

THE HIGHLAND GROUP REPORTS

US EXTENDED-STAY HOTELS: MID-YEAR 2023

PRICE \$495

The First Half Year 2023

Last year the correlation between performance of extended-stay hotels and the overall hotel industry resumed its long-term trend which has essentially continued through the first half of 2023. Total extended-stay hotel ADR and RevPar have been increasing faster than the overall hotel industry at a small expense in occupancy. However, extended-stay hotel's occupancy premium above all hotels remained within its long-term average range. Economy and mid-price extended-stay hotels are outperforming corresponding classes of all hotels, but due to relatively slower ADR growth, upscale extended-stay hotels are a couple of points behind all upscale class hotels.

Extended-stay rooms reported under construction gained 3% over the last year. However they are markedly lower than the pre-pandemic period and recent annual extended-stay hotel supply growth is among the lowest ever recorded. The last time extended-stay hotel supply growth declined to recent levels was between 2010 and 2014 when supply increases were 3% or lower for four years. Extended-stay supply growth has been 3% or lower for only five consecutive quarters, indicating several more are ahead. Coupled with a near nationwide stagnant residential market, which is not likely to be resolved during the near term, and the expected boost to demand from the massive infrastructure bill, the foreseeable outlook for extended-stay hotels remains very good. Much, however, will depend on the performance of the overall hotel industry.

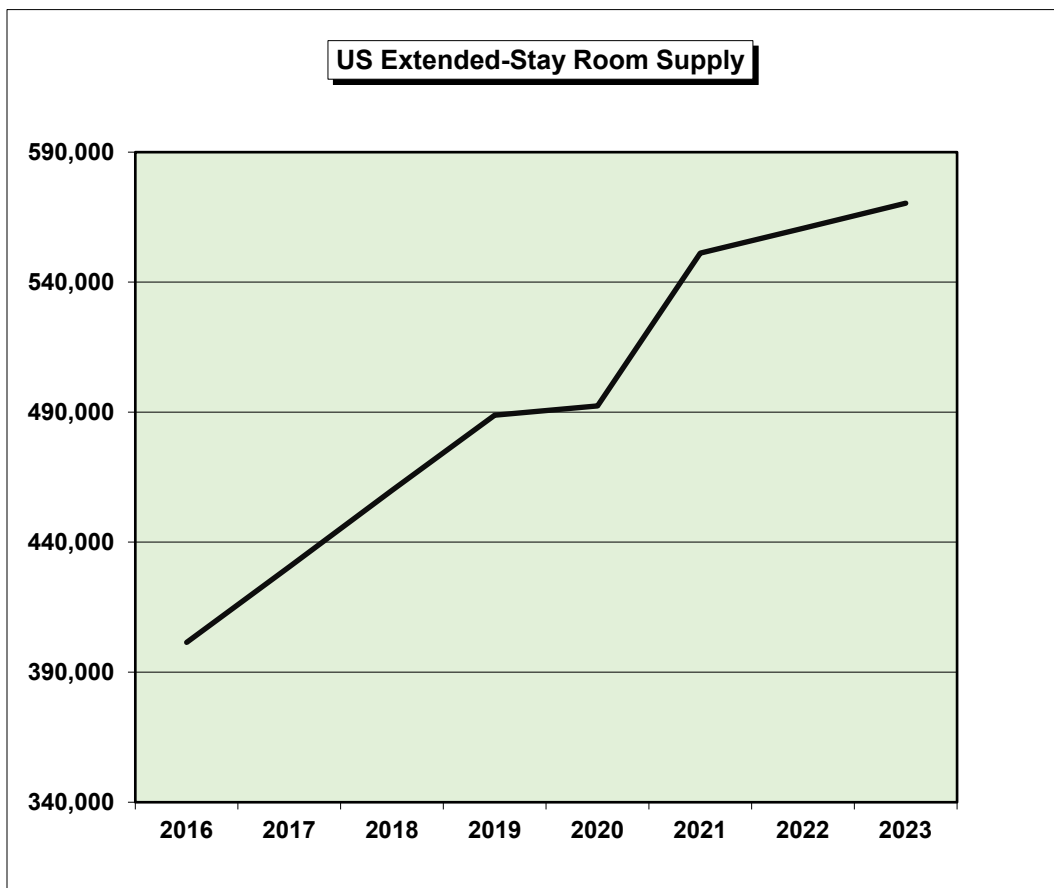
Extended-stay hotel highlights from the report are:

- Room revenues up 9% year to date
- Economy segment occupancy falls to 13-year low
- ADR growth at a two-year low but above long-term average gain
- 11 percentage point occupancy premium compared to all hotels
- Rooms under construction second lowest in nine years

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Extended-Stay Hotel Supply

The supply of extended-stay hotel rooms exceeded 570,000 at mid-year 2023. The 1.7% net change in rooms open over the last year was the same as the previous 12 months. Supply growth is well below the 6.4% average annual gain reported over the four years leading up to the pandemic. Supply change comparisons, especially in the upscale segment, 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 could continue in 2023 as relatively large portfolios of generally older extended-stay hotels have recently come on the market.



