CANADIAN LODGING OVERVIEW

A Cushman & Wakefield
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CUSHMAN & WAKEFIELD

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Fairmont Chateau Laurier
Ottawa, Ontario

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INTRODUCTION

The year 2021 was notable for renewed optimism and a gradual return to normalcy for many. While COVID-19 can be expected to continue impacting our lives and the Canadian accommodation market, the past year evidenced how quickly demand and the economy can begin to rebound.

In our 2021 Outlook, we had anticipated the beginnings of a recovery once vaccines had been distributed. This came to fruition in Q3, October, and November of 2021, with strong growth in demand and the beginnings of ADR recovery.

As the economy reopened and restrictions were loosened, many markets saw travel gradually return to near normal levels, fuelled by strong leisure travel, and pent up demand from groups and events that saw many delays and postponements in 2020 and early 2021. Some markets saw signs of corporate travel returning in late 2021, while markets that rely on international travel and large-scale events, such as airports and major city centres, continued to lag the overall market.

This annual Outlook will recap the results for this past year, the timeline of the recovery, and emerging trends.

Despite the near-term impact of Omicron, we still expect a continuation of the recovery that started in 2021 and some meaningful gains in 2022.

MARKET PERFORMANCE INDICATORS

The following chart illustrates key operating performance indicators of the Canadian hotel industry from 2011 through Year-to-Date November 2021.

CANADIAN HISTORICAL OPERATING STATISTICS:
2011-2020 and Year-to-Date November 2021

YEAR	SUPPLY % CHANGE	DEMAND % CHANGE	OCCUPANCY	% CHANGE	ADR	% CHANGE	REVPAR	% CHANGE
2011			61.8%		$127.85		$78.98	
2012	0.5	1.6	62.3%	0.8	$130.12	1.8	$81.08	2.7
2013	0.5	2.1	63.3%	1.6	$133.08	2.3	$84.21	3.9
2014	0.5	3.0	64.8%	2.4	$137.36	3.2	$89.06	5.8
2015	1.0	0.2	64.1%	(1.1)	$142.98	4.1	$91.71	3.0
2016	0.9	1.5	64.4%	0.5	$149.02	4.2	$95.95	4.6
2017	0.8	3.2	65.7%	2.0	$156.72	5.2	$102.95	7.3
2018	1.0	2.0	66.1%	0.7	$163.32	4.2	$108.00	4.9
2019	1.5	0.1	65.2%	(1.3)	$165.23	1.2	$107.81	(0.2)
2020	-3.7	(51.0)	33.1%	(49.3)	$130.43	(21.1)	$43.11	(60.0)
Average Annual % Change	**0.9 %**	**1.9 %**		**-6.7 %**		**0.2 %**		**-6.5 %**
YTD November 2020			34.0%		$131.43		$44.71	
YTD November 2021	2.7 %	26.3 %	41.7%	22.6 %	$138.01	5.0 %	$57.54	28.7 %

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Following a sharp RevPAR decline of 60% in 2020, the hotel market saw better results in 2021. YTD November 2021 data showed a significant increase in demand and a moderate increase in ADR across the country, resulting in RevPAR growing by 28.7% over 2020 results.

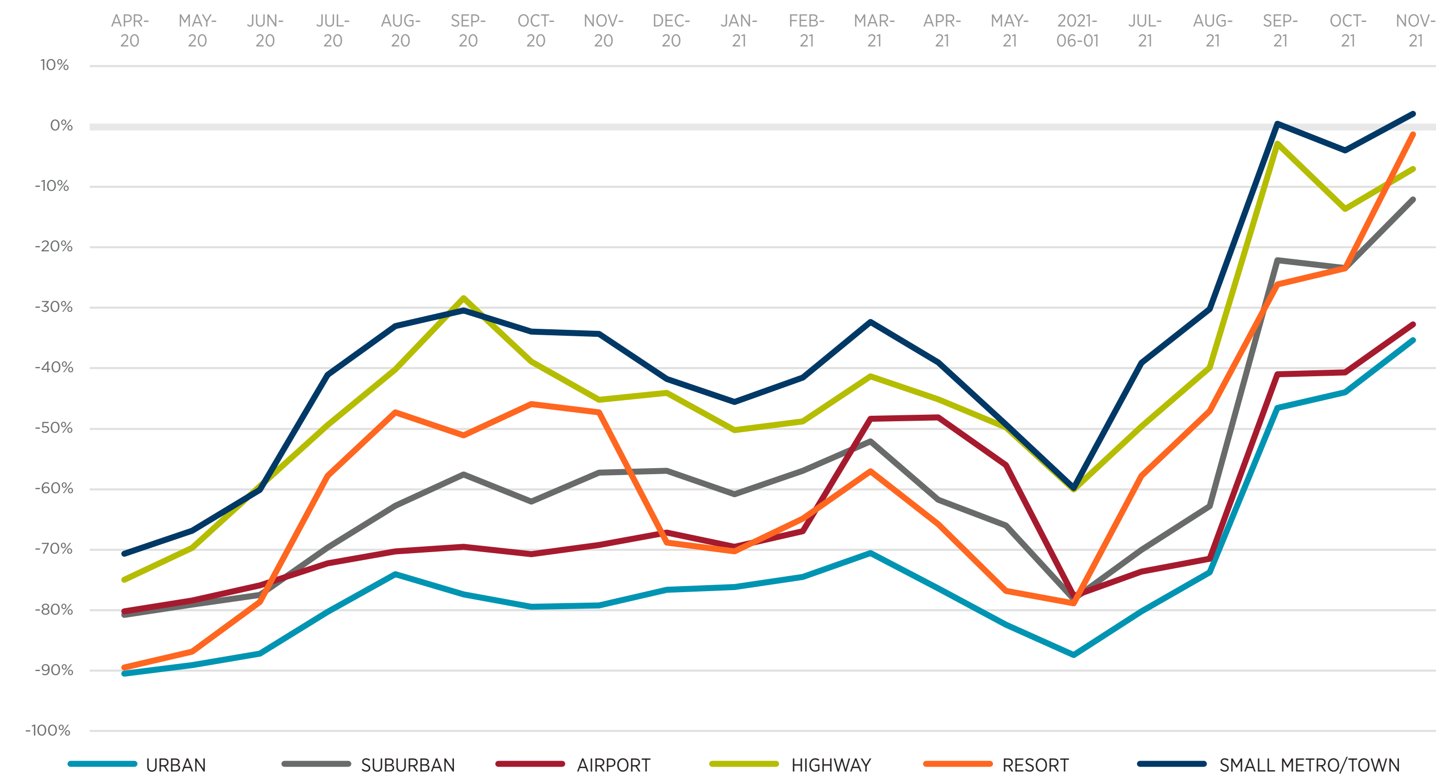
The beginning of 2021 got off to a slow start as many provinces in the country maintained their lockdowns and restrictions, with Q1 RevPAR down by 55% over 2020. Beginning in Q2, as vaccinations to the general public ramped up, restrictions were gradually reduced, and consumer confidence increased resulting in slow but steady improvement in accommodation performance.

