BBR

BULL & BEAR RESEARCH

Spring 2025 Real Estate Outlook

Hospitality

TABLE OF CONTENTS

3 Introduction

14 Public Market Coverage

28 Financial Analysis

35 Initiating Coverage REIT Valuations

41 Private Market Coverage

56 Closing Remarks

57 Meet the Team

Real Estate Team

Ben Rosenberg

Director

484-684-0729

rosenberg.be@northeastern.edu

Reema Sharma

Associate

732-912-9031

sharma.ree@northeastern.edu

Max Klinger

Analyst

305-322-4488

klinger.m@northeastern.edu

Ella Perkins

Analyst

301-466-4470

perkins.ell@northeastern.edu

Nicholas Berg

Analyst

774-450-5256

berg.ni@northeastern.edu

INTRODUCTION

Approaches to Investments

Real estate investment strategies can be categorized into four primary types based on their risk/return profiles: core, core plus, value add, and opportunistic. Core strategies involve low-risk investments in fully-occupied and high-quality assets located in prime markets, all characteristics that offer predictable cash flows and moderate returns while protected against market volatility. Core plus strategies involve slightly higher risk, targeting steady-state properties that have minor renovation needs and require slightly higher leverage. In 2024, capital shifted away from core and core plus investment strategies at record levels, though approximately 21% of investors in the United States still favored core plus for its stable cash flows – making it the second most utilized approach.

Value Add strategies target underperforming or outdated properties in high-growth markets, aiming to boost deal returns through renovations, re-tenanting, or operational improvements. Typically, these projects have minimal cash flow but offer strong upside potential once repositioned, appealing to investors seeking moderate-to-high risk with value creation capabilities over time. Opportunistic investments carry the highest risk and involve properties in development, severe distress, or high vacancies and uncertain cash flows. These deals often require complex structuring and high leverage. In 2024, 27% of US investors favored this investment strategy, drawn by its high-reward potential and ability to capitalize on market dislocations.

Key Metrics

Investors and operators evaluate the performance and investment viability of real estate assets using a set of specialized financial metrics, including:

RevPAR
Indicates an asset's efficiency levels through its ability to fill rooms at a profitable rate. This metric is used to compare performance across assets, regardless of size.

ADR (Average Daily Rate)
Represents the average rate paid per occupied room in a given timeframe. ADR helps evaluate pricing power and an asset's strategic positioning in a specific market.

Cap Rate
Measures the potential return on investment (ROI) of a property, calculated by dividing an asset's NOI by its market value. Purchasing an asset at a lower rate means the asset's price is high relative to its income generation.

NOI (Net Operating Income)
Net income generated by a property after accounting for operating expenses, excluding financing and capital costs. Serves as a key input for valuation models like the cap rate and discounted cash flow (DCF) approach.

Occupancy Rates
Represents the percentage of available rooms that are sold over a given period. Occupancy reflects an asset's demand and operational efficiency – higher occupancy rates drive stronger RevPAR and increase revenue.

	Core	Core Plus	Value Add	Opportunistic
Return Ranges	7-10%, little variability	8-12%, modest variability	13-15%, some variability	20%+, significant variability
Return Split	70%+ from income Remainder from asset appreciation	60-70% from income 30-40% from asset appreciation	50-70% from income 30-50% from asset appreciation	0-50% from income 50-100% from asset appreciation
Leverage	Limited; 10-30% LTV	Moderate; 30-50% LTV	Moderate; 40-60% LTV	High; 50-90% LTV
Asset Profile/ Strategy	• Stabilized • Little/no deferred maintenance • 85%+ occupied • Hold and operate	• Some lease up/ rollover • Limited deferred maintenance • 70%+ occupied • Light capex	• Higher lease up/rollover • Some development or build-to-core • 70%+ occupied • Major renovation or repositioning	• Ground-up asset development/ redevelopment • Little/no occupancy • Significant asset rehabilitation
Risk Profile	Lowest	Low	Moderate	Highest

Sources: Federal Reserve Bank of St. Louis, Econforecasting, Moody's, Clareo Real Estate

REAL ESTATE SNAPSHOT

Sector Trends

Hospitality

In 2025, hospitality has become a safer and more stable asset class as occupancy rates begin to stabilize. There is also a projected 63.1% occupancy rate, a 0.2% increase from 62.9% in 2024, showing stability and a balanced industry. Starwood, along with other industry titans, are betting on hotels due to the industry's post-pandemic recovery. The broader sector is experiencing a resurgence, with revenue per available room (RevPAR) growth projected to rise by 3–5% in 2025.

Multifamily

The multifamily market is expected to see increased demand due to several factors. Rising construction costs and elevated interest rates in recent years have led to a slowdown in new development. Rent growth is expected to continue but at a slower pace, with Freddie Mac forecasting a 2.2% increase in rents for 2025, below the long-term average of 2.8%. This indicates a cooling rental market compared to previous years, driven by easing inflation, stabilizing interest rates, and a rebound in housing supply.

Industrial

This year, the industrial asset class has grown significantly due to a demand for data centers and logistic centers field by a boom in e-commerce, AI, and cloud growth. Annual asking rents for industrial and logistics facilities have more than doubled between 2013 and 2023, reaching $8.43 per square foot in 2023.

State of the U.S Real Estate Market

The U.S. real estate market in 2025 is poised for steady growth within residential and commercial assets through continuous demand for various asset classes. In the residential sector, home sales are projected to rise by 9%, and new home sales by 11%. Home prices are expected to grow by 3.6%, while mortgage rates are anticipated to decline gradually over time. The industrial sector continues to grow following a pandemic-driven surge. Meanwhile, Class A office space is making a comeback as major companies, like J.P. Morgan Chase, mandate five-day in-office workweeks. Retail is also rebounding, driven by increasing institutional-grade transactions, while investors remain active in hospitality and life sciences.. The continuous growth in transactions in both the retail and residential sectors, combined with interest rates beginning to come down, creates a positive outlook for the market in 2025.

The 2025 real estate market faces both challenges and opportunities. High interest rates, affordability issues, labor shortages, and supply constraints could slow transactions, while economic and geopolitical uncertainties add further risk. Political policies and shifting home sales may also dampen market activity. However, declining interest rates could unlock demand, while industrial and logistics real estate remain strong due to e-commerce growth. Hospitality and life sciences continue to perform well, attracting investors. With capital seeking high-yield opportunities, strong investor activity may drive deal flow and market stability.

Sources: Statista, National Association of Realtors, Fannie Mae, CBRE, Business Insider

HOSPITALITY OVERVIEW

Forms of Hospitality

The real estate hospitality industry encompasses a range of properties designed for services that provide lodging, dining, recreation, and entertainment. Of these properties, hotels and resorts dominate the market, accounting for 77.33% of the industry's share in 2024. This market domination stems from their ability to cater to diverse needs of business travelers, tourists and long-term guests. However, hotel and resorts differ in scale and offerings.

Hotels: A Versatile Lodging Option

Budget: Affordable options that provide basic amenities, often targeting cost-conscious travelers and business professionals on short-stays.

Mid-Range: Establishments that feature bigger rooms and more comprehensive amenities but still offer a sense of comfort and affordability. Examples include brands like Hilton Garden Inn and Courtyard Marriot.

Luxury: High-end hotels that offer premium accommodations, state-of-the-art facilities, and personalized services. Examples include the St. Regis, Four Seasons, and Ritz-Carlton.

Boutique: Smaller, independently-owned hotels with unique elements. Often in urban or culturally rich cities.

Resorts: A Full-Service Destination

All-inclusive: Vacation destinations that include lodging, food, drinks, and activities in the price of a stay. Typically located in warm destinations such as the Caribbean and Mexico.

Luxury: High-end retreats surpassing conventional accommodations in terms of dining, entertainment, and overall service. Examples include resorts with private villas, spa services, and customized experiences.

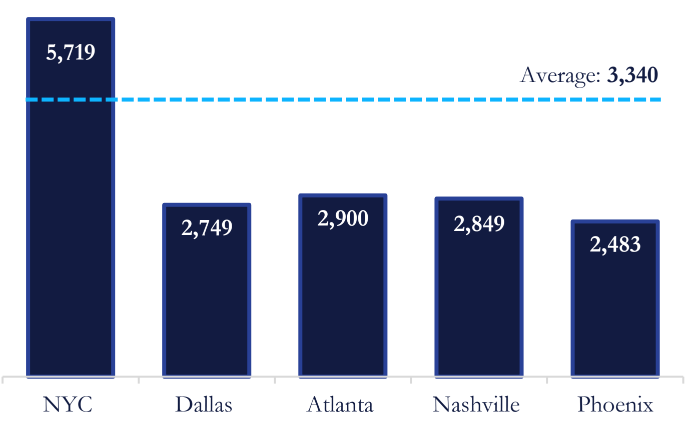
Eco-Resorts: Lodging destinations that are designed to minimize environmental impact and focused on sustainability and social responsibility.

Alternatives: Notable but less common resort types include casino resorts, ski resorts, wellness resorts, family resorts, and adult-only resorts.

Hospitality Construction

The hospitality construction pipeline reached new highs in Q4 of 2024, with 6.38K projects and 747K hotel rooms underway, signaling a 9% increase in projects YoY. This pipeline consists of a range of hotel types in various stages of development including early planning, scheduled construction, and under construction. The early planning stage experienced the largest increase of 15% in projects and 19% in room count YoY. Among the different hotel segments, the mid and upper scale hotel sector experienced the greatest growth, with a total of 3.82K projects and 410.32K hotel rooms under construction.

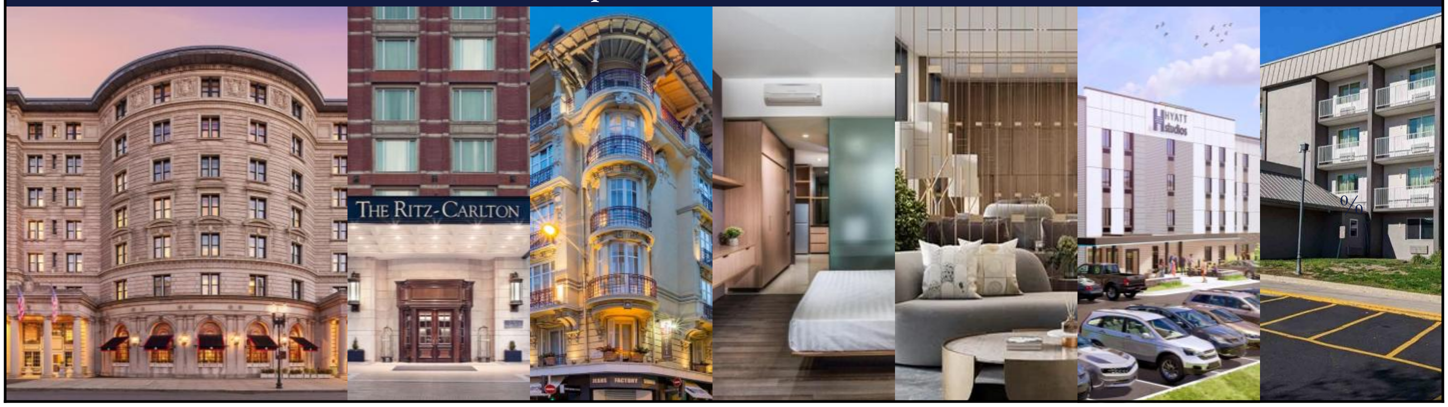
2025 Hotel Construction by City (Room Count)



Strong lodging demand in the South and Southwest regions of the U.S. has led notable construction, particularly in Dallas, Atlanta, and Nashville. Out of these cities, Dallas is a top performer with 30 under-construction hotels, 73 scheduled to start within the next 12 months, and 34 new hotels planned for 2026.

Atlanta ranks second in the nation for hotel pipeline growth, driven by rising demand for luxury boutique and lifestyle properties. A recent and notable development in this category is Forth Atlanta, a $150 million, 16-floor luxury boutique hotel in the city's Old Fourth Ward Neighborhood, featuring an extended stay element and members-only social club. Ongoing expansion in these location hubs further reflects changing consumer preferences and a need for unique lodging accommodations.

HOTEL STRUCTURE



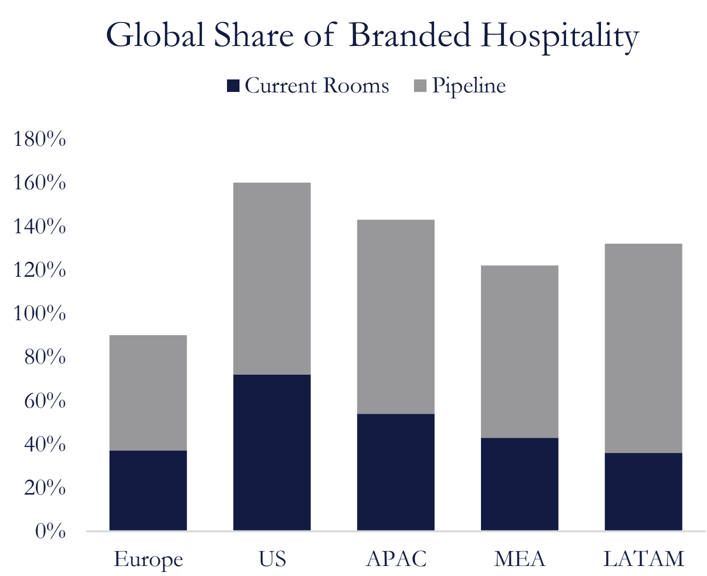
	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy
US Market Share (%)	5%	15%	20%	25%	15%	20%
Service Level	Full	Full	Select	Select	Select	Limited
Average # of Rooms	Ranges	> 200	< 200	< 150	< 100	< 100
Break-Even Occupancy	45%	45%	40%	40%	35%	30%
EBITDA Margin (%)	25%	30%	30%	35%	35%	40%
Revenue (%): Rooms	65%	70%	80%	85%	90%	90%
Revenue (%): F&B	35%	30%	20%	15%	10%	10%
Meeting Space (SF)	25K – 100K	25K – 100K	1K – 10K	1K – 10K	1K – 10K	1K – 10K

Owner-Operated Hotels: The owner handles both property ownership and day-to-day asset operations, maintaining full control over strategic decision-making.

Franchise Agreements: Property ownership operates under a brand's name and standards in exchange for a fee structure and marketing and execution support.

Third-Party Management: Separate hotel operator manages the hotel on behalf of the owner, oftentimes under the brand flag of a major hospitality chain.

Alternative Ownership: REITs and private equity firms often own the asset and either contract professional management firms to run daily operations or execute in-house using a fully-integrated structure.



Hotels offer a wide variety of room options from lower priced economy properties to luxury accommodations in higher price ranges. Globally, the majority of hotel inventory is low- to mid-tier properties, though REITs and institutional real estate investors mostly own high-end properties with higher NAVs. The underlying economies surrounding hotel real estate varies significantly based on the hotel type. Full-service hotels generally have higher operating leverage, lower EBITDA margins, and larger capex requirements compared to select- and limited-service hotels. Full-service hotels also generate a large portion of their revenues from alternative services such as food, beverage, spa services, and event spaces, oftentimes amplifying the hotel's cash flow volatility.

INVESTMENT PRODUCTS

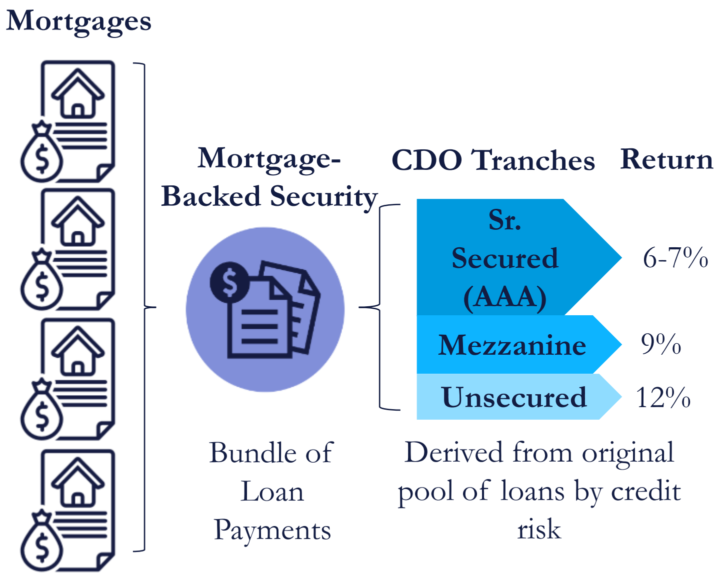
BULL & BEAR REAL ESTATE

Real Estate Investment Trusts

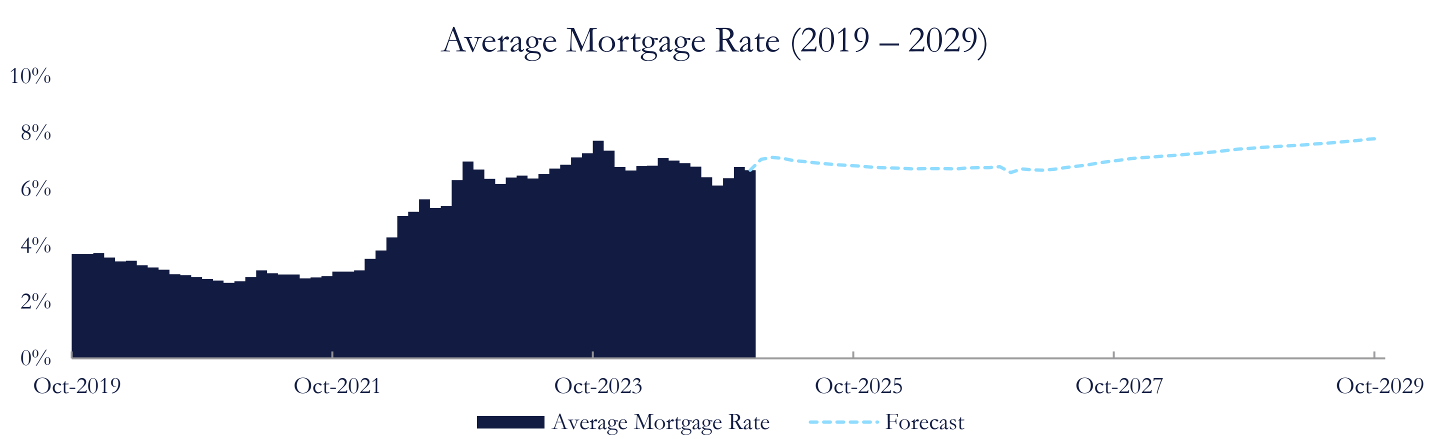
One of the best ways to invest in real estate is through REITs (Real Estate Investment Trusts) — offering unique exposure to sector-specific industries like multifamily, office, or industrial. They are traded on exchanges just like stocks. Some REITs own and manage properties, while others invest in mortgages and derive their income from interest payments. Additionally, these investments differ from a common exchange-traded fund or mutual fund because they are legally required to distribute 90% of their taxable income as dividends. Thus, REITs primarily return capital through dividends generated from the properties or mortgages a REIT manages. These quarterly dividends can be cyclical and interest-rate sensitive, so with a promising soft landing, the outlook for REITs looks strong in 2025. As interest rates have started to fall in 2024, real estate is seeing renewed investor interest. Lowering interest rates spurs interest in home buying and makes it cheaper for businesses to purchase industrial or commercial properties.

REITs are used by investors to gain exposure to real estate without purchasing the underlying asset. However, REITs can often mirror the volatility of the greater securities market rather than the steadier real estate market. Short-term returns can drastically differ from quarter to quarter, especially in response to cyclical events such as interest rate hikes. However, these swings largely disappear over a longer term and more closely resemble the earnings of those directly holding real estate. Therefore, investors likely should hold REITs for several years to ensure returns and volatility levels match what is expected from a real estate investment.

Structure of Mortgage-Backed Securities



Mortgage-backed securities (MBS) play a major role in the global financial system by enabling greater mortgage lending. Banks lend money to homebuyers through mortgages, then "pool" them together to diversify the risk of loan default. However, the pooled mortgages are often then transferred from the bank's balance sheet to the government-sponsored enterprises (GSEs), such as Fannie Mae and Freddie Mac, who structure them into an MBS. The loans are then divided into tranches with varying risk/return profiles, which are sold to investors who receive returns based on the principal and interest payments on the underlying mortgages. Since banks sell loans to GSEs and receive cash back, they can issue more loans and boost the total number of people who can purchase a home. A wide array of organizations and people hold mortgage-backed securities such as foreign investors, money managers, the U.S. Treasury, the Federal Reserve, Banks, and REITs.



Sources: Federal Reserve Bank of St. Louis, Econforecasting, Moody's, CBRE, Realtor

FINANCING TERMS & CONCEPTS

Interest Rates

The Federal Funds Rate (FFR) is determined by the Fed; this is the rate at which banks lend money to each other overnight to meet reserve requirements. The Fed sets a target rate and buys/sells government securities to reach this target rate. Its purpose is to manage inflation, employment, and subsequent economic growth by adjusting the cost of borrowing for banks, which they pass onto borrowers.

Treasury Yields are the interest rates the U.S. government pays to borrow money from investors in the form of debt securities, such as Treasury bonds, notes, and bills. The 10-year Treasury Yield is typically used as the risk-free rate, and most mortgage rates are based on the 10-year treasury yield, plus a spread, or a premium to account for risk.

The Secured Overnight Financing Rate (SOFR) is the weighted median of the overnight interest rate at which cash is borrowed overnight. Unlike the FFR, SOFR is market-driven and based on actual transactions.
These transactions are commonly done through repurchase agreements (repos), where one party sells a treasury security to another party and agrees to repurchase it the next day at a slightly higher price. The difference between the selling and repurchase price is the interest paid.

Government Sponsored Enterprises

GSEs are government-funded private institutions that allow more credit to be available in the housing market. The two most prominent GSEs are Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation). The biggest difference between the two is that Fannie Mae typically buys loans from larger commercial banks, while Freddie Mac buys most loans from smaller lenders. GSEs are good for the housing environment because they're closely tied with the government, meaning they can borrow capital for cheaper than other private financial institutions. This means they can issue CMBS tranches for lower interest rates, resulting in lower rates for consumers. GSEs facilitate the securitization and sale of these loans, allowing lenders to give borrowers better rates since they face less risk.

Lending

In real estate, two main capital providers dominate the lending space: banks and alternative lenders. Commercial and regional banks are the most popular historically amongst real estate lenders, providing all types of real estate loans and products to borrowers. Alternative lenders are non-traditional lenders of real estate funding, with the most prevalent being debt funds that provide loans that are backed by real estate assets. Their loans often grant investors fixed interest rates of 8% or more. Debt funds have been one of the most active real estate lenders throughout the year. Insurance companies also serve as active lenders due to their need for reliable returns, provided by consistent rent payments and long-term leases. Typically, they lend similarly to banks but allow for more flexibility.

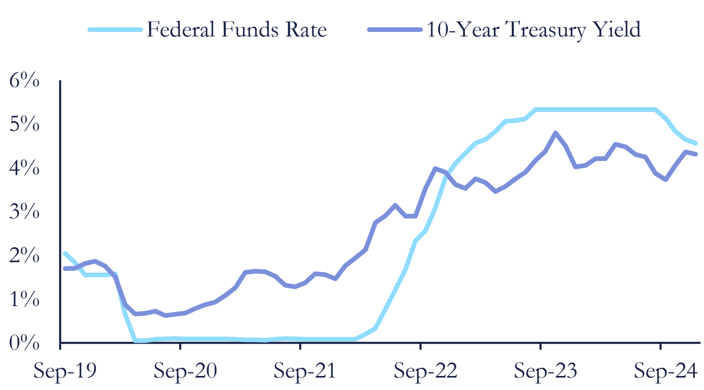
Product Types

Mortgage-Backed Securities

Commercial Mortgage-Backed Securities (CMBS) are commercial real estate mortgages that are pooled together and sold as securities backed by the principal and interest payments on the mortgages. The primary difference between Residential Mortgage-Backed Securities (RMBS) and CMBS is that RMBS are backed by residential mortgages and have higher credit risk.

