



U.S. Hotels State of the Union

Tuesday, May 31, 2022

Key Takeaways

- Despite downward pressure on economic growth, the hotel recovery continues. We expect a full demand recovery in 2023. [\[5-10\]](#)
- With positive GDP growth currently forecasted and higher inflation expected to continue, ADR growth will likely continue to outpace inflation in the near term. However, continued labor shortages could result in higher wages and margin pressures.. [\[12-17\]](#)
- We continue to see record levels of ADR and occupancy is improving. TSA throughput continues to hold steady at over 90% of 2019 levels. [\[19-22\]](#)
- Hotel-specific leading indicators show no signs of deterioration. However, macroeconomic leading indicators suggest there could be challenges ahead. [\[24-32\]](#)
- International travelers have returned from most of the top 10 markets except some countries in Asia. East and west coast gateway markets continue to strengthen. However, west coast Asia-dependent markets lag. [\[34-36\]](#)
- Inflationary pressures driven by higher oil and gas prices are likely to have a negative impact on margins and could be a headwind to topline growth. [\[25, 26, 41\]](#)
- The supply outlook continues to moderate caused by labor shortages, wage pressures, and supply chain issues. However, recently, hotel construction starts picked up slightly, rising to \$1.5 billion. [\[43-46\]](#)
- CBRE Hotels Research forecasts RevPAR and ADR recovery in 2022. Lower-priced hotels lead the way with mid-scale and economy hotels reaching 2019 RevPAR levels in 2021. While RevPAR in most markets will fully recover in 2022, seven markets will remain more than 10% below 2019 levels. [\[51-55\]](#)

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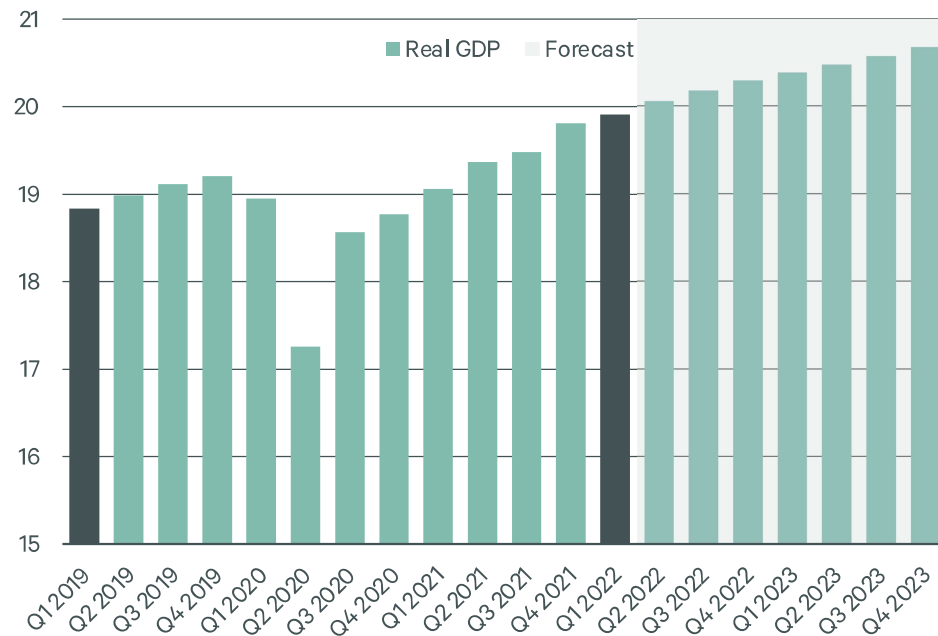
1

The
Economy

The economy has recovered. GDP growth remains positive but slowing

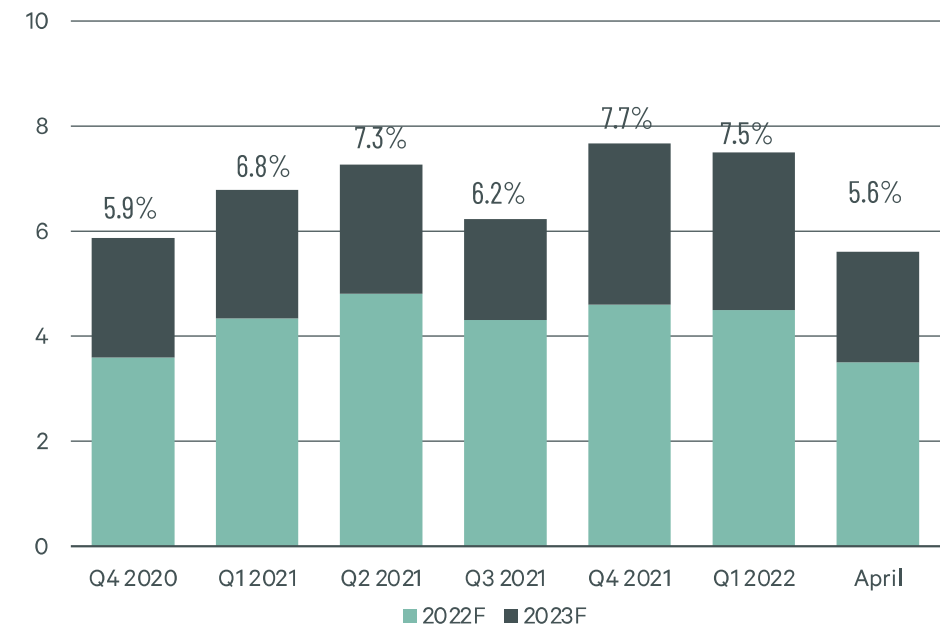
Real GDP has Surpassed Pre-pandemic Levels

(\$) Trillion



Cumulative 2022 and 2023 Annual GDP Growth

Y-o-Y Change (%)

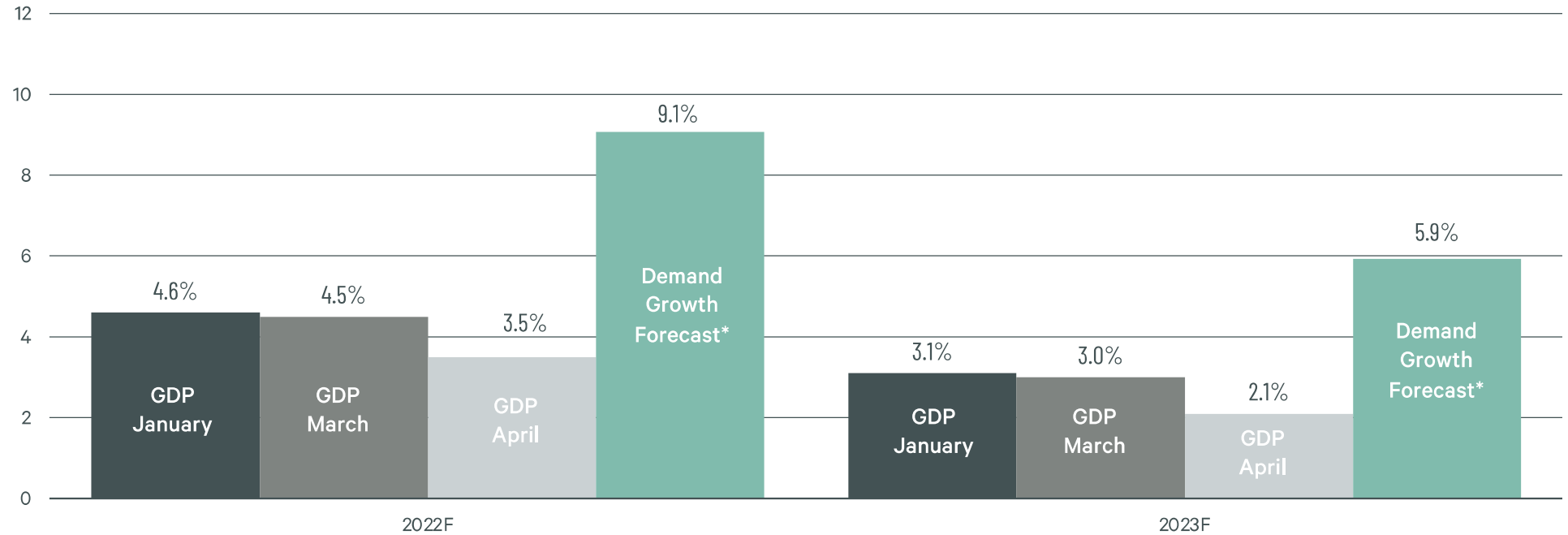


CBRE Hotels Research, CBRE EA, BLS

Demand is expected to exceed GDP growth over the next few years

CBRE EA's GDP Forecasts by Release Month vs. Current Demand Growth Forecast

Y-o-Y Change (%)

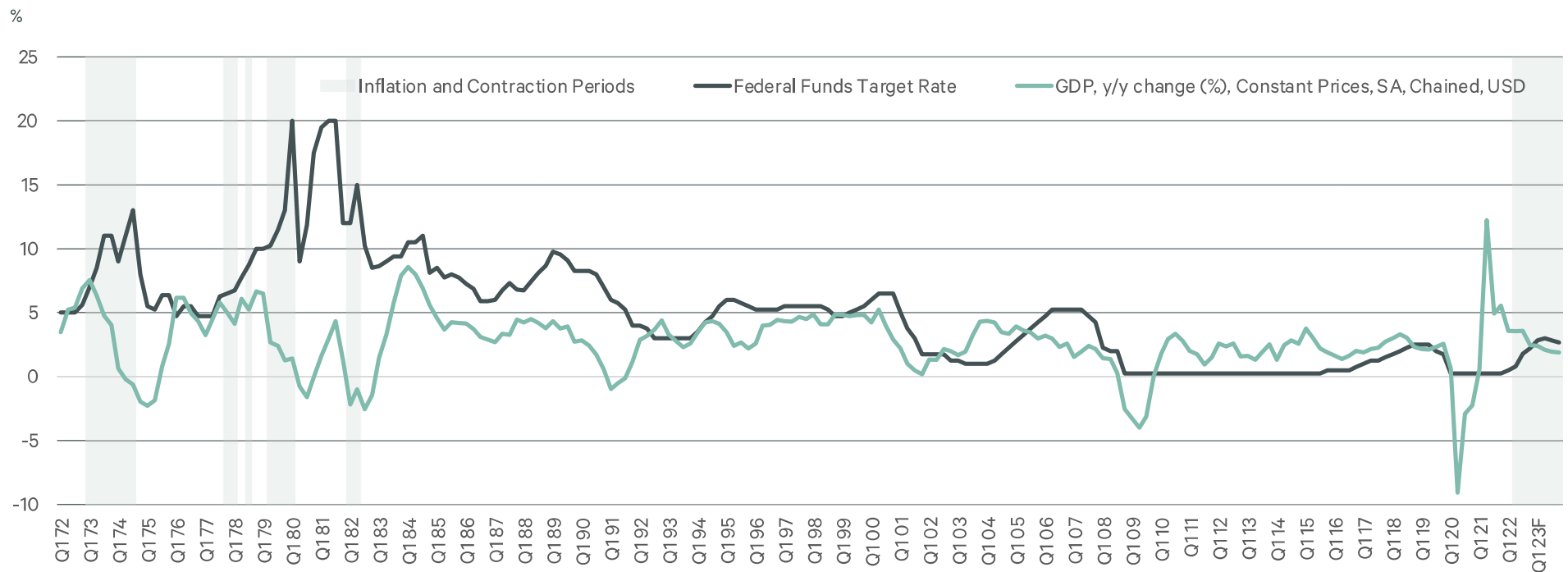


CBRE Hotels Research , CBRE EA

*Represents CBRE's Demand Forecast as of May 16
CBRE HOTELS RESEARCH

Forecasts calls for rising interest rates into slowing GDP growth, not seen since the '70s

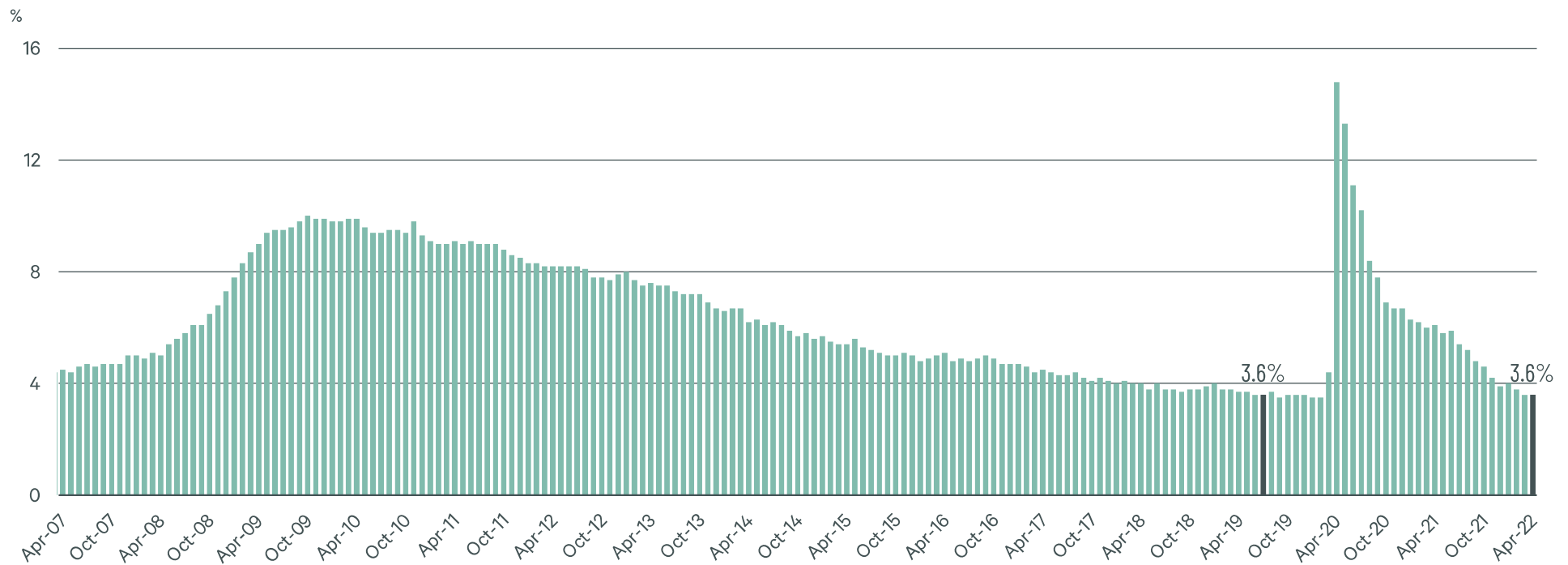
Federal Funds Rate vs. GDP Change



CBRE Hotels Research, Federal Reserve

Today's unemployment rate is low by historical standards

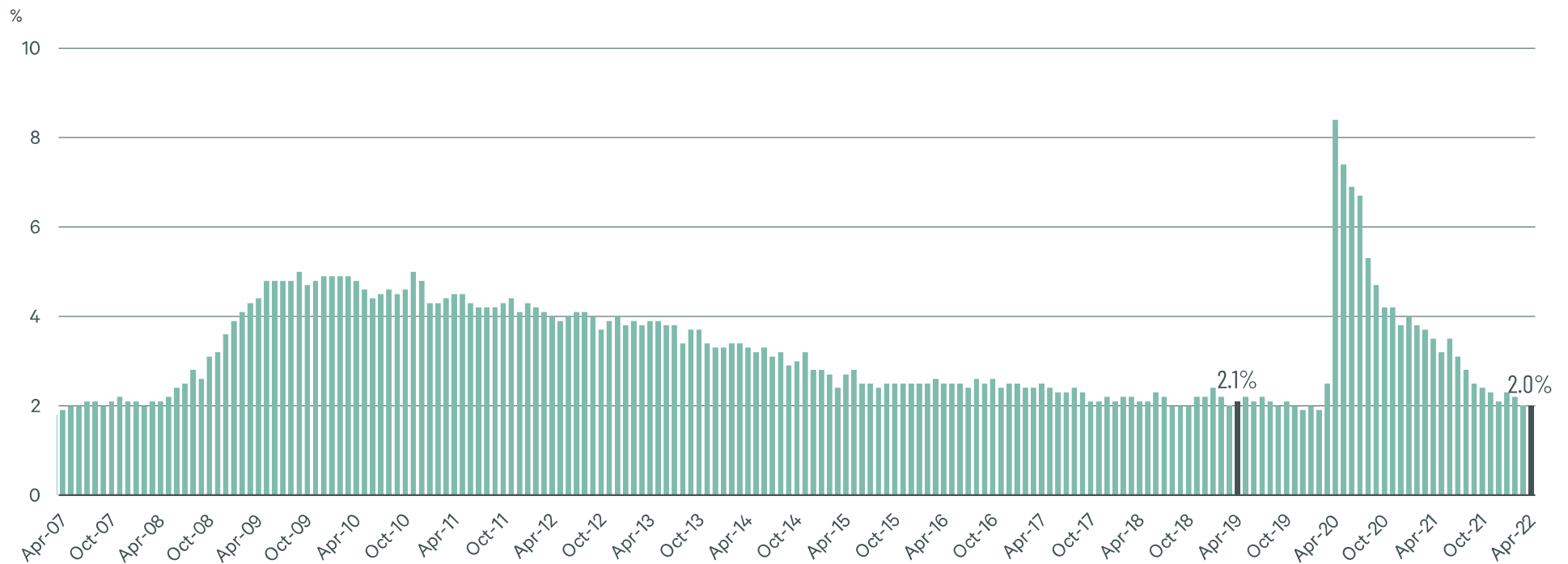
Monthly Unemployment Rate Mar. 2007 – Apr. 2022



