Hotel Values & CAP Rates

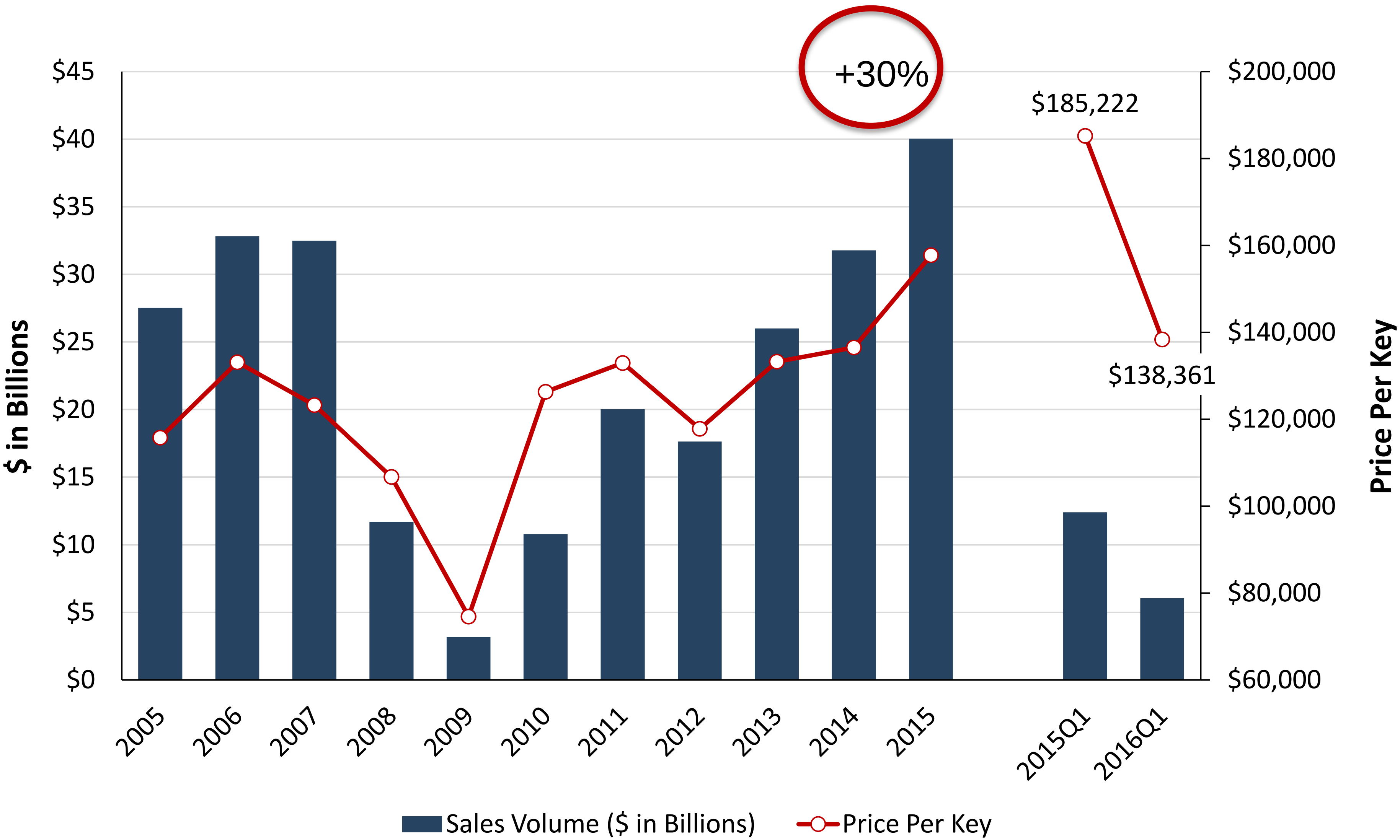
Meet The Money® 2016

Presented by:

Suzanne Mellen, MAI, CRE, FRICS, ISHC
Senior Managing Director - Practice Leader
Hotel and Casino Consulting & Valuation
(415) 268-0351
smellen@hvs.com

