Americas

Part 1 of 3

Hotels & Hospitality | 2019

Global Resort Report Three-Part Series

JLL Research

Content

Resort markets

overview

INVESTMENT DRIVERS

Over the past five years, resorts have been the darling of the hotel investment community, influenced by consumer focus on experiential travel and an affinity towards lodging assets with an authentic local feel. Resorts across the world have also benefitted from solid growth in international tourist arrivals, which are anticipated to grow 4.0 percent in 2019 to 2.2 billion travelers and continue rising at this pace throughout the next decade.

RevPAR performance of resort markets has continued to outpace other locations, such as urban, suburban and airports. The U.S. observed anemic average supply growth of 0.7 percent from 2014 to H1 2019, which has allowed resorts to achieve an average RevPAR growth nearly two times the national pace of growth. Limited additional supply growth is expected this year and next, which bodes well for resort performance going forward and supports continual investor interest in the asset class.

From 2014 to H1 2019, sales activity in resort locations across the Americas accounted for 20.0 percent of total hotel sales volume, with some of the most notable recent trades including **the Waldorf Astoria Boca Raton Resort, the JW Marriott Phoenix Desert Ridge Resort & Spa and the Hyatt Regency Waikiki Resort & Spa**. Investor appetite for resorts has spanned coastal resort markets and mid-market destinations, as evidenced by Blackstone Group Inc.'s recent announcement that it will acquire a 65.0 percent controlling interest in family-oriented, Great Wolf Resorts. Additionally, Anbang Insurance Group Co.'s sale of 15 luxury urban and resort assets to Korea's Mirae Asset Management, further highlights how hotel investors, foreign and domestic, are gravitating to resort assets in today's market.

The following provides an overview of popular global resort destinations in a three-part regional series. The commentary highlights market dynamics unique to each resort destination related to infrastructure developments and tourism assets, demand and supply fundamentals and investment trends.

METHODOLOGY

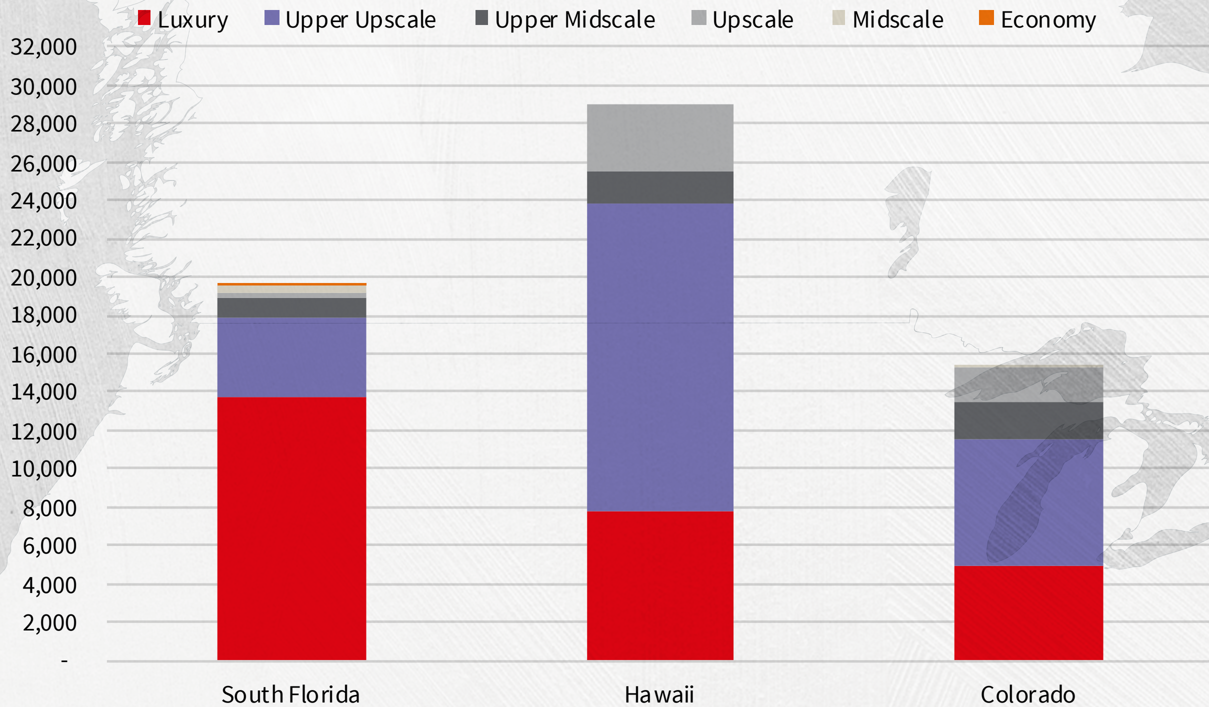
JLL's report series analyzes total resort supply and total transaction volume by market. The number of true existing "resort" properties by market was determined through an extensive evaluation process of each property reported in STR's Global Census and Pipeline Database Report, to capture true "resorts" featuring typical resort amenities including a spa, pool, and other leisure facilities. This analysis was replicated for the evaluation of JLL's proprietary transactions database to drive the investment sales analysis. This methodology ensures that the findings for each market pertain to actual resort assets situated in the destination.

