2019 HOSPITALITY

North American Investment Forecast

Marcus & Millichap

TO OUR VALUED CLIENTS

Following one of the best years on record, the hospitality sector remains on track for outsized performance in 2019. Steady economic momentum and an increased penchant for travel, both for leisure and business, bode well for the hotels nationwide. Occupancy rates and RevPAR have sustained record momentum, and though the pace of growth will likely ease in the coming year, the sector should sustain strong performance metrics.

The hospitality sector received a significant boost from new tax laws that increased the allowances and timelines for depreciation of furnishings and other personal property at hotels. These changes offer advantages for newly acquired properties, encouraging some investors to sell existing assets and replace them with new ones that qualify under the new rules. At the same time, these investors are using this opportunity to position their portfolios to weather a future economic downturn should one emerge. While the outlook for 2019 remains positive for the hospitality sector, with slowing construction, elevated occupancies and rising ADRs, investors are increasingly hedging their position for what lies beyond. Hotel properties can be highly sensitive to economic downturns, and though most economists expect the next downturn to be moderate, many hospitality investors are staging their portfolios into a more defensive posture. This will allow them to capitalize on the current momentum while mitigating future risk.

The steady performance outlook for 2019 bodes well for investors, and though new challenges will undoubtedly emerge, the sector remains poised for growth. As you calibrate your investment plans in this dynamic climate, our investment professionals stand ready to help you evaluate your options and implement your strategies.

Sincerely,

PETER NICHOLS
Vice President/National Director
National Hospitality Group

JOHN CHANG
Senior Vice President/National Director
Research Services

National Perspective

Market Overviews

Canada

Client Services

Developed by Marcus & Millichap Research Services. The Capital Markets section was co-authored by David Shillington, President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

National Economy

- Companies are seeking to expand operations this year, though finding qualified workers remains a challenge. Employers will enhance compensation packages to attract top talent, boosting wage growth, which should coincide with more leisure travel.
- Economic growth will be sustained throughout 2019, although momentum is expected to moderate as several factors could begin to weigh on expansion. These include the longer-term implications of the government shutdown, weakening international economies, and trade tensions.
- Positive economic forces, including job creation, consumer confidence and rising retail consumption, will outweigh other factors mitigating growth, preserving steady momentum.

National Hotel Overview

- Another year of steady job creation and rising wages will support consumer spending at hotels this year. The improving economy is boosting travel plans, which underpins room demand. At the same time, the supply of hotels is beginning to moderate.
- Hotels are increasingly adapting to traveler preferences as they continue to focus on experience-oriented stay that many visitors seek, including those taking solo trips. To cater to these solo travelers, hotels are hosting social events, providing tours and creating communal spaces.
- As knowledge of home-sharing services continues to grow, more local governments are trying to put regulations of these short-term rentals into place. The new legislation may sway some home owners to no longer list their homes, limiting inventory and helping drive demand for hotels.

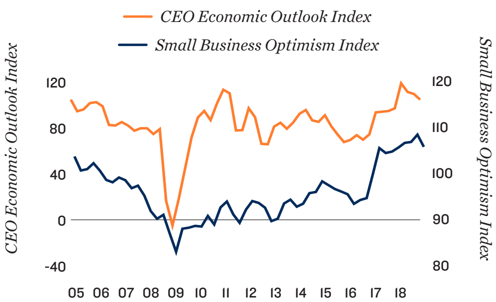
Capital Markets

- The Federal Reserve will likely focus on the intersection of a global growth slowdown and continued labor market strength as they form their plans.
- As millennials constitute a greater share of overall travel spending, hotel investors continue to target markets where visitor counts are highest.
- Industry sentiment remains broadly upbeat, producing an active marketplace with plenty of sources of liquidity available. Local, regional and national banks and insurance companies have been active, as well as more nuanced financing structures.

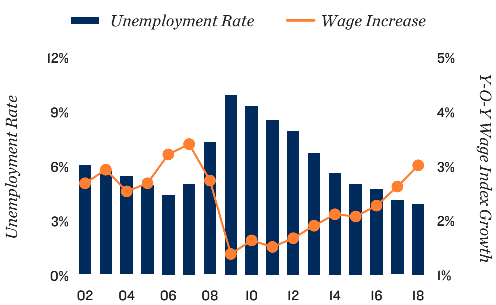
Hotel Investment Outlook

- Improving property fundamentals and elevated pricing have reaped gains for investors over the course of the recovery and this trend should continue through year end as the economy grows.
- Clarity surrounding the new tax laws will also spur investment activity, as many buyers look for opportunities under the new regulations. The new depreciation laws, in particular, may prompt some additional interest in smaller hotels with add-on potential.
- Rising tourism and healthy occupancy and RevPAR growth in many of the nation's smaller markets are capturing increased investor attention, as many of these metros generate higher yields than found in gateway cities.

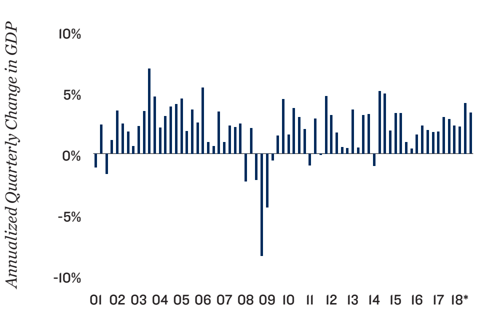
Optimism Reinforces Growth



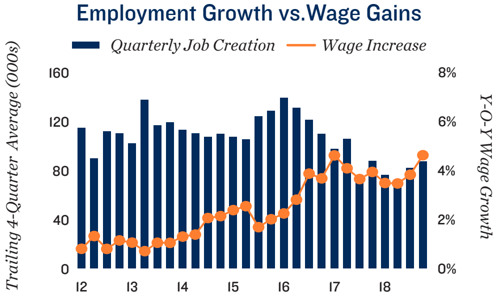
Tightening Labor Market Impact on Wages



U.S. GDP



Leisure and Hospitality
Employment Growth vs.Wage Gains



** Forecast*
*** Through January*

Steady Growth in Store Amid Robust Job Market; Optimism in Economy Fueling Hotel Sector

Leisure travel expected to rise as wages edge higher. Underpinned by a tight job market, the economy will remain stable in 2019. New hires will reach the low-2 million range for a ninth year in a row as corporate executives and small-business owners seek to expand operations. Sustained economic optimism still near a historical high remains a principal driver of growth. Though many companies will focus heavily on growing payrolls this year, finding qualified workers to fill open positions remains a challenge as the nation's unemployment rate lingers near 4 percent. Employers will enhance compensation packages to attract top talent, boosting wage growth beyond the regular mid-2 percent gains witnessed in the past few years. More leisure travel should coincide with climbing wages, especially with millennials, as this cohort continues to show a high propensity to travel, providing a bump to occupancy rates, ADR and RevPAR growth. Stronger recruiting efforts will also support these metrics, elevating business travel and driving weekday hotel demand.

Economic expansion steps back but still steady. Economic growth will be sustained throughout 2019, although momentum is expected to moderate as several factors could begin to weigh on expansion. Longer-term implications from the government shutdown remain in question, while weakening international economies could hamper domestic growth. Additionally, unsettled trade tensions are affecting numerous industries, including the hospitality sector. The current 10 percent Chinese tariff is being applied toward many types of hotel furniture and other accessories, potentially increasing capital expenditures for hotel owners. These costs could rise further as a 25 percent tariff may be implemented this spring if trade talks fail to be resolved. While a few forces could ease economic expansion this year, positive aspects including job creation, consumer confidence and rising retail consumption will outweigh these, preserving steady momentum and producing GDP growth in the low- to mid-2 percent range.

2019 National Economic Outlook

- **Consumer confidence climbing in conjunction with wages.** For the first time since late 2008, wage growth reached 3 percent, reinforcing the notion that firms are boosting compensation packages to entice the limited available talent. With strong wage growth on track to continue, consumer sentiment will remain positive, fueling confidence in the economy. In February this year, consumer sentiment rose 8 percent on a monthly basis to its highest level since December 2000.
- **Leisure trips expected to increase.** Roughly 96 percent of Americans plan on taking a vacation this year, with the majority plotting two or more leisure trips. While work obligations and limited time off may prohibit getaways for some, approximately 43 percent of people intend to spend more time on vacation travel this year than in 2018.
- **Higher tariffs may alter supply chains.** The ongoing trade war is impacting the hotel industry as items used to fill rooms are now coming with heftier price tags. Lighting and case goods — dressers, tables and chests — are often manufactured in China, which qualifies many of these goods for the 10 percent tariff. While the current price increase has been absorbed by some component of the supply chain, a possible 25 percent tariff may significantly affect the hospitality sector.

Occupancy Remains at Record Levels as Hoteliers Adapt to Emerging Travel Trends

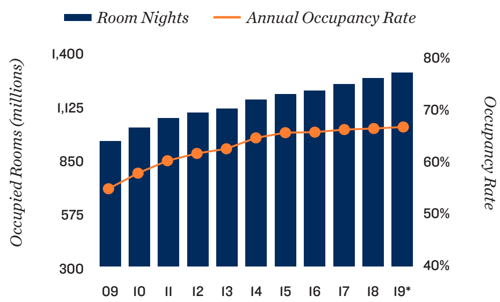
Room demand remains at peak levels. Another year of steady job creation and rising wages will support consumer spending at hotels this year, marking a 10th consecutive year of occupancy and RevPAR growth. The improving economy is already boosting travel plans for many individuals. More than 96 percent of people surveyed late last year about upcoming travel plans indicated they would be taking a trip in 2019 and roughly 76 percent of those are scheduling at least two or more trips this year. In addition to leisure travel, significant growth in meetings and events will likely further benefit hotel occupancy and revenue rates. Demand for meetings and events is expected to climb 14 percent in North America this year, and convention centers across the United States are expanding to meet these needs and attract large events to their cities. As these factors converge to support room demand, the supply of new hotels is beginning to moderate, which will further support occupancy improvement this year.

Hotels get social, catering to solo travelers. Hotels are increasingly adapting to traveler preferences as they continue to focus on the experience-oriented stay that many visitors seek. As new trends continue to arise, hotels are trying to evolve to stay competitive, particularly against home-sharing services like Airbnb. One trend is to target the increasing solo trips individuals are taking. Roughly 25 percent of millennials are planning to take a solo trip within the next two years and roughly 40 percent of Baby Boomers took a trip by themselves in 2018. To cater to these solo travelers, more hotels are hosting social events, providing tours and creating communal spaces to make these travelers more comfortable. Other hotels, like Marriott, are providing various workshops, cooking classes and group fitness activities to engage customers in a more social, dynamic experience.

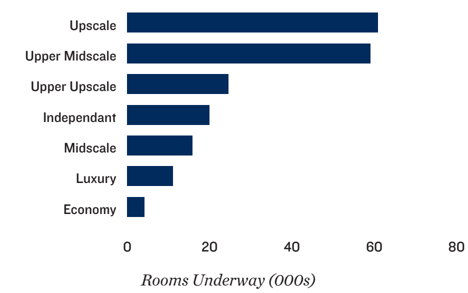
2019 National Hotel Sector Outlook

- **Occupancy reaches record levels.** Healthy economic growth will support room demand in 2019 keeping the occupancy rate at elevated levels. The rate is forecast to climb 30 basis points this year to 66.5 percent, a more than 30-year record high. Elevated occupancy will also support healthy increases in the average daily rate and RevPAR this year, albeit a moderated pace of growth compared to the prior five-year average.
- **Construction moderates, remains focused in key markets.** Supply is expected to increase 1.8 percent in 2019, down from the 2.0 percent increase recorded last year. The bulk of hotels under construction remain in the upscale and upper midscale segments. Most of the completions continue to center on a handful of large markets. Metros with the most rooms under construction include New York City, Las Vegas, and Dallas/Fort Worth.
- **New regulations surrounding home-sharing rentals balance the playing field.** As knowledge of home-sharing services, including Airbnb and HomeAway, continues to rise, more local officials and governments are trying to put regulations of these short-term rentals into place. Many are implementing lodging taxes, requiring permits and limiting the number of days the property can be rented. These may sway some homeowners to no longer list their homes or limit inventory throughout different markets, helping drive demand for hotels in the area. Another goal of requiring home-sharing registration is to improve renter safety, with the prevalence of scam listings directing many skeptical travelers to the established security of professional hotel services.

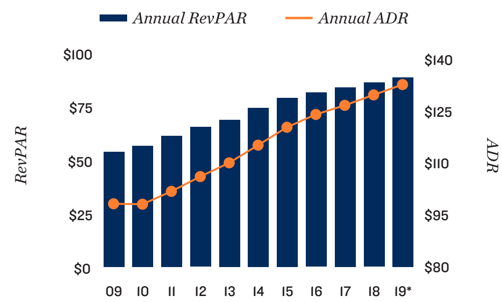
U.S. Annual Occupancy Trend



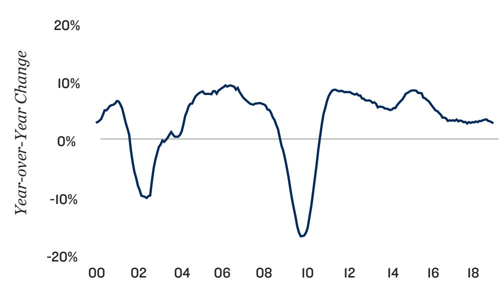
Rooms Underway**



Revenue Measures Rising

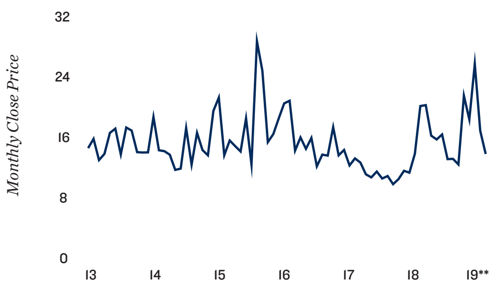


Historical RevPAR Trends



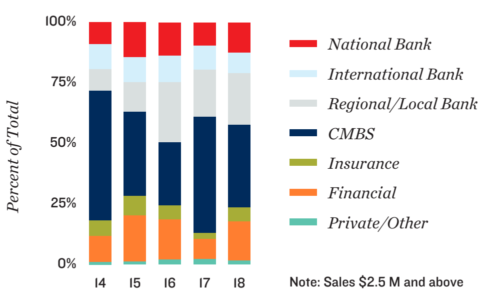
* Forecast
** Under Construction as of December

S&P Volatility Index

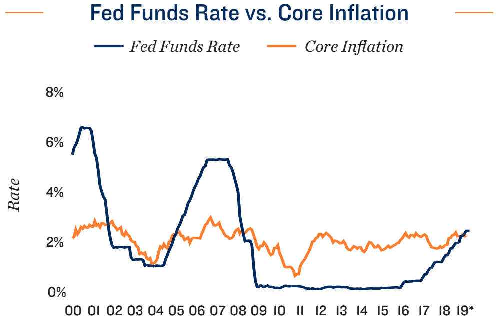


U.S. Treasury Yield Spread Tightens

Hotel Mortgage Originations by Lender



Fed Funds Rate vs. Core Inflation



** Through March 1; Core Inflation through end of January*
***Through February 1*

Fed Easing Pressure on Interest Rates; Investment Activity Supported by Strong Liquidity

Slowing international economies weigh on domestic outlook. Amid ongoing trade disputes between the U.S. and China and slowing growth throughout the European economy, the overall outlook for the global economy has begun to wane. Financial market volatility, combined with elevated caution, has sponsored a flight to the safety of Treasurys, pushing the 10-year yield below 2.8 percent to start 2019. While domestic economic output has moderated in recent months, the government shutdown and the waning impact of the tax cut stimulus are likely to trim forward estimates. As a result, Fed Chairman Jerome Powell commented that the Fed is considering an adjustment to their quantitative tightening efforts and put further interest rate hikes on hold as the central bank takes a wait and see approach to monetary policy. The bond market has begun to price in a much more dovish Fed, with flattening interest rates reflecting this more cautious stance. Fed officials will likely focus on the intersection of a global growth slowdown and continued labor market strength as they define their plans. Barring a major economic or political event, investors can expect interest rates to be a bit more stable this year.

Evolving consumer preferences impacting investor capital deployment. As millennials constitute a greater share of overall travel spending, hotel investors continue to target markets where visitor counts are highest. Lenders including local, regional and national banks and insurance companies have been active, supporting loan-to-value (LTV) ratios in the 55 to 70 percent range. Industry sentiment remains broadly upbeat, producing an active marketplace with plenty of sources of liquidity available. A modest spread has emerged between top-tier destination markets and secondary and tertiary markets, producing some lender wariness surrounding smaller markets where visitor counts are more volatile. As a result, buyers have turned to more nuanced financing structures such as mezzanine and bridge loans to undertake capital improvements, which typically price at 400 to 600 basis points above Libor, depending on capital sourcing and deal terms. Many investors can also seek financing through the Small Business Administration, which provides LTVs of up to 90 percent in some cases. However, multiple rules and regulations govern how these loans are structured and what they can be used for.

2019 Capital Markets Outlook

- **Inflationary pressures benign despite upbeat wage growth.** Following the implementation of tariffs on several key trading partners, core inflation has remained just above 2 percent, showing little impetus for an uncontrolled surge. Muted inflationary pressure has given the Fed more maneuvering room, particularly as international pressures weigh on sentiment. Meanwhile, extremely low unemployment near 4 percent has sponsored steady wage growth gains, expanding by 3 percent over the last year, which is boosting consumption and retail sales.
- **Monetary policy allows flexibility into potential downturn.** While other central banks have maintained ultra-low interest rates, the Fed has undertaken a much more prudent policy stance, embarking on a series of rate increases since the fourth quarter of 2015. The current fed funds rate of 2.5 percent offers the Federal Reserve sufficient ammunition to combat potential headwinds to domestic growth, helping to boost sentiment.
- **Treasurys offer arbitrage opportunities for global investors.** Offering a premium of up to 200 basis points compared with some other countries, the 10-Year Treasury provides a significantly higher yield to international investors, particularly on a risk-adjusted basis. This arbitrage has sponsored tremendous capital inflows into U.S.-based assets, particularly Treasurys, which has acted as a suppressant on interest rates.

Investor Appetite Has Increased for Smaller Markets; Clarity Surrounding Tax Reform Spurs Bidding

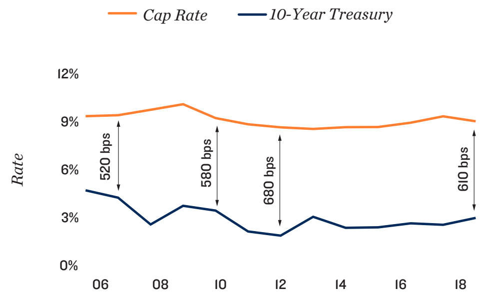
New regulations and healthy property performance entices buyers. Improving property fundamentals and elevated pricing have reaped gains for investors over the course of the recovery and this trend should continue through year-end as the economy continues to grow. Transaction velocity has risen at a steady clip over the past few years and limited available assets in some markets could underpin notable increases in property values this year. Clarity surrounding the new tax laws will also spur investment activity, as many buyers look for opportunities under the new regulations. The new depreciation laws, in particular, may prompt some additional interest in smaller hotels assets with value-add potential as owners can expense up to $1 million of depreciable personal property to furnish their hotels. This will allow investors to deduct the price of furniture instead of depreciating them over several years. These new regulations could entice some smaller, local buyers to consider hotels.

Smaller markets increasingly attract investors. Rising tourism and healthy occupancy and RevPAR growth in many of the nation's smaller markets are capturing increased investor attention. Many of these metros also offer first year returns averaging upwards of 200 basis points higher than gateway markets, appealing to yield driven buyers. Hotels in the Carolinas, Mid South and Southwest regions are especially popular, and each region posted more than 20 percent growth in transaction velocity last year. These regions sustained considerable property performance gains over the course of the recovery, attracting a wide range of investors, and many markets in these areas will continue to advance. Properties in these three regions typically change hands with first-year returns in the low-9 to the low-10 percent area on average.

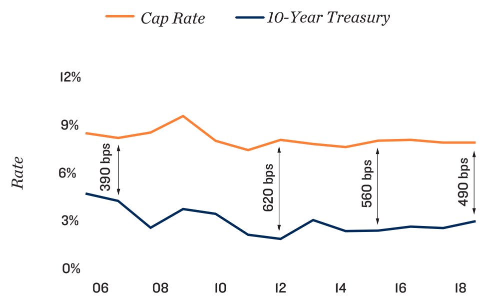
2019 Investment Outlook

- **Increased wage growth a double-edged sword.** Rising wages and income levels are supportive of leisure travel, particularly local drive-accessible destinations. This is helping occupancy rates and RevPAR growth, but it's also driving up operating costs.
- **Private investors increasingly active.** The elevated yields offered by hotel assets have begun to entice a wider array of investors, changing the buyer composition profile. After accounting for roughly half of deal flow in 2017, private investment took a step back last year, allowing institutional capital to fill the void. Nonetheless, upper midscale, economy and independent hotels nationwide remain highly sought after assets, particularly among private buyers. These properties can average first-year yields starting in the mid-8 percent range for upper midscale hotels and roughly 200 basis points higher for economy properties. While the number of private investors continues to grow, institutional capital remains active, favoring upper upscale and luxury hotels in primary markets.
- **Changing traveler habits could attract opportunistic investors.** As more travelers favor an experience-oriented environment, some investors may find opportunities in renovating hotels to lure these visitors. These investors may target independent hotels that can be transformed around unique themes with expanded amenity packages. Performance in independent hotels continues to remain healthy, with occupancy growth outpacing all other chain scales last year.

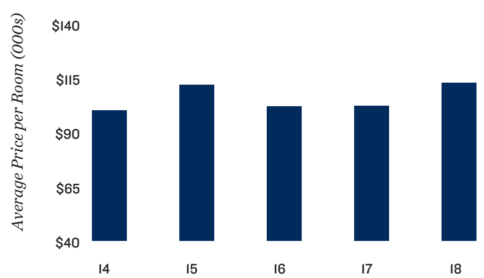
Limited Service Cap Rates*



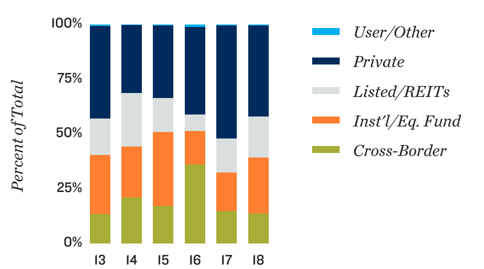
Full Service Cap Rates*



Hotel Sales



Hotel Buyer Composition*



* Sales $2.5 million and greater.

