

REVISED

**To be viewed as amendment
to initial presentation
dated 8.20.2020**

OUTLOOK 2021

November 17, 2020

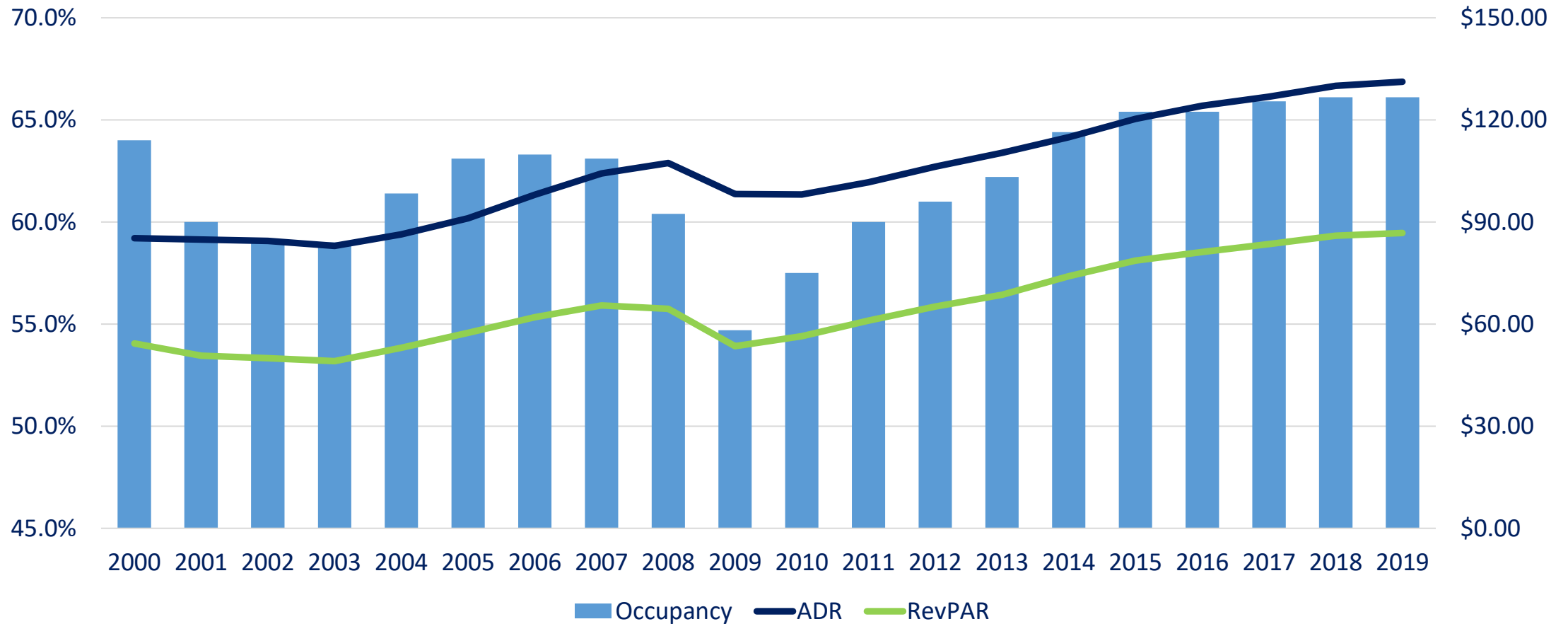


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NATIONAL LODGING MARKET

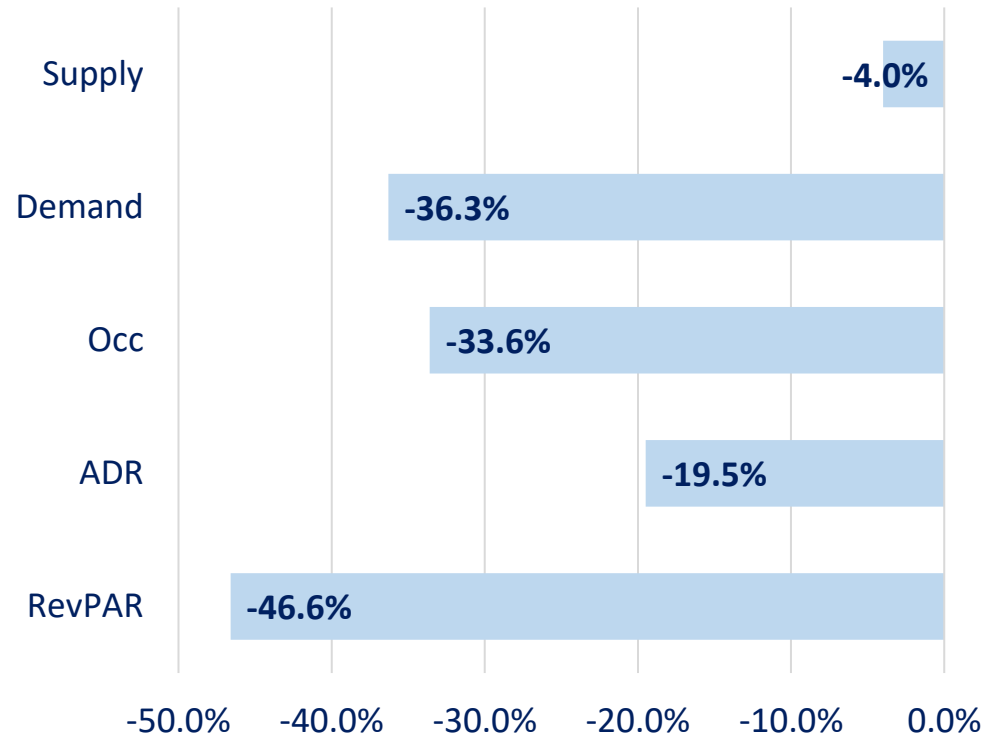
Historic Market Performance – National



Source: STR

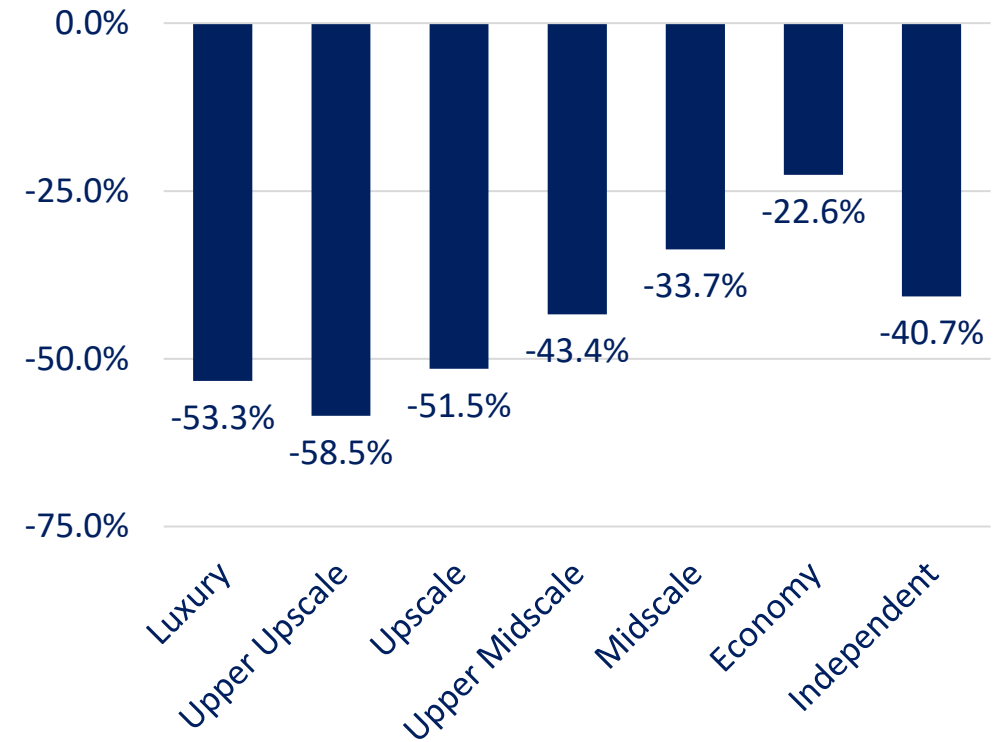
YTD Sept 2020 – National

**National Lodging Market Performance
YTD Sept 2020**