Collateralized Obligations

Collateralized Loan Obligations (CLOs) are instruments that allow lenders to finance commercial real estate loans. These are often for bridge lenders where the lender becomes a junior partner in the investment. Collateralized Debt Obligations (CDOs) are similar products to CLOs except they are backed by a greater concentration of subordinated or junior debt.



FINANCING TRENDS

BBR R BULL & BEAR REAL ESTATE

The capital markets environment plays a significant role in shaping the financing landscape for hospitality REITs. Following a period of aggressive monetary tightening, the Federal Reserve began cutting interest rates in late 2024, bringing the federal funds rate down to 4.25-4.50% by year-end. This shift marks a crucial turning point for hospitality REITs, which had been grappling with elevated borrowing costs throughout 2023 and early 2024. With two additional rate cuts anticipated in 2025, debt financing is expected to become more accessible, providing a much-needed incentive for acquisitions, renovations, and refinancing.

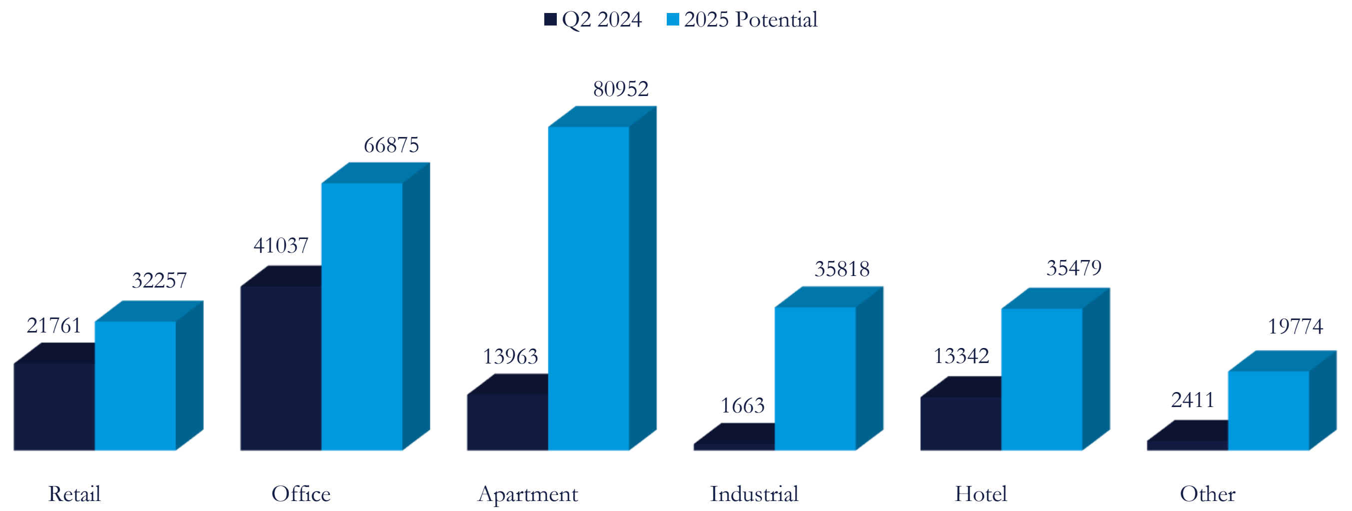
Lower interest rates lead to increased liquidity and investment into income-generating assets, including hotels and resorts. With increased capital flows, competition for hospitality assets will drive property valuations. Additionally, improved debt financing conditions and a lower cost of capital can enhance REITs' ability to recycle capital, facilitating the sale of non-core assets at attractive prices.

Following the COVID-19 pandemic, the hospitality sector faced financial strain, leading to mounting loan obligations. In 2024, $120 billion in hospitality-related CRE loans mature, rising to $160 billion by 2027. Many were originated at ~4.5%, compared to 6.5% in early 2024. The 2024 rate cuts offer a relief opportunity for REITs aiming to refinance debt at more favorable terms, but highly leveraged REITs may struggle as tighter debt service coverage ratios (DSCRs) and rising costs limit options. As a result, distressed assets could hit the market at steep discounts to replacement cost, creating opportunities for well-capitalized investors.

Outlook

Given improved financing conditions, hospitality REITs are expected to allocate more capital toward asset enhancements and brand repositioning strategies. Major renovations, technology integrations, and sustainability initiatives will likely take priority as competition in the lodging sector intensifies. Additionally, with corporate travel budgets recovering, increased international tourism, and strong consumer demand for experiential travel, select REITs may look to expand in high-growth leisure and urban markets. Although decreasing interest rates and enhanced liquidity provide a positive outlook for hospitality REITs, potential risks remain. Ongoing inflationary pressures, geopolitical uncertainty, and shifts in travel behavior may introduce volatility. While loan extensions have offered short-term relief from credit losses, they have also increased default risks as refinancing becomes more challenging amid tightening lending conditions. Investors need to proactively monitor their portfolios for liquidity risks, particularly for near-term maturities in office, hotel, and retail sectors. Overall, hospitality REITs must balance growth initiates with prudent risk management to responsibly navigate evolving market conditions, with strategic capital allocation and debt management being crucial.

Debt Distress in Q2 2024 and Potential Through 2025 (in $Millions)



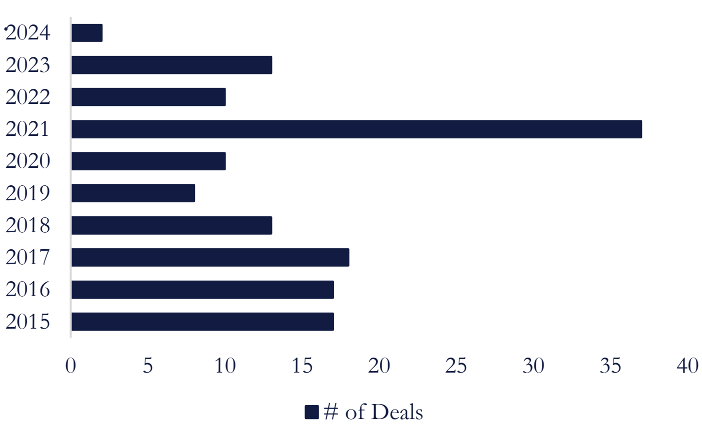
REIT MERGERS & ACQUISITIONS

Privatization Spotlight

Coming off a slow year in M&A activity for U.S. REITS, there were only 3 announced deals in 2024. This is a notable decline from previous years where there were 13 deals conducted in 2023, and 8 in 2022. This decline can be explained by market factors such as elevated interest rates and valuation discrepancies across the sector. Higher borrowing costs has made financing challenging, leaving companies little choice but to prefer all-stock transactions as opposed to cash deals. In terms of valuation discrepancies, there have been increasing conflicts between buyers and sellers over certain commercial properties such as office buildings due to ever changing hybrid work models. However, a move towards increased in person attendance is expected which will ultimately restabilize discrepancies.

In 2024 the largest deal was Blackstone's $9.3B acquisition of Apartment Income REIT (AIR Communities) in April. Blackstone paid a 25% premium to the closing share price, signaling its conviction that AIR's 77-property portfolio has strong growth potential despite difficult market circumstances. Blackstone also acquired Retail Opportunity Investments Corp. (ROI) for $4B in November. ROI's portfolio contains over 90 grocery-anchored shopping centers across the country. Blackstone purchased ROI at $17.50 per share, a 34% premium compared to ROI's closing share price in July. Finally, towards the end of 2024, NexPoint Diversified REIT acquired NexPoint Hospitality Trust. By merging the companies 9 hospitality holdings under one REIT, this corporate restructuring move by NexPoint is an effort reduce costs and improve operational efficiencies.

REIT M&A Deal Activity



Evolving Industry Dynamics

A major noticeable trend in the REIT M&A market is the shift towards specialized property sectors such as data centers and luxury hotels. This growing demand towards technology and leisure based real estate is a result of booming cloud computing and the post pandemic growth in global travel. In terms of data centers there is a growing reliance on digital infrastructure to provide the energy needed for AI tools, making this new opportunity extremely enticing for REITs. As for luxury real estate, 2025 marked the return of pre-pandemic levels of travel, influencing REITS to invest in stable vacation markets. Overall, these emerging trends indicate a strategic pivot in the REIT M&A market, where investors are prioritizing high-growth asset classes over traditional commercial real estate. These shifts highlight a broader transition towards asset diversification and risk mitigation within REIT portfolios because of new uncertainties in office spaces, retail centers, and other properties which are now experiencing high levels of vacancies.

Outlook

Looking ahead, 2025 shows promising signs of a boost in M&A activity. Factors such as anticipated interest rate cuts and stabilizing property valuations are expected to lead a bounce back in transaction volume. Moreover, reduced interest rates will enable REITs to access debt more easily, creating a more favorable financing environment that is likely to encourage companies previously discouraged from pursuing M&A activity to re-enter the market. Valuations discrepancies will also play a critical role in shaping future M&A activity, and due to many publicly traded REITs trading well below their net asset value's, these acquisitions opportunities will become increasingly more desirable in the coming years. Additionally, experts anticipate a minimum return of 9.5% for the year 2025, inline with the industry standard of about 10%; which was notable missed in 2024. A final driving factor to consider is how impactful economies of scale will be for the overall market. Small and mid-sized REITs may find rising property expenses, insurance costs, and labor shortages to all be driving factors to engage in stock-for-stock mergers to increase portfolio size, lower administrative costs, and improve overall operational efficiency.

Sources: S&P Global, Blackstone, Reuters, Deloitte, NAREIT, GreenStreet

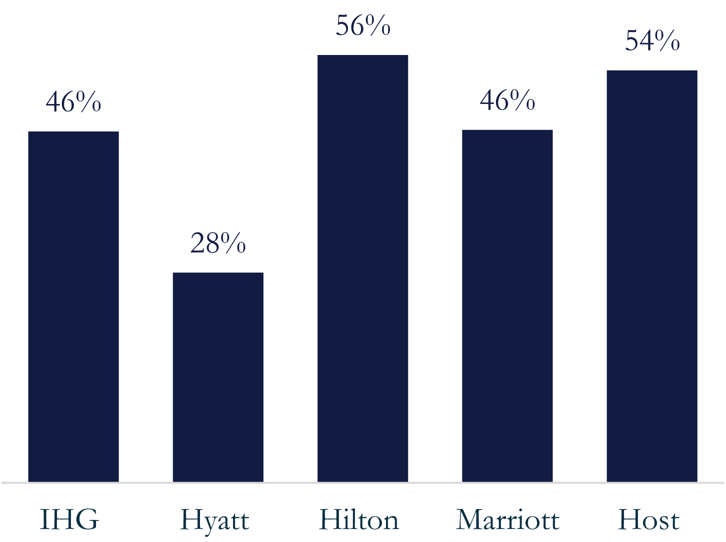
REGULATORY LANDSCAPE

Environmental Compliance

Recent SEC regulations have placed requirements on public companies, a large portion being hospitality owner-operators, to advance carbon reduction and ESG programs. One such regulation is the U.S. government's Federal Supplier Climate Risks and Resilience Rule which requires federal contractors to report greenhouse gas emissions (GHG) and reduction targets. This ruling directly impacts hotels and companies working with the same suppliers. Furthermore, state and local government building performance standards (BPS) set specific performance levels for energy use, water use, and emissions. Compliance with these standards are increasingly important as hotels are one of the largest consumers of energy per square foot due to a constant need for HVAC and 24/7 electricity.

Major hotel groups such as Hyatt, Hilton, and Host Hotels & Resorts have set short-term commitments to reduce their GHG emissions by 2030 with the goal of reaching net-zero emissions by 2050. To monitor these emissions, these hotel chains have created their own CSR and management tools such as IHG's Green Engage, Hilton's LightStay, and Hyatt's EcoTrack. Each of these platforms perform similar functions, allowing their hotels to track, measure, and report their utility consumption to the public and hotel guests. To make informed investment decisions, it is imperative that stakeholders in the hotel business become knowledgeable about ESG laws and practices.

Targeted Emission Reduction By 2030



Zoning and Development

Hotels, resorts, and short-term rental properties must comply with local zoning laws that can restrict development and renovations. In response to concerns over housing availability and competition between traditional hotels, some major U.S. cities have begun imposing strict short-term rental (VRBO, Airbnb, Booking.com) regulations. In 2022, New York City adopted Local Law 18 (LL18) which required proper registration for short-term rentals, making it difficult to market an unverified property on booking platforms. While LL18 has impacted short-term rental hosts, it has prompted a shift towards alternative extended-stay lodging which offer hotel-style accommodations but with proper licensing; something that short-term rental properties often lack. These restrictions have created a greater demand for vacant hotel space, leading developers to explore adaptive reuse projects. In 2023, adaptive reuse projects converted approximately 150,000 units, 36% of which were hotels. A prime example of adaptive reuse is the 2012 Riverside Station project that acquired and transformed a decommissioned power plant into a JW Marriott in Savannah, Georgia. While adaptive reuse is on the rise, many cities require complex permitting and zoning ordinances as well as measures to preserve these redeveloped landmarks.

Franchise Agreements

Franchise agreements are essential in the hospitality sector because they set forth the rules and regulations between a hotel owner and hotel brand, allowing the owner to gain access to the franchise name while enabling operations and overall capital. In 2023, the overall hotel franchise market was valued at $36.7 billion with an estimated CAGR of 7.5% within the next 10 years. In 2024, Marriott International estimated signing over 1,200 franchise agreements while Hilton estimated signing over 1,430 agreements. However, franchise agreements tend to be a slow process, as they require extensive legal planning and thorough revision. Rising interest rates can also significantly affect the agreement process, potentially discouraging franchisees from growth opportunities. Alternatively, higher rates could leverage franchisees to negotiate agreement terms regarding financing options.

Sources: CBRE, CoStar, Global Market Insights, Hyatt, Hilton Hotels & Resorts, Marriott, IHG, Yahoo Finance, NYC.gov

HOSPITALITY HEADWINDS

BULL & BEAR REAL ESTATE

Softening Labor Market

As of June 2024, labor costs in the U.S. hotel industry surged by 11.2% YoY, underscoring the growing financial strain on hospitality operators as they vie for a shrinking pool of qualified staff. Despite concerted efforts to attract and retain talent through higher wages and expanded benefits, staffing shortages have remained a persistent challenge. The labor market's volatility presents risks to consumer spending, with a slowdown in job growth or rising unemployment potentially reducing travel demand. This is particularly concerning for leisure-focused hospitality assets dependent on consumer confidence. A February 2025 survey by the AHLA and Hireology found 65% of hotels reporting staffing shortages, with 9% severely understaffed. Although this is an improvement from 76% in May 2024, the sector remains nearly 10% below pre-pandemic employment levels, limiting capacity during peak demand and impacting both immediate revenue and long-term profitability.

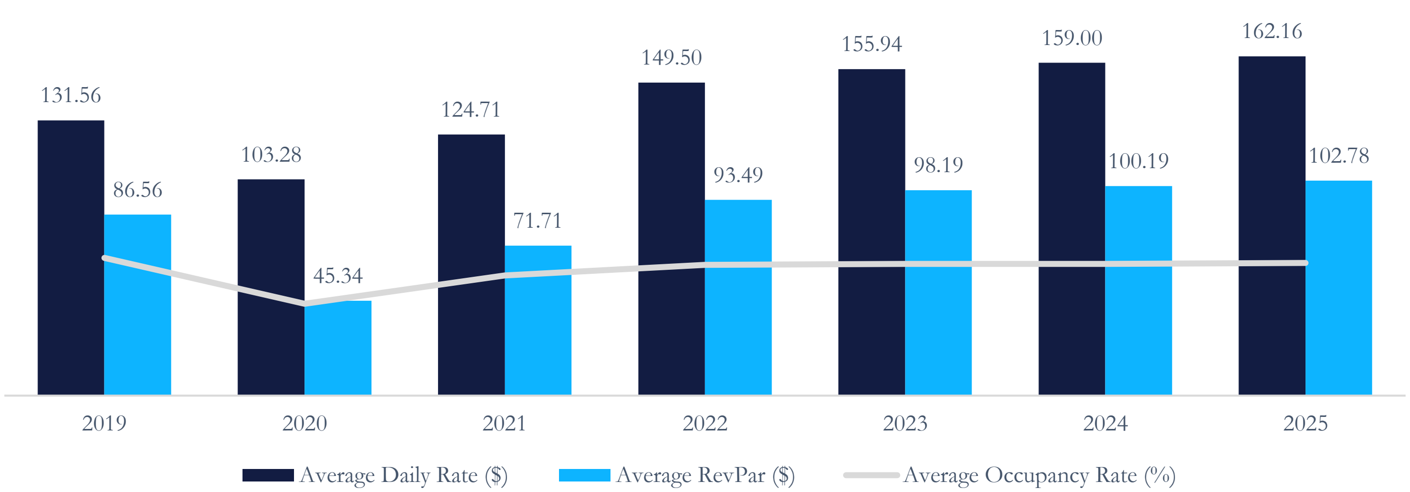
In response to these challenges, hospitality REITs are adopting strategic initiatives to mitigate labor-related risks. Investments in automation technologies—such as self-check-in kiosks and AI-driven customer service—are helping reduce reliance on labor-intensive roles. Additionally, REITs are enhancing employee training programs and offering retention incentives to address high turnover rates. While these measures aim to strengthen operational efficiency, they require substantial capital investment.

Sunbelt Oversupply

The Sunbelt region, long celebrated for its strong demographic growth and appeal to both leisure and business travelers, is now grappling with a mounting issue of hotel oversupply. In recent years, a wave of new hotel developments has flooded key Sunbelt markets, outpacing demand recovery and placing downward pressure on occupancy rates and ADRs. Alongside short-term revenue declines, increased competition among hotels forces operators to engage in aggressive rate-cutting strategies to maintain market share, further eroding profitability. Additionally, the pressure to offer enhanced amenities and guest experiences requires added capital investment at a time when margins are already compressed.

The influx of new properties also complicates asset repositioning for hospitality REITs. Selling non-core or underperforming hotels becomes challenging, as saturated markets push down property valuations, making it harder to offload assets at favorable prices. This may prolong hold periods, tying up capital that could be redirected toward higher-growth opportunities. To counter these pressures, some hospitality REITs are embracing defensive strategies such as portfolio diversification, prioritizing upscale or boutique hotels less prone to price competition, and adopting asset-light models through management contracts rather than direct ownership. These approaches aim to mitigate Sunbelt oversupply risks while balancing short-term performance with long-term value creation.

Hotel Occupancy Outlook (2019 – 2025)



Sources: STR, Green Street, CBRE, CoStar

HOSPITALITY TAILWINDS

Surging Travel Demand

Travel demand is surging, giving the hospitality sector a major boost. In 2024, U.S. hotel occupancy hit 63.6%, a strong recovery from the 43.8% low in 2020, though still just shy of 2019's 65.8%. This rebound is fueled by increasing leisure and business travel, as restrictions ease and confidence grows.

Remote work is also driving longer stays and more diverse travel experiences. Hotels are adapting with enhanced offerings, technology-driven guest experiences, and reinforced health measures. With travel a growing priority, hospitality brands are focusing on unique, personalized stays to attract a wider range of guests. Overall, the industry is well-positioned for continued growth as it evolves with consumer preferences.

RevPAR & ADR on the Rise

The hospitality industry is seeing strong growth, with key metrics like Revenue Per Available Room (RevPAR) and Average Daily Rate (ADR) on the rise. In 2024, U.S. hotels hit an ADR of $155.47, up 4.2% from the previous year, with projections reaching $160.16 in 2025. RevPAR also climbed to $97.84, a 4.8% increase, and is expected to surpass $101.82 next year. Despite challenges like rising costs and shifting travel patterns, hotels are finding new ways to boost revenue and stay competitive.

As demand grows, hotels are not just adjusting prices—they're elevating guest experiences with personalized services, upgraded amenities, and smart technology. Contactless check-ins, AI-driven service, and sustainability initiatives are becoming standard, catering to modern travelers who seek convenience and value. Business travel is also bouncing back, while leisure travelers are willing to spend more on unique and premium experiences. Hotels that innovate and adapt to these changing expectations are seeing the biggest gains.

With strategic investment and a focus on guest satisfaction, the industry is on a strong path forward. While challenges remain, the resilience and adaptability of hotels suggest continued expansion, making the coming years an exciting time for hospitality.

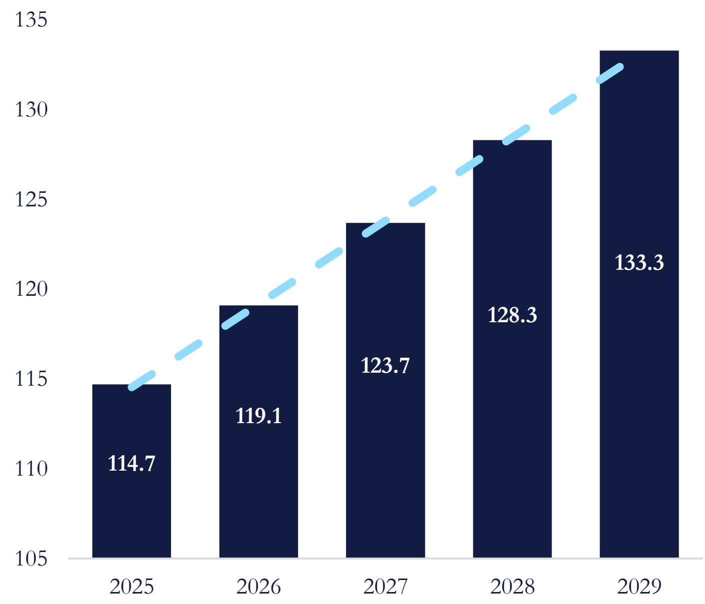
Hospitality Investment Growth

The hospitality industry is seeing a surge in investment, driven by strong market fundamentals and growing confidence. In 2023, the global market hit $4.70 trillion, up from $4.39 trillion in 2022, and is on track to reach $5.82 trillion by 2027. This growth comes from rising travel demand, shifting consumer preferences, and investors recognizing the long-term value of hospitality. With international tourism bouncing back and business travel recovering, the sector is more attractive than ever.

Private equity firms, hotel brands, and institutional investors are aggressively acquiring and developing new properties. Major deals—like IHG's $116 million purchase of the European hotel brand Ruby—highlight the appetite for expansion. Developers are also converting underutilized office buildings into hotels, tapping into changing urban landscapes.

Beyond traditional hotels, investment in hospitality technology and sustainability is gaining momentum. Smart hotel tech, AI-driven personalization, and eco-friendly designs are now industry standards. With remote work and digital nomad culture rising, hotels are creating hybrid spaces that blend work and leisure. Brands that embrace innovation, personalization, and sustainability will thrive in this evolving landscape.

US Projected Hotel Revenue Growth 2025-2029 (in billion USD)



Sources: CoStar, CBRE, IHG Hotels, Statista

BBR

BULL & BEAR RESEARCH

Public Market Coverage

PORTFOLIO TRANSACTIONS

Landsec Portfolio

Date: 8 May 2024	*Price: USD 501 million*
Buyer: Ares Management	*Seller: Landsec*

In May 2024, Los Angeles-based fund manager Ares Management Corporation acquired a 21-hotel portfolio and operating platform based in the U.K. from London-based Landsec for GBP 400 million (approx. USD 501 million). Landsec's disposition derived from their need to release capital commitments from sectors without scale and differentiation, providing Ares with the opportunity to acquire a high-quality portfolio that generated GBP 28.4 million in 2024 and has tenant lease expirations that expire as late as 2091.