CBRE Hotels Research, CBRE EA, BLS

College educated employment continues to improve

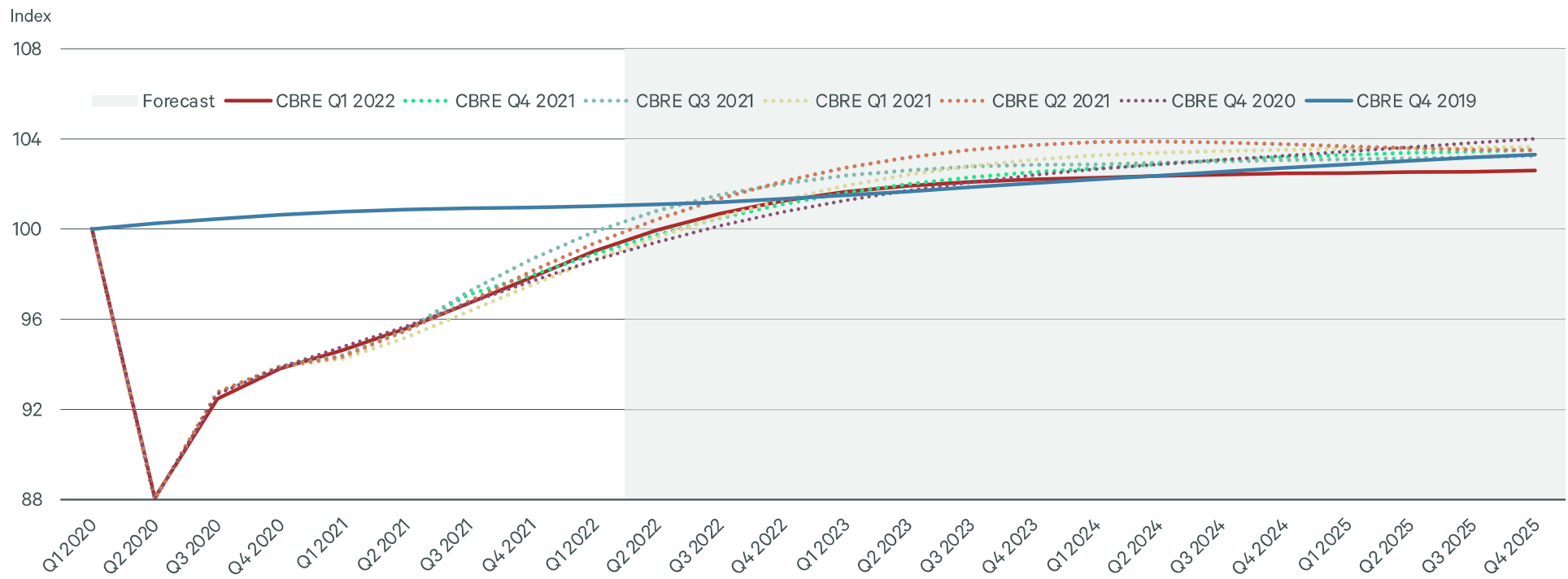
Unemployment Rate – Bachelor's Degree and Higher, 25 Yrs. & Over



CBRE Hotels Research, CBRE EA, BLS

CBRE's revised employment forecast calls for full recovery by Q1 2023

Total Employment Levels Indexed to Q1 2020



CBRE Hotels Research, CBRE EA, BLS.

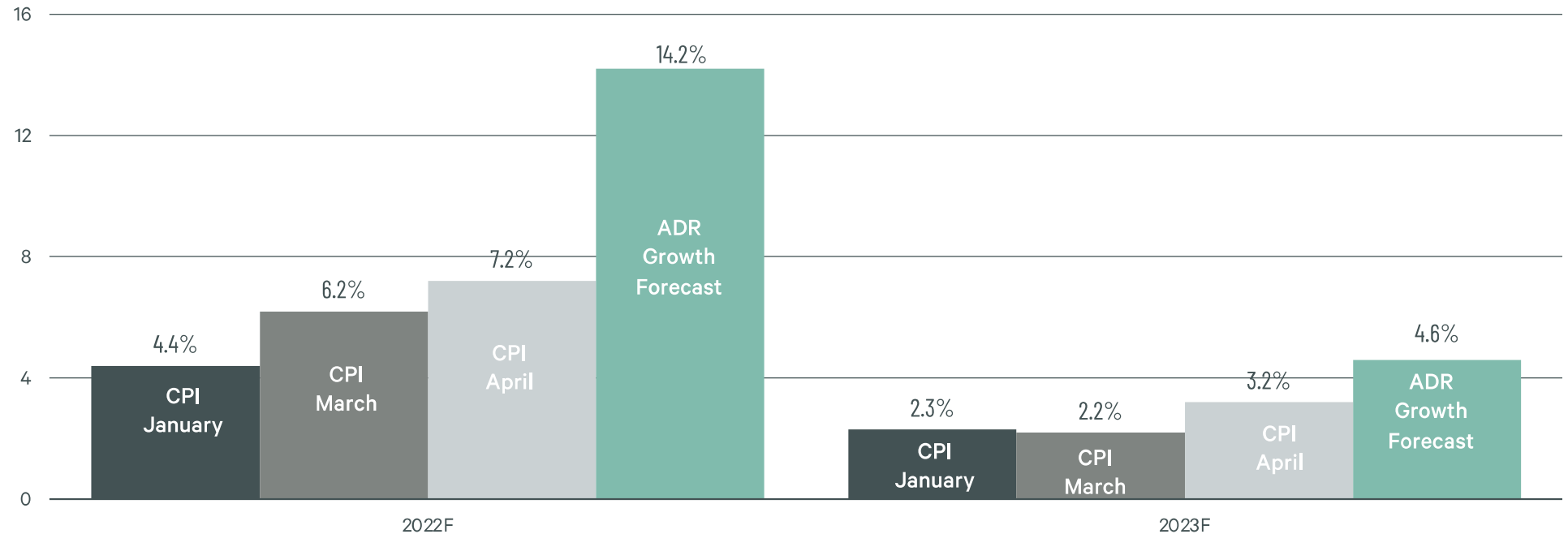
2

Inflation

ADR gains outpace near-term inflation, but wages are a headwind

CBRE EA's CPI Forecast by Release Month vs. Current ADR Growth Forecast

Y-o-Y Change (%)



CBRE Hotels Research, CBRE EA

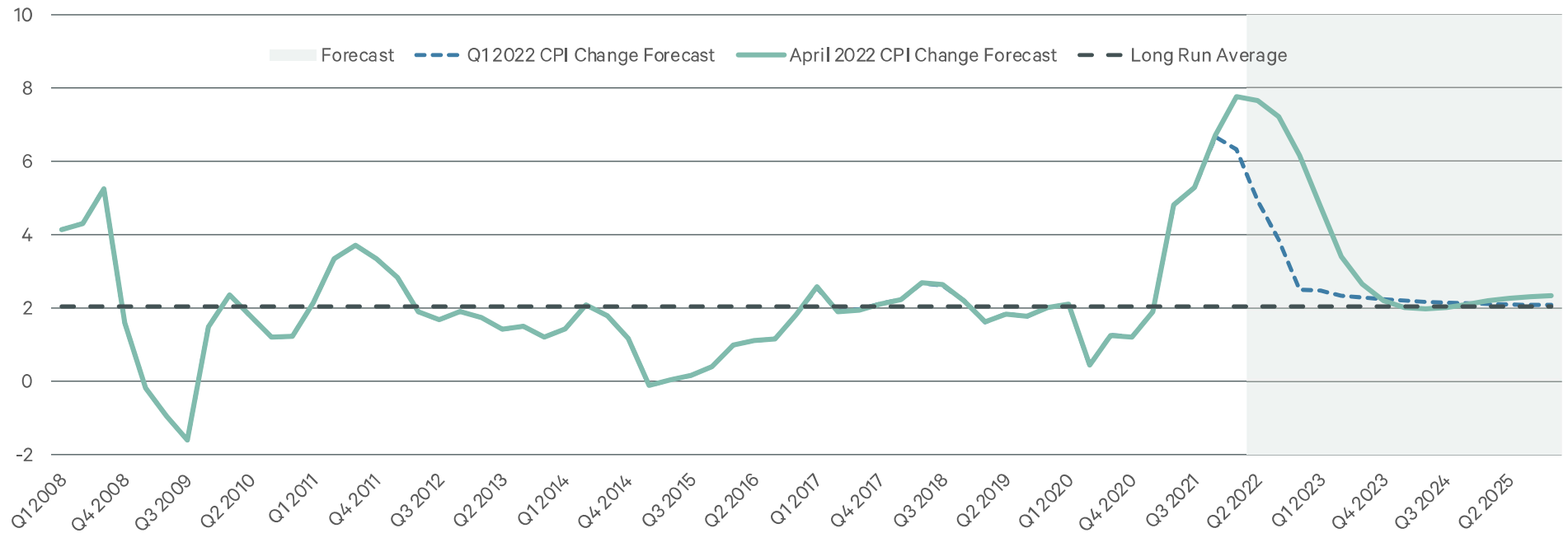
*Represents CBRE's ADR Forecast as of May 16
CBRE HOTELS RESEARCH

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CBRE continues to revise its inflation expectations higher

CBRE EA's Quarterly CPI Growth Forecast

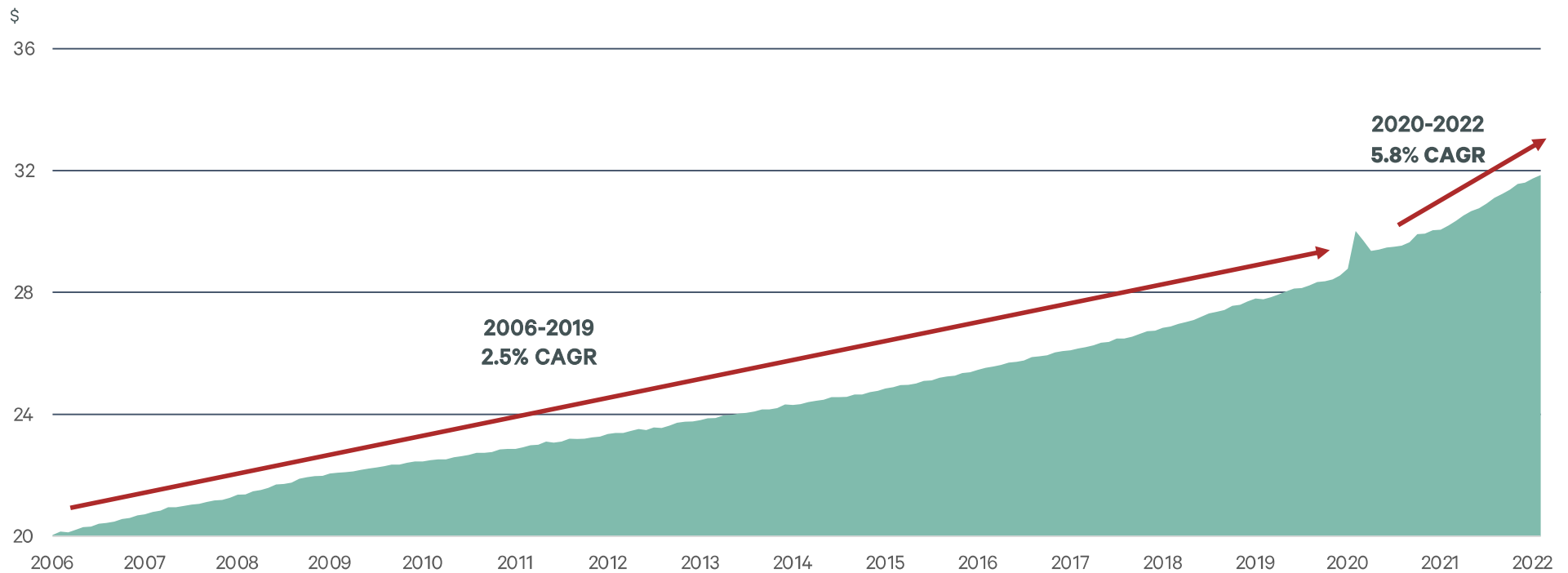
Y-o-Y Change (%)



