



CBRE HOTELS

The World's Leading Hotel Experts.

PKF CONSULTING, A CBRE COMPANY

OCTOBER 13, 2015

VIOC – Southern California Lodging Forecast

“Persistence at the Peak”

PKF
CONSULTING
USA
A CBRE COMPANY

LODGING INDUSTRY UPDATE

- ✓ Some Happy Facts
- ✓ The Economy
- ✓ Our National Forecast
- ✓ The Supply Story
- ✓ Local Lodging Forecasts
- ✓ Databases Used

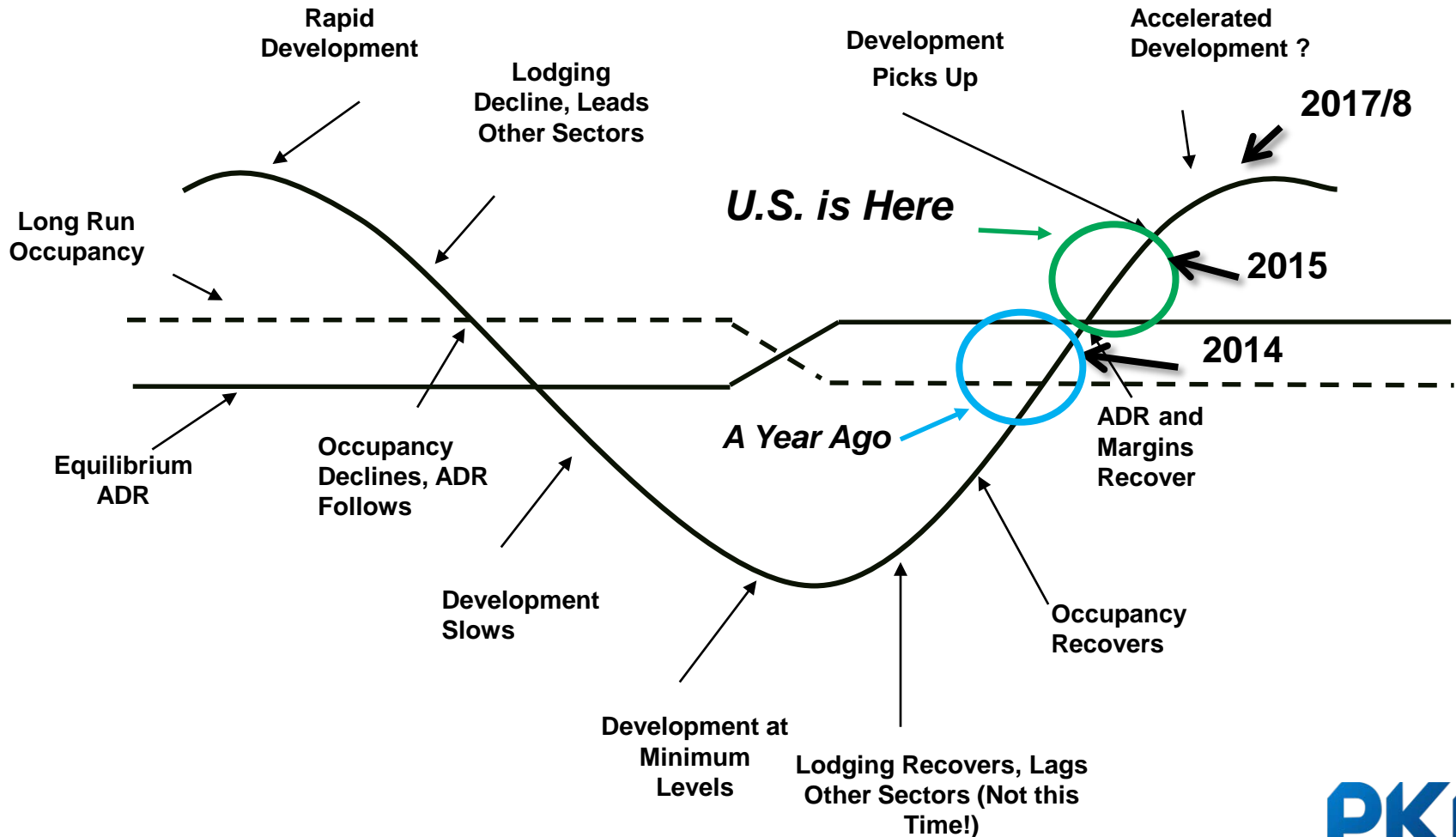
BY 2015, THE HOTEL INDUSTRY WILL HAVE ACHIEVED:

- A fourth year of accommodated demand in excess of the pre-recession peak of 2.8 million room nights.
- Six consecutive years of increased occupancy—the longest since 1988.
- An occupancy level of 65.7 percent, the highest level of occupancy ever recorded by STR, Inc.
- 14 of the 55 markets in *Hotel Horizons®* universe will achieve their highest occupancy levels in the past 25 years.
- 49 of 55 markets are above their long run average occupancy level.