US Summit Hotel Portfolio

Date: 10 December 2024	*Price: USD 96 million*
Buyer: Summit Hotels & GIC	*Seller: Undisclosed*

Through a programmatic JV with Singapore-based sovereign wealth fund GIC, Texas-based REIT Summit Hotel Properties acquired 2 prominent hotels in Massachusetts and Virginia for a total capitalization of USD 96 million. The properties include a 250-key Hampton Inn located adjacent to Boston Logan International Airport and a 149-key Hilton Garden Inn located in Vienna, VA.

GIC and Summit Hotels purchased the assets at an attractive entry cap rate of 8.8% or USD 241,000 per key. Located in gateway city submarkets, the assets are well-known through their premium branding and have a strong track record with high EBITDA margins and consistent RevPAR and income generation.

UK Marriott Portfolio

Date: 2 December 2024	*Price: GBP 900 million*
Buyer: KKR & Baupost Group	*Seller: ADIA*

In late 2024, KKR and The Baupost Group initiated a joint venture to acquire a 33-asset portfolio of hotels branded by Marriott International from the Abu Dhabi Investment Authority (ADIA). KKR will serve as the JV's managing partner, implementing its vertically integrated European hospitality platform but maintaining the assets' Marriott branding. The 6500-key portfolio consists of high-quality assets across the United Kingdom, with high concentrations in London, Edinburgh, Glasgow, Leeds, and Liverpool.

Importantly, the transaction includes famous London assets including the 311-room Marriott Hotel Regent's Park and the 206-room Marriott Hotel County Hall, the latter formerly being home to the Greater London Council and a frequent site of members of the UK government. Accordingly, the portfolio acquisition highlights KKR and Baupost's growing conviction of London and the greater UK as a destination of global travel, consistent with unprecedented levels of travel. Holiday visits have almost surpassed pre-COVID levels and are still growing, representative of the broader consumer shift towards experiences and travel in the post-pandemic world. Mai-Lan de Marcilly, Managing Director and Head of Hotel Transactions at KKR stated that the "purchase reflects the firm's conviction in the UK's strong fundamentals and long-term growth in the European hospitality sector

Sources: CoStar, Hotel Investment Today, KKR, Hampton Inn, PR Newswire

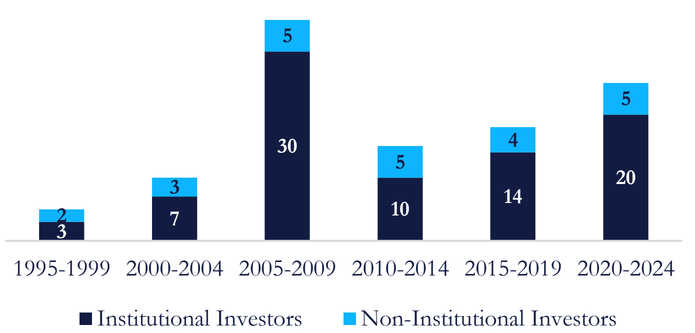
HOSPITALITY REIT M&A

Date	Target	Acquirer	Deal Size	Property Type
Q4 2024	Hotel Property Investments	Charter Hall Retail REIT & Hostplus	$506.6 million	Pub Properties
Q4 2024	Hotel X Brisbane Fortitude Valley	Brookfield Asset Management	$90 million	Luxury Hotel
Q4 2023	Hersha Hospitality Trust	KSL Capital Partners	$1.4 billion	Hotels
Q3 2023	JW Marriott San Antonio Hill Country Resort & Spa	Ryman Hospitality Properties	Not Disclosed	Luxury Resort
Q2 2023	JW Marriott Tucson Starr Pass Resort & Spa	Southwest Value Partners	$110 million	Luxury Resort
Q1 2023	AmeriSuites Hotel Portfolio	Hyatt Hotels Corporation	Not Disclosed	All-suite Hotels
Q4 2022	MGM Growth Properties	Vici Properties	$17.2 billion	Casino Properties
Q2 2022	The Venetian Resort Las Vegas	Vici Properties	$4 billion	Casino Resort

Luxury Hotels & Resorts

The luxury hotel and resort sector has seen a surge in M&A activity, reflecting strong institutional confidence in high-end lodging. This was highlighted in late 2023 when KSL Capital Partners privatized Hersha Hospitality Trust for $1.4 billion, citing luxury travel's resilience. Other major deals include Ryman Hospitality's acquisition of JW Marriott San Antonio Hill Country Resort & Spa and Southwest Value Partners' $110 million purchase of JW Marriott Tucson Starr Pass, both reinforcing the appeal of destination properties. Meanwhile, institutional investment in high-end hospitality remains strong. In 2022, Blackstone acquired The Venetian Resort Las Vegas for $4 billion, one of the most significant luxury hospitality deals in recent years. Their continued investment in high-end lodging indicates a firm belief in the sector's fundamentals. Looking ahead, while the consolidation of public luxury hotel REITs may result in fewer large-scale M&A transactions, the strong institutional interest in this segment suggests that new hospitality REITs focused on premium resorts and high-end urban properties could emerge. The resilience of luxury travel, driven by both affluent leisure travelers and business conferences, should continue to support investment activity in the sector.

Luxury Hotel and Resort M&A Transaction Activity (in $Billions)



Outlook

The data shows a significant rise in luxury hotel and resort M&A activity over the past three decades, with institutional investors playing an increasingly dominant role. Although this trend suggests a shift towards large private investment firms acquiring premium hotel assets, sustained demand for luxury travel and the growing appeal of experiential hospitality signal continued investment potential. Looking ahead, while fewer public REITs may remain, strong fundamentals could drive new luxury REIT formations, presenting opportunities for long-term capital appreciation.

Sources: SP Global, Nareit, SEC

HOSPITALITY REIT IPO

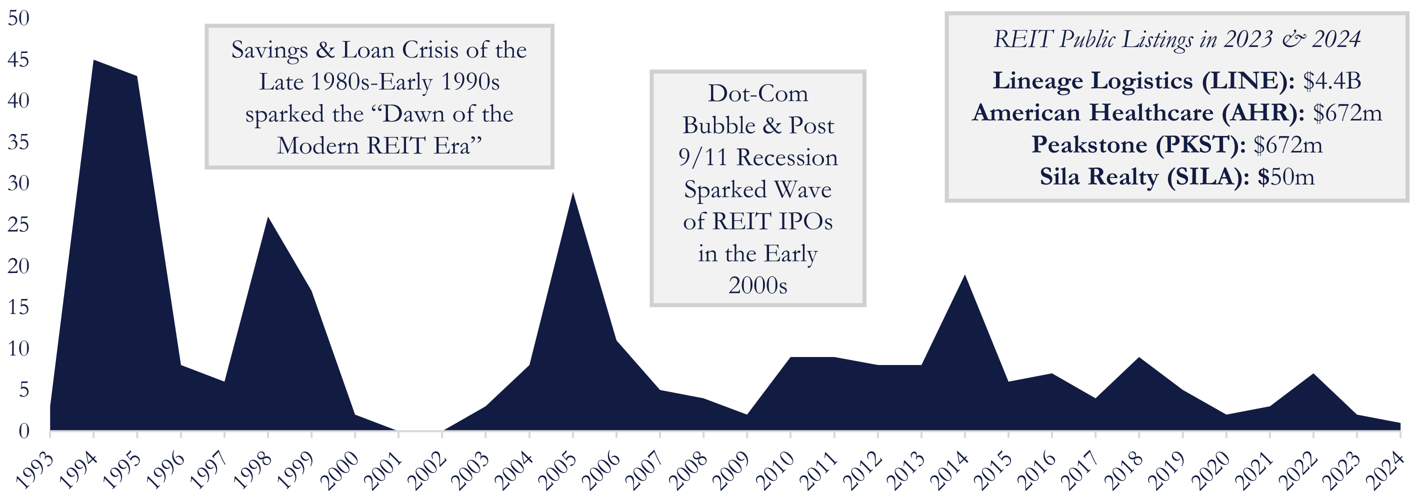
Outlook

The Real Estate team is cautiously optimistic about REIT IPOs going into 2025. Following a lull in IPO activity in 2022 and 2023, the market saw a relative resurgence in 2024, promoting an uptick in investor confidence that is expected to last in the short-term. Moreover, the expected improvement of broader macro conditions in the investment space, such as financing options and economic growth, is expected to significantly influence the ability for portfolios of real estate assets to seek public offerings. Importantly, the Lineage REIT IPO of the summer of 2024 – which debuted at $82 per share at a total valuation of $19.2 billion – sent positive shockwaves across the industry, drawing fresh attention to the REIT space amidst a tepid overarching environment.

IPO Filing Environment

Coming out of record-low IPO volumes, there have been several notable IPO filings in the hospitality REIT space in the last year, representative of growing investor sentiment surrounding hotel portfolios on a global scale. In September 2024, Schloss Bangalore, the owner of the Indian luxury hotel chain 'The Leela" filed for a $599 million IPO, with proceeds intended to pay down debt and acquire up to 8 new luxury hotels by 2028. In January 2025, leading Spanish hospitality wholesaler HBX Group – known for its Hotelbeds brand – filed for IPO with an initial expected capitalization of over EUR $2.8B. Though hotel REIT IPOs lagged in the immediate post-pandemic period, the market has begun seeing some activity that might be indicative of strong growth in the near future.

General REIT IPO Volume (1993 – 2024)



The MGM Spin-Off Saga

In 2023, MGM Resorts International completed the spin-off of MGM Growth Properties ("MGP") into a separate REIT that operates as an independent entity with a distinct focus on hotels and resorts. This restructuring of MGM's existing assets allowed the firm to concentrate on gaming and hospitality services, allowing MGP to manage a portfolio of elite hospitality assets independently from its parent company as a publicly traded triple-net lease REIT. This spin-off underscores MGM's significant long-term strategy surrounding its hospitality real estate portfolio by establishing a specialized hospitality platform while maintaining a significant interest in the REIT's underlying assets. MGP closed an initial public offering of 57.5 million Class A common shares at a price of $21.00 per share for proceeds of approximately $1.1 Billion. The newly formed operating partnership acquired the real estate associated with Mandalay Bay, the Mirage, New York-New York, Luxor, Monte Carlo, Excalibur, The Park, MGM Grand Detroit, Beau Rivage and Gold Strike Tunica. Following the spin-off, MGM Resorts International held a 73% economic interest in the newly-formed MGP entity, representing a significant shareholder majority.

Sources: Paul Hastings, MGM, TheRralDeal, GreenStreet

GLOBAL TRENDS: APAC

Market Growth and Investment

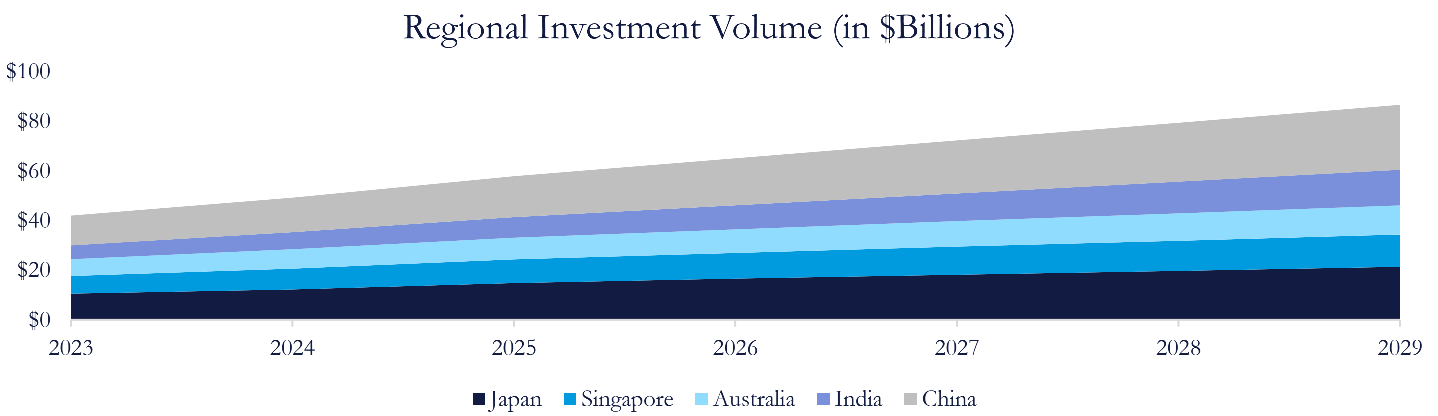
The APAC hotel and hospitality industry is experiencing significant growth and attracting substantial investment as it continues its post-pandemic recovery. The industry is projected to grow at a CAGR of 4.28% until 2029, indicating high confidence in the future development of the region. According to CBRE, over 72% of investors plan to increase their hotel investment allocations due to surges in tourism, especially in countries like Japan, Singapore, and Australia. Global hotel chains are also targeting mid-range markets in China, catering to younger, cost-conscious travelers. Additionally, these chains are expanding into emerging markets such as Vietnam and the Philippines to capitalize on this younger generation of student-travelers.

China leads the region with affordable domestic travel and has launched government incentives to increase travel to tier 2 and tier 3 cities, boosting local hotel construction and funding. India is currently the fastest growing market with hotel investments expected to grow 9%-11%, year-over-year. As India continues to develop its middle class and increase disposable income, domestic tourism will continue to grow in popularity. Moreover, Japan has notably become a magnet for luxury, experience-based tourism and has reached all time high levels of foreign travelers. As a product of a weakening Japanese Yen, the country has been made more affordable for foreigners to travel to in recent years. Singapore continues to act as a major global business hub and will attract corporate and leisure travelers. Finally, Australia will continue to construct hotels in Brisbane and Sydney to prepare for the 2032 Olympic games.

Smart Hospitality and AI

APAC has had great success integrating the usage of AI, smart technology, and automated processes to enhance traveler experiences and improve overall hotel efficiencies. Personalization to accommodate consumer needs is becoming easier and more readily accessible through the integration of these tools. Most notably, companies such as Aiello and Myam.ai have provided customized room settings and tailored recommendations, through voice assistants and chat bots. Deployed in over 180 hotels across APAC, including properties of Millennium Hotels & Resorts in Singapore and Thailand, these products have had great success streamlining hotel operations and are actively being adopted by other hotel companies.

Some other notable inventions revolutionizing the industry is China's AI-facial recognition check-in kiosks at FlyZoo Hotel, and Japan's Henn Na Hotel which has been fully staffed by service robots for housekeeping and room service. FlyZoo's AI system allows guests to check in within seconds, reducing waiting times and enhancing security, while also integrating voice-activated controls for personalized experiences. Meanwhile, Henn Na Hotel's robotic assistants handle concierge services, luggage transport, and even multilingual communication, making operations smoother. These innovations not only cut costs but also redefine guest interactions in modern hospitality. Undoubtedly, these inventions are being adopted to achieve maximum efficiency in hotel service while also minimizing the overhead costs associated with service workers. Other countries in the region adopting these inventions include South Korea, India, and Indonesia.



Sources: Financial Times, CBRE, The Economist, Statista, Yahoo Finance, Business Insider

APAC SPOTLIGHT: HONG KONG

BBR R BULL & BEAR REAL ESTATE

Recovery Trajectory

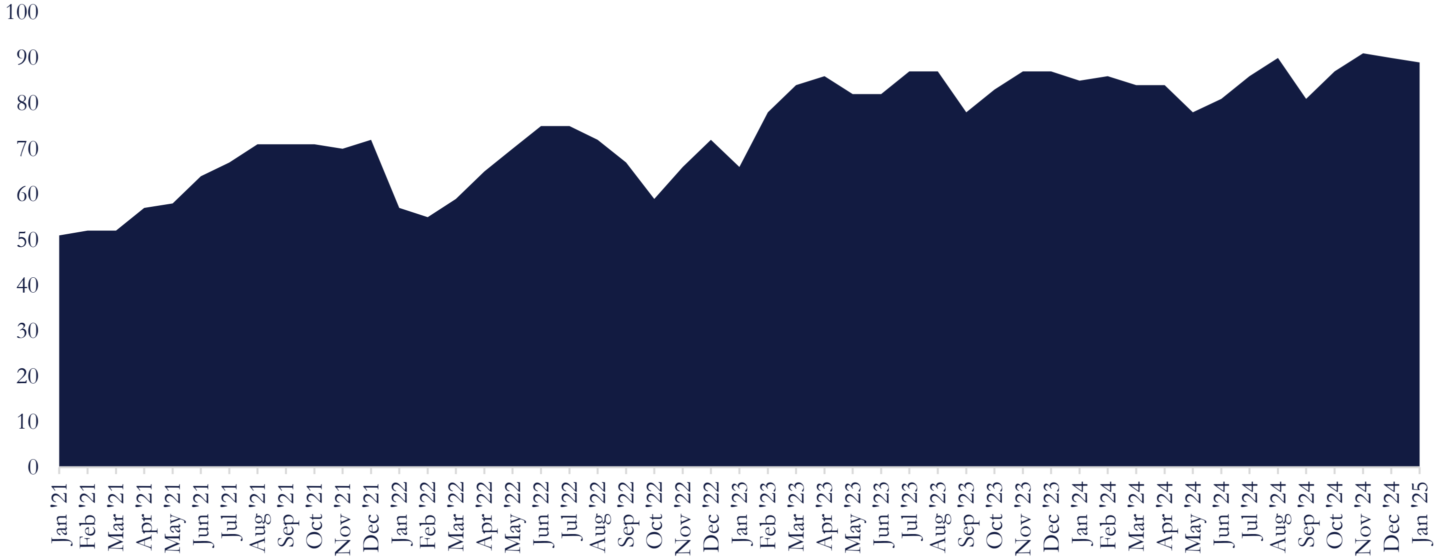
Hong Kong – a Special Administrative Region (SAR) of the People's Republic of China – has experienced a strong recovery since the downfall of COVID-19. More than 44 million tourists visited in 2024, a 33% increase from 2023, with a 64% increase between H2 2024 and H2 2023. Significant increases of travel into HK from Mainland Chinese and international tourists, a 135% YoY increase between 2024 and 2023, has had a positive impact on the hotel sector, with recorded increases in occupancy. In fact, inbound overnight visitor numbers from Mainland China exceeded 30 million in 2024—nearly 70% of pre-pandemic levels. Moreover, the last 12 months has confirmed over 1,200 new hotel rooms set to be completed between 2025 and 2026. Regional experts predict that hotel transaction volume in 2025 will outpace 2024, with an increased number of strategic end-user and opportunistic buyers looking to take advantage of stressed and distressed assets. Many assets have significant potential for self-use, rebranding, and repositioning.. Key hotel sector performance metrics further validate this momentum with market-wide occupancy averaging 82% as of Q4 2024, compared to 70% in Q3. Hong Kong's Average Daily Rate (ADR) also climbed 22% YoY, with Revenue Per Available Room (RevPAR) surging by over 35% in the same period, with luxury and upper-midscale segments leading market recovery.

Investment Activity

Hong Kong's hotel investment volume was $256 million in 2024, a 60% decrease from 2023 but an increase in terms of the number of deals completed (5). Over 547 keys were transacted for an average price-per-key of $3.63 million and a total gross floor area of 200,000 square feet. Most of HK's hotel acquisitions were for mid-scale hotels for conversion into student accommodation driven by academic institutions including Hong Kong Metropolitan University and SWC amongst other strategic buyers including PGIM. For example, HKMU acquired the newly-built 255-key Urbanwood Hotel for conversion into a 400-bed student dormitory to cater to their student population.

Importantly, Hong Kong's government recently released its vision for furthering hotel industry growth: Their strategy includes nurturing and developing tourism products (sports, culture, and mega-events), making travel to HK more convenient by integrating AI and a stronger network infrastructure, and creating new job opportunities to counter the hotel industry's manpower shortage. By executing this blueprint starting in 2025, the tourism industry's value added is expected to grow by 60% to $15.4 billion and employment by 45% to a total of 210,000. Together, these investment trends signal not only a sustained road to recovery for HK's hotel market, but also a transformative shift towards adaptive reuse and long-term growth in activity.

Average Monthly Hotel Occupancy Rates (2021 – 2025)



Sources: Knight Frank, Statista, CBRE, Colliers

Market Overview

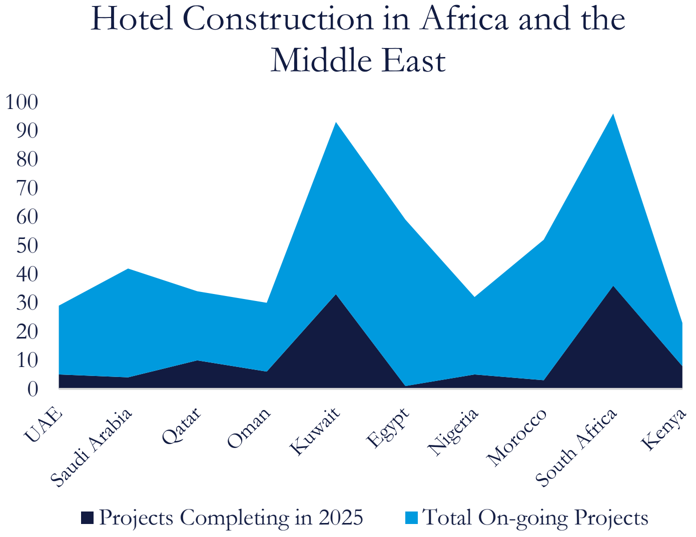
EMEA markets are showing strong recovery signals after the pandemic on all three continents. Increased tourist arrivals and higher occupancy rates have driven notable improvements in revenue per available room (RevPAR), as evidenced by major hotel operators like Accor reporting solid growth. For the year 2024, Accor reports 5% growth in the Middle East and Africa, along with a steady 2% increase in Europe and a 9% increase specifically in Europe's luxury market. Each region has seen levels of sustainable industry growth stemming from region specific drivers and increasing global tourism in a post pandemic world.

Europe

Europe's consistent and strong hospitality growth stems from record-high tourism and rising investment activity. Spain, for example, registered 94 million international tourists in 2024 and anticipates over 100 million in 2025. Growing demand for European hospitality is driving hotel development and investor interest as global interest rates decline. Tourists seeking high-quality cultural experiences are a catalyst for regional growth. To meet this demand, cities like London are constructing 757 new luxury hotel rooms, set for completion by the end of 2025. Simultaneously, France is increasing investments beyond Paris to diversify tourism and develop new hospitality hubs. Across Europe, the hospitality and tourism CAGR ranges from 2% to 4.5%, mirroring pre-pandemic growth levels and is expected to be maintained.

Africa

Africa is an emerging market for tourism that significantly lags the rest of the world. With its travel and tourism market growing at a CAGR of 5% annually, there is rapid growth, however majority of this growth is in more modernized nations such as South Africa or Egypt. Egypt leads the continent with 58 hotels under construction, followed by Morrocco with 49, and Nigeria with 27. The less developed nations are still lagging severely behind as the many of them are riddled with civil war and political instability. The future of expanding African hospitality market in smaller nations will require peace and regional stability.



The Middle East

The Middle East has experienced a significant rebound in tourism over the past five years, lead by infrastructural improvement, foreign investment, and overall human development. Forecasts suggest a CAGR in RevPAR of 5% to 8% in the coming years, which is notably higher than Europe. Lowering global interest rates, coupled with an increase in investment from the Persian Gulf states into their own nations has driven wealthy tourists into the region. Saudi Arabia has played a leadership role in growing the regions tourism through their "Vision 2030 reforms", an effort to improve infrastructure, develop world-class destinations, and create leisure and cultural experiences. Other nations such as Jordan and the State of Israel are continuing to see increasing tourism numbers through promoting historical and religious hospitality offerings.

In the UAE, Dubai continues to serve as a major hub for tourism in the region amidst ongoing expansion, with events such as the Dubai Expo having a lasting impact on tourism. Likewise, projects in Saudi Arabia such as the Red Sea Project and NEOM represent the country's efforts to diversify its economy through tourism in major cities such as Jeddah and Riyadh. The Middle East has become a hotspot for investment in ultra-luxury hotels, resorts, and services, aligning with the region's demand for high-end hospitality offerings.

