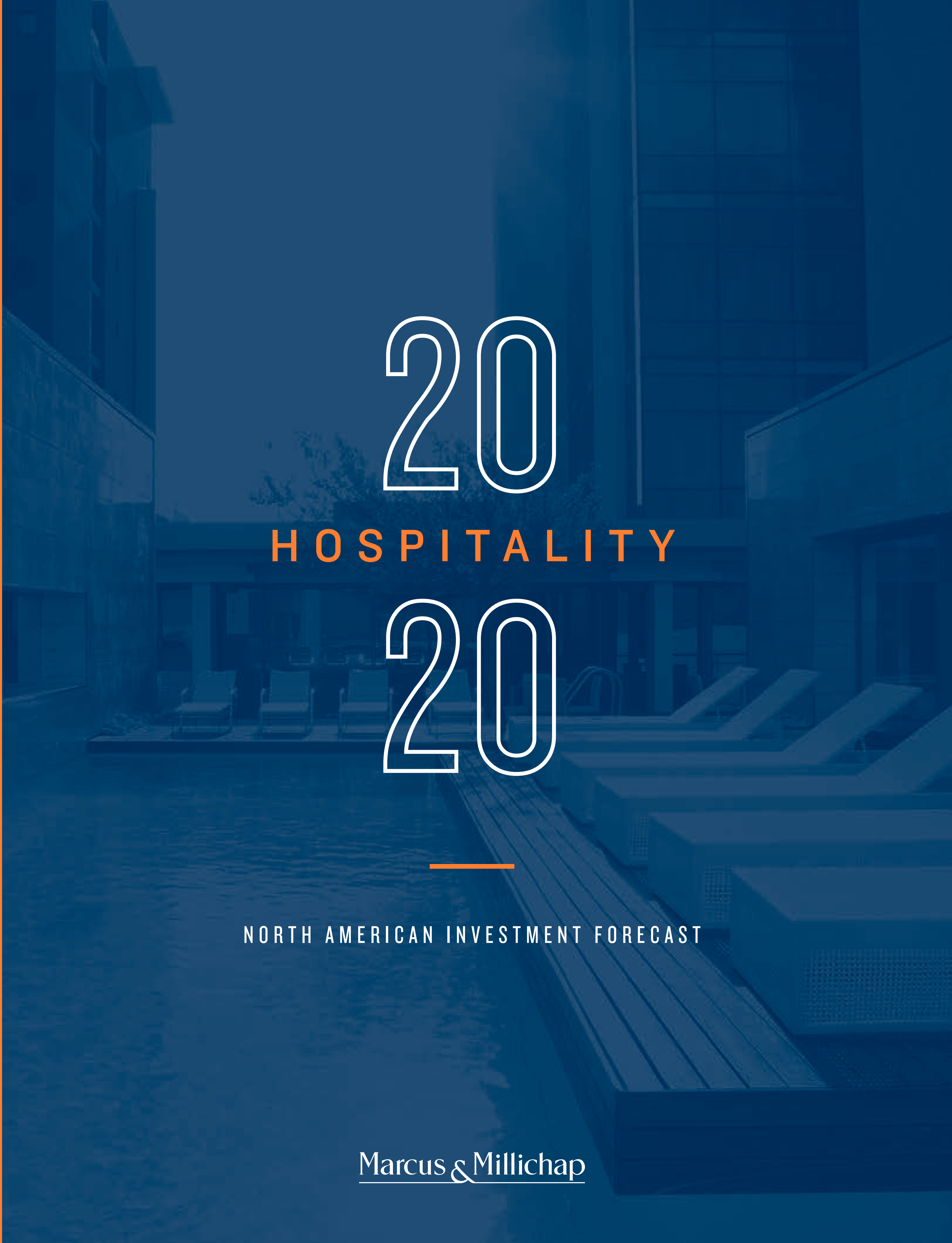


2020 HOSPITALITY

NORTH AMERICAN INVESTMENT FORECAST

Marcus & Millichap

TO OUR VALUED CLIENTS

The hospitality sector delivered near-record level performance last year, and though some risks have emerged, the outlook for 2020 remains positive. The durability of the growth cycle serves as a tailwind for both for leisure and business travel, delivering high occupancy rates and moderate ADR gains despite substantive development. Major risks to the outlook include pockets of oversupply and concerns about how the spread of the coronavirus could influence travel.

With the economy now in its 11th year of expansion, some question how long the growth cycle can continue. Most economists do not expect a recession this year, and despite repeated yield-curve inversions in 2019 and 2020, most anticipate strong job creation, low unemployment and moderate wage growth this year. Investors continue to leverage the extended runway into portfolio refinements, pruning properties that no longer align with their long-term strategies and adding new assets that offer increased upside potential. While the outlook for the hospitality sector in 2020 remains positive, some investors are also hedging their position with fortress assets to help balance their portfolios should an economic downturn arise. Hotel properties can be highly sensitive to economic and leisure travel volatility, 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 2020 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,

SKYLER COOPER
National Director
Hospitality Division

JOHN CHANG
Senior Vice President/National Director
Research Services Division

National Perspective

Market Overviews

Canada

Client Services

National Economy

- The national economy entered a record 11th year of expansion in 2020, supported by steady job creation and higher-than-normal levels of consumer and business confidence. A historically low level of unemployment, while hindering hiring for many firms, is also contributing to greater wage growth as some companies increase pay to attract top talent. Higher earnings are in turn bolstering discretionary spending.
- Despite favorable consumer trends, there are some potential clouds on the horizon. While trade relations between the United States and China have stabilized in the short term, numerous tariffs remain in place, and they may yet drag on growth. Uncertainty surrounding other geopolitical events could also disrupt the expansion, although the current baseline forecast remains positive.
- Travel within the United States is rising and on track to achieve a new cycle high this year. High levels of job security are encouraging more individuals to plan future vacations, while also traveling to numerous meetings and conferences. International visitor volume may decline however as the appreciation of the U.S. dollar and the spread of the coronavirus abroad are inhibiting travel for many.

National Hotel Overview

- Following a decade of robust demand growth that culminated in a 30-year record high level of occupancy last year, the hospitality sector will transition to a period of more gradually improving performance in 2020. As the occupancy rate walks back from 2019's peak level and revenue gains moderate, hoteliers will look for ways to boost revenues while managing costs.
- As hotel room demand advances at a more moderate rate, hotel development is mildly increasing, with the number of available room nights expected to grow by 2.2 percent in 2020. More than half of the roughly 200,000 rooms under construction are at the select service level, while the inventory of luxury hotels is set to expand by more than 11 percent, the largest margin of any class.
- Major hotel brands unsurprisingly dominate construction activity, with Marriott and Hilton each representing more than 25 percent of the keys underway. Some of these projects include new sub-brands created under these organizations to more strongly engage specific customer groups.

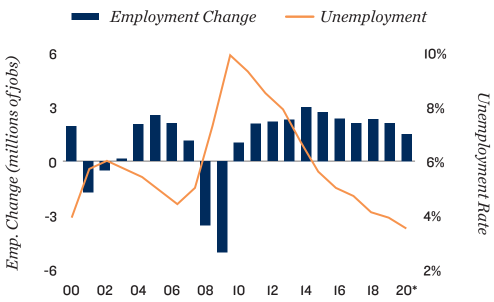
Capital Markets

- The Federal Reserve will balance a multitude of economic and geopolitical forces this year as it aims to sustain domestic growth. Although few changes are expected this year, Chairman Jerome Powell has reemphasized that the committee will continue to monitor conditions as it develops and sets policy accordingly.
- Capital remains readily available, although some financiers, primarily commercial banks, are reporting less room on their balance sheets for new hospitality loans. Instead, investors are obtaining financing from CMBS sources as well as from debt funds and other private lenders.
- Lenders are practicing more restraint in regard to construction, preferring developers with established pedigrees working on projects in high-travel areas of major markets.

Hotel Investment Outlook

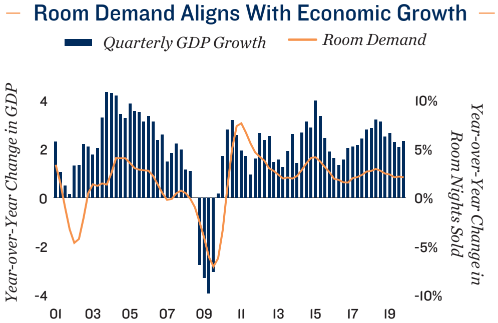
- Investors remain active in the hospitality sector, but global and political uncertainties have clouded buyer and seller sentiments. Health-based travel disruptions and new supply concerns could weigh on sales velocity in the year ahead, although a recent detente in trade relations with China may spur new investment.
- To help stimulate room demand, hotel owners are partnering with well-known consumer brands and leveraging social media to capitalize on travelers' desire for unique experiences. These initiatives help drive visitation by making the hotel itself the destination.
- While overall transaction velocity slowed in 2019, the distribution of sales among chain scales shifted toward economy assets. A larger portion of trades also involved midscale and upper midscale properties, as buyers sought higher initial returns and hotels that catered to travelers' demand for affordable accommodations.

Employment vs. Unemployment

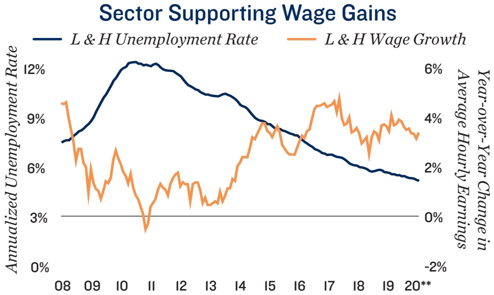


Value of U.S. Dollar Appreciates

Room Demand Aligns With Economic Growth



Tight Unemployment in Leisure & Hospitality Sector Supporting Wage Gains



* Forecast

** Through January

Positive Momentum Sustains Economic Cycle in 2020 As Domestic Travel Volume Climbs to New High

Economic growth cycle remains on upward path. The national economy entered a record 11th year of expansion in 2020, supported by steady job creation and higher-than-normal levels of consumer and business confidence. Employment growth is beginning to taper, however, as a shortage of available workers relative to the number of open positions hinders hiring for many firms. To help attract top talent, some companies are increasing pay, contributing to annual wage growth around 3 percent that is bolstering discretionary spending. Despite these favorable consumer trends, there are some potential clouds on the economic horizon. Trade relations between the United States and China appear to have stabilized, but numerous tariffs remain in place, and they may yet drag on growth. Uncertainty surrounding other geopolitical events could also disrupt the expansion, although the current baseline forecast remains positive.

Domestic travel continues to rise, underscored by strong job market. As with the economy at large, travel within the United States is rising, on track to achieve a new cycle high this year. Both domestic leisure and business travel are growing. High levels of job security, encouraged by the tight labor market, may be prompting more individuals to plan future vacations, as bookings for upcoming trips are up relative to last year. Numerous meetings and conferences, already preplanned, will take place in 2020, supporting business travel. Whether for business or pleasure, more individuals are taking to the air for trips. Domestic air passenger volume increased 4.1 percent in 2019, reaching a new record for the fifth consecutive year. These trends bolster travel spending and demand for hotel rooms, particularly near major airports and in destination metros. One area where traveler volume may decline is international visitation. The depreciation of several world currencies relative to the U.S. dollar and the spread of the coronavirus abroad are inhibiting travel for many. Premier tourist destinations geared toward welcoming overseas travelers will be the most impacted, while other areas of the country will be unaffected by this trend.

2020 National Economic Outlook

- **Sporting events supporting travel.** The growing North American sports market is contributing to ongoing travel. About 8 percent of all domestic trips taken in 2018, about 190 million, were to attend a professional sporting event. That equated to approximately $41 billion in spending, about 22 percent of which went to lodging, the second largest expense after the sporting event itself.
- **Travel costs continue to rise, but at a slower pace than wage growth.** The U.S. Travel Association's Travel Price Index increased 2.3 percent in 2019, with the prices for food and transportation appreciating the most. Although the cost of a hotel room remained about the same, these other financial pressures still weigh on travel affordability. Compensating for these expenses are higher wages, with average hourly earnings improving by 2.9 percent in 2019, a faster rate than in years past.
- **Existing tariffs to impact operating expenses.** While the U.S. and China have signed a Phase I Trade Deal, tariffs remain in place for hundreds of billions of dollars worth of Chinese imports. Tariffs on raw materials like wood as well as finished goods such as glassware, soap and carpets could raise costs for hoteliers and hotel developers. New import fees may also be enacted on European products, principally wine, cheese and liquor, which could also inflate operating expenses for many hotels.

Hotel Revenue Metrics Stabilize as Operators Explore Innovative Ways to Drive Demand

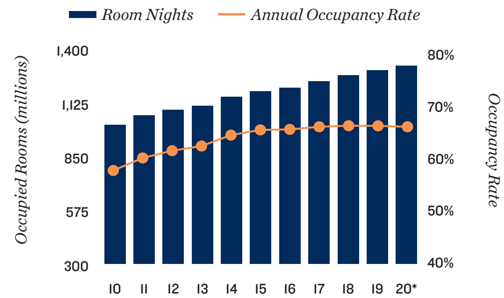
After achieving record highs, mild increase in hotel demand and revenue expected. Following a decade of robust demand growth that culminated in a 30-year record high level of occupancy last year, the hospitality sector will transition to a period of more gradually improving performance in 2020. As the occupancy rate walks back from 2019's peak level and revenue gains moderate, hoteliers will look for ways to boost revenues while managing costs. Some operators are investing in innovative technologies that improve the guest experience while reducing staffing needs, such as allowing customers to skip check-in by using their phone as the room key. Other strategies include leveraging customer loyalty programs to drive repeat business and direct bookings. Hotel operators are also abandoning less sustainable practices, such as single-use plastic bottles, in order to both comply with new state legislation and appeal to changing consumer values.

Hotel development modestly expands. As hotel room demand advances at a more moderate rate, hotel development is mildly increasing, with the number of available room nights expected to grow by 2.2 percent this year. More than half of the roughly 200,000 rooms under construction are at the select service level, weighing on the performance of existing mid-tier assets. Both high- and low-end hotels have faced less competition from new supply and fared better, but that dynamic may soon change. The inventory of luxury hotels is set to expand by more than 11 percent over the next few years, the largest margin of any class. Major hotel brands unsurprisingly dominate construction activity, with Marriott and Hilton each representing more than 25 percent of the keys underway. Some of these projects will represent new sub-brands created under these organizations, such as Tempo, which target specific customer groups in the hope of driving stronger engagement. At the market level, New York City again has the most number of rooms in development, followed by Los Angeles, Las Vegas and Dallas/Fort Worth.

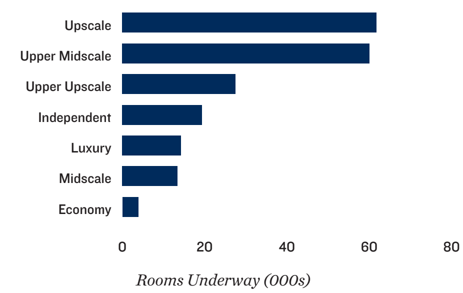
2020 National Hotel Sector Outlook

- **Hoteliers respond to rising labor costs.** Subdued revenue growth emphasizes the importance of managing labor costs. Average hourly earnings in the leisure and hospitality sector increased by 3.1 percent in 2019, about 20 basis points above the overall rate, influenced by rising minimum wages in multiple states. In order to help offset upward wage pressure, hospitality firms are focusing on better retaining experienced employees and improving recruiting initiatives, including partnering with college programs.
- **Hotels outperform peer-to-peer services in availability.** While there are roughly 1 million more short-term rentals on the market now than traditional hotel rooms, their limited nightly availability restrains their impact on hotel use. Hotel rooms are available all year long, but peer-to-peer rentals from services such as Airbnb and VRBO are often only open around major events. While this may cut into occupancies during peak evenings, it has little effect overall.
- **Resort day passes tap into new revenue stream.** The expanding use of day passes illustrates how resort-style hotels are generating roughly double the national pace of revenue growth despite a dip in occupancy. Local residents interested in amenities and activities are purchasing these passes in order to access the resort's pools and spas, mirroring a broader trend in the sector where hotels aim to be more engaged with their surrounding neighborhoods.

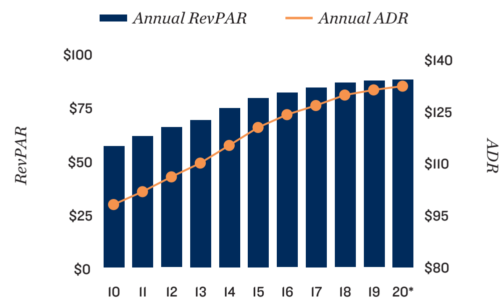
U.S. Annual Occupancy Trend



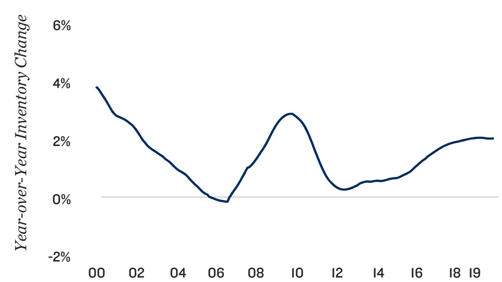
Rooms Underway**



Revenue Growth Moderating



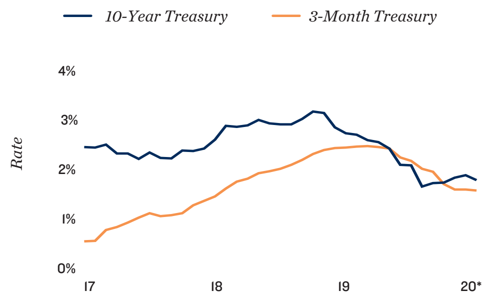
Historical Supply Growth Trend



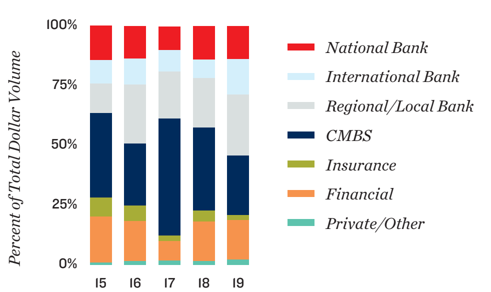
* Forecast

** Under construction as of December 2019

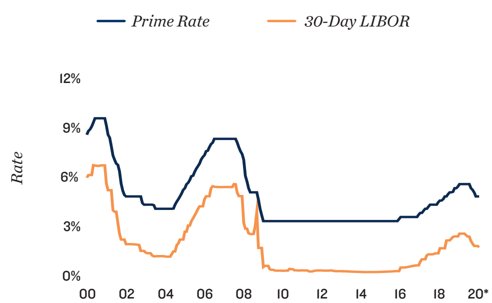
10-Year Treasury vs. 3-Month Treasury



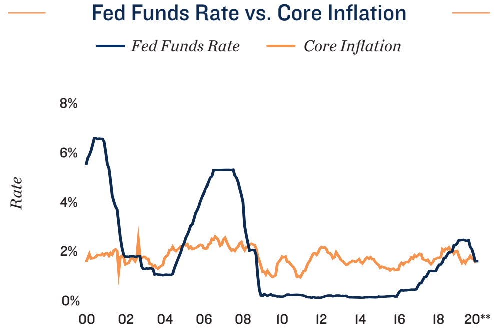
Hotel Mortgage Originations by Lender❖



Common Lending Benchmarks



Fed Funds Rate vs. Core Inflation



** Through January*

*** Fed funds rate through January; core inflation through December 2019*

❖ Sales $2.5 million and greater

Fed Reinforces Commitment to Sustaining Growth; Lenders Apply Disciplined Underwriting

Fed maintains wait-and-see approach as it reiterates expectations of growth in 2020. The Federal Reserve will balance a multitude of economic and geopolitical forces this year as it aims to sustain domestic growth. In 2019, it cut the overnight rate by 25 basis points three times in an effort to offset recessionary risk, and few changes are expected in 2020 based on policy statements made earlier this year. Chairman Jerome Powell has reemphasized, however, that the committee will continue to monitor conditions as it develops and sets policy accordingly. The Fed's approach will likely be influenced by the United States' numerous trade relationships. While the rapport between the U.S. and China appears to have stabilized for the short term, ongoing negotiations with the European Union could result in new import fees. Tariffs already in existence may yet drag on consumption as well, possibly to the extent that the Fed considers cutting the overnight rate in an effort to breathe more life into the economy. Geopolitical uncertainty from the 2020 presidential election, the Brexit, or other international fronts could prompt a response from the Fed if it perceives a risk to the economy.

Capital availability elevated, even as some lenders tighten underwriting. After a decade of uninterrupted growth in the hospitality sector, flattening occupancy and tempered revenue growth have some lenders adopting a more cautious approach this year. Liquidity remains readily available, although some financiers, primarily commercial banks, are reporting less room on their balance sheets for new hospitality loans. Instead, investors are obtaining financing from CMBS sources as well as from debt funds and other private lenders. Loans guaranteed by the Small Business Administration also make up a notable portion of hospitality financing, particularly for private investors. While specific terms will vary by an asset's quality and location as well as the reputation of the hotel management company, loan-to-value ratios extend up to 70 percent for CMBS loans and up to 75 percent range for debt funds. REITs, national banks and insurance firms will generally accept a maximum LTV below 60 percent. Financiers are also practicing more restraint in regard to construction, preferring developers with established pedigrees working on projects in high-travel areas of major markets. Loan-to-cost ratios fall into the 50 to 60 percent band, with interest rates as high as 10 percent.

2020 Capital Markets Outlook

- **Federal Reserve to closely track inflation.** Core PCE, the Fed's preferred inflation measure, remained in the mid-1 to high-1 percent range for much of 2019 amid moderate economic growth. Allowing the measure to run hotter or colder than the Fed's 2 percent target is not seen as an immediate risk, although prolonged spans well above or below that level may influence policy changes.

- **Yield curve inversion merits caution.** The yield curve between short-term and long-term Treasurys briefly inverted in late 2019 and again in early 2020, a commonly recognized signal of an impending recession. Based on historical evidence, an economic downturn could occur sometime within the next two years, even after the yield curve normalized. The greatest risks stem from the geopolitical area, but baseline forecasts point to positive momentum in 2020.

- **Yield spreads favor hospitality investors.** Hotel investments continue to offer a substantial premium relative to government bonds. The yield on the 10-year Treasury remained below 2 percent in early 2020, while the average cap rate on recent hotel trades lies in the high-8 percent band. The spread between these two measures has rarely been wider over the past decade.

Prospect of Higher Returns Shift Focus Toward Inland Markets and Hotels That Cater to Travelers on a Budget

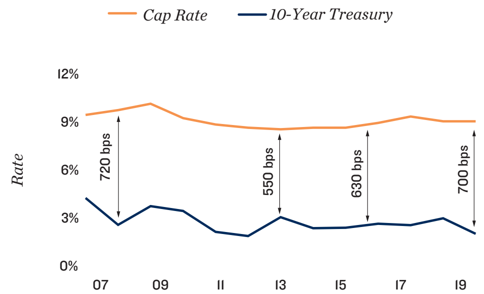
Economic caution moderates transaction velocity as composition of sales changes. Fewer hotels changed hands in 2019 than the year before as global economic and political uncertainties clouded investor sentiment. Health-based travel disruptions and new supply concerns could further weigh on sales velocity in the year ahead, although a recent detente in trade relations may spur new investment. Many potential sellers are looking to exchange assets for higher chain scales and ADRs, while buyers continue to be attracted by cap rates that exceed those of other property types. Last year a larger percentage of transactions involved economy assets, which tend to have greater initial returns. This shift in acquisition strategy created the impression that cap rates rose nationally when at the individual service level, yields held about the same or modestly declined in 2019. Investors' greater interest in limited service hotels may also be motivated by the demand from travelers for affordable accommodations. Many older assets at this service level could be improved through renovation to offer a higher nightly rate while still remaining competitive to premium lodgings.