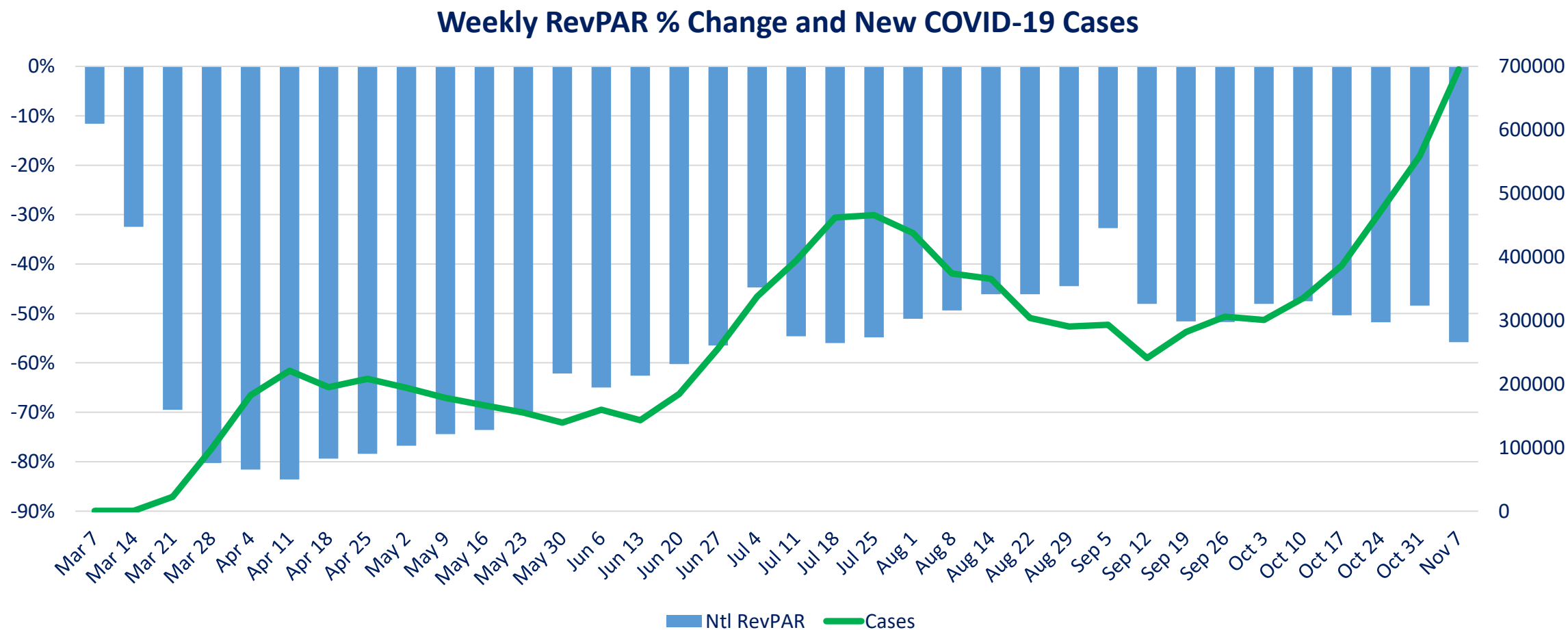


Source: STR

**RevPAR % Change
by Chain Scale**



March to October - National



Source: STR, Centers for Disease Control and Prevention



Industry Projections – National

2020

	STR	CBRE
Occupancy	-36.1%	-40.3%
ADR	-21.0%	-20.4%
RevPAR	-49.5%	-52.5%

2021

	STR	CBRE
Occupancy	23.7%	31.3%
ADR	5.4%	7.5%
RevPAR	30.3%	41.1%

Source: STR (11/13), CBRE (9/2)