In Q3, the summer period provided a strong resurgence in demand as many travelers looked to take advantage of the summer months resulting in a RevPAR increase of 15% over 2020. This optimism and return to normalcy persisted into the fall months and many hotels saw a gradual return of corporate travel and groups, as well as leisure travelers resulting in an overall boost to YTD 2021 RevPAR results of 29% over the previous year.

YEAR IN REVIEW

The following graph illustrates monthly trends in RevPAR through 2021 by market type. This graph shows the overall magnitude of the declines in 2020 and early 2021, relative to the same period in 2019, as well as which property types have performed better throughout the downturn and which have recovered more quickly.

MONTHLY REVPAR % CHANGE SINCE PANDEMIC



Source: STR | March through November 2021 results are indexed to 2019.

In 2020, the accommodation market saw a shift in how different types of markets perform – from major city centres historically being the top performers to being those most impacted by the pandemic. With the changes in the sources of demand, resorts, smaller towns, and highway locations led the country in performance as these locales often offer steadier sources of demand and are popular leisure travel destinations. Airport hotels showed a noticeable surge in performance in March 2021 as the government implemented mandatory quarantine periods for travelers and many hotels opted into the Government-Authorized Accommodation (GAA) program.

These trends are expected to continue over the coming months as the accommodation markets grapple with the Omicron variant and restrictions are re-introduced, including the GAA program. Once restrictions are loosened and the threat from Omicron has subsided, demand patterns established in 2021 are expected to resume with smaller towns, resorts, and highway hotels showing the earliest and strongest growth, followed by suburban areas, airport markets, and urban areas.

STR TOP 10 MARKETS

In 2020, there was a reversal of many longstanding trends in the Canadian accommodation industry with the major cities of Toronto, Vancouver, and Montreal left struggling to fill rooms. As a result, international, group and corporate demand fell, as travelers avoided densely populated cities. In 2021, this pattern has persisted with many leisure-oriented destinations and smaller cities seeing a strong resurgence in demand.

As of YTD November 2021, Vancouver and Victoria continued to lead the country in terms of overall RevPAR, followed distantly by Toronto and Quebec City. The cities that have seen the largest RevPAR improvements this year have been Victoria, Vancouver, Halifax, Montreal, Quebec City, and Calgary, at 69%, 42%, 41%, 40%, 34% and 33%, respectively. These markets generally saw the recovery start earlier, in the May to June period, and saw very strong summer performance relative to the markets with lower growth. In addition, these markets also took advantage of stronger demand periods to drive stronger ADR growth, resulting in strong overall RevPAR growth.

The remaining major markets also saw strong improvements in RevPAR, capturing growth in leisure demand over the summer and fall months. Ottawa recorded the lowest RevPAR growth for this year-to-date period; however, the city had posted a much smaller decline in 2020 as a result of relatively steady government and leisure demand.

