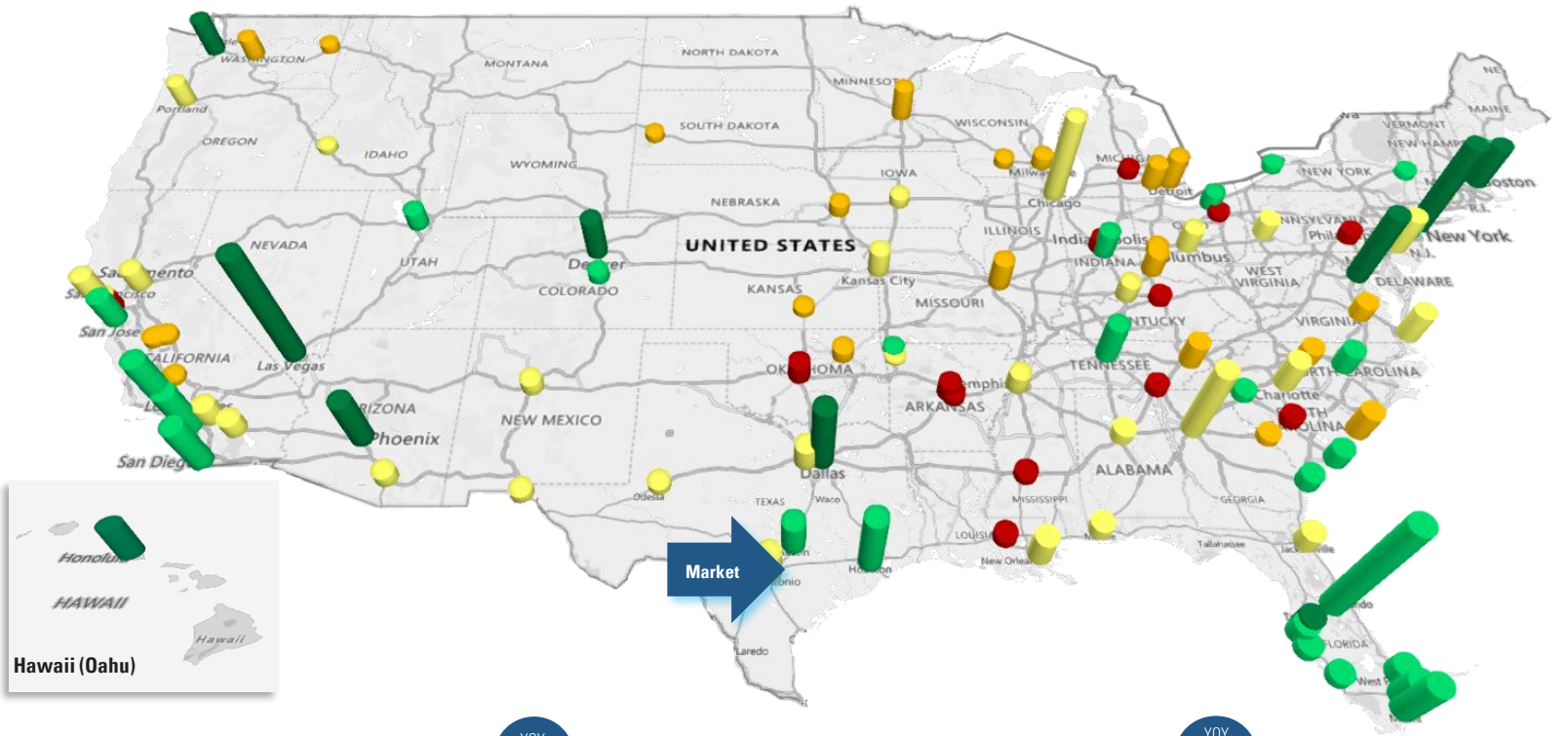
VALUATION & ADVISORY | HOSPITALITY, GAMING & LEISURE

