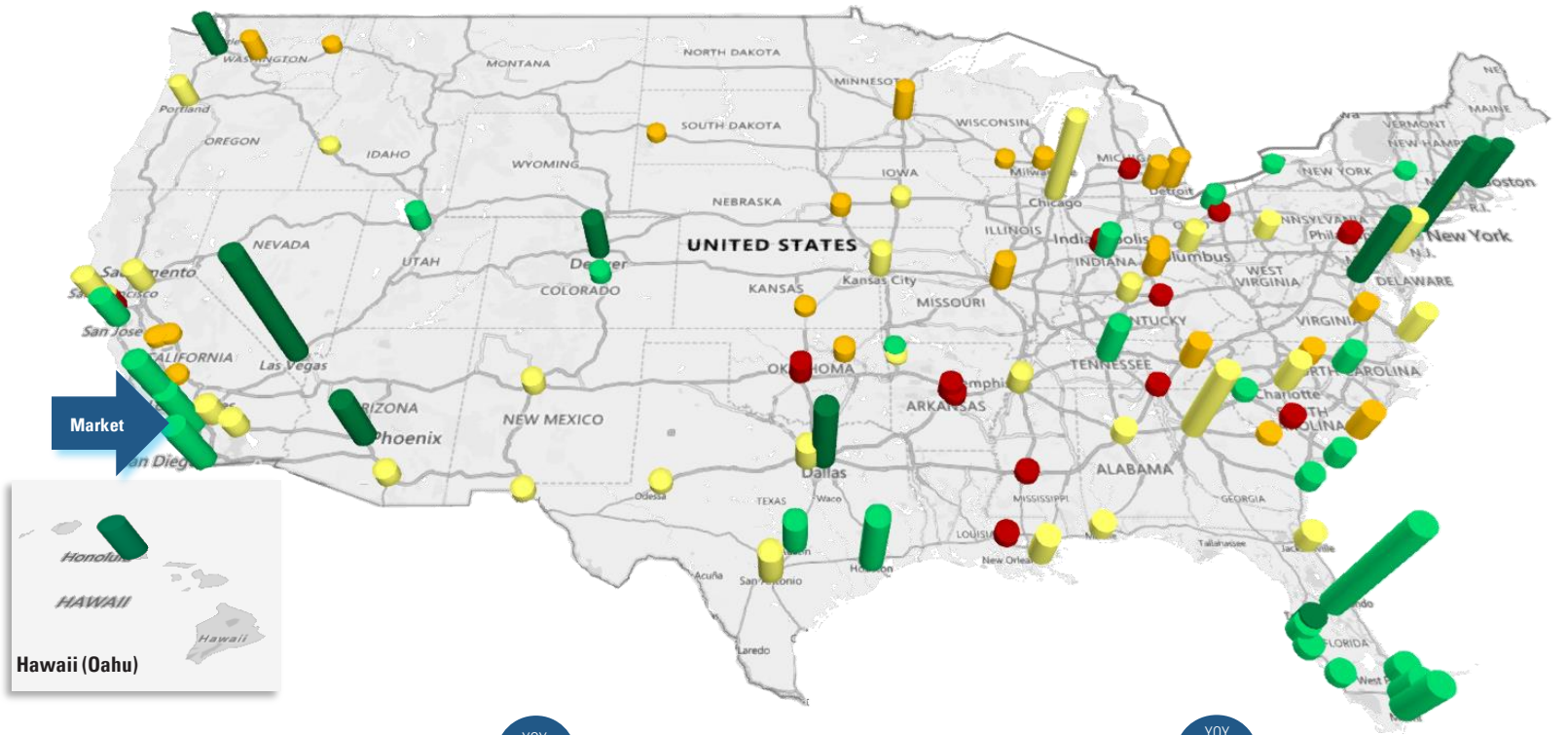
VALUATION & ADVISORY | HOSPITALITY, GAMING & LEISURE

