



# U.S. Hotels State of the Union

Tuesday January 31, 2023

# Key Takeaways



## Economy

### **CBRE slightly raises GDP and employment forecasts.**

2023 GDP forecast increased to 0.2% from -0.2%, with employment increasing to 0.5% from 0.2%.

[\[Slides 5-12\]](#)

### **CBRE expects interest rates to peak at 4.9%.**

CBRE expects interest rates to continue to rise, peaking at 4.9% in 2023, up from 4.3%, currently.

[\[Slides 15\]](#)

### **CBRE expects inflation to moderate in 2023.**

CBRE expects inflation to moderate to 4.7% in 2023, down from 6.7% in December.

[\[Slides 14,16\]](#)



## Current Trends

### **RevPAR growth slowed in December, year-over-year.**

Most chain scale types experienced slower growth in December but remained well above 2019 levels.

[\[Slides 18-23\]](#)

### **TSA throughput hit post-pandemic highs versus 2019.**

TSA throughput exceeded 2019 levels in January. Year-over-year growth is likely to slow in March due to post-Omicron comparisons.

[\[Slides 25\]](#)

### **Brand.com has taken share relative to OTAs vs. 2019**

For the first time post-pandemic, Group share of demand reached 100% of 2019 levels.

[\[Slides 34,35\]](#)



## Food for Thought

### **GOP margins remained under pressure in November.**

Despite strong RevPAR growth, GOP margins have declined for the sixth straight month due to the reopening of amenities and the impact of inflation.

[\[Slides 44-46\]](#)

**Post-pandemic credit spreads have widened 135 bps.** Despite interest rates increasing, credit spreads peaked in August 2021.

[\[Slides 48-52\]](#)

### **International travel continues to drive growth.**

The re-opening of Japan and China is likely to fuel growth in 2023, particularly in West Coast, destination, and gateway markets.

[\[Slides 37-38\]](#)

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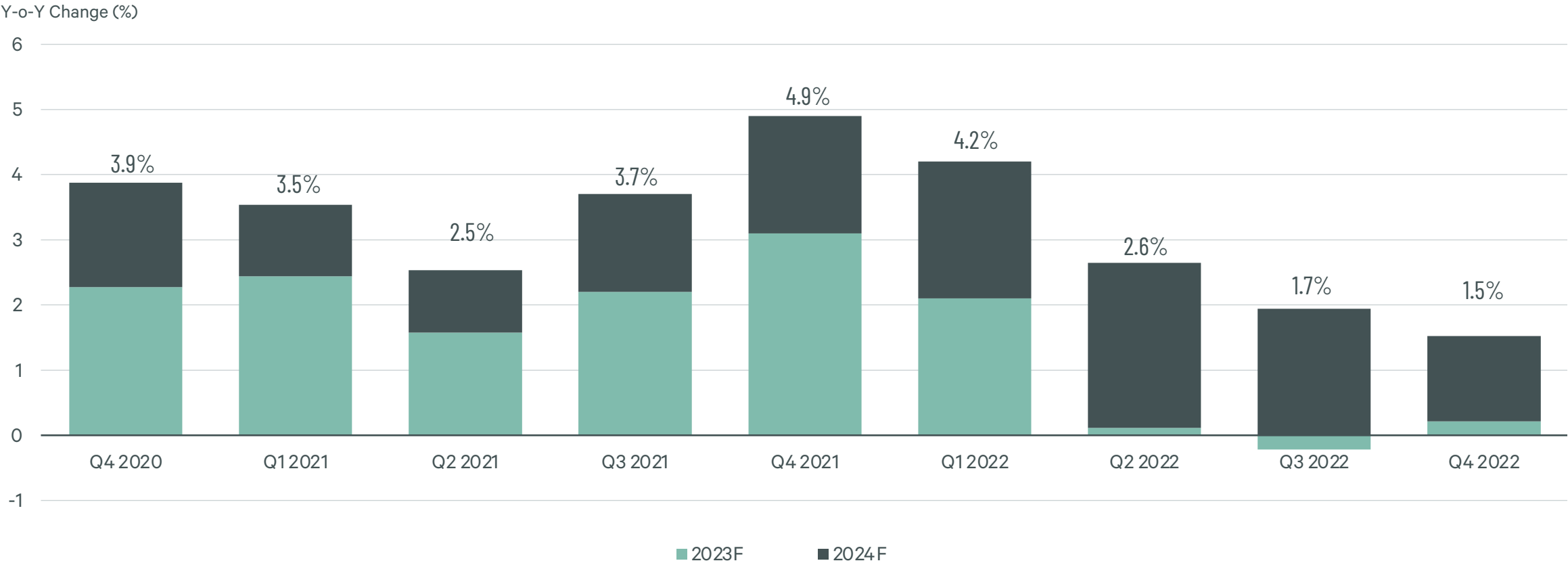
1. [The Economy](#)
2. [Inflation](#)
3. [Current Trends](#)
4. [Travel Indicators](#)
5. [Booking Channel](#)
6. [International Travel](#)
7. [Supply Inputs](#)
8. [Operating Performance](#)
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1

The  
Economy

# CBRE EA continues to lower its GDP growth outlook

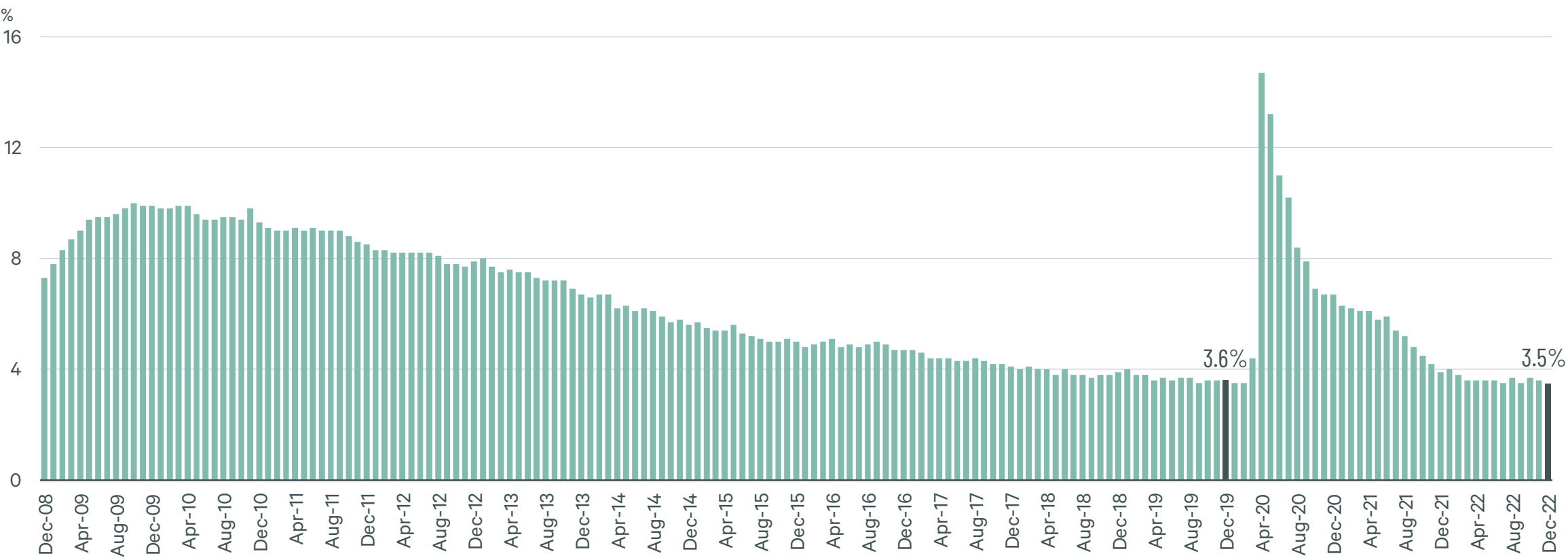
Cumulative 2023 and 2024 Annual Real GDP Growth



CBRE Hotels Research, CBRE EA, BLS, Forecast as of January 23, 2023

# Unemployment declined in December, but is expected to rise in 2023

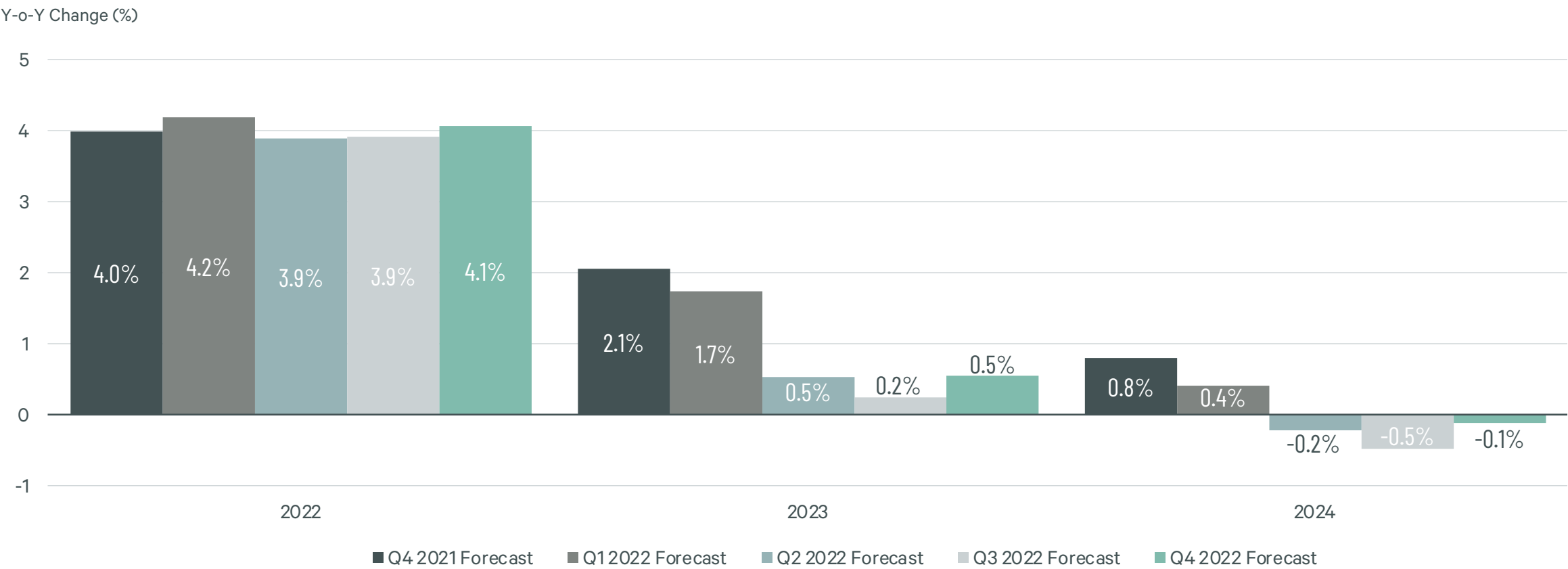
Monthly Unemployment Rate Dec. 2008 – Dec. 2022



CBRE Hotels Research, CBRE EA, BLS

# CBRE’s economists have slightly raised their outlook for employment gains

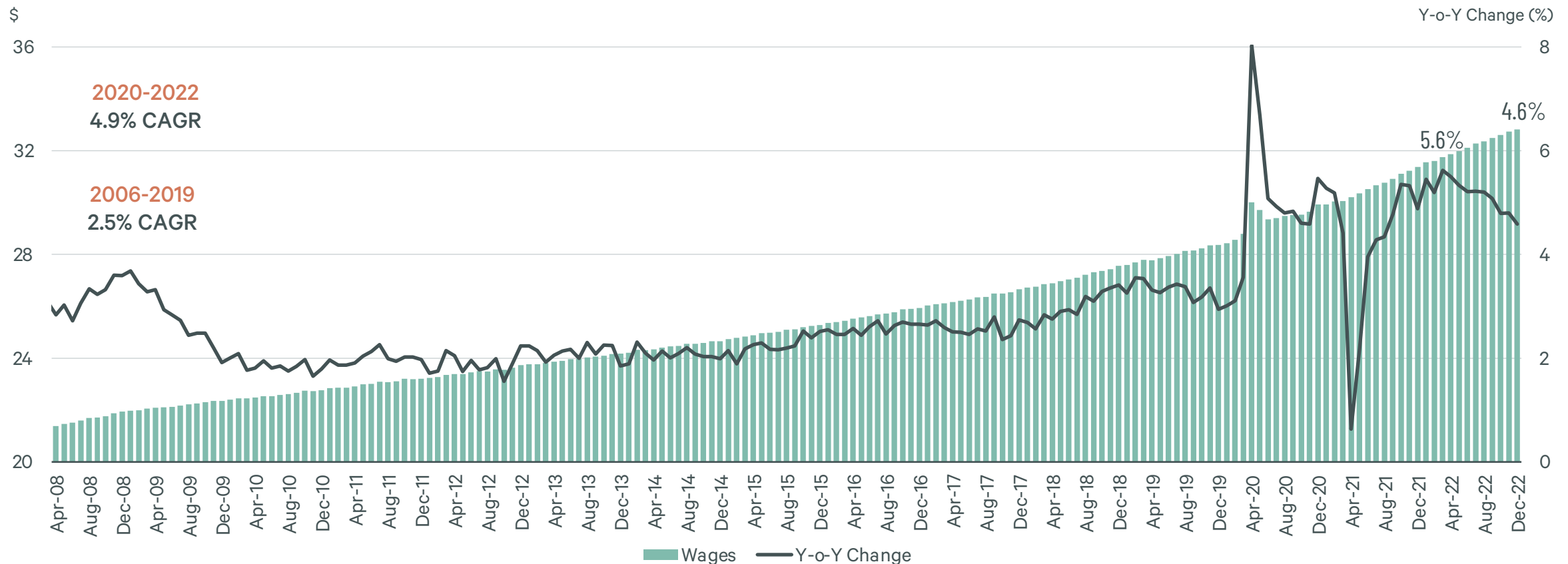
Employment Change Y-o-Y by Forecast Release



CBRE Hotels Research, CBRE EA, Forecasts as of January 23, 2023

# Average wage growth has doubled since the pandemic but has begun to moderate

Average U.S. Hourly Wages



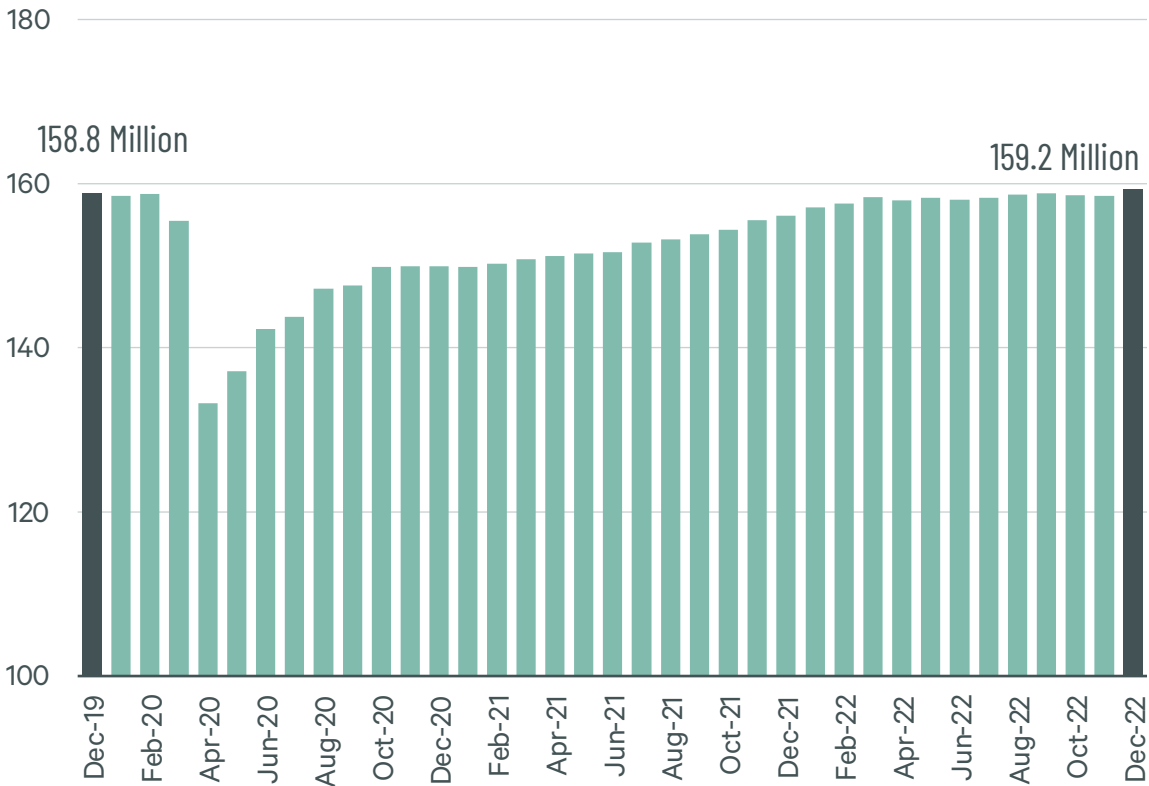
CBRE Hotels Research, CBRE EA, BLS



# Employment has fully recovered and continues to post gains

Total U.S. Employment

(\$) Millions



Total U.S. Employment Change

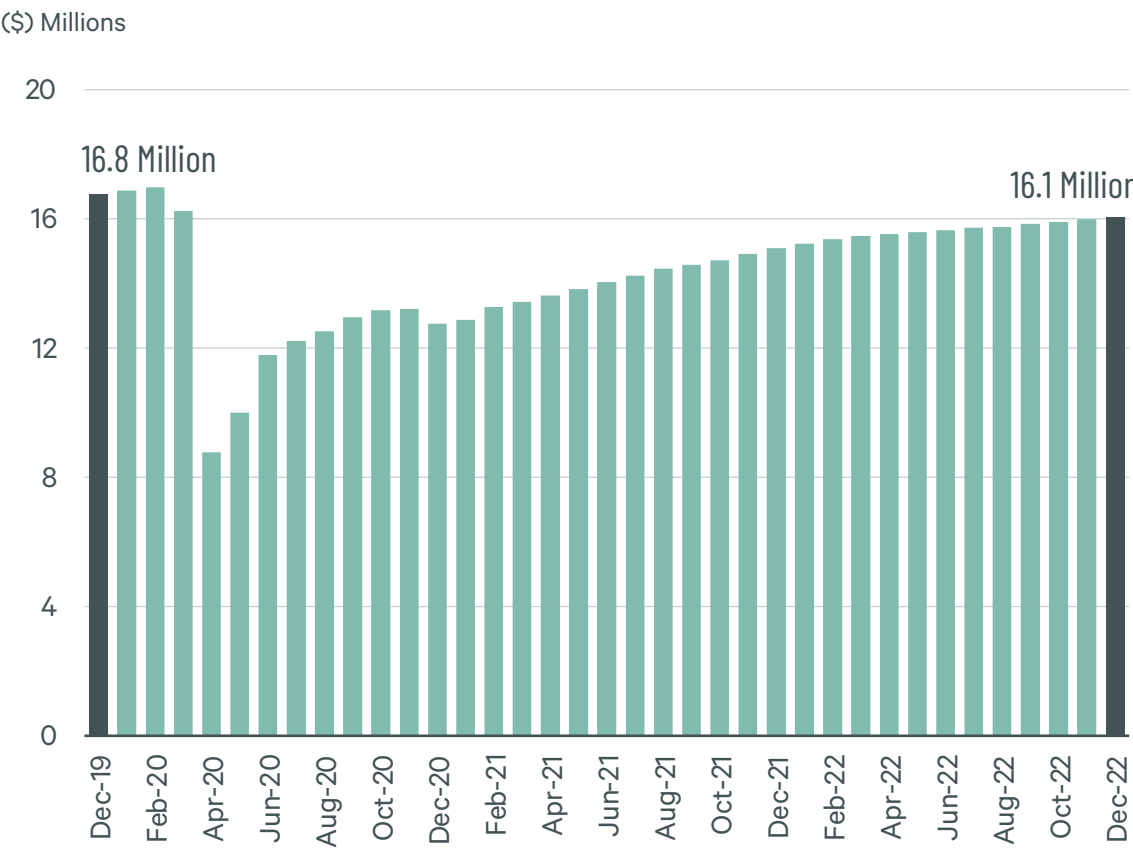
Y-o-Y Change (%)



CBRE Hotels Research, CBRE EA, BLS

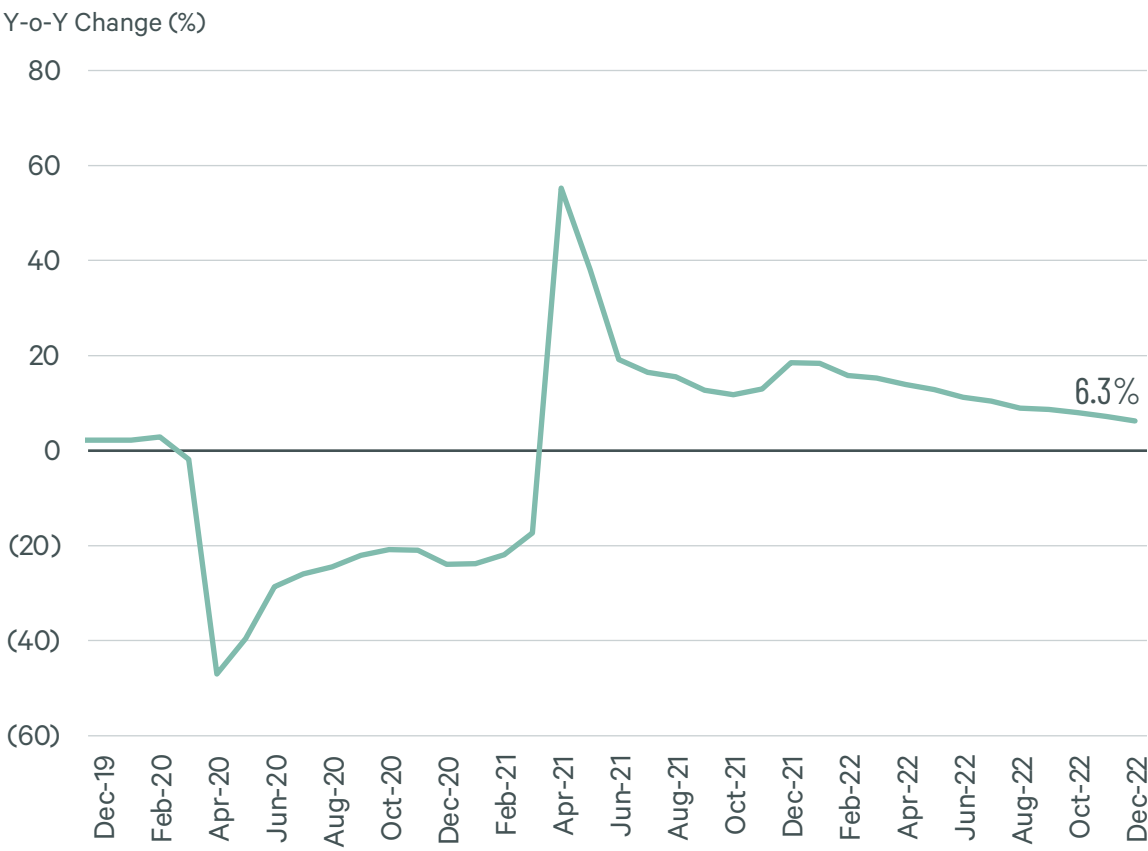
# Leisure and hospitality employment continues to improve, up 6% Y-o-Y