2019 Generational Trends Impacting Hotels

	Millennials	Generation X	Baby Boomers
Total Expected Travel Spending Per Person	$4,403	$5,400	$6,621
Spending Compared with 2018	*Same 41%*, *More 51%*, *Less 8%*	*Same 47%*, *More 45%*, *Less 8%*	*Same 52%*, *More 35%*, *Less 13%*
Number of Domestic Trips Planned per Person	3.2	3.8	3.8
Adding Personal Travel to Business Trip	46%	28%	17%
Share of Travelers Working on Vacation	78%	72%	59%
How Much Vacation Time Travelers Will Use	Little - 6%, Some - 17%, Most - 32%, All - 45%	Little - 6%, Some - 25%, Most - 33%, All - 35%	Little - 6%, Some - 32%, Most - 34%, All - 28%

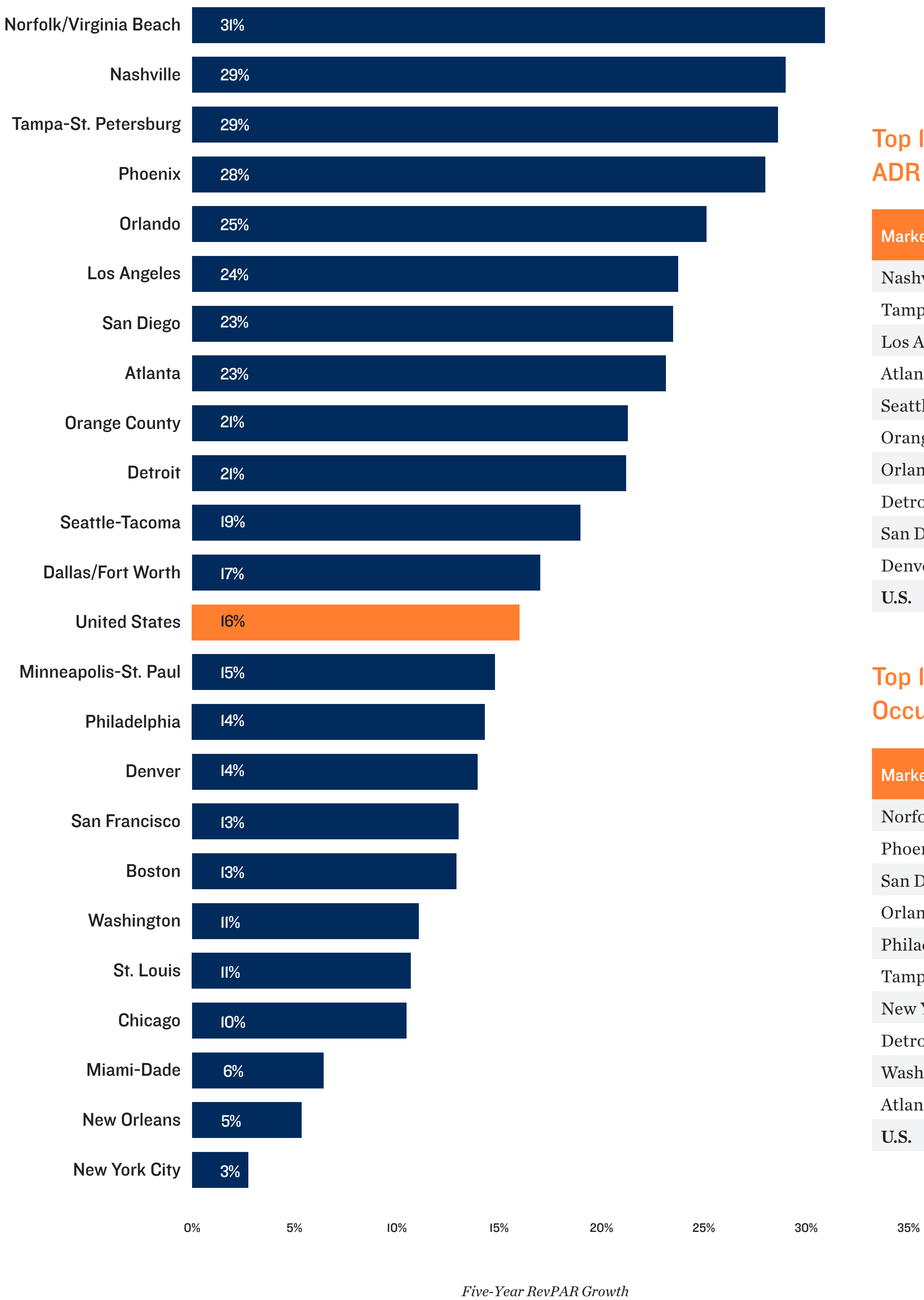
Boomers Lead Travel Spending, Millennials Adapt Their Leisure Travel to Meet Job Needs

- Baby boomers will outspend other generations in travel this year, spending more on average than they did in 2018. Members of this cohort are planning on taking as many or more trips than younger travelers, continuing to underpin hotel leisure demand this year.
- Millennials are finding ways to travel despite the obligations of professional life. That includes extending business trips with personal time and working remotely. Hotels that can provide a productive working environment while still offering unique experiences are more likely to engage millennial customers, helping distinguish themselves from the private rental market that can appeal to younger vacationers.

Sources: Marcus & Millichap Research Services; AARP Research

Southern and Western Metros Outperform Some More Established Markets

Five-Year RevPAR Growth 2014-2018*



Top 10 Markets by ADR Growth

Market	Five-Year ADR Growth
Nashville	26.2%
Tampa-St. Petersburg	22.4%
Los Angeles	22.2%
Atlanta	19.6%
Seattle-Tacoma	19.6%
Orange County	19.5%
Orlando	18.6%
Detroit	17.1%
San Diego	17.1%
Denver	16.5%
U.S.	**12.6%**

Top 10 Markets by Occupancy Change

Market	Five-Year Occupancy BPS Change
Norfolk-Virginia Beach	830
Phoenix	660
San Diego	430
Orlando	400
Philadelphia	380
Tampa-St. Petersburg	340
New York	260
Detroit	220
Washington, D.C.	210
Atlanta	200
U.S.	**180**

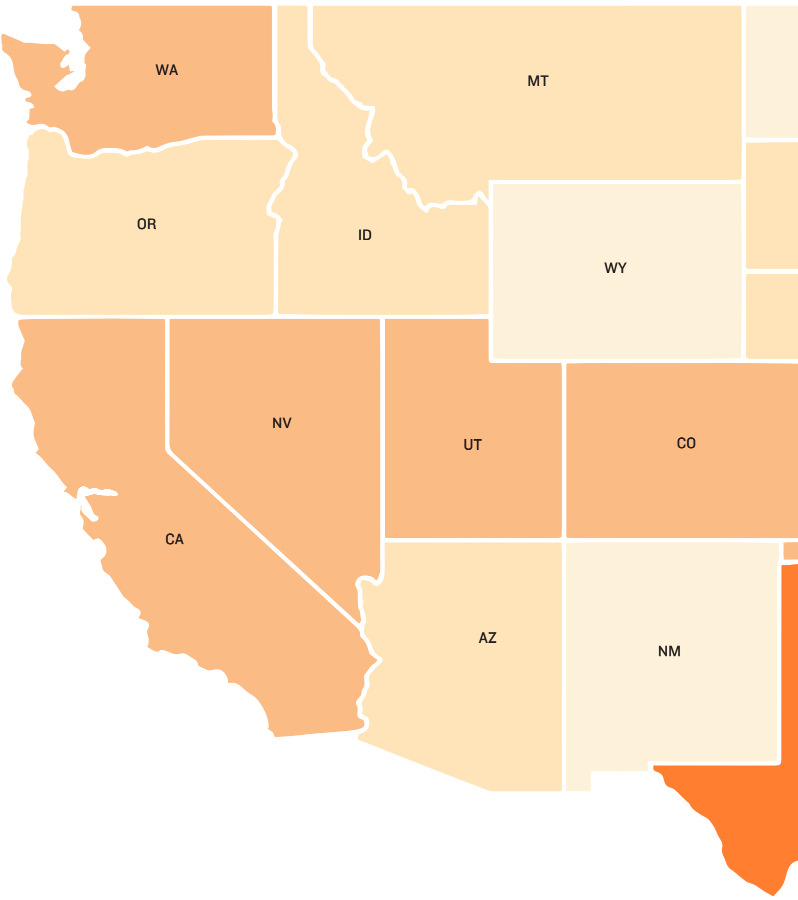
** 23 of the largest U.S. mainland hotel markets*

Sources: Marcus & Millichap Research Services; STR, Inc.

Texas Leads Pipeline; Concentrated Development in Mid South

Under Construction Percent of Stock

- < 1%
- 1% - 2.9%
- 3% - 4.9%
- 5% - 10%



Top States

STATE	Rooms Underway*	Percent of Stock
New York	17,100	7.1%
Kentucky	4,000	6.1%
Tennessee	7,200	5.7%
Texas	25,500	5.4%
Indiana	4,200	4.8%
South Carolina	5,200	4.8%
Nevada	8,500	4.4%
California	22,200	4.2%
Rhode Island	500	4.2%
North Carolina	6,400	4.1%
All Other States	**92,900**	**2.8%**

Top 10 Markets by Inventory Change

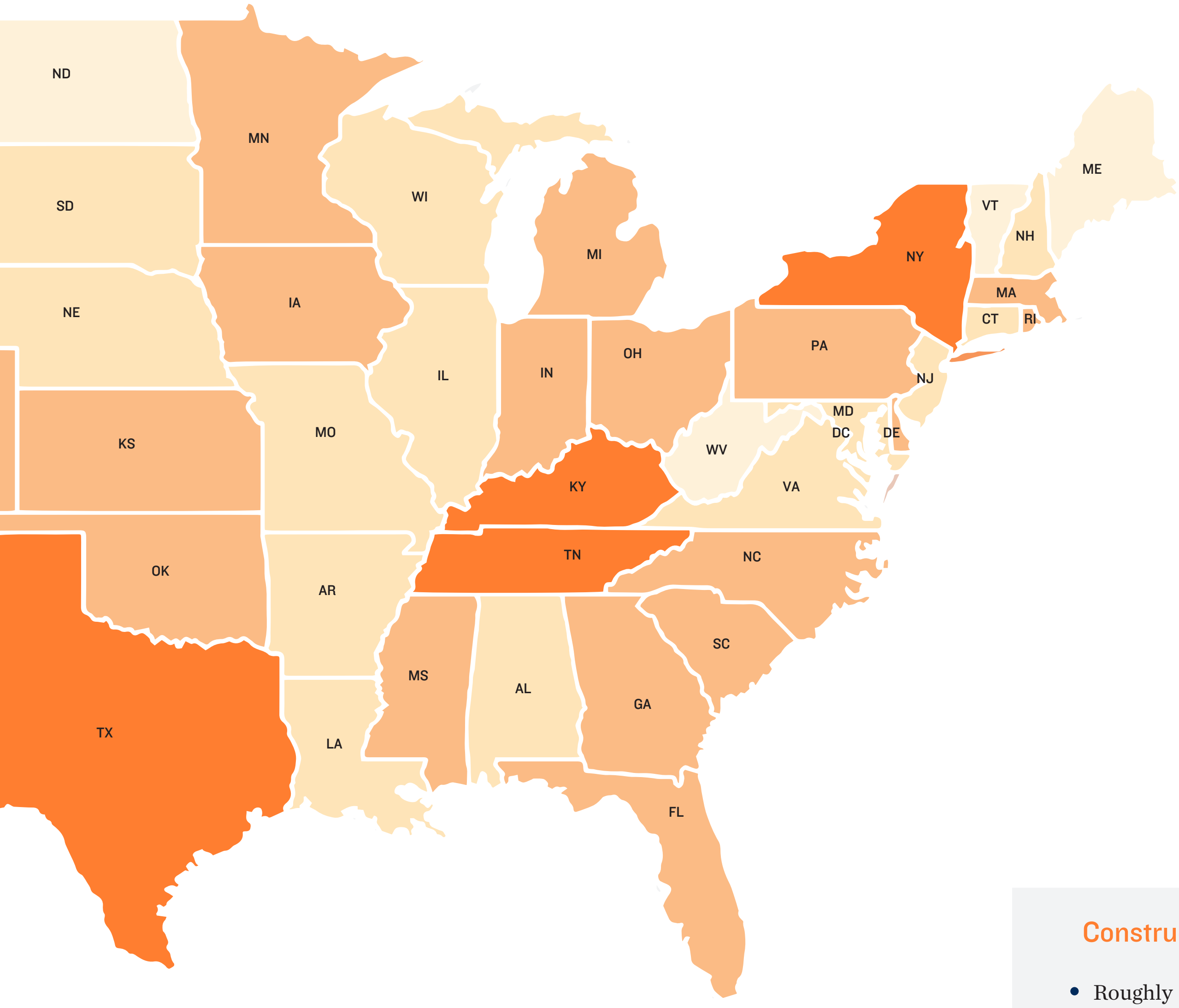
(2014-2018)

Largest Growth	Five-Year Inventory Change**	Five-Year Occupancy BPS Change
Nashville	19.0%	140
Denver	18.7%	-200
Seattle-Tacoma	17.5%	-50
Minneapolis-St. Paul	14.4%	20
Miami-Dade	14.2%	-120
Dallas/Fort Worth	13.2%	40
Boston	12.3%	40
New York City	8.4%	260
Detroit	7.9%	220
Chicago	7.5%	0
U.S.	**6.2%**	**180**

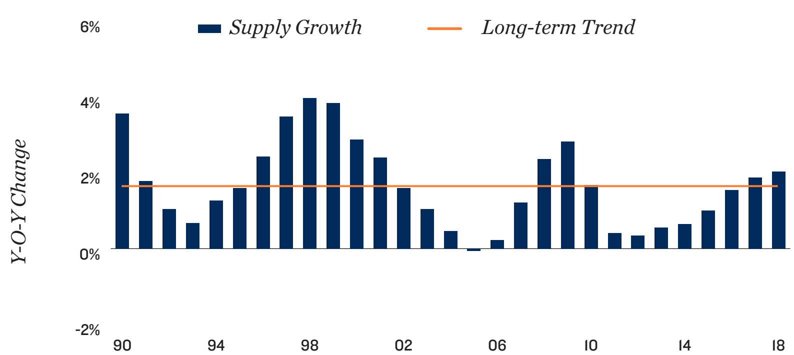
** Through December 2018*

*** Change in inventory between March 2015 and December 2018*

Sources: AHLA; STR Inc.



Annual Supply Growth



Construction Highlights

- Roughly 53 percent of rooms underway are in the largest 25 metros.
- Top markets: New York City, Dallas/Fort Worth, and Las Vegas.
- About 194,000 rooms are currently under construction.
- About 61 percent of the rooms underway are upper midscale and upscale.

New Legislation Supports Hotel Demand; Investors Look to Yields in Smaller Metros

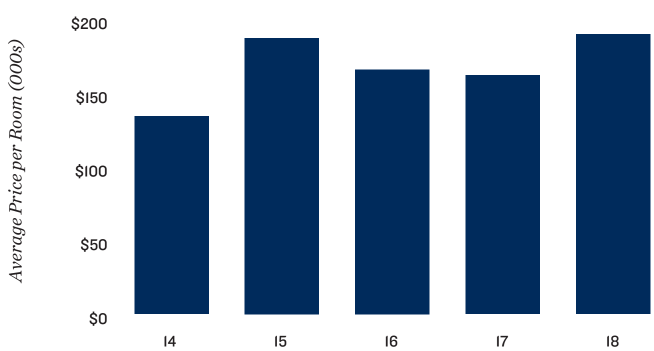
Recently enacted regulations could bode well for Los Angeles hotels. Steady demand throughout many of California's smaller markets and San Diego will support a slight improvement in statewide occupancy this year. San Diego's numerous attractions lure tourists, creating record visitation that bodes well for area hotels. During the past five years, annual occupancy in the market has improved roughly 450 basis points and the upward trend will continue into 2019. Supply pressures in other larger metros, including Los Angeles and San Francisco, are limiting further statewide occupancy improvement. While construction weighs on the rate in these markets, both maintain a relatively high annual occupancy near or above 80 percent. New regulations surrounding short-term rentals in Los Angeles, in particular, may limit some of the decline in occupancy moving forward. The legislation enforces a 120-day cap for entire home rentals and requires the host to list their primary residence.

Southern California commands considerable buyer attention; smaller markets motivate yield-driven buyers. A wide variety of assets, combined with steady demand from visitors, will draw a diverse group of buyers to the Golden State. The state's larger markets, including Los Angeles, San Diego, San Francisco and the Inland Empire, comprise the bulk of trades. Hotels in these areas offer first-year returns in the mid-6 to mid-7 percent band on average, though cap rates vary by property location and chain scale. Opportunistic investors will look to smaller markets for economy and independent hotels where first-year returns above 9 percent can be found. These areas of interest include Bakersfield, Fresno and Salinas. Overall, independent hotels make up a considerable amount of trades statewide. Demand also persists for limited service properties with fewer than 100 rooms.

2019 Demand Growth

2.1% Year-over-Year Room Nights

Hotel Sales



4.2% Percent of Inventory Under Construction as of December 2018

290 bps Five-Year Occupancy Growth 2014-2019

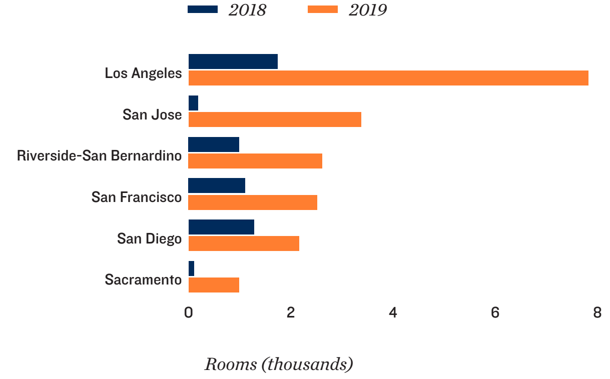
28% Five-Year RevPAR Growth

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

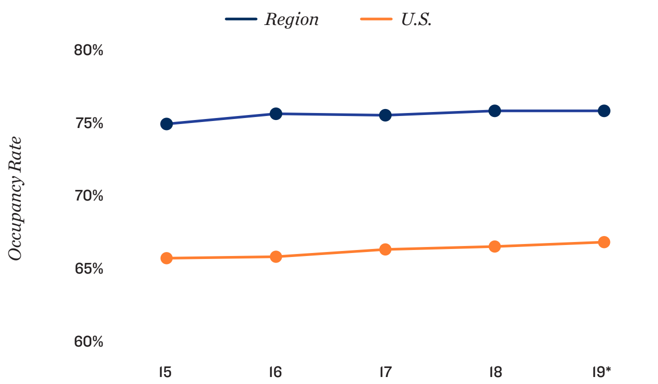
2019 Regional Highlights

- The Los Angeles City Council approved public funding to build out the convention center. The project would add roughly 340,000 additional square feet of space to the building. The expansion could draw more events to the city, supporting visitation, which would benefit nearby hotels.
- The return of the Carnival Cruise Line and more additions to the Disney Cruise Line in San Diego will continue to support visitation to the market. The number of passengers is expected to reach 340,000 in 2020, nearly double from four years ago.
- The Moscone Center in San Francisco was completed in the first week of January, adding 157,000 square feet. The closure for construction limited the city's ability to handle some larger conferences and events. The reopening and expansion could lead to more events, attracting visitors to the metro and area hotels.

Development Trends ♦



Annual Occupancy



2019 Region Forecast

Supply up 1.9% — Construction throughout California remains elevated with roughly 11,900 rooms underway throughout the state. Los Angeles comprises a considerable portion of these rooms with more than 7,400 rooms in construction.

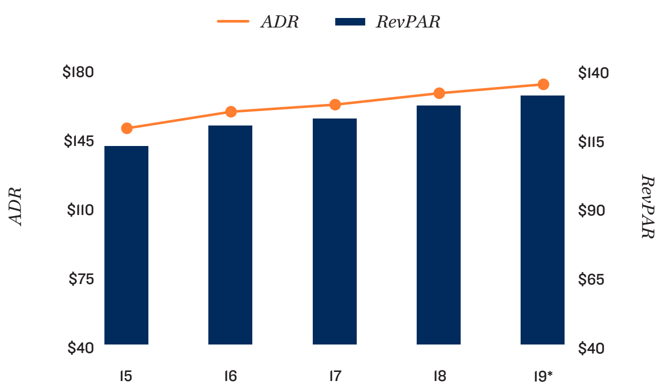
Occupancy no change — Following a 20-basis-point rise last year, annual occupancy will remain at 75.5 percent in 2019.

ADR up 2.7% — Steady demand will support a 2.7 percent increase in the average daily rate this year to $171.69. A 3.6 percent increase was recorded in 2018.

RevPAR up 2.8% — The combined occupancy and ADR improvement will lift RevPAR up to $130.12 in 2019. Last year, the rate climbed 3.9 percent.

Investment — Sales activity remains elevated throughout the Inland Empire, with Palm Springs generating considerable interest. Added airline flights to the Palm Springs airport are bringing new visitors and the city's proximity to Los Angeles and San Diego attracts vacationers from these markets, generating room demand and enticing investors.

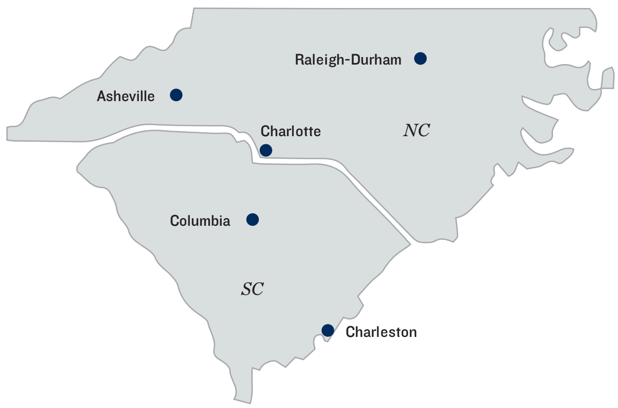
Full-Year Revenue Measures



♦ 2018 Recent Openings; Under Construction as of December 2018

** Forecast*

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

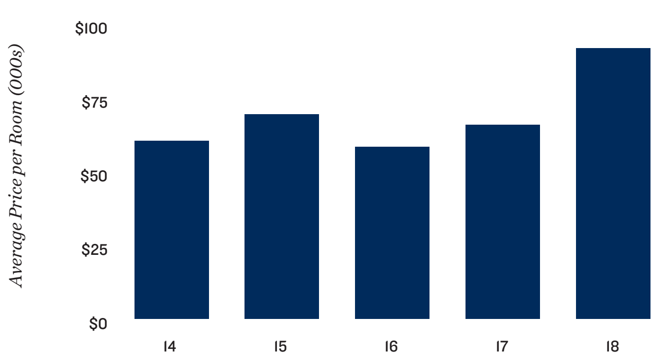


States: North Carolina and South Carolina

2019 Demand Growth

2.1% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Supply Wave Meets Demand Amid Tourism Boom in the Carolinas

North Carolina leads occupancy and RevPar growth amid strong tourism spending. Steady room demand throughout the Carolinas region will support vacancy improvement this year, though at a moderated pace from 2018 as inventory increases. Both North and South Carolina have more than 5,000 rooms underway as strong occupancy improvements since 2009 fueled construction. By year-end, occupancy will have risen more than 1,400 basis points over the last 10 years. North Carolina, in particular, will lead occupancy and RevPAR gains this year as visitor spending continues to break records. Strong demand in many of the state's larger markets, including Charlotte and Asheville, will likely keep up with supply additions this year. Both metros have a considerable number of units underway, comprising more than 8 percent and 6 percent of their total inventories, respectively.

Upper midscale and economy hotels dominate bidding in the Carolinas. Positive performance trends will sustain investor interest for hotels in the Carolinas region for 2019. Sales velocity has risen across both states over at least the past five years, and that trend will likely continue through year-end. Upper midscale and economy hotels are highly targeted, with cap rates starting in the mid-9 percent band for upper midscale assets and averaging into the 12 percent zone for economy properties. Buyers are primarily targeting the states larger markets including Charlotte, Charleston and Raleigh. Strong competition in these metros has elevated sales prices considerably during the past year. Investors may look to older properties in these markets for opportunities to renovate and raise rates. Heightened demand could also prompt some owners to place their properties on the market amid elevated pricing.

