

# Market Study for *The City of Glendale* in Glendale, CA



City of Glendale  
June 2022

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## ⦿ executive summary

The City of Glendale, LA County's 4<sup>th</sup> largest city, continues a steady growth path. Since its population peak in 2018 with 200,000 residents, the city added 4,000 new residential units and is currently adding another 1,200 units (under construction or in entitlements). This represents a 7% increase over the current 74,000 household count. The city lost some business and residents when Nestle left in 2017 due to high state taxes, and it is emerging from the post-pandemic era along the lines of many other cities across the US: office activity has declined as partial remote work has increased, travel has trended more towards leisure than business in the last two years, and a rise in construction costs, coupled with tight labor markets, has impacted development across all land uses.

Looking beyond the post-Covid recovery, Glendale is assessing the city's hotel market with a specific view towards development incentives and regulations. The Downtown Specific Plan seeks to balance community needs and sustainable growth through the regulation of hotel and other land uses. An ordinance that placed a hold on new hotel permits was issued in March 2019, at the start of the Covid pandemic, and City Council is in the process of measuring the current status of the hotel market, as well as the impact of future hotel development in Glendale.

The City has adopted a three-year economic development strategic plan that focuses on generating business and activity in the innovation, tech, and entertainment industries, while creating brand identity for the city. Often grouped into the tri-city region of Burbank, Glendale and Pasadena, Glendale can stand out further on its own for its walkable and culturally engaged downtown; its superior retail environment, anchored in the Americana at Brand entertainment center; its access to the Angeles National Forest and nearby trails; and its affordability relative to Pasadena and the major business centers in LA County. The city has a notable base of business, which includes major insurance companies, a large Disney entity, and other regional headquarters; and it has launched two new tech incubators to attract business and investment. The American Armenian Museum will open in 2024, creating an even more defined cultural hub for the city's large Armenian population. And Blackstone recently announced a \$7.6 Billion investment in Glendale-based PS Business Parks, which is growing its real estate portfolio throughout the region.

Tourism demand in Glendale has traditionally stemmed from local business travel to the city, with some business travelers choosing the quieter submarkets of Glendale and Pasadena for their Downtown LA and Hollywood business and convention needs. Leisure travel increases during major events at the nearby Rose Bowl, Occidental College, and Americana at Brand, among other tourism drivers. Since Covid, leisure travel has increased while business travel has decreased, and PKF believes the City of Glendale's many cultural initiatives will work well with an overall improvement to the hotel product and amenities in consideration and under development.

Glendale's hotel supply is slowly refreshing with recent new additions, yet the majority of rooms in the market are classified as limited service and/or older, lower quality product. Today's room count appears to service demand, particularly following the devastating impact of Covid on the hospitality industry. Beginning in May 2021, occupancy has climbed to approximately 65% since the Covid low periods. Hotel Average Daily Rates (ADR) have surpassed 2019 levels, as they have across most global markets – in some part due to inflation and in part due to pent-up demand following pandemic restrictions.

Prior to Covid, occupancy ranged from 82-84% across the entire market, and even higher in the 3- and 4-star category, which reached 89% occupancy in some periods. Given that level of occupancy, developers added two new Marriott hotels, which opened in 2020 – the Tribute Autograph and the Residence Inn – increasing the upscale and above hotel supply by 50% (from 4 to 6 hotels) and increasing overall market room count by 6% to almost 4,000 total keys.

The greater LA market has experienced a faster recovery than the overall national averages. According to Kalibri Lab’s data, 2021 saw a 34.5% increase in RevPAR (a measure of occupancy and ADR) above 2020 RevPAR, versus the nationwide increase of 23.2%. It is expected to regain 2019 RevPAR numbers by 2024. Notably, the upper-priced category of hotels is rebounding faster than all other categories, with a 51% RevPAR increase in 2022 YTD, versus only 11% increase in the same period for the economy category.

Once the impacts of Covid, the war in Ukraine, and current inflation growth normalize, PKF believes that Glendale’s market occupancy will approach or reach 80% again by 2024, indicating the capacity to absorb more hotel rooms. This is being partially addressed by four new hotels that are approved and slated to open in 2022 and 2023, adding 465 new keys. Additionally, the Onni Group’s proposed 852 keys at the 134 freeway would bring the total supply to approximately 5,300 keys, a 32% increase over today’s room count. It’s important to note that, while new supply has been added and relatively well absorbed, the number of Short Term Rental units (Airbnb and other) grew 45% during the last three years.

Based on market performance and the addition of the new approved keys, hotel supply will meet existing demand. The added Onni rooms would more comfortably meet existing demand. More broadly, however, PKF believes that the quality of the existing hotels does not meet the needs of Glendale’s city-wide offerings and strategic plans. Critical to the overall health of the city’s multiple land use ecosystem is a strong hotel industry. Given that approximately 65% of the city’s rooms are lower quality and/or limited-service hotels, demand will remain limited to largely local business and leisure needs. Few properties offer meaningful event space with high-quality catering, and while simple gyms and nice outdoor pools are available in the upper-priced properties, no hotels offer spa amenities that would attract guests from a more regional expanse. Based on PKF’s assessment of the market, we see a gap in the overall product offering in the following categories:

- Boutique hotel product – an interesting draw for younger travelers who are seeking a dynamic and affordable remote work/ vacation experience
- Meeting and Event Space hotel amenities – space that will service the local community for its weddings and other events, while also attracting business retreats and meetings to a comfortable, walkable, and green city center
- Extended stay product – additional supply that will allow the Hollywood production teams, the tech and other innovation entrepreneurs, and other remote workers to enjoy a longer stay in the area
- Overall 4-star supply – quality product in a full-service setting that places Glendale hotels in the ranks of its sister cities and attracts guests who would otherwise find an Airbnb in Silver Lake, a smaller boutique hotel room in DTLA or Hollywood, or studio-adjacent big box hotel

Due to increased costs of construction, as well as constraints on the supply chain and within the labor markets, the easiest economic argument for hotel developers to make is limited service or conversion/ rehab work. PKF believes incentives should be in place to promote the conversion of older, tired product into more boutique offerings, as the Glendale Express Hotel has done. Additionally, 4-star product and accompanying amenities will better induce demand, create jobs, and service the local community than will new limited-service product, thus perhaps necessitating incentives for amenity-rich hotel product. As the economic and cultural/retail offerings continue to improve with private and public sector initiatives, Glendale's capacity to induce regional demand, beyond the local area, is very feasible. Improved hotel supply will be an important component of that growth, and a critical part of Glendale's strategic plans to increase the city's brand recognition.



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# 1 Introduction

## 1.1 Assignment

The City of Glendale, represented by Ms Tamar Sadd, awarded the contract to prepare a market study of the city's hotel landscape in May 2022.

The study is intended to serve as a neutral basis for the client in terms of deciding whether to proceed with the development of the more hotels, the best positioning of any new hotels, and incentive programs that can be utilized by the City.

Subject matter of the assignment is the analysis of the following elements:

- Location overview
- market, supply & demand
- gap analysis
- incentives programs

PKF conducted the assignment from May to June 2022. The market research on site was conducted in May 2022. The study is based on the site and market conditions at the time of the site and market research as well as the relevant supply and demand at that time.

The audit of the legal terms, in particular the ownership, building, corporate and fiscal terms, is not subject of this assignment. We have prepared the market study on the basis of the *General Terms and Conditions of Doing Business* (see Annex 3). When preparing the study, we have acted in our position as an expert to the best of our knowledge. However, we cannot guarantee the actual occurrence of any forecasted results serving as the basis of future hotel market performance.

The study was exclusively prepared for the client's use. If it is forwarded to any third party, the above-mentioned *General Terms and Conditions of Doing Business* shall also apply vis-à-vis this third party. The report (or parts of it) may only be published after the consultant's prior written approval.

New York, 1 July 2022

PKF hotelexperts LLC

Channing Henry  
Managing Director

## 1.2 Methodology

### 1.2.1 General

The quality and significance of studies relies to a great extent on detailed research. In order to provide an insight into the applied methodology, we have listed selected aspects of our work:

The following people have worked on the assignment:

- project controller: Channing Henry (Managing Director)
- project manager: Kristopher Swanson (Junior Consultant)

In case of questions regarding the content and structure of this market report, the project controller and the project manager are at your disposal. You can reach them under:

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The individual steps of the assignment were done in the following order:

- date when assignment was given: May 2022
- collection/analysis of data and writing of the report: May to June 2022
- delivery of draft report: 1 July 2022

### 1.2.2 Analyses

In the course of the collection of information, the project team interviewed – either personally or by telephone – several experts. A list of those people as well as of collected documents and other information can be obtained from PKF hotelexperts.

The information was collected by using – amongst others – the following means:

- visit of the market in Glendale
- market research in Glendale, Pasadena, Burbank
- visit of selected relevant competitors
- personal interviews and interviews by telephone

- analyses of data and statistics provided by various statistical offices
- analysis of various publications
- internet research
- use of various databases (including databases by PKF hotelexperts)

The collected information and data was analysed in the following way:

- analysis and evaluation of the collected market data and results of the interviews
- derivation and assessment of the development of the relevant hotel markets
- assessment of the hotel market for various guest segments based on the current and probable future market situation
- remarks on the optimal positioning of the hotels
- assessment of gaps in the market
- discussion of incentives programs

### 1.2.3 Ratios

The following ratios are used throughout the reports:

- ① occupancy  
occupied rooms divided by the number of available rooms per period
- ② multiple occupancy factor  
number of guests divided by the number of occupied rooms per period
- ③ published room rate (= *rack rate*)  
published room rate including VAT and – if applicable – breakfast
- ④ net room rate  
rooms revenue (after deduction of breakfast, VAT and allowances/discounts) divided by the number of occupied rooms in each period

○=○x○ revenue per available room/revpar (= *rooms yield*)  
occupancy multiplied by the average net room rate respectively rooms revenue (excluding VAT, breakfast and allowances/discounts) divided by the number of available rooms per period

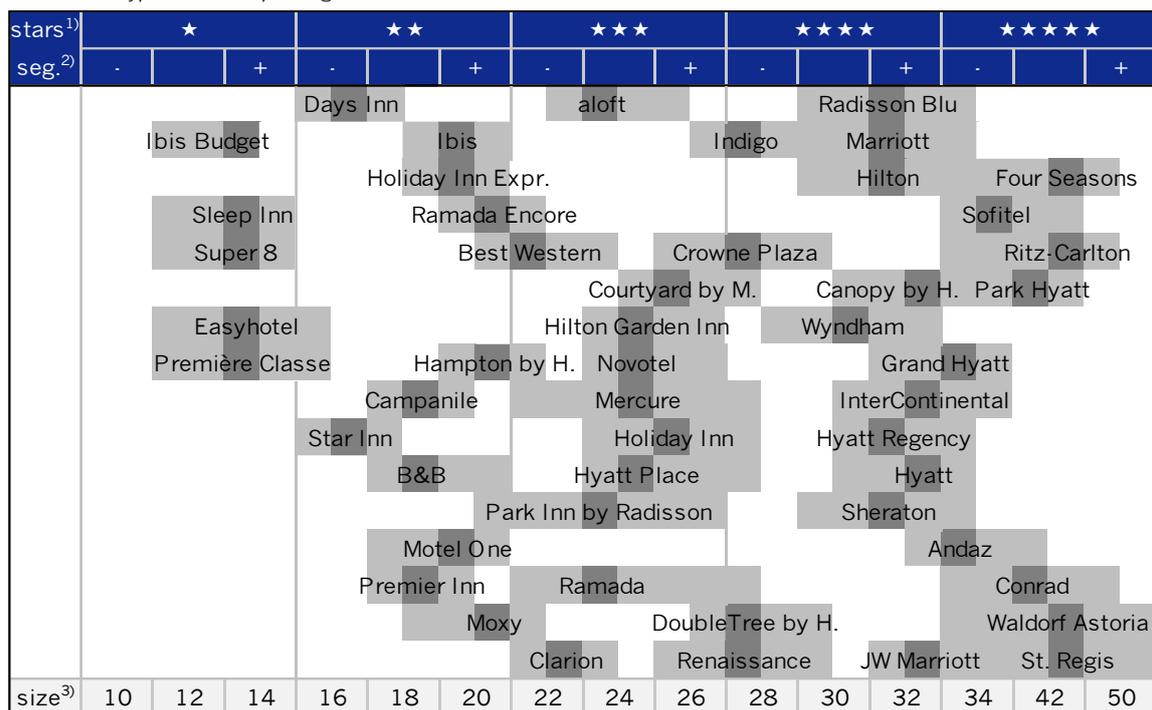
### 1.2.4 Classification

The classification of hotels in this study is based on the internal hotel classification of *PKF hotelexperts*, which is orientated towards the strict international parameters for the classification of hotels (maximum of five stars):

