Hospitality Research

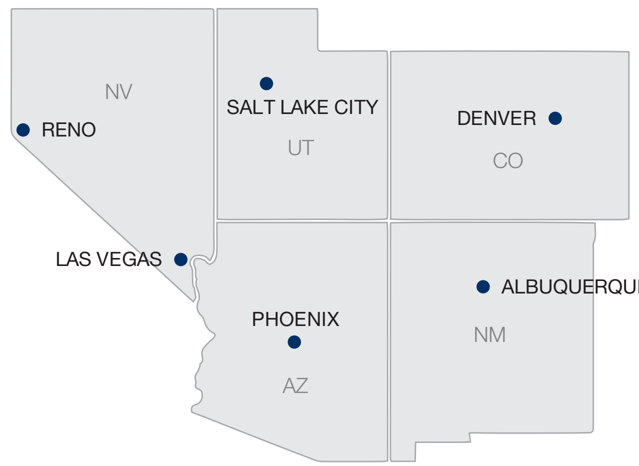
2018 INVESTMENT FORECAST

Southwest

Travel to the Southwest Benefits Hotel Operations, Grows Buyer Pool

Tourism-related travel boosts demand for stays in the Southwest. Rising visitation contributed to strong occupancy growth in 2017 throughout the Southwest region. With the exception of Colorado, every state registered an increase in the occupancy rate by 150 basis points or more over the year, contributing to overall healthy ADR and RevPAR gains. Supply growth throughout most of the region is occurring at a pace slower than the national rate and will be met with strengthening room demand. Recreational travel to the Rockies, Las Vegas, Phoenix and the region's large national parks will facilitate rising occupancy again this year, which will post an improvement for a sixth consecutive year. Gains in occupancy help push the region's average daily rate above $120 in 2018, and RevPAR rises to a new peak.

Strong property operations attract buyers to Southwest hotels. Rising occupancies and healthy RevPAR growth have encouraged investment in the region, with transaction velocity posting gains in the double digits for a second straight year and lifting the average price per unit. Hotels in Arizona and Colorado continue to dominate trades, with activity rising in New Mexico and Nevada last year. Independent and economy chains priced between $1 million and $10 million are intensely sought after and capture initial returns between 9 and 10 percent. Buyers are also targeting midscale and upper midscale options, with Best Western, Comfort Inn & Suites and Quality Inn & Suites changing hands at an elevated level during 2017. A healthy economy will help the Colorado market absorb an influx of new rooms over the next few years; however, investors will be mindful of supply additions in select areas of the Denver metro.



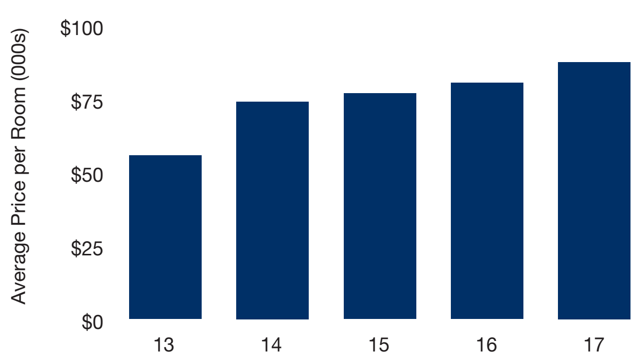
States: Arizona, Colorado, Nevada, New Mexico and Utah

2018 Demand Growth

2.2% Year-over-Year Room Nights

3.0%	2017 Year-over-Year Leisure and Hospitality Employment Growth
460 bps	Five-Year Occupancy Growth 2014-2018
27%	Five-Year RevPAR Growth

