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Hotel REIT Report

Mid - Year 2023



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MID-YEAR 2023 HOTEL REIT REPORT

Over the past several quarters, publicly traded hotel REITs have outperformed those focusing on other types of commercial real estate. Hotel REITs have been buoyed by improving fundamentals in the sector. Changing consumer behavior and hotel purchase patterns have the potential to elevate performance for some time to come. However, more stringent lending requirements and increasing cost of capital hinder publicly traded hotel REITs from managing their balance sheet to fully take advantage of these trends.

Market Definition

There are 16 publicly traded Hotel REITS in the US. Additionally, Canada-based American Hotel Income Properties REIT LP, invests in US hotel properties. While primarily a hotel REIT, Ryman Hospitality Properties, Inc. has entertainment assets, including the Grand Ole Opry, the Ryman Auditorium, the radio station WSM 650 AM, the Ole Red and the Circle, a country lifestyle media network it owns in a joint venture with Gray Television. While most of the assets held by Service Properties Trust are hotels, the company also owns 763 retail service-focused net lease properties totaling over 13 million square feet throughout the US. Of the 16 hospitality focused REITS, Ashford Hospitality Trust, Braemar Hotels & Resorts, Inc., DiamondRock Hospitality Company, Host Hotels & Resorts, Inc., Park Hotels & Resorts, Pebblebrook Hotel Trust, Ryman Hospitality Properties, Inc., Sotherly Hotels, Inc., Sunstone Hotel Investors, Inc. and Xenia Hotels & Resorts, Inc. target full-service hotels, typically branded hotels in the luxury, upper upscale and upscale segments. Whereas the core the holdings at American Hotel Income Properties REIT LP, Apple Hospitality REIT, Inc., Chatham Lodging Trust, Hersha Hospitality Trust, RLJ Lodging Trust, Service Properties Trust and Summit Hotel Properties, Inc. are branded select service, limited service and extended-stay hotels, in the upscale and upper midscale sectors. The following table summarizes the hotel REITs operations.

