HOSPITALITY REPORT

VIEWPOINT 2018 / COMMERCIAL REAL ESTATE TRENDS

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Perhaps the main theme for hospitality in 2018 is "the 21st Century has arrived." This is true to some degree for real estate as a whole! Hoteliers are sensitively adapting to the challenge of disruptor Airbnb, which itself is responding to a shift in preferences from travelers for more individualized experiences. Major brands are tailoring their products to increasingly targeted visitor segments. This is all taking place as the hospitality industry expands and modernizes, with technology as an ally rather than an enemy, on the back of one of the longest economic expansions in U.S. history.

Many economists expect the economy to grow by 2-3% over the next two years. Economic fundamentals for consumer spending are solid going into 2018, giving hotel operators reason to be optimistic about demand for all types of hotel product.

According to STR, demand from the 2017 hurricanes in the Southwest continues to outpace supply, as the supply development cycle has been growing at a much slower pace than prior cycles; still below 2% new supply growth on a trailing 12-month basis. The market is at a peak occupancy level, with over 65% occupancy for the past 28 months. Despite these peak occupancies, rate growth would normally be expected to be higher, but rate growth has slowed from 4% to 2% on the trailing 12-month basis over the past 36 months.

By the end of 2017, the U.S. hotel industry was stronger than originally projected, primarily due to greater demand as a result of the disruptions of hurricanes in Texas and Florida. STR and Tourism Economics predict the U.S. hotel industry will report relatively flat occupancy for full-year 2017, with a 2.3% increase in both ADR and RevPAR.

According to Lodging Econometrics, the Marriott, Hilton and IHG and their affiliated brands comprise 68% of all of the pipeline projects.

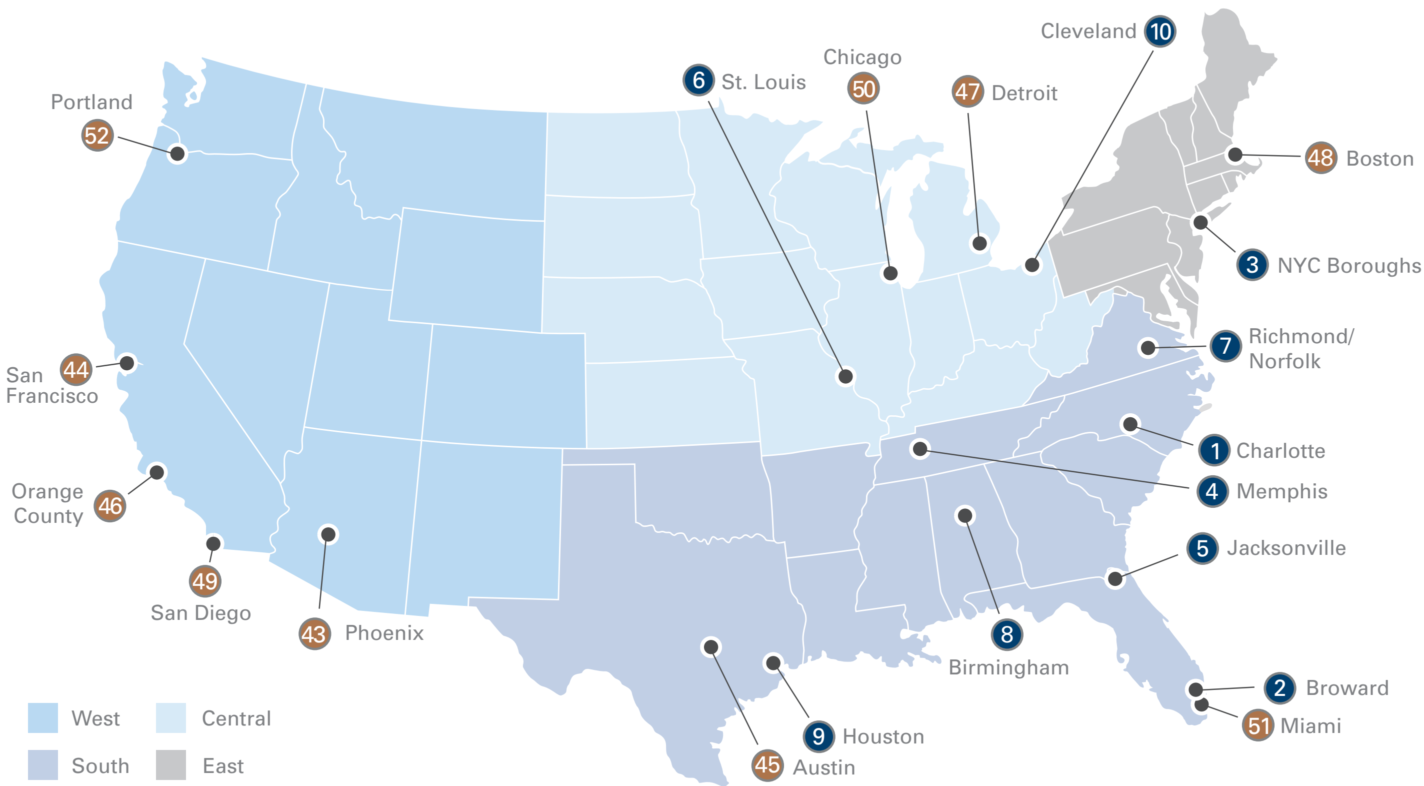
For 2018, STR and Tourism Economics project a 0.2% decrease in occupancy to 65.6%, but increases in ADR (+2.4% to $129.64) and RevPAR (+2.2% to $85.06). The Independent segment is likely to report flat occupancy as well as the largest increase in ADR (+2.7%) and RevPAR (+2.6%). All other segments are forecasted to see a dip in occupancy.

