CBRE HOTELS | CONSULTING

2018
SOUTHERN CALIFORNIA
LODGING FORECAST

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October 20, 2017

It is our pleasure to present *The 2018 Southern California Lodging Forecast*. This forecast has been prepared using our database, as well as information and comments solicited from local hoteliers, hotel owners, hotel developers, representatives of Destination Marketing Organizations, and others. We hope that this document will be helpful for planning and budgeting purposes. To those who have assisted us with this analysis, we extend our sincere appreciation. Without your assistance, this forecast could not have been completed.

As with previous forecasts, this year's document has been divided into the major markets that comprise the Southern California region. These include Los Angeles, Orange County, San Diego, Inland Empire, Coachella Valley, Ventura, Santa Barbara, and San Luis Obispo. Also included is the Coastal Resort market, comprised of hotels on the Southern California coast from San Luis Obispo to San Diego.

In addition, it should be noted that certain properties are included in multiple submarkets, but are not reported twice in the overall sample for their respective county or area. Each of these markets and the various submarkets therein, will be discussed in further detail in the pages to follow. If we can be of further assistance in the interpretation of this data, please feel free to contact us.

Of note, we have transitioned from the Valuation and Advisory Services group of CBRE, Inc. to a specialized hotel consulting division to better focus our efforts on the dynamic needs of our clients. CBRE Hotels | Consulting is one of the only organizations in the world with the focused expertise, market intelligence and global connections to secure that kind of success for its clients. Whether institutional or individual, investor or lender, clients benefit from the fact that CBRE Hotels | Consulting is uniquely positioned as a comprehensive, international service provider focused exclusively on hospitality.

Sincerely,

CBRE Hotels | Consulting

Bruce Baltin
Managing Director

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Introduction and Regional Overview

The *2018 Southern California Lodging Forecast* estimates the growth in available and occupied rooms in major submarkets of Southern California and comments on trends in each of these areas. While we have made every effort to portray an accurate picture of each submarket, we cannot guarantee the accuracy of the historical or future occupancy levels or average daily room rates. Once again, this year we have redefined some of the submarkets based on market orientation and maturity. Therefore, the 2018 Southern California Lodging Forecast is not directly comparable with previous years' Forecasts, but historical data for each submarket within this forecast is consistent.

The Southern California lodging market is supported by sound fundamentals, which while tested during the worldwide recession and following economic certainty, have rebounded strongly and today Southern California as a destination is remains well positioned as one of the most visible and popular regions in the United States. The region has been a thriving economic powerhouse with technology and biotech, apparel manufacturing, shipping and freight, creative and financial services, aerospace engineering and manufacturing, and entertainment production providing the area with a large base of commercial demand generators. Favorable climate, hundreds of miles of pristine beaches, world-class theme parks, and unparalleled dining and shopping make Southern California a popular leisure destination for travelers from around the country and around the world. Cities like Los Angeles, Anaheim, and San Diego also boast state-of-the-art convention centers that draw large group meetings from both coasts to Southern California.

The Southern California lodging market experienced a period of great expansion coming out of the recession, reaching record levels in all available metrics, but an influx of recently opened hotels and further new supply on the horizon in a number markets heightens uncertainty for the future. Additionally, the unfortunate natural gas leak in Porter Ranch not only impacted Los Angeles County, the region's largest hotel market, but also led to atypical gains in occupied room nights and average daily rates in neighboring areas that may not quickly be replicated, as thousands of families were displaced from their homes from the latter part of 2015 through the middle of 2016. Further, experts are divided on the impact of shared accommodations on traditional hotels, although the data suggests that at the very least the ability for hoteliers to raise rates during peak demand periods has been negatively impacted.

Thus, in looking forward we are optimistic about the continued demand for hotel rooms as lodging fundamentals are projected to remain strongly positive entering the ninth year of economic expansion, although for the first time in recent memory, new hotel supply in a number of submarkets is projected to exceed demand as projects that have long been in development (some since before the recession) finally come to fruition. In markets with supply and demand imbalances we are anticipating that average daily rate growth will be somewhat muted in the short term, but in nearly all instances that the new hotel rooms will be absorbed rather quickly and rate growth will return anew. Southern California remains one of the most dynamic and attractive regions in the United States, with world class facilities, excellent airlift, near perfect weather and internationally recognized attractions, all attributes that position the region solidly amid uncertainty in the coming years. The following sections present our estimates for the Southern California lodging market and its various submarkets.

Los Angeles County

Los Angeles County

EXECUTIVE SUMMARY

Los Angeles County typically acts as an excellent barometer for the performance of the greater Southern California lodging market. As the largest and most diverse of the major Southern California markets, individual hotel performance often greatly varies. However, when taken as a whole, the growing pains and opportunities of the Los Angeles County area often reflect those seen in other areas.

Los Angeles County, otherwise referred to as the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), includes 88 incorporated cities, covers an area of 4,084 square miles, and as of January 1, 2017, had an estimated population of approximately 10.2 million people. In the past 80 years, the county has evolved into a large commercial/industrial urban community and has become the business and financial center of California and the Western United States. The regional economy has become more diversified with a larger number of people employed in aerospace and defense, apparel design and manufacturing, computer and electronic product manufacturing, professional and business services, financial services, health care services and biomedical, international trade, motion picture and video production, real estate and construction, retail, and travel and tourism.

Eight years into its recovery from the Great Recession, the national economy remains on a fairly steady though uninspiring growth path over the next few years. With growing confidence in their financial situation and continued job growth, consumer spending will stay on an upward trajectory. Likely to increase, government spending is again a positive contributor to GDP growth in the U.S. California continues to outpace the nation in economic growth, now accounting for 13.6 percent of U.S. GDP. Job growth continues across most industry sectors, but is now likely to slow as the labor market tightens. Southern California continues to expand, with some regional differences—several counties will outpace the nation. Unemployment rates across Southern California counties have fallen and will moderate over the next few years as job growth absorbs new labor market entrants. Los Angeles County finished 2016 with a 5.1 percent unemployment rate, down from 6.6 percent in 2015, and less than half the peak rate of 12.5 percent reached in 2010. It is expected to decline slowly over the next two years, falling to 5.0 percent in 2017 reaching 4.9 percent in 2018 as the county reaches full employment. As of August 2017, the unemployment rate in Los Angeles County was 4.8 percent, compared to 5.2 percent in August 2016.

According to a report by the Los Angeles County Economic Development Corporation (LAEDC), Between December 2015 and December 2016, total employment in Los Angeles County increased by 88,000 to reach almost 4.4 million jobs, an increase of 2.1 percent over 2015. Job growth has been positive since 2011, averaging 2.0 percent annually since 2012. Almost all industry sectors added jobs in 2016. The largest private sector gains were in health care and social assistance (adding 24,100 jobs), leisure and hospitality (adding 17,400 jobs), and retail trade (9,000 jobs). Government payrolls grew by 8,100 jobs. Three sectors shed jobs over the year. Manufacturing continued for the third year to shrink, losing 6,000 jobs in 2016, and wholesale trade contracted by 1,100 jobs. Natural resources, which in Los Angeles County are confined to oil and gas field operations, lost 400 jobs for the second year in a row.

LAEDC forecasts Los Angeles County to continue the steady improvement it has been experiencing for the past four years. Most of these gains have been supported by a handful of industries and it's expected for this pattern to continue for the next few years, although at a slower pace. The long-term prospects for international trade are promising, with heavy investment in trade-related infrastructure being made and important new trade agreements in place or currently being negotiated. The "new economy" of Los Angeles County is largely technology driven, which includes bio-medical, digital information technology, and environmental technology. This new economy is built upon the advanced technical research capabilities present in the county. Another key economic driver is the creative industry, with firms combining technology and creativity into their products such as video games and film production. Silicon Beach in the Westside region of Los Angeles, home to hundreds of tech startups, video game, and video production companies, is an example of Los Angeles' booming creativity.

As the rate of job creation slows, the number of jobs added will moderate, with 64,400 jobs expected to be added in 2017 and 68,600 in 2018. The sectors expected to add the largest number of jobs over the two years are health care and social assistance (31,390 new jobs), and administrative and support services (22,810 jobs). Leisure and hospitality will add 18,880 jobs over the next two years, and retail trade is expected to gain 11,670 jobs. After three years of falling job numbers, natural resources will stabilize and add 60 jobs. Manufacturing is expected to continue its decline in employment, losing 1,420 jobs through 2018.

Total Visitor Volume

According to Los Angeles Tourism & Convention Board, total visitation to Los Angeles County in 2016 was 47.3 million people, reflective of a 4.0 percent increase over 2015, marking the sixth consecutive year of record-breaking tourism. 40.3 million of the 47.3 million were domestic travelers, a record-setting number. International visitors made one of the largest impacts on Los Angeles' tourism with 7.0 million visitors to the city, a 2.4 percent increase over 2015. Visitors from China drove international tourist numbers with a year-over-year growth of 22.2 percent, cementing its status as Los Angeles' number two international market, behind Mexico, which had 1,757,000 visitors. In 2016, L.A. County surpassed New York as the top U.S. destination for Chinese visitors.

The overall increase in visitation stems from Los Angeles Tourism & Convention Board's successful digital, television, and online advertising campaigns launched in multiple domestic feeder cities such as San Francisco, San Diego, Phoenix, New York City, coupled with improvements made to the city's tourism website, discoverLosAngeles.com. Furthermore, to spread awareness abroad, the tourism board now operates four tourism offices in the China cities of Shanghai, Beijing, Guangzhou and Chengdu.

The following table summarizes the number of overnight visitors to Los Angeles County and their direct spending between 2006 and 2016. According to the Los Angeles Tourism & Convention Board, the total overnight visitor count in 2016 was at 31.1 million visitors. Visitors to Los Angeles County spent $21.9 billion in 2016 and international visitors accounted for 32 percent of all overnight visitor spending. These travelers contributed to Los Angeles' 2016 average daily rate as it rose by 8.6 percent over 2015.

Overnight Visitor Volumes and Expenditures Los Angeles County				
Year	Overnight Visitation (Millions)	Percent Change	Direct Spending (Billions)	Percent Change
2006	25.7	2.8%	$13.6	5.4%
2007	25.9	0.8	14.2	4.4
2008	25.7	(1.2)	13.8	(2.8)
2009	23.9	(7.0)	11.8	(14.5)
2010	26.1	8.4	14.1	19.5
2011	27.0	4.2	15.2	7.8
2012	27.9	3.7	16.5	7.1
2013	28.5	4.5	17.5	6.1
2014	29.5	3.5	18.6	4.4
2015	30.2	2.2	20.6	10.8
2016	31.1	2.7	21.9	6.4
Source: CIC Research and Los Angeles Tourism & Convention Board				

Los Angeles International Airport (LAX), the busiest airport on the West Coast, is a bustling domestic stop and an important international hub. The airport has an enormous impact on tourism and travel in the greater Los Angeles area as many international tourists use LAX as a gateway to the United States. The following table shows the history of passenger travel at Los Angeles International Airport.

Los Angeles International Airport Passenger Counts 2007– 2016 & YTD 2017			
Year	Domestic	International	Total
2007	45,200,000	17,200,000	62,400,000
2008	43,100,000	16,700,000	58,800,000
2009	41,400,000	15,100,000	56,500,000
2010	43,100,000	15,900,000	59,100,000
2011	45,100,000	16,700,000	61,800,000
2012	46,500,000	17,200,000	63,700,000
2013	48,800,000	17,900,000	66,700,000
2014	51,600,000	19,100,000	70,700,000
2015	54,200,000	20,700,000	74,900,000
2016	58,100,000	22,800,000	80,900,000
CAAG	2.8%	3.2%	2.9%
YTD 7/16	33,500,000	13,000,000	46,500,000
YTD 7/17	34,400,000	14,300,000	48,800,000
Source: Los Angeles World Airports and CBRE Hotels			

Emerging from the recession passenger travel at LAX is showing continued signs of recovery, beginning in 2010 and through 2016. Overall, from 2007 to 2016, total passenger counts increased by an annual average of 2.9 percent, and recently reached a record level of more than 80 million passengers. Additionally, through the first seven months of 2017, total passenger arrivals increased by 4.9 percent as compared to the prior period last year.

LAX Modernization

Los Angeles World Airports (LAWA) is in the midst of a multi-billion-dollar development program for Los Angeles International Airport (LAX). The centerpiece of the program is the recently completed Tom Bradley International Terminal Modernization (TBIT) Project which includes new gate and concourse areas and a great hall for luxury dining and retail. LAWA also completed a $737 million renovation in 2010 of the existing TBIT that upgraded the facility with a new in-line baggage screening system and interior improvements to enhance service and convenience to the passengers and tenants who use

LAX's premier international terminal. Additionally, there are several major airfield and facility projects underway that are in support of the development program. These include a new Central Utility Plant, new taxiways and taxi lanes, and renovations to other terminals.

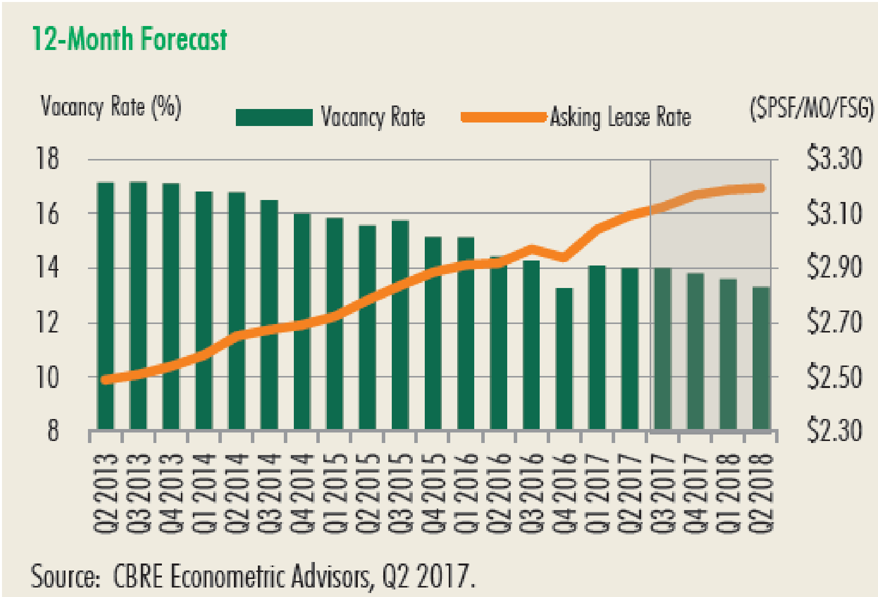
In September 2013, the LAX revealed a $1.9 billion renovation to its Tom Bradley International Terminal. The renovation included nine new gates big enough to accommodate the Airbus A380, the world's largest passenger airliner. Furthermore, the waiting areas have been upgraded with new furniture, massive art displays, and more than 60 local and luxury restaurants and shops. With the latest expansion, the terminal doubled in size from 1.2 million square feet to 2.2 million. Phase II of the renovation, which was completed in 2015, added nine more gates and included updates to the security and customs areas.

In addition, other planned renovations include the $270 million Elevator, Escalator, and Moving Walkway project that will replace or refurbish 212 outdated systems with new, modern units throughout the airport; the $613 million In-Line Baggage Handling & Screening System program will improve and automate the security screening of checked baggage at all LAX terminals and will make travel through LAX safer, faster and more convenient. The total scope of the program covers all nine LAX terminals. Terminal 1 is undergoing a $509 million renovation in collaboration with Southwest Airlines which will modernize the terminal's outdated equipment and infrastructure, double the amount of available concessions, create a brighter more open lobby, and introduce and automated system to handle checked bags. The project began in the summer of 2014, and is expected to be completed in 2018. Other terminal renovations and updates include a $573 million renovation of Terminals 7 and 8 by United Airlines which is expected to complete in 2018; $1.6 billion of investment into Terminals 4 and 5 by American Airlines over the next 15 years; a new $1.6 billion 12-gate satellite terminal behind Tom Bradley International Terminal that is expected to be completed in 2019; and a 5.9-million square foot consolidated car rental center that will be located at Manchester Square.

Office market activity is an excellent indicator of the county's economy. According to CBRE, the Los Angeles County office market consists of the Tri-Cities/Glendale, Los Angeles Downtown, Hollywood/Wilshire Corridor, San Fernando Valley, San Gabriel Valley, Mid-Counties, South Bay, and West Los Angeles submarkets. Year-to-date through the Q2 2017 net absorption was negative 216,939 square feet and nearly 2.1 million square feet of new office product was under construction. Nonetheless with positive market dynamics during three of the past four quarters, the overall vacancy declined from 14.4 percent in Q2 2016 to 14.0 percent in Q2 2017.

Rents resumed an upward trajectory in Q2 2017. The Los Angeles office market overall asking lease rate increased to $3.19 from $3.13 per square foot per month from the previous quarter.

Going forward, increases in demand is expected to continue dropping vacancy levels and pushing up rental rates. According to CBRE Econometric Advisors, by Q2 2018 vacancy rates is expected to decline 70 basis points while rents will grow an additional 3.3 percent. Office employment is also expected to trend upward, growing 1.1 percent over the next twelve months. The following table summarizes the Greater Los Angeles office market performance from Q2 2013 to Q2 2017, along with CBRE's 12-month forecast.



Los Angeles Convention Center

The main demand generator for large convention and meeting activity in Los Angeles is the Los Angeles Convention Center (LACC), which contributes a large number of annual group room nights to the Los Angeles hotel market. The center offers approximately 720,000 square feet of exhibit hall space and 150,000 square feet of meeting space split between its two halls. Its enclosed space makes it one of the largest meeting and convention facilities in the country. The Los Angeles Convention Center is owned and historically has been operated by the City of Los Angeles. Its operation has been privatized and AEG assumed management of the Center as of December 8, 2013. The following table presents the actual and projected room nights generated by the Los Angeles Convention Center through 2019, based on definite convention bookings as of October 10, 2017. It can be anticipated that additional conventions will continue to be booked in 2017 for the coming years.

Los Angeles Convention Center
Current and Projected Activity

Year	Definite[1]	Tentative[2]	Prospect[3]	Total Room Nights
2007	112,876			112,876
2008	231,695			231,695
2009	178,376			178,376
2010	207,320			207,320
2011	256,529			256,529
2012	290,528			290,528
2013	187,623			191,823
2014	212,586			212,586
2015	202,431			202,431
2016	289,766			289,766
2017	268,974	25,480	20,445	314,899
2018	169,439	56,061	92,037	317,537
2019	120,203	185,966	132,964	439,133

[1]Contracted peak and total rooms for executed LACC License Agreement.
[2]As executed a Letter of Agreement.
[3]A group considering Los Angeles as a meeting destination for which a Sales Lead has been issued.
Source: Los Angeles Tourism & Convention Board and CBRE Hotels

The City of Los Angeles is committed to expanding and modernizing the LACC while improving the hotel room supply within walking distance. The realization of these two major goals, combined with the $35 million of capital improvements and enhancements the City has already invested over the last four years, will result in the facility's performance and offerings exceeding its own recent, record-breaking years. Currently, the Chief Legislative Analyst of the City of Los Angeles is nearing the end of an exploration effort to determine the best financing and development solutions appropriate for the project.

The following table displays our ***Los Angeles County*** lodging sample set in terms of average daily and total annual rooms supply, annual occupied rooms, market occupancy percentage, and average daily room rate. These statistics illustrate the total lodging supply and demand for the county, including all types of lodging properties. Overall occupancy levels and average daily room rates reflect the composite forecast for the submarkets presented herein, extrapolated to the overall Los Angeles County hotel supply. The table presented below includes the sum of our aggregated sub markets, extrapolated to the overall supply.

Los Angeles County 2017
Historical Market Performance of the Competitive Supply

Year	Daily Supply	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	97,081	35,434,565	N/A	27,650,242	N/A	78.0%	$154.47	N/A	$120.53	N/A
2013	96,922	35,376,530	-0.2%	28,284,856	2.3%	80.0	161.73	4.7%	129.31	7.3%
2014	97,565	35,611,225	0.7	28,885,130	2.1	81.1	173.35	7.2	140.61	8.7
2015	98,030	35,780,950	0.5	29,252,299	1.3	81.8	187.77	8.3	153.51	9.2
2016	97,925	35,742,625	-0.1	29,660,676	1.4	83.0	204.00	8.6	169.29	10.3
2017E	100,581	36,711,955	2.7	29,988,604	1.1	81.7	205.28	0.6	167.68	-0.9
2018F	103,830	37,898,026	3.2	30,687,110	2.3	81.0	210.05	2.3	170.08	1.4
CAAG	1.1%	1.1%		1.8%			5.3%		5.9%	

Source: CBRE Hotels

Los Angeles County finished 2016 at an occupancy rate of 83.0 percent. This signifies an increase in occupied room nights of 1.4 percent last year amidst a 0.1 percent decrease in annual supply. With supply increasing in 2017 at 2.7 percent, we estimate that the county's occupancy will decrease to 81.7 percent as occupied room nights grow by 1.1 percent. In 2017, we estimate ADR (Average Daily Room Rate) to increase to $205.28, an increase of 0.6 percent. With supply increasing in 2018 at 3.2 percent, we forecast that the county's occupancy will decrease to 81.0 percent as occupied room nights are forecast to increase by 2.3 percent. In 2018, we forecast ADR to increase to $210.05, an increase of 2.3 percent.

It should be noted that many submarkets, and the County as a whole, had until recently experienced occupancy levels above their long-term averages and, in many cases, previous highs. Several of the submarkets detailed further herein were positively impacted by the Porter Ranch gas leak, and achieved above average occupancy and ADR for the months of October 2015 through May 2016. Santa Clarita and San Fernando Valley saw the biggest impact due to customers being placed into hotel properties throughout the County because of the gas leak. While we anticipate continued demand growth county wide, in certain submarkets the addition of new hotel rooms may outpace the gain in occupied room nights, as many markets are currently exceeding their long term stabilized level of occupancy.

Additions to Supply

Based on our research and findings the table below details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the Los Angeles County market.

Lodging Forecast - Additions to Supply

Hotel Name	City	Submarket	Room Count	Opening Date
The Jeremy	West Hollywood	West Hollywood	286	August 2017
Hampton Inn and Suites	Hollywood	Hollywood	112	August 2017
Kimpton Everly Hotel	Hollywood	Hollywood	216	August 2017
Homewood Suites	Los Angeles	LAX	122	October 2017
H Hotel, Curio Collection	Los Angeles	LAX	168	October 2017
Hampton Inn	Long Beach	Long Beach	143	December 2017
Homewood Suites	Long Beach	Long Beach	98	December 2017
Hotel Figueroa	Downtown L.A.	Downtown 1	268	January 2018
Nomad Hotel	Downtown L.A.	Downtown 1	242	January 2018
Kimpton La Peer Hotel	West Hollywood	West Hollywood	105	January 2018
DoubleTree Hotel	Pomona	San Gabriel Valley	132	January 2018
Sheraton Hotel	San Gabriel	San Gabriel Valley	288	February 2018
Proper Hotel	Downtown L.A.	Downtown 1	148	March 2018
Hyatt Place	Glendale	ESFV	179	May 2018

Source: CBRE Hotels

DOWNTOWN LOS ANGELES

Downtown Los Angeles, following a model set forth in other city centers where redevelopment has been successful, has been working to improve its image and attract more residents and consumers. Some of the initial catalysts were the openings of the $375 million Staples Center in 1999 and the $274 million Walt Disney Concert Hall in 2003, which spurred new restaurants, as well as other residential and commercial developments in Downtown Los Angeles. This momentum continued at a strong pace and even to some degree through the Great Recession, in large part to the continued success of L.A. LIVE, South Park's $3.5 billion entertainment, lodging and residential complex.

Over the past fifteen years, Downtown Los Angeles has experienced an extraordinary commercial and residential renaissance. With more than 65,000 residents, 500,000+ weekday employees and more than ten million annual non-local visitors, Downtown Los Angeles has become Southern California's economic engine. According to the Downtown Center Business Improvement District, approximately $24.4 billion has been invested in Downtown Los Angeles since 1999. As a whole, given these and other exciting developments, Downtown Los Angeles is quickly becoming a world-class destination.

Residential Developments

Downtown Los Angeles continues to build towards a residential core, and to create a 24-hour activity zone in the central city. Throughout the downtown area, empty buildings have been, and continue to be redeveloped into residential units. A combination of new residential, market-rate units and redevelopment of existing historic buildings into loft-style units created a very attractive place to live for many people who had previously commuted to downtown from the Westside, San Fernando Valley, and Orange County. The renovation of existing historic buildings in downtown's South Park, Bank, and Historic Districts has become increasingly popular with developers who are taking advantage of the 1999 Adaptive Re-Use Ordinance for the downtown Business District of Los Angeles.

Over a period of many years, several historic office buildings became vacant upward of the first story. Storefronts were maintained on the street level and continued to be successful while the upper floors fell into disrepair. With vacant office space in abundance, combined with a shortage of residential units and a lack of activity in Los Angeles' downtown District, the Adaptive Re-Use Ordinance was born in 1999. The ordinance provided for several pockets of commercial-zoned land to be rezoned as commercial/residential or mixed-use areas, allowing the redevelopment of office buildings into rental apartments and live-work lofts. According to the Downtown Los Angeles Business Improvement District, Downtown's resident population has increased from 18,700 people in 1999 to approximately 65,000 residents in 2017.

According to the Downtown Center Business Improvement District, as of the second quarter of 2017, there are approximately 39,400 residential units that exist in Downtown Los Angeles. Market-rate units comprise approximately 69 percent of the total units. There are currently 10,756 units under construction, of which almost 99 percent are market rate. As of the most recent estimate another more than 24,000 units are proposed, 99 percent of which would be market rate units. The downtown lodging market is expected to benefit from this increase in residential development as visitors to these apartments and condominiums will seek lodging in the immediate area. The influx of residential developments will increase the hotels' abilities to capture higher food and beverage revenues from local residents and clientele.

With the Sports and Entertainment district developed and other cultural icons being constructed, Downtown Los Angeles is able to draw visitors from all across Southern California and the world. Coupled with the creation of a viable residential base, Downtown Los Angeles has become a place that can sustain its own tourism segment and continues to be a driving submarket in the region.

The Bloc

In June 2013, The Ratkovich Company acquired the dated Macy's Plaza from Jamison Services, Inc. for $241 million, which includes the retail portion (Macy's, LA Fitness, etc.) as well as the 23-story, 485-room Sheraton hotel and the 33-story, 700 South Flower office tower, totaling 2.4 million square feet. Ratkovich will spend $160 million in renovations to the entire complex that will dramatically alter the urban landscape of the Financial District in Downtown Los Angeles. Macy's Plaza has been renamed "The Bloc" and will transform into premium shopping, dining, business, and leisure destination in the heart of downtown. The retail component of the renovation is well underway, with the roof of a large portion of the building having been removed in mid-June of 2015. Macy's plans to upgrade the department store to a potential flagship store, and the existing Sheraton has undergone a comprehensive renovation as well. The office tower has been repositioned to offer creative office space aimed at the growing entertainment, technology, and media companies in Los Angeles. The development also recently completed their direct access portal to the heavily-traveled 7th & Metro subway station. After numerous delays, the development is expected to open in full next year.

Metropolis

The owner of a 6.3-acre parcel located adjacent to the I-110 freeway in Downtown Los Angeles is in the process of developing a $1 billion mixed-use center that will include hotel rooms, residential, office, and retail. IDS Real Estate Group purchased the parcel located between 8th and 9th Streets and Francisco Street and the I-110 in 2005 with initial plans to develop several hundred thousand feet of retail, a select service/extended stay hotel, a convention center hotel, residential towers, and office space. However, construction was stalled due to the economic recession. In 2013, Shanghai-based Greenland Group acquired the site and is undertaking the development of the 6.3-acre parcel. Metropolis is expected to contribute to, and benefit from, the synergy created by the proximate L.A. LIVE, Convention Center, FIGat7th, and Wilshire Grand tower/InterContinental Hotel developments. During the summer of 2014, the developer began preliminary site and excavation work and construction of Phase I was completed earlier this year, which includes a 38-story condo tower with 310 units, and a 19-story, 350-room Hotel Indigo. Phase two of the project broke ground in December of 2014, and will include a 40-story tower with 510 condos, and Phase three will include another 54-story tower with 740 condos, both atop an eight-story mixed-use parking podium. Phase two is expected to be completed in May 2018, and the third phase is set to open in October 2019. At that point Metropolis will be one of the largest mixed-use developments in the West at 3.5 million square feet on 6.33 acres.

Avenue of the Angels

A joint effort by local Downtown Los Angeles stakeholders is working to bring an iconic pedestrian-friendly street connecting Wilshire Grand to the L.A. LIVE complex. IDS Real Estate Group, Thomas Properties, AEG, and FIGat7th, among others, are in the preliminary planning stages of designing the Avenue of the Angels that would run from Wilshire Grand at 7th and Figueroa, through the redevelopment of FIGat7th, alongside the Metropolis development on Francisco Street, through to L.A. LIVE. Still in the planning stages, the iconic pedestrian-friendly street will provide Downtown Los Angeles with a highly sought after walkable environment that will include attractions and amenities for both residents and visitors alike.

Oceanwide Plaza

China-based Oceanwide Real Estate Group acquired a 4.6-acre site at the southeast corner of 11th and Figueroa Streets stretching all the way to Flower Street, and is developing it into a high-end, mixed-use complex called Fig Central. Plans originally called for two towers, including a 51-story "North Tower" and a "South Tower" standing at 37 stories. The most recent plans, however, now call for three towers atop a five-story parking and retail podium, with the two southern towers being 40 stories high, and the third northern tower being 49 stories. Plans for the northern tower include a luxury hotel branded as a Park Hyatt with 183 rooms, with 164 residential units on the floors above. The two south towers show plans for 170 residential units each. Along with the residential and hotel portions, the development is expected to have approximately 200,000 square feet of retail space fronting both Figueroa and Flower Streets, and 1,444 parking spaces with two levels below grade. The $1 billion project began demolition on the site in December of 2014, broke ground on the project in early 2015, and completed its base concrete pour in early 2016. The apartment complexes are expected to enter the market in late 2017, with the rest of the development including the Park Hyatt hotel following suit in 2019.

Circa

On the parking lot, just south of Oceanwide Plaza at 1200 South Figueroa Street, a 648-unit luxury rental building is being developed by a partnership between Hankey Investment Company, Jamison Services Inc., Falcon California Investments, and Highlands Capital Inc. The $500 million project began construction in mid-2015, and will include 1.6 million square feet of usable space on a 2.7-acre site. In addition to the 648 luxury rental units within two 35-story towers, the development will also include a 10-story podium with 48,000 square feet of retail space, 1,770 parking spaces, 15,000 square feet of digital signage, and 12,500 square feet of static signage. The two-acre residential amenity deck within the podium will provide residents with a pool, private cabanas, spas, a sun deck, BBQ stations with open-air dining areas, two dog parks and a dog owners lounge, fire pits and fireplaces, a fitness building with a dedicated lap pool, and a club house with multiple bars, recreation and event rooms, and skyline viewing areas. As of November 2015, the project has begun construction of its concrete foundation. The entire project is slated for completion in late 2018.

The following tables represent the historical and projected performance of the Downtown Los Angeles lodging market, which is segmented into two markets based on average rate. The first segment, Downtown 1, is made of the downtown hotels that typically have average daily rates exceeding $175.00.

Downtown 1
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	2,014,800	N/A	1,500,330	N/A	74.5%	$166.78	N/A	$124.19	N/A
2013	2,014,800	0.0%	1,532,402	2.1%	76.1	174.29	4.5%	132.56	6.7%
2014	2,117,365	5.1	1,610,934	5.1	76.1	175.76	0.8	133.73	0.9
2015	2,218,105	4.8	1,706,855	6.0	77.0	202.88	15.4	156.12	16.7
2016	2,229,055	0.5	1,767,830	3.6	79.3	225.06	10.9	178.49	14.3
2017E	2,533,648	13.7	1,984,781	12.3	78.3	230.72	2.5	180.74	1.3
2018F	2,973,290	17.4	2,282,498	15.0	76.8	237.64	3.0	182.43	0.9
CAAG	6.7%		7.2%			6.1%		6.6%	

Source: CBRE Hotels

We estimate that the Downtown 1 market will see an increase in occupied room nights of 12.3 percent in 2017 amid a 13.7 percent increase in supply, due to the openings of the 889-room InterContinental, 350-room Hotel Indigo, and 167-room Freehand. Average daily rate is estimated to increase 2.5 percent in 2017 to $230.72. In 2018, we forecast occupied rooms to increase by 15.0 percent amid an average daily rate increase of 3.0 percent. Supply in 2018 is forecast to experience a 17.4 percent increase, as the combined market absorbs the remaining rooms of the aforementioned additions to supply, and the opening of the 148-room Proper Hotel, the 242-room Nomad Hotel, and the reopening of the 268-room Hotel Figueroa, following a substantial renovation.

The Downtown 2 Los Angeles hotel market is made of the smaller downtown hotels and those that have average daily rates typically not exceeding $175.00 or are located outside of the downtown core.

Downtown 2
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	423,765	N/A	307,556	N/A	72.6%	$94.45	N/A	$68.55	N/A
2013	355,875	-16.0%	269,736	-12.3%	75.8	97.42	3.2%	73.84	7.7%
2014	495,670	39.3	370,908	37.5	74.8	118.55	21.7	88.71	20.1
2015	495,670	0.0	395,625	6.7	79.8	129.46	9.2	103.33	16.5
2016	495,670	0.0	403,220	1.9	81.3	147.43	13.9	119.93	16.1
2017E	495,670	0.0	407,172	1.0	82.1	150.82	2.3	123.89	3.3
2018F	495,670	0.0	407,172	0.0	82.1	155.34	3.0	127.61	3.0
CAAG	2.6%		4.8%			8.6%		10.9%	

Source: CBRE Hotels

For the year ending 2017, we estimate that occupied room nights will increase by 1.0 percent in the Downtown 2 market with supply remaining consistent and no new hotels are anticipated to open in the near future. This would create a year-end 2017 occupancy for this market of 82.1 percent. In addition, we estimate that average daily rate in the market will increase by 2.3 percent, finishing 2017 with an ADR of $150.82. Occupancy level is forecast to remain at 82.1 percent and average daily rate is expected to grow 3.0 percent to $155.34 in 2018.

LONG BEACH

In the last decade, few cities have seen as large a turnaround as the City of Long Beach. Its downtown area has been revitalized with ample shopping and dining opportunities. The Grand Prix of Long Beach, the Aquarium of the Pacific, and the redevelopment of downtown with mixed-use developments have all provided Long Beach with a growing base of leisure business to complement its traditional commercial business.

Long Beach continues to position itself as a regional destination, offering numerous quality lodging facilities, leisure amenities, a 340,000-square foot convention center, and a vibrant downtown area. The Convention Center Arena completed a $40 million renovation in November 2013, redesigning the meeting spaces and customizing the 45,000-square foot Ballroom to accommodate all types of groups or events. The Ballroom features a floating tension grid and moveable, floor to ceiling curtain walls, and state of the art lighting, sound and video system that is controlled by an iPad.

Long Beach Airport (LGB) is often seen as an excellent alternative to other regional airports. With what was once one of the best kept secrets in Los Angeles County, the addition of flights from JetBlue has boosted the visibility of this airport and the terminal renovation that completed in December 2012 has also increased airport popularity. The Long Beach Airport Modernization project was approved in 2010 and was completed in 2012. The $45 million renovation project has completely modernized the airport, while maintaining its art-deco, vintage appeal. Offering a variety of new shopping destinations, the concourse is comprised of 74,000 square feet of new construction with a peaceful garden core with a variety of vibrant, native plant life. This project brings the overall terminal area to 77,850 square feet. Plans included a new 1,989 space parking structure which opened in July 2011, ramp improvements, a concourse with a central garden, and 11 gates to replace temporary passenger waiting trailers. The new modernized terminal was completed and opened to the public on December 12, 2012. Approximately $2 million was spent in refurbishing the terminal. The airport maintains its open feel with passengers boarding planes directly from the tarmac. Long Beach officials last year acted to allow nine more daily flights from the airport, bringing the total to 50. As a result, passenger traffic has increased significantly, year to date through August 2017, LGB posted a 39 percent increase in passenger counts, at 2,492,064 in 2017 versus 1,798,316 for the prior period last year.

Long Beach
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,426,055	N/A	1,034,594	N/A	72.5%	$129.40	N/A	$93.88	N/A
2013	1,472,775	3.3%	1,088,552	5.2%	73.9	131.01	1.2%	96.83	3.1%
2014	1,484,090	0.8	1,133,772	4.2	76.4	138.13	5.4	105.53	9.0
2015	1,484,090	0.0	1,137,247	0.3	76.6	152.32	10.3	116.72	10.6
2016	1,484,090	0.0	1,159,596	2.0	78.1	161.97	6.3	126.55	8.4
2017E	1,487,010	0.2	1,176,319	1.4	79.1	167.43	3.4	132.45	4.7
2018F	1,572,055	5.7	1,235,135	5.0	78.6	172.46	3.0	135.50	2.3
CAAG	1.6%		3.0%			4.9%		6.3%	

Source: CBRE Hotels

We estimate that occupied rooms will increase in the Long Beach market by 1.4 percent in 2017, as the 241-room dual-branded Hampton Inn & Homewood Suites hotel opens at the end of this year. This results in estimated market occupancy of 79.1 percent. We estimate a 3.4 percent increase in ADR to $167.43 in 2017, results of a strong convention calendar and effective revenue management by hotels. 2018 is forecast to have a 5.7 increase in supply as the annualized room additions are added to the market and a 5.0 percent increase in demand; we forecast an increase in average daily rate of 3.0 percent.

SOUTH BAY

Comprised of a large number of beach and industrial communities south of Los Angeles International Airport, the South Bay is typically known to be industrial due to its location near the Ports of Los Angeles and Long Beach. The Port of Los Angeles, located in San Pedro, represents one of the busiest ports in the United States and generates a significant amount of commercial demand, as well some transient demand from the daily departures and arrivals of cruise lines.

In addition to a large industrial base, the South Bay is home to the StubHub Center. Located in Carson, the former Home Depot Center continues to draw major events and concerts, including sports teams, X-Games, and headliners. The center contains a 27,000-seat stadium that is home to the Los Angeles Galaxy Major League Soccer team. This state-of-the-art stadium also features an 8,000-seat tennis stadium and a number of other training facilities for track and field, baseball, softball, crossfit, and cycling. In addition, the owners of this center also host a significant number of concerts at this venue when it is not in use for athletic events. More recently the StubHub center is also now the temporary home of the NFL's Los Angeles Chargers, through the end of the 2019 season. To accommodate the Chargers' use of the stadium, more than $10 million in upgrades were made improve the visitor experience at StubHub Center.

South Bay
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	2,208,980	N/A	1,688,327	N/A	76.4%	$131.22	N/A	$100.29	N/A
2013	2,208,980	0.0%	1,748,266	3.6%	79.1	138.32	5.4%	109.48	9.2%
2014	2,242,195	1.5	1,858,816	6.3	82.9	148.10	7.1	122.77	12.1
2015	2,325,415	3.7	1,944,781	4.6	83.6	159.04	7.4	133.01	8.3
2016	2,328,700	0.1	1,971,405	1.4	84.7	169.45	6.5	143.45	7.8
2017E	2,389,898	2.6	1,978,355	0.4	82.8	173.66	2.5	143.75	0.2
2018F	2,412,285	0.9	1,988,247	0.5	82.4	178.00	2.5	146.71	2.1
CAAG	1.5%		2.8%			5.2%		6.5%	

Source: CBRE Hotels

In 2017, we estimate that occupied rooms will increase 0.4 percent to an occupancy of 82.8 percent, with a 2.6 percent change in supply due to the opening of the 184-room Homewood Suites Redondo Beach in May of this year and the annualized rooms from the Shade Hotel Redondo Beach that opened last November. Average daily rate is estimated to increase 2.5 percent to $173.66 for 2017. In 2018, we expect total occupied rooms to grow by 0.5 percent, resulting in 82.4 percent occupancy, and 2.5 percent growth in average daily rate to $178.00. The supply increase in 2018 accounts for the remaining rooms of the Homewood Suites Redondo Beach.