4.4%	Percent of Inventory Under Construction as of December 2018
370 bps	Five-Year Occupancy Growth 2014-2019
25%	Five-Year RevPAR Growth

2019 Regional Highlights

- The 2019 NBA All-Star Weekend will take place in Charlotte, North Carolina, in February. The games will likely generate considerable room demand during that time and bring national recognition to the state.
- The University of South Carolina will host part of the NCAA tournament this year. The event will likely bring many visitors to Columbia in March, benefiting occupancy and revenue metrics.
- The Asheville Regional Airport has ranked as the second-fastest growing regional airport in the nation based on seat capacity since 2016. The increased seating capacity is allowing more passengers who are attracted to the numerous recreational activities in the region's Blue Ridge Mountains and the growing art scene.

2019 Region Forecast

Supply up 1.7% — Developers are active throughout the Carolinas with nearly 11,800 rooms underway in more than 100 hotels. North Carolina will receive the most new deliveries as more than 6,300 rooms are under construction. More than half of these will be located in the Charlotte metro.

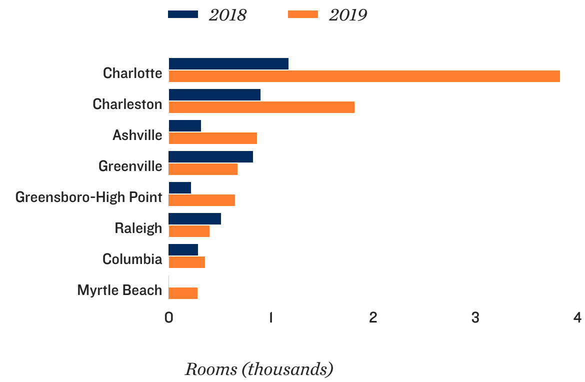
Occupancy up 50 bps — Occupancy will rise to 64.8 percent this year. Last year, the rate rose 80 basis points amid strong room demand.

ADR up 2.0% — The increase in occupancy will support a 2.0 percent tick up in the average daily rate to $110.49. This follows the 2.1 percent rise recorded in 2018.

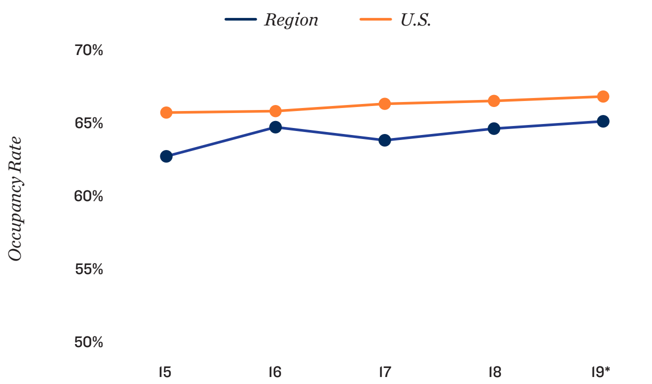
RevPAR up 2.6% — Building on a 3.4 percent increase last year, RevPAR will climb to $72.31 in 2019.

Investment — Increased tourism to Asheville is generating interest for hotels in the area. Most sales will likely comprise smaller independent properties with around 50 rooms or less. Buyers outside of the Carolinas are increasingly looking to the market, particularly from the nearby states of Georgia and Florida.

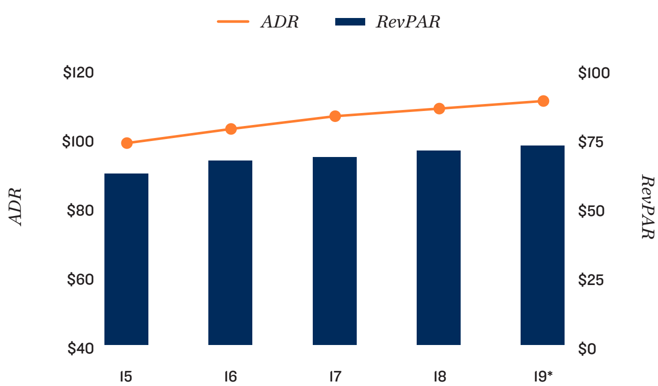
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures



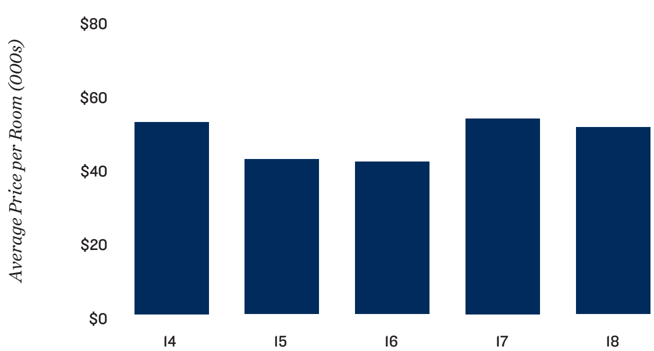
♦ 2018 Recent Openings; Under Construction as of December 2018
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

States: Kansas, Missouri and Oklahoma

2019 Demand Growth

1.4% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Hotel Performance Mixed Across Central Midwest Region

Demand lifts occupancy in Oklahoma, boosting revenue growth in the state. Declining occupancy in the state of Missouri will outweigh improvements in Kansas and Oklahoma this year, putting slight downward pressure on regional occupancy in 2019. Missouri has struggled with tourism since 2017 when the passage of SB 43 and several incidents placed it on a travel advisory that warned visitors to avoid the state. As a result, occupancy has fallen more than 200 basis points since 2017 as some organizations opted for conventions elsewhere and travelers may have changed prior plans. These warnings also impacted St. Louis, though at a slightly moderated rate, with occupancy dropping roughly 100 basis points over the two-year period. Outside of Missouri, strong room demand is driving considerable occupancy and RevPAR growth in Oklahoma. Occupancy has risen more than 300 basis points over the past two annual periods, fueling above national average RevPAR growth in 2018. Steady demand should support further improvement this year in the state, leading the region in growth overall.

Buyers look to Oklahoma, diverse investor pool targets St. Louis. Considerable occupancy and RevPAR growth in Oklahoma will generate investor demand for hotels in the state. Both Oklahoma City and Tulsa attract buyers with cap rates in the mid-8 to high-9 percent band, varying based on property type and location. Flagged hotels in each market are popular, with buyers increasingly targeting select service hotels in Oklahoma City. Nearly half of all regional hotel transactions occur in Missouri, with a range of markets attracting buyers. Yield-driven investors may find opportunities in Kansas City, where cap rates in the low-10 percent zone can be found. St. Louis offers a diverse bidding pool, with out-of-state buyers targeting full service hotels, while many local investors bid for smaller limited service and independent properties.

3.0%	Percent of Inventory Under Construction as of December 2018
-110 bps	Five-Year Occupancy Growth 2014-2019
7%	Five-Year RevPAR Growth

2019 Regional Highlights

- Late last year, the city of St. Louis announced improvements to the America's Center Convention Complex. Roughly 92,000 square feet of exhibit space, 65,000 square feet of ballroom space and 42,000 square feet of multipurpose space will be added to the center. Additional upgrades will be made in hopes of spurring a 36 percent increase in growth for the city's convention business. More meetings could boost occupancy and revenue growth in area hotels.
- Oklahoma City's new convention center could support further room demand in the near future. The center is expected to open in June 2020 and comprise 200,000 square feet of exhibit space as well as a 30,000-square-foot ballroom.
- Beginning in the fall of last year, new regulations surrounding short-term rentals were implemented in Kansas City. This could benefit area hotels as some owners forgo listing their properties.

2019 Region Forecast

Supply up 1.8% — The pace of construction will remain on par with the national average this year. Nearly 6,600 rooms are underway throughout the Central Midwest. Missouri and Oklahoma will each receive more than 2,500 rooms. An additional 7,400 rooms are expected to break ground regionally in the nest 12 months.

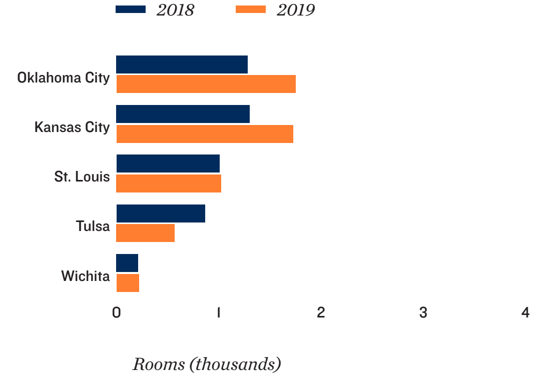
Occupancy down 10 bps — After remaining flat in 2018, the regional annual occupancy rate will fall slightly this year to 57.7 percent.

ADR up 1.1% — ADR growth picks up slightly from the prior 0.4 percent increase recorded last year, reaching $91.03 in 2019.

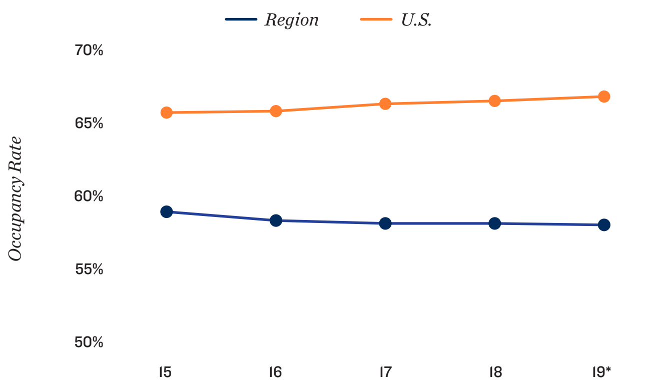
RevPAR up 0.9% — Improving ADR will support some RevPAR growth this year despite declining occupancy. The rate will reach $52.88.

Investment — Limited listings in Kansas will likely fuel bidding for assets in the state, potentially placing upward pressure on property values in prime locations. Both Wichita and Kansas City attract investors by offering yields in the low-8 to low-9 percent area. Economy and upper midscale hotels are popular in the state.

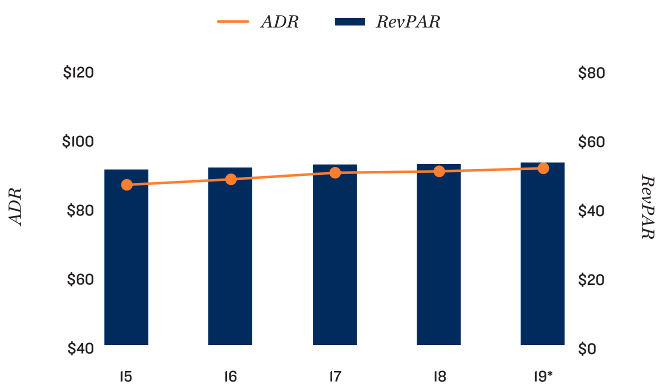
Development Trends ♦



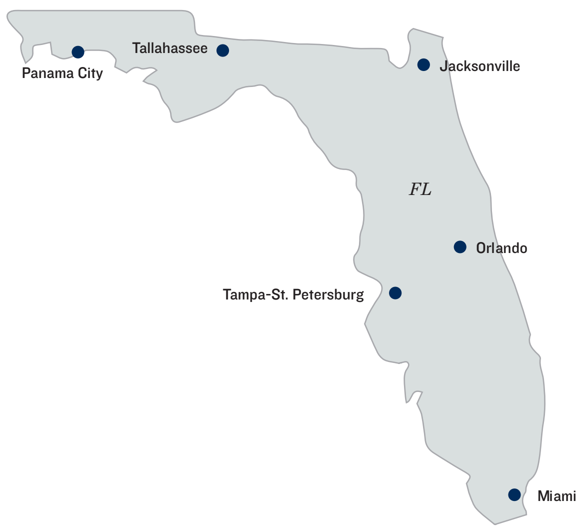
Annual Occupancy



Full-Year Revenue Measures



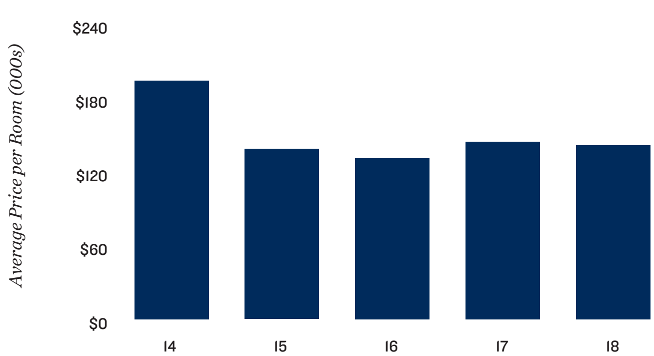
♦ 2018 Recent Openings; Under Construction as of December 2018
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics



2019 Demand Growth

2.9% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Record Visitation Supports Room Demand Statewide, Luring Investors

Miami hotel performance rebounds, renovated convention center could generate more demand. Since December 2010, visitation to Florida has risen at a steady pace, setting records for the numbers of travelers and for visitor spending. As a result, statewide occupancy has advanced roughly 1,400 basis points since that time amid healthy room demand. The trend will continue through year-end as numerous attractions bring visitors to the Sunshine State, supporting above-national-average RevPAR growth. Miami, in particular, will drive much of the occupancy and revenue increases as travel to the market rebounds after the tourism industry suffered from the Zika virus and hurricanes throughout 2016 and 2017. Recent renovations to the Miami Beach Convention Center could support new room demand as the additional 235,000 square feet of convention space could lead to more and larger citywide events.

Independent hotels garner investor attention, lifting property values. Improving property performance will sustain demand for Florida hotels this year, keeping property values elevated. Orlando, Tampa-St. Petersburg and Southeast Florida will continue to drive considerable investor interest, with both out-of-state and local buyers fueling bidding for hotels. Properties in South Florida traded with average first-year yields in the mid-6 percent band. The cities of Miami, Hollywood and Fort Lauderdale commanded much of the attention in this area. Higher returns can be found in Orlando and Tampa-St. Petersburg. Cap rates in these metros averaged in the mid-7 to high-8 percent range, varying by chain scale and location. Statewide, independent hotels commanded substantial attention and bidding for these assets has elevated sales prices considerably in recent years. Independent hotels trade at cap rates in the mid-7 percent zone on average.

4.1%	Percent of Inventory Under Construction as of December 2018
410 bps	Five-Year Occupancy Growth 2014-2019
29%	Five-Year RevPAR Growth

2019 Regional Highlights

- The Orange County Convention Center in Orlando is under renovation with plans to add a 200,000-square-foot venue and a 60,000-square-foot ballroom. The project is scheduled for completion by 2021 and is expected to bring roughly 250,000 more people to the center each year. Additional space could be a boon for area hotels as individuals travel from out of town to attend events.
- Hotel construction is booming throughout Miami and Orlando. More than 5,500 rooms are underway in each market. Additionally, a combined 12,000 rooms are expected to break ground in these markets within the next 12 months.
- New regulations for short-term rentals in Miami could benefit area hotels. The legislation only allows rentals with business licenses and resort tax registration numbers to list on sites like Airbnb. This could sway individuals from renting their homes.

2019 Region Forecast

Supply up 2.2% — Completions throughout Florida remain elevated, surpassing the national rate of growth this year. More than 18,500 rooms are underway statewide and a further 19,700 will begin construction within the next 12 months. Miami and Orlando will lead deliveries.

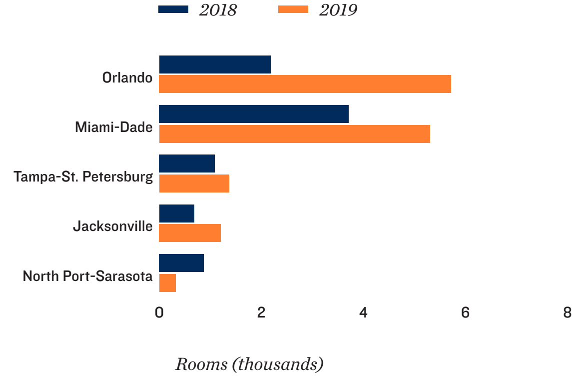
Occupancy up 80 bps — After a 70-basis-point dip was recorded in 2018, occupancy will climb to 73.8 percent this year.

ADR up 4.9% — The average daily rate will register a second consecutive year of above 4 percent growth, reaching $149.97 at year end.

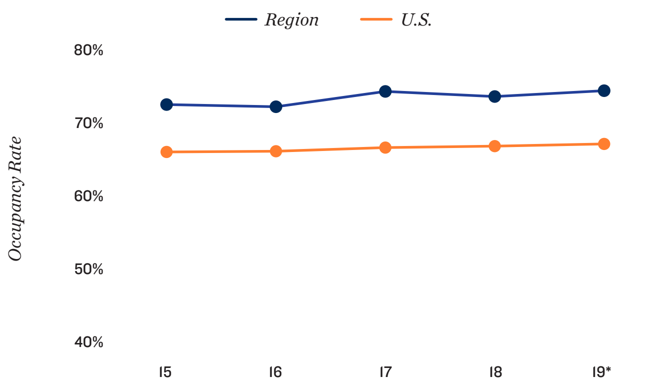
RevPAR up 6.0% — The boost in occupancy combined with rising room rates will drive an increase in RevPAR to $111.62 this year. In 2018, the rate edged 3.4 percent higher.

Investment — Returns 100 to 200 basis points higher than in some of the state's larger markets are luring some buyers to Tallahassee and Jacksonville. Investors in these metros are primarily targeting national brands, especially in the select service segment.

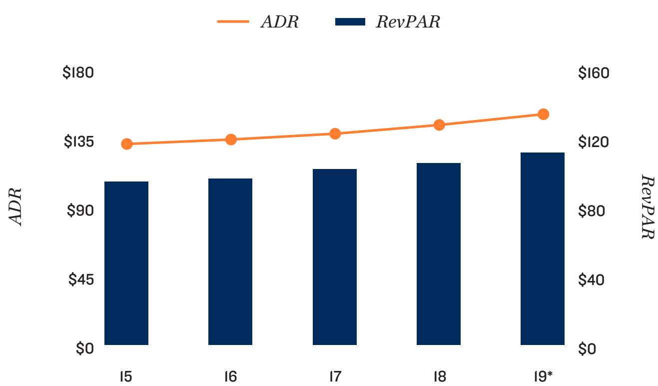
Development Trends ♦



Annual Occupancy



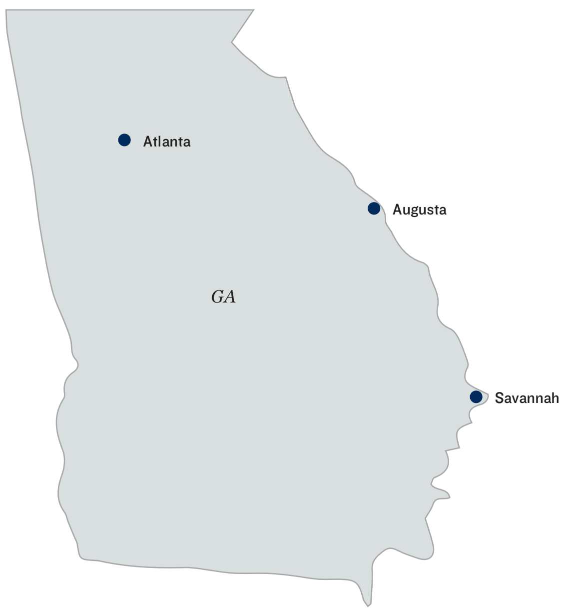
Full-Year Revenue Measures



♦ *2018 Recent Openings; Under Construction as of December 2018*

* *Forecast*

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics



Super Bowl, Business Travelers Boost Demand for Georgia Hotels

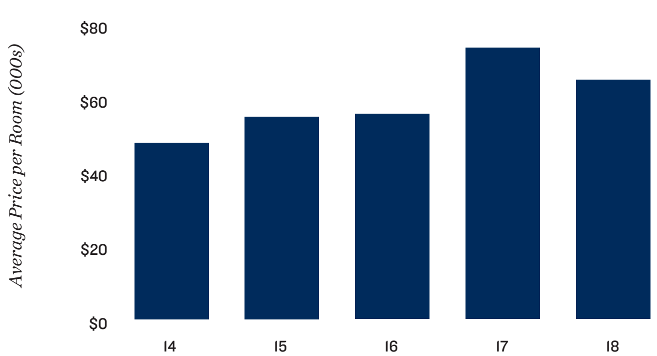
A range of factors converge to improve occupancy and revenue metrics throughout Georgia. Healthy employment growth and visitation levels will combine to drive up occupancy rates throughout Georgia and support modest increases in the average daily rate and RevPAR this year. Job creation, particularly in Atlanta, remains above the national average. This will continue to support room nights from business travelers who visit the metro for meetings. The market is also home to a major international airport, which provides easier access for visitors and professionals coming from abroad. In addition to business travel, Atlanta will see an influx of leisure travelers this year. The market hosted Super Bowl LIII in early February, which brought an additional 150,000 visitors from out-of-state and aided hotel occupancy and RevPAR. These factors will allow the market to boost annual occupancy, boding well for the overall statewide rate.

Most investors bid in Atlanta, while high-yields in smaller markets attract other buyers. Improving hotel property performance will sustain demand for hotels throughout Georgia this year. Atlanta will comprise the majority of transactions, attracting a variety of out-of-state and local buyers. Hotels in popular areas inside the Perimeter will remain highly targeted, with limited listings intensifying bidding and keeping property values elevated. Assets in these locales trade with average first-year returns in the mid-7 percent band. Outside of the Perimeter, hotels in the Cumberland/Galleria area also command considerable buyer attention. Select service hotels throughout the submarket are popular. Many buyers are also turning to smaller markets outside of Atlanta for even higher yields, including Savannah and Columbus. In Savannah, cap rates in the low-10 percent zone can be found, wile assets in Columbus offer first-year yields into the 12 percent area.

2019 Demand Growth

2.5% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

3.5% Percent of Inventory Under Construction as of December 2018

380 bps Five-Year Occupancy Growth 2014-2019

30% Five-Year RevPAR Growth

2019 Regional Highlights

- This year the Super Bowl brought hundreds of thousands of visitors to the state, filling an abundance of rooms. Not only were the majority of rooms surrounding the stadium filled, those in outlying submarkets, including Alpharetta, were also near full capacity. The strong demand boosted average daily rates considerably that weekend, driving up RevPAR.
- Direct flights from Atlanta to Shanghai launched last year by Delta will likely bring more international visitors to the state. This will benefit hotels in the market, raising occupancy and RevPAR.
- Visit Savannah expects 2018 to have been a record year of tourism to the market, which will underpin hotel occupancy and RevPAR improvement in the area. The organization believes 14 million visitors traveled to the market this past year. Several developments and the expansion of the convention center are expected to bring more visitors in 2019.

2019 Region Forecast

Supply up 1.7% — Hotel development will be on par with the national rate of growth this year. Roughly 7,000 rooms are underway statewide and an additional 6,500 rooms will break ground in the next 12 months.

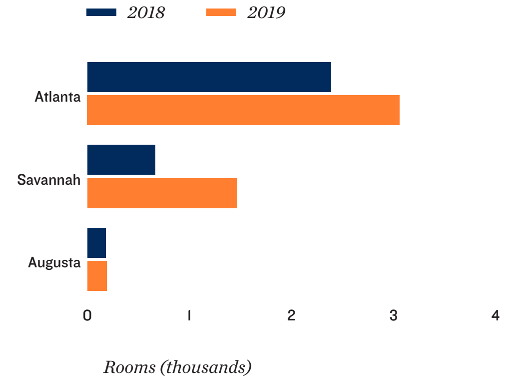
Occupancy up 70 bps — Strong room demand in Georgia this year will drive up occupancy to 66.2 percent, the highest rate in at least 16 years. Last year, occupancy ticked up 30 basis points.

