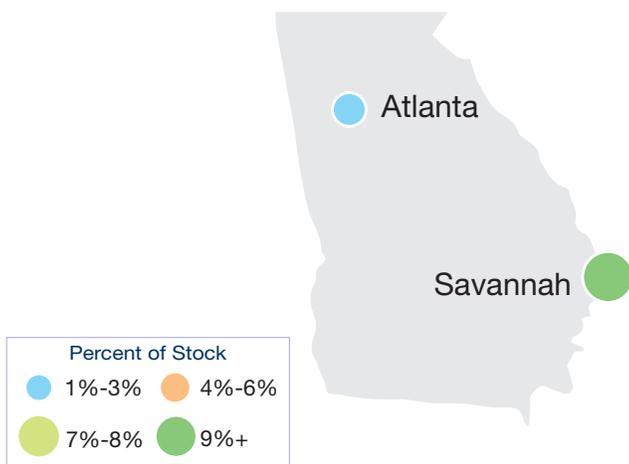


Job Growth, Tourism Boost Room Demand Throughout Georgia

Corporate growth and visitation drive up occupancy. Strong job growth and tourism throughout Georgia are benefiting occupancy and RevPAR growth statewide. Many companies continue to expand and relocate extended corporate headquarters in Atlanta, including the parent company of Arby's, Inspire Brands, as well as Starbucks, and Pandora, boding well for room demand as professionals attend meetings and interviews. Leisure travel also plays a considerable role in hotel occupancy improvement, particularly in Atlanta. The metro posted record visitation last year and international tourism has risen 20 percent over the past three years. The Hartfield-Jackson Atlanta International Airport continues to expand flight offerings to and from international destinations, spurring further visitation to the state.

Construction picks up considerably in Savannah. Strong room demand throughout Georgia has boosted construction of new hotels in the state's largest tourist markets. In Atlanta, more than 2,900 rooms are underway and an additional 4,500 rooms are expected to break ground in the metro during the next 12 months. Outside of Atlanta, Savannah has a considerably large pipeline relative to its total room inventory. More than 1,500 rooms are underway in the city and an additional 900 are making their way through the final planning stages.

Under Construction % Of Existing Rooms



Sources: Marcus & Millichap Research Services; STR, Inc.

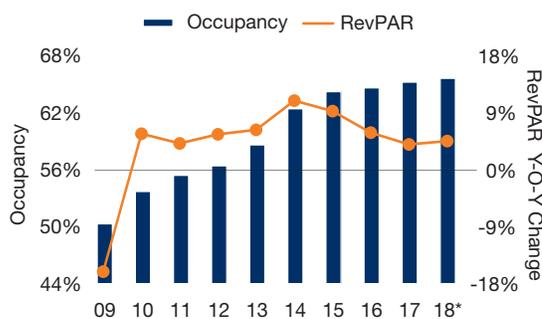
Hospitality 2018 Outlook

- 40 basis point increase in occupancy**  **Occupancy:** Following a 60-basis-point increase in occupancy in 2017, the rate will climb 40 basis points this year to 65.6 percent.
- 4.0% increase in ADR**  **ADR:** The average daily rate will rise 4.0 percent in 2018 to \$104.85 after a 3.2 percent increase was recorded in the prior year.
- 4.6% increase in RevPAR**  **RevPAR:** The uptick in occupancy combined with rising ADR will support a 4.6 percent increase in RevPAR to \$68.94. In the prior year, RevPAR rose 4.1 percent.

