

HOTELS

2016 Texas Trends® Hotel Industry Report

San Antonio Hotel & Lodging Association

October 4, 2016

CBRE

PRESENTATION OUTLINE

I. The Economy

II. Lodging Forecasts

III. San Antonio Submarkets



PHOTO: THINKSTOCK

FACTORS AFFECTING ECONOMIC FORECASTS

- **Collapse in Energy & Other Commodity Prices**
- **Presidential Election**
- **Global Terrorism**
- **Chinese Economic Slowdown**
- **Value of U.S. Dollar**
- **U.S. Monetary Policy Normalization**

UNITED STATES: ECONOMIC OUTLOOK

	Employment	Personal Income	GDP	CPI (Inflation)
2015	2.1%	4.3%	2.4%	0.1%
2016	1.7%	2.7%	2.1%	1.3%
2017	1.2%	3.3%	2.9%	2.4%
2018	0.8%	4.5%	2.6%	2.8%
2019	-0.2%	2.8%	1.9%	2.8%
2020	0.4%	2.0%	1.4%	2.5%

Source: CBRE Economic Advisors, July 2016

SAN ANTONIO MSA: ECONOMIC OUTLOOK

	Employment	Personal Income	GMP	CPI (Inflation)
2015	3.3%	5.3%	2.8%	-0.2%
2016	2.6%	1.7%	0.9%	0.9%
2017	1.4%	2.7%	2.4%	2.1%
2018	1.4%	3.6%	3.1%	2.8%
2019	0.4%	2.3%	2.6%	2.8%
2020	1.2%	2.4%	2.4%	2.4%

Source: CBRE Econometric Advisors, July 2016

UNEMPLOYMENT COMPARISON*

Unemployment Comparison*

	2011	2012	2013	2014	2015	Jun-16
United States	8.9%	8.1%	7.4%	6.2%	5.3%	5.1%
Texas	7.8%	6.7%	6.2%	5.1%	4.5%	4.8%
Austin	6.6%	5.7%	5.1%	4.2%	3.4%	3.3%
Dallas/Fort Worth	7.6%	6.6%	6.0%	5.0%	4.1%	4.0%
Houston	7.8%	6.6%	6.0%	4.9%	4.6%	5.5%
San Antonio	7.1%	6.3%	5.7%	4.6%	3.8%	4.0%

* Not seasonally adjusted

Source: Texas Work Force Commission

B. Rich
HEDGEYE



HELP!
I'VE
FALLEN
AND I
CAN'T
GET UP

OIL INDUSTRY FORECAST

- **Oil Boom from 2011 Thru 2014**
- **Oil Price Drop in 2015**
- **Oil Prices Remain Low Through 2016**
- **Oil Markets Begin Rebalance in Mid-2017**
- **Drilling & Hiring Returns in 2018**
- **Industry Rebounds in 2019 & 2020**

PRESENTATION OUTLINE

I. The Economy

II. Lodging Forecasts

III. Austin Submarkets



HOTEL HORIZONS®

- **Econometric Forecasting Model**
 - **Smith Travel Research – historical lodging data, pipeline data**
 - **CBRE Econometric Advisors – economic forecasts**
- **Five-Year Forecasts of Supply, Demand, Occupancy, ADR, RevPar**
 - **60 Major U.S. Markets**
- **Updated Quarterly**

