

# U.S. Hotels State of the Union



# Key Takeaways



## Economy

**Personal savings rate increased for the eighth consecutive month.**

Personal savings rate continued to increase in January to 4.7% up from the low of 2.7% in June 2022.

*[Slide 7]*

**Job openings per hotel increased in December.**

Job openings per hotel increased to 30 in December near the all time high of 31 in December 2021. This is consistent with the trend in national job openings.

*[Slide 16]*

**Hotels continued to face wage pressures in January.**

Hotel wages increased 7.2% in January, higher than the 4.6% increase in retail wages. Labor shortages suggest wages will remain elevated.

*[Slide 15]*



## Current Trends

**GOP margins contracted again in December.**

Higher labor and utility costs impacted GOP margins for the seventh straight month. Despite margin contraction, profit dollars increased 7% Y-o-Y.

*[Slides 40-43]*

**Office attendance continues to lag.**

Following the holiday period, office attendance failed to reach 50% in February and is below October 2022 levels.

*[Slides 33-34]*

**RevPAR relative to 2019 levels was steady.**

January RevPAR increased 26% Y-o-Y owing to easier Omicron comparisons in 2022, relative to 2019 RevPAR trends which remained consistent at 106%.

*[Slides 22-23]*



## Food for Thought

**CBRE raises RevPAR estimate for 2023.**

With RevPAR recovered to 2019 levels in 2022, CBRE increased its 2023 RevPAR estimate by \$0.43 to \$97.46 a 5.8% increase Y-o-Y.

*[Slides 55-58]*

**Post-pandemic credit spreads have widened 145 bps.**

While profits have increased, interest rates and spreads continued to widen in January.

*[Slide 51]*

**Real consumer credit is below pre-pandemic highs.**

Contrary to popular narrative, real consumer credit levels remain below pre-pandemic highs representing 6.7% of real personal disposable income.

*[Slide 8]*

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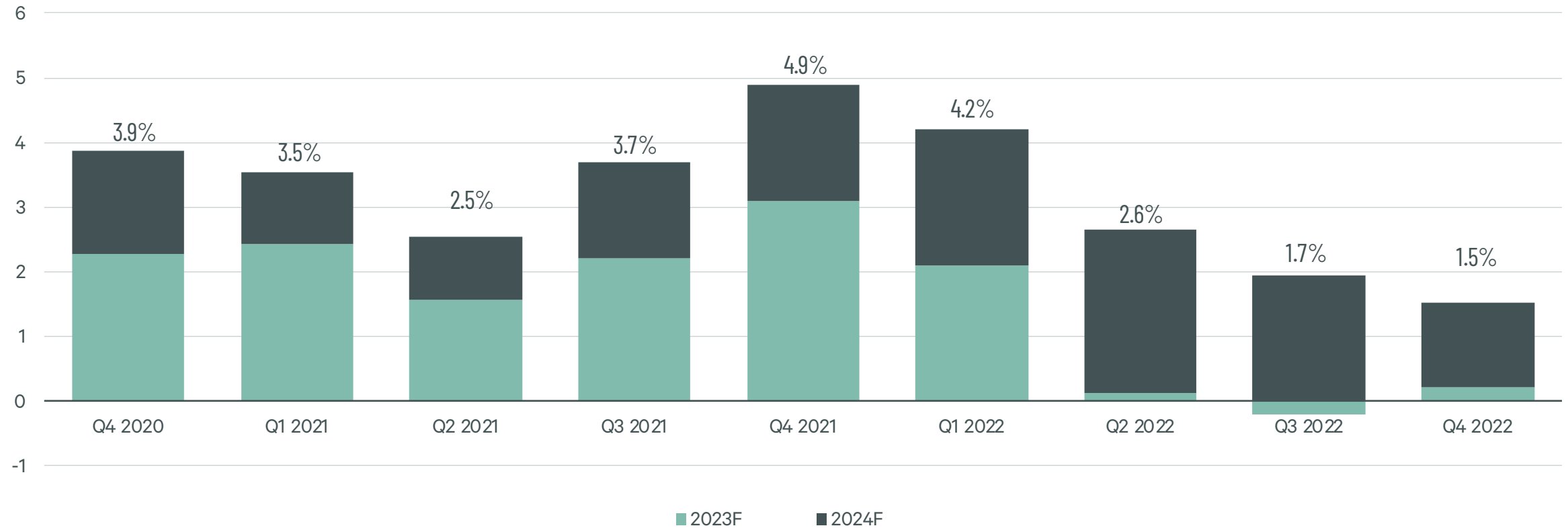
1

The  
Economy

# CBRE EA continues to lower its combined 2023 and 2024 Real GDP growth outlook

## Cumulative 2023 and 2024 Annual Real GDP Growth

Y-o-Y Change(%)

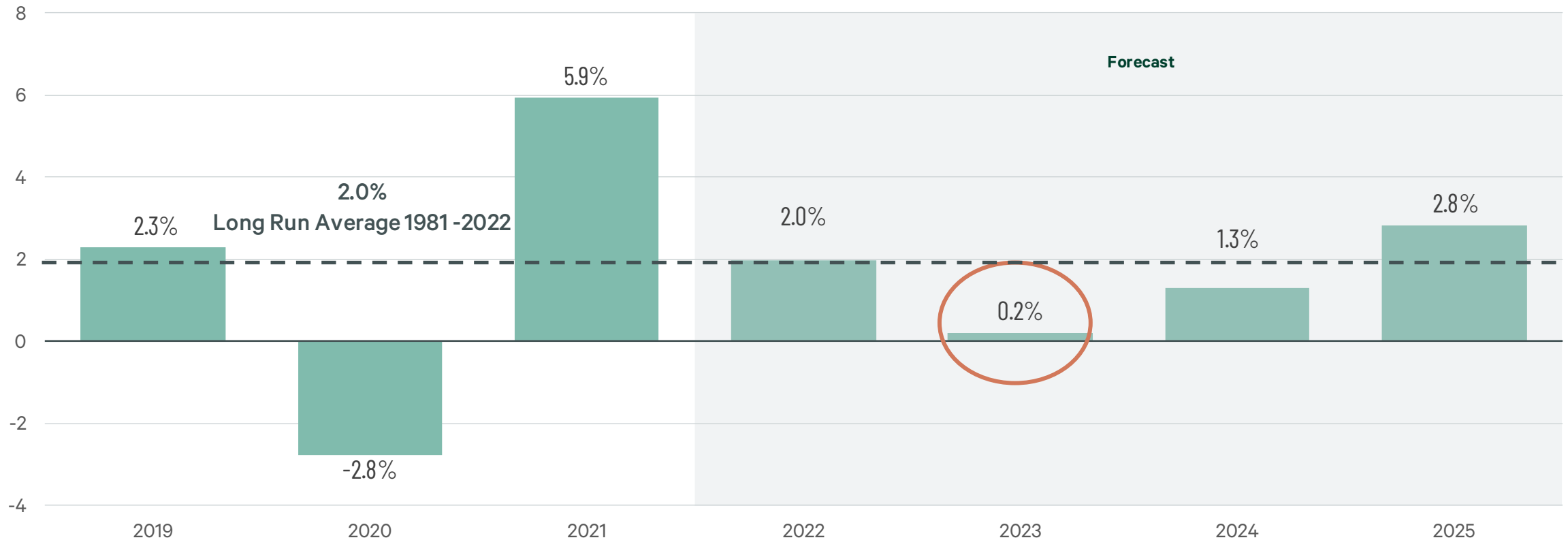


CBRE Hotels Research, CBRE EA, BLS, Forecast as of January 23, 2023

# CBRE EA forecasts below-average GDP growth through 2024

## Real GDP Growth (annual averages) - House View

Y-o-Y Change(%)

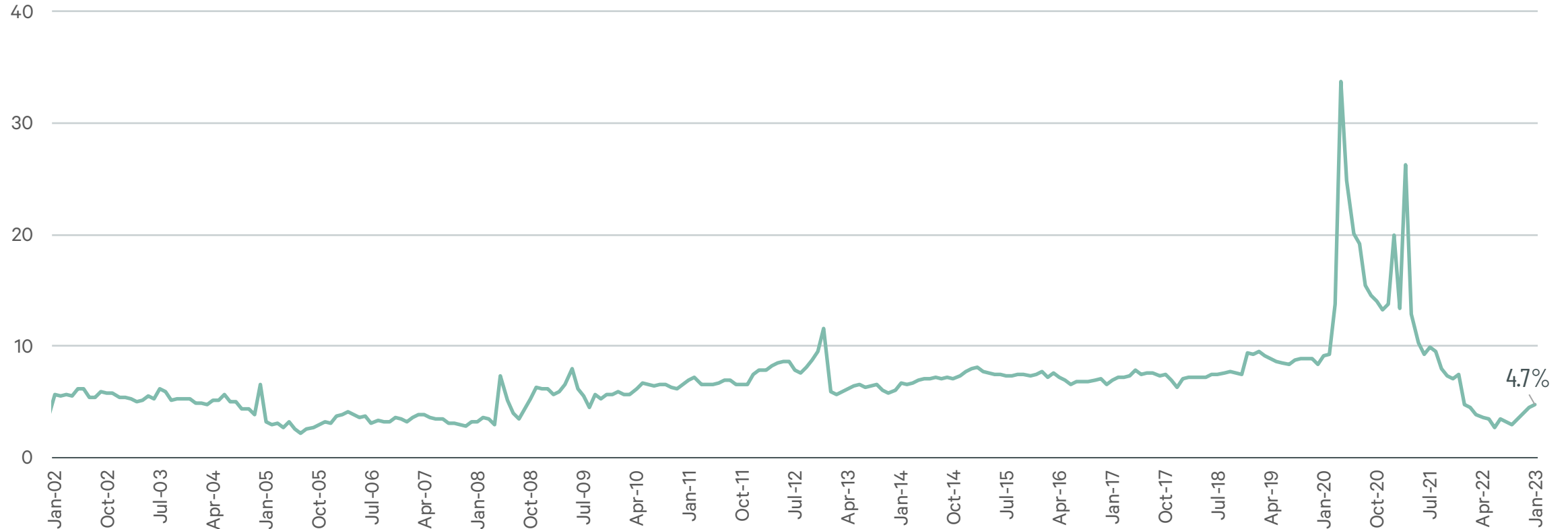


CBRE Hotels Research, CBRE EA, BEA, Forecasts as of January 23, 2023

# January represents the eighth month of increases in the personal savings rate

## Personal Savings Rate

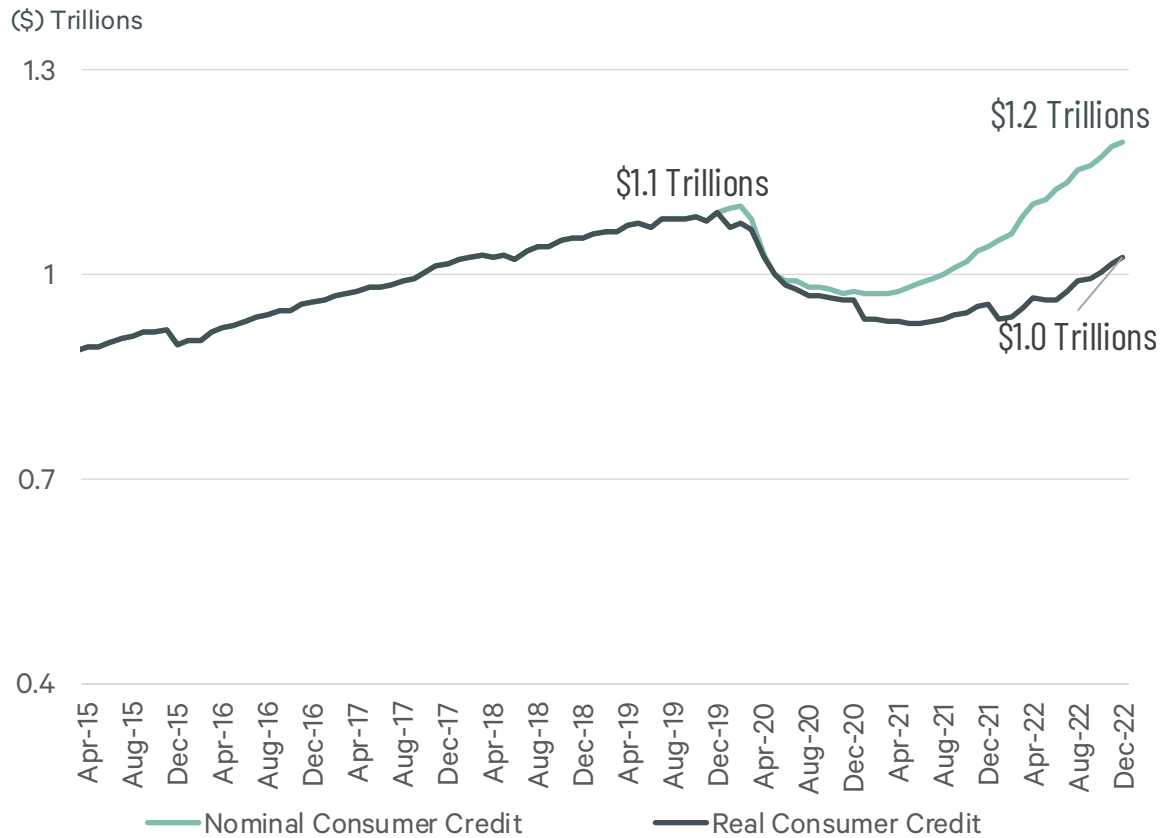
Rate (%)



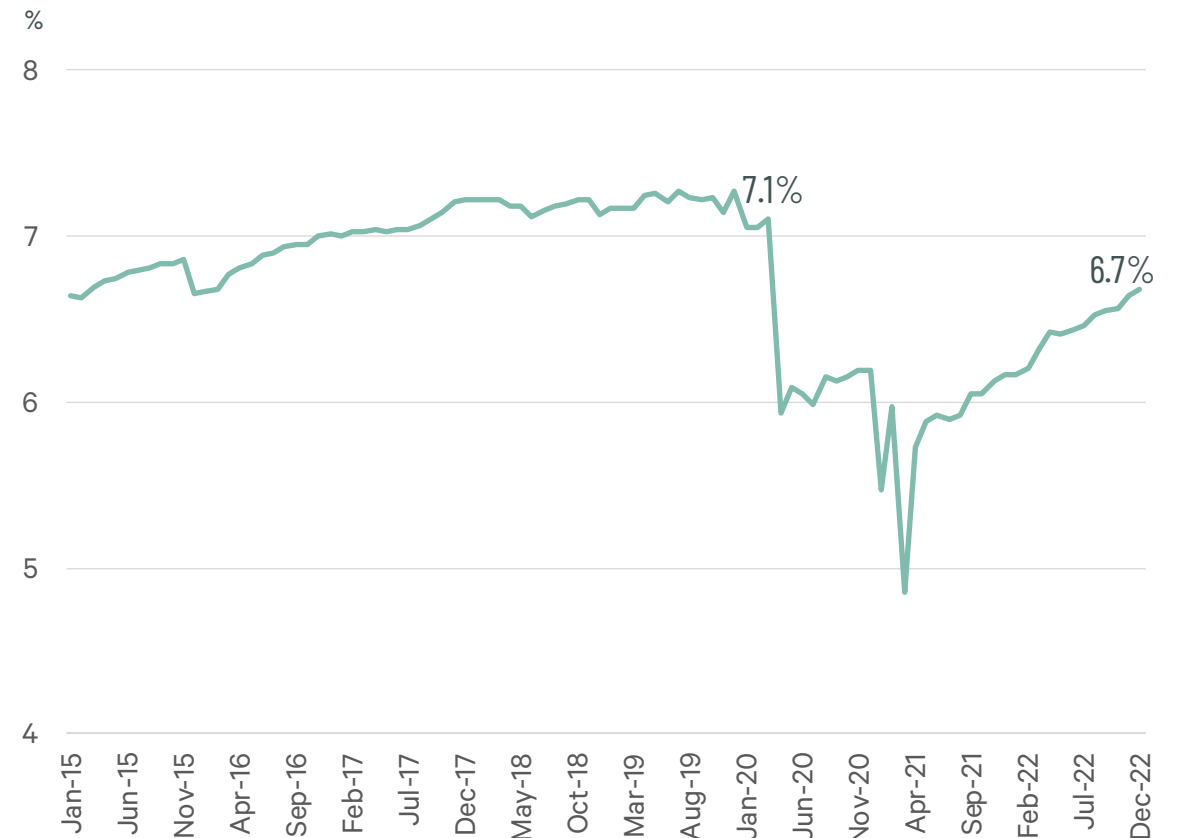
CBRE Hotels Research, BEA, Federal Reserve

# Fears of ballooning leverage and consumer credit may be overblown

Revolving Consumer Credit: Nominal vs. Real



Real Revolving Consumer Credit to Real Personal Disposable Income



CBRE Hotels Research, Federal Reserve



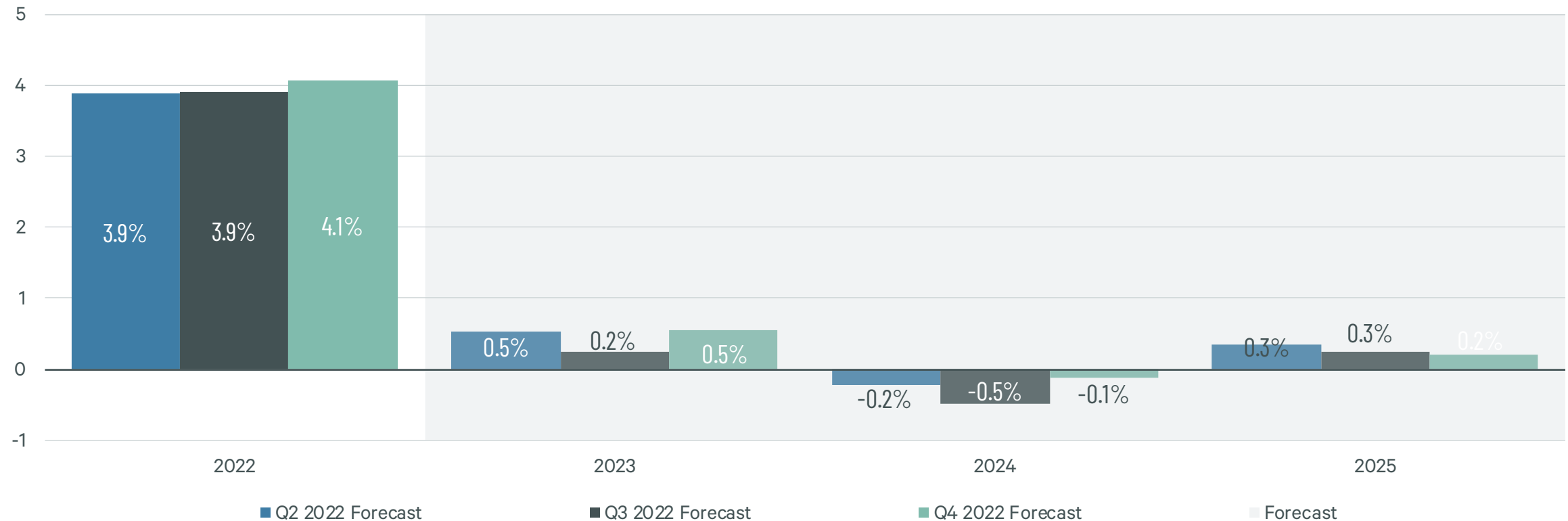
2

Labor

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

## Employment Change Y-o-Y by Forecast Release

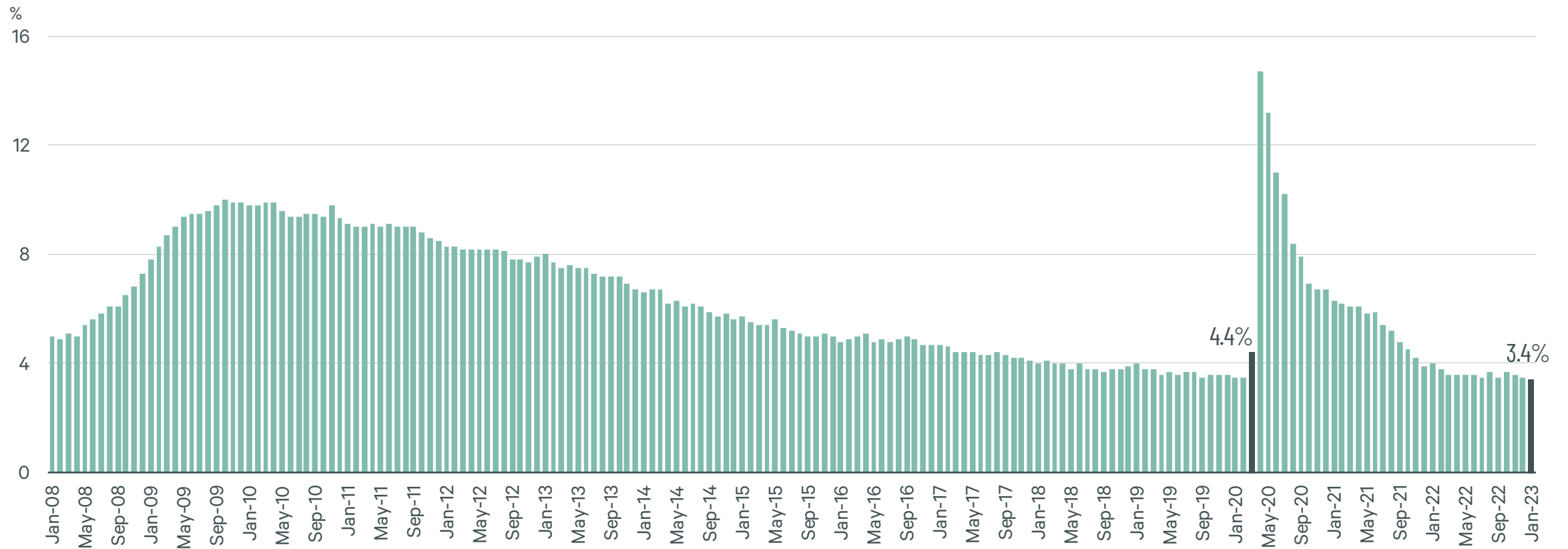
Y-o-Y Change(%)