ADR up 3.8% — Following a 2.5 percent increase last year, the average daily rate will climb 3.8 percent to $107.43 in 2019.

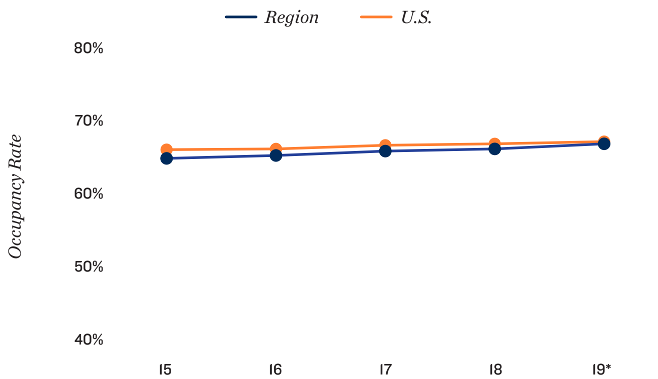
RevPAR up 4.9% — Booming occupancy combined with healthy growth in ADR will drive RevPAR up nearly 5 percent to $71.26 this year. In 2018, the rate climbed 3.2 percent.

Investment — Lower entry costs than Atlanta and relatively higher returns will sustain demand for hotels in Augusta/Richmond County this year. Assets in Downtown Augusta and North Richmond County will remain popular. Properties in the region change hands at roughly $41,000 per room on average.

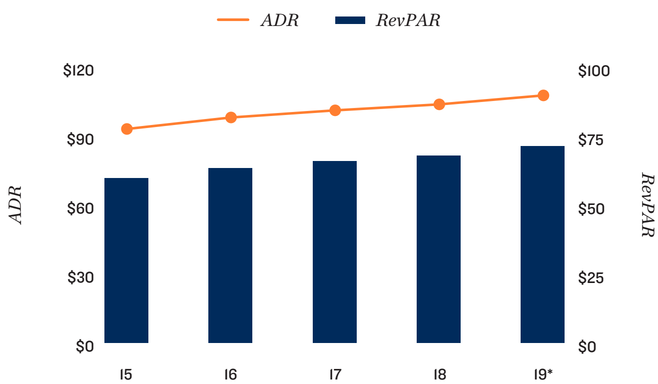
Development Trends ♦



Annual Occupancy



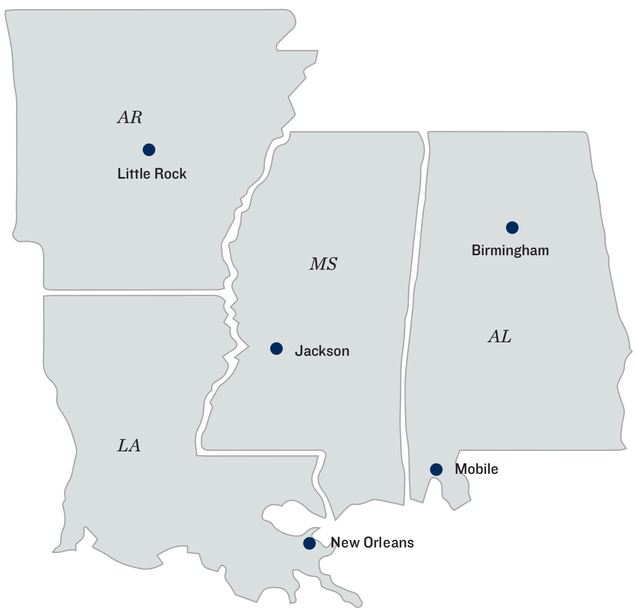
Full-Year Revenue Measures



♦ 2018 Recent Openings; Under Construction as of December 2018

* Forecast

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

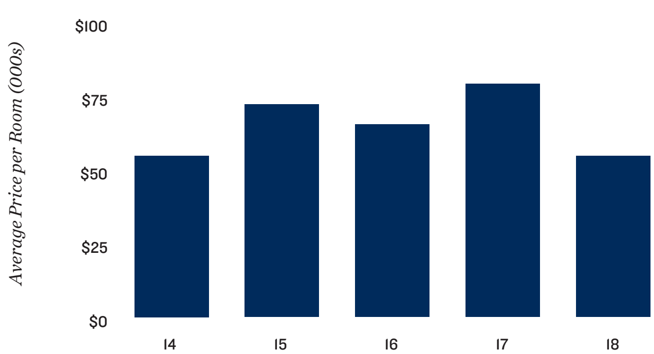


States: Alabama, Arkansas, Louisiana and Mississippi

2019 Demand Growth

1.9% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Limited Construction Bodes Well for Hotel Property Performance in the Gulf Region

New Orleans rebounds, boosting the regional occupancy rate. A relatively smaller construction pipeline compared with other regions, coupled with steady room demand, will underpin occupancy and revenue growth throughout the Gulf Region this year. Alabama has been a considerable driver of regional occupancy and RevPAR increases. Throughout the past two years, strong demand has lifted the rates 300 basis points and 11 percent, respectively. The state's property fundamentals should further improve in 2019 as it sees record tourism spending from visitors attracted to the numerous recreational activities and sporting events located here. Outside of Alabama, occupancy in Louisiana has also benefited from healthy demand growth as New Orleans rebounds after two years of declines. Inbound travel to the metro has risen at a healthy clip, highlighting a potential gain in room nights from visitors to the market. The new demand will also support increases in the average daily rate and RevPAR, which were affected by the slowdown in demand the past two years.

Hotels in Baton Rouge, New Orleans and Little Rock entice buyers. Investor demand for hotels remains relatively widespread throughout the region, with Alabama, Arkansas and Louisiana each garnering notable attention from buyers. In Louisiana, healthy improvements in hotel revenue metrics and occupancy growth will attract investors to New Orleans. Hotels in the market change hands with first-year returns in the high-7 to low-8 percent band, which may entice yield-seeking investors from larger markets in the U.S. Birmingham is also attracting buyers within the state, with properties trading at cap rates up to 100 basis points higher than in New Orleans. In Arkansas, investors are targeting select service properties in Little Rock. Here, first-year returns can average between low-8 percent and 11 percent based on property type and location.

2.5%	Percent of Inventory Under Construction as of December 2018
120 bps	Five-Year Occupancy Growth 2014-2019
10%	Five-Year RevPAR Growth

2019 Regional Highlights

- The Black Belt Tourism campaign is boosting tourism to Alabama by promoting the state's outdoor recreational activities, including hunting and fishing. Travelers from other states may opt to stay in hotels, further benefiting statewide occupancy and revenue growth.
- The New Orleans Saints were in the NFC championship game in early January, attracting numerous visitors to the market and boosting occupancy in area hotels. Downtown occupancy was expected to reach roughly 96 percent on the Saturday before the game.
- Numerous sporting events this year are expected to bring many visitors to Baton Rouge, benefiting hotels. The city will host the US Regional Soccer youth championships, the Youth Basketball of America's Winter Nationals competition and the Marucci World Series Championships, along with several other large sporting events.

2019 Region Forecast

Supply up 1.4% — Nearly 7,600 rooms are underway throughout the Gulf Region, with each state receiving more than 1,500 rooms. Mississippi has the most rooms under construction with more than 2,300 rooms. Another 2,000 rooms will break ground in the next 12 months.

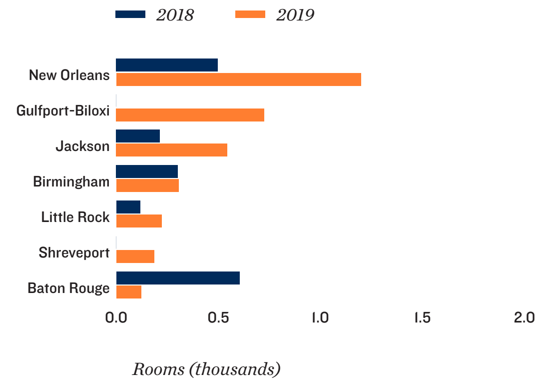
Occupancy up 20 bps — Following a 60-basis-point increase last year, occupancy in the Gulf Region will climb to 59.7 percent in 2019.

ADR up 1.6% — Growth in the average daily rate will slightly outpace last year's 1.3 percent increase, rising to $96.18.

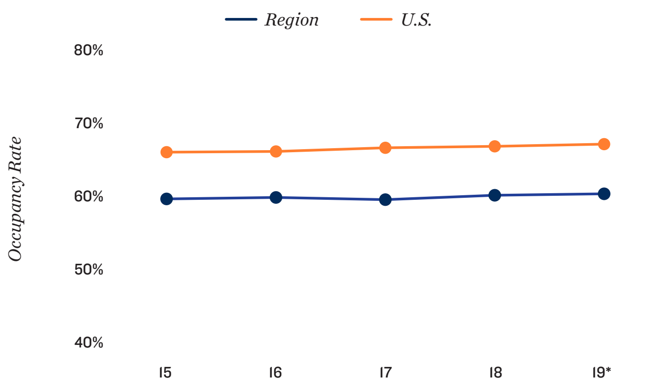
RevPAR up 1.0% — A slight uptick in occupancy, coupled with the rise in ADR, will lift RevPAR 1.0 percent this year to $57.42. Strong occupancy growth last year underpinned a 2.4 percent gain in the rate during 2018.

Investment — Considerable occupancy and revenue growth in Alabama will entice investors. Buyers are targeting assets in Birmingham, Mobile and Huntsville, in particular. Independent and select service properties are popular within the state.

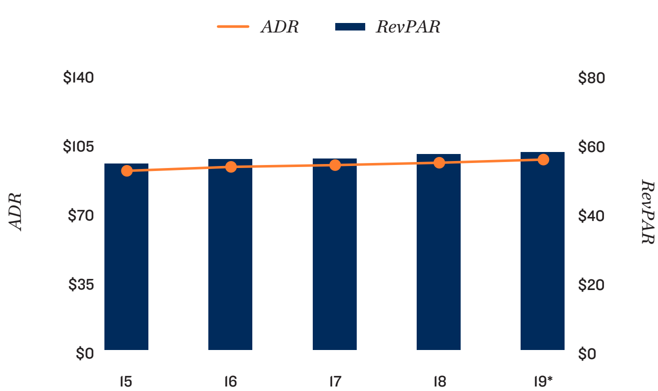
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures



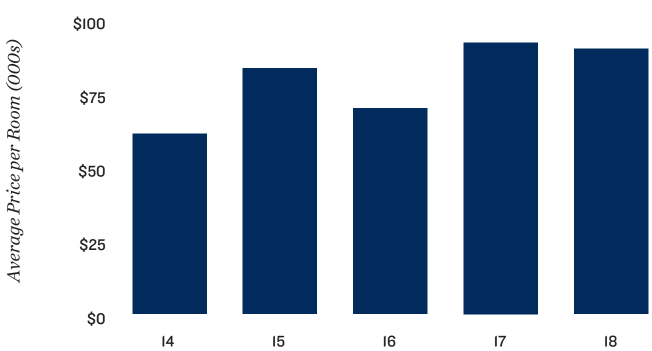
♦ 2018 Recent Openings; Under Construction as of December 2018
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

States: Delaware, New Jersey and Pennsylvania

2019 Demand Growth

2.5% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Tourism Wave Fuels Demand for Hotels; Boosting Occupancy Gains Considerably

Hotel demand sparks above-national-average property performance in the Mid-Atlantic. Strong room demand will fuel occupancy and revenue growth above the national average for a third consecutive year in the Mid-Atlantic region. Pennsylvania will likely remain the primarily driver of occupancy increases, with the state registering a more than 300-basis-point improvement during the past two years. Philadelphia, in particular, will lead much of statewide occupancy advances as the tourism industry continues to set record growth, underpinning relatively strong gains in RevPAR. In addition to leisure travelers, the market also attracts a number of visitors traveling for business, particularly as corporations like Comcast expand. As a result, these professionals will likely support weekday occupancy throughout the market. Outside of Pennsylvania, room demand remains healthy in both Delaware and New Jersey. In New Jersey, occupancy has risen for five consecutive years, supporting strong RevPAR increases. The state will likely lead the region in RevPAR growth again this year.

Bidding heats up for regional hotels. Modest increases in occupancy and RevPAR will support investor interest in the Mid-Atlantic region this year. Sales velocity will primarily comprise hotels in New Jersey and Pennsylvania as listings remain limited in Delaware. Few available assets for sale, however, will likely keep property values elevated in the state, and strong demand has vaulted the average price per room notably over the past three years. In New Jersey, buyers are primarily targeting smaller independent and limited service hotels throughout the state. Properties in Northern New Jersey in particular are highly targeted, changing hands with first-year returns in the 8 percent band on average. Philadelphia will garner attention from investors looking in Pennsylvania. Cap rates in the market can fall between the mid-5 and mid-7 percent zone based on property location and chain scale.

2.7% Percent of Inventory Under Construction as of December 2018

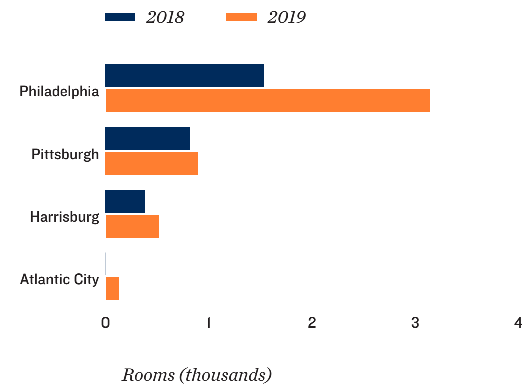
410 bps Five-Year Occupancy Growth 2014-2019

18% Five-Year RevPAR Growth

2019 Regional Highlights

- New flights coming in and out of Philadelphia will likely bring more travelers to the market, supporting occupancy and RevPAR growth. This year, Spirit Airlines will begin servicing flights from New Orleans and Puerto Rico to the market.
- Apple announced an expansion in the Pittsburgh area that will bring more than 1,000 jobs to the market. Individuals traveling to the city for interviews and preparations for the expansion will likely support room demand in the market.
- The legalization of sports betting in New Jersey will likely support room demand from some travelers from nearby states who may visit the region to participate. In addition to sports betting, Atlantic City in particular is also looking to increase tourism by hosting a new expansion team in the Arena Football League.

Development Trends ♦



2019 Region Forecast

Supply
up 1.5%

The pace of construction remains below the national rate. Nearly 7,600 rooms are underway throughout the region and an additional 6,700 rooms will break ground in the next 12 months. Pennsylvania will lead supply additions. The state has more than 4,500 hotel rooms under construction.

Occupancy
up 40 bps

Limited construction will support occupancy growth this year, rising to 65 percent. The prior year, the rate jumped 170 basis points.

ADR
up 2.2%

After a 2.9 percent increase in 2018, annual ADR will rise by a more modest amount to $123.94 this year.

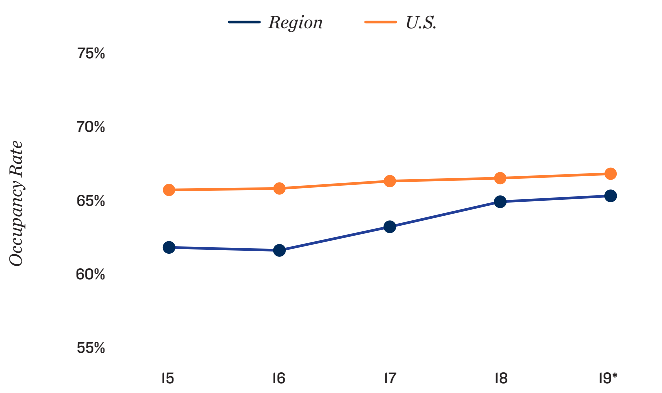
RevPAR
up 3.3%

Rising occupancy and ADR will support an increase in RevPAR to $81.56. Last year, the rate climbed 5.6 percent.

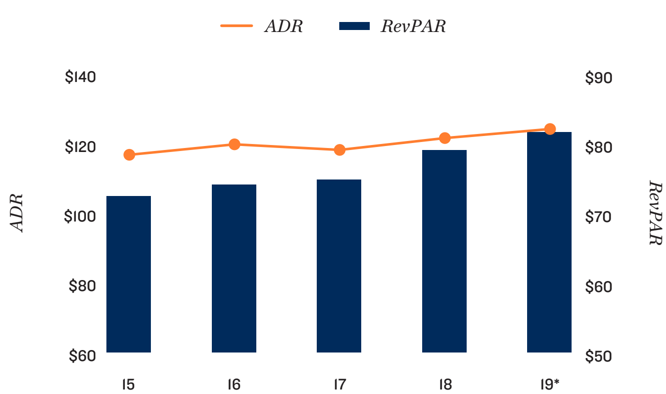
Investment

First-year returns up to 100 basis points higher than in Philadelphia will likely sustain demand for hotels in Erie and Pittsburgh this year. Listings in these markets remain relatively limited. Flagged hotels in Pittsburgh in particular are attracting more buyers from out of state.

Annual Occupancy



Full-Year Revenue Measures



♦ 2018 Recent Openings; Under Construction as of December 2018

* Forecast

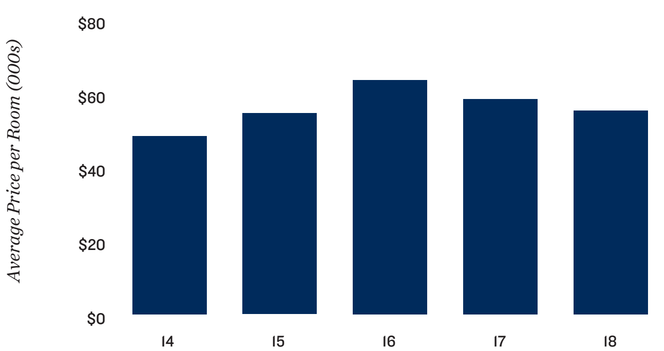
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

States: Kentucky and Tennessee

2019 Demand Growth

2.1% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Booming Supply Pipeline Outpaces Demand in Mid South Region

A wave of construction weighs on occupancy. A considerable number of hotels are underway throughout the Mid South, weighing on the region's occupancy rate and slowing the pace of revenue growth. Among states, Kentucky has had falling occupancy for the past two years as more hotel rooms were placed into service and declines in the coal industry reduced room nights. The state will likely feel additional supply pressures this year as new rooms underway take up nearly 4 percent of its total inventory. Tennessee, on the other hand, will post some occupancy improvement in 2019, primarily led by the state's smaller markets as supply flows into Nashville, affecting its rate. In Nashville, new construction has weighed on occupancy since 2017 and the market will continue to have one of the largest pipelines in the U.S., which will stall improvement this year. Despite the decline, the rate remains above the national average, supporting modest increases in the average daily rate and RevPAR.

Smaller markets are attracting buyers' attention throughout Tennessee and Kentucky. Relatively high returns compared with gateway markets will lure buyers to the Mid South. The region has had steady increases in transaction velocity over the past several years, as occupancy and RevPAR are roughly 1,000 basis points and 79 percent above the previous cyclical peak. The bulk of trades are concentrated in Tennessee and improvements throughout the state should keep buyers interested moving forward. While properties in Nashville remain popular, many investors are looking to Knoxville, Memphis and Chattanooga for relatively lower entry costs and higher first-year returns. Cap rates in these markets can start as low as 9 percent and range up to 200 basis points higher. In Kentucky, investors are targeting assets in Lexington/Fayette more frequently, with demand lifting property values considerably.

5.7%	Percent of Inventory Under Construction as of December 2018
200 bps	Five-Year Occupancy Growth 2014-2019
28%	Five-Year RevPAR Growth

2019 Regional Highlights

- The bourbon industry is booming in Kentucky, luring numerous tourists to the area's distilleries. A record 941,000 individuals visited the Kentucky Bourbon Trail in 2017 with nearly 70 percent of them traveling from outside the state. Industry growth will likely support room demand, particularly from out-of-state travelers.
- Nashville is planning to increasingly target international travelers to boost tourism demand in the market. British Airways began nonstop flights to London last year. Additional tourism efforts are targeting travelers from Germany, France, Australia and Japan. If successful, these initiatives could be a boon to area hotels.
- After being closed for two years, the Kentucky International Convention Center reopened in the fall of 2018. The reopening and renovation could bring more events to the area, boosting demand for hotels from overnight visitors.

2019 Region Forecast

Supply up 2.6%

Nearly 10,000 rooms are underway throughout the region. The majority of the pipeline is in Tennessee. Roughly 7,700 rooms are under construction in the state, and an additional 9,000 will break ground in the next year.

Occupancy down 30 bps

Elevated supply will weigh on occupancy for a third consecutive year, dropping the rate to 62.6 percent in 2019.

ADR up 2.4%

Despite declining occupancy, the average daily rate will post a modest increase to $111.23 this year. In 2018, the rate edged up 2.7 percent.

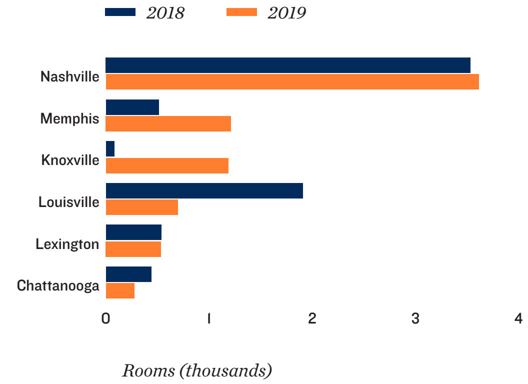
RevPAR up 1.9%

Building on the 2.6 percent increase registered last year, RevPAR will climb 1.9 percent in 2019 to $70.39.

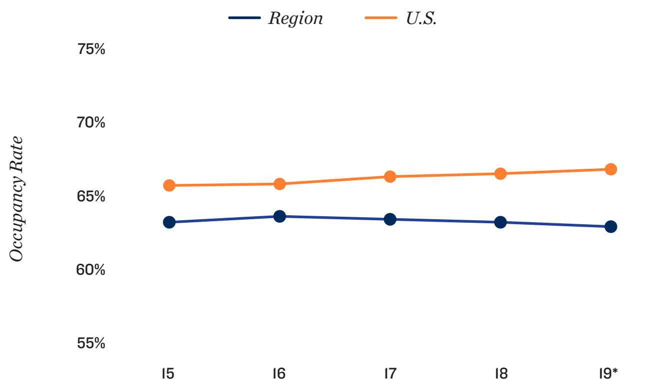
Investment

Economy and midscale hotels are leading sales velocity throughout the region. These chain scales offer first-year returns averaging in the 10 to 11 percent band based on property location. Demand for these assets continues to lift property values, which may prompt some owners to consider placing their properties on the market.

