NKF Hotel Market Nsights Report - 4Q 2020
Denver, CO

Newmark Knight Frank

HOSPITALITY, GAMING & LEISURE
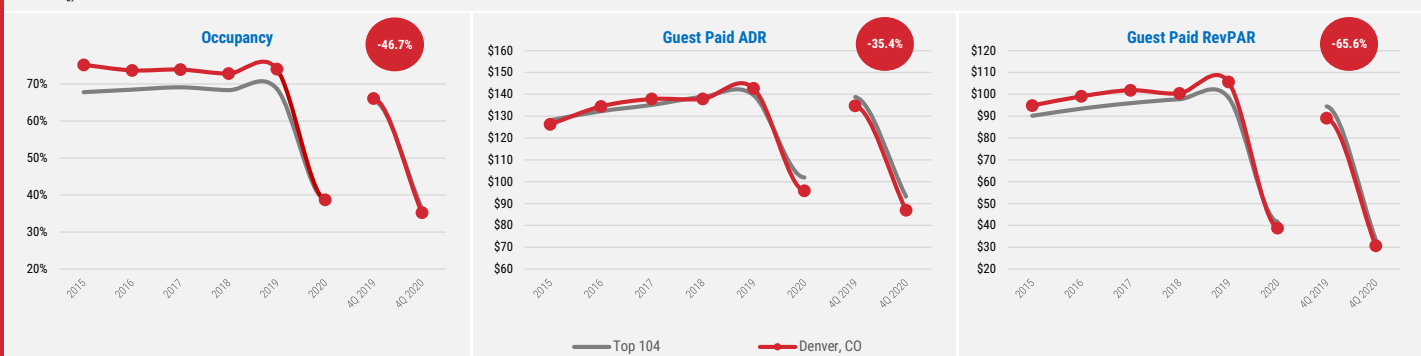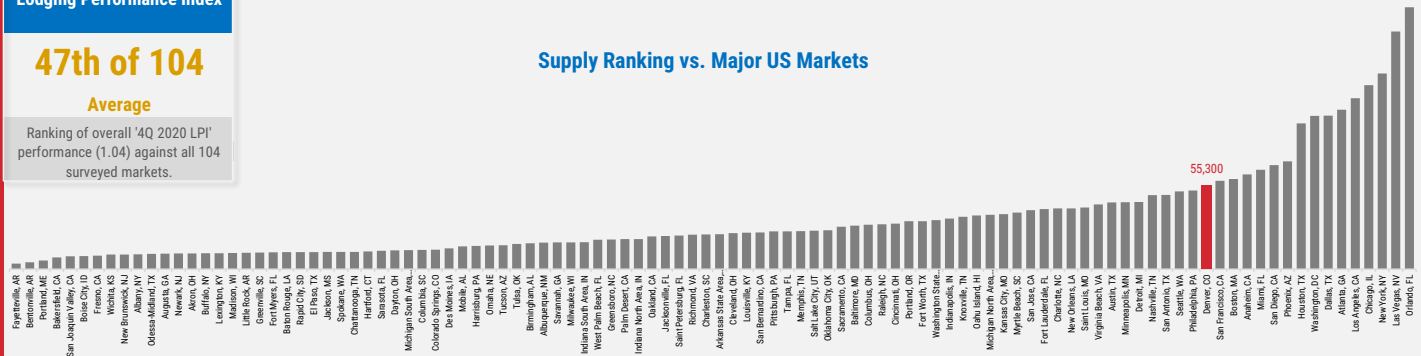
Fundamentals Dashboard (Data through 4Q 2020)
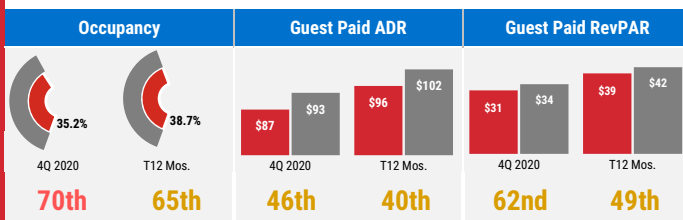
Lodging Performance Index

47th of 104

Average

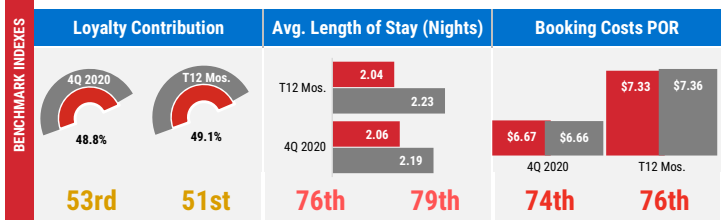Ranking of overall '4Q 2020 LPI' performance (1.04) against all 104 surveyed markets.

