

THE HIGHLAND GROUP REPORTS

US EXTENDED-STAY HOTELS: THIRD QUARTER 2023

PRICE \$395

Third Quarter 2023

With the pandemic induced downturn in 2020 and resultant recovery distortions now largely over, the very high long-term correlation between extended-stay hotel RevPar growth and that of the overall hotel industry further realigned in the third quarter of 2023. The overall hotel industry reported slightly lower occupancy loss compared to extended-stay hotels, largely because of seasonal variations in demand. ADR growth in the third quarter was the same for extended-stay hotels and the total hotel industry. The former reported a lower RevPar gain for the overall quarter, mainly because of the latter's relatively strong increase in July.

Extended-stay hotel supply increases remain low but were slightly ahead of the change in demand in Q3 2023. The last time extended-stay supply growth was at its current level was following the 2008/2009 recession and it stayed well below its long-term average for four years, during which the federal funds rate was one tenth of its current value. This indicates extended-stay and total hotel supply growth should be relatively low nationally during the foreseeable future. Although small compared to its long-term trend, extended-stay hotel demand is increasing and over the last 25 years it has never declined on an annual basis except for in 2020. STR/CoStar forecasts overall hotel occupancy and ADR will increase over the next year. If so, extended-stay hotel occupancy and ADR should also increase based on long-term correlation and low supply growth. Therefore, the extended-stay segment should set more new performance records during the near term at least.

Third quarter highlights for extended-stay hotels:

- Record high revenues for all segments
- Record high demand for all segments
- Second lowest supply growth in ten years
- Lowest Q3 occupancy in 13 years
- Average occupancy 11 points higher than all hotels

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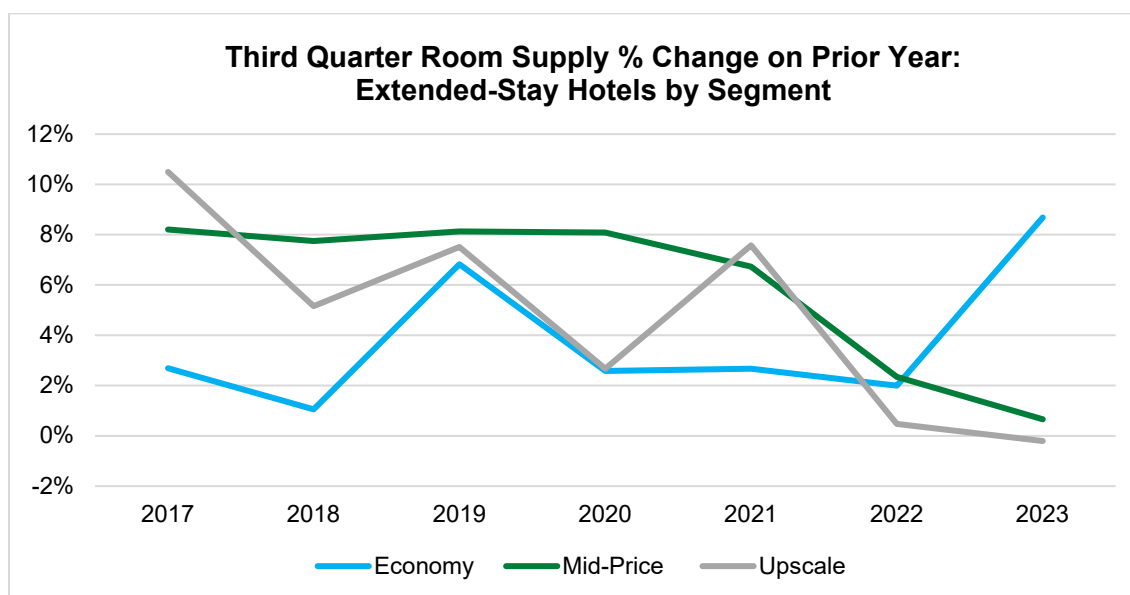
Extended-Stay Supply

There were 575,672 extended-stay hotel rooms open at the end of the third quarter 2023. Excluding 2020, which the pandemic distorted, the 9,876 net gain in rooms open over the last year was the second lowest annual increase since 2012. Room nights available increased 1.7% over the last year, which was the second smallest annual gain in supply for ten years. The relatively large supply gain in economy segment rooms is predominantly conversions with new construction accounting for about a 2% increase in new rooms. Supply change comparisons have been impacted by re-branding moving rooms between segments in our database, de-flagging of hotels which no longer meet brand standards, as well as the sales of some hotels to multi-family apartment companies and municipalities. This is likely to continue in 2023 as relatively large portfolios of generally older extended-stay hotels have recently come on the market. Nevertheless, the full year increase in total extended-stay supply compared to 2022 will remain well below the long-term average.

