



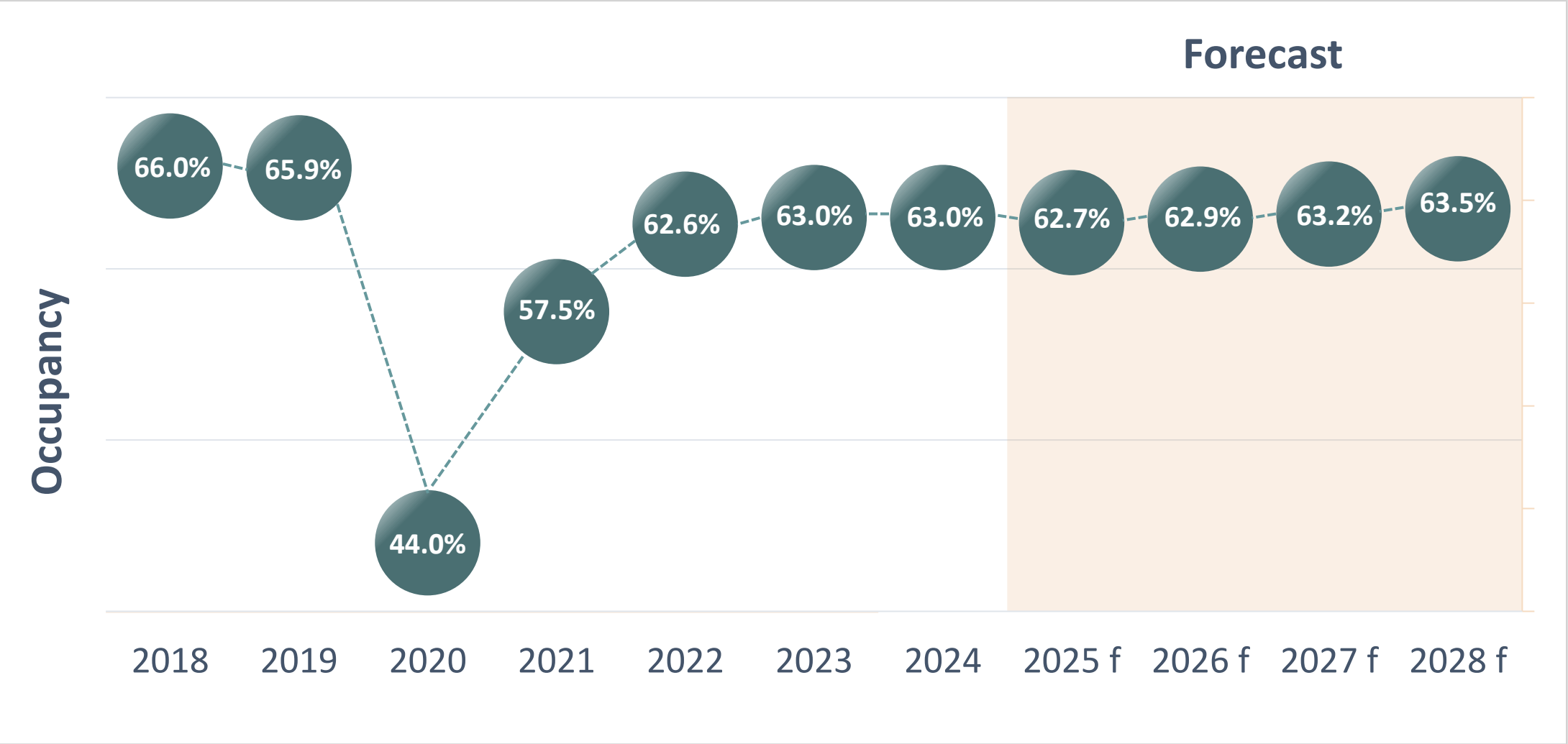
Lodging Performance Outlook

Our Outlook of Performance and Headwinds to Consider

Luigi Major, Managing Director

May 2025

Occupancy Starts To Slide

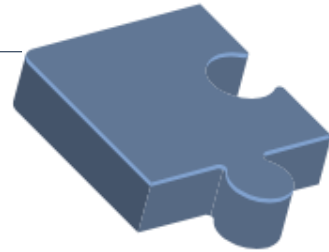


Source: STR (Historical), HVS (Forecast)

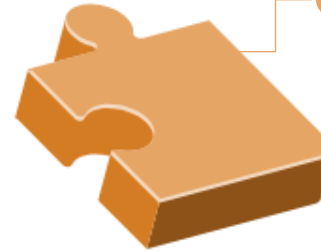
Why is Near-Term Occupancy Shifting Lower?



