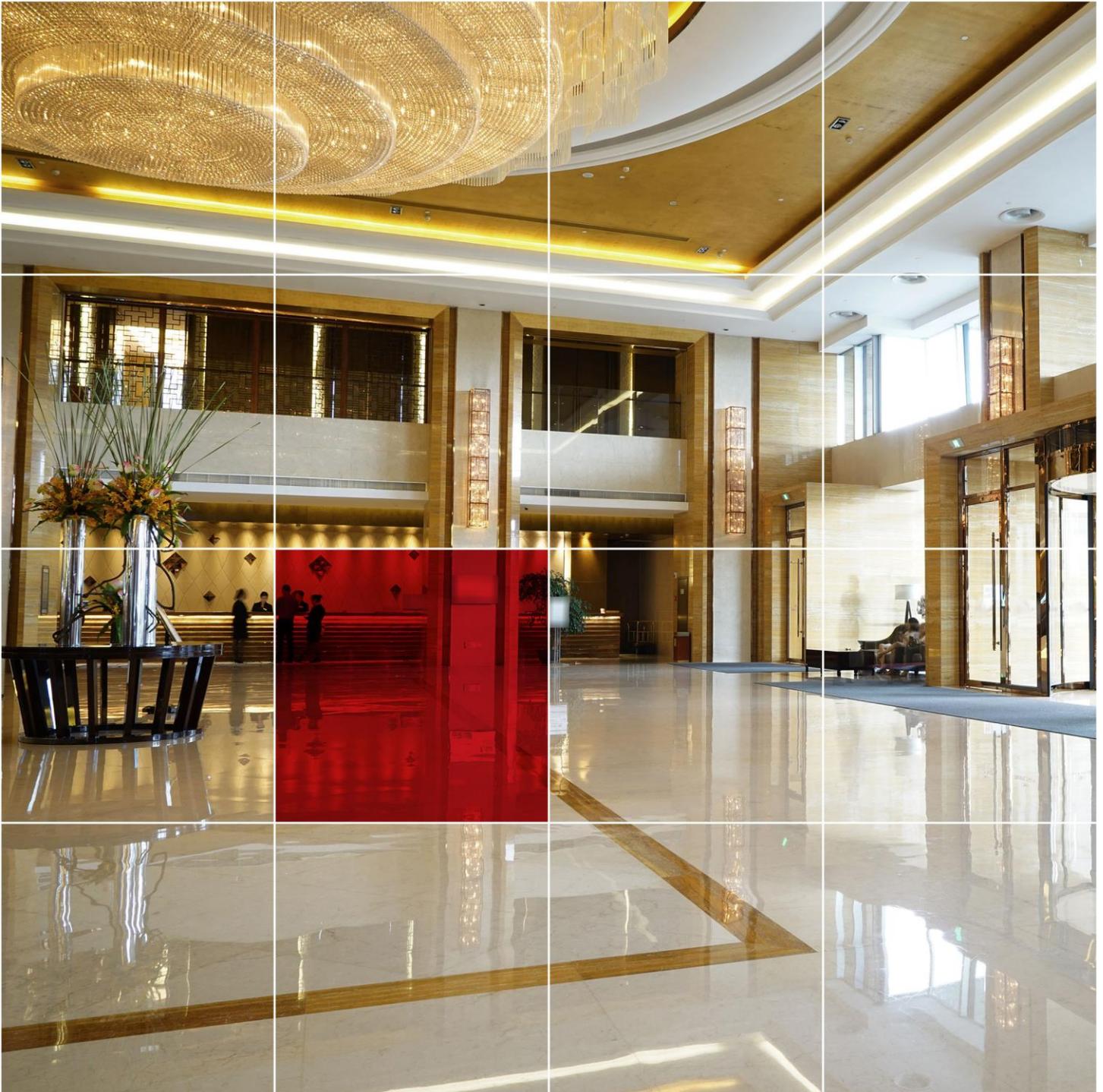


Hotel Investor Sentiment Survey

Hotels & Hospitality Group | Q4 2016



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Markets remain liquid despite softening in investor outlook



Investors' outlook decreases from one year ago as more hotel investment markets reach a plateau in performance: Hotel investors' outlook for the next two years shifts from 39 percent positive one year ago to 23 percent positive, according to the survey.



With investors generally making less bold plays due to the mitigated growth outlook, hotel transaction volumes are expected to end 2016 down approximately 40 percent from the extraordinary levels posted in 2015. That said, large transactions continue to reach completion and the proportion of cross-border transactions is at an all-time high.



Initial yields (cap rates) have marked a nominal increase from our last survey, driven by investors' expectations that interest rates will rise in a number of mature markets, investors' outlook for slower growth in hotels' operating income, and an overall less liquid transactions environment.



The upward push to cap rates is expected to result in a narrowing in seller and buyer expectations and to underpin continued healthy levels of transactions.



