

WASHINGTON, D.C. METRO LODGING TRENDS REPORT

May 2019



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Washington, D.C.
Metro Lodging
Trends



THE PLASENCIA GROUP
Passion. Access. Certainty.

D.C. METRO TREND HIGHLIGHTS

Even though the **partial federal government shutdown** ended in January, the minor but measurable effects on lodging and hospitality sectors—particularly by way of slight occupancy declines—continued for the entire first quarter. While there are not exact statistics of lost or displaced business, estimates by the U.S. Travel Association place the **total economic impact at \$100 million a day** through the end of January.

Commercial real estate taxes will likely continue to increase as the D.C. Mayor is championing a 20% increase to raise money for the homelessness relief effort in the District.

Several select service and a few full service hotels are being added in the District. While land is expensive, developers are turning to mixed use and adaptive re-use projects for attractive returns. Qualified Opportunity Zones have yet to become mainstream development options for the hospitality sector as parts of the District continue to gentrify.

D.C. remains an attractive market for many U.S. and foreign investment groups with recent sales exceeding an average of \$475,000 per key in the District and cap rates in the mid-single figures. Northern Virginia is also doing well with sales topping an average of \$400,000 per key in the Alexandria market. Commercial land is scarce, and opportunities to buy are rare.



Overall, the greater D.C. area's hotels have demonstrated resiliency despite some challenges, including increasing supply and displaced business in late 2018 and early 2019.



D.C. METRO TREND HIGHLIGHTS, CONTINUED

The metropolitan area is anxiously awaiting **the arrival of Amazon's HQ2**, which promises between 12,000 to 25,000 new jobs over a five-year period. Hotel and multifamily developers are scouting sites in the National Landing area and redeveloping buildings along the Route 2 corridor in Northern Virginia. It is expected that Amazon's move will bring some of its more prominent suppliers along with it, as did Walmart in Bentonville, Arkansas decades ago.

Reagan National Airport continues its expansion with the addition of a new \$375 million terminal slated to open in 2021. While the \$1 billion redevelopment project, termed "Project Journey," will modernize and upgrade all the facilities, the air traffic can only modestly increase through use of landing technology since no new runways can be added at the existing location. This limitation at DCA bodes well for the owners of properties surrounding Dulles and BWI, where there is significant land available and passenger demand is increasing.

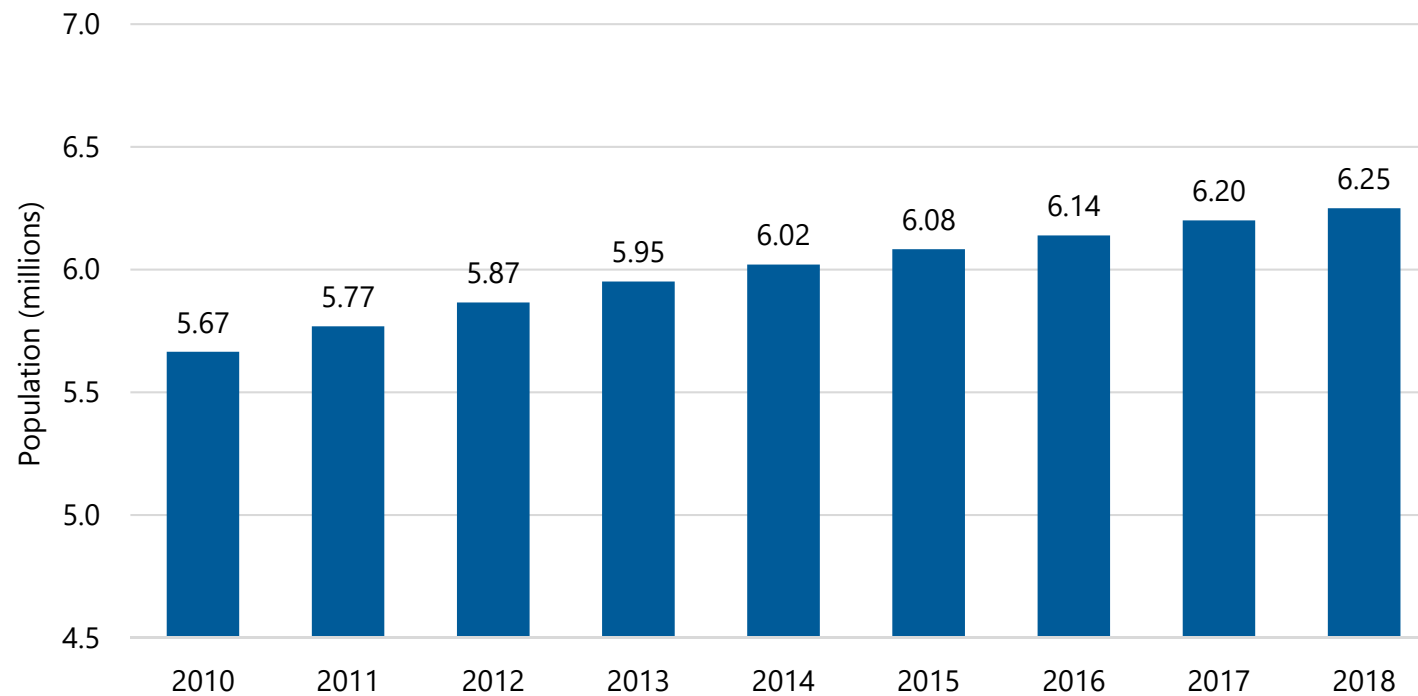


Despite the challenges the market has faced of late, anticipated increases in demand will behoove hotel performance throughout the metropolitan area.



INCREASING MSA POPULATION

The Washington, D.C. Metro, excluding Baltimore, is the sixth largest MSA in the nation.

