Newmark Knight Frank

HOSPITALITY, GAMING & LEISURE

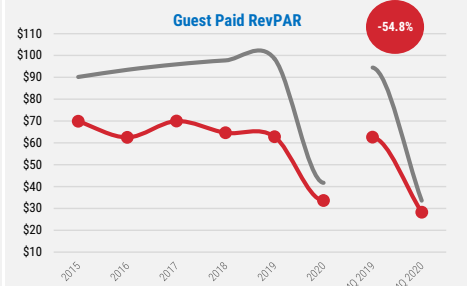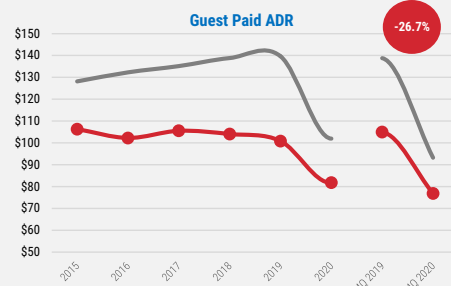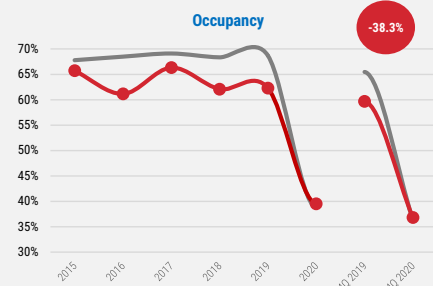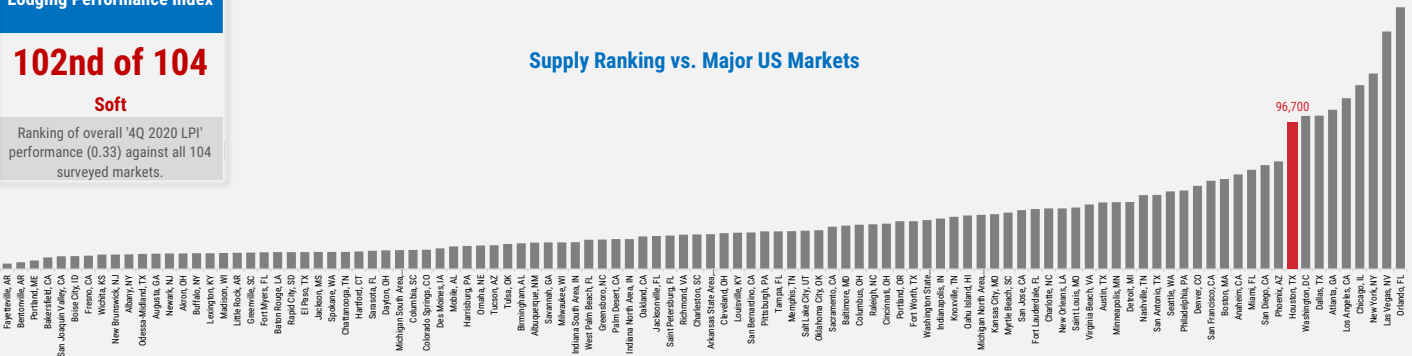## Fundamentals Dashboard (Data through 4Q 2020)

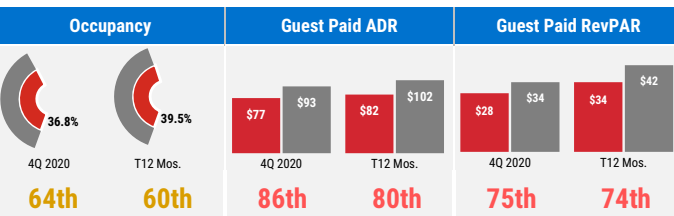### Lodging Performance Index

102nd of 104

Soft

Ranking of overall '4Q 2020 LPI' performance (0.33) against all 104 surveyed markets.
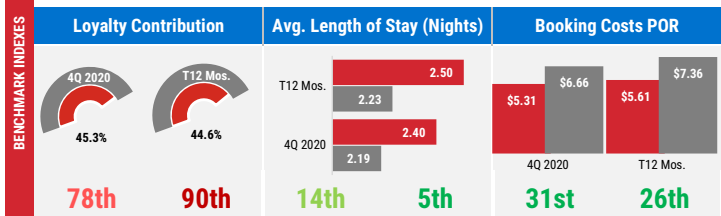
Supply Ranking vs. Major US Markets