Despite the challenges investors are anticipating, real estate private equity funds and institutional investors continue to raise a significant amount of capital, and hotel real estate investment trusts have posted a recent recovery in share prices.



Net balance of investors' hotel operating performance expectations:

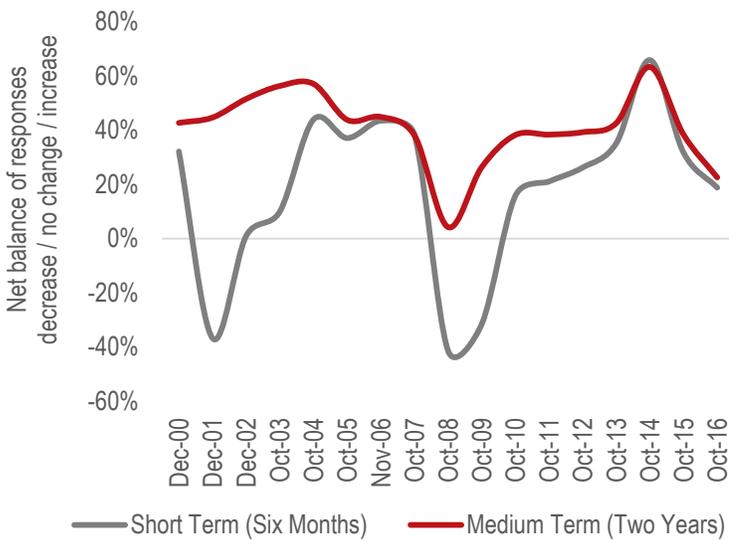
The net balance represents the proportion of respondents who expect hotel operating performance to increase, minus the proportion of respondents who expect performance to decrease during the given time frames.

About the survey

JLL's Hotel Investor Sentiment Survey is the only truly global survey of its kind and has been referenced by the global hotel investment community since its inception in 2000. Responses for JLL's most recent survey were collected during October 2016. This survey represents a compilation of 12,000+ data points from hotel investors on future hotel operating performance expectations, yield requirements and future cap rate trends.

Hotel operating performance outlook softens but remains positive

Investors' global hotel operating performance sentiment

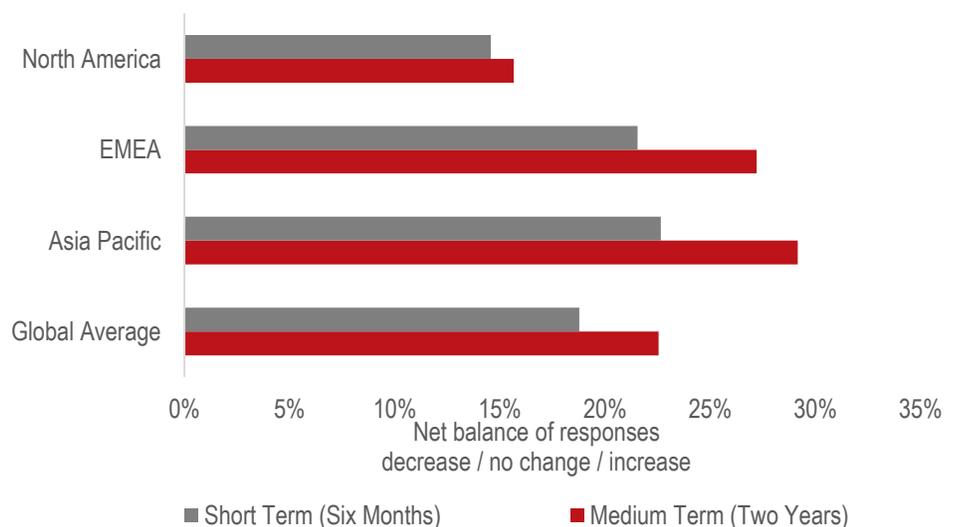


Note: Data is a weighted average of the total number of responses
Source: JLL

Investor sentiment dips for second consecutive survey, but sentiment remains positive as a whole. The softening in investors' performance outlook for the medium term has leveled off somewhat, suggesting upside on the horizon during the next two years.

Investors surveyed by JLL generally have the least positive outlook for markets across North America, with the most positive outlook recorded for markets across Asia Pacific.

