



HOTEL SECTOR UPDATE – A QUESTION OF BALANCE

NOVEMBER 3, 2016

AGENDA

- ✓ Is the End Near?
- ✓ Our Forecasts – The Nation
- ✓ Leaders and Laggards
- ✓ Airbnb Update
- ✓ Impact of a Strong U.S. Dollar
- ✓ A Look at Hawaii
- ✓ Historic Hotels Performance Update

QUESTION:

**HOW DO YOU FEEL ABOUT
THE ECONOMY TODAY?**

Good?

Okay?

Bad?

ANOTHER QUESTION:

**WHAT WILL THE ECONOMY BE LIKE
A YEAR FROM TODAY?**

Same?

Better?

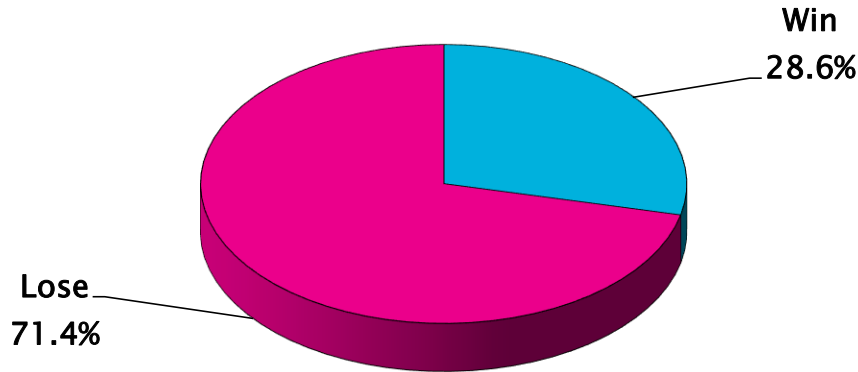
Worse?

PRESIDENTIAL ELECTIONS

THE LODGING INDICATOR – 1929 TO 2012

Expected Case Occupancy Change in 2016: +0.1%

**When Occupancy Decreases in the Election Year,
How Does The Incumbent Party Fare?**

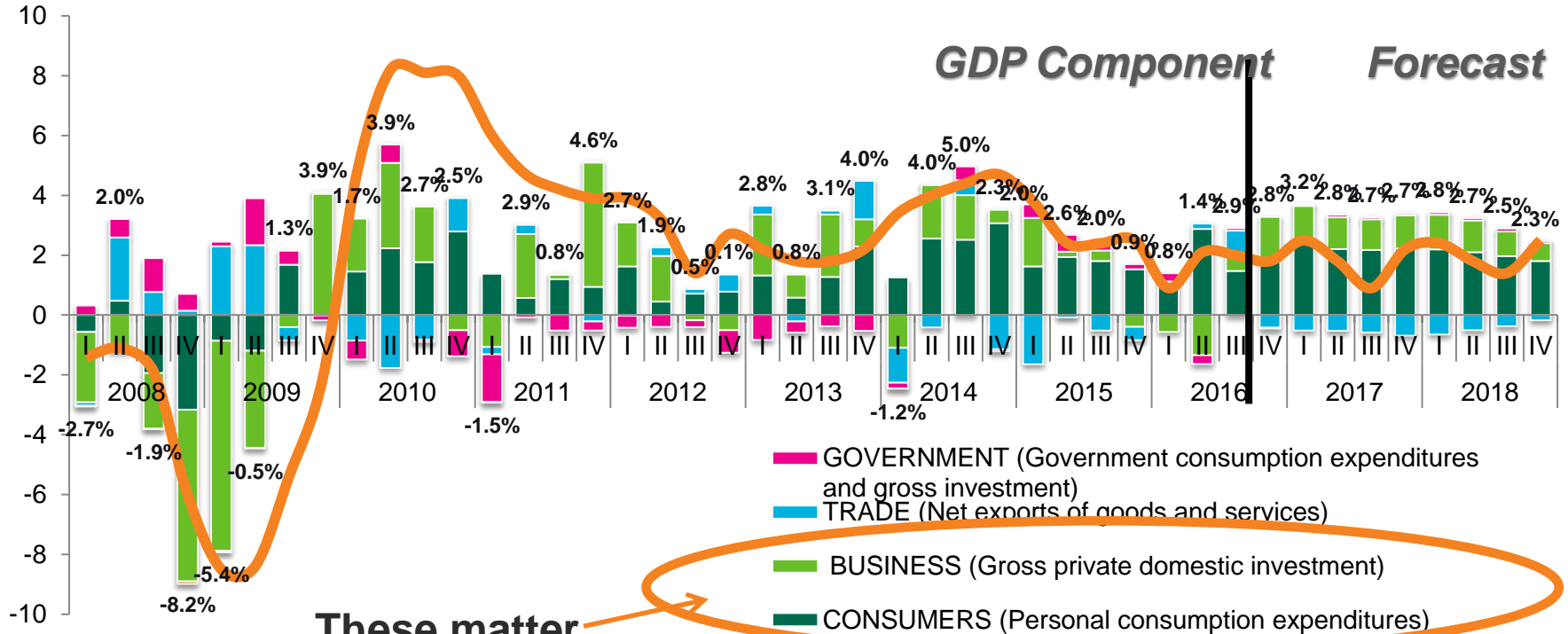


IS THE END NEAR?

WHAT COULD DERAIL THE GOOD TIMES?

1. The Economy
2. Over Building
3. Unpredictable Demand Shock
4. Oil/Energy Price Increases
5. Asset Price Bubble

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



ECONOMIC ASSUMPTIONS BEHIND OUR FORECASTS

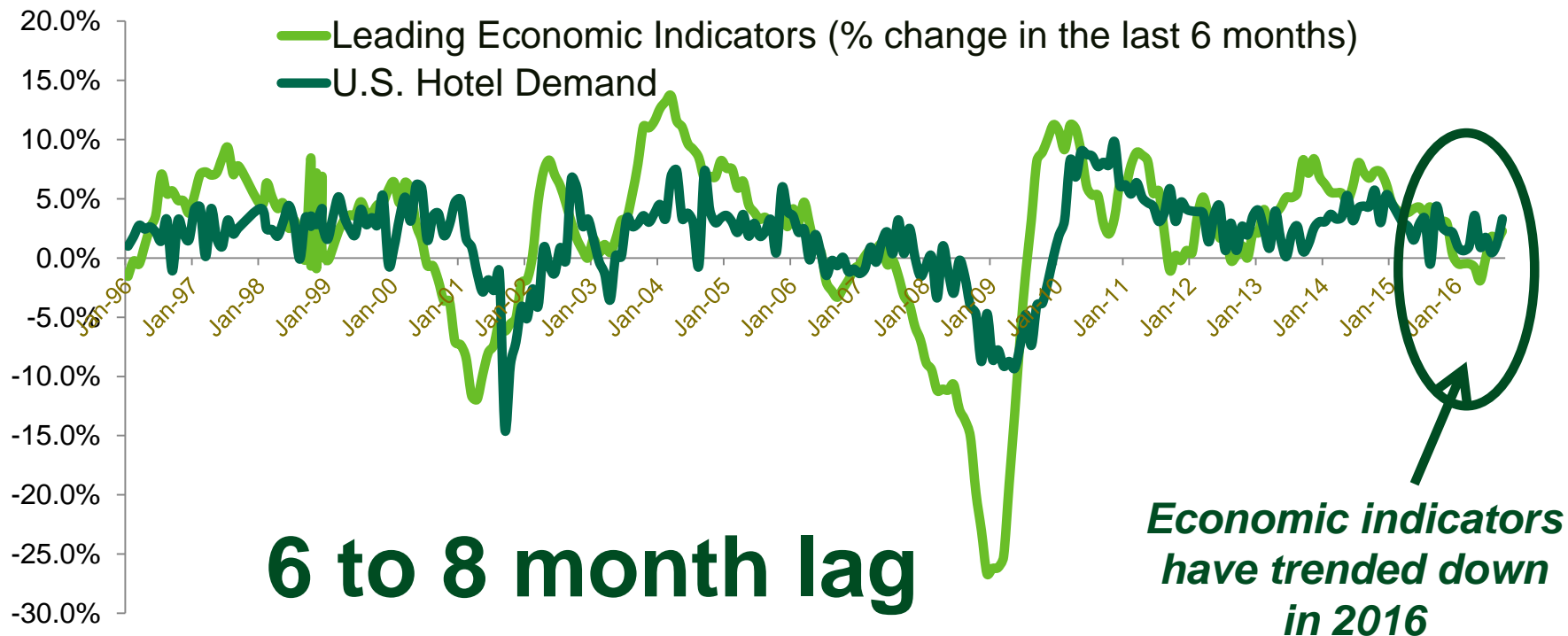
A STRONGER 2017 IS EXPECTED

United States					
Year	CPI ^	GMP (GDP) ^	Income ^	Employment ^	Corporate Profits ^
2015	0.1%	2.4%	4.3%	2.1%	-3.1%
2016F	1.3%	2.1%	2.7%	1.7%	-2.9%
2017F	2.4%	2.9%	3.3%	1.2%	1.0%
Source: CBRE Econometric Advisors, Moody's Analytics					



LEADING ECONOMIC INDICATORS

Percent Change In the Last 6 Months





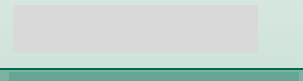
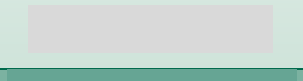








U.S. LODGING INDUSTRY

CHANGE IN SUPPLY AND ADR

A PROFILE OF LOW AND HIGH SUPPLY GROWTH MARKETS

- Low Supply Growth = Less than 2.0%
- High Supply Growth = Greater than 2.0%
- Occupancy Level: 71.4%

Measure	Low Supply	High Supply
Occupancy Change		
ADR Change		
RevPAR Change		
Supply Change		
Demand Change		

Source: CBRE Hotels' Americas Research, September – November 2016 Hotel Horizons® Forecast

TODAY VS. THE PREVIOUS PEAK OF CONSTRUCTION ACTIVITY

U.S. PIPELINE, NUMBER OF ROOMS BY PHASE, SEPTEMBER 2016 AND MARCH 2008

Phase	2016		Q1/2008	% Difference Change
In Construction	170,221	+4.7%	207,468	-18.0%
Final Planning	197,812	-0.5%	113,419	74.4%
Planning	174,386	-0.2%	344,363	-49.4%
Active Pipeline	<u>542,419</u>	+1.2%	<u>665,250</u>	-18.5%

Change from
August 2016

Source: STR, Inc.