Hotel Sales

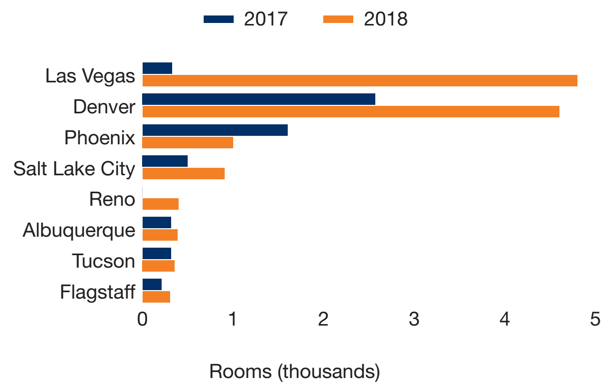


Sources: CoStar Group, Inc.; STR, Inc.; Real Capital Analytics

2018 Regional Highlights

- Colorado has the largest construction pipeline in the region, and the majority of these rooms are in the Denver metro, as 4,100 are currently underway and an additional 4,100 will start construction this year. Upscale and upper midscale chains make up the bulk of new supply.
- Occupancy in Nevada is the highest in the region. Last year, the rate increased 150 basis points to 71.6 percent, contributing to a 3.4 percent gain in ADR to $115.58 and resulting in a 6.0 percent advance in RevPAR, which reached $83.09.
- The New Mexico True campaign began in 2012, striving to attract tourism to the state. Since that time, the number of visitors to New Mexico has increased each year, and last year occupancy in the state posted the strongest improvement in the region, rising 280 basis points to 61.2 percent.

Development Trends♦



2018 Region Forecast

Supply up 1.7% — Nearly 16,300 hotel rooms are under construction in the region, with an additional 12,300 scheduled to break ground this year. This results in a 1.7 percent increase in supply during 2018, falling short of the 2.0 percent national rate.

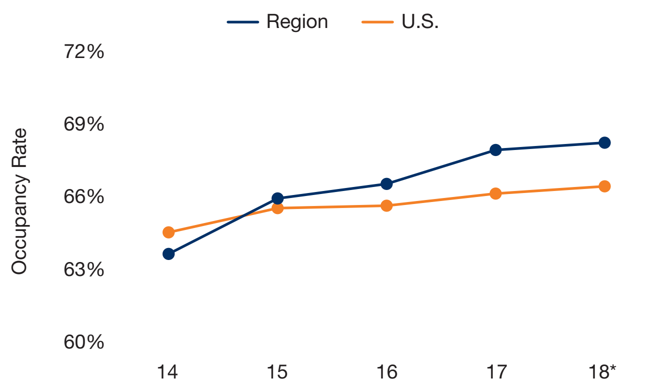
Occupancy up 30 bps — Boasting one of the highest occupancy rates of all regions, the rate rises again this year to 68.1 percent due to healthy demand stemming from a strong tourism industry. Last year, occupancy climbed 140 basis points.

ADR up 2.8% — Building on last year's advance of 3.4 percent, ADR in the Southwest rises to $122.08. Colorado continues to boast the highest rates, while Utah posts another year of strong growth.

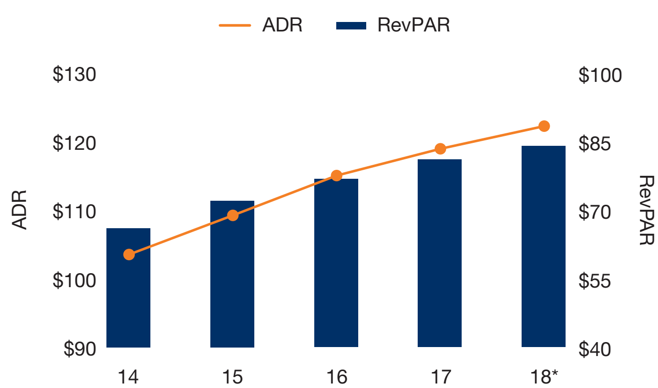
RevPAR up 3.7% — Healthy occupancy gains and ADR appreciation result in another year of RevPAR growth in 2018 to $83.93.

Investment — Most states within the region face minimal supply additions and an increase in recreational travel to these areas will draw investors to hotel properties.

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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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.