VALUATION & ADVISORY
3Q 2021 HOTEL MARKET NSIGHTS REPORT

Hospitality, Gaming & Leisure Practice

Houston, TX

Fundamentals Dashboard

KEY PERFORMANCE METRICS

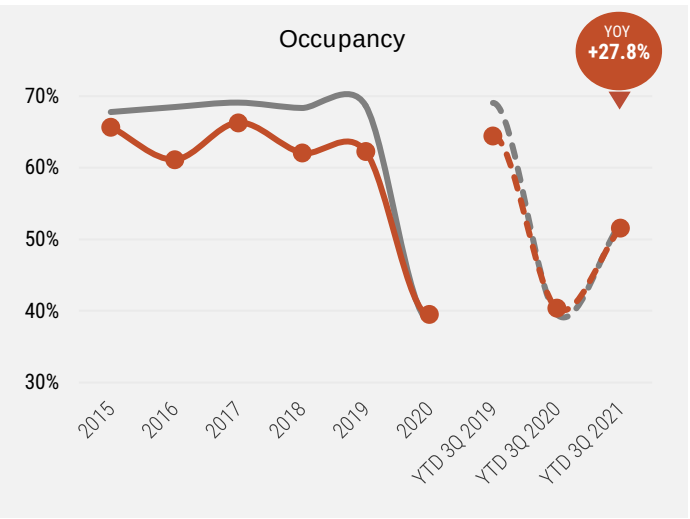
Lodging Performance Index

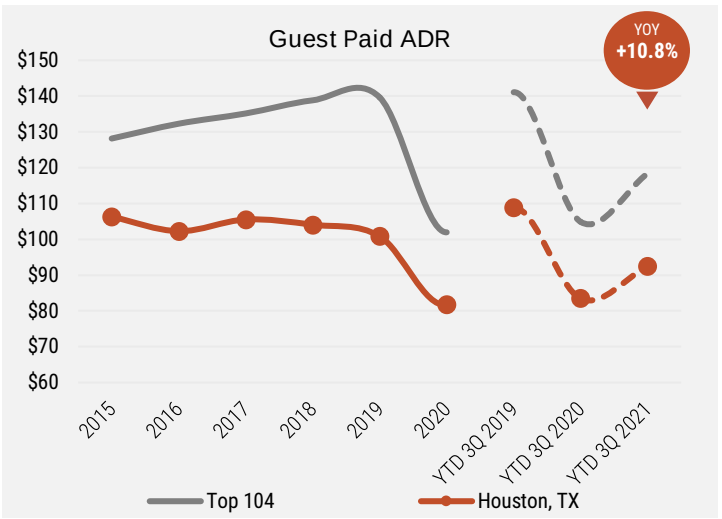
77th of 104

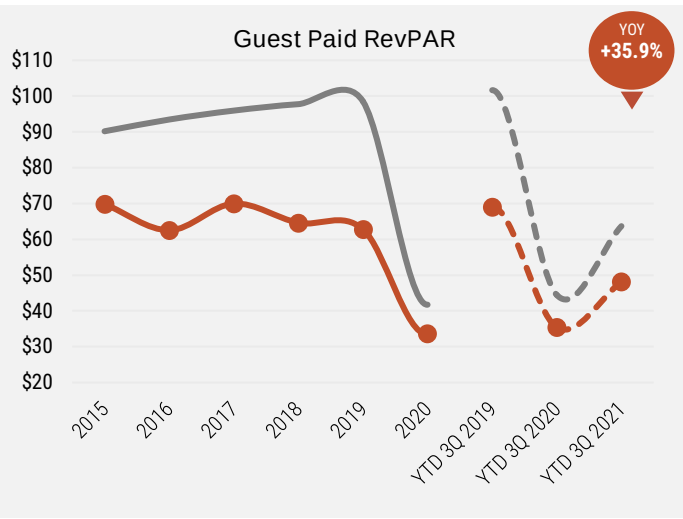
Below Average

Ranking of overall '3Q 2021 LPI' performance (0.77) against all 104 surveyed markets.

