



Section II Why Select Service

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Hospitality Landscape & Crescent Strategy

	Current Landscape	Opportunities	Crescent Strategy
Ultra-Luxury	<ul style="list-style-type: none"> Tremendous growth and profitability Challenging to replicate Record ADR 	<ul style="list-style-type: none"> Limited new supply Limited buyer pool Outsized RevPAR growth Relatively high cap rates 	<ul style="list-style-type: none"> Operational improvements Yield management Amenity addition Long term hold period
Luxury / Upper-Upscale	<ul style="list-style-type: none"> Strong rate and profitability Labor availability Leisure product on market 	<ul style="list-style-type: none"> Afflicted sellers need to transact Undercapitalized owners 	<ul style="list-style-type: none"> Proprietary deal flow
Select-Service	<ul style="list-style-type: none"> Consistent performance Steady deal flow 	<ul style="list-style-type: none"> Resilient demand Attractive cash yield 	<ul style="list-style-type: none"> Operational improvements Yield management Potential portfolio premium

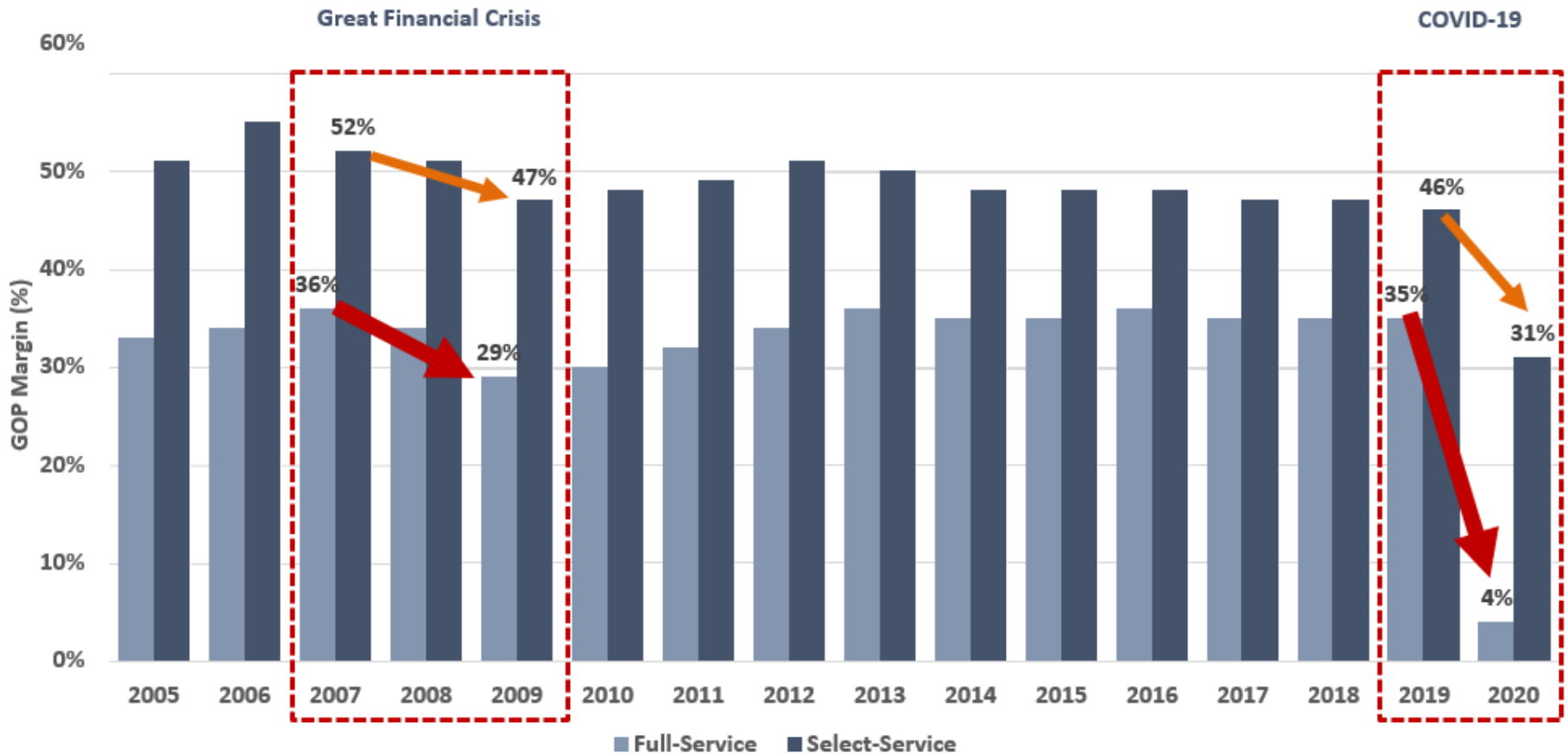
Select-Service Investment Attributes

- **Demonstrated Cash Flow Resilience**
- **High Margins Generate Attractive Cash Yields**
- **Stable Property Sector amid Market Volatility**
- **Outperformance during Inflationary Periods**

Demonstrated Cash Flow Resilience

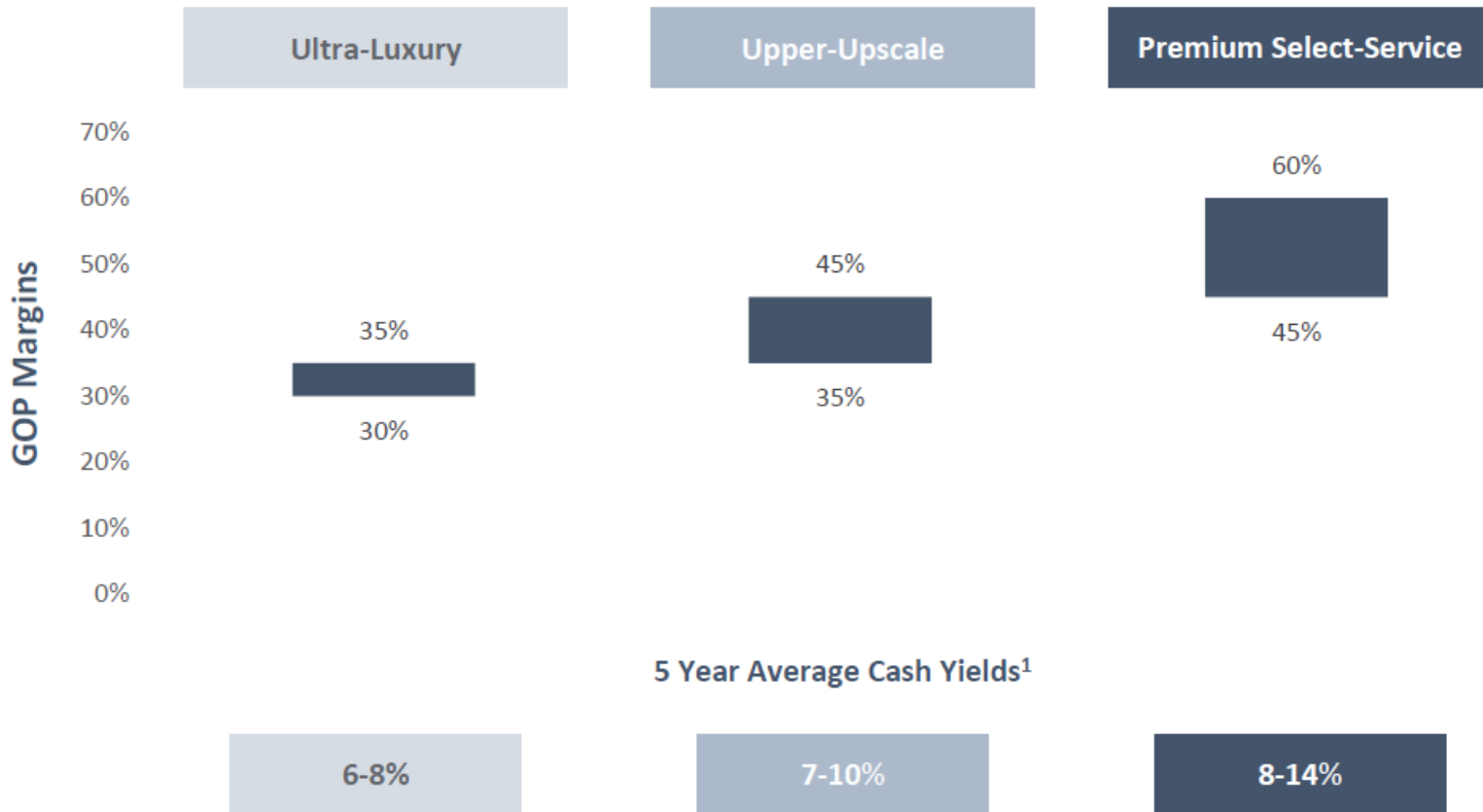
- Select-Service hotels generate higher margins and achieve more stable profitability through cycles

