

Trends® and Expectations for Boutique and Lifestyle Hotels

U.S. Edition

Price: \$495 Annual Subscription



NATIONAL ECONOMIC SUMMARY

Real GDP growth picked up from the first quarter growth rate of 0.8% but remained sluggish at 1.2%, according to the U.S. Bureau of Economic Analysis. Growth was driven almost entirely by personal consumption expenditures, which contributed a robust 2.8% to economic growth. Gross private investment, led by a drawdown of inventories, diminished GDP growth by 1.68%. The unemployment rate remained unchanged at 4.9%, and real average hourly earnings of all employees remained constant in the second quarter compared to the first quarter, according to the Bureau of Labor Statistics.

After eight quarters of pronounced strengthening, the dollar weakened 2.5% against international currencies from the first to the second quarter according to the FRB real dollar broad index. This noticeably helped export industries as net exports produced its largest contribution to GDP since Q3 2014. Oil prices were higher in the second quarter with Brent One-month forward prices rising by almost a third compared to the first quarter.

The year-over-year percentage difference in the consumer price index for all items rose by about 1% in the second quarter, more slowly than the Federal Reserve's target rate of 2% inflation. CBRE's outlook is that low inflation rates and low treasury rates should continue for the rest of 2016, and GDP is expected to grow by 1.7% year-over-year for the rest of 2016 and GDP growth is forecast to increase to 2.5% in 2017.

National Snapshot: Next Four Quarters

The arrows show the forecast direction of change over the next four quarters vs. the previous 4 quarters. Green indicates the change will be above the long run average, and orange indicates it will be below.

Category	Forecast	Long Run Average
Occupancy	Occupancy will increase to 65.5% (better than the previous rate of 65.5%, and above the long run average of 62.1%)	62.1%
Average Daily Rate	ADR growth expectations are increasing to 3.6% vs. the past 4 quarters' rate of 3.6%, and above the long run average of 3.1%	3.1%
Revenue Per Available Room	RevPAR growth projections for the next 4 quarters are roughly the same as the previous 4 quarters (4.2%), which is greater than the long run average of 3.3%	3.3%
Supply	Supply growth is climbing, 1.8% vs. the past 4 quarters' rate of 1.4%, though it is under the long run average of 1.9%	1.9%
Demand	Forecast demand growth will stay about the same at 2.0%. This is equal to the long run average of 2.0%	2.0%

Source: CBRE Hotels' Americas Research, Q2 2016

BOUTIQUE MARKET SUMMARY

Hoteliers in the U.S. continue to experience the intermittent ups and downs of performance to be expected at the peak of the business cycle.

After a sluggish first quarter, the pace of U.S. lodging demand picked up in Q2 2016. A 2.1 percent increase in demand, combined with a 1.5 percent rise in supply, resulted in a 0.6 percent boost to occupancy. This reversed the 0.6 percent decline in occupancy posted during Q1 2016. Unfortunately, the return to positive occupancy change did not alter the pace of ADR growth. Second quarter ADR expanded at a 2.9 percent.

Competition will pick up during the second half of 2016. Supply forecasts exceed 1.7 percent for the remainder of the year. Fortunately, expected improvements in the economy should generate a top-down demand allowing for a 0.1 percent increase in occupancy this year. The national ADR is projected to increase by 3.5 percent on an annual basis.

Looking towards 2017 we begin to see the impact of supply growth in excess of the 1.9 percent long-run average. For the first time since 2009, the national occupancy rate is expected to decline (-0.1%), albeit slightly. Despite the decline, occupancy levels will remain high (65.4%) and most economists expect a modest increase in inflation, thus allowing for a forecast 2017 increase of 0.1 percent.