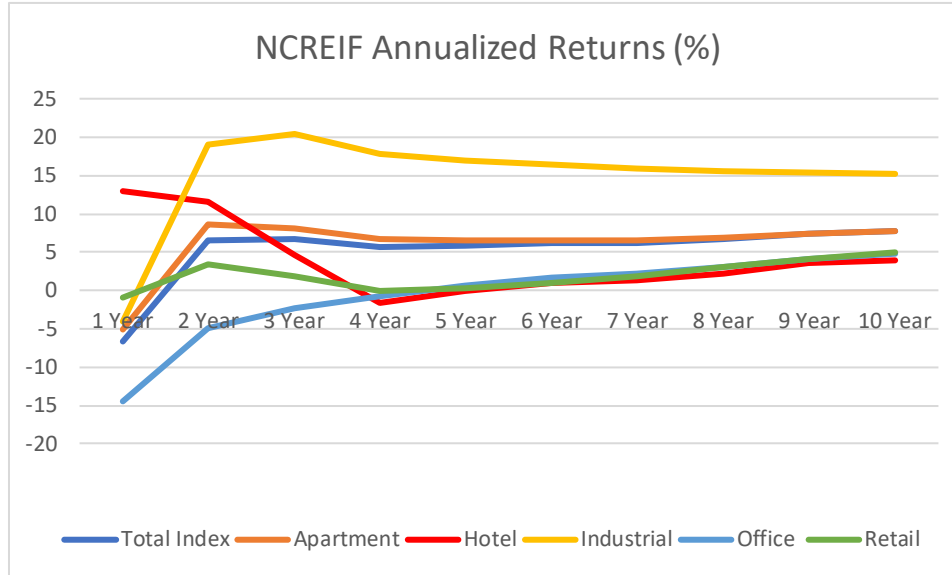
Hotel REIT Statistics (6/30/2023)								
Company	Ticker	Rooms	Share Price	Outstanding Shares	Market Cap	Total Debt	Enterprise Value	TEV / Per Key
American Hotel Income Properties REIT LP	HOY.UN	7,917	\$2.37	78,766,062	\$186,675,567	\$694,377,000	\$881,052,567	\$111,286
Apple Hospitality REIT, Inc.	APLE	28,929	\$15.11	228,664,861	\$3,455,126,050	\$1,399,444,000	\$4,854,570,050	\$167,810
Ashford Hospitality Trust	AHT	22,316	\$3.73	36,556,000	\$136,353,880	\$3,676,697,000	\$3,813,050,880	\$170,866
Braemar Hotels & Resorts, Inc.	BHR	4,192	\$4.02	73,218,000	\$294,336,360	\$1,140,430,000	\$1,856,246,000	\$442,807
Chatham Lodging Trust	CLDT	5,915	\$9.36	48,860,000	\$457,329,600	\$465,859,000	\$925,570,000	\$156,478
DiamondRock Hospitality Company	DRH	9,521	\$8.01	214,134,830	\$1,797,813,000	\$1,182,990,000	\$2,915,539,000	\$306,222
Hersha Hospitality Trust	HT	3,811	\$6.09	48,140,863	\$293,177,856	\$609,688,000	\$1,123,259,000	\$294,741
Host Hotels & Resorts, Inc.	HST	41,031	\$16.83	721,400,000	\$12,141,162,000	\$4,210,000,000	\$16,351,162,000	\$398,508
Park Hotels & Resorts	PK	29,000	\$12.82	215,738,036	\$2,765,761,622	\$4,490,000,000	\$7,255,761,622	\$250,199
Pebblebrook Hotel Trust	PEB	12,142	\$13.94	148,657,744	\$2,072,288,951	\$2,388,783,000	\$4,461,071,951	\$367,408
RLJ Lodging Trust	RLJ	21,239	\$10.27	158,500,000	\$1,627,795,000	\$1,800,000,000	\$3,700,000,000	\$174,208
Ryman Hospitality Properties, Inc.	RHP	10,412	\$92.92	55,167,000	\$5,126,117,640	\$3,380,063,000	\$8,506,180,640	\$816,959
Service Properties Trust	SVC	37,777	\$8.50	165,484,000	\$1,406,614,000	\$5,809,548,000	\$7,216,162,000	\$191,020
Sotherly Hotels, Inc.	SOHO	3,011	\$1.89	23,284,113	\$44,006,974	\$319,289,449	\$363,296,423	\$120,656
Summit Hotel Properties, Inc.	INN	15,034	\$6.51	123,547,000	\$804,290,970	\$1,408,480,000	\$2,212,770,970	\$147,184
Sunstone Hotel Investors, Inc.	SHO	7,735	\$10.12	207,185,000	\$2,096,712,200	\$820,100,000	\$2,916,812,200	\$377,093
Xenia Hotels & Resorts, Inc.	XHR	9,511	\$12.31	108,121,598	\$1,330,976,871	\$1,399,744,000	\$2,730,720,871	\$287,112
		269,493			\$36,036,538,541		\$72,083,226,173	\$267,477

Source: Company 10Q and Earnings Reports as of June 30, 2023

As of the end of the second quarter of 2023, the US Hotel REITS had a market capitalization of approximately \$36 billion and a total enterprise value of approximately \$72 billion.

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Hotels are one of the property sectors included in NCREIF's ODCE index. The following chart illustrates the performance of the hotel sector relative to the other types of properties tracked by NCREIF.



Currently, the hotel sector is outperforming the other real estate sectors and is the only sector with positive annualized returns. Higher cap rates for hotels, relative to other types of commercial real estate asset classes, generally make hotels attractive targets. However, prior to the pandemic, annualized returns for hotels were well below the total index average.

Hospitality Market Fundamentals

The performance of the publicly traded hotel REITs is dependent upon the performance of the underlying hotel assets. US travel demand recovered to pre-pandemic levels in early 2023 as marginal improvements in transient business and group demand offset a slight deceleration of leisure demand. RevPAR growth in the first half of 2023 was 8.7 percent, despite recent occupancy declines in many markets. The following table highlights the recent occupancy, average daily rate and RevPAR for hotels in the US.