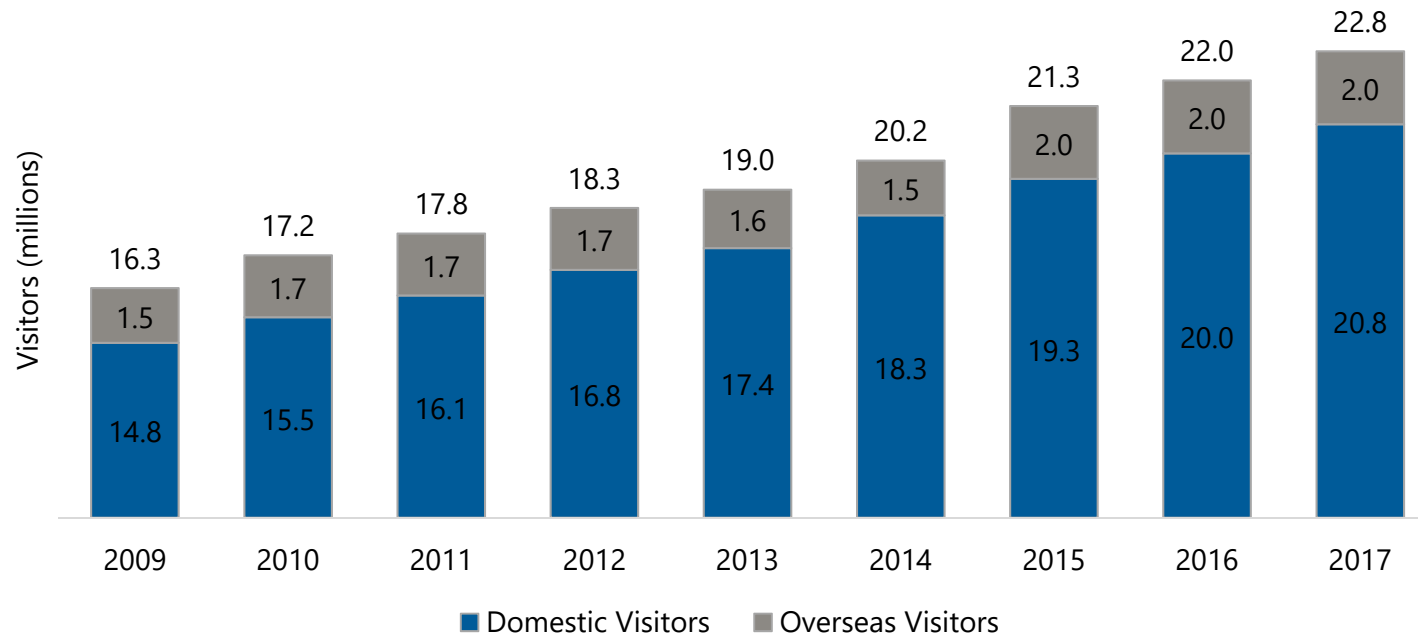


Source: U.S. Census Bureau



WASHINGTON, D.C. VISITATION CONTINUES TO GROW

The District has been setting citywide visitation records annually, driven largely by increases in domestic travelers.