Select-Service vs. Full-Service Gross Operating Profit (“GOP”) Margins



High Margins Generate Attractive Cash Yields

- The Select-Service operating model produces higher GOP margins which translates into higher cash yields relative to other hotel segments

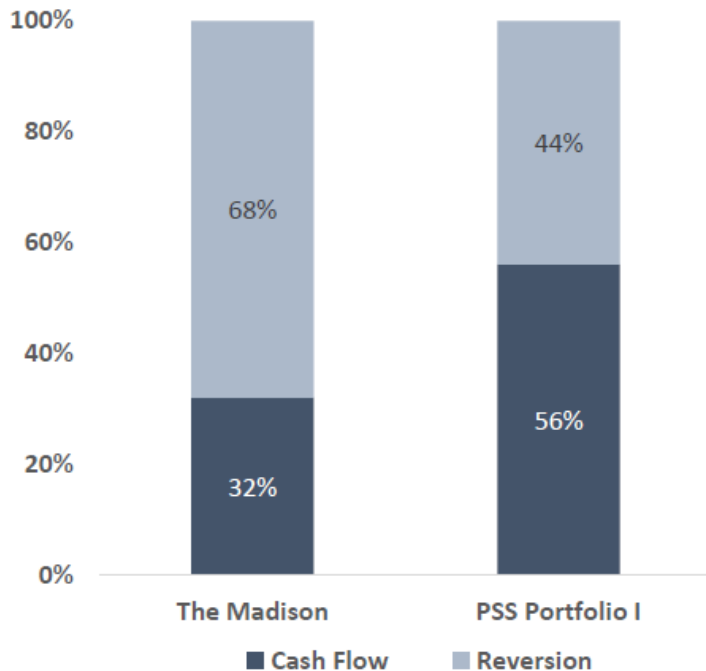


Cash Yield Projections assume investment without a refinance which would enhance cash on cash returns

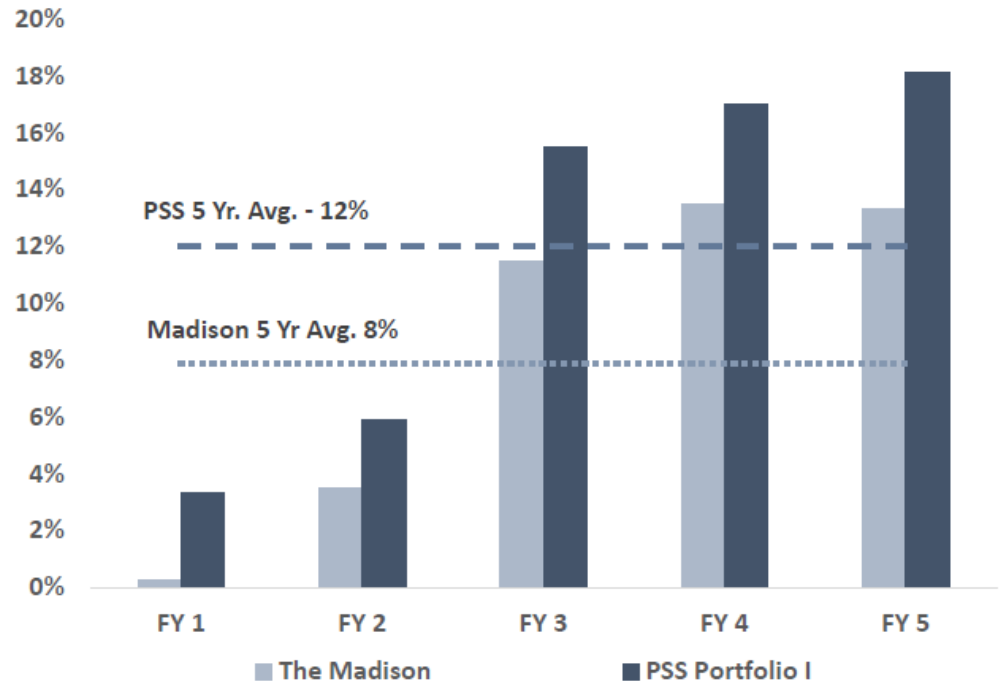
High Margins Generate Attractive Cash Flow Yields

- Select-Service hotels generate more stable cash yields throughout the investment world

Value Segmentation CF vs. Reversion ³



LP Cash-on-Cash Return Comparison ^{1,2,3}



¹ Investment returns depicted are projections and actual performance may vary.