TOP 10 CANADIAN MARKETS PERFORMANCE - YTD NOVEMBER 2021 % CHANGE

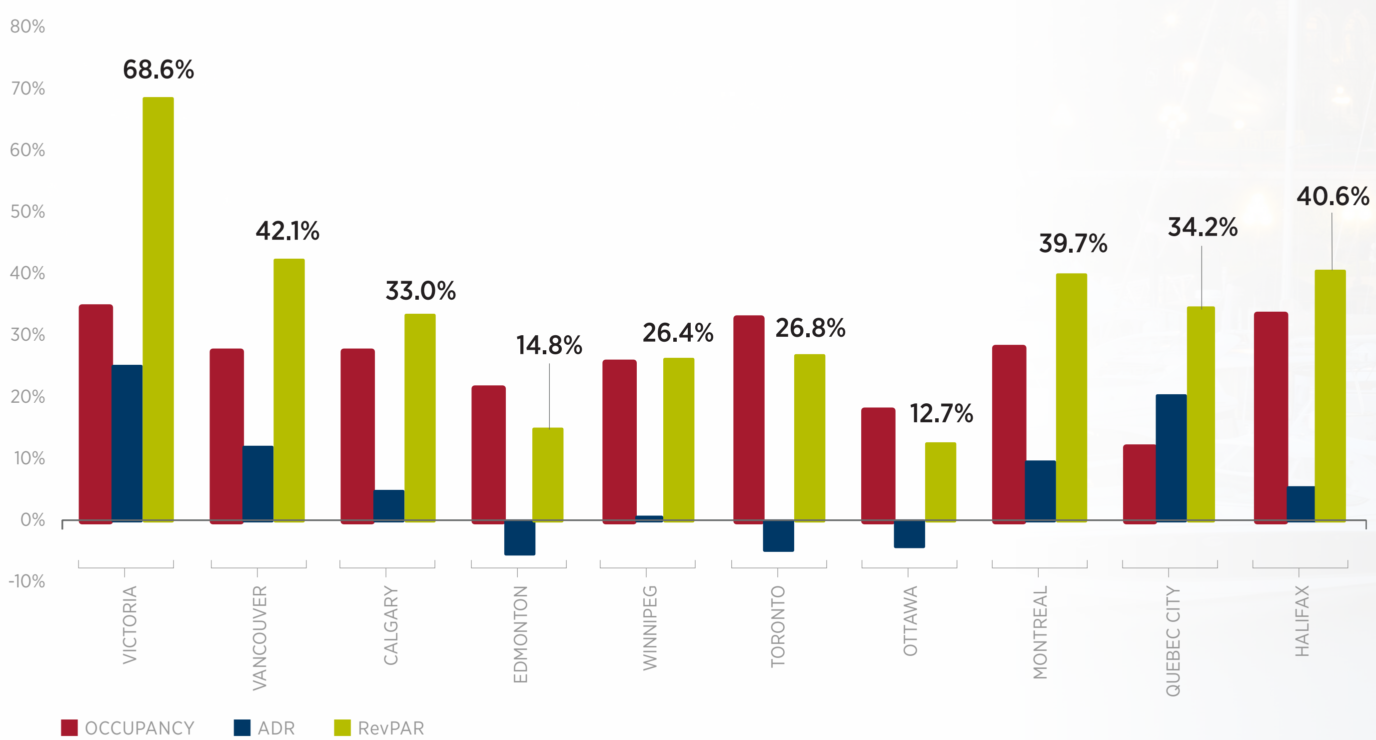


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Photo >
Fairmont Empress
Victoria, BC

NEW SUPPLY SLOWS IN 2021

As of November 2021, STR reported a national pipeline of 280 projects and 32,667 rooms. Both metrics were lower than the 305 projects and 34,704 rooms in the pipeline reported before the pandemic in March 2020. During this period, the number of hotel rooms reporting to STR declined from 454,108 rooms (March 2020) to 445,189 rooms (November 2021). A discussion on the number of properties converting to other uses is found in the Transaction review which follows.

New hotel development conditions are more challenging than they were before COVID-19. Key factors include financing availability, availability and costs of skilled labour, material and transportation costs, and government approvals. Hotel construction loans, while generally more available than during 2020, are subject to increased due diligence, lower loan-to-cost ratios, and proven sponsor requirements.

IN CONSTRUCTION AND PLANNING PIPELINE – Q1 2020 TO Q3 2021

PHASE	TYPE	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
IN CONSTRUCTION	PROJECTS	64	72	70	79	83	90	96
	ROOMS	7,440	8,513	8,184	9,182	9,805	10,286	10,832
PLANNING (INCLUDES FINAL PLANNING)	PROJECTS	211	211	205	201	202	187	175
	ROOMS	24,095	23,843	22,731	22,066	22,826	21,263	19,961
TOTAL	**PROJECTS**	**275**	**283**	**275**	**280**	**285**	**277**	**271**
	ROOMS	**31,535**	**32,356**	**30,915**	**31,248**	**32,631**	**31,549**	**30,793**

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The sentiment on the hotel industry can change quickly based on public health measures and government regulations related to the pandemic.

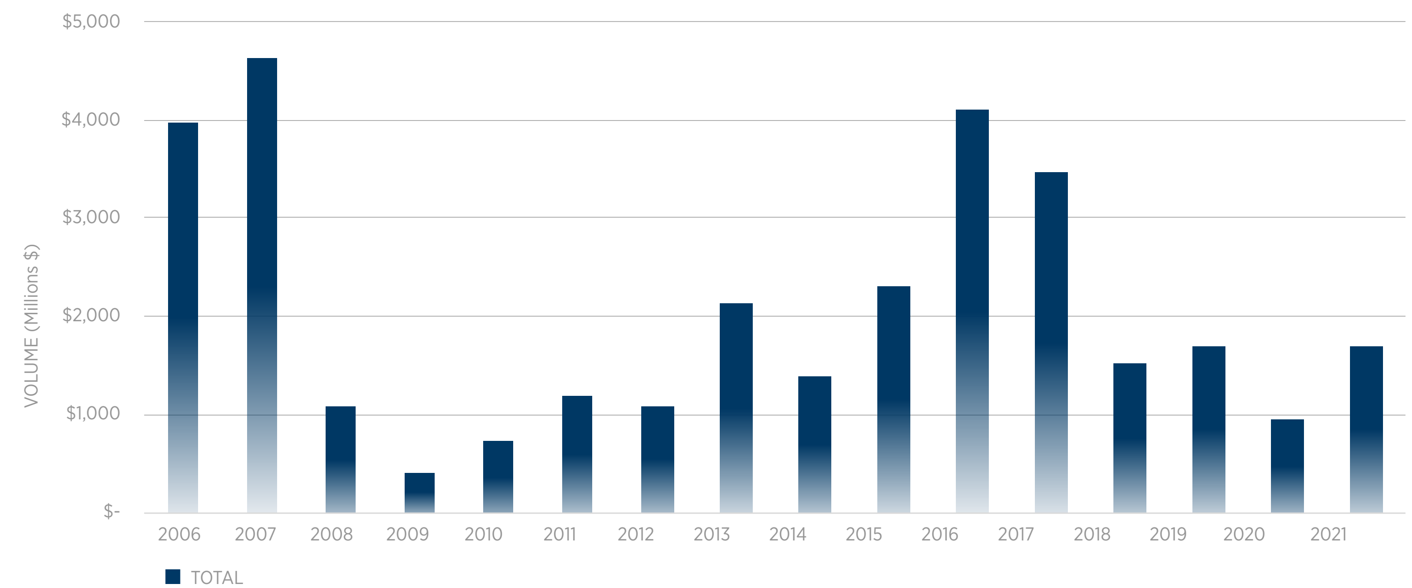
As illustrated above, the number of projects and rooms in construction declined briefly during Q3 2020, but both metrics have been rising for the past four quarters.

Projects in late planning stages were more likely to proceed to construction. However, the number of projects and rooms in planning has been declining since Q2 2020 (except briefly during Q1 2021). Overall, as of Q3 2021, the national pipeline was lower than as of Q1 2020.

