



Chicagoland Council of Hotel General Managers Meeting & Networking Event

2020 Forecasting Session

Stacey Nadolny, MAI

(419) 367-3879 | snadolny@hvs.com



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HOTEL COST ESTIMATING GUIDE
2019



Stacey Nadolny, MAI

- Midwest Region Leader
- Industry Articles & Publications
- Speaker & Guest Lecturer
- Expert Witness





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Agenda

Sentiment Survey

National Trends

Demand

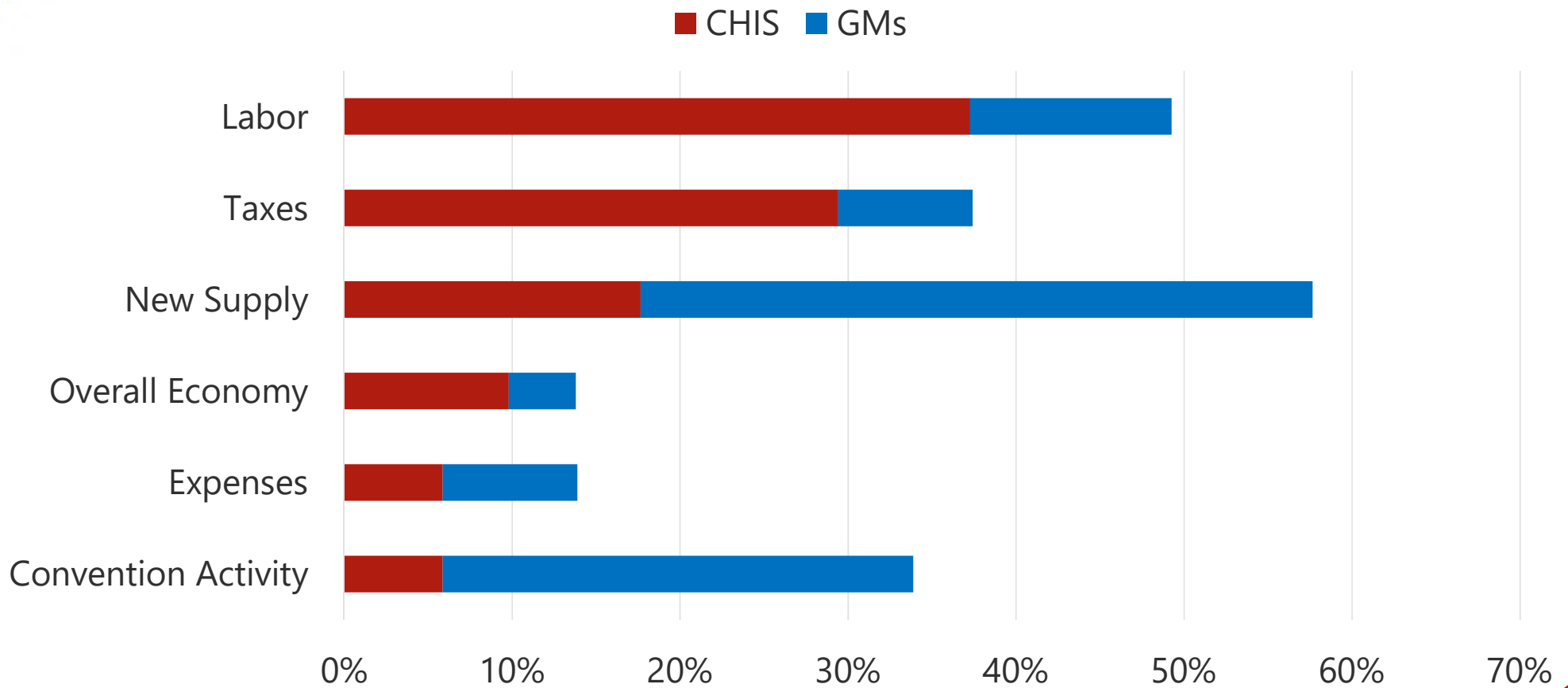
New Supply

Market Forecasts

Property Taxes



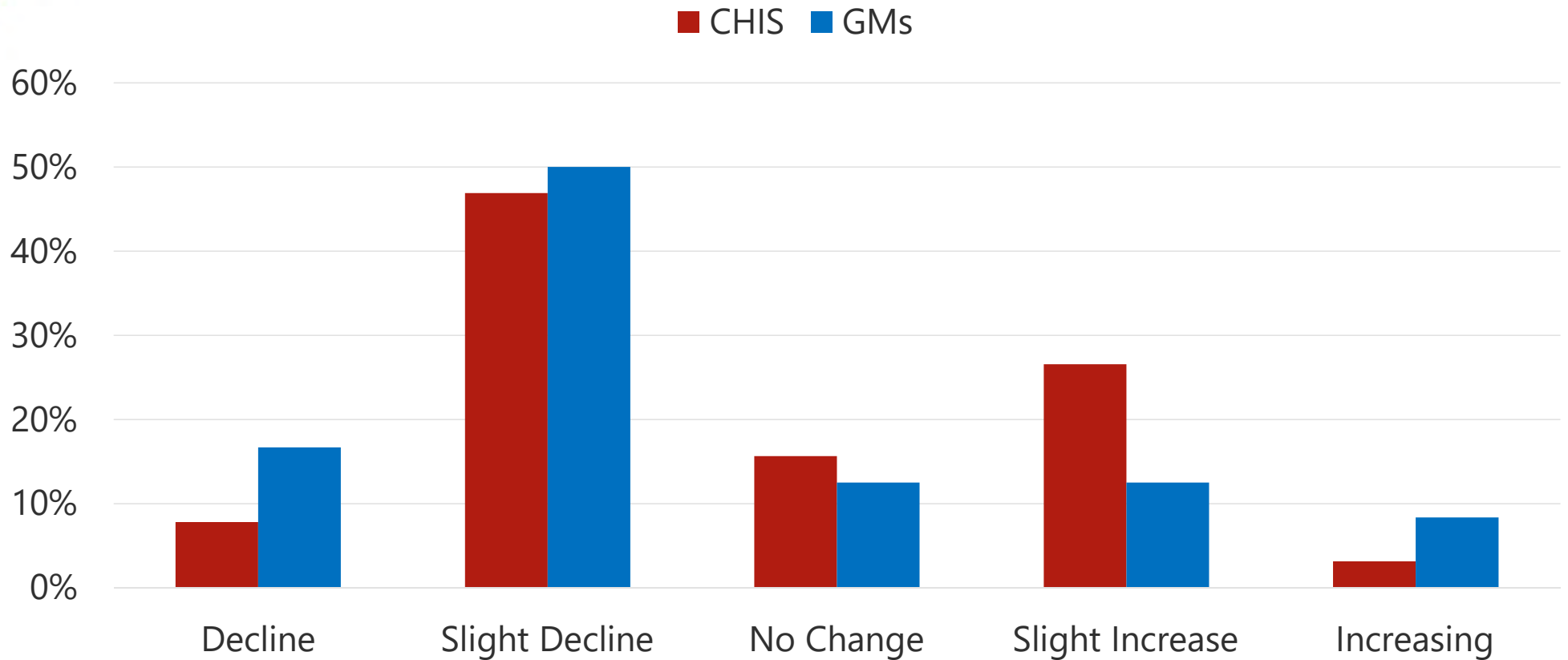
General Managers Survey: Major Concerns



Source: HVS



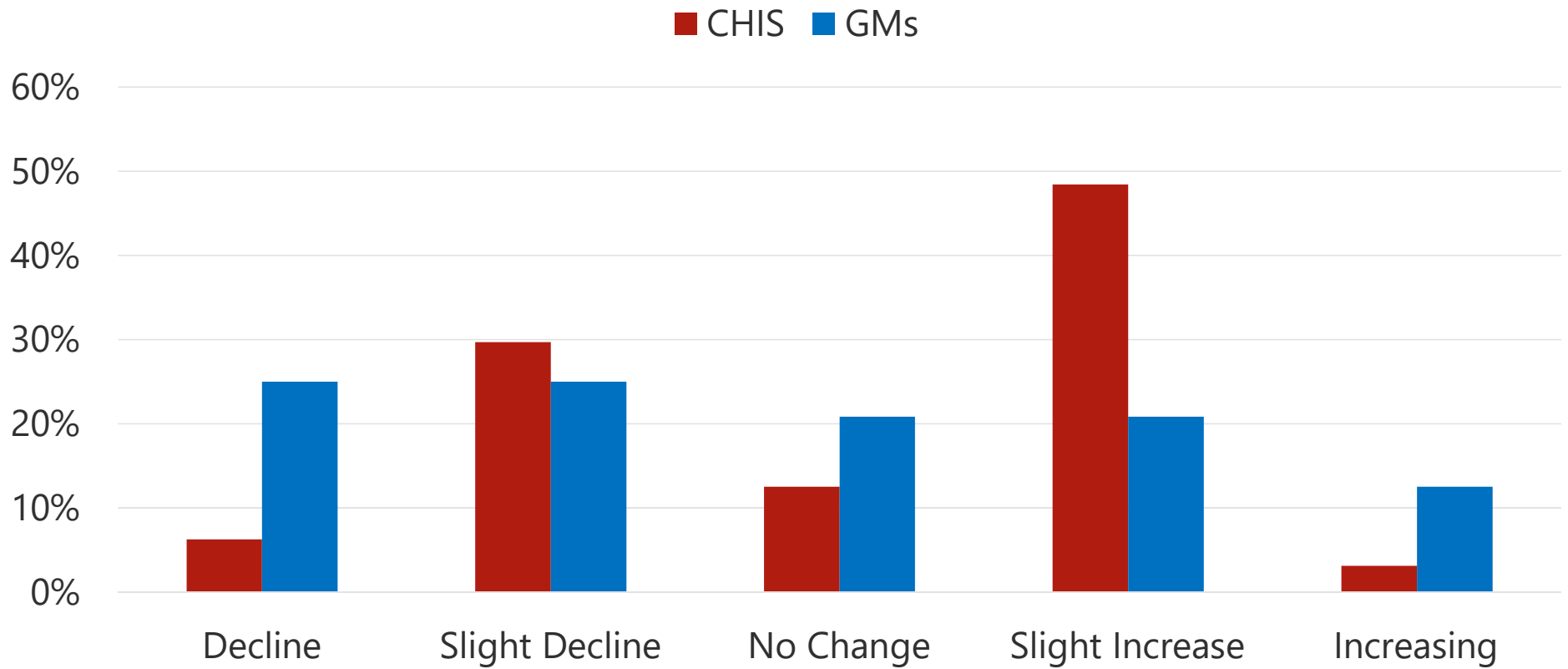
General Managers Survey: Occupancy Outlook



Source: HVS



General Managers Survey: ADR Outlook

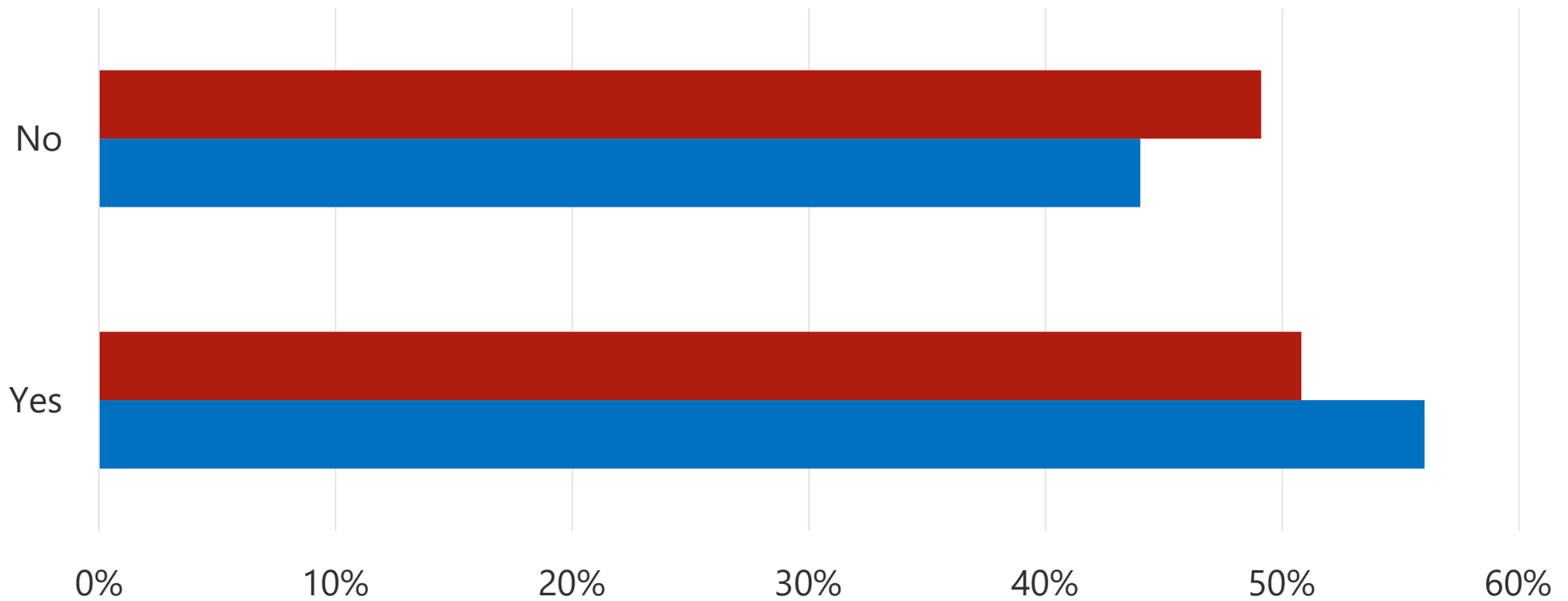


Source: HVS



General Managers Survey: NOI Increase 2019?

■ CHIS ■ GMs



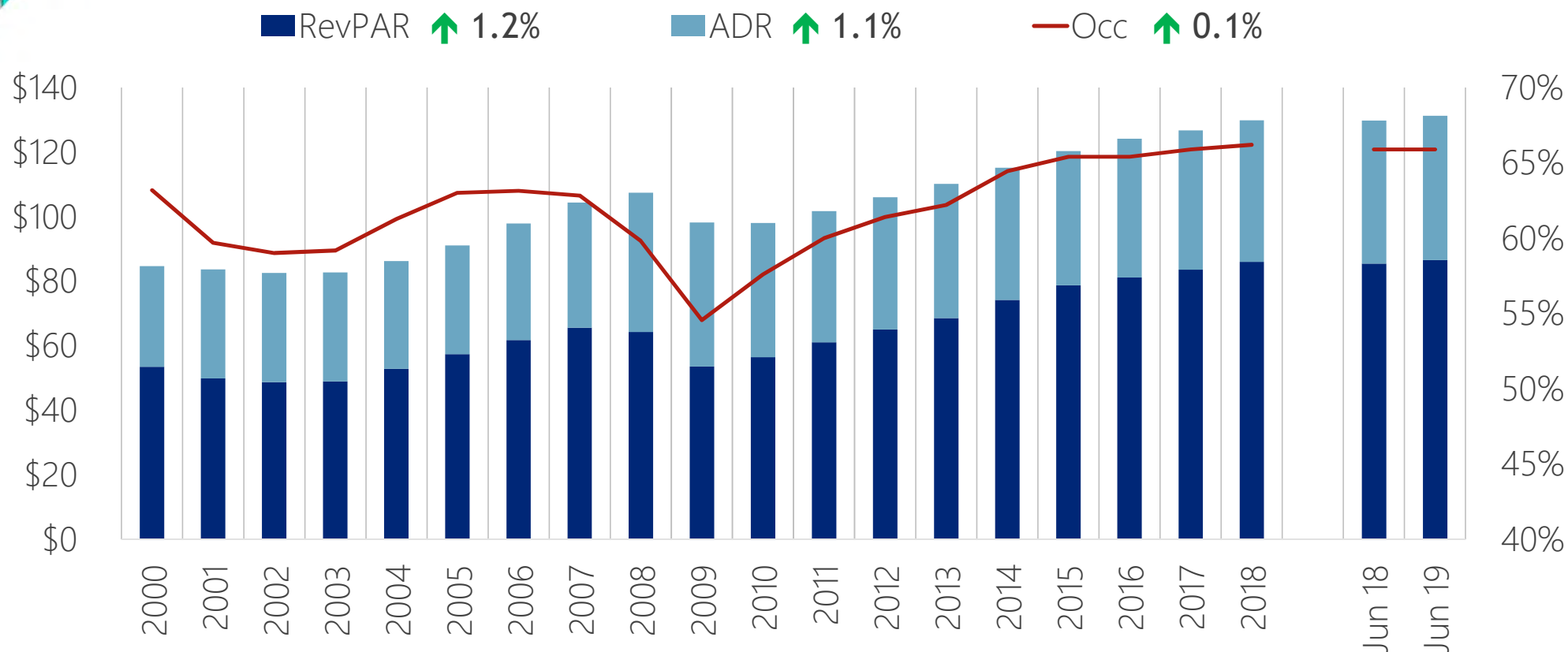
Source: HVS

A satellite image of the United States at night, showing a dense network of city lights across the continent. The lights are concentrated in the eastern half of the country and along the West Coast. The sun is visible on the right side of the image, creating a bright glow and lens flare. The text "NATIONAL TRENDS" is overlaid in the center in a large, white, sans-serif font.