U.S. Leisure and Hospitality Employment



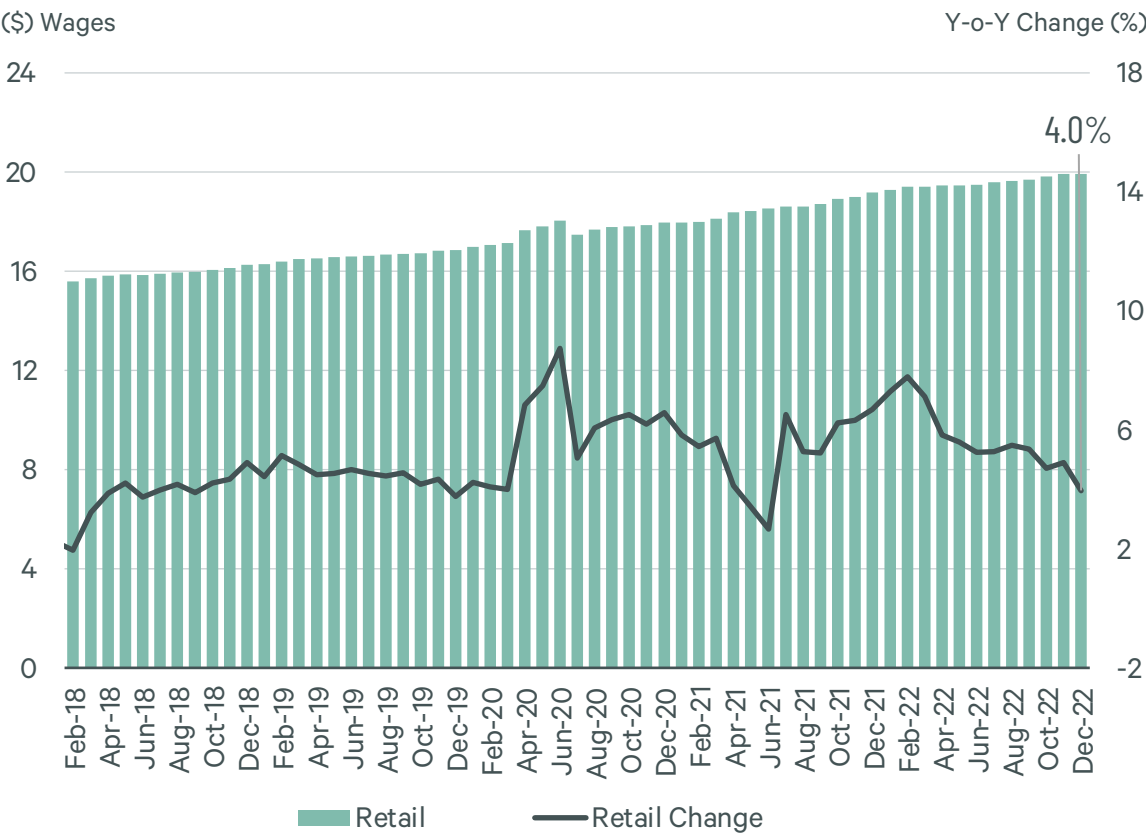
CBRE Hotels Research, CBRE EA, BLS

U.S. Leisure and Hospitality Employment Change

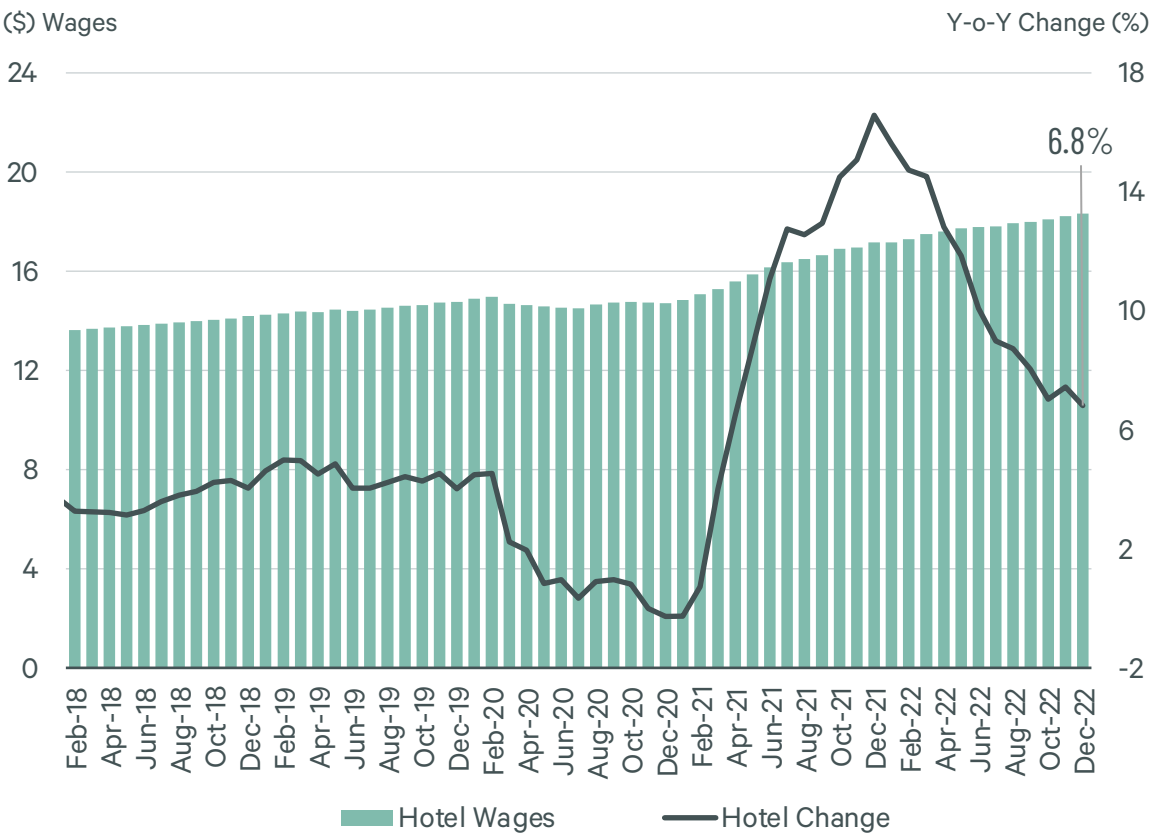


# Wage gains persist but have moderated in recent months

Retail Wages



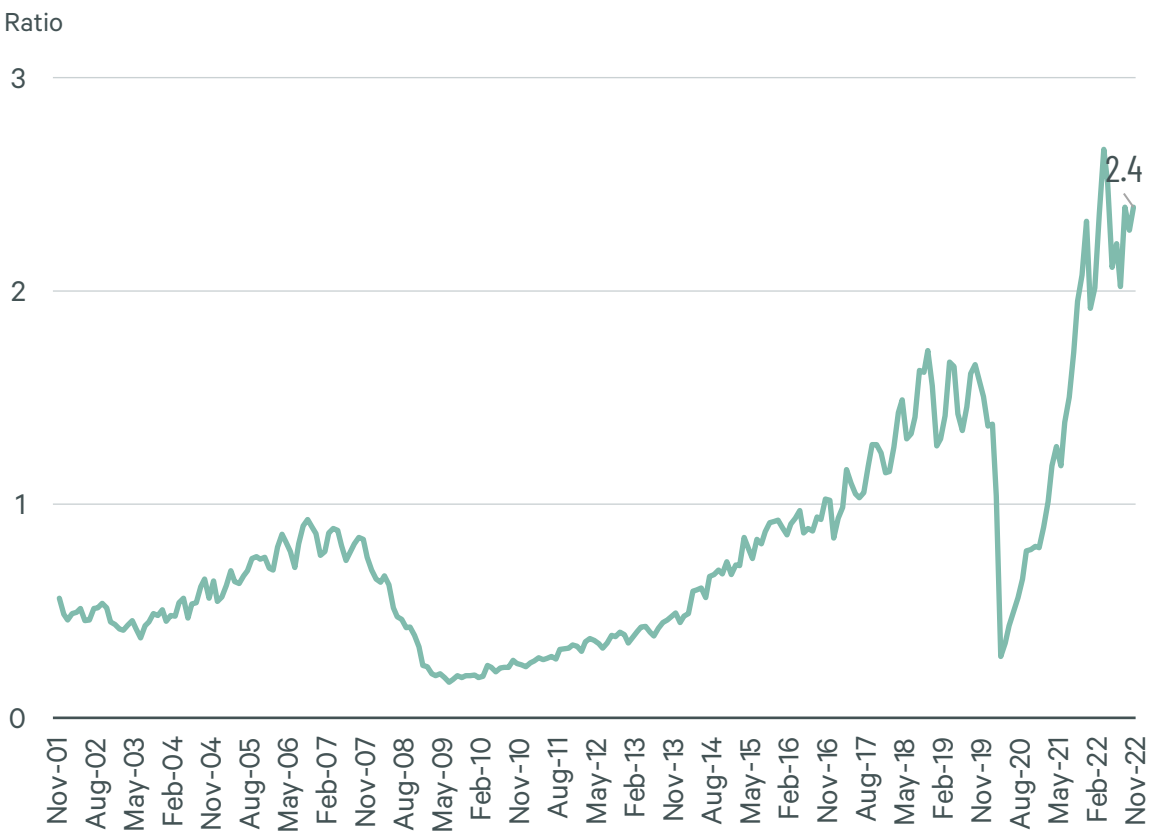
Leisure and Hospitality Wages



CBRE Hotels Research, CBRE EA, BLS

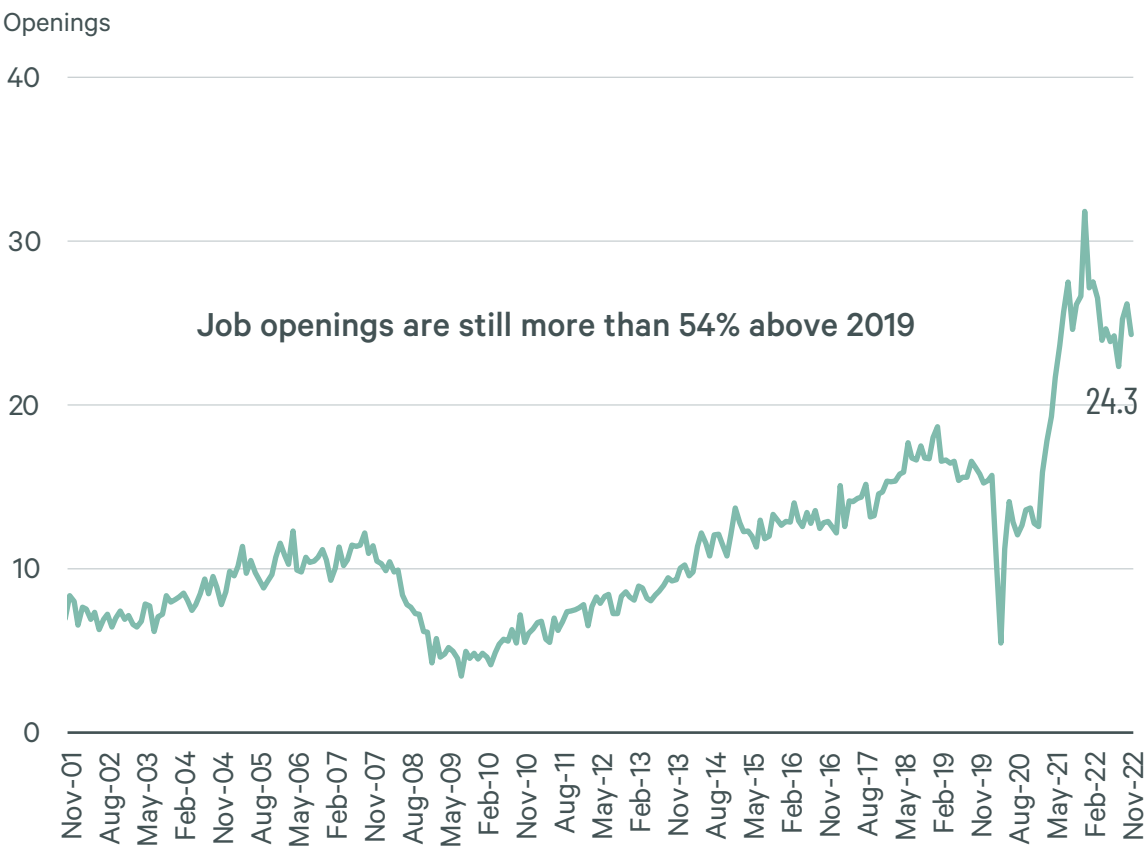
# Labor market remains tight but below recent highs

Ratio of U.S. Job Openings to Job Seekers



CBRE Hotels Research, BLS

Monthly Job Openings per Hotel: Nov. 2001 – Nov. 2022



CBRE Hotels Research, BLS, CoStar

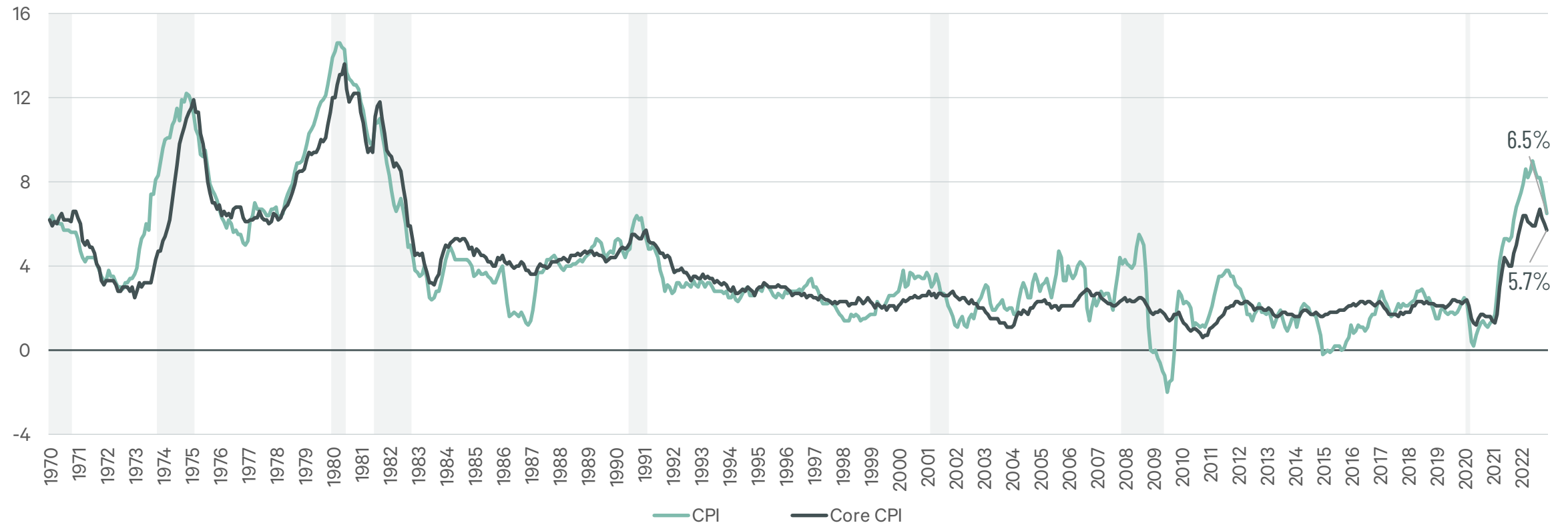
# 2

Inflation

# December marks seven consecutive months of easing inflation

## National CPI vs. Core CPI Growth

Y-o-Y Change (%)



CBRE Hotels Research, BLS

# The market expects the Fed to raise an additional $\frac{3}{4}$ of a point over time

Federal Funds Rate vs. Real GDP Change

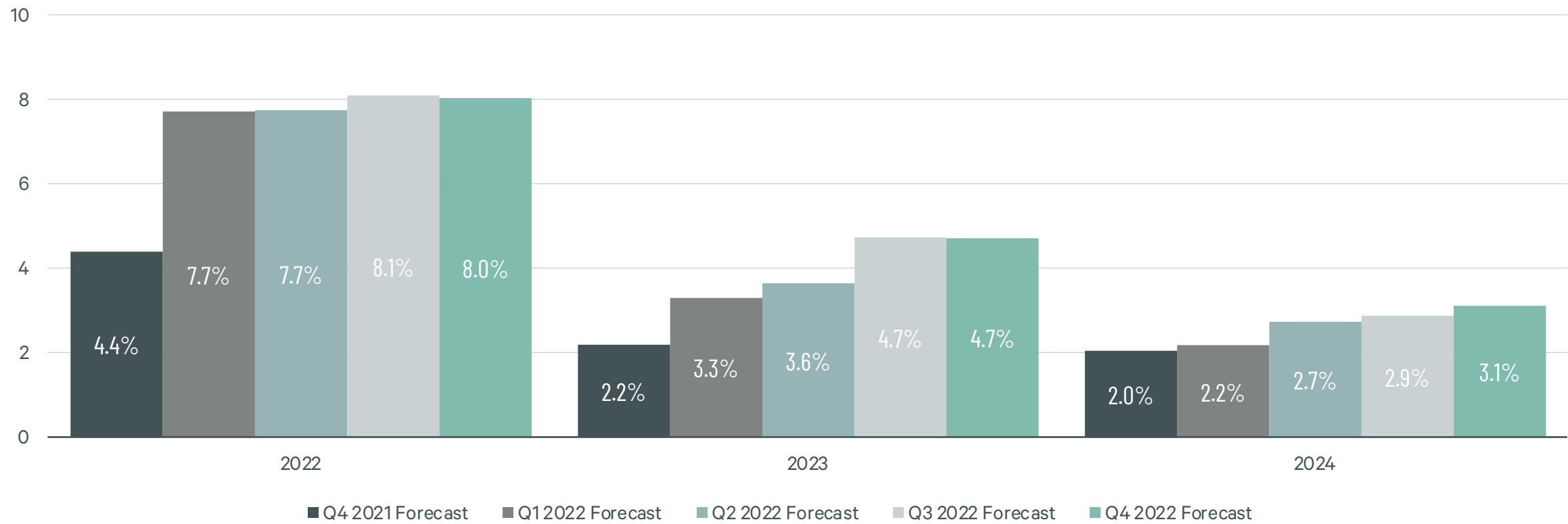


CBRE Hotels Research, CBRE EA, Federal Reserve, Forecast as January 23, 2022

# CBRE’s inflation outlook continues to increase, but the pace has moderated

CPI Change Y-o-Y by Forecast Release

Y-o-Y Change (%)



