

WASHINGTON, D.C. METRO
LODGING
TRENDS
REPORT

September 2019



THE PLASENCIA GROUP
Passion. Access. Certainty.

WASHINGTON, D.C. METRO LODGING TRENDS REPORT

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Washington, D.C.
Metro Lodging
Trends

D.C. METRO TREND HIGHLIGHTS

Investor interest in quality assets across the region remains strong.

Transaction volume is expected to increase nationwide by year-end into the beginning of 2020. It is still an opportune time to consider asset sales.

Citywide convention bookings continue to grow, inline with a nationwide trend of modest increases in convention business forecasts.

Owners of hotels in the District should anticipate property tax and recordation tax code changes going into effect on October 1, 2019. Be sure you and your teams have the pertinent information by visiting the [District of Columbia Office of Tax and Revenue website](#).

Minimum wage increases in the District will have a ripple effect across pay scales and submarkets throughout the region. Operators and owners alike will need to continue to monitor operating expense increases in a flattening revenue environment.

Select service supply in the region continues to grow and change with an influx of micro-hotel brands such as Yotel, Meininger Hotels, Generator, and MOB Hotels entering the market.

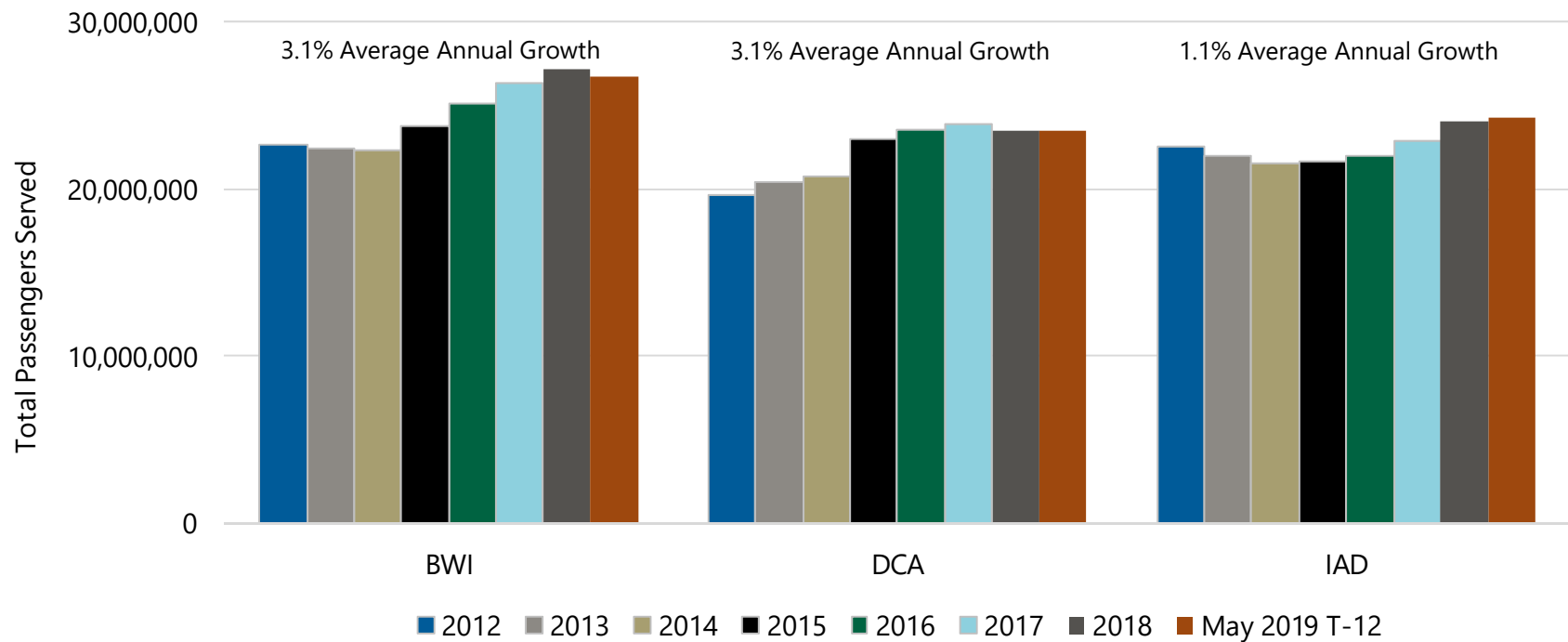


Despite some headwinds in supply increases, softening demand, and increasing expenses, interest among institutional-caliber investors in the D.C. metropolitan area remains healthy.