Investors' hotel operating performance expectations by region



Note: Data is a weighted average of the total number of responses
Source: JLL

Recent trends compared to *one* year ago

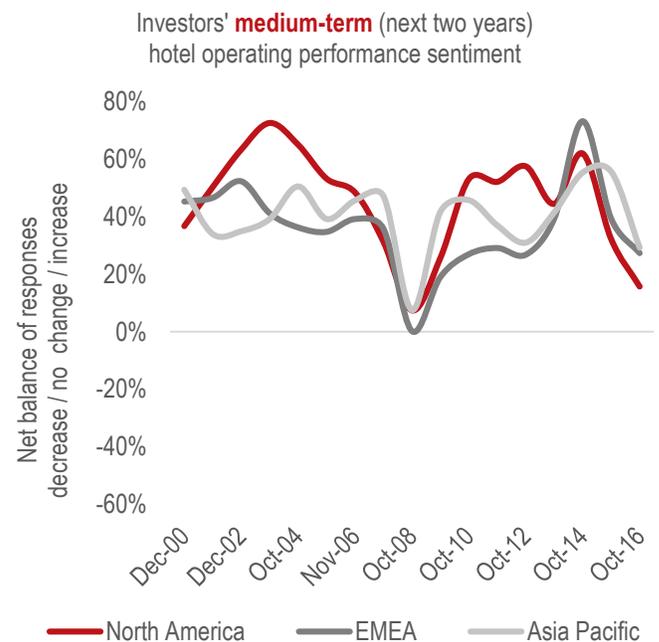
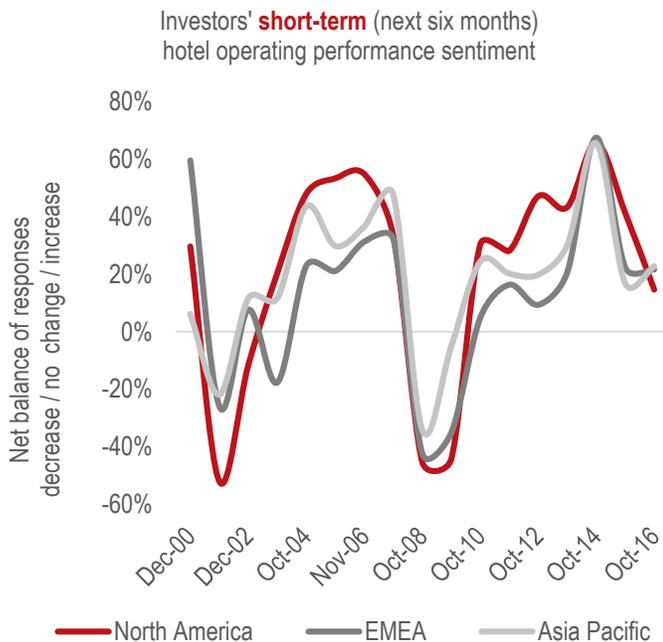
Markets with most significant **improvement** in short-term hotel operating performance expectations

- | | |
|--------------------|---------------|
| 1. Shanghai | 6. Moscow |
| 2. Beijing | 7. Amsterdam |
| 3. Hong Kong | 8. Madrid |
| 4. Spanish Resorts | 9. Bangkok |
| 5. Kuala Lumpur | 10. Barcelona |

Markets with most significant **softening** in short-term hotel operating performance expectations

- | | |
|------------|---------------|
| 1. Miami | 6. Caribbean |
| 2. Chicago | 7. New York |
| 3. Taipei | 8. Brussels |
| 4. Paris | 9. London |
| 5. Osaka | 10. Melbourne |

Markets in **China** and **Spain** marked among the most significant improvement in investors' hotel performance outlook versus one year ago. On the other hand, investors' outlook for Miami and Chicago has seen the most protracted softening.



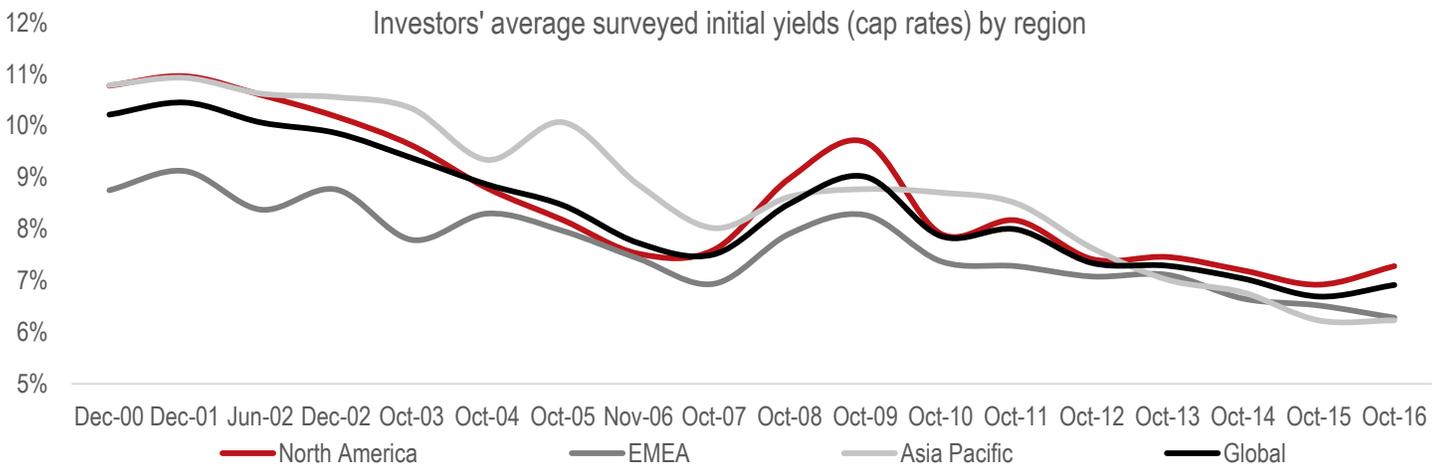
Note: The regional averages represent responses by market weighted by number of responses.
Source: JLL