Hospitality investors shift inward from coasts. Over the past year, a greater share of all transactions took place in the Upper Midwest, while a smaller percentage was completed in the Northeast and Florida. The shift away from some coastal gateway markets may reflect, in part, the search for yield. Midwest properties changed hands in 2019 with cap rates in the low-10 percent zone on average, 50 to 150 basis points above the same measure in coastal regions. Assets delivering yields above the national average, as well as favorable demographic and travel trends, are also drawing a sizable portion of deal flow to the Southwest region and Texas. Some of the highest levels of job creation and in-migration in the country support added travel as people visit for work or to see friends and family. Warm climates and comparatively lower nightly rates also aid in the demand for rooms.

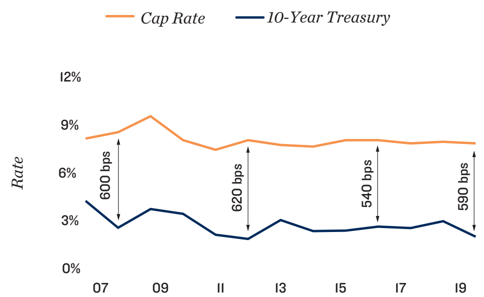
2020 Investment Outlook

- **High returns and lower interest rates draw international buyers.** Foreign investment into U.S. hospitality assets continues to be a driving factor for transaction activity. Buyers from the United Arab Emirates, South Korea, and the United Kingdom led non-domestic sales volume in 2019. Higher rates of return than available at home, paired with reduced hedging costs facilitated by lower interest rates, are motivating trades. While gateway cities remain frequent targets, foreign buyers are finding opportunities in most major hotel markets across the country.
- **Sales composition leans more toward economy and midscale hotels.** While overall transaction velocity slowed in 2019, the distribution of sales among chain scales shifted. Besides a higher portion of trades for economy assets, a greater share of sales also involved midscale and upper midscale properties than in 2018. Together these trends reflect more of a focus on hotels with less costly room rates and correspondingly lower entry costs that are under $100,000 per key. Cap rates for these types of properties often fall into the low-9 percent band, exceeding the national average.
- **Hoteliers ally with consumer brands to create must-see experiences.** To help stimulate demand, hotel owners are partnering with well-known consumer brands and leveraging social media to capitalize on travelers' desire for unique experiences. Reservations for a weekend-long Palm Springs Taco Bell hotel pop-up last August sold out within two minutes, while Atari recently lent its license to a string of new hotel developments, where virtual reality games and e-sport events aim to draw in avid gamers. These initiatives help to drive visitation by making the hotel itself the destination.

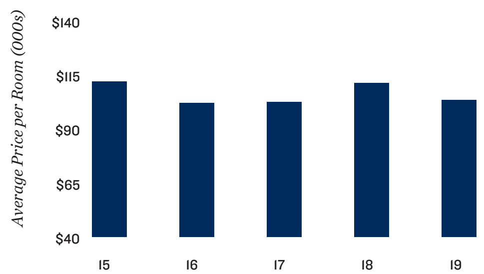
Limited Service Cap Rates*



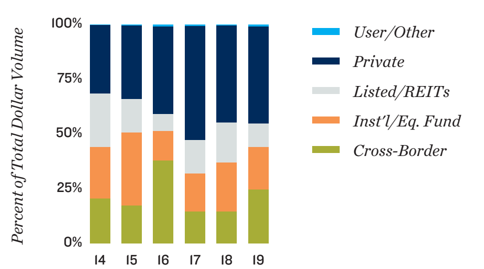
Full Service Cap Rates*



Hotel Sales**



Hotel Buyer Composition*



* Sales $2.5 million and greater
** Sales $1.0 million and greater

2020 Generational Trends Impacting Hotels

	Millennials	Generation X	Baby Boomers
Total Expected Travel Spending Per Person	$4,500	$6,200	$7,800
Spending Compared With 2019	Same 59% More 33% Less 8%	Same 58% More 34% Less 8%	Same 49% More 40% Less 11%
Number of Domestic Trips Planned Per Person	3.3	3.8	4.0
How Important Is Connectivity to Work While On Vacation	Not 48% Somewhat 25% Extremely 28%	Not 55% Somewhat 20% Extremely 25%	Not 60% Somewhat 25% Extremely 15%
Amount of Planning Done Prior to Travel	61%	54%	46%
How Engaged Are Travelers With Hotel Customer Loyalty Programs	39%	46%	54%

Sources: Marcus & Millichap Research Services; AARP Research: 2020 Travel Trends Report

Passion for Athletics Adds to Lodging Demand

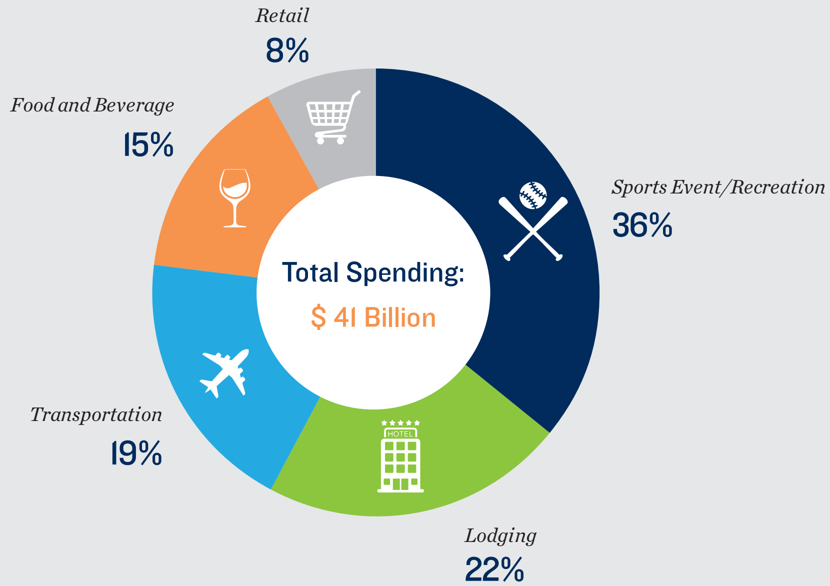
Total Spending by Those Traveling Domestically to Attend a Sporting Event

The North American Sports Market Was Valued at $71 Billion in 2018.

The Sector is Projected to Grow 3.2% Annually Through 2023.

Spending on Domestic Sports Travel Totaled $41 Billion in 2018.

For Sports Travelers Hotel/Lodging is the Second Largest Expense After the Sporting Event Itself

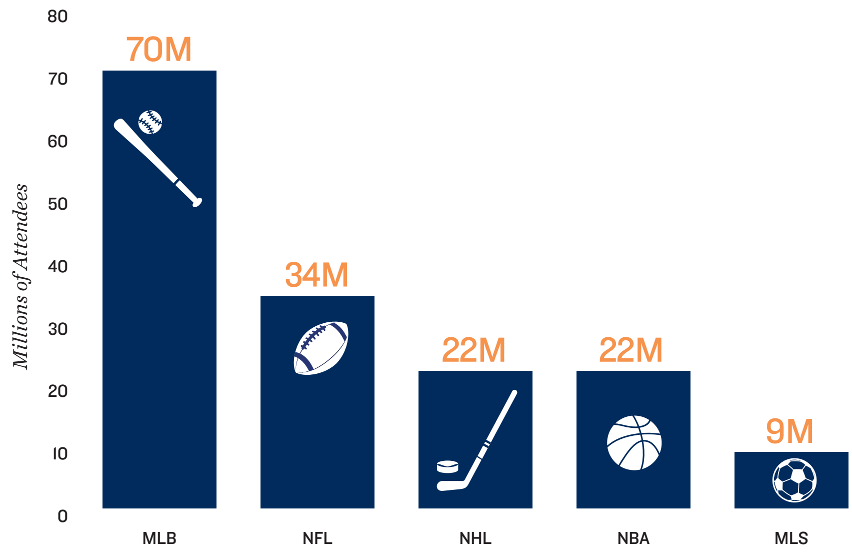


Total Attendance at U.S. Major Sporting Leagues

190 Million Trips Were Made in 2018 to Attend or Participate in a Professional Sporting Event.

This Represents About 8% of Total Domestic Travel.

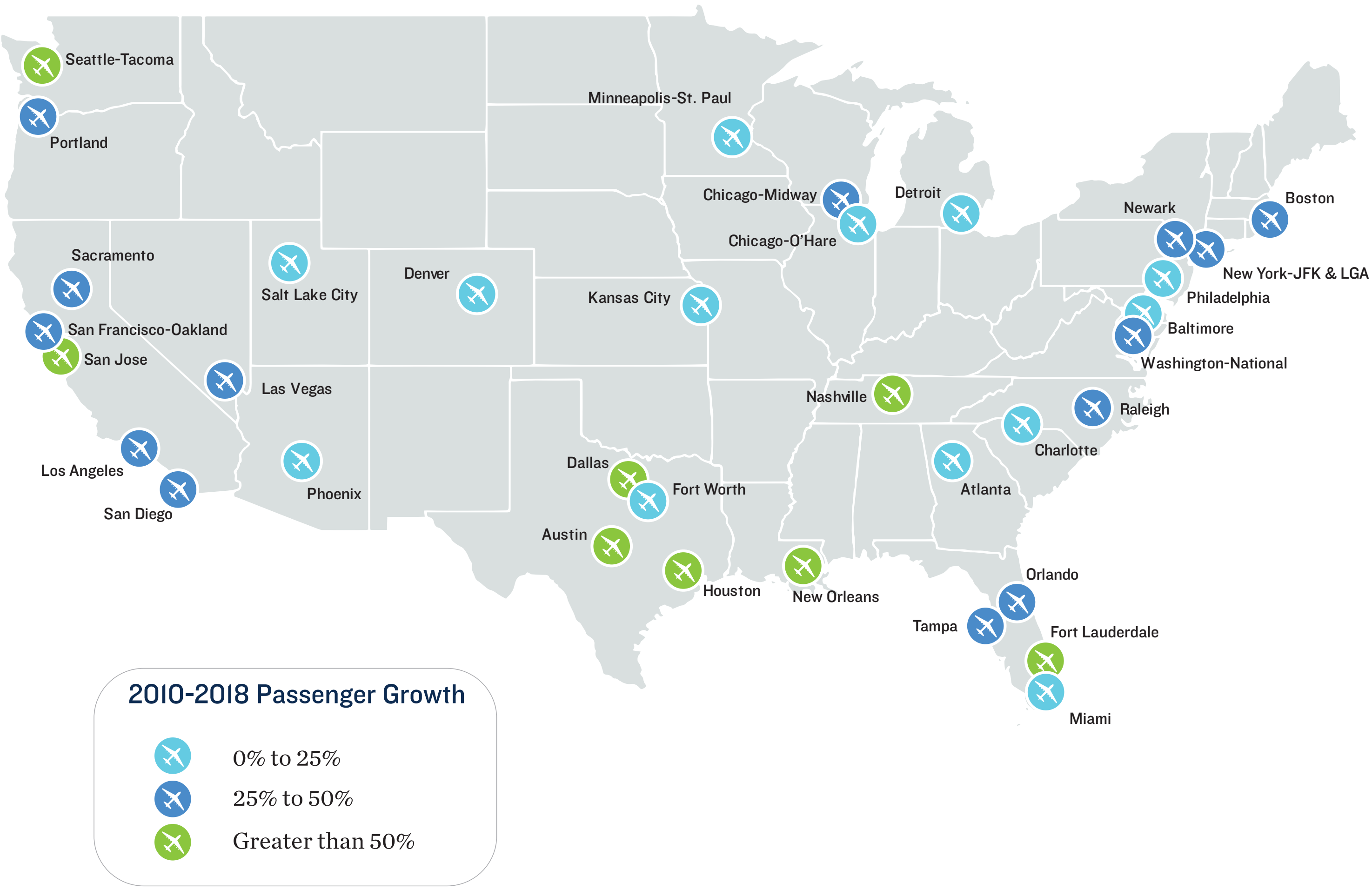
Families Also Travel to Attend Youth Sporting Events. These Trips Made Up 2% of Total Domestic Travel in 2018.



Sources: Marcus & Millichap Research Services; U.S. Travel Association: Impact of Sports on the Travel Industry Fact Sheet (2019)

Higher Airport Passenger Volume Reflects Greater Travel to Secondary Markets

Increase in Total Passenger Onboarding 2010-2018



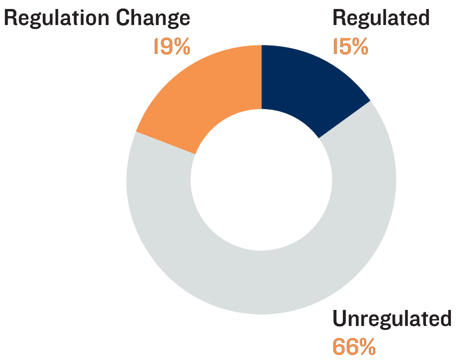
Top 10 Busiest Airports in the United States

Market	Airport	2018 Enplanements	Growth 2010-2018
Atlanta	Hartsfield-Jackson Atlanta International	51,866,000	20%
Los Angeles	Los Angeles International	42,624,000	48%
Chicago	O'Hare International	39,874,000	24%
Dallas/Fort Worth	Dallas/Fort Worth International	32,822,000	21%
Denver	Denver International	31,363,000	24%
New York City	John F. Kennedy International	30,621,000	34%
San Francisco	San Francisco International	27,791,000	44%
Seattle-Tacoma	Seattle-Tacoma International	24,025,000	56%
Las Vegas	McCarran International	23,795,000	25%
Orlando	Orlando International	23,202,000	36%

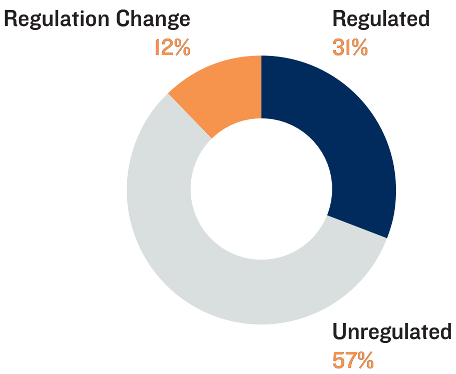
Sources: Marcus & Millichap Research Services; Federal Aviation Administration

Metros Respond to the Proliferation of Short-Term Rentals

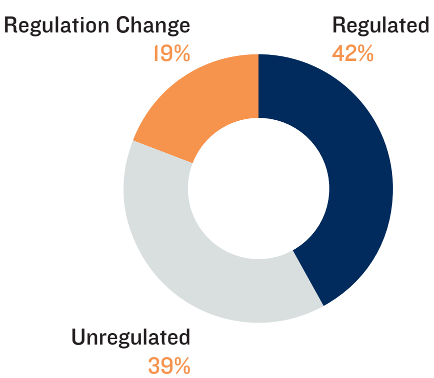
2016



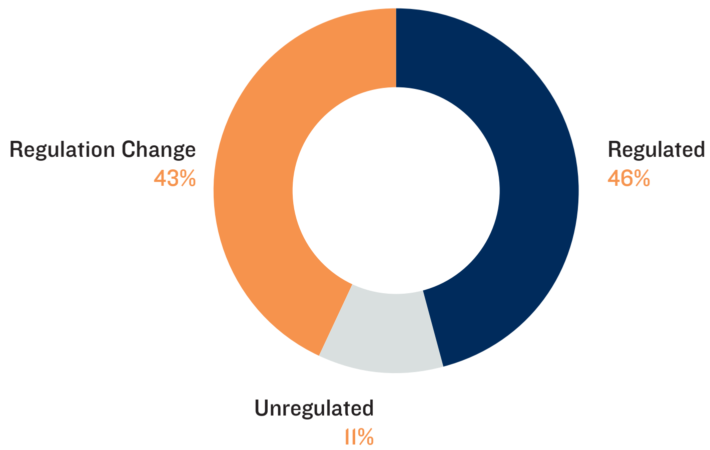
2017



2018



2019



Changes Made to Short-Term Rental Regulations in 2019
Top 26 Hospitality Markets

Market	2019 Changes in Regulation
Washington, D.C.	Regulation Affirmed: Must be primary residence; 90-day rental limit without host present.
New Orleans	New Requirement: Must be primary residence; cannot comprise more than 25 percent of a commercial property.
Denver	New Requirement: Owner must have $1 million in liability insurance coverage.
Nashville	Legislation Passed: Prohibits non-owner occupied units in multifamily zones.
St. Louis	Legislation Passed: Short-term rentals reclassified as commercial property must pay small business tax.
Norfolk/Virginia Beach	Legislation Passed: Requires conditional use permit, limits number of allowable guests.
Atlanta	Legislation Proposed: System to register and license short-term rentals.
Detroit	Legislation Proposed: Must be primary residence; limits short-term rental density within market.
Phoenix	Legislation Proposed: Requires owners to have sales tax license.
Orange County	Regulations Amended: 2016 short-term rental ban repealed; permitted rentals remain open; prohibits new permits.

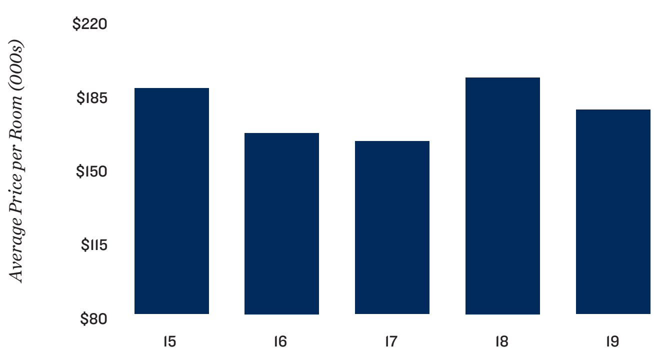
Note: Information is reflective of the top 26 largest U.S. hospitality markets.
Sources: Information was collected from a variety of publicly available news sources and analyzed by Marcus & Millichap Research Services. Additional details on page 48.

Percent of Stock Under Construction

2020 Demand Growth

2.2% Year-over-Year Room Nights

Hotel Sales



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

Occupancy Shifts Nominally for Fourth Straight Year; Investors Look Inland

Performance of secondary and tertiary metros upholds market conditions. Annual occupancy in California adjusted nominally over the past three years, maintaining the state's status as the nation's top region for hotel demand, yet most of California's larger metros recorded modest declines in occupancy. Home to a collection of theme parks and beaches, Orange County noted a 20-basis-point dip in occupancy during the three-year period, while San Diego registered a decline of 40 basis points. Los Angeles County meanwhile recorded a larger 150-basis-point reduction. Still, occupancy in each of the metros rested between 77 and 80 percent at the end of last year. These rates may fluctuate further in the coming year, as 11,000 rooms are underway in the trio of metros entering 2020. In Northern California, occupancy in the San Francisco metro fell 220 basis points over the past three years. The decline has slowed development activity, as 1,675 rooms were underway in San Francisco and the East Bay combined entering this year. The moderation in construction should allow occupancy in the region to improve this year, warranting strong gains in ADR and RevPAR.

Steady inflow of visitors, positive RevPAR growth stoke buyer demand. While the region features a plethora of differing assets, independent hotels and limited-service properties account for a high percentage of overall sales activity. Many of these lodging facilities trade for $1 million to $5 million and provide investors with returns in the 7 to 9 percent band. While Los Angeles County and the Bay Area remain top targets for in-state buyers, the Coachella Valley in the Inland Empire has become a destination for opportunistic investors attracted to the area's large festivals that draw sizable crowds. Here, and in the Central Valley and Sacramento, pricing rarely eclipses $100 per room, with 8 to 12 percent cap rates obtainable.

4.4%	Percent of Inventory Under Construction as of December 2019
40 bps	Five-Year Occupancy Growth 2015-2020
17%	Five-Year RevPAR Growth

2020 Regional Highlights

- The completion of Disneyland's Galaxy's Edge in January will increase park attendance throughout the year, elevating hotel demand in Orange County. In anticipation of larger crowds, JW Marriott and Westin will both open new hotels in Anaheim's Resort District during 2020.
- During the March primary election, San Diego residents will vote on Measure C. If approved, the proposal would increase the local hotel tax by 1.25 to 3.25 percent based on a hotel's proximity to downtown. The measure aims to raise $3.5 billion to finance a convention center expansion and $1.8 billion to address homelessness.
- The build-out of Pier 48 in San Francisco was completed in early January. Comprising more than 200,000 square feet of event space and capable of accommodating 10,000 attendees, the property should attract additional conventions, benefiting nearby hotels.

2020 Region Forecast

Supply up 2.3% — Construction activity remains heightened as more than 22,000 rooms are being built throughout the state. The Inland Empire and Sacramento record increases in supply additions, with nearly 2,500 and 1,250 keys underway, respectively.

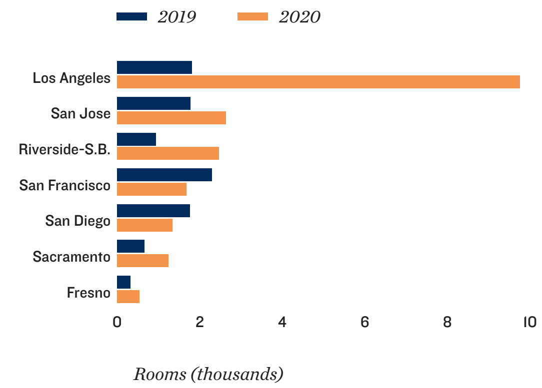
Occupancy down 10 bps — Following a 20-basis-point decrease last year, annual occupancy will compress slightly in 2020 to 75.0 percent.

ADR up 1.7% — Consistent demand will support a 1.7 percent increase in the average daily rate this year to $173.92. This gain is comparable to the 2.0 percent rise recorded in 2019.

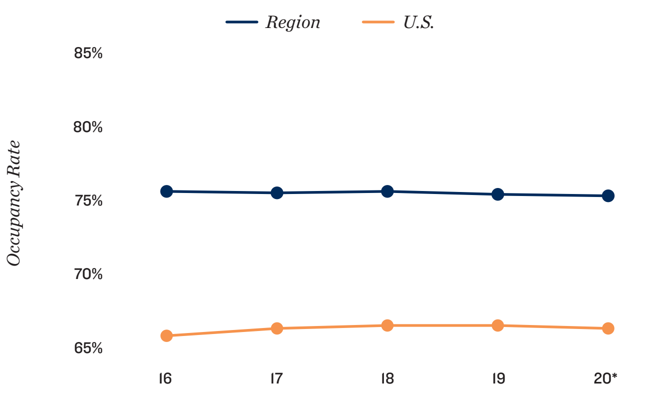
RevPAR up 1.4% — A nominal shift in occupancy and steady ADR growth will lift RevPAR up to $130.66 in 2020. Last year, the rate climbed 1.7 percent.

Investment — California-based buyers priced out of the Bay Area scour Central Coastal cities along Highway 101 for independent hotels that require capital deployments of $2 million to $5 million. Cap rates for these assets, some of which are near vineyards or major universities, generally fall in the 5 to 6 percent range.