TRANSACTIONS MARKET

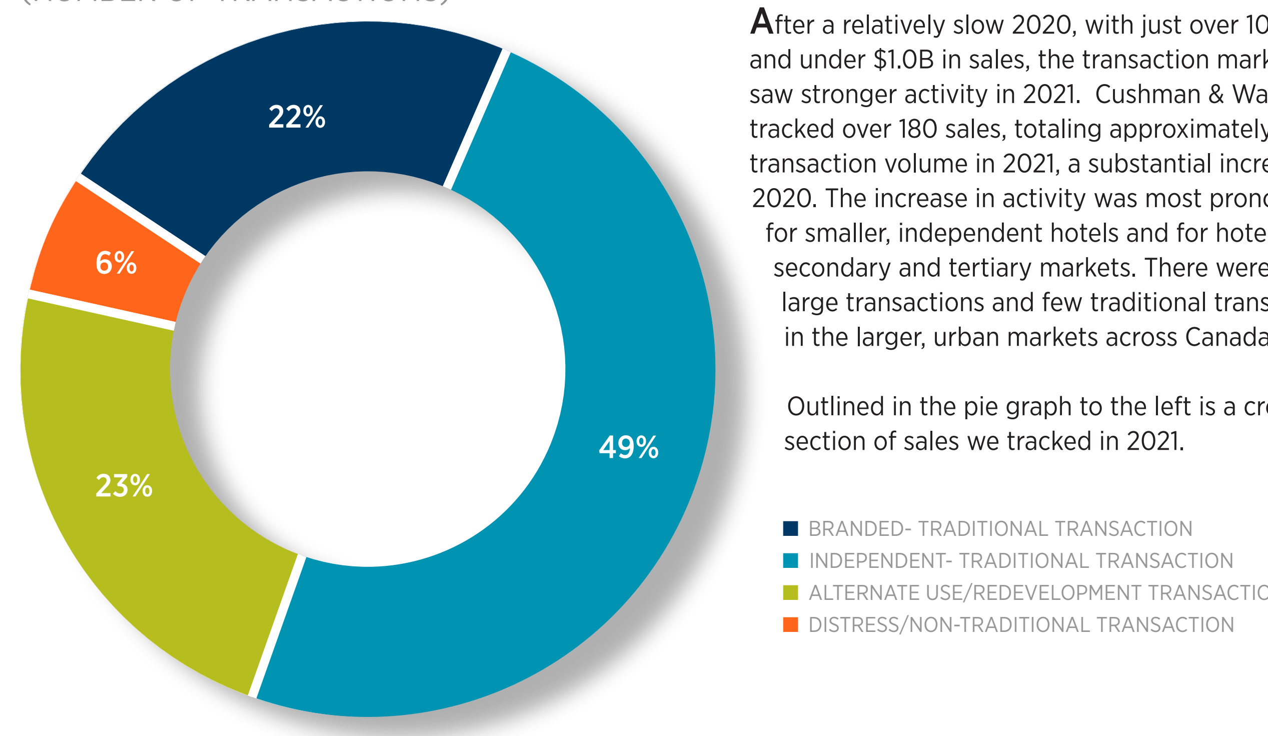
Below is a chart summarizing Canadian hotel transaction volumes since 2006.

CANADIAN HOTEL TRANSACTION VOLUME – 2006 TO 2021



Source: Cushman & Wakefield | Transactions of at least $1 Million

2021 TRANSACTION ACTIVITY BY SALE TYPE (NUMBER OF TRANSACTIONS)



After a relatively slow 2020, with just over 100 sales and under $1.0B in sales, the transaction market saw stronger activity in 2021. Cushman & Wakefield tracked over 180 sales, totaling approximately $1.7B in transaction volume in 2021, a substantial increase from 2020. The increase in activity was most pronounced for smaller, independent hotels and for hotels in secondary and tertiary markets. There were few large transactions and few traditional transactions in the larger, urban markets across Canada.

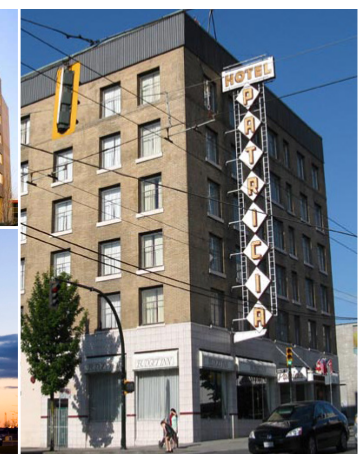
Outlined in the pie graph to the left is a cross section of sales we tracked in 2021.

With major urban areas still underperforming historic levels by a wide margin, there were few larger assets available for purchase. Ownership of these hotels are well capitalized, have strong lender relationships and have been supported by government programs allowing them to weather the COVID impact. One urban sale of note was the yet to open King Blue hotel, a boutique hotel on King Street in Toronto which was acquired for $74 million or $643,500 per room.

As noted, the segment that saw a rise in activity was the independent hotels. C&W tracked just under 120 of these sales in 2021, a substantial increase over the 80 independent sales we tracked in 2019, prior to the pandemic. The pandemic has had a bigger impact on these properties which are often smaller, older assets operated by their owners. In downturns, there is often a flight to quality leaving many of these properties without sufficient business to remain viable. Owners are also less likely to benefit from the various assistance programs offered to the wider industry. After two years of COVID, there are many cases where long time owners have retired or exited the industry.

