

# Hotel Association of North Texas Annual Industry Trends Meeting

CBRE HOTELS ADVISORY

AUGUST 18, 2020

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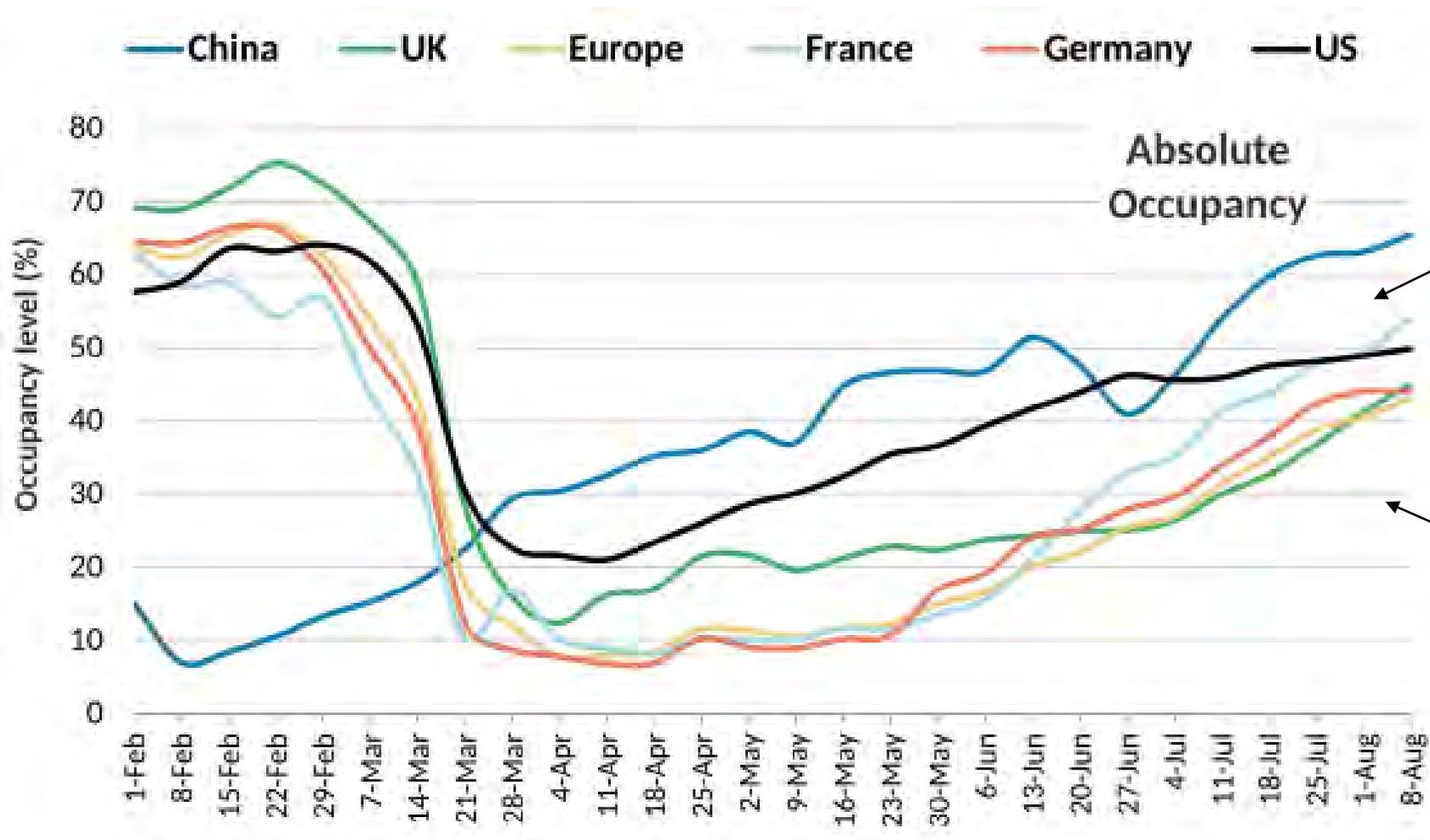
07

CLOSING THOUGHTS

A modern office lobby with a large, ornate chandelier and a reception desk. The lobby features a polished floor, a reception desk with a curved front, and a wall with a grid of mailboxes. The ceiling is a dark, perforated metal grid with recessed lighting. A large, circular, woven chandelier hangs from the ceiling. The overall atmosphere is clean and professional.

# THE ELEPHANT IN THE ROOM

# DISRUPTION CURVE – HOTEL OCCUPANCY

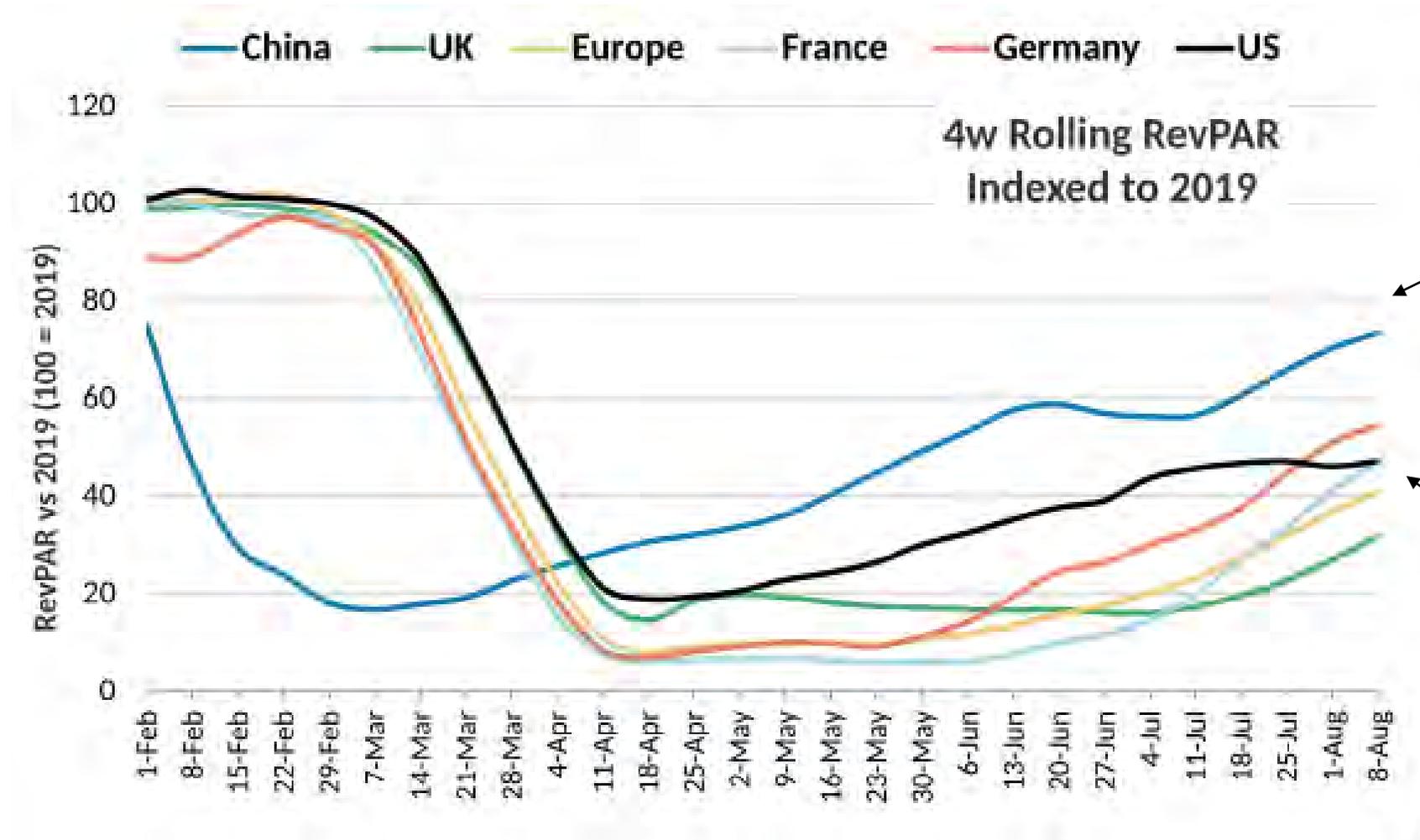


Performance in the U.S. and China are diverging

Europe occupancy gaining quickly as case counts stay low

Source: STR, Morgan Stanley, Aug 12th, 2020.

# DISRUPTION CURVE – HOTEL REVPAR



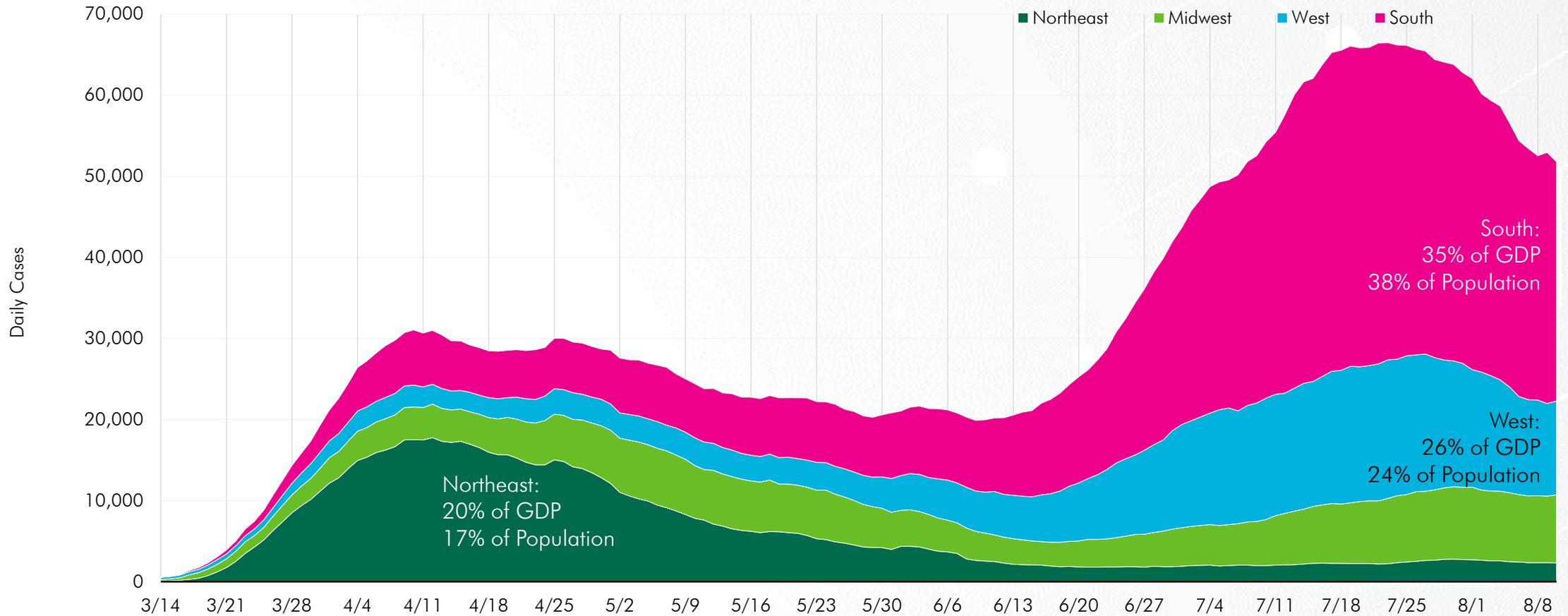
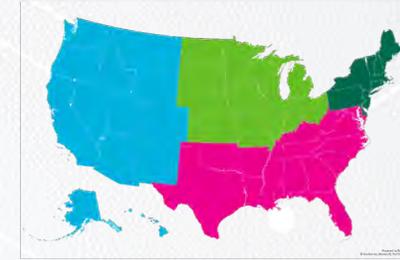
Chinese RevPAR almost to 80% of 2019 Levels

Europe RevPAR still Showing Strong Gains

Source: STR, Morgan Stanley, Aug 12th, 2020.

# U.S. CASES BROKEN DOWN BY REGION

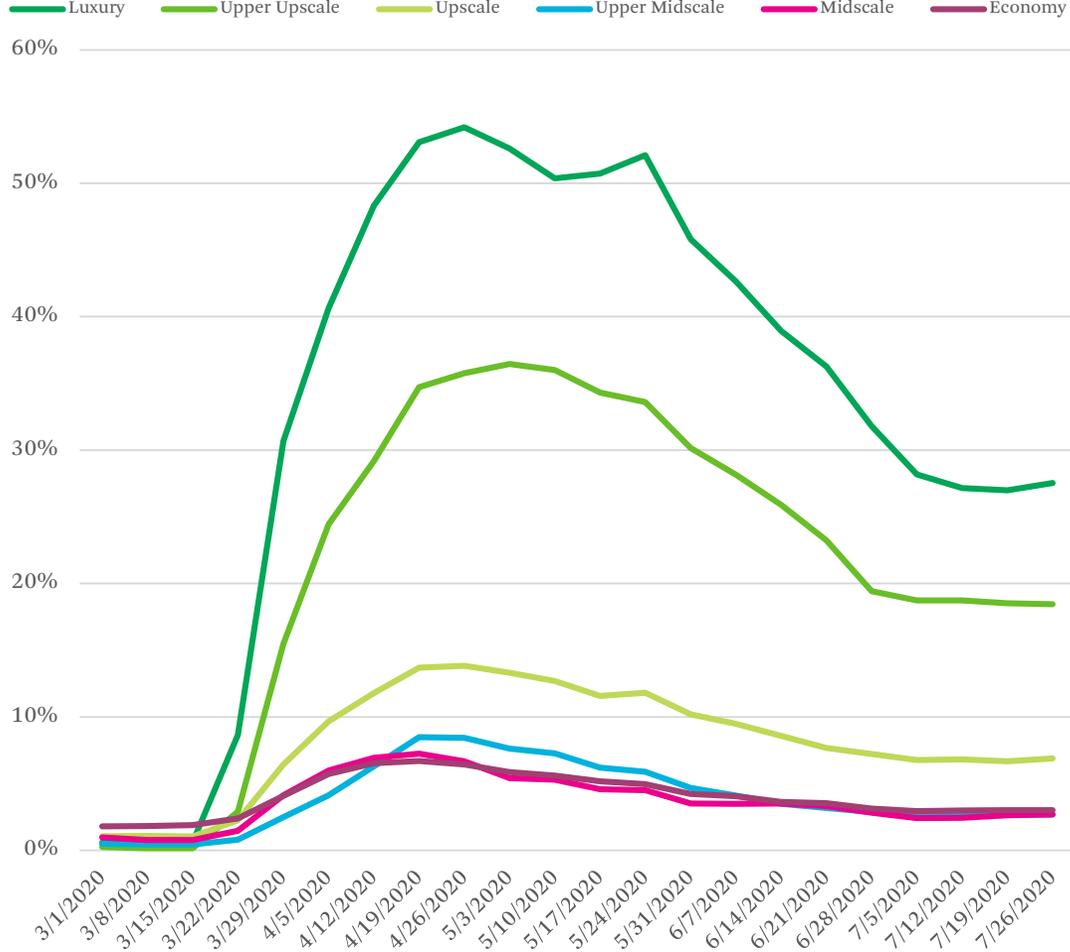
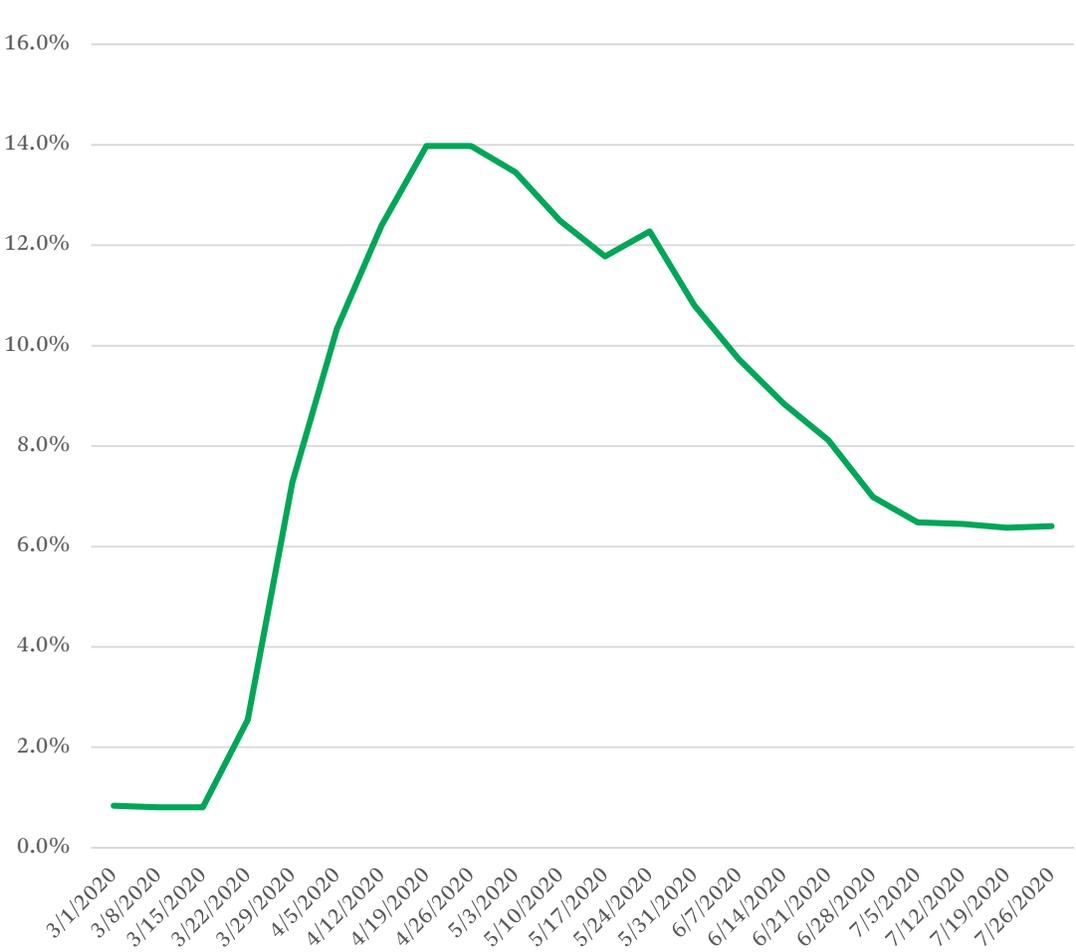
Daily new increase in 7-day moving averages



Source: COVID Tracking Project, US Census, BEA, CBRE Research, Macrobond, 12 Aug 2020.

Note: Regions defined by US Census Bureau

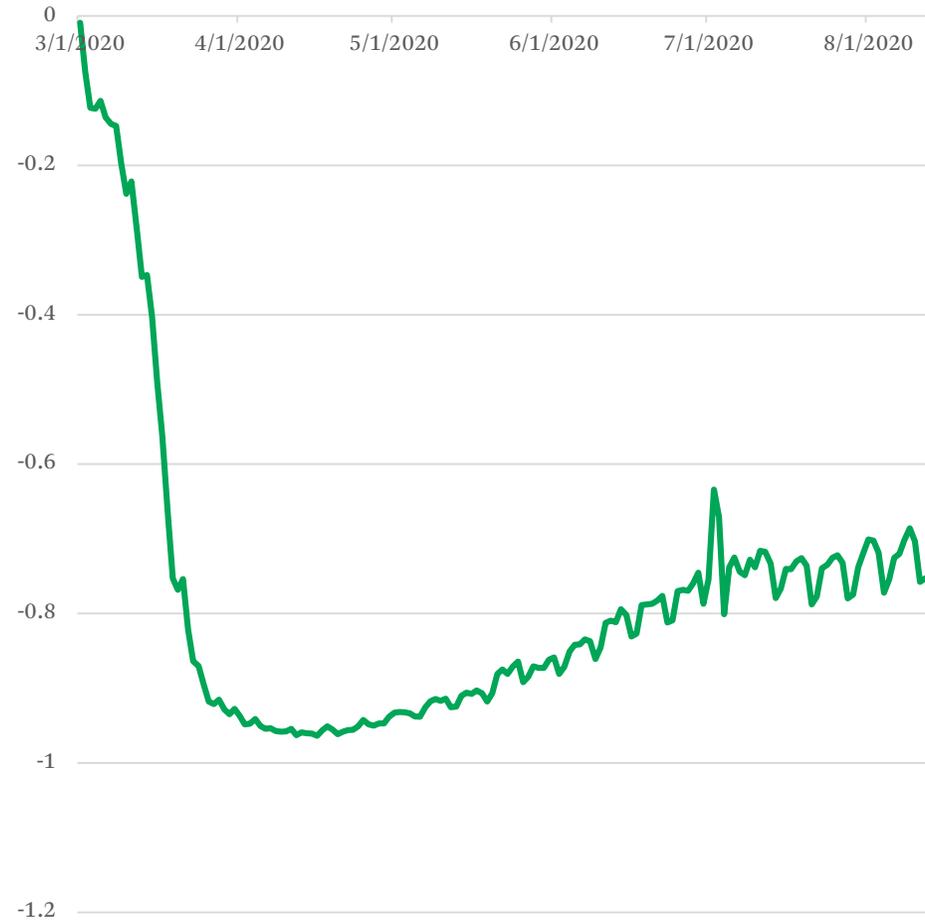
# PERCENT OF ROOMS CLOSED – RATE OF OPENING STALLING



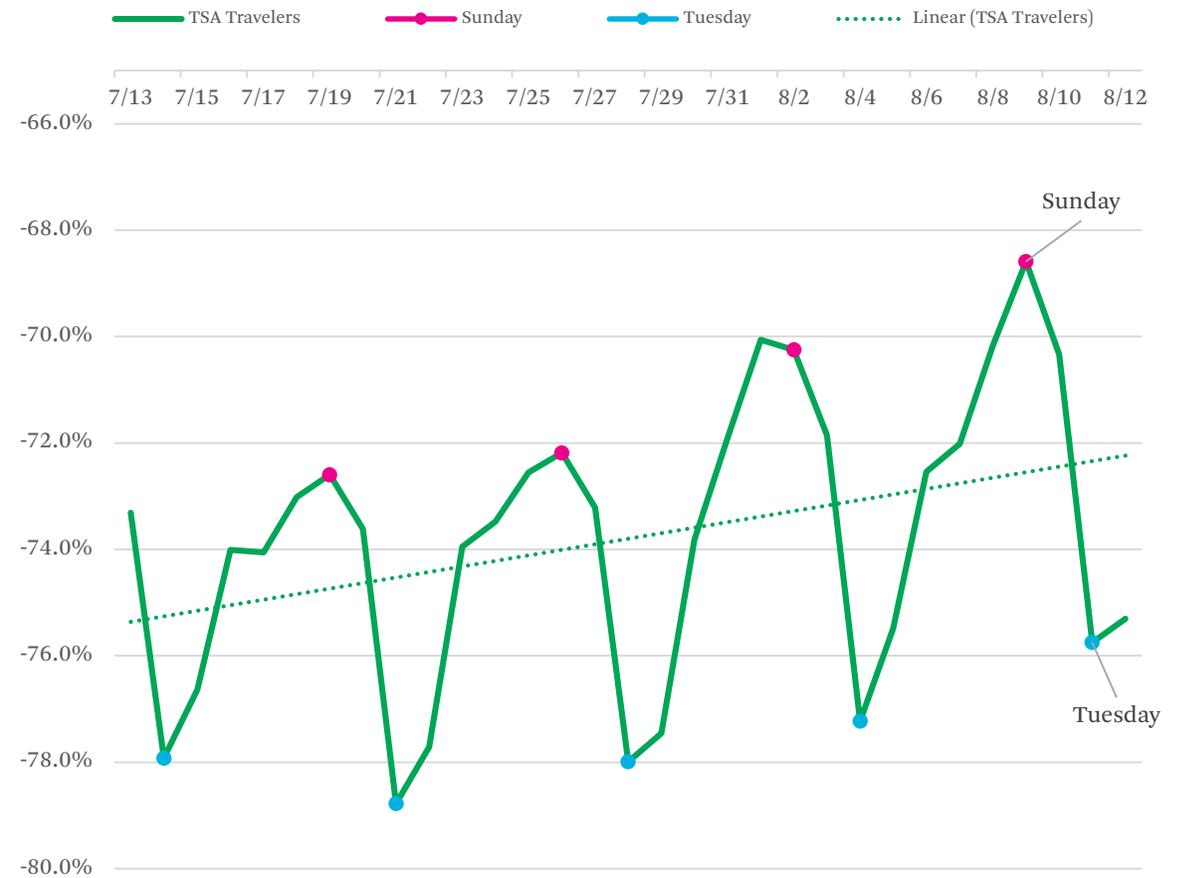
Source: CBRE Hotels Research, Kalibri Labs, Hotel Compete, Aug 13th, 2020.

# AIRLINE ENPLANEMENTS- SLOW AND STEADY – TURNING POSITIVE AGAIN

Y-o-Y Change In Travelers



Y-o-Y Change In Travelers



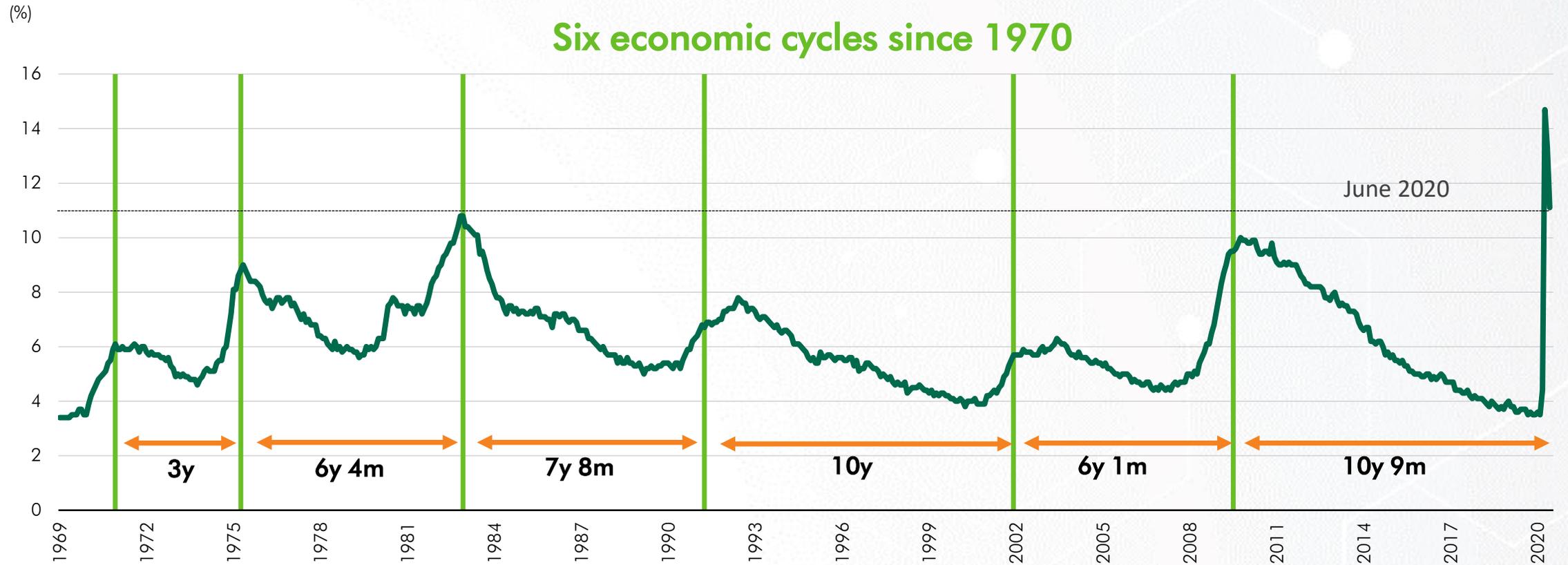
SOURCE: TSA, CBRE HOTELS RESEARCH, 8/13/2020

A photograph of a modern office lobby with a polished floor, a large circular chandelier, and a reception desk. A green rectangular box is overlaid in the center, containing the word 'ECONOMY' in white, bold, uppercase letters.