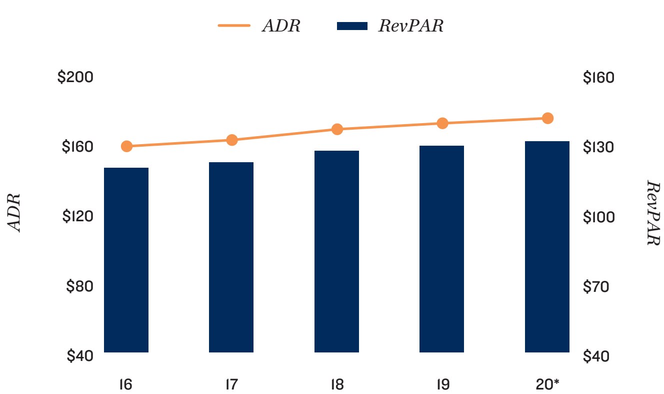
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

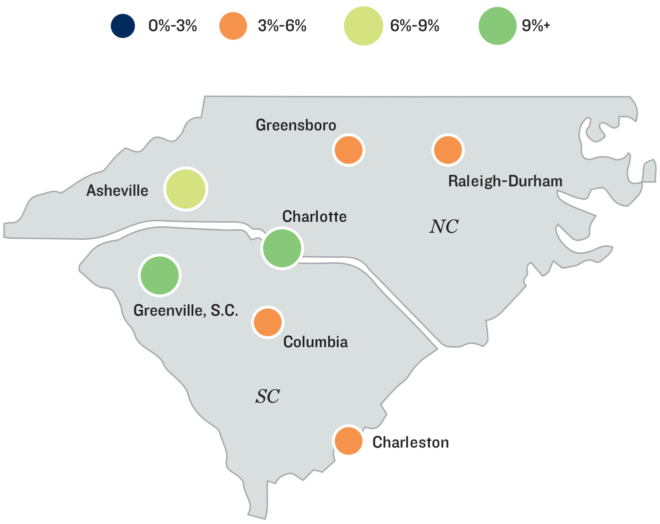


♦ *2019 = recent openings; 2020 = under construction as of December 2019*

** Forecast*

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

Percent of Stock Under Construction

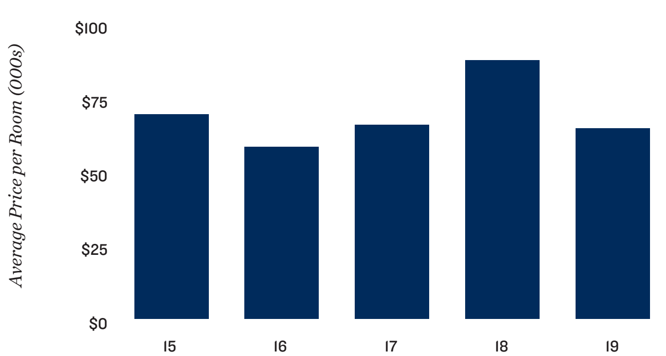


States: North Carolina and South Carolina

2020 Demand Growth

2.9% Year-over-Year Room Nights

Hotel Sales



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

Development Uptick, Deal Flow Signal Long-Term Confidence in the Carolinas

Hotel demand exceeds supply for a third straight year. Spanning the past 24 months, annual occupancy in the Carolinas has remained historically high, aided by the region's larger conventions, college towns and recreational activities. Unwavering hotel demand during this stretch equated to steady gains in ADR and RevPAR, conditions that prompted an uptick in hotel development. Entering this year, more than 7,000 rooms were under construction in North Carolina, with more than half of those keys located in Charlotte. The metro is likely to experience some downward pressure on occupancy moving forward as builds will increase inventory by 9 percent. Yet, major events like this year's Republican National Convention should help offset the impact of new supply in the short term. In South Carolina, more than 1,000 rooms are under development in both Greenville and Charleston. While construction activity is elevated in some of the region's larger cities, overall hotel demand is slated to outpace supply, allowing for modest gains in ADR and RevPAR.

Historically strong hotel fundamentals support robust investor demand in the Carolinas. Limited service hotels in the region's largest cities are receiving significant interest from both regional and outside buyers. Many of these properties feature more than 100 rooms and are obtainable at 9 percent-plus cap rates, with minimums in the 6 percent to 7 percent range. The Charlotte, Asheville and Greensboro metros have accounted for the most deals of late, with buyers also showing interest in Columbia and Greenville, South Carolina. Overall, assets of this chain scale commonly trade for $2 million to $5 million throughout the region. Buyers seeking larger capital deployments target select service hotels of relatively newer vintage. These assets routinely trade for $5 million to $15 million, providing investors with similar returns as limited service properties.

4.1% Percent of Inventory Under Construction as of December 2019

240 bps Five-Year Occupancy Growth 2015-2020

17% Five-Year RevPAR Growth

2020 Regional Highlights

- The Greensboro Coliseum will host six basketball games as part of this year's NCAA tournament, heightening hotel demand in March.
- Citing a need for hotel construction near its convention center, the Raleigh city council has approved the redevelopment of two city-owned parking lots into a 500-room hotel and a mixed-use tower.
- The number of hotel stays in Charleston eclipsed 4.8 million last year, nearly matching the volume of travelers that visited the city's airport. The uptick in passenger arrivals coincided with British Airways offering service from Charleston to London.
- In addition to the Republican National Convention, Charlotte's hotel sector in 2020 will benefit from the Wells Fargo Championship, a PGA Tour event, and the Central Intercollegiate Athletic Association's basketball tournament.

2020 Region Forecast

Supply
up 2.4%

Developers remain active throughout the Carolinas with nearly 11,700 rooms underway in more than 100 hotels. North Carolina is home to 60 percent of these rooms including 3,850 keys in Charlotte.

Occupancy
up 30 bps

Occupancy will reach 64.8 percent in 2020 after rising 20 basis points last year amid stout hotel demand.

ADR
up 1.1%

The improvement in occupancy will support a 1.1 percent boost in the average daily rate to $111.30. This increase compares to the 1.4 percent rise recorded in 2019.

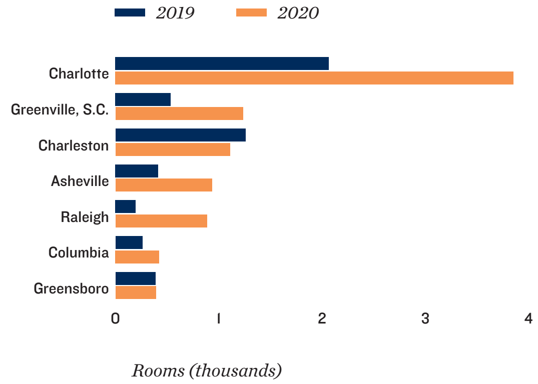
RevPAR
up 1.3%

Following a 1.6 percent gain in 2019, RevPAR will climb 1.3 percent this year to $72.65.

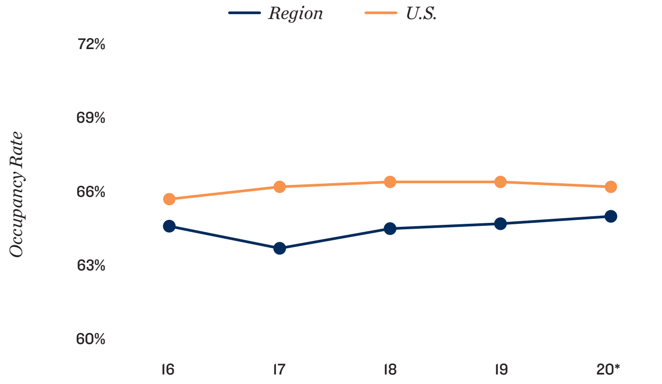
Investment

College towns and smaller cities near recreational activities remain targets for private regional buyers seeking $1 million to $2 million independent hotels. In many of these locales, pricing below $60,000 per room remains obtainable.

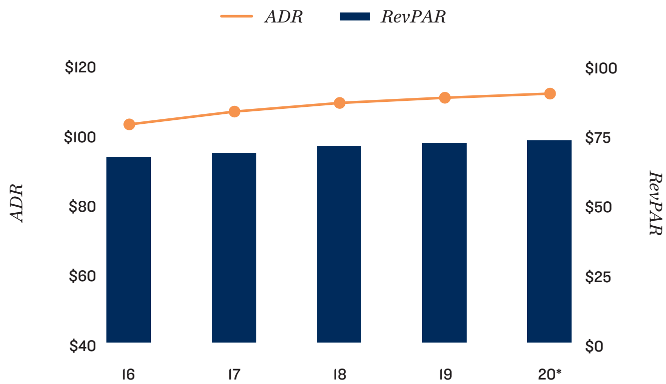
Development Trends♦



Annual Occupancy



Full-Year Revenue Measures

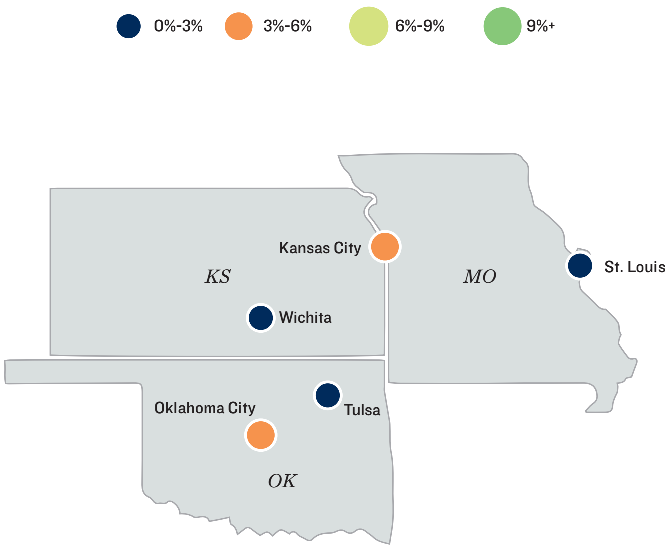


♦ 2019 = recent openings; 2020 = under construction as of December 2019

** Forecast*

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

Percent of Stock Under Construction

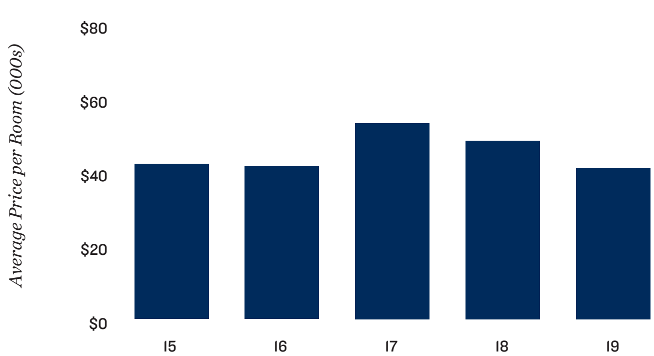


States: Kansas, Missouri and Oklahoma

2020 Demand Growth

2.2% Year-over-Year Room Nights

Hotel Sales



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

Kansas and Missouri Drive Gains, Luring Investors to Kansas City and St. Louis

Demand lifts occupancy in Kansas and Missouri, boosting RevPAR growth in Central Midwest. Tourist attractions and conventions in Kansas and Missouri are driving regional occupancy gains. In 2019, organizations such as Midwest Sports Productions and Digital Summit Marketing hosted conventions in Kansas, aiding region-leading occupancy and a RevPAR boost of 1.8 percent in 2019. Other events held in Missouri, including BransonCon and Missouri Council of the Blind Convention, elevated the state's occupancy rate and supported the highest ADR in the region in 2019. Combined, both states have contributed to positive RevPAR gains for the Central Midwest and will likely continue to do so in 2020. Declining occupancy in Oklahoma, which already has the lowest statewide average in the region, is restricting the region's average occupancy improvement. Yet, as the region hosts conventions and completes anticipated venues, higher occupancy and ADR will elevate RevPAR across the Central Midwest for the 11th consecutive year.

Yield-driven investors find opportunity in Kansas City and St. Louis. The Central Midwest region attracts a diverse bidding pool as yields remain some of the highest nationwide, drawing both out-of-state and local buyers. Kansas City and St. Louis led the region in investment activity, accounting for 32 percent of all trades in 2019. Investors may find the highest average first year yields in Kansas City with a cap rate of 12 percent and in St. Louis with a 10 percent cap. In addition to strong first-year returns, Missouri occupancy gains elevated RevPAR improvement, generating investor demand. Missouri hosts an array of hotel property types as investors in the $1 million to 10 million tranche sought economy hotels in the St. Joseph suburb in Kansas City and the Earth City/Riverport areas of St. Louis where cap rates can exceed other areas of the region. Buyers also targeted upper midscale and upper upscale hotels along the Interstate 29 Corridor and in Northwest Johnson County of Kansas City.

2.8% Percent of Inventory Under Construction as of December 2019

-60 bps Five-Year Occupancy Growth 2015-2020

5% Five-Year RevPAR Growth

2020 Regional Highlights

- This year, Kansas opened the much anticipated $210 million Wichita baseball stadium, which will likely draw visitors, aiding in occupancy gains. The $160 million revitalization of downtown Salina, which includes the new American Classics Car Museum, will also support traveler demand in Kansas.
- In February, the Live! by Loews opened near the St. Louis Cardinal's Busch Stadium. The hotel will add much needed options for visitors of Ballpark Village, St. Louis' main sports and entertainment district that is going through a $260 million expansion.
- Oklahoma City delivered a new $288 million convention center consisting of a 200,000-square-foot exhibit hall, 45,000-square-foot meeting space, and a 30,000-square-foot ballroom. The facility is located East of Scissortail Park and is contributing to an array of hosting possibilities likely to increase the rooms rented in the area.

2020 Region Forecast

Supply up 1.7% — Supply growth will remain near the national average as approximately 6,500 rooms are underway throughout the Central Midwest. Oklahoma and Missouri will each receive more than 2,400 rooms and will account for the majority of deliveries in the region.

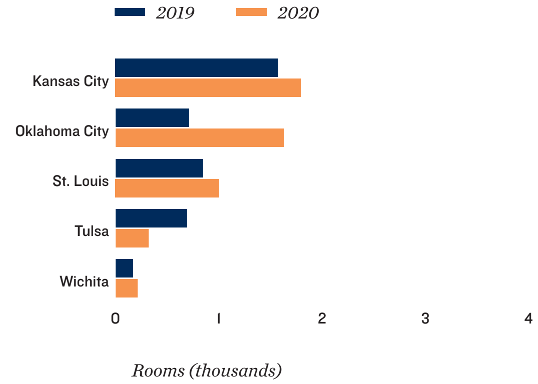
Occupancy up 30 bps — After a 10-basis-point increase in 2019, regional annual occupancy will continue to rise this year to 58.0 percent.

ADR up 1.0% — The pace of ADR growth climbs from the 0.8 percent gain recorded last year as the rate reaches $91.95 in 2020.

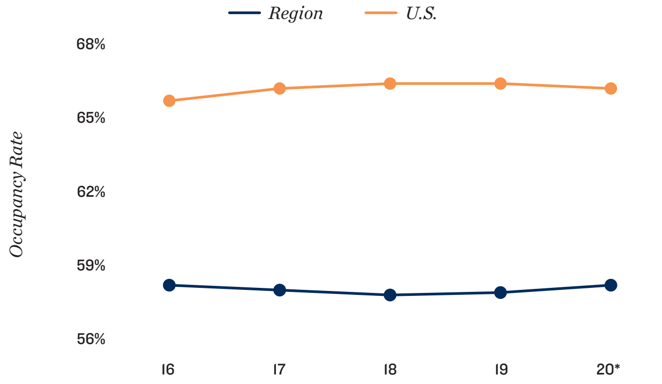
RevPAR up 1.3% — Occupancy and ADR gains will elevate RevPAR growth this year as the average annual rate will advance to $53.55.

Investment — Demand in Kansas City and St. Louis will likely fuel bidding for assets in Missouri, potentially elevating property values in prime locations. Buyers may find high yields in independent, upper midscale, and upper upscale hotel types built before the 1980s with 100 to 200 rooms.

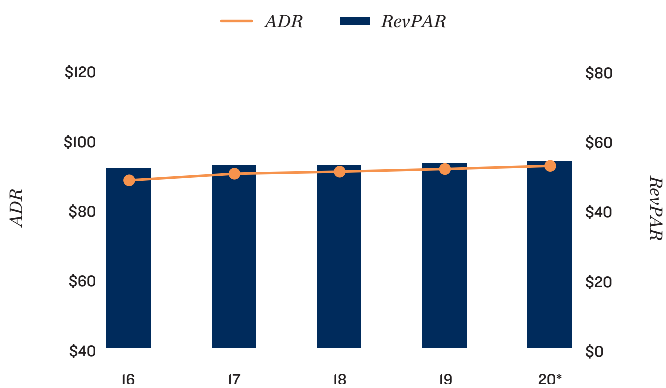
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

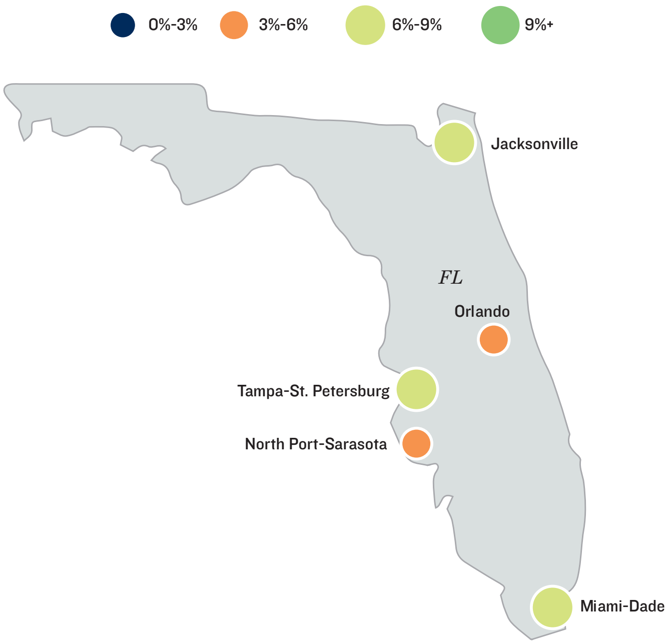


♦ *2019 = recent openings; 2020 = under construction as of December 2019*

* *Forecast*

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

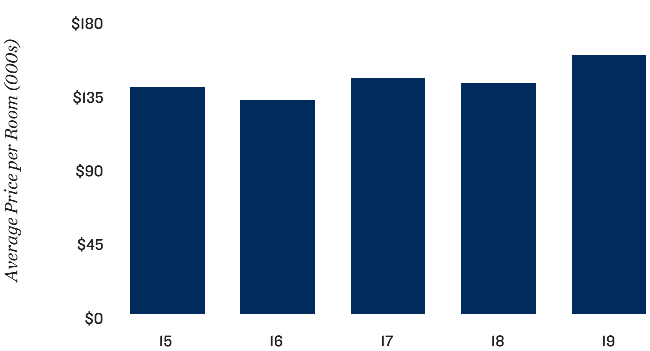
Percent of Stock Under Construction



2020 Demand Growth

2.7% Year-over-Year Room Nights

Hotel Sales



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

High Visitation Prompts Greater Supply as Investors Look Toward the Southeast Coast

Strong demand drivers give way to elevated supply growth. The warm climate, scenic waterfronts, and global attractions keep drawing vacationers to Florida. Strong job creation nationally is supporting increased leisure travel while numerous conventions and corporate events sustain business travel. Together, total visitation into Florida likely set a new record in 2019 and remains on an upward trajectory for 2020. The added hotel room demand will nevertheless fall short of elevated supply growth. The number of keys under construction, once completed, will expand the state's existing inventory by 5.8 percent, one of the highest ratios in the country. The magnitude of future deliveries, joined with recent completions, will further weigh on occupancy and slow ADR and RevPAR growth after a subdued 2019. Miami and Orlando faced the most challenges last year, as occupancy and RevPAR declined in both markets. Tampa-St. Petersburg fared better, reporting a 110-basis-point increase in occupancy and a 3.4 percent gain in RevPAR. A larger development pipeline moving forward may moderate gains in 2020, however.

Investors shift focus to Miami-Dade, Broward and Palm counties. Softening property fundamentals may be prompting more investors to target assets near the picturesque beaches of southeast Florida. About 33 percent of all Florida hotel trades last year occurred in the area, up from 16 percent in 2017. Buyers from both inside and outside the United States are acquiring properties at premium venues on Miami Beach and Palm Beach at sales prices that can range above $400,000 per key. Investors seeking lower entry costs are turning toward Orlando and Jacksonville. The average sale price for those metros lie near $50,000 per room, reflecting the higher frequency of limited service hotels that change hands. Initial yields here fall generally in line with the state average cap rate of 9 percent.

5.8%	Percent of Inventory Under Construction as of December 2019
10 bps	Five-Year Occupancy Growth 2015-2020
12%	Five-Year RevPAR Growth

2020 Regional Highlights

- Super Bowl LIV came to Miami's Hard Rock stadium in February. Sky-high demand from sports fans was projected to raise the city's ADR to record levels. Historically, hosting a Super Bowl has been a major boon to hotels in host cities. In February last year Super Bowl LIII lifted Atlanta's average ADR and RevPAR for the month by 29 percent and 33 percent, respectively.
- The complete opening of Galaxy's Edge last December is expected to bolster visitation to Disney World this year as Star Wars fans waiting to get the full experience schedule trips to the park.
- Work continues on the $2.8 billion expansion to Orlando International Airport. While the entire project will not be completed for a decade, 19 of the planned 60 new gates will open in 2021. The Orlando airport is one of the top 10 busiest in the country, with more than 23 million passengers boarding planes in 2018.

2020 Region Forecast

Supply
up 3.3%

Florida's hotel inventory will grow by an above-national pace again this year as more than 26,000 rooms are underway statewide. Another 21,000 keys will break ground within the next 12 months. About 70 percent of deliveries will be in Orlando, Miami and Tampa-St. Petersburg.

Occupancy
down 40 bps

After a 50-basis-point drop was recorded in 2019, occupancy will decline to 72.0 percent this year.

ADR
up 0.7%

Following a deceleration in average daily rate growth last year, the average annual ADR will climb to $144.95 in 2020.

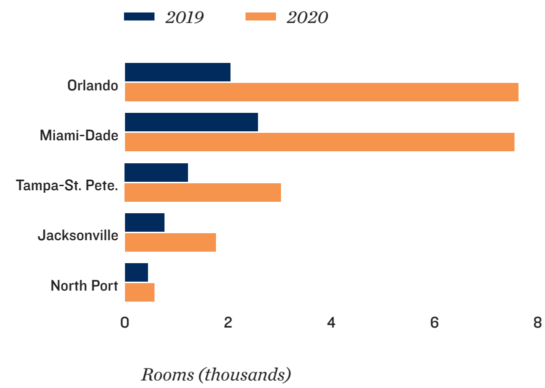
RevPAR
up 0.3%

A decline in occupancy paired with tempered ADR growth will keep RevPAR from advancing substantially in 2020, with the annual rate inching up to $105.68.

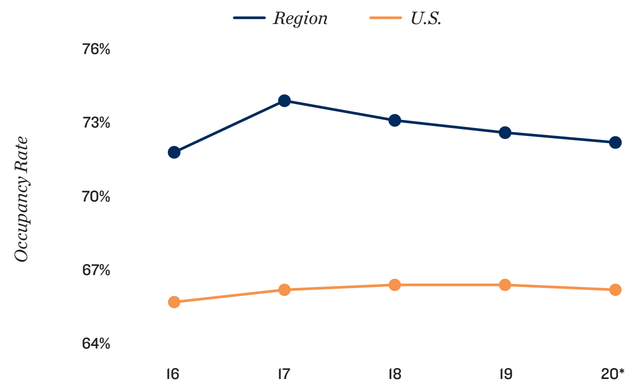
Investment

Outside of southeast Florida, Tampa Bay is the most active area for hotel investment in the state. Higher service assets changed hands within the city of Tampa while buyers with up to $10 million to allocate found opportunities in the cities to the east and south.

