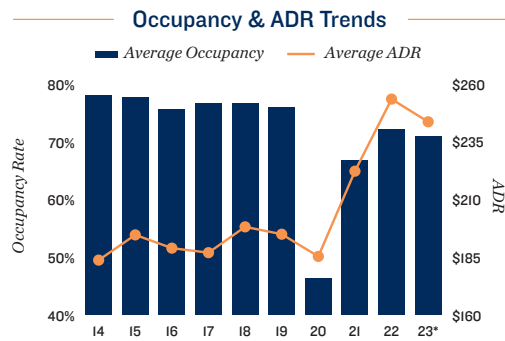
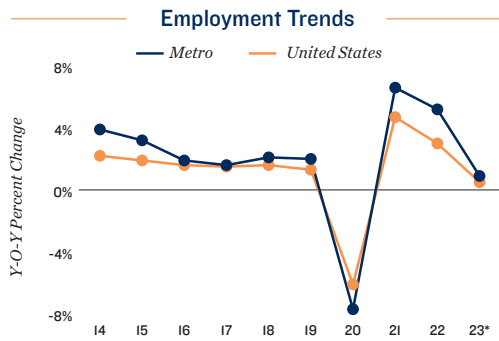
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

Hotel Room Demand Reaches All-Time High; Supply Growth Negates Occupancy Gains

Improvements in foreign and business travel help sustain room demand. Foreign arrivals to Miami International Airport increased by more than 70 percent in 2022 relative to the previous year, lifting total passenger counts to the highest measure on record. Simultaneously, visitor volumes at the Port of Miami improved nearly five-fold when compared to 2021. This massive influx of travelers jolted local hotel demand to unprecedented levels, with the total number of booked room nights exceeding 17 million over the trailing 12-month period ending in December. In response, hotel revenues rose by more than 20 percent, with the figure eclipsing \$180 per available room late last year. While macro-economic headwinds — such as slowing employment growth and widespread inflation — are expected to tighten consumer budgets and reduce leisure travel in 2023, improving volumes of international tourism, along with business travel, should help make up for the slowdown in domestic vacationers. In fact, total occupied room nights are projected to exceed last year’s total, setting a new record. However, robust supply growth will place downward pressure on occupancy, resulting in the rate remaining below pre-pandemic levels.

Daily rate growth drives investment. Miami has led all major metros in ADR gains since 2019, and this momentum has created a competitive bidding environment, spurring robust growth in the average sale price. Furthermore, trading activity reached a decade-high in 2022; however, high interest rates will likely slow deal flow through the first half of this year. Still, assets in the upper-midscale and upscale segments should continue to change hands, as properties of these calibers have noted the strongest revenue gains among chain scales over the past year. Hotels proximate to the airport will also remain coveted, due to robust demand projections and local occupancy that exceeds 80 percent. Buyers will also pursue listings near Miami Beach, where ADR exceeds the metro mean by \$140 per room.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 4.5%

Entering 2023, the active construction pipeline consisted of 2,500 rooms, headlined by the 295-key Collins Park Hotel. Near-term completions are concentrated in the Miami CBD-North and Miami Beach submarkets.
- Occupancy** down 130 bps

Robust supply additions over the past few years will deter occupancy growth, despite record levels of room demand. By year-end the annual average rate will fall to 70.8 percent, roughly 500 basis points beneath the 2019 recording.
- ADR** down 3.9%

Miami’s average daily rate declines on an annual basis, falling to \$243.29 per room. Still, the metric remains 25 percent higher than the pre-pandemic level.
- RevPAR** down 5.7%

Although RevPAR is expected to decrease slightly in 2023, the recording still remains the second highest among major U.S. metros, trailing only New York City.
- Investment**

Economy and midscale hotels may garner heightened interest from investors during 2023, as inflation induces a shift in traveler preferences that favors budget-friendly chain scales.

Metro Awaits Greater Business Travel, Prompting Investors to Focus on Long-Term Strategies

Convention slate a potential boost for hotel demand. The number of occupied room nights in the Twin Cities will improve for the third consecutive year, albeit at a slower pace than the prior 24 months. Even so, hotel metrics will not return to pre-pandemic levels during 2023 as metro occupancy and RevPAR continue to trail their 2019 recordings, despite positive momentum. Only three other major markets are further behind in their sector recovery. A slow rebound in business travel has been a notable weight on CBD fundamentals. An elevated count of conventions this year, however, could help improve demand downtown. Nevertheless, occupancy here will hold more than 1,900 basis points below the 2019 figure. That margin is much smaller in the outlying suburbs, where natural attractions and lower costs appeal to budget-constrained travelers. Amid consumers' tightening discretionary spending and preferences for lower-cost options, the limited service segment entered the year having fully recovered from pandemic losses.

Trading activity hamstrung by local uncertainty. An overall slow recovery in metro occupancy and revenue metrics, combined with rising interest rates and national economic headwinds, limited deal flow last year, recording the fewest number of trades in a decade. Lessened sales activity partially contributed to the average price per room receding for a fourth consecutive year, which expanded the average cap rate to a multi-decade high of 9.9 percent. Historically discounted pricing and a minimal development pipeline, however, could spark activity among long-term investors. Locales like Bloomington, which offer proximity to the Mall of America and MSP Airport, should attract buyers in 2023 amid above-average occupancy and RevPAR growth. Despite improvements in select pockets of the metro, uncertainty still surrounds some flagship properties, such as the Downtown Minneapolis Hilton, constraining upper-tier deal flow.

2023 Market Forecast

- Supply** up 1.8%

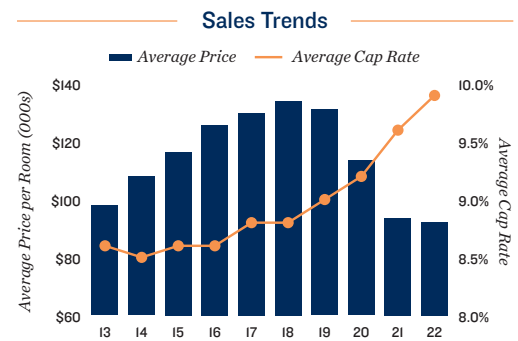
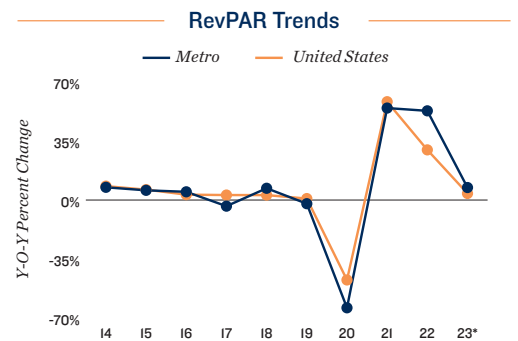
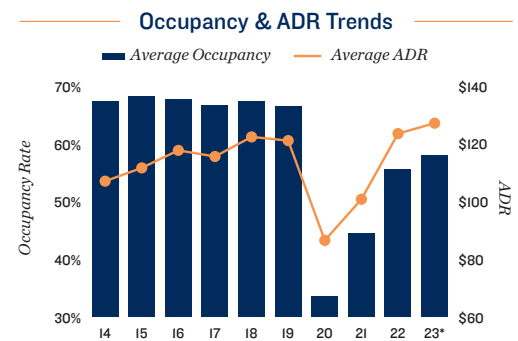
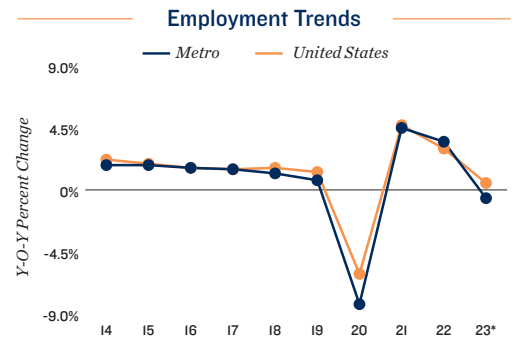
Developers had less than 500 keys underway at the onset of this year as continued performance struggles have put a lid on construction efforts. Upscale hotels in Bloomington and Downtown St. Paul headline the minimal pipeline in 2023.
- Occupancy** up 240 bps

After notable gains of more than 1,000 basis points in each of the last two years, metro occupancy moderately improves during 2023 to 57.9 percent. Bloomington leads the market as the only area to exceed a 60 percent average this year.
- ADR** up 2.9%

Following outsized jumps over the previous two years, the metro's ADR growth returns to a more normalized pace in 2023, bringing the average daily rate to \$126.85 this year.
- RevPAR** up 7.4%

Despite expanding by nearly double the pace of the metro's historical average, RevPAR remains more than 11 percent below its pre-pandemic peak this year at \$73.48 on average.
- Investment**

Improving fundamentals and accessibility may draw activity to smaller Minnesota markets outside of the Twin Cities, such as Duluth, which is benefiting from increased transit connectivity.

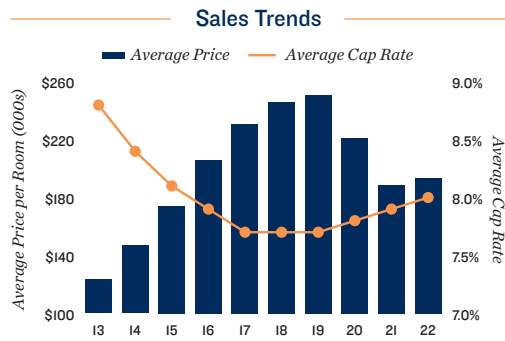
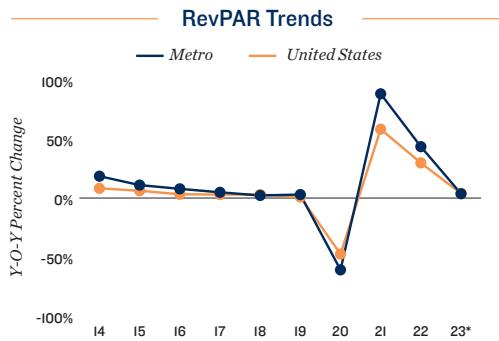
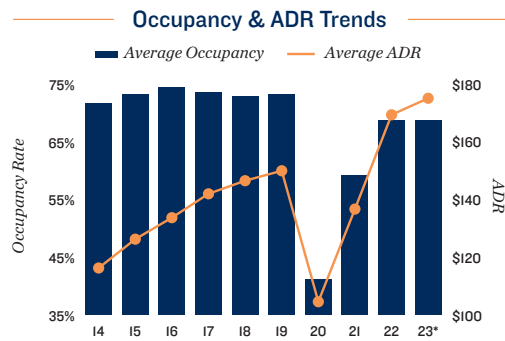
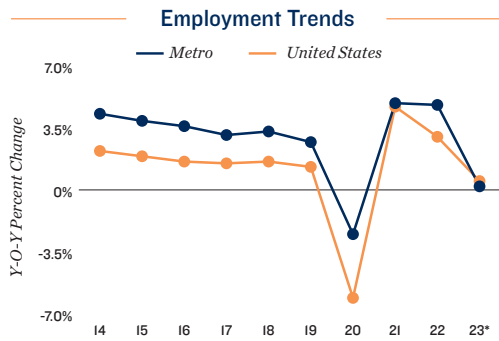


* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Entertainment Venues and Dining Continue to Attract Travelers; Investors Climb up the Chain Scale

Visitor count towering over historical norms. While a moderation in households' discretionary spending could undermine travel budgets and hotel demand in 2023, Nashville's hospitality sector retains advantages over other metros. A favorite destination for social gatherings, the Music City benefits from its vast array of photo-worthy entertainment venues and distinctive group activities, as well as bars and restaurants. At the same time, Nashville avoids some of the exclusivity and high costs commonly found in similar entertainment-centric markets, such as Miami-Dade and Las Vegas. This is reflected in a local average daily rate that sits about \$90 per night below the former and on-par with the latter. Nashville's relative affordability and comparatively low-hassle for entertainment encourage domestic group travel, supporting local hotel demand. This contributed to the fact that during 2022, traffic at Nashville International Airport reached a record 20 million passengers, marking a 25 percent improvement compared to 2019. Aside from some economic pressures, this momentum should remain in 2023, with visitors pushing annual occupancy past the long-term average by more than 500 basis points.

Full-service hotels take the main stage. Economy hotels have traded frequently over the past decade; however, their transactional volume halved from 2021 to 2022, with fundamental improvements outshined by other chain scales. A near-60 percent boost to hotel demand during 2022 has caused luxury properties to grow from a relatively neglected asset in the investment landscape to representing a sizable portion of deals last year. Record lodging demand and increased competition for listings has urged locally-active buyers to shell out significant premiums for top-tier hotels, with entry costs at least \$300,000 more per room than the metrowide average. Similarly, upper upscale hotels are landing on more investors' radars, drawn by class occupancy rising by nearly 1,900 basis points last year.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast






- Supply** up 3.5%
 - Nashville's pipeline is at its smallest level since 2016, with approximately 2,800 rooms under construction entering 2023. Most ongoing development is taking place in the CBD, headlined by the 306-key Tempo by Hilton Nashville Downtown.
- Occupancy** up 10 bps
 - Continued improvements to hotel demand sustain upward occupancy momentum, lifting the rate to 68.7 percent. Still, a runway for additional growth exists, as occupancy remains 450 basis points under the 2019 average.
- ADR** up 3.4%
 - Nashville records the largest increase in occupied room nights among major U.S. metros from 2019 to 2023, propelling the ADR trajectory. This year, the average daily rate rises to \$174.78.
- RevPAR** up 3.7%
 - RevPAR advances at a more moderate pace, following last year's 43 percent rise. Nonetheless, the metric reaches \$120 during 2023, exceeding the 2019 mark by nearly 10 percent.
- Investment**
 - Nashville's emergence as a regional logistics hub is translating to heightened demand for trucker lodging in the I-65 North submarket, generating buyer interest for economy flags here.