HOTEL MARKET NSIGHTS REPORT

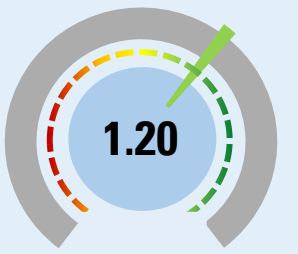
3Q 2024
HOUSTON, TX

Lodging Performance Index Snapshot



LODGING PERFORMANCE INDEX

Houston, TX

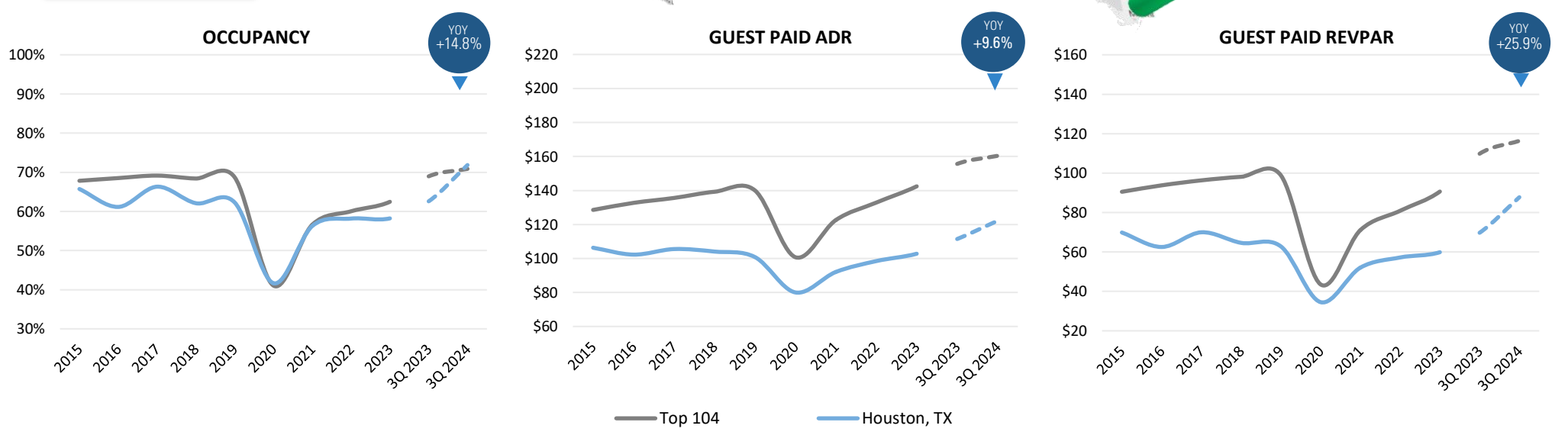


25th of 104

Above Average

Ranking of overall '3Q 2024 LPI' performance (1.20) against all 104 surveyed markets.

KEY PERFORMANCE METRICS



PERFORMANCE INDEXES

Key Performance Indexes

Subject Market | Top 104

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
71.8% / 70.9%	67.1% / 67.9%	$122 / $160	$119 / $160	$88 / $116	$80 / $112
3Q 2024	T12 Mos.	3Q 2024	T12 Mos.	3Q 2024	T12 Mos.
30th	41st	75th	78th	61st	65th

BENCHMARK INDEXES

Key Benchmark Indexes

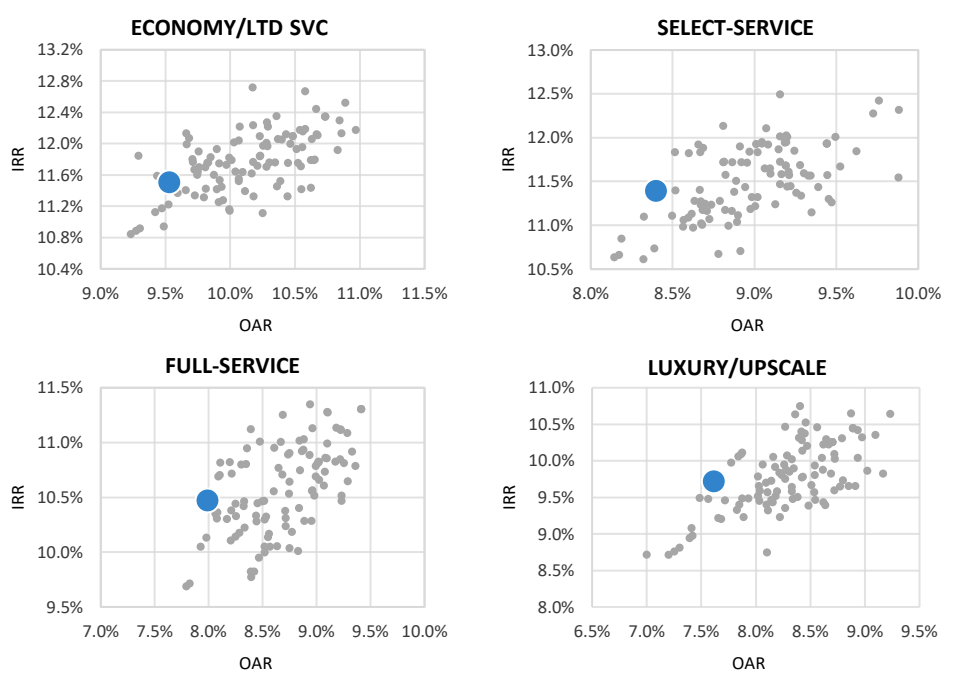
kalibri LABS

Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
46.0% / 47.6%	47.5% / 52.4%	2.41 / 2.06	2.74 / 2.07	$7.87 / $12.17	$8.06 / $11.83
3Q 2024	T12 Mos.	T12 Mos.	3Q 2024	3Q 2024	T12 Mos.
72nd	64th	2nd	3rd	15th	24th