HOTEL MARKET NSIGHTS REPORT

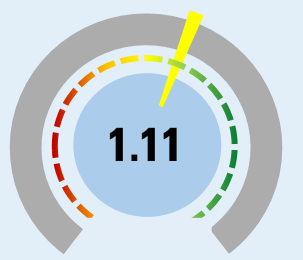
3Q 2024
PALM DESERT, CA

Lodging Performance Index Snapshot



LODGING PERFORMANCE INDEX

Palm Desert, CA

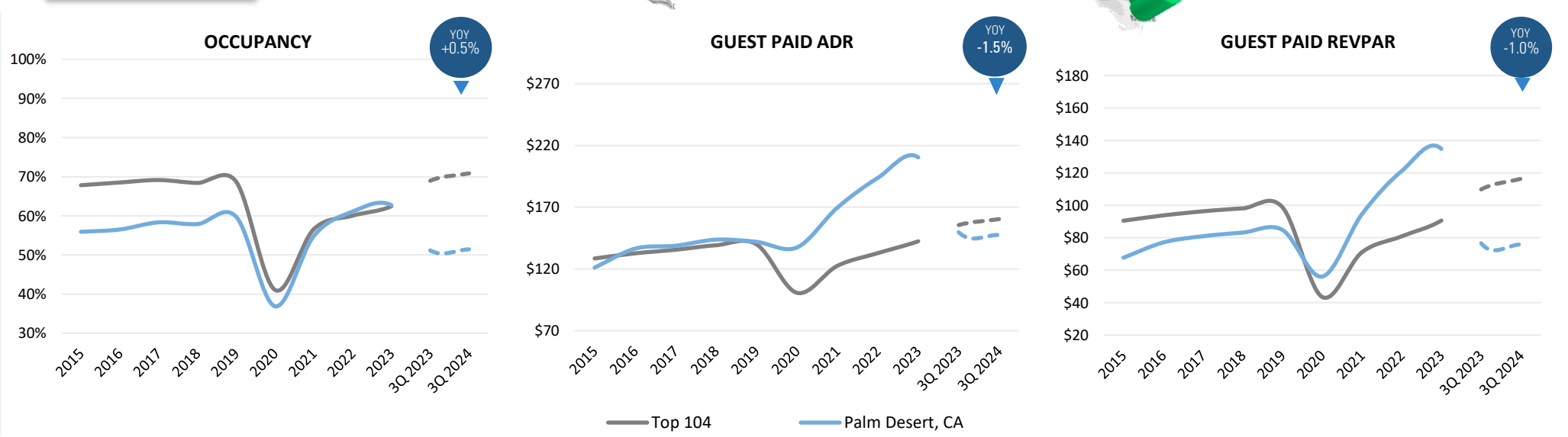


38th of 104

Average

Ranking of overall '3Q 2024 LPI' performance (1.11) against all 104 surveyed markets.

KEY PERFORMANCE METRICS



PERFORMANCE INDEXES

Key Performance Indexes

Subject Market | Top 104

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
51.4% / 70.9% (3Q 2024)	64.3% / 67.9% (T12 Mos.)	$148 / $160 (3Q 2024)	$206 / $160 (T12 Mos.)	$76 / $116 (3Q 2024)	$135 / $112 (T12 Mos.)
104th	61st	38th	7th	84th	12th

BENCHMARK INDEXES

Key Benchmark Indexes

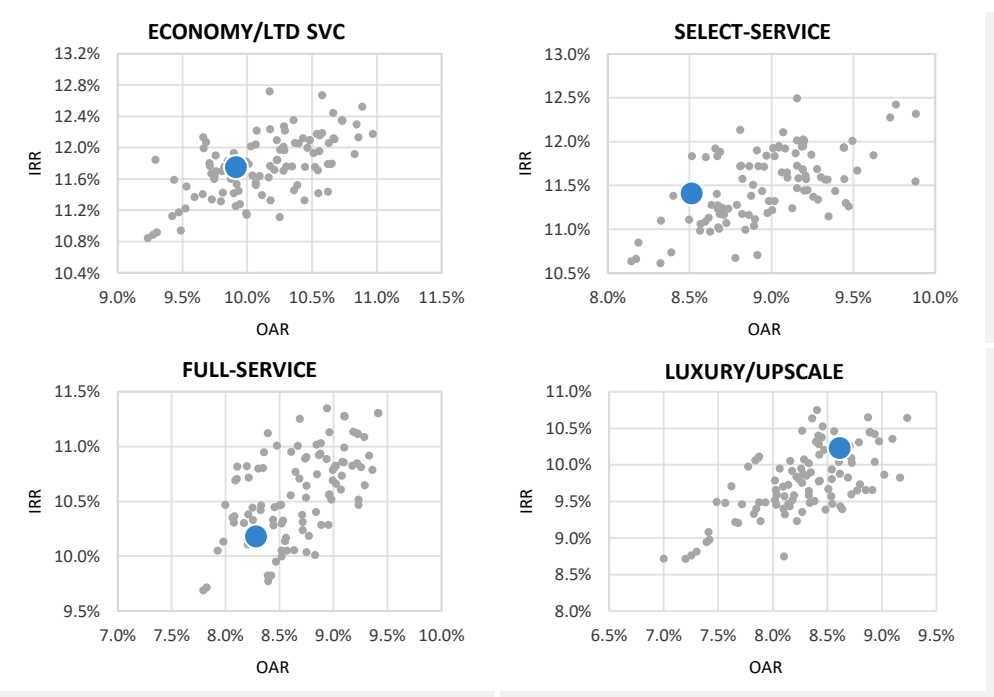
kalibri LABS

Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
39.4% / 47.6% (3Q 2024)	41.0% / 52.4% (T12 Mos.)	1.87 / 2.06 (T12 Mos.)	1.79 / 2.07 (3Q 2024)	$10.99 / $12.17 (3Q 2024)	$13.67 / $11.83 (T12 Mos.)
93rd	87th	98th	92nd	71st	92nd