2018 *visitation*

	Total Number of OVERNIGHT VISITORS (in millions)	Y-O-Y GROWTH
South Florida	32.0	6.0%
Hawaii	10.0	5.9%
Colorado	37.8	-1.1%

Region at a glance

Americas: Resort supply breakdown by class



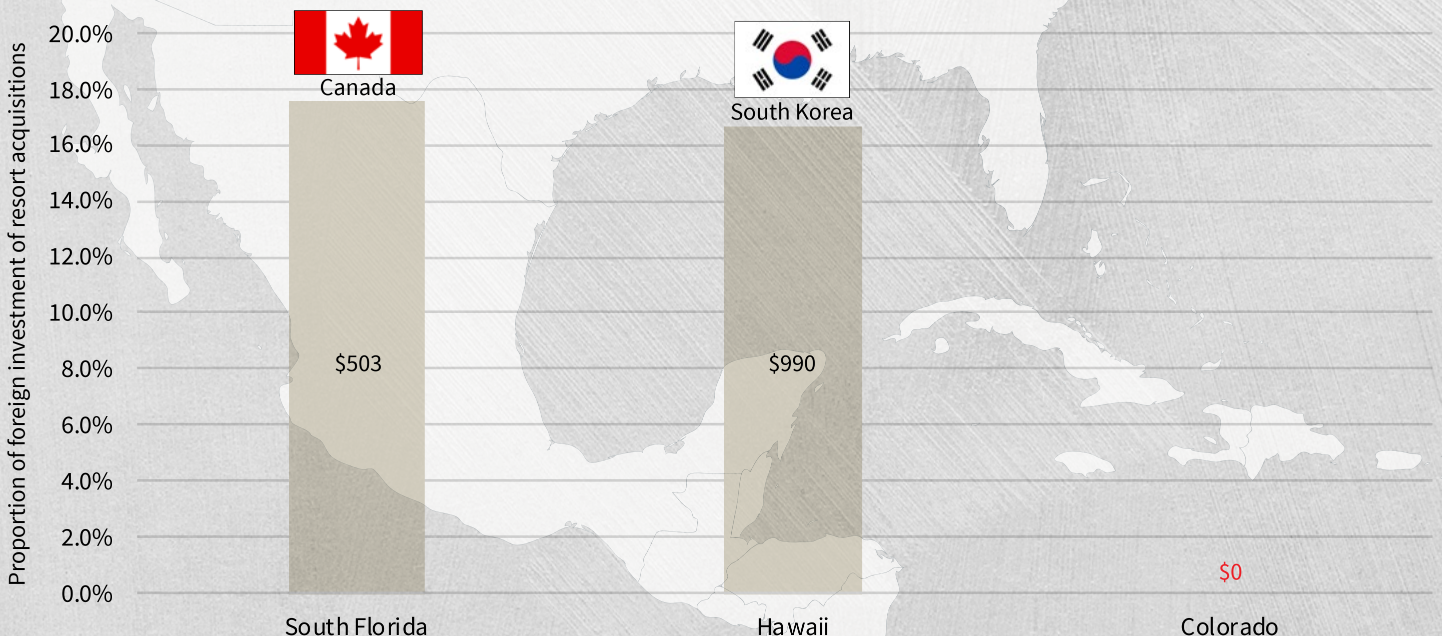
70%

of South Florida's resort supply is luxury grade

Source: JLL, STR

Proportion of Foreign Investment *in resorts*

2014 - H1 2019



Source: JLL Note: The flag above the bar chart represents the country with the greatest investment in resort assets in the market. Value in bar chart pertains to the total investment made in the market.