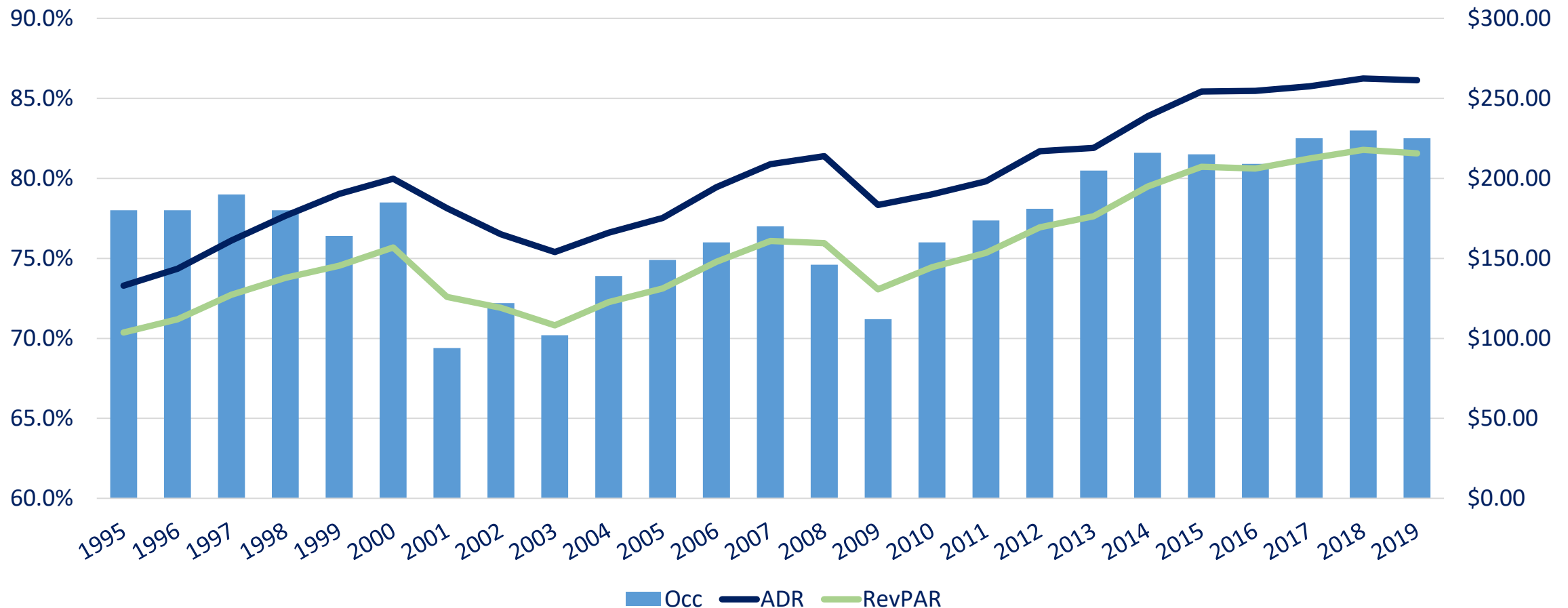
* STR & CBRE reflect total-room inventory methodology, assuming no temporary hotel closures