U.S. BASELINE FORECAST

OCCUPANCY PEAKS AND ADR GROWTH PICKS UP

**Preliminary
Update 11-03-16**

	Long Run Average	2013	2014	2015	2016F	2017F
Supply	1.9%	0.6%	0.7%	1.1%	1.6%	1.8%
Demand	2.0%	2.0%	4.3%	2.7%	1.4%	1.5%
Occupancy	62.0%	62.2%	64.4%	65.4%	65.3%	65.0%
ADR	3.0%	3.8%	4.5%	4.5%	3.4%	3.6%
RevPAR	3.2%	5.2%	8.2%	6.2%	3.2%	3.2%

RECORD HIGH OCCUPANCY WAS ACHIEVED IN 2015, LEVELS SHOULD STAY HIGH

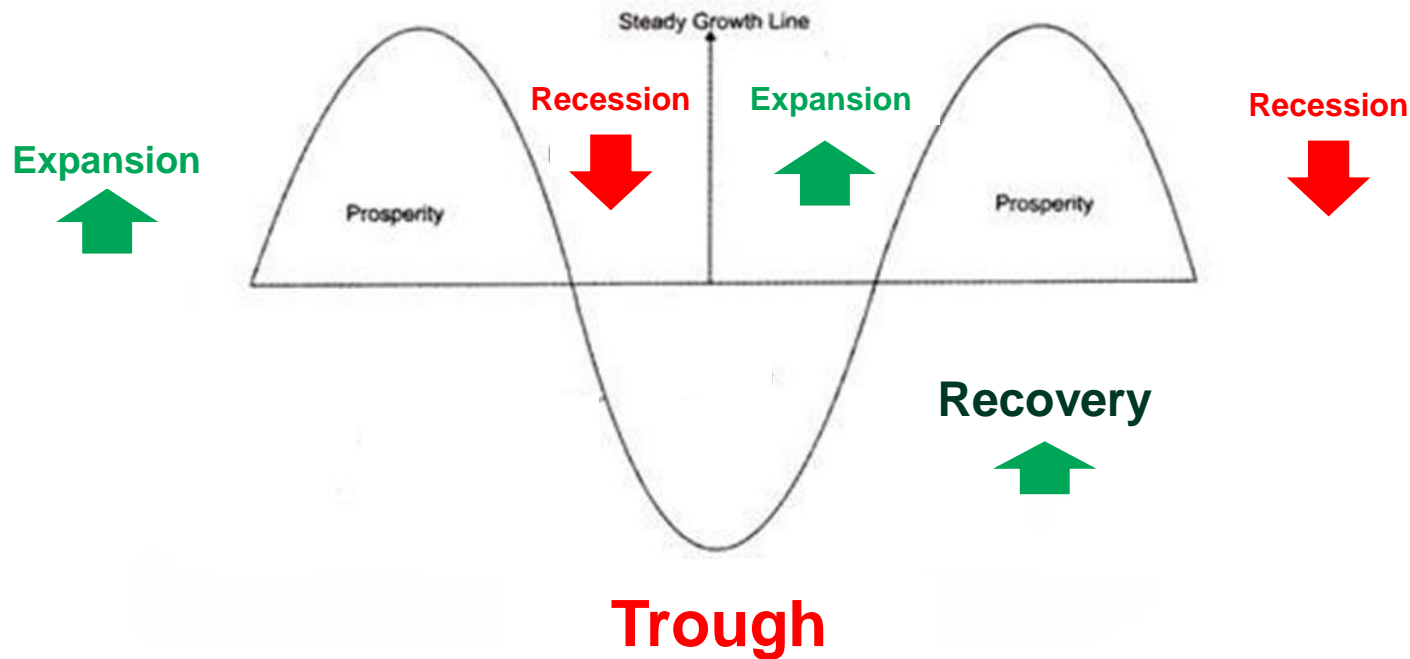
Source: CBRE Hotels' Americas Research - Hotel Horizons® September – November 2016; STR



LEADING AND LAGGING MARKETS

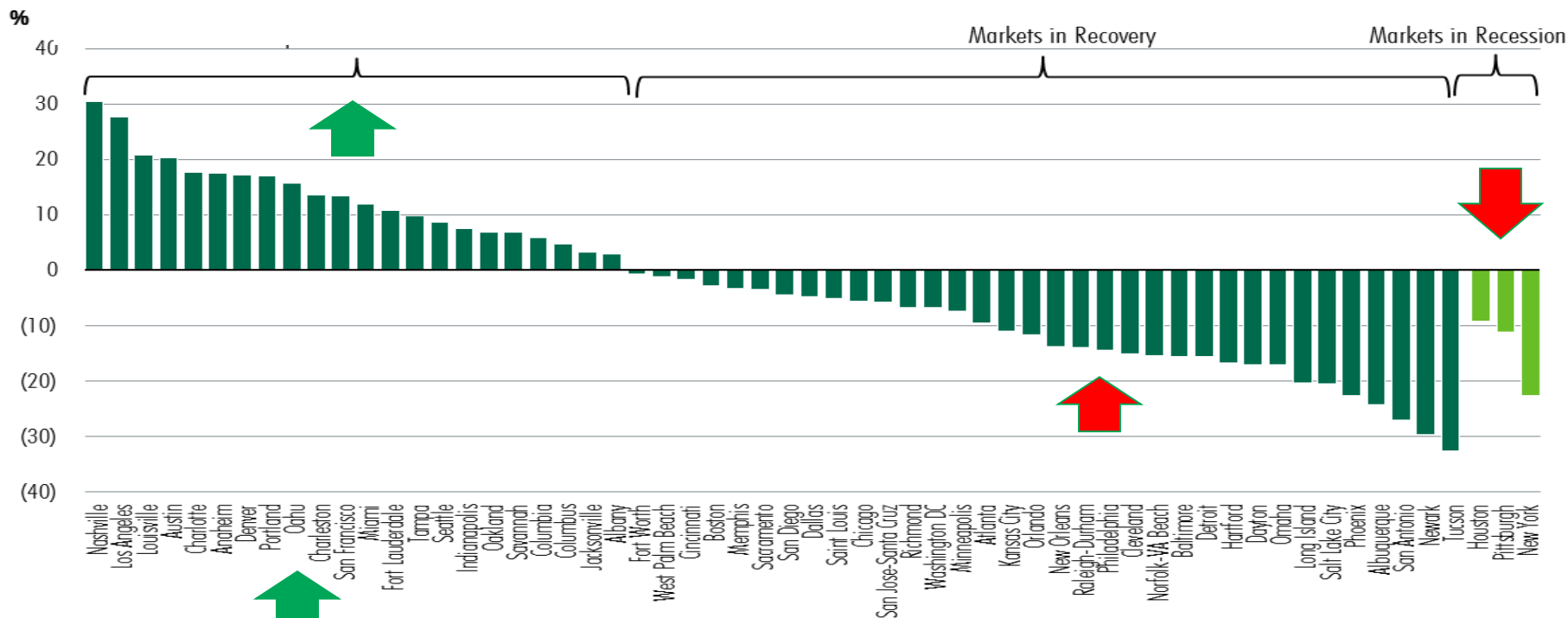
TIMES ARE GOOD FOR MOST, BUT NOT ALL

THE BUSINESS CYCLE



TIMES ARE GOOD FOR MANY, BUT NOT ALL – MARKETS

REVPAR CHANGE FROM PREVIOUS PEAK



Source: CBRE Hotels, STR, Inc. Q3 2016.



AIRBNB UPDATE

AIRBNB IN THE U.S.

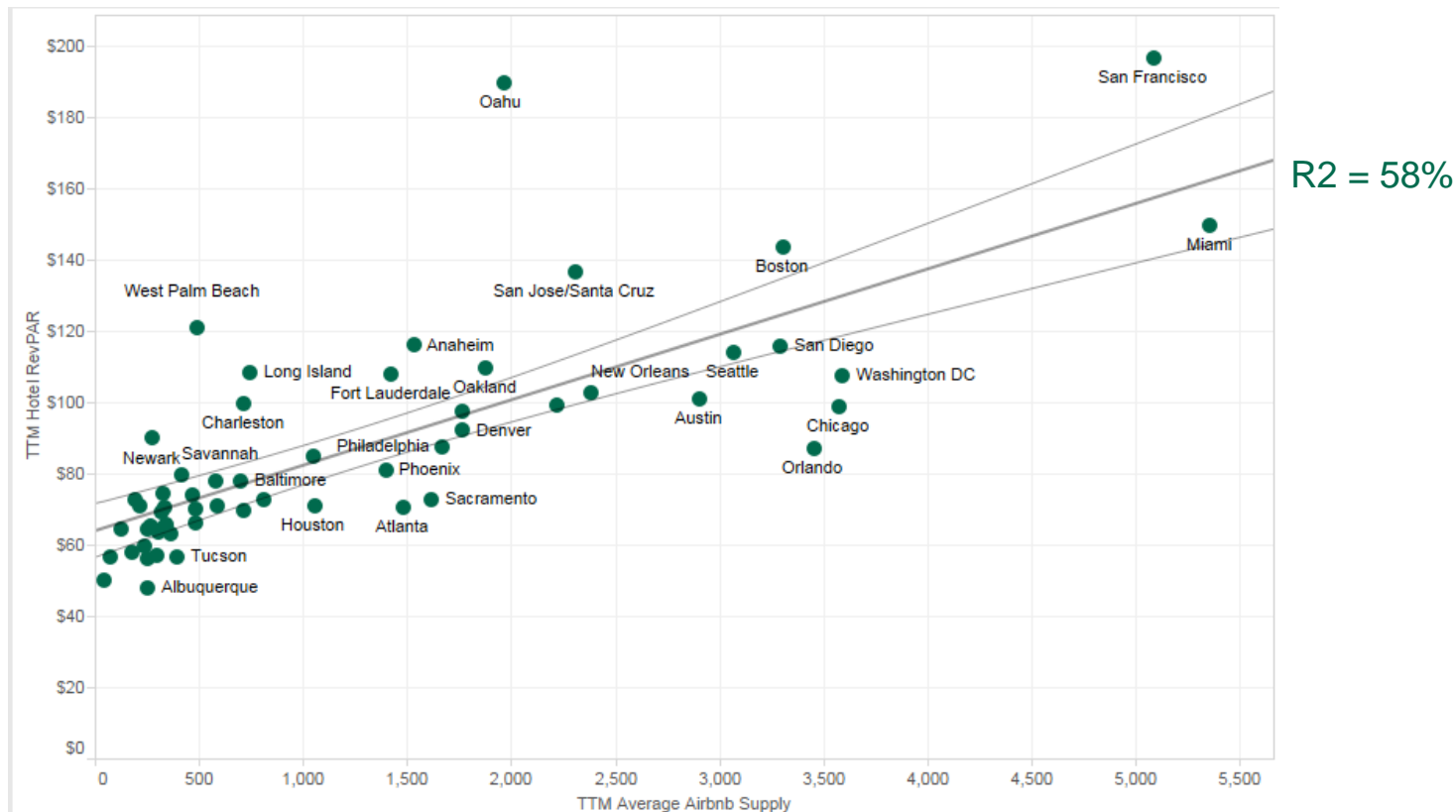
LAST 12 MONTHS (JULY 2015 – JUNE 2016)

Just in the United States:

- 57.2 Million Units Available (+110%)
- 27.5 Million Units Sold (+104%)
- \$4.7 Billion in Revenue Generated (+135%)

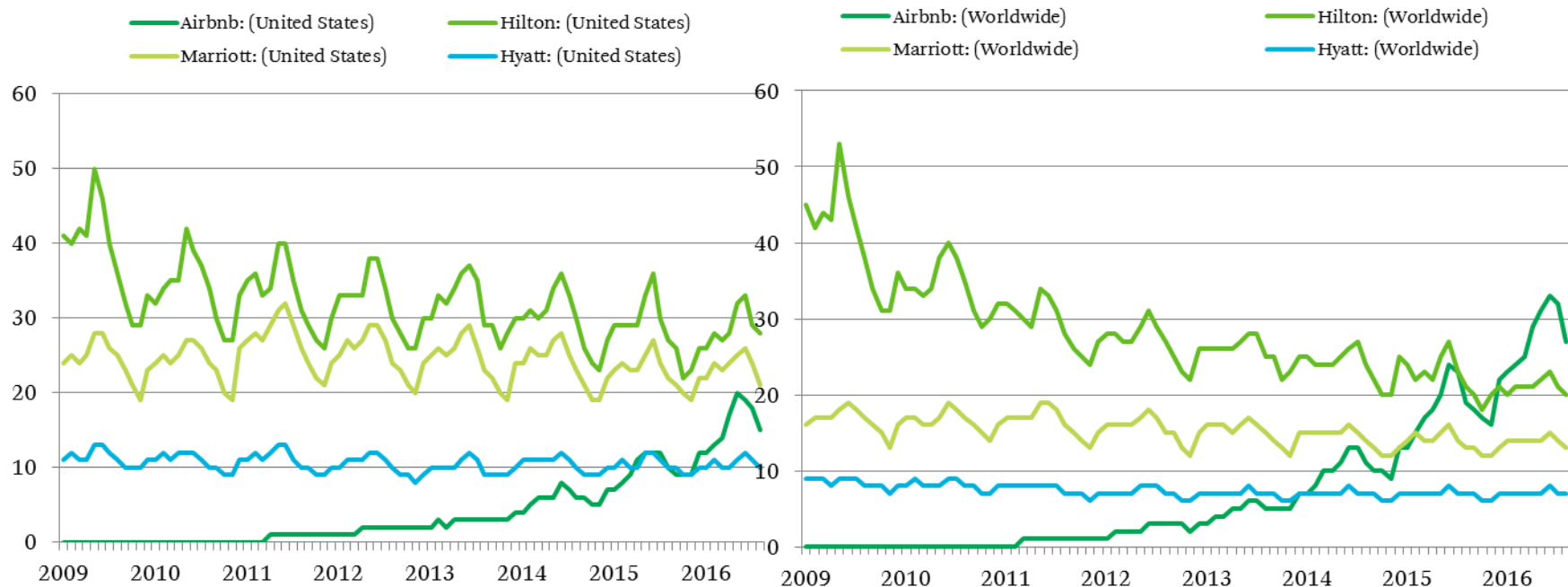
Source: CBRE Hotels' Americas Research; Airdna, Q2 2016.

INDUCED SUPPLY



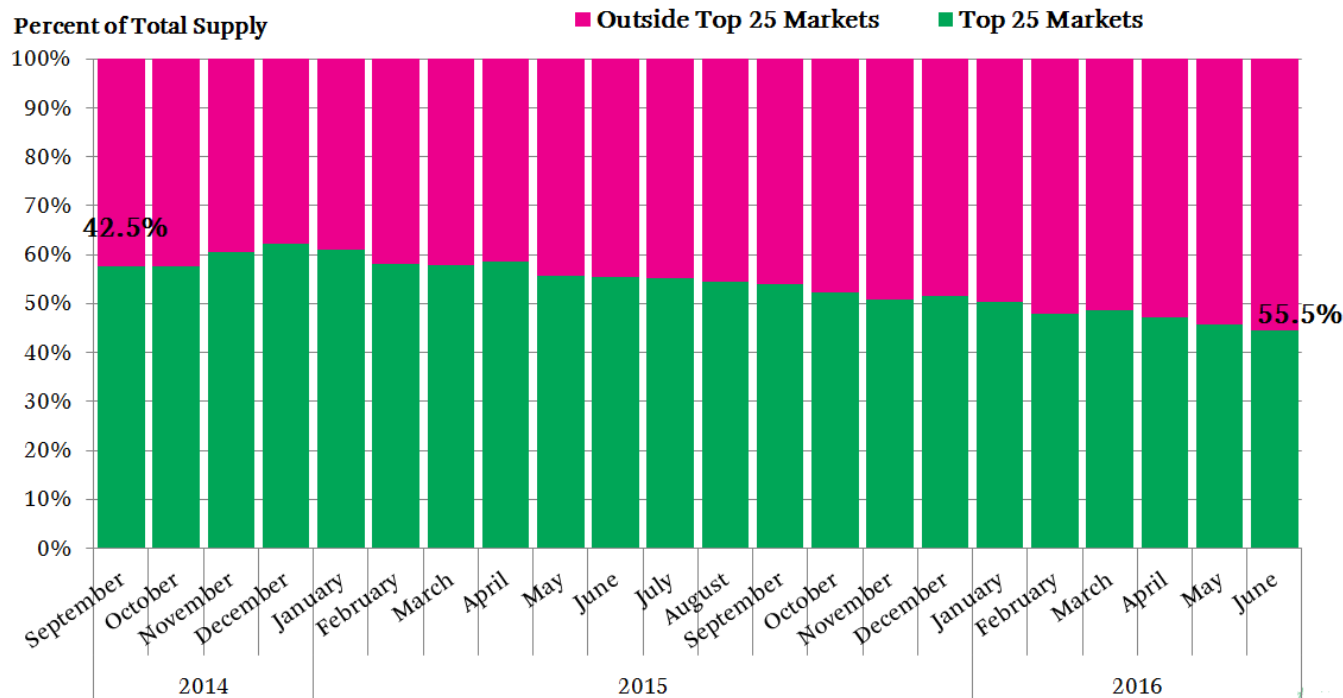
Sources: CBRE Hotels' Americas Research, Airdna, STR, Q2 2016.

GOOGLE TRENDS – MAJOR HOSPITALITY COMPANIES



Sources: Google Trends, Q2 2016.

CHANGING GROWTH PATTERNS FOR AIRBNB



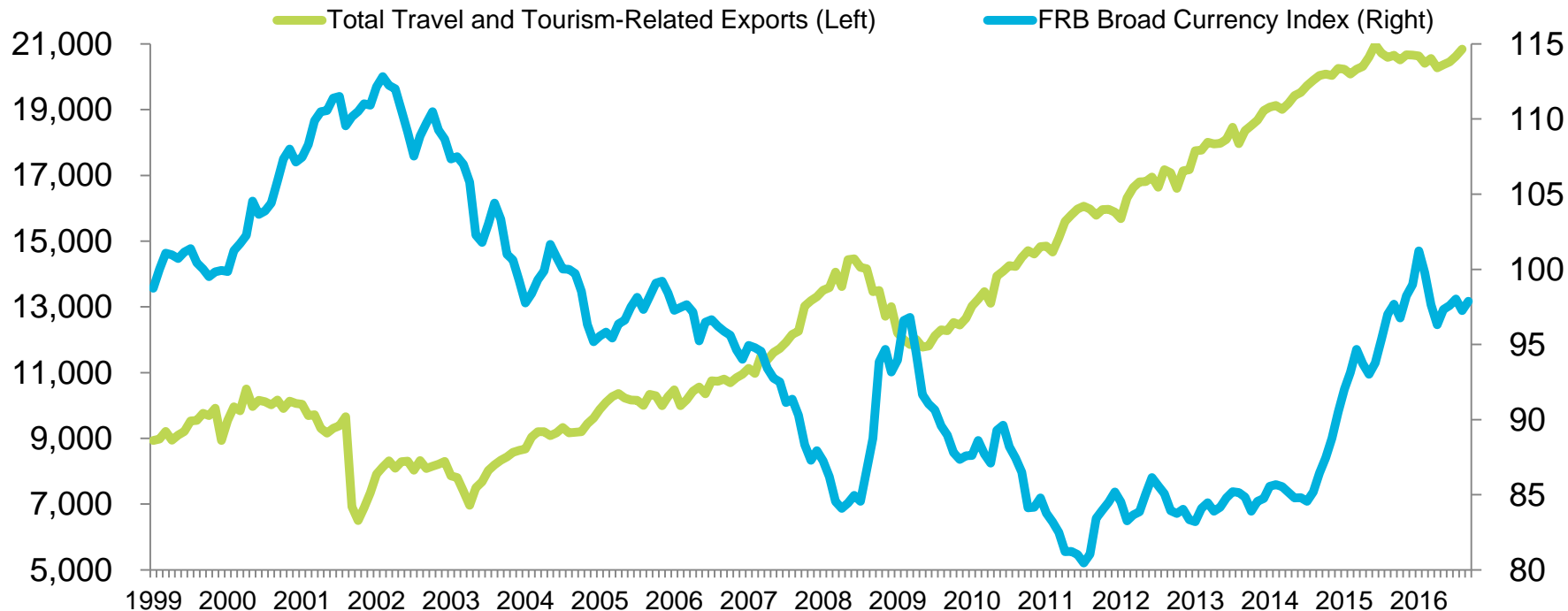
Sources: CBRE Hotels' Americas Research, Airdna, Q2 2016.