NATIONAL TRENDS



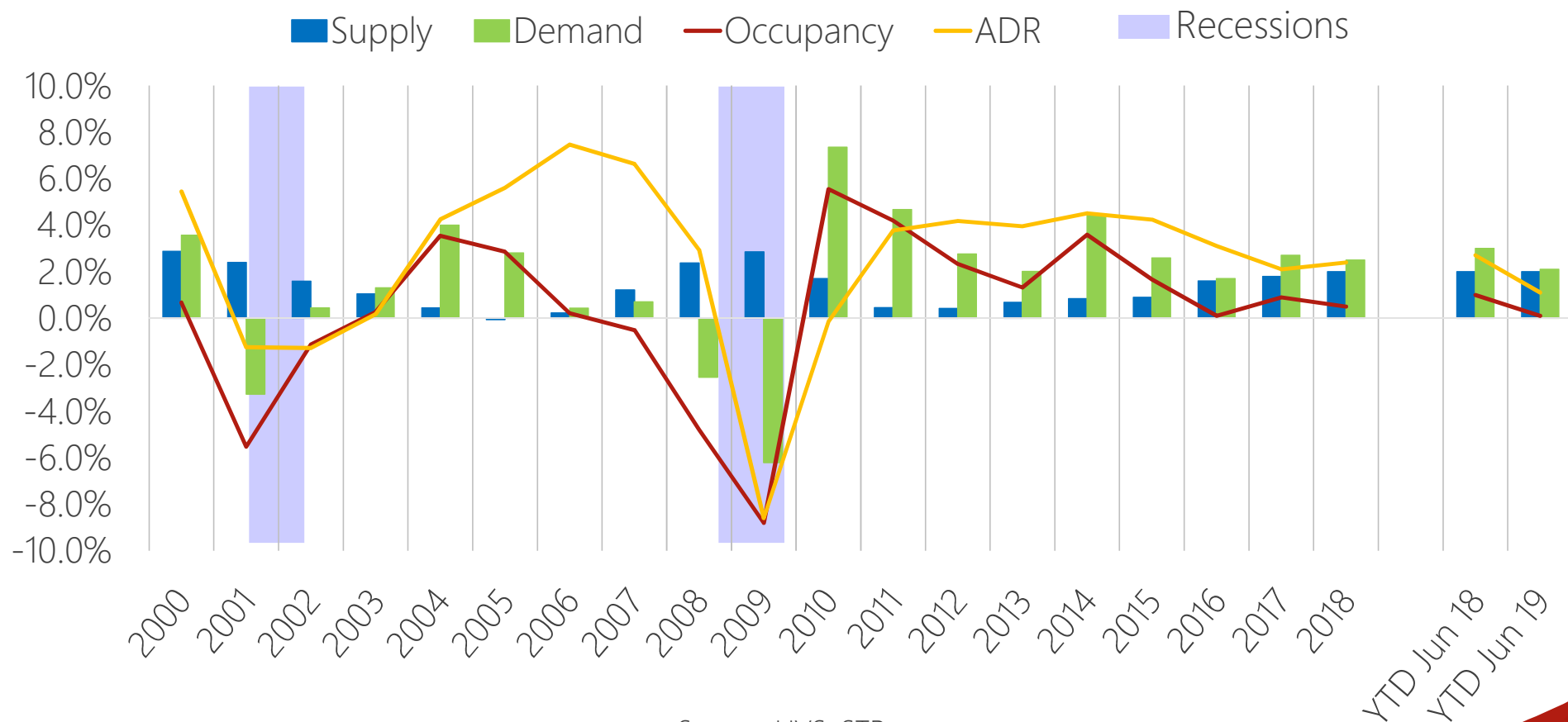
National Occupancy, ADR, and RevPAR Trends



Source: STR



Demand and ADR Decelerated through June; Supply Holds Steady

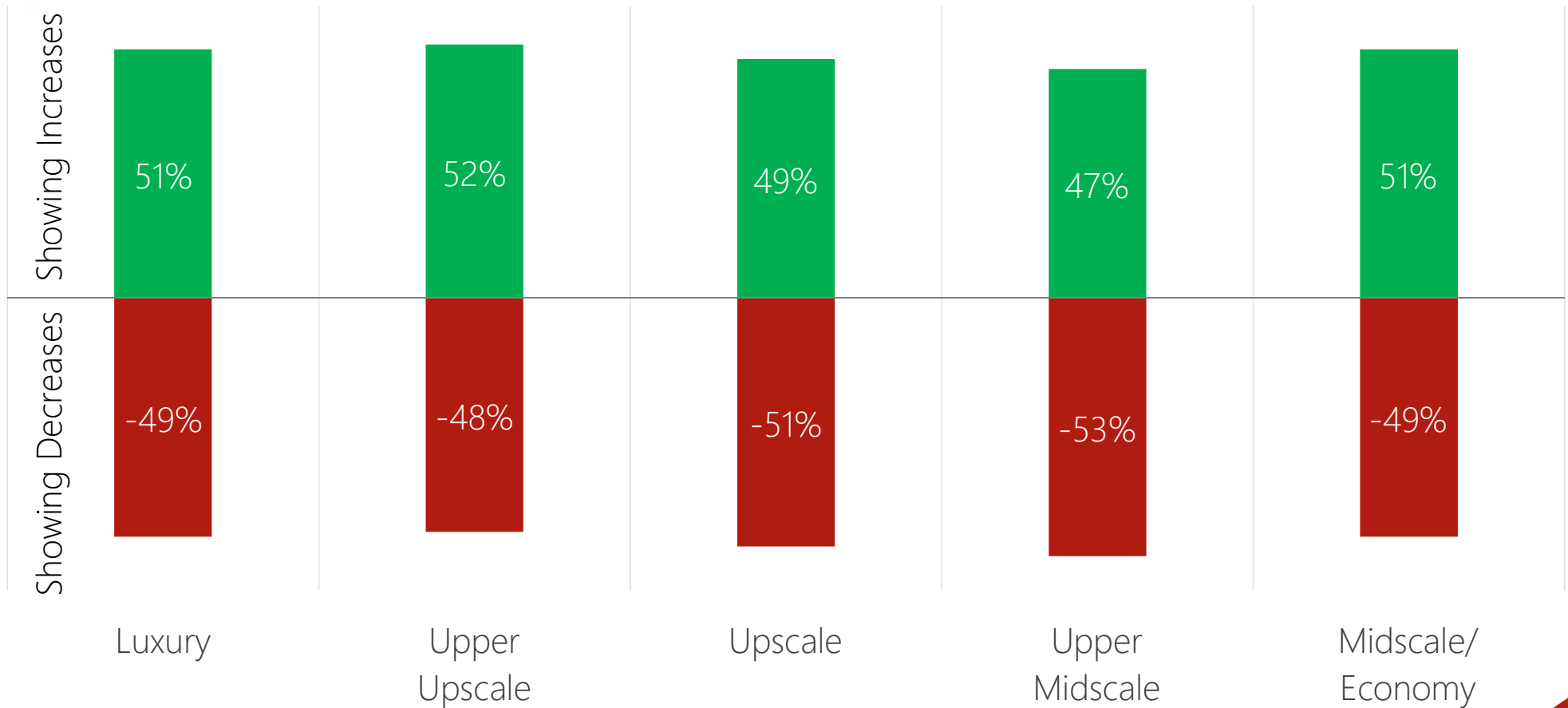


Source: HVS, STR

YTD Jun 18
YTD Jun 19



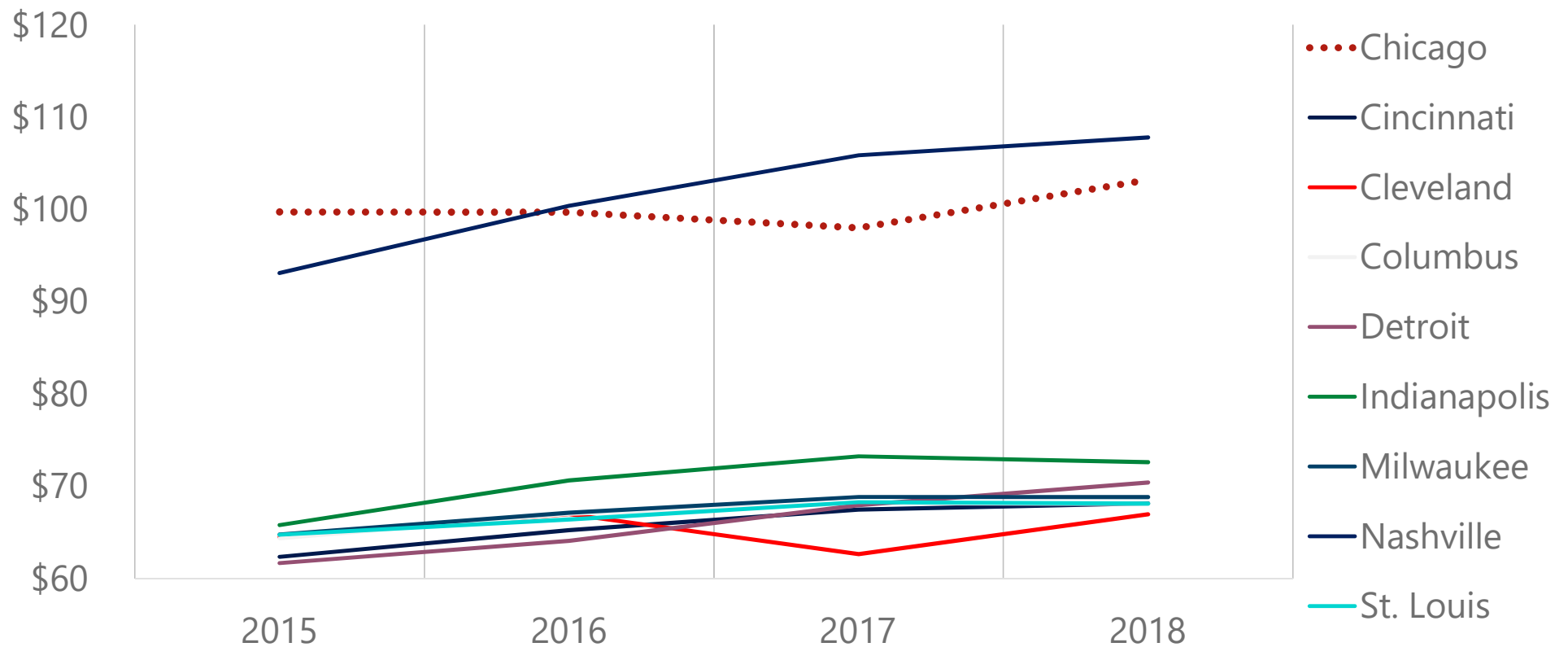
In 2018 >45% of Hotels in U.S. Reported GOP Decline



Source: STR



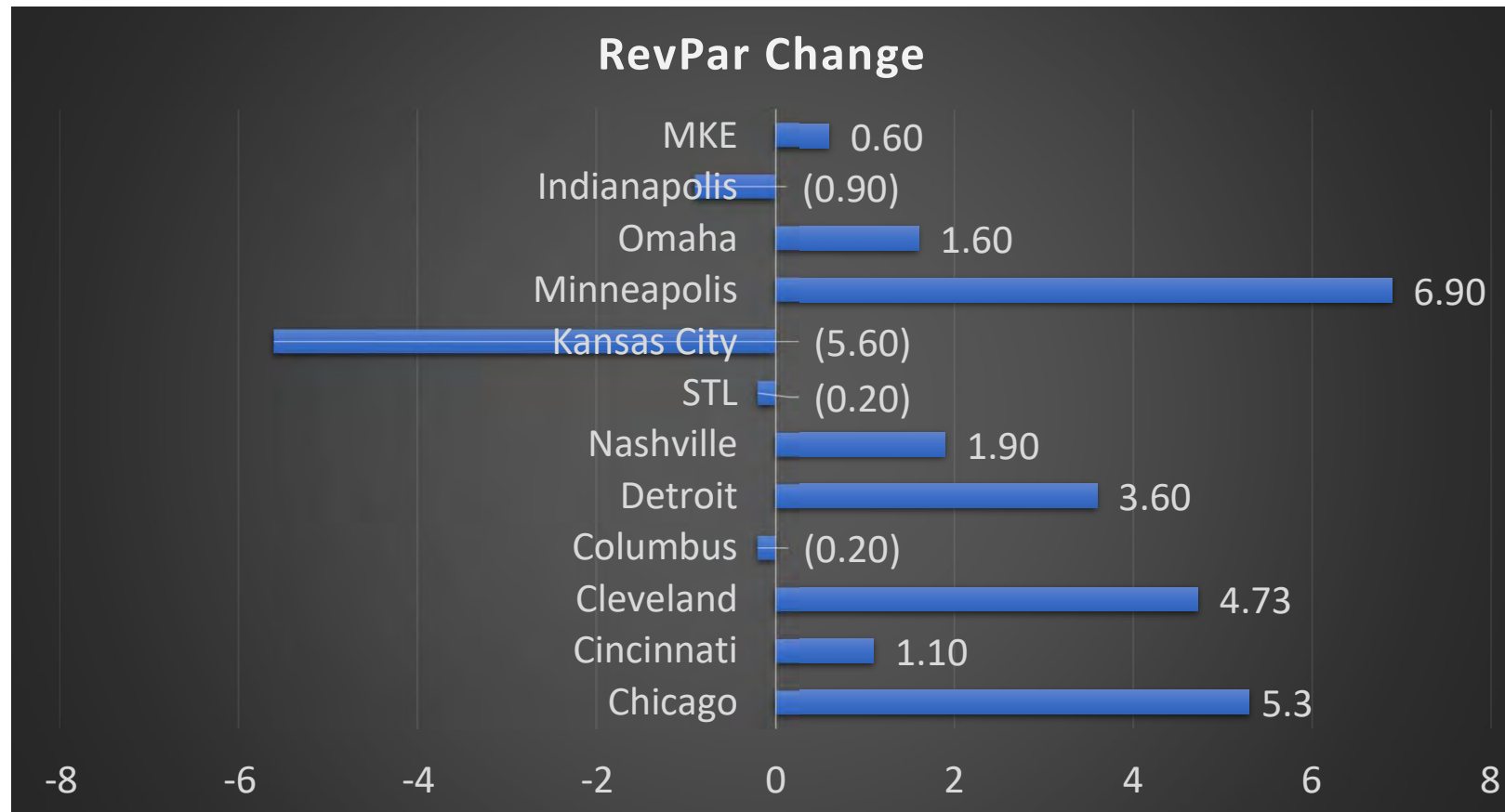
Midwest RevPAR Performance



Source: HVS, STR



Midwest RevPAR Change 2018



Source: HVS, STR



THE NEXT MAYOR OF CHICAGO

LIGHTFOOT IN A LANDSLIDE

FIRST AFRICAN-AMERICAN WOMAN ELECTED TO LEAD CHICAGO
CITY IS LARGEST WITH OPENLY GAY MAYOR AFTER HISTORIC VOTE



Cook County Assessor's Office
Fritz Kaegi, Assessor

We have new leadership!



Rising Costs

In 2018:

- Union Labor Strike
- Record Unemployment

In 2019:

- Minimum Wage Increase
- Fair Workweek
- Property Tax Increases Under New Assessor

An aerial night view of a city skyline, likely New York City, showing numerous skyscrapers and city lights. The text "What makes our market tick?" is overlaid in the center.

**What makes our
market tick?**



Walgreens

Top Employers

Northwestern University

Walmart

Amazon.com Inc.