Extended-Stay Room Nights Available (000's): Third Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	7,822	8,032	8,117	8,671	8,895	9,132	9,314	10,123	8.7%
Mid-Price	14,491	15,681	16,895	18,269	19,746	21,074	21,568	21,711	0.7%
Upscale	15,272	16,876	17,746	19,079	19,587	21,071	21,171	21,128	-0.2%
Total	37,585	40,588	42,758	46,018	48,228	51,277	52,053	52,962	1.7%

Source: The Highland Group



Source: The Highland Group

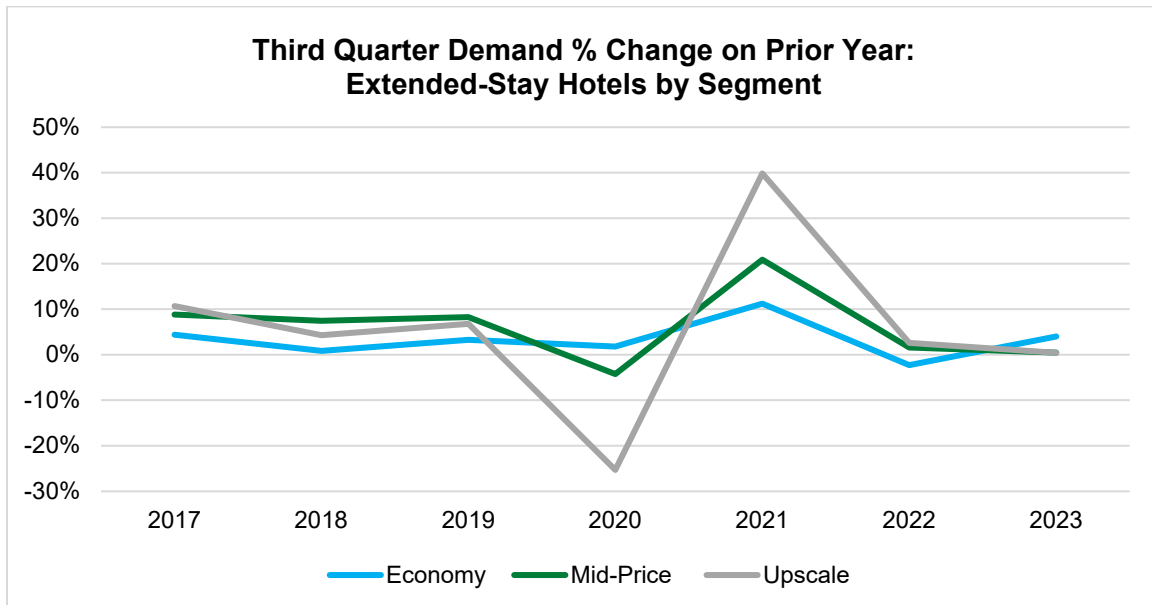
Extended-Stay Demand

All extended-stay hotel segments reported record high demand in Q3 2023.

US Extended-Stay Hotel Room Nights Sold (000's): Third Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	6,181	6,452	6,505	6,718	6,837	7,604	7,432	7,729	4.0%
Mid-Price	11,291	12,287	13,204	14,295	13,688	16,550	16,813	16,890	0.5%
Upscale	12,639	13,991	14,589	15,580	11,637	16,276	16,698	16,766	0.4%
Total	30,110	32,730	34,298	36,593	32,162	40,431	40,943	41,385	1.1%

