

Outlook for the Hotel Industry

The impact of current events on hotel performance and values January 2021

Outlook for the U.S. Lodging Industry



The following forecasts for the U.S. lodging industry reflect the current outlook of market participants. Approximately 35% of the RevPAR decline is expected to be recovered by the end of 2021 (and 32% in 2022), with full RevPAR recovery by 2024.

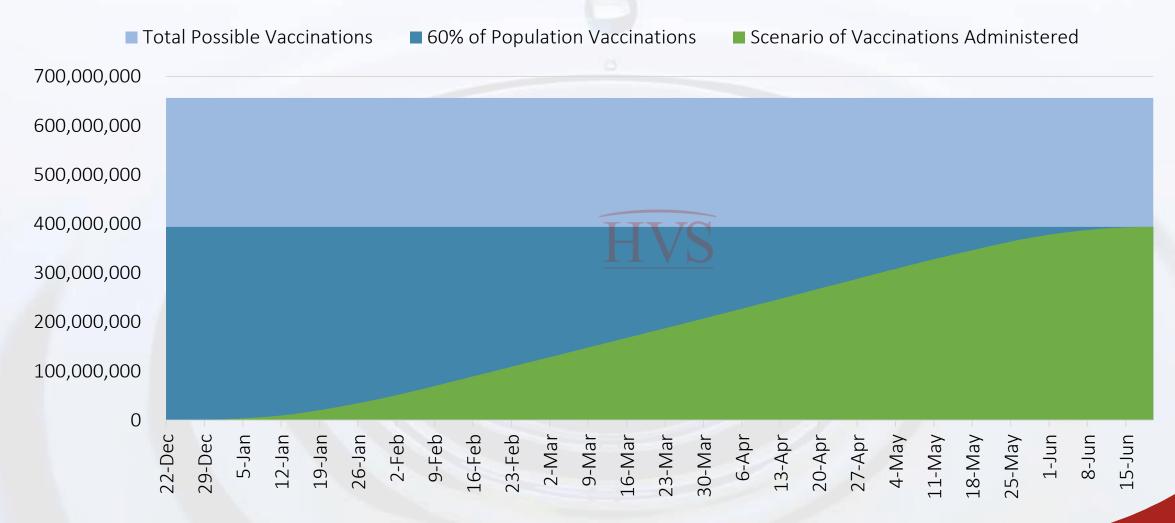
| | Historical | | Forecast | | | | |
|----------------|------------|-------------------------|----------|----------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 0 | 66.40/ | 66.40/ | 10.00/ | 52 50/ | 61.00/ | | |
| Occupancy | 66.1% | 66.1% | 42.0% | 53.5% | 61.0% | 65.0% | 65.5% |
| Percent Change | | 0.0% | -36% | 27% | 14% | 7% | 1% |
| Average Rate | \$129.97 | \$131. <mark>1</mark> 7 | \$103.00 | \$109.25 | \$119.00 | \$127.25 | \$133.75 |
| Percent Change | | 0.9% | -21% | 6% | 9% | 7% | 5% |
| RevPAR | \$85.96 | \$86.76 | \$43.26 | \$58.45 | \$72.59 | \$82.71 | \$87.61 |
| Percent Change | | 0.9% | -50% | 35% | 24% | 14% | 6% |

This represents the current expectation for the timing and pattern of recovery, with occupancy anticipated to recover first, followed by ADR. All forecasts are in current dollars.

Source: STR (Historical Years) and HVS (Forecast)

If 60% Want The Vaccine, and States Can Administer 2.9 Million Doses Per Day at Peak