United States Hotel Performance (6/30/2023)						
	Current	3 Month	YTD	12 Month	2022	Historical Average
Occupancy	69.7%	66.3%	62.9%	63.3%	62.6%	59.1%
Occupancy Change (YOY)	-0.4%	-0.7%	2.3%	3.2%	8.8%	-0.8%
ADR	\$158.40	\$156.92	\$154.45	\$153.61	\$149.21	\$131.73
ADR Change (YOY)	2.3%	3.2%	6.2%	9.3%	20.0%	3.6%
RevPAR	\$110.34	\$104.03	\$97.08	\$97.21	\$93.38	\$77.82
RevPAR Change (YOY)	1.9%	2.5%	8.7%	12.8%	30.6%	2.8%

Note: Historical Average and Forecast Average as of May 2023
Source: STR, CoStar Group

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Typically, average daily rate growth lags occupancy growth in recovering markets. During the pandemic induced downturn, hotel operators did not reduce room rates since demand did not exist at any price level when travel was restricted. As occupancy approaches normalized levels, average daily rates are anticipated to continue to increase.

The following table illustrates the key performance metrics for the top twenty markets in the US as measured by hotel room inventory, as reported by STR and CoStar.

Top 20 US Market Performance (6/30/2023)										
	Inventory	12 Month Deliveries	Under Construction	% of Inventory	T12 Occupancy	T12 Occupancy Change	T12 ADR	T12 ADR Change	T12 RevPAR	T12 RevPAR Change
Orlando, FL	137,233	401	3,901	2.8%	74.6%	10.0%	\$194.38	10.9%	\$144.99	21.9%
New York, NY	134,470	4,359	10,739	8.0%	79.5%	17.0%	\$285.54	19.6%	\$227.10	40.0%
Chicago, IL	123,522	1,461	1,815	1.5%	63.0%	11.8%	\$161.25	16.0%	\$101.51	29.7%
Los Angeles, CA	116,268	1,979	2,190	1.9%	71.4%	3.3%	\$198.00	7.0%	\$141.29	10.5%
Washington, DC	115,280	1,572	2,789	2.4%	65.6%	17.2%	\$175.36	19.8%	\$115.12	40.4%
Atlanta, GA	112,291	1,931	4,310	3.8%	65.8%	3.8%	\$124.13	10.5%	\$81.72	14.7%
Houston, TX	107,094	1,433	2,248	2.1%	59.2%	5.6%	\$111.38	7.6%	\$65.97	13.6%
Dallas, TX	99,316	1,870	3,712	3.7%	66.2%	5.4%	\$121.31	11.2%	\$80.33	17.2%
Phoenix, AZ	70,646	1,286	4,723	6.7%	69.1%	2.3%	\$173.07	11.4%	\$119.62	13.9%
Miami, FL	67,917	2,086	1,328	2.0%	72.6%	2.1%	\$226.17	-4.3%	\$164.22	-2.3%
San Diego, CA	65,047	375	2,470	3.8%	73.7%	5.5%	\$209.60	10.8%	\$154.46	16.9%
Boston, MA	62,778	264	1,065	1.7%	70.3%	13.9%	\$217.57	16.5%	\$153.02	32.7%
Orange County, CA	60,568	138	1,311	2.2%	71.6%	7.2%	\$207.73	7.8%	\$148.77	15.6%
Denver, CO	58,677	384	2,234	3.8%	69.1%	5.8%	\$146.17	9.8%	\$100.95	16.2%
Colorado Area	57,755	201	1,941	3.4%	60.2%	-0.6%	\$179.93	4.8%	\$108.29	4.1%
Nashville, TN	57,696	1,143	2,679	4.6%	69.6%	4.5%	\$176.08	9.5%	\$122.59	14.4%
San Francisco, CA	56,378	659	727	1.3%	65.6%	14.2%	\$223.25	20.2%	\$146.50	37.3%
Tampa, FL	53,470	1,210	1,238	2.3%	71.5%	1.4%	\$170.10	8.1%	\$121.55	9.6%
Inland Empire, CA	52,802	927	2,442	4.6%	66.1%	-1.3%	\$155.54	2.7%	\$102.83	1.4%
Philadelphia, PA	52,365	188	514	1.0%	61.0%	3.0%	\$150.72	10.7%	\$91.99	17.0%