- ☆☆☆☆☆ outstanding standard; extraordinarily good service, extraordinarily large (minimum of 34 sq m) and luxuriously equipped rooms; excellent food & beverage facilities; extensive and outstanding sports, leisure and spa facilities (for resort hotels) or high-quality fitness & spa facilities (for city hotels)
- ☆☆☆☆ very high standard; very good service; large (minimum of 28 sq m) and very comfortably equipped rooms; very good food & beverage facilities; sports, leisure and spa facilities, which are adequate to the type and the site of the hotel
- ☆☆☆ high standard; good service; spacious (minimum of 22 sq m) and comfortably equipped rooms; good food & beverage facilities; sports, leisure and spa facilities, which are adequate to the type and the site of the hotel
- ☆☆ simple standard; limited service; relatively small (minimum of 16 sq m) and basic rooms; no or only simple food & beverage facilities; no or only simple sports, leisure and spa facilities
- ☆ very simple standard; no or very limited service; very small and very simply equipped rooms; no food & beverage facilities; no sports, leisure and spa facilities

Typical brands of the various market segments and their respective positioning as seen by PKF hotelexperts are illustrated in the following chart:

Chart 1 typical brands per segment



- notes
- 1) stars according to classification by PKF ©PKF hotelexperts; status: 1 January 2017
  - 2) per segment (dark grey: core positioning; light grey: range of existing properties)
  - 3) size of standard room in sq m

Please note that national or regional classification systems – as well as the hotel groups themselves – often are more generous in attributing stars to hotels.

## 2 Location

### 2.1 Market Snapshot

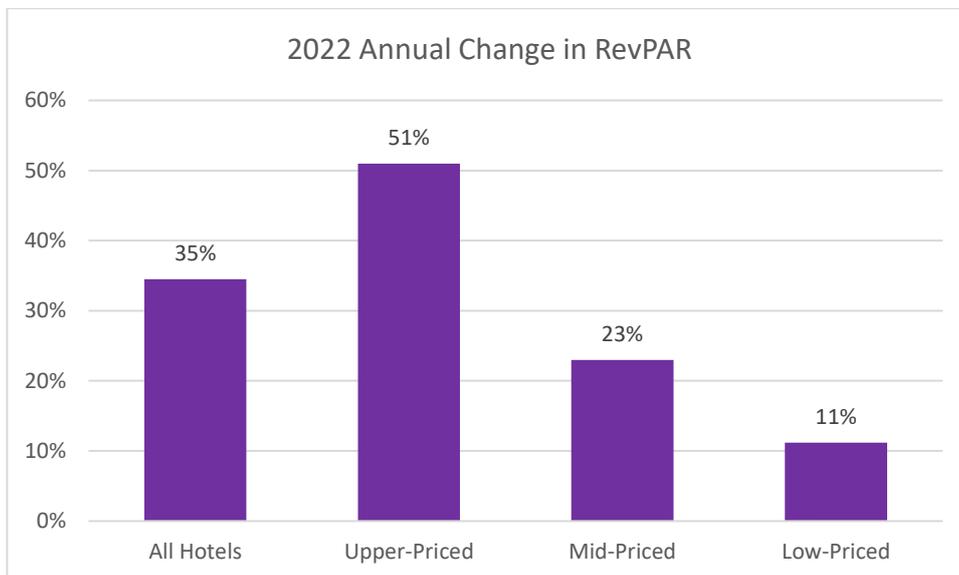
The Los Angeles market was significantly impacted by the Covid-19 pandemic, with a 42% decrease in occupancy in 2020, following by a 35% recovery in 2021. It is forecasted that 2022 and 2023 will not recover to 2019's occupancy level. ADR is forecasted to recover and surpass 2019's ADR in 2022 and 2023, accompanied by a recovery in RevPAR. This is reflective of the general travel trends throughout the Los Angeles submarkets, with heightened ADRs and recovering occupancies.

Chart 2 *los angeles annual performance, historical and forecast*

Year	Occ	Occ Change	ADR	ADR Change	RevPAR	RevPAR Change
2017	79.80%	-2.6%	\$175.71	2.3%	\$140.17	-0.4%
2018	79.90%	0.2%	\$178.89	1.8%	\$142.97	2.0%
2019	81.30%	1.7%	\$177.98	-0.5%	\$144.72	1.2%
2020	46.90%	-42.3%	\$134.16	-24.6%	\$62.98	-56.5%
2021	63.50%	35.3%	\$155.24	15.7%	\$98.60	56.6%
2022F	71.60%	12.8%	\$185.11	19.2%	\$132.60	34.5%
2023F	75.70%	5.7%	\$190.93	3.1%	\$144.53	9.0%

In the Los Angeles market, upper-priced hotels experienced the greatest RevPAR change in 2022, at 51%. This was followed by mid-priced at 23% and low-priced at 11%. The 2022 annual change highlights the consumer appetite for better quality hotel product for those with the spending power. It is important to note that with the evolving economic situation in the country, rising interest rates and inflation, personal spending power will decline, which may ultimately impact expenditure at the hotel level. Economists project that these factors will have less of an impact on the upper-priced segment, which tends to be less price-elastic.

Chart 3 RevPAR annual change by hotel category



## 2.2 Regional Context

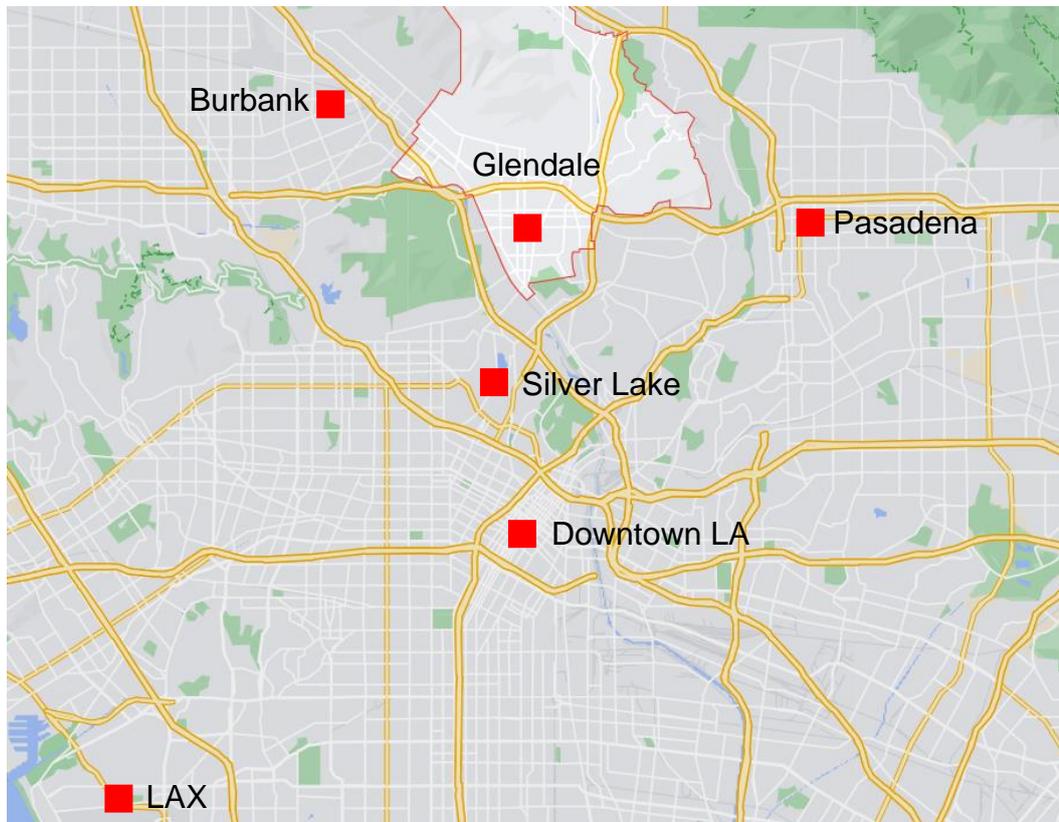
### 2.2.1 Location and geography

**Glendale** is part of the Tri-Cities area of Los Angeles County, along with Burbank and Pasadena. Regional context for the Tri-Cities area has been provided in the form of a more in-depth look at Pasadena and Burbank, to better understand Glendale’s positioning within the greater market.

**Pasadena** is a city 10 miles north of Downtown Los Angeles, to the immediate east of Glendale, measuring about 23 square miles. The city is home to about 145,000 residents with an average household income of \$107,000, a labor force of about 81,000, a total of about 115,000 jobs within the city, and a population of which 70% has earned a college degree or higher.

**Burbank** is a city to the immediate west of Glendale, measuring about 17 square miles. The city has a population of about 105,000 residents with an average \$125,000 household income, 75% of which have earned a college degree or higher, comprising of about 42,000 households, and a workforce population of about 132,000 people.

Chart 4 location of Burbank, Pasadena, and surrounding areas adjacent to Glendale



## 2.2.2 Economy

**Pasadena:** The economy of Pasadena is comprised of numerous industries, the largest being finance, engineering, academics, and health care. Some of the largest employers include Bank of America, Caltech, East West Bank, Jet Propulsion Laboratory, and Wells Fargo. The city has 16.3 million square feet of office space with an 8.9% vacancy rate and a 3.5% retail vacancy rate. Pasadena’s annual visitation is about 3.2 million people, benefitting from the business and entertainment landscape including the Rose Bowl, six academic institutions, nine co-working and business incubators, and 2,500 hotel rooms.

**Burbank:** The city’s economy is comprised of a range of different industries, the largest being entertainment, professional and scientific, administrative services, and education. The entertainment industry is by far the largest with about 36,000 jobs in the city across numerous companies including The Walt Disney Company, Warner Bros. Entertainment, Deluxe Entertainment Services Group, and TW Ventures. The professional and scientific industry includes companies such as Origin and Crane Aerospace and Electronics. Burbank has a 6.2% citywide office vacancy rate, a 5.9% retail vacancy rate, and a 3.1% industrial vacancy rate.

## 2.2.3 Culture and tourism

**Pasadena:** The city has a range of cultural and historical institutions and attractions including The Huntington Library, Art Museum, and Botanical

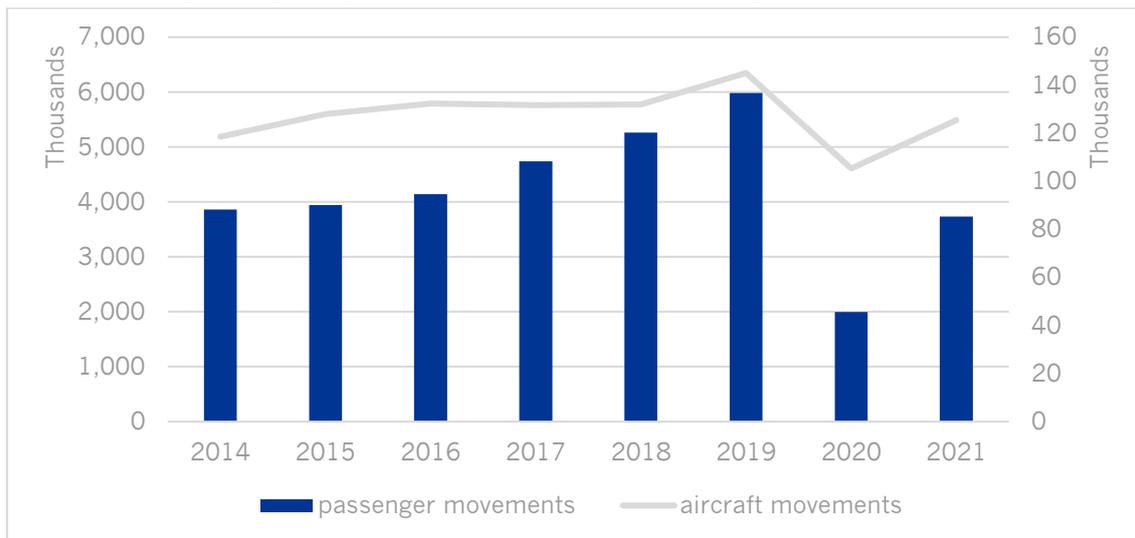
Gardens; the Norton Simon Museum; the USC Pacific Asia Museum; the Pasadena Museum of History; the Gamble House; and the Tournament House and Wrigley Gardens. Entertainment venues provide a platform for local artists and Hollywood stars to perform, some of the most prominent being A Noise Within Theatre, the Beckman and Ramo Auditoriums, the Boston Court Performing Arts Center, the California Philharmonic Orchestra, the Ice House Comedy Club, the Lineage Performing Arts Center, the Pasadena Civic Auditorium, and the Pasadena Playhouse. The city has three shopping districts: Old Pasadena with more than 200 retail stores, Pasadena Playhouse Village with eclectic art-focused shops, and South Lake Avenue with upscale designer outlets. Pasadena has numerous outdoor recreational activity areas including Brookside Park, Hahamonga Watershed Park, and the Angeles National Forest.

