

U.S. Hotels State of the Union



Key Takeaways

- New this month – nominal consumer credit card balances are at an all-time high, and at a ratio of 2 to 1, the number of job openings to job seekers is the highest in 20 years. [\[8, 17\]](#)
- Macroeconomic indicators are softening. CBRE forecasts a steep decline in GDP growth. Inflation is expected to remain elevated through the end of the year, and unemployment is expected to increase. [\[6-20\]](#)
- For now, ADR continues to outpace elevated inflation levels, however, we expect ADR growth to moderate in the second half of the year and beyond. [\[14, 15\]](#)
- June RevPAR growth continued to exceed 2019 levels for the fourth month in a row because of strong leisure travel and high ADR growth. All location types exceeded 2019 RevPAR levels except for urban hotels. [\[26-34\]](#)
- International outbound expenditures have continued to rise as inbound expenditures have dropped off because of a strong dollar. Geographic disparities remain as international travel continues to rebound. Inbound international travel remains strongest in the East, but the West Coast is gaining steam. [\[50-52\]](#)
- Short term rental demand has normalized. Similarly, to hotel markets, southern leisure drive to markets are outperforming urban markets. [\[64-67\]](#)
- Brand.com continued to gain market share during Q2 from 19% to 21% compared to 2019. [\[36-39\]](#)

Table of Contents



- 1 [The Economy](#)
- 2 [Inflation](#)
- 3 [Weekly Data](#)
- 4 [Monthly Data](#)
- 5 [Booking Channel](#)
- 6 [Leading Indicators](#)
- 7 [International Travel](#)
- 8 [Operating Performance](#)
- 9 [Supply Inputs](#)
- 10 [Short-term Rentals](#)
- 11 [Capital Markets](#)

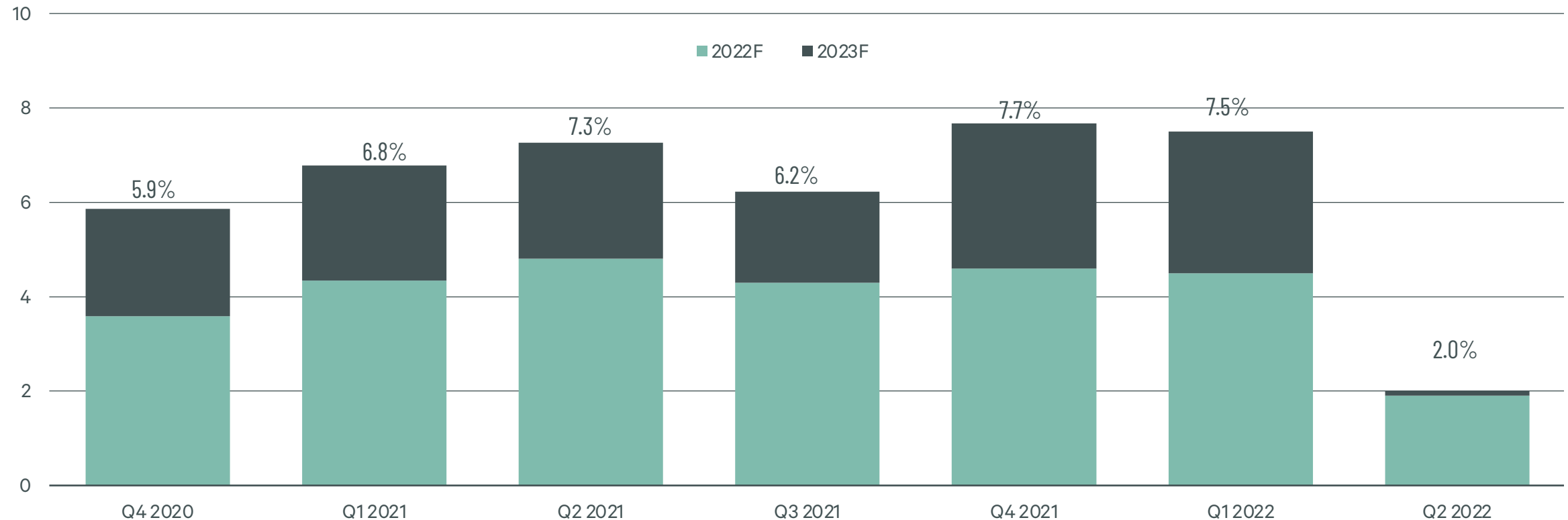
1

The
Economy

Fueled by the war in Ukraine, CBRE EA reduces cumulative GDP forecast by 5.5 p.p.

Cumulative 2022 and 2023 Annual GDP Growth

Y-o-Y Change (%)

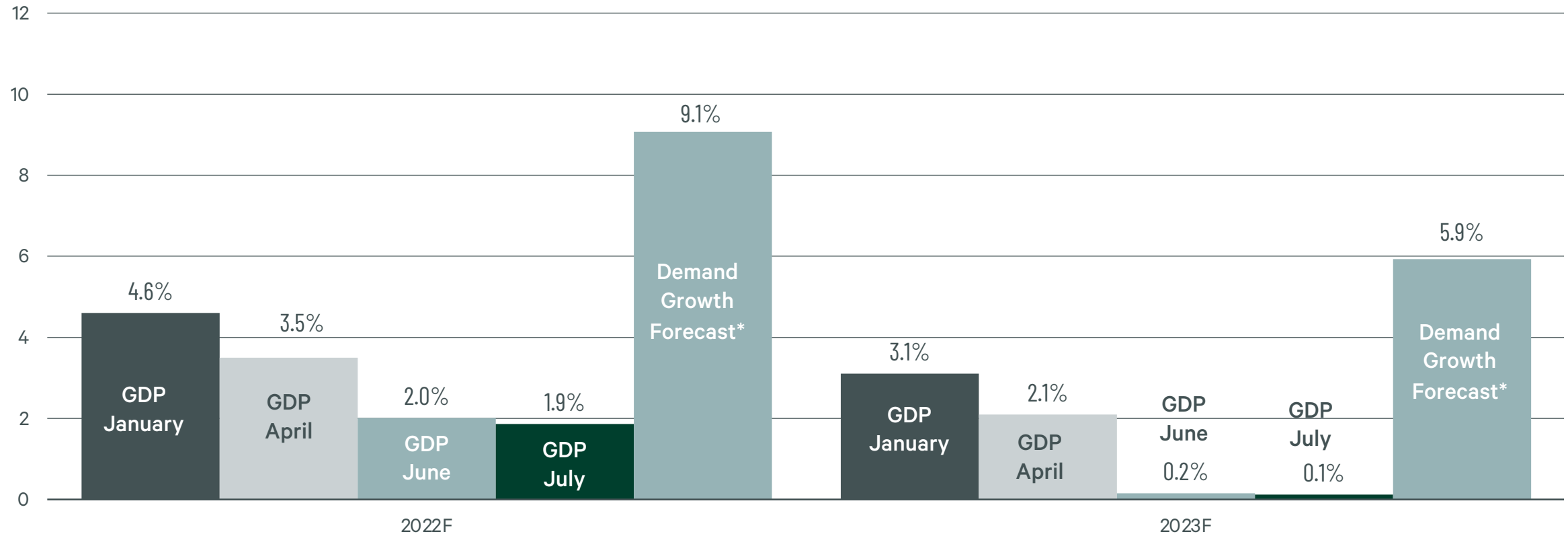


CBRE Hotels Research, CBRE EA, BLS

Since CBRE’s hotel forecasts were published in May, CBRE EA’s GDP outlook softened

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

Y-o-Y Change (%)



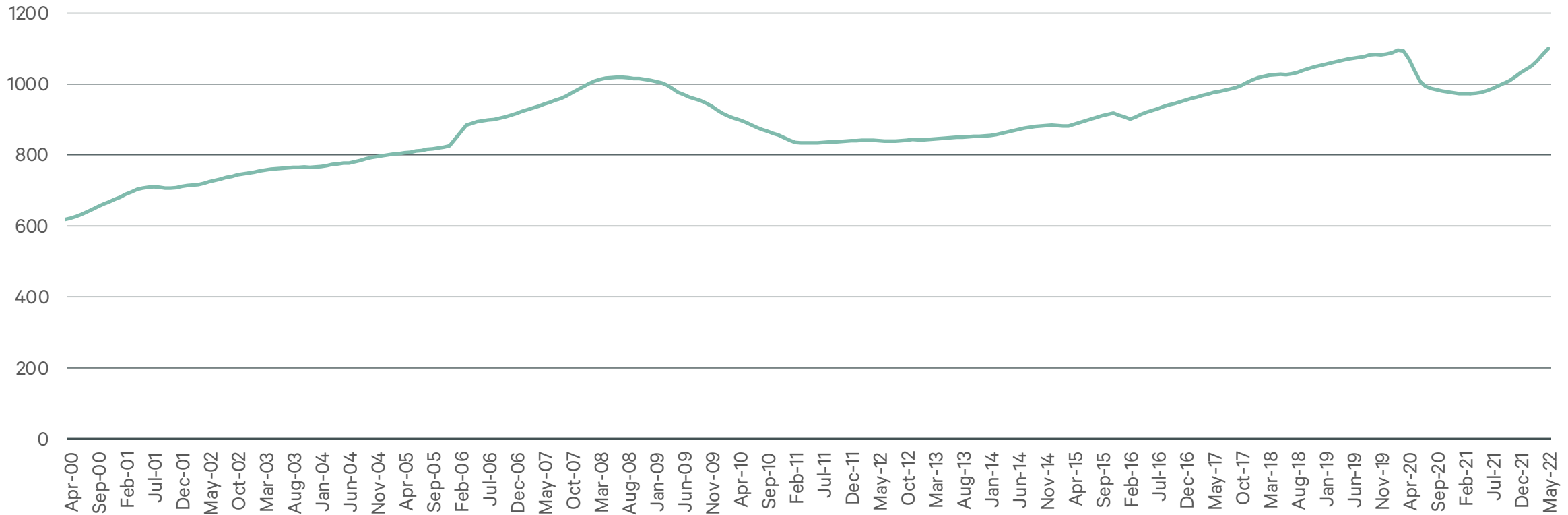
CBRE Hotels Research , CBRE EA

*Represents CBRE’s Demand Forecast as of May 16

Credit card balances are above pre-pandemic levels

Revolving Consumer Credit on Three-month Moving Average

(\$) Billions

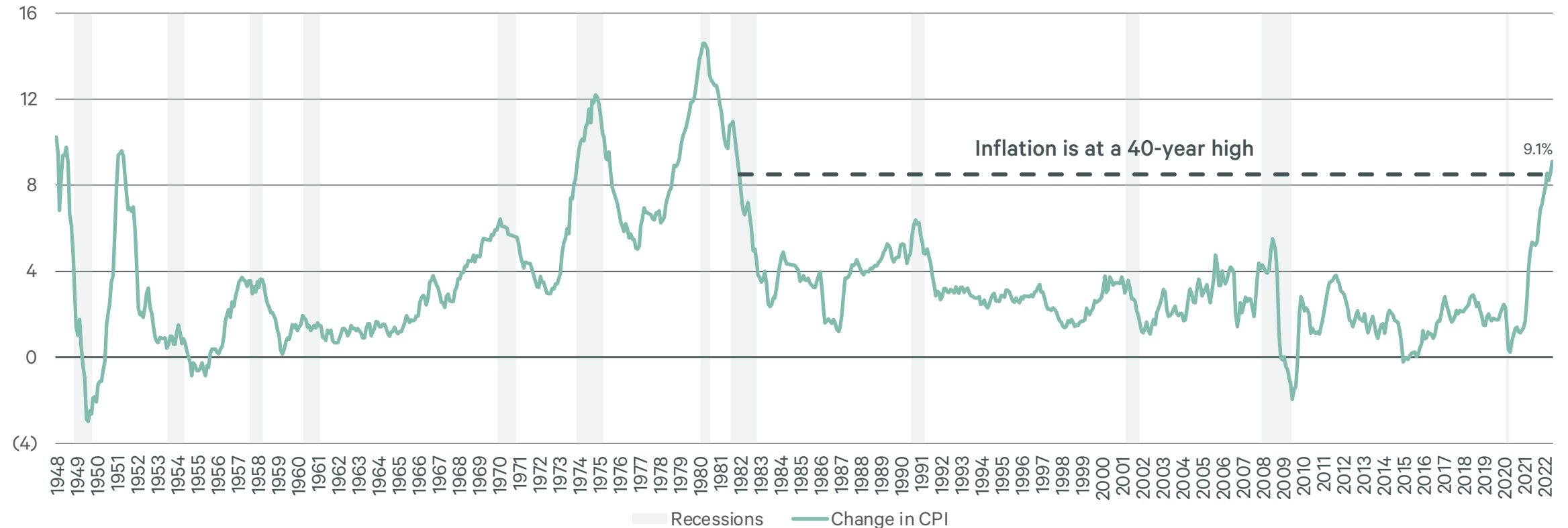


CBRE Hotels Research, federalreserve.gov

U.S. inflation hit new 40-year high in June

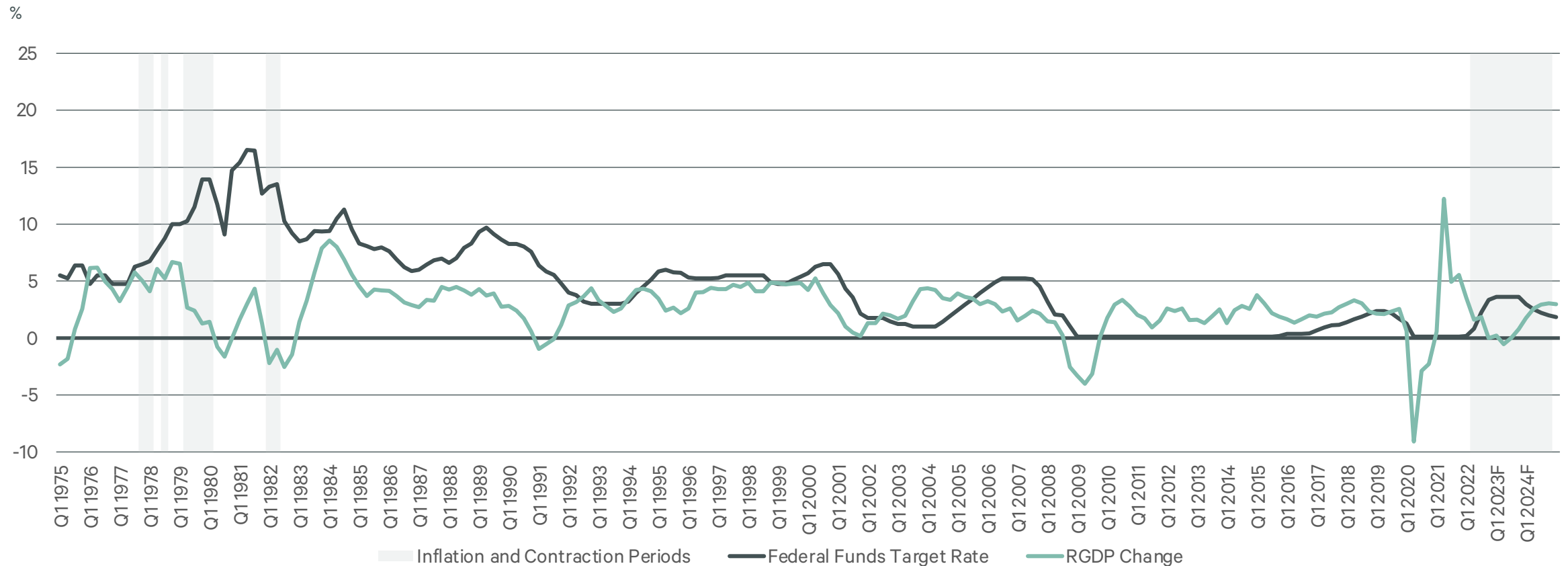
National CPI Growth Y-o-Y

Y-o-Y Change (%)



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

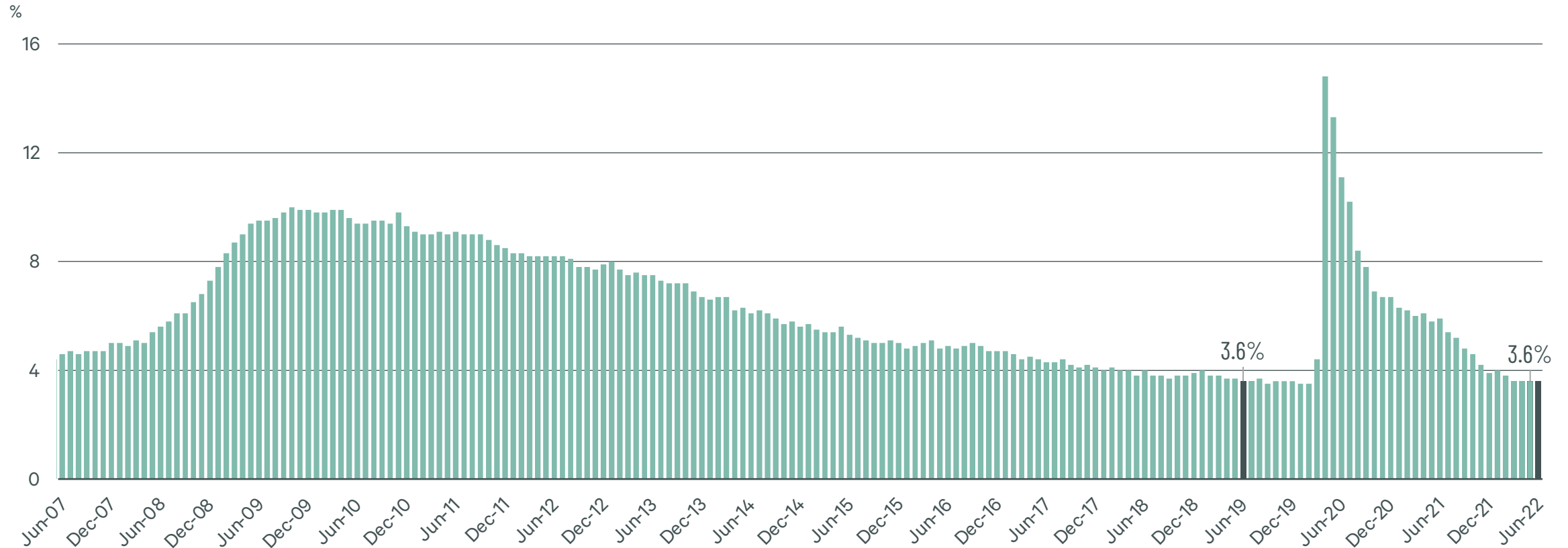
Federal Funds Rate vs. GDP Change



CBRE Hotels Research, Federal Reserve

Unemployment is low, but expected to increase to 4.3% in 2023

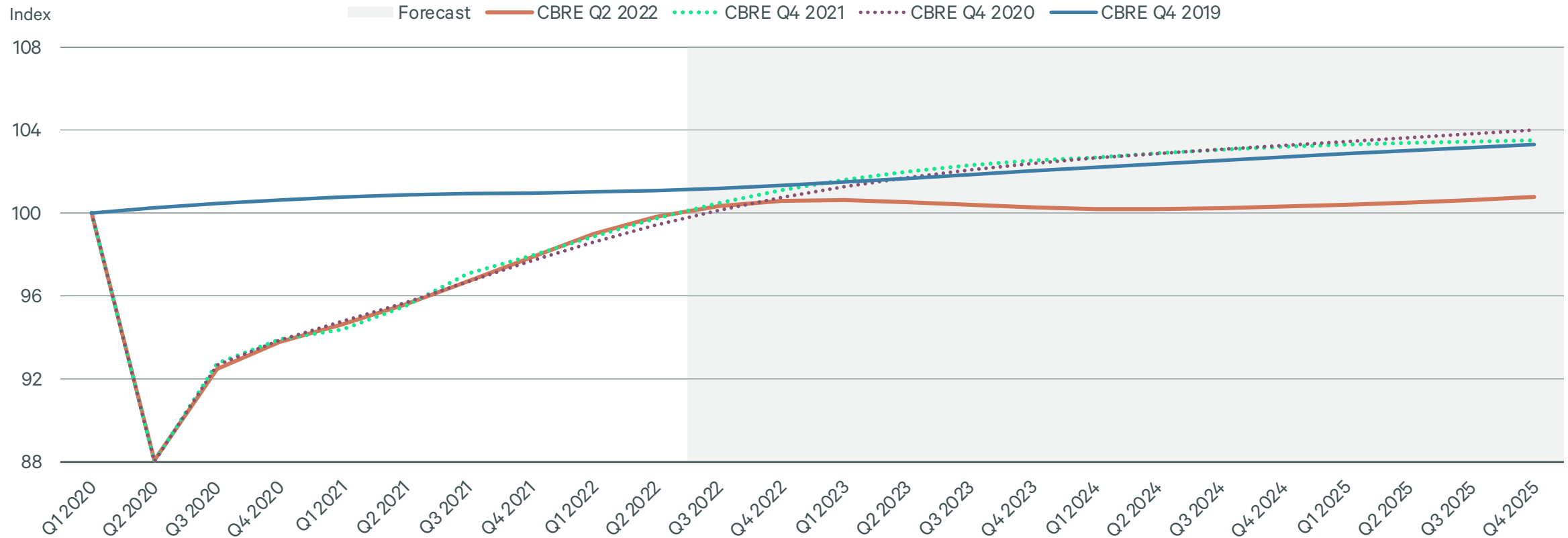
Monthly Unemployment Rate June 2007 – June 2022



CBRE Hotels Research, CBRE EA, BLS

Employment has recovered to pre-pandemic levels, but growth projections are modest

Total Employment Levels Indexed to Q1 2020



CBRE Hotels Research, CBRE EA, BLS.

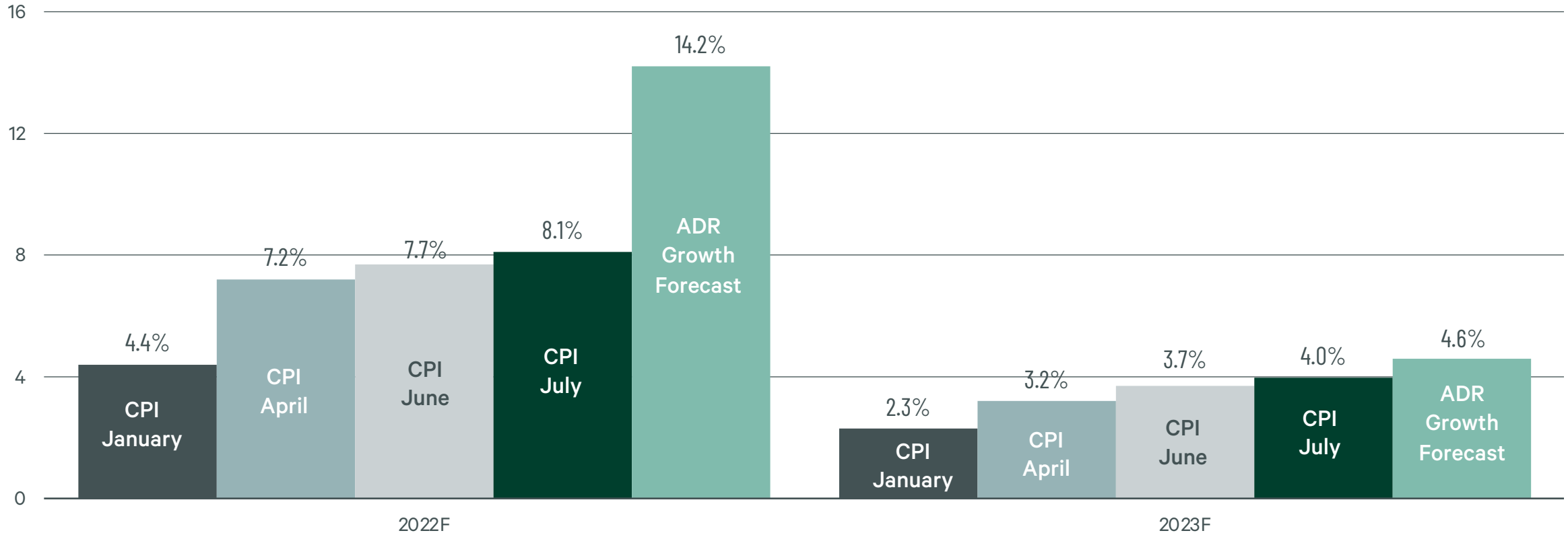
2

Inflation

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

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

Y-o-Y Change (%)

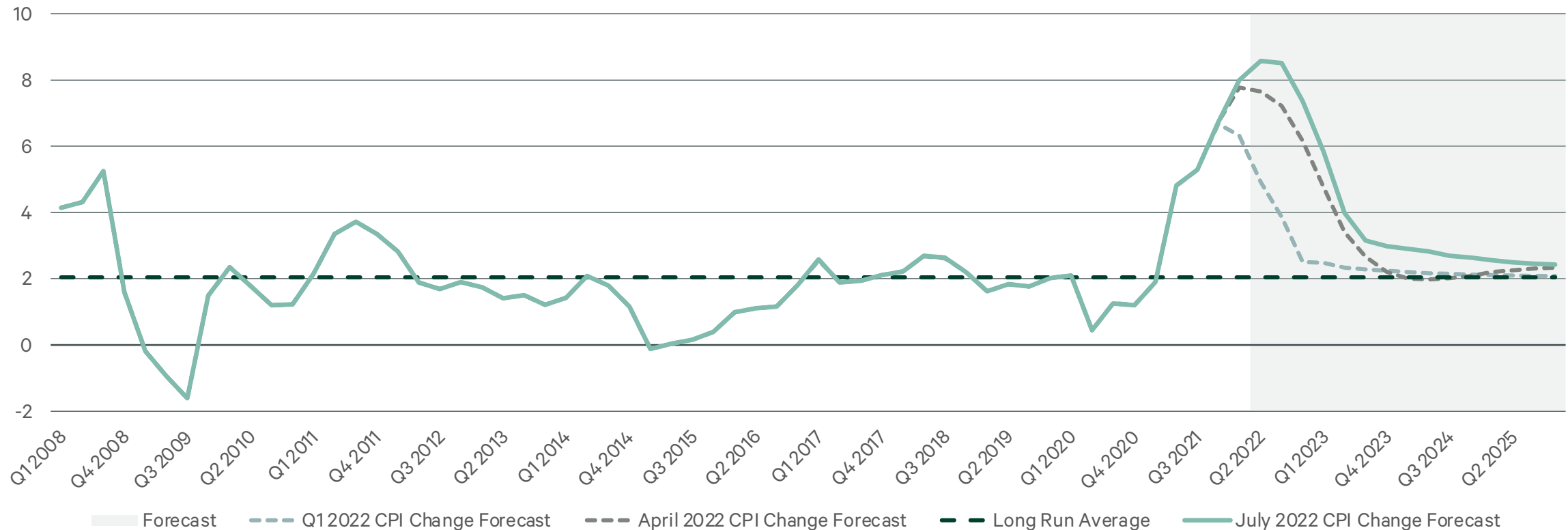


CBRE Hotels Research, CBRE EA
 *Represents CBRE's ADR Forecast as of May 16

CBRE continues to revise its inflation expectations higher

CBRE EA's Quarterly CPI Growth Forecast

Y-o-Y Change (%)