THE HOTEL MARKET CYCLE

Our Opinion



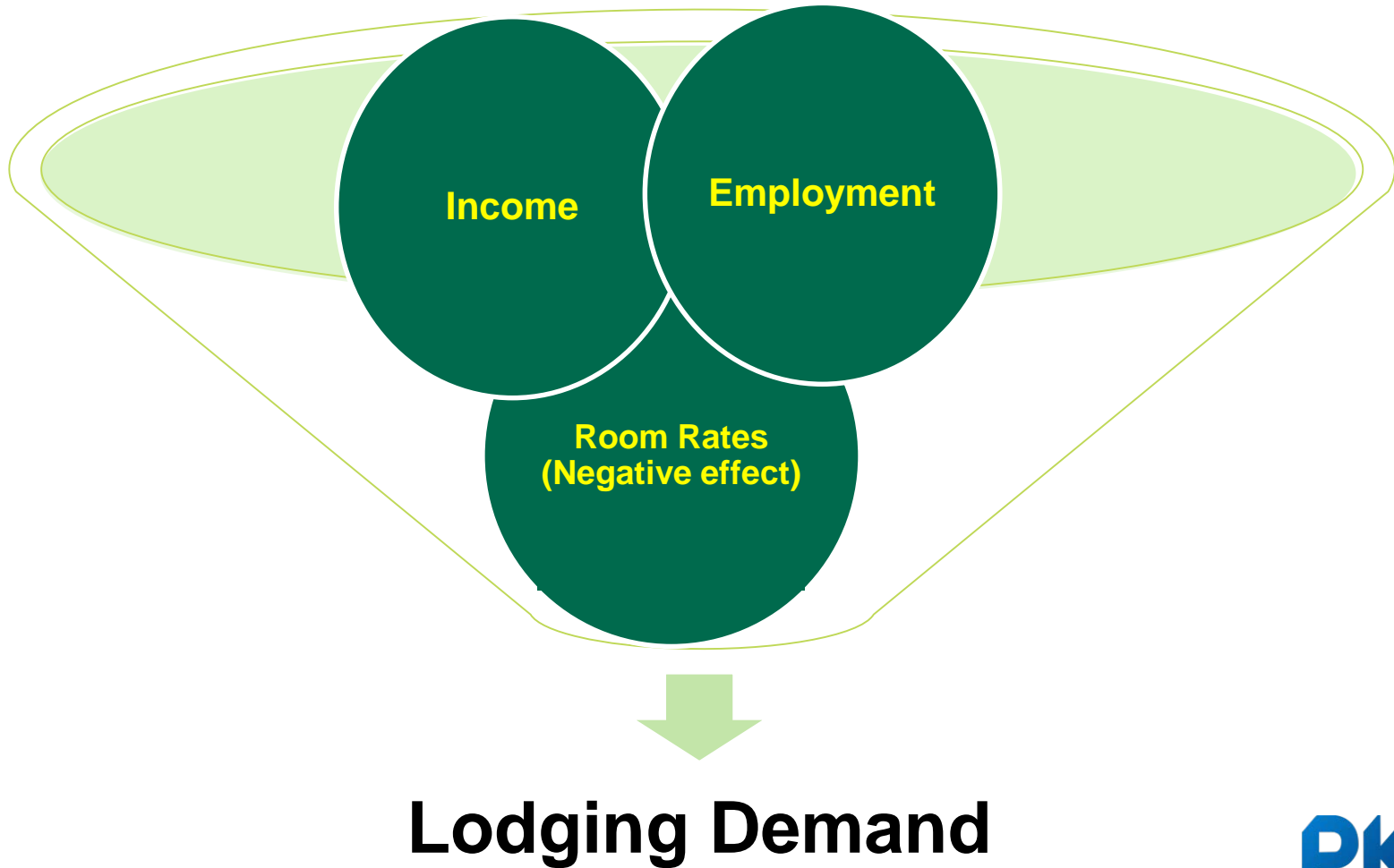


OUR FORECASTS

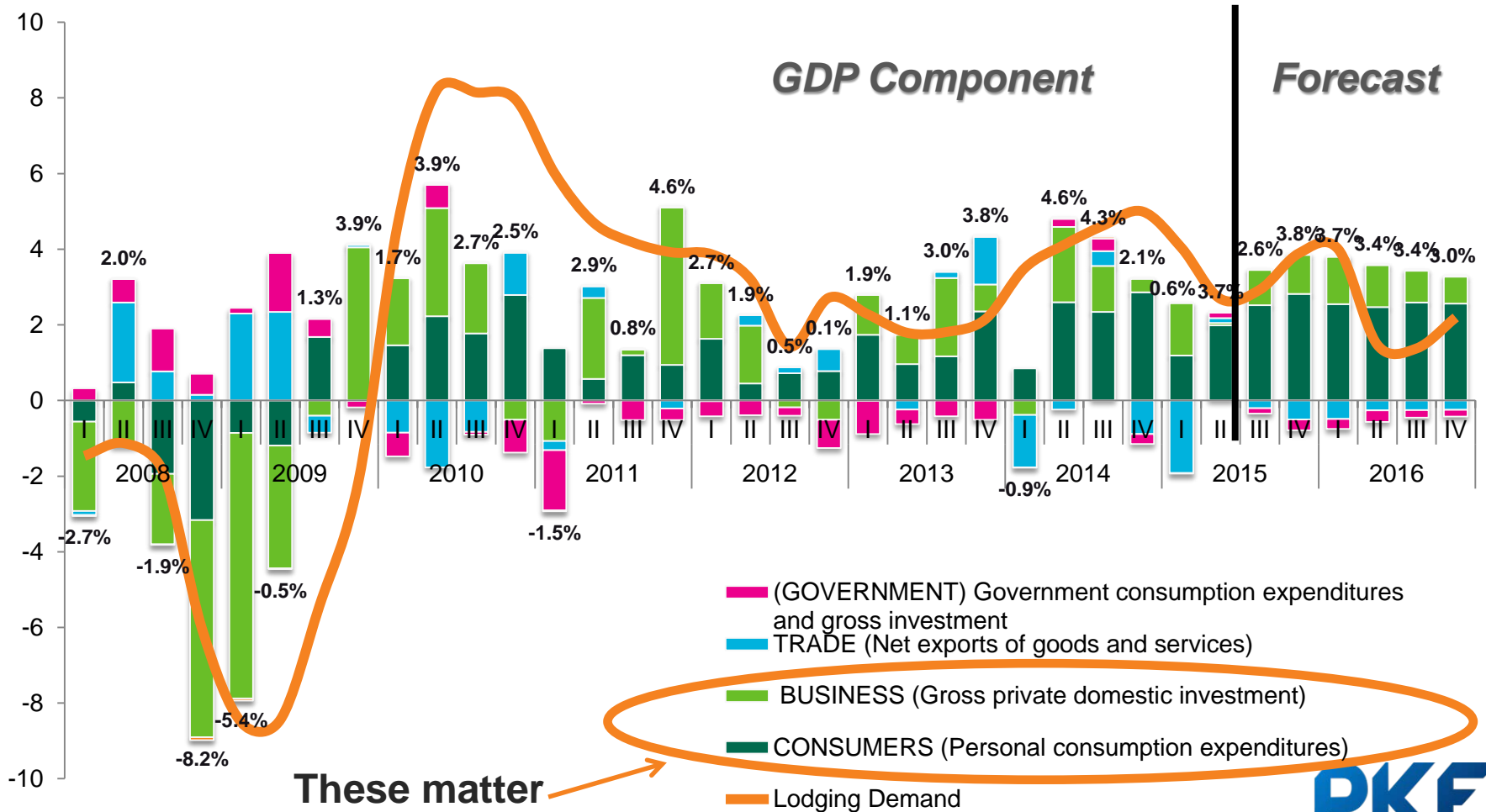
OUR VIEW:

The Very Good
Will Continue

MAJOR FACTORS IN THE PKF DEMAND EQUATION



THE OUTLOOK FOR THE DRIVERS THAT ARE MOST IMPORTANT TO HOTELS REMAINS FAVORABLE



Source: BEA, Moody's Analytics, PKF Hospitality Research, Hotel Horizons: September – November 2015, STR, Inc.