Source: The Highland Group



Source: The Highland Group

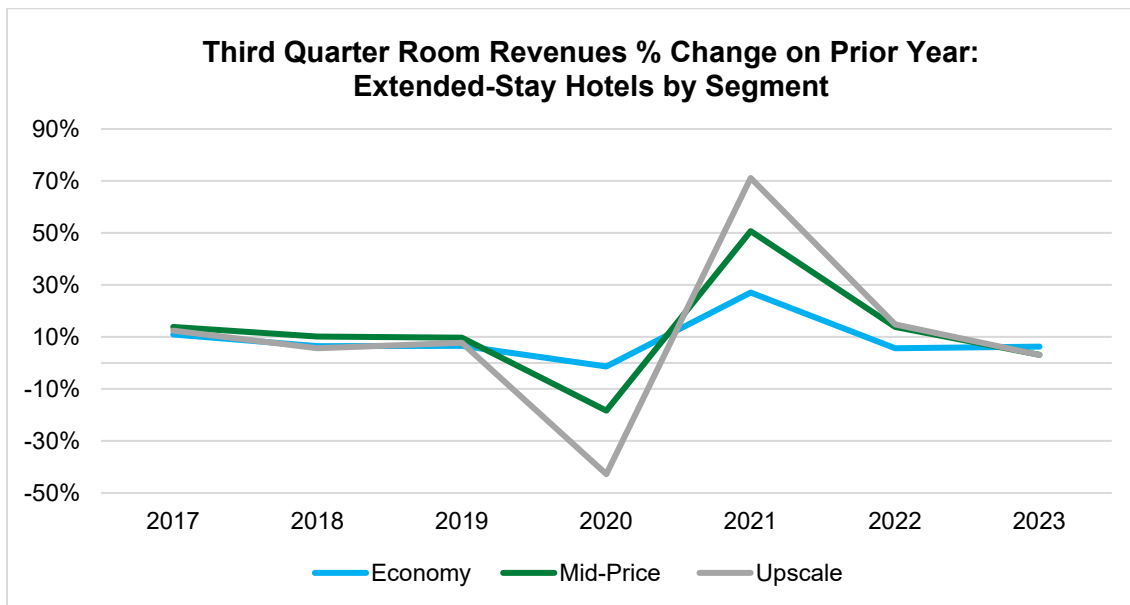
Extended-Stay Revenues

The rate of increase in room revenues has fallen since the substantial gains made following 2020. Third quarter 2023 revenue growth was the lowest of this year. However, all extended-stay segments reported record high room revenues in Q3.

US Extended-Stay Hotel Room Revenues (millions): Third Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$255.9	\$283.8	\$302.1	\$321.9	\$317.5	\$403.5	\$426.2	\$452.8	6.2%
Mid-Price	\$946.9	\$1,078.0	\$1,187.0	\$1,302.2	\$1,063.4	\$1,602.7	\$1,824.6	\$1,881.2	3.1%
Upscale	\$1,783.4	\$2,004.7	\$2,118.3	\$2,282.8	\$1,307.2	\$2,237.4	\$2,568.2	\$2,647.4	3.1%
Total	\$2,986.2	\$3,366.5	\$3,607.4	\$3,906.8	\$2,688.1	\$4,243.6	\$4,819.0	4,981.3	3.4%

Source: The Highland Group



Source: The Highland Group

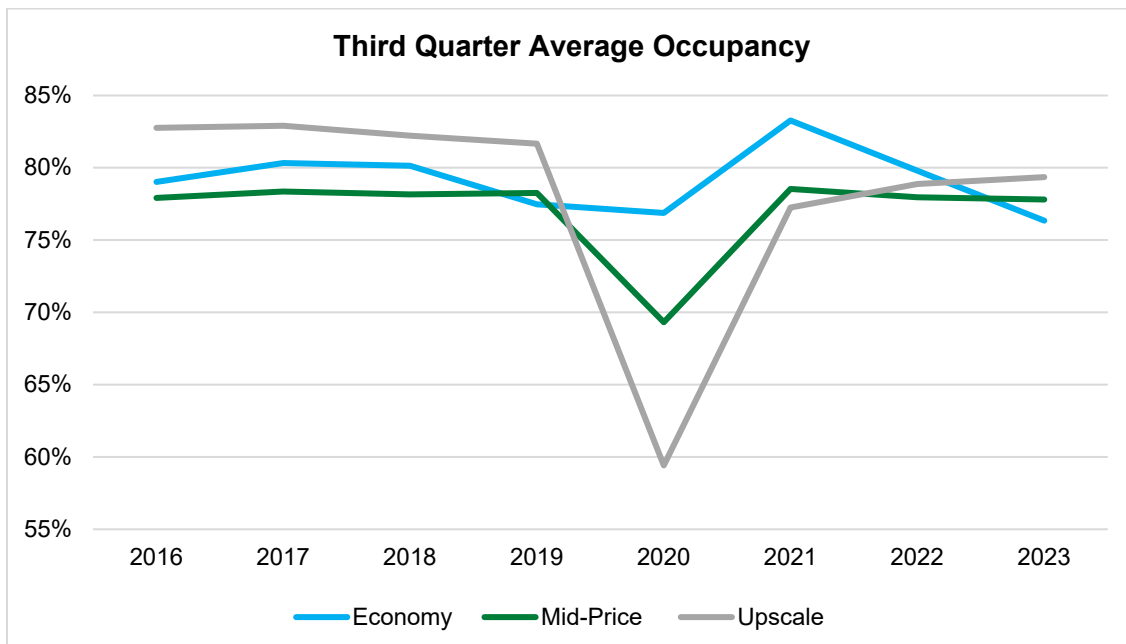
Extended-Stay Occupancy

Third quarter occupancy is usually the highest of the year. It was again in 2023 but it was the lowest for the quarter since 2010 except for in pandemic-impacted 2020. Upscale was the only extended-stay hotel segment reporting a gain in occupancy in Q3 2023.