Supply Ranking vs. Major US Markets







PERFORMANCE INDEXES

Key Performance Indexes

Subject Market Top 104

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
3Q 2021	T12 Mos.	3Q 2021	T12 Mos.	3Q 2021	T12 Mos.
55.5% / 60.4%	47.9% / 48.3%	$101 / $137	$89 / $112	$56 / $83	$43 / $56
91st	67th	88th	84th	97th	89th

BENCHMARK INDEXES

Key Benchmark Indexes

Data provided by: kalibri LABS

Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
3Q 2021	T12 Mos.	T12 Mos.	3Q 2021	3Q 2021	T12 Mos.
46.3% / 48.6%	45.5% / 46.7%	2.36 / 2.13	2.33 / 2.09	$7.39 / $10.81	$6.50 / $8.56
93rd	89th	7th	10th	18th	32nd

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark

FUNDAMENTALS

Trends and Risks

Source: Kalibri Labs, Newmark

Revenue Stability	Supplier Power Trend	Investment Yields
87th	**92nd**	**92nd**
Below Average	**Soft**	**Soft**
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

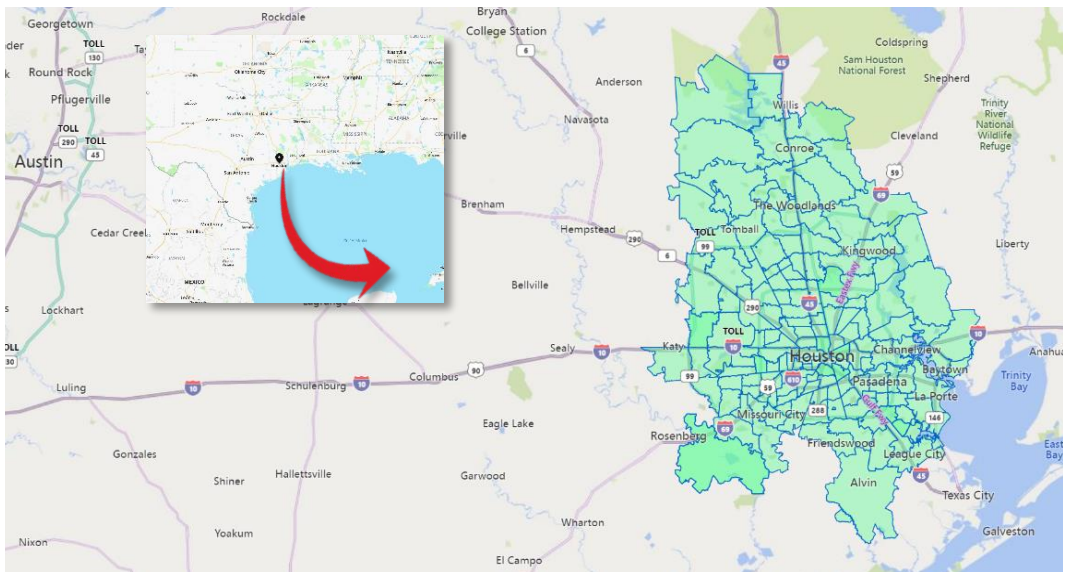
RISKS

Supply Risk	Labor Risk	Macro-Fiscal Risk
37th	**89th**	**53rd**
Average Risk	**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 Hotel Market Nsights Report - 3Q 2021

Houston, TX

Location



Quick Facts

Source: US Census Bureau, Dept. of Labor Statistics

Jurisdictional Information

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	114.9 Persons PSR	72nd of 104 (Below Average)
Feeder Group Earnings	$5,677,697 PSR	72nd of 104 (Below Average)
Total Market COPE	$1.5 billion	12th 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	1.31
2016	61.1%	$102.27	$62.53	$94.32	$57.67	$7.95	92.2%	45.1%	2.37	81,500	0.76
2017	66.3%	$105.54	$69.98	$97.54	$64.68	$8.00	92.4%	44.9%	2.56	84,400	1.19
2018	62.1%	$104.07	$64.62	$95.77	$59.46	$8.30	92.0%	49.3%	2.31	86,900	0.80
2019	62.3%	$100.84	$62.81	$92.70	$57.74	$8.14	91.9%	53.5%	2.24	95,200	0.73
2020	39.5%	$81.78	$33.62	$76.18	$30.08	$5.61	93.1%	44.6%	2.50	96,700	0.91
CAGR: 2015 thru 2020	**-9.7%**	**-5.1%**	**-13.6%**	**-5.0%**	**-14.2%**	**-6.6%**	**0.1%**	**0.5%**	**0.0%**	**4.4%**	**-6.9%**
YTD 3Q 2019	64.4%	$108.85	$69.02	$100.00	$63.41	$8.85	91.9%	53.2%	2.12	92,700	0.82
YTD 3Q 2020	40.4%	$83.44	$35.40	$77.73	$32.90	$5.70	93.2%	44.4%	2.54	95,500	0.89
YTD 3Q 2021	51.6%	$92.47	$48.09	$85.57	$44.49	$6.90	92.5%	45.6%	2.34	97,800	0.77
% Change	**27.8%**	**10.8%**	**35.9%**	**10.1%**	**35.2%**	**21.0%**	**-0.7%**	**2.6%**	**-7.6%**	**2.4%**	**-13.5%**

*COPE: Contribution to Operating Profit and Expenses. Metrics do not account for Sales and Marketing Spend.

