Preferred Hotels & Resorts

SUBMITTED TO:

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Purpose of the Engagement

HVS was retained by Preferred Hotels & Resorts to evaluate a sample of its affiliated hotels in the context of the North American lodging market. Specifically, we reviewed the hotels' performance over the period from 2021 through 2023. The Preferred Hotels & Resorts hotels were separated into the following three distinct markets: primary, secondary/tertiary, and resort markets. We herewith present a summary of our findings for the last three years in the three different market categorizations.

Methodology and Scope of Work

In developing this study, we have relied on information provided by STR, which assembled occupancy, average rate, and RevPAR data, in aggregate, for the following:

- A select 92 hotels in North America affiliated with Preferred Hotels & Resorts in primary, secondary/tertiary, and resort markets. All hotels identified are fully connected through Preferred Hotels & Resorts' distribution platform
- All hotels identified as competitors by the Preferred Hotels & Resorts-affiliated hotels ("Peer Properties") in primary, secondary/tertiary, and resort markets
- All hotels in the 25 major markets in the U.S., as defined by STR
- All hotels in the U.S.

We have also relied on our internal database of information that was prepared for the *2023/24 U.S. Hotel Franchise Fee Guide*, published by HVS.

Preferred Hotels & Resorts

Preferred Hotels & Resorts is a global hospitality company based in Newport Beach, California, and the primary hotel brand of Preferred Travel Group. Preferred Hotels & Resorts encompasses four- and five-star, full-service hotels and resorts, predominantly classified as luxury hotels and including iconic properties. It can be classified as a "soft" brand, essentially comprising individual hotels that operate under the Preferred Hotels & Resorts umbrella. Like traditional hotel brands, soft brands provide affiliates with reservation systems and connectivity, sales support, and other marketing and operational support systems, such as a frequent guest program. Soft brands require that affiliated properties meet defined quality operational standards but typically do not mandate specific facility, design, or operational criteria. As a result, hotels affiliated with soft brands usually maintain a distinct identity and offer an array of facilities, amenities, and services as appropriate to the location and market.

The services and support that Preferred Hotels & Resorts provides to its affiliated hotels central distribution and revenue optimization system; the I Prefer Hotel Rewards global loyalty program; global marketing and public relations; a global sales force of over 80 dedicated individuals covering the group, corporate, leisure, and entertainment markets; integrated quality assurance program; and cost-saving procurement program.

MARKET CLASSIFICATION

In our analysis, we have categorized Preferred Hotels & Resorts hotels and Peer Properties into three different groups, whose definitions were agreed upon jointly by Preferred Hotels & Resorts and HVS.

- Group 1: Hotels in primary markets
  - *Example cities: New York, Houston, Boston, Miami, Los Angeles, etc.*

- Group 2: Hotels in secondary and tertiary markets
  - *Example cities: Nashville, Detroit, New Orleans, Charleston, etc.*

- Group 3: Resort hotels
  - *Example cities: Big Sky, Laguna Beach, Key West, Destin, etc.*

The Peer Properties

For the purposes of this study, the Peer Properties came from STAR competitive sets selected individually by each Preferred Hotels & Resorts hotel operator. The following table sets forth the profile of the hotels that comprise the Peer Properties, based on chain scale, as defined by STR.

Overall Performance Review

FIGURE 1   PROFILE OF THE PEER PROPERTIES, BY CHAIN SCALE

	Breakdown by Chain Scale	Number of Properties		Number of Rooms	
		Total	Percent of Total	Total	Percent of Total
Primary Markets	Luxury Class	66	75.9%	16,710	76.3%
	Upper Upscale Class	17	19.5%	4,472	20.4%
	Upscale Class	3	3.4%	674	3.1%
	Upper Midscale Class	1	1.1%	44	0.2%
	Total	**87**		**21,900**	
Secondary/Tertiary Markets	Luxury Class	54	29.5%	15,575	26.3%
	Upper Upscale Class	83	45.4%	32,320	54.6%
	Upscale Class	37	20.2%	8,955	15.1%
	Upper Midscale Class	8	4.4%	2,209	3.7%
	Midscale Class	1	0.5%	109	0.2%
	Total	**183**		**59,168**	
Resort Markets	Luxury Class	64	53.8%	13,441	51.7%
	Upper Upscale Class	33	27.7%	9,371	36.0%
	Upscale Class	10	8.4%	1,773	6.8%
	Upper Midscale Class	10	8.4%	1,085	4.2%
	Midscale Class	1	0.8%	231	0.9%
	Economy Class	1	0.8%	94	0.4%
	Total	**119**		**25,995**	

Most of the Peer Properties in primary markets and resorts markets are classified as luxury or upper-upscale hotels by STR; together, these classifications account for 95.4% of the hotels and 96.7% of the guestroom inventory within the primary markets, and 82.5% of the hotels and 87.7% of the guestrooms within resort markets. Peer Properties in the luxury sector include hotels affiliated with Four Seasons, Ritz-Carlton, St. Regis, and Mandarin Oriental Hotels, as well as numerous iconic hotels and resorts both fully independent or members of independent soft brands such as Leading Hotels of the World and Relais & Chateaux. The predominance of luxury and upper-upscale properties within the peer set reflects the overall quality of the hotels affiliated with Preferred Hotels & Resorts. Chain scales of the hotels in secondary/tertiary markets are more diverse; 74.9% of the hotels and 80.9% of the guestrooms are classified as luxury or upper upscale, while the rest are categorized as upscale, upper midscale, or midscale.

The following table sets forth the profile of the hotels that comprise the Peer Properties based on brand or hotel company. In the case of Marriott and Hilton, the

category includes hotels operating under one of the company's full-service brands. For example, the Marriott International category includes hotels operating as a Marriott, Renaissance, Ritz-Carlton, Autograph Collection, Westin, Luxury Collection, W Hotels, Sheraton, Le Meridien by Marriott, and so on. We were provided with the aggregate data by parent company, rather than a detailed list of the individual hotels.

