Hospitality Research

2018 INVESTMENT FORECAST

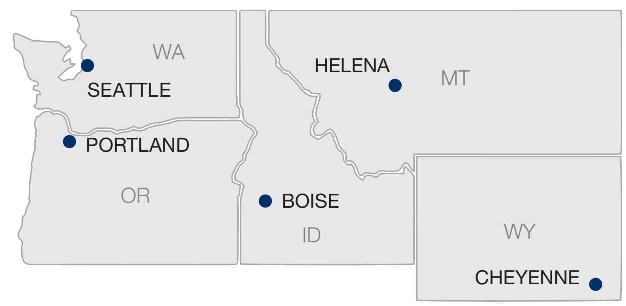
Northwest

Marcus & Millichap

Demand Flows into Seattle, Portland; Inland States' Transactions Increase

Idaho posts strong revenue growth; new supply focused in Portland and Seattle. A drop in the level of hotel construction in the Northwest will pave the way for improved occupancy across the region in 2018. The existing development pipeline is concentrated in Portland and Seattle. In Seattle, the number of rooms under construction doubles last year's deliveries, which could temporarily compress occupancy as new rooms open for reservations. Light construction across the rest of Washington will help improve hotel performance for the state, with ADR advancing at the same pace as nearby Wyoming. Neighboring Idaho will lead the region in ADR growth for the second year in a row. Montana and Oregon will report slower revenue growth than in 2017. Even as performance varies across states, taken together, the region will record further occupancy, ADR and RevPAR improvement in 2018.

Seattle remains investors' favored market, while Idaho and Montana garner more attention. Improving occupancy, ADR and RevPAR across the region appeal to investors, with transaction velocity increasing 33 percent in 2017. Washington and Oregon continue to receive the most trades, with the highest concentration of sales in and around major metros. Transactions in Idaho and Montana increased over the last year. Hotels in these states made up 18 percent of 2017 sales, up from 8 percent the year before. In these states, local/regional buyers comprise the bulk of transactions as they can provide more hands-on management. Buyers from other parts of the country, especially California, still mainly pursue opportunities in large cities. While buyers in general sought independent properties with more interest than in previous years, private investors' acquisitions of economy and midscale assets increased in 2017. All three hotel categories can provide yields above 9 percent at entry costs that align well with non-institutional parties.



States: Idaho, Montana, Oregon, Washington and Wyoming

2018 Demand Growth

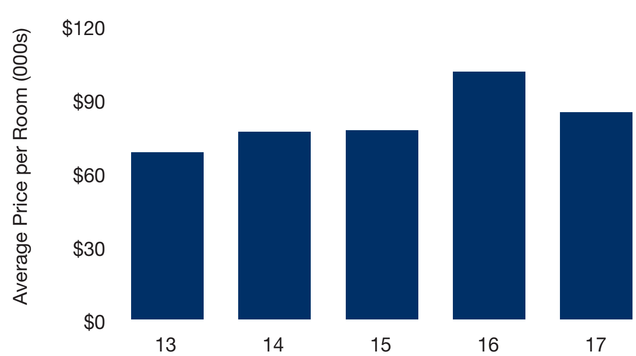
1.3% Year-over-Year Room Nights

2.0% 2017 Year-over-Year Leisure and Hospitality Employment Growth

140 bps Five-Year Occupancy Growth 2014-2018

19% Five-Year RevPAR Growth

Hotel Sales

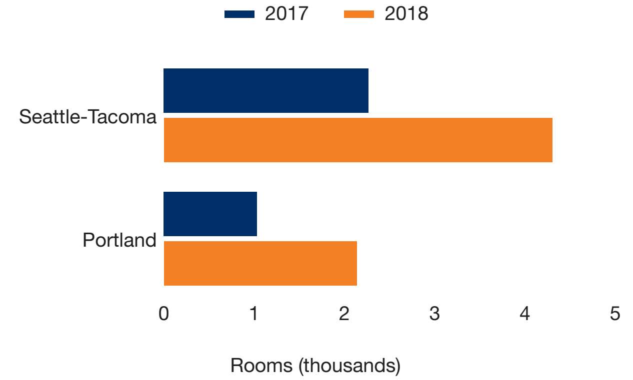


Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

2018 Regional Highlights

- Tourism in Oregon is an $11 billion a year business, and an estimated 28 million visitors came to the state in 2016. Almost $5 billion of that spending went into the Greater Portland Area; in addition, coastal Oregon recorded $1.9 billion in spending.
- Home to four of the top 10 most visited national parks, the Northwest states of Montana, Idaho, Wyoming and Washington attract a good deal of outdoor recreational travel. The division of the leisure business outgrew the overall economy in recent years, at 3.8 percent compared with 2.8 percent.
- Tourism in Montana is dominated by those traveling to public lands. Both Yellowstone National Park and Glacier National Park reported record-breaking attendance in 2017. The latter in particular had the notable accomplishment of welcoming over a million visitors in a single month.

Development Trends♦



2018 Region Forecast

Supply up 0.4%
Almost 11,000 hotel rooms are under construction across the region, with more than 6,400 going to Washington state. About 4,300 of those deliveries will be in the Seattle-Tacoma area.

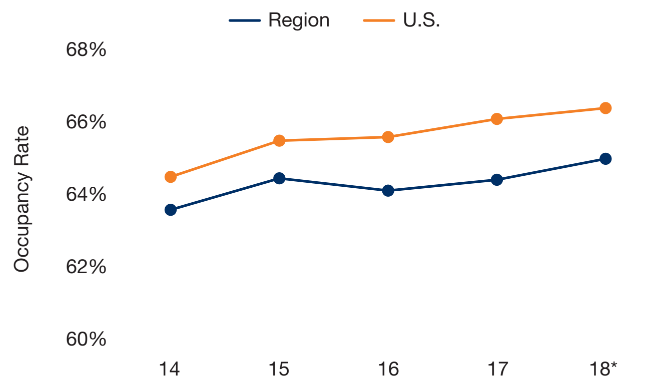
Occupancy up 60 basis bps
A mild rate of supply growth and increased demand allow hotel occupancy to improve again this year, rising to 64.9 percent. Last year, occupancy was at 64.3 percent.

ADR up 3.7%
Rising occupancy combined with higher hotel demand translate to a new ADR of $123.61 this year. In 2017, ADR moved up by 3.1 percent.

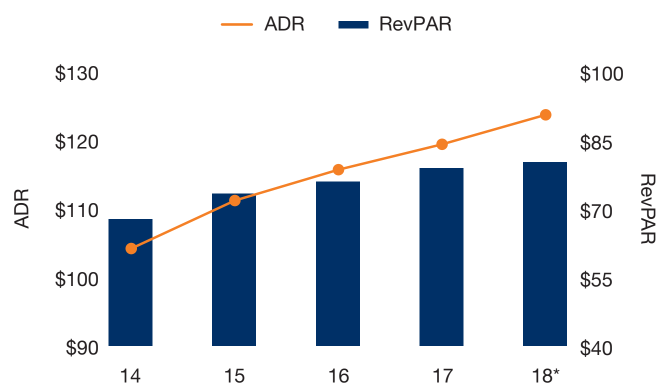
RevPAR up 1.7%
Contributions from occupancy and ADR will advance RevPAR to $80.22, representing a slower rate of appreciation compared with last year's 3.9 percent.

Investment
A greater number of transactions in the $1 million to $10 million price range are involving properties outside Seattle, contributing to an overall lower average sale price for 2017. This price decline is reflective of the lower entry costs of less-urban hotels.

Annual Occupancy



Full-Year Revenue Measures



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

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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.