Hospitality, Gaming & Leisure Practice

Philadelphia, PA
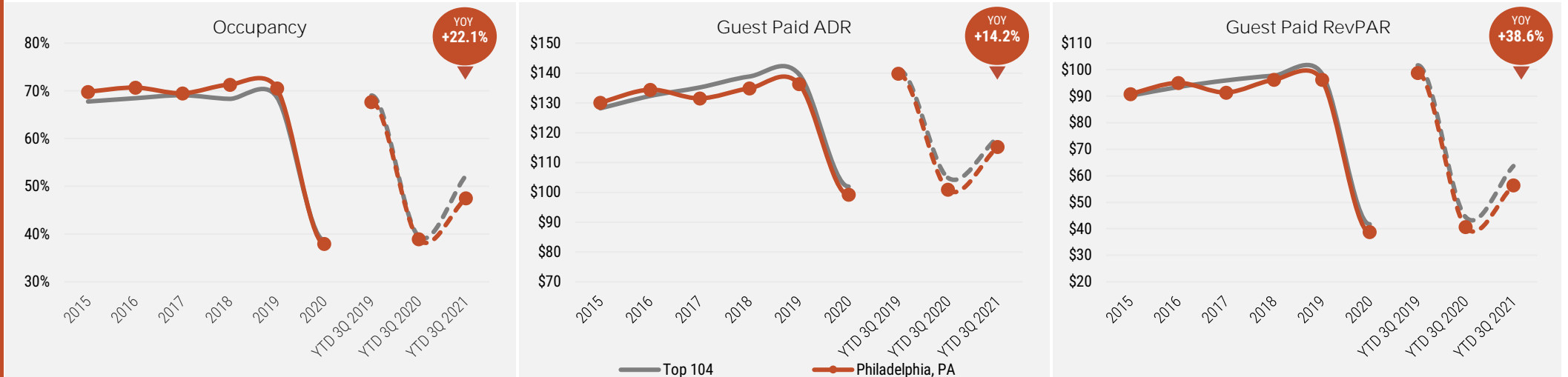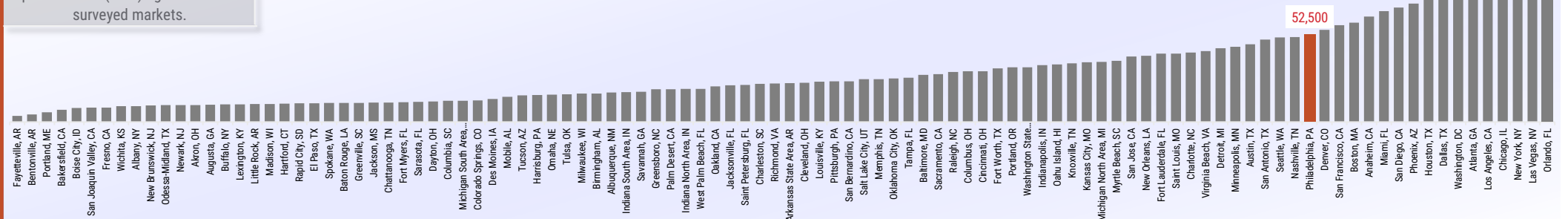
Fundamentals Dashboard

KEY PERFORMANCE METRICS
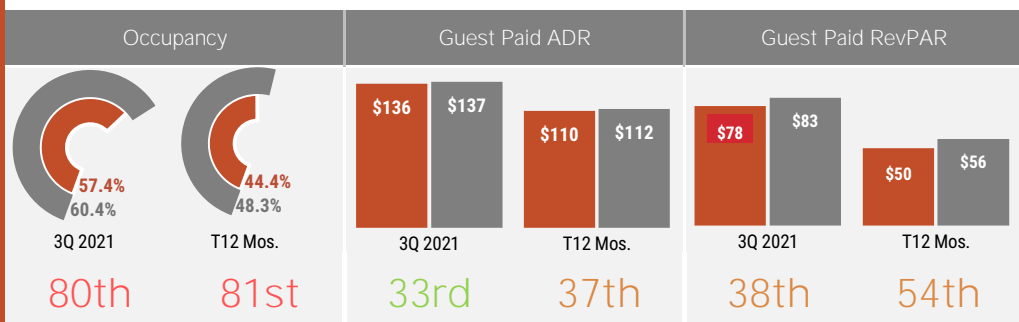
Lodging Performance Index