IMPACT OF A STRONG U.S. DOLLAR

EFFECT OF STRONG DOLLAR

EXCHANGE RATE INDEX AND INTERNATIONAL TOURISM SPENDING

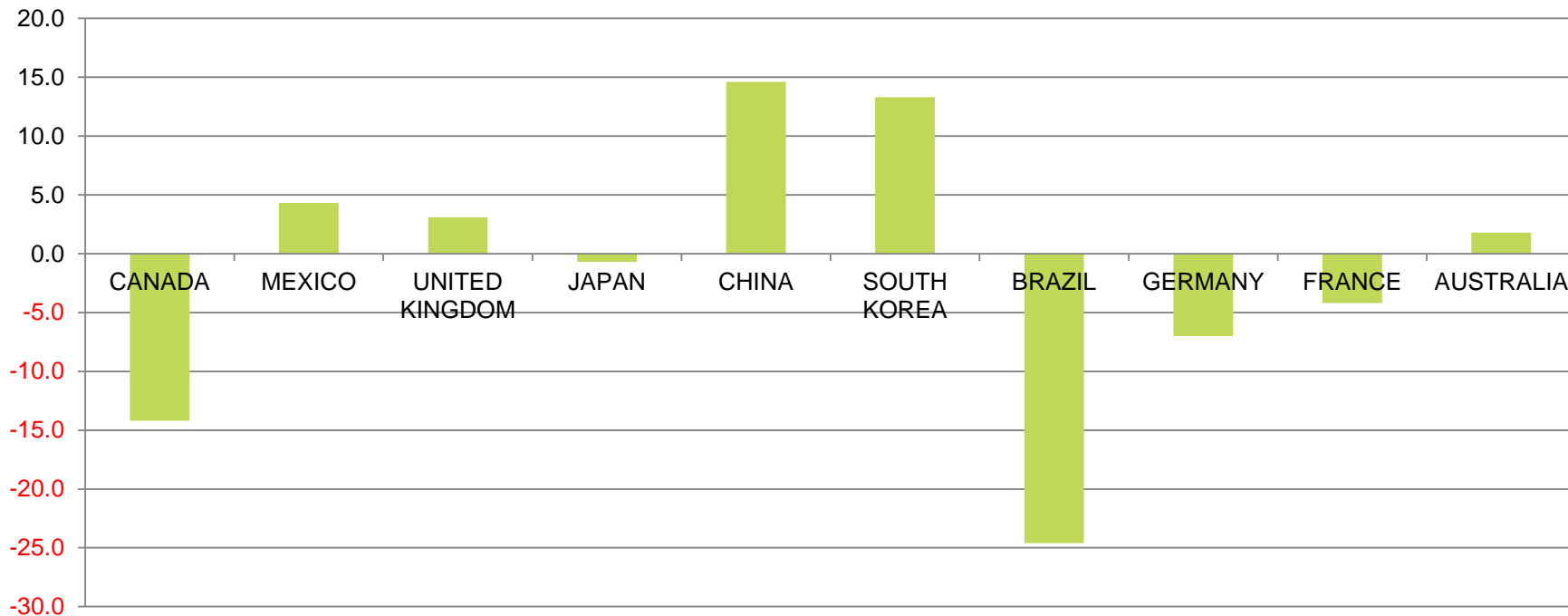


Source: Federal Reserve Board, International Trade Association, Q3 2016

Note: Quarterly data in real terms, '97 = 100

TOP 10 COUNTRIES - INTERNATIONAL ARRIVALS

YTD CHANGE IN NON-RESIDENTIAL ARRIVALS – THROUGH APRIL 2016



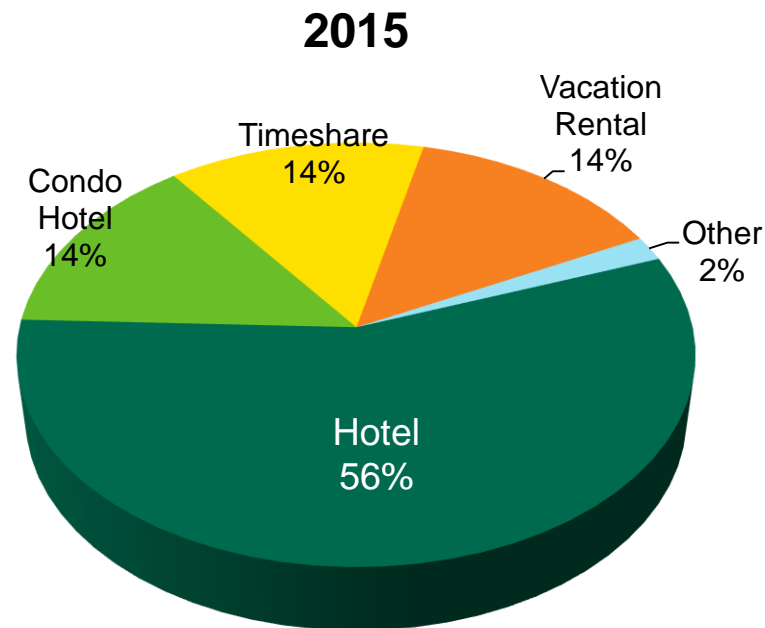
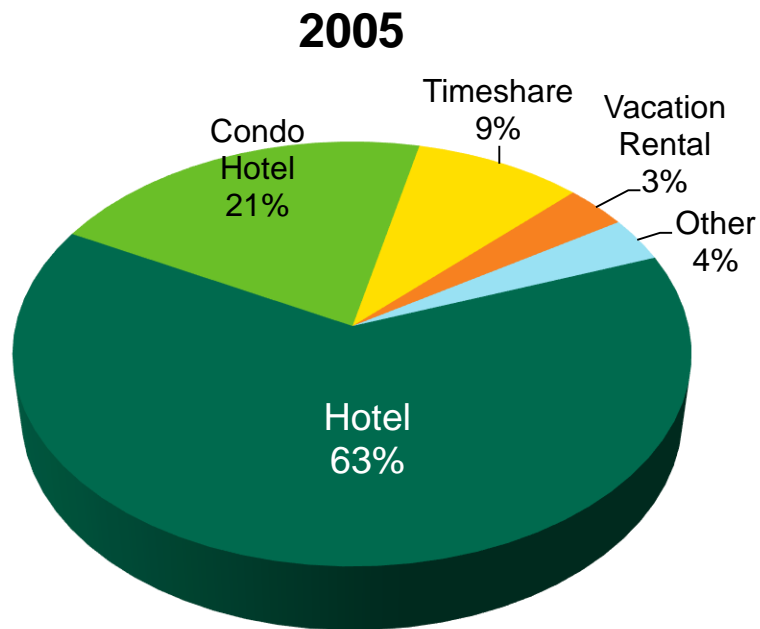
Source: U.S. Department of Commerce, ITA, National Travel and Tourism Office from the Summary of International Travel to the U.S.



AN OVERVIEW OF HAWAII

HAWAII'S EVOLVING HOTEL INDUSTRY

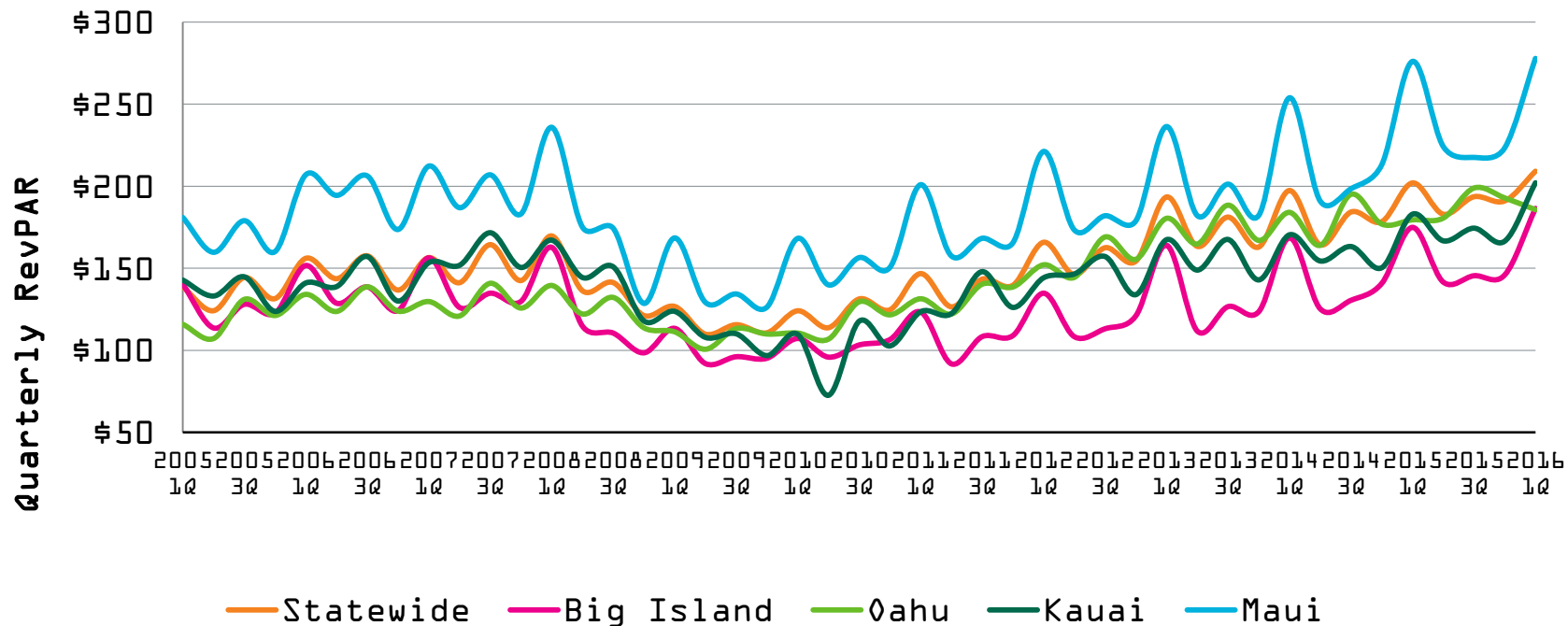
HOTEL ROOMS AS A % OF TOTAL VISITOR ACCOMMODATIONS



Source: Hawaii Tourism Authority

PERFORMANCE TRENDS

REVPAR BREAKDOWN



Source: STR, Inc.

RANKING RELATIVE TO OTHER TOP 25 MARKETS

OCCUPANCY, ADR & REVPAR COMPARISON

	YE 2015				YTD 2016		
	Occupancy	ADR	RevPAR		Occupancy	ADR	RevPAR
Oahu	87%	\$220	\$191		85%	\$226	\$192
Maui	75%	\$316	\$235		76%	\$328	\$250
State	79%	\$244	\$192		80%	\$253	\$201
New York	85%	\$259	\$219		85%	\$248	\$211
San Francisco	84%	\$223	\$188		86%	\$235	\$201
Top 25 Markets	72%	\$147	\$107		75%	\$151	\$113

Source: STR, Inc.