LOS ANGELES INTERNATIONAL AIRPORT

The Los Angeles International Airport market has typically been one of the best performing markets in Los Angeles County from an occupancy standpoint. This market has historically been resilient in maintaining occupancy in the face of a recession and slowdown in travel. This is partially attributed to this being an airport market with captive streams of demand such as airline crews and distressed passengers. The airport market also serves SMERF, corporate and association group demand. However more recently commercial and leisure travel within the market is increasing as the level of room product increases.

Los Angeles International Airport Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	3,903,675	N/A	3,271,035	N/A	83.8%	$101.32	N/A	$84.90	N/A
2013	3,951,490	1.2%	3,402,993	4.0%	86.1	107.17	5.8%	92.30	8.7%
2014	3,996,568	1.1	3,443,530	1.2	86.2	117.38	9.5	101.14	9.6
2015	3,830,310	-4.2	3,341,595	-3.0	87.2	134.73	14.8	117.54	16.2
2016	3,943,643	3.0	3,409,633	2.0	86.5	147.48	9.5	127.51	8.5
2017E	4,178,502	6.0	3,552,800	4.2	85.0	148.13	0.4	125.95	-1.2
2018F	4,292,765	2.7	3,623,856	2.0	84.4	149.61	1.0	126.30	0.3
CAAG	1.6%		1.7%			6.7%		6.8%	
Source: CBRE Hotels									

In 2017, we estimate that demand, as measured by occupied rooms will increase by 4.2 percent with a 6.0 percent increase to supply reflecting the annualized room count additions of the 171-room Hampton Inn El Segundo, 246-room Aloft El Segundo, and the 350-room Fairfield Inn El Segundo, as well as the May opening of the 152-Cambria Suites El Segundo and the October opening of the dual branded 290-room H Hotel & Homewood Suites. This results in estimated market occupancy of 85.0 percent. Average daily rate is estimated to increase by 0.4 percent, reflecting an ADR of $148.13 for 2017. We forecast that occupied rooms will have an increase of 2.0 percent in 2018, resulting in estimated market occupancy of 84.4 percent. For 2018, we forecast that average daily rates will increase by 1.0 percent. Supply will increase 2.7 percent in 2018 due to the remaining rooms of the dual-branded hotel being annualized into the market.

SANTA MONICA

Santa Monica presents a number of luxury and mid-level, full-service ocean front properties. Its waterfront location and vibrant atmosphere assisted in making this market one of the strongest in the county. The stability of the market can be attributed to the presence of a stable commercial segment combined with high end group and leisure business. Local businesses consist of entertainment, financial services, and creative arts businesses that are based in Santa Monica, as well as new incoming tech companies settling into Silicon Beach. Many of the hotels in this market are located within walking distance of the Pacific Ocean, one of the most important demand generators in Southern California. The hotels and resorts that line the beaches provide accommodations for travelers from virtually every price point.

In recent years "Silicon Beach," a burgeoning high-technology hub comprising the coastal areas stretching from Santa Monica through the South Bay, including Playa Vista, Santa Monica, Venice and Marina del Rey, has begun to emerge. These coastal communities have attracted some of the most innovative companies in the country, including Facebook (Playa Vista), Yahoo! (Santa Monica), YouTube (Playa Vista), Microsoft (Playa Vista), Electronic Arts (Playa Vista), high-tech manufacturer Equipois (Playa Vista) and search engine giant Google (Venice and Playa Vista). In addition, YouTube recently converted a 41,000 square-foot aircraft hangar into a production facility in Playa Vista for its Los Angeles Next Lab outpost. Snapchat recently signed a ten-year lease for a 47,000-square-foot expansion of their Venice-based headquarters and signed a multi-million-dollar lease for two building and eight hangars at the Santa Monica Airport.

These technology- and entertainment-based companies are expected to fuel the current expansion phase as growth in both sectors is accelerating. Companies, such as Core Digital Media, Riot Games, IMAX, and Twitter are expanding their presence in Silicon Beach, which is already home to more than 500 tech startups. Tech companies are staffing up, and the outlook for job growth is strong in Silicon Beach. Continued growth of technology clusters is expected to attract other Internet companies and related enterprises, such as entertainment, advertising and digital media firms.

The LA Metro Expo Line extension to Santa Monica opened on May 20, 2016. Ridership has outpaced expectations. Passenger numbers have climbed steadily since the second phase opened. So far this year, Expo has averaged more than 1.5 million passengers per month. Only the Blue Line, which opened in 1990, carries more people. Metro Rail passengers are able to travel between Downtown Los Angeles and Santa Monica directly and is expected to boost visitation between the two submarkets.

Santa Monica
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,034,775	N/A	867,540	N/A	83.8%	$289.28	N/A	$242.52	N/A
2013	1,034,775	0.0%	882,125	1.7%	85.2	308.52	6.7%	263.00	8.4%
2014	1,035,870	0.1	888,620	0.7	85.8	335.65	8.8	287.94	9.5
2015	1,036,600	0.1	870,215	-2.1	83.9	354.61	5.6	297.69	3.4
2016	1,036,600	0.0	884,681	1.7	85.3	372.84	5.1	318.20	6.9
2017E	1,117,113	7.8	947,768	7.1	84.8	370.32	-0.7	314.18	-1.3
2018F	1,138,435	1.9	961,985	1.5	84.5	377.73	2.0	319.18	1.6
CAAG	1.6%		1.7%			4.5%		4.7%	

Source: CBRE Hotels

We estimate that the Santa Monica hotel market will see an increase in occupied rooms of 7.1 percent and an increase in supply of 7.8 percent in 2017 given the openings of the 136-room Courtyard and the 143-room Hampton Inn & Suites earlier this year. This will result in market occupancy of 84.8 percent. We estimate that average daily rate will decrease by 0.7 percent to $370.32. We forecast that growth in occupied rooms will increase by 1.5 percent and supply will increase by 1.9 percent in 2018, amid a 2.0 percent increase in ADR.

MARINA DEL REY

South of Santa Monica lies the Marina del Rey area. While this market lies proximate to the ocean, most of the hotels in the competitive market are not the ocean front hotels that can be found in the Santa Monica market. This market serves as a lower-priced alternative for Santa Monica and other West Los Angeles hotel markets. However, properties such as the Ritz Carlton, Marriott, and independent Marina del Rey hotels have completed extensive capital programs in order to compete with the full-service and luxury properties in the surrounding markets.

Located to the south of Marina del Rey is the Playa Vista area. This area was once used by Howard Hughes to test aircraft. Now is the Runway Playa Vista, a mixed-use development in its final stages of completion, as the new and upcoming residential neighborhood and technology hub. In addition to numerous parks and recreational amenities, this residential development also includes Concert Park and the Shops at Concert Park, the Playa Vista Branch of the Los Angeles Public Library, the Center Pointe, Los Angeles Fire Department station number 67, and the Los Angeles Clippers practice facility. Playa Vista is home to tech giants like Facebook, Snapchat, YouTube, and Microsoft. Playa Vista is well on its way to becoming a major master planned community that will offer extensive amenities and facilities.

Marina del Rey
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	527,790	N/A	412,074	N/A	78.1%	$181.73	N/A	$141.88	N/A
2013	485,450	-8.0%	386,912	-6.1%	79.7	200.03	10.1%	159.43	12.4%
2014	485,085	-0.1	383,068	-1.0	79.0	223.15	11.6	176.22	10.5
2015	547,135	12.8	439,246	14.7	80.3	236.04	5.8	189.50	7.5
2016	547,135	0.0	457,040	4.1	83.5	256.65	8.7	214.39	13.1
2017E	547,135	0.0	467,408	2.3	85.4	253.26	-1.3	216.35	0.9
2018F	547,135	0.0	469,745	0.5	85.9	258.32	2.0	221.78	2.5
CAAG	0.6%		2.2%			6.0%		7.7%	

Source: CBRE Hotels

In 2017 there are no changes to supply. We estimate that the Marina del Rey market will see an increase in occupied rooms of 2.3 percent in 2017 and the market ADR is estimated to end the year with a 1.3 percent decrease to $253.26. In 2018, we forecast occupied rooms to increase 0.5 percent and ADR to increase 2.0 percent. There are no forecasted additions to supply in 2018.

BEVERLY HILLS/WEST LOS ANGELES

The Beverly Hills and West Los Angeles hotel markets have historically been positioned among the highest rated markets in the United States. The Beverly Hills and West Los Angeles hotel markets include hotels in and around the City of Beverly Hills, as well as areas such as: Century City, Hollywood, Westwood, West Hollywood, and other neighborhoods; it does not include Santa Monica and Marina del Rey. The following table presents the historical and projected market performance for hotels within the city limits of Beverly Hills only.

Beverly Hills
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	757,740	N/A	578,228	N/A	76.3%	$416.02	N/A	$317.46	N/A
2013	757,740	0.0%	586,202	1.4%	77.4	430.13	3.4%	332.76	4.8%
2014	757,740	0.0	598,957	2.2	79.0	471.86	9.7	372.98	12.1
2015	757,740	0.0	575,791	-3.9	76.0	499.45	5.8	379.52	1.8
2016	757,740	0.0	600,115	4.2	79.2	520.84	4.3	412.49	8.7
2017E	793,936	4.8	634,702	5.8	79.9	529.42	1.6	423.24	2.6
2018F	819,790	3.3	653,743	3.0	79.7	542.65	2.5	432.74	2.2
CAAG	1.3%		2.1%			4.5%		5.3%	

Source: CBRE Hotels

In Beverly Hills, with the June 2017 addition of the 170-room Waldorf Astoria we estimate that occupied rooms will increase 5.8 percent in 2017, outpacing a supply increase of 4.8 percent and thereby resulting in market occupancy increasing to 79.9 percent. RevPAR will increase 2.6 percent. We forecast a 2.5 percent growth in average daily rate in 2018. Occupied rooms are forecast to increase by an additional 3.0 percent in 2018, resulting in market occupancy of 79.7 percent.

The following table shows the performance of the combined Beverly Hills and West Los Angeles hotel markets. This discussion is then followed by an analysis of the three primary segments that make up the

West Los Angeles hotel market: the Luxury, Deluxe, and First Class markets. The Luxury segment is defined as those hotels that have average daily rates in excess of $450 on a stabilized basis. The Deluxe market contains West Los Angeles hotels that have average daily rates generally between $275 and $450 on a stabilized basis. The First Class market is comprised of hotels that have average daily rates below $275 on a stabilized basis.

Beverly Hills/West Los Angeles
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	2,822,180	N/A	2,216,309	N/A	78.5%	$290.01	N/A	$227.75	N/A
2013	2,869,630	1.7%	2,323,745	4.8%	81.0	303.04	4.5%	245.39	7.7%
2014	2,871,820	0.1	2,339,743	0.7	81.5	328.33	8.3	267.50	9.0
2015	2,882,040	0.4	2,321,051	-0.8	80.5	346.93	5.7	279.40	4.4
2016	2,666,203	-7.5	2,214,282	-4.6	83.1	377.39	8.8	313.43	12.2
2017E	2,701,791	1.3	2,221,092	0.3	82.2	380.38	0.8	312.71	-0.2
2018F	2,970,735	10.0	2,396,827	7.9	80.7	387.08	1.8	312.30	-0.1
CAAG	0.9%		1.3%			4.9%		5.4%	

Source: CBRE Hotels

The combined Beverly Hills/West Los Angeles hotel market is estimated to experience an increase in occupied rooms of 0.3 percent in 2017 amidst an increased change in supply of 1.3 percent, due to the opening of the Waldorf Astoria Beverly Hills and Jeremy West Hollywood. Market occupancy in 2017 is estimated to decrease to 82.2 percent with average daily rate increasing by 0.8 percent to $380.38. We forecast a growth in occupied room nights of 7.9 percent in 2018 resulting in market occupancy of 80.7 percent, amid an increase in supply of 10.0 percent. Average daily rate in 2018 is forecast to grow 1.8 percent, which results in a slight RevPAR decrease of 0.1 percent.

West Los Angeles Luxury
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	573,050	N/A	420,631	N/A	73.4%	$567.32	N/A	$416.42	N/A
2013	573,050	0.0%	434,678	3.3%	75.9	590.90	4.2%	448.22	7.6%
2014	573,050	0.0	445,863	2.6	77.8	645.87	9.3	502.52	12.1
2015	573,050	0.0	441,021	-1.1	77.0	679.46	5.2	522.91	4.1
2016	573,050	0.0	452,417	2.6	78.9	720.13	6.0	568.53	8.7
2017E	609,246	6.3	474,039	4.8	77.8	734.08	1.9	571.17	0.5
2018F	635,100	4.2	490,631	3.5	77.3	752.43	2.5	581.28	1.8
CAAG	1.7%		2.6%			4.8%		5.7%	

Source: CBRE Hotels

With the recent opening of the Waldorf Astoria Beverly Hills, the West Los Angeles Luxury Segment is projected to have an increase in occupied rooms of 4.8 percent, although supply will grow by 6.3 percent thereby resulting in a decline in occupancy to 77.8 for year-end 2017. This year average daily rate is expected to grow 1.9 percent, finishing the year at $734.08. Our forecast for 2018 includes the remainder of the Waldorf Astoria’s annualized room count. We forecast demand to increase by 3.5 percent from the year prior, equating to a market occupancy of 77.3 percent, with 2.5 percent growth in average daily rate.

West Los Angeles Deluxe
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,449,050	N/A	1,165,017	N/A	80.4%	$250.69	N/A	$201.55	N/A
2013	1,495,405	3.2%	1,228,645	5.5%	82.2	261.15	4.2%	214.56	6.5%
2014	1,497,595	0.1	1,224,926	-0.3	81.8	280.42	7.4	229.36	6.9
2015	1,507,815	0.7	1,227,319	0.2	81.4	294.21	4.9	239.48	4.4
2016	1,291,248	-14.4	1,085,569	-11.5	84.1	320.42	8.9	269.38	12.5
2017E	1,290,640	0.0	1,083,093	-0.2	83.9	317.24	-1.0	266.22	-1.2
2018F	1,533,730	18.8	1,245,557	15.0	81.2	323.58	2.0	262.78	-1.3
CAAG	1.0%		1.1%			4.3%		4.5%	

Source: CBRE Hotel

In the past ten years, several West Los Angeles Deluxe properties have undergone major renovations and repositioning efforts, such as the renovation of the Mondrian, Wyndham Bel Age into the London West Hollywood, and Hyatt West Hollywood into the Andaz, as well as the closing of Le Meridien and subsequent re-opening as the first SLS-branded hotel by Starwood. Additionally, The Jeremy West Hollywood (what was originally going to be the James Hotel, before it was purchased shortly prior to opening by Starwood Capital for $283 million in July) opened in August of this year and eventually will be transformed into the 1 West Hollywood, joining sister hotels in Manhattan, Brooklyn, and Miami Beach.

With the closing of the Hyatt Century Plaza and a reduction in supply of 14.4 percent in March 2016 the market reached an all-time high occupancy of 84.1 percent. The reminder of these rooms offset the partial year opening of the aforementioned Jeremy Hotel, resulting in effectively no change in supply for 2017. Occupied rooms are estimated to dip slightly and average daily rate is expected to decrease 1.0 percent in 2017 to $317.24 resulting in a RevPAR decline of 1.2 percent. Supply is forecasted to increase in 2018 by 18.8 percent as the 105-room Kimpton La Peer opens in January and the remaining rooms from the 286-room Jeremy Hotel are annualized into the market. Demand is forecast to increase by 15.0 percent, resulting in market occupancy of 81.2 percent. In 2018, we forecast ADR to grow by 2.0 percent ending the year at $323.58.

West Los Angeles First Class
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	800,080	N/A	630,661	N/A	78.8%	$177.67	N/A	$140.05	N/A
2013	801,175	0.1%	660,422	4.7%	82.4	191.51	7.8%	157.87	12.7%
2014	801,175	0.0	668,953	1.3	83.5	204.42	6.7	170.69	8.1
2015	801,175	0.0	652,711	-2.4	81.5	221.39	8.3	180.37	5.7
2016	801,905	0.1	676,296	3.6	84.3	239.57	8.2	202.04	12.0
2017E	801,905	0.0	663,959	-1.8	82.8	230.86	-3.6	191.15	-5.4
2018F	801,905	0.0	660,639	-0.5	82.4	235.48	2.0	194.00	1.5
CAAG	0.0%		0.8%			4.8%		5.6%	

Source: CBRE Hotels

The West Los Angeles First Class hotel market has maintained occupancy percentages in the high 70's to mid-80's during the five-year period and is projected to close 2017 with market occupancy of 82.8 percent. Average daily rate is estimated to decrease 3.6 percent in 2017, with a rate of $230.86. In 2018, we forecast that occupied rooms will decline slightly, amid no change in supply. Average daily rate is forecast to grow 2.0 percent to $235.48 in 2018.

HOLLYWOOD

Hollywood has been one of the most visible hotel and retail markets in the recent years. The opening of the Renaissance Hollywood Hotel (now Loews Hollywood Hotel) in late 2001, the repositioning and renovation of the Hollywood Roosevelt, and the openings of the W Hollywood Hotel and Residences and Dream Hotel have redefined the quality level of this market. Many other area attractions continue to assist in making Hollywood the place to stay for visitors to the area as Hollywood is most famous for its movie stars and movie theaters. Recent and future additions to this vibrant community have included, and will continue to include cutting edge restaurants, supper clubs and nightclubs, which are anticipated to cement Hollywood's place among the top entertainment destinations in the country. Considering the number of changes being made to restore the glitter of Hollywood, the overall long-term outlook for the neighborhood is good. The commitments of the Hollywood Business Improvement District and the Hollywood Chamber of Commerce are to create a safer and more attractive neighborhood and a number of significant renovations and new projects will allow Hollywood to continue to evolve as a tourism destination.

Hollywood is in a situation where ongoing gentrification presents a great opportunity. The neighborhood is very accessible and is still underdeveloped. As such, it is one of a handful of U.S. markets prime for development. Part of Hollywood's attraction to developers is the lower construction costs compared to that of other cities such as Santa Monica, as well as the value offered by land in the neighborhood. The combination of governmental and community support for promoting mixed-use, high-density development has created the impetus for nearly $3 billion investment in development projects currently proposed and under construction, approximately $2 billion of which is located within a four-block radius of Sunset and Hollywood Boulevard.

The Hollywood submarket is experiencing revitalization in the office sector. A variety of creative businesses have either chosen to relocate to Hollywood or are expanding there, like Viacom, Netflix, Buzzfeed. Hollywood remained one of the most active districts in the Los Angeles Basin, with more than 2.0 million square feet of office space in the works; 300,000 square feet under construction and a further 1.7 million square feet planned.

Hollywood
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	622,690	N/A	508,718	N/A	81.7%	$204.08	N/A	$166.73	N/A
2013	622,690	0.0%	511,646	0.6%	82.2	208.76	2.3%	171.53	2.9%
2014	622,690	0.0	509,750	-0.4	81.9	232.89	11.6	190.65	11.1
2015	635,465	2.1	514,187	0.9	80.9	240.67	3.3	194.74	2.1
2016	648,240	2.0	527,995	2.7	81.5	254.93	5.9	207.64	6.6
2017E	718,320	10.8	573,965	8.7	79.9	250.59	-1.7	200.23	-3.6
2018F	852,275	18.6	660,059	15.0	77.4	253.09	1.0	196.01	-2.1
CAAG	5.4%		4.4%			3.7%		2.7%	

Source: CBRE Hotels

We estimate that the market will see an increase in occupied room nights in 2017 of 8.7 percent, with market occupancy decreasing to 79.5 percent. Supply in the Hollywood submarket is expected to grow 10.8 percent due to the recent July opening of the 178-room Dream Hotel, August openings of the 112-room Hampton Inn and Suites and the 216-room Kimpton Everly Hotel. Average daily rate is expected to decrease to $250.59 in 2017, commensurate with a decrease of 1.7 percent. Amid an increase in supply of 18.6 percent, we forecast occupied room nights to increase 15.0 percent and average daily rate to increase 1.0 percent in 2018, as the remaining rooms of the Dream Hotel, Hampton Inn & Suites and Everly Hotel enter the market.

WEST HOLLYWOOD

West Hollywood and the Sunset Strip have always been associated with the creative industries and tourism and an exciting night life. From its beginnings as a decadent night club scene to the present where the most hip come to play, West Hollywood features unique properties such as the Sunset Marquis, Mondrian, London, and Andaz which continue to reinvent themselves.

West Hollywood
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	676,710	N/A	533,408	N/A	78.8%	$241.24	N/A	$190.15	N/A
2013	676,710	0.0%	553,508	3.8%	81.8	249.74	3.5%	204.27	7.4%
2014	678,900	0.3	571,015	3.2	84.1	263.52	5.5	221.65	8.5
2015	686,200	1.1	570,728	-0.1	83.2	282.68	7.3	235.11	6.1
2016	686,200	0.0	592,307	3.8	86.3	295.00	4.4	254.64	8.3
2017E	729,696	6.3	614,738	3.8	84.2	292.37	-0.9	246.31	-3.3
2018F	828,915	13.6	682,359	11.0	82.3	301.14	3.0	247.90	0.6
CAAG	3.4%		4.2%			3.8%		4.5%	

Source: CBRE Hotel

We estimate that the West Hollywood market will experience a slight decrease in average daily rate of 0.9 percent in 2017, with increased competition from new hotels in the area and the August opening of the 286-room Jeremy Hotel. Therefore, we estimate that supply will increase 6.3 percent is 2017, while demand will increase at a rate of 3.8 percent. We forecast an 11.0 percent increase in occupied rooms in 2018. Average daily rate is forecasted to grow 3.0 percent in 2018 to $301.14. Annual supply is forecasted to increase by 13.6 percent in 2018 as the 105-room Kimpton La Peer enters the market in January and the remaining rooms for the Jeremy Hotel are included.

PASADENA/ARCADIA/MONROVIA

Best known for the annual Rose Bowl and Tournament of Roses Parade, the City of Pasadena was incorporated in 1886, making it one of the oldest suburbs of Los Angeles. Located ten miles northeast of downtown Los Angeles, the City of Pasadena is bordered by neighboring cities including La Canada Flintridge, South Pasadena, Arcadia, and Sierra Madre located to the east and south, Glendale and Los Angeles located to the west, and unincorporated Altadena located to the north.

The City of Pasadena encompasses more than 23 square miles. As an independent city, and part of the San Gabriel Valley, Pasadena is known for its historic architecture and many restored craftsman-style homes. Since 1980, the City of Pasadena has undergone an aggressive development program in an effort to attract major corporations. These efforts have been successful as industry leaders such as Jacobs Engineering, The Parsons Company, Avery Dennison, and the J.G. Boswell Company have made Pasadena their home. The $162 million renovation and expansion of the convention center, which was completed in February 2009, and continued investment of $1.9 million on maintenance, has sparked the interest of developers to add more hotels to the area. Chinese e-commerce giant Alibaba Group has chosen Pasadena for the first U.S. branch of its movie licensing and distribution arm, Alibaba Pictures. Alibaba Group, one of the most valuable tech companies in the world, signed a top floor 22,000-square foot, 10-year lease in the newly constructed 155,000-square foot Playhouse Plaza.

Pasadena Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	602,615	N/A	505,862	N/A	83.9%	$155.85	N/A	$130.83	N/A
2013	602,615	0.0%	509,699	0.8%	84.6	162.44	4.2%	137.39	5.0%
2014	612,470	1.6	513,391	0.7	83.8	179.93	10.8	150.83	9.8
2015	650,430	6.2	551,024	7.3	84.7	183.65	2.1	155.58	3.2
2016	676,710	4.0	558,638	1.4	82.6	199.61	8.7	164.78	5.9
2017E	703,720	4.0	542,831	-2.8	77.1	209.31	4.9	161.45	-2.0
2018F	703,720	0.0	561,830	3.5	79.8	215.59	3.0	172.12	6.6
CAAG	2.6%		4.3%			5.4%		7.1%	
Source: CBRE Hotels									

Annual supply is projected to increase by 4.0 percent in 2017 as the market continues to absorb the 144-room Residence Inn, which entered the market in July 2016. We estimate that occupied room nights will decrease in this market by 2.8 percent in 2017, with market occupancy estimated at 77.1 percent. It should be noted that the aggregate market occupancy is anticipated to temporarily dip below historical levels primarily due to significant renovations being completed at the Hilton and Sheraton, rather than actual decreases in the level of group and transient business. Average daily rate is estimated to increase 4.9 percent to $209.31 in 2017. ADR is forecast to grow 3.0 percent in 2018, while occupied room nights are forecast to grow by 3.5 percent in 2018 as the renovated room product comes back on line.

The Cities of Arcadia and Monrovia are located just east of Pasadena and are proximate to Interstate 210 (Foothill Freeway). Commercial enterprises, as well as the expanded Santa Anita Mall and Santa Anita Race Track, are the main demand generators for the City of Arcadia. With the completion of the Gold Line, people can travel directly from Los Angeles to Pasadena, Arcadia, Monrovia, Duarte, Irwindale, and Azusa and has been able to increase its sphere of influence, attracting a broader range of travelers from surrounding areas.

Arcadia/Monrovia Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	355,875	N/A	288,585	N/A	81.1%	$122.47	N/A	$99.31	N/A
2013	355,875	0.0%	292,117	1.2%	82.1	128.18	4.7%	105.21	5.9%
2014	355,875	0.0	301,466	3.2	84.7	137.44	7.2	116.43	10.7
2015	355,875	0.0	298,881	-0.9	84.0	143.59	4.5	120.59	3.6
2016	355,875	0.0	300,845	0.7	84.5	154.06	7.3	130.24	8.0
2017E	355,875	0.0	284,142	-5.6	79.8	161.45	4.8	128.91	-1.0
2018F	355,875	0.0	295,507	4.0	83.0	166.29	3.0	138.08	7.1
CAAG	0.0%		0.4%			5.2%		5.6%	
Source: CBRE Hotels									

We estimate a decrease of 5.6 percent in occupied rooms for 2017, concurrent with a 4.8 percent increase in average daily rate to $161.45. In turn, RevPAR will decrease 1.0 percent for the Arcadia/Monrovia market. It should be noted that the anticipated decrease can be attributed to significant renovations being completed this year and that the market is forecasted to return to more normalized levels in 2018. For 2018, occupied rooms are forecast to increase by 4.0 percent with occupancy of 83.0 percent. Additionally, we forecast average daily rate to increase by 3.0 percent in 2018, as the market achieves a stabilized level of occupancy. We are not aware of any additions to market supply for 2018.

SAN FERNANDO VALLEY

The San Fernando Valley, located to the north and east of downtown Los Angeles, contains the production centers for a large number of television, film, and music firms. The eastern portion of the Valley is a mix of traditional office space commingled with entertainment giants like Walt Disney and DreamWorks. The western portion of the Valley is more heavily dependent on traditional sources of commercial and leisure demand. While it may lack some of the glamour of its eastern counterpart, this market is still a powerful force in the Los Angeles economy.

The Fast & Furious – Supercharged attraction opened at Universal Studios Hollywood in 2015, capitalizing off the successful Fast and Furious movie franchise with the most recent film in the franchise Furious 7 also released in 2015. The Wizarding World of Harry Potter opened in April 2016, and features a hyper realistic 3D ride "Harry Potter and the Forbidden Journey", outdoor ride "Flight of the Hippogriff", and various dining and retail operations. The first Wizarding World of Harry Potter opened in Orlando in 2010 and was successful in boosting park attendance and similar gains have been experienced by the Hollywood amusement park which experienced an estimated 13.9 increase in attendance in 2016 to more than eight million visitors.

San Fernando Valley
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,998,010	N/A	1,523,208	N/A	76.2%	$135.65	N/A	$103.41	N/A
2013	2,029,400	1.6%	1,587,420	4.2%	78.2	139.95	3.2%	109.47	5.9%
2014	2,065,535	1.8	1,654,696	4.2	80.1	149.29	6.7	119.60	9.3
2015	2,093,975	1.4	1,719,087	3.9	82.1	160.70	7.6	131.93	10.3
2016	2,157,880	3.1	1,777,150	3.4	82.4	189.67	18.0	156.20	18.4
2017E	2,238,180	3.7	1,837,793	3.4	82.1	174.19	-8.2	143.03	-8.4
2018F	2,278,813	1.8	1,862,693	1.4	81.7	177.93	2.1	145.44	1.7
CAAG	2.0%		3.8%			5.5%		7.4%	

Source: CBRE Hotels

This year we estimate that the San Fernando Valley hotel market should experience an increase in occupied rooms of 3.4 percent, amid an increase of 3.7 percent in supply, as the remaining rooms from the 93-room Hampton Inn and Suites Glendale and 209-room Hilton Garden Inn Burbank are annualized into the market. The market ADR is estimated to end 2017 with an 8.2 percent decrease to $174.19. This decline is largely due to unfavorable comparisons to 2016 figures which included the Porter Ranch gas leak as displaced residents were reimbursed for hotel stays at the rate of $250 or more per night. We forecast occupied rooms to increase 1.4 percent and the average daily rate to increase 2.1 percent in 2018, with an increase in supply of 1.8 percent. This increase in supply in 2018 can be attributed to the anticipated opening of the 179-room Hyatt Place Glendale due to enter the market next May.

The Eastern San Fernando Valley consists of cities such as Burbank, Universal City, and Glendale. Burbank has been called the "Media Capital of the World" as it plays host to a number of media and entertainment companies, including The Walt Disney Company, and Warner Brothers. Glendale is the third largest city in Los Angeles County. An ethnically diverse city, Glendale is known for its rich history, natural beauty, and commercial accomplishments. In the past, it has been rated the safest city in California with a population over 200,000 people. Its neighborhoods are clean, business districts are intelligently designed, and social amenities are abundant. It has also been estimated that Glendale is the third largest financial center in the state, where its economy is dominated primarily by retail and service industry, including the recently developed Caruso's Americana at Brand Shopping Center. Nestled beneath the Verdugo Mountains, Glendale is approximately eight miles north of Los Angeles and is bordered by the City of Pasadena to the east, the City of Los Angeles to the south, to the north by the Verdugo Mountains and the Cities of La Crescenta and La Canada/Flintridge, to the west by Los Angeles and Burbank.

East San Fernando Valley
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,373,495	N/A	1,073,369	N/A	78.1%	$139.80	N/A	$109.25	N/A
2013	1,377,510	0.3%	1,084,789	1.1%	78.8	145.68	4.2%	114.72	5.0%
2014	1,406,345	2.1	1,118,699	3.1	79.5	156.73	7.6	124.67	8.7
2015	1,434,785	2.0	1,170,889	4.7	81.6	168.55	7.5	137.55	10.3
2016	1,498,690	4.5	1,257,284	7.4	83.9	196.23	16.4	164.62	19.7
2017E	1,578,990	5.4	1,304,382	3.7	82.6	182.36	-7.1	150.65	-8.5
2018F	1,619,623	2.6	1,323,948	1.5	81.7	186.01	2.0	152.05	0.9
CAAG	2.8%		3.6%			4.9%		5.7%	

Source: CBRE Hotels

The East San Fernando Valley is estimated to see an increase in occupied room nights of 3.7 percent in 2017. The market occupancy is estimated to decrease to 82.6 percent, with a 5.4 percent increase in supply with the annualized room count additions of the 94-room Hampton Inn and Suites Glendale, and the 209-room Hilton Garden Inn Burbank, which opened last summer. Average daily rate is estimated to decrease 7.1 percent in 2017, as 2016 rates were inflated by Porter Ranch related activity. The East San Fernando Valley market will see a 2.6 percent increase in annual supply for 2018 with the anticipated May opening of the 179-room Hyatt Place Glendale. ADR is forecast to increase 2.0 percent in 2017, resulting in a RevPAR increase of 0.9 percent.

The West San Fernando Valley is composed of cities such as Calabasas, Sherman Oaks, Van Nuys, and Woodland Hills.

West San Fernando Valley
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	624,515	N/A	449,840	N/A	72.0%	$125.74	N/A	$90.57	N/A
2013	651,890	4.4%	502,630	11.7%	77.1	127.59	1.5%	98.37	8.6%
2014	659,190	1.1	535,997	6.6	81.3	133.78	4.9	108.78	10.6
2015	659,190	0.0	548,198	2.3	83.2	143.94	7.6	119.70	10.0
2016	659,190	0.0	519,867	-5.2	78.9	173.78	20.7	137.05	14.5
2017E	659,190	0.0	533,411	2.6	80.9	154.21	-11.3	124.78	-9.0
2018F	659,190	0.0	538,745	1.0	81.7	158.06	2.5	129.18	3.5
CAAG	0.9%		3.1%			3.9%		6.1%	

Source: CBRE Hotels

We estimate that this half of the Valley will see an increase in occupied rooms of 2.6 percent in 2017 with no change in market supply, resulting in market occupancy of 80.9 percent. Average daily rate is estimated to decrease 11.3 percent in 2017, ending the year at $154.21. We forecast demand to slightly increase in 2018, with no additional supply in the market, and ADR to increase by 2.5 percent to $158.06.

THOUSAND OAKS/AGOURA HILLS

Agoura Hills is a small community contained in 7.9 square miles. Agoura Hills also offers a number of neighborhood amenities including restaurants, shopping, and entertainment. Overall, Agoura Hills and the surrounding areas of Westlake Village and Thousand Oaks are continuing to grow and develop.

Agoura Hills attracts primarily business travelers, as well as leisure demand mostly from travelers along the 101 Freeway, and from visitors to families in the area. Additional leisure demand is captured in the summer months from the beaches of Malibu, located approximately 12 miles away. Other leisure attractions in the area include the Camarillo Premiere Outlet Malls, Thousand Oaks Civic Arts Plaza, Ronald Reagan Presidential Library, and the areas proximate to Los Angeles, Universal Studios & Hollywood. Group business in this market is derived mainly from the residents and smaller businesses in the surrounding area. Group demand consists of weddings, restaurant marketing, social venues, and mitzvahs.

Thousand Oaks is located in the Conejo Valley. The city was incorporated in 1964 and has been developed under a master-plan community concept. The city's location tucked away in a quiet valley and proximity to Los Angeles allows it to offer a unique blend of rural and urban lifestyles. Thousand Oaks has gained nationwide recognition as one of the safest cities of its size, as noted by the Federal Bureau of Investigation. Over the last ten years, Thousand Oaks has become an attractive locale for high- and bio- technology companies and has evolved as part of the Technology Corridor which houses aerospace, electronics and defense system manufacturing, computer-related business and research and development firms along a 26-mile expanse.

Thousand Oaks - Agoura Hills
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	664,665	N/A	495,424	N/A	74.5%	$126.11	N/A	$94.00	N/A
2013	664,665	0.0%	495,800	0.1%	74.6	132.26	4.9%	98.66	5.0%
2014	664,665	0.0	516,652	4.2	77.7	142.87	8.0	111.06	12.6
2015	664,665	0.0	528,868	2.4	79.6	153.24	7.3	121.93	9.8
2016	664,665	0.0	555,372	5.0	83.6	170.98	11.6	142.86	17.2
2017E	664,665	0.0	505,821	-8.9	76.1	167.49	-2.0	127.46	-10.8
2018F	664,665	0.0	515,938	2.0	77.6	170.84	2.0	132.61	4.0
CAAG	0.0%		0.7%			5.2%		5.9%	

Source: CBRE Hotels

We estimate that the market will decrease 8.9 percent in occupied rooms in 2017 with no change in supply; ending the year at an expected occupancy of 76.1 percent. Furthermore, we estimate a 2.0 percent decrease in ADR for 2017. The estimated declines in RevPAR in 2017 can be attributed to one-time Porter Ranch impact that occurred in 2016. In 2018, we forecast a 2.0 percent increase in both occupied rooms and ADR with no known changes in supply.

SAN GABRIEL VALLEY

The San Gabriel Valley is bordered by the San Gabriel Mountains to the north, Los Angeles and Orange County to the south, San Bernardino County line to the east and Interstate 5 to the west. The San Gabriel Valley is comprised of approximately 30 incorporated cities including Alhambra, Arcadia, Azusa, Baldwin Park, Bradbury, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Industry, Irwindale, La Cañada Flintridge, La Puente, La Verne, Monrovia, Monterey Park, Pasadena, Pomona, Rosemead, San Dimas, San Gabriel, San Marino, Sierra Madre, South El Monte, South Pasadena, Temple City, Walnut, and West Covina, as well as unincorporated parts of Los Angeles County.

The San Gabriel Valley was settled in 1771 and was known for its abundant harvest of wheat, corn, barley, citrus fruits and herds of cattle and sheep. Today, the San Gabriel Valley is home to many corporations such as Edison International, Avery Dennison Corporation, Trader Joe's Company, Ameron International Incorporated, and International Aluminum. Additionally, the Valley has become a very important center of the Asian community within the United States.

San Gabriel Valley
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	938,780	N/A	650,351	N/A	69.3%	$102.95	N/A	$71.32	N/A
2013	888,045	-5.4%	625,839	-3.8%	70.5	109.59	6.5%	77.24	8.3%
2014	905,565	2.0	645,156	3.1	71.2	116.14	6.0	82.74	7.1
2015	924,910	2.1	687,451	6.6	74.3	122.63	5.6	91.15	10.2
2016	912,500	-1.3	698,240	1.6	76.5	128.19	4.5	98.09	7.6
2017E	940,666	3.1	721,448	3.3	76.7	132.30	3.2	101.47	3.4
2018F	1,144,415	21.7	829,665	15.0	72.5	136.27	3.0	98.79	-2.6
CAAG	3.4%		4.1%			4.8%		5.6%	

Source: CBRE Hotels

The San Gabriel Valley market is estimated to realize an increase of 3.3 percent in occupied rooms in 2017. This would increase market occupancy to 76.7 percent. The average daily rate in the San Gabriel Valley is estimated to experience an increase of 3.2 percent in 2017, ending the year at $132.30. We forecast occupied rooms to increase by 15.0 percent in 2018 with a market occupancy of 72.5 percent. Average daily rate is forecasted to realize an increase of 3.0 percent in 2018. Given continued large increases in International and particularly Chinese travel, as well as strong developer interest, it is not surprising that there are a number of planned hotels in the San Gabriel Valley. Additions to supply included in our forecast include the recently opened 110-room Home2 Suites Azusa, the planned January 2018 opening of the 132-room Doubletree Pomona (formerly known as the Shilo Inn & Suites) and the February 2018 opening of the 288-room Sheraton San Gabriel.

WHITTIER/I-5 CORRIDOR

The Whittier/I-5 Corridor is composed of hotels in the cities of Whittier, Norwalk, Downey, La Mirada, Cerritos, and Commerce. This area has a large base of commercial business that is related to the extensive manufacturing, distribution, technology services that have come to characterize these cities. While this market does not typically get a large amount of leisure business, it has a strong commercial base and captures SMERF group demand during the weekends and summer months.

Whittier/I-5 Corridor Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	601,520	N/A	482,390	N/A	80.2%	$108.14	N/A	$86.73	N/A
2013	601,520	0.0%	497,315	3.1%	82.7	113.34	4.8%	93.70	8.0%
2014	601,520	0.0	504,964	1.5	83.9	120.11	6.0	100.83	7.6
2015	601,520	0.0	504,686	-0.1	83.9	132.12	10.0	110.85	9.9
2016	637,655	6.0	539,052	6.8	84.5	140.54	6.4	118.81	7.2
2017E	637,655	0.0	525,190	-2.6	82.4	146.12	4.0	120.35	1.3
2018F	637,655	0.0	530,442	1.0	83.2	149.04	2.0	123.98	3.0
CAAG	1.0%		1.6%			5.5%		6.1%	

Source: CBRE Hotels

We estimate that the Whittier/I-5 Corridor market will see a decrease in occupied room nights of 2.6 percent in 2017, a portion of which can be attributable to renovations in the local market. This corresponds with occupancy of 82.4 percent. Average daily rate is estimated to increase in 2017 by 4.0 percent, equating to a 1.3 percent increase in RevPAR for the year. We forecast that the number of occupied rooms will increase by 1.0 percent and average daily rate will increase 2.0 percent in 2018. There are no known additions to supply in this market.