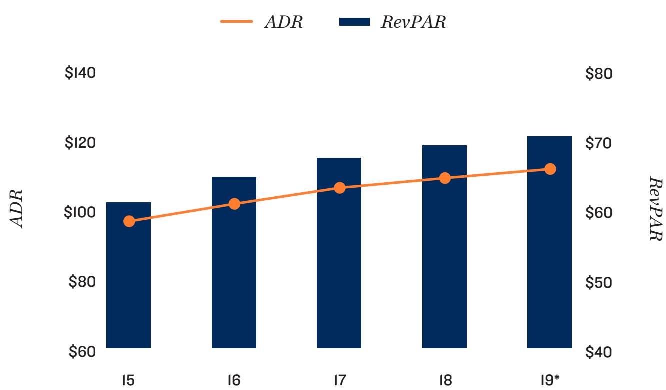
Development Trends♦



Annual Occupancy



Full-Year Revenue Measures

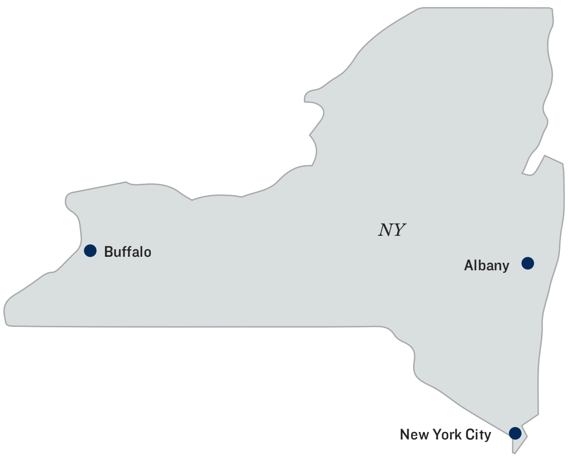


♦ 2018 Recent Openings; Under Construction as of December 2018

* Forecast

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Supply Rises as Business and Leisure Travelers Increasingly Visit New York



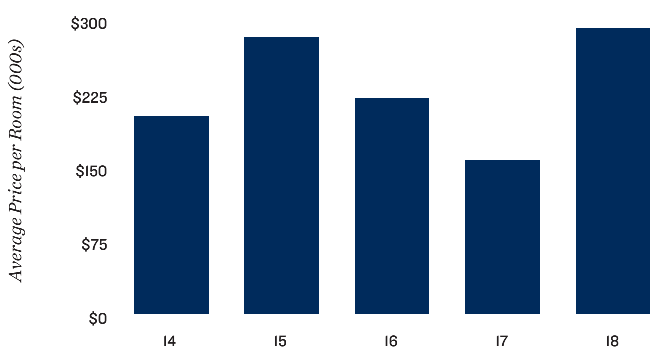
Business and leisure travel boost room demand in New York City, construction proliferates. Healthy room demand will support a fifth consecutive year of occupancy improvement in the state of New York, particularly as room nights pick up in many of the smaller markets throughout 2019. These metros led much of the statewide occupancy and revenue growth last year and the trend will remain through year end. In New York City, rising tourism and steady employment growth are also supporting room demand from leisure and business travelers. As a result, occupancy will rise to at least a 15-year record this year, keeping it as the highest occupancy rate among the major markets, above 85 percent. The elevated rate is driving a surge in completions throughout New York City. Despite this increase in rooms, demand will continue to outpace supply, lifting occupancy, though at a slightly moderated pace than the statewide average.

Smaller markets attract opportunistic investors seeking elevated returns. Improving hotel property fundamentals are sustaining demand from both out-of-state and local buyers in New York. Many investors remain interested in New York City, with properties in Midtown attracting a considerable number of buyers. The majority of buyers in the area are institutional investors targeting larger hotel properties. Assets in Midtown change hands with first-year returns in the mid-4 percent area on average. Lower entry costs are luring buyers in the $1 million to $10 million price tranche to Long Island. Upper Midscale properties in the area are popular. While nearly half of all transactions typically take place within the New York City market, many buyers are seeking assets in the state's smaller metros for relatively higher returns. Albany and Buffalo/Niagara Falls remain popular. First-year returns in these markets can average upward of 10 percent based on property chain scale and location.

2019 Demand Growth

3.3% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

7.1% Percent of Inventory Under Construction as of December 2018

220 bps Five-Year Occupancy Growth 2014-2019

5% Five-Year RevPAR Growth

2019 Regional Highlights

- New York City continues to break tourism records. An estimated 65.1 million visitors came to the market in 2018, including roughly 13.7 million international travelers, marking a ninth consecutive year of record visitation. Rising travel to the metro will support further occupancy and RevPAR growth.
- Several large events will engender travel to the state in 2019. WorldPride New York City and Woodstock 2019 are expected to bring travelers from around the globe to the region. WorldPride will take place in June while Woodstock 2019 will bring tourists to Bethel in August.
- Agritourism continues to rise throughout the state. Six new cuisine trails give visitors the option to try food and beverages produced in New York. Hotels in Clinton, Essex and Franklin counties will likely benefit from the growth in agritourism this year.

2019 Region Forecast

Supply up 4.0% — A considerable number of rooms, roughly 17,100, are underway throughout the state across more than 100 hotels. The construction pipeline is shrinking moving forward, with 6,600 rooms expected to break ground in the next 12 months.

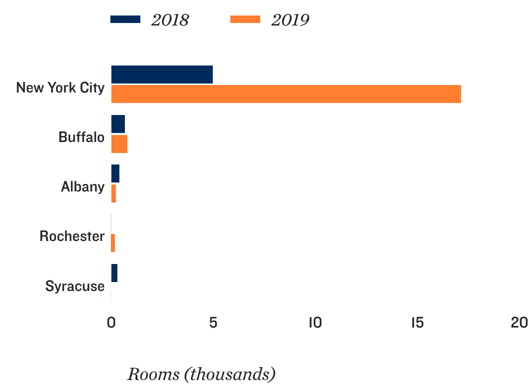
Occupancy up 60 bps — Occupancy growth will align closer to the prior five-year annual average, reaching 75.1 percent this year. In 2018, the rate jumped 120 basis points.

ADR up 2.1% — Healthy room demand will generate improvement in the average daily rate this year, climbing 2.1 percent to $208.63. Last year, the rate edged up 2.4 percent.

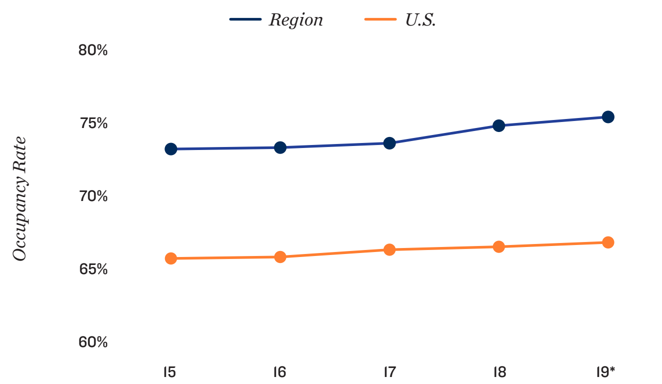
RevPAR up 2.3% — Following a 4.1 percent increase in 2018, RevPAR in New York will rise 2.3 percent this year to $156.68.

Investment — Among chain scales, upper midscale and independent hotels remain popular statewide. Increasing demand for both hotel types has elevated property values. Heightened prices may prompt some owners to place their assets on the market this year.

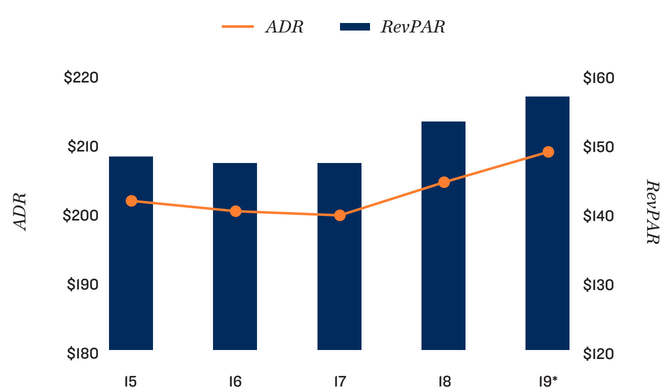
Development Trends ♦



Annual Occupancy



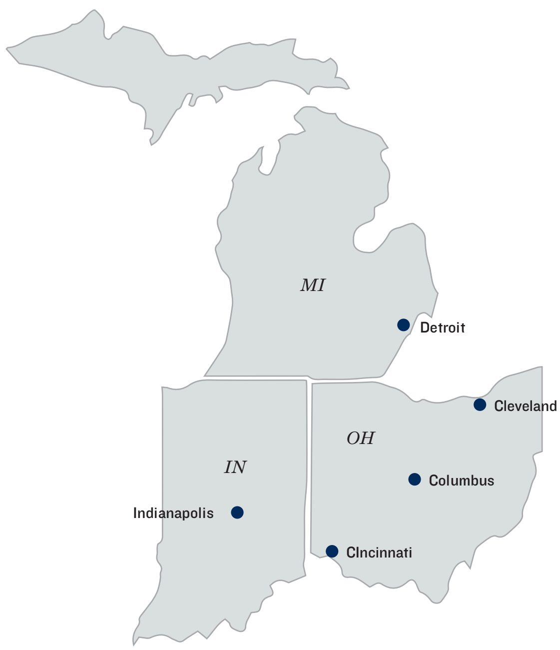
Full-Year Revenue Measures



♦ *2018 Recent Openings; Under Construction as of December 2018*

** Forecast*

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

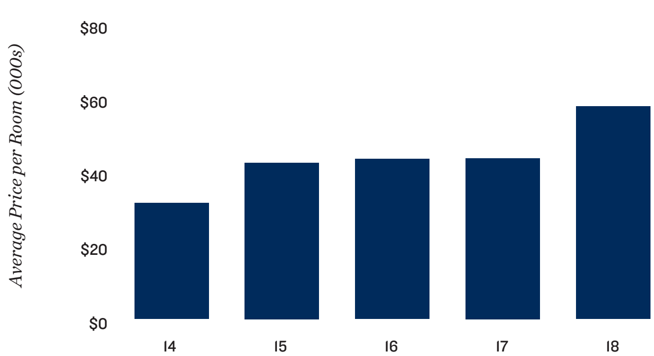


States: Indiana, Michigan and Ohio

2019 Demand Growth

1.8% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Competition Heats Up for Flagged North Central Hotels

Michigan, Ohio lead occupancy growth in North Central region. Consistent room demand will meet supply in the North Central region this year, keeping occupancy steady and supporting a modest increase in RevPAR. Michigan will lead occupancy and revenue growth in 2019. The state will mark a 10th consecutive year of improvement in both metrics. Detroit has been a considerable driver of these gains with occupancy rising nearly 2,000 basis points over the current growth cycle. As a result, the market generated RevPAR advances above the national and regional averages during the past several years. Ohio will also likely register occupancy and RevPAR growth this year as tourism to the state continues to rise. Occupancy and RevPAR growth in Ohio and Michigan will be offset by Indiana, where supply pressures have begun to weigh on the rates. New construction in the state comprises nearly 4.5 percent of total room inventory.

Wide range of inventory provides investors opportunities in the North Central region. Improving hotel property performance will support investor interest for hotels in Michigan this year. Demand for assets in the state has risen steadily the past several years, driving up property values. Out-of-state and local buyers are increasingly targeting hotels in Detroit, where average first-year returns in the low-8 to low-9 percent band can be found. Economy and upper midscale hotels were highly sought after in the metro. Other buyers are looking for opportunities in Western Michigan, including Grand Rapids, where flagged hotels garnered buyer attention. Outside of Michigan, hotel investors were also progressively bidding for assets in Indiana. A range of limited service and select service hotels attracted a range of investors to Indianapolis. Lower entry costs in South Bend/Mishawaka and Louisville drew opportunistic investors as well.

3.9% Percent of Inventory Under Construction as of December 2018

190 bps Five-Year Occupancy Growth 2014-2019

19% Five-Year RevPAR Growth

2019 Regional Highlights

- The city of Indianapolis is moving forward with plans to expand the Indiana Convention Center, in addition to building two hotels in the area. The expansion would include a 50,000-square-foot ballroom and the new hotels could add around 1,400 rooms in the downtown area. This project could lure larger conventions and other citywide events that could bode well for nearby hotels.
- New regulations surrounding short-term rentals took effect in January of this year in Columbus. The city will now require owners to obtain a permit and will double the fees for owners who do not live in the building. This may limit some of the rentals available, likely benefiting hotel occupancy rates.
- Rising tourism to Detroit will support hotels moving forward. Between 2014 and 2017, tourism jumped to 19 million per year from 14 million.

2019 Region Forecast

Supply
up 1.8%

The region's pace of construction is on par with the national average. Nearly 12,900 rooms are underway and Michigan leads the way with about 5,000 rooms. An additional 14,700 rooms will break ground in the region during the next 12 months.

Occupancy
up 10 bps

Following a 10-basis-point increase in occupancy in 2018, the rate will rise to 61.1 percent this year.

ADR
up 1.2%

The average daily rate will advance to $102.67 in 2019, a more modest hike from the 1.7 percent gain recorded last year.

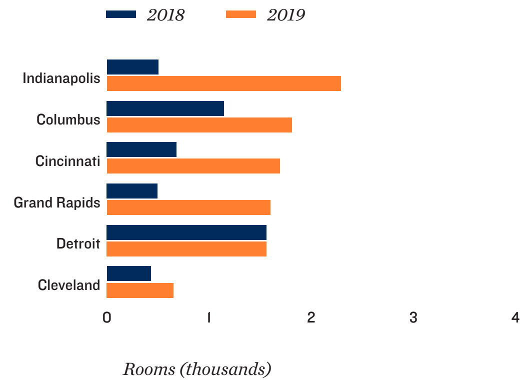
RevPAR
up 1.3%

The flat occupancy rate and moderating ADR will soften RevPAR growth this year to 1.3 percent at $63.31. Last year, the rate climbed 2.1 percent.

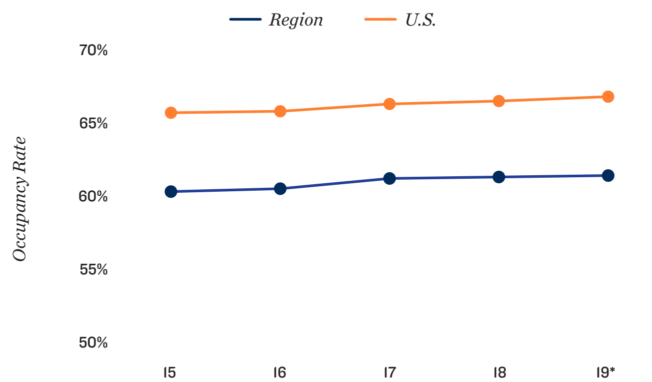
Investment

Cincinnati, Cleveland and Columbus will continue to attract a range of buyers this year. In Cincinnati and Columbus, first-year returns in the low- to high-7 percent band can be found. Buyers seeking higher yields will look for hotels in Cleveland, where assets can trade at cap rates in the 11 percent area.

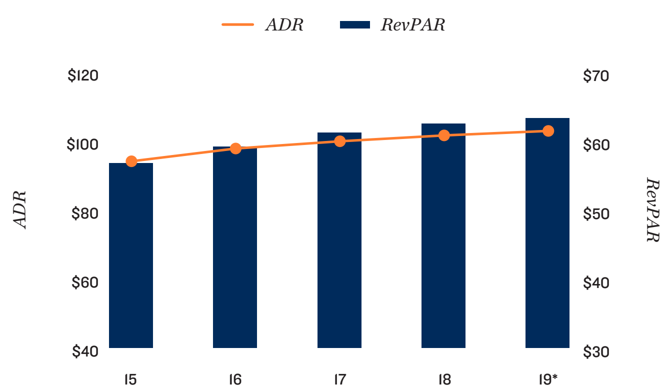
Development Trends ♦



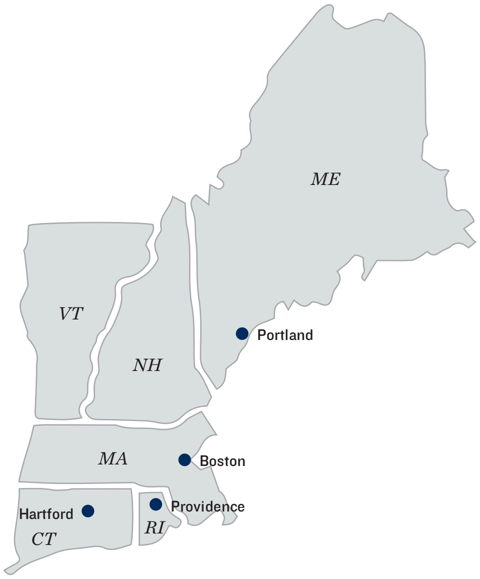
Annual Occupancy



Full-Year Revenue Measures



♦ *2018 Recent Openings; Under Construction as of December 2018*
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

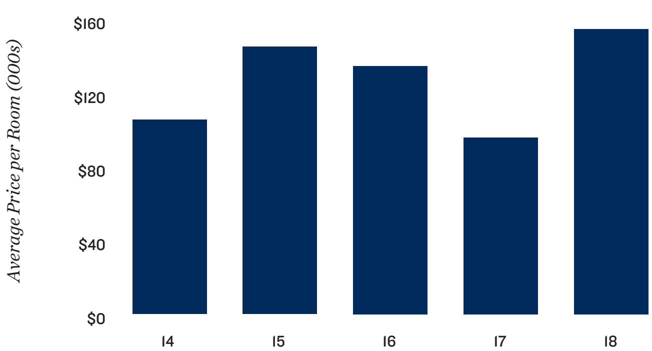


States: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont

2019 Demand Growth

2.6% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Visitors and Investors Flock to Northeast Region Hotels

Maine leads RevPAR growth as first-time visitation raises room demand throughout the state. Strong room demand will improve regional occupancy at a pace about the national rate for the third consecutive year. Nearly every state in the Northeast generated considerable increases in occupancy last year, with Maine, Massachusetts and New Hampshire posting advances of more than 150 basis points each. Occupancy growth will persist in these three states throughout 2019, though at a moderated pace. Maine, in particular, continues to lure a considerable number of first-time visitors. Many travelers from the East Coast are vacationing here, drawn to the state's numerous outdoor recreational activities and relative proximity to their home states. As a result of rising demand, Maine will likely produce the largest RevPAR growth in the region.

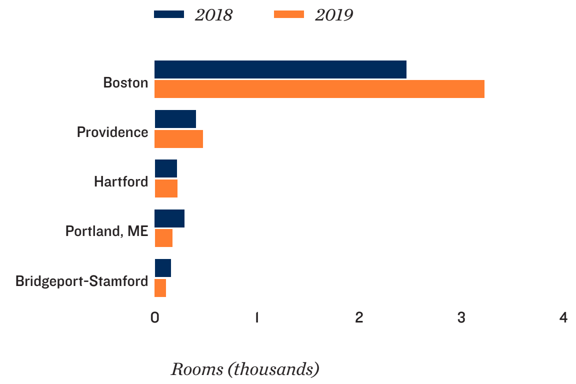
Property performance attracts investors to the Northeast. Healthy gains in occupancy and revenue metrics will sustain demand for hotels throughout the Northeast region. Assets in Massachusetts will remain highly targeted by both out-of-state and local buyers. Heightened demand in Boston, in particular, will keep property values elevated. Hotels in the market changed hands with first-year returns in the low-7 percent band on average. Outside of Boston, some buyers are searching in smaller markets for higher yields, including Lenox. In Connecticut, buyers are looking to hotels in Hartford, which trade at average cap rates in the mid-8 percent area. Both limited and select service properties were highly targeted here. Increased tourism to Maine will likely sustain demand for hotels in the state this year. Portland remains the most popular locale, offering yields in the 10 percent zone. Independent assets are highly sought after in Maine.

2.4%	Percent of Inventory Under Construction as of December 2018
310 bps	Five-Year Occupancy Growth 2014-2019
21%	Five-Year RevPAR Growth

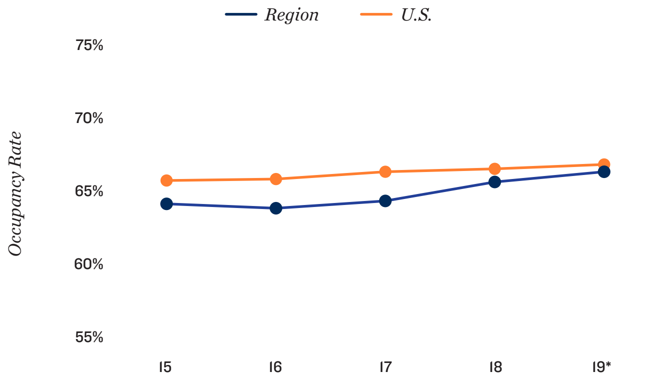
2019 Regional Highlights

- Starting on July 1, 2019, short-term rentals in Massachusetts will have to pay the same state tax as hotels and will need to register with the state. The regulations also allow cities to impose their own additional taxes. This could sway some homeowners from listing their properties on Airbnb and benefit hotels.
- Considerable snowfall is boding well for tourism in Vermont as individuals travel to the state's numerous ski areas. Increased visitation could lift the occupancy rate in towns surrounding these ski mountains and boost RevPAR growth.
- Frontier Airlines will begin providing service from both the Orlando and Raleigh-Dunham airports to Boston. The new service could bring more travelers to the metro and state, boosting demand for hotel rooms.

Development Trends ♦



Annual Occupancy



2019 Region Forecast

Supply up 1.6% — About 5,100 rooms are under construction throughout the Northeast region and nearly 3,500 will break ground in the next 12 months. Massachusetts has the largest delivery pipeline, with 3,450 rooms underway. Connecticut follows with 600 rooms.

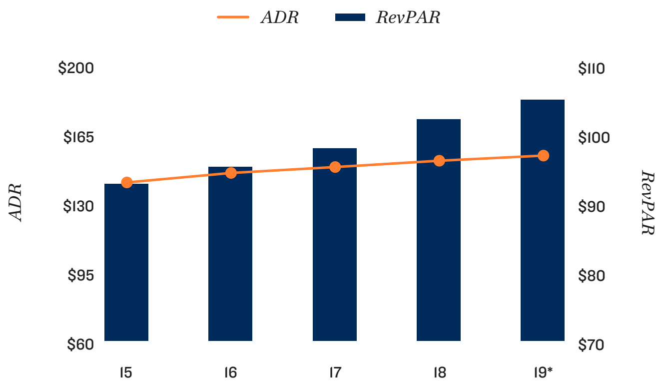
Occupancy up 70 bps — Building on the 130-basis-point increase recorded in 2018, annual occupancy will climb to 66 percent this year.

ADR up 1.7% — The average daily rate will rise to $153.54 in 2019. Last year, a 2.2 percent increase in the rate was recorded.

RevPAR up 2.7% — Strong occupancy growth coupled with rising ADR will support a 2.7 percent increase in RevPAR this year to $104.89. In the prior year, the rate edged up 4.3 percent.

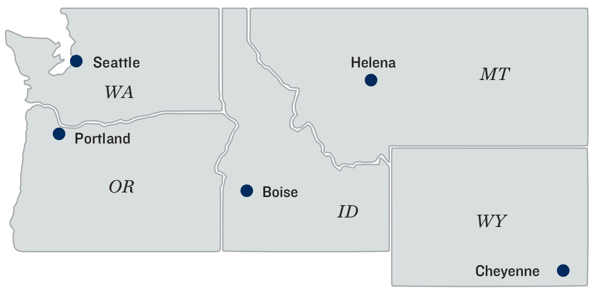
Investment — Strong room demand in New Hampshire in recent years may drive investor demand to the state. Limited listings, however, will likely keep property values elevated. Hotels in the state traded with first-year returns averaging in the low-9 to low-10 percent band.

