



VALUATION & ADVISORY

1Q 2021 HOTEL MARKET INSIGHTS REPORT



Hospitality, Gaming & Leisure Practice

San Francisco, CA

Fundamentals Dashboard

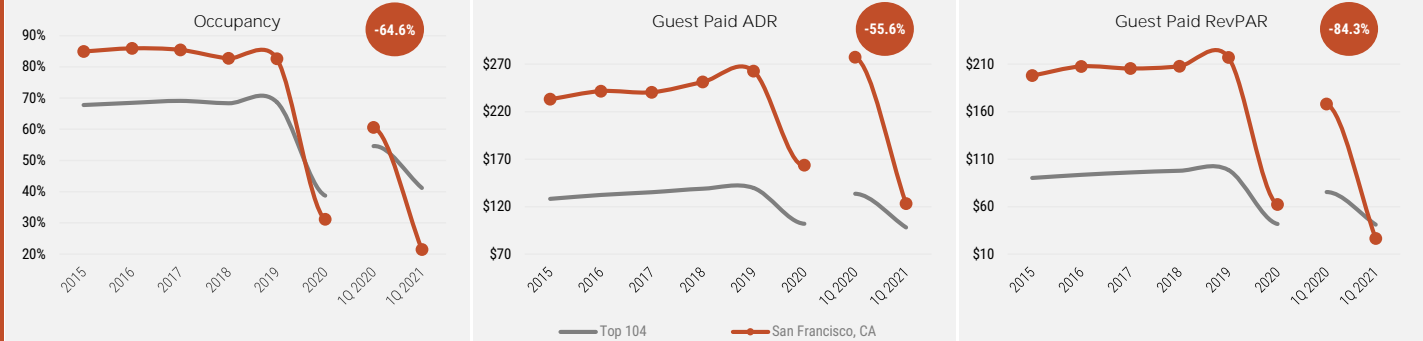
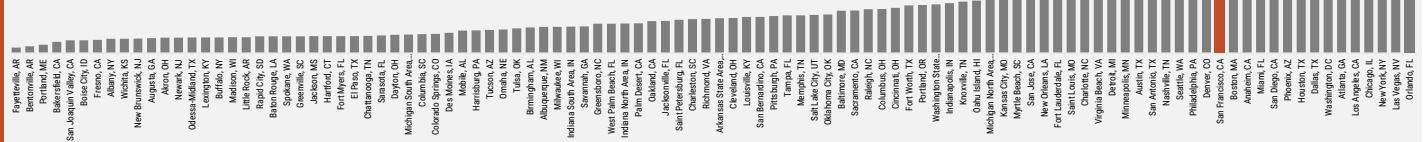
Lodging Performance Index

98th of 104

Soft

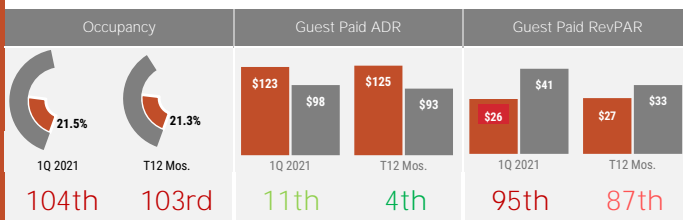
Ranking of overall '1Q 2021 LPI' performance (0.56) against all 104 surveyed markets.