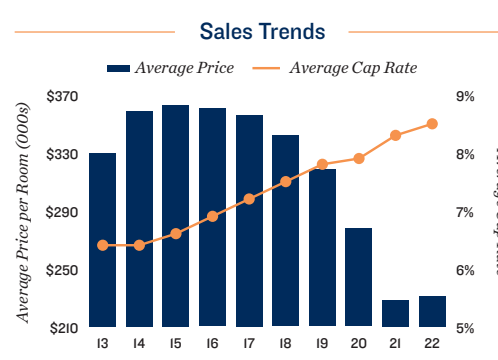
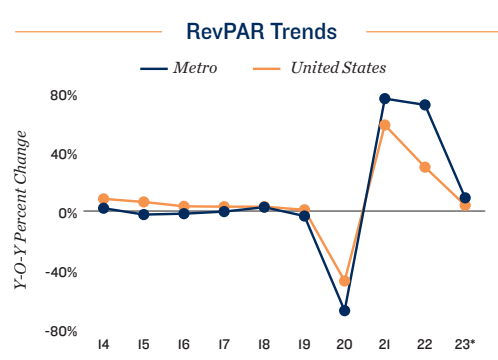
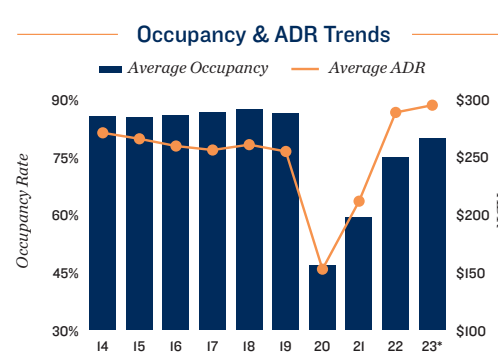
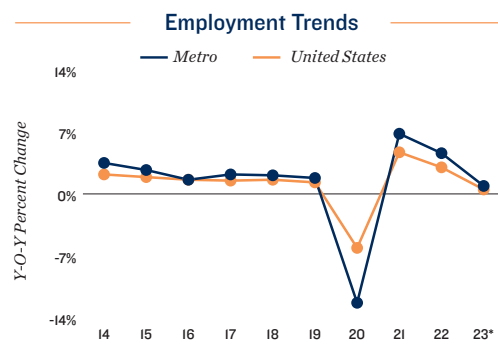
Record Number of Keys Will be Added to the Market; Buyers Pursue Upscale Assets as Casino Bids Ongoing

Supply infusion arrives as international and business travel still recuperating. In 2022, domestic tourism outperformed city government expectations, with such visitations exceeding the 2019 equivalent by 112 percent. International travel will take longer to recover, though gains in this category should still support increased occupancy in 2023. On a less positive note, the overwhelming majority of Manhattan employers still operate on remote or hybrid schedules, potentially impacting business travel. According to the Partnership for NYC, average office utilization in this borough stood at 52 percent as of January 2023. The metro also faces hurdles from the supply side. New York enters 2023 with the country's largest hotel pipeline, of which 9,400 doors are projected to come online this year, beating the previous record achieved in 2021. The resulting 11.5 percent supply increase will frustrate recovering occupancy, with the average annual rate remaining several percentage points under the 85-plus percent norm observed leading up to the pandemic.

Higher-end properties take the spotlight as Manhattan prepares to welcome casinos. Investors actively pursued upscale assets in 2022, translating to a modest 1 percent gain in the average price per room over properties that changed hands during the previous period. This marks the first year of positive price momentum in New York's hospitality sector since 2015, though current pricing stands at roughly 60 percent of that year's high. Moving forward, three casino licenses being bid on by downstate investors will significantly change the city's hospitality landscape. The \$500 million minimum development and license fee are out of private buyer range, though this cohort may still take advantage of spillover demand fostered by these projects. As of early 2023, bidding for these licenses is still ongoing, though investors may seek out assets in the \$15 million range adjacent to the high-demand tourist locales likely to host these casinos.

2023 Market Forecast

- Supply** up 11.5%  Entering 2023 with nearly 12,300 doors under construction, New York's development pipeline exceeds the second-most active market by more than 40 percent. Most rooms will come online in Manhattan, Brooklyn and Queens.
- Occupancy** up 500 bps  Following the 1,000-basis-point-plus occupancy gains of the previous two calendar years, recovery in this metric will slow while maintaining a robust pace. Yearlong occupancy in 2023 will reach 79.8 percent, the highest mark since early 2020.
- ADR** up 2.2%  After making a full recovery in 2022, the average daily rate will mark a comparatively modest gain this year, closing out December at a yearlong mean of \$293.93.
- RevPAR** up 9.0%  Solid occupancy gains will contribute to RevPAR reaching \$234.42 this year, marking a full nominal recovery to the pre-pandemic equivalent.
- Investment**  Investors wary of short-term economic headwinds may seek out assets in the outer boroughs, which offer a number of economy class options in the sub-\$10 million tranche.

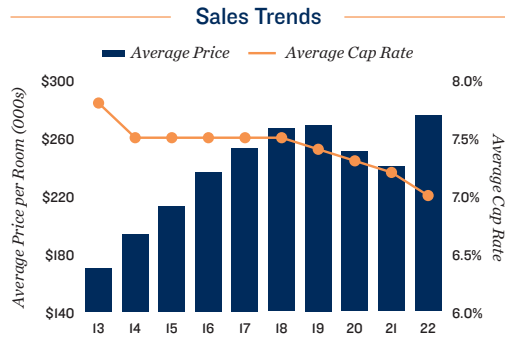
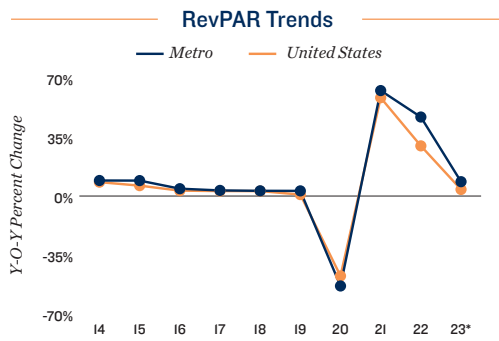
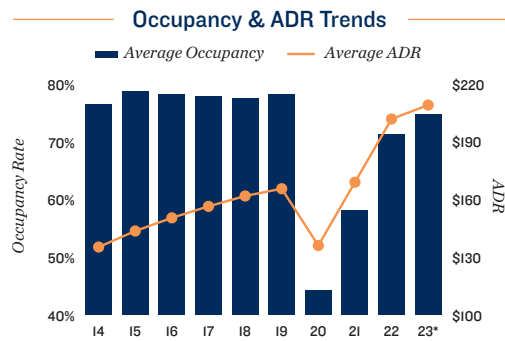
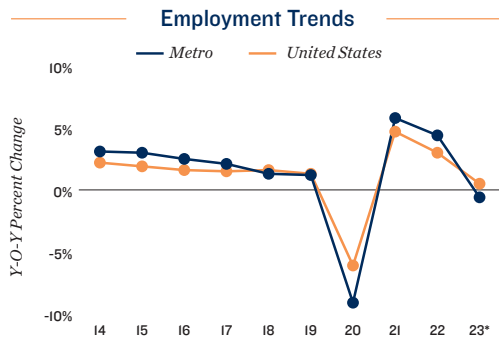


* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Bookings Nearly Match Pre-Pandemic Mark; Areas with Declining Inventories May Entice Investors

Market positioned to log one of the nation’s highest occupancy rates. Despite the prospects of a recessionary period and lagging international travel, Orange County’s hospitality sector outlook remains optimistic. Hotel demand improved substantially last year around Disneyland and the Anaheim Convention Center — representing nearly 40 percent of metro room inventory — as the area welcomed an estimated 25.5 million visitors. A 2023 convention calendar featuring roughly 45 events, each supporting more than 1,000 room nights, indicates that the city may record a similar visitor volume this year. On a broader scale, a potential softening in Southern California households’ discretionary budgets may influence more families to vacation closer to home, a boon for area hotels given the metro’s location between Los Angeles and San Diego. Together, these dynamics will support the booking of 16.6 million room nights this year, on par with 2019. As such, occupancy is expected to exceed 70 percent across all chain scales, mirroring pre-pandemic conditions.

Sparse development limits investors’ competition-related concerns. Apart from a trio of projects in the Disneyland area, Orange County is slated to add very few rooms this year. In fact, some areas may note a near-term decrease in key counts, as conversion and rehabilitation efforts reduce inventory. Specifically, a 70-room hotel was demolished this January near downtown Anaheim, with a Marriott in Newport Beach slated to convert one-fourth of its 530 rooms into condominiums. Additionally, a group of properties in Stanton, Huntington Beach and Anaheim are tabbed for transformation into long-term housing via California’s Project Homekey program. In response, active buyers may target these areas for investment, as the reduction in competition should aid the performance of hotels that remain. Those seeking pricing below \$150,000 per door will pursue economy assets, while active institutional buyers should target upscale, coastal properties along Highway 1.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 1.5% Approximately 1,130 rooms were underway at the onset of 2023, equating to 1.9 percent of existing stock. Nearly 850 of these doors will be completed by year-end, highlighted by a 371-key hotel in Garden Grove and a 350-room tower at Disneyland.
- Occupancy** up 340 bps The number of room nights booked in Orange County during 2023 is expected to surpass last year’s total by roughly 1 million, lifting annual occupancy to 74.7 percent. Still, this rate trails the 2019 recording by 340 basis points.
- ADR** up 3.6% Economy and midscale hotels register the largest occupancy improvements this year, allowing nightly rates to rise at these properties. This lifts the metro’s overall ADR to \$208.64.
- RevPAR** up 8.5% Occupancy advancement and record ADR elevate RevPAR to \$155.90. Orange County is one of nine major U.S. markets to register an 8 percent-plus increase in this metric during 2023.
- Investment** A large roster of corporate office-using tenants helps fuel business travel to the metro. Buyers seeking hotels suited for professional stays target assets in Newport Beach and Costa Mesa.

Light Rail Across Florida and Within Orlando Could Assist Visitor Volumes and Influence Lodging Choices

Transit connectivity presents exciting prospects. Orlando’s hotel sector recovery pushes on this year, with average occupancy reaching within 200 basis points of 2019, aided by infrastructure upgrades. The opening of an Orlando station for the Brightline rail network is set for 2023, a monumental advancement for the line that previously served as a connector for solely the southeast Florida metros. Passengers will now be able to ride the train north from Miami, Fort Lauderdale or West Palm Beach to Orlando’s International Airport, helping attract residents from these markets. It also makes it easier for non-local visitors to plan multi-stop trips that can include both beach days in southeast Florida and theme park experiences in Orlando. Additionally, the local SunRail commuter train is planning expansions beyond 2023 to offshoot this new station. The Sunshine Corridor Program backed by Universal Orlando, among other local businesses, plans to create a rail line between the International Airport and the Orange County Convention Center, with stops along the way to assist commuting workers. This added connectivity would help travelers access the International Drive area, and hotels beyond historically-favored zones. Cost-conscious visitors may opt to ride the line outside of tourist-dense locales for cheaper lodging alternatives.

Prominent travel hubs remain primary buyer focus. Three adjacent submarkets dominate hotel metrics and buyer interest. This grouping includes the International Drive and Lake Buena Vista areas encompassing most of the local theme parks, alongside the Orlando South submarket spanning the airport corridor. These submarkets all had yearlong occupancy averages that exceeded every other metro area by at least 290 basis points during 2022. They also feature the market’s highest ADR figures. Leisure travel to these districts may soften amid economic and inflationary pressures. However, budget-friendly lodging options in the vicinity could outperform if visitors look to cut costs.

2023 Market Forecast

Supply
up 1.0%



This year will mark the slowest supply expansion since 2017, excluding 2022’s unique circumstances in which a net of 800 rooms were removed. Orlando South and Lake Buena Vista account for 60 percent of the new doors metrowide during 2023.

Occupancy
up 130 bps



Despite economic pressures, the number of room nights booked sets a record-high at over 37 million. This demand, coupled with a mild pace of new supply, allows yearlong occupancy to climb within 200 basis points of 2019’s average at 74.1 percent.

ADR
up 1.7%



Positive occupancy momentum grants further upward movement in nightly rates. The yearlong ADR climbs to \$152.74, after a near-37 percent surge across the prior two periods.

RevPAR
up 3.5%

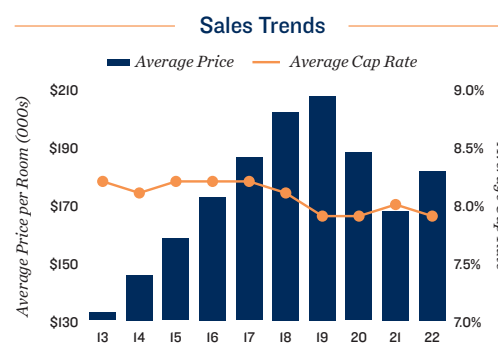
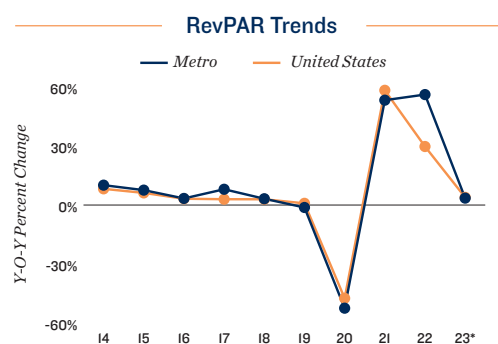
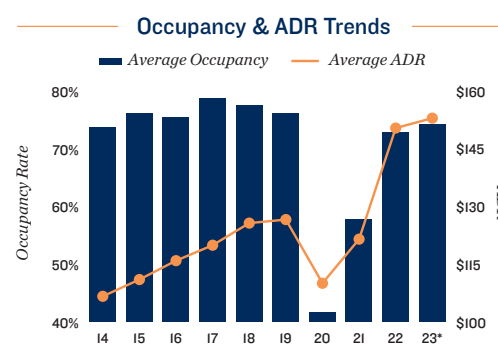
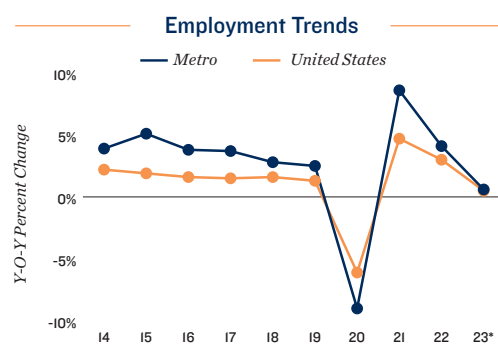


ADR and occupancy gains result in an enhancement to the metro’s RevPAR statistic. The yearlong average in this metric will reach \$113.22, up almost 20 percent since 2019.

Investment



Buyers chasing upside could gravitate to assets proximate to the newly-proposed SunRail stations. However, hotels near existing stops will also benefit from the increased connectivity.