CBRE Hotels Research, CBRE EA, Forecast as of January 23, 2023



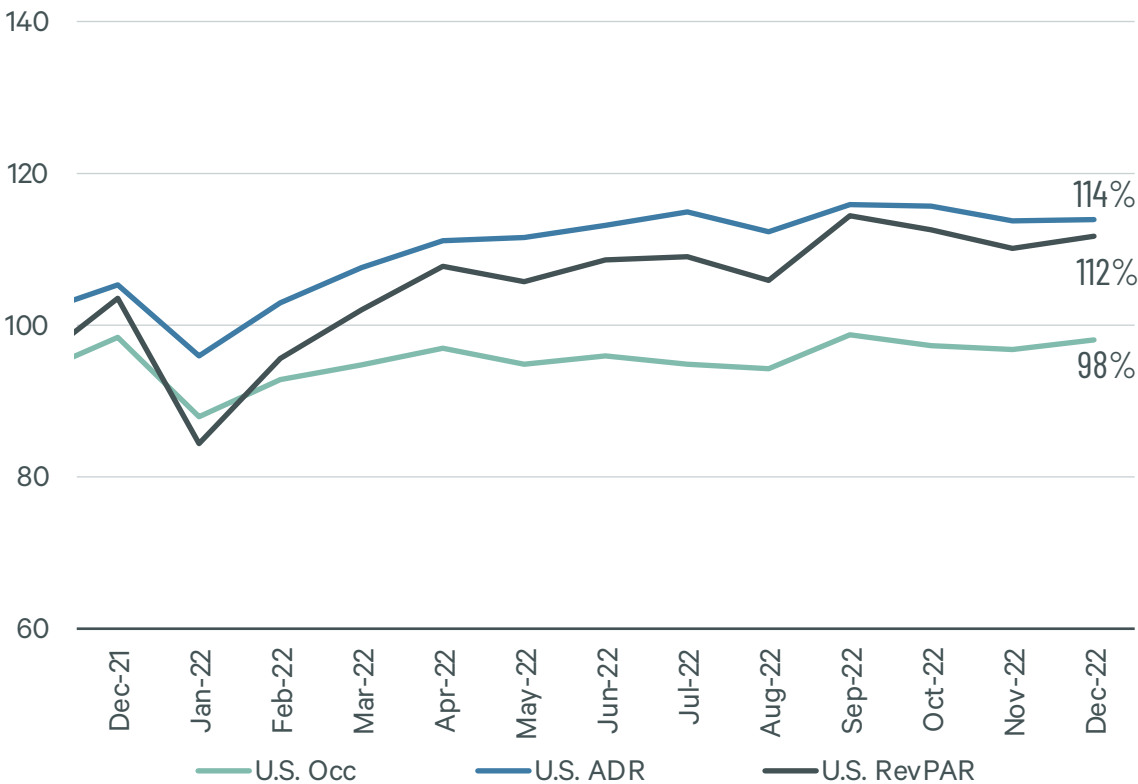
# 3

Current  
Trends

# U.S. RevPAR remained below 2019 levels in December

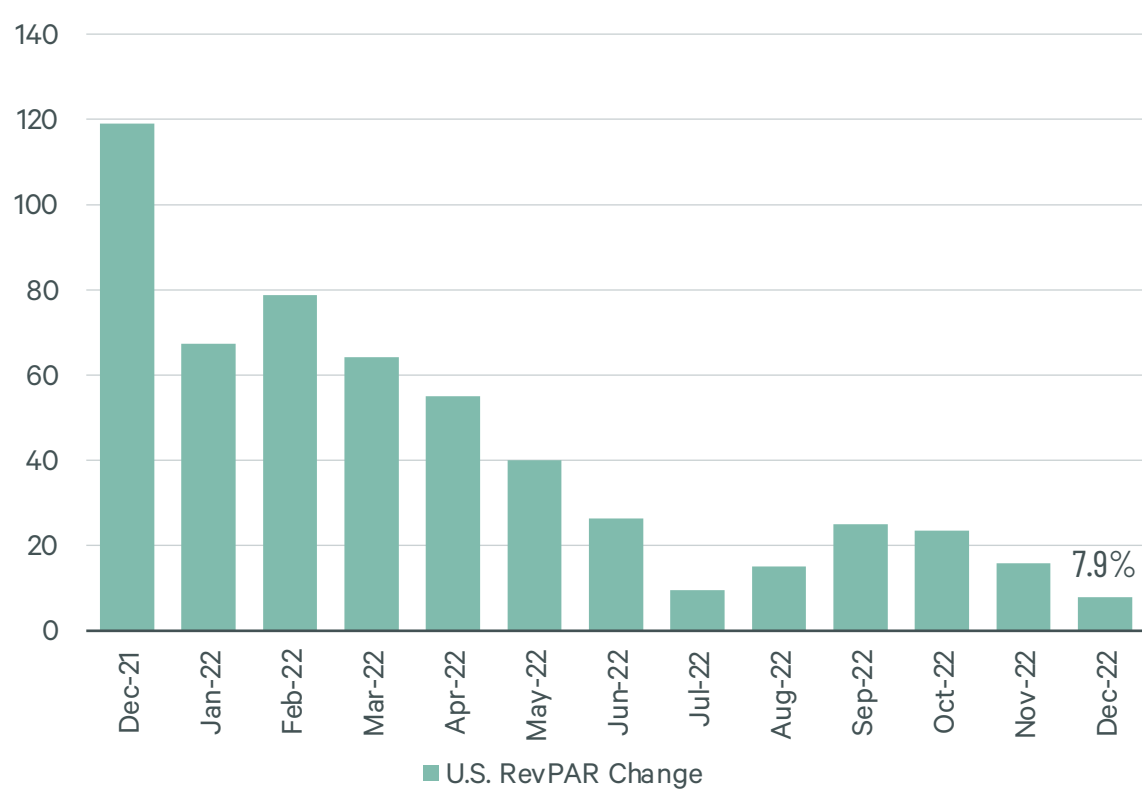
U.S. Occ, ADR and RevPAR Relative to 2019

Percent of 2019 (%)



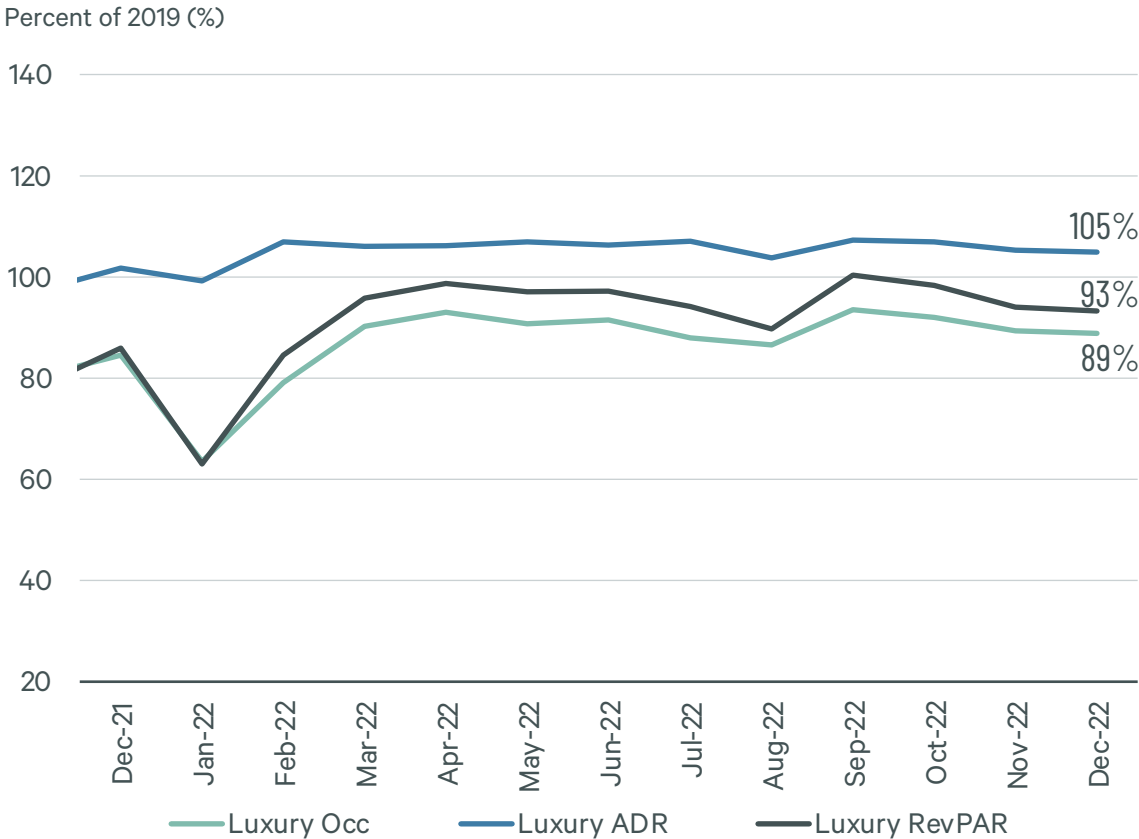
U.S. RevPAR Growth Y-o-Y

Y-o-Y Change (%)

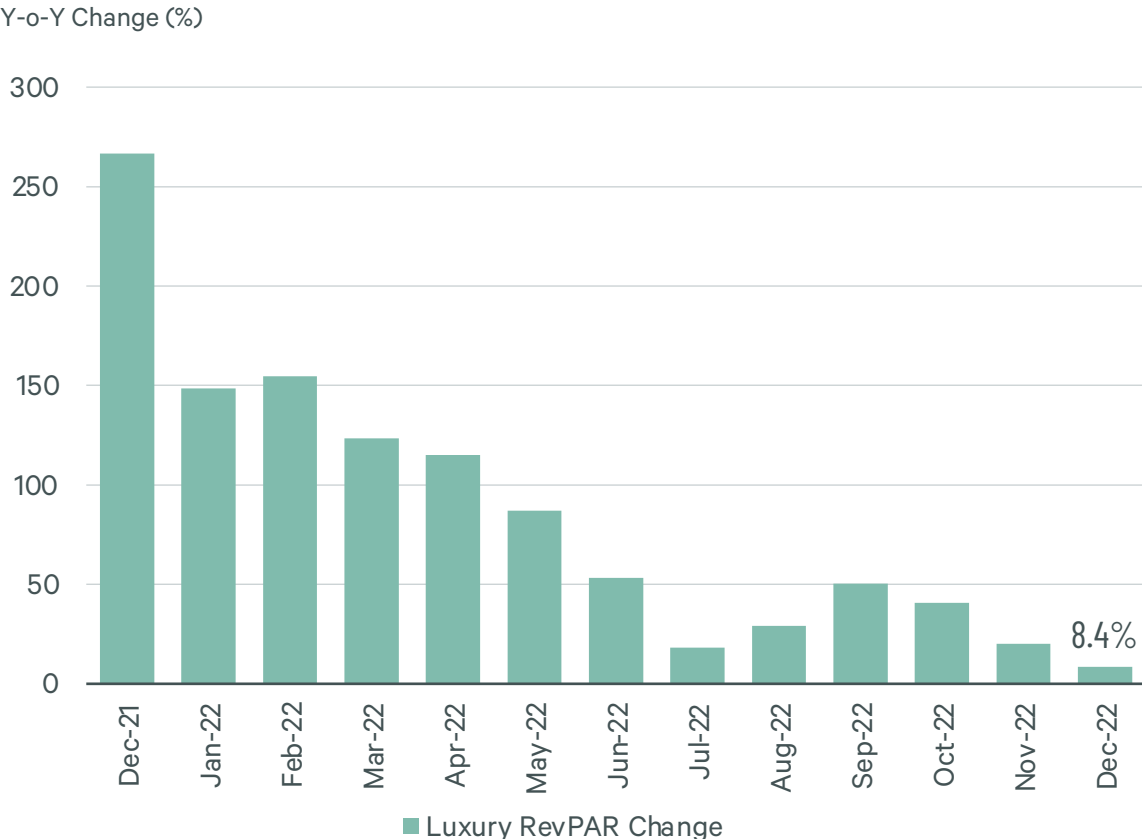


# Luxury RevPAR remained below 2019 levels in December

Luxury Occ, ADR and RevPAR Relative to 2019

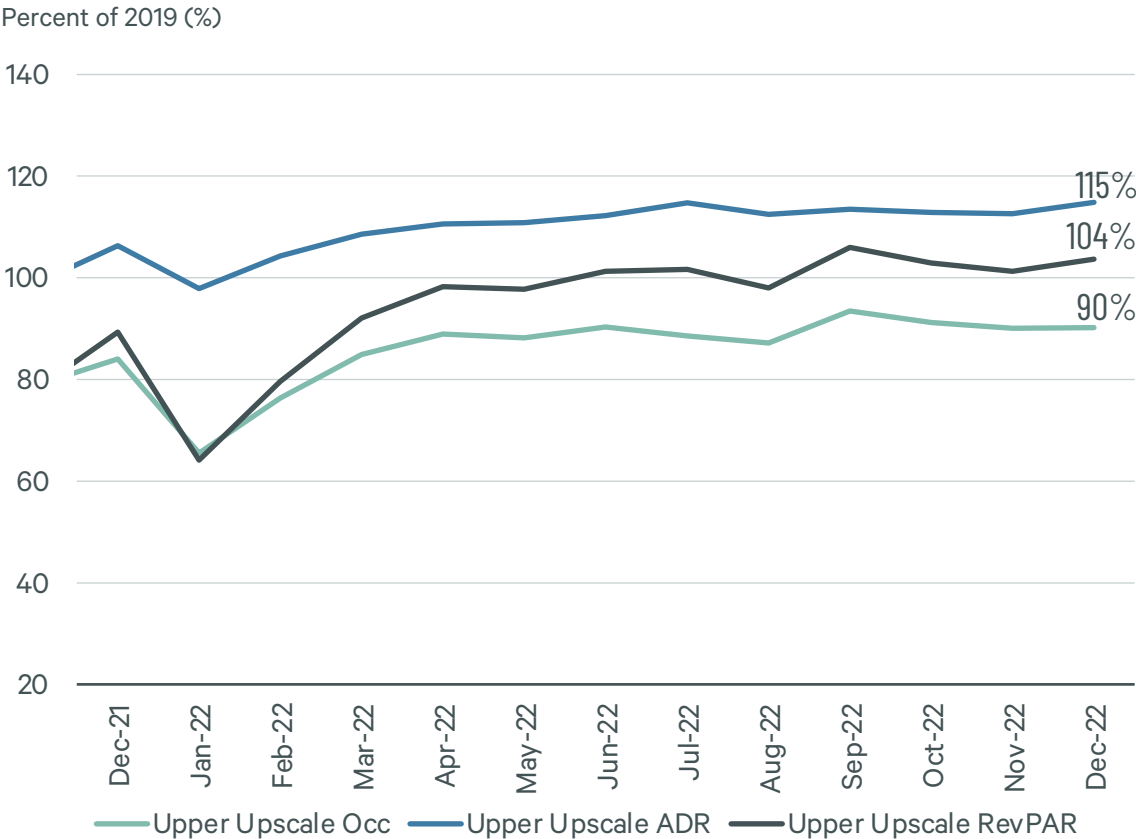


Luxury RevPAR Growth Y-o-Y

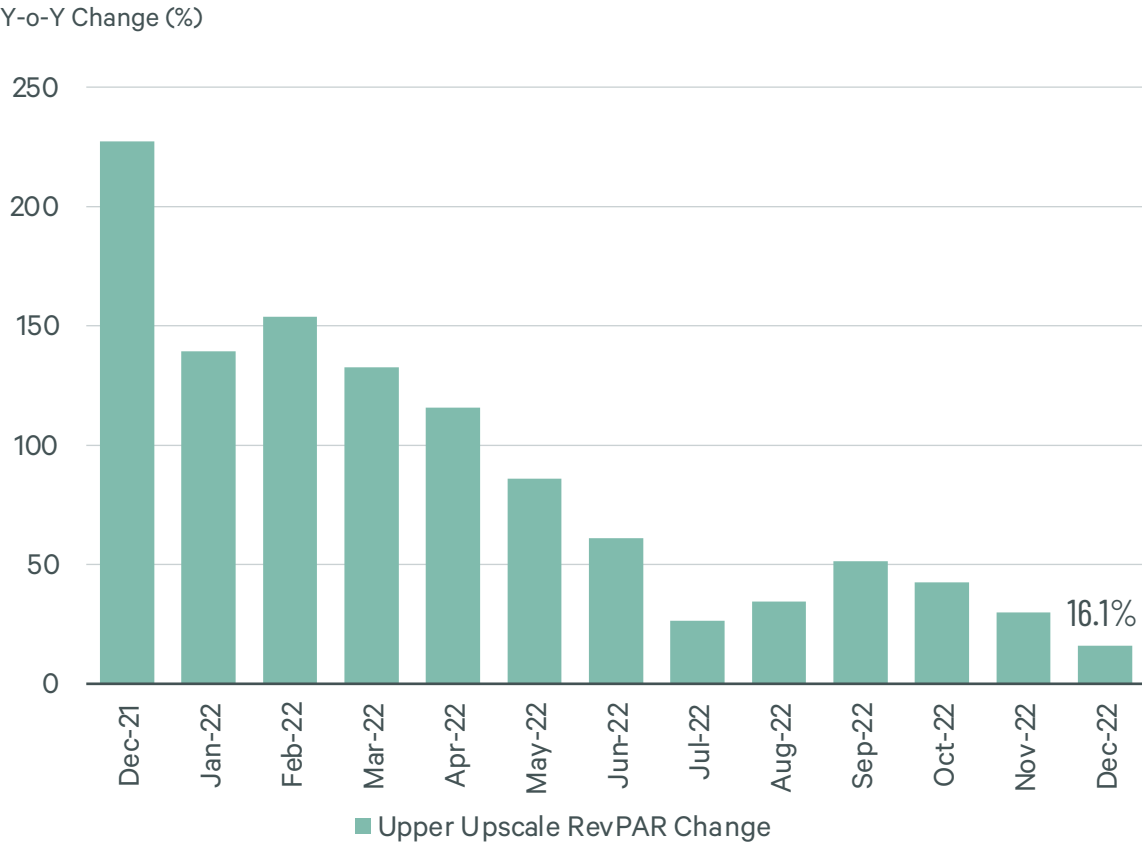


# Upper-upscale RevPAR improved in December, reaching 104% of 2019

Upper-Upscale Occ, ADR and RevPAR Relative to 2019



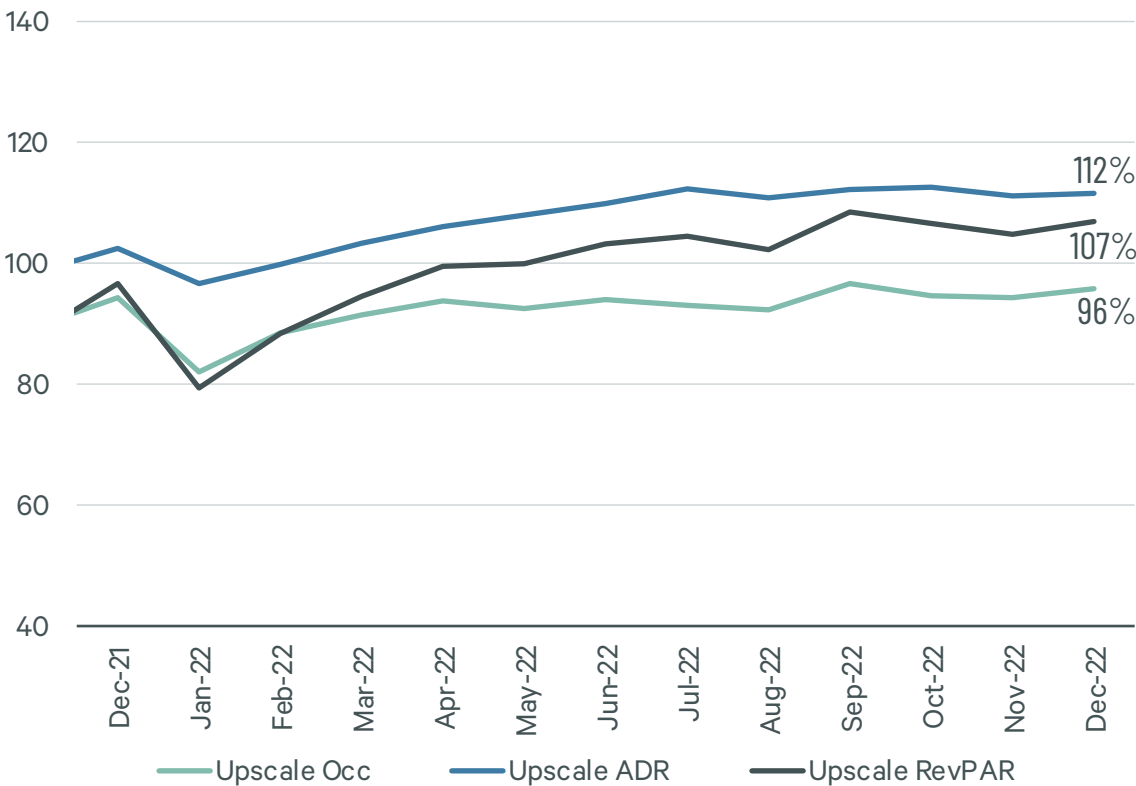
Upper-Upscale RevPAR Growth Y-o-Y



# Upscale RevPAR reached 107% of 2019 levels in December

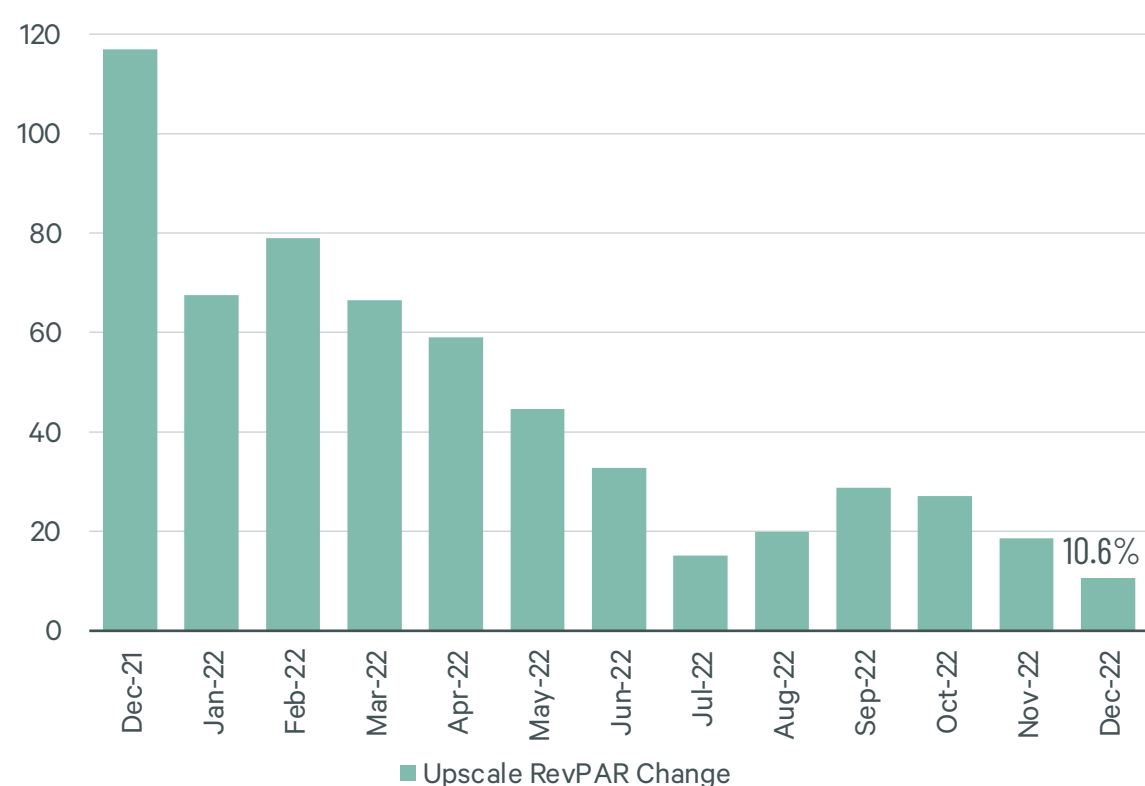
**Upscale Occ, ADR and RevPAR Relative to 2019**

Percent of 2019 (%)