The International Traveler Shifts Away from the U.S. Brand (for now)



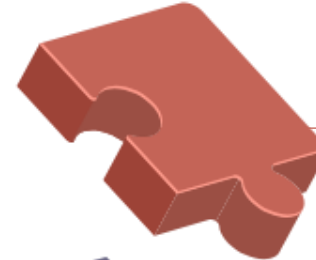
Impacts of Tariffs on All Industries, Big and Small, on the Horizon; Uncertainty Leads to Less Hiring & Travel



Federal Government Employment Centers Thrown into Disarray



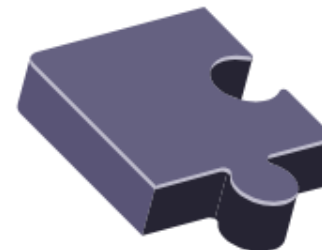
University Towns Brace for Impact: Government Spending Changes Emerge



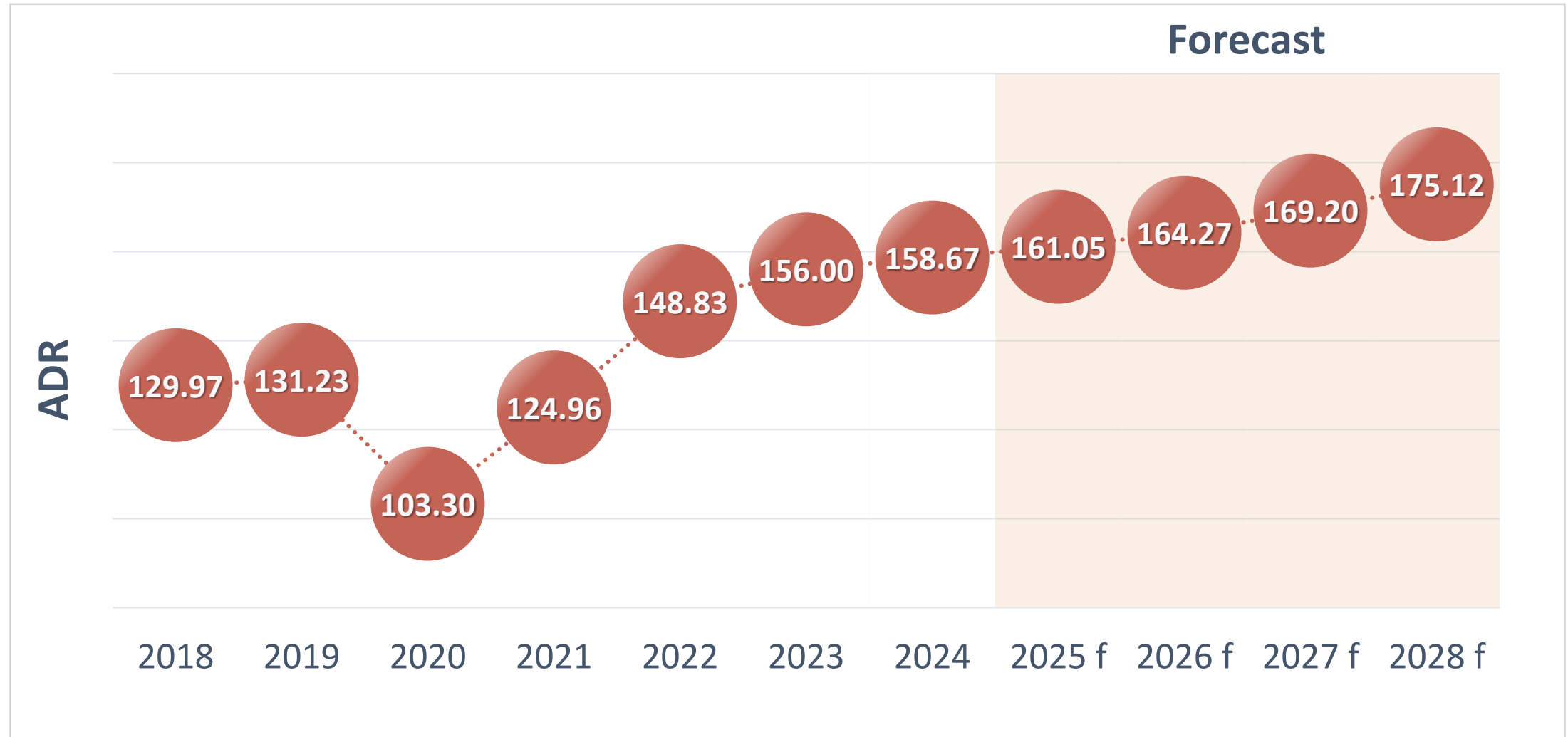
Heightened New Supply Drags Down Overall Average (Lower Start-Up Occupancies)



Decline Not Widespread: National averages are down, but half of the top 25 U.S. markets registered positive change in the four-week period ending April 19.