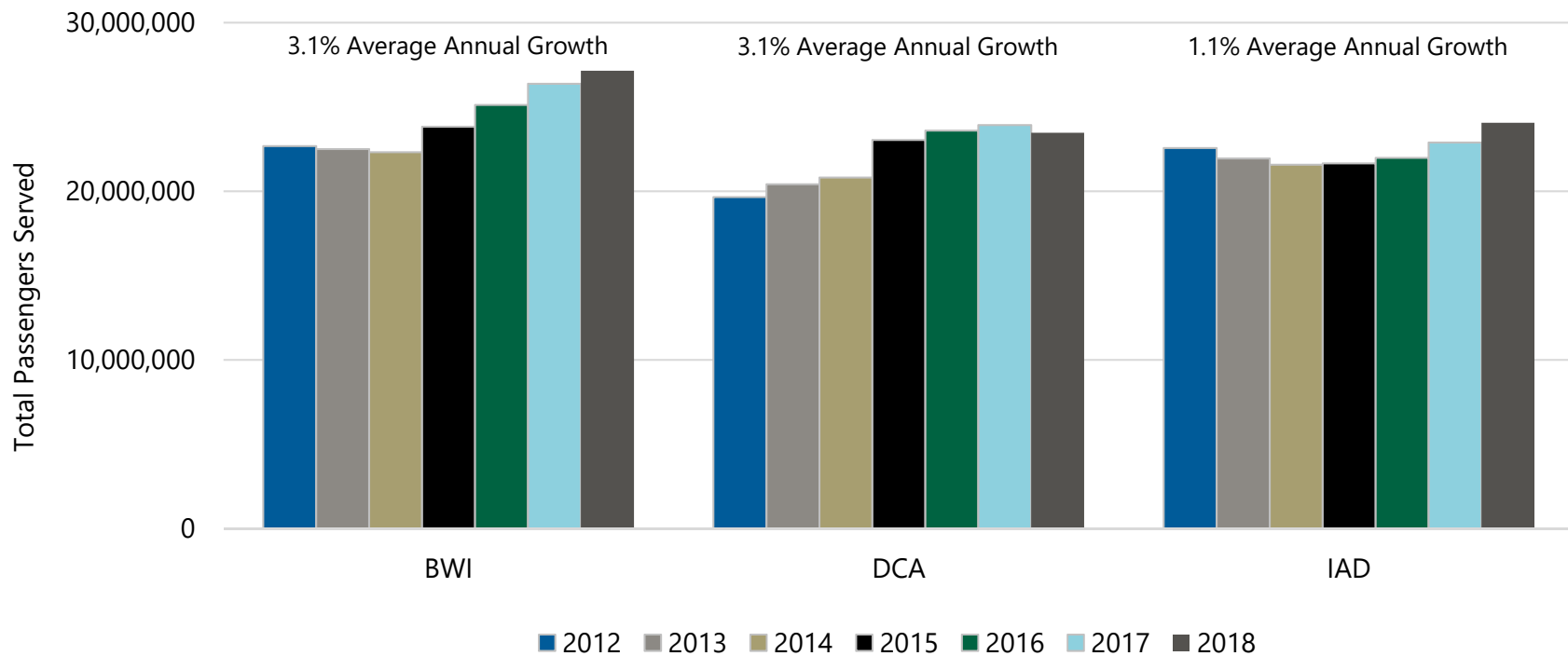


Source: Destination D.C.



MAJOR D.C. AREA AIRPORTS TAKING OFF

The three major airports in D.C., Maryland, and Virginia (DMV) have grown steadily since 2012 and are poised to continue that pattern.



Airport	Code
Ronald Reagan Washington National Airport	DCA
Washington Dulles International Airport	IAD
Baltimore/Washington International Thurgood Marshall Airport	BWI



HISTORICAL REVPAR PERFORMANCE

The majority of major markets have experienced a decrease in RevPAR in 2019.

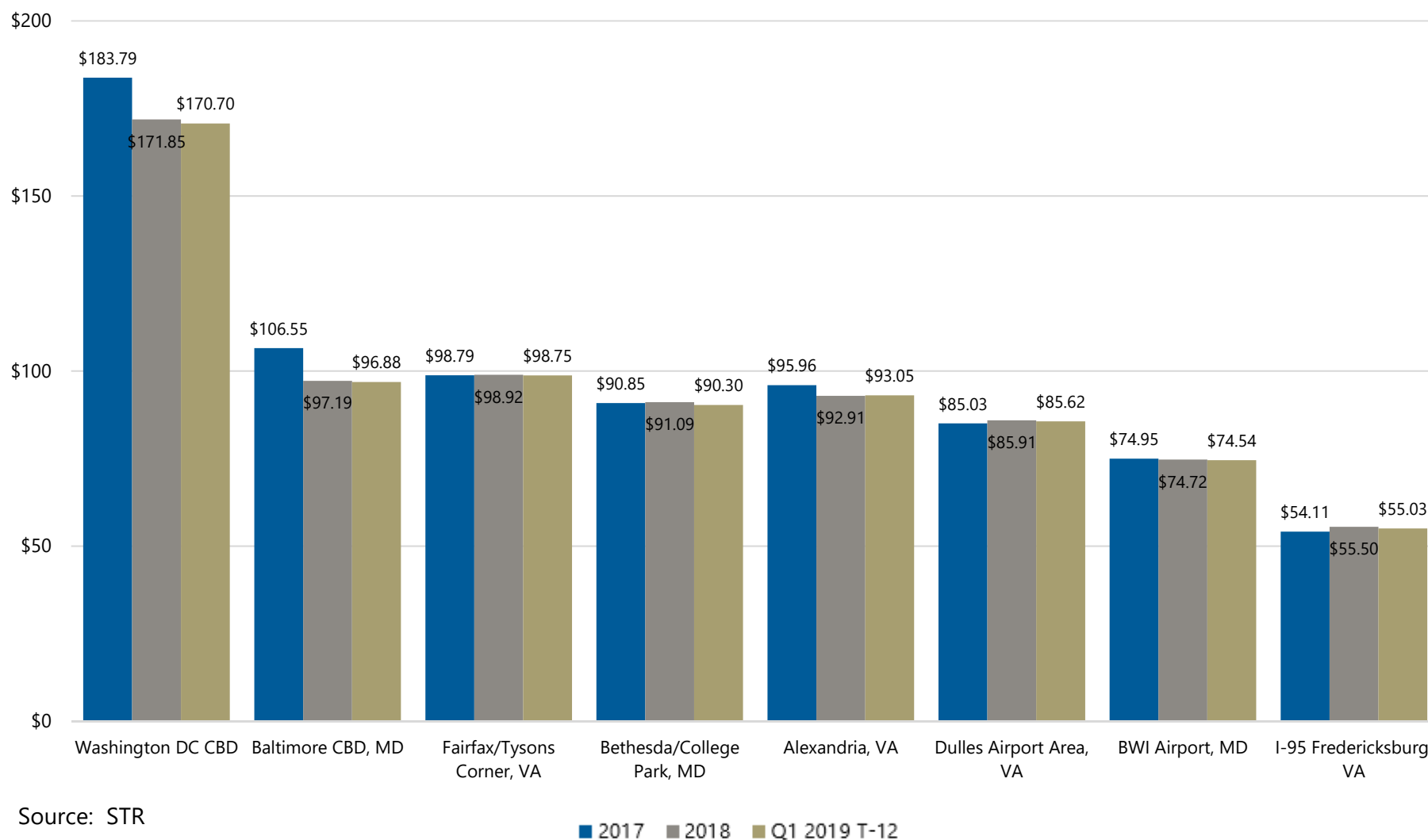
2015		2016		2017		2018		Q1 2019 YTD	
Market	RevPAR	Market	RevPAR	Market	RevPAR	Market	RevPAR	Market	RevPAR
New York	\$219.39	New York	\$222.54	New York	\$221.60	New York	\$228.96	San Francisco	\$209.51
San Francisco	\$188.05	San Francisco	\$194.55	Oahu Island	\$194.08	Oahu Island	\$199.70	Miami	\$207.66
Oahu Island	\$187.32	Oahu Island	\$191.59	San Francisco	\$189.73	San Francisco	\$197.72	Oahu Island	\$196.09
Miami	\$152.83	Miami	\$143.95	Boston	\$145.41	Miami	\$152.81	New York	\$152.01
Boston	\$143.81	Boston	\$142.88	Miami	\$144.78	Boston	\$150.72	Phoenix	\$143.17
Los Angeles	\$126.19	Los Angeles	\$139.65	Los Angeles	\$140.85	Los Angeles	\$143.49	Los Angeles	\$136.65
San Diego	\$115.11	San Diego	\$119.39	San Diego	\$123.74	San Diego	\$130.93	Tampa	\$125.48
Anaheim	\$113.31	Anaheim	\$118.11	Seattle	\$122.72	Anaheim	\$125.65	New Orleans	\$122.38