BOSTON & CAMBRIDGE LODGING MARKET

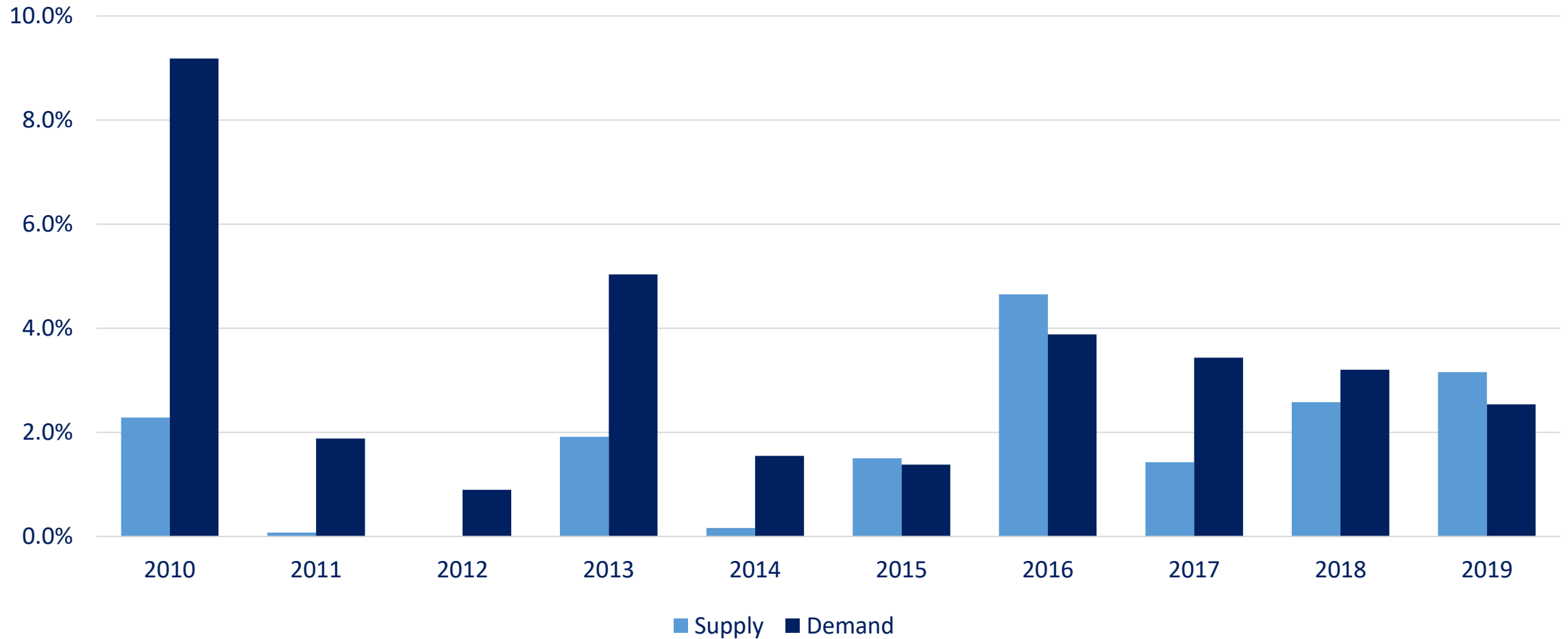
Boston & Cambridge Historic Performance



Source: Pinnacle Perspective, Pinnacle Advisory Group

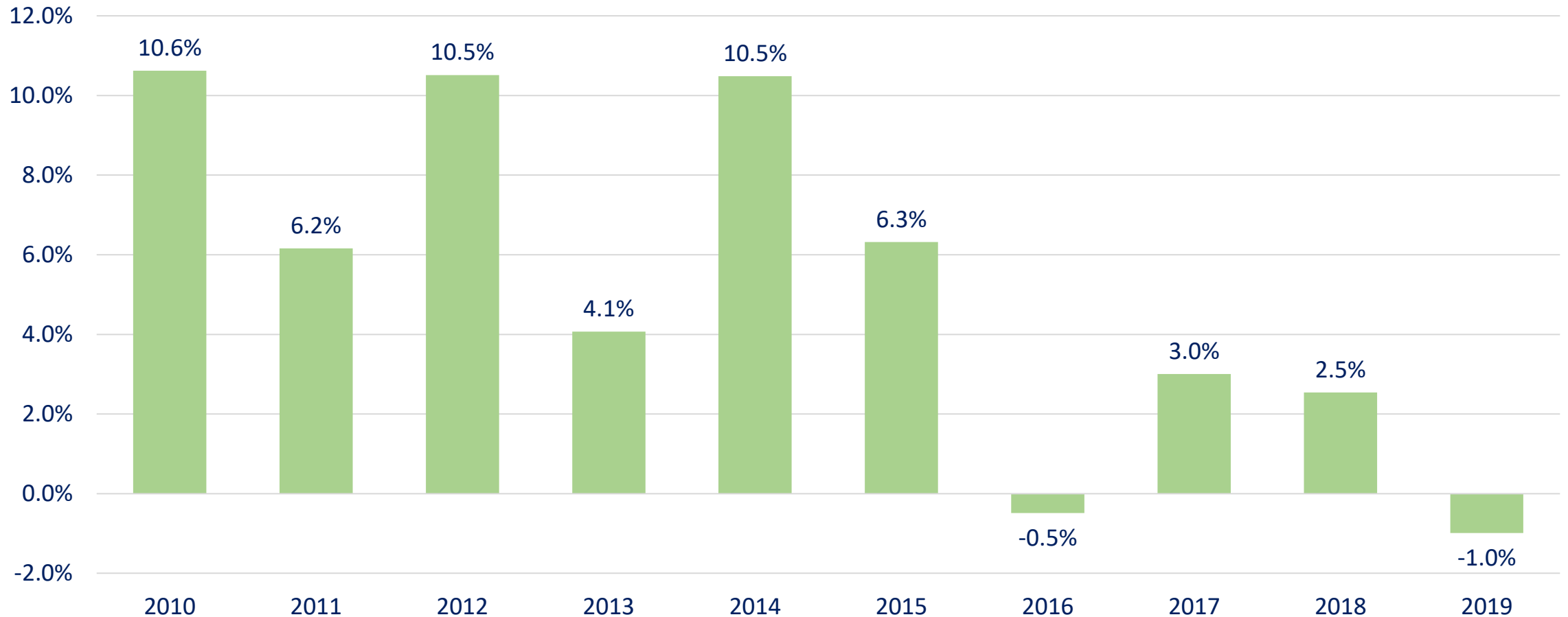


Boston & Cambridge Supply & Demand, % Change



Source: STR (supply), Pinnacle Advisory Group (demand)

Boston & Cambridge RevPAR % Change



Source: Pinnacle Perspective, Pinnacle Advisory Group



Boston & Cambridge YTD Performance

Two approaches...

2.2M

Occupied Rms

Boston & Cambridge Lodging Market YTD Oct 2020 - Total Room Inventory											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	YTD
Occ	67%	73%	29%	5%	5%	7%	14%	20%	25%	26%	26%
ADR	\$170	\$179	\$202	\$128	\$111	\$141	\$151	\$154	\$141	\$145	\$166
RevPAR	\$114	\$131	\$61	\$6	\$6	\$10	\$21	\$31	\$36	\$38	\$45
October performance reported as preliminary permanent closure.											

