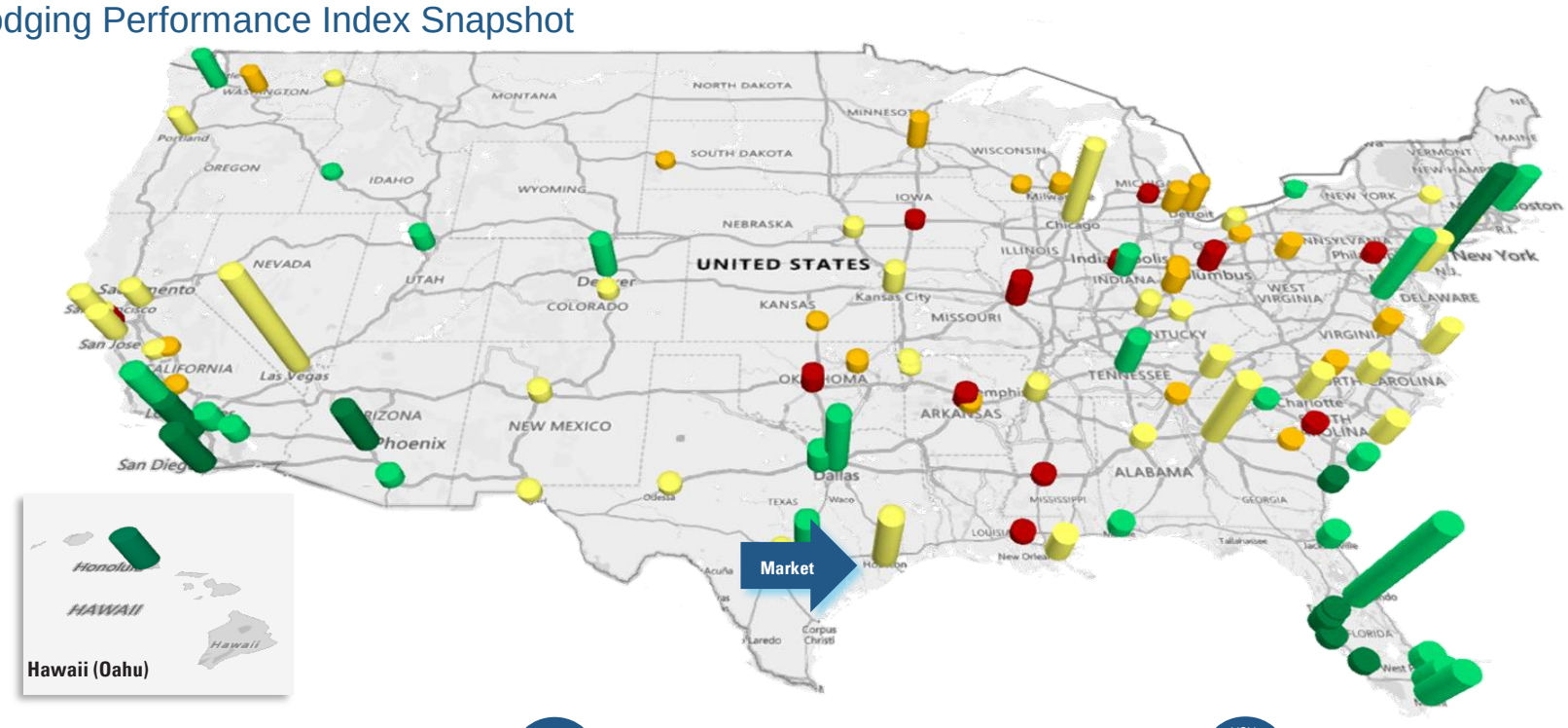
VALUATION & ADVISORY | HOSPITALITY GAMING & LEISURE

HOTEL MARKET NSIGHTS REPORT

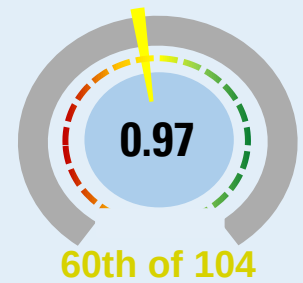
4Q 2023
HOUSTON, TX

Lodging Performance Index Snapshot



LODGING PERFORMANCE INDEX

Houston, TX

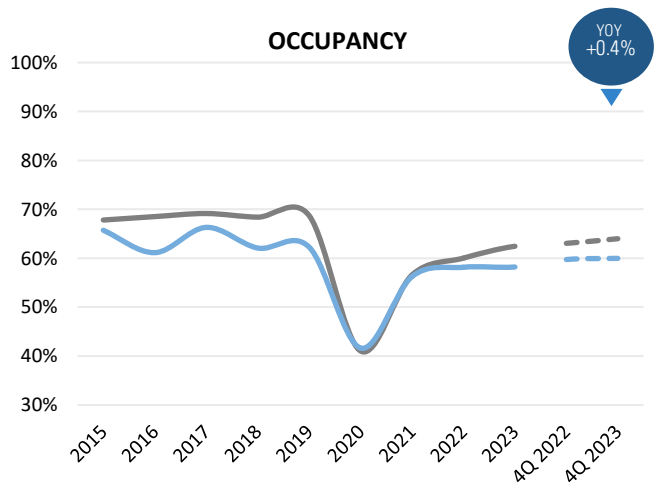


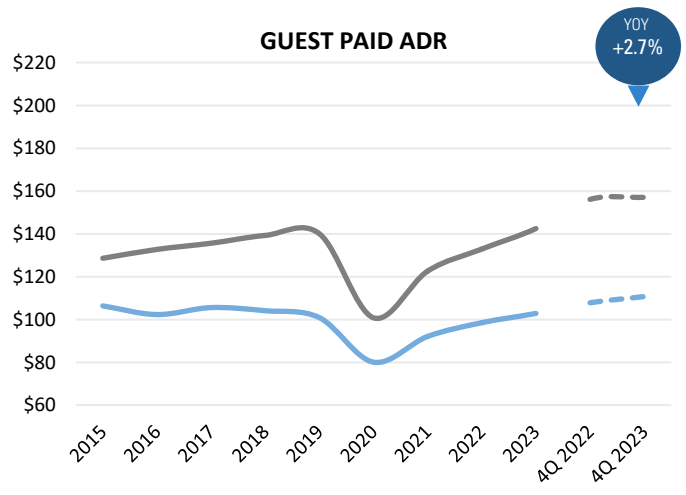
60th of 104

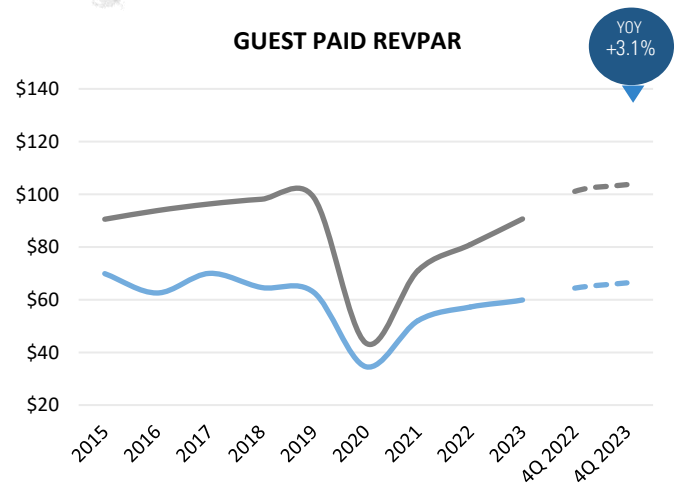
Average

Ranking of overall '4Q 2023 LPI' performance (0.97) against all 104 surveyed markets.

KEY PERFORMANCE METRICS







Top 104 — Houston, TX

KEY PERFORMANCE INDEXES