# ECONOMY

# COVID-19 BROUGHT AN ABRUPT END TO THIS CYCLE

U.S. unemployment rate, a common indicator of economic cycle



Source: Bureau of Labor Statistics, CBRE Research, May 2020.

# Q2 2020 GDP – WORST QUARTER EVER

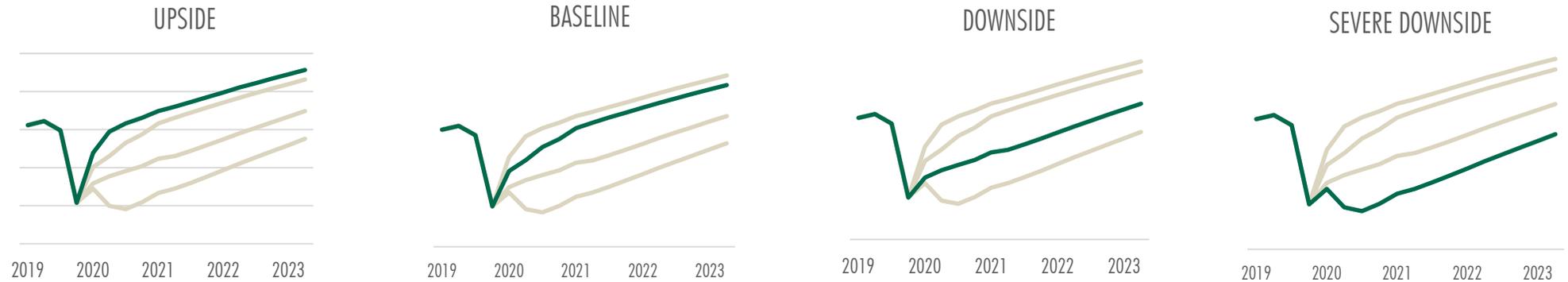
CBRE Forecast was for a 34.4% decline in Q2



Source: BEA, CBRE Research, Q2 2020.

# U.S. ECONOMIC SCENARIOS AND UNDERLYING ASSUMPTIONS

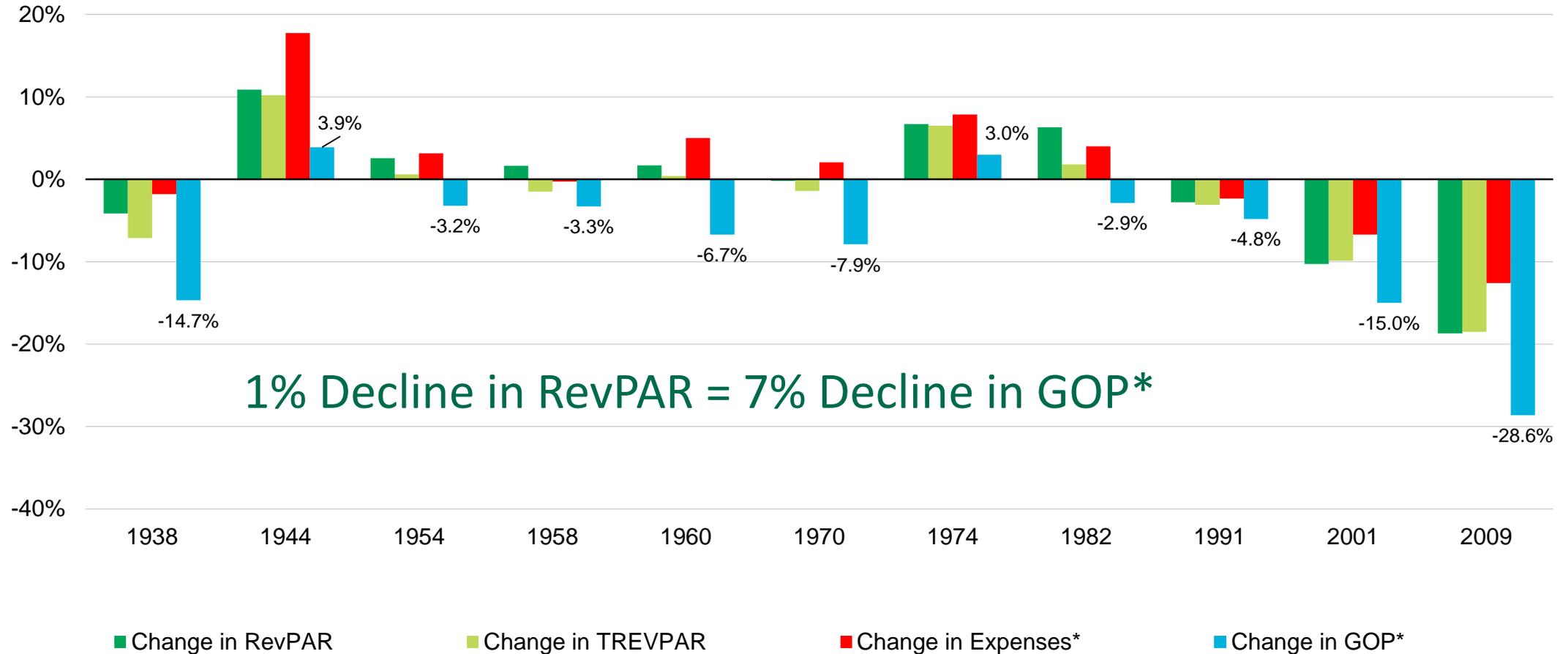
## Gross domestic product



| Scenario                             | Upside  | Baseline  | Downside   | Severe Downside  |
|--------------------------------------|---|---|--|--|
| Likelihood                           | Low   | High  | High   | Low / Medium   |
| COVID-19 Situation                   | Nationwide social distancing measures cause the number of new cases to quickly fall and remain low in Q3. The discovery of an effective therapy or vaccine begins distribution by 1H 2021.  | Broad compliance with mask-wearing and widespread testing slows the spread of COVID-19 nationwide. An effective therapy/vaccine is ready for distribution by late-2021.   | The US is plagued by regional flare-ups of COVID-19 cases that cause many states to delay the pace of reopening their economies.   | The virus makes a resurgence in Europe, East Asia and across most US regions in the fall. The US health system is severely strained, and all states go back into 'lock-down' mode for over a month.      |
| Time to Full Economic Recovery (GDP) | 5 quarters  | 1.75 years  | 3.5 years  | 4.5 years  |
| Economic Impact                      | A steadily falling case count allows for a broad-based reopening of the economy. Robust government stimulus paired with successful trials of a therapy unleashes a wave of pent-up demand that drives an impressive recovery in 2H 2020 and early 2021. | 18.2 million jobs will be lost in 2020q2, pushing the unemployment rate to over 10% and many firms will not survive the drop in demand. However, aggressive stimulus and a consistent reopening of the economy supports sturdy growth in 2H 2020 and into 2021. | The reopening of the economy proves to be a slow process. High bankruptcies and unemployment will prevent a stronger recovery from gaining traction. Pre-virus employment levels are not regained before 2025. | A prolonged, deep recession causes a wave of bankruptcies that severely stresses the financial system. Corporate bankruptcies are not limited to vulnerable sectors, such as retail and oil & gas firms. |

# U.S. HOTELS: HISTORICAL PERFORMANCE DURING RECESSIONS

Annual Nominal Change – Year of Most Significant Drop in GOP\*

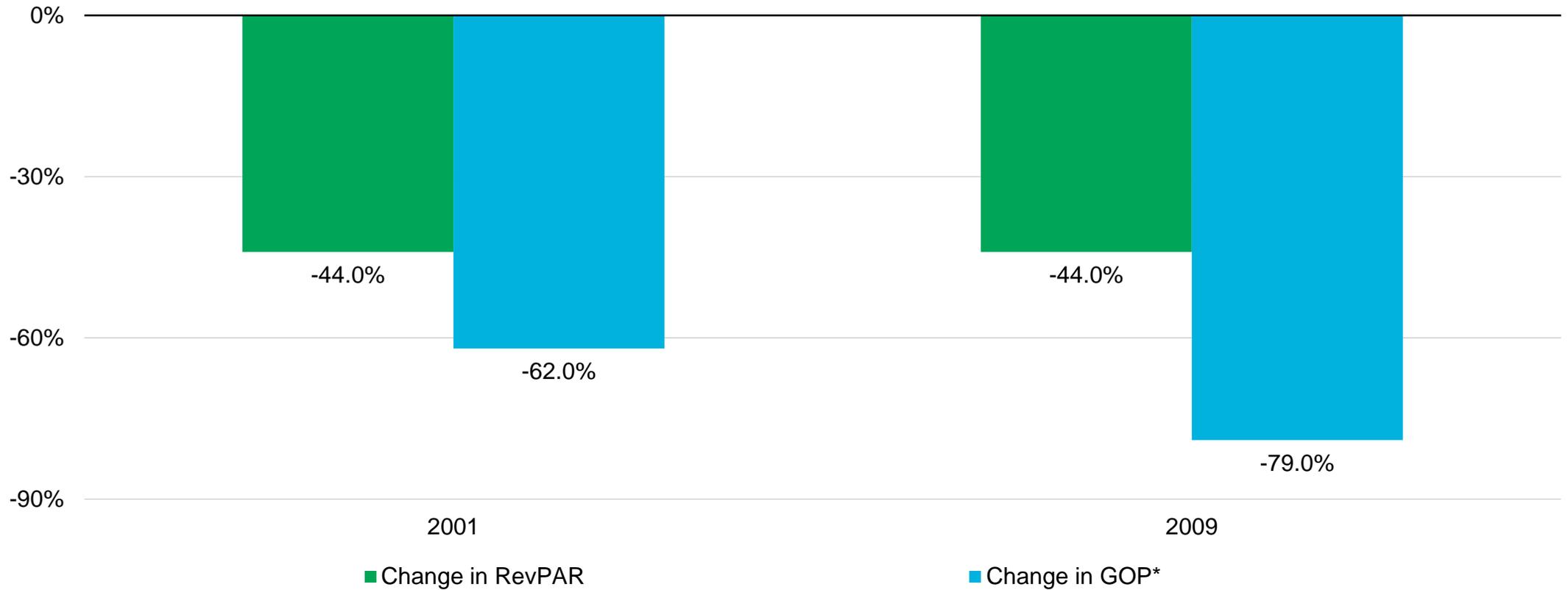


Note: \* Before Management Fees and Non-Operating Income and Expenses  
 Source: CBRE, Trends® in the Hotel Industry

# FOCUS ON TWO MOST RECENT RECESSIONS

## PROPERTIES WITH REVPAR DECLINE > 40%

### Nominal Change in RevPAR and GOP\*



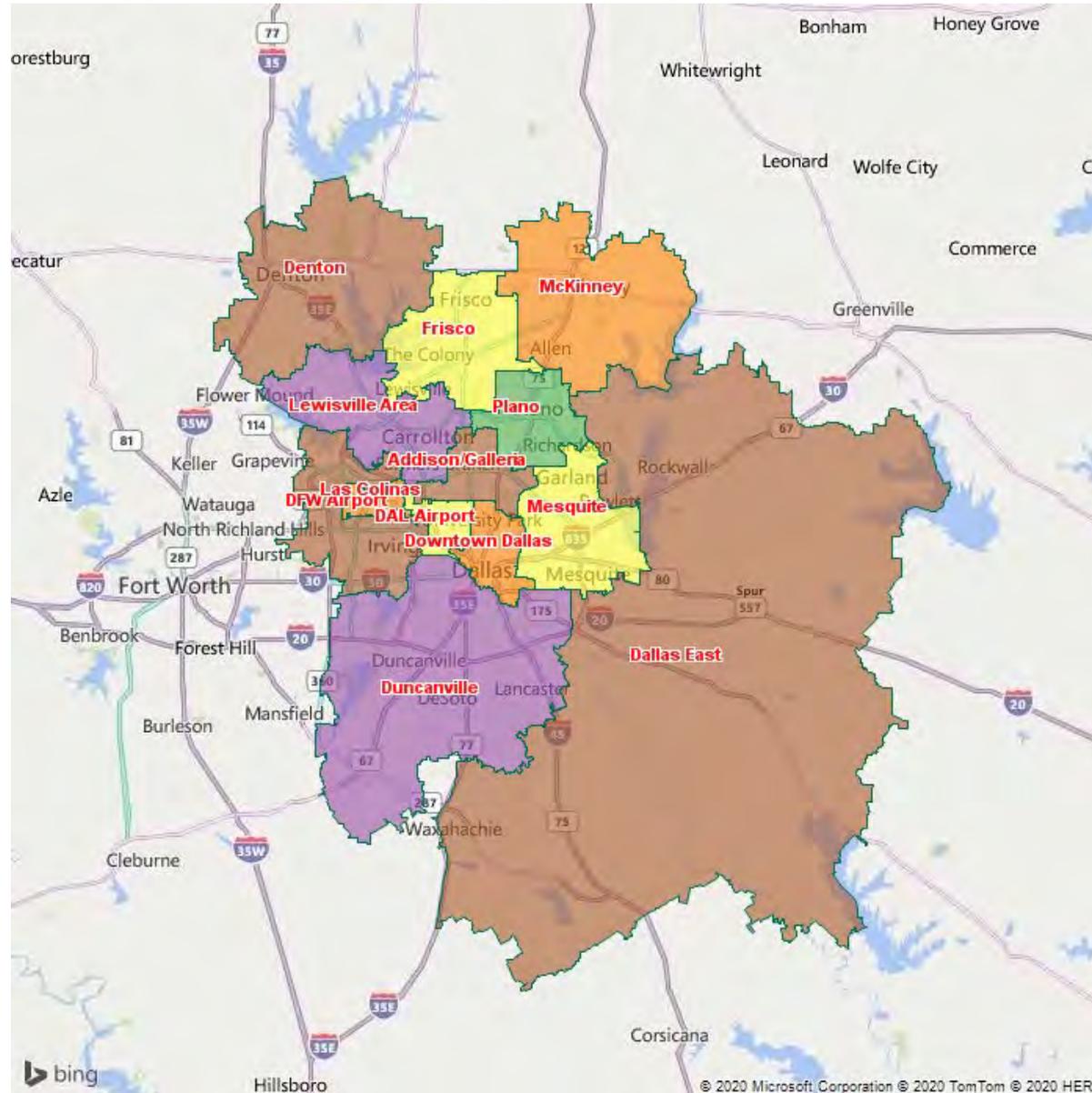
Note: \* Before Management Fees and Non-Operating Income and Expenses  
Source: CBRE, Trends® in the Hotel Industry

A modern office lobby with a polished floor, a large circular chandelier, and a reception desk. A large green text box is overlaid in the center.

# Historical Results

# NEW GEOGRAPHIC SUBMARKETS

## DALLAS GEOGRAPHIC SUBMARKETS



# HISTORICAL RESULTS

## Year End 2019 Submarket Comparison

All Hotels – Dallas Submarket Analysis

Year End 2019 Compared to Year End 2018

| Submarket               | Occupancy    |             | ADR          |             | RevPAR      |             |
|-------------------------|--------------|-------------|--------------|-------------|-------------|-------------|
|                         | Percent      | Pt. Change  | \$ Amount    | % Change    | \$ Amount   | % Change    |
| Downtown Dallas         | 67.9%        | 2.1%        | \$170        | 0.3%        | \$115       | 2.4%        |
| DAL Airport             | 69.5%        | 1.3%        | \$91         | 0.2%        | \$63        | 1.5%        |
| Addison / Galleria      | 67.4%        | 0.6%        | \$81         | -2.2%       | \$55        | -1.6%       |
| Las Colinas             | 69.3%        | -1.3%       | \$131        | 1.1%        | \$91        | -0.2%       |
| Plano                   | 64.9%        | -1.9%       | \$86         | -0.6%       | \$56        | -2.5%       |
| Mesquite                | 68.1%        | 3.1%        | \$76         | 1.6%        | \$52        | 4.8%        |
| Lewisville Area         | 68.0%        | -1.3%       | \$80         | 60.0%       | \$55        | -0.8%       |
| DFW Airport             | 75.3%        | 1.7%        | \$121        | 0.6%        | \$91        | 2.4%        |
| Frisco                  | 64.6%        | -2.4%       | \$128        | -1.0%       | \$82        | -3.3%       |
| McKinney                | 62.1%        | -5.3%       | \$92         | 2.8%        | \$57        | -2.7%       |
| Denton                  | 68.4%        | -3.2%       | \$81         | -1.5%       | \$56        | -4.6%       |
| Dallas East             | 65.4%        | -2.6%       | \$80         | 1.3%        | \$52        | -1.4%       |
| Duncanville             | 70.0%        | -2.1%       | \$82         | -0.2%       | \$57        | -2.3%       |
| <b>Average / Change</b> | <b>68.8%</b> | <b>0.7%</b> | <b>\$116</b> | <b>0.3%</b> | <b>\$80</b> | <b>1.0%</b> |

Source: Kalibri Labs, Q2 2020

# HISTORICAL RESULTS

## Second Quarter 2020 Submarket Comparison

All Hotels – Dallas Submarket Analysis

Q2 2020 Compared to Q2 2019

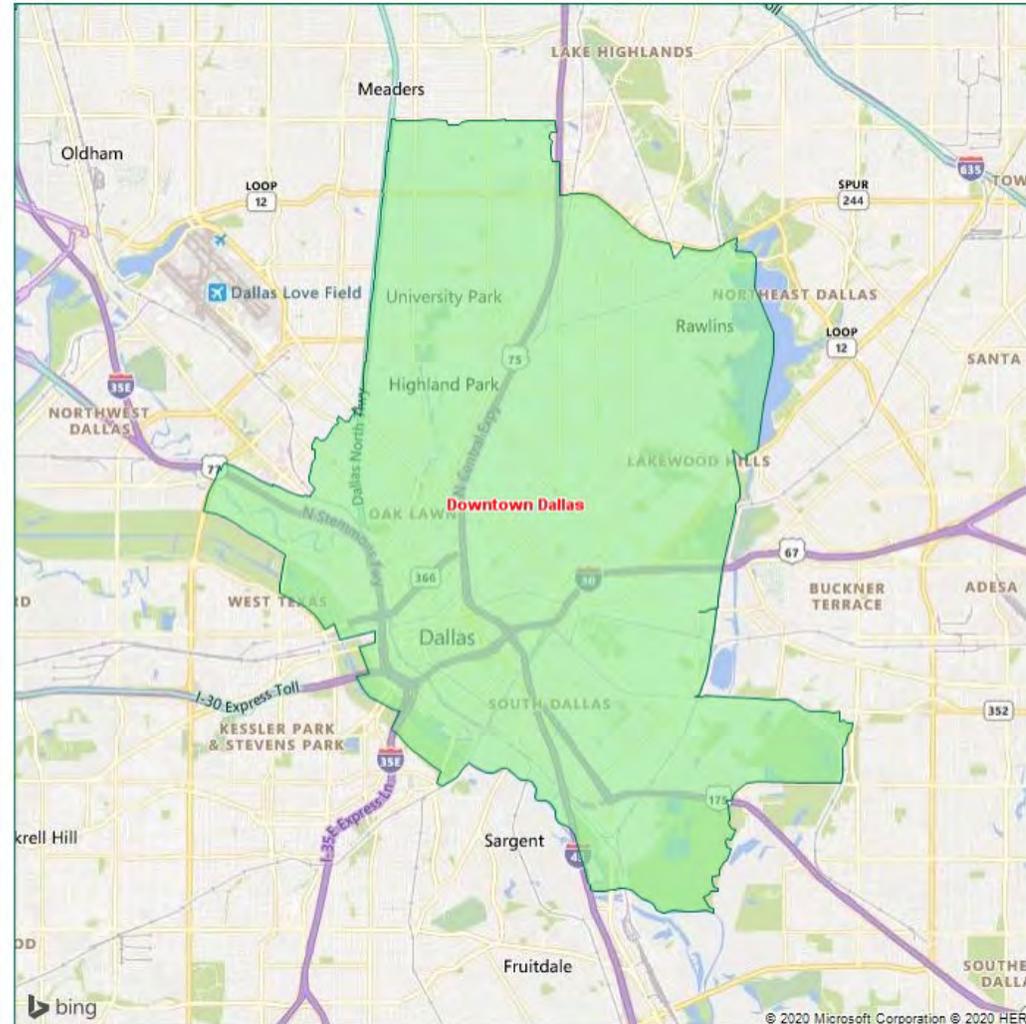
| Submarket                     | Occupancy    |               | ADR         |               | RevPAR      |               |
|-------------------------------|--------------|---------------|-------------|---------------|-------------|---------------|
|                               | Percent      | Pt. Change    | \$ Amount   | % Change      | \$ Amount   | % Change      |
| Downtown Dallas               | 10.9%        | -85.1%        | \$105       | -38.3%        | \$11        | -90.8%        |
| DAL Airport                   | 30.8%        | -57.9%        | \$65        | -29.6%        | \$20        | -70.3%        |
| Addison / Galleria            | 28.8%        | -59.6%        | \$59        | -27.2%        | \$17        | -70.6%        |
| Las Colinas                   | 17.0%        | -77.1%        | \$69        | -48.2%        | \$12        | -88.1%        |
| Plano                         | 33.4%        | -51.6%        | \$64        | -26.0%        | \$21        | -64.2%        |
| Mesquite                      | 43.0%        | -40.8%        | \$61        | -20.3%        | \$26        | -52.8%        |
| Lewisville Area               | 35.0%        | -51.3%        | \$57        | -30.1%        | \$20        | -66.0%        |
| DFW Airport                   | 25.1%        | -68.5%        | \$71        | -40.9%        | \$18        | -81.4%        |
| Frisco                        | 19.1%        | -71.6%        | \$77        | -39.8%        | \$15        | -82.9%        |
| McKinney                      | 30.9%        | -55.0%        | \$73        | -24.8%        | \$23        | -66.2%        |
| Denton                        | 33.8%        | -52.9%        | \$61        | -26.7%        | \$21        | -65.5%        |
| Dallas East                   | 47.7%        | -33.9%        | \$65        | -20.6%        | \$31        | -47.5%        |
| Duncanville                   | 47.8%        | -37.1%        | \$66        | -20.0%        | \$32        | -49.6%        |
| <b>Total</b>                  | <b>25.2%</b> | <b>-65.5%</b> | <b>\$70</b> | <b>-39.9%</b> | <b>\$18</b> | <b>-79.3%</b> |
| Source: Kalibri Labs, Q2 2020 |              |               |             |               |             |               |

A modern office lobby with a polished floor, a large circular chandelier, and a reception desk. A large green text box is overlaid in the center.