Hotel Occupancy

\$90

\$70

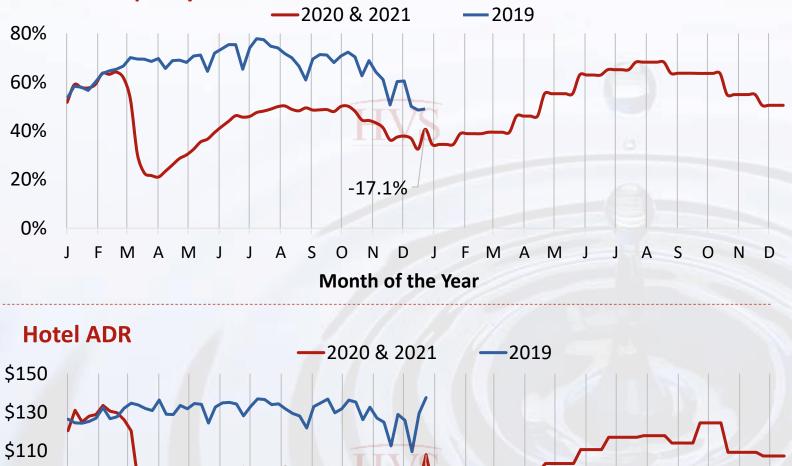
\$50

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-21.5%

Month of the Year

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Α

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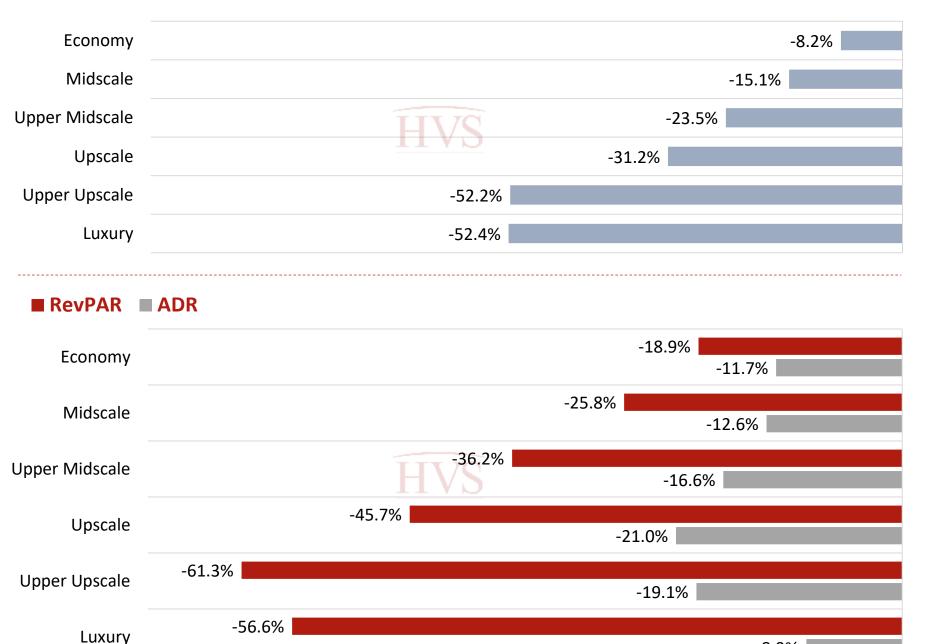
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Our 2021 outlook reflects an average occupancy level of 53.5% (vs. 42% in 2020) and 6% ADR growth, averaging roughly \$109 (vs. \$103 in 2020).

Source: STR (Historical Years) and HVS (Forecast)

N D

Occupancy



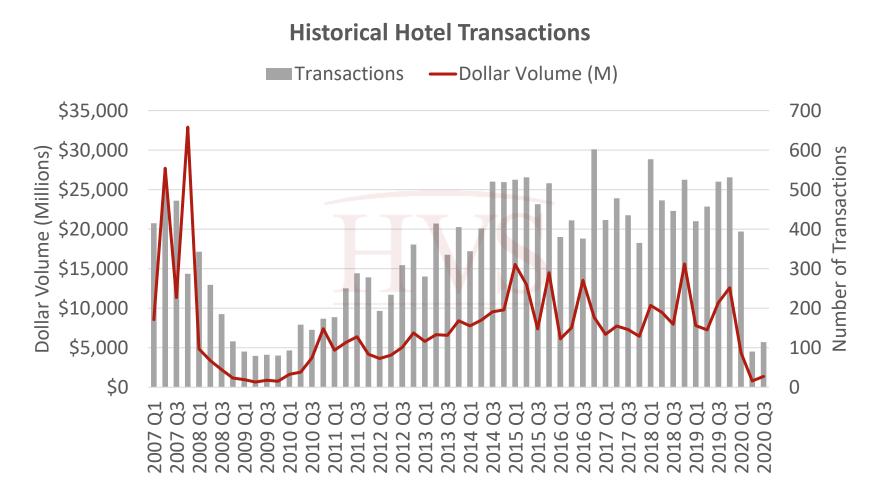
Impact differs significantly among the hotel classes

Data Source: STR *Running 28 Days Ending January 9, 2021

-8.9%

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What About the Transaction Market?



