March 28, 2022

Dear Fellow Shareholder,

As we begin 2022, I wanted to take the opportunity to connect with you again and provide a recap of Watermark's past year and an outlook for the lodging industry in 2022.

This past year was one of recovery as the world began to emerge from the COVID-19 pandemic. As the year progressed, we made significant strides in our operational performance and took continued steps to enhance our liquidity and improve balance sheet flexibility. While more work remains, I am proud of our team's strong execution and commitment to finding innovative solutions to the significant challenges presented by the pandemic.

2021 Recap

Today, we released our full-year 2021 results, which I welcome you to review. Our financial results demonstrate the significant progress we have made in recovering from the historic lows of 2020 but highlight the remaining variance to pre-pandemic operating performance in 2019. To briefly highlight the more significant results from 2021:

- Occupancy and Revenue per Available Room (RevPAR) for our Comparable Consolidated Hotels was 50% and $138, respectively, which were 73% and 96% above 2020 performance metrics, respectively, but still approximately 30% below 2019 pre-pandemic levels.

- Consolidated hotel revenues less hotel operating expenses (excluding depreciation and amortization) was $134.0 million in 2021, which represents an increase of $163.2 million from 2020(1) but a decrease of $146.8 million from 2019(1), over 50% below pre-pandemic performance.

- Modified Funds From Operations (MFFO), which includes the impact of interest expense and corporate overhead, was a loss of $16.1 million for the full year. MFFO was above break-even for the last two quarters of 2021, despite the impacts of the Delta and Omicron COVID-19 variants.

In 2021, we made significant progress on several initiatives to better align our portfolio with our long-term strategy and to further position the Company for the next stage of the lodging industry recovery. We completed six asset sales generating $176 million of net proceeds. These transactions were associated with non-core hotels that did not align with the remainder of our portfolio and provided us with additional liquidity to re-allocate capital to more strategically focused areas of our business. Additionally, to further simply our balance sheet and enhance flexibility, we purchased our partner's interest in two of our joint venture investments, leaving only two joint ventures remaining in the portfolio. Finally, we were proactive in our debt negotiations and closed eleven loan extensions or refinancings, with cumulative principal balances of over $1.0 billion, which extended our maturity ladder and provided additional capital for operational reserves and capital projects.

(1) Includes CWI-1 and CWI-2 combined company financial results for periods prior to April 2020 merger

Net Asset Value

We also announced today the estimated Net Asset Value ("NAV") per Class A share of $6.29 and per Class T share of $6.22, as of December 31, 2021. This represents an increase of approximately 14% compared to the prior NAV (as of September 30, 2020) of $5.51 per Class A share and $5.45 per Class T share. The primary factor contributing to the increase in our NAV per share was the estimated appreciation of the value of our real estate portfolio, which was partially offset by operating losses, related to the business disruption from the COVID-19 pandemic, incurred since our prior valuation date. Our portfolio valuation, while improved from 2020, remains 12% below our 2018 pre-pandemic valuation on a same-store basis. Further prospective recovery of the portfolio value will take time and will be based on a range of factors including the nature of the market recovery and asset type and location.

The estimated NAV was based, in part, on independent third-party valuations of our assets and mortgage debt by CBRE Hotels and Robert A. Stanger, respectively. The methodology utilized to estimate the NAV is consistent with prior NAV disclosures and conforms to the Investment Program Association's (IPA) Practice Guidelines for Valuations of Publicly Registered Non-Listed REITs. Additional information regarding the NAV can be found in the Investor Relations section of our website at www.watermarklodging.com; please see the NAV FAQ document or the Form 8-K we filed with the Securities and Exchange Commission on March 28, 2022.

Looking Ahead

As we move forward into 2022, we are encouraged by recent U.S. Lodging Industry trends. Near-term demand is rapidly improving across all segments after a challenging start to the year due to the Omicron variant. Many Fortune 500 companies are now returning to the office and resuming travel plans providing a lift in business travel. Group pace is also progressing with bookings, site tours and lead volume increasing across the industry. Finally, leisure demand, which provided the industry's strength in 2021, continues to outperform other segments and we believe will continue to benefit from additional pent-up demand.

WLT's financial position continues to improve, and we have taken additional steps to minimize our costs and strengthen our balance sheet. Given our enhanced liquidity position, in early 2022 we redeemed the outstanding Series A Preferred Stock, and the window to draw on the Series B Preferred Stock closed without us needing to access that additional capital, which marked significant milestones in our recovery. We continue to evaluate our common shareholder distribution and redemption plans but believe the continued suspension of these programs is necessary as we navigate the lodging industry recovery.

In closing, while recent industry performance continues to improve, we remain cautious of continuing risks such as hostilities in Ukraine impacting the capital markets, new COVID-19 variants increasing case counts and the supply chain challenges effecting our industry. We remain confident that the actions we took in 2021 and continue to take this year, positions us well to capitalize on the next stage of the anticipated lodging industry recovery and enhance shareholder value. As always, we thank you for your ongoing confidence and support.

With best regards,

Michael G. Medzigian
Chairman and Chief Executive Officer