# **GEOGRAPHIC SUBMARKETS**

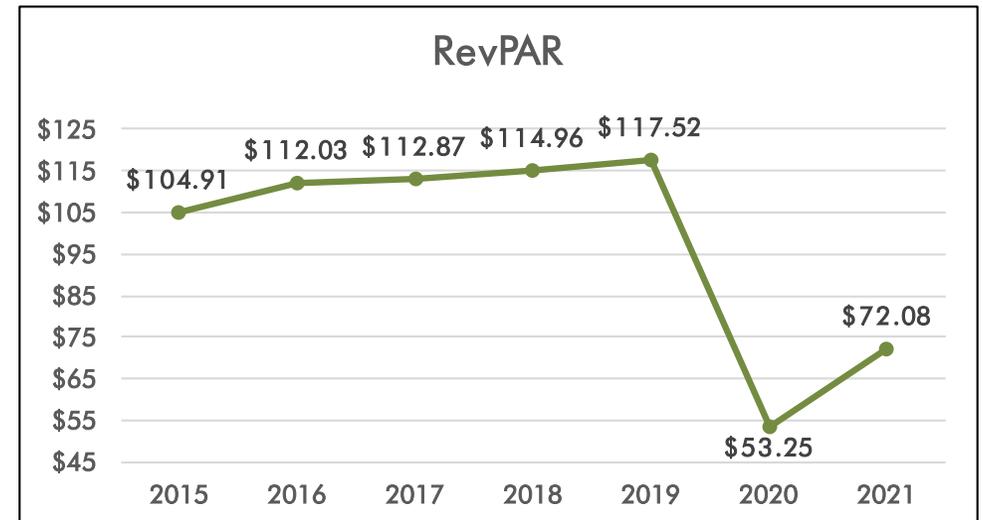
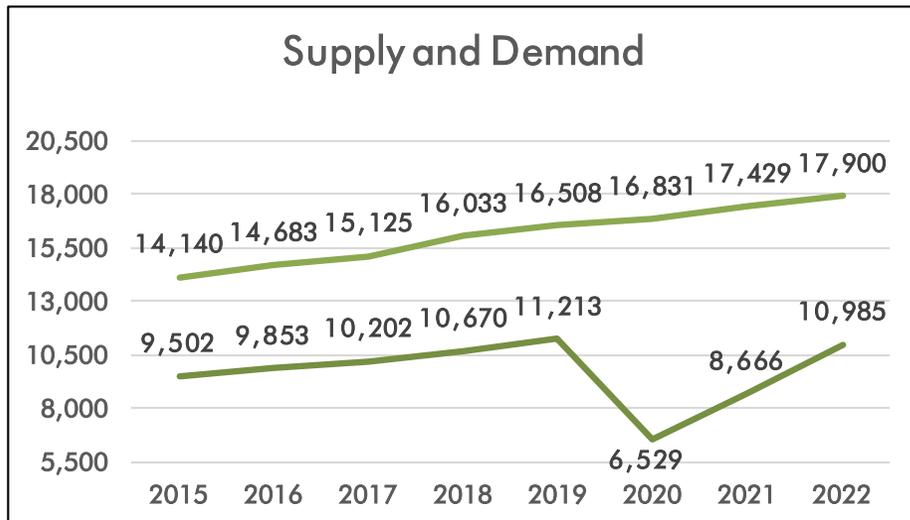
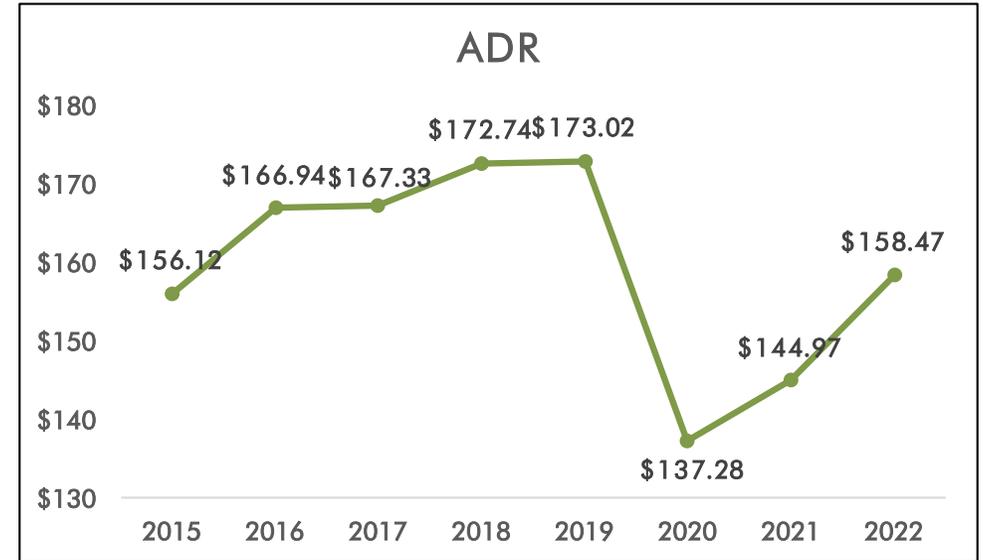
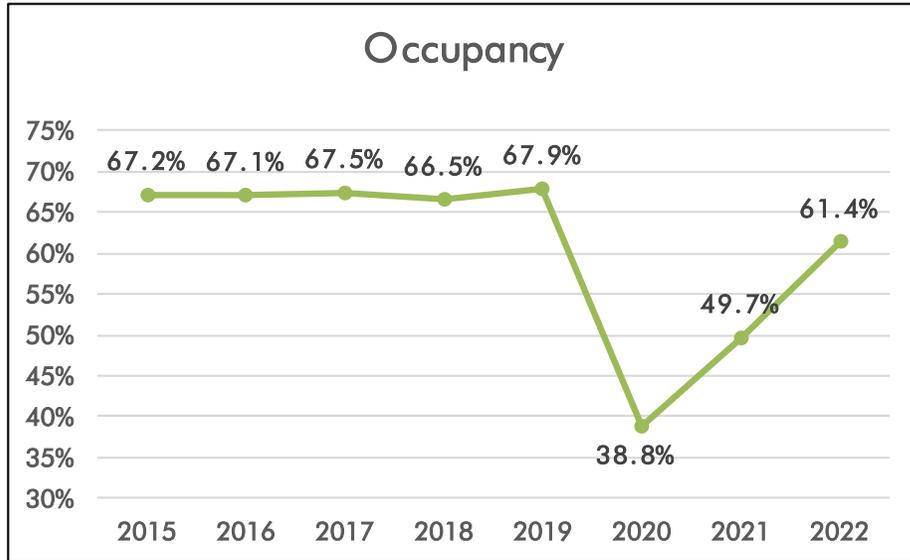
# GEOGRAPHIC SUBMARKETS

## DOWNTOWN DALLAS



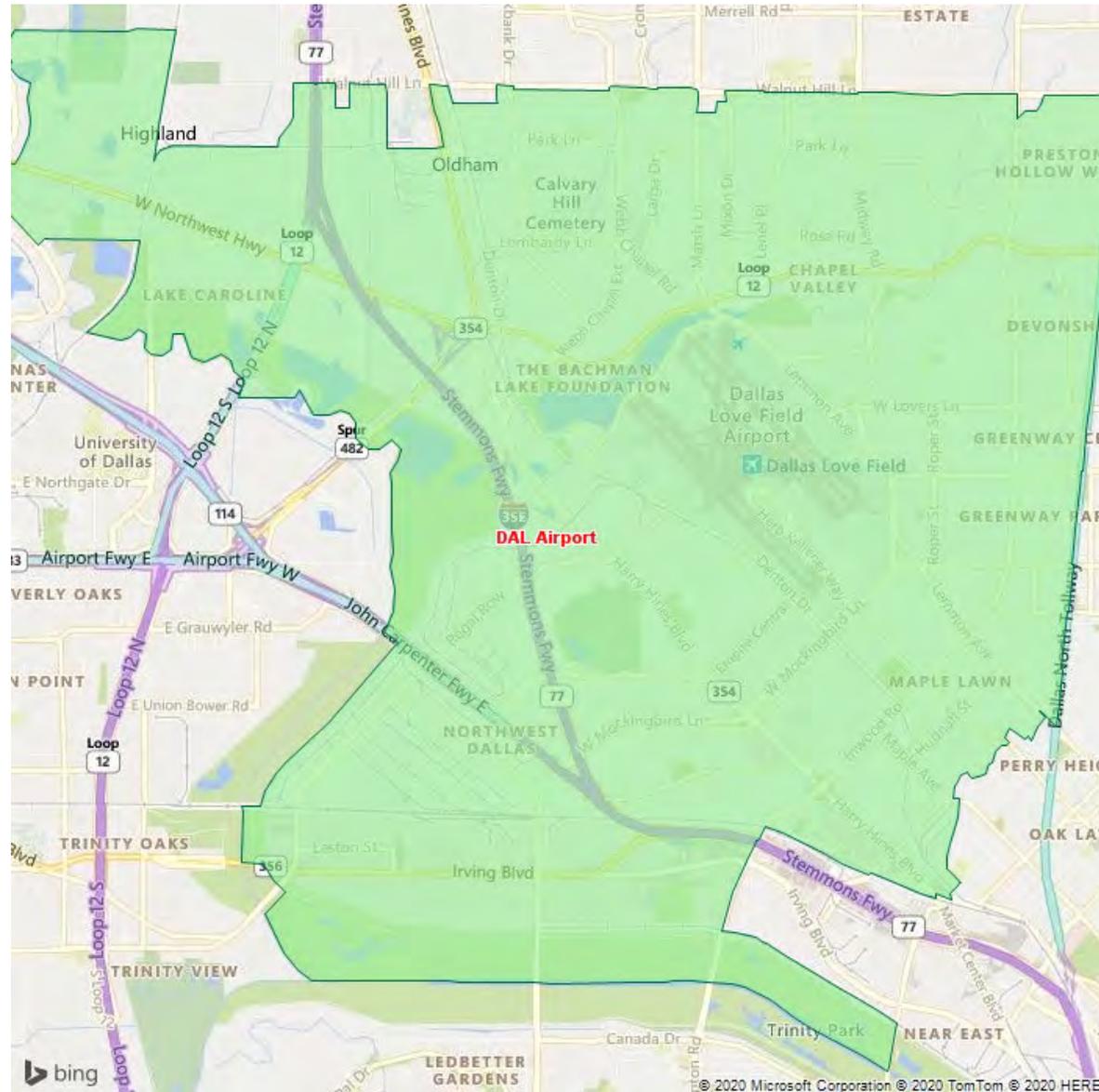
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## DOWNTOWN DALLAS



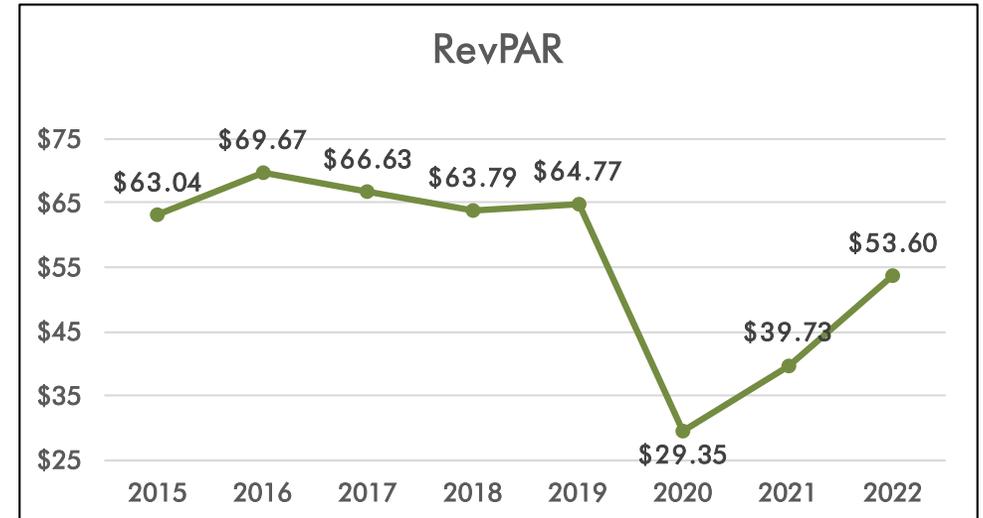
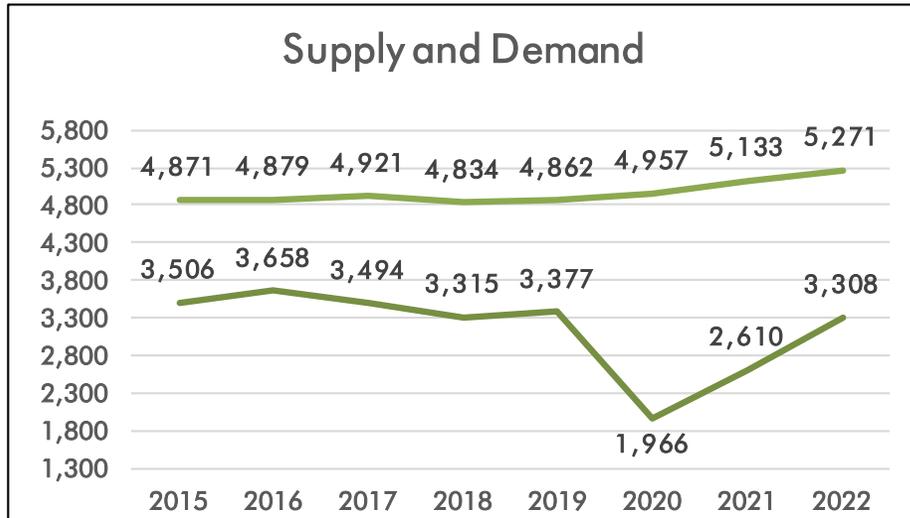
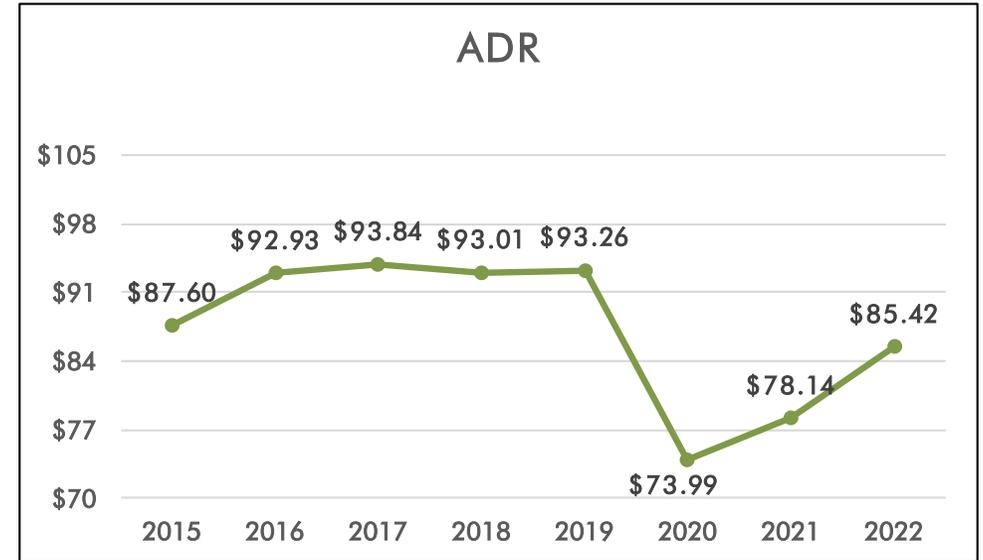
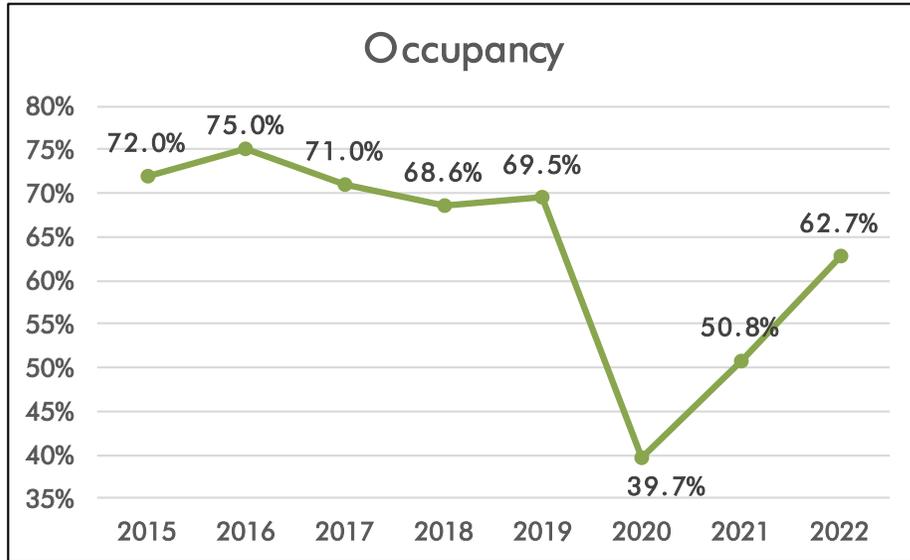
# GEOGRAPHIC SUBMARKETS

## DAL AIRPORT



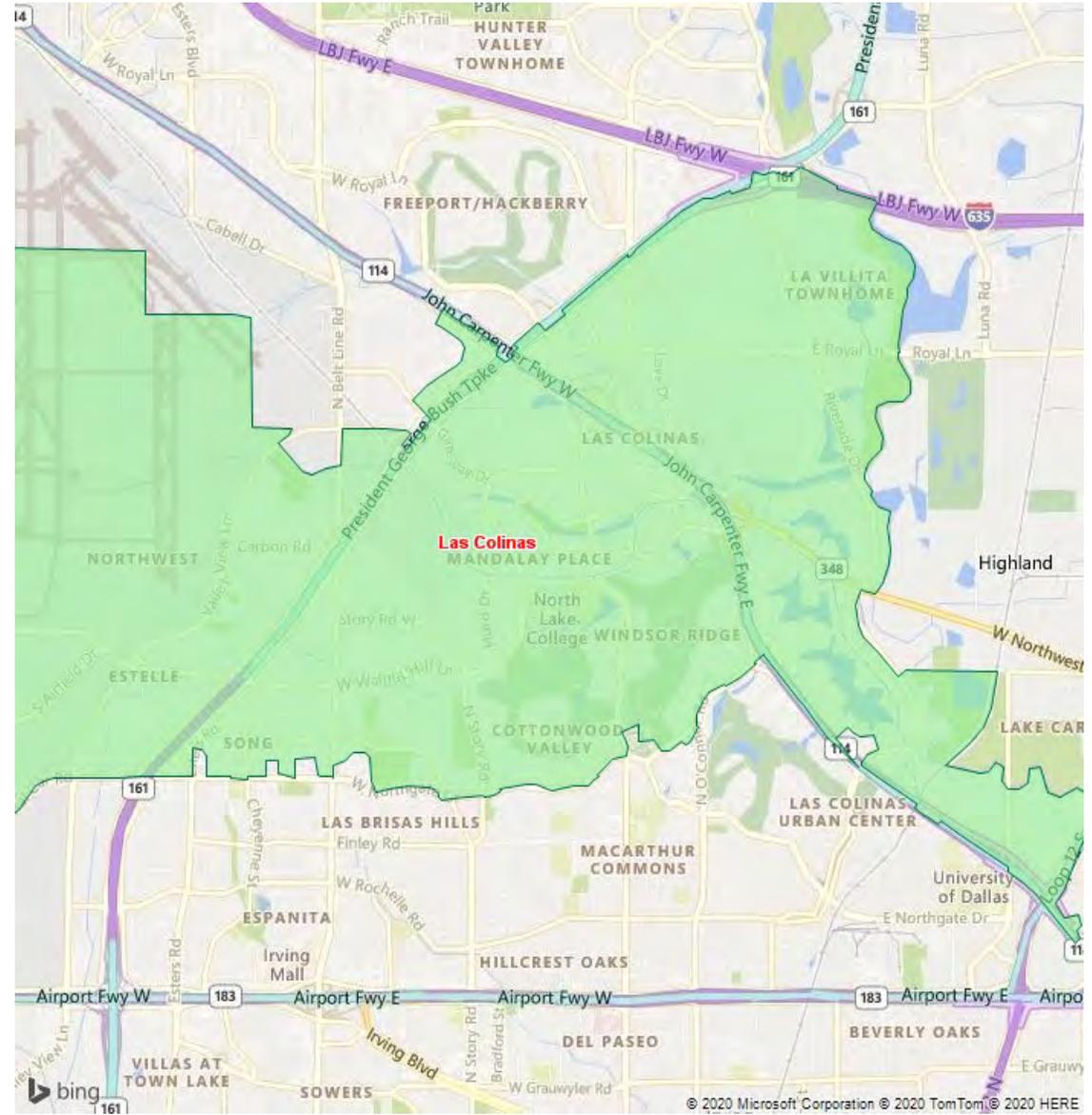
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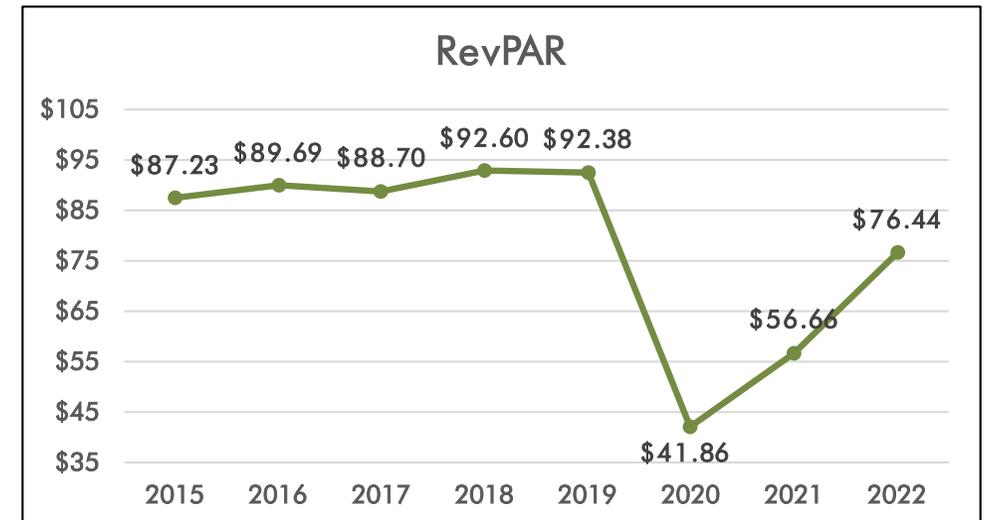
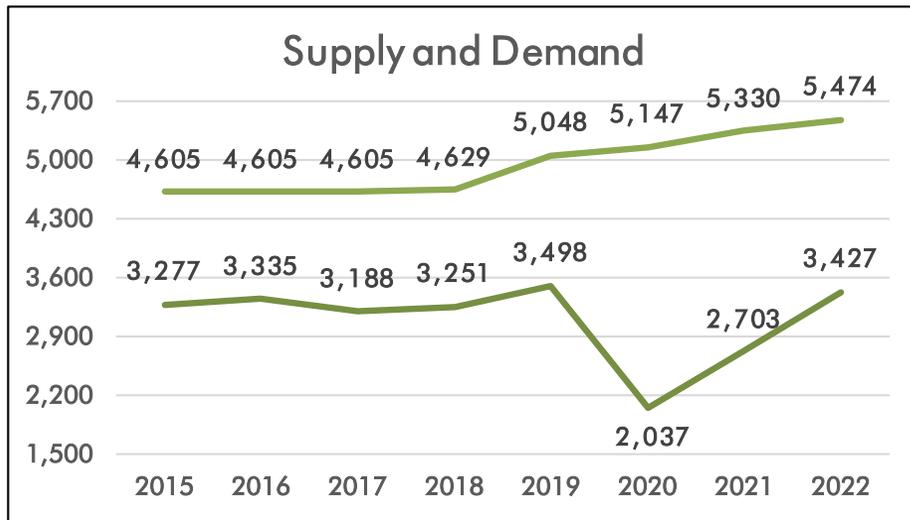
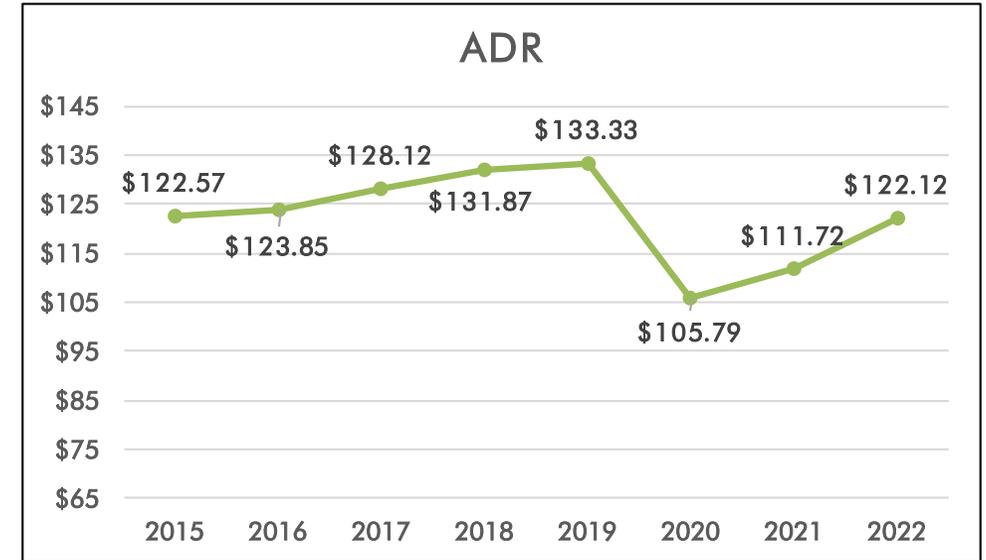
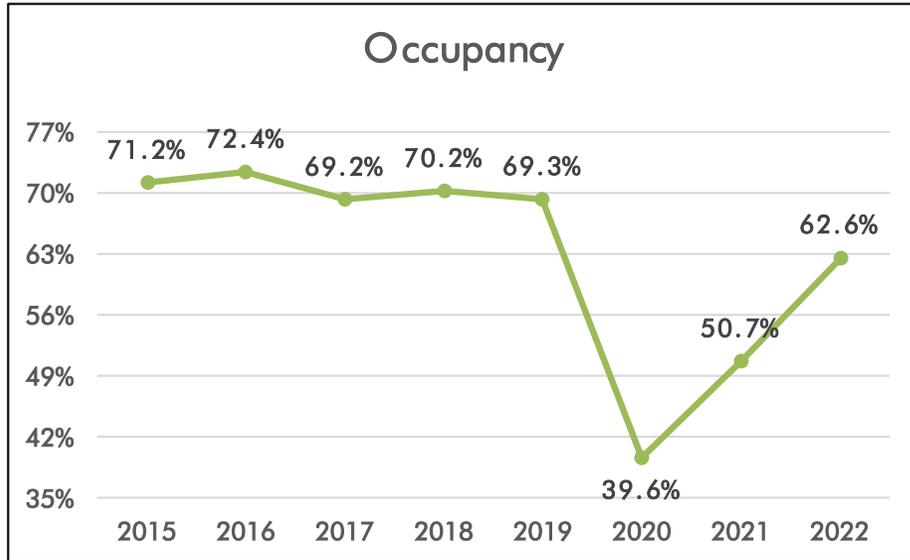
# GEOGRAPHIC SUBMARKETS

