

ASHFORD

# Lodging Outlook & Real Estate Outlook

Theo Halbardier – June 2023



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# Lodging Outlook

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Lakeway Resort & Spa | Austin, TX

# U.S Long-Term Lodging Market Trends

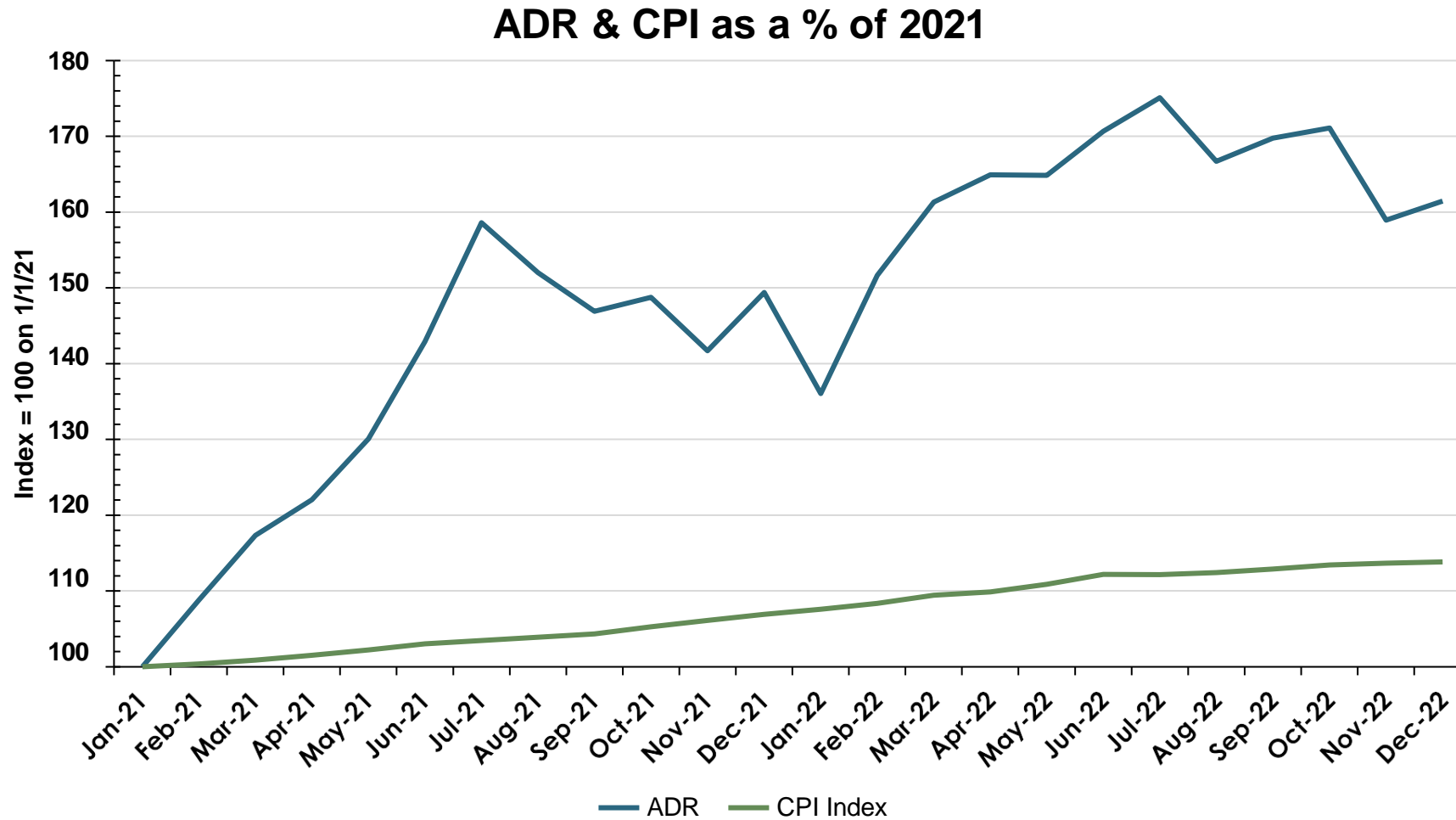
RevPAR Recovery VS. Previous Cycles

**STR forecasts that U.S. hotel RevPAR will return to prior peak levels in 2022, one year faster than the GFC and two years quicker than 9/11.**

Year	Occ	% Change	ADR	% Change	RevPAR	% Change	Supply	% Change	Demand	% Change
1994	64.4%	1.9%	\$62.50	3.7%	\$40.26	5.7%	1,313,129,391	1.3%	845,824,444	3.2%
1995	64.7%	0.4%	\$65.48	4.8%	\$42.34	5.2%	1,334,256,243	1.6%	862,683,741	2.0%
1996	64.5%	-0.2%	\$69.71	6.5%	\$44.96	6.2%	1,366,103,205	2.4%	881,173,422	2.1%
1997	63.8%	-1.0%	\$73.79	5.9%	\$47.10	4.8%	1,413,034,260	3.4%	901,996,282	2.4%
1998	63.1%	-1.1%	\$77.11	4.5%	\$48.69	3.4%	1,468,688,881	3.9%	927,353,544	2.8%
1999	62.7%	-0.7%	\$79.88	3.6%	\$50.08	2.9%	1,524,274,020	3.8%	955,595,523	3.0%
2000	63.3%	0.9%	\$84.20	5.4%	\$53.29	6.4%	1,568,024,480	2.9%	992,316,936	3.8%
2001	59.7%	-5.7%	\$83.16	-1.2%	\$49.62	-6.9%	1,605,255,095	2.4%	957,757,131	-3.5%
2002	59.0%	-1.2%	\$82.09	-1.3%	\$48.41	-2.4%	1,630,489,591	1.6%	961,526,947	0.4%
2003	59.1%	0.3%	\$82.23	0.2%	\$48.62	0.4%	1,647,751,541	1.1%	974,248,299	1.3%
2004	61.4%	3.8%	\$85.72	4.3%	\$52.60	8.2%	1,655,325,430	0.5%	1,0105,782,953	4.3%
2005	63.0%	2.6%	\$90.50	5.6%	\$56.98	8.3%	1,654,887,197	-0.0%	1,041,918,270	2.6%
2006	63.1%	0.2%	\$97.26	7.5%	\$61.36	7.7%	1,659,188,485	0.3%	1,046,798,570	0.5%
2007	62.8%	-0.5%	\$103.71	6.6%	\$65.11	6.1%	1,679,035,389	1.2%	1,054,077,348	0.7%
2008	59.9%	-4.5%	\$106.79	3.0%	\$64.00	-1.7%	1,717,751,442	2.3%	1,029,534,158	-2.3%
2009	54.5%	-9.1%	\$97.67	-8.5%	\$53.23	-16.8%	1,765,786,407	2.8%	962,441,411	-6.5%
2010	57.5%	5.5%	\$97.56	-0.1%	\$56.11	5.4%	1,795,003,281	1.7%	1,032,420,305	7.3%
2011	59.9%	4.2%	\$101.26	3.8%	\$60.68	8.1%	1,802,014,067	0.4%	1,079,862,637	4.6%
2012	61.5%	2.6%	\$105.55	4.2%	\$64.89	6.9%	1,807,827,662	0.3%	1,111,519,773	2.9%
2013	62.2%	1.2%	\$109.54	3.8%	\$68.13	5.0%	1,816,500,262	0.5%	1,129,740,176	1.6%
2014	64.3%	3.4%	\$114.70	4.7%	\$73.74	8.2%	1,826,608,524	0.6%	1,174,429,655	4.0%
2015	65.3%	1.5%	\$119.93	4.6%	\$78.29	6.2%	1,842,153,541	0.9%	1,202,553,866	2.4%
2016	65.5%	0.3%	\$123.61	3.1%	\$80.95	3.4%	1,866,152,000	1.3%	1,222,041,095	1.6%
2017	65.8%	0.5%	\$126.40	2.3%	\$83.16	2.7%	1,895,505,278	1.6%	1,246,996,257	2.0%
2018	66.1%	0.4%	\$129.58	2.5%	\$85.60	2.9%	1,930,003,548	1.8%	1,275,014,428	2.2%
2019	66.0%	-0.2%	\$130.98	1.1%	\$86.37	0.9%	1,964,990,871	1.8%	1,295,821,098	1.6%
2020	44.1%	-33.1%	\$103.38	-21.1%	\$45.63	-47.2%	1,887,299,718	-4.0%	833,090,390	-35.7%
2021	57.3%	29.9%	\$124.63	20.6%	\$71.47	56.6%	1,991,362,120	5.5%	1,141,877,675	37.1%
2022F	63.7%	11.1%	\$136.54	9.6%	\$86.95	21.7%	2,125,607,483	6.7%	1,353,525,678	18.5%
2023F	66.4%	4.2%	\$143.70	5.2%	\$95.37	9.7%	2,139,144,560	0.6%	1,419,729,808	4.9%
2024F	68.0%	2.4%	\$149.93	4.3%	\$101.94	6.9%	2,142,418,134	0.2%	1,456,712,954	2.6%
2025F	68.3%	0.4%	\$155.36	3.6%	\$106.06	4.0%	2,142,911,183	0.0%	1,462,836,401	0.4%
<b>CAGR</b>	<b>Avg.</b>									
1994-2000	63.8%			5.1%		4.8%		3.0%		2.7%
2003-2008	61.5%			5.4%		5.7%		0.8%		1.1%
2009-2019	62.6%			3.0%		5.0%		1.1%		3.0%
2022-2025	66.6%			4.4%		6.8%		0.3%		2.6%

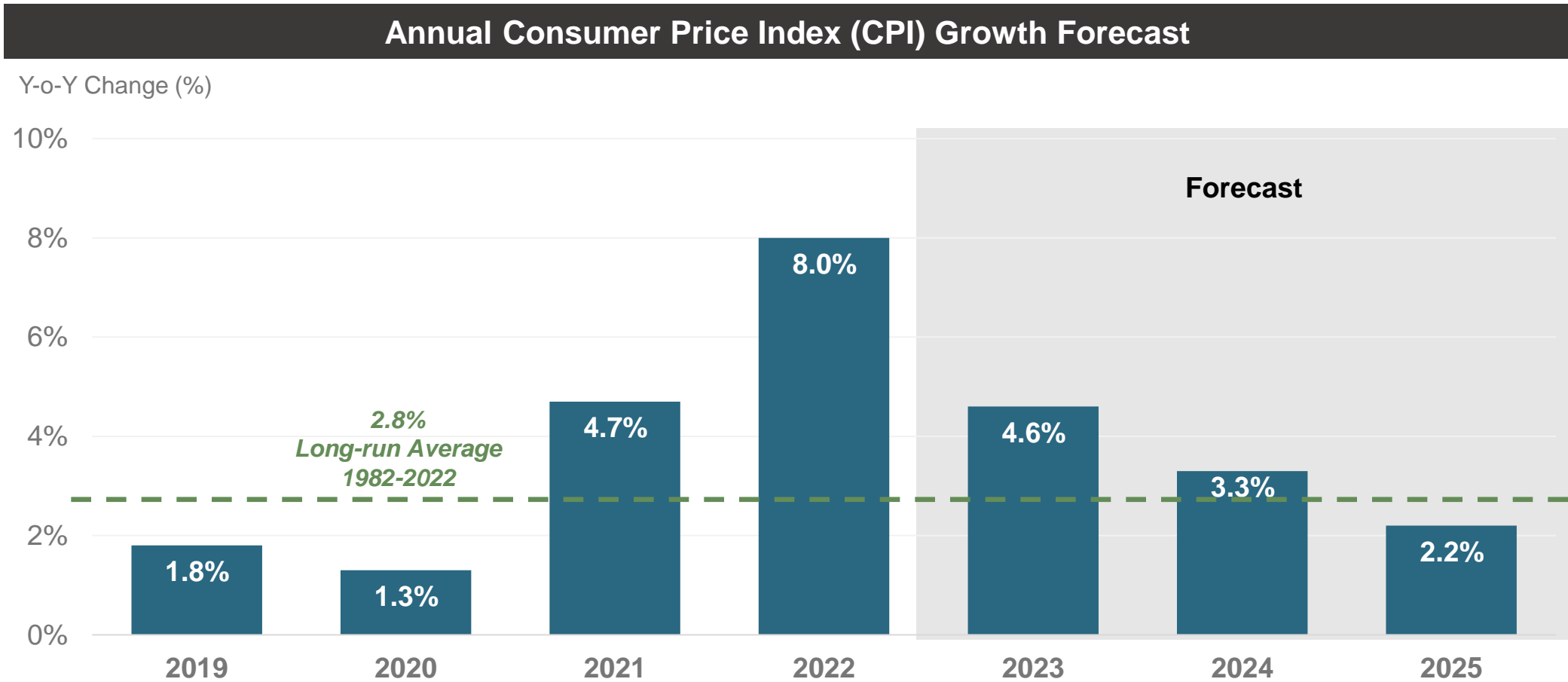
Source: STR

# ADR Significantly Outpaced Inflation in 2021 & 2022



Source: STR, 1/20/23; FRED, 2/16/23.

