Newmark Knight Frank

HOSPITALITY, GAMING & LEISURE

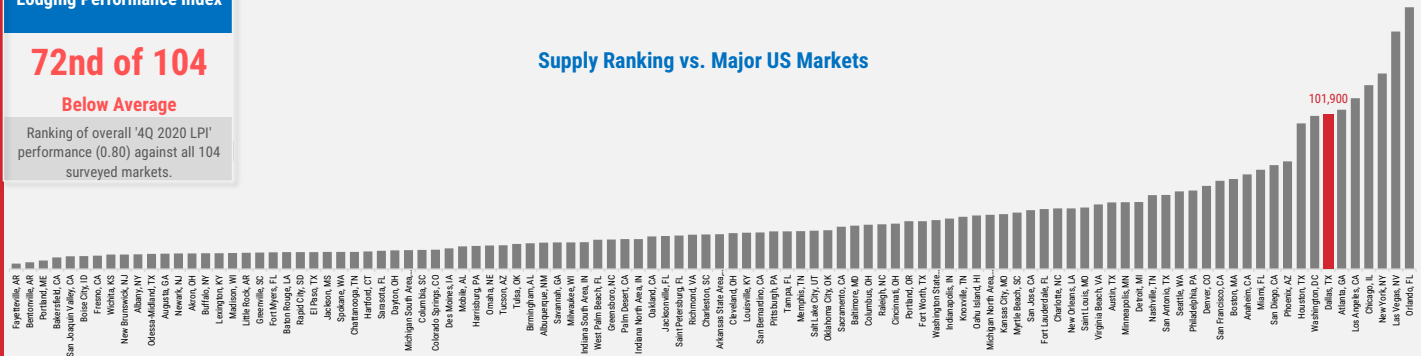## Fundamentals Dashboard (Data through 4Q 2020)

Lodging Performance Index
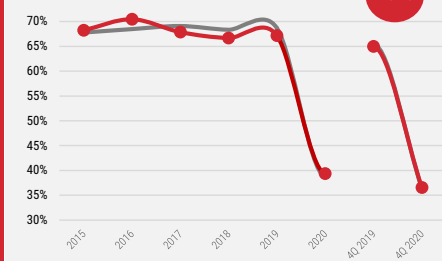
72nd of 104

Below Average

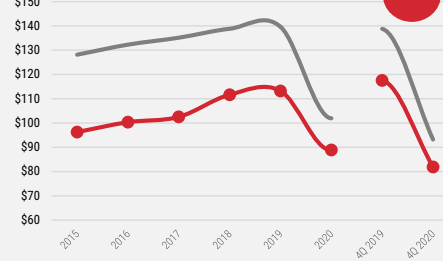Ranking of overall '4Q 2020 LPI' performance (0.80) against all 104 surveyed markets.

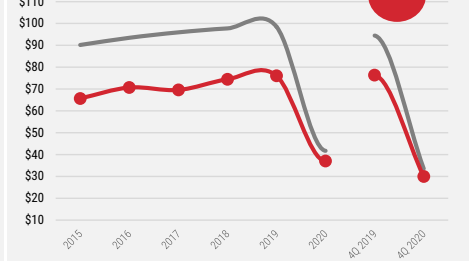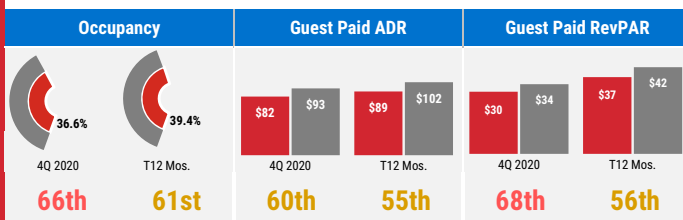### Supply Ranking vs. Major US Markets

101,900

KEY PERFORMANCE METRICS

Occupancy -43.7%

Guest Paid ADR -30.3%

Guest Paid RevPAR -60.8%

— Top 104   — Dallas, TX

Key Performance Indexes

● Subject Market   ● Top 104

PERFORMANCE INDEXES

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
36.6%	39.4%	$82 / $93	$89 / $102	$30 / $34	$37 / $42
4Q 2020	T12 Mos.	4Q 2020	T12 Mos.	4Q 2020	T12 Mos.
66th	**61st**	**60th**	**55th**	**68th**	**56th**