Notable Metrics

HIGHEST

Latest-Quarter Average Length of Stay	Total Rooms Sold	Total Rooms Supply
7th	**7th**	**9th**
Strong	**Strong**	**Strong**
Houston, TX boasted strong latest-quarter average length of stay (2.33 Nights)	The market boasted strong total rooms sold (17,056,126)	The market also benefits from a large and diverse hotel market (99,198)

LOWEST

Latest-Quarter COPE RevPAR	Latest-Quarter Guest Paid RevPAR	IRR: Full-Service
97th	**97th**	**96th**
Soft	**Soft**	**Highly Unfavorable**
This market has been hampered by weak latest-quarter COPE RevPAR ($52.02)	The market posted weak latest-quarter Guest Paid RevPAR ($56.12)	Houston, TX also posted unfavorable IRR metrics in the full-service segment (10.6%)

Notable Trends

FASTEST

Long-Term Historical Booking Costs POR Growth	Short-Term Historical Booking Costs POR Growth	Short-Term Historical Supply Growth
11th	**17th**	**24th**
Above Average	**Above Average**	**Above Average**
Houston, TX has benefited from low long-term historical booking costs POR growth (-3.2%)	The market enjoyed low short-term historical growth in booking costs (-5.2%)	The market also has benefited from low short-term historical supply growth (3.5%)

SLOWEST

Long-Term Historical Supply Growth	Long-Term Historical Loyalty Contribution Growth	Long-Term Historical COPE ADR Growth
94th	**94th**	**94th**
Soft	**Soft**	**Soft**
The market has been burdened by high long-term historical supply growth (3.9%)	We note this area has been hindered by weak long-term historical loyalty contribution growth (0.1%)	Houston, TX also posted weak long-term historical COPE ADR growth (-2.6%)

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 recover from the COVID-19 crisis, presenting upside for CRE. Barriers to entry are high and the market typically hosts little or no new supply, allowing for the existing stock of rooms to be absorbed. Example markets in this stage include Anaheim, CA; Austin, TX; and Boston, MA.

Other Stages:

Regeneration

In the 'Regeneration' stage, hotels and the underlying economy are generally underperforming. The highest and best uses of hotel assets are challenged whether by COVID-19 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 New Orleans, LA.

Ignition

In the 'Ignition' stage, hotels generally perform adequately for operators to enjoy positive returns, with confidence the economy will recover from the COVID-19 crisis. While the general economy lags, strong hotel performance can ignite expansion in certain key sectors. Example markets in this stage include Knoxville, TN; Miami, FL; and Michigan North Area, MI.

Expansion

In the 'Expansion' stage, hotels generally perform adequately and in an economy with resilience and higher confidence the economy will recover from the COVID-19 crisis. Barriers to entry are low, displacement demand is high, and the market typically experiences an expansion of both hotel supply and general economic conditions. Example markets in this stage include Atlanta, GA; Fort Lauderdale, FL; and Fort Worth, TX.

Industry Observations

MOODY'S ANALYTICS

Business Cycle:	In Recovery
Employment Growth (2 yr):	-1.9%
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

