



Hotel Market Assessment Riverside, California

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EXISTING HOTEL SUPPLY

Riverside Hotel Market Competitive Supply		
Map Code (Red)	Hotel Name	Room Count
1	Marriott Riverside at Convention Center	291
2	Mission Inn Hotel & Spa	239
3	Hyatt Place Riverside	125
4	Courtyard by Marriott UCR	163
Total Competitive Supply		818
Source: CBRE Hotels		

Historical Downtown Riverside Market Performance of the Competitive Supply								
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	RevPAR Percent Change
2011	252,945	N/A	167,490	N/A	66.2%	\$111.78	N/A	\$74.01 N/A
2012	283,362	12.0%	182,329	8.9%	64.3	113.46	1.5%	73.01 -1.4%
2013	298,570	5.4	199,432	9.4	66.8	113.64	0.2	75.91 4.0
2014	298,570	0.0	222,063	11.3	74.4	120.82	6.3	89.86 18.4
2015	298,570	0.0	235,922	6.2	79.0	133.35	10.4	105.37 17.3
2016	298,570	0.0	233,482	0.3	78.2	142.83	6.3	111.69 6.6
2017	298,570	0.0	238,259	2.0	79.8	149.01	4.3	118.91 6.5
CAAG	2.8%		6.0%			4.9%		8.2%
5/17 ytd	298,570	N/A	236,169	N/A	79.1%	\$146.15	N/A	\$115.60 N/A
5/18 ytd	298,570	0.0%	234,676	-0.6%	78.6%	151.76	3.8%	119.28 3.2%

RevPAR (Revenue Per Available room) = Average Daily Rate (ADR) x Occupancy

CAAG (Compound Annual Growth Rate) = The mean annual growth rate over a specified period of time



UNDER CONSTRUCTION & APPROVED HOTELS

Riverside Hotel Market Additions	
Hotel	Room Count
Hampton Inn (Under Construction)	140
Home 2 Suites (Approved)	119
R Hotel (Approved)	160
University & Iowa Avenue (Approved)	126
Orange Street & 60 Freeway (Approved)	229
Lot 33 (Conceptual)	200
Total	974
Source: CBRE Hotels	

- A 140-room Hampton Inn recently broke ground in the southwest quadrant of the Fifth Street and Market Street intersection.
- A 119-room Home2 Suites has been proposed immediately west of the aforementioned proposed Hampton Inn. The site of the proposed hotels is currently graded and unimproved.

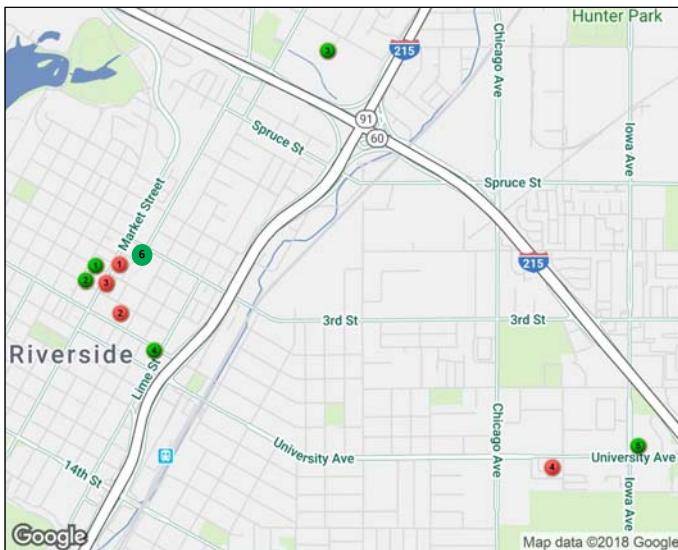
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UNDER CONSTRUCTION & APPROVED HOTELS CONT.

- A 120-room La Quinta and a 109-room undetermined hotel flag has been proposed at the intersection of Orange Street and the 60 Freeway, near downtown Riverside. As of the date of this report, entitlements were submitted with an EIR.
- The 160-room R Hotel has been proposed at the intersection of Mission Inn Avenue and Lime Street. The proposed hotel is currently in the entitlement phase and will include a full-service restaurant and bar and limited meeting space.
- An undetermined hotel has been approved near UCR within a retail strip center out parcel. The site is entitled for a 126-room extended-stay hotel.
- An undetermined hotel has been proposed at Lot 33 near adjacent to the Riverside Convention Center. The proposed 200-room hotel(s) is a component of a larger mixed-use project, which is currently part of an active Request for Proposals (RFP).