Key Performance Indexes

Subject Market — Top 104

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
4Q 2023	T12 Mos.	4Q 2023	T12 Mos.	4Q 2023	T12 Mos.
60.0% / 64.0%	63.3% / 66.4%	$111 / $157	$114 / $157	$66 / $104	$72 / $107
62nd	61st	79th	82nd	74th	81st

BENCHMARK INDEXES

Key Benchmark Indexes

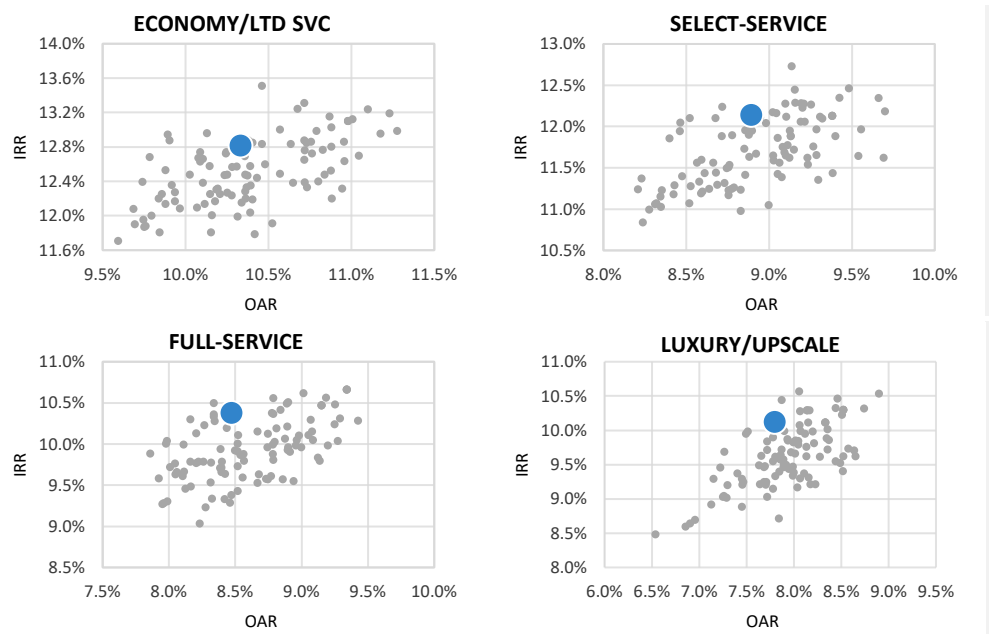
kalibri LABS

Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
4Q 2023	T12 Mos.	T12 Mos.	4Q 2023	4Q 2023	T12 Mos.
47.5% / 48.6%	46.5% / 46.7%	2.26 / 2.06	2.26 / 2.03	$7.79 / $11.64	$7.95 / $11.52
57th	57th	9th	10th	21st	26th