MAJOR D.C. AREA AIRPORTS TAKING OFF

Passenger growth seems to be flattening but is still healthy across the major airports.



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

Source: Aviation Authorities

Note: 2019 Data for BWI from May, 2019 Data for IAD and DCA from April 2019.



D.C. AREA PERFORMANCE TRENDS

The metro area continues along a slight negative growth trend in Occupancy and RevPAR. ADR, however, remains steady.

July 2019 YTD Metrics

		% Change
Room Supply		1.7%
Room Demand		-0.5%
Occupancy	72%	-2.2%
ADR	\$162	1.0%
RevPAR	\$117	-1.2%

Source: STR

According to STR, supply increases have exceeded demand growth in the metropolitan area since late 2017. As of July 2019, the 12-month moving average supply change was 1.5%, whereas the 12-month moving average demand change was -0.6%. The disparity has many owners, investors, and operators keeping a close eye on the broader trends in the market.

STR also anticipates a rebound as the market absorbs new supply, forecasting a 0.9% increase in RevPAR for the full year of 2019, and 2.7% increase in RevPAR in the 2020 calendar year.



HISTORICAL REVPAR PERFORMANCE

RevPAR growth is modest across the major markets, and D.C. may be feeling the brunt of trade tensions disproportionately.

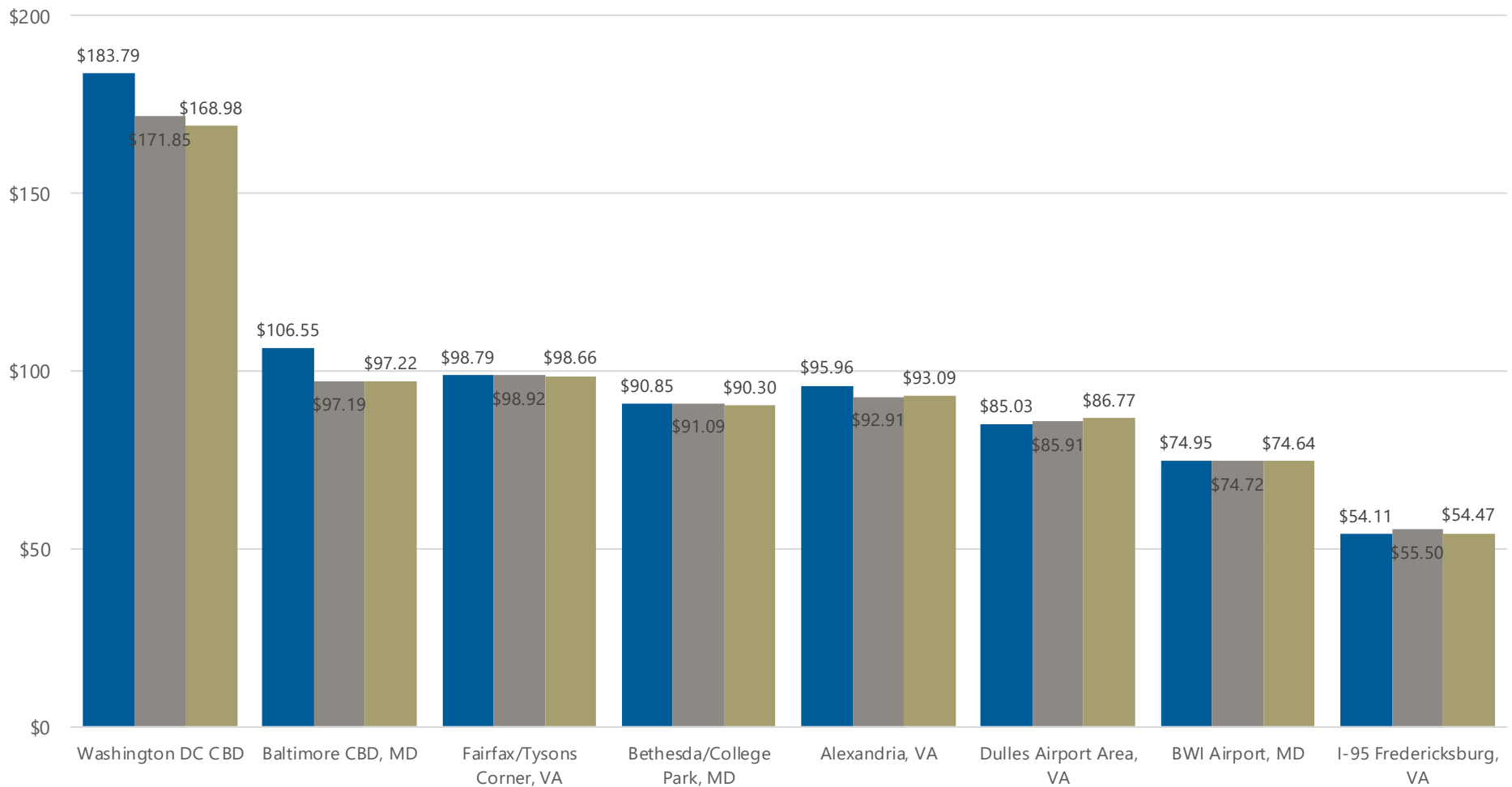
2015		2016		2017		2018		July 2019 YTD RevPar %Δ	
Market	RevPAR	Market	RevPAR	Market	RevPAR	Market	RevPAR	Market	RevPAR
New York	\$219.39	New York	\$222.54	New York	\$221.60	New York	\$228.96	Atlanta	6.50%
San Francisco	\$188.05	San Francisco	\$194.55	Oahu Island	\$194.08	Oahu Island	\$199.70	Phoenix	4.50%
Oahu Island	\$187.32	Oahu Island	\$191.59	San Francisco	\$189.73	San Francisco	\$197.72	San Francisco	4.40%
Miami	\$152.83	Miami	\$143.95	Boston	\$145.41	Miami	\$152.81	Nashville	4.20%
Boston	\$143.81	Boston	\$142.88	Miami	\$144.78	Boston	\$150.72	Denver	4.10%