Supply Ranking vs. Major US Markets



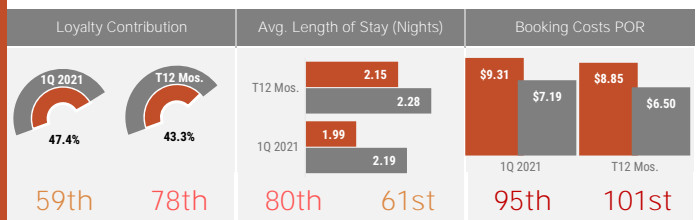
Key Performance Indexes

● Subject Market ● Top 104



Key Benchmark Indexes

Data provided by: **kalibri LABS**



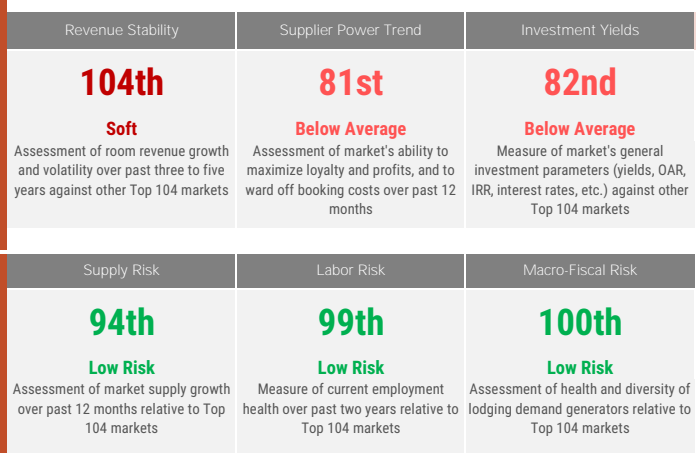
Discount and Capitalization Rates

Source: Newmark

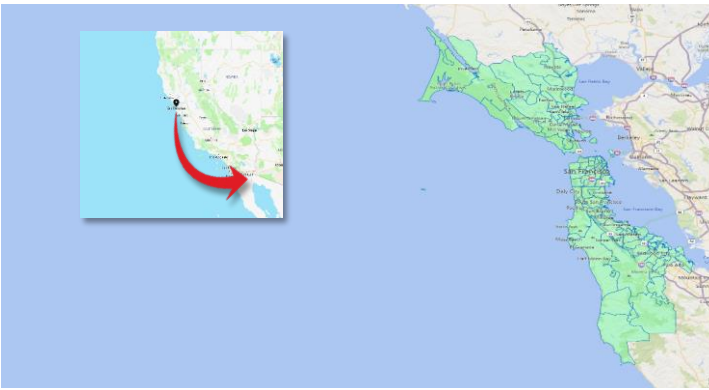


Trends and Risks

Source: Kalibri Labs, Newmark



Location



Quick Facts

Jurisdictional Information

Municipal Name:	San Francisco
County:	San Francisco County
State:	California
Geo Coordinates (market center):	37.775, -122.41944

Source: US Census Bureau,
Dept. of Labor Statistics

Major Hotel Demand Generators

University of California, San Francisco | Genentech Inc. | Wells Fargo | Oracle Corp. | Salesforce.com Inc. | Sutter Health | California Pacific Medical Center | Dignity Health | Uber Technologies Inc. | Kaiser Permanente | PG&E Corp. | Gap Inc. | Williams-Sonoma Inc. | Visa USA | VMware Inc. | Va Palo Alto Health Care System | San Francisco State University | Lucile Packard Health Care System | Space Systems | Charles Schwab Corp.

Metrics and Ranking

Population (hotel market area)	1,720,224
Income per Capita	\$96,265
Feeder Group Size	138.9 Persons PSR
Feeder Group Earnings	\$13,373,825 PSR
Total Market COPE	\$564.6 million

Measurement

Rankings

31st of 104 (Above Average)
2nd of 104 (Strong)
63rd of 104 (Average)
97th of 104 (Soft)
19th of 104 (Above Average)

Key Performance Metrics

Data provided by: **kalibri** LABS

YEAR ENDING	Occ %	Guest Paid ADR	RevPAR	COPE* ADR	RevPAR	Booking Cost POR	ADR COPE* %	Loyalty %	Avg. Length of Stay (Nights)	Supply (Available Rms)	Performance Index (LPI)
2015	84.9%	\$233.04	\$197.92	\$212.12	\$180.16	\$20.92	91.0%	39.9%	1.98	52,900	1.61
2016	85.9%	\$241.61	\$207.63	\$219.83	\$188.91	\$21.78	91.0%	42.8%	1.91	52,900	1.46
2017	85.5%	\$240.45	\$205.46	\$218.19	\$186.44	\$22.26	90.7%	44.1%	1.86	53,700	1.27
2018	82.7%	\$251.20	\$207.81	\$228.94	\$189.39	\$22.26	91.1%	45.4%	1.82	54,900	1.26
2019	82.6%	\$262.75	\$217.01	\$240.30	\$198.47	\$22.45	91.5%	50.9%	1.77	58,300	1.53
2020	31.1%	\$163.44	\$62.22	\$151.63	\$47.15	\$11.81	92.8%	45.3%	2.11	58,600	0.90
CAGR: 2015 thru 2020	-18.2%	-6.8%	-20.7%	-6.5%	-23.5%	-10.8%	0.4%	2.6%	1.3%	2.1%	-11.0%
1Q 2020	60.6%	\$277.19	\$167.87	\$256.06	\$155.08	\$21.13	92.4%	55.5%	1.80	58,000	1.20
1Q 2021	21.5%	\$123.13	\$26.43	\$113.82	\$24.43	\$9.31	92.4%	47.4%	1.99	57,000	0.56
% Change	-64.6%	-55.6%	-84.3%	-55.5%	-84.2%	-55.9%	0.1%	-14.7%	10.8%	-1.7%	-53.9%

*COPE: Contribution to Operating Profit and Expenses. Metrics do not account for Sales and Marketing Spend.