Source: STR, CoStar Group

In general terms, the segments of the industry that outperformed over the last three years, particularly warm weather leisure destinations and luxury resort properties, have stabilized with respect to occupancy. Urban hotels and branded limited-service hotels are experiencing strong demand growth and moderate average daily rate growth.

The following table illustrates the forecast annual occupancy, average daily rate and RevPAR for hotels in the US, according to STR and CoStar.

US Hotel Performance Forecast							
	2019 (Actual)	2022 (Actual)	2023 (F)	2024 (F)	2025 (F)	2026 (F)	2027 (F)
Occupancy	65.8%	62.6%	63.4%	64.8%	65.7%	65.8%	65.8%
ADR	\$131.45	\$149.22	\$154.91	\$159.08	\$164.50	\$169.42	\$173.98
RevPAR	\$86.54	\$93.38	\$98.26	\$103.10	\$108.12	\$111.49	\$114.53
RevPAR Change	---	30.6%	5.2%	4.9%	4.9%	3.1%	2.7%

Source: STR, CoStar (7/31/2023)

Hotel operators in the major markets report steady increases in corporate transient demand. Many operators report sustained leisure demand, but US hotels are now competing against cruise lines and international destinations for leisure travelers. The number of Americans traveling outbound from the US to international destinations is projected to surpass last summer by nearly 20 percent, and cruise lines are seeing substantial year-over-year booking increases. Group business, one of the last segments to recover from the business disruption of the pandemic, is now leading growth in many markets. According to the Hospitality Group and Business Performance Index,

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produced by Knowland and Amadeus at the end of Q2 2023, group business was at 102 percent of Q2 2019 levels, driven by a nearly 11 percent increase in average daily rate. Room night demand lags Q2 2019 levels and represents excellent growth potential, particularly for large convention hotels in urban areas. The index shows that 14 of the top 25 markets have fully recovered group revenue in comparison to the same time in 2019, including Miami, Tampa, Orlando, Phoenix, Dallas, Houston, San Antonio, Denver, San Diego, New Orleans, Washington DC, St. Louis, Los Angeles and Austin.

Limited supply growth will help to support the forecast occupancy and average daily rate. The total number of rooms under construction is currently approximately 149,822 according to CoStar, compared to a pre-pandemic high of approximately 212,000 rooms. The number of rooms under construction has been stable with a similar number of projects entering the pipeline as projects being delivered. Tighter lending standards and rising interest rates will likely continue to exert downward pressure on new construction starts. Labor shortages and supply chain issues may continue to increase the construction timeline for projects in many areas.

Changing consumer behavior patterns are creating tailwinds for the industry that will support the projected growth over the next few years. Work from anywhere allows individuals to extend work trips for leisure purposes. Remote work increases the need to bring together teams for training and bonding purposes, which has a positive impact on corporate group demand. Millennials and Gen Zs are focused on experiences such as travel as opposed to accumulating goods. These trends will help lift RevPAR to 2019 levels in inflation-adjusted dollars in 2025.

Hotel REIT Performance

Performance metrics for the publicly traded hotels REITS are summarized in the following table.