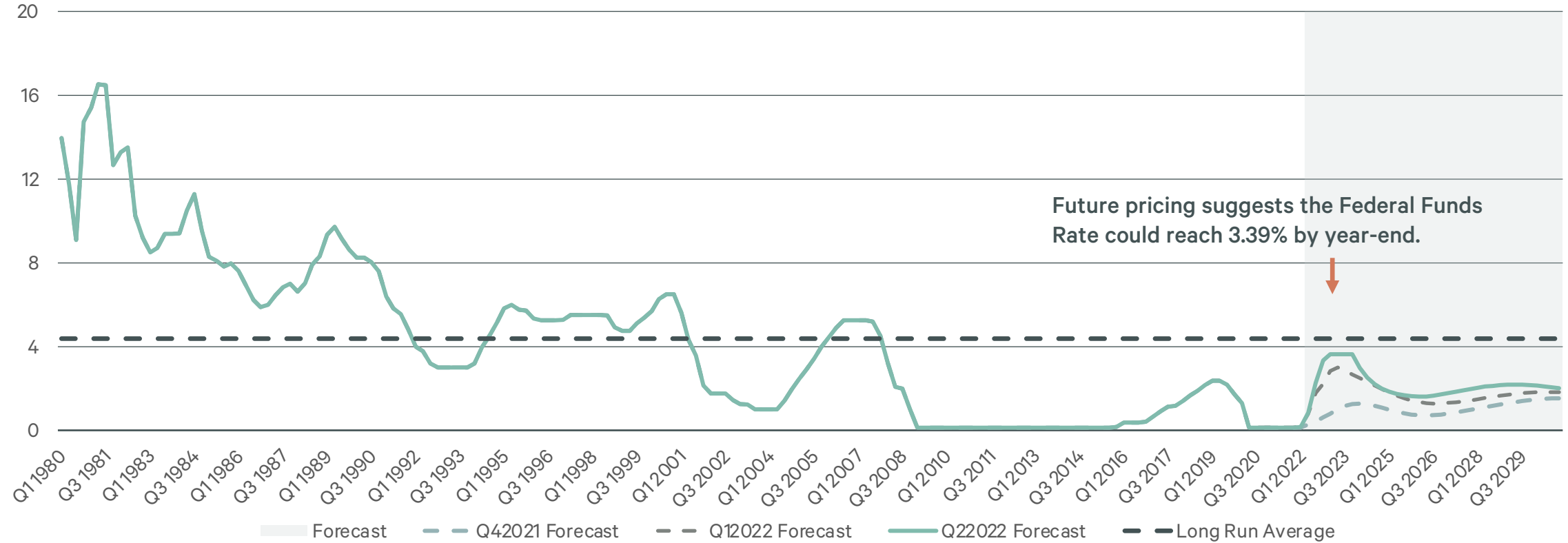


CBRE EA, CBRE Hotels Research, June 2022

Interest rates continue to rise but remain below long-run average

CBRE EA's Federal Funds Rate Forecast

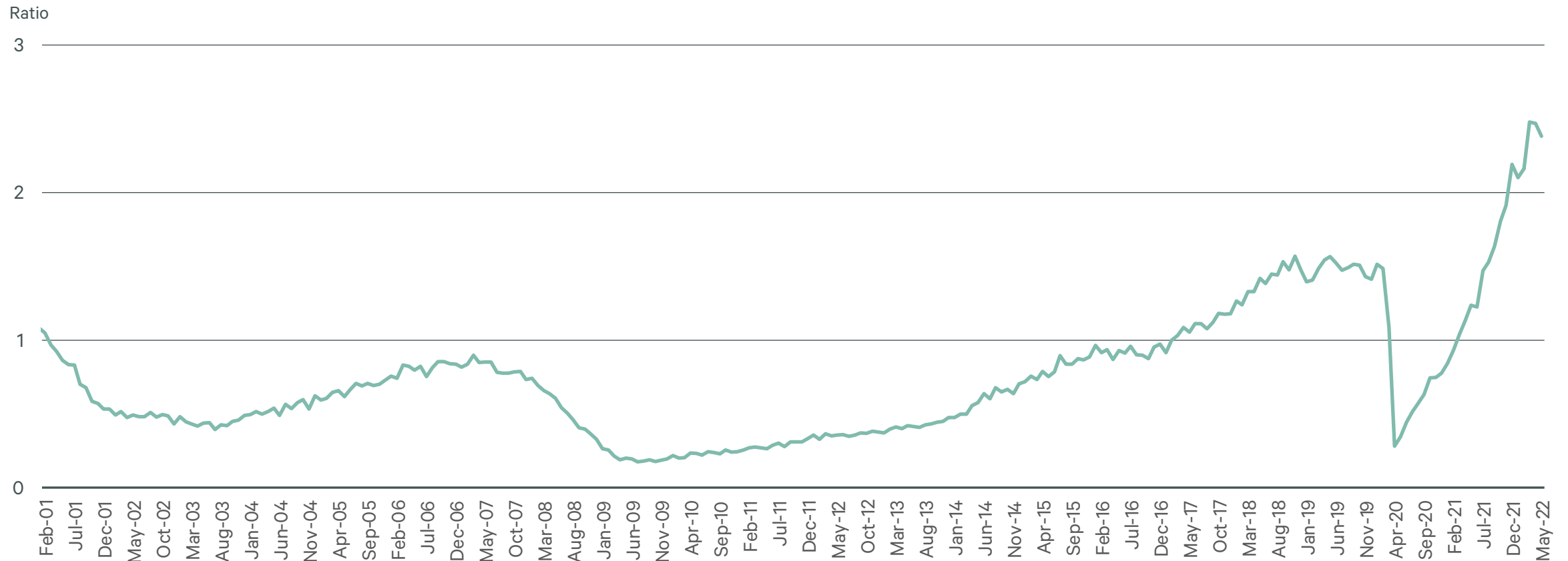
Interest Rate (%)



CBRE EA, CBRE Research, March 2022

Wage growth will likely remain elevated given 20-year high worker shortage

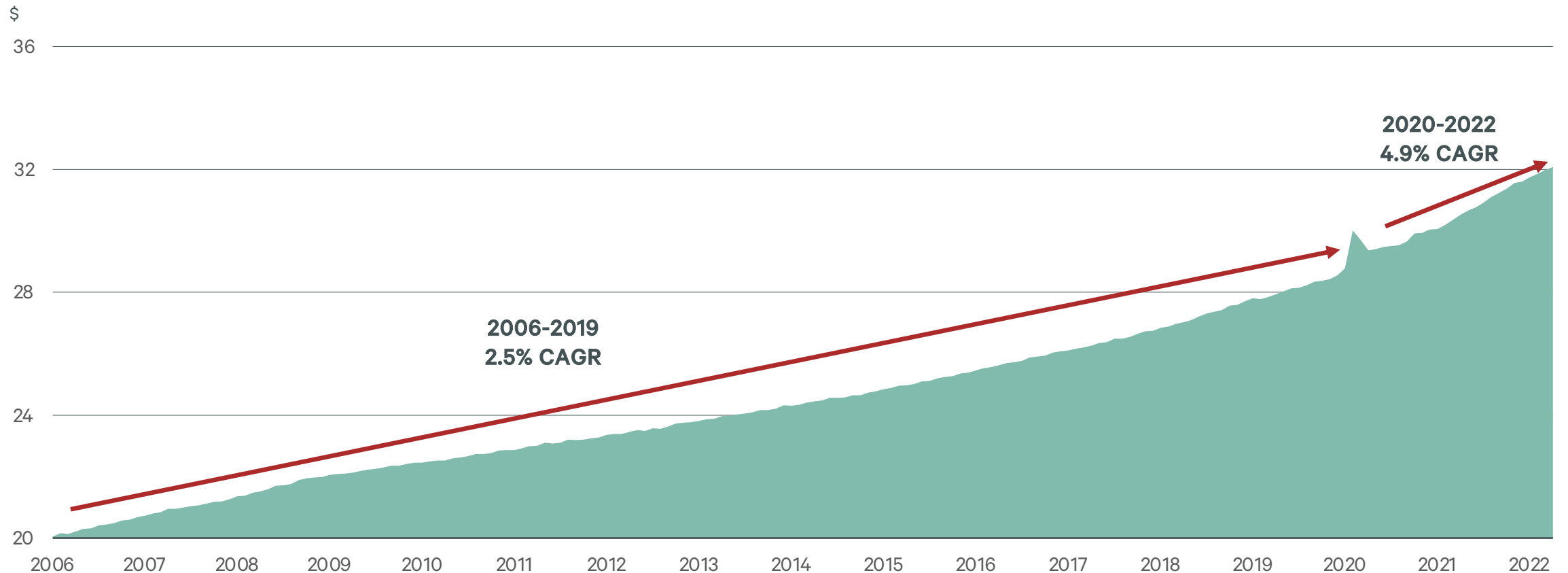
Ratio of Job Openings to Job Seekers



CBRE Hotels Research, BLS

U.S. average wage growth has accelerated since before the pandemic

Average Hourly Earnings



CBRE Hotels Research, BLS

Hospitality wage growth continues to outpace retail

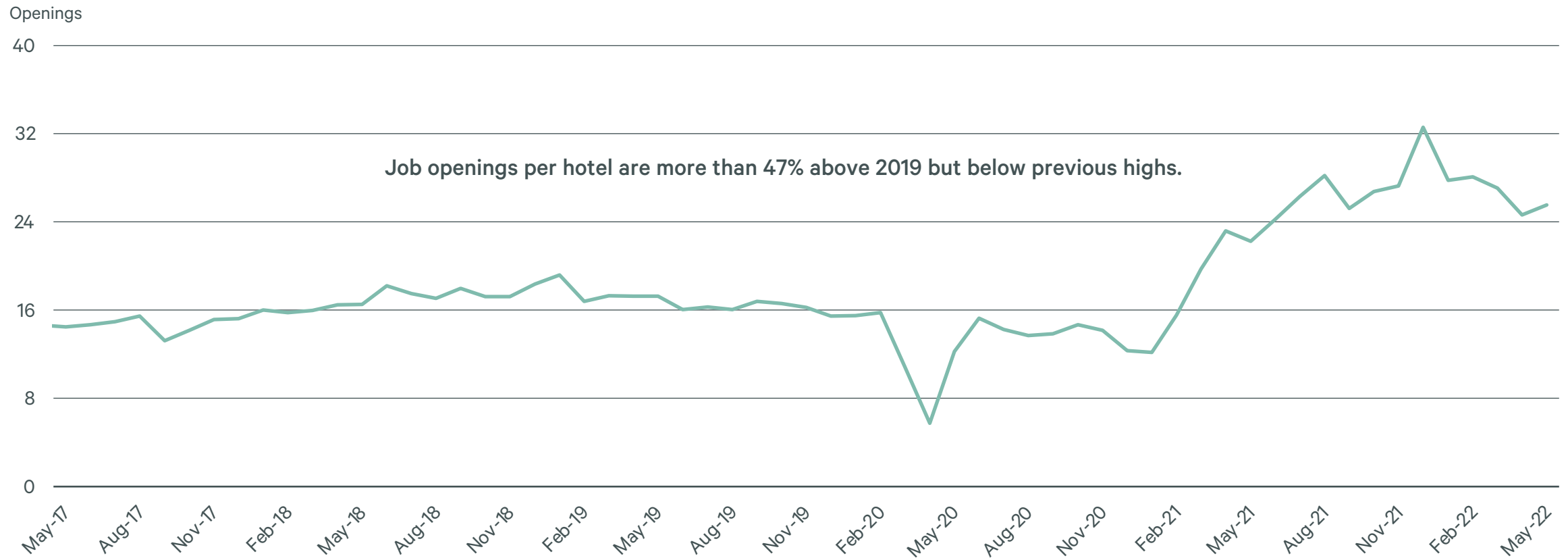
Average Hotel Wages vs. Retail Wages



CBRE Hotels Research, CBRE EA, BLS

Barring a recession, labor shortages will likely lead to further wage pressures

Monthly Job Openings per Hotel: May 2017 – May 2022



CBRE Hotels Research, BLS, CoStar

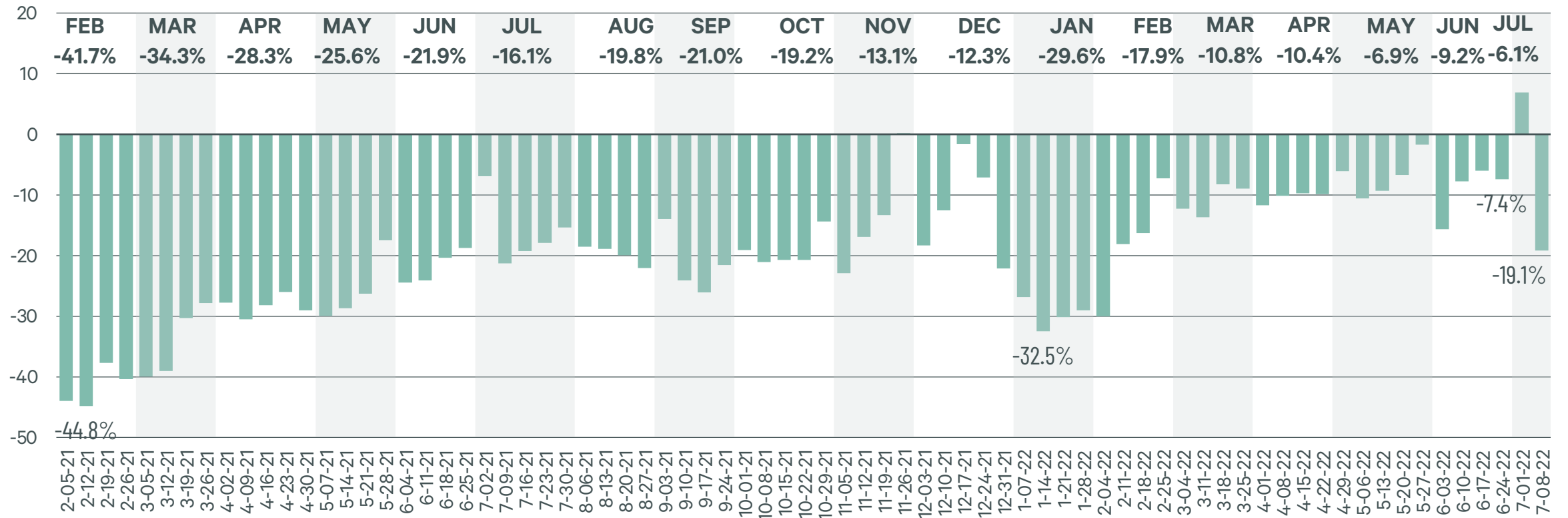
3

Weekly Data

With trends expected to normalize after July 4th, occupancy remains down (under 10%)

2021 and 2022 Occupancy Change from 2019

Y-o-Y Change (%)

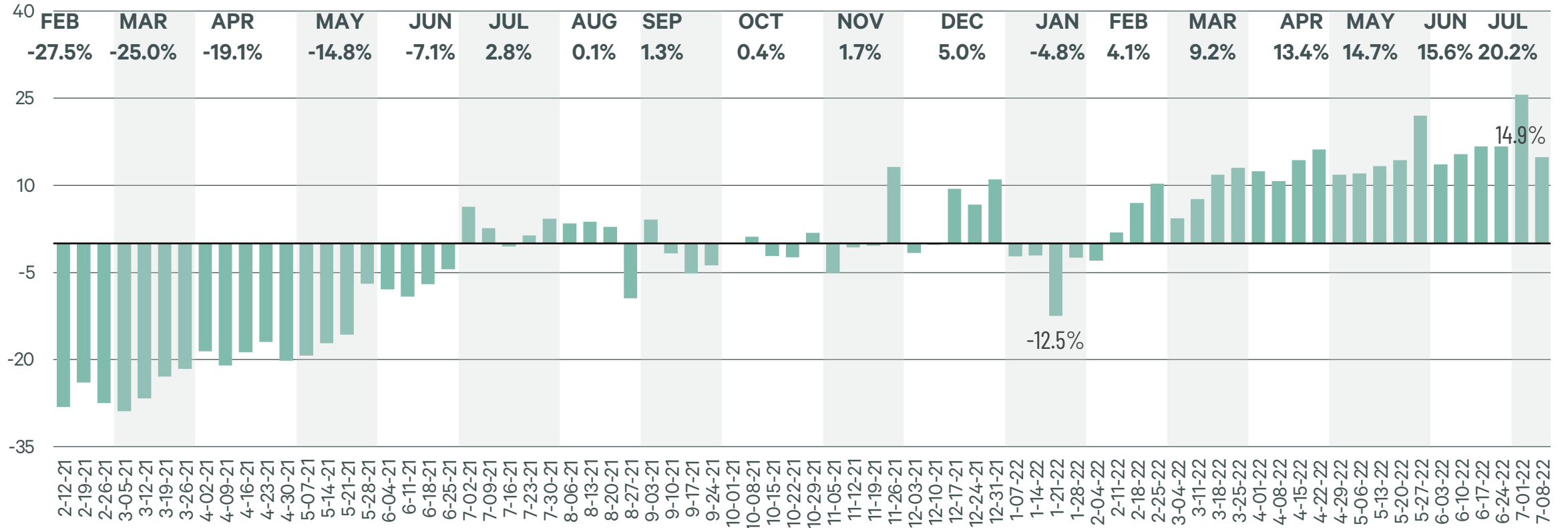


CBRE Hotels Research, Kalibri Labs, Weekly Sample, not scaled to full U.S. Hotel Industry Representation

U.S. ADR gains remain the bright spot, up 20% in July MTD

2021 and 2022 ADR Change from 2019

Y-o-Y Change (%)

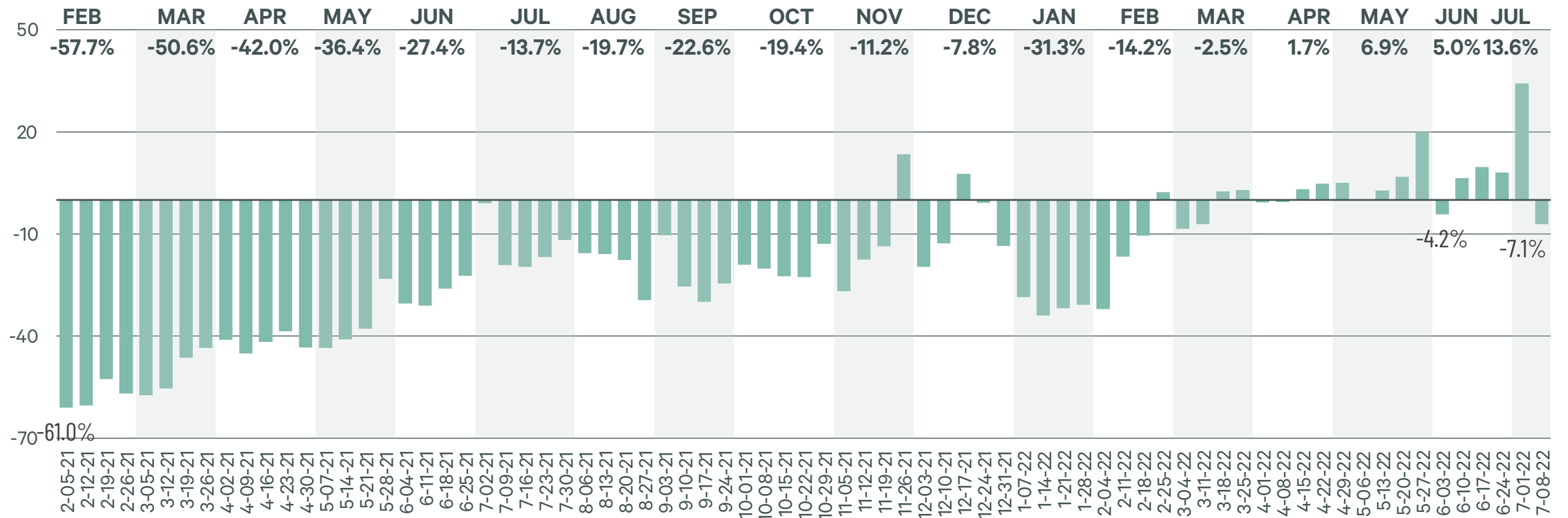


CBRE Hotels Research, Kalibri Labs, Weekly Sample, not scaled to full U.S. Hotel Industry Representation

RevPAR continues to be positive, fueled by ADR growth

2021 and 2022 RevPAR Change from 2019

Y-o-Y Change (%)



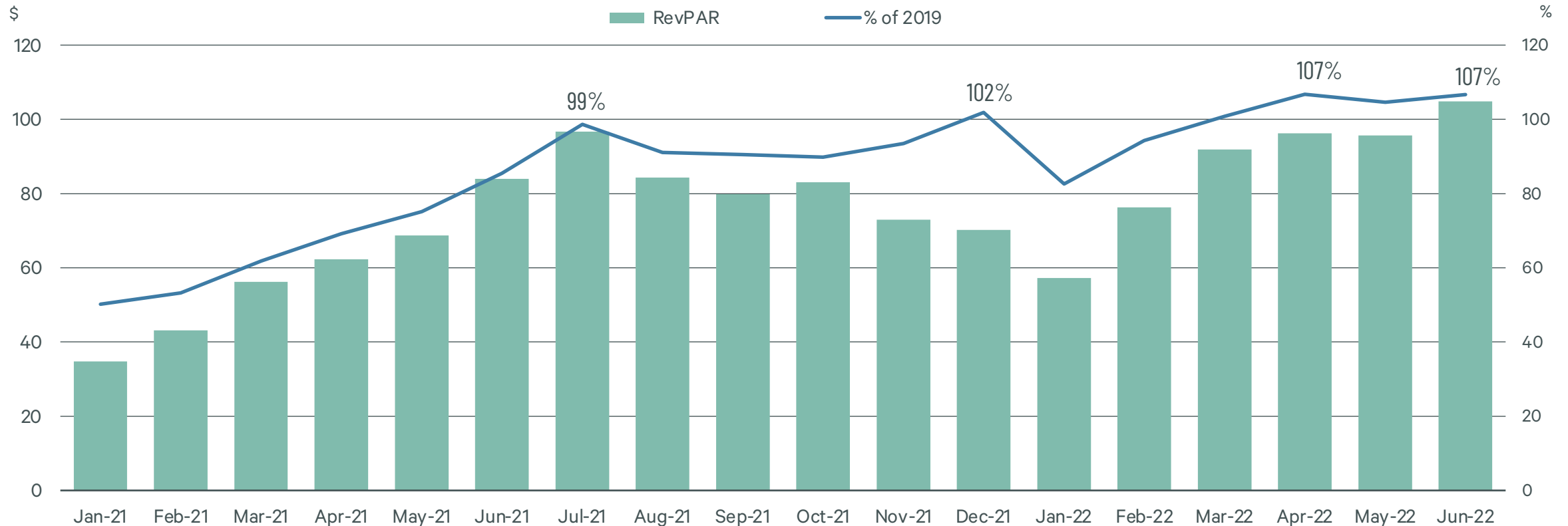
CBRE Hotels Research, Kalibri Labs, Weekly Sample, not scaled to full U.S. Hotel Industry Representation

4

Monthly Data

For the fourth month in a row national RevPAR exceeds 2019 levels

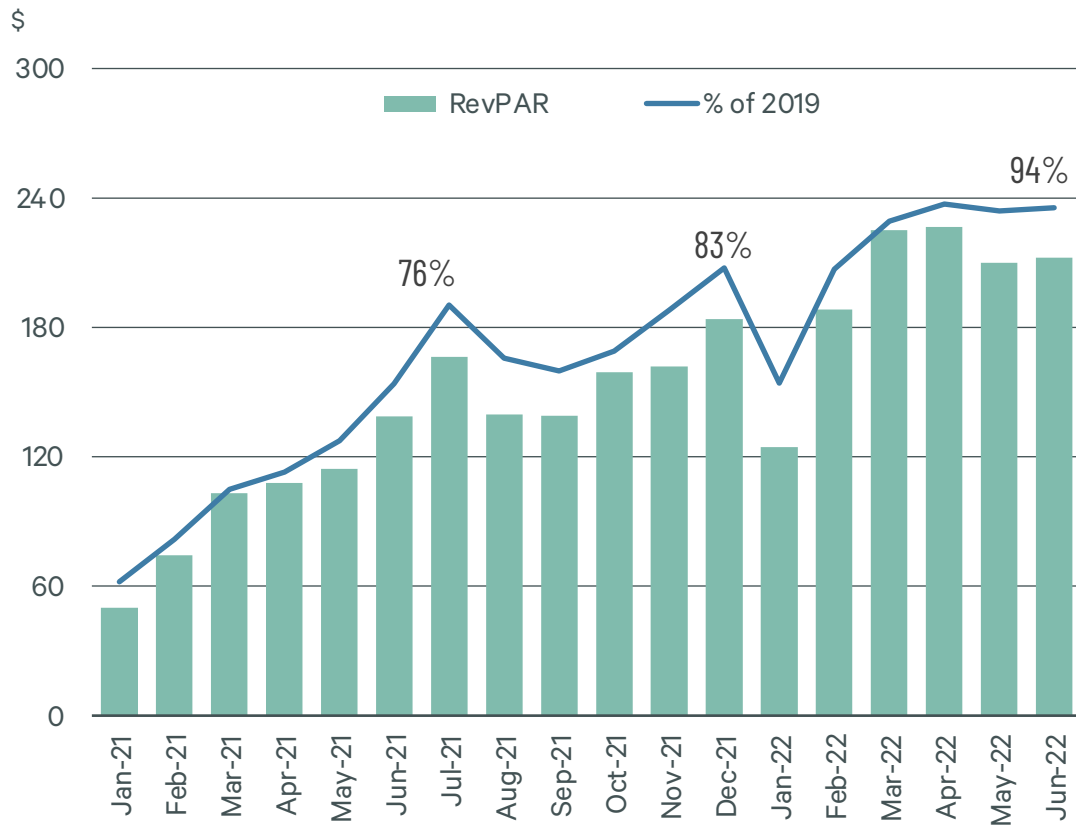
2021 and 2022 Monthly RevPAR Levels With a Comparison to 2019



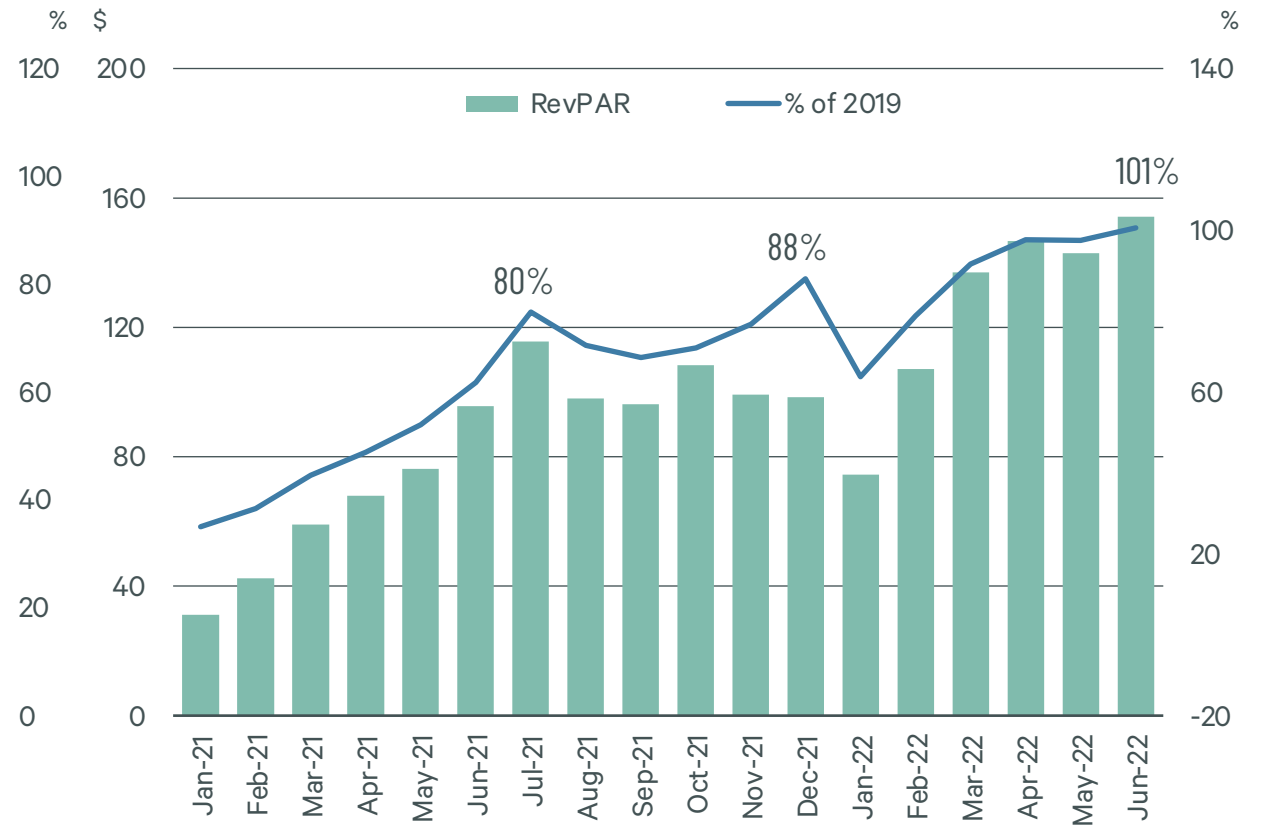
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR for upper-priced hotels by chain scale