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

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

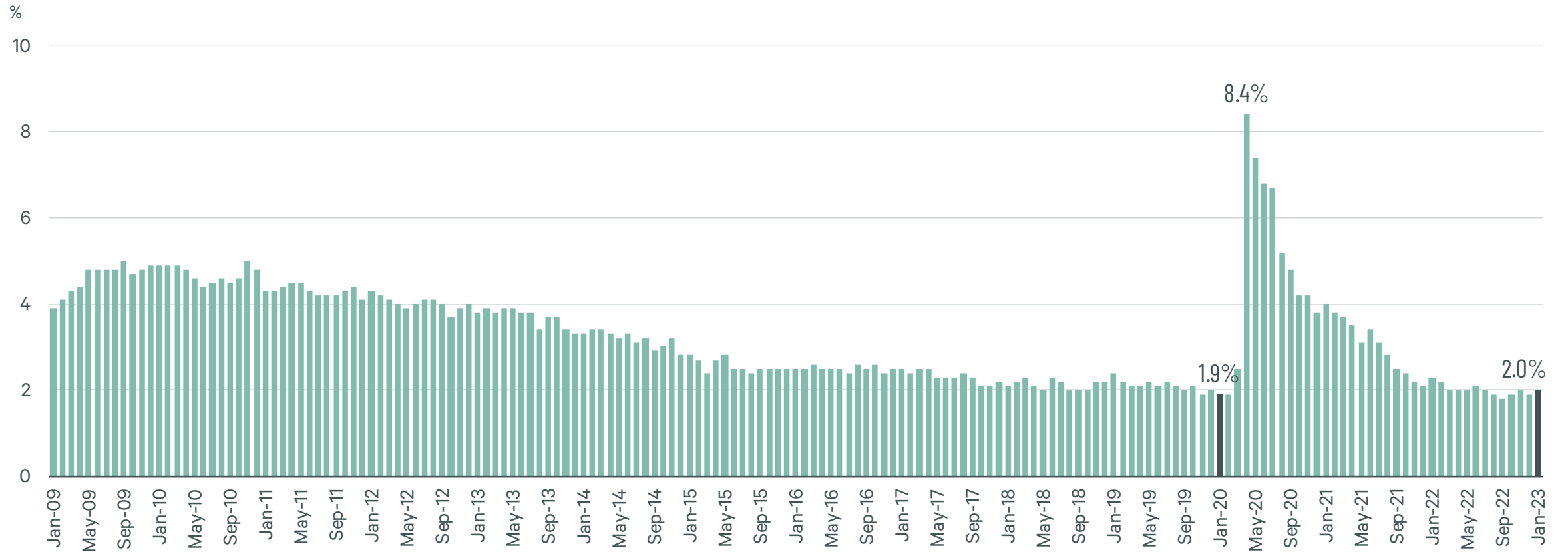
Monthly Unemployment Rate Jan. 2008 – Jan. 2023



CBRE Hotels Research, CBRE EA, BLS

# College-educated employment continues to improve

Unemployment Rate – Bachelor’s Degree and Higher, 25 Yrs. & Over

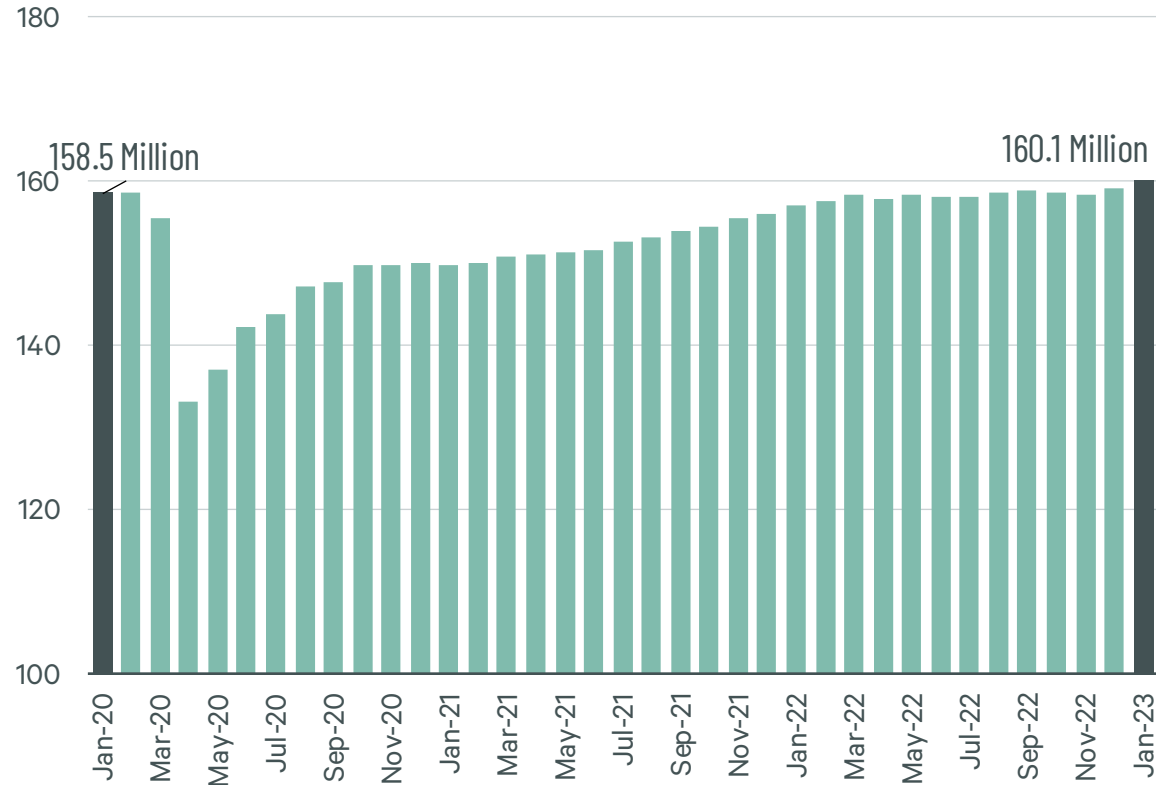


CBRE Hotels Research, CBRE EA, BLS

# Employment has fully recovered and continues to post gains

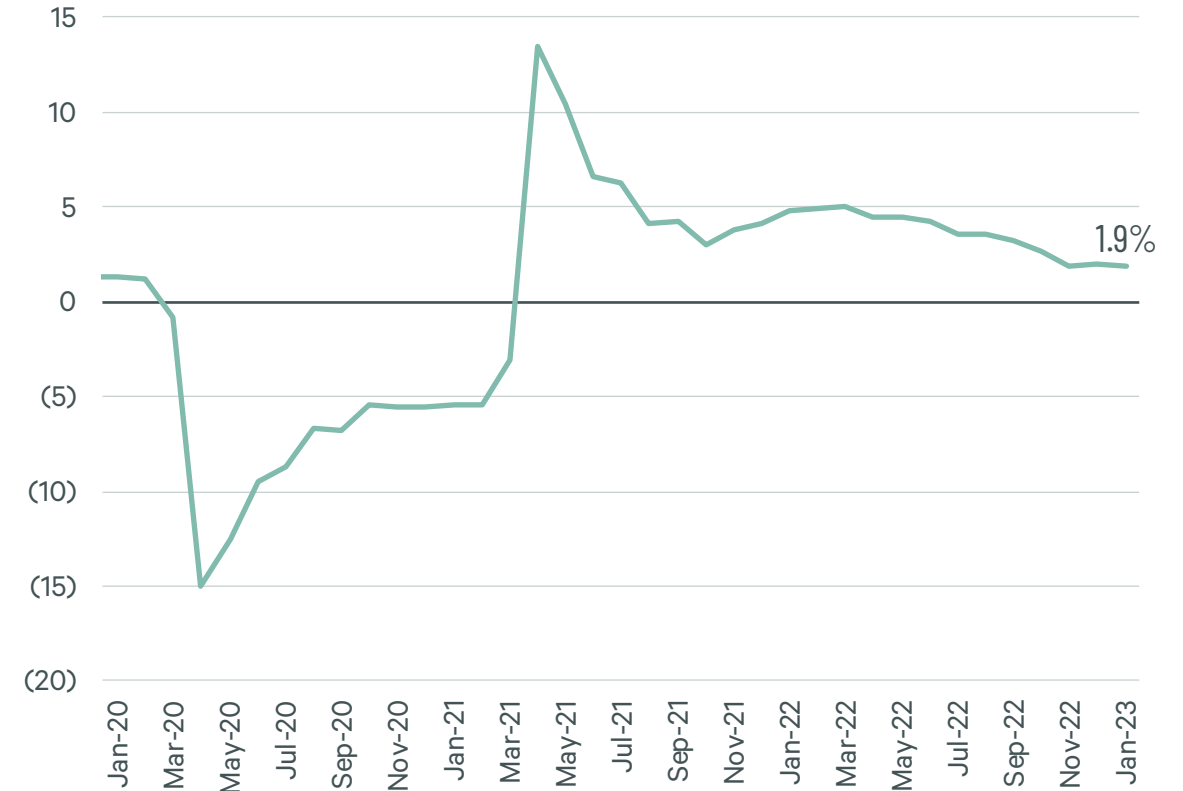
**Total U.S. Employment**

(\$) Millions



**Total U.S. Employment Change**

Y-o-Y Change (%)

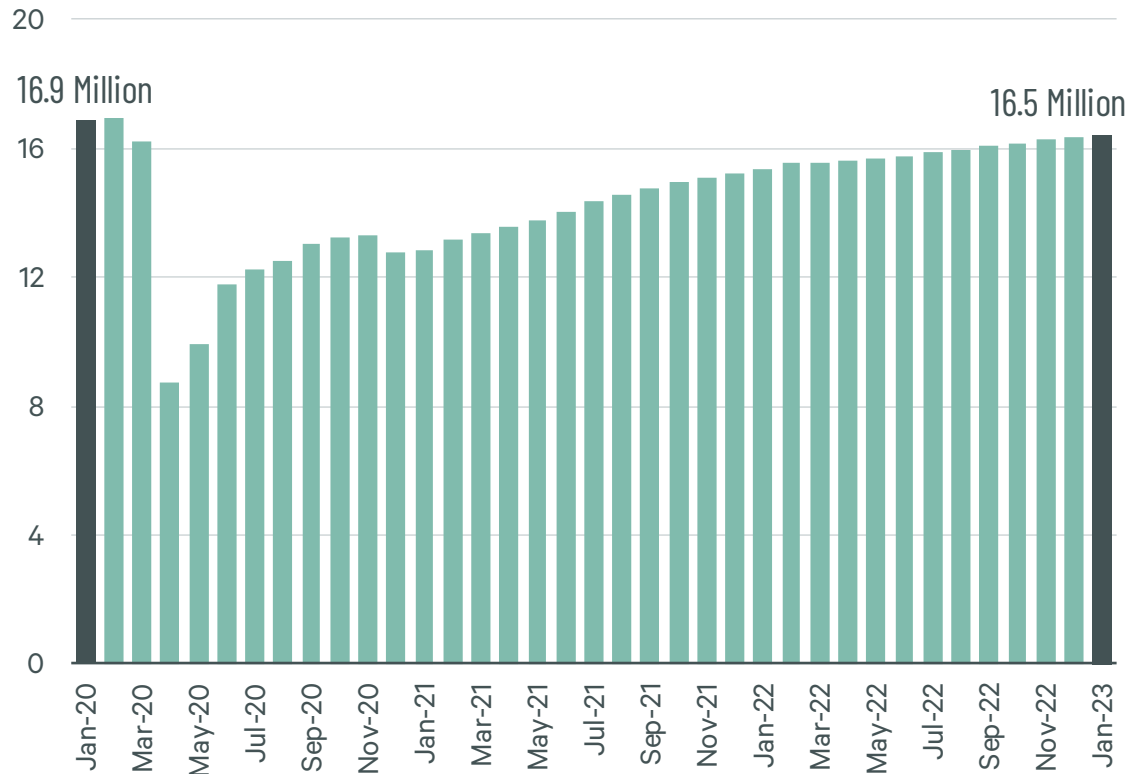


CBRE Hotels Research, CBRE EA, BLS

# Leisure and hospitality employment continues to improve, up 7% Y-o-Y

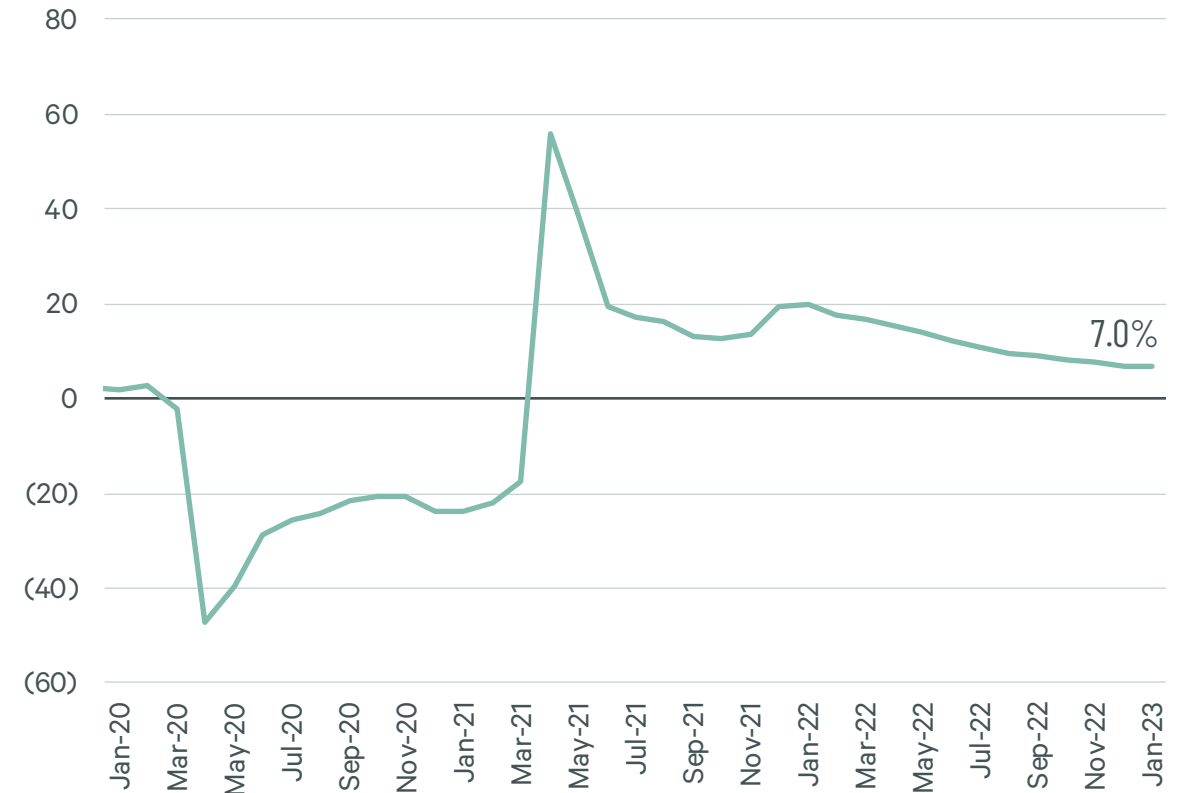
U.S. Leisure and Hospitality Employment

(\$) Millions



U.S. Leisure and Hospitality Employment Change

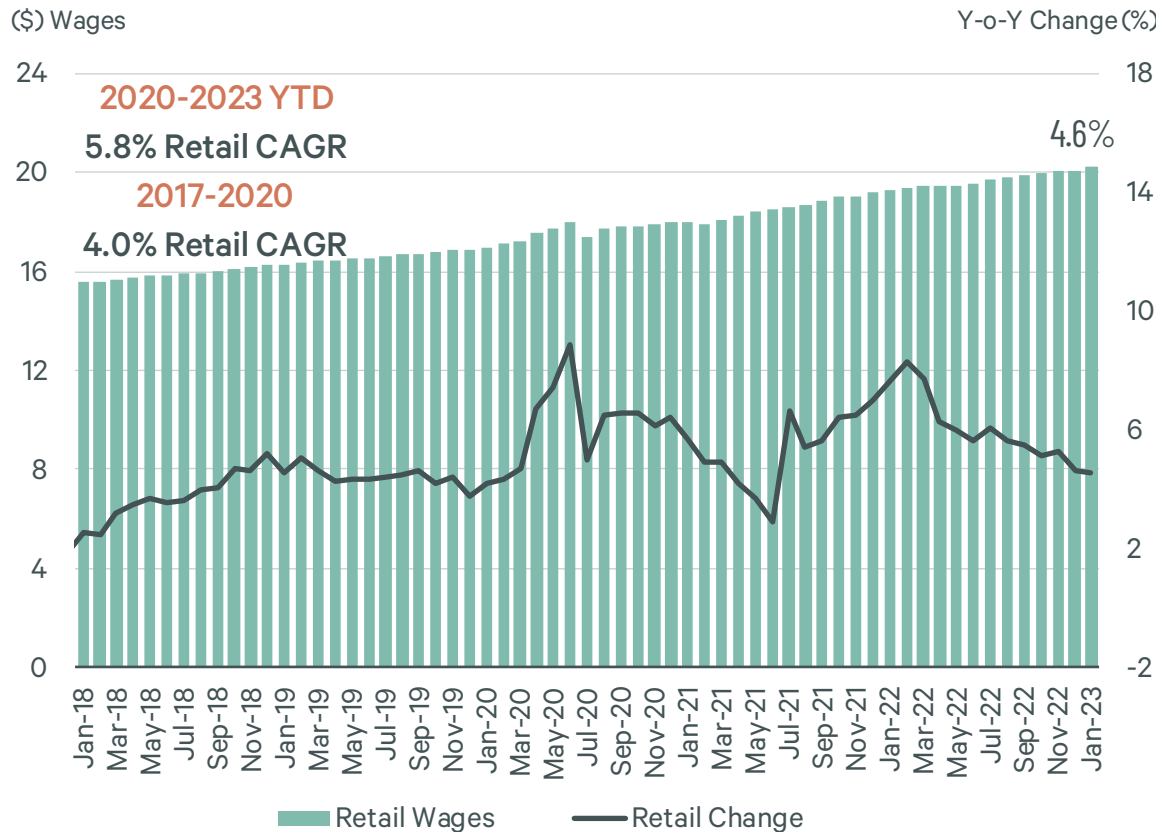
Y-o-Y Change (%)



