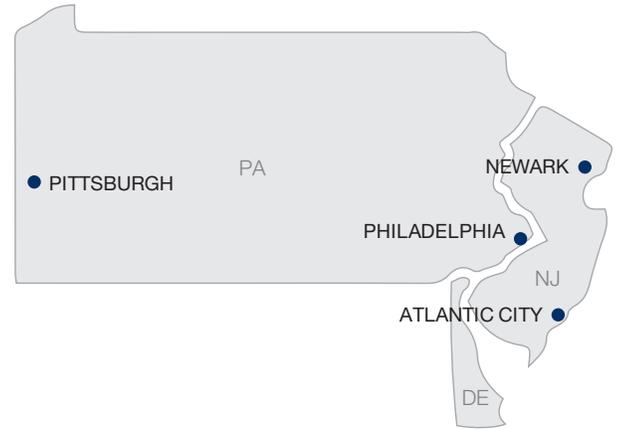


Supply Flows to Philadelphia; Coastal Vacations Fuel Region's Revenue Gains

Delaware leads revenue growth. Pennsylvania, New Jersey and Delaware, which comprise the Mid-Atlantic region, will all post moderate gains in occupancy this year, prompting corresponding revenue improvements. The most growth will be seen in Delaware, as this state outperformed the other two in both ADR and RevPAR growth. This is particularly notable in the coastal areas of Delaware, as well as in New Jersey, as these beaches are the region's prime vacation destination. Farther inland, Philadelphia started the year with hotels receiving a \$3.3 million revenue bump from the Eagles' victorious NFL Playoff run. The beginning of the 2018-2019 season should continue to draw sold-out crowds, supporting the metro's hotels. Additionally, the completion of the Comcast Technology Center (CTC) will potentially draw more inbound business travel, thereby aiding weekday hotel performance this year. Neighboring New Jersey may be poised for renewed room demand as well, depending on the outcome of a Supreme Court ruling that will impact the state's efforts to legalize sports betting.

Economy brands in suburban Philadelphia garner more attention.

Positive hotel performance is driving both transaction velocity and the average sales price upward. While the same number of independent properties were traded in 2017 as the year before, demand for limited-service establishments increased as more economy hotels changed hands over the previous year. Over the entire region, Pennsylvania, particularly Philadelphia, continues to have the largest volume of transactions. The number of deals completed in the past 12 months nearly doubled the previous annual period's, with activity concentrated in Lancaster and Burlington counties. Regional private investors have targeted properties adjacent to major highways within convenient distances to shops and restaurants, where yields typically fall in the 7 percent band.



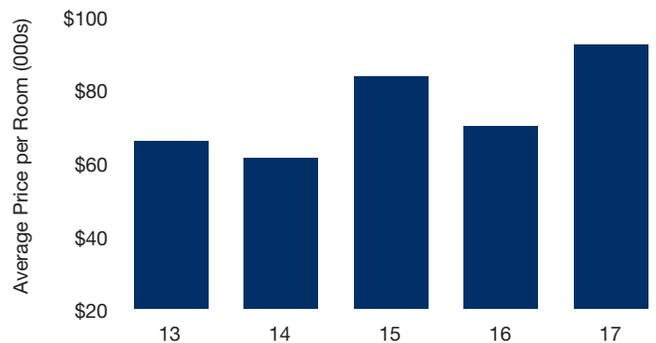
States: Delaware, New Jersey and Pennsylvania