# Inflation is Projected to Remain Elevated

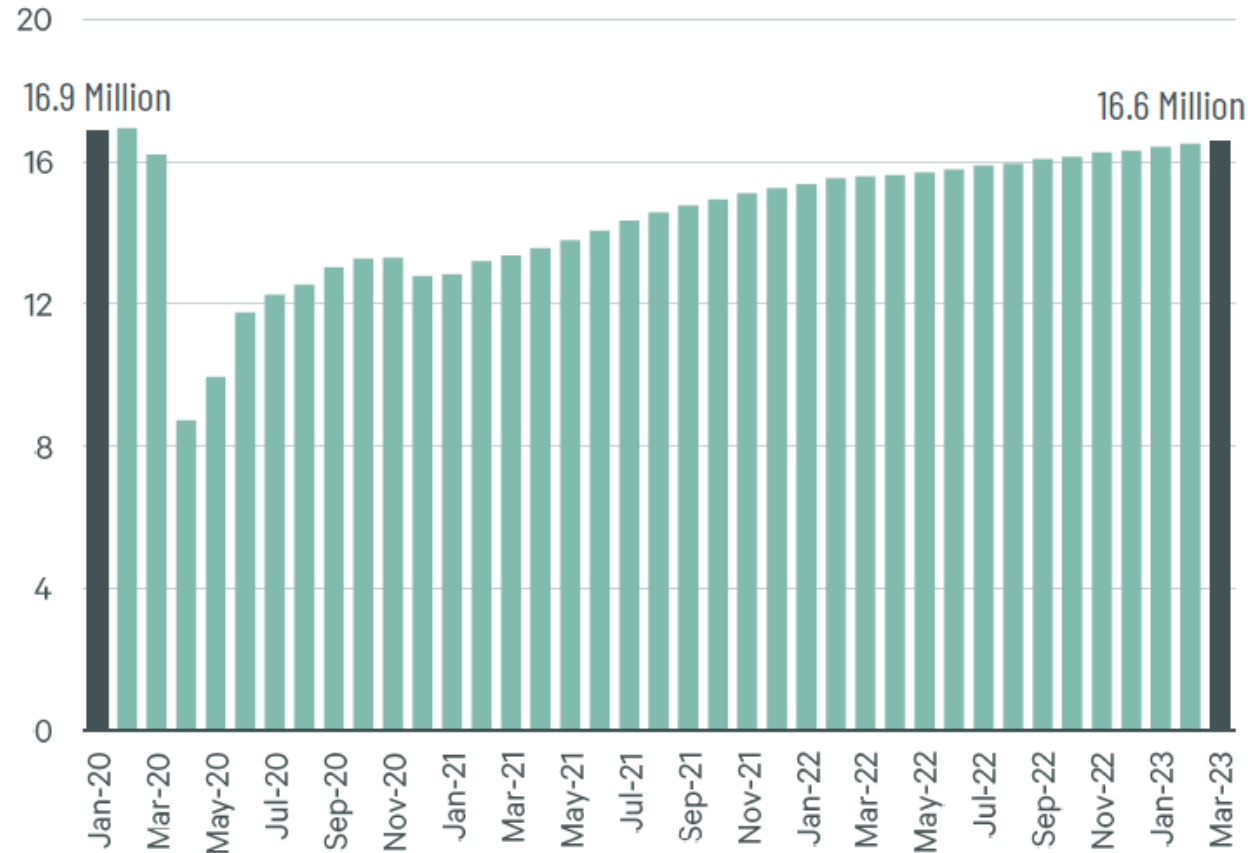


Source: CBRE BLS, Forecasts as of April 20, 2023.

# Leisure & Hospitality Job Recovery

## U.S. Leisure and Hospitality Employment

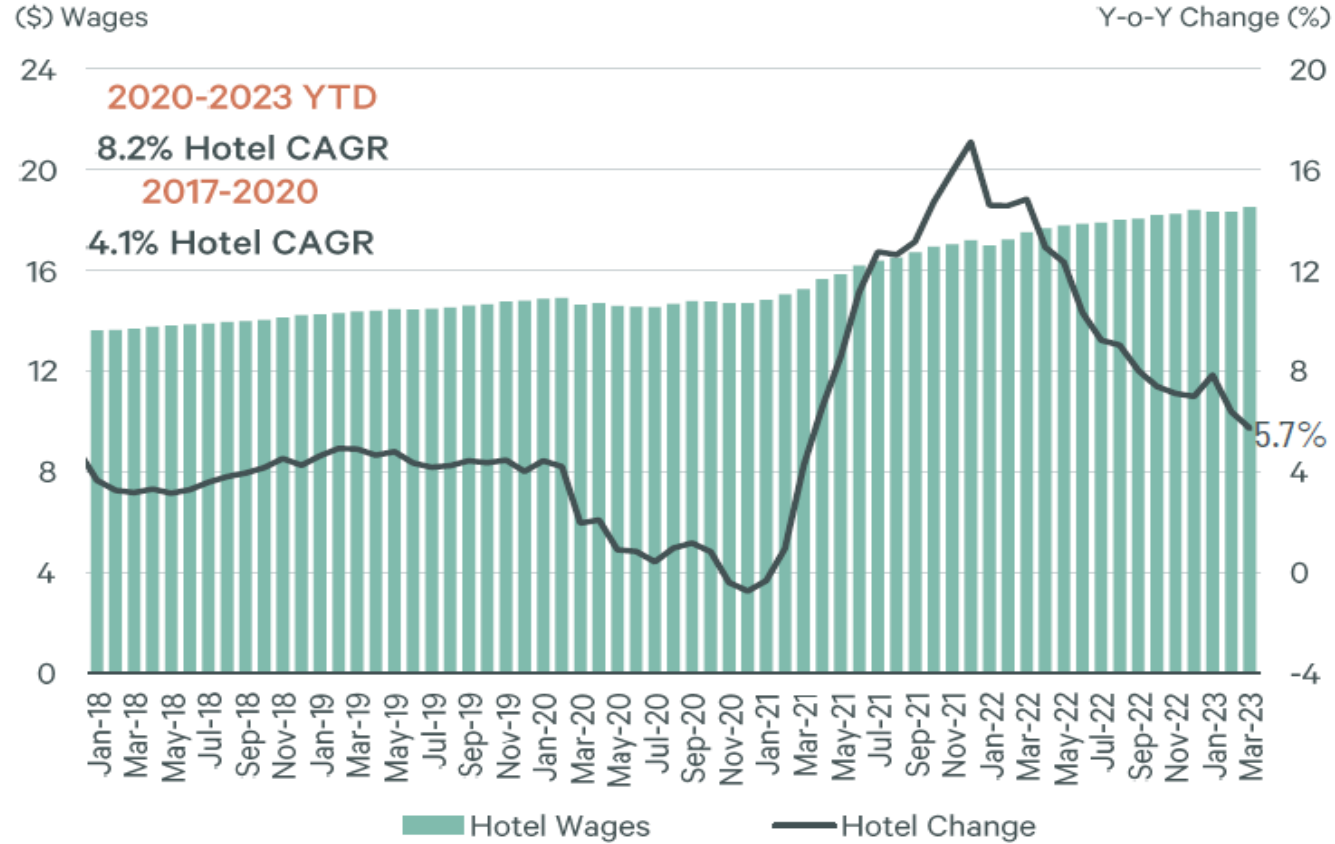
Persons Millions



Source: CBRE Hotels Research, CBRE EA, BLS. May 2023 U.S. Hotel State of the Union.

# Wage Gains Moderated in Recent Months

## Leisure and Hospitality Wages

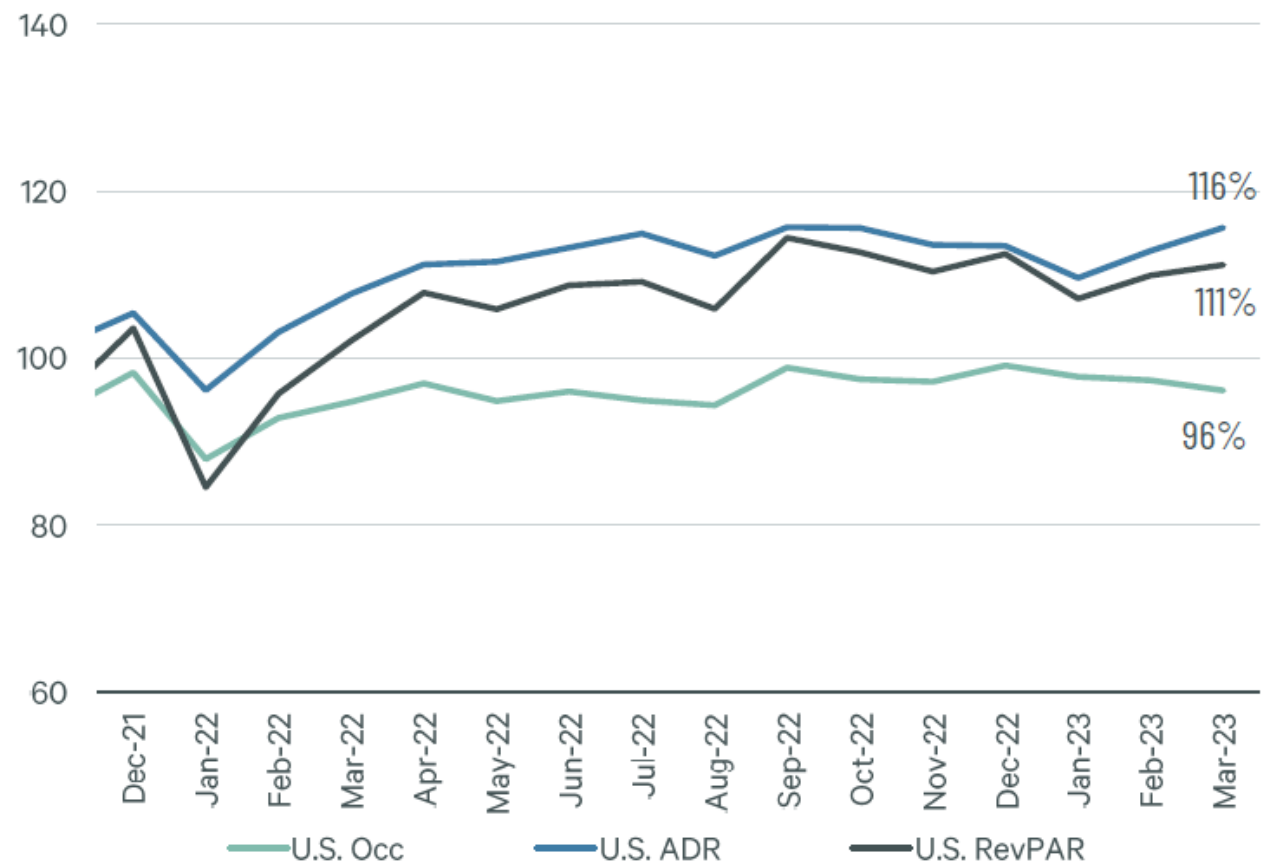


Source: CBRE Hotels Research, CBRE EA, BLS. May 2023 U.S. Hotel State of the Union.