Northwestern Memorial Healthcare

Advocate Healthcare

Presence Health

United Airlines

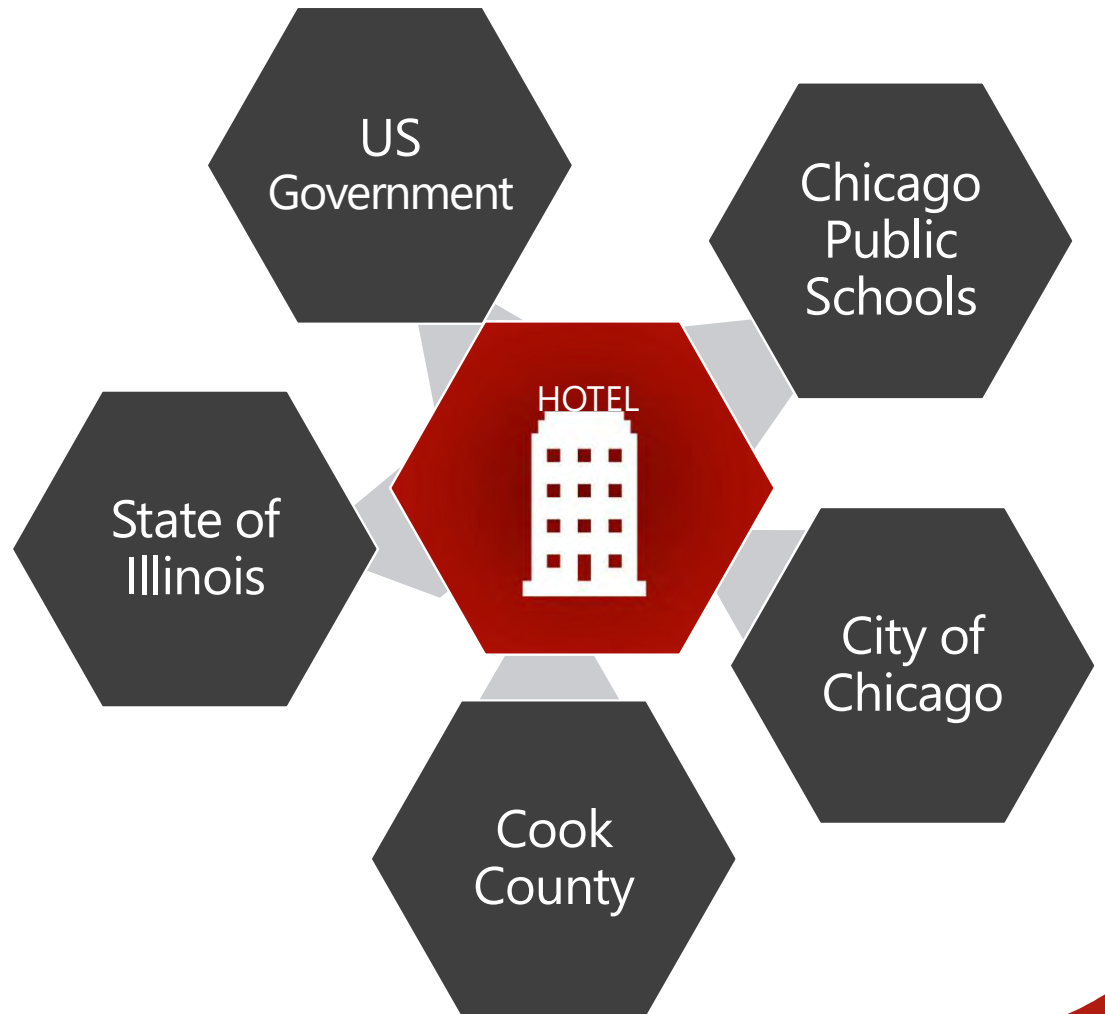
JPMorgan Chase

University of Chicago

Source: Crain's

Government Demand

Source: Crain's



Largest Room Night Producers

Walgreens

Northwestern University

Abbott Labs

Allstate

Boeing

Northwestern Memorial Healthcare

Kraft Heinz

Blue Cross Blue Shield

Amazon.com Inc

McDonald's Corporation

JPMorgan Chase

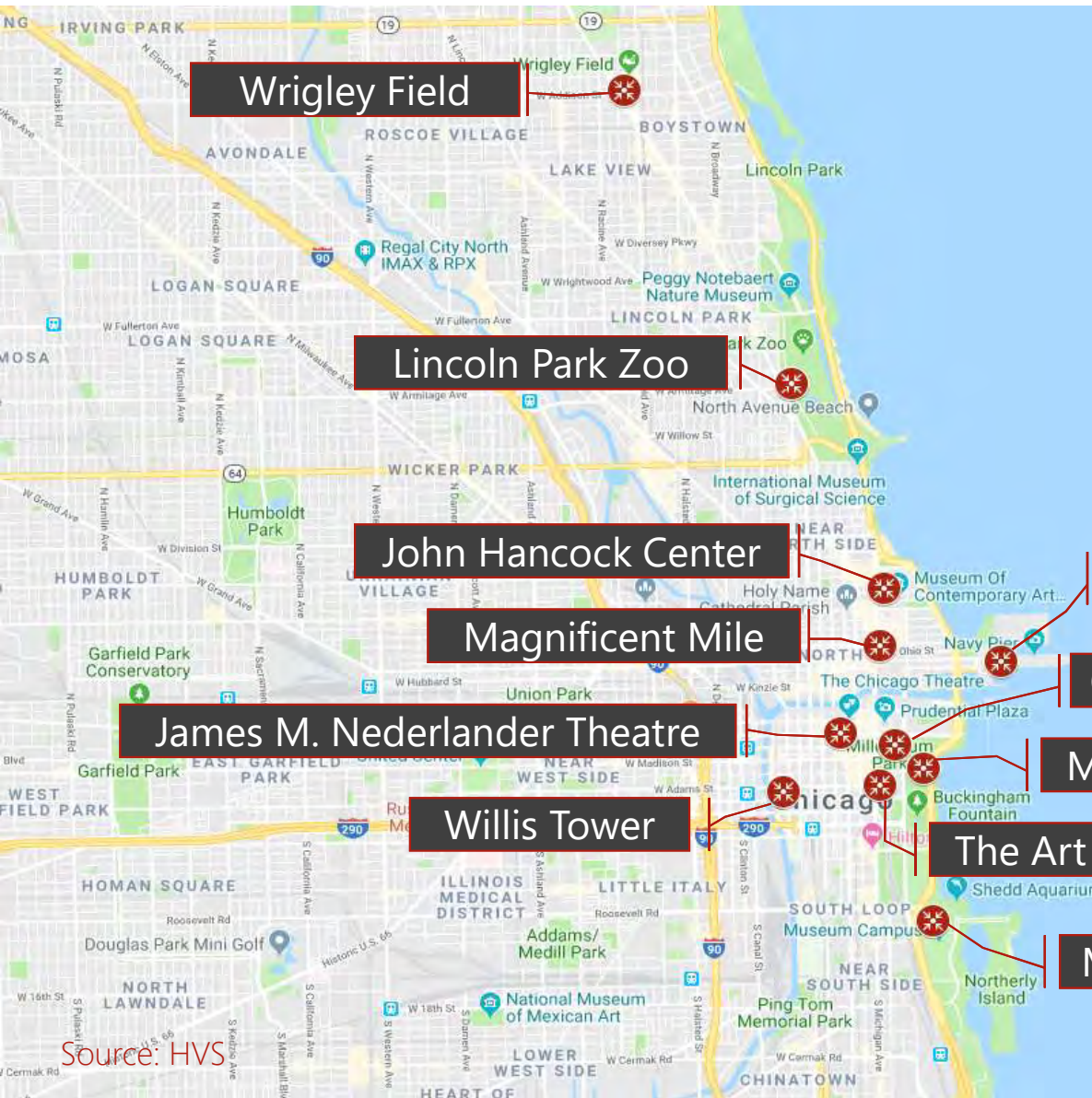
United Airlines

Advocate Healthcare

University of Chicago

Source: HVS

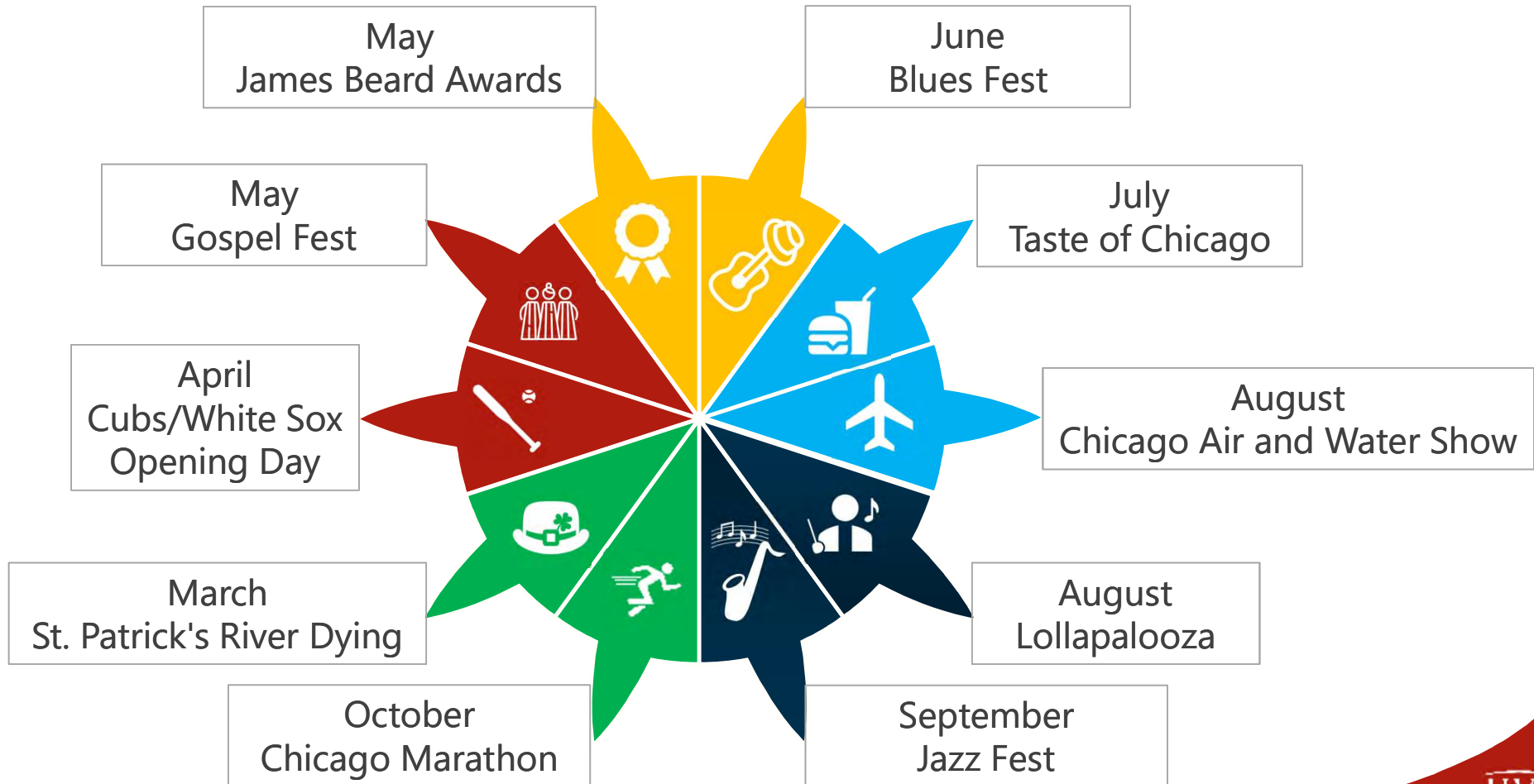
Top Attractions



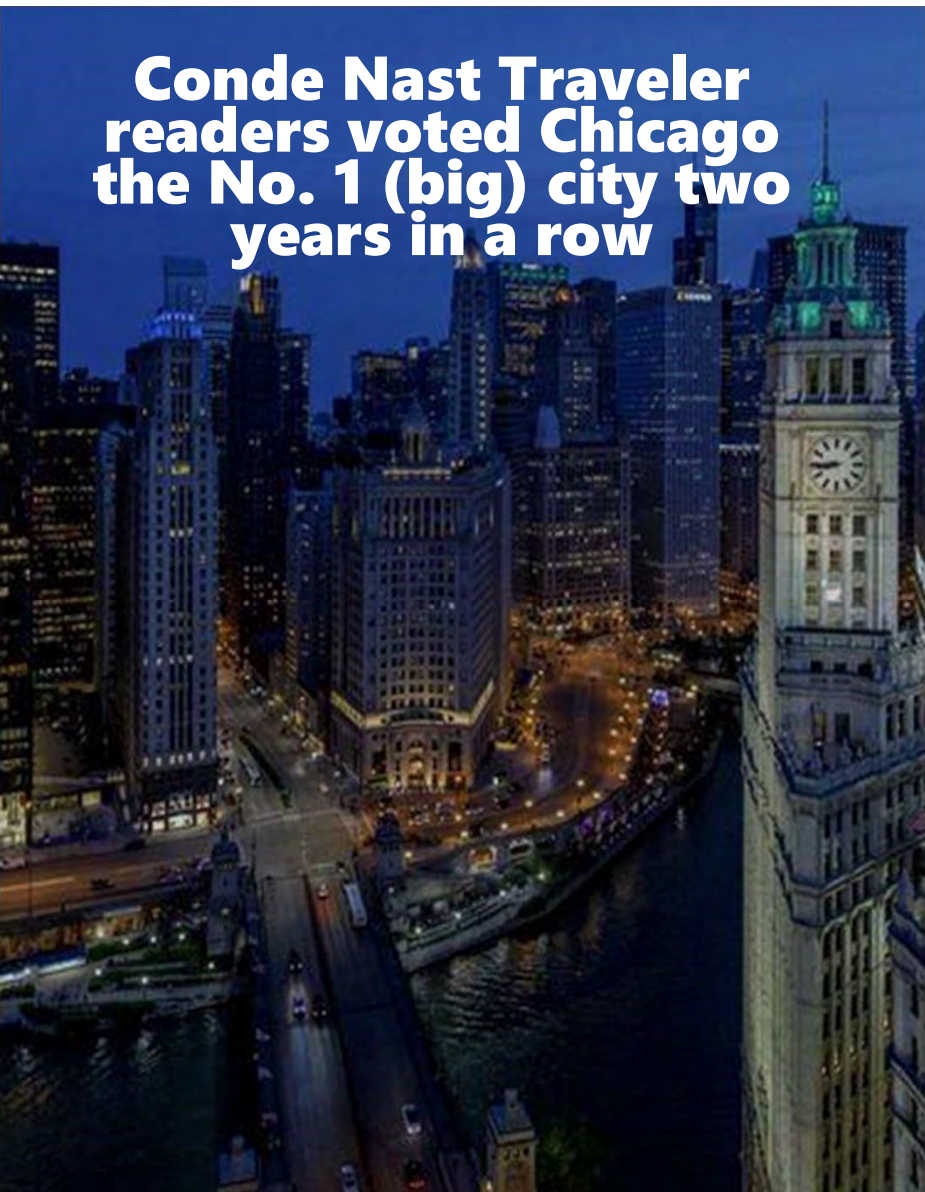
Source: HVS



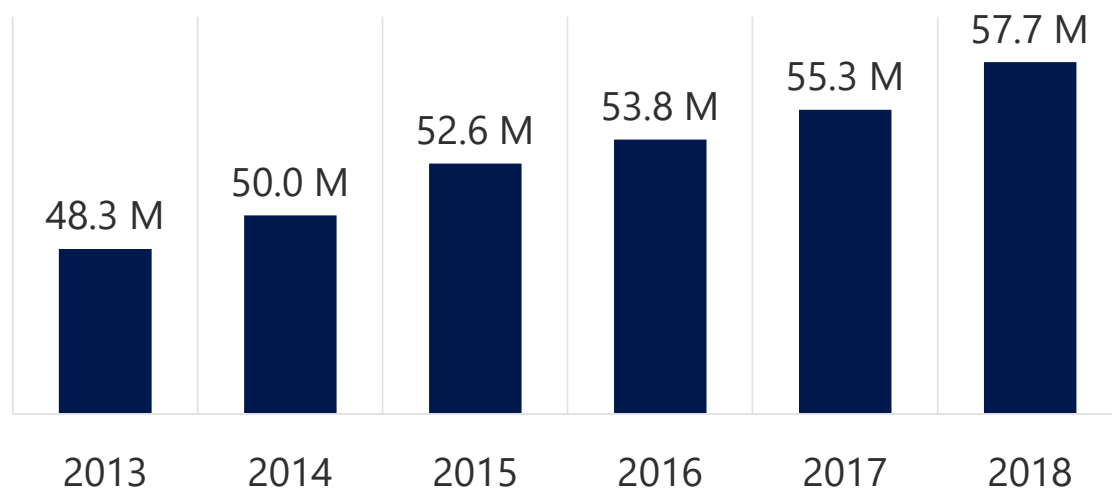
Special Events and Festivals



**Conde Nast Traveler
readers voted Chicago
the No. 1 (big) city two
years in a row**



Visitation trends

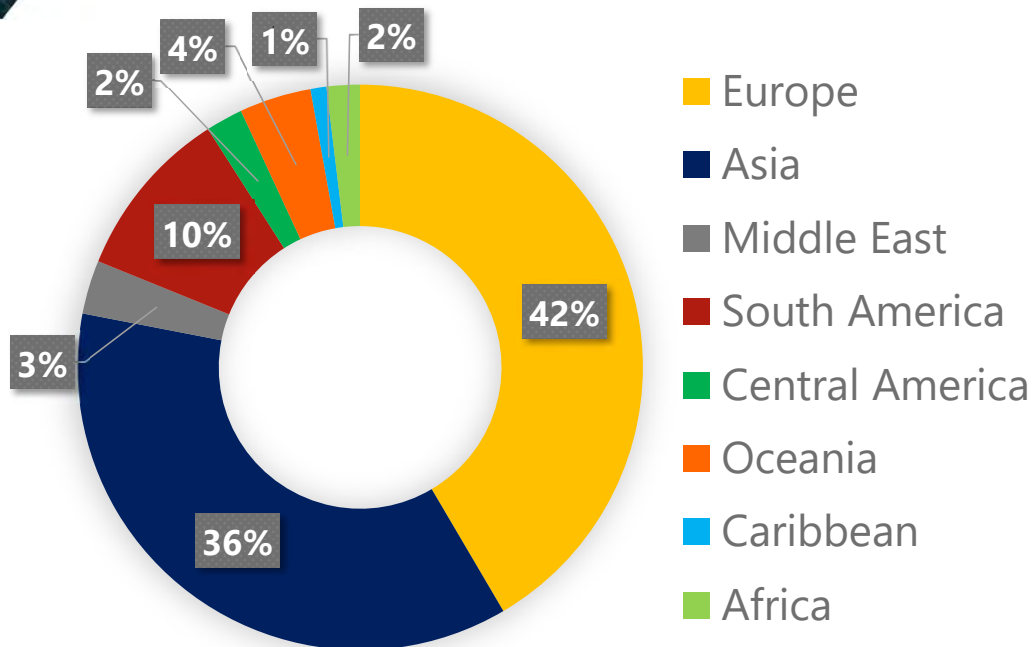


In 2018...