Luxury



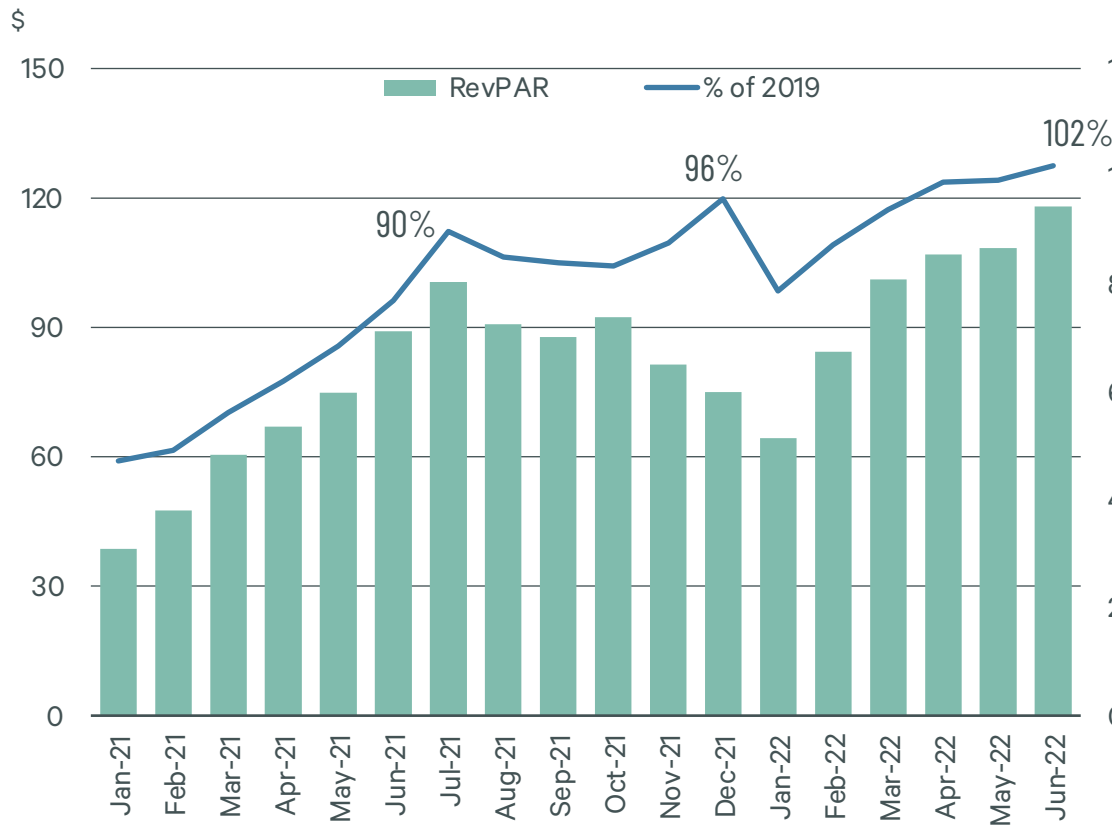
Upper Upscale



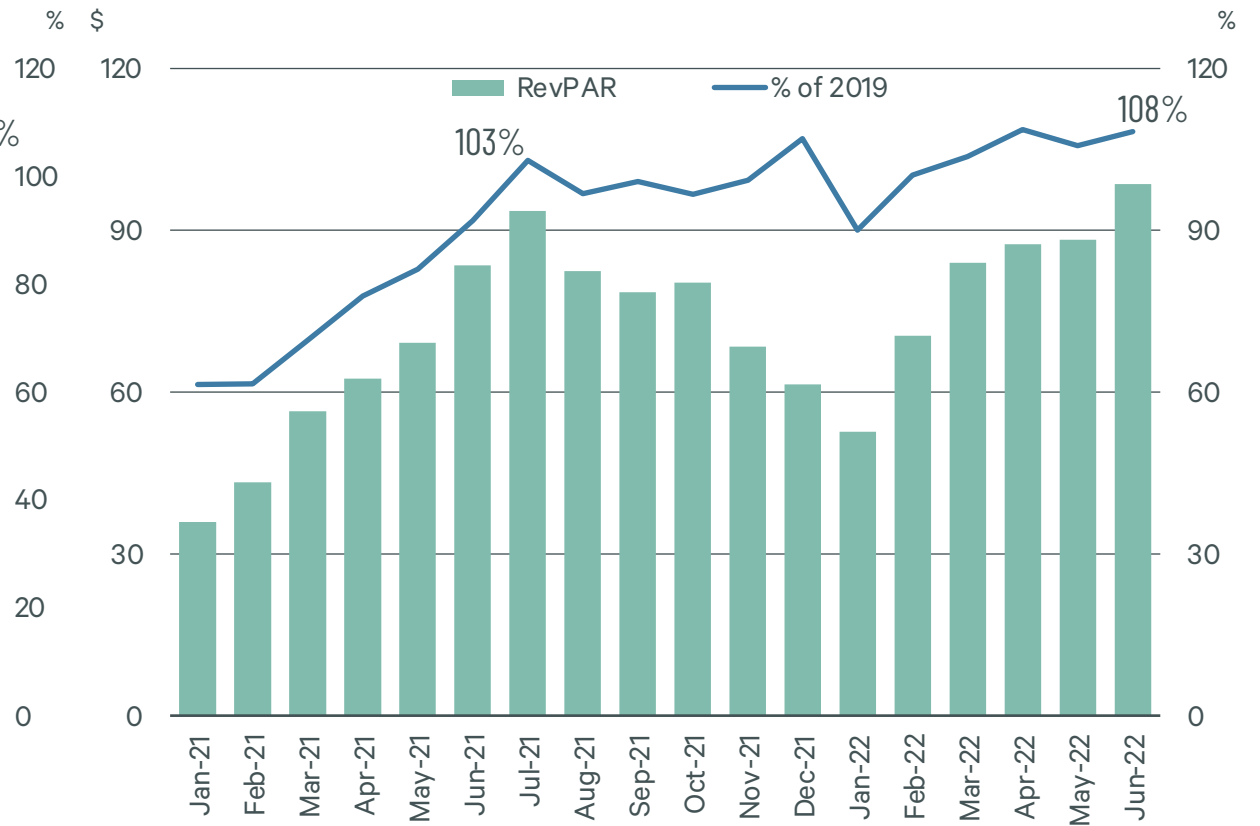
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR for mid-priced hotels by chain scale

Upscale



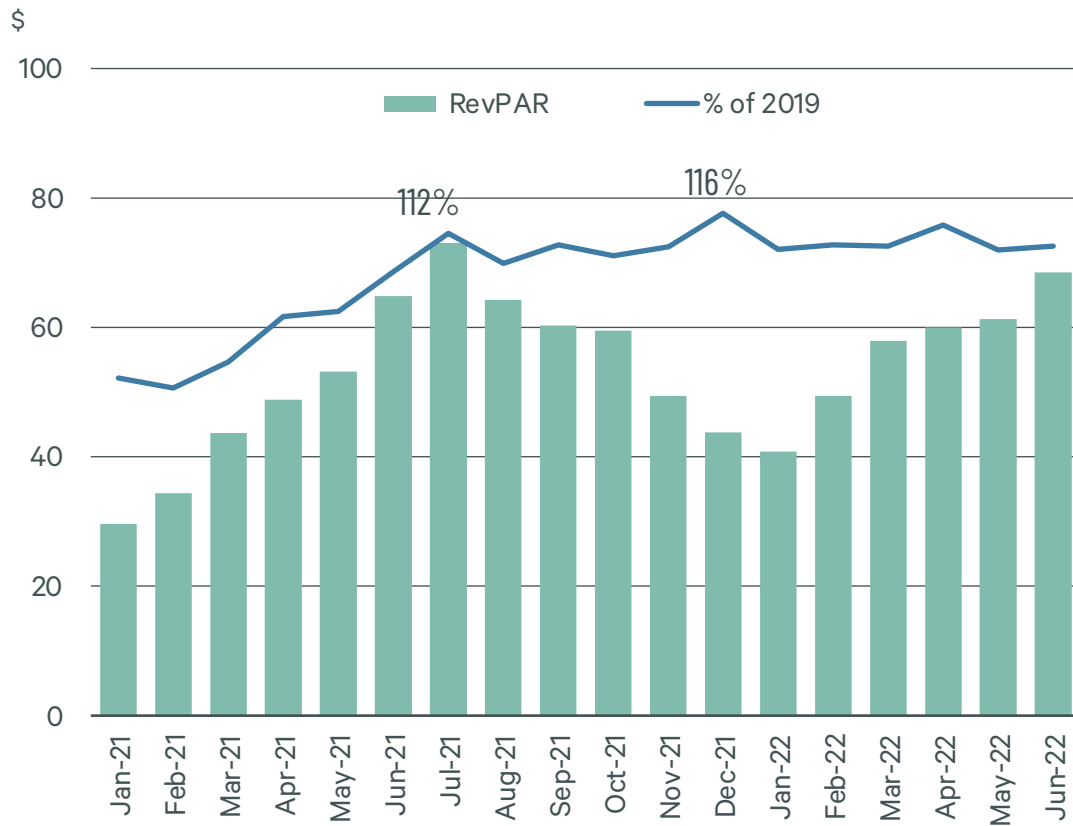
Upper Midscale



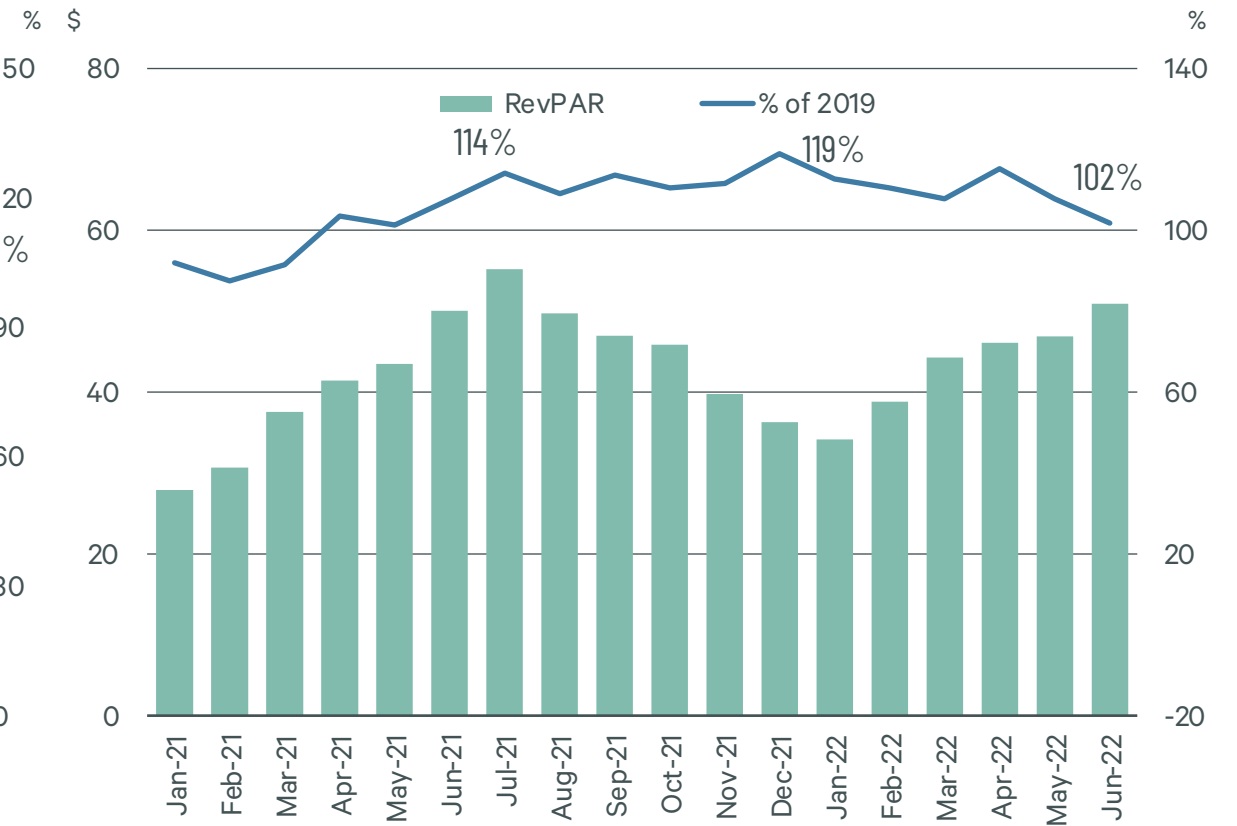
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR for lower-priced hotels by chain scale

Midscale



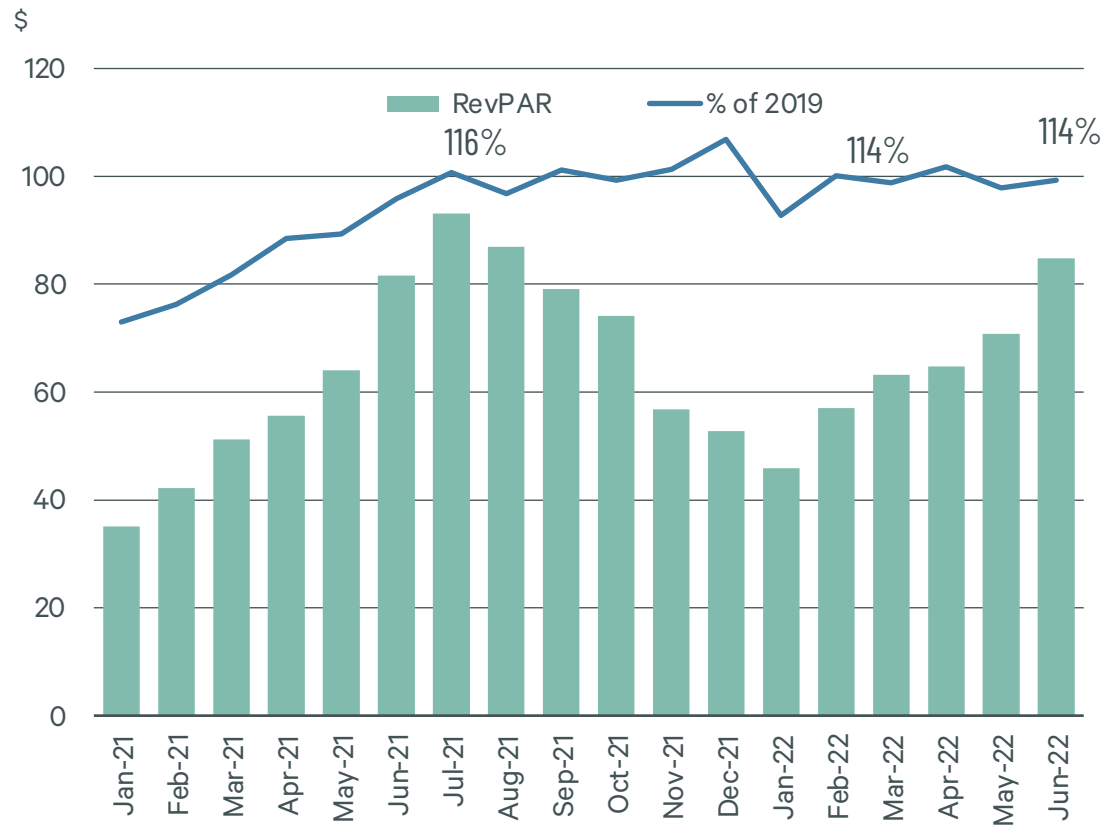
Economy



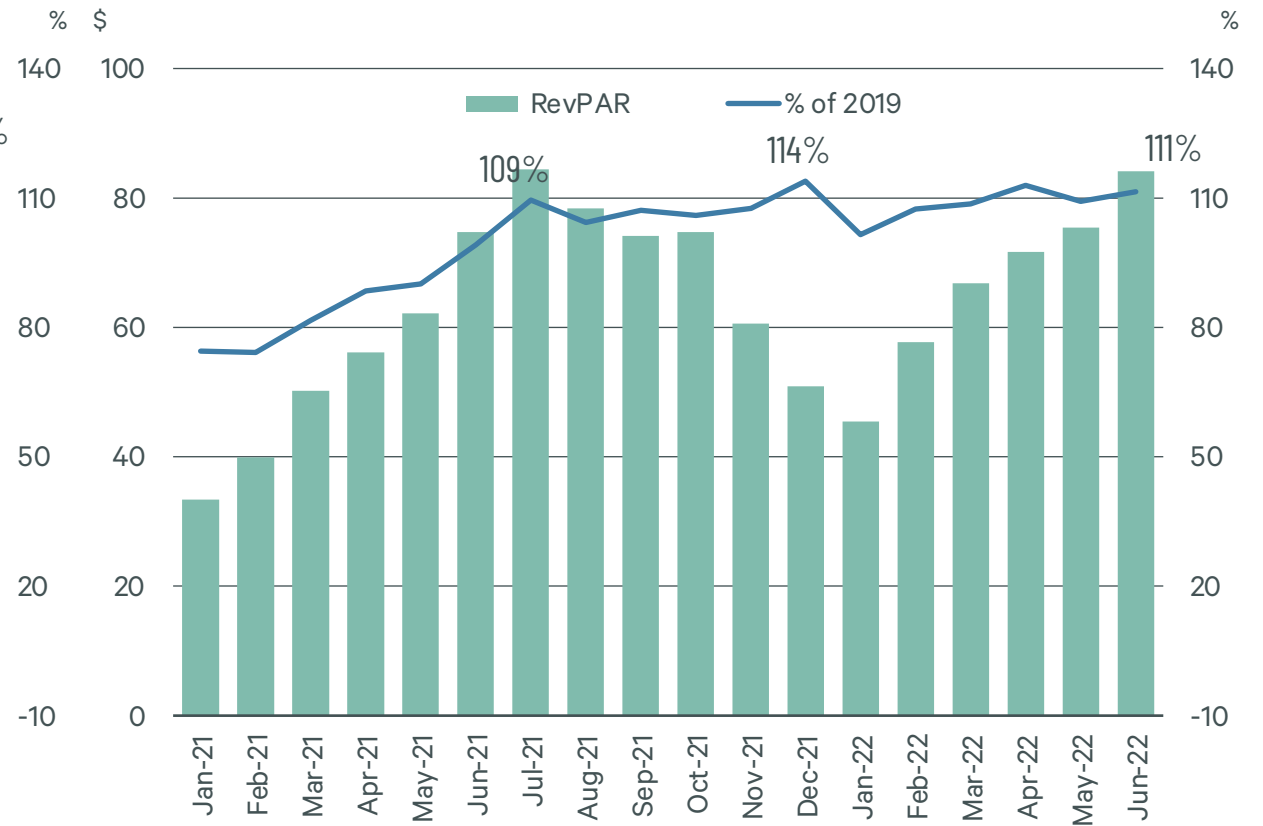
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR by location type

Interstate



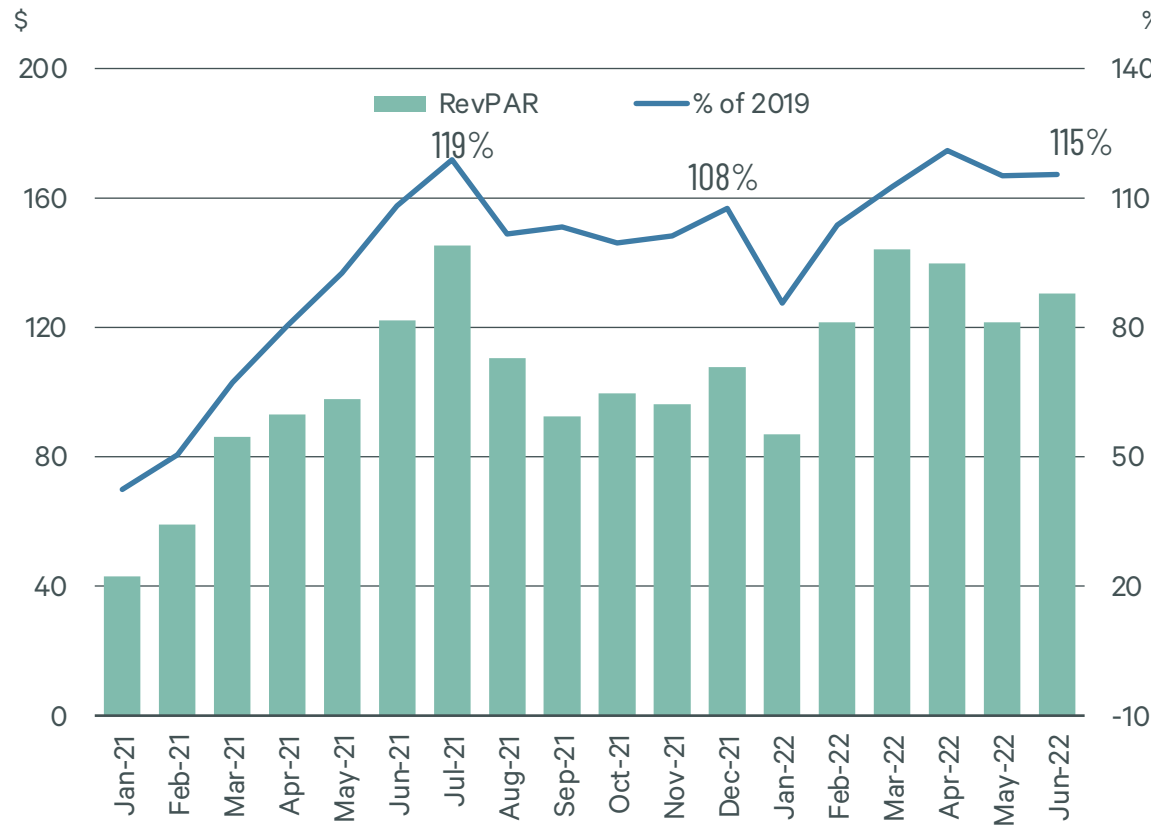
Small Town



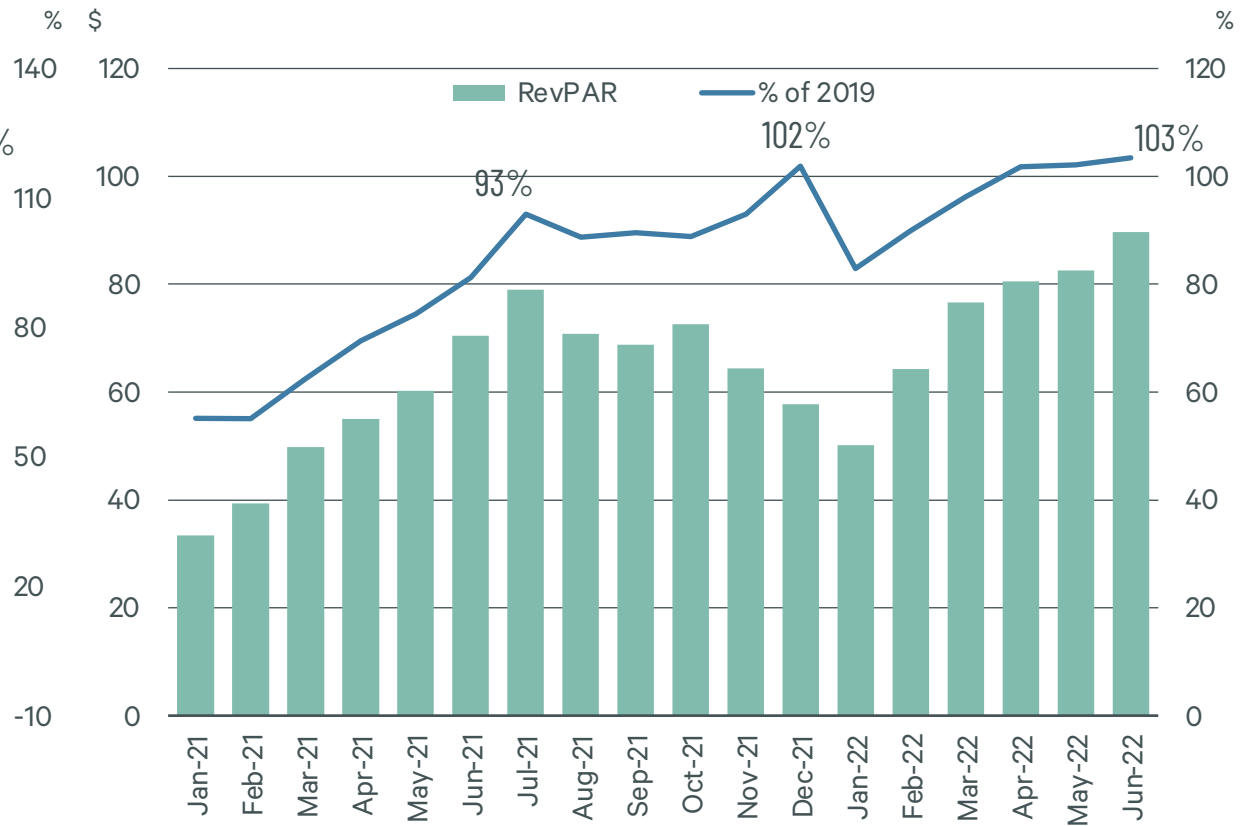
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR by location type