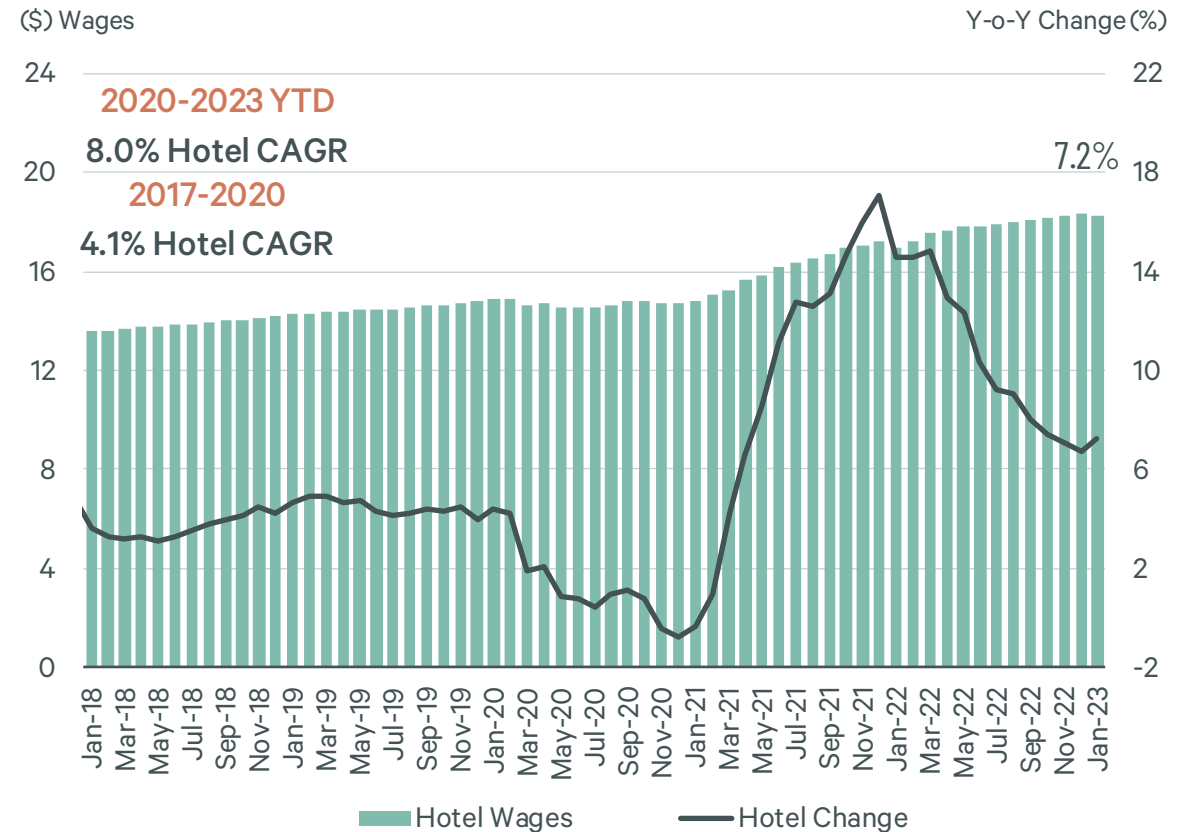
CBRE Hotels Research, CBRE EA, BLS

# Wage gains persist but have moderated in recent months

## Retail Wages



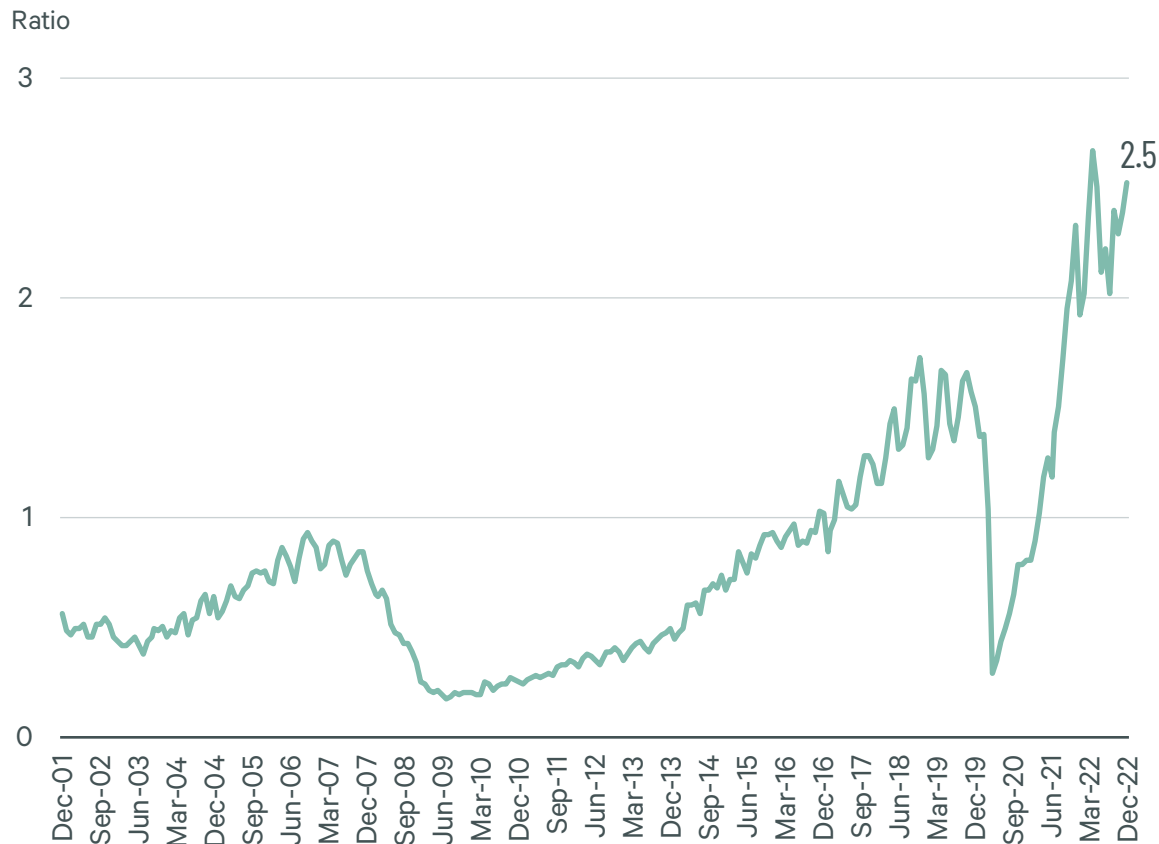
## Leisure and Hospitality Wages



CBRE Hotels Research, CBRE EA, BLS

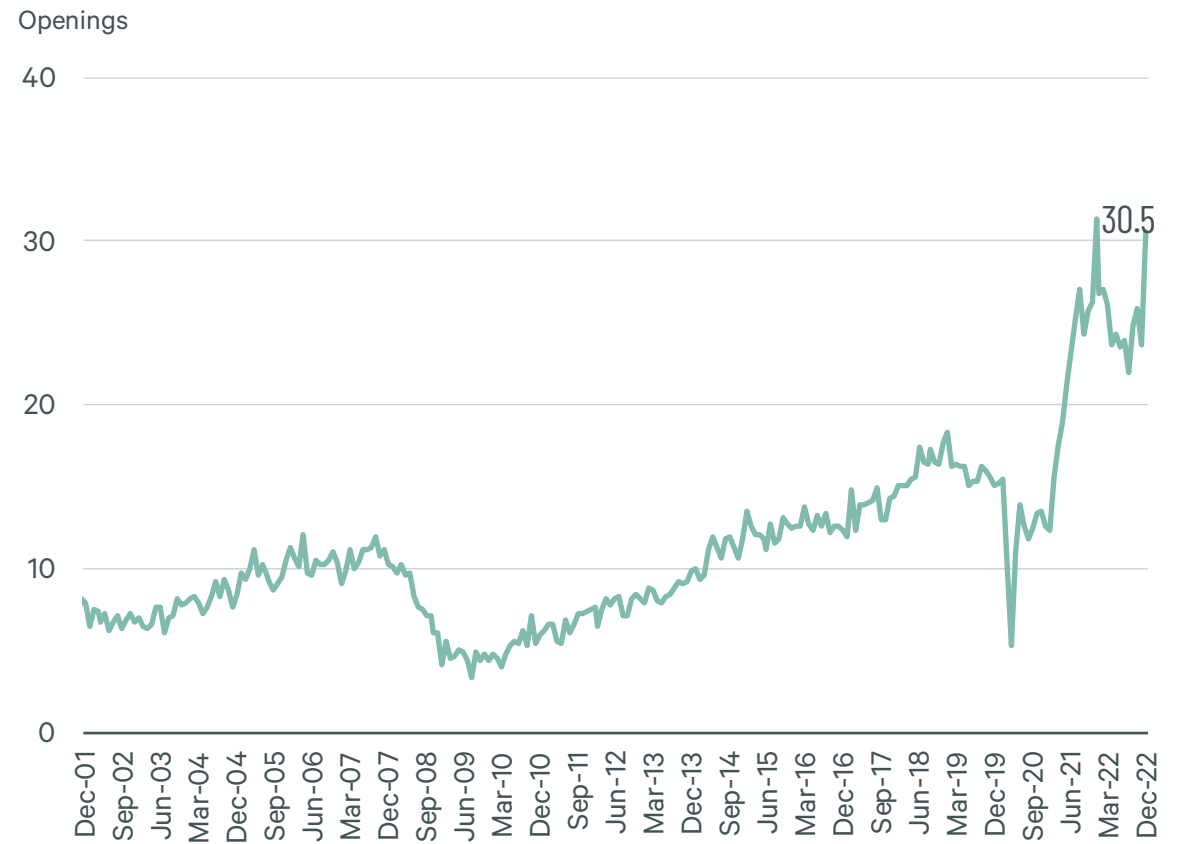
# Job openings per hotel increased to just slightly below record highs

Ratio of U.S. Job Openings to Job Seekers



CBRE Hotels Research, BLS

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



CBRE Hotels Research, BLS, CoStar



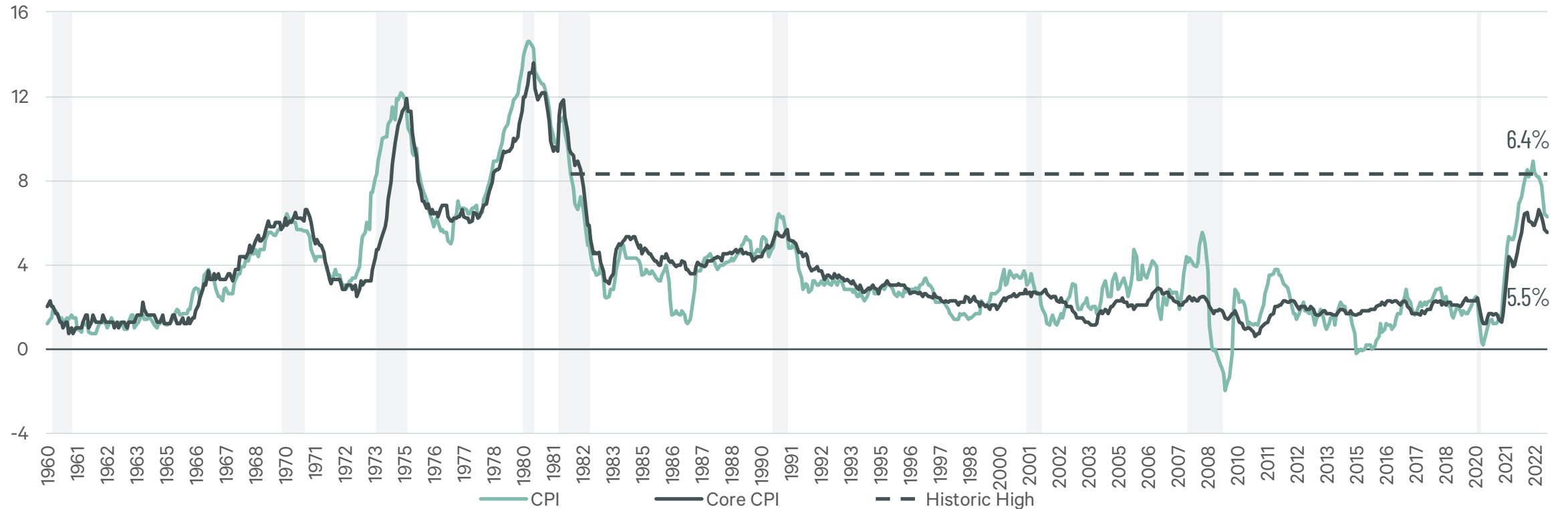
3

Inflation

# January marks eight consecutive months of easing inflation growth

## National CPI vs. Core CPI Growth

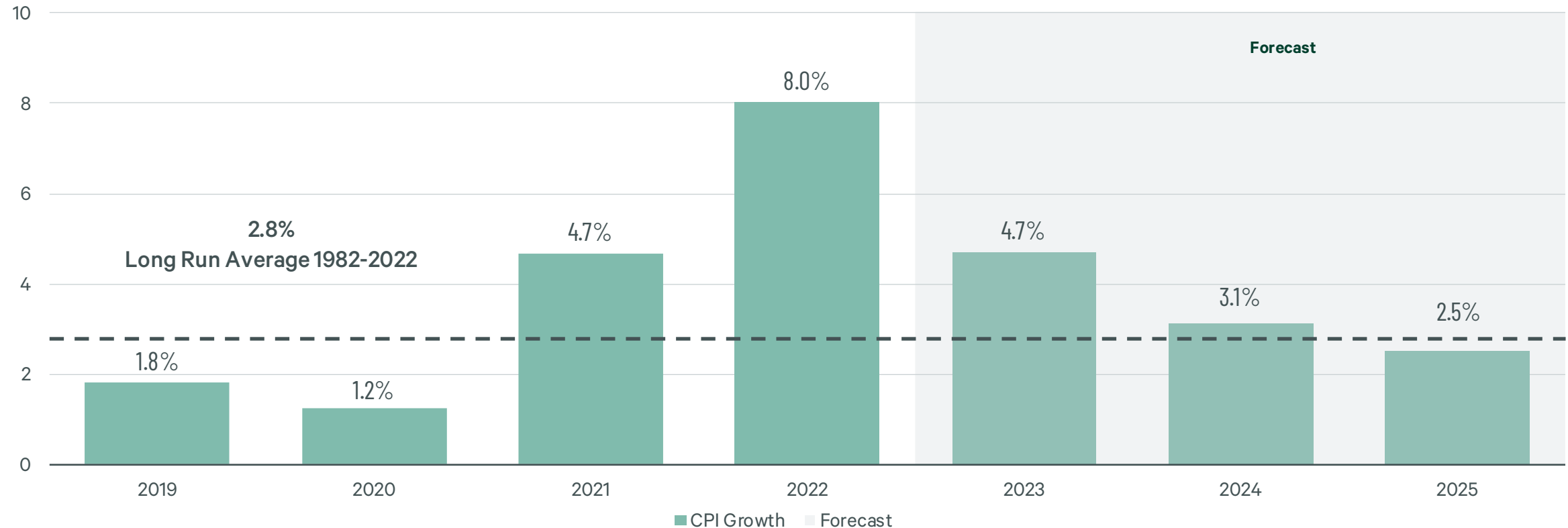
Y-o-Y Change(%)



# Inflation is expected to remain elevated at least through 2024

## Annual Consumer Price Index (CPI) Growth Forecast

Y-o-Y Change(%)



CBRE EA, CBRE Research, BLS, Forecasts as of November 16, 2022

# 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

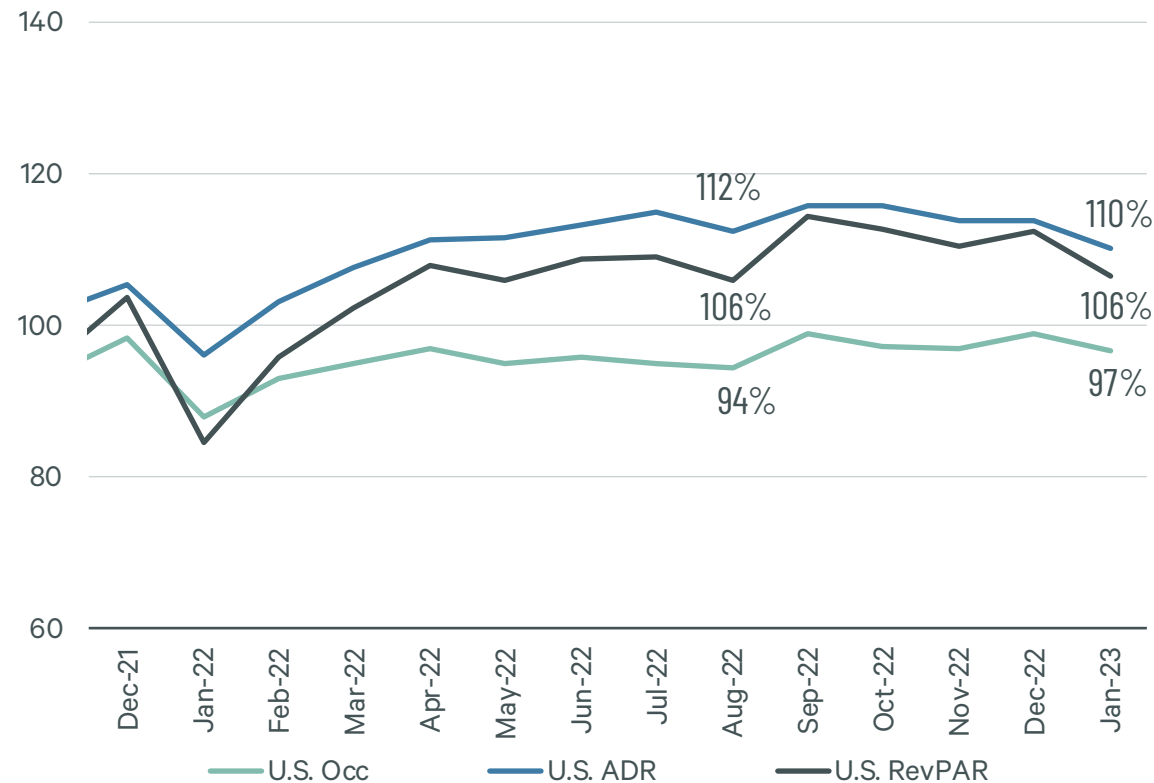
4

Monthly Data

# Omicron drove 26% Y-o-Y growth in Jan., but relative to 2019 trends were consistent

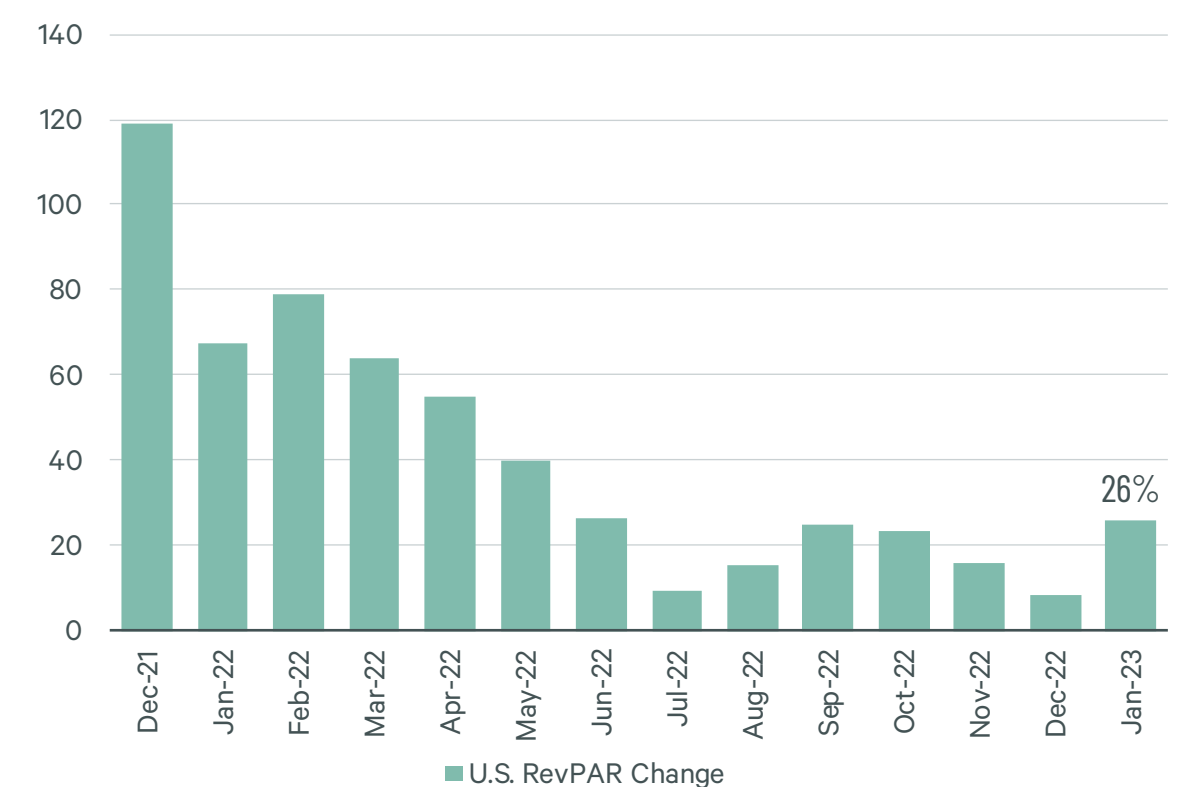
U.S. Occ, ADR and RevPAR Relative to 2019

Percent of 2019 (%)



U.S. RevPAR Growth Y-o-Y

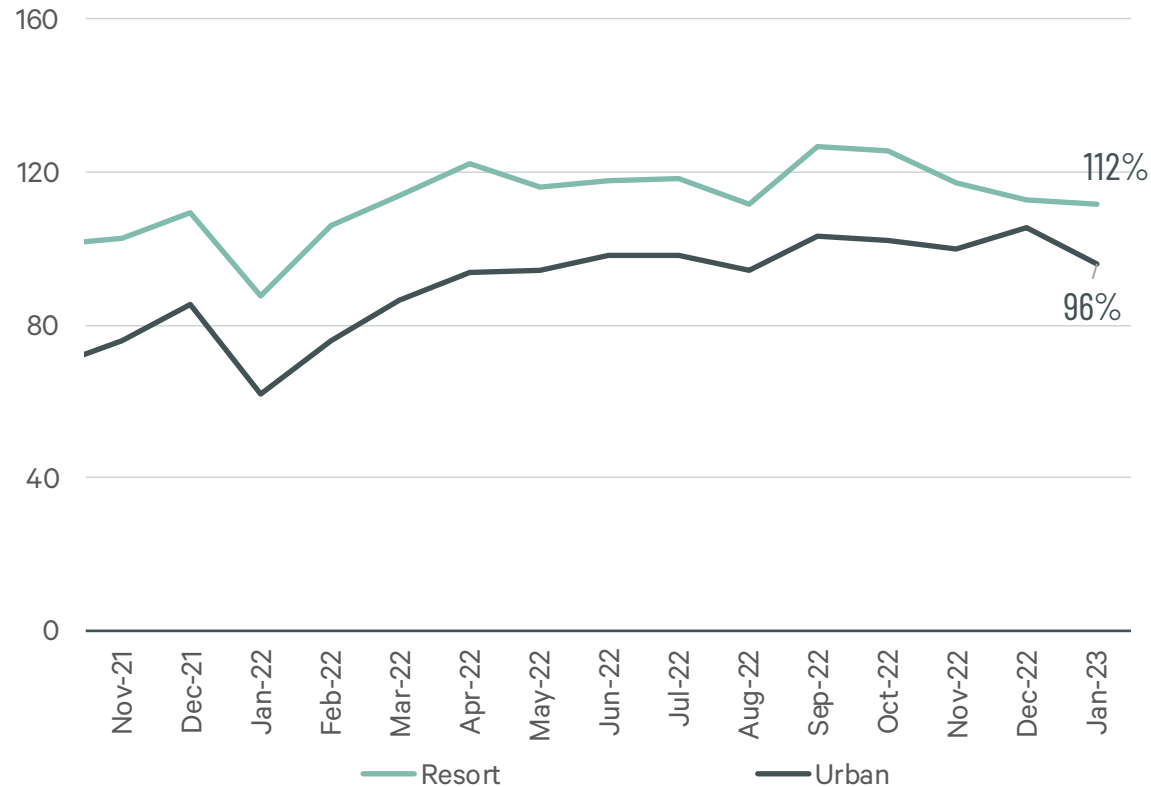
Y-o-Y Change (%)



# Resort has continued to outperform, but Urban has shown strongest growth

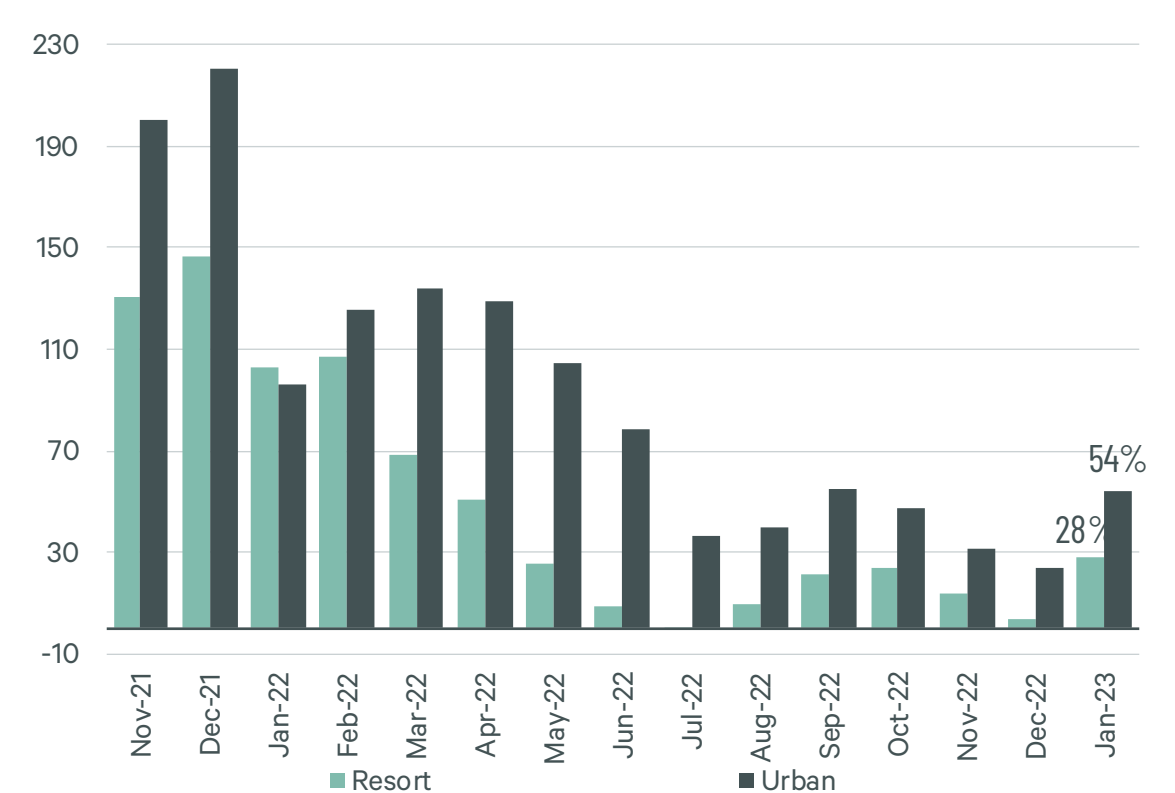
RevPAR Indexed to 2019 by Resort and Urban Location Type

