

Historic Hotels of America

Economic Summary


Real GDP grew at a robust annual rate of 4.2% in Q2 2018, according to the U.S. Bureau of Economic Analysis (BEA). This was faster than the 2.2% growth rate for Q1 2018 and the Q4 2017 rate of 2.3%. Consumption dominated, contributing 2.7% to GDP growth. The spending was split between goods (1.2%) and services (1.5%). Investment subtracted 0.1% as contributions from fixed, nonresidential investment (1.0%) were slightly more than offset by decreases in residential fixed investment (-0.5%) and inventories (-1.0%). Of the four broad categories of expenditure, consumption and investment are the most closely related to spending on lodging. Q2 Net exports, in a reversal of the Q1 2018, added 1.1% to GDP growth. This export growth occurred despite the dollar strengthening in real terms 2.8% against a broad index of foreign currencies compared to Q1 2018, according to the Federal Reserve Board.

The national unemployment dropped to 3.9% in Q2, according to the Bureau of Labor Statistics, a rate consistent with an economy at or above full employment and the lowest rate since Q4 2000. The number of total employees increased by 569,000 in Q2, a somewhat slower pace than the 632,000 employees added in Q1 2018. The accommodations and food service subsector added 56,000 jobs in Q2. CBRE Econometric Advisors' baseline outlook for the latter quarters of 2018 is that employment growth will slow to 490,000 per quarter, adding by 984,000 jobs by year end. EA forecasts real GDP to grow 2.6% in 2018.


Market Snapshot: Current Year

The arrows indicate the forecast direction of change over the current year vs. the previous year.


Occupancy

Occupancy will increase to 74.0%, better than the previous year's rate of 73.8%. 


Average Daily Rate

ADR growth expectations are increasing, 2.1% vs. the past year's rate of 1.1%. 


Revenue Per Available Room

RevPAR growth projections for this year are climbing to 2.3% as compared to the past year's rate of 2.0%. 

Supply

Supply growth projections for this year are falling to 0.3% as compared to the past year's rate of 1.0%. 

Demand

Demand growth projections for this year are falling to 0.5% as compared to the past year's rate of 1.9%. 

Source: CBRE Hotels' Americas Research, Q3 2018

Lodging Market Summary

By year-end 2018, Historic Hotels of America are forecast to see a RevPAR increase of 2.3%. This is the result of an estimated minor increase in occupancy of 0.2% and a 2.1% gain in average daily room rates (ADR). The 2.3% advance in market RevPAR is worse than the national projection of a 3.1% increase.

Looking towards 2019, RevPAR is expected to grow 2.8%. This is better than the rate of growth in 2018. Historic Hotels of America occupancy levels are expected to range from 74.0% to 76.1% during the 5-year forecast period.

The forecast is based on hotel data through September 2018 and economic data as of September 2018.

Forecast Summary

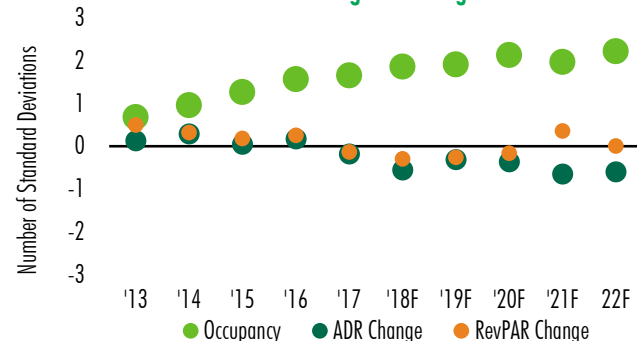
Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2013	71.1%	1.2%	\$200.44	4.4%	\$142.46	5.6%
2014	72.0%	1.3%	\$207.32	3.4%	\$149.29	4.8%
2015	72.9%	1.3%	\$215.43	3.9%	\$157.07	5.2%
2016	73.2%	0.4%	\$220.95	2.6%	\$161.70	2.9%
2017	73.8%	0.9%	\$223.44	1.1%	\$164.94	2.0%
2018F	74.0%	0.2%	\$228.04	2.1%	\$168.66	2.3%
2019F	74.6%	0.9%	\$232.28	1.9%	\$173.33	2.8%
2020F	74.1%	-0.6%	\$234.07	0.8%	\$173.54	0.1%
2021F	74.9%	1.0%	\$236.33	1.0%	\$176.98	2.0%
2022F	76.1%	1.6%	\$242.23	2.5%	\$184.30	4.1%