Resort



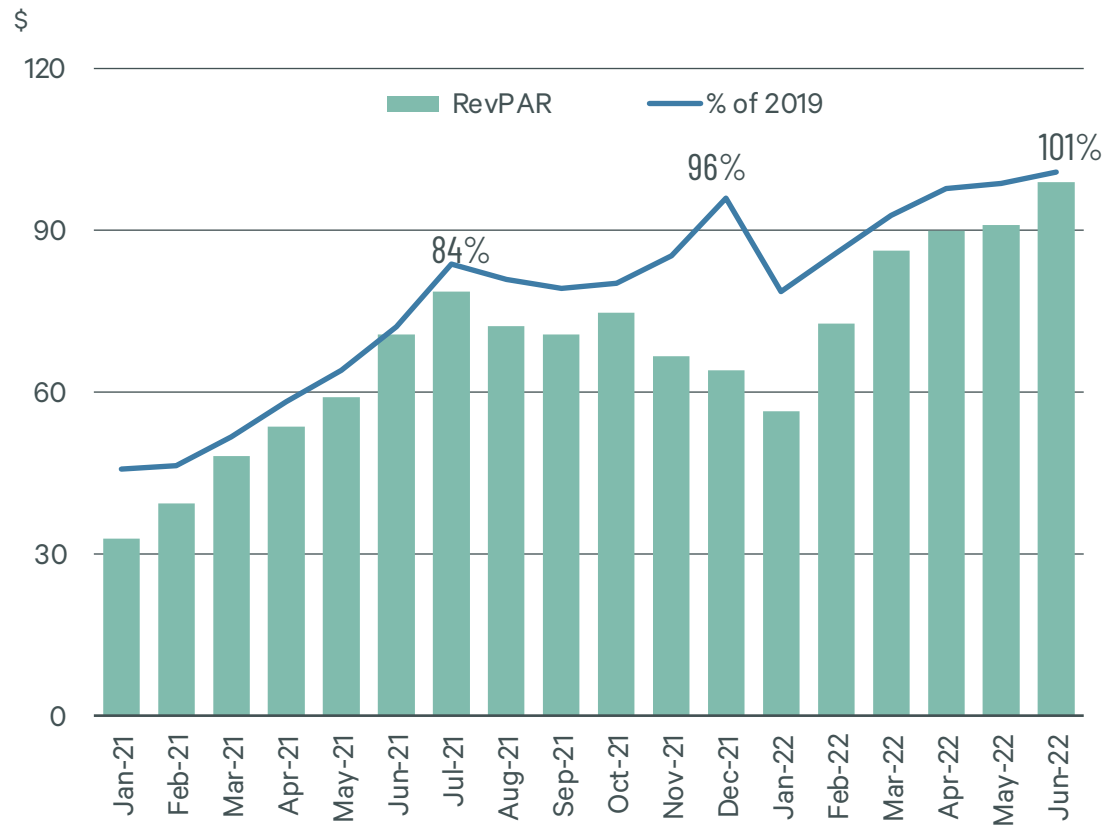
Suburban



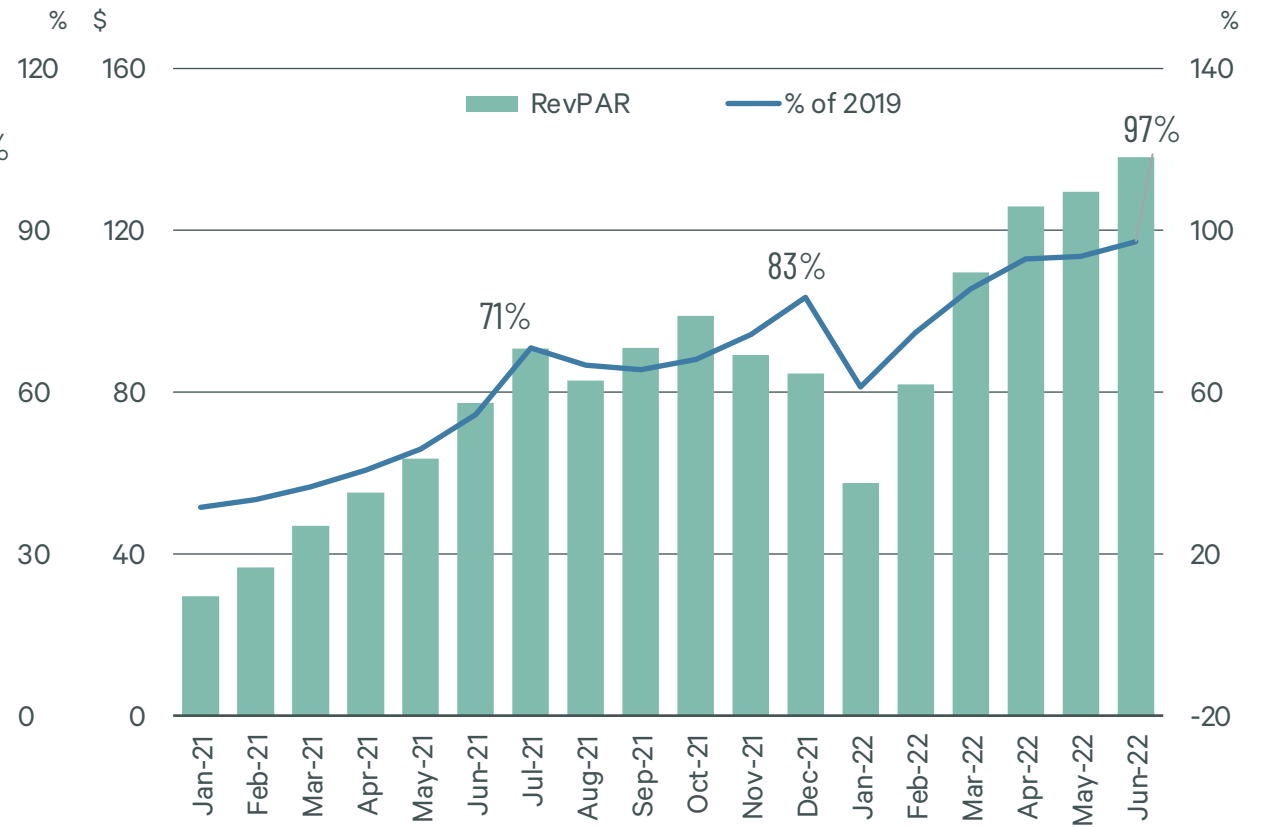
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR by location type

Airport



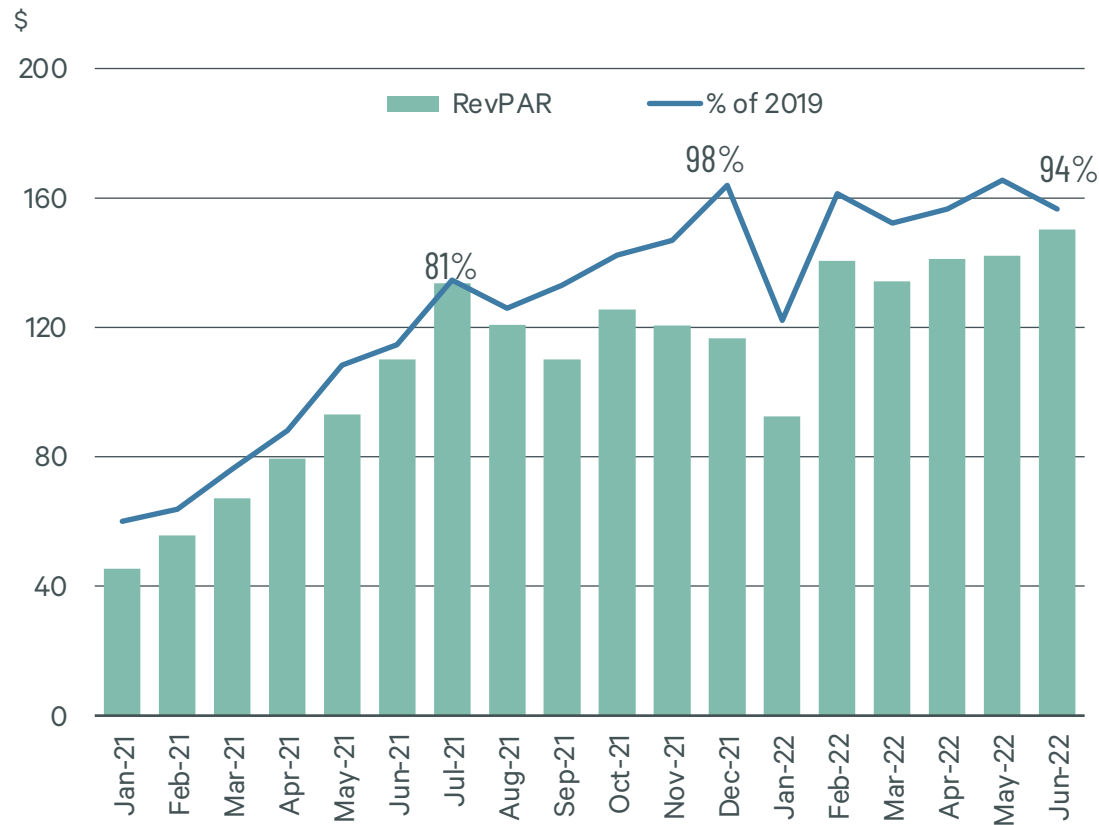
Urban



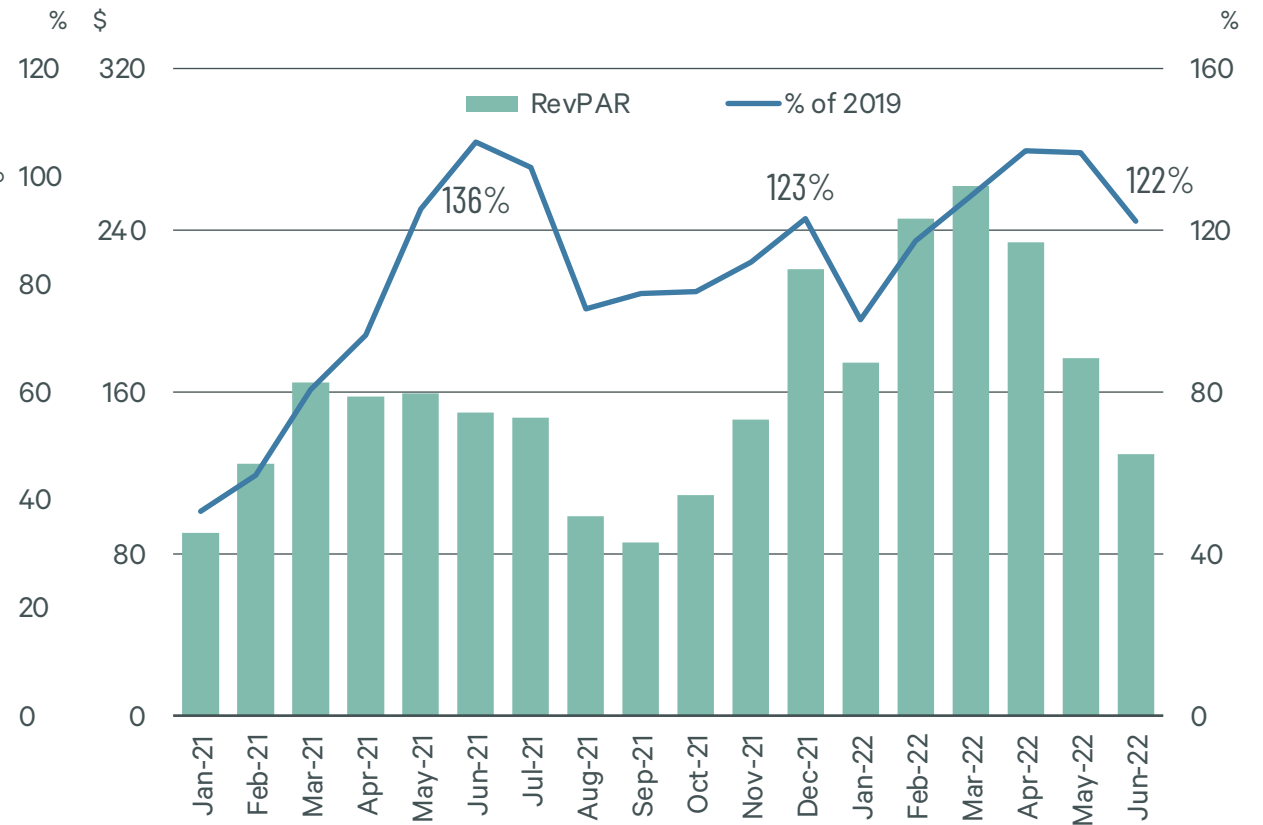
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR by Southern U.S. markets (East and West Coasts)

Los Angeles



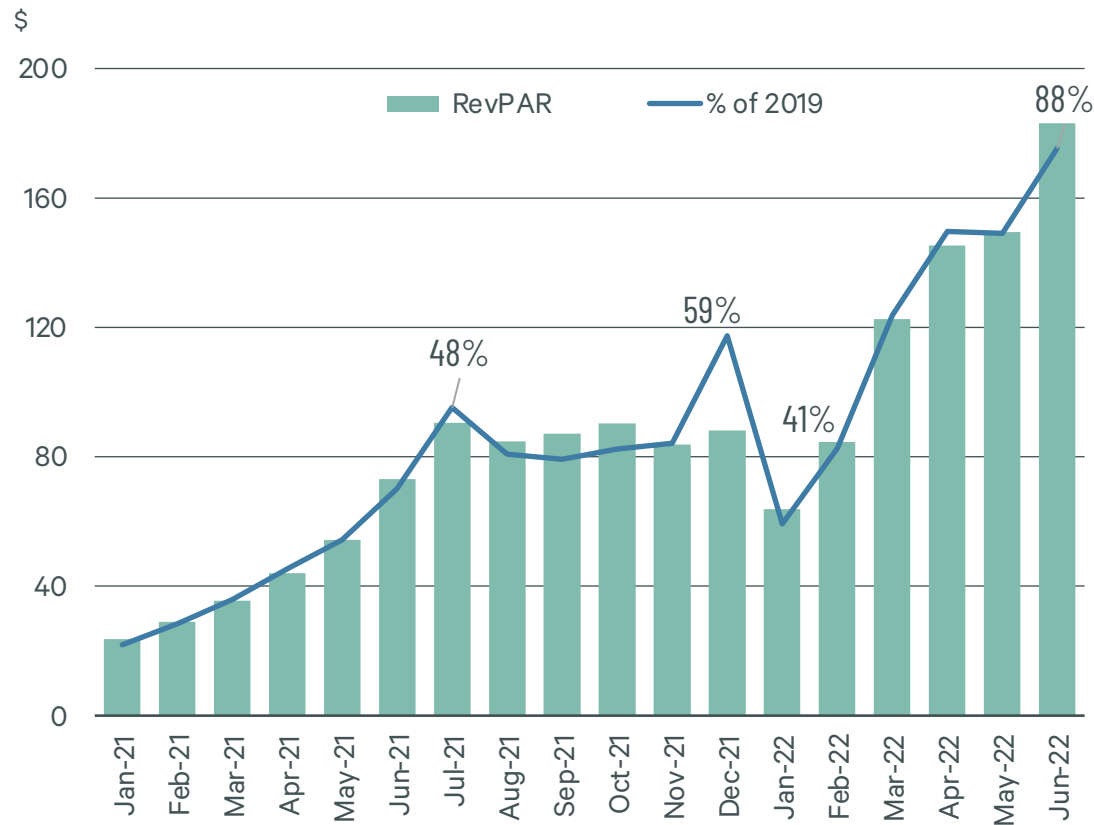
Miami



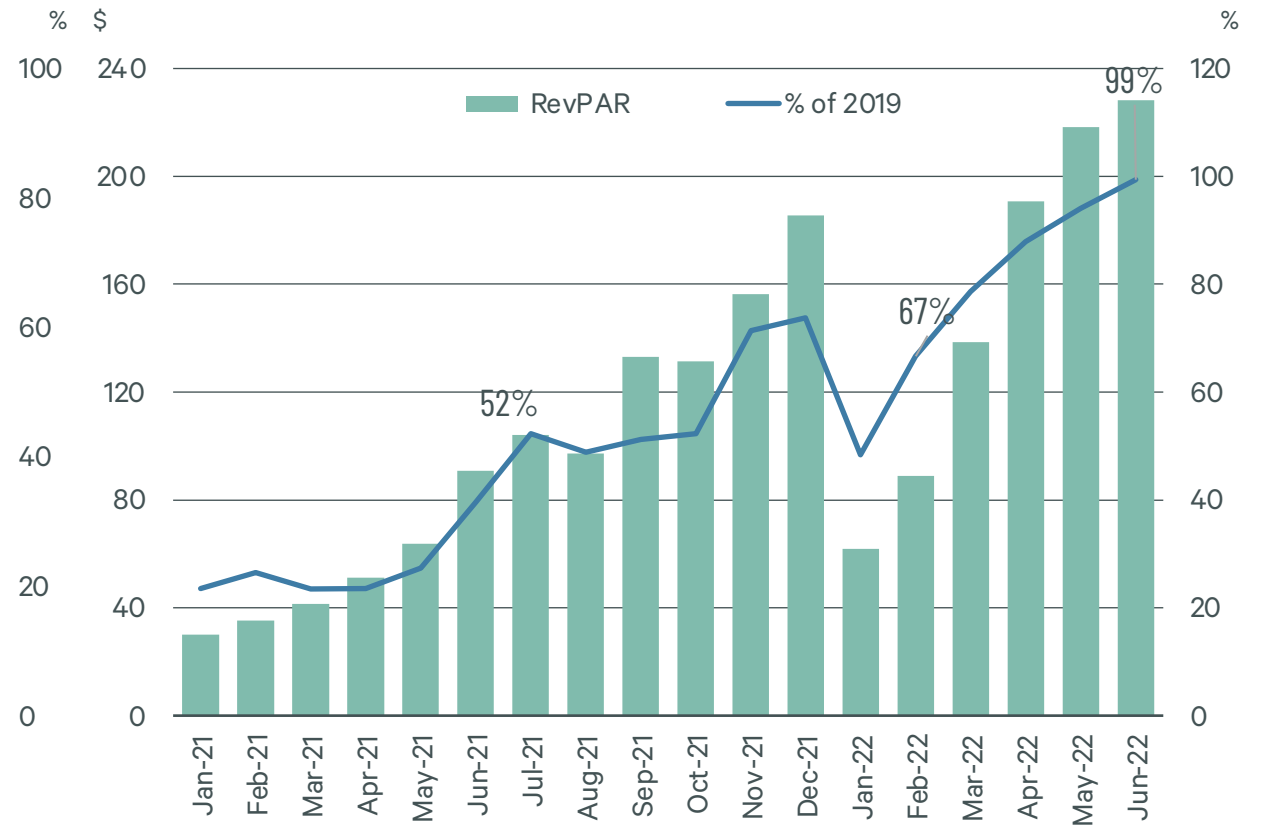
Source: CBRE Hotels Research, Kalibri Labs

Monthly RevPAR by Northern U.S. markets (East and West Coasts)