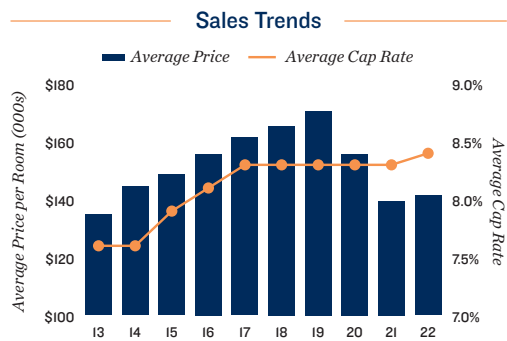
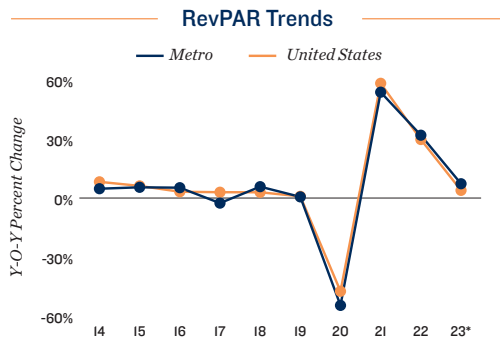
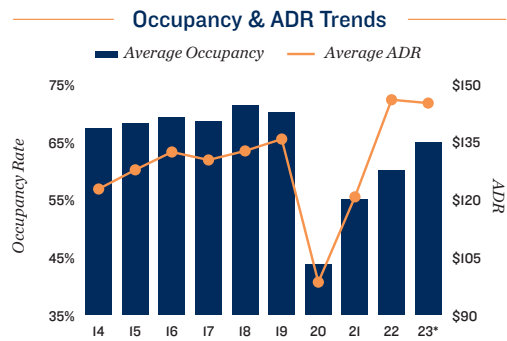
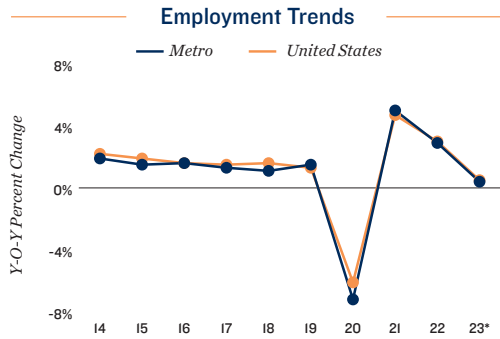
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

Convention Center Lineup Harvests Business Travel; Air Cargo Expansions Pique Investor Interest

Slate of scheduled events exceeds 2019 total. Business travel to Philadelphia is positioned to improve during the near term, as the metro is set to host 20 major conventions this year — each of which are estimated to generate more than 2,000 occupied hotel rooms on peak nights. Headlining this list are the Natural Products Expo and the annual meeting for the American Association for Public Opinion Research. Other events are returning from pandemic hiatuses or disruptions, such as the NCAA Men’s Lacrosse Championships and the Philadelphia Flower Show. The growth of the local life sciences sector may also generate business travel this year, as expanding firms bring prospective candidates and current employees from outside the market into Philadelphia for interviews and training. Together, these demand drivers will allow for continued occupancy improvement this year, with the lodging industry expected to amass a collective annual revenue of \$1.8 billion, surpassing the 2019 total. Steady occupancy gains and encouraging revenue growth may warrant an increase in development proposals, as the metro has added limited stock since 2020.

Investors focus on airport and interstate-adjacent properties. Improvements in business travel may aid investor sentiment this year, despite macroeconomic headwinds impacting leisure travel volumes. Those that remain active in the marketplace may target select- and full-service hotels downtown, specifically those proximate to the convention centers, arenas and mass transit stops. Buyers with a more cautious approach could pursue listings near Philadelphia International Airport. The facility is significantly expanding its air cargo operations, with the hopes of tripling its capacity over the near term. In response, buyers may compete for limited service hotels, expecting the increase in air cargo operations to positively impact truck driver demand for overnight stays. Subsequently, investors may also target economy properties along Interstate 95 in anticipation of increased through traffic to and from the airport.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 0.7%

At the start of 2023, nearly 800 rooms were underway in Philadelphia, of which about 600 will deliver by year-end. The additional keys will bring the total number of annual room nights to just over 19 million.
- Occupancy** up 480 bps

Building off last year’s 500-basis-point gain, the yearlong average occupancy rate will reach 64.8 percent in 2023. This metric is aided by an 8.7 percent projected demand increase over the 12-month period and limited supply change.
- ADR** down 0.6%

Despite strong occupancy growth, ADR will see little movement this year after exceeding the pre-pandemic high during 2022. The average daily rate for 2023 will land at \$144.83.
- RevPAR** up 7.3%

Rising occupancy will enable RevPAR to continue its upward trajectory, even amid a slight ADR reduction. The rate will reach \$93.78, just \$1 below the high reached in 2019.
- Investment**

Proximity to New York, Baltimore and Washington, D.C. supports notable out-of-town fan attendance at local sporting games. This may prompt risk-averse buyers to target assets near stadiums.

Returning Events and Expanding Global Businesses Support Record Occupancy and Sustained Investment

Hotel bookings continue to surge in Phoenix. The metro is anticipated to record a triple-digit occupancy gain for the third consecutive year, as a number of headline sporting events — as well as increased business travel — boost the visitor count far-beyond pre-pandemic norms. The growing popularity of the Waste Management Open, a five-day golf event that brought more than 700,000 fans to Phoenix last year, will especially benefit Scottsdale hotels. A near-90 percent occupancy rate is projected for the area in February when the event takes place, suggesting that last-minute travelers could funnel into nearby locales. Although, rooms may be hard to come by, as Phoenix is also hosting the NFL Super Bowl at the same time. The event is projected to attract at least 70,000 attendees, boosting lodging demand in West Phoenix. Increased drivers exist for other forms of travel as well. Taiwan Semiconductor Manufacturing Company (TSMC) has begun flying over employees from Taipei, placing them in North Phoenix hotels as the firm gears up for the opening of its manufacturing facility in early 2024. Longer term, this could potentially generate additional hotel demand as international families visit new residents in Phoenix. This combination of factors driving visits to the metro will push occupancy up to a record high during 2023.

Investors seek opportunities with pronounced long-term demand drivers. Decade-high trading activity took place during 2022, with buyers' sentiment enhanced by this year's world-class slate of events. Investors with an appetite for full service hotels are mostly frequenting Scottsdale. Located here are well-known golf courses, entertainment features and restaurants, which typically foster year-round tourism. Meanwhile, limited service hotels should be well-positioned in neighborhoods north of Deer Valley, proximate to TSMC's manufacturing site. As the firm recently announced that it would extend its expansion through 2026, a continual inflow of employees should be visiting the area for years to come, supporting local hotel demand.

2023 Market Forecast

Supply
up 2.7%



Development is outpacing historical norms, with nearly double the number of rooms actively under construction compared to 2019. Of these, most are in West Phoenix, a submarket that currently hosts one of the largest hotel pipelines in the nation.

Occupancy
up 270 bps



Fueled by a record level of hotel demand, occupancy jumps up to 71.4 percent during 2023. Phoenix will be one of only three major markets to exceed its pre-pandemic occupancy level, with four out of six chain scales accomplishing this feat.

ADR
up 3.7%



Elevated construction in 2023 will bring ADR growth closer in line with historical norms, following last year's 26.4 percent advance. The annual average will rise to roughly \$169 per night.

RevPAR
up 7.9%

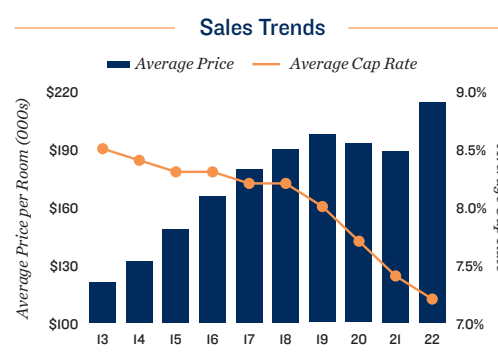
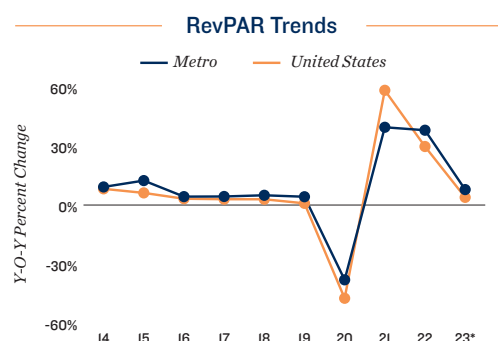
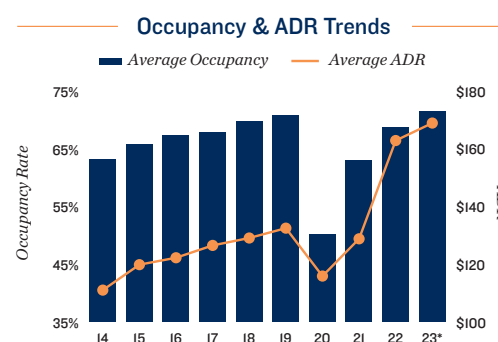
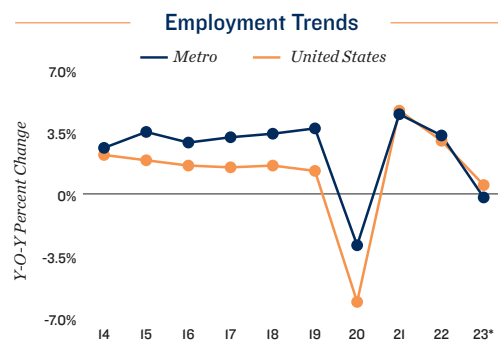


Occupancy continues to increase, supporting above-average RevPAR growth. Advancing to \$120.46 per available room, the metric is nearly 30 percent higher than 2019's recording.

Investment



With travel to Phoenix Sky Harbor International Airport nearing 2019 levels, nearby hotels will garner interest, especially as local occupancy is projected to rise to 80 percent this year.



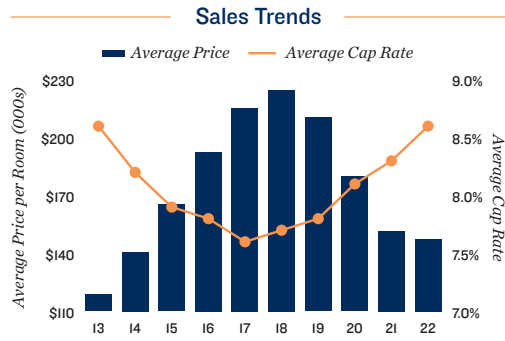
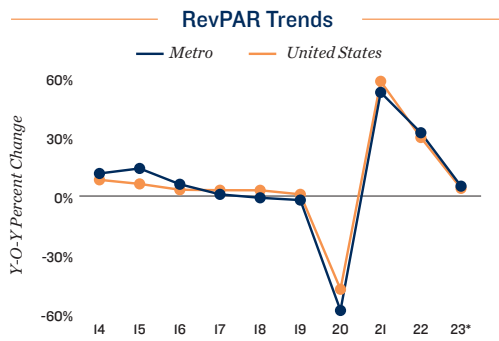
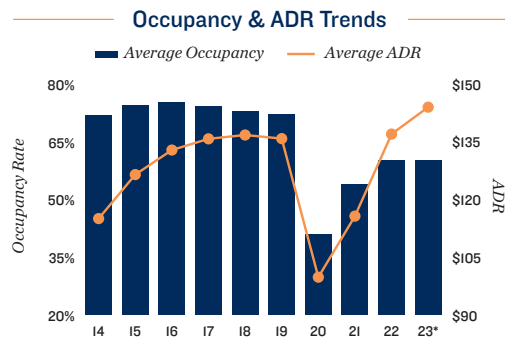
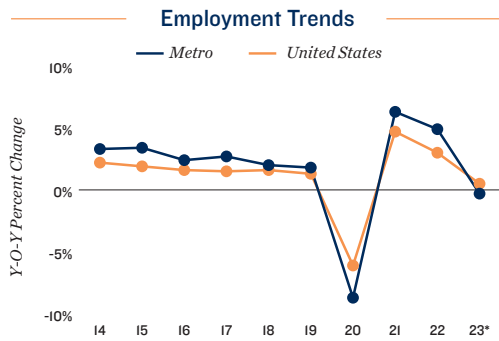
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

Downtown Improves While More Visitors Explore the Westside, Shoring up Occupancy and Investor Interest

Hotel demand showing little sign of retreat. Portland’s hospitality sector is steadily improving, despite a local housing crisis that has made certain neighborhoods less desirable to stay. Hotel demand increased by 600,000 room nights last year in the CBD — an area that accounts for over 40 percent of the metro’s total inventory — driven by a notable rise in tourist-related foot traffic. This dynamic helped fuel a near 1,200-basis-point rise in local occupancy, drawing the area closer to pre-pandemic levels in this metric. Nevertheless, the core’s recovery may be impeded by activity in outer locales, which are accounting for a greater share of hotel demand than in prior years. Occupancy in Beaverton and areas along Sunset Highway West rose to nearly 72 percent during 2022, more than 120 basis points higher than the 2019 recording. Although local operators will face elevated competition in 2023 from the delivery of more than 300 new rooms here, hotels in the area will still register above-average demand. The Quail Valley and Pumpkin Ridge golf courses, the hosts of LIV Golf Portland last year, should continue to draw outside visitors to the area for weekend stays. Despite these positives, Portland’s hospitality sector will not fully recover this year, as the annual occupancy rate will trail the long-term mean by 300 basis points.

Reduced entry costs attract buyers. The metro’s average sale price entered the year \$80,000 per room below the 2018 peak, yet the recent housing crisis is urging some owners to sell. Buyers who remain confident in Portland are likely to act, with lower price points freeing up additional capital for upgrades upon acquisition. This may ring especially true for full-service assets, which have gone from being rarely acquired to accounting for over one-third of deal flow during 2022. Institutions are driving this shift, with a focus on older luxury and upper upscale assets in the CBD. Meanwhile, private investors should continue their pursuit of economy hotels along Interstates 84 and 205 East, as demand for budget-friendly lodging is expected to improve amid a cutback in households’ travel spending.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 0.8% Hotel development is at its lowest level since 2016, with builders underway on roughly 940 rooms entering the year. Over one-third of this volume is slated for areas west of Route 217, highlighted by the 120-key Cedartree Hotel Portland Hillsboro.
- Occupancy** no change At 60.2 percent, occupancy in 2023 will match the prior year. Still far from their pre-pandemic recordings, the CBD and Portland Airport-Vancouver submarkets should post the largest occupancy gains, at 220 and 140 basis points, respectively.
- ADR** up 5.1% Sustained hotel demand lifts the average daily rate to \$143.78. Economy flags note the strongest ADR growth among chain scales, as occupancy in the segment exceeds the 2019 mark.
- RevPAR** up 5.0% Steady occupancy and improving ADR bump RevPAR up to \$86.49. All chain scales register positive RevPAR growth this year, with the economy and midscale segments leading the way.
- Investment** Economy hotels in far-out suburbs may be converted to shelters this year via Project Turnkey. These removals may stoke buyer demand for budget-friendly assets remaining in those locales.