100%

Rooms Supply
Assumption YTD

\$166

ADR

Boston & Cambridge Lodging Market YTD Oct 2020 - Partial/Actual Room Inventory											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	YTD
% Closed	0%	0%	15%	69%	78%	71%	50%	31%	18%	14%	35%
Occ	67%	73%	36%	16%	25%	25%	27%	29%	31%	30%	42%
ADR	\$170	\$179	\$202	\$128	\$111	\$141	\$151	\$154	\$141	\$145	\$166
RevPAR	\$114	\$131	\$72	\$21	\$28	\$35	\$41	\$45	\$43	\$44	\$69
October performance reported as preliminary											
* Actual inventory removes properties that are temporarily closed for the full month from supply. Est. 35% of rooms closed through October.											
Supply estimates based on property surveys, GBCVB, and interviews with property management											

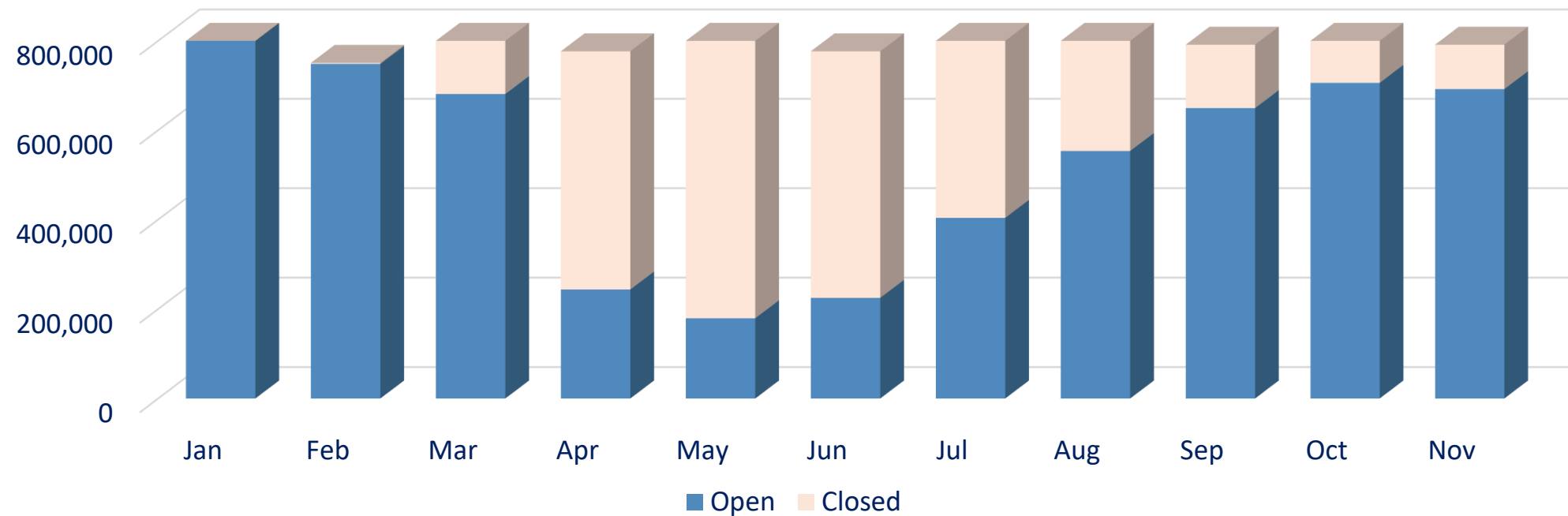
65%

Rooms Supply
Assumption YTD



Boston & Cambridge 2020 Closures

Available Rooms (Open vs Closed) by Month 2020
As of November 15, 2020

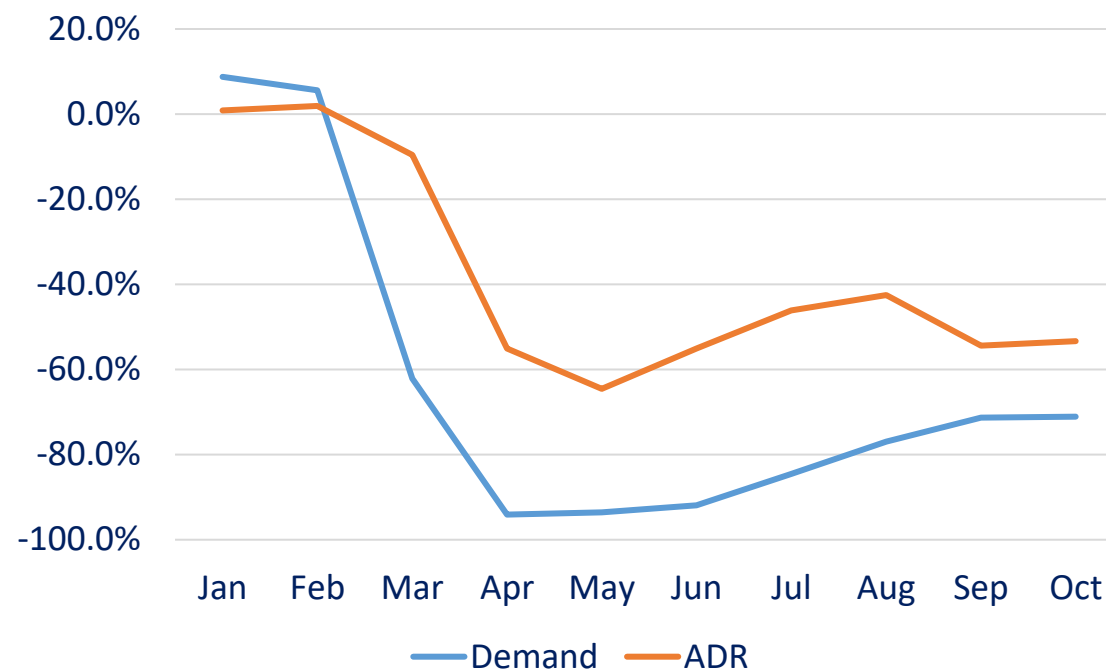


Source: Pinnacle Advisory Group, Greater Boston Convention & Visitors Bureau

Boston & Cambridge YTD Performance

Boston & Cambridge Lodging Market YTD Oct 2020 - Total Room Inventory			
	YTD Oct 2019	YTD Oct 2020	% Change
Demand	6,550,000	2,090,000	-68%
Occ	84%	26%	-58%
ADR	\$270	\$166	-39%
RevPAR	\$227	\$44	-81%
October performance reported as preliminary			