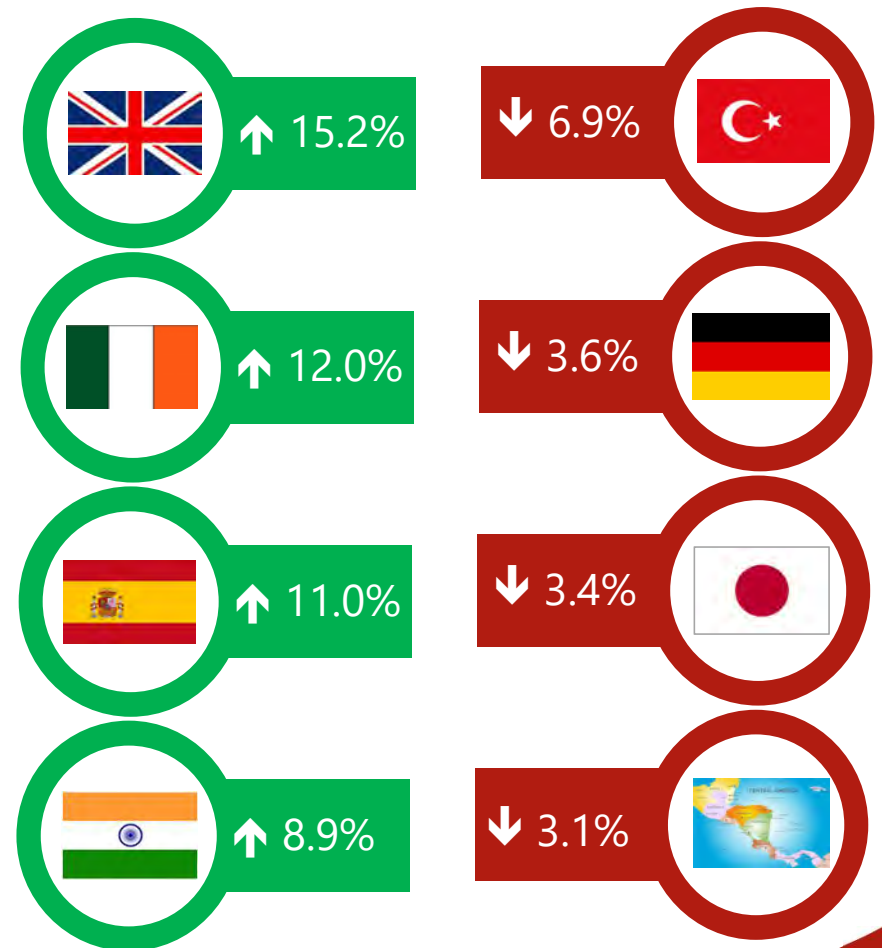
- 57.7 million visitors
- 4.3% increase over 2017 record of 55.2 million
- Domestic travelers up 4.4%
- International travelers up 3.8%
- Business travel up 3.5%
- Leisure travel up 4.7%



How are we doing internationally?