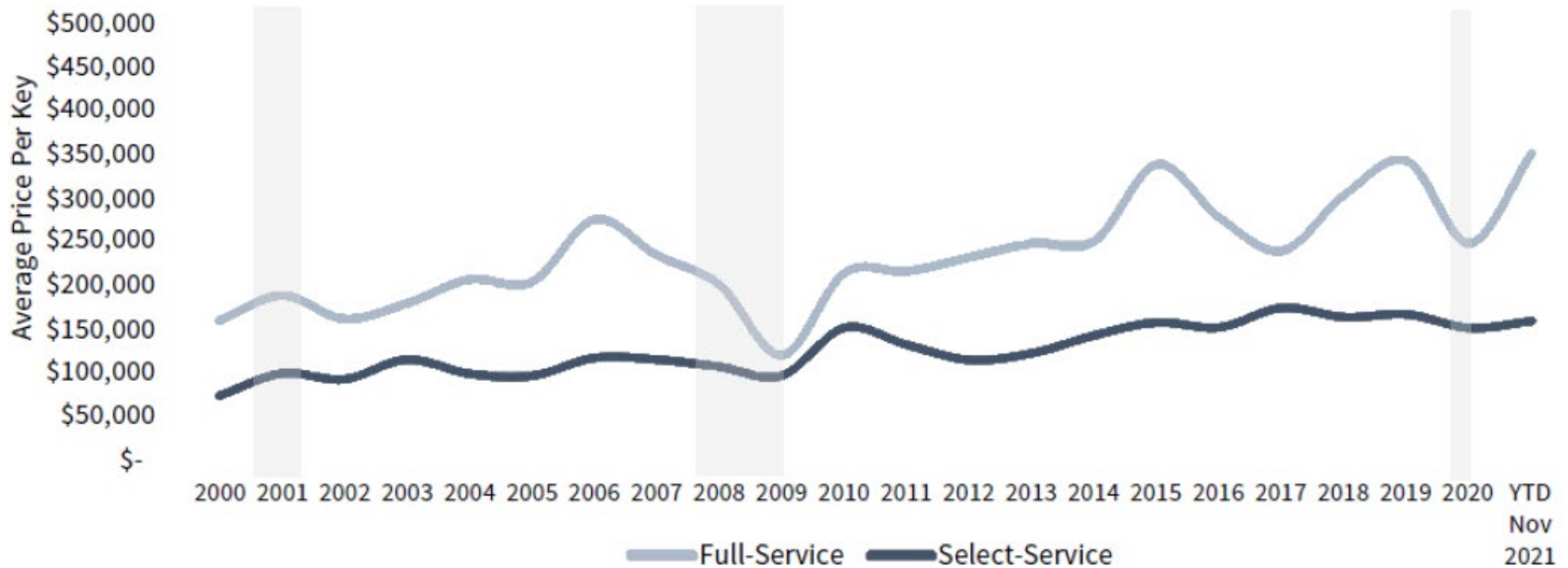
² All four hotel investments have been adjusted to conform to latest yield curves as of 4/27/2022.

³ Returns shown in charts are Crescent's Base Cases which assume no refinance throughout the projected 5-year holds and therefore illustrates a more conservative cash yield. Please see portfolio return sensitivities for returns associated with a refinance.

Stable Property Sector Amid Market Volatility

- Select-Service hotels preserve value throughout market cycles as demonstrated by minimal transaction price volatility