FIGURE 2   PROFILE OF THE PEER PROPERTIES (ALL MARKETS)

Breakdown by Brand	Number of Properties		Number of Rooms	
	Total	Percent of Total	Total	Percent of Total
Marriott International	78	20.1%	25,060	23.4%
Hilton Worldwide	67	17.2%	19,521	18.2%
InterContinental Hotels Group	14	3.6%	4,285	4.0%
Hyatt	24	6.2%	9,377	8.8%
Four Seasons Hotels & Resorts	10	2.6%	2,778	2.6%
Total	193	49.6%	61,021	57.0%
Other Brand	41	10.5%	12,074	11.3%
Total Branded	234	60.2%	73,095	68.3%
Other Affiliations	42	10.8%	9,807	9.2%
Total Branded or Affiliated	276	71.0%	82,902	77.4%
Independent or Soft Brand	113	29.0%	24,161	22.6%
Total Competitive Sample	389	100.0%	107,063	100.0%

*Other brand includes FRHI, Loews, Omni, and Wyndham Hotels (distinguished by sample size)

**Other affiliations includes all properties affiliated with a chain, excluding "soft" brands

Note: STR does not specifically track affiliations with Leading Hotels of the World, World Hotels, Small Luxury Hotels or other soft brands

A majority of the Peer Properties are affiliated with a brand; in aggregate, 60.2% of the hotels and 68.3% of the guestroom inventory are affiliated with a hotel chain. Moreover, 49.6% of the hotels and more than half (57.0%) of the room inventory operate under Marriott, Hilton, InterContinental Hotels Group, Hyatt, and Four Seasons full-service brands (inclusive of soft brand collections such as Autograph, Curio, Unbound, etc.). Another 10.8% of the hotels are affiliated with smaller brands.

Approximately 29.0% of the hotels are classified as "independent." This category includes hotels that are affiliated with other soft brands, such as Leading Hotels of the World, WorldHotels, and Small Luxury Hotels of the World, as well as hotels that operate independent of any affiliation. As STR does not currently track all soft brand affiliations, it is not possible to further subdivide this category based on the data we received.

The first category, which includes the larger brands, is generally viewed as the one with the strongest brands in the U.S. in terms of market presence and room-night delivery. Each is characterized by a well-recognized market image, wide geographic distribution, strong reservation system, well-established sales and marketing functions, and popular frequent guest program. Based on these attributes, properties affiliated with these brands are generally considered to be less vulnerable to macro-economic fluctuations, although individual properties can have significantly different experiences depending on property- and market-specific circumstances. The predominance of these brands among the Peer Properties suggests that, in aggregate, the Preferred Hotels & Resorts properties have had to operate in a highly competitive market, particularly through the recent pandemic, which had a negative impact on the U.S. lodging industry as a whole.

Overview of the U.S. Lodging Industry Through and After the COVID-19 Pandemic— STR Data

The onset of the COVID-19 pandemic in March 2020 had a severe impact on the lodging industry, causing occupancy, ADR, and RevPAR to decline by unprecedented levels. By the conclusion of 2020, occupancy had fallen 22 points, with ADR decreasing by roughly $28.00, resulting in a RevPAR loss of 48.0% (rounded). Led by strong leisure demand, many markets began to recover in mid-year 2021. The recovery continued in 2022 and 2023, as group activity returned. Business travel has also improved, although hybrid work options and lower office occupancy rates continue to constrain demand recovery in this segment. By year-end 2023, the U.S. occupancy level had reached 96.0% of the occupancy level attained in 2019. Supported by strong levels of leisure demand, ADR registered 18.6% higher than the national rate in 2019, resulting in a RevPAR increase of 13.1% in 2023 from the level achieved in 2019.

Strong RevPAR Growth: 2021–2023

STR has compiled performance data for the hotels that are affiliated with Preferred Hotels & Resorts, as well as for the hotels identified as Peer Properties. Data for the 25 major lodging markets in the U.S. and for the overall U.S. lodging industry were also provided. The statistics include occupancy, ADR, and RevPAR, which is calculated by multiplying occupancy by ADR and provides an indication of how well rooms revenue is being maximized. The data were provided to us in aggregate form, as set forth in the following table.

FIGURE 3   OVERALL REVPAR PERFORMANCE

	2021	2022	2023	Percentage Change		Total Increase
				Total	**AACG***	
Primary Markets						
Preferred Hotels & Resorts	**224.17**	**331.77**	**353.09**	**57.5%**	**25.5%**	**$128.92**
Peer Properties	$200.78	$299.73	$307.70	53.3%	23.8%	$106.92
Preferred Hotels Penetration vs. Peer Properties	**111.7%**	**110.7%**	**114.8%**			
Secondary and Tertiary Markets						
Preferred Hotels & Resorts	**$109.53**	**$160.81**	**$172.27**	**57.3%**	**25.4%**	**$62.74**
Peer Properties	$98.97	$156.53	$167.02	68.8%	29.9%	$68.05
Preferred Hotels Penetration vs. Peer Properties	**110.7%**	**102.7%**	**103.1%**			
Resort Markets						
Preferred Hotels & Resorts	**$317.08**	**$360.83**	**$344.49**	**8.6%**	**4.2%**	**$27.41**
Peer Properties	$218.68	$261.01	$264.35	20.9%	9.9%	$45.67
Preferred Hotels Penetration vs. Peer Properties	**145.0%**	**138.2%**	**130.3%**			
U.S. Major Markets	$77.41	$118.27	$127.33	64.5%	28.3%	$49.92
U.S. Lodging Industry	$71.94	$93.42	$104.97	45.9%	20.8%	$33.03

*Average Annual Compound Growth

Source: STR

For all three groups, the performance of the Preferred Hotels & Resorts hotels generally outpaced the performance of the Peer Properties, the 25 major markets, and the overall U.S. lodging industry during the period shown. The Preferred Hotels & Resorts hotels recorded strong, positive trends in both the amount and pace of RevPAR growth. In each group, the overall RevPAR penetration levels achieved by the Preferred Hotels & Resorts hotels surpassed 100% during the three-year period, with RevPAR for the Preferred Hotels & Resorts hotels registering higher than that of the Peer Properties.

Performance Review by Markets

GROUP 1 – PRIMARY MARKETS

Preferred Hotels vs. the Peer Properties in Primary Markets

The aggregate performance of the Preferred Hotels & Resorts hotels compared to the primary market data set is set forth in the following tables. In addition to the statistical data, we have calculated the penetration rate for the occupancy, average daily rate (ADR), and RevPAR. The penetration rate measures the performance of the Preferred Hotels & Resorts hotels against that of the Peer Properties.