Seattle	\$113.14	Seattle	\$116.53	Anaheim	\$121.88	Seattle	\$123.94	Anaheim	\$122.11
Washington	\$105.75	Washington	\$110.77	Washington	\$115.06	Washington	\$111.51	San Diego	\$118.45
New Orleans	\$103.30	New Orleans	\$102.12	Nashville	\$105.87	Nashville	\$107.87	Orlando	\$114.99
Chicago	\$99.88	Nashville	\$100.50	New Orleans	\$101.61	New Orleans	\$105.21	Nashville	\$97.98
Nashville	\$93.11	Chicago	\$99.79	Chicago	\$98.09	Chicago	\$103.17	Boston	\$96.04
Denver	\$91.41	Denver	\$93.83	Orlando	\$96.40	Orlando	\$98.68	Seattle	\$94.49
Philadelphia	\$87.24	Philadelphia	\$91.60	Denver	\$96.34	Denver	\$96.26	Washington	\$93.85
Orlando	\$86.19	Orlando	\$87.62	Tampa	\$92.28	Philadelphia	\$94.60	Atlanta	\$88.59
Tampa	\$82.28	Tampa	\$87.10	Philadelphia	\$89.11	Tampa	\$92.73	Denver	\$79.62
Phoenix	\$79.77	Phoenix	\$82.69	Phoenix	\$85.89	Phoenix	\$90.42	Dallas	\$76.22
Minneapolis	\$76.72	Minneapolis	\$80.59	Minneapolis	\$77.59	Minneapolis	\$82.96	Philadelphia	\$73.00
Houston	\$74.42	Dallas	\$73.89	Atlanta	\$75.08	Atlanta	\$76.94	Houston	\$67.83
Dallas	\$69.81	Atlanta	\$72.41	Dallas	\$73.60	Dallas	\$74.16	Chicago	\$63.86
Atlanta	\$68.40	St. Louis	\$66.61	Houston	\$71.97	Detroit	\$70.46	Minneapolis	\$63.20
St. Louis	\$64.73	Houston	\$65.15	St. Louis	\$68.30	St. Louis	\$68.13	Detroit	\$61.89
Detroit	\$61.91	Detroit	\$64.04	Detroit	\$67.96	Houston	\$66.57	St. Louis	\$57.00
Norfolk	\$53.87	Norfolk	\$59.46	Norfolk	\$62.64	Norfolk	\$65.03	Norfolk	\$43.55