CBRE EA, CBRE Hotels Research, April 2022

Wage growth has accelerated since the start of the pandemic

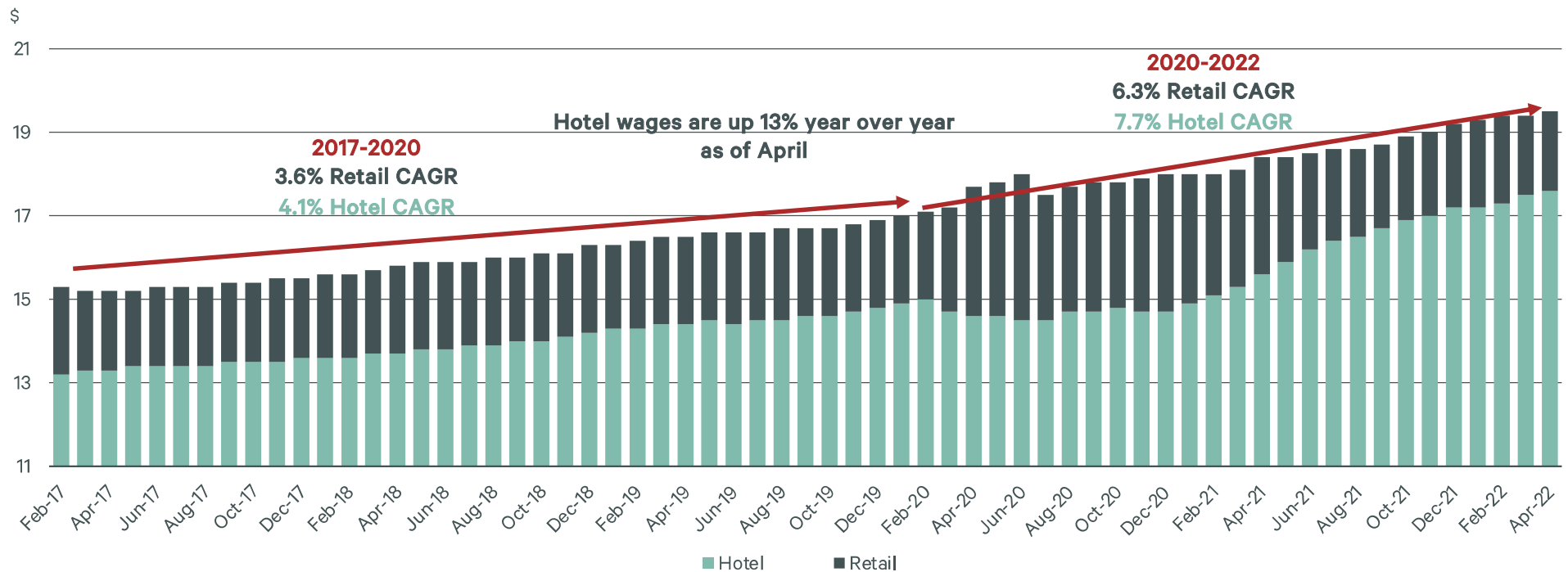
US Average Hourly Earnings



CBRE Hotels Research, BLS

Hotel wage growth outpaces retail and is accelerating

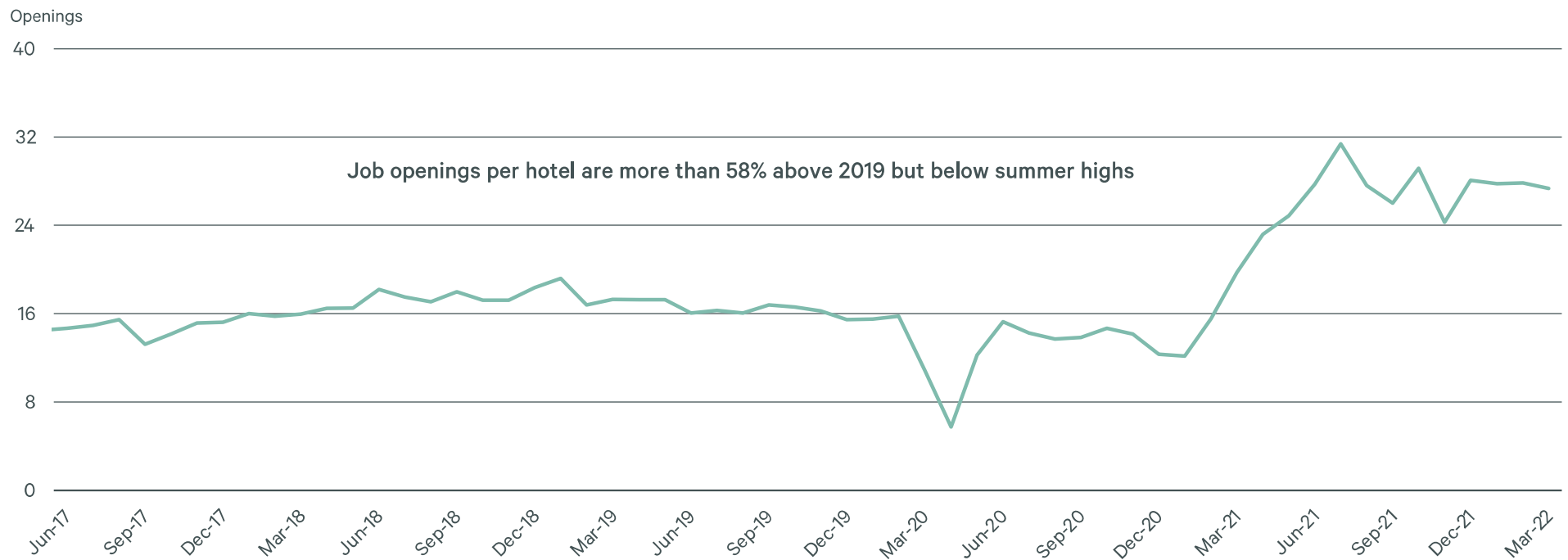
Average Hotel Wages vs. Retail Wages



CBRE Hotels Research, CBRE EA, BLS

Labor shortages will likely lead to further wage pressures

Monthly Job Openings per Hotel: May 2017 – Mar. 2022

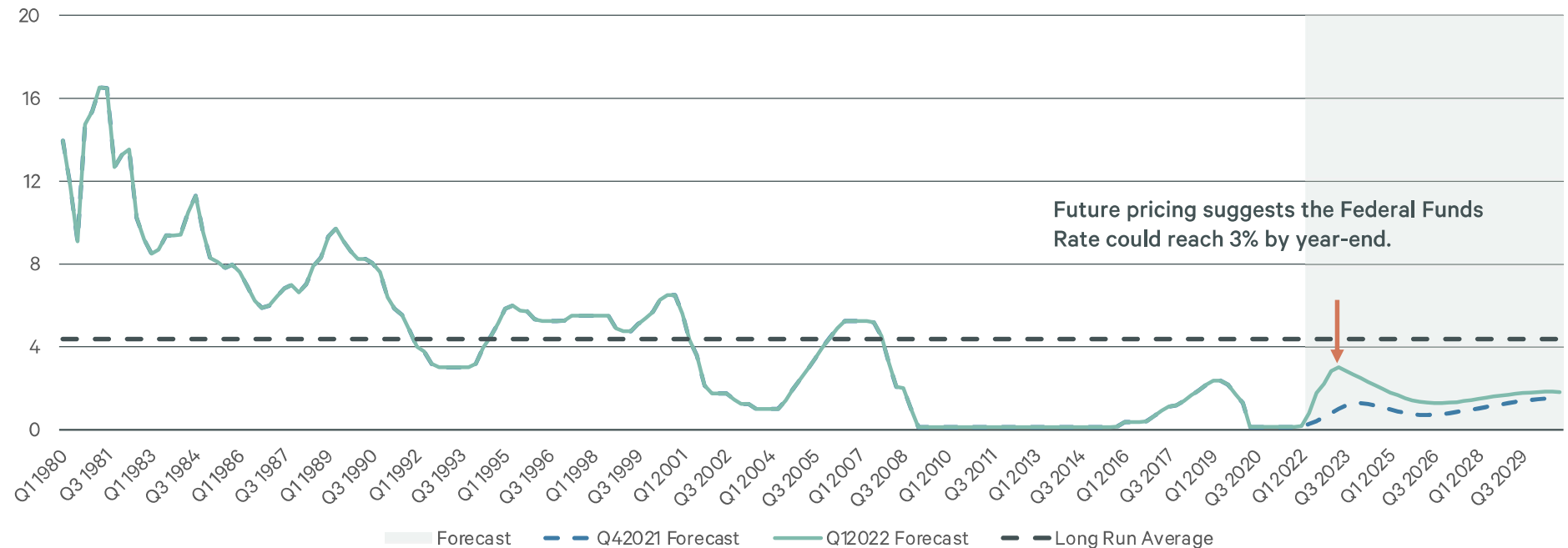


CBRE Hotels Research, BLS, CoStar

Despite targeted increases, interest rates will remain low

CBRE EA's Federal Funds Rate Forecast

Interest Rate (%)



CBRE EA, CBRE Research, March 2022

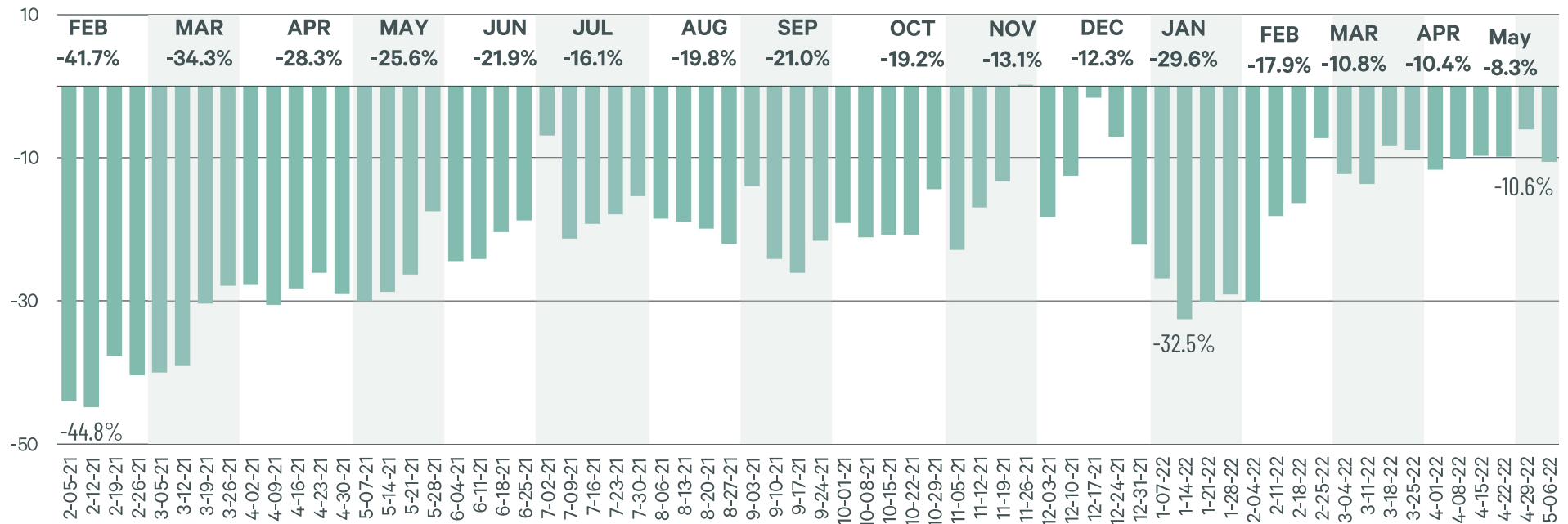
3

Weekly Data

Recent occupancies are the best since the start of the pandemic, relative to 2019

2021 and 2022 Occupancy Change from 2019

Y-o-Y Change (%)

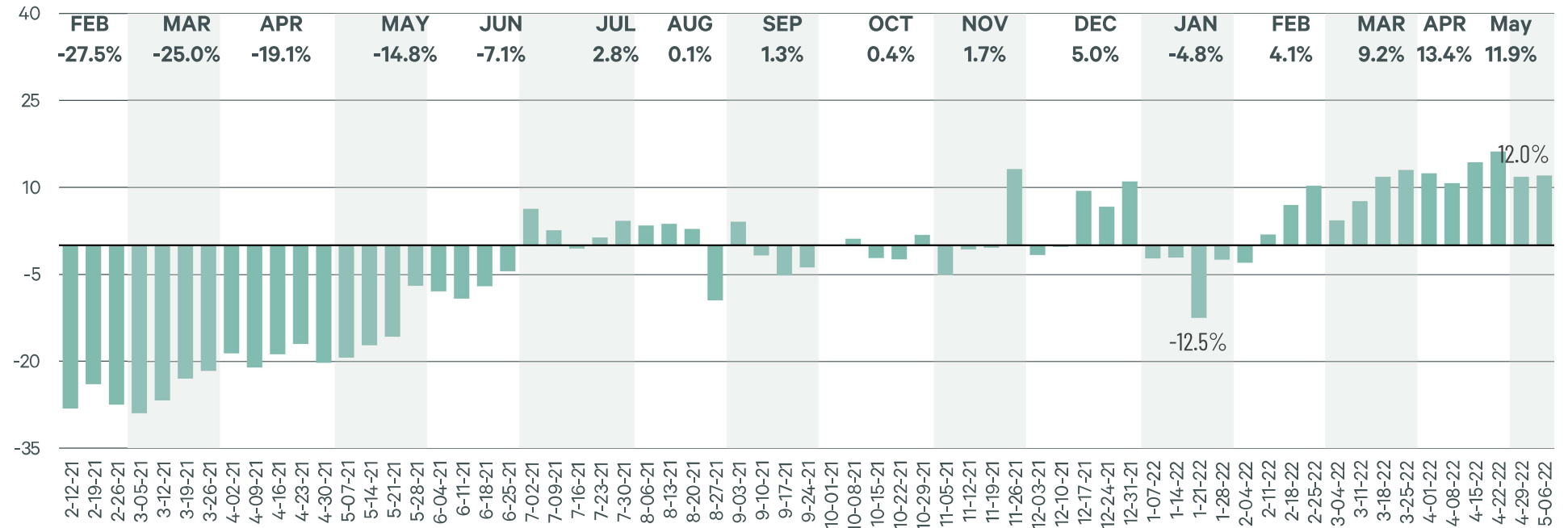


CBRE Hotels Research, Kalibri Labs, Weekly Sample, not scaled to full U.S. Hotel Industry Representation

Recent ADR gains are the best since the start of the pandemic, relative to 2019

2021 and 2022 ADR Change from 2019

Y-o-Y Change (%)

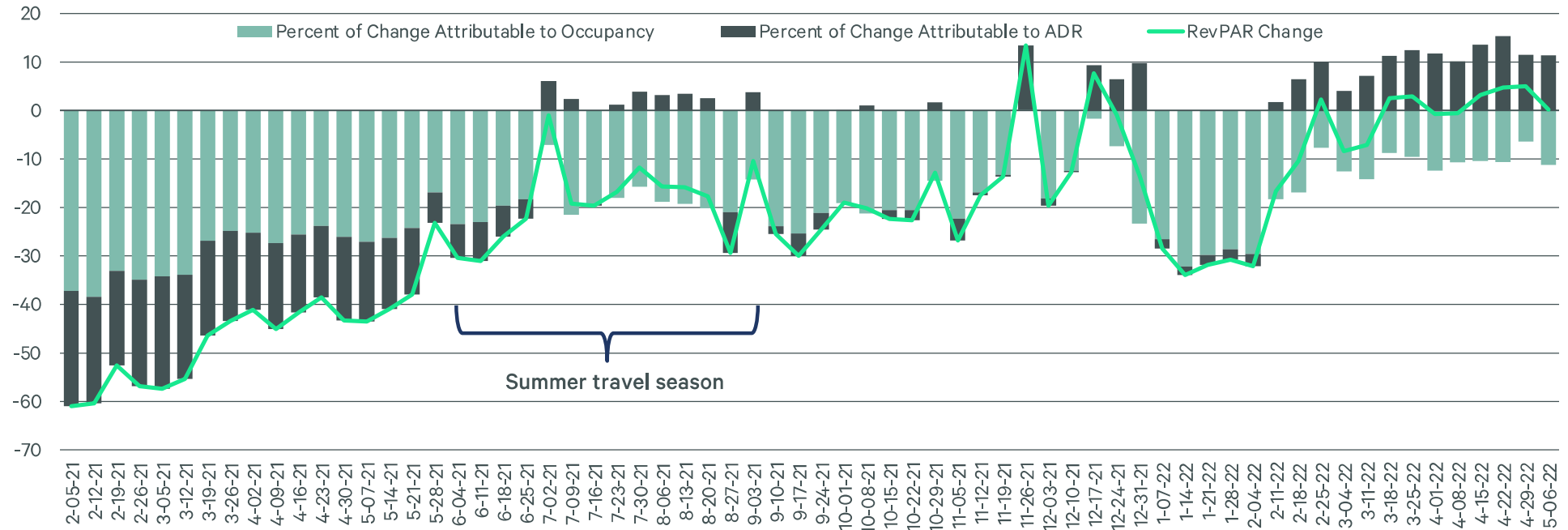


CBRE Hotels Research, Kalibri Labs, Weekly Sample, not scaled to full U.S. Hotel Industry Representation

ADR continues to build momentum, partially offsetting occupancy

RevPAR Percent of 2019 Broken Down by Occupancy and ADR

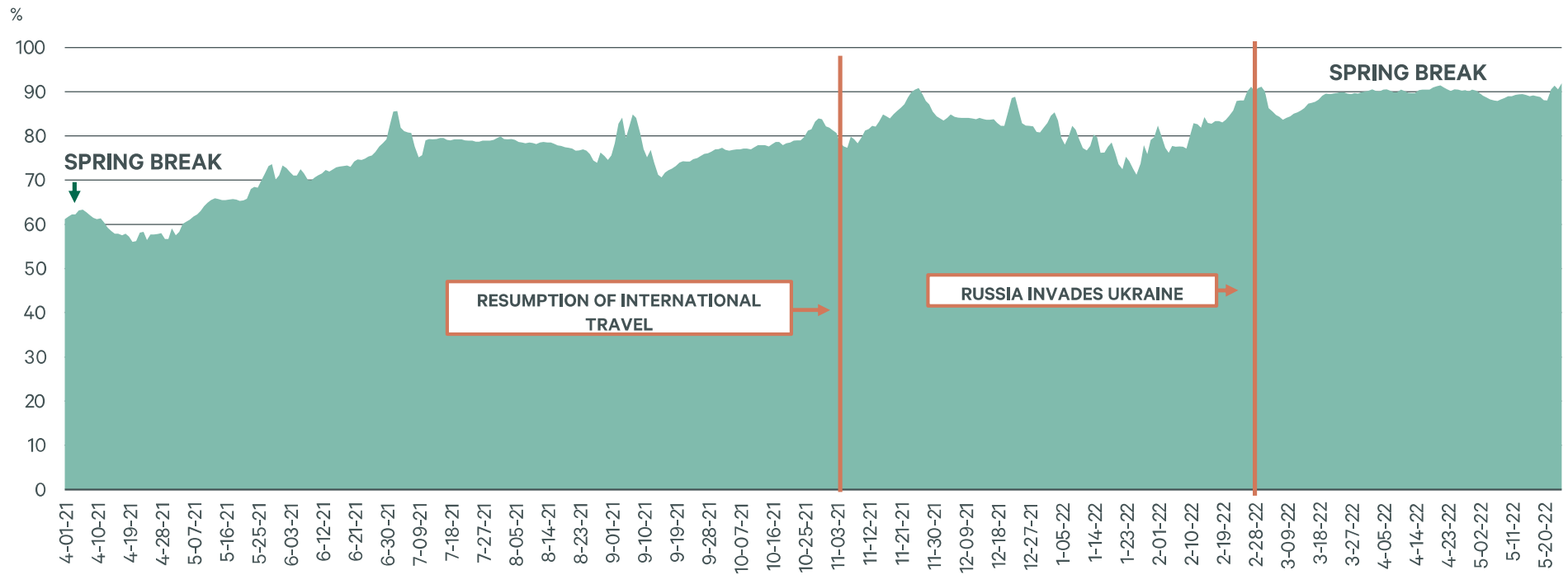
Y-o-Y Change (%)



Source: CBRE Hotels Research, Kalibri Labs, Weekly Sample, not scaled to full U.S. Hotel Industry Representation

TSA throughput is at 91% of 2019 levels

TSA Throughput as a Percent of 2019



CBRE Hotels Research, TSA

4

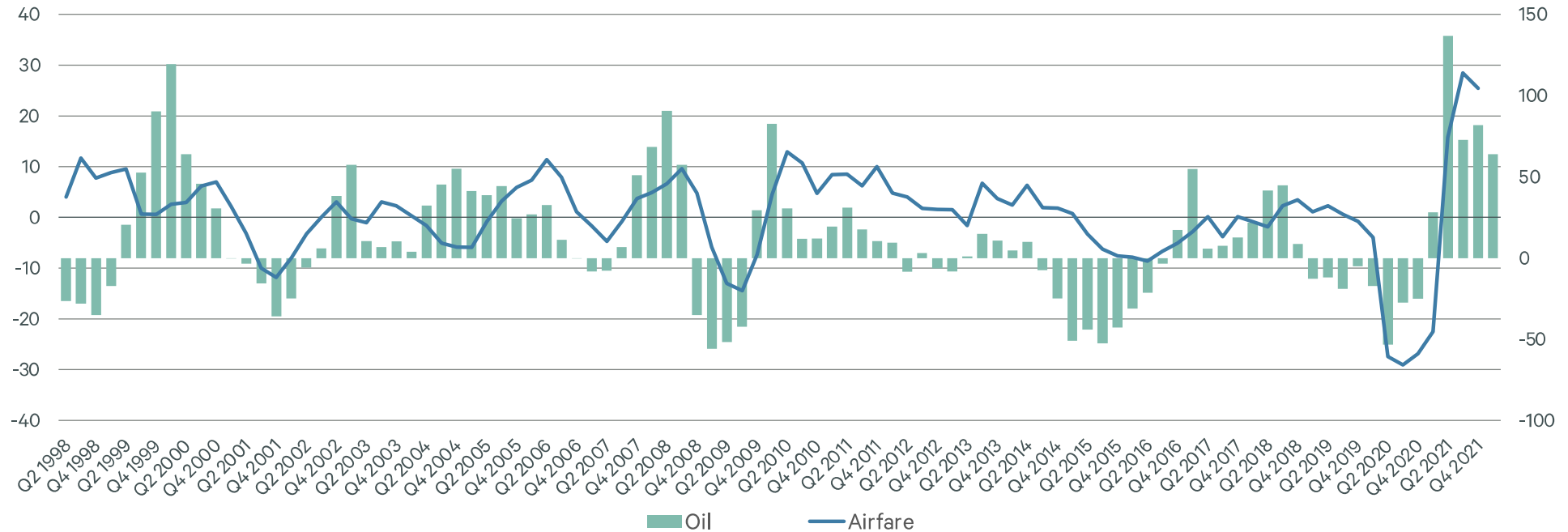
Leading
Indicators

Historically on a 3-month lag the change in airfare and change in oil are 60% correlated