US Extended-Stay Hotel Average Occupancy: Third Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	79.0%	80.3%	80.1%	77.5%	76.9%	83.3%	79.8%	76.3%	-4.3%
Mid-Price	77.9%	78.4%	78.1%	78.2%	69.3%	78.5%	78.0%	77.8%	-0.2%
Upscale	82.8%	82.9%	82.2%	81.7%	59.4%	77.2%	78.9%	79.4%	0.6%
Total	80.1%	80.6%	80.2%	79.5%	66.7%	78.8%	78.7%	78.1%	-0.7%

Source: The Highland Group



Source: The Highland Group

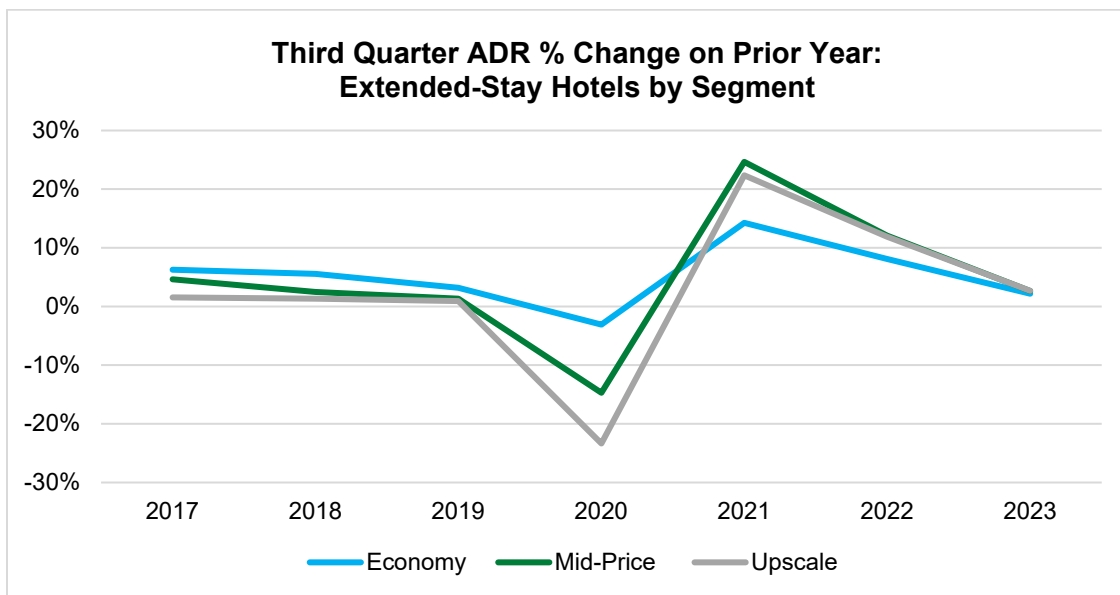
Extended-Stay Average Rate

All extended-stay segments reported record high third quarter ADR this year. Rate increases by segment are more closely aligned than during the last two years. Total extended-stay hotel ADR growth was the same as STR/CoStar estimated for the overall hotel industry in the third quarter.

US Extended-Stay Hotel Average Rate: Third Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$41.41	\$44.00	\$46.44	\$47.91	\$46.44	\$53.06	\$57.35	\$58.58	2.2%
Mid-Price	\$83.86	\$87.73	\$89.90	\$91.09	\$77.69	\$96.84	\$108.52	\$111.38	2.6%
Upscale	\$141.11	\$143.29	\$145.20	\$146.52	\$112.33	\$137.46	\$153.80	\$157.90	2.7%
Total	\$99.18	\$102.86	\$105.18	\$106.76	\$83.58	\$104.96	\$117.70	\$120.37	2.3%