Boutique Forecast Summary

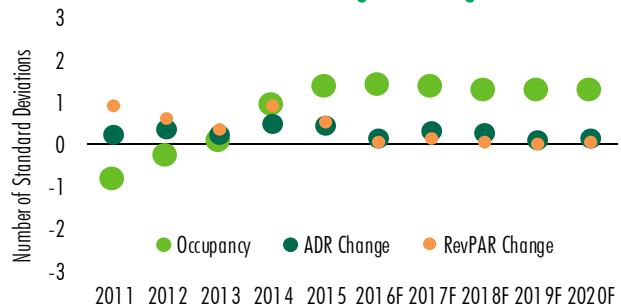
YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2011	60.0%	4.2%	\$101.74	3.8%	\$61.02	8.1%
2012	61.4%	2.4%	\$106.02	4.2%	\$65.08	6.7%
2013	62.2%	1.4%	\$109.99	3.7%	\$68.46	5.2%
2014	64.4%	3.4%	\$115.07	4.6%	\$74.08	8.2%
2015	65.4%	1.7%	\$120.23	4.5%	\$78.68	6.2%
2016F	65.5%	0.1%	\$124.42	3.5%	\$81.51	3.6%
2017F	65.4%	-0.1%	\$129.49	4.1%	\$84.70	3.9%
2018F	65.3%	-0.2%	\$134.54	3.9%	\$87.81	3.7%
2019F	65.3%	0.0%	\$139.10	3.4%	\$90.80	3.4%
2020F	65.2%	-0.1%	\$143.99	3.5%	\$93.93	3.4%

Source: CBRE Hotels' Americas Research, STR, Q2 2016

Long Run Averages 1988 to 2015

Occupancy: 62.1%, ADR Change: 3.1%, RevPAR Change: 3.3%

EXHIBIT 1**: Performance Grade vs. Long Run Average



Source: CBRE Hotels, STR, Q2 2016

**See Appendix for exhibit descriptions

REPRESENTATIVE BRANDS AND AFFILIATIONS			
Upper Midscale to Luxury	Soft Brands	Referral & New Chains	Luxury / Independent
aloft Hotel	Ascend Collection	Historic Hotels	Ac Hotel
Andaz	Autograph Collection	Leading Hotels of the World	Alma Hotel
Edition	Best Western Premier	Magnolia	Elimination Hotels
Hotel Indigo	Curio Collection	Relais & Chateaux	Independent
Hyatt Centric		World Hotels	Joie De Vivre
Kimpton			Common Hotels
Luxury Collection			Alcanta Group
W Hotel			

Source: BLLA

Boutique Hotels							
Upper-Midscale to Luxury Chain Hotels							
Year	Period	Occupancy	Change	ADR	Change	RevPAR	Change
2010	Annual	67.7%		\$180.78		\$122.47	
2011	Annual	72.2%	6.6%	\$193.04	6.8%	\$139.41	13.8%
2012	Annual	74.1%	2.6%	\$201.15	4.6%	\$149.54	7.3%
2013	Annual	75.3%	1.2%	\$210.55	3.4%	\$157.10	5.1%
2014	Annual	76.7%	1.4%	\$216.15	3.9%	\$166.43	5.9%
2015	Annual	76.4%	-0.1%	\$226.60	4.4%	\$173.07	4.0%
2016 Forecast	Annual	76.3%	-0.1%	\$228.72	0.9%	\$174.46	0.8%
2017 Forecast	Annual	76.3%	0.1%	\$217.74	3.9%	\$181.45	4.0%
2018 Forecast	Annual	76.3%	-0.1%	\$240.00	3.4%	\$187.39	3.3%
2015 2Q	Year to Date	76.5%		\$226.07		\$172.85	
2016 2Q	Year to Date	76.4%	-0.1%	\$227.63	0.7%	\$173.91	0.6%

Sources: STR, CBRE Hotels' Americas Research

Boutique Hotels							
Soft Brands							
Year	Period	Occupancy	Change	ADR	Change	RevPAR	Change
2010	Annual	58.6%		\$136.98		\$80.29	
2011	Annual	62.6%	6.7%	\$146.16	6.7%	\$91.43	13.9%
2012	Annual	63.9%	2.2%	\$155.61	6.5%	\$99.50	8.8%
2013	Annual	65.6%	2.7%	\$164.57	5.8%	\$108.03	8.6%
2014	Annual	65.9%	0.3%	\$171.71	4.3%	\$113.09	4.7%
2015	Annual	68.0%	3.3%	\$171.69	0.0%	\$116.80	3.3%
2016 Forecast	Annual	67.1%	-1.4%	\$175.81	2.4%	\$117.93	1.0%
2017 Forecast	Annual	67.1%	0.0%	\$183.16	4.2%	\$122.83	4.2%
2018 Forecast	Annual	66.9%	-0.3%	\$189.00	3.2%	\$126.40	2.9%
2015 2Q	Year to Date	67.8%		\$175.50		\$118.98	
2016 2Q	Year to Date	67.6%	-0.3%	\$175.75	0.1%	\$118.83	-0.1%