In the **short term**, investors have the least positive outlook for markets in North America, followed by EMEA and Asia Pacific. In EMEA, investors' expectations had shifted from a survey high two years ago to being more cautious one year ago as investors priced in uncertainty related to the EU Referendum vote. Now that much of the initial shock has been processed, investors responded with more positive expectations for the short term.

Investors' **medium-term** outlook is also the least positive for North America, which is expected to result in an increased number of investors seeking to dispose of assets.

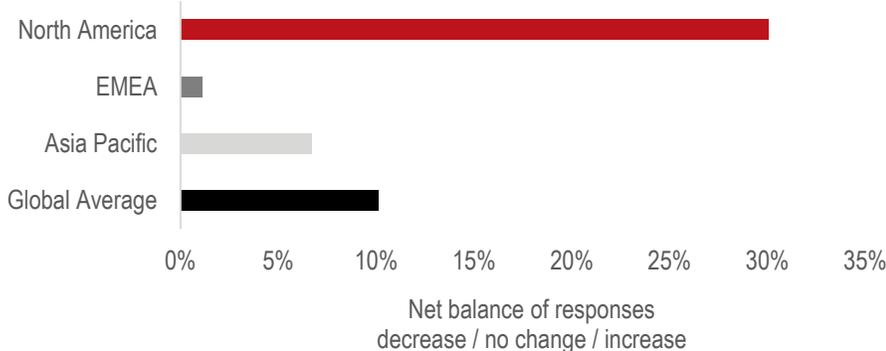
Investors expect that initial yields (cap rates) will widen

Target cap rates increased by **20 basis points globally** from one year ago according to survey respondents. The increase is most pronounced in **North America at 35 basis points**, and least so in EMEA, where investors have indicated a further slight sharpening in yield requirements, in particular for markets across Germany and Spain.



Note: The regional averages represent responses by market weighted by number of responses.
Source: JLL

Short-term initial yield (cap rate) trend



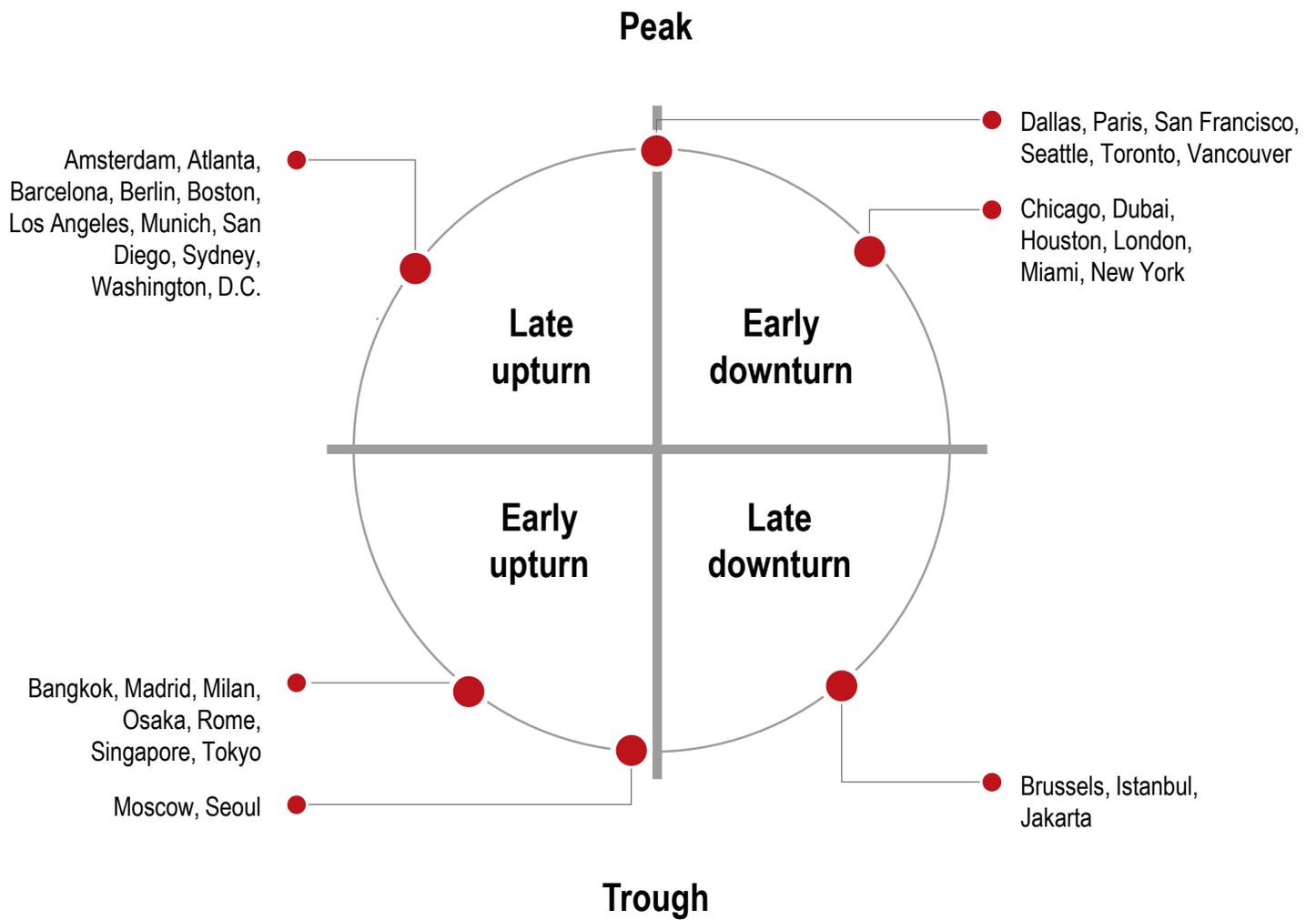
Note: The regional averages represent responses by market weighted by number of responses within the region.
Source: JLL