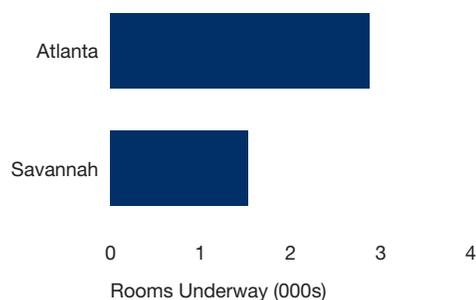
State Highlights

- The opening of the Mercedes-Benz stadium and Sun Trust Park will likely support room demand near these facilities as individuals travel to games and events. Additionally, Super Bowl LIII will be held in Mercedes-Benz stadium in 2019, attracting many visitors and boosting occupancy and RevPAR growth.
- The Georgia World Congress Center is going through a \$55 million expansion project, which broke ground earlier this year. Once completed, the center will feature a new 100,000-square-foot exhibit hall that will contribute to more than 1 million square feet of continuous space. This expansion could allow the city to host significantly larger events, bringing in travelers and supporting room demand.
- The numerous recreational activities within Georgia also attract travelers, boding well for hotels in the state. The southern entrance to the Appalachian Trail begins here and the coastline offers travelers numerous water-related activities.

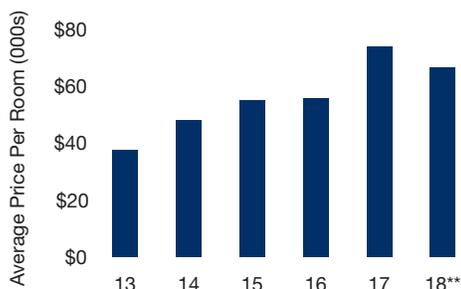
Annual Occupancy & RevPAR



Rooms Underway as of June 2018



Hotel Sales



* Forecast

** Trailing 12 months through 2Q

Sources: Marcus & Millichap Research Services; STR, Inc.

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Occupancy Trends

- In Georgia, healthy room demand supported a 30-basis-point increase in annual occupancy to 65.4 percent at the end of the second quarter. During the prior year, occupancy jumped 120 basis points.
- Occupancy growth in Atlanta outpaced statewide gains. The rate rose 50 basis points during the past 12 months to 70.3 percent in June. In the previous annual period, occupancy ticked up 20 basis points metrowide.
- More than 2,600 rooms were completed during the last four quarters throughout Atlanta. The bulk of deliveries comprised upper midscale, upscale and upper upscale rooms. More than 1,100 rooms were in the upper midscale segment while roughly 600 rooms were completed in both the upper upscale and upscale chain scales.

Revenue Trends

- Healthy room demand bodes well for improvement in the annual average daily rate throughout the state, which rose 3.5 percent during the year to \$102.71 in June. During the previous annual period, ADR also climbed 3.5 percent.
- Rising occupancy combined with the increase in the average daily rate drove a 3.9 percent advance in RevPAR to \$67.28. Statewide, RevPAR is up 32 percent from the previous cyclical peak. During the prior annual period, the rate climbed 5.3 percent.
- In Atlanta, growth in revenue metrics surpassed statewide gains during the past four quarters ending in June. The average daily rate edged up 4.1 percent to \$109.29 during this time period while RevPAR jumped 4.8 percent to \$76.89. In the prior year, ADR and RevPAR increased 3.8 percent and 4.1 percent, respectively.

Sales Trends

- Transaction velocity in Georgia picked up 15 percent during the past 12 months ending in June after remaining relatively flat the prior annual time period. The average price for hotels in the state remained relatively flat at \$66,300 per room. First-year returns for assets averaged between low high-8 to low-11 percent band based on property type and location.
- Sales of upscale hotels nearly doubled during the four-quarter period from the prior year. Heightened demand for these assets lifted prices 3 percent to \$123,000 per room. The bulk of these trades primarily were hotels in the Marriott and Hilton families. Sales also picked up for upper midscale assets during this time. Cap rates for these properties averaged in the mid-10 percent band.
- The bulk of hotel sales were located in the Atlanta metro, with northern suburbs commanding buyer attention. The Cumberland/Galleria area was particularly popular with properties in the area changing hands for approximately \$74,000 per room. Hotels near the airport also garnered buyer attention at prices averaging \$46,000 per key.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Republication or other re-use of this data without the express written permission of STR is strictly prohibited. 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; AHLA; BLS; CoStar Group, Inc.; Real Capital Analytics; STR, Inc.