Los Angeles	\$126.19	Los Angeles	\$139.65	Los Angeles	\$140.85	Los Angeles	\$143.49	Tampa	4.00%
San Diego	\$115.11	San Diego	\$119.39	San Diego	\$123.74	San Diego	\$130.93	Norfolk	2.90%
Anaheim	\$113.31	Anaheim	\$118.11	Seattle	\$122.72	Anaheim	\$125.65	Boston	2.00%
Seattle	\$113.14	Seattle	\$116.53	Anaheim	\$121.88	Seattle	\$123.94	Anaheim	1.70%
Washington	\$105.75	Washington	\$110.77	Washington	\$115.06	Washington	\$111.51	St. Louis	1.40%
New Orleans	\$103.30	New Orleans	\$102.12	Nashville	\$105.87	Nashville	\$107.87	San Diego	0.30%
Chicago	\$99.88	Nashville	\$100.50	New Orleans	\$101.61	New Orleans	\$105.21	Los Angeles	0.10%
Nashville	\$93.11	Chicago	\$99.79	Chicago	\$98.09	Chicago	\$103.17	Dallas	(0.2%)
Denver	\$91.41	Denver	\$93.83	Orlando	\$96.40	Orlando	\$98.68	Oahu Island	(0.2%)
Philadelphia	\$87.24	Philadelphia	\$91.60	Denver	\$96.34	Denver	\$96.26	Philadelphia	(0.6%)
Orlando	\$86.19	Orlando	\$87.62	Tampa	\$92.28	Philadelphia	\$94.60	New Orleans	(0.7%)
Tampa	\$82.28	Tampa	\$87.10	Philadelphia	\$89.11	Tampa	\$92.73	Washington	(1.2%)
Phoenix	\$79.77	Phoenix	\$82.69	Phoenix	\$85.89	Phoenix	\$90.42	Detroit	(1.7%)
Minneapolis	\$76.72	Minneapolis	\$80.59	Minneapolis	\$77.59	Minneapolis	\$82.96	Chicago	(2.2%)
Houston	\$74.42	Dallas	\$73.89	Atlanta	\$75.08	Atlanta	\$76.94	Miami	(2.3%)
Dallas	\$69.81	Atlanta	\$72.41	Dallas	\$73.60	Dallas	\$74.16	Orlando	(2.5%)
Atlanta	\$68.40	St. Louis	\$66.61	Houston	\$71.97	Detroit	\$70.46	New York	(3.8%)
St. Louis	\$64.73	Houston	\$65.15	St. Louis	\$68.30	St. Louis	\$68.13	Minneapolis	(4.0%)
Detroit	\$61.91	Detroit	\$64.04	Detroit	\$67.96	Houston	\$66.57	Seattle	(4.5%)
Norfolk	\$53.87	Norfolk	\$59.46	Norfolk	\$62.64	Norfolk	\$65.03	Houston	(6.0%)

Source: STR



D.C. METRO AREA SUBMARKET REVPAR

New supply is a contributing factor to slowing RevPAR growth across the D.C. metropolitan area's submarkets.



