STATE OF THE U.S. LODGING INDUSTRY
OPERATING AT THE PEAK
JUNE 22, 2016

Robert Mandelbaum
Director of Research Information Services
CBRE Hotels’ Americas Research
MUCH TO THINK ABOUT

WHY BE HAPPY?

HIGH OCCUPANCY LEVELS

INFLATION & INTEREST RATES ARE LOW

WAGES INCREASING

PROFITS CONTINUE TO GROW

WHY BE CONCERNED?

SUPPLY GROWTH ACCELERATING

INFLATION & INTEREST RATES GOING UP?

WAGES INCREASING

EXPENSE GROWTH ACCELERATING
SOME THOUGHTS ON THE ECONOMY

GOVERNMENT (Government consumption expenditures and gross investment)
TRADE (Net exports of goods and services)
BUSINESS (Gross private domestic investment)
CONSUMERS (Personal consumption expenditures)

GDP Component
Forecast

These matter the most.

Source: BEA, Moody’s Analytics, CBRE Hotels | Americas Research Hotel Horizons: June 2016, STR
SOME THOUGHTS ON THE ECONOMY

• No Recession Any Time Soon
• Energy/Trucking/Railroads Are Hurting
  – All Else = Fine
• Economy Not Growing Fast
• Retail Sales: Volume Good; Too Many Stores

Source: BEA, Moody’s Analytics
MAIN TAKEAWAY:

WE’RE SLOWING DOWN, NOT STOPPING

HOWEVER, THIS TIME IT’S DIFFERENT.
U.S. supply has increased more slowly than in prior cycles, but the pace of hotel construction could accelerate if past patterns repeat.

WHERE ARE WE IN THE SUPPLY CYCLE?

Sources: CBRE Hotels, STR Inc. Q2 2016.
WHERE ARE WE IN THE DEMAND CYCLE?

Demand has been rising for 69 months—approaching the 87 month expansion seen during the 1990s

WHERE ARE WE IN THE DEMAND CYCLE?

Cumulative Demand Changes

Rooms per Night

0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100 105 110 115 120

0 100,000 200,000 300,000 400,000 500,000 600,000

Cumulative Demand Changes


Nov 2002-May 2010

May 2010-Current

T₀=Real RevPAR trough (start of cycle)

RevPAR trough (end of cycle)

9/11/2001

Financial Panic of 2008

RevPAR trough (end of cycle)

Sources: CBRE Hotels, STR Inc. Q2 2016.
WHERE ARE WE IN THE OCCUPANCY CYCLE?

U.S. HOTEL OCCUPANCY PEAKED 7% ABOVE LEVELS AT THE BEGINNING OF THE CYCLE AND WILL SLOWLY DECLINE BARRING UNFORESEEN DEMAND SHOCKS.

Where are we in the occupancy cycle?

Cumulative Occupancy Changes

$T_0=$ Real RevPAR trough (start of cycle)

Sources: CBRE Hotels, STR Inc. Q2 2016.
WHERE ARE WE IN THE ADR CYCLE?

REAL U.S. ADR HAS Risen FASTER THAN IN PRIOR CYCLES, BUT HAS SHOWN SIGNS OF DECELERATION.

Sources: CBRE Hotels, STR Inc. Q2 2016.

$\Delta_0=$ Real RevPAR trough (start of cycle)
WHERE ARE WE IN THE U.S. REVPAR CYCLE?

REAL REVPAR LEVELS HAVE INCREASED BY $17 BUT ARE LIKELY TO LEVEL OFF AS SUPPLY GROWTH IMPAIRS FURTHER GAINS.

Sources: CBRE Hotels, STR Inc. Q2 2016.
OUR FORECASTS
## U.S. BASELINE FORECAST

### OCCUPANCY PEAKS AND ADR GROWTH PICKS UP

<table>
<thead>
<tr>
<th></th>
<th>Long Run Average</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016F</th>
<th>2017F</th>
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</thead>
<tbody>
<tr>
<td><strong>Supply</strong></td>
<td>1.9%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>1.1%</td>
<td>1.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>Demand</strong></td>
<td>2.0%</td>
<td>2.0%</td>
<td>4.3%</td>
<td>2.8%</td>
<td>1.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>62.0%</td>
<td>62.2%</td>
<td>64.4%</td>
<td></td>
<td>65.5%</td>
<td>65.3%</td>
</tr>
<tr>
<td><strong>ADR</strong></td>
<td>3.0%</td>
<td>3.8%</td>
<td>4.5%</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>RevPAR</strong></td>
<td>3.2%</td>
<td>5.2%</td>
<td>8.2%</td>
<td>6.2%</td>
<td>4.2%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

