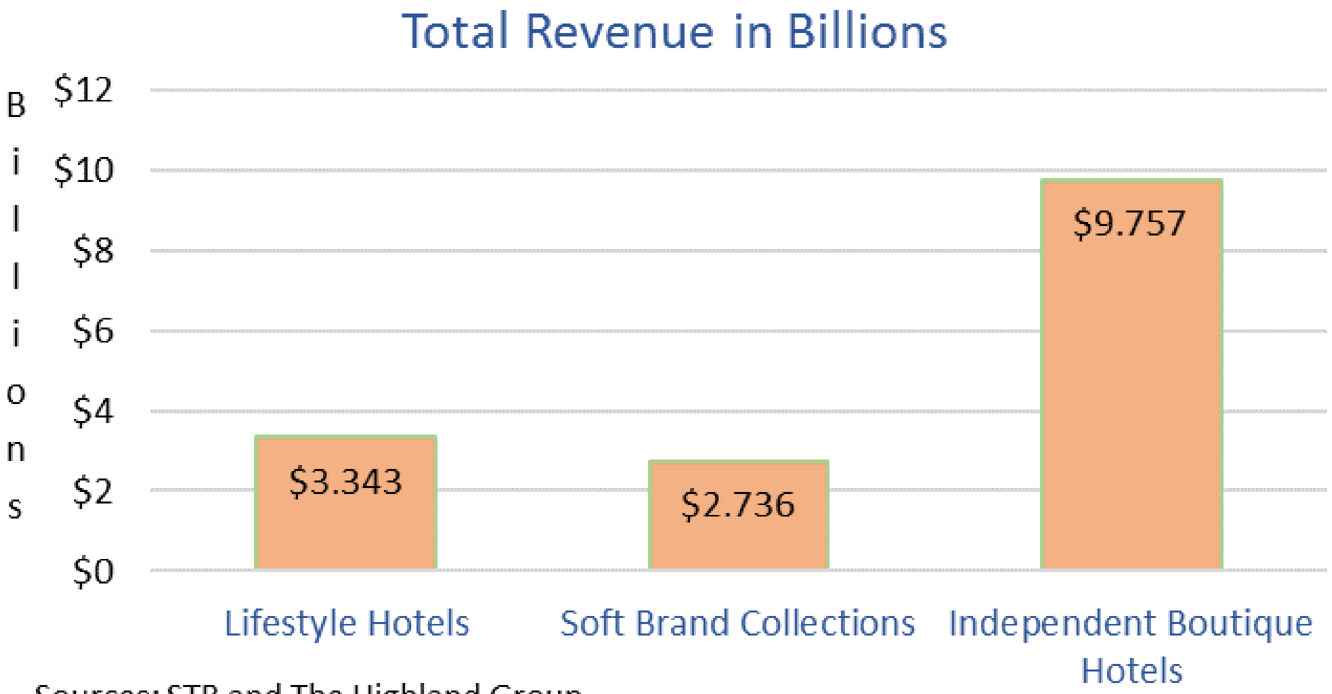
# THE BOUTIQUE HOTEL REPORT 2017

Lifestyle Hotels
Soft Brand Collections
Independent Boutique

THE HIGHLAND GROUP
HOTEL INVESTMENT ADVISORS, INC.