## LAS COLINAS



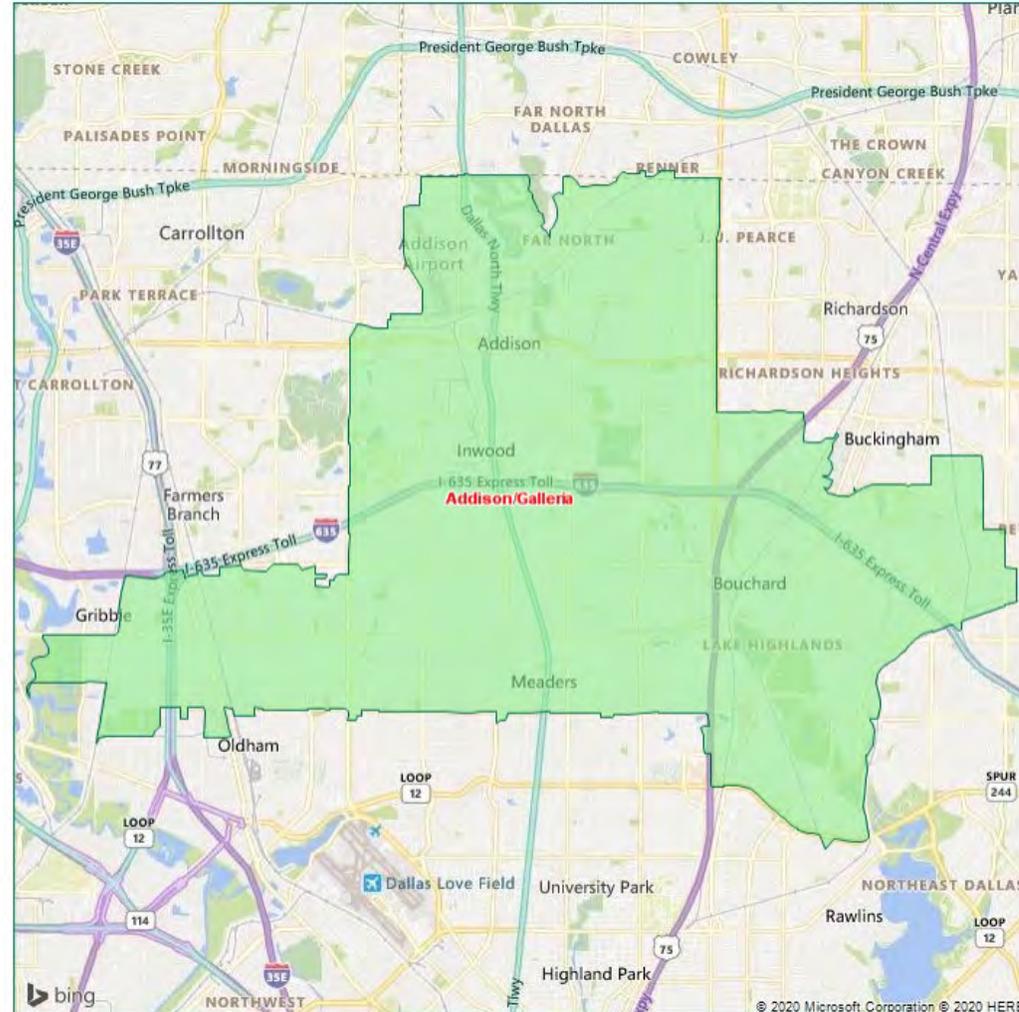
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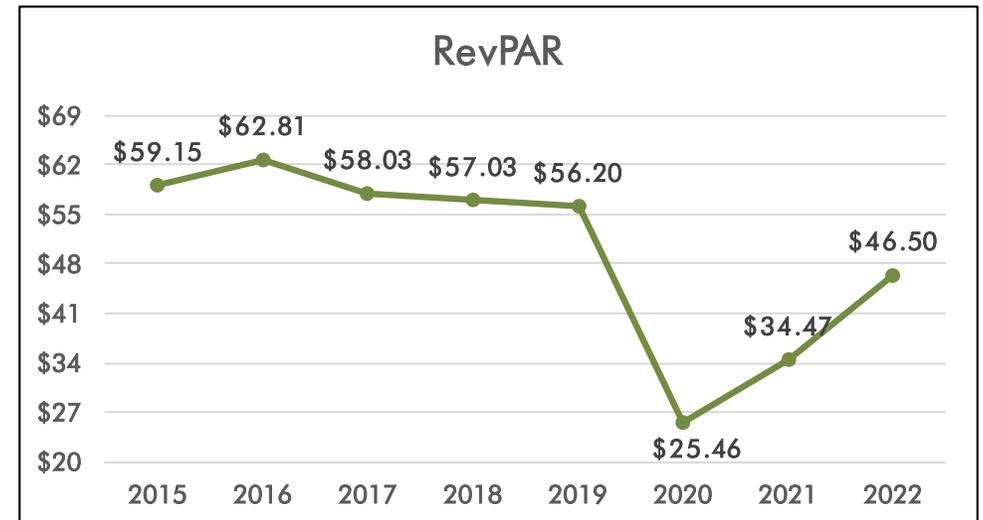
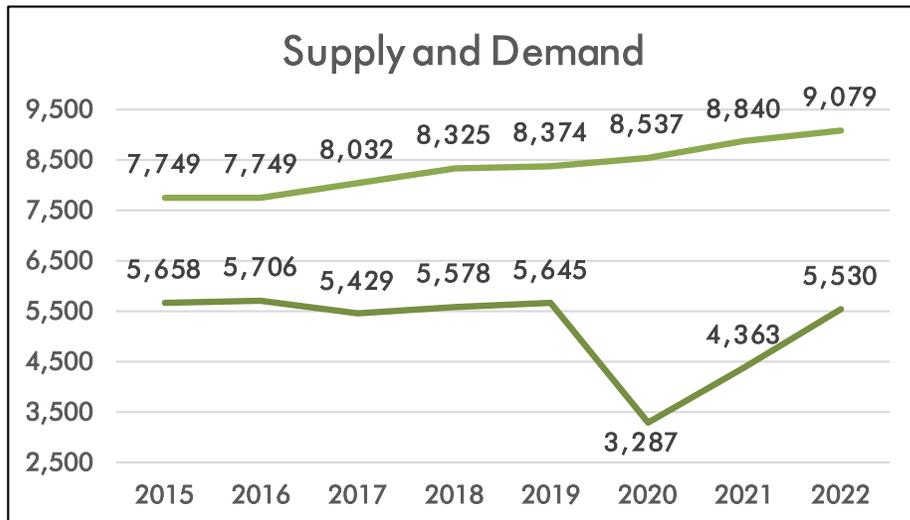
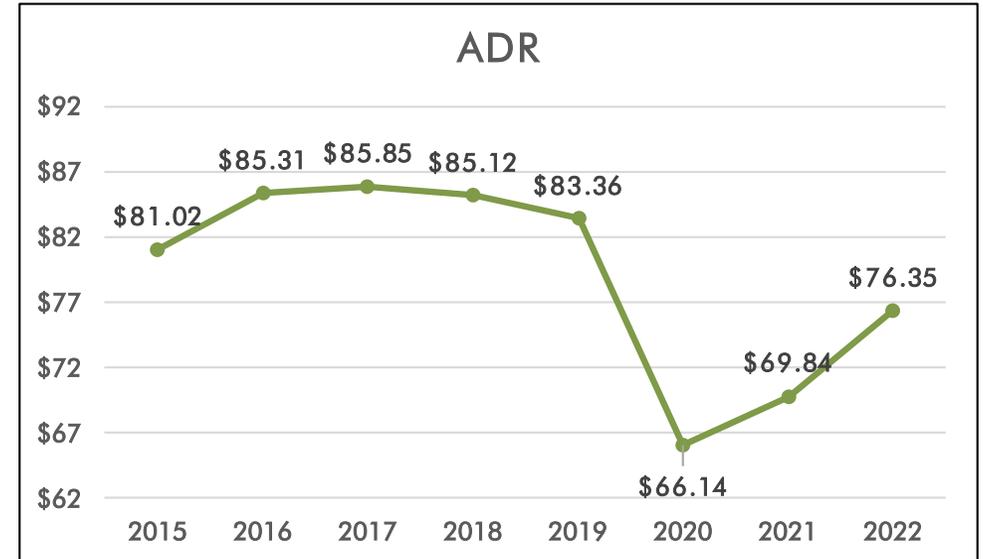
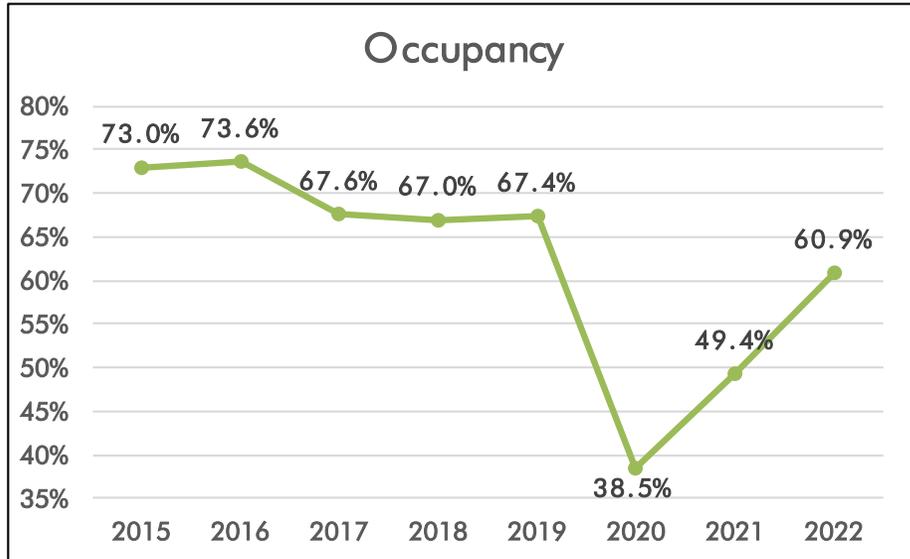
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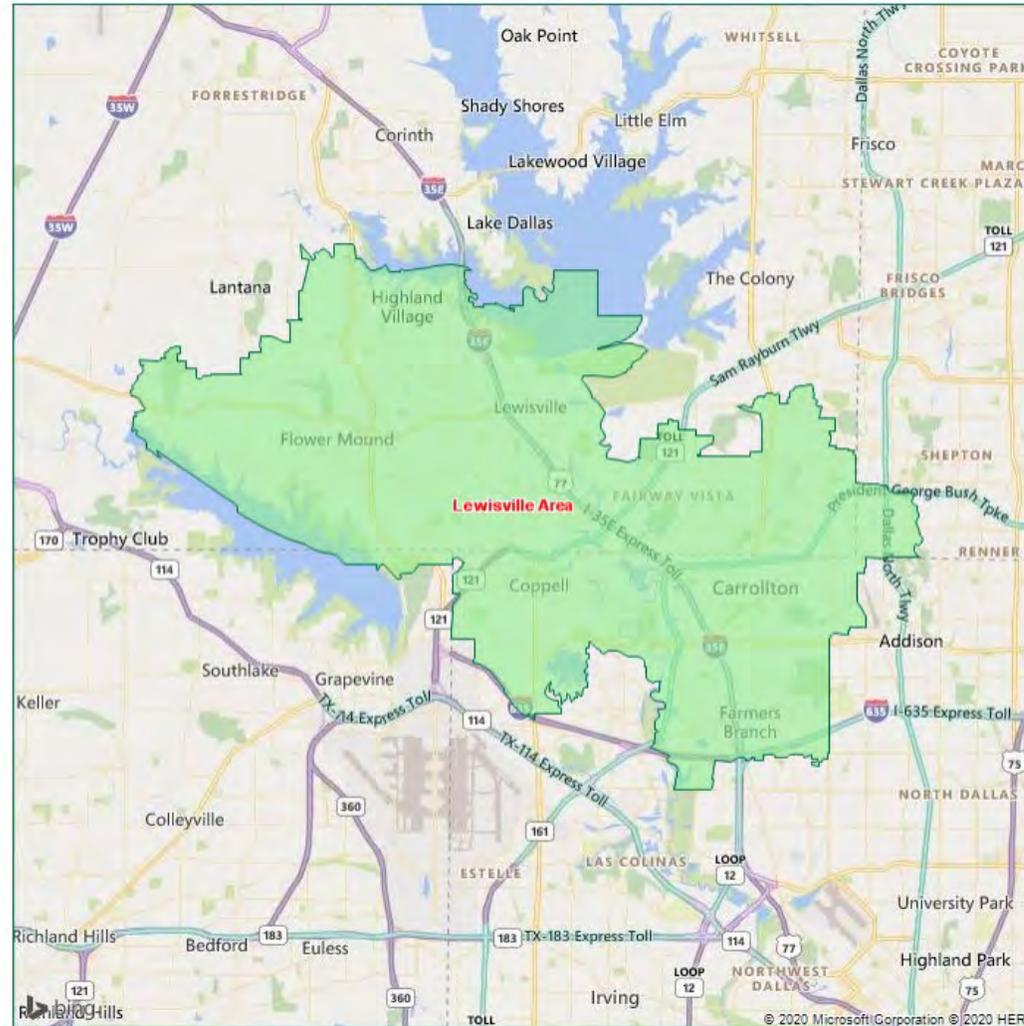
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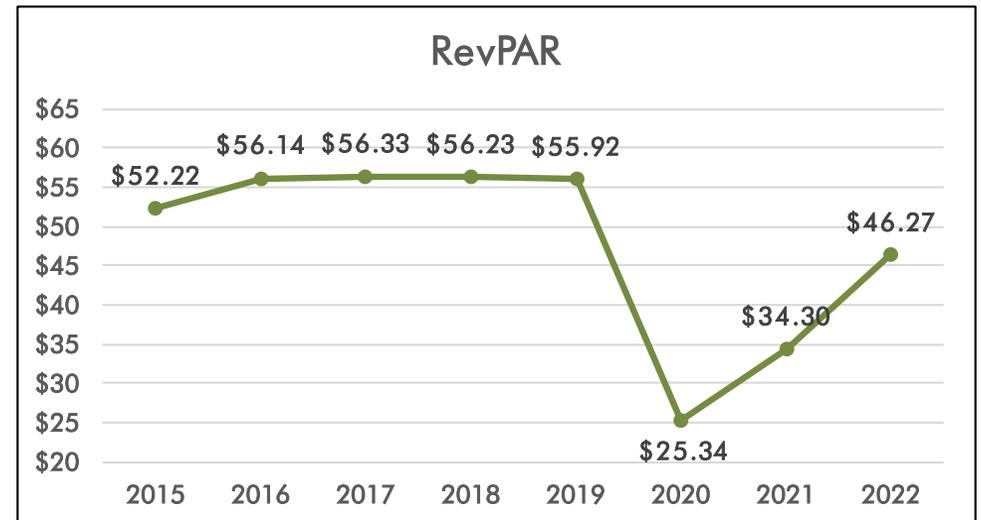
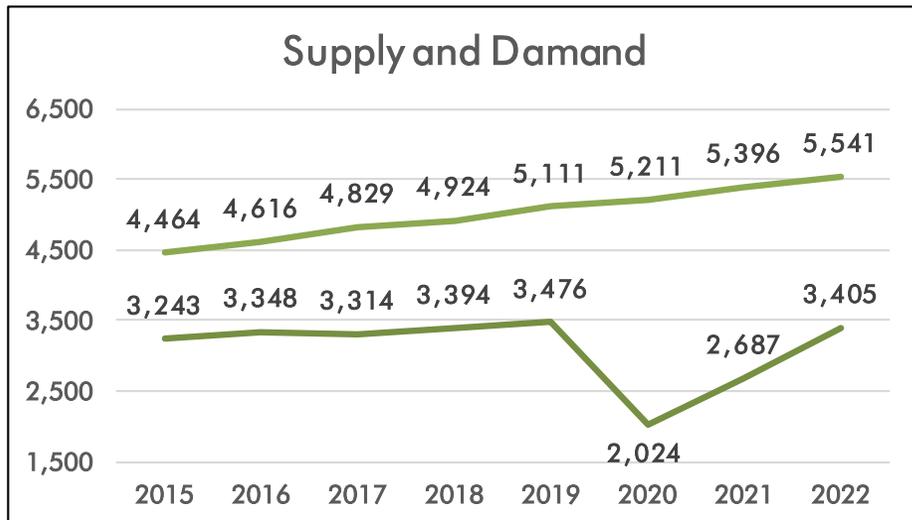
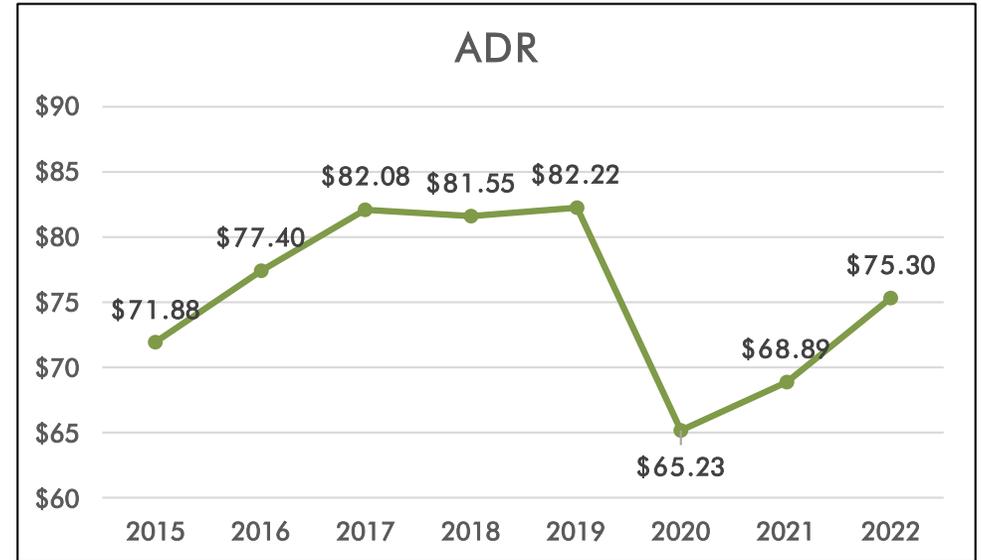
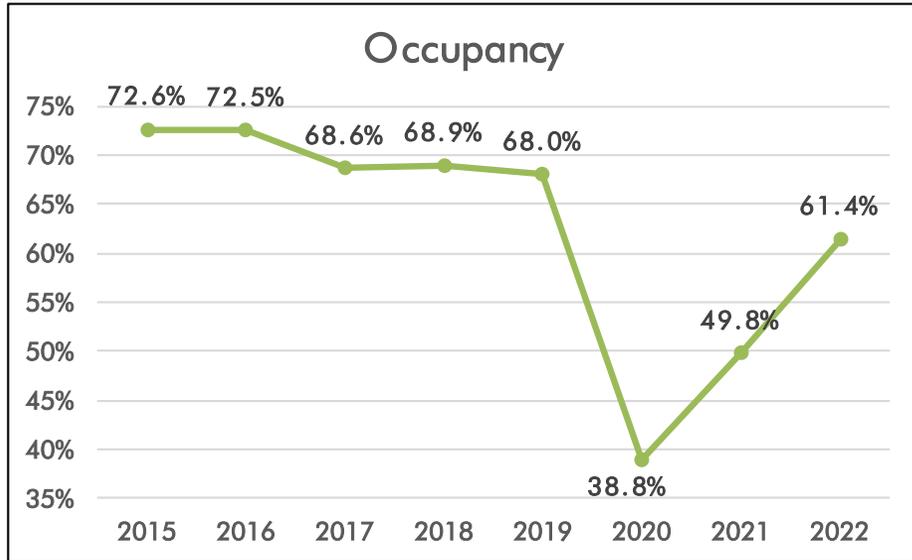
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## LEWISVILLE AREA



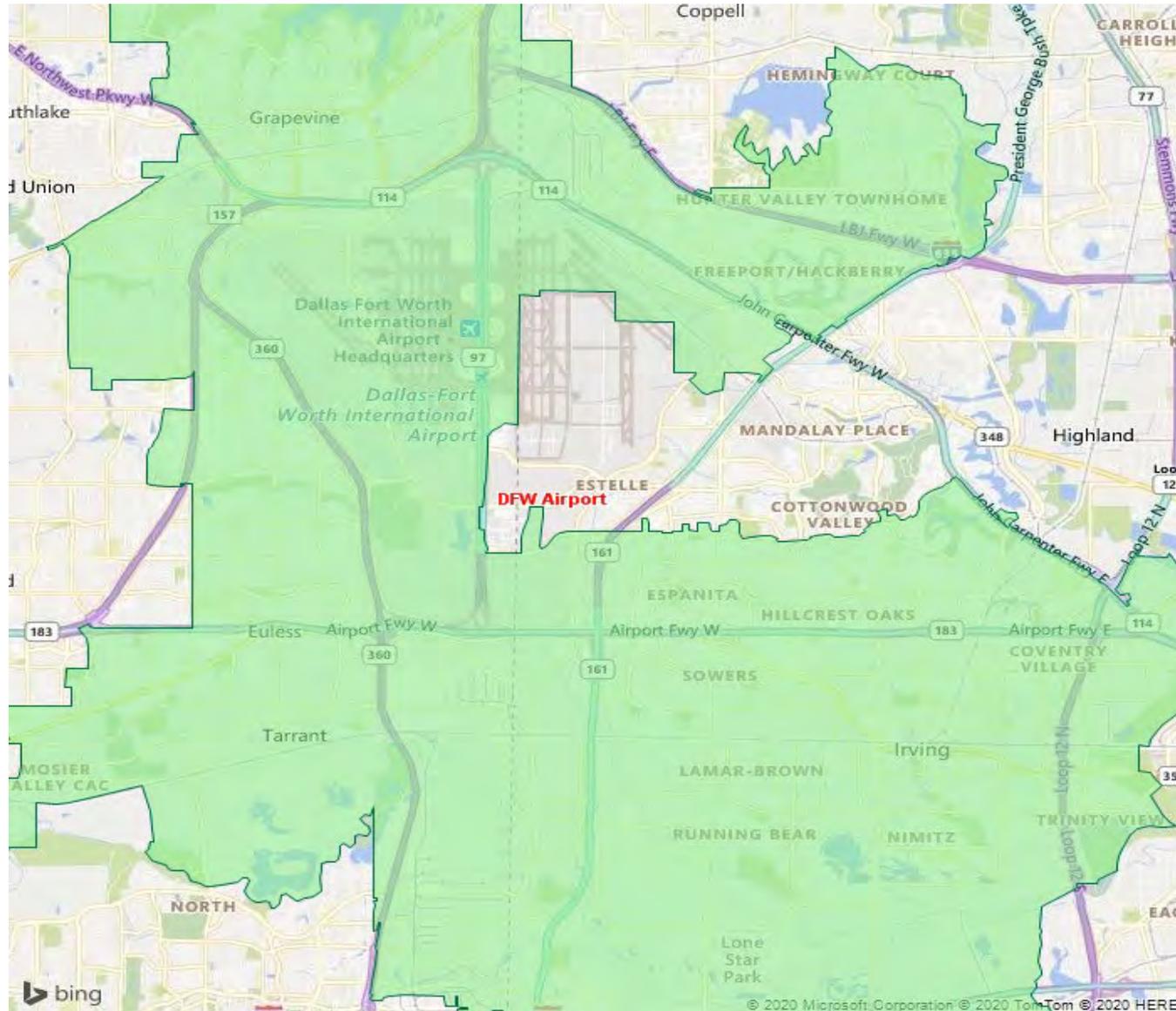
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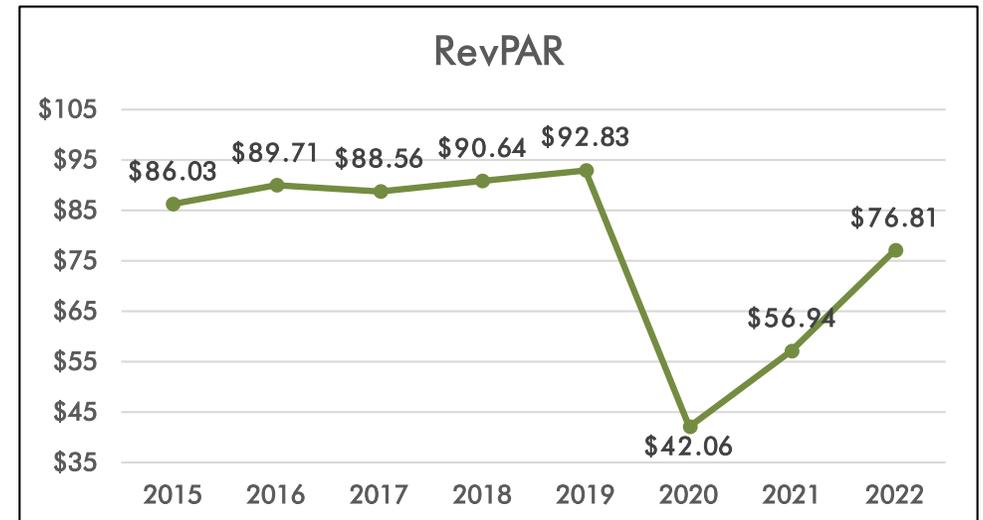
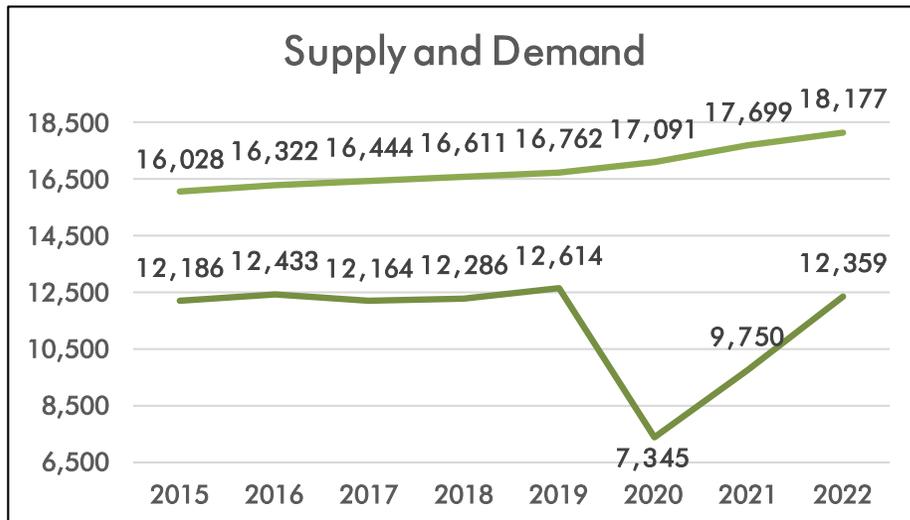
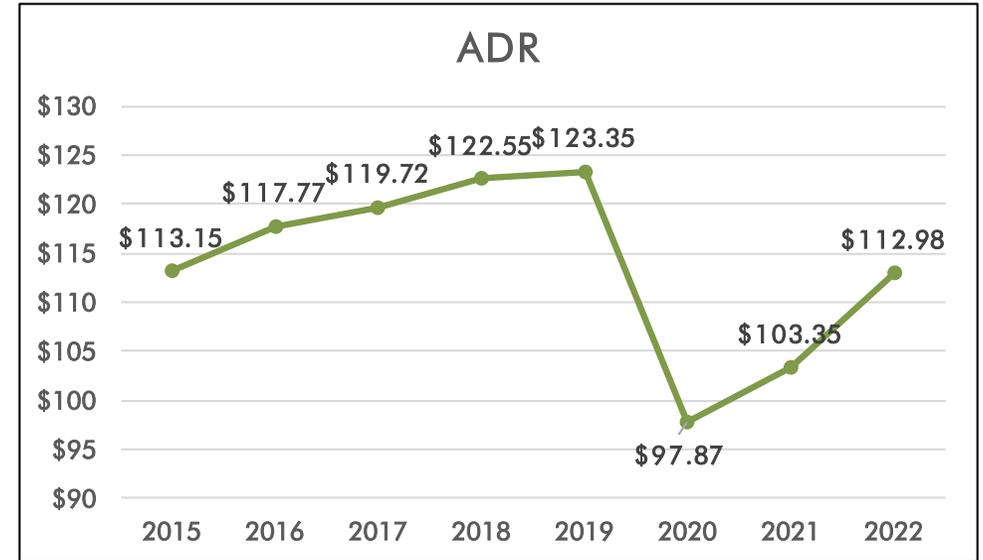
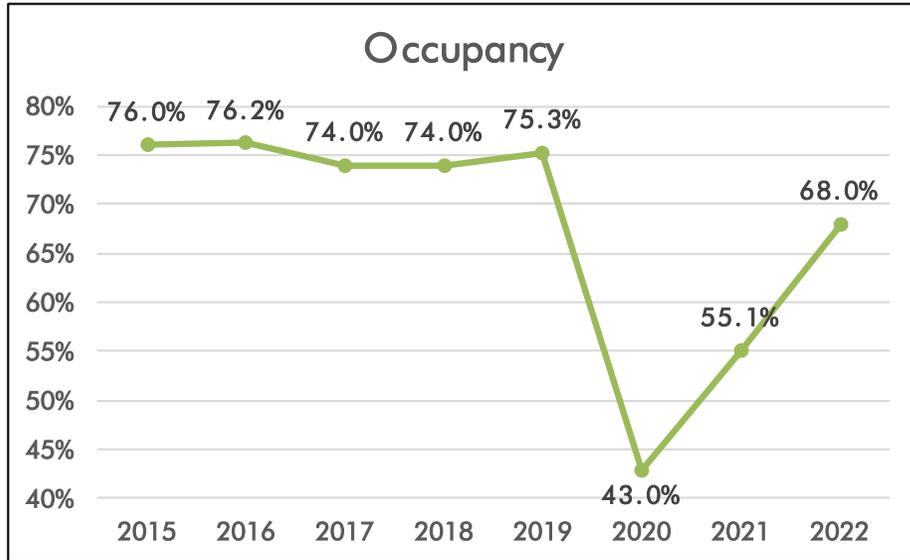
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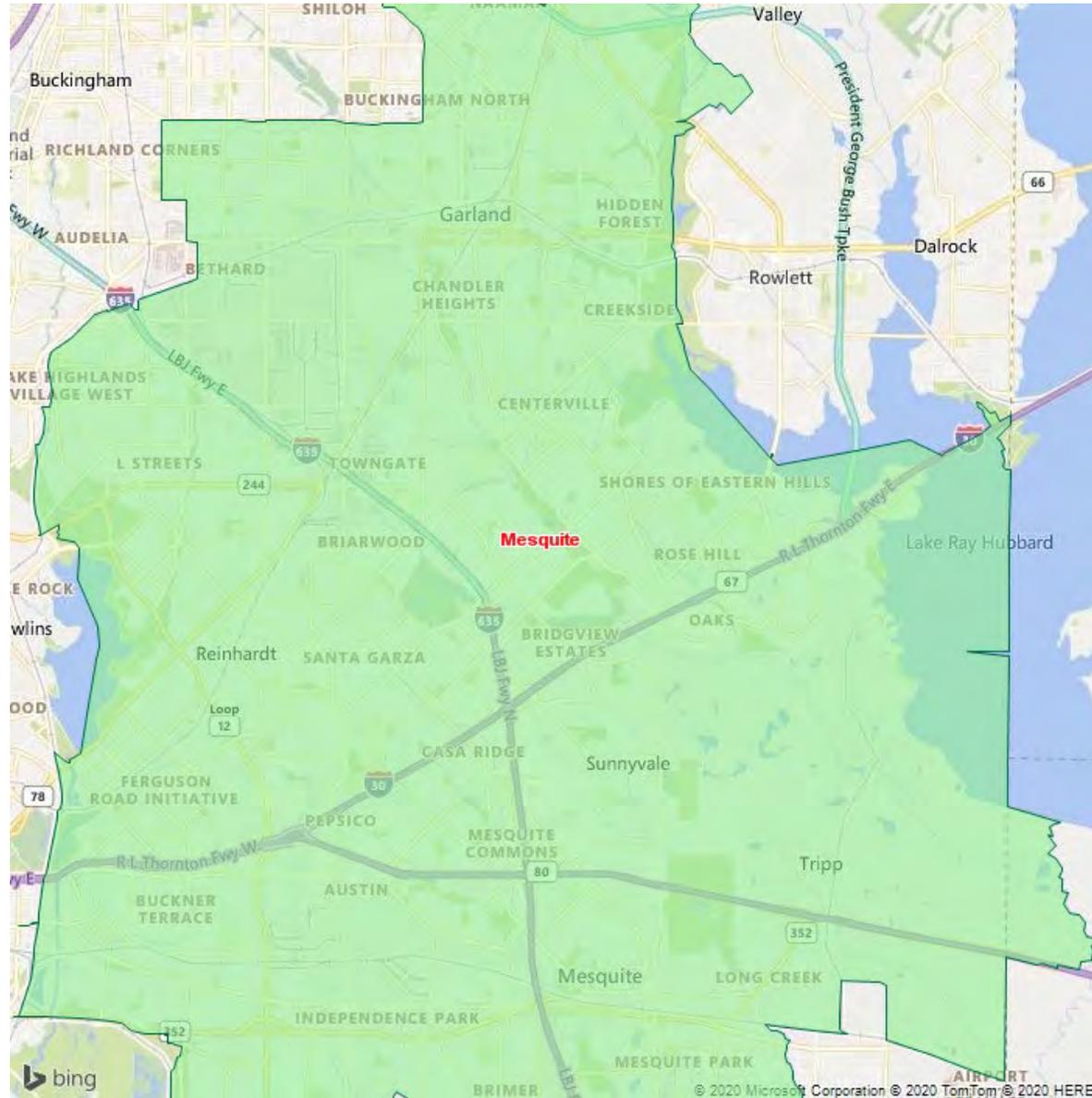
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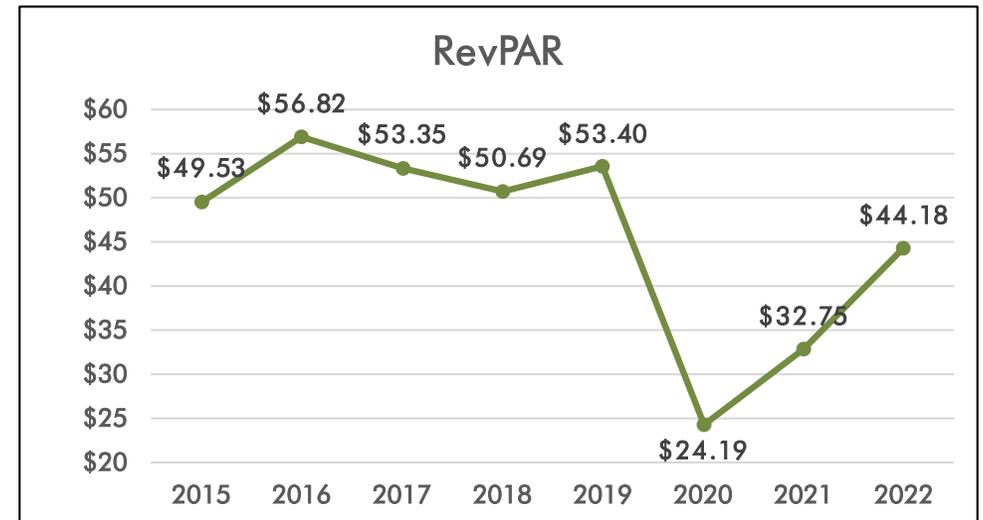
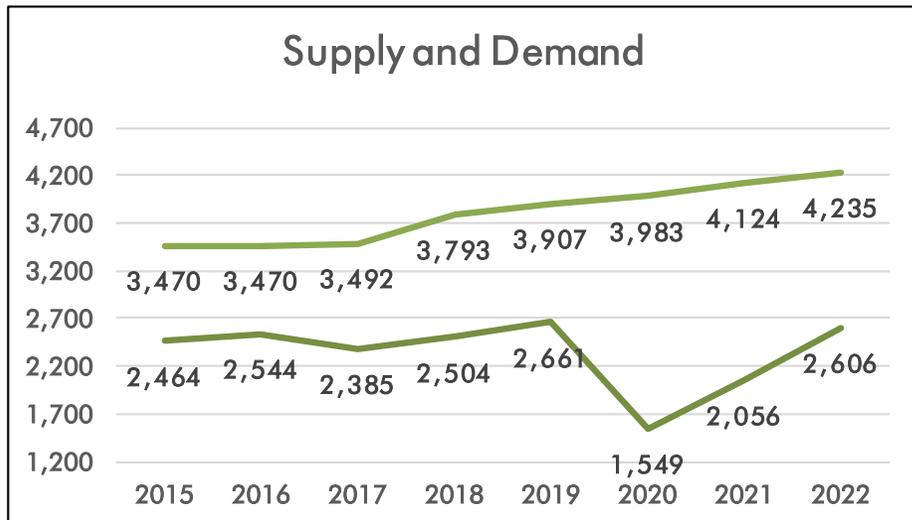
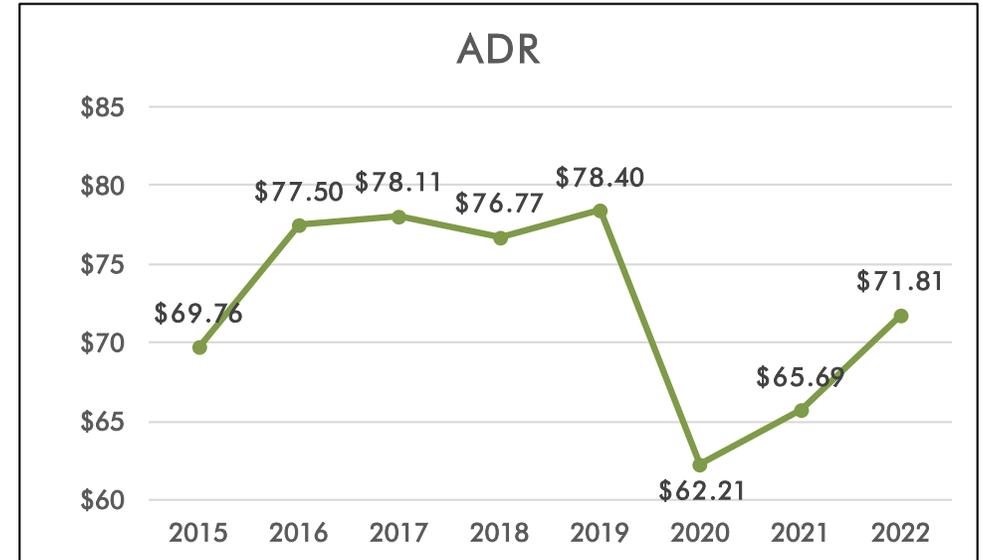
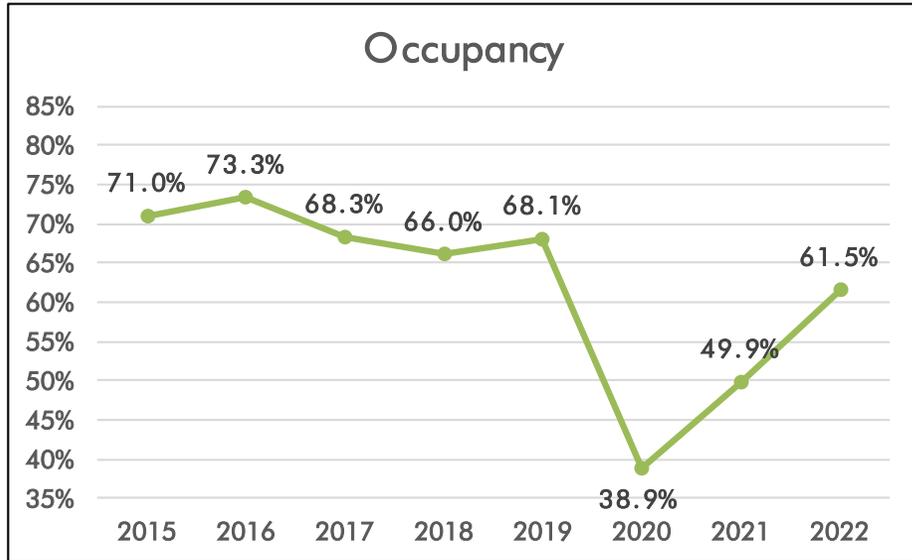
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## MESQUITE