Percent of 2019 (%)



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

Y-o-Y Change (%)



# 5

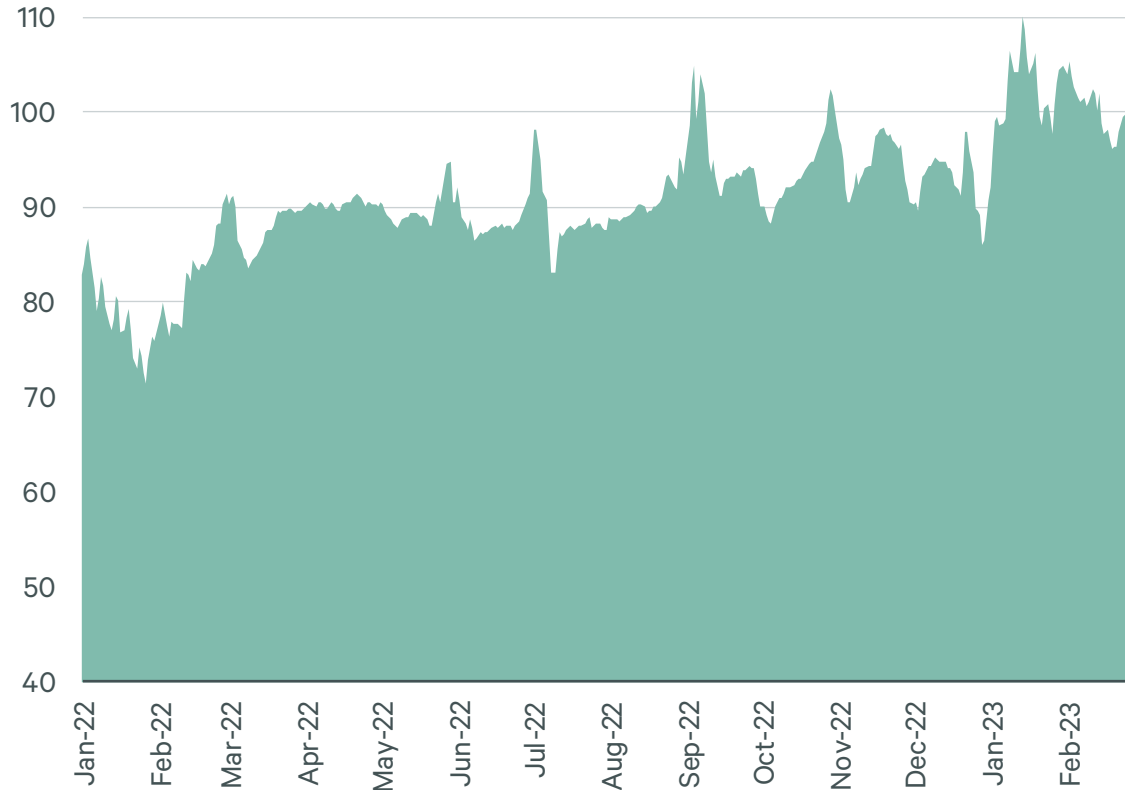
Current  
Trends



# TSA throughput remains above 95% but has pulled back slightly in February

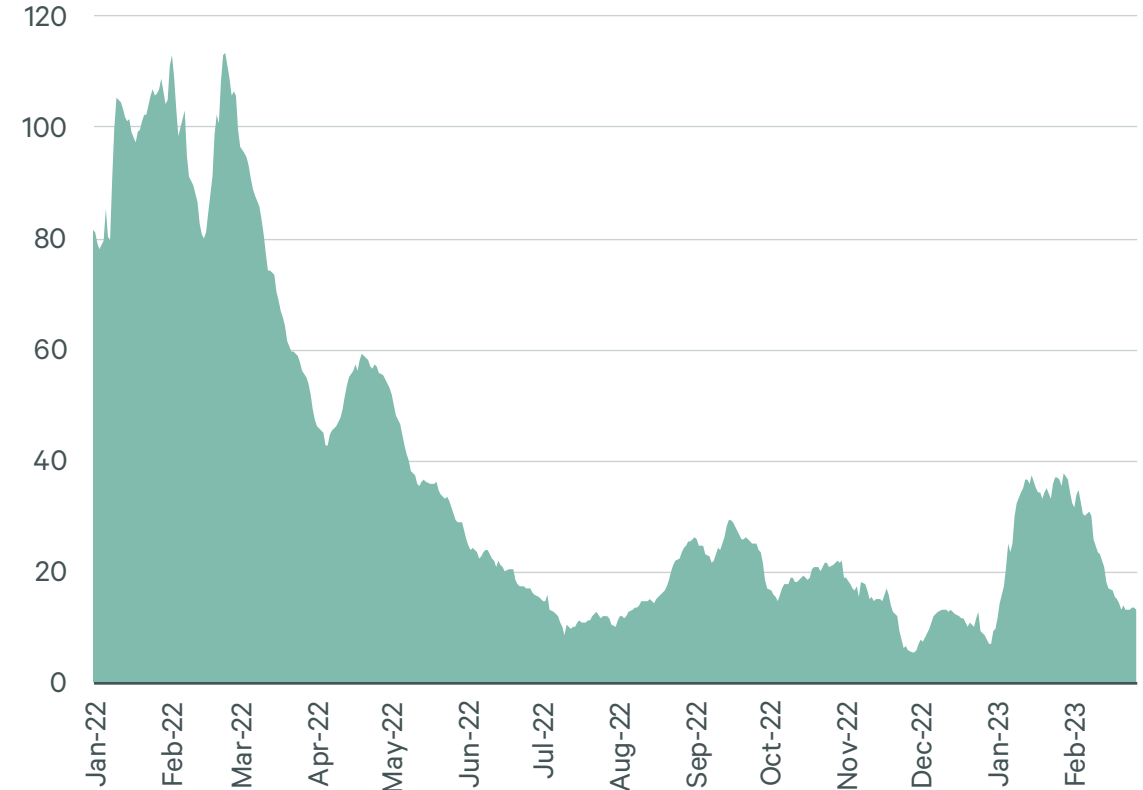
**TSA Throughput as a percent of 2019**

Percent of 2019 (%)



**TSA Throughput Y-o-Y Change**

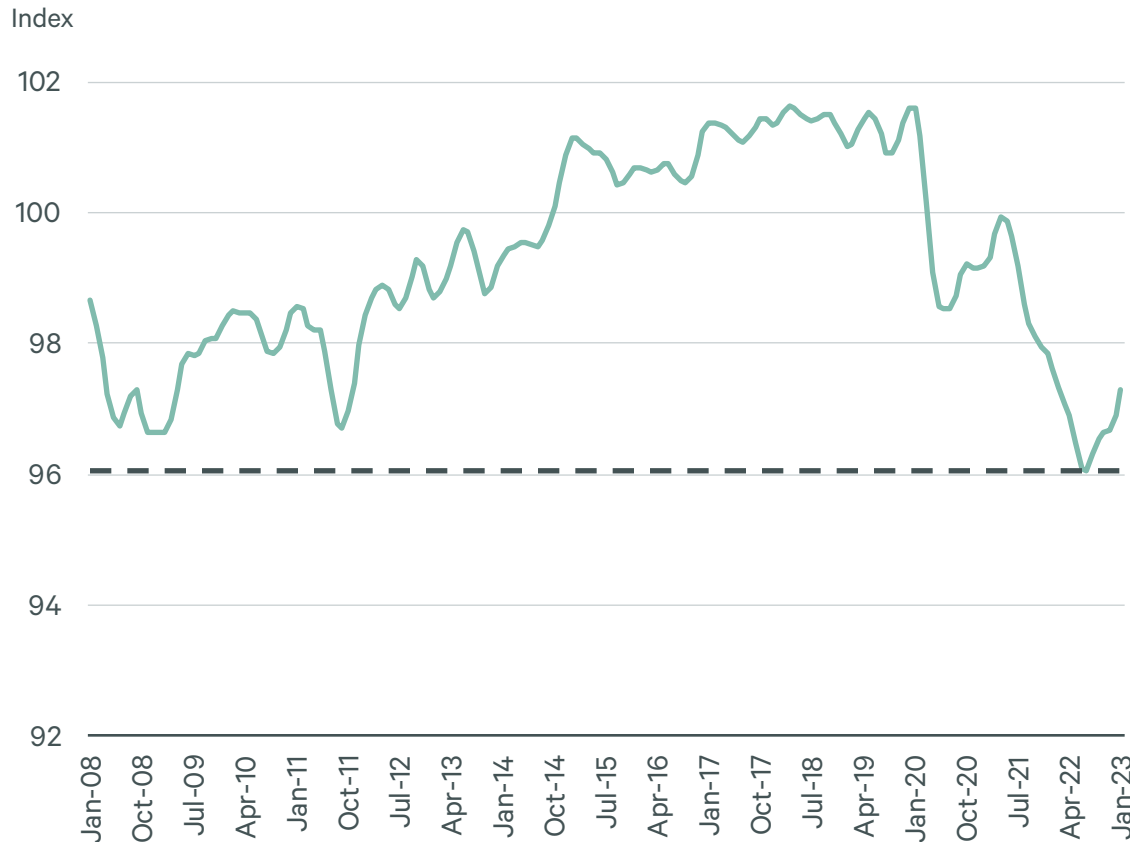
Y-o-Y Change (%)



CBRE Hotels Research, TSA

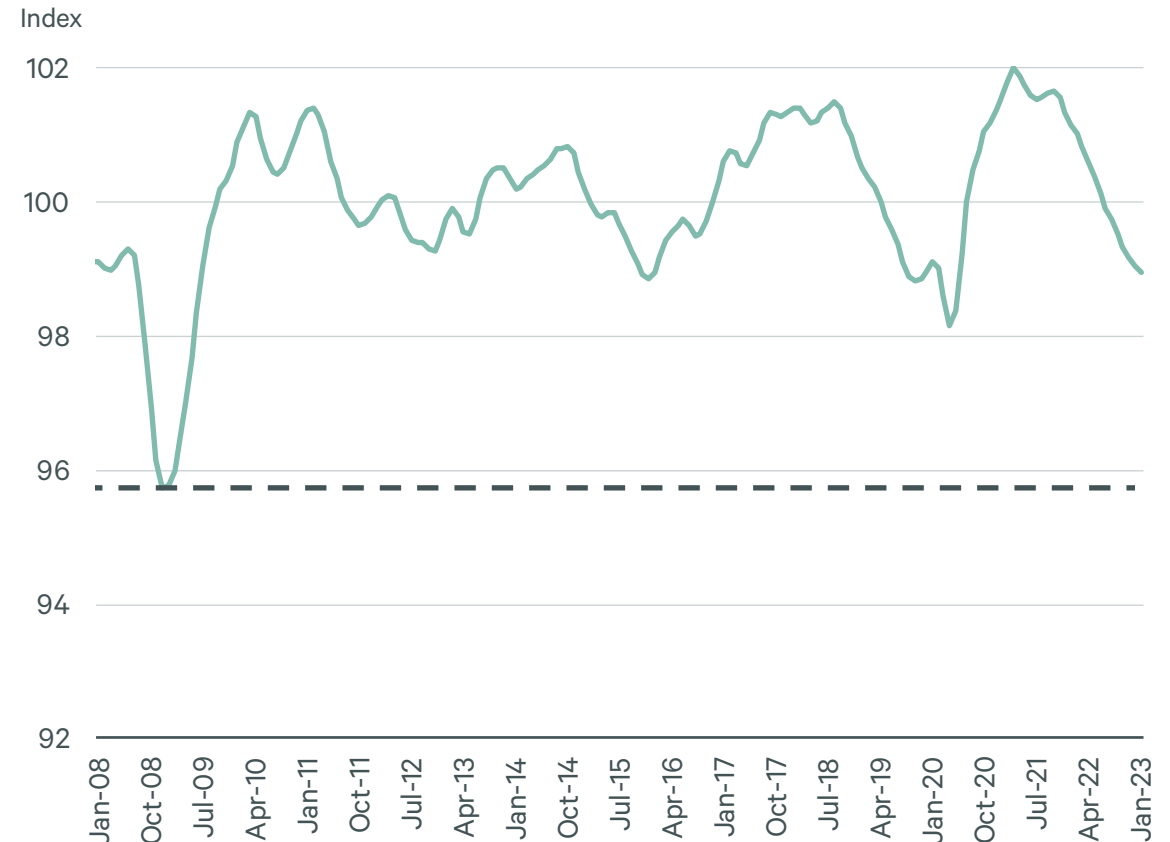
# While consumer confidence is improving business confidence continues to wane

**Consumer Confidence Index**



CBRE Hotels Research, CBRE EA, OECD

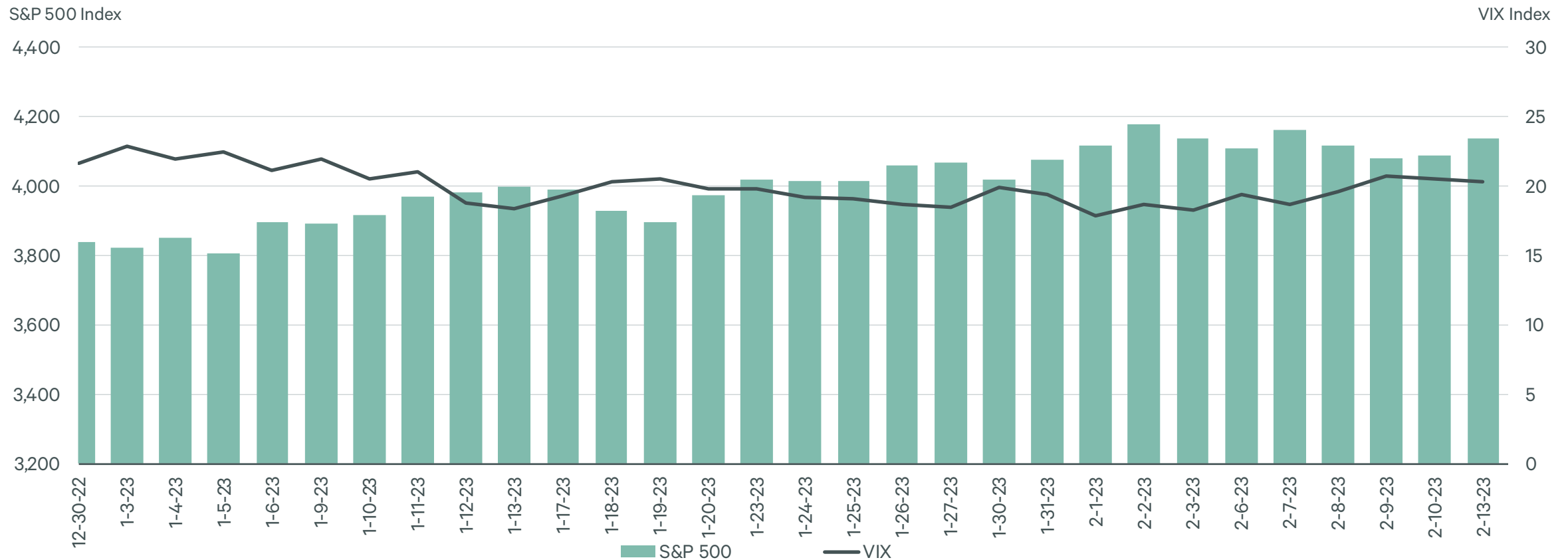
**Business Confidence Index**



CBRE Hotels Research, CBRE EA, OECD

# Year to date, the S&P 500 is up 8%, reversing last year's trend

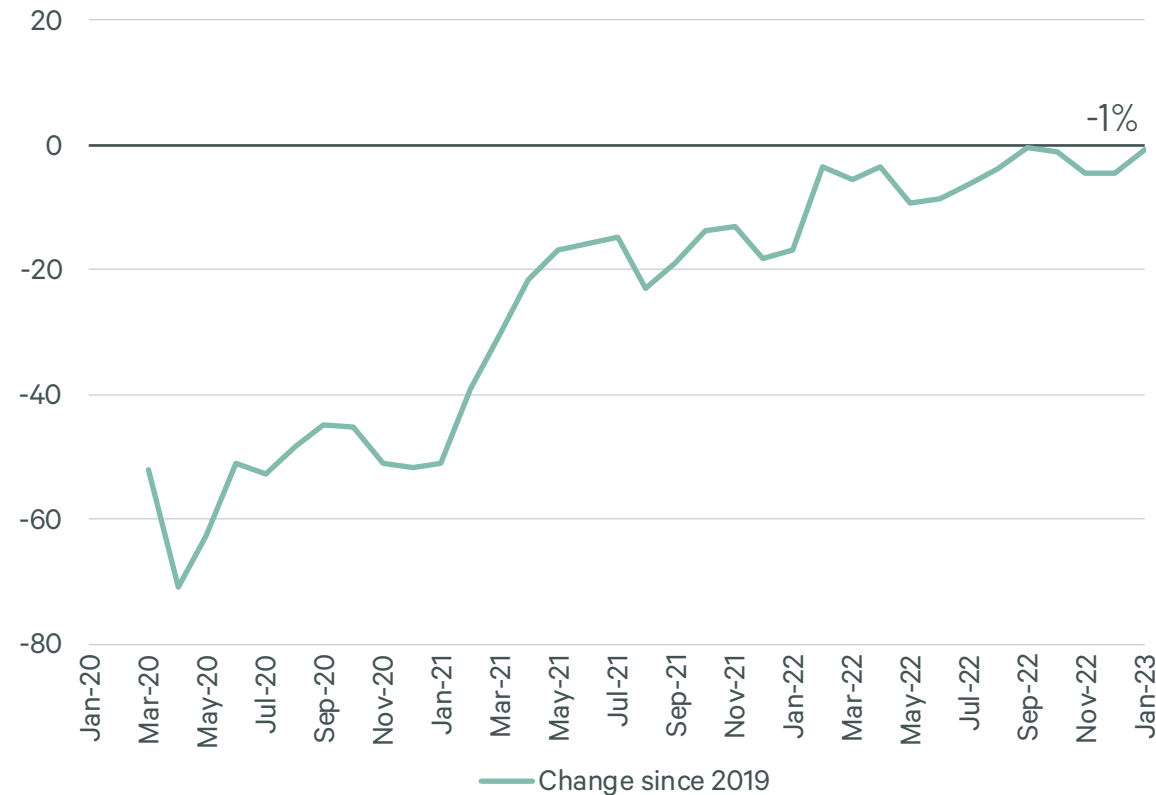
S&P 500 vs. CBOE Volatility Index



# Large branded search trends have nearly recovered

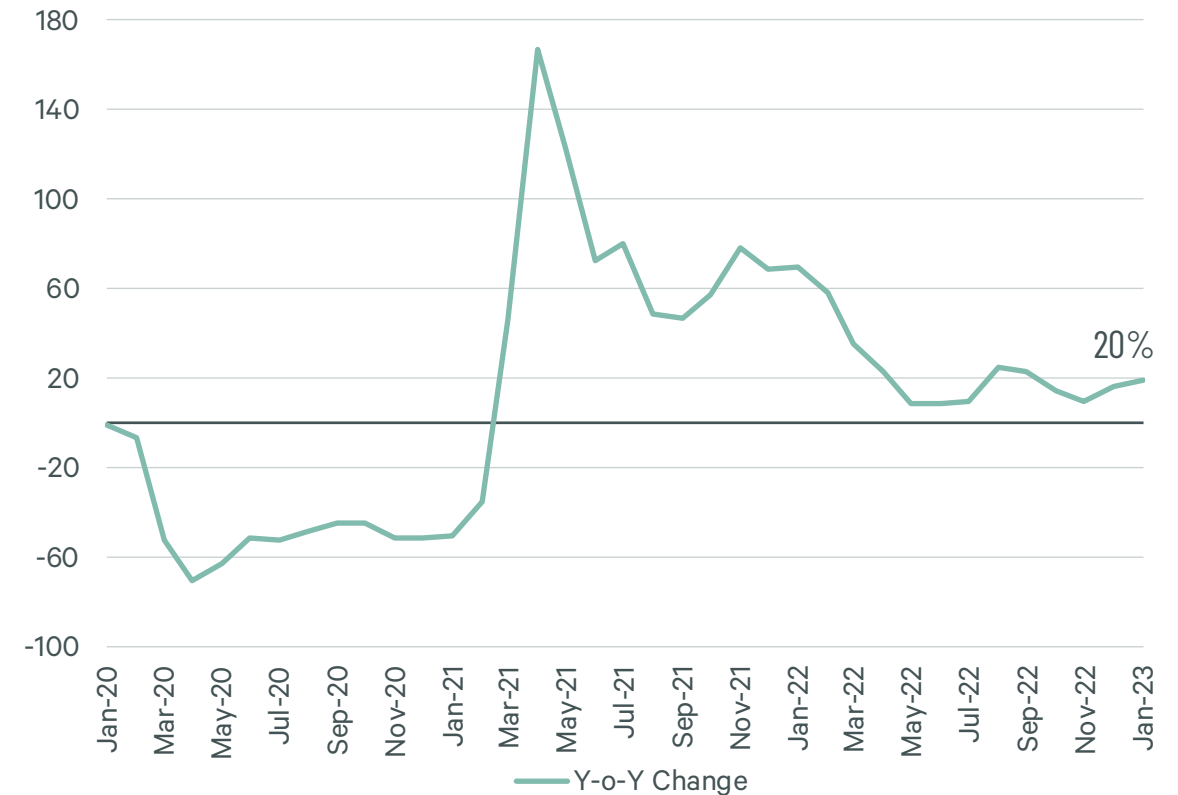
Corporate Brands Average Index Change since 2019