Source: The Highland Group

US Extended-Stay Room Supply: Mid-Year 2023

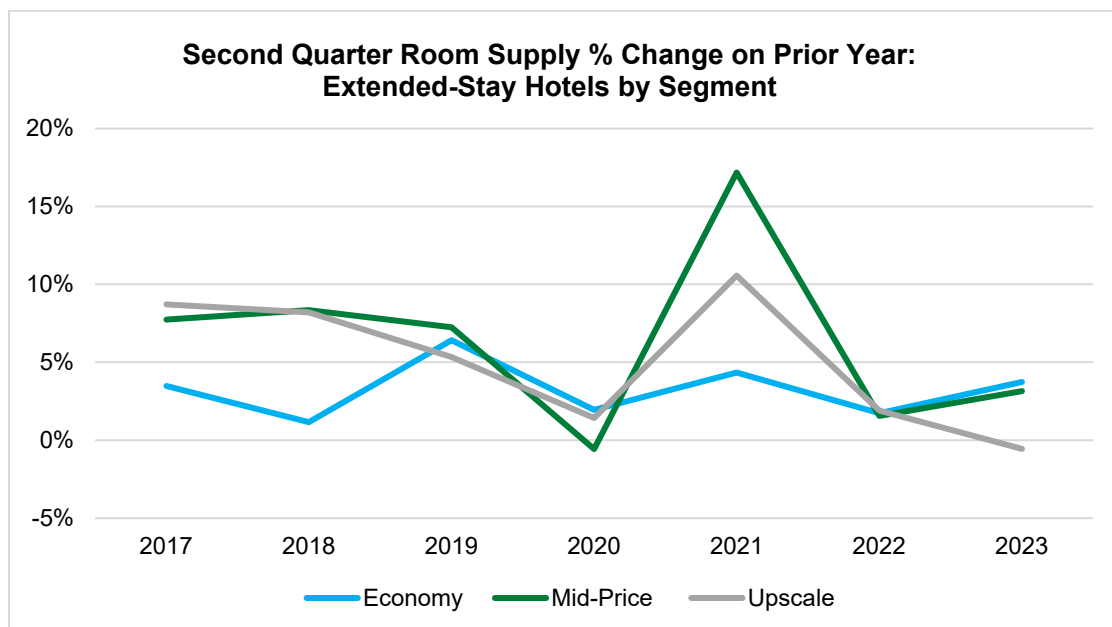
Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	84,249	87,172	88,178	93,832	95,655	99,798	101,528	105,311	3.7%
Mid-Price	154,568	166,530	180,426	193,489	192,397	225,449	228,957	236,146	3.1%
Upscale	162,605	176,775	191,273	201,466	204,322	225,899	230,166	228,887	-0.6%
Total	401,423	430,476	459,877	488,787	492,374	551,146	560,651	570,345	1.7%

Source: The Highland Group

US Extended-Stay Room Nights Available (000's): Year to Date Through June

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	15,281	15,717	15,885	16,770	17,170	17,913	18,370	18,828	2.5%
Mid-Price	27,931	29,904	32,314	34,883	35,646	40,784	41,563	42,840	3.1%
Upscale	29,372	31,810	34,280	36,200	37,205	40,696	41,882	41,780	-0.2%
Total	72,584	77,431	82,478	87,852	90,021	99,393	101,815	103,448	1.6%

Source: The Highland Group



Source: The Highland Group

Extended-Stay Hotel Demand

Demand increases have moderated considerably over the last year with economy segment demand falling to its approximate level last reported in the first half of 2021.

US Extended-Stay Room Nights Sold (000's): Year to Date Through June

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	11,707	11,912	12,390	12,787	12,446	14,175	14,435	14,127	-2.1%
Mid-Price	20,284	21,873	23,706	26,005	21,344	29,058	31,052	31,953	2.9%
Upscale	22,987	24,902	27,041	28,172	18,946	28,315	30,869	31,492	2.0%
Total	54,977	58,688	63,137	66,964	52,736	71,548	76,355	77,572	1.6%

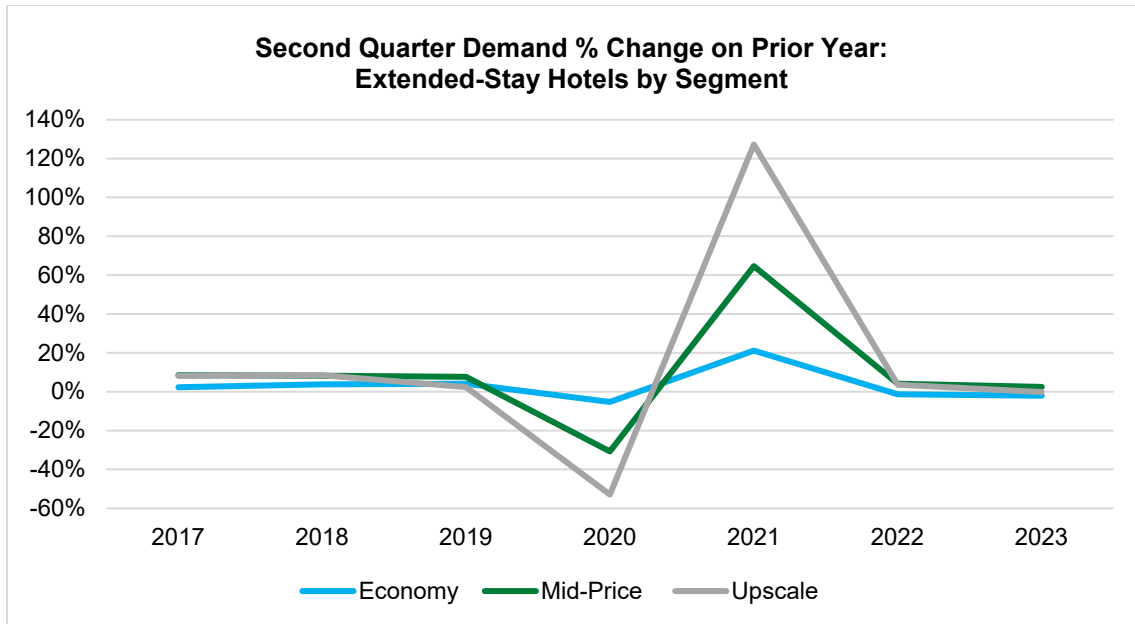
Source: The Highland Group

For the second successive year, the economy segment reported a decline in demand in Q2 compared to the same periods in the prior years. Partly due to the negative net change in room supply, the upscale segment also reported a slight decline in demand in Q2, although segment demand is up year to date compared to 2022.

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

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	5,976	6,111	6,343	6,602	6,256	7,579	7,480	7,326	-2.1%
Mid-Price	10,810	11,728	12,692	13,664	9,472	15,598	16,234	16,632	2.4%
Upscale	12,209	13,206	14,318	14,658	6,902	15,685	16,244	16,219	-0.2%
Total	28,996	31,045	33,353	34,925	22,630	38,862	39,958	40,177	0.5%

Source: The Highland Group



Source: The Highland Group

Extended-Stay Hotel Revenues

All three extended-stay hotel segments are reporting record high room revenues, both year to date and for the second quarter.