Net balance of investors' expected short-term initial yield (cap rate) trend:

The net balance represents the proportion of respondents who expect initial yields (cap rates) to increase, minus the proportion of respondents who expect yields to decrease during the next six months.

Over the next six months, **initial yields (cap rates) are slated to see the greatest amount of upward pressure in North America**, followed by Asia Pacific and EMEA.

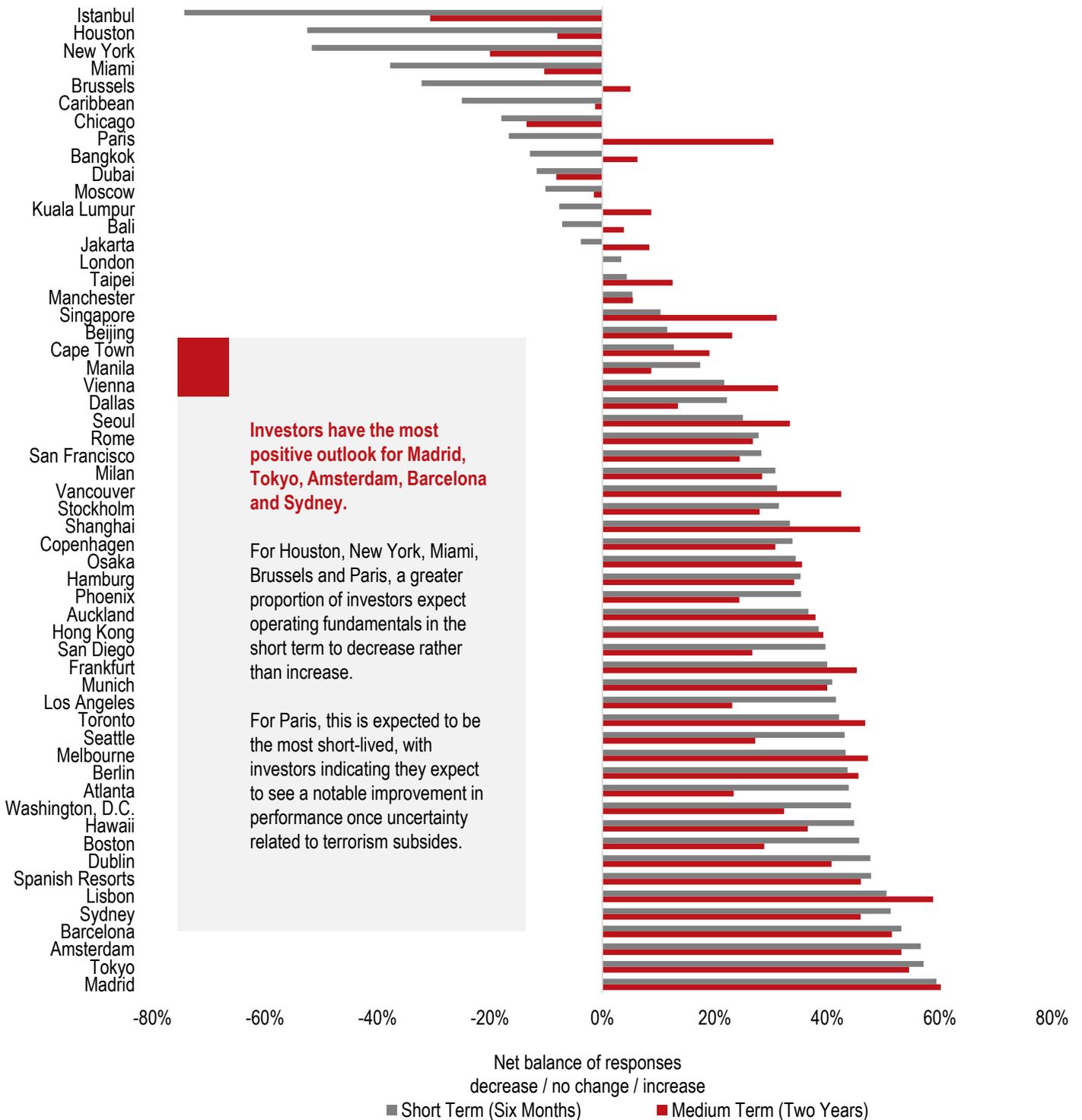
Stage in the investment cycle



Placement is based on investors' most frequently occurring response for each market.
Source: JLL