In 2018, a 2.1% supply increase will outpace demand (+1.9%), causing occupancy to decline by 0.2%

$31 Billion

in hotel properties changed hands, a 25.1% YOY decrease

TOP MARKETS BY HOSPITALITY TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
1	Charlotte	547.4%	$593.9 M	9
2	Broward	418.2%	$505.7 M	13
3	NYC Boroughs	269.1%	$350.3 M	20
4	Memphis	269.0%	$153.5 M	35
5	Jacksonville	226.3%	$287.5 M	25
6	St Louis	174.8%	$223.4 M	30
7	Richmond/Norfolk	170.1%	$208.5 M	31
8	Birmingham	135.4%	$131.9 M	40
9	Houston	132.4%	$574.1 M	10
10	Cleveland	116.4%	$135.5 M	38

Bears (Bottom 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
43	Phoenix	-65.4%	$444.8 M	16
44	San Francisco	-66.0%	$1,302.4 M	4
45	Austin	-67.3%	$281.6 M	26
46	Orange County	-70.4%	$460.4 M	14
47	Detroit	-73.2%	$60.9 M	47
48	Boston	-75.3%	$457.2 M	15
49	San Diego	-77.2%	$253.7 M	29
50	Chicago	-77.9%	$644.3 M	8
51	Miami	-81.7%	$346.4 M	21
52	Portland	-91.7%	$32.3 M	51

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

All Top 25 Markets, with the exception of Miami/Hialeah, Florida, and Houston, Texas, are likely to see RevPAR performance between 0% and +5%. Each of those markets is expected to see flat to a 5% decrease in RevPAR.

PwC believes that the future is much brighter, forecasting ADR, occupancy, and demand growth will increase at slightly higher levels than expected as of 3Q '17. Demand is anticipated to continue to outpace supply, resulting in the highest occupancy level since 1981 at 65.9%. Supply is expected to increase by 1.9%; (+11.1% over 2017); occupancy to 65.9% (an increase of 0.2% over 2017 YOY); ADR at $129.51 (+2.2% YOY), and RevPar at $85.39 (+2.5% YOY).

Transaction Volume

Transaction volumes, as measured by Real Capital Analytics (RCA), peaked in 2015 at $50.2 billion. From 3Q '16 to 3Q '17, $31 billion in hotel properties changed hands, a 25.1% YOY decrease. The largest transaction decrease was observed in the Central Region, at 35.5%. The East Region and West regions both experienced a decrease in transaction volume in excess of 30%. The South Region's shifts were mild with a drop of only 2.5%. Group occupancy has continued to decelerate, while transient occupancy has accelerated at a modest pace.

Notable Transactions

There were significantly fewer major transactions in 2017 than in 2016. KSL Capital Partners and Aspen Skiing Company announced in April 2017 that they would acquire Intrawest Resort Holdings for $1.5 billion. In June 2017, Aimbridge Hospitality announced that it had acquired TMI and its portfolio of 188 hotels.

Hyatt announced a major strategy shift to focus on fee-based business, and its intent to sell off $1.5 billion in owned hotels over the next three years. The first two sales under this plan were the Hyatt Regency Scottsdale Resort & Spa and the Royal Palms Resort & Spa in Phoenix to Xenia Hotels & Resorts for $315 million.

IRR's Viewpoint Survey reveals 75% of markets anticipate asset value growth in 2018

Wyndham Hotel Group completed a deal with American Hotel Income Properties REIT to convert 44 of the REIT's hotels to Baymont Inn & Suites, Travelodge and Super 8 brands. Wyndham also completed its acquisition of AmericInn and its management company, adding 200 branded hotels. Like other brands, in an attempt to remain thin and gear towards management, Wyndham immediately spun off AmericInn's owned portfolio of 10 hotels to Champion Hotels. Lastly, Wyndham completed its acquisition of Buenos Aires-based Fen Hotels, and its management contracts.