FIGURE 4 PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES IN PRIMARY MARKETS

	2021	2022	2023	Change: 2021 - 2023		
				Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties						
Occupancy	49.4 %	63.0 %	69.4 %	7.1 %	40.7 %	20.1 pts
Change	—	27.7 %	10.1 %			
Occupancy Penetration	97.4	95.9	101.4			
Average Rate	$454.22	$526.35	$508.59	2.3 %	12.0 %	$54.37
Change	—	15.9 %	(3.4) %			
Average Rate Penetration	114.6	115.4	113.2			
RevPAR	$224.17	$331.77	$353.09	9.5 %	57.5 %	$128.92
Change	—	48.0 %	6.4 %			
RevPAR Penetration	111.7	110.7	114.8			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy	50.7 %	65.7 %	68.5 %	6.2 %	35.2 %	17.8 pts
Change	—	29.7 %	4.2 %			
Average Rate	$396.22	$456.14	$449.26	2.5 %	13.4 %	$53.04
Change	—	15.1 %	(1.5) %			
RevPAR	$200.78	$299.73	$307.70	8.9 %	53.3 %	$106.92
Change	—	49.3 %	2.7 %			

Source: STR

The Preferred Hotels & Resorts hotels in primary markets maintained an ADR above that of the aggregate Peer Properties throughout the three-year period reviewed, with the ADR penetration remaining in a range from 113% to 115%. ADR increased by $54.37 between 2021 and 2023 for the Preferred Hotels & Resorts hotels, compared to the $53.04 increase recorded by the Peer Properties. As a result, the RevPAR of the Preferred Hotels & Resorts hotels increased annually by more than 9.5%, or $128.92, between 2021 and 2023. The overall RevPAR increase is comparable between the Preferred Hotels & Resorts hotels and the Peer Properties. The strong performance of the Preferred Hotels & Resorts hotels during the last three years is particularly impressive when considered in the context of the Peer

Properties, the majority of which are affiliated with national or international lodging brands.

FIGURE 5   **PREFERRED HOTELS & RESORTS PROPERTIES IN PRIMARY MARKETS VS U.S. MAJOR HOTEL MARKETS AND U.S. LODGING MARKETS**

	2021		2022		2023		Change: 2021 - 2023		
							Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties									
Occupancy	49.4	%	63.0	%	69.4	%	7.1 %	40.7 %	20.1 pts
Change	—		27.7	%	10.1	%			
Occupancy Penetration against U.S. Major Markets	86.9		93.9		100.8				
Occupancy Penetration against U.S. Lodging Markets	85.5		100.7		110.2				
Average Rate	$454.22		$526.35		$508.59		2.3 %	12.0 %	$54.37
Change	—		15.9	%	(3.4)	%			
Average Rate Penetration against U.S. Major Markets	333.3		298.6		275.2				
Average Rate Penetration against U.S. Lodging Markets	364.3		352.7		305.2				
RevPAR	$224.17		$331.77		$353.09		9.5 %	57.5 %	$128.92
Change	—		48.0	%	6.4	%			
RevPAR Penetration against U.S. Major Markets	289.6		280.5		277.3				
RevPAR Penetration against U.S. Lodging Markets	311.6		355.1		336.4				
U.S. Major Markets									
Occupancy	56.8	%	67.1	%	68.9	%	3.9 %	21.3 %	12.1 pts
Change	—		18.1	%	2.7	%			
Average Rate	$136.29		$176.26		$184.81		6.3 %	35.6 %	$48.52
Change	—		29.3	%	4.9	%			
RevPAR	$77.41		$118.27		$127.33		10.5 %	64.5 %	$49.92
Change	—		52.8	%	7.7	%			
Total U.S. Lodging Industry									
Occupancy	57.7	%	62.6	%	63.0	%	1.8 %	9.2 %	5.3 pts
Change	—		8.5	%	0.6	%			
Average Rate	$124.68		$149.24		$166.62		6.0 %	33.6 %	$41.94
Change	—		19.7	%	11.6	%			
RevPAR	$71.94		$93.42		$104.97		7.8 %	45.9 %	$33.03
Change	—		29.9	%	12.4	%			

Source: STR

Although the Preferred Hotels & Resorts hotels in primary markets performed below the occupancy average of the 25 major markets in the U.S. during the last three years, the Preferred Hotels & Resorts hotels maintained an ADR well above the aggregate for the U.S. major markets, recording ADR penetration levels of over 275% in the three-year period reviewed—an impressive comparison. When evaluating the data for U.S. lodging markets, the Preferred Hotels & Resorts hotels' occupancy penetration level registered above 110% in 2023, with the ADR penetration level surpassing 300% in all three years. The extent of this premium can be attributed to the caliber of the hotels that comprise the Preferred Hotels & Resorts set; by contrast, the U.S. major markets and U.S. lodging industry data include hotels from all chain scales. In aggregate, the ADR penetration rate of the

Preferred Hotels & Resorts hotels outpaced the broader market trend from 2021 through 2023. As a result, the ADR achieved by the Preferred Hotels & Resorts hotels increased by $54.37, which compares favorably to the $48.52 increase reported for the 25 major markets and the $41.94 increase for the U.S. lodging industry.

STR Analytics Data by Market Segment

In addition to the aggregate market data presented above, STR also provided data for the Preferred Hotels & Resorts hotels and the Peer Properties based on the source of demand, classified as transient, group, and contract. We have reviewed the data for the transient and group segments. The contract segment has not been considered, as this segment is a minor component of demand for both the Preferred Hotels & Resorts hotels and Peer Properties. The data are set forth in the following table. Note that the occupancy data reflect the points of occupancy derived from each segment, and the ADR data reflect the average rate associated with each segment.

FIGURE 6 PREFERRED HOTELS & RESORTS PROPERTIES VS PEER PROPERTIES: OCCUPANCY, AVERAGE RATE, AND REVPAR DATA BY SEGMENT IN PRIMARY MARKETS

	2021	2022	2023
Preferred Hotels & Resorts Properties			
Occupancy			
Transient	43.3 %	52.0 %	57.7 %
Group	5.3	10.2	11.0
Contract	0.8	0.8	0.7
Total	49.4	63.0	69.4
Average Rate			
Transient	$471.44	$540.99	$517.61
Group	$348.11	$469.65	$472.86
Contract	$219.94	$299.72	$331.02
Total	$454.22	$526.35	$508.59
RevPAR			
Transient	$204.00	$281.27	$298.70
Group	$18.46	$48.12	$52.00
Contract	$1.71	$2.38	$2.38
Total	$224.17	$331.77	$353.09

	2021	2022	2023
Aggregate Peer Properties			
Occupancy			
Transient	43.7 %	50.7 %	53.4 %
Group	6.5	14.2	14.4
Contract	0.5	0.7	0.7
Total	50.7	65.7	68.5
Average Rate			
Transient	$402.60	$471.22	$458.50
Group	$360.78	$408.57	$421.83
Contract	$300.70	$336.66	$307.29
Total	$396.22	$456.14	$449.26
RevPAR			
Transient	$175.76	$239.09	$244.71
Group	$23.53	$58.16	$60.88
Contract	$1.49	$2.48	$2.11
Total	$200.78	$299.73	$307.70

Source: STR

Preferred Hotels vs. Peer Properties: Group Segment

The following table sets forth the aggregate data pertaining to the group segment for both the Preferred Hotels & Resorts hotels and the Peer Properties.