Sources: STR, CBRE Hotels' Americas Research

Boutique Hotels							
Referral Groups and New Chains							
Year	Period	Occupancy	Change	ADR	Change	RevPAR	Change
2010	Annual	66.0%		\$276.83		\$182.67	
2011	Annual	68.6%	4.0%	\$302.10	9.1%	\$207.50	13.5%
2012	Annual	70.7%	3.0%	\$312.04	3.3%	\$220.00	6.3%
2013	Annual	72.1%	2.0%	\$328.32	5.2%	\$236.71	7.4%
2014	Annual	74.3%	3.1%	\$339.75	3.5%	\$252.55	6.7%
2015	Annual	72.1%	-3.0%	\$351.57	3.5%	\$253.47	0.4%
Forecast	Annual	73.2%	1.5%	\$355.69	1.2%	\$260.00	2.7%
Forecast	Annual	72.5%	-0.9%	\$366.76	3.1%	\$265.00	2.2%
Forecast	Annual	72.2%	-0.5%	\$379.59	3.5%	\$273.90	3.0%
2015 2Q	Year to Date	71.4%	0.0%	\$341.49	0.0%	\$243.89	0.0%
2016 2Q	Year to Date	73.3%	2.7%	\$344.45	0.8%	\$252.61	3.6%

Sources: STR, CBRE Hotels' Americas Research

Boutique Hotels							
Luxury / Independent							
Year	Period	Occupancy	Change	ADR	Change	RevPAR	Change
2010	Annual	72.5%		\$201.77		\$146.87	
2011	Annual	74.8%	3.1%	\$219.00	8.4%	\$164.28	11.9%
2012	Annual	76.5%	2.3%	\$228.60	4.1%	\$174.94	6.5%
2013	Annual	77.5%	1.3%	\$240.42	5.1%	\$186.23	6.5%
2014	Annual	77.5%	1.3%	\$251.68	3.4%	\$195.16	4.8%
2015	Annual	77.8%	0.7%	\$241.19	-0.2%	\$196.10	0.5%
Forecast	Annual	78.2%	0.4%	\$244.36	-1.5%	\$192.91	-1.6%
Forecast	Annual	78.3%	-0.1%	\$252.75	3.4%	\$197.94	2.6%
Forecast	Annual	78.1%	-0.3%	\$261.94	3.6%	\$204.58	3.4%
2015 2Q	Year to Date	77.7%	0.0%	\$241.91	0.0%	\$190.50	0.0%
2016 2Q	Year to Date	77.7%	-0.3%	\$237.76	-1.7%	\$186.61	-2.0%

Sources: STR, CBRE Hotels' Americas Research

US ACTIVE PIPELINE - AUGUST 2016						
Phase	Upper-Midscale to Luxury		Soft Brand		Luxury / Independent	
	Properties	Rooms	Properties	Rooms	Properties	Rooms
Planning	42	5,879	20	3,083	92	10,834
Final Planning	187	24,438	33	4,553	52	6,556
In Construction	83	14,460	31	4,052	92	12,425
Total Pipeline	312	44,777	84	11,688	236	29,815

Sources: STR, CBRE Hotels' Americas Research

The Boutique & Lifestyle Lodging Association (BLLA), in conjunction with CBRE Hotels' Americas Research (CBRE), is pleased to present this complimentary inaugural edition of *Trends® and Expectations for Boutique and Lifestyle Hotels – U.S.* Each quarter CBRE will present updated forecasts of performance for the boutique and lifestyle segment of the lodging industry based on four industry competitive classification categories developed by the BLLA. In addition, the quarterly reports will contain CBRE's latest forecast data for the overall U.S. lodging industry, commentary on the vital economic indicators impacting U.S. lodging performance, development activity within the boutique and lifestyle segment, and insights from BLLA leadership. As a bonus addendum, once a year CBRE will extract data from its *Trends® in the Hotel Industry* database and provide revenue, expense, and profit metrics for boutique and lifestyle hotels to assist owners and operators benchmark the financial performance of their properties.

BLLA - The world's most innovative and progressive organization dedicated to the luxury independent boutique lodging and lifestyle industries. The association connects the world's most dynamic executives with cutting edge business and operational insight. BLLA's membership benefits allow access to the world's leading minds in the space through events, research and education. Our mission is to provide leadership and opportunities for global recognition and connections to the world's best hotels, vendors and manufacturers. All resulting strategic interactions and access to information that helps people and organizations thrive. Join the movement that BLLA gave birth to in 2009 and become a part of something that is truly unique, exciting and inspirational. www.blla.org

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