Source: STR



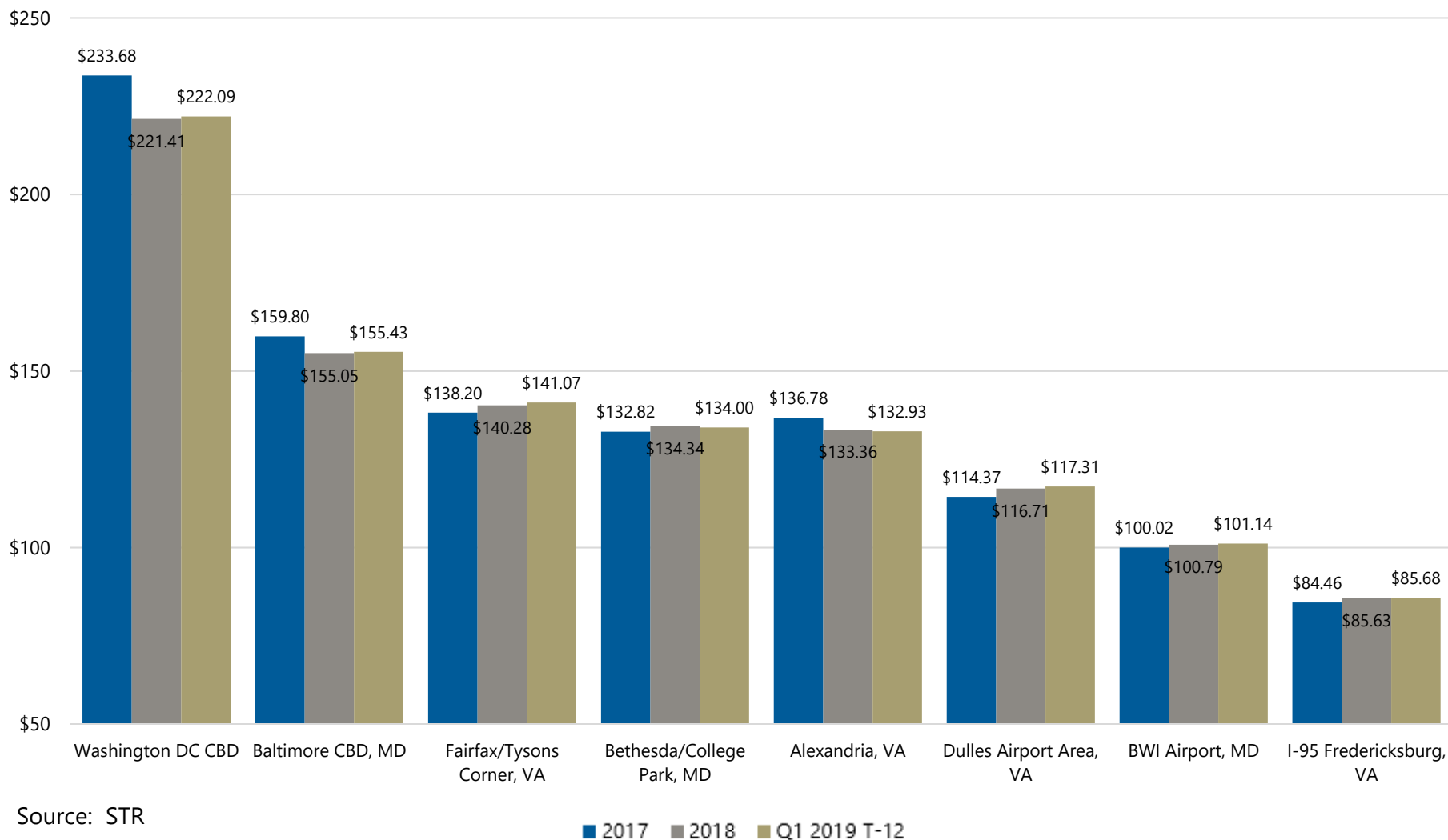
DMV SUBMARKET REVPAR

Washington area RevPAR, outside the CBD, has been stable since 2017 despite the non-recurring events affecting the region's lodging industry, demonstrating the strength of the market.



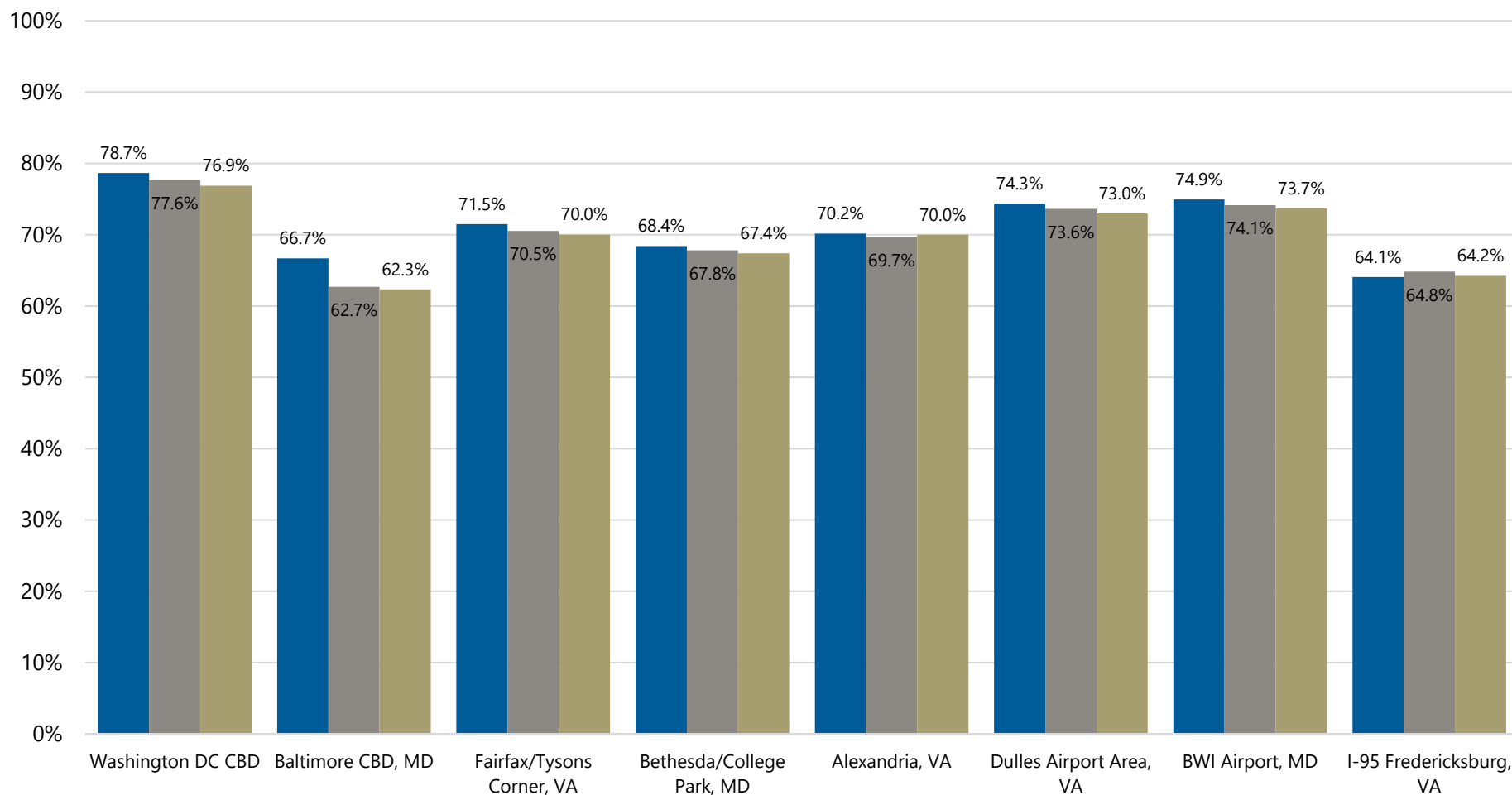
DMV SUBMARKET AVERAGE DAILY RATE

The Washington, D.C. CBD continues to command a significant rate premium over the other submarkets in the DMV area, including the Baltimore CBD.