South Florida

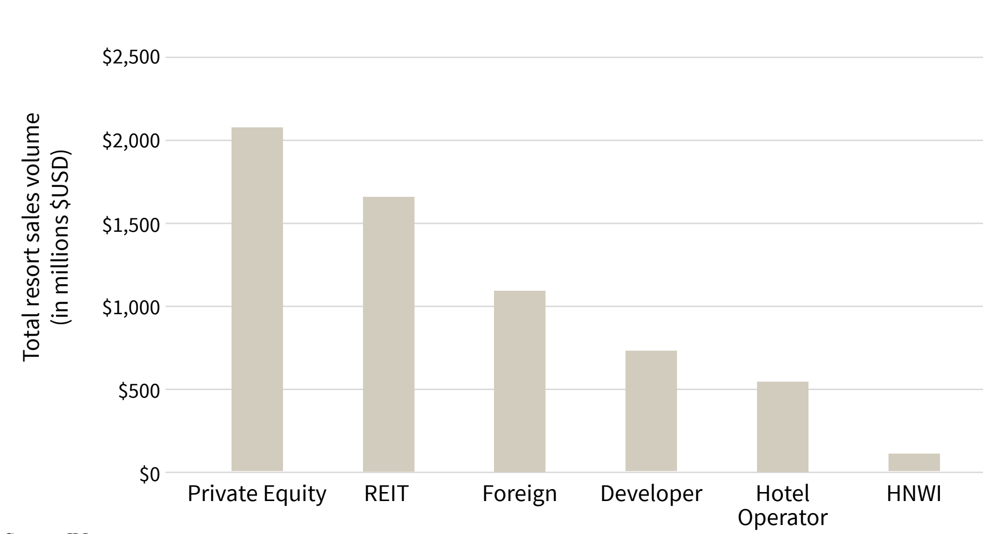
South Florida, spanning from Palm Beach to Miami represents a prominent tourism hub in the U.S. for domestic and international travelers and is considered the crossroads of the U.S., the Caribbean and Latin America. In fact, Florida imports approximately $29.6 billion from Latin America and the Caribbean annually. The market's year-round tropical climate, miles of beaches, world-class dining and bourgeoning cultural and art scene, make it a multi-faceted destination that attracts an increasing number of visitors year after year. In 2018, overnight visitation increased 6.0%, surpassing 31 million, representing 25.0% of all visitors in Florida. In 2018, international visitation rose to 7.7 million visitors, a 6.2% increase over 2017 levels. Following the Zika virus surfaced in South Florida in 2016, the market rebounded strongly, in part, due to the efforts of the Greater Miami Convention & Visitors Bureau's multi-million "Found in Miami" global marketing campaign, which launched June 2017 and Discover the Palm Beaches' expanding marketing presence in countries, such as Argentina, Colombia and Mexico.

Current improvement and expansion efforts across the Miami International Airport (MIA) and Fort Lauderdale-Hollywood International Airport (FFL) will further increase South Florida's visitation and enhance its global visibility as an easily accessible destination. In 2019, MIA announced a new $5 billion capital improvement plan, while FLL is in the later stages of a $3.2 billion expansion and modernization program. Further, the intercity rail line that currently connects Miami, Fort Lauderdale and West Palm Beach is being expanded to Orlando, which will expose South Florida to millions of new travelers that typically focus on visiting Central Florida.

INVESTMENT TRENDS

Domestic and foreign buyers make resorts a highly liquid asset class in South Florida

Resort Transaction Volume by Buyer Type 2014 - H1 2019



Source: JLL

South Florida's highly liquid hotel market coupled with higher quality resort supply has attracted significant private equity and REIT investment to the market. In fact, over the analyzed period, the buyer groups collectively represented 60.0% of total resort sales activity. Foreign investors have also been active buyers, acquiring over $1.0 billion worth of some of the most prestigious assets in the market. Resort assets accounted for the lion's share of total hotel sale activity in South Florida, representing an average of 73.0% of sales since 2014. This high proportion has been influenced by the fact that 17 resort assets sold for over $100 million.

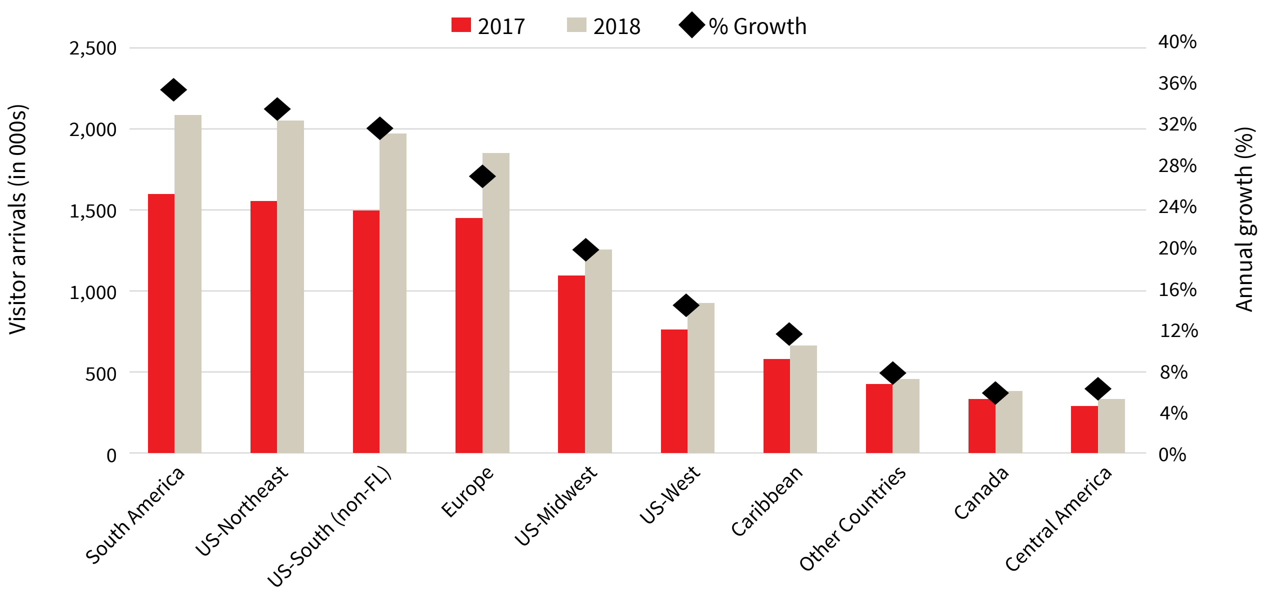
*From 2014 to 2018, **resort hotels** commanded **an average price per room premium of 170.0% above the average price per room of all other hotels** that sold in the market.*