NATIONAL FORECAST – ALL U.S. HOTELS

2014-2016

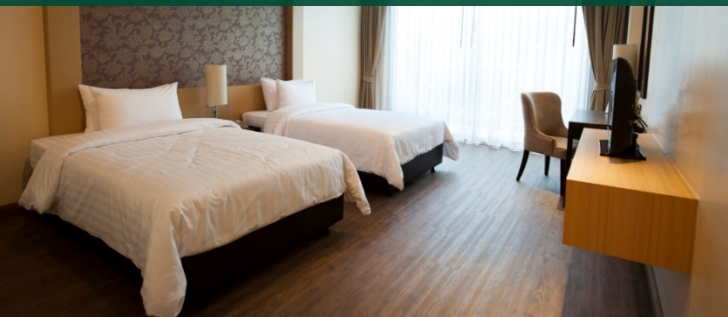
	Long Run Average	2012	2013	2014	2015F	2016F
Supply	1.9%	0.4%	0.7%	0.8%	1.1%	1.8%
Demand	2.0%	2.8%	2.0%	4.4%	3.3%	2.2%
Occupancy	62.0%	61.4%	62.2%	64.4%	65.8%	66.1%
ADR	3.0%	4.2%	3.9%	4.5%	5.0%	5.9%
RevPAR	3.2%	6.6%	5.2%	8.2%	7.2%	6.3%

RevPAR driven by ADR Growth

Source: PKF Hospitality Research - *Hotel Horizons®* September-November, 2015, STR, Inc.



THE SUPPLY STORY

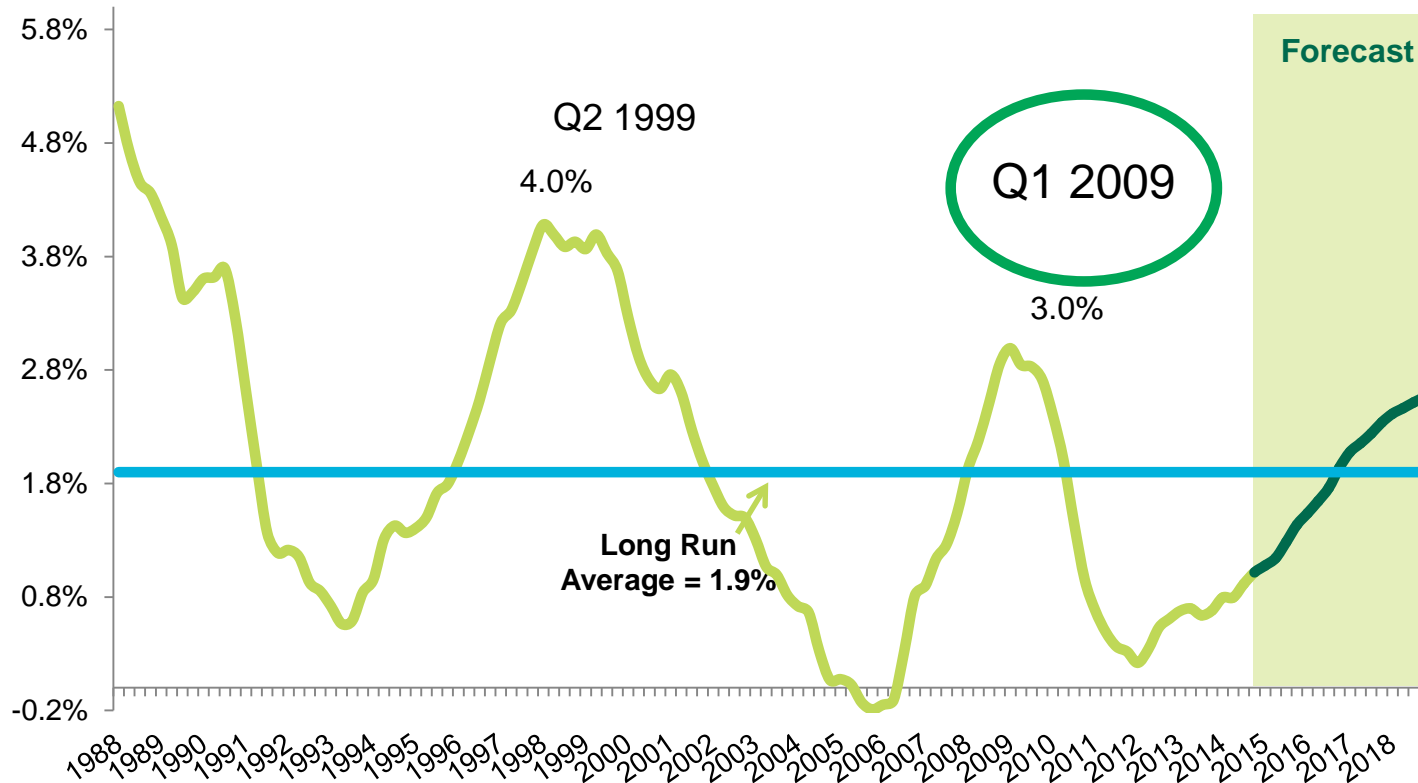


QUESTION:

When Was Hotel
Overbuilding
Last a Concern?