Source: The Highland Group



Source: The Highland Group

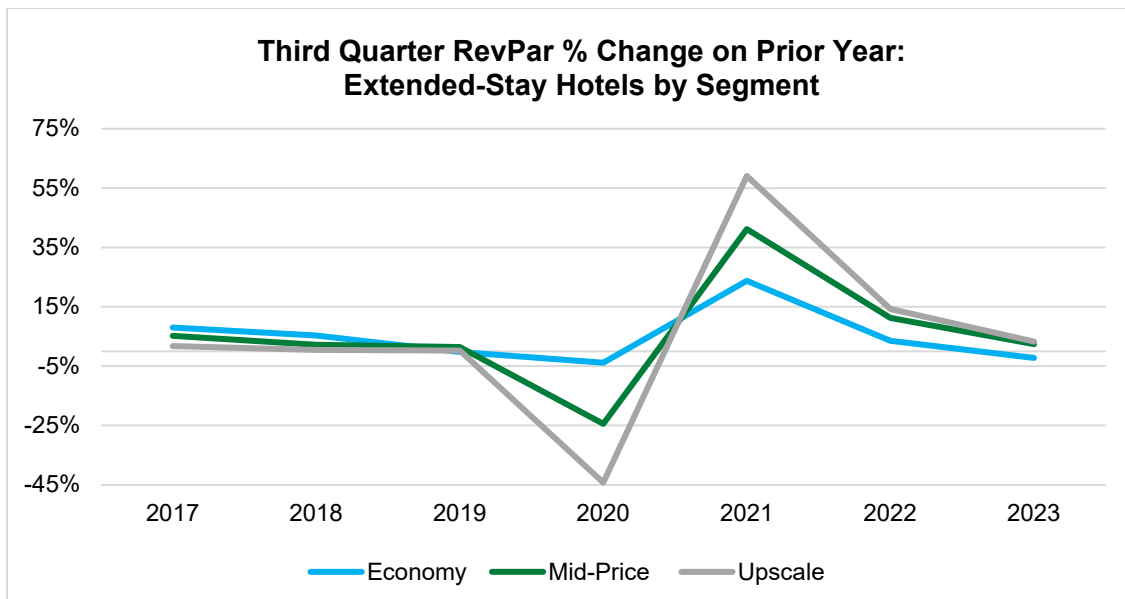
Extended-Stay RevPar

The 1.6% increase in RevPar in Q3 2023 was the smallest gain since Q1 2021 when RevPar contracted 16%. The RevPar increase was slightly lower than the 1.8% growth STR/CoStar reported for the overall hotel industry, mainly due to the summer travel season which tends to benefit the overall hotel industry more than extended-stay hotels.

US Extended-Stay Hotel REVPAR: Third Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$32.72	\$35.34	\$37.21	\$37.12	\$35.69	\$44.18	\$45.76	\$44.73	-2.2%
Mid-Price	\$65.34	\$68.74	\$70.26	\$71.28	\$53.86	\$76.05	\$84.59	\$86.65	2.4%
Upscale	\$116.77	\$118.79	\$119.37	\$119.65	\$66.74	\$106.18	\$121.31	\$125.30	3.3%
Total	\$79.45	\$82.94	\$84.37	\$84.90	\$55.74	\$82.76	\$92.58	\$94.06	1.6%