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark



FUNDAMENTALS

Trends and Risks

Source: Kalibri Labs, Newmark

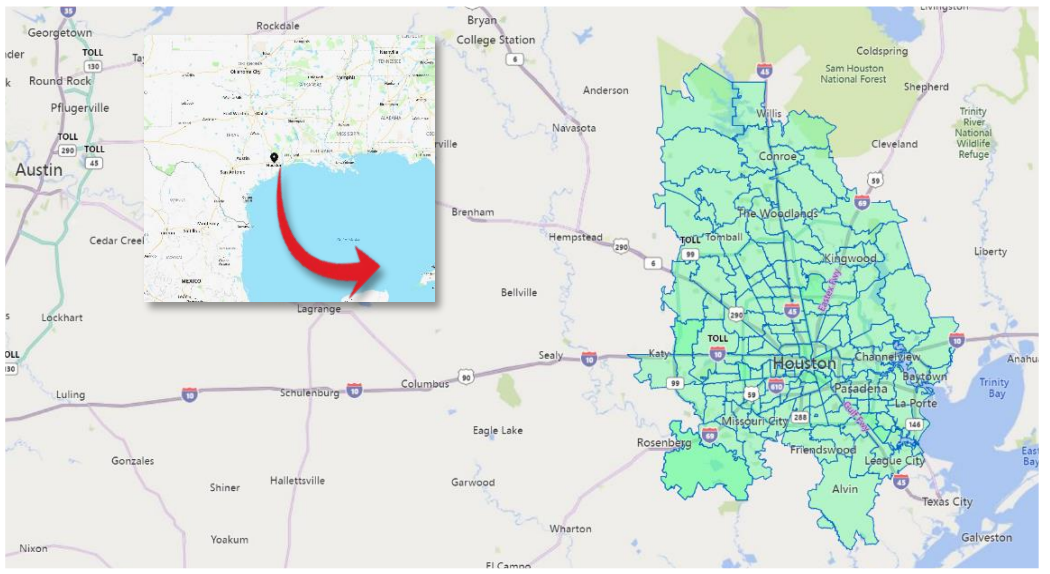
Revenue Stability	Supplier Power Trend	Investment Yields
2nd	**61st**	**16th**
Very Strong	Average	Above Average
Assessment of room revenue growth and volatility over past three to five years against other Top 104 markets	Assessment of market's ability to maximize loyalty and profits, and to ward off 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
16th	**88th**	**60th**
Above Average	Below Average	Average Risk
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 Hotel Revenues	$2.5 billion	17th of 104 (Above Average)

Key Performance Metrics

Data provided by: kalibri LABS

YEAR ENDING	Guest Paid Occ %	Guest Paid ADR	Guest Paid RevPAR	COPE ADR	COPE RevPAR	Booking Cost POR	ADR COPE %	Loyalty %	Avg Length of Stay Nights	Supply Rooms	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	0.95
CAGR: 2015 thru 2023	-1.5%	-0.4%	-1.9%	-0.4%	-1.9%	-1.2%	0.1%	-0.4%	-0.8%	2.5%	-3.8%
3Q 2023	62.6%	$111.44	$69.73	$103.57	$64.81	$7.87	92.9%	46.1%	2.26	93,880	0.87
3Q 2024	71.8%	$122.17	$87.76	$114.30	$82.11	$7.87	93.6%	46.0%	2.74	95,530	1.20

Notable Metrics

HIGHEST

Latest-Quarter Average Length of Stay	T12-Month Average Length of Stay	OAR: Full-Service
2nd	**3rd**	**5th**
Very Strong	**Very Strong**	**Highly Favorable**
Houston, TX boasted strong latest–quarter average length of stay (2.74 Nights)	The market benefited from strong T12–month average length of stay (2.41 Nights)	The market also posted favorable OAR metrics in the full–service segment (8.0%)

LOWEST

T12-Month Guest Paid ADR	Feeder Group Earnings per sold room	T12-Month COPE ADR
78th	**77th**	**77th**
Below Average	**Below Average**	**Below Average**
This market exhibited weak T12–month Guest Paid ADR ($118.72)	The market has low feeder group earnings per sold room ($4,472,921)	Houston, TX also has been hindered by weak T12–month COPE ADR ($110.65)