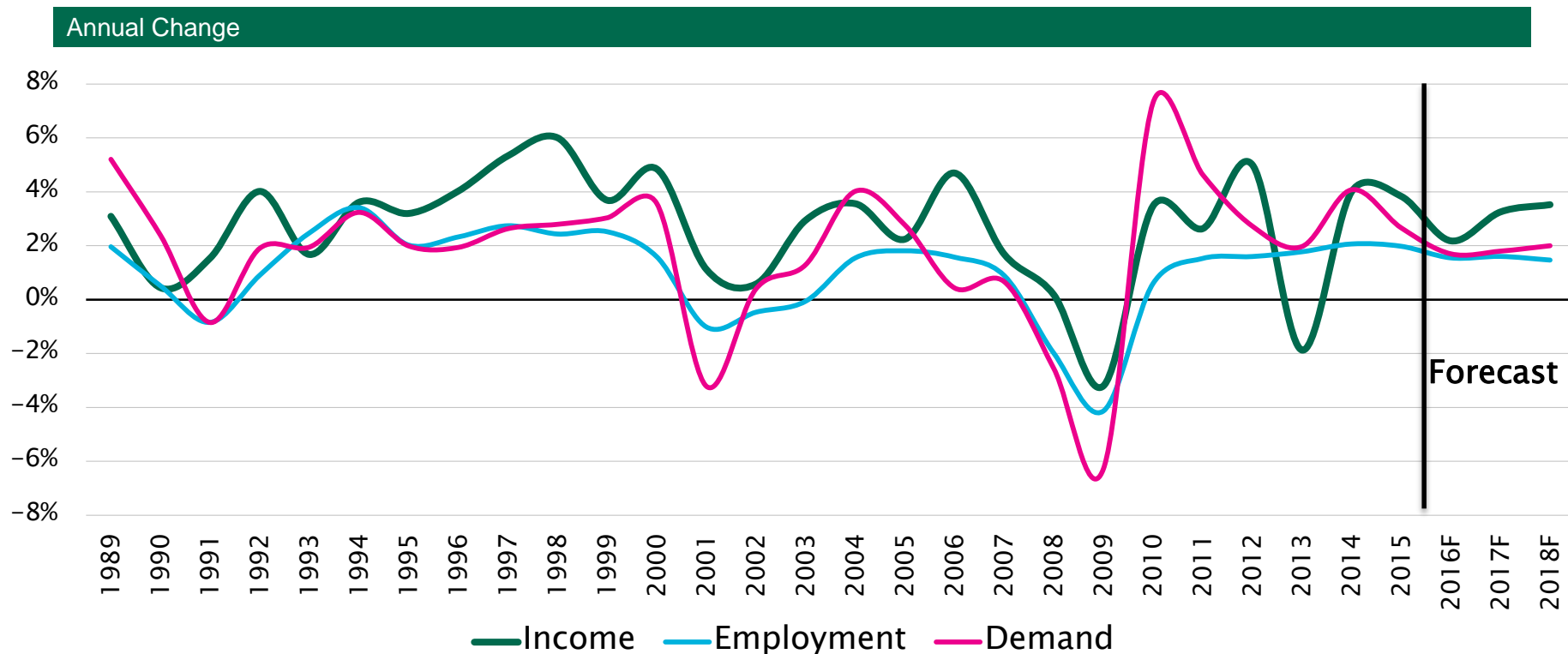
AT LOOK AT HISTORIC HOTELS

HISTORIC HOTELS PERFORMANCE

HISTORICAL AND FORECAST DATA

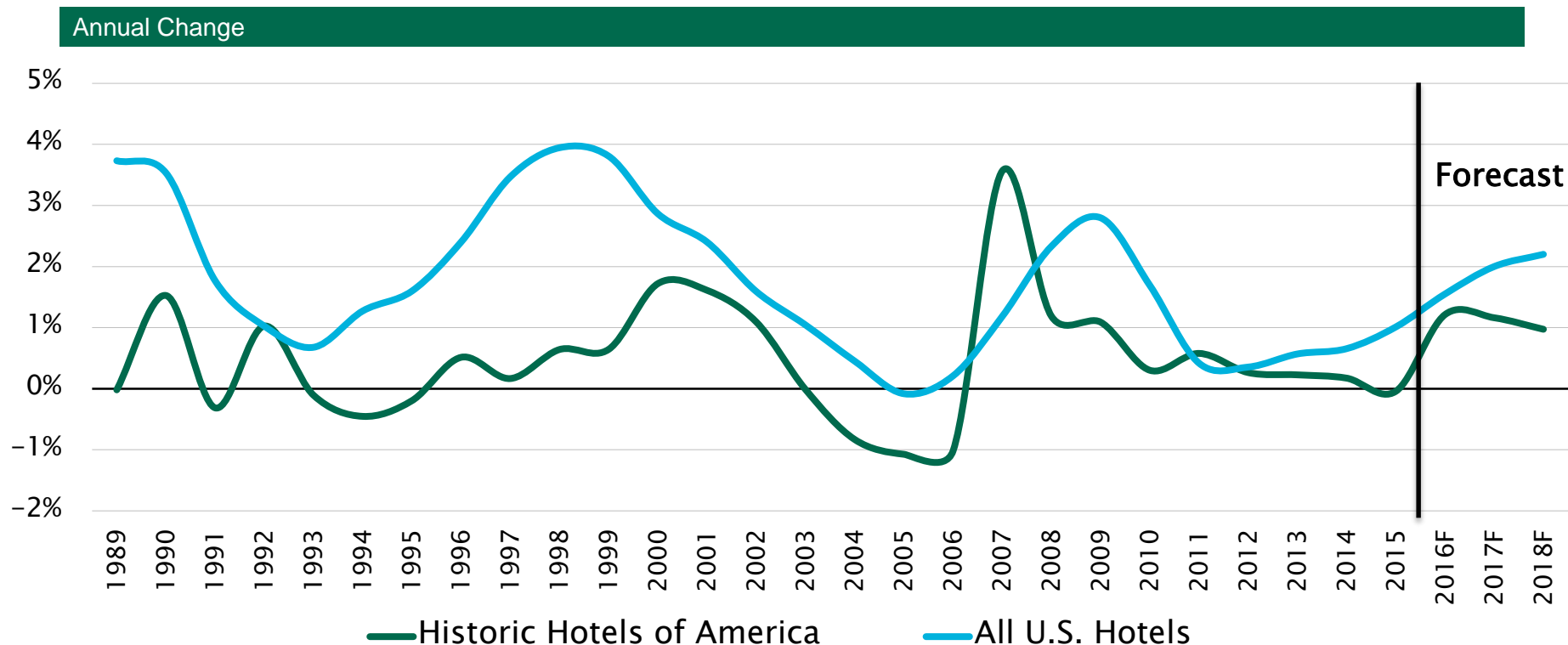
THE FOLLOWING DATA IS BASED ON A SAMPLE OF A 198 PROPERTIES THAT ARE MEMBERS OF HISTORIC HOTELS OF AMERICA, AND PROVIDE THEIR DATA TO STR, INC.

THE ECONOMICS OF HOTEL DEMAND



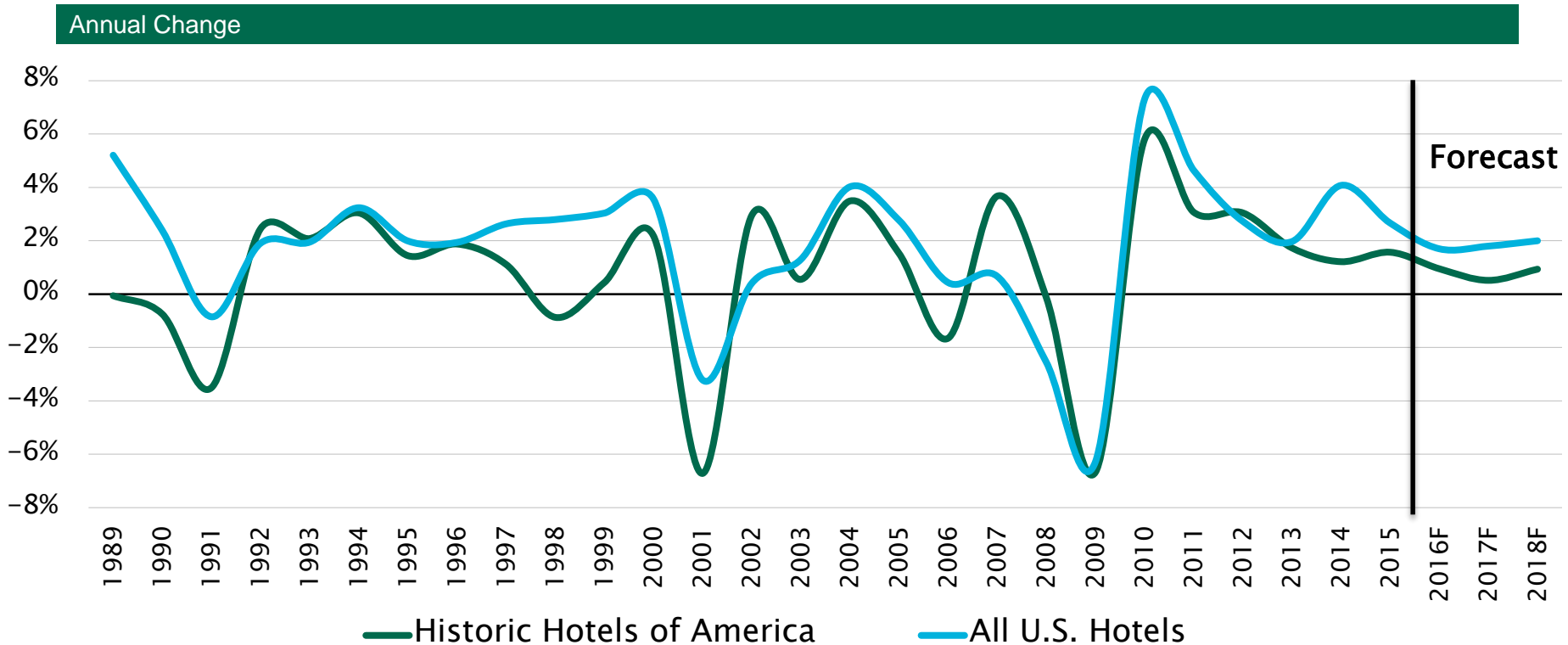
Source: Moody's Analytics, CBRE-EA, STR, CBRE Hotels' Americas Research – September 2016 Horizons®

CHANGE IN SUPPLY



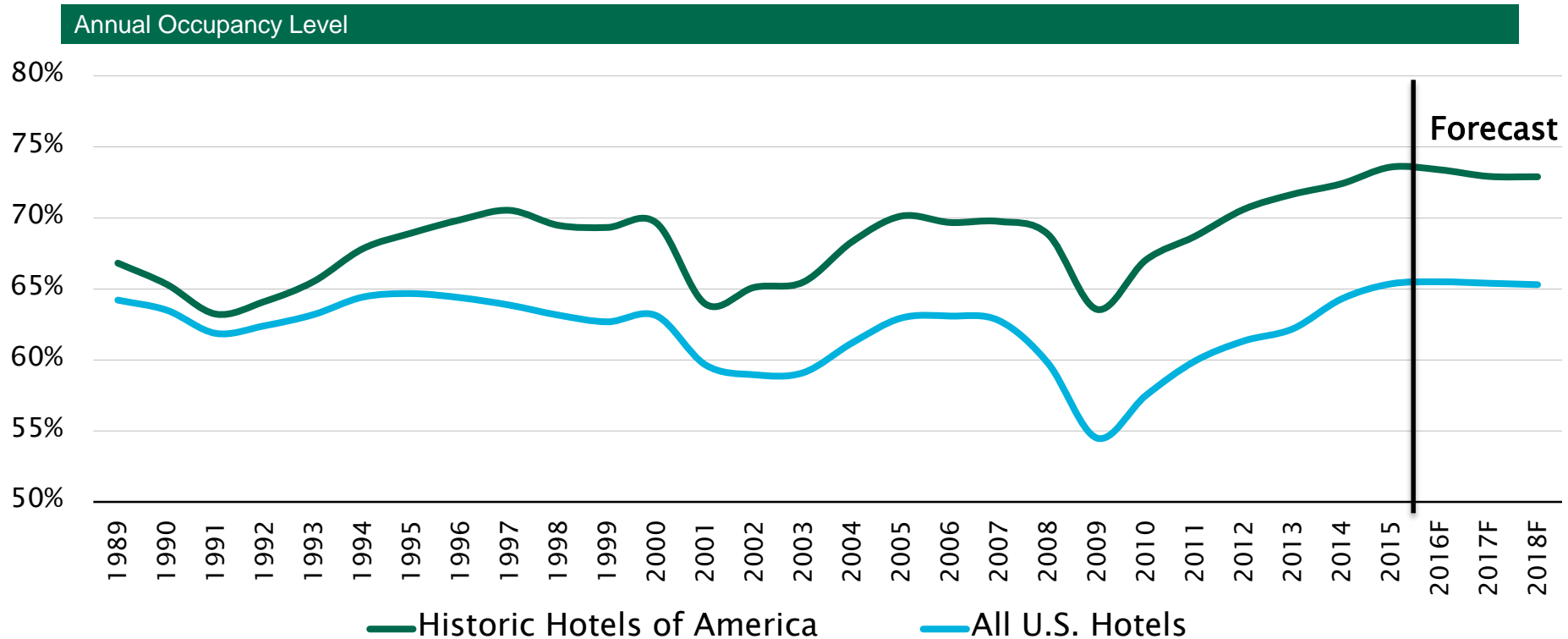
Source: STR, CBRE Hotels' Americas Research – September 2016 Horizons®