Source: The Highland Group

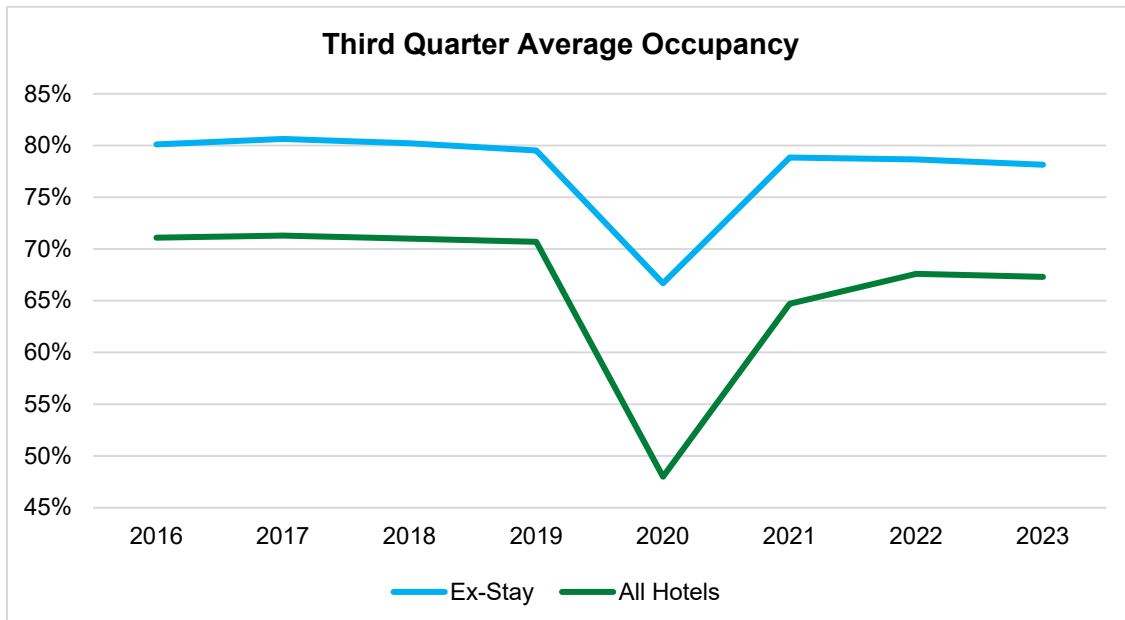


Source: The Highland Group

Third Quarter Performance and Recovery Comparison

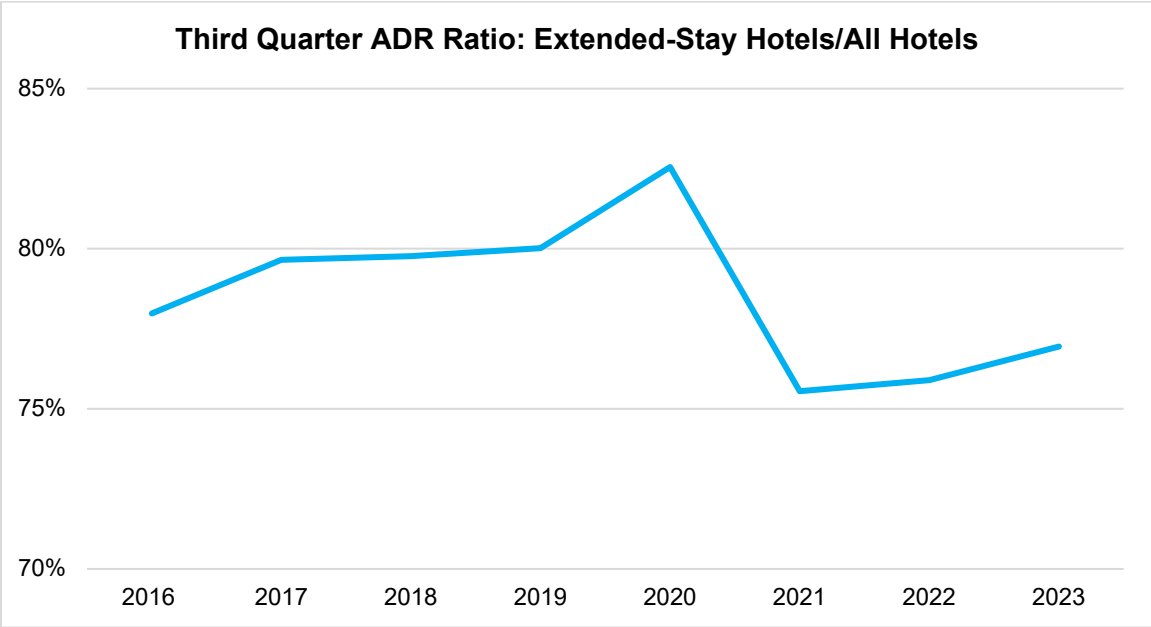
All Extended-Stay Hotels

Extended-stay hotel's Q3 occupancy premium above the overall hotel industry ranged from 8.8 to 9.3 percentage points from 2016 through 2019 which is typical over the last 25 years. The premium tends to rise during contractionary periods and it widened during the pandemic-induced downturn, peaking at 20% in Q1 2021. At 10.8 percentage points in Q3 2023 the premium is wider than from 2016 through 2019.



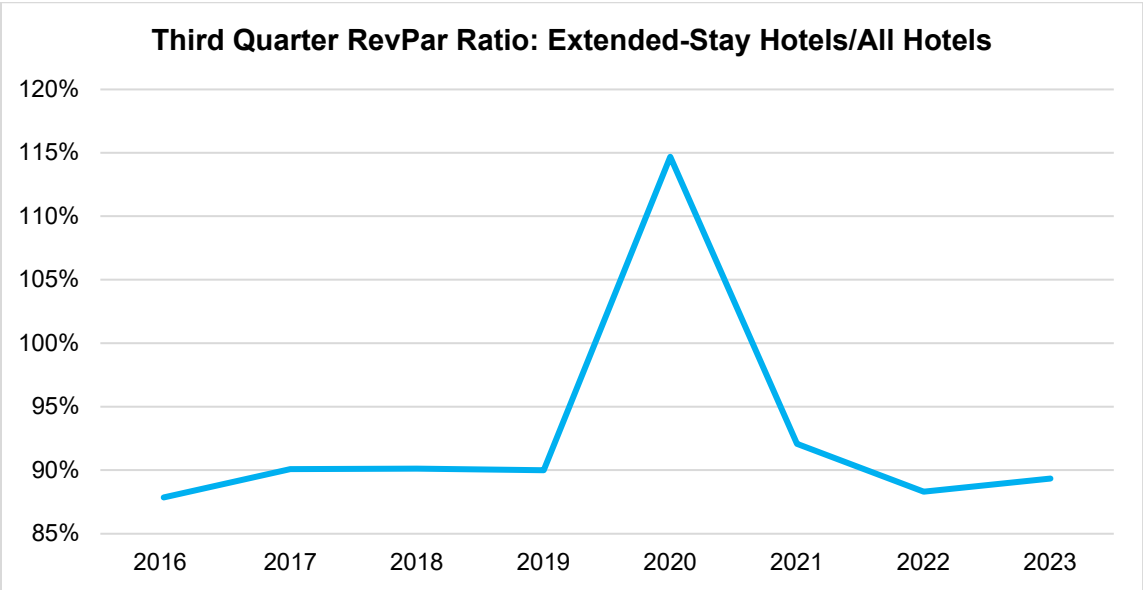
Sources: STR/CoStar, The Highland Group

Extended-stay hotels increased Q3 ADR faster than the overall hotel industry from 2016 through 2019. Relative growth accelerated in 2020 with the ratio peaking at 83% before declining to 75% to 76% over the following two years as the overall hotel industry recovered ADR more quickly due to much deeper ADR losses during the pandemic. The ADR ratio gained one point in Q3 2023 compared to the same period last year.