Logistics-Related Lodging, Southern Californians' Weekend Escapes and International Allure Buoy Sector

Regionally-based drivers help counteract discretionary travel slowdown. Yearlong average occupancy and ADR figures in Riverside-San Bernardino are expected to retreat slightly during 2023 as inflationary pressures curb travel sentiment. Nevertheless, the number of room nights booked will closely align with last year's tally, as the reasons to stay at area hotels remain diverse. Major events, including Coachella and Stagecoach, provide consistent annual surges in room demand during the spring. On a more regular basis, desert towns in the valley appeal to southern California residents seeking weekend resort-style getaways. More trucks are also traveling along regional interstates amid the Inland Empire's ongoing industrial boom, ultimately providing another source of hotel demand, particularly in the limited-service segment. While leisure travel to Riverside-San Bernardino from international origins will likely remain soft this year, there are signs that it could improve longer term. On The New York Times' Places to Go list for 2023, Palm Springs grabs the sixth-highest spot, being one of just two U.S. locations to crack the top 10.

Outstanding sale price growth allows some buyers to look past hurdles. The challenges presented by higher interest rates and softer hotel fundamentals could hinder investment activity during 2023; however, Riverside-San Bernardino's impressive track record should reinforce buyer sentiment. Across the past decade through 2022, the average hospitality asset price per room more than doubled in the market, with 10-plus percent annual gains logged in six of those years. Compared to other major hospitality metros throughout the country, this decade-long climb ranks as the second fastest. The driving force is a widening buyer pool, as in-state investors from higher entry cost coastal markets contribute to a competitive landscape. Of note, this activity dropped the Inland Empire's mean cap rate to the lowest mark nationally in 2022. Compressed yields could make it difficult to get deals closed this year until the Federal Reserve settles on rates.

2023 Market Forecast

Supply
up 3.0%



Riverside-San Bernardino had more rooms underway at the end of last year than at any equivalent point during the past two decades. The result is a notable delivery volume for 2023, particularly in areas adjacent to Ontario International Airport.

Occupancy
down 160 bps



Substantial competition from new supply amid constraints to discretionary spending on leisure travel produces a lower occupancy rate. The yearlong average will fall to 64.4 percent, which still exceeds the trailing 10-year mean by 50 basis points.

ADR
down 0.1%



Moderating occupancy levels prompt rates to hold relatively firm. The 12-month average daily rate will dip marginally to \$153.92, remaining 25 percent above 2019's register.

RevPAR
down 2.5%

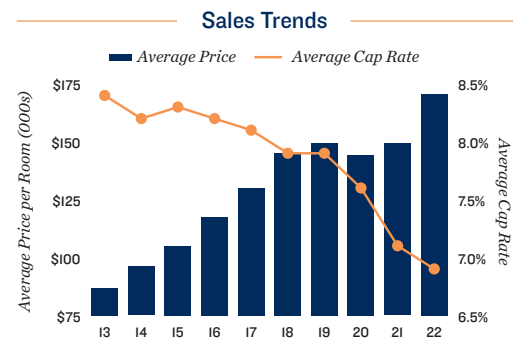
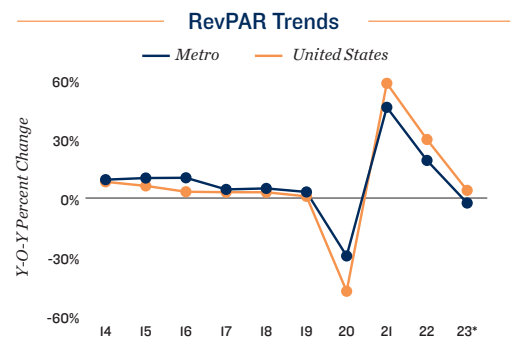
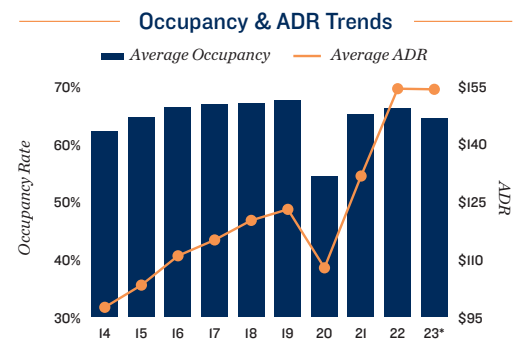
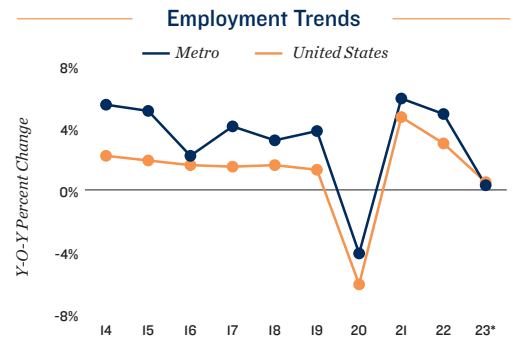


After a historic two-year elevation measuring at 74 percent, the Inland Empire's RevPAR metric recedes to a yearlong average of \$99.11 during 2023.

Investment



Buyers expecting leisure travel to be disproportionately impeded may favor assets with less volatile demand drivers. Economy hotels along Interstate 10 benefit from trucker lodging needs.



* Forecast

Sources: CoStar Group, Inc.; STR, Inc.


Metro's Reputation as an Outdoor/Wellness Event Hub Cemented; Investors Attracted to Long-Term Prospects


Schedule of athletic-related happenings preserves demand amid notable venue closure.


The number of room nights booked across the Salt Lake City metro during 2023 will match last year's recording, with the arrival or return of several major events playing an important role in the market's standing. This February, downtown's Vivint Arena held the NBA All-Star Weekend, an event that brought more than 120,000 attendees from 24 different countries to the host city last year. Additionally, Outdoor Retailer Snow Show returned this January, after previously relocating to Denver. The arrival of this event, which drew upward of 10,000 people, is significant as it represents one of three such conventions the organization will hold in Salt Lake City this year. Along with the Western Hunting & Conservation Expo, these and other recreational and wellness gatherings will solidify the metro as a coveted destination for outdoor retailers and sporting events moving forward, aiding hotel demand in 2023 and beyond. Still, a staple of the local tourism industry will be absent this year, as the Mormon Temple and Temple Square remain closed as part of an extensive four-year renovation project. Typically attracting 3 to 5 million people annually, this closure is a contributing factor behind the overall occupancy decline projected for this year.


Proximity to major transportation hubs a priority for investors. Earlier this year, Delta Airlines signed a long-term lease agreement with Salt Lake City International Airport, extending its hub operations at the facility through at least 2044. This commitment is significant for nearby hotel demand and active investors mulling potential acquisitions adjacent to the airport, as the airline accounts for more flights into Utah — and ultimately hotel guests — than all other carriers combined. Elsewhere, listings along Interstate 15 in south Salt Lake County and neighboring Utah County that cater to corporate travelers may garner more interest among buyers. The area, dubbed Silicon Slopes, is home to a growing tech sector that has the potential to aid demand for business-related stays.


2023 Market Forecast

Supply up 3.7%  Entering this year, approximately 1,000 rooms were underway, highlighted by projects in Downtown Salt Lake City. Of these keys, roughly half will be finalized during 2023 — a moderation in supply additions after the completion of 900 doors last year.

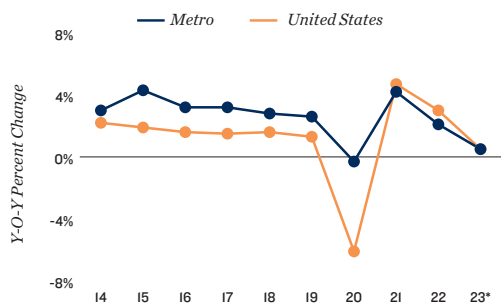
Occupancy down 200 bps  After nearly reaching the pre-pandemic level last year, annual occupancy falls to an average of 66.8 percent during 2023. Despite the near-term setback, the metro's rate exceeds its 2000-2019 mean by roughly 200 basis points.

ADR up 2.5%  An improvement in limited-service occupancy helps support a third consecutive year of positive ADR growth that raises the metro's annual average rate to \$128.06 per night.

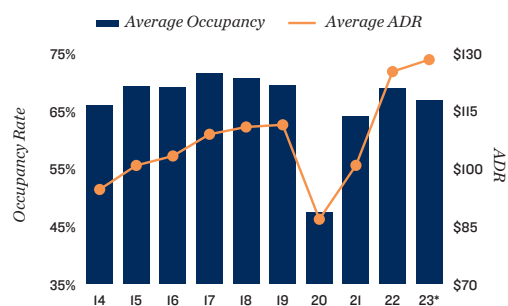
RevPAR down 0.5%  Outside of limited-service hotels, other segments may note slight decreases in revenue amid declines in demand. This combination places annual RevPAR at \$85.54.

Investment  Anticipating a surge in visitors following the completion of Temple Square renovations in 2024, any interested investors will have to compete for available, downtown listings this year.

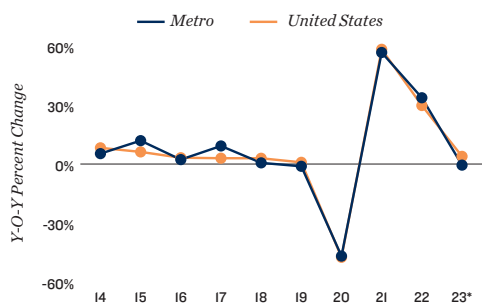
Employment Trends



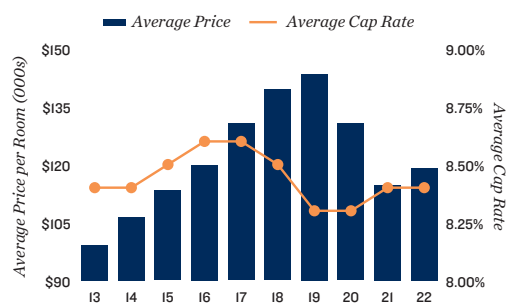
Occupancy & ADR Trends



RevPAR Trends



Sales Trends



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Alamo City Welcomes Several One-Time Events on Top of Recovered Foundational Demand Drivers

Occupancy reaches a 17-year high. Moderate supply additions and elevated hotel bookings have boosted San Antonio’s hotel metrics, with ADR and RevPAR both surpassing pre-pandemic averages last year. Positive momentum is expected to continue during 2023, allowing the metro’s yearlong occupancy rate to eclipse the 2019 mean, making it the first major Texas market to achieve this. Long-standing drivers of local tourism – such as Sea World and the annual Big Texas Comicon – will support regional travel to the area, helping fuel the fundamental rebound in demand. The metro’s proximity to Austin, Corpus Christi and Houston should also support a notable rise in room nights booked, as more in-state households venture closer to home for weekend getaways amid a softening in their discretionary travel budgets. Building on these demand drivers, WWE’s Royal Rumble and the NCAA Convention will be held in the metro this year, further aiding sector fundamentals. Meanwhile, a moderate volume of supply additions are slated for near-term delivery, minimizing competition for existing hotels. Together, this combination of factors will enable San Antonio to record the fourth-highest demand improvement nationally relative to 2019.

Buyer preference for higher-quality assets lifts the average sale price. Last year marked an uptick in San Antonio-area hotel transactions, a rise that coincided with an 8 percent increase in average pricing and record revenue metrics. Motivated by recent RevPAR and daily rate gains, as well as near-term expectations for additional growth, active national buyers may continue to set their sights on the market this year. Hotels in San Antonio Northwest, particularly near Sea World San Antonio, should remain a target for select and full-service-focused investors, particularly as the theme park opens the world’s first-launched flume coaster in 2023. Outer cities in the northeast portion of the market, such as New Braunfels, may also warrant buyer attention as economic expansion in both San Antonio and Austin makes Interstate 35 a more heavily-trafficked roadway.

2023 Market Forecast

- Supply** up 4.5%

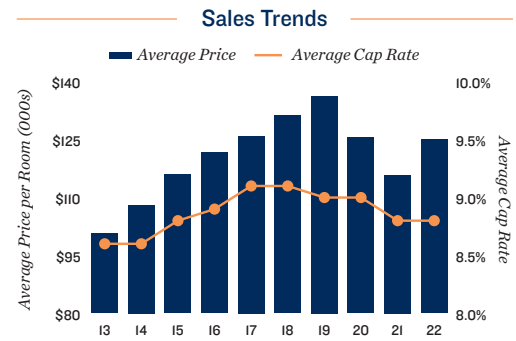
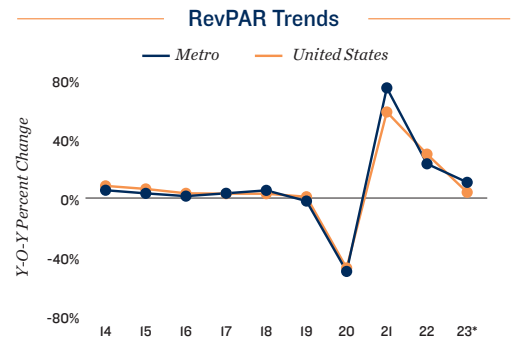
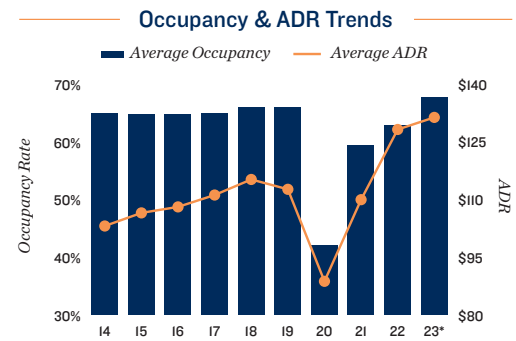
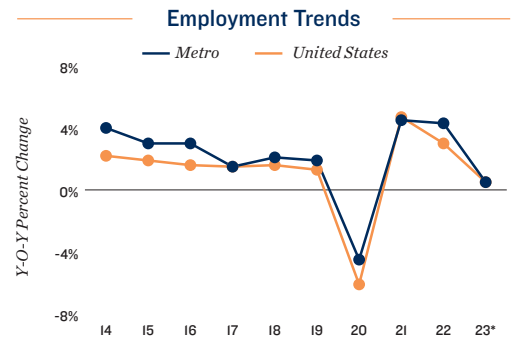
San Antonio’s active construction pipeline consisted of less than 600 rooms at the start of 2023, a dynamic that will prevent a misalignment of supply and demand. Only one project underway as of January comprised more than 200 rooms.
- Occupancy** up 500 bps

The yearlong average occupancy rate will surge to 67.7 percent in 2023, the highest rate among major in-state hotel markets. A moderate stock increase and sustained room demand enables this metric to continue its upward climb.
- ADR** up 2.5%

Subsiding from double-digit gains in 2021 and 2022, the ADR inches up to \$131.12 across 2023. Progress in this metric is underpinned by a strong yearlong mean occupancy rate.
- RevPAR** up 10.6%

Limited supply additions and improving demand allow RevPAR to advance by double digits for the third year in a row. The metric will reach \$88.74 in 2023.
- Investment**

As business travel slowly returns and convention activity picks up, properties in the CBD may attract additional investor interest – specifically full-service assets that cater to professionals.