Sources: CBRE, Financial Times, Reuters, Business Insider, Cushman & Wakefield, PwC, Colliers

EMEA SPOTLIGHT: LONDON

London Calling

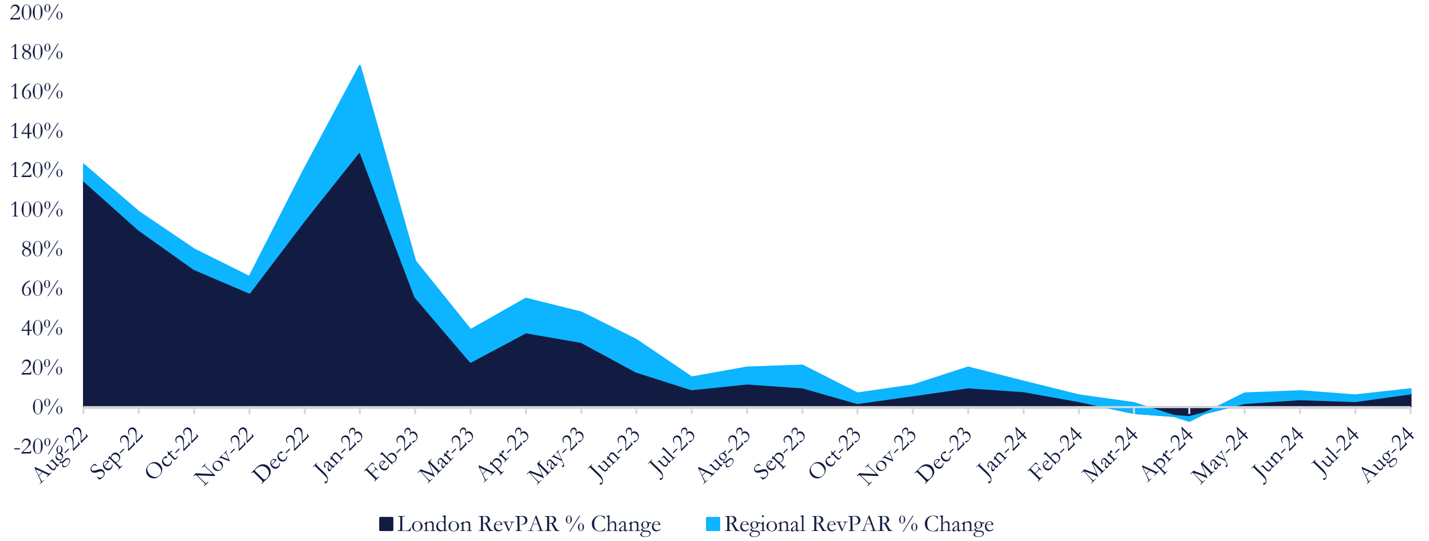
Leading hospitality investors and developers have recently dubbed London as the most attractive European city for hotel investment. Irrespective of recent sector turbulence, the UK capital surpassed pre-pandemic levels to GBP 46 billion, underscoring the sector's phenomenal resilience. Growing at an average of 7.7 cents a month, London outperforms the rest of the UK (5.6 cents nationally), benefitting from the city's growing popularity at the helm of international travel. By the same token, London is taking advantage of the boom of the entertainment sector, with sales reaching record heights in 2023 and 2024 as millions visit the capital's famous venues. Comparatively to broader Europe, London is the top pipeline market with over 80 projects and 15,000 rooms currently in pipeline, with Lisbon trailing far behind with 37 total projects. Moreover, London is forecasted to open the greatest number of hotel assets (21 with over 2,500 rooms) to match consumer demand. Some notable upcoming launches include Chancery Rosewood, Six Senses, and Auberge Resorts Collection, all of which follow major openings in 2024 that have dynamically redefined the London hotel scene.

The Double-Edged Sword

London's hotel market is expecting an unprecedented year in 2025, with record influx of new supply set to transform the market. Despite this growth, leaders in the hotel space ranging from developers to investors have begun speculating about the long-term impact of supply volume, with industry sentiment regarding the city's forward-looking growth leaning more negative than positive. Following a period of significant price increase amidst limited demand and substantial imported travel, hotel RevPAR growth has become stagnant amidst greater competition, a growth stunt that has brought revenue growth much closer in line with other regional players. Looking into 2025, London's hospitality sector faces a precarious equilibrium of bullish and bearish indicators. As the city prepares for a record volume of luxury accommodations which will undoubtedly solidify London's position as a leader in luxury travel, hotel prices face a furthered market correction amidst uncertainty regarding the incoming supply's ability to accurately meet demand without overshooting.

Claridge's Hotel in Mayfair, London

London vs. Regional UK Monthly RevPAR Performance



GLOBAL TRENDS: LATAM

Market Overview

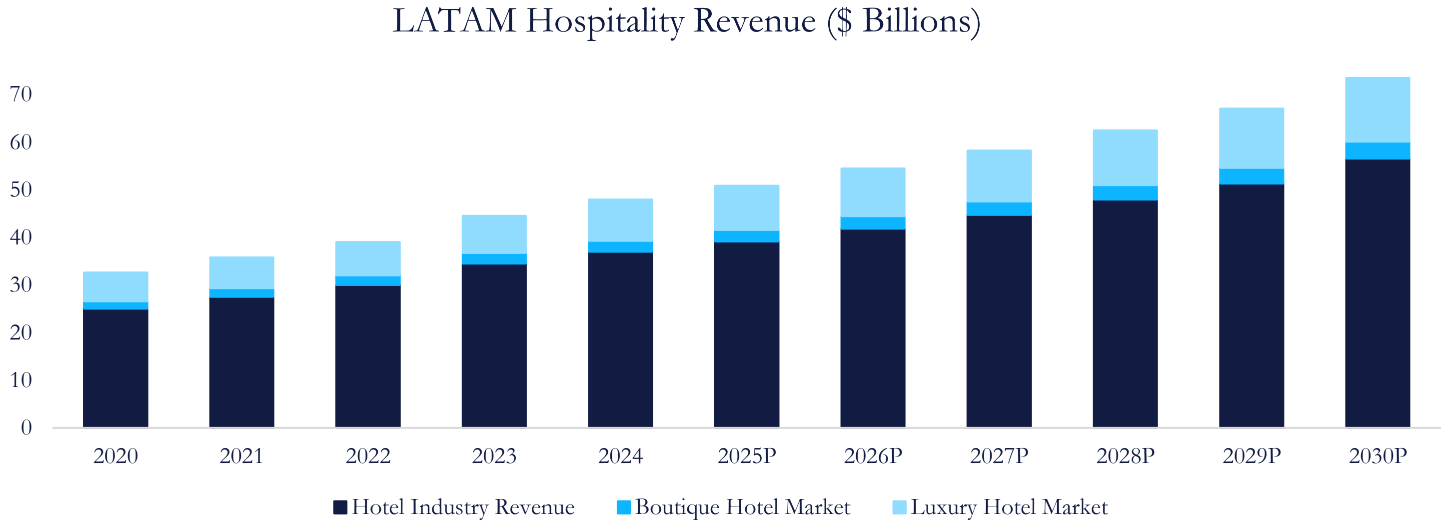
Latin America has experienced a surge in tourism driven by a post-pandemic travel boom, increased foreign investment, and expanding government initiatives. Luxury hotel brands such as Hilton, Marriott, Aman, Rosewood, and Auberge Resorts have capitalized on this momentum, investing in high-end properties across Mexico, Brazil, and Colombia. Marriott opened 64 new properties across LATAM in 2024 and plans to open a similar number of hotels in 2025. The LATAM hotel market is projected to reach a value of $152 billion by 2030, supported by a compound annual growth rate (CAGR) of 15%. To attract high-spending visitors and simplify entry, Brazil recently removed all travel visa requirements for American, Japanese, Canadian, and Australian citizens. The country also saw a record-breaking 6.1 million international tourists in 2024, a 12.6% increase from the previous year.

Large-scale government projects like Mexico's Mayan Train, a $10 billion investment in infrastructure to enhance tourism access to the Yucatán, have played the biggest role in expanding business opportunities for LATAM's quickly growing hospitality industry. Meanwhile, the Dominican Republic saw a 38% year-over-year increase in hotel construction, signaling strong investor confidence in the region's potential. By improving local infrastructure, and developing emerging markets, LATAM continues to increase its global market share in the hospitality industry.

Economic Growth and Investment

LATAM has seen significant economic benefits from increased travel and hospitality demand, with 2024 generating approximately $71.7B in travel revenue, including $48.2B from hotel and resort bookings. The region reported 642 ongoing hotel construction projects in Q3 2024, an 11% increase from the previous year, contributing to an expected market valuation of $110.1B in 2025 and $152.0B by 2030. With a remarkable CAGR of 15%, this expansion will create over 8 million new jobs in the next decade and drive government-funded infrastructure projects, improving living standards, healthcare, and public safety.

Leading this growth, Mexico, Brazil, and the Dominican Republic are positioned as key beneficiaries. Mexico remains at the forefront of hotel development, being the most popular and cost-friendly LATAM destination for North American travelers. Major hotel chains and luxury resorts have ramped up investments in Cancun, Tulum, and Mexico City to accommodate the growing demand. Brazil, experiencing a 12.6% rise in tourism with over 6 million visitors in 2024, continues to facilitate easy access and adventure tourism aligned with eco-tourism trends. Meanwhile, the Dominican Republic, with 66 ongoing hotel projects—a 38% year-over-year increase—has become a safer and more attractive destination due to government policies and infrastructure improvements. Beyond these major players, smaller countries are also set to benefit, as LATAM strengthens its position as an attractive market for tourism and investment.



Sources: Grand View Research, Financial Times, Hilton, Statista, UNESCO

LATAM SPOTLIGHT: MEXICO

Market Overview

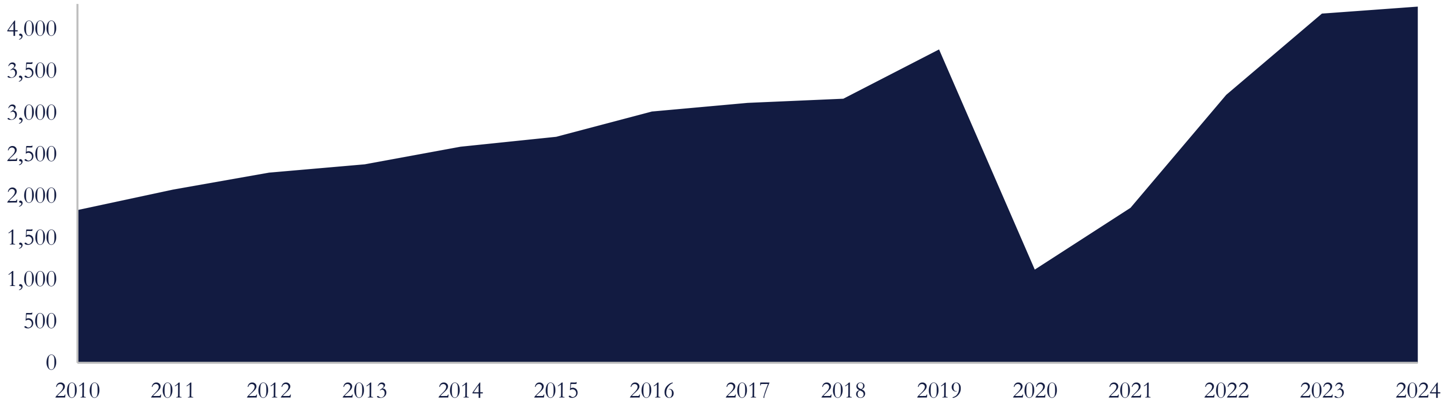
Mexico remains Latin America's most dominant hospitality real estate market, driven by a combination of international tourism, strong domestic travel demand, and ongoing investment in infrastructure. As of mid-2023, Mexico led the region with 278 hotel projects and over 44,000 rooms in the development pipeline, according to Lodging Econometrics. This level of activity reflects sustained interest from global brands like Marriott, Hilton, and Hyatt, who continue to expand across urban hubs and coastal resort destinations. Tourism accounts for nearly 8% of Mexico's GDP, and the country ranked among the world's top 10 most visited destinations in 2023, according to the World Tourism Organization (UNWTO). This performance is supported by improved air connectivity, government-backed tourism initiatives, and the growing popularity of both luxury and budget-friendly accommodations. Mexico's diverse appeal—from business travel in Mexico City to leisure in Cancún and Los Cabos—continues to position it as a gateway market for hospitality investors in Latin America.

Market Opportunity & Growth Trends

Investment opportunities in Mexico's hospitality real estate space are strongest in resort corridors, urban business districts, and emerging cultural hubs. The Riviera Maya, including Cancún, Playa del Carmen, and Tulum, remains a magnet for luxury resort development, with large-scale projects underway targeting wellness tourism, eco-lodges, and branded residences. In Mexico City, developers are focused on long-stay hotel models, lifestyle brands, and mixed-use developments as business travel and international events rebound. A major tailwind for the market is the nearshoring trend, which is boosting demand for corporate accommodations and business hotels, especially in northern cities like Monterrey and Guadalajara. The growing digital nomad population is also influencing the rise of boutique hotels and co-living concepts. Additionally, public-private partnerships and tax incentives are helping streamline development in high-growth zones. Despite some policy uncertainties, Mexico's hospitality pipeline remains among the most active globally, with investors drawn to the country's scale, stability, and connectivity.

One & Only Palmilla San Jose del Cabo

International Tourist Arrivals into Mexico City ($ Thousands)



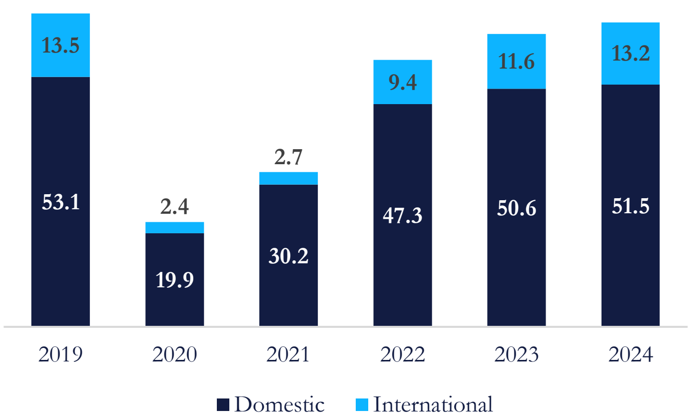
US MARKET COVERAGE: NYC

Market Demand

New York City, a global hub of culture, innovation, and trade, continues to exhibit resilience and adaptability in an ever-changing hospitality market. Known for its vibrant energy and diverse landscape, the city remains a leading player in the U.S. travel industry, attracting millions of global and domestic visitors annually.

At the same time, confidence in NYC's hotel sector is rising, with 80% of investors planning to maintain or expand their investment activity in 2025. Additionally, a 15% to 25% increase in global hotel investment is expected for the upcoming year, showing promising potential for growth in travel patterns and consumer trends.

NYC Visitor Breakdown: Domestic vs. International (in millions)



Challenges and Strategic Adjustments

While the city's hospitality market is strong, several challenges still loom ahead and will reshape its landscape. Rising operational costs are forcing hotel owners to prioritize efficiency and innovation to maintain profitability. Adding to these pressures, a portion of the city's lower-end hotel inventory has been converted for non-traditional uses, such as temporary housing for migrants. Roosevelt Hotel which has played a significant role in housing these migrants, is set to close in June 2025. Developers are keeping eyes on the property for a sale exceeding $1 billion. Covering 42,000 square feet, this antiquated hotel represents a prime opportunity for redevelopment into a modern skyscraper featuring office and retail.

Midtown Leads the Way

Manhattan remains at the heart of NYC's hotel industry, with Midtown West and Times Square accounting for 60% of the city's room inventory. This area is known for outperforming other submarkets in terms of occupancy and RevPAR, likely due to its centralized location and proximity to entertainment, attractions and business hubs.

Oher high-performing submarkets include SoHo and Tribeca, charming neighborhoods that combine artistic energy and architecture with upscale shopping and dining. These dynamics highlight Manhattan's hospitality market and how each submarket caters to diverse traveler preferences.

Growth in Hudson Yards

Hudson Yards has emerged as a prime destination for investors. Featuring expansive green spaces, iconic public art installations such as 'The Vessel' and 'The Shed,' and the world's first Equinox hotel, the area continues to attract significant interest.

Oxford Properties Group and Wynn Resorts have revealed new project details and renderings for a $12 billion project in Hudson Yards West on top of the undeveloped western rail yards. The center will consist of a 5.6 acre rolling green park with river vistas, surrounded by 1,500 units of housing, including hundreds of affordable apartments. If approved by the city, this development will provide enormous economic opportunity and quality-of-life improvements.

Rendering of Wynn New York City at Hudson Yards

NYC HOTEL SPOTLIGHT

The Ritz Carlton NoMad

Located at 25 West 28th Street in the NoMad district of Manhattan, the Ritz-Carlton New York is a luxury hotel and residential development. The asset features 250 hotel rooms and 16 branded penthouse residences offering panoramic views of New York City and provides a myriad of exclusive amenities ranging from a rooftop bar to a restaurant curated by Michelin-starred chef José Andres. The hotel blends sophisticated design with high-end service, establishing itself under the Ritz-Carlton brand as a premier destination for international travelers.

Construction & Refinancings

The Ritz Carlton's NoMad asset initially opened to guests in July 2022, with construction commencing in July 2018 utilizing a $315 million construction loan financing provided by Atalaya Capital Management – a firm that has since been acquired by Blue Owl Capital in Q3 2024. Shortly after, the Ritz Carlton NoMad secured a $125 million preferred equity investment using capital raised through a specialized EB5 investor visa program initiated by EB5 Capital – this financing is incredibly special and rather unusual. EB5 Capital received a significant number of I-829 approvals from the United States Citizenship and Immigration Services (USCICS), an initiative that issues permanent residency to investors that have met high-barrier requirements and demonstrated that their investments spur job creation. This played a vital role in financing the construction of the project, with the hotel creating over 4,200 jobs following its July 2022 grand opening to the public.

In February 2022, Bank OZK – a regional bank based in Little Rock, AK – took over landing at the NoMad asset with a $200 million refinance loan. This loan replaced the previous construction loan provided by Atalaya Capital Management (2018). OZK stepped in to provide a senior mortgage as a "take-out" lender, replacing the highest-risk construction capital and thereby lowering the hotel asset's overall risk profile.

Residential Suites at the Ritz Carlton, NoMad

Marriott Brand Partnership

In 1995, Marriott International acquired a 49% stake in the Ritz-Carlton Hotel Company, securing majority ownership in 1998. As a result, the spotlighted NoMad asset is part of Marriott's hospitality portfolio. This has provided the asset with the ability to leverage the Marriott Bonvoy loyalty engine, favorable branding and licensing terms, and generally an upper-hand in attracting certain client demographics.

NoMad Submarket on Fire

The NoMad (North of Madison Square Park) district in NYC has undergone explosive growth over the last decade, seeing a 25% hospitality sector growth since 2022. Moreover, hotel ADR and RevPAR levels have surpassed pre-pandemic levels. Located between Midtown and Downtown, Nomad's topography and proximity to major areas of the city makes it ideal for both business and leisure travelers. The post-pandemic period has seen a myriad of hotel-related activity including new developments, acquisitions, and repositionings, underscoring strong investor confidence in the area's hotel market.

Sources: TheRealDeal, Ritz Carlton NoMad, The Wall Street Journal, Bloomberg, Blue Owl Capital

US MARKET COVERAGE: MIAMI

BBR R BULL & BEAR REAL ESTATE

Demand Drivers

In 2024, Miami's hospitality real estate sector experienced significant growth, driven by robust tourism and a thriving luxury market. The city welcomed approximately 5.84 million international visitors, contributing to a total of $20.6 billion in traveler-generated revenue, a nearly 3% increase from the previous year. Miami's hotel industry demonstrated resilience amid a dynamic market. The city achieved an occupancy rate of 83.5%, leading major U.S. markets, with an average daily rate (ADR) of $284.14, resulting in a revenue per available room (RevPAR) of $237.25.

Top Submarkets

Miami Beach has the most hotels in Miami-Dade, making up 38.5% of the county's total. Downtown Miami and Brickell, the city's financial hub, are seeing a lot of new hotel projects. This includes the Citizen M Miami World Center and the Grand Hyatt at the Miami Beach Convention Center, set to open in 2026. Coconut Grove is becoming a trendy spot, mixing luxury with more affordable options. Boutique hotels like the Mayfair House Hotel & Garden are drawing both tourists and professionals to the area. Overall, Miami's hotel industry is experiencing significant growth, with new developments catering to both luxury and budget-conscious travelers, making the city an increasingly attractive destination.

Investment & Growth Trends

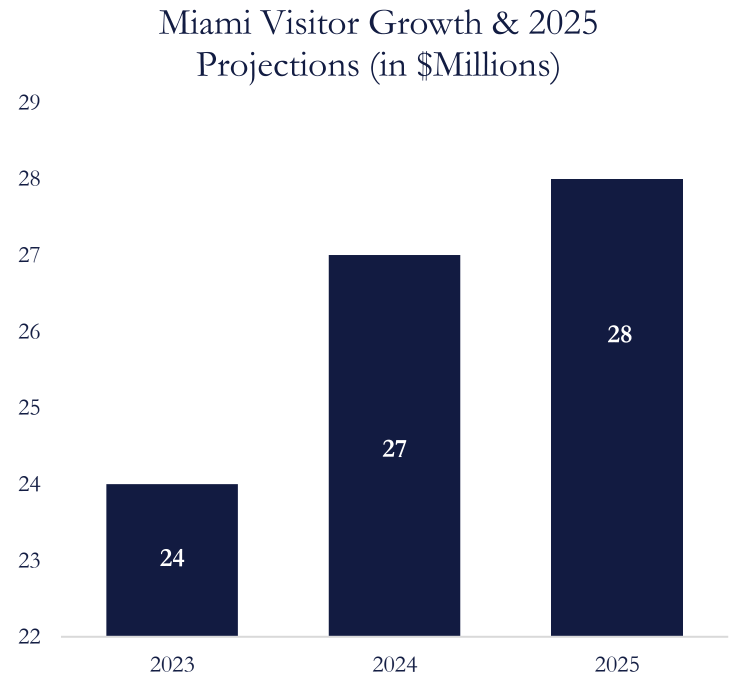
Miami's hospitality market is booming with major investments and growth projects shaping its future.
A key development is the new Inter Miami CF stadium, set to open in 2025 as part of the massive Miami Freedom Park project. This $1 billion investment will include a 25,000-seat stadium, a hotel, office space, and a 58-acre public park, boosting tourism and business opportunities. Luxury hotel developments, like the upcoming Grand Hyatt at Miami Beach Convention Center, are also expanding Miami's high-end hospitality scene. With continued infrastructure improvements and a strong international investor presence, Miami's hospitality sector is set for long-term growth.

Transaction Activity

Miami's hotel market is on fire, with major deals and developments shaping the city's future. Big-money transactions, like the Reuben Brothers' $400M buy of W South Beach and Gencom's purchase of the Ritz-Carlton Key Biscayne, show just how valuable Miami's hospitality scene has become. Newcomers like Sonesta's $850M James Hotel & Residences and Iberostar's return to the U.S. market further cement Miami's status as a global tourism hotspot. With massive renovations, fresh brands, and luxury expansions, these investments aren't just about hotels—they're fueling job creation, boosting tourism, and solidifying Miami as a top-tier destination for years to come.

Development Pipeline

Miami's rapid growth is transforming it into a global business and luxury hub. Brickell's office boom, Amazon's Wynwood expansion, and Ken Griffin's Citadel HQ are drawing top talent and investment, while branded condos and a booming housing market attract high-net-worth residents. This surge fuels the hospitality industry, driving demand for luxury hotels, fine dining, and entertainment as business travelers, investors, and new residents flood the city. Miami is no longer just a vacation spot—it's an economic powerhouse in the making.