SANTA CLARITA

The City of Santa Clarita and its surrounding communities of Valencia, Stevenson Ranch, and Newhall are located just to the north of Los Angeles. This area, due to its proximity to Los Angeles and the San Fernando Valley, has seen an explosion in growth over the past 20 years. Housing, commercial, and retail development have thrived in recent years as people have moved out of the City of Los Angeles and into this community for safety, education, and lifestyle reasons. The Santa Clarita community not only benefitted from its expanding business and residential base, but from its proximity to Magic Mountain as well. Major employment sectors include professional business services, leisure and hospitality, government, manufacturing, and some entertainment due to several rental sound stages in the area.

Santa Clarita Valley Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	521,585	N/A	390,587	N/A	74.9%	$104.65	N/A	$78.37	N/A
2013	521,585	0.0%	396,702	1.6%	76.1	109.77	4.9%	83.49	6.5%
2014	521,585	0.0	408,433	3.0	78.3	119.60	9.0	93.65	12.2
2015	521,585	0.0	427,546	4.7	82.0	128.58	7.5	105.40	12.5
2016	521,585	0.0	452,506	5.8	86.8	148.99	15.9	129.26	22.6
2017E	521,585	0.0	433,474	-4.2	83.1	138.17	-7.3	114.83	-11.2
2018F	521,585	0.0	435,641	0.5	83.5	140.94	2.0	117.71	2.5
CAAG	0.0%		1.8%			5.1%		7.0%	

Source: CBRE Hotels

We estimate that occupied rooms in the Santa Clarita Valley hotel market will decrease 4.2 percent in 2017, amidst no change in rooms supply; ending the year with a market occupancy of 83.1 percent. Average daily rate is estimated to decrease 7.3 percent, resulting in an 11.2 percent decline in RevPAR for this submarket. Similar to a number of communities in Northwest Los Angeles County, the estimated performance decline in 2017 is attributable to a return to more normalized levels following a year of in which RevPAR levels were artificially inflated due to the impact of the Porter Ranch gas leak. We forecast that there will be a 0.5 percent increase in occupied rooms in 2018, amidst no change in rooms supply, ending the year with market occupancy of 83.5 percent. The market's average daily rate is expected to increase 2.0 percent to end 2018 at $140.94.

San Diego County

San Diego County

EXECUTIVE SUMMARY

The San Diego Metropolitan Statistical Area (MSA), which consists of San Diego County, is located approximately 125 miles south of Los Angeles and is immediately north of the Mexican border. The San Diego community, once dominated by the presence of nearby Naval, Air Force, and Marine bases, as well as the defense-related aerospace industry, has diversified. San Diego continues to be one of America's foremost centers of technology, particularly in the emerging biomedical field. Manufacturing has shifted towards electronics, computers, instrumentation and other high technology products, and development of such sectors as services, research and development, and health services has been strong. According to the United States Census Bureau, San Diego County had an estimated population of approximately 3.3 million as of May 2017.

San Diego is home to LEGOLAND, SeaWorld, and the San Diego Zoo and Safari Park. Additional activities in the region include beaches, casinos, racetracks, concert and sports facilities, numerous shopping venues, dozens of golf facilities, and the San Diego Convention Center. These attractions provide for a popular destination amongst international/domestic tourists and business travelers. Throughout the periods of economic growth and decline, these sources are the major drivers of tourism activity and, ultimately, hotel demand. San Diego heavily relies on tourism as one of its primary economic drivers, and marketing and funding challenges impacted the market's performance for late 2012 and 2013. Funding for San Diego Tourism marketing returned in 2014. In March 2014, the Tourism Marketing District allocated $25.5 million to ten groups and organizations. Nearly $23.8 million went to the San Diego Tourism Authority for national advertising, promotional outreach at industry conventions and personnel and overhead expenses. Of that, approximately $3.0 million was set aside for sub regional promotions in Mission Bay, Mission Valley and La Jolla.

The San Diego hotel sector has regained ground since 2012 and some of the markets continue to maintain premium occupancy rates and prices. Following minimal growth in 2016, San Diego is on pace to achieve between five and six percent RevPAR growth through year-end 2017. For 2017, we estimate a growth in occupied rooms above the growth in supply. This is estimated to combine with a 4.1 percent growth in ADR to post RevPAR growth of 5.5 percent. In 2018, we forecast that growth in occupied rooms, 2.0 percent, will be slightly below the growth in supply, 2.5 percent, as numerous new hotels continue to enter submarkets across the county, a majority of which are expected in Downtown San Diego. However, with a year of ADR growth slightly above inflationary levels at 3.5 percent, we estimate a RevPAR growth of 3.1 percent.

The Convention Center has demonstrated a high level of success in capturing convention demand, though the 2008-2009 downturn impacted this market along with every other convention market. Lack of funding along with uncertainty on the expansion project impacted the center's ability to generate room nights in 2013 and 2014. However, according to the San Diego Convention and Visitors Bureau, the events of 2016 generated 856,449 hotel room nights, up 23.4 percent from 2015. A study completed by CIC Research indicated that 30 to 40 percent of hotel room nights that attendees' book are not part of the official block. The following table presents historical bookings through year end 2016.

San Diego Convention Center Actual Bookings	
Calendar Year	Room Nights
2004	535,712
2005	633,004
2006	714,253
2007	744,782
2008	696,471
2009	750,382
2010	703,686
2011	728,228
2012	766,810
2013	704,029
2014	679,262
2015	693,772
2016	856,449

Source: San Diego Convention Center Corporation

Through July 2017, the center has achieved 517,331 room nights, representing a 20.5 percent decrease over the same period in 2016. Based on our discussions with Convention Center officials, we expect a soft convention calendar for the remainder of 2017 and a slight rebound in 2018 with an estimated increase in room nights of 0.6 percent. The San Diego Convention Center plans to continue to attract more conventions and meetings during the slow periods of the year, such as during holidays and the winter season. They continue to attract groups with incentives and discounts, in an effort to fill the convention center in the shoulder months.

In December 2016, the San Diego Convention Center Corporation announced that 62 primary citywide conventions in 2017 are expected to attract 793,960 attendees, 769,282 hotel room nights, and $653.5 million in attendee spending.

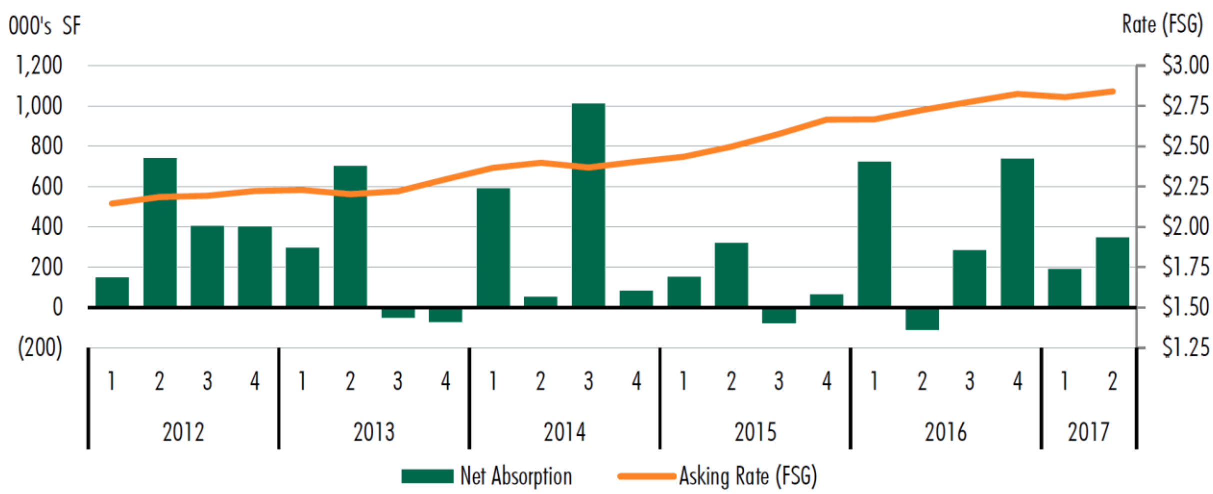
On June 30, 2017, San Diego Mayor Kevin Faulconer announced that Comic-Con International, organizers of SDCC's largest event San Diego Comic-Con, had agreed to extend their stay in San Diego through 2021. San Diego Comic-Con 2017 is estimated to bring 130,000 attendees, and generate 57,709 room nights with $143.1 in regional impact.

A contiguous expansion was being considered for the San Diego Convention Center; however, in June 2015 the lease for the additional land that would have housed the expansion was defaulted and returned to the owner. At this time, the originally planned contiguous expansion is unlikely unless the land lease is renegotiated. Recognizing the need to expand, the convention center is also considering the possibility of expanding onto a land parcel not directly attached to the existing structure. In early 2015 the convention center board announced the decision to hire Conventions, Sports and Leisure International, an outside consulting firm, to analyze a contiguous versus off-site expansion. The study analyzed three different expansion options, including:

- Contiguous option including an addition of 210,000 square feet of exhibit space, 100,000 square feet of meeting space, and a new 55,000-square-foot ballroom connected to the current convention center.
- Campus option with a 225,000-square-foot exhibit hall on one level.
- Campus option with stacked exhibit halls on two levels each with an additional 80,000 square feet of meeting space and an 80,000-square-foot ballroom.

The findings indicated that a contiguous expansion of the convention center provides the greatest return on investment for the City of San Diego.

According to CBRE, the San Diego office market fundamentals were trending positively in quarter two 2017. Average asking lease rates increased among all classes, vacancy reached a post-recession low, and net absorption was strong. The San Diego office market recorded 349,803 square feet of positive net absorption in the second quarter of 2017, the 18th quarter of positive net absorption out of the last 22. San Diego's overall office vacancy experienced a decrease in the second quarter of 2017, dropping 150 basis points year-over-year, to its current rate of 11.0 percent. The average asking monthly lease rate increased $0.04 quarter-over-quarter to $2.84 per square foot FSG, an all-time high for San Diego.



San Diego International Airport at Lindbergh Field had approximately 20.7 million airport passengers in 2016. Year to date through July 2017, total passenger traffic is up 5.3 percent over the same period in 2016. Presented in the following table is a summary of airport activity at Lindbergh Field, including year-to-date figures through July 2017.

San Diego International Airport at Lindbergh Field
Passenger Counts
2007– 2016 & YTD 2017

Year	Enplaned	Deplaned	Total
2007	9,040,280	9,016,691	18,056,971
2008	9,061,155	9,064,478	18,125,633
2009	8,472,781	8,501,391	16,974,172
2010	8,456,176	8,433,446	16,889,622
2011	8,441,987	8,449,703	16,891,690
2012	8,642,830	8,607,435	17,250,265
2013	8,860,009	8,850,232	17,710,241
2014	9,384,869	9,373,882	18,758,751
2015	10,053,201	10,028,057	20,081,258
2016	10,377,537	10,348,264	20,725,801
CAAG	2.0%	2.0%	2.0%
07/16	5,962,877	5,962,971	11,925,848
07/17	6,287,855	6,264,114	12,551,969

Source: San Diego County Regional Airport Authority

In August 2013, San Diego International Airport completed its $900 million "Green Build" expansion of Terminal 2. The project included ten new jet gates, additional shopping and dining options, check-in enhancements, better security, new baggage handling system, and a dual-level roadway for arrivals and departures. In January 2016, a new $316 million Rental Car Center opened. The garage offers 5,400 spaces and provides a central location for all rental car services at the airport.

In November 2015, the San Diego County Regional Airport Authority approved a $2.2 billion replacement plan for Terminal 1. The airport board plans to replace the terminal's 19 gates within ten years and add more capacity in future phases. Additionally, the plan is expected to rebuild the airport's single runway, centralize customs, add space for more international flights, build additional parking garages, and connect terminal one and two.

On May 17, 2017, San Diego International Airport broke ground on a new Federal Inspection Station at the west end of Terminal 2. The new Customs facility is being designed to accommodate the increase in international passengers resulting from recently added overseas nonstop flights. As of June 2017, SAN offers nonstop flights to and from Japan, Germany, Switzerland, the United Kingdom, Mexico, and Canada. The new larger Customs facility will allow the airport to process these passengers easier and with more efficiency. The new FIS facility will replace the current facility in Terminal 2 East. It will be an estimated 130,000 square feet, compared to the 26,000 square feet in the current facility. The new facility will also increase the number of international gates from three to six. The $229.4 million facility is scheduled to be operational in summer 2018.

The table below presents a summary of the most recent data available for San Diego County visitor activity between 2006 and 2016, as well as year-to-date July 2016 and 2017.

Year	Overnight Visitors	Visitor spending (millions)	Attraction Attendance
2006	15,812,000	$7,719	12,576,044
2007	15,356,000	7,899	12,808,097
2008	15,160,000	7,908	12,835,746
2009	14,435,000	6,958	12,406,951
2010	15,080,000	7,080	12,637,391
2011	15,760,000	7,485	13,796,344
2012	16,136,000	7,979	14,322,658
2013	16,420,000	8,394	14,763,787
2014	16,892,000	9,209	14,372,244
2015	17,202,000	9,921	14,623,535
2016	17,427,000	10,402	14,826,882
CAAG	1.0%	3.0%	1.7%
July-16 YTD	10,134,000	$6,197	8,880,000
July-17 YTD	10,269,000	6,515	8,730,000

Source: San Diego Convention and Visitors Bureau; CIC Research

The following table sets forth our estimate of historical and projected supply, demand, occupancy, and average room rate for the overall San Diego market. We have estimated the overall San Diego hotel market occupancy to increase to 79.6 percent by year-end 2017, correlating to a 3.0 percent increase in occupied room nights amidst a 1.7 percent increase in supply. Average daily rate is estimated to increase 4.1 percent to $189.29, as the San Diego market continues to hold significant growth year-over-year. In 2018, we forecast growth of 2.0 percent in occupied rooms amidst a 2.5 percent increase in supply. We forecast 3.5 percent growth in ADR to result in RevPAR growth of 3.1 percent. We are aware that the previously defined market area as a whole contains approximately 22.5 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub markets, representing approximately 64 percent of the total existing lodging supply.

San Diego County
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	13,495,510	N/A	9,952,240	N/A	73.7%	$155.86	N/A	$114.94	N/A
2013	13,642,301	1.1%	10,150,124	2.0%	74.4	160.72	3.1%	119.58	4.0%
2014	13,748,455	0.8	10,530,018	3.7	76.6	169.77	5.6	130.03	8.7
2015	13,968,307	1.6	10,877,483	3.3	77.9	178.53	5.2	139.02	6.9
2016	14,229,282	1.9	11,182,004	2.8	78.6	181.84	1.9	142.90	2.8
2017E	14,466,000	1.7	11,518,882	3.0	79.6	189.29	4.1	150.72	5.5
2018F	14,821,464	2.5	11,753,692	2.0	79.3	195.94	3.5	155.38	3.1
CAAG	1.6%		2.8%			3.9%		5.2%	

Additions to Supply

Based on our research and findings the table below details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the San Diego County market.

Lodging Forecast - Additions to Supply

Hotel Name	City	Submarket	Room Count	Opening Date
Kona Kai Resort	San Diego	Bay Areas	41	October 2017
Residence Inn	Chula Vista	South Bay	148	October 2017
TownePlace Suites	San Diego	Downtown	98	April 2018
Legoland Expansion	Carlsbad	North Coastal	250	April 2018
Guild by Tribute	San Diego	Downtown	168	May 2018
TownePlace Suites	Kearny Mesa	I-15 Kearny Mesa	106	May 2018
SpringHill Suites	Carlsbad	North Coastal	104	June 2018
Westin	Carlsbad	North Coastal	71	August 2018
InterContinental	San Diego	Downtown	400	October 2018
Carte by Curio	San Diego	Downtown	236	December 2018

Source: CBRE Hotels

DOWNTOWN SAN DIEGO/EMBARCADERO

Downtown San Diego has undergone a significant expansion in recent years, including hotel, residential, entertainment, and supporting amenities and facilities. For the lodging industry, this was realized in the form of 65 percent of all additions to San Diego County over the last decade. While this market has historically absorbed new supply at a healthy rate, 2008 and 2009 brought the culmination of economic woes, including an impacted convention calendar with reduced pickup, contraction of corporate and leisure demand, and a reduction in airline travel as well as travel in general. After several years of slow recovery, the impacts from tourism defunding further dinged the market in 2013 and 2014, with sub-markets such as Downtown leading the way. The uncertainty and management changes at the San Diego convention market has slowed business but is expected to return to growth in 2018 and beyond as they continue to invest in capital improvements. The leisure and corporate business to Downtown remains a strong driver of business to the area when group business is slow. Based on year-to-date 2017 data, the market has recovered from a mediocre 2016, and is estimated to end the year with significant growth in RevPAR.

To add to the city's continued positioning as a national and regionally competitive Convention destination, the proposed expansion of the convention center would include an additional 200,000 square feet of exhibit space, a third ballroom, and 100,000 square feet of meeting rooms. The project may also include additional hotel rooms proximate to the Center. This would give the center a total of 815,000 square feet of exhibition space, similar to the size of Anaheim's convention center and sufficient to keep conventions such as Comic-Con. However, there is not available approvals or funding for this plan as of the current date.

In 2017, Downtown San Diego experienced the February opening of the 317-room Pendry Hotel in the Gaslamp Quarter. In 2018, the Downtown market is expected to see the openings of the 98-room Towneplace Suites in April, 168-room Guild by Tribute in May, 400-room InterContinental in October, and 236-room Carte by Curio in December.

San Diego has historically had challenges in pushing rates, which was further magnified by the limitations in tourism marketing efforts. However, with the return of marketing efforts, San Diego was able to significantly push rates in 2014 and 2015. San Diego suffered a soft first half of 2016, however was able to push rate through the end of 2016 to end with RevPAR growth of 1.7 percent. In 2017, we estimate growth in occupied rooms at 2.7 percent, below the growth in supply of 2.9 percent, correlating to an occupancy rate of 82.5 percent as the market begins to absorb the increase in available hotel rooms. Average daily rate is expected to increase 6.0 percent from 2016 levels, correlating to a $217.30 market average daily rate as older hotels in the market complete renovations and the new hotels stabilize within the market. In 2018, we estimate ADR will grow above inflationary levels at 4.5 percent as high-quality new hotel rooms stabilize in the market. Supply is anticipated to continue to outpace demand next year as we forecast a 2.7 percent increase in supply and a 2.5 percent increase in the number of occupied rooms, resulting in an aggregate market occupancy of 82.4 percent.

San Diego Downtown
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	4,216,845	N/A	3,324,182	N/A	78.8%	$175.89	N/A	$138.65	N/A
2013	4,216,845	0.0%	3,359,463	1.1%	79.7	179.26	1.9%	142.81	3.0%
2014	4,216,845	0.0	3,445,994	2.6	81.7	188.91	5.4	154.38	8.1
2015	4,242,578	0.6	3,492,371	1.3	82.3	202.28	7.1	166.51	7.9
2016	4,416,622	4.1	3,650,135	4.5	82.6	204.95	1.3	169.38	1.7
2017E	4,544,098	2.9	3,748,893	2.7	82.5	217.30	6.0	179.27	5.8
2018F	4,665,126	2.7	3,842,615	2.5	82.4	227.08	4.5	187.04	4.3
CAAG	1.7%		2.4%			4.3%		5.1%	

Source: CBRE Hotels

SAN DIEGO BAY MARKET

The San Diego Bay submarket includes hotels on Harbor Island, Shelter Island, and Coronado Island. Catering primarily to group and leisure business with an emphasis on boating and beach activities, these resorts and waterfront properties have earned some of the highest occupancies and rates in San Diego County. There have been additions to supply in the San Diego Bay hotel market through the historical period, nor are there any expected in 2017 or 2018. An addition of 41 suites at the Kona Kai Resort and Spa were completed in October 2017.

The Bay Areas' market is driven primarily by leisure and group demand. The existing inventory consists largely of full service hotels with significant food and beverage facilities and meeting space. We anticipate occupied room nights to increase by 1.5 percent to 78.9 percent occupancy in 2017. Average daily rate is anticipated to end the year with a 3.4 percent increase at $233.37. In 2018, we forecast the number occupied rooms to increase by 0.5 percent, outpaced by a supply increase of 0.8 percent, resulting in a 78.6 percent occupancy. We forecast rate to increase by 3.5 percent to $241.54.

Bay Areas
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,341,740	N/A	1,012,477	N/A	75.5%	$184.80	N/A	$139.45	N/A
2013	1,341,740	0.0%	1,000,582	-1.2%	74.6	194.89	5.5%	145.34	4.2%
2014	1,341,740	0.0	1,000,656	0.0	74.6	206.11	5.8	153.72	5.8
2015	1,341,740	0.0	1,038,799	3.8	77.4	217.95	5.7	168.74	9.8
2016	1,341,740	0.0	1,045,730	0.7	77.9	225.63	3.5	175.85	4.2
2017E	1,345,481	0.3	1,061,421	1.5	78.9	233.37	3.4	184.10	4.7
2018F	1,356,705	0.8	1,066,728	0.5	78.6	241.54	3.5	189.91	3.2
CAAG	0.2%		0.9%			4.6%		5.3%	

Source: CBRE Hotels

LA JOLLA

The community of La Jolla lies within the boundaries and jurisdiction of the City of San Diego, in the County of San Diego. Its location approximately 12 miles north of downtown has helped it establish its own identity as a refuge from “big city” life and La Jolla continues to be a popular destination for the high-end leisure market. La Jolla is the jewel of the City of San Diego featuring secluded coves and beaches, numerous small parks, the renowned Coast Walk cliff-top promenade, cafes, boutiques, fine restaurants, and thriving commercial business centers. La Jolla is also home to several renowned academic and scientific institutions, including the University of California at San Diego, the Salk Institute for Biological Studies, and the Scripps Institution of Oceanography.

We are not aware of any hotel openings in the La Jolla area for either 2017 or 2018. It is estimated that the La Jolla submarket will end 2017 with a 76.2 percent occupancy rate and an average daily rate of $243.48, representing a 0.5 percent increase in occupied rooms and a 5.3 percent increase in average daily rate, respectively. In 2018, we forecast occupied rooms to be consistent and the market to remain at an occupancy of 76.2 percent, while ADR is forecast to increase by 4.0 percent to $253.22.

La Jolla
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	630,355	N/A	437,419	N/A	69.4%	$196.52	N/A	$136.37	N/A
2013	630,355	0.0%	454,360	3.9%	72.1	202.50	3.0%	145.96	7.0%
2014	630,355	0.0	473,124	4.1	75.1	214.46	5.9	160.97	10.3
2015	630,355	0.0	481,799	1.8	76.4	229.52	7.0	175.43	9.0
2016	630,355	0.0	478,309	-0.7	75.9	231.18	0.7	175.41	0.0
2017E	630,355	0.0	480,512	0.5	76.2	243.48	5.3	185.61	5.8
2018F	630,355	0.0	480,512	0.0	76.2	253.22	4.0	193.03	4.0
CAAG	0.0%		1.6%			4.3%		6.0%	

Source: CBRE Hotels

MISSION BAY

The hotels in this market orient themselves around Mission Bay, a protected bay environment with sandy beaches used by families, and a premier site for many water sports such as jet skiing, windsurfing, sailing, and more. Occupancies are heavily influenced by visitation to SeaWorld, a major demand generator. SeaWorld San Diego has made continued efforts to expand and enhance the park experience for guests over the last few years following a battle over the orca experiences that have resulted in an announcement to end orca breeding at all SeaWorld Parks. Shortly after this announcement, SeaWorld San Diego began work on an enhanced orca viewing experience that opened in May 2017 that is focused on educating the public on their native habitat by combining real life viewing of the orcas with a high definition infinity screen that plays clips of orcas in the wild and presents orca facts to crowds. In addition to enhancements with the orca encounter, SeaWorld San Diego also recently upgraded their arrival process and added new attractions such as Ocean Explorer, which includes five children's rides and three animal exhibits, and Electronic Ocean which features parkwide light shows. Opening in 2018 is a new Electric Eel roller coaster which is expected to feature multiple launch elements, twists, and loops that imitate the movements of eels. The roller coaster will be attached to the recently opened Ocean Explorer area and will be the tallest and fastest roller coaster in SeaWorld San Diego history. Other attractions in the Mission Bay area include Belmont Park and a boardwalk stretching miles for biking, jogging, and rollerblading.

With the exception of the addition of the 48-room boutique hotel Tower 23 in 2005, the lodging supply in the Mission Bay area has not changed in over 15 years. Furthermore, to our knowledge there are no planned additions to supply in 2017 or 2018. Of note, the former Hampton Inn SeaWorld completed an $8 million transformation to a Four Points by Sheraton at the beginning of 2016.

The Mission Bay submarket is anticipated to complete 2017 with an occupancy rate of 79.9 percent and an average daily rate of $196.46, reflecting growth of 1.4 percent in occupied rooms and an increase of 2.5 percent in ADR. In 2018, we expect the market to increase slightly, with the market achieving a 2.5 percent growth in ADR to $201.37. Occupancy is forecasted to remain at 79.9 percent.

Mission Bay
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	896,805	N/A	688,547	N/A	76.8%	$167.95	N/A	$128.95	N/A
2013	896,805	0.0%	675,853	-1.8%	75.4	172.54	2.7%	130.03	0.8%
2014	896,805	0.0	690,572	2.2	77.0	184.74	7.1	142.26	9.4
2015	896,805	0.0	686,008	-0.7	76.5	194.62	5.4	148.88	4.7
2016	896,805	0.0	706,340	3.0	78.8	191.61	-1.5	150.92	1.4
2017E	896,805	0.0	716,214	1.4	79.9	196.46	2.5	156.90	4.0
2018F	896,805	0.0	716,214	0.0	79.9	201.37	2.5	160.82	2.5
CAAG	0.0%		0.7%			3.1%		3.8%	

Source: CBRE Hotels

MISSION VALLEY/OLD TOWN

Mission Valley is located just north of the downtown area between the San Diego Sports Arena area and Qualcomm Stadium (formerly Jack Murphy Stadium), former home of the San Diego Chargers. The area is known as the region's retail hub, with nearly 4.4 million square feet of retail space in ten major centers including Fashion Valley and the Fenton Marketplace, which is located just west of Qualcomm Stadium. The majority of hotels in the Mission Valley submarket are located along Interstate 8 from Interstate 5 to Interstate 15. The uncertainty surrounding the future of Qualcomm Stadium, following the relocation of the San Diego Chargers to Los Angeles has the possibility to add a moderate level of risk to hotels within the Mission Valley submarket.

Old Town is located just southwest of the heart of Mission Valley and was the original center of San Diego. Now, Old Town is a designated historic area and includes the popular Bazaar del Mundo, Heritage Square, and a number of historic buildings that give the flavor of San Diego under Spanish and Mexican rule.

In addition to self-contained group business and military related demand, the hotels in Old Town and Mission Valley accommodate the overflow demand from the downtown convention market. Lack of overflow from downtown, combined with a challenging group segment, has resulted in significant impact to this submarket. This compression has dropped significantly in recent years, largely as a result of new supply in Downtown and an increase in rooms dedicated to convention room blocks. However, year-to-date results suggest continued strength of leisure travel to the area and a regain of all occupied room nights and rates lost during the marketing challenges.

The 245-room Homewood Suites Hotel Circle opened in June 2017. There are no supply additions expected in 2018.

Following a strong first half of 2017, the Mission Valley and Old Town submarket is expected to end 2017 at a 78.4 percent occupancy rate and a $140.99 average daily rate. This reflects an 8.2 percent increase in occupied rooms amidst a 3.7 percent increase in ADR as new hotels and existing hotels such as the Town and Country Hotel complete extensive renovations. In 2018, we forecast that the market will increase slightly to 78.6 percent occupancy, with the increase in hotel room nights, and obtain an average daily rate of $145.22. This equates to a 2.5 percent increase in occupied rooms and a 3.0 percent growth in ADR.

Mission Valley - Old Town
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,682,285	N/A	1,160,893	N/A	69.0%	$112.14	N/A	$77.39	N/A
2013	1,686,665	0.3%	1,178,745	1.5%	69.9	120.24	7.2%	84.03	8.6%
2014	1,719,880	2.0	1,214,451	3.0	70.6	126.44	5.2	89.28	6.2
2015	1,777,124	3.3	1,324,593	9.1	74.5	129.43	2.4	96.47	8.1
2016	1,822,810	2.6	1,369,108	3.4	75.1	136.02	5.1	102.17	5.9
2017E	1,888,830	3.6	1,480,909	8.2	78.4	140.99	3.7	110.54	8.2
2018F	1,931,215	2.2	1,517,931	2.5	78.6	145.22	3.0	114.14	3.3
CAAG	2.3%		4.6%			4.4%		6.7%	

Source: CBRE Hotels

NORTH CITY/UNIVERSITY TOWNE CENTER (UTC)/SORRENTO MESA

The North City/University Towne Center (UTC) areas are two distinct communities. Neighborhoods of condominiums, apartments, and commercial development make up the north, and the south is a collection of older homes situated inside the semi-circular Marian Bear Memorial Park. It is a closely-knit community devoted to school, local organizations, churches, and sports leagues.

University City is generally known as the “Golden Triangle,” named by developers of the University Towne Centre Mall for the triangle formed by Highways 5, 805, and 52 and the collection of hotels, office buildings, and restaurants that fill the triangle’s northern point. The southern portion of the triangle includes family oriented neighborhoods and a plethora of open space. A mixture of residents including singles, young married couples, and business and academic professionals live in University City mostly because of its central location to San Diego and other northerly communities.

This sub-market also includes Sorrento Mesa, which lies just north of the UTC area and east of the 805 Freeway. Known as "Wireless Valley," Sorrento Mesa/Sorrento Valley is the second largest office market in San Diego County, after Downtown. Located just east of the 805 Freeway and just outside of the UTC/Golden Triangle border, the area is home to many telecommunication companies including Qualcomm.

The UTC/North City/Sorrento Mesa market is estimated to achieve an occupancy and average daily rate in 2017 of 84.0 percent and $176.05, with no additions to supply. This represents a 1.6 percent increase in occupied room nights, and an increase of 5.9 percent in average daily rate over 2016 levels. In 2018, we forecast occupied room nights to remain at 2017 levels at an 84.0 percent market occupancy, and a 3.5 percent increase in ADR to $182.21.

North City - UTC
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	922,355	N/A	681,491	N/A	73.9%	$146.41	N/A	$108.18	N/A
2013	922,355	0.0%	703,513	3.2%	76.3	149.91	2.4%	114.35	5.7%
2014	922,355	0.0	729,222	3.7	79.1	154.19	2.8	121.90	6.6
2015	922,355	0.0	756,069	3.7	82.0	162.49	5.4	133.20	9.3
2016	922,355	0.0	762,751	0.9	82.7	166.21	2.3	137.45	3.2
2017E	922,355	0.0	774,871	1.6	84.0	176.05	5.9	147.90	7.6
2018F	922,355	0.0	774,871	0.0	84.0	182.21	3.5	153.08	3.5
CAAG	0.0%		2.2%			3.7%		6.0%	

Source: CBRE Hotels

NORTH COASTAL MARKET

The North Coastal market includes the beach communities in northern San Diego including the cities of Del Mar, Carlsbad, and Oceanside. The area stretches as far inland as Rancho Santa Fe with a northern boundary formed by the Camp Pendleton Marine Corps Base. The location of the communities within this market along the beach and surrounding concentrations of commercial office parks has enabled the resort properties and hotels to capture demand from the commercial, leisure, and group segments.

Although a majority of the North County caters to commercial demand, area attractions such as the Del Mar racetrack, fairgrounds, beaches, shopping outlets and LEGOLAND in Carlsbad, and San Diego Safari Park have contributed to the growth of the leisure segment. The hotels surrounding the Del Mar racetrack were able to capture additional demand with the introduction of an additional 24-day racing season which began November 2014 following the closing of the Hollywood Park Race Track.

Following consecutive supply increases from 2012 to 2015, the North Coastal market is expected to experience one supply addition and two expansions in 2018 with the June opening of the 104-room SpringHill Suites in Carlsbad, a second 250-room Legoland Hotel in April 2018, and the expansion of the Sheraton Carlsbad to include 71 new Westin branded units in August 2018.

We estimate that year-end 2017 occupancy will increase to 77.5 percent. This represents a 2.6 percent increase in occupied rooms from 2016. We estimate average daily rate to finish 2017 at $186.41, an increase of 2.2 percent attributable to the recent increases in limited-service supply to this generally resort market. In 2018, we forecast occupied rooms to increase by 3.0 percent, resulting in market occupancy of 76.3 percent amidst a 4.7 percent increase in supply. We forecast ADR to grow at inflationary rates of 3.0 percent to $192.00.

North Coastal
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,841,060	N/A	1,278,586	N/A	69.4%	$158.25	N/A	$109.90	N/A
2013	1,954,271	6.1%	1,384,312	8.3%	70.8	163.73	3.5%	115.98	5.5%
2014	1,998,740	2.3	1,512,875	9.3	75.7	175.72	7.3	133.01	14.7
2015	2,135,615	6.8	1,600,554	5.8	74.9	181.17	3.1	135.78	2.1
2016	2,176,860	1.9	1,645,400	2.8	75.6	182.43	0.7	137.89	1.6
2017E	2,176,860	0.0	1,687,570	2.6	77.5	186.41	2.2	144.51	4.8
2018F	2,278,239	4.7	1,738,197	3.0	76.3	192.00	3.0	146.49	1.4
CAAG	3.6%		5.3%			3.3%		4.9%	

Source: CBRE Hotels

I-15/KEARNY MESA

This market encompasses hotels located along Interstate 15 in the inland, northern and central portions of San Diego County. This area is part of a growing market, which includes the cities and communities of Escondido, Fallbrook, Vista, and San Marcos. Also included in this submarket are the communities of Rancho Penasquitos, Rancho Bernardo, Kearny Mesa, Miramar, and Poway. The Miramar Naval Air Station is located in this area as are concentrations of commercial and industrial office markets.

The I-15/Kearny Mesa market experienced the opening of the 116-room Fairfield Inn and Suites in May 2017 in San Marcos. The 106-room TownePlace Suites in Kearny Mesa is expected to open in May 2018.

We estimate the market to end 2017 with an occupancy rate of 77.3 percent, an increase of 3.2 percent in occupied rooms over 2016, amid an increase of 1.9 percent in supply. We estimate a 2.7 percent increase in ADR to $135.06 for the I-15/Kearney Mesa submarket in 2017. In 2018, we forecast occupied rooms to grow by 2.0 percent amidst supply growth of 2.4 percent, resulting in a year end market occupancy of 77.1 percent. We forecast ADR to increase 2.5 percent to $138.43.

I-15 Kearny Mesa
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,488,835	N/A	1,048,511	N/A	70.4%	$113.71	N/A	$80.08	N/A
2013	1,518,035	2.0%	1,067,679	1.8%	70.3	116.70	2.6%	82.08	2.5%
2014	1,518,035	0.0	1,099,038	2.9	72.4	122.90	5.3	88.97	8.4
2015	1,518,035	0.0	1,122,578	2.1	73.9	128.04	4.2	94.69	6.4
2016	1,518,035	0.0	1,159,248	3.3	76.4	131.48	2.7	100.40	6.0
2017E	1,546,262	1.9	1,196,016	3.2	77.3	135.06	2.7	104.47	4.0
2018F	1,582,944	2.4	1,219,937	2.0	77.1	138.43	2.5	106.69	2.1
CAAG	1.0%		2.6%			3.3%		4.9%	

Source: CBRE Hotels

SOUTH BAY

Situated between downtown San Diego and the Mexican border is the South Bay submarket, which includes the cities of Chula Vista, Imperial Beach, National City, and San Ysidro. The South Bay area is particularly known for its huge naval presence, with the 32nd Street Naval Base, or Naval Station San Diego, as the center of activity and as the gateway to Mexico. The Navy SEALs have proposed a new $1 billion campus south of their current Silver Strand South Training Campus. The 60-acre complex would add 1.5 million square feet of additional facilities for the Naval Base Coronado. The new complex is expected to bring in 3,500 additional personnel. Hotels in this submarket serve largely a commercial market and some leisure business from area attractions and from border traffic.

The South Bay has been affected by San Diego's flux in tourism efforts, though it has still achieved significant growth. The South County Economic Development Council found that South County is outpacing the rest of San Diego County and the rest of the nation in terms of economic growth. We credit this to the lower starting point, as South Bay experienced more significant declines during the downturn.

The only change in supply during the historical period was the opening of the 78-room Pier South Resort in Imperial Beach in January 2014 as a Marriott affiliated Autograph Collection property. In 2017, the 148-room Residence Inn Chula Vista is expected to open by November.

The South Bay submarket is anticipated to end 2017 with an occupancy rate of 72.3 percent and an average daily rate of $104.73. Occupied rooms are estimated to increase by 2.1 percent and average daily rate to increase 1.1 percent. In 2018, demand is forecast to increase 6.5 percent amidst a supply increase of 8.3 percent, resulting in an occupancy of 71.1 percent. ADR is forecast to increase by 2.5 percent, ending the year at $107.35 as additional higher quality supply enters this lower rated market.

South Bay
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	475,230	N/A	320,131	N/A	67.4%	$81.86	N/A	$55.14	N/A
2013	475,230	0.0%	325,617	1.7%	68.5	83.09	1.5%	56.93	3.3%
2014	503,700	6.0	364,086	11.8	72.3	94.88	14.2	68.58	20.5
2015	503,700	0.0	374,712	2.9	74.4	98.70	4.0	73.43	7.1
2016	503,700	0.0	364,982	-2.6	72.5	103.58	4.9	75.05	2.2
2017E	514,954	2.2	372,476	2.1	72.3	104.73	1.1	75.75	0.9
2018F	557,720	8.3	396,687	6.5	71.1	107.35	2.5	76.35	0.8
CAAG	2.7%		3.6%			4.6%		5.6%	

Source: CBRE Hotels

ORANGE COUNTY

Orange County

EXECUTIVE SUMMARY

Orange County, which includes 34 incorporated cities and a number of unincorporated communities, had an estimated 2017 population of 3.19 million people based on numbers from the US Census Bureau, making it the third most populous county in California behind Los Angeles and San Diego Counties. Known for its ideal year-round climate, Orange County spans 798 square miles and includes 42 miles of scenic coastline. During the past 30 years, Orange County has evolved from an agricultural economy into a large commercial, industrial, and urban community. As a result of this growth, Orange County has developed into a well-respected business, financial, and recreational center of California and the Western United States. The County has attracted both national and regional offices for a number of the nation's most successful electronics, computer, wholesale and retail firms.

Orange County continues to attract a large number of visitors to the area. In 2016, the estimated number of visitors totaled 48.2 million and spent an estimated $12.1 billion; increases of 1.7 percent, and 7.1 percent, respectively. Of the overnight visitors that visited Orange County, 91.0 percent were from the domestic United States, and 9.0 percent were international travelers. The peak months of visitation for the county are typically from July through September.

Orange County is also home to the Disneyland Resort and Knott's Berry Farm theme parks, two of the nation's most popular recreational attractions. Additional activities in the County include beautiful beaches, numerous shopping venues, and the Anaheim Convention Center, together providing for a popular destination amongst international/domestic tourists and business travelers. Two professional sports teams, the Anaheim Ducks of the NHL and the Los Angeles Angels of Anaheim of the MLB, also have their home venues located in Orange County.

Throughout the recent years, Orange County has undergone, and is continuing to undergo, changes that enhance its offerings to both visitors and residents. In the greater Anaheim area, the completion of the Anaheim Regional Transportation Intermodal Center (ARTIC) transportation facility in 2014 has created a new state-of-the-art transportation hub in the heart of Orange County. Disneyland began its 60-year diamond celebration in May of 2015, offering brand new attractions and decorations that have attracted a record number of visitors to the park. By the same token, Knott's Berry Farm has also expanded numerous rides and completed renovations of its Boardwalk area. The Anaheim Convention Center recently completed a 200,000-square foot expansion to increase total meeting space to one million square feet, bringing it up to the level of or surpassing the other premiere convention centers along the west coast. Further south within the County and along the coast, developments such as Huntington Beach's Pacific City and Irvine's Great Park are creating more and more reasons for travelers to visit Orange County.