US Extended-Stay Room Revenues (millions) Year to Date Through June

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$472.2	\$512.9	\$566.7	\$598.5	\$564.6	\$689.8	\$809.5	\$822.8	1.6%
Mid-Price	\$1,640.2	\$1,827.8	\$2,090.2	\$2,325.3	\$1,671.5	\$2,361.8	\$3,200.3	\$3,480.8	8.8%
Upscale	\$3,162.1	\$3,488.2	\$3,860.1	\$4,044.4	\$2,450.1	\$3,319.0	\$4,470.2	\$4,942.3	10.6%
Total	\$5,274.5	\$5,828.9	\$6,517.0	\$6,968.2	\$4,686.2	\$6,370.6	\$8,480.0	\$9,246.0	9.0%

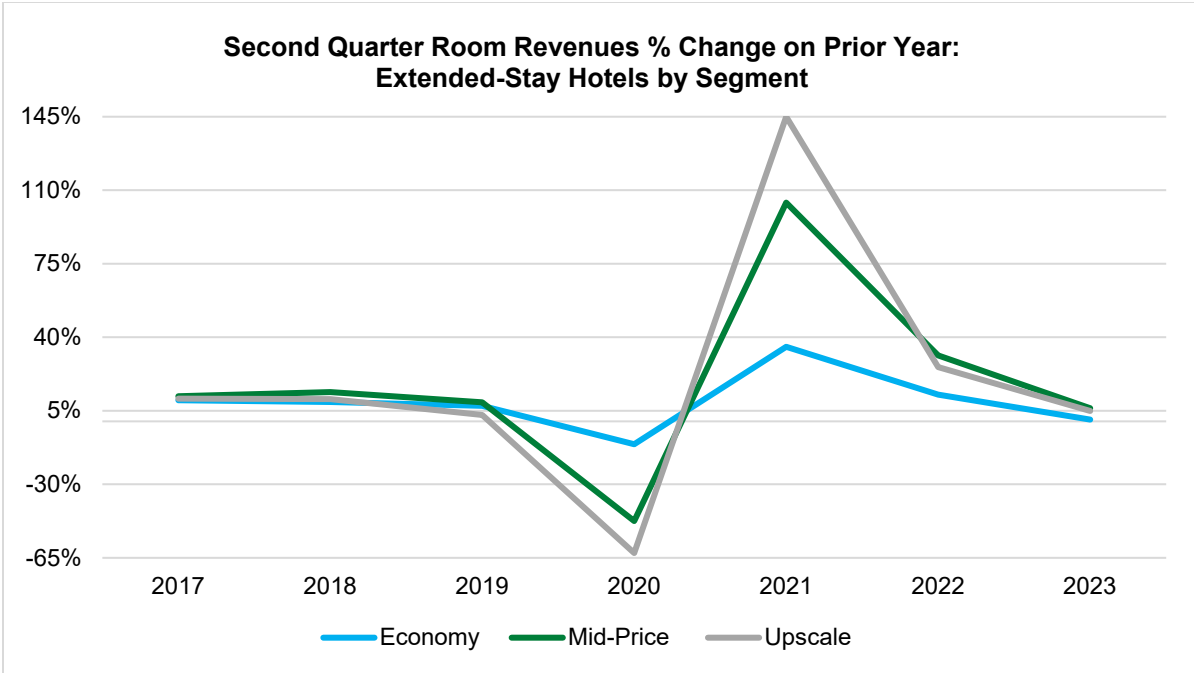
Source: The Highland Group

Although room revenue growth is decelerating following the rebound from the pandemic, it is still well above inflation year to date with the mid-price segment reporting the strongest gain in Q2 2023.

US Extended-Stay Room Revenues (millions): Second Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$244.1	\$268.5	\$293.1	\$314.7	\$280.4	\$379.9	\$428.0	\$431.4	0.8%
Mid-Price	\$893.7	\$1,000.1	\$1,139.1	\$1,241.9	\$652.4	\$1,331.5	\$1,749.1	\$1,856.8	6.2%
Upscale	\$1,705.0	\$1,888.5	\$2,087.2	\$2,149.5	\$801.9	\$1,964.8	\$2,471.4	\$2,592.1	4.9%
Total	\$2,842.8	\$3,157.1	\$3,519.4	\$3,706.1	\$1,734.8	\$3,676.2	\$4,648.5	\$4,880.3	5.0%

Source: The Highland Group



Source: The Highland Group

Extended-Stay Hotel Occupancy

Economy extended-stay occupancy has continued to decline in 2023 following essentially record high levels over the past two years. However, it remains 19 percentage points higher than all economy hotels according to STR and compared to all economy hotels the decline has been markedly lower. The fall in occupancy is also evident in the mid-price segment, in which lower price brands have struggled to maintain occupancy following record gains in ADR over the last two years.

US Extended-Stay Hotel Occupancy: Year to Date Through June

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	76.6%	75.8%	78.0%	76.3%	72.5%	79.1%	78.6%	75.0%	-4.5%
Mid-Price	72.6%	73.1%	73.4%	74.6%	59.9%	71.2%	74.7%	74.6%	-0.2%
Upscale	78.3%	78.3%	78.9%	77.8%	50.9%	69.6%	73.7%	75.4%	2.3%
Total	75.7%	75.8%	76.5%	76.2%	58.6%	72.0%	75.0%	75.0%	0.0%