73rd of 104

Below Average

Ranking of overall '3Q 2021 LPI' performance (0.80) against all 104 surveyed markets.
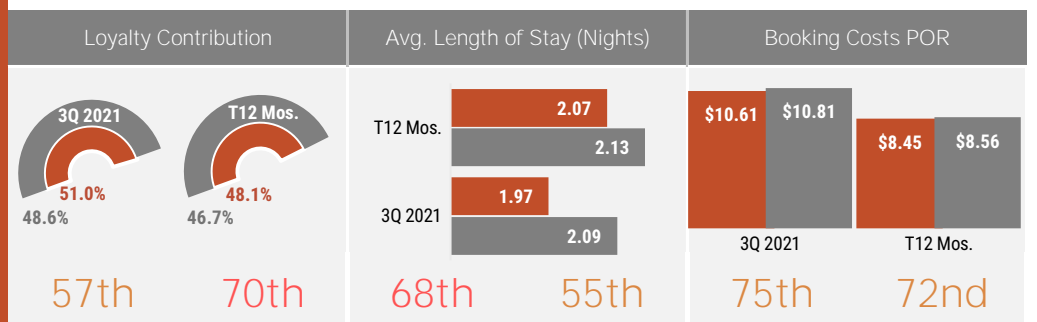
Supply Ranking vs. Major US Markets

52,500

Occupancy

YOY +22.1%

Guest Paid ADR

YOY +14.2%

Guest Paid RevPAR

YOY +38.6%

Top 104 — Philadelphia, PA

PERFORMANCE INDEXES

Key Performance Indexes

● Subject Market ● Top 104

	Occupancy		Guest Paid ADR		Guest Paid RevPAR	
3Q 2021	57.4% / 60.4%		$136 / $137		$78 / $83	
T12 Mos.	44.4% / 48.3%		$110 / $112		$50 / $56	
	80th	81st	33rd	37th	38th	54th

BENCHMARK INDEXES

Key Benchmark Indexes

Data provided by: **kalibri** LABS

	Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
3Q 2021	51.0% / 48.6%		1.97 / 2.09		$10.61 / $10.81	
T12 Mos.	48.1% / 46.7%		2.07 / 2.13		$8.45 / $8.56	
	57th	70th	68th	55th	75th	72nd

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark

Economy/Ltd Svc

Select-Service

Full-Service

Luxury/Upscale

Trends and Risks

Source: Kalibri Labs, Newmark

FUNDAMENTALS

Revenue Stability	Supplier Power Trend	Investment Yields
71st	**71st**	**67th**
Below Average	**Below 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
25th	**20th**	**35th**
Above Average	**Above 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

Location

Quick Facts

Jurisdictional Information

Source: US Census Bureau, Dept. of Labor Statistics

Municipal Name:	Philadelphia
County:	Philadelphia County
State:	Pennsylvania
Geo Coordinates (market center):	39.95234, -75.16379

Major Hotel Demand Generators

University of Pennsylvania Health System | Thomas Jefferson University and TJU Health System Inc. | Comcast | Drexel University | Aramark Corp. | Temple University Health System | Children's Hospital of Philadelphia | Temple University | Einstein Healthcare Network | Wells Fargo | BAYADA Home Health Care | Independence Blue Cross | University of Pennsylvania | US Airways | NHS Human Services Inc. | Aria Health | PNC Bank | Cardone Industries | PwC | Deloitte

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	4,319,912	7th of 104 (Large)
Income per Capita	$40,649	80th of 104 (Below Average)
Feeder Group Size	187.4 Persons PSR	100th of 104 (Soft)
Feeder Group Earnings	$7,617,196 PSR	88th of 104 (Below Average)
Total Market COPE	$925.8 million	22nd of 104 (Above Average)