MIAMI HOTEL SPOTLIGHT

BULL & BEAR REAL ESTATE

1 Hotel South Beach by Starwood Hotels

1 Hotel South Beach is a luxurious, eco-conscious resort that blends upscale comfort with a deep commitment to sustainability, located right along the sparkling shores of Miami's South Beach. From the moment you walk in, the calming presence of nature surrounds you—think reclaimed wood furnishings, living green walls, and natural stone touches that give the hotel a warm, earthy vibe. With over 400 rooms and suites, each space is thoughtfully designed with organic cotton linens, filtered water taps, and eco-friendly amenities to create a clean, serene retreat for guests. The hotel offers a range of dining experiences, from fresh plant-based meals at Plnthouse to elevated rooftop dining with ocean views at Watr, all made with locally sourced ingredients. Guests can relax by any of the four pools—including a breathtaking rooftop pool 18 stories above the beach—or enjoy a day at the spa, take a fitness class at the 14,000-square-foot gym, or unwind on the private stretch of white sand beach. Whether you're there for a weekend getaway, a wellness retreat, or a beachfront celebration, 1 Hotel South Beach offers a unique experience where luxury and nature go hand in hand.

Developer Overview

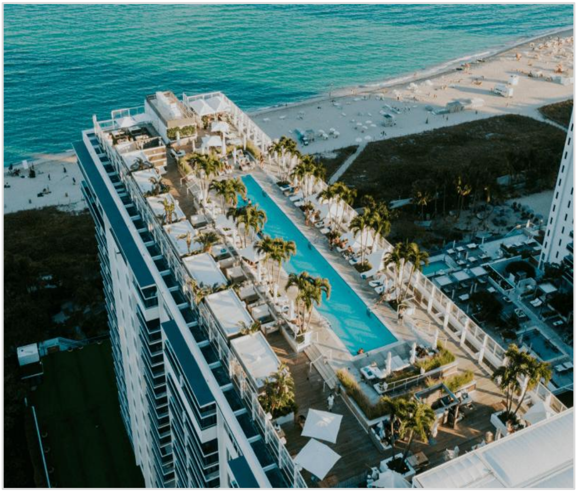
Aerial View – 1 Hotel South Beach

Starwood Hotels & Resorts Worldwide, Inc. was one of the world's leading hotel and leisure companies, known for its upscale international portfolio of distinctive brands. Headquartered in Stamford, Connecticut, Starwood operated nearly 1,300 properties in around 100 countries before it was acquired by Marriott International in 2016. The company was best known for its iconic brands, including St. Regis, The Luxury Collection, W Hotels, Westin, Le Méridien, Sheraton, Four Points by Sheraton, Aloft, and Element. Each brand is catered to a unique segment of travelers, from luxury seekers and wellness enthusiasts to business professionals and adventurers.

Starwood stood out in the hospitality industry not only for its stylish and innovative hotel concepts, but also for its award-winning loyalty program, Starwood Preferred Guest (SPG), which gained a strong following thanks to its generous perks and flexibility. The company was a pioneer in blending design, technology, and lifestyle into its hotel experiences, and it played a key role in shaping modern hospitality standards. Today, although Starwood as an independent entity no longer exists, its legacy lives on through Marriott's portfolio, with many of its original brands continuing to thrive under the Marriott Bonvoy umbrella.

Refinancing & Sale

Aerial View 2 – 1 Hotel South Beach



In October 2015, the asset's ownership group – a combination of SCG, LeFrak, and Invesco – refinanced the asset using a $250 million refinancing loan from Deutsche Bank. In Q1 2019, Starwood Capital Group and LeFrak sold the 1 Hotel South Beach asset for $610 million ($1.42 million per key) just 7 years after their 2012 acquisition. Despite the change in ownership, SH Hotels & Resorts, an affiliate of Starwood, continues to manage the property. Prior to the sale, the asset's ownership undertook a large $300 million renovation of the asset, transforming it into the flagship of the 1 Hotels brand and maximizing the asset's strategic positioning for an eventual disposition.

Sources: Starwood Hotels, Starwood Capital Group, The Real Deal

BBR

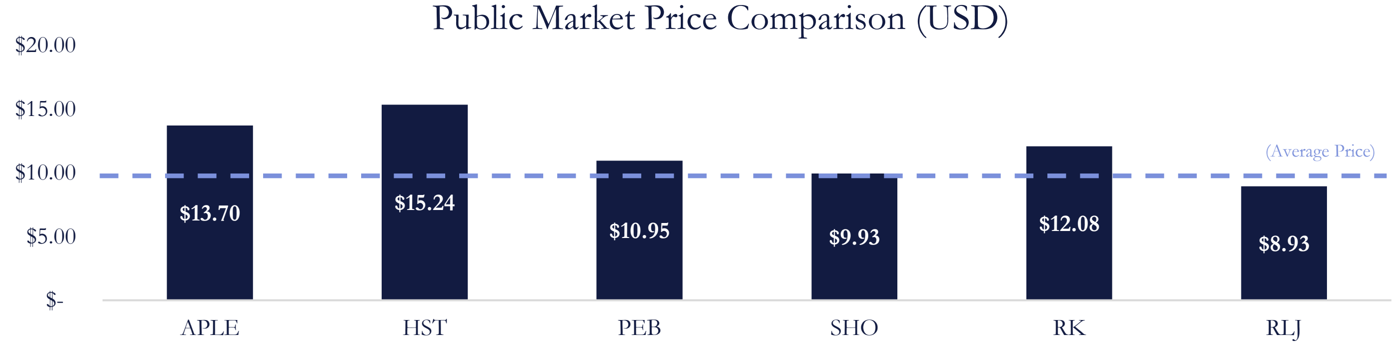
BULL & BEAR RESEARCH

Financial Analysis

PEER UNIVERSE

Logo	Company	Ticker	Description	Price (USD)
	Apple Hospitality REIT	APLE	Apple Hospitality REIT (NYSE: APLE) owns one of the largest and most diversified portfolios of upscale, select-service, and extended-stay hotels in the United States. The REIT owns over 220 hotels across 37+ states, primarily investing in well-known brands under the Marriott, Hilton, and Hyatt flags, spanning over 30,000 guest rooms. The firm is led by President & CEO Justin G. Knight and CFO Liz Perkins at its Richmond, VA headquarters.	$13.70
	Host Hotels & Resorts	HST	Host Hotels & Resorts (NASDAQ: HST) specializes in the luxury and upscale hotel properties in the United States, owning 77 hotels spanning over 42,000 rooms across domestically and in Brazil and Canada. Formerly known as Host Marriott Corporation, the firm rebranded in 2005 after restructuring as a REIT in 1998. The firm is based in Bethesda, MD and employs over 160 acquisition and asset management professionals.	$15.34
	Pebblebrook Hotel Trust	PEB	Pebblebrook Hotel Trust (NYSE: PEB) is a REIT that specializes in acquiring upper-upscale, full-service hotel and resort properties located in or near urban markets in major US cities. The firm owns 46 major hospitality assets with approximately 12,000 rooms. In 2023, the firm strategically completed 7 asset sales, generating over USD 330 million in gross proceeds amidst the turbulent economic environment. The firm was founded in 2009 in Bethesda, MD.	$10.95
	Sunstone Hotel Investors	SHO	Sunstone Hotel Investors (NYSE: SHO) specializes in luxury hotel assets in urban and resort destination markets across the US. Based in Irvine, CA in 1995, the firm owns 19 hotel assets comprising over 7,200 rooms in major and quasi-major US cities. Sunstone went public as a REIT in 2004. The firm is led by CEO Bryan A. Giglia and President and CIO Robert C. Springer.	$9.93
	Park Hotels & Resorts	PK	Park Hotels & Resorts (NYSE: PK) specializes in upscale hotel and resort properties in the US. Established in 2017 as a spin-off from Hilton Worldwide, the firm owns 41 upscale hotels and resorts operating primarily under well-known brands such as Hilton, DoubleTree, and Embassy Suites. The firm's leadership has affirmed their desire to capitalize on the industry's recovery, strategically benefitting from record travel numbers in 2024.	$12.08
	RLJ Lodging Trust	RLJ	RLJ Lodging Trust (NYSE: RLJ) is a self-advised, publicly traded REIT specializing in acquiring premium-branded, focused-service, and compact full-service hotels across the United States. Based in Bethesda, MD, the firm's portfolio includes hotels operating under Marriott, Hilton, and Hyatt brands, primarily in densely-populated and urban areas. The firm was founded in 2000 by Thomas J. Baltimore as RLJ Development and was restructured in 2011.	$8.93

Public Market Price Comparison (USD)



Sources: Bloomberg, Yahoo Finance, MarketWatch, Morningstar

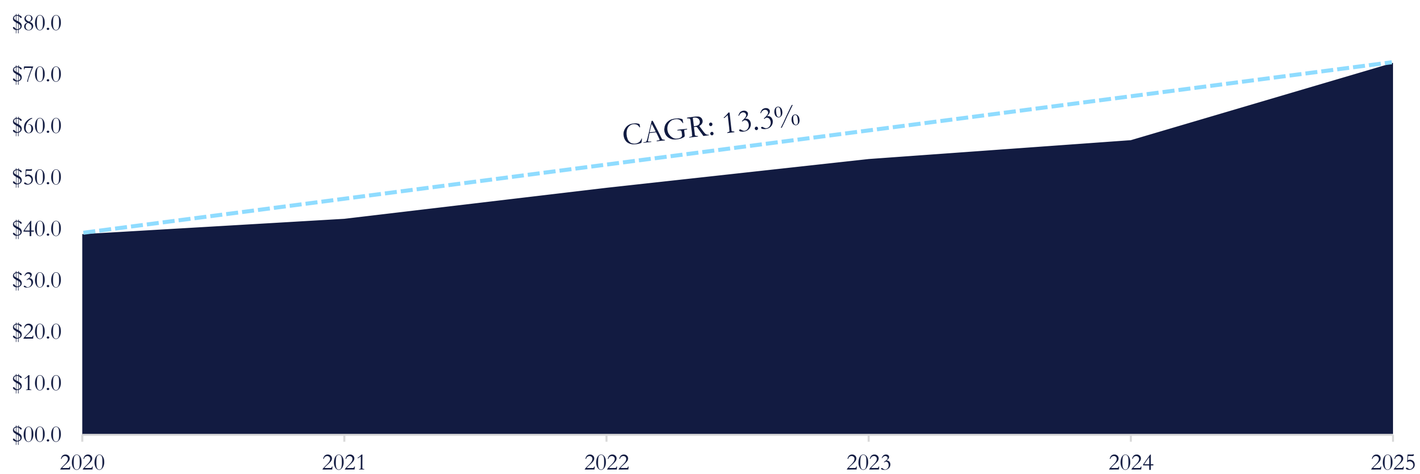
PEER UNIVERSE OVERVIEW

$ in millions of USD (As of Q4 2024)

Company	Mkt. Cap	Enterprise Value	Share Price	TTM		TEV /		EPS	P/E
				Revenue	EBITDA	Revenue	EBITDA		
Apple Hospitality REIT	3,280	4,970	13.7	1,431	483.62	3.48	10.28	0.85	15.93
Host Hotels & Resorts	10,870	16,200	15.3	5,680	1,698	2.85	9.54	0.99	16.06
Pebblebrook Hotel Trust	1,310	3,740	11.0	1,453	306.40	2.57	12.21	(0.25)	7.55
Sunstone Hotel Investors	2,000	3,070	9.9	906	214.29	3.39	14.33	0.75	72.50
Park Hotels & Resorts	2,370	6,830	11.7	2,599	696.00	2.63	9.81	1.56	11.96
RLJ Lodging Trust	1,360	3,700	8.93	1,369	359.46	2.70	10.29	0.29	34.22
Lower	1,310	3,070	8.93	906	214.29	2.57	9.54	(0.25)	7.55
Mean	3,532	6,418	11.80	2,240	626.30	2.94	11.08	0.70	26.37
Median	2,185	4,355	11.35	1,442	421.54	2.78	10.29	0.80	16.00
Upper	10,870	16,200	15.30	5,680	1,698	3.48	14.33	1.56	72.50

The Peer Universe Overview table provides a snapshot of key financial metrics for major publicly traded hotel REITs as of December 13, 2024. Host Hotels & Resorts leads the group with the highest market capitalization ($10.87B) and enterprise value ($16.2B), reflecting its strong industry presence. Meanwhile, Pebblebrook Hotel Trust and RLJ Lodging Trust sit on the lower end, with market caps of $1.31B and $1.36B, respectively. EBITDA margins vary significantly across companies, with Sunstone Hotel Investors posting the highest TEV/EBITDA multiple (14.33x), signaling potential investor confidence in its earnings growth. Conversely, Pebblebrook has the lowest P/E ratio (7.55x), possibly indicating undervaluation or weaker profit outlook. The mean and median figures serve as useful benchmarks, showing that most companies in this space hover around a market cap of $3.5B and an enterprise value of $6.4B. Overall, the data highlights the diversity within the sector, where size, valuation, and earnings potential vary widely based on company strategy, asset quality, and market positioning. This range of financial performance suggests that while some companies are positioned for strong returns, others may face headwinds in generating consistent profitability. Investors evaluating these REITs should consider not only financial metrics but also market trends, operational efficiencies, and property portfolios to determine value.

Global Hotel Investment Volume (USD Billion)



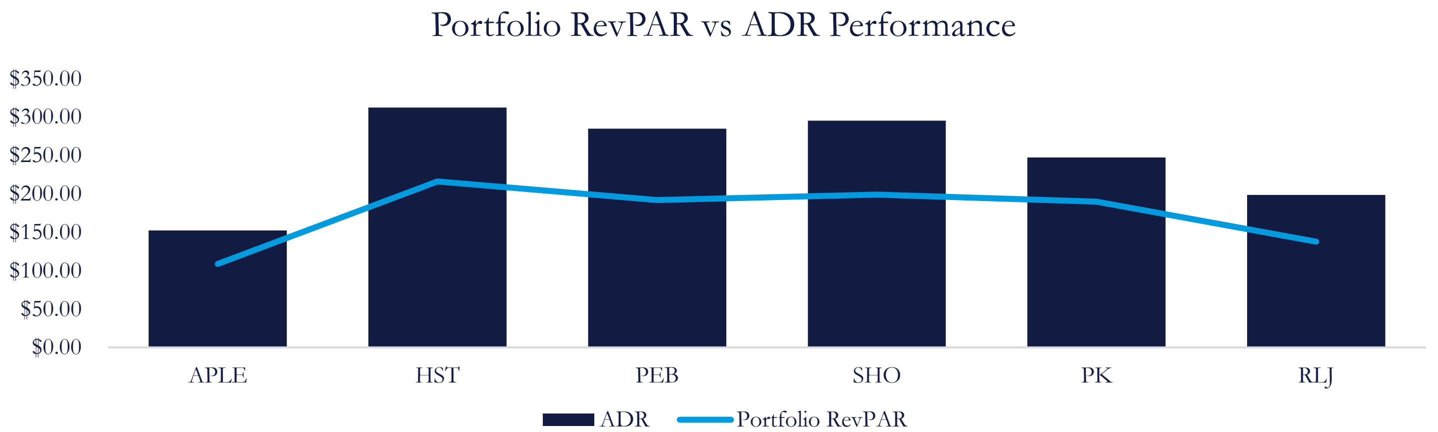
COMPARABLE: BASIC

BULL & BEAR REAL ESTATE

$ in millions of USD (As of Q4 2024)

Company	Occupancy Rate	Number of Assets Owned	Portfolio RevPAR	ADR	Operating Margin
Apple Hospitality REIT	72.0%	220	$108.75	$152.39	15.0%
Host Hotels & Resorts	68.4%	81	$216.06	$312.12	12.7%
Pebblebrook Hotel Trust	61.3%	46	$192.00	$284.59	5.75%
Sunstone Hotel Investors	65.3%	19	$199.07	$295.00	8.62%
Park Hotels & Resorts	75.7%	41	$189.73	$247.08	14.5%
RLJ Lodging Trust	69.2%	96	$137.53	$198.71	10.9%
Lower	65.3%	41	$137.53	$198.71	8.6%
Mean	68.9%	84	$173.86	$248.48	11.3%
Median	68.8%	64	$190.87	$265.84	11.8%
Upper	72.0%	96	$199.07	$295.00	14.5%

Evaluating basic comparable REIT metrics provides a significant degree of insight into core aspects of our peer universe, including portfolio size and total equity performance. Looking at occupancy rates, PK and APLE lead the comparable set at 75.7% and 72.0%, respectively, showcasing steady rental income and operational strength and resilience in the context of their peers. PEB lags significantly at 61.3% given its heavy portfolio concentration in upscale hospitality assets with slower post-pandemic recovery. Moreover, APLE boasts the largest portfolio at 220 assets, underscoring its size and dominance in the REIT space, but also its significant portfolio allocation to less capital-intensive select-service hotels. Importantly, RevPAR and ADR values have trended closely together on a portfolio basis, with HST and SHO leading the pack in per-asset revenue generation. Despite its portfolio size, APLE's $108.75 RevPAR and $152.39 ADR further underscores the quality and price of the assets that concentrate the broader portfolio. Though portfolio sizes lend to investment activity and strength, some of the peer universe's smaller REITs boast a greater volume of high-quality assets. Lastly, a REIT's operating margin – indicative of its ability to generative income efficiently and consistently – is furthermore important to understanding a REIT in the context of its peers. Despite its pricing weaknesses, APLE leads the way at a 15% margin. Despite its portfolio's overall profit generation – which lags because of asset quality – there is no doubt that APLE's portfolio can generate a significant amount of revenue relative to its asset values. Only PEB struggles to showcase strong profitability, a reality underscored by the REIT's troubles recovering following COVID-19.



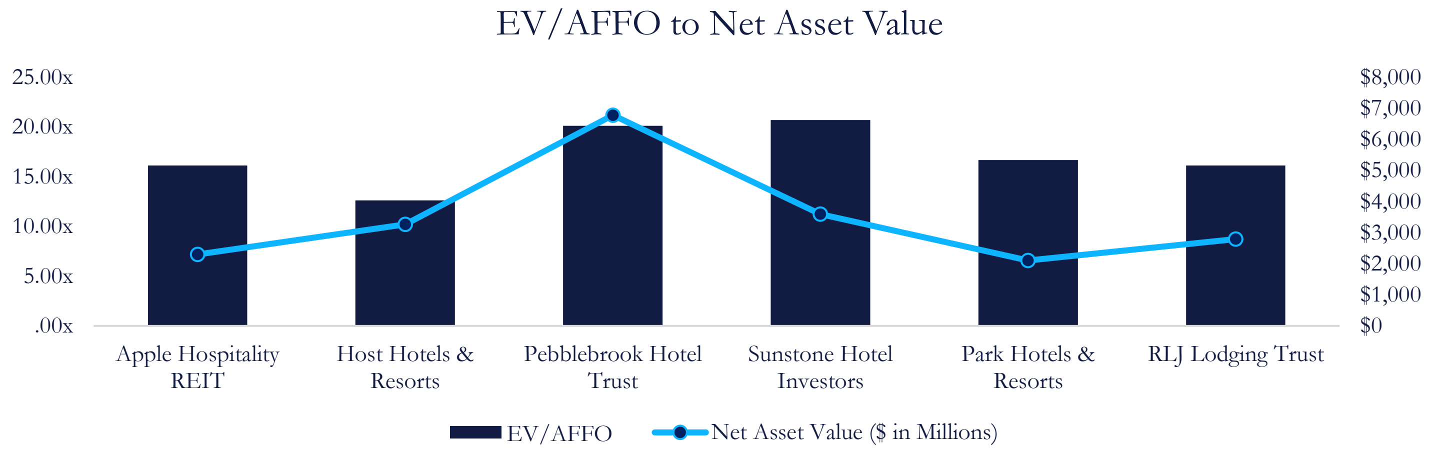
Sources: Bloomberg Terminal, Peer Universe Financial Statements (10K & 10Q)

COMPARABLE: VALUATION

$ in millions of USD (As of Q4 2024)

Company	EV/FFO	EV/AFFO	FFO/Share	P/FFO	P/NAV	NAV[1]	Implied Cap Rate
Apple Hospitality REIT	13.74x	16.12x	1.61x	8.47x	0.59x	$2,298	12.91%
Host Hotels & Resorts	12.61x	12.61x	1.97x	7.67x	1.00x	$3,266	8.32%
Pebblebrook Hotel Trust	17.84x	20.1x	1.91x	5.82x	1.56x	$6,777	7.19%
Sunstone Hotel Investors	22.38x	20.68x	0.74x	13.41x	0.65x	$3,594	4.95%
Park Hotels & Resorts	17.97x	16.68x	1.92x	6.01x	0.95x	$2,104	9.51%
RLJ Lodging Trust	18.13x	16.12x	1.57x	5.68x	0.48x	$2,788	5.71%
Lower	13.46x	15.24x	1.36x	5.79x	0.56x	$2,250	5.52%
Mean	17.11x	17.05x	1.62x	7.84x	0.87x	$3,471	8.10%
Median	17.91x	16.4x	1.76x	6.84x	0.80x	$3,027	7.76%
Upper	19.19x	20.25x	1.93x	9.71x	1.14x	$4,390	10.36%

These valuation ratios provide key metrics used to evaluate the market positioning of various hotel REITs. These metrics are essential to evaluate hotel REITs accurately because they show cash flow efficiency, asset valuation, and investment attractiveness. REITs are accurately valued by using Funds From Operation (FFO) and Adjusted Funds From Operation (AFFO) because they include the depreciation that would otherwise be a large missed non-cash expense. According to EV/AFFO, Host Hotels & Resorts appears to be significantly undervalued compared to its peers. If EV/AFFO is high relative to NAV, such as with Sunstone Hotel Investors, the REIT might be valued more heavily on revenue generation rather the individual assets themselves. FFO/Share is a key indicator of a company's ability to generate higher funds per share. Some REITs, such as Host Hotels & Resorts, vastly outperform others, like Sunstone Hotel Investors, in terms of cash generation. P/FFO is a great indicator of how confident investors are in a REITs ability to grow or operate efficiently. Sunstone Hotel Investors is valued at a significant premium compared to the mean, indicating strong growth opportunities. In contrast, RLJ Lodging Trust is undervalued, which may suggest challenges in generating strong returns. P/NAV indicates how a REIT is trading relative to its asset value. Pebblebrook Hotel Trust trades at the highest premium, likely due to strong assets, prime locations, or better management. A REIT such as Apple Hospitality, may be trading at a discount as a result of low occupancy rates or high expenses. Apple Hospitality REIT has the highest implied cap rate, suggesting strong cash flow but more risk, while Sunstone Hotel Investors has the lowest, indicating low risk and higher-quality assets.