**RECORD HIGH OCCUPANCY WAS ACHIEVED IN 2015!**

Source: CBRE Hotels’ Americas Research - Hotel Horizons® June – August 2016; STR, Inc.
### REVPAR FORECAST BY CHAIN-SCALE

<table>
<thead>
<tr>
<th>Chain-Scale</th>
<th>2015</th>
<th>2016F</th>
<th>2017F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>4.6%</td>
<td>3.0%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Upper-Upscale</td>
<td>4.8%</td>
<td>3.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Upscale</td>
<td>5.7%</td>
<td>3.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Upper-Midscale</td>
<td>6.3%</td>
<td>3.1%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Midscale</td>
<td>6.2%</td>
<td>2.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Economy</td>
<td>6.6%</td>
<td>3.3%</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>All Hotels</strong></td>
<td><strong>6.2%</strong></td>
<td><strong>4.2%</strong></td>
<td><strong>4.7%</strong></td>
</tr>
</tbody>
</table>

Sources: CBRE Hotels’ Americas Research - Hotel Horizons® June – August 2016, STR
GREATEST / LEAST CHANGE IN SUPPLY

FORECAST CHANGE – 2015 TO 2016

<table>
<thead>
<tr>
<th>Location</th>
<th>Change 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>8.2%</td>
</tr>
<tr>
<td>* Pittsburgh</td>
<td>7.1%</td>
</tr>
<tr>
<td>* Houston</td>
<td>6.9%</td>
</tr>
<tr>
<td>Cleveland</td>
<td>6.4%</td>
</tr>
<tr>
<td>New York</td>
<td>6.3%</td>
</tr>
<tr>
<td>National</td>
<td>1.8%</td>
</tr>
<tr>
<td>Hartford</td>
<td>0.2%</td>
</tr>
<tr>
<td>Oakland</td>
<td>0.1%</td>
</tr>
<tr>
<td>Tucson</td>
<td>0.0%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Norfolk-VA Beach</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

Source: CBRE Hotels’ Americas Research, June – August 2016 Hotel Horizons® Forecast
GREATEST / LEAST CHANGE IN OCCUPANCY

FORECAST CHANGE – 2015 TO 2016

Norfolk-VA Beach: 3.0%
Tucson: 2.8%
Fort Worth: 2.7%
Sacramento: 2.6%
Richmond: 2.5%
National: -0.1%
Austin / Albany: -3.6%
Miami: -3.7%
Omaha: -4.2%
* Houston: -6.3%
* Pittsburgh: -6.6%

Source: CBRE Hotels’ Americas Research, June – August 2016 Hotel Horizons® Forecast
GREATER / LEAST CHANGE IN ADR

FORECAST CHANGE – 2015 TO 2016

San Jose-Santa Cruz 9.8%
Oakland 8.6%
Tampa 8.0%
San Francisco 7.0%
Atlanta 7.0%
National 4.3%
New York 0.7%
Fort Worth 0.4%
Cleveland 0.0%
* Pittsburgh -2.4%
* Houston -2.9%

Source: CBRE Hotels’ Americas Research, June – August 2016 Hotel Horizons® Forecast

* Houston and Pittsburgh showed the greatest and least change respectively.
Is It a Threat?
AIRBNB: MARKET THREAT?