FIGURE 7   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES: GROUP SEGMENT IN PRIMARY MARKETS

Preferred Hotels & Resorts vs. Peer properties				Change: 2021 - 2023		
				Ave Ann Cmpd	Total	Absolute
	2021	**2022**	**2023**	Growth	Change	Increase
Preferred Hotels & Resorts Properties						
Occupancy Points*	5.3 %	10.2 %	11.0 %	27.5 %	107.4 %	5.7 pts
Change	—	93.2 %	7.3 %			
Occupancy Penetration	81.3	72.0	76.2			
Average Rate**	$348.11	$469.65	$472.86	10.7 %	35.8 %	$124.75
Change	—	34.9 %	0.7 %			
Average Rate Penetration	96.5	114.9	112.1			
RevPAR	$18.46	$48.12	$52.00	41.2 %	181.7 %	$33.54
Change	(56.5)	160.7 %	8.1 %			
RevPAR Penetration	78.4	82.7	85.4			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy Points*	6.5 %	14.2 %	14.4 %	30.3 %	121.3 %	7.9 pts
Change	—	118.2 %	1.4 %			
Average Rate**	$360.78	$408.57	$421.83	5.3 %	16.9 %	$61.05
Change	—	13.2 %	3.2 %			
RevPAR	$23.53	$58.16	$60.88	37.3 %	158.7 %	$37.35
Change	—	147.1 %	4.7 %			

*Data reflects occupancy points derived from the Group Segment

**Average rate reflects average for group room nights.

Source: STR

These data indicate that the performance of the Preferred Hotels & Resorts hotels in the group segment from 2021 through 2023 generally trailed that of the Peer Properties, particularly in occupancy, with penetration bracketing 76%. However, the Preferred Hotels & Resorts hotels notably outperformed the Peer Properties in average rate in 2022 and 2023, with penetration exceeding 110% in both years.

Preferred Hotels vs. Peer Properties: Transient Segment

The following table sets forth the aggregate data pertaining to the transient segment for both the Preferred Hotels & Resorts hotels and the Peer Properties.

FIGURE 8   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES: TRANSIENT SEGMENT IN PRIMARY MARKETS

	2021	2022	2023	Change: 2021 - 2023		
				Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties						
Occupancy Points*	43.3 %	52.0 %	57.7 %	10.1 %	33.4 %	14.4 pts
Change	—	20.2 %	11.0 %			
Occupancy Penetration	99.1	102.5	108.1			
Average Rate**	$471.44	$540.99	$517.61	3.2 %	9.8 %	$46.17
Change	—	14.8 %	(4.3) %			
Average Rate Penetration	117.1	114.8	112.9			
RevPAR	$204.00	$281.27	$298.70	13.6 %	46.4 %	$94.70
Change	—	37.9 %	6.2 %			
RevPAR Penetration	116.1	117.6	122.1			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy Points*	43.7 %	50.7 %	53.4 %	6.9 %	22.3 %	9.7 pts
Change	—	16.2 %	5.2 %			
Average Rate**	$402.60	$471.22	$458.50	4.4 %	13.9 %	$55.90
Change	—	17.0 %	(2.7) %			
RevPAR	$175.76	$239.09	$244.71	11.7 %	39.2 %	$68.95
Change	—	36.0 %	2.3 %			

Data reflects occupancy points derived from the Transient Segment

**Average rate reflects average for transient room nights.*

Source: STR

These data demonstrate that the strong ADR performance of the Preferred Hotels & Resorts hotels in primary markets was driven by the transient segment in the last three years. ADR peaked in 2022 for both the Preferred Hotels & Resorts hotels and the Peer Properties, driven by strong leisure travel and rising inflation. However, ADR moderated slightly in 2023 as pent-up leisure demand began to dissipate nationwide. The Preferred Hotels & Resorts hotels were generally on par with the Peer Properties in occupancy in 2021 in primary markets. However, the Preferred Hotels & Resorts hotels outperformed the Peer Properties in recent years, with occupancy penetration reaching 108% in 2023. As a result, the RevPAR achieved by the Preferred Hotels & Resorts hotels increased by $94.70 from 2021 to 2023, compared to a $68.95 increase for the Peer Properties.

Preferred Hotels vs. the Peer Properties in Secondary/Tertiary Markets

The aggregate performance of the Preferred Hotels & Resorts hotels compared to the secondary/tertiary market data set is set forth in the following tables. In addition to the statistical data, we have calculated the penetration rate for the occupancy, ADR, and RevPAR. The penetration rate measures the performance of the Preferred Hotels & Resorts hotels against that of the Peer Properties.

FIGURE 9   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES IN SECONDARY/TERTIARY MARKETS

				Change: 2021 - 2023		
	2021	2022	2023	Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties						
Occupancy	48.4 %	63.0 %	66.2 %	6.4 %	36.6 %	17.7 pts
Change	—	30.1 %	5.0 %			
Occupancy Penetration	104.5	100.2	100.7			
Average Rate	$226.14	$255.17	$260.30	2.9 %	15.1 %	$34.16
Change	—	12.8 %	2.0 %			
Average Rate Penetration	105.9	102.5	102.5			
RevPAR	$109.53	$160.81	$172.27	9.5 %	57.3 %	$62.74
Change	—	46.8 %	7.1 %			
RevPAR Penetration	110.7	102.7	103.1			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy	46.4 %	62.9 %	65.7 %	7.2 %	41.8 %	19.4 pts
Change	—	35.6 %	4.5 %			
Average Rate	$213.50	$248.94	$254.07	3.5 %	19.0 %	$40.56
Change	—	16.6 %	2.1 %			
RevPAR	$98.97	$156.53	$167.02	11.0 %	68.8 %	$68.05
Change	—	58.2 %	6.7 %			

Source: STR

The Preferred Hotels & Resorts hotels notably outperformed the Peer Properties in 2021 as many markets were still in recovery from the impact of the COVID-19 pandemic. As demand began to rebound and normalize in 2022, the Preferred Hotels & Resorts hotels' penetration levels for both occupancy and ADR moderated. The Preferred Hotels & Resorts hotels maintained an ADR above that of the aggregate Peer Properties throughout the three-year period reviewed, with the ADR penetration remaining near 103%. Overall occupancy increased notably in 2022 as markets continued to recover following the end of COVID-19-related travel restrictions in 2021. Occupancy improved further in 2023, at a rate similar to that of the Peer Properties, resulting in relatively stable occupancy penetration. Therefore, the RevPAR penetration of the Preferred Hotels & Resorts properties remained above 102% in 2022 and 2023.