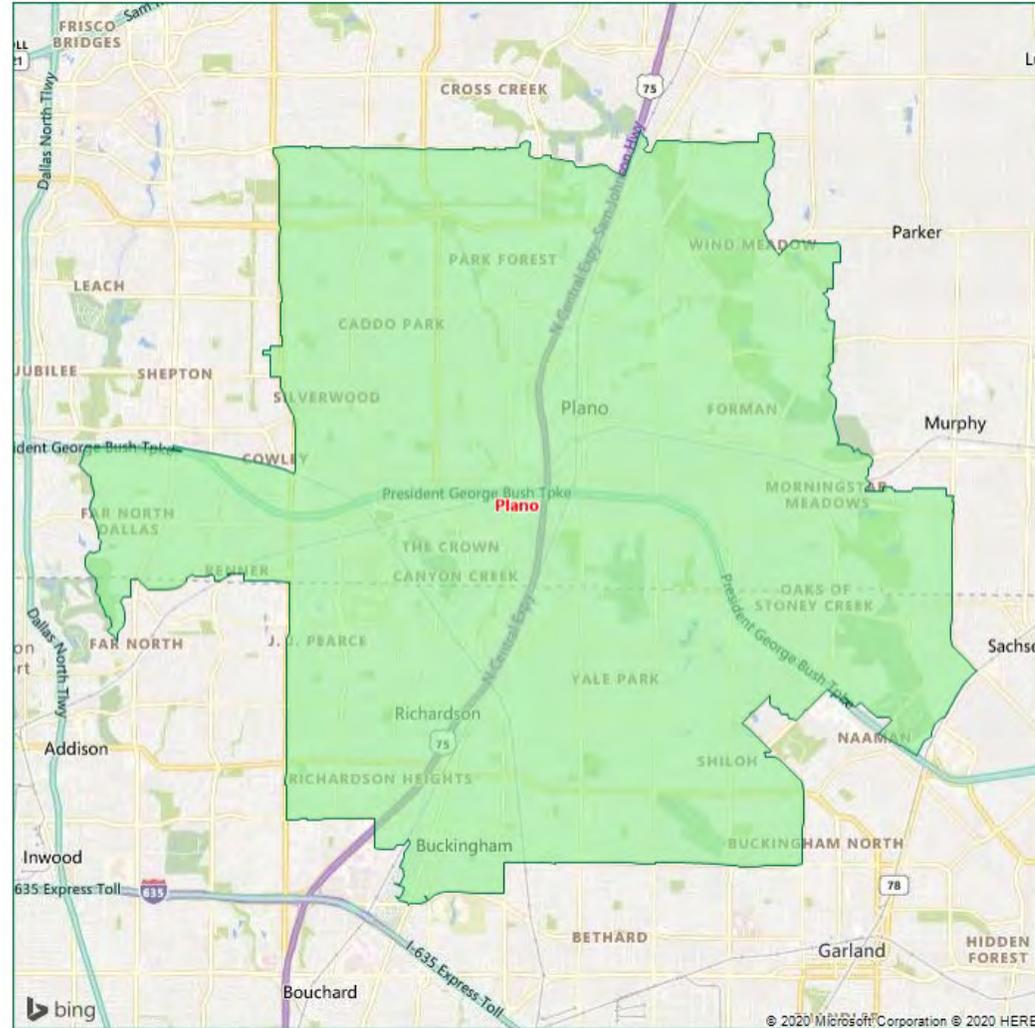
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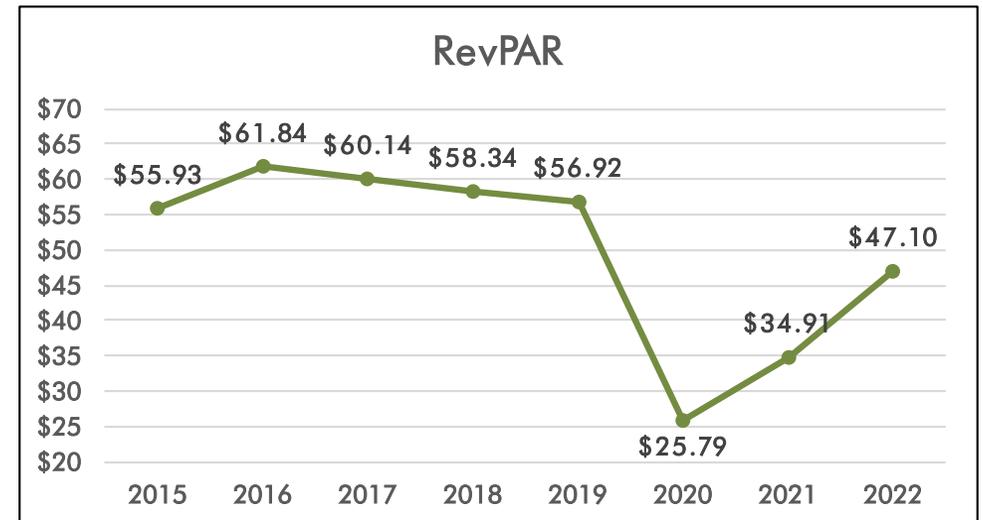
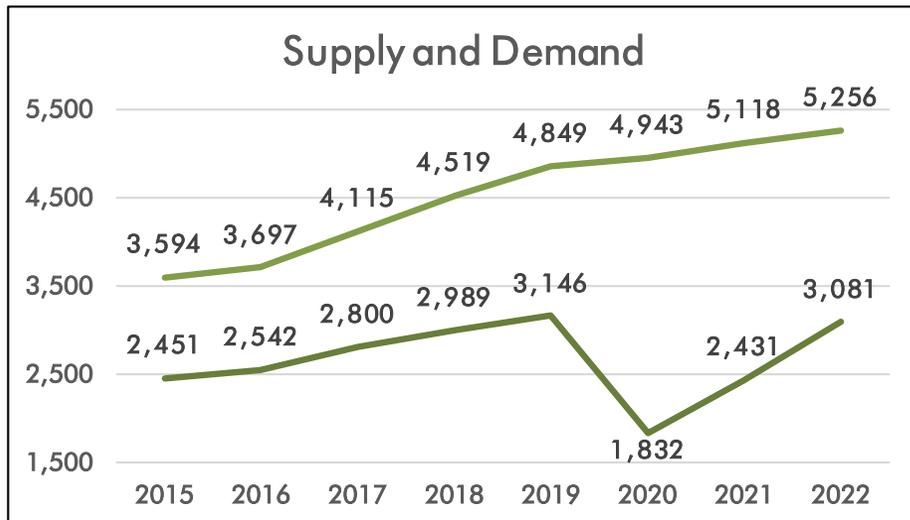
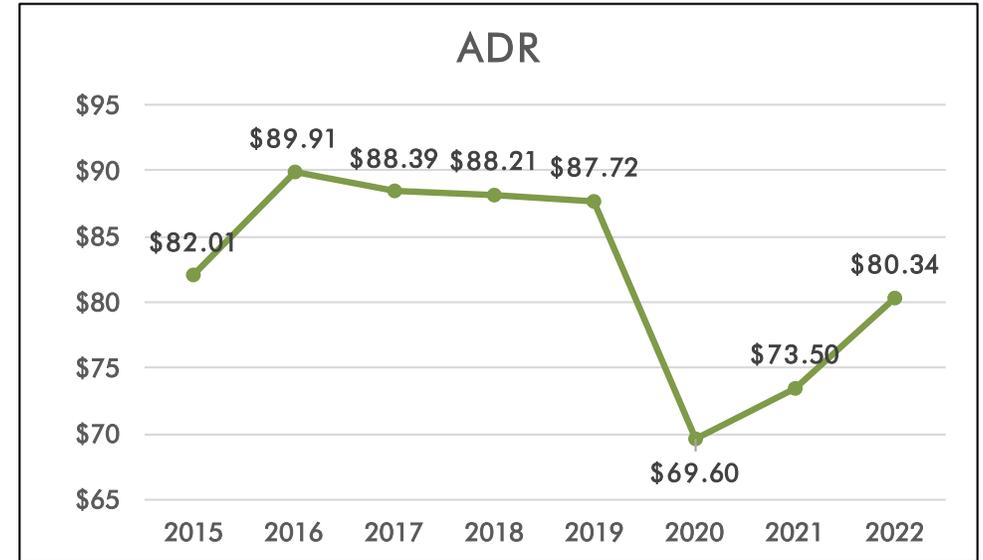
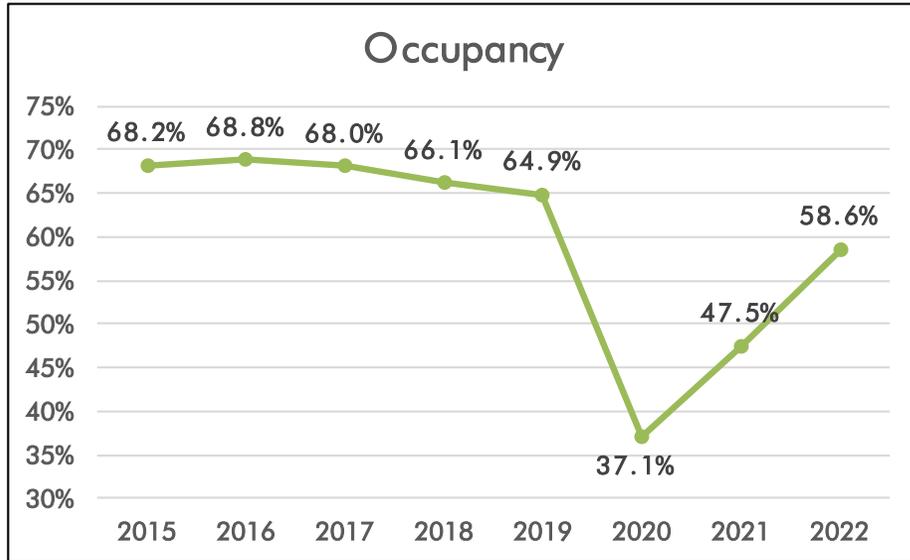
# GEOGRAPHIC SUBMARKETS

## PLANO



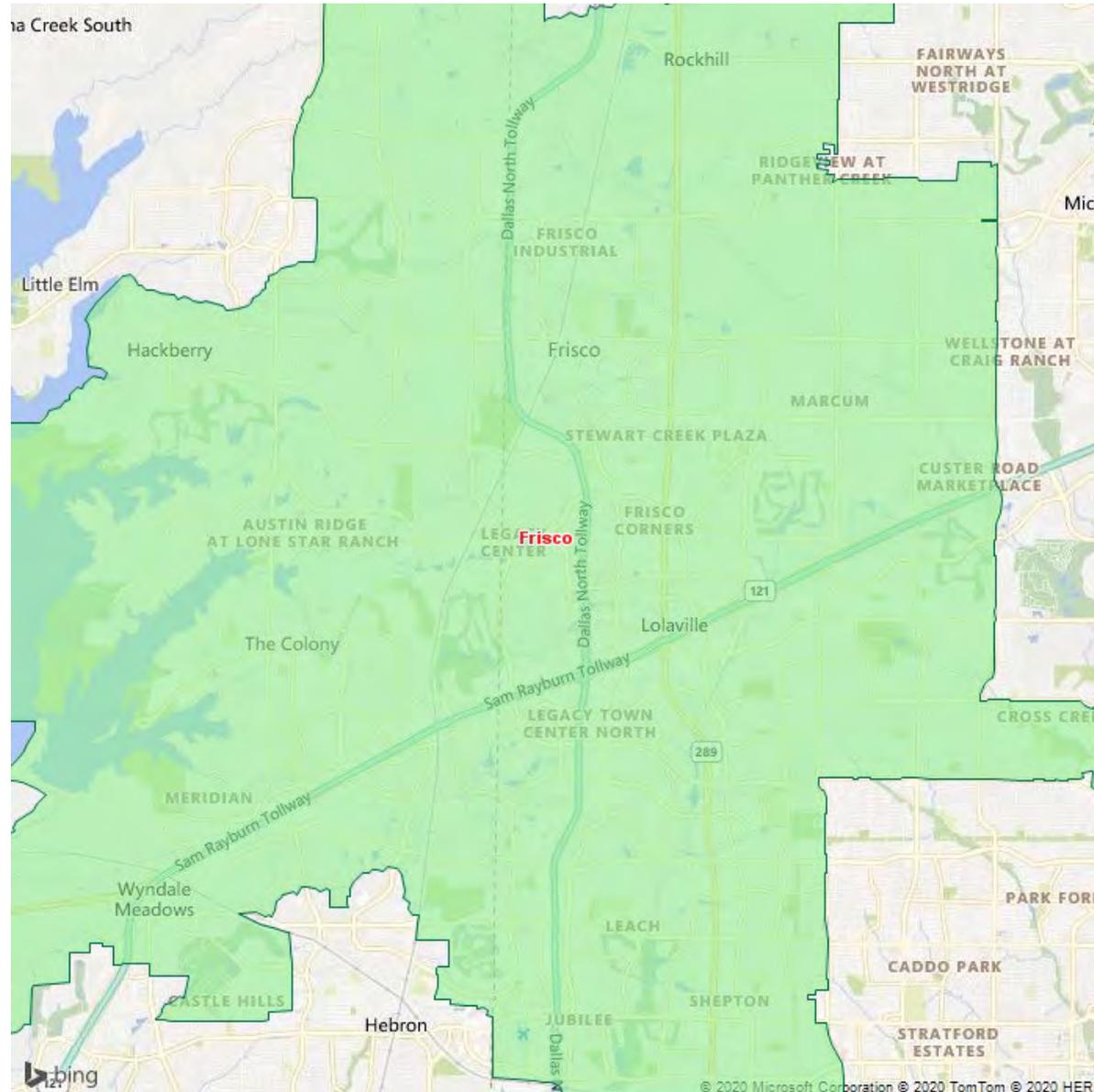
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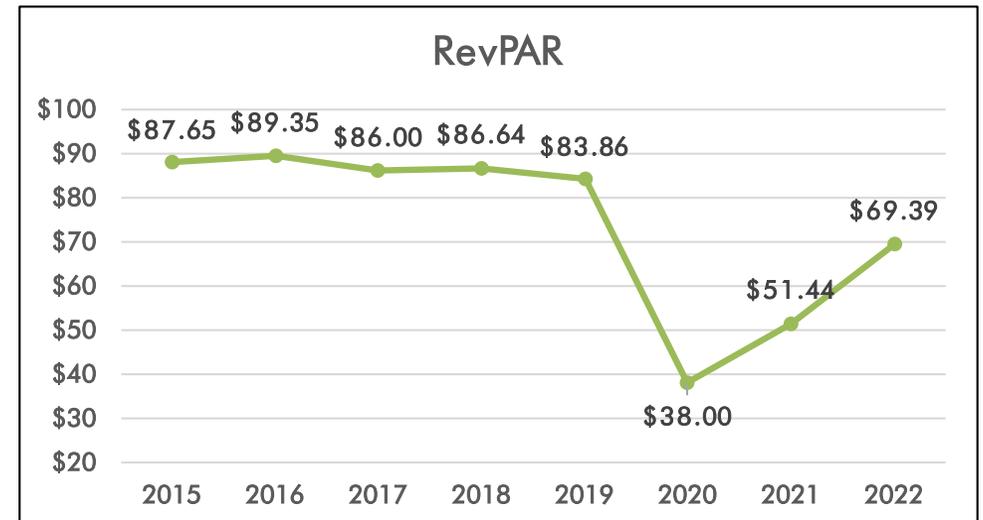
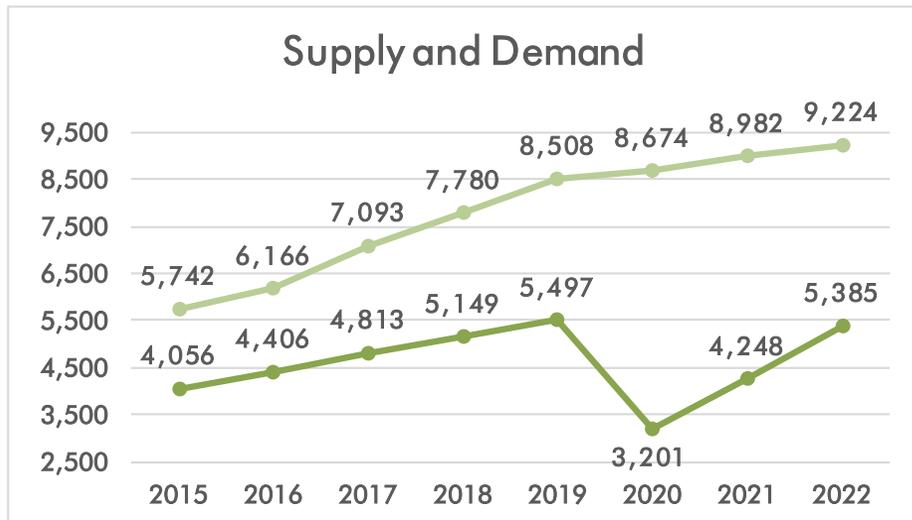
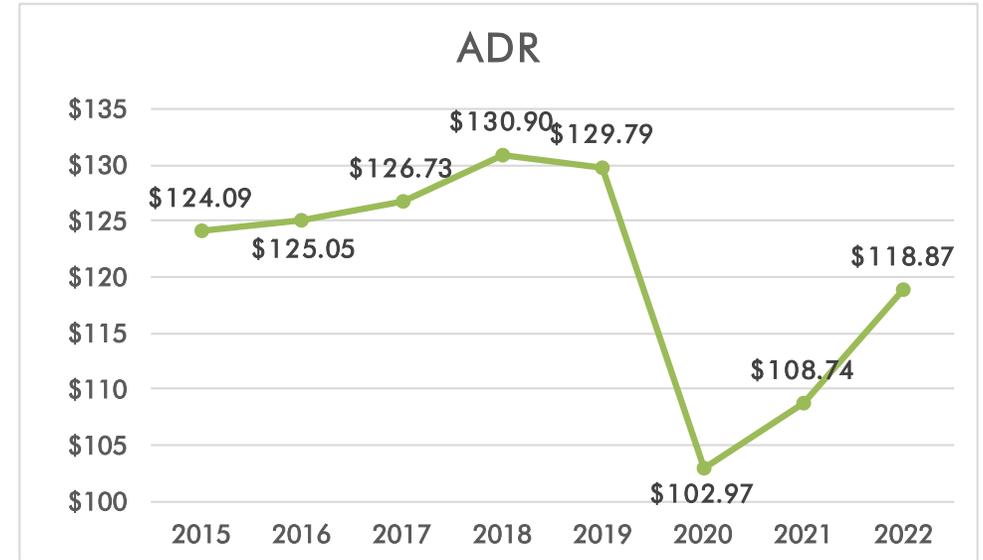
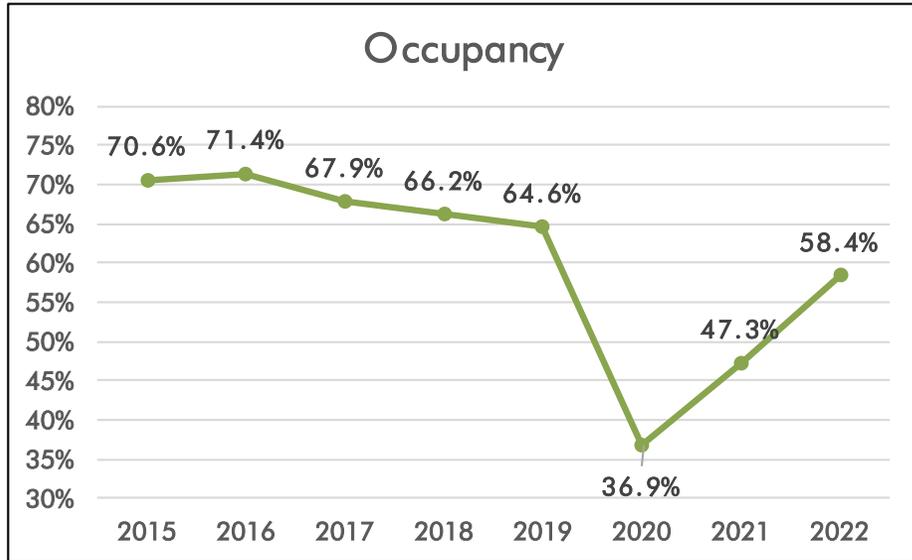
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## FRISCO