Source: Real Capital Analytics

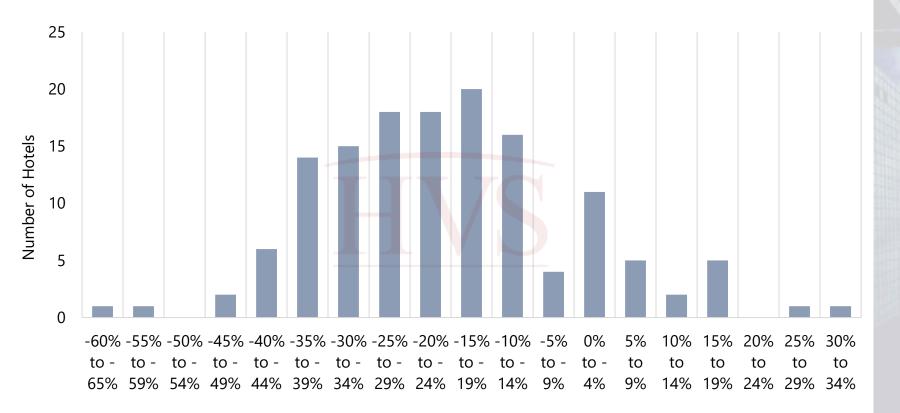
HVS

 PPP funding and relaxed forbearance rules – keeping wave of foreclosures from materializing

For Transactions to Occur:

- Sellers ability to accept significant discount from Pre-COVID values (often 20–35%)
- Buyers ability to obtain financing
- Hotel performance showing that the worst is behind them

The Worst is Behind Us



HVS

- Select markets realized an uptick in 2020 RevPAR, leading to a positive value story.
- Declines predominantly in the -10% to -35% range last half of 2020; these declines will diminish as the year progresses and recovery sets in.
- Smaller deals can take advantage of the SBA 7a loan, with limited mortgage payments for 6 months and a government guarantee.

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Robust occupancy recovery should set in during the summer and fall of 2021, concurrent with the majority roll-out of the vaccines behind us.

ADR recovery will lag the occupancy recovery, with full RevPAR recovery expected by 2024.

Transaction volume is anticipated to pick up when lending opens up more widely, a recovery in NOI is documented, and price declines diminish.

Meetings business is expected to return with strength. Zoom fatigue has set in, and people are ready and excited to meet again in person.

High and continually increasing construction costs will keep new supply in check through the near term.

Numerous potential investors will create competition for deals, which is anticipated to fuel transaction activity and mitigate value declines.

Superior Results Through Unrivaled Hospitality Intelligence. Everywhere.

HVS has been supporting the hospitality industry in the U.S. and around the world for over 40 years. Our senior staff represents a collective 300+ years of experience advising our industry, including through multiple prior cycles and events.

Our expertise covers the full range of hospitality assets and spans the full lifecycle of a hotel, including services that support developers, owners, operators, lenders, and investors. With 40+ offices in markets across the U.S., we offer local insights on a real-time basis.

This knowledge and experience is available to support you as you navigate these challenging times. Our platform is fully functional on a remote basis, so even though we are not currently traveling, our staff can access the full resources of HVS on your behalf.

Let us know how we can assist you.

Rod Clough, MAI rclough@hvs.com | +1 (214) 629-1136

PLANNING

Site Selection Market Study Investment Search Product Recommendation Financial Projections Financial Feasibility Analysis Economic Impact Analysis Architectural Concept Design Construction Costs Estimates



DISPOSITION

Exit Strategy

Brokerage & Advisory

Adaptive Reuse Analysis

Shared Ownership Analysis

Pricing Analysis

HVS.COM

OWNERSHIP & OPERATION

Asset Management Management Agreement Analysis & Negotiation Hotel Management Appraisal for Refinancing Operation Performance Analysis Repositioning Study & Valuation Repositioning Design & Budgeting Timeshare Conversion Review Capital Improvement Financing

ACQUISITION & DEVELOPMENT

Valuation & Pricing Guidance Appraisal for Financing Debt & Equity Financing Due Diligence Coordination Brand Selection & Contract Negotiations Operator Selection & Contract Negotiations Interior Design & Project Management Executive Search Pre-Opening Oversight