COMPARABLE: LIQUIDITY

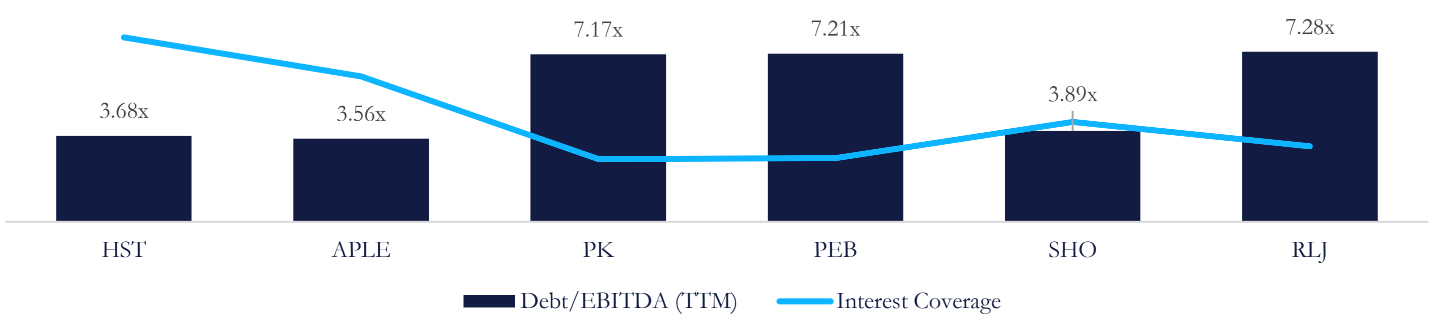
BULL & BEAR REAL ESTATE

$ in millions of USD (As of Q4 2024)

Company	Total Debt	Debt/EBITDA (TTM)	Debt Ratio (TD/TA)	FFO / Total Debt	Interest Coverage
Apple Hospitality REIT	1,594	3.56x	32.07x	4.74%	6.22x
Host Hotels & Resorts	5,643	3.68x	43.25x	24.58%	7.90x
Pebblebrook Hotel Trust	2,568	7.21x	45.10x	8.97%	2.73x
Sunstone Hotel Investors	853	3.89x	27.46x	17.66%	4.28x
Park Hotels & Resorts	4,066	7.17x	44.38x	9.81%	2.69x
RLJ Lodging Trust	2,339	7.28x	47.90x	9.19%	3.23x
Lower	1,780	3.73x	34.87x	9.02%	5.77x
Mean	2,844	5.46x	40.03x	12.49%	4.51x
Median	2,453	5.53x	43.82x	9.50%	3.75x
Upper	3,691	7.20x	44.92x	15.70%	2.85x

With rising interest rates, evaluating REIT liquidity and leverage is increasingly important. Host Hotels & Resorts (HST) and Sunstone Investors (SHO) stand out for strong liquidity, boasting FFO/Total Debt ratios of 24.58% and 17.66%, respectively—well above the sector median (9.50%). This suggests they generate significant cash flow relative to debt, reducing financial strain. In contrast, Pebblebrook Hotel Trust (PEB) and RLJ Lodging Trust (RLJ) exhibit the weakest liquidity metrics, with FFO/Total Debt ratios of 8.97% and 9.19%, paired with the highest Debt/EBITDA ratios (7.21x and 7.28x, respectively), indicating heavy leverage with lower cash flow efficiency. Apple Hospitality REIT (APLE) and Sunstone have the lowest leverage, with Debt/EBITDA of 3.56x and 3.89x, significantly below the sector median. Their conservative debt structures provide stability, whereas PEB, RLJ, and Park Hotels & Resorts (PK) have ratios exceeding 7.0x, indicating heavier reliance on debt. APLE also has the lowest Debt Ratio (32.07x), showing its lower reliance on debt financing compared to RLJ and PEB, which are the most leveraged. Interest coverage further highlights financial health. APLE's Interest Coverage of 6.22x is well above the median, suggesting strong ability to service debt obligations. In contrast, PEB (2.73x) and PK (2.69x) have the weakest capacity to meet interest payments, reflecting tighter financial constraints. Overall, HST and SHO are best positioned for liquidity, PEB and RLJ carry the most financial risk, and APLE, while maintaining a low-risk leverage profile, faces weaker cash flow coverage relative to its debt obligations. Those with stronger liquidity and lower leverage will be best positioned to navigate an extended high-rate environment.

Debt/EBITDA vs Interest Coverage (TTM)



COMPARABLE: PROFITABILITY

$ in millions of USD (As of Q4 2024). All data LTM, Growth is YoY

Company	FFO	FFO Growth	AFFO	AFFO Growth	NOI	NOI Growth	Profit Margin	Profit Margin Growth
Apple Hospitality REIT	385	5.9%	389	5.9%	467	6.9%	14.9%	12.9%
Host Hotels & Resorts	1,500	4.1%	1,387	1.5%	1,656	1.6%	15.4%	(14.8%)
Pebblebrook Hotel Trust	277	27.6%	204	3.6%	316	11.9%	0.1%	(99.6%)
Sunstone Hotel Investors	151	(22.9%)	163	20.6%	216	(18.7%)	4.8%	(77.8%)
Park Hotels & Resorts	429	(14.7%)	430	(2.1%)	685	4.9%	8.7%	21.4%
RLJ Lodging Trust	215	(0.9%)	242	(0.9%)	336	(0.3%)	4.9%	(13.8%)
Lower	199	(16.8%)	194	0.2%	291	(4.9%)	3.6%	(83.3%)
Mean	501	0.2%	469	5.1%	613	0.9%	7,5%	(28.6%)
Median	331	2.5%	316	2.6%	402	3.3%	6.8%	(14.3%)
Upper	709	11.3%	669	9.6%	923	7.6%	15.1%	6.2%

The selected REITs exhibit mixed profitability and operational efficiency, with profit margins ranging from 15.4% to 0.1%. APLE and HST maintain stable profit margins in the 14-15% range, benefiting from diverse portfolios with strong occupancy rates. However, PEB near-zero profit margin, despite its 27.6% FFO Growth, signals significant cost pressures eroding earnings. Net Operating Income (NOI), a key-measure of property-level profitability, also varies significantly. APLE and PEB experience solid NOI growth (6.9% and 11.9% respectively), indicating improving revenue efficiency. Alternatively, SHO and RLJ face serious declines, suggesting weaker revenue performance relative to operating costs. Importantly, despite a 4.9% NOI growth, PK achieved a 21.4% increase in profit YoY. FFO, the industry-standard metric for REIT cash flow that adjusts net income for depreciation and gain on sale of assets, remains a critical indicator of an REITs financials. SHO leads in AFFO growth at 20.6% while HST and APLE exhibit modest growth (1.5% and 5.9%). However, RLJ and PK both reveal declining cash flow sustainability with negative AFFO growth. From a strategic perspective, HST and APLE exhibit consistent cash flow, occupancy, and profitability in urban hospitality landscapes. While demonstrating high FFO growth, PEB is at risk for margin compression attributed to high expenses. SHOs strong AFFO growth suggests a possible rebound in cash flow, but a decline in NOI that raises concerns regarding stability. Ultimately, the variance in cash flow, profitability, and margin growth highlights the tradeoff between efficiency and profitability within the REIT sector.

BBR BULL & BEAR RESEARCH

Initiating Coverage:

Host Hotels & Resorts (NYSE: HST)

![BBR Bull & Bear Research]

BULL & BEAR RESEARCH

Equity Research
Real Estate | Hospitality
10 April 2025

Host Hotels & Resorts (HST)

Host Hotels & Resorts (HST) is a publicly traded REIT specializing in the ownership and operation of luxury and upper-upscale hotels across the United States and select international markets. The company holds a diverse portfolio of approximately 80 properties with over 45,000 rooms.

Differentiation and Strategy

Host Hotels & Resorts (HST) differentiates itself through a strategic focus on owning and operating luxury and upper-upscale hotels in prime urban, resort, and convention destinations. Unlike many other REITs, HST actively manages its portfolio by acquiring high-performing assets and selling underperforming properties to optimize returns. The company leverages its strong relationships with top hotel brands, such as Marriott, Hyatt, and Hilton, to maintain premium positioning in the market. Additionally, HST prioritizes operational efficiency, reinvesting in property renovations and sustainability initiatives to enhance guest experiences and drive long-term value creation. Furthermore, HST leverages its scale to negotiate favorable management contracts.

Financial Performance

HST has delivered steady revenue growth, driven by strong ADR, occupancy rates, and RevPAR gains. Effective cost management and strategic asset sales have supported margin expansion and free cash flow. The company maintains a solid dividend yield, reinforcing its commitment to shareholder returns while reinvesting in high-growth markets. With a disciplined capital allocation strategy, HST continues to strengthen its financial position and drive growth.

Balance Sheet Operations

HST keeps a strong balance sheet with a large amount of liquidity and an investment-grade credit rating. The company carefully manages debt and can refinance at favorable rates to keep borrowing costs low while maintaining flexibility for new acquisitions and renovations. With a low net debt-to-EBITDA ratio and solid cash reserves, HST is well-positioned to handle both negative and positive market shifts and seize new opportunities. At the same time, it balances dividend payouts with smart reinvestments to drive long-term growth and increase shareholder value.

Recent Acquisitions

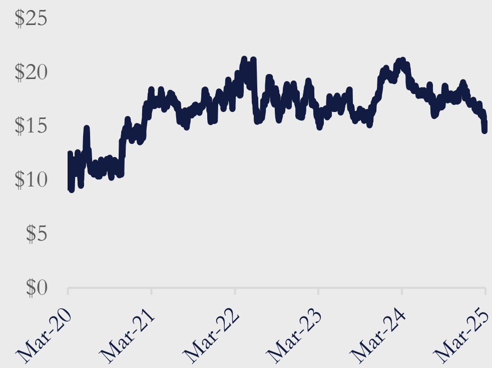
HST has strategically expanded its portfolio with notable acquisitions, including the 1 Hotel Central Park in New York City for approximately $265 million in July 2024. This 234-room luxury property is located near Central Park and Fifth Avenue's shopping district. Additionally, HST acquired the 450-room Ritz-Carlton O'ahu, Turtle Bay on Oahu's North Shore for $680 million.

Outlook

Host Hotels will benefit from strong travel demand, particularly in the luxury and group segments, while focusing on portfolio optimization and financial discipline to drive shareholder value and continue to expand its portfolio.

Stock Rating	**BUY**
BBR Price Target	**$20.00**
Price (3/18/25)	$15.05
Ticker	HST
Exchange	NYSE

52 Week Range	$14.47 - 21.27



Research Team

Ben Rosenberg

Reema Sharma

Nicholas Berg

Max Klinger

Ella Perkins

Multiples

	EQR	**Peers**
P/FFO	7.67x	7.84x
P/NAV	1.00x	0.87x
EV/FFO	12.61x	17.11x

Stock Information

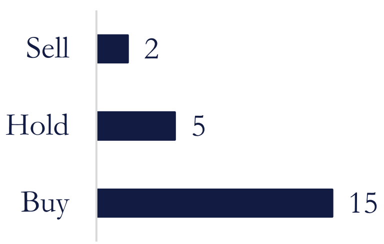
Market Cap (B)	$10.87
Shares Outs. (mm)	699.11
Free Float (%)	98.64
Dividend Yield (%)	5.23

Sources: Bloomberg, Yahoo Finance, Equity Apartments, Business Wire

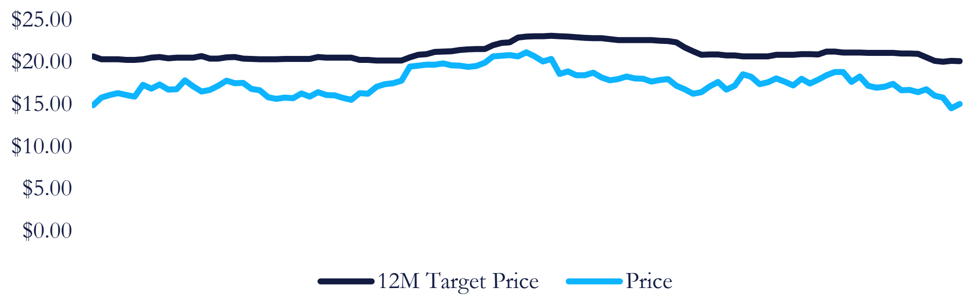
ALTERNATIVE VALUATIONS

BBR R BULL & BEAR REAL ESTATE

Consensus Rating	Price Analysis (3Y, USD)



Average Price Target: $20.11



Firm	Broker	Date	Analyst Rating	Price Target
BBR	Real Estate Coverage	4/7/2025	Buy	$20.00
BMO	Ari Klein	3/02/2025	Outperform	$20.00
Citibank	Nicholas Joseph	3/14/2025	Buy	$19.00
Deutsche Bank	Chris Woronka	2/21/2025	Buy	$22.00
HSBC	Meredith Jensen	2/20/2025	Buy	$21.00
J.P.Morgan	Joseph R Greff	12/13/2024	Underweight	$17.00
Jefferies	David Katz	2/21/2025	Buy	$20.00
RAYMOND JAMES	Richard Milligan	3/12/2025	Outperform	$20.00
WELLS FARGO	Dori Kesten	2/19/2025	Overweight	$20.00

Select Commentary

Deutsche Bank **Rating**: Buy **Price Target:** $22.00

- HST Price Target is based on 12.0x 2026E EV/EBITDA multiple
- Adjusted FFO per share forecast is set at $0.50, based on a RevPAR growth of 4.8% YoY and ADR growth of 3.5% YoY (both increases from 2024Q4)
- FY25 Adjusted EBITDA forecast to $1.594bn, up $42m from prior estimate
- FY26 Adjusted EBITDA forecast to $1.661bn, up $21m from prior estimate
- Risks include a potential slowdown in the post-Covid travel recovery, especially in leisure travel, which could impact HST's resort room rate growth and make these gains less sustainable

Research Team:

Chris Woronka

Steven Pizzella, CFA

Tiana Malhotra

BBR

BULL & BEAR RESEARCH

Initiating Coverage:

Apple Hospitality REIT (NYSE: APLE)

BULL & BEAR RESEARCH

Equity Research
Real Estate | Hospitality
10 April 2025

Apple Hospitality REIT (APLE)

Apple Hospitality REIT (APLE) is a public REIT specializing in the ownership and management of upscale, select-service hotels across the United States. The company owns a diversified portfolio of approximately 220 hotels with over 29,000 rooms, spread across 87 markets in 37 states.

Differentiation and Strategy

Apple Hospitality REIT differentiates itself with its diversified portfolio and its standing as the largest pure-play select-service lodging REIT. Unlike full-service hotels that require extensive staffing and operational costs, APLE's properties are designed to be more cost-efficient while still catering to business and leisure travelers. The REIT's portfolio's heavy weighting toward well-established brands and broad market exposure ensures strong occupancy rates and pricing power. APLE also emphasizes geographic diversification, maintaining a presence in a mix of urban, suburban, and leisure, allowing APLE to mitigate risks associated with regional economic downturns. Additionally, APLE maintains a low-leverage strategy, allowing it to weather economic cycles while continuing to invest in new acquisitions and property enhancements.

Financial Performance

Compared with its peers, such as Host Hotels & Resorts (HST), RLJ Lodging Trust (RLJ), and Pebblebrook Hotel Trust (PEB), Apple Hospitality REIT tends to trade at a relatively attractive price-to-FFO ratio and is known for its strong dividend yield (~7%), making it an appealing option for income-focused investors. While APLE does not have the same level of revenue growth potential as luxury or resort-focused REITs, its stable operating model, cost-efficient hotel portfolio, and strong brand affiliations allow it to generate reliable cash flow.

Recent Acquisitions

In Q2 of 2024, APLE announced its acquisition of the Embassy Suites by Hilton in Madison, Wisconsin, at a substantial investment of $303,000 per room key. This acquisition involved a total of 262 rooms for a total investment of $79.5 million. Situated in a strategic location with proximity to the University of Wisconsin, this addition aligns with APLE's focus on increasing presence within dynamic and profitable markets.

Outlook

APLE presents an optimistic outlook and plans to improve its growth strategy through strategic acquisitions and capital improvements. The REIT has planned investments of $80-90 million in property renovations to optimize its portfolio. A continued recovery in business and leisure travel will persist, decreasing vacancy rates and driving positive demand. APLE appears to be well-positioned to navigate market conditions and has shown resilience with its operational strategies.

Stock Rating	**HOLD**
BBR Price Target	$**13.00**
Price (3/18/25)	$11.04
Ticker	APLE
Exchange	NYSE

52 Week Range	$13.10 – 16.83

Research Team

Ben Rosenberg

Reema Sharma

Nicholas Berg

Max Klinger

Ella Perkins

Multiples

	APLE	Peers
P/FFO	8.47x	7.84x
P/NAV	0.59x	0.87x
EV/FFO	13.74x	17.11x

Stock Information

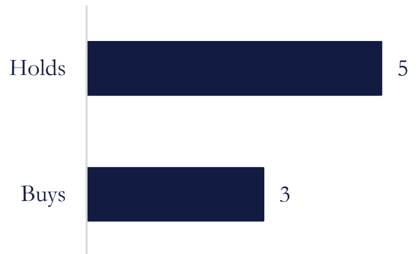
Market Cap (B)	$3.28
Shares Outs. (mm)	239.77
Free Float (%)	88.87
Dividend Yield (%)	7.10

Sources: Bloomberg, Yahoo Finance, Equity Apartments, Business Wire

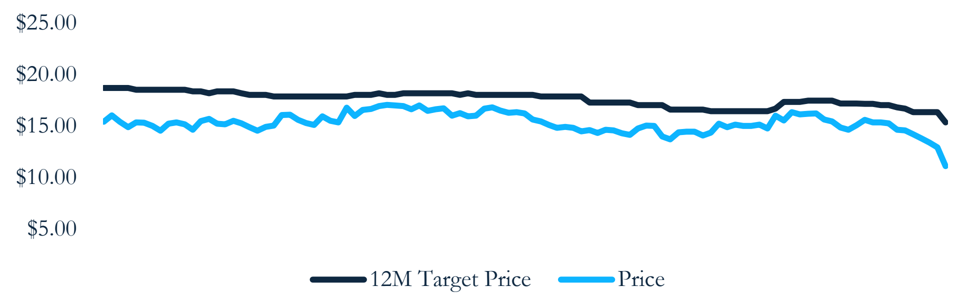
ALTERNATIVE VALUATIONS

BBR | BULL & BEAR REAL ESTATE

Consensus Rating	Price Analysis (2Y, USD)



Average Price Target: $15.00



Firm	Broker	Date	Analyst Rating	Price Target
BBR	Real Estate Coverage	3/21/25	Hold	$13.00
BAIRD	Michael J Bellisario	3/06/25	Outperform	$16.00
WEDBUSH	Jay Kornreich	3/04/25	Neutral	$15.00
BMO	Ari Klein	4/03/25	Outperform	$15.00
Compass Point	Floris Van Dijkum	2/26/25	Neutral	$17.00
WELLS FARGO	Dori Kesten	4/07/25	Equalweight	$12.00

Select Commentary

Baird **Rating:** Buy **Price Target:** $16.00

- Price target lowered to $16 ahead of the company's Q4 earnings release. Baird lowered its 2025 EBITDA and FFO-share estimates by 1% and 2%, respectively.
- RevPAR trends emerging as slower than expected QTD, underscoring potential declines in demand growth across APLE's portfolio.
- Significant capex implementation to support of renovations at major assets (such as the Embassy Suites Madison) may temporarily weigh on APLE's cash flow and occupancy.

Research Team:
Michael Bellisario

Wells Fargo **Rating:** Hold **Price Target:** $12.00

- Strong Q4 performance with revenues and expenses higher than expected
- RevPAR trends in line as January was slightly positive (with headwinds from the Southeast winter storms greater than the tailwinds from LA) and early February RevPAR improved over January
- Plans to acquire Motto Nashville for $98.2 million in 2025, indicating a strategic shift towards high-potential assets

Research Team:
Dori Kesten
James Feldman
Jackson Armstrong

BBR

BULL & BEAR RESEARCH

Private Market Coverage

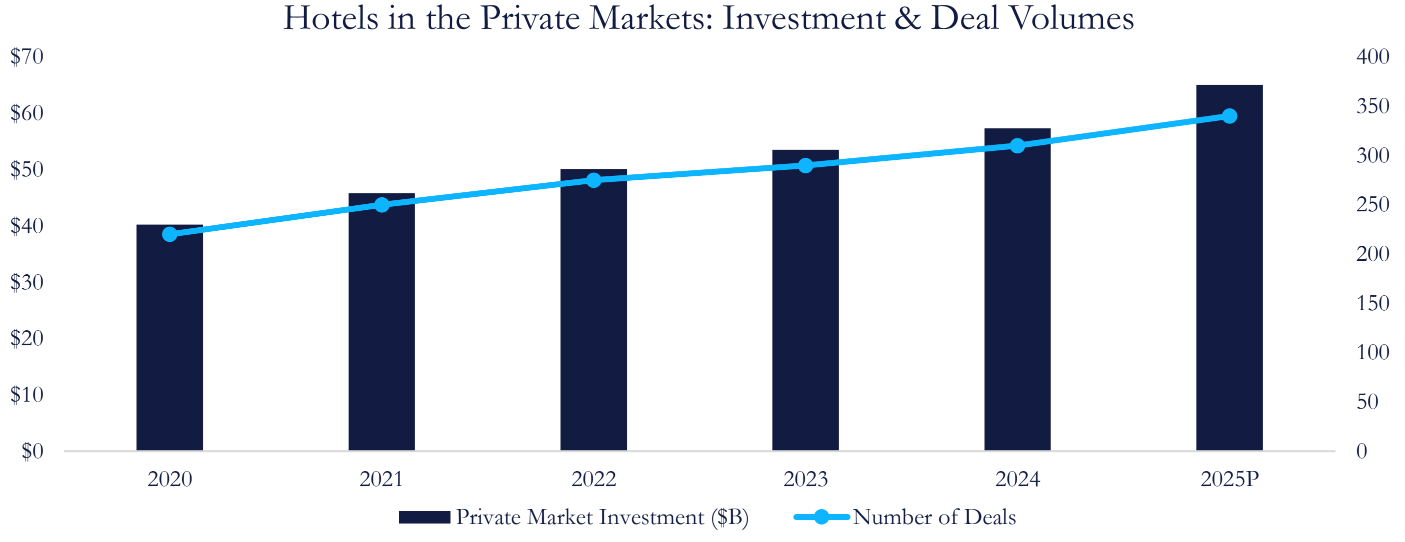
PRIVATE MARKETS OVERVIEW

Dynamics

The hotel and hospitality markets are experiencing macroeconomic volatility, due to varying valuations discrepancies and higher than preferred interest rates. Additionally, tariffs threatening the cost of construction materials has had an impact on the private markets. Private Hotel and hospitality markets are actively financing deals through structured equity rather than debt, and traditional exits via IPOs and REIT conversions are declining. Private equity firms across the market are choosing to extend hold periods rather than sell at a discount. Supply constraints and rising costs are reshaping strategies allowing for more private capital to be implemented into adaptive reuse projects such as hotel conversions and repositioning underperforming assets. One of the most notable examples is The Fifth Avenue Hotel in New York City, a luxury boutique hotel that was converted from a historic office building. The private market will continue to experience volatility in 2025 as macroeconomic uncertainty is leading investors to adopt more cautious capital deployment strategies in the future.

Investment Activity

In 2024, global hotel investment volume totaled $57.3 billion, reflecting a 7% increase from the previous year. However, this remained 17% below historical averages, primarily due to reduced portfolio transactions and smaller deal sizes limiting overall market activity. The U.K. and U.S. saw the most notable activity in 2024. The U.K. experienced a threefold annual rise in investment totaling to over £6.3 billion, a 31% above the ten-year average, driven by significant portfolio deals and a return to pre-covid level activity. The U.S. saw a 20% year-over-year increase in Q4 of 2024 with over 103 major hotel sales totaling to over $3.4 billion. This intense deal volume surpassed all years prior and primarily took place in California and Florida. JLL's Global Hotel Investment Outlook projects a 15% to 25% increase in global hotel investment volume in 2025 compared to 2024, citing the industry's resilience and potential for growth. This growth is expected to be driven by strong leisure travel, increased capital deployment in high-yield assets, and heightened investor confidence in key markets such as the U.S. and U.K.



Competitive Landscape

Driven by changing investor priorities, uncertain market conditions, and risk mitigating strategies, opportunities for private market investment by private equity firms and institutional investors (pension funds, insurance companies, sovereign wealth funds) has become competitive. A recent example of this is Blackstone's acquisition of Extended Stay America for $6 Billion in 2021. Blackstone competed with sovereign wealth funds from the Middle East and Singapore for this acquisition, and many more just like it. Midscale hospitality assets have proven to be one of the most reliable and stable cash flow generators in the post pandemic world. The competitive environment in private markets will intensify for mid-scale, extended-stay, and high cash-flow luxury hospitality assets into 2025.