Total room inventory methodology			

Monthly Demand and ADR, % Change



Note: The Governor of Massachusetts declared a state of emergency on March 10. Beginning April 1, hotels were only permitted to accommodate the COVID-19 essential workforce, other workers responding to the COVID-19 public health emergency, and vulnerable populations. This order ran until June 8 when hotels were permitted to reopen to the general public.

Source: Pinnacle Perspective

* Adjusted to reflect **total-room inventory methodology**, assuming no temporary hotel closures.



Boston & Cambridge New Supply 2020 & 2021

Opening 2020	Neighborhood	Scale	Rms	Est. Opening
Home2 by Hilton South Bay	Dorchester	Upper Midscale	130	Aug
907 Main	Central Square	Independent	67	Sep
Hyatt Place Boston Seaport	Seaport District	Upscale	293	Sep

+1.3%
2020 Increase

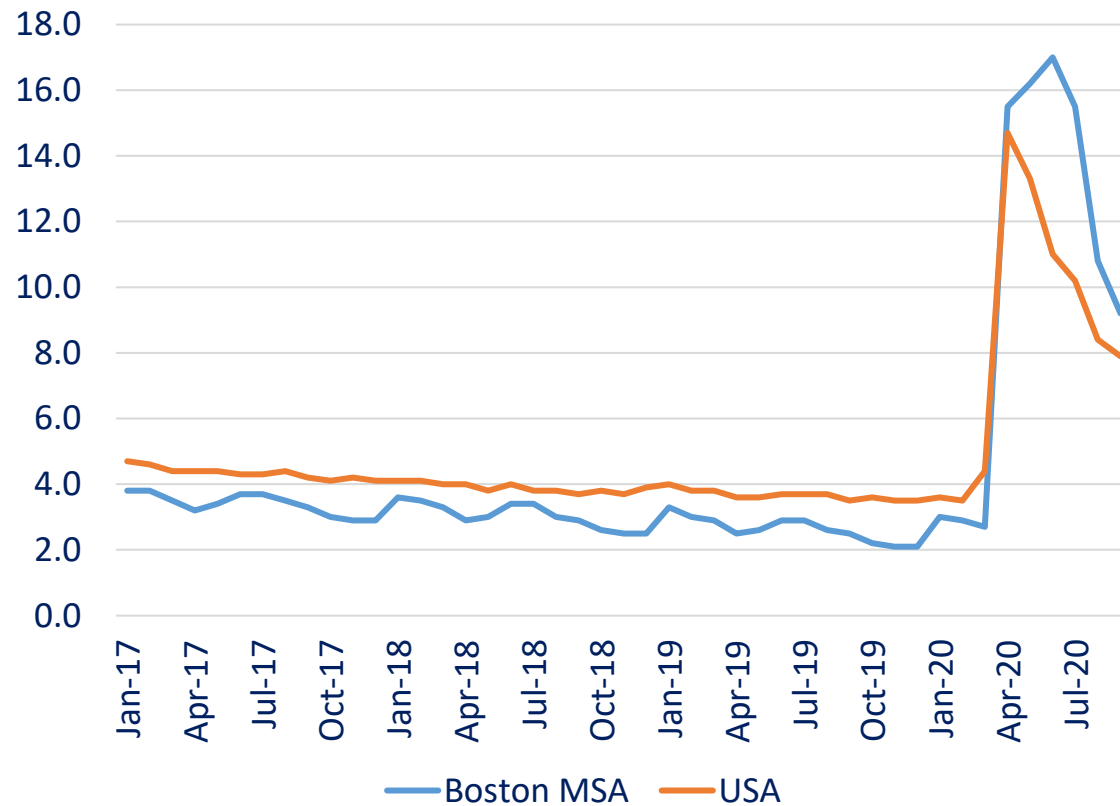
Opening 2021	Neighborhood	Scale	Rms	Est. Opening
The Newbury (prev. The Taj, closed Nov '19)	Back Bay	Luxury	286	Q1
Hilton Garden Inn Logan Airport (expansion)	East Boston	Upscale	83	Q2
Hampton Inn Boston Seaport (dual)	Seaport District	Upper Midscale	245	Q2
Homewood Suites Boston Seaport (dual)	Seaport District	Upscale	166	Q2
The Langham (closed Apr '19)	Downtown	Luxury	312	Q2
Omni Boston Seaport	Seaport District	Upper Upscale	1,055	Q3