Airfare vs. WTI Crude Oil Price

Average Price per Ticket Y-o-Y Change (%)

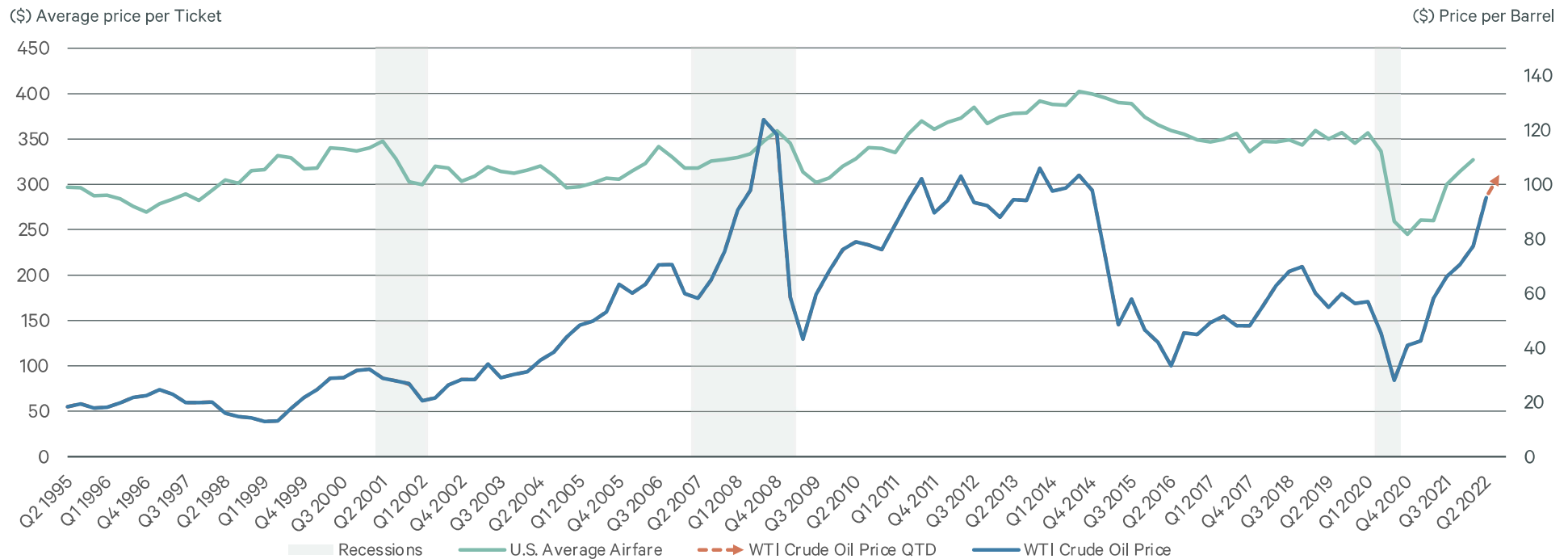
Price per Barrel Y-o-Y Change (%)



CBRE Hotels Research, US Energy Information Administration, Bureau of Transportation Statistics

The price of oil is rising suggesting higher airfares ahead

Airfare vs Price per Barrel of Oil



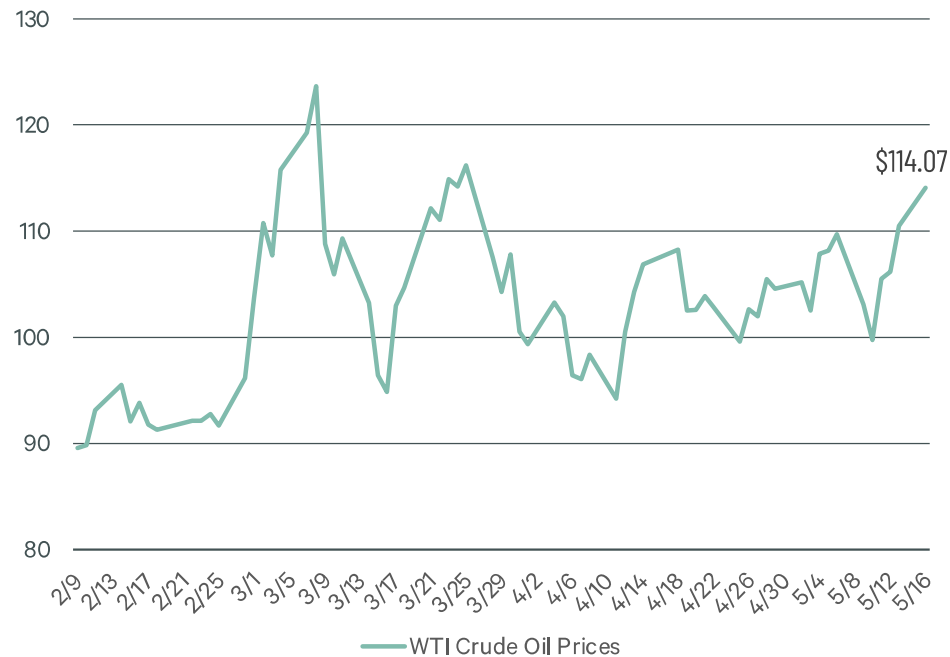
CBRE Hotels Research, WTI, BTS

*Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma, Dollars per Barrel, Monthly, Not Seasonally Adjusted

Rising oil and gas prices increase risks to summer travel season

Current price of Oil

(\$) Price per Barrel of Oil



CBRE Hotels Research, Federal Reserve

Gas prices are up slightly from last week

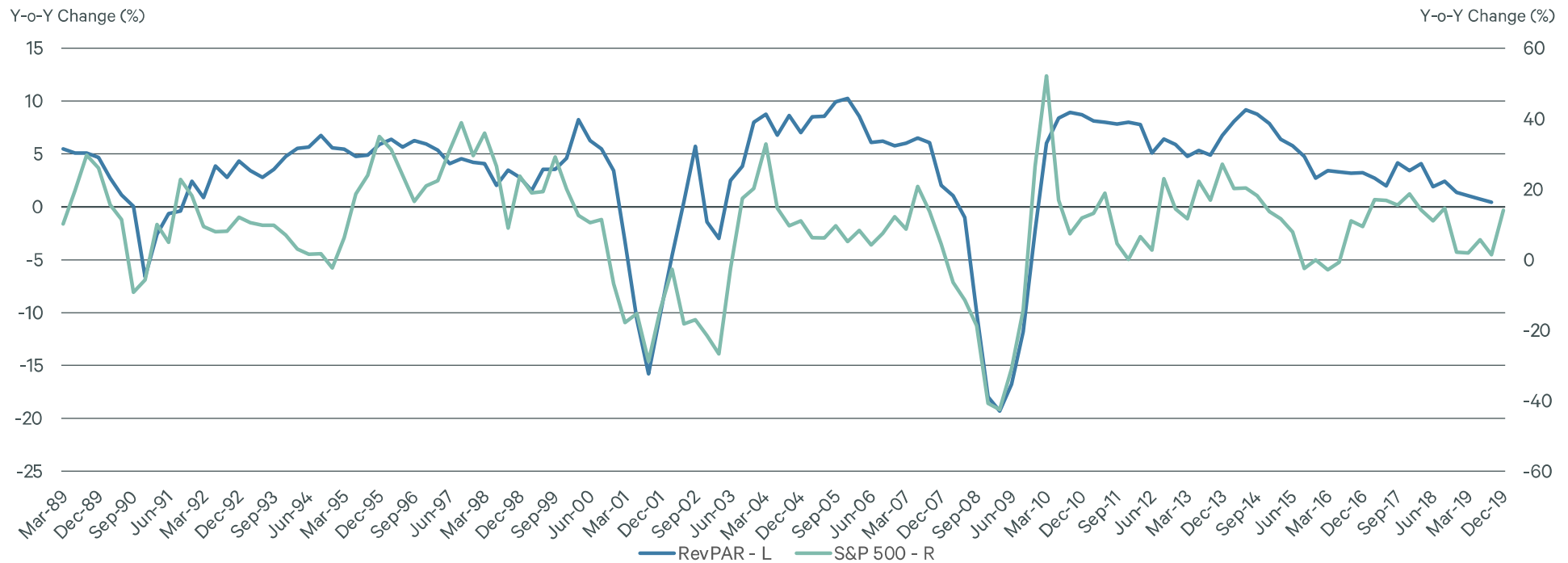
(\$) AAA Gas Prices



CBRE Hotels Research, Gasprices.aaa.com

S&P 500 vs. RevPAR on a one-quarter lag is 66.5% correlated

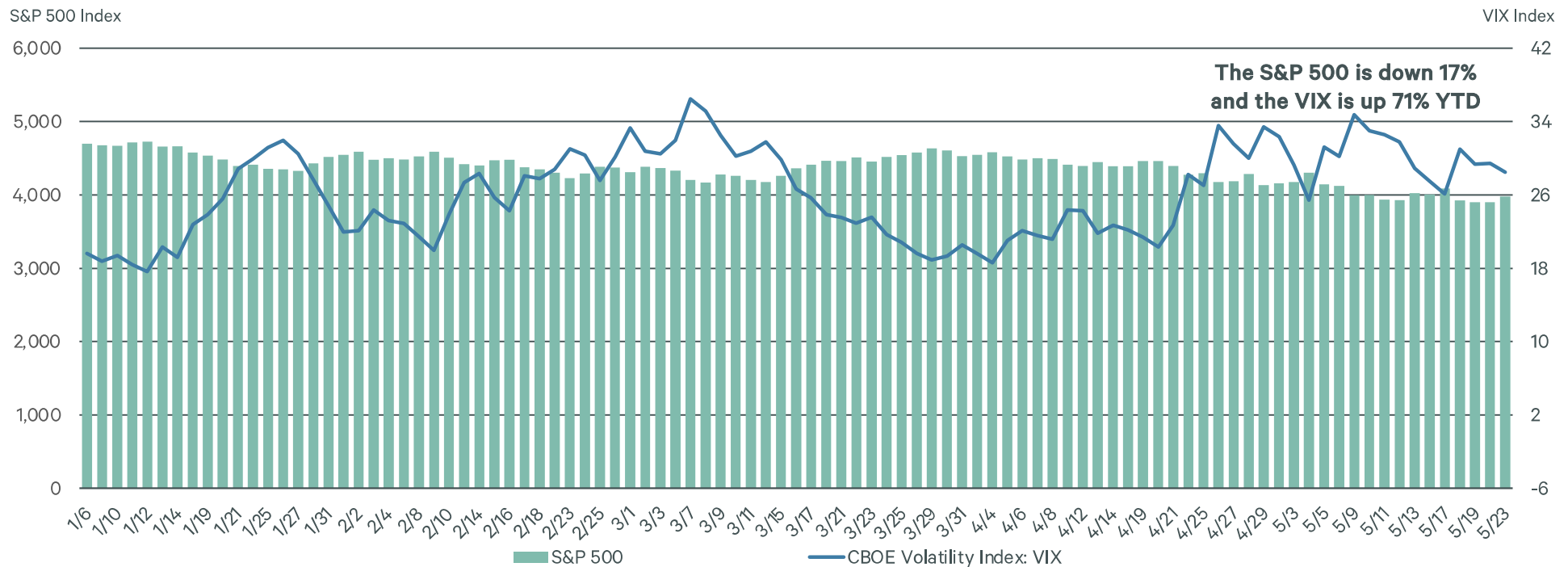
RevPAR vs. S&P 500



CBRE Hotels Research, CoStar, Federal Reserve

VIX Index and S&P 500 pull-back signal risks

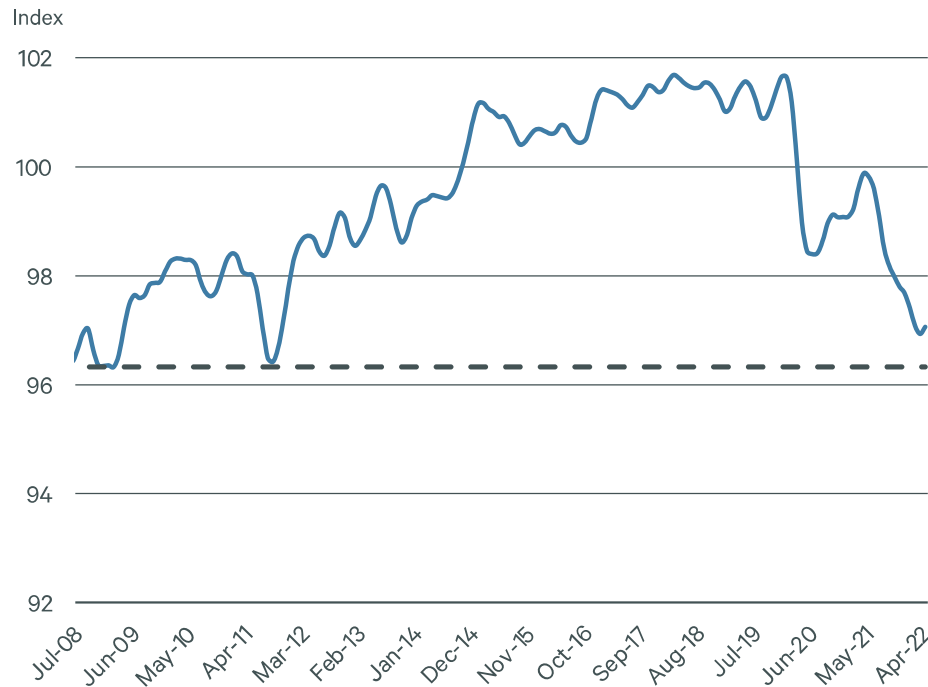
S&P 500 vs. CBOE Volatility Index



CBRE Hotels Research, CoStar, Federal Reserve

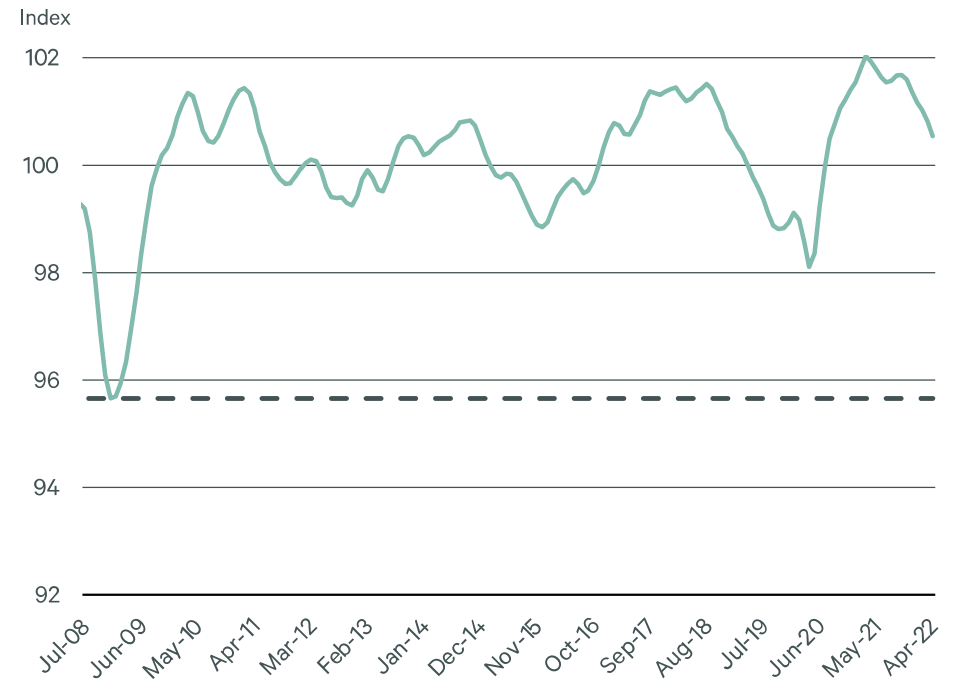
Business and consumer confidence continue to soften