In efforts to increase awareness of Orange County as a premier destination, the Orange County Visitors Association (OCVA) has embarked on a marketing initiative to differentiate the county from other Southern California leisure markets and improve branding of the county abroad. In order to promote Orange County to international markets, the OCVA opened sales offices in Beijing and Shanghai in 2013 with the goal of increasing exposure of the County as a destination to the rapidly expanding Asian market. As part of a promotional deal, special room rates across all price tiers were offered at 28 Orange County hotels in cities such as Anaheim, Huntington Beach, Costa Mesa, Laguna Beach, Tustin, Newport Beach, Buena Park, and Dana Point. Furthermore, a Chinese language website highlighting attractions, events, and activities in Orange County, went live in March of 2014. Additional overseas missions have been added. The Anaheim/Orange County Visitor & Convention Bureau (AOCVCB) changed its name to Visit Anaheim in June of 2015, reaffirming its focus on bringing more tourism dollars to the area via the Disneyland theme parks, sports stadiums, and the Anaheim Convention Center.

John Wayne Airport has, in recent years, become one of the country's busiest regional airports. As such, the County of Orange approved the John Wayne Airport Improvement Program to increase the terminal size and accommodate six additional gates. A $543 million Airport Improvement Program to expand the airport facilities at John Wayne Airport was finalized in November 2011. The improvements include a new terminal (Terminal C) with six new bridged aircraft gates, two new commuter terminals, more security checkpoints, new dining and shopping options, a Parking Structure C with 2,000+ parking spaces, and a Central Utility Plant. The Improvement Program adds 282,000 square feet of new space to the existing 448,000 square feet in Terminals A and B at the Thomas F. Riley Terminal. With the majority of these improvements now having been individually approved after review, construction began in July 2014 for several of the projects, including the Thomas F. Riley Terminal overhaul and the second phase of the Parking Structure C revamp.

Since 2007, annual passenger traffic has increased at a compound annual rate of 0.6 percent as demonstrated in the following table. Passenger counts have experienced five consecutive years of increases which can be attributed to the addition of service to three new destinations in Mexico by AirTran and Interjet, as well as the new international service and improvements in the general domestic travel market. Most recently, 2016 saw an increase of 4.6 percent over 2015, and was the second time that the airport serviced more than 10.0 million passengers in a year. The following table details the historical passenger traffic at John Wayne Airport from 2007 to 2016, as well as year-to-date through July of 2016 and 2017.

John Wayne Airport
Passengers Counts
2007 – 2016 & YTD 2017

Year	Total Passengers	Percent Change
2007	9,979,699	N/A
2008	8,989,603	-9.9%
2009	8,705,199	-3.2
2010	8,663,452	-0.5
2011	8,609,008	-0.6
2012	8,857,944	2.9
2013	9,232,789	4.2
2014	9,386,033	1.7
2015	10,180,258	8.5
2016	10,496,511	4.6
CAAG	0.6%	
YTD 7/16	6,955,749	N/A
YTD 7/17	6,846,676	-1.6%

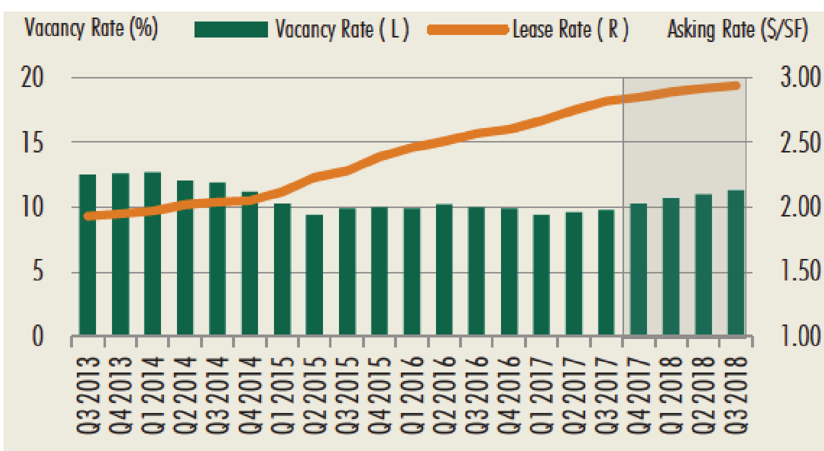
Source: John Wayne Airport

The Orange County area has a diverse employment structure with major employers in industries including tourism, theme parks, recreation, businesses, government, healthcare, education, high-tech, manufacturing, service, and finance. Construction of new business parks is expected to continue over the long-term to create jobs in business services, engineering services, and wholesale trade. As of year-end 2016, there was approximately 3.0 million square feet of office space under construction. Other notable projects in the works include various renovations of existing office structures, as well as other new-build campuses, such as Broadcom's 1.1 million-square-foot corporate campus. Another notable project under construction includes The Boardwalk project in the airport office area, which will feature 545,000 square feet of office campus across two nine-story towers separated by pedestrian-friendly areas and accessory retail.

After exiting the economic recession, Orange County has shown strong growth in relation to its housing market and leisure activity. With the economy on its steady upward path, the County has pushed forward with the help of its strong leisure and commercial demand generators. As of July 2017, the unemployment rate in Orange County was 4.0 percent, down 50 basis points from July 2016. As a point of comparison, California's unemployment rate as of July 2017 was 5.2 percent, and the nation's unemployment rate was 4.8 percent. In 2016, employment gains were made primarily in the Health Care, Professional & Business Services, Construction, and Manufacturing industries. Occupations within the International Trade, Informational Technology, Creativity, and Green Technology industries present the greatest potential for growth.

With strong employment growth and very low vacancy, the amount of office product under construction has started to rapidly rise, stoking fears of an upcoming end to the cycle. Orange County's total net absorption was positive in Q3 2017, totaling 816,305 square feet. The area in Orange County with the strongest net absorption relative to the amount of vacant space was the South Orange County Area where there was 398,503 square feet of positive net absorption, driven in. The Greater Airport Area was the other main driver of net absorption in the market with 136,857 square feet of positive net absorption. Overall, activity was positive and it drove the vacancy rate down 60 basis points from Q4 2016.

Going forward, vacancy is projected to remain flat throughout 2017 with a slight increase projected to occur each quarter through Q3 2018, according to CBRE Econometric Advisors (CBRE EA). Lease rate growth has been exceptionally strong over the last year; the average asking rate was up 9.7 percent year-over-year in Q3 2017, and CBRE EA predicts that it will continue its upward trajectory through 2018. The following table summarizes the Orange County office market performance from Q3 2013 to Q3 2017, along with CBRE's 12-month forecast.



Source: CBRE Econometric Advisors, Q3 2017.

Our sample set of hotels includes the sum of our aggregated sub markets, which we estimate to be approximately 80 percent of the total existing lodging supply in Orange County. Based on the sample set of hotels used in our analysis, the overall Orange County lodging market supply is estimated to increase by 1.5 percent in 2017. This increase in annual supply is due to the actual and anticipated openings of the following hotels: 101-room Hampton Inn & Suites Mission Viejo, 271-room Marriott Irvine Spectrum, 216-room Staybridge Suites Anaheim, 161-room Homewood Suites Irvine, 127-room SpringHill Suites Huntington Beach, 164-room Hampton Inn & Suites Irvine, the 132-room AC Hotel Irvine, and the 147-room expansion of the Waterfront Resort in Huntington Beach.

Additionally, the rooms supply in the Orange County market is estimated to further increase by 1.9 percent in 2018 with the annualized rooms of the previously mentioned hotels entering the market, in addition to the opening of two more hotel projects. These include the 130-room Autograph Collection Lido House and 149-room Hyatt House Irvine.

Our 2017 estimate for the overall Orange County market is positive across all econometric indicators. We anticipate a 1.5 percent increase in occupied rooms, absorbing all of the additions to supply entering into the market in 2017, and resulting in a market occupancy of 78.6 percent. During the same year, the market is projected to experience a 3.6 percent increase in ADR. These increases in occupancy and ADR are projected to produce a year-over-year 3.7 percent increase in revenue per available room.

In the following year, the market supply is forecast to increase by 1.9 percent, and demand, as measured by occupied rooms, is projected to increase by 1.5 percent. Given the number of hotels projected to come online, supply is projected to outpace demand, ending 2018 with a projected occupancy of 78.3 percent, down 30 basis points from 2017. We are forecasting continued ADR growth, with 2018 ending with an ADR of $172.48, a 3.3 percent increase over the previous year.

Orange County
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	15,632,950	N/A	11,424,281	N/A	73.1%	$130.94	N/A	$95.69	N/A
2013	15,748,260	0.7%	11,766,245	3.0%	74.7	138.02	5.4%	103.12	7.8%
2014	16,061,990	2.0	12,231,119	4.0	76.1	146.46	6.1	111.53	8.2
2015	16,270,655	1.3	12,709,222	3.9	78.1	154.39	5.4	120.59	8.1
2016	16,726,559	2.8	13,149,769	3.5	78.6	161.04	4.3	126.60	5.0
2017E	16,974,492	1.5	13,348,765	1.5	78.6	166.90	3.6	131.25	3.7
2018F	17,295,160	1.9	13,550,347	1.5	78.3	172.48	3.3	135.13	3.0
CAAG	1.7%		2.9%			4.7%		5.9%	

Source: CBRE Hotels

Additions to Supply

Based on our research and findings the following table details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the Orange County market.

Lodging Forecast - Additions to Supply				
Hotel Name	City	Submarket	Room Count	Opening Date
SpringHill Suites	Huntington Beach	OC Airport	127	August 2017
Hampton Inn & Suites	Mission Viejo	Central OC	101	September 2017
Hampton Inn & Suites	Irvine	OC Airport	164	November 2017
Waterfront Hilton Expansion	Huntington Beach	Coastal OC	147	November 2017
Marriott Irvine Spectrum	Irvine	Central OC	271	December 2017
Hyatt House	Irvine	OC Airport	149	January 2018
Autograph Collection Lido House	Newport Beach	Coastal OC	130	March 2018
Source: CBRE Hotels				

CENTRAL ORANGE COUNTY

The Central Orange County market includes: Laguna Hills, Lake Forest, Foothill Ranch, Irvine Spectrum, Aliso Viejo, Laguna Woods, Mission Viejo, and Rancho Margarita. This market has continuously outpaced other markets in terms of residential and commercial development through the historical period. The Central Orange County market caters primarily to the business and leisure market segments, as well as some group travel business. While the Central Orange Coast submarket is home to a variety of businesses based in the cities of Aliso Viejo and Mission Viejo that create the base of the business demand, this market, particularly the lodging properties to the north, also receives compression from the neighboring Orange County/John Wayne Airport market.

We expect 2017 to end with a 5.0 percent increase in occupied rooms amidst a 3.1 percent increase in supply, equating to a market occupancy rate of 80.3 percent. The 3.1 percent increase in supply in 2017 can be attributed to the September opening of the 101-room Hampton Inn & Suites Mission Viejo and the December 2017 opening of the 271-room Marriott Irvine Spectrum. ADR is expected to continue climbing, growing at 3.1 percent in 2017. Revenue per available room is expected to increase by 5.0 percent to $119.75.

In 2018, rooms supply is anticipated to increase by 12.9 percent with the annualized rooms of the Hampton Inn & Suites Mission Viejo and the Marriott Irvine Spectrum. We estimate a 10.5 percent growth in occupied rooms, resulting in a market occupancy of 78.6 percent in 2018. We project an ADR growth of 3.0 percent next year for the Central Orange County market, in line with the general rate of economic growth. Revenue per available room is expected to increase by 0.8 percent to $120.71. We anticipate that as this submarket’s performance balances out, occupancy will stabilize at around this level and rate will grow at approximately the general rate of inflation going forward.

Central Orange County Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	762,120	N/A	539,207	N/A	70.8%	$115.50	N/A	$81.72	N/A
2013	762,120	0.0%	565,861	4.9%	74.2	123.60	7.0%	91.77	12.3%
2014	800,445	5.0	619,890	9.5	77.4	130.95	5.9	101.41	10.5
2015	838,770	4.8	663,936	7.1	79.2	139.64	6.6	110.53	9.0
2016	878,008	4.7	691,706	4.2	78.8	144.72	3.6	114.01	3.1
2017E	904,850	3.1	726,318	5.0	80.3	149.18	3.1	119.75	5.0
2018F	1,021,635	12.9	802,582	10.5	78.6	153.65	3.0	120.71	0.8
CAAG	5.0%		6.9%			4.9%		6.7%	
Source: CBRE Hotels									

ANAHEIM AND GREATER ANAHEIM

Tourism in Anaheim is the principal economic force and the center of Orange County's lodging industry. The Greater Anaheim submarket, the largest in Orange County in terms of rooms revenue, is situated in north-central Orange County, and also includes those properties in the cities of Garden Grove and Orange that compete directly with Anaheim Resort hotels. For presentation purposes, we have separated the Anaheim and Greater Anaheim (Garden Grove, Orange) properties.

Located in the heart of Southern California, Anaheim is one of the most dynamic communities for residents, businesses, and visitors alike. Between 1880 and 1960, Anaheim was host to several orange growers and processors who used their orange crate labels to identify their brand and advertise a golden California lifestyle. Anaheim has since been transformed from a small farming community to a major sports, entertainment, recreational, and industrial community. The city offers the "best of both worlds" with its strong and diverse economy coupled with its position as an internationally recognized leisure and convention destination.

Orange County, one of the nation's most populous and affluent regions, is famous for world-class theme parks such as Disneyland, Disney California Adventure and Knott's Berry Farm, distinguished shopping centers and trendy beach towns such as Huntington Beach, Newport Beach and Laguna Beach. The hub of Orange County's tourism industry is in Anaheim, the largest city in the county and home to Disneyland, the Anaheim Convention Center, Angel Stadium of Anaheim, home to the Anaheim Angels of the MLB, the Honda Center, home to the NHL's Anaheim Ducks, as well as a number of unique entertainment and dining venues.

The Anaheim Convention Center is a critical draw for the group and convention business in Anaheim, which has spurred further expansion. Located immediately across from Disneyland, the Anaheim Convention Center is one of the major sources of hotel room demand in the Orange County area, with almost 20 percent of total visitors to Anaheim attending a convention. The Anaheim Convention Center is a critical draw for the group and convention business in Anaheim, especially as a result of the renovations done to the center and its recent expansion.

The Anaheim Convention Center completed a $180 million expansion and refurbishment project on December 28, 2000, propelling it into the position of largest and one of the most modern exhibit facilities on the West Coast. Meeting space totaled more than 1.4 million square feet after the renovation, and allowed it to simultaneously accommodate larger groups and multiple medium sized groups. Renovations and expansions continued at a regular interval through January of 2013, when the Convention Center completed its sixth expansion and welcomed the Grand Plaza, a 100,000-square foot multi-use space located outside the Center's front entrance off Convention Way. The pedestrian plaza features a 48-foot illuminated entry monument and fountain followed by a pathway of LED lights which ultimately leads to an ocean fountain that can shoot water up to 40 feet. The Grand Plaza provides lush landscaping and flexible outdoor space that can be used for dining, exhibit space, outdoor concerts, and other uses. An additional $190 million expansion was completed in September 2017. The expansion included an additional 200,000 square feet of space for exhibits and meetings, with approximately 3,200 parking spaces. The expansion increased meeting space at the Convention Center to over 1.9 million square feet including the open air Grand Plaza.

The following table summarizes the historical data on overall convention attendance as provided by Visit Anaheim, as well as the number of bookings based on actual bookings through 2016. Prior to the start of the expansion and refurbishment of the Anaheim Convention Center in 1998, the group meeting market in the Anaheim area averaged approximately 950,000 attendees per year. In the most recent two calendar years, the number of convention delegates has increased and decreased at a rate of 27.5 and -0.5 percent, respectively. One of the Center's most loyal and profitable conventions, the National Association of Music Merchants (NAMM), committed in 2013 to keep its annual gathering at the Anaheim Convention Center through 2018. The NAMM Show produces more than 94,000 attendees and is estimated to contribute approximately $70 million in economic spending.

Anaheim/Orange County Convention and Meeting Activity 2007 – 2016

Year	Number of Delegates	Percent Change	Number of Bookings
2007	1,197,168	6.3%	746
2008	1,252,067	4.6	764
2009	1,292,179	3.2	583
2010	1,128,285	-12.7	465
2011	1,066,650	-5.5	508
2012	1,002,846	-6.0	500
2013	1,187,920	18.5	558
2014	1,253,633	5.5	503
2015	1,597,929	27.5	542
2016	1,589,445	-0.5	566

Source: Visit Anaheim

The following table presents historical and future room nights associated with events booked by Visit Anaheim. The historical and projected room night information is based on actual room nights consumed and/or booked as of January 2017. Citywide events are categorized with peak nights above 1,000. Projected room nights are those booked as definite as of the date of our fieldwork. Based on the uncertainty of the economy and convention trends, it should be noted that more or less groups may be booked from that date through 2017 and beyond.

Convention Related Definite Room Nights & Groups Anaheim/Garden Grove

Year	Room Nights	Groups
Historical		
2007	586,262	41
2008	508,890	37
2009	550,494	43
2010	502,849	41
2011	426,693	33
2012	401,442	34
2013	415,426	37
2014	444,631	37
2015	466,928	41
2016	478,634	39
Future Bookings		
2017	607,180	40
2018	471,829	35
2019	409,782	33
2020	407,159	30
2021	257,999	14

Source: Visit Anaheim

Disneyland, which opened on July 17, 1955, began celebrations for its 60th birthday on May 22 of 2015. The Diamond Celebration brought several new evening shows, new rides, and redesigned areas of the park. With record numbers of visitors to the parks, Disney has also continued focusing on expanding its parks, while also receiving support from the city in the form of a tax ban on ticket sales at the parks. Disney announced in August of 2015 that its expansion would feature a new 14-acre "Star Wars" land; construction on the expansion began in January 2016. As part of the addition of the new Star Wars land, several rides are temporarily unavailable and four attractions will be permanently closed. In June of 2016, Disneyland announced plans to construct an approximately 700-room 4-diamond luxury hotel to complement its two other 4-diamond properties in the area: The Disneyland Hotel and Disney's Grand Californian Hotel & Spa. The property would be located at 1401 Disneyland Drive at the north end of Downtown Disney's parking lot, and construction would begin in 2018 and be completed in 2021.

Other notable destinations within the Anaheim area include Knott's Berry Farm, one of the top 20 tourist attractions in the United States. Near both the Convention Center and the Disneyland theme parks, Anaheim Garden Walk is a 440,000 square-foot mall featuring retail, dining, and entertainment space in a unique outdoor setting. Opened in December of 2014, ARTIC is Anaheim's regional transportation gateway that connects multiple types of transportation in one location. The 67,000-square foot structure contains retail, office, and restaurant space, and is designed to become the hub through which all public transportation passes through in Anaheim.

The Greater Anaheim market is anticipated to experience an increase of 0.3 percent in annual rooms supply in 2017, which can be attributed to the annualized rooms of the Staybridge Suites. As can be seen from the table on the following page, demand in the market has absorbed the additions to supply during the historical period, and we anticipate this to be the case in 2017 as well. Amidst the 0.3 percent increase in supply, we estimate a 0.5 percent increase in occupied room nights, resulting in a 79.7 percent occupancy for the Greater Anaheim market. Given the amount of high quality supply that has entered the market, ADR will increase by 4.4 percent in 2017. Continuing the positive growth pace from the previous year, 2017 is expected to close with a 4.6 percent increase in RevPAR to $123.63 for the Greater Anaheim submarket.

In 2018, we anticipate a slight decrease in supply, which is attributed to the closure of older hotels that are planned to be repurposed to higher quality accommodations. We estimate the Greater Anaheim submarket to achieve 0.1 percent decrease in occupied room nights, resulting in a market occupancy rate of 80.1 percent. We believe this properly reflects the changes taking place in the market, including the Anabella's rooms being taken out of the market. We forecast average daily rate will increase by 3.6 percent to $160.59, a historical high. When combined, we expect revenue per available room will reach $128.65 in 2018, representing a year-over-year increase of 4.1 percent.

The following table presents the market results for Greater Anaheim, including Garden Grove, during the period 2012 through 2016, as well as our 2017 estimate and 2018 forecast. It must be noted that our historical figures have been revised from previous years to reflect updated data that we have received from the City of Anaheim.

Greater Anaheim Hotels Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	8,566,185	N/A	6,288,487	N/A	73.4%	$117.69	N/A	$86.40	N/A
2013	8,624,463	0.7%	6,456,372	2.7%	74.9	124.72	6.0%	93.37	8.1%
2014	8,794,110	2.0	6,699,461	3.8	76.2	131.56	5.5	100.23	7.3
2015	8,938,170	1.6	6,980,712	4.2	78.1	141.06	7.2	110.17	9.9
2016	9,265,837	3.7	7,374,909	5.6	79.6	148.55	5.3	118.24	7.3
2017	9,295,987	0.3	7,413,517	0.5	79.7	155.02	4.4	123.63	4.6
2018	9,241,435	-0.6	7,403,333	-0.1	80.1	160.59	3.6	128.65	4.1
CAAG	1.3%		2.8%			5.3%		6.9%	
Source: CBRE Hotels									

Due to the removal of the 359-room Anabella, we forecast a slight decrease going into 2018 for the Anaheim submarket. Occupied rooms are anticipated to dip by 0.4 percent reaching a market occupancy rate of 80.3 percent. We expect this submarket will stabilize at or near this rate, which takes into consideration historical market performance and anticipated improvements within the area. Furthermore, we forecast average daily rate to increase by 3.3 percent to $159.22. Combined, revenue per available room will grow by 3.6 percent in 2018 to $127.82 for the Anaheim submarket.

Total Anaheim Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	7,206,560	N/A	5,254,917	N/A	72.9%	$118.70	N/A	$86.56	N/A
2013	7,264,838	0.8%	5,403,834	2.8%	74.4	125.98	6.1%	93.71	8.3%
2014	7,413,315	2.0	5,623,554	4.1	75.9	132.45	5.1	100.47	7.2
2015	7,557,375	1.9	5,873,066	4.4	77.7	142.44	7.5	110.70	10.2
2016	7,665,532	1.4	6,127,056	4.3	79.9	148.59	4.3	118.77	7.3
2017F	7,665,532	0.0	6,133,207	0.1	80.0	154.16	3.7	123.35	3.9
2018F	7,610,980	-0.7	6,110,220	-0.4	80.3	159.22	3.3	127.82	3.6
CAAG	0.9%		2.5%			5.0%		6.7%	
Source: CBRE Hotels									

The following table presents the market summary for those hotels, in this sub-market, located outside the City of Anaheim, but within the greater Disneyland Resort area. As can be seen from the table below, the non-Anaheim/Garden Grove hotels experienced a 1.9 percent increase in 2017, accounting for the annualized rooms from the March 2016 opening of the Great Wolf Lodge. We estimate that the market's average daily rate will increase by 7.3 percent, due to the Great Wolf Lodge's much higher-rated positioning. For 2018, we forecast a 1.0 percent increase in occupied rooms to 79.3 percent occupancy and a 5.0 percent increase in ADR to $167.11. Combined, revenue per available room is forecasted to increase by 6.1 percent to $132.53.

Non-Anaheim/Garden Grove Hotels Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,359,625	N/A	1,033,571	N/A	76.0%	$112.53	N/A	$85.54	N/A
2013	1,359,625	0.0%	1,052,538	1.8%	77.4	118.28	5.1%	91.57	7.0%
2014	1,380,795	1.6	1,075,907	2.2	77.9	126.93	7.3	98.90	8.0
2015	1,380,795	0.0	1,107,645	2.9	80.2	133.73	5.4	107.28	8.5
2016	1,600,305	15.9	1,247,853	12.7	78.0	148.36	10.9	115.69	7.8
2017	1,630,455	1.9	1,280,311	2.6	78.5	159.15	7.3	124.97	8.0
2018	1,630,455	0.0	1,293,114	1.0	79.3	167.11	5.0	132.53	6.1
CAAG	3.1%		3.8%			6.8%		7.6%	

Source: CBRE Hotels

ORANGE COUNTY AIRPORT

The Orange County Airport market includes cities proximate to John Wayne Airport including Irvine, Santa Ana, Tustin, parts of Newport Beach, and extends to Fountain Valley. This area is a dynamic business center and home to dozens of Fortune 500 companies. The area primarily caters to business travelers and secondarily to the leisure and group market segments. The Orange County Airport market is heavily dependent on commercial travel generated by the John Wayne Airport and businesses in the area. There is a significant amount of Class A office space currently under construction, and much of the office space interest is focused in the Airport Area and in Irvine Spectrum. The area's attributes, including proximity to freeway access, surrounding amenity base, and high-quality office product, make the area attractive to businesses looking to move into the area. The various hotels currently under construction in this market are intended to service the rapidly expanding business and residential base.

Annual supply will increase by 5.4 percent in 2017 with the introduction of the Springhill Suites Huntington Beach and the Hampton Irvine Orange County Airport. Occupied room nights are expected to increase by 3.5 percent, absorbing a significant portion of the additions to supply. This reflects a market occupancy of 75.7 percent in 2017. Average daily rate is anticipated to increase by 3.1 percent over the previous year to $144.32. Due to increases in both occupied rooms and average daily rate, revenue per available room is expected to increase by 1.3 percent to $109.22.

In addition to the aforementioned Springhill Suites Huntington Beach and the Hampton Irvine Orange County Airport 2017 openings, the Hyatt House Irvine will open in January 2018. Including the annualizing of the 2017 openings, this results in a 6.3 percent increase in annual rooms supply in 2018. Occupied room nights are forecasted to grow by 4.0 percent, resulting in a decrease in market occupancy to 74.1 percent. Average daily rate is forecasted to grow by 2.5 percent to $147.93. As such, revenue per available room is expected to grow by 0.3 percent, driven by increases in ADR amidst a decrease in occupancy.

OC AIRPORT Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	2,153,500	N/A	1,596,605	N/A	74.1%	$115.56	N/A	$85.67	N/A
2013	2,202,136	2.3%	1,662,476	4.1%	75.5	120.62	4.4%	91.06	6.3%
2014	2,307,895	4.8	1,717,095	3.3	74.4	128.72	6.7	95.77	5.2
2015	2,334,175	1.1	1,834,744	6.9	78.6	134.89	4.8	106.02	10.7
2016	2,369,945	1.5	1,825,459	-0.5	77.0	140.04	3.8	107.87	1.7
2017E	2,496,828	5.4	1,889,554	3.5	75.7	144.32	3.1	109.22	1.3
2018F	2,653,550	6.3	1,965,136	4.0	74.1	147.93	2.5	109.55	0.3
CAAG	2.5%		2.8%			3.8%		4.1%	

Source: CBRE Hotels

SOUTH COAST METRO MARKET

The City of Costa Mesa is a discernible entity, characterized physically by its strategic crossroads location, proximity to the Pacific Ocean, richness in culture, shopping and dining, and comfortable year-round climate. Costa Mesa encompasses a total of 16 square miles with its southernmost border only one mile from the Pacific Ocean. The City was incorporated in 1953 and since that time, it has evolved from a semi-rural farming community to a city with its local economy primarily based upon retail, commercial business, and manufacturing of electronics, pharmaceuticals and plastics. According to the Employment Development Department, the unemployment rate in Costa Mesa was at 3.3 percent as of July 2016, 70 basis points lower than the same period last year. As of January 2016, the California Department of Finance estimated a population for Costa Mesa of 115,101, which is above the 2000 Census population of 108,724, as Costa Mesa is largely built out.

The City of Costa Mesa is considered to already have been a viable municipal economy prior to the overall county's growth observed in the last five years. This notion is reflected in the strength of the city's lodging market in comparison to other markets in Orange County. The Costa Mesa hotel market primarily caters to business travelers; however, it also caters to the leisure and group segments. Commercial demand is based primarily upon a hotel's location near the commercial business districts of Costa Mesa and Santa Ana, as well as their location relatively proximate to John Wayne Airport. Group demand is a combination of incentive meetings for sales and marketing staffs, executive level conferences, educational sessions for professionals such as doctors and attorneys, and social and fraternal retreats. The leisure demand consists of pleasure travelers to and around Southern California. South Coast Plaza and the Segerstrom Center for the Arts also contribute to the strength of the local lodging market.

Annual supply has remained constant at 781,465 rooms, with no hotels slated to open in the near future. Although market occupancy has hovered near 80 percent in the past three years, we expect market occupancy to slightly increase to 80.2 percent in 2017 as hoteliers in the market place their emphasis on increasing rate. This is evidenced by the 4.2 percent increase in ADR estimated for 2017. Revenue per available room is estimated to increase by 4.8 percent in 2017.

For 2018, we forecast that market occupancy will stay flat, and ADR will increase by 3.5 percent to $154.47. Revenue per available room is also expected to increase by 3.5 percent in 2018.

Costa Mesa Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	781,465	N/A	578,812	N/A	74.1%	$118.14	N/A	$87.51	N/A
2013	781,465	0.0%	625,565	8.1%	80.1	121.33	2.7%	97.13	11.0%
2014	781,465	0.0	632,249	1.1	80.9	129.66	6.9	104.90	8.0
2015	781,465	0.0	630,798	-0.2	80.7	135.85	4.8	109.66	4.5
2016	781,465	0.0	622,822	-1.3	79.7	143.26	5.5	114.18	4.1
2017E	781,465	0.0	626,820	0.6	80.2	149.24	4.2	119.71	4.8
2018F	781,465	0.0	626,820	0.0	80.2	154.47	3.5	123.90	3.5
CAAG	0.0%		1.3%			4.6%		6.0%	
Source: CBRE Hotels									

NORTH ORANGE COUNTY

The North Orange County submarket follows the northern border of the county and includes the cities of Yorba Linda, Placentia, Brea, Fullerton, Buena Park, Cypress, Los Alamitos, and Seal Beach. Lodging demand is largely driven by the strong commercial sector in Yorba Linda, Brea, Cypress, Los Alamitos, and Seal Beach, while Fullerton generates demand through its numerous higher education campuses and Buena Park relies heavily on leisure business generated by Knott's Berry Farm.

Knott's Berry Farm revealed a multimillion dollar expansion in summer 2013 which included renovation of the west-side Boardwalk area, the addition of three new family style rides, and the renovation of one of the park's most popular rides. The new rides include the Coast Rider roller coaster, Surfside Glider aerial view ride, and the Pacific Scrambler spin ride. 2014 saw a refresh to the 1969 Timber Mountain log ride. The most recent update to the park was the opening of the Voyage to the Iron Reef interactive 4D ride. The ride, which opened in May of 2015, takes guests on a four-minute interactive shooter ride fighting deep sea creatures that are tied into the park's 2013 renovation of the Boardwalk area. More recently, the theme park's wooden-coaster GhostRider attraction was renovated.

The North Orange County market is anticipated to experience an increase in supply of 1.5 percent as of year-end 2017, due to the July opening of the Holiday Inn Express Fullerton-Anaheim. Occupied rooms are anticipated to grow by 2.5 percent, resulting in a market occupancy of 78.8 percent. Average daily rate is expected to increase to $116.34, up 3.1 percent from 2016. Combined, revenue per available room is expected to grow by 4.1 percent by year-end 2017 to $91.63.

In 2018, we forecast continued growth in the North Orange County submarket. The July 2017 opening of the Holiday Inn Express is estimated to produce a 1.0 percent increase in annual rooms supply in 2018. At the same time, occupied room nights are estimated to increase by 0.5 percent, resulting in a slightly lower market occupancy of 78.3 percent in 2018. Average daily rate and revenue per available room is forecasted to increase by 3.0 percent and 2.4 percent, respectively.

North Orange County Historical Market Performance of the Competitive Supply										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,431,165	N/A	1,034,139	N/A	72.3%	$ 93.58	N/A	$67.62	N/A
2013	1,431,165	0.0%	1,057,458	2.3%	73.9	96.92	3.6%	71.61	5.9%
2014	1,431,165	0.0	1,086,121	2.7	75.9	102.10	5.3	77.49	8.2
2015	1,431,165	0.0	1,117,014	2.8	78.0	108.19	6.0	84.45	9.0
2016	1,431,165	0.0	1,116,158	-0.1	78.0	112.88	4.3	88.03	4.3
2017E	1,452,457	1.5	1,143,952	2.5	78.8	116.34	3.1	91.63	4.1
2018F	1,467,665	1.0	1,149,671	0.5	78.3	119.83	3.0	93.87	2.4
CAAG	0.2%		1.7%			3.7%		5.2%	
Source: CBRE Hotels									

NEWPORT BEACH

Newport Beach is situated in southern Orange County between Huntington Beach to the north and Laguna Beach to the south. The city is approximately 50 miles southeasterly of Los Angeles and 85 miles northerly of San Diego. Newport Beach is approximately 40 square miles, of which 22 square miles is water. The city is acclaimed for its beaches, mild year-round weather, boating/yachting community, sophisticated atmosphere, international film festival, three annual epicurean festivals and the oldest holiday boat parade in the nation.

Nine district neighborhoods make up Newport Beach, each lending a unique culture, charm, natural beauty and history to the city. They are: Balboa Island and surrounding islands, Balboa Peninsula, Corona Del Mar, Mariner's Mile, Cannery Village, Back Bay, Airport/Business District, Fashion Island and Newport Coast/Crystal Cove.

Newport Beach is a leisure destination area, and relies heavily upon retail and leisure expenditures along with its strong commercial base. The community is home to 17 full-service resorts, hotels, boutique hotels and inns, accounting for more than 3,100 hotel rooms and 17,000 square feet of meeting space under a variety of branded and independent hotel flags. There are over 300 restaurants in Newport Beach. Development consists primarily of restaurant, and commercial uses including a concentration of marine oriented businesses. In addition, Newport Beach is a well-known shopping destination featuring Fashion Island, an outdoor mecca filled with over 200 specialty shops and chic boutiques, as well as quaint retail storefronts along Pacific Coast Highway.

The Newport Beach submarket is expected to experience a 0.7 percent decrease in occupied room nights for year-end 2017. The slight decrease in demand can in part be attributed to the de-flagging of the Radisson Newport Beach and rebranding to the Carlton Hotel, a Hyatt affiliated hotel. Average daily rate is expected to increase by 2.8 percent, up to $262.63 from $255.47 in the previous year. The decrease in demand and increase in ADR is expected to produce a 2.1 percent increase in revenue per available room.

The Lido House Hotel development on the former City Hall site on Newport Beach broke ground in July 2016 and is anticipated to open in March of 2018. The opening of this hotel is expected to produce a 3.6 percent increase in annual rooms supply in 2018. We forecast the occupancy rate to slightly decrease to 76.5 percent; this reflects our belief that the market will stabilize near this rate. Average daily rate is estimated to grow by 3.0 percent, and revenue per available room is estimated to increase by 2.4 percent to $206.88 as of year-end 2018.

Newport Beach Historical Market Performance of the Competitive Supply										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,047,185	N/A	756,326	N/A	72.2%	$205.41	N/A	$148.35	N/A
2013	1,047,185	0.0%	761,043	0.6%	72.7	223.47	8.8%	162.41	9.5%
2014	1,047,185	0.0	792,391	4.1	75.7	240.03	7.4	181.62	11.8
2015	1,047,185	0.0	820,148	3.5	78.3	248.15	3.4	194.35	7.0
2016	1,047,185	0.0	810,780	-1.1	77.4	255.47	3.0	197.80	1.8
2017E	1,047,185	0.0	805,453	-0.7	76.9	262.63	2.8	202.00	2.1
2018F	1,084,780	3.6	829,616	3.0	76.5	270.51	3.0	206.88	2.4
CAAG	0.6%		1.6%			4.7%		5.7%	
Source: CBRE Hotels									

COASTAL ORANGE COUNTY

The coastal area of Orange County includes: Huntington Beach and communities located south along the coast, including Newport Beach, Laguna Beach, Dana Point, Corona Del Mar, San Clemente and San Juan Capistrano. This area primarily caters to group and leisure travelers, but also captures a significant level of business travel.

Coastal Orange County is home to several hotels with some of the highest average daily rates in Southern California, including the Ritz-Carlton Laguna Niguel, the Montage Laguna Beach, and Pelican Hill Resort. In addition to the inflow of travelers visiting the area, investors have also taken interest in the high-quality hotels in the area. In 2016, the former St. Regis Monarch Beach de-flagged as a St. Regis and Starwood Hotels-affiliated hotel and is now operating as the independent Monarch Beach Resort. During this conversion process, the property also completed a $40 million renovation of the resort, upgrading the guestrooms, public spaces, five upgraded food and beverage outlets, and an expanded pool and pool bar. As part of the renovation, the 30,000-square-foot Miraval Life in Balance Spa was added to the property and features 24 treatment rooms and a full menu of spa and salon services.

The Coastal Orange County market experienced one hotel opening in 2016. The 250-room Paséa Hotel & Spa opened its doors in June 2016, introducing 250 rooms into the market. With the opening of the Paséa Hotel, annual rooms supply increased by 2.7 percent in 2016, and occupied room nights increased by 2.5 percent.

By year-end 2017, supply is anticipated to experience further growth of 2.1 percent due to not only the annualized rooms of the Paséa Hotel, but also the 147-room expansion of the Waterfront Hilton in Huntington Beach. Occupied rooms are forecasted to grow by 2.0 percent to a market occupancy rate of 75.8 percent, and average daily rate is forecasted to grow by 2.4 percent, reaching $304.12. Overall, revenue per available room is forecasted to grow by 2.2 percent to reach $230.53 by year-end 2017.

Lastly, the Lido House Hotel development on the former City Hall site on Newport Beach broke ground in July 2016 and is anticipated to open in March of 2018. The annualizing rooms of the Waterfront Hilton in Hunting Beach and the opening of the Lido House Hotel is expected to produce a 4.2 percent increase in annual rooms supply in 2018. We forecast the occupancy rate to slightly decrease to 75.3 percent. Average daily rate is estimated to grow by 2.5 percent, and revenue per available room is estimated to increase by 1.8 percent to $234.63 as of year-end 2018.

Coastal Orange County Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,938,515	N/A	1,387,031	N/A	71.6%	$247.95	N/A	$177.41	N/A
2013	1,946,910	0.4%	1,398,514	0.8%	71.8	264.46	6.7%	189.97	7.1%
2014	1,946,910	0.0	1,476,303	5.6	75.8	281.07	6.3	213.13	12.2
2015	1,946,910	0.0	1,482,019	0.4	76.1	290.63	3.4	221.23	3.8
2016	2,000,139	2.7	1,518,715	2.5	75.9	297.01	2.2	225.52	1.9
2017E	2,042,905	2.1	1,548,604	2.0	75.8	304.12	2.4	230.53	2.2
2018F	2,129,410	4.2	1,602,805	3.5	75.3	311.72	2.5	234.63	1.8
CAAG	1.6%		2.4%			3.9%		4.8%	

Source: CBRE Hotels

Coachella Valley

Coachella Valley

EXECUTIVE SUMMARY

Situated in Riverside County, the Coachella Valley is a collection of resort communities including Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Desert Hot Springs, Indian Wells, La Quinta, Indio, and Coachella. Given the abundance of sunshine and its proximity to the Greater Los Angeles area, the Coachella Valley is a popular winter and weekend retreat for Southern California residents. With its large inventory of recreational facilities in the area, including 125 golf courses and over 600 tennis courts, the valley is also an established group destination. The Palm Springs valley, as it has been termed, has also become a known location for casinos, as supported by the 2004 openings of the Spa Resort Casino, the 310-room Casino Morongo in Cabazon, the 250-room Fantasy Springs Casino Hotel in Indio, and the 340-room Agua Caliente Hotel in Rancho Mirage, which opened in the spring of 2008 and added a state of the art entertainment venue in 2009.