+6.5%
2021 Increase

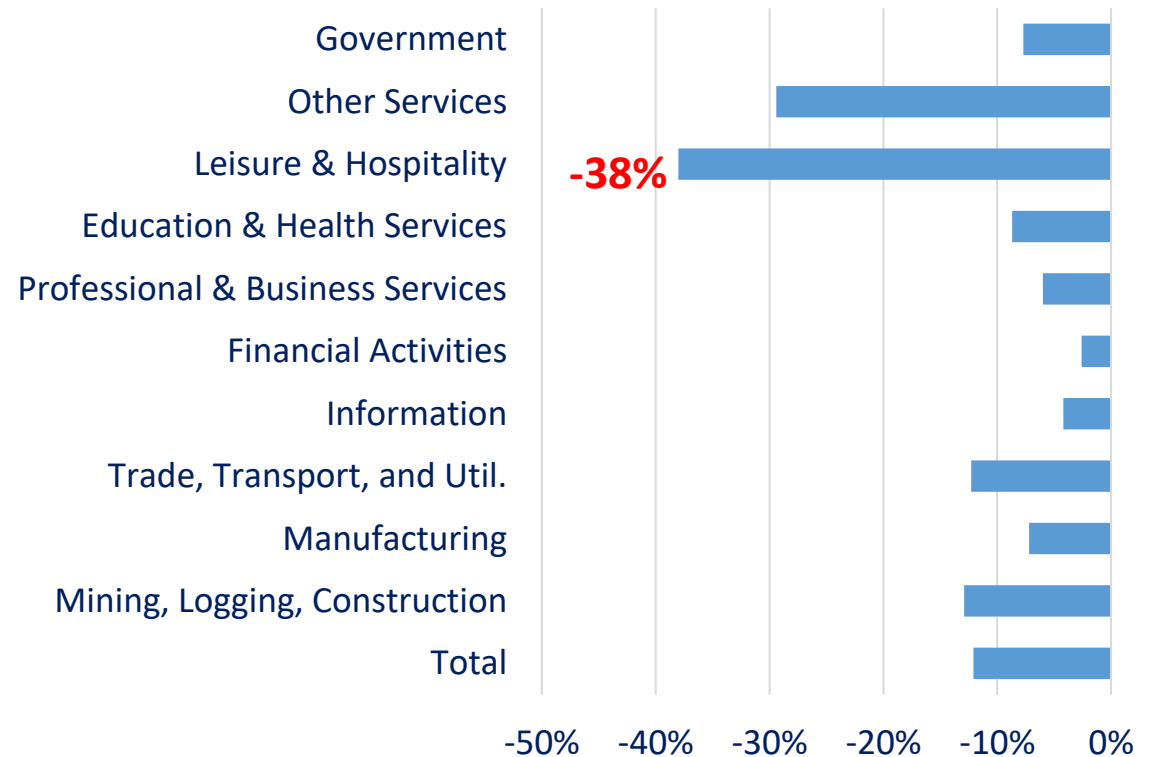
Source: Various Developers, Operators, Brand Representatives, etc. Compiled by Pinnacle Advisory Group
Estimated opening dates subject to change. Projected changes to supply do not reflect temporary closures.

Greater Boston Economic Environment

Monthly Unemployment Rate



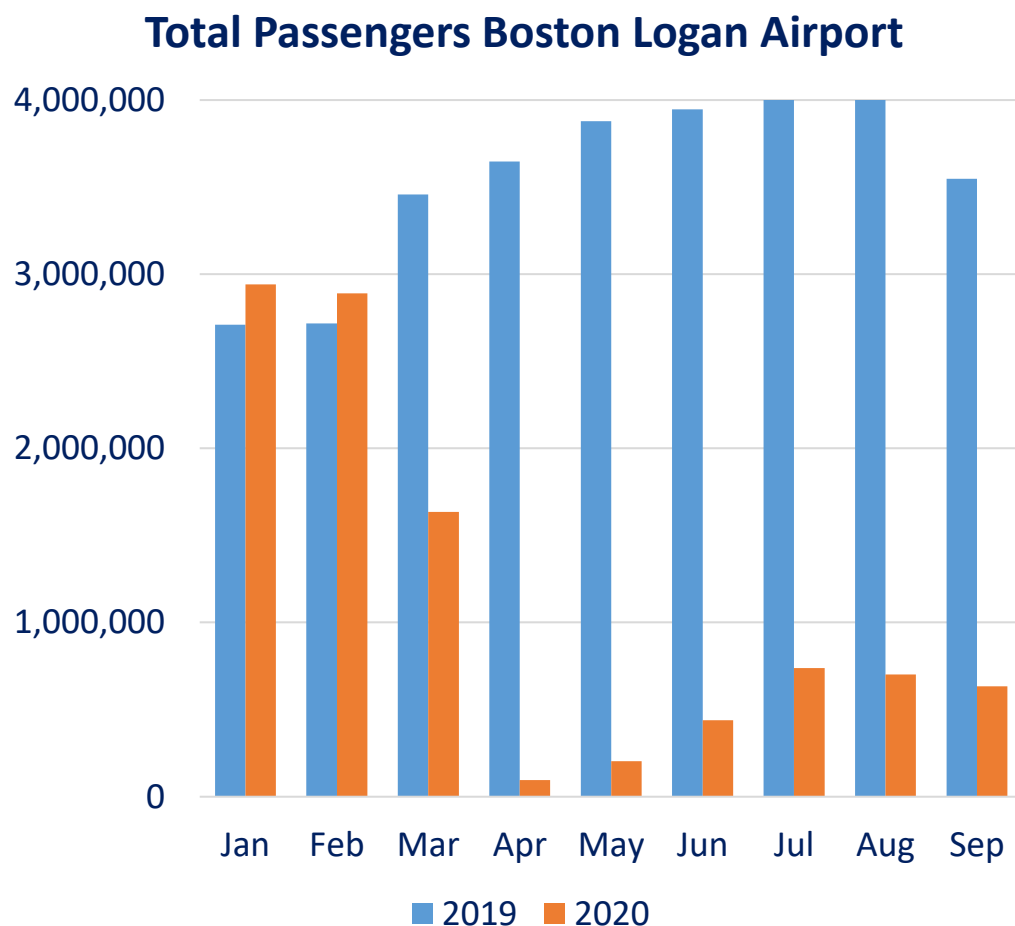
Massachusetts Employment by Industry June 2020, 12-month % Change