Key Performance Metrics

Data provided by: **kalibri** LABS

YEAR ENDING	Occ %	Guest Paid		COPE*		Booking Cost POR	ADR COPE* %	Loyalty %	Avg. Length of Stay (Nights)	Supply (Available Rms)	Performance Index (LPI)
		ADR	RevPAR	ADR	RevPAR						
2015	69.8%	$130.10	$90.86	$119.49	$83.45	$10.61	91.8%	49.4%	1.90	46,000	1.27
2016	70.7%	$134.42	$95.04	$123.17	$87.09	$11.25	91.6%	51.6%	1.87	45,700	1.06
2017	69.5%	$131.51	$91.42	$120.13	$83.50	$11.39	91.3%	53.3%	1.83	46,000	1.08
2018	71.3%	$134.88	$96.20	$123.44	$88.04	$11.44	91.5%	54.4%	1.84	46,700	1.32
2019	70.5%	$136.38	$96.19	$124.85	$88.05	$11.53	91.5%	58.2%	1.81	50,600	1.03
2020	37.9%	$99.25	$38.73	$91.80	$34.81	$7.45	92.5%	46.9%	2.16	52,200	0.89
CAGR: 2015 thru 2020	-11.5%	-5.3%	-15.7%	-5.1%	-16.0%	-6.8%	0.1%	-1.1%	2.6%	2.6%	-6.8%
YTD 3Q 2019	67.7%	$139.74	$98.73	$127.83	$90.33	$11.91	91.5%	56.2%	1.78	49,100	1.03
YTD 3Q 2020	38.9%	$100.84	$40.62	$93.19	$37.46	$7.64	92.4%	47.0%	2.14	50,300	1.06
YTD 3Q 2021	47.5%	$115.20	$56.29	$106.22	$51.89	$8.98	92.2%	48.7%	2.02	51,900	0.80
% Change	22.1%	14.2%	38.6%	14.0%	38.5%	17.5%	-0.2%	3.5%	-5.6%	3.2%	-24.3%

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

Notable Metrics

HIGHEST

Population Density per Room	Feeder Population Per Room	Total Rooms Supply
7th Strong	**9th** Strong	**17th** Above Average
Philadelphia, PA boasted strong population density per room (63.57)	The market posted a high ratio of feeder population per room (62.09)	The market also benefits from a large and diverse hotel market (52,494)

LOWEST

Feeder Group Size	IRR: Select-Service	Feeder Group Earnings PSR
100th Soft	**94th** Highly Unfavorable	**88th** Below Average
This market required a large feeder group size (187.39 Persons)	The market posted unfavorable IRR metrics in the select-service segment (10.5%)	Philadelphia, PA also has been hindered by weak feeder group earnings PSR ($7,617,196)

Notable Trends

FASTEST

Long-Term Historical Booking Costs POR Growth	Short-Term Historical Average Length of Stay Growth	Short-Term Historical Booking Costs POR Growth
37th Average	**37th** Average	**41st** Average
Philadelphia, PA has benefited from low long-term historical booking costs POR growth (1.2%)	The market has benefited from strong short-term historical average length of stay growth (2.3%)	The market also enjoyed low short-term historical growth in booking costs (-1.1%)

SLOWEST

Long-Term Historical Loyalty Contribution Growth	T12-Month Rooms Supply Growth	Short-Term Historical LPI Growth
92nd Soft	**80th** Below Average	**77th** Below Average
The market has been hindered by weak long-term historical loyalty contribution growth (0.2%)	We note this area has been hindered by high rooms supply growth over the last 12 months (3.9%)	Philadelphia, PA also has been hampered by weak short-term historical LPI growth (-11.5%)