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark



FUNDAMENTALS

Trends and Risks

Source: Kalibri Labs, Newmark

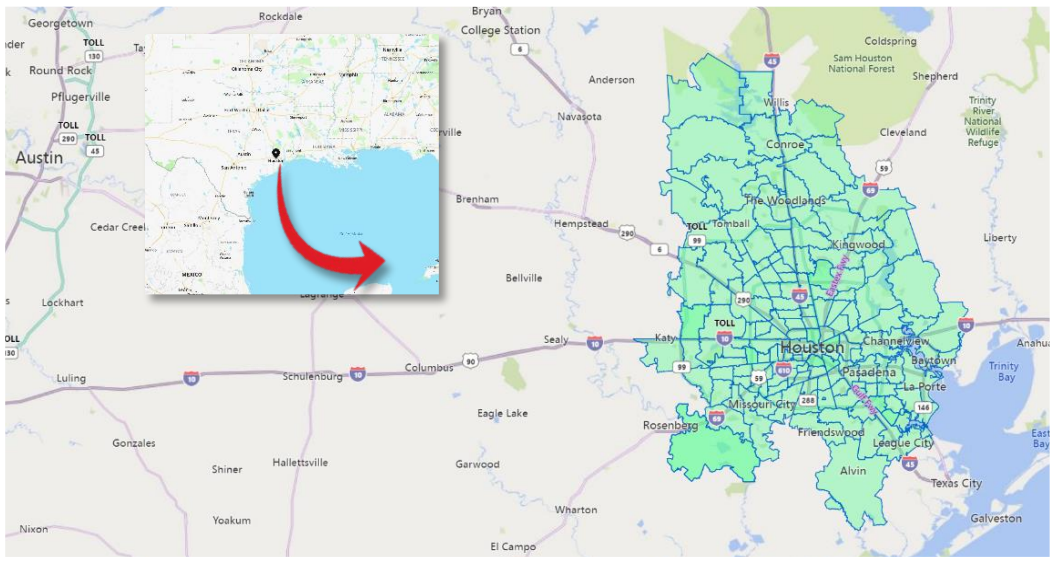
Revenue Stability	Supplier Power Trend	Investment Yields
78th	55th	66th
Below Average	Average	Below Average
Assessment of room revenue growth and volatility over past three to five years against other Top 104 markets	Assessment of market's ability to maximize loyalty and profits, and to ward off booking costs over past 12 months	Measure of market's general investment parameters (yields, OAR, IRR, interest rates, etc.) against other Top 104 markets

RISKS

Supply Risk	Labor Risk	Macro-Fiscal Risk
65th	91st	77th
Average Risk	Low Risk	Below Average
Assessment of market supply growth over past 12 months relative to Top 104 markets	Measure of current employment health over past two years relative to Top 104 markets	Assessment of health and diversity of lodging demand generators relative to Top 104 markets

NEWMARK

Location



Quick Facts

Jurisdictional Information

Source: US Census Bureau, Dept. of Labor Statistics

Municipal Name:	Houston
County:	Fort Bend County, Harris County, Montgomery County
State:	Texas
Geo Coordinates (market center):	29.78574, -95.38881

Major Hotel Demand Generators

Memorial Hermann Health System | The University of Texas Health Science Center | Schlumberger Ltd. | Landry's Inc. | Exxon Mobile Corp. | Baylor College of Medicine | National Oilwell Varco Inc. | Chevron Corp. | Shell Oil Co. | Baker Hughes Inc. | The Dow Chemical Co. | BP America | TechnipFMC PLC | Fiesta Mart Inc. | Goodman Global Inc. | NASA Johnson's Space Center Houston | ConocoPhillips | Kinder Morgan | Wood Group | Clear Lake Regional Medical Center

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	5,370,832	4th of 104 (Very Large)
Income per Capita	$49,399	51st of 104 (Average)
Feeder Group Size	90.5 Persons PSR	72nd of 104 (Below Average)
Feeder Group Earnings	$4,472,921 PSR	77th of 104 (Below Average)
Total Market COPE	$2.5 billion	17th of 104 (Above Average)

Key Performance Metrics

Data provided by: kalibri LABS

YEAR ENDING	Occ %	Guest Paid ADR	Guest Paid RevPAR	COPE ADR	COPE RevPAR	Booking Cost POR	ADR COPE %	Loyalty %	Avg. Length of Stay (Nights)	Supply (Available Rms)	Performance Index (LPI)
2015	65.7%	$106.33	$69.87	$98.44	$64.69	$7.89	92.6%	43.5%	2.50	78,000	1.29
2016	61.1%	$102.27	$62.53	$94.32	$57.67	$7.95	92.2%	45.1%	2.37	81,510	0.77
2017	66.3%	$105.54	$69.98	$97.54	$64.68	$8.00	92.4%	44.9%	2.56	84,440	1.20
2018	62.1%	$104.07	$64.62	$95.77	$59.46	$8.30	92.0%	49.3%	2.31	86,950	0.85
2019	62.3%	$100.84	$62.81	$92.70	$57.74	$8.14	91.9%	53.5%	2.24	93,170	0.76
2020	41.7%	$80.04	$34.55	$74.84	$31.17	$5.20	93.5%	37.2%	2.61	93,260	0.91
2021	56.3%	$92.06	$52.05	$85.53	$48.12	$6.53	92.9%	39.4%	2.45	94,270	0.81
2022	58.2%	$98.47	$57.21	$91.53	$53.24	$6.94	93.0%	40.7%	2.40	94,740	0.67
2023	58.2%	$102.81	$59.88	$95.67	$55.69	$7.14	93.1%	41.9%	2.35	95,000	0.97
CAGR: 2015 thru 2022	-1.5%	-0.4%	-1.9%	-0.4%	-1.9%	-1.2%	0.1%	-0.4%	-0.8%	2.5%	-3.6%
4Q 2022	59.7%	$107.77	$64.38	$100.16	$59.83	$7.61	92.9%	45.1%	2.24	95,580	0.67
4Q 2023	60.0%	$110.68	$66.38	$102.88	$61.71	$7.79	93.0%	47.5%	2.26	94,510	0.97

Notable Metrics

HIGHEST

Latest-Quarter Average Length of Stay	Total Rooms Supply	Total Rooms Sold
9th	**9th**	**9th**
Strong	**Strong**	**Strong**
Houston, TX boasted strong latest-quarter average length of stay (2.26 Nights)	The market benefits from a large and diverse hotel market (94,507)	The market also boasted strong total rooms sold (21,650,171)