FIGURE 10   PREFERRED HOTELS & RESORTS PROPERTIES IN SECONDARY/TERTIARY MARKETS VS U.S. MAJOR HOTEL MARKETS AND U.S. LODGING MARKETS

| | | | | | Change: 2021 - 2023 | | |
					Ave Ann Cmpd Growth	Total Change	Absolute Increase
	2021		**2022**	**2023**			
Preferred Hotels & Resorts Properties							
Occupancy	48.4 %		63.0 %	66.2 %	6.4 %	36.6 %	17.7 pts
Change	—		30.1 %	5.0 %			
Occupancy Penetration against U.S. Major Markets	85.3		93.9	96.1			
Occupancy Penetration against U.S. Lodging Industry	83.9		100.7	105.0			
Average Rate	$226.14		$255.17	$260.30	2.9 %	15.1 %	$34.16
Change	—		12.8 %	2.0 %			
Average Rate Penetration against U.S. Major Markets	165.9		144.8	140.8			
Average Rate Penetration against U.S. Lodging Industry	181.4		171.0	156.2			
RevPAR	$109.53		$160.81	$172.27	9.5 %	57.3 %	$62.74
Change	—		46.8 %	7.1 %			
RevPAR Penetration against U.S. Major Markets	141.5		136.0	135.3			
RevPAR Penetration against U.S. Lodging Industry	152.2		172.1	164.1			
U.S. Major Markets							
Occupancy	56.8 %		67.1 %	68.9 %	3.9 %	21.3 %	12.1 pts
Change	—		18.1 %	2.7 %			
Average Rate	$136.29		$176.26	$184.81	6.3 %	35.6 %	$48.52
Change	—		29.3 %	4.9 %			
RevPAR	$77.41		$118.27	$127.33	10.5 %	64.5 %	$49.92
Change	—		52.8 %	7.7 %			
Total U.S. Lodging Industry							
Occupancy	57.7 %		62.6 %	63.0 %	1.8 %	9.2 %	5.3 pts
Change	—		8.5 %	0.6 %			
Average Rate	$124.68		$149.24	$166.62	6.0 %	33.6 %	$41.94
Change	—		19.7 %	11.6 %			
RevPAR	$71.94		$93.42	$104.97	7.8 %	45.9 %	$33.03
Change	—		29.9 %	12.4 %			

Source: STR

The Preferred Hotels & Resorts hotels in secondary/tertiary markets also maintained an average rate well above the aggregate for the 25 major markets and U.S. lodging markets. The occupancy penetration levels of the Preferred Hotels & Resorts hotels in secondary/tertiary markets are below that of the aggregate for the U.S. major markets. However, the Preferred Hotels & Resorts hotels' occupancy penetration levels registered above 100% compared to the overall average for the U.S. lodging industry in 2022 and 2023. As a result, the overall RevPAR penetration level for the Preferred Hotels & Resorts hotels against the U.S. major markets was 135% (rounded) in 2023, whereas the Preferred Hotels & Resorts hotels' RevPAR penetration against the U.S. lodging industry was roughly 164%.

STR Data by Market Segment

Similar to the primary set, we have reviewed the data pertaining to the transient and group segments for the secondary/tertiary set. The contract segment has not

been considered, as this segment is a minor component of demand among both the Preferred Hotels & Resorts hotels and Peer Properties.

Note that the occupancy data reflect the points of occupancy derived from each segment, and the ADR data reflect the average rate associated with each segment.

FIGURE 11   PREFERRED HOTELS & RESORTS PROPERTIES IN SECONDARY/TERTIARY MARKETS VS PEER PROPERTIES: OCCUPANCY, AVERAGE RATE, AND REVPAR DATA BY SEGMENT

	2021	2022	2023
Preferred Hotels & Resorts Properties			
Occupancy			
Transient	28.3 %	29.9 %	31.6 %
Group	16.3	29.3	30.5
Contract	3.9	3.8	4.1
Total	48.4	63.0	66.2
Average Rate			
Transient	$280.03	$333.70	$327.62
Group	$162.11	$194.90	$209.95
Contract	$100.88	$103.09	$117.85
Total	$226.14	$255.17	$260.30
RevPAR			
Transient	$79.25	$99.82	$103.38
Group	$26.39	$57.02	$64.01
Contract	$3.89	$3.97	$4.88
Total	$109.53	$160.81	$172.27

	2021	2022	2023
Aggregate Peer Properties			
Occupancy			
Transient	34.5 %	38.6 %	39.8 %
Group	10.1	21.9	23.7
Contract	1.8	2.3	2.2
Total	46.4	62.9	65.7
Average Rate			
Transient	$225.01	$271.07	$272.24
Group	$184.83	$220.30	$231.73
Contract	$151.46	$152.24	$166.95
Total	$213.50	$248.94	$254.07
RevPAR			
Transient	$77.71	$104.66	$108.42
Group	$18.61	$48.31	$54.87
Contract	$2.65	$3.56	$3.73
Total	$98.97	$156.53	$167.02

Source: STR

The following table sets forth the aggregate data pertaining to the group segment for both the Preferred Hotels & Resorts hotels and the Peer Properties.

FIGURE 12   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES: GROUP SEGMENT IN SECONDARY/TERTIARY MARKETS

	2021	2022	2023	Ave Ann Cmpd Growth	Total Change	Absolute Increase
				Change: 2021 - 2023		
Preferred Hotels & Resorts Properties						
Occupancy Points*	16.3 %	29.3 %	30.5 %	23.3 %	87.3 %	14.2 pts
Change	—	79.8 %	4.2 %			
Occupancy Penetration	161.6	133.4	128.7			
Average Rate**	$162.11	$194.90	$209.95	9.0 %	29.5 %	$47.83
Change	—	20.2 %	7.7 %			
Average Rate Penetration	87.7	88.5	90.6			
RevPAR	$26.39	$57.02	$64.01	34.4 %	142.6 %	$37.62
Change	—	116.1 %	12.2 %			
RevPAR Penetration	141.8	118.0	116.6			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy Points*	10.1 %	21.9 %	23.7 %	33.0 %	135.2 %	13.6 pts
Change	—	117.8 %	8.0 %			
Average Rate**	$184.83	$220.30	$231.73	7.8 %	25.4 %	$46.90
Change	—	19.2 %	5.2 %			
RevPAR	$18.61	$48.31	$54.87	43.4 %	194.8 %	$36.26
Change	—	159.6 %	13.6 %			

*Data reflects occupancy points derived from the Group Segment

**Average rate reflects average for group room nights.

Source: STR

We note that the group segment of the Preferred Hotels & Resorts hotels in secondary/tertiary markets has remained strong in recent years, with occupancy penetration bracketing 130% between 2022 and 2023. While some of the success in occupancy is at the expense of ADR penetration, the Preferred Hotels & Resorts hotels' ADR growth notably outpaced that of the Peer Properties. ADR increased nearly 30% for the Preferred Hotels & Resorts hotels during the three-year period, compared to 25% for the Peer Properties.

The following table sets forth the aggregate data pertaining to the transient segment for both the Preferred Hotels & Resorts hotels and the Peer Properties.