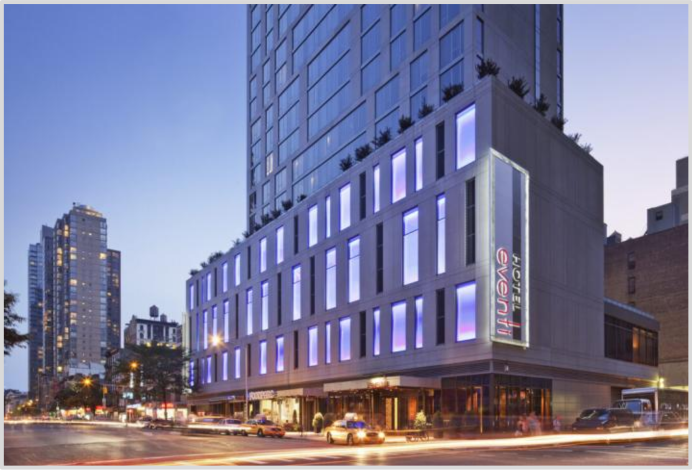
Sources: JLL's Hotels & Hospitality, Goldman Sachs, Financial Times, The Economist, Blackstone

NOTABLE TRANSACTIONS

Kimpton Hotel Eventi	
Date: January 2025	*Price: USD 175 million*
Buyer: The Blackstone Group	*Seller: DLJ RECP*

In January 2025, The Blackstone Group acquired the Kimpton Hotel Eventi from DLJ Real Estate Capital Partners for USD 175 million. The Eventi is a 2010 vintage, 292-room lifestyle hotel in Chelsea, New York City, located near corporate and leisure demand drivers such as MSG, Hudson Yards, and Manhattan West.

This acquisition highlights a further development in DLJ's firm lifecycle. In 2005, Kimpton Hotels & Restaurants was acquired by DLJ Merchant Banking Partners. However, DLJ Real Estate Capital Partners ("RECP") serves as a separate investment platform focused on property-level investments. Though DLJ Merchant Banking owned the Kimpton brand and management company, DLJ RECP continued investing in the real estate – i.e., the physical hotels. DLJ ultimately exited its investment when Intercontinental Hotels Group (IHG) acquired Kimpton Hotels in December 2014 for $430 million, serving as a strong exit for DLJ. Importantly, when IHG acquired Kimpton they purchased the brand, management contracts, and pipeline – not the physical real estate. DLJ retained ownership of some individual hotel assets, such as the Eventi, which continued to operate under the Kimpton flag via long-term partnerships with IHG. Though the post-acquisition path is unclear, it is likely that Blackstone will own the building while IHG/Kimpton continue to provide management



G6 Hospitality | Motel 6	
Date: September 2024	*Price: USD 525 million*
Buyer: OYO	*Seller:: The Blackstone Group*

September 2024 saw the USD 525 million acquisition of G6 Hospitality – the parent company of Motel 6 and Studio 6 – by OYO, a travel technology company based in Gurgaon, India. Blackstone Real Estate's sale brings both G6 Hospitality brands into OYO's fold, strategically furthering its plans to strengthen its hotel ownership foothold in the United States. The broader G6 brand has 1,500 hotel assets in North America, further emulating the significance of this deal.

Looking at OYO's strategic motivations, integrating the G6 brands allows the firm to capitalize on G6's strong brand equity and established consumer base in their target market of expansion. The G6 franchise network generated USD 1.7 billion of annual revenues in 2024, underscoring the opportunity for OYO to strengthen its financial position through diversified revenue streams. Moreover, since its US market entry in 2019, OYO has expanded its portfolio to 320 hotels over 35 states, with over 100 hotels added in 2023. The integration of over 1,500 assets into their hotel portfolio represents the firm's bullish approach to the hospitality sector in the current environment, most specifically in the economy and midscale space.

Blackstone's disposition of the G6 brand came after a 12-year asset hold period. Importantly, the $525 million sale price was a stark decline from the original $1.9 billion paid in 2012 – representing over a 70% drop – primarily because of a dating brand image and COVID-19's long term impact on low-budget hotels.

Sources: Blackstone. Skift, OYO, NPR, Model6 Investor Relations

CAPITAL RAISING OVERVIEW

BULL & BEAR REAL ESTATE

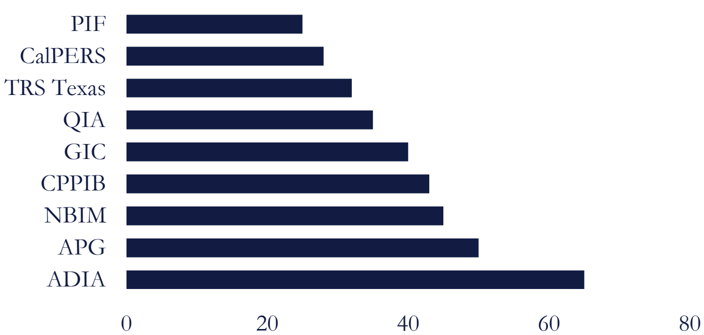
Capital Allocators

Investment capital in real estate derives from a diverse range of investors including high-net-worth individuals (HNWIs) and institutional investors (pension funds, endowments, foundations, sovereign wealth funds (SWFs), and other institutional organizations). Pension funds, most notably the California Public Employers' Retirement System (CalPERS) and Teachers Insurance and Annuity Association of America (TIAA), allocate a significant portion of their alternative investment portfolios into real estate seeking stable, long-term cash flows across a diverse range of investment risk profiles.

Prominent SWFs including the Abu Dhabi Investment Authority (ADIA) and Qatar Investment Authority (QIA) also seek entry opportunities in real estate private equity to diversify their portfolios and hedge against the broader macroeconomic environment and inflation. By the same token, insurance companies such as Prudential Financial, Allianz Real Estate, and MetLife IM also seek value in the ability to generate predictable returns. In the institutional investor category, endowments and foundations also play a significant role. Key players include universities such as Harvard Management Company (HMC) and Yale Investments Office.

Importantly, funds-of-funds investors are some of the most prominent capital allocators. These investment organizations aggregate capital from HNWIs, SWFs, and institutional investors and allocate capital into real estate and private equity via private equity primaries, secondaries, co-investments, and joint ventures (see the previous slide). Major funds-of-funds investors include StepStone Group, LGT Capital Partners, HarbourVest Partners, Partners Group, and Neuberger Berman.

Largest Real Estate Investors ($Bn)



Strategic Advisory

Real estate placement agents serve as strategic advisors and intermediaries in the capital raising process for real estate investment opportunities. Placement agents play a significant role in connecting sponsors (private equity firms and REITs) with investors, ensuring that those seeking capital secure the necessary financing to execute on their investment strategies. The core responsibility of a placement agent is to raise capital and establish relationships, market investment opportunities (both during the primary raise and potential secondary and co-investment opportunities later in the fund life cycle), deal structuring, and general due diligence support.

Leading placement agents in the real estate investment space are the Park Hill Group at PJT Partners, Eastdil Secured, Hodes Well & Associates, Campbell Lutyens, JLL Capital Markets, Lazard Real Estate Private Capital Advisory, and Evercore Real Estate Strategic Advisory.

The Process of Engaging a Placement Agent for Real Estate Fundraising

1. Identifying the need
2. Evaluating Potential Placement Agents
3. Negotiating Terms
4. Developing Marketing Materials
5. Investor Targeting and Roadshows
6. Due Diligence and Closing

Looking ahead in 2025, placement agents are expected to play a central role in fundraising and advisory as real estate fund allocations continue to trend positively.

CAPITAL ENVRIONMENT

BBR R BULL & BEAR REAL ESTATE

Navigating Uncertainty

Over the past year, hospitality fundraising has felt the full impact of rising interest rates and tighter capital markets. With the US Federal Reserve and other central banks holding firm on elevated rates to fight inflation, the cost of borrowing has surged, directly affecting the feasibility of many hotel deals. This shift has pushed sponsors to rethink how they structure deals and where they source capital. Traditional debt is no longer as accessible or affordable as it once was, leading GPs to lean more heavily on alternative financing solutions like preferred equity, mezzanine debt, and structured JVs.

Simultaneously, LPs have grown more cautious, especially when it comes to hospitality assets. Hotels are often viewed as higher-risk due to their reliance on operating performance, seasonality, and strong broader macroeconomic conditions. As a result, investors are gravitating toward stabilized or value-add properties in prime markets, while demanding more attractive return profiles to justify the risk. According to the 2024 PERE Fundraising Report, the average time it takes to raise a private real estate fund has climbed to over 22 months—a sign of the growing difficulty sponsors face, particularly those focused on niche sectors like hospitality. In today's environment, successful fundraising depends on more than just a strong pipeline of hotel opportunities. GPs must now be able to clearly communicate risk mitigation strategies, demonstrate operational expertise, and craft capital stacks that balance flexibility with resilience.

Capital Outlook

The capital environment remains challenging as elevated interest rates and tighter lending standards continue to constrain hospitality deal flow. Traditional senior debt is no longer as accessible or cost-effective, forcing sponsors to rethink how they structure transactions. Alternative real estate financing vehicles like mezzanine debt, preferred equity, and structured joint ventures are playing a more prominent role in capital stacks. This shift in capital structure dynamics is reshaping sponsor behavior and informing how deals are evaluated and closed in a slower-moving market.

Looking ahead, sponsors can expect continued caution from lenders and equity partners. Senior debt is likely to remain expensive and limited, leading to increased use of layered capital structures to close funding gaps. LPs are favoring more resilient, cash-flowing assets in prime markets, meaning value-add and development deals will need to demonstrate clear upside and risk mitigation strategies to attract capital. With the average private real estate fund now taking over 22 months to close, sponsors must show not only a compelling pipeline but also operational expertise and adaptability in uncertain market conditions. Flexibility in financing, transparency with investors, and an emphasis on downside protection will be critical to navigating the capital landscape in 2024 and beyond. As the macroeconomic picture continues to evolve, those who can balance resilience with innovation will be best positioned to secure capital and scale opportunities in the hotel real estate space.

Real Estate PE Capital Stack

1	Senior Debt
2	Mezzanine Debt
3	Preferred Equity
4	Common Equity

Example Capital Stack in a $100M Hotel Deal:

Capital Type	Amount	% of Total	Returns
Senior Debt	$60M	60%	5–6% interest
Mezzanine Debt	$10M	10%	10–14% interest
Preferred Equity	$10M	10%	8–12% preferred return
Common Equity	$20M	20%	15–25%+ IRR potential

Sources: CoStar, Statista, JLL

ALTERNATIVE STRATEGIES

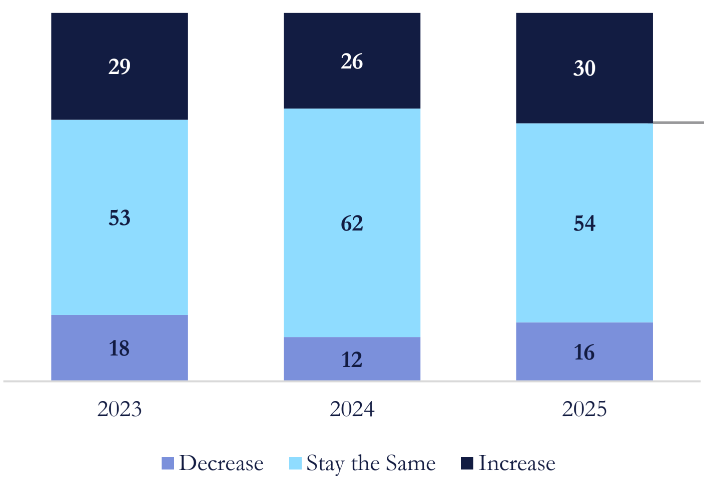
Primaries

Primaries refer to direct capital commitments made by institutional investors–such as pension funds, endowments, or sovereign wealth funds—into private real estate funds at their inception. These funds are typically closed-end vehicles that pursue opportunistic or value-add strategies, focusing on acquiring, operating, and repositioning hospitality assets. Not only do primary investment allocations allow investors to access off-market hotel assets and benefit from experienced asset management teams, but they're also able to offer diversification benefits by reducing exposure to market volatility. In the current market, the post-COVID rebound in travel and tourism has sparked investor interest in hospitality-focused funds. Many of these funds are targeting undervalued properties, particularly in urban markets heavily impacted by the pandemic.

Secondaries

Secondaries within the hospitality sector involve the purchase of existing investor commitments in private real estate funds, rather than investing at the fund's inception. These transactions allow buyers to gain exposure to hospitality assets at a later stage in the fund's life cycle, often at a discount to NAV. Unlike primaries, secondaries offer greater visibility into the underlying portfolio, helping investors mitigate blind pool risk and accelerate potential cash flows. In the hospitality market, the key risk lies in pricing—if travel demand softens or valuations are overly optimistic, returns can be squeezed. On the other hand, investors seeking discounted entry into high-quality properties with shorter investment horizons are poised to benefit from the ongoing post-pandemic rebound and increasing global tourism.

LP's Outlook on PE allocation over the next 12 months, % of respondents



Top 3 reasons for expecting increased allocation over the next 12 months

	2025, %	**Increase from 2024**, %
PE outperformance in risk-adjusted returns	63	10
Expected increases in rate of return	62	9
Portfolio diversification	54	7

Co-Investments

Co-investments are usually offered to limited partners in a primary fund when the manager identifies a particularly attractive asset that requires additional capital beyond the fund's allocation. They provide investors with greater control over asset selection, potential for enhanced returns through lower fees, and increased exposure to high-conviction deals. In the hospitality space, this might include landmark hotels, resort redevelopments, or distressed assets in prime locations. While co-investments offer targeted exposure and flexibility, they also carry risks—such as asset-level concentration, operational complexity, and limited diversification. In today's market, co-investments have become especially appealing as managers pursue large-scale hospitality opportunities arising from post-pandemic dislocation, offering investors a chance see profits from recovery investments with strong upside potential.

Sources: Corporate Finance Institute, Investopedia, JP Morgan, CBRE, PERE News, McKinsey

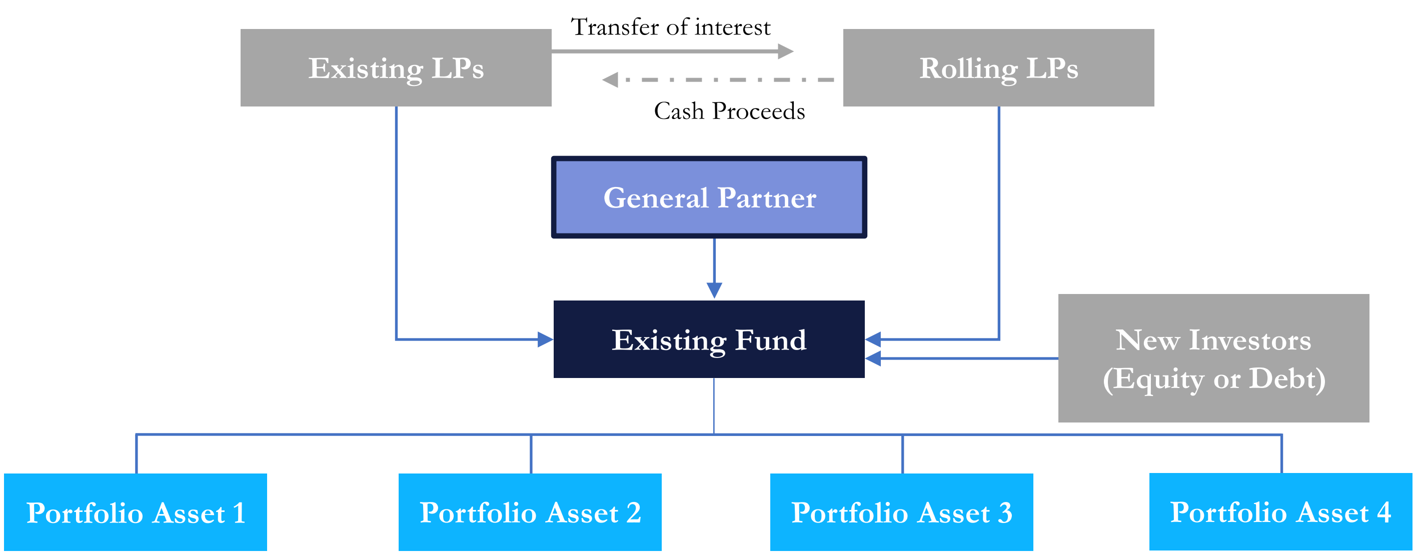
GP-Led Secondaries

Emerging as a transformative force within the private markets landscape, GP-led deals have fundamentally reshaped how sponsors manage liquidity, extend value creation, and fulfill their fiduciary responsibilities to their investors. At its core, a GP-led secondary occurs when a general partner (GP) – the private equity firm managing a fund – initiates a transaction with the goal of providing liquidity to investors and retaining control of an asset or portfolio beyond the fund's life. This structure creates a "win-win" situation for LPs and GPs and creates opportunities for new investors at significant discounts as well. By leveraging the GP-led strategy, managers can align investor interests, ensure a controlled exit strategy, and restructure fund terms to maximize returns. They also introduce a broader pool of institutional capital, allowing GPs to enhance their efficiency and stability in periods of macro uncertainty.

Portobello Capital CV

In November 2024, Portobello Capital, a leading mid-market private equity firm based in Madrid, Spain, announced the closing of a single-asset continuation vehicle ("CV") for its portfolio company BlueSea Hotels & Resorts. CVs are a popular form of GP-led secondary transaction where a GP transfers assets from a fund nearing the end of its term to a new fund, allowing the firm to maintain ownership over the asset for an extended period while offering its investors the opportunity to gain liquidity and exit. The CV provided the fund manager more time and capital to continue executing on its strategy and maximizing its value creation period, such as deploying additional capital expenditures to increase ADRs across the portfolio. Importantly, BlueSea was acquired in 2017 and has since tripled in size, and the execution of a CV signals Portobello's conviction in the asset's continued potential

The Basic Framework of a GP-Led Continuation Vehicle



LP-Led Secondaries

LP-led transactions are another key component of the secondary transaction market. Occurring when LPs seek liquidity by exiting their stakes in funds to secondary buyers, LP-led transactions allow investors to actively manage their portfolios, rebalance allocations, and exit illiquid positions before a fund reaches its maturity – in other words, they provide liquidity to investors that have allocated capital in a highly illiquid investment vehicle. In real estate private equity, this transaction type has allowed investors to adjust their exposures to specific property types, geographic regions, or risk profiles, as well as the ability to exit or acquire positions based on a REPE's conviction based on market cycle or macroeconomic environment. In light of bottlenecked M&A and IPO markets and high interest rates, many fund managers have turned to the LP led strategy to further their interests. In 2024, the LP-led market totaled over $87 billion, representing a 10% CAGR since 2017.

Sources: Portobello Capital, Apollo Global Management, Deloitte

DEBT STRATEGIES

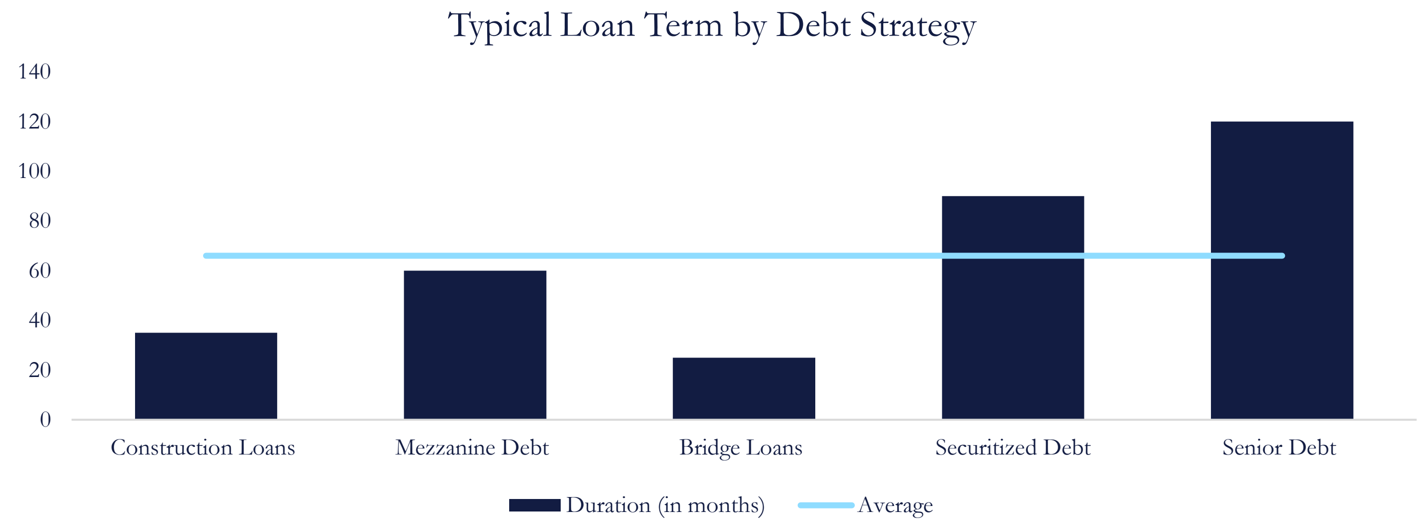
Overview

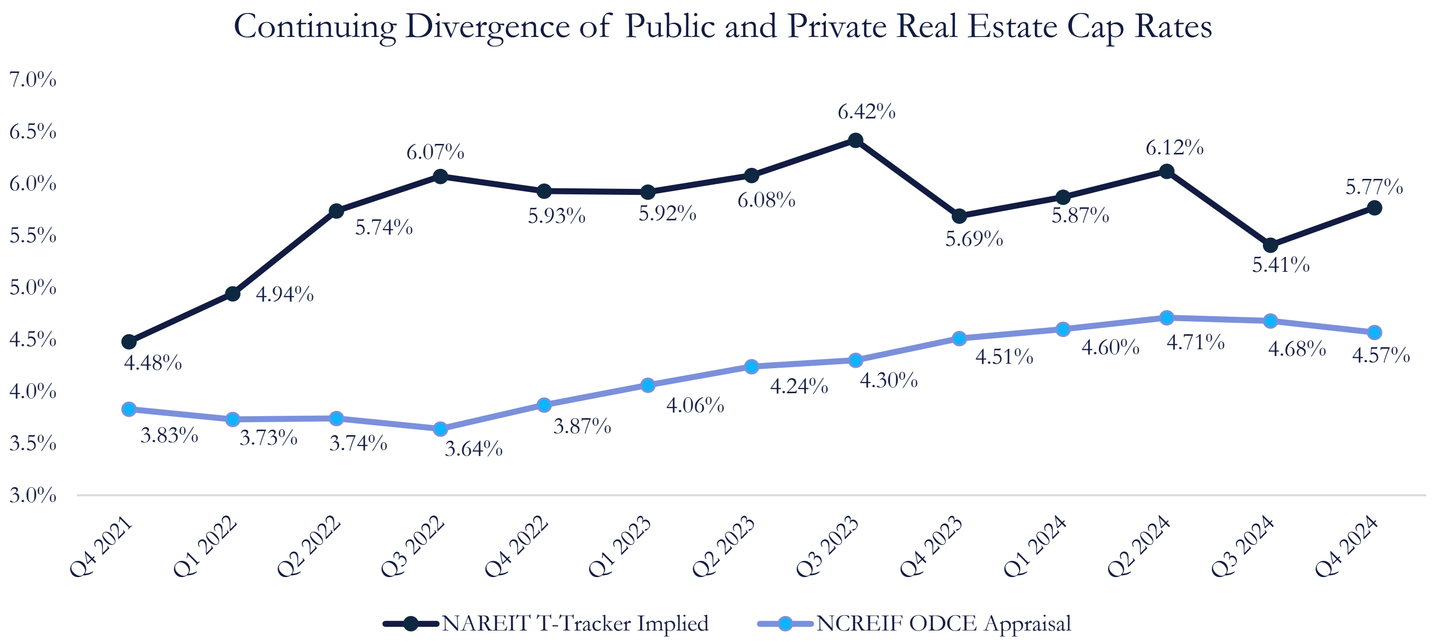
For the past several years, there has been an increase in the number of institutional investors adding real estate debt to their portfolios. In some cases, this is to replace an allocation to traditional fixed income, while in others it is a way to diversify current levels of real estate holdings. Real estate debt differs from traditional fixed income investments in various ways, primarily through collateralization and risk factors. The performance of these investments, usually real estate platforms or specific properties, are tied to its cash flows impacting the value of debt. Meanwhile, traditional fixed income investments are generally linked to the creditworthiness of the borrower. In an environment of evolving capital markets, real estate debt offers investors an opportunity to achieve higher yields while retaining a degree of downside protection through collateral.