ADR Growth Slowing

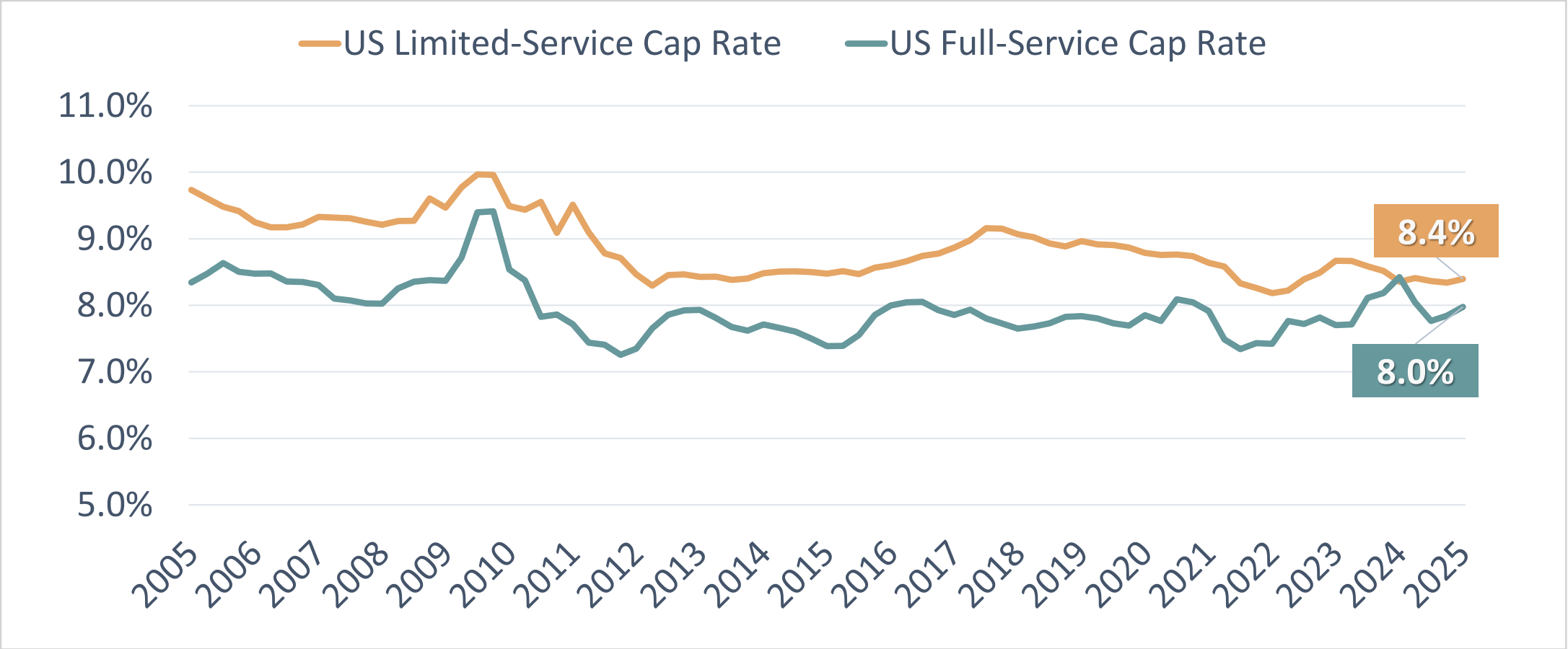


Source: STR (Historical), HVS (Forecast)

Get Ready For Key Buying Opportunities



Is a future of elevated cap rates and distressed properties selling to cash-rich buyers ahead?



Source: MSCI Real Capital Analytics

Overall Cap Rates Should Trend Upward in 2025/26



Tariffs, reduced international travel, less government demand, and staffing shortages are putting pressure on near-term profitability outlooks, driving cap rates higher.



Tariffs beginning to lift PIP pricing, prompting lower offers and pressure to reduce pricing for hotels in need of major PIPs.



Early days of international travel pulling back, leading to more conservative underwriting/lower forecast NOI levels.



Properties near major government employers are taking substantial price hits and likely to trade at high cap rates relative to T12 NOI.