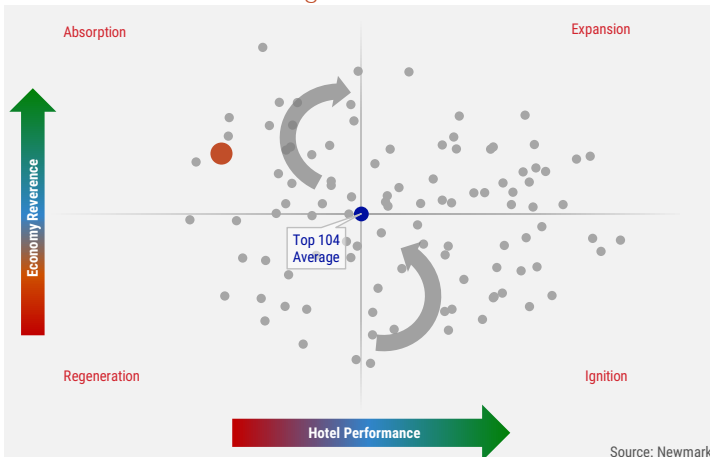
Notable Metrics

	Economy Median Income	T12-Month Guest Paid ADR	T12-Month COPE ADR
HIGHEST	2nd Strong San Francisco, CA exhibited strong Economy Median Income (\$96,265)	4th Strong The market benefited from strong T12-month Guest Paid ADR (\$124.92)	4th Strong The market also exhibited strong T12-month COPE ADR (\$116.07)
	Latest-Quarter Occupancy	T12-Month Occupancy	OAR: Economy/Ltd Svc
LOWEST	104th Soft This market exhibited weak latest-quarter occupancy (21.5%)	103rd Soft The market has been hindered by weak T12-month occupancy (21.3%)	101st Highly Unfavorable San Francisco, CA also exhibited unfavorable OAR metrics in the economy/ltd svc segment (9.9%)

Notable Trends

	Long-Term Historical Booking Costs POR Growth	Short-Term Historical Booking Costs POR Growth	T12-Month Rooms Supply Growth
HIGHEST	3rd Strong San Francisco, CA has benefited from low long-term historical booking costs POR growth (~12.0%)	3rd Strong The market enjoyed low short-term historical growth in booking costs (~25.3%)	11th Above Average The market also exhibited low rooms supply growth over the last 12 months (~1.8%)
	Short-Term Historical COPE RevPAR Growth	Short-Term Historical COPE ADR Growth	Short-Term Historical Guest Paid RevPAR Growth
LOWEST	104th Soft The market has been impeded by weak short-term historical COPE RevPAR growth (~49.3%)	104th Soft We note this area posted weak short-term historical COPE ADR growth (~21.5%)	104th Soft San Francisco, CA also has been hampered by weak short-term historical Guest Paid RevPAR growth (~49.5%)

Market Performance Stage



Source: Newmark

San Francisco, CA: Absorption Stage

The San Francisco, CA market is currently in the 'Absorption' stage of the performance cycle. In this stage, hotels are underperforming but in an economy with resilience and confidence the economy will recover from the COVID-19 crisis, presenting upside for CRE. Barriers to entry are high and the market typically hosts little or no new supply, allowing for the existing stock of rooms to be absorbed. Example markets in this stage include Anaheim, CA; Austin, TX; and Boston, MA.

Other Stages:

In the 'Regeneration' stage, hotels and the underlying economy are generally underperforming. The highest and best uses of hotel assets are challenged whether by COVID-19 impacts, oversupply, weak economic indicators, and/or poor corporate contribution. Hotel investors look for opportunities to either exit or regenerate demand. Example markets in this stage include Chicago, IL; New Orleans, LA; and Orlando, FL.

In the 'Ignition' stage, hotels generally perform adequately for operators to enjoy positive returns, with confidence the economy will recover from the COVID-19 crisis. While the general economy lags, strong hotel performance can ignite expansion in certain key sectors. Example markets in this stage include Detroit, MI; Knoxville, TN; and Miami, FL.

In the 'Expansion' stage, hotels generally perform adequately and in an economy with resilience and higher confidence the economy will recover from the COVID-19 crisis. Barriers to entry are low, displacement demand is high, and the market typically experiences an expansion of both hotel supply and general economic conditions. Example markets in this stage include Atlanta, GA; Fort Lauderdale, FL; and Fort Worth, TX.