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EXISTING & PROPOSED DOWNTOWN HOTELS



Hotel

- 1 Marriott at the Convention Center (Existing)
- 2 Mission Inn Hotel and Spa (Existing)
- 3 Hyatt Place Riverside (Existing)
- 4 Courtyard UCR (Existing)
- 1 Hampton Inn (Under Construction)
- 2 Home 2 Suite (Approved)
- 3 Orange Street & 60 Freeway (Approved)
- 4 R Hotel (Approved)
- 5 University & Iowa Avenue (Approved)
- 6 Lot 33 (Conceptual)

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DOWNTOWN DEVELOPMENTS



Map Code	New Development/ Cultural Attraction
1	Riverside Downtown Library
2	Riverside Food Lab
3	Hampton Inn/Home 2 Suites
4	Centerpointe Apartments
5	Stalder Building
6	Imperial Hardware Lofts
7	Main + Ninth
8	Chow Alley
9	Cheech Marin Center
10	R Hotel
11	Mission Lofts
12	Radnet Medical Building
A	Fox Performing Arts Center
B	Historic Mission Inn Hotel
C	Riverside Convention Center
D	Centennial Plaza
E	Riverside Metropolitan Museum
F	Riverside Municipal Auditorium
G	Riverside Art Museum
H	Historic County Courthouse

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RIVERSIDE AREA GROWTH

- The Riverside Convention Center has achieved occupancies of 42 percent, 48 percent, and 53 percent since completing its expansion.
- University of California Riverside featured a 2017 student enrollment of 23,278, an increase of 1.6 percent from 2016. Moreover, UCR's master plan calls for an expansion to 30,000 students by 2025, including significant international student growth.
- Growing hospital footprint including the 200,000 SF RUHS facility, Riverside Community Hospital expansion and the downtown Radnet building, in addition to the proposed Canyon Springs Healthcare Center.
- Passenger air traffic at Ontario International Airport has grown 14.7 percent as of year end 2017 from 2013.
- Inland Empire office vacancy has decreased from 17.0 percent in Q1 2014 to 12.0 percent in Q1 2018, while rental rates have increased from \$1.70/PSF to \$2.03/PSF over the same period.

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RIVERSIDE AREA GROWTH

- Riverside County's unemployment has decreased from 14.3 percent in 2010 to 3.9 percent as of year end 2017.
- Riverside County's construction employment has increased 10.6 percent from 2012 to 2017.
- Upon the Hyatt Place's opening, the market experienced demand increases of 12.1 percent and 11.6 percent amid supply increases of 15.7 percent and 6.8 percent in years 2012 and 2013, respectively.
- Downtown Riverside's cultural pipeline includes the Riverside Downtown Library, Riverside Food Lab, Cheech Marin Center and Chow Alley, in addition to a growing food and beverage scene and the Innovation District.
- Downtown Riverside's residential pipeline includes the Imperial Lofts, Mission Lofts, CenterPointe Apartments, the Stalder Plaza, and Main + Nine; in addition to new retail and restaurant space.

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RIVERSIDE AREA GROWTH

- The California Air Resources Board (CARB) held a ground breaking ceremony in late 2017, with an anticipated opening in 2020, on its new state-of-the-art Southern California headquarters. The 380,000-square-foot building located in eastern Riverside, near the campus of UCR, will be home to one of the largest and most advanced vehicle emissions testing and research facilities in the world. The headquarters will be LEED Platinum, the highest level awarded by the U.S. Green Building Council for the overall sustainability and energy efficiency of a building. The headquarters also will be the single largest net-zero energy structure in the nation, in terms of square footage and load. The new headquarters will include light-, medium- and heavy-duty test cells, with additional space for creating new testing methods for future generations of vehicles. There also will be space for enhanced onboard diagnostics and portable emissions measurement system development, and a separate chemistry laboratory.