FIGURE 13   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES: TRANSIENT SEGMENT IN SECONDARY/TERTIARY MARKETS

	2021	2022	2023	Change: 2021 - 2023		
				Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties						
Occupancy Points*	28.3 %	29.9 %	31.6 %	3.7 %	11.5 %	3.3 pts
Change	—	5.7 %	5.5 %			
Occupancy Penetration	81.9	77.5	79.2			
Average Rate**	$280.03	$333.70	$327.62	5.4 %	17.0 %	$47.59
Change	—	19.2 %	(1.8) %			
Average Rate Penetration	124.5	123.1	120.3			
RevPAR	$79.25	$99.82	$103.38	9.3 %	30.5 %	$24.14
Change	—	26.0 %	3.6 %			
RevPAR Penetration	102.0	95.4	95.4			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy Points*	34.5 %	38.6 %	39.8 %	4.9 %	15.3 %	5.3 pts
Change	—	11.8 %	3.1 %			
Average Rate**	$225.01	$271.07	$272.24	6.6 %	21.0 %	$47.23
Change	—	20.5 %	0.4 %			
RevPAR	$77.71	$104.66	$108.42	11.7 %	39.5 %	$30.71
Change	—	34.7 %	3.6 %			

Data reflects occupancy points derived from the Transient Segment

**Average rate reflects average for transient room nights.*

Source: STR

In terms of the transient segment, average rates at the Preferred Hotels & Resorts hotels in the secondary/tertiary markets improved significantly in 2022, reflecting strong pent-up leisure demand, peaking at $333.70. Throughout the three-year period, ADR penetration for the Preferred Hotels & Resorts hotels remained above 120%, significantly outpacing the Peer Properties. Meanwhile, occupancy penetration for the Preferred Hotels & Resorts Properties generally bracketed 80%, reflecting a focus on maintaining a premium rate. RevPAR at the Preferred Hotels & Resorts hotels declined modestly in 2022 as the Peer Properties gained notable

ground in occupancy. Transient segment data for the secondary/tertiary markets reflect that the Preferred Hotels & Resorts hotels typically outperform the Peer Properties in ADR by a significant margin; however, it is at the expense of occupancy. Despite this trend, RevPAR for the Preferred Hotels & Resorts hotels has improved year-over-year, reflecting an average annual growth rate of 9.3% between 2021 and 2023.

GROUP 3 – RESORT MARKETS

Preferred Hotels vs. the Peer Properties in Resort Markets

The aggregate performance of the Preferred Hotels & Resorts hotels compared to the resort market data set is set forth in the following tables. In addition to the statistical data, we have calculated the penetration rate for the occupancy, ADR, and RevPAR. The penetration rate measures the performance of the Preferred Hotels & Resorts hotels against that of the Peer Properties.

FIGURE 14   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES IN RESORT MARKETS

| | 2021 | 2022 | 2023 | Change: 2021 - 2023 | | |
				Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties						
Occupancy Points*	43.4 %	40.3 %	40.1 %	-2.6 %	-7.6 %	(3.3) pts
Change	—	(7.2) %	(0.5) %			
Occupancy Penetration	110.9	112.6	109.0			
Average Rate**	$619.15	$674.02	$628.21	0.5 %	1.5 %	$9.07
Change	—	8.9 %	(6.8) %			
Average Rate Penetration	135.1	129.1	126.4			
RevPAR	$268.70	$271.43	$251.84	-2.1 %	-6.3 %	-$16.86
Change	—	1.0 %	(7.2) %			
RevPAR Penetration	149.8	145.4	137.7			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy Points*	39.1 %	35.8 %	36.8 %	-2.0 %	-6.0 %	(2.4) pts
Change	—	(8.6) %	2.8 %			
Average Rate**	$458.27	$522.03	$497.16	2.8 %	8.5 %	$38.88
Change	—	13.9 %	(4.8) %			
RevPAR	$179.32	$186.72	$182.84	0.6 %	2.0 %	$3.51
Change	—	4.1 %	(2.1) %			

Data reflects occupancy points derived from the Transient Segment

**Average rate reflects average for transient room nights.*

Source: STR

The Preferred Hotels & Resorts hotels maintained occupancy and ADR levels above those of the aggregate Peer Properties throughout the three-year period reviewed, with occupancy penetration bracketing 110% and ADR penetration bracketing 130%.

FIGURE 15   PREFERRED HOTELS & RESORTS PROPERTIES IN RESORT MARKETS VS U.S. MAJOR HOTEL MARKETS AND U.S. LODGING MARKETS

	2021	2022	2023	Change: 2021 - 2023		
				Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties						
Occupancy	55.8 %	60.2 %	59.6 %	1.3 %	6.8 %	3.8 pts
Change	—	8.0 %	(1.1) %			
Occupancy Penetration against U.S. Major Markets	98.2	89.8	86.5			
Occupancy Penetration against U.S. Lodging Industry	96.7	96.2	94.6			
Average Rate	$568.39	$599.06	$578.18	0.3 %	1.7 %	$9.79
Change	—	5.4 %	(3.5) %			
Average Rate Penetration against U.S. Major Markets	417.0	339.9	312.9			
Average Rate Penetration against U.S. Lodging Industry	455.9	401.4	347.0			
RevPAR	$317.08	$360.83	$344.49	1.7 %	8.6 %	$27.41
Change	—	13.8 %	(4.5) %			
RevPAR Penetration against U.S. Major Markets	409.6	305.1	270.5			
RevPAR Penetration against U.S Lodging Industry	440.8	386.2	328.2			
U.S. Major Markets						
Occupancy	56.8 %	67.1 %	68.9 %	3.9 %	21.3 %	12.1 pts
Change	—	18.1 %	2.7 %			
Average Rate	$136.29	$176.26	$184.81	6.3 %	35.6 %	$48.52
Change	—	29.3 %	4.9 %			
RevPAR	$77.41	$118.27	$127.33	10.5 %	64.5 %	$49.92
Change	—	52.8 %	7.7 %			
Total U.S. Lodging Industry						
Occupancy	57.7 %	62.6 %	63.0 %	1.8 %	9.2 %	5.3 pts
Change	—	8.5 %	0.6 %			
Average Rate	$124.68	$149.24	$166.62	6.0 %	33.6 %	$41.94
Change	—	19.7 %	11.6 %			
RevPAR	$71.94	$93.42	$104.97	7.8 %	45.9 %	$33.03
Change	—	29.9 %	12.4 %			

Source: STR

Although overall occupancy levels in resort markets can be disadvantaged by slow seasons and off-peak periods due to the seasonality of these markets, we note that the Preferred Hotels & Resorts hotels were able to achieve an occupancy penetration of slightly below 90% when analyzed against the 25 major markets in the U.S.; moreover, when compared with the U.S. lodging industry aggregate occupancy data, the Preferred Hotels & Resorts hotels' occupancy penetration was closer to 95%. While maintaining the impressive occupancy level, the Preferred Hotels & Resorts properties significantly outperformed both pools in terms of average rate, with ADR penetration exceeding 300% for all years in both pools.