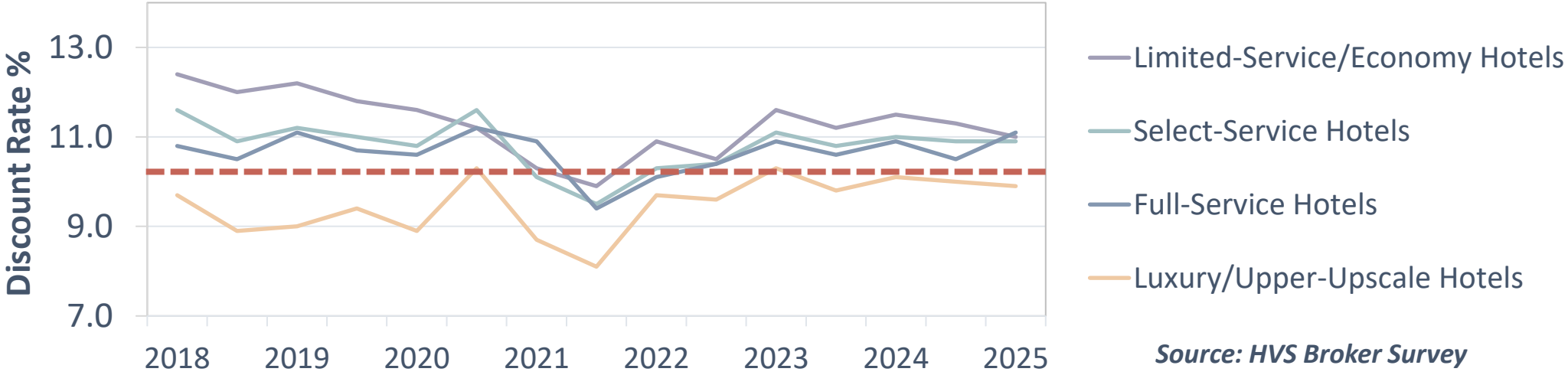


Properties dependent on visa-holding workers (or impacted by ICE raids) face uncertain future and payroll costs; this pressure will reduce NOI.

Discount Rates and Exit Cap Rates Set to Rise



Fewer buyers and market risks lead to higher equity return requirements, coupled with stability in today's interest rate environment, may lead to a slight uptick in discount rates and exit cap rates.



Broker Survey Results – Room Revenue Multiplier



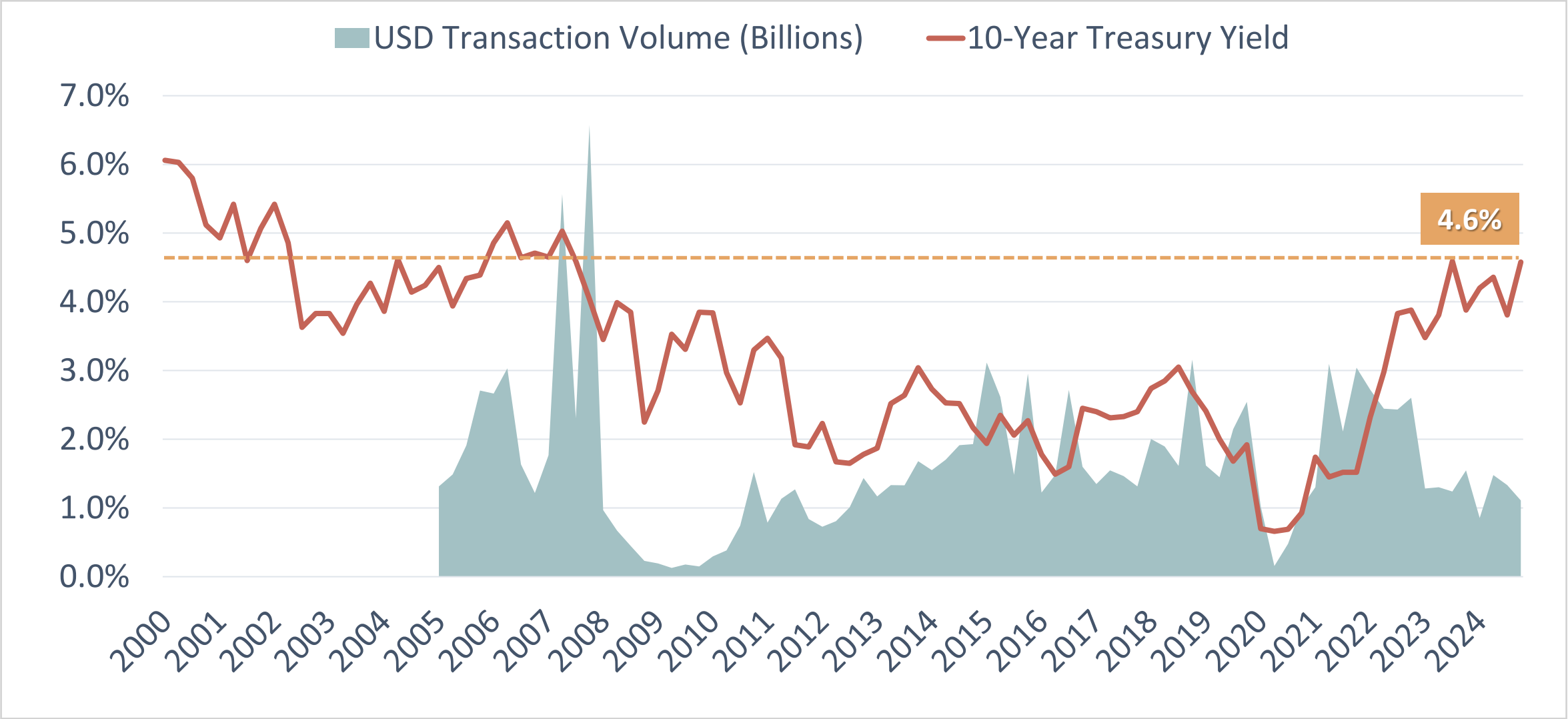
Limited-Service and Extended-Stay Hotels Reported RRM's Average Rises to 3.9x