Change since 2019 (%)



Corporate Brands Average Index Change

Y-o-Y Change (%)

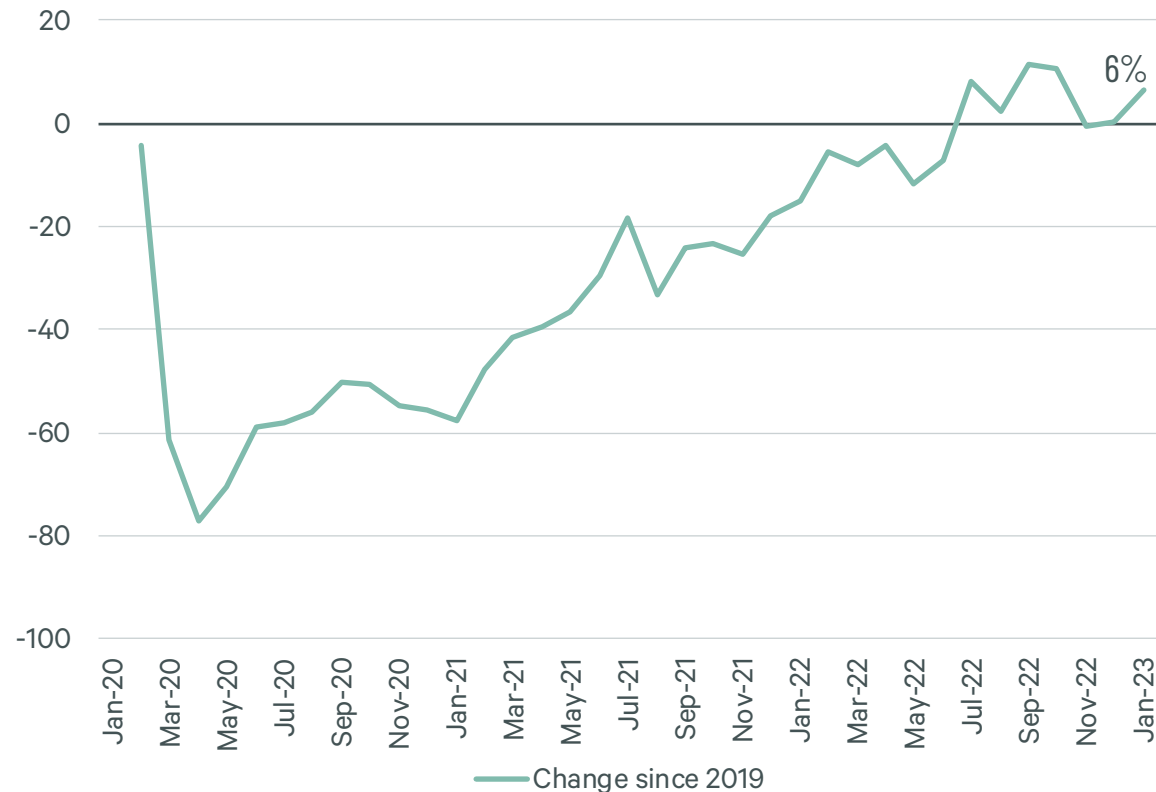


CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, data as of January 29, 2023

# Searches for point redemptions continue to exceed pre-pandemic levels

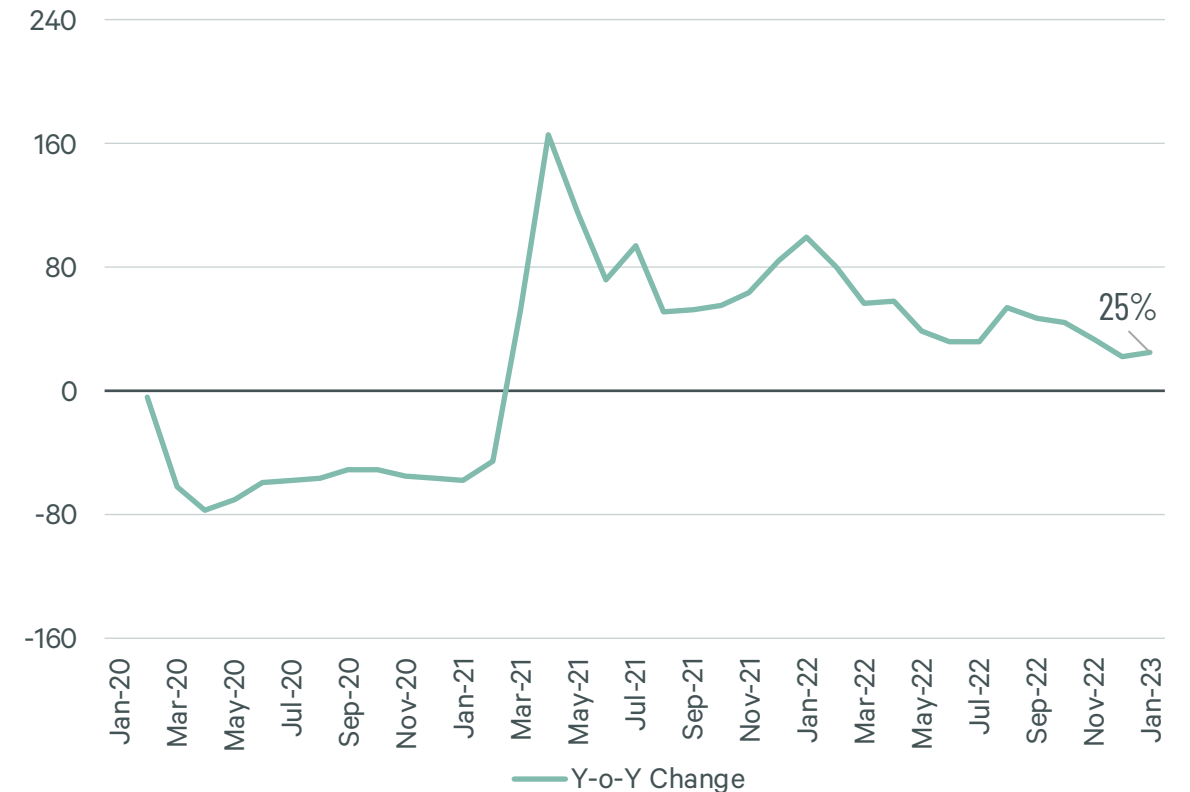
Brand Loyalty Program Index Change since 2019

Change since 2019 (%)



Brand Loyalty Program Index Change

Y-o-Y Change (%)

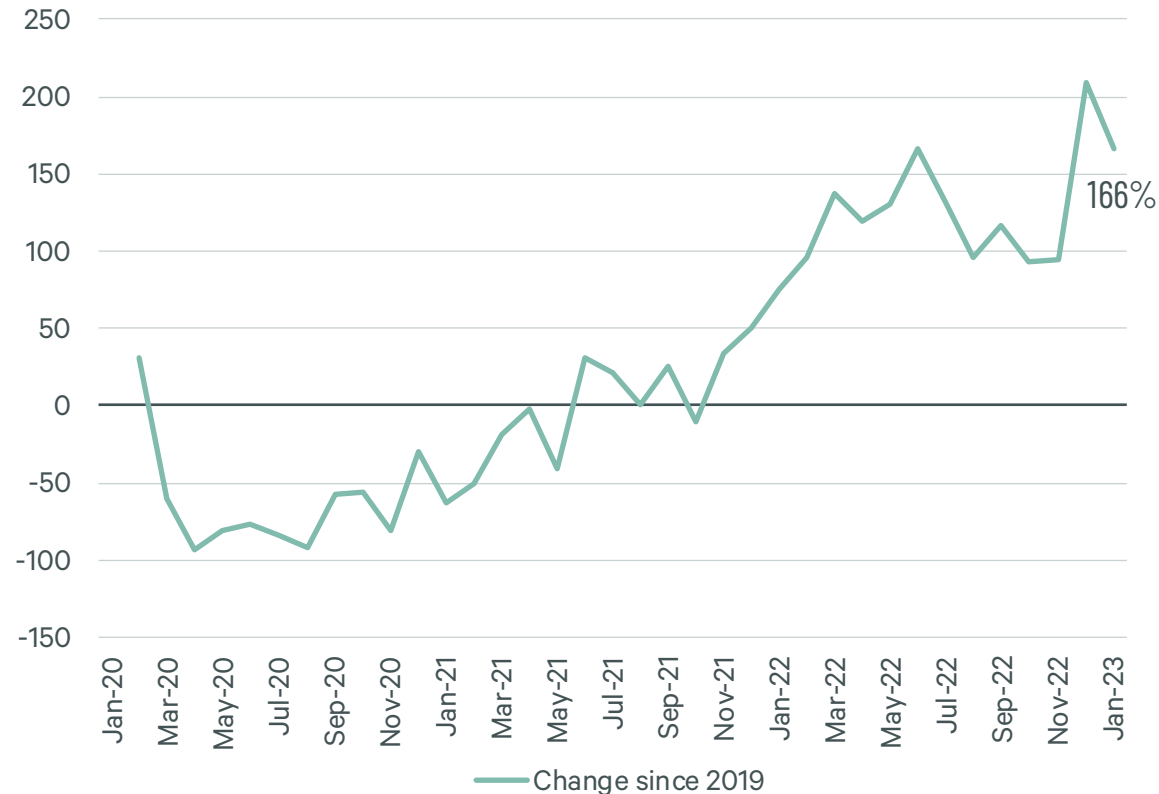


CBRE Hotels Research, Google Trends Keywords: Hilton Honors, Marriott Bonvoy, World of Hyatt, IHG Rewards, data as of January 29, 2023

# High end search travel indicators continue to grow, +52% Y-o-Y in January

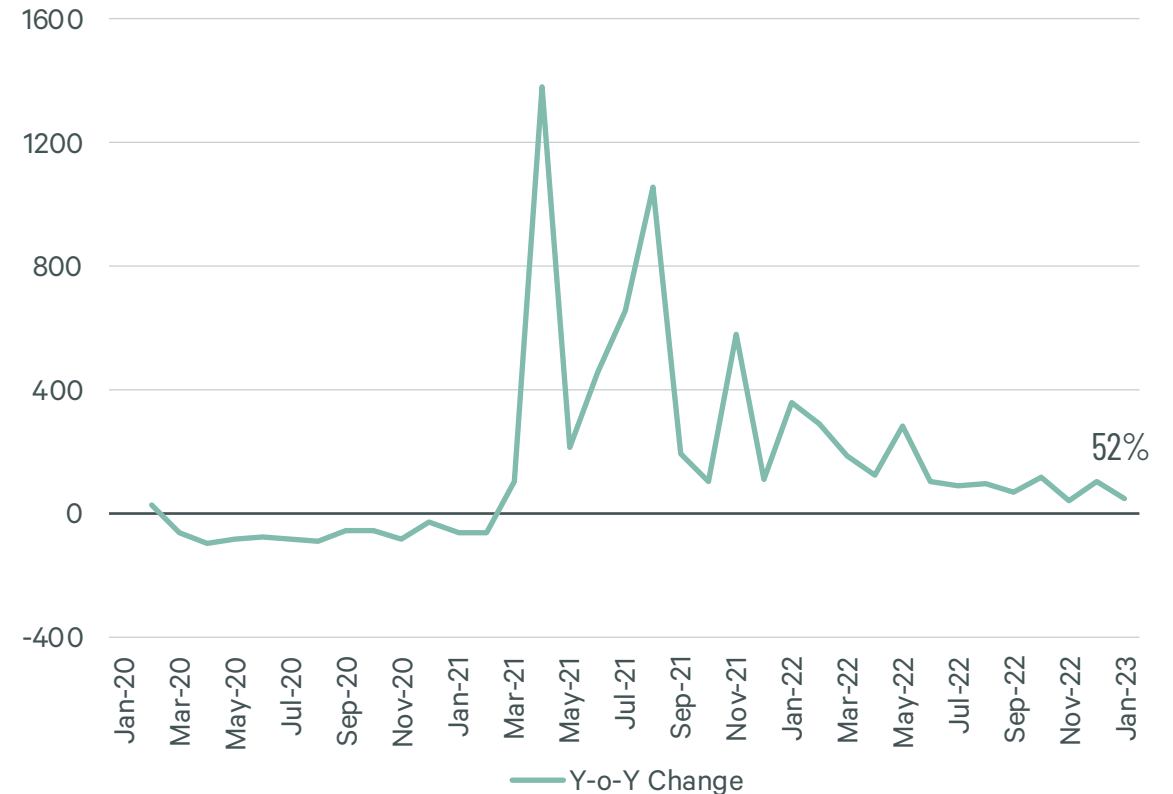
**Amex Centurion Lounge Index Change since 2019**

Change since 2019 (%)



**Amex Centurion Lounge Index Change**

Y-o-Y Change (%)

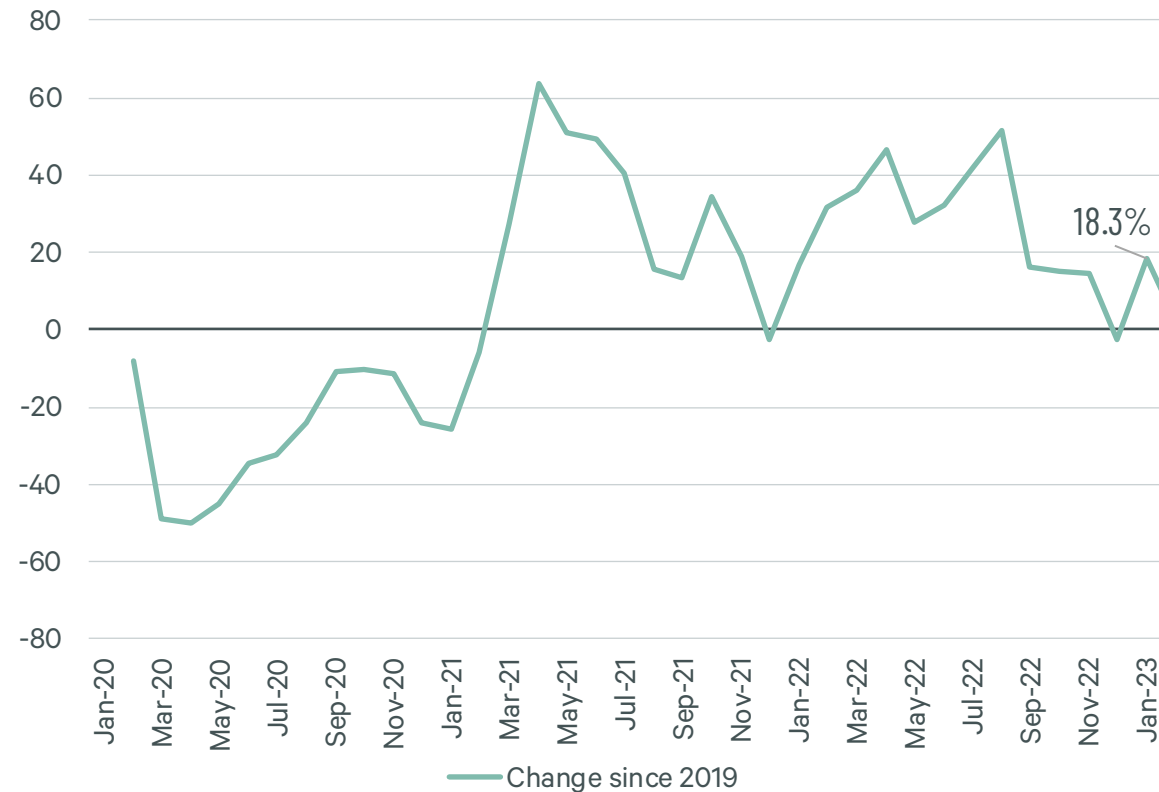


CBRE Hotels Research, Google Trends. Key words: Amex Centurion Lounge, Represents data through January 29, 2023

# All-inclusive resort searches dropped off in January

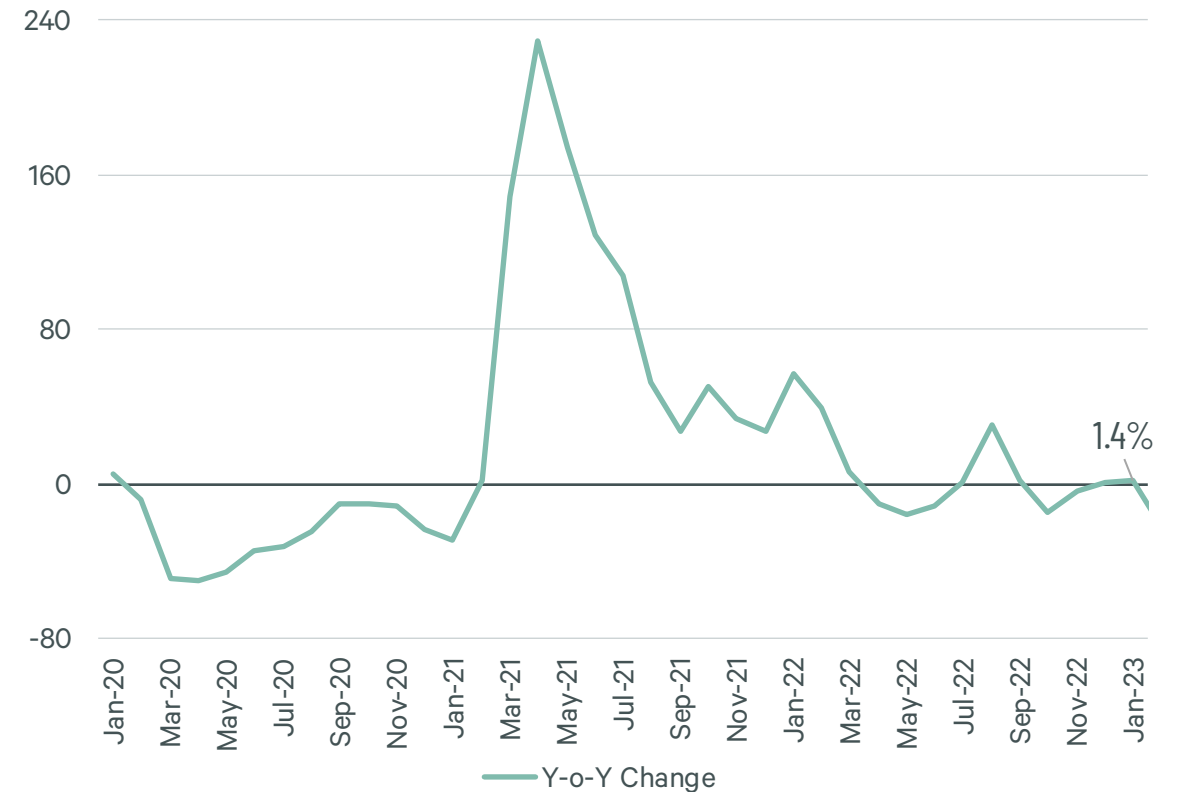
All Inclusive Resort Index Change since 2019

Change since 2019 (%)



All Inclusive Resort Index Change

Y-o-Y Change (%)



CBRE Hotels Research, Google Trends Key words: All-inclusive Resort, Represents data through January 29, 2023

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Office Update



# February office attendance reaches pre-holiday highs

U.S. Average Office Attendance



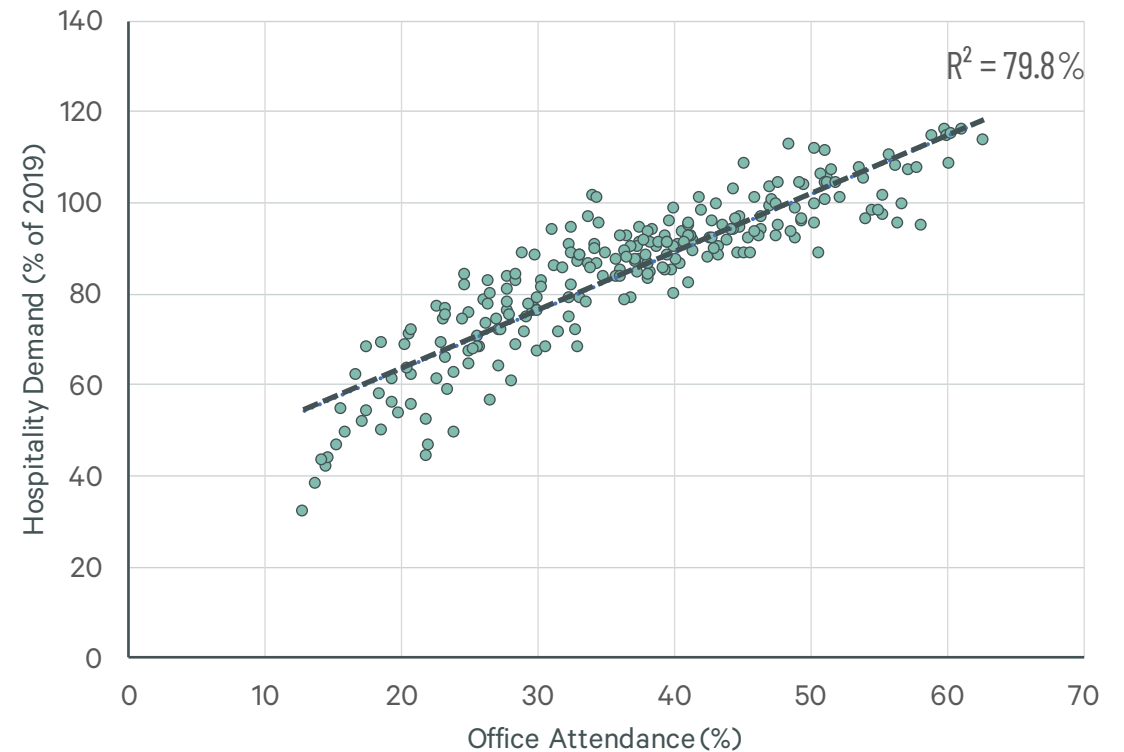
CBRE Hotels Research, CBRE EA, Kastle

# 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	94.5%
2	Chicago	85.2%
3	San Francisco	84.7%
4	San Jose	83.8%
5	Austin	83.7%
6	Philadelphia	79.9%
7	Washington, D.C.	66.4%
8	Dallas	63.6%
9	Houston	52.6%
10	Los Angeles	50.3%

