

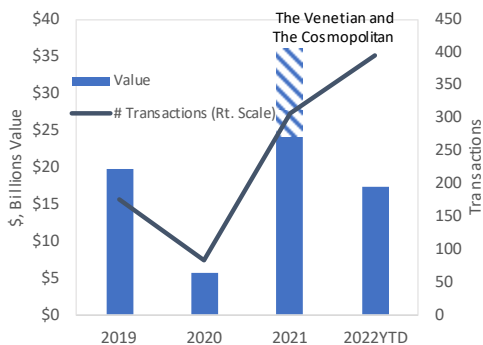
Hotel Spotlight

The hotel industry has been struggling throughout the pandemic and only recently has begun to show signs of life. Looking ahead, we expect to see further consolidation in the industry and more rationalization in different segments with particularly in the Select segment.

The broader industry experienced a great deal of stress, as reflected in the segment's 30+ days delinquency rate reaching over 24%. While the past due loans retreated significantly since their peak in June 2020, standing at 4.4% they remain elevated relative to pre-pandemic levels of 1.5% at December 2019.

Through the pandemic, we learned anecdotally that some of the luxury segment has performed not just well, but exceptionally well, with little vacancies and an ability to command relatively strong average daily rates (ADRs). Luxury segments in popular destinations (mostly warmer climates with access to

Selected Hotel Sales, 2019-2022YTD



NB: In 2021, The Venetian Resort of Las Vegas and The Cosmopolitan of Las Vegas comprised \$11.9 billion. YTD Year to date through 3Q 2022. Sources: LW Hospitality Advisors and Mannvit Advisors.

outdoor space) performed the best, according to our research. That said, consolidation did not spare certain destinations, and areas in less well-heeled tourist traffic saw higher levels of hotel trades. The pandemic gave some cover to a hoteliers experiencing pressure, after significant consolidation in 2019, but that did not last long. In the last two years, the number of transactions accelerated. Discounting the sale of the Las Vegas properties, Venetian and The Cosmopolitan, 2022 looks on track to be a recent high point for consolidation in the lodging industry.

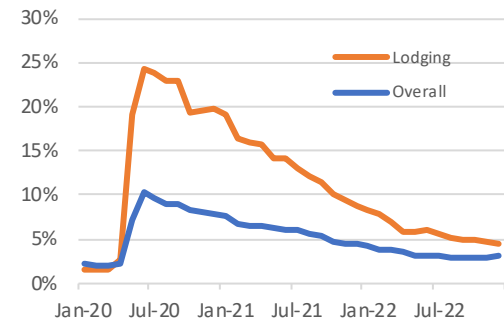
Selected Recent Hotel Sales, By Year, 2019 to 2022YTD

	No. Transactions	Total Keys	Value	Average		
				Keys	Value	Per Key
2022YTD	395	67,009	\$17,270,670,370	170	\$43,723,216	\$244,422
2021	306	83,764	\$36,114,856,552	274	\$118,022,407	\$333,693
2020	83	20,045	\$5,609,865,000	242	\$67,588,735	\$289,785
2019	175	52,515	\$19,771,005,000	300	\$112,977,171	\$325,215

YTD Through 3Q 2022. This information has been compiled from sources that are deemed reliable and is presumed correct. However, it has not been independently verified.

Sources: LW Hospitality Advisors and Mannvit Advisors.

30+ Days CMBS Delinquencies by Sector, Jan 2020-Dec 2022



Source: Trepp Inc.

climates with access to outdoor space) performed the best, according to our research.

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With a potential for recession still looming and the prospect of higher interest rates sticking around, we would expect more restructuring of loans in the lower and middle tier service hotel where budget conscious traveler demand likely has been hit hardest.

This trend will likely heighten further consolidation and increase supply pressure and impact prices. We do expect some bargains to appear as a result in the lower luxury segment.

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