DMV SUBMARKET OCCUPANCY

Occupancy across the D.C., Maryland, and Virginia (DMV) area declined from 2017 figures due to the Inauguration, Women's March, and the partial federal government shutdown.



Source: STR

■ 2017 ■ 2018 ■ Q1 2019 T-12



D.C. METRO HOTEL SALES

Hotels have reached impressive values, particularly in the city proper.

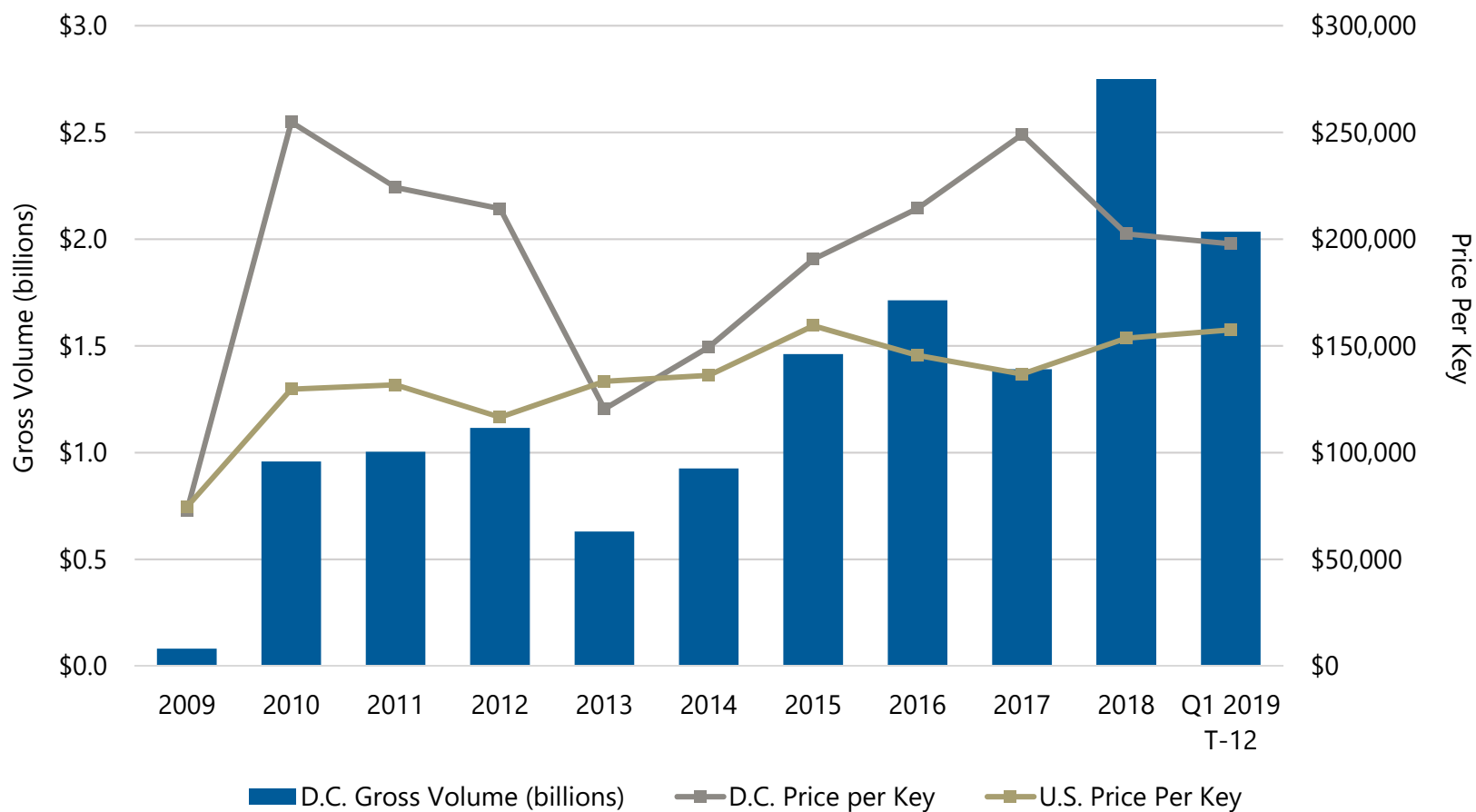
Date	Property Name	City	State	Keys	Year Built	Price	Per Key	Qualifier
Jun-18	Hilton Alexandria Old Town	Alexandria	VA	252	2000	\$111,000,000	\$440,476	confm'd
Nov-18	Hilton Garden Inn Washington DC Downtown	Washington	DC	300	2000	\$128,000,000	\$426,667	confm'd
Feb-19	Kimpton Palomar Washington DC	Washington	DC	335	1962	\$141,483,333	\$422,338	confm'd
Dec-18	Kimpton Carlyle Dupont Circle	Washington	DC	198	1940	\$82,250,000	\$415,404	confm'd
Dec-18	The Darcy	Washington	DC	226	1960	\$81,762,000	\$361,779	confm'd
Oct-18	Courtyard Washington DC Dupont Circle	Washington	DC	147	1969	\$53,066,667	\$360,998	confm'd
Feb-19	Liaison Capitol Hill	Washington	DC	343	1968	\$111,000,000	\$323,615	confm'd
Dec-18	Courtyard Fredericksburg	Fredericksburg	VA	98	2009	\$18,800,000	\$191,837	confm'd
Oct-18	TownePlace Suites Clinton at Joint Base Andrews	Clinton	MD	115	2008	\$20,775,000	\$180,652	confm'd
Dec-18	Marriott Bethesda	Bethesda	MD	407	1980	\$69,500,415	\$170,763	approx
Nov-18	Residence Inn Tysons Corner	Vienna	VA	96	1984	\$15,700,000	\$163,542	confm'd
Jun-18	Hyatt Dulles Airport	Herndon	VA	316	1989	\$51,000,000	\$161,392	confm'd
Dec-18	Hilton Embassy Row	Washington	DC	231	1970	\$36,000,000	\$155,844	approx
Dec-18	Marriott Tysons Corner	Vienna	VA	390	1981	\$60,239,600	\$154,461	approx
Aug-18	Residence Inn Chantilly	Chantilly	VA	123	2005	\$17,500,000	\$142,276	approx
Mar-19	Crowne Plaza Alexandria	Alexandria	VA	253	1972	\$34,752,943	\$137,363	approx
Jun-18	Springhill Suites Fairfax Fair Oaks	Fairfax	VA	140	2009	\$18,250,000	\$130,357	confm'd
Jan-19	Hampton Inn Frederick	Frederick	MD	161	1984	\$16,200,000	\$100,621	approx
Dec-18	Hyatt Place Herndon Dulles East	Herndon	VA	151	2009	\$13,537,500	\$89,652	approx
Jul-18	Marriott Greenbelt	Greenbelt	MD	284	1985	\$19,350,000	\$68,134	confm'd