COMPONENTS OF THE CBRE HOTELS COMPETITION INDEX

1. AIRBNB SUPPLY: TRADITIONAL HOTEL SUPPLY

2. AIRBNB ADR: TRADITIONAL HOTEL ADR

3. AIRBNB ACTIVE UNIT GROWTH
## Top 10 Airbnb Markets – Relative Supply

<table>
<thead>
<tr>
<th>Market</th>
<th>Active Airbnb Units</th>
<th>Active Airbnb Bedrooms</th>
<th>Bedrooms per Unit</th>
<th>Hotel Rooms</th>
<th>Airbnb Units/Hotel Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>22,876</td>
<td>27,965</td>
<td>1.2</td>
<td>117,367</td>
<td>19.5%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>13,023</td>
<td>17,967</td>
<td>1.4</td>
<td>98,166</td>
<td>13.3%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>6,428</td>
<td>8,790</td>
<td>1.4</td>
<td>51,561</td>
<td>12.5%</td>
</tr>
<tr>
<td>Miami</td>
<td>5,199</td>
<td>7,368</td>
<td>1.4</td>
<td>51,498</td>
<td>10.1%</td>
</tr>
<tr>
<td>Chicago</td>
<td>4,626</td>
<td>6,153</td>
<td>1.3</td>
<td>111,408</td>
<td>4.2%</td>
</tr>
<tr>
<td>Washington DC</td>
<td>4,443</td>
<td>5,784</td>
<td>1.3</td>
<td>107,776</td>
<td>4.1%</td>
</tr>
<tr>
<td>Boston</td>
<td>4,147</td>
<td>5,566</td>
<td>1.3</td>
<td>52,119</td>
<td>8.0%</td>
</tr>
<tr>
<td>Seattle</td>
<td>4,044</td>
<td>5,601</td>
<td>1.4</td>
<td>42,455</td>
<td>9.5%</td>
</tr>
<tr>
<td>San Diego</td>
<td>4,016</td>
<td>6,290</td>
<td>1.6</td>
<td>60,754</td>
<td>6.6%</td>
</tr>
<tr>
<td>Austin</td>
<td>3,357</td>
<td>6,024</td>
<td>1.8</td>
<td>33,877</td>
<td>9.9%</td>
</tr>
<tr>
<td>Top 10 U.S</td>
<td>72,159</td>
<td>97,508</td>
<td>1.4</td>
<td>726,981</td>
<td>9.9%</td>
</tr>
<tr>
<td>Overall U.S.</td>
<td>173,057</td>
<td>277,256</td>
<td>1.6</td>
<td>5,031,645</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: Airdna, STR, Inc., CBRE Hotels’ Americas Research
HOTEL ADR AND AIRBNB ADR
SCATTER PLOT OF ADR BY MARKET TWELVE MONTHS ENDING SEPT. 2015

Source: Airdna, STR, Inc., CBRE Hotels’ Americas Research
AIRBNB ACTIVE UNIT GROWTH BY MARKET
Y-O-Y GROWTH FROM Q3 2014 TO Q3 2015

Source: Airdna, CBRE Hotels’ Americas Research
## AIRBNB: MARKET COMPETITION?