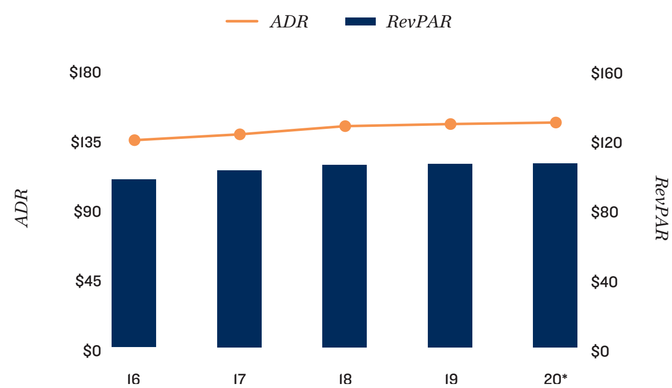
Development Trends ♦



Annual Occupancy

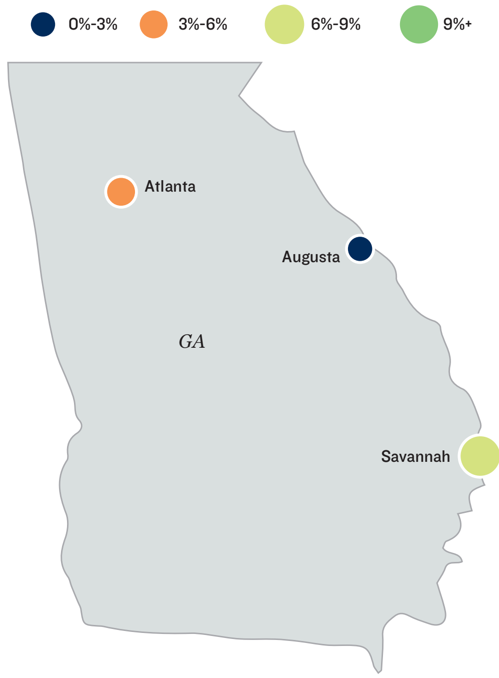


Full-Year Revenue Measures



♦ 2019 = recent openings; 2020 = under construction as of December 2019
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

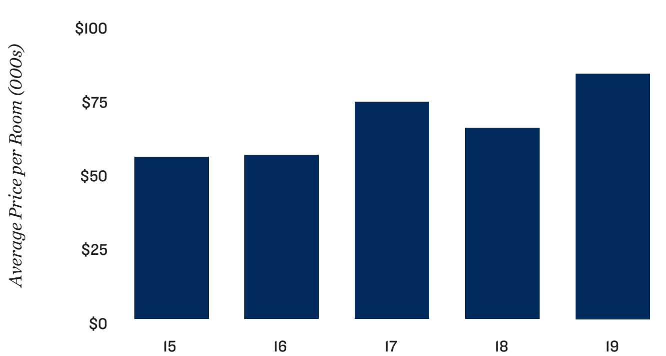
Percent of Stock Under Construction



2020 Demand Growth

1.8% Year-over-Year Room Nights

Hotel Sales



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

Revenue Gains Powered by Higher Rates Despite Occupancy Falling in Atlanta

Inventory additions on the horizon; revenue streams sustain growth trajectory. Georgia hospitality is on a solid foundation following a strong decade of hotel demand. From the beginning of 2010 through the end of 2019, occupancy rose 1,500 basis points and RevPAR jumped 76 percent in the state. This surge has caught the eyes of developers, with the pipeline significantly fuller than it's been for the majority of this cycle. Atlanta is receiving the bulk of deliverables, which is putting some pressure on occupancy levels. In 2019, occupancy in the metro fell 40 basis points, which was the first drop since 2016. At the same time, RevPAR advanced 3.7 percent fueled by a 4.4 percent growth in ADR. These trends will hold true in 2020 on a state level; supply pressures may put downward pressure on occupancy, but rate hikes will continue to aid revenue metrics. Demand for room nights will be supported by Atlanta-based conventions and sporting events as well as from expanded flight options to Savannah bringing more travelers to the Georgia coast.

Yield-driven investors widen search parameters beyond Atlanta's urban core. Competitive bidding for limited available assets is boosting asset values throughout the state. Investors chasing yield in Atlanta often target select service flagged hotels near the airport or limited service properties along Interstate 20 East. Here, assets are trading in suburbs such as Lithonia, Conyers and Covington with first-year returns near 10 percent, though cap rates vary by chain scale and location. Metros elsewhere in the state are also receiving investors' attention, particularly Savannah, Augusta, and Columbus. In Savannah, limited service and independent hotels are favored, trading with cap rates in the 8 percent to 10 percent band. Buyers are willing to accept lower initial yields for select service flagged properties in Augusta and Columbus. These commonly change hands with cap rates in the 6 percent to 8 percent band.

4.1%	Percent of Inventory Under Construction as of December 2019
90 bps	Five-Year Occupancy Growth 2015-2020
21%	Five-Year RevPAR Growth

2020 Regional Highlights

- In April, Atlanta will host the NCAA Men's Basketball Final Four at Mercedes-Benz Stadium. The Division II and III Men's Basketball Championships will also be held there during the same weekend. The last city to host all three national championships was also Atlanta back in 2013.
- The Savannah/Hilton Head International Airport is rapidly growing, in part due to Allegiant Air's commitment. In 2018, Allegiant invested $50 million to establish a base of operations at the airport and has been steadily adding flights. The airline recently announced plans to add five new non-stop destinations in 2020, including Chicago and Houston.
- Expansion of the Georgia World Congress Center in Atlanta completed earlier this year, ahead of schedule. The 100,000 additional square feet brings the center's total convention space to nearly 1.4 million square feet, among the top five largest in the nation.

2020 Region Forecast

Supply up 2.1% — The pace of development picks up, as 7,800 rooms are being constructed and an additional 10,400 keys are likely to break ground in the next 12 months. Three-quarters of projects underway are in Atlanta or Savannah.

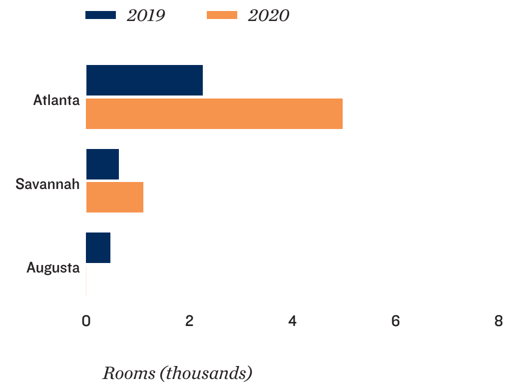
Occupancy down 20 bps — Room demand remains strong yet unable to keep pace with heightened deliveries as occupancy falls to 65.1 percent in 2020. Last year, a 10-basis-point drop was registered.

ADR up 3.6% — The average daily rate will move up to $111.12, rising by the largest margin since 2016. In the previous year, the rate ticked up 3.4 percent.

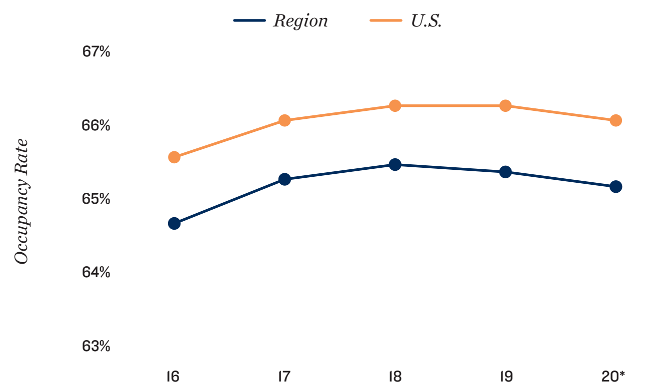
RevPAR up 3.1% — The jump in average daily rate outweighs the decline in occupancy, uplifting RevPAR to $72.34 in 2020. This will be the 11th straight year that RevPAR advances at least 3 percent.

Investment — Many investors continue to search for lower entry cost assets in vacation towns along the southern Atlantic coast. Economy hotels in cities such as Brunswick and Kingsland are favored, often changing hands with first-year returns in the 11 percent to 12 percent range.

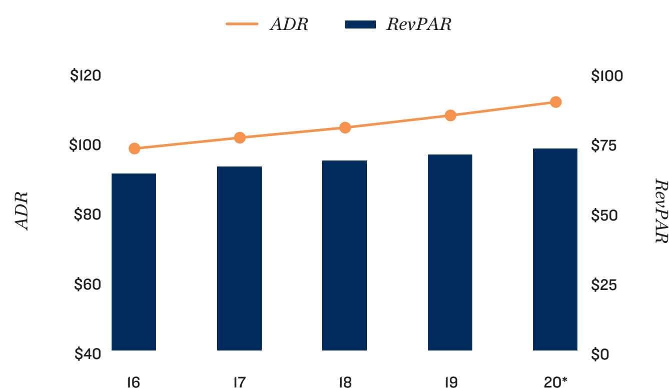
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

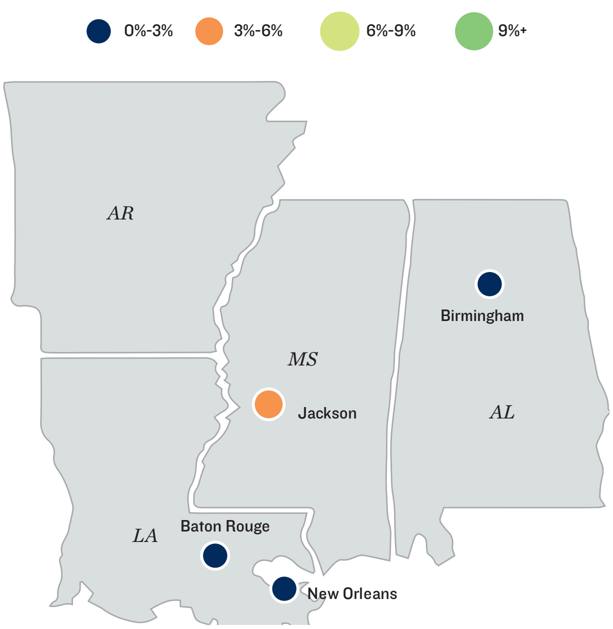


♦ 2019 = recent openings; 2020 = under construction as of December 2019

* Forecast

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

Percent of Stock Under Construction

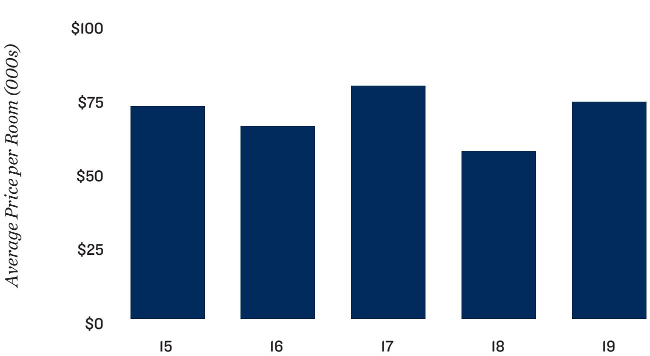


States: Alabama, Arkansas, Louisiana and Mississippi

2020 Demand Growth

2.0% Year-over-Year Room Nights

Hotel Sales



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

Alabama Takes Center Stage in Growth; Louisiana Encounters More Construction

Tourism and economic activity lift prospects. Steadily rising visitor counts at tourist destinations in Alabama, Louisiana and Mississippi are bolstering demand for hotel rooms in the Gulf. Expanding economic activity at logistical hubs such as Gulfport and Mobile are also drawing business travelers, supporting an overall increase in occupancy, ADR, and RevPAR for the region this year. Among the Gulf states, Alabama is leading revenue growth, starting 2020 with cycle-high occupancy and RevPAR up more than 5 percent since 2018. In Louisiana, hotel fundamentals are being weighed down numerous new rooms in development. The pipeline is concentrated in New Orleans, where 1,200 keys are under construction and another 1,600 rooms are expected to break ground before 2021. Arkansas and Mississippi will also have an increased slate of rooms entering development within the next 12 months, which may create headwinds for hotel performance in the future.

Transaction velocity holds steady as cap rates elevate. While overall transaction velocity has remained largely the same year over year, investors realigned their acquisition strategy for the Gulf in 2019, shifting their focus toward higher-yield assets in Louisiana and Mississippi. The change in sales composition drove the regional average first-year return into the low-10 percent range, up roughly 200 basis points from 2018. Deal flow has been elevated in Tunica and DeSoto counties, adjacent to Memphis, as investors seek renovation opportunities and economy hotels with access to the city. In Louisiana, Baton Rouge and New Orleans keep center stage, capturing large portions of the region's transaction velocity. New Orleans assets maintain cap rates 100 basis points lower than the region average. Little Rock experienced a flurry of properties trading hands in 2018 but has stepped back over the previous year as investors shifted toward more value-oriented select service and limited service assets.

1.7%	Percent of Inventory Under Construction as of December 2019
160 bps	Five-Year Occupancy Growth 2015-2020
9%	Five-Year RevPAR Growth

2020 Regional Highlights

- Alabama will be home to a variety of events in 2020 that will bring additional visitors to the region. The NCAA's SEC Conference will hold their baseball championships in Hoover, where attendance has been growing. A contract extension will keep the event in Hoover until at least 2021. Additionally, Birmingham will host the Frontier Conference, an industrial innovation convention, in April.
- Louis Armstrong New Orleans International Airport opened a new terminal in November of 2019, adding additional capacity that better equips the facility to handle the increasing tourist traffic flowing to the region. Other airports in the Gulf are also undergoing updates. In Little Rock, $60 million is being deployed to Clinton National Airport, aiming to improve safety and efficiency.
- New Orleans hosted the NCAA College Football National Championship between Louisiana State University and Clemson University in January, increasing demand for hotels over the event weekend.

2020 Region Forecast

Supply
up 1.2%

Approximately 5,500 hotel rooms are under construction in the Gulf, concentrated in Mississippi and Louisiana, with 1,700 and 1,500 keys, respectively. Across all four states, 11,000 rooms are expected to break ground within the next year.

Occupancy
up 50 bps

Following a 70-basis-point increase in 2019, occupancy in 2020 will rise to 60.6 percent, due to in part to a smaller construction pipeline than in previous years.

ADR
up 0.7%

Average daily rate growth will temper slightly in 2020, slowing from a nearly 1 percent gain in 2019, helping settle ADR at $96.40.

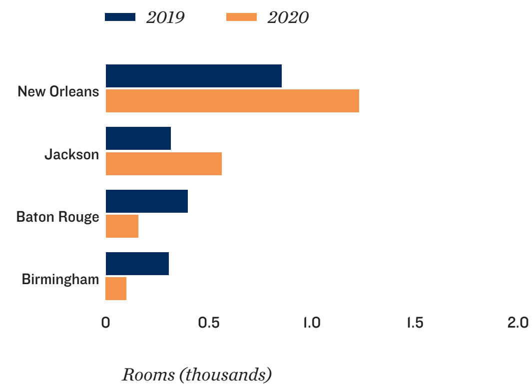
RevPAR
up 1.4%

RevPAR will advance by a slightly more moderate pace in 2020, slowing from the 2 percent gain that occurred in 2019 and ending 2020 at $58.87.

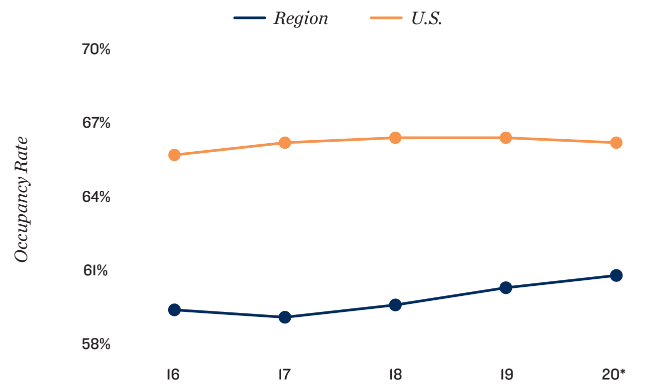
Investment

Investors in the Gulf Region have targeted upper midscale assets primarily in Louisiana and Alabama. Limited service properties are favored in Louisiana as well, while select service hotels in Arkansas were also sought by investors.

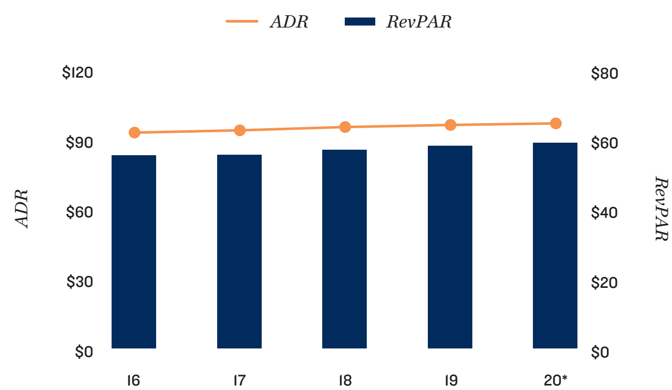
Development Trends♦



Annual Occupancy

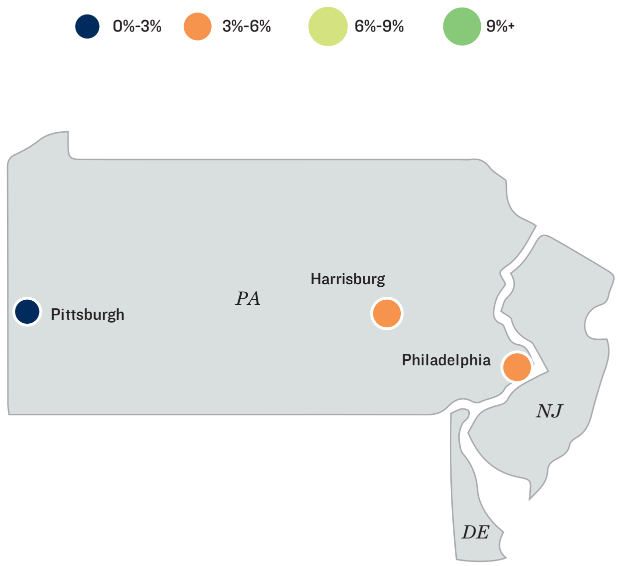


Full-Year Revenue Measures



♦ 2019 = recent openings; 2020 = under construction as of December 2019
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Percent of Stock Under Construction

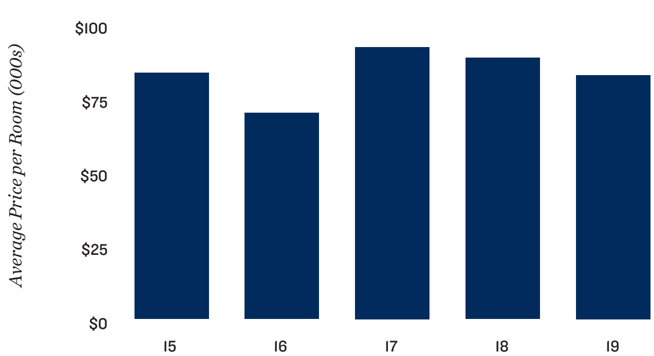


States: Delaware, New Jersey and Pennsylvania

2020 Demand Growth

0.9% Year-over-Year Room Nights

Hotel Sales



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

Most Pricing Power in Smaller Markets; Less Construction Aids Revenue Growth

Delaware leads region with strong RevPAR growth. Consecutive record-breaking years in visitation to Pennsylvania, New Jersey and Delaware support the need for hotels in the Mid-Atlantic region. Property performance improved the most last year in Delaware, aided by the draw of scenic beachside towns and minimal construction. A 120-basis-point jump in occupancy pulled RevPAR up 3.5 percent for the year, well above regional and national averages. The state's outlook for 2020 is bright as well, with fewer than 400 rooms under construction. The region's largest hotel market, Philadelphia, faced more challenges. The metro's average annual occupancy level underwent a 120-basis-point correction last year after climbing 260 basis points in 2018. Despite higher room availability, ADR increased at a fairly consistent pace, aided by the opening of luxury properties such as a Four Seasons atop the Comcast Technology Center skyscraper. A contracting construction pipeline moving forward should assist operational metrics in the year ahead. Philadelphia's recuperation paired with robust occupancy and revenue growth in Delaware should contribute to enhanced regional performance this year.

Investors maintain focus on Philadelphia. After an elevated 2018, overall sales velocity modestly slowed in the Mid-Atlantic last year. A higher concentration of trades on the lower end of the price spectrum contributed to an overall dip in the average sale price per room, while the average cap rate climbed from the low-8 to mid-8 percent band. About half of the region's hotel transactions still took place in Philadelphia, in line with previous years, despite softening fundamentals in the market. Spanning parts of Delaware, suburban Pennsylvania and southern New Jersey, the metro offers investors a wide range of products and settings. Buyers seeking lower entry costs found limited service options in less urban areas while those looking for hotels higher on the chain scale found opportunities in denser places such as King of Prussia and Atlantic City.

2.4%	Percent of Inventory Under Construction as of December 2019
200 bps	Five-Year Occupancy Growth 2015-2020
12%	Five-Year RevPAR Growth

2020 Regional Highlights

- A five-year project to extend one of the runways at Philadelphia International Airport was completed in late 2019. Now able to accommodate larger planes used in international flights, the longer runway should boost passenger travel in 2020. New taxiways will also help to alleviate congestion and improve overall efficiency.
- Recent regulations placed on short-term rentals in Jersey City are anticipated to reduce the use of stay-sharing programs such as Airbnb and VRBO in the area. New York-bound travelers, seeking affordable lodging on the periphery, will likely turn to local hotels.
- The legalization of sports betting has been a success for New Jersey casinos on the digital front. Gamblers going online to place sports bets also engaged with virtual casinos, boosting internet gaming revenue to record levels. At the same time, the on-premise business at casino-hotels fell, stunting RevPAR gains in the state.

2020 Region Forecast

Supply
up 1.5%

The pace of construction across the Mid-Atlantic, already one of the slowest among regions, is receding further in 2020. About 6,500 hotel rooms are underway. An additional 3,500 keys are expected to break ground within the region's major hospitality markets over the next 12 months.

Occupancy
down 40 bps

Less construction activity will keep occupancy from dropping below 63.5 percent this year after declining 80 basis points in 2019.

ADR
up 1.5%

The annual ADR will advance by a similar margin as last year's 1.7 percent increase to achieve $125.90 in 2020.

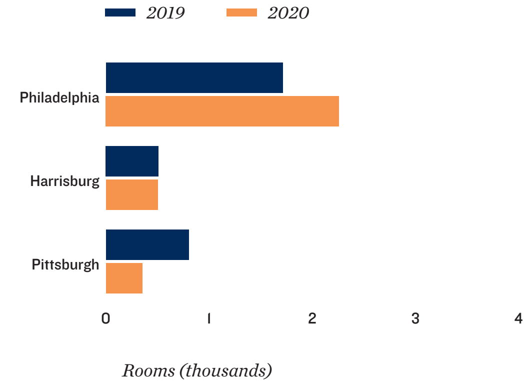
RevPAR
up 1.0%

Rising ADR will offset the drop in occupancy to support a gain in RevPAR to $80.85. Last year, the rate inched up 0.5 percent.

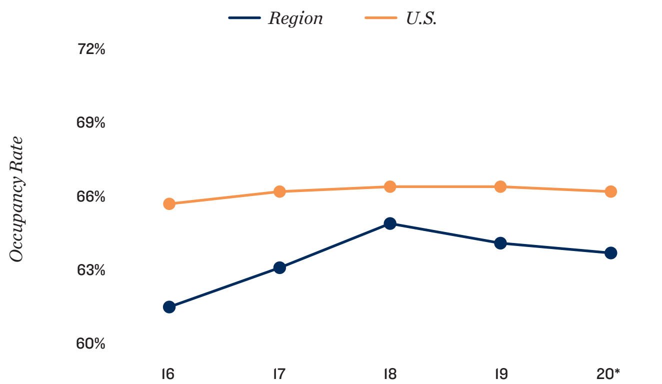
Investment

Investors seeking first-year returns up to 100 basis points above the region's average sustain demand for assets in central Pennsylvania towns such as Hershey and Pittsburgh. Older unflagged hotels along the southern New Jersey waterfront can also change hands at similarly high cap rates.