**Burbank:** One of the differentiating cultural factors that sets Burbank apart from the surrounding cities is the significant presence and proximity to major film studios that have unique partnerships with Warner Bros. Studio and Universal Studios Hollywood, as well as access to TV show tapings, a strong tourism driver. While not as saturated with museums and galleries compared to Pasadena, Burbank does have a few including the Black Sheep Gallery and the Gordon R. Howard Museum Complex. Well-known entertainment venues include the Colony Theatre, Flapper's Comedy Club, Garry Marshall Theatre, The Nitecap LA, and the Starlight Bowl. The city has numerous shopping districts, the most prominent being the Burbank Town Center in downtown, Magnolia Park for retro boutiques, and the Airport District for tech-focused finds. Recreational activity opportunities can be found throughout the city at the many outdoor facilities and parks including Wildwood Canyon Park, Verdugo Park and Recreation Center, Stough Canyon Nature Center and Hiking Trails, the Los Angeles Equestrian Center, Brace Canyon Park, and the Debell and Lakeside Golf Clubs. Burbank is also home to LA's second, and often preferred, airport, given its ease of access and manageable size.

## 2.2.4 Accessibility

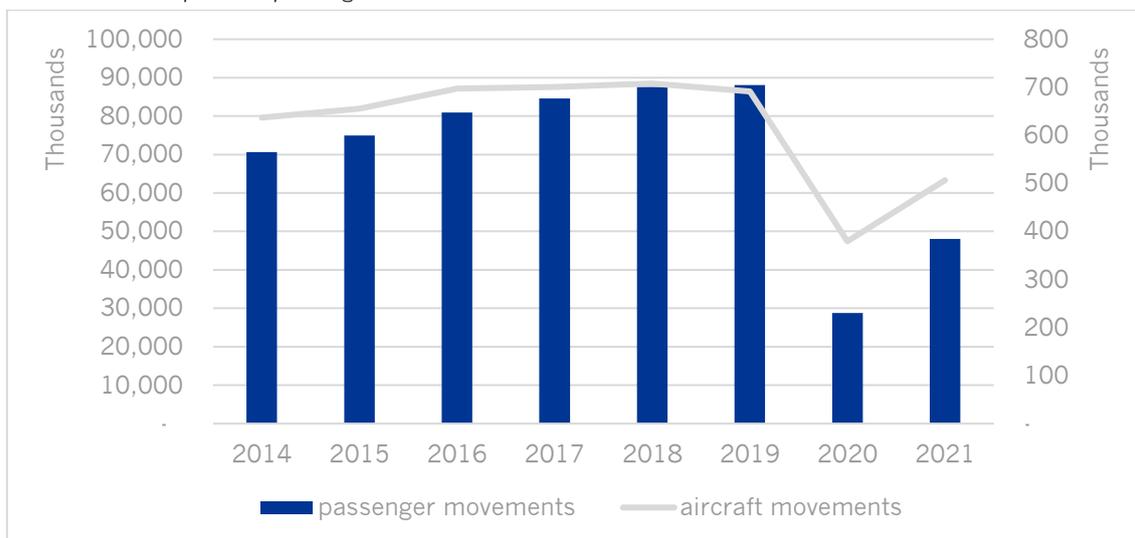
The following chart shows the development of passengers and aircraft movements at Burbank Airport between 2014 and 2021:

Chart 5 development of passengers and aircraft movements at Burbank Airport



In the years following 2014, the highest passenger count at Burbank Airport was about 6 million in 2019. Since then, with the decrease in travel from the pandemic, passenger count dropped to about 2 million in 2020 with a recovery uptick in 2021 with about 3.7 million passengers.

Chart 6 development of passengers and aircraft movements at LAX



Similar to the trends experienced at Burbank Airport, LAX witnessed a high in 2019 with about 88 million passengers, followed by a drop to about 29 million in 2020 and a recovery to about 48 million in 2021.

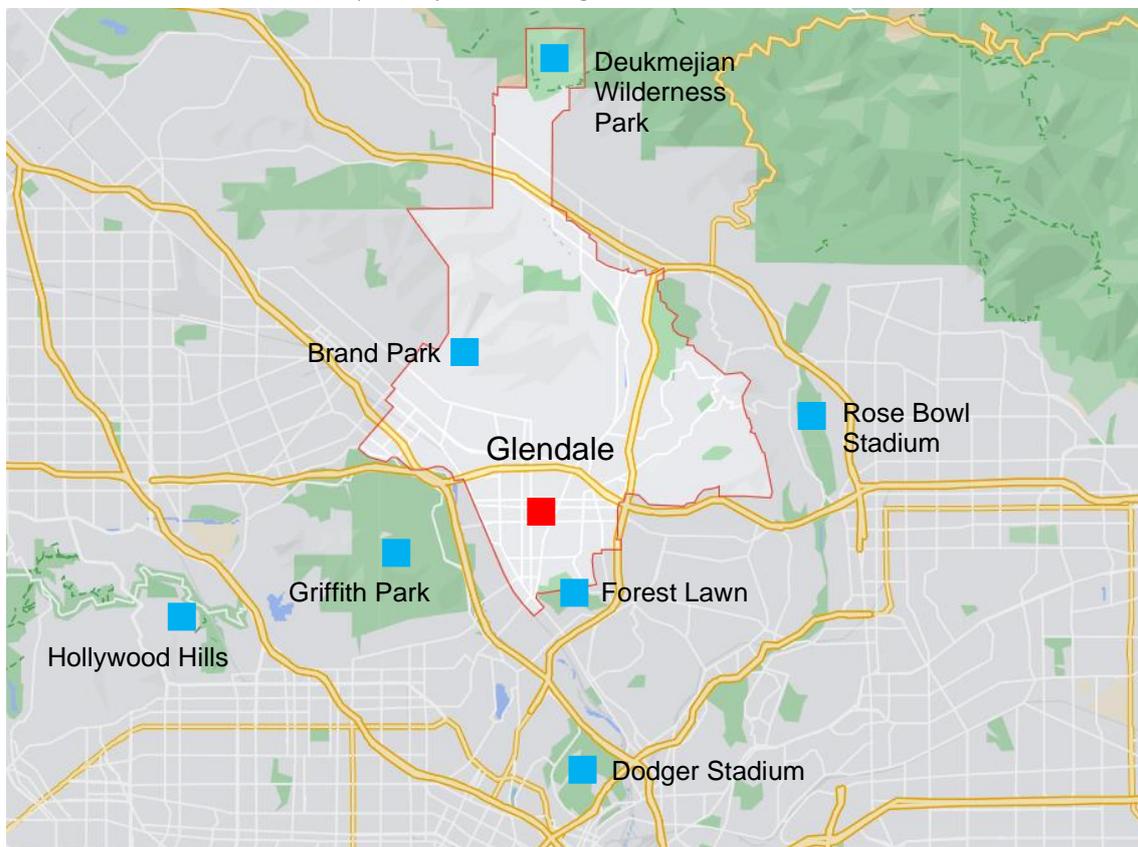
## 2.3 Glendale

### 2.3.1 Location and geography

Glendale, a city measuring about 31 square miles, has about 205,000 residents, comprising about 74,000 households. It is the fourth largest city in LA County with a fairly equal age composition – 23% Baby Boomer, 22% Gen X, Millennial 26%, and Gen Z 18%. 53% of the population is foreign born, a significant proportion, including the largest Armenian diaspora. In 2021, annual household spending reached \$1.4 billion, a reflection of an affluent population – 37% of households earned at least \$100,000 in 2021. This is compared to the median household income in Glendale in 2021 of \$62,500. While the city has a good portion of affluent residents, the unemployment rate is on the higher end of the spectrum when compared to neighboring cities. The unemployment rate was 6.5% in 2021, with Pasadena at 4.2% and Burbank at 6.1%.

Glendale is situated among the Verdugo Hills, the southeastern end of the San Fernando Valley. The city has about 46 parks ranging from less than an acre neighborhood squares to 30+ acres of open land. In total, the city manages over 5,000 acres of open space, 30 miles of fire roads, and 7.5 miles of single-track trails, actively used by hikers and bikers. The most popular areas include Brand Park and Deukmejian Wilderness Park.

Chart 7 location of Glendale and proximity to surrounding areas



## 2.3.2 Economy

The city of Glendale is home to a range of different industries, commercial and business corridors, and large employers that drive the local economy.

**Business:** There are about 12,000 businesses in the city. Downtown Glendale is the heart of the city’s corporate and tech centers with companies such as CBRE, Dine Brands Global, and Cisco Systems. To the northwest of Downtown in the northern portion of the city are the offices and studios of DreamWorks Animation and the Disney Company’s Grand Central Creative Campus.

**Tech:** The city has successfully increased its status as a tech hub with about 1,000 tech companies based in Glendale, totaling about 41,000 employees. Tech employees comprise about 42% of the Glendale workforce which totals 97,000, 76% of which are white-collar employees. In addition to the corporate and tech centers, the city has a range of retail campuses and streets, food and beverage outlets, educational institutions, medical facilities, and entertainment venues.

**Retail:** The city estimates that an annual 30 million shoppers make their way to the area’s retail centers, including Americana at Brand and the Glendale Galleria. The Brand Boulevard of Cars is another significant commercial and retail street, home to a total of 21 car dealerships.

**Americana at Brand (case study):** The Americana is the best performing asset within the Caruso portfolio, anchored by the arrival of new luxury tenants including Yves Saint Laurent, Chanel, and Gucci with a 6,000 square foot store. The Americana brand at Glendale attracts an affluent customer base which has translated into strong performance. Louis Vuitton, with its three-month pop-up store, completed \$3 million in monthly revenue. Amazon Style recently opened with a high-end shopping and technology forward experience with augmented reality dressing rooms and cashierless checkout. Glendale, as a safe and secure city to do business in, has acted as a safe harbor for luxury brands who want to provide a care-free shopping experience for their customers. This in contrast to the Beverly Hills area that has witnessed an increase in petty theft crime and violent acts. The Americana, in combination with Glendale’s inclusive community, hosts about 18 million guests annually and is the 12<sup>th</sup> highest grossing retail center in North America.

## 2.3.3 Culture and tourism

**Cultural:** Glendale has a range of different cultural institutions and entertainment venues including the ongoing transformation of the Artaskh Avenue Paseo into an art and entertainment center and the construction of the Armenian American Museum. Museums include the Brand Library and Art Center and the Museum of Neon Art. Numerous theaters operate throughout the city such as the Alex Theatre, the Glendale Centre Theatre, and the Antaeus Theatre. The City of Glendale is actively recruiting artists to the revamping Artaskh district with amenable lease terms, as part of a broader district-wide cultural reinvention.