Relationship between Monthly Office Attendance and Hotel Demand



CBRE Hotels Research, Kastle Office Attendance

CBRE Hotels Research, Kalibri Labs, Kastle Office Occupancy

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International  
Travel

# International visitation improves, but easing Asian restrictions should support growth

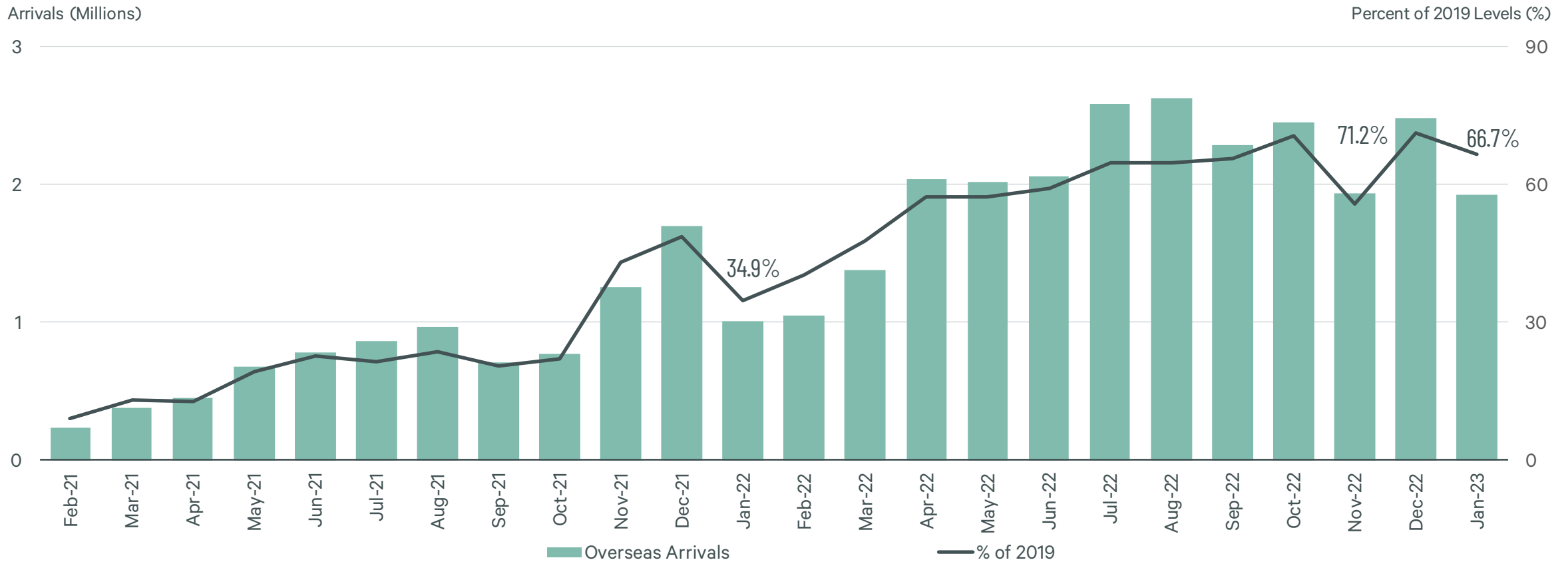
International Visitors as a Percent of 2019, (excluding Mexico and Canada)

Port of entry	Coast	November 2021	December 2021	March 2022	June 2022	September 2022	October 2022	November 2022	December 2022	January 2023
NY, Newark, D.C., Miami	East	57%	63%	62%	69%	74%	76%	75%	80%	73%
LA, San Francisco	West	33%	39%	38%	50%	56%	58%	55%	61%	55%

CBRE Hotels Research, Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO)

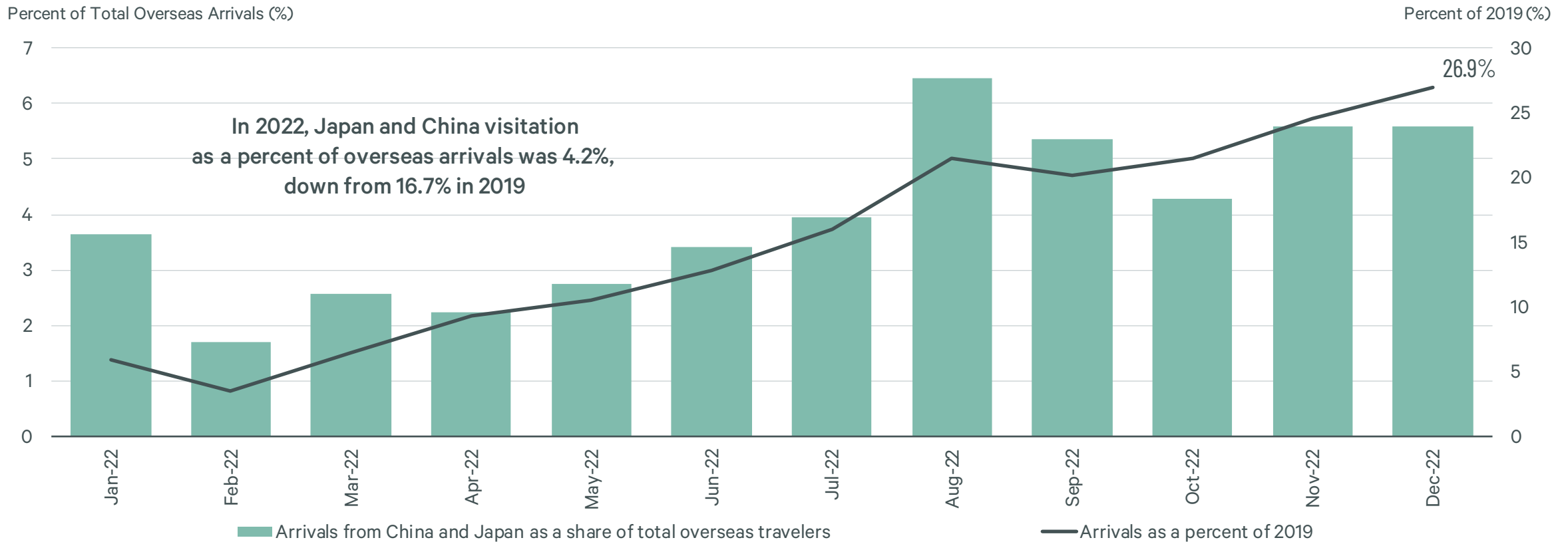
# Inbound international arrivals pulled back slightly during seasonally slow January

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**





Operating  
Performance

# On average, 2022's total revenues exceeded 2019's levels

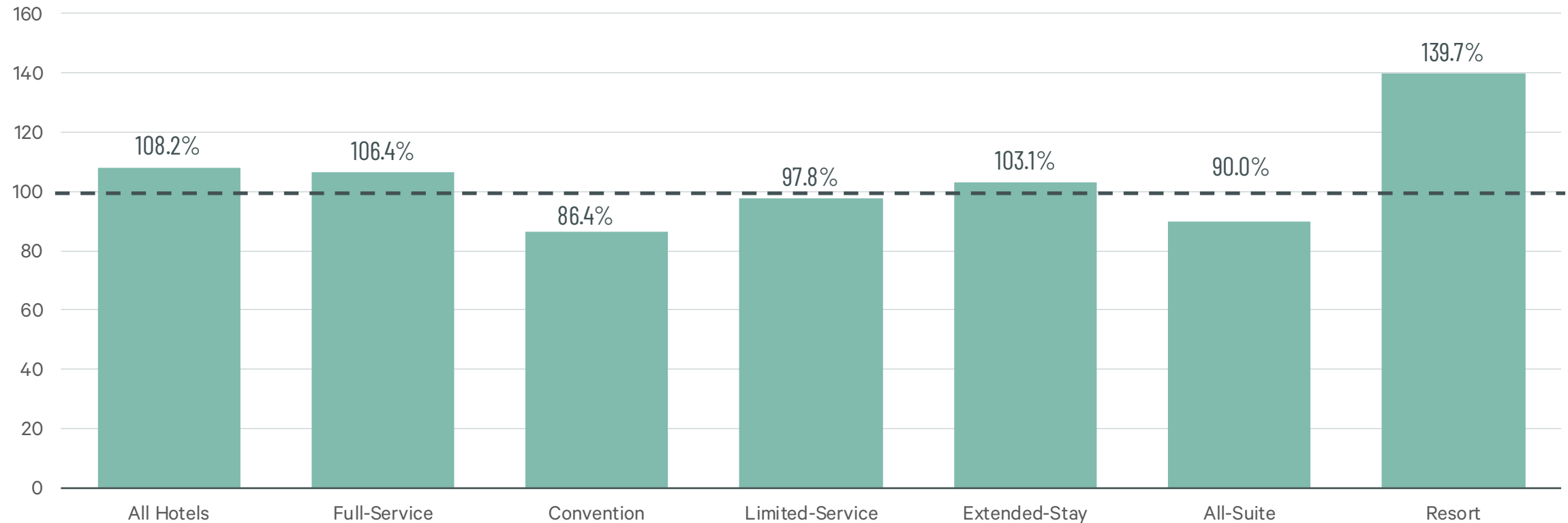


**Explore Benchmarker<sup>SM</sup>**

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

**Year-end December 2022 as a Percent of 2019 (Dollars per Available Room)**

Percent of 2019 (%)



CBRE Hotels Research, Monthly Trends Survey

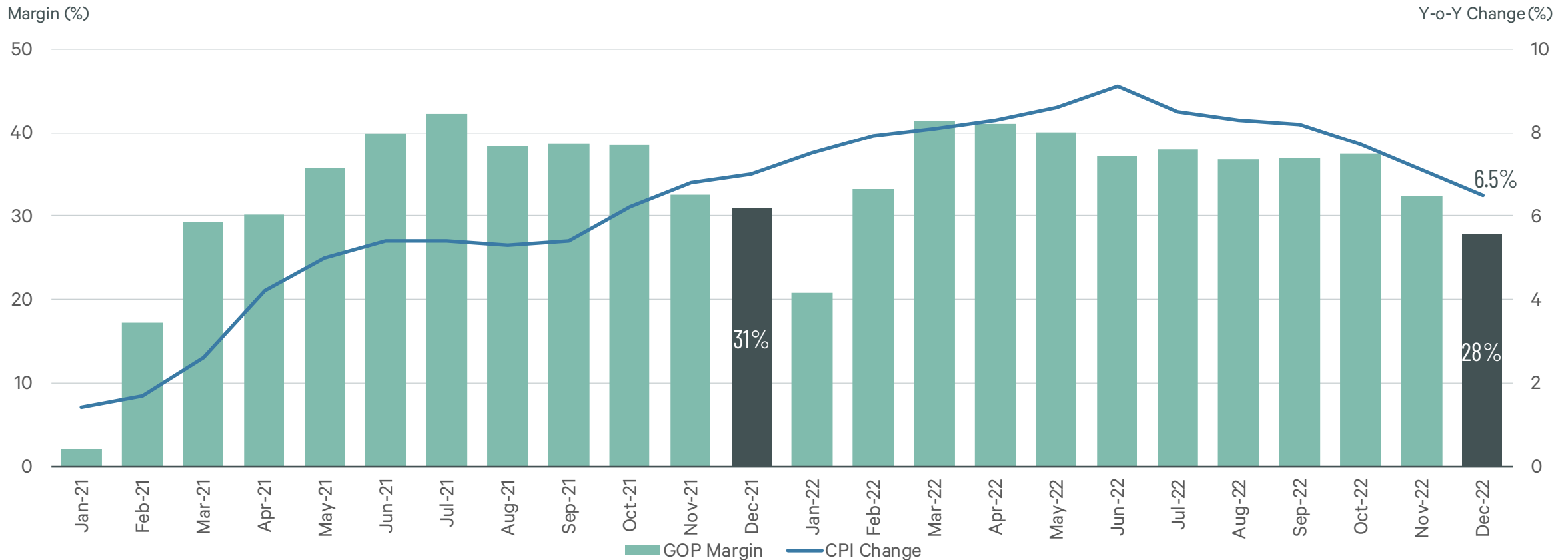


# December marked the seventh consecutive month of GOP margin compression



**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, Gross Operating Profit exceeded 2019's levels in December

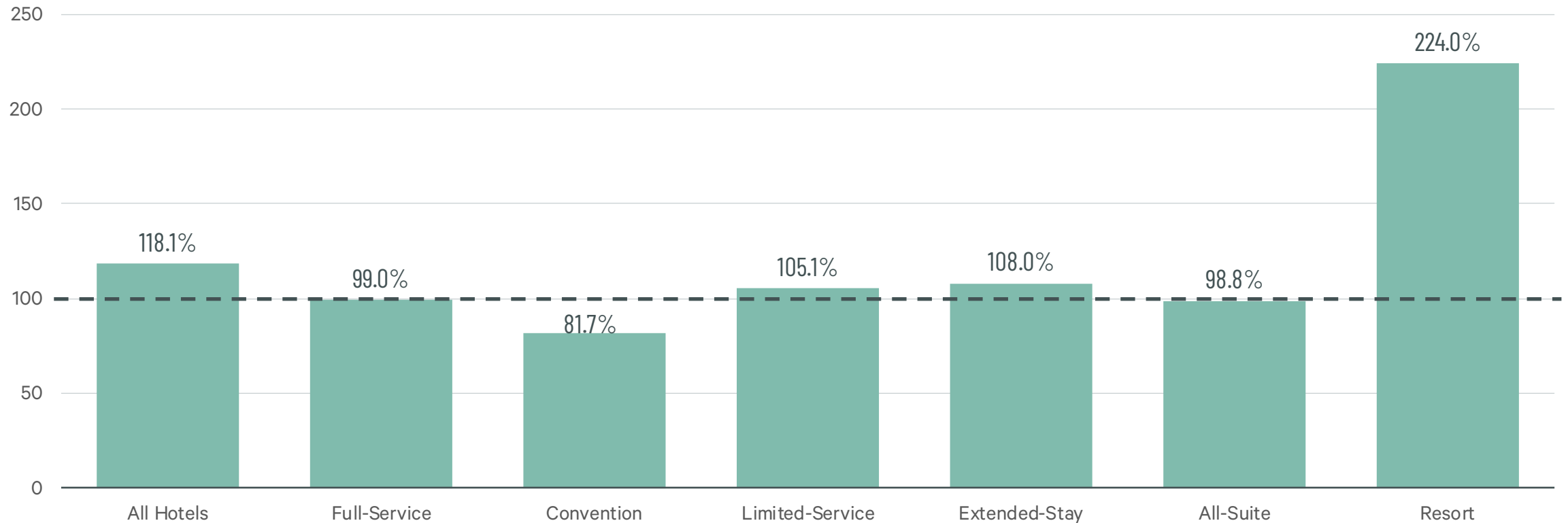


### Explore Benchmarker<sup>SM</sup>

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

## December 2022 as a Percent of December 2019 (Dollars per Available Room)

Percent of 2019 (%)



CBRE Hotels Research, Monthly Trends Survey

# GOP growth has slowed but remained positive at ~7.2% in December Y-o-Y

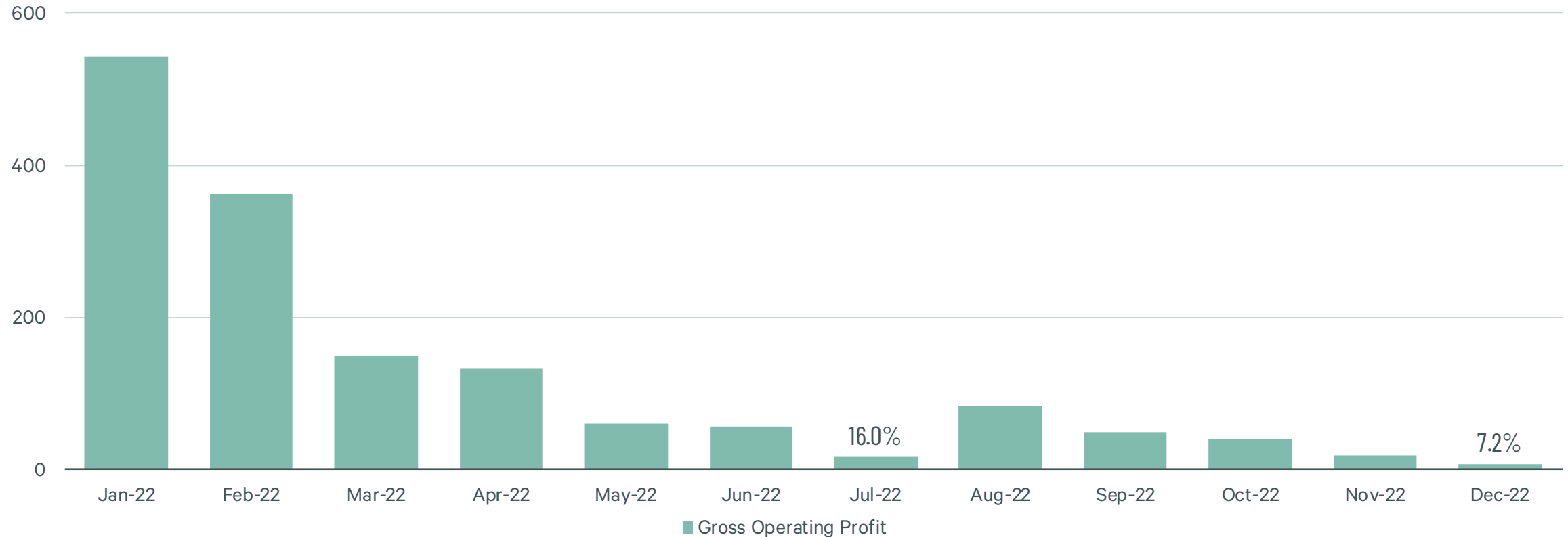


Explore Benchmarker<sup>SM</sup>

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

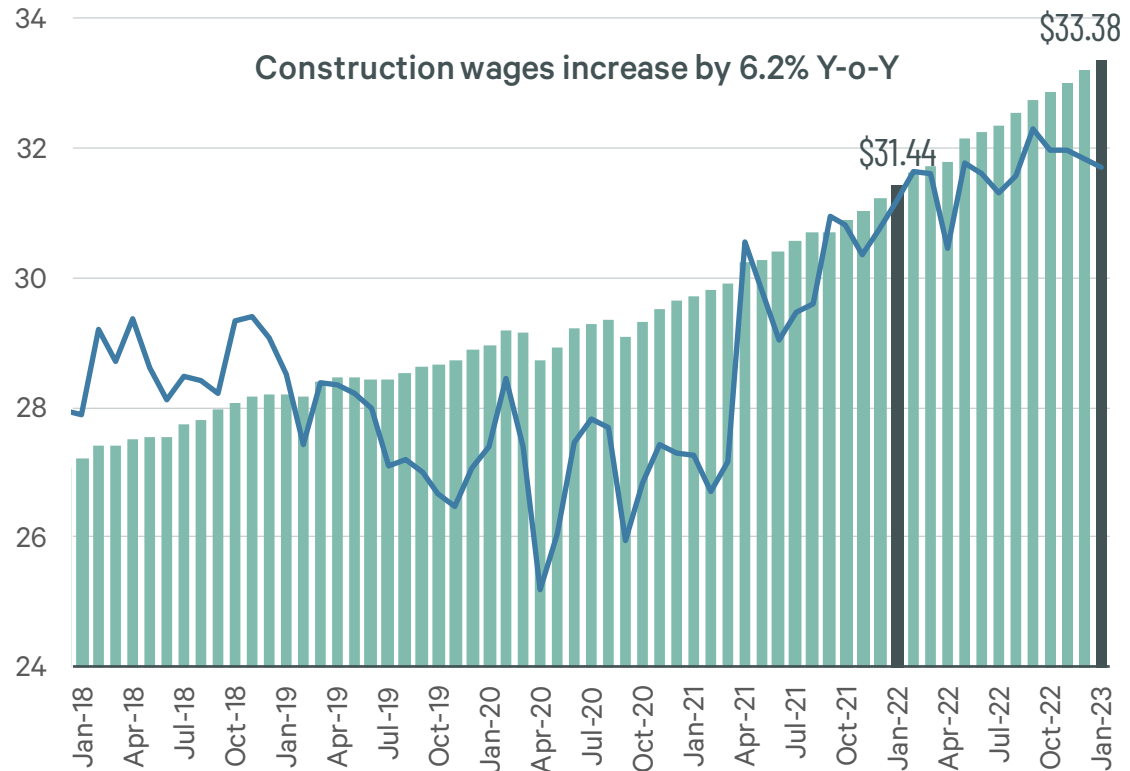
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Supply Inputs