$495

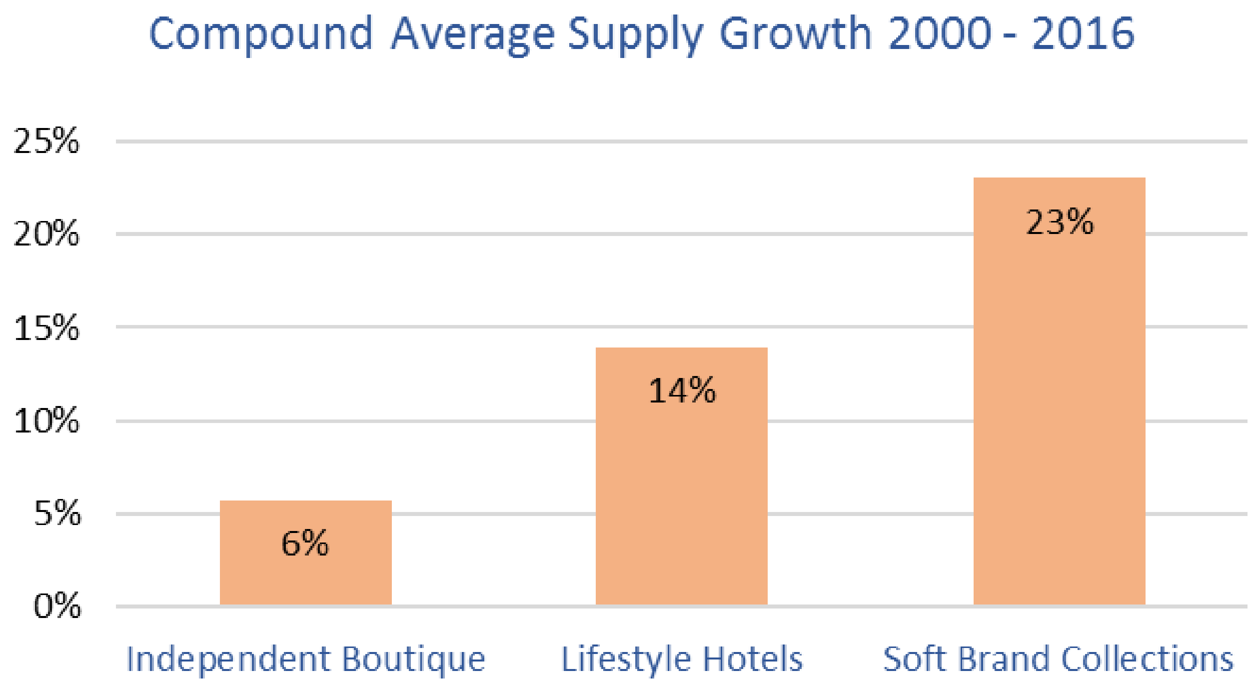
Boutique Hotels were a $15.8 billion industry in 2016