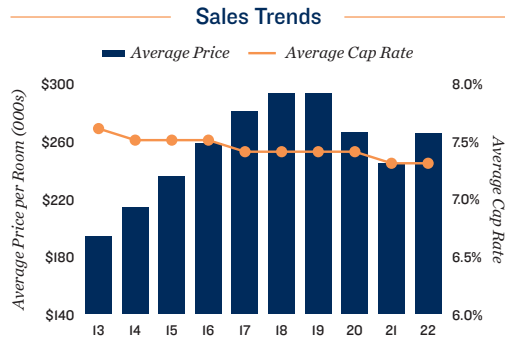
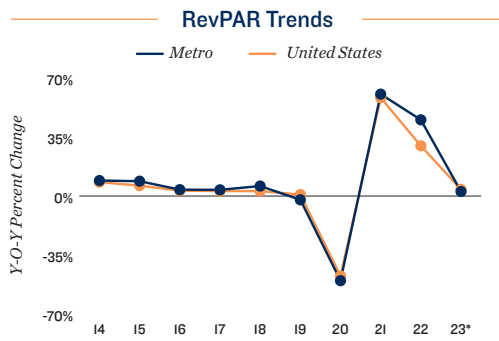
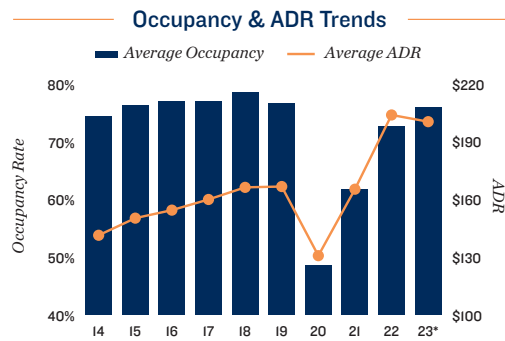
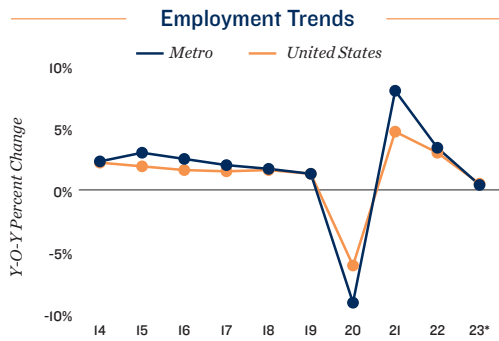


* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

San Diego Checks in as California's Most In-Demand Lodging Market; Lack of New Rooms Limits Competition

Foundations of year-round demand in place. San Diego-area occupancy is expected to improve for a third straight year, as a full slate of events and cruise ship calls — along with the metro's favorable year-round weather — support a level of tourism nearly on par with pre-pandemic recordings. Hotels reliant on convention-generated demand will benefit from the San Diego Convention Center's calendar, which includes nearly 50 events that will each draw at least 5,000 people. The list of upcoming happenings is headlined by Comic-Con and the Rock 'n' Roll Marathon Health & Fitness Expo. Further spotlighting San Diego on the national stage, the Farmers Insurance Open attracted an estimated 120,000 attendees this January, generating demand for rooms near Torrey Pines. Year-round, hotels proximate to the metro's cruise ship terminal should record a steady inflow of out-of-town guests, as the number of monthly arrivals and departures matches pre-health crisis activity. Lodging options for those that board ships or attend the aforementioned events, however, will be similar to prior years, as San Diego adds less than 200 new hotel rooms during 2023. The combination of limited new supply and a potential uptick in tourism will allow overall average occupancy to exceed the 75 percent threshold for the first time in four years.

Standout revenue growth attracts investors to discount hotels. Amid a potential softening in tourists' discretionary spending power, economy and midscale occupancy is expected to reach a historically high mark in San Diego this year, supporting positive RevPAR growth across these chain scales. As such, budget-friendly hotels with 50 to 150 rooms should garner interest among active buyers, specifically properties near major freeways and tourist destinations. While the metro is home to some of the nation's highest hotel pricing, these facilities commonly trade for less than \$150,000 per door. These assets can also provide investors with significantly higher yields relative to other commercial property types, an attractant to those with experience owning management-intensive real estate.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 1.4% San Diego's active pipeline consisted of nearly 2,100 keys at the onset of this year; however, a small share of these rooms will be delivered in 2023. The 1,600-room Gaylord Pacific Resort and Convention Center in Chula Vista will not open until 2025.
- Occupancy** up 320 bps All chain scales record annual occupancy of at least 70 percent, with four hotel classes registering 400-basis-point-plus improvements. Still, overall occupancy across the metro trails the 2019 mark by 70 basis points.
- ADR** down 1.7% The economy segment records positive daily rate growth; however, the price of all other stays declines slightly, placing overall ADR at \$200.02 per night.
- RevPAR** up 2.7% A third consecutive year of notable occupancy improvement aids hotels' profitability, with metro RevPAR reaching a record \$151.71 during 2023.
- Investment** The future addition of 30 gates at San Diego International Airport will up passenger volumes and demand for overnight stays, motivating investors to pursue listings proximate to the airport.

San Francisco Leads All Major U.S. Markets in Occupancy, ADR and RevPAR Growth

Ongoing rebound permits nation-leading performance improvements. Major events, such as the NBA Finals and the return of notable conferences like Dreamforce, are providing significant momentum to the recovery of San Francisco’s hospitality sector. Last year, the metro led the nation in growth across all key performance indicators, with occupancy improving by more than 1,600 basis points. Meanwhile, ADR and RevPAR recorded gains of 38 percent and 86 percent, respectively. While this recent progress is promising, hotel fundamentals still remain well below levels observed prior to the pandemic, as the prevalence of hybrid and remote work schedules hinder business travel. However, several tailwinds may arise this year that will continue to drive room demand in the Bay Area. The J.P. Morgan Healthcare Conference returns in 2023, following a two-year hiatus. This is historically one of the highest revenue-generating events in San Francisco and provides a significant boost to annual hotel performance. Furthermore, China recently loosened travel restrictions, which could provide a boost to foreign arrivals, as the country traditionally accounts for the largest proportion of international visitors to the metro.

Investors take a wait-and-see approach. Trading activity in San Francisco remains well below pre-pandemic levels as many buyers are opting to sit on the sidelines and observe how the recovery in the hospitality sector plays out. Limited deal flow, coupled with some distressed properties hitting the market, has severely skewed average pricing — which was around \$246,000 per room entering this year. However, some upscale and luxury hotels in desirable locations are still garnering entry costs that exceed \$400,000 per key. Meanwhile, assets proximate to the airport could be coveted by investors due to strong demand. The submarket recorded the highest average occupancy in the metro entering 2023. Hotels in this area could also appeal to travelers with budgets constrained by widespread inflation as local daily rates are roughly \$60 less than the market average.

2023 Market Forecast

Supply
up 5.9%



Annual supply additions will reach a four-year high as the metro adds roughly 950 rooms in 2023. This year’s pipeline is headlined by a 240-room citizenM hotel that is slated for delivery near Facebook’s campus in Menlo Park.

Occupancy
up 740 bps



San Francisco is projected to lead all major U.S. markets in occupancy growth for the second consecutive year, as the rate climbs to 71.4 percent. Still, this measurement remains more than 1,000 basis points below the 2019 recording.

ADR
up 12.1%



The average daily rate continues its upward trajectory in 2023, reaching \$237.67. The rate of growth this year outpaces all other major markets in the nation.

RevPAR
up 25.1%

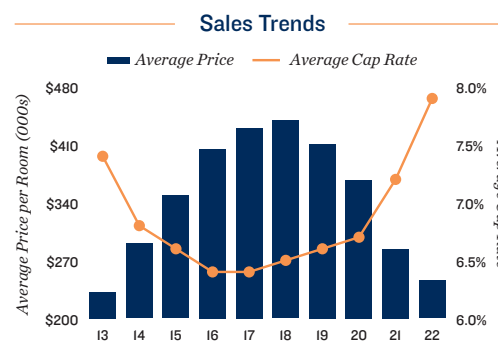
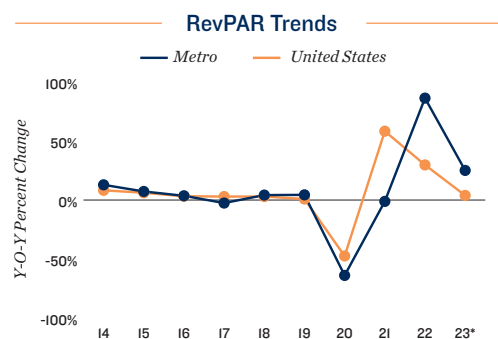
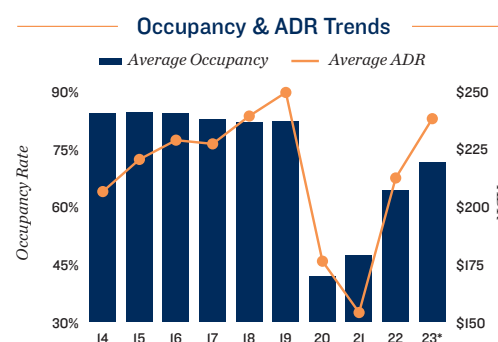
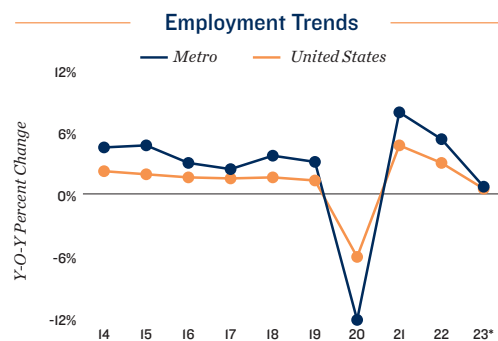


Robust gains in occupancy and ADR allow San Francisco to record the nation’s largest RevPAR growth in 2023, with the metric rising to an annual average of \$169.68 this year.

Investment



Improving international visitation volumes and limited competition from new hotels may potentially strengthen buyer demand in the Nob Hill-Wharf submarket.



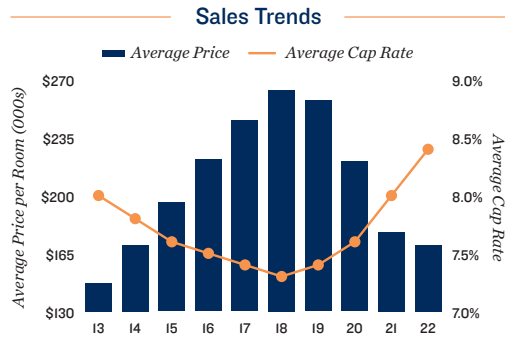
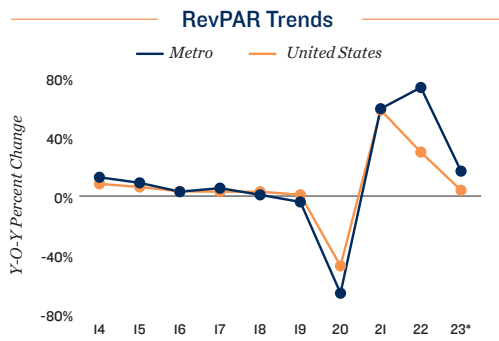
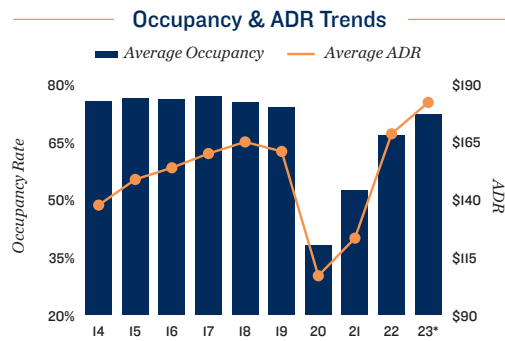
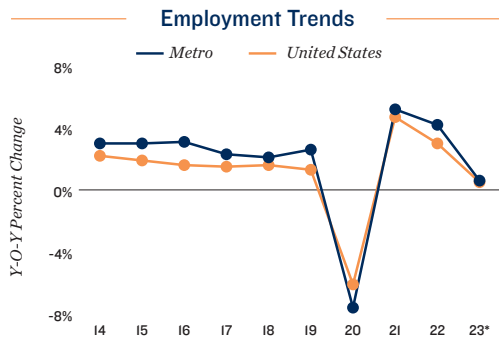
* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

New Events and Entertainment May Shift the Tide for Downtown Hotels; Buyers Target Economy Assets

Performance improving in most areas; CBD lagging. Optimism is building in Seattle-Tacoma’s hospitality sector. Major events, such as the NCAA Division 1 Women’s Basketball Tournament Regional, and returning festivals, such as Bite of Seattle, will help attract more visitors than in recent years, lifting 2023’s occupied room night count to within 1 percent of the record high. International tourism is also likely to ramp up, with China loosening travel restrictions this January. More than 175,000 of the country’s nationals visited in 2019, and pent-up demand could bring similar levels back to the market this year. In spite of these tailwinds, overall occupancy is expected to remain below pre-pandemic levels, with the local rate in downtown Seattle — an area that hosts one-third of total inventory — holding 1,400 basis points under its 2019 recording. The widespread adoption of hybrid work formats, paired with recent, large-scale layoffs by the metro’s largest firms, are hindering business travel to the core and local hotels’ recovery. Still, the outlook here may be improving. Downtown’s newly-built convention center, Summit, has already booked 21 events for 2023 — each with a minimum estimated attendance of 4,000 people. Meanwhile, Pier 62 at Waterfront Park opens several new amenities, such as the Habitat Beach, this year.