Mexico (air only) ↑ 5.1%
 Canada (overnight only) ↑ 8.0%



Chicago Sports & Entertainment



**CHICAGO
BEARS**



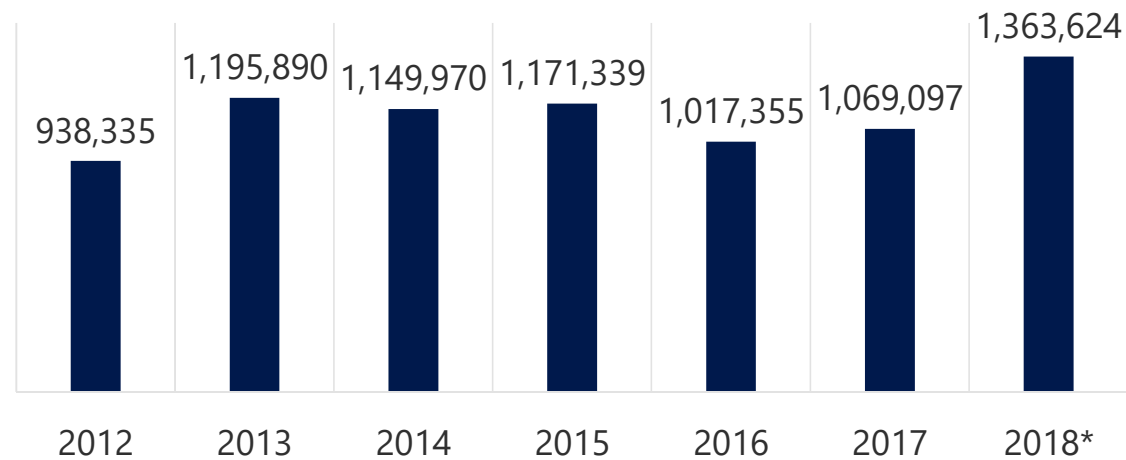
Convention Business



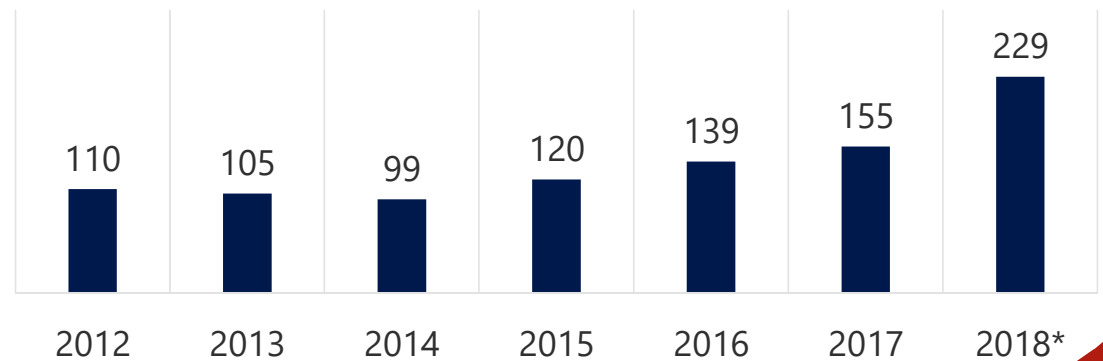
36

Source: McCormick Place

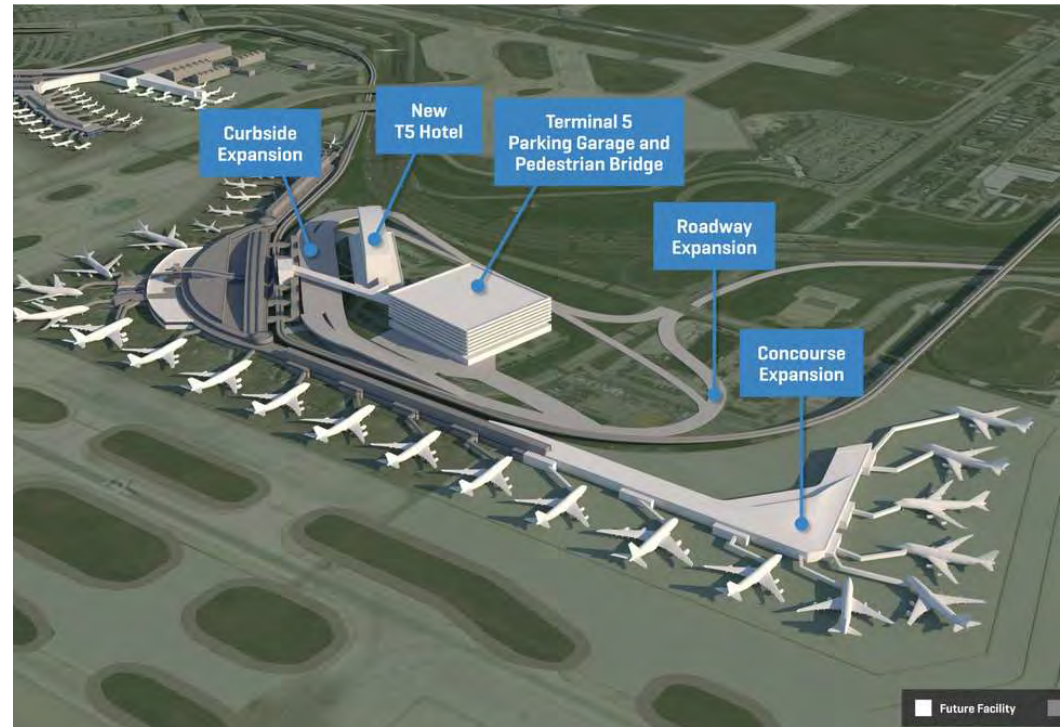
Room Nights Generated



Total Major Events



* Includes Wintrust Arena Events

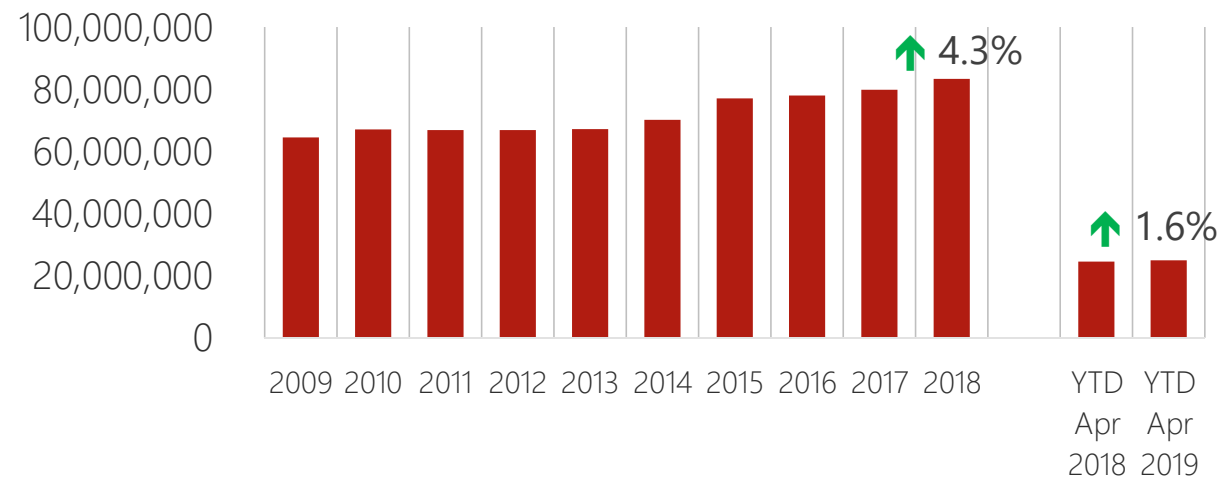


Airport Expansions

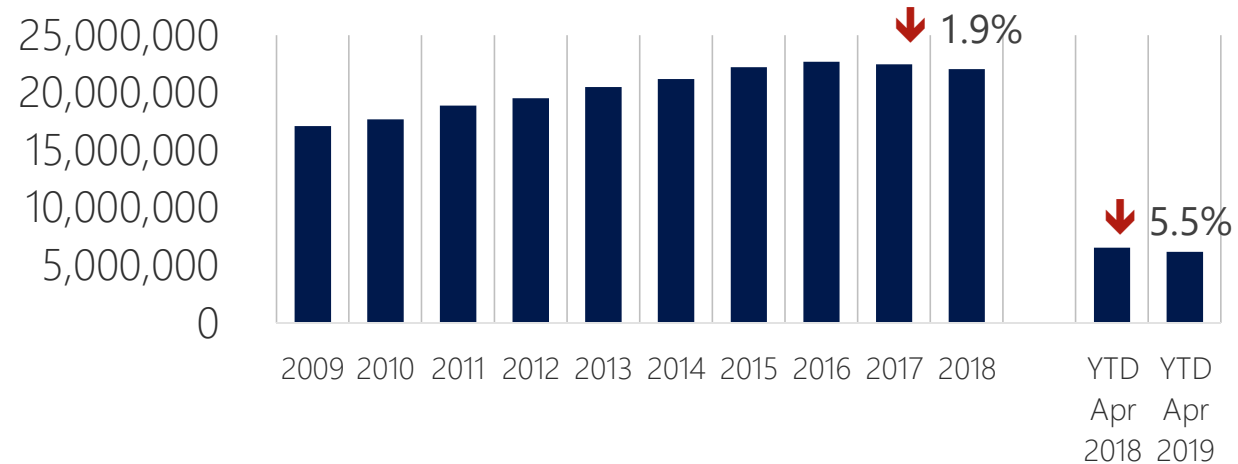
Chicago's Airport Trends



O'Hare Passenger Traffic



Midway Passenger Traffic

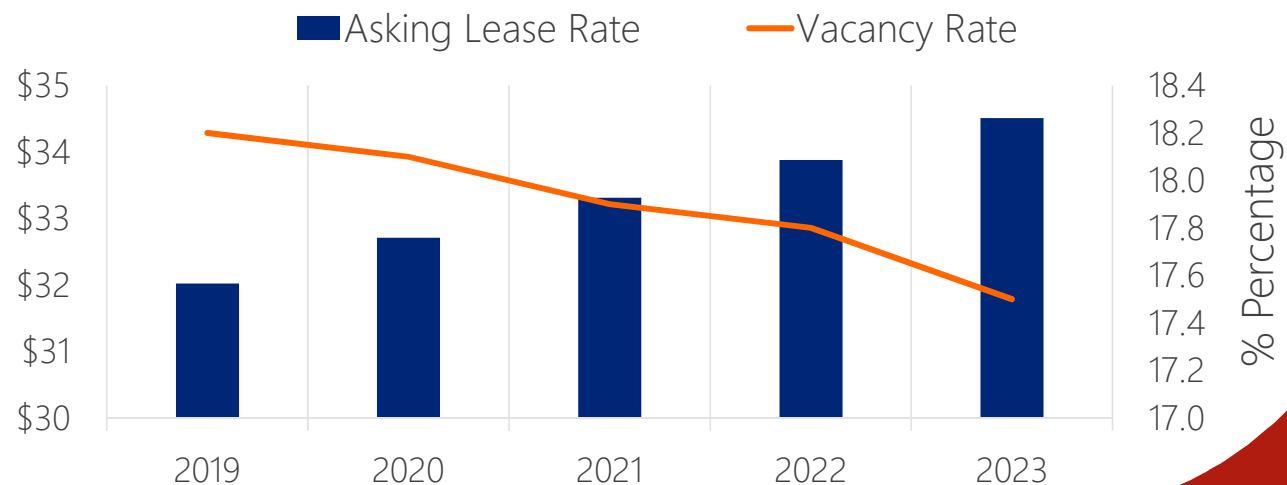
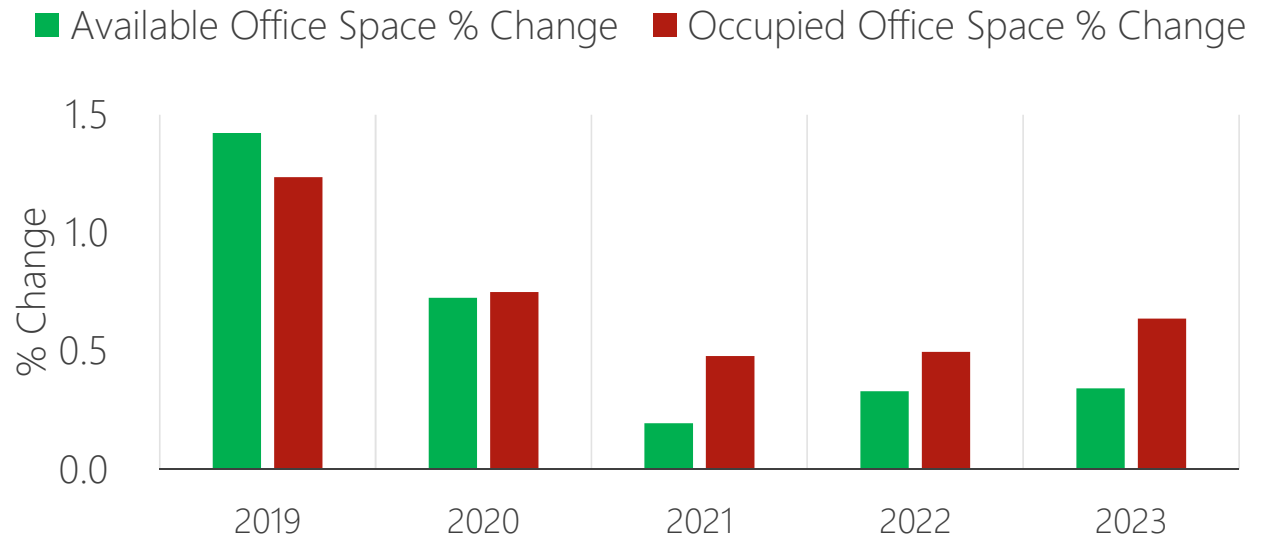


Largest Projects in and around the Chicago Area

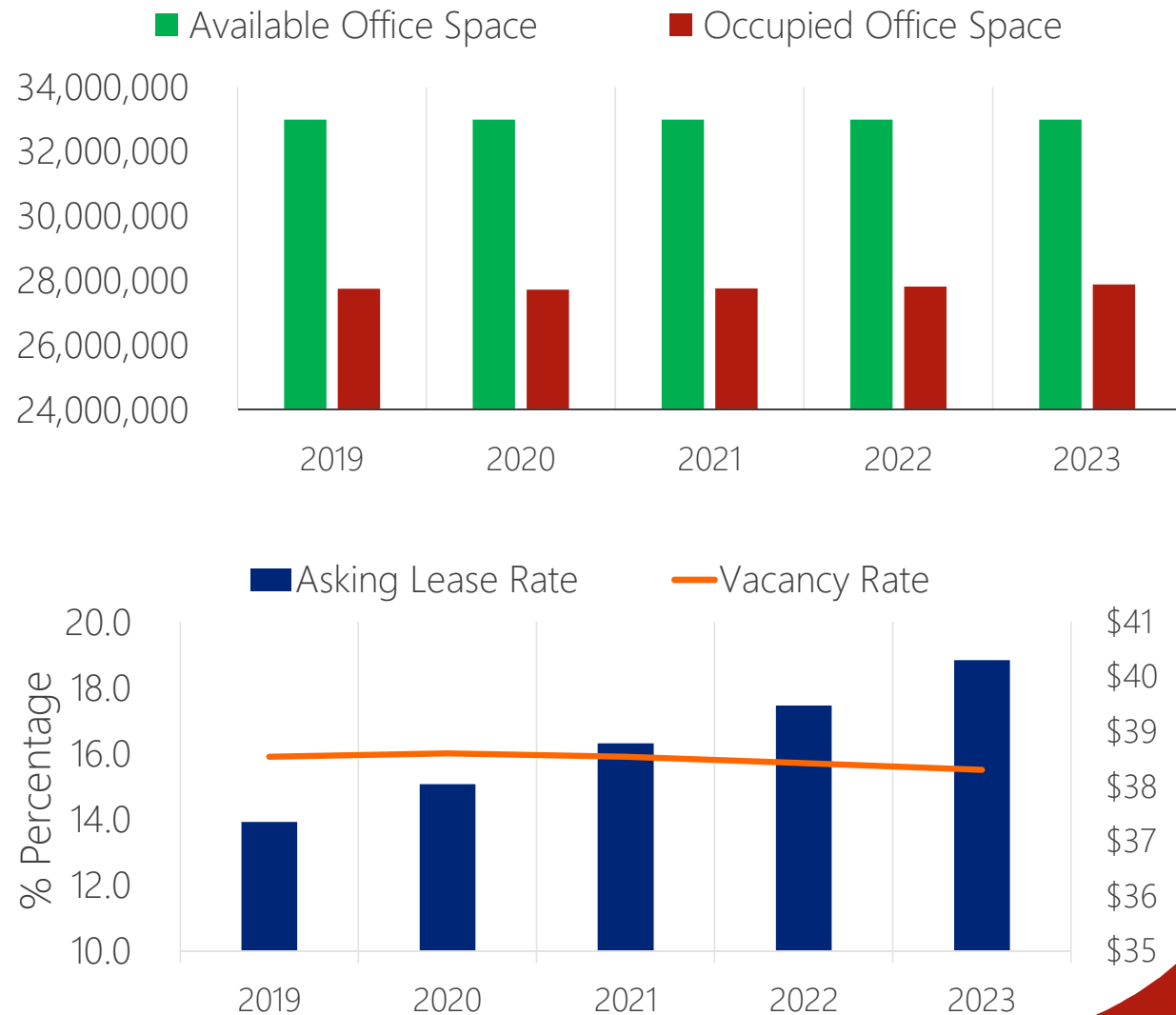
- ✓ Navy Pier
- ✓ Gallagher Way/Wrigley Field
- ✓ Marriott Marquis/Tri-brand
- Riverwalk
- The 78
- Lincoln Yards
- 5.9 million sq. ft. of new office space
- 4,700 multi-family units



**Chicago Metro's
office market supply
is expected to be
absorbed in the near
future**



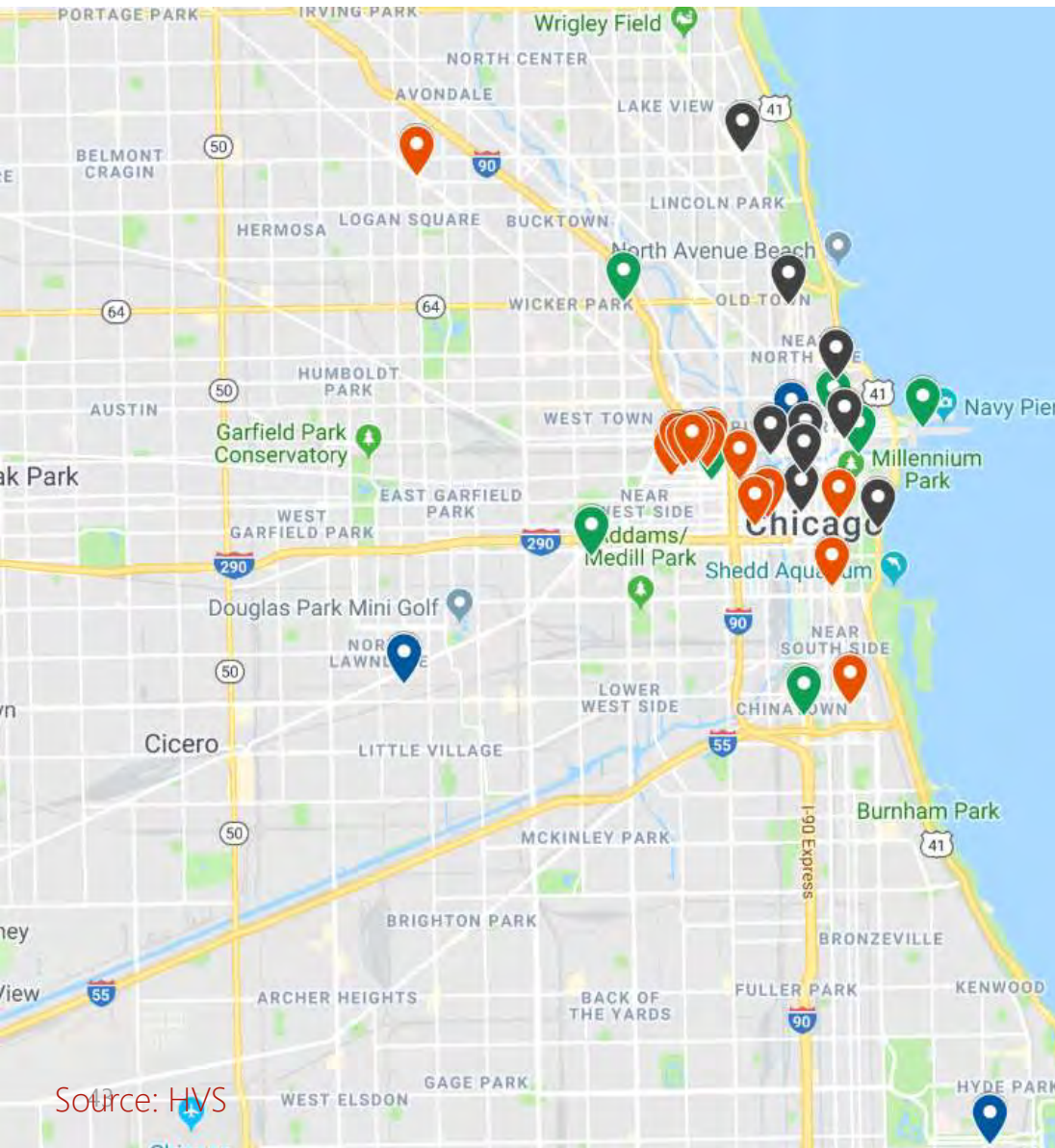
Central Loop's office market occupancy is expected to decrease in the near future



41 Source: REIS Report, 1st Quarter, 2019

A photograph of a tall building under construction, completely encased in a dense network of metal scaffolding. A large red and white tower crane is positioned to the right of the building, its arm extending upwards. The sky is a deep, clear blue. The text "NEW SUPPLY" is overlaid in the center in a bold, white, sans-serif font.

NEW SUPPLY



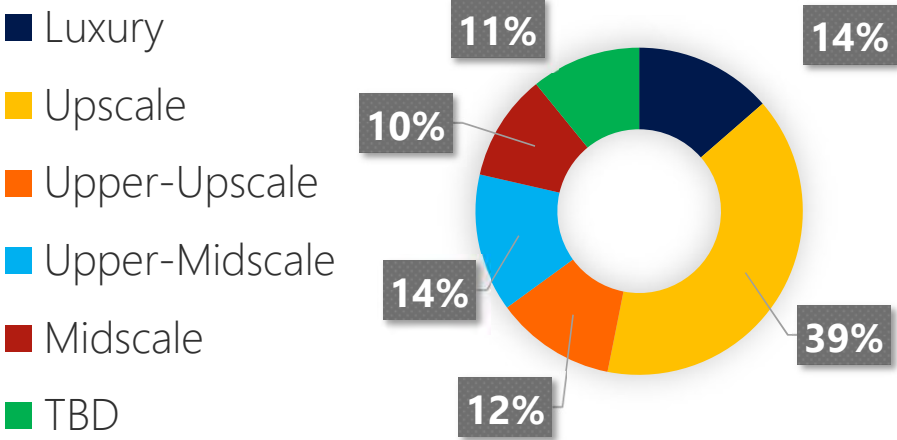
Source: HVS

New Supply

- Early Development (15)
- Development on Hold (9)
- Under Construction (7)
- Site Work Underway (3)