**Recreational:** Recreational activities can be completed at the many parks and trailheads including Brand Park, Deukmejian Wilderness Park, Beaudry Loop, and Casa Adobe de San Rafael Park.

In addition to the cultural and recreational tourism found within Glendale, the city's prime location in the heart of LA County provides visitors with a wide variety of activities and sights within close driving distance.

## 2.3.4 Accessibility

### a) airports

The nearest airport to Glendale is Burbank Airport, 10 miles to the northwest and about a 15-minute drive away. Los Angeles International Airport (LAX) is about a 23 mile and 45-minute drive away to the southwest. The Santa Monica Airport is about a 24 mile and 1-hour drive away.

### b) road traffic

Glendale is framed by four major roadways. Interstate 210 runs from west to east along the northern edge of the city limits. California State Route 2 runs through the city and defines the border of eastern edge of downtown Glendale. Interstate 5 runs along the western edge of the city and Route 134 runs from west to east, separating downtown Glendale from northern Glendale.

### c) public transportation

Glendale has a city bus service, the Beeline Bus, with twelve fixed routes operating throughout Glendale, La Canada Flintridge, and the unincorporated areas of La Crescenta and Montrose. The Beeline service is in addition to the city's metro routes. The Metro (Regional Public Transit Bus Service) has numerous east-west and north-south routes throughout Glendale, along with routes that connect the city to other areas throughout Los Angeles County.

Metrolink offers a daily commuter service that connects Glendale to Union Station and East Ventura through the Ventura County and Antelope Valley lines. The Glendale Transportation Center (GTC) services Metrolink in addition to Amtrak routes. The GTC services about 46,000 Amtrak train passengers annually. The top origin and destination cities in terms of train ridership includes Santa Barbara, San Diego, San Diego Old town, Solana Beach, and Goleta.

Union Station services the Los Angeles area with its central location in downtown LA, a 20-minute drive south from Glendale. Union Station, in its capacity as an Amtrak terminal, had a total passenger count of about 1.4 million in 2019, including departures and arrivals. From Union Station, Amtrak operates five lines including the Pacific Surfliner with multiple daily trains, the Coast Starlight and the Southwest Chief with daily service, and the Sunset Limited and the Texas Eagle with three trains/week. Union Station, alongside the train passengers, served an additional 206,000 passengers connecting through with bus service.

## 2.3.5 Assessment

We have submitted the macro site to a SWOT analysis. The results can be summarized as follows:

Chart 8 SWOT analysis macro site (Glendale)

Strengths - Weaknesses - Opportunities - Threats	
+	-
<ul style="list-style-type: none"> <li>▪ good climate</li> <li>▪ access to recreational activities</li> <li>▪ Americana at Brand is a regional destination</li> <li>▪ easy access to greater Los Angeles via two airports and multiple highways</li> <li>▪ charming smaller city feel relative to LA's other submarkets</li> <li>▪ historically a business market and now increasingly a leisure market</li> <li>▪ walkable and clean downtown area</li> <li>▪ safe and quiet city</li> </ul>	<ul style="list-style-type: none"> <li>▪ not as culturally or economically known as nearby Pasadena</li> <li>▪ historically a business market</li> <li>▪ limited four star supply for business or leisure, and no five star product, creating a void in public perception</li> <li>▪ city is separated by a major highway</li> <li>▪ current demand being absorbed by tired hotel product</li> </ul>
↗	↘
<ul style="list-style-type: none"> <li>▪ rising art scene</li> <li>▪ rising tech scene</li> <li>▪ chance to highlight the quieter community from which to access greater LA</li> <li>▪ accessibility to natural resources and trails</li> <li>▪ strong ability to service the Burbank studios</li> <li>▪ unique meeting and event spaces</li> <li>▪ Americana at Brand corporate and cultural partnership opportunities</li> <li>▪ increased residential product creates more demand for rooms and amenities</li> <li>▪ no notable spa product in the market</li> </ul>	<ul style="list-style-type: none"> <li>▪ neighboring city markets with increased offerings</li> <li>▪ continued lack of refurbished and interesting product creates opportunity in competitive markets</li> <li>▪ continued supply chain restraints and increased construction costs limits appetite for full-service hotel development</li> <li>▪ imbalance of hotel classes; more economy hotels taking up market share</li> <li>▪ short-term rental growth</li> </ul>

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## 2.4 Hotel Corridors

### 2.4.1 Brand Blvd and Surrounding Areas

Out of the 31 hotel properties in Glendale, PKF has selected 10 that are distinguished by their better product and location, ranging from economy to upper upscale categories. The remaining 21 properties are characterized by outdated product, low room count, and indistinct branding, without the ability to drive the local hotel market.

Brand Boulevard, running from north to south from Verdugo Viejo, through downtown Glendale, and into the Boulevard of Cars section of the street, plays a central role as the city's main artery with many of the prominent hotels situated on or around it.

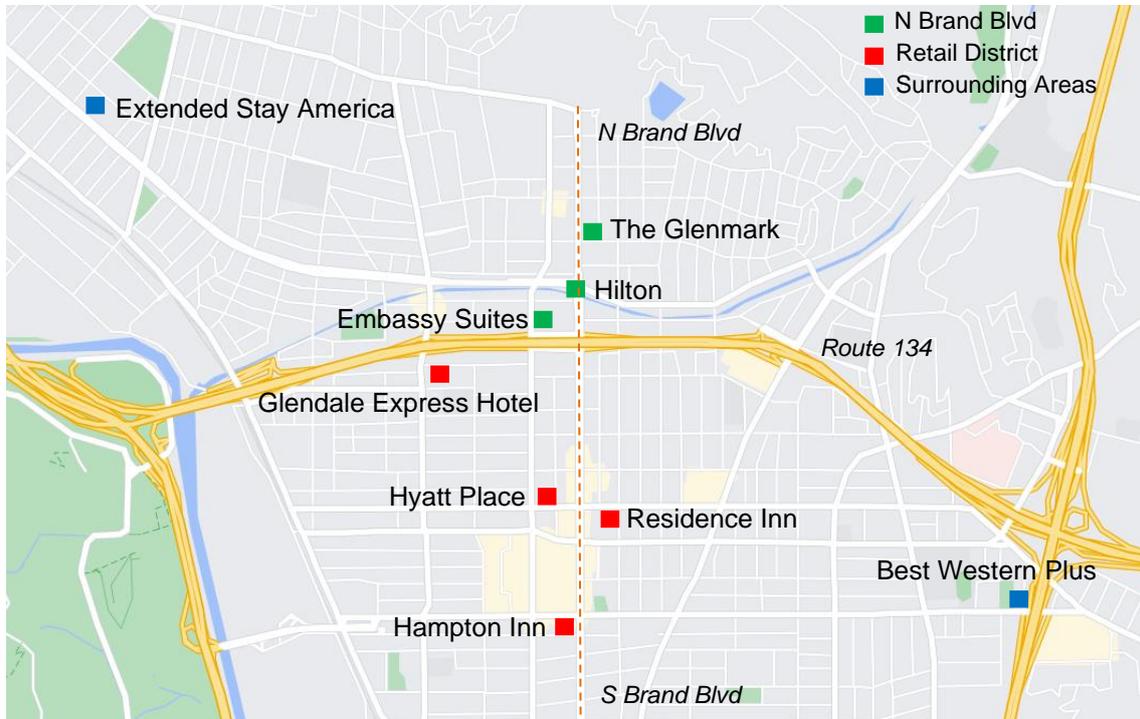
**N Brand Blvd:** This portion of the boulevard spans Route 134, connecting the commercial and business districts that lie on both sides of the freeway. The hotels in the N Brand Blvd area include The Glenmark (Tribute Portfolio Hotel), Hilton, Embassy Suites, and two blocks to the west of the boulevard, the renovated Glendale Express Hotel.

**Retail District:** Downtown Glendale's retail district, most notably defined by the Galleria and Americana at Brand, is situated along Brand Blvd with a few hotels within the area including Hyatt Place, Residence Inn, and Hampton Inn.

**Surrounding Areas:** There are three outlier hotels located beyond the confines of Brand Blvd – Extended Stay America in the northeast quadrant of the city, Best Western Plus off of Route in Los Angeles (just outside the Glendale city limit), and the recently opened Holiday Inn Express on E Colorado Street (east of the Galleria).

The following chart indicates the locations of the relevant Glendale hotels:

Chart 9 hotel locations throughout Glendale



## 2.4.2 Suitability for hotel

The following chart illustrates the suitability of the macro area for different guest segments:

Chart 10 suitability of macro area for demand by different guest segments

guest segment		suitability of hotel type for demand by particular guest segment				
travel purpose	category	limited	extended	boutique	4-star	luxury
business	glendale business travelers		■	■	■	
	conference/meeting attendees <sup>1)</sup>			■	■	
	tech/innovation travelers <sup>2)</sup>		■	■	■	
	media production exec.			■	■	■
	other LA business travel		■	■	■	■
leisure	family/friend visits	■	■	■	■	
	LA/east side visitors			■	■	
	shoppers			■	■	
group	rose bowl/event attendees	■	■	■	■	■
	local weddings			■	■	■

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The guest segments with suitability for all hotel types include family and friend visits along with Rose Bowl and local event attendees. The other guest segments are more inclined to stay at specific hotel types such as conference and meeting attendees and media production executives. Boutique and 4-star are the two hotel types that are suitable for all guest segments based on the nature of their product offerings and applicability for many different travel purposes.

### 3 Market

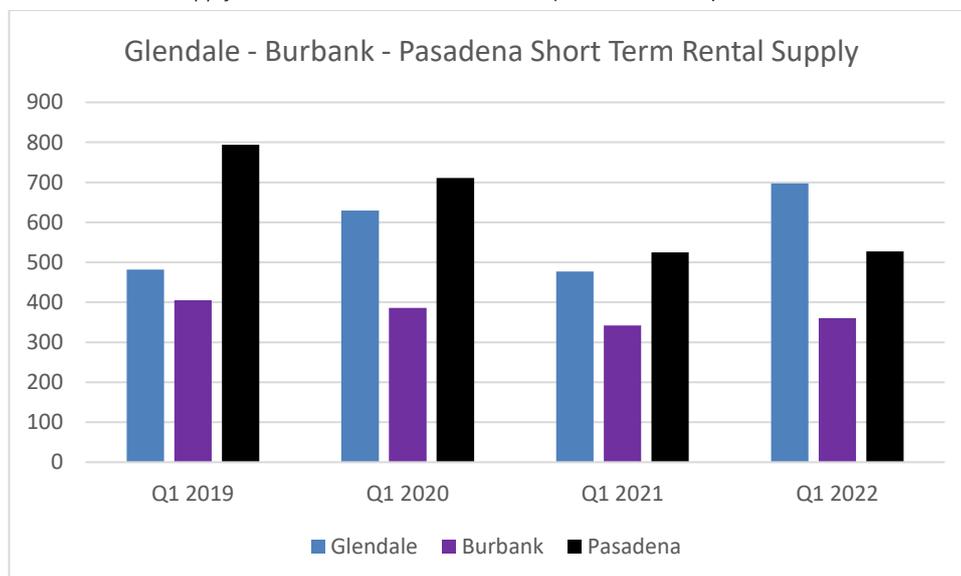
#### 3.1 Overview

According to our assignment, we have analyzed supply and demand of the general accommodation market in Glendale, neighboring cities, and greater Los Angeles submarkets. Hotels from all classes and other types of accommodation facilities may stand in competition to one another and may have an impact on the general accommodation market.

#### 3.2 Short-term Rentals

Alternative lodging facilities, in the form of Airbnb and other short-term rentals, have increased in Glendale from Q1 2019 to Q1 2022, while supply in Pasadena has decreased and supply in Burbank has remained constant. The notable increased supply in Glendale, about 45% increase in three years, implies a demand for hotel rooms that are not being met by current hotel supply. Average daily rates in the Glendale market range from \$210 in January 2022 to \$233 in April 2022. These rates are an average of studios to multi-bedroom homes with a range of amenities including A/C, kitchen, pool, washer and dryer, and parking.