Investors adapt to reduced travel budgets this year. Despite ongoing lending challenges, 2023 may represent a favorable time for acquisitions from yield-driven buyers, with the average cap rate entering the year at more than a decade-high. Listings near Seattle-Tacoma International Airport should generate interest in the near term, with last year’s 21 percent improvement in passenger volumes suggesting that local hotel demand will continue to rise. Here, limited service assets should generate the strongest competition, with most tourists reducing travel spending in response to inflationary pressures. This trend is already taking shape elsewhere, as buyers are targeting economy hotels in lower-cost suburban areas, such as Everett, where the ADR is \$50 less than the metrowide average.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

2023 Market Forecast

- Supply** up 1.4% With the addition of roughly 1,200 new rooms, this year’s development should surpass 2022’s by more than 20 percent. Completions during 2023 are headlined by the 400-key Muckleshoot Casino Hotel in Auburn, slated to finalize this November.
- Occupancy** up 540 bps Led by a 770-basis-point rise in Bellevue and outlying eastern neighborhoods, all submarkets, except for downtown Seattle, return to pre-pandemic levels of occupancy during 2023. This overall activity will boost the metrowide rate up to 71.9 percent.
- ADR** up 8.1% Elevated construction this year will spur more competition among local hoteliers, slowing ADR growth relative to 2022. Still, the average daily rate will rise to a record high at \$181.68.
- RevPAR** up 16.9% Triple-digit occupancy gains stoke a RevPAR growth pace that ranks second highest among major U.S. markets. The 2023 figure, at \$130.69, more than quadruples the pandemic trough.
- Investment** Some buyers viewing large-scale office exits and reduced pricing for hotels in the core may see this as an opportune time to acquire local assets, with extra capital available for upgrades.

Gateway to the West Benefits from Interstate Travel; Investors Seek Historically Lower Entry Costs

Occupancy continues upward climb, despite economic uncertainty. St. Louis will hold its first Major League Soccer (MLS) season this year, following the completion of a downtown stadium. Hosting an MLS team is expected to bring \$8.4 million annually in fan spending, augmenting CBD lodging needs, in addition to other professional sports teams housed nearby. With comparatively fewer teams in the league, the metro’s local soccer franchise is anticipated to have a more regional draw, bringing an estimated 370,000 MLS fans to the city in its inaugural season. St. Louis is also home to several established Midwest attractions, like the Gateway Arch National Park, and is within a three-hour driving distance of the nearby Ozark National Scenic Riverways. Amid elevated airfare costs and mounting economic uncertainty, a trend toward shorter, local road trips within the region may become more prevalent. These factors enable hotel occupancy in 2023 to reach 60.6 percent, a yearlong average rate consistent with the 2000-2019 mean. This, paired with growth in ADR, signals continued recovery from pandemic setbacks.

High yields and relatively strong fundamentals attract investors. In 2022, the mean sale price in St. Louis began to shift upward after falling for two consecutive years, but the 12-month average still landed \$15,500 per room below the 2019 high. Active buyers may hope to capitalize on lower price points, creating some competition that could ultimately help close that gap. Out-of-market investors may also be enticed by comparatively high yields, paired with recovering fundamentals, as the annual average occupancy rate and RevPAR rise in 2023. The area surrounding the St. Louis Lambert International Airport may appeal to buyers looking for properties with high visitor tallies. Hazelwood, in particular, is attractive because of its dual proximity to St. Charles and the airport. The city also offers access to Interstate 270. Investors looking for assets with demand from both regional road travel and traffic from St. Louis’ largest airport may focus on this area.

2023 Market Forecast

- Supply** up 1.0%

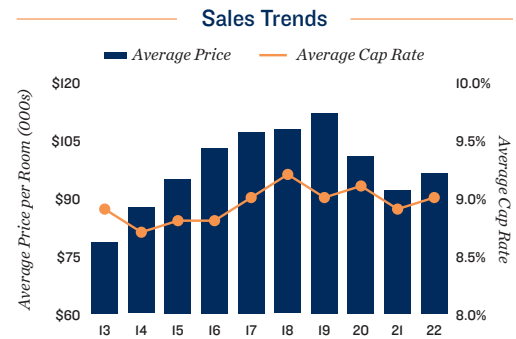
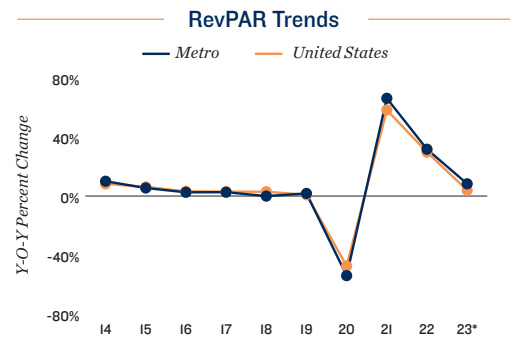
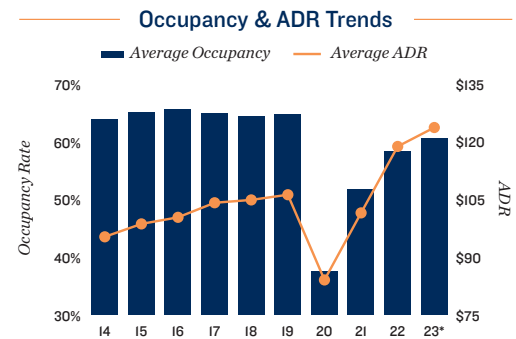
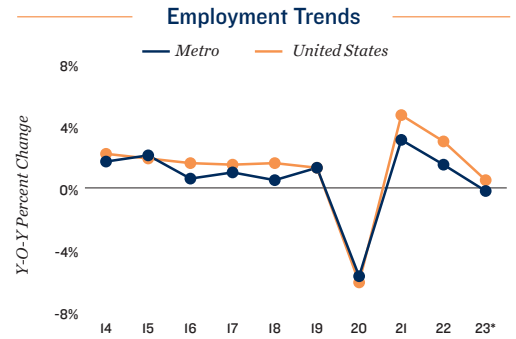
The rate of development remains steady as over 800 doors were under construction at the end of 2022. Room inventory will rise by around 500 keys in 2023, reaching an annual supply of 15.3 million room nights.
- Occupancy** up 230 bps

Building off last year’s 660-basis-point gain, occupancy for 2023 will surpass 60 percent for the first time since 2019. The average rate for the yearlong period sits less than 500 basis points below the record high posted in 2016.
- ADR** up 4.1%

As bookings continue to rise, ADR will reach \$123.49 for this year. The St. Louis Airport and Northwest submarkets will note the fastest growth in ADRs over the duration of 2023.
- RevPAR** up 8.3%

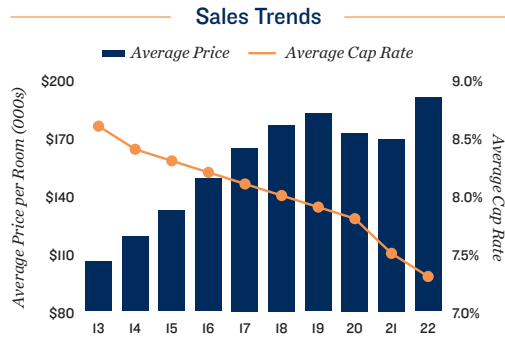
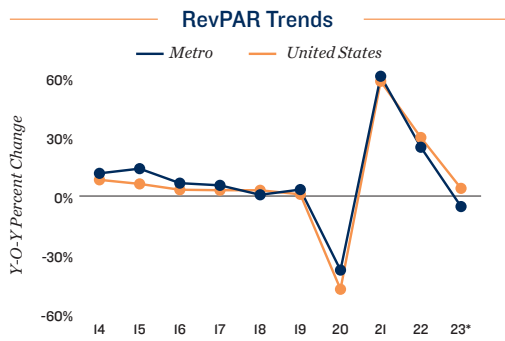
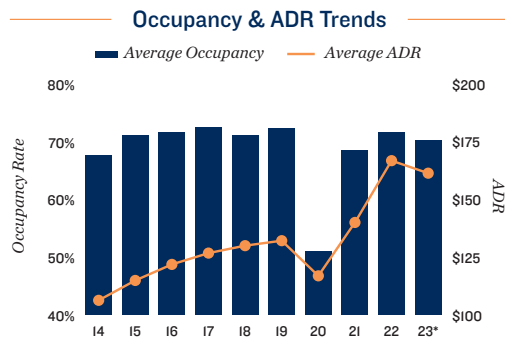
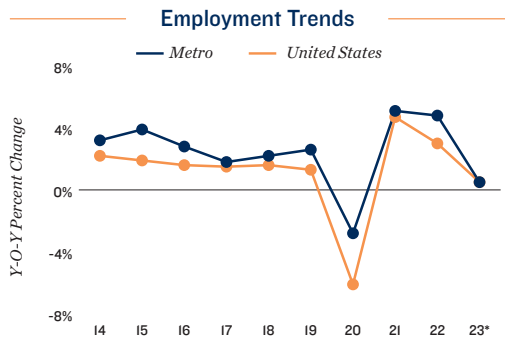
After recovery from 2020 led to double-digit percent growth in 2021 and 2022, RevPAR will increase at a more historically consistent pace. The metric will reach \$74.81 in 2023.
- Investment**

Assets downtown may see heightened buyer interest as the city’s MLS team begins its inaugural season. A metro-leading RevPAR figure will also be an appealing driver for trades here.



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Competition Ripples Through Metro Amid Wave of New Supply; Buyers Target Hotels Outside of Tampa Proper



* Forecast
Sources: CoStar Group, Inc.; STR, Inc.

Cost considerations shore up hotel demand. Recent economic uncertainty has put more budget-friendly locations on leisure travelers’ radars, and Tampa-St. Petersburg is no exception. Many tourists seeking South Florida-esque beaches are instead opting to visit the metro, thanks to an ADR that has remained roughly \$80 lower than both Miami-Dade and West Palm Beach entering this year. As such, Tampa-St. Petersburg recorded the strongest improvement in occupied room nights among major Florida markets from 2019 to 2022. Nearly-recovered pre-pandemic inbound passenger volumes at Tampa International Airport — along with over 250 cruise ship calls scheduled for 2023 — suggest this momentum should continue, with recuperating cruise activity supporting an annual occupancy rate in Tampa East that is well-above other submarkets. Nevertheless, competition has been stiffened metrowide by an ongoing wave of new supply, stunting a return to pre-pandemic levels of occupancy. The rate is projected to fall 210 basis points below the 2019 recording amid the completion of roughly 1,300 new rooms this year, a volume that represents over 2 percent of current inventory. Although this may cause a retreat in other performance indicators, the metro remains in a good spot historically speaking, registering ADR and RevPAR metrics that sit more than 18 percent higher than their respective pre-pandemic figures.

Record pricing facilitates more listings. Trades were frequent last year, despite lending challenges, signaling that buyers hold Tampa-St. Petersburg in high regard. Average pricing hit a record at over \$190,000 per room during 2022, and with upcoming uncertainty, some hotel owners may list assets — especially those in need of improvements — to capitalize on near-term pricing momentum. Like recent years, St. Petersburg should continue to host a sizable portion of trading activity, with limited competition from new supply sustaining occupancy gains and buyer interest. At the same time, hotels are highly coveted in Clearwater, where the area’s family-friendly beaches and golf courses attract an inflow of tourists.

2023 Market Forecast

Supply up 2.1% Supply growth is projected to accelerate this year, with builders delivering nearly double the number of rooms than they did in 2022. New hotels completed in 2023 are headlined by the 227-key Alanik Hotel in Clearwater.

Occupancy down 150 bps The number of room nights booked in 2023 recedes slightly as households curtail travel-related spending in response to economic uncertainty. This and the metro’s elevated level of supply additions lower annual occupancy to 70.1 percent.

ADR down 3.2% New supply heightens competition among hotels, halting positive room rate momentum. The ADR will bump down to \$161.08 this year, with a reduction observed across chain scales.

RevPAR down 5.3% Only Tarpon Springs-North Shore sustains RevPAR growth, with local hotel demand aided by an ADR that is \$40 less than the metro average. This year, overall RevPAR will fall to \$112.87.

Investment Economy assets may pique investor interest, as nominal construction for the chain scale facilitates an occupancy rate more than 250 basis points higher than the annual recording in 2019.

Regional Trips Amid Elevated Airfare and a Gradual Business Travel Revival Enable Occupancy Lift

Ongoing rebound permits seventh-largest occupancy gain nationally. The road back from 2020's pandemic disruption has been choppy for Washington, D.C., but the recovery will continue into this year, despite emerging economic challenges. Entering 2023, the metro's 12-month average occupancy metric trailed the pre-pandemic equivalent by 880 basis points, ranking as the sixth-largest shortfall among major U.S. markets during that span. Other metros with comparable differences like New York City, San Francisco and Philadelphia share similar characteristics — historically-favored international tourist destinations with a substantial business travel component. As pandemic-related restrictions in the U.S. have largely been removed and countries across the world are enacting more lenient policies, inbound trips from overseas may continue to ramp up during 2023. The same trend should apply for business-related visitations, as more conferences are held in person and government personnel venture to the market. On the leisure front, high airfare costs amid broader inflation could encourage Northeast households to plan trips closer to home, benefiting Washington, D.C. as it stands within 250 miles of Baltimore, Philadelphia, New York City and Northern New Jersey — which contain a combined 21 million individuals.