2018 Demand Growth

1.5% Year-over-Year Room Nights

Hotel Sales



Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

3.2% 2017 Year-over-Year Leisure and Hospitality Employment Growth

150 bps Five-Year Occupancy Growth 2014-2018

8% Five-Year RevPAR Growth

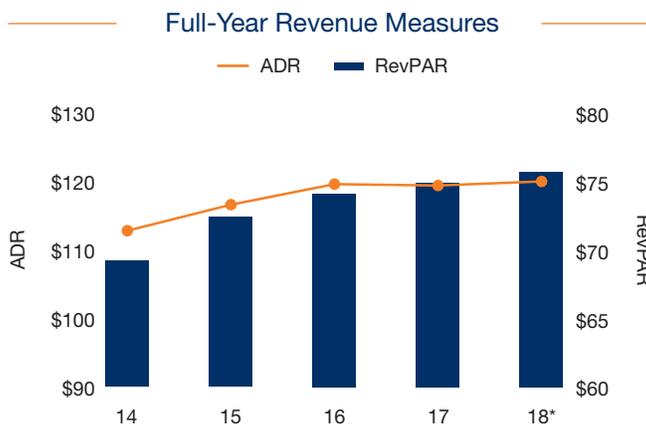
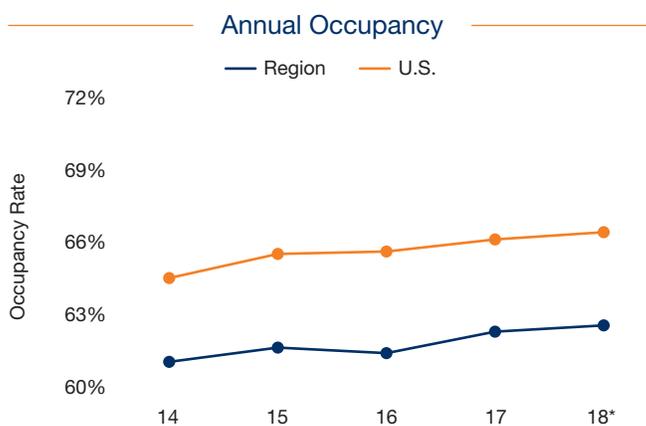
2018 Regional Highlights

- Major Atlantic City hotel and casino enterprises have recently expanded their operations by acquiring vacated property in the area. These actions may be associated with a favorable outlook regarding the future of sports wagering in the market. Unlocking a new gambling source could improve both hotel demand and revenue for Atlantic City and similar metros.
- As the No. 4 market in Pennsylvania for visitor spending, the Harrisburg-Hershey area welcomes more than 10 million travelers a year, a 20:1 ratio vs. residents. In recognition of this, developers are opening 300 more rooms in the near future.
- New plans for economic development in Pittsburgh, including a new airport terminal, energy plant and hospitals, will aid hotel performance in the years to come thanks to increased business travel and temporary construction jobs.



2018 Region Forecast

- Supply** up 1.1% Approximately 8,800 rooms are under construction across the region. About 5,200 of those rooms will come to Pennsylvania, with the Philadelphia metro receiving the largest share.
- Occupancy** up 30 bps As completions slow and demand rises, occupancy will tick up to 62.4 percent.
- ADR** up 0.5% The average daily rate for the year will increase to \$119.91, recovering from a 0.1 percent dip reported in 2017.
- RevPAR** up 1.0% The advancement in occupancy combined with modestly improved ADR support a gain in RevPAR to \$75.65 for this year that nearly matches the 1.1 percent expansion reported in 2017.
- Investment** Beachside motels in the New Jersey coastal settings of Cape May, Ocean County and Monmouth County are changing hands at a high frequency. With a finite amount of coastline, upside opportunities exist for older properties that are located near the waterfront or on major corridors within each town along the coast.



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*2017 Recent Opens; 2018 Under Construction
 * Forecast
 Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

Statistical Summary Note: Hotel chain scale definitions are based on information available as of December 2017. Average prices and cap rates are a function of the age, type and geographic area of the properties trading and therefore may not be representative of the market as a whole. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; AH&LA; AARP Research; Altus Data Solutions; Bureau of Economic Analysis; CoStar Group, Inc.; Federal Reserve; Moody's Analytics; PKF Hospitality; Real Capital Analytics; STR Inc.; Trepp; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Treasury Department.