Sources: STR and The Highland Group

# Definition of boutique hotel segments

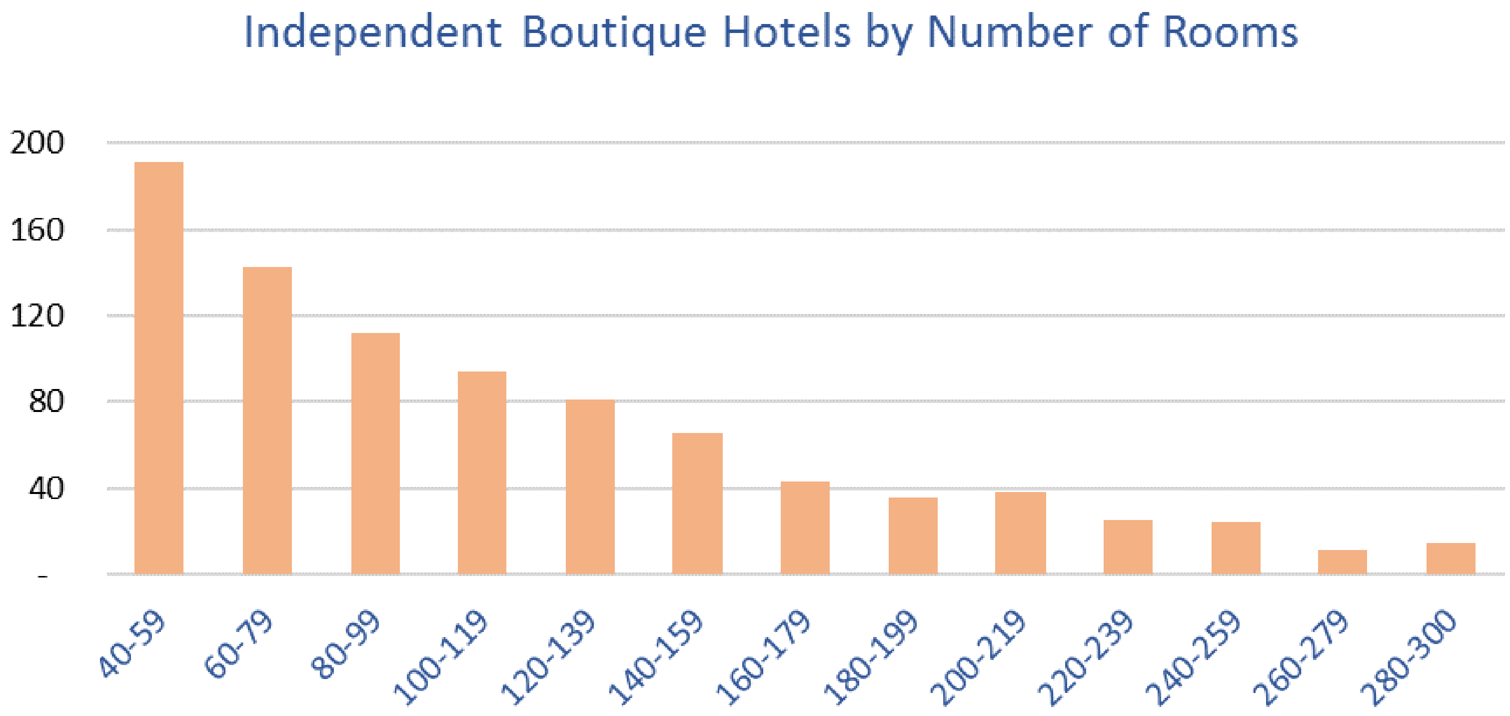
| Independent Boutique | Lifestyle Hotels | Soft Brand Collections |
|---|---|---|
| Some Relais et Chateaux | AC by Marriott | Ascend by Choice |
| Some Historic Hotels of America | Aloft by Marriott | Autograph by Marriott |
| Some Small Luxury Hotels | Andaz by Hyatt | Curio by Hilton |
| Some Preferred Hotel Group | Cambria by Choice | Luxury by Marriott |
| Two Roads | Canopy by Hilton | Registry Collection by Wyndham |
| Dream Hotels | Centric by Hyatt | Tapestry by Hilton |
| Delano by SBE | Edition by Marriott | Tribute Portfolio by Marriott |
| SLS Hotels | Even by IHG | Trademark by Wyndham |
| Joie de Vivre | GLo by Best Western | Unbound by Hyatt |
| Mondrian by SBE | Indigo by IHG | |
| 21 C Museum Hotels | Kimpton by IHG | |
| The Graduate Hotels | Le Meridien by Marriott | |
| Sixty Hotels | Moxy by Marriott | |
| NYLO Hotels | Red by Radisson | |
| CitizenM | Tru by Hilton | |
| Ace | Tryp by Wyndham | |
| Virgin | Vib by Best Western | |
| And many other unique and independent hotels | W by Marriott | |




Sources: STR and The Highland Group

# Independent
# Boutique Hotels

Independent boutique hotels tend to be smaller with just over 50 percent of our sample below 100 rooms




Sources: STR and The Highland Group

ADR increase of 3.5% annually. Smaller hotels and likely at capacity at 72% overall.

**Upscale - Upper Midscale Independent Boutique Hotels Market Performance**

| | Occupancy | Change | Average Rate | Change | RevPar | Change |
|---|---|---|---|---|---|---|
| 2011 | 67.0% | | $140.74 | | $94.32 | |
| 2012 | 68.8% | 2.7% | $146.89 | 4.4% | $101.11 | 7.2% |
| 2013 | 69.9% | 1.5% | $151.05 | 2.8% | $105.56 | 4.4% |
| 2014 | 71.2% | 1.9% | $156.71 | 3.7% | $111.62 | 5.7% |
| 2015 | 71.4% | 0.3% | $163.14 | 4.1% | $116.51 | 4.4% |
| 2016 | 71.7% | 0.4% | $167.20 | 2.5% | $119.93 | 2.9% |
| Compound | | 1.4% | | 3.5% | | 4.9% |

Note: Includes 265 hotels totaling 25,435 rooms

Source: STR

ADR increase of 3.9% annually peaking at $324 in 2016. Strong occupancies at 73%.