U.S. SUPPLY CHANGE

When did we hit our last peak number of new hotels entering the market?



Source: PKF Hospitality Research, STR, Inc.

TODAY VS. THE PREVIOUS PEAK OF CONSTRUCTION ACTIVITY

U.S. Pipeline, Number of Rooms by Phase, August 2015 and March 2008

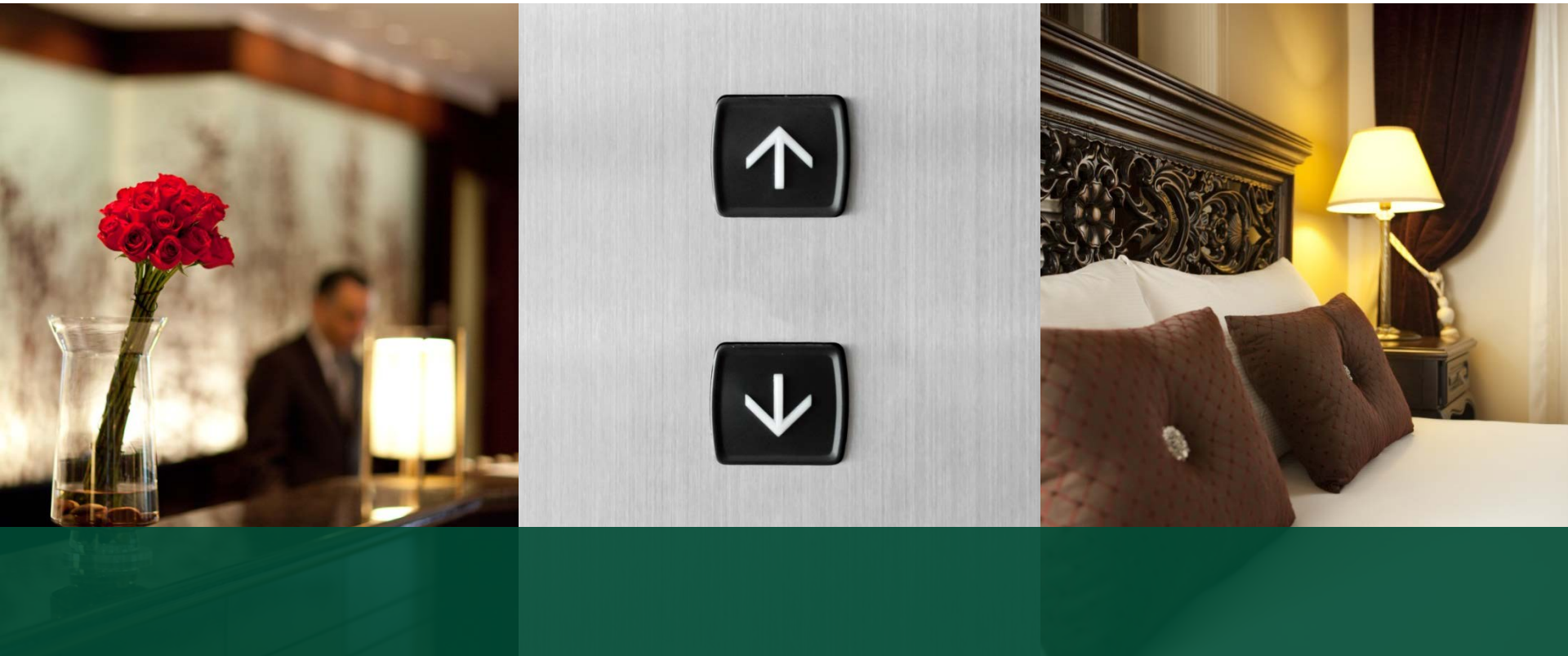
<i>Phase</i>	<i>Aug-2015</i>	<i>Q1/2008</i>	<i>% Difference Change</i>
In Construction	132,401 2.5%	207,468	-36.2%
Final Planning	175,090 0.7%	113,419	54.4%
Planning	132,353 3.5%	344,363	-61.6%
Active Pipeline	<u>439,844</u> 2.1%	<u>665,250</u>	-33.9%



Change from July 2015

Source: STR, Inc.

Southern California Lodging Forecast



SOUTHERN CALIFORNIA HOTELS ESTIMATED PERFORMANCE

Area	YE 2014	YE 2015E	YoY Change
National	64.4%	65.8%	2.2%
Los Angeles	78.7%	78.9%	0.2%
Orange County	76.5%	77.4%	1.1%
San Diego	74.6%	76.8%	3.0%

Area	YE 2014	YE 2015E	YoY Change
National	\$115.01	\$120.72	5.0%
Los Angeles	\$147.32	\$155.95	5.9%
Orange County	\$135.41	\$143.51	6.0%
San Diego	\$142.11	\$151.15	6.4%

Source: PKF Hospitality Research, *September-November, 2015 Hotel Horizons®*, STR, Inc.