Source: CBRE Hotels' Americas Research, STR Q3 2018

Long Run Averages - 1988 to 2017

Occupancy: 68.2% Δ ADR: 3.3% Δ RevPAR: 3.7%

Exhibit 1*: Performance Grade vs. Long Run Average

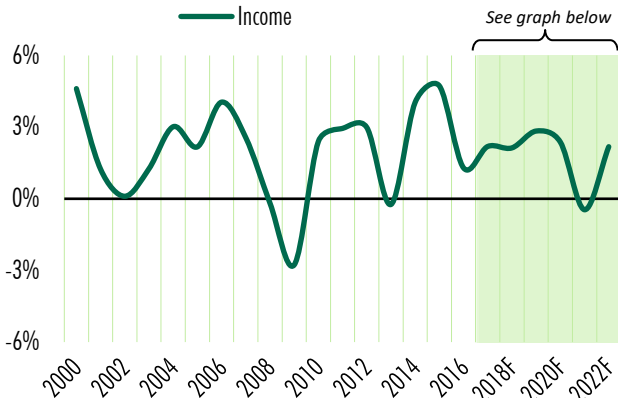


Source: CBRE Hotels' Americas Research, STR Q2 2018 *See exhibit descriptions on Page 4

United States Economic Summary

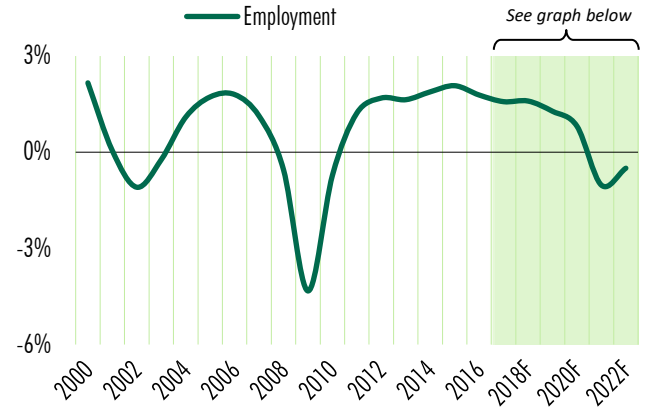
Below are a select number of variables that drive the CBRE Hotels econometric forecasts contained in this report. Income and employment are important barometers of economic health and are used in every *Hotel Horizons*® forecast model. The lodging market is part of the larger economy, and the forces that affect us nationally also affect lodging, but in different magnitudes and time periods (see Exhibits 4 and 5 below). Exhibits 2 - 6 provide an overview of current economic history and forecast, and provide explanation of what to expect in the future, and how that affects the lodging industry.