KEY PERFORMANCE METRICS

Supply Ranking vs. Major US Markets

55,300

Occupancy
-46.7%

Guest Paid ADR
-35.4%

Guest Paid RevPAR
-65.6%

— Top 104   — Denver, CO

Key Performance Indexes

● Subject Market   ● Top 104

PERFORMANCE INDEXES

Occupancy
35.2% (4Q 2020) — 38.7% (T12 Mos.)
70th | **65th**

Guest Paid ADR
$87 (4Q 2020) / $93 | $96 (T12 Mos.) / $102
46th | **40th**

Guest Paid RevPAR
$31 (4Q 2020) / $34 | $39 (T12 Mos.) / $42
62nd | **49th**

Key Benchmark Indexes

Data provided by: **Kalibri** LABS

BENCHMARK INDEXES

Loyalty Contribution
48.8% (4Q 2020) — 49.1% (T12 Mos.)
53rd | **51st**

Avg. Length of Stay (Nights)
	T12 Mos.	4Q 2020
Subject	2.04	2.06
Top 104	2.23	2.19

76th | **79th**

Booking Costs POR
$6.67 (4Q 2020) / $6.66 | $7.33 (T12 Mos.) / $7.36
74th | **76th**

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
73rd	**55th**	**44th**
Below Average	Average	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
48th	**73rd**	**66th**
Average Risk	Below Average	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

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Location

Quick Facts

Jurisdictional Information

Source: US Census Bureau, Dept. of Labor Statistics

Municipal Name:	Denver
County:	Denver County
State:	Colorado
Geo Coordinates (market center):	39.73915, -104.9847

Major Hotel Demand Generators

HealthONE | University of Colorado Hospital | Lockheed Martin Corp. | Centura Health | United Airlines Inc. | Children's Hospital | Kaiser Permanente | Denver Health | CenturyLink | Banner Health | Comcast | University of Denver | Charles Schwab & Co. Inc. | Frontier Airlines | Southwest Airlines Co. | GlobalFoundries | Xcel Energy Inc. | Great-West Financial | United Parcel Service Inc. | Dish Network LLC

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	2,595,292	
Income per Capita	$60,098	18th of 104 (Above Average)
Feeder Group Size	122.8 Persons PSR	55th of 104 (Average)
Feeder Group Earnings	$7,377,542 PSR	79th of 104 (Below Average)
Total Market COPE	$739.1 million	16th of 104 (Above Average)

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	75.2%	$126.25	$94.91	$116.17	$87.33	$10.08	92.0%	46.4%	2.16	43,700	1.30
2016	73.7%	$134.48	$99.09	$123.45	$90.96	$11.03	91.8%	48.5%	2.05	45,400	1.26
2017	73.9%	$137.86	$101.89	$126.28	$93.33	$11.58	91.6%	50.1%	2.00	46,500	1.23
2018	72.8%	$137.94	$100.44	$126.72	$92.27	$11.22	91.9%	52.5%	1.97	47,600	1.19
2019	74.0%	$142.80	$105.67	$131.49	$97.30	$11.31	92.1%	56.4%	1.91	54,500	1.18
2020	38.7%	$95.78	$38.77	$88.45	$34.20	$7.33	92.3%	49.1%	2.04	55,300	1.04
CAGR: 2015 thru 2020	-12.5%	-5.4%	-16.4%	-5.3%	-17.1%	-6.2%	0.1%	1.2%	-1.1%	4.8%	-4.4%
4Q 2019	66.1%	$134.73	$89.03	$124.02	$81.95	$10.72	92.0%	56.8%	1.85	54,500	1.18
4Q 2020	35.2%	$86.98	$30.64	$80.31	$28.29	$6.67	92.3%	48.8%	2.06	55,300	1.04
% Change	-46.7%	-35.4%	-65.6%	-35.2%	-65.5%	-37.8%	0.3%	-14.0%	11.2%	1.5%	-12.1%