<table>
<thead>
<tr>
<th>AIRBNB RISK RANK</th>
<th>MARKET</th>
<th>MKT SUPPLY (%)</th>
<th>MKT SUPPLY INDEX</th>
<th>ADR PREMIUM DISC (%)</th>
<th>ADR PREMIUM INDEX</th>
<th>ACTIVE UNIT GROWTH</th>
<th>ACTIVE UNIT GROWTH INDEX</th>
<th>AIRBNB COMP. INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New York</td>
<td>19.5%</td>
<td>100</td>
<td>(40.3%)</td>
<td>100</td>
<td>76.1%</td>
<td>26</td>
<td>81.4</td>
</tr>
<tr>
<td>2</td>
<td>San Francisco</td>
<td>12.5%</td>
<td>64</td>
<td>(18.8%)</td>
<td>47</td>
<td>80.5%</td>
<td>27</td>
<td>50.4</td>
</tr>
<tr>
<td>3</td>
<td>Miami</td>
<td>10.1%</td>
<td>52</td>
<td>(19.5%)</td>
<td>48</td>
<td>123.9%</td>
<td>42</td>
<td>48.4</td>
</tr>
<tr>
<td>4</td>
<td>Oakland</td>
<td>12.0%</td>
<td>62</td>
<td>(14.0%)</td>
<td>35</td>
<td>101.9%</td>
<td>34</td>
<td>48.0</td>
</tr>
<tr>
<td>5</td>
<td>Oahu</td>
<td>6.8%</td>
<td>35</td>
<td>(31.3%)</td>
<td>78</td>
<td>109.2%</td>
<td>37</td>
<td>46.1</td>
</tr>
<tr>
<td>6</td>
<td>Los Angeles</td>
<td>13.3%</td>
<td>68</td>
<td>(5.7%)</td>
<td>14</td>
<td>85.6%</td>
<td>29</td>
<td>44.8</td>
</tr>
<tr>
<td>7</td>
<td>Seattle</td>
<td>9.5%</td>
<td>49</td>
<td>(15.4%)</td>
<td>38</td>
<td>124.5%</td>
<td>42</td>
<td>44.5</td>
</tr>
<tr>
<td>8</td>
<td>Boston</td>
<td>8.0%</td>
<td>41</td>
<td>(24.5%)</td>
<td>61</td>
<td>94.4%</td>
<td>32</td>
<td>43.6</td>
</tr>
<tr>
<td>9</td>
<td>Portland</td>
<td>10.3%</td>
<td>53</td>
<td>(13.2%)</td>
<td>33</td>
<td>92.3%</td>
<td>31</td>
<td>42.4</td>
</tr>
<tr>
<td>10</td>
<td>San Jose/Santa Cruz</td>
<td>5.9%</td>
<td>30</td>
<td>(23.3%)</td>
<td>58</td>
<td>110.1%</td>
<td>37</td>
<td>38.8</td>
</tr>
<tr>
<td>11</td>
<td>Philadelphia</td>
<td>5.8%</td>
<td>30</td>
<td>(11.9%)</td>
<td>29</td>
<td>184.9%</td>
<td>62</td>
<td>37.8</td>
</tr>
<tr>
<td>12</td>
<td>Long Island</td>
<td>10.4%</td>
<td>54</td>
<td>149.6%</td>
<td>0</td>
<td>99.5%</td>
<td>34</td>
<td>35.2</td>
</tr>
<tr>
<td>13</td>
<td>Austin</td>
<td>9.5%</td>
<td>51</td>
<td>29.4%</td>
<td>0</td>
<td>95.6%</td>
<td>32</td>
<td>33.5</td>
</tr>
<tr>
<td>14</td>
<td>Newark</td>
<td>1.7%</td>
<td>9</td>
<td>(27.6%)</td>
<td>68</td>
<td>124.7%</td>
<td>42</td>
<td>32.0</td>
</tr>
<tr>
<td>15</td>
<td>Richmond</td>
<td>2.1%</td>
<td>11</td>
<td>19.4%</td>
<td>0</td>
<td>296.0%</td>
<td>100</td>
<td>30.5</td>
</tr>
</tbody>
</table>

Source: Airdna, STR, Inc., CBRE Hotels’ Americas Research
AIRBNB IN NEW ORLEANS
REVENUES, EXPENSES AND PROFITS
2016 TRENDS® IN THE HOTEL INDUSTRY

Percent of Hotels in Trends® Sample Posting an Increase from Prior Year

Source: 2016 Trends® in the Hotel Industry
CBRE
2016 TRENDS® IN THE HOTEL INDUSTRY

Annual Change 2014 to 2015 – Revenues

- Rooms: 4.6%
- Food and Beverage: 6.6%
- Other Operated Departments: 1.3%
- Miscellaneous Income: 25.4%

Source: 2016 Trends® in the Hotel Industry
2016 TRENDS® IN THE HOTEL INDUSTRY

Annual Change in Expenses* - Nominal

Note: * Before deduction for Management Fees and Non-Operating Income and Expenses
Source: 2016 Trends® in the Hotel Industry

CBRE

HFTP CLUB & HOTEL CONTROLLERS CONFERENCE | JUNE 22, 2016
2016 TRENDS® IN THE HOTEL INDUSTRY

Annual Change in Expenses* - Real

Note: * Before deduction for Management Fees and Non-Operating Income and Expenses
Source: 2016 Trends® in the Hotel Industry
2016 TRENDS® IN THE HOTEL INDUSTRY

2015 Mix of Expenses

- Total Labor Costs and Related Expenses: 42.8%
- Cost of Sales: 7.3%
- Management Fees: 4.6%
- Non-Operating Income and Expenses: 10.6%
- Operating Expenses: 34.7%

Source: 2016 Trends® in the Hotel Industry
Total Salaries, Wages, Service Charges, Contracted Labor and Bonuses - 2000-2015 CAGR = 1.5%
Payroll Related Expenses (Benefits) - 2000-2015 CAGR = 2.7%