LOWEST

IRR: Full-Service	IRR: Select-Service	IRR: Luxury/Upscale
89th	**89th**	**87th**
Unfavorable	**Unfavorable**	**Unfavorable**
This market posted unfavorable IRR metrics in the full-service segment (10.4%)	The market posted unfavorable IRR metrics in the select-service segment (12.1%)	Houston, TX also posted unfavorable IRR metrics in the luxury/upscale segment (10.1%)

Notable Trends

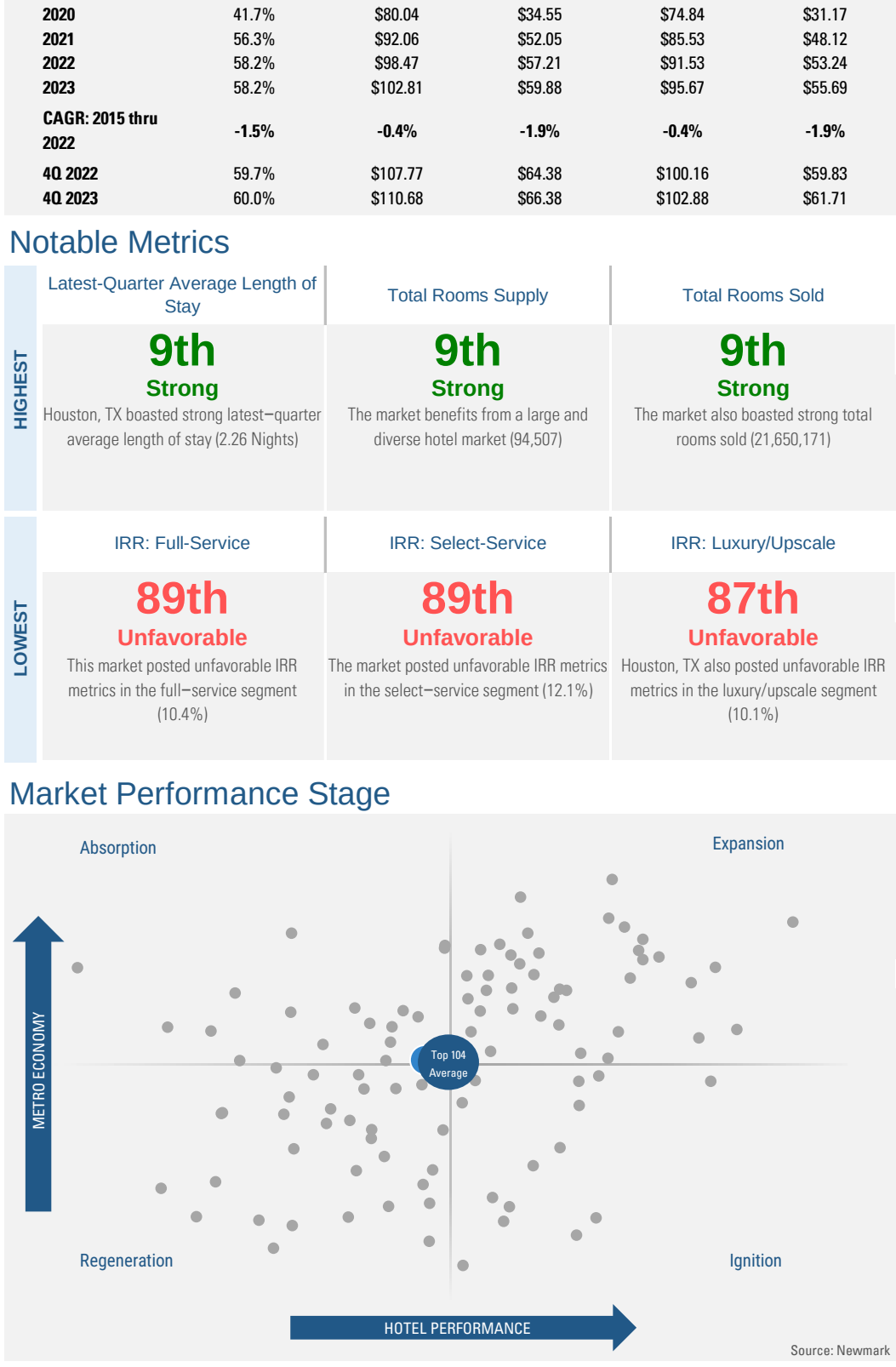
FASTEST

Long-Term Historical Booking Costs POR Growth	Short-Term Historical Booking Costs POR Growth	Short-Term Historical Average Length of Stay Growth
4th	**11th**	**40th**
Strong	**Above Average**	**Average**
Houston, TX has benefited from low long-term historical booking costs POR growth (-0.2%)	The market enjoyed low short-term historical growth in booking costs (0.4%)	The market also has benefited from strong short-term historical average length of stay growth (1.0%)

SLOWEST

Long-Term Historical COPE ADR Growth	Long-Term Historical Guest Paid ADR Growth	Short-Term Historical LPI Growth
101st	**101st**	**100th**
Soft	**Soft**	**Soft**
The market posted weak long-term historical COPE ADR growth (0.0%)	We note this area has been impeded by weak long-term historical Guest Paid ADR growth (0.0%)	Houston, TX also has been hampered by weak short-term historical LPI growth (-4.7%)

Market Performance Stage



Source: Newmark

Houston, TX: Absorption Stage

Absorption

The Houston, TX market is currently in the 'Absorption' stage of the performance cycle. In this stage, hotels are underperforming but in an economy with resilience and confidence the economy will shed lingering pandemic impacts, presenting upside for CRE. Barriers to entry are high and the market hosts little or no new supply, allowing for the existing stock of rooms to be absorbed. Example markets in this stage include Columbus, OH; Minneapolis, MN; and Myrtle Beach, SC.