Similar to the primary set and the secondary/tertiary set, we have reviewed the data pertaining to the transient and group segments for the resort markets. The contract segment has not been considered, as this segment is a minor component of demand among both the Preferred Hotels & Resorts hotels and Peer Properties.

Note that the occupancy data reflect the points of occupancy derived from each segment, and the ADR data reflect the average rate associated with each segment.

FIGURE 16   PREFERRED HOTELS & RESORTS PROPERTIES VS PEER PROPERTIES: OCCUPANCY, AVERAGE RATE, AND REVPAR DATA BY SEGMENT IN RESORT MARKETS

	2021	2022	2023
Preferred Hotels & Resorts Properties			
Occupancy			
Transient	43.4 %	40.3 %	40.1 %
Group	12.0	19.2	18.6
Contract	0.4	0.7	0.9
Total	55.8	60.2	59.6
Average Rate			
Transient	$619.15	$674.02	$628.21
Group	$386.97	$446.40	$472.97
Contract	$489.28	$485.64	$522.01
Total	$568.39	$599.06	$578.18
RevPAR			
Transient	$268.70	$271.43	$251.84
Group	$46.25	$85.80	$87.82
Contract	$2.12	$3.60	$4.83
Total	$317.08	$360.83	$344.49
	2021	**2022**	**2023**
Aggregate Peer Properties			
Occupancy			
Transient	39.1 %	35.8 %	36.8 %
Group	12.4	21.7	23.1
Contract	0.7	0.8	0.6
Total	52.2	58.2	60.4
Average Rate			
Transient	$458.27	$522.03	$497.16
Group	$309.12	$336.06	$348.83
Contract	$166.99	$182.24	$195.12
Total	$419.08	$448.30	$437.74
RevPAR			
Transient	$179.32	$186.72	$182.84
Group	$38.20	$72.90	$80.43
Contract	$1.16	$1.39	$1.09
Total	$218.68	$261.01	$264.35

Source: STR

Preferred Hotels vs. Peer Properties: Group Segment

The following table sets forth the aggregate data pertaining to the group segment for both the Preferred Hotels & Resorts hotels and the Peer Properties.

FIGURE 17   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES: GROUP SEGMENT IN REOSRT MARKETS

	2021		2022		2023		Change: 2021 - 2023		
							Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties									
Occupancy Points*	12.0	%	19.2	%	18.6	%	15.8 %	55.3 %	6.6 pts
Change	—		60.8	%	(3.4)	%			
Occupancy Penetration	96.7		88.6		80.5				
Average Rate**	$386.97		$446.40		$472.97		6.9 %	22.2 %	$86.00
Change	—		15.4	%	6.0	%			
Average Rate Penetration	125.2		132.8		135.6				
RevPAR	$46.25		$85.80		$87.82		23.8 %	89.9 %	$41.57
Change	—		85.5	%	2.4	%			
RevPAR Penetration	121.1		117.7		109.2				
	2021		**2022**		**2023**				
Aggregate Peer Properties									
Occupancy Points*	12.4	%	21.7	%	23.1	%	23.1 %	86.6 %	10.7 pts
Change	—		75.6	%	6.3	%			
Average Rate**	$309.12		$336.06		$348.83		4.1 %	12.8 %	$39.71
Change	—		8.7	%	3.8	%			
RevPAR	$38.20		$72.90		$80.43		28.2 %	110.6 %	$42.23
Change	—		90.9	%	10.3	%			

Data reflects occupancy points derived from the Group Segment

Average rate reflects average for group room nights.

Source: STR

These data indicate that the Preferred Hotels & Resorts hotels outperformed the Peer Properties in the group segment from 2021 through 2023, especially in terms of ADR. ADR penetration for the Preferred Hotels & Resorts hotels exceeded 130% for 2022 and 2023. The Peer Properties' occupancy levels trended upward in the last three years, while the Preferred Hotels & Resorts hotels' occupancy remained relatively flat in 2023. This trend resulted in a decline in the Preferred Hotels &

Resorts hotels RevPAR penetration level; however, total penetration remained above 109% in 2023, reflecting the significant ADR advantage achieved by the Preferred Hotels & Resorts hotels over the Peer Properties.

Preferred Hotels vs. Peer Properties: Transient Segment

The following table sets forth the aggregate data pertaining to the transient segment for both the Preferred Hotels & Resorts hotels and the Peer Properties.

FIGURE 18   PREFERRED HOTELS & RESORTS PROPERTIES VS AGGREGATE PEER PROPERTIES: TRANSIENT SEGMENT IN RESORT MARKETS

	2021	2022	2023	Change: 2021 - 2023 Ave Ann Cmpd Growth	Total Change	Absolute Increase
Preferred Hotels & Resorts Properties						
Occupancy Points*	43.4 %	40.3 %	40.1 %	-2.6 %	-7.6 %	(3.3) pts
Change	—	(7.2) %	(0.5) %			
Occupancy Penetration	110.9	112.6	109.0			
Average Rate**	$619.15	$674.02	$628.21	0.5 %	1.5 %	$9.07
Change	—	8.9 %	(6.8) %			
Average Rate Penetration	135.1	129.1	126.4			
RevPAR	$268.70	$271.43	$251.84	-2.1 %	-6.3 %	-$16.86
Change	—	1.0 %	(7.2) %			
RevPAR Penetration	149.8	145.4	137.7			
	2021	**2022**	**2023**			
Aggregate Peer Properties						
Occupancy Points*	39.1 %	35.8 %	36.8 %	-2.0 %	-6.0 %	(2.4) pts
Change	—	(8.6) %	2.8 %			
Average Rate**	$458.27	$522.03	$497.16	2.8 %	8.5 %	$38.88
Change	—	13.9 %	(4.8) %			
RevPAR	$179.32	$186.72	$182.84	0.6 %	2.0 %	$3.51
Change	—	4.1 %	(2.1) %			

*Data reflects occupancy points derived from the Transient Segment

**Average rate reflects average for transient room nights.

Source: STR

For the illustrated three-year period, the Preferred Hotels & Resorts hotels outperformed the Peer Properties within the resort market in terms of both occupancy and average rate, still registering higher growth rates in RevPAR than the Peer Properties.