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PROJECTED DOWNTOWN HOTEL PERFORMANCE

Projected Riverside Hotel Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2018	298,570	0.0%	238,900	0.3%	80%	\$155.00	4.0%	\$124.02	4.3%
2019	319,862	7.1	255,900	7.1	80	160.00	3.2	128.01	3.2
2020	393,105	22.9	292,900	14.5	75	164.00	2.5	122.20	-4.5
2021	497,495	26.6	353,700	20.8	71	169.00	3.0	120.15	-1.7
2022	581,080	16.8	401,800	13.6	69	174.00	3.0	120.32	0.1
2023	654,080	12.6	442,900	10.2	68	180.00	3.4	121.88	1.3
2024	654,080	0.0	456,200	3.0	70	185.00	2.8	129.03	5.9
2025	654,080	0.0	469,900	3.0	72	191.00	3.2	137.22	6.3
2026	654,080	0.0	484,000	3.0	74	196.00	2.6	145.03	5.7
2027	654,080	0.0	497,100	2.7	76	202.00	3.1	153.52	5.9
CAAG	9.1%		8.5%			3.0%		2.4%	

Source: CBRE Hotels

* Percent Change = Note, the market ADR growth equals an average of 3.0 percent but is rounded to the nearest decimal.

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PROJECTED DOWNTOWN HOTEL PERFORMANCE

- Supply is expected to grow at a compound average annual rate of 9.1 percent from 2018 to 2027.
- Based on our analysis, supply is estimated to increase by 7.1 percent by year-end 2019 with the opening of the Hampton Inn.
- Supply is further estimated to increase by 22.9 percent in 2020 with the annualizing of rooms at the Hampton Inn and the opening of the Home2 Suites.
- Annual supply is expected to increase to by 26.6 percent due to the opening of the R Hotel and the University & Iowa Avenue Hotel Project near UCR.
- Supply is projected to increase by 16.8 percent in 2022 due to the opening of the two hotel project at Orange Street and 60 Freeway.
- Lastly, annual supply is projected to increase by 12.6% in 2023 with the opening of the hotel project at Lot 33.
- With significant new supply entering the market over the next several years, the average daily rate of the competitive market is projected to increase approximately 3.0 percent on an annual basis between 2018 and 2027.

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INDUCED/UNSATISFIED DEMAND ANALYSIS

The following is a series of 12 examples of cities adding their first or most recent convention center hotel. These include Atlanta, Georgia; San Antonio, Texas; San Diego, California; Philadelphia, Pennsylvania; Charlotte, North Carolina; Houston, Texas; Austin, Texas; Los Angeles, California; Indianapolis, Indiana; Dallas, Texas; and Nashville, Tennessee. For each, we have focused primarily on the impact to occupancy and how the new hotel rooms were absorbed.

Property Location	Open Date	Number of Rooms at Property	Period Under Consideration	Supply Increase	Demand Increase	Demand Increase Relative to Supply Increase
Atlanta	Jan-85	1,674	1985	36.2%	35.1%	97%
San Antonio	Nov-88	1,000	1989	13.5	12.0	89
San Diego (Hyatt)	Dec-92	875	1993	21.8	19.1	88
San Diego (Hyatt)	Aug-03	750	2003	11.6	14.2	122
Philadelphia	Jan-95	1,200	1995	18.9	21.2	112
Baltimore	Feb-01	750	2001	23.9	11.2	47
Sacramento	Apr-01	503	2001	17.1	3.9	23
Charlotte	May-03	700	2003	33.6	36.1	107
Houston	Dec-03	1,200	2004	45.0	60.5	134
Austin	Jan-04	800	2004	30.8	26.9	87
San Diego (Hilton)	Dec-08	1,190	2009	11.7	6.0	51
Los Angeles	Feb/Apr-10	1,001	2010	16.4	24.0	146
Indianapolis	Feb-11	1,005	2011	13.9	11.5	83
Dallas	Nov-11	1,001	2012	26.6	32.1	121
Nashville	Sep-13	800	2014	24.8	31.2	126

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INDUCED/UNSATISFIED DEMAND ANALYSIS

Perhaps the most straightforward methodology to present our findings relative to the ability of new hotels to induce new demand into the marketplace is to examine the increase in supply and demand in the local marketplace soon after the opening of respective headquarters hotels. The previous table presents these calculations in the year of opening, or first full year of operation and shows that demand for the new hotels exceeded, or nearly exceed the increase in supply in each case.

Additionally, upon the Hyatt Place's opening, the Riverside market experienced demand increases of 8.9 percent and 9.4 percent amid supply increases of 12.0 percent and 5.4 percent in years 2012 and 2013, respectively. This equals demand increases relative to supply increases of 74 percent and 175 percent, over the same periods.

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