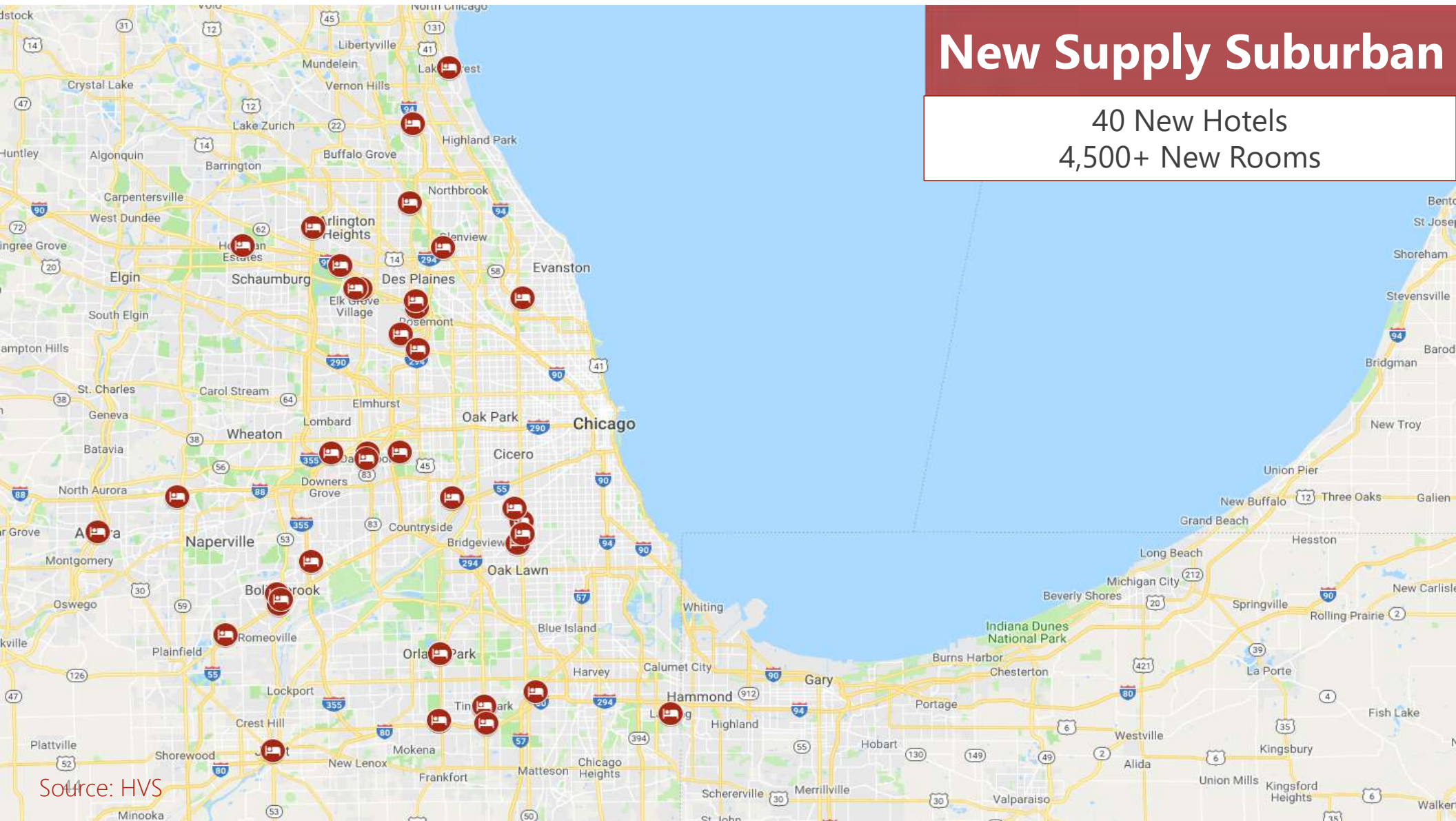
7,700+ New CBD Rooms

New Supply Breakdown by Class



New Supply Suburban

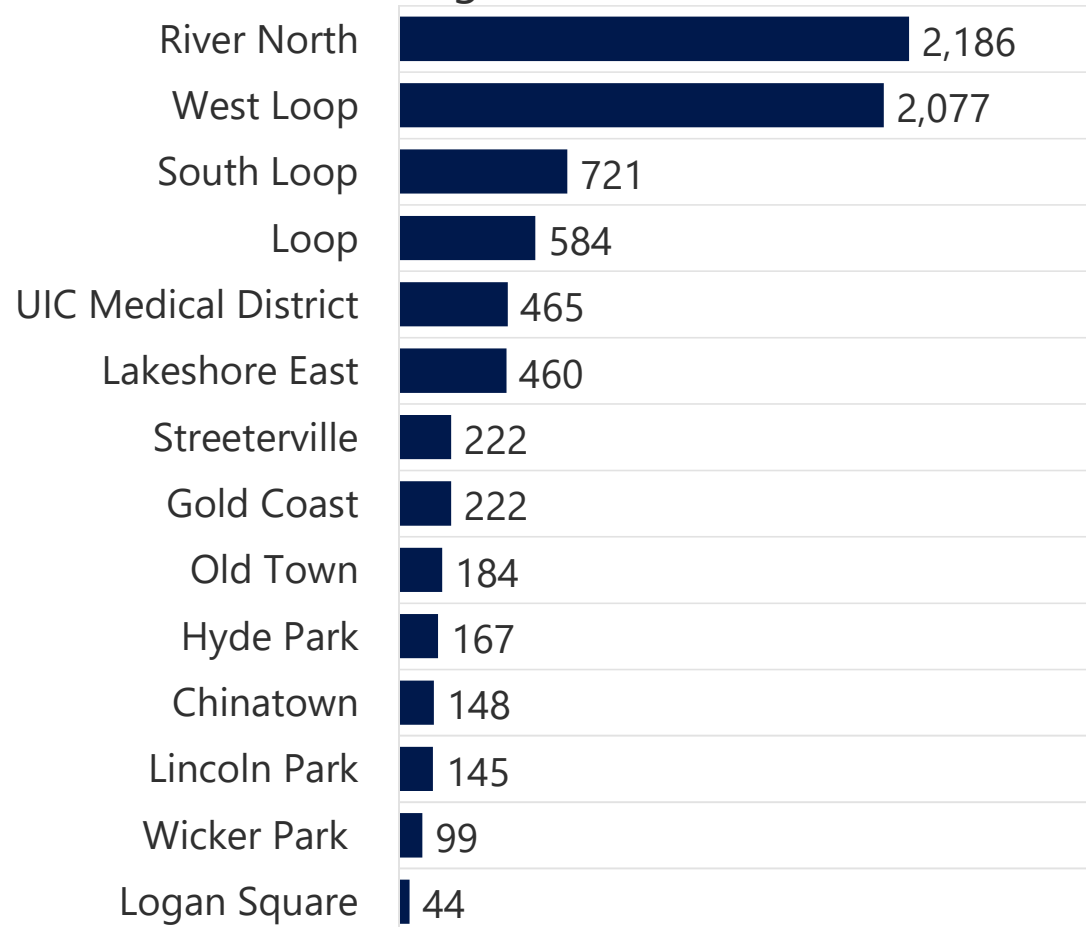
40 New Hotels
4,500+ New Rooms



New Supply Breakdown

Source: HVS

New Supply Breakdown by Downtown Neighborhood





Construction Cost by Location

	Land	Building and Site Improvements	Soft Costs	FF&E	Pre-Opening and Working Capital	Total
Suburban Properties						
Average	\$14,441	\$82,609	\$7,198	\$16,545	\$2,593	\$123,386
% of Total*	12%	67%	6%	13%	2%	
Urban Properties						
Average	\$28,669	\$251,325	\$51,639	\$33,896	\$4,935	\$370,463
% of Total*	8%	68%	14%	9%	1%	



Chicago Metro New Supply 2015-2019 YTD

2015 - YTD 2019	No. of Properties	Existing (Reopenings/ Conversions)	New Hotel Rooms
Downtown	41	1,836	7,399
Suburbs	33	359	3,743
	74	2,195	11,142

8% increase since 2015; 18% CBD, 5% Suburbs

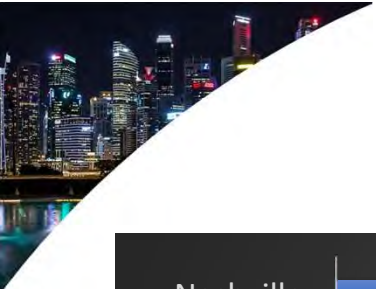
Source: HVS
Source: HVS



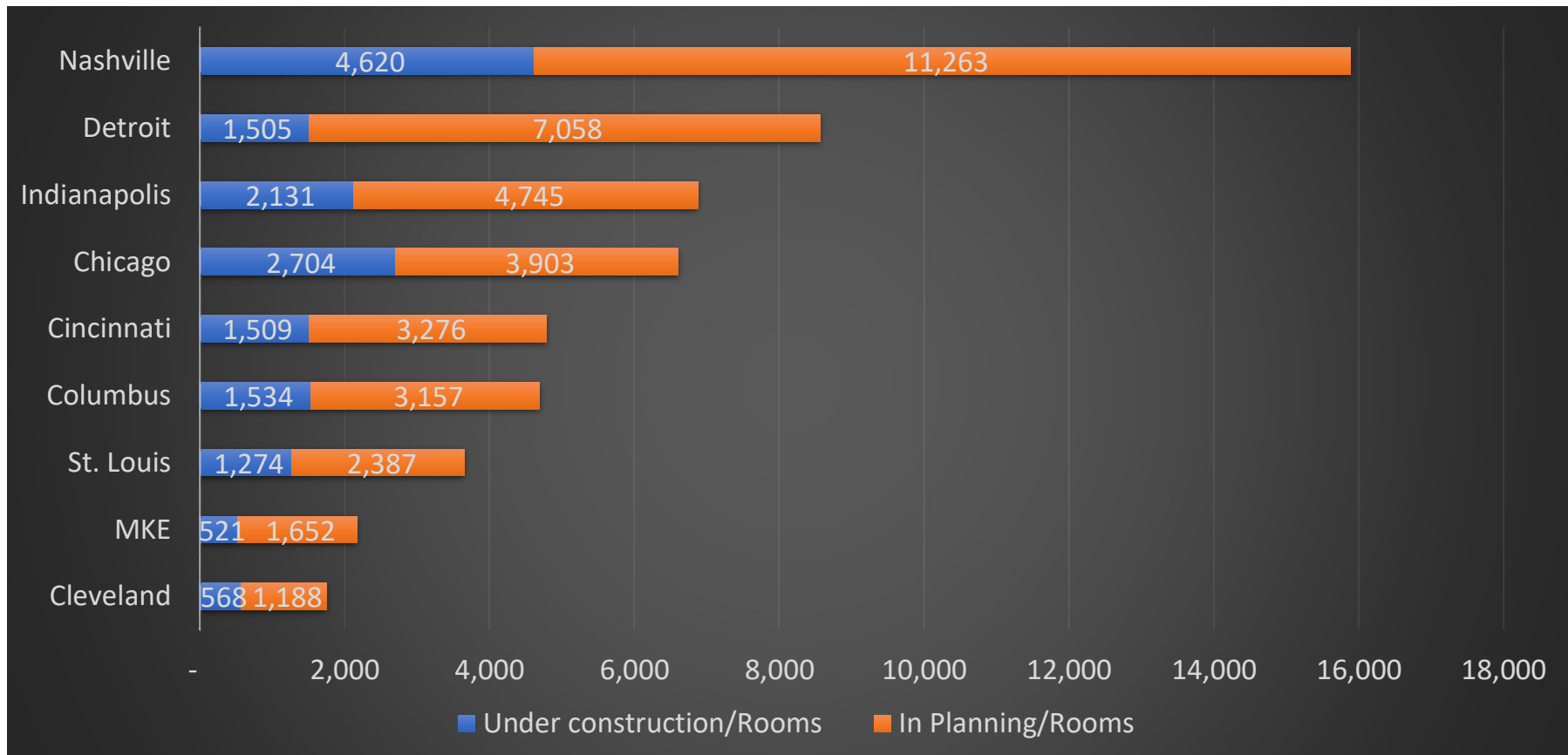
Chicago CBD New Supply 2019-2021

<i>Downtown</i>	Rooms	Chainscale	Progress	Year Open
21C Hotel (James Redevelopment)	297	Luxury	Under Construction	2019
Nobu Hotel	119	Luxury	Under Construction	2019
Curio Navy Pier	222	Upper-Upscale	Under Construction	2020
Hyatt Place Wicker Park	99	Upscale	Under Construction	2020
Cook County Hospital Hyatt House/Hyatt Place	225	Upscale	Under Construction	2020
Wanda Hotel	180	Luxury	Under Construction	2020
Hampton/Homewood Illinois Medical District	240	Upper-Midscale	Site Work Underway	2021
SpringHill Suites Chinatown	148	Upper-Midscale	Under Construction	2021
Le Meridien/AC by Marriott	520	Luxury/Upscale	Early Development	2021
Study Hotel and Conference Center	167	Upscale	Site Work Underway	2021
Autograph - The Reserve	234	Upscale	Development on Hold	2021
Whitehall Hotel Expansion	108	Upscale	Development on Hold	TBD
Andaz River North	199	Luxury	Site Work Underway	2022
Union Station Hotel	350	Upscale	Early Development	TBD
Logan Square Boutique Hotel/Hostel	44	Upscale	Early Development	TBD
Old Town O'Brien's Boutique Hotel	184	Upscale	Development on Hold	TBD
Equinox Hotel West Loop	165	Upper-Upscale	Early Development	TBD
West Loop Proposed Boutique Hotel	31	Upscale	Early Development	TBD
Residence Inn/AC by Marriott South Loop	521	Upper-Midscale	Early Development	TBD
Standard West Loop	250	Upper-Upscale	Early Development	TBD
Citizen M Michigan Avenue	280	Upper-Upscale	Early Development	TBD
Motel 6/Studio 6 McCormick	200	Midscale	Early Development	TBD
Toyoko Hotel	615	Midscale	Early Development	TBD
Tribune Tower Mixed-Use	220	Upscale	Development on Hold	TBD
Wolf Point Hotel	450	Upscale	Development on Hold	TBD
River North Proposed Hotel	500	Upscale	Development on Hold	TBD
Fulton Market Mixed-Use	60	Upscale	Early Development	TBD
Thompson Center Hotel	TBD	TBD	Development on Hold	TBD
Spire Site	TBD	TBD	Development on Hold	TBD
West Loop Hotel	200	TBD	Early Development	TBD
Pendry Fulton Market	200	TBD	Early Development	TBD
West Loop Proposed	187	TBD	Early Development	TBD
Fulton Market Hotel with Office	250	TBD	Early Development	TBD