Notable Trends

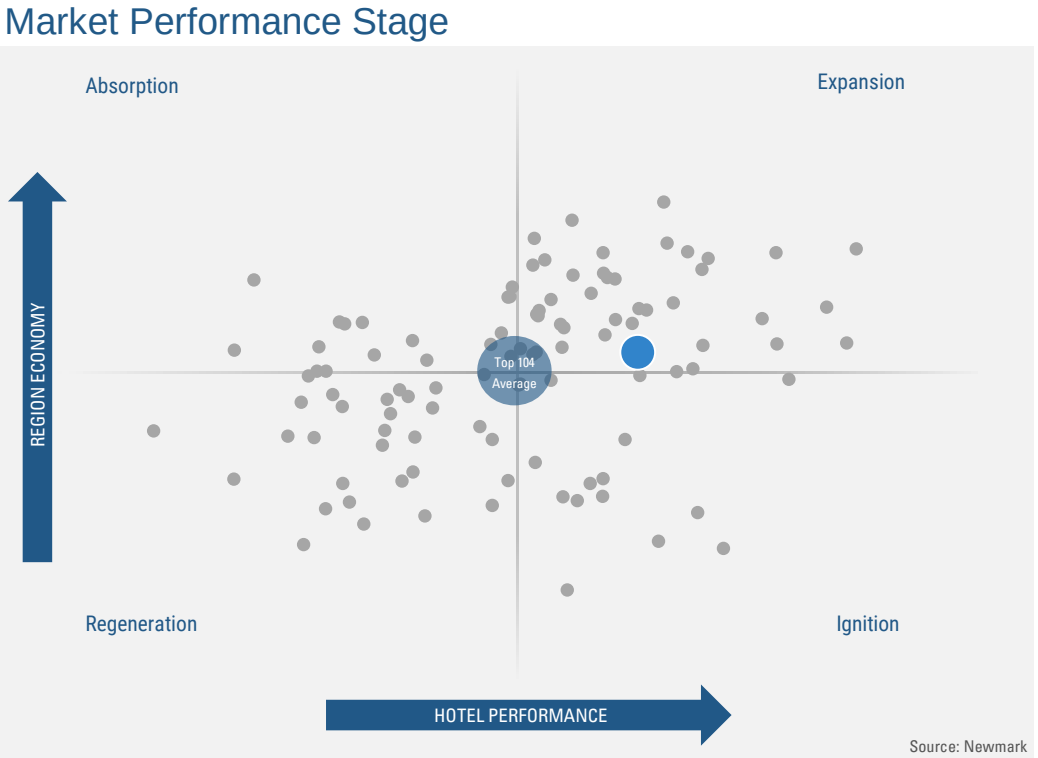
STRONGEST

Short-Term Historical Average Length of Stay Growth	Short-Term Historical Guest Paid RevPAR Growth	Short-Term Historical COPE RevPAR Growth
1st	**2nd**	**2nd**
Very Strong	**Very Strong**	**Very Strong**
Houston, TX has benefited from strong short–term historical average length of stay growth (4.2%)	The market has benefited from strong short–term historical Guest Paid RevPAR growth (6.4%)	The market also exhibited strong short–term historical COPE RevPAR growth (6.6%)

WEAKEST

Short-Term Historical Loyalty Contribution Growth	Long-Term Historical Loyalty Contribution Growth	Long-Term Historical Guest Paid ADR Growth
100th	**100th**	**98th**
Soft	**Soft**	**Soft**
The market has been hindered by weak short–term historical loyalty contribution growth (2.5%)	We note this area has been hindered by weak long–term historical loyalty contribution growth (2.8%)	Houston, TX also has been impeded by weak long–term historical Guest Paid ADR growth (1.1%)

Market Performance Stage



Source: Newmark

Houston, TX: Expansion Stage

Expansion

The Houston, TX market is currently in the 'Expansion' stage of the performance cycle. In this stage, hotels perform adequately, contributing to a resilient economy that has fully exited from the 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.

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 remain fully recovered from the pandemic. While the regional economy continues to recover, strong hotel performance locally is igniting expansion in certain key sectors. Example markets in this stage include Baltimore, MD; Miami, FL; and New Orleans, LA.

Absorption

In the 'Absorption' stage, hotels are underperforming but in an economy with resilience and confidence the economy will shed any 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 Minneapolis, MN; ; and .