Other Stages:

Regeneration

In the 'Regeneration' stage, hotels and the underlying economy are underperforming. The highest and best uses of hotel assets are still being challenged by lingering pandemic impacts, oversupply, weak economic indicators, and/or poor corporate contribution. Hotel investors look for opportunities to either exit or regenerate demand. Example markets in this stage include Cincinnati, OH; Detroit, MI; and Knoxville, TN.

Ignition

In the 'Ignition' stage, hotels typically perform adequately for operators to enjoy positive returns, with confidence the economy will enter a sustained post-pandemic status. While the regional economy continues to recover, strong hotel performance locally is igniting expansion in certain key sectors. Example markets in this stage include Chicago, IL; Miami, FL; and Myrtle Beach, SC.Chicago, IL; Miami, FL; and New York, NY.

Expansion

In the 'Expansion' stage, hotels perform adequately, contributing to a resilient economy that is approaching a 'post' pandemic environment. Displacement demand is high, new hotel supply is feasible (despite barriers normally being high), and the overall economy is expanding. Example markets in this stage include Anaheim, CA; Atlanta, GA; and Austin, TX.

Industry Observations

MOODYS ANALYTICS

Business Cycle:	**Late Expansion**
Employment Growth (2 yr):	**9.0%**
Risk Exposure (402 US markets):	**10th Percentile: Low Risk**
Key Industry Notes:	Energy, manufacturing
	Oil and gas technology
	Significant trade links
	Erratic energy markets
	Low industrial diversity