Hospitality REIT Valuation Metrics						
	EBITDA		Implied Cap		Dividend	
	Margin	T12 EBITDA	Rate	P/FFO	P/AFFO	Yield
American Hotel Income Properties REIT LP	24.6%	\$70,000,000	7.95%	3.23	4.36	9.48%
Apple Hospitality REIT, Inc.	33.0%	\$432,900,000	8.92%	9.27	10.49	6.43% (F)
Ashford Hospitality Trust	23.5%	\$123,100,000	3.23%	1.79	1.41	---
Braemar Hotels & Resorts, Inc.	21.1%	\$155,200,000	8.36%	3.03	2.65	5.50%
Chatham Lodging Trust	31.5%	\$97,400,000	10.52%	7.32	10.67	2.22%
DiamondRock Hospitality Company	25.8%	\$273,000,000	9.36%	7.73	8.71	1.54%
Hersha Hospitality Trust	24.3%	\$90,900,000	8.09%	6.06	10.22	3.09%
Host Hotels & Resorts, Inc.	28.4%	\$1,485,000,000	9.08%	8.57	10.41	3.13%
Park Hotels & Resorts	22.7%	\$615,000,000	8.48%	6.88	6.88	4.30%
Pebblebrook Hotel Trust	22.1%	\$315,500,000	7.07%	8.77	12.84	0.27%
RLJ Lodging Trust	26.4%	\$341,400,000	9.23%	5.99	5.99	2.17%
Ryman Hospitality Properties, Inc.	30.7%	\$620,600,000	7.30%	11.44	14.82	2.01%
Service Properties Trust	32.1%	\$605,100,000	8.39%	4.79	---	9.33% (F)
Sotherly Hotels, Inc.	23.7%	\$40,900,000	11.26%	---	4.59 (F)	---
Summit Hotel Properties, Inc.	31.8%	\$231,400,000	10.46%	5.91	9.59 (F)	3.08%
Sunstone Hotel Investors, Inc.	26.2%	\$264,300,000	9.06%	8.74	12.49	2.20%
Xenia Hotels & Resorts, Inc.	23.4%	\$244,200,000	8.94%	7.48	7.48	3.36%

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As of the end of Q2 2023, Ryman Hospitality Properties, Inc. had the greatest funds from operation (FFO), on an overall and an adjusted basis. Through the pandemic, limited service and extended-stay hotels were stronger performers. Apple Hospitality REIT, Inc, with a concentration in the branded limited service and extended-stay space, remains a solid performer. However, full-service investors, with luxury and upper-upscale hotels such as Pebblebrook Hotel Trust and Sunstone Hotel Investors, Inc. are performing well at present. The largest hotel REIT as measured by market capitalization, Host Hotels & Resorts, continues to produce an above average FFO.

Apple Hospitality REIT, Inc, Host Hotels & Resorts and Sunstone Hotel Investors, Inc. have taken steps to strengthen their balance sheets through portfolio sales and debt refinancing and are now operating with debt levels of 30 percent or less. These REITs, particularly Apple Hospitality REIT, Inc. and Host Hotels & Resorts have the capacity to take advantage of attractive opportunities. However, Ashford Hospitality Trust, Braemar Hotels & Resorts, Inc. and Service Properties Trust remain highly leveraged, with debt ratios at or above 80 percent.

Hotel REIT Transactions

In the US hospitality market approximately \$5 billion hotel assets traded in Q2 2023, according to CoStar, a sharp deceleration compared to this time last year. The expectation is that the third-quarter investment sales activity will be muted as well. The following dispositions and acquisitions were reported by the publicly traded hotel REITs in 2023.