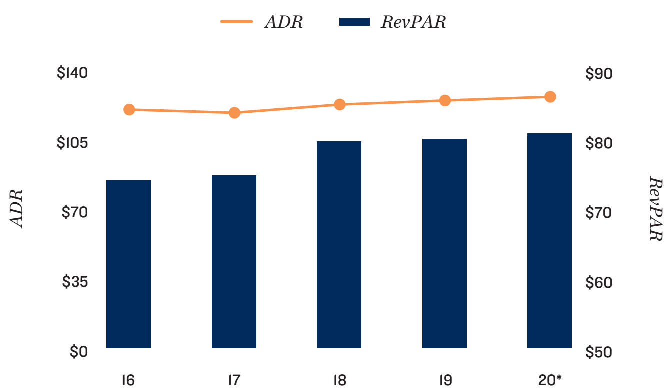
Development Trends •



Annual Occupancy

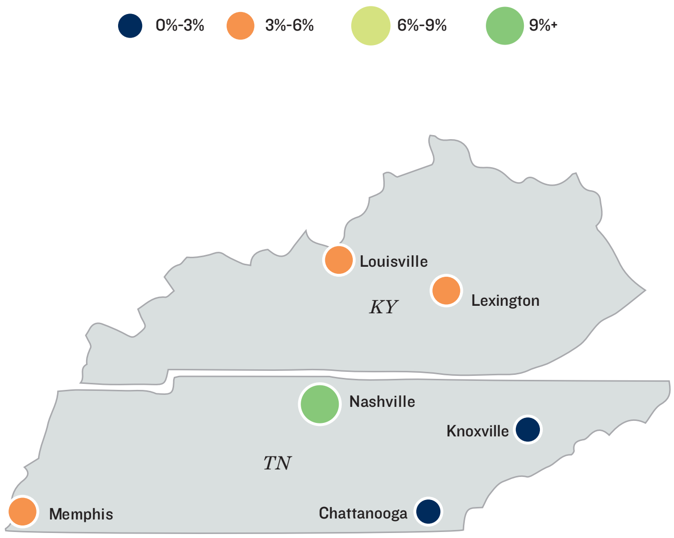


Full-Year Revenue Measures



• 2019 = recent openings; 2020 = under construction as of December 2019
* Forecast
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Percent of Stock Under Construction

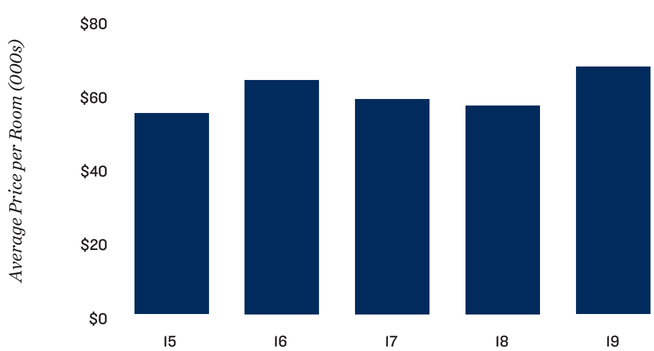


States: Kentucky and Tennessee

2020 Demand Growth

3.5% Year-over-Year Room Nights

Hotel Sales



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

Smaller Markets Excel as Nashville Rapidly Adds Inventory; Buyers Reevaluate Criteria

Tennessee spearheads healthy regional performance. Strong room demand is driving considerable occupancy and RevPAR gains throughout the Mid South region. The state of Tennessee continues to be at the forefront, posting a 70-basis-point jump in occupancy and a 3.7 percent growth in RevPAR last year. While Nashville has dictated the state's rapid improvement over the past decade, the metro's positive gains across performance metrics in 2019 actually fell shy of Tennessee's progress on a state level as business and tourism elevated traffic statewide. More than 10 million people visit Memphis annually, drawn in by business-related events, live music, soul food and historical sites. Additionally, the Great Smoky Mountains National Park recorded 12.5 million visitors in 2019, up 10 percent from the previous year. Outside Tennessee, Kentucky regained positive momentum last year, posting a 30-basis-point rise in occupancy and a 2.8 percent RevPAR advancement after both metrics dropped in 2018. The regional construction pipeline is limited outside of a wave of development coming to Nashville, supporting another solid year for Mid South hotels in 2020.

Aggressive bidding places upward pressure on property values. The average price per room for properties traded in 2019 was the highest it's been since at least 2013, as buyers placed competitive bids for available assets. The bulk of trades are in Nashville, where out-of-state investors pay $400,000 per room and higher for downtown hotels. Those seeking more obtainable assets target limited service hotels in surrounding suburbs, which often trade near $55,000 per room with initial yields in the 9 percent to 10 percent clip. Lexington is also luring a wave of investors, with many concentrating on flagged hotels downtown. These frequently trade with first-year returns in the 7 percent to 8 percent range, varying by location and chain scale.

4.9%	Percent of Inventory Under Construction as of December 2019
90 bps	Five-Year Occupancy Growth 2015-2020
21%	Five-Year RevPAR Growth

2020 Regional Highlights

- The Chattanooga Metropolitan and Nashville International airports are among the fastest growing in the country. Annual passenger volume at both airports increased by more than 40 percent in the four years between 2014 and 2018. New plans to expand flight options at both facilities will further boost room demand in the coming years.
- Lexington Convention Center is currently under renovation, scheduled to be completed in 2021. Once finished, the center will have 100,000 square feet of exhibition space and 29,000 square feet of meeting space. This could be a boon for nearby hotels as more conventions and business conferences are held in Lexington.
- Efforts to increase international tourism are paying off in Tennessee. From 2013 through 2018 international visitation increased by 24 percent, which is aiding occupancy levels as foreign tourists often seek overnight lodging and stay for longer durations.

2020 Region Forecast

Supply
up 2.8%

Between the two states nearly 10,000 rooms are under construction, roughly 60 percent of which are in the Nashville metro. During the next 12 months an additional 12,000 rooms are likely to break ground regionwide.

Occupancy
up 40 bps

Building on last year's 60-basis-point jump, occupancy will increase to 63.8 percent in 2020 on the back of rising visitation totals.

ADR
up 2.3%

The average daily rate will increase to $114.12 after moving up 2.5 percent in the previous year. This will be the 10th straight year that the growth margin exceeds 2 percent.

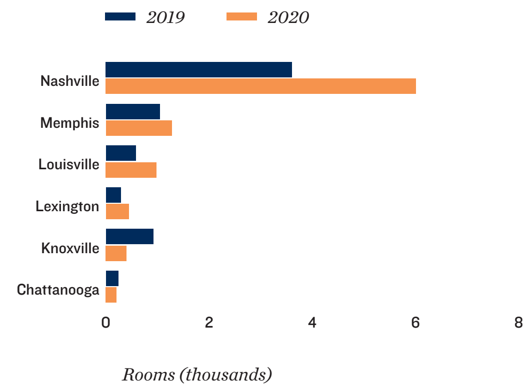
RevPAR
up 3.0%

Solid gains to ADR and occupancy boost RevPAR to $73.61 in 2020. Over the trailing 10 years RevPAR has moved up by an average of 6.2 percent annually.

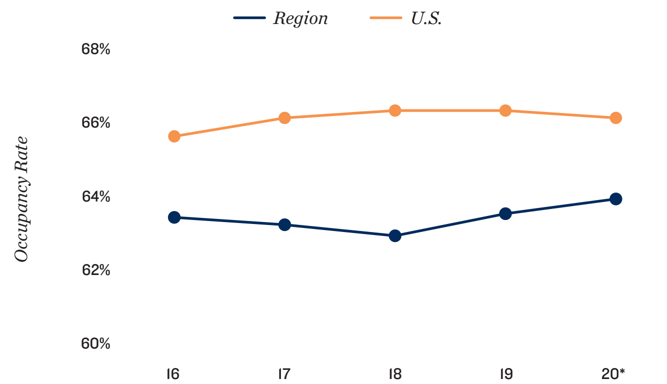
Investment

Rising property values may prompt more owners to consider placing their properties on the market. The wave of development coming to Nashville may also lead longtime holders to adjust their portfolio and target other markets in Tennessee such as Memphis and Chattanooga. Here, flagged hotels often trade with first-year returns in the 9 percent to 10 percent range.

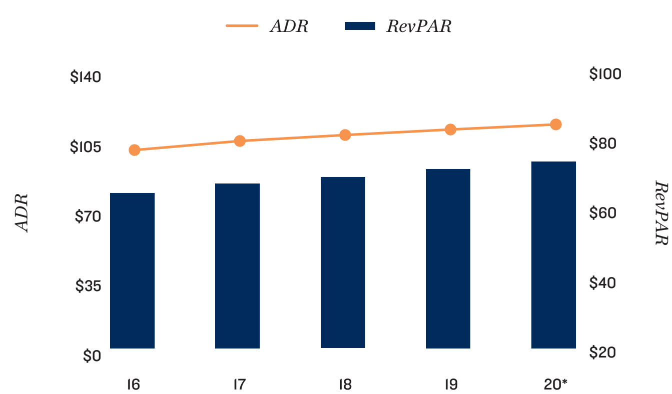
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

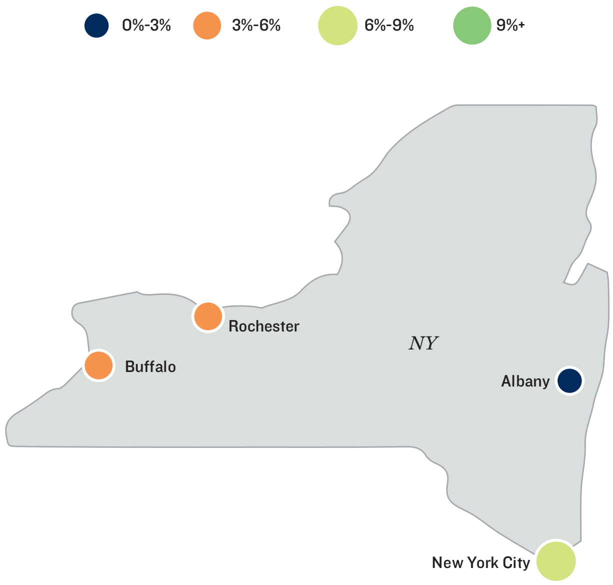


♦ 2019 = recent openings; 2020 = under construction as of December 2019

** Forecast*

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

Percent of Stock Under Construction



New York City's Supply Gains Weigh on State's Occupancy and Revenue Growth

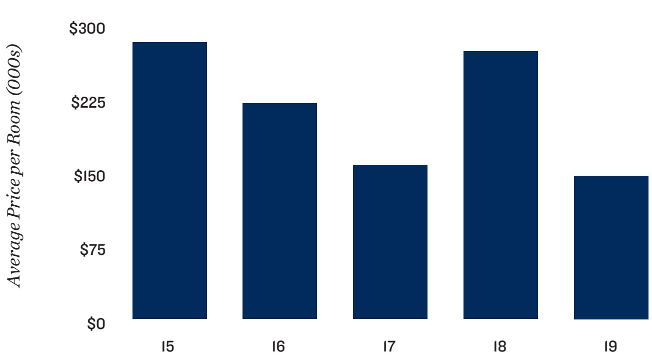
Hotels in New York's smaller markets outperform supply test in New York City. An estimated 67 million people visited New York City last year. The record level of travel was insufficient to push hotel demand above supply additions, however. The city's occupancy rate dropped 100 basis points in 2019, pulling RevPAR down by 3.5 percent. The pipeline of future hotel deliveries is starting to decline, but at over 7 percent of existing inventory, development will continue to drag on performance in the short term. Softening international travel, impacted by health concerns in Asia, will also contribute to a decline in hotel occupancy and revenue in 2020. The state's other major lodging markets should fare better as hotel construction is less prevalent. Fewer than 1,300 keys are underway across Albany, Buffalo and Rochester, less than 10 percent of New York City's pipeline. The more modest slate of openings bode well for existing hotels in smaller markets, but the supply-induced challenges to be overcome in New York City will skew state-level performance.

Marquee hotels change hands in New York City as private investors look north. Transaction velocity across New York moderated in 2019, in line with national trends, yet the state remains a prominent investment market among both private and institutional buyers. New York City led all other nearby markets in total sales velocity as institutions sought hotels in one of the country's premier tourist destinations. Buyers favored select and full service hotels with more than 100 rooms in highly trafficked neighborhoods such as Times Square at sales prices above $200,000 per key. Private investors with fewer than $10 million in available capital looked outside Manhattan to smaller metros such as Albany, Syracuse, and Buffalo. Here, limited service properties changed hands at sale prices under $50,000 per room and cap rates reaching above 10 percent.

2020 Demand Growth

3.1% Year-over-Year Room Nights

Hotel Sales



6.2%	Percent of Inventory Under Construction as of December 2019
100 bps	Five-Year Occupancy Growth 2015-2020
-1%	Five-Year RevPAR Growth

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

2020 Regional Highlights

- New York City Mayor Bill de Blasio has directed the Department of City Planning to consider prohibiting "as-of-right" hotel development. No concrete actions have been taken, but such a citywide requirement would likely lead to the further contraction of the hotel construction pipeline in the metro.
- New York City is the leading destination in the United States for international arrivals, with China as the second most common country of origin after Canada. Canceled flights and other travel restrictions resulting from the spread of the coronavirus early this year will weigh on overall performance.
- The competition for distinct experiences has emphasized the importance of wine tourism in New York, the third largest wine-producing state in the country. As only a minority of sales are made at retail, tasting rooms drive a substantial amount of local business.

2020 Region Forecast

Supply
up 3.4%

The construction pipeline across New York is beginning to moderate, but at over 15,000 keys underway, it is still the fourth-largest slate of any state in the country. Another 6,500 rooms are expected to break ground in the next 12 months.

Occupancy
down 20 bps

Following a 40-basis-point decline in 2019, occupancy will fall by a smaller margin this year to 73.9 percent, returning to the same value reported in April 2018.

ADR
down 1.8%

Supply additions will outpace new room demand to push the average daily rate below the $200 threshold for the first time since February 2018.

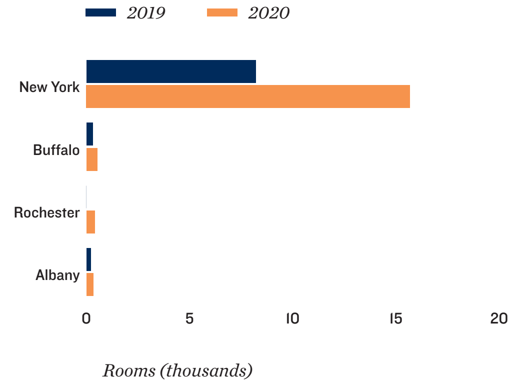
RevPAR
down 2.2%

Declining occupancy and ADR will combine to push RevPAR down to $147.29 in 2020, following a 1.9 percent drop last year.

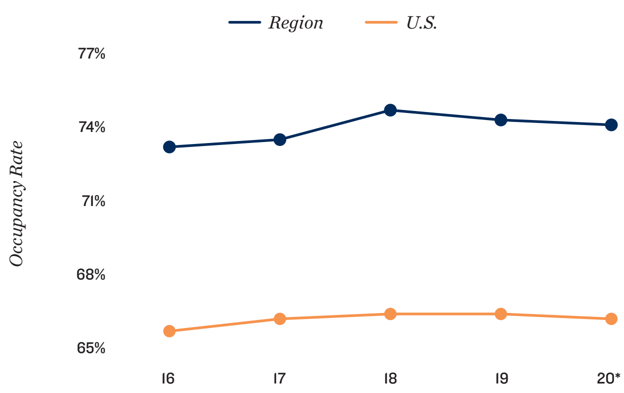
Investment

The Great Lake coasts continue to appeal to private investors, led by sales of sub-200-room unflagged and limited service hotels in Buffalo and Rochester. Recent trades in those areas reported cap rates in the 10 percent to 12 percent zone.

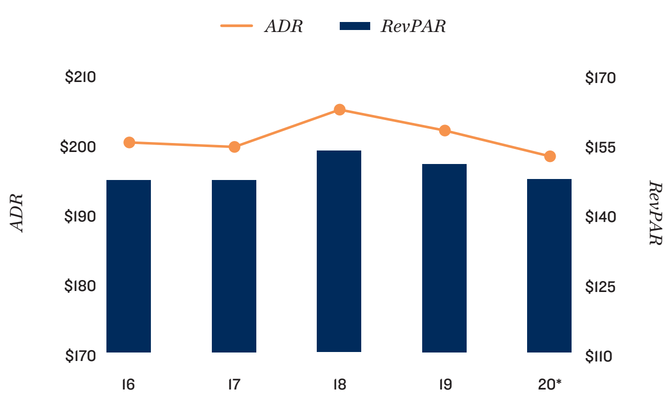
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

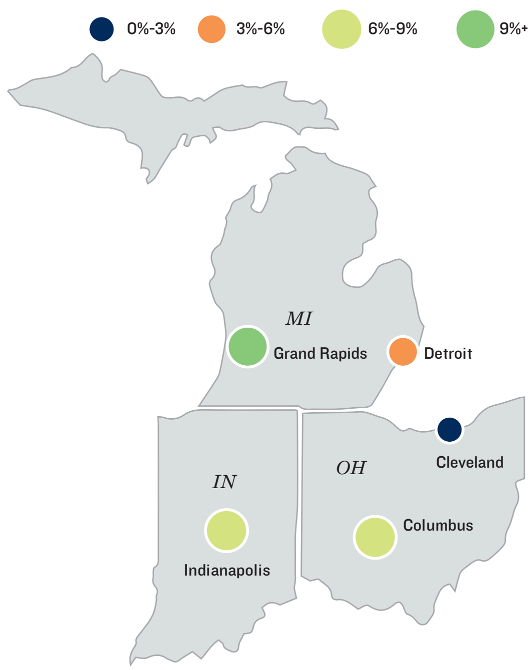


♦ 2019 = recent openings; 2020 = under construction as of December 2019

** Forecast*

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

Percent of Stock Under Construction

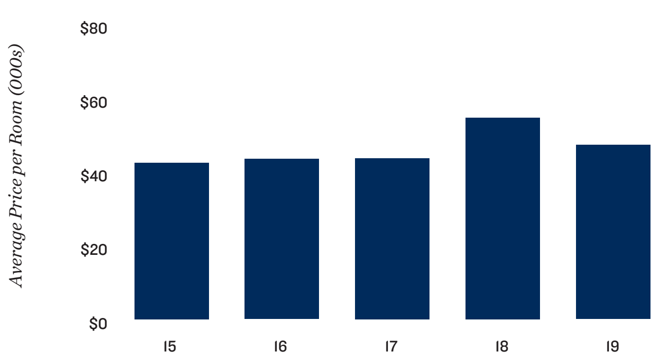


States: Indiana, Michigan and Ohio

2020 Demand Growth

2.0% Year-over-Year Room Nights

Hotel Sales



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

Investment Strategies Shift as Michigan Faces Headwinds and Ohio Outperforms

Momentum in Ohio is not enough to overcome losses in Michigan. Occupancy and RevPAR rose in Ohio this past year, while the other two states in the region faced challenges. Ending 2019, occupancy in Ohio was up for the third straight year. The 140-basis-point jump during that span facilitated a RevPAR advancement of 5.5 percent. Metrics in Michigan moved in the opposite direction in 2019, as the 160-basis-point occupancy drop snapped a streak of nine consecutive annual increases. During this cycle, Michigan hotels greatly outperformed regional averages, so last year's losses may be a realignment following the rapid improvement rather than a long-term disturbance. Similar to Michigan, occupancy in Indiana fell in 2019; however, growth in ADR held RevPAR stable. A similar regional performance is expected in 2020 as the construction pipeline, while sizable, is well dispersed among the three states. The two markets that will see the largest change in inventory following completion of projects under construction are Columbus and Indianapolis. Demand drivers such as conventions and sporting events that bring overnight visitors to these metros should assist occupancy and revenue gains.

Array of investment opportunities exist throughout the North Central region. Investors are lured by relatively low entry costs, despite recent setbacks in performance metrics. Many target urban cores, particularly Indianapolis and Columbus. Buyers favor flagged hotels in these metros, which have traded at an average of $70,000 per room, though prices vary by chain scale and vintage. Investors looking for lower price points with the potential to outperform following minor property improvements search throughout the state of Ohio. They often find limited service properties built in the 1980s or 1990s in Canton or Toledo for an average price per room around $30,000, a steep discount to the regional average.

4.3% Percent of Inventory Under Construction as of December 2019

10 bps Five-Year Occupancy Growth 2015-2020

9% Five-Year RevPAR Growth

2020 Regional Highlights

- In April, the city of Indianapolis will host an inaugural Global Economic Summit, a three-day international business conference expected to draw hundreds of attendees. The event, being held at the Indiana Convention Center and the Westin Indianapolis, may bring more attention and conferences to the area in the future.
- FC Cincinnati, a MLS expansion team established in 2019, is preparing to move into the new West End Stadium when it is completed in 2021. The team currently plays on the grounds of the University of Cincinnati. Demand for room nights linked to these fans will shift across the metro as this transition materializes.
- Cleveland and Indianapolis are attracting major sporting events, which will draw more overnight visitors to the cities. Over the next two years these metros will host the NBA All-Star Game, the NFL Draft, the NCAA Men's Basketball Final Four, Olympic team trials, and various other youth and collegiate competitions.

2020 Region Forecast

Supply up 2.5%
Across the region, 15,200 rooms are underway, and an additional 19,100 doors are likely to break ground over the next 12 months. Of the rooms currently being constructed, Detroit leads all markets with 2,600 keys, while Cleveland has just 250 rooms underway.

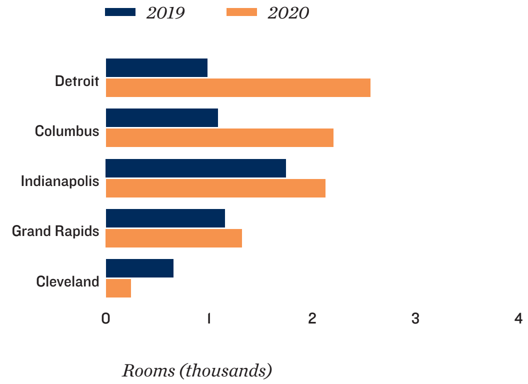
Occupancy down 30 bps
Regional occupancy will drop to 60.1 percent in 2020 following a 50-basis-point decline in the previous year.

ADR up 0.3%
In 2020, the average daily rate moves up to $102.87, yet this margin of annual growth falls shy of the 3.2 percent cycle average.

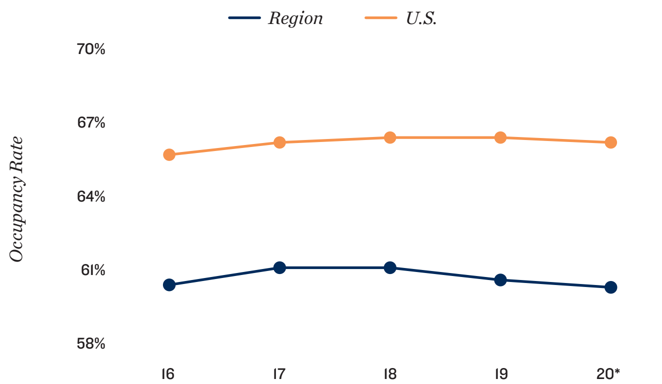
RevPAR down 0.6%
Declining occupancy levels and minimal gains to daily rates will weigh on revenue this year. RevPAR is expected to move down to $62.09, dropping for the first time since 2009.