Key Benchmark Indexes

Data provided by: **Kalibri LABS**

BENCHMARK INDEXES

Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
4Q 2020 / 45.4%	T12 Mos. / 44.9%	T12 Mos. 2.19 / 2.23	4Q 2020 2.10 / 2.19	$5.78 / $6.66	$6.18 / $7.36
77th	**88th**	**67th**	**45th**	**51st**	**47th**
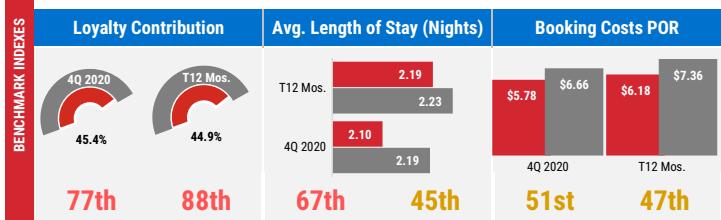
Discount and Capitalization Rates

Source: NKF

INVESTMENT PARAMETERS

Economy/Ltd Svc (IRR vs OAR)

Select-Service (IRR vs OAR)

Full-Service (IRR vs OAR)

Luxury/Upscale (IRR vs OAR)

Trends and Risks

Source: Kalibri Labs, NKF

FUNDAMENTALS

Revenue Stability	Supplier Power Trend	Investment Yields
79th	**88th**	**75th**
Below Average	Below Average	Below Average
Assessment of room revenue growth and volatility over past three to five years against other Top 104 markets	Assessment of market's ability to maximize loyalty and profits, and to ward off booking costs over past 12 months	Measure of market's general investment parameters (yields, OAR, IRR, interest rates, etc.) against other Top 104 markets

RISKS

Supply Risk	Labor Risk	Macro-Fiscal Risk
47th	**93rd**	**81st**
Average Risk	Low Risk	Below Average
Assessment of market supply growth over past 12 months relative to Top 104 markets	Measure of current employment health over past two years relative to Top 104 markets	Assessment of health and diversity of lodging demand generators relative to Top 104 markets

Location

Quick Facts

Jurisdictional Information

Source: US Census Bureau, Dept. of Labor Statistics

Municipal Name:	Dallas
County:	Collin County, Dallas County, Denton County, and others
State:	Texas
Geo Coordinates (market center):	32.79333, -96.76651

Major Hotel Demand Generators

Wal-Mart Stores Inc. | AT&T | Baylor Scott & White Health | Bank of America Corp. | Texas Instruments Inc. | JPMorgan Chase & Co. | HCA North Texas Division | UT Southwestern Medical Center | Southwest Airlines Co. | Target Brands Inc. | Verizon | Raytheon Co. | Cook Children's Health Care System | The Kroger Co. | Methodist Health System | Albertsons Cos. LLC | FRM LLC | Citi | Capital One | Children's Health

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	4,586,319	
Income per Capita	$47,285	58th of 104 (Average)
Feeder Group Size	116.4 Persons PSR	50th of 104 (Average)
Feeder Group Earnings	$5,504,821 PSR	50th of 104 (Average)
Total Market COPE	$1.3 billion	9th of 104 (Strong)

Key Performance Metrics

Data provided by: Kalibri LABS

YEAR ENDING	Occ %	Guest Paid ADR	Guest Paid RevPAR	COPE* ADR	COPE* RevPAR	Booking Cost POR	ADR COPE* %	Loyalty %	Avg. Length of Stay (Nights)	Supply (Available Rms)	Performance Index (LPI)
2015	68.2%	$96.29	$65.70	$89.12	$60.81	$7.17	92.6%	41.3%	2.48	84,800	1.12
2016	70.5%	$100.35	$70.70	$92.76	$65.36	$7.58	92.4%	42.8%	2.47	85,400	1.14
2017	67.9%	$102.53	$69.58	$94.32	$64.02	$8.20	92.0%	45.3%	2.35	87,400	1.08
2018	66.7%	$111.67	$74.46	$102.78	$68.53	$8.89	92.0%	49.6%	2.23	89,000	1.03
2019	67.2%	$113.23	$76.05	$104.28	$70.04	$8.94	92.1%	54.7%	2.16	100,400	1.07
2020	39.4%	$88.89	$37.00	$82.72	$32.56	$6.18	93.1%	44.9%	2.19	101,900	0.80
CAGR: 2015 thru 2020	-10.4%	-1.6%	-10.8%	-1.5%	-11.7%	-2.9%	0.1%	1.7%	-2.4%	3.7%	-6.7%
4Q 2019	65.0%	$117.52	$76.34	$108.26	$70.32	$9.26	92.1%	54.6%	1.98	100,400	1.07
4Q 2020	36.6%	$81.89	$29.95	$76.11	$27.84	$5.78	92.9%	45.4%	2.10	101,900	0.80
% Change	-43.7%	-30.3%	-60.8%	-29.7%	-60.4%	-37.6%	0.9%	-16.7%	6.0%	1.5%	-25.6%