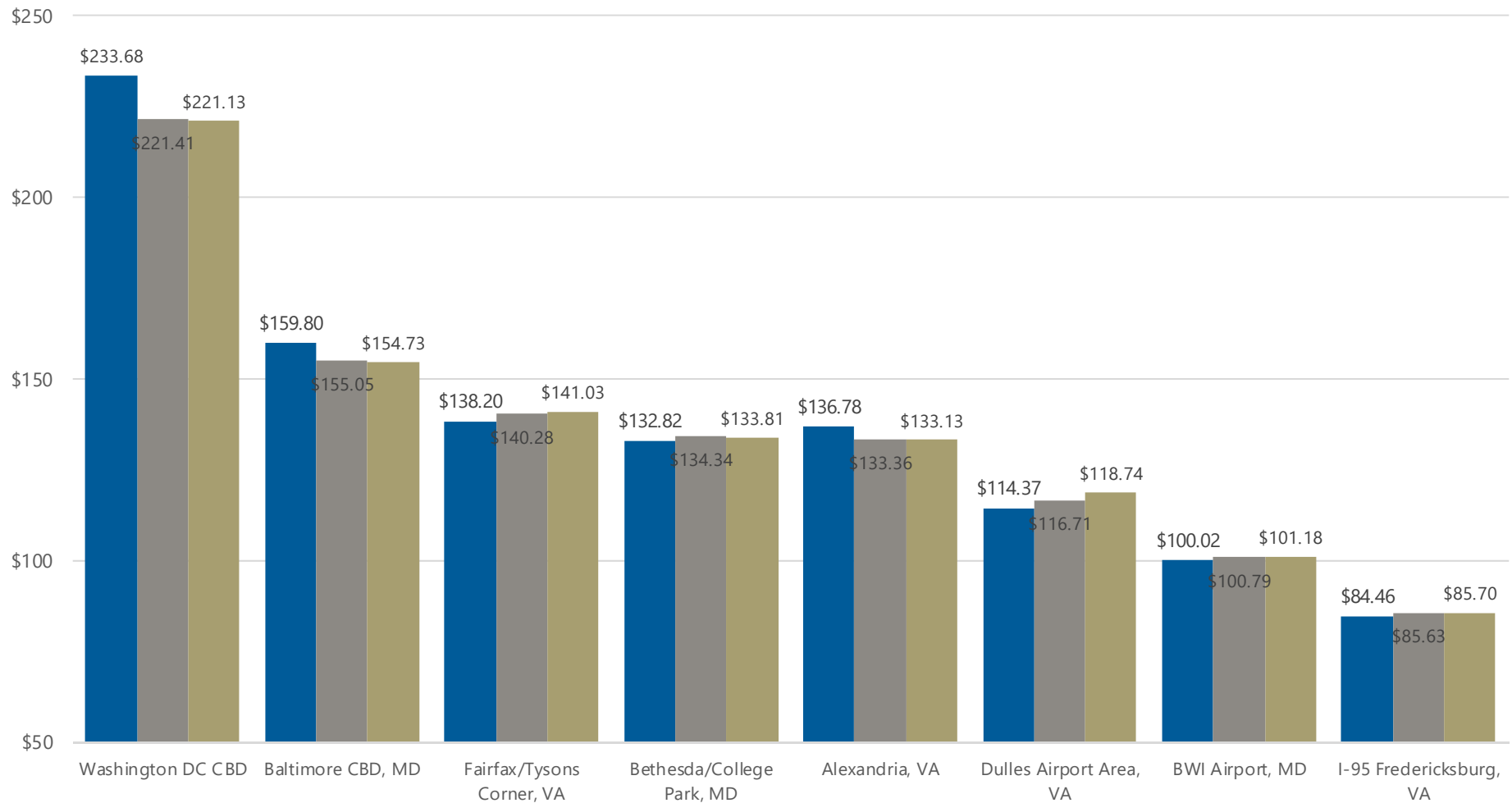
Source: STR

■ 2017 ■ 2018 ■ Q2 2019 T-12



D.C. METRO AREA SUBMARKET AVERAGE DAILY RATE

Softened demand has hindered ADR growth in recent months throughout the metropolitan area.