Exhibit 2*: Annual Income Change



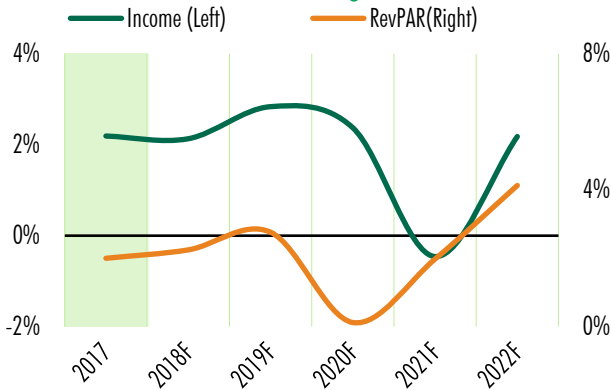
Source: CBRE EA, Q3 2018

Exhibit 3*: Annual Employment Change



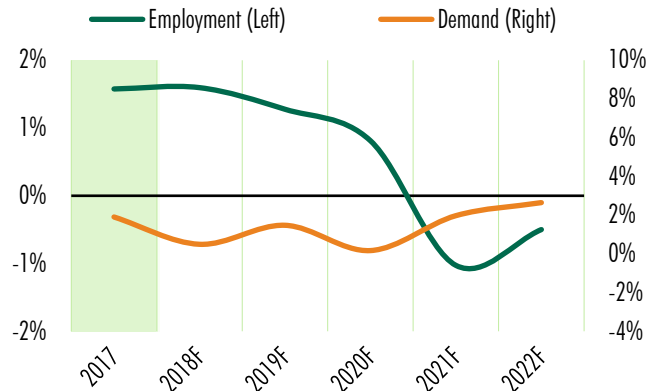
Source: CBRE EA, Q3 2018

Exhibit 4*: Annual Income vs. RevPAR Change



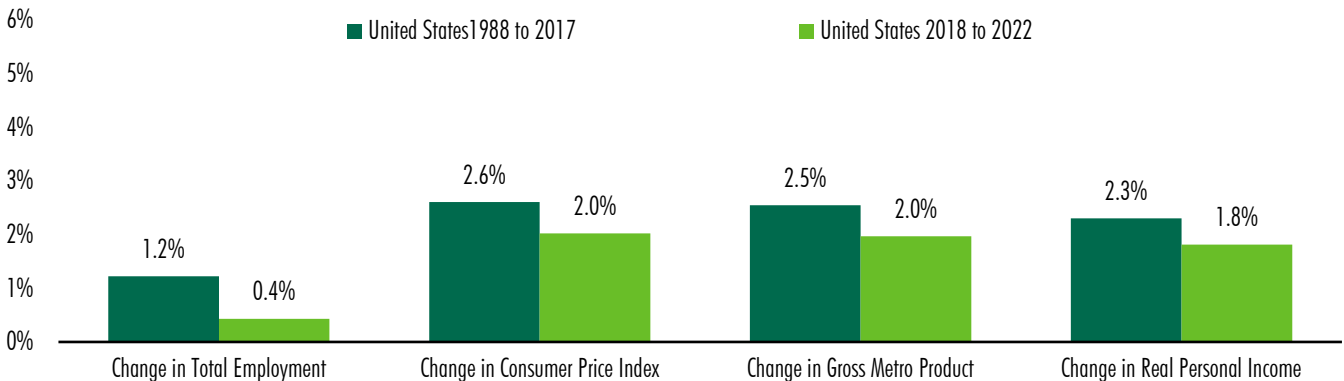
Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

Exhibit 5*: Annual Employment vs. Demand Change



Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

Exhibit 6*: Average Annual Growth Rates



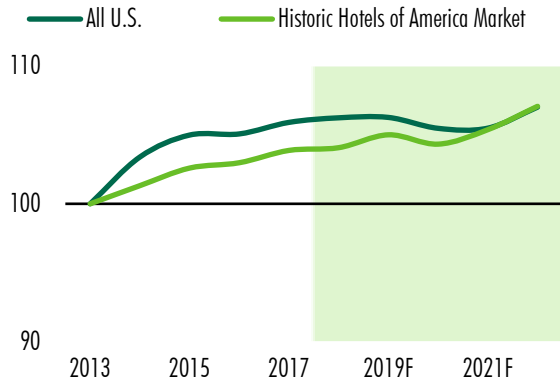
Source: CBRE EA, CBRE Hotels | Americas Research, STR

*See exhibit descriptions on Page 4

Historic Hotels of America Market Summary

The graphs on the left illustrate the annual magnitude of change in performance during the historical and forecasted period 2013 to 2022. Used as a relative benchmark, each market segment is plotted against a common index value of 2013 = 100. This method provides clear insight of how the subject market is expected to perform relative to the U.S. lodging market in the specified period. The charts on the right compare near-term historical compound annual growth rates (CAGR) to the CAGRs for the forecast period.