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

Notable Metrics

HIGHEST

Total Rooms Sold	Total Rooms Supply	IRR: Full-Service
6th Strong	**7th** Strong	**18th** Favorable
Dallas, TX boasted strong total rooms sold (14,379,287)	The market benefits from a large and diverse hotel market (101,905)	The market also enjoyed favorable IRR metrics in the full-service segment (9.7%)

LOWEST

T12-Month Loyalty Contribution	OAR: Economy/Ltd Svc	OAR: Luxury/Upscale
88th Below Average	**87th** Unfavorable	**78th** Unfavorable
This market has been hindered by weak T12-month loyalty contribution (44.9%)	The market exhibited unfavorable OAR metrics in the economy/ltd svc segment (9.5%)	Dallas, TX also exhibited unfavorable OAR metrics in the luxury/upscale segment (7.5%)

Notable Trends

FASTEST

Short-Term Historical Supply Growth	Long-Term Historical Booking Costs POR Growth	Short-Term Historical Booking Costs POR Growth
16th Above Average	**25th** Above Average	**27th** Above Average
Dallas, TX has benefited from low short-term historical supply growth (4.2%)	The market has benefited from low long-term historical booking costs POR growth (-6.6%)	The market also enjoyed low short-term historical growth in booking costs (-17.2%)

SLOWEST

Long-Term Historical Average Length of Stay Growth	Short-Term Historical Average Length of Stay Growth	Long-Term Historical Supply Growth
94th Soft	**92nd** Soft	**87th** Below Average
The market exhibited weak long-term historical average length of stay growth (-0.8%)	We note this area exhibited weak short-term historical average length of stay growth (0.3%)	Dallas, TX also has been burdened by high long-term historical supply growth (3.6%)

Market Performance Stage

Source: NKF

Dallas, TX: Absorption Stage

Absorption

The Dallas, TX 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 Boston, MA; Charlotte, NC; and Fort Lauderdale, FL.

Other Stages:

Regeneration

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; Detroit, MI; and Las Vegas, NV.

Ignition

In the 'Ignition' stage, hotels generally perform adequately for operators to enjoy positive returns, with confidence 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 Cincinnati, OH; Knoxville, TN; and Michigan North Area, MI.

Expansion

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 Anaheim, CA; Atlanta, GA; and Austin, TX.

Industry Observations

MOODY'S ANALYTICS, INC.

Business Cycle:	In Recovery
Employment Growth (2 yr):	-1.2%
Risk Exposure (402 US markets):	11th Percentile: Low Risk
Key Industry Notes:	Financial, high tech
	Professional services demand
	Distribution center for SW
	Favorable migration trends
	Volatile high tech exposure

Moody's Rating

Aaa
Investment Grade

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

TOP 10 BRANDS

Top 10 Brands by # of Rooms
- Hilton (3,614)
- Courtyard (3,383)
- Budget Suites (3,270)
- Holiday Inn Exp. (3,206)
- La Quinta (3,177)
- Motel 6 (3,127)
- Sheraton (3,068)
- Marriott (2,802)
- Hampton Inn (2,721)
- Hyatt Regency (2,571)

Top 10 Brands by # of Hotels
- Motel 6 (36)
- Holiday Inn Exp. (35)
- La Quinta (34)
- Hampton Inn (25)
- Courtyard (23)
- Residence Inn (20)
- Super 8 (17)
- Comfort Suites (16)
- Home2 (15)
- Fairfield Inn (15)