CHANGE IN DEMAND



Source: STR, CBRE Hotels' Americas Research – September 2016 Horizons®

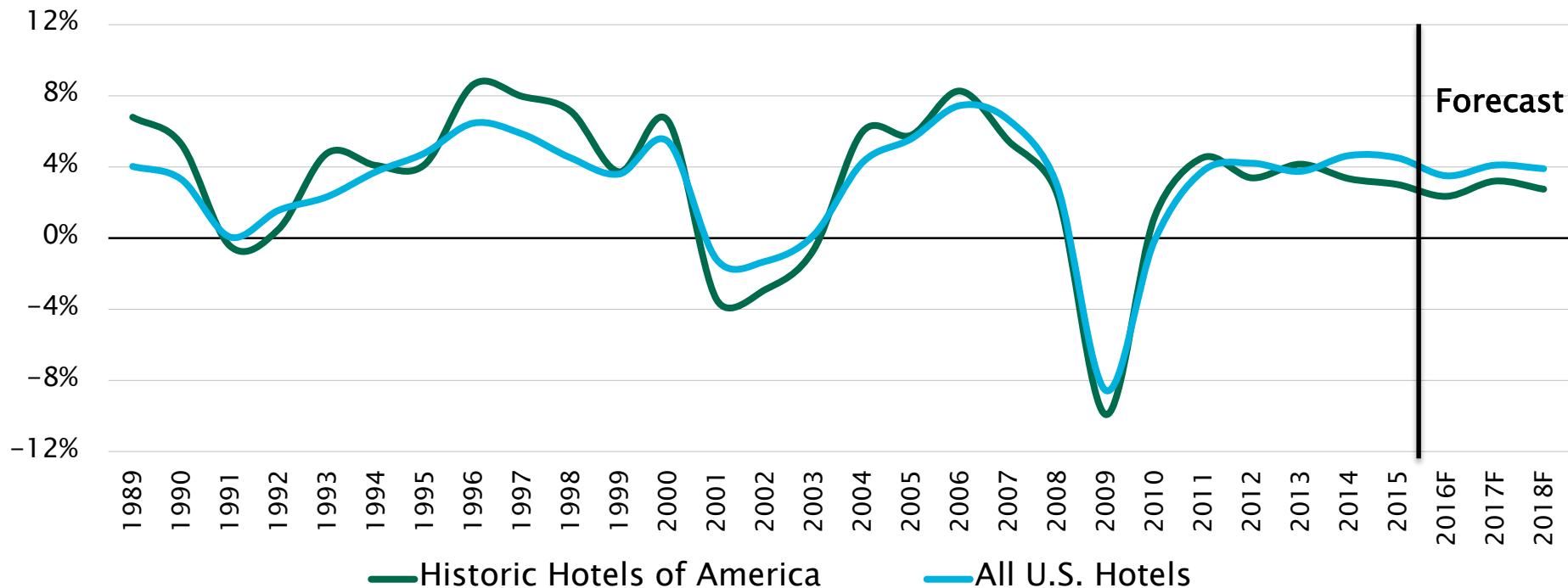
ANNUAL OCCUPANCY



Source: STR, CBRE Hotels' Americas Research – September 2016 Horizons®

CHANGE IN ADR

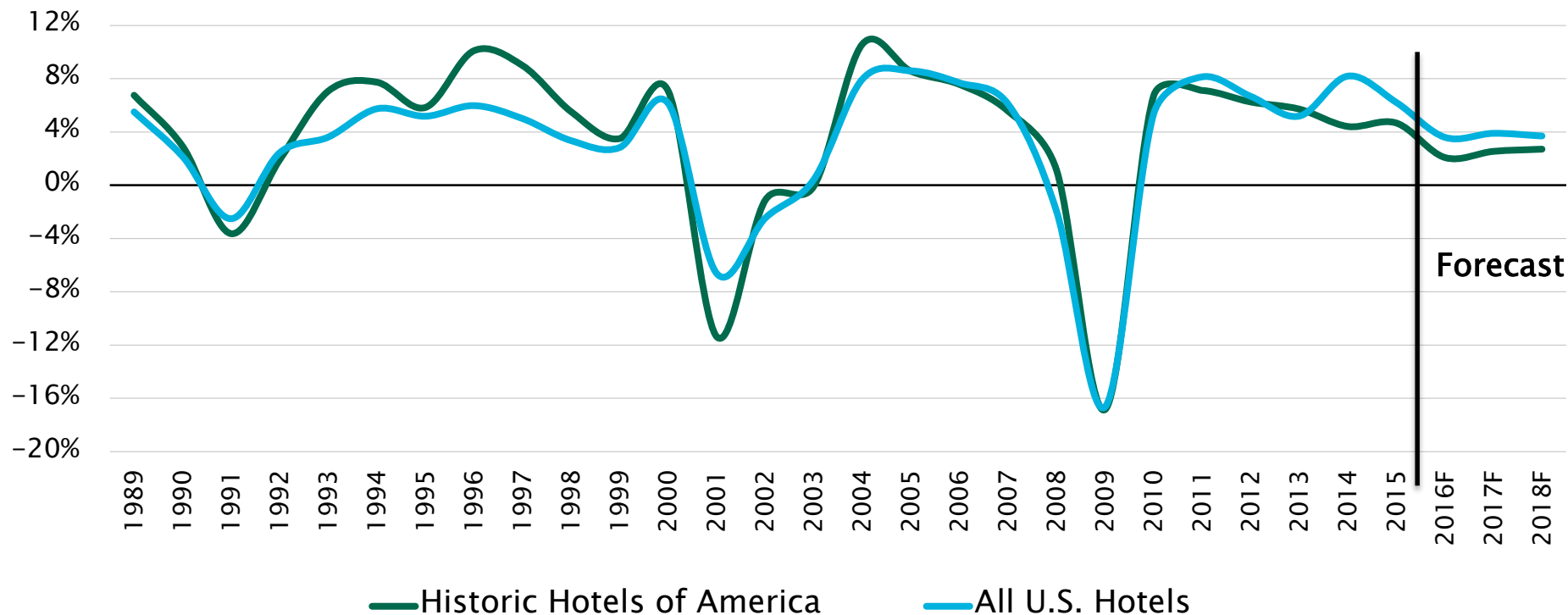
Annual Change



Source: STR, CBRE Hotels' Americas Research – September 2016 Horizons®

CHANGE IN REVPAR

Annual Change



Source: STR, CBRE Hotels' Americas Research – September 2016 Horizons®

U.S. BASELINE FORECAST – HISTORIC HOTEL SAMPLE

OCCUPANCY PEAKS AND ADR GROWTH PICKS UP

	Long Run Average	2013	2014	2015	2016F	2017F
Supply	0.5%	0.2%	0.2%	0.0%	1.2%	1.2%
Demand	0.8%	1.7%	1.2%	1.6%	1.0%	0.5%
Occupancy	68.1%	71.7%	72.4%	73.6%	73.4%	72.9%
ADR	3.3%	4.2%	3.3%	3.0%	2.3%	3.2%
RevPAR	3.8%	5.7%	4.4%	4.7%	2.1%	2.5%

RECORD HIGH OCCUPANCY WAS ACHIEVED IN 2015, LEVELS SHOULD STAY HIGH

Source: CBRE Hotels' Americas Research - Hotel Horizons® Custom Forecast – November 2016; STR