DEMAND

New York, Brazil and Colombia lead visitation into South Florida

Strong leisure demand and offsite business meetings and conventions have contributed to increasing visitation into South Florida. Further, South Florida overnight demand is largely driven by domestic visitors, representing 75.0% of total visitation in each of the last two years. That being said, the number of overnight visitors from the northeast region of the U.S. and South America were nearly identical in 2018, with each representing a critical feeder market for South Florida. In 2020, the market is expected to see demand grow between 3.0% and 4.0%, attributable to Super Bowl LIV.

Top Visitor Source Markets in 2018 vs 2017



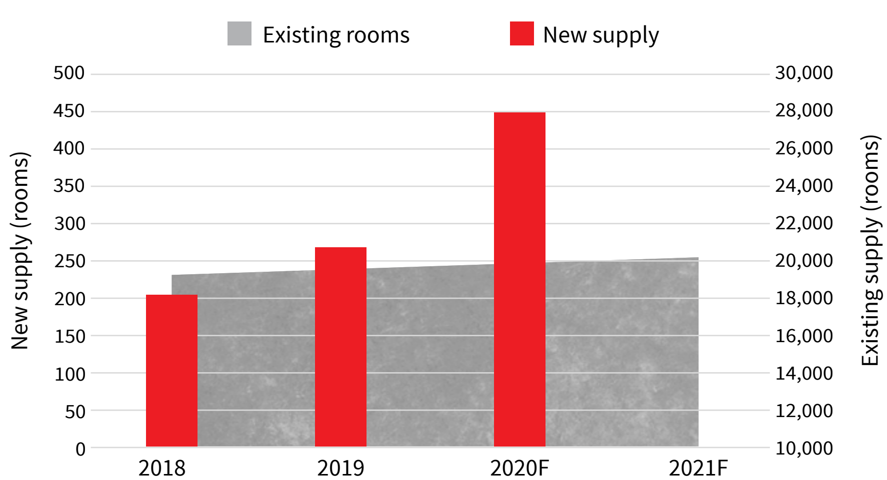
Source: Discover The Palm Beaches, GFLCVB, GMCVB, JLL
Note: The data pertains to greater Miami, Fort Lauderdale and Palm Beach and are based on JLL estimates

SUPPLY

South Florida has the highest proportion of luxury resort product among the three resort markets outlined

South Florida's resort stock totals 19,543 rooms, of which 42.0% is affiliated with a luxury hotel chain. Luxury independent product (38.0%) is also widely represented in the market by iconic properties including, The Setai Miami Beach, SLS South Beach, and the Lago Mar Beach Resort Club. Midscale resort product is less prominent in South Florida and more ubiquitous in family-oriented destinations, such as Orlando; therefore, the market typically commands a price premium over other markets in the state of Florida. New additions to resort supply will be limited, with 1.1% and 1.4% growth expected this year and next, which is below supply growth expected in the overall MSA.

South Florida New and Cumulative Resort Supply



Source: JLL, STR

OUTLOOK

South Florida has always represented a popular vacation destination but more recently has evolved into a more prestigious global resort market, as evidenced by the growth in international visitation. The prominence of luxury resort product, brand-affiliated and independent, coupled with a growing art scene bodes well for demand from less price sensitive travelers.