Investment
After many investors rode the wave of surging revenue gains in Detroit throughout this cycle, some will place properties on the market as they reevaluate their strategies following a sluggish year. This will open the door for new investors to enter, while sellers transfer their returns into other assets or hotels in nearby major markets.

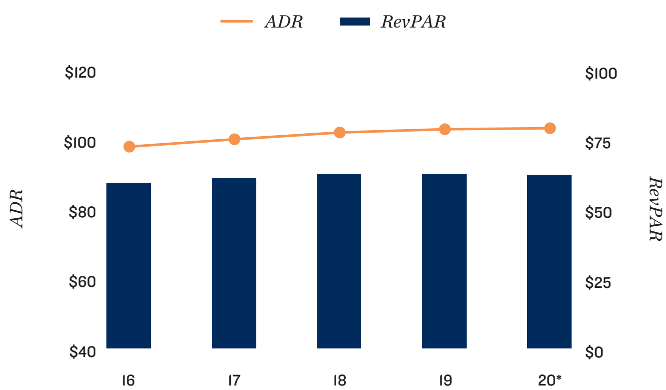
Development Trends ♦



Annual Occupancy

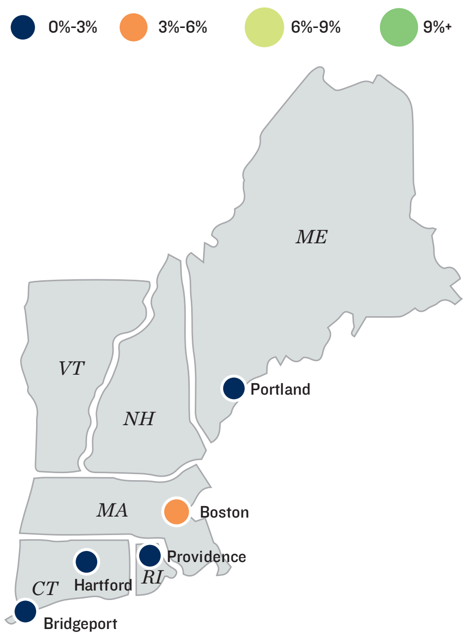


Full-Year Revenue Measures



♦ 2019 = recent openings; 2020 = under construction as of December 2019
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Percent of Stock Under Construction

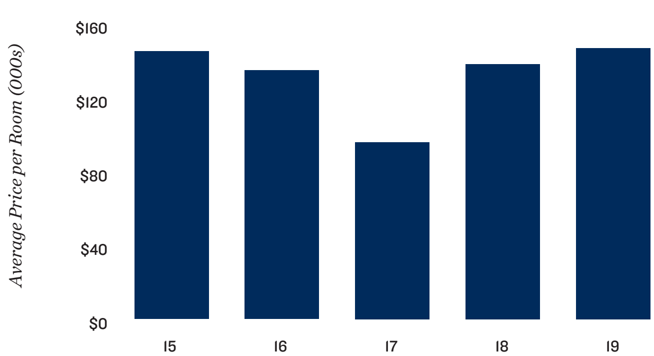


States: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont

2020 Demand Growth

0.4% Year-over-Year Room Nights

Hotel Sales



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

Hotel Performance Improves in Smaller Metros as Growth Abates in Massachusetts

Revenues advance in smaller cities as Boston faces supply challenges. Hotel room occupancy and revenue across the Northeast region walked back from record levels during the second half of 2019, weighed down by softer performance in Boston. A greater number of room openings interrupted occupancy and ADR gains in the region's largest hospitality market, failing to meet the high bar set a year prior when the Boston Red Sox's World Series victory boosted visitation. Outside of Boston, hotel performance metrics improved in multiple states, especially in Vermont and Maine. As the majority of the development pipeline is concentrated in Boston, existing hotels in the region's smaller markets are benefiting from less new competition. Regional performance metrics, however, will continue to be directed by how hotels perform in Massachusetts and Boston, more specifically. An active development slate of more than 3,000 keys will continue to drag on hotel operations in the short term.

Boston leads institutional trades as private investors target smaller markets. Softening hotel fundamentals may moderate transaction velocity in 2020 after activity also tempered in 2019. Investment opportunities were found across the region last year, although the Boston metro area continued to report the most trades. Institutional investors obtained top-tier unflagged and luxury hotels within the city of Boston at sales prices above $500,000 per room and cap rates under 4 percent. Investors looking to allocate less than $15 million targeted properties in the surrounding Boston suburbs at entry costs a little above $100,000 per key and initial yields around mid-6 percent. Assets in the $1 million to $10 million tranche often changed hands in southern Connecticut, Rhode Island, and Maine. Hotels here traded at initial first-year returns around the region average of low-9 percent at sub-$100,000 per key sale prices.

2.6% Percent of Inventory Under Construction as of December 2019

-10 bps Five-Year Occupancy Growth 2015-2020

8% Five-Year RevPAR Growth

2020 Regional Highlights

- Maine's upcoming bicentennial celebration along with a growing arts and crafts scene and picturesque landscape have helped distinguish the state in travel magazines, supporting rising visitor counts.
- New Hampshire hotels likely experienced a surge of demand in February when the state held its primary for the 2020 presidential election. In past election years, the state's average ADR and RevPAR increased by as much as 38 percent during the month the primaries were held.
- Traditional hotels in Boston will benefit from a crackdown on short-term rentals. New regulations require hosts to register with the city to prevent the use of investor units — properties designed to be residential that are used primarily for short-term housing. At one point Airbnb had 4,000 listings in the city. As of December, fewer than 1,000 short-term rentals had been approved.

2020 Region Forecast

Supply
up 1.7%

About 5,300 rooms are under construction across the Northeast region, with nearly 5,200 more keys to break ground within the next year. Massachusetts has the largest delivery pipeline at 3,720 rooms underway, followed by Connecticut with 520 rooms.

Occupancy
down 80 bps

The region's occupancy rate will decline to 63.7 percent in 2020, down 150 basis points from the record high achieved in 2018.

ADR
down 0.5%

Lower occupancy will interrupt growth in ADR, which will dip to $152.00 this year following a mild 0.6 percent increase in 2019.

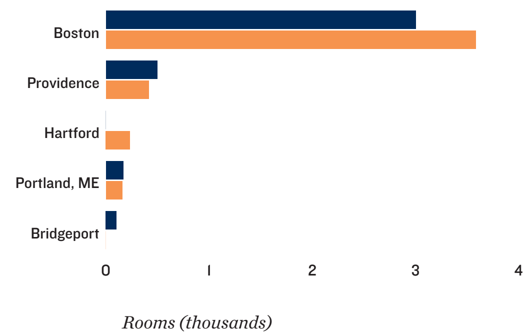
RevPAR
down 1.6%

Falling occupancy paired with a slight cutback in ADR will pull annual average RevPAR for 2020 down to $100.24, extending the 0.5 percent drop from the year before.

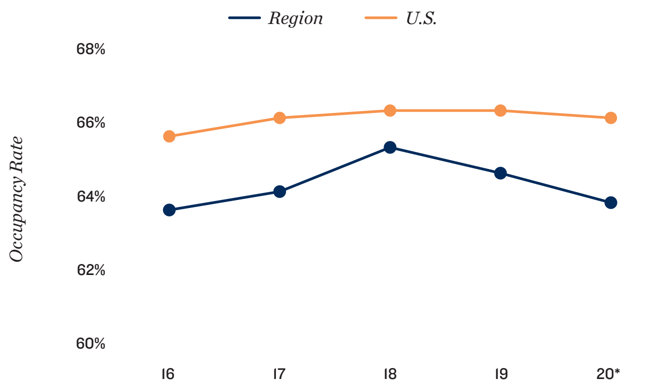
Investment

A handful of private buyers seeking low-cost entry points into the market with upside potential via renovation found opportunities in Old Orchard Beach, Maine. Hotels built before 1980 with fewer than 50 rooms changed hands at sales prices below $80,000 per room and cap rates well above core locations.

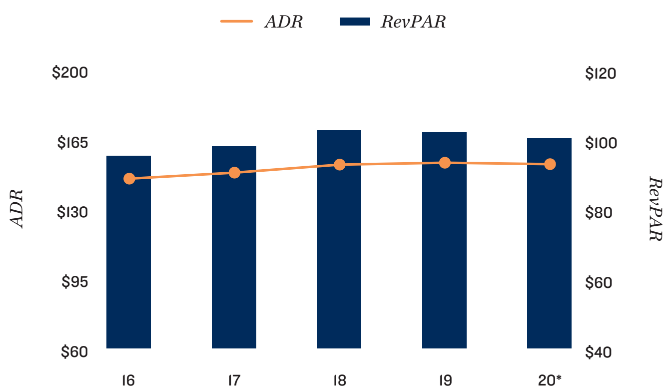
Development Trends *



Annual Occupancy



Full-Year Revenue Measures

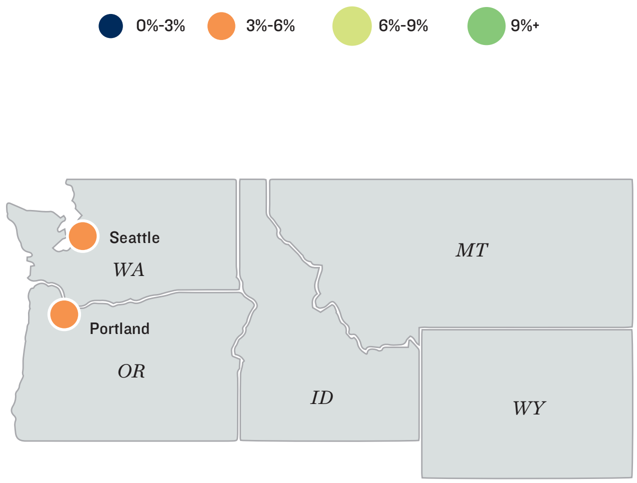


* 2019 = recent openings; 2020 = under construction as of December 2019

* Forecast

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

Percent of Stock Under Construction

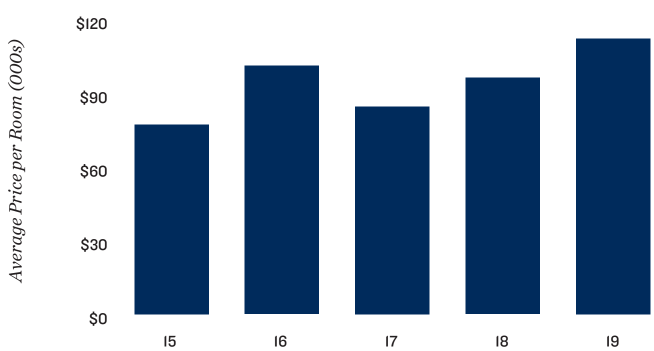


States: Idaho, Montana, Oregon, Washington and Wyoming

2020 Demand Growth

2.5% Year-over-Year Room Nights

Hotel Sales



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

Smaller Markets Drive Regional Gains; Property Values Climb to Record Levels

Hotel demand heightens in the Rocky Mountains and Great Plains while supply pressure persists in the region's primary metros. The Northwest recorded sizable ADR and RevPAR growth from 2011 to 2017 as hotel demand significantly escalated in the region. While gains have moderated since, daily rates and hotel performance metrics sat at historically high levels entering 2020, supported by improving annual occupancy rates in four of the region's five states in 2019. During that 12-month span, Wyoming recorded a 510-basis-point jump, while annual occupancy dipped slightly in Washington as increased construction activity weighed on demand. Similar conditions are projected for this year as Seattle and Portland continue to be impacted by new supply, with 3.8 percent and 5.9 percent of each metro's inventory underway, respectively. Heightened development in these markets will impact hotel performance in Washington and Oregon, yet occupancy and RevPAR in the Northwest will improve, as increased traffic to national parks and ski resorts in Wyoming, Montana, and Idaho bolster regional fundamentals.

Buyer pool expands as double-digit returns and solid fundamentals drive deal flow. Heightened investor competition for independent and limited service hotels in rural locales and larger cities has positively impacted asset values, with average pricing in the region up by nearly 20 percent over the past year. While property valuations have risen rapidly, hotels with less than 100 rooms remain available for $1 million to $3 million in Idaho, Montana, and Wyoming. Here, lodging facilities near recreational activities, colleges, and major transportations routes provide buyers with 12 percent-plus yields. Buyers seeking a greater mix of property types in more urban areas comb the Seattle and Portland metros, accepting cap rates in the high-4 and mid-5 percent range for limited and select service assets.

2.6%	Percent of Inventory Under Construction as of December 2019
100 bps	Five-Year Occupancy Growth 2015-2020
11%	Five-Year RevPAR Growth

2020 Regional Highlights

- In June, British Airways will offer nonstop flights from London to Portland five days a week. These arrivals should increase the metro's international visitor count, aiding local hotels.
- The Port of Seattle extended its 2020 cruise season from April 1 to October 19. As part of this expansion, Norwegian Cruise Line will bring a third ship, the Norwegian Sun, to the port. The vessel will sail 11-day Alaskan cruises, bringing additional visitors to the city.
- Rapid population growth and the proximity to luxury ski resorts and Yellowstone National Park has triggered an uptick in Bozeman, Montana, hotel development. Marriott, Residence Inn and Hilton are each constructing or planning properties in the city.
- A 1.4 million-square-foot expansion of the Washington State Convention Center in Seattle is underway and estimated to be completed before the end of 2021.

2020 Region Forecast

Supply up 1.7%
More than 7,300 rooms are under construction throughout the region and an additional 10,500 rooms are expected to break ground within the next 12 months. Roughly 55 percent of the rooms currently underway are in either the Seattle or Portland metros.

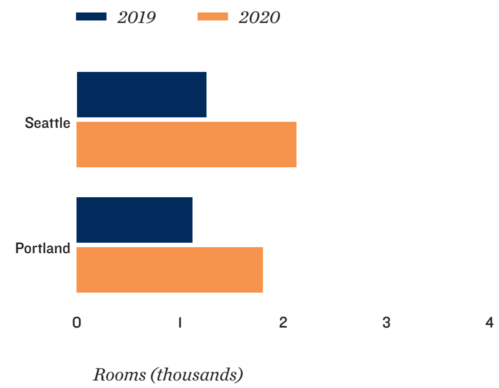
Occupancy up 50 bps
Following a 70-basis-point increase last year, annual occupancy in the Northwest climbs to 65.4 percent in 2020.

ADR down 0.3%
The average daily rate adjusts nominally for a third straight year, dipping to $121.81. In 2019, a rise of 0.4 percent was recorded.

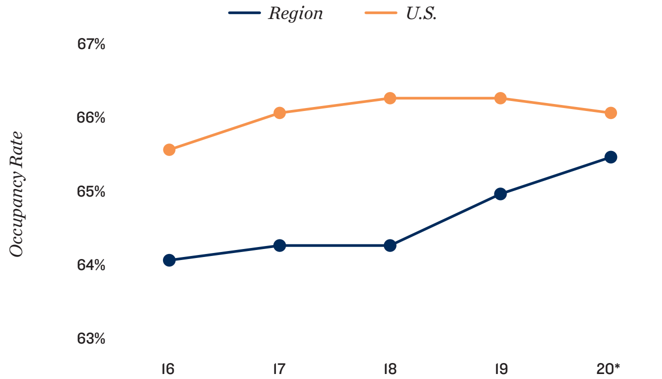
RevPAR up 0.4%
Steady improvements in occupancy and a stable average daily rate will lift RevPAR to $81.63. This slight uptick will trail last year's gain of 1.2 percent.

Investment
Montana's Glacier Park International Airport recorded a 15 percent rise in passengers last year, warranting the $100 million terminal expansion slated to break ground in 2020. Future increases in flights and passenger numbers should heighten investor competition for smaller hotels along Highway 93.

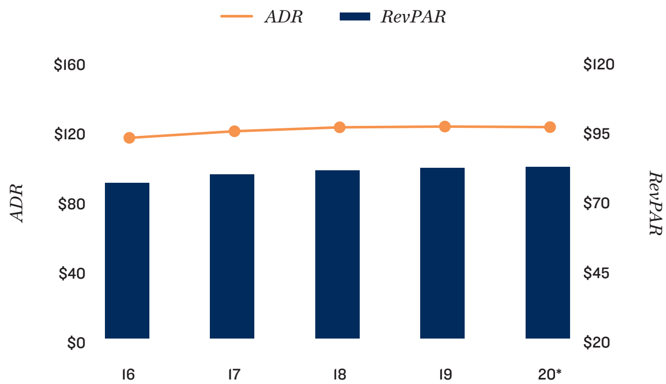
Development Trends ♦



Annual Occupancy

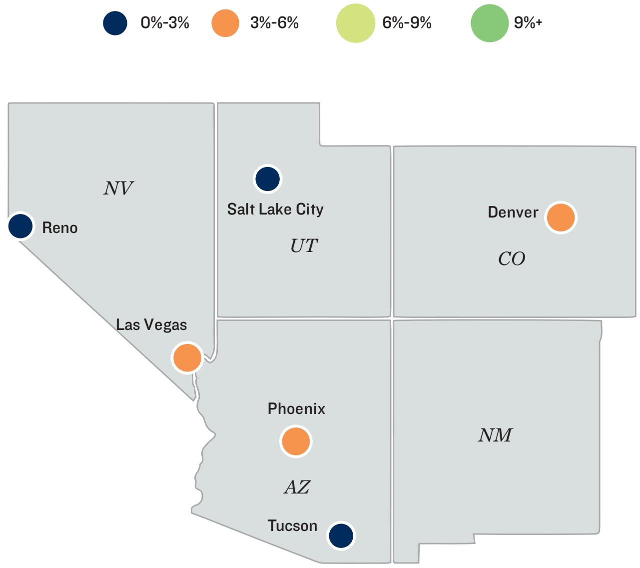


Full-Year Revenue Measures



♦ 2019 = recent openings; 2020 = under construction as of December 2019
* Forecast
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Percent of Stock Under Construction

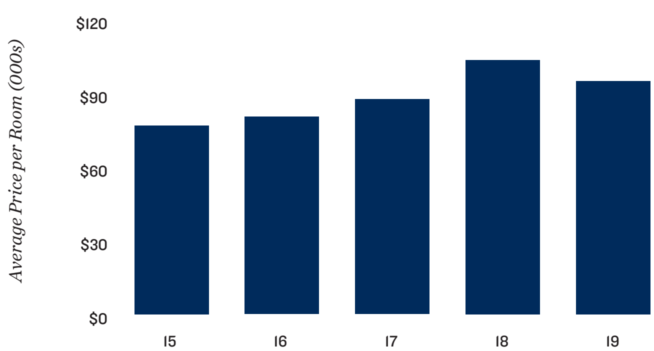


States: Arizona, Colorado, Nevada, New Mexico and Utah

2020 Demand Growth

3.1% Year-over-Year Room Nights

Hotel Sales



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

Las Vegas Prepares for NFL Team's Impact; Travelers Flocking to the Southwest

Phoenix and Denver spearhead strong regional performance. Leisure travelers continue to be drawn to the Southwest for warm weather getaways and outdoor recreational activities. In addition Phoenix, Salt Lake City, Las Vegas and Denver are all adding jobs at a faster rate than the national average, supporting more business-related travel. Stout demand for room nights will facilitate a rise in occupancy for the eighth consecutive year in 2020, up 970 basis points in that span. Phoenix and Denver are outperforming regional averages in nearly all performance metrics. Both metros posted occupancy increases of at least 100 basis points and RevPAR gains exceeding 4 percent in 2019. The 2020 pipeline remains in check for these two markets, supporting a promising future outlook. On the other hand, developers are active in Las Vegas, with 9,200 rooms currently being constructed. This expansion may be necessary relief as Las Vegas' occupancy was up 40 basis points on the year near the end of 2019 to a national high of 88.4 percent. With an NFL team moving in, drawing new overnight visitors from Oakland and opposing teams, tight conditions will likely persist through sizable additions to inventory.

Buyers scanning the Southwest for high-yielding assets. Limited listings in the major markets compressed regional transaction velocity by 30 percent in 2019. Positive performance trends will keep investor interest high, and many will adjust their criteria to chase yield outside of the larger metros. Buyers seeking lower entry costs and higher initial returns will concentrate in on Albuquerque and Reno, with many targeting aged assets that can raise rates following property improvements. In Albuquerque, the bulk of recent trades have been pre-1980 builds with fewer than 200 rooms, carrying first-year returns as high as 10 percent. In Reno, buyers are favoring independent hotels, which have been trading at an average of $45,000 per room, offering nearly a 50 percent discount to the regional average.

3.6%	Percent of Inventory Under Construction as of December 2019
290 bps	Five-Year Occupancy Growth 2015-2020
21%	Five-Year RevPAR Growth

2020 Regional Highlights

- Denver International Airport is currently undergoing a $1.5 billion expansion that will add 39 new gates. Southwest and United Airlines both announced plans to expand their presence at the airport as the city's location is a gateway to the West Coast. The increase in passengers will likely boost demand for rooms near the airport.
- The National Football League will be heavily invested in transforming Las Vegas into a football city this year. In April, the three-day long NFL draft will be hosted at the Strip, bringing in fanatics from across the world. Later in the year, Las Vegas Stadium will become the new home of the formerly known Oakland Raiders.
- The first phase of the $4.1 billion expansion to Salt Lake City International Airport, announced in 2014, will commence in September. Delta Airlines plans to increase direct flights to Asia, with more international travelers likely to aid room demand.

2020 Region Forecast

Supply up 2.1% — Roughly 19,500 rooms are under construction throughout the region. Almost half of this total is located in Las Vegas. During the next 12 months, approximately 21,800 additional rooms will break ground, with a larger share headed for Denver and Salt Lake City.

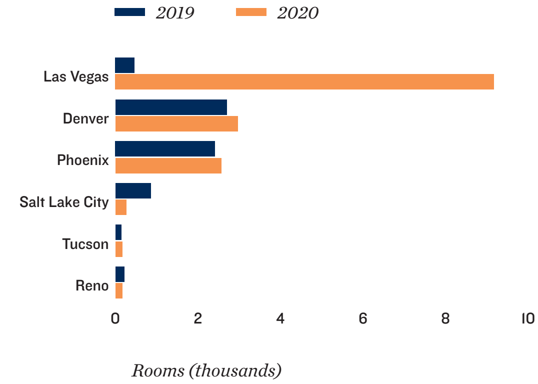
Occupancy up 70 bps — The 60-basis-point jump last year will be built on in 2020 as the average occupancy rises to 68.7 percent.

ADR up 2.8% — Rising occupancy facilitates an ADR gain that surpasses 2 percent for the second consecutive year, reaching $126.12 in 2020.

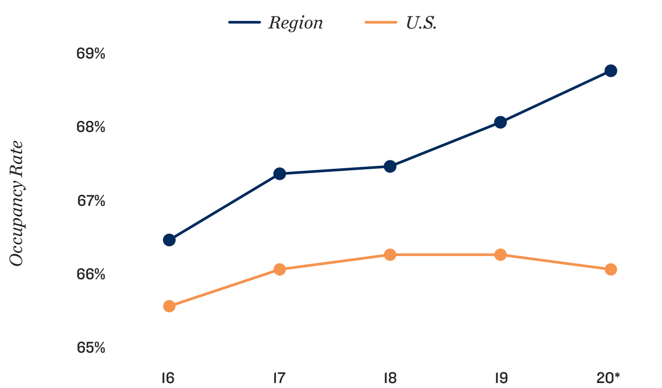
RevPAR up 3.8% — Steadily growing daily rates and occupancy levels combine to boost RevPAR to $86.84 this year. The metric is advancing at nearly six times the national average.

Investment — Arizona's employment and tourism growth attract a diverse buyer pool. Many pursue hotels in Phoenix near entertainment venues and the airport. The average cap rate has been around 7 percent for these assets. Others look to Sedona and Flagstaff, where initial yields 200 basis points higher can be found.