Chart 11 short term rental supply in Glendale, Burbank, Pasadena (Airbnbs, VRBOs)



#### 3.3 Hotels

##### 3.3.1 Submarket Supply

Hotel supply in Glendale, compared to Burbank and Pasadena, is characterized by a disproportionately large amount of economy hotels. While the hotel count is high, 10 economy hotels, and the room count is comparatively low, 325 economy

rooms, the market appears to be saturated with small motel-type lodgings. Glendale has three hotels respectively across each of the more relevant hotel classes, upscale and upper-upscale, with a combined 1,208 rooms. In a city such as Glendale, an economically and culturally significant market within the Tri-Cities region, there is an imbalance in the supply of hotels not found in neighboring Burbank.

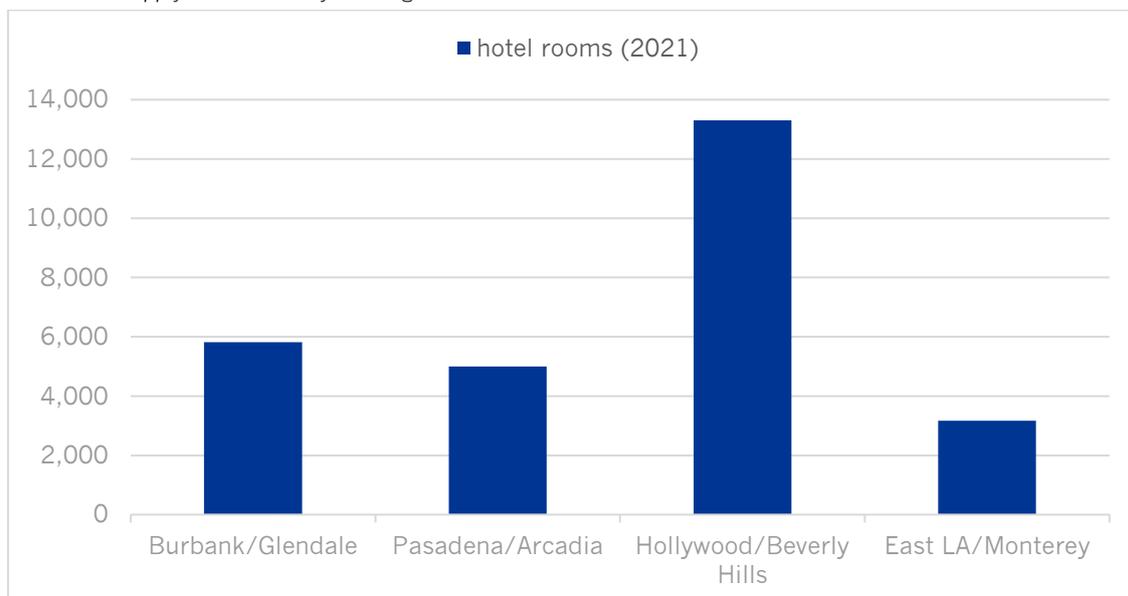
The Burbank market has four economy hotels with 269 rooms, compared to the upscale and upper-upscale classes with a combined 10 hotels and 2,135 rooms. The imbalance that exists in the Glendale market is not prevalent in the Burbank market.

Pasadena, while it does have a large amount of economy hotels and rooms, still has a comparatively significant supply of upscale and upper-upscale hotel product. The market has 11 economy hotels with 471 rooms. On the other hand, there are nine upscale and upper-upscale hotels with a combined 1,860 rooms. This is in addition to one luxury hotel with 379 rooms.

Based on data provided by and limited to STR, as of June 2022, the total number of rooms in the Glendale market is 3,992 across all classes. Glendale has six hotels in the upscale and upper upscale category, contributing a large number of rooms to the market at approximately 1,200. It also has a very large number of economy and midscale hotels (16 total) that contribute only 500 rooms. This makes a negative physical impact on the larger community while creating fewer jobs across the real estate utilized.

According to information provided by CBRE, the total supply of hotel rooms in Burbank/Glendale, compared to other Los Angeles submarkets, in 2021:

Chart 12 supply of hotels in key Los Angeles markets



As can be seen in the chart above, the number of hotel rooms in Burbank/Glendale totals about 5,800, a slight increase over Pasadena/Arcadia's 5,000 rooms. In stark comparison, the Hollywood/Beverly Hills submarket has about 13,300 rooms and East LA/Monterey has about 3,100 rooms.

a) Glendale, Burbank, Pasadena hotel supply by class

Chart 13 hotel supply in Glendale



Chart 14 hotel supply in Burbank

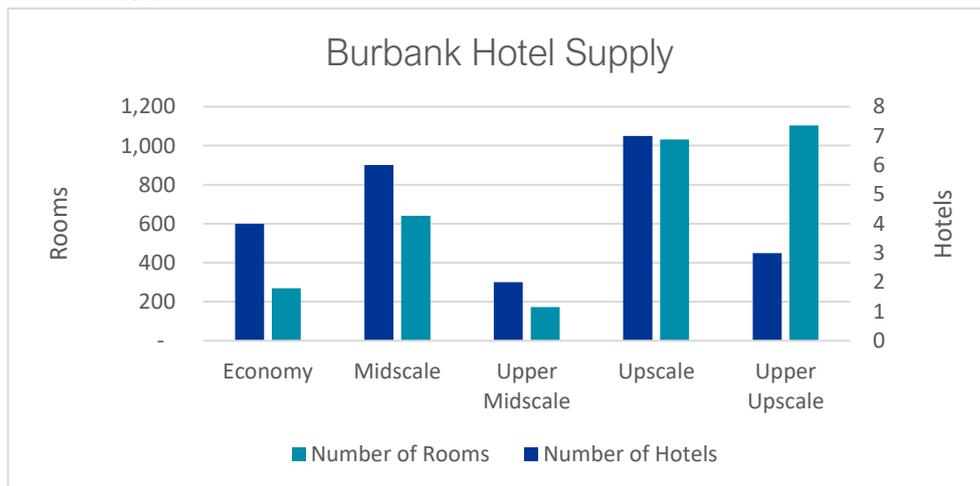
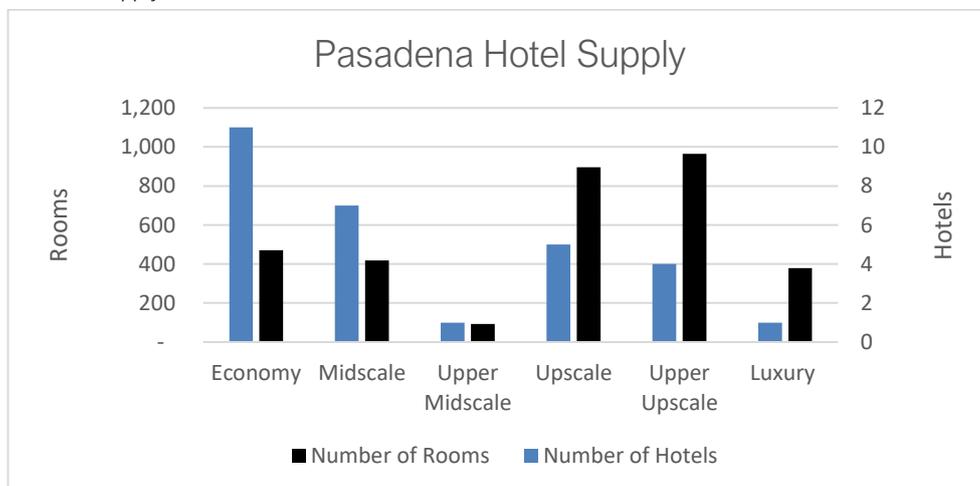
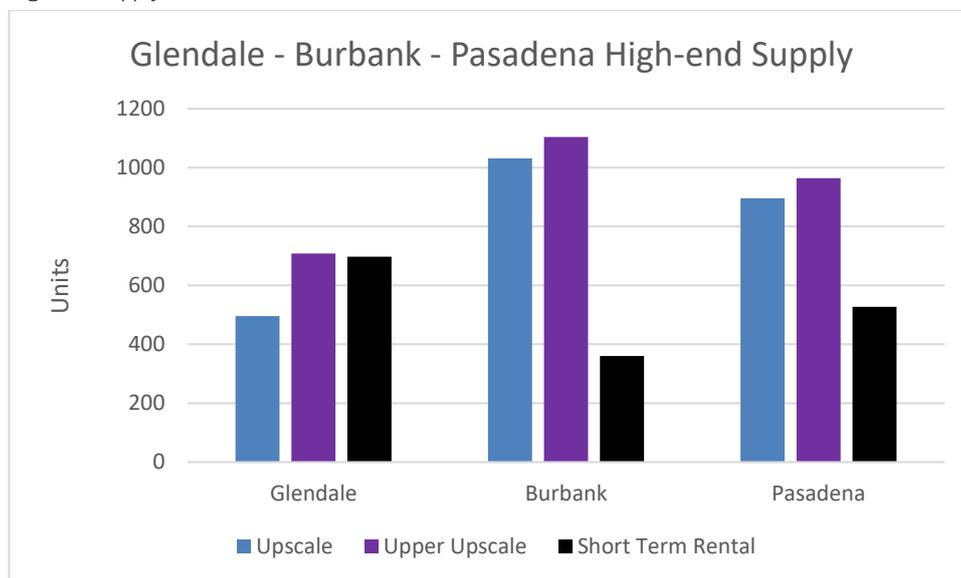


Chart 15 hotel supply in Pasadena



b) Upscale and Upper Upscale Supply in Glendale, Burbank, Pasadena (short-term rentals included)

Chart 16 high-end supply in Glendale, Burbank, Pasadena



c) future development

According to information provided by STR, CBRE, and the City of Glendale, several new hotel projects are currently under construction and planned in Glendale. Based on this information, about five hotels with a total of about 1,300 rooms are currently planned. Although not every project will be implemented, a significant increase in the number of hotel rooms can be expected in the short to mid-term. The additional supply will likely lead to increased price competition, in particular in the mid-market and upscale segments, since most of the projects being under construction or in planning are envisaged to be positioned in these segments.

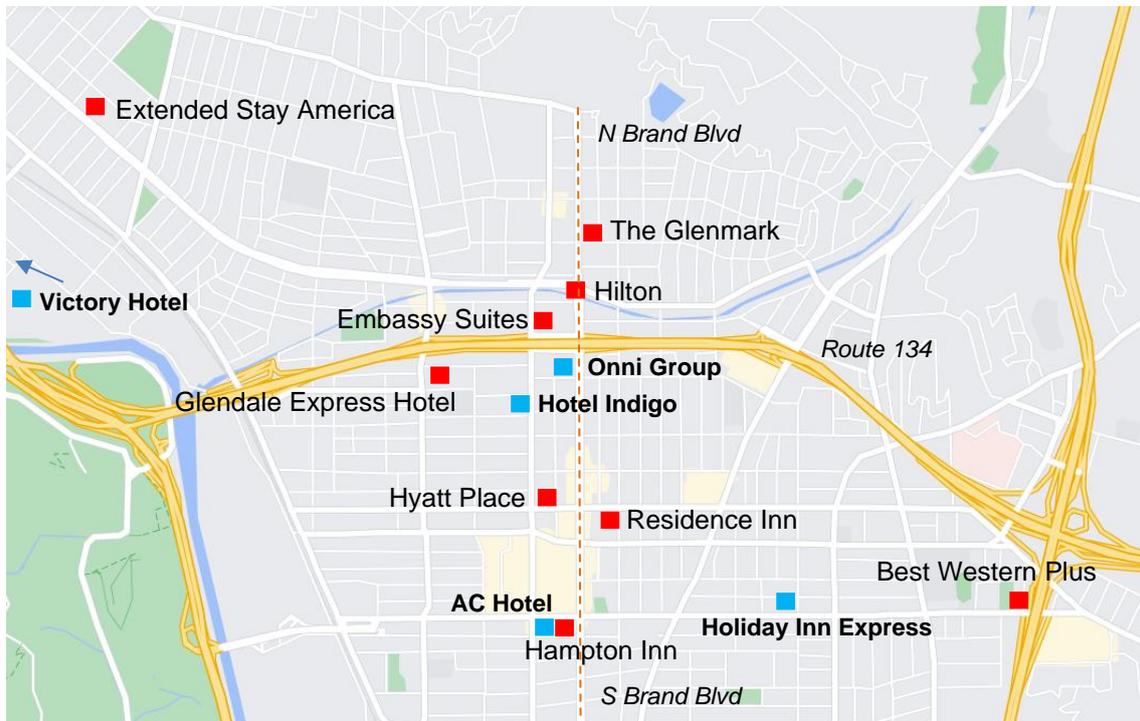
The following chart gives an overview of selected hotel projects which are currently known to us:

Chart 17 hotel projects

project/location	development pipeline							remarks
	brand name	category stars	rooms #	phase name	opening year	chance %		
Onni Group	N/A	N/A	852	planned	N/A	40	Entitlement process	
Victory Hotel	Independent	N/A	64	planned	2023	80	Fully entitled	
AC Hotel	AC Hotel	4	130	planned	N/A	80	Replace existing Vagabond Hotel	
Holiday Inn Express	Holiday Inn	3	134	constr	2022	100	Soon to open	
Hotel Indigo	Hotel Indigo	4	137	constr	2023	80	Fully entitled	
total	Σ	x	x	1,317	x	x	x	

The above chart may not be complete. Furthermore, not all projects are subject to public knowledge, and sometimes details (operator, financing, etc.) are unclear. Not all planned hotels will be implemented, and delays in the development are common. To account for this fact the probability of an implementation for a certain project is 100%, a relatively certain 80%, a probable 60%, a project with limited probability 40%, and an uncertain project 20%.