96,700

KEY PERFORMANCE METRICS

Occupancy -38.3%

Guest Paid ADR -26.7%

Guest Paid RevPAR -54.8%

Legend: Top 104 — Houston, TX

Key Performance Indexes

● Subject Market   ● Top 104

PERFORMANCE INDEXES

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
4Q 2020	T12 Mos.	4Q 2020	T12 Mos.	4Q 2020	T12 Mos.
36.8%	39.5%	$77 / $93	$82 / $102	$28 / $34	$34 / $42
64th	**60th**	**86th**	**80th**	**75th**	**74th**

Key Benchmark Indexes

Data provided by: **Kalibri LABS**

BENCHMARK INDEXES

Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
4Q 2020	T12 Mos.	T12 Mos.	4Q 2020	4Q 2020	T12 Mos.
45.3%	44.6%	2.50 / 2.23	2.40 / 2.19	$5.31 / $6.66	$5.61 / $7.36
78th	**90th**	**14th**	**5th**	**31st**	**26th**

Discount and Capitalization Rates

Source: NKF

INVESTMENT PARAMETERS

Economy/Ltd Svc

Select-Service

Full-Service

Luxury/Upscale
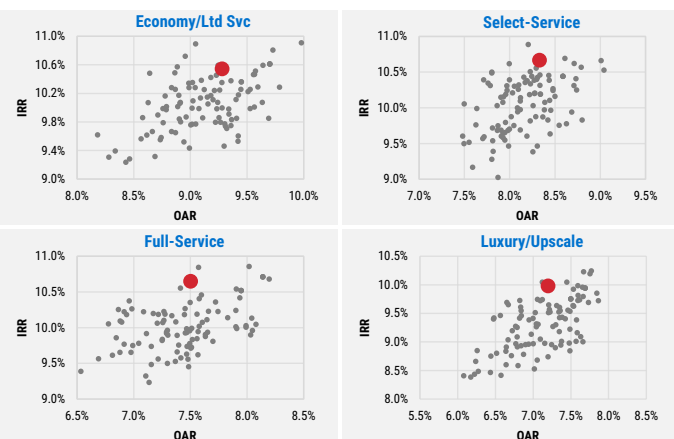
Trends and Risks

Source: Kalibri Labs, NKF

FUNDAMENTALS

Revenue Stability	Supplier Power Trend	Investment Yields
81st	**89th**	**93rd**
Below Average	Below Average	Soft
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
46th	**89th**	**68th**
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

Location

Quick Facts

Jurisdictional Information

Source: US Census Bureau, Dept. of Labor Statistics

Municipal Name:	Houston
County:	Fort Bend County, Harris County, Montgomery County
State:	Texas
Geo Coordinates (market center):	29.78574, -95.38881

Major Hotel Demand Generators

Memorial Hermann Health System | The University of Texas Health Science Center | Schlumberger Ltd. | Landry's Inc. | Exxon Mobile Corp. | Baylor College of Medicine | National Oilwell Varco Inc. | Chevron Corp. | Shell Oil Co. | Baker Hughes Inc. | The Dow Chemical Co. | BP America | TechnipFMC PLC | Fiesta Mart Inc. | Goodman Global Inc. | NASA Johnson's Space Center Houston | ConocoPhillips | Kinder Morgan | Wood Group | Clear Lake Regional Medical Center

Metrics and Ranking

	Measurement	Rankings
Population (hotel market area)	5,727,054	
Income per Capita	$49,399	51st of 104 (Average)
Feeder Group Size	151.4 Persons PSR	77th of 104 (Below Average)
Feeder Group Earnings	$7,477,651 PSR	80th of 104 (Below Average)
Total Market COPE	$1.1 billion	12th 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	65.7%	$106.33	$69.87	$98.44	$64.69	$7.89	92.6%	43.5%	2.50	78,000	1.19
2016	61.1%	$102.27	$62.53	$94.32	$57.67	$7.95	92.2%	45.1%	2.37	81,500	1.01
2017	66.3%	$105.54	$69.98	$97.54	$64.68	$8.00	92.4%	44.9%	2.56	84,400	1.10
2018	62.1%	$104.07	$64.62	$95.77	$59.46	$8.30	92.0%	49.3%	2.31	86,900	0.92
2019	62.3%	$100.84	$62.81	$92.70	$57.74	$8.14	91.9%	53.5%	2.24	95,200	0.90
2020	39.5%	$81.78	$33.62	$76.18	$30.08	$5.61	93.1%	44.6%	2.50	96,700	0.33
CAGR: 2015 thru 2020	-9.7%	-5.1%	-13.6%	-5.0%	-14.2%	-6.6%	0.1%	0.5%	0.0%	4.4%	-22.4%
4Q 2019	59.7%	$104.88	$62.58	$96.35	$57.49	$8.53	91.9%	54.7%	2.11	95,200	0.90
4Q 2020	36.8%	$76.83	$28.27	$71.52	$26.31	$5.31	93.1%	45.3%	2.40	96,700	0.33
% Change	-38.3%	-26.7%	-54.8%	-25.8%	-54.2%	-37.7%	1.3%	-17.1%	13.5%	1.6%	-62.9%