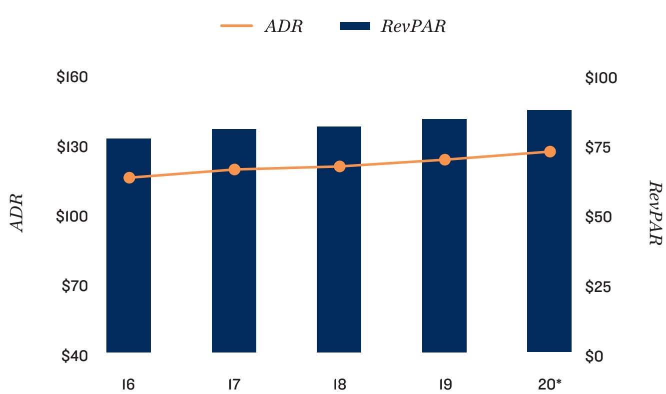
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

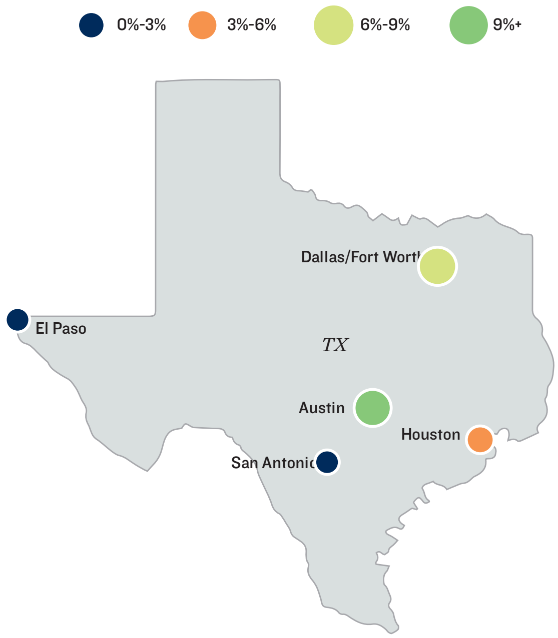


♦ 2019 = recent openings; 2020 = under construction as of December 2019

* Forecast

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

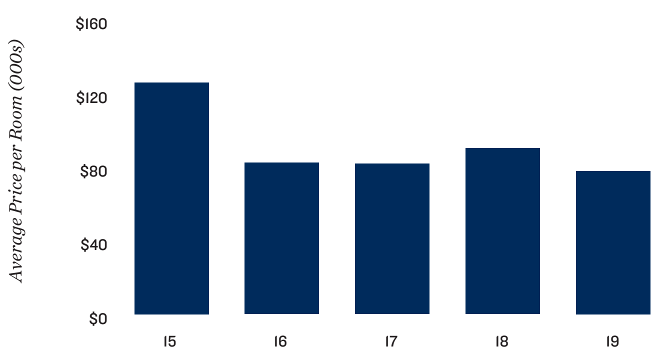
Percent of Stock Under Construction



2020 Demand Growth

3.3% Year-over-Year Room Nights

Hotel Sales



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

Diverse Buyer Pool Active Statewide; Dallas and Austin Face Supply Headwinds

Elevated development weighing on rates and revenue. Accelerating business-related travel remains the major tailwind for room demand in major Texas markets this year. More people seeking overnight accommodations as they travel for interviews and meetings will aid a rise in occupancy this year to its highest level since 2014. This occupancy hike, however, won't translate to revenue growth as daily rates ease amid heightened development activity. More than 8,300 rooms are under construction in Dallas/Fort Worth, the largest volume among major Texas markets. Additionally, the 5,000 rooms underway in Austin will increase market inventory by over 10 percent upon completion. Houston and San Antonio will be less constrained by supply-induced headwinds in 2020. Alamo City sustains steady demand from the yearly inflow of tourists, while demand drivers behind Bayou City hotels are a bit more volatile and tied to the energy industry. In 2019, ADR and RevPAR each dropped by more than 3 percent in Houston, although the market is still normalizing following the Hurricane Harvey demand surge.

Investment strategies vary across the state. The employment hubs of Dallas/Fort Worth and Houston garner notable buyer attention. In Houston, many target upper midscale and upscale properties built within the past 20 years, which often trade near $100,000 per room. Those seeking lower entry costs often concentrate on limited service assets in north Dallas suburbs, where price points are around $40,000 per room with cap rates in the low-7 percent to mid-8 percent range. Along the coast, steady demand from visitors has investors eying hotels on islands east of Corpus Christi. Competitive bidding for these assets has swelled sale prices, and many buyers are turning favor toward more obtainable economy hotels inland.

4.8%	Percent of Inventory Under Construction as of December 2019
40 bps	Five-Year Occupancy Growth 2015-2020
4%	Five-Year RevPAR Growth

2020 Regional Highlights

- Room demand in Austin will benefit from sports-related expansions. The United States Tennis Association is establishing a headquarters at the $1.5 billion Indigo Ridge project in Cedar Park, which will have 40-plus courts and host competitions and camps upon finalization. Additionally, MLS expansion team Austin FC will begin play in 2021 at a stadium being constructed in north Austin.
- Several Texas airports are expanding international flight options, which could be a boon for hotels as travelers seek overnight accommodations. DFW International Airport will offer new nonstop flights to Dublin and Munich, while Austin-Bergstrom International Airport will add direct flights to Paris and Amsterdam in 2020.
- The cultural and artistic tourism appeal of Houston will be enhanced by the 2020 finalization of the Museum of Fine Arts following an eight-year $450 million transformation project.

2020 Region Forecast

Supply up 2.8%

Construction activity remains elevated in Texas as roughly 23,600 rooms are currently underway, 75 percent of which are located within Dallas/Fort Worth, Austin or Houston metros. An additional 34,300 keys are likely to break ground during the next 12 months.

Occupancy up 30 bps

Building on a 10-basis-point rise last year, occupancy reaches a six-year high of 65.3 percent in 2020.

ADR down 0.6%

For the second straight year the average daily rate will drop in Texas. In 2020, ADR will fall roughly 65 cents to $103.45.

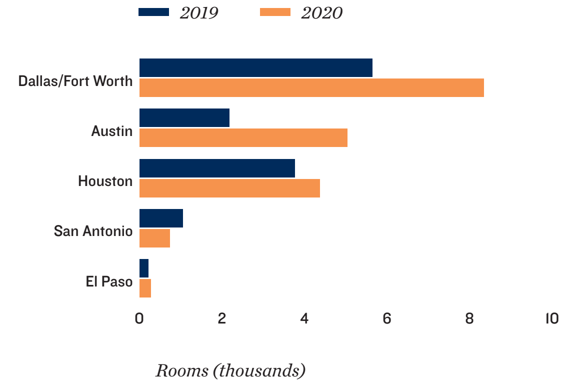
RevPAR down 0.3%

Revenue will be negatively impacted by the drop in ADR. This year RevPAR falls for the second straight year to $67.65, less than the 0.8 percent ease in 2019.

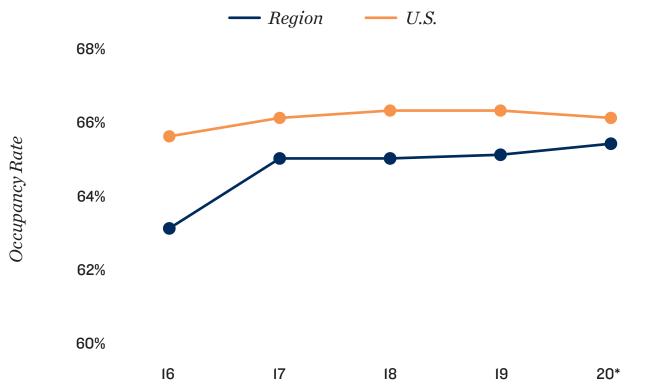
Investment

Hotels in San Antonio lure more investors as performance trends are solid and the pipeline is limited for 2020. Economy and independent hotels in the urban core are the focal point for many buyers. These types of assets have commonly traded with initial yields in the 8 percent to 10 percent band.

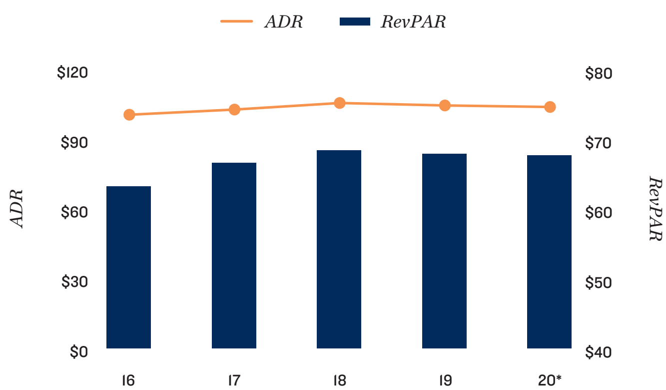
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures

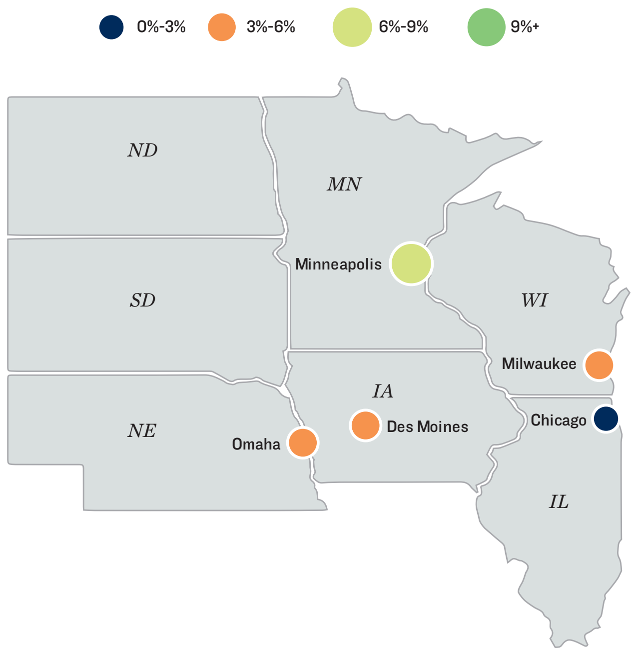


♦ *2019 = recent openings; 2020 = under construction as of December 2019*

** Forecast*

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

Percent of Stock Under Construction

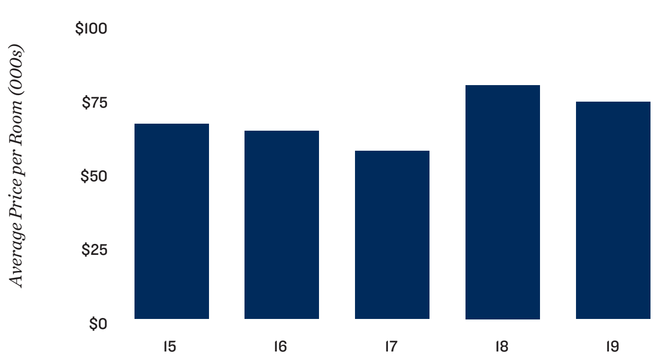


States: Illinois, Iowa, Minnesota, Nebraska, North Dakota, South Dakota and Wisconsin

2020 Demand Growth

2.0% Year-over-Year Room Nights

Hotel Sales



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

Western States Quietly Shine as Larger Markets Lure Investors and Developers

Smaller markets, less populated states driving force behind rising regional occupancy. Among the seven states in the region, North Dakota led the way in 2019 with a 420-basis-point jump in occupancy and a 9.2 percent increase in RevPAR. Nebraska and South Dakota also each posted occupancy gains exceeding 200 basis points and RevPAR advancements surpassing 2.5 percent. Construction activity in these three states has fallen behind major markets in the Upper Midwest region, aiding the performance of existing hotels. This will continue in 2020, as more than half of the rooms underway in the region are located in either Chicago or Minneapolis-St. Paul. Consistent supply infusions to these areas are weighing on performance metrics, with both markets logging RevPAR declines last year. The sizable supply coming to these two metros in 2020 will continue to moderate local RevPAR gains, weighing on the regional average despite positive momentum in the states farther west.

Investor sentiment remains high in Great Lakes states. Buyers are primarily targeting larger markets in Illinois, Minnesota, and Wisconsin. In Illinois, suburbs north of Chicago near entertainment attractions such as theme parks are catching buyers' eyes. Midscale and upper midscale flagged hotels frequently change hands here with first-year returns in the mid-8 to 10 percent band. In Minnesota, investors favor assets in Minneapolis-St. Paul suburbs along major thoroughfares, such as Roseville, Woodbury and Oakdale. Select service flagged hotels here are highly sought after by investors accepting price points around $100,000 per room on average. In Wisconsin, buyers concentrate on downtown Milwaukee or farther north in Green Bay near the NFL stadium. Investors pay on average $55,000 per room for assets in Green Bay and double that for downtown Milwaukee hotels, though prices vary by chain scale and location.

2.4%	Percent of Inventory Under Construction as of December 2019
-50 bps	Five-Year Occupancy Growth 2015-2020
3%	Five-Year RevPAR Growth

2020 Regional Highlights

- In July, Milwaukee will host the Democratic National Convention, and roughly 50,000 people are expected to attend the four-day event. Elevated demand for room nights during the convention will likely drive up average daily rates nearby. Diminished room availability in Milwaukee could also spill demand south to Chicago.
- The Mount Rushmore National Memorial is undergoing renovations this year to improve the visitor experience. The monument typically has more than 2 million visitors per year, but that number could decline in 2020. If travelers hold off until construction is complete nearby South Dakota hotels may experience lower occupancy.
- Job growth in the Omaha metro was at its highest level in over 20 years in 2019, and this trend may assist occupancy and revenue metrics as more business professionals are traveling for interviews, meetings and conferences.

2020 Region Forecast

Supply up 1.5% — Currently 11,400 rooms are under construction, and an additional 13,400 keys are likely to break ground during the next 12 months. Chicago and Minneapolis have a combined 5,200 rooms underway, while the Dakota states each have fewer than 500.

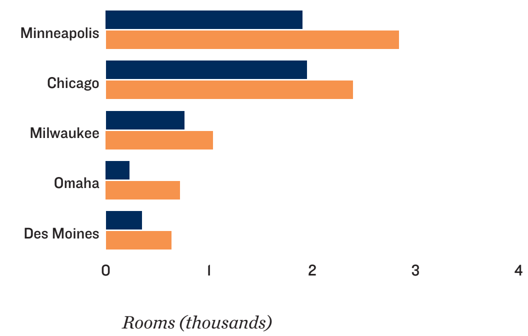
Occupancy up 30 bps — Spearheaded by gains in the three westernmost states, occupancy will move up for the third consecutive year, to 60.8 percent.

ADR down 0.8% — Following the 0.6 percent drop in the previous year, the average daily rate will move down to $110.18 in 2020.

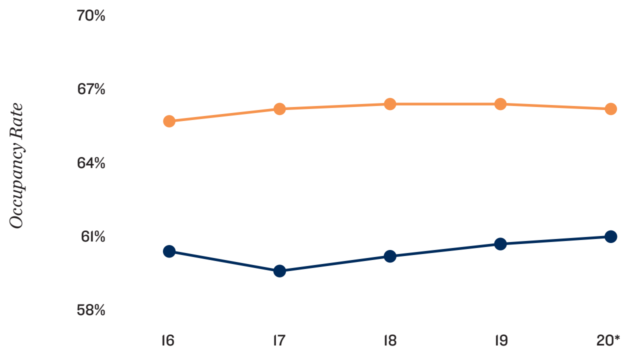
RevPAR down 0.3% — Higher occupancy is not enough to overcome the drop in ADR, negatively impacting revenue. This year, RevPAR will decline to $68.60 after holding flat in 2019.

Investment — Attractive yields and strong performance lead more investors to Nebraska and North Dakota. Cities along Interstate 94, including Bismarck and Jamestown, and beside Interstate 80, such as Lincoln and Omaha, are favored by buyers. These assets have often traded with cap rates near 10 percent.

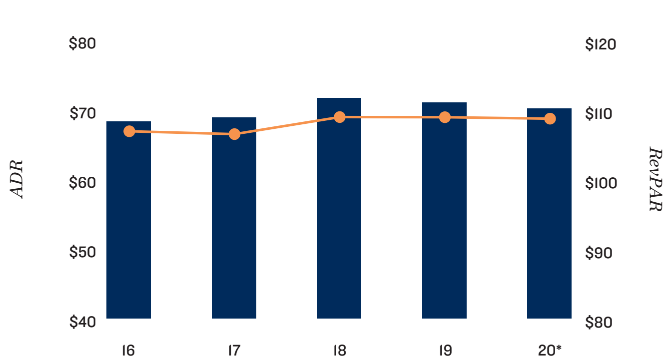
Development Trends ♦



Annual Occupancy

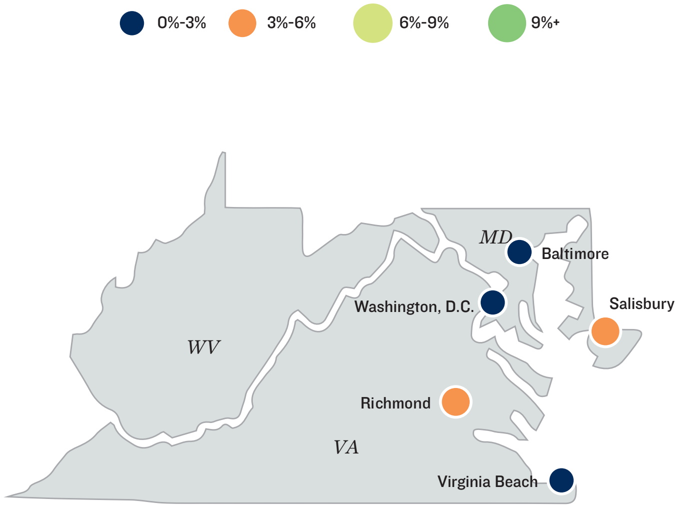


Full-Year Revenue Measures



♦ 2019 = recent openings; 2020 = under construction as of December 2019
** Forecast*
Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Percent of Stock Under Construction

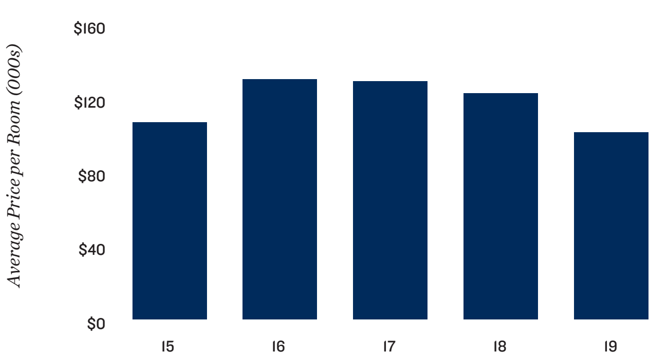


States: Maryland, Virginia, Washington, D.C., and West Virginia

2020 Demand Growth

0.9% Year-over-Year Room Nights

Hotel Sales



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

Greater Construction Activity Slows RevPAR Expansion; Maryland Sales Soar

RevPAR growth slows throughout the Central Atlantic Region as occupancy rates fall shy of increased supply levels. The demand for hotel rooms in Washington, D.C., metro has been unable to find equilibrium with supply, as guests seek more affordable accommodations than found in the District, where the ADR is nearly twice the region average. The nation's capital also has the greatest volume of rooms under construction in the Central Atlantic region, further weighing on occupancy rates. Alternatively, in Maryland, occupancy rates are on an upswing, where a lower average ADR draws travelers. Nightly rates below the regional average are also supporting hotel room demand in Virginia, resulting in a slight increase in the state's ADR and RevPAR. Outside of the D.C. metro core, new construction will occur in Virginia and Maryland, where guests can obtain a lower nightly rate and still be near the capital's amenities and businesses. Choice Hotels, for example, is constructing a nine-story hotel near Amazon's future headquarters in Arlington County, Virginia. This hotel will be east of Downtown D.C. while maintaining close proximity to the district's major employment hubs and tourist attractions.

Upscale and upper-midscale investments dominate hospitality market; Virginia and Maryland enter 2020 with high sales momentum. Throughout the Central Atlantic region, buyers have been most active throughout the state of Virginia seeking upscale and upper midscale assets ranging near the $100,000 per room mark and cap rates in the low-9 percent band. Investors are also pursuing similar type product in Maryland, acquiring building stock around $66,000 per key on average and cap rates near the 8 percent area. Toward the center of the region in the Washington, D.C., metro, exchanges are a bit more rare as hotels changed hands for sales prices above $300,000 per room and a mean yield near 5 percent. Most of these sales are unflagged or upscale operations catering to guests seeking high-end amenities, services, and proximity to convention space.

2.2%	Percent of Inventory Under Construction as of December 2019
120 bps	Five-Year Occupancy Growth 2015-2020
10%	Five-Year RevPAR Growth

2020 Regional Highlights

- New transportation options continue to attract more travelers to Virginia. In the summer of 2018, the state began running two new nonstop flights from Tennessee and Florida to Richmond. In addition to recent flight efficiencies there will be an expansion of Dulles International Airport's Silver Line railway this year, better connecting the northern Virginia area to D.C.
- The government shutdown in early 2019 has caused lingering issues for hotel demand throughout Washington, D.C., as business travelers postponed or canceled meetings and museums closed temporarily. The metro may still feel the effects of the shutdown in 2020 as ADR is set to increase at a more nominal rate.
- This will be the first full year since short-term rental regulations took effect in October 2019 for the city of Baltimore and Prince George's County. The hotel tax aims to promote a level playing field for short-term rental businesses and lodging operators.

2020 Region Forecast

Supply
up 1.4%

Supply growth in 2020 will fall shy of the national average but is increasing by more than last year's pace of 1.0 percent. New development will continue to be headlined in Washington, D.C., as the area's number of keys under construction expands by 772 rooms year over year.

Occupancy
down 30 bps

A drop in occupancy throughout West Virginia and Washington, D.C., will outweigh an increase in Maryland, triggering a 30-basis-point decline in occupancy in the region to 64.9 percent.

ADR
up 1.8%

The region's ADR will rise modestly for the second consecutive year, expanding to $126.75 per night.

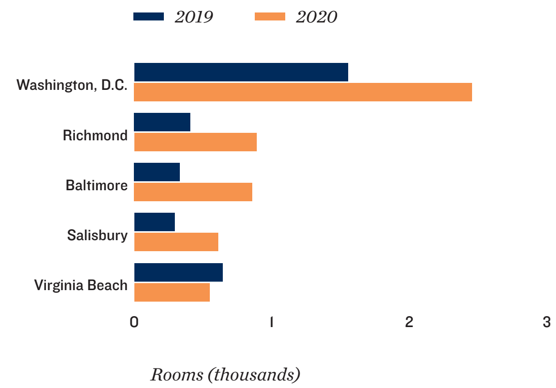
RevPAR
up 0.9%

RevPAR will lift at a slower pace than in 2019, increasing to $84.42.

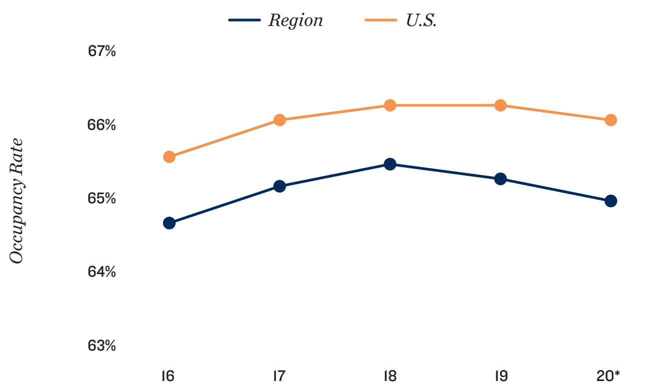
Investment

Buyers pursue midscale assets in northern Virginia and Anne Arundel County, Maryland, for yields in the mid-7 to low-8 percent cap rate area. Additionally in Baltimore, midscale product is highly sought after with an average sale price of $78,000 per room and average cap rates near the 7 to 8 percent band.