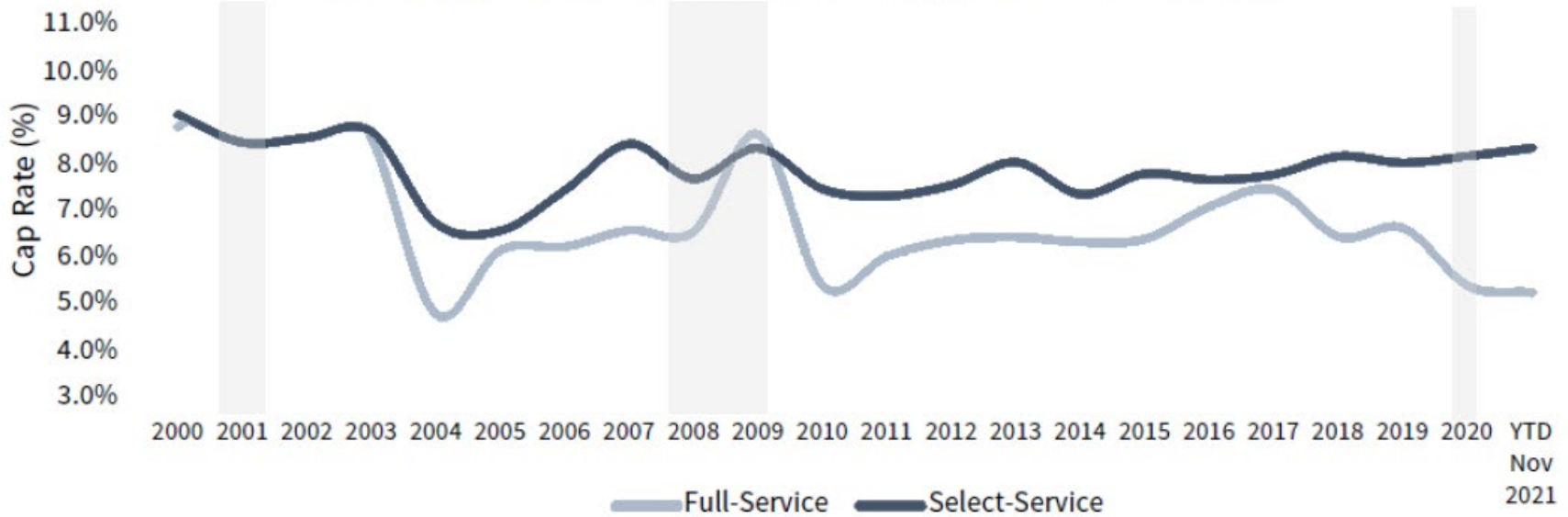
U.S. Select-Service vs. Full-Service Single-Asset Hotel Average Price Per Key



Stable Property Sector Amid Market Volatility

- Select-Service hotels yield consistent returns for investors marked by stable and consistent cap rates

U.S. Select-Service vs. Full-Service Single-Asset Hotel Yields



Yield Ranges	Low	Average	High
Full-Service Hotels	4.7%	6.8%	10.0%
Select-Service Hotels	6.5%	7.9%	9.0%

Outperformance During Inflationary Periods

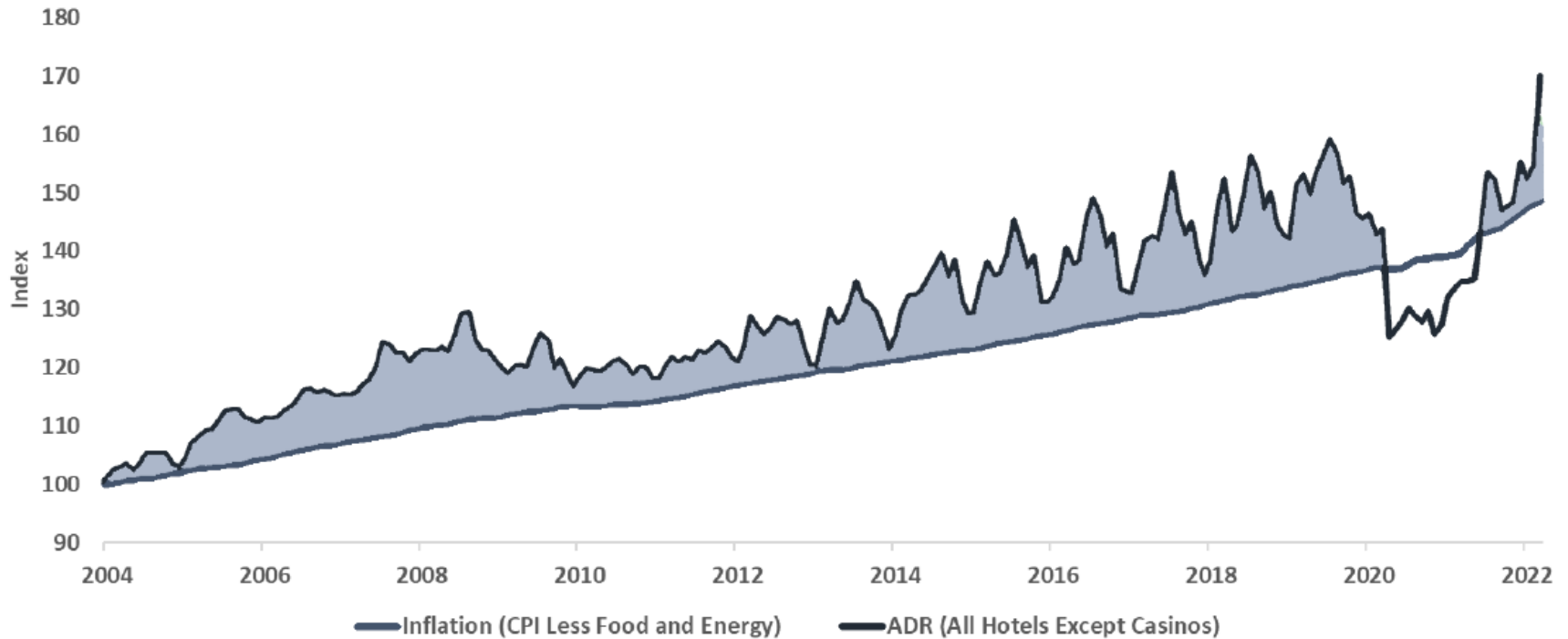
- Historically, hotel profitability has exceeded inflation given adjustable nightly ‘leases’ and fixed cost leverage