Strategies

Real estate debt strategies are often selected not only for their return characteristics, but also for their ability to solve capital needs during an asset's lifecycle. Construction loans are typically employed at the front end of a project, carrying the highest risk, but also the potential for great returns if the asset is sold or restructured. Mezzanine debt allows investors to reduce equity requirements while offering lenders a higher-yielding position. Bridge loans are designed for short-term scenarios, where speed and flexibility are prioritized over a long-term structure. For more stabilized, income-producing assets, securitized debt (like CBMS), provides liquidity and standardized writing for core holdings. Meanwhile, senior debt services as the foundation for the capital stack, as the most secure alternative with the lowest cost of capital.

Strategy	Purpose	Risk	Interest Rate	Return Potential
Construction Loans	Financing for ground up developments or major renovations	High	6-15%	15-25% (High variability based on restructuring and sale terms)
Mezzanine Debt	Subordinated debt to fill the gap between senior debt and equity	High	8-15%	12-20% (Higher due to subordinated nature of loan)
Bridge Loans	Short-term financing for repositioning, lease-up, or acquisitions	Medium	8-14%	10-18% (Returns tied to quick asset repositioning and stabilization)
Securitized Debt	Investments in real-estate backed securities, typically CBMS	Medium	5-10%	5-12% (Lower return potential but more stable and lower risk)
Senior Debt	Primary and most secure form of financing for real estate properties	Low	3-10%	5-10% (Lower return because upscaled is capped in stack)





Market Pricing Analysis & Outlook

The pricing gap between public and private real estate markets is a trend that remains top of mind for many investors. It fluctuates in response to macroeconomic shifts, interest rate environments, and capital flows. Publicly traded REITs are marked to market daily, meaning they react quickly to changes in investor sentiment and broader economic indicators—especially interest rate movements. In contrast, private real estate valuations—often based on quarterly appraisals—are more backward-looking and slower to reflect these changes. This lag creates periods of divergence where REITs appear "undervalued" relative to still-elevated private valuations. The valuation gap peaked at 243 basis points in Q3 2022 as public markets rapidly priced in rising interest rates. A gradual convergence followed, with the spread narrowing to 73 basis points by Q3 2024, approaching long-term averages. However, in Q4 2024, the trend reversed as REIT cap rates rose while private appraisal cap rates declined, causing the spread to widen again to 120 basis points. This renewed gap reflects private market reluctance to adjust valuations since many private investors—still holding dry powder and locked into favorable pre-2022 financing—are hesitant to mark down asset values. This has led to a growing “bid-ask” mismatch, with sellers anchored to past valuations and buyers demanding current market pricing., leading to a slowdown in transaction activity.

In the hospitality sector, the gap has been less extreme due to the sector’s faster-than-expected rebound after COVID-19. Strong travel demand, higher average daily rates, improved occupancy levels, and a rebound in group and business travel have helped sustain hotel valuations. Additionally, the sector’s shorter lease cycles and real-time pricing power have allowed it to adjust faster to inflationary and economic shifts. While more resilient than office or retail, hospitality still faces refinancing pressures, especially for older assets or those with variable debt, making continued convergence worth watching.

> "Appraised values of property assets diverged more from subsequent sale prices for the U.S. than for any other region in our annual study. Such imbalance introduces an element of risk in the U.S. private-equity real-estate model.”
>
> - Jim Costello, MSCI (December 2024)

Sources: Green Street, NAREIT, MSCI

BBR BULL & BEAR RESEARCH

Fund Manager Spotlight

EOS Investors | New York, NY

FUND MANAGER SPOTLIGHT

BULL & BEAR REAL ESTATE

EOS Investors ("EOS") is a vertically-integrated real estate private equity firm focused primarily on hospitality investments. Founded in 2017 and headquartered in New York City, EOS takes a value-oriented and opportunistic approach, targeting high-quality yet underperforming or mismanaged assets with the potential for strategic repositioning and long-term value creation. EOS takes a specialized investment approach by leveraging its industry-leading in-house capabilities across acquisitions, asset management, design, development, construction management, and operations.

Investment Strategy & Focus

Prior to the COVID-19 pandemic, EOS primarily focused on Washington, D.C. due to favorable supply and demand dynamics, and on regional, drive-to resorts such as those in Cape Cod and the Florida Keys. These assets proved to be resilient, even in down markets, as domestic leisure travel rebounded quickly post-lockdown. However, the pandemic caused EOS to reassess its market approach. The firm is now turning its attention toward urban markets that experienced significant cash flow disruptions during COVID and may offer strong recovery upside. A notable example includes EOS's acquisition of Hotel Zoe in San Francisco, purchased at a 50% discount compared to the basis of its comparables, based on the belief that the city's hospitality market will start to rebound and outperform. Importantly, this shift has come hand in hand with a heightened focus on downside protection, with EOS extending its underwriting assumptions from 5 to 7 years to account for prolonged recovery timelines and increased forward-looking uncertainty. EOS also mentioned that its deal teams have allocated more weight to downside projections to ensure preparation for a myriad of unexpected scenarios, a key lesson following the COVID-19 pandemic.

EOS Hospitality:
EOS Hospitality serves as the firm's in-house asset and property management platform, consisting of a highly specialized hospitality team that leads operations at the firm's portfolio assets. EOS leverages this platform in its hotel and resort assets and deploys its capabilities post-acquisition until asset dispositions.

EOS Residential:
Launched in 2023, EOS Residential serves as the firm's in-house platform focused on for-rent and for-sale real estate including multifamily, single-family, and senior and student housing, underscoring EOS' expansion.

The Power of Vertical Integration

EOS' management model follows a vertically-integrated structure, meaning the firm owns, operates, and manages their properties from the ground up, providing a core strategic advantage that differentiates the firm within the hospitality investment space. Unlike most real estate fund managers that might outsource key components of their operations, EOS keeps it all in-house. This structure ensures that the firm maintains tight control over all aspects of its business – in fact, the CEO of the firm's hospitality management platform is part of EOS, reinforcing integration from top to bottom. The firm's vertical integration also provides significant capex discipline. Though the firm's earlier projects ran roughly 20% over budget, EOS subsequently built an internal contracting team to manage capital projects in-house, allowing them to operate with greater budget accuracy and execution consistency. Moreover, EOS' vertical integration ensures brand independence. Over 90% of the firm's assets are unbranded, providing a level of autonomy that allows EOS to avoid costly brand fees and maintain flexibility in design and guest experience.

This freedom enables EOS to tailor offerings to specific markets and provide services that resonate more deeply with their respective target demographics. Largely, EOS' ability to operate its portfolio throughout the entire investment process – from acquisition to disposition – with complete control and oversight provides it with a significant advantage over its competitors.

Robin Bot-Miller
Chief Operating Officer

Sources: EOS Investors

Discipline Amidst Uncertainty

EOS' industry-leading investment capabilities are further underscored by the firm's ability to navigate uncertainty and maintain a disciplined approach to acquisitions, particularly during periods of macroeconomic risk. Particularly, the rising interest rate environment and recession risks have made it more challenging to acquire hotel assets with positive leverage. In response, the firm adopted a conservative acquisition approach, notably making no purchases throughout. This discipline reflects a shift toward more rigorous underwriting, with an increased focus on downside protection. EOS is targeting distressed assets with strong underlying cash flow, such as the William Vale Hotel in New York, which was acquired out of bankruptcy despite complex cross-border financing issues. The firm has also extended its underwriting horizon from five to seven years, reflecting a more cautious long-term outlook. This approach underscores the firm's commitment to disciplined investing, prioritizing long-term value over short-term deal volume and ensuring that their strategic decision-making aligns closely with the fiduciary responsibilities owed to its investors.

EOS Portfolio: Value Creation

The William Vale – Brooklyn, NY

EOS acquired the William Vale Hotel in a $177 million bankruptcy sale as part of a strategy focused on purchasing distressed yet high cash-flowing assets. Despite the property's distressed status, the hotel maintained exceptional cash flow performance, positioning it as an ideal target for EOS's value-driven strategy amid volatile market conditions. The acquisition was particularly complex, involving a nuanced cross-border financing structure tied to an Israeli bond issuance—a situation that had constrained the asset's flexibility and contributed to its financial distress. EOS successfully navigated this intricate capital stack, leveraging the firm's operational expertise – and its vertically integrated platform by deploying EOS Hospitality – to unlock previously unrealized value. Largely, the William Vale deal stands as a prime example of EOS' ability to capitalize on complexity and acquire high-quality hospitality assets through a disciplined, hands-on investment approach.

Big Sur Campground & Cabins – Big Sur, CA

One of EOS Investors' most innovative acquisitions is a campground asset in Big Sur, CA, underscoring the firm's versatility and strength in transforming nontraditional hospitality assets. Branded under *Snow Peak Way* – a collaboration with the high-end Japanese outdoor lifestyle brand – the property reflects a strategic pivot towards alternative types of experiential travel. Leveraging its vertically integrated platform, EOS brought operational discipline and a curated guest experience, transforming the asset completely. The Big Sur asset provided a sense of diversification and style to EOS' broadening portfolio of hospitality assets.

Sources: EOS Investors

BBR BULL & BEAR RESEARCH

Fund Manager Spotlight

Noble Investment Group | Atlanta, GA

FUND MANAGER SPOTLIGHT

Noble Investment Group ("Noble") is a real estate investment manager focused on travel and hospitality based in Atlanta, GA, Founded in 1993, Noble has a three-decade track record of investing over $6.0B in real estate across the United States. Noble's investment strategy focuses on value-add acquisitions and developments of select-service and extended-stay hospitality assets. Since inception, Noble has been led by Founder & CEO Mit Shah.

Investment Strategy & Focus

Noble Investment Group's investment strategy centers around select service and extended stay hospitality, segments that have demonstrated remarkable market resilience during the COVID-19 pandemic. These asset classes showed minimal disruption compared to other segments of hospitality – such as full-service hotels – and provided consistent performance throughout more turbulent periods. Noble aligns its product offerings with trusted and recognizable brands such as Marriott and Hilton, creating platforms using reputations and loyalty programs trusted by consumers. Importantly, the firm continuously evaluates emerging hospitality trends and offerings to ensure their adaptability, but has still chosen to avoid full-service hotel investments, which remain operationally and financially challenging in many markets that have seen lower levels of recovery in the post-pandemic period. Moreover, Noble approaches its hospitality investments with an owner-operator mindset that blends its institutional capital discipline with more hands-on operational oversight and capabilities, a model that has helped the firm avoid defaults on any asset over its rich 30-year history, a track record it attributes to proactive engagement with its lender partners.

Current Trends & Outlook

Looking ahead into 2025, Noble envisions a much more active transaction environment as market participants, having delayed decisions in 2024, are becoming more motivated to sell. Noble is observing distress deriving from fund life issues and estate planning needs, creating opportunities for well-capitalized buyers. However, capital raising remains difficult across the industry, largely due to the delayed return of capital from existing investments rather than a lack of conviction in hospitality as an asset class. While Q1 performance has softened, resulting in pressure on debt yields, Noble remains optimistic about its positioning and sees strategic openings for disciplined investors.

Noble Fund V

Q1 2024 marked a significant milestone in Noble's role as a leading hospitality investor as it held the final closing for Noble Hospitality Fund V LP ("Noble Fund V") at an oversubscribed total of $1.0B. Fund V equity commitments came from a global institutional base, including public state pension plans, endowments, corporate pensions, foundations, insurance companies, and wealth management firms. Since its inception, Fund V has made several key acquisitions: in 2022, Noble strategically acquired 12 hospitality assets, representing a total transaction volume of $400 million. In 2023, Noble also acquired 14 hotels including a 10-asset portfolio, highlighting one of many acquisitions finalized since Fund V's final close in January 2024.

In H2 2022 alone, Noble deployed approximately $135 million, reflecting a period of favorable conditions in terms of deal flow, lender cooperation, and investor confidence. In contrast, 2024 saw a noticeable decline in capital deployment, with only $70 million deployed in total, underscoring the challenges presented by the broader macroeconomic environment during Fund V's investment period. Despite these headwinds, Noble maintains a disciplined investment approach, with the firm continuing to pursue selective opportunities while avoiding forced capital deployment. The various shifts in deployment volumes not only reflect the cyclical nature of the hotel acquisition market, but also Noble's commitment to capital preservation, strategic timing, and investment discipline in its quest to achieve strong risk-adjusted returns for its investor base.

Katie Minnock
Senior Investments Director

Differentiation in Extended Stay Hospitality

Noble Investment Group has carved out a distinct competitive edge in the midscale extended stay segment, combining strategic focus with operational innovation. The firm's vertically integrated structure—including a dedicated in-house hotel development platform—gives it exceptional visibility and control over project execution. This internal capability allows Noble to move with speed and precision in identifying, developing, and scaling extended stay opportunities. The firm is further differentiated through its embrace of prefabricated, prototypical construction methods. By building hotel components offsite and assembling them onsite, Noble dramatically reduces construction timelines—a critical advantage in a segment known for its fast ramp-up and stable cash flows. The firm estimates that this approach can improve return profiles by up to 400 basis points, turning time saved into meaningful economic upside. Though this strategy is still being tested across select projects, Noble's commitment to innovation—combined with its deep brand relationships and operational expertise—positions it as a leader in extended stay hospitality.

This segment has become the core of Noble's conviction, especially in the wake of COVID-19, where extended stay properties significantly outperformed full-service hotels and experienced much less volatility. Noble views this stability as a key differentiator and continues to lean into brands like Marriott and Hilton that complement their longer-stay product strategy. The ramp-up period for midscale extended stay is notably quick, and by reducing construction timelines through prefab execution, Noble not only accelerates time to cash flow but strengthens the firm's ability to remain nimble and disciplined in a changing market.

Extended-Stay Acquisitions

WoodSpring Suites Asset Renderings

In Q3 2023, Noble announced the acquisition of a 10-asset portfolio of WoodSpring Suites hotels located throughout the southeastern United States in markets including FL, GA, SC, TN, and KY, all of which are characterized by positive net migration, job growth, and wage growth. This brand of hotels is a nationally recognized extended stay platform under the Choice Hotels umbrella, offering affordable, apartment-style accommodations designed for longer-term guests, a space that Noble Investment Group has significant conviction. WoodSpring Suites asset rates are typically much lower than traditional hotels, but offer minimal on-site amenities, catering to value-conscious travelers including relocating families, construction workers, traveling healthcare professionals, government employees, and more. This tenant base aligns closely with the firm's focus on stable drivers of demand in the value-oriented, cheaper hospitality segment.

Though Noble has a distinguished history of acquiring extended-stay portfolios, the firm also leverages its deep expertise and development platform to construct its own asset portfolios. In Q4 2022, Choice Hotels – owner of the WoodSpring Suites brand – signed an agreement with Noble to develop up to 9 extended-stay hotels in GA and SC. According to Noble CIO Ben Brunt, Choice Hotels continues to add substantial scale to its extended-stay travel and hospitality platform, creating high-quality, attractive assets that have significantly less operational requirements compared to traditional hotels. Overall, Noble's targeted focus on extended stay—supported by strategic acquisitions, brand partnerships, and development expertise—positions the firm as a category leader in delivering resilient, efficient, and scalable assets tailored to long-term demand.

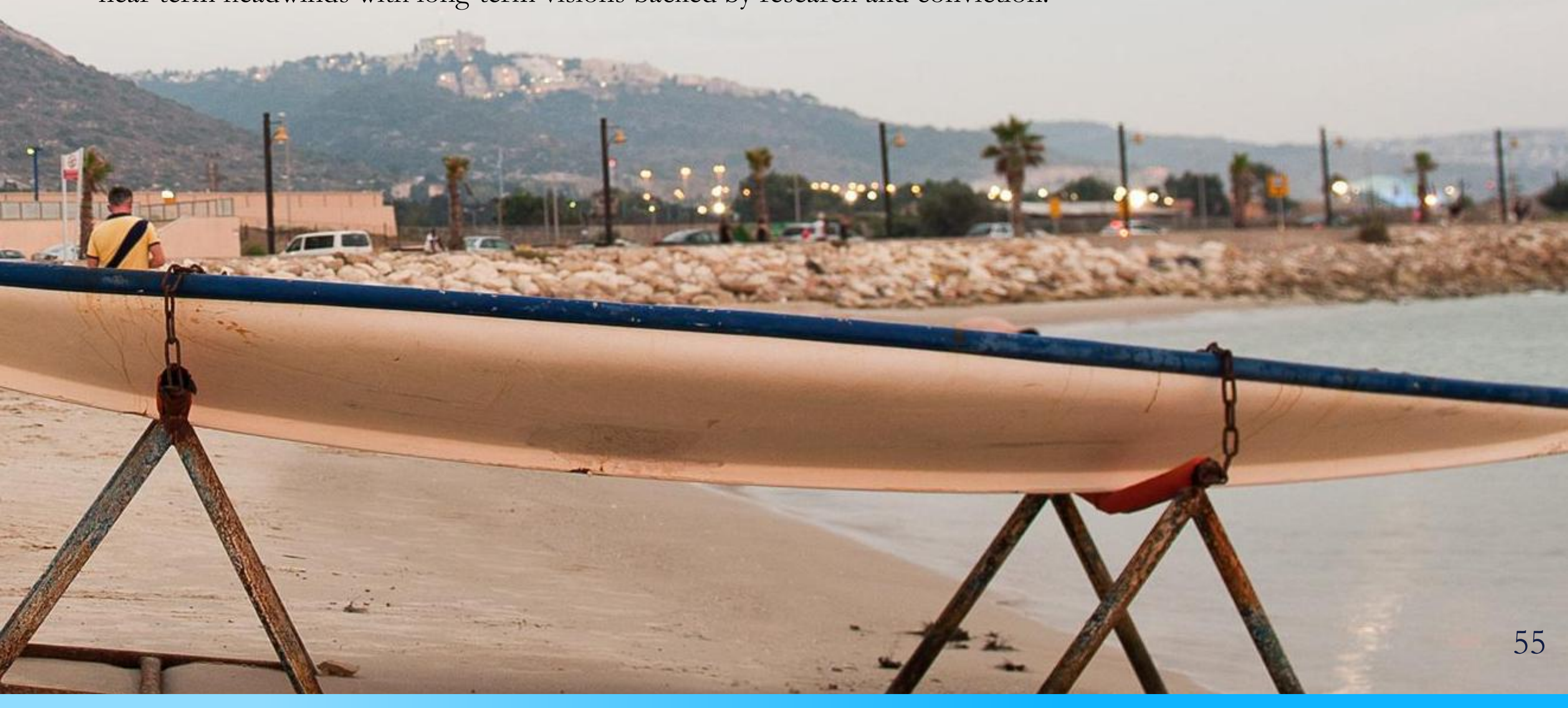
Sources: Noble Investment Group

CLOSING REMARKS

The real estate industry is undoubtedly still reeling from the impact of the pandemic – nonetheless, the hospitality sector has re-emerged as one of the most compelling opportunities in the space, showcasing impressive resilience, adaptability, and long-term growth potential. From surging international travel demand and the increasing importance of experiences to consumers to steadily increasing RevPARs and ADRs in key gateway markets, hospitality assets are increasingly being viewed as durable, income-generating investments.

The BBR Real Estate team is seeing a complete overhaul of the hospitality experience. Global recovery trends, such as international tourism rebounds, the increased adoption of smart technology, and the expansion of lifestyle hotel concepts are emerging as key catalysts for sustained innovation and value creation amongst public REITs and private real estate fund managers. As a result, our team is incredibly optimistic about the direction of the industry and its necessity as a core allocation in investor portfolios. However, the resurgence driving our excitement is not without significant headwinds. Oversupply concerns in key regions such as the US Sunbelt – especially following a period of high construction volume – potentially presents itself as a roadblock for sustained growth. Broader labor shortages and tightening credit conditions also present tangible challenges that investors are being forced to navigate, and in many ways, these challenges are unprecedented. Globally, the impact of significant geopolitical instability in the Middle East and Eastern Europe is sending reverberations far and wide, further complicating the existing challenges of high operational costs and shifting consumer behavior. These factors demand strategic portfolio management and disciplined capital deployment, as well as a growing focus on differentiation to drive much-needed diversification across public and private markets.

Given these challenges, our outlook for the sector is positive nuanced. Though there are plenty of things to keep us excited, there remain countless factors that have the potential to complicate the space. Looking at the glass half full, lowering interest rates and improving debt environments are expected to unlock new opportunities for acquisitions and accretive financing, while strong consumer appetite through international travel is expected to continue driving RevPAR and ADR indicators. On the other hand, the impassioned forces fueling the hospitality sector's resurgence have also introduced volatility and uncertainty in some respects. In this complex landscape that provides little forward-looking visibility, hospitality investors will need to remain agile and dynamically improve and alter their strategies and assumptions to remain competitive. Success in 2025 and beyond will largely depend on future developments in the macroeconomic and financing environment, in addition to investors' ability to balance near-term headwinds with long-term visions backed by research and conviction.



MEET THE TEAM

Ben Rosenberg is a Finance, Global Business Strategy, International Business & Affairs undergraduate student with a minor in Political Science. Ben brings experience from LGT Capital Partners, Springer Capital Management, and Robin Hood Ventures. He also serves as a Director at Northeastern Real Estate Group.

Ben is joining Bain Capital in Summer 2025 as a Public Equity Trading Intern and PJT Partners in Summer 2026 with the Park Hill Real Estate group.

Reema Sharma is an undergraduate student pursuing a degree in Finance with a minor in Data Science. Reema brings experience from Audax Group's Private Debt team, and she currently serves as the Director of Innovation at CASE at Northeastern University after previously serving as a Senior Consultant at Northeastern Consulting Group (NCG).

Reema is joining BlackRock in New York City as a Multi-Asset Strategies and Solutions Analyst in Summer 2025 and Arcano Partners as a Private Equity Analyst in Fall 2025.

Nicholas Berg is an undergraduate student pursing a degree in Economics and Business Administration with concentrations in both Finance and Business Analytics. Nick brings experience from Bank of America Merrill Lynch's Wealth Management team.

Nick is joining Jefferies Group in New York City in summer 2025 as a Fixed Income Sales Support Analyst on the Sales and Trading team.

Max Klinger is an undergraduate student pursuing a degree in Business Administration with a concentration in Finance. He currently serves as an analyst on the Bull & Bear Real Estate Team and brings experience from Franklin Street and Saber Real Estate South.

In 2025, Max will be joining Cushman & Wakefield as a Summer Analyst on the Capital Markets team and will also be joining Northland as a Real Estate Private Equity Co-op.

Ella Perkins is an undergraduate student pursuing a degree in Business Administration with concentrations in both Finance and Marketing. Ella brings experience from Atlantic Retail, a commercial real estate brokerage based in Boston, gaining experience in site selection, market analysis, and tenant representation.

Ella is also a part of WeInvest, a women's venture capital intensive at Northeastern, gaining hands-on exposure to early-stage investing. She hopes to apply this perspective into future work that bridges interests in entrepreneurship, innovation, and the real estate lifecycle.

MEET THE TEAM