2023 Dispositions

- Service Properties Trust sold the Sonesta Select Greenbelt Park College Park in Greenbelt, Maryland to MAC Hotels LLC in January of 2023 for \$5,350,000 or \$43,852 per room.
- In February of 2023, Park Hotels & Resorts sold the 508-room Hilton Miami Airport Blue Lagoon to MCR Hotels for \$118,250,000 or approximately \$232,776 per room. Eastdil Secured represented the seller in the transaction. The sale represents a 6.2 percent capitalization rate on 2019 net operating income when adjusted for capital expenditures and an unadjusted capitalization rate of 7.9 percent on 2019 net operating income.
- Service Properties Trust sold 16 Marriott branded hotels with 2,155 rooms for \$137,300,000 to a joint venture between NewcrestImage and Hospitality Capital Partners in February of 2023. The portfolio consisting of 13 Courtyard by Marriott hotels and three Residence Inn by Marriott hotels are located in Georgia, Massachusetts, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Texas and Virginia. Eleven of the hotels underwent major renovations between 2018 and 2019. One hotel, the Courtyard by Marriott Boston Norwood, was a leasehold interest and the fee simple interest in the remaining hotels was sold. CBRE Hotels represented the seller.
- Pebblebrook Hotel Trust sold the 151-room, upper upscale, independent, The Heathman Hotel in Portland Oregon, in February of 2023 for \$45,000,000, or \$298,013 per room to Rockbridge Capital. Reportedly, the hotel traded at an 8.4 percent cap rate off of 2019 net operating income. The capitalization rate on the net operating income at the time of the sale was 2.2 percent.

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- In March of 2023, Pebblebrook Hotel Trust sold the 157-room Hotel Colonnade Coral Gables, Autograph Collection in Coral Gables, Florida to Crescent Real Estate Equities, LLC for \$63,000,000, or \$401,274 per room. The sale price implies a 15.4X multiple off 2022 net operating income and a 5.5 percent capitalization rate off of 2019 net operating income.
- In March of 2023, Service Properties Trust sold the 219-room Sonesta Hamilton Park Morristown Hotel & Conference Center to One Seventy Five Park Avenue, LLC for a consideration of \$14,580,000 or \$66,575 pr room. The buyer purchased the hotel through Ten-X and intends to operate it as a house of worship and a school.
- InnVest Hotels purchased the 189-room Kimpton Hotel Monaco Seattle Downtown in Seattle, Washington from Pebblebrook Hotel Trust in May of 2023, for a consideration of \$63,250,000 or \$334,656 per room. The capitalization rate at the time of the sale was 2.53 percent.
- In May of 2023, Pebblebrook Hotel Trust sold the Kimpton Hotel Vintage Seattle Downtown in Seattle, Washington for \$33,700,000, or \$269,600 per room to Pacifica Hotel Company. The capitalization rate at the time of the sale was 2.3 percent.
- Summit Hotel Properties, Inc. sold a portfolio of four hotels including the 151 room Hyatt Place Chicago Lombard Oak Brook, the 126-room Hyatt Place Chicago Hoffman Estates, the 97-room Hilton Garden Inn Minneapolis Eden Prairie and the 93-room Holiday Inn Express & Suites Eden Prairie to Endeavor Hotels in May of 2023. The purchase price for the portfolio was \$28,100,000 or \$60,171 per room, with a 4.2 percent capitalization rate on in place income.
- American Hotel Income Properties REIT LP sold the SpringHill Suites Pinehurst Southern Pines in Pinehurst North Carolina to Beccaria on June 10, 2023 for \$11.7 million or 109,346 per room. The capitalization rate on in-place income was 10 percent.

2023 Acquisitions

- Apple Hospitality REIT, Inc. purchased the 154-room Courtyard by Marriott Cleveland University Circle in June of 2023 for \$31,000,000 or \$201,299 per room. Opened in April of 2013, the hotel recently underwent a complete renovation of guestrooms and public spaces.
- Service Properties Trust purchased the 250-room Nautilus Hotel in South Beach Miami, for \$165,400,000 or approximately \$661,600 per room in June of 2023 from Quadrum Global. Currently, the property operates as the Sonesta Nautilus South Beach. A significant renovation is planned to re-brand the property to James Hotel.
- Summit Hotel Properties, Inc. purchased the independent 47-room The Nordic Lodge Steamboat Springs in June of 2023 for \$13,700,000, or approximately \$291,489 per room, through its joint venture with GIC. The property is located approximately two miles from the joint venture's Residence Inn Steamboat Springs hotel, which will provide operating and marketing synergies. Summit Hotel Properties, Inc. estimates a capitalization rate of between 10.0 percent and 10.5 percent capitalization rate based on the full year estimated 2023 net operating income.