Reflecting Continued Popularity of Assets in This Category



Source: HVS

Factors Driving Lending in 2025

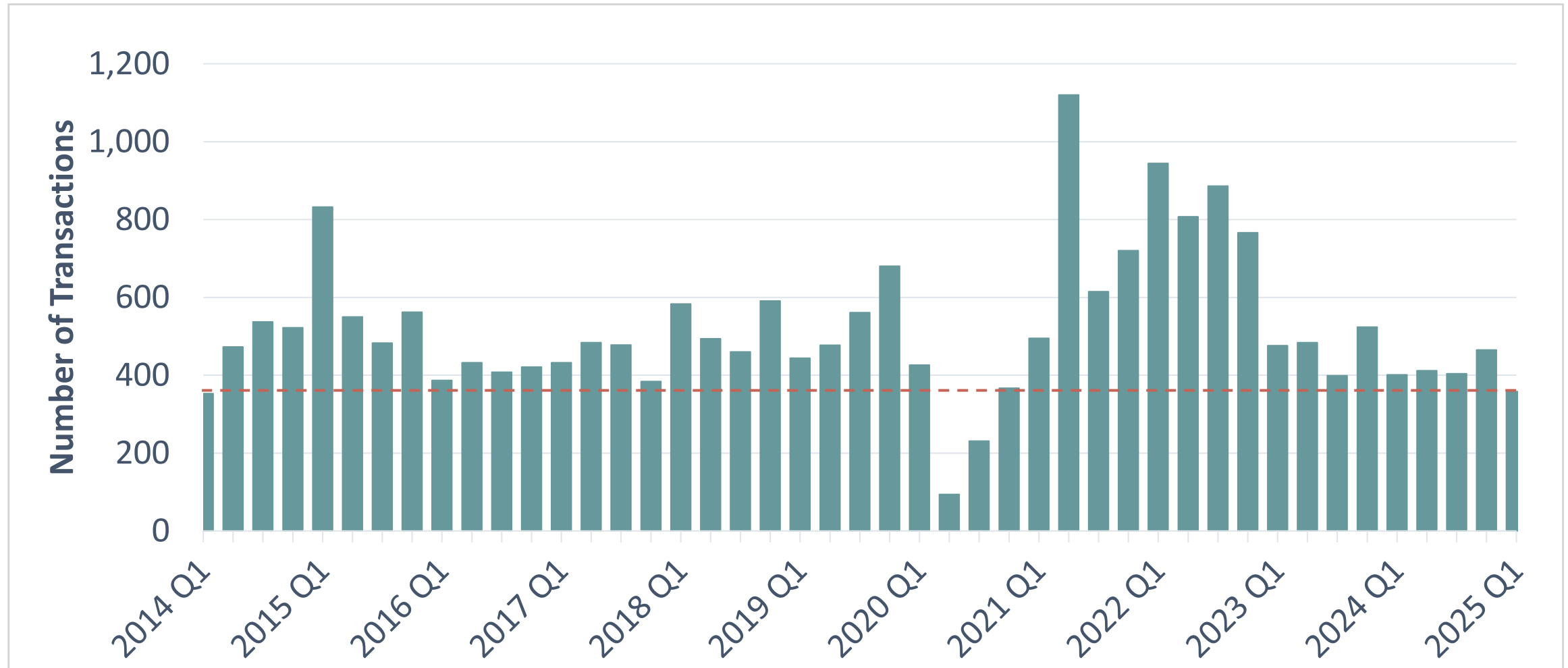


Source: RCA, HVS, FRED (Federal Reserve Bank of St. Louis)