SOUTHERN CALIFORNIA HOTELS FORECASTED PERFORMANCE

Area	YE 2015E	YE 2016F	YoY Change
National	65.8%	66.1%	0.4%
Los Angeles County	78.9%	79.3%	0.4%
Orange County	77.4%	76.9%	-0.6%
San Diego	76.8%	76.2%	-0.8%

Area	YE 2015E	YE 2016F	YoY Change
National	\$120.72	\$127.84	5.9%
Los Angeles County	\$155.95	\$165.10	5.9%
Orange County	\$143.51	\$152.98	6.6%
San Diego	\$151.15	\$160.14	5.9%

LOS ANGELES COUNTY

Los Angeles County										
Historical Market Performance of the Competitive Supply										
	Daily	Annual	Percent	Occupied	Percent	Market	Average	Percent		Percent
Year	Supply	Supply	Change	Rooms	Change	Occupancy	Daily Rate	Change	REVPAR	Change
2010	97,555	35,607,575	N/A	25,515,497	N/A	71.7%	\$138.02	N/A	\$98.90	N/A
2011	96,380	35,178,700	-1.2%	26,410,989	3.5%	75.1%	146.79	6.4%	110.21	11.4%
2012	95,354	34,804,210	-1.1%	27,164,821	2.9%	78.1%	154.77	5.4%	120.80	9.6%
2013	99,220	36,215,440	4.1%	28,955,331	6.6%	80.0%	162.10	4.7%	129.61	7.3%
2014	100,308	36,612,377	1.1%	29,712,406	2.6%	81.2%	174.69	7.8%	141.77	9.4%
2015E	100,932	36,840,198	0.6%	30,061,771	1.2%	81.6%	187.58	7.4%	153.06	8.0%
2016F	102,650	37,467,374	1.7%	30,535,381	1.6%	81.5%	197.82	5.5%	161.22	5.3%
CAAG	0.9%	0.9%		3.0%			6.2%		8.5%	

Source: PKF Consulting

Airport and Lower-Priced Markets Driving ADR Growth

Many Submarkets are Operating at Capacity and Far Exceeding Historical Levels

Most of the New Supply Will get Absorbed

LACC Modernization/Expansion and the Boom of Downtown Los Angeles

Westside is a Burgeoning Hub for High-Tech and Startup Companies

Long-run supply growth (1987-2013) was 0.7%

SAN DIEGO COUNTY

San Diego County									
Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	13,185,260	N/A	9,201,538	N/A	69.8%	\$146.71	N/A	\$102.39	N/A
2011	13,224,315	0.3%	9,554,028	3.8%	72.2%	151.16	3.0%	109.21	6.7%
2012	13,337,100	0.9%	9,812,492	2.7%	73.6%	156.27	3.4%	114.97	5.3%
2013	13,467,040	1.0%	9,982,333	1.7%	74.1%	160.56	2.7%	119.02	3.5%
2014	13,606,268	1.0%	10,364,141	3.8%	76.2%	169.84	5.8%	129.37	8.7%
2015E	13,693,462	0.6%	10,726,358	3.5%	78.3%	179.67	5.8%	140.74	8.8%
2016F	14,161,027	3.4%	11,007,650	2.6%	77.7%	188.87	5.1%	146.81	4.3%
CAAG	1.2%		3.0%			4.3%		6.2%	

Source: PKF Consulting

Strong Convention Center Years Ahead

Uncertainty of San Diego Convention Center Expansion and San Diego Chargers

Coastal Commission's Approval of SeaWorld's Killer Whale Habitat

Supply Growth Expected in Four Submarkets

Progress with Port of San Diego's Chula Vista Bayfront Project and potential expansion of the Hilton Bayfront...