UNITED STATES: 2ND QUARTER 2016

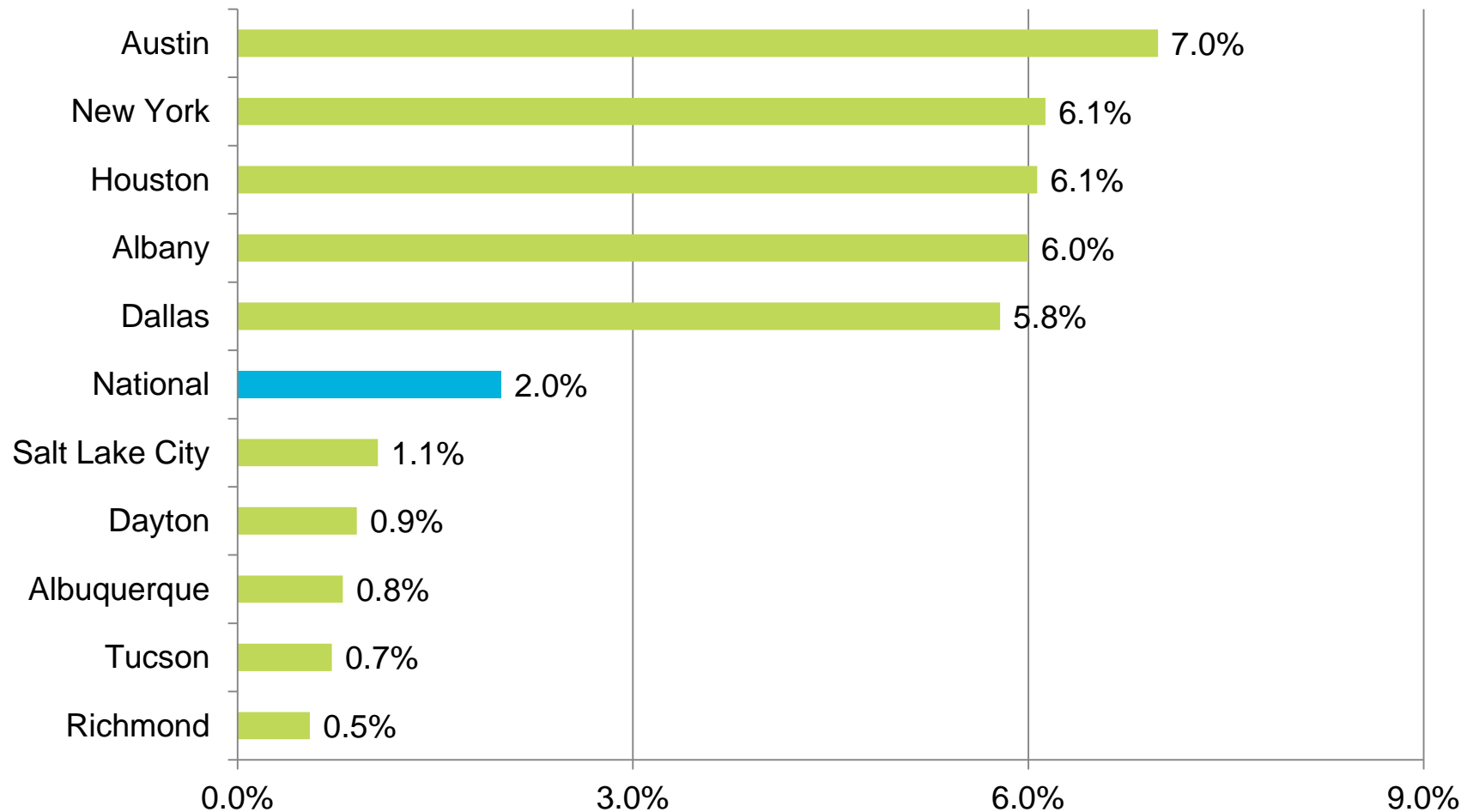
 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	1.9%	0.4%	0.6%	0.7%	1.1%	1.6%	2.0%	2.2%	2.3%	2.3%
Demand	2.0%	2.7%	2.0%	4.1%	2.7%	1.7%	1.8%	2.0%	2.3%	2.2%
Occupancy	62.1%	61.4%	62.2%	64.4%	65.4%	65.5%	65.4%	65.3%	65.3%	65.2%
ADR	3.1%	4.2%	3.7%	4.6%	4.5%	3.5%	4.1%	3.9%	3.4%	3.5%
RevPAR	3.3%	6.7%	5.2%	8.2%	6.2%	3.6%	3.9%	3.7%	3.4%	3.4%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

U.S. HOTEL MARKETS - SUPPLY

FORECAST CHANGE – 2016 TO 2017



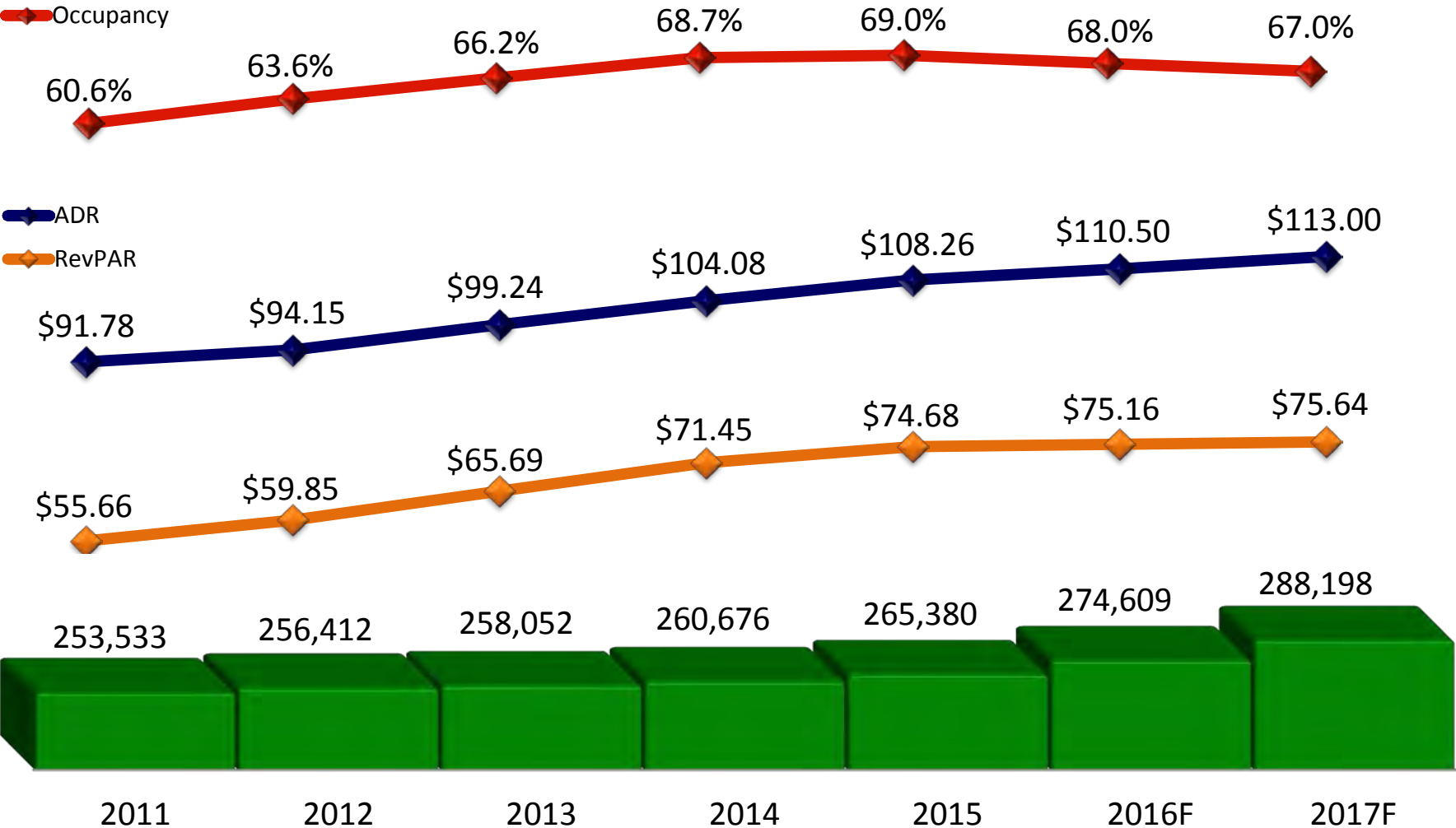
Source: CBRE Hotels' Americas Research, 2nd Qtr 2016 *Hotel Horizons*® reports