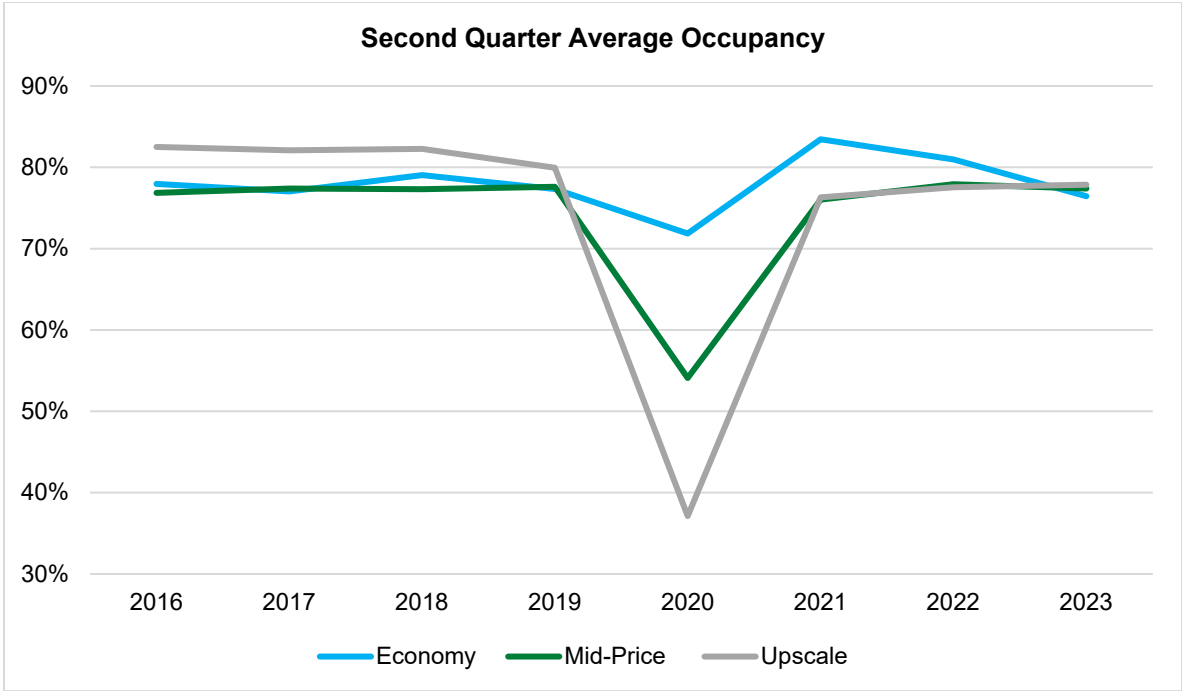
Source: The Highland Group

Total extended-stay hotel occupancy declined 1.2% in Q2 2023 compared to the same period last year. This was double the corresponding fall for the overall US hotel market according to STR.

US Extended-Stay Hotel Occupancy: Second Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	78.0%	77.0%	79.0%	77.3%	71.9%	83.5%	81.0%	76.4%	-5.6%
Mid-Price	76.9%	77.4%	77.3%	77.6%	54.1%	76.0%	77.9%	77.4%	-0.7%
Upscale	82.5%	82.1%	82.3%	80.0%	37.1%	76.3%	77.6%	77.9%	0.4%
Total	79.4%	79.3%	79.7%	78.5%	50.5%	77.5%	78.3%	77.4%	-1.2%

Source: The Highland Group



Source: The Highland Group

Extended-Stay Hotel Average Rate

Consistent with the overall hotel industry, extended-stay hotel ADR growth is inversely correlated to price segment with upscale extended-stay hotels leading. Despite slower growth in ADR for more than two years, economy segment extended-stay hotels still have the highest ADR index compared to the corresponding period in 2019 as the segment incurred much lower ADR reductions during 2020.

US Extended-Stay Hotel Average Rate: Year to Date Through June

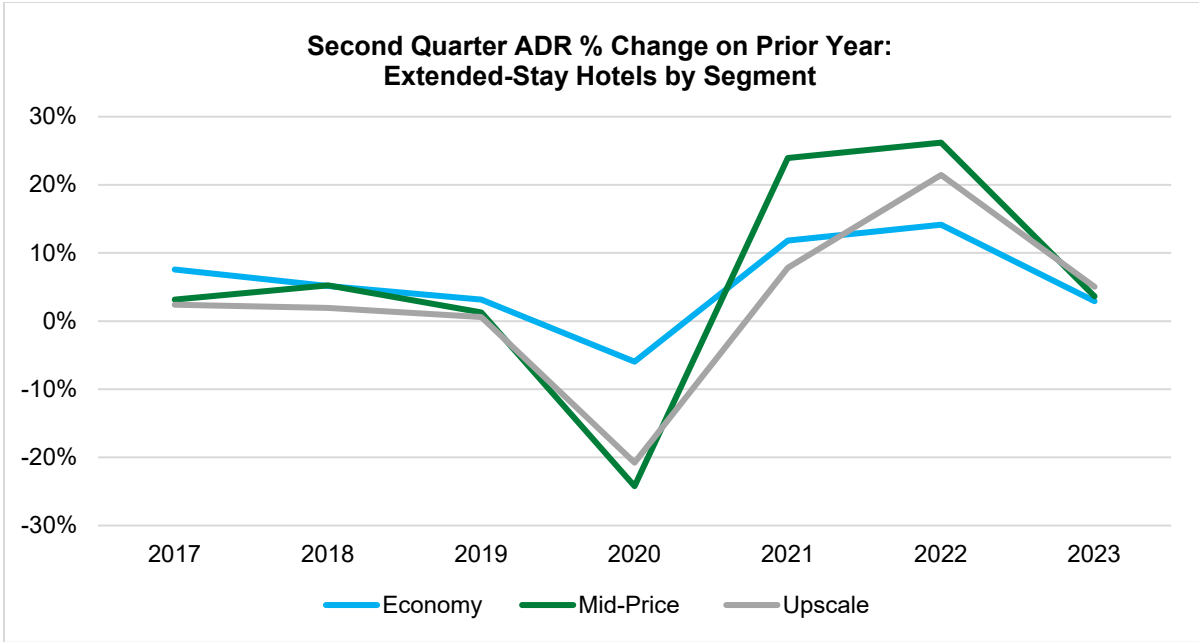
Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$40.33	\$43.05	\$45.74	\$46.80	\$45.36	\$48.67	\$56.08	\$58.24	3.9%
Mid-Price	\$80.86	\$83.56	\$88.17	\$89.42	\$78.31	\$81.28	\$103.06	\$108.94	5.7%
Upscale	\$137.56	\$140.08	\$142.75	\$143.56	\$129.32	\$117.22	\$144.81	\$156.94	8.4%
Total	\$95.94	\$99.32	\$103.22	\$104.06	\$88.86	\$89.04	\$111.06	\$119.19	7.3%