Chart 18 hotel development compared to current relevant supply

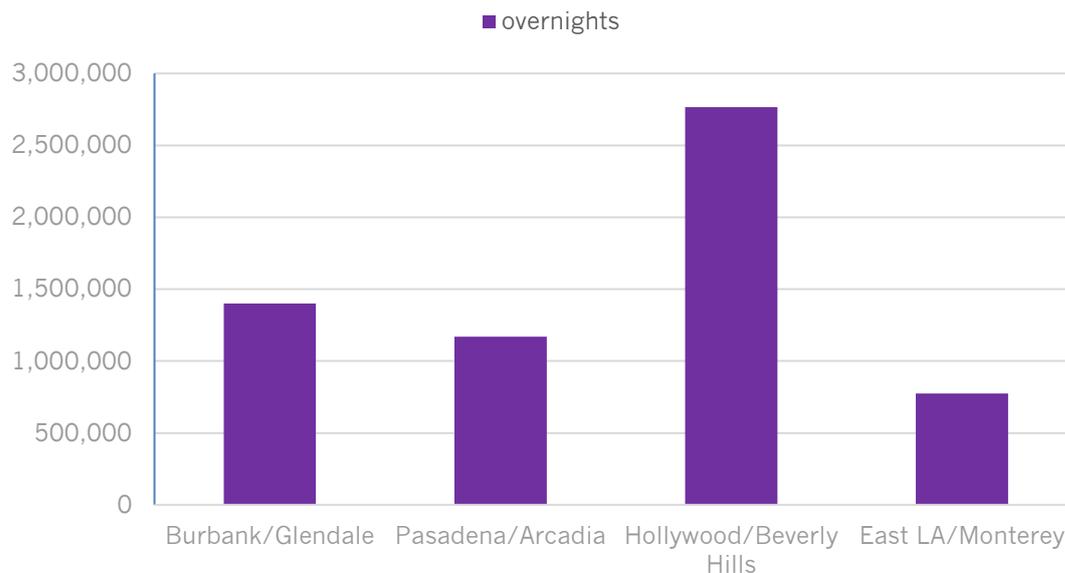


### 3.3.2 Submarket Demand

#### d) development to-date

The following chart displays the demand for hotels in Burbank/Glendale compared to other Los Angeles markets, in 2021:

Chart 19 hotel demand in key Los Angeles markets



The above table shows that the Burbank/Glendale submarket achieved a greater amount of overnight demand compared to Pasadena/Arcadia. Hollywood/Beverly Hills stands as a reference to a more popular and trafficked submarket in LA.

Total room nights demanded of the combined submarkets Burbank/Glendale and Pasadena/Arcadia is equal to the total demand for short term rentals in Los Angeles. In 2022, about 2.7 million short term rental units were sold, compared to about 2.6 million hotel units sold between the Burbank/Glendale and Pasadena/Arcadia markets, highlighting the significance of short term rentals in the greater LA market.

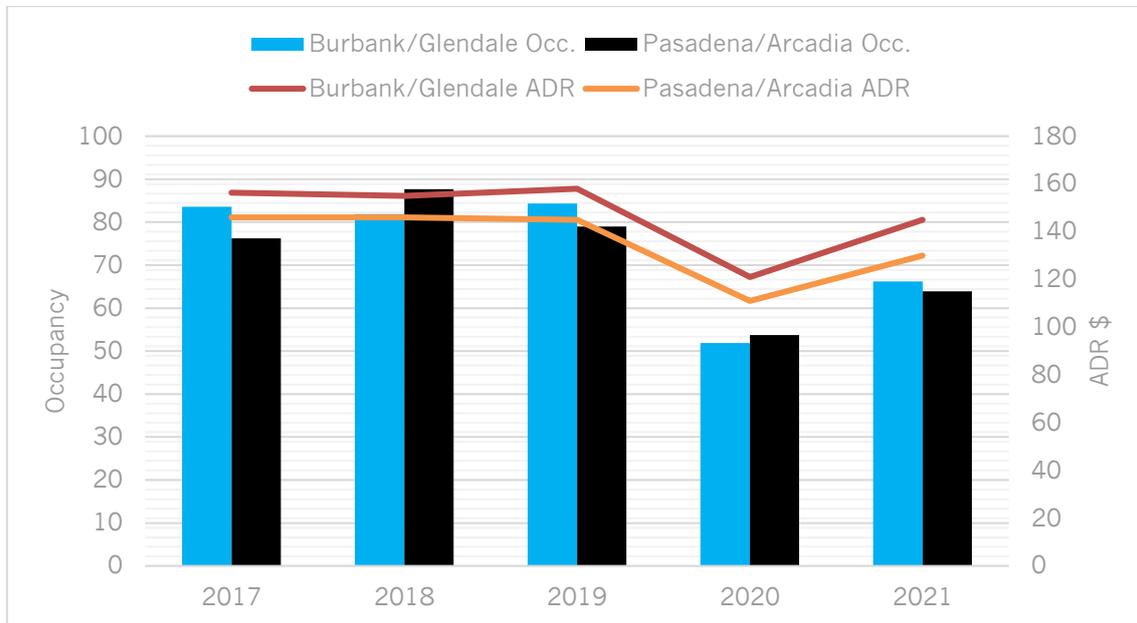
### 3.3.3 Submarket Performance

#### e) Hotel performance in the Burbank/Glendale and Pasadena/Arcadia submarkets

The Burbank/Glendale submarket outperforms the Pasadena/Arcadia submarket in terms of occupancy with 66% and 64% respectively, in 2021. In terms of ADR, Burbank/Glendale leads at \$145 compared to Pasadena/Arcadia at \$130, in 2021. While Burbank/Glendale has a slight edge over Pasadena/Arcadia in ADR and occupancy performance, the two submarkets trend similarly in both metrics with relatively same performance results. That being said, the Glendale/Burbank market continues to support an imbalance in supply between low and high-end hotel product, while the neighboring markets perform similarly, yet support a greater amount of higher end product. The branding of Glendale will be important

moving forward, to present the right image to an increasingly discerning consumer base who are looking for the right market with the right product type.

Chart 20 hotel performance by submarket - Burbank/Glendale and Pasadena/Arcadia



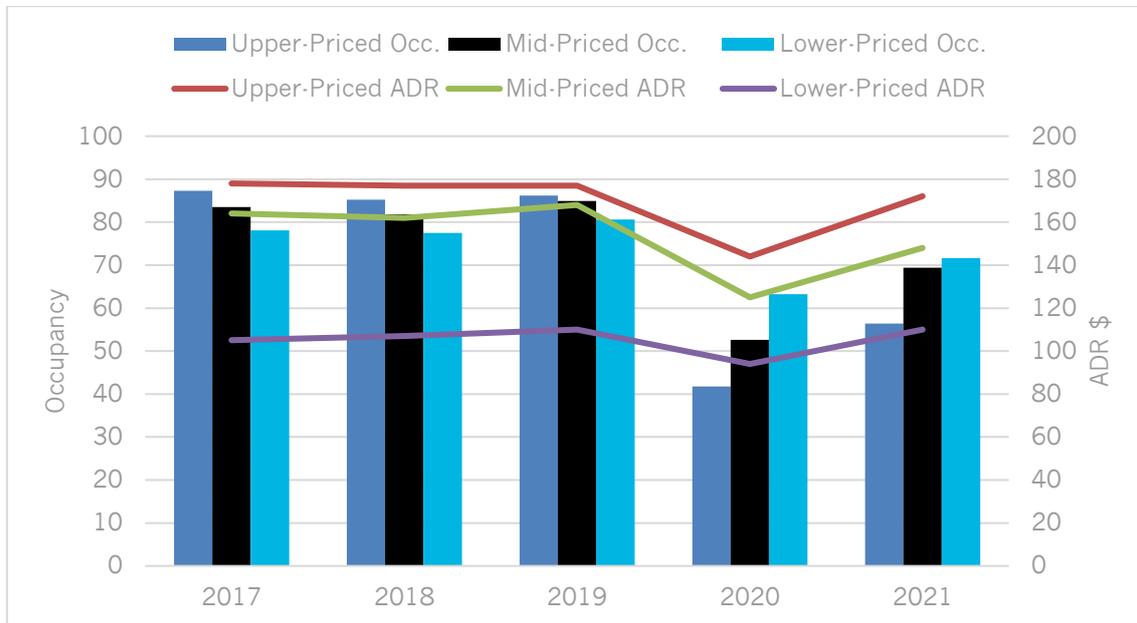
f) Hotel performance in Burbank/Glendale based on price segments

Occupancies across the three price segments in the Burbank/Glendale submarket are close to one another and trend similarly through the years, with the exception of 2020 and 2021 during the Covid-19 pandemic. The upper-priced segment consistently earned a higher occupancy than the other segments in 2017 to 2019. The lower-priced segment in the years 2020 and 2021 outperformed the other two segments in occupancy, as leisure and business travel decreased, and consumers maintained a price-sensitive sensibility.

The ADR performance across the three segments trend similarly with dips in 2020 and a strong recovery in 2021. In 2021, upper-priced reached an ADR of \$172, mid-priced at \$148, and lower-priced at \$110. One thing to note is that the difference in ADR between the upper-priced and mid-priced segment is fairly

tight, indicating that the hotel product in the upper-priced segment is not able to achieve significantly higher rates over the rest of the market’s product.

Chart 21 hotel performance in Burbank/Glendale based on Upper-Mid-Lower-Priced hotels



### 3.4 Relevant Market Segment

A comprehensive analysis of the local hotel market with a focus on the relevant current and likely future hotels (existing capacities, hardware, quality of services offered, etc). Within the scope of our market analysis, we compiled a market sample which includes – to our judgement – the most relevant hotels in the Glendale market. In selecting the hotels, we focused on hotels in explanation of location criteria (e.g. throughout the city with a minimum of 49 guest rooms and a range of capacities, with a positioning in the three/four-star segment (according to national standards) with the exception of the Glendale Express Hotel and Extended Stay America. Particular attention was paid to the quality of the infrastructure and rooms, strong branding, and durability in the market. The Best

Western Plus Glendale, while not within the Glendale city limits, is included based on its branding and positioning within the market.

### 3.4.1 Overview

The following table provides an overview of the room supply of the competitive set:

Chart 22 capacity of relevant hotels

hotel	brand	category	rooms	f&b	event spaces
name	name	type	#	outlets	sq. ft.
Residence Inn	Marriott	Upscale	145	0	360
Embassy Suites	Hilton	Upper Upscale	272	1	6,636
Hampton Inn	Hilton	Upper Midscale	94	0	0
Hyatt Place	Hyatt	Upscale	179	1	1,860
Glendale Express Hotel	Express	Upscale	172	0	2,800
The Glenmark	Marriott	Upper Upscale	85	1	3,259
Hilton	Hilton	Upper Upscale	351	1	15,236
Extended Stay America	Extended Stay	Economy	87	0	0
Best Western Plus	Best Western	Upper Midscale	49	0	0
Total	x	x	1434	4	30,151
Average	x	x	159	x	3,350

The table above indicates that the Hilton is – with a total of 351 rooms – the largest hotel while the Best Western Plus is – with a total of 49 rooms – the smallest hotel within the competitive set. The average number of rooms per hotel amounts to about 159.