Sources: STR/CoStar, The Highland Group

Relative RevPar followed a similar trajectory, accelerating gains made from 2016 through 2019 and peaking at a ratio of 115% in Q3 2020. As the overall hotel industry recovered RevPar more quickly, extended-stay hotel’s RevPar ratio declined to 89.3% in Q3 2023 which is about the same as the period from 2016 through 2019.



Sources: STR/CoStar, The Highland Group

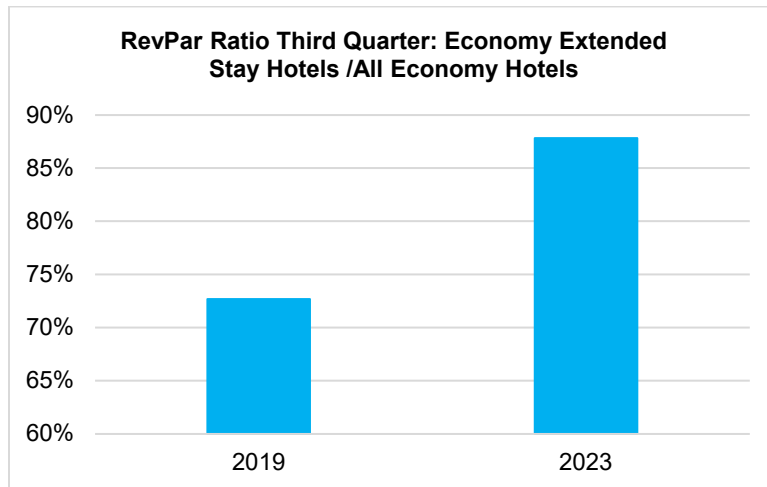
Economy Extended-Stay Hotels

Economy extended-stay hotel's 121% RevPar recovery ratio compared to 2019 is one of the highest in the hotel industry. The segment, which was the first to report a full rebound in 2021, has been a recovery leader ever since and made considerable gains against economy hotels overall.

**Third Quarter Performance Comparison:
All Economy Hotels v Economy Extended-Stay Hotels**

	All Economy Hotels		Economy Extended-Stay		Recovery Indices	
	2019	2023	2019	2023	All Economy Hotels	Economy Extended-Stay
Occupancy	64.6%	59.0%	77.5%	76.3%	91.3%	98.5%
ADR	\$79.06	\$86.32	\$47.91	\$58.58	109.2%	122.3%
RevPar	\$51.07	\$50.93	\$37.12	\$44.73	99.7%	120.5%

Sources: STR/CoStar, The Highland Group



Sources: STR/CoStar, The Highland Group

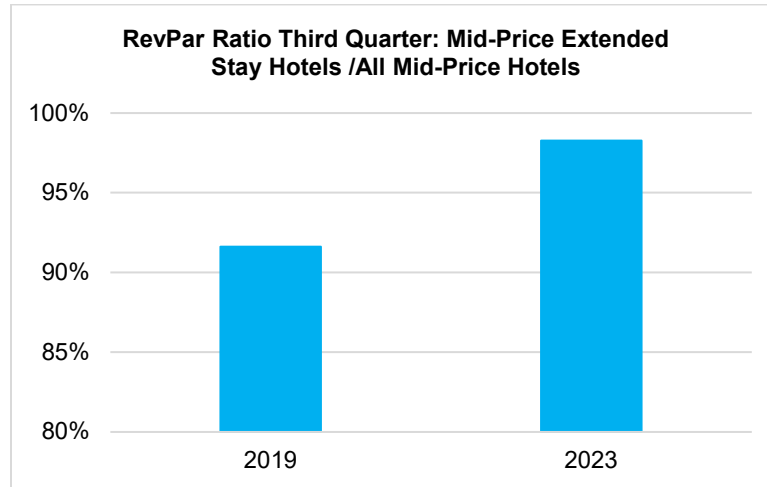
Mid-Price Extended-Stay Hotels

Mid-price extended-stay hotels are one of the hotel industry's strongest performing segments. They have also made gains when compared to all mid-price hotels. In Q3 2019, the ratio of mid-price extended-stay hotel RevPar to all mid-price hotel RevPar was 92%. Four years later it has risen to 98% despite far higher supply growth over the period.