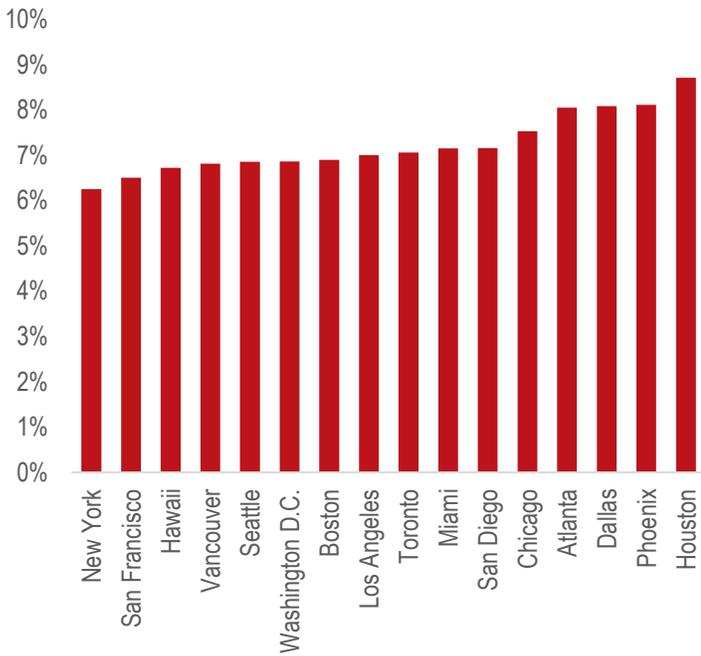
Regional detail

Investors' hotel operating performance expectations

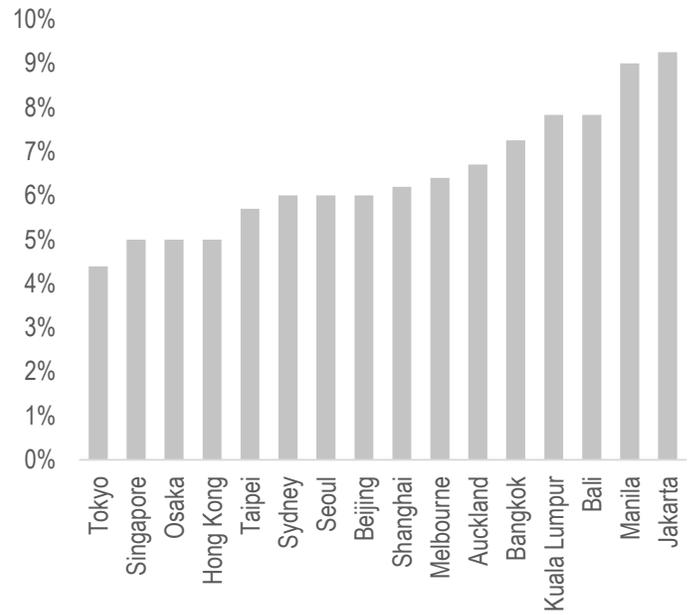


Source: JLL

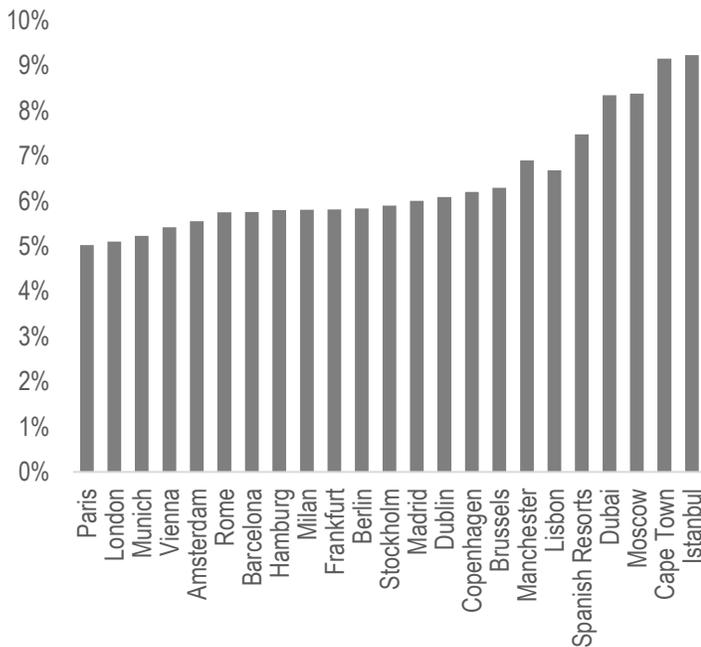
North America surveyed initial yields (cap rates)



Asia Pacific surveyed initial yields (cap rates)