# RevPAR Continues to Improve

### U.S. Occ, ADR and RevPAR Relative to 2019

Percent of 2019 (%)



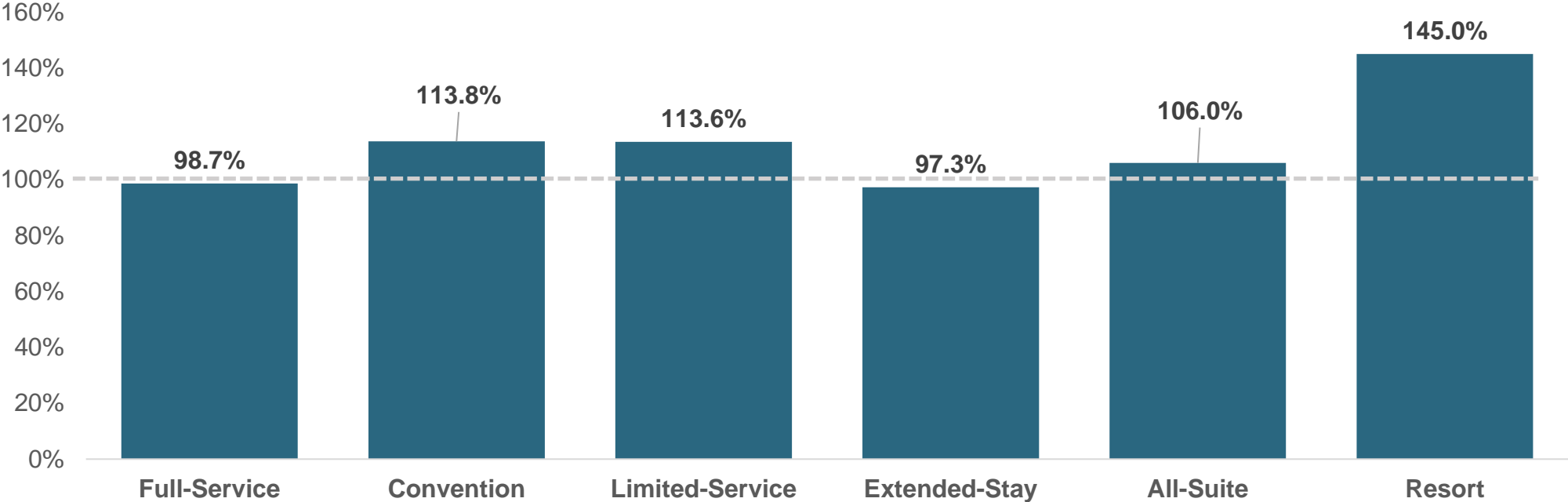
Source: CBRE Hotels & Research, Kalibri Labs, as of May 2023.



# Total Revenues Near or Above 2019

## Total Revenues YTD Through February (Dollars per Available Room)

Percent of Feb. YTD 2020 (%)

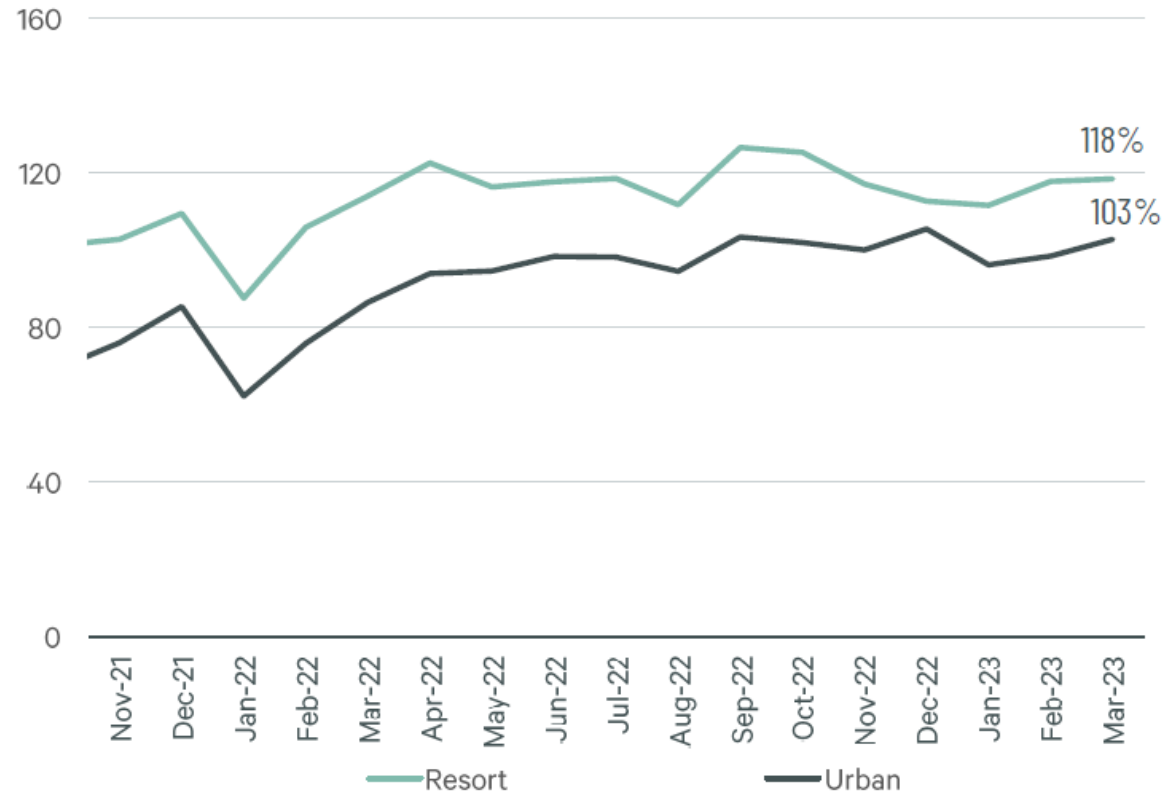


Source: CBRE U.S. Hotels State of the Union, May 2023; CBRE Hotels Research, Monthly Trends Survey.

# Urban Continues to Show Fastest Growth

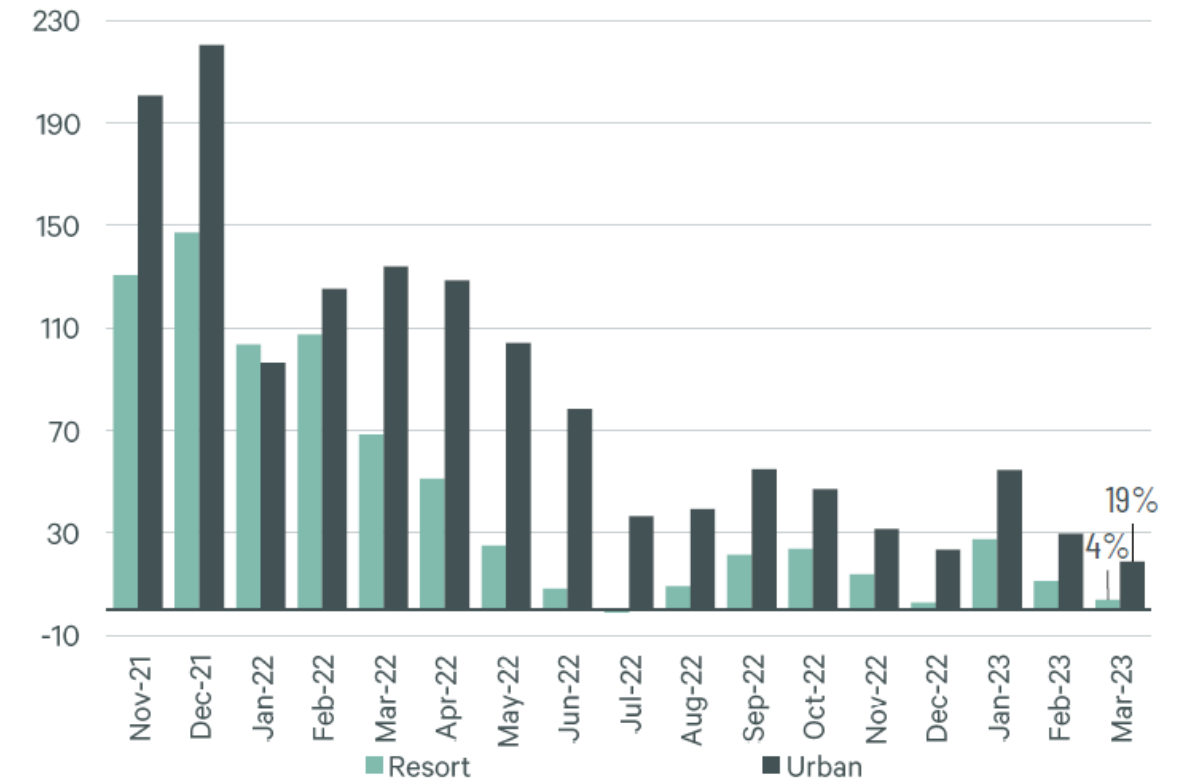
RevPAR Indexed to 2019 by Resort and Urban Location Type

Percent of 2019 (%)



RevPAR Growth Y-o-Y by Resort and Urban Location Type

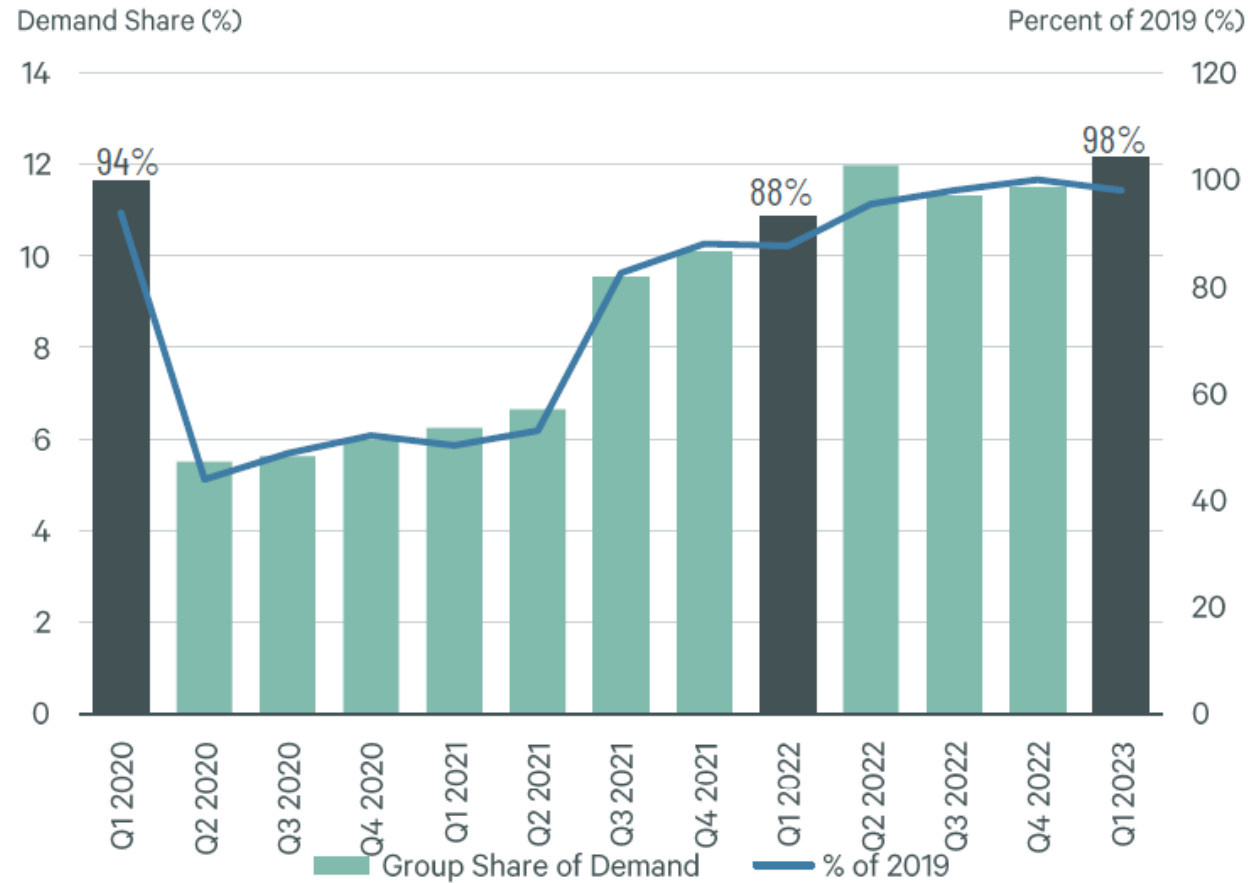
Y-o-Y Change (%)



Source: CBRE Hotels & Research, Kalibri Labs, as of May 2023.