Market Performance Stage

Absorption — Expansion

Economy Reverence / Hotel Performance

Top 104 Average

Regeneration — Ignition

Source: Newmark
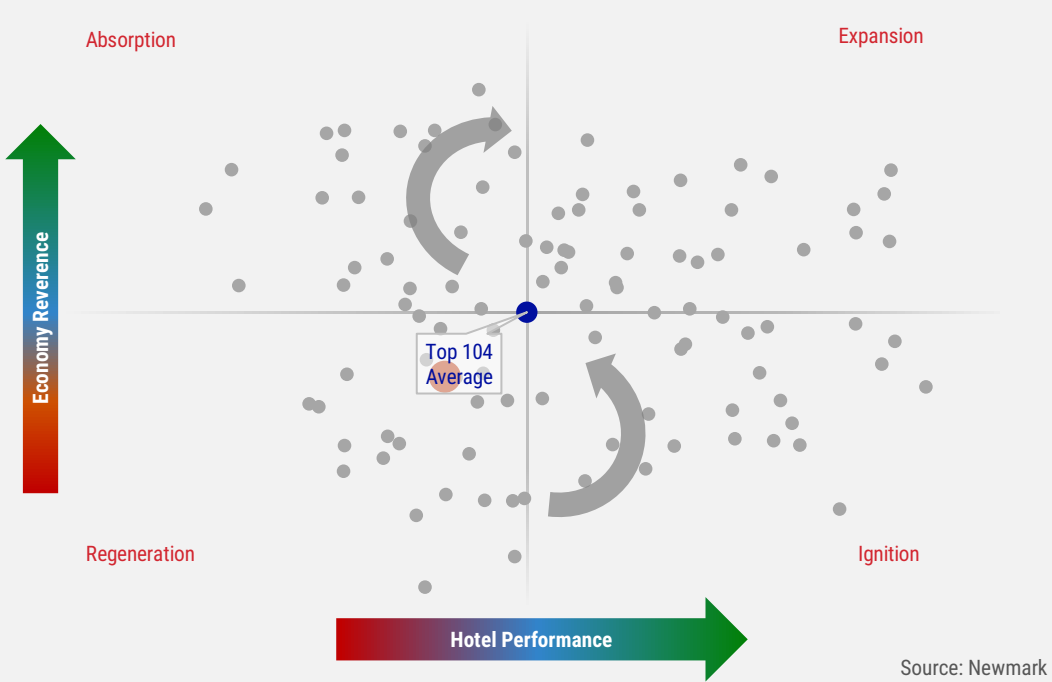
Philadelphia, PA: Regeneration Stage
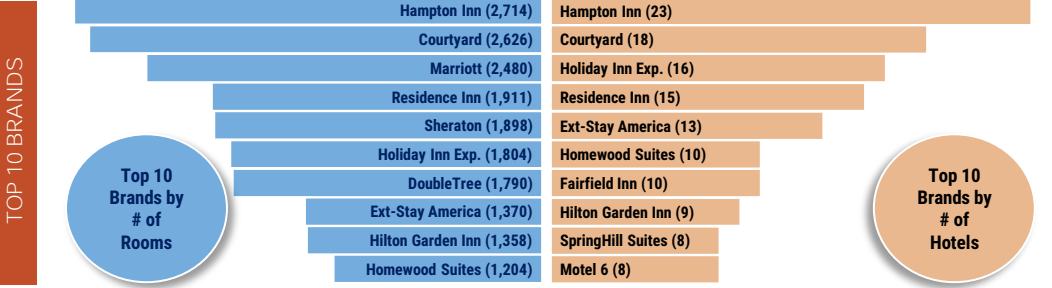
Regeneration

The Philadelphia, PA market is currently in the 'Regeneration' stage of the performance cycle. In this 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.
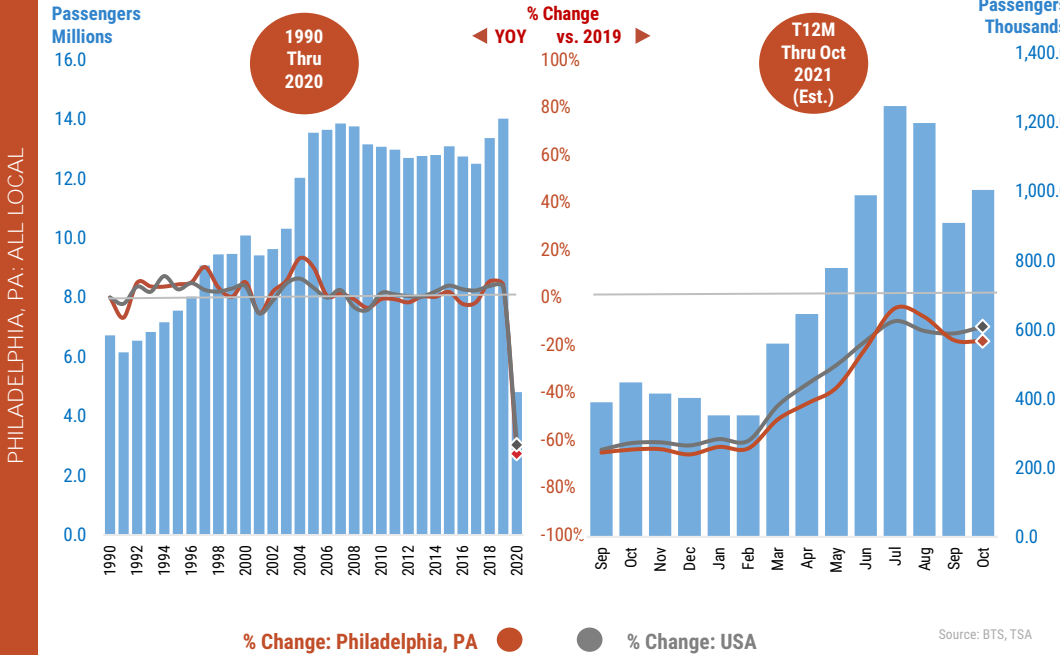
Other Stages:

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.

Absorption

In the 'Absorption' 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.

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.
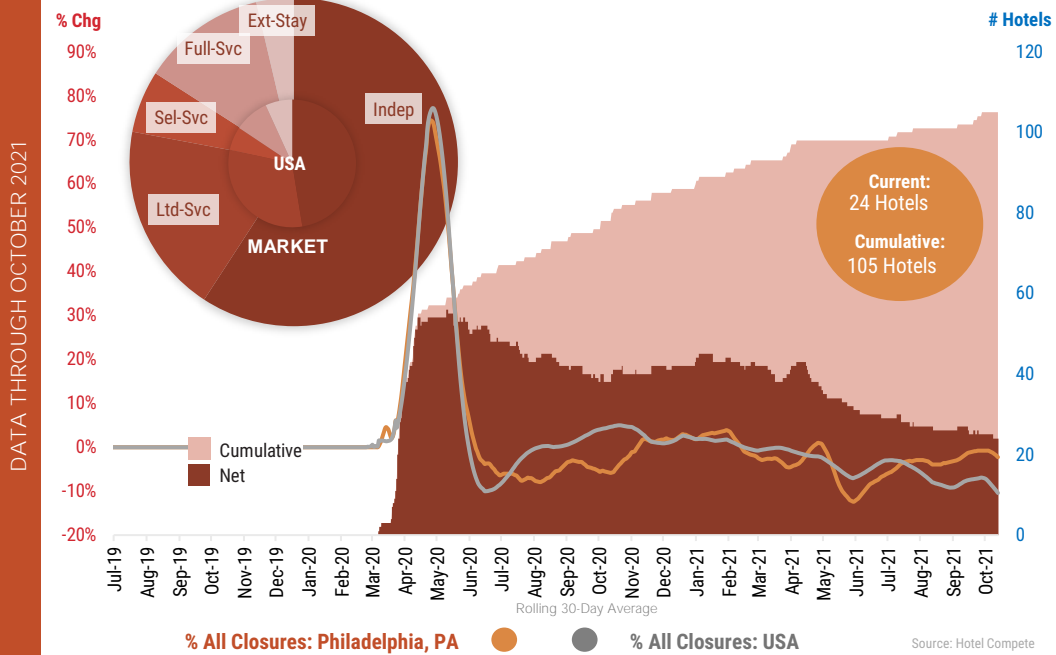
Industry Observations

MOODY'S ANALYTICS

Business Cycle:	In Recovery
Employment Growth (2 yr):	-1.6%
Risk Exposure (402 US markets):	94th Percentile: High Risk