EMEA surveyed initial yields (cap rates)



Investors have the lowest yield requirements for:

North America	EMEA	Asia Pacific
New York	Paris	Tokyo
San Francisco	London	Singapore
Hawaii	Munich	Osaka

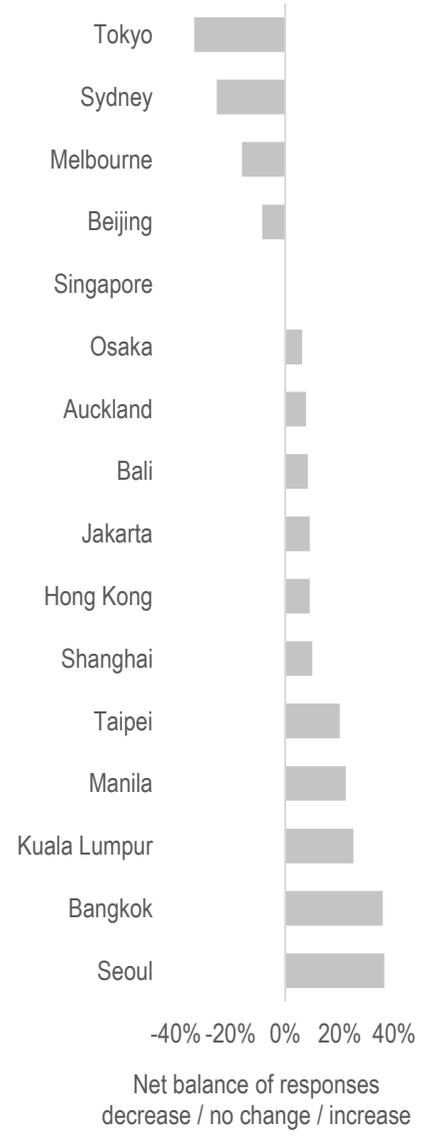
North America markets: short-term initial yield (cap rate) trend