San Francisco



New York

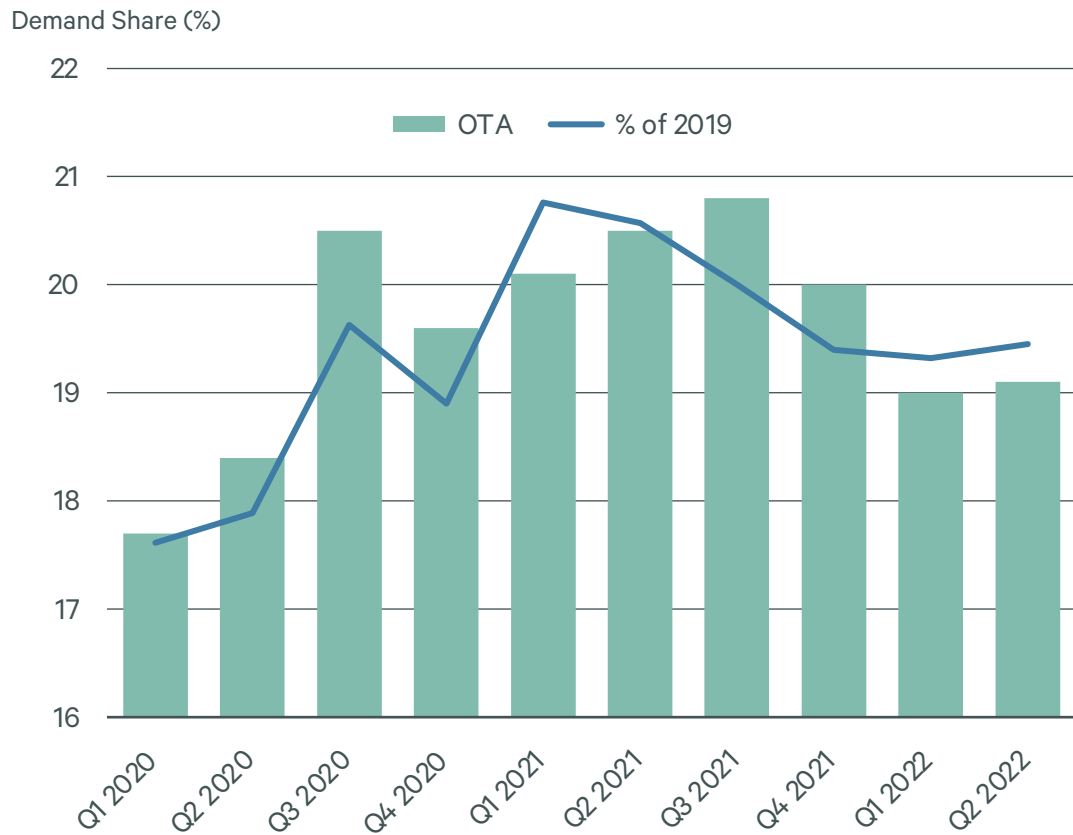


5

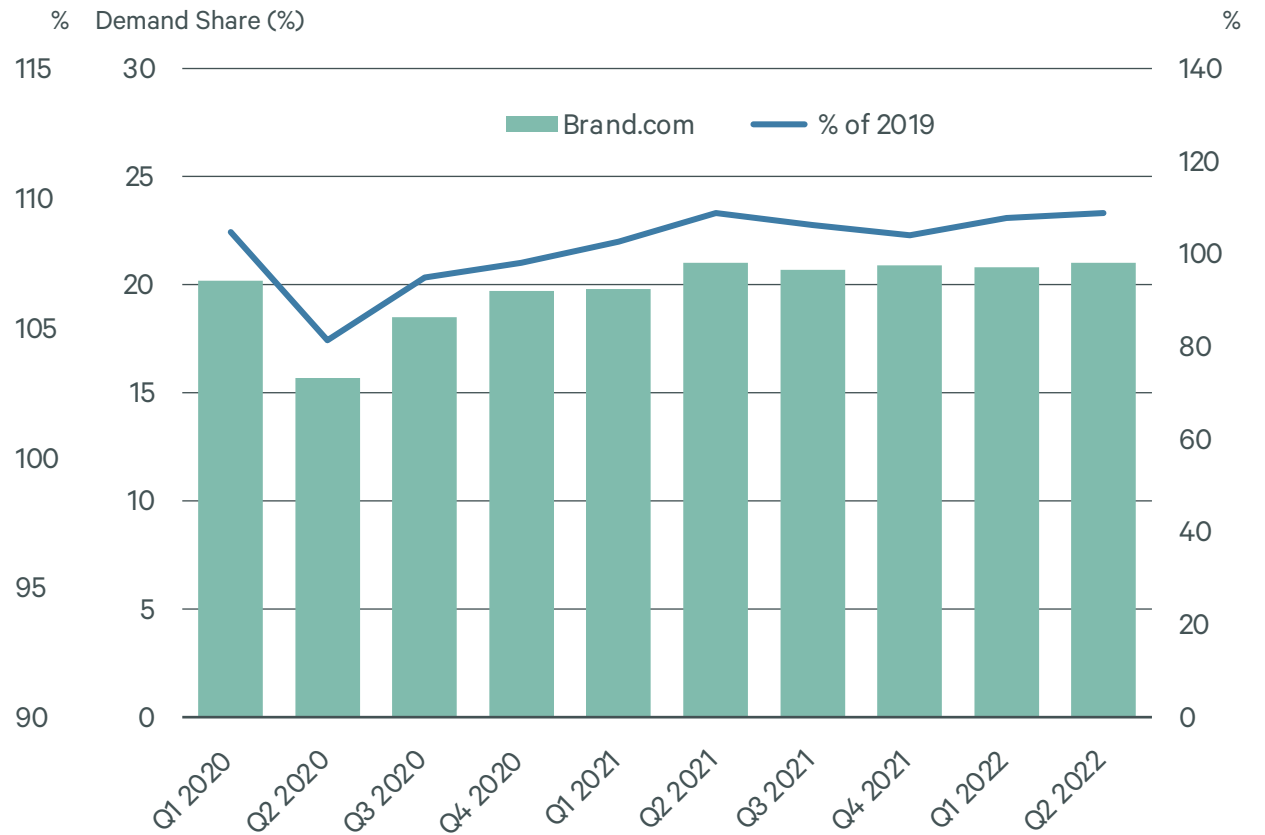
Booking
Channel

Both OTA and Brand.com have surpassed 2019 levels

OTA Share of Total Demand vs. Percent of 2019 Levels

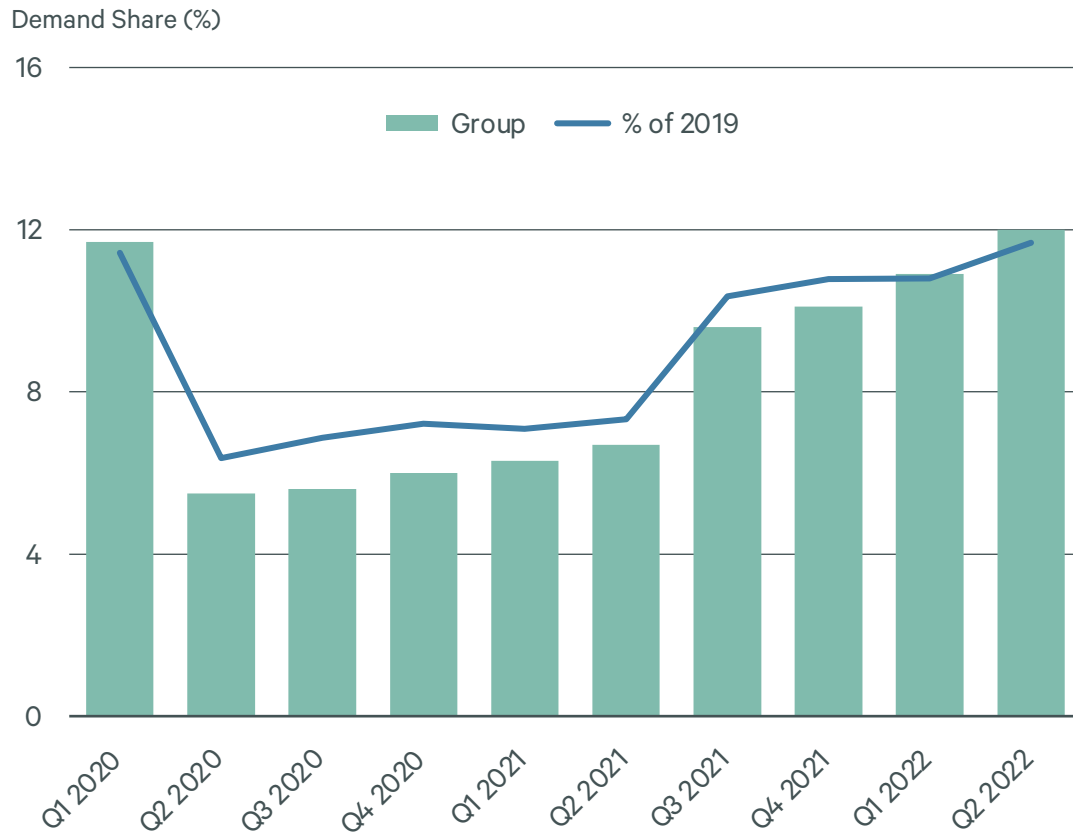


Brand.com Share of Total Demand vs. Percent of 2019 Levels

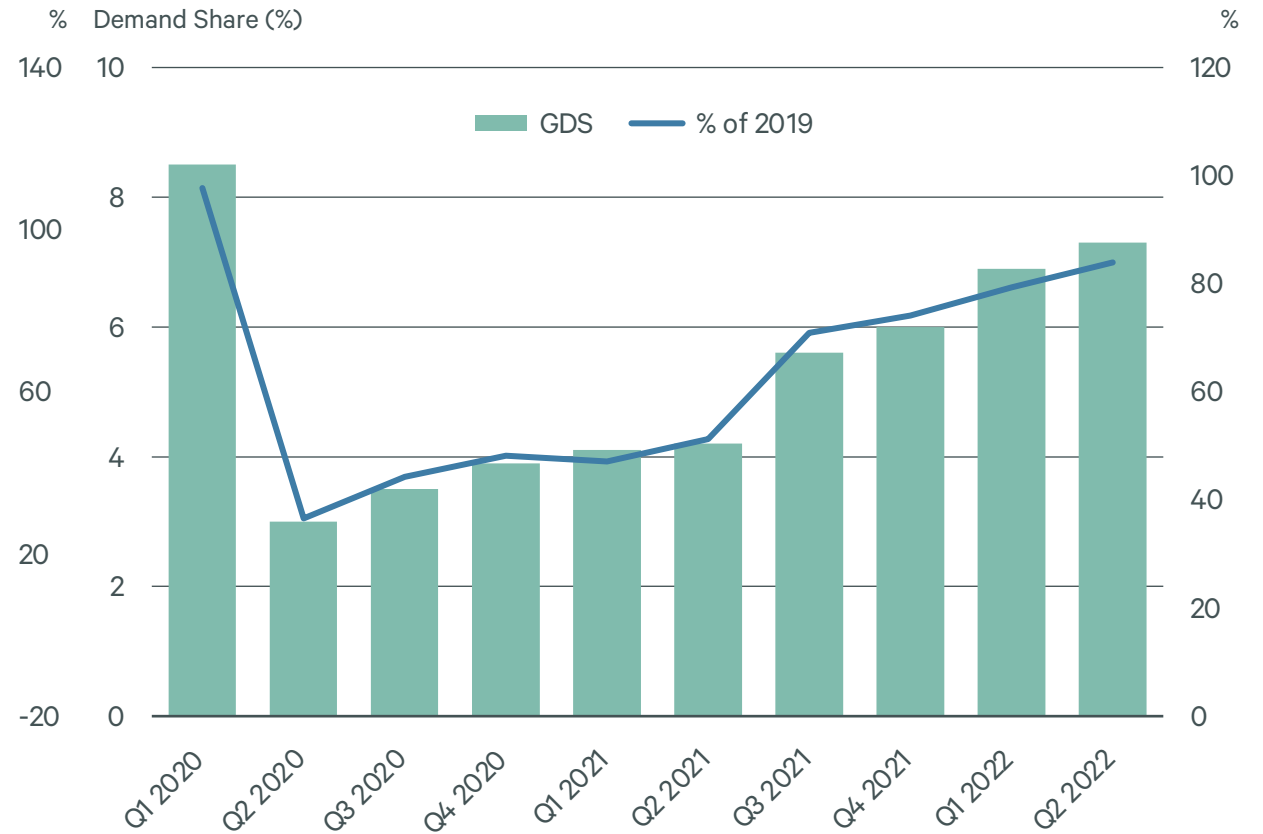


Breaking down the group and business recovery

Group Share of Total Demand vs. Percent of 2019 Levels

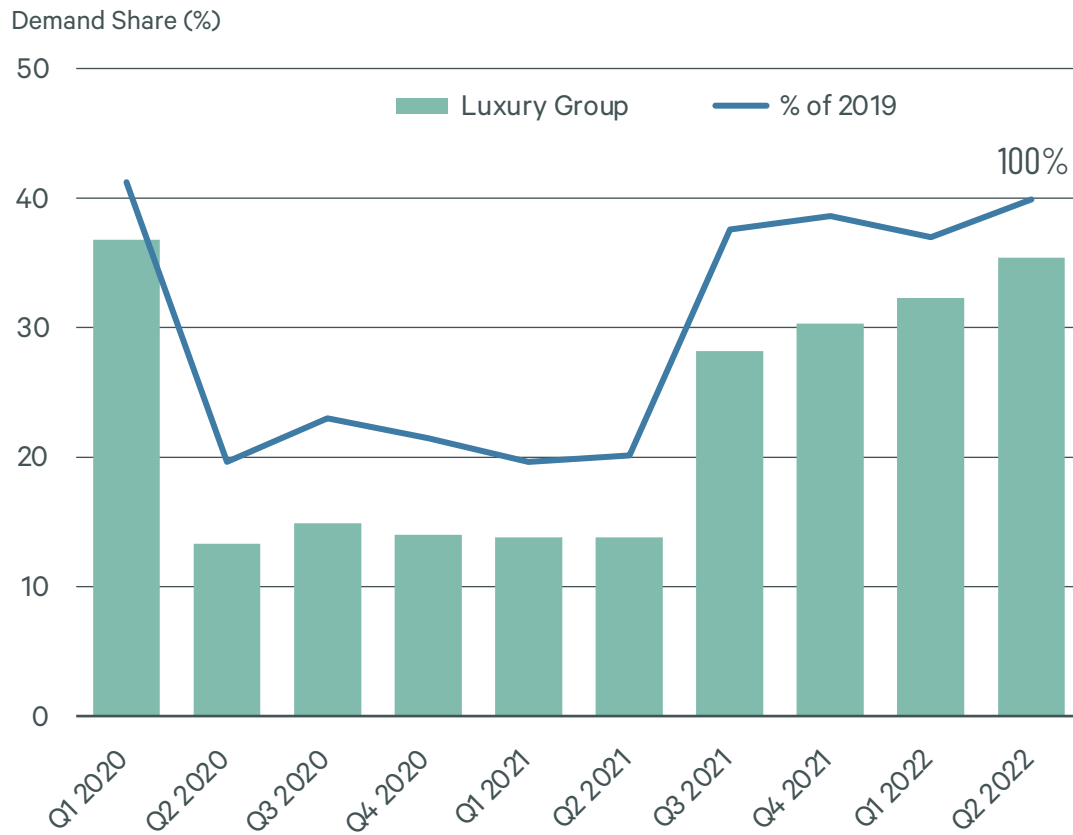


Business Travel (GDS) Share of Total Demand vs. Percent of 2019 Levels

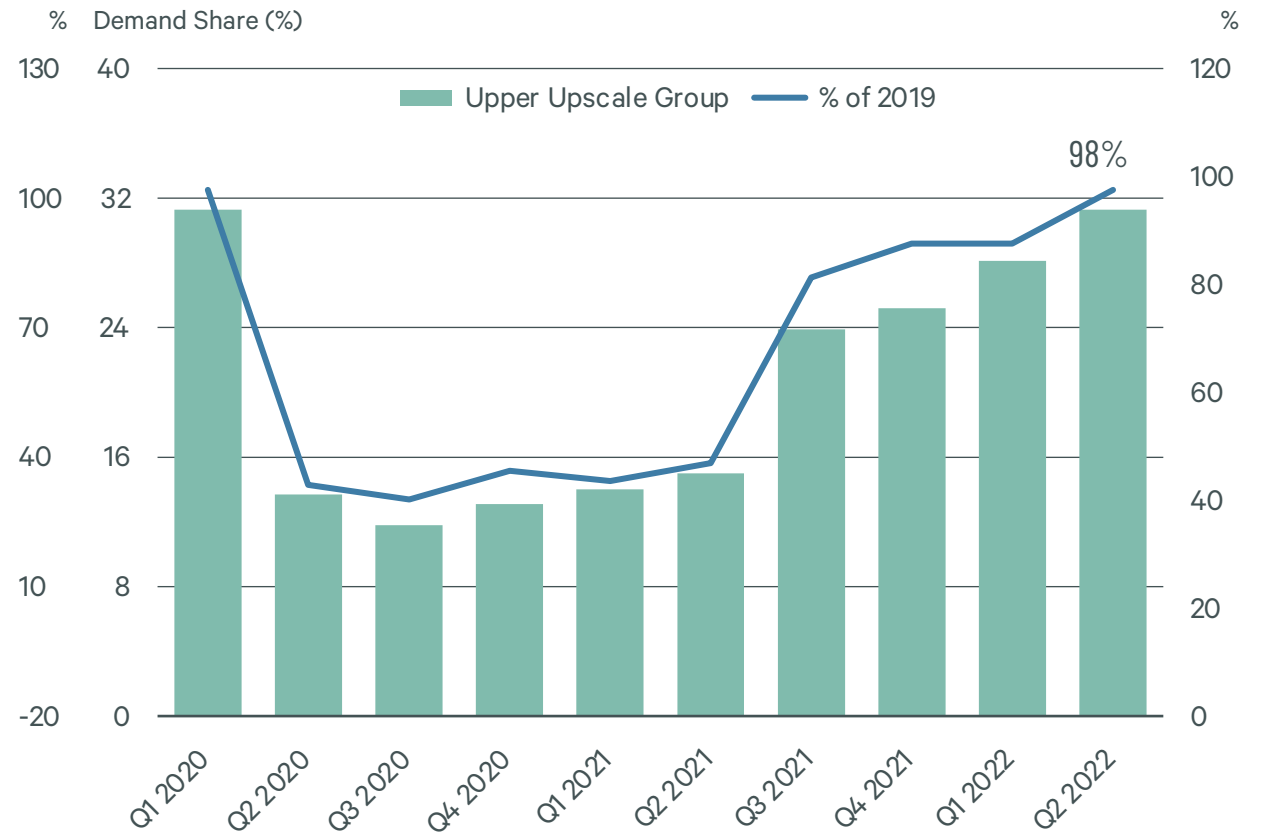


Breaking down the group recovery by chain scale

Luxury Group Share of Total Demand vs. Percent of 2019 Levels

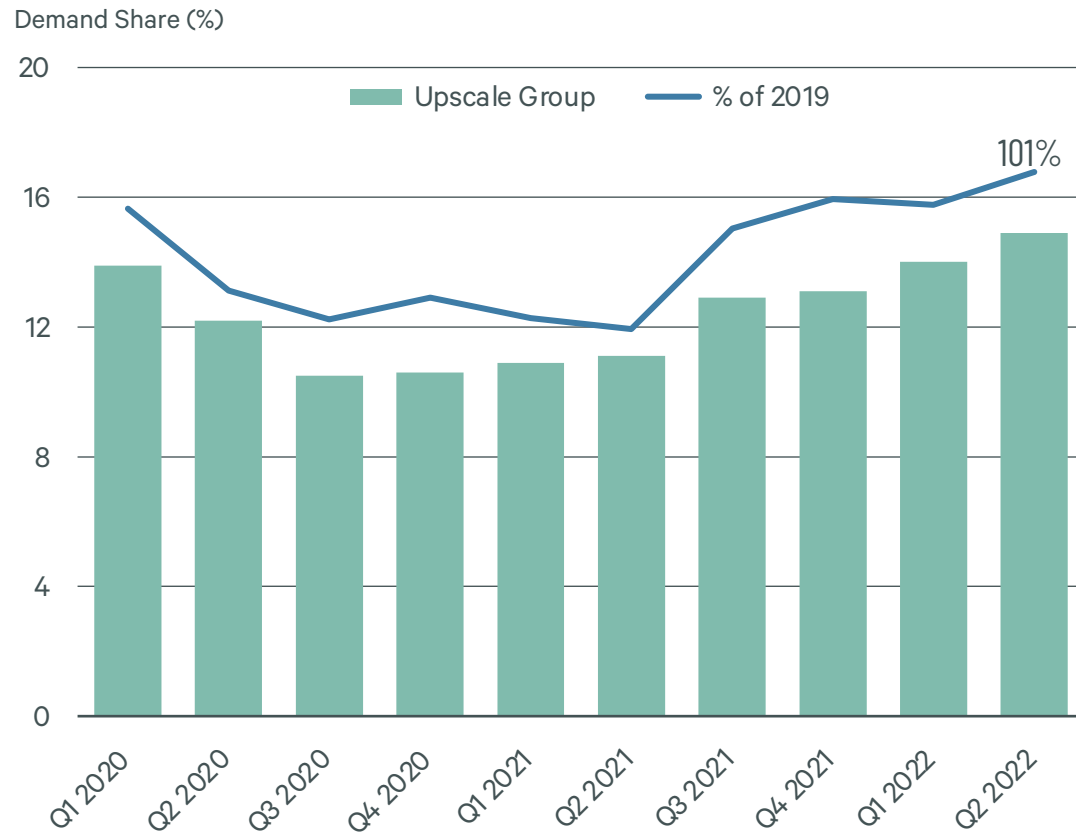


Upper Upscale Group Share of Total Demand vs. Percent of 2019 Levels

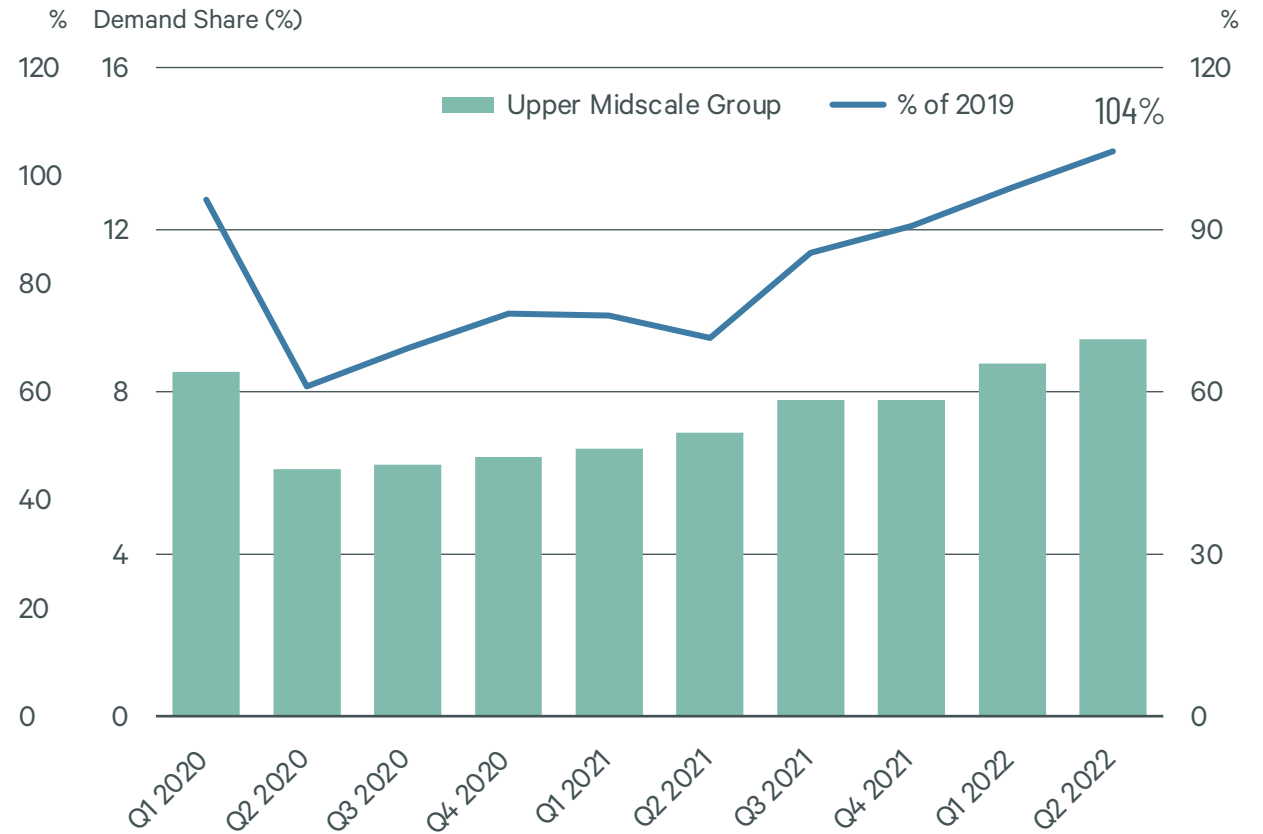


Breaking down the group recovery by chain scale

Upscale Group Share of Total Demand vs. Percent of 2019 Levels



Upper Midscale Group Share of Total Demand vs. Percent of 2019 Levels

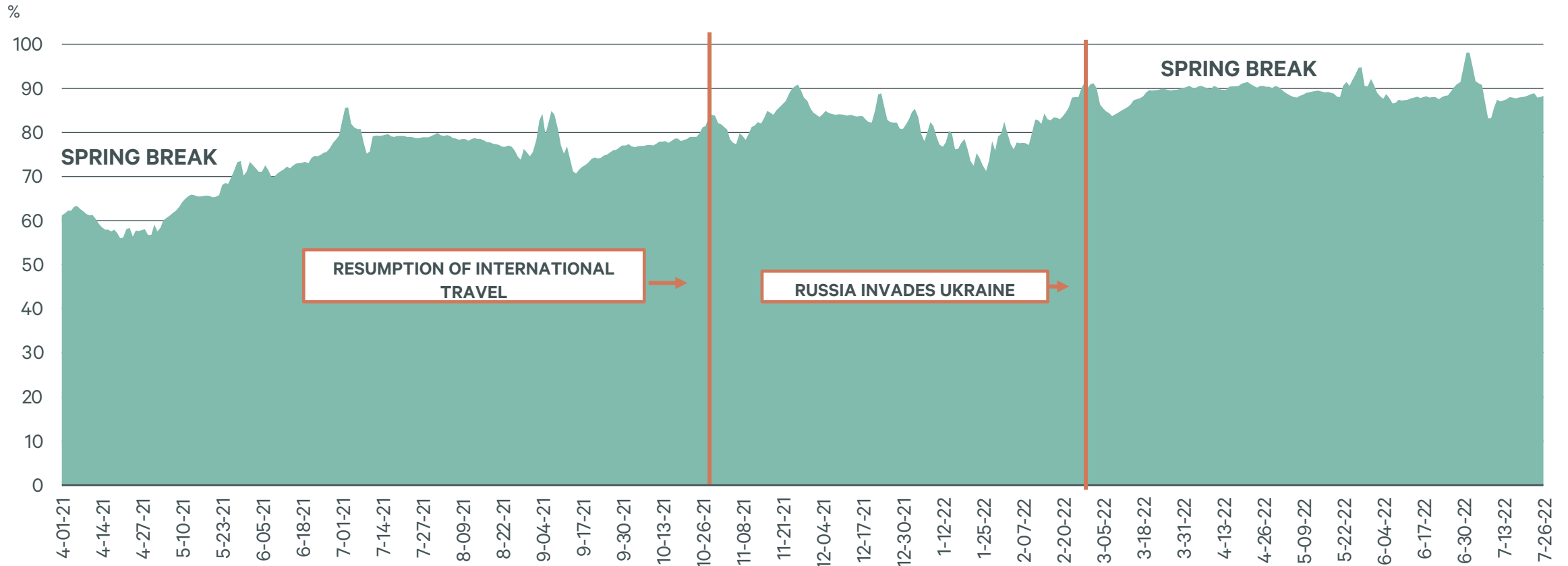


6

Leading
Indicators

TSA throughput remains consistent in the mid- to high 80's

TSA Throughput as a Percent of 2019

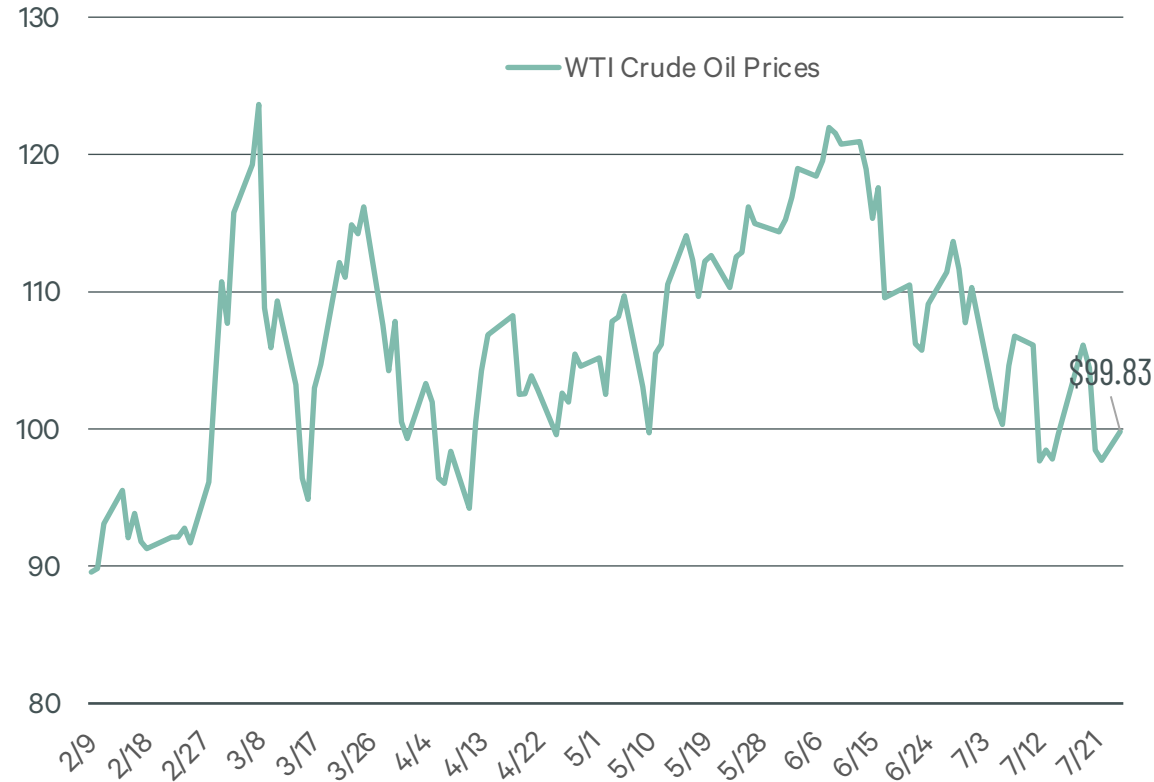


CBRE Hotels Research, TSA

Elevated oil and gas prices remain a headwind

Current Price of Oil

(\$) Price per Barrel of Oil



Gas Prices are Down from Last Week

(\$) AAA Gas Prices

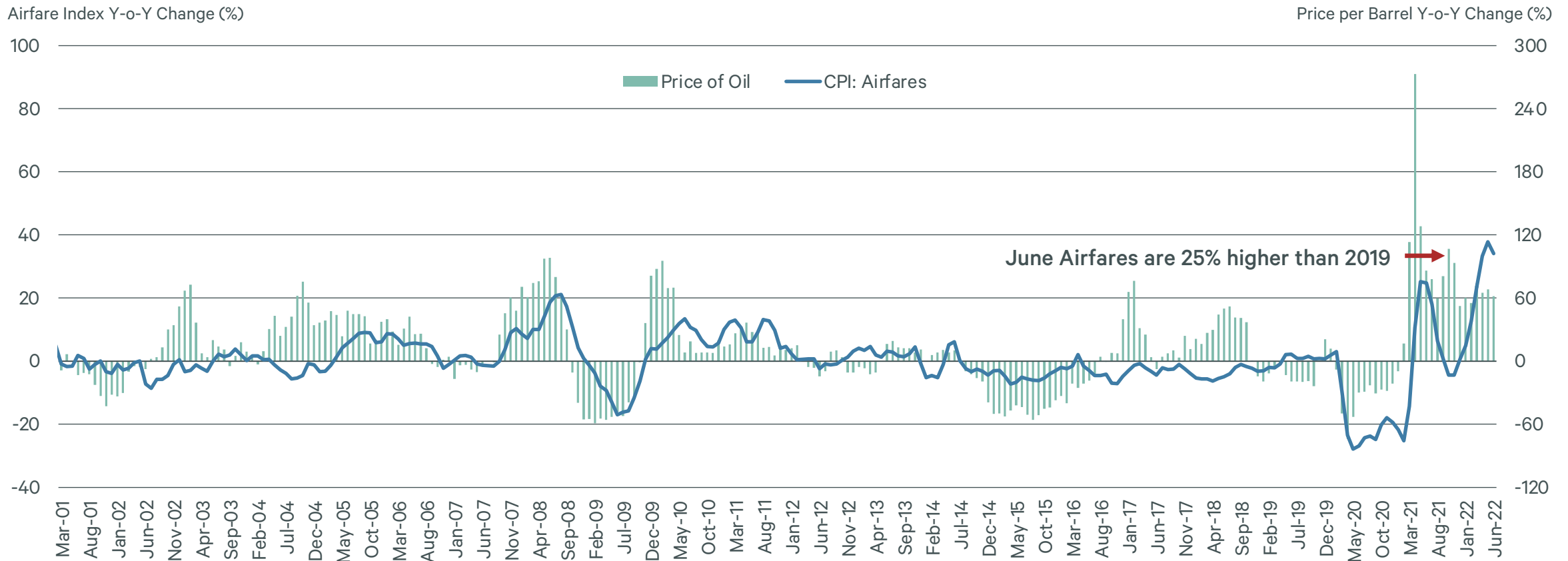


CBRE Hotels Research, Federal Reserve

CBRE Hotels Research, Gasprices.aaa.com

The monthly change in oil and airfare are 56% correlated. The quarterly correlation is 60%

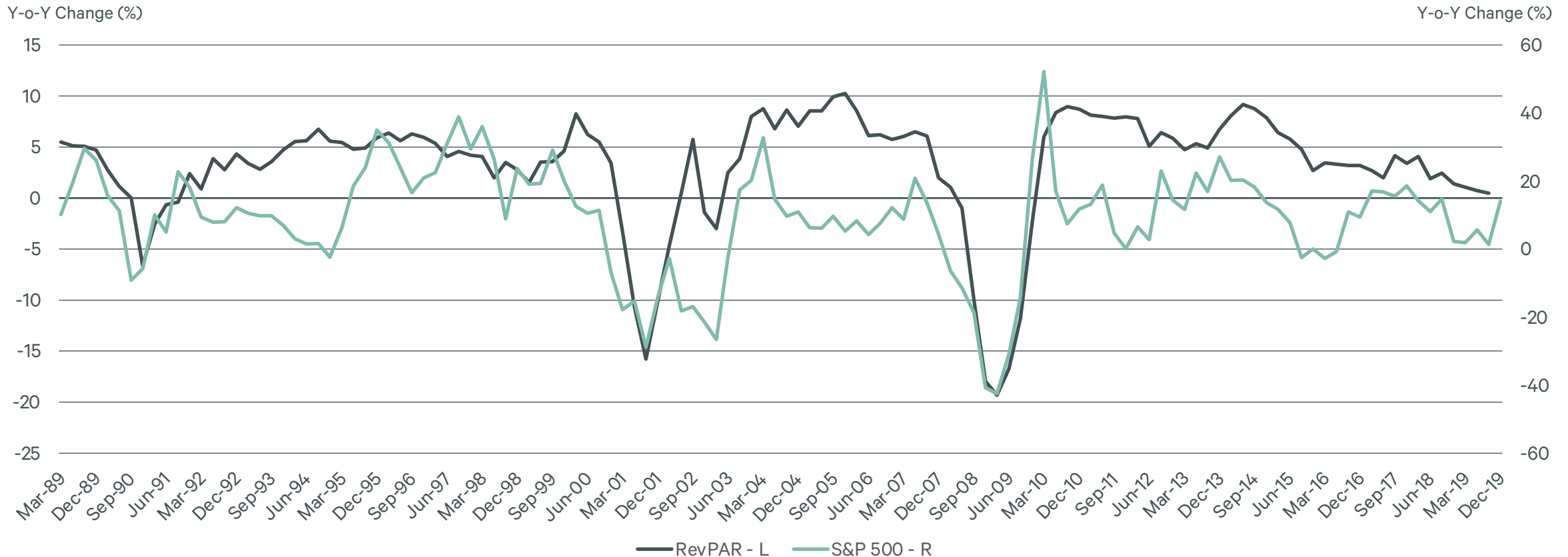
Change in Airfare CPI vs. Change in WTI Crude Oil Price