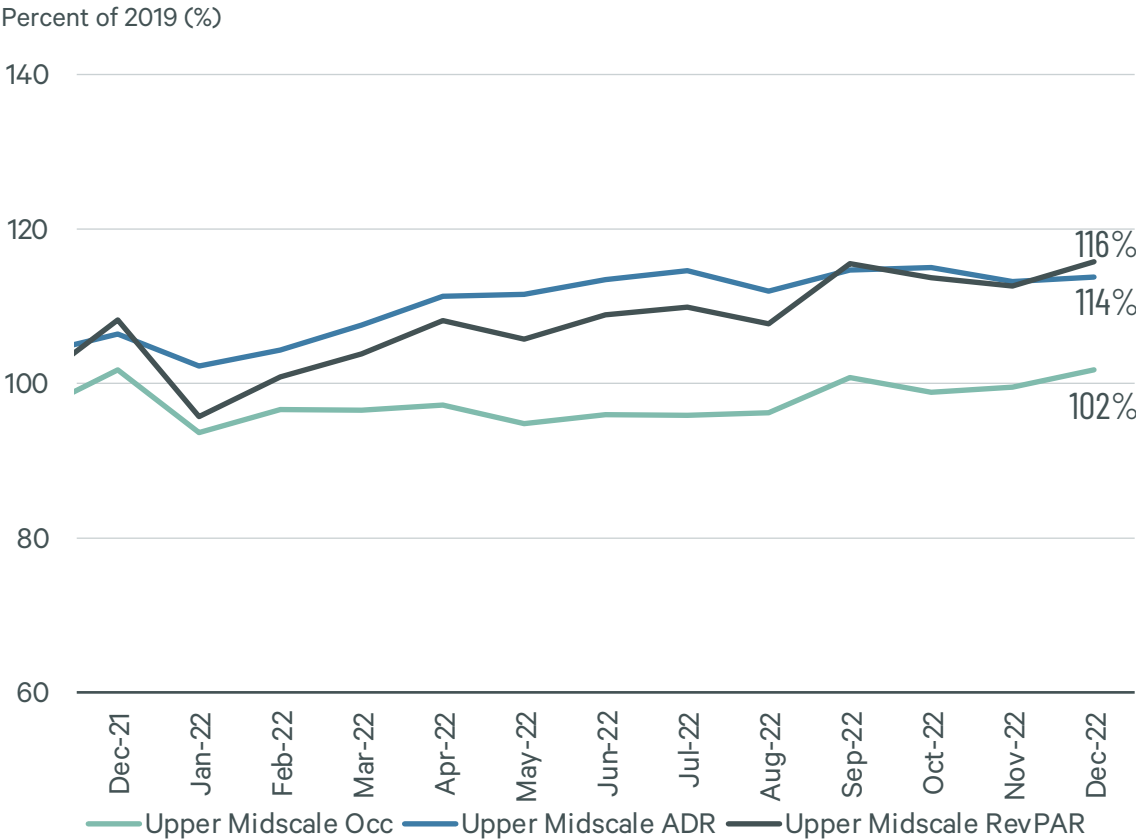
**Upscale RevPAR Growth Y-o-Y**

Y-o-Y Change (%)

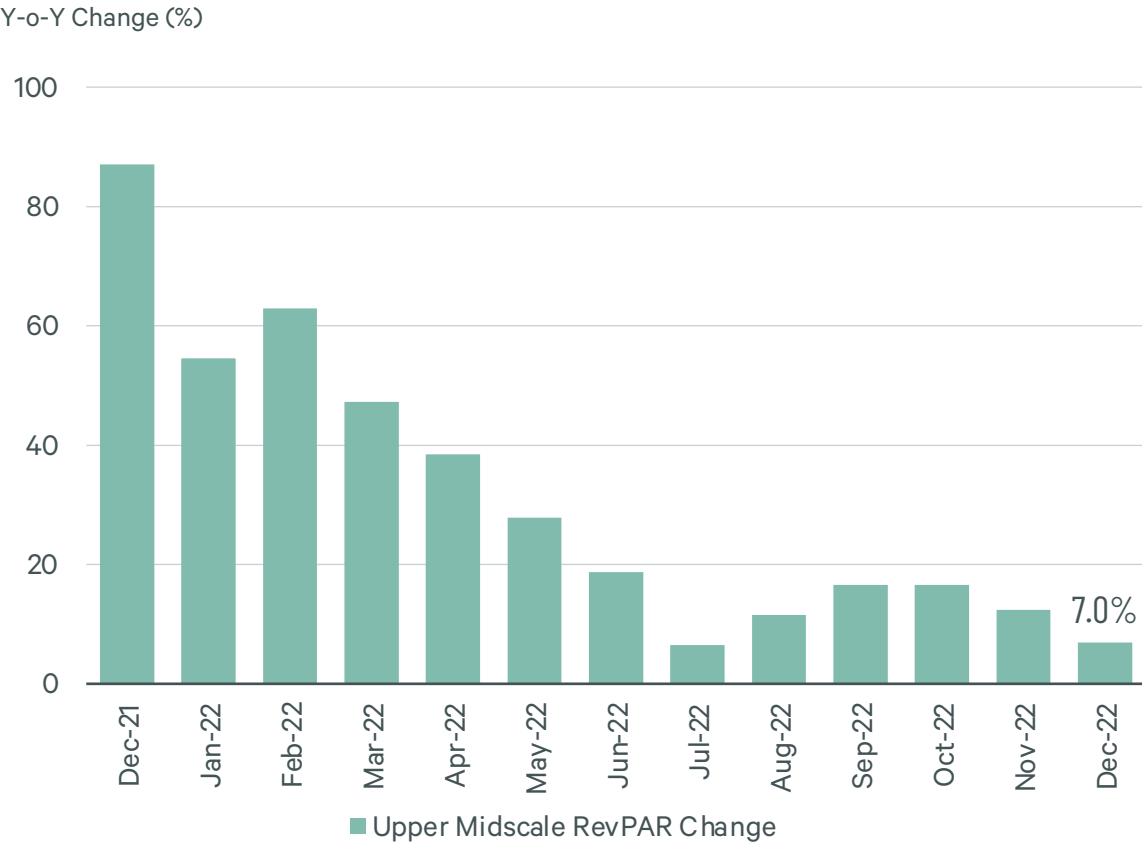


# Upper-midscale RevPAR improved to 116% of 2019 levels

Upper-Midscale Occ, ADR and RevPAR Relative to 2019

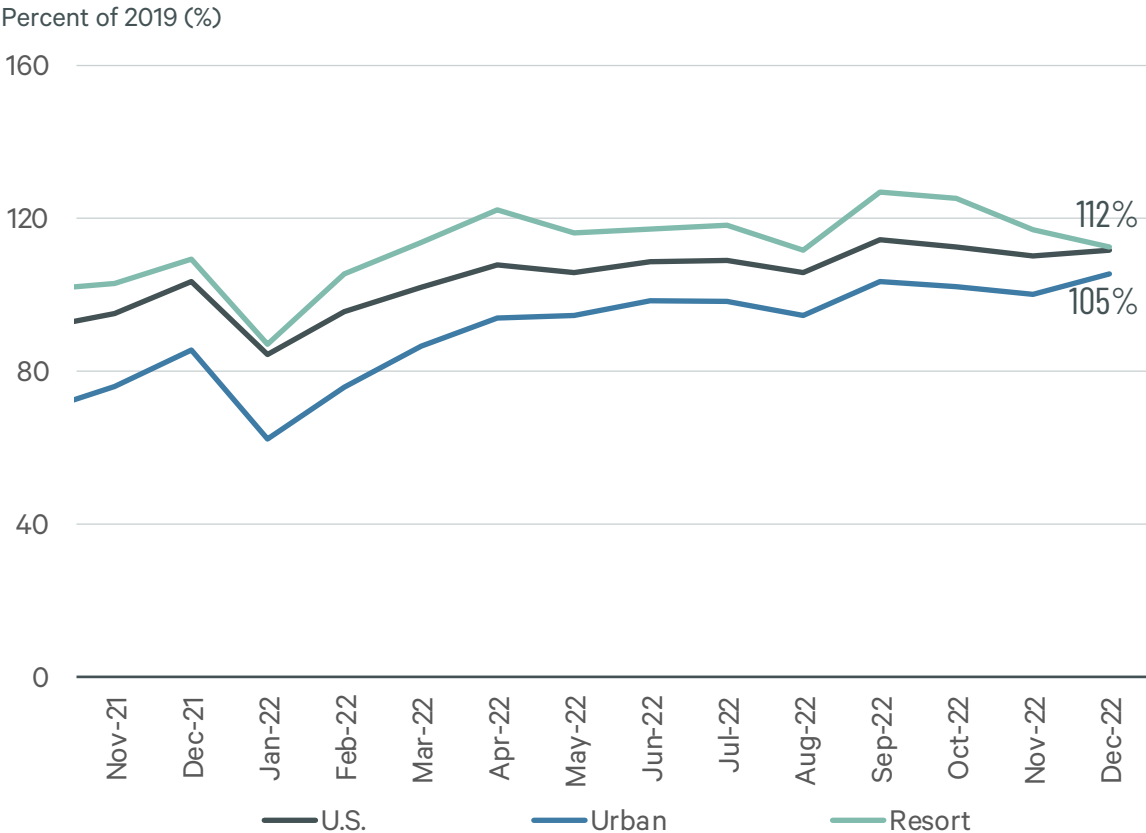


Upper-Midscale RevPAR Growth Y-o-Y

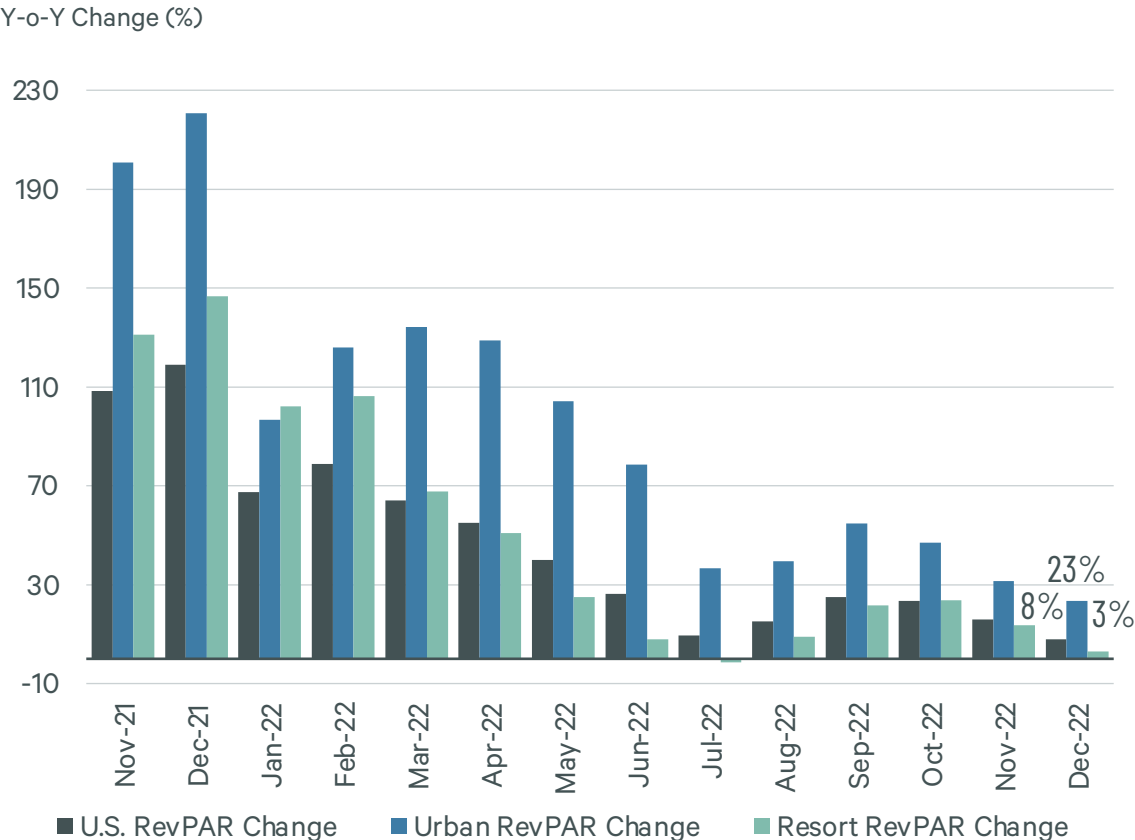


# CBD growth has been the strongest since early 2022 owing to easy comparisons

RevPAR Indexed to 2019 by U.S., Resort and Urban Location Type



U.S., Resort and Urban RevPAR Growth Y-o-Y



4

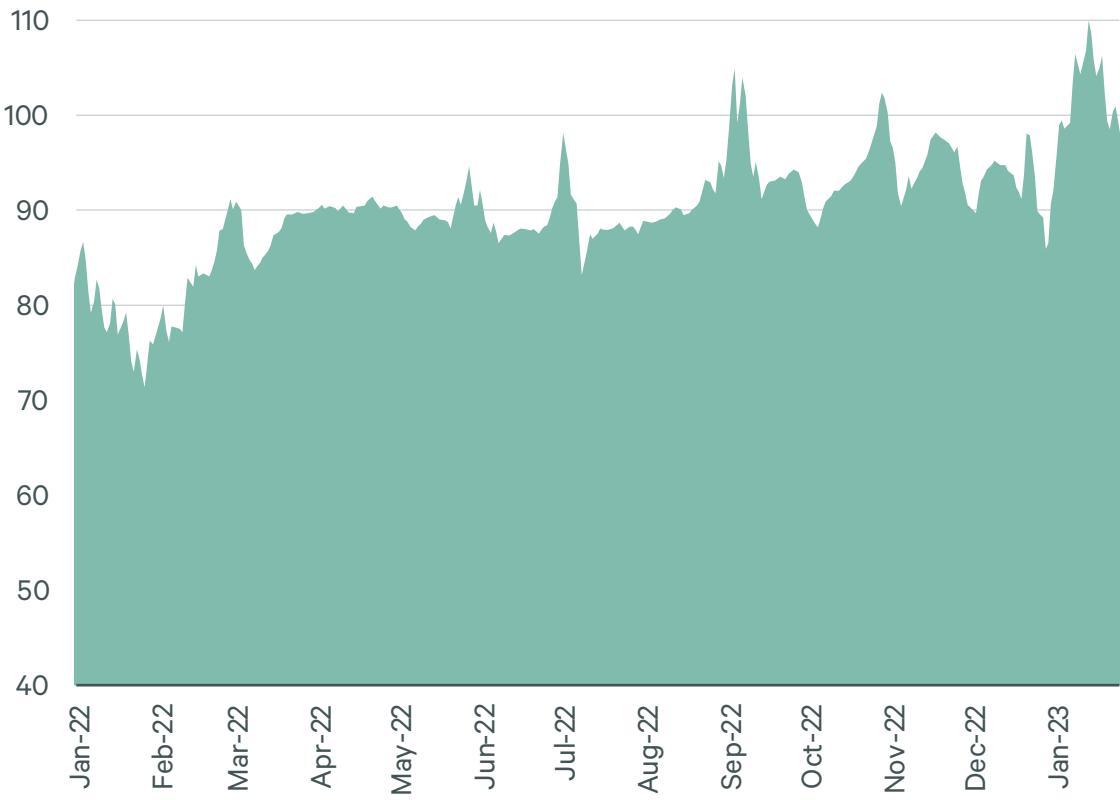
Travel  
Indicators



# TSA throughput continues to improve; Y-o-Y compares get more difficult in March

CBRE Hotels Research, TSA

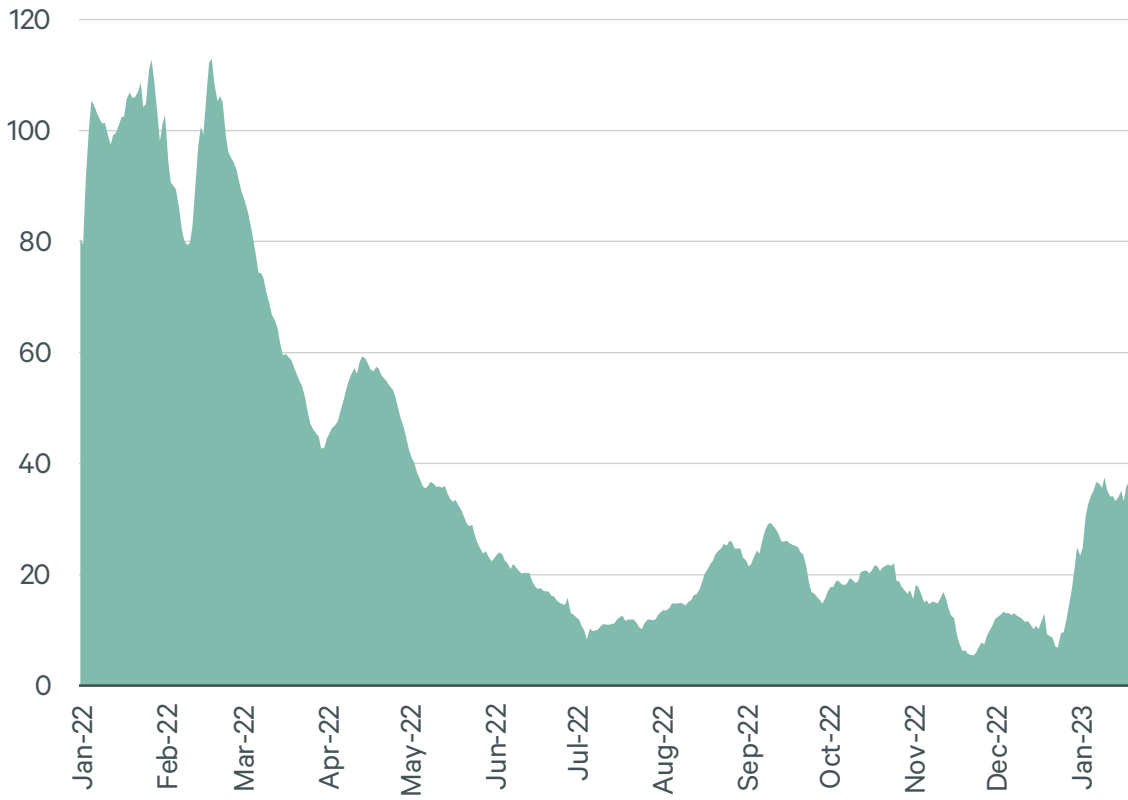
Percent of 2019 (%)



CBRE Hotels Research, TSA

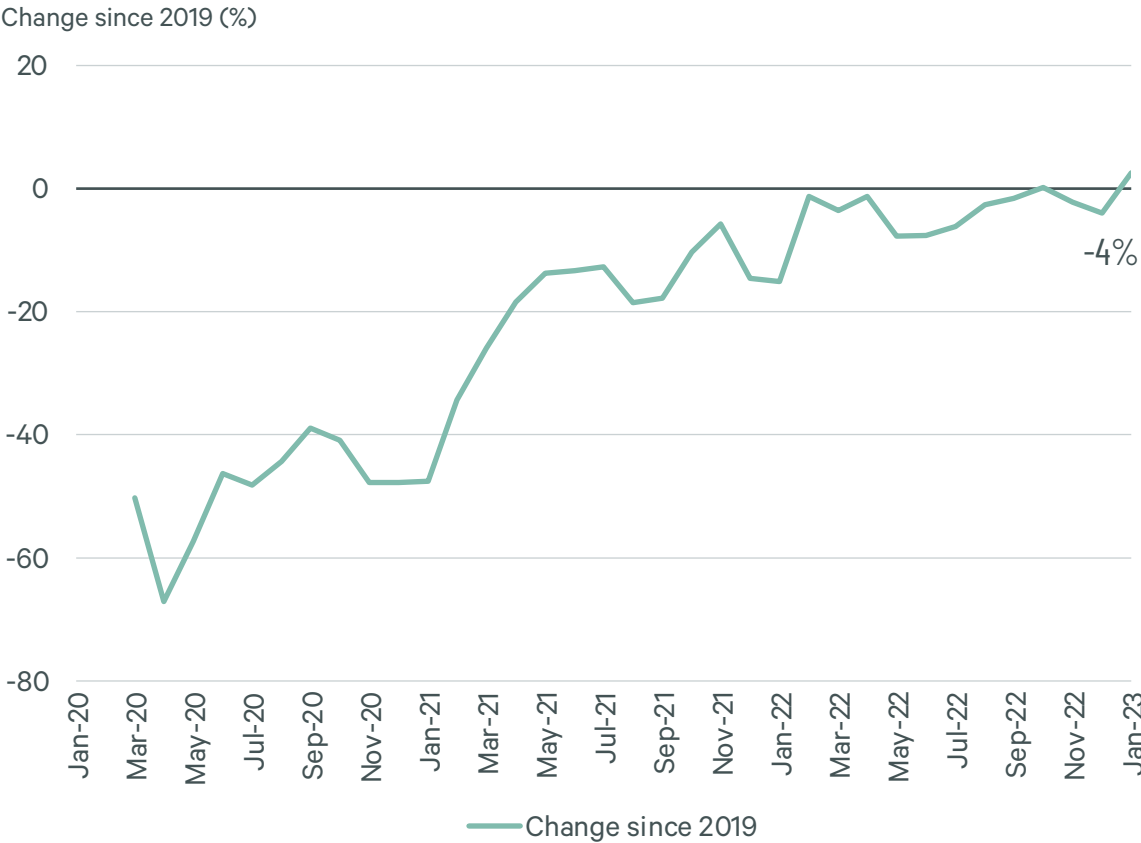
TSA Throughput Y-o-Y Change

Y-o-Y Change (%)