Source: The Highland Group

US Extended-Stay Hotel Average Rate: Second Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$40.85	\$43.94	\$46.20	\$47.66	\$44.83	\$50.12	\$57.22	\$58.88	2.9%
Mid-Price	\$82.67	\$85.27	\$89.75	\$90.89	\$68.88	\$85.37	\$107.74	\$111.64	3.6%
Upscale	\$139.64	\$143.00	\$145.77	\$146.64	\$116.18	\$125.27	\$152.15	\$159.82	5.0%
Total	\$98.04	\$101.69	\$105.52	\$106.12	\$76.66	\$94.60	\$116.33	\$121.47	4.4%

Source: The Highland Group



Source: The Highland Group

Extended-Stay Hotel RevPar

With by far the strongest RevPar growth over the last year, upscale extended-stay hotels have more than fully restored RevPar back to its Q2 and year to date nominal values in 2019. Largely because of a relatively high concentration of rooms in urban locations, upscale extended-stay hotels lagged the recovery and remain well below lower priced extended-stay hotels in terms of all recovery indices.

US Extended-Stay Hotel RevPar: Year to Date Through June

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$30.90	\$32.63	\$35.68	\$35.69	\$32.88	\$38.51	\$44.06	\$43.70	-0.8%
Mid-Price	\$58.72	\$61.12	\$64.68	\$66.66	\$46.89	\$57.91	\$77.00	\$81.25	5.5%
Upscale	\$107.66	\$109.66	\$112.61	\$111.72	\$65.86	\$81.56	\$106.73	\$118.29	10.8%
Total	\$72.67	\$75.28	\$79.02	\$79.32	\$52.06	\$64.09	\$83.29	\$89.38	7.3%

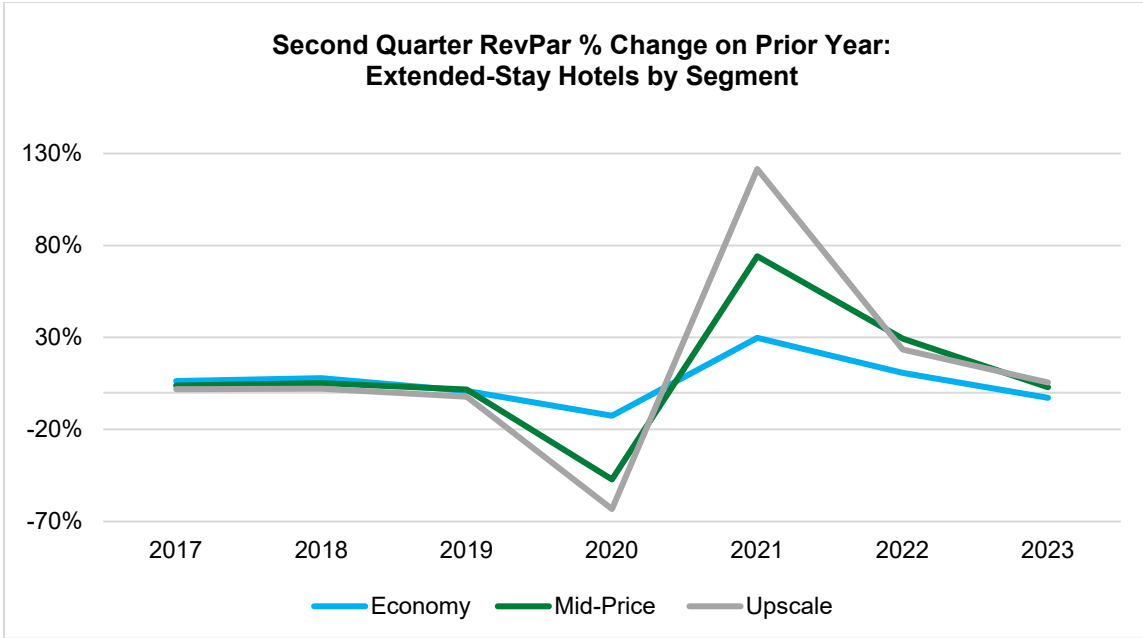
Source: The Highland Group

At \$94.03 in Q2 2023, extended-stay hotel RevPar was 113% of its 2019 value which is about two points ahead of the overall hotel industry's recovery index according to STR.

US Extended-Stay Hotel RevPar: Second Quarter

Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	\$31.84	\$33.85	\$36.52	\$36.85	\$32.22	\$41.83	\$46.33	\$45.01	-2.8%
Mid-Price	\$63.54	\$66.00	\$69.38	\$70.53	\$37.26	\$64.90	\$83.95	\$86.41	2.9%
Upscale	\$115.22	\$117.39	\$119.91	\$117.25	\$43.13	\$95.58	\$117.99	\$124.45	5.5%
Total	\$77.82	\$80.59	\$84.10	\$83.32	\$38.72	\$73.30	\$91.11	\$94.03	3.2%

Source: The Highland Group



Source: The Highland Group

Extended Stay Hotels the Future

There were 30,104 extended-stay hotel rooms reported under construction at the end of the second quarter 2023. Economy segment rooms under construction have been very steady for three years. The mid-price segment reported a significant uptick in rooms under construction over the last 12 months, in which upscale extended-stay rooms under construction fell and were less than half of their total at mid-year two years ago. At mid-year 2023, rooms under construction totaled 5% of rooms open which was the same as one year ago and a decline from 8% at mid-year 2021. Supply growth forecasts through 2027 are low compared to most of the last several years.