TEXAS SUPPLY ADDITIONS – 2015 THRU 2017

TEXAS MSA	NUMBER OF ROOMS
HOUSTON	11,300
AUSTIN	7,300
DALLAS	5,800
SAN ANTONIO	1,700
FORT WORTH	1,400
TOTAL	27,500

TEXAS SUMMARY



AUSTIN MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	3.3%	0.7%	2.8%	2.3%	5.9%	7.0%	7.0%	4.8%	3.6%	3.5%
Demand	4.5%	3.2%	7.5%	3.6%	8.0%	5.1%	4.9%	3.3%	3.0%	2.6%
Occupancy	66.8%	68.3%	71.5%	72.4%	73.8%	72.5%	71.1%	70.0%	69.6%	69.0%
ADR	4.2%	7.7%	5.3%	6.4%	6.4%	4.4%	3.7%	3.3%	2.6%	2.7%
RevPAR	5.5%	10.4%	10.1%	7.8%	8.5%	2.6%	1.6%	1.8%	2.0%	1.8%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

DALLAS MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.4%	1.4%	0.3%	0.2%	1.2%	2.9%	5.8%	4.5%	3.1%	2.2%
Demand	3.5%	4.7%	5.5%	5.8%	5.3%	4.7%	4.2%	3.6%	2.0%	1.9%
Occupancy	61.4%	61.1%	64.3%	67.8%	70.6%	71.9%	70.8%	70.1%	69.3%	69.1%
ADR	2.3%	1.1%	5.0%	3.4%	5.8%	5.5%	5.4%	4.4%	3.3%	2.9%
RevPAR	3.6%	4.5%	10.5%	9.1%	10.0%	7.4%	3.8%	3.4%	2.1%	2.6%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

FORT WORTH MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.9%	1.1%	0.4%	1.6%	0.4%	0.4%	3.3%	3.1%	2.3%	2.2%
Demand	3.6%	2.8%	4.0%	4.3%	4.5%	2.9%	2.3%	3.2%	2.9%	2.4%
Occupancy	61.2%	60.4%	62.6%	64.3%	66.9%	68.6%	67.9%	67.9%	68.3%	68.5%
ADR	3.4%	-1.3%	1.2%	7.5%	3.5%	2.0%	2.9%	3.7%	2.8%	2.4%
RevPAR	4.1%	0.4%	4.8%	10.4%	7.7%	4.5%	1.9%	3.7%	3.4%	2.7%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

HOUSTON MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.5%	0.9%	0.6%	1.3%	2.3%	5.8%	6.1%	3.1%	2.5%	2.3%
Demand	3.7%	10.4%	6.4%	5.1%	-2.6%	-2.0%	3.4%	5.6%	5.9%	4.6%
Occupancy	62.4%	65.6%	69.3%	72.0%	68.5%	63.4%	61.8%	63.3%	65.4%	66.8%
ADR	3.1%	3.9%	7.8%	6.0%	1.7%	-1.7%	-0.1%	2.0%	3.7%	5.0%
RevPAR	4.5%	13.6%	13.9%	10.0%	-3.2%	-8.9%	-2.7%	4.4%	7.1%	7.3%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

SAN ANTONIO – LOCAL DEMAND FACTORS

- Market Conditions
 - 2016 & 2017 – Stable
 - 2018 – 2020 – Significant Improvement
 - Forecasts are Averages
 - Each Hotel & Market Different
- Convention Activity
 - 2016 – Renovation Complete/Transition Year/Reduced Compression
 - 2017 – Slight Increased Activity
 - 2018 – Strong/Larger Bookings
- Oil & Gas Industry
 - 2015 and 2016 – Demand Disappeared
 - 2017 (Mid to Late) – Turn Corner
 - 2018 – Drilling & Hiring Returns
 - 2019 & 2020 – Strong Recovery
- 300th Anniversary - 2018
- NCAA Final Four - 2018
- Military/Government Activity
 - Employment Up 3.5%
 - Realignment for Asian Front
 - Consolidation of Smaller Bases
 - Air Force Cyber Command/NSA – Increasing Importance
- Healthcare Industry
 - Increased Biotech Companies
 - Cytocentrics – 300 Jobs
- Missions
 - World Heritage Center
 - Alamo Renovation
- Hospitality/Retail/Healthcare-Up 3.2%