# Group Travel Approaching 2019 Levels

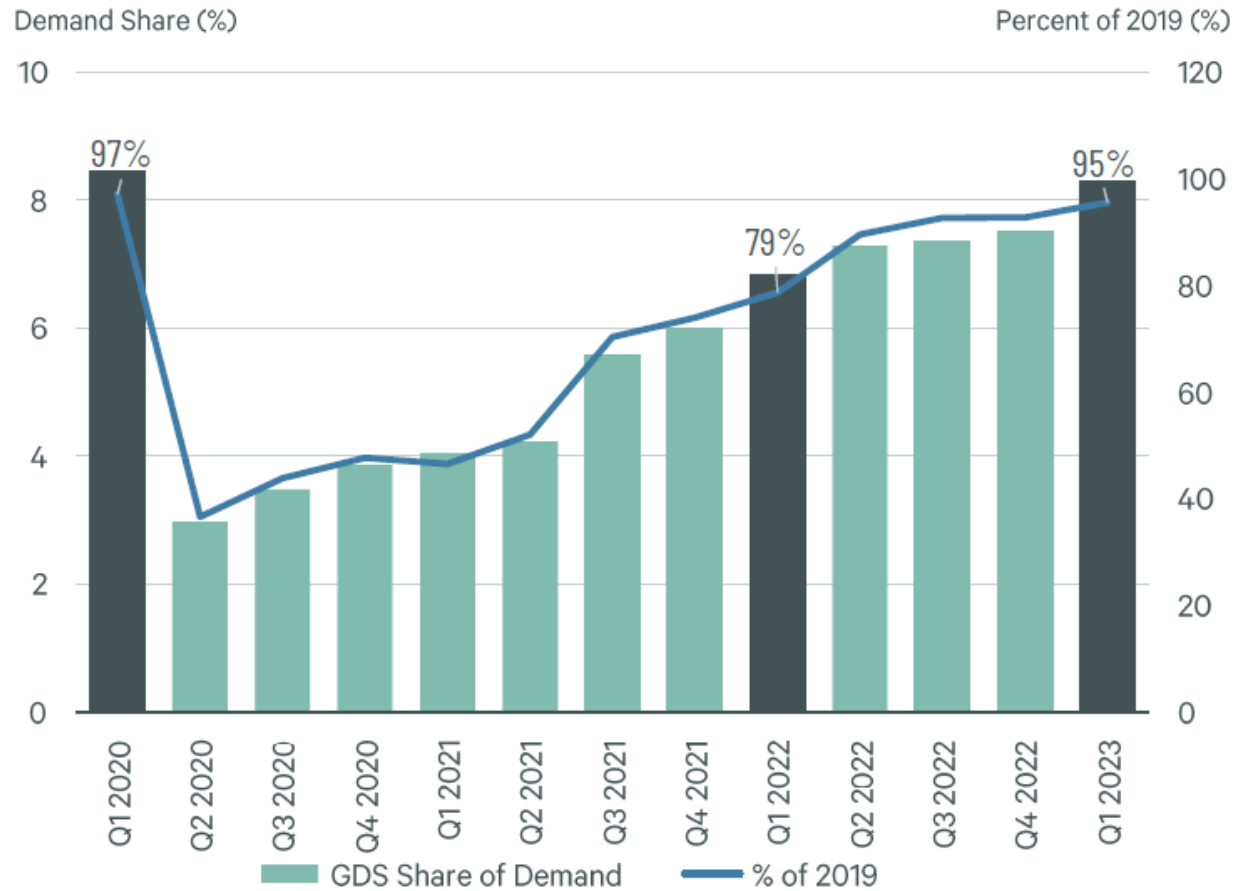
Group Share of Total Demand vs. Percent of 2019 Levels



Source: CBRE U.S. Hotels State of the Union, May 2023; CBRE Hotels Research, Kalibri Labs.

# Business Travel Demand Near Full Recovery

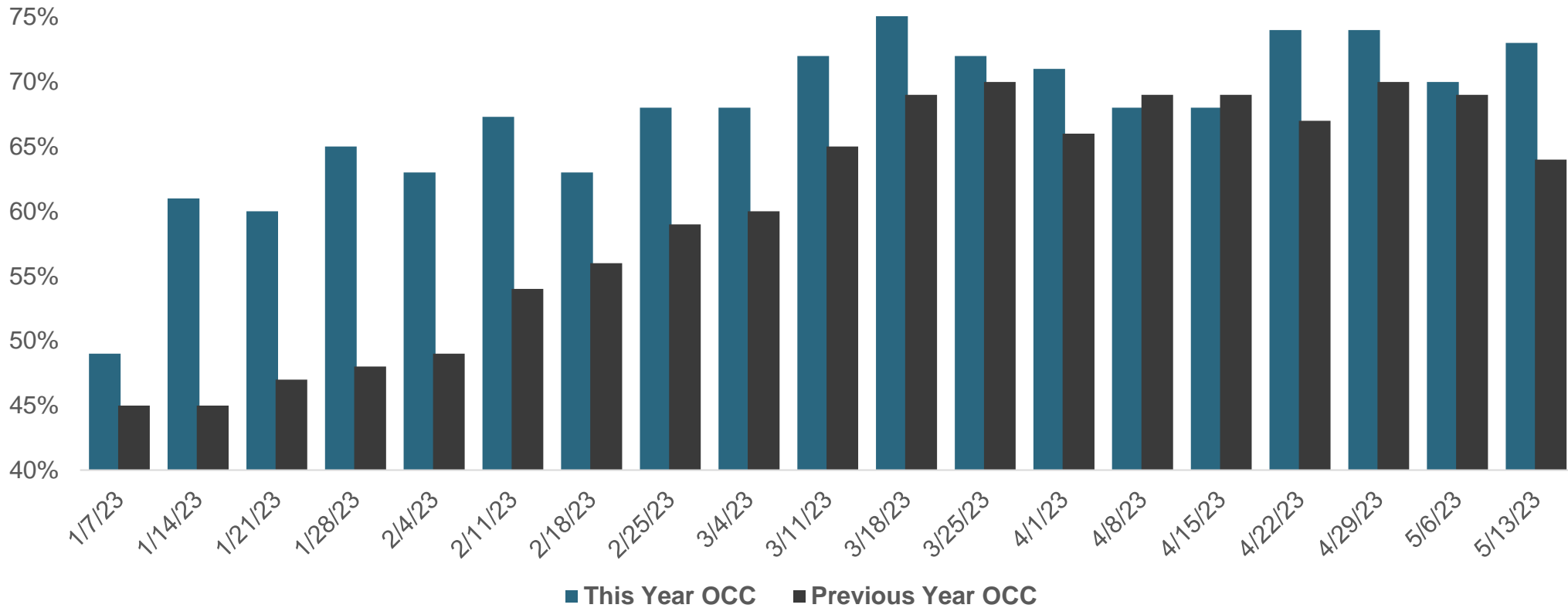
Business Travel (GDS) Share of Total Demand vs. Percent of 2019 Levels



Source: CBRE U.S. Hotels State of the Union, May 2023; CBRE Hotels Research, Kalibri Labs.

# Top 25 Market Weekday Occupancy Strengthens

## U.S. Top 25 Markets, weekday (Monday-Wednesday) Occupancy

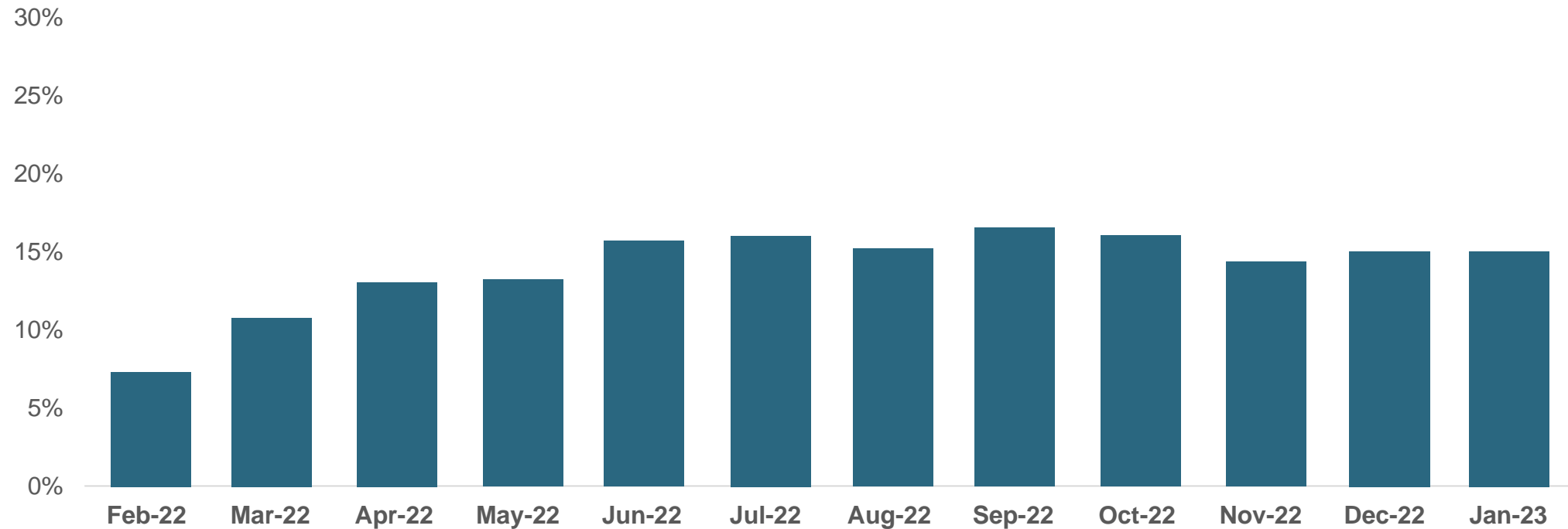


Source: STR. © 2022 CoStar Group | May 19, 2023.

# Shoulder Night Demand Up from 2019

U.S., ADR % Change to 2019, February 2022 – January 2023

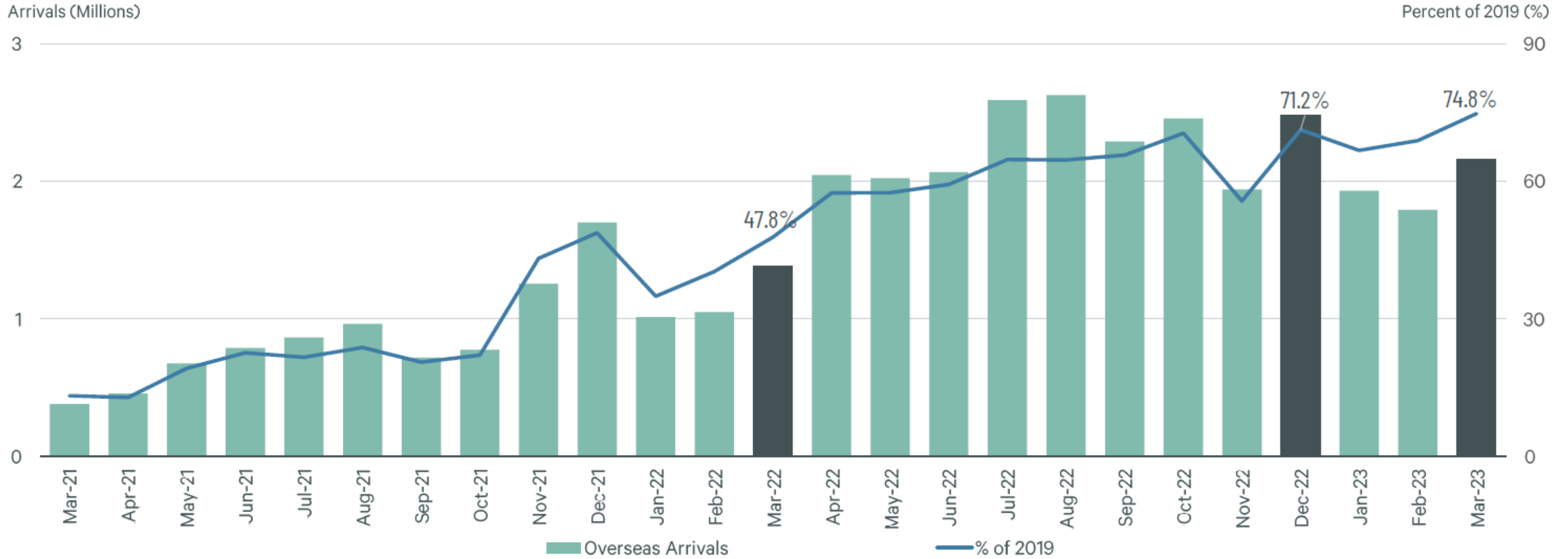
Shoulder (Sun, Thu)



Source: STR. © 2022 CoStar Group | January 2023.