MOODYS ANALYTICS

Industry Observations

Business Cycle:	**Mid Expansion**
Employment Growth (2 yr):	1.7%
Risk Exposure (402 US markets):	**15th Percentile: Below Average**
Key Industry Notes:	Significant trade links
	Leadership in oil and gas technology
	Economy's volatility
	Erratic energy markets
	Low industrial diversity

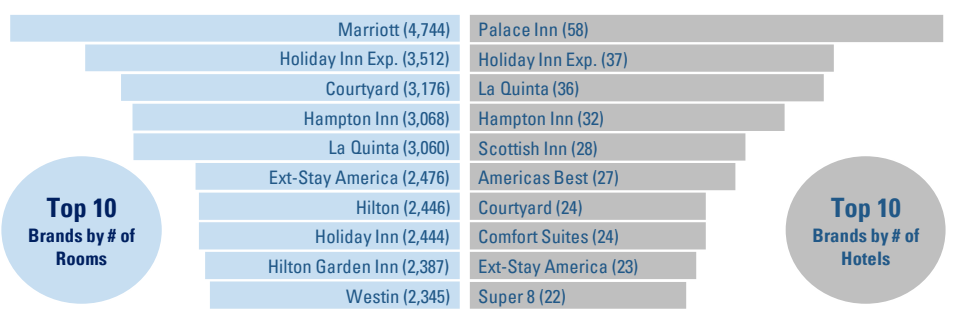
Moody's Rating