Source: 2016 Trends® in the Hotel Industry

CBRE
2016 TRENDS® IN THE HOTEL INDUSTRY

Annual Change in Hospitality Hourly Compensation versus Unemployment Rate

2016 TRENDS® IN THE HOTEL INDUSTRY

Annual Change in Hours Worked versus Occupied Rooms

Source: 2016 Trends® in the Hotel Industry

CBRE
2016 TRENDS® IN THE HOTEL INDUSTRY

Annual Change 2014 to 2015 – Select Expenses

Management Fees 4.9%
Franchise Fees 6.7%
Credit Card Commissions 7.0%
Utilities -2.7%
Cost of Food -3.3%
C.P.I. 0.1%

Source: 2016 Trends® in the Hotel Industry
**2016 TRENDS® IN THE HOTEL INDUSTRY**

### Annual Change in GOP*

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>-30%</td>
<td>-25%</td>
<td>-20%</td>
<td>-15%</td>
<td>-10%</td>
<td>-5%</td>
<td>0%</td>
<td>5%</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
<td>25%</td>
<td>30%</td>
<td>35%</td>
<td>40%</td>
<td>45%</td>
<td>50%</td>
<td>55%</td>
<td>60%</td>
<td>65%</td>
</tr>
</tbody>
</table>

*Note: * Before deduction for Management Fees and Non-Operating Income and Expenses

Source: 2016 Trends® in the Hotel Industry
2016 TRENDS® IN THE HOTEL INDUSTRY

Gross Operating Profit* - Dollars Per Available Room

Note: * Before deduction for Management Fees and Non-Operating Income and Expenses

63.0% from 2009 to 2015

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>$22,897</td>
<td>$22,644</td>
<td>$16,164</td>
<td>$17,292</td>
<td>$20,638</td>
<td>$22,475</td>
<td>$24,880</td>
<td>$26,447</td>
<td>$27,752</td>
<td>$29,599</td>
<td>$31,325</td>
<td></td>
</tr>
</tbody>
</table>
ANALYTICS: NEW USALI BENCHMARKS
<table>
<thead>
<tr>
<th>OPERATED DEPARTMENT REVENUE</th>
<th>OPERATED DEPARTMENT EXPENSES</th>
<th>UNDISTRIBUTED DEPARTMENTS</th>
<th>MANAGEMENT FEES</th>
<th>FIXED CHARGES</th>
<th>NET OPERATING INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rooms</td>
<td>• Rooms</td>
<td>• Administrative and General</td>
<td>• Rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Food and Beverage</td>
<td>• Food and Beverage</td>
<td>• Marketing</td>
<td>• Property Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Other Operated Departments</td>
<td>• Other Operated Departments</td>
<td>• Maintenance</td>
<td>• Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Rental and Other Income</td>
<td></td>
<td>• Utilities</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATED DEPARTMENT REVENUE</th>
<th>OPERATED DEPARTMENT EXPENSES</th>
<th>UNDISTRIBUTED DEPARTMENTS</th>
<th>MANAGEMENT FEES</th>
<th>FIXED CHARGES</th>
<th>NET OPERATING INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rooms</td>
<td>• Rooms</td>
<td>• Administrative and General</td>
<td>• Rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Food and Beverage</td>
<td>• Food and Beverage</td>
<td>• Marketing</td>
<td>• Property Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Other Operated Departments</td>
<td>• Other Operated Departments</td>
<td>• Information and Telecommunications Systems</td>
<td>• Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Miscellaneous Income</td>
<td></td>
<td>• Maintenance</td>
<td></td>
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<td>• Utilities</td>
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<th>OPERATED DEPARTMENT EXPENSES</th>
<th>UNDISTRIBUTED DEPARTMENTS</th>
<th>MANAGEMENT FEES</th>
<th>FIXED CHARGES</th>
<th>NET OPERATING INCOME</th>
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</thead>
<tbody>
<tr>
<td>• Miscellaneous Income</td>
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<tr>
<th>MANAGEMENT FEES</th>
<th>FIXED CHARGES</th>
<th>NET OPERATING INCOME</th>
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<tbody>
<tr>
<td>• Non-Operating Income</td>
<td>• Rent</td>
<td>• Non-Operating Expenses</td>
</tr>
<tr>
<td>• Rent</td>
<td>• Property Taxes</td>
<td>EBITDA</td>
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<tr>
<td>• Property Taxes</td>
<td>• Insurance</td>
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<td>• Insurance</td>
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NEW USALI* LABOR COST ACCOUNTS