Key Industry Notes:
- College town, medical center
- World-class education
- Hub for healthcare research
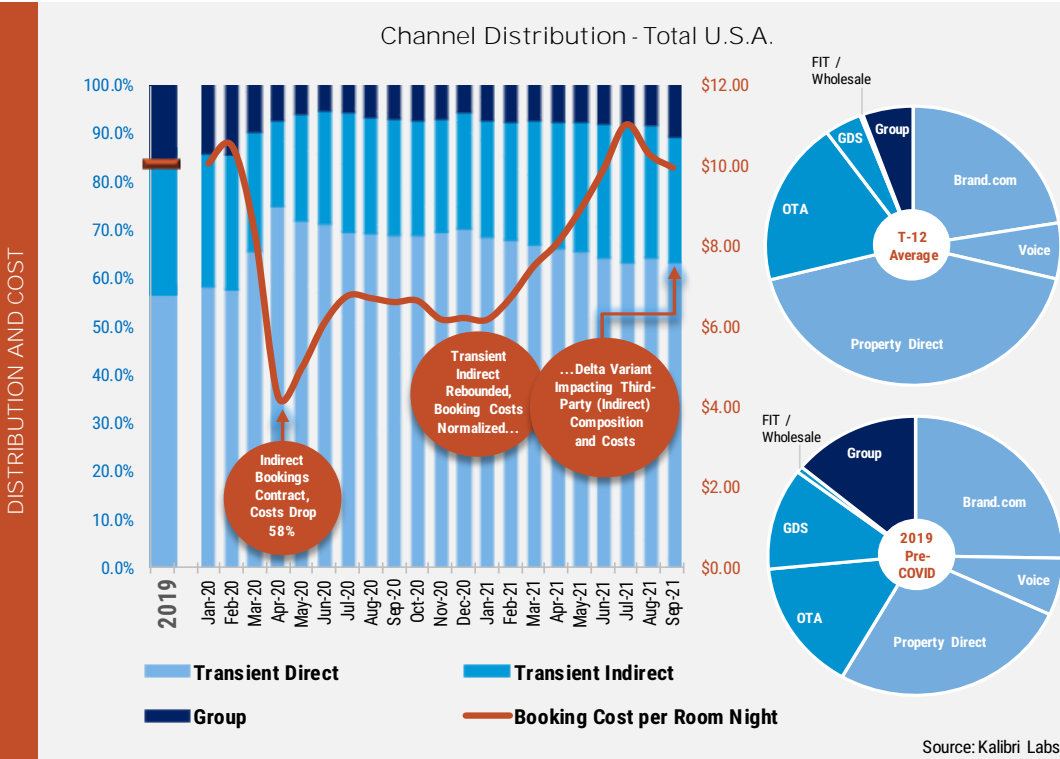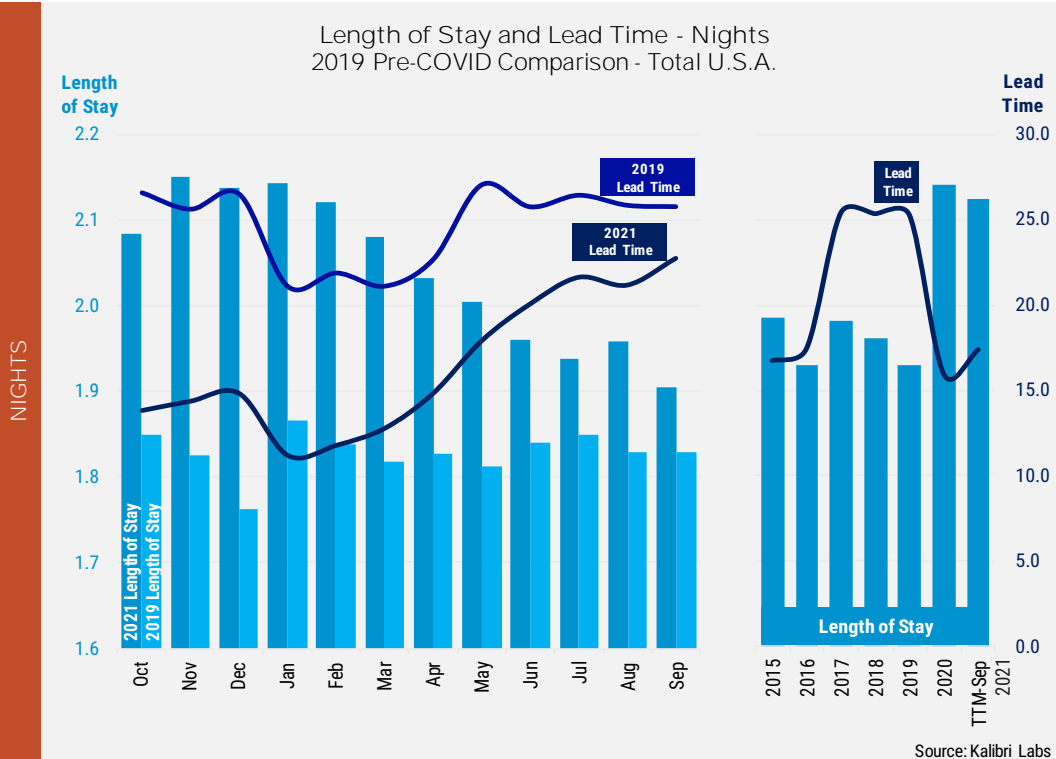- Well-developed port
- Significant fiscal problems