**Luxury Independent Boutique Hotels Market Performance**

| | Occupancy | Change | Average Rate | Change | RevPar | Change |
|---|---|---|---|---|---|---|
| 2011 | 68.5% | | $267.29 | | $183.04 | |
| 2012 | 70.7% | 3.2% | $278.64 | 4.2% | $196.94 | 7.6% |
| 2013 | 72.1% | 2.0% | $296.30 | 6.3% | $213.69 | 8.5% |
| 2014 | 73.5% | 1.9% | $310.57 | 4.8% | $228.20 | 6.8% |
| 2015 | 72.7% | -1.0% | $321.16 | 3.4% | $233.64 | 2.4% |
| 2016 | 72.8% | 0.0% | $324.39 | 1.0% | $236.03 | 1.0% |
| Compound | | 1.2% | | 3.9% | | 5.2% |

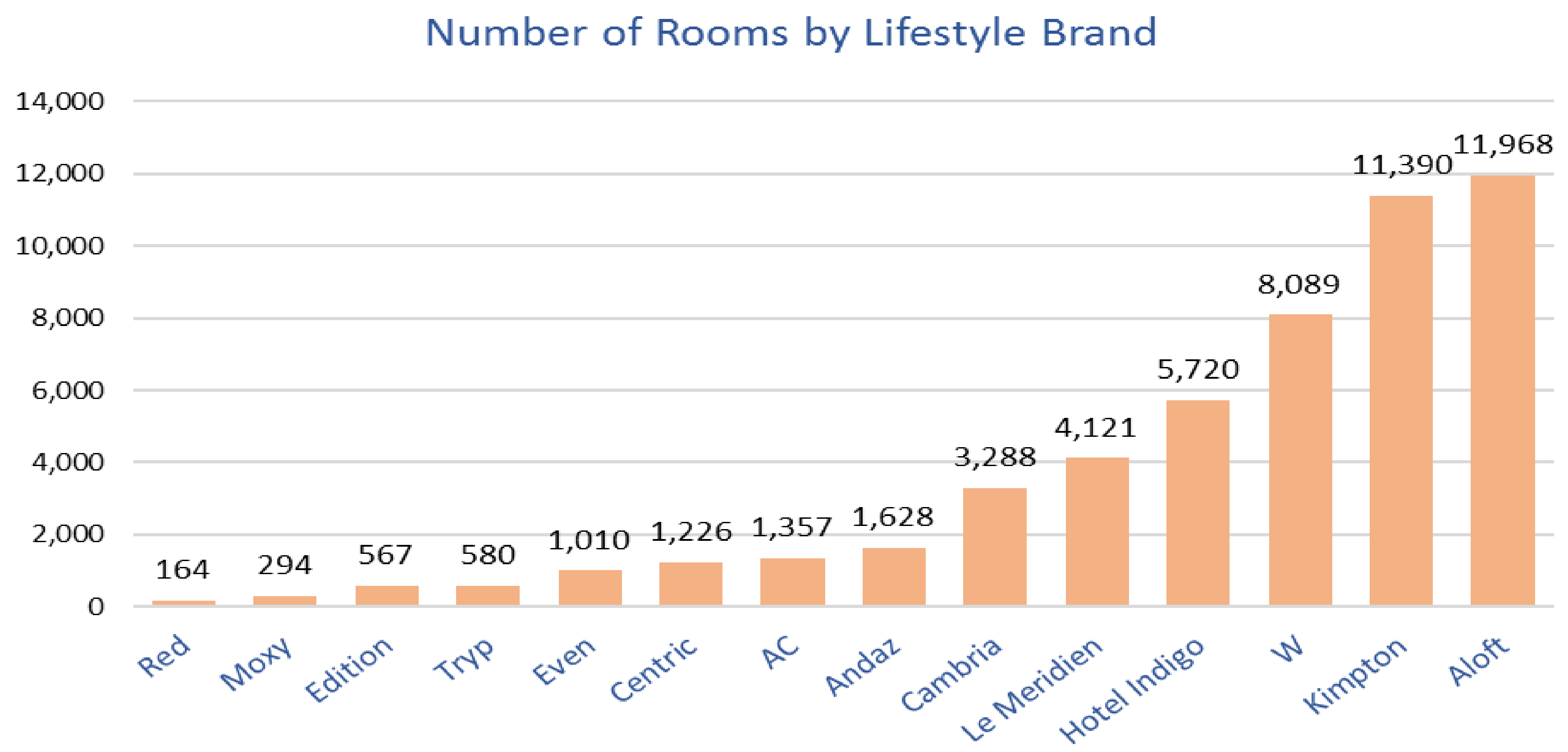
Note: Includes 304 hotels totaling 36,632 rooms