Wyndham Worldwide announced plans to become two publicly traded hospitality companies; Wyndham Hotel Group, as a publically traded pure-play hotel company with 18 brands and 8,100 hotels; and Wyndham Vacation Ownership Company, the world's largest developer and marketer of vacation ownership products, with a portfolio of over 220 resorts worldwide. The separation is expected to be completed by mid-2018.

Major Disruptors

Since inception, 115 million travelers have stayed in three million Airbnb listings in 191 countries. Airbnb is now rated No. 1 on the 2017 CNBC Disruptor 50 list, and was valued at $31 billion last year, with only Marriott's $39 billion value being greater in the lodging industry. Airbnb turned its first profit in 2016 and believes that its core homes business will only account for half of its future revenue, as the company expands products and services like booking restaurants and Airbnb's Trips, where hosts take guests on local tours.

Boutique and Lifestyle lodging hotels continue to attract the Millennials

These hotels are much more agile than their chain counterparts, with greater creative freedom and the ability to focus their resources, energy and attention on one hotel and succeed in offering outstanding personal service, unique travel experiences steeped in local character, and cutting-edge technology. The big chains have taken note of the boutique hotel success, and have launched their own versions, such as Marriott's Autograph Collection and Hilton's Curio Collection.

Online Travel Agencies ("OTAs"), such as Priceline and TripAdvisor, are encountering increased competition from sites such as Airbnb and others that offer alternatives to traditional hotels. Hotel chains are also putting up a tougher fight for the online sites' business, becoming more aggressive

Market Rank Based on Full Service Cap Rates

1

San Francisco

5.25%

2

New York

6.00%

3

Miami

6.65%

4

Boston

6.75%

5

Seattle

6.75%

As of October 2017, 584,052 hotel projects were under contract in the U.S., an increase of 5.4% YOY

by offering discounts if travelers book directly. While solo travelers were booking on home-sharing platforms, it is now believed that up to 33% of group rooms look at options beyond hotels. Sensing increased competition from home-sharing companies like Airbnb, hotel chains such as Accor, Hyatt and Wyndham have started investing in home-sharing companies and are looking for ways to work in association with them.

U.S. Hotel Construction Pipeline

STR reported that as of October 2017, 584,052 hotel rooms were under contract in the U.S., an increase of 5.4% YOY. "Under contract" includes projects in construction, final planning and planning stages. Under construction are 183,187 rooms in 1,407 projects, a 0.1% YOY decrease, the first such decrease since October 2011. New York, NY has the most rooms under contract (24,858 rooms). Dallas, Orlando and Houston all have over 15,000 rooms under contract.

Emerging 2018 Trends

The most important industry trends are personalization, service, consistency and quality. There is an ever-increasing shift in the market, where the transient visitor wants and expects individualized service. The market will begin to focus on "experiences" in the local market, including cultural influences and immersion into the destination that they are visiting. We expect to see hotels and their community becoming totally connected. Micro rooms and big, integrated public spaces are hot and food halls and grab and go will become more common, with hotels featuring outlets from local restaurants. Technology continues to advance, with Marriott moving towards integration of the Internet of Things ("IoT"), leveraging mobile and voice-enabled room controls, bringing advanced power and connectivity to elevate the guest experience.

Comprehensive Commercial Real Estate Market Research, Valuation and Advisory Services

About IRR

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 158 MAI-designated members of the Appraisal Institute among over 580 professionals based in our 49 offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments.

About Viewpoint

IRR's Viewpoint represents the compilation and presentation of Commercial Real Estate (CRE) rates, market conditions, and forecast data. The rates, market conditions, and forecast data is generated via IRR's Viewpoint Survey. IRR's Viewpoint Survey requests market experts consisting of Appraisers and Consultants, each of whom have deep CRE expertise, to provide insights on over 60 U.S. markets. Viewpoint data is collected across five asset classes including Multifamily, Office, Retail, Industrial, and Hospitality.

Viewpoint's rates data (Cap Rates, Discount Rates, Reversion Rates, Vacancy Rates, etc.) reflects an expert's opinion based on recent market activity experienced in the past 6 months. Viewpoint forecast data represents a 12-month outlook based on current market conditions. The data in Viewpoint reflects rates data and forecasts based on stabilized properties in the respective U.S. marketplace. Where referenced, all regional and national averages are based on simple average calculations and are not weighted.

IRR's Viewpoint Survey is conducted through a proprietary data survey tool, and all data is checked both manually and by a specially designed computer editing procedure. While we do not guarantee that the survey is statistically accurate, the Viewpoint data provides, what we believe, is the best, clear-sighted insights into the CRE marketplace.

Sources

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Top Markets by Hospitality Transaction Volume Based on YOY Percentage Change
Source: Real Capital Analytics