2015 Mix of Labor Costs – All Hotels

- S&W Non-Management: 45.8%
- Payroll-Related: 28.1%
- S&W Management: 16.9%
- Service Charge Distribution: 3.0%
- Contract/Leased Labor: 2.8%
- Bonuses / Incentives: 2.7%
- Unassigned Payroll: 0.7%

Note: * 11th Revised Edition – Uniform System of Accounts for the Lodging Industry
Source: 2016 Trends® in the Hotel Industry, Properties that reported labor cost detail.
NEW USALI* LABOR COST ACCOUNTS

2015 Mix of Labor Costs – By Property Type

- All Hotels
- Convention
- Extended-Stay
- Full-Service
- Limited-Service
- Resort
- All-Suite

Key:
- S&W Non-Management
- S&W Management
- Service Charge Distribution
- Contract / Leased Labor
- Bonuses / Incentives
- Unassigned Payroll
- Payroll-Related

Note: * 11th Revised Edition – Uniform System of Accounts for the Lodging Industry
Source: 2016 Trends® in the Hotel Industry, Properties that reported labor cost detail.
NEW USALI* ACCOUNTS:
SERVICE CHARGES AND CONTRACT/LEASED LABOR

Note: * 11th Revised Edition – Uniform System of Accounts for the Lodging Industry
Source: 2016 Trends® in the Hotel Industry, Properties that reported labor cost detail.
NEW USALI* ACCOUNTS – RESORT FEES

2015 Percent of Revenue

Percent of Rooms Revenue

Percent of Total Operating Revenue

0%  2%  4%  6%

2.5%  4.7%

Note: * 11th Revised Edition – Uniform System of Accounts for the Lodging Industry
Source: 2016 Trends® in the Hotel Industry, Properties that reported resort fee income
NEW USALI* ACCOUNTS – RESORT FEES

2015 ADR – With and Without Resort Fee Revenue

Note: * 11th Revised Edition – Uniform System of Accounts for the Lodging Industry
Source: 2016 Trends® in the Hotel Industry, Properties that reported resort fee income

ADR Without Resort Fee

ADR With Resort Fee

$245.66

$257.21
NEW USALI* DEPARTMENT: INFORMATION AND TELECOMMUNICATIONS SYSTEMS

2015 Mix of Information and Telecommunications Systems Expenses – All Hotels

- Labor Costs: 34.8%
- Other: 15.0%
- System Exp. - Undistributed Dept.: 22.3%
- System Exp. - Operated Dept.: 10.8%
- Cost of Internet: 4.7%
- Cost of Phone: 12.4%

Note: * 11th Revised Edition – Uniform System of Accounts for the Lodging Industry
Source: 2016 Trends® in the Hotel Industry, Properties that reported IT Department expenditures
NEW USALI* DEPARTMENT:
INFORMATION AND TELECOMMUNICATIONS SYSTEMS

2015 Mix of Information and Telecommunications Systems Expenses – By Property Type

Note: * 11th Revised Edition – Uniform System of Accounts for the Lodging Industry
Source: 2016 Trends® in the Hotel Industry, Properties that reported IT Department expenditures
SUMMARY THOUGHTS
OPERATING AT THE PEAK

1. THE FUNDAMENTALS ARE SOLID ACROSS THE VAST MAJORITY OF MARKETS.
2. INDUSTRY GROWTH WILL PERSIST COMFORTABLY THROUGH 2017 AND LIKELY BEYOND.
3. HIGH OCCUPANCY LEVELS WILL PROVIDE THE LEVERAGE NEEDED TO ACHIEVE LARGE REAL ADR INCREASES FOR THE NEXT TWO-THREE YEARS.
4. MODEST (BUT INCREASING) HOTEL CONSTRUCTION WILL BE THE NORM FOR THE NEXT THREE YEARS.
5. ABOVE LONG RUN AVERAGE OCCUPANCY LEVELS WILL LEAD TO REVENUJE GROWTH SUFFICIENT TO OFF-SET INCREASING LABOR COSTS, THUS RESULTING IN PROFIT GROWTH
6. IT CONTINUES TO BE A GREAT TIME TO BE IN THE HOTEL BUSINESS!
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