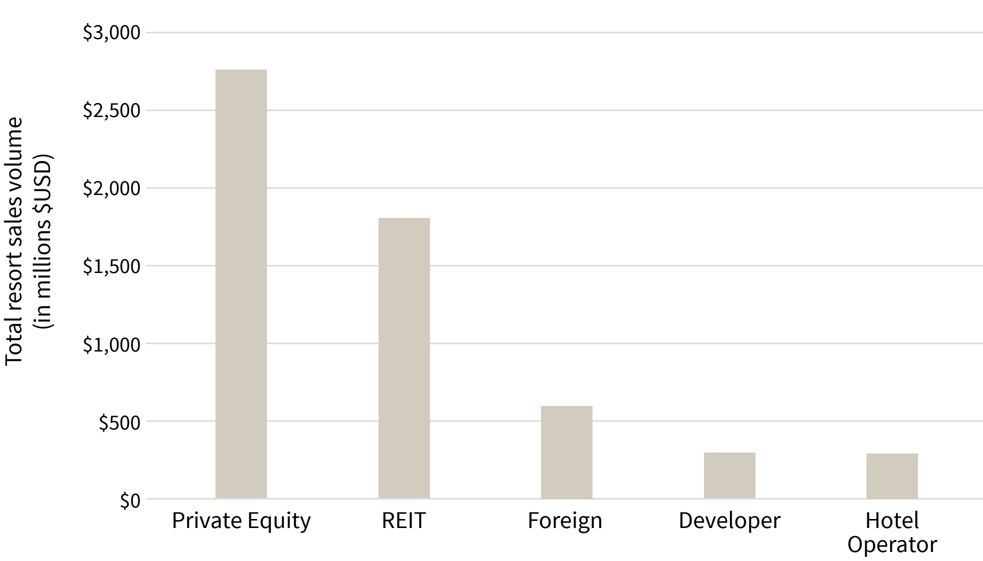
Hawaii

Hawaii, one of the pre-eminent global resort destinations with strong international airlift, boasts beautiful landscapes and world-class shopping and dining experiences. The state, anchored by four main islands including Oahu, Maui, Kauai, and the Big Island of Hawaii, has also expanded its reputation as a popular destination for business activity and meetings. Hawaii has experienced continuous growth in visitation since 2010, reaching a record-breaking 10 million arrivals in 2018. Domestic demand, which accounted for approximately 65.0% of total visitation in 2018, is highly supported by West Coast U.S. residents with direct airlift from major markets such as Los Angeles, San Francisco, Seattle among others, as well as mid-West and East coast travelers. There is also large military presence in the market, particularly in Oahu that drives government base business. International visitation also continues to grow and is projected to increase 1.3% in 2020 with The Island of Oahu being the primary beneficiary supported primarily by Japanese travelers as well as a growing population from Korea and China. In support of this projection, Hawaii passed a bill for a $3.4 billion Capital Improvement Projects Plan, which includes $617 million in airport & airfield improvements, $170 million for new concourse at Daniel K Inouye International Airport, and $384 million for harbor projects. Further, a $9.2 billion Honolulu commuter rail line (HART) is currently under construction and anticipated for completion in 2025, which will increase Honolulu's accessibility from its western suburbs to the airport, downtown, and the Ala Moana Center to attract further tourists.

INVESTMENT TRENDS

Domestic buyers provide liquidity in high-quality resort assets in Hawaii

Resort Transaction Volume by Buyer Type 2014 - H1 2019



Source: JLL

Strength in fundamentals has made Hawaii outperform as a top-25 market in the US and as such, the market has attracted notable private equity and foreign institutional investor interest. Since 2014, together these buyers accounted for nearly 80.0% of total resort sales activity. Resort assets drive the liquidity in the market and between 2014 and H1 2019, represented more than 90.0% of sales activity. A trend influenced by the fact that 22 resort assets sold for more than $100M under the analyzed period.

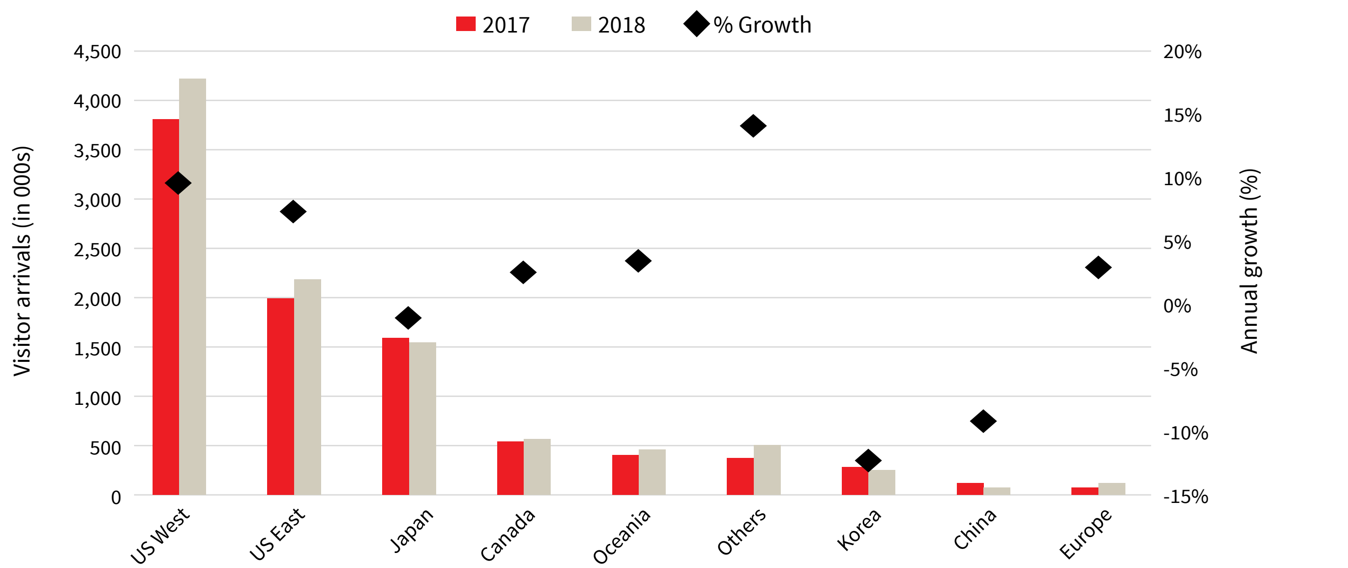
*From 2014 to 2018, **resort hotels** commanded **an average price per room premium of 44.0% above the average price per room of all other hotels** that sold in the market.*