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark



FUNDAMENTALS

Trends and Risks

Source: Kalibri Labs, Newmark

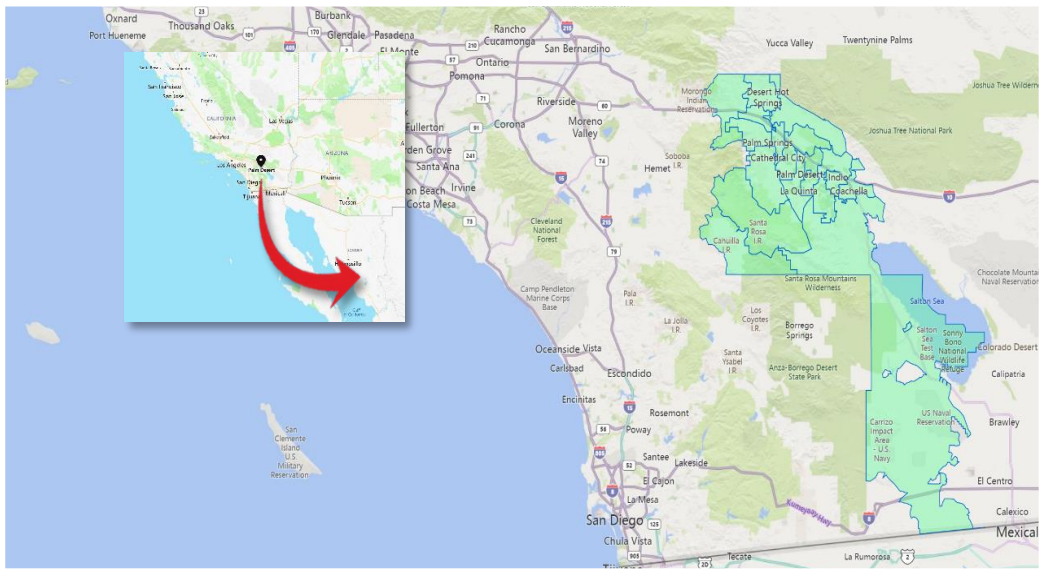
Revenue Stability	Supplier Power Trend	Investment Yields
41st	84th	30th
Average	Below Average	Above Average
Assessment of room revenue growth and volatility over past three to five years against other Top 104 markets	Assessment of market's ability to maximize loyalty and profits, and to ward off booking 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
57th	59th	31st
Average Risk	Average Risk	Above 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:	Palm Desert
County:	Riverside County
State:	California
Geo Coordinates (market center):	33.72224, -116.37446

Major Hotel Demand Generators

JW Marriott | Universal Protection Services | Securitas | Organization of Legal Professionals | Sunshine Landscaping | Costco Wholesale | Bighorn Golf Club | Whole Foods Market | Target | Tommy Bahama | College of the Desert | Desert Pipe & Supply | The Living Desert | Ironwood Country Club | Indian Ridge Country Club | Desert Security Services | CLK | Desert Arc | Cove Electric | Desert Willow Golf Resort

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	369,384	94th of 104 (Small)
Income per Capita	$56,262	26th of 104 (Above Average)
Feeder Group Size	28.2 Persons PSR	6th of 104 (Strong)
Feeder Group Earnings	$1,585,789 PSR	10th of 104 (Above Average)
Total Market Hotel Revenues	$1.0 billion	38th of 104 (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 Rooms	Performance Index (LPI)
2015	55.9%	$121.15	$67.72	$112.55	$62.92	$8.59	92.9%	31.2%	1.95	17,100	1.20
2016	56.5%	$136.49	$77.10	$125.99	$71.17	$10.50	92.3%	32.0%	1.94	17,040	1.23
2017	58.3%	$138.84	$80.98	$128.07	$74.70	$10.77	92.2%	38.6%	1.94	17,940	1.09
2018	57.9%	$143.78	$83.21	$132.64	$76.77	$11.14	92.3%	42.4%	1.90	18,830	1.24
2019	59.7%	$142.03	$84.85	$131.00	$78.26	$11.03	92.2%	43.0%	1.89	18,960	1.13
2020	36.9%	$137.45	$56.10	$128.12	$47.23	$9.33	93.2%	31.7%	1.92	18,900	0.97
2021	54.8%	$169.66	$94.51	$157.11	$86.15	$12.55	92.6%	34.7%	1.83	19,160	1.06
2022	61.1%	$193.75	$121.12	$179.99	$109.93	$13.76	92.9%	35.9%	1.87	19,210	1.31
2023	62.7%	$210.37	$134.80	$196.02	$122.93	$14.35	93.2%	36.3%	1.90	19,320	1.17
CAGR: 2015 thru 2023	**1.4%**	**7.1%**	**9.0%**	**7.2%**	**8.7%**	**6.6%**	**0.0%**	**1.9%**	**-0.3%**	**1.5%**	**-0.2%**
3Q 2023	51.2%	$149.80	$76.63	$138.50	$70.85	$11.30	92.5%	36.3%	1.74	20,040	1.26
3Q 2024	51.4%	$147.52	$75.86	$136.53	$70.21	$10.99	92.6%	39.4%	1.79	20,070	1.11