# Higher wages and higher employment are headwinds to new construction

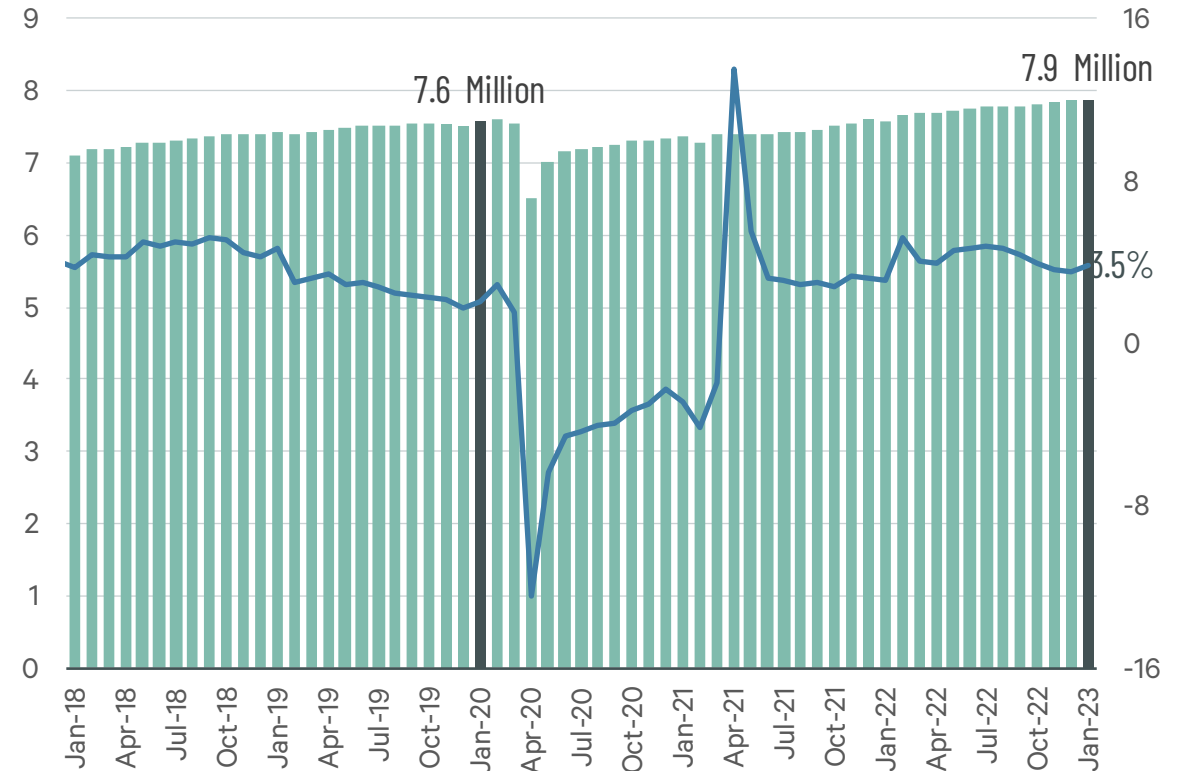
## Constructions Wages

(\$) Dollars Per Hour



## Number of Construction Employees

Millions

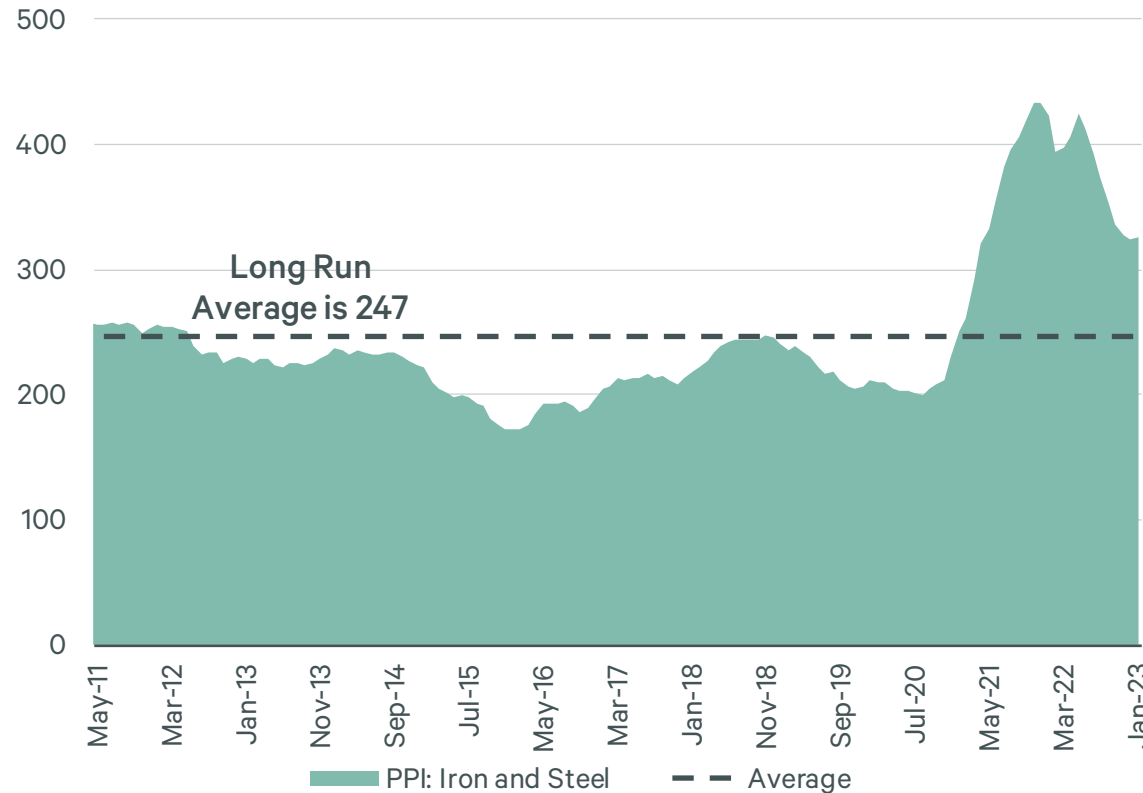


CBRE Hotels Research, CBRE EA, BLS

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

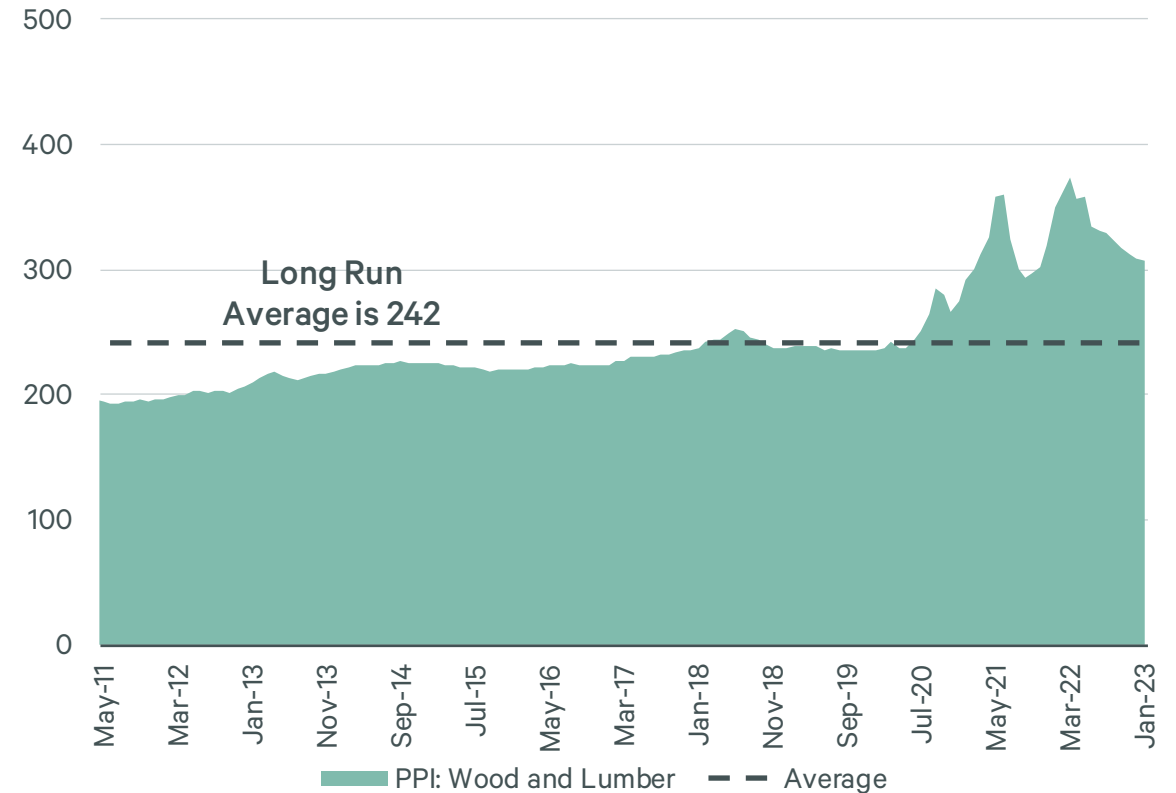
## Iron and Steel

Producer Price Index



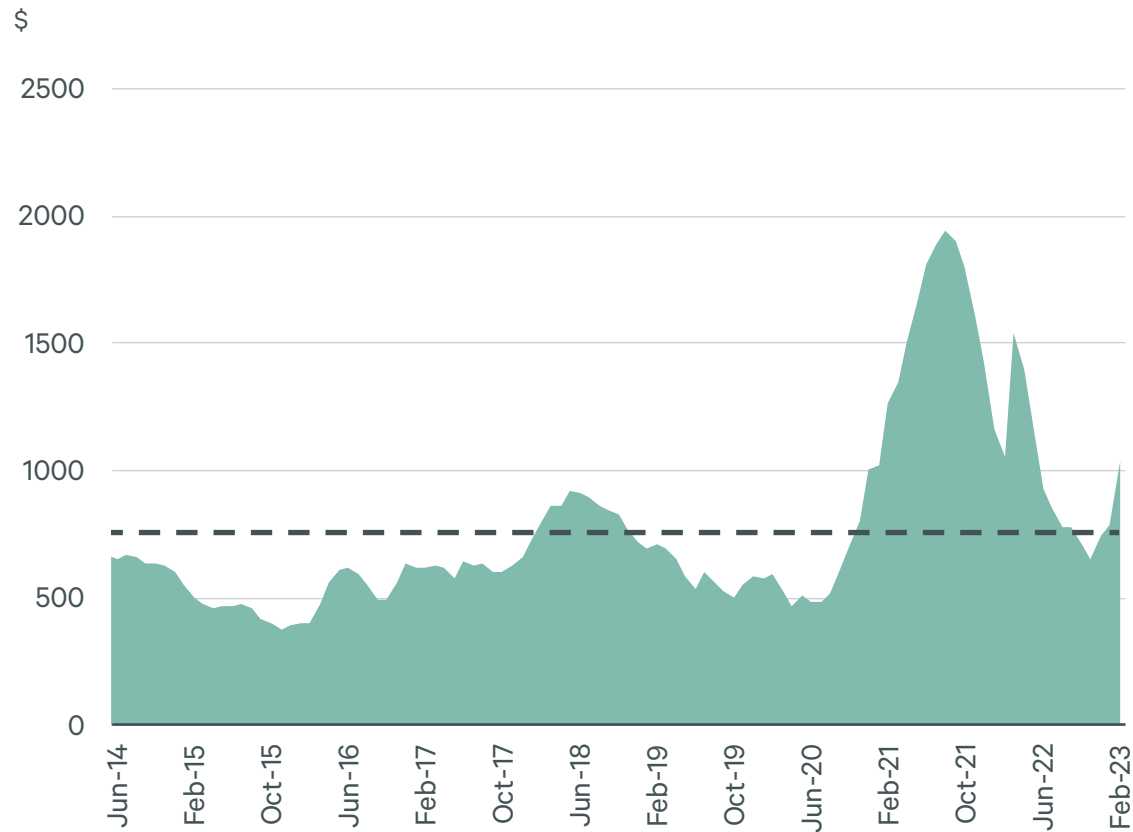
## Lumber and Wood Products

Producer Price Index



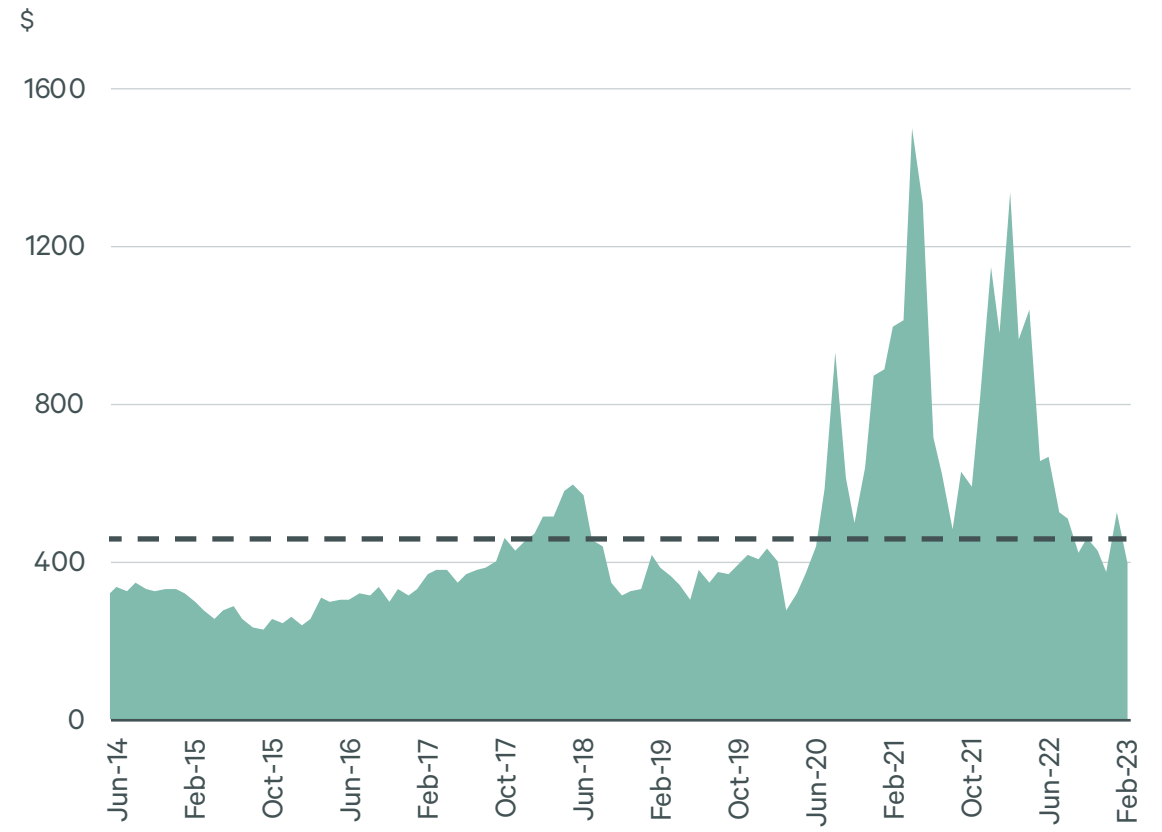
# Futures indicate steel and lumber prices may increase slightly

Steel Futures



CBRE Hotels Research, CME Group, US. Midwest Domestic Hot-Rolled Coil Steel

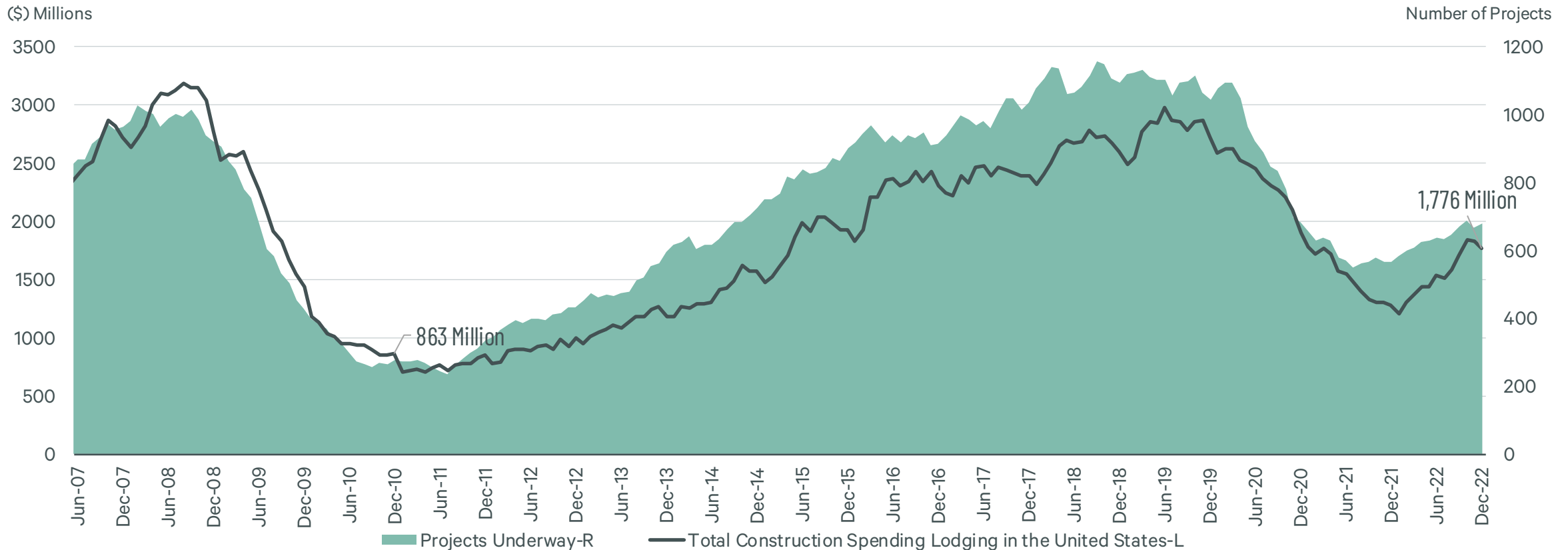
Lumber Futures



CBRE Hotels Research, CME Group, Lumber Futures

# Hotel projects are +19.7% Y-o-Y, construction spending is +37.8% Y-o-Y

## Projects Underway vs. Total Construction Spending



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



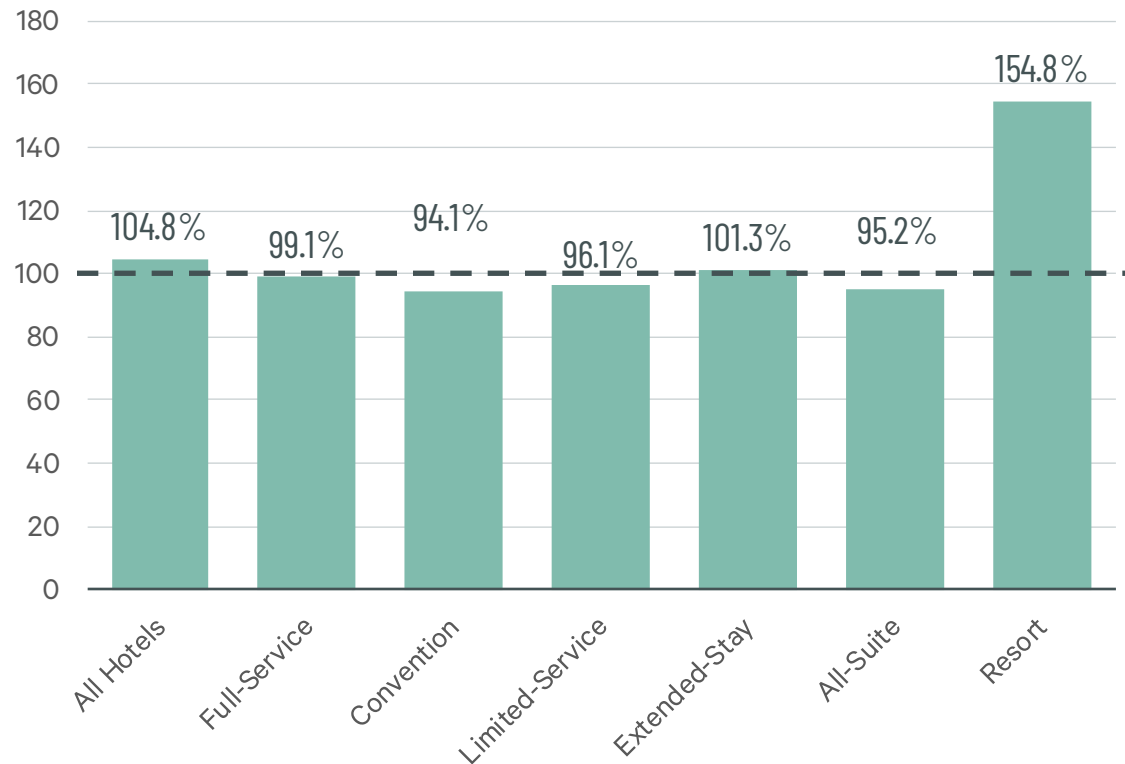
10

Capital  
Markets

# Profits are up, but interest rates and spreads are increasing

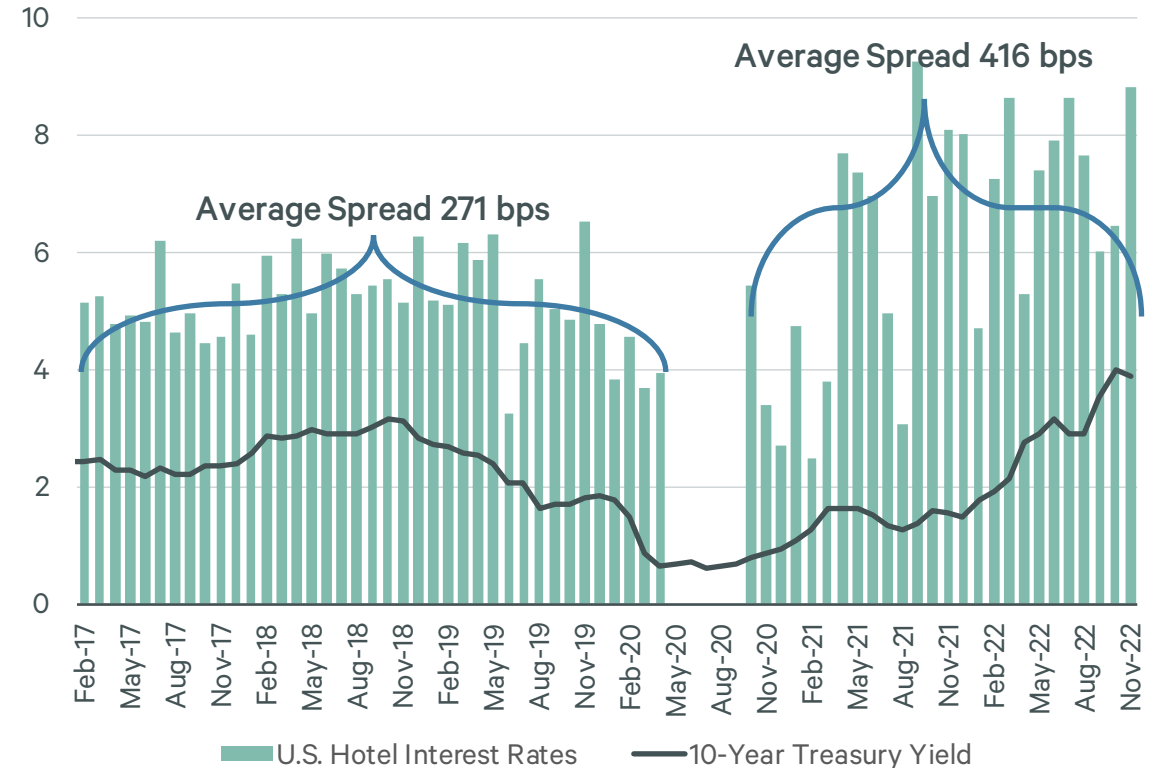
Full Year 2022 Gross Operating Profit as a Percent of 2019

Per Available Room (%)