Consumer Confidence Index



CBRE Hotels Research, CBRE EA, OECD

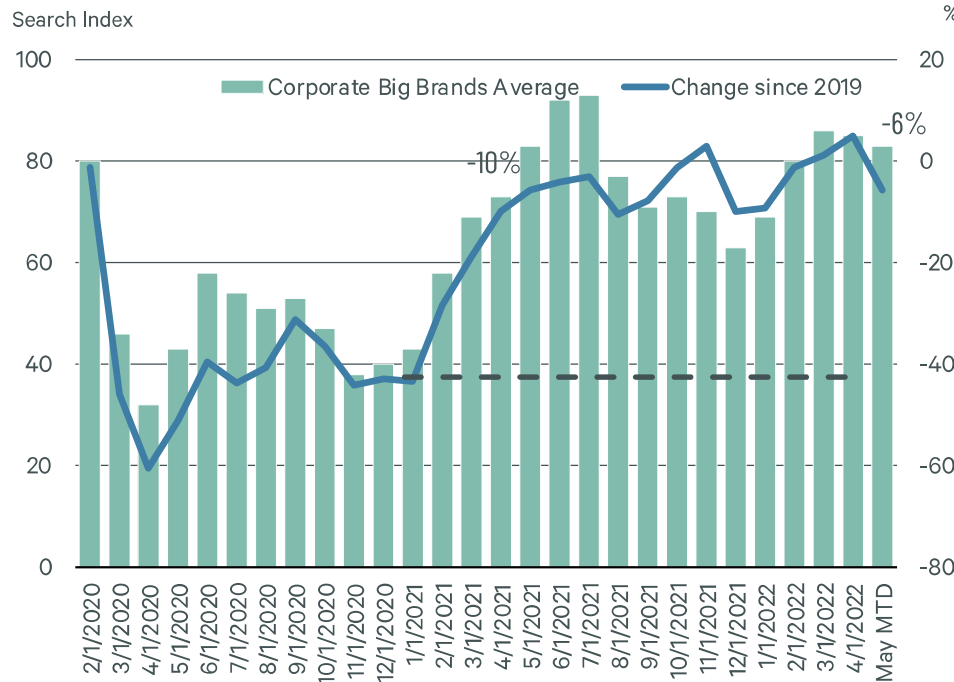
Business Confidence Index



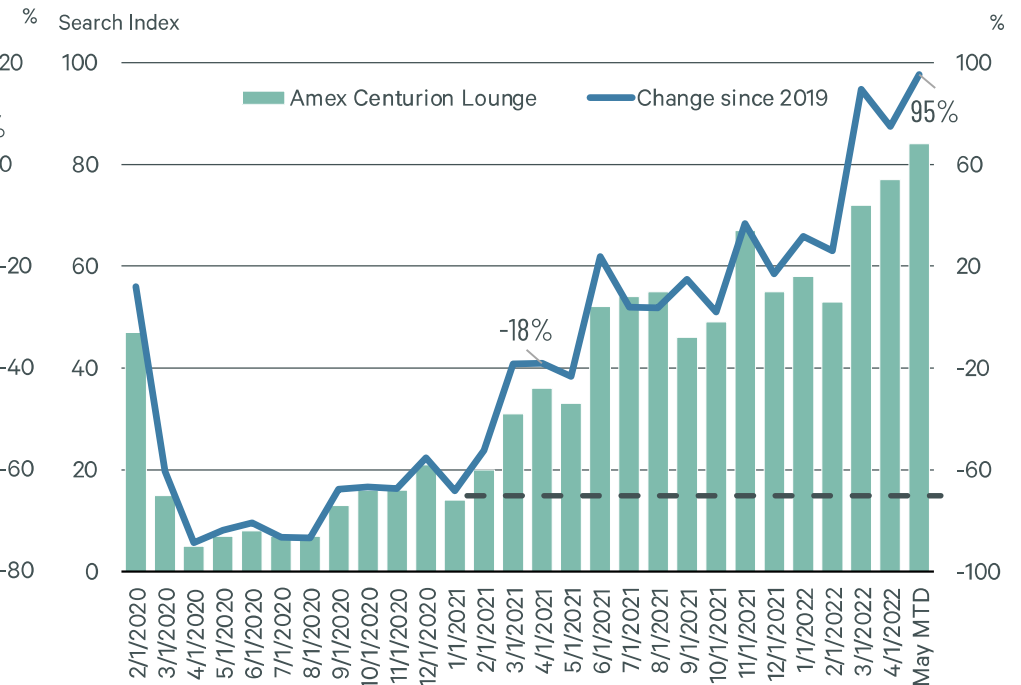
CBRE Hotels Research, CBRE EA, OECD

Search trends for future travel continue to improve

Corporate Brands Average Index vs. Change since 2019



Amex Centurion Lounge Index vs. Change since 2019

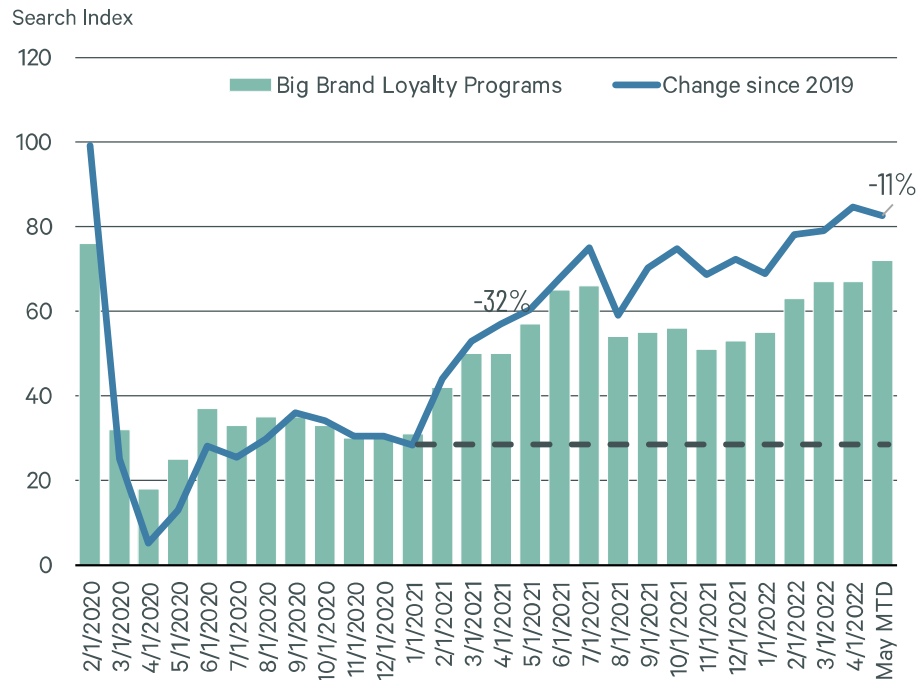


CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, Represents data through April 17, 2022

CBRE Hotels Research, Google Trends. Key words: Amex Centurion Lounge, Represents data through April 17, 2022

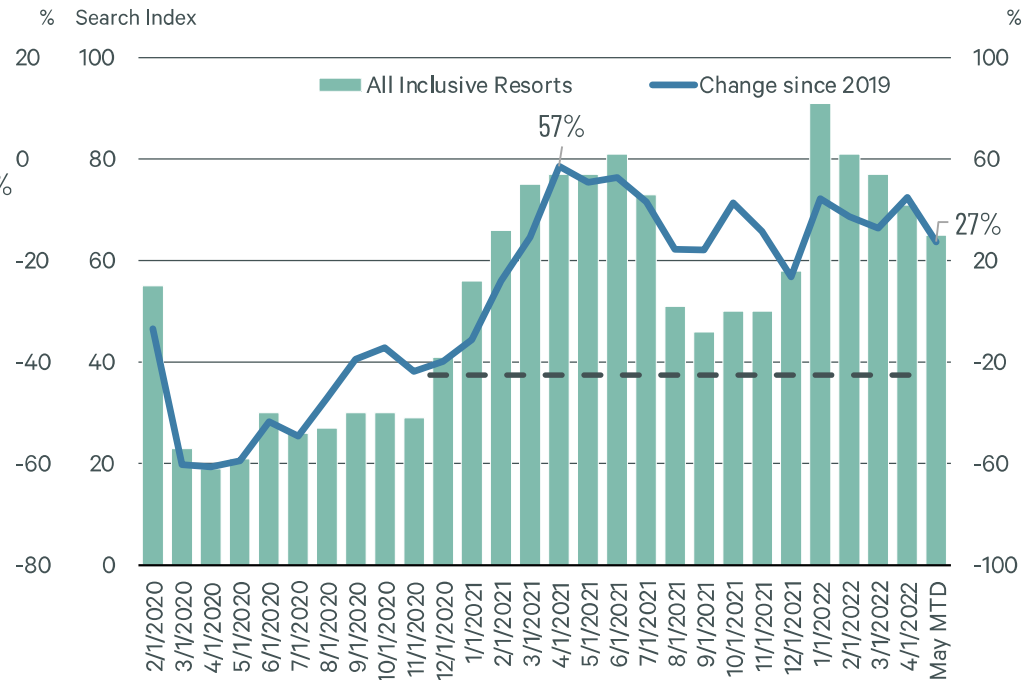
Leisure indicators continue to improve and remain positive

Brand Loyalty Program Index vs. Change since 2019



CBRE Hotels Research, Google Trends Key words: Hilton, Marriott, Hyatt, IHG Hotels, Represents data through April 17, 2022

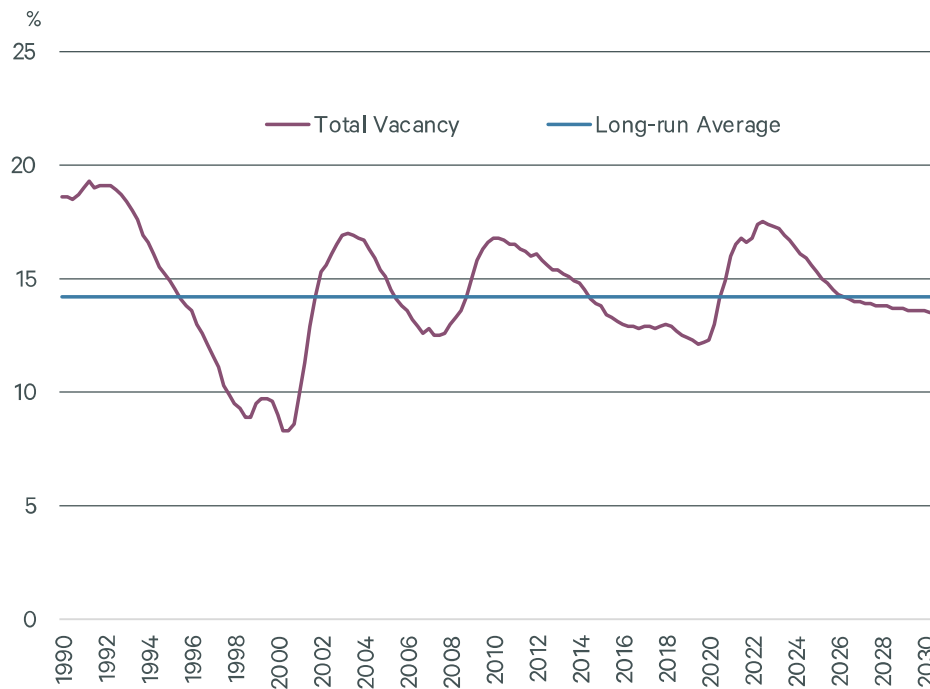
All Inclusive Resort Index vs. Change since 2019



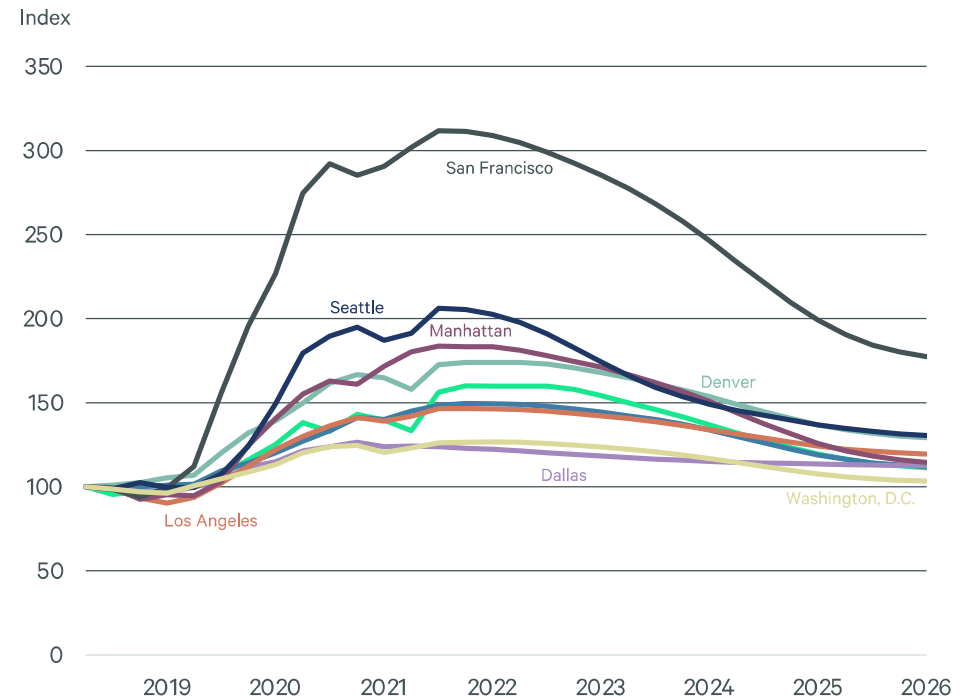
CBRE Hotels Research, Google Trends Key words: All-inclusive Resort, Represents data through April 17, 2022

Office vacancy will remain elevated through 2026

Office Vacancy



Vacancy rate index, 2019 Q1 = 100



CBRE Hotels Research, CBRE EA

5

International
Travel

U.S. border entrants by country China, South Korea and Japan still not in Top 10

Year to Date – April 2022

RANK	COUNTRY
1	Canada
2	Mexico
3	United Kingdom
4	Japan
5	China
6	Brazil
7	South Korea
8	Germany
9	France
10	India

Year to Date – April 2022

RANK	COUNTRY
1	Canada
2	Mexico
3	United Kingdom
4	France
5	Brazil
6	Germany
7	India
8	Colombia
9	Spain
10	Argentina

CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

Inbound international travel continues to recover

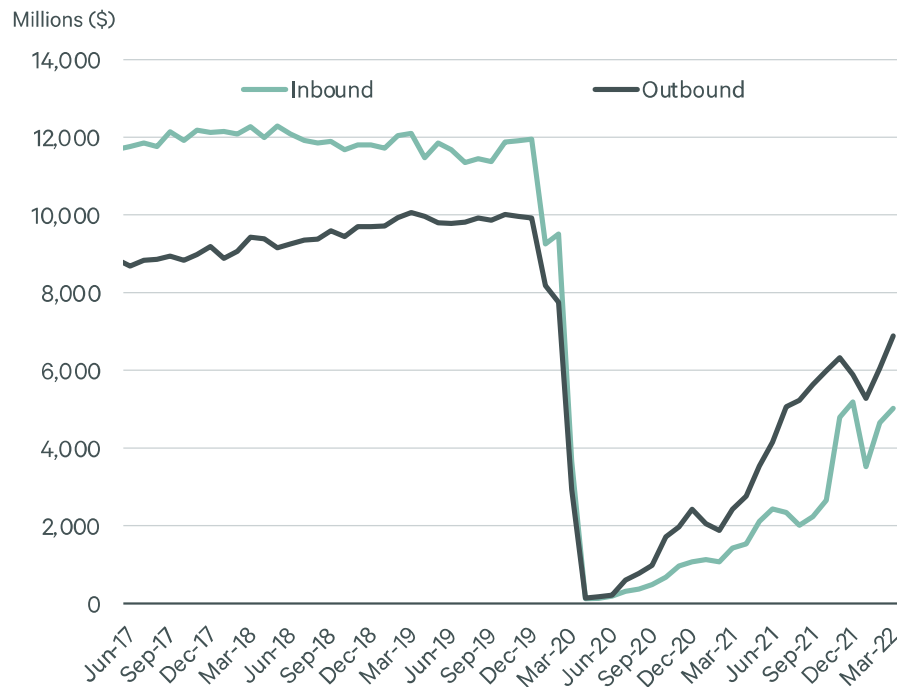
International Visitors as a Percent of 2019, (excluding Mexico and Canada)

Port of entry	Coast	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022	April 2022
NY, Newark, DC, Miami	East	31%	57%	63%	47%	56%	62%	69%
LA, San Francisco	West	13%	33%	39%	24%	28%	38%	45%