2021 TOP INDIVIDUAL HOTEL TRANSACTIONS



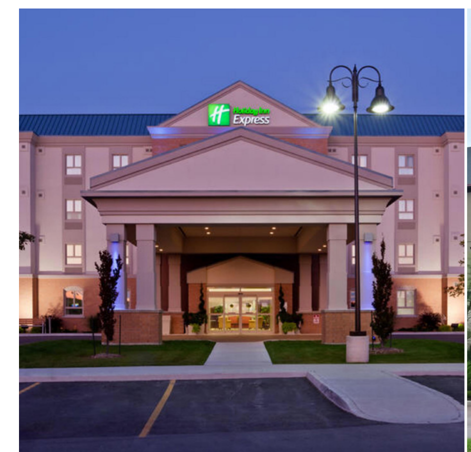


HILTON GARDEN INN TORONTO VAUGHAN"	"KING BLUE HOTEL TORONTO"	"COURTYARD AND RESIDENCE INN MONTREAL AIRPORT"	PATRICIA HOTEL
$130.79 million	**$74 million**	**Confidential**	**$63.8 million**
Where: Vaughan, Ontario	**Where:** Toronto, Ontario	**Where:** Montreal, Quebec	**Where:** Vancouver, British Columbia
Rooms: 155 **Per Room:** $843,800 **Date:** November 2021 **Buyer:** Graywood Developments Ltd.	**Rooms:** 115 **Per Room:** $643,500 **Date:** September 2021 **Buyer:** Northland Properties	**Rooms:** 329 **Per Room:** Confidential **Date:** December 2021 **Buyer:** Knightstone Capital Management	**Rooms:** 195 **Per Room:** $327,200 **Date:** April 2021 **Buyer:** BC Housing
Takeaway: This site was acquired for conversion to alternative use. Graywood has plans to redevelop the site into a three tower high-rise, mixed-use development with 1,730 residential units.	**Takeaway:** The hotel is situated within the seven-storey tower of the King Blue Condominium Complex. This is a new build property with no operating history at the time of sale.	**Takeaway:** Well established hotels in the Montreal Airport area which has been a market leader for many years. The hotels will be renovated by the purchaser.	**Takeaway:** The hotel and adjoining parking lot was acquired for conversion to social housing.

In terms of location, most traditional sales were located in secondary or tertiary markets, many in areas less impacted by the pandemic. Markets which depend on domestic travel and local economic activity such as mining and pipeline construction, have fared relatively well. Sales in some of these areas reflect pricing similar to pre-pandemic pricing in many cases.

Where better quality assets have been available, brokers reported strong interest and multiple bids. Similar to the overall CRE market, the hospitality sector also benefitted from a strong influx of investment capital. This combined with an improving outlook for the sector made good quality hotels attractive to buyers in 2021. Pricing for these assets saw little if any discounting as the demand for investments at least partially offset the impact of term results on value.

2021 NOTABLE SECONDARY & TERTIARY MARKET HOTEL TRANSACTIONS (PER ROOM)



HOLIDAY INN EXPRESS & SUITES KINCARDINE DOWNTOWN	QUALITY INN & SUITES PETAWAWA	DAYS INN CANMORE
$12.3 million	**$10.25 million**	**$10 million**
Where: Kincardine, Ontario	**Where:** Petawawa, Ontario	**Where:** Canmore, Alberta
Rooms: 70 **Per Room:** $175,700 **Date:** September 2021	**Rooms:** 66 **Per Room:** $155,300 **Date:** December 2021	**Rooms:** 60 **Per Room:** $166,700 **Date:** June 2021
Takeaway: This transaction was negotiated prior to the pandemic. The hotel will be renovated by the purchaser.	**Takeaway:** Newer hotel which performs well. This site is situated close to the Canadian Forces Base Petawawa.	**Takeaway:** The hotel was acquired by Basecamp Resorts (regional chain of upscale resort properties). The hotel will be renovated and repositioned.

Another sector that saw strong activity in 2021 was in the alternative use segment. In the larger urban areas, public bodies continued to acquire in 2021 as the need for social and emergency housing remains high. In 2021, we tracked 21 sales acquired by municipalities and social housing organizations. The other segment that was active in urban areas was acquisitions of obsolete properties for redevelopment; with rising land values and increased densities available, redevelopment makes financial sense.

HOTEL SALES FOR CONVERSION TO ALTERNATE USE

DATE	NAME	CITY	PROVINCE	NO. OF ROOMS	PRICE	BUYER	INTENDED USE
MAR-21	DAYS INN VANCOUVER METRO	VANCOUVER	BC	65	$25,500,000	CITY OF VANCOUVER	AFFORDABLE HOUSING
MAR-21	HOSTELLING INTERNATIONAL VANCOUVER	VANCOUVER	BC	77	CONFIDENTIAL	BC HOUSING	AFFORDABLE HOUSING
MAR-21	RAMADA LIMITED VANCOUVER DOWNTOWN	VANCOUVER	BC	80	$36,000,000	BC HOUSING	AFFORDABLE HOUSING
MAR-21	STATION HOTEL	VANCOUVER	BC	32	$6,800,000	BC HOUSING	AFFORDABLE HOUSING
MAR-21	THE LARK	VANCOUVER	BC	33	CONFIDENTIAL	BC HOUSING	AFFORDABLE HOUSING
MAR-21	THORNTON PARK HOTEL	VANCOUVER	BC	22	$4,900,000	BC HOUSING	AFFORDABLE HOUSING
MAR-21	HOWARD JOHNSON AURORA	AURORA	ON	98	$8,250,000	-PRIVATE INVESTOR-	RETIREMENT RESIDENCE
MAR-21	BURLINGTON INN	BURLINGTON	ON	45	$10,000,000	THE REGIONAL MUNICIPALITY OF HALTON	ALTERNATIVE USE
MAR-21	PARKSVILLE MOTEL	GUELPH	ON	32	$3,800,000	GUELPH (MOG) WELCOME IN DROP IN CENTRE	AFFORDABLE HOUSING
MAR-21	GREWALS INN & SUITES	NIAGARA FALLS	ON	32	$3,545,000	NIAGARA REGIONAL HOUSING	AFFORDABLE HOUSING
MAR-21	KNIGHTS INN ORANGEVILLE	ORANGEVILLE	ON	30	$3,415,000	SERVICES AND HOUSING IN THE PROVINCE (SHIP)	AFFORDABLE HOUSING
MAR-21	CANADIANA INN	WHITBY	ON	26	$3,741,000	-PRIVATE INVESTOR-	ALTERNATIVE USE
MAR-21	COMFORT INN & SUITES WINDSOR	WINDSOR	ON	45	$6,350,000	THE CORPORATION OF THE CITY OF WINDSOR	ALTERNATIVE USE
APR-21	TRAVELODGE SURREY	SURREY	BC	29	$8,700,000	BC HOUSING	AFFORDABLE HOUSING
APR-21	BEST WESTERN PLUS UPTOWN	VANCOUVER	BC	68	$32,000,000	BC HOUSING	AFFORDABLE HOUSING
APR-21	PATRICIA HOTEL	VANCOUVER	BC	195	$63,800,000	BC HOUSING	AFFORDABLE HOUSING
APR-21	CAPITAL CITY CENTER	VICTORIA	BC	96	$24,500,000	BC HOUSING	AFFORDABLE HOUSING
APR-21	GRAND MOTEL	TORONTO	ON	24	$5,100,000	CITY OF TORONTO	AFFORDABLE HOUSING
APR-21	SUPER 8 DOWNTOWN TORONTO	TORONTO	ON	92	$22,250,000	CITY OF TORONTO	AFFORDABLE HOUSING
MAY-21	TRAVELODGE CHILLIWACK	CHILLIWACK	BC	82	CONFIDENTIAL	BC HOUSING	AFFORDABLE HOUSING
MAY-21	CANADA'S BEST VALUE INN LANGLEY	LANGLEY	BC	46	$10,100,000	BC HOUSING	AFFORDABLE HOUSING
JUN-21	LAKEVIEW SIGNATURE INN CALGARY AIRPORT	CALGARY	AB	120	$14,000,000	SILVERA FOR SENIORS	RETIREMENT RESIDENCE
JUN-21	RED LION INN & SUITES ABBOTSFORD	ABBOTSFORD	BC	30	$6,900,000	BC HOUSING	AFFORDABLE HOUSING
JUN-21	CARRIAGE HILLS RESORT	ORO-MEDONTE	ON	172	$41,250,000	-PRIVATE INVESTOR-	CONDO APARTMENT
JUN-21	CARRIAGE RIDGE RESORT	ORO-MEDONTE	ON	78	$18,750,000	-PRIVATE INVESTOR-	CONDO APARTMENT
JUN-21	OTTAWA INN HOTEL	OTTAWA	ON	28	$9,925,000	-PRIVATE INVESTOR-	ALTERNATIVE USE
JUN-21	WOODBINE MOTEL	VAUGHAN	ON		$9,500,000	-PRIVATE INVESTOR-	INDUSTRIAL CONDOS
JUL-21	STONEBRIDGE GRANDE PRAIRIE	GRANDE PRAIRIE	AB	125	$12,500,000	CITY OF GRANDE PRAIRIE	AFFORDABLE HOUSING
AUG-21	HOLIDAY INN CALGARY MACLEOD TRAIL SOUTH	CALGARY	AB	151	$9,500,000	-PRIVATE INVESTOR-	ALTERNATIVE USE
AUG-21	ROYAL INN & SUITES	GUELPH	ON	63	$5,000,000	-PRIVATE INVESTOR-	ALTERNATIVE USE
OCT-21	HOTEL BELVEDERE	KINGSTON	ON	20	$2,300,000	-PRIVATE INVESTOR-	ALTERNATIVE USE
NOV-21	SANDS INN & SUITES	EDMONTON	AB	53	$10,800,000	NON-PROFIT	AFFORDABLE HOUSING
NOV-21	TRAVELODGE SUITES HALIFAX DARTMOUTH	DARTMOUTH	NS	75	$9,541,000	AFFORDABLE HOUSING ASSOCIATION OF NOVA SCOTIA	AFFORDABLE HOUSING
NOV-21	COMFORT INN BRAMPTON	BRAMPTON	ON	107	$19,600,000	THE REGIONAL MUNICIPALITY OF PEEL	AFFORDABLE HOUSING