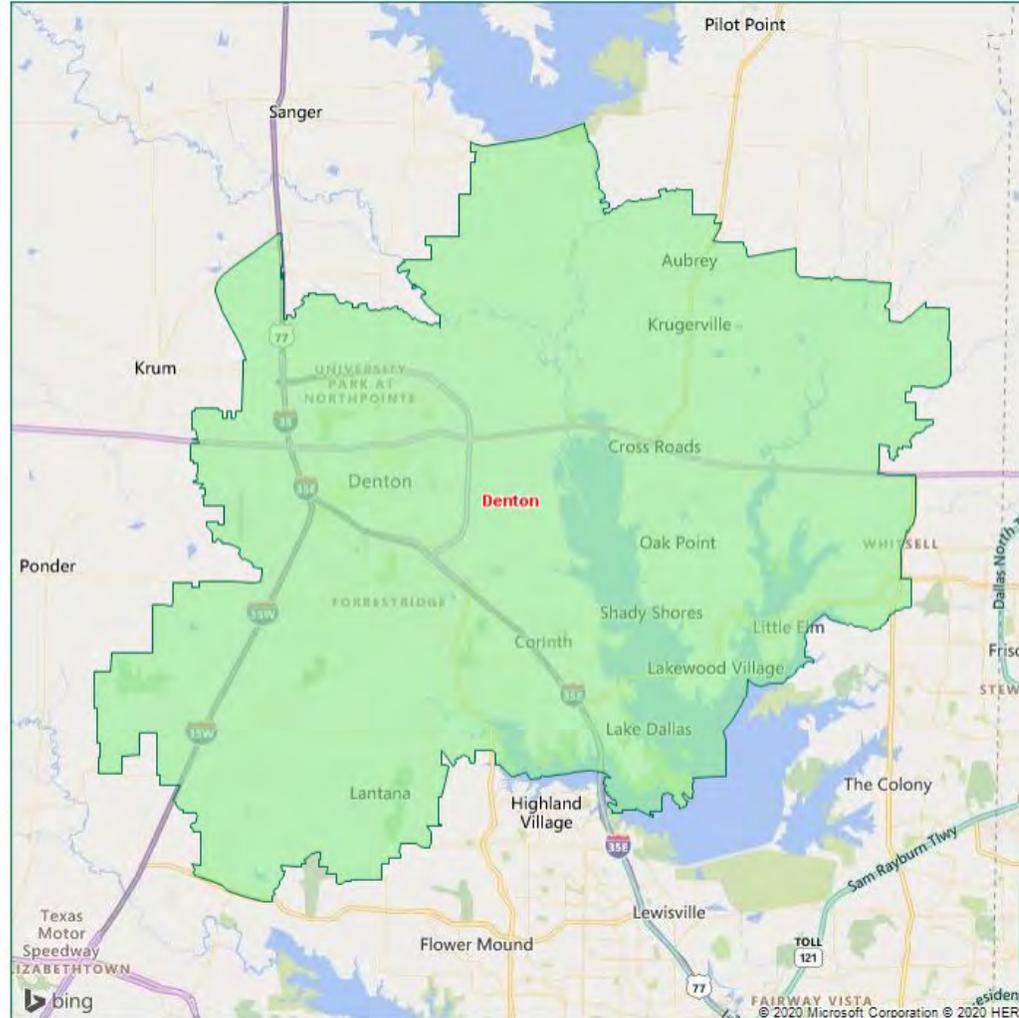
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FRISCO



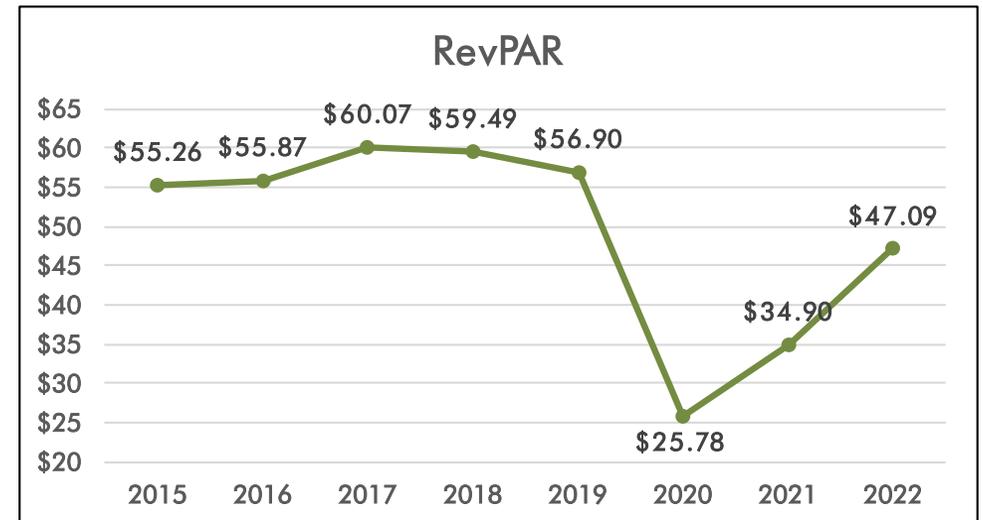
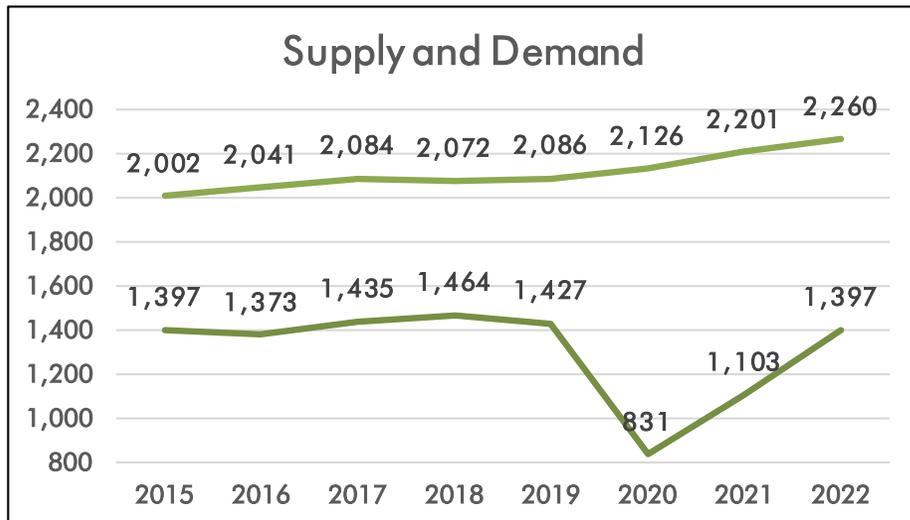
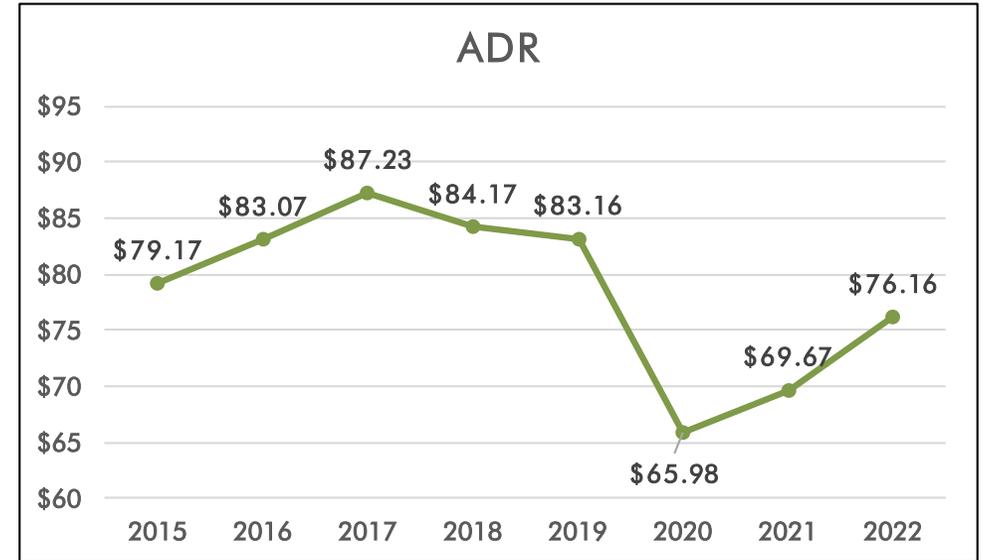
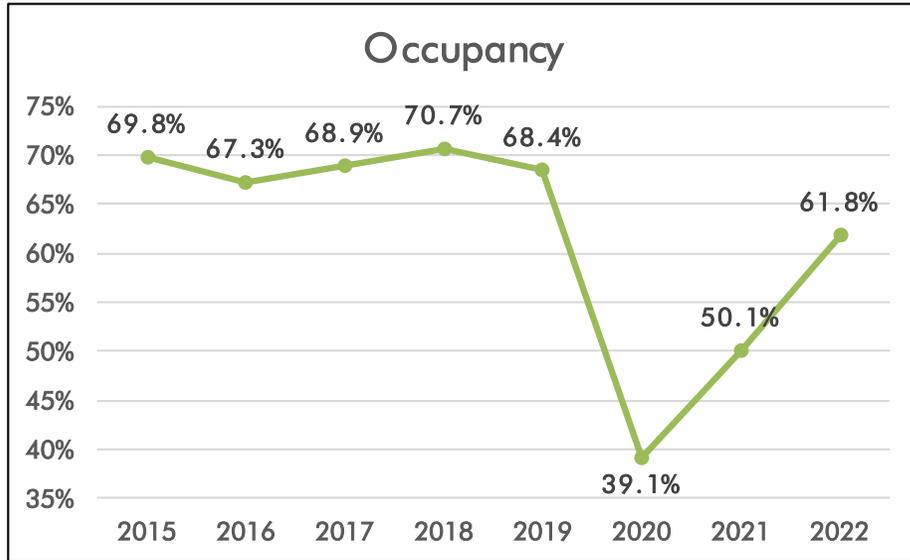
# GEOGRAPHIC SUBMARKETS

## DENTON



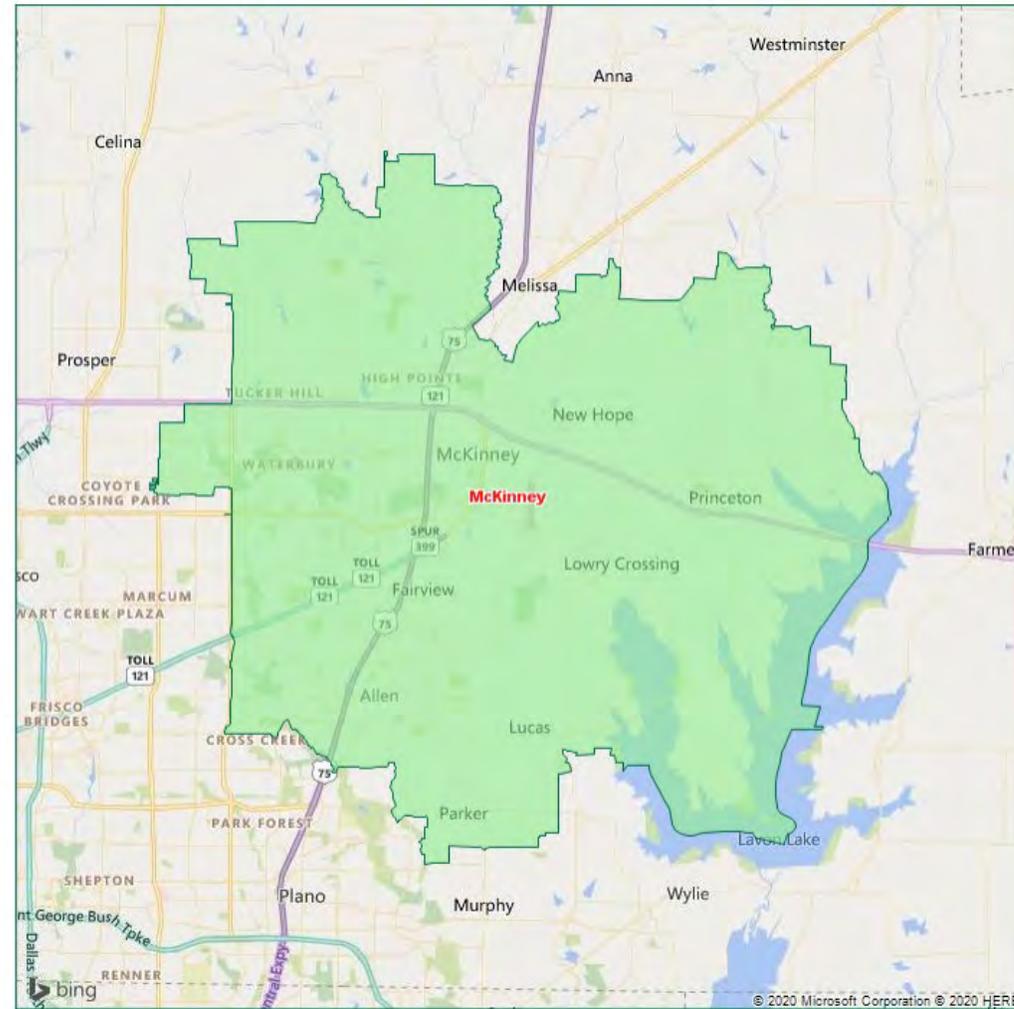
# GEOGRAPHIC SUBMARKETS

## DENTON



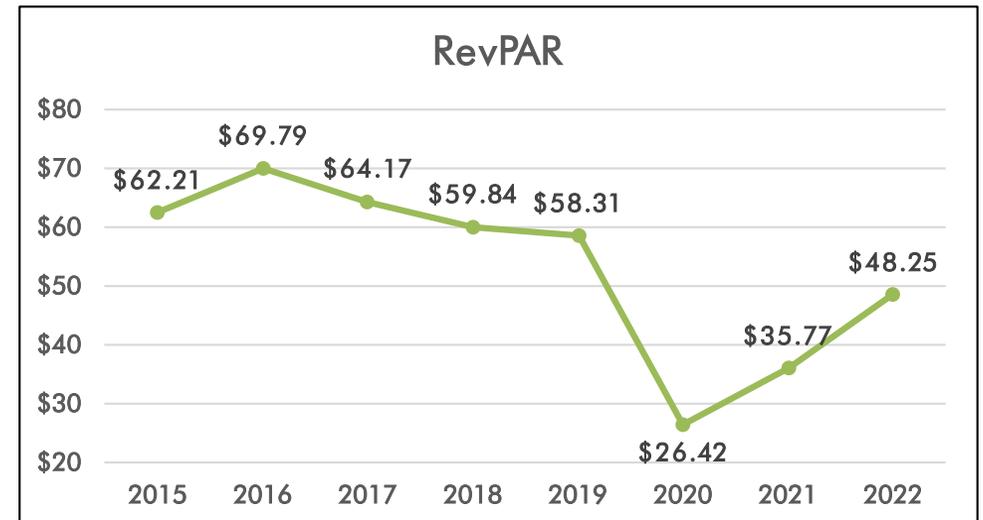
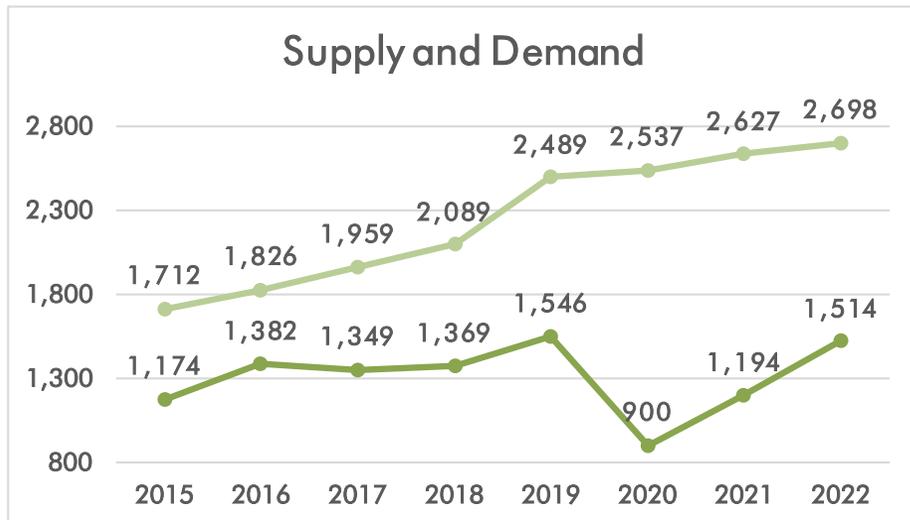
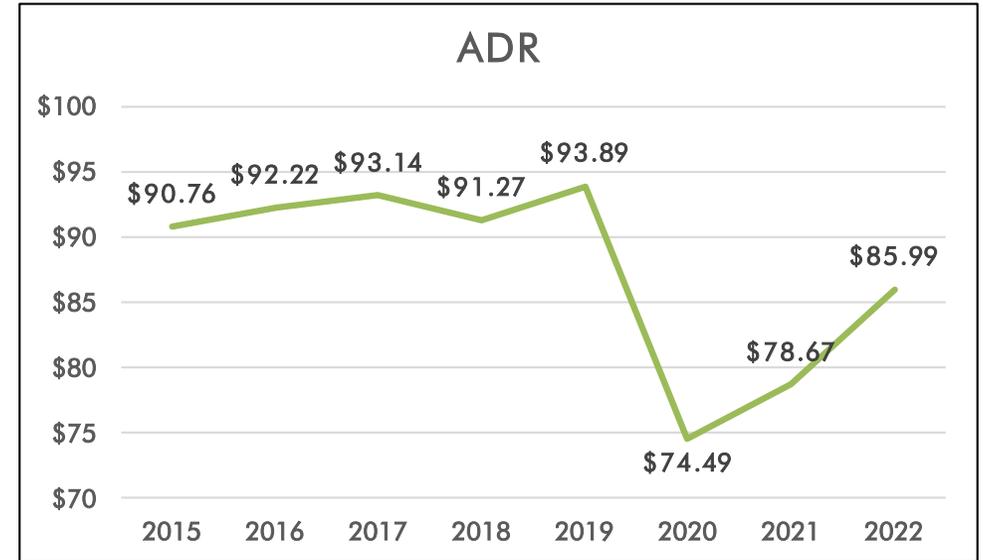
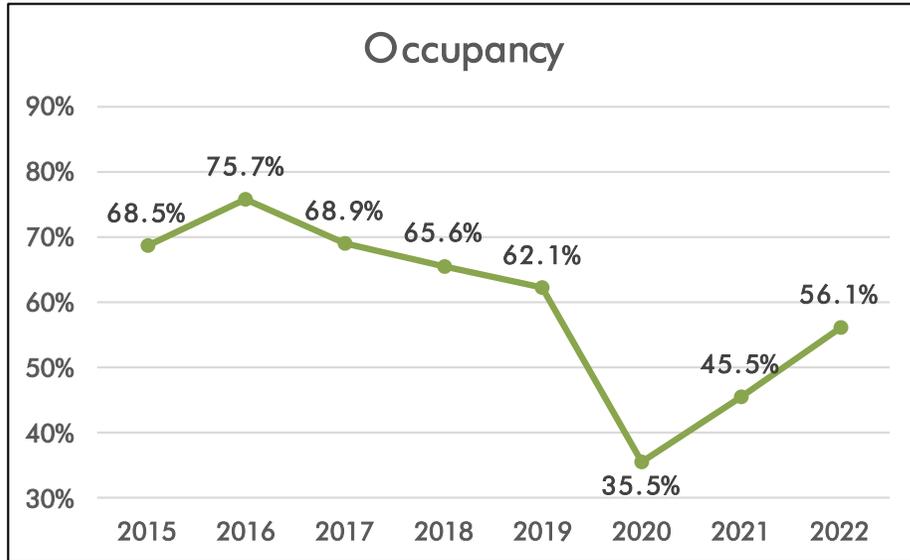
# GEOGRAPHIC SUBMARKETS