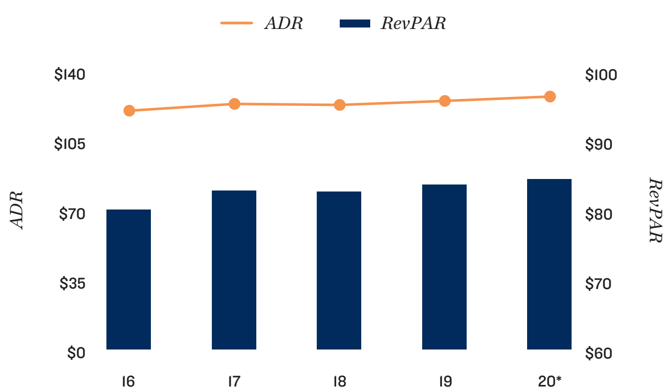
Development Trends ♦



Annual Occupancy



Full-Year Revenue Measures



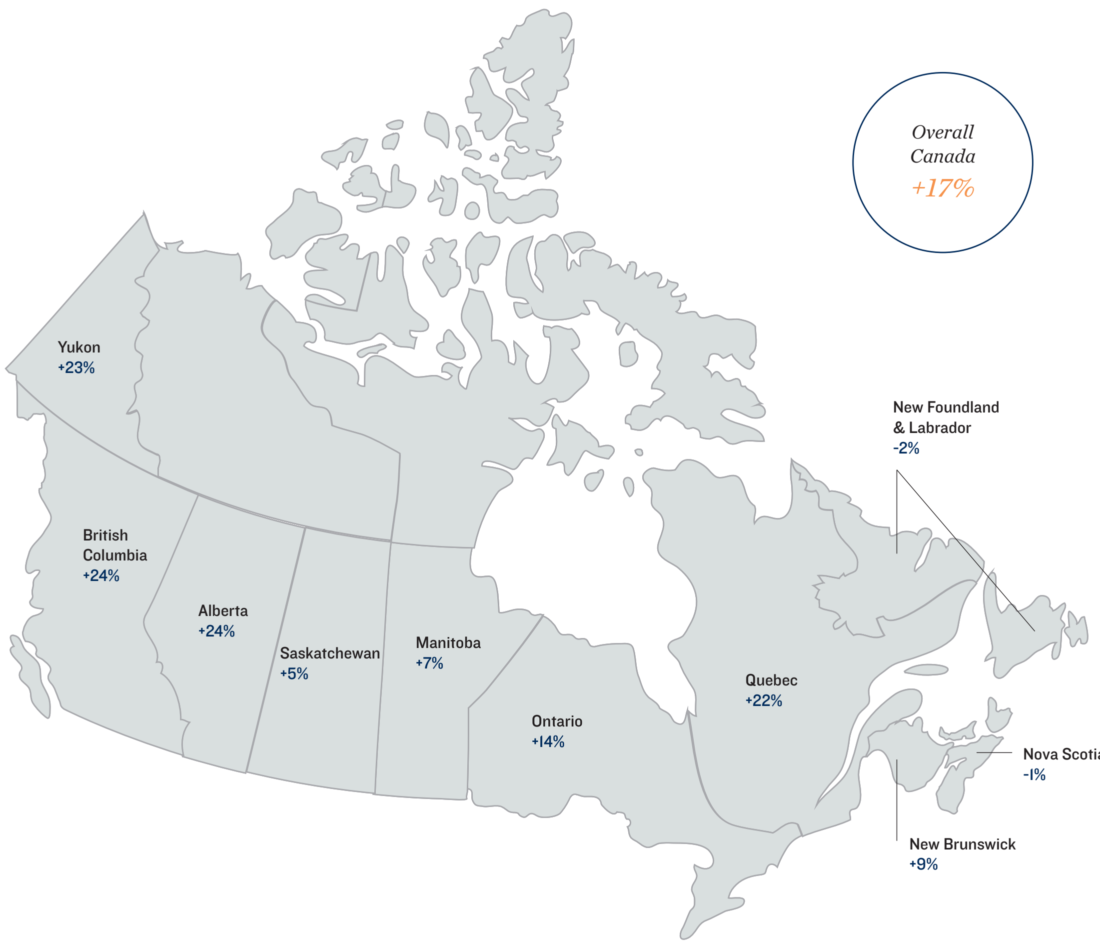
♦ 2019 = recent openings; 2020 = under construction as of December 2019

** Forecast*

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

Five-Year International Travel Growth by Province

(2015-2019)



2019 Year-over-Year Hotel Metrics

Province Name	Occupancy	Y-O-Y BPS Change	ADR	RevPAR
Alberta	55.5%	-140	-0.5%	-2.8%
British Columbia	70.6%	20	2.7%	2.9%
Manitoba	66.8%	-140	0.1%	-1.9%
New Brunswick	59.5%	-110	2.5%	0.9%
Newfoundland and Labrador	54.4%	100	-5.5%	-3.6%
Nova Scotia	67.0%	60	-1.7%	-1.0%
Ontario	69.3%	-120	1.0%	-0.8%
Quebec	69.3%	0	2.1%	2.0%
Saskatchewan	55.5%	-90	0.6%	-1.0%
Canada	**65.2%**	**-80**	**1.2%**	**-0.2%**

Investors Remain Confident in Hospitality Market as Hotels Face Potential Supply-Induced Headwinds

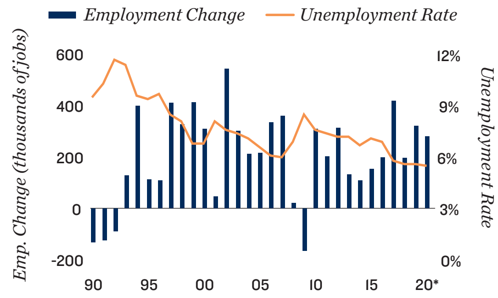
Expanded supply pipeline outpaces demand, tempers hotel performance. Demand for hotel rooms rose last year, bolstered by greater spending by international visitors. The pace of growth nevertheless fell short of heightened construction activity, limiting how much room rates improved compared with earlier in the cycle. After climbing an average of 4.7 percent annually between 2017 and 2018, the average daily rate advanced by a more modest 1.2 percent in 2019. At the same time, the national occupancy rate fell 80 basis points, preventing an increase in RevPAR for the year. The same trends will apply in 2020. Slowing economic growth abroad and rising health concerns may curb the number of international visitors to Canada this year, while supply additions are expanding. A cycle-high 13,800 rooms are under construction, placing downward pressure on occupancy. Pricing power is expected to be limited as existing hotels compete with new openings for travelers, dampening the prospect for revenue growth in the year ahead.

Investors shift focus to lower-cost eastern provinces, swaying national metrics. Slowing revenue growth did not dissuade investors in 2019 as overall transaction velocity remained about consistent year over year. Montreal recorded the greatest number of transactions last year; its diverse and growing economy and vibrant bilingual culture support both leisure and business travel. More than half of these trades were within the Ville-Marie borough, where high-end shops and restaurants as well as historical attractions draw visitors. Investors were motivated by entry costs below those of markets such as Toronto, which recorded the second most number of transactions last year. The average sale price in the metro was C$161,000 per room, compared with a C$94,000 per room average in Montreal. At a national level, the average sale price declined to C$96,000 per room in 2019 as a lack of major transactions in high-cost Vancouver affected the national measure. Looking forward, investors are expected to stay active, pursing a limited number of listings nationwide as favorable medium- and long-term demand trends outweigh short-term supply challenges on property performance.

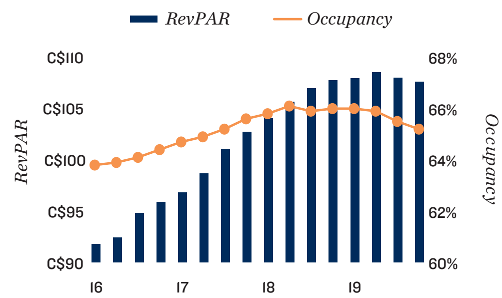
2020 Canadian Hotel Outlook

- **Elevated deliveries to influence hotel performance.** Developers remain active, encouraged by low inflation and a tight labour market. Construction is most concentrated in Toronto, representing about 18 percent of the total pipeline, followed by Montreal and Vancouver. The rapid pace of arrivals is expected to weigh on occupancy in 2020, in turn inhibiting revenue growth as ADR gains are expected to be modest.
- **Health concerns could restrain tourism.** The spread of the coronavirus is limiting travel between China and Canada. This will have a disproportionate impact on the hospitality sector as the average visitor from China spends about C$2,500 per trip, five times that of the typical American traveler. Major markets popular with international tourists, such as Montreal and Vancouver, will be most affected.
- **High-end boutique hotels capture demand.** Demand for specialty services is supporting above-national ADR growth for upper upscale and luxury hotels, including boutique properties. This relatively new type of lodging targets younger clientele than traditional luxury hotels and exchanges a slightly lower ADR premium for higher occupancy. Boutique hotels are also comparatively more affordable to build, appealing to developers.

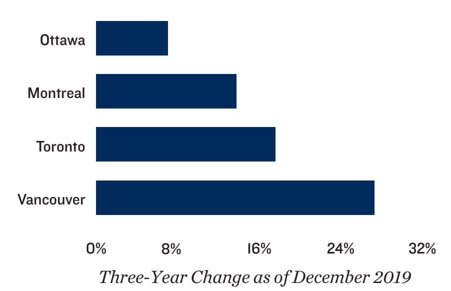
National Labour Force



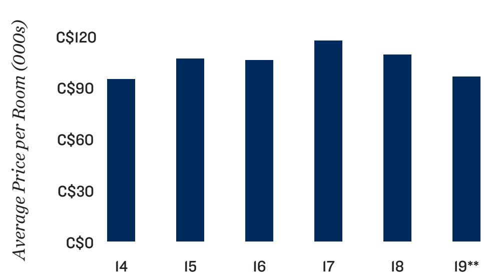
Occupancy and RevPAR Trend



RevPAR Growth



Pricing Trends



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

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Statistical Summary Note: State-level employment, occupancy, and revenue metrics are year-end figures and are based on the most up-to-date information available as of February 2020. Hotel chain scale definitions are based on information available as of February 2020. 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.; Great Smoky Mountains National Park; Federal Aviation Administration; Federal Reserve; Moody's Analytics; NYC & Company; Real Capital Analytics; STR, Inc.; Tennessee Department of Tourist Development; Statistics Canada; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Travel Association; U.S. Treasury Department.

Information on short-term rental regulations compiled from multiple sources including: the Associated Press; Atlanta Business Chronicle; Atlanta Journal-Constitution; The Arizona Republic; Bay News 9; Chicago Tribune; CNBC; Colorado Public Radio; Curbed; city of Denver; Engadget; Geekwire; city of Honolulu; KMOV4; KNPR; Las Vegas Sun; Los Angeles Times; Miami Agent Magazine; Miami Dade County; Miami Herald; Minnesota Post; News 3 Las Vegas; city of New York; Orange County Register; Phoenix New Times; Seattle Business Magazine; Seattle City Council; Star Tribune; Tampa Bay Times; The Tennessean; The Virginian-Pilot; WABE; WBUR

2020 U.S. Hospitality Investment Forecast

State	Employment Growth[2]				Rooms Currently Under Construction	Occupancy				ADR				RevPAR				State
	2017	2018	2019	2020*		2017	2018	2019	2020*	2017	2018	2019	2020*	2017	2018	2019	2020*	
Alabama	0.9%	1.7%	2.2%	1.4%	700	60.6%	62.4%	63.4%	64.3%	$85.21	$87.69	$90.88	$93.75	$51.85	$54.99	$57.89	$60.65	Alabama
Alaska	-1.3%	0.6%	0.0%	0.1%	100	63.0%	63.6%	65.8%	67.3%	$120.13	$125.03	$132.68	$139.06	$79.94	$84.48	$92.82	$99.44	Alaska
Arizona	2.7%	2.9%	2.8%	2.0%	3,500	66.3%	67.6%	68.9%	70.5%	$117.36	$120.17	$123.19	$126.44	$78.85	$82.34	$85.92	$89.98	Arizona
Arkansas	1.4%	1.0%	1.4%	1.3%	1,100	53.4%	52.6%	53.9%	55.4%	$81.34	$82.23	$83.31	$85.00	$43.56	$43.38	$45.06	$47.02	Arkansas
California	2.3%	1.6%	1.8%	1.5%	23,500	75.2%	75.3%	75.1%	75.0%	$161.41	$167.59	$171.02	$173.92	$121.81	$126.66	$128.84	$130.66	California
Colorado	2.6%	2.1%	2.1%	1.8%	4,400	66.6%	67.2%	68.2%	69.7%	$139.79	$141.30	$144.80	$148.95	$93.09	$95.13	$98.81	$103.05	Colorado
Connecticut	0.1%	0.6%	0.2%	0.6%	500	61.5%	62.1%	62.7%	63.2%	$115.86	$118.62	$118.01	$116.34	$71.72	$74.14	$74.52	$73.58	Connecticut
Delaware	0.7%	1.5%	1.3%	1.4%	400	58.7%	58.8%	60.0%	61.1%	$117.56	$119.67	$121.23	$122.60	$70.52	$71.85	$74.33	$76.70	Delaware
District Of Columbia	0.8%	0.6%	1.4%	1.4%	1,400	78.7%	77.5%	76.4%	75.2%	$231.70	$217.91	$221.88	$224.45	$183.70	$171.69	$172.62	$170.50	District Of Columbia
Florida	2.1%	2.6%	2.4%	2.2%	26,100	73.7%	72.9%	72.4%	72.0%	$137.31	$142.61	$143.96	$144.95	$101.87	$105.01	$105.40	$105.68	Florida
Georgia	1.6%	2.1%	1.5%	1.2%	7,800	65.2%	65.4%	65.3%	65.1%	$100.88	$103.77	$107.27	$111.12	$65.87	$68.03	$70.19	$72.34	Georgia
Hawaii	1.4%	0.6%	0.8%	0.8%	0	80.2%	80.3%	80.8%	81.1%	$264.14	$276.05	$282.65	$288.95	$212.05	$221.93	$228.73	$235.24	Hawaii
Idaho	3.0%	2.4%	2.9%	1.9%	600	63.6%	63.4%	63.6%	63.7%	$100.32	$102.53	$104.95	$106.61	$65.25	$66.37	$68.24	$69.41	Idaho
Illinois	0.8%	1.0%	0.7%	0.7%	3,100	64.0%	64.5%	65.1%	65.8%	$126.10	$130.61	$128.50	$126.46	$82.21	$86.01	$85.21	$84.20	Illinois
Indiana	1.1%	1.1%	0.1%	0.7%	4,200	61.9%	60.8%	60.3%	59.9%	$99.02	$100.89	$101.75	$101.88	$61.68	$61.67	$61.63	$61.05	Indiana
Iowa	0.6%	0.9%	-0.2%	0.7%	1,700	55.8%	55.7%	55.9%	56.2%	$91.54	$92.20	$91.84	$91.92	$51.42	$51.81	$51.78	$51.93	Iowa
Kansas	0.3%	1.1%	1.4%	1.0%	1,200	55.7%	55.8%	56.4%	57.3%	$87.13	$86.91	$87.59	$88.50	$48.72	$48.65	$49.54	$50.40	Kansas
Kentucky	0.5%	0.8%	0.7%	0.9%	1,700	60.2%	58.8%	59.1%	59.2%	$96.47	$98.29	$100.50	$102.48	$58.61	$58.31	$59.95	$61.20	Kentucky
Louisiana	0.2%	0.5%	0.5%	0.8%	1,500	61.1%	61.4%	61.5%	61.1%	$111.48	$112.20	$111.62	$110.55	$68.42	$69.36	$69.06	$68.18	Louisiana
Maine	1.2%	0.0%	1.2%	0.3%	200	57.1%	58.7%	59.1%	59.3%	$119.90	$126.82	$129.45	$129.50	$72.21	$79.00	$81.62	$81.68	Maine
Maryland	0.5%	1.1%	1.1%	1.4%	1,500	65.2%	63.7%	64.4%	65.1%	$119.54	$119.48	$120.68	$122.03	$79.00	$77.30	$78.81	$80.20	Maryland
Massachusetts	1.2%	0.6%	1.2%	0.9%	3,700	68.7%	70.2%	68.4%	66.3%	$178.52	$181.64	$182.38	$179.65	$125.62	$130.36	$127.69	$123.33	Massachusetts
Michigan	0.9%	1.1%	0.4%	0.0%	6,000	61.0%	61.7%	60.1%	58.7%	$103.86	$105.90	$106.71	$106.89	$63.88	$65.99	$64.78	$63.58	Michigan
Minnesota	1.2%	0.6%	0.2%	0.8%	2,900	61.4%	62.4%	61.8%	61.1%	$110.19	$115.53	$114.57	$113.05	$68.34	$72.56	$71.64	$70.25	Minnesota
Mississippi	0.5%	0.9%	0.5%	1.0%	1,700	57.7%	58.0%	58.9%	59.6%	$84.07	$85.69	$85.95	$86.00	$48.70	$49.91	$50.85	$51.25	Mississippi
Missouri	1.0%	0.4%	0.7%	0.9%	2,800	60.7%	58.7%	59.2%	60.4%	$98.44	$99.37	$100.35	$101.80	$60.14	$58.75	$59.83	$61.45	Missouri
Montana	1.1%	1.5%	0.8%	0.7%	300	57.5%	58.1%	58.5%	58.7%	$99.32	$100.92	$103.50	$105.25	$59.66	$61.13	$63.04	$64.20	Montana
Nebraska	0.7%	0.2%	1.5%	1.6%	1,300	55.3%	55.8%	58.1%	60.5%	$91.63	$91.15	$91.44	$91.44	$51.24	$51.46	$53.79	$57.04	Nebraska
Nevada	3.4%	3.7%	1.9%	2.5%	9,700	70.5%	69.4%	69.5%	69.7%	$113.92	$112.49	$115.76	$119.54	$80.50	$77.89	$80.49	$83.61	Nevada
New Hampshire	1.0%	0.9%	0.9%	0.7%	500	60.8%	62.6%	61.0%	59.9%	$130.09	$134.83	$135.74	$136.81	$80.54	$86.03	$84.43	$83.01	New Hampshire
New Jersey	1.2%	1.0%	0.9%	0.2%	2,500	65.6%	67.1%	66.1%	65.3%	$117.29	$124.54	$126.45	$128.20	$77.61	$84.39	$84.40	$84.70	New Jersey
New Mexico	0.9%	1.2%	1.8%	0.8%	900	61.1%	63.4%	64.0%	64.4%	$87.47	$94.62	$96.50	$97.80	$53.72	$60.35	$62.13	$63.40	New Mexico
New York	1.3%	1.0%	1.1%	0.5%	15,400	73.3%	74.5%	74.1%	73.9%	$199.38	$204.73	$201.73	$198.03	$147.09	$153.38	$150.53	$147.29	New York
North Carolina	1.5%	1.3%	2.1%	1.4%	6,800	63.3%	64.8%	65.6%	66.3%	$102.11	$104.67	$106.80	$108.57	$64.90	$68.16	$70.33	$72.02	North Carolina
North Dakota	0.1%	0.9%	0.5%	0.9%	100	49.7%	51.2%	55.4%	58.9%	$80.64	$80.77	$81.22	$81.55	$40.14	$41.41	$45.20	$48.94	North Dakota
Ohio	0.7%	0.8%	0.5%	0.8%	5,000	60.1%	60.4%	60.8%	61.4%	$96.59	$98.47	$99.58	$100.03	$58.49	$59.95	$61.02	$61.48	Ohio
Oklahoma	1.5%	1.3%	-0.3%	0.4%	2,500	55.0%	57.3%	56.2%	55.0%	$78.75	$79.41	$79.90	$80.15	$43.36	$45.58	$45.02	$44.32	Oklahoma
Oregon	2.4%	1.4%	1.9%	1.5%	2,500	66.3%	65.6%	65.9%	66.1%	$119.56	$120.85	$121.38	$121.05	$80.91	$80.84	$81.48	$81.46	Oregon
Pennsylvania	1.2%	1.0%	0.5%	0.7%	3,600	61.4%	63.4%	62.7%	62.3%	$118.31	$120.36	$122.52	$124.50	$73.13	$76.86	$77.38	$78.38	Pennsylvania
Rhode Island	0.8%	0.6%	1.7%	1.4%	200	66.1%	65.6%	65.4%	65.0%	$141.94	$146.02	$146.51	$145.25	$97.08	$99.02	$98.75	$96.89	Rhode Island
South Carolina	1.7%	2.6%	1.3%	1.0%	4,300	63.9%	63.6%	63.0%	62.6%	$111.90	$114.32	$114.88	$115.18	$72.78	$74.20	$73.77	$73.55	South Carolina
South Dakota	0.6%	2.2%	0.9%	1.2%	400	54.5%	54.7%	56.8%	58.7%	$89.83	$89.45	$88.77	$87.68	$50.75	$50.74	$52.11	$53.34	South Dakota
Tennessee	1.3%	1.9%	1.6%	1.1%	8,200	64.5%	64.9%	65.6%	66.1%	$110.50	$114.11	$117.13	$119.82	$71.72	$74.49	$77.27	$79.69	Tennessee
Texas	2.0%	2.3%	2.7%	2.3%	23,500	64.9%	64.9%	65.0%	65.3%	$102.34	$105.16	$104.11	$103.45	$66.57	$68.39	$67.87	$67.65	Texas
Utah	3.4%	3.3%	3.1%	2.3%	1,000	65.3%	64.0%	63.3%	62.6%	$121.89	$123.17	$124.12	$124.70	$79.30	$78.76	$78.32	$77.54	Utah
Vermont	0.8%	0.3%	-0.3%	0.6%	100	60.7%	61.2%	62.3%	63.1%	$142.29	$146.12	$149.15	$150.64	$87.54	$90.84	$94.36	$95.56	Vermont
Virginia	1.0%	0.8%	1.1%	0.7%	3,400	63.8%	64.2%	64.2%	64.0%	$108.73	$109.54	$111.44	$113.09	$70.02	$71.15	$72.34	$73.08	Virginia
Washington	2.4%	2.6%	2.4%	1.9%	3,300	69.6%	69.0%	68.8%	68.5%	$130.28	$134.21	$133.64	$132.14	$92.11	$94.03	$93.24	$91.91	Washington
West Virginia	0.1%	2.2%	-0.4%	0.2%	500	57.4%	63.1%	60.1%	57.6%	$93.68	$96.27	$98.90	$101.45	$54.11	$61.12	$59.79	$58.51	West Virginia
Wisconsin	0.9%	0.8%	0.2%	1.1%	1,800	56.9%	57.4%	56.5%	55.3%	$104.88	$106.25	$107.94	$109.01	$60.65	$62.04	$61.98	$61.65	Wisconsin
Wyoming	0.6%	1.7%	-1.1%	0.2%	0	48.9%	52.5%	57.6%	61.1%	$120.58	$120.04	$119.72	$118.00	$61.90	$65.32	$71.21	$74.88	Wyoming
United States	1.5%	1.6%	1.4%	1.0%	200,200	66.0%	66.2%	66.2%	66.0%	$126.65	$129.67	$131.16	$132.24	$83.57	$85.87	$86.80	$87.28	United States

** Forecast [2] See Statistical Summary Note on Page 48.*

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