Source: Real Capital Analytics



D.C. METRO TRANSACTION ENVIRONMENT

The D.C. Metro's price per key has comfortably exceeded the nationwide average, and gross volume reached its highest point of the cycle in 2018, boosted by Pebblebrook's acquisition of LaSalle.

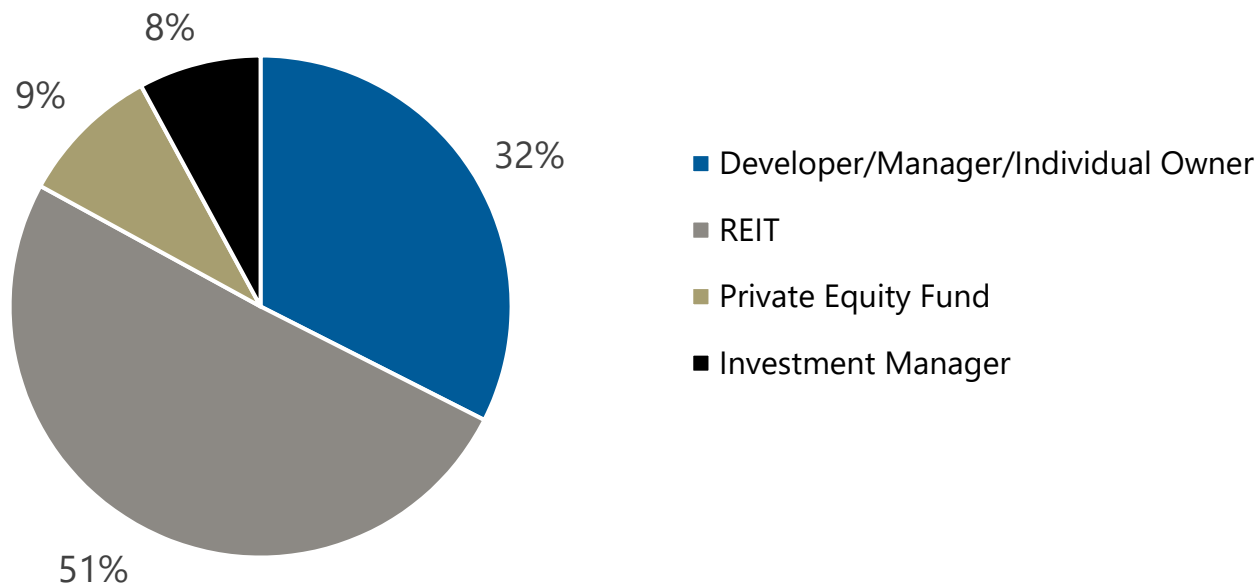


Source: Real Capital Analytics



D.C. METRO HOTEL AND RESORT BUYER PROFILE

2018's high REIT involvement in D.C.'s transaction volume is largely a result of Pebblebrook Hotel Trust's acquisition of LaSalle Hotel Properties, a REIT with significant D.C. holdings.



Source: Real Capital Analytics

Note: This analysis only includes transactions over \$10 million in the last twelve months.



D.C. METRO CONSTRUCTION PIPELINE

More than 900 rooms are under construction in the District, a submarket with historically high barriers to entry. Construction labor shortages continue to pose challenges to developers.

Hotel	City	Developer	Rooms	Open Date
Homewood Suites Largo	Largo	Frontier Development and Hospitality Group	116	Q2 2019
Home2 Suites Potomac Mills	Woodbridge	Kalyan Hospitality	126	Q3 2019
AC Hotel Washington Northwest	Washington	OTO Development	219	Q4 2019
citizenM Washington DC Southwest	Washington	Potomac Investment Properties/City Partners	252	Q4 2019
TownePlace Suites Woodbridge	Woodbridge	Marquee Hospitality	100+	Q4 2019
Hyatt Centric Alexandria Old Town	Alexandria	Magna Hospitality Group	124	Q1 2020
Residence Inn Ritchie Station Marketplace	Capitol Heights	Dakota Legacy Group	112	Q1 2020
Marriott Bethesda at Marriott HQ	Bethesda	The Bernstein Companies	246	Q2 2020
Thompson DC at The Yards	Washington	Geolo Capital/JW Capital Partners	225	Q2 2020
Staybridge Suites Largo	Upper Marlboro	Tharaldson Hospitality/Dakota Legacy Group	104	Q2 2020
AC Hotel Washington Convention Center	Washington	Douglas Development	234	Q3 2021

Source: Lodging Development Corporation



WASHINGTON, D.C. METRO LODGING TRENDS REPORT



The Plasencia Group Overview

THE SERVICES WE OFFER TO OUR CLIENTS



Hotel & Resort Investments

Asset valuations

Acquisition underwriting and representation

Dispositions



Debt & Equity Placement

New debt placement

Refinancing services

Restructuring existing debt

Equity sourcing



Advice & Consulting

Asset management

Development, repositioning, expansions and renovations

Brand and management negotiation

Strategic alternatives analysis

We are a lodging investment advisory firm, offering a range of services to meet the needs of hotel and resort owners, investors, and developers across North America.