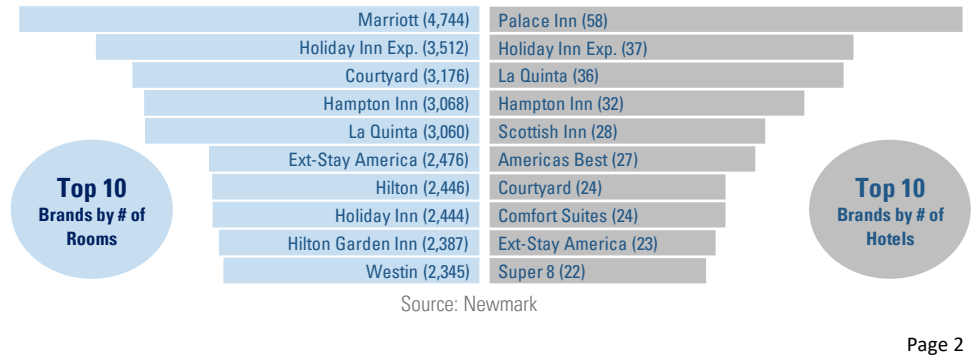
Moody's Rating

Aaa

Investment Grade

Long-term investment grade, Prime-1 short-term outlook

TOP 10 BRANDS

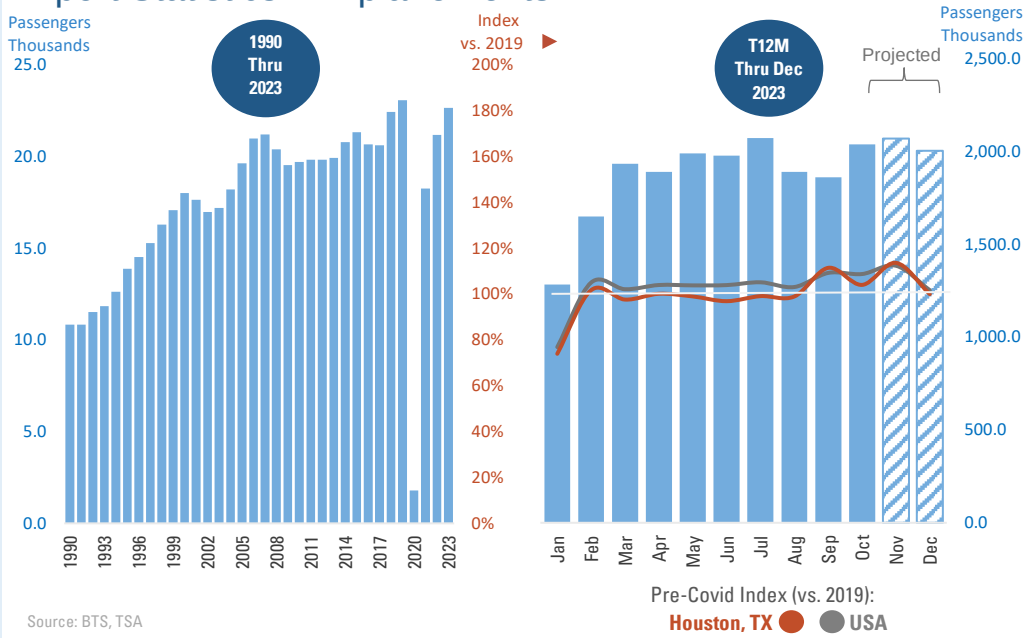


Source: Newmark

NEWMARK

HOUSTON, TX: ALL LOCAL

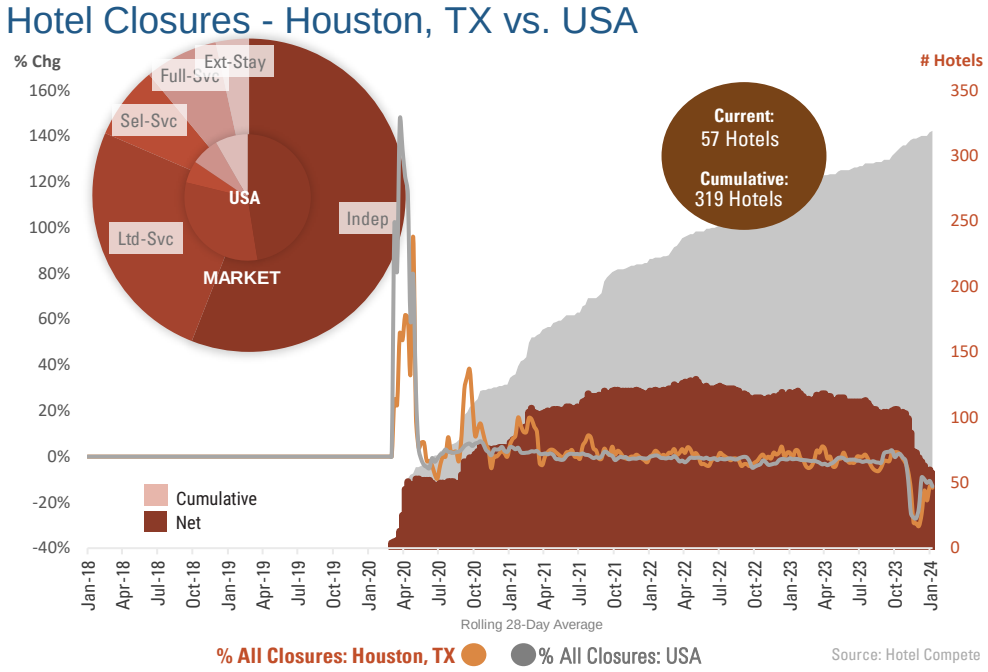
Airport Statistics - Enplanements



Source: BTS, TSA

DATA THROUGH JANUARY 2024

Hotel Closures - Houston, TX vs. USA

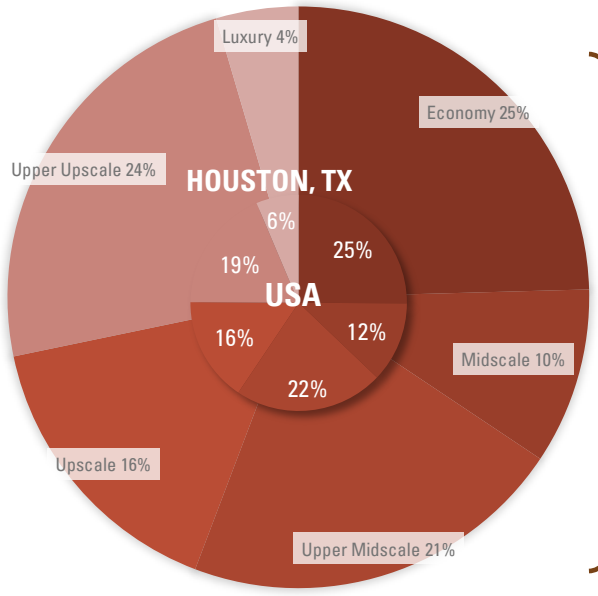


Source: Hotel Compete

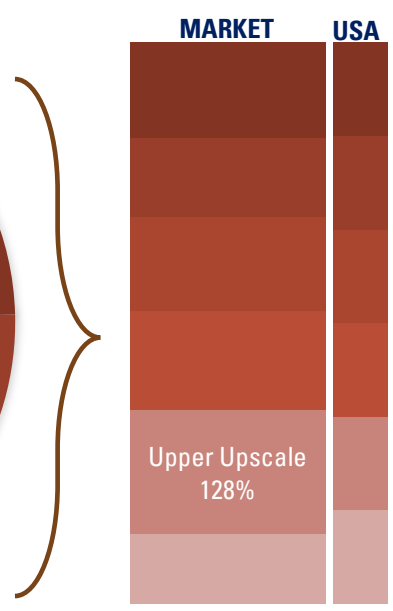
SCALE AND SERVICE ORIENTATION

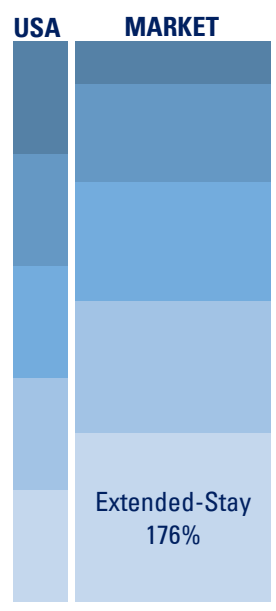
Scale and Service Distribution: Houston, TX