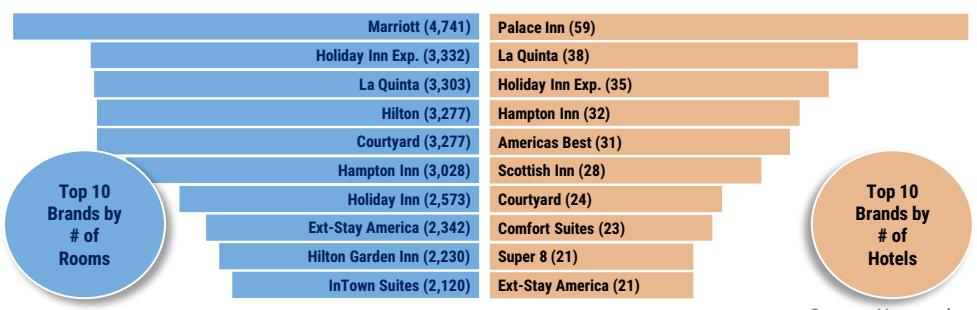
Moody's Rating

Aaa

Investment Grade

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

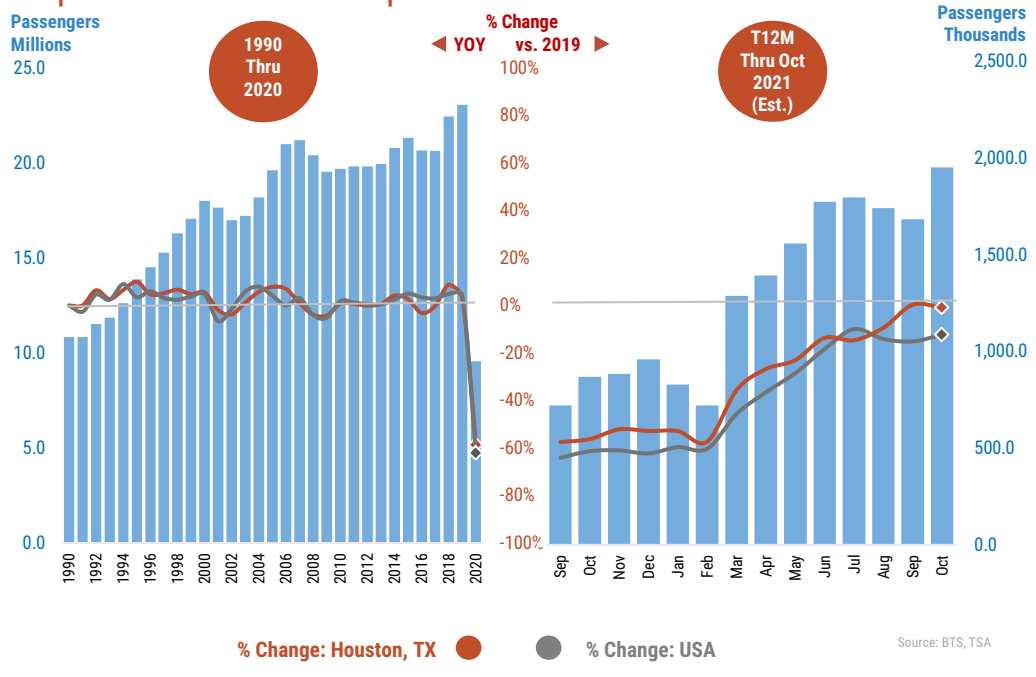
TOP 10 BRANDS



Source: Newmark

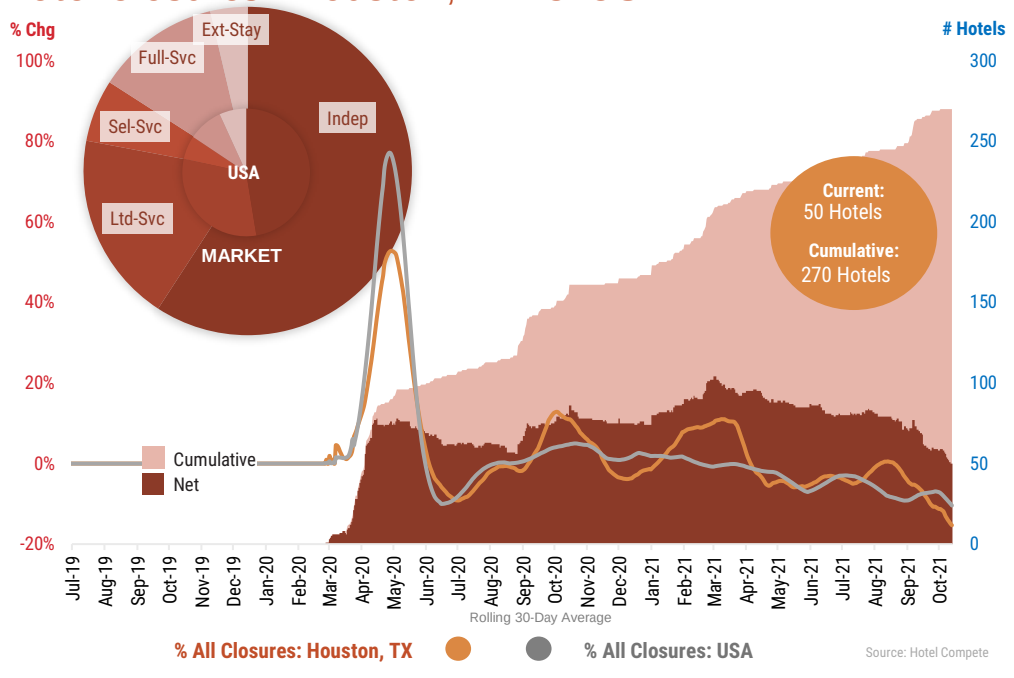
HOUSTON, TX: ALL LOCAL

Airport Statistics - Enplanements



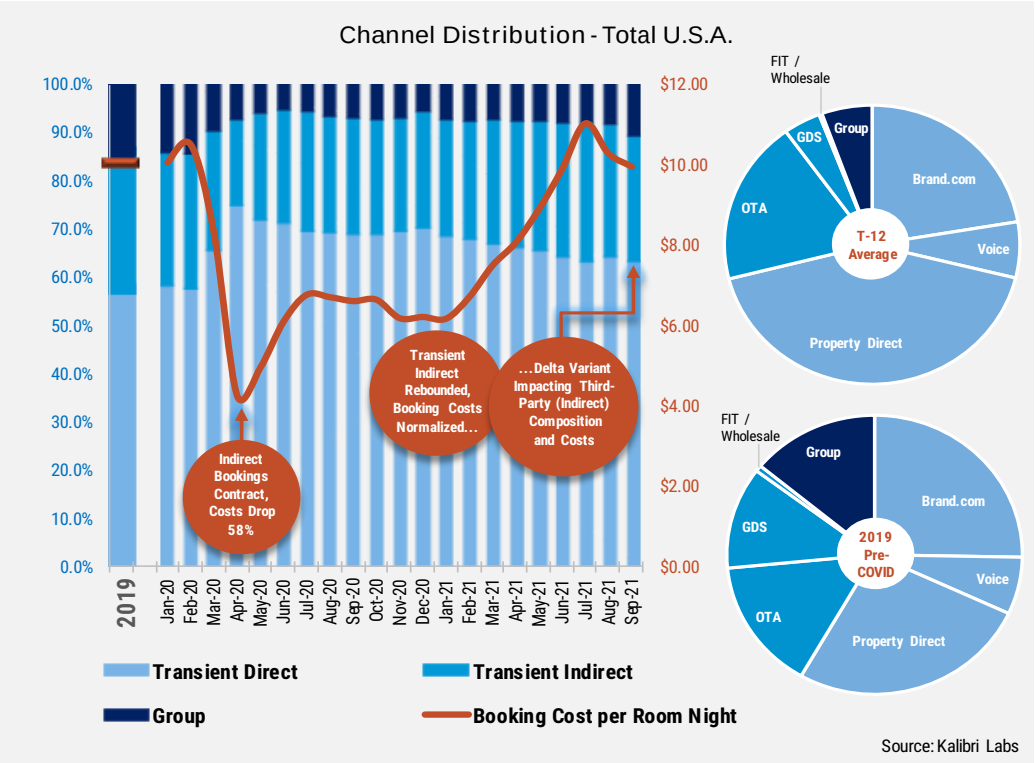
DATA THROUGH OCTOBER 2021

Hotel Closures - Houston, TX vs. USA



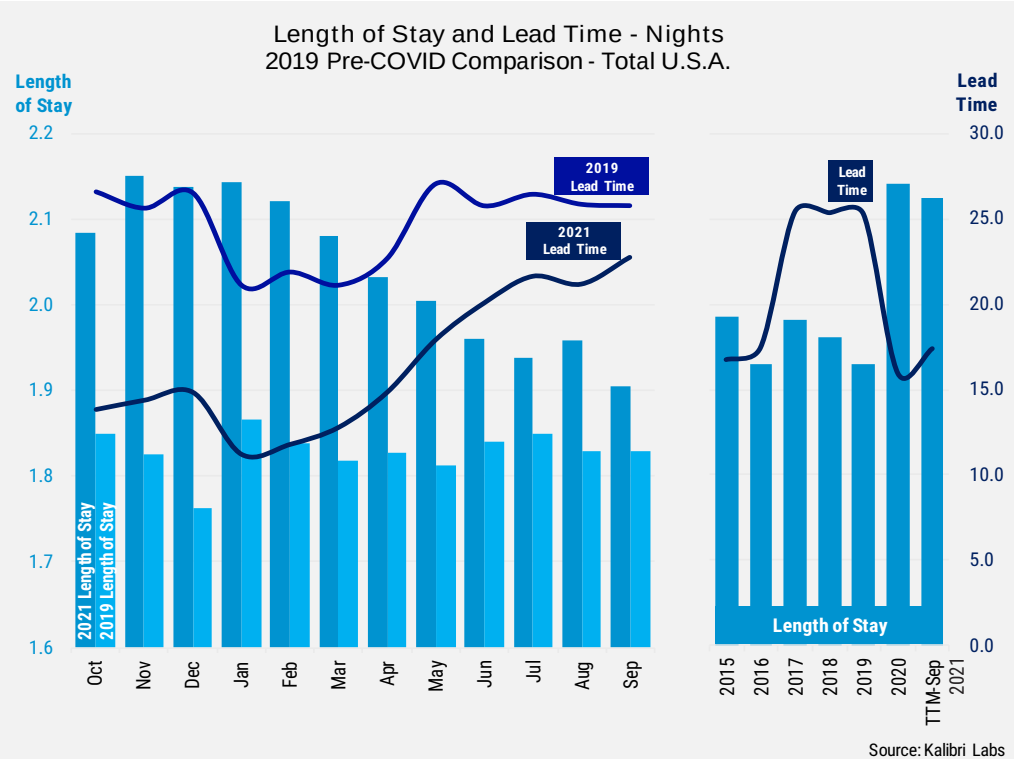