US Extended-Stay Hotel Rooms Under Construction: Mid-Year

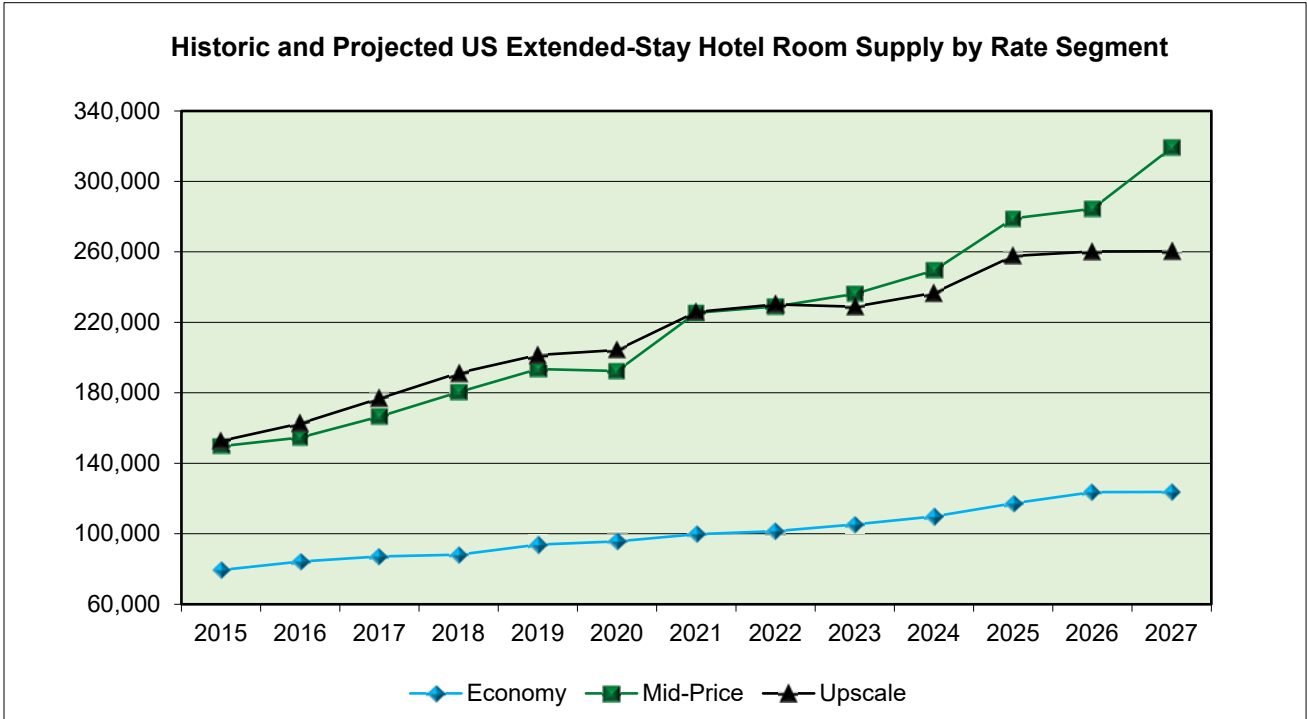
Segment	2016	2017	2018	2019	2020	2021	2022	2023	Change 22/23
Economy	2,121	3,575	2,380	2,767	2,445	4,612	4,612	4,614	0.0%
Mid-Price	16,926	22,140	26,189	25,326	28,477	19,006	14,741	16,312	10.7%
Upscale	21,776	24,004	25,323	19,928	22,419	20,933	9,933	9,178	-7.6%
Total	40,823	49,719	53,892	48,021	53,341	44,551	29,286	30,104	2.8%

Source: The Highland Group

Projected US Extended-Stay Hotel Room Supply

Segment	Mid-2023	2027	CAG (1)
Economy	105,311	123,791	3.7%
Mid-Price	236,146	319,060	6.9%
Upscale	228,887	260,337	2.9%
Total	570,345	703,189	4.8%