Source: HVS



Midwest Pipeline as of Dec 2018



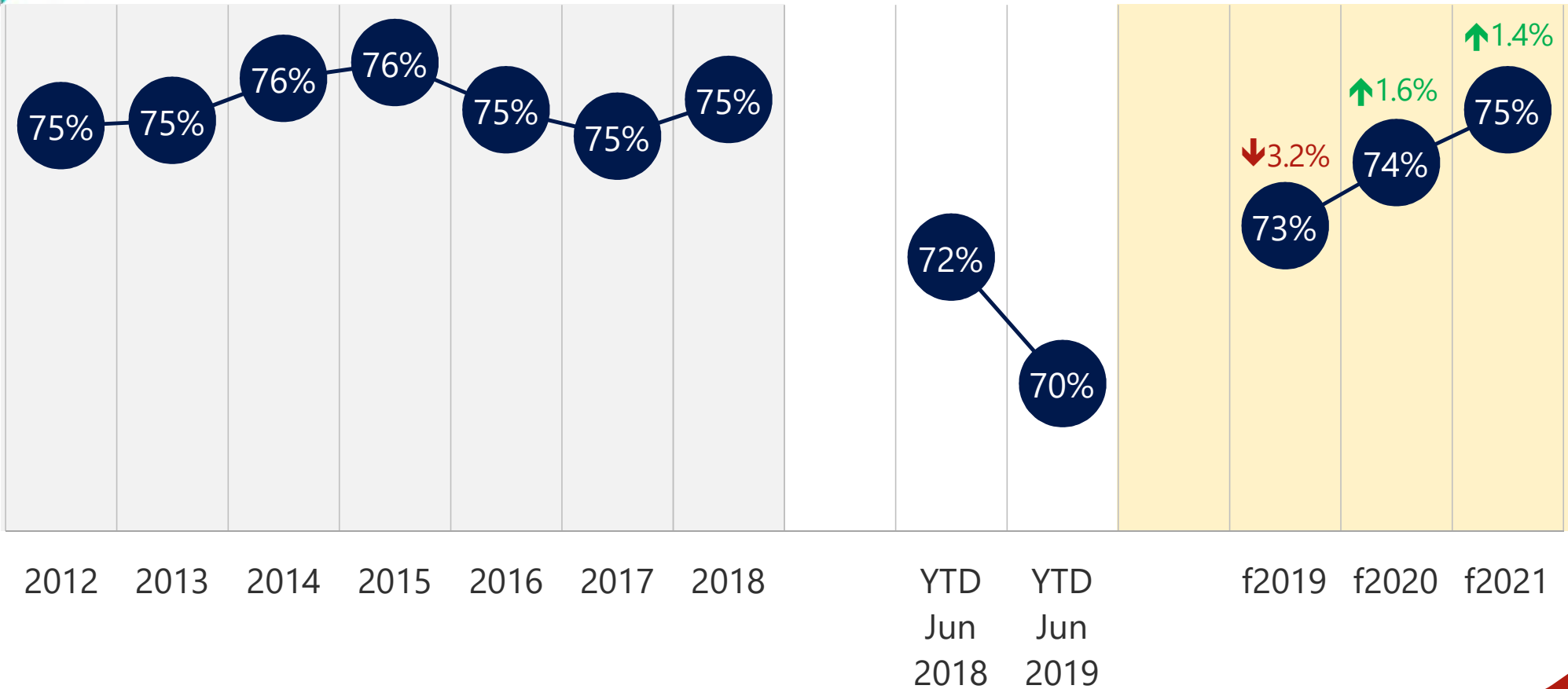
Source: HVS, STR



MARKET FORECASTS

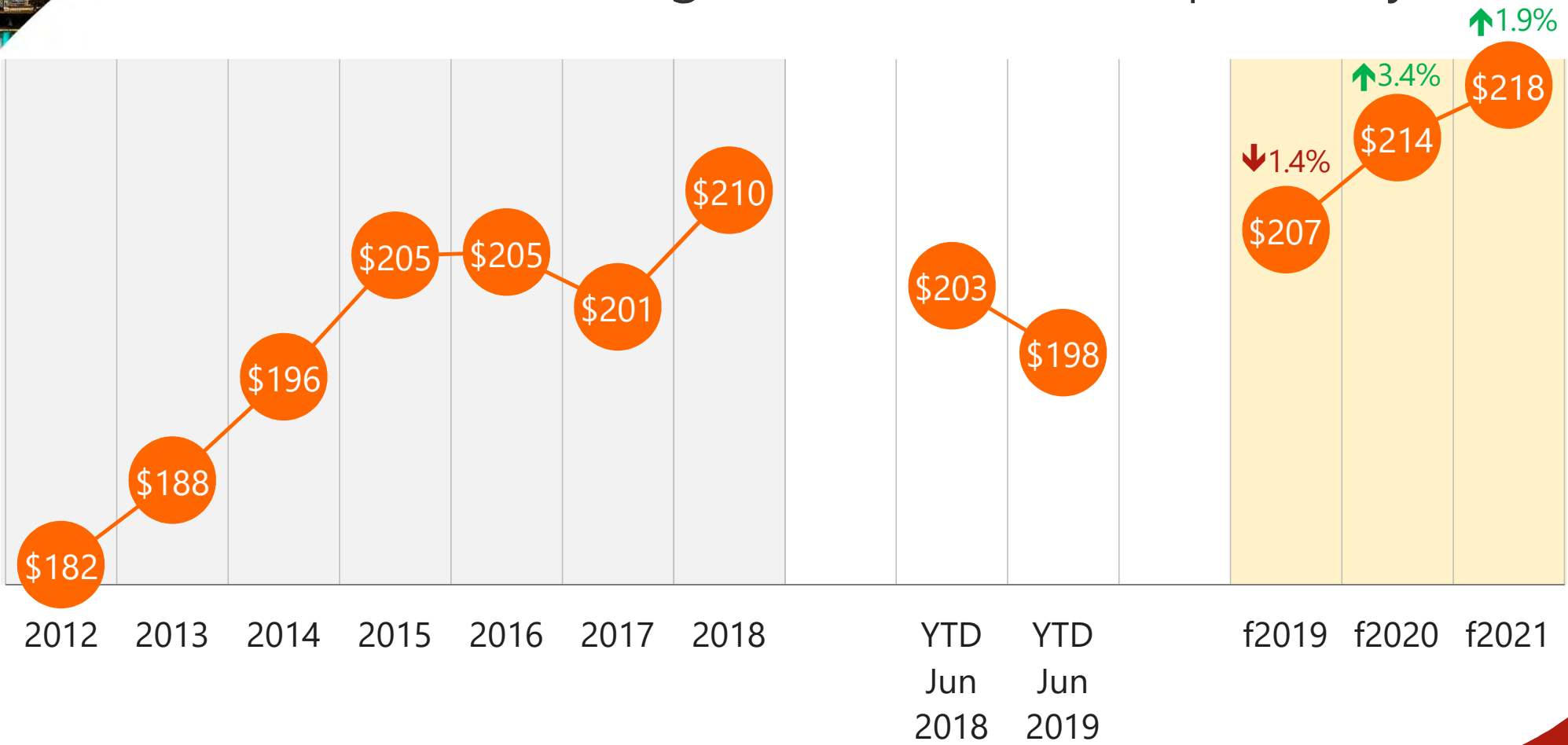


Chicago CBD's occupancy expected to recover in 2020



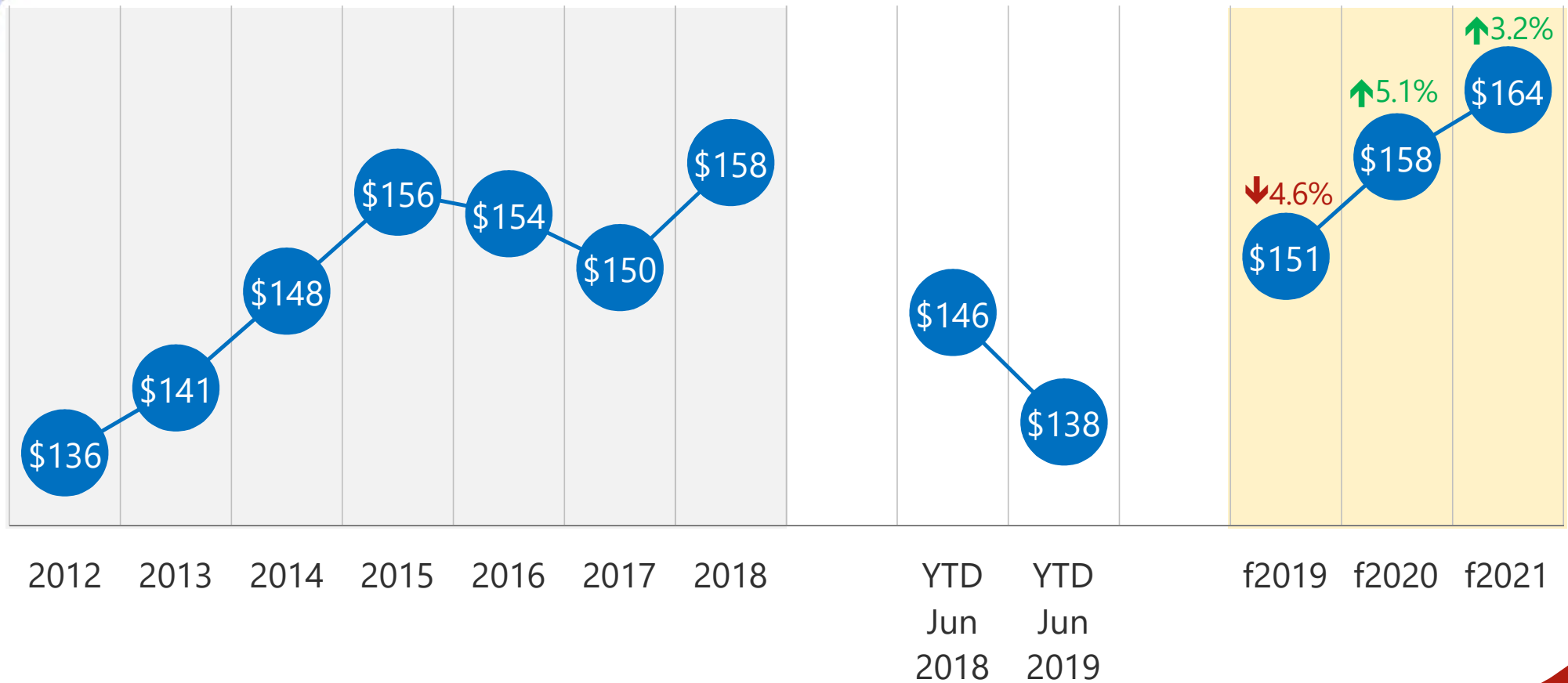


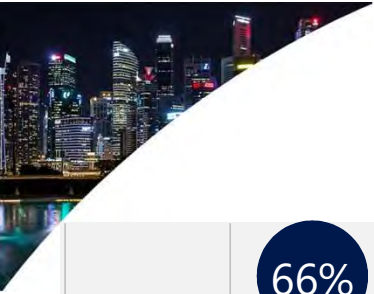
Chicago CBD's ADR to improve by 2020



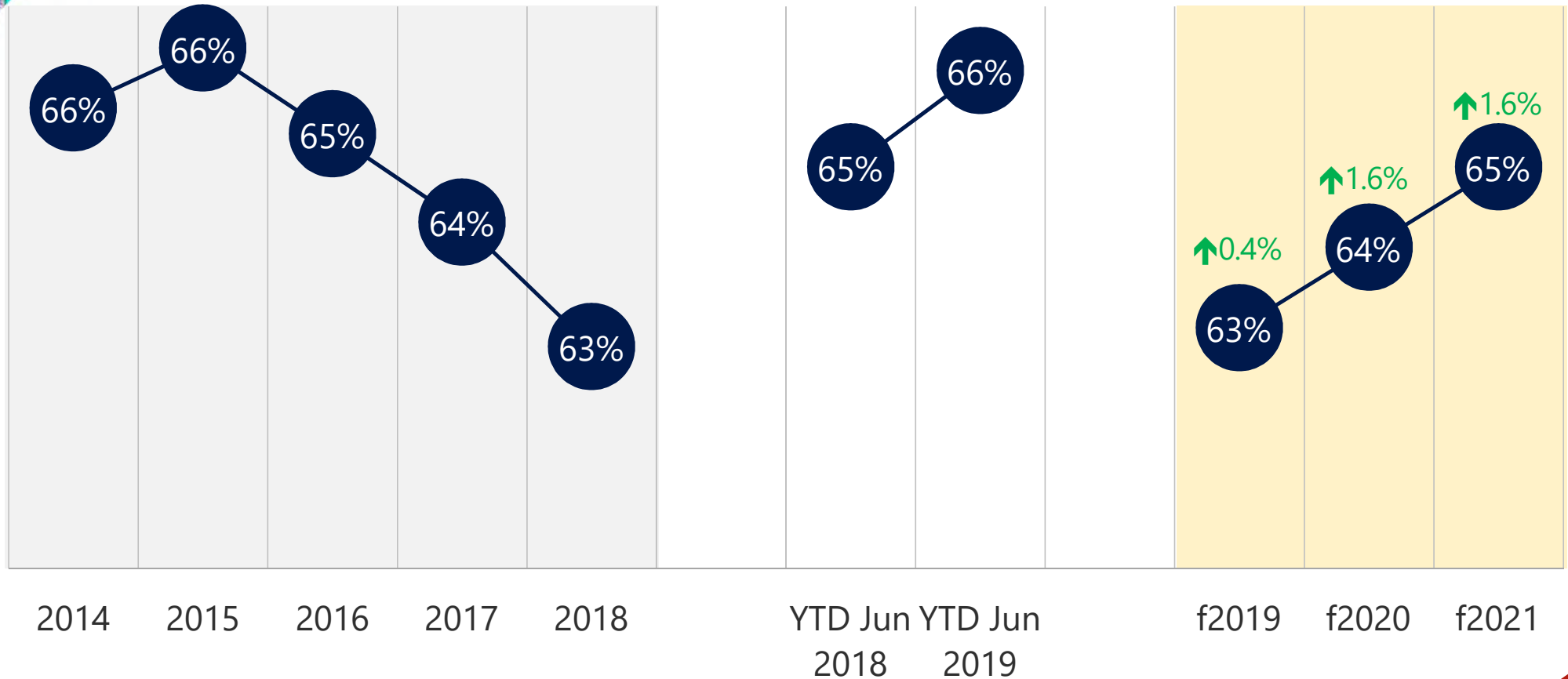


Chicago CBD's RevPAR to improve significantly by 2020



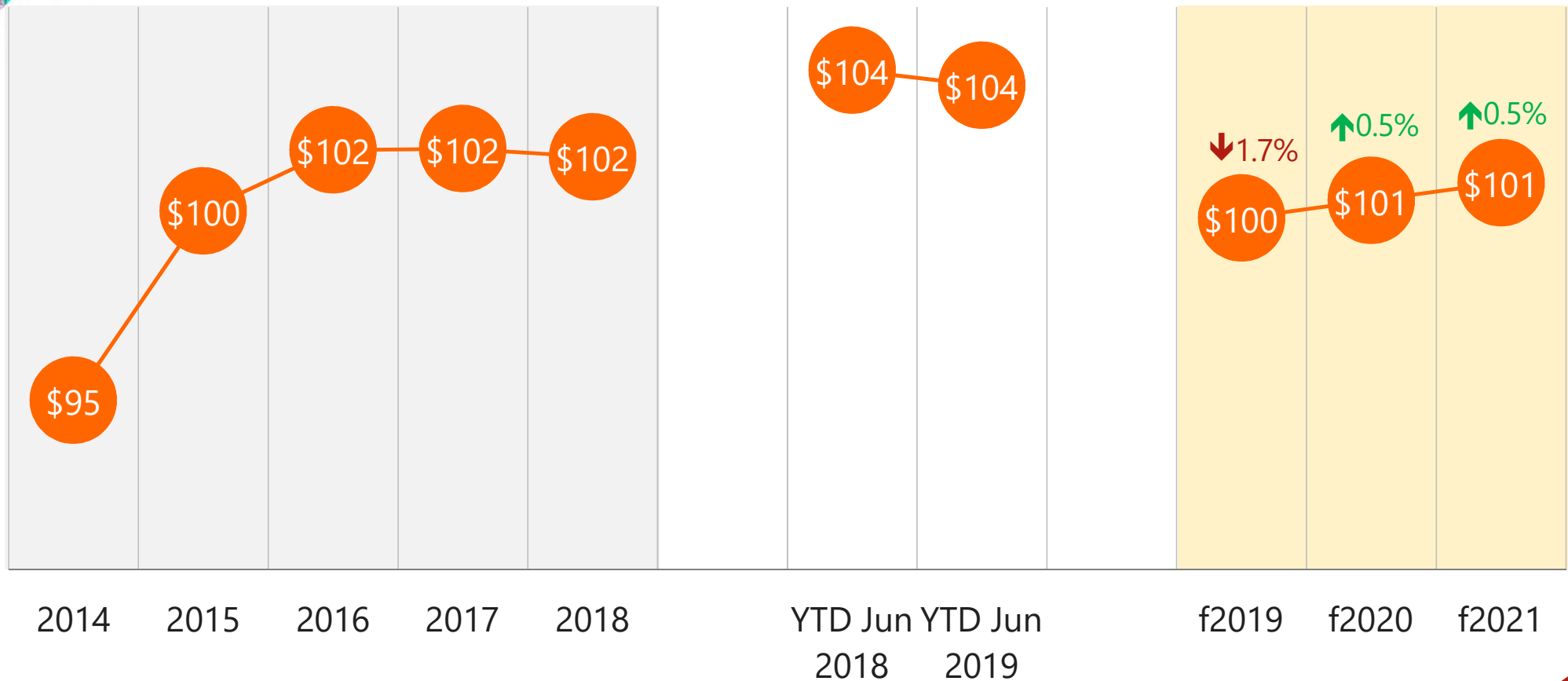


Suburban Chicago's occupancy to stabilize in 2020



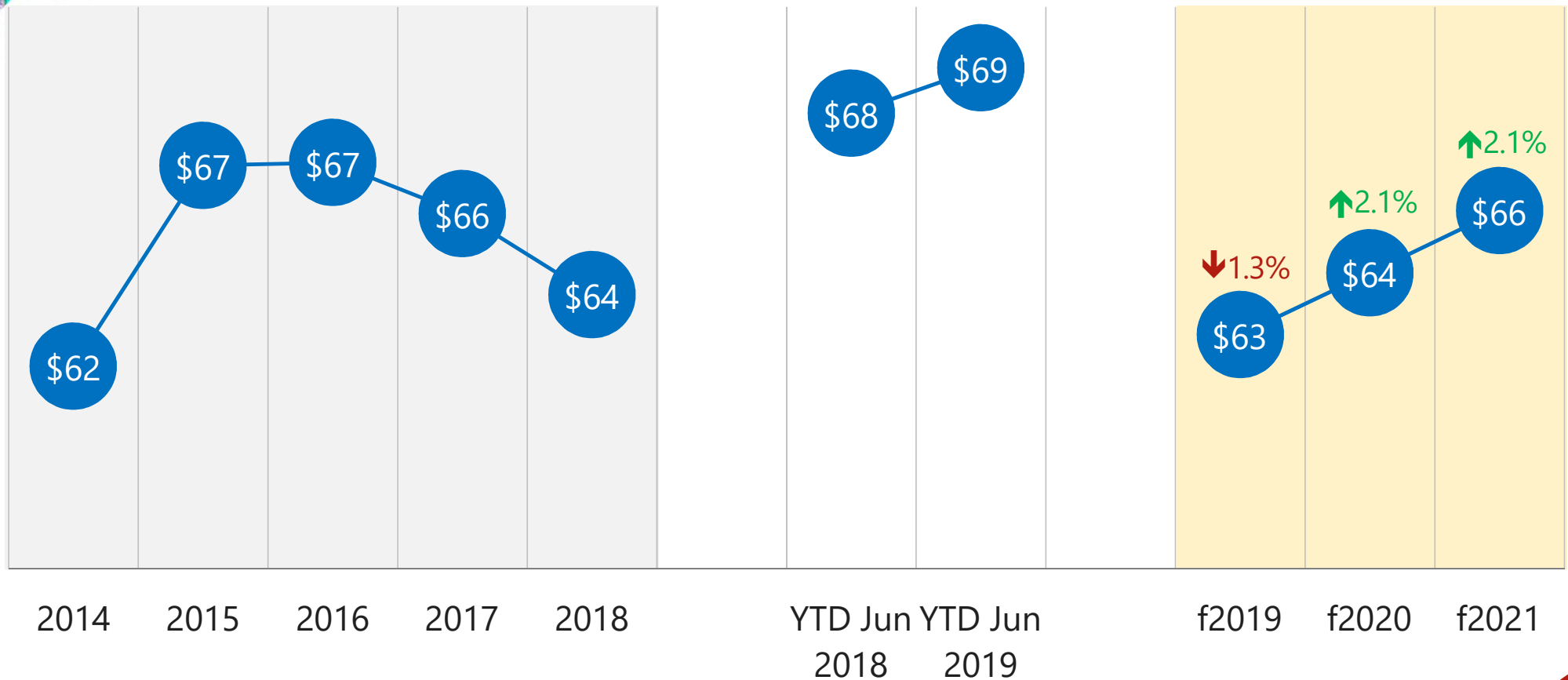


Suburban Chicago's ADR to resume growth by 2020



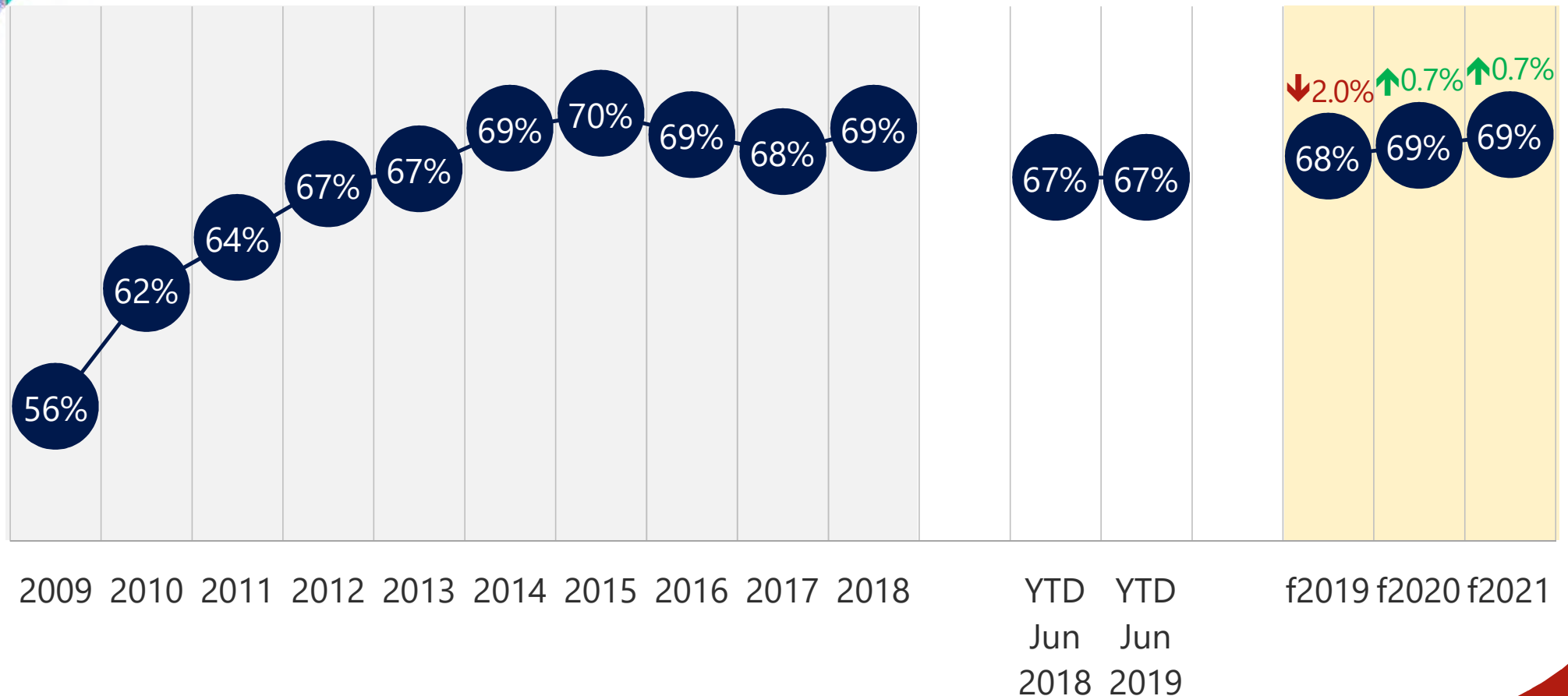


Suburban Chicago's RevPAR to recover by 2020



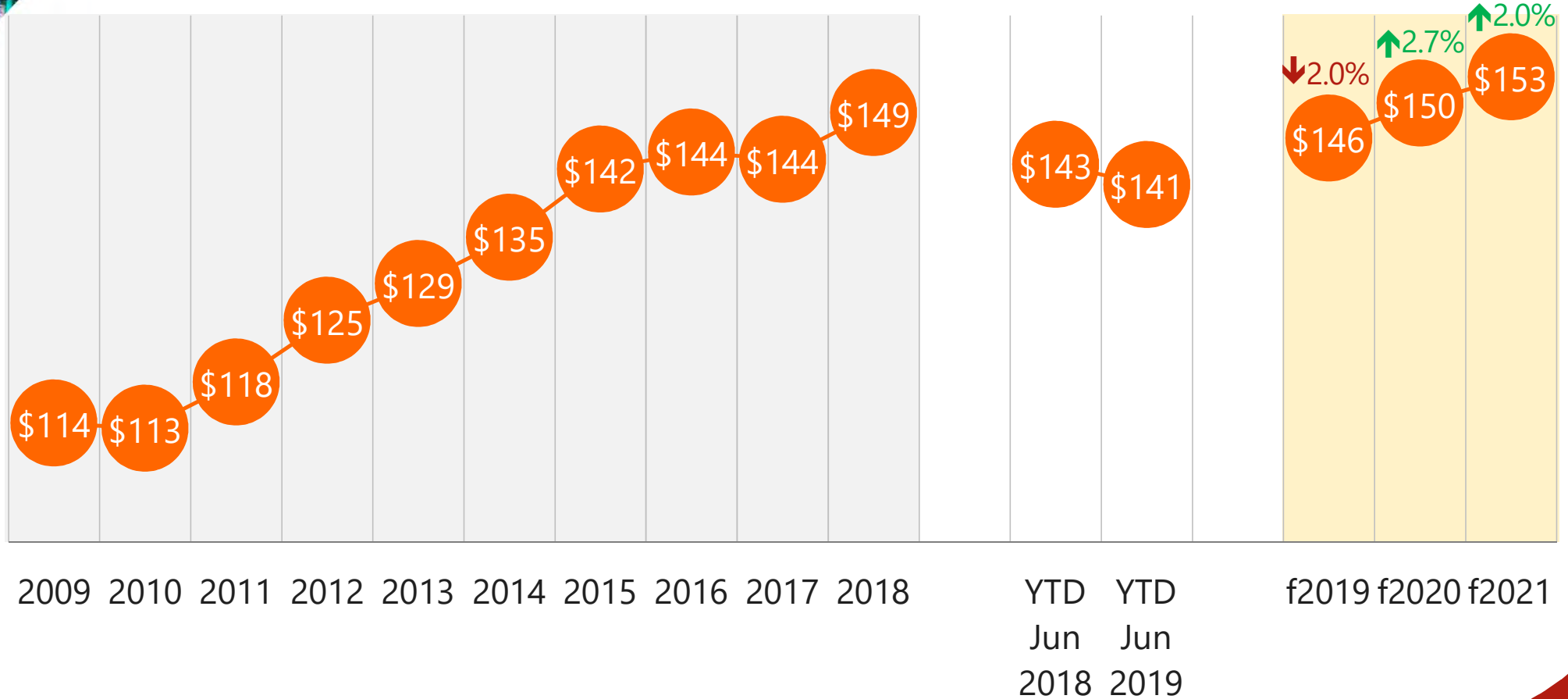


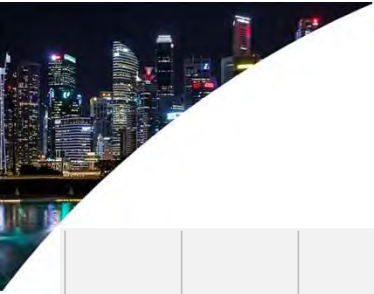
Chicagoland's occupancy expected to recover in 2020



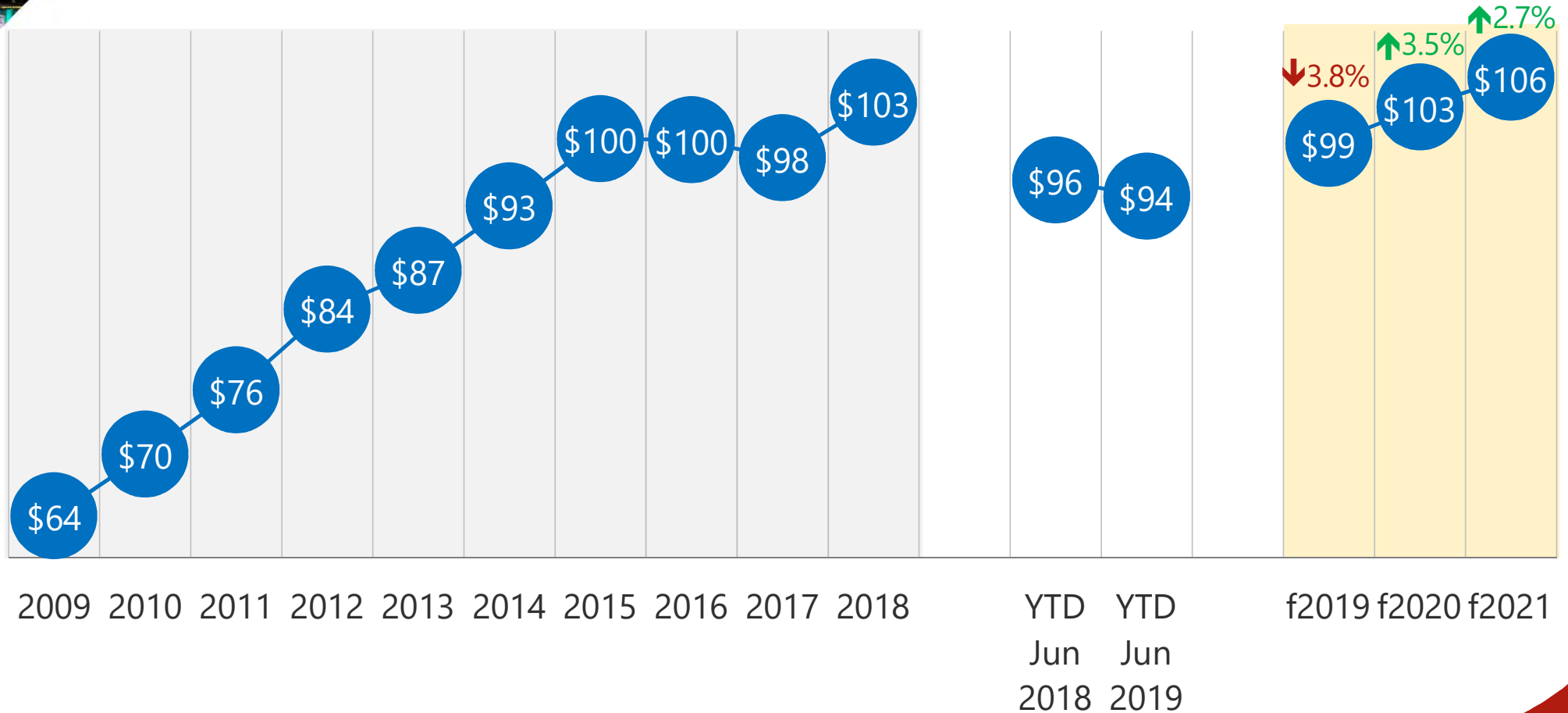


Chicagoland's ADR to improve by 2020





Chicagoland's RevPAR to recover by 2020





Cook County Property Taxes



Why is this relevant?

- Understanding how investors are viewing the market
- Understanding what owners are going through





HVS.COM

Chicago ranks #2 to NYC for the amount of real estate taxes paid compared to total revenues

Summary of Taxes as a % of Total Revenue

New York	11.84%
Chicago	8.19%
Houston	7.85%
Boston	7.71%
Washington DC	6.58%
Denver	6.51%
Dallas	6.05%
San Francisco	5.58%

	Chicago CBD	Chicago Suburbs
High	12.2%	19.9%
Low	5.6%	3.8%
Average	8.2%	11.7%

Fast Facts

***Pertains only to
assessed values in the
city of Chicago**



Assessed Values **increased** an average of 21% in 2018



Properties are assessed triennial and assessed values do not change annually unless there is a valid reason



Despite increases, assessed values average 10% of market values or sales prices