The Coachella Valley occupies an area of approximately 600 square miles. The year-round climate averages 74 degrees, with average daytime temperatures of 89 degrees and nighttime temperatures dropping to an average of 60 degrees. A low average rainfall of approximately 5.5 inches per year ensures that the skies are sunny almost 350 days per year. While the climate attracts a large number of visitors during the winter months, the extreme hot weather conditions in the summer generally cause a significant decrease in economic activity and visitors during this period.

The Coachella Valley appeals to an essential base of business, the baby boomers, given their desire to retire in a place with good weather, a high quality of life, and many recreational opportunities. Yet over the past few years, millennials have increasingly looked to the Coachella Valley, for its vibrant music festival scene, its summer pool parties, and its desert characteristics, as a weekend getaway. At the beginning of the decade, the Coachella Valley's economy continued experiencing difficult short term economic challenges mostly due to the lengthy recession impacting the U.S. and the hangover from the mortgage crisis that affected Southern California's residential markets. However, the valley's economy has recovered well in the post-recession environment, though occupancy levels are unlikely to hit pre-recession peaks in the near future. In 2016, the Coachella Valley's economy displayed positive indicators coming from the tourism, health care, agriculture, retail trade and housing industries, along with a large growth in hotel demand compared to the previous year. With improving economic conditions forecast for the remainder of 2017 combined with new attractions and events in the Coachella Valley, as well as hundreds of millions of dollars of hotel improvements in recent years, prospects for the tourism industry appear bright.

Economic Indicators

As urban sprawl has continued beyond the Inland Empire, residential development has flourished in the Coachella Valley. This is especially true thanks to its role as a destination for national tourism, conventions, and off-season living, as well as its potential as a home to aging baby boomers looking to retire in a recreational mecca. Additionally, its agricultural production and medical care add to the economic diversity of the area. These trends have carried over to the local hotel market in recent years and particularly the high-end hotel market, which began to rebound as pent-up leisure demand returned to the marketplace. The past few years have seen favorable economic conditions and with similar conditions forecast for the next year, new attractions and events in the Coachella Valley, including the wildly popular Coachella Valley Music and Arts and Stagecoach festivals, and hundreds of millions of dollars of hotel improvements as well as new hotels opening downtown. All signs point to continued growth in the Coachella Valley.

Employment

Due to the extreme seasonality, the Coachella Valley region experiences lower unemployment during the fall, winter, and spring months as there is an influx of seasonal and special event visitors. The highest unemployment rates are historically found during the summer months and then improve come September, when job gains occur in the education and government sectors.

In 2014, the national unemployment rate was 5.6 percent, which is 1.5 points lower than the previous year. In 2015, the unemployment rate was at 5.0 percent, which is the lowest unemployment has been since 2008, at the beginning of the recession. About half of that decline was due to new job growth. In 2016, the unemployment rate was at 4.7 percent, which is the lowest unemployment has been since 2008 at the beginning of the recession. About half of that decline was due to new job growth. By the end of 2016, California's statewide unemployment rate decreased to 5.0 percent down 0.7 percentage points from the previous year. The unemployment rate in Riverside County was at 5.3 percent at the end of 2016. The following table details the historical annual unemployment rate over the past three years.

Unemployment Rate Comparison

	December		
Location	2014	2015	2016
Riverside County	7.1%	6.0%	5.3%
California	7.1	5.7	5.0
U.S.	5.6	5.0	4.7

Source: U.S. Bureau of Labor Statistics

Presented in the following table are unemployment statistics for each of the Coachella Valley's named communities, including year-end 2014, 2015, and 2016 unemployment rates.

Unemployment Rate Comparison

	December		
City	2014	2015	2016
Cathedral City	6.7%	4.9%	4.6%
Coachella	12.6	9.3	8.8
Desert Hot Springs	9.8	7.2	6.8
Indian Wells	6.0	4.3	4.1
Indio	8.9	6.5	6.2
La Quinta	5.2	3.8	3.6
Palm Desert	5.9	4.3	4.0
Palm Springs	6.8	4.9	4.6
Rancho Mirage	7.0	5.1	4.8

Source: U.S. Bureau of Labor Statistics

The Coachella Valley was hit harder by the negative effects of the recession, with an estimated GDP decline that is significant by historical standards, when compared to most other regions in the Inland Empire. The sectors of employment that suffered the most were the industries with some of the highest salaries in the area, such as construction and financial services. This, coupled with the decline in government employment, created a near-perfect economic storm. The composition of the Coachella Valley economy, with its reliance on high paying manufacturing and construction jobs, which seemed to work in the Coachella Valley's favor prior to the recession, made the economic meltdown a tough situation to recover from. Yet the region has recovered and growth is predicted to continue for the next few years. The region has recovered jobs by making gains in healthcare and education, although it has been unable to recover the construction jobs lost during the recession. The recent job growth has been significant, but as an article in the *Desert Sun* notes, the post-recession trade-off has been lower-paying healthcare jobs to account for the losses in the construction and manufacturing sectors. Nonetheless, local economists predict that the recovery in employment will help drive the real estate market subsequently incentivizing new construction and therefore construction jobs. The outlook for economic growth in the region is, therefore, quite positive.

Seasonality

The Coachella Valley exhibits a high degree of seasonality in demand. The length of each season is a function of weather and the timing of holidays. The high season occurs between January and April, when the weather is most desirable and the hotels exhibit the highest occupancies and rates. There is more travel by individuals rather than groups during this period. During the high season the number of special events and festivals that occur in the Coachella Valley typically result in occupancy levels in the 80 percent range and hotels often sell out during weekends given the large influx of weekend visitors from Southern California. Events such as the Coachella and Stagecoach Music Festivals and BNP Paribas Open tennis tournament attract hundreds of thousands of visitors to the Coachella Valley.

The shoulder seasons occur from May through June and from October through December. Since there are fewer individual travelers during this period, the hotels focus on attracting a higher proportion of group business. The low season occurs in the summer months of July, August, and September due to the increase in temperature. Individual travel during the low season outnumbers groups, which are reluctant to commit to room blocks during potentially intense heat periods, whereas individual travelers can opportunistically capitalize on low seasonal summer rates when fluctuations in the normally high season temperatures permit. The following table illustrates an estimate of the monthly occupancy and average room rates experienced by hotels in the Coachella Valley for the trailing twelve-month period ended July 2017, and the monthly and the year-over-year RevPAR (revenue per available room) change from the prior year.

Coachella Valley Monthly Hotel Trends*

Trailing 12 Month as of July 2017

	Occupancy	Average Daily Rate	RevPAR	RevPAR YOY Change
August 2016	48.2%	$114.65	$55.26	9.2%
September 2016	58.3	141.17	82.30	22.1
October 2016	67.7	216.39	146.50	56.8
November 2016	66.1	186.05	122.98	15.5
December 2016	56.2	161.26	90.63	13.8
January 2017	68.2	177.23	120.90	0.2
February 2017	77.7	207.51	161.32	10.1
March 2017	84.2	250.30	210.73	5.6
April 2017	77.6	274.85	213.39	12.9
May 2017	59.5	175.63	104.53	-2.5
June 2017	58.7	138.24	81.08	19.8
July 2017	64.3	87.25	56.13	17.8
Annual	65.6%	$177.54	$116.41	-

*Based on sampling of Coachella Valley hotels totaling approximately 10,800 rooms

Source: CBRE Hotels

Palm Springs International Airport

Palm Springs International Airport (PSP) is the only commercial airport in the Coachella Valley. It is considered to be a potential positive growth factor as it works to meet the challenge of a potentially expanding convention market and tourism-based economy. However, the airport inhibits growth in the Valley as frequency is reduced during the summer to match demand, which poses a challenge for a destination that would like to reach beyond Southern California as a feeder market. The airport also lacks direct service to many major markets. While the airport offers direct flights to the Mid-West, West Coast, and Canada, direct service to the East Coast is limited, though JetBlue recently added a nonstop flight to New York City. Furthermore, airfares are relatively expensive, putting Palm Springs at a disadvantage in terms of attracting national groups relative to competing destinations, such as Phoenix, Scottsdale, and Tucson.

Presented in the following table are air passenger counts for the years 2007 through 2016, and year-to-date through August 2017. The CAAG (compound average annual growth) for the period was 2.4 percent. Passenger counts reached a pre-recession high of approximately 1.6 million persons in 2007 as the airport experienced record usage by both tourists and area residents. However, in 2008 travel began to wane and this downward trend continued throughout 2009 with passenger traffic declining to a four-year low of approximately 1.5 million passengers. Since that time, air travel has been on the upswing again, with year-over-year growth experienced in each of the last seven years, with the exception of 2015, which is primarily due to 2014 being a historic year in terms of total passengers.

Palm Springs International Airport
Annual Passenger Traffic

Year	Total Passengers	Percent Change
2007	1,610,943	N/A
2008	1,542,924	-4.2%
2009	1,465,751	-5.0
2010	1,495,167	2.0
2011	1,511,150	1.1
2012	1,727,122	14.3
2013	1,752,180	1.5
2014	1,914,402	9.3
2015	1,888,657	-1.3
2016	1,998,206	5.8
CAGR	2.4%	-
YTD 8/16	699,505	N/A
YTD 8/17	719,818	3.9%

Source: Palm Springs International Airport

Year-to-date figures through August 2017 show an increase of 3.9 percent in enplaned and deplaned passengers over the same period last year. 2017 is on pace to outperform relative to 2016 figures. Additionally, the CVB is also exploring funding options for further air service subsidies to address off-season and shoulder season airlift capacity.

Convention Activity

As previously mentioned, the Coachella Valley is primarily a tourism-based economy, which generates most of its group demand from self-contained resorts with meeting space and the Palm Springs Convention Center located in Downtown Palm Springs. In 2000, it was determined that the Palm Springs Convention Center was too small to remain competitive with other regional convention centers. To address this issue, the Palm Springs City Council approved the increase of transient occupancy tax for local hotels in order to subsidize the 100,000 square feet expansion of the existing center. In September 2005 the center's expansion was completed allowing it to accommodate approximately 60 percent more groups, although demand did not materialize as projected, in the immediate term.

Booking numbers in 2009 and 2010 were historically low for the Convention Center but as business began to return to more normalized levels in 2011, the Convention Center, Palm Springs, and neighboring cities within the Coachella Valley began to benefit. According to the most recent data provided by the CVB in the Palm Springs Convention Center Bookings Calendar report, group business continues to rebound, with approximately 66,000 room nights for 2014, compared with approximately 52,000 room nights actualized in 2013, which represents a 22.8 percent increase. 2015 was solid as the CVB's booking pace for 2015 exceeded its target goal by 7.0 percent.

Palm Springs Convention Center
Historical Convention Center Bookings

Year	Number of Events	Room Nights Consumed	Percent Change	Average Room Nights per Bookings	Total Attendance
2008	134	48,597	-19.3%	363	124,555
2009	112	46,701	-3.9	417	91,988
2010	82	39,281	-15.9	479	102,270
2011	101	56,920	44.9	564	129,350
2012	91	53,743	-0.1	591	146,264
2013	100	52,129	-8.4	521	120,578
2014	102	65,994	22.8	N/A	130,460

Source: Palm Springs Convention Center

The following table shows the total future room nights booked in the Coachella Valley by the Greater Palm Springs CVB for years 2017 through 2022. It should be noted that this includes convention groups, as well as self-contained meetings booked by CBS sales staff to be held at member hotels. While 2015 outpaced its target goals, CVB executives are also confident that 2016 did the same and 2017 is shaping up to be a strong year from a group booking standpoint, which bodes well for the whole valley.

Palm Springs Convention & Visitors Bureau
Future Bookings

Year	Number of Events	Definite Room Nights Booked	Average Room Nights per Booking	Room Night Target Pace	Pace Percentage
2017	69	88,376	1,280	88,584	100
2018	32	54,837	1,713	49,938	110
2019	14	28,384	2,027	29,266	97
2020	7	11,436	1,633	15,360	74
2021	4	8,328	2,082	5,938	140
2022	1	1,900	1,900	3,254	58

Source: Greater Palm Springs Convention & Visitors Bureau

Transient Occupancy Tax Trends

Below is a snapshot of the transient occupancy tax (TOT) collected from each city in the Coachella Valley from 2007 through 2016, for fiscal years ending June 30; the most recent comprehensive data available. According to the most recent data available, transient occupancy collections increased in all cities in the Coachella Valley communities in 2015/2016. According to the Greater Palm Springs CVB and the City of Palm Springs (the largest municipal generator of TOT in the Coachella Valley) Finance Department, business and tourism grew overall every month in fiscal year 2015/2016. City officials attribute the success both to improving market conditions and to the more than $200 million reinvestment in hotel stock by hotel owners, resulting in newer, and more refreshed hotel product. The following table shows that although Indio has shown the most growth during this ten-year period on a CAAG basis, Palm Springs contributes approximately 37.7 percent of the TOT for the entire valley. According to the City of Palm Springs (the largest municipal generator of TOT in the Coachella Valley) Finance Department, significant growth has been experienced in each fiscal year since 2011. City officials attribute the success to the addition of new hotel supply and a successful international and domestic marketing strategy.

Coachella Valley Transient Occupancy Tax
(Amounts in $000)

City	Rate	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAAG
Cathedral City	12.00%	$1,575	$1,632	$1,150	$1,023	$999	$1,136	$1,114	$1,350	$1,447	$1,771	1.3%
Desert Hot Springs	10.00	969	984	934	892	1,090	1,089	1,221	1,314	1,352	1,505	5.0
Indian Wells	11.25*	5,940	5,874	4,805	4,294	4,802	5,690	6,342	6,329	6,407	6,742	1.4
Indio	10.00	1,818	2,070	1,941	1,845	1,945	2,547	2,820	3,078	3,860	4,520	10.6
La Quinta	11.00	5,448	5,327	4,481	4,265	4,738	5,447	5,981	6,286	6,615	7,835	4.1
Palm Desert	9.00	8,620	8,603	7,030	6,848	7,422	8,085	9,189	10,049	10,752	11,225	3.0
Palm Springs	12.50	14,521	13,924	12,753	13,371	15,731	17,874	19,396	22,344	24,487	25,766	6.6
Rancho Mirage	10.00	5,177	5,157	4,634	3,893	4,302	4,291	5,607	5,241	7,783	8,965	6.3
Total		$44,068	$43,571	$37,728	$36,431	$41,029	$46,159	$51,670	$58,005	$62,703	68,329	5.0%

*During FY 2011/12, the TOT rate increased from 9.25% to 11.25%.
Source: Dean Runyan Associates Inc., City Annual Financial Reports

The desert has historically focused on capturing its transient base and maintaining its group market. As challenges presented themselves during a slowing economy, incentive groups and other corporate business significantly decreased with groups shortening their length of stay and traveling alone without their family. However, these trends began to reverse themselves in recent years and all indications are that the worst is behind the Valley. As such, tourism leaders in the valley are optimistic regarding future trends, as they believe travel is inherently tied to the economy and housing market. It is worth noting that the historical TOT data in the previous table presents an accurate picture of increasing room revenues throughout the Coachella Valley's primary cities.

Tourism Activity

With regards to tourism, the number of visitors to the Coachella Valley has risen as tourism in California, in general, increases as well. It is expected that the number of both foreign and domestic tourists will increase steadily in the coming years. The housing market will have to continue to grow in order to accommodate population growth both in Riverside County and the Coachella Valley. This should generate increased activity in the construction and finance industries, specifically. Economists are optimistic that this uptick will continue well into 2018. It is believed that government employment has stabilized, albeit at a lower level than during the boom years, as tax receipts recover. The positive from the depressed levels of economic activity over the recession years is that there has been more diversity in job creation as healthcare and professional business services in the Coachella Valley area have grown, which should make the region less susceptible to the extreme swings experienced over the last decade.

According to recent estimates detailed in the Coachella Valley economic partnership's report, the Coachella Valley experienced growth in jobs and revenues in 2016, driven primarily by gains in the tourism sector, healthcare, and construction sector as well as the continued strength of the residential market. Unsurprisingly, the tourism sector represented the largest sector of the local economy. Housing prices have also increased: as the July 2017 median home price was up 8.0 percent from the same time in 2016, and sales was down slightly, dropping 4.1 percent year over year. As the Inland Empire as a whole continues to outpace the rest of California, in terms of job creation, growth in the Coachella Valley should continue, especially in regions with land available for development.

Hotel Market Analysis

While the economic crisis of the last decade undoubtedly took its toll on the Coachella Valley, as it did on much of the United States, by all accounts the industry has turned the corner. With a steady, but slow overall recovery, the Valley's main industries of tourism, retail sales, and agriculture are helping to maintain steady growth. Increased visitation from Canadian tourists and more recently, an increase in visitors from the greater New York area due to new direct air service has only furthered these positive trends. A recent drop in Canadian tourism due to the weakening of the Canadian dollar has been combatted by increased visitation from other destinations. Further, the Coachella Valley still appeals to its essential base of business, the baby boomers, given their desire to retire in a place with good weather, a high quality of life, and many recreational opportunities. This coupled with the growing base of millennial travelers that see the valley as a desert getaway with a unique history and an artistic vibe, has helped to raise area demand levels. Furthermore, demand from the leisure and group segments has continued to exhibit growth. It is our opinion that Coachella Valley's reputation as an established resort location will allow the destination to continue to grow as the economy continues its upward path, albeit at a much slower rate as general economic trends suggest. Though, given the attractiveness of the Coachella Valley to leisure travelers and the Valley's proximity to the Los Angeles Basin and more than 20 million residents, it's well positioned to continue to be a preferred leisure destination.

While there are over five million annual room nights available in the overall Coachella Valley, the following analysis represents the sum of the selected hotels in our submarkets that we believe best represent the overall lodging market. Our representative sample set comprises approximately 75 percent of the total room nights in this market. The historical and estimated performance of our sampling of the overall Coachella Valley lodging market is presented in the following table.

Coachella Valley Market
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	3,698,629	N/A	2,107,203	N/A	57.0%	$142.28	N/A	$ 81.06	N/A
2013	3,703,079	0.1%	2,130,949	1.1%	57.5	150.98	6.1%	86.88	7.2%
2014	3,748,659	1.2	2,234,847	4.9	59.6	161.90	7.2	96.52	11.1
2015	3,756,945	0.2	2,234,785	0.0	59.5	165.01	1.9	98.16	1.7
2016	3,756,945	0.0	2,376,368	6.3	63.3	176.11	6.7	111.39	13.5
2017E	3,785,520	0.8	2,453,636	3.3	64.8	180.29	2.4	116.86	4.9
2018F	3,907,690	3.2	2,526,251	3.0	64.6	184.39	2.3	119.21	2.0
CAAG	0.9%		3.1%			4.4%		6.6%	

Source: CBRE Hotels

For our representative sample in 2017, with the June 2017 opening of the Fairfield Inn and Suites Palm Desert we estimate an increase in occupied rooms of 3.3 percent resulting in an occupancy of 64.8 percent, while average daily rate (ADR) is estimated to increase by 2.4 percent to $180.29. As a result, RevPAR is expected to increase by 4.9 percent to $116.86 by the end of 2017. In 2018, we anticipate that leisure and group travel will continue to show improvement. Annual supply within the market is anticipated to increase by 3.2 percent in 2018 with the anticipated late November 2017 opening of the Kimpton Rowan Hotel in downtown Palm Springs and the anticipated January 2018 opening of the Autograph Collection El Paseo Hotel in Palm Desert. As such, we have projected growth in demand of 3.0 percent and a 2.3 percent increase in ADR, resulting in year-end occupancy of 64.6 percent at an

ADR of $184.39. As a result, RevPAR is projected to increase to $119.21 in 2018, an increase of 2.0 percent.

Additions to Supply

Based on our research and findings the table below details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the Coachella Valley market.

Lodging Forecast - Additions to Supply				
Hotel Name	City	Submarket	Room Count	Opening Date
Kimpton Rowan Hotel	Palm Springs	Palm Springs/Cathedral City	155	November 2017
El Paseo Hotel	Palm Desert	Down Valley Select-Service Hotels	150	January 2018
Source: CBRE Hotels				

INDIVIDUAL MARKET ANALYSIS

Similar to our forecast last year, we have considered all properties located in Palm Springs, Cathedral City, Palm Desert, Rancho Mirage, La Quinta, Indian Wells, Desert Hot Springs, Indio, and Coachella and then categorized them into three defining submarkets, in an effort to make the data more meaningful. Due to extreme seasonality and some of the large events such as the Coachella Music Festival and the BNP Paribas Open, most hotels, across the three markets, will compete with each other at some point during the year. However, based on our analysis of market trends, the Coachella Valley hotel market has been divided into three main areas: Palm Springs/Cathedral City, Down Valley Resorts, and Down Valley Limited and Select-Service Hotels.

PALM SPRINGS/CATHEDRAL CITY

Palm Springs

According to the California Department of Finance, the 2017 population of Palm Springs was estimated to be over 47,400 people. Permanent resident population in Palm Springs has grown 15.0 percent since 1990. In addition to the permanent population, another 29,000 to 32,000 people live in the city on a part-time basis, bringing the total population to more than 80,000 residents at various times of the year. Approximately two and a half to three million tourists that stay in hotels visit the Coachella Valley annually and it is estimated that a third of these tourists stay in hotels in the City of Palm Springs.

Palm Springs has many attributes that enhance the reputation of the valley, including the international airport, the village center, the convention center, upscale hotels and resorts, the Desert Museum, and a picturesque setting and climate. But in order to maintain this reputation and sell the Valley as a resort destination, the city has taken steps to revitalize downtown. This desert submarket had been affected by the economic downturn in previous years, followed by a slow convention pace and a demand shift toward the down-valley areas. Conversely in the past couple years; Palm Springs has seen growth, given the number of retail developments in planning and ongoing expansion of the tourism industry. In addition, Palm Springs remains the most popular city within the Coachella Valley. With extensive hotel construction underway and the development of mixed-use projects, it is apparent the city is taking steps to transform itself into an entertainment, cultural, and lifestyle destination. The city is also realizing that the expanded convention center has potential to attract larger, more upscale groups; the convention center has seen significant expansion in booking numbers. Therefore, there is a continuing need for more sophisticated guestrooms and facilities.

Additionally, since the 1920's Palm Springs has been Hollywood's desert playground for celebrities looking to relax and escape the hustle of showbiz. The legendary "Two-Hour Rule" of Hollywood studios, which mandated that actors be within two-hours from the studio in case of last minute film shoots, helped put Palm Springs on the map as a Hollywood getaway. The connection with Hollywood has remained and continues to add to the lure and glamor of Palm Springs as a luxury destination. As a result, a new generation of Hollywood A-listers has succumbed to the lure of the desert and the relaxing privacy it offers. Palm Springs is being rediscovered by today's Hollywood stars, especially during the Palm Springs International Film Festival held annually in January.

Palm Springs is beginning to see the results of city-wide improvement from Measure J funding, which is a voter-approved local revenue measure that maintains local community services and continues to economically revitalize downtown Palm Springs. The voters approved a 1.0 percent sales and use tax increase for the next 25 years, which is anticipated to generate $200 million to be spent to enhance neighborhood services and safety, reinvesting in streets and parks, and specifically to earmark $43 million, which was for the demolition of the 44-year-old Desert Fashion Plaza and the creation of a new retail and entertainment center, developed through a public private partnership. In addition to redeveloping the mall property, Measure J money will continue to go toward city capital projects such as street repairs, park improvements and other infrastructure needs. The first phase of the Desert Fashion Plaza project began at the end of 2014. The focal point of the Block C redevelopment is the Kimpton Rowan Palm Springs Hotel, that will open in November of 2017. With extensive hotel renovations and the development of mixed-use projects, the city has taken steps to transform itself into an entertainment, cultural, and lifestyle destination, making it well positioned to attract larger, more upscale groups in upcoming years.

Cathedral City

Cathedral City is Coachella Valley's second largest city by population and is the estimated home to more than 54,000 residents. It ranks in the top three cities in the Coachella Valley in terms of retail sales and total taxable sales, and serves as a destination of pleasant neighborhoods, championship golf courses, country clubs, diverse shopping, and business potential. In addition, the city boasts a diverse and affordable real estate market.

Incorporated in 1981, Cathedral City is dedicated to providing a quality lifestyle and business climate for the current and future residents and visitors. Strategically located, with borders on both sides of Interstate 10, Cathedral City provides opportunity for expanding and relocating businesses. In recent years, Cathedral City has undergone major changes that have also affected other cities in the region. Population has grown, once-rural roads have become busy commercial corridors, and business activity has shifted from older centers to shopping plazas and malls in scattered locations. Through a public workshop process, the community resolved to revitalize the city's social and physical center. Cathedral City has committed itself to creating a unique, high quality downtown that is the heart of the city's community pride and identity, bringing with it expanded opportunities for employment, housing, business and entertainment.

The revitalization strategy of Cathedral City's city center will continue to focus on the site of the historic downtown area in an effort to bring value and cache to this disinvested commercial strip. The master plan includes both public and private investment to reorganize East Palm Canyon Drive into a "Grand Boulevard" with frontage to include a broad promenade for outdoor cafes, storefronts, and a protected, slow-traffic lane with angled parking. Downtown Cathedral City will ultimately consist of a centrally located Downtown Core flanked by mixed-use commercial districts to the south, east, and west. The

Downtown Core will consist of a tight cluster of commercial, entertainment and mixed-use buildings. Design guidelines for the area will ensure the addition of lush landscaping including flowers, arbors, colonnades, and window boxes. The new Downtown Core began to emerge as the focal destination of the Boulevard with the development of the Desert IMAX Theater and the Mary Pickford Theater, both of which are linked together by the new Civic Center. Furthermore, the ultra-modern Cathedral City Public Library provides a host of exhibits, historical collections, art, computer services and books from around the world. Cathedral City is home to four parks, which offer a variety of fun-filled activities for the whole family. Other attractions in Cathedral City include the 28-acre Big League Dreams Sports Park, the public Cimarrón Golf Resort, and antique and consignment shops along Perez Road.

Hotel Renovations, Changes in Ownership, and Proposed Development

According to the Convention and Visitors Bureau, more than $2 billion has been invested in the hospitality industry since 2007, as several hotels renovated or expanding their properties, complimenting the area's repositioning. For instance, the Wyndham Hotel, previously owned by Highland Hospitality as of mid-2005, was purchased in 2007 by JER Partners. This property's success was inherently linked to the convention center and as a result, the city had a vested interest in ensuring its quality level. The city contributed several million dollars towards the Product Improvement Plan that was completed at the end of 2010. The approximately $25 million renovation to the property included the exterior and interior areas, including a new curb side front, fountain, Porte cochere, and re-designed lobby into Marriott's "great room." The renovation also included the refurbishment of all meeting space, sleeping rooms and the pool area. Following the renovation, the property was converted from a Wyndham Hotel to the Renaissance Palm Springs.

In 2012, the Hilton Palm Springs began an $11 million renovation that was completed in January 2013. The renovation included improvements to the guestrooms and suites, lobby, meeting space, and the Terrace Restaurant in January 2013. As part of its renovation, standard guestrooms at the Hilton Palm Springs were converted to presidential suites, bringing the room count from 261 down to 257. The Hard Rock Hotel Palm Springs, formerly the Hotel Zoso, closed in July of 2013 to complete a multimillion dollar renovation and reopened in October 2013, introducing 163 guestrooms to the market. This hotel features 20,500 square feet of meeting space, a VIP rock star suite, gym facility, spa, retail shop, a restaurant and "local hotspot lobby bar." True to Hard Rock's musical roots, music and pop culture lovers are treated to music memorabilia lining the hotel walls from local and global icons, and builds upon the area's rich music traditions like the Coachella and Stagecoach music festivals.

The Triada Palm Springs, a Marriott Autograph Collection hotel, opened November 1, 2014. Located in the Movie Colony area, this 56-room property is the completion of a renovation that began prior to the economic downturn. This Spanish-style hotel features the Illuminara Restaurant & Lounge, a spa with four treatment rooms, and an outdoor heated pool. 2016 saw the opening of the 25-room Arrive Hotel and Restaurant in the north end of the Uptown Design District proximate to the subject hotel. The owner, Ezra Callahan, is a tech entrepreneur and the sixth employee of Facebook who is now investing in the desert oasis; the hotel is driven by the restaurant and focuses on attracting local guests to the food and beverage concept. Additionally, the L'Horizon Hotel underwent a significant renovation and opened as a hotel this year.

Other notable hotel updates in the area included the conversion of the Holiday Inn Palm Springs to the Saguaro Palm Springs. In September 2011, Sydell Group acquired the 229-room Holiday Inn Palm Springs for approximately $10.2 million. The hotel was closed upon acquisition and an approximately $10.0 million renovation was completed to reposition the hotel as the 245-room Saguaro Palm Springs.

Saguaro was one of Joie de Vivre Hospitality's (JDV) boutique brands that began making its way to the United States in 2011, with the first opening happening in Scottsdale, Arizona. The hotel recently left the JDV brand to be managed by Sydell group last year. The 285-room Doral Desert Princess Resort completed a renovation and was rebranded as the Doubletree Cathedral City in December 2015. The recently repositioned Riviera Hotel converted to a Starwood property in 2016, being rebranded into Starwood's Tribute portfolio. Additionally, the Avalon Palm Springs was added to Starwood's design collection this year. Finally, the 229-room Spa Casino Hotel was recently closed and has been demolished. A new hotel is planned just north of the existing hotel, but no details or timelines have been announced.

We are aware of one major hotel development that will open in Palm Springs in 2017 after being in the development stage for some time. The Rowan Palm Springs will be the first new-build, full-service hotel in Palm Springs in decades. The 155-room Rowan Hotel by Kimpton will be developed as part of the Desert Fashion Plaza redevelopment and is anticipated to open in late 2017. The Rowan is proposed to feature a lively rooftop bar and pool, a chef-driven, destination restaurant and more than 24,000 square feet of total event and meeting space. Benefiting from an estimated $43 million in subsidies provided to the overall Plaza redevelopment by Measure J, the lifestyle hotel will be constructed as part of a larger 13.2-acre development spanning mostly the area south of the Hyatt Regency on Palm Canyon Drive down to Tahquitz Canyon Way that will also include retail, restaurants, and office space.

Hotel Market Analysis

In 2017, occupied rooms are estimated to increase by 5.3 percent, and ADR is estimated to increase by 1.2 percent, which would bring the occupancy at year-end to 63.9 percent and the ADR to $158.26. In 2018, available rooms are projected to increase by 3.0 percent due to the Kimpton Rowan Hotel entering the market in late 2017. Occupied rooms are projected to increase by 3.0 percent, as not all the additional supply will initially be absorbed, and average daily rate is projected to increase by 2.5 percent in 2018, which will result in an occupancy of 63.1 percent, ADR of $162.22 and a RevPAR of $102.32.

Palm Springs & Cathedral City
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,219,465	N/A	652,151	N/A	53.5%	$133.78	N/A	$71.54	N/A
2013	1,220,195	0.1%	667,907	2.4%	54.7	133.92	0.1%	73.30	2.5%
2014	1,200,850	-1.6	699,470	4.7	58.2	141.55	5.7	82.45	12.5
2015	1,176,395	-2.0	663,108	-5.2	56.4	145.95	3.1	82.27	-0.2
2016	1,176,395	0.0	717,323	8.2	61.0	156.45	7.2	95.40	16.0
2017E	1,181,975	0.5	755,039	5.3	63.9	158.26	1.2	101.10	6.0
2018F	1,232,970	4.3	777,690	3.0	63.1	162.22	2.5	102.32	1.2
CAAG	0.2%		3.0%			3.3%		6.1%	

Source: CBRE Hotels

DOWN VALLEY: RESORTS

The Down Valley resorts in the Coachella Valley are located in the upscale cities of Rancho Mirage, Palm Desert, Indian Wells and La Quinta. The Two Bunch Palms Resort & Spa is considered part of this submarket; however, it is located outside of the designated resort area in the city of Desert Hot Springs.

With the exception of Desert Hot Springs, the above-mentioned cities represent the more exclusive communities within the Coachella Valley. Palm Desert is the retail center of the valley, featuring over

1,000 retail establishments in more than 14 shopping districts including the area's only regional mall, the Palm Desert Town Center and El Paseo, an upscale boulevard of fine clothing shops. Rancho Mirage is home to The River, a $50 million retail, dining, and entertainment development located on Highway 111 in the heart of Rancho Mirage. Significant leisure demand is generated from these retail facilities, as well as from the numerous recreational amenities in the area, such as golf, tennis, and spa facilities.

The cities of Indian Wells and La Quinta consist largely of residential neighborhoods. Hotels in these communities are primarily self-contained resorts catering to groups, and to a lesser extent, transient leisure business. Development in the Coachella Valley continues moving eastward as further commercial, residential, and mixed-use projects proceed. As this trend continues, the economy will further strengthen in the cities of Indian Wells and La Quinta. La Quinta's crown jewels continue to be La Quinta Resort and the SilverRock golf course.

The down valley resorts benefited from the record number of fans (an upwards attendance of 457,000) who attended the BNP Paribas Open tennis tournament in 2015, and while the attendance numbers for 2016 were slightly below these record levels at 438,000, the Open continues to be a significant draw. A major expansion of the Indian Wells Tennis Garden (IWTG) in 2013/2014 included the addition of 8,000 permanent seats, three fine-dining restaurants and new concession, exhibition and parking spaces. The IWTG is home to the world's second-largest tennis stadium. In July 2014, the United States Tennis Association announced that the facility received the featured facility of the year award. In 2016, approximately 594,000 people attended the Coachella Valley Music and Arts Festival, and more than 210,000 attended the Stagecoach Country Music Festival, which are held on the Indio polo fields. In 2016, the council approved raising the total number of Coachella attendees to 750,000 for future festivals. In May 2016, Goldenvoice announced plans for a megafest to take place over two weekends in October at the Empire Polo Grounds, entitled Desert Trip. The festival was intended to attract an older demographic by featuring six of the most famous rock n' roll performers as headliners including The Rolling Stones, Bob Dylan, and Paul McCartney and occurred in October of 2016. The festival is anticipated to have attracted approximately 90,000 attendees per day by capitalizing on the baby boomer population that resides in the Coachella Valley and throughout Southern California, as well as attracting nationwide visitors. The concert attracted was held over two weekends, and was the most lucrative music festival of all time, generating $160 million dollars in revenue. Goldenvoice has announced that they will not be holding a Desert Trip festival in 2017, but have not ruled out the possibility of future events.

Hotel Renovations, Changes in Ownership, and Proposed Development

The Ritz-Carlton Rancho Mirage opened its doors in May of 2014. The former Lodge at Rancho Mirage closed its 240 rooms in 2006 before commencing a major renovation. However, when the project's primary lender and equity partner, Lehman Brothers, filed for bankruptcy in September 2008 the project was put on hold indefinitely. In 2010, Rancho California Investments purchased the property, but was unable to move forward with the planned development. The conversion was finally completed, and the resort reopened in early May 2014.

The JW Marriott Desert Springs Resort & Spa completed a $36 million renovation of its 884 guestrooms and suites, guestroom corridors, and meeting space, in 2013. The resort also added three new restaurants: Fisherman's Landing, Rockwood Grill, and the Bluestar Lounge. The renovation also included both the Palm and Valley golf courses.

In 2008, the Hyatt Grand Champions Resort and Spa added the Lantana restaurant and 24 luxury villas, which increased the hotel's room count to 530. In 2011, the Hyatt Grand Champions began a $3 million renovation project which included its penthouse suites, the Agave Sunset Lounge, the hotel lobby and front desk area. The second phase of the lobby renovation and the guestroom corridors was completed in 2012, and the restaurant and bar patios were completed in 2013. In order to complete these renovations, without negatively impacting the guest experience, the hotel closed for three to four weeks each summer. In August of 2012, the hotel was renamed the Hyatt Regency Indian Wells Resort & Spa. The La Quinta Resort and Club completed a renovation of its guest rooms in 2014.

Hotel Market Analysis

For 2017, available rooms are estimated to remain flat with no additions to the market, with an increase in occupied rooms of 0.6 percent, resulting in occupancy of 62.6 percent for the year. ADR is estimated to increase 4.1 percent to $231.97, which will result in RevPAR of $145.26, an increase of 4.8 percent. For 2018, we forecast occupied rooms to increase by 1.0 percent resulting in an occupancy of 63.3 percent as well as a 3.0 percent growth in ADR, resulting in a year-end average daily rate of $238.87.

Down Valley Resorts
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,549,144	N/A	887,595	N/A	57.3%	$174.93	N/A	$100.23	N/A
2013	1,552,864	0.2%	894,642	0.8%	57.6	192.95	10.3%	111.16	10.9%
2014	1,624,085	4.6	947,160	5.9	58.3	206.62	7.1	120.50	8.4
2015	1,658,925	2.1	976,689	3.1	58.9	208.71	1.0	122.88	2.0
2016	1,658,925	0.0	1,032,696	5.7	62.3	222.69	6.7	138.62	12.8
2017E	1,658,925	0.0	1,039,049	0.6	62.6	231.91	4.1	145.26	4.8
2018F	1,658,925	0.0	1,049,440	1.0	63.3	238.87	3.0	151.11	4.0
CAAG	1.1%		2.8%			5.3%		7.1%	

Source: CBRE Hotels

DOWN VALLEY: LIMITED AND SELECT-SERVICE HOTELS

Down Valley features an array of limited and select-service hotels, ranging in product from Motel 6 to Courtyard by Marriott. This submarket also includes smaller independently operated budget hotels. The hotels included in this submarket are located within all down valley cities, specifically in Indio, Coachella and Desert Hot Springs, as well as Palm Desert and Rancho Mirage.

The cities of Indio and Coachella are located both to the north and south of Highway 111 in Coachella Valley, and hotels in this sub-market are largely smaller motels catering to transient leisure demand traveling to the Coachella Valley or to the Joshua Tree National Park. Desert Hot Springs is a unique city of spas and resorts located 110 miles east of Los Angeles nestled in the foothills of the San Bernardino Mountains and Joshua Tree National Park, overlooking Palm Springs and the down valley cities. Desert Hot Springs is built over one of the world's finest natural hot mineral water aquifers.

Hotel Renovations, Changes in Ownership, and Proposed Development

The Fairfield Inn in Palm Desert caught fire and closed its doors in April 2014, and plans to re-open as a Springhill Suites are in place, although construction has been on hold. An 89-room Holiday Inn Express opened in March 2014 and is located at 84054 Indio Springs Drive in Indio near the Fantasy Springs Resort Casino. Additionally, a new El Paseo Hotel is slated to open in early 2018 as part of Marriott's Autograph collection with amended plans for a three-story hotel. The $36 million hotel will include 150 rooms and will be well-positioned to take advantage of area demand generators including the high-priced El Paseo shopping district and add to amenities in the region. Finally, a 108-room Fairfield Inn and Suites in Palm Desert recently opened in June of 2017.

Hotel Market Analysis

For 2017, we estimate that occupied room nights and ADR will increase by 5.3 percent and 1.9 percent, respectively, resulting in an occupancy of 69.8 percent at a $124.17 average rate. As a result, RevPAR is estimated to increase by 4.7 percent to $86.70 in 2017. In 2018, we forecast annual supply to increase by 7.5 percent with the opening of the El Paseo Hotel, while occupied rooms will increase by 6.0 percent resulting in a drop in occupancy to 68.8 percent. We project ADR to grow by 2.5 percent resulting in an ADR of $127.28 and a RevPAR of $87.60.