SUBMARKET COMPARISON—YTD 2nd QTR 2016

ALL HOTELS
San Antonio MSA Hotel Submarket Analysis
Year-to-Date 2nd Qtr 2016 Compared to 2nd Qtr 2015

Submarket	Occupancy		ADR	
	Pt. Change	% Change	\$ Change	% Change
Central Business District	-1.2	-1.6%	\$0.18	0.1%
North / Airport	-0.8	-1.1%	\$1.18	1.4%
Northeast	-0.7	-1.1%	\$1.09	1.1%
Northwest	3.2	4.8%	\$5.75	6.3%
South	-2.8	-4.7%	-\$0.01	0.0%
Average Change	-0.1	-0.2%	\$1.79	1.7%

Source: STR

SAN ANTONIO MSA: 2ND QUARTER 2016

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	3.1%	1.4%	0.3%	0.5%	0.0%	2.1%	2.0%	2.1%	1.8%	2.0%
Demand	3.5%	5.3%	-0.4%	3.3%	0.0%	1.9%	1.4%	2.6%	2.8%	2.7%
Occupancy	65.0%	63.5%	63.1%	64.9%	64.9%	64.7%	64.3%	64.6%	65.3%	65.7%
ADR	3.0%	1.4%	4.5%	2.4%	3.2%	2.6%	2.2%	3.0%	2.5%	2.1%
RevPAR	3.5%	5.3%	3.8%	5.3%	3.3%	2.4%	1.6%	3.5%	3.5%	2.8%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

SAN ANTONIO MSA: UPPER-PRICED

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	3.7%	2.1%	0.2%	-0.5%	-0.5%	4.0%	2.3%	2.2%	1.9%	2.0%
Demand	4.3%	4.9%	-0.1%	2.1%	-1.5%	3.1%	1.6%	2.8%	3.1%	3.1%
Occupancy	70.2%	68.6%	68.4%	70.2%	69.5%	68.9%	68.5%	68.9%	69.7%	70.5%
ADR	2.8%	0.5%	5.7%	2.6%	3.4%	2.1%	1.9%	2.8%	2.3%	2.1%
RevPAR	3.4%	3.2%	5.4%	5.2%	2.4%	1.3%	1.2%	3.4%	3.6%	3.2%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

SAN ANTONIO MSA: LOWER-PRICED

 = Below/Above Long Run Average

	Long Term Average	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Supply	2.8%	0.9%	0.3%	1.1%	0.3%	0.9%	1.8%	2.1%	1.8%	1.9%
Demand	3.1%	5.5%	-0.6%	4.2%	1.1%	0.9%	1.3%	2.5%	2.6%	2.3%
Occupancy	61.8%	60.1%	59.5%	61.4%	61.9%	61.9%	61.5%	61.8%	62.2%	62.5%
ADR	2.8%	3.0%	2.7%	2.9%	4.0%	2.5%	2.5%	3.2%	2.5%	1.8%
RevPAR	3.3%	7.8%	1.7%	6.1%	4.9%	2.5%	2.0%	3.6%	3.3%	2.2%

Source: CBRE Hospitality Research – Hotel Horizons® Report (2nd Quarter 2016), Smith Travel Research