Source: STR

# Lifestyle

# Hotels

Kimpton and Aloft currently have the larger share of rooms for the lifestyle segment.




Sources: STR and The HIghland Group

Occupancies are very strong and at capacity at 80%.  ADR $262, well above the upper upscale chain chain average of $179 for all US hotels.

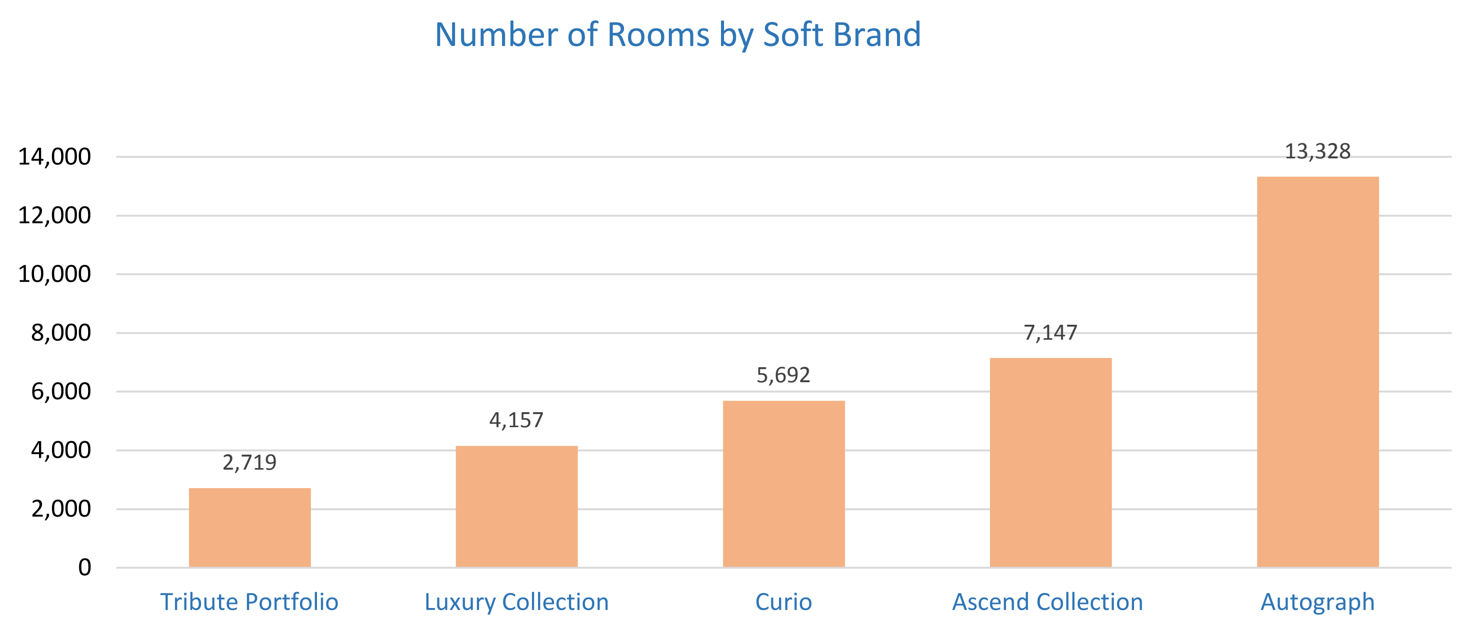
**Luxury - Upper Upscale Lifestyle Hotels Market Performance**