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

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

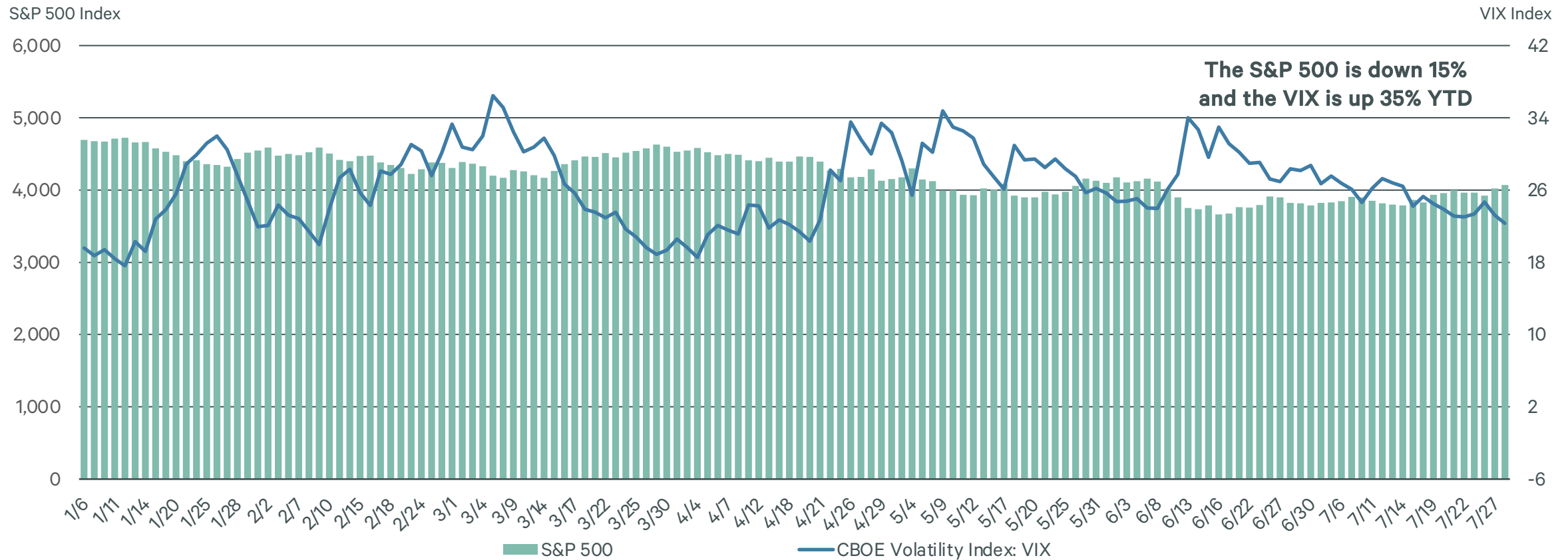
RevPAR vs. S&P 500



CBRE Hotels Research, CoStar, Federal Reserve

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

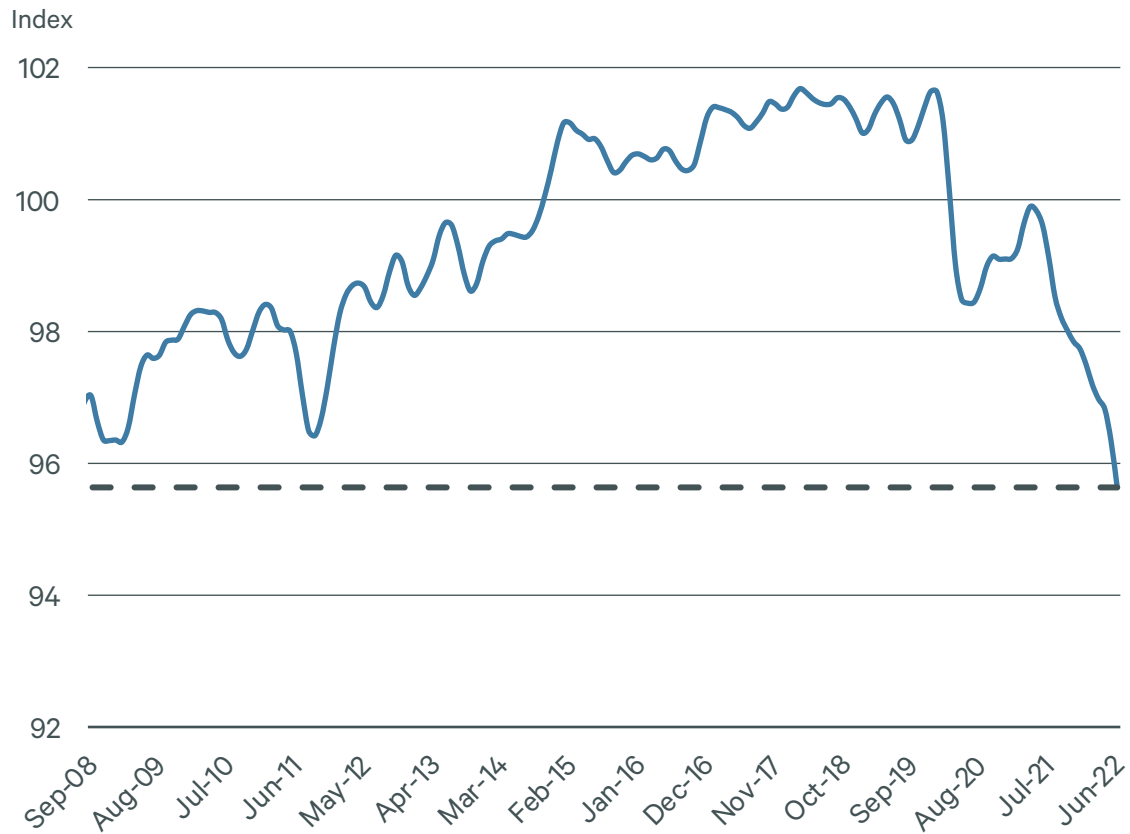
S&P 500 vs. CBOE Volatility Index



CBRE Hotels Research, CoStar, Federal Reserve

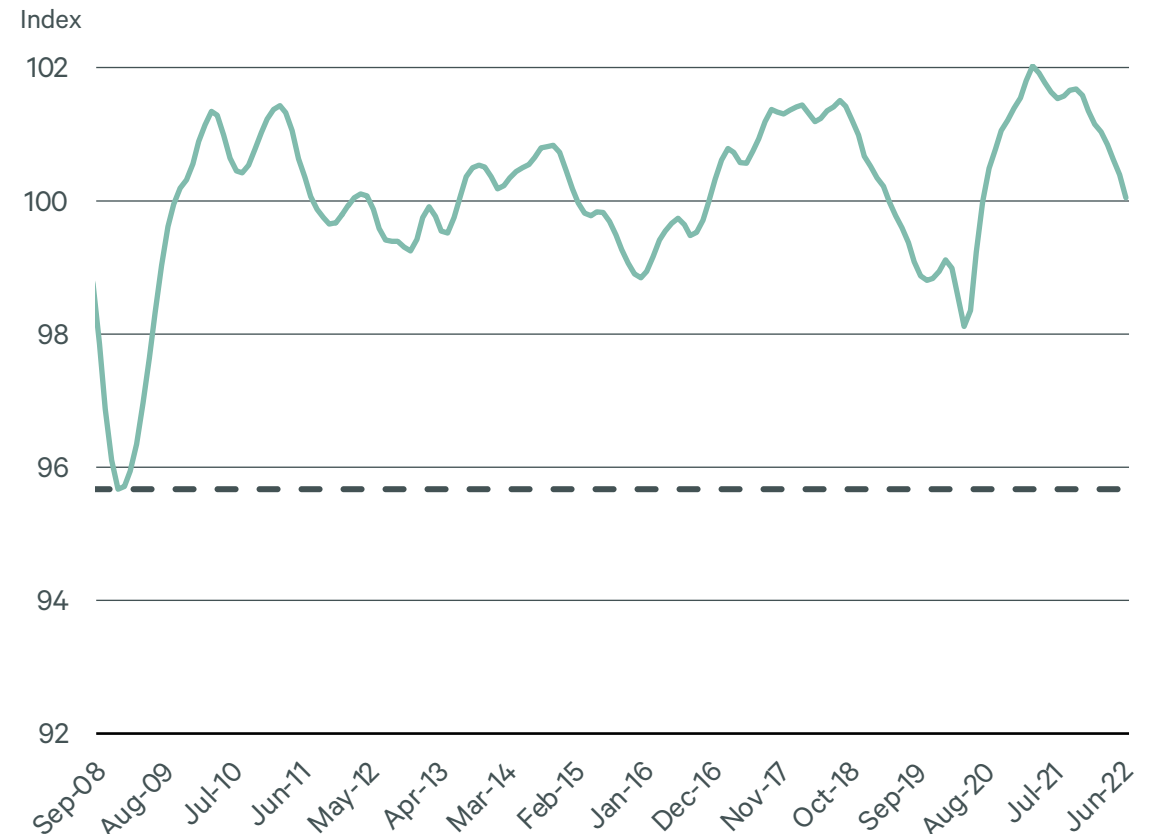
Business and consumer confidence continue to soften

Consumer Confidence Index



CBRE Hotels Research, CBRE EA, OECD

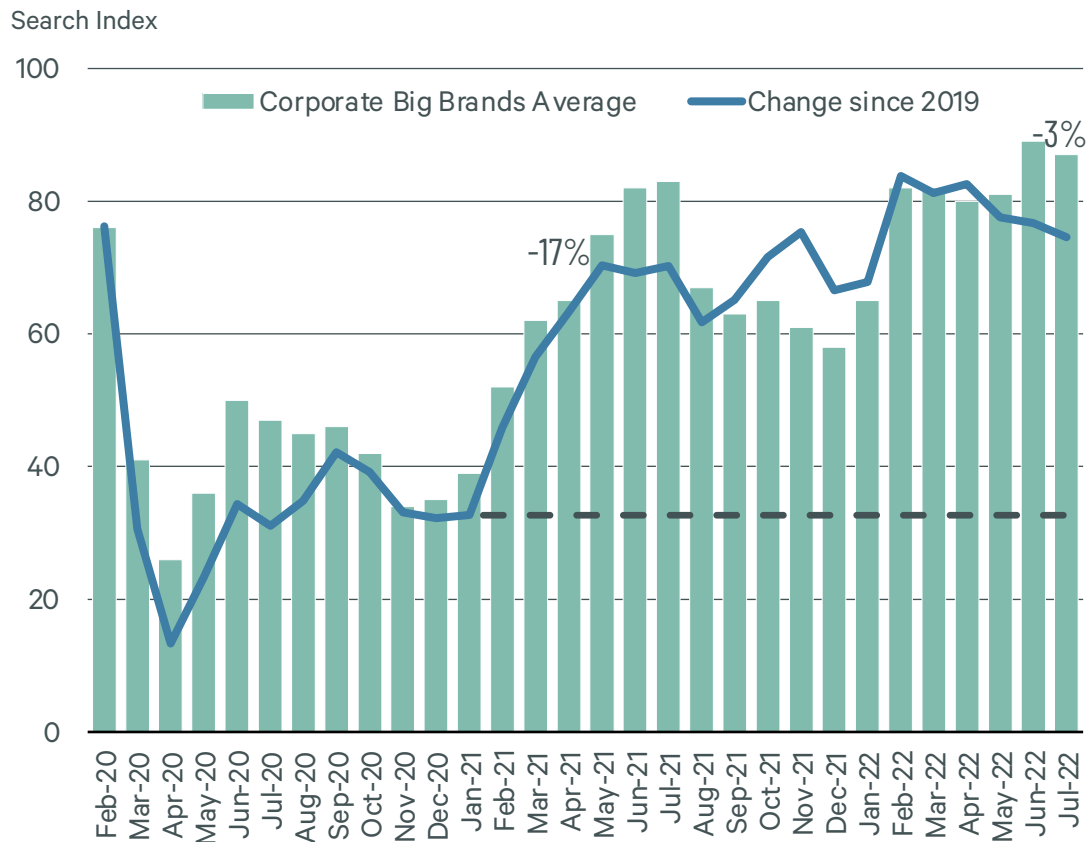
Business Confidence Index



CBRE Hotels Research, CBRE EA, OECD

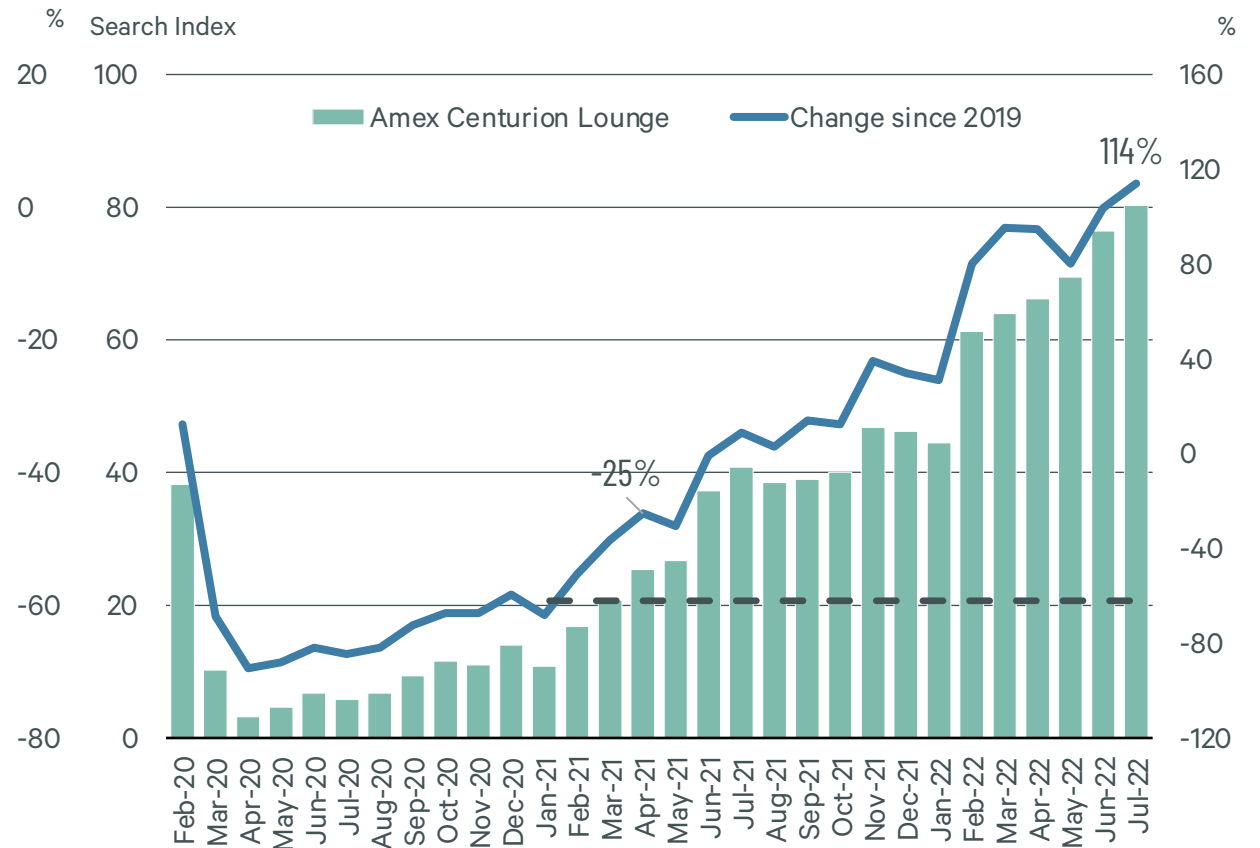
Search trends for future travel continue to improve

Corporate Brands Average Index vs. Change since 2019



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

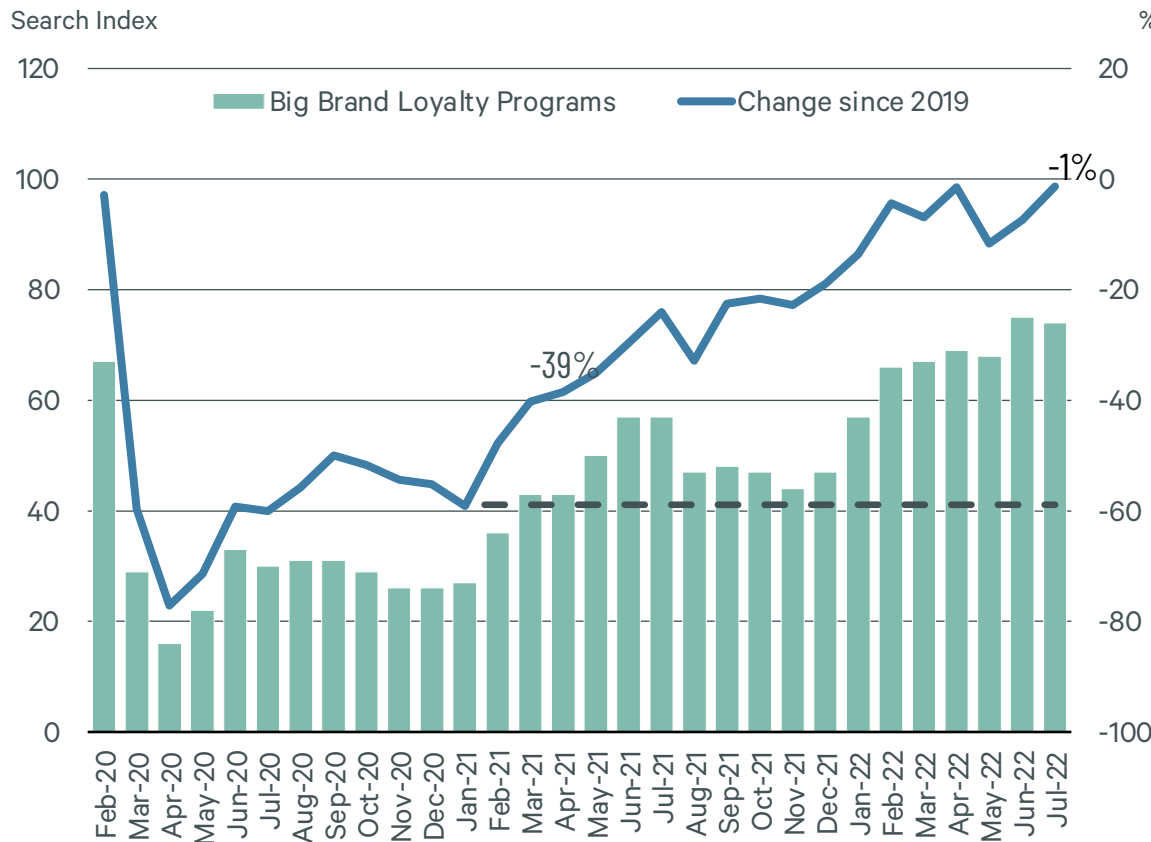
Amex Centurion Lounge Index vs. Change since 2019



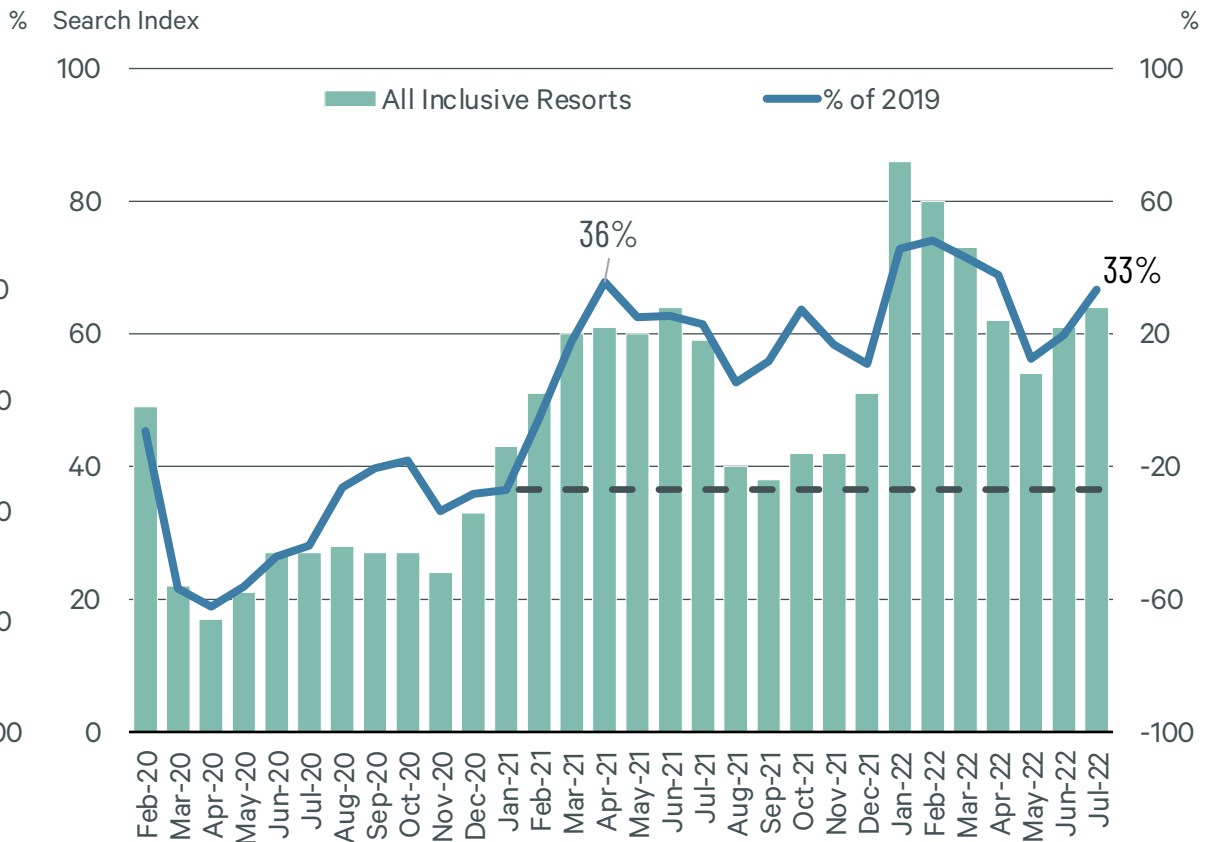
CBRE Hotels Research, Google Trends. Key words: Amex Centurion Lounge, Represents data through April 17, 2022

Leisure indicators continue to improve and remain positive

Brand Loyalty Program Index vs. Change since 2019



All Inclusive Resort Index vs. Change since 2019



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

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

7

International
Travel

U.S. border entrants by country (China and Japan still not in Top 10)

Year-to-Date – June 2019

Year-to-Date – June 2022

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

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

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

Inbound international visitor data mixed

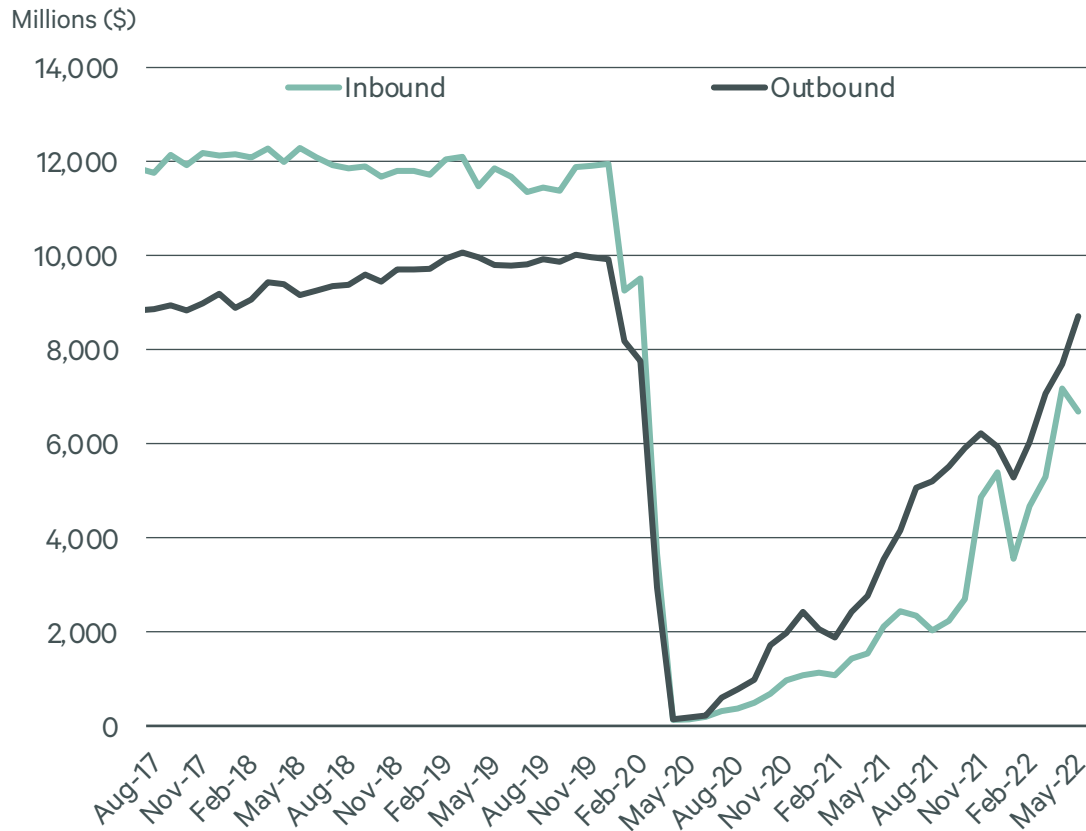
International Visitors as a Percent of 2019, (excluding Mexico and Canada)

Port of entry	Coast	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	Mar. 2022	Apr. 2022	May 2022	June 2022
NY, Newark, DC, Miami	East	31%	57%	63%	47%	56%	62%	69%	67%	69%
LA, San Francisco	West	13%	33%	39%	24%	28%	38%	45%	46%	50%

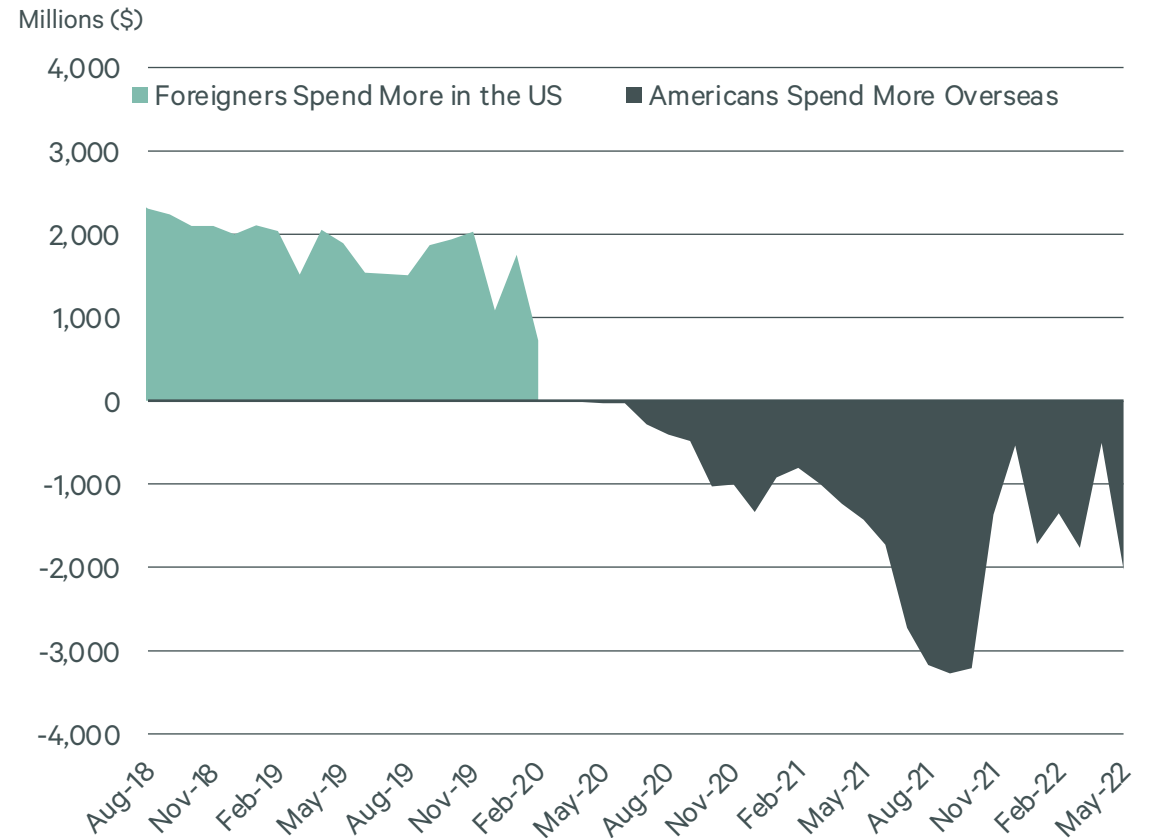
CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