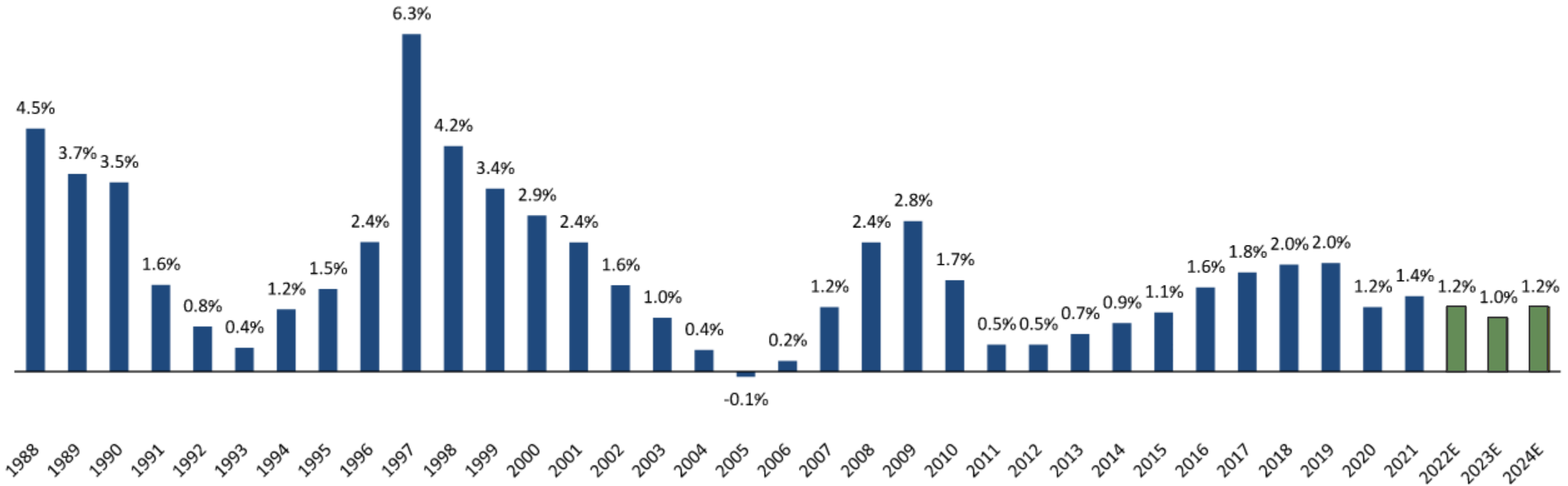
# Inbound International Arrivals Reached Post Pandemic High Relative to 2019

Overseas Arrivals into the U.S. as a Percent of 2019



Source: CBRE U.S. Hotels State of the Union, May 2023; CBRE Hotels Research, NTTO.

# Lodging Industry Annual Net Supply Growth

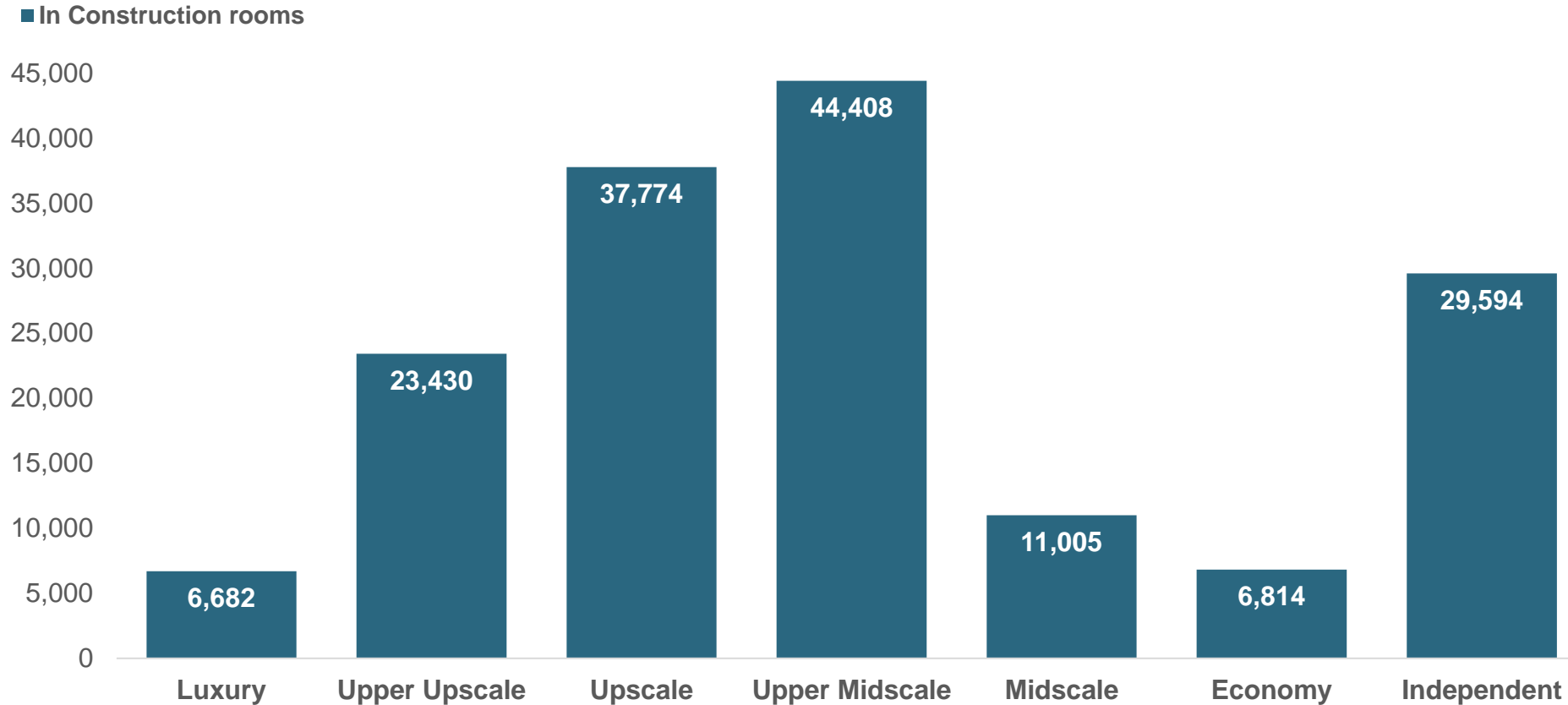


Source: STR, Raymond James research



# Limited-service dominates rooms & growth levels

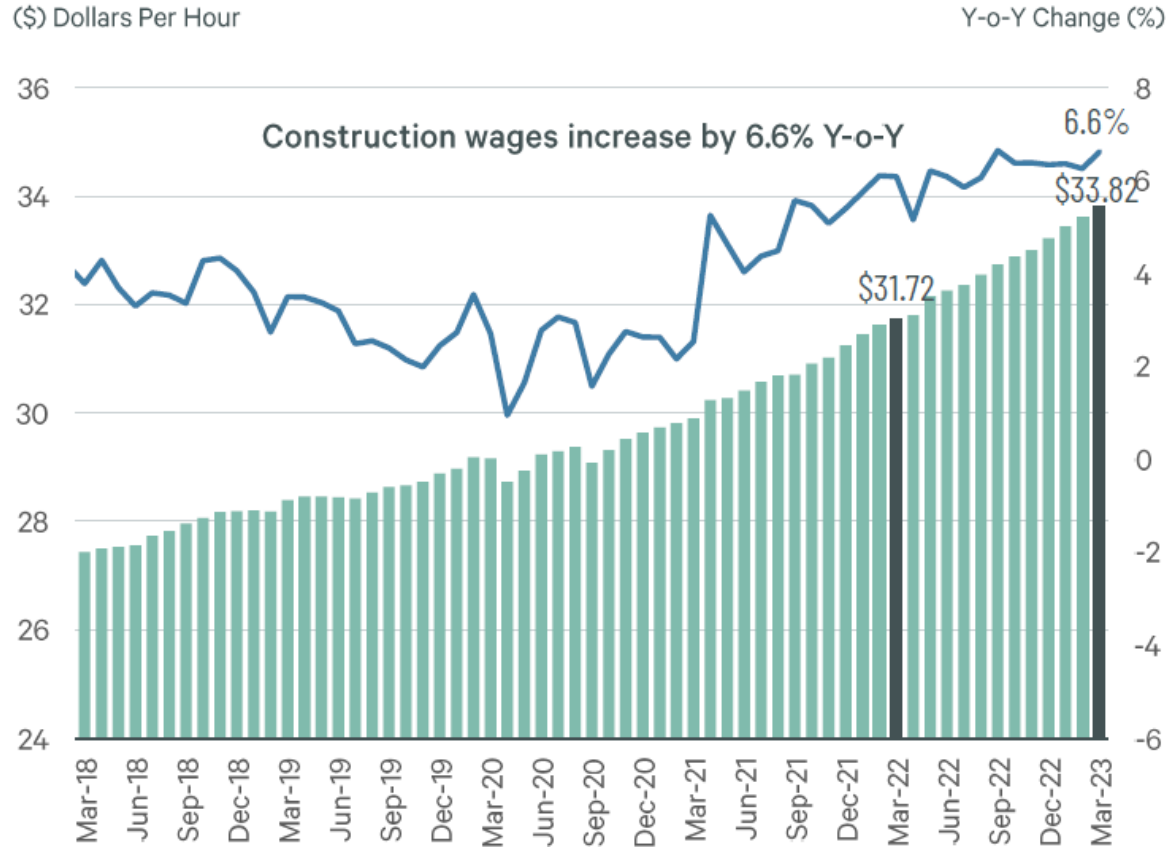
## U.S., Rooms in Construction by Chain Scale, January 2023<sup>(1)</sup>



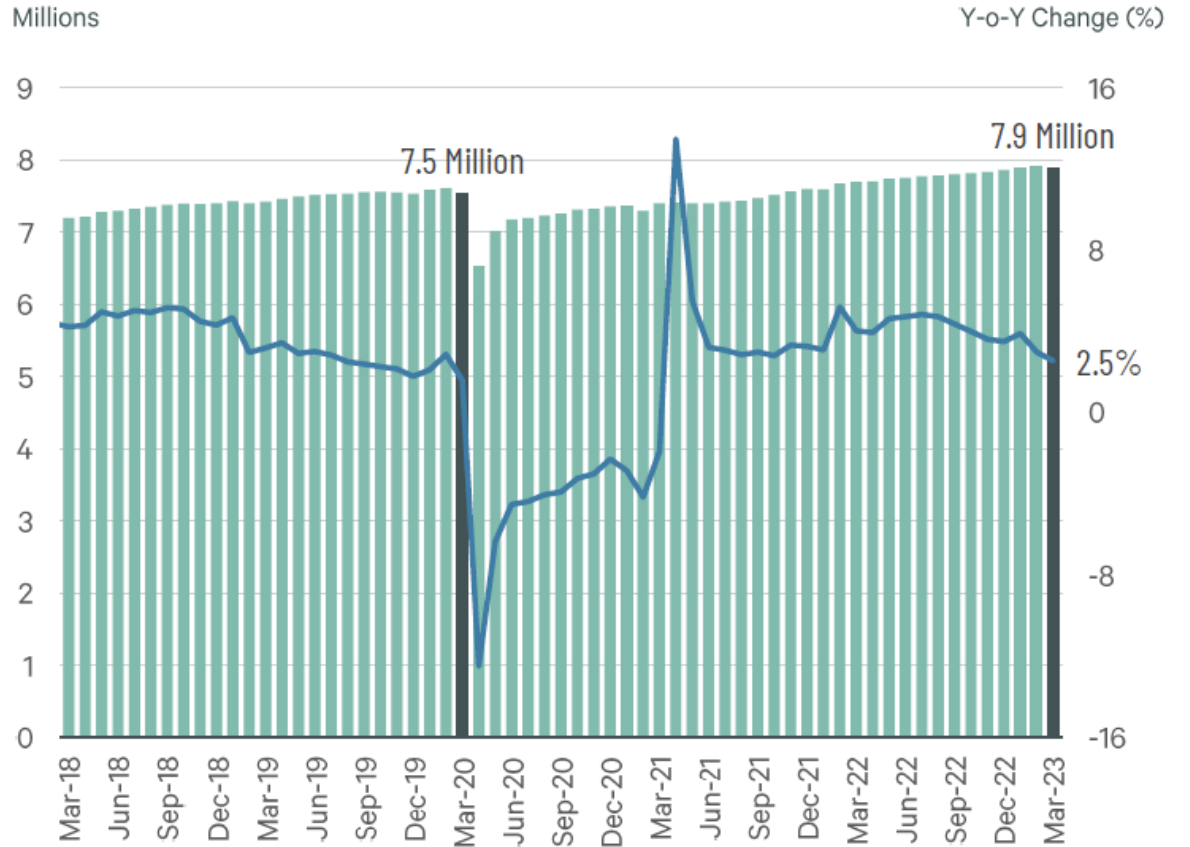
Source: STR © 2023 CoStar Group. January 2023.