Full-Year Revenue Measures



♦ 2018 Recent Openings; Under Construction as of December 2018
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

National Parks Bring Wave of Tourism Spending to Wyoming, Montana



States: Idaho, Montana, Oregon, Washington and Wyoming

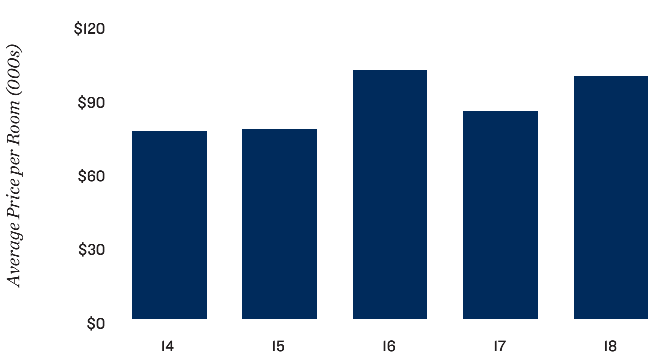
Recreational activities attract tourists to smaller locales while supply pressures mount in larger markets. Numerous parks and recreational activities will continue to lure tourists to Wyoming and Montana as social media platforms and tourism campaigns highlight local attractions. Wyoming, in particular, registered an increase in occupancy last year amid strong visitor spending. The upward trend should continue through 2019 as the state launches a new tourism campaign highlighting 150 years of women's suffrage to attract more female travelers. On the other hand, supply pressures are mounting in Washington and Oregon, particularly in the major markets of Portland and Seattle. Both metros have more than 6.5 percent of their total room inventory underway, which will likely continue placing downward pressure on occupancy rates and stalling RevPAR growth in each market this year. Overall, strength in Wyoming and Montana should outweigh supply pressures in Washington and Oregon, supporting an uptick in regional occupancy.

Steady growth throughout Idaho and high yields will entice investors. Improving property performance and higher-than-regional-average returns will keep demand steady for properties throughout Idaho. The state offers first-year returns averaging in the 12 percent band based on property location and chain scale. Buyers in the state are targeting properties in Boise, Post Falls and Coeur d'Alene. The bulk of overall regional trading volume will remain in Washington and Oregon, with properties in Seattle and Portland highly sought after. Hotels in both markets trade with cap rates in the mid-10 percent area. Independent hotels in both Portland and Seattle attracted buyers, with opportunistic investors acquiring older properties built prior to the 1970s.

2019 Demand Growth

3.8% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

2.5%	Percent of Inventory Under Construction as of December 2018
120 bps	Five-Year Occupancy Growth 2014-2019
20%	Five-Year RevPAR Growth

2019 Regional Highlights

- New regulations surrounding short-term rentals went into effect at the beginning of the year in Seattle. Anyone operating these rentals must have a regulatory license that lasts one year, on top of the license tax certificate. Additionally, owners can only operate up to two units, one of which must be the primary residence. These new regulations may sway some from placing their homes on sites like Airbnb,boding well for hotel demand.
- Expansions made to the Boise Centre will provide the city more capacity to host larger events more often. New meetings and events could bring more visitors to the state, benefiting area hotels.
- Expansions at the Glacier Park International Airport could bring additional visitors to Northwest Montana, particularly as more individuals travel to the state to visit Glacier National Park. Visitation to the park increased by 1.1 million visitors between 2013 and 2017.

2019 Region Forecast

Supply up 2.3%
Nearly 7,800 rooms are under construction throughout the region and an additional 8,600 rooms are expected to break ground within the next 12 months. Washington will lead delivery volume, receiving 4,700 of the rooms underway.

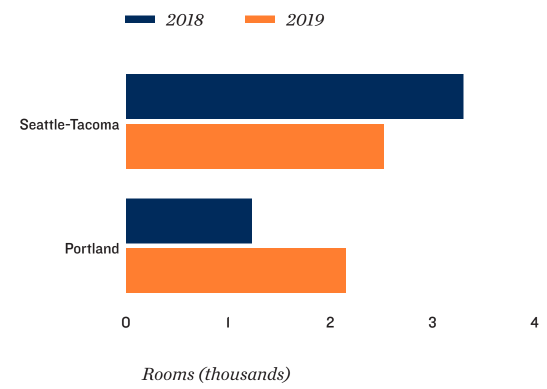
Occupancy up 30 bps
Building on a 30-basis-point increase recorded in 2018, occupancy throughout the Northwest region climbs to 64.7 percent.

ADR up 1.2%
Led by increases in Idaho and Washington, the average daily rate will edge up to $122.79. In the prior year, ADR rose 1.6 percent.

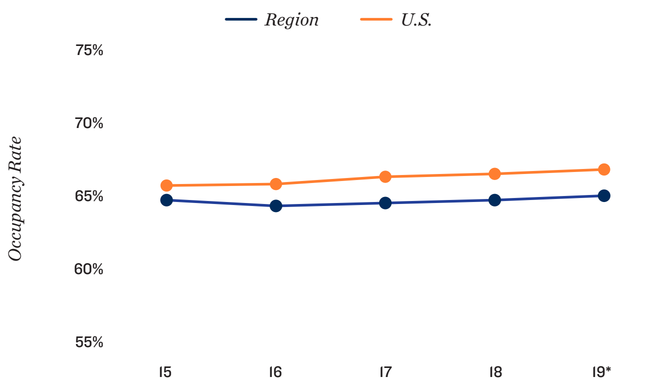
RevPAR up 1.6%
Steady increases in occupancy and the average daily rate will lift RevPAR up to $81.55 regionally. In 2018, the rate registered a 1.8 percent rise.

Investment
Heightened room demand in Wyoming will encourage some buyers to inject capital into the state. Smaller hotels of less than 100 rooms will be highly targeted, particularly in the Jackson and Cheyenne areas.

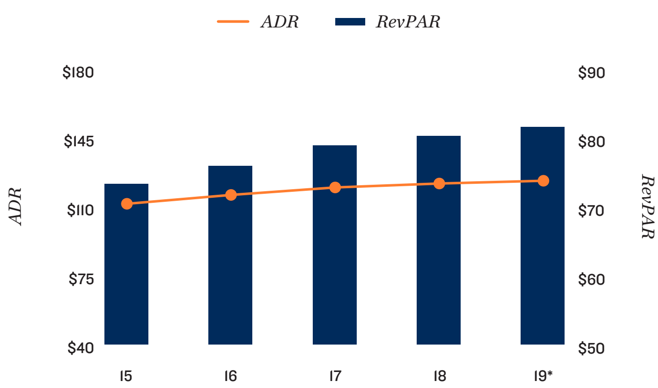
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

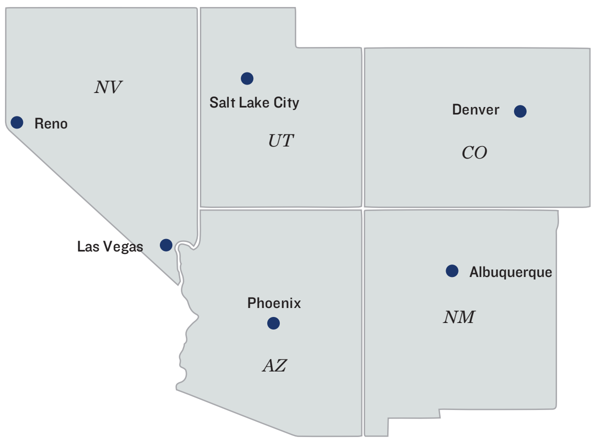


♦ 2018 Recent Openings; Under Construction as of December 2018
* Forecast
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Tourism Flourishes Through Most of the Southwest, Boosting Occupancy Rates

Travel for pleasure in Arizona and New Mexico lifts occupancy rates considerably, leading regional growth. Rising visitation levels throughout the Southwest have generated strong occupancy improvement and RevPAR increases throughout the region in recent years. Arizona and New Mexico, in particular, have fueled a large portion of this tremendous growth. Both will lead the region this year, each posting occupancy increases above 100 basis points and driving healthy RevPAR gains. Colorado will also generate a modest increase in occupancy as the state's recreational activities attract travelers. Despite elevated room demand in these three states, declining room nights in Nevada and Utah will subdue increases in regional occupancy and RevPAR again this year. Nevada will generate the largest losses. Supply pressures, rising resort fees and parking costs that frustrate travelers cut into occupancy rates and decline revenues.

Colorado Springs, Albuquerque generate interest from yield-driven investors. Strong property performance throughout the Southwest is luring buyers to the region's hotels. Arizona, Colorado and New Mexico will lead sales volume as notable occupancy improvements and steady revenue growth attract investors. Of the region's major markets, Phoenix and Denver will produce the most interest with first-year returns in the low-8 to mid-9 percent band. Higher-first year yields and lower entry costs in Colorado Springs, Albuquerque and Reno/Sparks will entice some buyers. Hotels in Colorado Springs and Albuquerque trade at cap rates in the low-10 percent range while yields in Reno/Sparks average in the mid- to high-9 percent zone. In Utah, investors are looking for stabilized select service assets in Salt Lake City that offer returns in the mid-8 percent area.

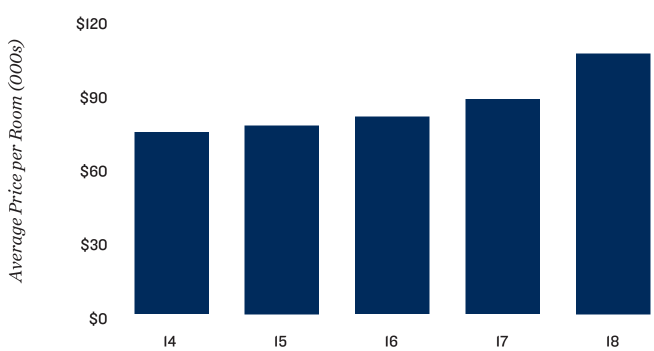


States: Arizona, Colorado, Nevada, New Mexico and Utah

2019 Demand Growth

2.3% Year-over-Year Room Nights

Hotel Sales



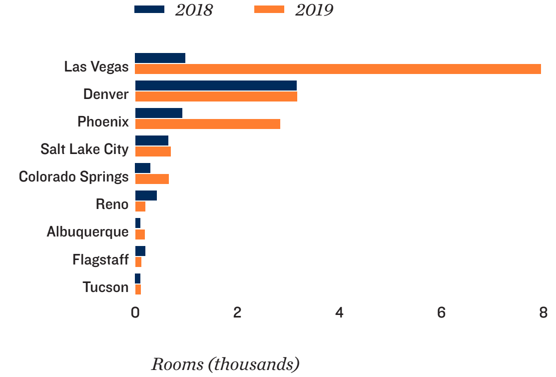
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

3.4%	Percent of Inventory Under Construction as of December 2018
430 bps	Five-Year Occupancy Growth 2014-2019
24%	Five-Year RevPAR Growth

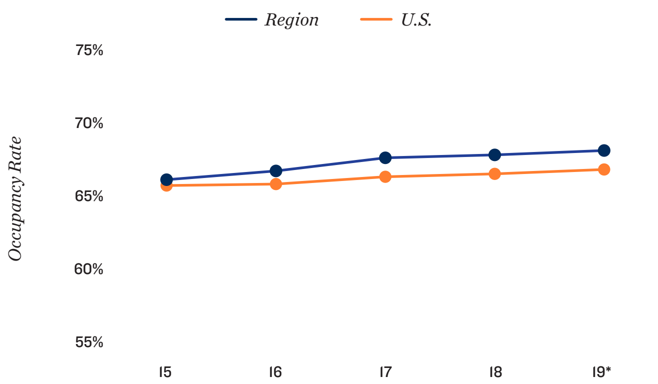
2019 Regional Highlights

- Increased snowfall during the 2018-2019 ski season could boost occupancy rates throughout Colorado's ski towns after last year's poor snowfall affected rates.
- Zion National Park continues to break visitation records as the third most visited in the nation. Increased travel to the park could bode well for hotels in the smaller cities surrounding the area.
- Declining convention attendance and a slight downtick in visitor volume are affecting hotel performance in Las Vegas. The number of individuals attending conventions decreased roughly 1.0 percent while visitor volume fell nearly 0.5 percent last year.
- The Balloon Fiesta and national spotlights highlighting the state continue to lure tourists to New Mexico. The state has registered the strongest regional occupancy increases two years in a row.

Development Trends ♦



Annual Occupancy



2019 Region Forecast

Supply up 1.9%: More than 20,600 rooms are underway throughout the region and an additional 16,400 are expected to break ground in the next 12 months. Nevada has the most rooms underway at 8,700, with Colorado following at nearly 6,500 rooms.

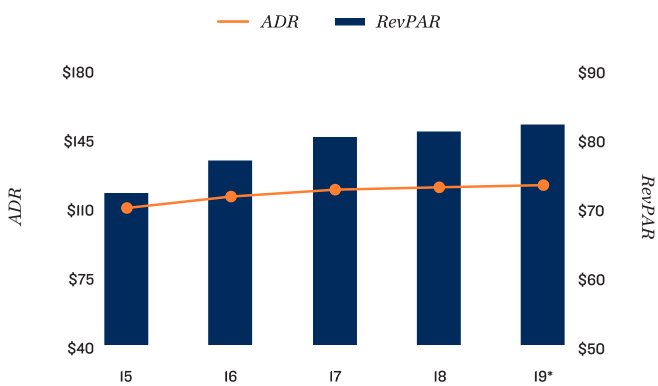
Occupancy up 30 bps: Occupancy will rise to 67.8 percent in 2019 as room nights edge up 2.3 percent. Last year, occupancy registered a 20-basis-point hike.

ADR up 0.9%: The average daily rate will climb to $120.66 this year. During 2018, ADR rose marginally, by 1 percent.

RevPAR up 1.2%: The uptick in occupancy and an increasing pace of ADR growth will support a gain in RevPAR to $81.93. Last year, the rate expanded 1.0 percent.

Investment: Among chain scales, economy and upper midscale hotels will attract buyer attention. Upper midscale assets offer first-year returns in the mid-8 percent band, while economy hotels trade with cap rates roughly 100 basis points higher. These classes will provide a range of opportunities to investors.

Full-Year Revenue Measures



♦ *2018 Recent Openings; Under Construction as of December 2018*

* *Forecast*

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Supply Boom Weighs on Occupancy in Dallas; Smaller Metros Attract Buyers

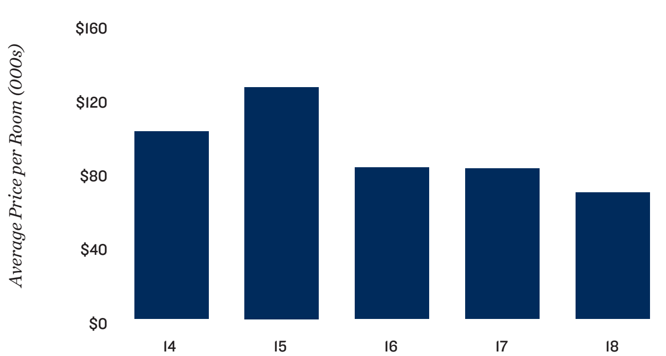
Occupancy declines in major Texas markets amid growing hotel supply and readjustments from the hurricane. Hurricane Harvey lifted occupancy considerably in 2018. The rate will fall slightly this year as room nights adjusted closer to level recorded before the storm. Houston, which had the greatest impact from the hurricane, will likely face a second year of declining occupancy growth as it readjusts from the more than 400-basis-point lift driven by Harvey. The drop in the rate will also push down on the average daily rate and RevPAR in the metro this year. Outside of Houston, hotel construction is ramping up in Dallas, which already has one of the largest construction pipelines in the United States. The increased supply will weigh on the metro's occupancy this year, though steady demand will keep the rate above the statewide average. Overall, improvements in many of the state's smaller markets will negate a large decline in overall occupancy this year.

Bidding heats up in smaller markets; Dallas/Fort Worth attracts out-of-state attention. Transaction velocity slowed notably last year as many investors reevaluated their strategies after the impact of Hurricane Harvey. This year, buyer demand will likely pick up in many of the state's smaller markets where first-year returns up to 200 basis points higher than within Dallas and Houston can be found. These areas include El Paso, San Antonio and Lubbock, where buyers are primarily targeting limited and select service hotels comprising 150 rooms or less. While sales are increasing in these smaller metros, nearly a third of hotel transactions will continue to take place in the Dallas/Fort Worth market. In addition to local investors, many out-of-state buyers, particularly from New York and Georgia, are targeting area properties. Hotels in the market change hands with first-year returns in the 10 percent band on average.

2019 Demand Growth

1.9% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

5.4%	Percent of Inventory Under Construction as of December 2018
-130 bps	Five-Year Occupancy Growth 2014-2019
8%	Five-Year RevPAR Growth

2019 Regional Highlights

- In late 2018, the San Antonio City Council passed legislation that would regulate short-term rentals. Owners of these rentals would be required to register with the city and pay a $100 fee. They would also have to renew their registration every three years. There are also limitations on the amount of rentals in multifamily buildings. These new regulations could prevent some from listing their homes, which bodes well for area hotels.
- WestJet is beginning to offer airline flights from Austin to Alberta with twice weekly service starting in May. The new flights will likely bring visitors from Canada to the market, benefiting hotel occupancy and revenue metrics.
- Job growth remains above the national average in Dallas/Fort Worth, which could aid hotel occupancy and revenue growth as business professionals travel for meetings and interviews.

2019 Region Forecast

Supply up 2.5% — Construction shows no sign of stopping in Texas. Approximately 25,200 rooms are underway throughout the state and an additional 25,300 rooms are expected to break ground in the next 12 months. Combined, these rooms represent about 430 new hotels.

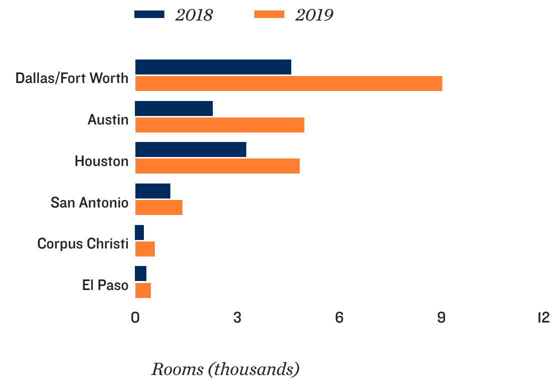
Occupancy down 30 bps — After remaining flat in 2018, the statewide occupancy rate will tick down 30 basis points this year to 64.6 percent.

ADR up 1.9% — The average daily rate in Texas will climb to $107.08 in 2019. Last year, ADR registered a 2.7 percent hike.

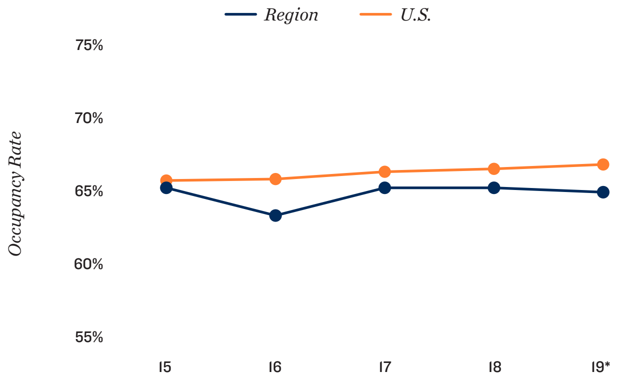
RevPAR up 1.5% — The improvement in ADR will support a moderate uptick in RevPAR this year, rising 1.5 percent to $69.40. During 2018, RevPAR edged 2.7 percent higher.

Investment — After rebuilding in Houston, investors may reinvigorate interest for hotels in the market. Many buyers remain keen on economy hotels within the city of Houston and Baytown. Many of these properties are older, attracting opportunistic investors.

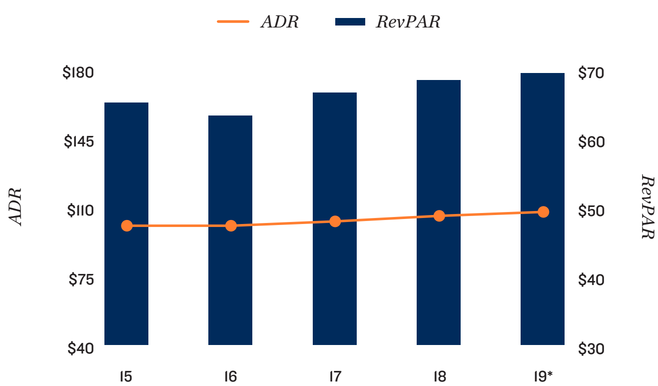
Development Trends ♦



Annual Occupancy



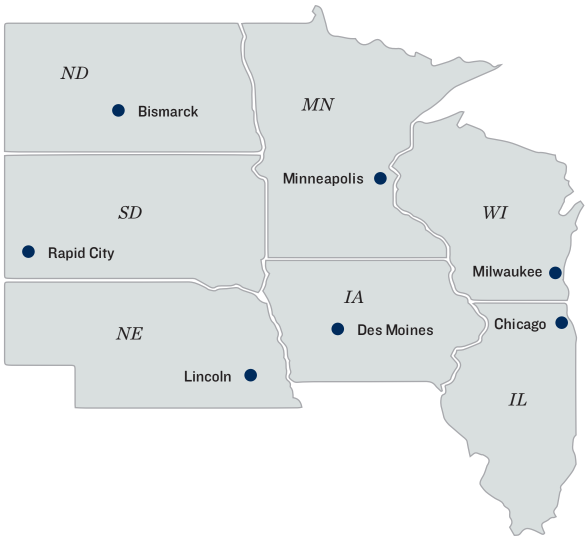
Full-Year Revenue Measures



♦ *2018 Recent Openings; Under Construction as of December 2018*

* *Forecast*

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics



States: Illinois, Iowa, Minnesota, Nebraska, North Dakota, South Dakota and Wisconsin

Rebounding Hotel Demand Supports Occupancy Growth Throughout Region

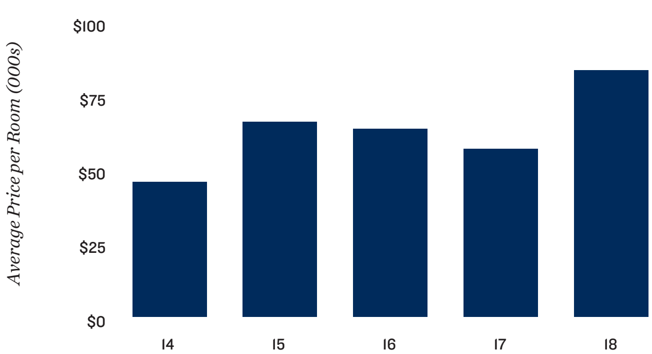
Improving oil markets bode well for hotel performance in the Upper Midwest. Healthy room demand throughout the majority of states in the Upper Midwest will support a second year of occupancy improvement and steady revenue growth. Rising oil prices over the past several months affected multiple states in the region that have relied on workers filling hotel rooms. North Dakota, in particular, is leading regional occupancy growth. The state registered a 150-basis-point increase in 2018, the first uptick in the rate since 2011. The trend should continue as oil prices rise and tourists visit the state for its numerous recreational actives. Nebraska and Wisconsin are also on the rebound, with both states likely posting another year of occupancy advancement after the rates fell or remained flat in 2017. These improving conditions will bode well for overall hotel property performance in the region, just under the national average rates of ADR and RevPAR growth this year.

Wisconsin and Illinois lure buyers, elevating property values as bidding heats up. Improving property performance will sustain demand for hotels throughout the Midwest region and limited listings in some areas will command considerable attention, lifting sales prices. Transaction volume will be led by Illinois and Wisconsin, which typically comprise a combined half of all sales in the region. In Illinois, hotels in Chicago remain popular, particularly upper midscale and upper upscale properties. However, few of these assets are available, placing upward pressure on average prices per room, which may prompt some owners to place their hotel on the market. Hotels change hands with first-year returns in the mid-8 percent band on average here. Lower entry costs can be found in Wisconsin, where buyers are primarily targeting hotels in Milwaukee and Madison.