Notable Metrics

HIGHEST

Feeder Group Size	T12-Month Guest Paid ADR	T12-Month COPE ADR
6th	**7th**	**7th**
Strong	**Strong**	**Strong**
Palm Desert, CA required a small feeder group size (28.19 Persons)	The market benefited from strong T12–month Guest Paid ADR ($205.87)	The market also exhibited strong T12–month COPE ADR ($192.20)

LOWEST

Latest-Quarter Occupancy	Feeder Population Per Room	Population Density per Room
Last	**99th**	**99th**
Soft	**Soft**	**Soft**
This market exhibited weak latest–quarter occupancy (51.4%)	The market posted a low ratio of feeder population per room (13.12)	Palm Desert, CA also has been hindered by weak population density per room (18.41)

Notable Trends

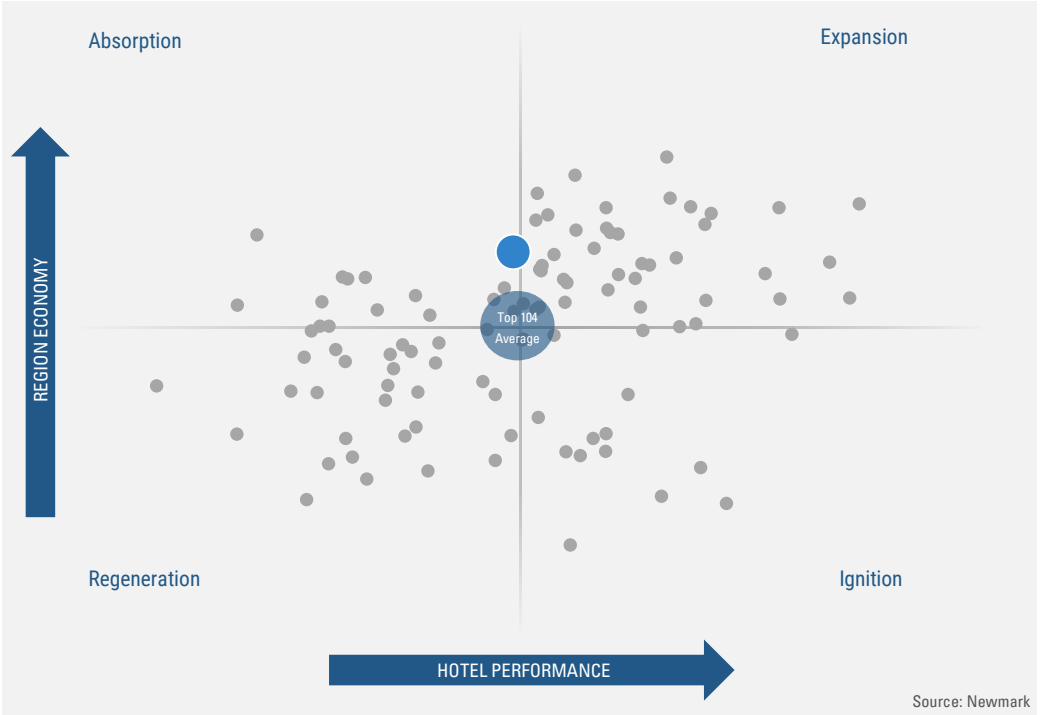
STRONGEST

Long-Term Historical Loyalty Contribution Growth	Short-Term Historical Guest Paid ADR Growth	Short-Term Historical COPE ADR Growth
4th	**14th**	**14th**
Strong	**Above Average**	**Above Average**
Palm Desert, CA exhibited strong long–term historical loyalty contribution growth (6.2%)	The market exhibited strong short–term historical Guest Paid ADR growth (4.9%)	The market also has benefited from strong short–term historical COPE ADR growth (5.0%)

WEAKEST

Short-Term Historical Occupancy Growth	Short-Term Historical Average Length of Stay Growth	Short-Term Historical Booking Costs POR Growth
Last	**92nd**	**81st**
Soft	**Soft**	**Below Average**
The market has been hindered by weak short–term historical occupancy growth (–6.6%)	We note this area exhibited weak short–term historical average length of stay growth (–0.4%)	Palm Desert, CA also has been impeded by high short–term historical growth in booking costs (4.5%)

Market Performance Stage



Source: Newmark

Palm Desert, CA: Absorption Stage

Absorption

The Palm Desert, CA 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 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 .