# Higher Wages & Employment are Headwinds to New Construction

Constructions Wages



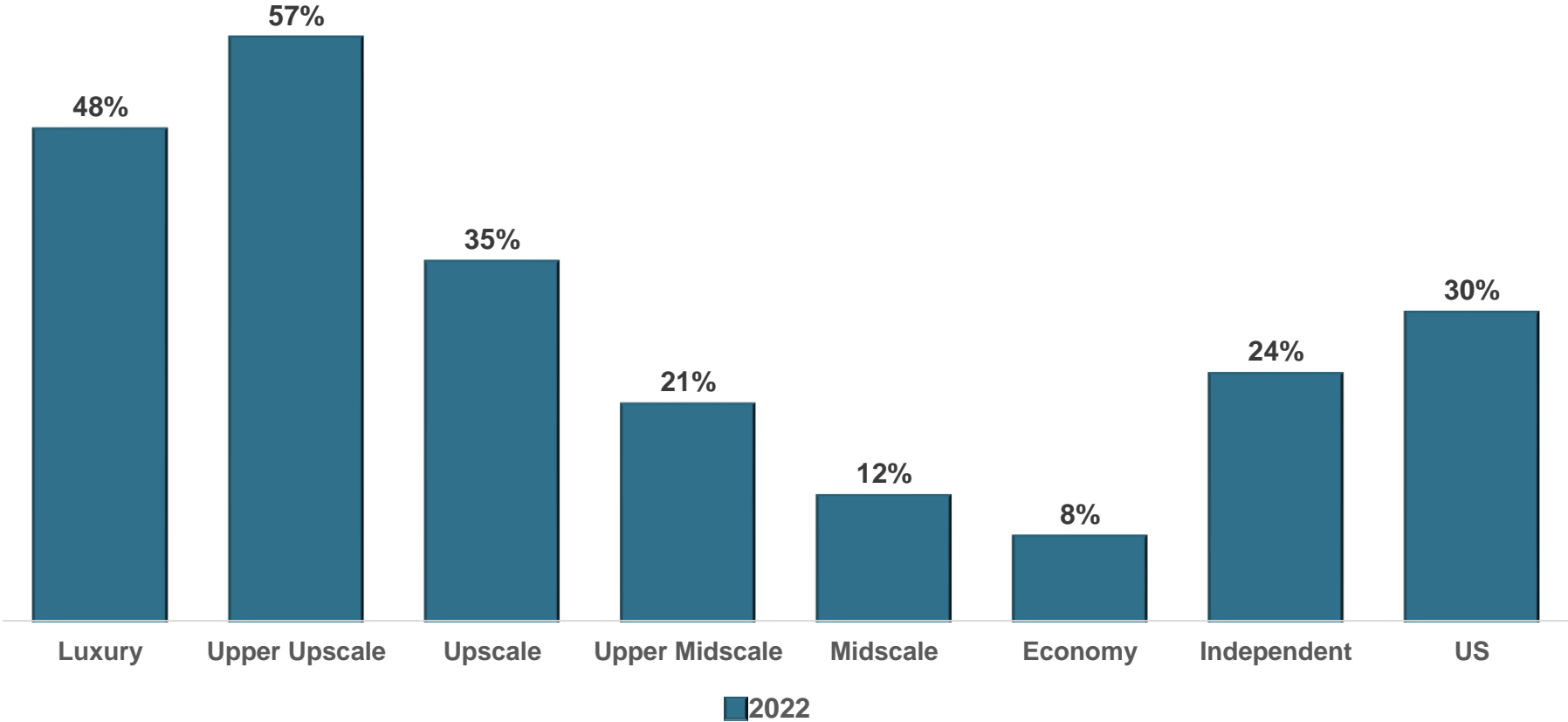
Number of Construction Employees



Source: CBRE U.S. Hotels State of the Union, May 2023, CBRE Hotels Research, BLS.

# 2022 Hotel Performance by Chain Scale

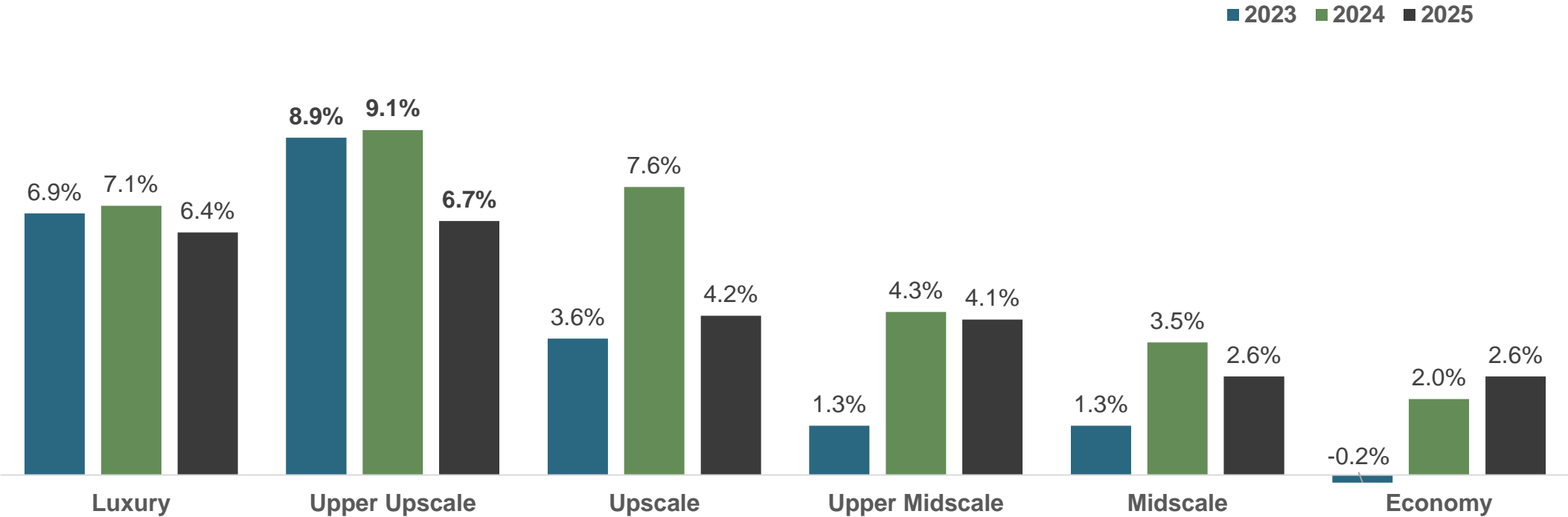
RevPAR percent change, US and chain scales<sup>(1)</sup>



1. PWC as of November 2022

# 2023-25 Hotel Chain Scale Forecast

## RevPAR forecast by chain scale<sup>(1)</sup>



1. STR. 2023 CoStar Group. Tourism Economics Data. As of January 23, 2023.

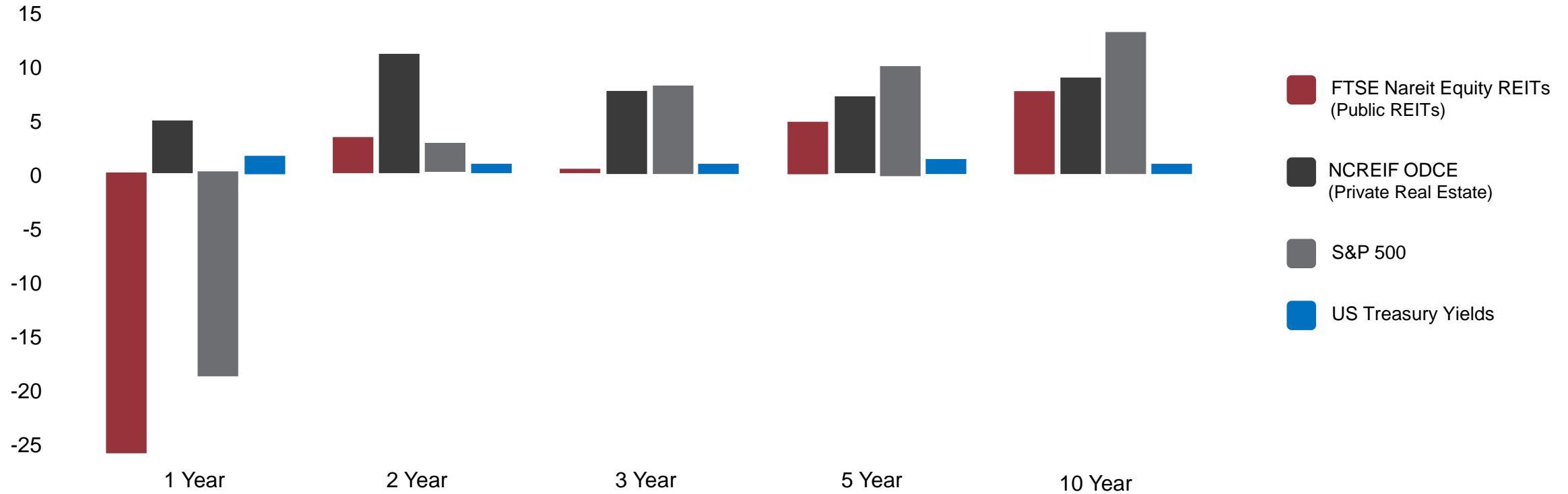
# Real Estate Market Outlook

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# Public vs. Private Real Estate Outlook

## Comparable Performance Across Public & Private Investments

Private real estate may deliver non-correlated returns over time.



*This chart compares the total returns to the end of Q4 2022 of several private and public asset classes over the last ten years.*

Source: The National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index.

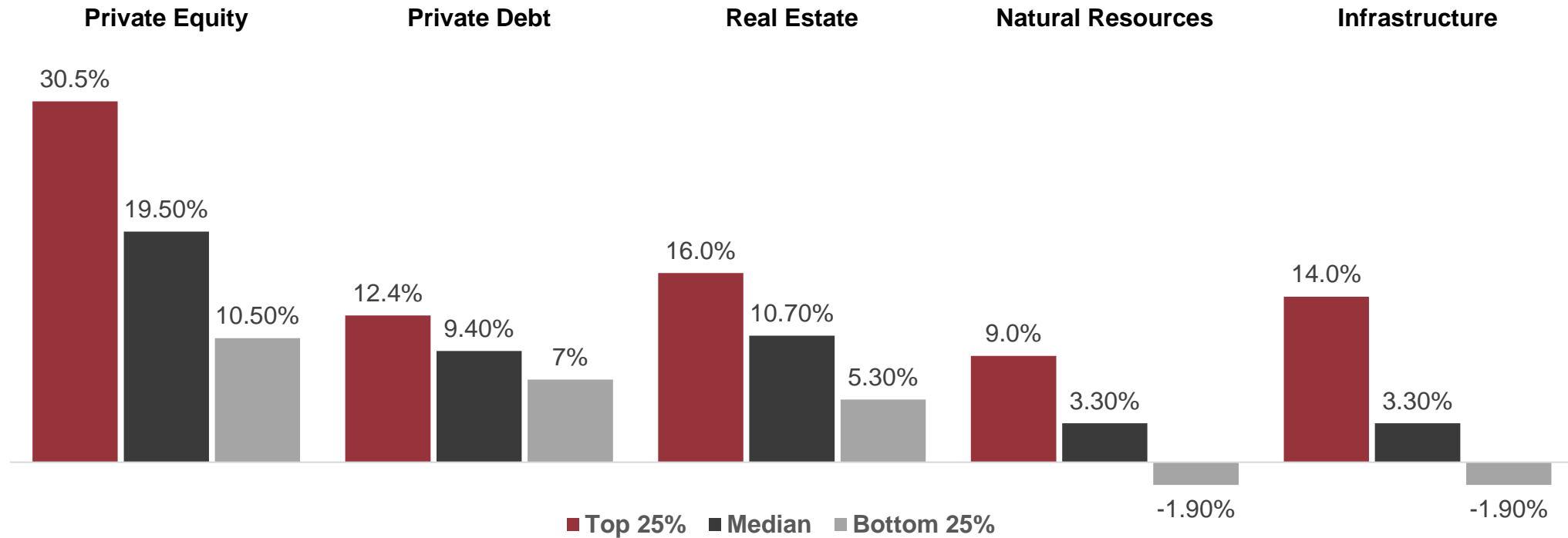
Note: NCREIF Index: The National Council of Real Estate Investment Fiduciaries index is an unmanaged, market-weighted index of non-traded unleveraged properties owned by tax-exempt entities. NCREIF was established to serve the institutional real estate investment community as a non-partisan collector, processor, validator and disseminator of real estate performance information. NCREIF members are not traded on any public exchange. NCREIF includes dividends. NAREIT Index: The NAREIT Equity REIT Index is an unmanaged, market-weighted index of publicly traded, tax-qualified REITs traded on the New York Stock Exchange, the American Stock Exchange, and the NASDAQ National Market System. NAREIT includes dividends. There is no public market for the Texas Strategic Growth Fund limited partnership interests. S&P 500 Index: The Standard & Poor's 500 Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries and is adjusted to reflect dividends paid.