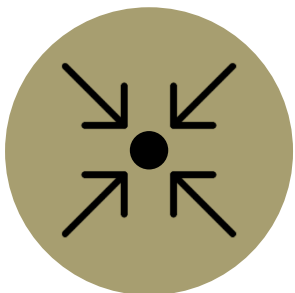
The Plasencia Group was founded in 1993 with the objective of providing hotel and resort owners access to a comprehensive suite of advisory services at a personal level. Twenty-six years and over 500 engagements later, we still have the privilege of delivering certainty to many of the same clients.



WHO WE ARE AND WHAT SETS US APART

**Candor builds and maintains our clients' trust.**

We work hard to create a relationship and experience that will make you feel as though you're one of one, rather than one of many. Our mutual success is built on personal trust and candid advice.

**Our clients and their projects are our primary focus.**

When our clients are successful, we're successful, so each engagement receives the attention it deserves from our firm's principals and support staff. We create a customized plan for each engagement, with a focus tailored to that client's objectives.

**Our tenacity leads more deals to completion.**

We work on a select number of engagements at a time, and are more likely to see your project to completion successfully. In fact, The Plasencia Group has delivered a 100% engagement completion rate since January 2018.

Passion. Access. Certainty.

The Plasencia Group takes pride in successfully serving our clients with ardent **passion**, providing direct **access** to high-level decision-makers, and providing the **certainty** of a thorough and professionally-orchestrated process.

Every member of the firm is dedicated to delivering for our clients with a personalized level of commitment that is unsurpassed in our industry. Our goal is to make this singular approach the appreciable difference that earns our clients' trust time and again.



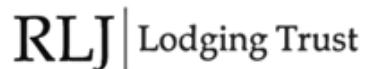
TWENTY-SIX YEARS OF SERVICE TO THE LODGING MARKET



WITKOFF



THE CARLYLE GROUP



We have been privileged to deliver results for some of the most sophisticated investors in the industry, serving as advisor to many of them on several engagements across the nearly three decades The Plasencia Group has been in business.



YOUR WASHINGTON, D.C. METRO TEAM

Each of our principals comes to the table with relevant experience from outside the traditional commercial real estate realm. We draw on our backgrounds in lodging operations, investments, banking, design, and construction to offer objective perspectives to our clients. Additional team members, including Managing Directors and Financial Analysts are available to support each of our endeavors.



Lou Plasencia

Founder &
Chief Executive Officer

Tampa, Florida
36 years experience



C.A. Anderson

Senior Managing Director

Washington, D.C.
30 years experience



Tony Haddad

Senior Asset Manager

Miami, Florida
33 years experience



Guy Lindsey

Senior Managing Director –
Development Management

Tampa, Florida
32 years experience



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Select
Representative
Engagements



THE PLASENCIA GROUP
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REPRESENTATIVE REGIONAL EXPERIENCE

Our team's experience with lodging investments in the Washington, D.C. metropolitan area is long-standing and meaningful. From transactions to asset management to development, we understand the nuances of investing in this unique region.



Fairmont Georgetown
Washington, D.C.
MetLife Real Estate Investors
**Acquisition Underwriting and
Meeting Room Renovation**



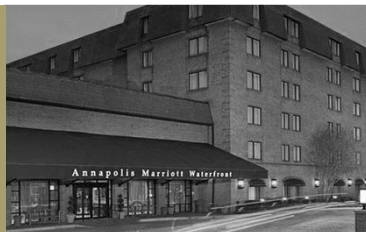
Marriott Wardman Park
Washington, D.C.
John Hancock Insurance
Disposition



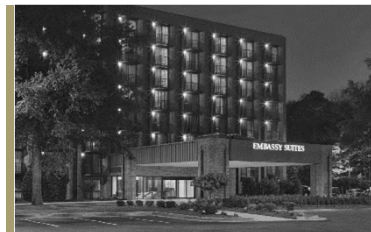
Westin Annapolis
Annapolis, Maryland
The Carlyle Group
Disposition



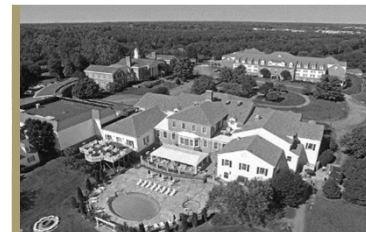
**DoubleTree Richmond
Downtown**
Richmond, Virginia
E2M Partners
Disposition



Annapolis Marriott Waterfront
Annapolis, Maryland
Thayer Lodging
Debt Placement



**Embassy Suites Richmond
Commerce Center**
Richmond, Virginia
Thayer Lodging
Disposition



**Virginia Crossings Hotel &
Conference Center**
Glen Allen, Virginia
MassMutual Life Insurance Co.
Redevelopment Management



Renaissance Washington, D.C.
Washington, D.C.
Sunstone Hotel Investors
Complete Renovation

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