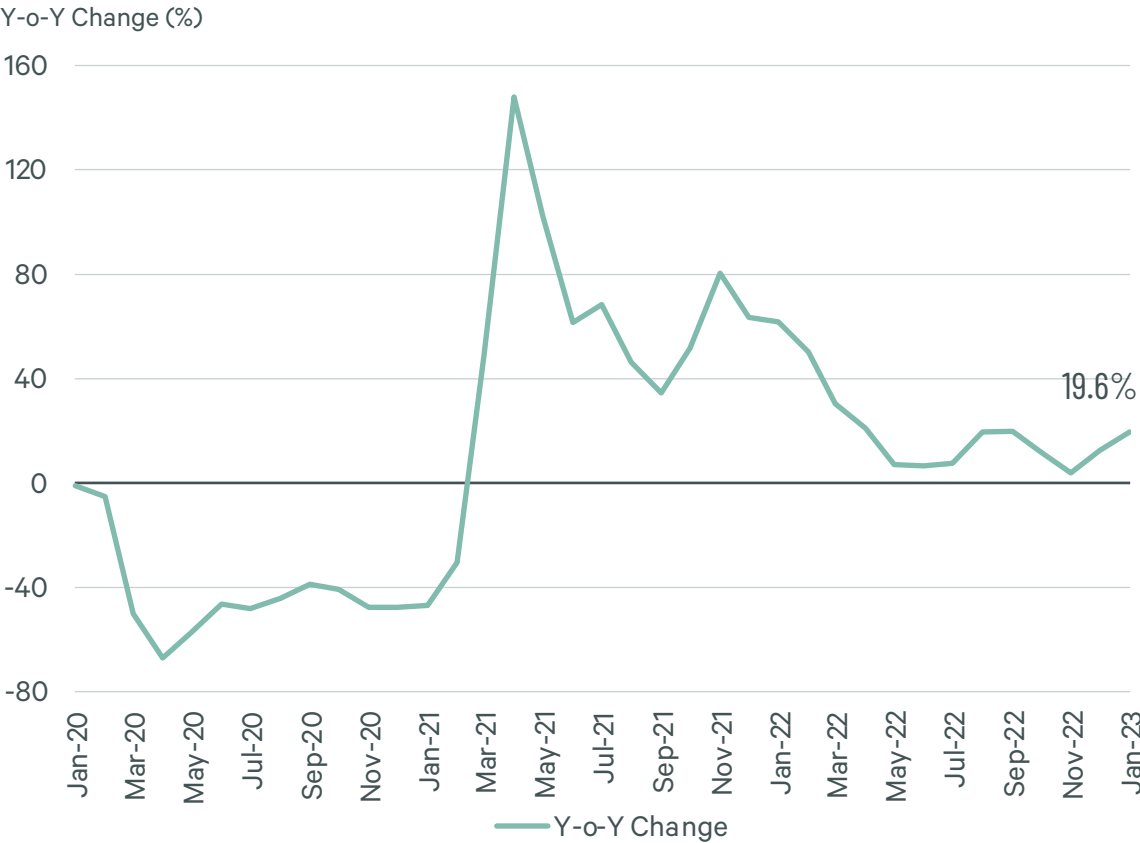


# Search trends for future travel pull back in December

Corporate Brands Average Index Change since 2019



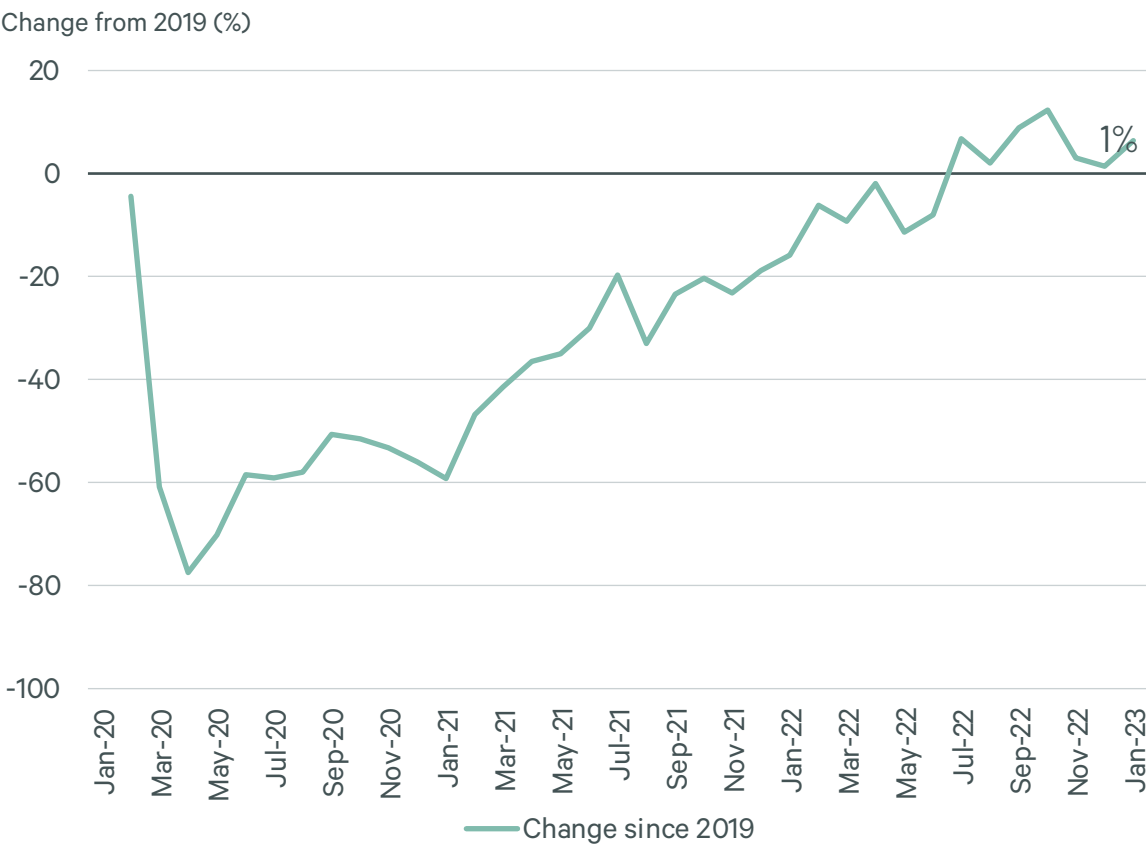
Corporate Brands Average Index Y-o-Y Change



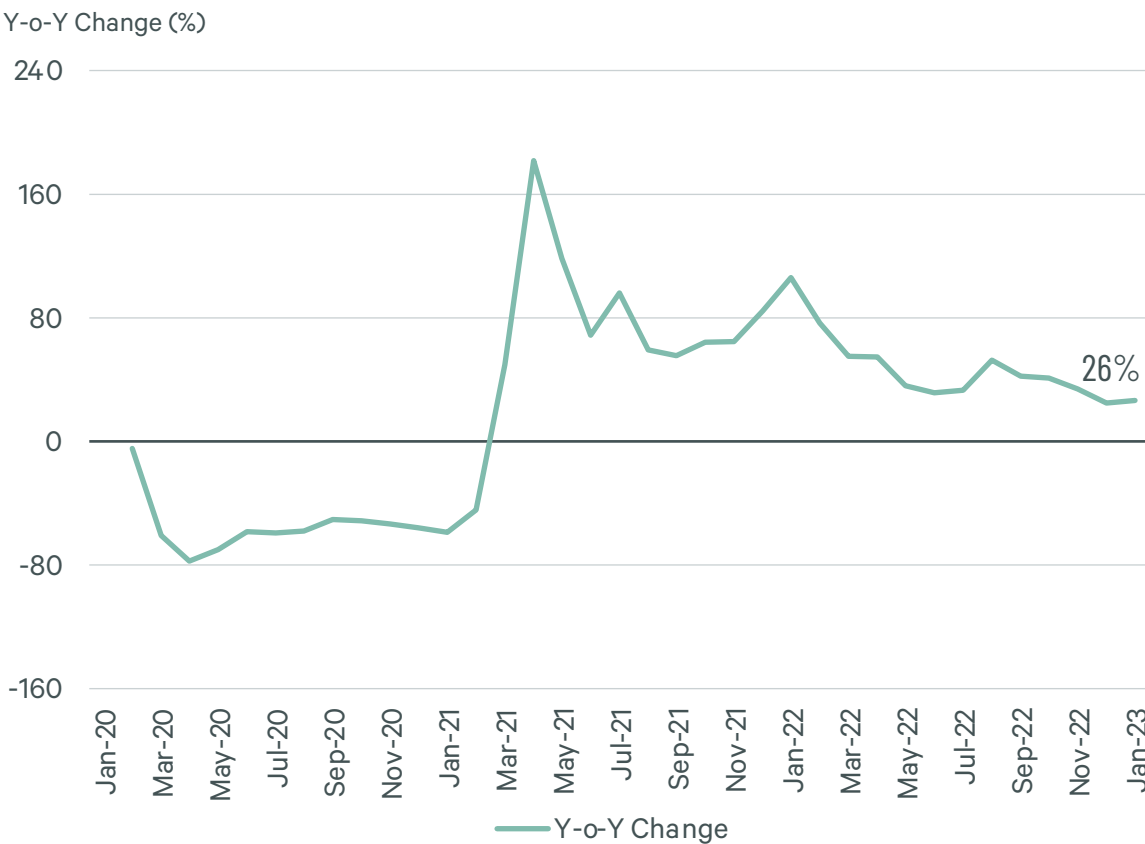
CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, data as of January 15, 2023

# Searches for point redemptions now exceed pre-pandemic levels

Brand Loyalty Program Index Change since 2019



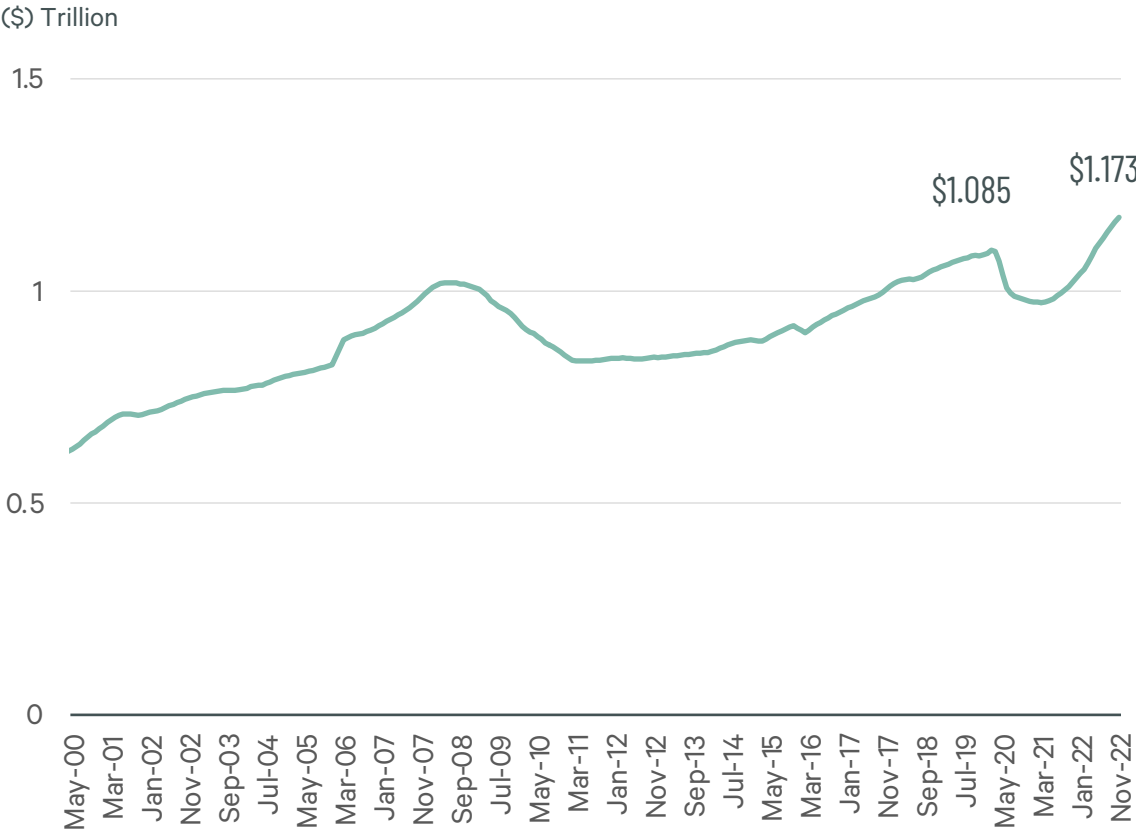
Brand Loyalty Program Index Y-o-Y Change



CBRE Hotels Research, Google Trends Keywords: Hilton Honors, Marriott Bonvoy, World of Hyatt, IHG Rewards, data as of January 15, 2023

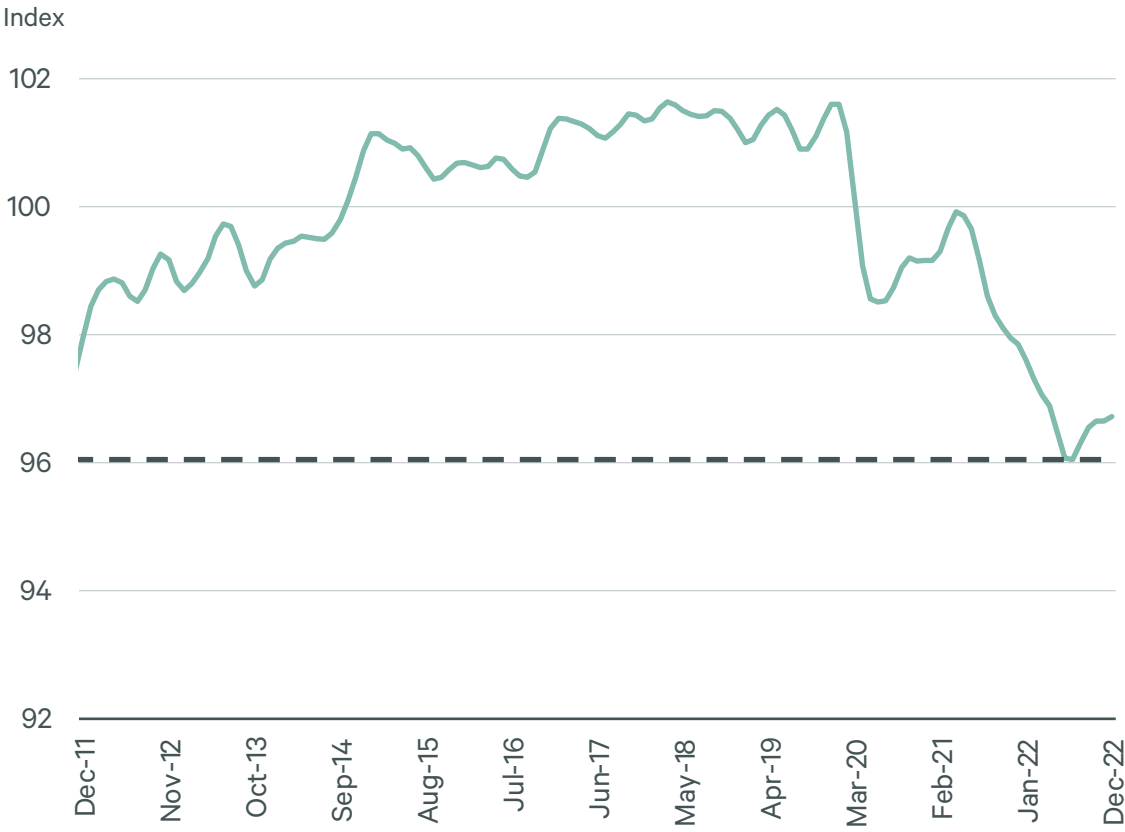
# Consumer confidence increases slightly for the third consecutive month

Revolving Consumer Credit on 3 Month Moving Average



CBRE Hotels Research, BLS, federalreserve.gov

Consumer Confidence Index

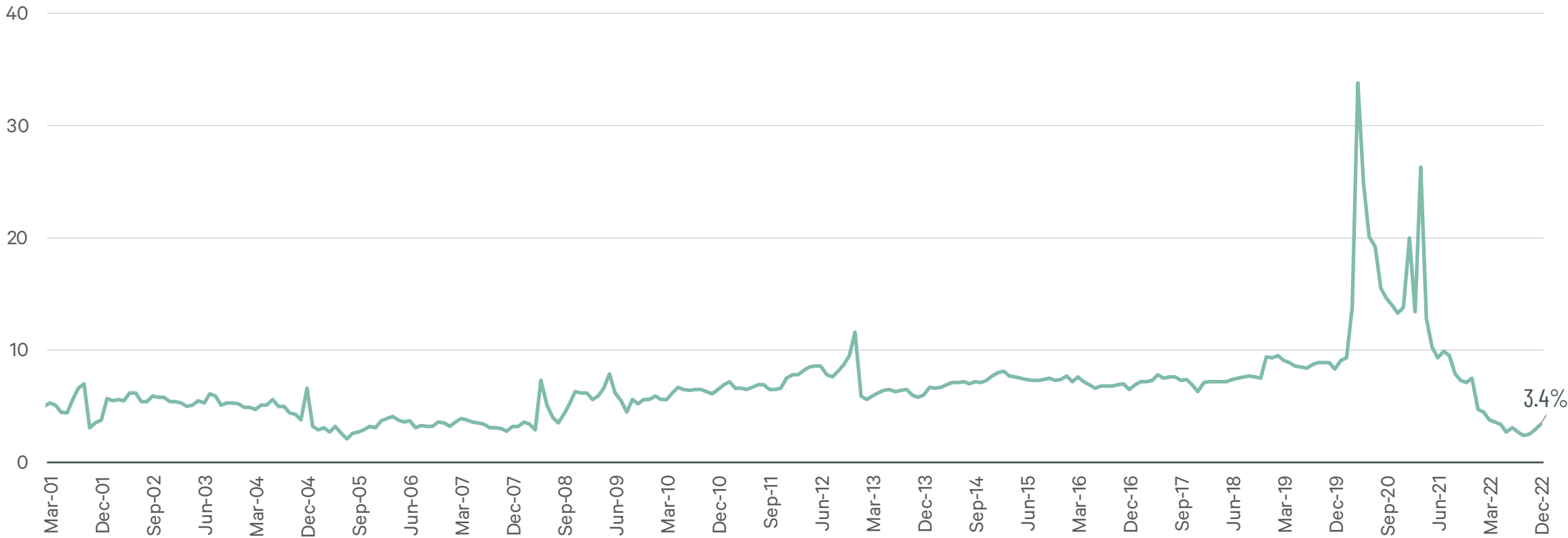


CBRE Hotels Research, CBRE EA, OECD

# Personal savings rate increased to 3.4% in December

## Personal Savings Rate

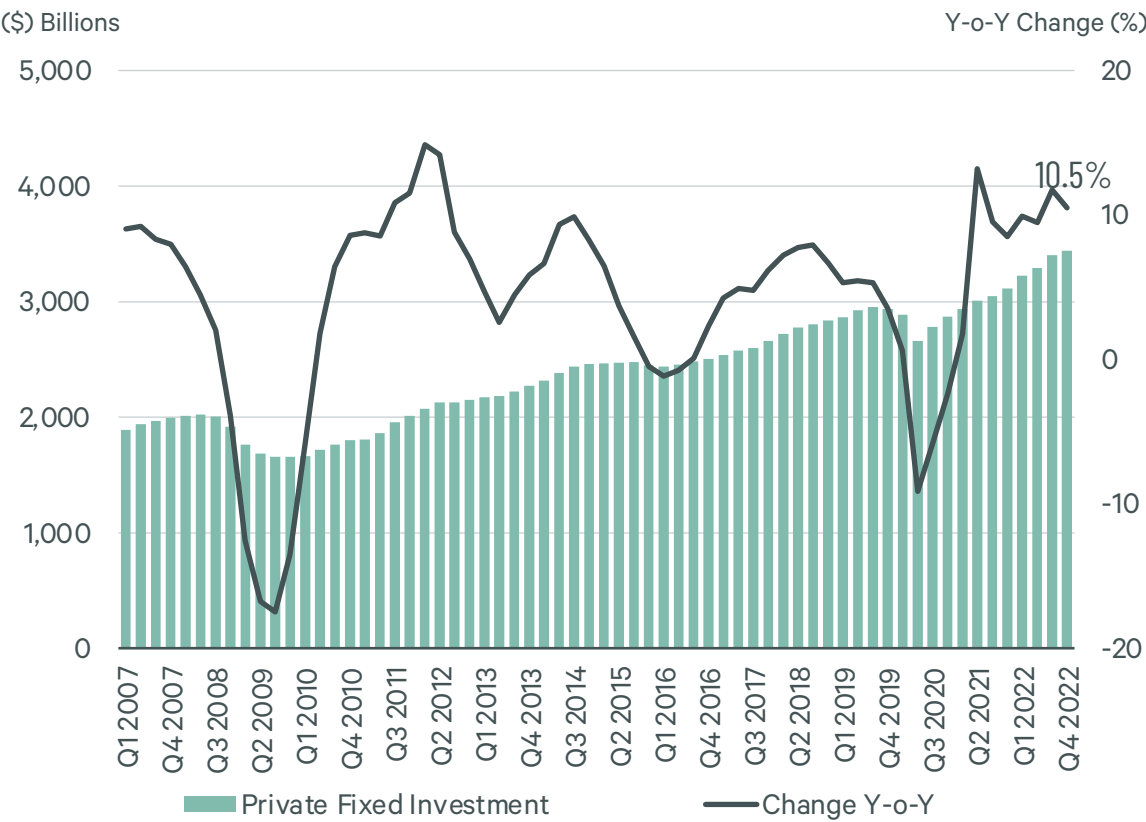
Rate (%)



CBRE Hotels Research, BEA, Federal Reserve

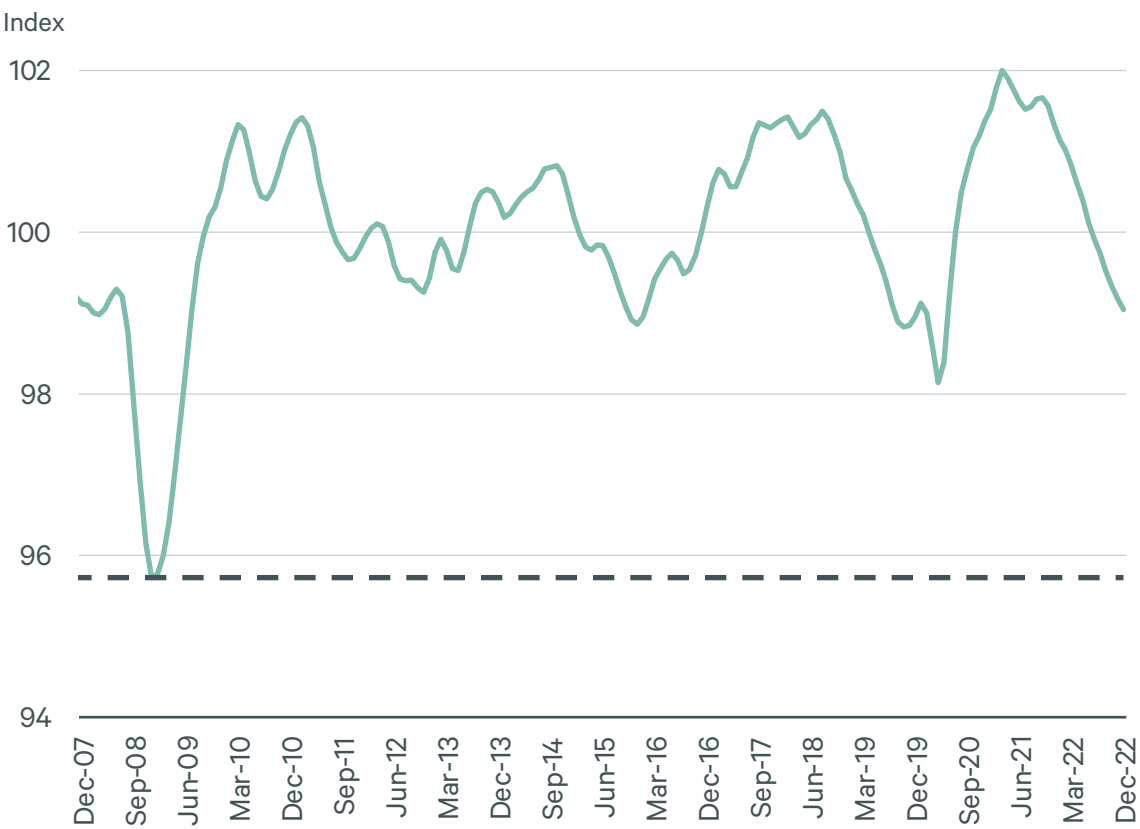
# Fixed investment increased 10.5% Y-o-Y in Q4, but confidence continues to wane