Source: Bureau of Labor Statistics



Boston Logan International Airport



- 2019 was another record-breaking year for passenger traffic. Reaching 42.5 million, a 3.9% increase to prior year. International passenger traffic increased 9.7%.
- Driven by the negative impacts of the global pandemic, traffic through Logan Airport has decreased 68% YTD through Oct 2020.
- April was an all time low, with less than 100,000 passengers. This has increased the last two months reaching over 430,000 in June.
- Expansion plans have been significantly reduced; the monorail, two parking garages, and three of the original seven new international gates have been put on hold.



Boston & Cambridge Office Market, Q3 2020

Boston	Inventory (SF)	Absorption (SF)	Vacancy %
2019	72.0 M	1,358,800	7.9%
Q1 2020	72.4 M	(154,000)	8.6%
Q2 2020	72.3 M	(1,500,000)	10.6%
Q3 2020	72.3 M	(1,266,500)	12.6%

Cambridge	Inventory (SF)	Absorption (SF)	Vacancy %
2019	24.5 M	582,800	4.7%
Q1 2020	24.5 M	127,300	4.2%
Q2 2020	24.7 M	301,900	4.2%
Q3 2020	24.7 M	(80,300)	4.5%

Source: Colliers International

Boston & Cambridge Demand Trends

Corporate

- Still very little corporate in market today, nominal increases each week. Expect levels to begin to diminish mid-Nov.
- Forecasting very little recovery in Q1. Hopeful that corporate segment will begin to recover Q2, with increased growth rates in Q3 and Q4. Estimating segment to be 40-50% of 2019 levels by yearend 2021.
- Corporate rates are down, driving customers to third party channels. Month-to-month rate growth in corporate segment could be evident in March or April.

Group

- Very little group expected in the market until Q3 (at best). Estimating segment to be 10-15% of 2019 levels by yearend 2021.

Leisure

- Made up of mostly regional travelers, expect to see increases during seasonal swings, holiday/vacation periods, or driven by local demand generators (ie. colleges). Rate sensitive, value oriented. Estimating segment to be 70-75% of 2019 levels by yearend 2021.

Contract

- Airlines and college/university demand, only stable demand in market.



Boston & Cambridge ADR Trends

Past Recession Recovery Periods

- *Historically, ADR takes about twice as long to recover when compared to occupancy.*
- *ADR declined 15.2% the 12 months following September 11, 2001. It took 68 months to return to the levels experienced for the 12 months prior to the event.*
- *ADR declined 12.5% the 12 months following the Financial Crises of 2008. It took 50 months to return to the levels experienced for the 12 months prior to the event.*
- *Between March and October 2020 (8 months), ADR has declined 39% and it continues to decline each month.*

Group vs. Transient

- *During past recessions, operators discount rates and utilize OTA channels to increase demand. Leisure travelers are looking for these bargains already.*
- *In prior recession, group ADR actually increased at a faster rate because group contracts had been negotiated 12+ months prior. However, with lower-rated channels open to the public, meeting attendees in the blocks often times canceled and rebooked outside of the block.*

Compression

- *Compression night (market occupancy at/above 90%) and are responsible for most of the annual RevPAR growth driven by ADR gains. Market averaged 145 compression nights the last 3 years. Without compression very little pricing power.*



Boston & Cambridge Projections 2020



	2019	2020	% Change
Occupancy	82.3%	26%	-68%
ADR	\$261	\$163	-38%
RevPAR	\$215	\$43	-80%

TRI Methodology assumes full room inventory apart from hotels closed prior to COVID-19 and those which have announced permanent closure

Reflect **total-room inventory methodology**, assuming no temporary hotel closures
Source: Pinnacle Advisory Group



Boston & Cambridge Projections 2020



	2019	2020	% Change
Occupancy	26%	43%	64%
ADR	\$163	\$196	20%
RevPAR	\$43	\$84	97%

Reflect **total-room inventory methodology**, assuming no temporary hotel closures

Source: Pinnacle Advisory Group



Boston & Cambridge Projections 2021



2021 Quarterly Projection Boston & Cambridge Lodging Market				
	Q1	Q2	Q3	Q4
Supply % Change	3%	6%	9%	8%
Occ	24%	39%	57%	50%
% Change	-57%	584%	189%	107%
ADR	\$159	\$191	\$229	\$178
% Change	-12%	50%	55%	24%
RevPAR	\$38	\$75	\$131	\$89
% Change	-62%	926%	348%	156%
Total Room Inventory Methodology.				
Source: Pinnacle Advisory Group, Pinnacle Perspective				

Reflect **total-room inventory methodology**, assuming no temporary hotel closures

Source: Pinnacle Advisory Group



The Silver Lining



Although a full recovery to 2019 performance levels is expected to take 4-5 years, Greater Boston will benefit from...

- Solid mix of business with diverse, stable demand generators
- Drive-to market, centrally located in New England
- Leisure travelers opting for domestic travel vs international
- Reduction in new/existing supply

Boston lodging market is positioned well for a faster recovery if an effective vaccine were to become a widely available.

Be safe, stay healthy!



Pinnacle Advisory Group

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