COMPILED BY CUSHMAN & WAKEFIELD ULC

Resorts remained attractive to investors as buyers were keen to capitalize on the surge in COVID driven leisure demand and the rise in revenues seen in 2021. Most notable was the sale of Skyline's resort assets in December at a reported price of $210 million. The transaction was the largest hospitality deal of the year and included Deerhurst and Horseshoe resorts, along with substantial development lands at the two resorts and at Blue Mountain Resort.

2021 TOP RESORT TRANSACTIONS

DEERHURST RESORT AND HORSESHOE RESORT	CARRIAGE HILLS & RIDGE RESORT
Part of the $210 million acquisition	**$60 million**
Where: Muskoka/Barrie/Blue Mountain, Ontario	**Where:** Horseshoe Valley, Ontario
Date: December 2021 **Buyer:** Freed Hotels & Resorts	**Rooms:** 250 **Per Room:** $240,000 **Date:** June 2021 **Buyer:** Sunray Group
Takeaway: Transaction included sale of Deerhurst and Horseshoe resorts, along with substantial development lands at the two resorts and at Blue Mountain Resort, and the roll-in of Muskoka Bay Resort. This acquisition establishes Freed as the largest resort community owner, operator, and developer in Canada.	**Takeaway:** The two former timeshare properties were not operating at time of sale. The properties were acquired for conversion to condo units. Receivership sale.

Despite the ongoing impact of COVID through 2021, we saw a modest increase in lender-driven activity in markets where the prospects for recovery are less certain and where challenges existed before the pandemic.

As 2022 begins, the transaction market looks poised to see more activity with several significant transactions in progress. Investor interest is expected to remain high as the sector continues to recover through 2022.

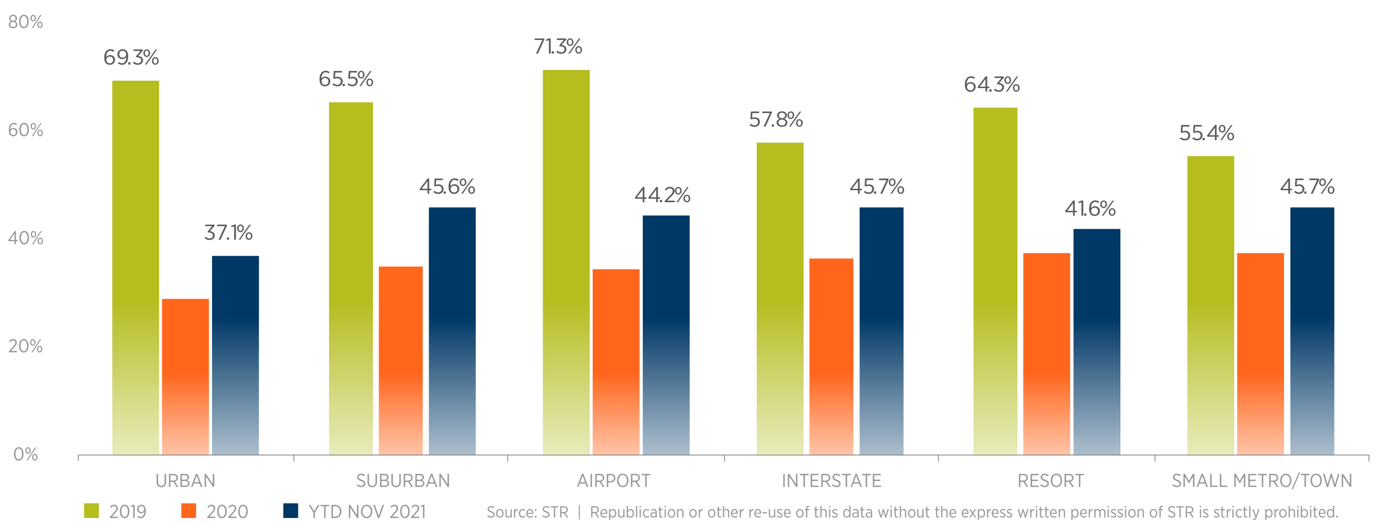
RECOVERY IN 2021 AND THE OUTLOOK FOR 2022