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.

Expansion

In the 'Expansion' 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.

MOODYS ANALYTICS

Industry Observations

Business Cycle:	**Mid Expansion**
Employment Growth (2 yr):	1.6%
Risk Exposure (402 US markets):	66th Percentile: Average Risk
Key Industry Notes:	Comparative advantage in transportation
	Lower business and housing costs
	Young population; positive migration
	Dearth of high-wage industries
	Low educational attainment

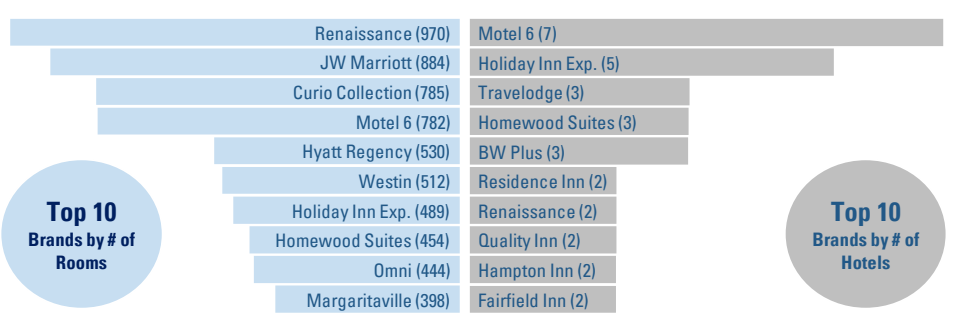
Moody's Rating

Aa2

Investment Grade

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

TOP 10 BRANDS

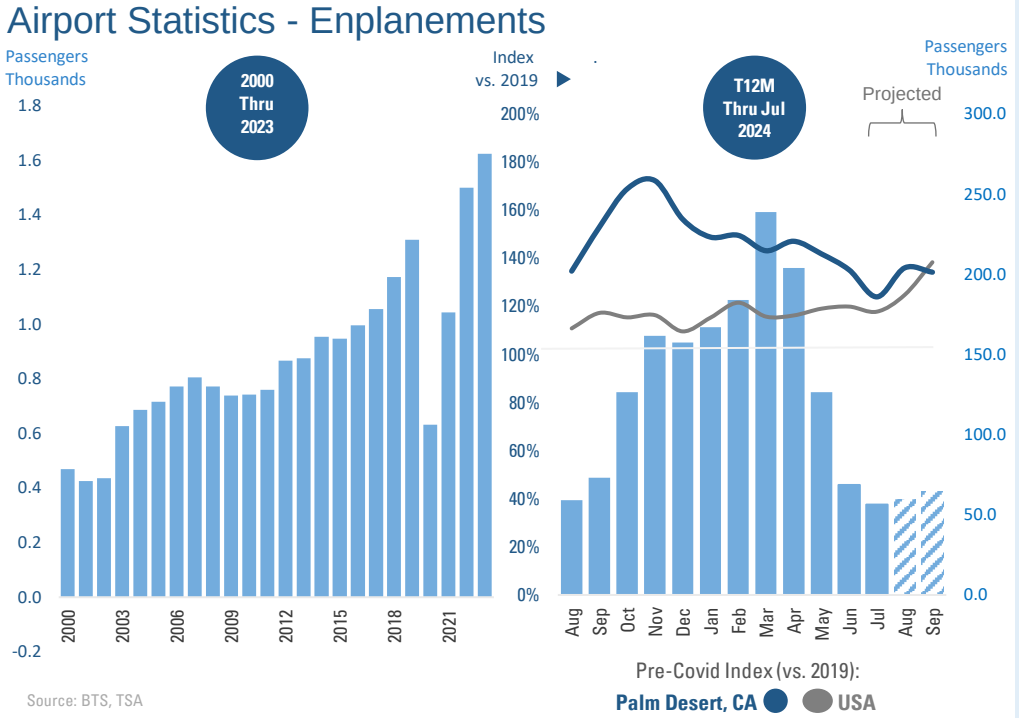


Source: Newmark

NEWMARK

SELECT NEAREST AIRPORT CITY: ALL LOCAL

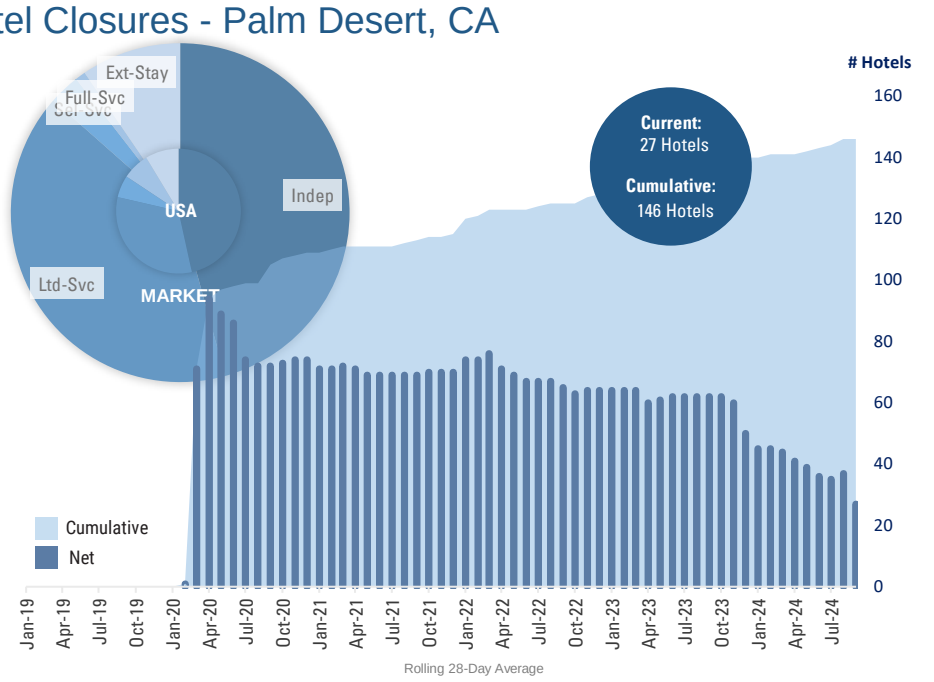