**Third Quarter Performance Comparison:
All Mid-Price Hotels v Mid-Price Extended-Stay Hotels**

	All Mid-Price Hotels		Mid-Price Extended-Stay		Recovery Indices	
	2019	2023	2019	2023	All Mid-Price Hotels	Mid-Price Extended-Stay
Occupancy	70.8%	68.4%	78.2%	77.8%	96.6%	99.4%
ADR	\$109.89	\$128.91	\$91.09	\$111.38	117.3%	122.3%
RevPar	\$77.80	\$88.17	\$71.28	\$86.65	113.3%	121.6%

Sources: STR/CoStar, The Highland Group



Sources: STR/CoStar, The Highland Group

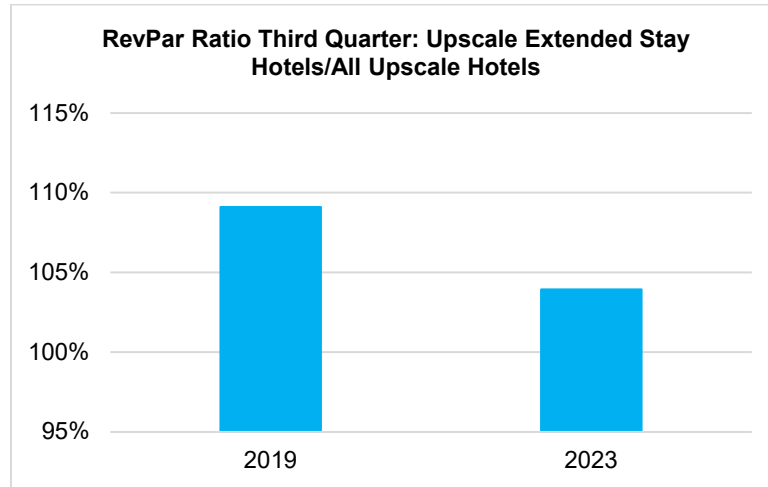
Upscale Extended-Stay Hotels

Largely because of a relatively high concentration of rooms in urban sub-markets, upscale extended-stay lagged the overall extended-stay recovery. At 104.7%, RevPar recovery for the segment is below all upscale hotels. Upscale extended-stay hotels have also lost RevPar relative to all upscale hotels since 2019.

**Third Quarter Performance Comparison:
All Upscale Hotels v Upscale Extended-Stay Hotels**

	All Upscale Hotels		Upscale Extended-Stay		Recovery Indices	
	2019	2023	2019	2023	All Upscale Hotels	Upscale Extended-Stay
Occupancy	76.1%	72.6%	81.7%	79.4%	95.4%	97.2%
ADR	\$144.11	\$166.06	\$146.52	\$157.90	115.2%	107.8%
RevPar	\$109.67	\$120.56	\$119.65	\$125.30	109.9%	104.7%

Sources: STR/CoStar, The Highland Group



Sources: STR/CoStar, The Highland Group

Definitions/Database

Extended-Stay Hotel – A hotel with a fully equipped kitchenette in each guest room, which accepts reservations and does not require a lease.

The database used in the estimates and projections in this report included the extended-stay brands in the table following. There are independent extended-stay hotels that were not included, but the sample represents the great majority of extended-stay rooms in the US. Estimates are based on all hotels in each brand or company. Changes from period to period are not based on same store data. Therefore, the statistics in this report can differ slightly from other sources of this information including company financial reports.

Price segments reflect a \$50 spread in average daily rates between the segments. The segments are for comparison only. There is a significant difference in clientele and other characteristics among hotels within the ranges.

Extended-Stay Brands by Average Daily Rate Range		
Upscale \$135+	Mid-Price \$75-\$135	Economy Under \$75
Element by Westin	@Home by Best Western	Affordable Suites of America
Homewood Suites by Hilton	Candlewood Suites (IHG)	Budget Suites
Hyatt House	Everhome Suites Extended Stay by Choice Hotels	Extended Stay America Select Suites
Larkspur Landing	Extended Stay America	HomeTowne Studios by Red Roof
Residence Inn by Marriott	Extended Stay America Premier Suites	Intown Suites
Sonesta ES Suites	Hawthorn Suites by Wyndham	Savannah Suites
Staybridge Suites (IHG)	Home 2 Suites by Hilton	Sure Stay Studio by Best Western
	Mainstay Suites Extended Stay by Choice Hotels	Studio 6
	My Place	Suburban Studios by Choice Hotels
	Sonesta Simply Suites	WoodSpring Suites Extended Stay by Choice Hotels
	stayAPT Suites	Other Independents
	TownePlace Suites by Marriott	
<i>Source: The Highland Group</i>		

The Highland Group prepared this report on extended-stay lodging in the United States as a service to the industry. We are grateful to the extended-stay hotel chains and owners that contributed information and trust that the results will be useful. While accurate to the best of our knowledge on November 7, 2023, we do not warrant the accuracy of any information presented, nor do we warrant that any projections will be achieved. This information should not be relied upon to make any investment or management decision, without further research and analysis.