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

Notable Metrics

HIGHEST

T12-Month Average Length of Stay	Total Rooms Sold	Total Rooms Supply
5th Strong	**7th** Strong	**9th** Strong
Houston, TX benefited from strong T12-month average length of stay (2.50 Nights)	The market boasted strong total rooms sold (13,809,474)	The market also benefits from a large and diverse hotel market (96,720)

LOWEST

IRR: Select-Service	Latest-Quarter LPI	IRR: Luxury/Upscale
102nd Highly Unfavorable	**102nd** Soft	**99th** Highly Unfavorable
This market posted unfavorable IRR metrics in the select-service segment (10.7%)	The market posted weak latest-quarter LPI (0.38)	Houston, TX also posted unfavorable IRR metrics in the luxury/upscale segment (10.0%)

Notable Trends

FASTEST

Long-Term Historical Booking Costs POR Growth	Short-Term Historical Booking Costs POR Growth	Short-Term Historical Supply Growth
15th Above Average	**29th** Above Average	**30th** Above Average
Houston, TX has benefited from low long-term historical booking costs POR growth (-9.0%)	The market enjoyed low short-term historical growth in booking costs (-17.2%)	The market also has benefited from low short-term historical supply growth (3.5%)

SLOWEST

Overall Health of Hotel Market	Short-Term Historical LPI Growth	Long-Term Historical LPI Growth
103rd Soft	**103rd** Soft	**103rd** Soft
The market has been hampered by weak general hotel market performance (levels and trends of fundamentals)	We note this area has been hampered by weak short-term historical LPI growth (-34.5%)	Houston, TX also posted weak long-term historical LPI growth (-22.4%)

Market Performance Stage

Absorption — Expansion — Economy Reverence — Hotel Performance — Top 104 Average — Regeneration — Ignition

Source: NKF

Houston, TX: Absorption Stage

Absorption: The Houston, 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 Dallas, 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.

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.
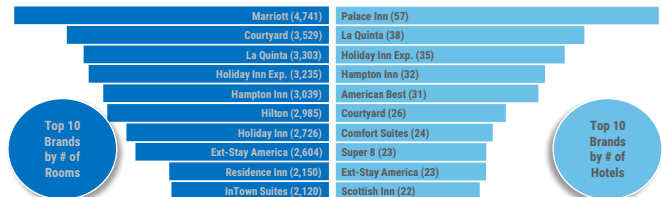
Industry Observations

MOODY'S ANALYTICS, INC.

Business Cycle:	In Recovery
Employment Growth (2 yr):	-1.9%
Risk Exposure (402 US markets):	10th Percentile: Low Risk
Key Industry Notes:	Energy, manufacturing
	Oil and gas technology
	Significant trade links
	Erratic energy markets
	Low industrial diversity

Moody's Rating

Aaa
Investment Grade

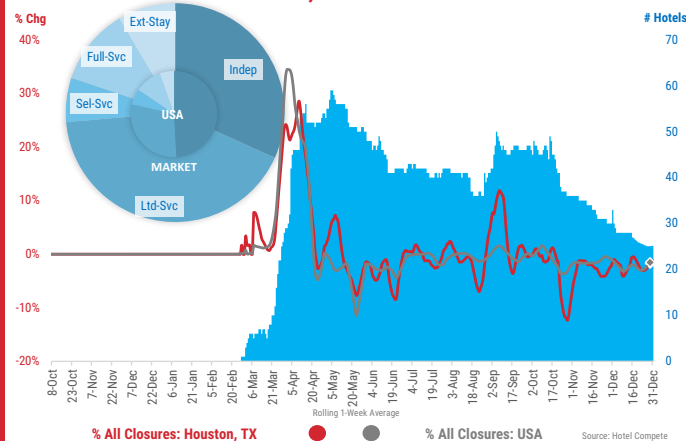Long-term investment grade, Prime-1 short-term outlook

TOP 10 BRANDS

Top 10 Brands by # of Rooms

Brand	Rooms
Marriott	(4,741)
Courtyard	(3,529)
La Quinta	(3,303)
Holiday Inn Exp.	(3,235)
Hampton Inn	(3,039)
Hilton	(2,985)
Holiday Inn	(2,726)
Ext-Stay America	(2,604)
Residence Inn	(2,150)
InTown Suites	(2,120)