	1941 - 1951	1972 - 1982	1970 - 2019
Inflation CAGR	5.9%	8.7%	3.9%
Hotel GOP CAGR	8.6%	9.2%	5.0%
Spread - GOP vs. Inflation	+ 270 bps	+ 50 bps	+ 110 bps
Hotel NOI CAGR	-	12.3%	5.5%
Spread - NOI vs. Inflation	-	+ 360 bps	+ 160 bps

Outperformance During Inflationary Periods

- Using Historical periods of high inflation as a guide, we anticipate hotels will continue to produce outsized NOI growth, particularly as occupancy bounces back to Pre-COVID levels

Hotel Industry Outpacing Inflation



Crescent Premium Select-Service Hotel Strategy

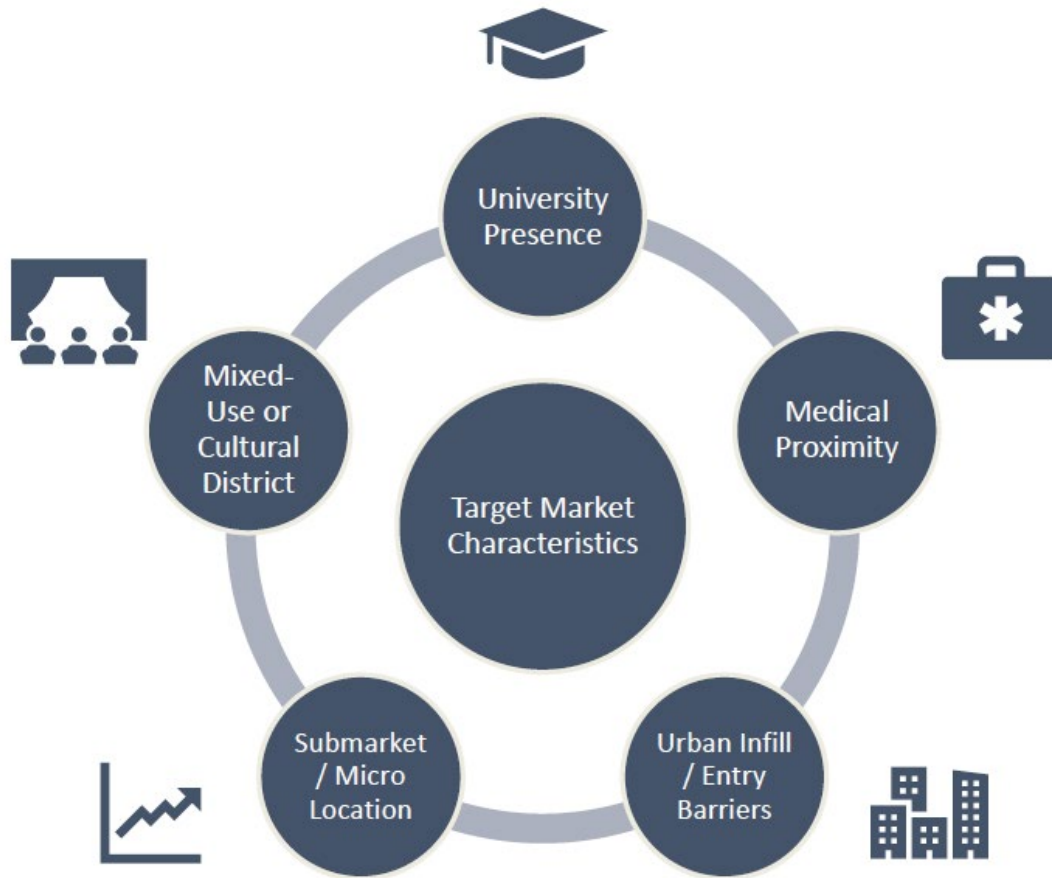
- Proprietary Deal Flow Through Exclusive Relationship with HEI
- Disciplined Opportunity Filter
- Implementation of Proven Value Creation Business Plan
- Aggregate Scale to Generate Portfolio Premium