DEMAND

Japan, Canada, and Oceania lead international visitation growth into Hawaii

Similar to strong visitation observed in 2018, visitation to Hawaii in 2019 and 2020 is expected to follow a positive trend, supported by an increase in seat inventory. Southwest Airlines announced in March 2019 that it expanded its routes to reach Hawaii for the first time, with non-stop flights currently offered from Oakland and San Jose, California. The last time new air routes were launched in Hawaii was in 2011, with the market posting a 10.0% surge of visitation by year-end 2012 as a result. While Hawaii's visitation is largely comprised of domestic demand, international arrivals has continued to increase year-over-year.

Top Visitor Source Markets in 2018 vs 2017



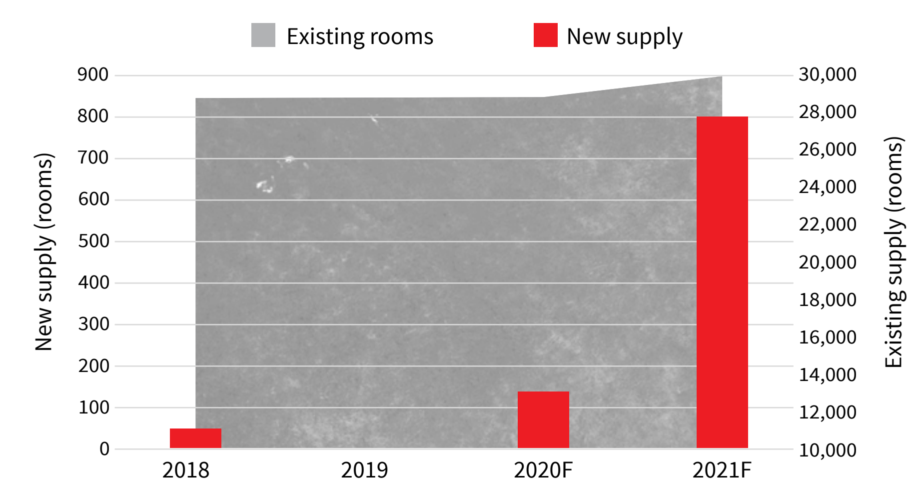
Source: Hawaii Department of Business, Economic Development & Tourism, JLL

SUPPLY

High-quality resort assets continue to comprise the bulk of supply, with the addition of an Atlantis resort planned for island of Oahu in 2021

Hawaii's resort stock totals 26,408 rooms with the most recent addition featuring the 50-room Ocean Tower by Hilton Grand Vacations. Hawaii's existing resorts are largely upper upscale and luxury chain scales, which complement the state's reputation as a world-class vacation destination. The most notable resort planned for the state is the 800-room Atlantis Ko Olina resort, which is anticipated to break ground in 2021. Prior to 2021, new additions to resort supply for this year and the next will grow at less than 0.5%.

Hawaii New and Cumulative Resort Supply



Source: JLL, STR

OUTLOOK

Hawaii has taken a pro-active effort to fund infrastructure improvement plans. This is a pivotal change considering the market's need for infrastructure improvement in the face of rising sea levels and aging infrastructure. The island is anticipating the groundbreaking of the landmark-resort of the 800-room Atlantis Ko Olina by 2021, which will be well absorbed by the market's sustained growth in visitation. Strong visitation trends are supported by the market's enhanced airlift capacity resulting from Southwest and ANA's additional flight service. With ongoing infrastructure improvements, a year-round tropical climate complemented by world-class amenities, increased air-seat capacity, and expectations for state-level GDP to grow 1.2%, prospects for Hawaiian resort investment remains strong.