These nine hotels, while distinct from the other hotels in the market, do not have any remarkable features or qualities that distinguishes one as far above the rest. The Residence Inn and The Glenmark, two of the more recently opened hotels, are worth mentioning for their new product. The Glendale Express Hotel, a motel refurbished into an upscale hotel, stands out for its more boutique product offering with trendy design. That being said, when looking at the current market landscape, the city lacks a design-forward and innovative hotel concept with a quality food and beverage outlet. The Glenmark does have a Mediterranean-inspired restaurant and rooftop deck, yet lacks the boutique and design-forward elements that would bring something innovative and fresh to the market.

In the following, the competitive set hotels are described in more detail:

Chart 23 overview of relevant hotels

		Residence Inn	Embassy Suites by Hilton		
building				building	
		<i>source: Residence Inn</i>			<i>sources: Hilton</i>
comments		<ul style="list-style-type: none"> <li>▪ Upscale; 145 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Outdoor Pool</li> <li>✓ Fitness Center</li> <li>✓ Convenience Store</li> <li>✓ Laundry Service</li> <li>✓ Complimentary Breakfast</li> <li>✓ Kitchens, Coffee/Tea</li> <li>✓ Meeting Space: 360 sq. ft., 30 max capacity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Upper-Upscale; 272 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Outdoor Pool</li> <li>✓ Fitness Center</li> <li>✓ Business Center</li> <li>✓ On-Site Restaurant</li> <li>✓ Complimentary Breakfast</li> <li>✓ Complimentary Evening Reception</li> <li>✓ Meeting Space: 6,636 sq. ft., 6 spaces</li> </ul>	comments	
		<i>source: Hilton</i>			<i>sources: Hyatt</i>
		Hampton by Hilton Inn & Suites	Hyatt Place		
building				building	
		<i>source: Hilton</i>			<i>sources: Hyatt</i>
comments		<ul style="list-style-type: none"> <li>▪ Upper-Midscale; 94 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Outdoor Pool</li> <li>✓ Fitness Center</li> <li>✓ Complimentary Breakfast</li> <li>✓ Business Center</li> </ul>	<ul style="list-style-type: none"> <li>▪ Upscale; 179 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Outdoor Pool</li> <li>✓ Fitness Center</li> <li>✓ Business Center</li> <li>✓ Onsite Restaurant</li> <li>✓ Complimentary Breakfast</li> <li>✓ Meeting Space: 1,860 sq. ft.</li> </ul>	comments	
		<i>source: Hilton</i>			<i>sources: Hyatt</i>

Chart 24 overview of relevant hotels (continued)

Glendale Express Hotel		The Glenmark, a Tribue Portfolio Hotel	
building			building
<i>source: Express Hotels</i>		<i>sources: Marriott</i>	
comments	<ul style="list-style-type: none"> <li>▪ Upscale; 172 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Outdoor Pool</li> <li>✓ Room Service</li> <li>✓ In-Room Coffee and Tea</li> <li>✓ Pet Friendly</li> <li>✓ Meeting Space: 2,800 sq. ft., 5 spaces</li> </ul>	<ul style="list-style-type: none"> <li>▪ Upper-Upscale; 85 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Concierge</li> <li>✓ Fitness Center</li> <li>✓ Turndown Service</li> <li>✓ On-Site Restaurant</li> <li>✓ Meeting Space: 3,259 sq. ft., 3 spaces</li> </ul>	comments
Hilton Los Angeles North/Glendale		Extended Stay America	
building			building
<i>source: Hilton</i>		<i>sources: Extended Stay</i>	
comments	<ul style="list-style-type: none"> <li>▪ Upper-Upscale; 351 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Outdoor Pool</li> <li>✓ Concierge</li> <li>✓ Digital Keys</li> <li>✓ On-Site Restaurant</li> <li>✓ Meeting Space: 15,236 sq. ft., 9 spaces</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economy; 87 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Complimentary Grab-and-Go Breakfast</li> <li>✓ Kitchens with microwaves and stovetops</li> <li>✓ Laundry Service</li> <li>✓ One Meeting Room</li> </ul>	comments

Chart 25 overview of relevant hotels (continued)

Best Western Plus Glendale		
building		
	<i>source: Best Western</i>	
comments	<ul style="list-style-type: none"> <li>▪ Upper-Midscale; 49 rooms</li> <li>▪ Facilities and Amenities</li> <li>✓ Outdoor Pool</li> <li>✓ Business Center</li> <li>✓ In-Room Coffee and Tea</li> <li>✓ Complimentary Breakfast</li> <li>✓ Free Parking</li> </ul>	

note 1)

sources: hotel website; PKF hotelexperts

g) Notable properties in Burbank

Hotel	Parent Company	Class	Room Count
Hotel Burbank	OSO	Upper Upscale	484
Marriott	Marriott	Upper Upscale	488
Hotel Amarano	Independent	Upper Upscale	132
Hilton Garden Inn	Hilton	Upscale	209
AC Hotel	Marriott	Upscale	196
Residence Inn	Marriott	Upscale	166
SpringHill Suites	Marriott	Upscale	170
Courtyard	Marriott	Upscale	190
Best Western Plus	Best Western	Upper Midscale	68
Hampton Inn	Hilton	Upper Midscale	105
Ramada	Wyndham	Midscale	142
Extended Stay America	Extended Stay	Economy	140
Total	X	X	2,490

h) Notable properties in Pasadena

Hotel	Parent Company	Class	Room Count
Langham Huntington	Langham	Luxury	379
Hilton Pasadena	Hilton	Upper Upscale	296
Sheraton Hotel	Marriott	Upper Upscale	311
Westin Pasadena	Marriott	Upper Upscale	350
Hotel Pasadena	Independent	Upper Upscale	161
Residence Inn Old Town	Marriott	Upscale	144
Hyatt Place Pasadena	Hyatt	Upscale	189
Courtyard Old Town	Marriott	Upscale	314
Holiday Inn Pasadena	IHG	Upper Midscale	93
Best Western Royale	Best Western	Midscale	63
Ramada Pasadena	Wyndham	Midscale	75
Hyland Inn Pasadena	Independent	Midscale	54
Total	X	X	2,429

The notable properties mentioned in the charts above for Burbank and Pasadena have been chosen based on the same criteria as the relevant market segment hotels for Glendale. These hotels have distinguished branding, quality infrastructure and rooms, and durability in the market.

### 3.4.2 Demand

Similar to Glendale’s overall hotel market, the analyzed properties also register a high demand period during the summer season, from June to August. The guest mix of the selected hotels have a range of different clientele, from 50-80% leisure and 20-50% business, and predominantly transient with 10-15% group. This is in contrast to pre-Covid guest mixes – one hotel respondent recorded 60% transient, 25% group, and 15% airline crew. For the newer and better-quality product, including the Residence Inn and The Glenmark, the clientele leans more

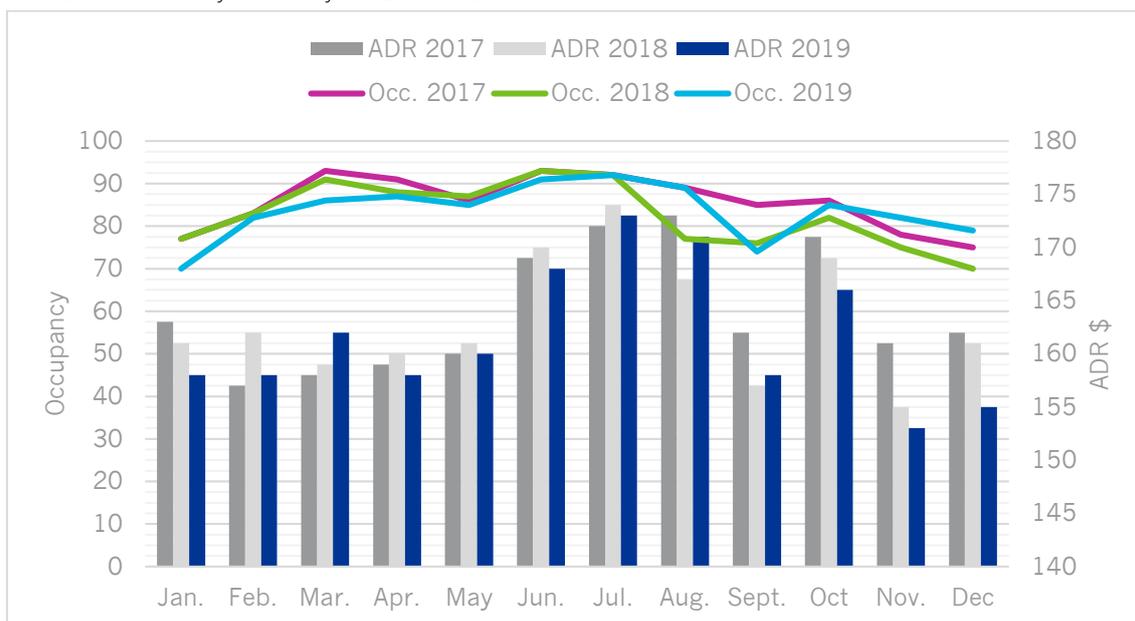
heavily towards millennial travelers and families, who have greater spending power and desire for such hotel product. Moving beyond the newer product in the market, the clientele becomes more mixed with a greater generational scope.

Pre-Covid, the Glendale market experienced greater demand Tuesday through Thursday. With the shift to heightened leisure demand, the weekends have become increasingly more popular than weekdays. The length of stay varies between 1.8 days for the traditional hotel room product and 1+ week for the longer-term apartment style hotel product.

Demand generators for the analyzed properties include nearby tourist attractions for leisure guests, local industry for business travel, and event and group business from the residential community. Universal Studios Hollywood, nearby movie studio tours, The Americana at Brand, and the Rose Bowl are specific attractions and events that drive leisure travel to Glendale and the surrounding markets. Business travel is driven by production/entertainment and local government, in addition to business travelers choosing to stay in Glendale instead of Downtown LA. Local residents drive event and group business in the form of room blocks for weddings and celebrations and rooms for visiting family members. The American-Armenian community is one specific resident group driving demand, enhanced by the attraction that will soon be the Armenian American Museum and Cultural Center.

Glendale is continually evolving, particularly evident in the demand drivers that are pushing the city forward in new directions. The Americana at Brand is one such demand driver, representative of a changing demographic and local and regional consumer base. With data from 78 different feeder zip codes, The Americana has a consumer base that is affluent and mobile. 41% of the consumer base has an average annual income of \$125,000. The residents at The Americana have an average annual income of \$400,000, including numerous Los Angeles Dodgers players and coaching staff, commuters to downtown offices, and second resident buyers.

Chart 26 seasonality based on years 2017-2019



### 3.4.3 Occupancy

According to information provided to us, the average room occupancy of the analyzed hotels in 2019 was between approximately 70% and 92%, while the weighted average room occupancy was at approximately 83%. Compared to 2018, this reflects an increase by approximately 1 percentage points. In 2020, occupancy decreased to approximately 44%, which recovered to approximately 63% in 2021. Occupancy in the months January to May 2022 are below 2019 levels for those same months.

While occupancy used to be greater during the weekdays in the years prior to 2020, with the onset of the pandemic and the change in travellers, Glendale experiences greater occupancy during the weekend nights, with Friday and Saturday at 77% and 83% respectively, compared to Sunday through Thursday which ranges from 58% to 66%.