## McKINNEY



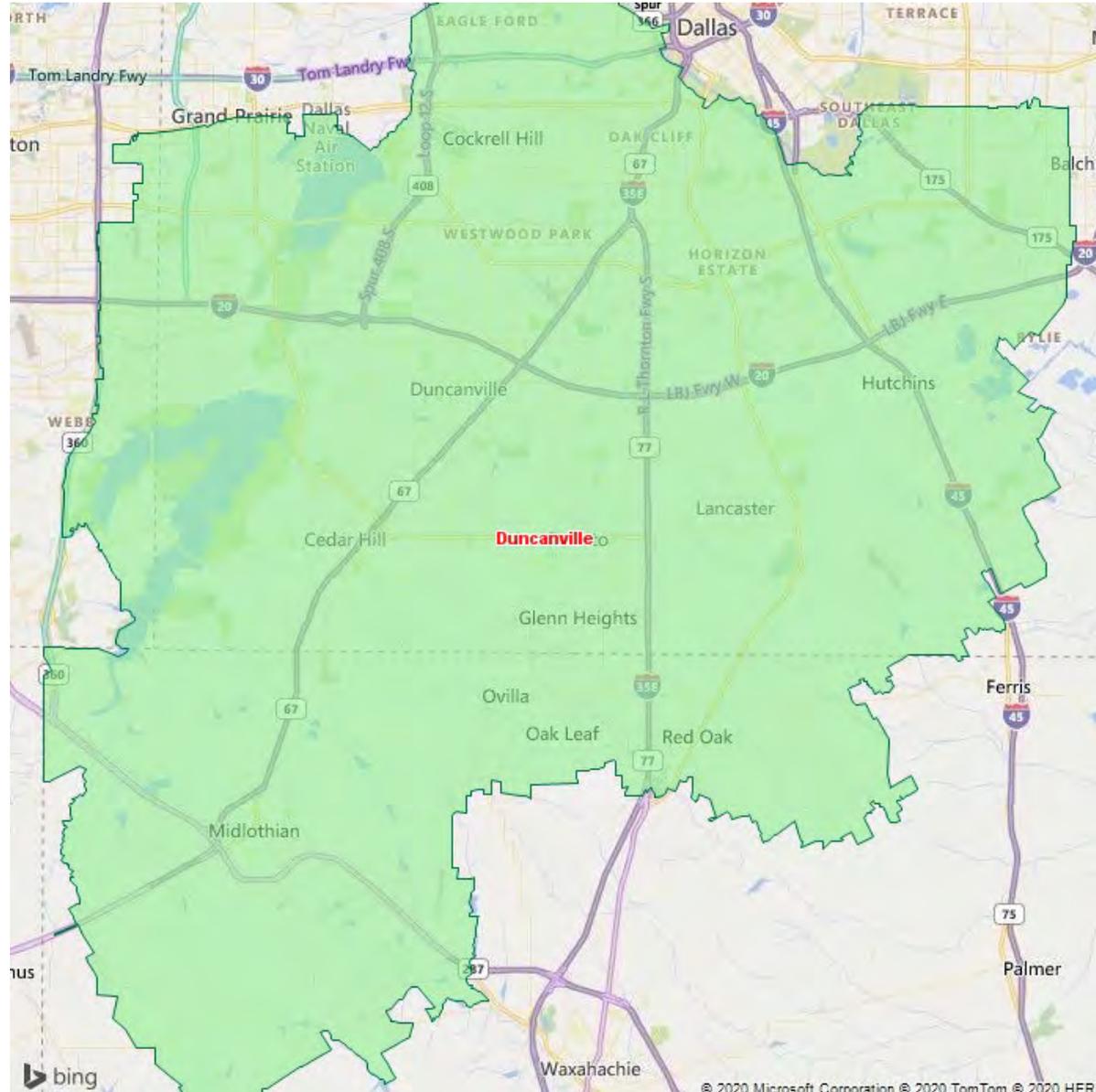
# GEOGRAPHIC SUBMARKETS

McKINNEY



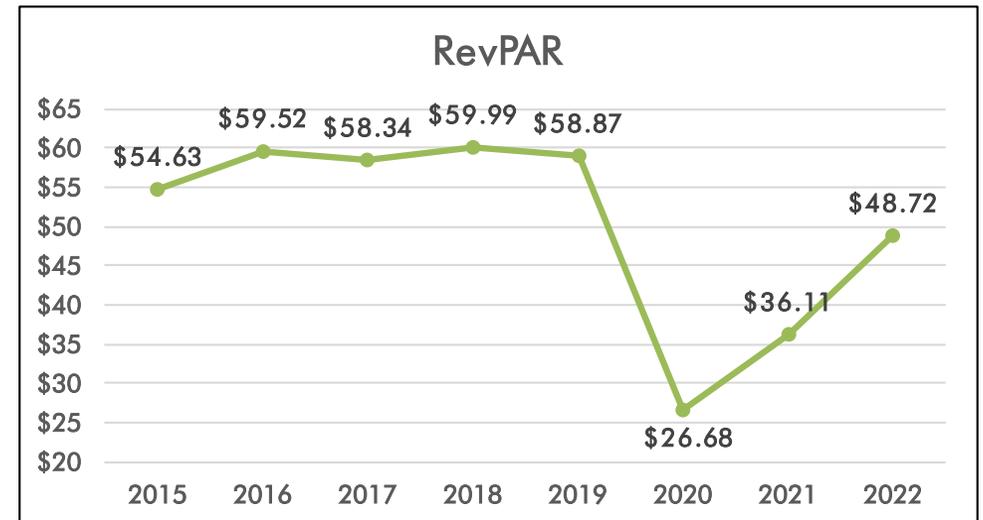
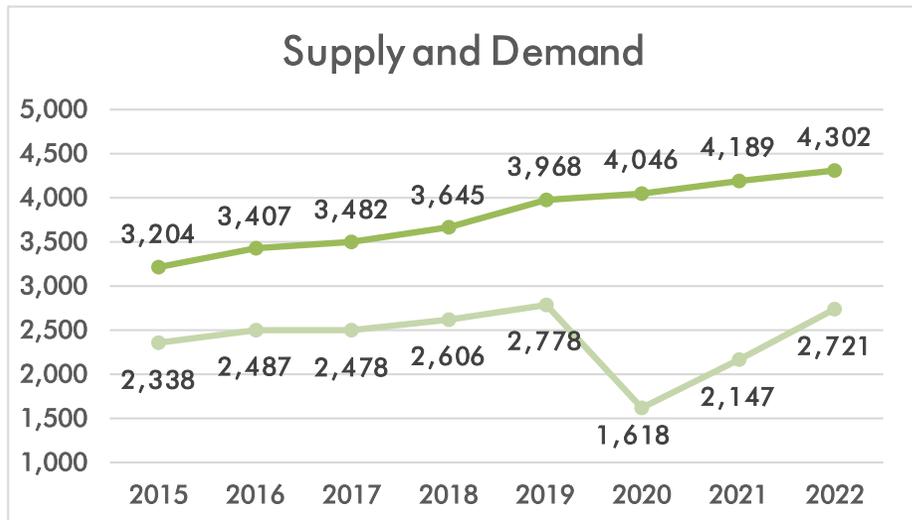
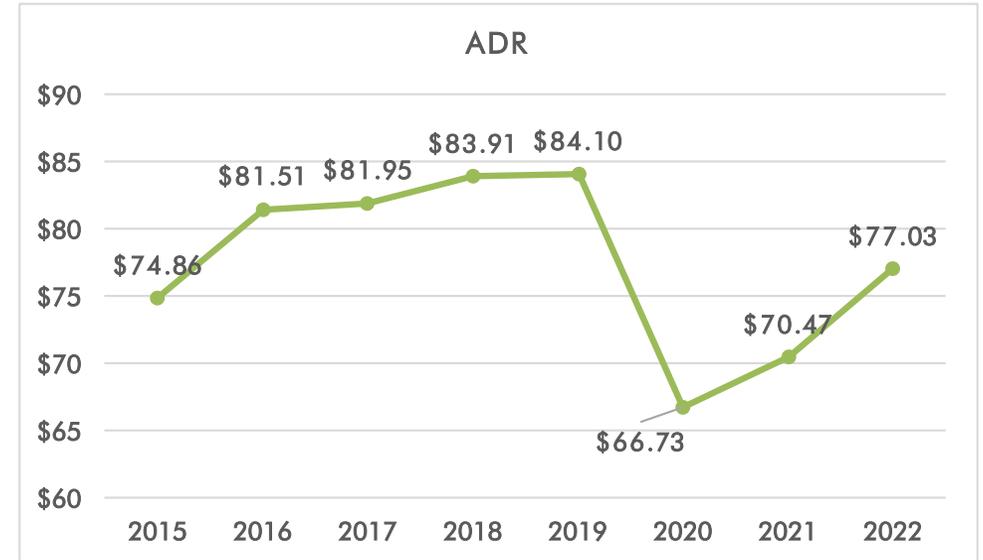
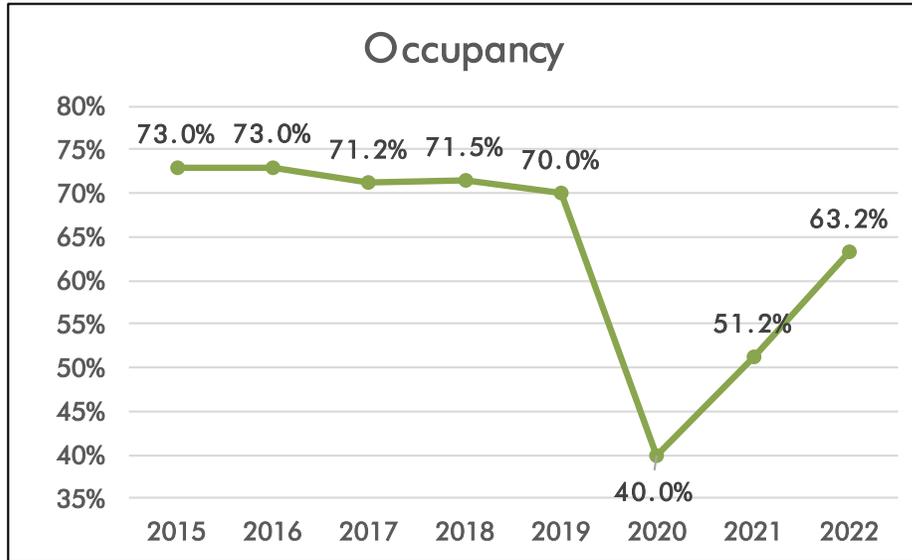
# GEOGRAPHIC SUBMARKETS

## DUNCANVILLE



# GEOGRAPHIC SUBMARKETS

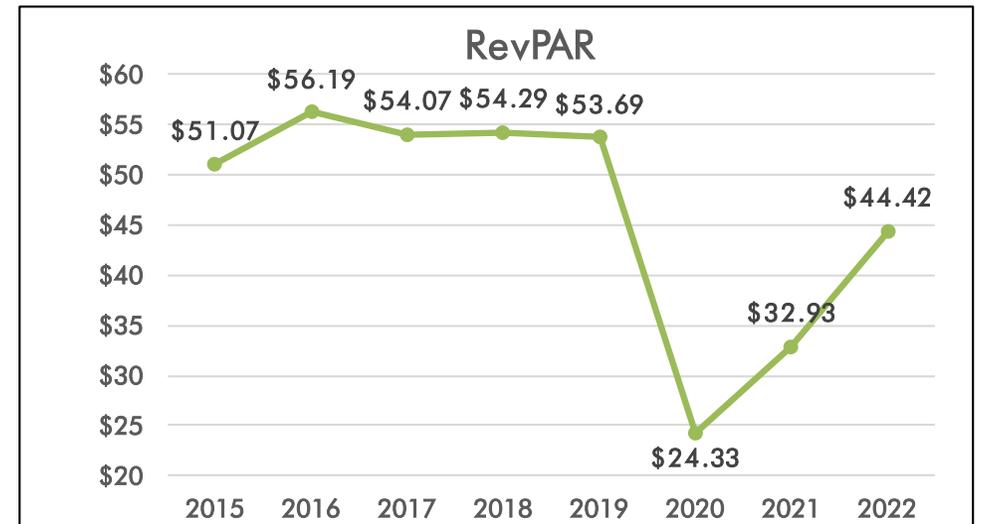
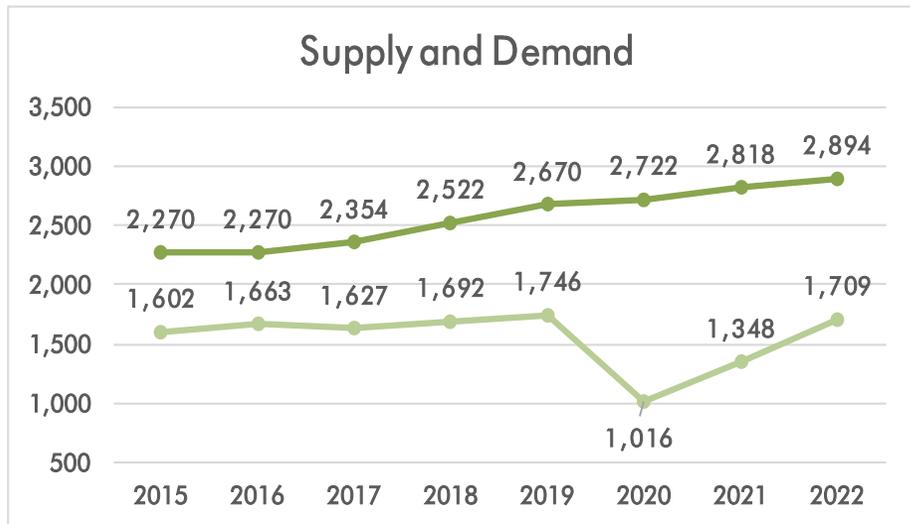
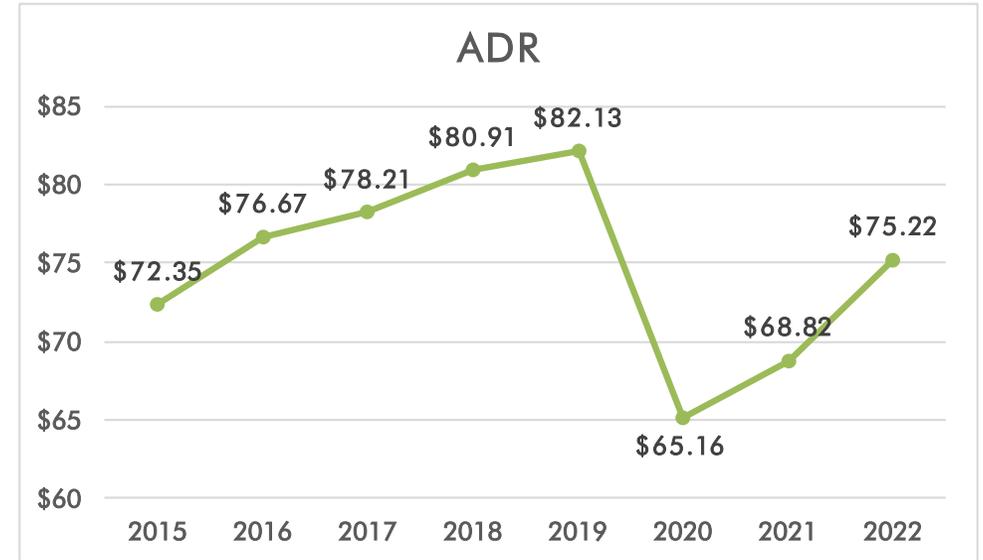
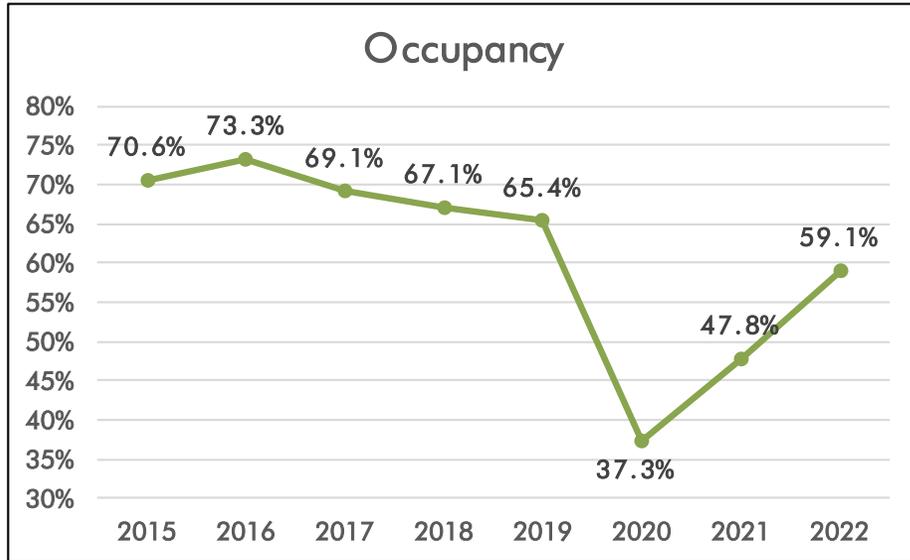
## DUNCANVILLE



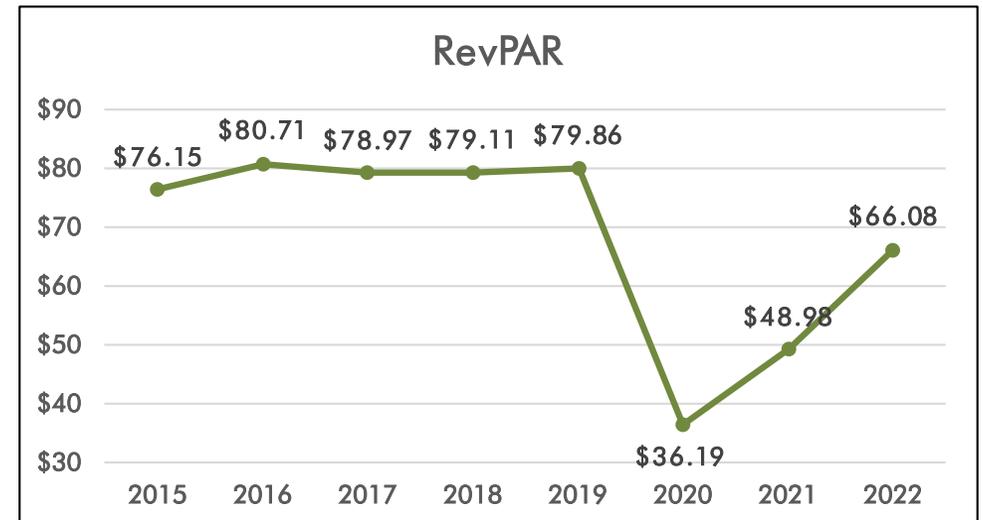
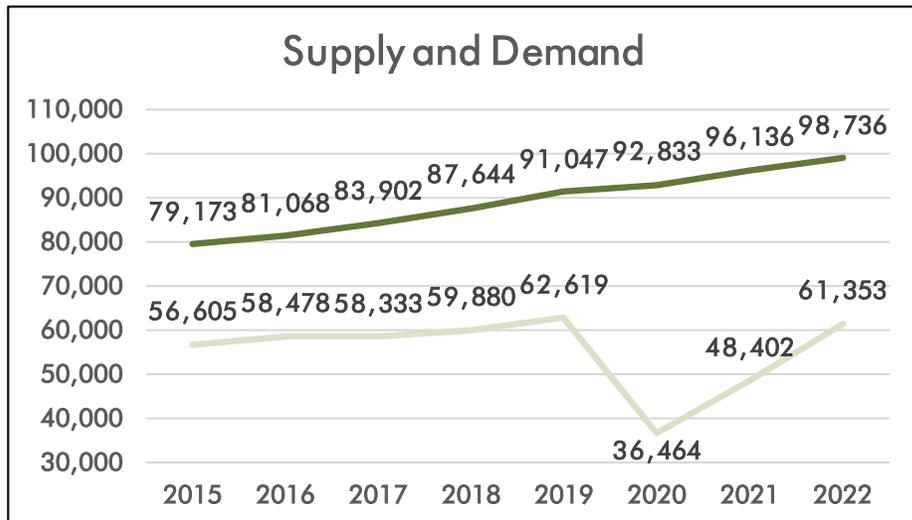
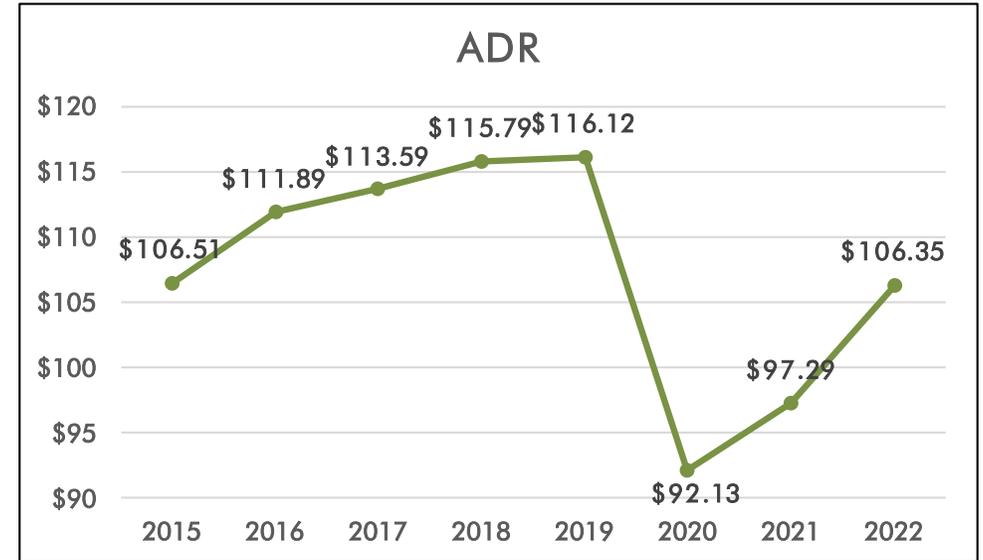
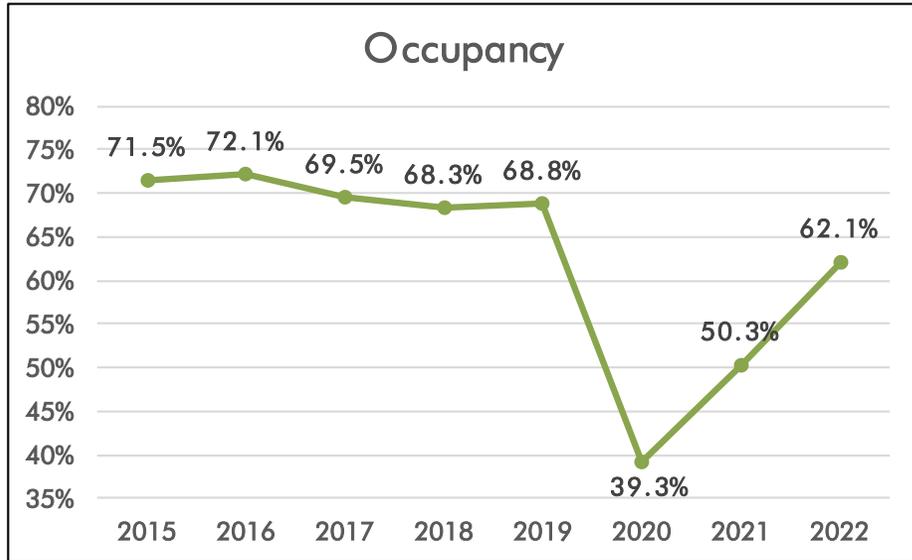


# GEOGRAPHIC SUBMARKETS

## DALLAS EAST



# DALLAS SUMMARY



## Dallas — All Hotels — Baseline Forecast Scenario

| Year | Occ   | ΔOcc   | ADR      | ΔADR   | RevPAR  | ΔRevPAR | Demand | ΔDemand | Revenue   | ΔRevenue |
|------|-------|--------|----------|--------|---------|---------|--------|---------|-----------|----------|
| 2015 | 71.5% |        | \$106.51 |        | \$76.15 |         | 56,605 |         | 6,029,111 |          |
| 2016 | 72.1% | 0.9%   | \$111.89 | 5.0%   | \$80.71 | 6.0%    | 58,478 | 3.3%    | 6,543,107 | 8.5%     |
| 2017 | 69.5% | -3.6%  | \$113.59 | 1.5%   | \$78.97 | -2.2%   | 58,333 | -0.2%   | 6,626,107 | 1.3%     |
| 2018 | 68.3% | -1.7%  | \$115.79 | 1.9%   | \$79.11 | 0.2%    | 59,880 | 2.7%    | 6,933,187 | 4.6%     |
| 2019 | 68.8% | 0.7%   | \$116.12 | 0.3%   | \$79.86 | 1.0%    | 62,619 | 4.6%    | 7,271,308 | 4.9%     |
| 2020 | 39.3% | -42.9% | \$92.13  | -20.7% | \$36.19 | -54.7%  | 36,464 | -41.8%  | 3,359,396 | -53.8%   |
| 2021 | 50.3% | 28.2%  | \$97.29  | 5.6%   | \$48.98 | 35.4%   | 48,402 | 32.7%   | 4,709,101 | 40.2%    |

## Long Run Average — 2000 - 2019

| Occ   | ΔOcc | ΔADR | ΔRevPAR | ΔDemand | Revenue | ΔRevenue |
|-------|------|------|---------|---------|---------|----------|
| 63.8% | 0.5% | 1.3% | 1.9%    | 2.5%    | 328,763 | 7.3%     |

Source: CBRE Hotels, Kalibri Labs, Q2 2020.

A modern office lobby with a polished floor, a large circular chandelier, and a green text box in the center. The background shows a reception desk and a wall with diamond-shaped light fixtures.

# DALLAS PIPELINE

## DALLAS PIPELINE – BY THE NUMBERS

All Hotels – DALLAS

| Properties                  | Factor                | Rooms   |
|-----------------------------|-----------------------|---------|
| <b><u>PROJECT PHASE</u></b> |                       |         |
| 216                         | TOTAL Dallas Pipeline | 29,624+ |
| 3                           | Abandoned             | 267     |
| 10                          | Deferred              | 3,674+  |
| 27                          | Unconfirmed           | 2,550+  |
| 92                          | Planning              | 12,792+ |
| 44                          | Final Planning        | 5,179   |
| 40                          | Underway              | 5,162   |
| <b><u>PRICE TIER</u></b>    |                       |         |
| 94                          | Upper-Priced          | 16,108+ |
| 122                         | Lower-Priced          | 13,516+ |
| <b><u>TIMELINE</u></b>      |                       |         |
| 39                          | No Dates              | 6,436+  |
| 31                          | Open by YE 2020       | 3,924   |
| 73                          | Open by YE 2021       | 8,213   |
| 73                          | Open 2022 and Beyond  | 11,051+ |

Source: Dodge, CBRE

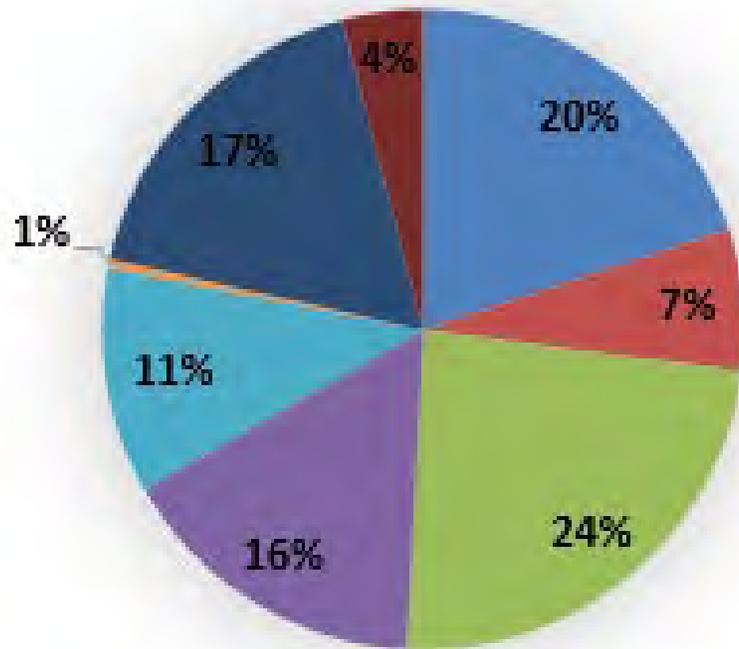
A modern office lobby with a polished floor, a large circular chandelier, and a reception desk. A large green text box is overlaid in the center.

# **OPERATIONAL AND FINANCIAL HIGHLIGHTS**

# DALLAS SUMMARY

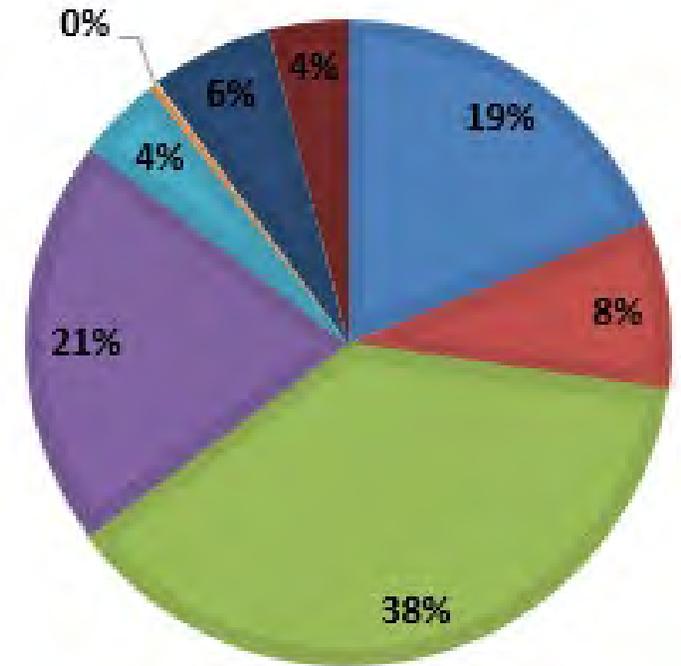
ALL DALLAS HOTELS ROOM NIGHT DEMAND BY CHANNEL MIX – YEAR END 2019 COMPARED TO Q2 2020

Year End 2019



Q2 2020

- Brand.com
- Voice
- Property Direct
- OTA
- GDS
- Wholesale
- Group
- Internal Discounts



SOURCE: KALIBRI LABS, CBRE HOTELS RESEARCH, Q2 2020.