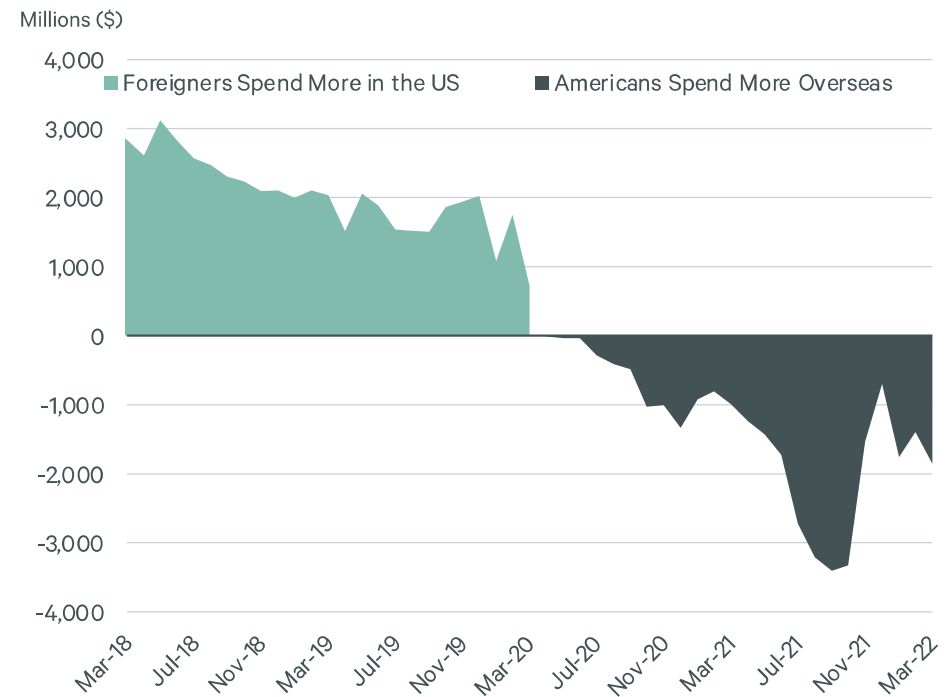
CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

March saw an uptick in inbound and outbound international spending

International Travel Spending



INTL. Travel Restrictions Hurting U.S. Hotels



CBRE Hotels Research, , Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

6

Operating
Performance

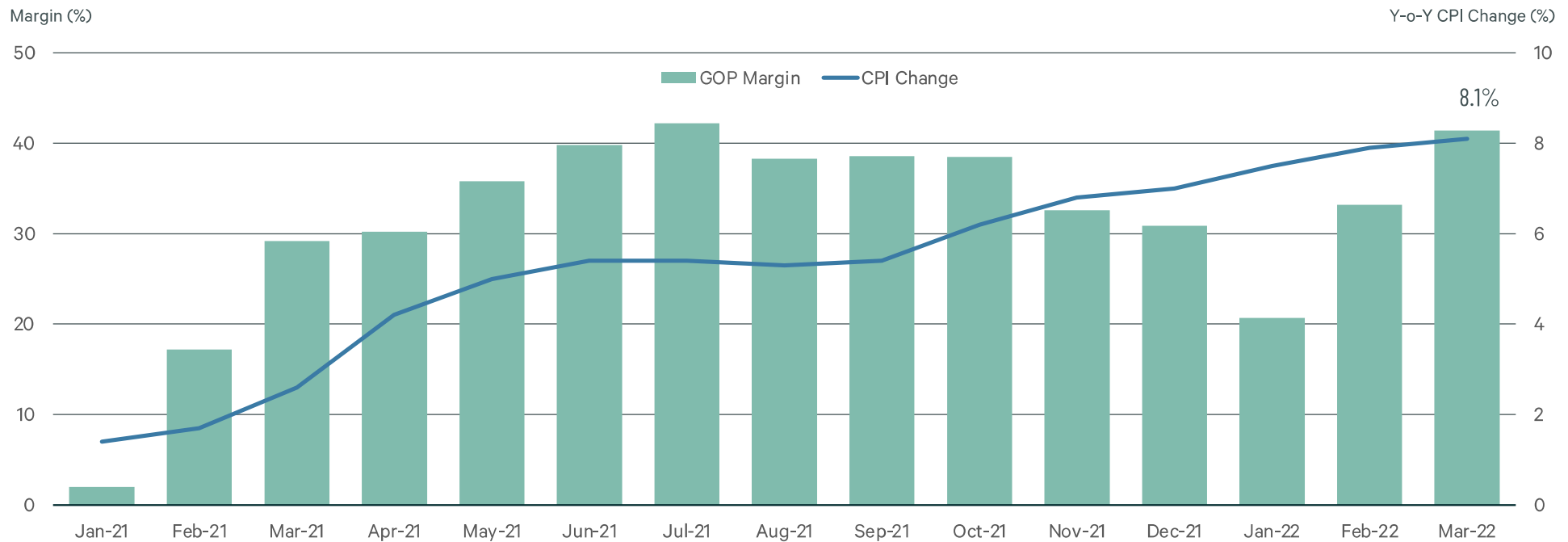
Year-to-date ADR growth is still driving margin expansion despite inflation



Explore BenchmarkerSM

Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

GOP Margin vs. Monthly Change in CPI



CBRE Hotels Research, Monthly Trends Survey, BLS

Historically, higher CPI translates into higher RevPAR

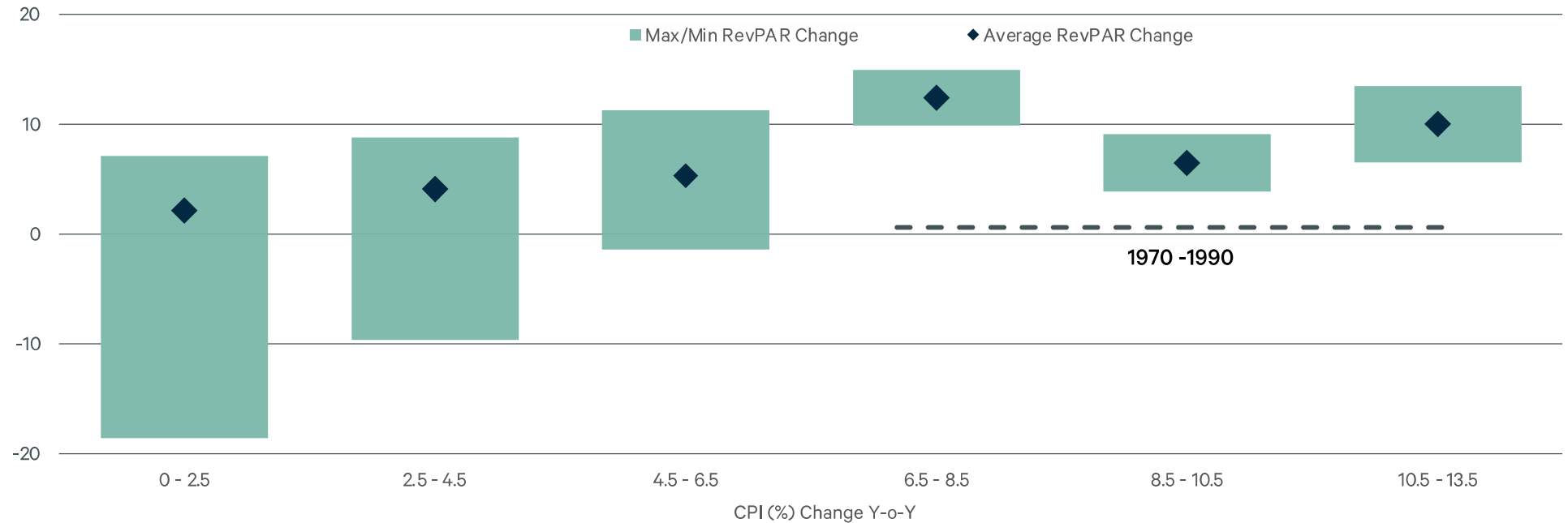


Explore BenchmarkerSM

Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

RevPAR Change vs. CPI change 1965 - 2019

Y-o-Y Change (%)

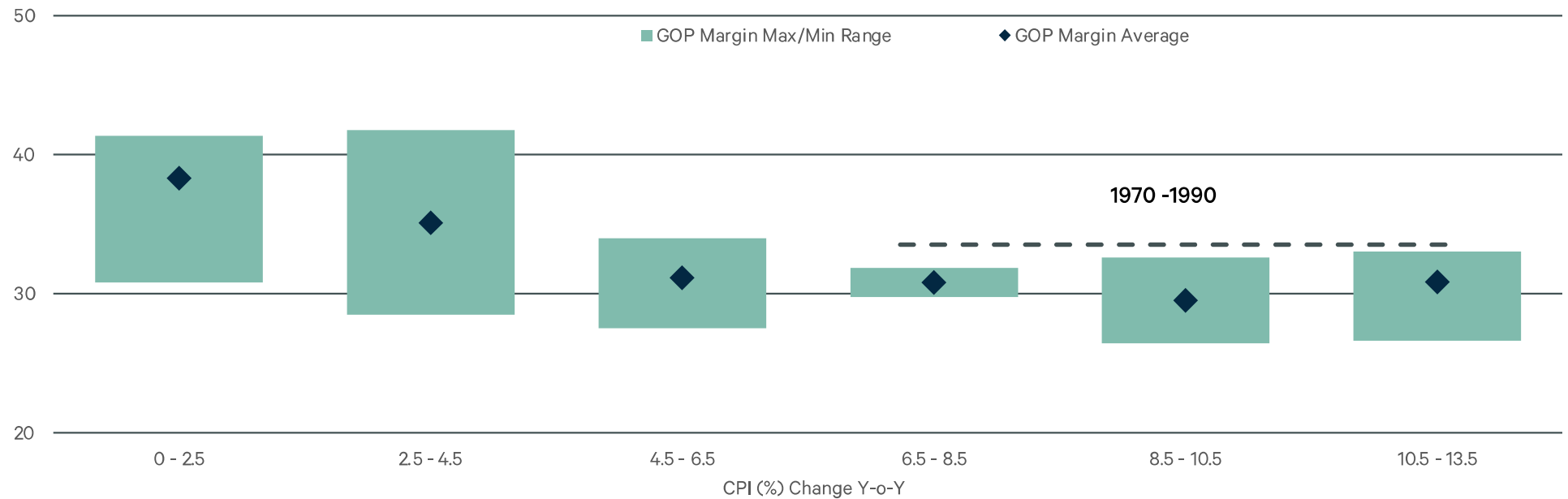


CBRE Hotels Research, Trends Survey

In general, lower CPI translates into higher margins

GOP Margin Range vs. CPI Change 1965 - 2019

GOP Margin Range (%)



Explore BenchmarkrSM

Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

Spiking gas prices will be a margin headwind through utilities



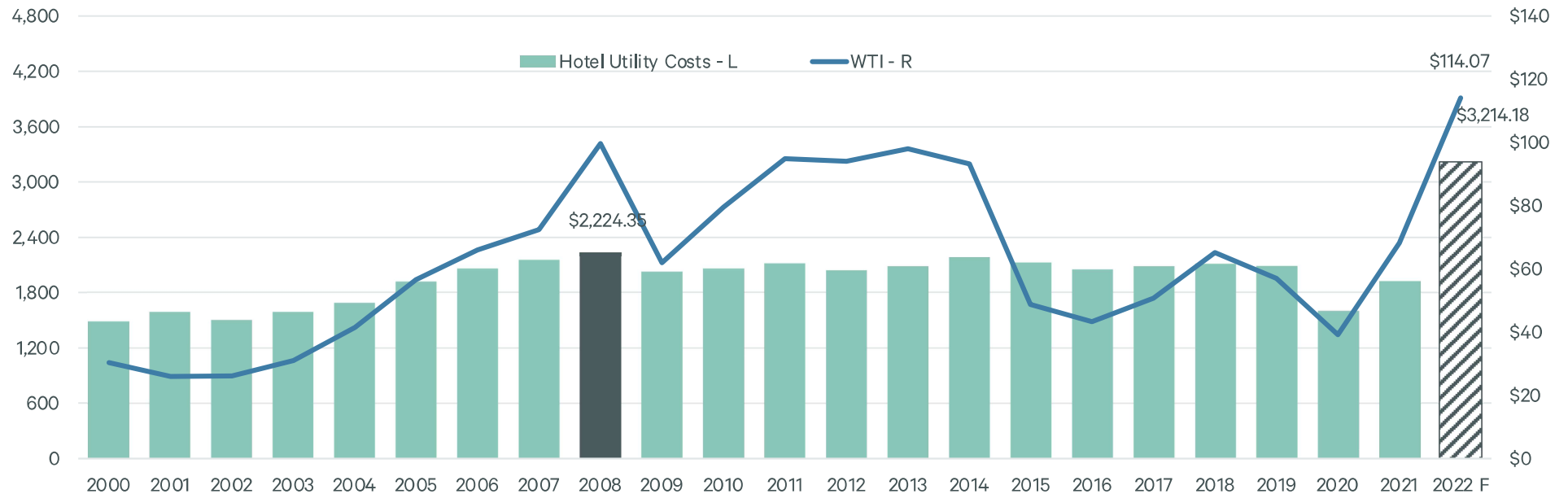
Explore BenchmarkerSM

Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

Hotel Utility Costs vs. Price of Oil

(\$) Dollars per Available Room

(\$) Price per Barrel



CBRE Hotels Research, Fred, CBRE EA

7

Supply Inputs

Higher wages and employment headwinds new construction

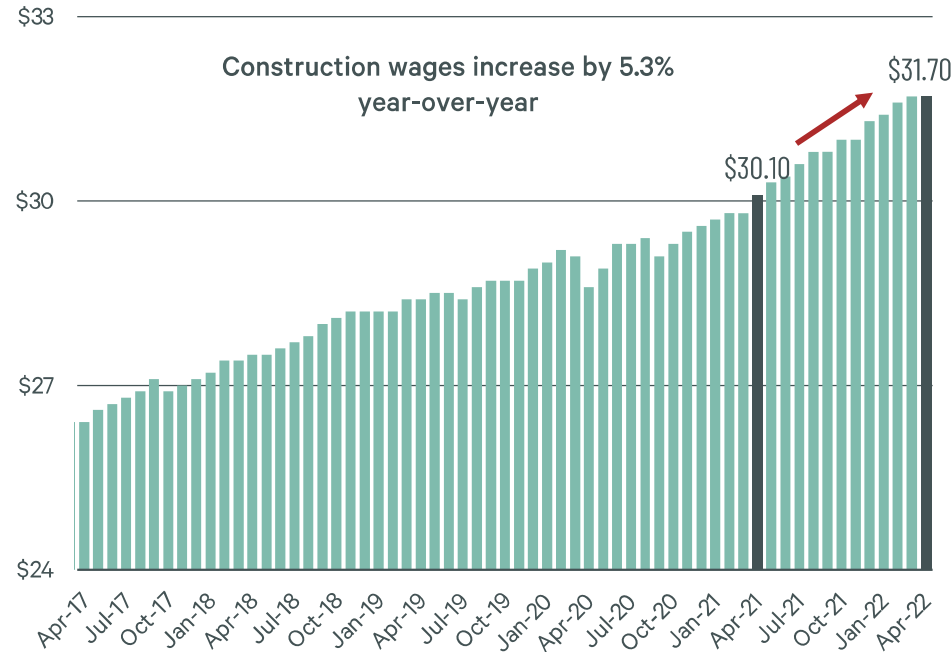


Explore New Supply Pipeline

Track proposed, underway, and completed hotel projects in the U.S. and Canada through our pipeline database.