Private Non-residential Fixed Investment



CBRE Hotels Research, CBRE EA, BEA

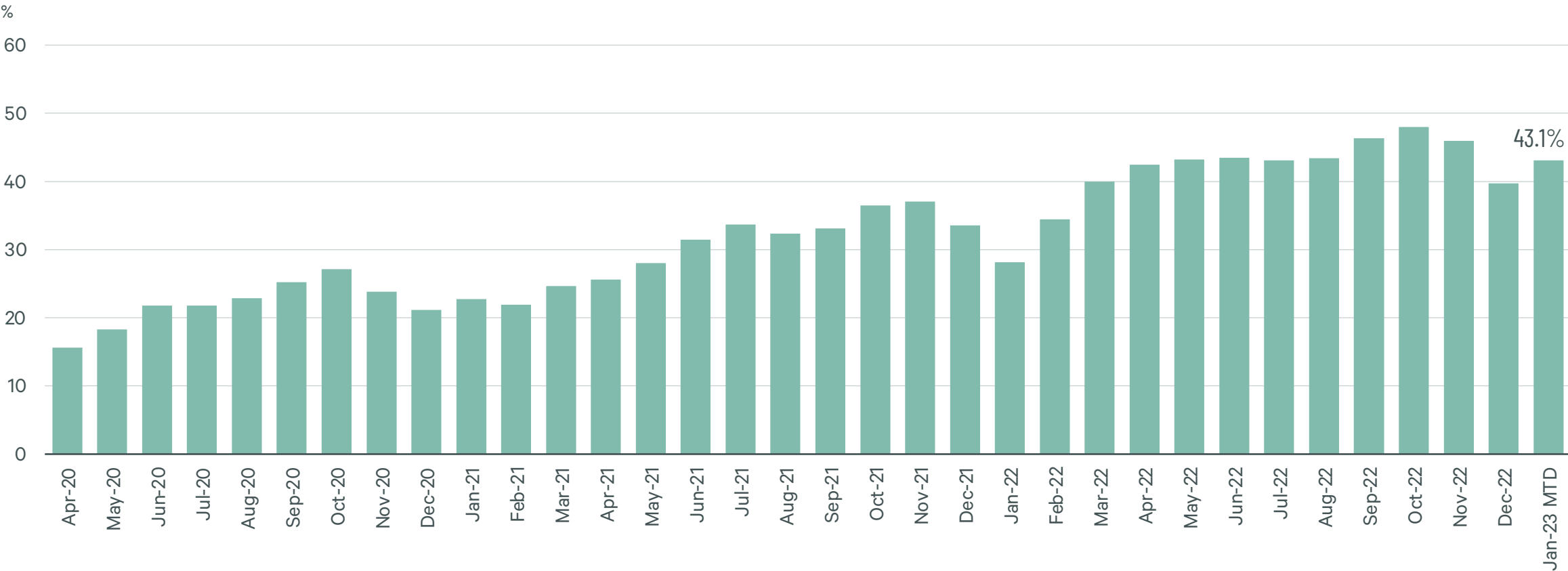
Business Confidence Index



CBRE Hotels Research, CBRE EA, OECD

# January office attendance negatively impacted by New Year holiday

U.S. Average Office Attendance



CBRE Hotels Research, CBRE EA, Kastle

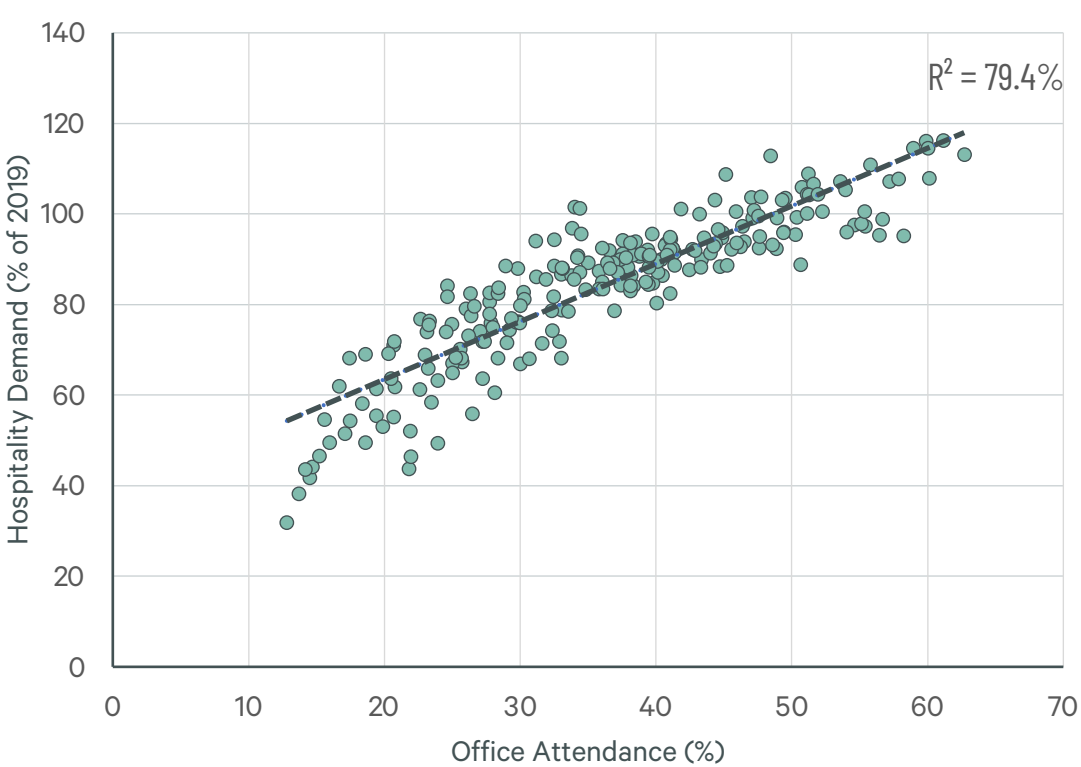
# Muted office attendance is a headwind to a full demand recovery

Relationship between Office Attendance and Hotel Demand in Key Markets

Rank	Market	R <sup>2</sup>
1	New York	94.2%
2	Chicago	86.5%
3	San Francisco	84.6%
4	San Jose	83.5%
5	Austin	82.7%
6	Philadelphia	79.3%
7	Washington, D.C.	64.2%
8	Dallas	63.6%
9	Houston	51.1%
10	Los Angeles	50.7%

CBRE Hotels Research, Kastle Office Occupancy

Relationship between Monthly Office Attendance and Hotel Demand



CBRE Hotels Research, Kalibri Labs, Kastle Office Occupancy

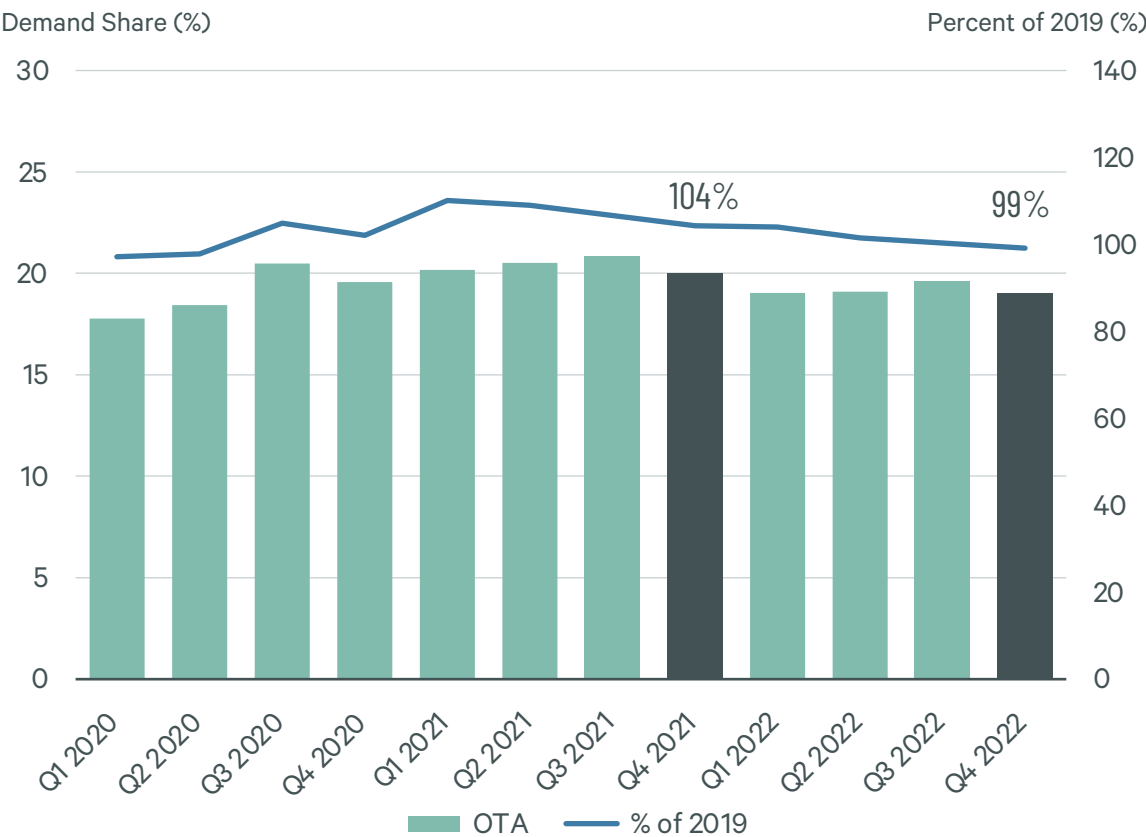


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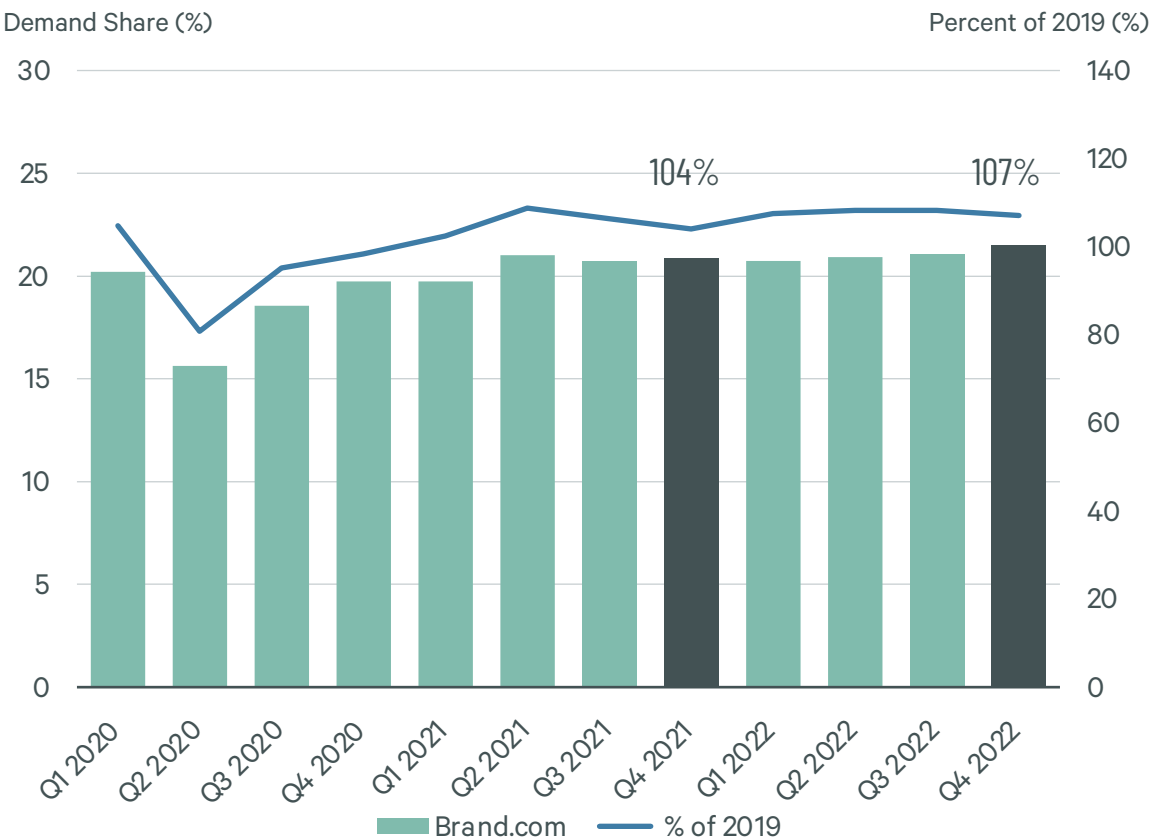
Booking  
Channel

# Brand.com has taken significant market share compared with OTAs

OTA Share of Total Demand vs. Percent of 2019 Levels

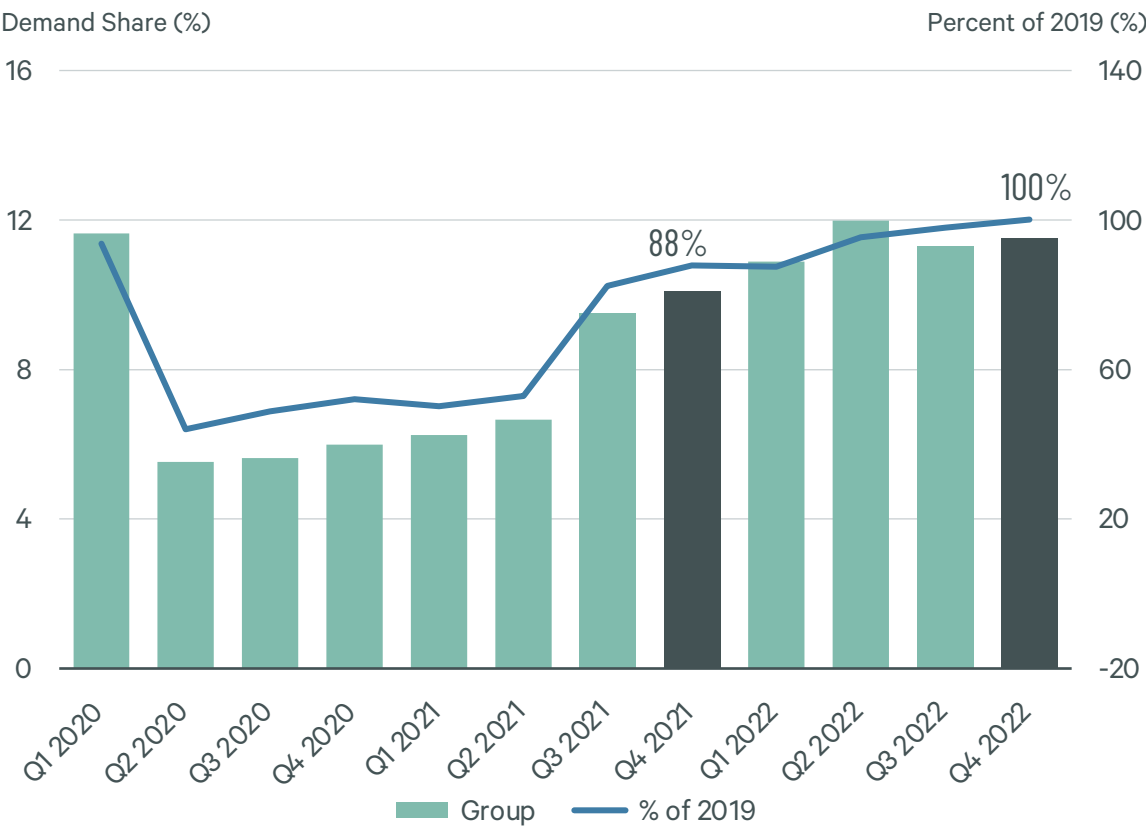


Brand.com Share of Total Demand vs. Percent of 2019 Levels

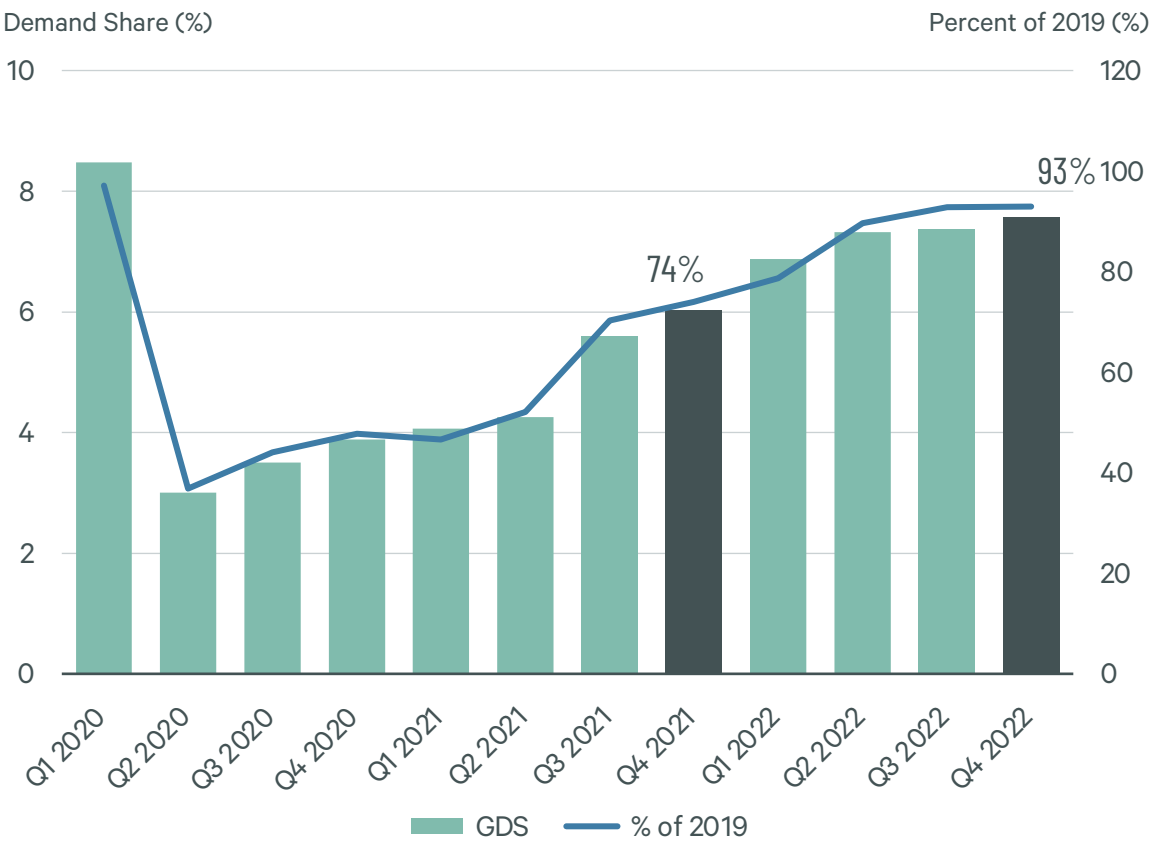


# Group & transient business travel continue to improve as a percent of overall demand

Group Share of Total Demand vs. Percent of 2019 Levels



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

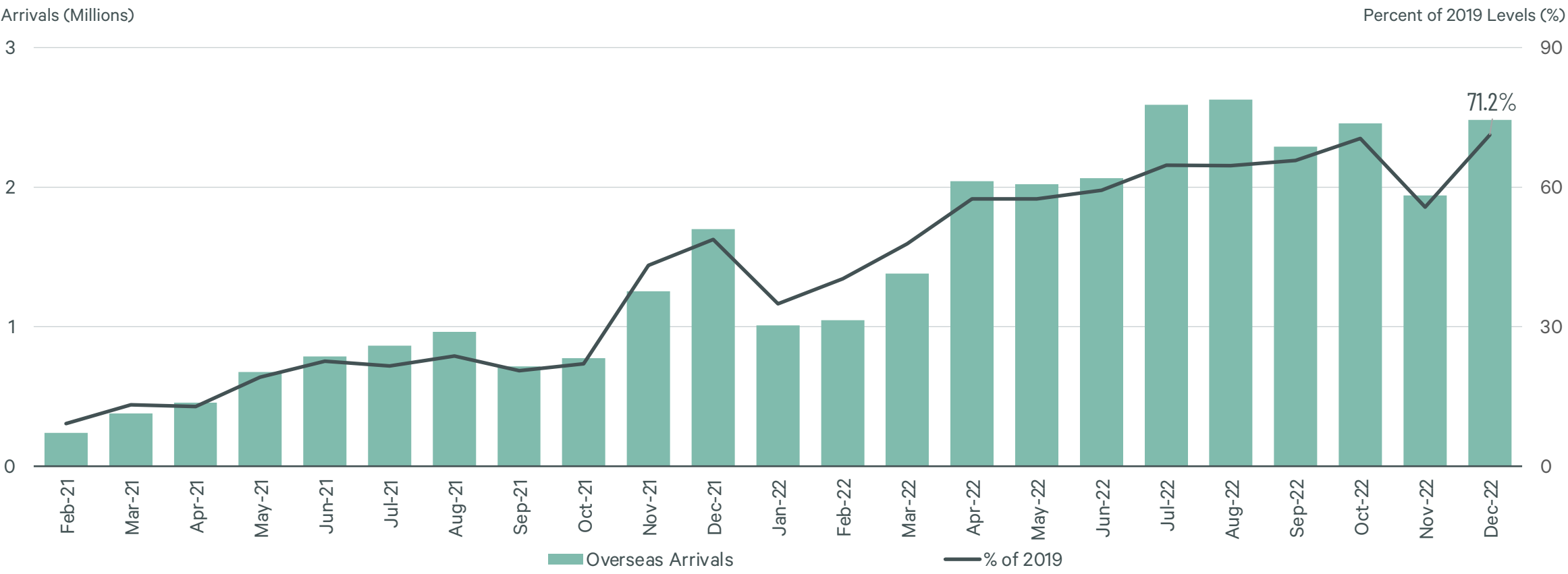


# 6

International  
Travel

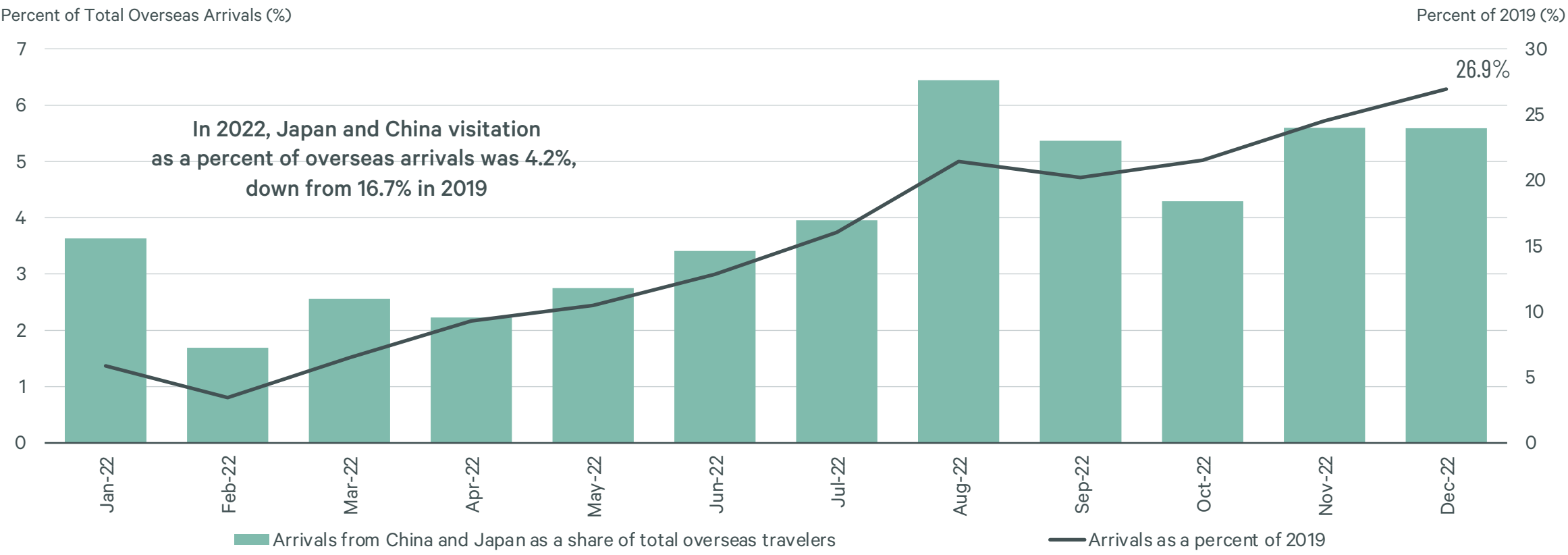
# Inbound international arrivals reached post pandemic high in December relative to 2019