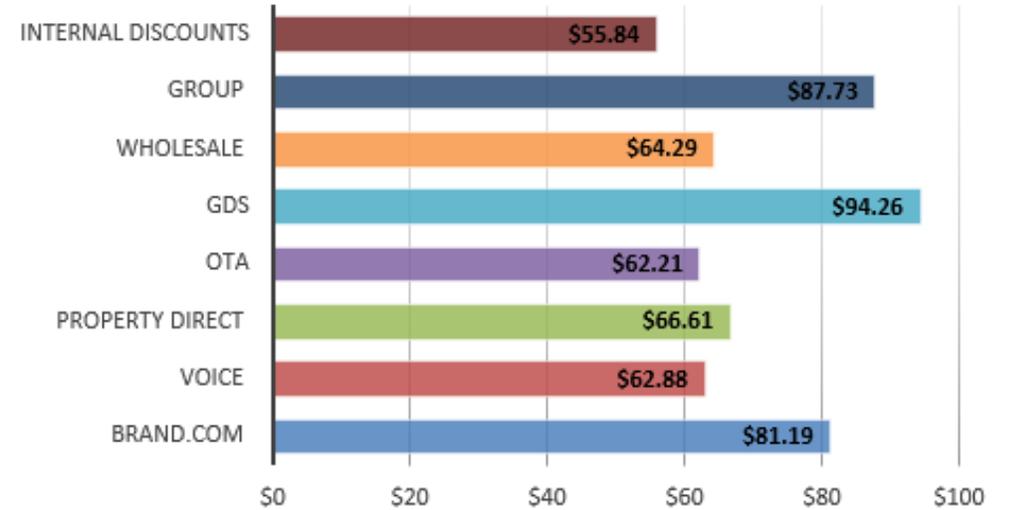
# DALLAS SUMMARY

ALL DALLAS HOTELS AVERAGE DAILY RATE BY CHANNEL MIX – YEAR END 2019 COMPARED TO Q2 2020

Year End 2019



Q2 2020

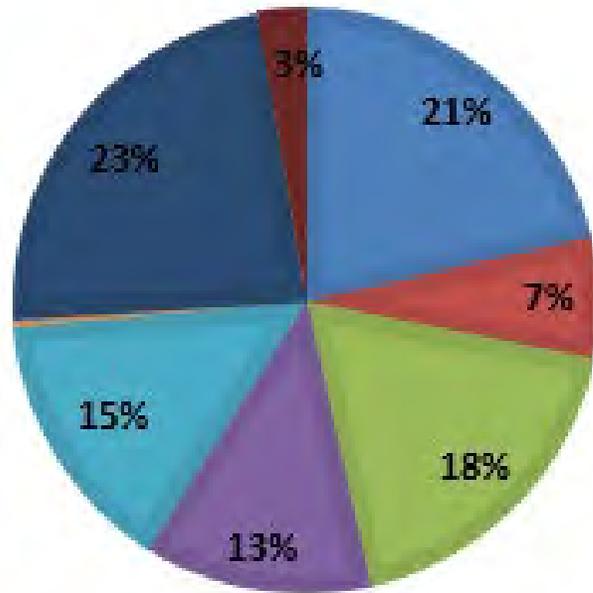


SOURCE: KALIBRI LABS, CBRE HOTELS RESEARCH, Q2 2020.

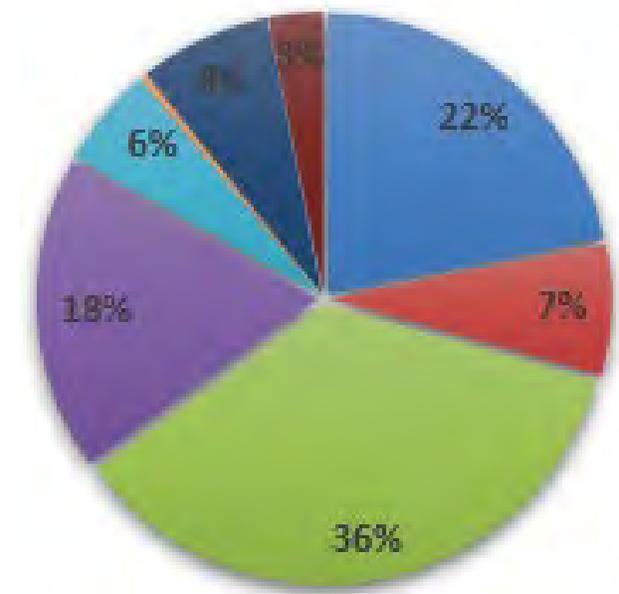
# DALLAS SUMMARY

ALL DALLAS HOTELS ROOM REVENUE BY CHANNEL MIX – YEAR END 2019 COMPARED TO Q2 2020

Year End 2019



Q2 2020

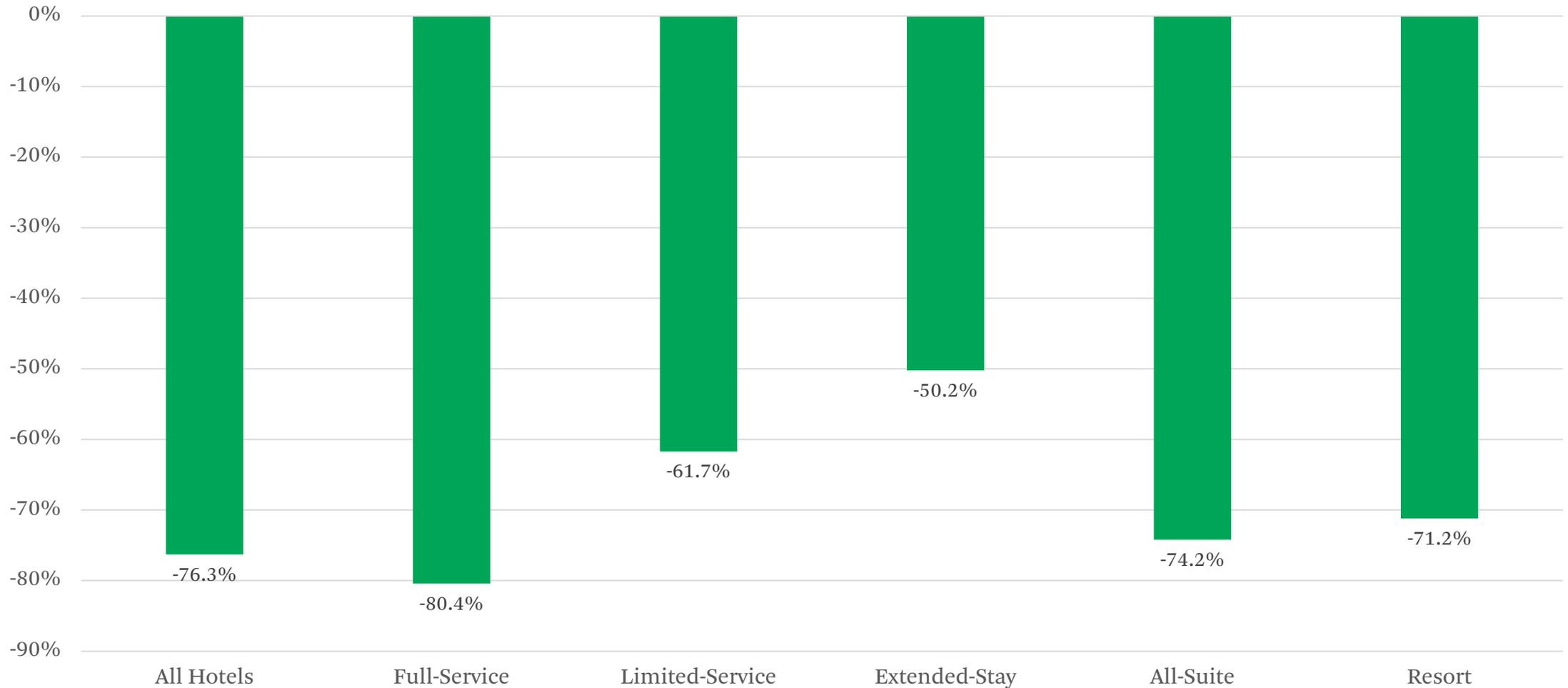


- Brand.com
- Voice
- Property Direct
- OTA
- GDS
- Wholesale - <1%
- Group
- Internal Discounts

SOURCE: KALIBRI LABS, CBRE HOTELS RESEARCH, Q2 2020.

# U.S. HOTEL TOTAL OPERATING REVENUE – BY PROPERTY TYPE

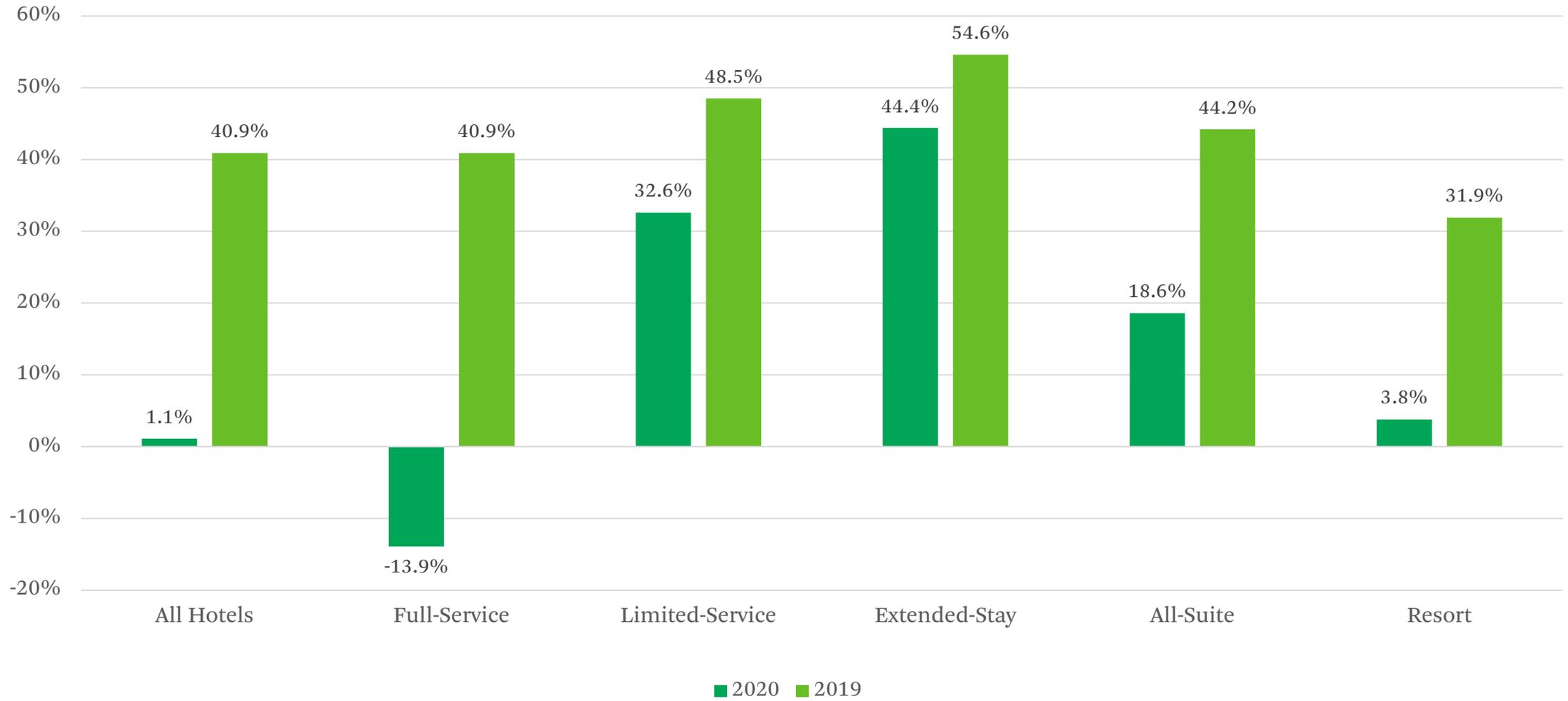
Dollars Per Available Room: Year-Over-Year Change - June 2020 vs June 2019



Source: CBRE Hotels Research, Same-Store Sample, Open Full Six Months

# U.S. HOTEL GROSS OPERATING PROFIT MARGIN – BY PROPERTY TYPE

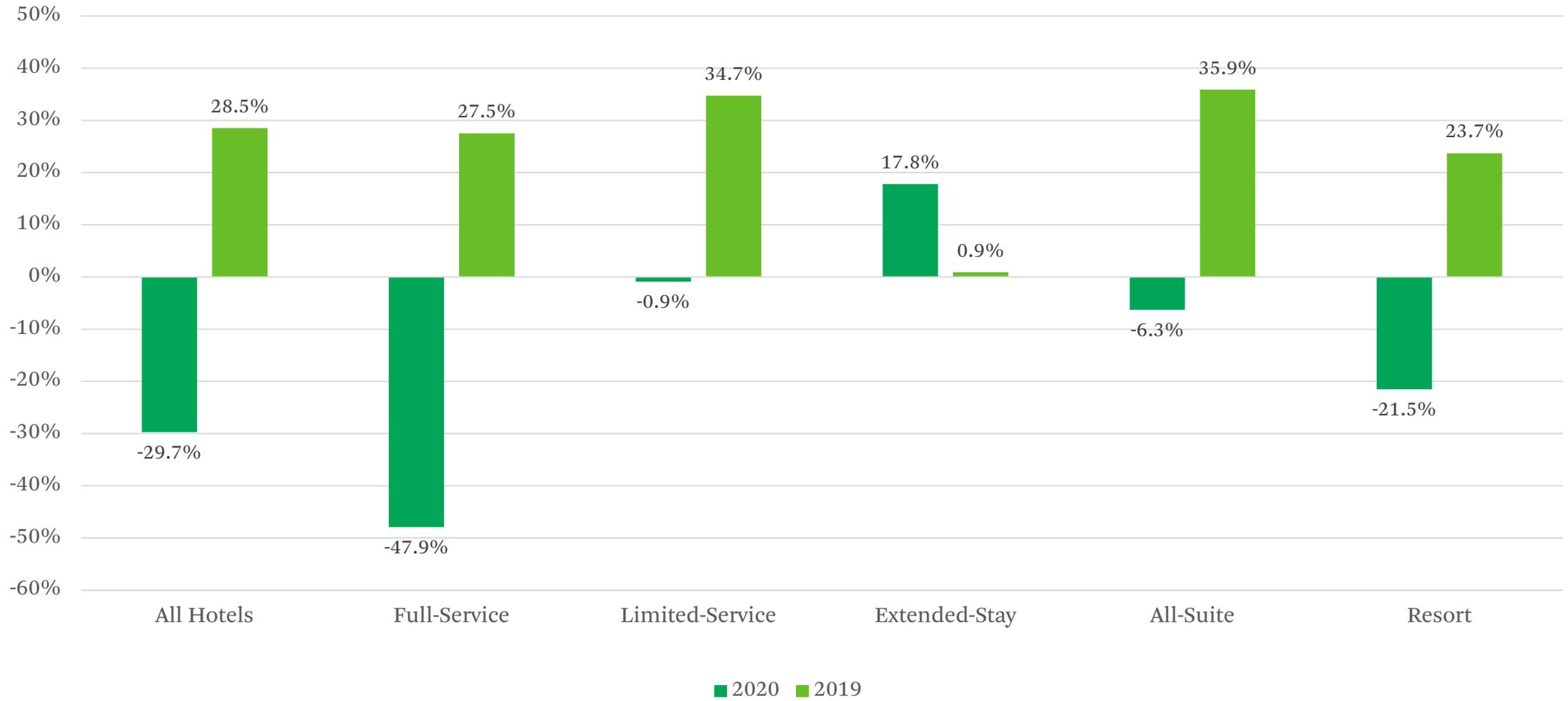
Percent of Total Operating Revenue – June 2020 vs June 2019



Source: CBRE Hotels Research, Same-Store Sample, Open Six Months

# U.S. HOTEL EBITDA MARGIN – BY PROPERTY TYPE

Percent of Total Operating Revenue – June 2020 vs June 2019



Source: CBRE Hotels Research, Same-Store Sample, Open Full Six Months

# EFFECTS OF COVID-19 ON HOTEL INDUSTRY

## Fixed & Variable Operations Components, Outsourced Services, Tech will be Key

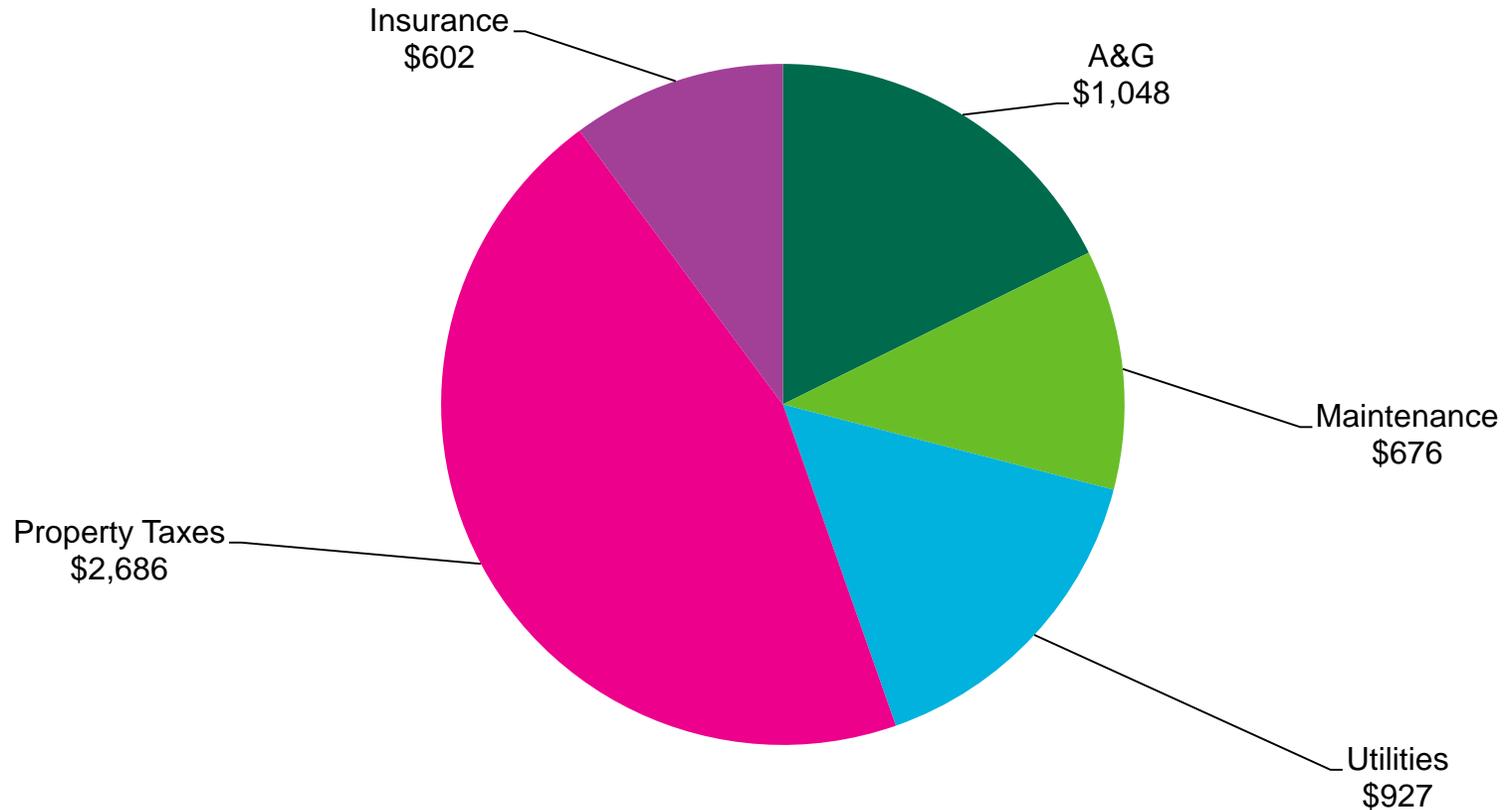
| Pre-COVID Costs                                       |   |
|---|---|
| Fixed   | Variable                                      |
| <b><u>Rooms</u></b>                                   |   |
| Management and Housekeeping Supervisor, Minimum FTE's | Outsourced Labor/Part-time, Distribution Fees |
| <b><u>F&amp;B</u></b>                                 |   |
| Management Salary                                     | Food Costs, Part-time Labor                   |
| Minimum FTE - Kitchen and Floor                       | Banquet Outsource                             |
| <b><u>A&amp;G</u></b>                                 |   |
| General Manager, AGM, Support, Controller/DOF         | Office Supplies, Support Staff                |
| <b><u>Sales &amp; Marketing</u></b>                   |   |
| Director or Sales, Managers, Revenue Manager, Staff   | Royalty Fees                                  |
| Sales Team  |   |
| <b><u>Property Operation &amp; M</u></b>              |   |
| FTEs  | Part-time Staff                               |
| <b><u>Utilities</u></b>                               |   |
| Common Areas  | Guestrooms/Meeting Rooms                      |

| Short-Term Costs                         |   |
|--|---|
| Fixed                                    | Variable  |
| <b><u>Rooms</u></b>                      |   |
| Management or Housekeeping Supervisor    | Most Line-Level                                 |
| <b><u>F&amp;B</u></b>                    |   |
| Closed or Pre-packaged/To-go             | Most of Line Item                               |
| Kitchen FTE and Single Manager           |   |
| <b><u>A&amp;G</u></b>                    |   |
| General Manager, Controller/DOF          | AGM, Support, Support Staff                     |
| <b><u>Sales &amp; Marketing</u></b>      |   |
| Single Manager or DOS                    | DOS, Managers, Revenue Manager                  |
| <b><u>Property Operation &amp; M</u></b> |   |
| 1 FTE (Security)                         | FTEs, Part-time                                 |
| <b><u>Utilities</u></b>                  |   |
| Common Areas (Open)                      | Guestrooms/Meeting Rooms, Common Areas (Closed) |

| Potential Post-COVID Costs                     |   |
|--|---|
| Fixed (%)                                      | Variable  |
| <b><u>Rooms</u></b>                            |   |
| Housekeeping Supervisor                        | Outsourced Labor                                |
| <b><u>F&amp;B</u></b>                          |   |
| Manager, Kitchen and Restaurant FTEs           | Outsourced Labor                                |
|  | F&B Re-concept/Grab & Go/Counter-service        |
| <b><u>A&amp;G</u></b>                          |   |
| General Manager, Support Staff, Controller/DOF | AGM, Support, Support Staff                     |
| <b><u>Sales &amp; Marketing</u></b>            |   |
| DOS  | Sales Team, Staff                               |
| Revenue Manager                                |   |
| <b><u>Property Operation &amp; M</u></b>       |   |
| FTEs   | Outsource                                       |
| <b><u>Utilities</u></b>                        |   |
| Common Areas                                   | Guestrooms/Meeting Rooms, Common Areas (Closed) |

# MINIMAL FIXED COSTS\* - CLOSED HOTEL

2019 Dollars Per Available Room



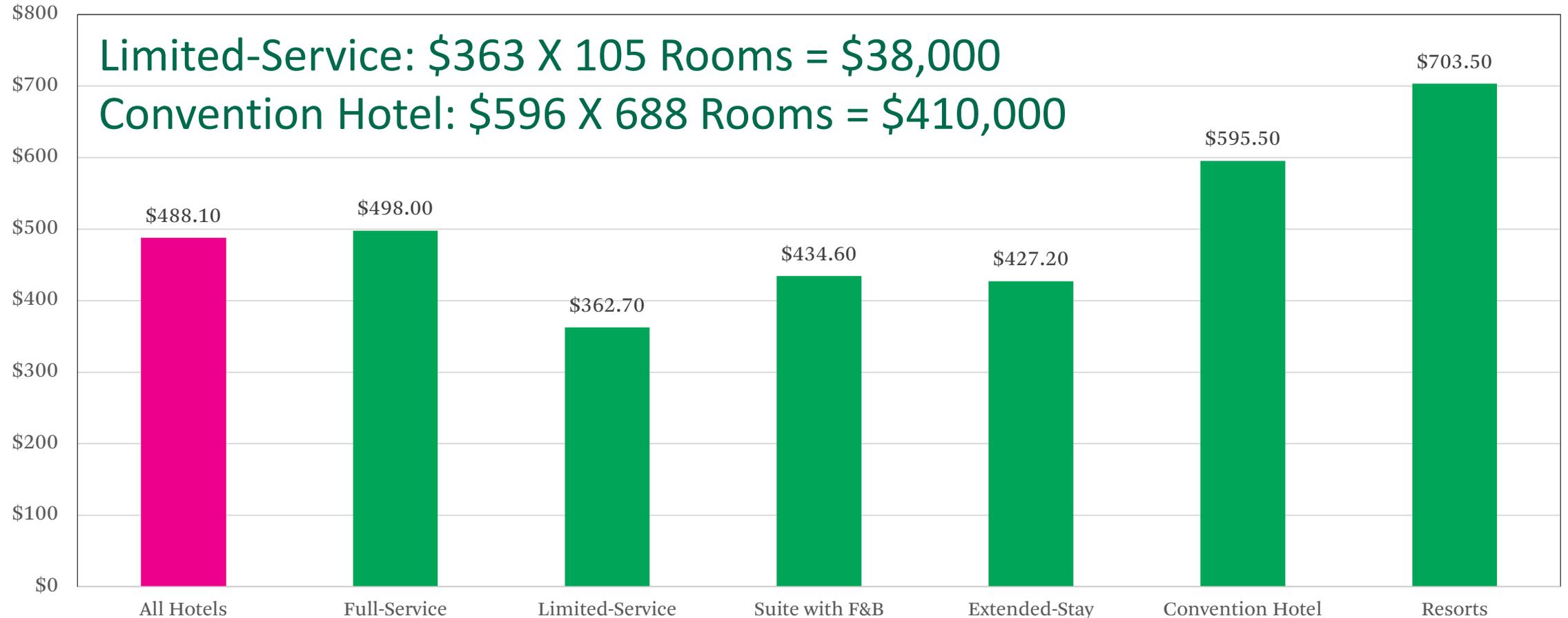
10.2% of Total Operating Revenue

Note: \* Assumed minimal labor costs. Assumed 50% utility cost. Property Taxes. Insurance. Before rent and debt service.

Source: CBRE, 2020 Trends® in the Hotel Industry

# MINIMAL FIXED COSTS\* - CLOSED HOTEL

2019 Dollars By Property Type – Daily Cost Per Room Per Month



Note: \* Assumed minimal labor costs. Assumed 50% utility cost. Property Taxes. Insurance. Rent. Before rent and debt service.

Source: CBRE, 2020 Trends® in the Hotel Industry

A modern office lobby with a polished floor, a large circular chandelier, and a reception desk. A green rectangular box with a thin white border is centered over the image, containing the text 'CLOSING THOUGHTS' in white, bold, uppercase letters.

# CLOSING THOUGHTS

# CLOSING THOUGHTS

- Every forecast and projection is still dependent upon COVID-19.
- While much more is known about COVID-19, no one knows its future – globally or locally.
- The pandemic has had a devastating effect on all hospitality-related industries and forever changed the way hotels operate for the foreseeable future.
- Many hotels closed. Some remain closed. Some are re-opening. Some will never reopen.
- Dallas is expected to recover to pre-pandemic business levels by 2023-2024.
- Expect changes in ownership, possibly brand, management and positioning over the next 18 months.



## JEFF BINFORD

**Managing Director | Advisory Leader  
South Central Division  
Dallas, Texas  
+1 214 979 6166  
Jeff.Binford@CBRE.com**

**2100 McKinney, Suite 700  
Dallas, Texas 75201  
www.cbrehotels.com**

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