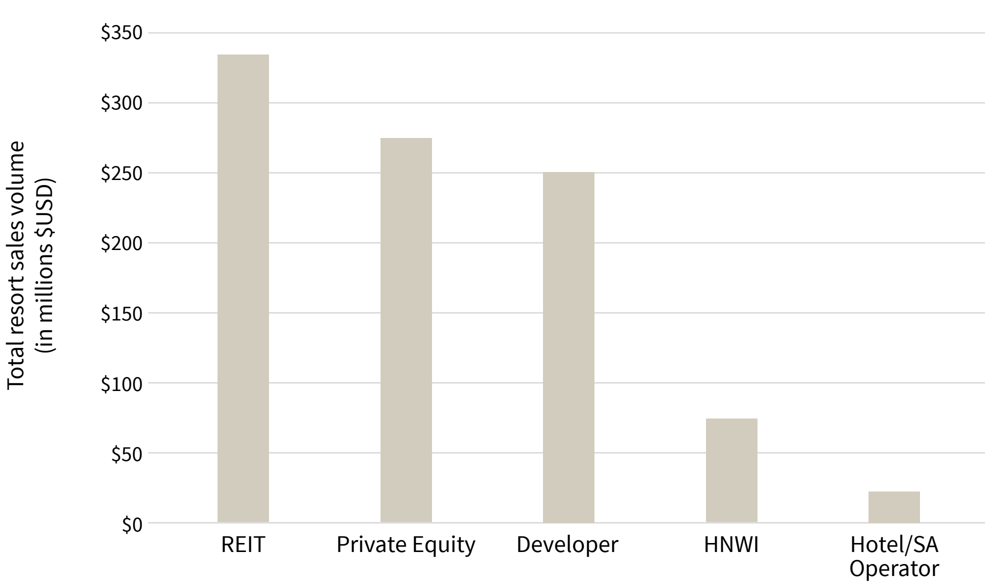
Colorado

Colorado is a unique travel destination in that it serves both summer and winter visitors by featuring several national parks and monuments coupled with the fact that it's home to the highest concentration of mountain peaks above 14,000 feet in the nation with some of the most high-profile ski resort markets in the world including Aspen, Vail, Telluride and others. Visitation has trended up over the past nine years, reaching a record-breaking 85.2 million overnight and day trip visitors in 2018, with international visitation up 4.9% from the prior year. The city of Denver has reignited the expansion of its $233 million Colorado Convention Center after facing several delays. The convention center is pegged to open in 2022 and should boost convention demand in the market. In 2018, Colorado strategically partnered with DestinationThink! to fuel the creation of new tourism assets, which involves evaluating travel areas to expand adventure tourism activities. In response to traffic congestion resulting from increased demand, the Colorado Department of Transportation is leading a $70 million project that will add another express lane to the I-70 corridor to be completed in 2021.

INVESTMENT TRENDS

Domestic buyers drive liquidity of resort assets in Colorado

Resort Transaction Volume by Buyer Type 2014 - H1 2019



Source: JLL

Growing consumer interest in experiential travel and robust state economic fundamentals have established Colorado as an attractive hotel investment market. Moreover, the state is home to irreplaceable resort assets. Consequently, resorts accounted for approximately 62.0% of sales activity in Colorado from 2014 to H1 2019, with over 60.0% of the number of hotels sold selling for $50 million or higher. Domestic REITs, private equity, and developers have been the most acquisitive buyers of resorts in Colorado collectively acquiring nearly $1.0 billion worth of assets.

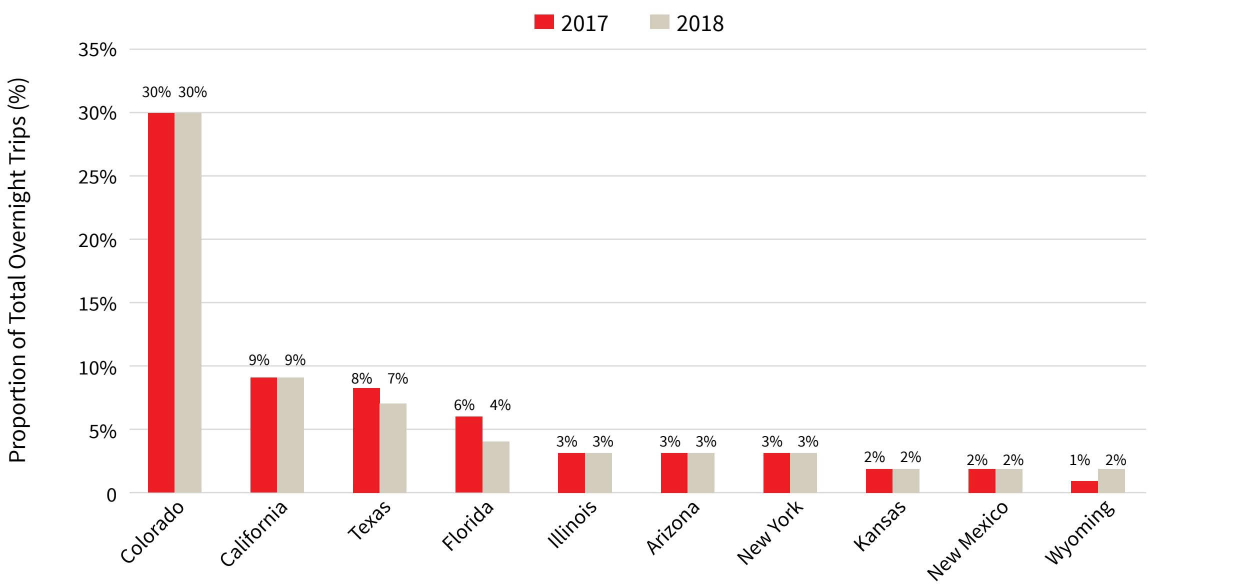
*From 2014 to 2018, **resort hotels** commanded **an average price per room premium of 38.6% above the average price per room of all other hotels** that sold in the market.*

DEMAND

Colorado ranks first in overnight ski trip demand among the 50 states in the U.S.