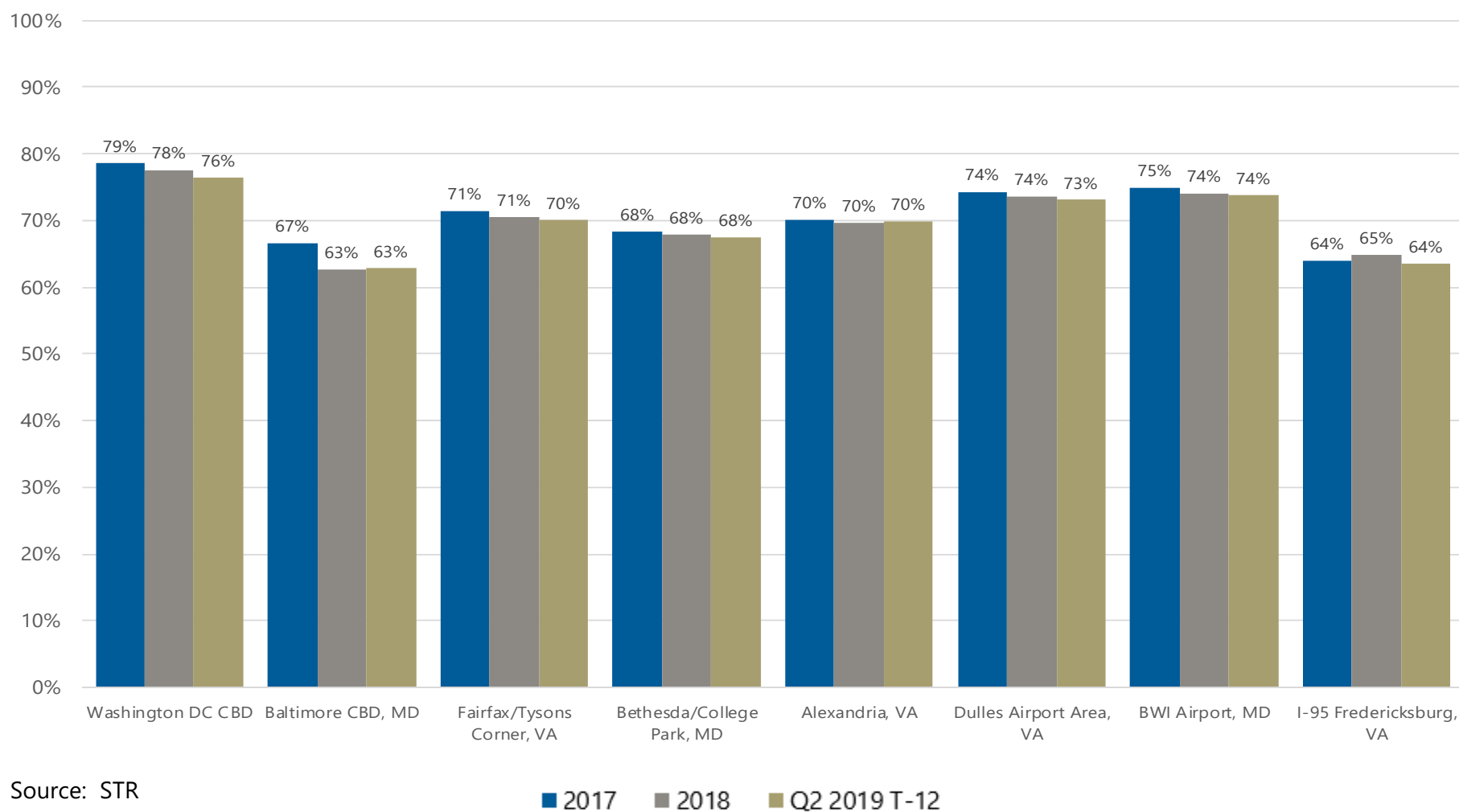
Source: STR

■ 2017 ■ 2018 ■ Q2 2019 T-12



D.C. METRO AREA SUBMARKET OCCUPANCY

Demand challenges include residual effects from the partial federal government shutdown, including small groups selecting competitive markets due to uncertainty. Similarly, the strength of the U.S. dollar is affecting inbound international leisure travel.



D.C. METRO HOTEL SALES, SORTED BY PRICE PER KEY

Select-service assets have reached impressive values, particularly in the city proper.