Disciplined Opportunity Filter

Characteristic	Premium Select-Service
Markets	Secondary and ancillary high-growth markets
Micro Location	Well-amenitized, urban in-fill locations
Demand Drivers	Proximate to multiple resilient demand drivers (ex. universities and medical centers)
Brand	Premium select service brands from Marriott, Hyatt, and Hilton
Performance	High performing assets with management opportunity upside
Vintage	Recently developed or re-developed (2000+)
Deal Size	\$20mm - \$50mm

High Growth Submarkets and Premier Locations

- PSS strategy will focus on well-located assets in high growth submarkets and micro markets with a multitude of resilient demand drivers and barriers to entry



Premium Brands

- Crescent will pursue hotels with 'premium' select-service flags from the top hotel brands.



Undermanaged Opportunities

- Crescent will optimize operations to improve margins and generate additional NOI
- Crescent and HEI Hotels & Resorts have historically realized 94%-106% of underwritten cost savings

		Actual 2019 Performance	Crescent Managed Performance ¹	Delta
Residence Inn UAB	NOI	\$1.87mm	\$2.05mm	\$174k
	NOI Margin	34.6%	37.8%	+ 320 bps
SpringHill Suites Bakery Square	NOI	\$1.59mm	\$1.76mm	\$168k
	NOI Margin	32.9%	37.8%	+ 350 bps
Aloft Tucson University	NOI	\$2.61mm	\$2.66mm	\$51k
	NOI Margin	39.0%	39.8%	+ 80 bps

Upside: Aggregate Scale to Achieve Portfolio Exit

- Investor appetite for Select-Service assets is increasing and Crescent will aggregate a portfolio for potential exit to institutional buyer that requires scale.

Most Active Select Service Investors by 2021 Transaction Volume

Company	Investor Type	Acquisitions (\$MM)	Dispositions (\$MM)	Net Transactions (\$MM)
Blackstone	Equity Fund	\$6,654	\$336	\$6,318
Starwood Capital	Equity Fund	\$6,089	\$210	\$5,879
Highgate Holdings	Dev/Own	\$2,904	\$76	\$2,828
Cerberus	Equity Fund	\$2,840	\$35	\$2,805
KKR	Inv. Mgr	\$565	-	\$565
Summit Hotel Properties	Public REIT	\$437	\$25	\$412
GIC	SWF	\$429	-	\$429
Apple Hospitality REIT	Public REIT	\$373	\$158	\$215
Magna Hospitality Group	Dev/Own	\$347	-	\$347
Dauntless Capital Partners	Dev/Own	\$307	-	\$307
KSL Capital Partners	Equity Fund	\$298	-	\$298
Property Reserve	Endowment	\$238	-	\$238
Noble Investment Group	Equity Fund	\$166	\$187	-\$21
MCR Hotels	Dev/Own	\$163	-	\$163
Davidson Kempner	Inv. Mgr	\$142	-	\$142
Flynn Investments	Dev/Own	\$133	-	\$133
Varde Partners	Inv. Mgr	\$123	\$19	\$104
OTO Development	Dev/Own	\$120	-	\$120
Lodging Dynamics	Dev/Own	\$115	\$7	\$108
TPG	Equity Fund	\$111	-	\$111