| | Occupancy | Change | Average Rate | Change | RevPar | Change |
|---|---|---|---|---|---|---|
| 2011 | 75.9% | | $221.16 | | $167.93 | |
| 2012 | 76.5% | 0.7% | $231.32 | 4.6% | $176.96 | 5.4% |
| 2013 | 78.0% | 1.9% | $239.99 | 3.8% | $187.09 | 5.7% |
| 2014 | 79.8% | 2.4% | $252.16 | 5.1% | $201.24 | 7.6% |
| 2015 | 78.9% | -1.1% | $261.74 | 3.8% | $206.58 | 2.7% |
| 2016 | 79.9% | 1.2% | $261.69 | 0.0% | $208.99 | 1.2% |
| Compound | | 1.0% | | 3.4% | | 4.5% |

Note: Includes 122 hotels totaling 27,037 rooms
Source: STR

# Soft Brand Collections

# Autograph and Ascend currently have the larger share of soft brand inventory




Sources: STR and The Highland Group

Strong overall occupancy of 71% in 2016…above overall US of 66%.   ADR increase year over year.

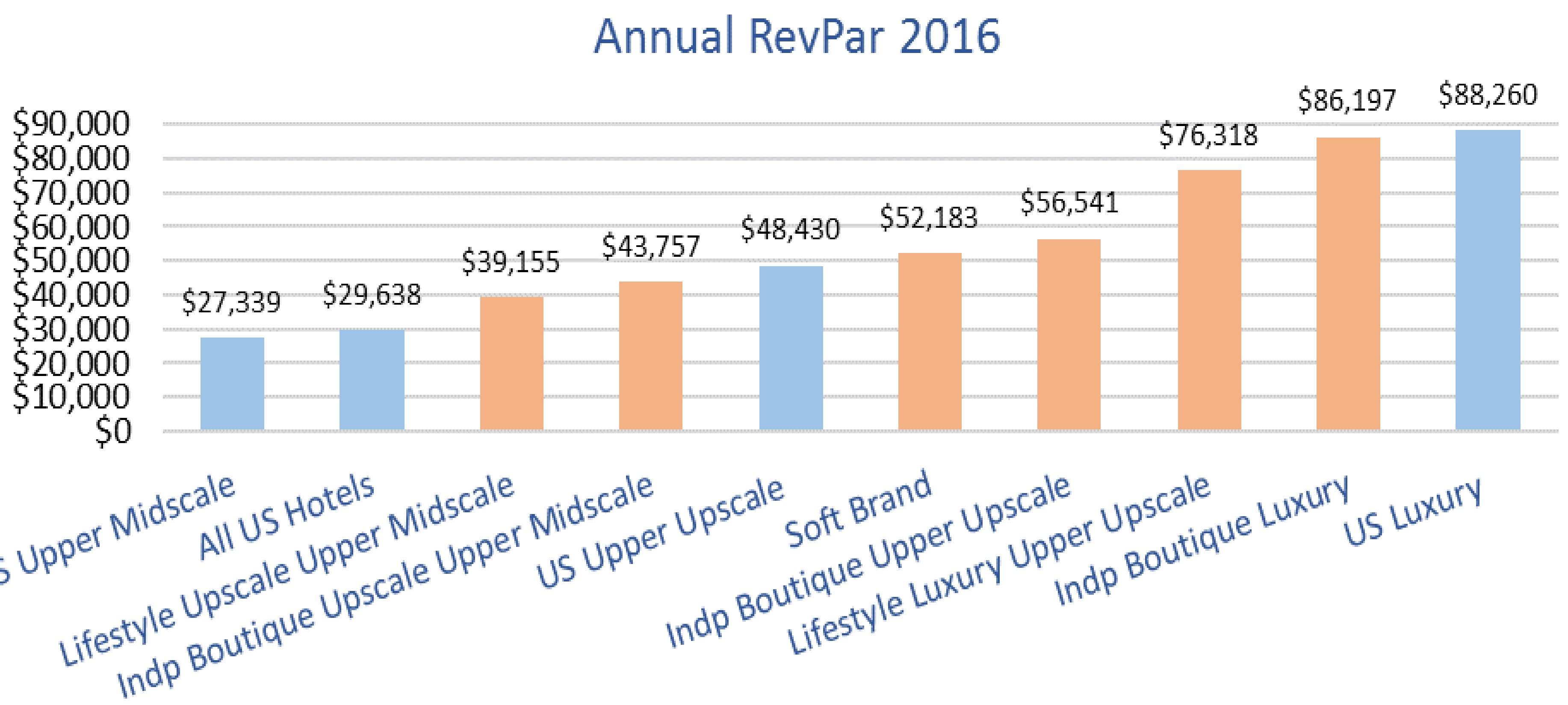
## Soft Brand Collections Market Performance