Aaa

Investment Grade

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

TOP 10 BRANDS

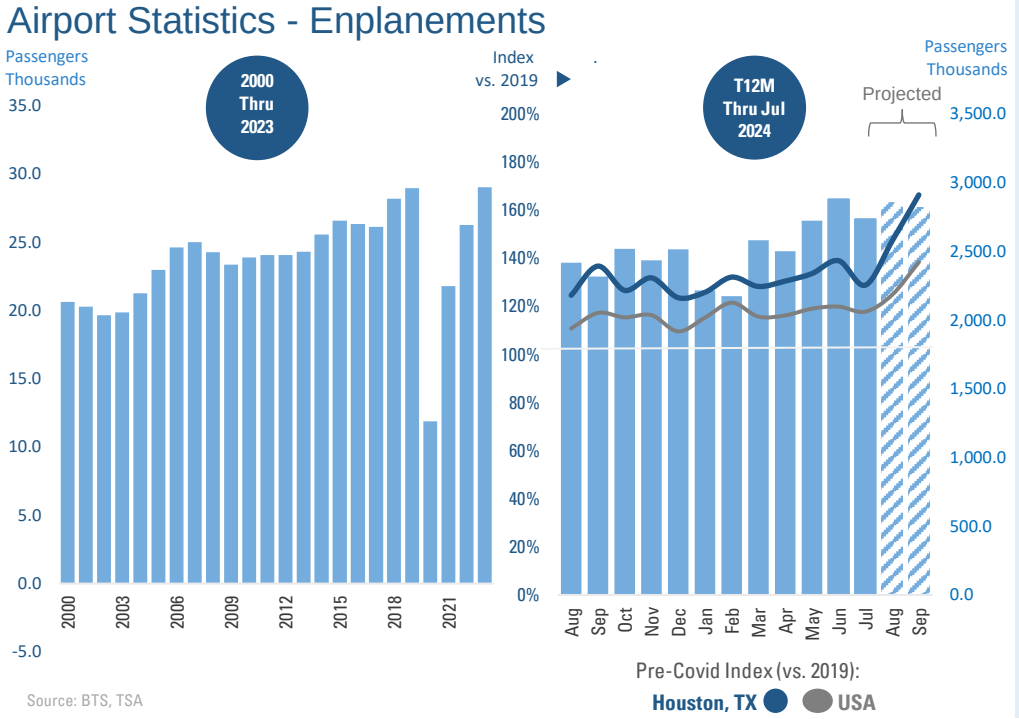


Source: Newmark

NEWMARK

SELECT NEAREST AIRPORT CITY: ALL LOCAL

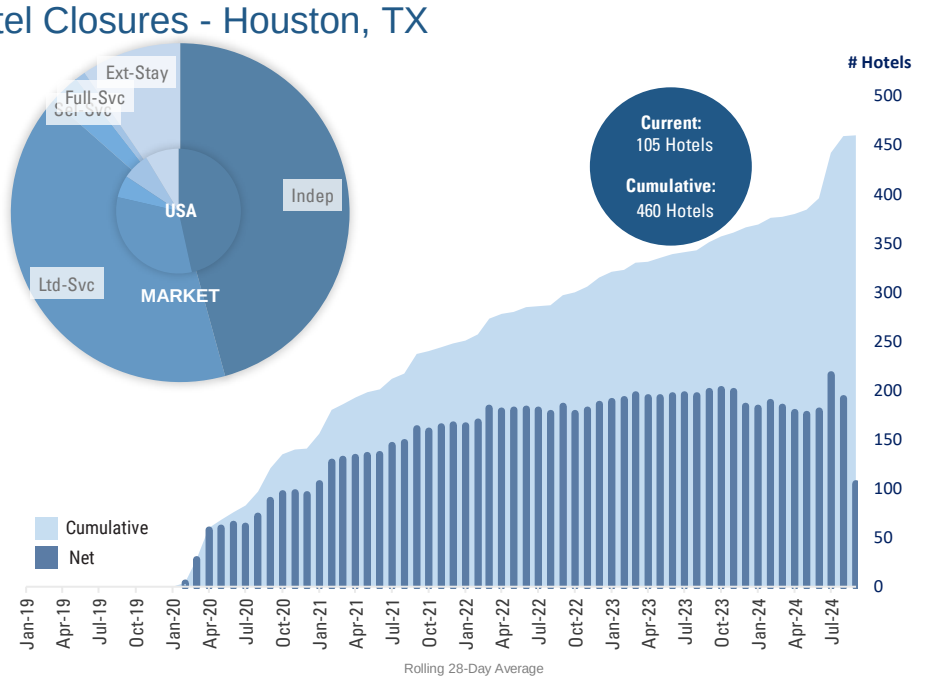
Airport Statistics - Enplanements



Source: BTS, TSA

DATA THROUGH NOVEMBER 2024

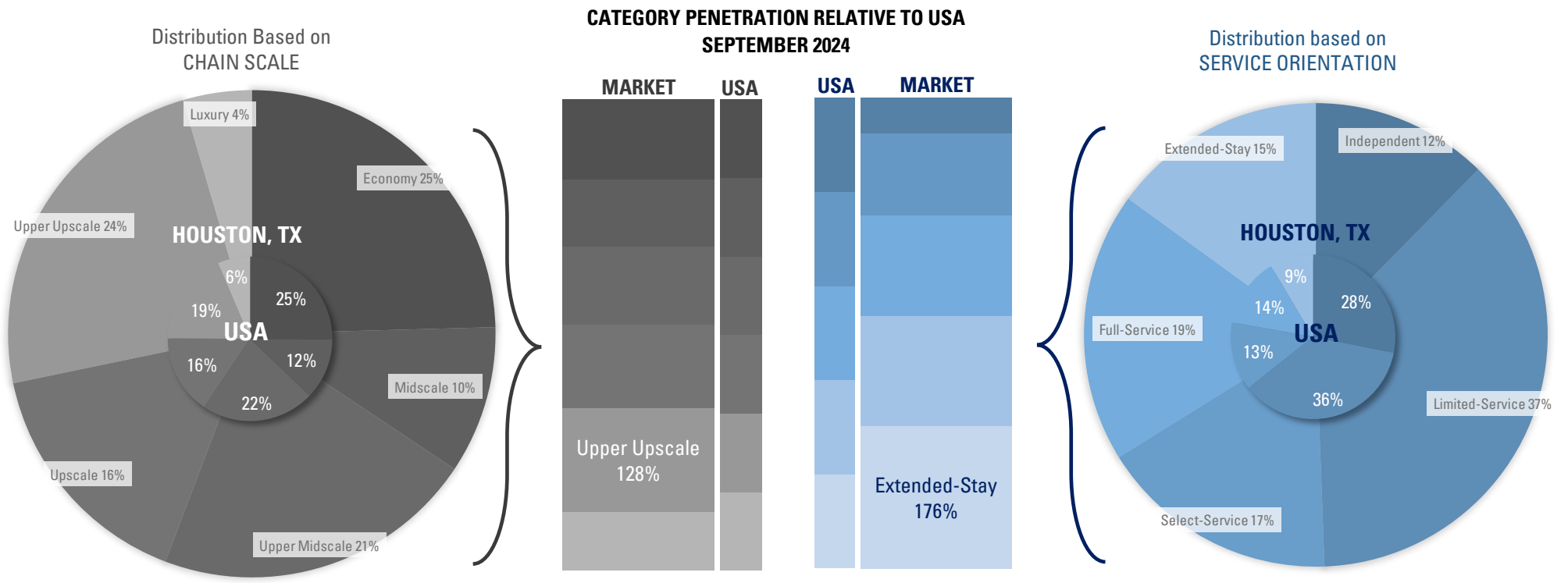