Down Valley Limited and Focused-Service Hotels
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	930,020	N/A	567,457	N/A	61.0%	$100.99	N/A	$61.62	N/A
2013	930,020	0.0%	568,399	0.2%	61.1	104.97	3.9%	64.15	4.1%
2014	923,724	-0.7	588,216	3.5	63.7	114.08	8.7	72.65	13.2
2015	921,625	-0.2	594,989	1.2	64.6	114.53	0.4	73.94	1.8
2016	921,625	0.0	626,349	5.3	68.0	121.82	6.4	82.79	12.0
2017E	944,620	2.5	659,548	5.3	69.8	124.17	1.9	86.70	4.7
2018F	1,015,795	7.5	699,121	6.0	68.8	127.28	2.5	87.60	1.0
CAAG	1.5%		3.5%			3.9%		6.0%	

Source: CBRE Hotels

Santa Barbara County

Santa Barbara County

EXECUTIVE SUMMARY

Santa Barbara is considered one of the most prestigious California destination markets due to more than 50 miles of beautiful coastline, great beaches, world-class wineries, mild climate, its artists' colony, and exclusive shopping all in a picturesque setting. Located 95 miles north of Los Angeles on the Pacific Ocean, Santa Barbara has been a well-known vacation spot since before the 1920s. The county is made up of eight cities and four of the Channel Islands and features beautiful Spanish-style architecture, reflecting Old California and the Santa Barbara Mission. The city's relaxed beachfront ambiance, reminiscent of the French Riviera, continues appealing to visitors in the regional areas and internationally. Santa Barbara has earned the label "American Riviera," because of it architecture and Spanish culture.

In addition, Santa Barbara County hosts world-class wineries that stretch along 50 miles from downtown Santa Barbara in the south to Santa Maria in the north. The county is home to over 175 wineries that spread across 21,000 acres. Santa Ynez Valley is located approximately 35 miles north of Santa Barbara and consists of six distinctive communities, including Ballard, Buellton, Los Alamos, Los Olivos, Santa Ynez, and Solvang, that feature well-known wineries, upscale lodging, and fine dining amenities. Attractions and activities in the area include Chumash Casino, Cachuma Lake, the Danish village of Solvang, vineyard tours and wine tasting, annual special events, horseback riding, ATV tours, performing arts, golf, fishing, and wildlife viewing.

According to the Employment Development Department (ED.) of California, the top five sectors of Santa Barbara County's economy in 2016 by total number of jobs were state and local government (34,000), leisure and hospitality (27,300), education and health services (26,500), professional and business services (21,800) and agricultural/farm occupations (20,700). The EDD projects that four industry sectors will account for over seventy percent of the county's non-farm job growth through 2024. These four sectors and the associated job growth for each are as follows: leisure and hospitality (5,700); professional and business services (5,600); education and health services (5,000); and government (3,700). The county's level of employment has surpassed the level reached before the Great Recession and is expected to continue growing in the near term. New job creation will continue to occur mostly in the northern portions of the county due to greater housing availability and affordability. The county's coastal region continues to enjoy a strong tourism market, with employment growth in the Leisure and Hospitality industry outpacing every other sector.

Santa Barbara County has seen an average increase in population of 0.8 percent annually since 2007. As of 2016, the population of Santa Barbara County was estimated at approximately 447,300 people. The unemployment rate across the county through July 2017 was 4.7 percent, which is down slightly from the prior year-to-date rate of 5.0 percent. The following table outlines the historical population and unemployment rate in Santa Barbara County.

Population and Employment
Santa Barbara County
2007 – 2016 and YTD July 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAAG	2017*
Population	414,750	418,309	421,197	423,470	424,610	428,584	433,117	438,578	443,143	447,295	0.8%	-
Unemployment	4.3%	5.4%	8.4%	9.4%	8.9%	8.0%	6.8%	5.7%	5.3%	5.0%	-	4.7%

*Unemployment rate estimate as of July 2017
Source: California Department of Finance, State of California Employment Development Department

It is important to note that as a tourist destination, the Santa Barbara County's lodging market is heavily driven by the drive-in markets in the Greater Southern California area, which includes the counties of Los Angeles, Ventura, San Bernardino, Riverside and Orange. With the economies of these counties displaying relatively low unemployment levels and healthy consumer spending, the Santa Barbara County lodging market should continue to benefit from economic growth in these Southern California counties.

The Santa Barbara Municipal Airport (SBA) serves the immediate Santa Barbara area with airlines: American, Alaskan, Delta Connection, Horizon Air, United Express, Express Jet and Allegiant Air providing flights at the airport. Santa Barbara Airport also offers nonstop service and over 40 daily departures to major Western States including Los Angeles, Las Vegas, San Jose, San Francisco, San Diego, Sacramento, Phoenix, Portland, Denver, Dallas, Seattle, and Salt Lake City.

Opened in August 2011, the Spanish Colonial Revival-style airline terminal, which defines the city of Santa Barbara's culture, consists of a 72,000-square foot building with runways capable of accommodating aircraft up to the size of a Boeing 737. The relocation and refurbishment of the 7,000-square foot historic terminal building was completed in November 2012. The Project incorporates sustainable design and is registered with the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED). In January of 2014, SBA completed a pavement rehabilitation project that included removing the surface pavement, filling existing under pavement cracks, and then re-paving a new asphalt surface on one of the three runways.

Due to economic conditions, ongoing Airport Safety Projects, capital improvements, and airlines cutting flights, passenger traffic steadily decreased for Santa Barbara from 2008 through 2015. In 2009, American Airlines discontinued their service to Denver, the airport's most popular destination, and reduced flights to San Jose and Portland. However, the downward trend in passenger volume was reversed in 2016 as the airport added new non-stop service to Dallas Fort-Worth (DFW). The increase in passenger traffic has continued in 2017 as airlines are using larger aircraft with more seating to serve the airport.

Passenger volume at the Santa Barbara Municipal Airport (SBA) fluctuated from approximately 819,000 passengers in 2007 to 651,000 passengers in 2016, representing a compound average annual decline of 2.5 percent. For the trailing twelve months ending June 2017 (the most recent data available), the total passenger count at the Santa Barbara Airport was approximately 686,000 which represents a 9.9 percent increase from the same period in the 2016. Presented in the following table is a summary of airport activity at Santa Barbara Municipal Airport from 2007 to 2016, as well as year to date through June 2017 as compared to the prior period last year.

Santa Barbara Municipal Airport Passenger Volume 2007 – 2016 & YTD 2017	
Year	Number of Passengers
2007	819,000
2008	822,000
2009	747,000
2010	756,000
2011	722,000
2012	728,000
2013	714,000
2014	661,000
2015	626,000
2016	651,000
CAAG	-2.5%
TTM 6/16	624,000
TTM 6/17	686,000
% Change	9.9%
Source: Bureau of Transportation Statistics	

The decline in passenger volume from 2008 through 2015 reflected a similar trend at small to medium size airports across the country. Airline industry consolidation as well as a focus on removing redundant flights and increasing efficiency drove the decline in the number of flights and passenger volume at small and medium size airports in the last decade. The long-term decline reversed in 2016 as Santa Barbara added the Dallas/Fort Worth (DFW) Airport to the list of airports that can be reached on nonstop flights. The Santa Barbara Airport previously had flights through DFW from 2004 through 2009. In addition, in early 2017 both United Airlines and American Airlines announced large increases in available seats arriving and departing from Santa Barbara. United Airlines continues to serve Santa Barbara through San Francisco with six daily flights; however, most flights are now served with larger 150-seat Airbus 320 aircraft which represent the first “mainline” aircraft to serve Santa Barbara since 2001. In April 2017, American Airlines increased its non-stop service from DFW by upgrading from a smaller regional jet to a 128-seat Airbus. The increased service and passenger volume is positive for the county’s business and leisure travel segments.

The following table sets forth the historical and projected supply, demand, occupancy, and average room rate for the overall Santa Barbara County hotel market. The supply for the overall Santa Barbara market is forecast to increase by 3.7 percent in 2017. We have estimated the overall Santa Barbara market to experience a 2.1 percent increase in occupied room nights in 2017, correlating to an occupancy rate of 75.7 percent by year-end 2017. Average daily rate is estimated to increase 3.2 percent to $221.45. The combined changes in occupancy and average daily rate result in a 1.6 percent increase in revenue per available room (RevPAR). In 2018, we forecast an increase of 7.8 percent in occupied rooms amidst a 9.9 percent increase in supply. This results in a market occupancy of 74.3 by year-end 2018. We forecast a 2.5 percent growth in average daily rate in 2018 to result in RevPAR growth of 0.5 percent. It should be noted that while Santa Barbara County as a whole includes approximately 2.3 million rooms on an annual basis, the figures presented in the table below depict only the sum of our aggregated submarkets, which represent approximately 63 percent of the countywide total.

Santa Barbara County
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,980,855	N/A	1,415,645	N/A	71.5%	$174.72	N/A	$124.87	N/A
2013	2,011,241	1.5%	1,460,900	3.2%	72.6	182.57	4.5%	132.61	6.2%
2014	2,015,165	0.2	1,517,573	3.9	75.3	196.45	7.6	147.94	11.6
2015	1,986,573	-1.4	1,533,045	1.0	77.2	207.13	5.4	159.84	8.0
2016	1,986,391	0.0	1,528,988	-0.3	77.0	214.59	3.6	165.18	3.3
2017E	2,060,651	3.7	1,560,904	2.1	75.7	221.45	3.2	167.74	1.6
2018F	2,265,190	9.9	1,683,419	7.8	74.3	226.89	2.5	168.63	0.5
CAAG	2.3%		2.9%			4.5%		5.1%	

Source: CBRE Hotels

Additions to Supply

Based on our research and findings the table below details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the Santa Barbara County market.

Lodging Forecast - Additions to Supply

Hotel Name	City	Submarket	Room Count	Opening Date
Hotel Californian	Santa Barbara	Beach Resort	121	September 2017
Hilton Garden Inn	Goleta	Goleta	142	October 2017
Residence Inn	Goleta	Goleta	118	November 2017
Hilton Garden Inn	Lompoc	Northern Santa Barbara	156	November 2017
Hyatt Place	Santa Barbara	Town	88	May 2018
Rosewood Miramar	Montecito	Beach Resort	170	October 2018

Source: CBRE Hotels

BEACH RESORT AREAS

The hotels comprising the Beach/Resort Areas submarket generally line the beachfront of the City of Santa Barbara, usually with ocean views, and many times are mixed in among residential areas and parks. This market also includes Montecito, a separate upscale residential and retail area in the hills just south of Santa Barbara representing the luxury segment of the Santa Barbara area, as well as the Ritz-Carlton Bacara Resort located in the City of Goleta. The beach resort market caters primarily to the leisure and group travelers who enjoy shopping, relaxing, and beach activities.

The majority of visitors to the beach resort areas in Santa Barbara are from within California. The area's accessibility via Highway 101 has enhanced the popularity of the city as a drive-in destination. Weekend leisure business, generated largely from Southern California, is expected to remain strong in Santa Barbara over the long term, due to the uniqueness of the area's attractions, culture, and comfortable climate. Santa Barbara's beach resorts should continue to appeal to a niche market deriving visitation from regional Californians and international tourists.

The Beach/Resort submarket has undergone changes in recent years that we believe will impact future lodging performance. In recent years hotels in this market have undergone repositionings, such as the Santa Barbara Inn and the Hotel Milo, formerly known as the Hotel Oceana. These properties are anticipated to achieve a higher rated positioning following the enhancements and changes to their facilities.

In 2017 supply in the Beach Resort submarket is projected to increase by 3.3 percent given the September 2017 opening of the 121-room Hotel Californian as well as the annualized rooms of the repositioned Santa Barbara Inn which reopened in August 2016. By year-end 2017, we estimate occupied rooms will grow by 3.4 percent, resulting in a market occupancy rate of 75.3 percent. Average daily rate is expected to grow by 1.3 percent to $305.53. Growth in both occupancy and average daily rate will result in a revenue per available room increase for 2017 of 1.3 percent, equating to $230.06.

In 2018, annual room supply is expected to grow by 4.9 percent due to the annualized rooms of the Hotel Californian and the 161-room Rosewood Miramar which is anticipated to open in October 2018. Occupied room nights are forecast to grow by 3.5 percent, resulting in a market occupancy rate of 74.3 percent, as additions to supply outpace growth in demand. We anticipate a 3.5 percent growth in average daily rate. Together, occupancy and average daily rate should result in revenue per available room growth rate of 2.2 percent in 2018, up to $235.04.

Beach Resort
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	809,570	N/A	580,139	N/A	71.7%	$239.60	N/A	$171.70	N/A
2013	812,946	0.4%	592,591	2.1%	72.9	254.34	6.2%	185.40	8.0%
2014	817,235	0.5	622,471	5.0	76.2	275.89	8.5	210.14	13.3
2015	817,965	0.1	624,253	-0.6	75.6	291.16	5.5	220.18	4.8
2016	829,706	1.4	645,679	0.9	75.2	301.75	3.6	227.03	3.1
2017E	857,491	3.3	645,679	3.4	75.3	305.53	1.3	230.06	1.3
2018F	899,117	4.9	668,278	3.5	74.3	316.22	3.5	235.04	2.2
CAAG	1.8%		2.4%			4.7%		5.4%	

Source: CBRE Hotels

TOWN

Hotels in the Santa Barbara Town submarket are generally located on, or within a few blocks of, State Street in the downtown area of Santa Barbara and are proximate to the numerous retail establishments. Accordingly, these hotels serve the commercial traveler visiting downtown businesses and leisure visitors who want to be within walking distance of the downtown retail area and other shopping and dining areas in downtown Santa Barbara.

Historically, this submarket has been able to hold onto an above average occupancy rate due to its proximity to the popular shops, restaurants and beaches, combined with relatively lower rates for the area.

In 2016, the annual rooms supply decreased by 4.9 percent, which was attributed to the annualized rooms of the 112-room Sandman Inn which closed permanently in March 2015. Occupied rooms in 2016 declined by 4.4 percent which was less than the decline in supply, resulting in a market occupancy of 82.2 percent. Average daily rate increased by 4.8 percent in 2016, with RevPAR growing by 5.4 percent to $166.64.

While the supply will remain steady in 2017, the occupied room nights are estimated to decline by 2.3 percent in 2017 resulting in a market occupancy of 80.3 percent. The projected decline in occupancy reflects ongoing renovations in the local market as well as hoteliers focusing on increasing average daily rate which is anticipated to increase by 4.1 percent to $210.86 in 2017. Overall, the RevPAR is projected to increase by 1.7 percent to $169.42.

The supply is projected to increase by 9.2 percent in 2018 due to the opening of the 88-room Hyatt Place in May 2018. We estimate that occupied rooms will increase by 7.5 percent in 2018 resulting in a market occupancy of 79.1 percent. Average daily rate is expected to increase by 3.0 percent over the previous year to $217.19. Combined, revenue per available room should increase by 1.4 percent to $171.72.

Santa Barbara Town
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	271,560	N/A	204,714	N/A	75.4%	$159.09	N/A	$119.93	N/A
2013	272,655	0.4%	209,599	2.4%	76.9	167.03	5.0%	128.40	7.1%
2014	272,655	0.0	215,071	2.6	78.9	177.47	6.3	139.99	9.0
2015	243,698	-10.6	199,444	-7.3	81.8	193.25	8.9	158.16	13.0
2016	231,775	-4.9	190,623	-4.4	82.2	202.61	4.8	166.64	5.4
2017E	231,775	0.0	186,218	-2.3	80.3	210.86	4.1	169.42	1.7
2018F	253,188	9.2	200,184	7.5	79.1	217.19	3.0	171.72	1.4
CAAG	-1.2%		-0.4%			5.3%		6.2%	

Source: CBRE Hotels

GOLETA

The City of Goleta is located west of the City of Santa Barbara and is internationally known for the University of Santa Barbara at California (UCSB), the pleasant climate, and beaches. Also, the Goleta Valley is the location of the principal industrial sector of Santa Barbara County and is often referred to as "Silicon Beach." While the city was not incorporated until February of 2002 the city features historic landmarks dating back to the early 1900's. High technology, including diversified electronics, telecommunications, medical device, and remote sensing manufacturing industries are the primary wealth producing sectors of the local economy. Known as a research and development center, Goleta Valley is home to approximately 80 research and development firms, individually employing staffs from two to more than 1,000 persons.

The Goleta office market is the location of choice for many of the South Coast's medium to large sized companies. Its proximity to UCSB, the Santa Barbara Airport, and a highly educated workforce makes Goleta a very desirable location for business. High-tech businesses that help drive the local economy include Raytheon, Citrix Online, Yardi Systems, and FLIR Commercial Vision Systems. According to Hayes Commercial, the Goleta office market in Second Quarter 2017 had a vacancy rate of 9.3 percent which is the lowest rate since 2008. While the recent decline in the office vacancy rate is welcome, there remains a large number of spaces that have proven difficult to lease. In fact, about half of the available space in Second Quarter 2017 was available during the same period in 2016. Hayes Commercial expects the vacancy rate to remain below 10.0 percent in the near future; however, the market is still a ways from the pre-recession level when the vacancy rate was below 6.0 percent.

The Goleta hotel submarket is an exceptionally strong market with occupancy rates historically hovering in the upper 70's. The success of this lodging submarket is due to the proximity of UCSB, business parks, and the Santa Barbara Airport, as well as its proximity to area attractions and ability to capture overflow from Santa Barbara hotels.

The annual room supply is projected to increase 5.8 percent in 2017 due to the opening of the 142-room Hilton Garden Inn in October and the 118-room Residence Inn in November. Occupied rooms are estimated to increase by 1.6 percent resulting in market occupancy of 76.7 percent in 2017.

Average daily rate is expected to grow by 5.9 percent in 2017, with RevPAR growing by 1.6 percent to $136.58. The supply in the Goleta market is estimated to increase by 23.5 percent in 2018 due the annualized rooms from the Hilton Garden Inn and Residence Inn being available. Occupied rooms are forecast to increase by 19.0 percent in 2018 resulting in a market occupancy of 73.9 percent. The average daily rate is expected to grow by 3.0 percent. With supply growth outpacing demand growth, the revenue per available room is forecast to decrease by 0.7 percent to $135.56 by year-end 2018.

Goleta
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	284,335	N/A	220,160	N/A	77.4%	$134.66	N/A	$104.27	N/A
2013	310,250	9.1%	234,578	6.5%	75.6	140.20	4.1%	106.00	1.7%
2014	309,885	-0.1	232,451	-0.9	75.0	147.97	5.5	110.99	4.7
2015	309,520	-0.1	248,236	6.8	80.2	163.78	10.7	131.36	18.3
2016	309,520	0.0	247,221	-0.4	79.9	168.23	2.7	134.37	2.3
2017E	327,496	5.8	251,174	1.6	76.7	178.08	5.9	136.58	1.6
2018F	404,420	23.5	298,897	19.0	73.9	183.42	3.0	135.56	-0.7
CAAG	6.0%		5.2%			5.3%		4.5%	

Source: CBRE Hotels

NORTHERN SANTA BARBARA

Hotels in the Northern Santa Barbara sub-market are generally located in or near the Santa Barbara wineries in the overall Santa Ynez Valley and in the cities of Santa Maria, Buellton, Lompoc, and Solvang. This submarket was largely impacted initially by the popularity of the film, "Sideways" and the growing trend in winery tourism, which has sustained much of the market's occupancy and rate growth in recent years.

The abundance of activities and tourist attractions in the Santa Ynez Valley provides for a popular drive destination. As such, aggressive marketing to showcase the valley as a whole is currently taking place by the Santa Ynez Valley Visitors Association. Visitors can tour and taste acclaimed Pinot Noir, Chardonnay, Syrah and other varietals at over 120 wineries and tasting rooms. Outdoor activities can allow a guest to golf, hike, bike, fish, see wildlife, tour a horse ranch, or take a horseback ride. A variety of lodging options from luxury wine inspired bed and breakfasts to affordable limited-service properties are readily available for overnight guests.

For 2017, supply in the Northern Santa Barbara market is forecast to increase by 4.6 percent due to the openings of the 99-room Hampton Inn Buellton in June and the 156-room Hilton Garden Inn Lompoc in November. Occupied rooms are estimated to experience an increase of 2.3 percent, resulting in a market occupancy rate of 74.2 percent. Average daily rate is estimated to increase by 5.7 percent, to an estimated $134.75. RevPAR is expected to finish 2017 with a 3.4 percent growth rate to $100.00.

In 2018, the submarket's supply will increase by 10.0 percent due to the annualized rooms of the Hampton Inn Buellton and the Hilton Garden Inn Lompoc. Occupied rooms are expected to increase by 8.0 percent in 2018 resulting in a market occupancy of 72.8 percent. Furthermore, we forecast average daily rate to increase by 4.0 percent to $140.14. Revenue per available room is estimated to increase by 2.1 percent to $102.08.

Northern Santa Barbara
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	615,390	N/A	410,632	N/A	66.7%	$112.33	N/A	$74.95	N/A
2013	615,390	0.0%	424,132	3.3%	68.9	113.41	1.0%	78.16	4.3%
2014	615,390	0.0	447,579	5.5	72.7	120.28	6.1	87.48	11.9
2015	615,390	0.0	466,793	4.3	75.9	124.76	3.7	94.63	8.2
2016	615,390	0.0	466,892	0.0	75.9	127.51	2.2	96.74	2.2
2017E	643,888	4.6	477,834	2.3	74.2	134.75	5.7	100.00	3.4
2018F	708,465	10.0	516,060	8.0	72.8	140.14	4.0	102.08	2.1
CAAG	2.4%		3.9%			3.8%		5.3%	

Source: CBRE Hotels

Ventura County

Ventura County

EXECUTIVE SUMMARY

In recent decades, Ventura County has shifted from being an agricultural center to a more diversified, semi-metropolitan region. Growth in Los Angeles and other Southern California cities has spurred development in the County, which includes the cities of Camarillo, Fillmore, Moorpark, Ojai, Oxnard, Port Hueneme, San Buenaventura (Ventura), Santa Paula, Simi Valley, and Thousand Oaks.

As Ventura County's economy has diversified, tourism has become an important sector. The leisure dominated market's many small communities with quaint downtowns are popular among those traveling from Los Angeles looking for a quick getaway. Ventura County's greatest strength in terms of attracting visitors is its proximity to Los Angeles and the Greater Five County area, as well as its beaches, mountains and overall atmosphere. Ventura County also benefits from price sensitive business and leisure travelers who prefer lodging in more affordable sub-markets than the City of Santa Barbara to the north.

Ventura County's visitors can enjoy abundant outdoor activities that range from whale watching near the Channel Islands, to kayaking in Ventura harbor, to sailing off the coast, to surfing at some of the best surfing beaches in the State and also biking or hiking the Topatopa Mountains near charming Ojai. The Channel Islands National Park encompasses nearly 250,000 acres of wilderness preserve/marine sanctuary, of which about half is underwater. Of the eight islands dubbed the Channel Islands that lie off the Ventura County coast, five of the islands, San Miguel, Santa Rosa, Santa Cruz, Anacapa, and Santa Barbara, became the Channel Islands National Park in 1980. Ventura County also offers approximately 40 miles of beaches including Hollywood Beach in Oxnard and Ventura Beach in Ventura. Furthermore, the picturesque Topatopa Mountains can be conveniently explored via access through the destination town of Ojai, ideally nestled in the mountain range and only 18 miles inland from the Pacific Ocean.

Aside from outdoor activities, Ventura County is becoming a shopping and dining destination. Ventura has transformed its downtown area into a shopping district for those seeking rare and esoteric items. In line with the small town feel of most of the cities in Ventura County, many people visit the area to peruse antique shops in both Ventura and Oxnard. Camarillo, with the Premium Outlets Mall, is known around Southern California as a central shopping destination. Newly developed upscale restaurants complement the various distilleries, craft breweries, wine tasting and harvest activities in the area. For example, Oxnard is known for its Strawberry Festival held every May at Oxnard College and the Celebration of the Whales Festival. Moreover, the charming town of Ojai features sought after one-of-a-kind boutique clothing, fine art, hand-crafted jewelry and home furnishings at close to fifty specialty stores and art galleries, in addition to numerous annual festival and events.

Situated between Los Angeles County to the south and Santa Barbara County to the north, Ventura County as of January 2017 supports a population of more than 857,000 people, and is the 13th most populous county in the State of California. The area encompasses 1,845 square miles, including 40 miles of coastline, in which nearly eight miles of shoreline are public beaches, 411 acres of State beach parks, 36 square miles of county parks, and islands offshore. Tourism spending in Ventura County increased by 3.4 percent in 2016, to nearly $1.7 billion. This resulted in $50 billion in local tax revenue, and $85 million for the state. Tourism accounted for 3.5 percent of jobs in Ventura County.
The 101 Technology Corridor, which stretches from Woodland Hills in Los Angeles County to Camarillo in Ventura County, refers to the cluster of high technology firms along the 101 Freeway. The corridor is

home to a variety of firms engaged in technology manufacturing, biomedical and pharmaceutical product manufacturing, multi-media products and specialty database firms. As of July 2017, Ventura County supported a total civilian labor force of 428,000 with an unemployment rate of 5.0 percent as compared to 5.6 for the county in July 2016. By comparison, the unemployment rate in July 2017 was 4.8 for California and 4.3 percent for the nation. After three years of experiencing negative year-over-year growth, the county's labor force growth has remained in positive territory since July 2016. Nevertheless, the growth rate is still at less than 1.0 percent year-over-year. The higher cost of living in the county compared to other parts of the state is an obstacle to more robust labor force growth. The Institute for Global Economic Research at California State University Channel Islands estimates that home prices in the county are approximately thirty percent higher than the statewide average. In addition to low unemployment and a growing labor force, employment growth is also improving.

In November 2016, Ventura County voters approved the renewal of the Save Open Space and Agricultural Resources (SOAR) which extended the measure's development restrictions on agricultural and open space land from 2036 until 2050. SOAR is a series of voter initiatives that require a vote of the people before agricultural land or open space areas can be rezoned for development. The first SOAR initiative was approved by the voters in the City of Ventura in 1995. Since that time nine SOAR initiatives have been enacted protecting open space and agricultural land around all of the major cities in Ventura County as well as in the county's unincorporated areas.

The Naval Construction Battalion Center in Port Hueneme is one of two bases in the United States dedicated to the support of the naval construction force, known as the Seabees. The Naval Air Station at Point Mugu is home to research, development and test evaluation for weapons systems. California's smallest and only deep-water port between Los Angeles and San Francisco is Port Hueneme, which plays a sizeable role in the local economy, serving as the western U.S. distribution network for many imported vehicles. It is also the shipping point for agriculture with the largest refrigerated fruit terminal on the West Coast.

Officially formed in 2011, the Ventura County Lodging Association (VCLA) is comprised of 70 lodging facilities and destination marketing organizations in the Cities of Camarillo, Oxnard, Port Hueneme and Ventura. Collectively branded as "Ventura County West," the VCLA's goals are to increase marketing and awareness of the four cities as a destination in Southern California. The association launched its first marketing campaign in April of 2012 to highlight the area's assets, which include the beaches, recreational activities, 200,000 square feet of conference and meeting room space, and 4,000 guest rooms available in the region. Generating revenue from a 2.0 percent self-assessment on all room revenues, the group has an annual budget of approximately $2.0 million to market Ventura County as a destination. The countywide collection of transient occupancy taxes (TOT) has increased from $16.3 million in 2012 to $24.7 million in 2016 which translates into a 10.9 percent compound annual average growth rate.

The Ventura County forecast includes four sub-markets: the cities of Ventura, Oxnard, Camarillo, and Simi Valley. There were no additions to hotel supply in the County during 2017. There are several projects either approved or in planning stages; however, since none of these projects are expected to open in 2017 or 2018, they have not been included in our market projections. Although the County has not experienced any new additions to supply since the opening of the Homewood Suites Oxnard in April 2010, development interest continues to be strong due to the improving metrics exhibited by the existing hotels. Much of the lodging supply in Ventura County is dated, and the continued renovation of properties will be key to improve the tourist experience and to further fortify the image the Ventura County destination as a whole.

It is important to note that two of the four submarkets in the county, Simi Valley and Camarillo, were positively impacted by the Porter Ranch gas leak in 2016. With the impact of the gas leak no longer present in 2017, we estimate the county will experience a decrease in occupied room nights of 2.7 percent and finish the year with an occupancy of 75.4 percent. Average daily rate is estimated to increase 0.7 percent in 2017 which equates to $126.18. Demand is forecast to experience a modest 0.6 percent increase in 2018, resulting in an occupancy of 75.8 percent. Average daily rate is forecasted grow by 2.3 percent to $129.09. Combined, these result in a revenue per available room increase of 2.9 percent to $97.91 in 2018.

The following table estimates Ventura County's historical and projected supply, demand, occupancy and average room rate. We are aware that Ventura County as a whole has a total of more than 2.9 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub-markets, representing more than 55 percent of the total existing lodging supply.

Ventura County
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,673,890	N/A	1,115,862	N/A	66.7%	$100.03	N/A	$66.69	N/A
2013	1,673,890	0.0%	1,138,217	2.0%	68.0	101.71	1.7%	69.16	3.7%
2014	1,673,525	0.0	1,207,169	6.1	72.1	108.45	6.6	79.13	13.1
2015	1,673,720	-1.2	1,233,496	2.2	74.6	116.80	7.7	87.90	11.4
2016	1,652,720	0.0	1,279,653	3.7	77.4	125.26	7.2	96.99	11.3
2017E	1,651,990	0.0	1,245,457	-2.7	75.4	126.18	0.7	95.13	-1.9
2018F	1,651,990	0.0	1,252,979	0.6	75.8	129.09	2.3	97.91	2.9
CAAG	-0.2%		2.0%			4.3%		6.6%	

Source: CBRE Hotels

CITY OF VENTURA

With its lively tourist harbor and vast stretches of un-crowded beaches, the City of Ventura's hotel market is primarily leisure oriented. The 33-acre Ventura Harbor district consists of a small boat marina with retail, restaurant, and residential components. The Harbor is located off of Harbor Boulevard on Spinnaker Drive. Ventura Harbor Village features over 35 retail and restaurant facilities with additional office space. The Channel Islands National Park Visitor Center is also located at the Ventura Harbor. The Ventura Harbor is a gateway to the Channel Islands National Park, a popular tourist destination that offers camping, whale watching, kayaking, deep-sea fishing, hiking, and scuba diving. The Channel Island National Park experienced nearly 342,000 visitors in 2016 which is a record for the park and a 5.2 percent increase over 2015.

The Ventura Beach area is characterized by the San Buenaventura State Beach located west of the 101 Freeway, accessed off of San Pedro Road. The State Beach extends north to the Ventura Pier and features a 13-mile bikeway. Shops, and restaurants are offered along the coast. Historic Downtown Ventura has become an entertainment and shopping destination thriving with art galleries, book stores, coffee houses, boutiques, a wide variety of restaurants and entertainment, all within walking distance of each other. A vibrant art district, theatre performances, historical structures, and several notable museums, are popular tourist destinations. Ventura's classic Main Street is a bustling, yet quaint shopping attraction with restaurants, distinctive inns, boutiques, and antique shops.

Throughout the year, the City of Ventura hosts a range of special events from the Ventura County Fair in August at the Ventura Fairgrounds, Monarch Butterfly Walking Tour and Dog Shows in January; Point Mugu Air Show in October; Chamber Music Festival in May; to wine tastings in July. In any given month, there are in excess of 12 events scheduled to attract tourists. Furthermore, Ventura continues to undergo a renaissance with recent revitalization efforts taking place in the Downtown area. The Main Street area celebrates the art deco, craftsman, neoclassical, and Victorian architectural design and is home to a number of antique shops. New additions to the downtown corridor, such as a new information kiosk, colorful banners, and festive lights, have helped to turn the area into more of an evening destination.

With the recent transaction activity of hotels in Ventura, much of the hotel inventory in the City is anticipated to continue to undergo renovations. The Crowne Plaza Ventura Beach completed a property improvement program required by the brand franchise in March 2017. The renovation included upgrades to the exterior of the building, a comprehensive renovation of public spaces, and additional changes to the guestrooms. Similarly, the Ventura Beach Marriott recently began a comprehensive rooms renovation which is anticipated to complete in 2018. As the hotel inventory in the market is updated, the Visit Ventura Visitors & Convention Bureau (VVCB) should have continued success in marketing Ventura as a destination.

Occupied room nights are estimated to decrease by 0.6 percent in 2017, equal to a market occupancy of 75.8 percent. Average daily rate is expected to increase by 4.6 percent resulting in a year-end figure of $119.26. When combined the slight decrease in occupancy and the increase in average daily rate results in a 3.9 percent increase in revenue per available room in 2017. We forecast annual supply in the City of Ventura will remain flat in 2018 as there are no additions to supply. Similarly, occupied rooms are expected to remain flat at a market occupancy of 75.8 percent. Average daily rate is projected to grow by 3.0 percent in 2018 to $122.83.

City of Ventura
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	599,330	N/A	394,549	N/A	65.8%	$94.35	N/A	$62.11	N/A
2013	599,330	0.0%	405,711	2.8%	67.7	94.42	0.1%	63.92	2.9%
2014	599,330	0.0	430,500	6.1	71.8	100.86	6.8	72.45	13.3
2015	599,330	0.0	450,945	4.7	75.2	107.27	6.4	80.71	11.4
2016	599,330	0.0	457,144	1.4	76.3	114.03	6.3	86.98	7.8
2017E	599,330	0.0	454,237	-0.6	75.8	119.26	4.6	90.39	3.9
2018F	599,330	0.0	454,237	0.0	75.8	122.83	3.0	93.10	3.0
CAAG	0.0%		2.4%			4.5%		7.0%	

Source: CBRE Hotels

CAMARILLO

Camarillo is home to a number of high tech and specialty product companies as well as media and post-production companies, due to its location along the Ventura (101) Freeway Tech Corridor, which stretches from Woodland Hills to Camarillo. Companies previously located in Los Angeles County have chosen to expand to the Camarillo area due to its relatively low land costs, and the city's business-friendly approach to attracting employers. Camarillo houses many museums, the Studio Channel Islands Art Center, and has a wide variety of outdoor options for the hikers and bikers.

One of the major attractions in Camarillo is the Camarillo Premium Outlets. The Camarillo Outlets contains over 160 outlet stores and is the largest Outlet Center in Southern California. These shops at the outlets generate additional sales tax revenue for the city and have made Camarillo a shopping destination for not only local and regional residents, but also for domestic and international visitors. Through strategic partnerships with travel and tour companies that provide charter buses and tour guides, the Camarillo Outlets enjoys a steady inflow of both domestic and international visitors because of the wide variety of name brand merchandise. The continued development of Camarillo's retail and food and beverage offerings, including the 500,000-square foot Amara Shopping Center, which is scheduled to open in 2018. The Amara Shopping Center has secured leasing commitments from seven anchor tenants including Bed, Bath & Beyond, Cost Plus, TJ Maxx, HomeGoods and ULTA Beauty.

The city of Camarillo introduced California State University Channel Islands (CSUCI) in 2002 and joined the CSU system as the 23rd campus. CSU Channel Islands is the first four-year university in Ventura County and includes a 2016 student enrollment of over 6,600. In its first decade, the university has doubled in size to more than 1,200 acres and developed more than $230 million in building and renovation projects. According to an economic impact study completed in 2010, annual spending related to CSU Channel Islands in the Central Coast region ($135.5 million) generates a total impact of more than $114.4 million on the regional economy and nearly $240.5 million statewide.

As the newest university in the CSU system, the university has commenced on a $600 million long range plan titled, "CSUCI 2025," which aims to over double its full-time enrollment to 15,000 students in a ten-year time frame. The expansion is planned to include new academic buildings, in addition to on-campus housing for faculty and students, an event center, new science building, and a second entrance to campus. Future phases of the development will also include a conference and recreation center, more parking facilities, and additional student housing. Ultimately, the university strives to move away from being a commuter based school and sustain itself as a self-contained community, and growth at the campus should continue to generate room nights for the existing supply of hotels in Camarillo.

In 2014, the City of Camarillo established its own Camarillo Tourism Marketing District (CTMD) which allows the City to levy a two percent assessment on lodging facilities in the City. With an annual budget of approximately $450,000 per year, the CTMD aims to execute direct marketing and sale campaigns to increase exposure of the City as a tourist and meeting and events destination.

Based on year-to-date trends, we estimate that the Camarillo market will experience a 4.1 percent decline in occupied rooms in 2017 resulting in a year-end occupancy rate of 73.3 percent. Average daily rate is projected to decline 0.6 percent equating to a year-end figure of $114.71. Going forward annual supply in the market is anticipated to remain flat in 2018. We forecast occupied rooms to increase 0.5 percent in 2018 resulting in a market occupancy of 73.6 percent. Average daily rate is projected to increase 2.0 percent to $117.01; equaling to a 2018 revenue per available room of $86.16.

Camarillo Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	317,550	N/A	214,529	N/A	67.6%	$90.82	N/A	$64.35	N/A
2013	317,550	0.0%	215,199	0.3%	67.8	95.40	5.0%	64.65	5.4%
2014	317,550	0.0	228,529	6.2	72.0	101.80	6.7	73.26	13.3
2015	317,550	0.0	233,425	2.1	73.5	106.93	5.0	78.60	7.3
2016	317,550	0.0	242,002	3.7	76.2	115.42	7.9	87.96	11.9
2017E	316,820	-0.2	232,144	-4.1	73.3	114.71	-0.6	84.05	-4.4
2018F	316,820	0.0	233,304	0.5	73.6	117.01	2.0	86.16	2.5
CAAG	0.0%		1.4%			4.3%		5.8%	
Source: CBRE Hotels									

OXNARD

Oxnard is Ventura County's most populous city with over 200,000 residents. Key sectors of Oxnard's economy include defense, international trade, agriculture, manufacturing, and tourism. Port Hueneme is the busiest and only deep-harbor commercial port between Los Angeles and San Francisco and represents a vital link in trade with the Pacific Rim economies. Companies utilizing the Port include Del Monte Foods, Chiquita, BMW, Land Rover, and Jaguar.

The area's storied military presence includes Port Hueneme, Point Mugu, and San Nicolas Island, which supports more than 100 tenant commands with a base population of more than 19,000 personnel, making it Ventura County's largest employer. Agriculture has additionally remained a major industry for the city; however, the city's population has been increasing steadily. The City of Oxnard now has Ventura County's largest industrial sector as well. Aside from federal, state and local government, the largest employers are in biotechnology, health insurance, telephone services and equipment, mortgage lending, and education. The Highway 101 corridor represents a concentration of high-technology industries. The establishment of military bases during World War II, and the rise of electronic, aerospace, other manufacturing industries and tourism have contributed to the growth of the city.

With its proximity to the Channel Islands, the Channel Islands Harbor in Oxnard is a destination for travelers from the Five County area. Activities in the Channel Islands Harbor include shopping at harbor boutiques, dining at a variety of restaurants, sport fishing, diving, whale watching, and renting boats and kayaks. The harbor offers nine full-service marinas, as well as a scenic bike path and Maritime Museum. The Channel Islands Harbor offers departures to the Channel Islands National Park & Channel Islands National Marine Sanctuary, a five-island park and underwater sanctuary home to more than 2,000 plants and animals. The continued redevelopment of the Channel Islands Harbor area continues to be a priority for City and County officials. As part of the overall redevelopment, developer Brighton Management has proposed a hotel to replace the shuttered Casa Sirena Hotel. Given the favorable economic conditions, it is the County's hope that private developers will undertake and complete proposed projects in the harbor area to revitalize and amenitize the Fisherman's Wharf and Channel Islands Harbor.

Downtown Oxnard offers museums, theatre performances, and Heritage Square, which encompasses 15 restored turn-of-the-century buildings. Park Plaza is located in the center of Oxnard. The Carnegie Art Museum displays contemporary and traditional art, while the Gull Wings museum is designed especially for children. There are several cultural events throughout the year designed to attract tourists, including the Strawberry and Salsa Festivals.

Many of the projects that were delayed during the recession have come to fruition or are once again active in the development process. The Collection at RiverPark is an outdoor lifestyle center with approximately 570,000 square feet of retail located east of the 101 Freeway in Oxnard. The shopping center was developed by Shea Properties. The center has originally been scheduled to open in 2008; however, due to the recession the center did not open until November 2012. The Collection at Riverpark features an array of retail, commercial, and restaurant options, as well as a state-of-the-art 16-screen Century Theaters. The complex is currently anchored by national retailers REI, Target, and Whole Foods Market. Shea Properties has proposed a hotel at the Collection, however construction has not commenced as of September 2017 and there is no precise timeline for the development of a hotel. The Collection is located within RiverPark, a 700-acre master planned, mixed-use community located in the northeast portion of the intersection of the Ventura Freeway and Santa Clara River. At full build out, the community will include 15 distinct neighborhoods with up to 3,050 single-family and multi-family units and over 2.1 million square feet of retail, hotel, office, and parking uses to support and serve the community.