| | Occupancy | Change | Average Rate | Change | RevPar | Change |
|---|---|---|---|---|---|---|
| 2011 | 65.8% | | $170.61 | | $112.26 | |
| 2012 | 67.2% | 2% | $180.80 | 6.0% | $121.56 | 8.3% |
| 2013 | 67.7% | 1% | $190.13 | 5.2% | $128.64 | 5.8% |
| 2014 | 68.8% | 2% | $195.40 | 2.8% | $134.50 | 4.6% |
| 2015 | 70.1% | 2% | $198.17 | 1.4% | $138.83 | 3.2% |
| 2016 | 70.8% | 1% | $201.93 | 1.9% | $142.88 | 2.9% |
| Compound | | 1.5% | | 3.4% | | 4.9% |

Note: Includes 186 hotels and 29,741 rooms

Source: STR

The boutique concept generates more annual room revenue than most comparable traditional concepts




Sources: STR and The Highland Group

Boutique HOST samples achieve higher RevPar compared to urban and upper upscale. Also higher EBITDA per occupied room night to traditional hotels with similar RevPar

| Comparison of Financial Performance (1) | | | | | |
|---|---|---|---|---|---|
| | REVPAR | Food & Beverage (2) | TRevPAR (3) | EBITDA (2) | Average Rooms |
| Limited Service Chain Affiliated | $112.09 | $0.67 | $84.25 | $46.28 | 119 |
| Lifestyle Upscale | $121.82 | $8.71 | $133.41 | $61.44 | 144 |
| Limited Service Urban | $171.50 | $2.07 | $140.03 | $69.72 | 154 |
| Full Service Upper Upscale | $182.40 | $87.08 | $215.60 | $83.80 | 409 |
| Full Service Urban | $208.79 | $84.53 | $234.87 | $84.57 | 389 |
| Indp Boutique Small Urban | $197.63 | $109.16 | $311.66 | $92.77 | 71 |
| Soft Brand & Indep Boutique w/ High F&B (4) | $227.32 | $208.01 | $345.69 | $94.46 | 105 |
| Soft Brand Collections | $174.26 | $116.35 | $284.29 | $94.93 | 231 |
| Soft Brand Collection w/ Spa | $177.31 | $181.00 | $330.56 | $106.73 | 439 |
| Lifestyle Luxury Upper Upscale | $270.71 | $90.21 | $363.61 | $109.33 | 286 |
| Small Lifestyle Urban | $224.93 | $93.81 | $313.37 | $118.69 | 137 |
| All US Luxury | $309.10 | $176.13 | $403.47 | $132.28 | 298 |
| Indp Boutique Luxury w/ Spa | $240.20 | $212.15 | $447.79 | $149.67 | 158 |
| Notes: (1) 2015 data, (2) Per occupied room night, (3) Per available room night, (4) 2016 data | | | | | |
| Sources: STR Host Reports and The Highland Group | | | | | |

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