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

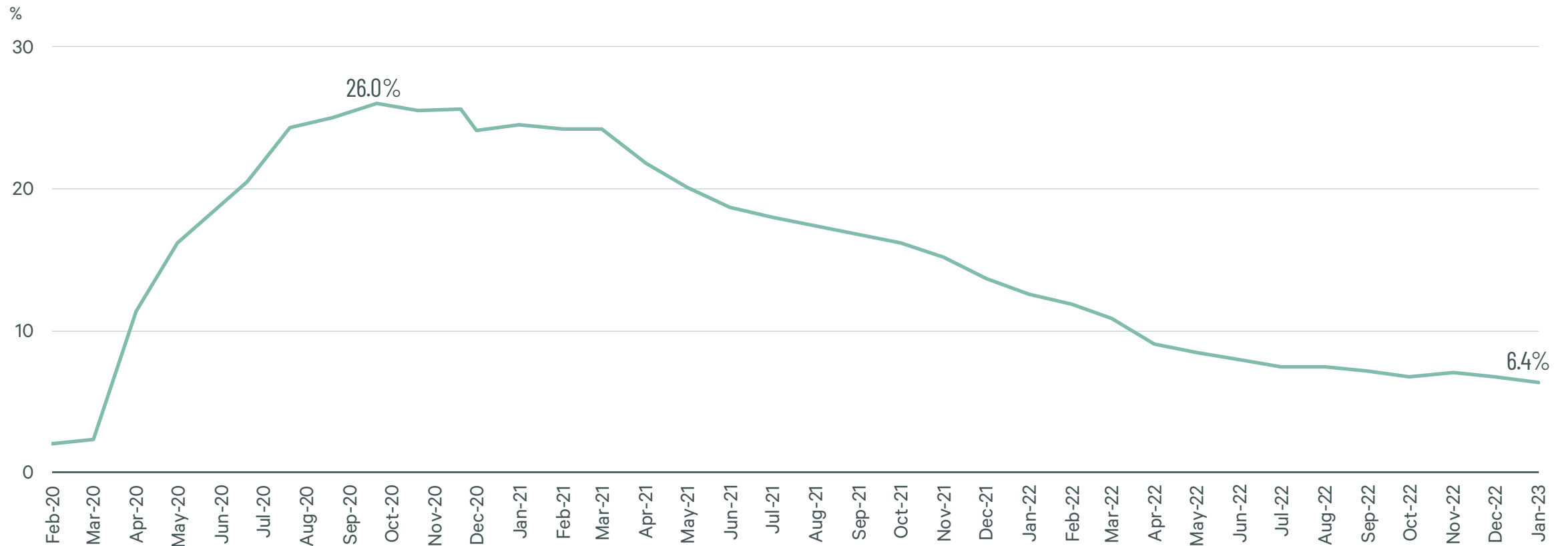
Interest Rates & Yield (%)



CBRE Hotels Research, CoStar, Monthly Trends Survey, Federal Reserve

# Lodging CMBS special servicing continues to linger in the mid 6% range

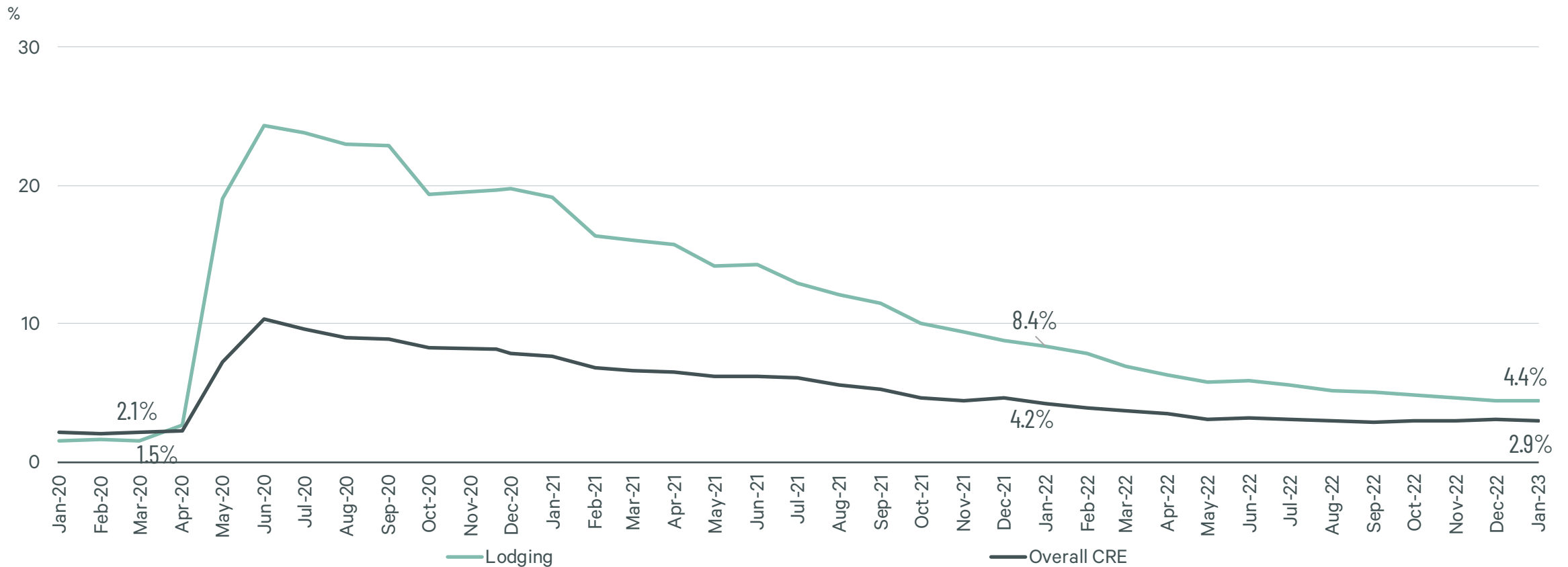
Pre-/Post-COVID - Special Servicing Rate Lodging CMBS



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

# Delinquency rates continue to improve, but are still slightly above pre-pandemic levels

Lodging Delinquency Rate vs Overall Commercial Real Estate




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

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Forecast

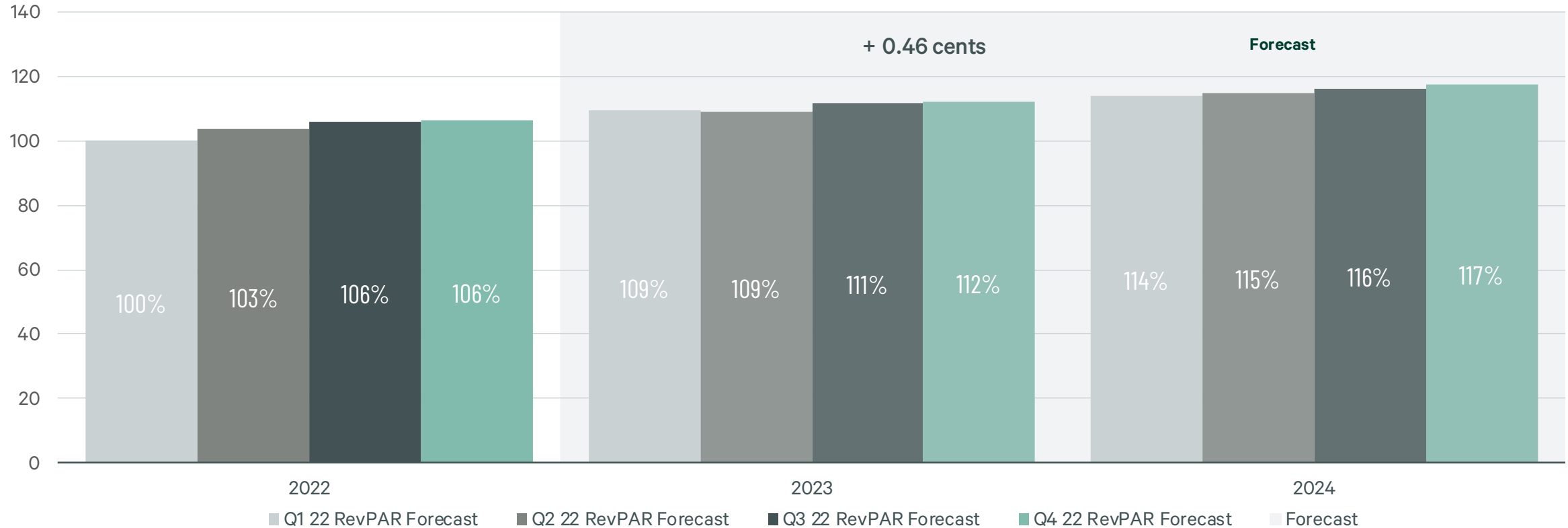
# CBRE Hotels Research raises RevPAR outlook slightly



**Explore Hotel Horizons®**  
 Reports prepared on a quarterly basis that analyze historical and expected lodging performance.


## RevPAR Forecasts by Release

Percent of 2019 (%)



CBRE Hotels Research, CBRE EA, Kalibri Labs, Forecasts as of February 17, 2023

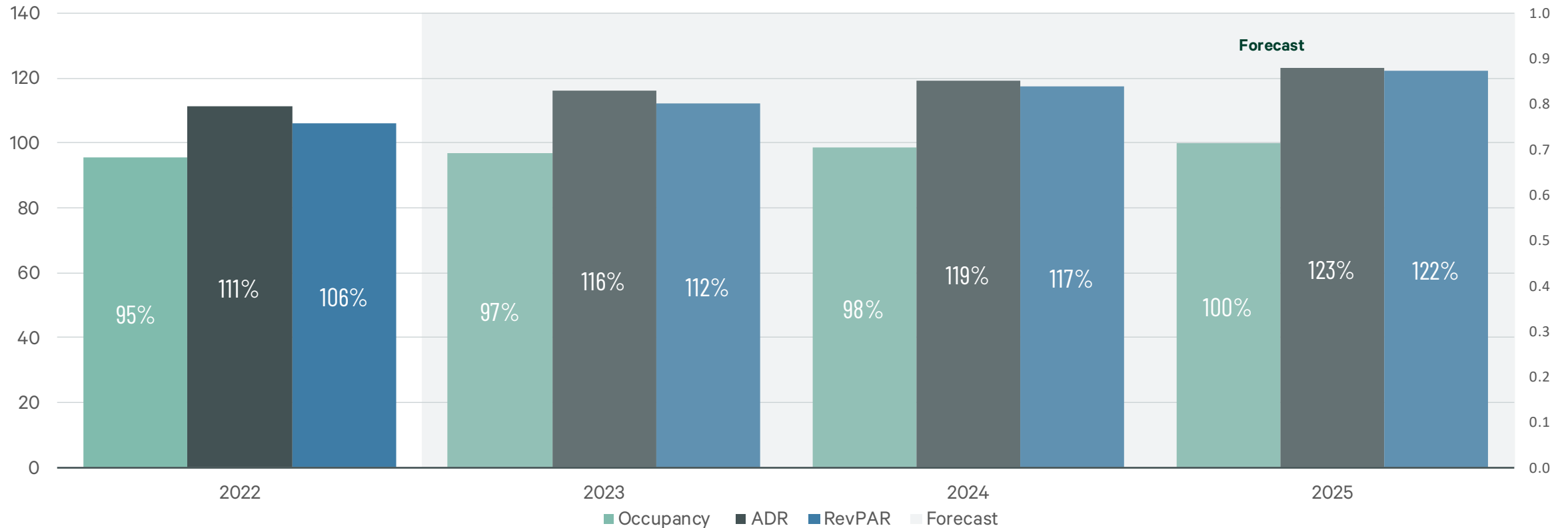
# Nominal RevPAR and ADR have recovered; Occupancy will recover in 2025



**Explore Hotel Horizons®**  
Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

## Hotel Performance Forecast Indicators

Percent of 2019 (%)

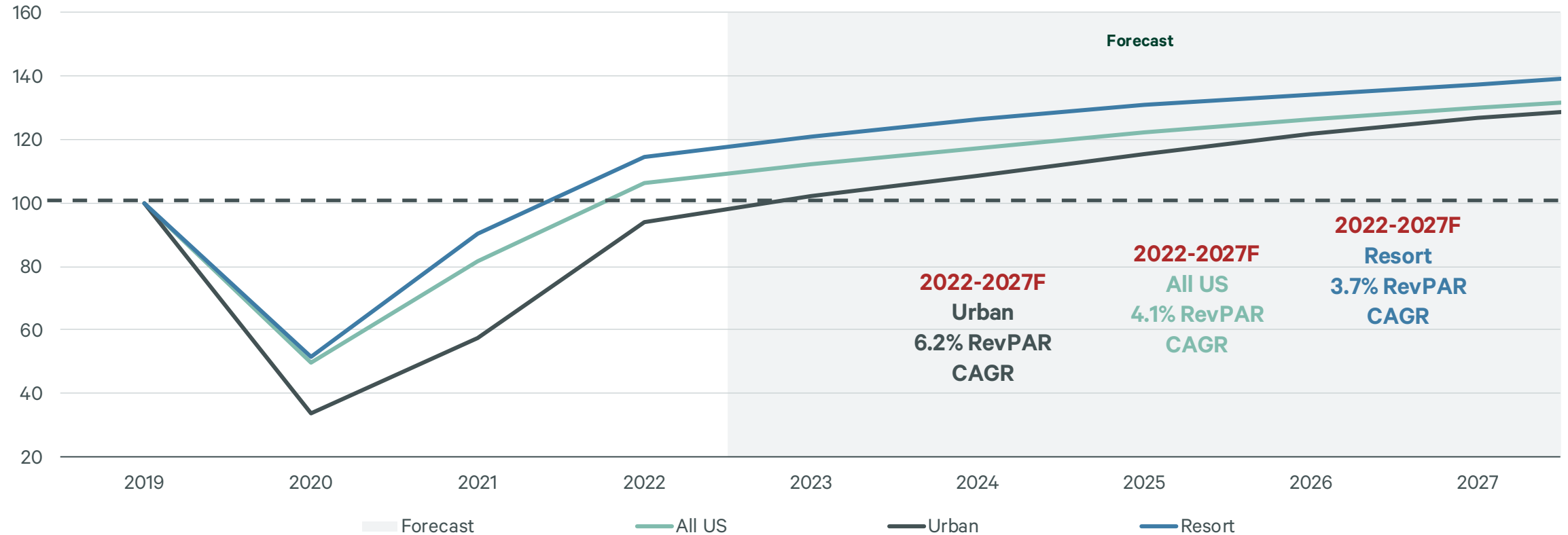


CBRE Hotels Research, CBRE EA, Kalibri Labs, Forecasts as of February 17, 2023

# Modest supply will drive positive RevPAR growth

## RevPAR Forecast by Location Type

Percent of 2019 (%)




**Explore Hotel Horizons®**  
 Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

CBRE Hotels Research, CBRE EA, Kalibri Labs, Forecast as of February 17, 2023



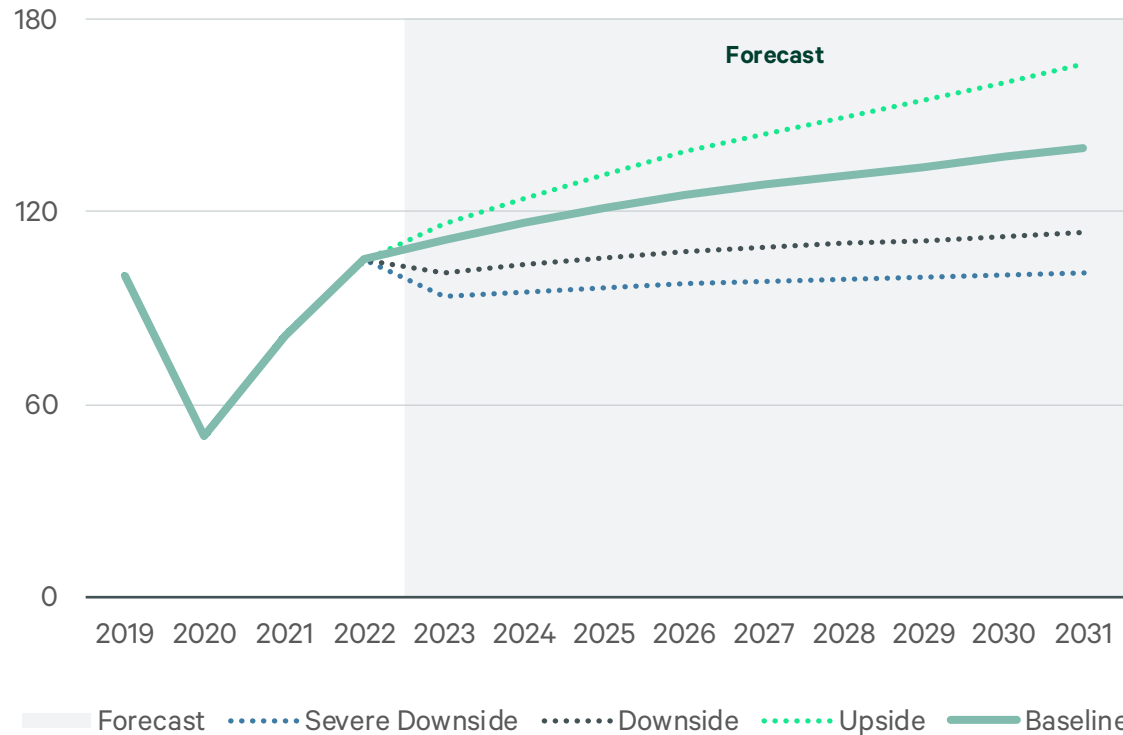
# Positive revisions to downside scenarios result in narrower range of outcomes



**Explore Hotel Horizons®**  
 Reports prepared on a quarterly basis that analyze historical and expected lodging performance.

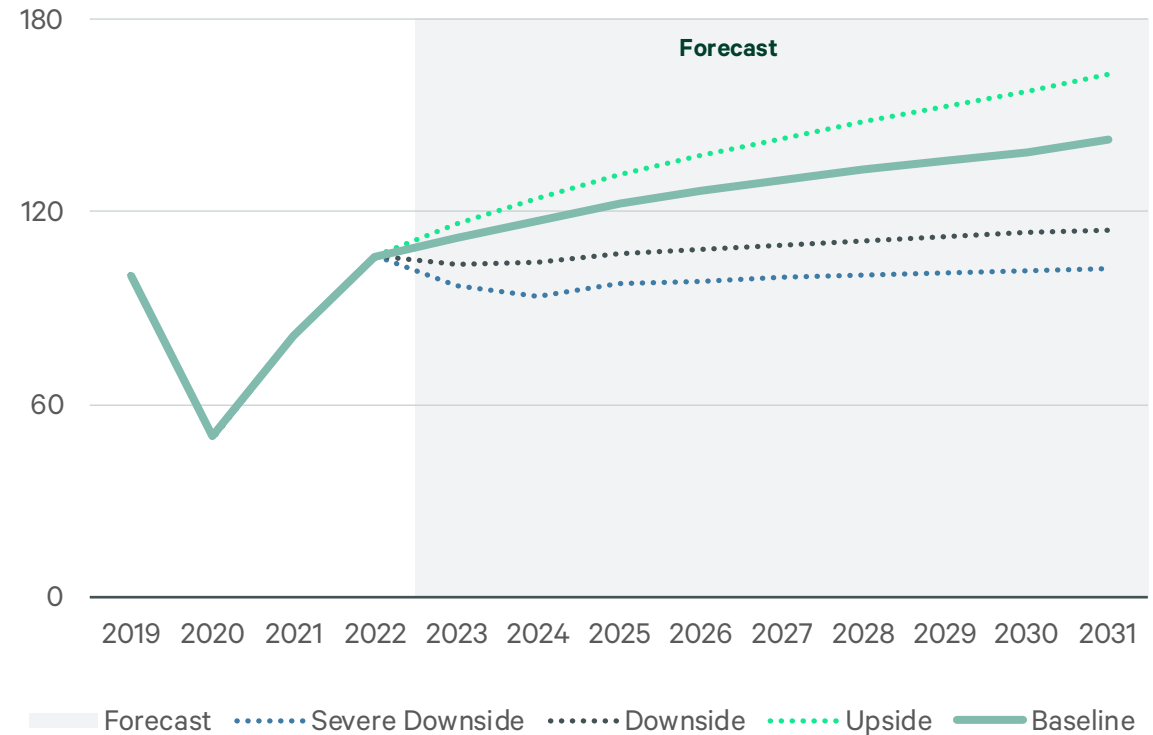
## Q3 RevPAR Forecast Scenarios

Percent of 2019 (%)



## Q4 RevPAR Forecast Scenarios

Percent of 2019 (%)



CBRE Hotels Research, CBRE EA, Kalibri Labs, Preliminary Forecasts as of November 16, 2022

CBRE Hotels Research, CBRE EA, Kalibri Labs, Preliminary Forecasts as of February 17, 2023

# 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.

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E X P L O R E	<b>MARKET FORECASTS</b> [HOTEL HORIZONS®]	ECONOMETRICALLY DERIVED REPORTS
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		FORECAST & HISTORICAL DATA
		MARKET SEGMENTATION
		ON-DEMAND ANALYSIS

E X P L O R E	<b>BENCHMARKING</b> [BENCHMARKER <sup>SM</sup> ]	FINANCIAL REPORTING
		CUSTOMIZED CRITERA
		OPERATING PERFORMANCE DATA
		DATA ANALYSIS
		REPORTS PRESENTED IN USALI FORMAT

**PLATFORM ADD-ONS**

<b>NEW SUPPLY</b> [SUPPLYTRACK]	PROJECT PHASES SUPPLY STATISTICS PROJECT LEVEL SEARCH REPORT BUILDER
<b>INVESTMENT PERFORMANCE</b>	HOTEL VALUE SERIES PROFITABILITY FORECAST INVESTMENT INSIGHTS
<b>HOTELS BUILDER</b>	FLOW DATA QUICKLY PREVIEW SAVE & EXPORT EXTRACTS EXPLORER

# Thank you

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**CBRE**

## HOTELS RESEARCH ANALYSTS



**Will Webster**

Sr. Research Analyst  
M +1 404 326 9288  
will.webster@cbre.com



**Christine Bang**

Sr. Research Analyst  
M +1 917 543 9698  
christine.bang@cbre.com



**Lindsay Dyer**

Sr. Research Data Analyst  
T +1 202 585 5599  
lindsay.dyer@cbre.com



**Hogan McDade**

Research Data Analyst  
T +1 303 824 4705  
hogan.mcdade@cbre.com

## HOTELS RESEARCH LEADER



**Rachael Rothman, CFA**

Head of Hotels Research  
M +1 804 201 2004  
rachael.rothman@cbre.com

## CBRE HOTELS RESEARCH, ECONOMIST



**Michael Nhu**

Economist, Global Hotels Forecasting  
T +65 634 78863  
michael.nhu@cbre.com