DISTRIBUTION BASED ON CHAIN SCALE

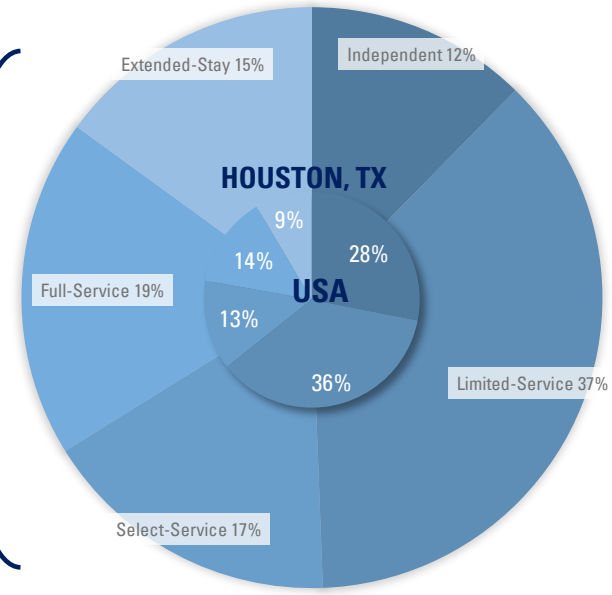


CURRENT CATEGORY PENETRATION RELATIVE TO USA





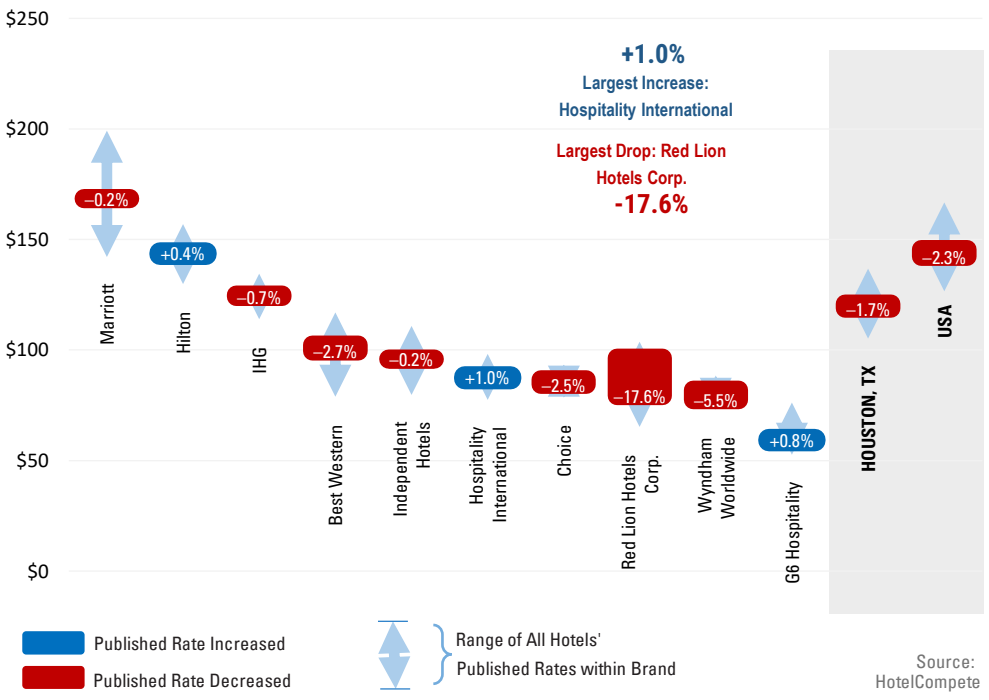
DISTRIBUTION BASED ON SERVICE ORIENTATION