The hospitality market did not live up to expectations in 2021, as the slower than expected roll out of vaccines and the emergence of new variants stalled the recovery in the first half of the year.

In July, most provinces relaxed social distancing measures, restaurant capacities and mask mandates, and the hotel industry began to see increased travel – largely in leisure oriented markets. For Q3 2021, the room demand was between 75% and 90% of 2019 demand quarter-over-quarter. For Q4 2021, the range narrowed, with the percentage recovery rate ranging between 80% and 90% of total demand for occupied room nights for the same period in 2019.

The recovery has been uneven based on the type of property as illustrated in the chart below:

HOTEL OCCUPANCY BY LOCATION



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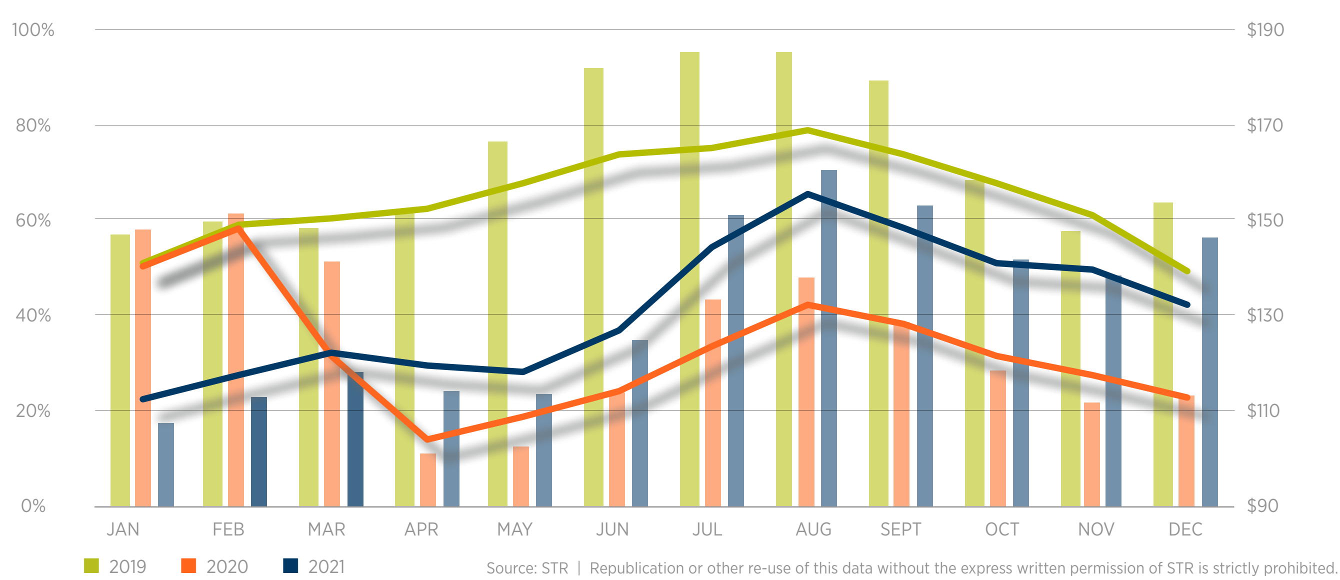
CANADA HOTEL OCCUPANCY AND AVERAGE DAILY RATE



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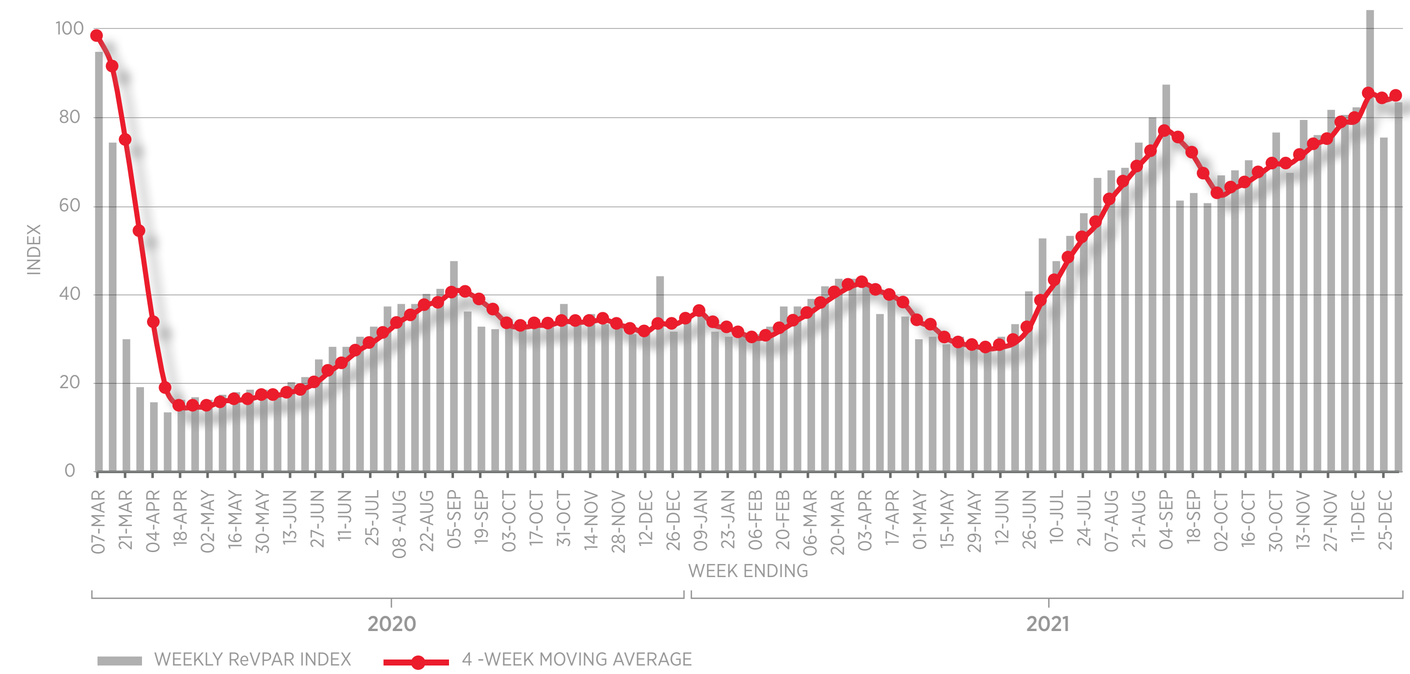
CANADA MARKET RECOVERY MONITOR - Weekly RevPAR Index (indexed to 2019) Since the earliest COVID-19 Impact