Transaction Activity Has Yet To Takeoff



Last Year's "Survive Until 2025" Becomes "Survive 2025"

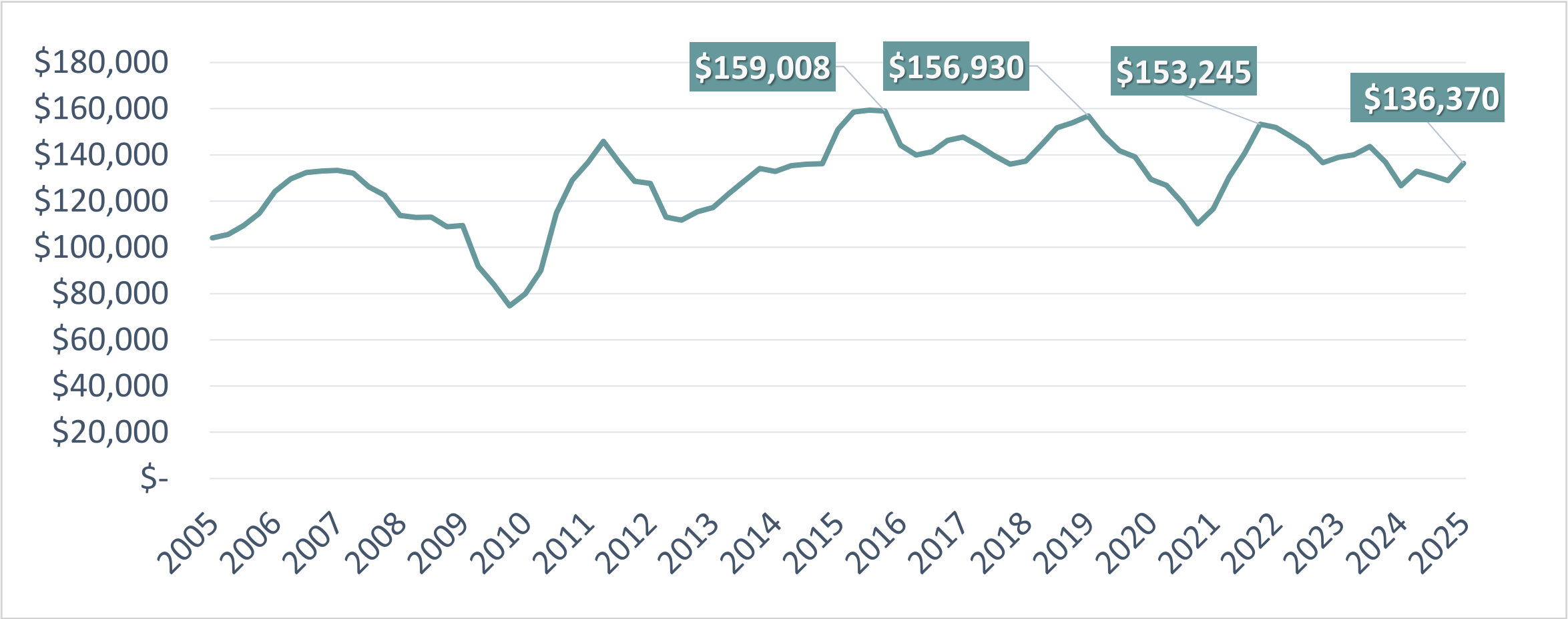


Source: RCA

Hotel Price Per Key Increasing Slowly



Rising debt costs resulting in a 11% decrease in price per key vs. recent peak in 2021