2019 Demand Growth

2.4% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

2.5%	Percent of Inventory Under Construction as of December 2018
-90 bps	Five-Year Occupancy Growth 2014-2019
11%	Five-Year RevPAR Growth

2019 Regional Highlights

- A record number of visitors continue to travel to the Windy City. Last year, roughly 57.6 million people visited Chicago, up more than 4 percent from the prior year. Strong tourism bodes well for hotels, and occupancy in the market jumped 100 basis points during this time. RevPAR also registered above-national-average growth of more than 5 percent.
- Strong snowfall in the beginning of 2019 is a good sign for tourism in the state of Wisconsin. Many local and out-of-state visitors are traveling to the snow-filled areas for winter recreational activities, which could aid nearby hotels.
- New international flights with direct service to Chicago are being added and could bring new visitors from around the globe to the city. Beginning in June, Norwegian Airlines will begin service to and from Barcelona.

2019 Region Forecast

Supply up 1.7% — The pace of construction remains slightly below the national average. Nearly 12,000 rooms are underway with Illinois and Minnesota receiving roughly half of all completions. An additional 8,700 rooms will break ground regionally in the next 12 months.

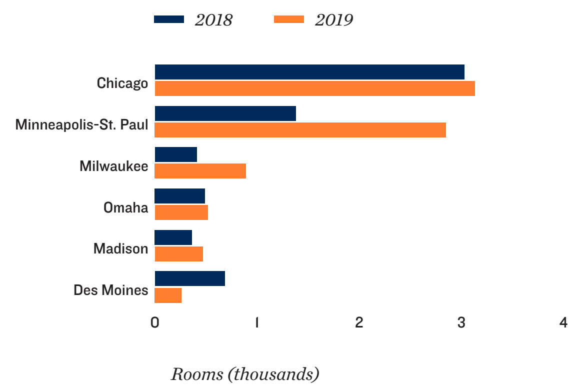
Occupancy up 30 bps — Healthy room nights will support an increase in occupancy to 60.4 percent this year. In 2018, the rate jumped 70 basis points.

ADR up 2.1% — Following a 2.3 percent increase last year, the average daily rate will climb 2.1 percent in 2019 to $113.70.

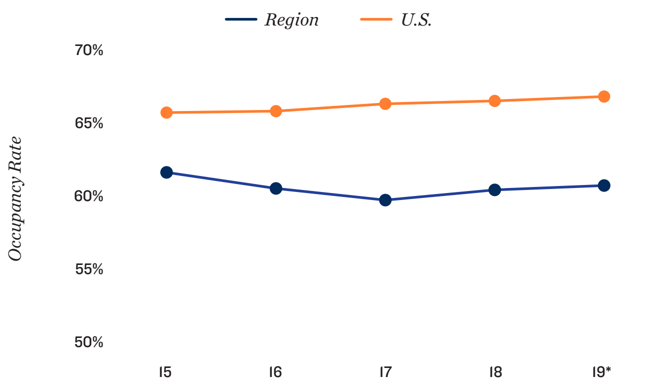
RevPAR up 2.6% — The uptick in occupancy, coupled with rising ADR, will support a second year of RevPAR growth to $70.51. In the prior year, the rate rose 3.5 percent.

Investment — Higher first-year returns in many of the regions smaller metros are attracting some buyers. Markets including Des Moines, Omaha/Council Bluffs and Lincoln are luring buyers with cap rates up to 11 percent depending on property chain scale and location.

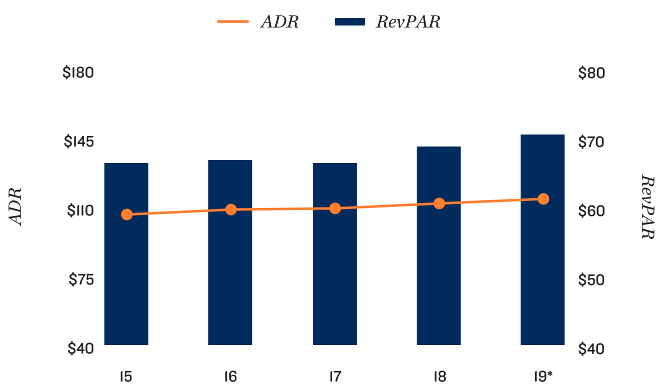
Development Trends ♦



Annual Occupancy



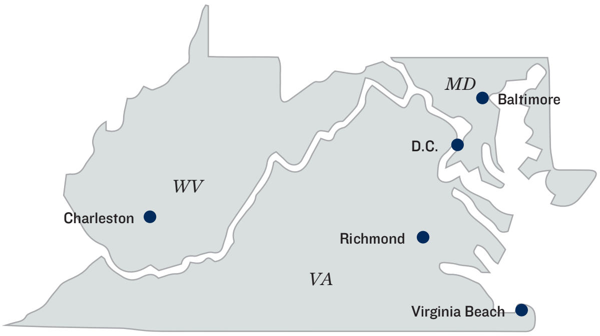
Full-Year Revenue Measures



♦ 2018 Recent Openings; Under Construction as of December 2018

* Forecast

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

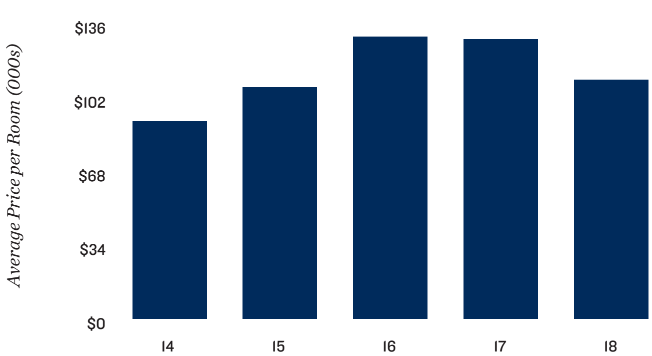


States: Maryland, Virginia, Washington, D.C., and West Virginia

2019 Demand Growth

1.5% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Occupancy and RevPAR Soar in West Virginia, Attracting More Buyers

Room demand climbs throughout the Virginias, boosting occupancy. Steady room use will underpin a sixth consecutive year of occupancy improvement in the Washington, D.C./Central Atlantic region. Occupancy growth will likely be led by West Virginia this year, where rates have increased considerably since 2017 after the passage of the Tourism Act. The legislation increased research as to how to better market the state to visitors. In the two-year period since the passage of the Tourism Act, occupancy has climbed approximately 950 basis points while RevPAR has surged 19 percent. This momentum will continue in 2019 as the state better targets its marketing campaigns. Outside of West Virginia, the state of Virginia also continues to make steady occupancy gains, registering improvements during the past five years as travelers visit the area for its numerous recreational activities. On the other hand, supply pressures in Maryland and Washington, D.C., are weighing on occupancy and RevPAR rates.

Washington, D.C., hotels command considerable buyer attention. Strong property performance in West Virginia is increasingly attracting investor interest to the area, though assets remain limited, placing upward pressure on prices. Buyers in the state are primarily targeting limited service hotels. Washington, D.C., continues to command the most buyer attention in the region, with the market comprising nearly half of all Central Atlantic transactions. Hotels in the metro change hands with first-year returns in the low to mid-7 percent band on average. Properties within the cities of Washington, Alexandria and Arlington are particularly popular, commanding average prices above $250,000 per room. In the city of Washington, hotels trade with cap rate averaging in the low-6 percent range while first-year returns in the mid-7 percent zone can be found in Alexandria and Arlington.

1.8%	Percent of Inventory Under Construction as of December 2018
300 bps	Five-Year Occupancy Growth 2014-2019
12%	Five-Year RevPAR Growth

2019 Regional Highlights

- A rising number of sporting events and meetings are luring visitors to Virginia's Blue Ridge. The area had a record-breaking year in tourism, with spending reaching $850 million. The area's tourism center expects spending to reach $1 billion in 2019, which will bode well for hotels.
- New regulation in Washington, D.C., will band owners from renting out any homes outside their primary residence for less than 30 days at a time. It also restricts rentals in the primary residence to 90 days. Homeowners will also be required to obtain a license. These new regulations will likely limit the number of short-term rentals in the market, benefiting hotel occupancy rates.
- Increased funding in Alexandria, Virginia, is aimed to boost tourism to the area's waterfront in 2019. The city will be receiving a replica of one of the U.S. Navy's first warships, which may boost some travel.

2019 Region Forecast

Supply up 1.0% — Supply additions are on track to match the national pace of growth this year. Washington, D. C., will lead completions. Nearly 2,000 rooms are underway throughout the area. Maryland will follow with approximately 1,800 rooms under construction.

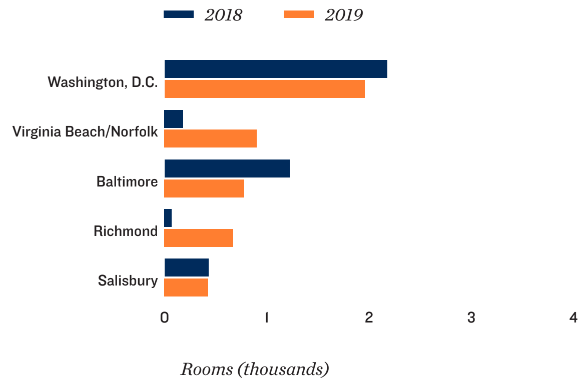
Occupancy up 30 bps — Following a 40-basis-point rise last year, the annual occupancy rate will improve to 65.8 percent during 2019.

ADR down 0.6% — The average daily rate is declining throughout the region as falling occupancy in Washington, D. C., stalled overall growth. The rate will tick down to $121.48 this year.

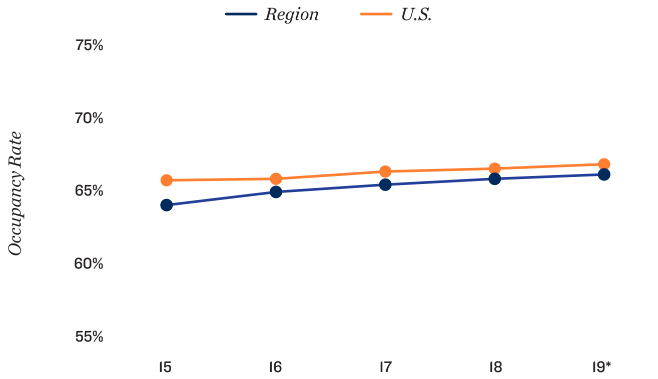
RevPAR down 0.2% — Declining ADR will outweigh the lift in occupancy, dropping RevPAR slightly this year to $82.35. Last year, RevPAR fell 0.3 percent.

Investment — Higher first-year returns than available in many larger markets are luring buyers to Baltimore and Richmond. In Baltimore, properties in Annapolis remain popular, trading with cap rates in the high-8 percent band. Hotels in Richmond offer yields in the low-9 percent zone, varying based on chain scale and location.

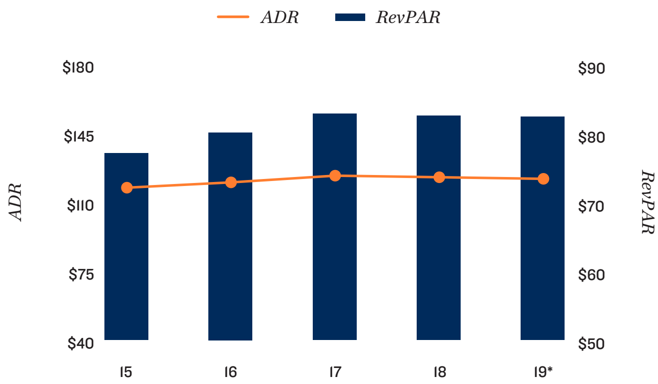
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures



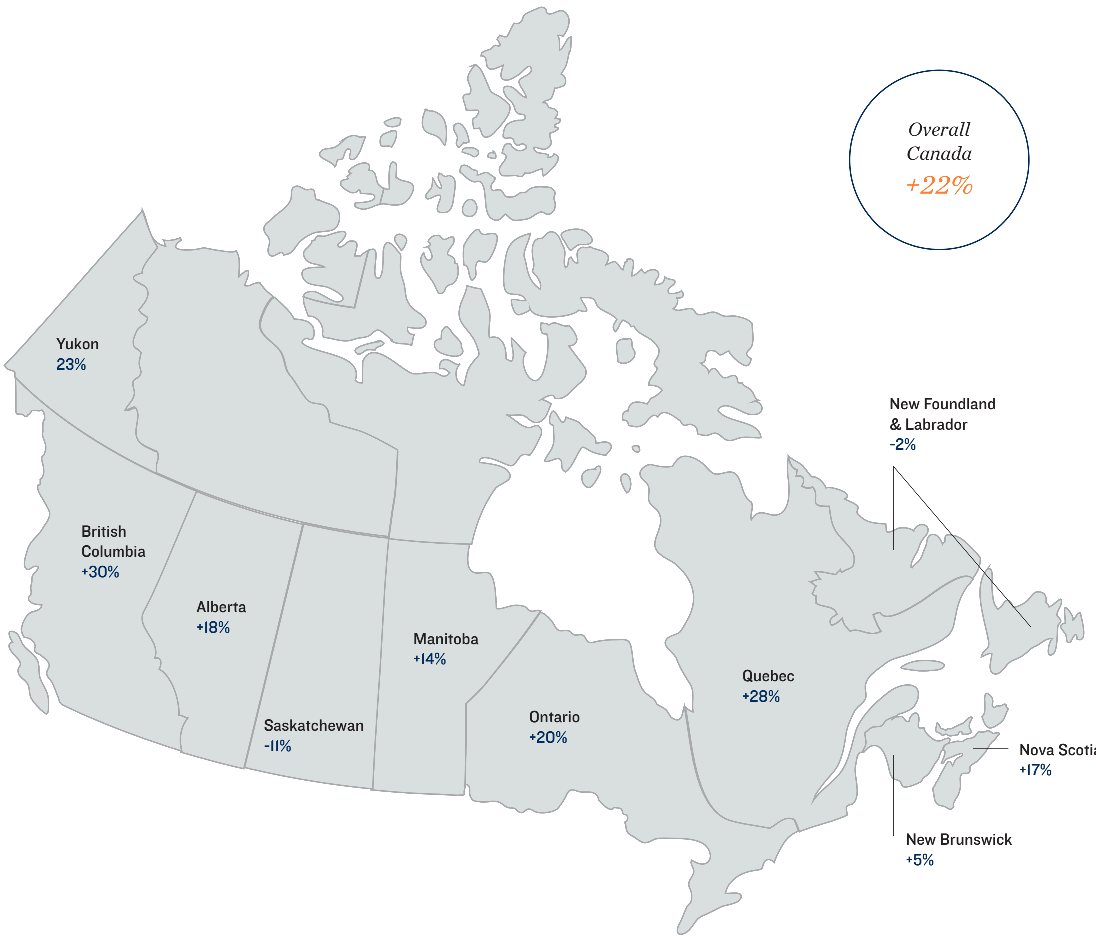
♦ 2018 Recent Openings; Under Construction as of December 2018

* Forecast

Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Five-Year International Travel Growth by Province

(2014-2018)



2018 Year-over-Year Hotel Metrics

Province Name	Occupancy	Y-O-Y BPS Change	ADR	RevPAR
Alberta	56.9%	170	2.1%	5.2%
British Columbia	71.0%	70	8.6%	9.4%
Manitoba	68.7%	10	1.9%	2.1%
New Brunswick	60.7%	-40	2.9%	1.9%
Newfoundland & Labrador	54.5%	-860	-4.5%	-17.5%
Nova Scotia	66.6%	-90	3.9%	2.6%
Ontario	70.6%	90	4.6%	5.9%
Quebec	69.5%	-150	2.4%	0.2%
Saskatchewan	56.3%	320	-1.7%	4.4%
Canada	**66.3%**	**70**	**4.2%**	**5.2%**

International Tourists Bolster Hotel Demand, Lifting Investor Confidence in Canada

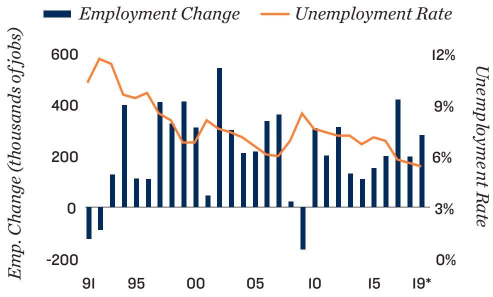
Record number of visitors coming from abroad. Healthy job creation and growth in international tourism advanced occupancy, ADR and RevPAR across the nation last year. A record was set in 2018 with 21.1 million international tourists visiting the nation, a 1.2 percent increase from the previous year. Nearly every province benefited from increased visitation, with several posting occupancy improvements of more than 50 basis points. The occupancy rate in smaller cities and towns advanced considerably; the average rose nearly 100 basis points in these locations. Moving into 2019, several provinces and markets are boosting initiatives to drive additional travel to their respective areas. New Brunswick is expanding its tourism infrastructure spending budget more than by 19 percent this year while Ottawa has launched a new campaign to attract younger travelers. If successful, these enhanced investments will likely drive demand for hotels, raising occupancy and underpinning revenue growth.

Competition climbs higher for minimal hotel listings. Strong improvements in hotel occupancy, ADR and RevPAR across Canada will sustain investor interest this year. Limited listings on the market will likely weigh on transaction velocity, while also maintaining elevated competition, which should support greater pricing growth. The Greater Toronto Area captured the greatest portion of deals with the remainder of sales activity scattered throughout the nation last year. This year continued increases in hotel occupancy and revenue growth will likely draw investors to Canada. Nationwide, average first-year returns for hotel properties are in the low-6 percent band.

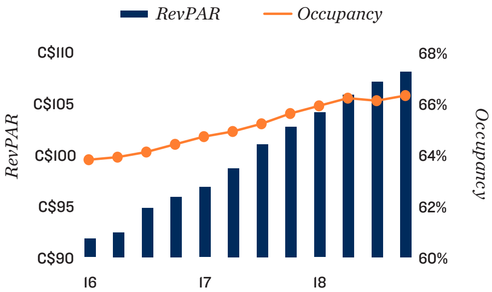
2019 Canadian Hotel Outlook

- **Occupancy growth lifts property metrics.** Healthy room demand in 2018 raised the nation's occupancy rate 70 basis points to 66.3 percent. This year, continued efforts to boost tourism will likely drive an additional 60-basis-point increase in the occupancy rate. The projected gain in occupancy is forecast to move the average daily rate up 4.1 percent while RevPAR climbs 5.0 percent in 2019.
- **Business travel gets a boost from job creation.** Last year in Canada, 195,800 jobs were added while this year 280,000 positions are forecast to be created, a 1.5 percent increase from the prior year. Continued employment growth could bolster demand for hotels as individuals travel for business meetings and interviews.
- **Stronger gains in tourism expected this year.** Elevated growth prospects for the hospitality sector are leading to an anticipated increase in overnight visits. Most metros will average between 1.6 percent and 3.3 percent growth in overnight stays, while Vancouver will likely witness the greatest rise. Behind U.S. based travelers, China is the nation's second greatest source of overseas visitors, with many choosing to visit Vancouver, which will push overnight visits past a 3 percent pace of expansion.

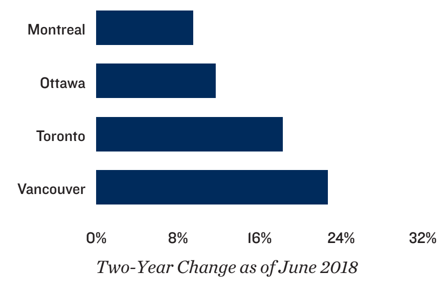
National Labour Force



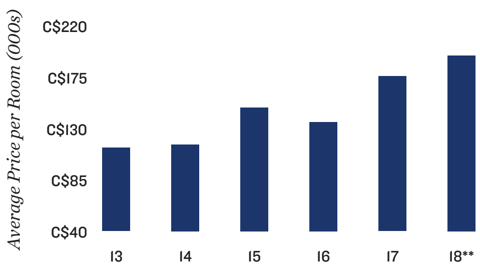
Occupancy and RevPAR Trend



RevPAR Growth



Sales Trends



** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

United States

Corporate Headquarters
Marcus & Millichap
23975 Park Sorrento
Suite 400
Calabasas, CA 91302
(818) 212-2250
www.MarcusMillichap.com

Albuquerque
5600 Eubank Boulevard N.E.,
Suite 200
Albuquerque, NM 87111
(505) 445-6333
Craig R. Swanson

Atlanta
1100 Abernathy Road, N.E.
Building 500, Suite 600
Atlanta, GA 30328
(678) 808-2700
Michael J. Fasano

Austin
9600 North Mopac Expressway,
Suite 300
Austin, TX 78759
(512) 338-7800
Craig R. Swanson

Bakersfield
4900 California Avenue
Tower B, Second Floor
Bakersfield, CA 93309
(661) 377-1878
James B. Markel

Baltimore
100 E. Pratt Street, Suite 2114
Baltimore, MD 21202
(443) 703-5000
Matthew Drane

Baton Rouge
10527 Kentshire Court, Suite B
Baton Rouge, LA 70810
(225) 376-6800
Jody McKibben

Birmingham
The Steiner Building
15 Richard Arrington Jr.
Boulevard North, Suite 300
Birmingham, AL 35203
(205) 510-9200
Jody McKibben

Boise
800 W. Main Street, Suite 1460
Boise, ID 83702
(208) 401-9321
Phil Brierley

Boston
100 High Street, Suite 1025
Boston, MA 02110
(617) 896-7200
Tim Thompson

Brooklyn
One MetroTech Center, Suite 2001
Brooklyn, NY 11201
(718) 475-4300
John Horowitz

Charleston
151 Meeting Street, Suite 450
Charleston, SC 29401
(843) 952-2222
Benjamin Yelm

Charlotte
201 S. Tryon Street, Suite 1220
Charlotte, NC 28202
(704) 831-4600
Benjamin Yelm

Chicago Downtown
333 W. Wacker Drive, Suite 200
Chicago, IL 60606
(312) 327-5400
David Bradley

Chicago Oak Brook
One Mid-America Plaza, Suite 200
Oakbrook Terrace, IL 60181
(630) 570-2200
Steven D. Weinstock

Cincinnati
600 Vine Street, 10th Floor
Cincinnati, OH 45202
(513) 878-7700
Colby Haugness

Cleveland
Crown Centre
5005 Rockside Road, Suite 800
Independence, OH 44131
(216) 264-2000
Michael L. Glass

Columbia
1320 Main Street, Suite 300
Columbia, SC 29201
(803) 678-4900
Benjamin Yelm

Columbus
230 West Street, Suite 100
Columbus, OH 43215
(614) 360-9800
Michael L. Glass

Dallas
5001 Spring Valley Road, Suite 100W
Dallas, TX 75244
(972) 755-5200
Tim A. Speck

Denver
1225 17th Street, Suite 1800
Denver, CO 80202
(303) 328-2000
Skyler Cooper

Detroit
Two Towne Square, Suite 450
Southfield, MI 48076
(248) 415-2600
Steven R. Chaben

Encino
First Financial Plaza
16830 Ventura Boulevard, Suite 100
Encino, CA 91436
(818) 212-2700
James B. Markel

Fort Lauderdale
5900 N. Andrews Avenue, Suite 100
Fort Lauderdale, FL 33309
(954) 245-3400
Ryan Nee