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

Notable Metrics

HIGHEST

OAR: Select-Service	Total Rooms Supply	OAR: Full-Service
6th Highly Favorable — Denver, CO enjoyed favorable OAR metrics in the select-service segment (7.6%)	**16th** Above Average — The market benefits from a large and diverse hotel market (55,272)	**15th** Favorable — The market also posted favorable OAR metrics in the full-service segment (7.0%)

LOWEST

T12-Month COPE ADR Percentage	Feeder Group Earnings PSR	IRR: Economy/Ltd Svc
94th Soft — This market has been hampered by weak T12-month COPE ADR percentage (92.3%)	**79th** Below Average — The market has been hindered by weak feeder group earnings PSR ($7,377,542)	**79th** Unfavorable — Denver, CO also posted unfavorable IRR metrics in the economy/ltd svc segment (10.4%)

Notable Trends

FASTEST

General Economy Reverence	Short-Term Historical Supply Growth	Short-Term Historical Loyalty Contribution Growth
10th Above Average — Denver, CO enjoyed strong general economic reverence (per-capita unemployment, GDP and other indicators)	**14th** Above Average — The market has benefited from low short-term historical supply growth (4.3%)	**47th** Average — The market also enjoyed strong short-term historical loyalty contribution growth (-1.7%)

SLOWEST

Long-Term Historical Supply Growth	Long-Term Historical Average Length of Stay Growth	Long-Term Historical Occupancy Growth
93rd Soft — The market has been burdened by high long-term historical supply growth (3.9%)	**92nd** Soft — We note this area exhibited weak long-term historical average length of stay growth (-0.4%)	**86th** Below Average — Denver, CO also has been hindered by weak long-term historical occupancy growth (-11.2%)

Market Performance Stage

Absorption | Expansion

Economy Reverence (vertical axis) | Hotel Performance (horizontal axis)

Top 104 Average

Regeneration | Ignition

Source: NKF

Denver, CO: Expansion Stage

Expansion: The Denver, CO market is currently in the 'Expansion" stage of the performance cycle. In this 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.

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 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 Cincinnati, OH; Knoxville, TN; and Michigan North Area, MI.

Absorption: In the 'Absorption' 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 Dallas, TX.

Industry Observations

MOODY'S ANALYTICS, INC.

Business Cycle:	In Recovery
Employment Growth (2 yr):	-2.8%
Risk Exposure (402 US markets):	10th Percentile: Low Risk

Key Industry Notes:
- Financial, high tech
- Knowledge-based industries
- Skilled workforce
- High employment diversity
- Elevated cost of living