EMEA markets: short-term initial yield (cap rate) trend



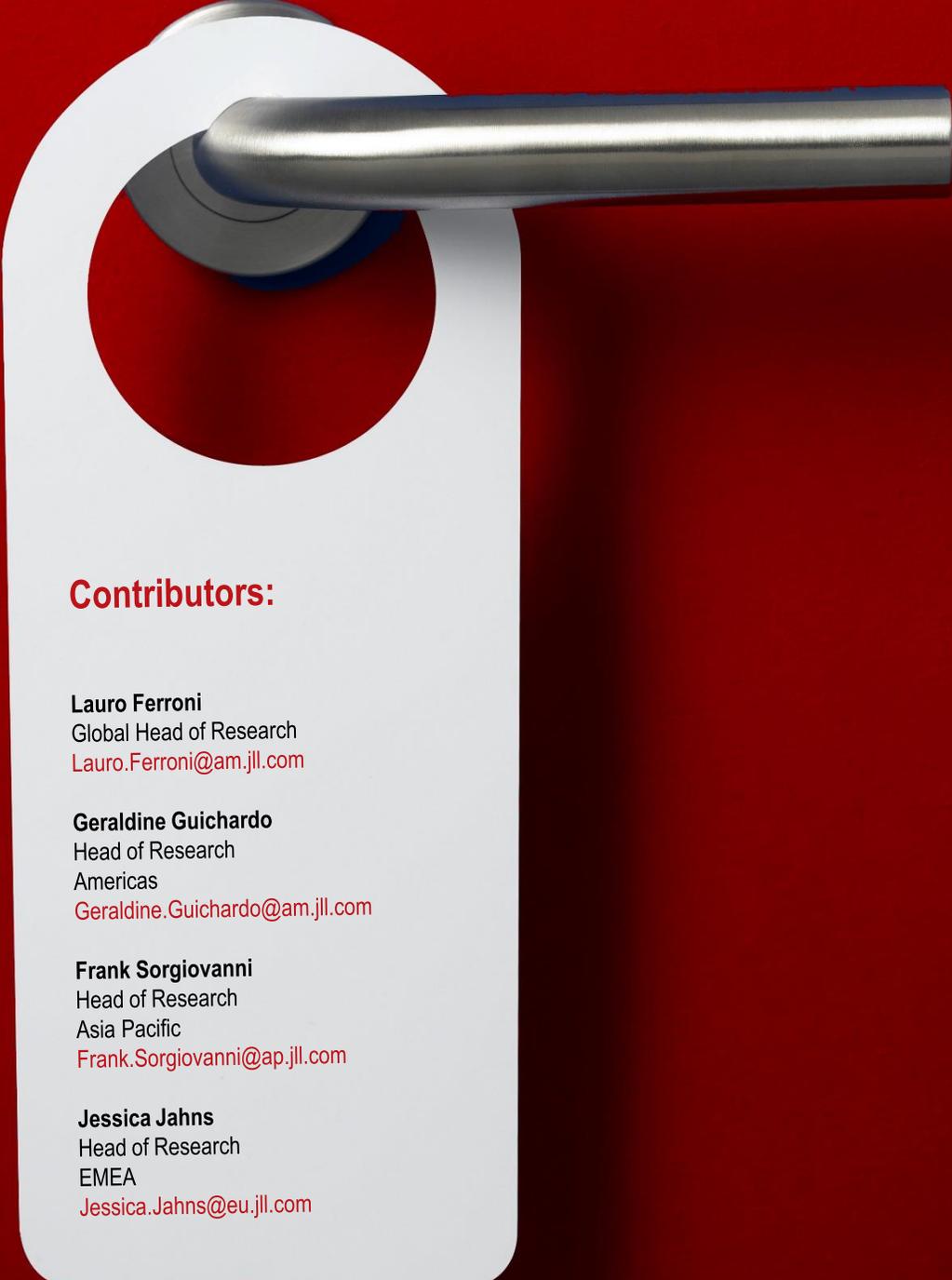
Asia Pacific markets: short-term initial yield (cap rate) trend



Investors expect cap rates to rise across North American markets. Investors expect Washington, D.C. and Los Angeles to see the most minimal upward pressure, with markets such as Chicago and Houston expected to face a greater widening of yields. Overall, cap rates are anticipated to increase only marginally as nominal lending rates remain suppressed by spread compression.

Investors expect to see a tightening of yields in 60 percent of markets surveyed in EMEA, with investors most bullish on value appreciation in Madrid, Dublin, Munich and Barcelona. Given ongoing uncertainty from the EU Referendum vote, respondents expect markets in the UK to experience a widening of yields.

Tokyo, Sydney and Melbourne are among markets where investors anticipate that initial yields will mark further compression during the next six months, whereas investors expect a widening of yields in Kuala Lumpur, Bangkok and Seoul.



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About JLL's Hotels & Hospitality Group

JLL's Hotels & Hospitality Group has completed more transactions than any other hotels and hospitality real estate advisor over the last five years, totaling more than \$68 billion worldwide. Between negotiating the world's most extraordinary, enticing, and profitable property deals, the group's 350-strong global team also closed more than 4,400 advisory, valuation and asset management assignments. Investors worldwide turn to JLL to shape their strategies, tailor their portfolios and maximize the value of their assets. We are recognized as the global leader in real estate services across hospitality properties of all shapes and sizes. Our expert advice is backed by industry-leading research. We apply our broad spectrum of hotel valuation, brokerage, asset management and consultancy services through every phase of the hotel lifecycle. We have helped more hotel investors, owners and operators achieve high returns on their assets than any other real estate advisor in the world. Whether you are looking for a hotel or you're ready to sell, we'll use our capital markets expertise, hospitality industry knowledge and global relationships to put the right parties together and execute a bespoke deal that exceeds your objectives.

To find out more, talk to [JLL](#).

www.jll.com/hospitality

About JLL

JLL (NYSE: JLL) is a professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. JLL is a Fortune 500 company with, as of December 31, 2015, revenue of \$6.0 billion and fee revenue of \$5.2 billion, more than 280 corporate offices, operations in over 80 countries and a global workforce of more than 70,000. On behalf of its clients, the company provides management and real estate outsourcing services for a property portfolio of 4.0 billion square feet, or 372 million square meters, and completed \$138 billion in sales, acquisitions and finance transactions in 2015. As of September 30, 2016, its investment management business, LaSalle Investment Management, has \$59.7 billion of real estate assets under management. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit www.jll.com.