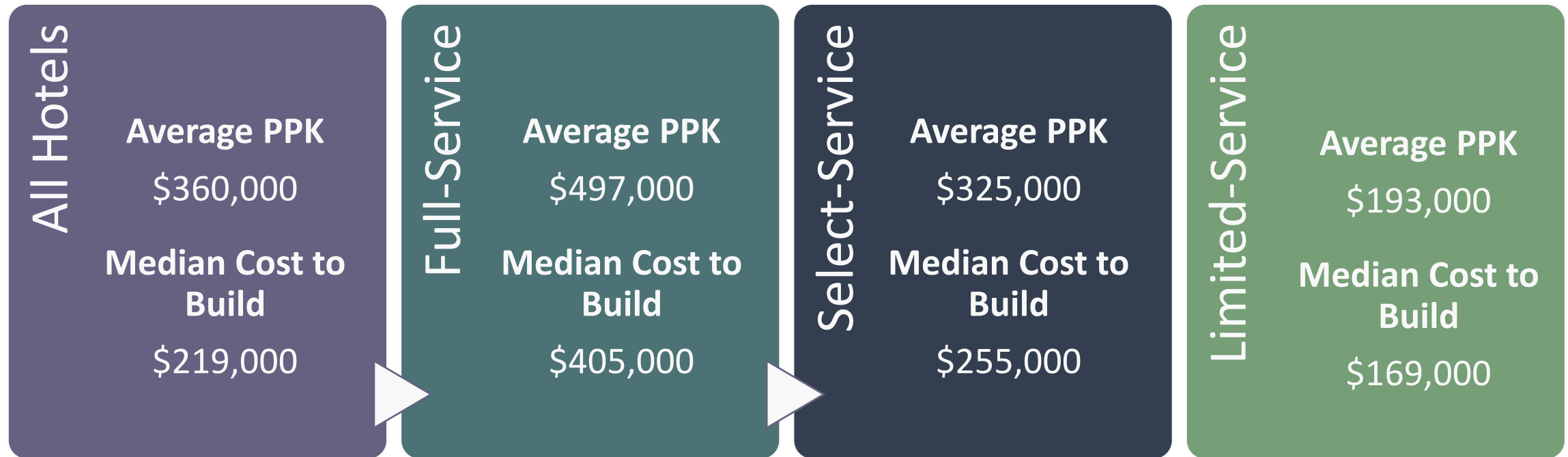


Source: MSCI

Latest Results from Development Cost Survey



Only key submarkets with higher ADRs and pent-up demand may support new construction at this time