Source: The Highland Group

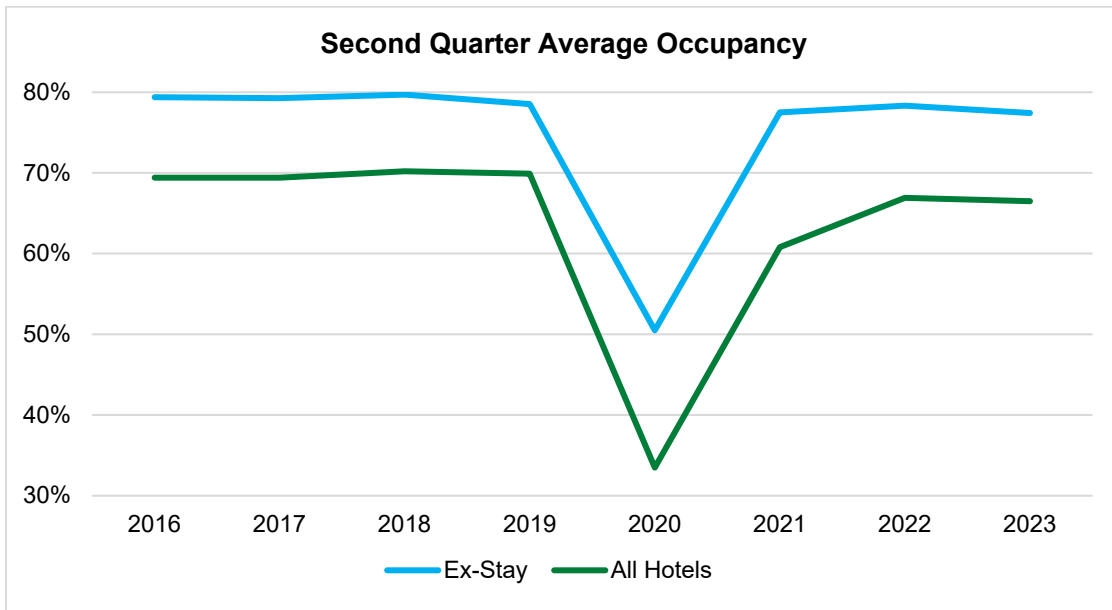


Source: The Highland Group

Second Quarter Performance and Recovery Comparison

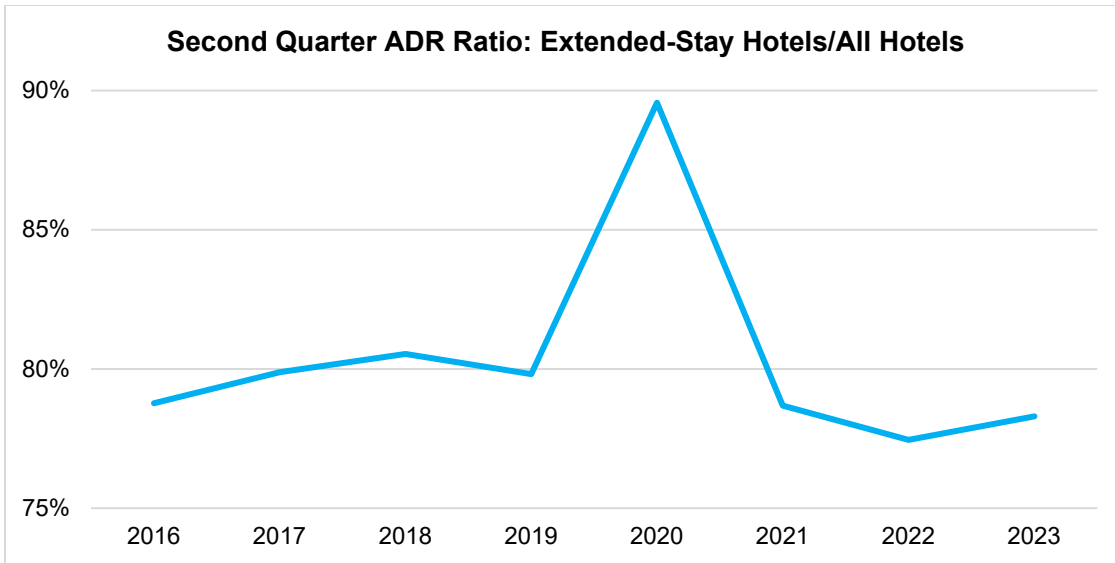
All Extended-Stay Hotels

Extended-stay hotel's Q2 occupancy premium above the overall hotel industry ranged from 8 to 10 points from 2016 through 2019 which is typical for similar periods over the last 25 years. The premium tends to rise during contractionary periods and it widened during the pandemic-induced downturn, peaking at 17 points in Q2 2020 and Q2 2021, before levelling at about 11 points during the last two years as the overall hotel industry's occupancy caught up.



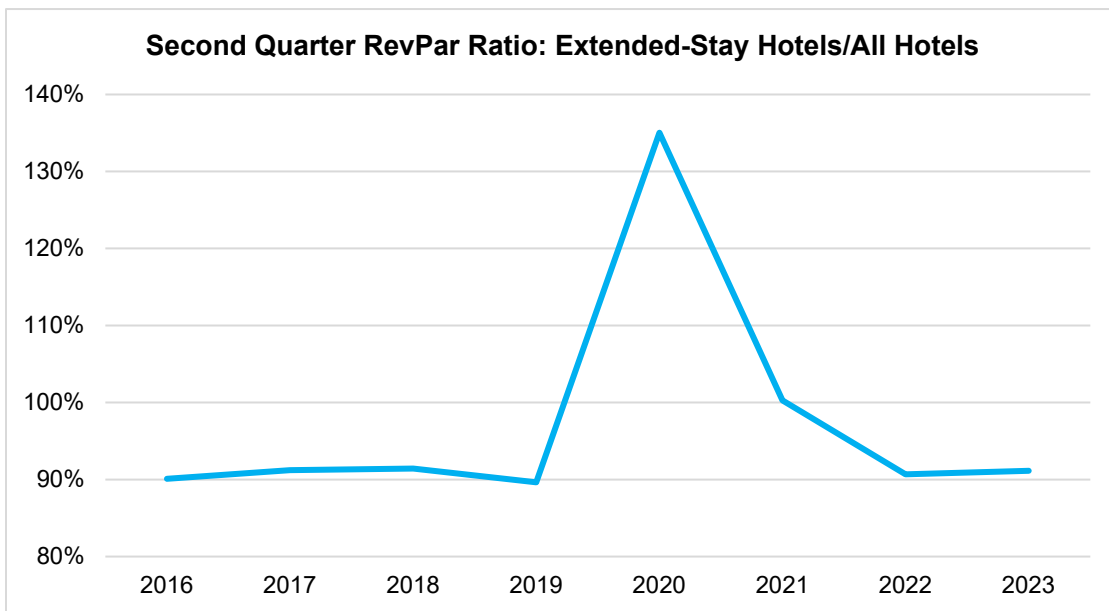
Source: STR, The Highland Group

Extended-stay hotels increased ADR slightly faster than the overall hotel industry from 2016 through 2019. Relative growth accelerated in 2020 with the ratio peaking at 90% before declining below 78% in Q2 2022 as the overall hotel industry recovery favored ADR growth over gains in occupancy. More recently extended-stay hotel ADR growth has been faster than all hotels.



Source: STR, The Highland Group

Relative RevPar followed a similar trajectory, mainly accelerating gains from 2016 through 2019 and peaking at a ratio of 135% in Q2 2020. As the overall hotel industry recovered RevPar more quickly, extended-stay hotel's RevPar ratio declined to 91% in Q2 2023 which is similar to the period from 2016 through 2019.



Source: STR, The Highland Group

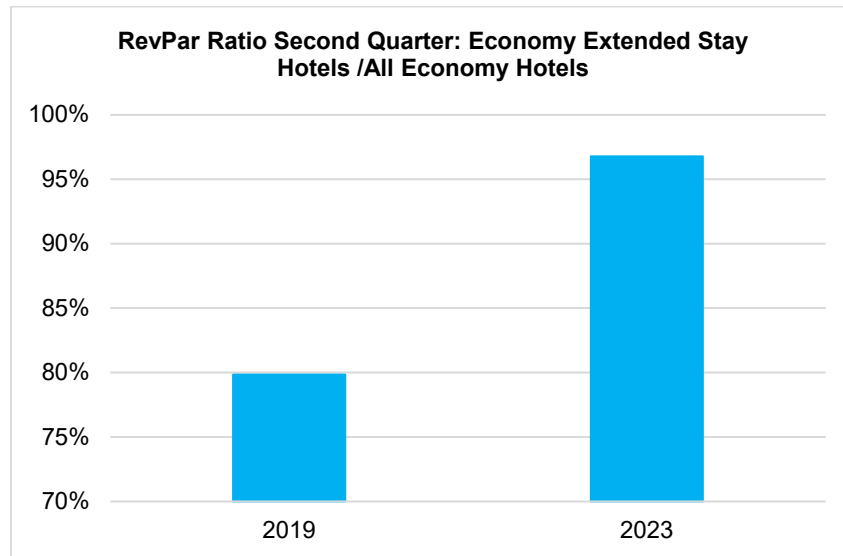
Economy Extended-Stay Hotels

Economy extended-stay hotel's 122% RevPar recovery index 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, led most of the recovery and made considerable gains against economy hotels overall.