Long-run supply growth 1.7%

ORANGE COUNTY

Orange County									
Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	17,192,230	N/A	11,855,627	N/A	69.0%	\$116.66	N/A	\$80.45	N/A
2011	18,214,595	5.9%	13,002,366	9.7%	71.4%	124.45	6.7%	88.83	10.4%
2012	18,976,715	4.2%	13,923,482	7.1%	73.4%	130.99	5.3%	96.11	8.2%
2013	19,040,809	0.3%	14,285,464	2.6%	75.0%	138.86	6.0%	104.18	8.4%
2014	19,312,922	1.4%	14,809,747	3.7%	76.7%	147.73	6.4%	113.28	8.7%
2015E	19,480,136	0.9%	15,156,995	2.3%	77.8%	156.74	6.1%	121.95	7.7%
2016F	20,380,137	4.6%	15,742,074	3.9%	77.2%	164.90	5.2%	127.37	4.4%
CAAG	2.9%		4.8%			5.9%		8.0%	
Source: PKF Consulting									

Continued growth in all economic indicators

\$749 million worth of hotel sales in the first half of 2015

John Wayne Airport performance & the OC Airport market

Segerstrom Center plaza redevelopment

Anaheim – Visit Anaheim, supply additions, hotel incentives program, & Disney

Long-run supply growth was 1.2%

SANTA BARBARA COUNTY

Santa Barbara County									
Historical Market Performance of the Competitive Supply									
	Annual	Percent	Occupied	Percent	Market	Average	Percent		Percent
Year	Supply	Change	Rooms	Change	Occupancy	Daily Rate	Change	REVPAR	Change
2010	1,946,180	N/A	1,291,833	N/A	66.4%	\$163.01	N/A	\$108.20	N/A
2011	1,946,180	0.0%	1,360,018	5.3%	69.9%	168.78	3.5%	117.94	9.0%
2012	1,972,825	1.4%	1,409,497	3.6%	71.4%	174.69	3.5%	124.81	5.8%
2013	2,003,211	1.5%	1,454,372	3.2%	72.6%	182.51	4.5%	132.51	6.2%
2014	2,007,135	0.2%	1,510,413	3.9%	75.3%	196.39	7.6%	147.79	11.5%
2015E	1,977,813	-1.5%	1,560,808	3.3%	78.9%	206.20	5.0%	162.73	10.1%
2016F	2,035,909	2.9%	1,598,410	2.4%	78.5%	216.84	5.2%	170.25	4.6%
CAAG	0.8%		3.6%			4.9%		7.8%	
Source: PKF Consulting									

Strong economic fundamentals and Santa Barbara's area amenities continue to drive demand

Major opportunities in hotel renovations and repositionings

Exciting future additions to supply

VENTURA COUNTY

Ventura County									
Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	1,658,195	N/A	1,069,444	N/A	64.5%	\$98.21	N/A	\$63.34	N/A
2011	1,673,890	0.9%	1,078,694	0.9%	64.4%	98.07	-0.2%	63.20	-0.2%
2012	1,673,890	0.0%	1,115,862	3.4%	66.7%	100.03	2.0%	66.69	5.5%
2013	1,673,890	0.0%	1,138,217	2.0%	68.0%	101.71	1.7%	69.16	3.7%
2014	1,673,525	0.0%	1,210,688	6.4%	72.3%	109.43	7.6%	79.17	14.5%
2015E	1,670,058	-0.2%	1,230,818	1.7%	73.7%	118.26	8.1%	87.16	10.1%
2016F	1,651,990	-1.1%	1,231,286	0.0%	74.5%	124.52	5.3%	92.81	6.5%
CAAG	-0.1%		2.4%			4.0%		6.6%	
Source: PKF Consulting									

Ventura County Lodging Association (VCLA) renewed due to success

Hotel renovations will continue to be integral to improving the guest experience

Business friendly policies of the Cities provide further opportunity for growth

Threats to the market: reliance on government demand, high office vacancy rates, downsizing companies, and drought

COACHELLA VALLEY

Coachella Valley									
Historical Market Performance of the Competitive Supply									
	Annual	Percent	Occupied	Percent	Market	Average	Percent		Percent
Year	Supply	Change	Rooms	Change	Occupancy	Daily Rate	Change	REVPAR	Change
2010	3,771,180	N/A	1,906,996	N/A	50.6%	\$128.66	N/A	\$65.06	N/A
2011	3,711,839	-1.6%	2,034,224	6.7%	54.8%	134.96	4.9%	73.96	13.7%
2012	3,738,414	0.7%	2,131,810	4.8%	57.0%	141.23	4.6%	80.54	8.9%
2013	3,742,864	0.1%	2,155,377	1.1%	57.6%	149.82	6.1%	86.28	7.1%
2014	3,788,444	1.2%	2,256,604	4.7%	59.6%	160.88	7.4%	95.83	11.1%
2015E	3,796,730	0.2%	2,311,618	2.4%	60.9%	167.95	4.4%	102.25	6.7%
2016F	3,856,590	1.6%	2,373,780	2.7%	61.6%	175.50	4.5%	108.02	5.6%
CAAG	0.4%		3.7%			5.3%		8.8%	
Source: PKF Consulting									