Strong dollar supports net outbound international spend

International Travel Spending



Americans are spending more overseas



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

8

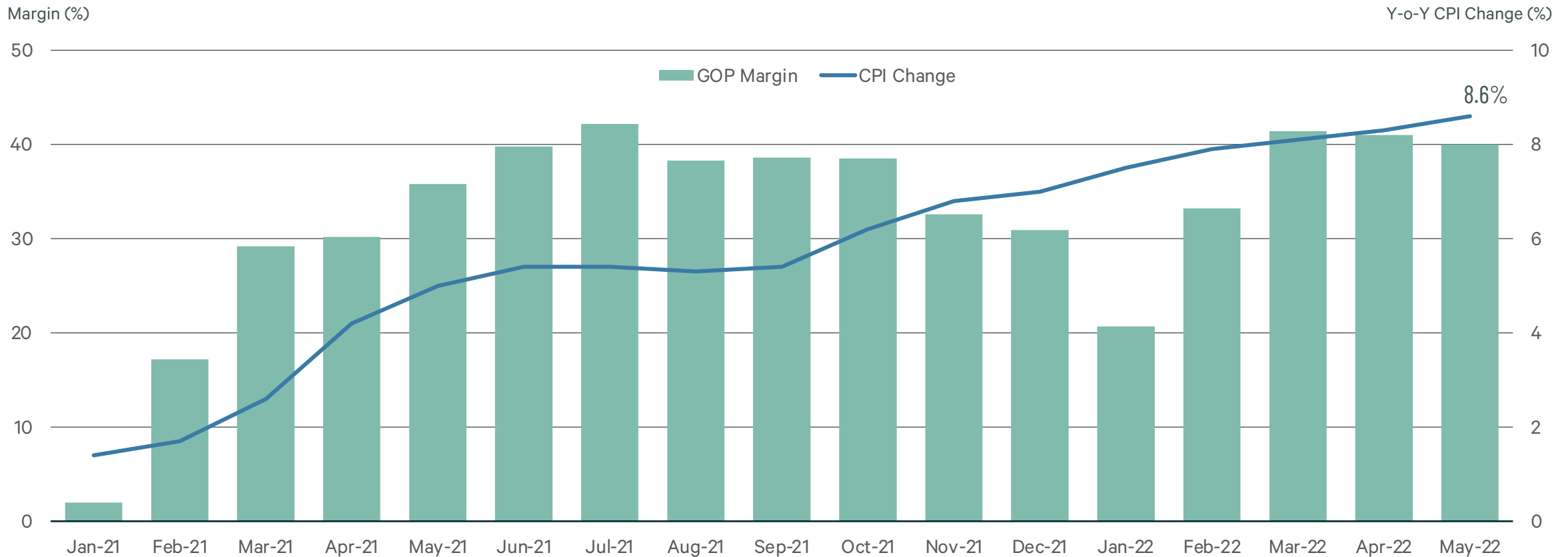
Operating
Performance

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



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

GOP Margin vs. Monthly Change in CPI



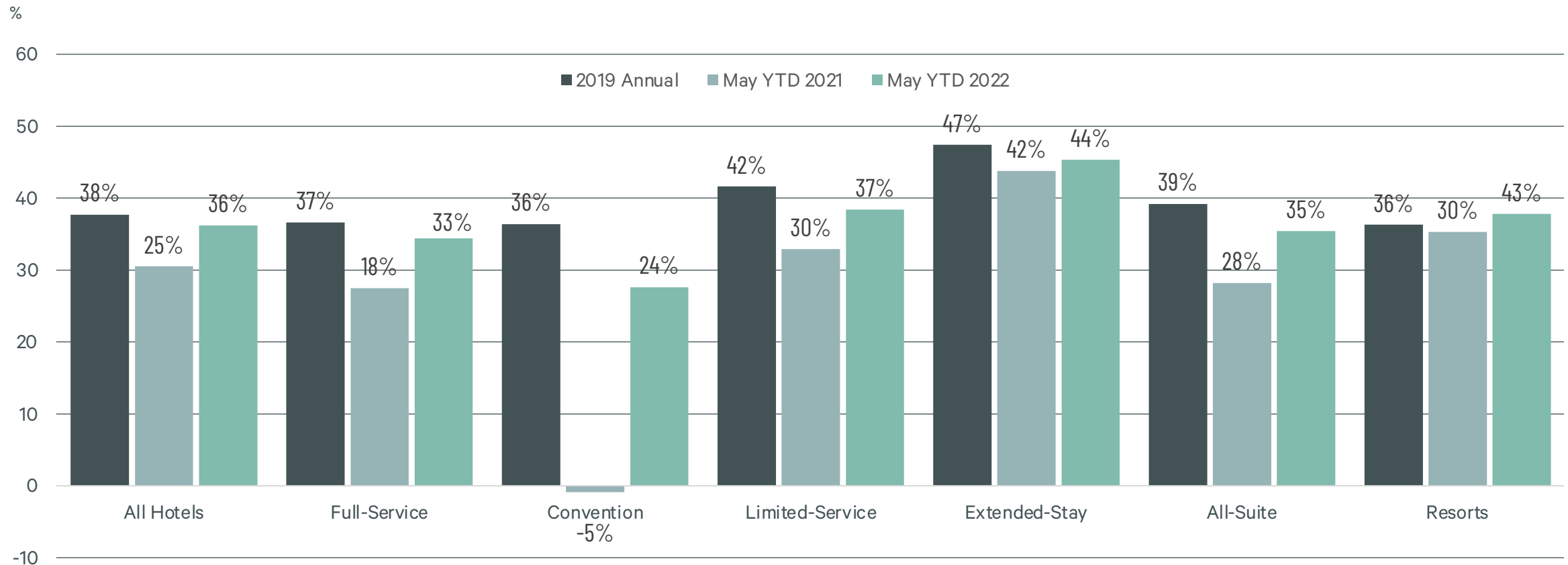
CBRE Hotels Research, Monthly Trends Survey, BLS

U.S. hotel total operating performance – GOP margins



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

Percent of Total Operating Revenue YTD May 2022, YTD May 2021, and 2019 Annual



CBRE Hotels Research, Monthly Trends Survey

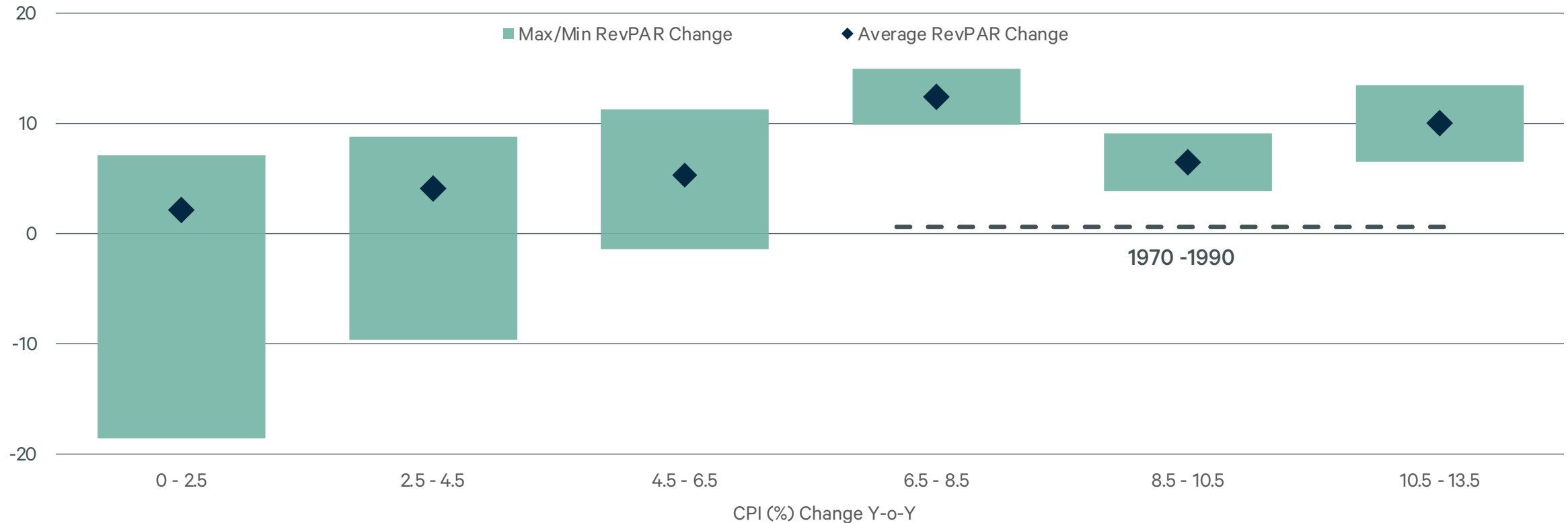
Historically, higher CPI translates into higher RevPAR



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

RevPAR Change vs. CPI change 1965 - 2019

Y-o-Y Change (%)



In general, lower CPI translates into higher margins

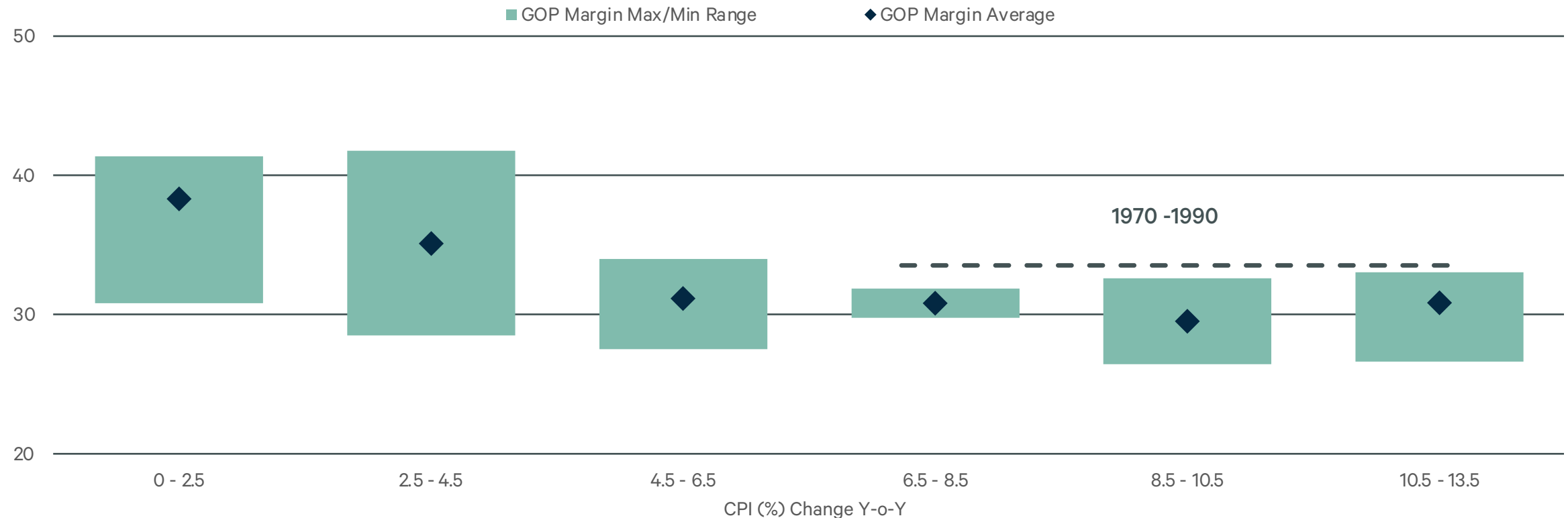


Explore BenchmarkerSM

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

GOP Margin Range vs. CPI Change 1965 - 2019

GOP Margin Range (%)



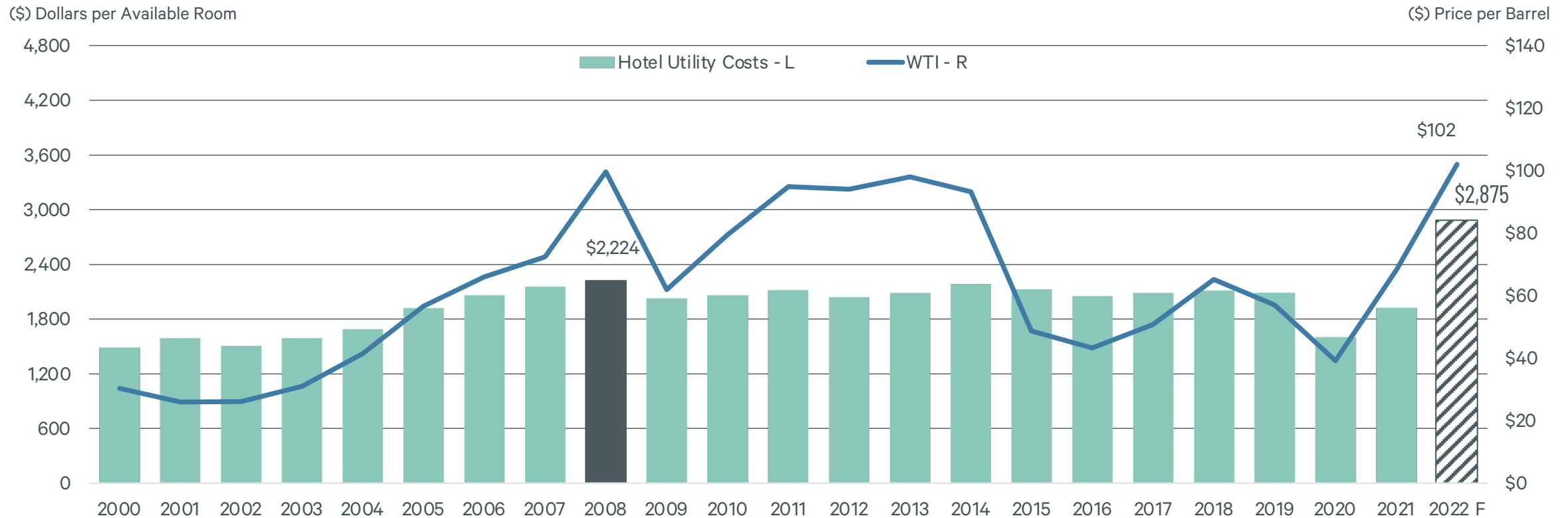
Elevated gas prices will be a margin headwind through utilities