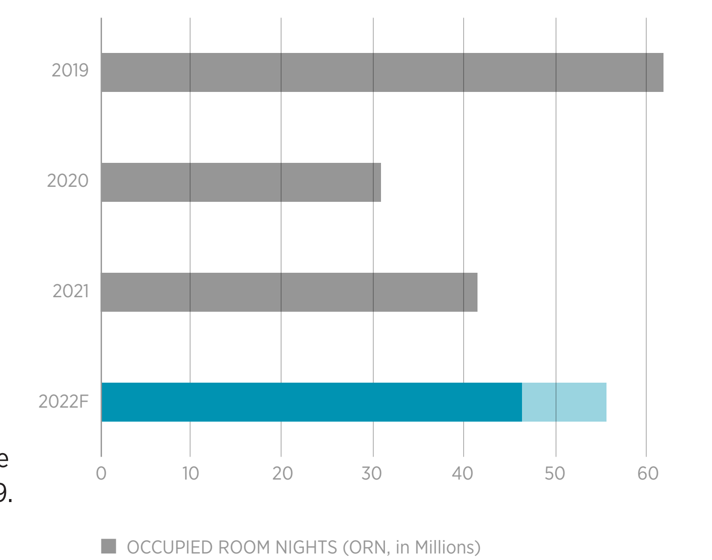
Source: STR | March through December 2021 results are indexed with the same time period in 2019.

THE OUTLOOK

In 2021, the Canadian hotel market's overall demand recovered to 66% of 2019 levels.

Although the outlook varies by type and location of property, a review of budgets provided to us and discussions with several operators, indicate that operators are generally budgeting anywhere between 75% and 90% of the demand captured in 2019. In a handful of cases, some hotels and markets in Canada will fully recover to 2019 levels in 2022.

This is a significant improvement and illustrates the ability of the industry to recover relatively quickly once travel and public health measures relax. Despite the setback from the Omicron wave, recovery should continue through the balance of 2022. The chart to the right illustrates demand levels for 2020-22 versus 2019.



With a smaller labour force, hotel employees in some cases were working longer hours or needed to complete tasks outside of their normal duties

RECOVERY LABOUR CHALLENGES

In addition to general inflationary increases, hotels are seeing inflation in the cost of salaries and wages for a variety of reasons: 1) a shortage of labour, 2) competition with other industries, and 3) the rise in minimum wages across the country. Overall, National unemployment was as high as 9.4% in January 2021. In July 2021, the unemployment rate dropped to 7.5% and then down to 5.9% by December 2021. Despite this decrease, many industries are reporting a shortage in available labour – not just the hotel industry.

At the start of the pandemic, hotels made the decision to lay off staff, retaining a skeleton team of executive management and employees. Between then and mid 2021, some staff had found jobs in other industries or made the decision to remain laid off. The ongoing risk of another variant and further restrictions, as well as the uncertainty of sudden spikes in demand levels, kept hotel operators unable to commit to rehiring. Unfortunately, when demand began to surge in the summer months, hotel operators were scrambling to find housekeeping and restaurant staff. Some hotels were forced to keep restaurants at limited capacity, and keep guestrooms out of inventory due to labour shortages. The net result has been an increase in wages and incentives.

In 2021, operators were budgeting for higher than inflationary increases in salaries and wages. With a smaller labour force, hotel employees in some cases were working longer hours or needed to complete tasks outside of their normal duties.

Now with the Omicron variant upon us, we expect further delays in return to work as hotels weather the next 2-3 months. January and February tend to be slower months for the hotel industry, and operators are optimistic for the potential of spring break season in March. We do not expect layoffs to the extent seen in the early days of COVID as demand for leisure travel will continue. As recovery expands to the larger urban hotels and as group demand resumes in 2022, there will be challenges in staffing as some younger employees have chosen to find alternative work. The industry will need time to recruit and train staff, likely at higher costs in 2022 and beyond.

CONCLUSION AND OUTLOOK

In 2021, the accommodation market saw a resurgence in demand as the latter half of the year saw recovery in leisure and certain types of group demand.

> *As we saw in 2021, many travelers are eager to put the pandemic behind them and resume travel and normal activities as soon as possible*

Going into 2022, the Omicron variant has put a halt to the recovery, at least in the near term. As this surge passes and as vaccination rates and immunity levels rise, we expect to see continued growth and recovery through the latter part of 2022. As we saw in 2021, many travelers are eager to put the pandemic behind them and resume travel and normal activities as soon as possible. Most forecasts project market recovery to 2019 levels by 2023-24. As Omicron has shown, this recovery is not expected to be linear.

While the impact from COVID is severe, the hospitality industry has weathered many cycles and challenging times. The industry has been forced to change and adapt and will continue to do so as the impact of COVID lessens. It is telling that there is such strong interest in commercial real estate in general, and in hotels specifically, suggesting investors see the longer-term return on investment as very positive.

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