Airport-adjacent assets and the Virginia suburbs poised to be buyer focal points. Two Washington, D.C. submarkets are projected to rank in the top three metrowide for both occupancy and ADR growth during 2023. That list includes the Dulles Airport Area and Fairfax-Tysons Corner. Both of these submarkets have daily room rates that trail CBD and Arlington equivalents by 15 to 50 percent, potentially serving as a key consideration for budget-sensitive travelers this year. Following this same trend regarding a preference for lower-cost rooms, the economy and midscale segments are expected to have some of the largest occupancy boosts marketwide in 2023. As such, investors may focus on limited-service assets, which could correspondingly press on the average sale price metric.

2023 Market Forecast

Supply
up 3.9%



While the inventory addition during 2023 will be the largest since the onset of the health crisis, the pace matches Washington, D.C.'s trailing 20-year average. Led by a 274-key hotel near Capitol Hill, the CBD garners the greatest share of deliveries.

Occupancy
up 390 bps



All chain scales are expected to have annual occupancy improvements during 2023, including 600-plus-basis-point lifts in the economy, midscale and luxury segments. This helps bring the market's overall yearlong average rate to 65.6 percent.

ADR
up 5.6%



Washington, D.C.'s pace of ADR expansion ranks as the third-fastest among major U.S. hospitality markets this year, bringing the average 12-month measure to \$172.45 in 2023.

RevPAR
up 12.4%

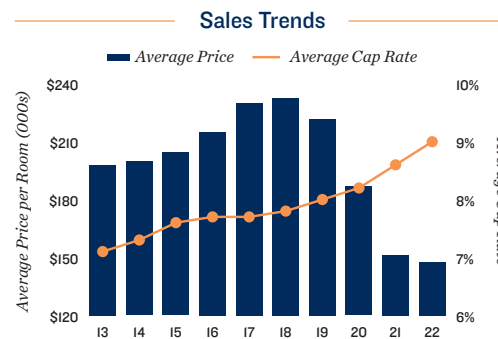
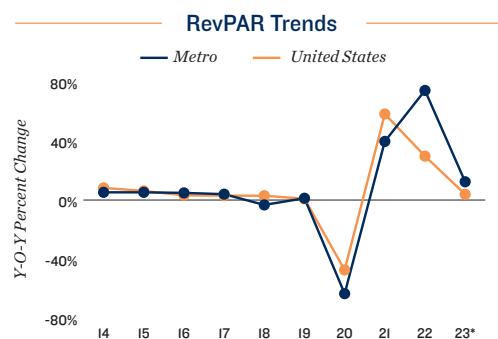
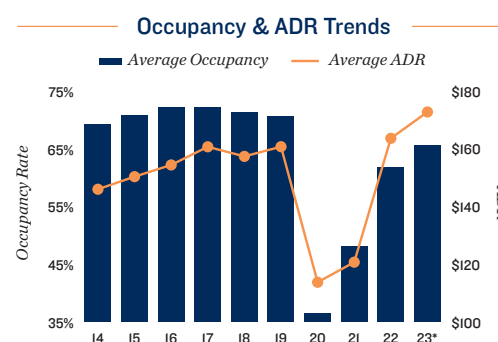
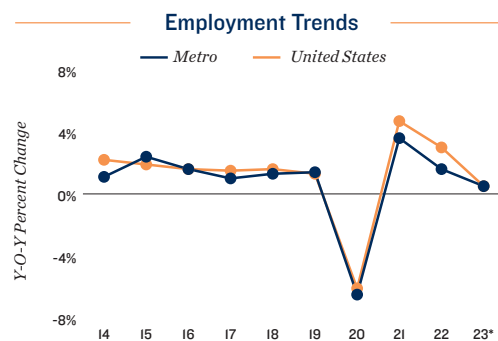


Driven by top-10 ranks in both ADR and occupancy enhancement, the metro posts the nation's third-strongest RevPAR gain during 2023. The local metric will reach \$113.19 this year.

Investment



Among luxury hotel segments nationwide, Washington, D.C. is projected to have the second-strongest RevPAR gain during 2023, potentially drawing institutions that are active this year.



* Forecast

Sources: CoStar Group, Inc.; STR, Inc.

United States

Corporate Headquarters

Marcus & Millichap
23975 Park Sorrento
Suite 400
Calabasas, CA 91302
(818) 212-2250
www.MarcusMillichap.com

Atlanta

1100 Abernathy Road, N.E.
Building 500, Suite 600
Atlanta, GA 30328
(678) 808-2700
John M. Leonard

Austin

9600 N. Mopac Expressway
Suite 300
Austin, TX 78759
(512) 338-7800
Bruce Bentley III

Bakersfield

4900 California Avenue
Tower B, Second Floor
Bakersfield, CA 93309
(661) 377-1878
Jim Markel

Baltimore

One West Pennsylvania Avenue
Suite 850
Towson, MD 21204
(443) 703-5000
Brian Hosey

Baton Rouge

10527 Kentshire Court, Suite B
Baton Rouge, LA 70810
(225) 376-6800
Jody McKibben

Birmingham

800 Shades Creek Parkway
Suite 815
Birmingham, AL 35209
(205) 510-9200
Jody McKibben

Boise

800 W. Main Street, Suite 1460
Boise, ID 83702
(208) 401-9321
Adam Lewis

Boston

100 High Street, Suite 1025
Boston, MA 02110
(617) 896-7200
Thomas Shihadeh

Brooklyn

One MetroTech Center, Suite 2001
Brooklyn, NY 11201
(718) 475-4300
John Horowitz

Charleston

151 Meeting Street, Suite 450
Charleston, SC 29401
(843) 952-2222
Benjamin Yelm

Charlotte Uptown

201 S. Tryon Street, Suite 1220
Charlotte, NC 28202
(704) 831-4600
Benjamin Yelm

Chicago Downtown

333 W. Wacker Drive, Suite 200
Chicago, IL 60606
(312) 327-5400
Joseph Powers

Chicago Oak Brook

One Mid-America Plaza, Suite 200
Oakbrook Terrace, IL 60181
(630) 570-2200
Steven D. Weinstock

Cincinnati

600 Vine Street, 10th Floor
Cincinnati, OH 45202
(513) 878-7700
Josh Caruana

Cleveland

Crown Center
5005 Rockside Road, Suite 800
Independence, OH 44131
(216) 264-2000
Grant Fitzgerald

Columbia

1320 Main Street, Suite 300
Columbia, SC 29201
(803) 678-4900
Benjamin Yelm

Columbus

500 Neil Avenue, Suite 100
Columbus, OH 43215
(614) 360-9800
Grant Fitzgerald

Dallas

5001 Spring Valley Road, Suite 100W
Dallas, TX 75244
(972) 755-5200
Tim Speck

Dallas Uptown

3131 Turtle Creek Boulevard
Suite 1200
Dallas, TX 75219
(972) 267-0600
Tim Speck

Denver

1144 15th Street, Suite 2150
Denver, CO 80202
(303) 328-2000
Adam A. Lewis

Detroit

2 Towne Square, Suite 450
Southfield, MI 48076
(248) 415-2600
Steven Chaben

Encino

16830 Ventura Boulevard, Suite 100
Encino, CA 91436
(818) 212-2700
Jim Markel

Fort Lauderdale

5900 N. Andrews Avenue, Suite 100
Fort Lauderdale, FL 33309
(954) 245-3400
Harrison E. Rein

Fort Worth

300 Throckmorton Street, Suite 1500
Fort Worth, TX 76102
(817) 932-6100
Mark R. McCoy

Fresno

6795 N. Palm Avenue, Suite 109
Fresno, CA 93704
(559) 476-5600
Jim Markel

Greensboro

200 Centreport Drive, Suite 160
Greensboro, NC 27409
(336) 450-4600
Benjamin Yelm

Hampton Roads

999 Waterside Drive, Suite 2525
Norfolk, VA 23510
(757) 777-3737
Benjamin Yelm

Houston

3 Riverway, Suite 800
Houston, TX 77056
(713) 452-4200
Ford Noe

Indianapolis

600 E. 96th Street, Suite 500
Indianapolis, IN 46240
(317) 218-5300
Josh Caruana

Inland Empire

3281 E. Guasti Road, Suite 800
Ontario, CA 91761
(909) 456-3400
Mario J. Alvarez, Jr.

Iowa

425 Second Street S.E., Suite 610
Cedar Rapids, IA 52401
(319) 333-7743
Todd Lindblom

Jacksonville

5200 Belfort Road, Suite 250
Jacksonville, FL 32256
(904) 672-1400
Justin W. West

Kansas City

7400 College Boulevard, Suite 105
Overland Park, KS 66210
(816) 410-1010
David Saverin

Knoxville

1111 Northshore Drive, Suite S-301
Knoxville, TN 37919
(865) 299-6300
Jody McKibben

Las Vegas

9205 W Russell Road, Suite 100
Las Vegas, NV 89148
(702) 215-7100
Cameron Glinton

Los Angeles

1900 Avenue of the Stars, Suite 2000
Los Angeles, CA 90067
(213) 943-1800
Tony Solomon

Louisville

9300 Shelbyville Road, Suite 1012
Louisville, KY 40222
(502) 329-5900
Josh Caruana

Manhattan

260 Madison Avenue, Fifth Floor
New York, NY 10016
(212) 430-5100
John Horowitz

Memphis

5100 Poplar Avenue, Suite 2505
Memphis, TN 38137
(901) 620-3600
Jody McKibben

Miami

2916 North Miami Avenue, Suite 700
Miami, FL 33127
(786) 522-7000
Harrison E. Rein

Milwaukee

13890 Bishops Drive, Suite 300
Brookfield, WI 53005
(262) 364-1900
Todd Lindblom

Minneapolis

1601 Utica Avenue South, Suite 301
Minneapolis, MN 55416
(952) 852-9700
Todd Lindblom

Mobile

208 N. Greeno Road, Suite B-2
Fairhope, AL 36532
(251) 929-7300
Jody McKibben

Nashville

6 Cadillac Drive, Suite 100
Brentwood, TN 37027
(615) 997-2900
Jody McKibben

New Haven

265 Church Street
Suite 210
New Haven, CT 06510
(203) 672-3300
John Horowitz

New Jersey

250 Pehle Avenue, Suite 501
Saddle Brook, NJ 07663
(201) 742-6100
Jim McGuckin

New Mexico

100 Sun Avenue N.E., Suite 650
Albuquerque, NM 87109
(505) 445-6333
Ryan Sarbinoff

Oakland

555 12th Street, Suite 1750
Oakland, CA 94607
(510) 379-1200
Ramon Kochavi

Oklahoma City

101 Park Avenue, Suite 1300
Oklahoma City, OK 73102
(405) 446-8238
Jody McKibben

Orange County

19800 MacArthur Boulevard
Suite 150
Irvine, CA 92612
(949) 419-3200
Jonathan Giannola

Orlando

300 S. Orange Avenue, Suite 700
Orlando, FL 32801
(407) 557-3800
Justin W. West

Palm Springs

74-710 Highway 111, Suite 102
Palm Desert, CA 92260
(909) 456-3400
Mario J. Alvarez Jr.

Palo Alto

2626 Hanover Street
Palo Alto, CA 94304
(650) 391-1700
Ramon Kochavi

Philadelphia

2005 Market Street, Suite 1510
Philadelphia, PA 19103
(215) 531-7000
Sean Beuche

Phoenix

2398 E. Camelback Road, Suite 300
Phoenix, AZ 85016
(602) 687-6700
Ryan Sarbinoff

Portland

111 S.W. Fifth Avenue, Suite 1950
Portland, OR 97204
(503) 200-2000
Joel Deis

Raleigh

101 J Morris Commons Lane, Suite 130
Morrisville, NC 27560
(919) 674-1100
Benjamin Yelm

Reno

50 W. Liberty Street, Suite 400
Reno, NV 89501
(775) 348-5200
Daniel A. Kapic

Richmond

4401 Waterfront Drive, Suite 230
Glen Allen, VA 23060
(804) 802-6900
Benjamin Yelm

Sacramento

3741 Douglas Boulevard, Suite 200
Roseville, CA 95661
(916) 724-1400
Daniel A. Kapic

Sacramento Downtown

333 University, Suite 150
Sacramento, CA 95825
(916) 724-1400
Daniel A. Kapic

Salt Lake City

111 S. Main Street, Suite 500
Salt Lake City, UT 84111
(801) 736-2600
Adam Christofferson

San Antonio

8200 IH-10 W, Suite 603
San Antonio, TX 78230
(210) 343-7800
Bruce Bentley III

San Diego

12544 High Bluff Drive, Suite 100
San Diego, CA 92130
(858) 373-3100
Damon Wyler

San Francisco

750 Battery Street, Fifth Floor
San Francisco, CA 94111
(415) 963-3000
Ramon Kochavi

Seattle

601 Union Street, Suite 2710
Seattle, WA 98101
(206) 826-5700
Joel Deis

South Bay

880 Apollo Street, Suite 101
El Segundo, CA 90245
(424) 405-3900
Dawson Rinder

St. Louis

7800 Forsyth Boulevard, Suite 710
St. Louis, MO 63105
(314) 889-2500
David Saverin

Tampa

201 N. Franklin St., Suite 1100
Tampa, FL 33602
(813) 387-4700
David G. Bradley

Tucson

2 E Congress Street, Suite 1050
Tucson, AZ 85701
(520) 202-2900
Ryan Sarbinoff

Tulsa

7633 E. 63rd Place, Suite 300
Tulsa, OK 74133
(918) 294-6300
Jody McKibben

Ventura

2775 N. Ventura Road, Suite 101
Oxnard, CA 93036
(805) 351-7200
Jim Markel

Washington, D.C.