Explore BenchmarkerSM

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

Hotel Utility Costs vs. Price of Oil



CBRE Hotels Research, Fred, CBRE EA

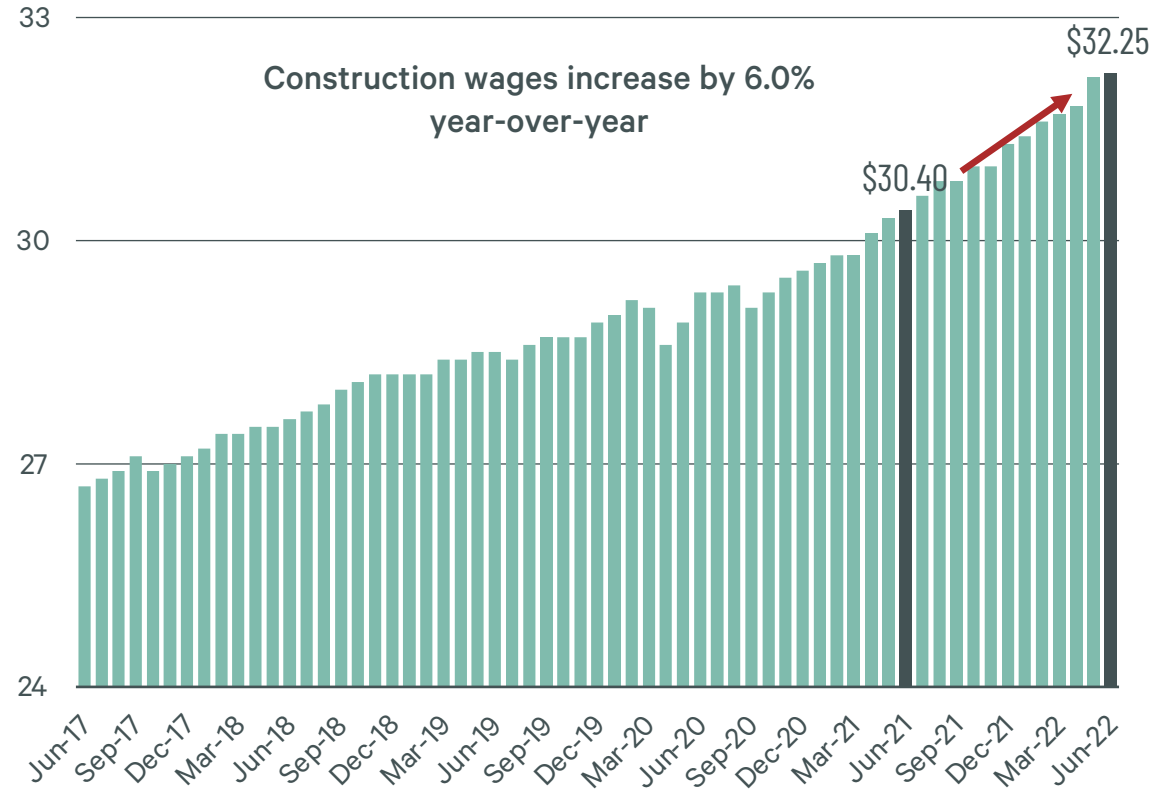
9

Supply Inputs

Higher wages and employment are headwinds to new construction

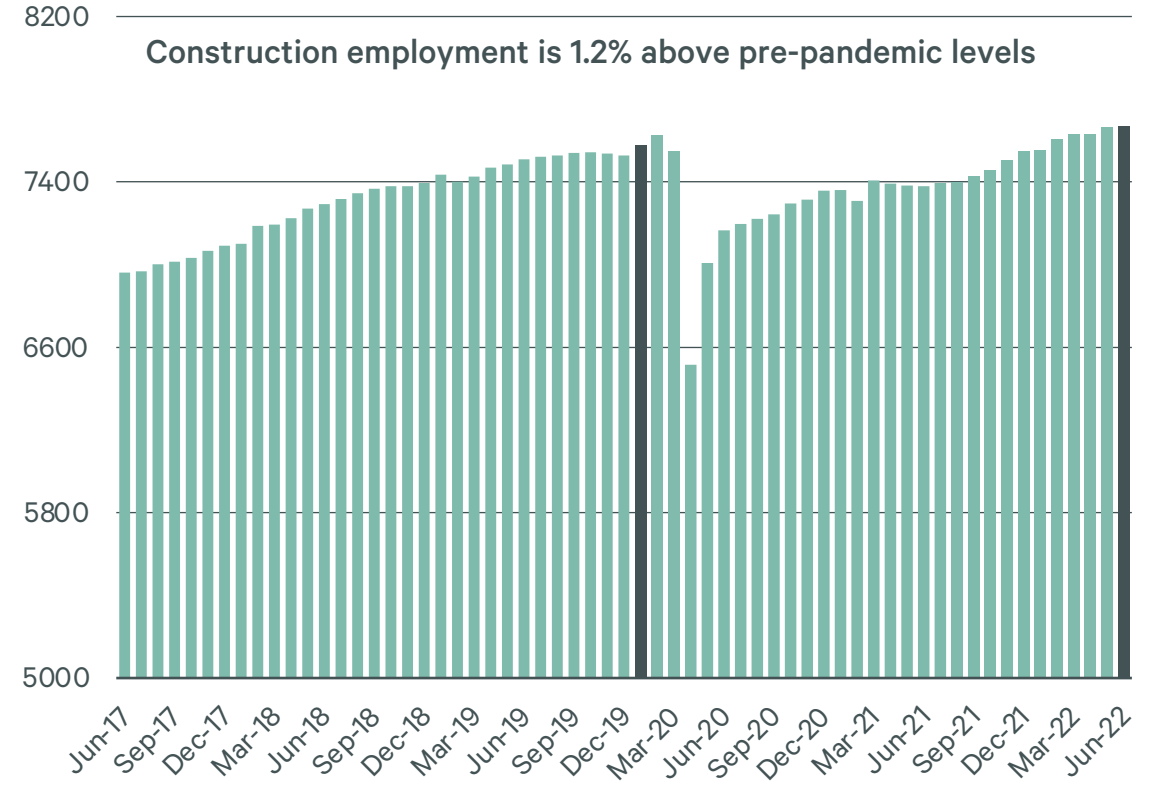
Construction Wages

(\$) Dollars Per Hour



Number of Construction Employees

Thousands

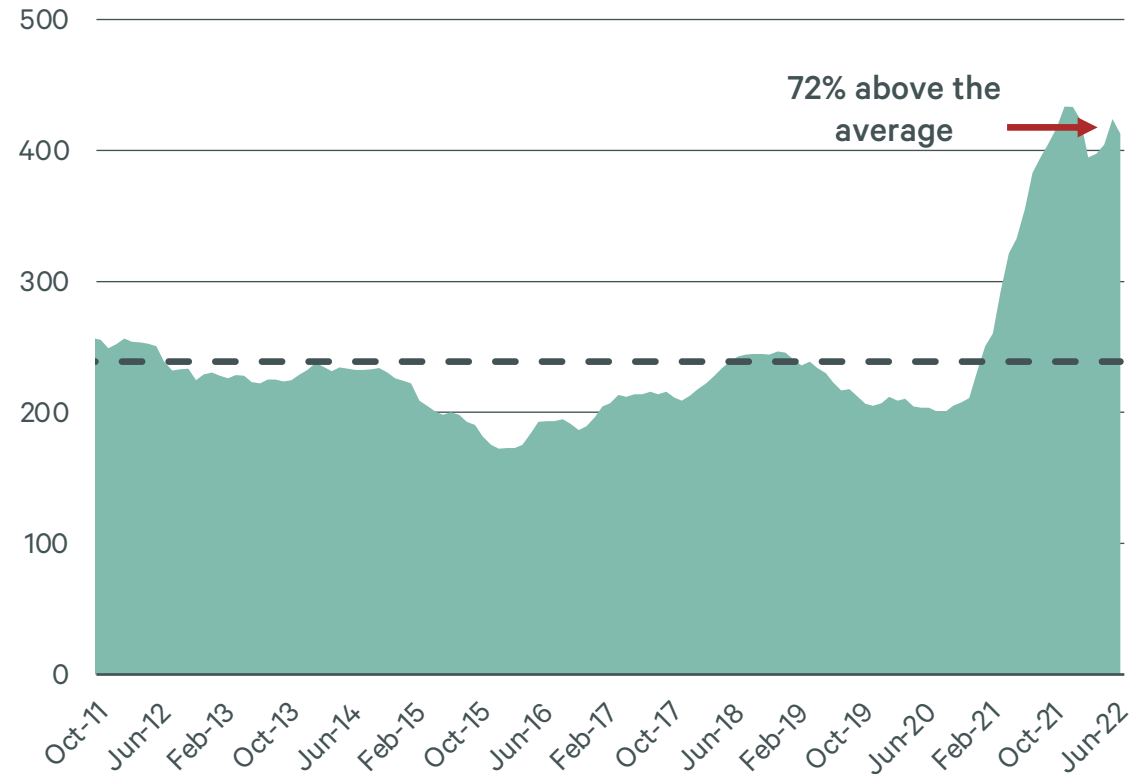


CBRE Hotels Research, CBRE EA, BLS

Construction inputs are still well above their long-run averages

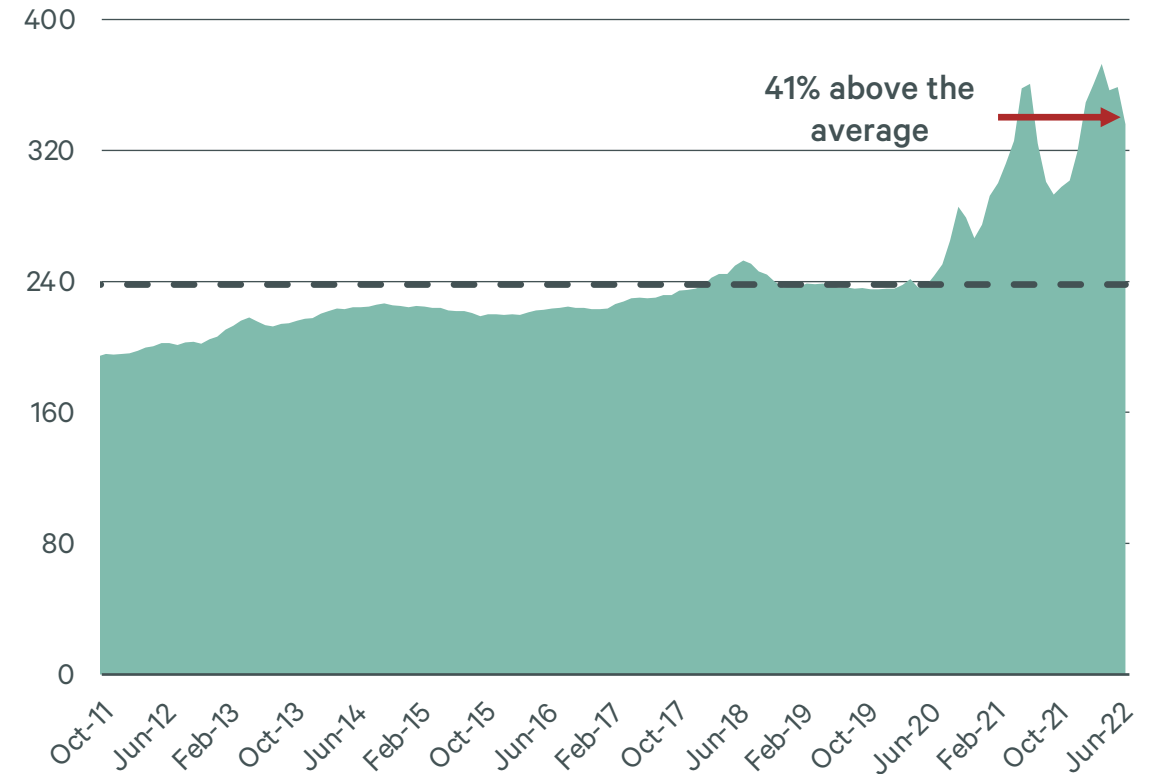
Steel and Iron

Producer Price Index



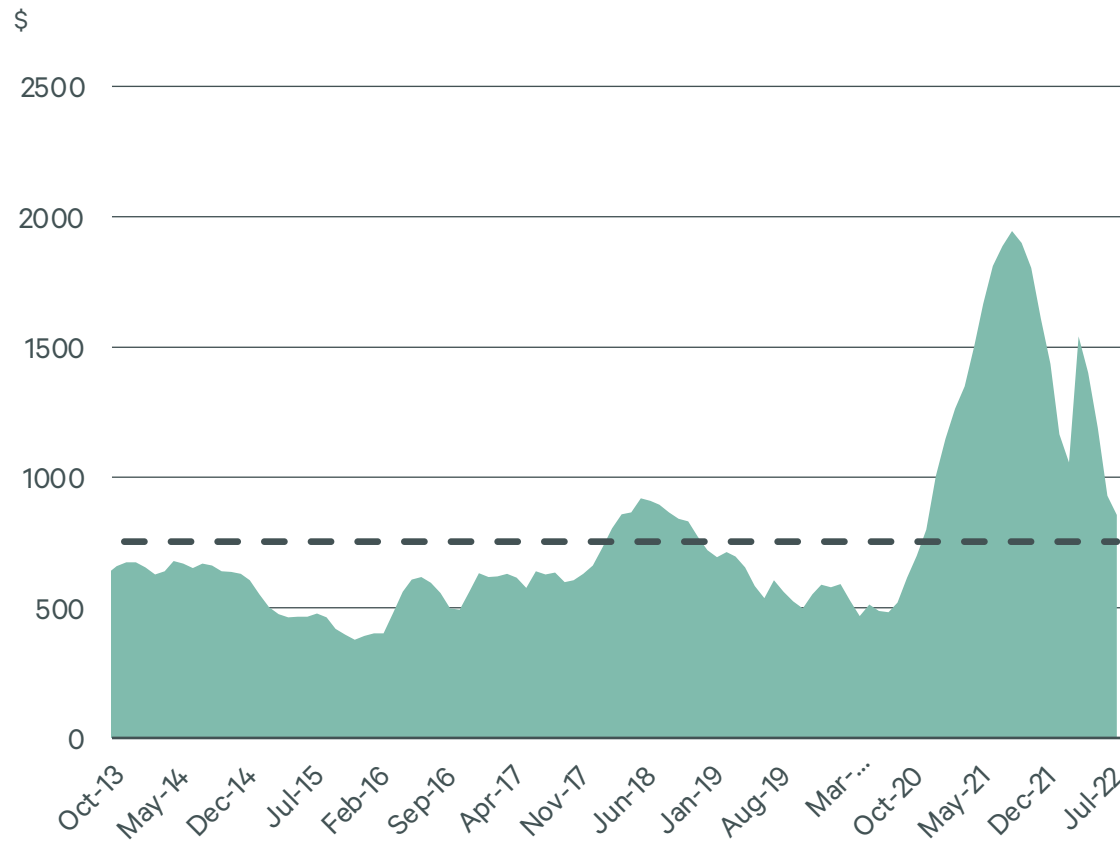
Lumber and Wood Products

Producer Price Index



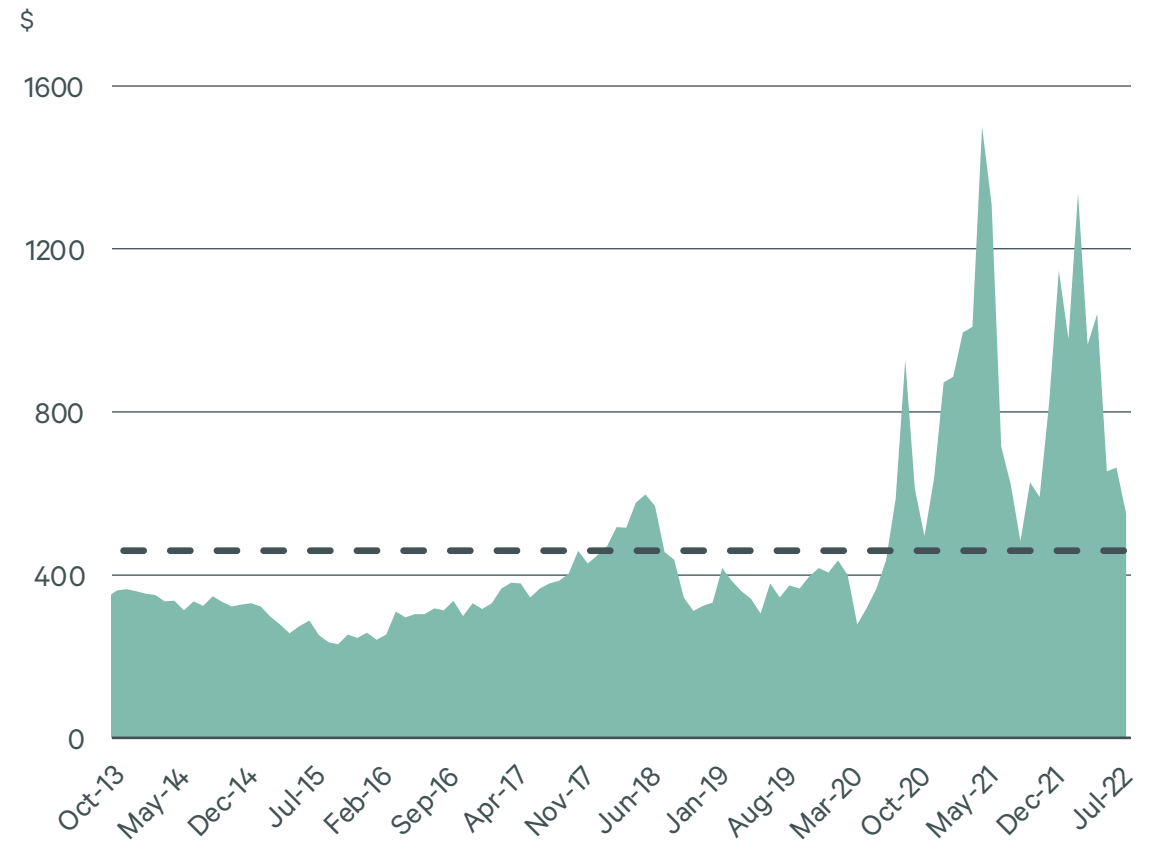
Futures indicate steel and lumber prices could moderate

Steel Futures



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

Lumber Futures



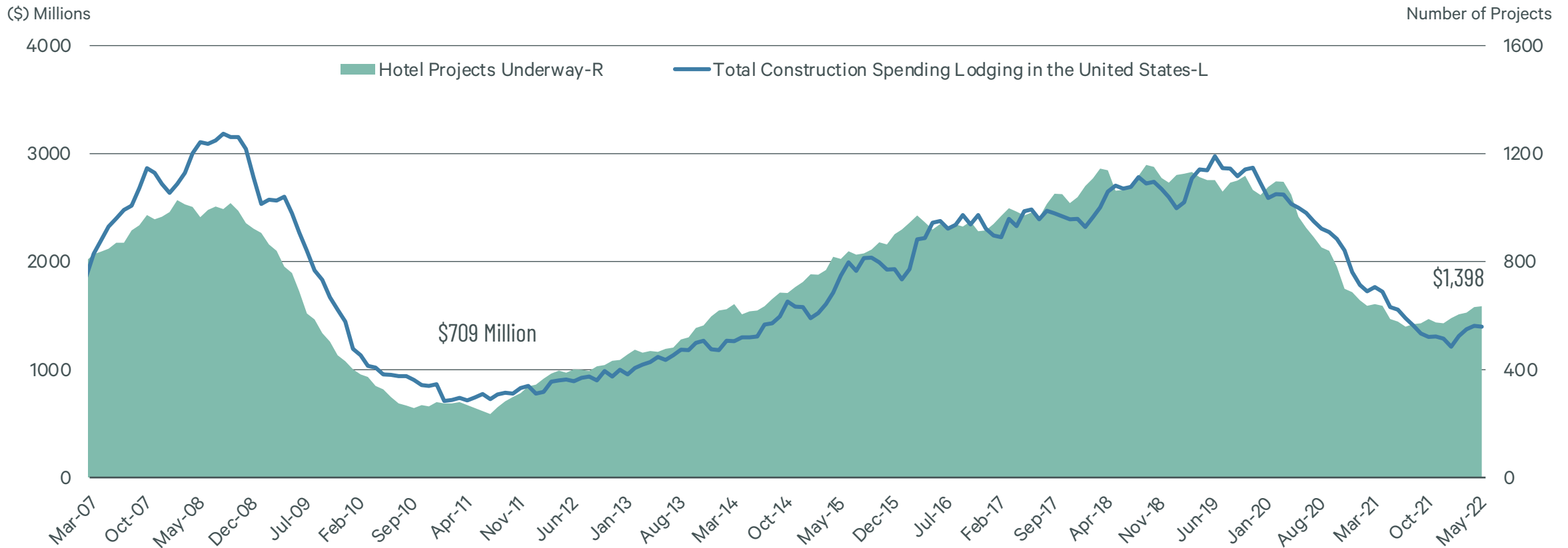
CBRE Hotels Research, CME Group, Lumber Futures

Hotel construction starts to turn upward



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

Projects Underway vs. Total Construction Spending



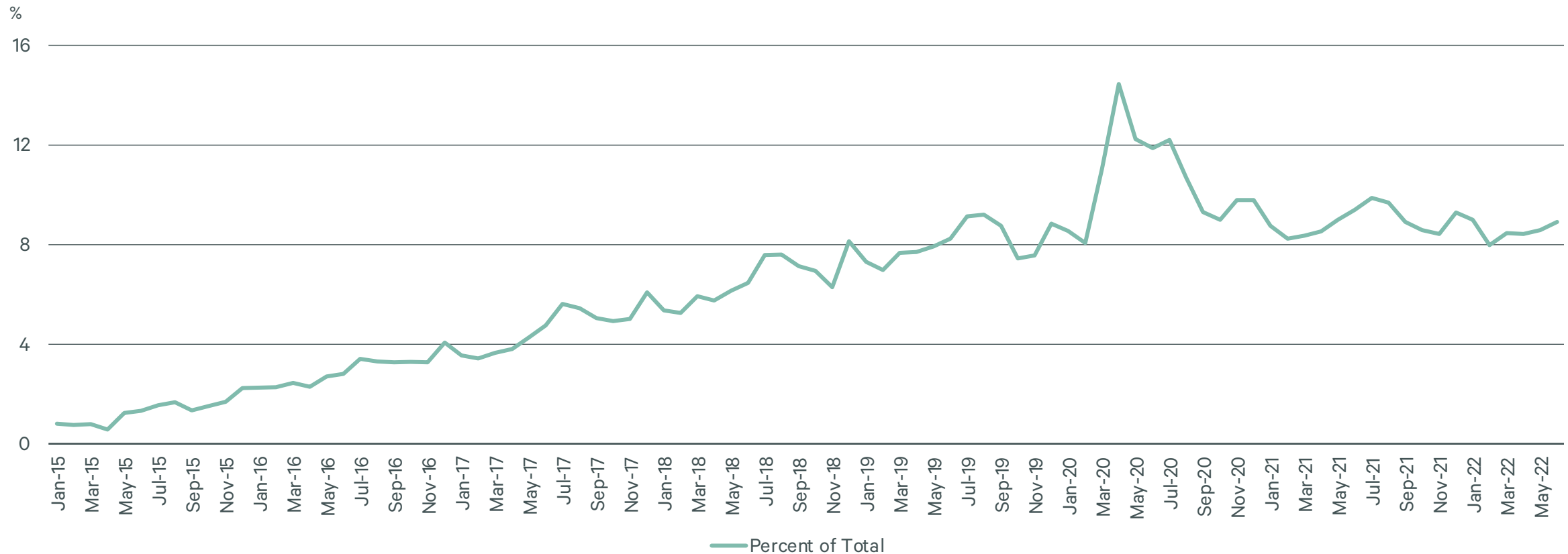
CBRE Hotels Research, US Census Bureau, Dodge Analytics

10

Short-term
Rentals

Short-term rental demand has normalized

STR Demand as a Percent of Total Demand

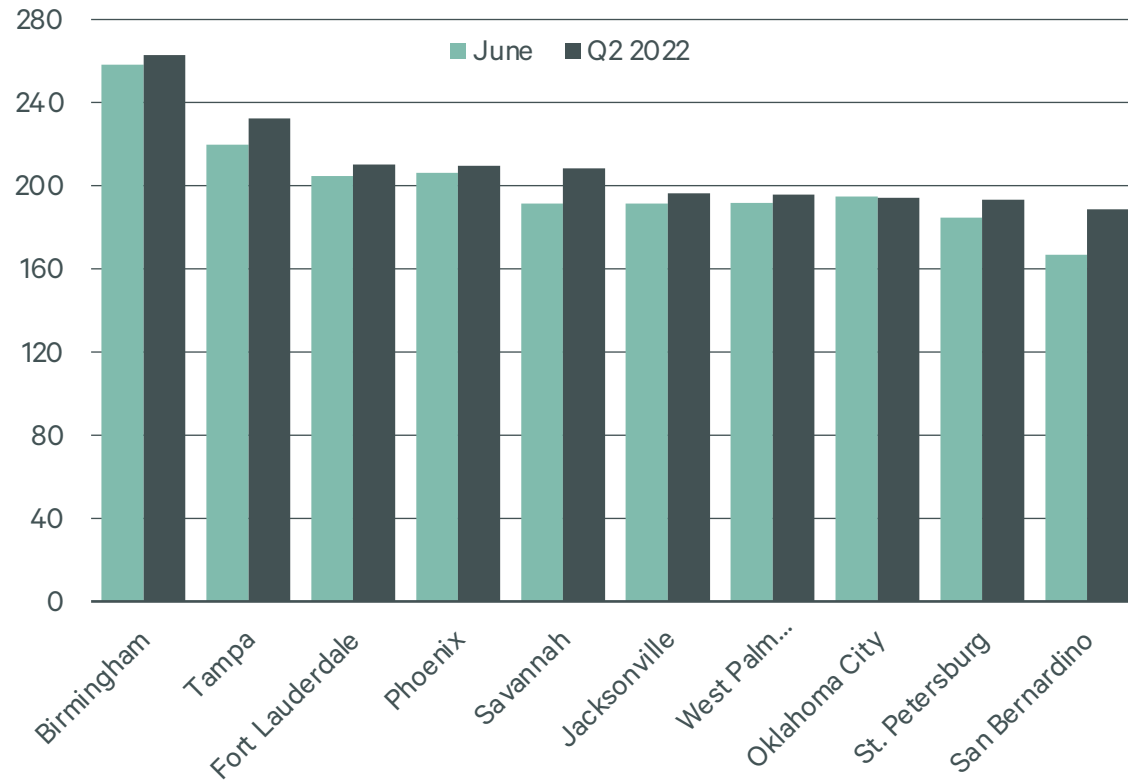


CBRE Hotels Research, Kalibri Labs, AirDNA

Both STRs and hotels show strength in southern and drive-to leisure destinations

Top 10: Short-term Rental Revenue 2022 vs. 2019

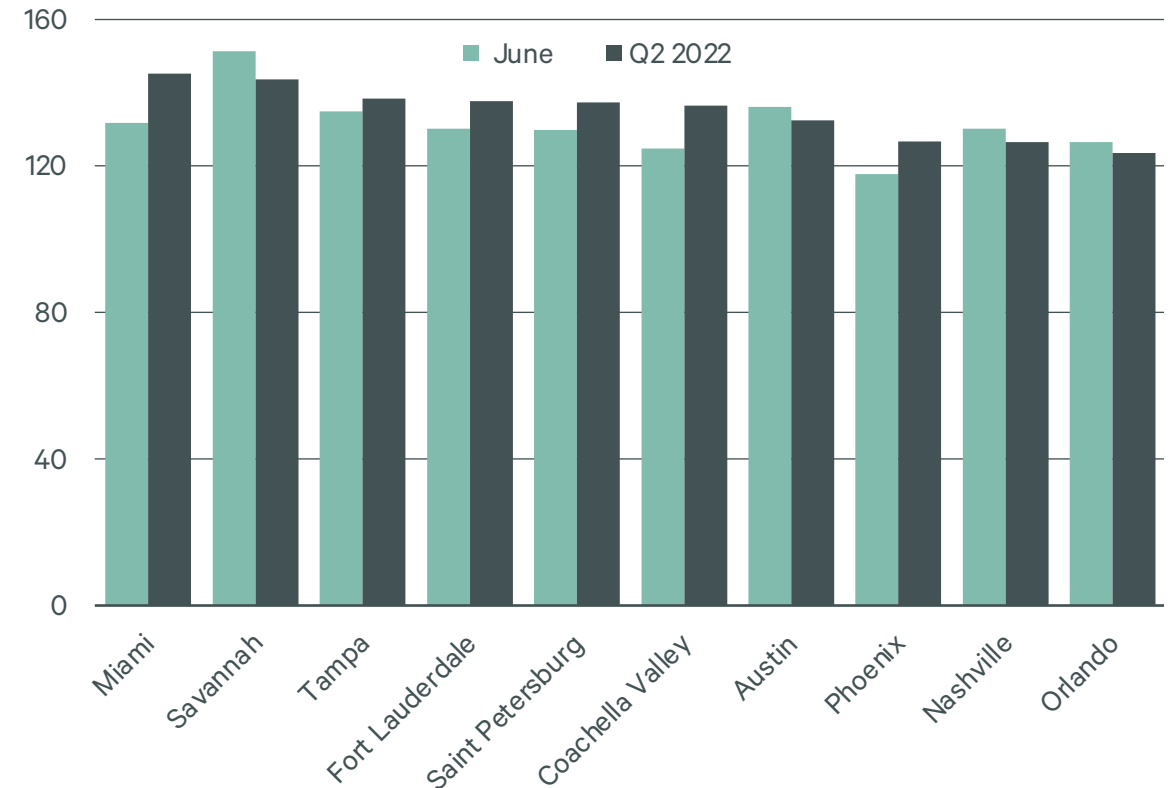
Percent of 2019 (%)



CBRE Hotels Research, Kalibri Labs, AirDNA

Top 10: Hotel Revenue 2022 vs. 2019

Percent of 2019 (%)

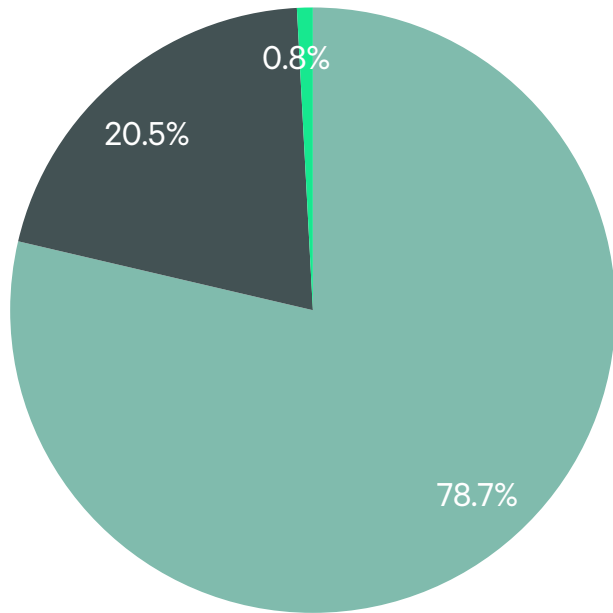


CBRE Hotels Research, Kalibri Labs

Entire home rentals are taking share

June 2019

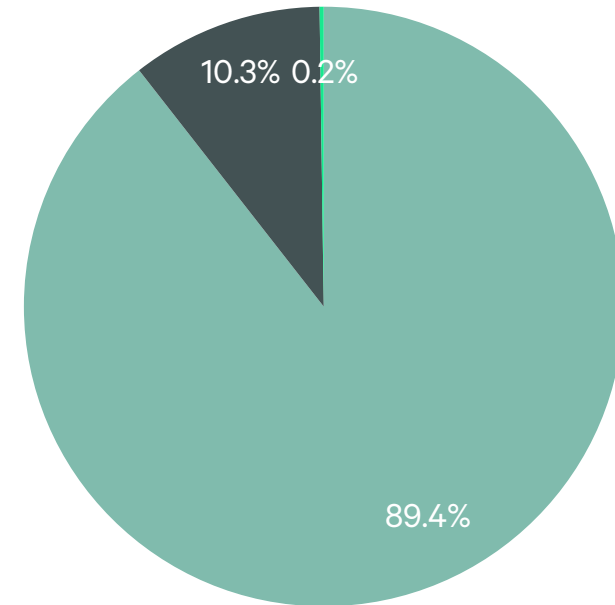
Percent of Total Supply



■ Entire home/apt ■ Private room ■ Shared room

June 2022

Percent of Total Supply



■ Entire home/apt ■ Private room ■ Shared room

Most challenged markets are urban areas

Bottom 10: Short-term Rental Revenue 2022 vs. 2019

Percent of 2019 (%)



CBRE Hotels Research, Kalibri Labs, AirDNA

Bottom 10: Hotel Revenue 2022 vs. 2019

Percent of 2019 (%)



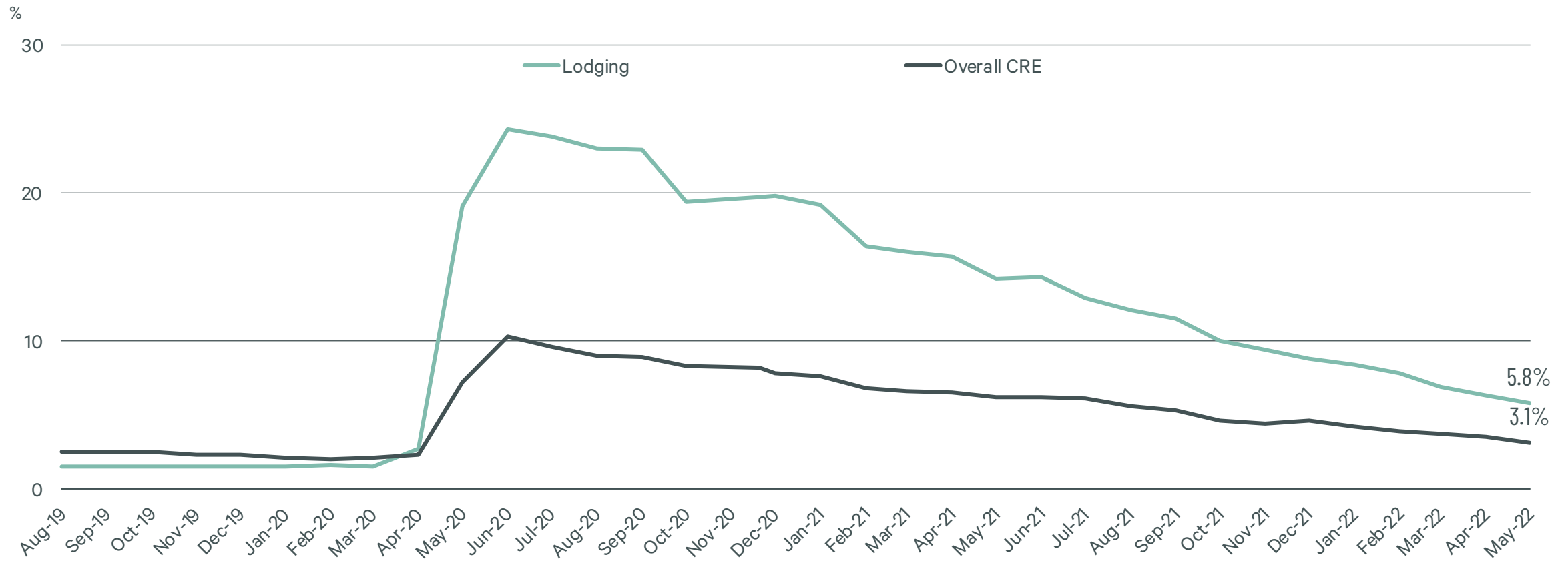
CBRE Hotels Research, Kalibri Labs

11

Capital
Markets

The delinquency rate has improved as hotels have reopened

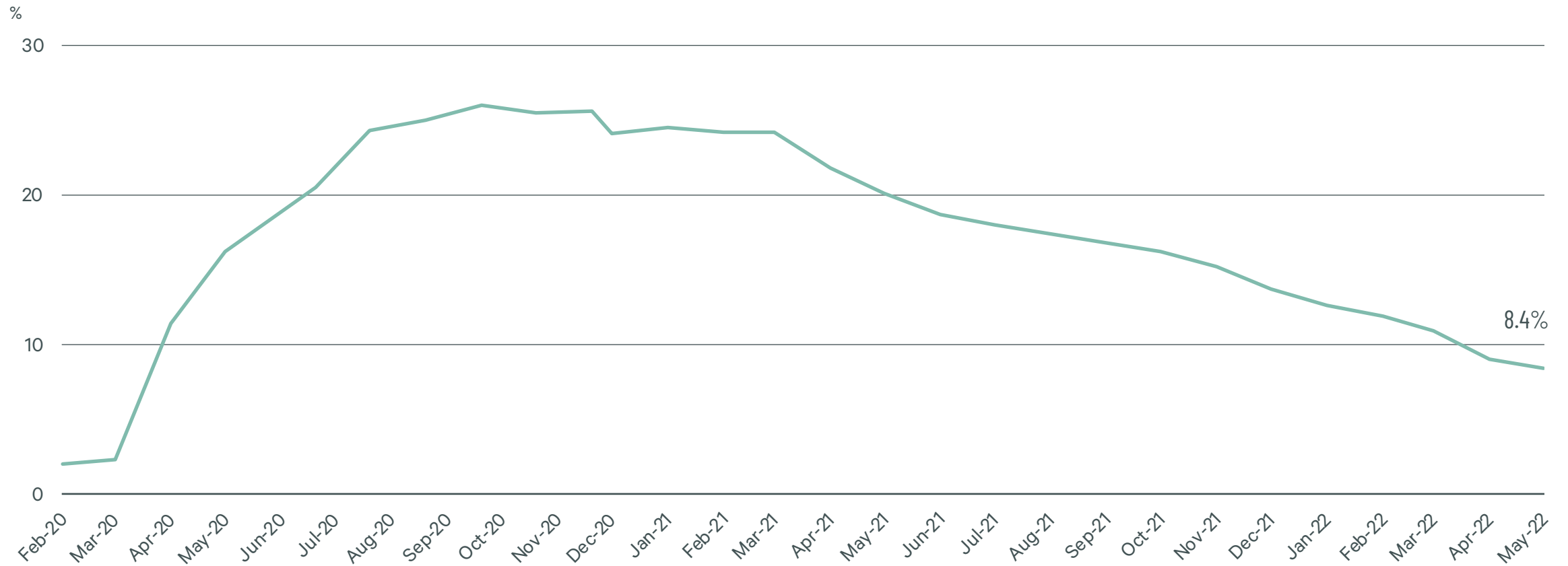
Lodging Delinquency Rate vs Overall Commercial Real Estate



CBRE Hotels Research, CBRE Debt & Structured Finance.

Lodging CMBS special servicing continues to improve

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



CBRE Hotels Research, CBRE Debt & Structured Finance.

Hotels Research Platform & Data Products

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

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

Schedule a Platform Demo Today!

**E
X
P
L
O
R
E**

MARKET FORECASTS
[HOTEL HORIZONS®]

- ECONOMETRICALLY DERIVED REPORTS
- 65 MAJOR U.S. MARKETS, 435+ SUBMARKETS
- FORECAST & HISTORICAL DATA
- MARKET SEGMENTATION
- ON-DEMAND ANALYSIS

**E
X
P
L
O
R
E**

BENCHMARKING
[BENCHMARKERSM]

- FINANCIAL REPORTING
- CUSTOMIZED CRITERA
- OPERATING PERFORMANCE DATA
- DATA ANALYSIS
- REPORTS PRESENTED IN USALI FORMAT

PLATFORM ADD-ONS

NEW SUPPLY [SUPPLYTRACK]	PROJECT PHASES SUPPLY STATISTICS PROJECT LEVEL SEARCH REPORT BUILDER
INVESTMENT PERFORMANCE	HOTEL VALUE SERIES PROFITABILITY FORECAST INVESTMENT INSIGHTS
HOTEL BUILDER	FLOW DATA QUICKLY PREVIEW SAVE & EXPORT EXTRACTS EXPLORER

Thank you

CBRE

FOR MORE INFORMATION



HOTELS

Will Webster

Sr. Research Analyst

M 404-326-9288

will.webster@cbre.com



HOTELS

Rachael Rothman, CFA

Head of Hotels Research

M 804-201-2004

rachael.rothman@cbre.com

CBRE ©2022 All Rights Reserved. All information included in this proposal pertaining to CBRE—including but not limited to its operations, employees, technology and clients—are proprietary and confidential, and are supplied with the understanding that they will be held in confidence and not disclosed to third parties without the prior written consent of CBRE. This letter/proposal is intended solely as a preliminary expression of general intentions and is to be used for discussion purposes only. The parties intend that neither shall have any contractual obligations to the other with respect to the matters referred herein unless and until a definitive agreement has been fully executed and delivered by the parties. The parties agree that this letter/proposal is not intended to create any agreement or obligation by either party to negotiate a definitive lease/purchase and sale agreement and imposes no duty whatsoever on either party to continue negotiations, including without limitation any obligation to negotiate in good faith or in any way other than at arm's length. Prior to delivery of a definitive executed agreement, and without any liability to the other party, either party may (1) propose different terms from those summarized herein, (2) enter into negotiations with other parties and/or (3) unilaterally terminate all negotiations with the other party hereto. CBRE and the CBRE logo are service marks of CBRE, Inc. All other marks displayed on this document are the property of their respective owners, and the use of such logos does not imply any affiliation with or endorsement of CBRE.