Construction Wages

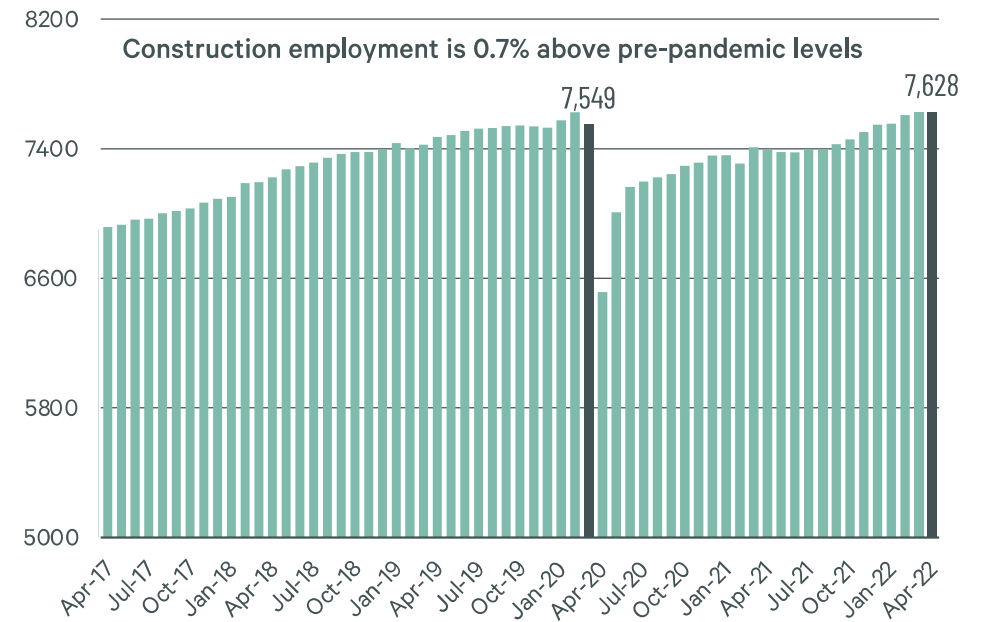
Dollars Per Hour



CBRE Hotels Research, CBRE EA, BLS

Number of Construction Employees

Thousands



Construction inputs are still well above their long-run averages

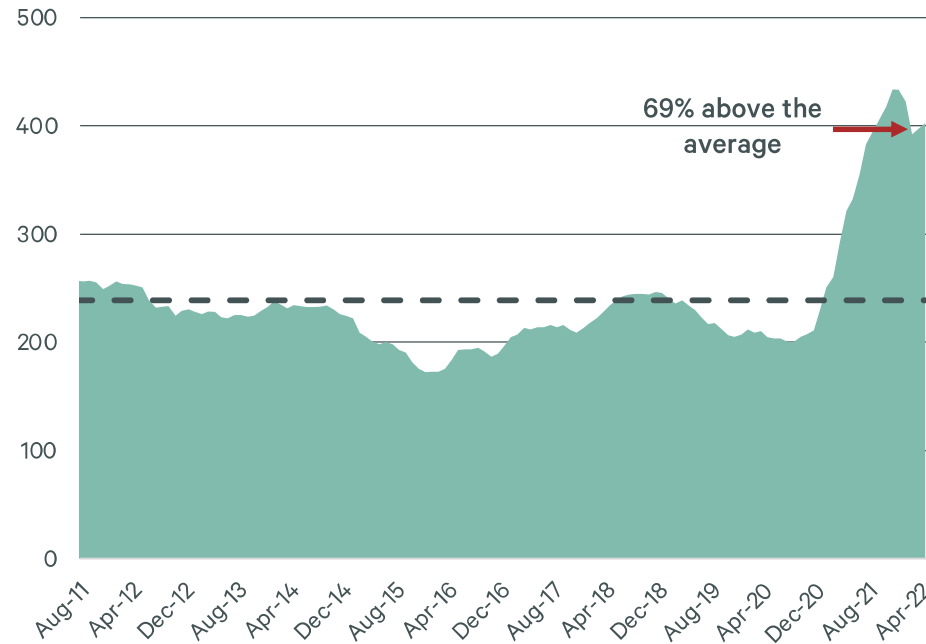


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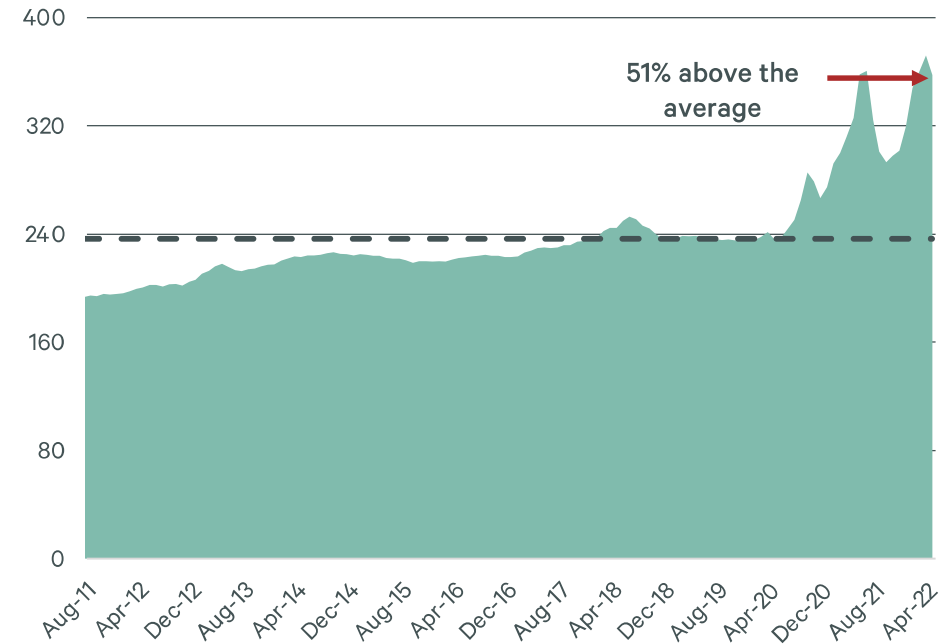
Steel and Iron

Producer Price Index



Lumber and Wood products

Producer Price Index



CBRE Hotels Research, BLS

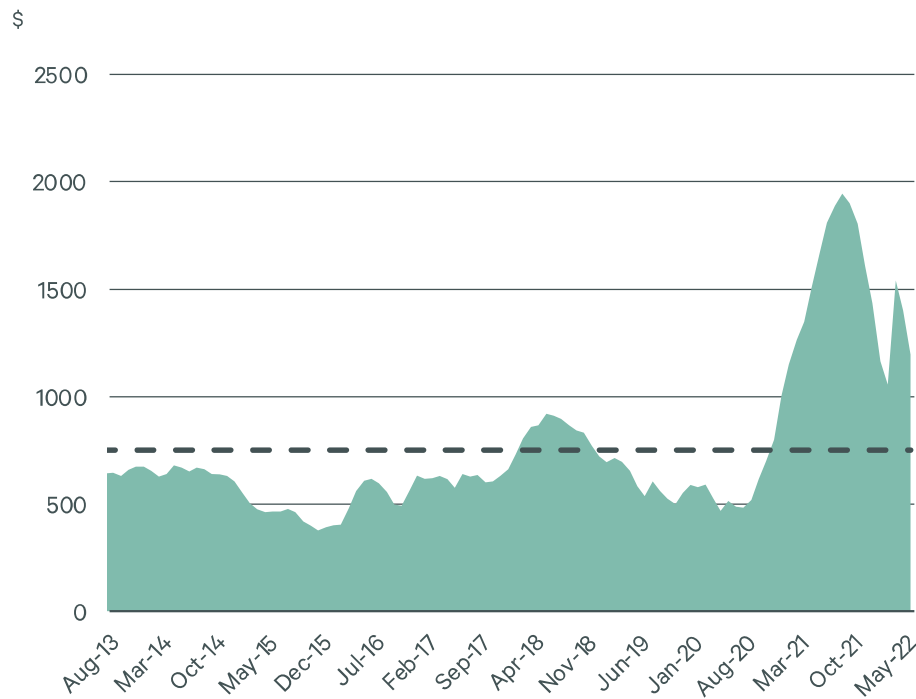
Futures indicate steel and lumber prices could moderate



Explore New Supply Pipeline

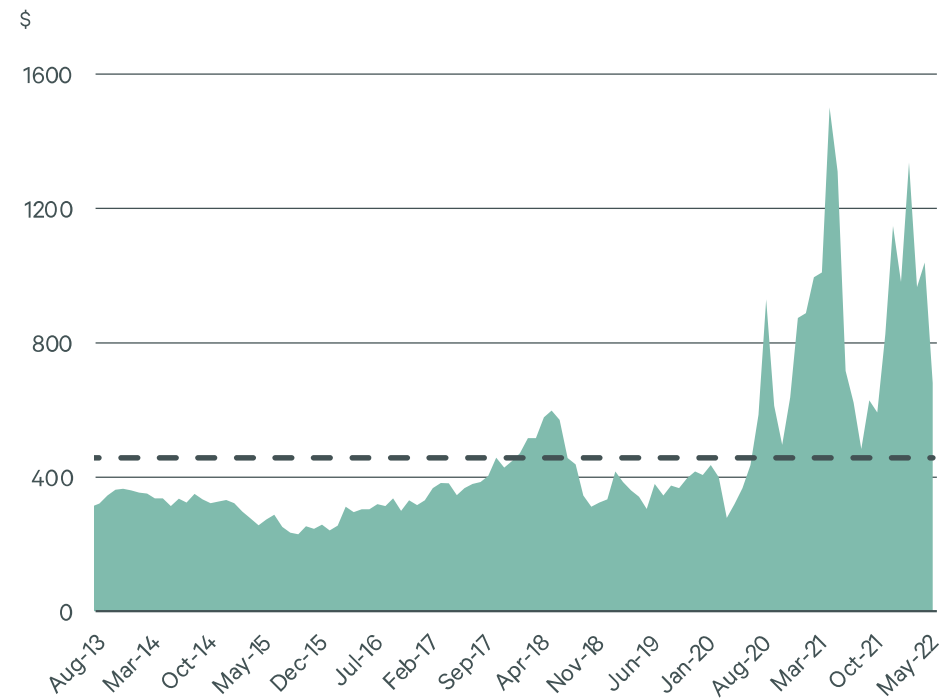
Track proposed, underway, and completed hotel projects in the U.S. and Canada through our pipeline database.

Steel Futures



CBRE Hotels Research, CME Group, US Midwest Domestic Hot-Rolled Coil Steel

Lumber Futures



CBRE Hotels Research, CME Group, Lumber Futures

Hotel construction starts to turn upwards

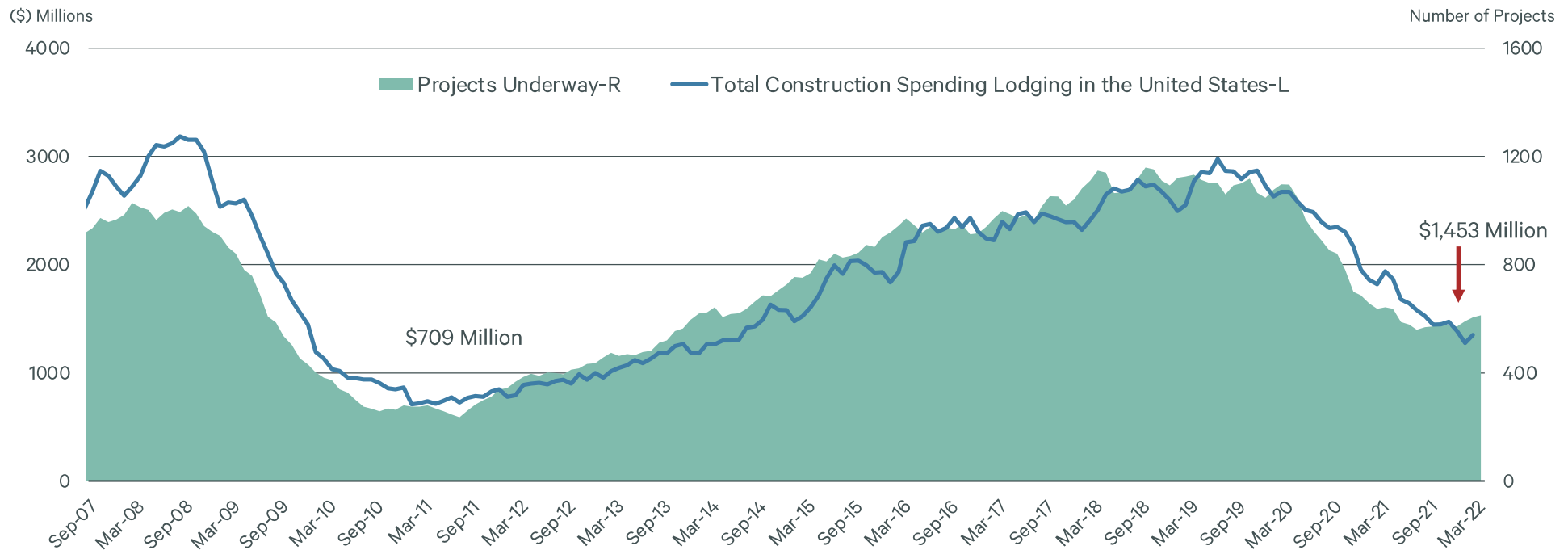
CBRE



Explore New Supply Pipeline

Track proposed, underway, and completed hotel projects in the U.S. and Canada through our pipeline database.

Projects Underway vs. Total Construction Spending



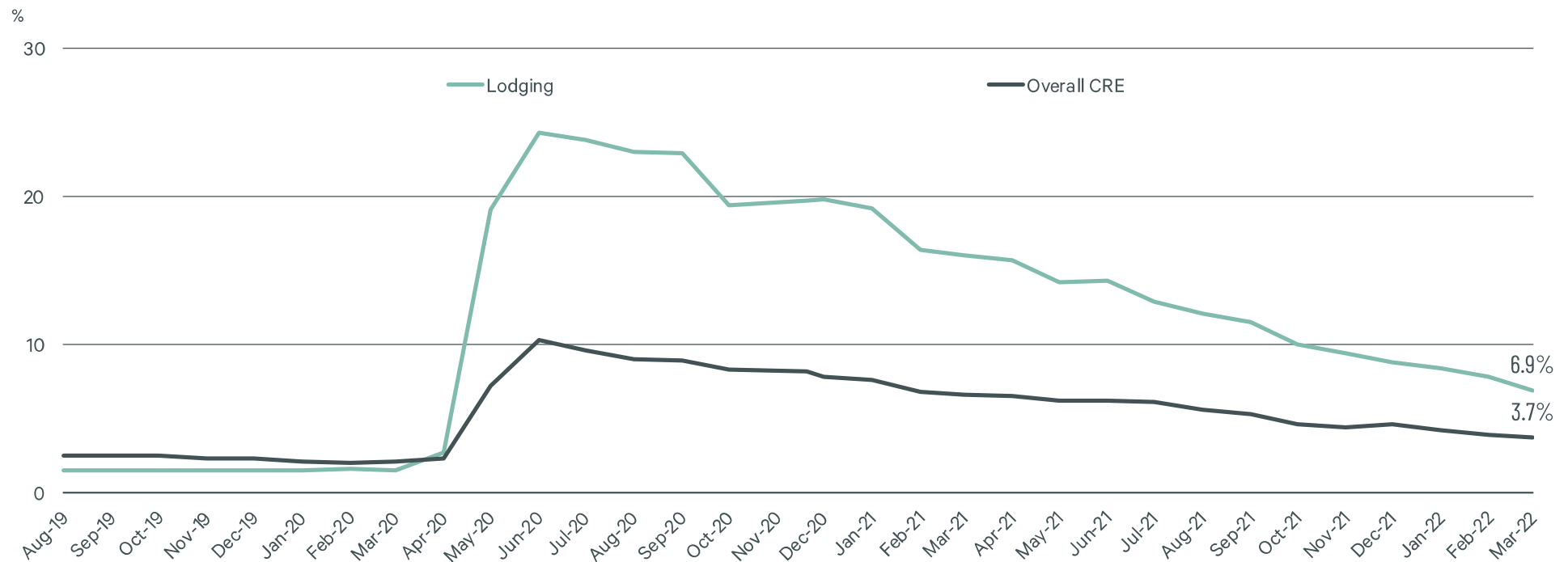
CBRE Hotels Research, US Census Bureau, Dodge Analytics

8

Capital
Markets

The delinquency rate has improved as hotels have reopened

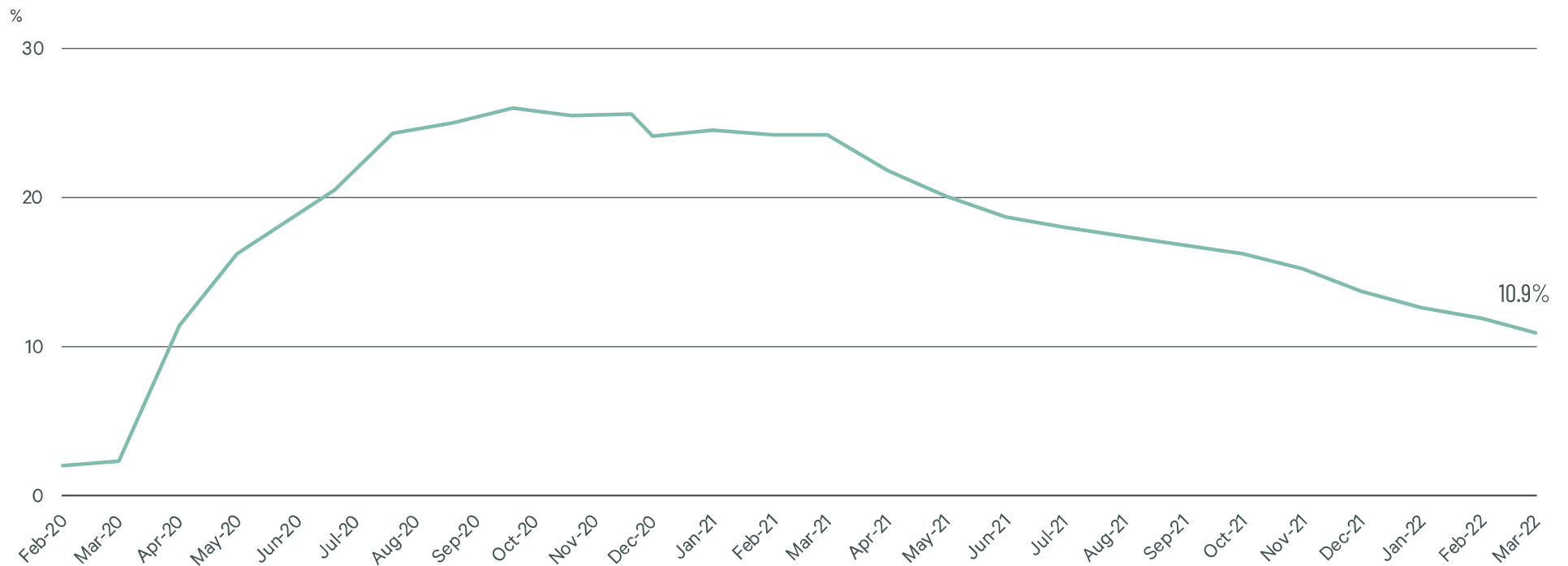
Lodging Delinquency Rate vs Overall Commercial Real Estate



CBRE Hotels Research, CBRE Debt & Structured Finance.

Lodging CMBS special servicing continues to improve

Pre-/Post-COVID - Special Servicing Rate Lodging CMBS

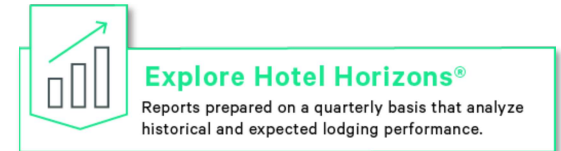


CBRE Hotels Research, CBRE Debt & Structured Finance.