7200 Wisconsin Avenue, Suite 1101
Bethesda, MD 20814
(202) 536-3700
Brian Hosey

Westchester

50 Main Street, Suite 925
White Plains, NY 10606
(914) 220-9730
John Horowitz

The Woodlands

1790 Hughes Landing Boulevard
Suite 400
The Woodlands, TX 77380
(832) 442-2800
Ford Noe

Canada**Calgary**

602-16 Avenue Northwest
Suite 211
Calgary, Alberta T2M 0J7
(587) 349-1302
Michael Heck

Edmonton

10175 101 Street, Suite 1820
Edmonton, Alberta T5J 0H3
(587) 756-1600
Michael Heck

Montreal

1000 de la Gauchetiere West
Suite 4230
Montreal, Quebec H3B 4W5
(438) 844-6500
Julien Marois

Ottawa

275 Bank Street, Suite 301
Ottawa, Ontario K2P 2L6
(613) 364-2300
Mark Paterson

Toronto

200 King Street W, Suite 1210
Toronto, Ontario M5H 3T4
(416) 585-4646
Mark Paterson

Vancouver

1111 West Georgia Street, Suite 1100
Vancouver, British Columbia
V6E 4M3
(604) 638-2121
Michael Heck

Hospitality Division

Biran Patel | Senior Vice President, Director
(972) 755-5200 | biran.patel@marcusmillichap.com

Research Services Division

John Chang | Senior Vice President, Director
Peter Tindall | Vice President, Director of Research Operations
Greg Willett | First Vice President, IPA Multifamily Research
Luke Simurda | Director of Canada Research
Cody Young | Publication Manager
Jacinta Tolinos | Research Operations Manager
Joshua Craft | Research Associate
Maria Erofeeva | Graphic Designer
Luis Flores | Research Analyst II
Nayomi Garcia | Copy Editor
Jessica Henn | Research Associate
Benjamin Kunde | Research Analyst II
Luke Murphy | Research Analyst
Chris Ngo | Data Analyst II
Adam Norbury | Data Analyst II
Benjamin Otto | Digital Media Coordinator
Carlos Pietri | Research Analyst
Erik Pisor | Research Analyst
Daniel Spinrad | Research Analyst
Musab Salih | Junior Data Analyst
Neel Sodhi | Research Associate
Frank Zhao | Research Associate

Contact:

John Chang | Senior Vice President, Director
Research & Advisory Services
4545 East Shea Boulevard, Suite 201
Phoenix, Arizona 85028
(602) 707-9700 | john.chang@marcusmillichap.com

Senior Management Team

Hessam Nadji | President and Chief Executive Officer
Richard Matricaria | Executive Vice President, Chief Operating Officer, Western Division
J.D. Parker | Executive Vice President, Chief Operating Officer, Eastern Division
Evan Denner | Executive Vice President, Head of Business, MMCC
Steve DeGennaro | Executive Vice President, Chief Financial Officer
Gregory A. LaBerge | Senior Vice President, Chief Administrative Officer
Andrew Strockis | Senior Vice President, Chief Marketing Officer
Adam Christofferson | Senior Vice President, Division Manager
Michael L. Glass | Senior Vice President, Division Manager
John Horowitz | First Vice President, Division Manager
Brian Hosey | First Vice President, Division Manager
Ryan Nee | Senior Vice President, Division Manager
Tim Speck | Senior Vice President, Division Manager
John Vorsheck | Senior Vice President, Division Manager

Media Contact:

Gina Relva | Public Relations Director
555 12th Street, Suite 1750
Oakland, CA 94607
(925) 953-1716 | gina.relva@marcusmillichap.com

Statistical Summary Note: Metro employment, occupancy, and revenue metrics are year-end figures and are based on the most up-to-date information available as of February 2023. Supply and supply change metrics are based on the total number of available room nights, and includes both newly delivered inventory and re-openings. Hotel chain scale definitions are based on information available as of February 2023. Average prices and cap rates are a function of the age, type and geographic area of the properties trading and therefore may not be representative of the market as a whole. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; AH&LA; Anders CPAs+Advisors; Business Travel Association; CoStar Group, Inc.; Deloitte; Federal Reserve; Greater Cleveland Sports Commission; Kastle Systems; Las Vegas Tourism Authority; Moody's Analytics; Morning Consult; Partnership for NYC; Real Capital Analytics; STR, Inc.; Tennessee Department of Tourist Development; Transportation Security Administration; Statistics Canada; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Travel Association; U.S. Treasury Department.

© Marcus & Millichap 2023

2023 U.S. HOSPITALITY INVESTMENT FORECAST

2023 U.S. HOSPITALITY INVESTMENT FORECAST

Market Name	Employment Growth ²				Rooms Currently Under Construction ²	Occupancy ²				ADR ²				RevPAR ²				Market Name
	2020	2021	2022	2023*		2020	2021	2022	2023*	2020	2021	2022	2023*	2020	2021	2022	2023*	
Atlanta	-4.7%	5.7%	4.4%	0.5%	4,800	47.8%	59.9%	64.9%	65.8%	\$86.33	\$100.75	\$118.86	\$123.44	\$41.25	\$60.35	\$77.18	\$81.19	Atlanta
Austin	-2.1%	8.9%	4.3%	0.8%	2,900	43.0%	62.5%	68.0%	62.1%	\$102.35	\$127.75	\$167.65	\$163.98	\$44.03	\$79.84	\$114.07	\$101.81	Austin
Boston	-8.4%	5.6%	4.0%	-0.4%	1,000	34.7%	51.1%	67.2%	70.2%	\$121.98	\$156.66	\$211.84	\$214.59	\$42.36	\$79.98	\$142.45	\$150.59	Boston
Charlotte	-1.9%	2.9%	4.9%	0.8%	1,300	43.3%	55.2%	64.3%	62.3%	\$86.23	\$96.73	\$119.37	\$120.39	\$37.37	\$53.39	\$76.70	\$75.03	Charlotte
Chicago	-8.0%	5.6%	2.9%	0.5%	1,900	35.5%	50.0%	61.2%	63.9%	\$91.55	\$120.87	\$157.56	\$158.25	\$32.54	\$60.40	\$96.42	\$101.17	Chicago
Cincinnati	-5.2%	2.5%	1.2%	-0.3%	1,900	41.0%	55.2%	59.9%	58.8%	\$84.69	\$102.72	\$117.77	\$120.31	\$34.73	\$56.70	\$70.59	\$70.80	Cincinnati
Cleveland	-6.4%	2.4%	2.1%	-0.3%	400	37.1%	51.7%	58.4%	63.8%	\$83.52	\$104.09	\$120.26	\$121.63	\$31.02	\$53.79	\$70.23	\$77.62	Cleveland
Dallas-Fort Worth	-3.0%	6.4%	5.9%	0.7%	8,600	44.8%	59.5%	65.9%	64.2%	\$85.84	\$98.04	\$117.51	\$121.62	\$38.47	\$58.36	\$77.40	\$78.13	Dallas-Fort Worth
Denver	-6.1%	6.1%	3.9%	-0.2%	2,700	43.2%	59.0%	68.1%	69.8%	\$94.60	\$116.72	\$140.85	\$147.72	\$40.82	\$68.92	\$95.94	\$103.18	Denver
Detroit	-9.3%	6.4%	2.0%	-0.2%	2,300	44.6%	54.8%	58.5%	59.9%	\$83.83	\$96.74	\$113.10	\$115.40	\$37.37	\$53.01	\$66.12	\$69.15	Detroit
Fort Lauderdale	-6.7%	5.8%	3.7%	0.9%	1,700	50.6%	69.2%	71.5%	70.8%	\$129.69	\$149.66	\$179.45	\$181.68	\$65.58	\$103.50	\$128.22	\$128.59	Fort Lauderdale
Houston	-5.8%	5.1%	5.7%	0.6%	2,600	42.3%	54.7%	57.6%	59.3%	\$80.80	\$91.13	\$103.98	\$107.13	\$34.18	\$49.82	\$59.87	\$63.55	Houston
Indianapolis	-1.7%	4.2%	5.6%	0.5%	1,600	41.1%	56.8%	61.4%	60.8%	\$85.83	\$103.47	\$124.55	\$125.68	\$35.28	\$58.73	\$76.48	\$76.37	Indianapolis
Jacksonville	-3.6%	4.6%	1.4%	-0.2%	1,800	53.0%	68.9%	70.7%	68.1%	\$101.10	\$123.18	\$139.02	\$145.39	\$53.56	\$84.86	\$98.30	\$98.96	Jacksonville
Las Vegas	-13.3%	12.7%	4.3%	-0.4%	5,800	42.2%	66.5%	79.2%	77.6%	\$105.38	\$131.79	\$169.69	\$180.38	\$50.26	\$91.08	\$135.27	\$138.92	Las Vegas
Los Angeles	-10.4%	7.9%	3.3%	0.3%	3,200	49.3%	63.8%	71.0%	74.7%	\$136.78	\$161.64	\$200.50	\$206.95	\$67.42	\$103.13	\$142.43	\$154.56	Los Angeles
Miami-Dade	-7.7%	6.6%	5.2%	0.9%	2,200	46.3%	66.8%	72.1%	70.8%	\$185.09	\$221.96	\$253.11	\$243.29	\$85.60	\$148.28	\$182.55	\$172.21	Miami-Dade
Minneapolis-St. Paul	-8.3%	4.5%	3.5%	-0.6%	500	33.5%	44.5%	55.5%	57.9%	\$86.31	\$100.55	\$123.24	\$126.85	\$28.95	\$44.74	\$68.42	\$73.48	Minneapolis-St. Paul
Nashville	-2.5%	4.9%	4.8%	0.2%	2,800	41.1%	59.2%	68.6%	68.7%	\$104.41	\$136.45	\$169.06	\$174.78	\$42.89	\$80.76	\$115.91	\$120.14	Nashville
New York City	-12.3%	6.8%	4.6%	0.9%	12,300	46.7%	59.3%	74.8%	79.8%	\$152.14	\$210.92	\$287.67	\$293.93	\$71.02	\$125.13	\$215.16	\$234.42	New York City
Orange County	-9.1%	5.8%	4.4%	-0.6%	1,100	44.3%	58.0%	71.3%	74.7%	\$135.74	\$168.60	\$201.40	\$208.64	\$60.19	\$97.83	\$143.68	\$155.90	Orange County
Orlando	-9.0%	8.6%	4.1%	0.6%	3,300	41.6%	57.7%	72.8%	74.1%	\$109.91	\$121.35	\$150.17	\$152.74	\$45.69	\$70.04	\$109.37	\$113.22	Orlando
Philadelphia	-7.2%	5.0%	2.9%	0.4%	800	43.8%	55.0%	60.0%	64.8%	\$98.39	\$120.51	\$145.70	\$144.83	\$43.08	\$66.26	\$87.43	\$93.78	Philadelphia
Phoenix	-2.9%	4.5%	3.3%	-0.2%	5,000	50.1%	62.9%	68.7%	71.4%	\$115.70	\$128.59	\$162.58	\$168.62	\$57.99	\$80.91	\$111.68	\$120.46	Phoenix
Portland	-8.7%	6.3%	4.9%	-0.3%	900	40.9%	53.9%	60.2%	60.2%	\$99.67	\$115.51	\$136.79	\$143.78	\$40.80	\$62.31	\$82.36	\$86.49	Portland
Riverside-San Bernardino	-4.1%	5.9%	4.9%	0.3%	2,500	54.3%	65.0%	66.0%	64.4%	\$107.61	\$131.43	\$154.08	\$153.92	\$58.43	\$85.38	\$101.70	\$99.11	Riverside-San Bernardino
Salt Lake City	-0.3%	4.2%	2.1%	0.5%	900	47.4%	63.9%	68.8%	66.8%	\$86.66	\$100.64	\$124.96	\$128.06	\$41.06	\$64.34	\$86.01	\$85.54	Salt Lake City
San Antonio	-4.5%	4.5%	4.3%	0.5%	600	42.1%	59.3%	62.7%	67.7%	\$88.60	\$109.78	\$127.99	\$131.12	\$37.27	\$65.10	\$80.20	\$88.74	San Antonio
San Diego	-9.1%	8.0%	3.4%	0.4%	2,000	48.6%	61.7%	72.6%	75.8%	\$130.50	\$164.99	\$203.50	\$200.02	\$63.42	\$101.76	\$147.75	\$151.71	San Diego
San Francisco	-12.2%	7.9%	5.3%	0.7%	1,200	41.8%	47.3%	64.0%	71.4%	\$176.05	\$153.86	\$212.04	\$237.67	\$73.63	\$72.80	\$135.65	\$169.68	San Francisco
Seattle-Tacoma	-7.6%	5.2%	4.2%	0.6%	1,900	37.9%	52.4%	66.5%	71.9%	\$106.73	\$123.00	\$168.10	\$181.68	\$40.46	\$64.42	\$111.81	\$130.69	Seattle-Tacoma
St. Louis	-5.7%	3.1%	1.5%	-0.2%	800	37.6%	51.7%	58.3%	60.6%	\$83.95	\$101.35	\$118.58	\$123.49	\$31.55	\$52.44	\$69.08	\$74.81	St. Louis
Tampa-St. Petersburg	-2.8%	5.1%	4.8%	0.5%	1,700	50.9%	68.4%	71.6%	70.1%	\$116.70	\$139.78	\$166.50	\$161.08	\$59.39	\$95.56	\$119.25	\$112.87	Tampa-St. Petersburg
Washington, D.C.	-6.5%	3.6%	1.6%	0.5%	3,200	36.4%	48.0%	61.7%	65.6%	\$113.57	\$120.50	\$163.34	\$172.45	\$41.35	\$57.79	\$100.72	\$113.19	Washington, D.C.
United States	-6.1%	4.7%	3.0%	0.5%	166,400	44.0%	57.5%	62.7%	63.8%	\$103.31	\$124.96	\$148.83	\$152.56	\$45.41	\$71.89	\$93.28	\$97.33	United States

* Forecast

² See Statistical Summary Note on Page 48.

A TRUSTED VISION FOR THE FUTURE

Marcus & Millichap was founded in 1971 with the goal of being a new kind of company — one driven by long-term relationships and built on a culture of collaboration. We focus on bringing together specialized market knowledge, the industry's leading brokerage platform and exclusive access to inventory to achieve exceptional results for our clients, year after year.

Today, we are the industry's largest firm specializing in real estate investment sales and financing, with more than 80 offices and 2,000 investment sales and financing professionals throughout the United States and Canada.

BIRAN PATEL

Senior Vice President, Director
Hospitality Division
biran.patel@marcusmillichap.com

EVAN DENNER

Executive Vice President, Head of Business
Marcus & Millichap Capital Corporation
evan.denner@marcusmillichap.com

JOHN CHANG

Senior Vice President, Director
Marcus & Millichap Research Services
john.chang@marcusmillichap.com

Offices Throughout the United States and Canada

Research Services

4545 E. Shea Boulevard • Phoenix, AZ 85028 • 602.707.9700

Marcus & Millichap is not affiliated with, sponsored by, or endorsed by any commercial tenant or lessee identified in this advertisement. The presence of any corporation's logo or name is not intended to indicate or imply affiliation with, or sponsorship or endorsement by, said corporation Marcus & Millichap, its affiliates or subsidiaries, or any agent, product, service, or commercial listing of Marcus & Millichap, and is solely included for informational purposes only.

The information contained in this report was obtained from sources deemed to be reliable. Diligent efforts were made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Note: Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.
© 2023 Marcus & Millichap. All rights reserved.