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



# The reopening of Japan and China will be a needle-moving trend in 2023

Inbound Arrivals from China & Japan in 2019 as a Percent of Overseas Arrivals

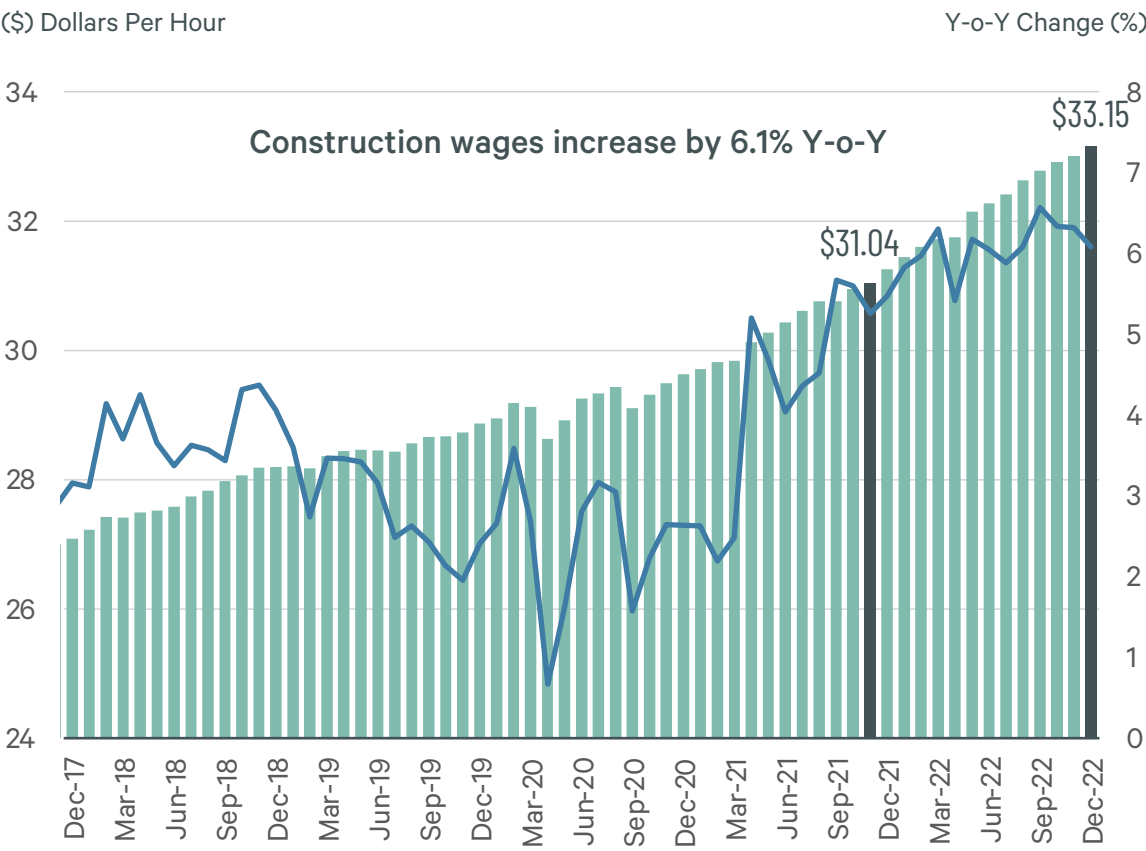


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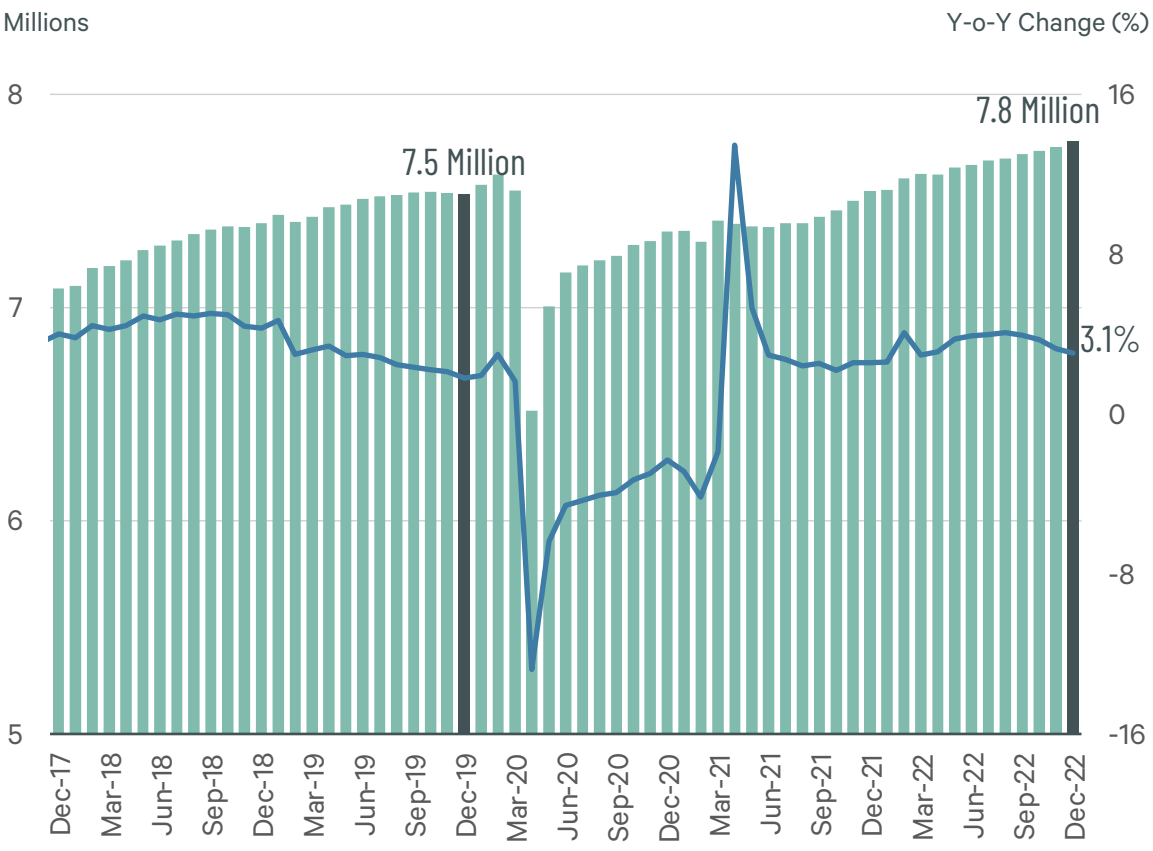
Supply Inputs

# Higher wages and higher employment are headwinds to new construction

Constructions Wages



Number of Construction Employees



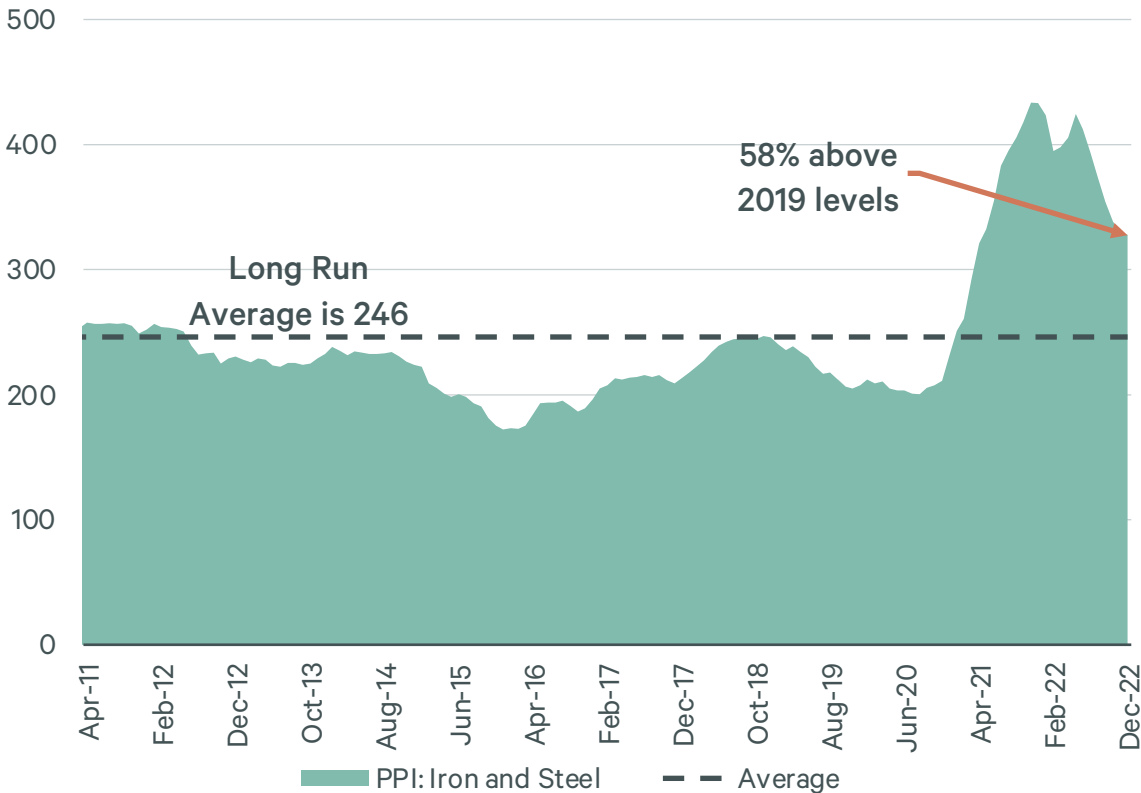
CBRE Hotels Research, CBRE EA, BLS



# Construction inputs are still well above their long-run averages

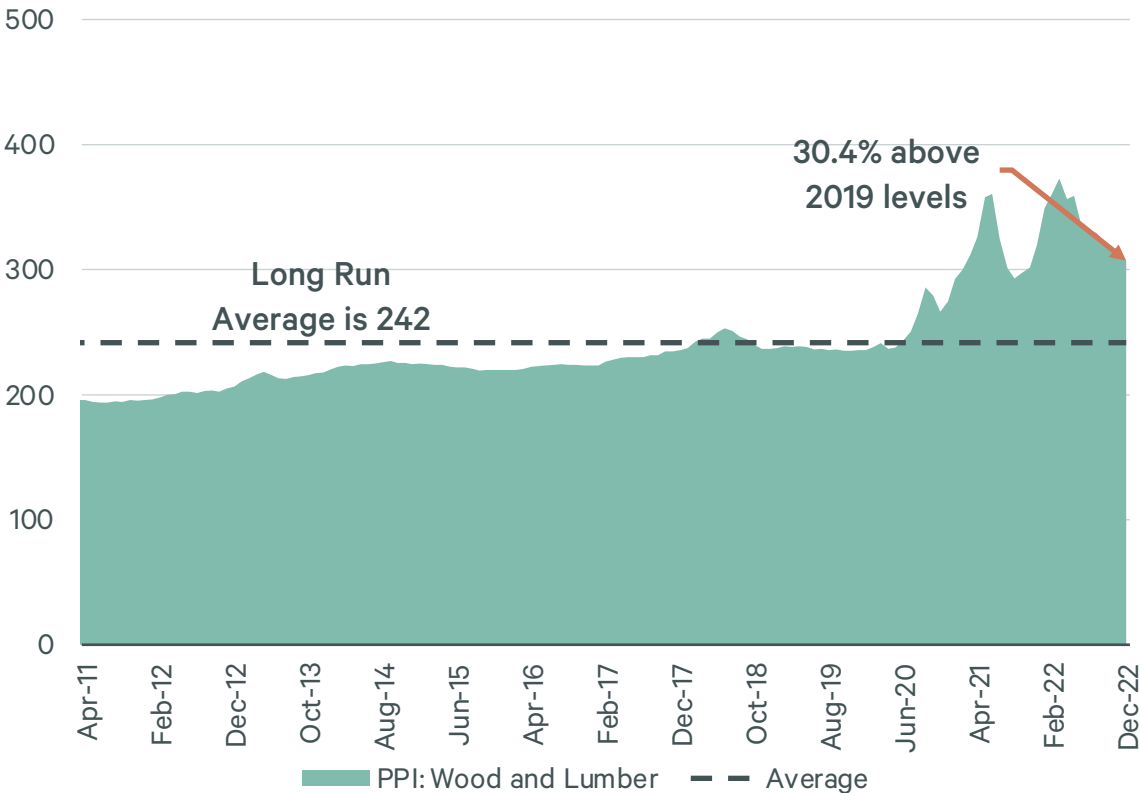
## Iron and Steel

Producer Price Index



## Lumber and Wood Products

Producer Price Index

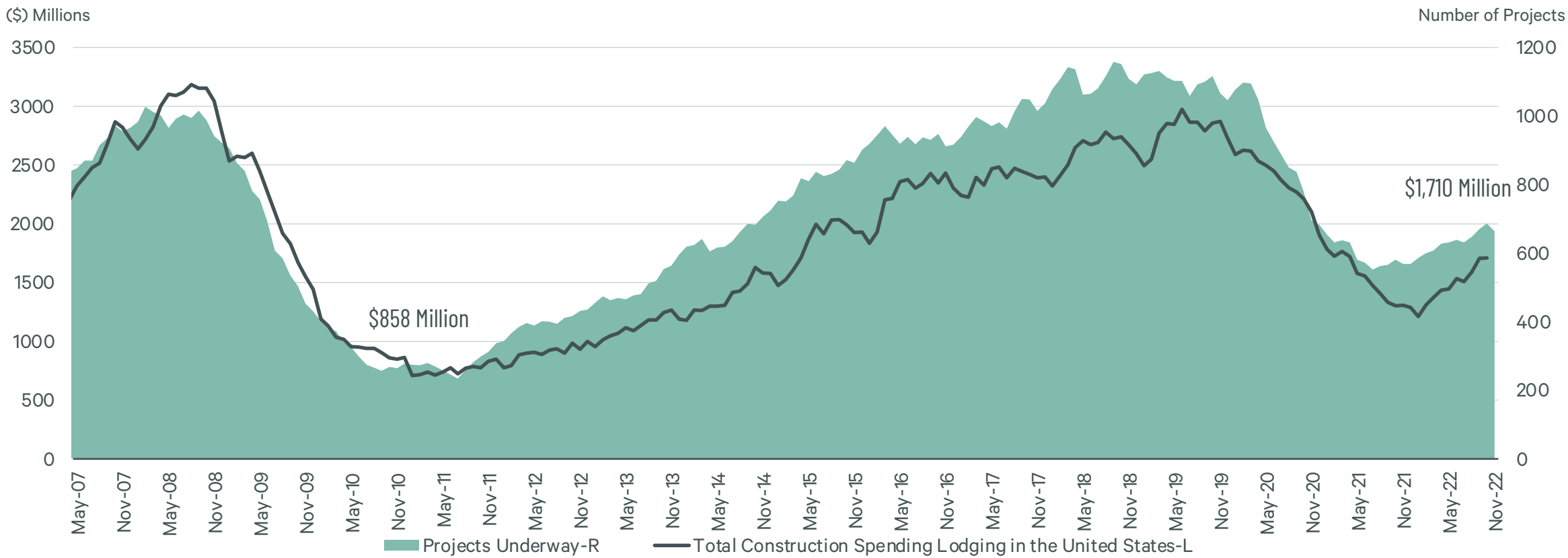


# Hotel projects are +16.9% Y-o-Y, construction spending is +31.4% Y-o-Y



**Explore New Supply Pipeline**  
Track proposed, underway, and completed hotel projects in the U.S. and Canada through our pipeline database.

Projects Underway vs. Total Construction Spending



CBRE Hotels Research, U.S. Census Bureau, Dodge Analytics

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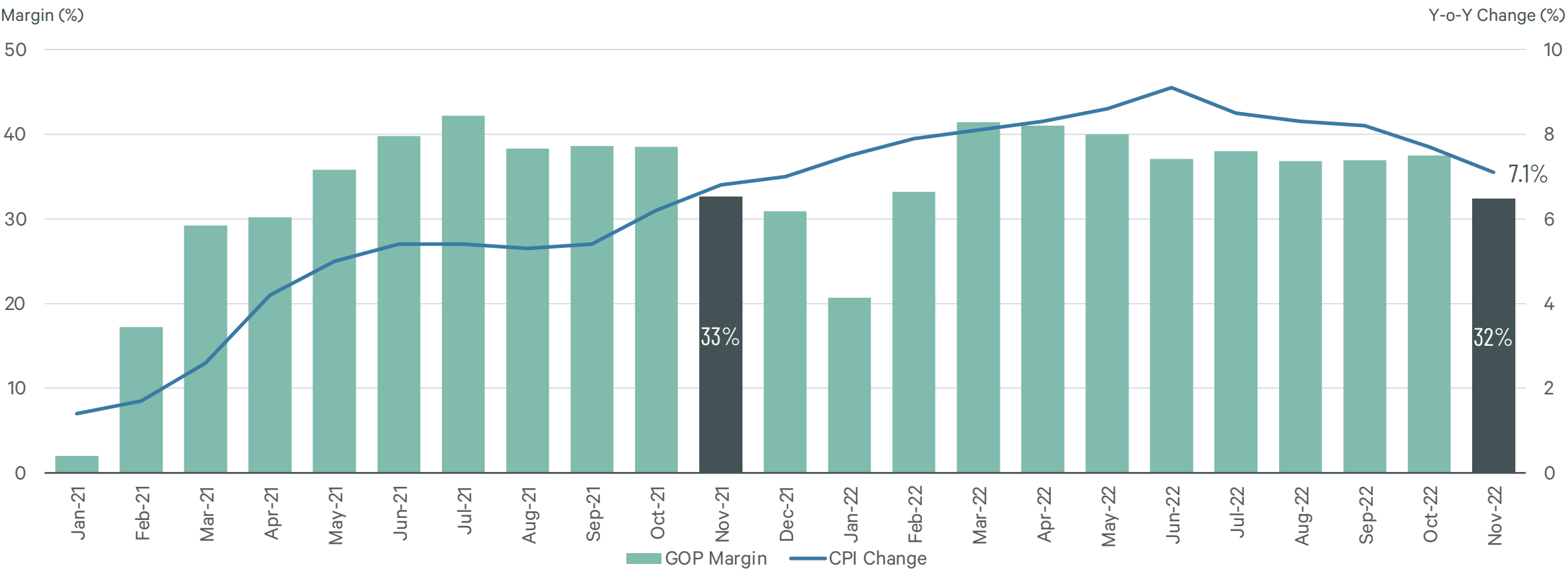
Operating  
Performance