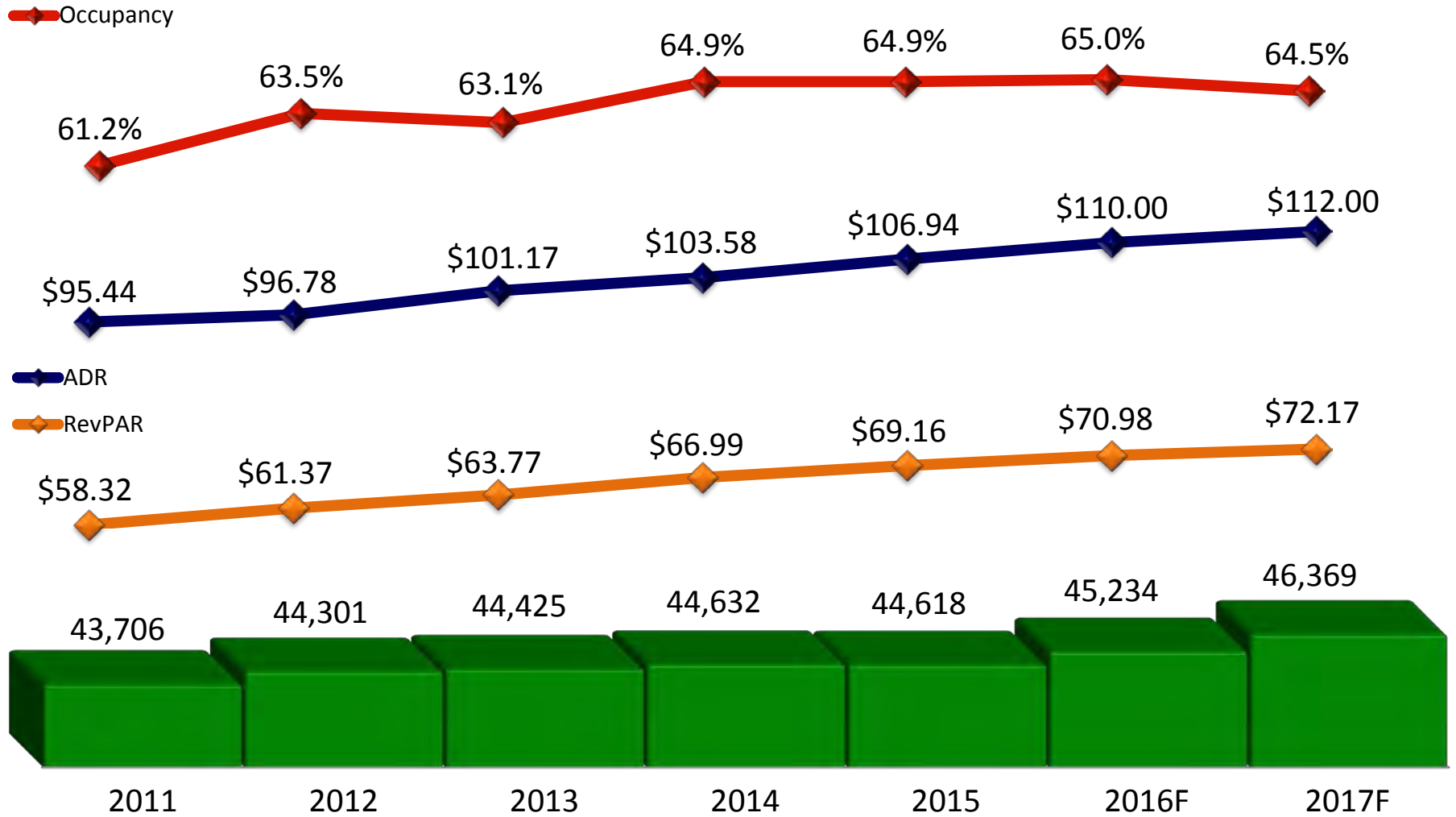
PRESENTATION OUTLINE

I. The Economy

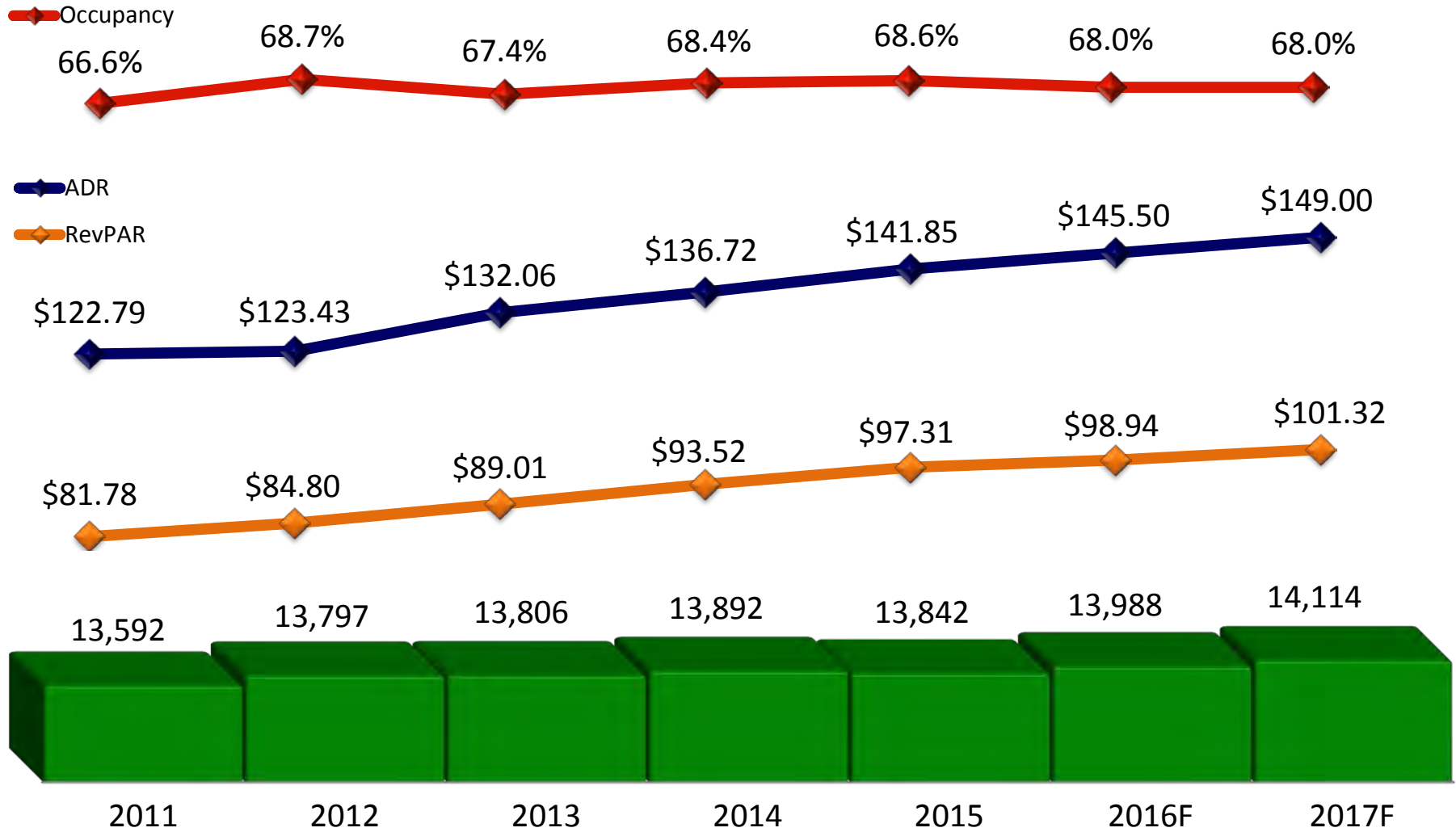
II. Lodging Forecasts

III. San Antonio Submarkets