Chart 27 historical occupancy, Glendale's relevant market segment, 2014-2022

Occupancy (%)													
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year
2014	72.0	78.1	83.3	83.5	80.1	88.1	88.1	89.3	78.9	82.9	74.3	71.4	80.8
2015	72.6	82.7	85.2	85.0	84.3	89.1	90.0	92.4	83.5	86.6	78.0	79.3	84.1
2016	84.9	93.2	92.2	92.2	83.3	87.9	91.3	89.2	79.5	79.2	75.3	69.8	84.5
2017	76.6	83.3	93.2	91.4	88.5	92.5	91.6	89.1	85.0	86.4	78.2	75.4	85.9
2018	76.7	82.8	91.0	88.0	86.5	93.3	91.5	76.7	76.0	82.0	75.3	70.4	82.0
2019	69.5	82.1	85.7	87.2	84.9	90.7	91.9	88.9	74.3	84.6	82.2	78.8	83.4
2020	77.9	82.9	40.4	17.7	26.1	29.2	35.5	43.4	45.1	42.4	40.9	38.7	43.5
2021	42.9	49.0	57.4	62.6	64.8	67.5	74.1	69.1	62.0	69.4	66.0	65.9	62.7
2022	47.2	64.6	70.4	73.9	69.1								
Avg	66.8	75.8	75.7	74.9	73.5	78.0	79.8	77.9	71.5	74.8	69.8	67.3	74.3

### 3.4.4 ADR

The ADR of the competitive set hotels are in the range between \$153 (November) and \$173 (July) in 2019, with an annual ADR of \$162. There was a \$1 dollar unit decrease between 2018 and 2019 annual ADR for the competitive set. In 2020, annual ADR decreased about 21% to \$128, which recovered to \$150 in 2021. ADR performance during the months January to May 2022 have surpassed 2019 levels for those same months. May 2022 had an ADR of \$183, a 15% increase from May 2019.

Chart 28 historical ADR, Glendale's relevant market segment, 2014-2022

ADR (\$)													
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year
2014	152.52	142.75	139.85	141.10	138.71	149.53	149.48	150.39	146.56	150.14	146.17	146.01	146.15
2015	151.65	145.77	147.47	147.13	147.78	156.01	163.99	159.82	150.71	153.68	143.47	144.47	151.31
2016	161.31	180.09	176.10	177.04	172.06	171.08	168.68	168.75	158.35	164.32	164.91	151.60	168.07
2017	162.89	157.22	158.46	158.83	160.35	169.48	171.91	172.67	162.33	171.03	160.58	161.95	164.15
2018	161.14	161.75	158.89	160.14	160.50	170.44	173.88	167.31	156.85	168.59	155.34	160.93	163.15
2019	158.20	158.26	162.31	158.06	159.68	168.09	173.39	170.57	157.63	165.69	153.49	155.01	162.07
2020	150.89	153.26	148.36	103.59	100.59	109.08	112.00	110.46	119.49	120.92	121.17	116.77	127.95
2021	118.44	121.38	126.11	127.57	134.79	148.19	164.26	162.91	162.37	168.57	162.78	173.57	150.10
2022	169.84	178.51	171.58	179.64	183.72								
Avg	154.80	156.77	155.66	155.85	155.78	159.29	163.36	160.56	153.42	159.98	152.55	153.59	155.64

## 4 Gap Analysis

In order to better meet today's demand, as well as induce new demand from a broader region, the City of Glendale should encourage the development of some new hospitality product type. The impact of diverse and well-positioned product can be measured directly in property performance as well as a less directly, in the halo effect on a community. Glendale is poised for more recognition as a destination city among travelers. The city is attracting more affluence in recent years and the residential base is growing. A long-time trend for business and leisure travelers to opt for the quieter cities of Glendale and Pasadena is increasing with Covid, as remote work trends that result in longer and more flexible hotel stays drive people away from the more bustling city centers.

The Americana at Brand offers an optimistic viewpoint on what the City of Glendale has already attracted, as well as what lies ahead. The six new luxury brands that are entering the retail center, cite the success of the property's retail sales as well as a safer and more relaxing environment than Beverly Hills, where some have flagship stores. Since Covid, the Americana at Brand is Caruso Holdings' most successful retail center, placing it 12<sup>th</sup> in the nation in retail sales psf. While retail does not drive hotel stays, the larger entertainment concept that helps the Americana drive a 3x length of stay of shopper above national averages can translate into a deeper community involvement in the nearby Downtown and surroundings.

Among all of our interviews, PKF notes that the largest gaps within the hotel sector are the following:

- **General 4-star Product**  
The increasing affluence of the market, as well as the connectivity with dynamic submarkets surrounding Glendale, would indicate that compelling 4-star product and services be more available than are currently on offer. The Hilton, Tribute, and Residence Inn hotels are among the best quality, and each lacks something in either quality, F&B, event space, and spa amenities. The ADR that the existing upper-priced hotels is achieving is only slightly higher than the middle-priced hotels in the Glendale market, while both far surpass the lower-priced category. This shows us that the upper-priced hotels are leaving revenue on the table. They are not capturing all the business that can be captured from the existing guest base or the higher-end guest base that can be attracted.
  - o **Good event space** for private parties, smaller business meetings, and receptions is missing in the market and should be encouraged in new product. Numerous interviews indicated that the existing meeting space is too corporate for the request profiles that come in.
  - o **Spa Offerings.** None of the hotels in Glendale offer a spa of any note, and the local operations are not high end. These tend to be breakeven operations, yet they elevate the guest experience. Outdoor pools are well-used at the properties that offer them.
- **Suites and Extended Stay**  
The notable increase in short-term rental supply in Glendale in the last three years is an indication that guests are traveling in larger groups and/or looking

for kitchen amenities and additional space beyond the traditional hotel room. The capacity to offer longer-stay, comfortable spaces for leisure travel groups, Hollywood and tech/innovation production and business development needs, and an increasing remote work base, is strong in the Glendale market. TOT dollars should be captured from this visitor base where possible, instead of going to the Airbnb market. The Residence Inn in Downtown has performed well, despite Covid constraints, and charts an average Length of Stay of longer than a week.

- **Boutique**

Well-designed product that attracts a broader LA market is missing from Glendale. The Glendale Express is a good example of a renovation of an old Days Inn motel, which appears to be doing well, despite its 2-star categorization and lack of amenities beyond the pool. Whether new build, or a conversion of older existing economy product, the City's capacity to boost boutique offerings will help bring Glendale to the "destination" level of so many other submarkets surrounding it. Not only does the city need more interesting product – still at an affordable price point – but it would benefit from encouraging the removal of outdated economy hotels that visually impact the city.

When PKF analyzed the composition of hotel supply across LA submarkets, looking at the number of rooms and hotels in the economy, midscale, upscale, upper upscale, and luxury categories, we noted that the Glendale/Burbank submarket mirrors that of Los Angeles North submarket, a sparsely populated and very large area that includes Palmdale and Lancaster. Of 15 submarkets in LA County, only these two had a composition of rooms that constitutes a majority of mid-priced rooms, and far more lower-priced rooms than upper-priced rooms. In 2021, Los Angeles North achieved at RevPAR of \$97.23, compared to Burbank/Glendale's RevPAR of \$96.

As Glendale embarks on its strategic plan, and a rebranding of the city as a destination, this composition should be adjusted towards a greater number of upper-priced rooms and a conversion of the lower-priced rooms towards something more dynamic and in line with the City's goals.

Chart 29 Los Angeles submarkets

**Los Angeles, CA Submarket Summary**

Submarket	Upper-Priced			Mid-Priced			Lower-Priced			Totals		
	Properties	Rooms	% Mkt	Properties	Rooms	% Mkt	Properties	Rooms	% Mkt	Properties	Rooms	% Mkt
Manhattan/Hermosa Beach	8	885	0.8%	15	1,760	1.7%	8	425	0.4%	31	3,070	2.9%
LAX Airport/Inglewood	15	6,135	5.9%	39	7,035	6.7%	18	1,673	1.6%	72	14,843	14.2%
Santa Monica	54	6,605	6.3%	24	2,323	2.2%	16	598	0.6%	94	9,526	9.1%
Los Angeles South/Torrance	15	1,500	1.4%	27	2,861	2.7%	49	3,056	2.9%	91	7,417	7.1%
Long Beach/Lakewood	8	2,443	2.3%	24	3,548	3.4%	35	2,198	2.1%	67	8,189	7.9%
Downey/Norwalk	3	336	0.3%	11	1,408	1.3%	27	1,662	1.6%	41	3,406	3.3%
East LA/Monterey	3	515	0.5%	7	948	0.9%	28	1,702	1.6%	38	3,165	3.0%
Downtown LA/Convention Cente	29	9,619	9.2%	27	3,823	3.7%	31	1,654	1.6%	87	15,096	14.5%
Hollywood/Beverly Hills	61	8,873	8.5%	28	2,172	2.1%	41	2,254	2.2%	130	13,299	12.8%
Burbank/Glendale	10	1,650	1.6%	32	2,951	2.8%	20	1,213	1.2%	62	5,814	5.6%
Pasadena/Arcadia	6	1,657	1.6%	13	1,841	1.8%	21	1,505	1.4%	40	5,003	4.8%
Covina/Pomona	2	275	0.3%	16	2,002	1.9%	25	2,103	2.0%	43	4,380	4.2%
Los Angeles North	1	150	0.1%	18	1,758	1.7%	9	838	0.8%	28	2,746	2.6%
Los Angeles Northwest/15	2	400	0.4%	13	1,370	1.3%	15	1,217	1.2%	30	2,987	2.9%
Chatsworth/Northridge	10	1,290	1.2%	22	2,482	2.4%	22	1,514	1.5%	54	5,286	5.1%
<b>Total</b>	<b>227</b>	<b>42,333</b>	<b>40.6%</b>	<b>316</b>	<b>38,282</b>	<b>36.7%</b>	<b>365</b>	<b>23,612</b>	<b>22.6%</b>	<b>908</b>	<b>104,227</b>	<b>99.9%</b>

Source: Kalibri Labs, Q1 2022

## 5 Incentives Analysis

When considering the use of incentives at the city level, numerous questions must be addressed, including the types of hotels to be incentivized and the impact of those developments. The impact being the consequences on the local economy and the city's general fund, including direct and indirect revenue, supply and demand environment, and the support of a healthy labor market. Glendale must aim to minimize the risk to the general fund while maximizing returns to the city. This can only be realized if it has been determined that a gap exists in the market and that by filling that gap, there is no cannibalization of existing TOT.

The applications of TOT include:

- Rebate a portion or the entirety of the TOT for new development

Case Study: The JW Marriott in Downtown Los Angeles was developed with help from the city with a rebate structure based on a 100 % return of the TOT for 25 years or until a present value of 65 million was reached, taking into consideration a TOT rate of 10%. It was determined, despite pushback from the surrounding hotels, that construction of the JW Marriott would induce demand in Downtown Los Angeles in support of greater convention business and improve the lack of supply of hotel rooms in the area.

- Rebate a portion or the entirety of the TOT for refurbishment

Case Study: The City of Palm Springs established the Hotel Incentive Program – Phase II Renovation Project, effective February 2019 to December 2023. Existing hotels with a minimum of six rooms, once a renovation has taken place, will receive an annual share of the TOT by investing at minimum \$ 5,000 per room. This share is 50 % of the TOT increment for a ten year period or until the hotel has recouped their renovation investment. If the hotel is a Class I Historic Hotel, the share is at a 75 % rate for a ten year period or until the investment has been recouped.

Additional incentive programs, at no cost to the city in an effort to minimize risk include:

- Land contribution or low market land use (long term lease with ramp up lease terms or reduced lease terms)
- Expedited permits
- Reduced permit fees
- Parking abatements
- Provision of off-site improvements

PKF recommends, in support of the previously mentioned statement, that any incentive programs put in place by Glendale should aim to reduce risk while maximizing returns to the city. A TOT rebate program would enable the city to

target the development of specific types of hotels while maintaining and improving the quality of the hotels that currently exist.

- A full-service hotel to appropriately meet the mixed leisure and business demand in Glendale, while providing community amenities such as adequate event and meeting space, and food and beverage outlets.
- A boutique hotel , sub-100 keys, to induce demand with an innovative and exciting hotel product that is met by a multi-generational appetite for design-forward lifestyle driven experiences.
- Refurbishment of the tired motel product in the city, to reinvigorate what currently stands with fresh perspective and future outlook on demand driven by trending noteworthy spaces.