# November marked the 6<sup>th</sup> consecutive month of GOP margin compression



**Explore Benchmarker<sup>SM</sup>**  
Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

**GOP Margin vs. Monthly Change in CPI**



CBRE Hotels Research, Monthly Trends Survey, BLS

# On average total revenues now exceed 2019 levels

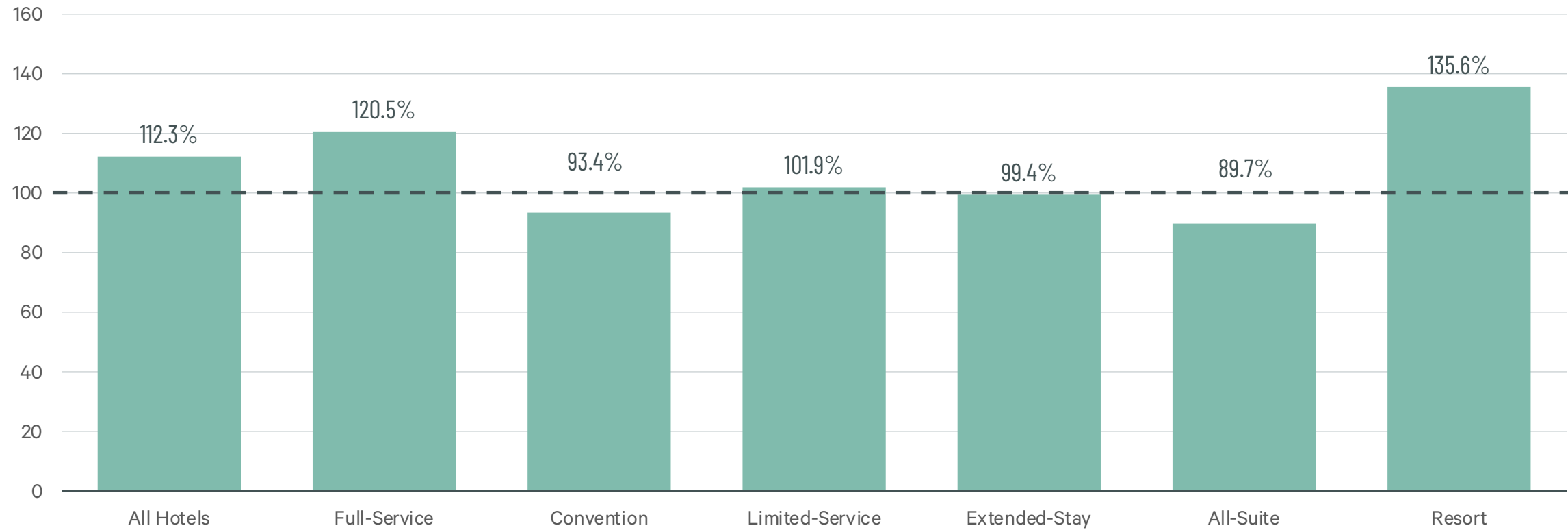


**Explore Benchmarker<sup>SM</sup>**

Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

**YTD November 2022 as a Percent of 2019 Dollars per Available Room**

Percent of 2019 YTD (%)



CBRE Hotels Research, Monthly Trends Survey

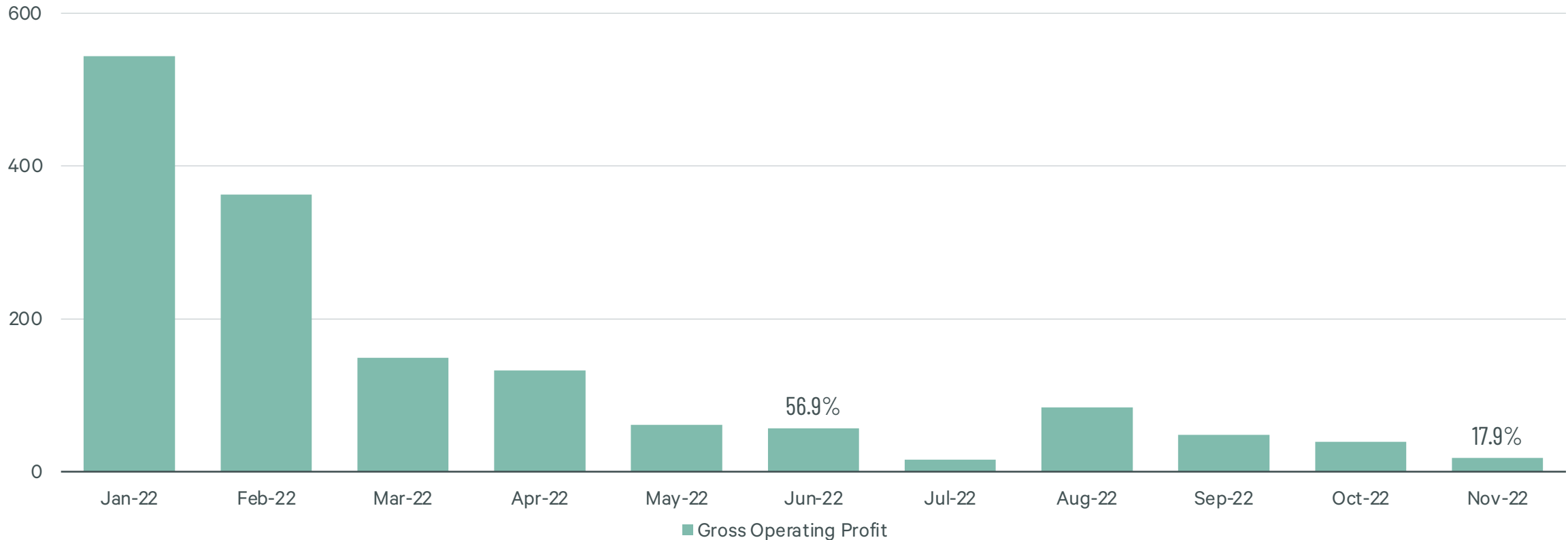
# GOP growth has slowed but remains positive at ~18% in November



**Explore Benchmarker<sup>SM</sup>**  
Instantly generate reports that compare the profitability of your property against the aggregated financial performance of a group of U.S. hotels.

## Gross Operating Profit Growth (Dollars Per Available Room)

Y-o-Y Change (%)



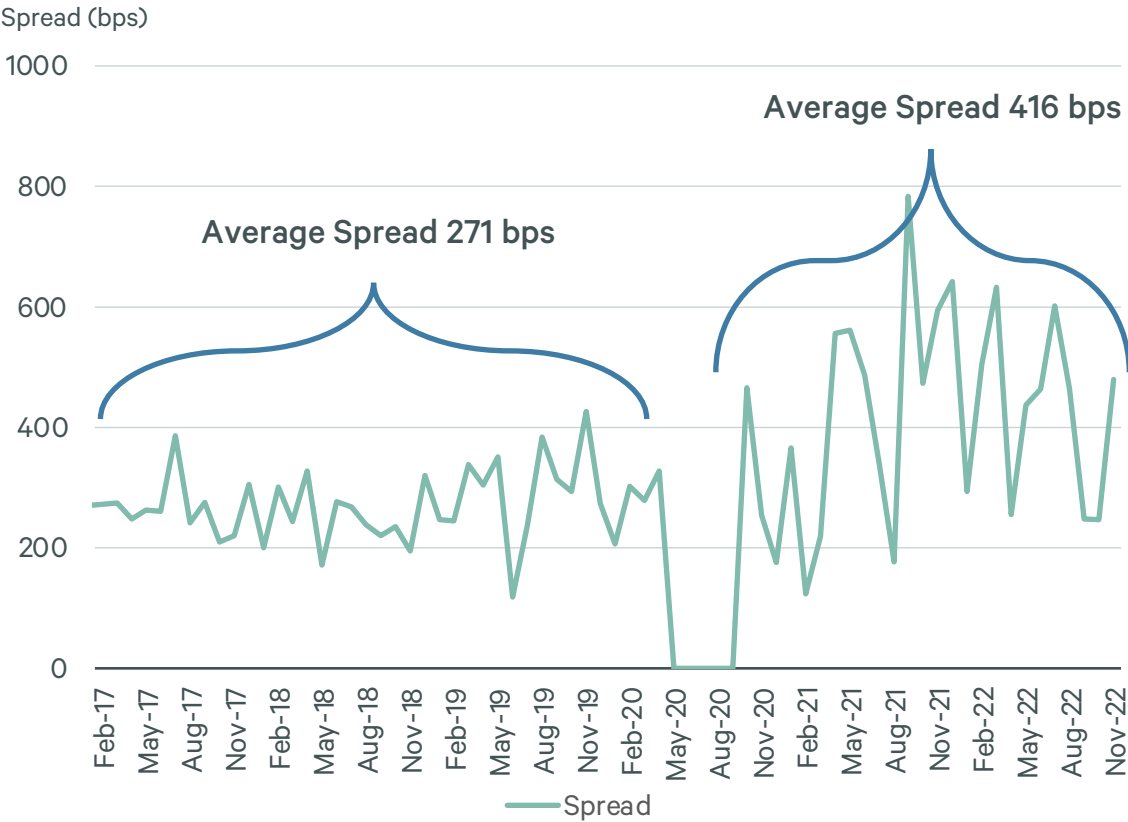
CBRE Hotels Research, Monthly Trends Survey, BLS

# 9

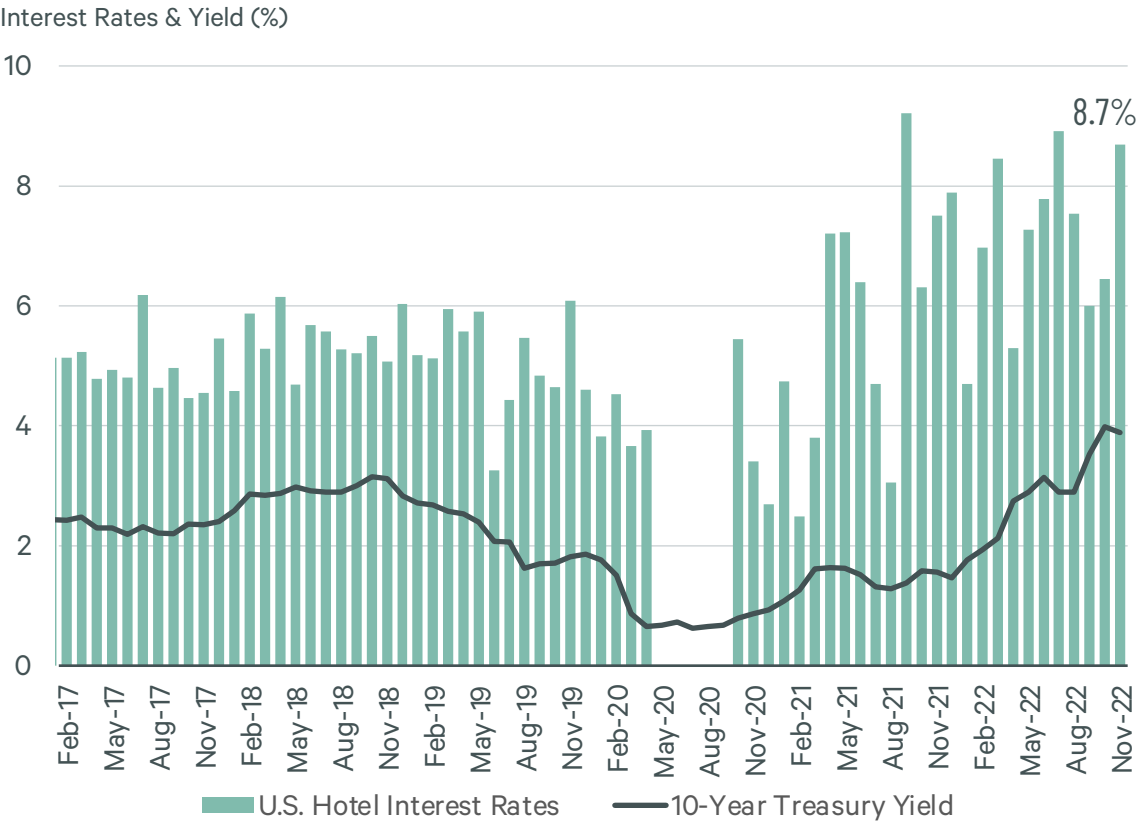
Capital  
Markets

# Despite upward pressure on rates, spreads peaked in August 2021

Spread between Interest Rates and 10-Year Treasury



Monthly Hotel Interest Rates at Time of Origination vs. 10-Year Treasury

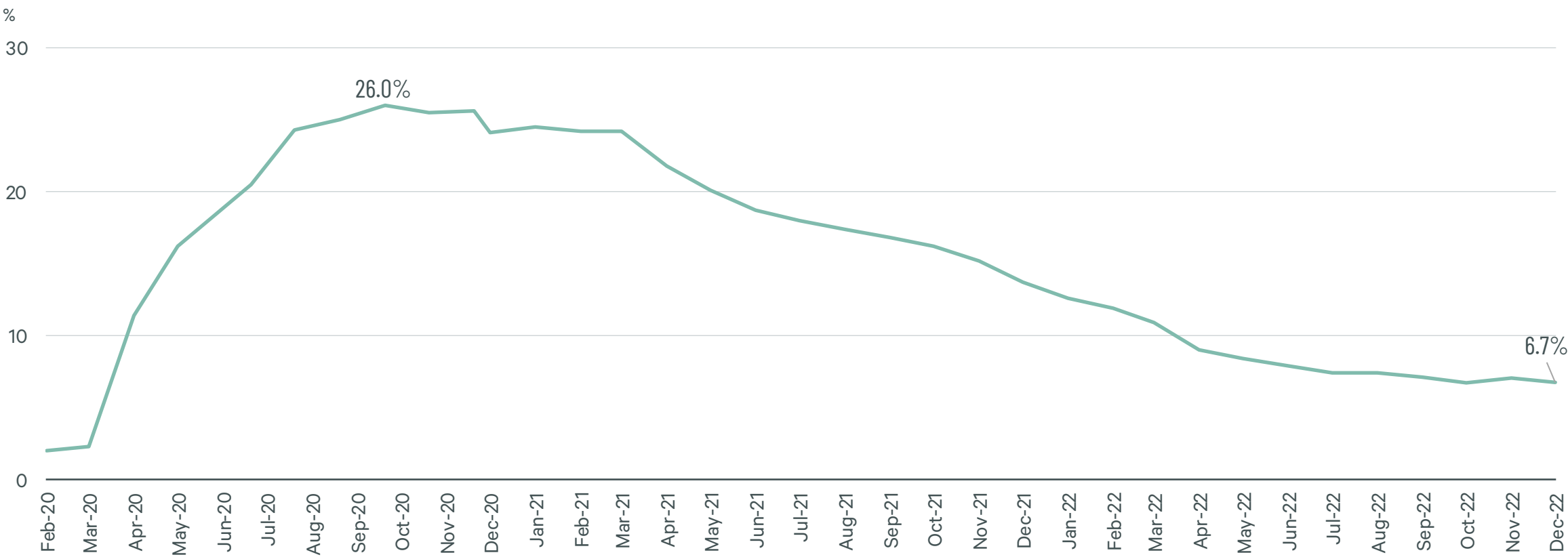


CBRE Hotels Research, CoStar, Federal Reserve



# Lodging CMBS special servicing begins to level off at 6.7%

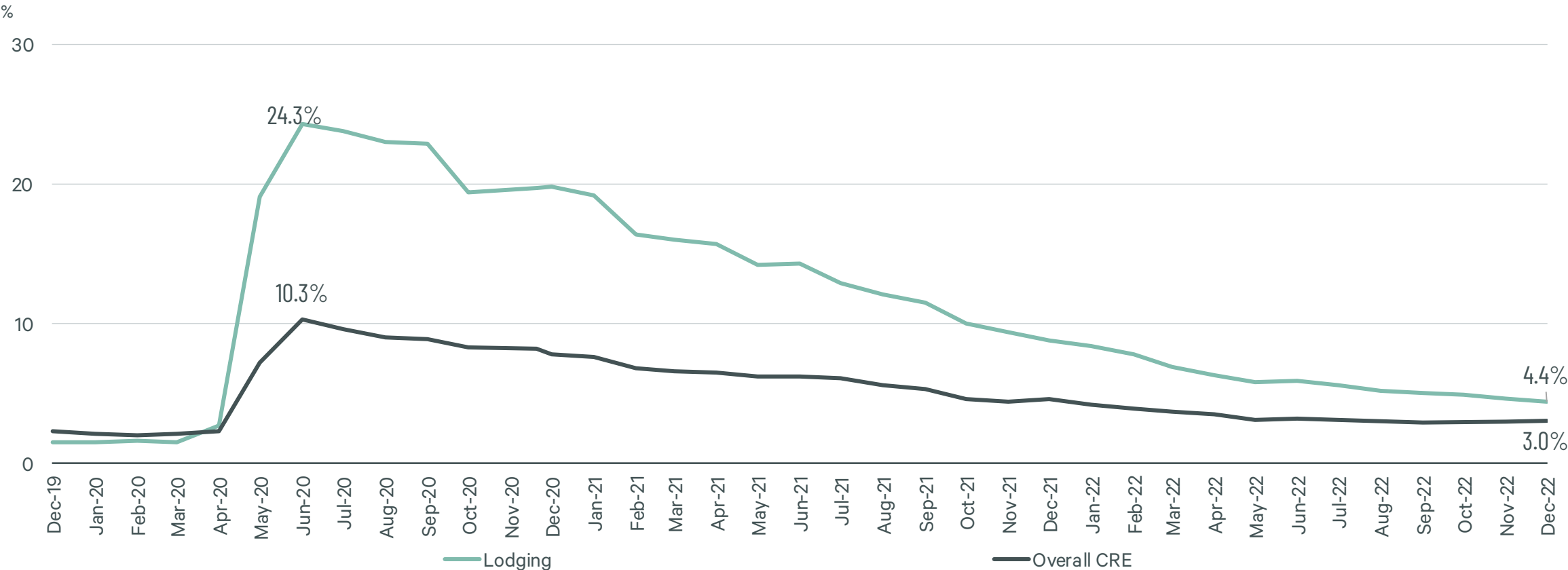
Pre-/Post-COVID - Special Servicing Rate Lodging CMBS



CBRE Hotels Research, CBRE Debt & Structured Finance, Trepp.

# Delinquency rates have improved dramatically, but are above pre-pandemic levels

Lodging Delinquency Rate vs Overall Commercial Real Estate

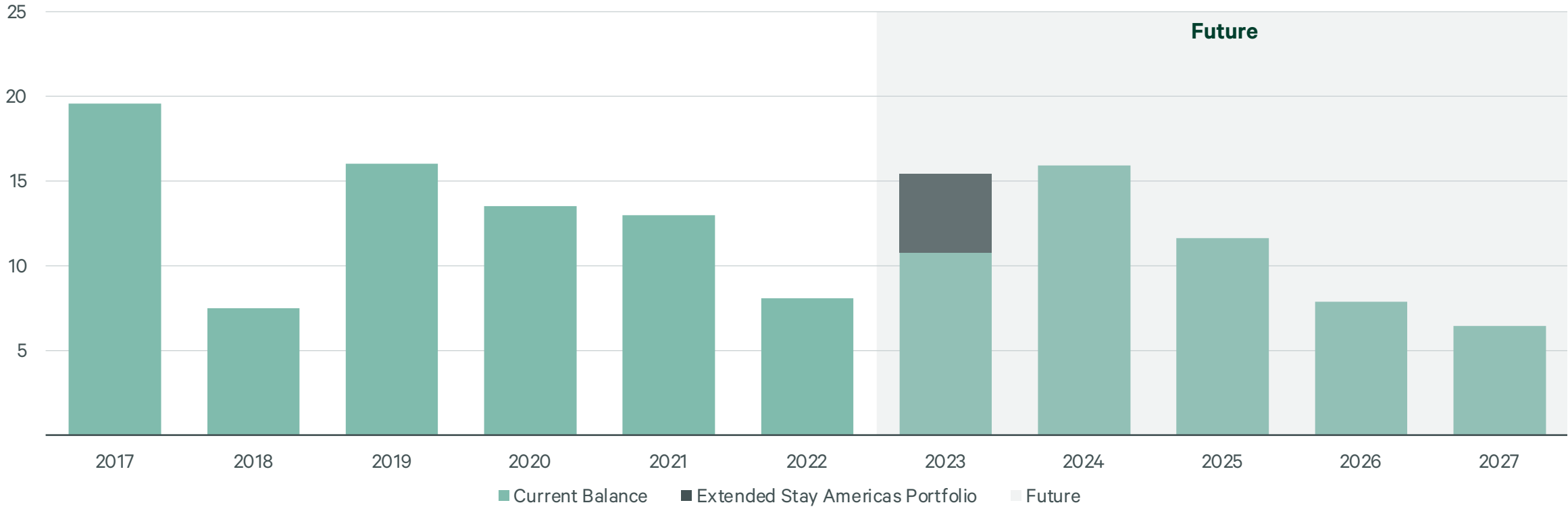


CBRE Hotels Research, CBRE Debt & Structured Finance, Trepp.

# For most companies, maturities remain modest until 2024

Hotel Loans Maturing 2017 - 2027

(\$) Billions



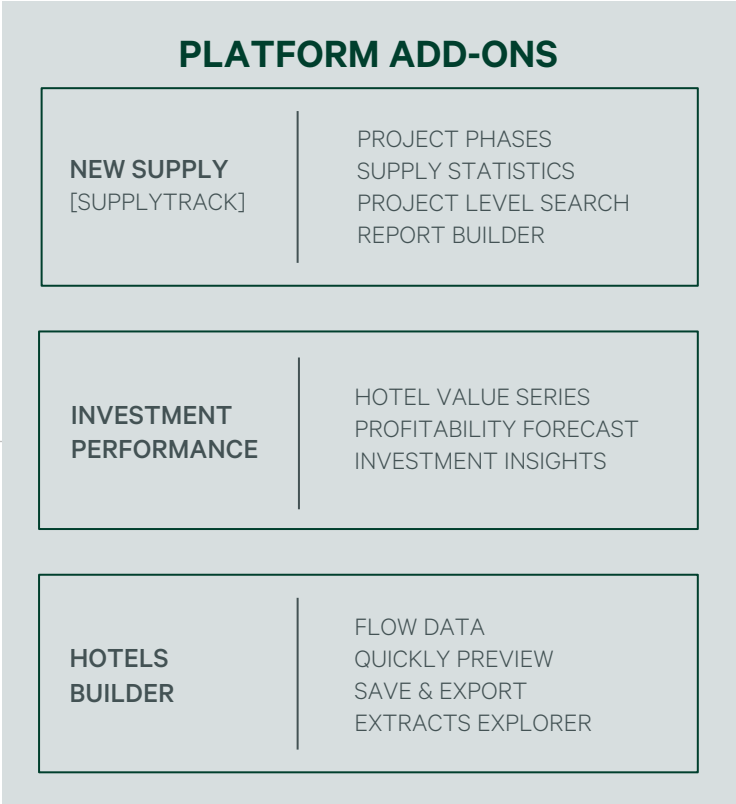
CBRE Hotels Research, DRBS Morning Star

# Hotels Research Platform & Data Products

CBRE Hotels Research specializes in analyzing and reporting on both the historical and future performance of the lodging industry.

Offering a variety of forecast and benchmarking reports, as well as maintaining extensive databases of hotel income statements and property values. These reports and data provide the foundation for strategic planning by all who have an interest in hotel property financial performance.

Schedule a Platform Demo Today!



# Thank you

**CBRE**

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