Cost-Benefit Consideration

The cost of membership in a hotel brand is also an important consideration. To evaluate the costs associated with a Preferred Hotels & Resorts affiliation in the context of those for the Peer Properties, we reviewed the database prepared for the *2023 U.S. Hotel Franchise Fee Guide*. For the purposes of this analysis, we have considered only the royalty, marketing, and reservation fees.

Based on a pro-forma forecast of income and expense for a typical full-service hotel, we have calculated the royalty fees and the aggregate marketing, advertising, and reservation fees for the hotel brands that comprise most of the Peer Properties. The same calculations have been made for Preferred Hotels & Resorts hotels using the average for Preferred Hotels & Resorts. This methodology is consistent with that employed in the preparation of HVS's *2023 U.S. Hotel Franchise Fee Guide*. The following chart presents the results of these calculations.

FIGURE 19 AVERAGE AFFILIATION COSTS—PREFERRED HOTELS & RESORTS AND PEER PROPERTY BRANDS

	Percent of Gross Rooms Revenue				
Brand	Royalty Fees	Marketing Fees	Loyalty Fees	Reservation Fees	Total
Tribute Portfolio	5.0%	1.5%	2.2%	1.1%	9.8%
Autograph Collection	5.0%	1.5%	2.4%	0.6%	9.5%
Embassy Suites	5.5%	2.0%	2.8%	2.4%	12.7%
Hilton	5.3%	2.0%	2.4%	2.3%	12.0%
Hyatt Regency	5.3%	1.5%	1.4%	2.2%	10.4%
InterContinental Hotels & Resorts	6.2%	1.5%	1.7%	2.0%	11.4%
Kimpton	5.6%	1.5%	1.7%	1.9%	10.7%
Luxury Collection	4.3%	1.0%	2.1%	1.4%	8.8%
Le Meridien	5.0%	1.0%	2.4%	1.6%	10.0%
JW Marriott	5.5%	1.0%	2.0%	0.8%	9.3%
Marriott	6.6%	1.0%	2.0%	0.9%	10.5%
Renaissance	5.0%	1.5%	2.3%	0.8%	9.6%
Sheraton	5.2%	1.0%	1.5%	1.7%	9.4%
Westin	6.1%	1.3%	1.8%	1.9%	11.1%
Preferred Hotels & Resorts	**0.5%**	**0.6%**	**0.3%**	**0.1%**	**1.5%**

Source: HVS 2023 Franchise Fee Guide

We note that these calculations may appear different in the *2023 U.S. Hotel Franchise Fee Guide* upon final reviews from brand representatives. However, we anticipate that any changes would be minimal.

Based on the pro-forma forecast, the average annual fees payable by hotels that operate under a Preferred Hotels & Resorts affiliation equates to 1.5% of rooms revenue. In contrast, all the brands reviewed in the above chart require significantly higher fees, both as a dollar amount per room and as a percentage of rooms revenue. According to representatives of Preferred Hotels & Resorts, reservation fees are assessed only on those reservations that pass through the Preferred Hotels & Resorts central reservations system.

The following chart summarizes the range and average fee structure indicated by the *2023 U.S. Hotel Franchise Fee Guide*.

**FIGURE 20   AFFILIATION COSTS AS A PERCENTAGE OF TOTAL ROOMS REVENUE**

	Royalty Fees to Rooms Revenue	Marketing Fees to Rooms Revenue	Reservation Fees to Rooms Revenue	Loyalty Fees to Rooms Revenue	Total
Full-Service First-Class Brands*	4.3% - 6.6%	1.0% - 2.0%	1.4% - 2.8%	0.6% -2.4%	8.8% - 12.7%
Average	*5.4%*	*1.4%*	*2.1%*	1.50%	*10.4%*
All First-Class Brands**	4.0% - 5.0%	1.5% - 2.05%	1.1% - 2.7%	1.3% - 2.6%	8.8% - 11.0%
Average	*4.9%*	*1.6%*	*1.8%*	*2.0%*	*10.4%*
Preferred Hotels & Resorts	**0.5%**	**0.1%**	**0.6%**	**0.3%**	**1.5%**

Includes Marriott, Hilton, Hyatt, and InterContinental Hotels Group brands

**Includes all Luxury, Upper-Upscale and Upscale brands*

Source: HVS (2023 Franchise Fee Guide)

For the Preferred Hotels & Resorts hotels, the total marketing and reservation fees equate to 0.7%, while the loyalty fees equal 0.3% of rooms revenue; these levels are below the average indicated for the other brands. Particularly, the difference in the royalty fee is striking. The Preferred Hotels & Resorts royalty fee of 0.5% of total rooms revenue is substantially lower than the royalty fees payable under the other brands, which range from 4.3% to 6.6%.

FIGURE 21   FRANCHISE COSTS COMPARISON
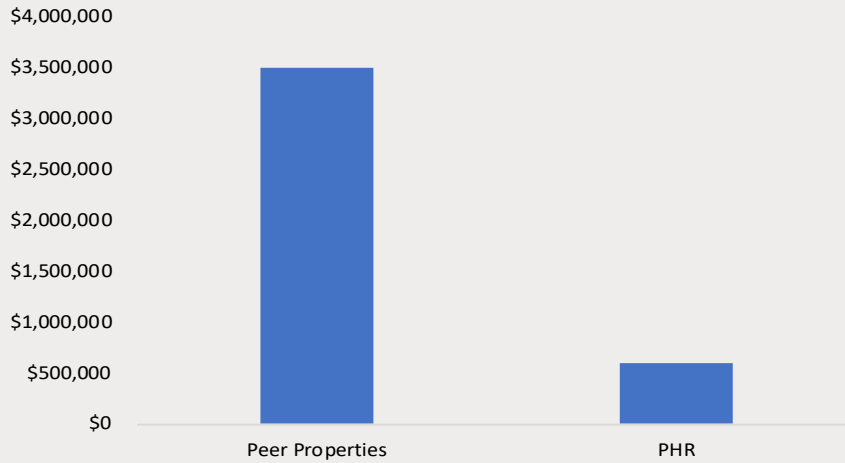
The chart assumes a 300-room property with average RevPAR in 2023
***Franchise costs included are royalty, marketing, reservation, and loyalty fees*

For the purposes of illustration, using the average 2023 RevPAR (primary markets) for both the Preferred Hotels & Resorts properties ($353.09) and Peer Properties ($307.70), the total franchise cost for a 300-room hotel would be $600,000 (rounded) for a Preferred Hotels & Resorts property, as compared to $3,500,000 (rounded) for a Peer Property (10.4% franchise cost). While this substantial difference is not universal across all properties, as these figures are presented in averages, the average franchise cost for a national brand is over nine times the affiliation cost of Preferred Hotels & Resorts hotels.

We hereby certify that we have no undisclosed interest in the subject of this study, and our employment and compensation are not contingent upon our findings and conclusions.