Source: NKF

Airport Statistics - Enplanements

Passengers Millions — DALLAS, TX: ALL LOCAL

1990 Thru 2020

% Change (YOY)

T12M Thru Dec 2020

Passengers Thousands

% Change: Dallas, TX ● | % Change: USA ●

Source: BTS, TSA
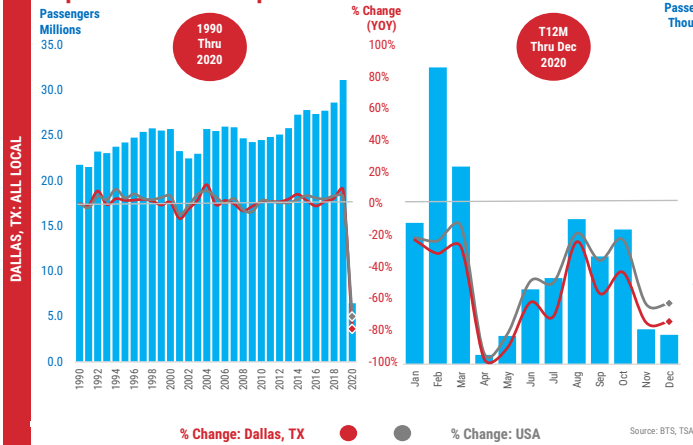
Net Hotel Closures - Dallas, TX vs. USA

YTD FEBRUARY 2020 THROUGH JANUARY 2021

% Chg | # Hotels

Ext-Stay, Full-Svc, Indep, Sel-Svc, USA, MARKET, Ltd-Svc

Rolling 1-Week Average

% All Closures: Dallas, TX ● | % All Closures: USA ●

Source: Hotel Compete
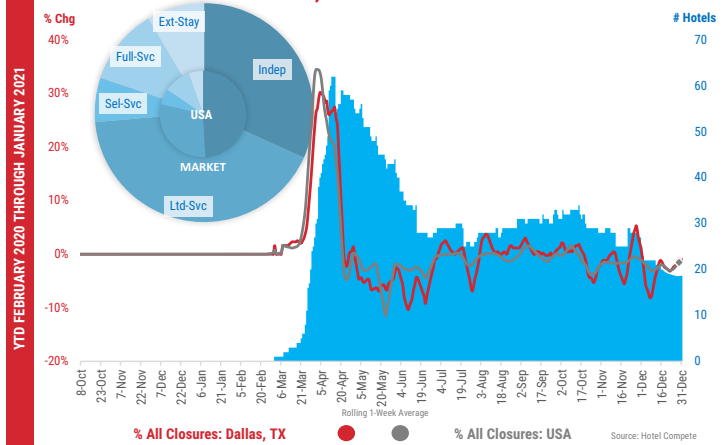
National Trends Dashboard - Pricing

US Hotel Pricing vs. Cap Rates

US HOTEL PRICING VS. CAP RATES

Rates increased, pricing dipped 30-50% but mostly recovered.

Pricing-F/S ▬ | Pricing-L/S ▬ | Cap Rate - Full Service ▬ | Cap Rate - Limited Service ▬

Source: RCA
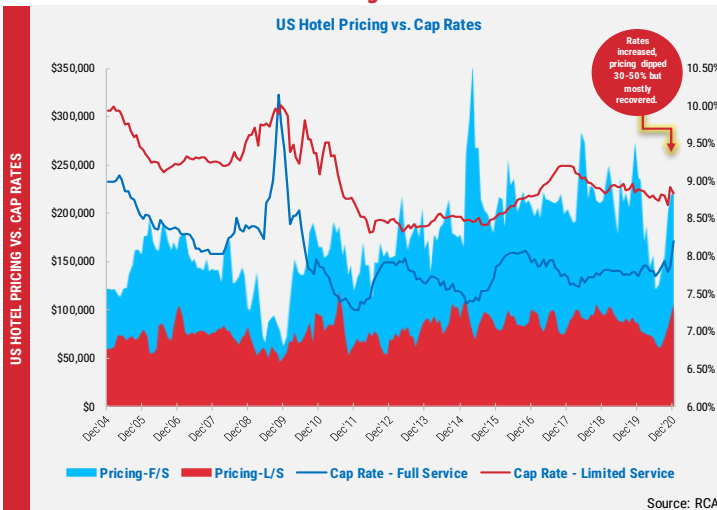
National Trends Dashboard - Channel Distribution

Channel Distribution - Trailing 12 Months - Total U.S.A.