SAN ANTONIO SUMMARY

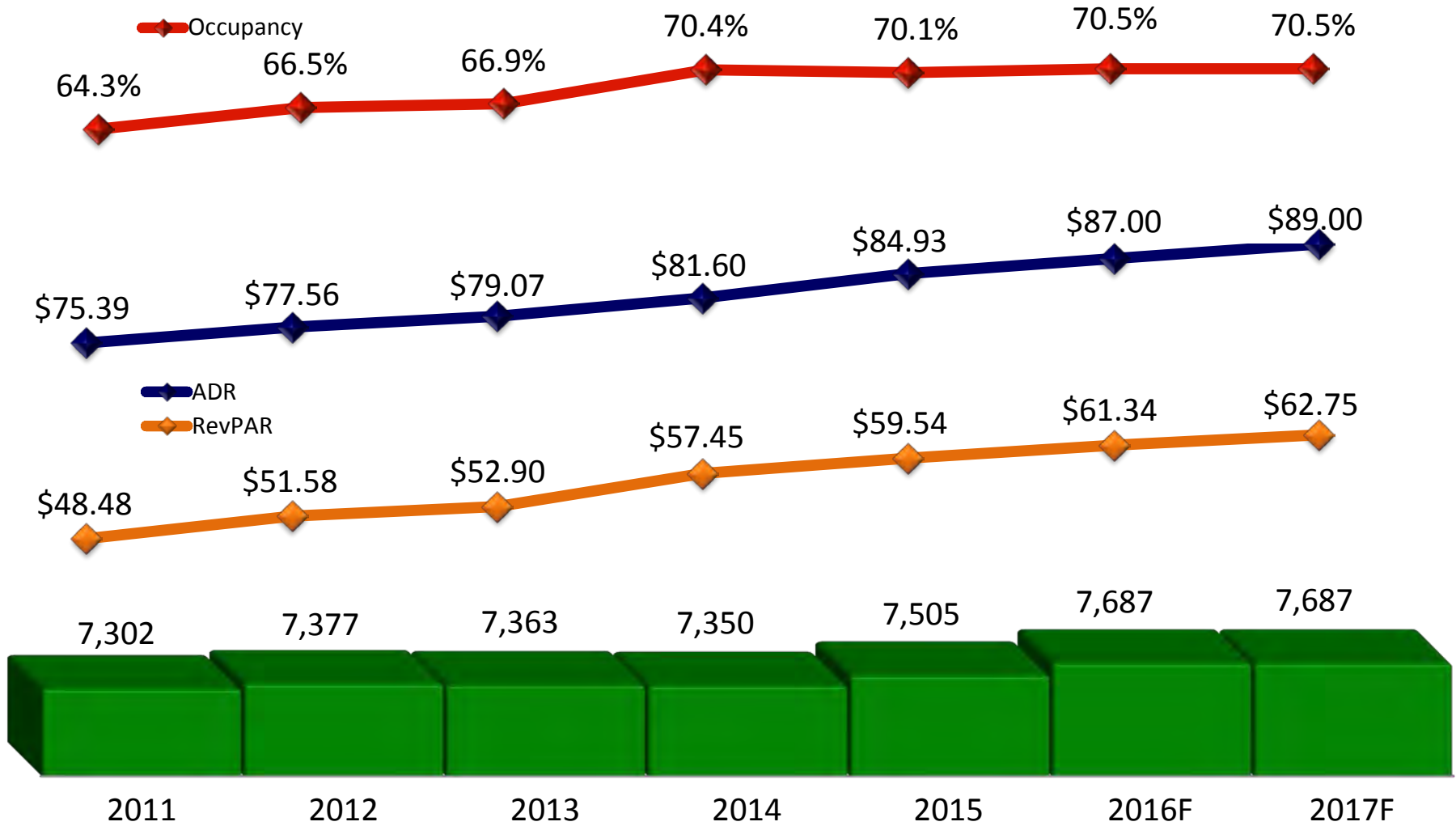


SAN ANTONIO CBD

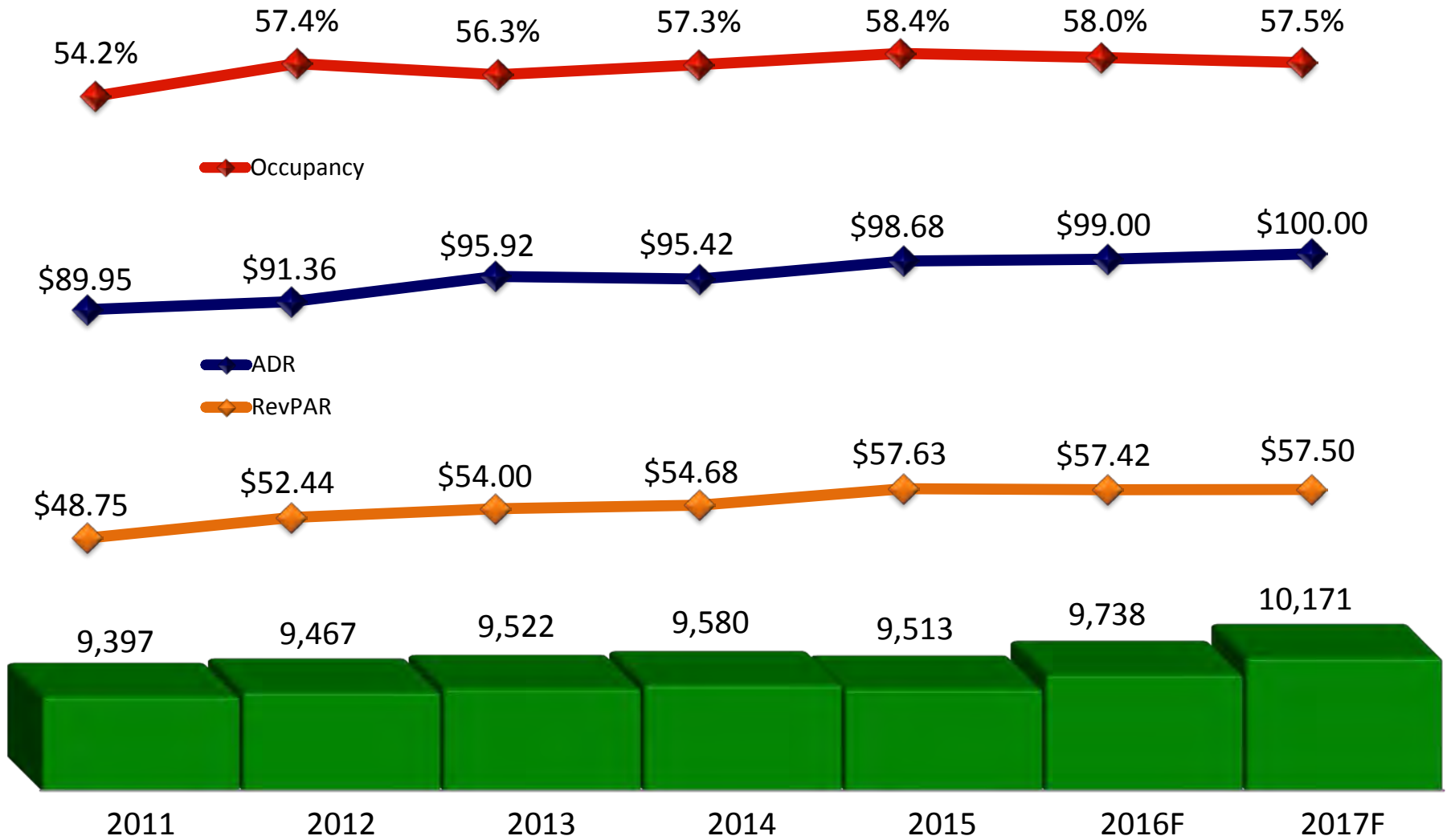


■ Supply