Airport Statistics - Enplanements



Source: BTS, TSA

DATA THROUGH NOVEMBER 2024

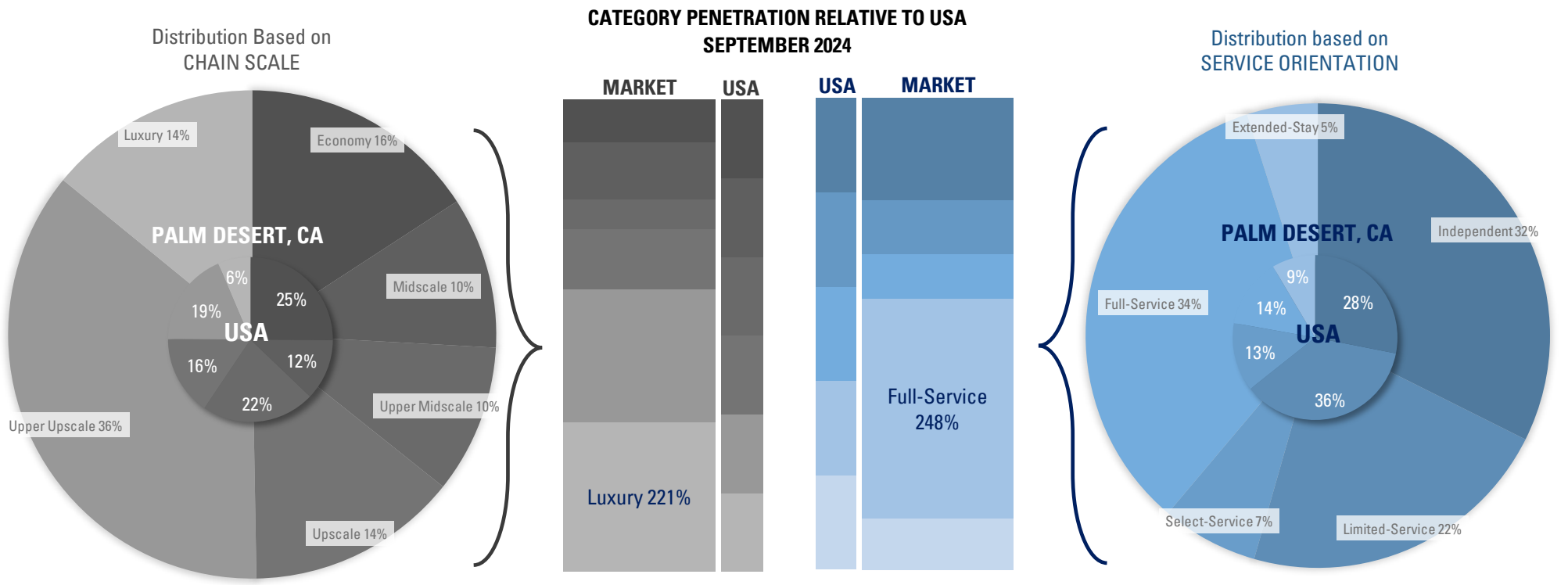
Hotel Closures - Palm Desert, CA



Source: Hotel Compete

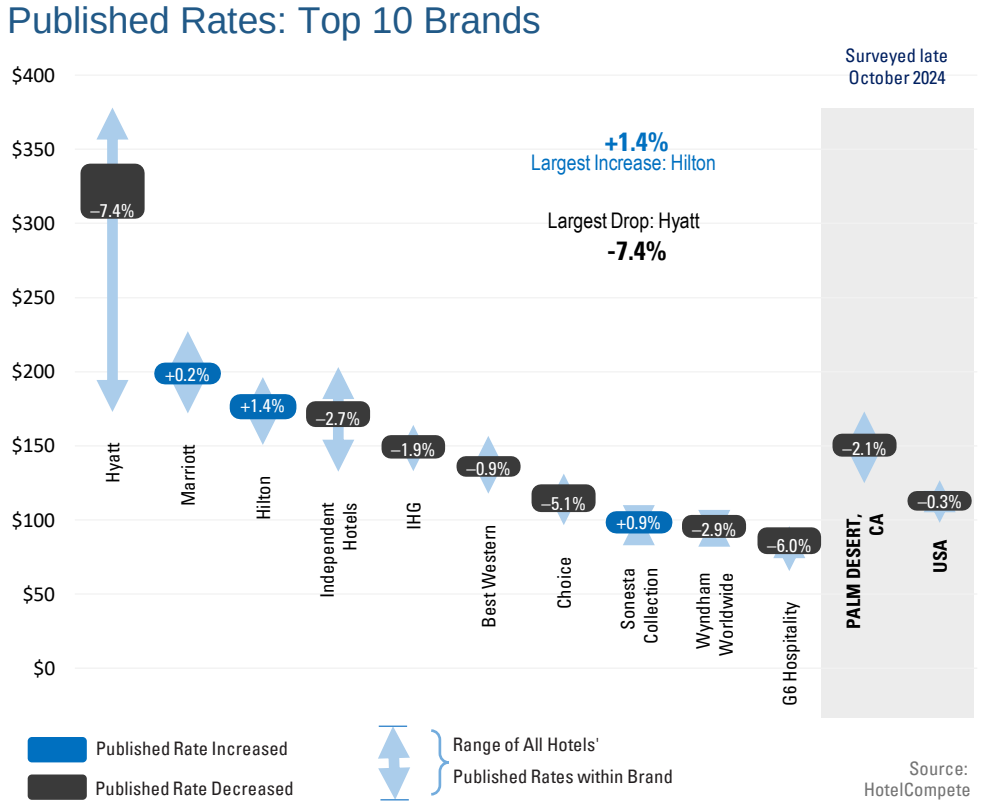
SCALE AND SERVICE ORIENTATION

Scale and Service Distribution: Palm Desert, CA



'30/3' RATE CHANGES: PALM DESERT, CA vs. USA

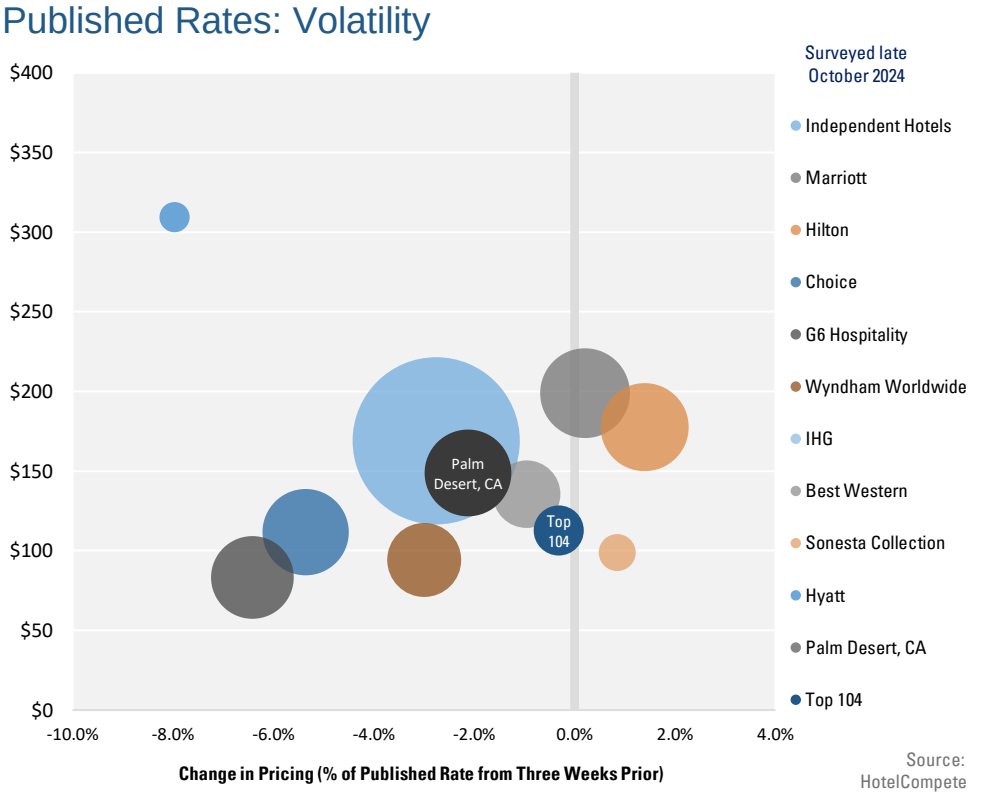