An investor in the Texas Strategic Growth Fund LP, should not expect the same performance as the NCREIF Index. The NCREIF Index does not factor in fees and/or expenses.

# Historical Alternative Investment Returns

Fund Performance by Asset Type, Net IRR to date through Sept. 30, 2021

2008 – 2018 Vintages (%)<sup>1</sup>



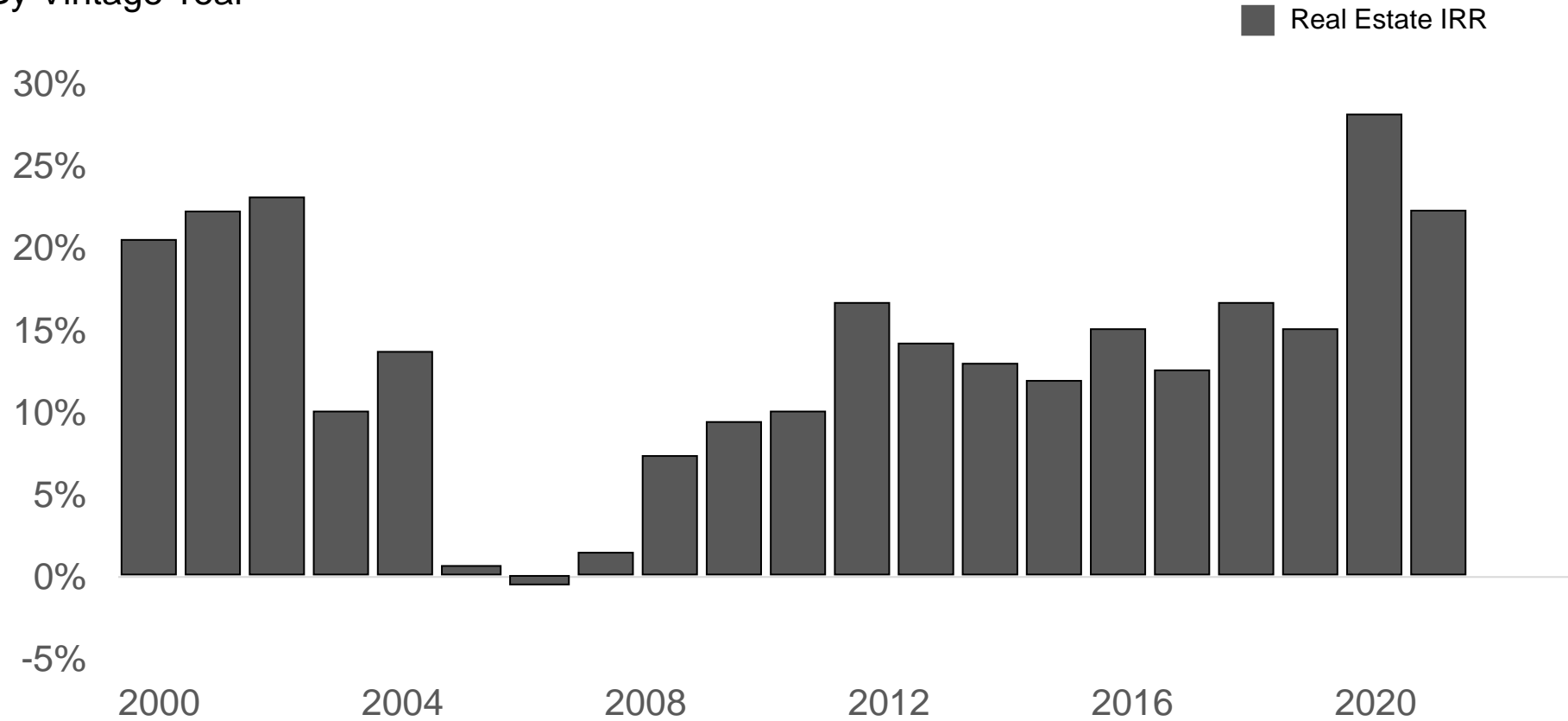
Note: Figures may not sum precisely because of rounding.

1) Methodology: IRR spreads are calculated for funds within vintage years separately and then averaged out. Median IRR was calculated by taking the average of the median IRR for funds within each vintage year.

Source: Burgiss, McKinsey Global Private Markets Review 2022.

# Private Real Estate Returns by Vintage Year

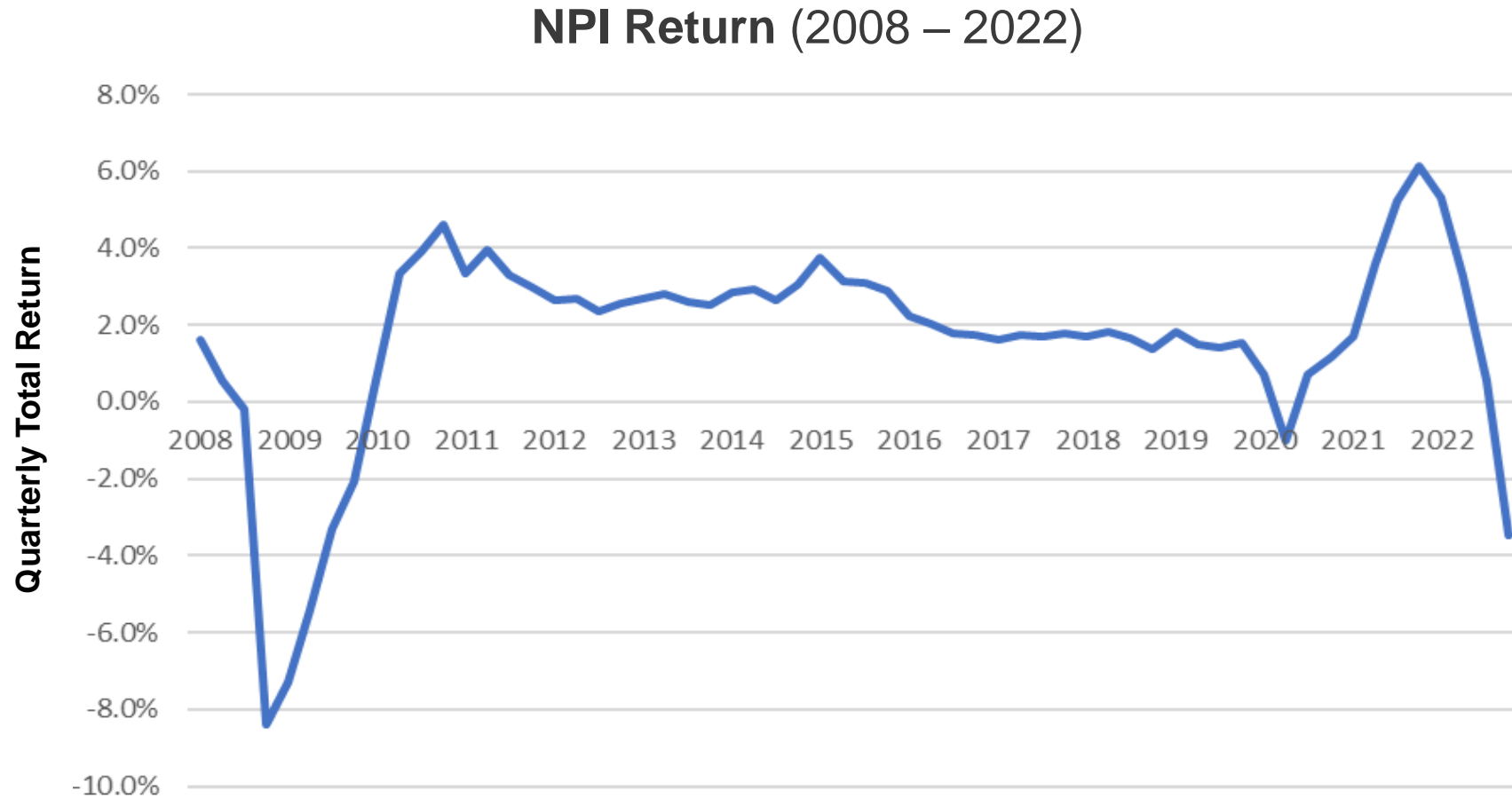
**Real Estate IRR (Private)**  
By Vintage Year



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2022).



# Q4 2022 Saw Biggest Drop in Returns Since 2009

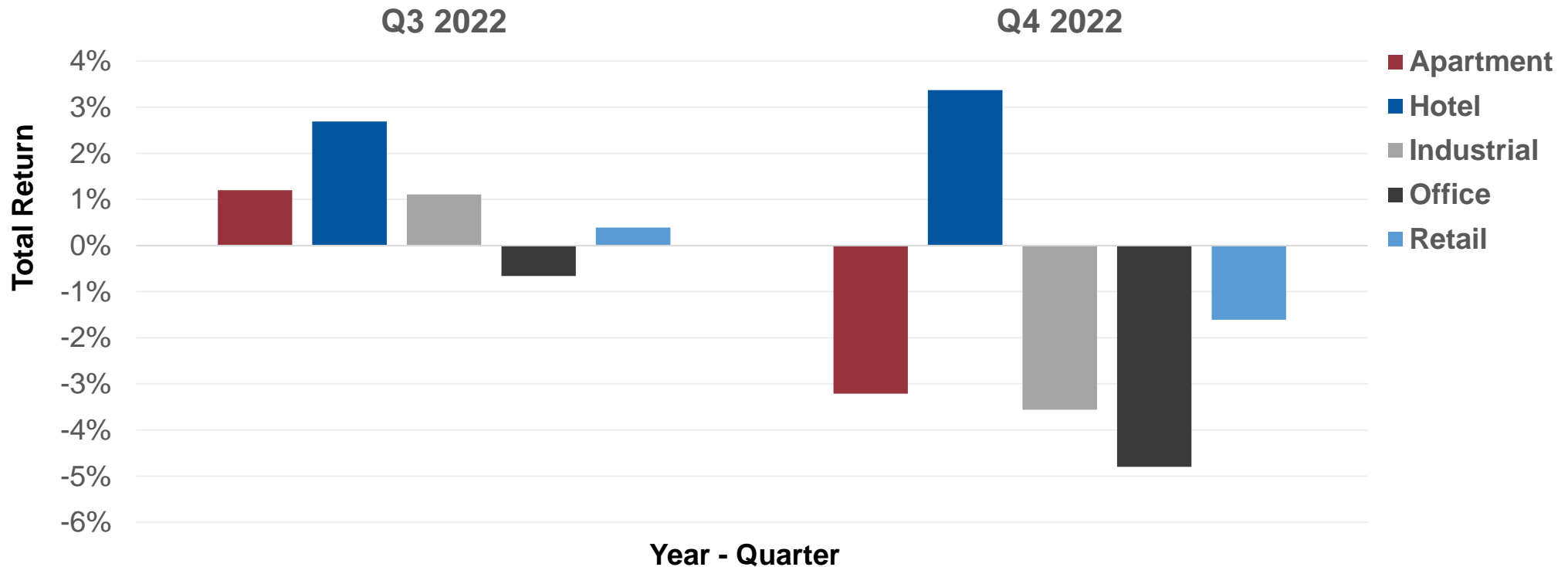


Source: The National Council of Real Estate Investment Fiduciaries (NCREIF) fourth-quarter 2022 results for the NCREIF Property Index (NPI), as of January 25, 2023.

Note: The NCREIF Property Index (NPI) is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors and held in a fiduciary environment. Past performance is not indicative of future returns.