Date	Property Name	City	State	Keys	Opened	Price	Per Key
Nov-18	Hilton Garden Inn Washington DC Downtown	Washington	DC	300	2000	\$128,000,000	\$426,667
Feb-19	Kimpton Palomar Washington DC	Washington	DC	335	1962	\$141,483,333	\$422,338
Dec-18	Kimpton Carlyle Dupont Circle	Washington	DC	198	1940	\$82,250,000	\$415,404
Dec-18	The Darcy	Washington	DC	226	1960	\$81,762,000	\$361,779
Oct-18	Courtyard Washington DC Dupont Circle	Washington	DC	147	1969	\$53,066,667	\$360,998
Feb-19	Liaison Capitol Hill	Washington	DC	343	1968	\$111,000,000	\$323,615
Dec-18	Courtyard Fredericksburg	Fredericksburg	VA	98	2009	\$18,800,000	\$191,837
Oct-18	TownePlace Suites Clinton at Joint Base Andrews	Clinton	MD	115	2008	\$20,775,000	\$180,652
Dec-18	Marriott Bethesda	Bethesda	MD	407	1980	\$69,500,415	\$170,763
Nov-18	Residence Inn Tysons Corner	Vienna	VA	96	1984	\$15,700,000	\$163,542
Dec-18	Hilton Embassy Row	Washington	DC	231	1970	\$36,000,000	\$155,844
Dec-18	Marriott Tysons Corner	Vienna	VA	390	1981	\$60,239,600	\$154,461
Mar-19	Crowne Plaza Alexandria	Alexandria	VA	253	1972	\$34,752,943	\$137,363
May-19	Courtyard Springfield	Springfield	VA	191	2001	\$20,233,590	\$105,935
Jan-19	Hampton Inn Frederick	Frederick	MD	161	1984	\$16,200,000	\$100,621
Jul-18	Marriott Greenbelt	Greenbelt	MD	284	1985	\$19,350,000	\$68,134

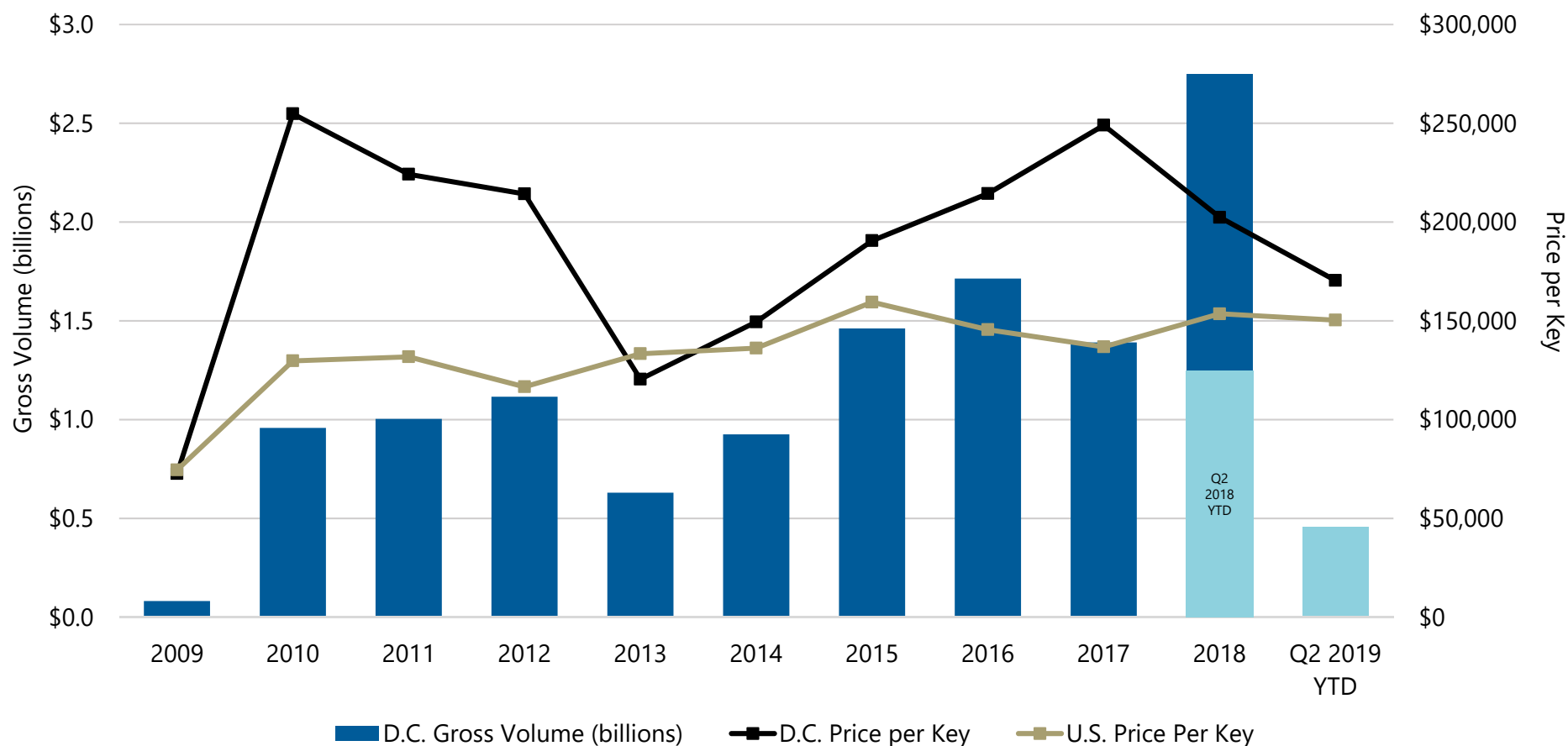
Single asset (non-portfolio) sales between Q2 2018 and Q2 2019; price >\$15 million; price per key >\$50,000