Industry Observations

Business Cycle: In Expansion
Employment Growth (2 yr): 1.9%
Risk Exposure (402 US markets): 6th Percentile: Low Risk
Key Industry Notes: Financial, medical, high tech
Educated/skilled workforce
High incomes
Strong office market growth
Construction limitations

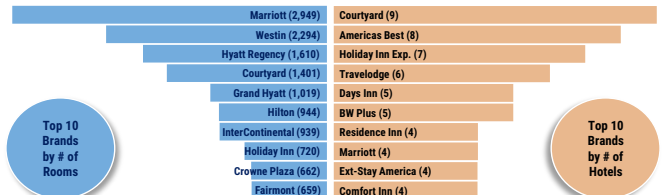
Moody's Rating

Aaa

Investment Grade

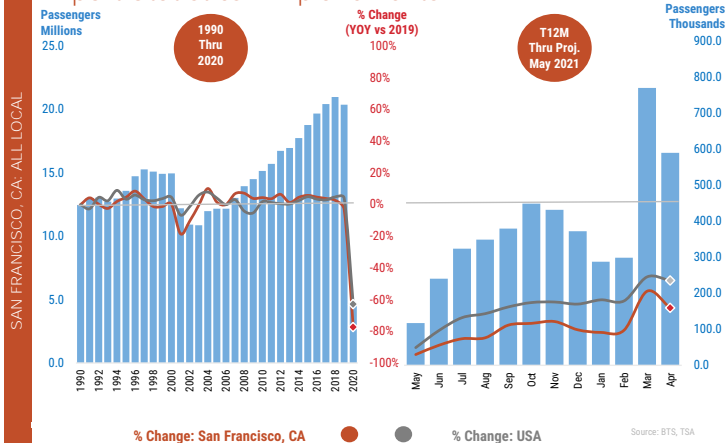
Long-term investment grade,
Prime-1 short-term outlook