Domestic demand dominates overnight visitation to Colorado, accounting for over 98.0% of total demand in 2018. The remaining share represents international visitation. U.S. based visitors are attracted to the state's ski activities. To support this demand the state has introduced a second season pass that provides unlimited access to 40 of Colorado's premier destinations. Further, in 2018, visitation flows increased for outdoor trips and combined-business leisure trips as travel marketing shifted its focus to diversifying demand by promoting new tourism assets. With these combined initiatives, demand expectations for 2019 and 2020 remain strong.

Top Visitor Source Markets in 2018 vs 2017



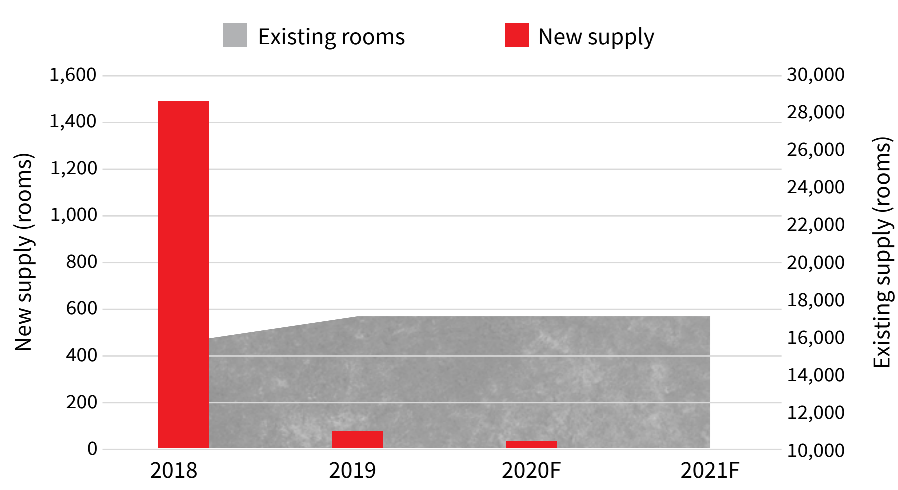
Source: Colorado Tourism Office, Longwoods International
Note: Foreign visitors are excluded from the analysis as the figures are immaterial. Exact figures for each source market are not made available by the Colorado Tourism Office, only proportions.

SUPPLY

Gaylord Rockies Resort & Convention Center debuts in 2018, further expanding the high-quality resort stock in the market

Colorado's resort stock totals 15,411 rooms with the most recent addition featuring the 1,501-room Gaylord Rockies Resort & Convention Center. The Gaylord Rockies Resort Hotel represents the largest resort hotel to open in Colorado's history, receiving the highest economic development incentive from the state and the city of Aurora, which rivals the value of the economic package offered to Amazon during its search for its second headquarters. The opening of the Gaylord hotel will further enhance the market's already large concentration of upper upscale and luxury chain supply. Resorts in the pipeline include two luxury chains, the 88-room W Hotel Aspen and the 50-room The Hotel Ajax, which are projected to be complete in late 2019 and 2020, respectively.

Colorado New and Cumulative Resort Supply



Source: JLL, STR

OUTLOOK

With strong efforts by Colorado's marketing brand to create tourism assets promoting voluntourism and other tourism experiences, the state is poised to enter its tenth consecutive year of visitation growth. Positive expectations for tourism demand are further supported by enhanced accessibility of the state's major thoroughfares through construction projects and expanded bus services, as well as strategic innovations by ski resort operators. The state has two luxury-chain resorts in the development pipeline, which can help elevate the ADR market ceiling. Prospects for Colorado resort investment remain optimistic driven by above-average economic growth, increased visitation, and strong travel marketing efforts.

Contributors

Gilda Perez-Alvarado
CEO, Americas
gilda.perez-alvardo@am.jll.com

John Strauss
Senior Managing Director
john.strauss@am.jll.com

Gregory Rumpel
Managing Director
gregory.rumpel@am.jll.com

Tony Muscio
Executive Vice President
tony.muscio@am.jll.com

Zayli Rodriguez
Vice President
zayli.rodriguez@am.jll.com

Lauro Ferroni
Global Head of Hotels Research
lauro.ferroni@am.jll.com

Geraldine Guichardo
Head of Americas Hotels Research
geraldine.guichardo@am.jll.com

Ophelia Makis
Americas Hotels Research Analyst
ophelia.makis@am.jll.com

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