National Trends Dashboard - Channel Distribution

DISTRIBUTION AND COST

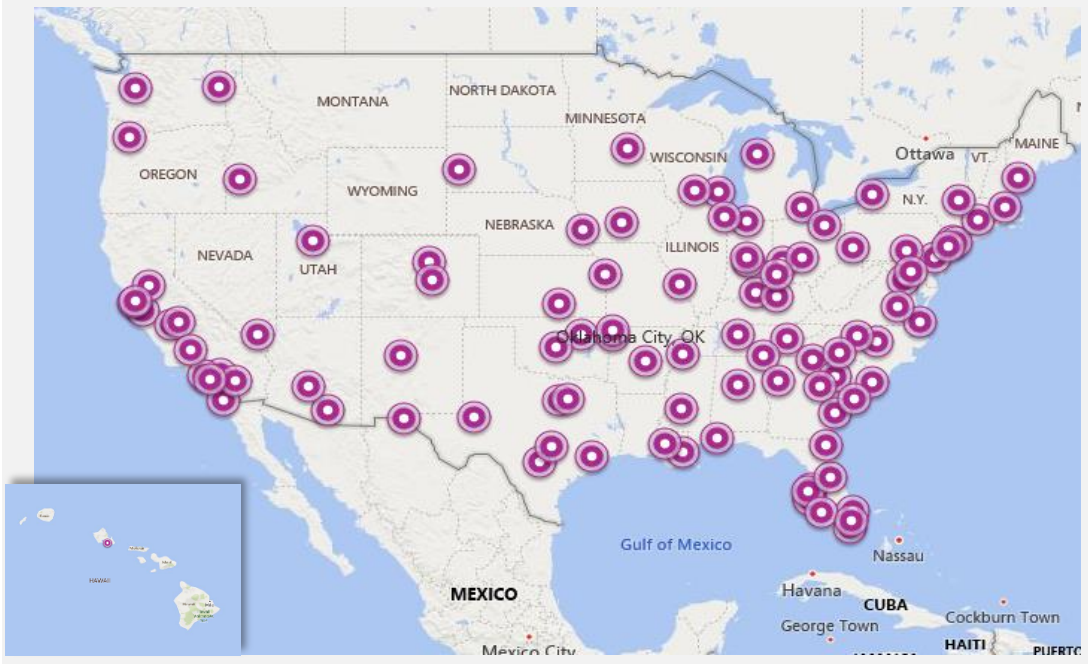


National Trends Dashboard - Duration

NIGHTS



Newmark Hotel Market Nsights Report Coverage



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

MARKET DISCLAIMERS

Las Vegas, NV; Oahu, HI; Orlando, FL: market data based on actual reporting properties only. Excludes vast majority of casino properties and assets located within the "strip" district of Las Vegas, as well as the vast majority of Disney-associated assets, which comprises most of the Orlando market.

Total Supply The total supply figures are aggregated estimates from multiple third-party sources.

Air Passenger Statistics The latest two months are estimates based on daily national trends reported by TSA. These data are subject to revision.

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