A Leading Asset Management Co - predicted fast forward 6 months in the future.

Do you agree? We invite your comments.

1. Strong 2023 RevPAR and ADR due to 1H performance; nominal 2H23 topline growth forecasted.

Public companies are forecasting 2023 RevPAR to grow mid- to high-single digit growth over 2022 while the industry prognosticators are in mid-single digits. Based on public hotel earnings guidance, the first half of year is already locked into double digit growth, implied RevPAR growth for the second half of 2023 is only 1-2%.

2. Occupancy gains coming from group followed by corporate.

While leisure travel slows, corporate and group look to carry the occupancy growth for the balance of the year.

3. Reservation Lead Time grew while Length of Stay shrank versus 1Q22.

All segments are seeing expanding lead times, though length of stay is shrinking, likely reflecting the shift mix from leisure to business travel.

4. RevPAR flow to GOP was lackluster; impacted by higher labor costs.

National flow to GOP in 1Q23 was only 40% despite RevPAR growth of 32%. Incremental labor to service occupancy and inflationary pressures on operating expenses limited flow.

5. Less new supply will be a tailwind for most markets.

New York City, Phoenix and Nashville lead under-construction volumes as percent of existing stock but expect the final planning inventory to be delayed by current construction financing environment. Higher construction costs and lower development yields will force more projects to be cancelled.

6. Debt markets continue to be challenging.

Forward rate curves suggest an easing is around the corner, but current borrowing conditions are forcing difficult conversations around acquisition and refinancing terms. The regional bank crisis suggests most debt capital will come from non-bank sources such as debt funds, PE funds, life companies, and CMBS (for properties with cash flow). Expect a challenging acquisition/refinancing market through 2023.