Fort Worth
300 Throckmorton Street, Suite 1500
Fort Worth, TX 76102
(817) 932-6100
Tim Speck

Fresno
8050 N. Palm Avenue, Suite 108
Fresno, CA 93711
(559) 476-5600
James B. Markel

Greensboro
200 CentrePort Drive, Suite 160
Greensboro, NC 27409
(336) 450-4600
Benjamin Yelm

Hampton Roads
999 Waterside Drive, Suite 2525
Norfolk, VA 23510
(757) 777-3737
Benjamin Yelm

Houston
Three Riverway, Suite 800
Houston, TX 77056
(713) 452-4200
Ford Noe

Indianapolis
600 E. 96th Street, Suite 500
Indianapolis, IN 46240
(317) 218-5300
Josh Caruana

Iowa
425 Second Street S.E., Suite 610
Cedar Rapids, IA 52401
(319) 333-7743
Richard Matricaria

Jacksonville
5220 Belfort Road, Suite 120
Jacksonville, FL 32256
(904) 672-1400
Justin W. West

Kansas City
7400 College Boulevard, Suite 105
Overland Park, KS 66210
(816) 410-1010
Colby Haugness

Knoxville
1111 Northshore Drive, Suite S-301
Knoxville, TN 37919
(865) 299-6300
Jody McKibben

Las Vegas
3800 Howard Hughes Parkway,
Suite 1550
Las Vegas, NV 89169
(702) 215-7100
Eric Molfetta

Long Beach
One World Trade Center, Suite 2100
Long Beach, CA 90831
(562) 257-1200
Damon Wyler

Los Angeles
515 S. Flower Street , Suite 500
Los Angeles, CA 90071
(213) 943-1800
Enrique Wong

Louisville
9300 Shelbyville Road, Suite 1012
Louisville, KY 40222
(502) 329-5900
Colby Haugness

Manhattan
260 Madison Avenue, Fifth Floor
New York, NY 10016
(212) 430-5100
John Krueger

Memphis
5100 Poplar Avenue, Suite 2505
Memphis, TN 38137
(901) 620-3600
Jody McKibben

Miami
5201 Blue Lagoon Drive, Suite 100
Miami, FL 33126
(786) 522-7000
Scott Lunine

Milwaukee
13890 Bishops Drive, Suite 300
Brookfield, WI 53005
(262) 364-1900
Todd Lindblom

Minneapolis
1350 Lagoon Avenue, Suite 840
Minneapolis, MN 55408
(952) 852-9700
Jon Ruzicka

Mobile
208 N. Greeno Road, Suite B-2
Fairhope, AL 36532
(251) 929-7300
Jody McKibben

Nashville
6 Cadillac Drive, Suite 100
Brentwood, TN 37027
(615) 997-2900
Jody McKibben

New Haven
265 Church Street
Suite 210
New Haven, CT 06510
(203) 672-3300
J.D. Parker

New Jersey
250 Pehle Avenue, Suite 501
Saddle Brooke, NJ 07663
(201) 742-6100
Brian Hosey

Newport Beach
19800 MacArthur Boulevard,
Suite 150
Irvine, CA 92612
(949) 419-3200
Jonathan Giannola

Oakland
555 12th Street, Suite 1750
Oakland, CA 94607
(510) 379-1200
David Nelson

Oklahoma City
101 Park Avenue, Suite 1300
Oklahoma City, OK 73102
(405) 446-8238
Tim Speck

Ontario
One Lakeshore Center
3281 E. Guasti Road, Suite 800
Ontario, CA 91761
(909) 456-3400
Matthew Luchs

Orlando
300 South Orange Avenue, Suite 700
Orlando, FL 32801
(407) 557-3800
Justin W. West

Palm Springs
777 E. Tahquitz Canyon Way,
Suite 200-27
Palm Springs, CA 92262
(909) 456-3400
Adam Chirstofferson

Palo Alto
2626 Hanover Street
Palo Alto, CA 94304
(650) 391-1700
Steven J. Seligman

Philadelphia
2005 Market Street, Suite 1510
Philadelphia, PA 19103
(215) 531-7000
Sean Beuche

Phoenix
2398 E. Camelback Road, Suite 300
Phoenix, AZ 85016
(602) 687-6700
Ryan Sarbinoff

Portland
111 S.W. Fifth Avenue, Suite 1550
Portland, OR 97204
(503) 200-2000
Adam Lewis

Raleigh
101 J Morris Commons Lane, Suite 130
Morrisville, NC 27560
(919) 674-1100
Benjamin Yelm

Reno
241 Ridge Street, Suite 200
Reno, NV 89501
(775) 348-5200
Daniel Kapic

Richmond
4870 Sadler Road, Suite 300
Glen Allen, VA 23060
(804) 205-5008
Benjamin Yelm

Sacramento
3741 Douglas Boulevard, Suite 200
Roseville, CA 95661
(916) 724-1400
Daniel Kapic

Salt Lake City
111 South Main Street, Suite 500
Salt Lake City, UT 84111
(801) 736-2600
Phil Brierley

San Antonio
8200 IH-10 W, Suite 603
San Antonio, TX 78230
(210) 343-7800
Craig R. Swanson

San Diego
4660 La Jolla Village Drive, Suite 900
San Diego, CA 92122
(858) 373-3100
Spencer Moyer

San Francisco
750 Battery Street, Fifth Floor
San Francisco, CA 94111
(415) 963-3000
Ramon Kochavi

Seattle
601 Union Street, Suite 2710
Seattle, WA 98101
(206) 826-5700
Joel Deis

South Bay
880 Apollo Street, Suite 101
El Segundo, CA 90245
(424) 405-3900
Damon Wyler

St. Louis
7800 Forsyth Boulevard, Suite 710
St. Louis, MO 63105
(314) 889-2500
Colby Haugness

Tampa
201 North Franklin St., Suite 1100
Tampa, FL 33602
(813) 387-4700
Ari Ravi

Tulsa
7633 East 63rd Place, Suite 300
Tulsa, OK 74133
(918) 294-6300
Tim Speck

Ventura
2775 N. Ventura Road, Suite 101
Oxnard, CA 93036
(805) 351-7200
James B. Markel

Washington, D.C.
7200 Wisconsin Avenue, Suite 1101
Bethesda, MD 20814
(202) 536-3700
Matthew Drane

West Los Angeles
12100 W. Olympic Boulevard,
Suite 350
Los Angeles, CA 90064
(310) 909-5500
Tony Solomon

Westchester
50 Main Street, Suite 925
White Plains, NY 10606
(914) 220-9730
John Krueger

The Woodlands
1450 Lake Robbins Drive, Suite 300
The Woodlands, TX 77380
(832) 442-2800
Ford Noe

Canada

Calgary
602-16 Avenue NW, Suite 211
Calgary, AB T2M 0J7
(587) 349-1302
Rene H. Palsenbarg

Montreal
245 Victoria Avenue, Suite 605
Westmount, Quebec H3Z 2M6
(514) 629-6000
Thierry Lessoil

Ottawa
275 Bank Street, Suite 301
Ottawa, Ontario K2P 2L6
Mark Paterson

Toronto
200 King Street W., Suite 1210
Toronto, ON M5H 3T4
(416) 585-4645
Mark Paterson

Vancouver
400 Burrard Street, Suite 1020
Vancouver, BC V6C 3A6
(604) 675-5200
Rene H. Palsenbarg

National Hospitality Group

Peter Nichols| Vice President, National Director
(203) 672-3300 | peter.nichols@marcusmillichap.com

National Research Team

John Chang | *Senior Vice President, Research Services*
Peter Tindall | *Vice President, Director of Data & Analytics*
James Reeves | *Publications Director*
Connor Devereux | *Research Engagement Manager*
Tamarah Calderon | *Research Administrator*
Maria Erofeeva | *Graphic Designer*
Marette Flora | *Senior Copy Editor*
Luis Flores | *Research Associate*
Jonathan Ferrendelli | *Research Associate*
Aaron Martens | *Research Analyst*
Michael Murphy | *Research Analyst*
Chris Ngo | *Data Analyst*
Brandon Niesen | *Research Associate*
Adam Norbury | *Data Analyst*
Nancy Olmsted | *Senior Market Analyst*
Spencer Ryan | *Senior Data Analyst*
Cody Young | *Research Associate*

Contact:

John Chang | *Senior Vice President, National Director*
Research Services
4545 East Shea Boulevard, Suite 201
Phoenix, Arizona 85028
(602) 707-9700 | john.chang@marcusmillichap.com

Media Contact:

Gina Relva | *Public Relations Director*
555 12th Street, Suite 1750
Oakland, CA 94607
(925) 953-1716 | gina.relva@marcusmillichap.com

Senior Management Team

Hessam Nadji | *President and Chief Executive Officer*
(818) 212-2250 | hessam.nadji@marcusmillichap.com

Mitchell R. LaBar | *Executive Vice President, Chief Operating Officer*
(818) 212-2250 | mitchell.labar@marcusmillichap.com

Adam P. Christofferson | *Senior Vice President,*
Division Manager, Southern California Division
(818) 212-2700 | adam.christofferson@marcusmillichap.com

Gregory A. LaBerge | *Senior Vice President, Chief Administrative Officer*
(818) 212-2250 | gregory.laberge@marcusmillichap.com

Martin E. Louie | *Senior Vice President, Chief Financial Officer*
(818) 212-2250 | marty.louie@marcusmillichap.com

Richard Matricaria | *Senior Vice President, Division Manager, Midwest Division*
(312) 327-5400 | richard.matricaria@marcusmillichap.com

Bryn Merrey | *Senior Vice President, Division Manager,*
Mid-Atlantic/Southeast Division
(202) 536-3700 | bryn.merrey@marcusmillichap.com

Paul S. Mudrich | *Senior Vice President, Chief Legal Officer*
(650) 391-1700 | paul.mudrich@marcusmillichap.com

J.D. Parker | *Senior Vice President, Division Manager, Northeast Division*
(212) 430-5100 | j.d.parker@marcusmillichap.com

Alan L. Pontius | *Senior Vice President, National Director, Specialty Divisions*
(415) 963-3000 | alan.pontius@marcusmillichap.com

David G. Shillington | *President of Marcus & Millichap Capital Corporation*
(678) 808-2700 | david.shillington@marcusmillichap.com

John Vorsheck | *Senior Vice President, Division Manager, Western Division*
(858) 373-3100 | john.vorsheck@marcusmillichap.com

Statistical Summary Note: Hotel chain scale definitions are based on information available as of February 2019. Average prices and cap rates are a function of the age, type and geographic area of the properties trading and therefore may not be representative of the market as a whole. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; AH&LA; AARP Research; Altus Data Solutions; Bureau of Economic Analysis; CoStar Group, Inc.; Federal Reserve; Moody's Analytics; Real Capital Analytics; STR Inc.; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Treasury Department.

2019 U.S. Hospitality Investment Forecast

State	Employment Growth				Rooms Currently Under Construction	Occupancy				ADR				RevPAR				State
	2016	2017	2018	2019*		2016	2017	2018	2019*	2016	2017	2018	2019*	2016	2017	2018	2019*	
Alabama	1.0%	0.8%	2.2%	1.3%	1,600	59.5%	60.6%	62.6%	63.0%	$82.84	$85.21	$87.40	$88.66	$49.54	$51.85	$54.99	$55.60	Alabama
Alaska	-1.8%	-1.3%	-0.1%	-0.1%	300	64.9%	63.0%	63.7%	64.2%	$121.38	$120.13	$123.91	$126.20	$83.01	$79.94	$83.73	$85.80	Alaska
Arizona	2.5%	2.1%	3.4%	2.7%	3,100	64.9%	66.3%	67.8%	69.0%	$113.02	$117.36	$119.76	$122.80	$74.33	$78.85	$82.34	$85.16	Arizona
Arkansas	0.8%	0.5%	1.4%	1.1%	1,500	55.1%	53.4%	52.7%	52.9%	$79.64	$81.34	$82.03	$82.79	$44.05	$43.56	$43.36	$43.60	Arkansas
California	2.1%	2.2%	1.7%	1.5%	22,200	75.3%	75.2%	75.5%	75.5%	$157.82	$161.41	$167.18	$171.69	$119.35	$121.81	$126.56	$130.12	California
Colorado	2.1%	2.3%	2.8%	2.4%	4,800	66.4%	66.6%	67.2%	67.9%	$135.36	$139.79	$140.71	$142.40	$89.82	$93.09	$94.64	$96.85	Colorado
Connecticut	0.2%	0.3%	1.2%	0.8%	600	60.6%	61.5%	62.2%	62.5%	$115.10	$115.86	$118.41	$119.90	$70.14	$71.72	$74.12	$75.60	Connecticut
Delaware	0.6%	0.3%	2.2%	1.8%	400	58.4%	58.7%	58.9%	59.6%	$115.93	$117.56	$119.36	$120.00	$69.37	$70.52	$71.84	$73.60	Delaware
District of Columbia	0.8%	1.0%	0.3%	0.3%	600	78.5%	78.7%	77.6%	77.0%	$220.13	$231.70	$217.89	$210.90	$175.64	$183.70	$171.71	$168.20	District of Columbia
Florida	3.0%	1.9%	2.7%	2.5%	17,900	71.6%	73.7%	73.0%	73.8%	$133.54	$137.31	$143.01	$149.97	$96.45	$101.87	$105.34	$111.62	Florida
Georgia	2.3%	1.5%	2.5%	2.1%	6,600	64.6%	65.2%	65.5%	66.2%	$97.77	$100.88	$103.45	$107.43	$63.34	$65.87	$67.95	$71.26	Georgia
Hawaii	0.5%	1.4%	1.4%	1.1%	200	79.1%	80.2%	79.9%	79.5%	$254.16	$264.14	$277.63	$286.30	$201.31	$212.05	$222.00	$228.22	Hawaii
Idaho	3.3%	3.6%	2.0%	2.1%	500	65.5%	63.6%	63.7%	64.2%	$96.01	$100.32	$102.23	$105.93	$64.08	$65.25	$66.44	$68.90	Idaho
Illinois	0.6%	0.7%	1.2%	0.8%	3,200	64.3%	64.0%	64.5%	64.8%	$126.08	$126.10	$130.29	$132.80	$82.76	$82.21	$85.80	$87.69	Illinois
Indiana	0.9%	0.9%	1.4%	1.1%	4,200	61.3%	61.9%	60.9%	59.8%	$95.14	$99.02	$100.85	$100.53	$58.68	$61.68	$61.75	$61.25	Indiana
Iowa	0.3%	0.8%	1.0%	0.7%	1,600	58.2%	55.8%	55.8%	56.1%	$91.01	$91.54	$91.85	$93.50	$53.30	$51.42	$51.65	$52.98	Iowa
Kansas	0.2%	0.5%	1.4%	1.1%	1,500	56.9%	55.7%	56.0%	56.8%	$85.06	$87.13	$86.65	$88.77	$48.56	$48.72	$48.64	$49.60	Kansas
Kentucky	0.6%	0.6%	1.1%	0.8%	4,000	61.3%	60.2%	59.0%	57.5%	$93.76	$96.47	$98.12	$99.90	$57.82	$58.61	$58.34	$58.00	Kentucky
Louisiana	-1.2%	0.3%	1.1%	0.8%	1,900	62.4%	61.1%	61.5%	61.7%	$111.56	$111.48	$112.08	$114.87	$70.00	$68.42	$69.28	$70.25	Louisiana
Maine	1.1%	0.5%	0.7%	0.8%	200	57.0%	57.1%	58.7%	59.0%	$115.47	$119.90	$124.89	$125.90	$69.40	$72.21	$77.43	$79.14	Maine
Maryland	1.1%	0.1%	1.9%	1.3%	1,500	65.7%	65.2%	63.9%	63.0%	$117.44	$119.54	$119.32	$118.00	$78.21	$79.00	$77.36	$76.66	Maryland
Massachusetts	1.6%	1.2%	1.8%	1.5%	3,300	68.3%	68.7%	70.4%	71.3%	$175.73	$178.52	$180.91	$184.33	$122.73	$125.62	$130.20	$133.63	Massachusetts
Michigan	1.5%	1.2%	1.3%	1.2%	4,500	60.4%	61.0%	61.8%	62.3%	$100.54	$103.86	$105.60	$107.50	$61.23	$63.88	$65.99	$67.44	Michigan
Minnesota	1.1%	1.3%	1.1%	1.0%	3,100	62.2%	61.4%	62.4%	62.6%	$110.02	$110.19	$115.29	$117.90	$69.21	$68.34	$72.47	$74.20	Minnesota
Mississippi	0.4%	1.1%	0.9%	0.8%	2,200	56.9%	57.7%	58.1%	58.1%	$84.29	$84.07	$85.44	$86.00	$48.16	$48.70	$49.86	$50.12	Mississippi
Missouri	1.0%	1.1%	1.4%	1.2%	2,400	61.1%	60.7%	59.0%	58.1%	$95.02	$98.44	$99.09	$98.62	$58.48	$60.14	$58.90	$58.60	Missouri
Montana	0.7%	1.5%	1.0%	0.9%	500	57.9%	57.5%	58.3%	60.1%	$96.75	$99.32	$100.24	$104.50	$58.50	$59.66	$60.85	$63.86	Montana
Nebraska	0.1%	0.7%	1.2%	1.0%	900	56.4%	55.3%	56.0%	56.3%	$90.57	$91.63	$91.17	$92.90	$51.73	$51.24	$51.65	$53.24	Nebraska
Nevada	2.9%	3.2%	3.9%	3.3%	8,500	70.1%	70.5%	69.3%	69.0%	$111.82	$113.92	$112.88	$112.00	$78.39	$80.50	$78.07	$77.20	Nevada
New Hampshire	1.4%	0.9%	2.7%	1.7%	200	60.1%	60.8%	62.9%	63.4%	$127.18	$130.09	$133.44	$135.00	$77.87	$80.54	$85.40	$87.38	New Hampshire
New Jersey	1.5%	1.1%	1.5%	1.1%	2,200	62.9%	65.6%	66.7%	67.0%	$120.46	$117.29	$123.02	$125.17	$76.74	$77.61	$82.80	$85.19	New Jersey
New Mexico	0.3%	0.9%	2.4%	1.2%	200	58.4%	61.1%	63.5%	64.5%	$84.89	$87.47	$94.49	$96.80	$49.84	$53.72	$60.37	$62.33	New Mexico
New York	1.3%	1.2%	1.3%	1.2%	17,100	73.0%	73.3%	74.5%	75.1%	$200.02	$199.38	$204.24	$208.63	$147.08	$147.09	$153.15	$156.68	New York
North Carolina	2.1%	1.6%	2.0%	1.9%	6,400	64.8%	63.3%	64.8%	65.3%	$99.05	$102.11	$104.47	$106.70	$64.53	$64.90	$68.04	$69.50	North Carolina
North Dakota	-2.9%	-1.1%	2.1%	1.2%	200	50.0%	49.7%	51.2%	51.5%	$83.61	$80.64	$80.78	$82.60	$41.70	$40.14	$41.48	$42.84	North Dakota
Ohio	0.8%	0.6%	2.1%	1.2%	4,900	59.4%	60.1%	60.5%	61.0%	$96.62	$96.59	$98.25	$99.85	$57.86	$58.49	$59.90	$61.05	Ohio
Oklahoma	-0.7%	1.7%	1.5%	1.1%	2,800	54.2%	55.0%	57.3%	57.8%	$78.83	$78.75	$79.28	$81.60	$42.80	$43.36	$45.56	$46.76	Oklahoma
Oregon	2.4%	2.5%	1.9%	2.2%	1,900	67.1%	66.3%	65.8%	65.3%	$116.00	$119.56	$120.72	$120.51	$79.22	$80.91	$81.03	$80.83	Oregon
Pennsylvania	0.8%	1.5%	1.2%	1.0%	4,500	60.3%	61.4%	63.5%	63.9%	$119.02	$118.31	$120.19	$123.37	$72.57	$73.13	$76.81	$79.56	Pennsylvania
Rhode Island	0.2%	1.5%	1.4%	1.1%	500	67.1%	66.1%	65.9%	66.2%	$137.26	$141.94	$145.27	$146.88	$95.10	$97.08	$98.84	$100.88	Rhode Island
South Carolina	2.1%	1.6%	2.0%	1.7%	5,200	63.8%	63.9%	63.6%	64.2%	$107.30	$111.90	$113.87	$115.90	$69.80	$72.78	$73.93	$76.33	South Carolina
South Dakota	0.5%	1.2%	2.0%	1.5%	500	56.5%	54.5%	55.0%	55.3%	$88.36	$89.83	$88.84	$89.78	$51.76	$50.75	$50.59	$51.45	South Dakota
Tennessee	2.0%	1.2%	2.0%	1.7%	7,200	64.4%	64.5%	64.9%	65.2%	$105.00	$110.50	$113.90	$116.88	$68.01	$71.72	$74.45	$76.58	Tennessee
Texas	1.4%	2.1%	3.2%	2.8%	25,500	63.0%	64.9%	64.9%	64.6%	$100.12	$102.34	$105.09	$107.08	$63.23	$66.57	$68.39	$69.40	Texas
Utah	3.0%	3.2%	3.1%	2.9%	1,700	63.6%	65.3%	64.1%	63.7%	$117.04	$121.89	$122.78	$122.10	$74.12	$79.30	$78.55	$77.80	Utah
Vermont	0.5%	0.0%	-0.1%	0.1%	0	60.0%	60.7%	61.4%	61.8%	$137.65	$142.29	$145.80	$147.60	$84.01	$87.54	$90.85	$92.90	Vermont
Virginia	0.8%	0.5%	1.9%	1.4%	3,100	63.3%	63.8%	64.3%	65.0%	$106.02	$108.73	$109.19	$109.32	$67.93	$70.02	$70.93	$71.08	Virginia
Washington	3.1%	2.6%	3.1%	2.7%	3,400	67.9%	69.6%	69.1%	68.8%	$126.38	$130.28	$133.97	$133.59	$87.25	$92.11	$93.99	$93.87	Washington
West Virginia	-1.2%	0.7%	0.6%	0.5%	100	54.2%	57.4%	63.7%	65.8%	$94.57	$93.68	$95.59	$96.00	$51.47	$54.11	$61.22	$62.38	West Virginia
Wisconsin	0.8%	0.7%	1.6%	1.3%	2,200	56.9%	56.9%	57.6%	58.2%	$102.24	$104.88	$105.79	$108.55	$59.06	$60.65	$61.96	$64.20	Wisconsin
Wyoming	-3.7%	1.1%	2.8%	1.8%	100	49.2%	48.9%	52.7%	53.8%	$115.86	$120.58	$119.27	$124.79	$59.17	$61.90	$65.15	$70.10	Wyoming
United States	1.6%	1.5%	1.8%	1.3%	193,800	65.5%	66.0%	66.2%	66.5%	$124.01	$126.65	$129.67	$132.66	$81.18	$83.57	$85.87	$88.28	United States

* Forecast, See Statistical Summary Note on Page 48

* Forecast, See Statistical Summary Note on Page 48

RESEARCH SERVICES

4545 E. Shea Boulevard, Suite 201
Phoenix, AZ 85028
602.707.9700

Offices Throughout the United States and Canada

PETER NICHOLS
Vice President/National Director
National Hospitality Group
203.672.3300
peter.nichols@marcusmillichap.com

JOHN CHANG
Senior Vice President/National Director
Research Services
602.707.9700
john.chang@marcusmillichap.com

DAVID G. SHILLINGTON
President
Marcus & Millichap Capital Corporation
678.808.2700
david.shillington@marcusmillichap.com

Marcus & Millichap

MarcusMillichap.com

10260119