Source: Real Capital Analytics



D.C. METRO TRANSACTION ENVIRONMENT

*The gap between the D.C. Metro's price-per-key average and the nationwide price-per-key average is narrowing.
The proportion of select-service transactions in the market may be a contributing factor to this trend in transaction dynamics.*



Source: Real Capital Analytics

Note: 2018 transaction activity includes Pebblebrook Hotel Trust's acquisition of LaSalle Hotel Properties.



D.C. METRO CONSTRUCTION PIPELINE

More than 1,300 rooms are scheduled to come online in the Metro area in the next year. Virtually all of the development in the area is in the select-service category across all of the major parent brands.

Hotel	City	Developer	Rooms	Open Date
AC 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
Staybridge Suites Largo	Upper Marlboro	Tharaldson Hospitality/Dakota Legacy Group	104	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
Hyatt Place Washington DC National Harbor	Oxon Hill	OTO Development	156	Q4 2020
Hilton Garden Inn Manassas	Manassas	Munificent Group	108	Q2 2021
AC Washington Convention Center	Washington	Douglas Development	234	Q3 2021
Archer Tysons	Tysons	LodgeWorks	178	Q3 2021
AC Bethesda	Bethesda	OTO Development/StonebridgeCarras	225	Q4 2021

Source: Lodging Development Corporation



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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.

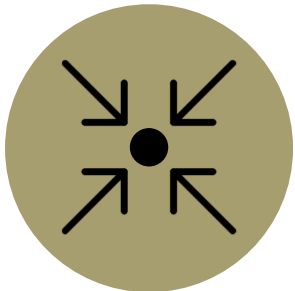


WHO WE ARE AND WHAT SETS US APART



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.