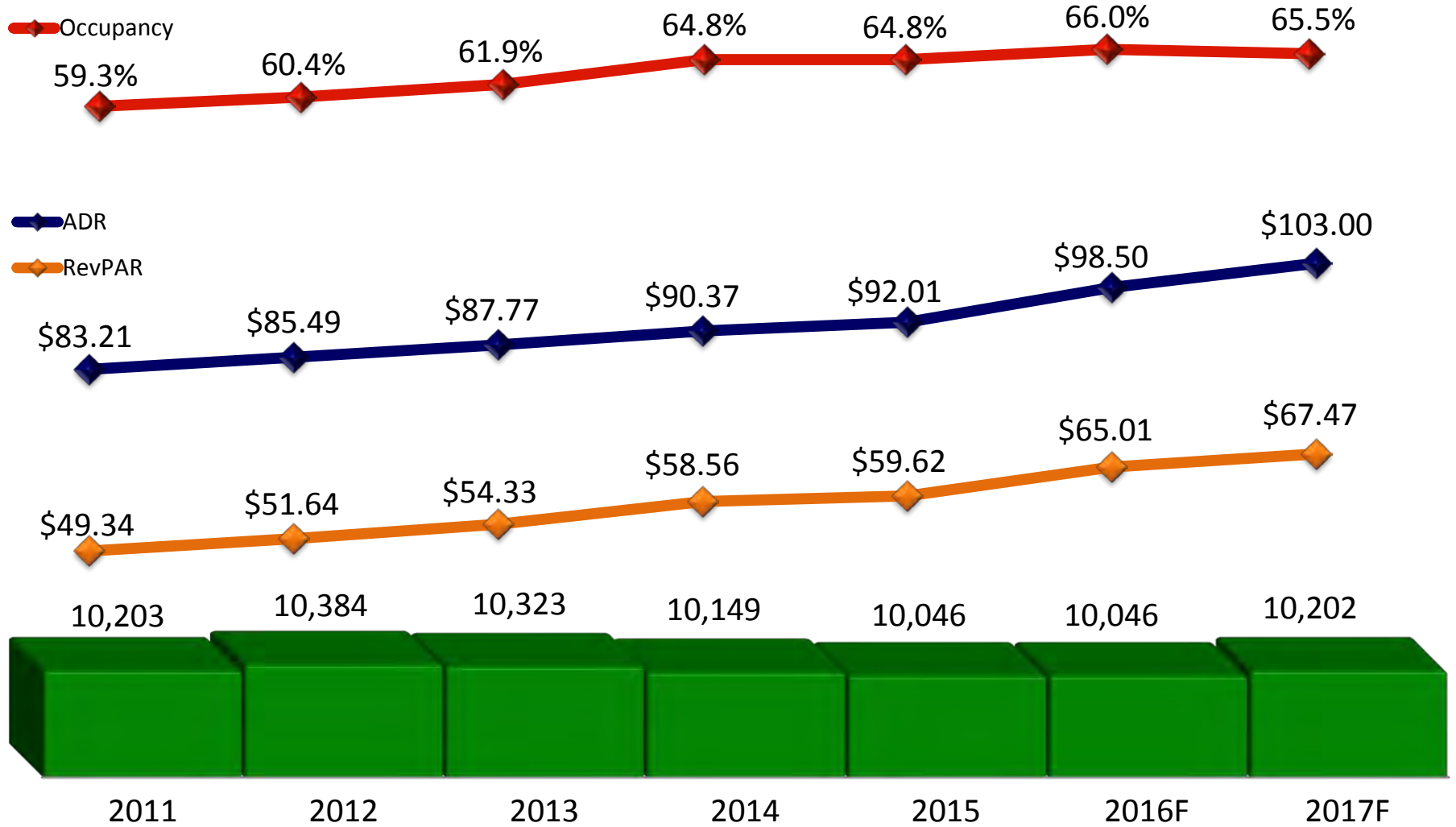
NORTH SAN ANTONIO / AIRPORT



NORTHEAST SAN ANTONIO

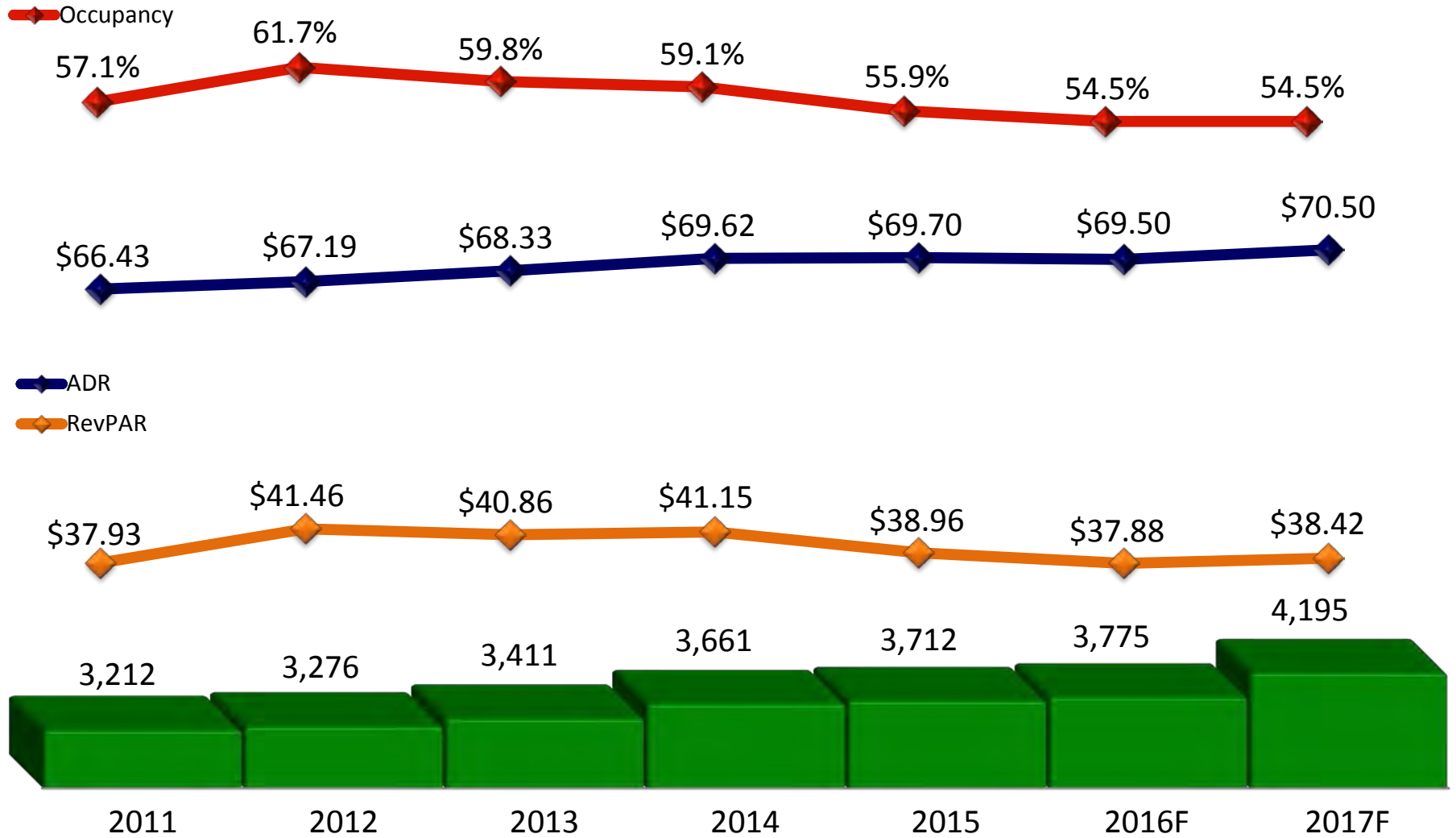


NORTHWEST SAN ANTONIO



■ Supply

SOUTH SAN ANTONIO



**For a Copy of This Presentation
Please Visit**

www.sahla.org

or

**Contact Randy McCaslin
Email: Randy.McCaslin@cbre.com
713.621.5252**