Hotel Closures - Houston, TX



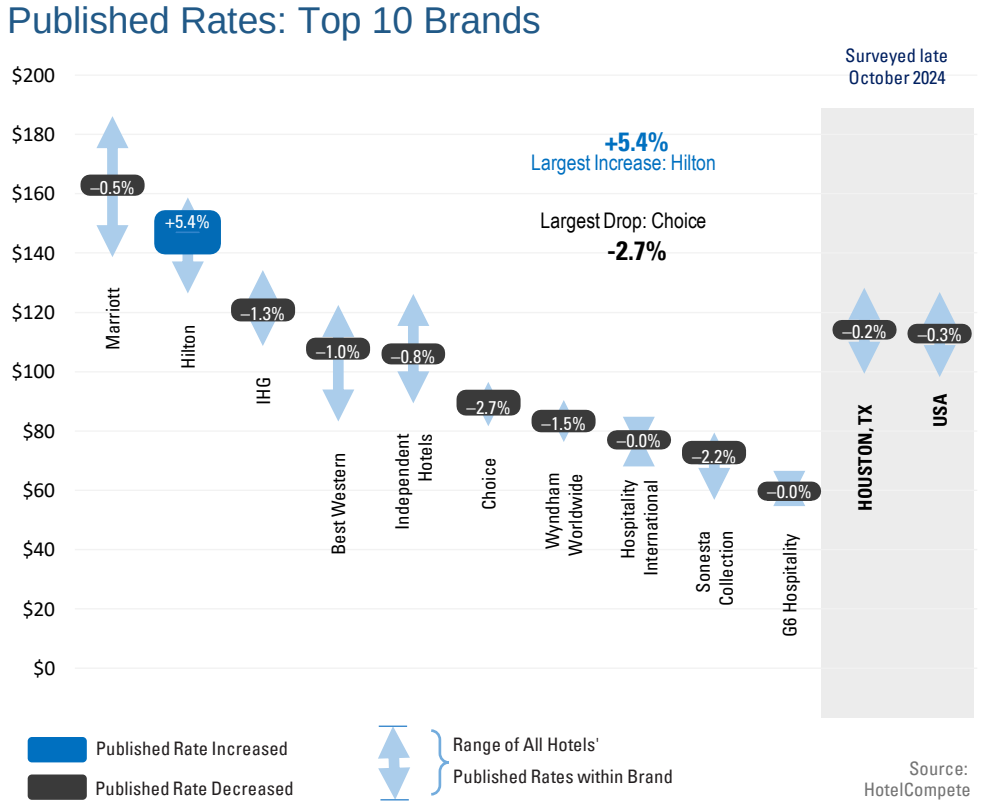
Source: Hotel Compete

SCALE AND SERVICE ORIENTATION

Scale and Service Distribution: Houston, TX

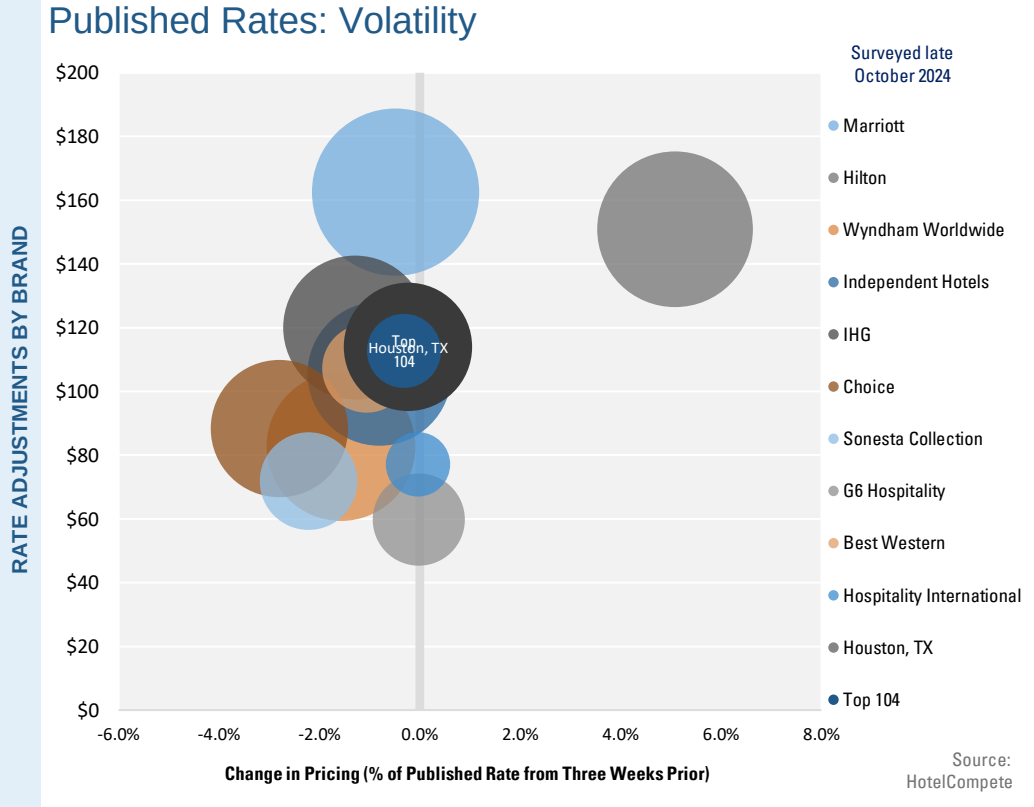


Published Rates: Top 10 Brands



Source: HotelCompete

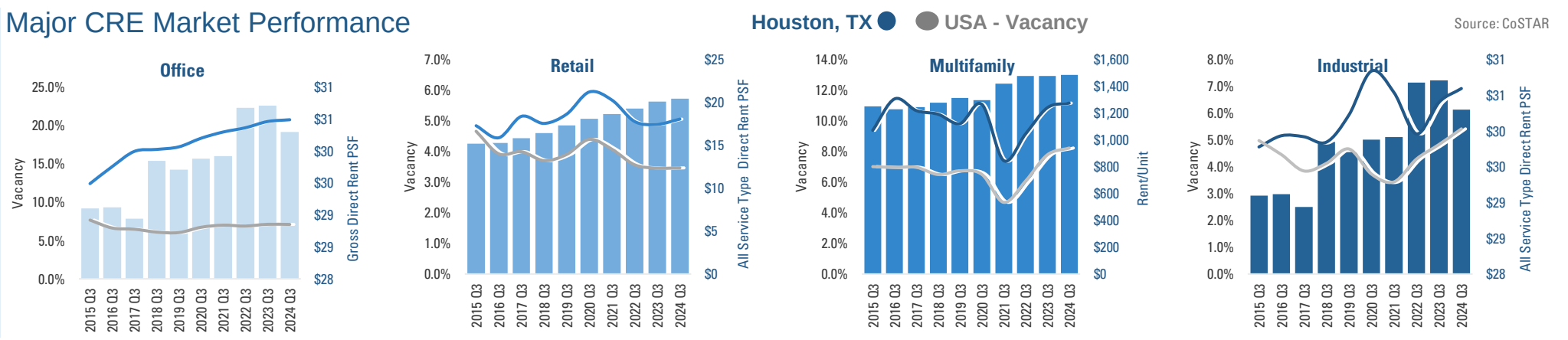
Published Rates: Volatility



Source: HotelCompete

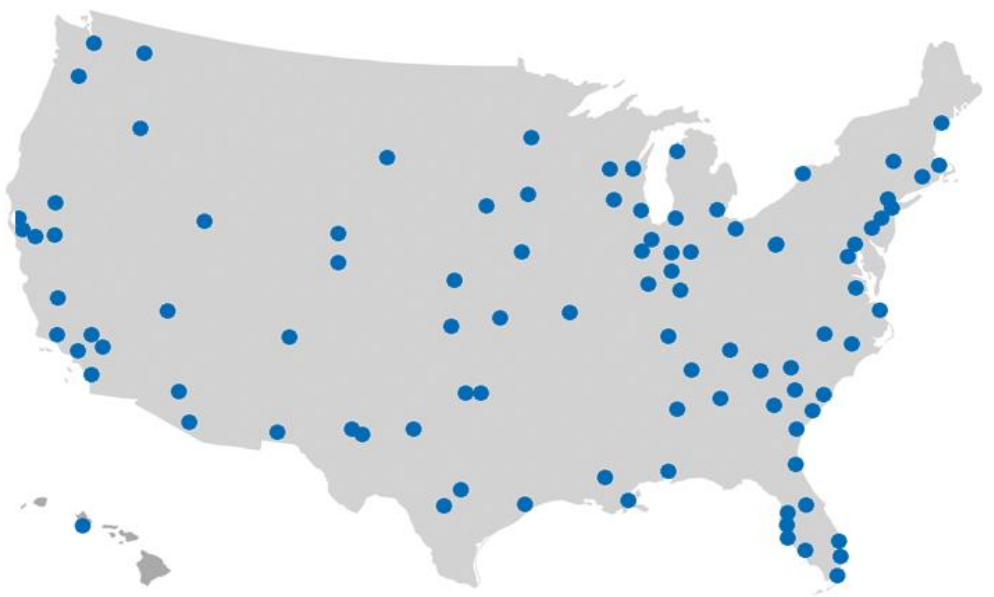
MAJOR C.R.E. METRICS

Major CRE Market Performance



Source: CoSTAR

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

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Stadiums, Sports & Entertainment Facilities

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Golf Courses

Marinas

Ski and Village Resorts

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