- Ran on the platform of making the process more transparent
- Vowed to shift the tax burden to commercial and industrial properties and away from residential owners and small business owners



Cook County Assessor's Office
Fritz Kaegi, Assessor



Assessment Methodology 2019



1) Revenues Are Calculated Based On Market Rent PSF For Commercial/ Retail/Office/ Industrial Properties



2) Secondary income including parking, food & beverage, etc. is then added



3) Property expenses (including real estate taxes) are calculated based on age, condition, grade, and location



4) Vacancy is calculated by property use type

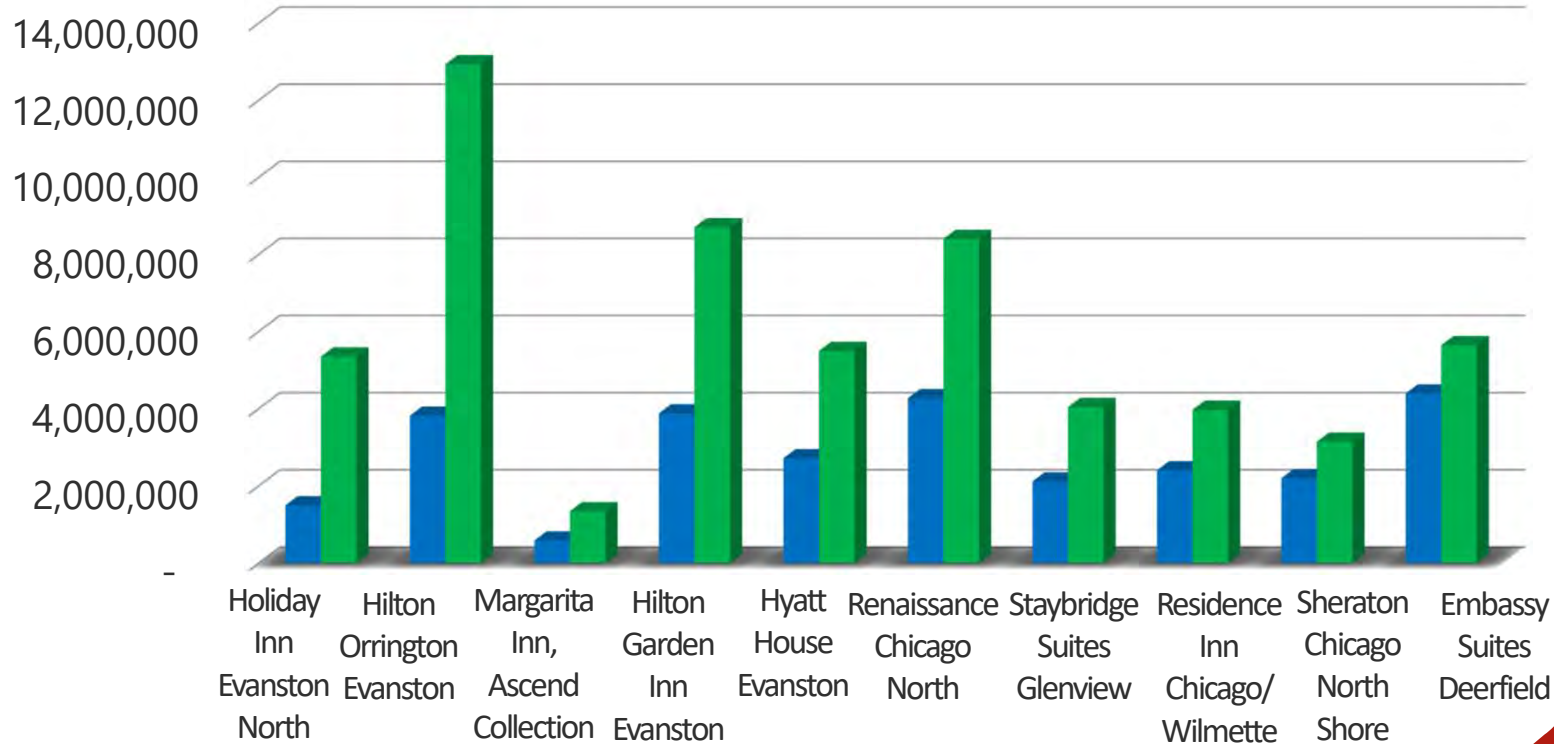


5) Net income is divided by the cap rate, i.e. the average cap rate in the market for that group of similar properties



Evanston Hotel Assessed Values

■ 2018 ■ 2019



Average
increase
118%



What about
tax rates?

Year	Tax Rate Code - 74002		Equalization Factor	Equalized Tax Rate	% Change
2004	7.277 %	x	2.4689	17.9662%	-
2005	6.433	x	2.4598	15.8239%	-11.9%
2006	6.280	x	2.5757	16.1754%	2.2%
2007	5.981	x	2.7320	16.3401%	1.0%
2008	5.302	x	2.7076	14.3557%	-12.1%
2009	4.994	x	2.8439	14.2024%	-1.1%
2010	4.816	x	2.9786	14.3449%	1.0%
2011	4.627	x	3.3701	15.5935%	8.7%
2012	4.931	x	3.3000	16.2723%	4.4%
2013	6.832	x	2.6621	18.1875%	11.8%
2014	6.808	x	2.7253	18.5538%	2.0%
2015	6.867	x	2.6685	18.3246%	-1.2%
2016	7.145	x	2.8032	20.0289%	9.3%
2017	7.266	x	2.9627	21.5270%	7.5%
2018	6.786	x	2.9109	19.7534%	-8.2%
AVERAGE					0.9%



What about
tax rates?

Year	Tax Rate Evanston		Equalization Factor	Equalized Tax Rate	% Change
2014	10.003	x	2.7253	27.2612%	
2015	10.460	x	2.6685	27.9125%	2.4%
2016	9.255	x	2.8032	25.9436%	-7.1%
2017	9.159	x	2.9627	27.1354%	4.6%
2018	9.255	x	2.9109	26.9404%	-0.7%
AVERAGE					0.2%

Thank you!

Stacey Nadolny, MAI

(419) 367-3879 | snadolny@hvs.com