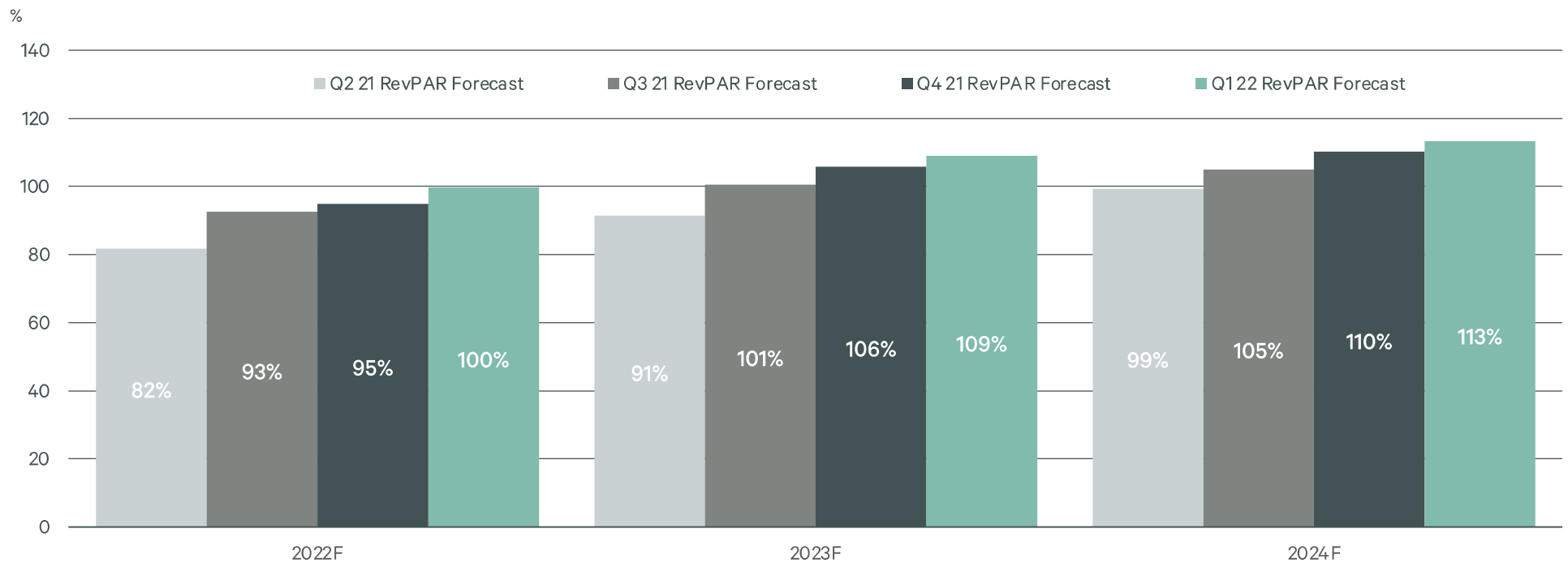
9

Forecast

CBRE Hotels Research upgrades outlook: RevPAR to recover by 2022

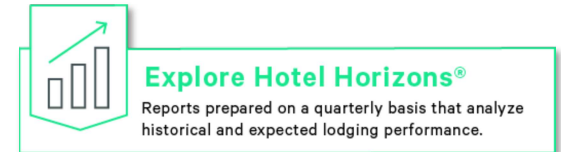


RevPAR as a Percent of 2019

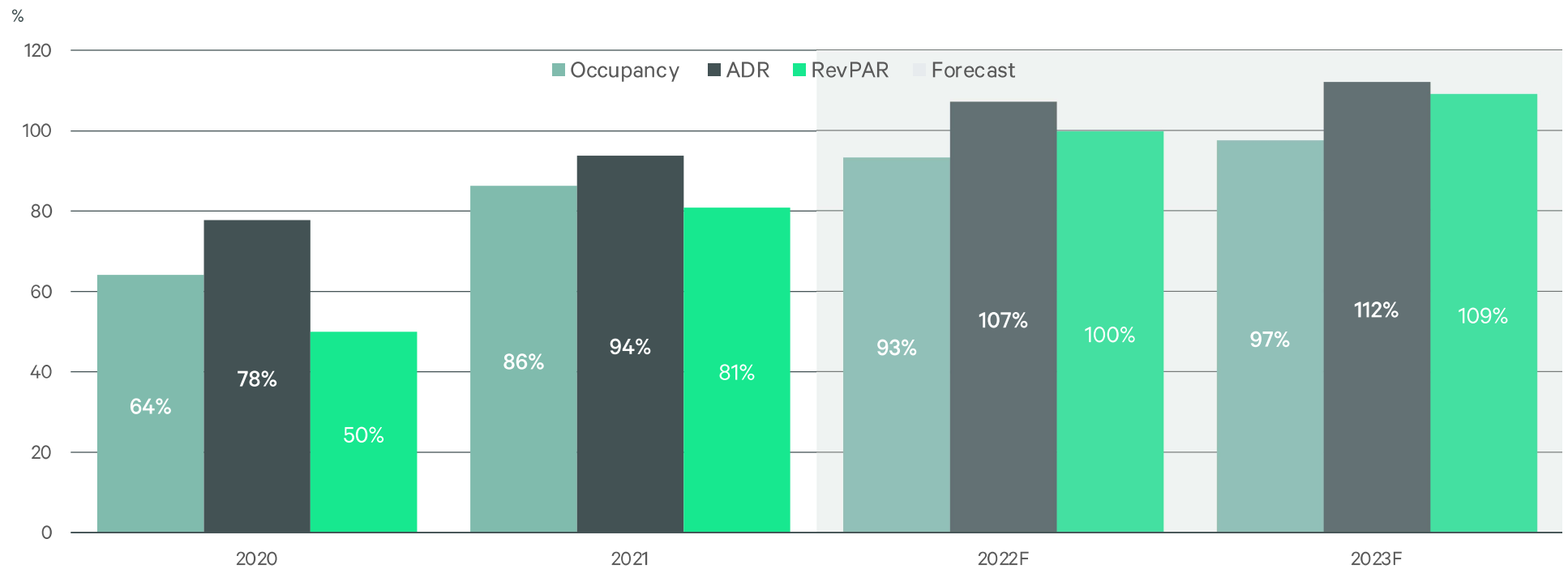


CBRE Hotels Research, CBRE EA, Kalibri Labs

Nominal ADR should fully recover by Q2 2022



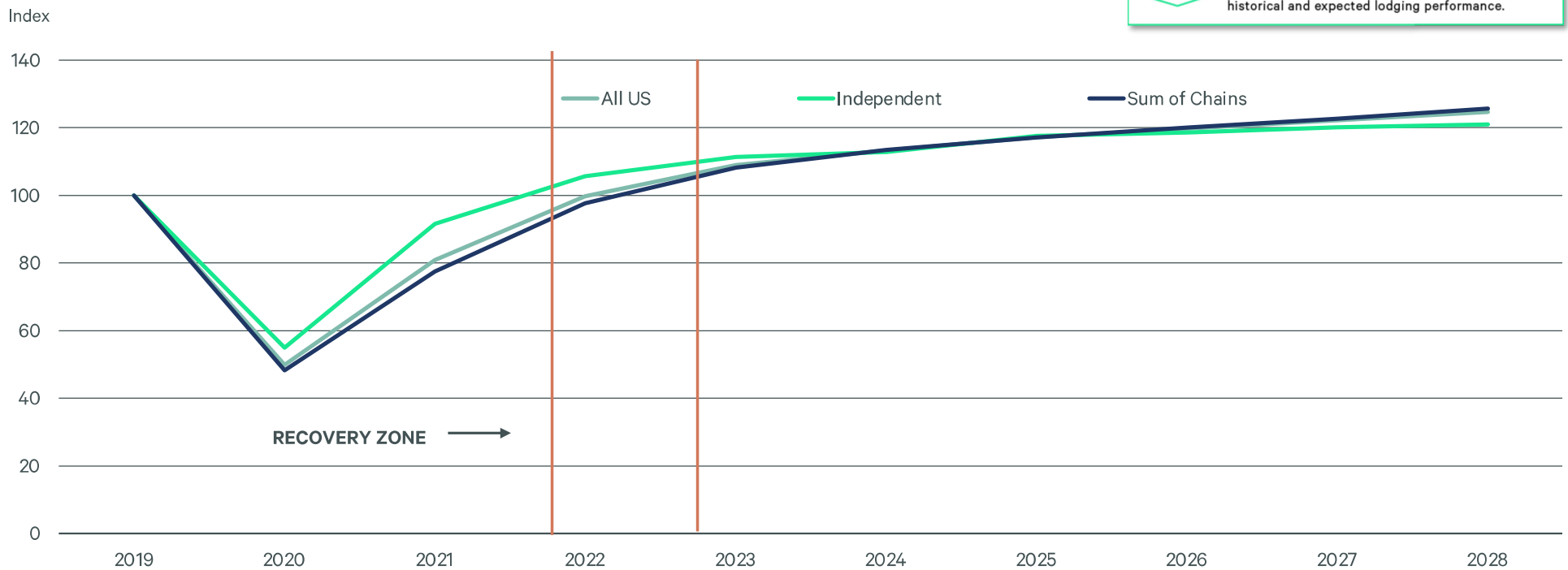
Hotel Performance Indicators as a percent of 2019



CBRE Hotels Research, CBRE EA, Kalibri Labs

All chain scales will recover by 2023; independents are leading the recovery

RevPAR indexed to 2019 Levels by Chain Scale



Explore Hotel Horizons®

Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

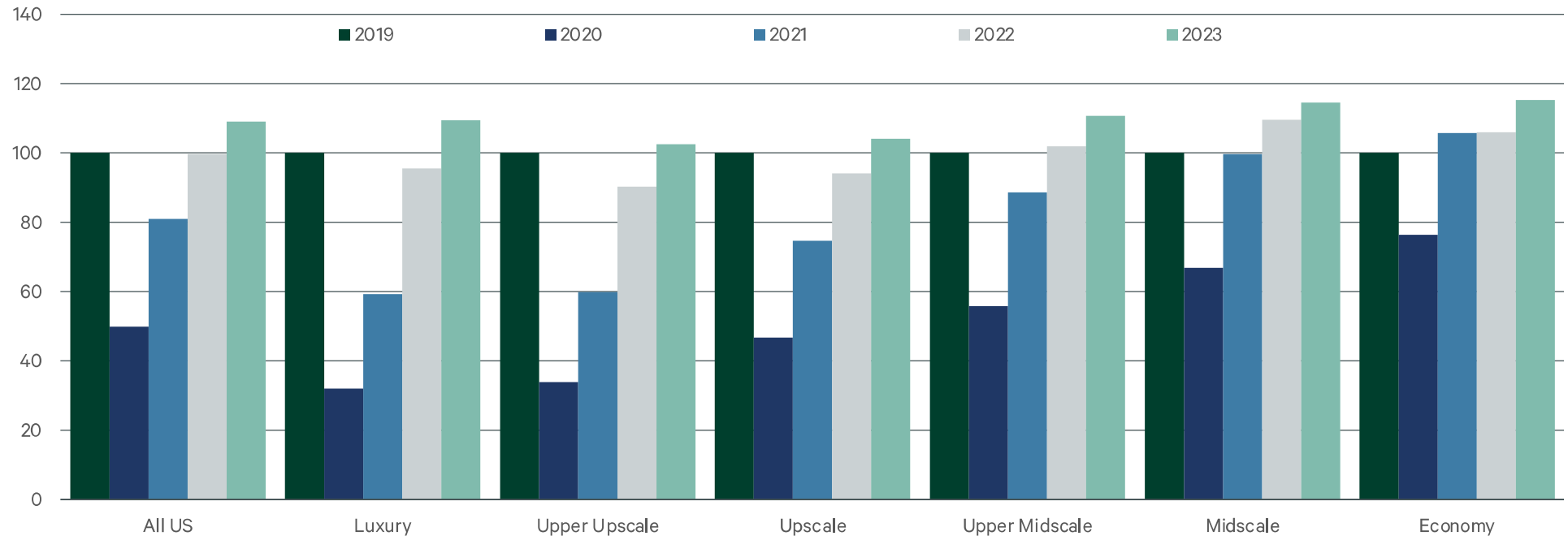
CBRE Hotels Research, CBRE EA, Kalibri Labs

Lower-priced hotels are recovering quicker

CBRE

RevPAR Recover by Chain Scale

Index 2019 = 100



Explore Hotel Horizons®

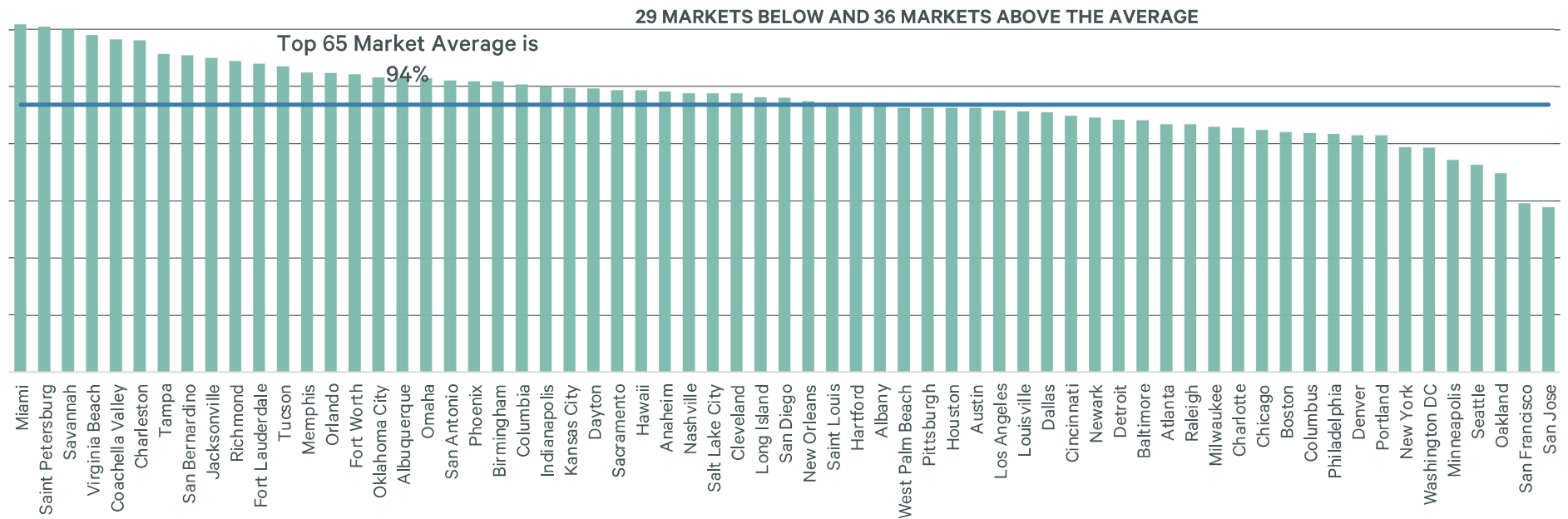
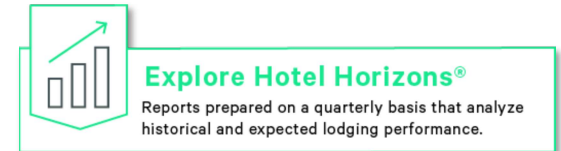
Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

CBRE Hotels Research, CBRE EA, Kalibri Labs

Despite a full recovery in 2022 there are winners and laggards

2022 RevPAR as a Percent of 2019

%



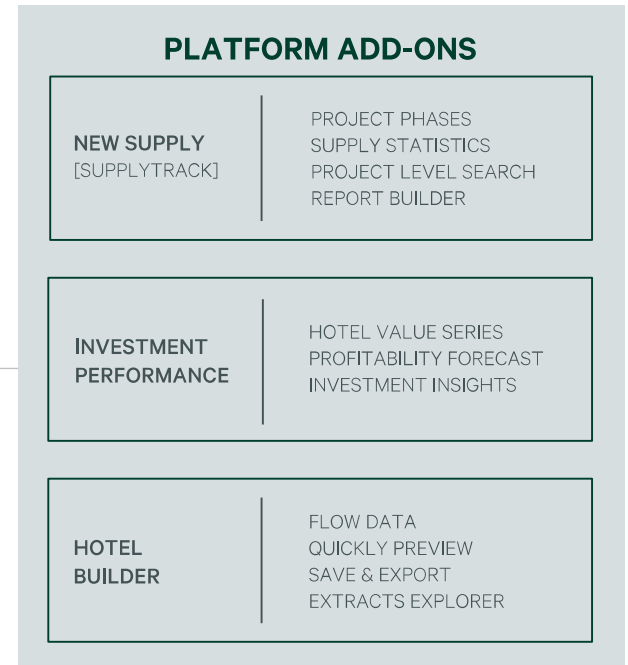
CBRE Hotels Research, CBRE EA, Kalibri Labs

Hotels Research Platform & Data Products

CBRE Hotels Research specializes in analyzing and reporting on both the historical and future performance of the lodging industry.

Offering a variety of forecast and benchmarking reports, as well as maintaining extensive databases of hotel income statements and property values. These reports and data provide the foundation for strategic planning by all who have an interest in hotel property financial performance.

Schedule a Platform Demo Today!



Thank you

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FOR MORE INFORMATION



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