FINANCIAL BENCHMARKING

HISTORIC VS CONTEMPORARY HOTELS

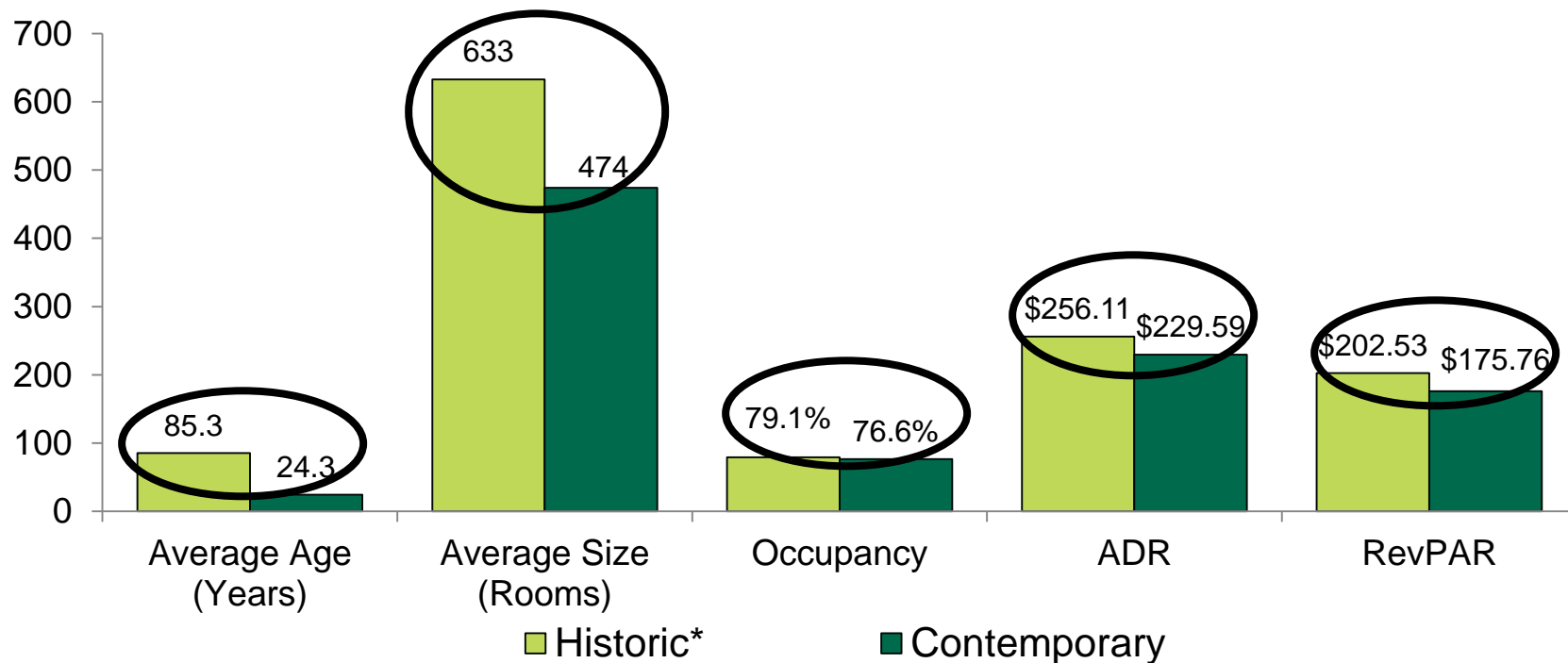
FINANCIAL BENCHMARKING

METHODOLOGY

- From CBRE's *Trends® in the Hotel Industry* database, we pulled operating performance data for two sets of properties
 - *Upper-upscale and luxury hotels open through 1965 (historic sample)*
 - *Upper-upscale and luxury hotels open since 1965 (contemporary sample)*
- All properties reported operating data each year from 2009 through 2015.
- Historic properties may, or may not, be a member of Historic Hotels of America.
- Both samples consist of independent and chain-affiliated hotels.

HISTORIC* VS CONTEMPORARY HOTELS

2015 PROFILE OF SAMPLES

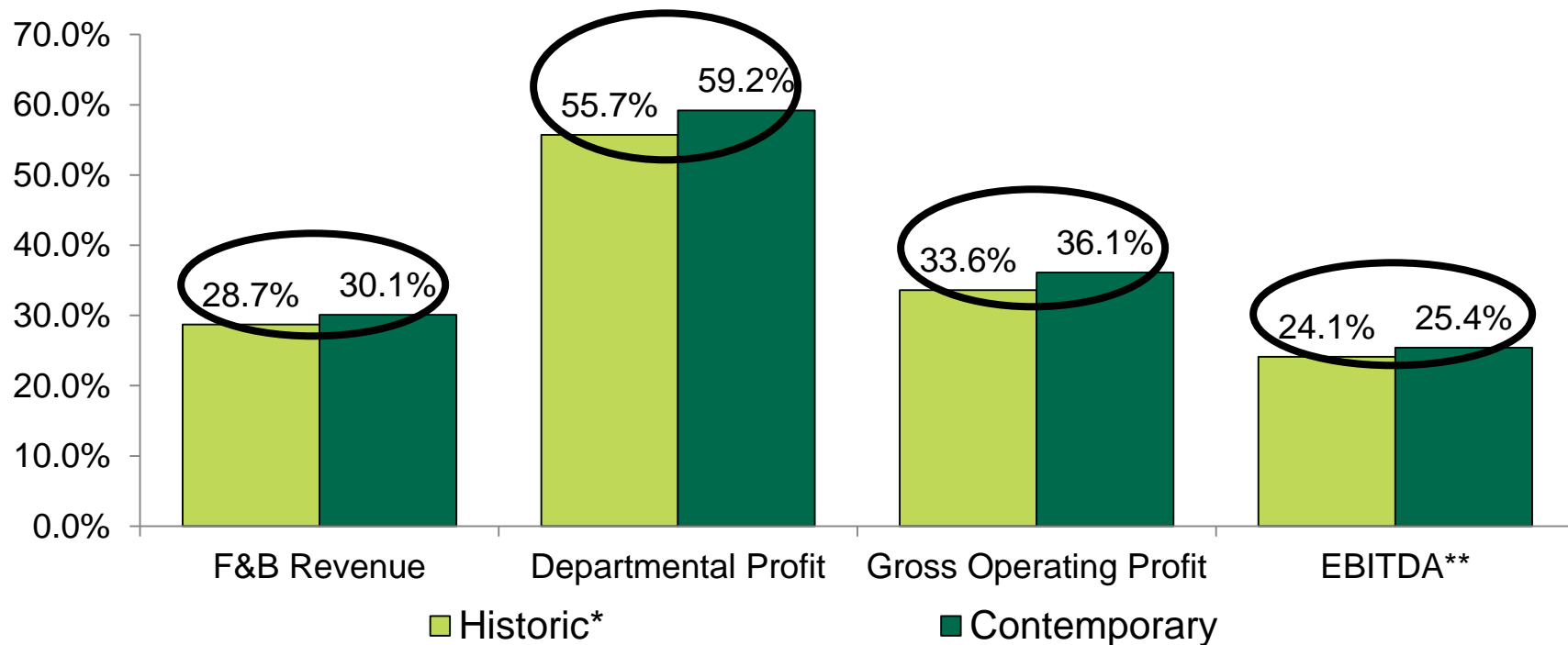


Note: * Open before 1966, Luxury and Upper-Upscale
Source: Trends® in the Hotel Industry

HISTORIC* VS CONTEMPORARY HOTELS

2015 COMPARATIVE PERFORMANCE

PERCENT OF TOTAL REVENUE



Note: * Open before 1966, Luxury and Upper-Upscale

** Income before deduction for income taxes, interest, depreciation, and amortization.

Source: Trends® in the Hotel Industry

HISTORIC* VS CONTEMPORARY HOTELS

2015 COMPARATIVE PERFORMANCE

TOTAL LABOR COSTS

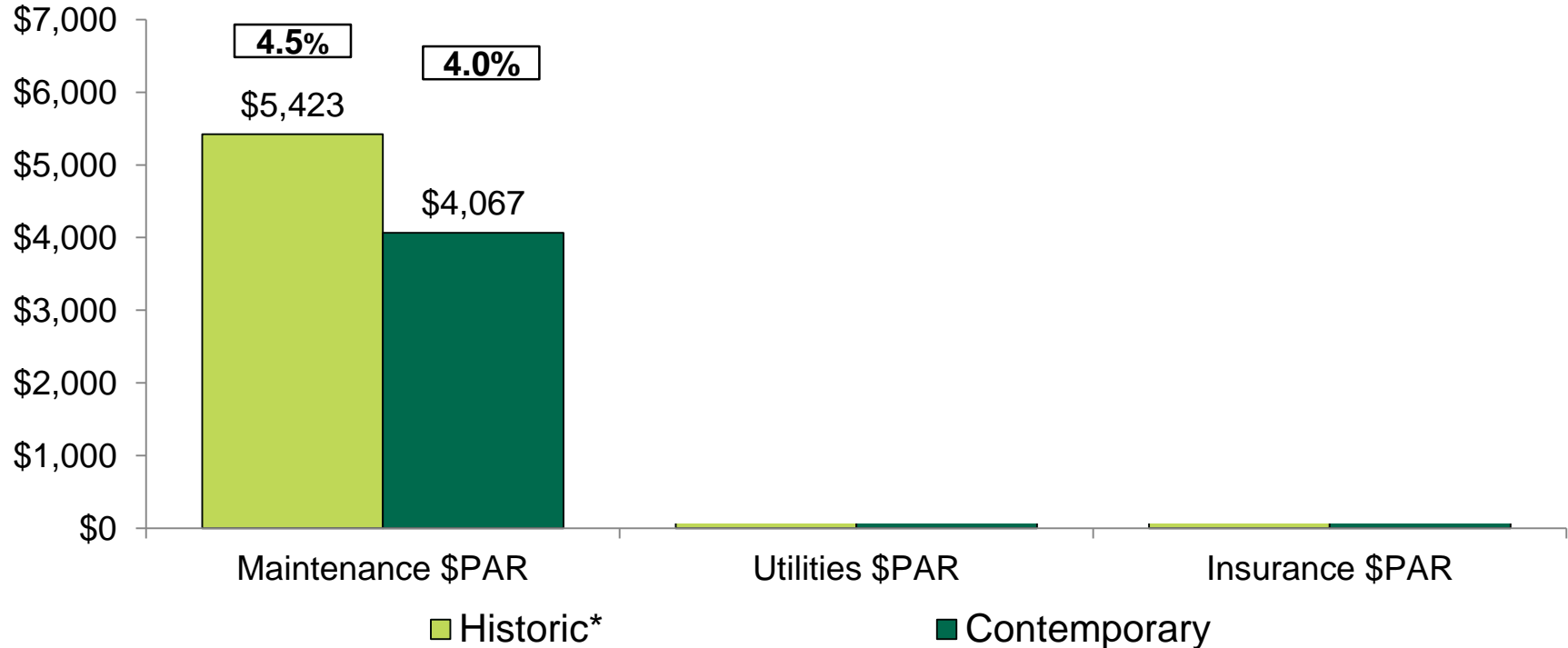
Metric	Historic	Contemporary
Dollars Per Available Room	\$45,246	\$34,082
Dollars Per Occupied Room	\$156.75	\$122.00
Percent of Total Revenue	37.6%	33.8%

Note: * Open before 1966, Luxury and Upper-Up-scale
Source: Trends® in the Hotel Industry