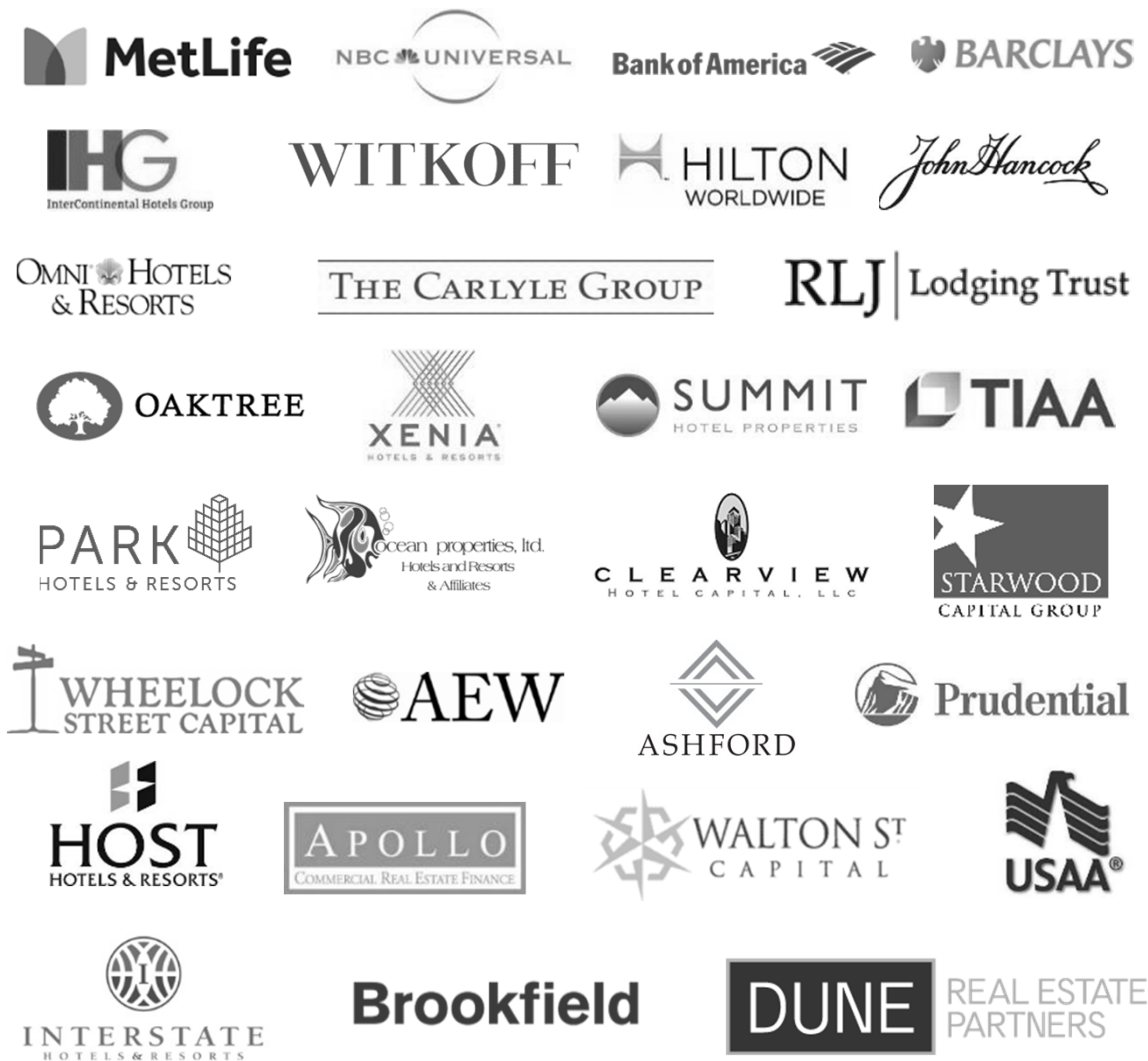
Passion. Access. Certainty.

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



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.



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Select
Representative
Engagements

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

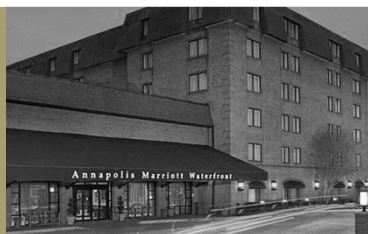
The Carlyle Group
Disposition



DoubleTree Richmond Downtown

Richmond, Virginia

E2M Partners
Disposition



Annapolis Marriott Waterfront

Annapolis, Maryland

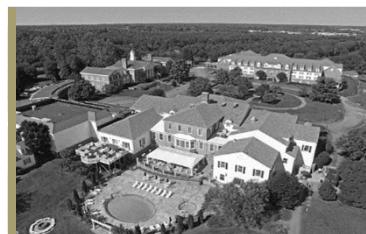
Thayer Lodging
Debt Placement



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

To review additional historical projects, please visit: tpghotels.com/representative-engagements



REPRESENTATIVE NATIONAL ENGAGEMENTS

The combination of local knowledge and national presence make our team the go-to advisors for investors ranging from institutional fund managers to individuals, whether they own nationwide portfolios or a single hotel or resort.



La Torretta Lake Resort
Montgomery, Texas

Private Client
Disposition



Marriott at the Convention Ctr.
New Orleans, Louisiana

MCC Real Estate
Disposition



Loews Hollywood
Los Angeles, California

MetLife Real Estate Investors
Asset Management



DoubleTree Westminster
Denver, Colorado

Hotel Capital Partners
Disposition



Amelia Island Development
Amelia Island, Florida
Private Family Office
**Strategic Consulting,
Development Management**



Embassy Suites Valley Forge
Philadelphia, Pennsylvania
Valley Forge Investment Corp.
Disposition



DoubleTree Tulsa Downtown
Tulsa, Oklahoma
USAA Real Estate
Disposition



Strategic Growth Consulting
Nationwide
The Little Nell Hotel Group
Strategic Consulting

To review additional historical projects, please visit: tpghotels.com/representative-engagements



**Local Knowledge.
National Presence.
Exclusively Hospitality.**



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