Moody's Rating

A2
Investment Grade

Long-term investment grade, Prime-2 short-term outlook

TOP 10 BRANDS

Top 10 Brands by # of Rooms

- Hampton Inn (2,714)
- Courtyard (2,626)
- Marriott (2,480)
- Residence Inn (1,911)
- Sheraton (1,898)
- Holiday Inn Exp. (1,804)
- DoubleTree (1,790)
- Ext-Stay America (1,370)
- Hilton Garden Inn (1,358)
- Homewood Suites (1,204)

Top 10 Brands by # of Hotels

- Hampton Inn (23)
- Courtyard (18)
- Holiday Inn Exp. (16)
- Residence Inn (15)
- Ext-Stay America (13)
- Homewood Suites (10)
- Fairfield Inn (10)
- Hilton Garden Inn (9)
- SpringHill Suites (8)
- Motel 6 (8)

Source: Newmark

Airport Statistics - Enplanements

Passengers Millions

16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0

1990 Thru 2020

% Change ◀ YOY   vs. 2019 ▶

100%
80%
60%
40%
20%
0%
-20%
-40%
-60%
-80%
-100%

PHILADELPHIA, PA: ALL LOCAL

T12M Thru Oct 2021 (Est.)

Passengers Thousands

1,400.0
1,200.0
1,000.0
800.0
600.0
400.0
200.0
0.0

Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct

1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020

● % Change: Philadelphia, PA   ● % Change: USA

Source: BTS, TSA

Hotel Closures - Philadelphia, PA vs. USA

% Chg

90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
-10%
-20%

DATA THROUGH OCTOBER 2021

Hotels

120
100
80
60
40
20
0

Ext-Stay
Full-Svc
Sel-Svc
Ltd-Svc
Indep
USA
MARKET

Current: 24 Hotels

Cumulative: 105 Hotels

Cumulative
Net

Jul-19 Aug-19 Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21

Rolling 30-Day Average

● % All Closures: Philadelphia, PA   ● % All Closures: USA

Source: Hotel Compete

National Trends Dashboard - Channel Distribution

Channel Distribution - Total U.S.A.

100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%

DISTRIBUTION AND COST

$12.00
$10.00
$8.00
$6.00
$4.00
$2.00
$0.00

2019 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21

Indirect Bookings Contract, Costs Drop 58%

Transient Indirect Rebounded, Booking Costs Normalized...

...Delta Variant Impacting Third-Party (Indirect) Composition and Costs

FIT / Wholesale

Group
GDS
OTA
Brand.com
Voice
Property Direct

T-12 Average

FIT / Wholesale

Group
GDS
OTA
Brand.com
Voice
Property Direct

2019 Pre-COVID

■ Transient Direct   ■ Transient Indirect
■ Group   — Booking Cost per Room Night

Source: Kalibri Labs

National Trends Dashboard - Duration

Length of Stay and Lead Time - Nights
2019 Pre-COVID Comparison - Total U.S.A.

Length of Stay

2.2
2.1
2.0
1.9
1.8
1.7
1.6

NIGHTS

Lead Time

30.0
25.0
20.0
15.0
10.0
5.0
0.0

2019 Lead Time
2021 Lead Time

Lead Time

Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep

2021 Length of Stay
2019 Length of Stay

Length of Stay

2015 2016 2017 2018 2019 2020 TTM-Sep 2021

Source: Kalibri Labs

Newmark Hotel Market Nsights Report Coverage

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.

CONTACT: NORTHEAST/NEW ENGLAND MARKETS

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