HISTORIC* VS CONTEMPORARY HOTELS

2015 COMPARATIVE PERFORMANCE

SELECT EXPENSES - \$PAR AND % OF TOTAL REVENUE

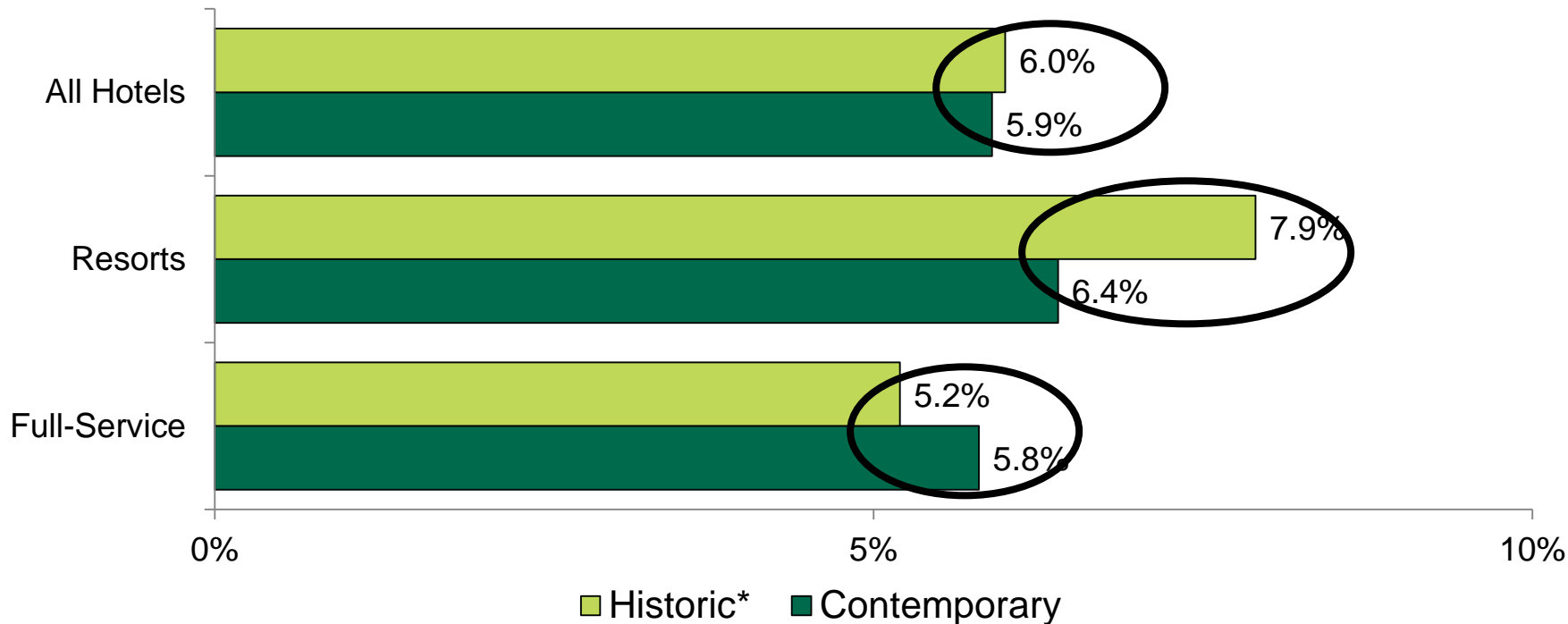


Note: * Open before 1966, Luxury and Upper-UpSCALE
Source: Trends® in the Hotel Industry

HISTORIC* VS CONTEMPORARY HOTELS

TOTAL OPERATING REVENUE

COMPOUND ANNUAL CHANGE 2009-2015

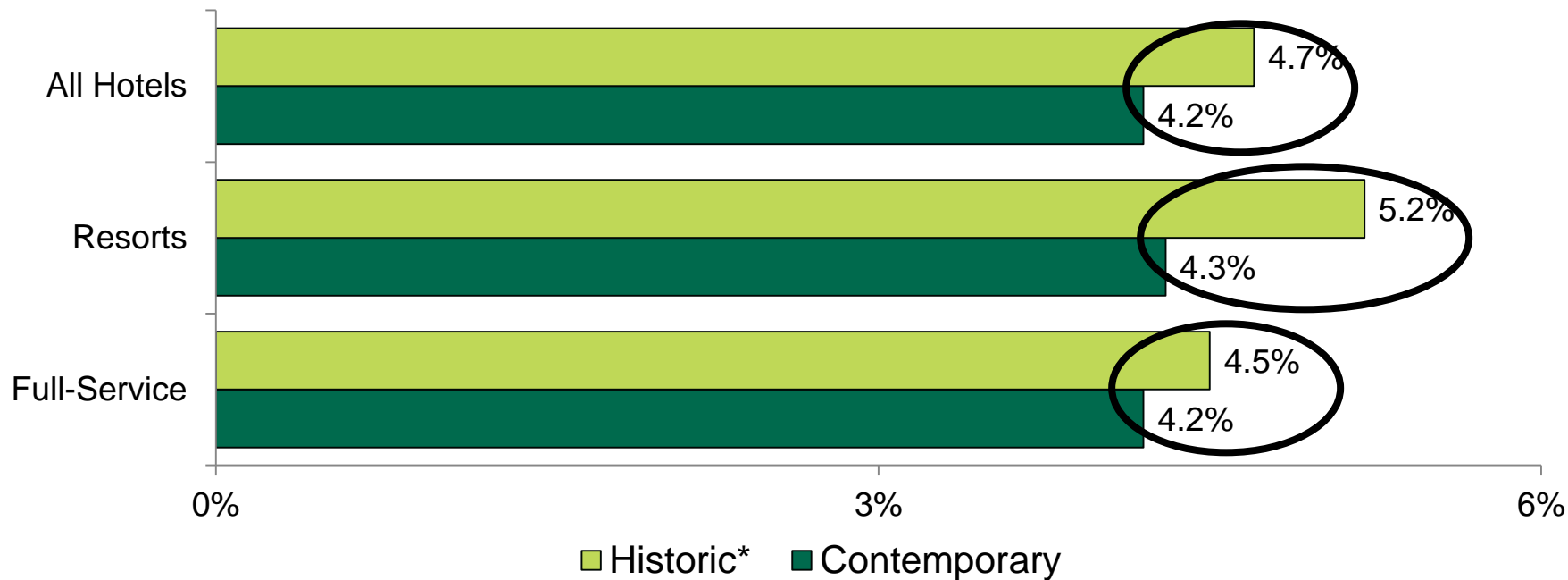


Note: * Open before 1966, Luxury and Upper-Upscale
Source: Trends® in the Hotel Industry

HISTORIC* VS CONTEMPORARY HOTELS

TOTAL OPERATING EXPENSES**

COMPOUND ANNUAL CHANGE 2009-2015



Note: * Open before 1966, Luxury and Upper-Upscale

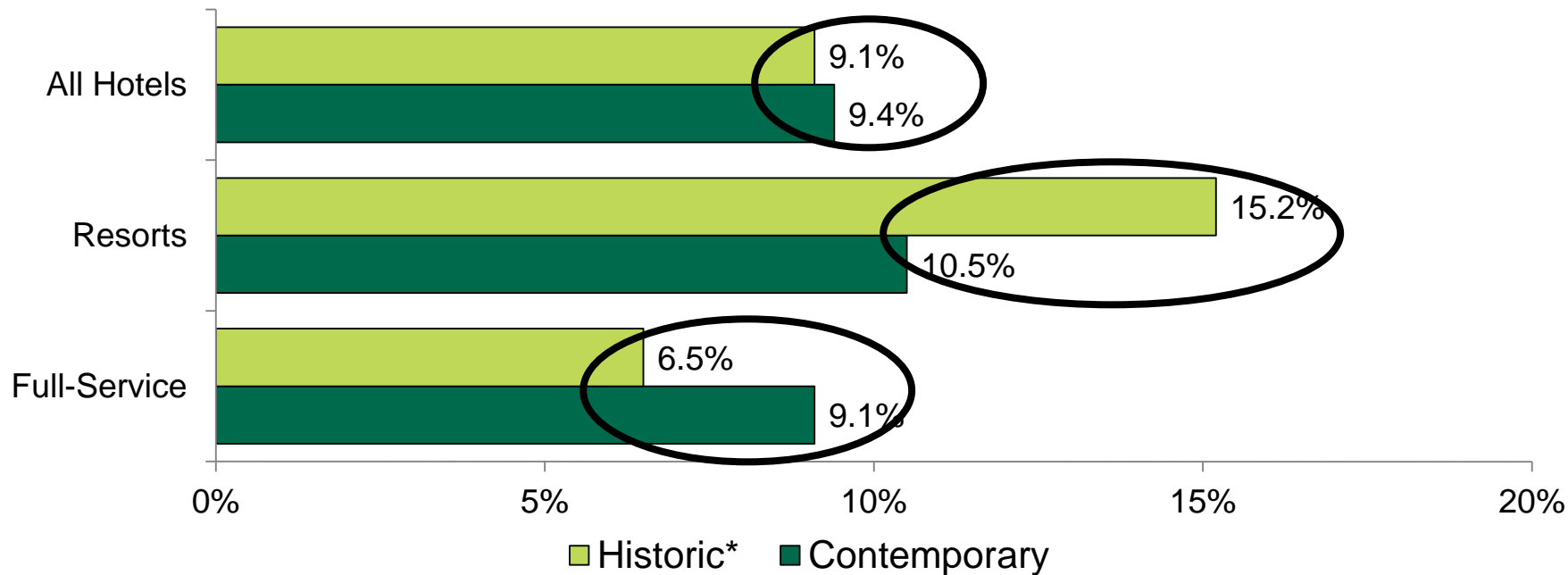
** Before deduction for non-operating income and expenses.

Source: Trends® in the Hotel Industry

HISTORIC* VS CONTEMPORARY HOTELS

NET OPERATING INCOME**

COMPOUND ANNUAL CHANGE 2009-2015



Note: * Open before 1966, Luxury and Upper-Upscale

** Income before deduction for non-operating income and expenses.

Source: Trends® in the Hotel Industry



SUMMARY

SUMMARY THOUGHTS

A QUESTION OF BALANCE

1. The fundamentals remain attractive across the vast majority of markets.
2. Industry growth will persist comfortably through 2017 and likely beyond.
3. High occupancy levels should provide the leverage needed to achieve attractive ADR increases for the next two-three years.
4. Modest (but increasing) hotel construction is to be expected; the threat of over building is absent from most markets.
5. Above long run average occupancy levels will lead to revenue growth sufficient to off-set increasing labor costs, thus resulting in attractive profit growth for most.
6. Steady, if unremarkable, growth is to be expected overall. Some markets certainly better than others.

CBRE HOTELS

The World's Leading Hotel Experts.

R. Mark Woodworth
Senior Managing Director
+1 404 809 3969
mark.woodworth@cbre.com

Amelia Lim
Vice President
+1 808 541 5171
amelia.lim@cbre.com

www.cbrehotels.com

CBRE © 2016 All Rights Reserved. All information included in this proposal pertaining to CBRE—including but not limited to its operations, employees, technology and clients—are proprietary and confidential, and are supplied with the understanding that they will be held in confidence and not disclosed to third parties without the prior written consent of CBRE. This proposal is intended solely as a preliminary expression of general intentions and is to be used for discussion purposes only. The parties intend that neither shall have any contractual obligations to the other with respect to the matters referred herein unless and until a definitive agreement has been fully executed and delivered by the parties. The parties agree that this proposal is not intended to create any agreement or obligation by either party to negotiate a definitive lease/purchase and sale agreement and imposes no duty whatsoever on either party to continue negotiations, including without limitation any obligation to negotiate in good faith or in any way other than at arm's length. Prior to delivery of a definitive executed agreement, and without any liability to the other party, either party may (1) propose different terms from those summarized herein, (2) enter into negotiations with other parties and/or (3) unilaterally terminate all negotiations with the other party hereto.

The information contained in this document has been obtained from sources believed reliable. While CBRE, Inc. does not doubt its accuracy, CBRE, Inc. has not verified it and makes no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the property. The value of this transaction to you depends on tax and other factors which should be evaluated by your tax, financial and legal advisors. You and your advisors should conduct a careful, independent investigation of the property to determine to your satisfaction the suitability of the property for your needs.



CBRE