DISTRIBUTION AND COST: DIRECT, INDIRECT, GROUP

Direct Bookings Surge 30%, Costs Drop 55%

Transient Indirect and Booking Costs Plateauing

T-12 Average

FIT / Wholesale, Group, Brand.com, GDS, Voice, OTA, Property Direct

Transient Direct ■ | Transient Indirect ■ | Group ■ | Booking Cost / RN ▬

Source: Kalibri Labs
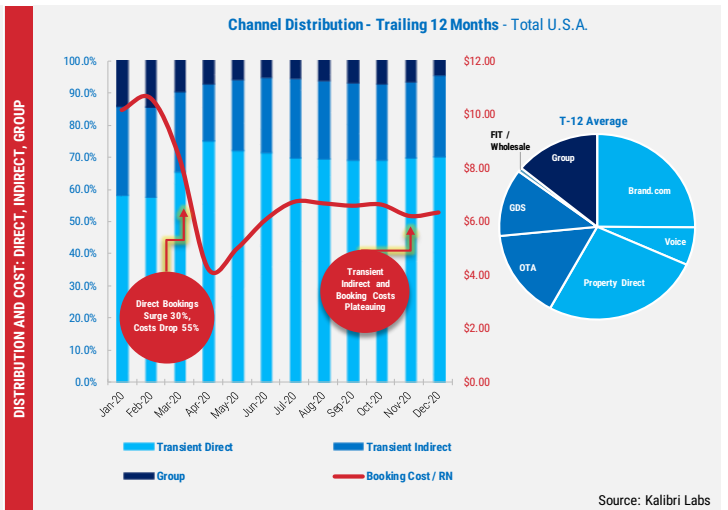
NKF Hotel Market Nsights Report Coverage

Akron, OH	Dayton, OH	Louisville, KY	Portland, OR
Albany, NY	Denver, CO	Madison, WI	Raleigh, NC
Albuquerque, NM	Des Moines, IA	Memphis, TN	Rapid City, SD
Anaheim, CA	Detroit, MI	Miami, FL	Richmond, VA
Arkansas State Area, AR	El Paso, TX	Michigan North Area, MI	Sacramento, CA
Atlanta, GA	Fayetteville, AR	Michigan South Area, MI	Saint Louis, MO
Augusta, GA	Fort Lauderdale, FL	Milwaukee, WI	Saint Petersburg, FL
Austin, TX	Fort Myers, FL	Minneapolis, MN	Salt Lake City, UT
Bakersfield, CA	Fort Worth, TX	Mobile, AL	San Antonio, TX
Baltimore, MD	Fresno, CA	Myrtle Beach, SC	San Bernardino, CA
Baton Rouge, LA	Greensboro, NC	Nashville, TN	San Diego, CA
Bentonville, AR	Greenville, SC	New Brunswick, NJ	San Francisco, CA
Birmingham, AL	Harrisburg, PA	New Orleans, LA	San Joaquin Valley, CA
Boise City, ID	Hartford, CT	New York, NY	San Jose, CA
Boston, MA	Houston, TX	Newark, NJ	Sarasota, FL
Buffalo, NY	Indiana North Area, IN	Oahu Island, HI (Branded)	Savannah, GA
Charleston, SC	Indiana South Area, IN	Oakland, CA	Seattle, WA
Charlotte, NC	Indianapolis, IN	Odessa-Midland, TX	Spokane, WA
Chattanooga, TN	Jackson, MS	Oklahoma City, OK	Tampa, FL
Chicago, IL	Jacksonville, FL	Omaha, NE	Tucson, AZ
Cincinnati, OH	Kansas City, MO	Orlando, FL (Non-Disney)	Tulsa, OK
Cleveland, OH	Knoxville, TN	Palm Desert, CA	Virginia Beach, VA
Colorado Springs, CO	Las Vegas, NV (Non-Strip)	Philadelphia, PA	Washington State Area, WA
Columbia, SC	Lexington, KY	Phoenix, AZ	Washington, DC
Columbus, OH	Little Rock, AR	Pittsburgh, PA	West Palm Beach, FL
Dallas, TX	Los Angeles, CA	Portland, ME	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.

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