**Second 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	62.8%	57.3%	77.3%	76.4%	91.2%	98.9%
ADR	\$73.49	\$81.17	\$47.66	\$58.88	110.5%	123.6%
RevPar	\$46.15	\$46.51	\$36.85	\$45.01	100.8%	122.2%

Source: STR, The Highland Group



Source: STR, The Highland Group

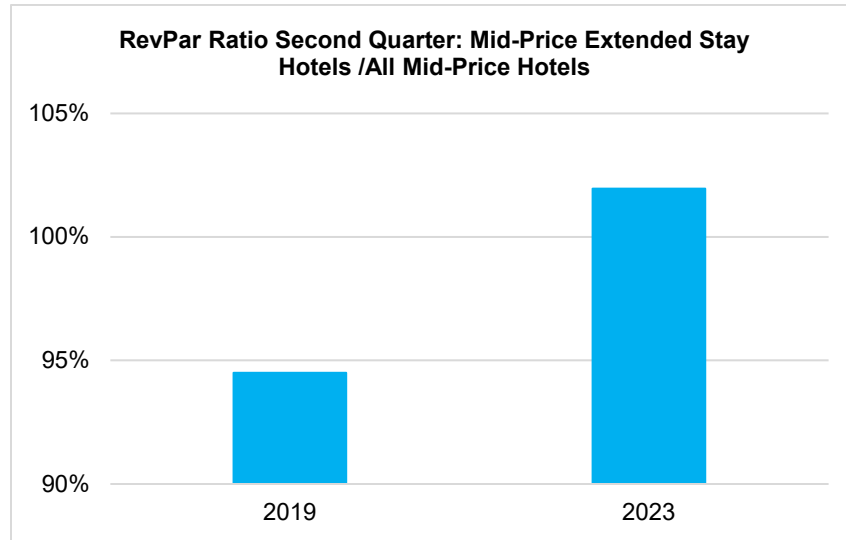
Mid-Price Extended-Stay Hotels

Mid-price extended-stay hotels were behind the economy segment in recovering RevPar to its nominal 2019 level but were slightly ahead in Q2 2023. The segment has made considerable gains compared to all mid-price hotels. In Q2 2019, the ratio of mid-price extended-stay hotel RevPar to all mid-price hotel RevPar was 114%. Four years later it had risen to 123% despite far higher supply growth over the period.

**Second 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	69.7%	67.3%	77.6%	77.4%	96.6%	99.7%
ADR	\$107.09	\$125.93	\$90.89	\$111.64	117.6%	122.8%
RevPar	\$74.64	\$84.75	\$70.53	\$86.41	113.5%	122.5%

Source: STR, The Highland Group



Source: STR, The Highland Group

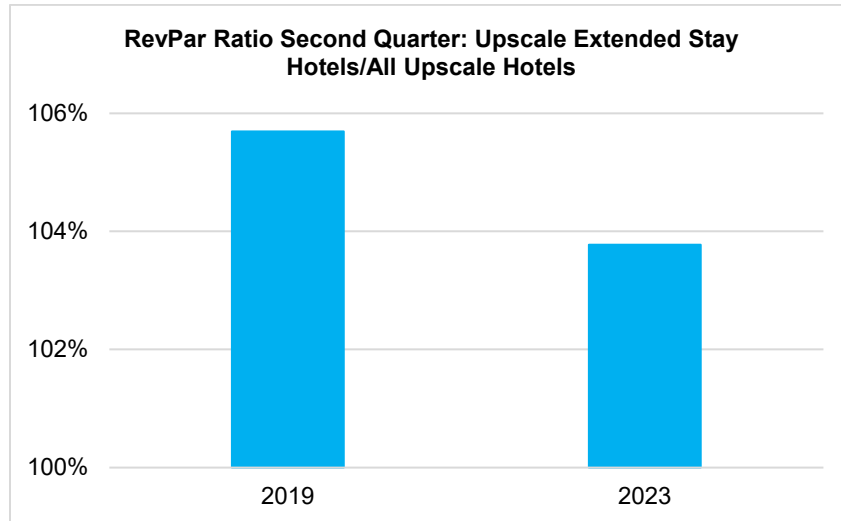
Upscale Extended-Stay Hotels

Largely because of a relatively high concentration of rooms in urban sub-markets, upscale extended-stay hotels lagged the overall extended-stay recovery. The second quarter 2023 was the fifth full quarter upscale extended-stay hotels recovered RevPar back to 2019 but it remains two points behind the corresponding recovery for all upscale hotels.

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

	All Upscale Hotels		Upscale Extended-Stay		Recovery Indices	
	2019	2022	2019	2022	All Upscale Hotels	Upscale Extended-Stay
Occupancy	76.2%	72.4%	80.0%	77.9%	95.0%	97.4%
ADR	\$145.58	\$165.64	\$146.64	\$159.82	113.8%	109.0%
RevPar	\$110.93	\$119.92	\$117.25	\$124.45	108.1%	106.1%

Source: STR, The Highland Group



Source: STR, 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.

Price segments reflect a \$60 spread in average daily rates between the upscale and mid-price segments. The segments are for comparison only. There are significant differences in clientele across the range of the mid-price segment. A few economy brands have average daily rates less than \$60. Price sensitivity increases considerably at lower price points and there are marked differences in clientele, length of stay and other factors within the segments.

The database used in the estimates and projections in this report includes the extended-stay brands in the table on the following page. There are independent extended-stay hotels that were not included, but the sample represents the great majority of extended-stay rooms in the US.

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 August 2, 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.