TOP 10 BRANDS

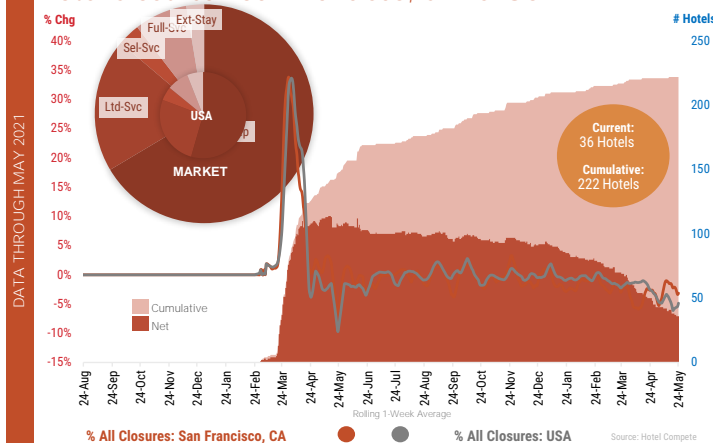


Source: Newmark

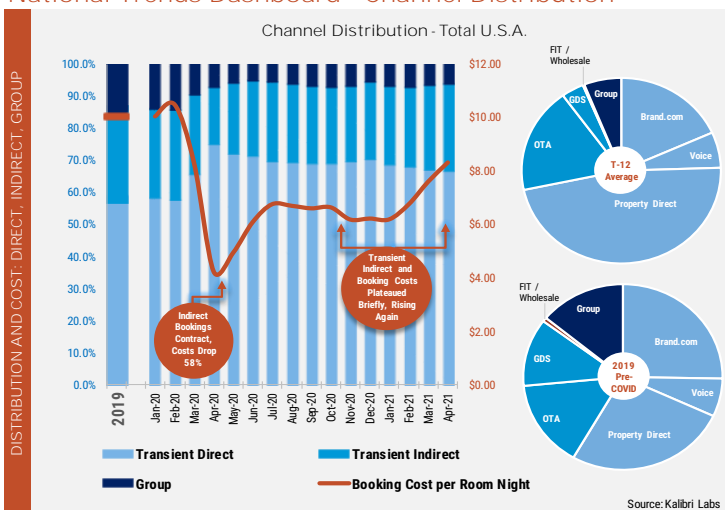
Airport Statistics - Enplanements



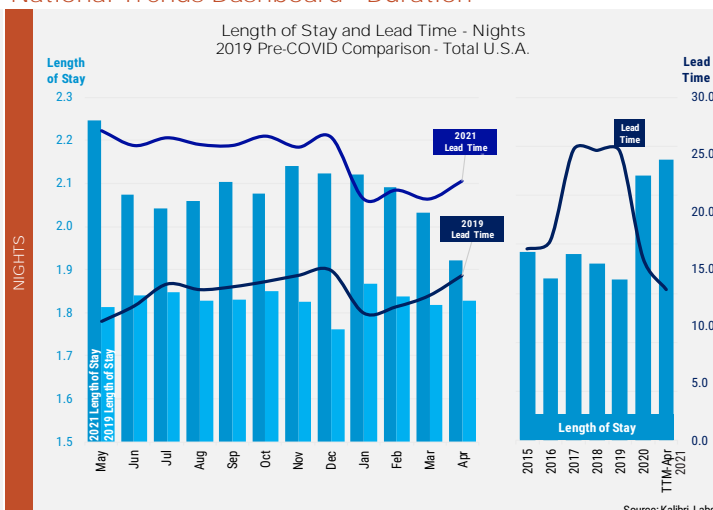
Hotel Closures - San Francisco, CA vs. USA



National Trends Dashboard - Channel Distribution



National Trends Dashboard - Duration



Newmark Hotel Market Insights Report Coverage



Akron, OH
Albany, NY
Albuquerque, NM
Anaheim, CA
Arkansas State Area, AR
Atlanta, GA
Augusta, GA
Austin, TX
Bakersfield, CA
Baltimore, MD
Baton Rouge, LA
Bentonville, AR
Birmingham, AL
Boise City, ID
Boston, MA
Buffalo, NY
Charlotte, NC
Chattanooga, TN
Chicago, IL
Cincinnati, OH
Cleveland, OH
Colorado Springs, CO
Columbia, SC
Columbus, OH
Dallas, TX

Dayton, OH
Denver, CO
Des Moines, IA
Detroit, MI
El Paso, TX
Fayetteville, AR
Fort Lauderdale, FL
Fort Myers, FL
Fort Worth, TX
Fresno, CA
Greensboro, NC
Greenville, SC
Harrisburg, PA
Hartford, CT
Houston, TX
Indiana North Area, IN
Indiana South Area, IN
Indianapolis, IN
Jackson, MS
Jacksonville, FL
Kansas City, MO
Knoxville, TN
Las Vegas, NV (Non-Strip)
Lexington, KY
Little Rock, AR
Los Angeles, CA

Louisville, KY
Madison, WI
Memphis, TN
Miami, FL
Michigan North Area, MI
Michigan South Area, MI
Milwaukee, WI
Minneapolis, MN
Mobile, AL
Myrtle Beach, SC
Nashville, TN
New Brunswick, NJ
New Orleans, LA
New York, NY
Newark, NJ
Oahu Island, HI (Branded)
Oakland, CA
Odessa-Midland, TX
Oklahoma City, OK
Omaha, NE
Orlando, FL (Non-Disney)
Palm Desert, CA
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Portland, ME

Portland, OR
Raleigh, NC
Rapid City, SD
Richmond, VA
Sacramento, CA
Salt Lake City, UT
Saint Petersburg, FL
San Antonio, TX
San Bernardino, CA
San Diego, CA
San Francisco, CA
San Joaquin Valley, CA
San Jose, CA
Sarasota, FL
Savannah, GA
Seattle, WA
Spokane, WA
Tampa, FL
Tucson, AZ
Tulsa, OK
Virginia Beach, VA
Washington State Area, WA
Washington, DC
West Palm Beach, FL
Wichita, KS

MARKET DISCLAIMERS

Las Vegas, NV; Oahu, HI; Orlando, FL: market data based on actual reporting properties only. Excludes vast majority of casino properties and assets located within the "strip" district of Las Vegas, as well as the vast majority of Disney-associated assets, which comprises most of the Orlando market.

Total Supply The total supply figures are aggregated estimates from multiple third-party sources.

Air Passenger Statistics The latest two months are estimates based on daily national trends reported by TSA. These data are subject to revision.

NORTHERN CALIFORNIA MARKETS

For more information:

Bryan Younge, MAI, ASA, FRICS
Senior Managing Director
Practice Leader - Hospitality, Gaming & Leisure
NEWMARK VALUATION & ADVISORY
Americas
M 773.263.4544
bryan.younge@nmrk.com

Chad Eschmeyer
Senior Vice President
Hospitality, Gaming & Leisure
NEWMARK VALUATION & ADVISORY
Northern California Markets
Dir 602.315.5888
chad.eschmeyer@nmrk.com