- The 120-room Residence Inn Scottsdale North was acquired by Summit Hotel Properties, Inc. in June of 2023 for \$29 million or \$241,667 per room, through its joint venture with GIC. The hotel was fully renovated in 2019 and requires minimal near-term capital expenditures. The Residence Inn Scottsdale North is located directly across North Scottsdale Road from the joint venture's Courtyard and Springhill Suites hotels. The company expects the hotel to yield between an 8.0 percent and 8.5 percent capitalization rate on full year estimated 2023 net operating income.
- On June 30, 2023, Ryman Hospitality Properties, Inc. purchased the JW Marriott San Antonio Hill Country Resort & Spa, for approximately \$800 million or \$798,403 per room. The 1,002-room hotel features eight food and beverage outlets, approximately 268,000 total square feet of indoor and outdoor meeting and event space, a 26,000 square foot spa, a 9-acre water experience and two 18-hole golf courses, over 600-acres.

2023 Defaults

The wave of distressed sales that was anticipated after the pandemic has not materialized in the hospitality sector. Many hotel owners had ongoing discussions with their lenders and forbearances started in the spring of 2020. Over the past two years, performance in the sector has improved, but the recovery has been uneven throughout the country, impacting some locations and some property types more than others. As a result, hotel owners, including publicly traded REITs, are looking at options for hotels with negative equity. Two examples of defaults that the publicly traded REITs have had in the first half of 2023 are as follows:

- Ashford Hospitality Trust expects to return 19 hotels that are part of a \$982 million mortgage pool that missed a repayment deadline in June. The hotels include the Courtyard Columbus Tipton Lakes, the Courtyard Old Town Scottsdale, the Residence Inn Hughes Center Las Vegas, the Residence Inn Phoenix Airport, the Residence Inn San Jose Newark, the SpringHill Suites Manhattan Beach, the SpringHill Suites Plymouth Meeting, the Courtyard Basking Ridge, the Courtyard Newark Silicon Valley, the Courtyard Oakland Airport, the Courtyard Plano Legacy Park, the Residence Inn Plano, the SpringHill Suites BWI Airport, the TownePlace Suites Manhattan Beach, the Embassy Suites Flagstaff, the Embassy Suites Walnut Creek, the Marriott Bridgewater, the Marriott Research Triangle Park Durham, and the W Atlanta Downtown. According to a statement from the company, the required paydown for the assets was \$255 million, as well as approximately \$80 million in capital expenditures at these hotels through 2025. The equity in the properties is negative, based on comparable sales and brokers' opinion of value, according to the company. Currently, the most likely outcome will be a consensual transfer of these hotels to the respective lenders.
- In June of 2023, Park Hotels & Resorts announced that the company will default on its \$725 million non-recourse, commercial mortgage-backed security loan, which is scheduled to mature in November of 2023. The loan covers the 1,921-room Hilton San Francisco Union Square, San Francisco's largest hotel, and the 1,024-room Parc 55 San Francisco, the city's fourth largest hotel. Together, the hotels make up nine percent of the city's hotel inventory.

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Guidance

Due to the uncertainty of the hospitality industry, not all companies are providing guidance. The following table summarizes the available RevPAR guidance for 2023.

2023 RevPAR Guidance (YoY)			
	June YTD	Low	High
Apple Hospitality REIT, Inc.	11.3%	4.0%	8.0%
Host Hotels & Resorts, Inc.	14.9%	7.0%	9.0%
Pebblebrook Hotel Trust	0.6%	-2.0%	1.0%
Ryman Hospitality Properties, Inc.	25.3%	11.0%	13.5%
Summit Hotel Properties, Inc.	10.6%	6.0%	8.0%
Xenia Hotels & Resorts, Inc.	9.3%	4.0%	6.0%

Source: Company 10Q and Earnings Reports as of June 30, 2023

STR is forecasting a 5.2 percent increase in RevPAR in 2023 relative to 2022. The publicly traded REIT RevPAR guidance varies widely and, to some degree, reflect the focus each of the funds. Less RevPAR growth is forecast by Pebblebrook Hotel Trust and Xenia Hotels & Resorts Inc. with luxury and upper upscale full service and resort properties that focus on the leisure traveler. This type of hotel has stabilized with respect to occupancy in many areas of the US. Ryman Hospitality Properties, Inc. is projecting the largest increase in RevPAR. This REIT has large upscale convention centers. This type of hotel was severely impacted by the pandemic and group demand is continuing to build throughout the country.