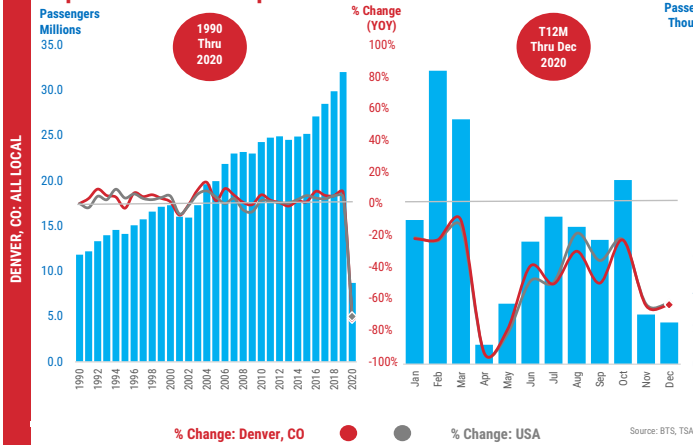### Moody's Rating

Aaa
Investment Grade
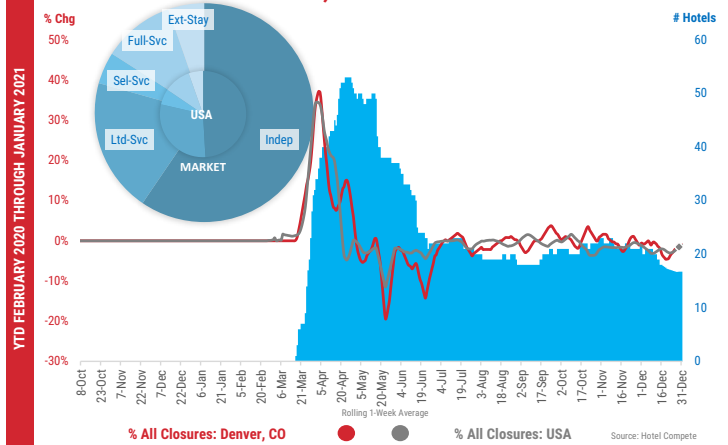
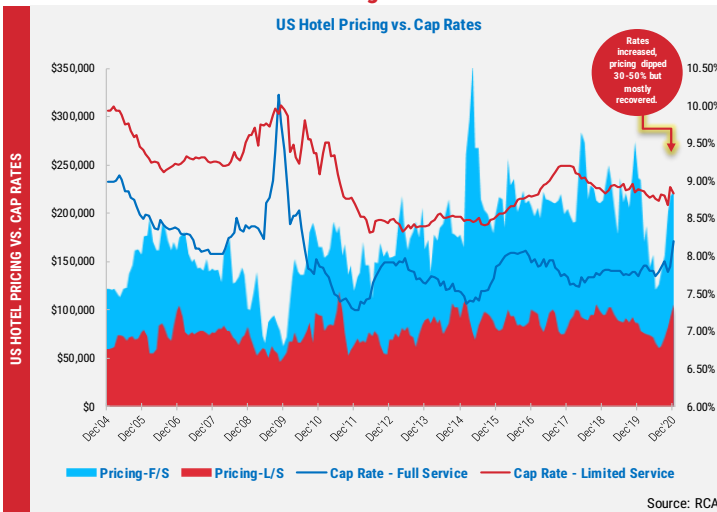Long-term investment grade, Prime-1 short-term outlook

Top 10 Brands by # of Rooms

- DoubleTree (2,508)
- Hampton Inn (1,896)
- Courtyard (1,844)
- Residence Inn (1,827)
- Hyatt Regency (1,800)
- Sheraton (1,736)
- La Quinta (1,646)
- Marriott (1,642)
- Hilton Garden Inn (1,547)
- Gaylord (1,501)

Top 10 Brands by # of Hotels

- Hampton Inn (18)
- Residence Inn (15)
- La Quinta (14)
- Quality Inn (12)
- Courtyard (12)
- Holiday Inn Exp. (11)
- Fairfield Inn (11)
- Ext-Stay America (10)
- Hilton Garden Inn (9)
- DoubleTree (9)

Source: NKF

Airport Statistics - Enplanements

DENVER, CO: ALL LOCAL

Passengers Millions

% Change (YOY)

1990 Thru 2020

T12M Thru Dec 2020

Passengers Thousands

% Change: Denver, CO   % Change: USA

Source: BTS, TSA

Net Hotel Closures - Denver, CO vs. USA

YTD FEBRUARY 2020 THROUGH JANUARY 2021

% Chg

Hotels

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

Rolling 1-Week Average

% All Closures: Denver, CO   % 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
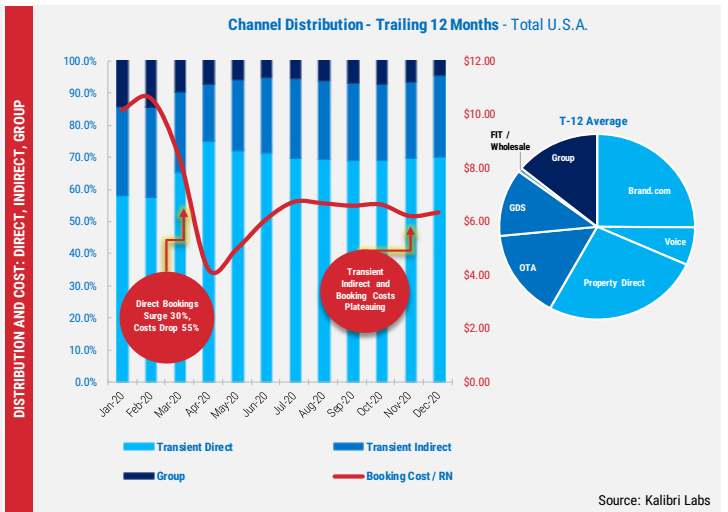
NKF Hotel Market Nsights Report Coverage

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

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