Demand continues, but still below Stabilized; ADR now exceeds 2007 Peak

Tourism drives local hotel demand; Group building momentum

Airlift capacity increases with subsidies, but will continue to be a group restraint

2014 conventions very strong; 2015 will be a “bar-resetting year”

Strong developer interest & economic incentives

Ritz-Carlton Rancho Mirage, Palm Springs hotel pipeline growing

INLAND EMPIRE

Inland Empire									
Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	3,492,685	N/A	2,141,908	N/A	61.3%	\$82.74	N/A	\$50.74	N/A
2011	3,547,435	1.6%	2,203,161	2.9%	62.1%	84.76	2.4%	52.64	3.7%
2012	3,603,280	1.6%	2,317,200	5.2%	64.3%	85.80	1.2%	55.18	4.8%
2013	3,622,260	0.5%	2,422,912	4.6%	66.9%	87.92	2.5%	58.81	6.6%
2014	3,697,085	2.1%	2,623,313	8.3%	71.0%	93.11	5.9%	66.07	12.3%
2015E	3,753,295	1.5%	2,819,173	7.5%	75.1%	99.76	7.1%	74.93	13.4%
2016F	3,768,625	0.4%	2,882,063	2.2%	76.5%	105.73	6.0%	80.86	7.9%
CAAG	1.3%		5.1%			4.2%		8.1%	
Source: PKF Consulting USA									

Economic recovery fueled by new housing and job growth (professional & business services). 50K+ new Jobs added annually last 4 years...and increasing

New and minimal supply additions will be quickly absorbed

Focus should be on increasing ADR (not yet back to peak) at stabilization

Continued efforts by the GOCVB to increase leisure demand

Local control of the LA/Ontario Airport offers future potential...

SAN LUIS OBISPO COUNTY

San Luis Obispo									
Historical Market Performance of the Competitive Supply									
	Annual	Percent	Occupied	Percent	Market	Average	Percent		Percent
Year	Supply	Change	Rooms	Change	Occupancy	Daily Rate	Change	REVPAR	Change
2010	1,542,125	N/A	986,663	N/A	64.0%	\$124.98	N/A	\$79.96	N/A
2011	1,561,105	1.2%	1,040,987	5.5%	66.7%	129.04	3.3%	86.05	7.6%
2012	1,607,825	3.0%	1,110,325	6.7%	69.1%	132.24	2.5%	91.32	6.1%
2013	1,646,880	2.4%	1,175,542	5.9%	71.4%	136.75	3.4%	97.61	6.9%
2014	1,646,880	0.0%	1,205,879	2.6%	73.2%	144.08	5.4%	105.50	8.1%
2015E	1,691,897	2.7%	1,257,626	4.3%	74.3%	152.59	5.9%	113.43	7.5%
2016F	1,770,250	4.6%	1,299,205	3.3%	73.4%	161.16	5.6%	118.28	4.3%
CAAG	2.3%		4.7%			4.3%		6.7%	
Source: PKF Consulting									

Increasingly Strong Leisure Demand; Popular Drive Destination

Small, But Growing Corporate Base (Quality of Life as a Driver)

Centrally Located Between LA & SF

Emerging Food & Wine Industry & Events

Additions to Supply in the Paso Robles area

More active supply pipeline than in past years; should be absorbed in one to two years

SOUTHERN CALIFORNIA COASTAL

Coastal Market									
Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	3,105,785	N/A	1,891,314	N/A	60.9%	\$277.78	N/A	\$169.16	N/A
2011	3,105,785	0.0%	2,051,479	8.5%	66.1%	293.39	5.6%	193.79	14.6%
2012	3,145,205	1.3%	2,167,571	5.7%	68.9%	305.62	4.2%	210.63	8.7%
2013	3,203,240	1.8%	2,252,619	3.9%	70.3%	321.50	5.2%	226.09	7.3%
2014	3,245,923	1.3%	2,371,703	5.3%	73.1%	339.47	5.6%	248.04	9.7%
2015E	3,248,135	0.1%	2,424,575	2.2%	74.6%	354.26	4.4%	264.43	6.6%
2016F	3,301,425	1.6%	2,469,100	1.8%	74.8%	371.64	4.9%	277.95	5.1%
CAAG	1.0%		4.5%			5.0%		8.6%	

Source: PKF Consulting

All Tiers Achieving Record Occupancy Levels as ADR Continues to Grow

Luxury Coastal Properties driving ADR growth

Group demand finally increasing

Paséa Hotel & Spa Opening late Spring 2016

Potential Future Additions: Huntington Beach, Santa Barbara, Santa Monica, and Newport Beach

Q & A

What questions can we answer for you?