The following table summarizes analysts' revenue estimates for the publicly traded hotel REITs.

Analysts' Forecast Of Hotel REIT Revenue Growth						
	2023 Revenue	% Change	2024 Revenue	% Change	2025 Revenue	% Change
American Hotel Income Properties REIT LP	\$384,190,000	0.60%	\$409,780,000	6.66%	\$404,760,000	-1.23%
Apple Hospitality REIT, Inc.	\$1,330,000,000	7.59%	\$1,370,000,000	3.16%	\$1,400,000,000	2.64%
Ashford Hospitality Trust	\$1,330,000,000	7.41%	\$1,310,000,000	-1.73%	\$1,440,000,000	10.31%
Braemar Hotels & Resorts, Inc.	\$729,500,000	8.95%	\$750,850,000	2.93%	\$743,630,000	-0.96%
Chatham Lodging Trust	\$310,480,000	5.30%	\$327,510,000	5.48%	\$335,930,000	2.57%
DiamondRock Hospitality Company	\$1,600,000,000	5.99%	\$1,090,000,000	2.75%	\$1,130,000,000	3.72%
Hersha Hospitality Trust	\$358,260,000	-11.73%	\$369,970,000	3.27%	\$382,990,000	3.52%
Host Hotels & Resorts, Inc.	\$5,300,000,000	7.97%	\$5,420,000,000	2.37%	\$5,570,000,000	2.68%
Park Hotels & Resorts	\$2,740,000,000	9.69%	\$2,730,000,000	-0.39%	\$2,890,000,000	5.85%
Pebblebrook Hotel Trust	\$1,410,000,000	1.56%	\$1,490,000,000	5.29%	\$1,530,000,000	2.82%
RLJ Lodging Trust	\$1,310,000,000	9.90%	\$1,370,000,000	4.10%	\$1,410,000,000	3.34%
Ryman Hospitality Properties, Inc.	\$2,140,000,000	18.45%	\$2,260,000,000	5.42%	\$2,330,000,000	3.28%
Service Properties Trust	\$1,860,000,000	-0.18%	\$1,900,000,000	1.98%	\$1,990,000,000	4.79%
Sotherly Hotels, Inc.	\$176,600,000	6.34%	\$190,800,000	8.04%	\$201,500,000	5.61%
Summit Hotel Properties, Inc.	\$741,300,000	9.71%	\$751,720,000	1.81%	\$770,070,000	2.03%
Sunstone Hotel Investors, Inc.	\$997,390,000	9.36%	\$995,770,000	-0.16%	\$1,020,000,000	2.07%
Xenia Hotels & Resorts, Inc.	\$1,030,000,000	2.85%	\$1,060,000,000	2.84%	\$1,090,000,000	3.19%

Source: Seeking Alpha

Based on year-to-date performance and management guidance, significant revenue gains are forecast at several of the hotel REITs, notably Ryman Hospitality Properties, Inc. For the most part, revenue is anticipated to increase, albeit at a decreasing rate in 2024 and 2025, reflecting a moderating of earnings guidance near term.

Conclusion

The publicly traded hotel REITs, alongside the broader U.S. hospitality industry, have delivered a solid operating performance in the first half of this year allowing them to shore up their balance sheets and restore dividend distributions. Moderate revenue growth is anticipated through 2025 as business travel, group demand and international travel build. Nonetheless, the cost and availability of debt financing may be a near-term risk for the sector. Typically, for hotel REITs accretive transactions enhance portfolio quality and yields. With a higher cost of capital, REITs will be challenged to buy well-positioned assets which may impact future performance.

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