The Dallas Cowboys have exclusive use of training camp facilities at the four-acre River Ridge Fields in Oxnard through 2018. Although the team has been coming to Oxnard for training camp since 2001, it should be noted that the Cowboys christened a new 91-acre headquarters and training facility in Frisco, Texas in 2016. The Cowboys spent part of their 2017 summer training in their new practice grounds in Texas. The Cowboys training in Oxnard in 2017 ran from July 22 through August 18 which is a similar length as compared to the last few years. In the first half of 2017, the City of Oxnard approved a two-year extension to have the Cowboys continue to train in Oxnard. The agreement runs through 2018 and the city has an option for 2019 and 2020. The team's presence generates room nights from the players and staff as well as from visitors who come to see the team practice. It should be noted that the Los Angele Rams held spring training in Oxnard in 2016; however, the team held their training camp at the University of California at Irvine in 2017.

Based on the year-to-date performance, the Oxnard market is estimated to finish 2017 with an occupancy of 76.9 percent, reflecting a 2.4 percent decrease in occupied room nights. The average daily rate is projected to finish 2017 at $145.62, a decrease of 0.8 percent from the prior year. We forecast that occupied rooms will grow by 1.0 percent in 2018 resulting in an occupancy rate of 77.4 percent. The average daily rate is projected to increase by 2.0 percent resulting in a year-end figure of $148.53. This will result in a RevPAR increase of 3.0 percent to $114.94.

Oxnard
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	549,690	N/A	359,084	N/A	65.3%	$114.52	N/A	$74.81	N/A
2013	549,690	0.0%	368,650	2.7%	67.1	115.14	0.9%	77.48	3.6%
2014	549,325	-0.1	394,783	7.1	71.9	125.67	8.8	90.31	16.6
2015	528,520	-3.8	391,713	-0.8	74.1	138.22	10.0	102.44	13.4
2016	528,520	0.0	414,863	5.9	78.5	146.80	6.2	115.23	12.5
2017E	528,520	0.0	404,940	-2.4	76.9	145.62	-0.8	111.57	-3.2
2018F	528,520	0.0	408,990	1.0	77.4	148.53	2.0	114.94	3.0
CAAG	-0.7%		2.2%			4.4%		7.4%	

Source: CBRE Hotels

SIMI VALLEY

Simi Valley encompasses 42 square miles and is located 45 minutes northwest of Los Angeles in eastern Ventura County. According to the California Department of Finance, Simi Valley had an estimated population of nearly 127,000 and is the third largest city in Ventura County. The city's proximity to Los Angeles allows it to offer a unique blend of rural and urban lifestyles. Simi Valley is home to more than 30 parks, four golf courses, a performing art center, and theaters. Simi Valley is consistently rated by the FBI as one of the safest cities in the United States. It is the only Ventura County city included in the Los Angeles film 'Zone' and within the last few years, has attracted feature film and television series crews.

The Ronald Reagan Presidential Library and Museum is Simi Valley's main tourist attraction, hosting an average of over 500,000 visitors annually and consistently ranking as the second most visited Presidential Library. President Reagan's grave has recently been incorporated to the site. Additionally, the back section of the lawn has been expanded to resemble the South Lawn of the White House. The Library has been host to several events, including political seminars in addition to Republican presidential debates.

Simi Valley features over 7,500 businesses including Hitachi Koki Corporation, Seagate Technology, Standard Abrasives, Alcoa Fastening Systems, Ensign-Bickford Aerospace, among others. Additionally, smaller companies in related fields and many different suppliers to major companies are located in the Simi Valley area, providing a mix of large and small operations for the community and its residents. As of July 2017, the unemployment rate in Simi Valley was 5.0 percent, which is slightly higher compared to the same period last year when the rate was 4.9 percent.

Simi Valley has not experienced an increase in rooms supply over the last five years. It is important to note that the Simi Valley hotel market was positively impacted in 2016 by the nearby Porter Ranch gas leak, which displaced families from their primary residence. This one time increase in demand and room revenues was not present in 2017. Based on year-to-date trends, the market is anticipated to experience a 6.9 percent decline in occupied room nights which equates to a market occupancy of 74.3 percent. The average daily rate is estimated to decrease by 3.3 percent in 2017 to $112.77. As a result of these declines in occupancy and average daily rate, the revenue per available room in 2017 is expected to decline by 10.1 percent to $83.84. We anticipate Simi Valley's occupied room nights to increase by 1.5 percent in 2018 resulting in an occupancy rate of 75.5 percent. The average daily rate is forecast to increase by 1.5 percent to $114.46, equaling a revenue per available room of $86.84.

Simi Valley
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	207,320	N/A	147,701	N/A	71.2%	$ 93.38	N/A	$66.53	N/A
2013	207,320	0.0%	148,657	0.6%	71.7	96.47	3.3%	69.17	4.0%
2014	207,320	0.0	153,357	3.2	74.0	95.29	-1.2	70.49	1.9
2015	207,320	0.0	157,172	2.5	75.8	105.94	10.6	80.03	13.5
2016	207,320	0.0	165,644	5.2	79.9	116.67	10.7	93.22	16.5
2017E	207,320	0.0	154,136	-6.9	74.3	112.77	-3.3	83.84	-10.1
2018F	207,320	0.0	156,448	1.5	75.5	114.46	1.5	86.84	3.0
CAAG	0.0%		1.0%			3.5%		4.4%	

Source: CBRE Hotels

SAN LUIS OBISPO COUNTY

San Luis Obispo County

EXECUTIVE SUMMARY

San Luis Obispo (SLO) County is a popular drive destination that covers an area of 3,316 square miles and is located at the approximate midpoint between San Francisco and Los Angeles. Farms and small towns characterize the county, as a large portion of the land is utilized for agricultural purposes. With a fairly diverse workforce and relatively isolated location, San Luis Obispo is better positioned to weather the fluctuations in the economic cycle as evidenced by the hotel market's performance during the last recession. In addition to these sectors of the economy, the excellent coastal location attracts visitors from throughout the inland region and also serves as a rest stop for tourists traveling along the coast. Hearst Castle and the numerous local wineries have also served to make the area a destination for domestic and international travelers. The area's natural amenities such as the weather and attractive coastal characteristics continue to attract overnight visitors to the area.

Throughout the economic recovery, San Luis Obispo County's growth profile has been different from the state in that it has been relatively insulated from most fluctuations in the economy. The county is not seen as a rapidly growing economy, but rather a stable one that is characterized by lower than average unemployment rates and a diverse workforce. The unemployment rate in San Luis Obispo County was 4.2 percent in July 2017, down from 4.7 percent in July 2016. This compares favorably with an unadjusted unemployment rate of 5.4 percent for California in July 2017 and a rate of 5.8 percent one year ago.

The county's economy is largely based on tourism and education; as a result, services, government, and retail trade are the dominant industries. Local hotel average daily room rates as well as demand for rooms have increased over the past year, indicating that more visitors are looking to travel to the county as well as pay more to do so. Jobs have also been increasing steadily in the county since exiting the recession. Many of the jobs that have been created during this growth have also generated more taxable sales for the county, mainly in the booming wine industry. The following is a list of the county's top ten employers.

San Luis Obispo County
Major Employers

	# of Employees
Cal Poly State University	3,055
County of San Luis Obispo	2,800
Atascadero State Hospital	2,000
California's Men Colony	1,540
Pacific Gas and Electric Company	1,900
Cal Poly Corporation	1,400
Tenet Healthcare	1,272
Compass Health Inc.	1,200
Lucia Mar Unified School District	1,000
Paso Robles Public Schools	935

Source: San Luis Obispo County Comprehensive Annual Financial Report (CAFR) June 30, 2016

Between 2011 and 2016 San Luis Obispo County's population grew at approximately 0.6 percent on an annual basis, slightly below the 0.9 percent growth demonstrated by the State of California. The seven incorporated cities included within the MSA are Arroyo Grande, Atascadero, Grover beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo. The following table presents the historical population estimates for the cities, as of January 1, 2017.

San Luis Obispo County 2017 Population Estimate Breakdown by City	
Arroyo Grande	17,736
Atascadero	30,900
El Paso de Robles	31,745
Grover Beach	13,438
Morro Bay	10,762
Pismo Beach	8,247
San Luis Obispo	46,724
Balance of County	120,549
Total	280,101
Source: California Department of Finance	

Commercial air service to San Luis Obispo County Regional Airport is provided by Alaska Airlines, American Airlines and United. According to the San Luis Obispo County Regional Airport, approximately 25 total inbound and outbound flights are processed per day. Although direct flights from Los Angeles, San Francisco, Denver, Phoenix and Seattle are available, direct service from other Pacific States, the mid-West, and East Coast is not. Service to Sacramento and Las Vegas was once provided but flights to these destinations have since ceased. The following table presents the historical passenger counts through the San Luis Obispo County Airport from 2007 through 2016, as well as through July 2017 as compared to the same period in 2016.

San Luis Obispo Airport Activity
2007–2016 & YTD

Year	Enplanements	Deplanements	Total Passengers	Percent Change
2007	187,120	181,303	368,423	N/A
2008	157,421	154,756	312,177	-15.3%
2009	121,326	119,735	241,061	-22.8
2010	133,740	130,992	264,732	9.8
2011	137,604	134,816	272,420	2.9
2012	131,427	128,078	259,505	-4.7
2013	131,985	134,283	272,268	4.9
2014	152,829	149,823	302,652	11.1
2015	146,769	145,693	292,462	-3.4
2016	165,747	164,494	330,241	12.9
CAAG	-1.3%	-1.1%	-1.2%	
YTD 7/16	94,308	93,704	188,012	N/A
YTD 7/17	113,424	111,400	224,824	19.6%

Source: San Luis Obispo County Regional Airport

Total passenger counts have decreased at an average rate of 1.2 percent annually from 2007 through 2016. The total number of passengers exceeded 360,000 for the first time ever in 2007 before a 15.3 percent decline in passenger count in 2008 that was mainly caused by American Eagle and Delta stopping their flight services to the San Luis Obispo Airport. In 2009, the airport passenger count showed a further decrease of 22.8 percent, which was primarily an effect of the recession on the travel and tourism industry. More recently passenger counts have rebounded from recessionary levels, increasing by 9.8 percent in 2010 and a further 2.9 percent in 2011, although 2012 saw a 4.7 percent decline. 2013, however, saw a recovery of 4.9 percent over the previous year, and 2014 saw an increase of 11.1 percent over that. Total passenger volume decreased by 3.4 percent in 2015. Beginning in 2017, residents and visitors now have the choice of three commercial airlines with flights to Los Angeles, Phoenix, San Francisco, Seattle and Denver. According to the most recent information available, through the first seven months of 2017 passenger counts have increased by a rate of 19.6 percent over the prior period last year, given recently expanded service to Denver and Seattle.

Four daily flights between San Luis Obispo and Los Angeles by American Eagle ended on November 1, 2008, while one daily flight to Salt Lake City by Delta Connection stopped on September 1st of the same year due to increased fuel costs and restructuring in the airline industry. The airport recently started nonstop service to Seattle on Alaska Airlines in April 2017, and nonstop flights between Denver on United Airlines in June 2017.

On August 11, 2015, the San Luis Obispo County Airport received authorization from the County's board of supervisors for its terminal improvement project and to move forward with construction. The $39.5 million project will replace the existing 44-year old, 12,000-square foot terminal with a single building terminal approximately 56,000 square feet in size. Other improvements include updated bag systems, flight information displays, security access equipment, passenger boarding bridges, improved rental access, and bringing airport runway conditions up to standard. Construction began in October 2015 and is expected to finish in November 2017.

Tourism is a significant part of the SLO economy. The origin of the visitors is primarily Southern California, Bakersfield, and Fresno, via Highways 101 and 46. Other major markets that visitors come from include San Francisco, Phoenix, Las Vegas, and Seattle. Owing to increased marketing and publicity efforts by the SLO County VCB and the relative affordability of the area compared to competitive destinations such as Monterey, the number of visitors from Northern California is also on the rise. Approximately 55 percent of visitors to SLO County travel with children and visitation is highest between June through August.

Tourism in San Luis Obispo County holds strong and will continue to see growth in 2017 and 2018. The county continues to build awareness among key drive markets as well as nationally through the collective marketing and public relations outreach efforts by the county and community tourism partners. International travel will be an area of growth for San Luis Obispo County, especially with visitors looking for an active environment to play and seek out adventure.

According to the May 2017 California Travel Impacts by County report, total visitor direct spending in San Luis Obispo County in 2016 has increased as compared to 2015 to approximately $1.6 billion, representing a 0.8 percent year-over-year increase. The following table summarizes the total direct spending and spending on accommodations (hotel/motel) between 2007 and 2016.

Visitor Expenditures - San Luis Obispo County				
Year	Total Direct Spending ($ millions)	Percent Change	Visitor Spending on Hotel/Motel ($ millions)	Percent Change
2007	1,262	0.8%	$626	2.8%
2008	1,272	0.8	644	2.9
2009	1,265	-0.6	652	1.2
2010	1,258	-0.6	661	1.4
2011	1,335	6.1	705	6.7
2012	1,422	6.5	770	9.2
2013	1,467	3.2	806	4.7
2014	1,517	3.4	848	5.2
2015	1,576	3.9	908	7.1
2016	1,589	0.8	923	1.7
CAAG	2.6%		4.4%	

Source: Dean Runyan Associates California Travel Impacts by County 1992-2016

Overall, between 2007 and 2016 total direct spending has increased on a compounded annual level at 2.6 percent, and visitor spending on accommodations, hotels and motels specifically, has increased 4.4 percent annually over the same period.

San Luis Obispo County is currently divided into four separate sub-markets: Pismo Beach, San Luis Obispo City, Paso Robles, and North Coastal. The Overall San Luis Obispo County lodging sample set is estimated to increase by 0.4 percent this year with the opening of the Inn at the Pier in Pismo Beach. Overall market occupancy for the area is estimated to finish 2017 at 71.8 percent, which is equal to a 0.6 percent increase in occupied room nights over 2016. Average daily rate is estimated to increase 1.2 percent to post a 2017 average daily rate of $158.70. As a result, RevPAR is estimated to increase by 1.4 percent over 2016.

In 2018, we are forecasting annual rooms supply to increase by 2.5 percent which includes the annualized rooms from the 104-room Inn at the Pier Pismo Beach, as well as the planned openings of the 64-room Hotel Serra and 78-room Hotel San Luis Obispo, both located in the City of San Luis Obispo, towards the end of next year. Occupied rooms are forecast to realize a 2.8 percent increase over 2017 levels. This equates to a market occupancy of 72.0 percent. Average daily rate is forecast to increase by 2.6 percent over 2017. We are aware that the previously defined market area as a whole has a total of approximately 3.3 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub markets, representing approximately 55 percent of the total existing lodging supply.

San Luis Obispo Combined Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,617,680	N/A	1,116,366	N/A	69.0%	$132.39	N/A	$91.36	N/A
2013	1,656,735	2.4%	1,182,411	5.9%	71.4	137.05	3.5%	97.81	7.1%
2014	1,656,735	0.0	1,213,605	2.6	73.3	144.58	5.5	105.91	8.3
2015	1,701,813	2.7	1,248,740	2.9	73.4	151.02	4.5	110.82	4.6
2016	1,780,105	4.6	1,275,184	2.1	71.6	156.84	3.9	112.35	1.4
2017E	1,786,432	0.4	1,282,892	0.6	71.8	158.70	1.2	113.97	1.4
2018F	1,831,144	2.5	1,318,925	2.8	72.0	162.91	2.6	117.34	3.0
CAAG	2.1%		2.8%			3.5%		4.3%	

Source: CBRE Hotels

Additions to Supply

Based on our research and findings the table below details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the San Luis Obispo County market.

Lodging Forecast - Additions to Supply				
Hotel Name	City	Submarket	Room Count	Opening Date
Inn at the Pier	Pismo Beach	Pismo Beach	104	November 2017
Hotel Serra	San Luis Obispo City	San Luis Obispo City	64	October 2018
Hotel San Luis Obispo	San Luis Obispo City	San Luis Obispo City	78	October 2018
Source: CBRE Hotels				

PISMO BEACH

The Pismo Beach sub-market consists of properties located along the scenic coast spanning from Pismo Beach to Avila Beach, as well as the adjacent communities of Grover Beach and Arroyo Grande. Pismo Beach is the only oceanfront community on U.S. Highway 101 between Santa Barbara and San Francisco, and because it faces directly west, the sunsets are spectacular. Popular activities on its expansive beaches north of Grand Avenue include beach-combing, jogging, sunbathing, surfing, scuba diving, kayaking, and surf fishing. Wildlife sightings in the area are also common. Sea otters and sea lions are often spotted in the protected coves and kelp beds, and whales can also be seen during their migration south between December and March. For those desiring to shop, Downtown Pismo Beach offers a variety of surf and gift shops, art galleries, antique stores restaurants, and local wine tasting rooms. The combination of diverse landscapes, pleasant weather and a plethora of activities creates an oceanfront destination that appeals to the leisure crowd.

Tourism is a major component of the Pismo Beach area economy. Demand in Pismo Beach is almost entirely leisure driven, although several hotels derive some group meetings demand from their respective meeting facilities. Leisure visitors enjoy a myriad of activities including wine tasting, golfing, bicycling, walking through the Monarch Butterfly Grove, tennis, horseback riding, scuba diving, bowling, hiking, miles of beautiful and clean beaches, exploring tide pools, coves, and caves, as well as relaxing on the 1,200 foot Pismo Pier. In addition, the city is also accessible to various other attractions located in San Luis Obispo County such as Hearst Castle and Morro Bay via Highway 101 as well as California State Route 1 (also referred to as Pacific Coast Highway).

Pismo Beach, like other coastal leisure destinations located along the central coast of California, exhibits a high degree of seasonality in demand. The length of each season is a function of weather, as well as the timing of events and holidays. The high season occurs in the summer season from July through August, when the weather is most desirable and the hotels exhibit the highest occupancies and rates. Hotels also run extremely high occupancies during special events and holidays, such as Presidents' Day weekend, Easter weekend, homecoming week, and the annual Clam Festival. Demand is traditionally softest following Thanksgiving week to Christmas season, as temperatures fall and visitors redirect travel plans towards family-related purposes. Regardless of the season, it should be noted that owing to the fact that the majority of visitors to the area are leisure travelers who drive from nearby destinations such as Southern California, Bakersfield, and Fresno, weekend visitation is consistently higher than weekday visitation throughout the year.

The majority of visitors to Pismo Beach are from within California. The major feeder cities are: Fresno, Modesto, Sacramento, Bakersfield, Visalia and greater Los Angeles. The Pismo Beach Conference and Visitor's Bureau (CVB) has been successful and is continuing to attract group tours and individual travelers from within California and within the International market. Consistent marketing to regional magazines such as: Sunset, Travel 50 and Beyond, Westways, Meetings West as well as newspaper travel sections, enhances the visibility of Pismo Beach to the surrounding regional areas. The area's accessibility via U.S. Highways 46 and 101 has enhanced the popularity of the city as a drive-in destination.

In 2017, it is estimated that the number of occupied rooms will decrease by 1.0 percent to finish the year at an occupancy of 70.8 percent. It is estimated that average daily rate will increase by 1.6 percent this year. In 2018, we forecast a 4.0 percent growth in occupied rooms amid a 5.9 percent growth in supply as the annualized rooms of the 104-room Inn at the Pier Pismo Beach enter the market, resulting in a market occupancy of 69.5 percent. Average daily rate is forecast to increase by 2.5 percent in 2018 as compared to 2017, resulting in an average daily rate of $190.50.

Pismo Beach
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	527,790	N/A	363,947	N/A	69.0%	$148.85	N/A	$102.65	N/A
2013	527,790	0.0%	376,946	3.6%	71.4	156.28	5.0%	111.61	8.7%
2014	527,790	0.0	388,333	3.0	73.6	164.87	5.5	121.31	8.7
2015	527,790	0.0	386,359	-0.5	73.2	175.81	6.6	128.70	6.1
2016	527,790	0.0	382,279	-1.1	72.4	182.85	4.0	132.44	2.9
2017E	534,117	1.2	378,336	-1.0	70.8	185.85	1.6	131.65	-0.6
2018F	565,872	5.9	393,470	4.0	69.5	190.50	2.5	132.46	0.6
CAAG	1.2%		1.3%			4.2%		4.3%	

Source: CBRE Hotels

SAN LUIS OBISPO CITY

The City of San Luis Obispo serves as the commercial, governmental and cultural hub of California's Central Coast. One of California's oldest communities, it began with the founding of Mission San Luis Obispo de Tolosa in 1772 by Father Junípero Serra as the fifth mission in the California chain of 21 missions. The mission was named after Saint Louis, a 13th Century Bishop of Toulouse, France. While San Luis Obispo grew relatively slowly during most of the 19th century, the coming of Southern Pacific Railroad in 1894 opened up the area to the rest of California. The city's distance from major metropolitan areas to the north (San Francisco Bay Area) and south (Los Angeles) have allowed the area to retain its historic and scenic qualities. These qualities continue today contributing to the superb quality of life the residents enjoy and attracting visitors from many other areas.

Hotels in the San Luis Obispo City sub-market are generally located on, or within a few blocks of Monterey Street proximate to the downtown area. Accordingly, these hotels serve the commercial traveler visiting downtown businesses, leisure visitors who want to visit various sites and partake in recreational activities in the surrounding area and visitors to Cal Poly, San Luis Obispo. Developments in the neighborhood are attractive, maintained in good condition, and both finished and landscaped to be consistent with the resort feel of the area

Another key feature contributing to the city's great quality of life is the downtown district. The heart of downtown is Mission Plaza. With its wonderful creek side setting and beautifully restored mission (that continues to serve as a parish church to this day), Mission Plaza is the community's cultural and social center. This historic plaza is complemented by the downtown district which offers great shopping, outdoor and indoor dining, night life, and the famous Thursday Night Farmers' Market, where one can buy locally grown fresh produce and enjoy an outdoor BBQ. This unique blend of history, culture, commerce and entertainment make San Luis Obispo's downtown one of the most attractive, interesting and economically vibrant downtowns in America.

In the short term, it is estimated that the San Luis Obispo City submarket will end 2017 with a 78.7 percent occupancy rate and an average daily rate of $151.44, representing a 4.1 percent increase in occupied rooms and a 0.7 percent increase in rate. For 2018, occupied room nights are forecast to increase 2.0 percent amid a 3.1 percent increase in supply due to the openings of the 64-room Hotel Serra and the 78-room Hotel San Luis Obispo, resulting in a market occupancy of 77.8 percent. Average daily rate is forecast to increase an additional 3.0 percent.

San Luis Obispo City
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	403,325	N/A	297,300	N/A	73.7%	$125.68	N/A	$92.64	N/A
2013	415,005	2.9%	312,706	5.2%	75.3	129.30	2.9%	97.42	5.2%
2014	415,005	0.0	320,363	2.4	77.2	135.43	4.7	104.55	7.3
2015	415,005	0.0	329,265	2.8	79.3	141.46	4.5	112.23	7.4
2016	415,005	0.0	313,788	-4.7	75.6	150.32	6.3	113.66	1.3
2017E	415,005	0.0	326,522	4.1	78.7	151.44	0.7	119.15	4.8
2018F	427,963	3.1	333,052	2.0	77.8	155.99	3.0	121.39	1.9
CAAG	1.0%		1.9%			3.7%		4.6%	

Source: CBRE Hotels

PASO ROBLES

The Paso Robles sub-market includes properties in the cities of Paso Robles and Atascadero. Paso Robles is a small inland community in San Louis Obispo County surrounded by the rolling hills of the Central Coast. Paso Robles is located approximately 28 miles north of San Luis Obispo along Interstate 101. For years, Paso Robles was known as the half-way stop for motorists traveling between Northern and Southern California. However, the increased popularity of this award-winning wine region has caused the city to become a destination unto itself. The city was originally the Paso Robles Rancho, a 25,993-acre plot of land granted to Pedro Narvaez. The land passed through several owners who realized the potential of the area's hot springs, reputed to relieve various ailments. The area continued to develop, and was eventually incorporated in 1889. For a brief time, the town was known as the "Almond City" for its local almond growers. Presently, much of the surrounding land is occupied by thriving vineyards, which have become popular among tourists.

With over 200 wineries, the City of Paso Robles thrives on its wine production and the tourism related to this booming industry. The Paso Robles wine industry has become a well-respected wine-destination, much more so than many of its regional counterparts within California. In 1797, Father Junipero Serra planted 1,000-grapevines to make sacramental wines. Later, French and Italian immigrants brought European vine cuttings. Today, the area contains nearly 40,000 vineyard acres. Tourists throughout the region visit Paso Robles for wine tasting tours amidst the beauty of the Central Coast, with most wineries being located immediately off Route 46. The eastern half of the Paso Robles American Viticulture Area (AVA) tends to be warmer and drier. Wineries in this section of the AVA typically produce full bodied wines with rich fruit character. These wines often have softer tannins and lower acidity compared to the west, making them more approachable in their youth.

The Chamber of Commerce works with local wine growers in planning events throughout the year to promote tourism. The Paso Robles Wine Country Alliance is a non-profit organization dedicated to the marketing and promotion of this world-class wine region. This cooperative marketing alliance consisting of wineries, vineyards, and related businesses is committed to attracting tourists and generating traffic through the Paso Robles wine region. The booming wine industry has led to the beginnings of a viable destination, in particular the downtown area. Currently, a myriad of restaurants, wine-tasting rooms, and cheese shops line the sidewalks in downtown. Furthermore, notable restaurants such as the Artisan and Villa Creek have received both local and regional recognition.

Additionally, there are four major wine-related events hosted by the Paso Robles Wine Country Alliance which attract both enthusiasts and newcomers alike. BlendFest on the Coast, which started in 2015, provides guests with beautiful coastal views while they taste wines from 30 of Paso Robles' wineries. Vintage Paso: Zinfandel Weekend is held during the third week of March and is the second largest Zinfandel tasting in the state. This weekend event also includes special events happening at area wineries, such as winemaker dinners, special tastings, seminars, and open house events. Held in May, the Paso Robles Wine Festival is one of the largest outdoor wine festivals in California. The weekend event at the Paso Robles City Park features winemaker dinners, live music, newly released wines, and open house festivities at area wineries. The Harvest Wine Weekend, which is held in the third week of October, allows guests to enjoy activities such as winemaker dinners, barrel samples, seminars, barbeques, live music, and winery tours.

According to the economic impact study commissioned in 2015 and prepared by the University of California Agricultural Issues Center at UC Davis, the county attracts approximately 1.5 million wine related visits by tourists, who spend approximately $194 million dollars when visiting the area. The Paso Robles AVA accounts for 87 percent of SLO County wine industry output and economic impact. Demographically, wine-related tourists are well educated and tend to have a relatively high income (over $100,000 per year). Wine-related tourists are likely to patronize quality restaurants and lodgings and also have a high rate of return.

The historical trends in economic and demographic data suggest that the future prospect for Paso Robles is favorable. Paso Robles has been the economic engine that continues to drive the county with it's healthier than average job market and viable tourism sector. Paso Robles has become a sophisticated wine-based tourist destination, which has contributed to much of its growth in the local economy. Unlike many other cities that are change-averse, Paso Robles has been proactive in promoting change that has had a positive impact on the community as a whole.

We estimate that the Paso Robles lodging market will increase in occupied room nights by 5.3 percent in 2017 resulting in a market occupancy of 72.4 percent. In terms of average daily rate, we estimate a 2.7 percent increase for the market as a whole. In 2018, occupied rooms are forecast to increase by 1.0 percent, resulting in a market occupancy of 73.1 percent. Average daily rate is forecast to increase by 2.5 percent as compared to 2017 estimates, ending the year at $147.65.

Paso Robles Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	410,625	N/A	279,706	N/A	68.1%	$120.17	N/A	$81.86	N/A
2013	438,000	6.7%	301,034	7.6%	68.7	123.35	2.6%	84.78	3.6%
2014	438,000	0.0	306,372	1.8	69.9	130.32	5.7	91.16	7.5
2015	483,078	10.3	338,693	10.5	70.1	133.51	2.4	93.61	2.7
2016	561,370	16.2	385,779	13.9	68.7	140.24	5.0	96.38	3.0
2017E	561,370	0.0	406,265	5.3	72.4	144.05	2.7	104.25	8.2
2018F	561,370	0.0	410,328	1.0	73.1	147.65	2.5	107.92	3.5
CAAG	5.3%		6.6%			3.5%		4.7%	
Source: CBRE Hotels									

NORTH COASTAL

The North Coastal sub-market is comprised primarily of lodging facilities in Morro Bay and Cambria. The City of Morro Bay was incorporated in 1964 and is located on the Pacific Coast of California about half way between San Francisco and Los Angeles near Hearst Castle and the Big Sur Coast. The city's name came from its famous landmark, Morro Rock, named by Juan Rodriguez Cabrillo when he first charted this coast during his 16th Century voyage of discovery. South of the City of Morro Bay is the expansive Morro Bay State Park, spread over 1,905 acres of winding landscape and lush vegetation. The park is laid out around an 18-hole golf course. The vast grounds cover a portion of the Morro Bay Estuary and tree-shaded camping and picnic grounds. Morro Rock, the landmark 581 square feet-high rock formation that covers 50 feet at its base, sits at the center of the park and is the westernmost volcano in a chain of seven volcanic peaks reaching to the City of San Luis Obispo. Other park attractions include a natural history museum dedicated to local wildlife and the environment, as well as a small boat harbor that provides launching facilities, boat rentals, a fishing tackle and supplies shop, and a café.

Cambria, a small unincorporated coastal community, was founded in 1862 and is located approximately 34 miles north of San Luis Obispo and six miles south of the famous Hearst Castle along popular Highway 1. Cambria covers an area of approximately three square miles at an elevation approximately 200 feet above sea level. The small coastal town attracts a large degree of retirees and vacationers who appreciate the area's undisturbed atmosphere. The area depends primarily on tourism and agricultural businesses. Commercially, the town of Cambria can be divided into three distinct areas: East and West Village and Moonstone Beach Drive. Much of Cambria's commercial buildings and older converted homes can be found in the East and West Village area. Also of note in the East Village are several areas designated for historic preservation. The East Village is also home to a large number of the community's upscale restaurants. In the last twenty years commercial development has spilled over to the West Village due to the availability of space and its proximity to State Highway 1. The third distinct area of Cambria is Moonstone Beach Drive, which is located one mile north of the East and West Village Districts. The Moonstone Beach area is home to several lodging and restaurant facilities. Cambria offers an ideal setting for a range of outdoor activities including hiking, jogging, and biking along the dramatic coastline. Many visitors enjoy swimming, surfing, kayaking, and other ocean activities. Local fruit farms offer 'pick your own' activities and many visitors choose to taste wines at nearby vineyards and wineries.

One of the most popular destinations for visitors is the famous Hearst Castle, which is located in San Simeon. One of the largest of approximately 5,000 historic house museums in the U.S., Hearst Castle features 56 bedrooms, 61 bathrooms, 19 sitting rooms, and provides one of the most sophisticated guided tour programs in the country. The estate's magnificent main house, "Casa Grande," and three guest houses are of the Mediterranean Revival style, while the imposing towers of Casa Grande were inspired by a Spanish cathedral. Art treasures can be found in every room of Hearst Castle and include antique ceilings, ancient Greek vases, rare oriental rugs, and a variety of work originating primarily from Spain and Italy. The grounds and formal gardens of the 127-acre estate are ornamented with tiled pools, fountains and statuary.

The North Coastal sub-market lodging demand is comprised primarily from drive-in travelers from the San Francisco Bay Area, and the Greater Los Angeles Area. A portion of demand is also generated from inter-state travelers as well as international travelers looking to travel up and down the California coast. California State Route 1 (Pacific Coast Highway) is a major north-south highway that runs along most of the Pacific coastline, drawing many visitors to make the scenic drive between visiting San Francisco and Los Angeles. In recent months, the California coastline has experienced several events that have negatively affected demand. From July to October 2016, a large 132,000-acre fire burned near Big Sur. In February 2017, after powerful winter storms with heavy rainfall, the Pfeiffer Canyon Bridge buckled and failed. The bridge was demolished in March 2017, closing off a section of Highway 1. The Pfeiffer Canyon Bridge is scheduled to reopen in October 2017. In May 2017, a massive landslide occurred at Mud Creek and closed off a section of Highway 1. The Mud Creek landslide added approximately 2,400 feet of new coastline and extended 550 feet out into the ocean according to Caltrans. Caltrans plans to rebuild over the landslide and reopen the section of highway in late summer 2018, barring any delaying events like a strong winter season. Although these events did not occur in the North Coastal sub-market, it has created negative press for California Coastline tourism and negatively affected demand for the sub-market.

In 2017, we estimate that demand as measured by occupied rooms will decrease by 11.2 percent resulting in market occupancy of 62.2 percent, while average daily rate will decrease by 1.2 percent to $147.37, due to the aforementioned events. In regard to 2018, we forecast occupied rooms to increase by 6.0 percent resulting in an occupancy of 66.0 percent and a 2.0 percent increase in average daily rate. This equates to a year-end 2018 average daily rate of $150.31.

North Coastal
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	275,940	N/A	175,413	N/A	63.6%	$129.08	N/A	$82.05	N/A
2013	275,940	0.0%	191,726	9.3%	69.5	133.40	3.3%	92.69	13.0%
2014	275,940	0.0	198,537	3.6	71.9	141.63	6.2	101.90	9.9
2015	275,940	0.0	194,423	-2.1	70.5	148.45	4.8	104.60	2.6
2016	275,940	0.0	193,339	-0.6	70.1	149.13	0.5	104.49	-0.1
2017E	275,940	0.0	171,769	-11.2	62.2	147.37	-1.2	91.73	-12.2
2018F	275,940	0.0	182,075	6.0	66.0	150.31	2.0	99.18	8.1
CAAG	0.0%		0.6%			2.6%		3.2%	

Source: CBRE Hotels

COASTAL RESORT

Coastal Resort Market

EXECUTIVE SUMMARY

The Coastal Resort market includes destination resort hotels located in coastal locations in the counties of Santa Barbara, Los Angeles, Orange, and San Diego. For the most part, the sample set of resorts are characterized as four to five-star level properties that cater primarily to groups and high-end leisure travelers. These properties play an important role in the California lodging market due to their ability to attract regional business and garner nationwide attention. California's temperate climate, stretches of ocean and beaches, and tourist attractions contribute to the appeal of these resorts.

Over the last five years, the Coastal Resort market has seen several additions to supply, such as the opening of the 215-room Hilton Carlsbad in July 2012, now the Cape Rey, a Hilton Resort, and the May 2013 re-opening of El Encanto, a 92-room luxury hotel located in Santa Barbara, which is affiliated with the Belmond hotel collection. The hotel had been closed for nearly seven years as it underwent an extensive renovation. In 2014 the 78-room Pier South Resort opened in Imperial Beach as part of Marriott's Autograph Collection of hotels. No Coastal Resort hotels opened since that time until the June 2016 opening of the 250-room Paséa Hotel & Spa, which was developed by a partnership between R.D. Olson and Pacific Hospitality Group. The 121 room Hotel Californian opened in September of this year. Later this year in November, a 147-room (net) expansion of The Waterfront Resort, a Hilton Hotel is anticipated to be completed in Huntington Beach. Looking forward to 2018, the Coastal Resort market will see the March opening of the 130-room Lido House, Autograph Collection in Newport Beach and the October opening of the 161-room Rosewood Miramar Beach in Montecito.

The properties in this market typically target the high-end group and local and regional leisure travelers to help boost occupancy and rate. Coming out of the recession, the coastal properties recaptured significant growth in occupied rooms in 2012 through 2014, helped along by relatively low increases in supply. Further, during the historical period average daily rates outpaced inflation each year between 2012 and 2015. In 2017, we estimate a 1.1 percent growth in occupied rooms amidst a 1.3 percent growth in supply, resulting in an occupancy of 72.7 percent. Average daily rate is estimated to increase by 2.6 percent to $372.70 in 2017. In 2018, supply is expected to increase by 3.1 percent with the opening of Lido House Newport Beach and Rosewood Miramar Beach, and the addition of the annualized rooms at the Waterfront Resort. Demand as measured by occupied rooms is forecast to increase by 2.7 percent along with a 3.0 percent increase in ADR.

Coastal Market
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	3,145,205	N/A	2,167,571	N/A	68.9%	$305.62	N/A	$210.63	N/A
2013	3,230,250	2.7%	2,252,619	3.9%	69.7	321.50	5.2%	224.20	6.4%
2014	3,247,405	0.5	2,367,800	5.1	72.9	341.50	6.2	249.00	11.1
2015	3,248,135	0.0	2,388,284	0.9	73.5	353.09	3.4	259.62	4.3
2016	3,301,364	1.6	2,406,293	0.8	72.9	363.31	2.9	264.81	2.0
2017E	3,357,011	1.7	2,441,561	1.5	72.7	375.95	3.5	273.43	3.3
2018F	3,493,141	4.1	2,526,754	3.5	72.3	387.03	2.9	279.96	2.4
CAAG	1.8%		2.6%			4.0%		4.9%	

Source: CBRE Hotels

Additions to Supply

Based on our research and findings the table below details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the Coastal Resort market.

Lodging Forecast - Additions to Supply

Hotel Name	City	Submarket	Room Count	Opening Date
Hotel Californian	Santa Barbara	First Tier	121	September 2017
Waterfront Hilton Resort Expansion	Huntington Beach	Third Tier	147	November 2017
Lido House, Autograph Collection	Newport Beach	Second Tier	130	March 2018
Rosewood Miramar Beach	Montecito	First Tier	161	October 2018

Source: CBRE Hotels

We have divided the market into three tiers in order to analyze the coastal market in further detail. The first tier includes properties with stabilized average daily rates projected to be above $400.00. We note that the 121-room Hotel Californian opened in September of this year which increased the available annual supply by 1.9 percent. For year-end 2017, we estimate a market occupancy rate of 72.0 percent and an average daily rate of $625.31. This equates to a 1.2 percent increase in occupied rooms and a 2.8 percent increase in average daily rate. We are not aware of any hotel openings within this tier for the remainder of 2017, although the 161-room Rosewood Miramar Beach is anticipated to open in October of next year, thereby increasing the available supply of hotel rooms by 6.6 percent, a figure that also includes the annualized rooms from Hotel Californian. Looking forward, in 2018 we have forecast occupied rooms to grow by 5.5 percent. We project that average daily rate will grow by 3.0 percent. This equates to a forecasted occupancy of 71.2 percent and a rate of $644.07 in 2018.

First Tier (ADR Above $400)
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	649,335	N/A	434,345	N/A	66.9%	$491.46	N/A	$328.74	N/A
2013	668,315	2.9%	460,966	6.1%	69.0	523.76	6.6%	361.26	9.9%
2014	682,915	2.2	492,399	6.8	72.1	562.50	7.4	405.58	12.3
2015	682,915	0.0	493,289	0.2	72.2	587.56	4.5	424.41	4.6
2016	682,915	0.0	495,016	0.4	72.5	608.10	3.5	440.78	3.9
2017E	695,796	1.9	500,880	1.2	72.0	625.31	2.8	450.14	2.1
2018F	741771	6.6	528,429	5.5	71.2	644.07	3.0	458.83	1.9
CAAG	2.2%		3.3%			4.6%		5.7%	

Source: CBRE Hotels

The market's second tier includes properties with stabilized average daily rates that are projected to be below $400.00 but above $275.00. For this market, we estimate an occupancy rate and average daily rate for year-end 2017 of 71.3 percent and $369.51, which translates to an increase in occupied rooms of 4.6 percent and 2.8 percent increase in average daily rate. Supply is projected to increase by 2.8 percent in 2017 as the remainder of the rooms at the Paséa Hotel & Spa are annualized into the market and additional 2.7 percent in 2018 as the 130-room Lido House, Autograph Collection opens next March in Newport Beach. For 2018, we forecast the demand for occupied rooms will increase by 2.5 percent amidst the aforementioned 2.7 percent increase in supply. This equates to a market occupancy rate of 71.2 percent. Average daily rate is forecast to increase by 3.0 percent for an average daily rate of $380.60.