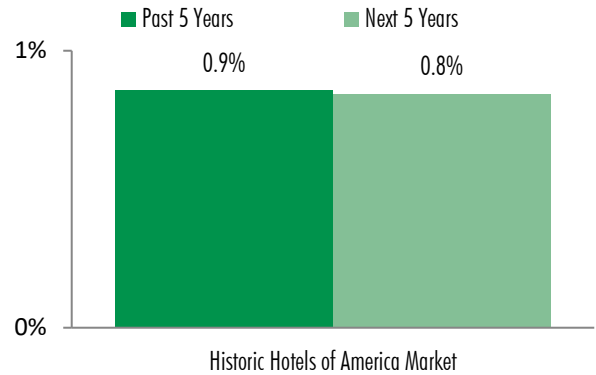
Exhibit 7*: Occupancy Change



Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

*See exhibit descriptions on Page 4

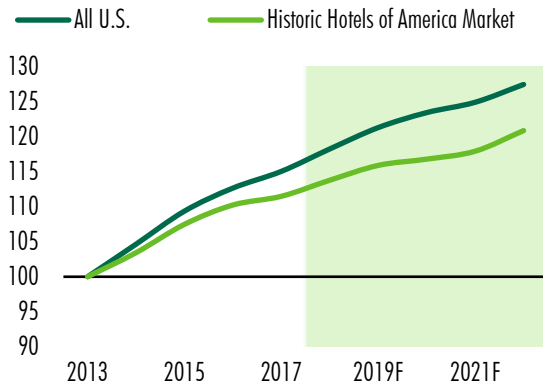
Exhibit 10*: Compound Average Annual Supply Change



Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

*See exhibit descriptions on Page 4

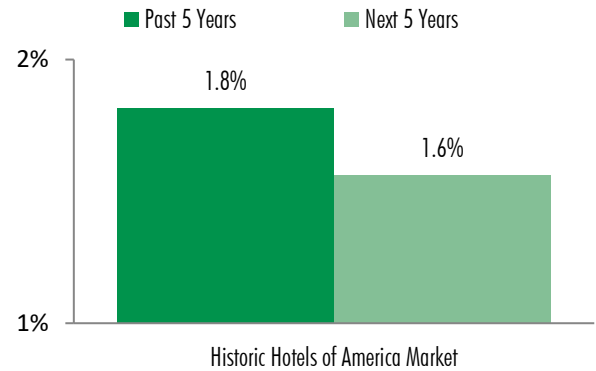
Exhibit 8*: ADR Change



Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

*See exhibit descriptions on Page 4

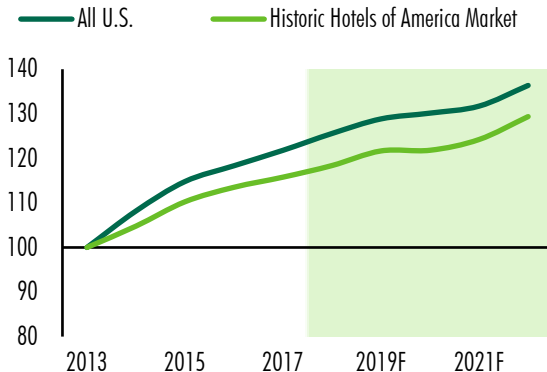
Exhibit 11*: Compound Average Annual Demand Change



Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

*See exhibit descriptions on Page 4

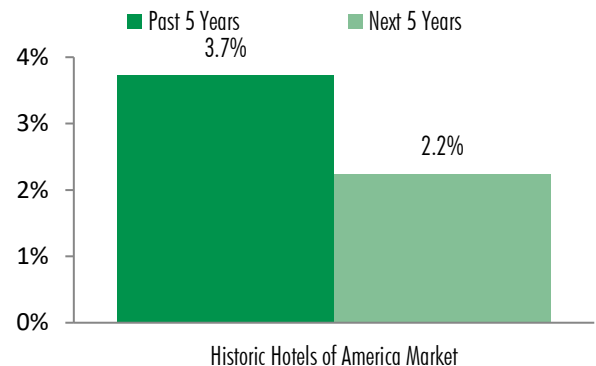
Exhibit 9*: RevPAR Change



Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

*See exhibit descriptions on Page 4

Exhibit 12*: Compound Average Annual RevPAR Change



Source: CBRE EA, CBRE Hotels' Americas Research, STR Q3 2018

*See exhibit descriptions on Page 4

Annual Forecast

Historic Hotels of America Market Forecast

Year	Period	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR	Δ Supply	Δ Demand
2013	Annual	71.1%	1.2%	\$200.44	4.4%	\$142.46	5.6%	0.2%	1.3%
2014	Annual	72.0%	1.3%	\$207.32	3.4%	\$149.29	4.8%	0.3%	1.6%
2015	Annual	72.9%	1.3%	\$215.43	3.9%	\$157.07	5.2%	0.3%	1.6%
2016	Annual	73.2%	0.4%	\$220.95	2.6%	\$161.70	2.9%	1.8%	2.1%
2017	Annual	73.8%	0.9%	\$223.44	1.1%	\$164.94	2.0%	1.0%	1.9%
2018F	Annual	74.0%	0.2%	\$228.04	2.1%	\$168.66	2.3%	0.3%	0.5%
2019F	Annual	74.6%	0.9%	\$232.28	1.9%	\$173.33	2.8%	0.6%	1.5%
2020F	Annual	74.1%	-0.6%	\$234.07	0.8%	\$173.54	0.1%	0.8%	0.2%
2021F	Annual	74.9%	1.0%	\$236.33	1.0%	\$176.98	2.0%	1.0%	2.0%
2022F	Annual	76.1%	1.6%	\$242.23	2.5%	\$184.30	4.1%	1.0%	2.6%

Source: CBRE Hotels' Americas Research, STR Q3 2018

United States Economic Forecast

Year	Period	Total Employment (1,000s)	% Change	Consumer Price Index ('82-'84 = 100)	% Change	Gross Metro Product (\$ billions) (year = 2000)	% Change	Real Personal Income (\$ millions) (year = 2005)	% Change
2013	Annual	136.4	1.6%	233.0	1.5%	16,495.4	1.8%	6,087	-0.2%
2014	Annual	138.9	1.9%	236.7	1.6%	16,899.8	2.5%	6,333	4.0%
2015	Annual	141.8	2.1%	237.0	0.1%	17,386.7	2.9%	6,633	4.7%
2016	Annual	144.3	1.8%	240.0	1.3%	17,659.2	1.6%	6,719	1.3%
2017	Annual	146.6	1.6%	245.1	2.1%	18,050.7	2.2%	6,866	2.2%
2018F	Annual	149.0	1.6%	251.2	2.5%	18,569.0	2.9%	7,012	2.1%
2019F	Annual	150.9	1.3%	256.5	2.1%	19,076.5	2.7%	7,211	2.8%
2020F	Annual	152.1	0.8%	262.2	2.2%	19,442.9	1.9%	7,382	2.4%
2021F	Annual	150.5	-1.0%	266.8	1.8%	19,454.5	0.1%	7,348	-0.5%
2022F	Annual	149.8	-0.5%	270.9	1.5%	19,896.8	2.3%	7,508	2.2%

Source: CBRE-EA

Note on Market and MSA Names: STR and Moody's Analytics occasionally differ in their monikers for corresponding geographic areas. In this case, STR refers to the subject area as Historic Hotels of America, while Moody's refers to it as United States. Economic forecast data in this report carries the United States title, while forecasts using STR data are labeled Historic Hotels of America.

Exhibit Definitions

Exhibit 1	Occupancy levels, ADR change and RevPAR change are plotted on a fixed "grade" scale. Measured as current value minus the mean, divided by the series' standard deviation. Grades: A: Very strong, greater than one standard deviation above long run average. B: Strong, within one standard deviation above long run average C: Somewhat weak, within one standard deviation below long run average. D: Weak, below one standard deviation of the long run average.
Exhibits 2 - 5	Year over year change in Income, Employment, RevPAR and Demand.
Exhibit 6	Average annual Employment, Consumer Price Index, Gross Domestic Product, and Real Personal Income change for the MSA.
Exhibits 7-9	Index based change charts with base year 2013 = 100. These exhibits illustrate the magnitude of change.
Exhibits 10-12	Compound average annual RevPAR, Demand and Supply change.