'30/3' RATE CHANGES

Published Rates: Top 10 Brands

Surveyed late January 2024

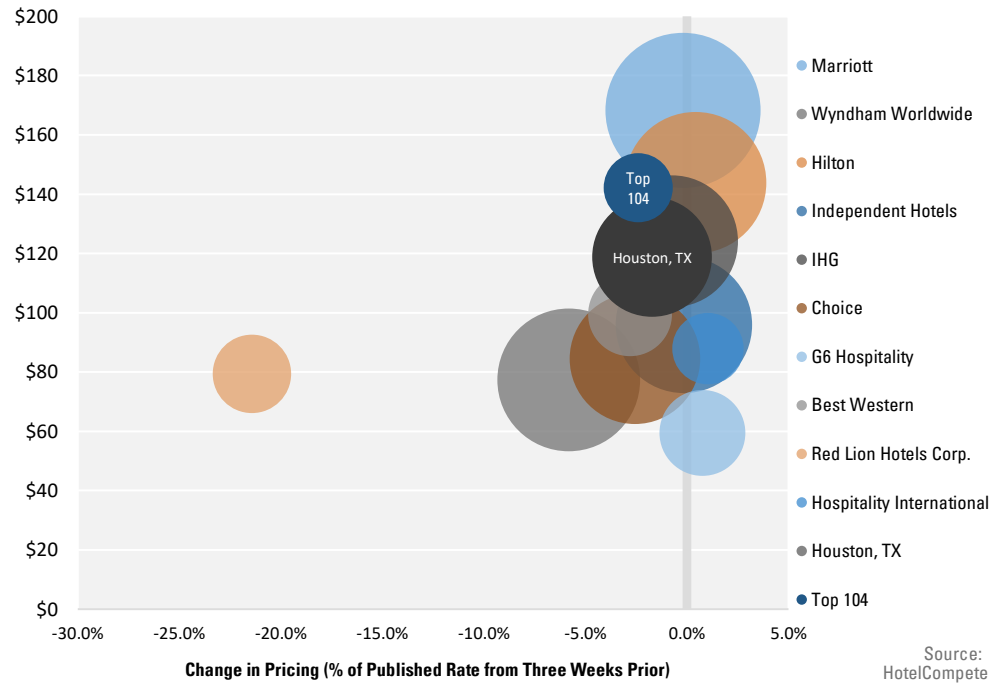


Source: HotelCompete

RATE ADJUSTMENTS BY BRAND

Published Rates: Volatility

Surveyed late January 2024



Source: HotelCompete

Published Rate Observations: 30-Day Advance

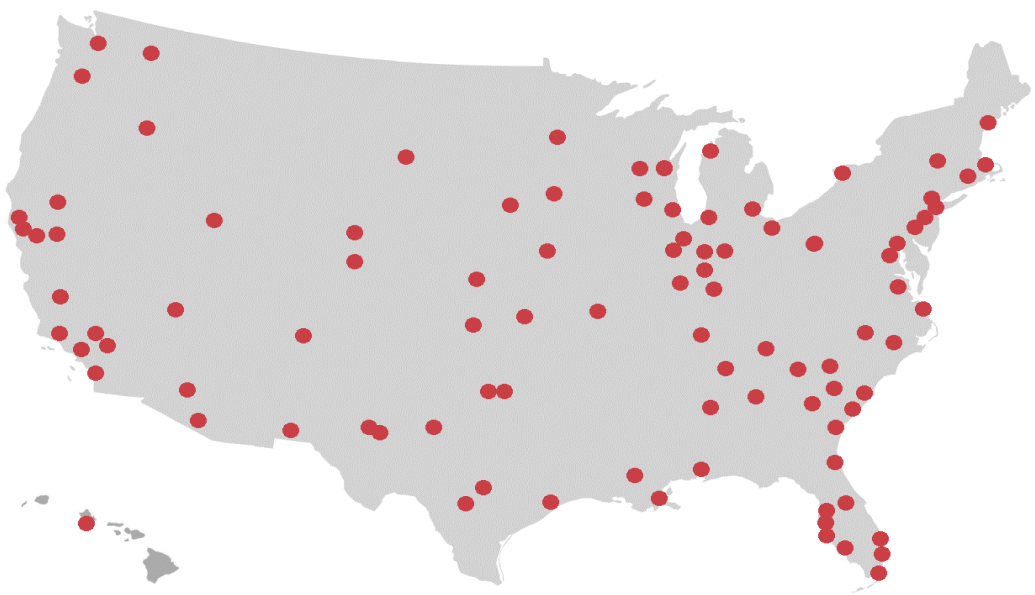
MARKET LEVEL

Published Rate Level	Rate Movement	Optimism
79th	**30th**	**41st**
Below Average	**Above Average**	**Average**
The 30-day advanced published rate for the market was a somewhat conservative $118.82, ranking 79th out of 104 markets. (Guest-Paid ADR ranked a somewhat conservative 79th at $110.68 in 4Q 2023.)	Published rates have recently been moving downward, decreasing by a modest 1.7% over three weeks going into late January 2024. By comparison, the T-104 average posted downward movement of 2.34%.	Published rates reported in late January 2024 were 7.4% higher than the market's Guest-Paid ADR in 4Q 2023. This optimism is average. By comparison, the T-104 spread was -9.5%.

BRAND LEVEL

Published Rate Integrity	Coverage	Volatility
61st	**86th**	**44th**
Average	**Below Average**	**Moderate**
Published rates among the top 10 brands have a moderate amount of integrity with some pricing overlap, suggesting bottom-feeding occasionally exists.	Houston, TX has a below average spectrum of rate classes and traveler types among its top 10 brands, and the range of coverage has been widening.	Houston, TX's top 10 brands are exhibiting moderate volatility with respect to advanced booking pricing movements in the three weeks leading into late January 2024.

Nsights Hotel Market Reports Coverage



Akron, OH	Dayton, OH	Louisville, KY	Portland, OR
Albany, NY	Denver, CO	Madison, WI	Raleigh, NC
Albuquerque, NM	Des Moines, IA	Memphis, TN	Rapid City, SD
Anaheim, CA	Detroit, MI	Miami, FL	Richmond, VA
Arkansas State Area, AR	El Paso, TX	Michigan North Area, MI	Sacramento, CA
Atlanta, GA	Fayetteville, AR	Michigan South Area, MI	Saint Louis, MO
Augusta, GA	Fort Lauderdale, FL	Milwaukee, WI	Saint Petersburg, FL
Austin, TX	Fort Myers, FL	Minneapolis, MN	Salt Lake City, UT
Bakersfield, CA	Fort Worth, TX	Mobile, AL	San Antonio, TX
Baltimore, MD	Fresno, CA	Myrtle Beach, SC	San Bernardino, CA
Baton Rouge, LA	Greensboro, NC	Nashville, TN	San Diego, CA
Bentonville, AR	Greenville, SC	New Brunswick, NJ	San Francisco, CA
Birmingham, AL	Harrisburg, PA	New Orleans, LA	San Joaquin Valley, CA
Boise City, ID	Hartford, CT	New York, NY	San Jose, CA
Boston, MA	Houston, TX	Newark, NJ	Sarasota, FL
Buffalo, NY	Indiana North Area, IN	Oahu Island, HI (Branded)	Savannah, GA
Charleston, SC	Indiana South Area, IN	Oakland, CA	Seattle, WA
Charlotte, NC	Indianapolis, IN	Odessa-Midland, TX	Spokane, WA
Chattanooga, TN	Jackson, MS	Oklahoma City, OK	Tampa, FL
Chicago, IL	Jacksonville, FL	Omaha, NE	Tucson, AZ
Cincinnati, OH	Kansas City, MO	Orlando, FL (Non-Disney)	Tulsa, OK
Cleveland, OH	Knoxville, TN	Palm Desert, CA	Virginia Beach, VA
Colorado Springs, CO	Las Vegas, NV (Non-Strip)	Philadelphia, PA	Washington State Area, WA
Columbia, SC	Lexington, KY	Phoenix, AZ	Washington, DC
Columbus, OH	Little Rock, AR	Pittsburgh, PA	West Palm Beach, FL
Dallas, TX	Los Angeles, CA	Portland, ME	Wichita, KS

*Customized market reports available upon request

Hospitality, Gaming & Leisure

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- Hotels and Resorts
- Gaming Facilities
- Arenas, Stadiums and Sports Facilities
- Conference, Expo and Convention Centers
- Golf Courses
- Marinas
- Ski and Village Resorts
- Water Parks, Amusement Parks and Attractions

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We take feasibility studies to the next level, combining market knowledge with expert economic impact analysis and acumen in cash-on-cash, ROI and other metrics.

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Our seamless approach to fulfilling clients' financial reporting requirements means no outside assistance is needed.

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Our experts bring a strategic perspective and hands-on approach, exceeding the depth and scope of typical litigation services every time.

Portfolio Analytics
We bring industry averages and trends to bear on traditional analytics, ensuring comprehensive due diligence.

Property Tax
We understand every aspect of a property's operations, allowing us to craft advanced tax strategies.

ABOUT NEWMARK

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