Published Rates: Top 10 Brands



Source: HotelCompete

RATE ADJUSTMENTS BY BRAND

Published Rates: Volatility



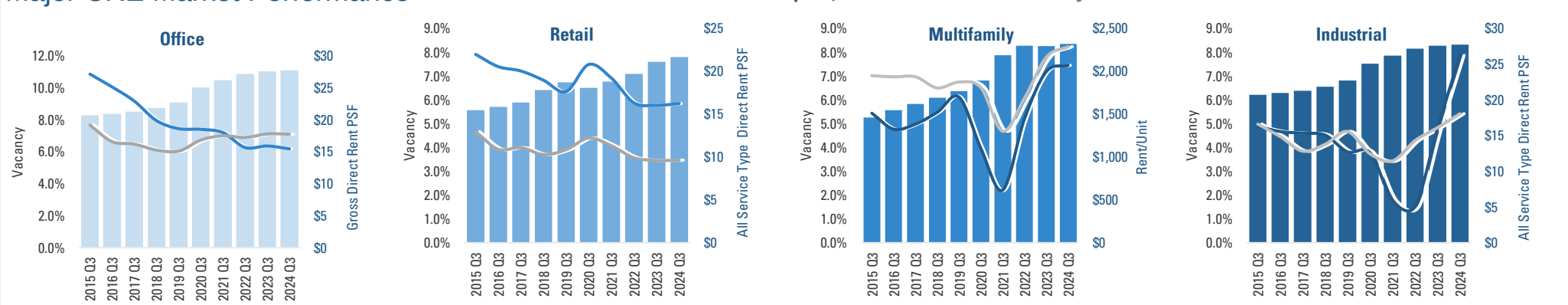
Source: HotelCompete

MAJOR C.R.E. METRICS

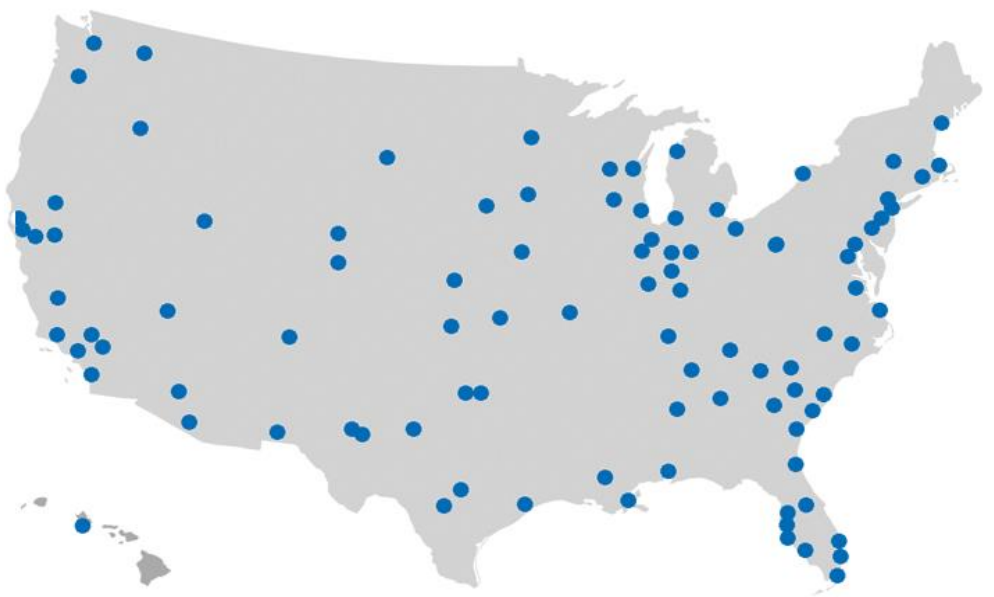
Major CRE Market Performance

Inland Empire, CA — USA - Vacancy

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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