Top 10 Brands by # of Hotels

Brand	Hotels
Palace Inn	(57)
La Quinta	(38)
Holiday Inn Exp.	(35)
Hampton Inn	(32)
Americas Best	(31)
Courtyard	(26)
Comfort Suites	(24)
Super 8	(23)
Ext-Stay America	(23)
Scottish Inn	(22)

Source: NKF

Airport Statistics - Enplanements

1990 Thru 2020

T12M Thru Dec 2020

% Change: Houston, TX ● % Change: USA ●

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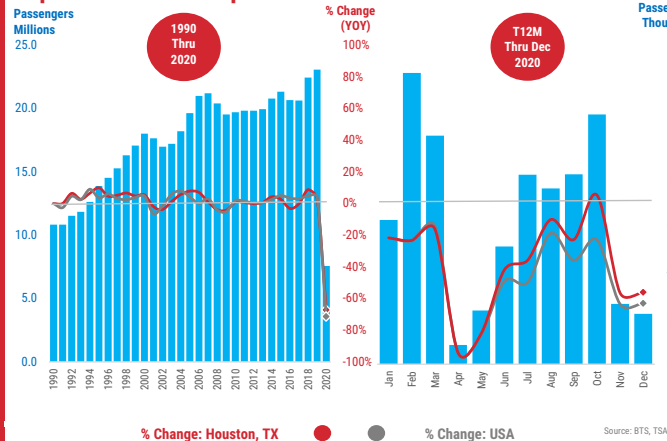
Net Hotel Closures - Houston, TX vs. USA

Rolling 1-Week Average

% All Closures: Houston, TX ● % All Closures: USA ●

Source: Hotel Compete

National Trends Dashboard - Pricing

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
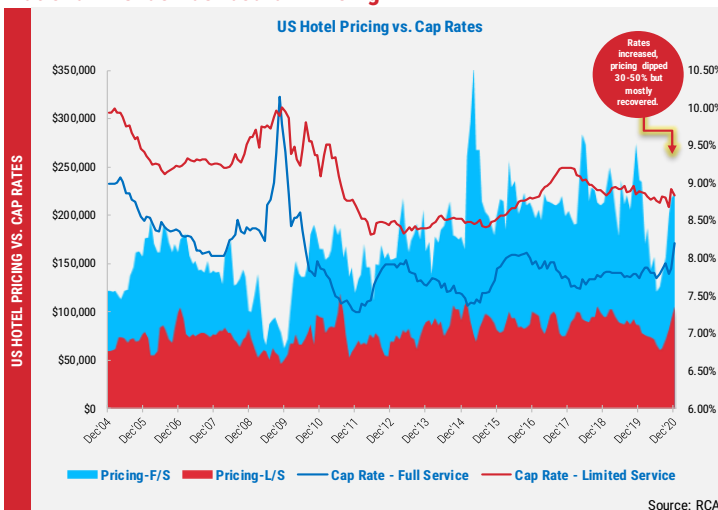
National Trends Dashboard - Channel Distribution

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

Direct Bookings Surge 30%, Costs Drop 55%

Transient Indirect and Booking Costs Plateauing

T-12 Average

Transient Direct Transient Indirect Group Booking Cost / RN

Source: Kalibri Labs
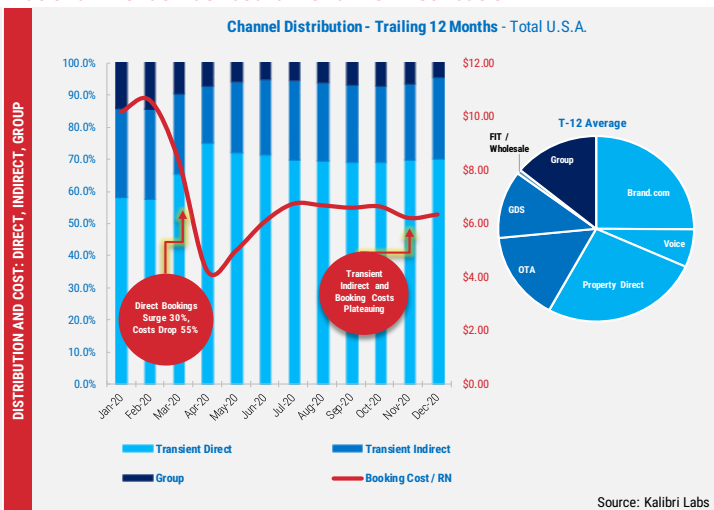
NKF Hotel Market Nsights Report Coverage

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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