Second Tier (ADR below $400 above $275) Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,321,665	N/A	881,374	N/A	66.7%	$314.62	N/A	$209.81	N/A
2013	1,321,665	0.0%	904,185	2.6%	68.4	325.94	3.6%	222.99	6.3%
2014	1,322,760	0.1	936,811	3.6	70.8	340.71	4.5	241.30	8.2
2015	1,323,490	0.1	937,583	0.1	70.8	354.37	4.0	251.04	4.0
2016	1,376,719	4.0	964,116	2.8	70.0	359.38	1.4	251.68	0.3
2017E	1,414,740	2.8	1,008,380	4.6	71.3	369.51	2.8	263.38	4.6
2018F	1,452,335	2.7	1,033,590	2.5	71.2	380.60	3.0	270.86	2.8
CAAG	1.6%		2.7%			3.2%		4.3%	
Source: CBRE Hotels									

Lastly, the third tier includes properties with stabilized average daily rates projected to be under $275.00. In 2017, supply is anticipated to increase by 0.4 percent with expansion of the Waterfront Resort later this year and occupied rooms are estimated to decrease by 1.6 percent resulting in a market occupancy of 74.8 percent. Average daily rate is estimated to increase by 2.7 percent, equating to $245.75. In 2018, with the annualized room additions at the Waterfront Resort and the ramp-up of the expanded 437-room hotel, we forecast occupied rooms will increase by 3.5 percent, for a market occupancy of 74.3 percent. We forecast average daily rate to increase by 3.0 percent in 2018, ending the year at $253.12.

Third Tier (ADR Below $275) Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,174,205	N/A	851,852	N/A	72.5%	$201.56	N/A	$146.23	N/A
2013	1,240,270	5.6%	887,468	4.2%	71.6	211.90	5.1%	151.63	3.7%
2014	1,241,730	0.1	938,590	5.8	75.6	226.34	6.8	171.08	12.8
2015	1,241,730	0.0	957,412	2.0	77.1	231.04	2.1	178.14	4.1
2016	1,241,730	0.0	947,161	-1.1	76.3	239.36	3.6	182.58	2.5
2017E	1,246,475	0.4	932,111	-1.6	74.8	245.75	2.7	183.77	0.7
2018F	1,299,035	4.2	964,735	3.5	74.3	253.12	3.0	187.98	2.3
CAAG	1.7%		2.1%			3.9%		4.3%	
Source: CBRE Hotels									

Inland Empire

Inland Empire

EXECUTIVE SUMMARY

The metropolitan area is comprised of Riverside and San Bernardino counties, and is often called the "Inland Empire." The Inland Empire refers to a collection of Southern California cities located in Riverside and San Bernardino Counties. The Inland Empire is comprised of some of the oldest cities in the region: Ontario, San Bernardino, Redlands, and Riverside. These cities were established near the end of the 19th century and were major centers of agriculture including citrus, dairy, and wine-making. The name "Inland Empire" was first used in the 1950s to distinguish the region from the communities of the Los Angeles area.

The "Inland" part of the name is derived from the region's location about 37 miles inland from the Pacific Ocean and east of Downtown Los Angeles. Between the Los Angeles area and the Inland Empire, there was limited development until the 1970s, and this relatively open, rural space between two developed regions served as a natural boundary. However, since then, a rapidly growing population and, therefore, commercial, and industrial development, has led to cities being established in this rural, intermediate area. Interconnectivity provided by a vast automobile-oriented transportation network, including perhaps one of the most comprehensive freeway systems in the United States, has further eroded any real or perceived boundary between the Inland Empire and its surrounding counties.

The "Inland Empire" is bordered by Los Angeles and Orange County to the west, and to the east by the states of Nevada and Arizona. Riverside County covers 7,304 square miles while San Bernardino covers 20,106. The January 2017 population of the area totals approximately 4.4 million people. The area's population count makes it larger than 24 states. The majority of the county's acreage is a mixture of mountainous terrain and arid deserts. The center of the Inland Empire is located approximately 60 miles east of the center of Los Angeles, 110 miles northeast of San Diego, and 200 miles southwest of Las Vegas.

The Inland Empire and specifically Ontario, is the hub of the Southern California Global Gateway. It is a major transportation hub for both rail and truck service, is home to the Ontario International Airport (a UPS hub, both small packages and air freight, and for service from Asia), and is a major distribution center for firms moving goods through Southern California's ports to the rest of the U.S. The Ontario International Airport, strategic freeway access, two rail lines, and service by Amtrak and MetroLink make the region a transportation hub. There are also three ex-military air fields that are being redeveloped for commercial use: George Air Force Base as the Southern California Logistics Airport, Norton AFB as the San Bernardino International Airport, and March AFB as the March Inland Port. Norton AFB completed the majority of its renovations in 2011. The airport is now used as a cargo and general aviation facility, with no commercial flights contracted to pass through the airport.

This area also has an impressive array of higher educational institutions, including the University of California Riverside (UCR), Cal State San Bernardino, University of Redlands, Loma Linda School of Medicine, and the University of La Verne College of Law, the Inland Empire's only ABA accredited law school. In 2013 UCR welcomed its charter class of medical students to the University of California, Riverside School of Medicine. Just to the west of the county line in Los Angeles are the Claremont Colleges and Cal Poly Pomona. There are also numerous community colleges serving the area. The two-county area also has a diverse portfolio of quality of life elements. These include desert resorts with championship golf courses, mountain resorts that offer skiing in the winter and biking and hiking trails in the summer, one of Southern California's leading wine regions, a natural hot springs spa destination, and relative proximity to internationally recognized destinations in Los Angeles and Orange Counties. There are also fine and performing arts centers. The Auto Club Speedway in Fontana is the largest auto racetrack in Southern California.

Affordable home ownership had historically been the primary motivating factor behind job growth in the Inland Empire as homes in these communities are generally less expensive than comparable homes in Orange and Los Angeles Counties, and employees are willing to work for less to avoid long commutes. However, the Inland Empire was one of the local economies hit hardest by the recession, but the region has shown resiliency. Over the past several years more and more positive signs have continued to emerge. Since 2015, the Inland Empire has only been outpaced by the Silicon Valley in terms of statewide job growth. This growth has been driven primarily by a quickly accelerating housing recovery and an upswing in job gains from the professional and business services sector, which are helping to fuel the regional economy.

The Inland Empire continues to lead Southern California in job growth and is estimated to add 46,600 jobs in 2017, for a 3.3 percent annual growth. In particular, transportation and warehousing employment rose by 6,400 jobs for an annual gain of 7.3 percent. If this estimate is met, the Inland Empire will have exceeded pre-recession job totals by 11.9 percent. In the Inland Empire Quarterly Economic Report, John Husing predicts that unemployment in the region is expected to drop to 5.3 percent in 2017, down from 5.9 percent in 2016. The diversity of hiring across pay scales and industries has ensured that wages and salaries are currently rising much faster than in the rest of California and the rest of the U.S. Job growth and expansion is driven primarily by the traditional advantages that the Inland Empire provides for the blue-collar/technical sector, including undeveloped land, moderately priced labor, and a growing population. As expansion continues in the healthcare industry coupled with moderate growth in the higher paying sectors, the forecasted growth bodes well for the overall prosperity of the region. 33.0 percent of growth is forecasted for the lower paying sectors, while the majority, 67.0 percent, of growth is forecasted in the moderate and higher-paying job sector. This kind of spread suggests that the additional dollars earned will be brought into the local economy, which will have spillover effects on service-related industries.

Additionally, the continued availability of land has ensured that homebuilding has increased, positively affecting the housing market. As of the first quarter of 2017, the median price of an existing single-family family increased by 9.0 percent as compared to the same quarter in 2016. Additionally, sales of existing homes also increased with 14,840 homes closing in the first quarter of 2017, which represents an 8.0 percent growth over 2016. In tandem with this growth in sales, homeownership in the Inland Empire rose above 61 percent in 2017, comparable to the national level of 64 percent homeownership. The strength of the housing market bodes well for continued growth in construction employment. Traditionally, the construction sector has represented the strongest job creator in the Inland Empire, but the recession saw construction jobs cut by more than 50 percent. Since 2012, this sector has recovered effectively to reach a total of 92,500 jobs, which is still 35,000 short of pre-recession highs, but represents an important sign of strength in the area economy. We anticipate that the construction sector will continue to see a resurgence as the availability of land will continue to lead to increased development. In 2017, the construction sector is forecasted to add an additional 7,500 jobs, due in large part to the continued homebuilding in the region. This type of growth in the housing supply can be expected to continue across the entire Inland Empire, which can be expected to have a positive effect on the housing market with spillover positive impacts on the labor market. An encouraging aspect of the current period of economic growth in the Inland Empire has been that the growth has extended beyond the traditional construction sector to include sectors such as professional services and, primarily, goods distribution. Taxable sales receipts in the area are at an all-time high, largely due to residents being more willing to spend at local restaurants and establishments. Economic growth for the Inland Empire is looking very bright, and is actually predicted to be the highest in California, according to HIS Global Insight, growing at an average of 4.2 percent annually through 2020 and beating out both Phoenix and Houston.

As the e-commerce industry continues to grow nationwide, traditional retailers have been forced to embrace the idea of creating regional fulfillment centers, and as they do, they come to the Inland Empire for its available land for these large types of facilities. The majority of these fulfillment centers are located in the Inland Empire, making it the “big box capital” of the US. The Inland Empire continues to be a prime location for the construction of warehouse complexes as well as sorting and logistics facilities. Much of the large volume of imports that make their way through the San Pedro ports make their way to distribution centers in the Inland Empire where they are sorted and distributed. According to industry experts, the Inland Empire leads the nation in both leasing activity and net absorption for “big-box” industrial development. At mid-year 2017, the Inland Empire had 27.6 million square feet under construction along with 12.4 million square feet of newly completed industrial space, the most in the nation. The 640,000-square foot Goodman Logistics Center in Fontana was completed in August 2015, and secured a lease with Walmart. The proposed World Logistics facility in the Moreno Valley would span more than 40 million square feet and settled a lawsuit with the South Coast Air Quality Management District Board in 2016, paving the way for development of one of the largest warehouse facilities in the world. QVC recently opened its first West Coast distribution center in Ontario. The one million square foot center is projected to add 1,000 jobs to Ontario by 2020. Increasing development activity in this sector is forecasted through 2018.

In 2016, employment in the logistics sector grew by 8,433 jobs and is forecasted to increase by 8,500 in 2017. The prime hotspots for warehouse development continue to be the Ontario corridor, including Rancho Cucamonga, as well as Fontana, Colton, Rialto, and Redlands. The top five industrial tenants in the Inland Empire are Amazon, Home Depot, Walmart, NFI, and Ross, with a few expected to expand their footprint in the Inland Empire. The continued challenge is to ensure that this growth in construction and subsequent, often temporary, employment is able to have a lasting, permanent effect on employment in the region. The potential spillover effect onto job growth in professional and business services sectors still remains to be seen. Overall, the rapid growth in the warehouse sector is a positive indicator for economic growth in the Inland Empire.

Overall, the long-term outlook for the Inland Empire is favorable. Both San Bernardino and Riverside Counties are anticipated to benefit from an increase in residents, businesses, and amenities over the next five to ten years as development has naturally progressed inland from the nearly fully developed Counties of Los Angeles and Orange. While this trend reversed sharply in the past decade due to the credit crisis, mortgage meltdown and resulting foreclosures, as well as historically high employment rates, economic trends have turned positive, and the Inland Empire, undeniably, remains California’s region for future expansion. As the E-Commerce industry continues to expand, the Inland Empire’s role as the big-box capital of the nation will continue to be important and will likely see a spill over into other aspects of the area economy.

Ontario International Airport (ONT) is a medium-hub, full-service airport with direct service to major US cities and several international destinations. It is located approximately 38 miles east of downtown Los Angeles. Ontario International Airport’s service area includes San Bernardino and Riverside Counties and portions of north Orange County and East Los Angeles County. The following table provides year-end data on Ontario International Airport passenger and cargo statistics from 2007 through 2016, as well as year to date figures through July 2017 as compared to the prior period last year.

Volume of Air Traffic Ontario International Airport		
Year	Passengers	Cargo (Tons)
2007	7,207,150	532,865
2008	6,232,761	481,284
2009	4,886,695	391,060
2010	4,808,241	392,427
2011	4,551,875	417,686
2012	4,305,426	454,880
2013	3,969,974	460,535
2014	4,127,280	474,502
2015	4,209,311	509,809
2016	4,251,903	567,295
CAAG	-5.7%	0.7%
YTD 7/16	2,758,495	8.2%
YTD 7/17	2,952,034	
Source: Ontario International Airport		

With the continued rising costs of fuel and airline cutbacks, Ontario International Airport lost nearly one third of its flights between 2008 and 2010, making the airport one of the nation's hardest hit by an industry-wide rush to cut flights amid difficult economic conditions. However, in the mid to long-term, healthy growth is still expected as many of the area's other airports are unable to expand to accommodate the anticipated increases in demand. It was estimated by the Southern California Association of Governments (SCAG) that Ontario International Airport could service as many as 20 million air passengers by 2025. Despite the steep declines during the recession years, this estimate may not be overly optimistic considering recent developments in the transfer of ownership. After a long legal process and negotiations, the City of Los Angeles agreed to return local control of the Ontario International airport to the City of Ontario in late 2016. The City of Ontario relinquished control of the Airport in 1985, but had been fighting to regain control of the airport since alleged mismanagement and apathy by the City of Los Angeles led to sharp passenger declines from 2007 to 2012. The city of Ontario had filed a lawsuit in order to regain control of operations, and in August 2015, the City of Los Angeles agreed to return the airport to local control provided that roughly $250 million in reimbursement costs and debt be paid and assumed. After finalizing a settlement agreement in early 2016, the official transfer took place on November 1st, 2016, with the airport dropping LA from the name so that it is now called the Ontario International Airport once again. This local ownership has allowed the Ontario airport to reduce its cost structure and increase marketing, advertising, and promotion of the airport. Such a change is anticipated to allow Ontario to better compete with other Southern California destinations and will ultimately benefit the local and regional hotel communities.

The Inland Empire is home to, and proximate to an increasing number of leisure demand generators that have brought a small measure of prominence to the area. The Ontario Mills Mall is the largest outlet mall in Southern California and is a source of significant leisure demand. The outlet recently added several well-known retail stores, including EXPRESS Factory Outlet, New York & Company Outlet, PINK, and ASICS Outlet.

Located just three miles north of Ontario in Rancho Cucamonga is Victoria Gardens, a 147-acre urban shopping town center, which is anchored by major tenants such as Macy's, JC Penney, and Bass Pro Shops, as well as hundreds of other fine retailers and dozens of restaurants and specialty food retailers.

The outdoor mixed-use town center reached 13 years of operation in 2017, and is continually expanding, recently adding upscale food and beverage outlet Paul Martin's American Grill, conceived by Brian Bennett and restaurateur Paul Fleming. Riverside boasts its own shopping mall with the Galleria at Tyler, a significantly smaller development. The Auto Club Speedway, located in Fontana, is home to world-class motor sports events, and has additional configurations and facilities to accommodate road races, motorcycle races, vehicle testing, and drag races. Every year, in March, NASCAR hosts the Auto Club 400 at the race track, which generates significant tourist demand. The San Manuel Amphitheater (formerly the Glen Helen Pavilion, Hyundai Pavilion, and the Blockbuster Pavilion), is a 65,000-seat amphitheater located in the hills of Glen Helen Regional Park in Devore, California. Given that it is one of the largest amphitheaters in North America, it has become a concert venue of choice for promoters looking for large venues in Southern California.

Our forecast for the Inland Empire includes three distinct submarkets: the greater Ontario market, including adjacent Rancho Cucamonga, the Riverside/San Bernardino metropolitan market, including the cities of Colton, Corona, Loma Linda, Highland, Norco, Redlands, Riverside, and San Bernardino and the Murrieta/Temecula Valley market. With regards to lodging supply, we note that after a number of years of rapid expansion, very few hotels have opened in the past few years with the majority of expansion happening in the Murrieta/Temecula Valley. In 2012, the 125-room Hyatt Place Hotel in Downtown Riverside developed by MetroPacific Properties opened. In 2014, two properties, the Fairfield Inn & Suites in Norco, and the Homewood Suites in San Bernardino opened, bringing in slightly over 200 rooms to the market. In 2015, the Residence Inn Temecula and the Holiday Inn Express Loma Linda entered the market. In 2016 and 2017, the Staybridge Suites in Corona as well as the Hampton Inn and Courtyard by Marriott in Murrieta opened.

For 2017, the Inland Empire's lodging demand is estimated to increase by 2.6 percent, outpacing supply growth of 2.2 percent, with occupancy levels estimated to end the year at 76.1 percent at an average daily rate of $112.73. In 2018, overall occupancy is forecast to decrease to 75.7 percent, with the number of occupied rooms forecasted to increase by 4.1 percent compared to a 4.7 percent increase in supply; while average rate is forecast to increase by 3.7 percent to $116.86. The following table estimates the Inland Empire's historical and projected supply, demand, occupancy and average room rate. We are aware that the previously defined market area as a whole has a total of approximately 5.5 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub markets, representing approximately 75 percent of the total existing lodging supply.

Inland Empire
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	3,743,075	N/A	2,395,821	N/A	64.0%	$86.64	N/A	$55.46	N/A
2013	3,762,055	0.5%	2,525,154	5.4%	67.1	88.80	2.5%	59.61	7.5%
2014	3,836,880	2.0	2,731,904	8.2	71.2	93.36	5.1	66.48	11.5
2015	3,899,295	1.6	2,914,272	6.7	74.7	100.34	7.5	74.99	12.8
2016	3,948,448	1.3	2,995,452	2.8	75.9	107.25	6.9	81.37	8.5
2017E	4,034,740	2.2	3,072,260	2.6	76.1	112.73	5.1	85.84	5.5
2018F	4,224,753	4.7	3,198,517	4.1	75.7	116.86	3.7	88.47	3.1
CAAG	2.0%		4.9%			5.1%		8.1%	

Source: CBRE Hotels

Additions to Supply

Based on our research and findings the table below details the new hotels that have been included in this year's edition of our Southern California Lodging Forecast located within the Inland Empire market.

Lodging Forecast - Additions to Supply

Hotel Name	City	Submarket	Room Count	Opening Date
Courtyard Murrieta	Murrieta	Temecula/Murrieta Valley	183	November 2017
Fairfield Inn and Suites	Rancho Cucamonga	Ontario/Rancho Cucamonga	105	December 2017
Towneplace Suites	Loma Linda	Corona/Riverside/SB	90	December 2017
Springhill Suites Ontario	Ontario	Ontario/Rancho Cucamonga	128	April 2018
Residence Inn	Rancho Cucamonga	Ontario/Rancho Cucamonga	126	July 2018
Hampton Inn	Riverside	Corona/Riverside/San Bernardino	106	November 2018

Source: CBRE Hotels

ONTARIO/RANCHO CUCAMONGA

The City of Ontario is located along the Interstate 10 and Route 60 corridors, proximate to where they meet the Interstate 15. Ontario is one of Southern California's oldest municipalities, dating back to its date of incorporation in 1891, and has been an economic and logistics hub for more than a century. The city is well located relative to some of the busiest transportation corridors in Southern California, and benefits from its proximity to the County of Los Angeles. It is home to nearly 100 million square feet of industrial space, and nearly four million square feet of current commercial office space. In particular, tenants involved in third party logistics as well as the distribution of consumer goods have been major players in the industrial markets of Rancho Cucamonga and Ontario in 2016 and 2017. On the office side, Rancho Cucamonga and Ontario have become more attractive options as office rents continue to rise in markets such as Riverside and the Eastern Inland Empire. Furthermore, Ontario is home to the Ontario International Airport, Ontario Convention Center, Citizens Business Bank Arena while Rancho Cucamonga houses Victoria Gardens. Additionally, the region boasts a number of significant development projects intended to position the city as Southern California's next urban center, and a regional destination for commerce, entertainment and lifestyle.

For many years, the city of Ontario has focused on planning large scale development rather than piecemeal growth by developing thorough plans. In 1998 the City of Ontario prepared and adopted the Sphere of Influence General Plan Amendment, an amendment to the general plan of the City of Ontario. Some of the exciting, recently-opened, or planned developments for the greater Ontario area include the New Model Colony, comprised of roughly 30,000 new homes including the Park Place and Parkside developments, the recently completed Downtown Ontario Town Square project, which includes an open-air amphitheater and Piemonte at Ontario Center, which became Big Al's (a cross between Dave and Buster's and Lucky Strike) in March of 2017. The General Plan for the New Model Colony (recently renamed the Ontario Ranch) intends to provide the long-term vision to create a high-quality environment where residents can live, work, and play with a sense of individual neighborhoods. The Ontario Ranch, formerly part of the San Bernardino County Agricultural Preserve, encompasses approximately 8,200 acres and is bounded by Riverside Drive to the north, Milliken Avenue and Hamner Avenue to the east, the Riverside County line and Merrill Avenue to the south, and Euclid Avenue to the west. Upon full build-out the Ontario Ranch would feature as many as 30,000 new homes. More than 160,000 residents are expected to call the community home when it is finished in the coming decades, nearly doubling the city's population.

Ontario Ranch is zoned for upscale housing to cater to the influx of home buyers from Los Angeles and Orange Counties. The first neighborhood, Eden Glen consisting of 542 residences opened in April

2007, and although the sales pace was slower than anticipated in 2008 in response to rising mortgage defaults, foreclosures, and the impact of subprime loan woes, the fact remains that the very high cost of housing in California's coastal communities will continue to drive thousands of technicians, professionals and executives inland to acquire upscale homes at prices they can afford. According to city officials, to date, nine specific plan applications have been approved envisioning the development of 10,231 single family residences, 6,132 multi-family units, over 1.5 million square feet of commercial development, and over 550,000 square feet of business park/light industrial development. While some have been delayed, ultimately these landmark projects are anticipated to bring retail, restaurant, sports and entertainment, as well as residential developments to the city in the mid to long-term. Thus, even though development within the city had paused, in recent times Ontario has become once again a model of growth for the Inland Empire.

In terms of new hotel supply, growth had slowed markedly in the region with no new hotels opening in the past couple of years. By contrast, this year will see the opening of the under-construction 105- room Fairfield Inn in Rancho Cucamonga in December of 2017, and in 2018, we expect that a 128- room Springhill Suites and a 126 room Residence Inn will open. We have estimated that market occupancy will have decreased to 73.3 percent by the end of 2017 as demand is estimated to have dropped by 0.6 percent. Average Daily Rate (ADR) is estimated to increase by 5.7 percent to finish 2017 at $109.61.

Given projected market conditions and the fact that three new hotels are projected to open, we are forecasting that the greater Ontario market will see a decline in occupancy in 2018. We project an increase in annual supply of 4.8 percent coupled with a growth in occupied rooms of 4.0 percent resulting in a slight drop in occupancy to 72.7 percent in 2018. Additionally, for the seventh consecutive year in a row, we are projecting a continued increase in rate, with average daily rate estimated to increase by 4.0 percent to $114.00 at year's end. Given the overall strength of this market and the arrival of new high-quality hotels, we anticipate that rate will continue to exhibit growth over the next few years. This results in a RevPAR growth of 3.2 percent to finish 2018 at $82.90.

Ontario/Rancho Cucamonga
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,800,910	N/A	1,151,678	N/A	63.9%	$84.12	N/A	$53.80	N/A
2013	1,800,910	0.0%	1,181,145	2.6%	65.6	86.60	2.9%	56.80	5.6%
2014	1,800,910	0.0	1,283,534	8.7	71.3	89.72	3.6	63.95	12.6
2015	1,800,910	0.0	1,328,791	3.5	73.8	96.47	7.5	71.18	11.3
2016	1,800,910	0.0	1,334,335	0.4	74.1	103.71	7.5	76.84	8.0
2017E	1,810,583	0.5	1,326,608	-0.6	73.3	109.61	5.7	80.31	4.5
2018F	1,897,270	4.8	1,379,672	4.0	72.7	114.00	4.0	82.90	3.2
CAAG	0.9%		3.1%			5.2%		7.5%	

Source: CBRE Hotels

RIVERSIDE/SAN BERNARDINO

Riverside Metropolitan Area

The City of Riverside has the seventh largest population in Southern California and the 12th largest in the state, and has a large and diverse economy with the Inland Empire's largest number of businesses and total jobs. Riverside's vibrant downtown, anchored by the historic Mission Inn, has earned a reputation as the "Downtown of the Inland Empire." It is home to many state government offices, the Riverside County Administrative Center, and a Justice Center Complex consisting of County, State and Federal courts. Riverside is an important financial and professional center with numerous legal, accounting, brokerage, architectural, engineering, software firms, and banking institutions. Riverside's diverse manufacturing base includes such sectors as electrical instruments, plastics, wood and metal fabrication, food processing, commercial printing and recreational vehicles. Technological and manufacturing companies are supported by the University of California campus, and other educational institutions offering specialized training and research partnerships.

Businesses benefit from excellent freeway and rail access, high speed fiber optic telecommunications, reasonable land and building costs, city-owned electrical and water systems, and a general aviation airport facility. The city's prime industrial land is located within what had been classified as enterprise zones before the expiration of these classifications, which offered an opportunity for these companies to establish a firm foothold and bolster their performance by taking advantage of the offered tax advantages. The heart of the Inland Empire is within 30 minutes of 21 private and public colleges and universities with an enrollment of over 165,000 students. Riverside is home to four internationally recognized colleges and universities including the prestigious University of California, Riverside (UCR). The University of California-Riverside, with a student population of more than 21,000 with plans to grow to 25,000 by 2020. UCR is one of the fastest growing campuses in the UC system and its well-endowed research program has significant potential to benefit the region's high-tech economy in the years ahead. Further, in August 2013 UCR opened its much anticipated School of Medicine, with 50 students in the inaugural class who transferred to UCLA's David Geffen School of Medicine to complete their degrees after spending two years at UCR. Additionally, the university has access to 20 acres of developable land with plans to add 300,000 square feet of office space on University owned land west of the Interstate 215 Freeway. Additionally, plans for a second research facility, an engineering building, and a student health center and an arena have been approved by the University, including $7 million of University money to be spent on a $150 million research building to include wet and dry laboratories, environmental space for plants and animals and additional office space. Riverside also offers a variety of entertainment and retail attractions consisting of a one million-square foot super regional mall, the historic Fox Theater, various fine dining opportunities, hotels, and the Riverside Convention Center, which completed a $43.6 million renovation in March of 2014. Potential future plans call for an 84,000-square foot expansion of the remodeled convention center that would more than double the current capacity. Included in these plans is an expansion of current retail offerings adjacent to the Convention Center to include an additional 18,000 square feet of food and beverage as well as 115,000 square feet of commercial development.

Additionally, the city recently completed its Riverside Renaissance initiative, an ambitious mix of improvements to the city's water, sewer and electric systems, as well as development of new parks, fire stations, resident services and pedestrian walkways, rail and road improvements. Riverside's City Council's approval of the $1.6 billion capital improvement/strategic investment program in 2006 was earmarked to improve the quality of life in tackling nearly 30 years' worth of projects over roughly five years. Specific enhancement projects targeted a number of the city's historic landmarks including the Fox Theater, Main Library, Riverside Metropolitan Museum and Municipal Auditorium. A downtown beautification program was also part of the spending plan. It was also announced in October 2013 that Live Nation, one the country's leading providers of live entertainment, would operate Riverside's historic Fox Performing Arts Center and the Riverside Municipal Auditorium, following the unanimous approval of a three-year contract by the Riverside City Council. The City Council voted to enter into a contract with Live Nation that called for 60 shows at the Fox and 50 shows and special events at the Municipal Auditorium in its first year. Additionally, plans for a 15,000-square foot retail space adjacent to the Fox Theater call for the development of the Riverside Food Lab. The Food Lab will be made up of 14 independent food and beverage establishments or kiosks, made up of locally grown, ingredient driven eateries and coffee shops. Additional, future development is planned for the downtown area including a $22 million residential and retail development on the site of the historic Imperial Hardware Building, which officially broke ground in October 2016. The project entitled the Imperial Hardware lofts will combine six stories and roughly 91 units with 8,000 square feet of ground floor retail and market. The project will have a potentially revitalizing effect on downtown Riverside and is slated for completion in 2018. Additional hotel projects in the region near Market Street have been proposed, including the Hampton Inn and a proposed Indigo Hotel. In addition to hotel projects, the availability of land in Riverside and the Moreno Valley make them viable locations for industrial development.

In terms of future hotel demand, it is important to note the closing and renovation of the Riverside Convention Center from June of 2012 through March of 2014, which impacted numbers for that period. The downtown area was impacted in the short term by the closure, but has begun to grow and expand again now that the convention center has re-opened. The completed renovations to the convention center include an expanded 30,000 square foot exhibit hall, an additional 4,000 square foot banquet room, more breakout rooms, and a new foyer and landscaped lawn area. The continued effort to revitalize the downtown area should continue to have gradual, positive effects on hotel demand in the region, though it is unlikely that we will see significant changes in the short term.

San Bernardino Metropolitan Area

As mentioned previously, for the past 25 years, most of the Inland Empire's job creation has been along its western edge adjacent to Los Angeles and Orange counties. As a result, much of that area's land has been developed, forcing economic activity deeper into the region. Going forward, cities to the east, such as San Bernardino, will be at a competitive advantage given the sheer acreage of undeveloped land. The City of San Bernardino represents one of Southern California's oldest and fastest changing communities. Incorporated in 1854, the City's approximately 214,000 residents make it the second largest municipality east of Los Angeles and seventeenth largest in California according to recent estimates made by the State of California, Department of Finance. As the county seat of San Bernardino County, it lies in the heart of the Inland Empire region.

San Bernardino's ground transportation system will likely be an asset in fostering future growth. The I-215 and I-10 freeway intersection in the city provides access routes connecting Southern California to the rest of the United States. Meanwhile, the San Bernardino-L.A. Union Station MetroLink route is Southern California's most used commuter rail line with its current terminus at the city's Santa Fe Depot, with a proposal to extend service to a downtown San Bernardino transit center currently being forwarded. Additionally, a nine-mile commuter rail line from San Bernardino to Redlands has been approved by voters, but the city is still at least two years away from breaking ground. San Bernardino's centralized location relative to an ever-evolving freeway system will allow it to remain a regional retail hub for Eastern San Bernardino County, an area with nearly one million people.

As a city that is both well-located and a county seat, San Bernardino is home to one of the Inland Empire's largest office markets. While this market has been tested as of late with historically high unemployment levels and slowed population growth, the market has shown signs of recovery and the mid to long term viability of the city remains intact. The State of California operates from a 15-story office tower in the city. The San Bernardino County Court House and the county's administrative centers are nearby along with City Hall and the offices of the San Bernardino Associated Governments. The federal government is a major presence with the regional Internal Revenue and Immigration and Nationalization offices. San Bernardino's centralized location coupled with this base of governmental operations has led legal, accounting, financial and insurance operations to maintain offices in the city's downtown region. Also in the city are St. Bernardine Medical Center and the Community Hospital of

San Bernardino, two of the county's largest health facilities, plus Patton State Hospital, while the Arrowhead Regional Medical Center and the world-famous Loma Linda University Hospital and Medical Center as well as Children's Hospital are located nearby.

The market should continue to grow in 2018, as only one new hotel, the TownePlace Suites in Loma Linda is projected to open late in 2017 and the market has absorbed the rooms from the Holiday Inn Express Loma Linda. In July of 2015, DKN Hotels announced the completion of a $10 million renovation of the Hotel San Bernardino and its reopening under the DoubleTree by Hilton Flag. Additionally, the property remains one of the few in the region to offer meeting space and conference facilities for social and corporate events. While both the renovation of the Hotel San Bernardino and the opening of the Holiday Inn Express Loma Linda occurred in mid-2015, there were no new hotels that opened in 2016. Therefore, it is estimated that the San Bernardino/Riverside metropolitan market will experience an increase in occupied rooms of 3.1 percent by the end of 2017, resulting in a market occupancy of 77.7 percent by year-end. Average daily rate (ADR) is estimated to increase at a rate of 4.8 percent, to an estimated $112.61 by the end of 2017.

In 2018, annual supply is forecasted to increase by 2.1 percent, as the 85-room Towneplace Suites Loma Linda, adjacent to the existing Holiday Inn Express is slated to open in late 2017. Growth in occupied rooms is expected to slow somewhat, as we are projecting a 2.0 percent increase, resulting in a market occupancy of 77.7 percent. ADR is expected to continue to grow at above inflationary levels, as we are projecting a 3.5 percent increase in rate, which results in a year-end ADR of $116.55. This translates to a RevPAR growth of 3.4 percent in 2018 resulting in a year-end RevPAR of $90.53.

Corona, Riverside, San Bernardino
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	1,592,495	N/A	1,005,815	N/A	63.2%	$85.15	N/A	$53.78	N/A
2013	1,611,475	1.2%	1,092,982	8.7%	67.8	86.93	2.1%	58.96	9.6%
2014	1,686,300	4.6	1,185,801	8.5	70.3	93.01	7.0	65.41	10.9
2015	1,742,510	3.3	1,304,225	10.0	74.8	100.56	8.1	75.27	15.1
2016	1,761,003	1.1	1,355,649	3.9	77.0	107.44	6.8	82.71	9.9
2017E	1,798,355	2.1	1,397,653	3.1	77.7	112.61	4.8	87.52	5.8
2018F	1,835,463	2.1	1,425,606	2.0	77.7	116.55	3.5	90.53	3.4
CAAG	2.4%		6.0%			5.4%		9.1%	

Source: CBRE Hotels

TEMECULA MURRIETA AREA

The cities of Temecula and Murrieta are situated along Interstate 15 approximately 80 miles southeast of Los Angeles and 60 miles north of San Diego. The city of Temecula comprises 30.2 square miles, located south of the city of Riverside and east of the Cleveland National Forest in western Riverside County. Local housing in Temecula has experienced astounding growth and is within a relatively easy commute of the major employment centers near the Ontario Airport, in San Bernardino and Riverside, as well as eastern Orange County and northern San Diego County. Lake Elsinore and Murrieta are also experiencing rapid growth in both commercial and retail.

The name Temecula comes from the Luiseno Indian word, which translated means "where the sun breaks through the mist." The Luiseno Indians inhabited Temecula in the 1700's when the first Spanish padres visited. In 1858, Temecula became a stop on the Butterfield Overland Stage Route. Temecula's post office was established in 1859, making it the first in inland Southern California and second in the state. Locomotive service began in 1882 between Temecula and National City, which was extended the following year to San Bernardino. The Temecula Valley is bordered on the west by Camp Pendleton Marine Corps Base and the Cleveland National Forest, with elevations of up to 2,600 feet. A mountain gap that allows ocean breezes to flow into the city provides a moderate climate by inland standards.

The Temecula Valley is characterized by numerous leisure amenities, from adventure sports to wineries and casinos. Coupled with a growing labor force that is becoming increasingly diversified, continued growth in the region is expected. As the popularity of the Temecula Valley as a tourist destination grows, the effects are being felt across the region. Recreational amenities in the region include Lake Elsinore, the largest natural lake in Southern California, nine golf courses, including Bear Creek Golf Club, three Las Vegas style casinos, including Pechanga Resort and Casino, and the largest wine producing area south of Santa Barbara County, comprised of over thirty wineries. Leisure tourism in the area has grown significantly in the post-recession environment, with demand levels since 2015 exceeding the pre-recession peak. 2015 saw the opening of the 101 room Residence Inn Murrieta/Temecula in November and 2017 saw the opening of the Hampton Inn Murrieta in June, with a Courtyard by Marriott slated to open in November of this year, as well as other planned hotels in Old Town Temecula. Plans have been approved for additional hotels in the area, which will help to accommodate increased levels of demand. The Pechanga Resort and Casino has also initiated a $285 million expansion which would double the size of the resort. It is estimated that this development will bring an economic output of over $550 million to the region, while generating roughly 3,000 construction jobs in the short term. In order to prep the city for the additional development, Pechanga has committed $20 million for various public projects including a revamping of the Temecula Parkway off-ramp on the Interstate 15, which should go a long way in mitigating traffic concerns during large events. The construction is expected to be completed by early 2018.

In addition to leisure tourism, corporate demand generators have increased in the years following the recession. The Temecula/Murrieta Valley has emerged as a healthcare hub for the Inland Empire with the 2011 opening of the Loma Linda University Medical Center. The hospital is comprised of 109 beds, with Phase II expansion discussions already underway for additional towers on the remainder of the campus. Earlier this year, the Murrieta city council approved plans for the development of an 825,000-square foot Kaiser Permanente Medical Center, with the first phase scheduled to open in November 2017 and the full hospital to open in 2023 in North Murrieta's Technology Corridor. Finally, Rady Children's Hospital (based in San Diego) has acquired land in Central Murrieta with the intention to develop the first phase of a 62,000-square foot pediatrics healthcare facility.

In additional to healthcare, the region has seen growth in the technology and manufacturing industries. As of the second quarter in 2017, the industrial vacancy rate in Southwest Riverside County was at 4.6 percent, according to Westmar Commercial Real Estate. This represents an increase over the 3.1 percent experienced at the end of 2016. During the second quarter of 2017 net absorption was a positive 1,394,328 square feet with 2,476,692 square feet of industrial space under construction in Southwest Riverside County. Abbot Laboratories, a pharmaceuticals healthcare company, serves as a primary employer in neighboring Temecula, highlighting the importance of the life sciences/technology sector in the Murrieta/Temecula Valley market. As a whole, the high number of commercial and retail developments which have entered the local market reflects the existing confidence businesses have in the region. In light of these trends, the Murrieta and Temecula Valley is positioned to attract additional residential and commercial growth and will likely present significant opportunities for future developers and business owners in the area.

Overall, the Temecula market has exhibited steady growth as healthy economic conditions have boosted leisure visitor numbers in the region. A popular weekend getaway highlighted by local wineries and vineyards, the strength of the Temecula market in recent times bodes well for the greater Inland Empire in the near future.

The annual supply in the market is estimated to increase by 8.7 percent by the end of 2017, as one additional hotel is projected to open and the Hampton Inn opened in June. Given the location and positioning of the additions to supply as well as the historically strong performance of the market, we estimate a 12.4 percent increase in occupied rooms in 2017. This results in an increase in occupancy to 81.7 percent. ADR is estimated to finish the year at $125.13, which translates to a 2.6 percent increase.

In 2018, we forecast a 17.1 percent increase in annual supply as the annualized rooms of the Hampton Inn and Courtyard Murrieta enter the market. We forecast a 13.0 percent increase in occupied rooms in 2018, which results in a decline in market occupancy to 78.9 percent as the market deals with the influx of new supply. ADR is forecasted to increase by 2.3 percent to finish 2018 at $128.01, which translates to a year-end RevPAR of $100.97.

Temecula/Murrieta Valley
Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	349,670	N/A	238,328	N/A	68.2%	$105.11	N/A	$71.64	N/A
2013	349,670	0.0%	251,027	5.3%	71.8	107.30	2.1%	77.03	7.5%
2014	349,670	0.0	262,569	4.6	75.1	112.73	5.1	84.65	9.9
2015	355,875	1.8	281,256	7.1	79.0	117.60	4.3	92.94	9.8
2016	386,535	8.6	305,468	8.6	79.0	121.93	3.7	96.36	3.7
2017E	420,237	8.7	343,451	12.4	81.7	125.13	2.6	102.27	6.1
2018F	492,020	17.1	388,099	13.0	78.9	128.01	2.3	100.97	-1.3
CAAG	5.9%		8.5%			3.3%		5.9%	

Source: CBRE Hotels

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