# Hotels Were the Only Positive Sector in Q4 2022

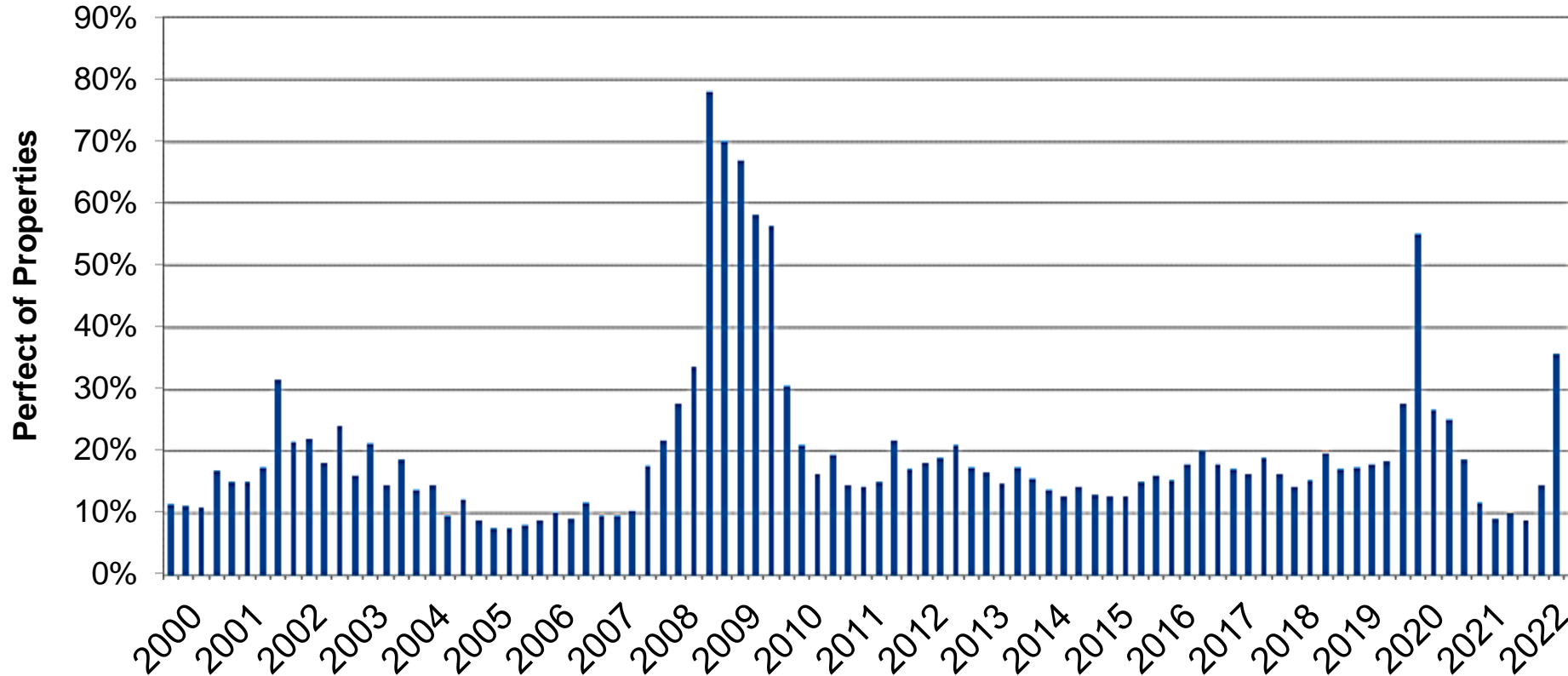
**NCREIF Returns by Property Sector**  
Q3 2022 vs. Q4 2022



Source: The National Council of Real Estate Investment Fiduciaries (NCREIF) fourth-quarter 2022 results for the NCREIF Property Index (NPI), as of January 25, 2023.

# Commercial Real Estate Valuations Dropping

Percent of Properties Written Down (2000-2022)

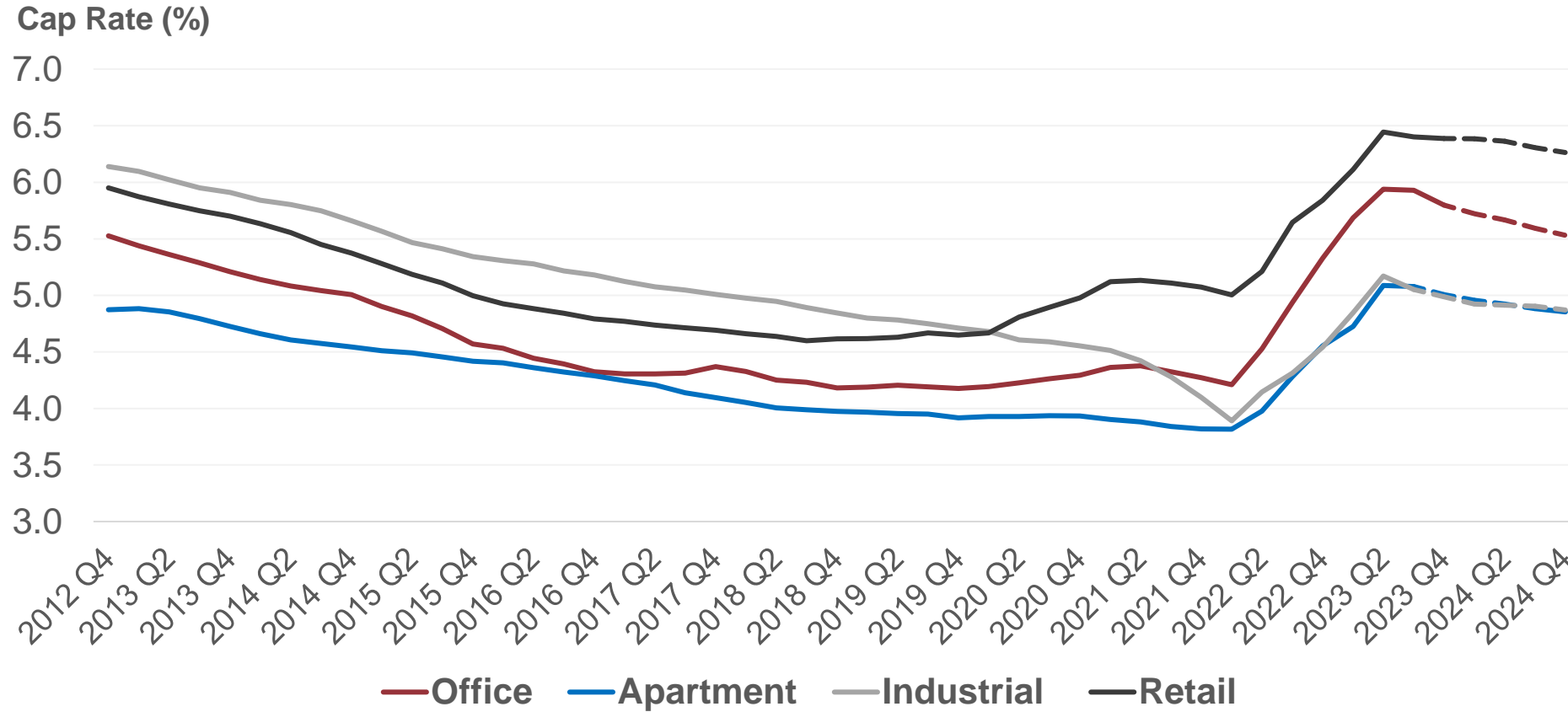


**70% OF  
COMMERCIAL  
REAL ESTATE  
PROPERTIES  
WRITTEN DOWN  
Q4 '22**

Source: The National Council of Real Estate Investment Fiduciaries (NCREIF) fourth-quarter 2022 results for the NCREIF Property Index (NPI), as of January 25, 2023.

# Cap Rates Increase & Hold Steady

Historical Cap Rates & Forecasts Q3 2021 – Q4 2024



Source: CBRE Econometric Advisors, CBRE Research.

# Cap Rate Refresher



**CAP RATE  
FORMULA**

=



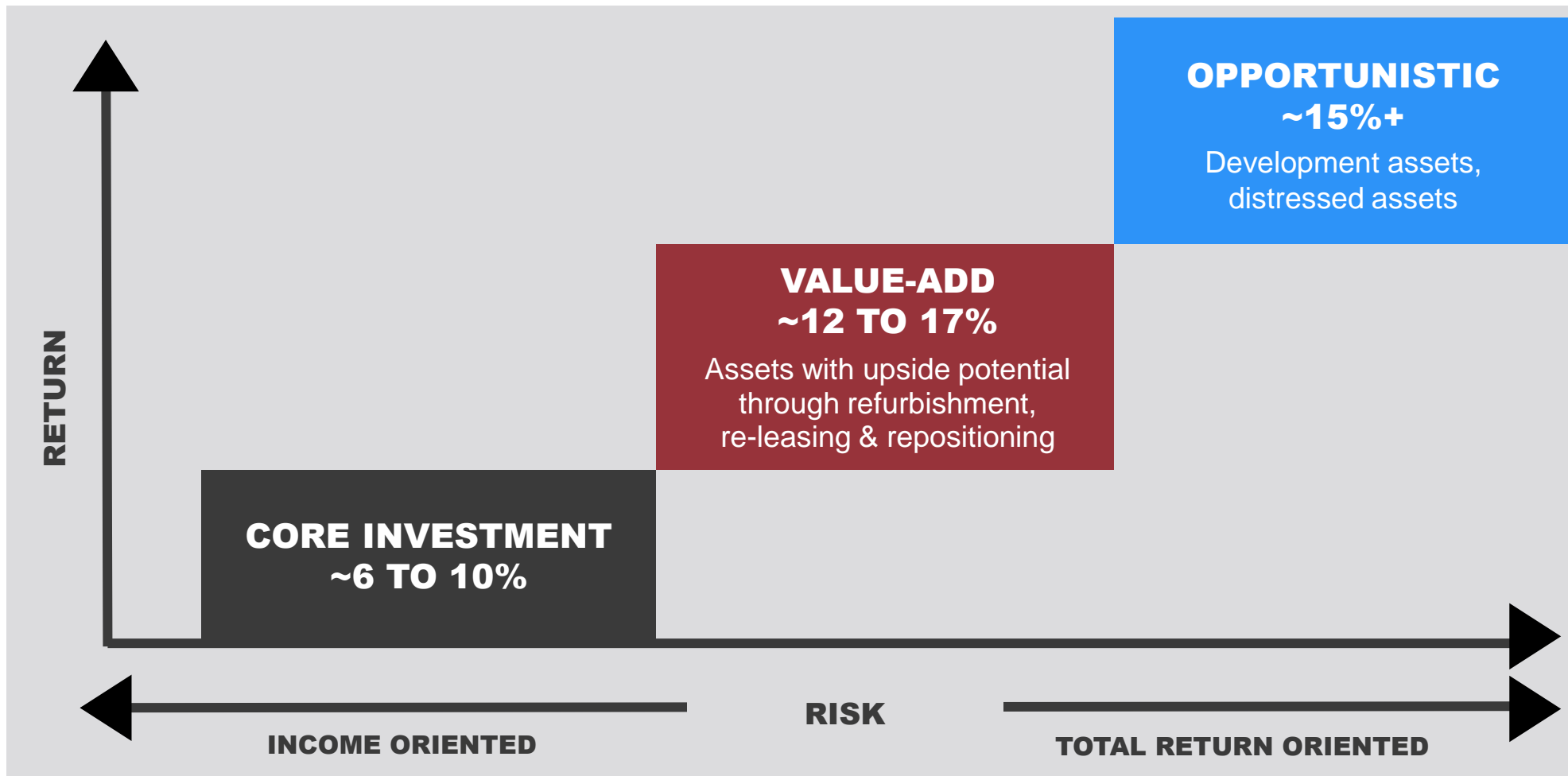
NET OPERATING INCOME



CURRENT MARKET VALUE OF THE ASSET

		CAP RATE EXPANSION					
		<b>SALE CAP RATE</b>					
		4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
<b>BUY CAP RATE</b>	4.0%	0%	-11%	-20%	-27%	-33%	-38%
	4.5%	13%	0%	-10%	-18%	-25%	-31%
	5.0%	25%	11%	0%	-9%	-17%	-23%
	5.5%	38%	22%	10%	0%	-8%	-15%
	6.0%	50%	33%	20%	9%	0%	-8%
	6.5%	63%	44%	30%	18%	8%	0%
		CAP RATE COMPRESSION					

# Real Estate Risk/Return Styles



Source: Investor Education, Valiance Capital 2021

Note: This example is a hypothetical illustration of understanding the differences between Core, Value-Add, and Opportunistic Investments.

# Contact Us

For more information contact **Ashford Securities LLC (Member FINRA/SIPC)**



14185 Dallas Parkway, Suite 780  
Dallas, TX 75254



[sales@ashfordsecurities.com](mailto:sales@ashfordsecurities.com)



[www.ashfordsecurities.com](http://www.ashfordsecurities.com)



(888) 490-4292