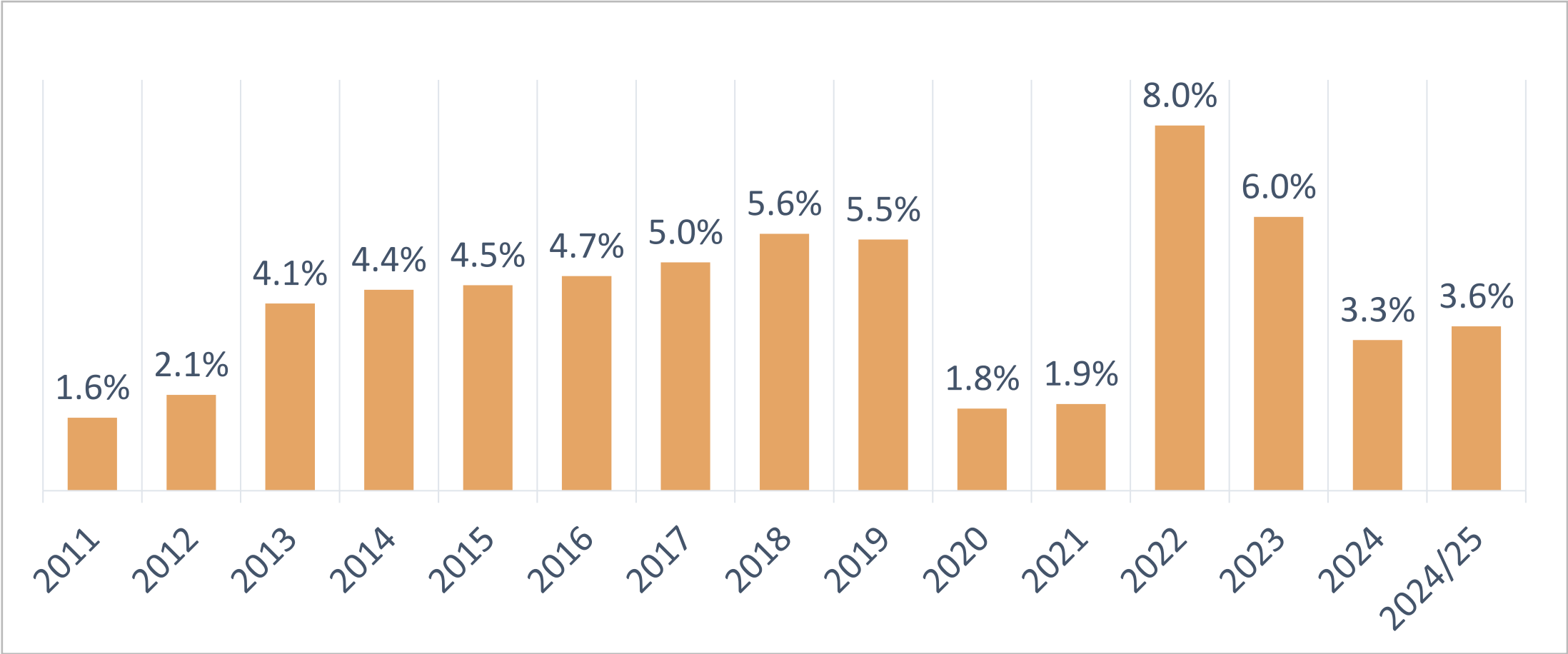


Source: HVS U.S. Development Cost Survey

Hotel Supply Inhibited by Growing Construction Costs



Construction costs inflation significantly increased in 2022, cost increases are now waning

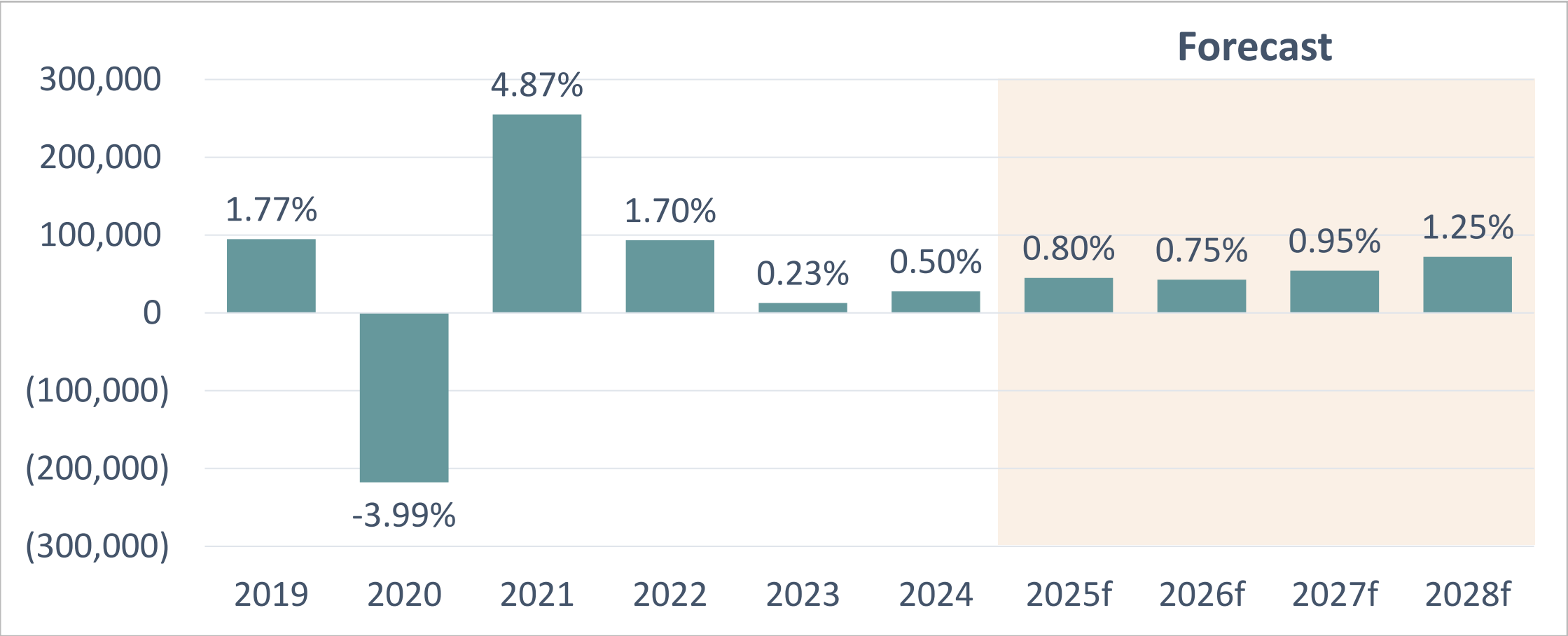


Source: Building Turner Cost Index

Supply Growth Remains Muted



Openings are picking up, but construction and land costs remain high and obsolete hotels removed from inventory will be a buffer.



Source: STR, HVS

What Will the (Longer-Term) Future Bring?

01

Return of
International
Travelers
(Longer Stays,
High Spend)



02

Domestic Travel
Strengthens as
Market Adjusts
to Tariffs and as
Uncertainty
Wanes



03

Heightened
Demand from
Domestic
Manufacturing
Investments



04

Continued
Slow New
Supply
Environment



05

Lower Interest
Rates (Once
Near-Term
Inflation Caused
by Tariffs
Subsides)



Thank you!

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