May 6, 2015 – Sheraton Gateway Hotel Los Angeles

Historical Sales (Total Assets >$2.5M)



Source: Real Capital Analytics (RCA)

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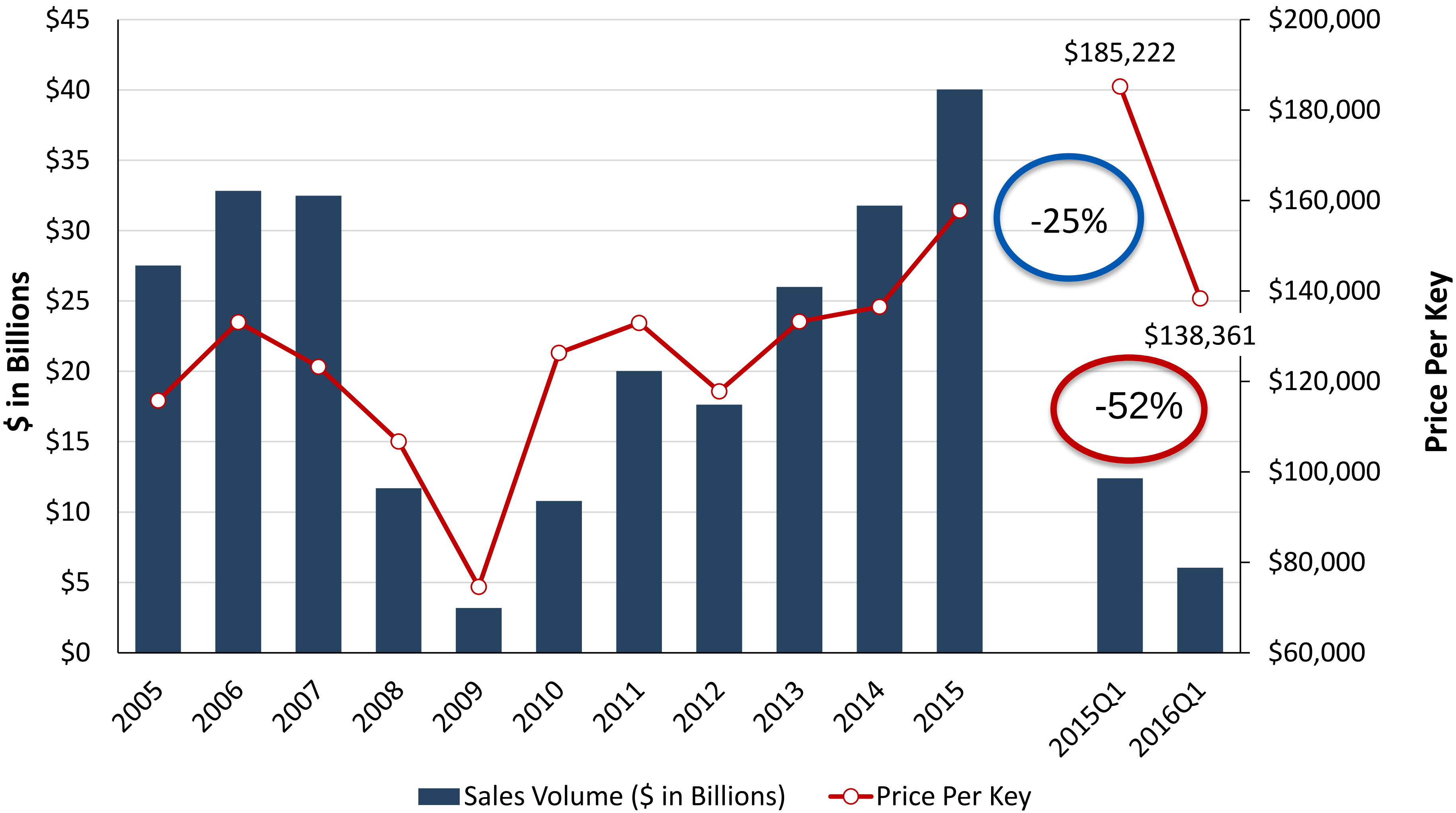
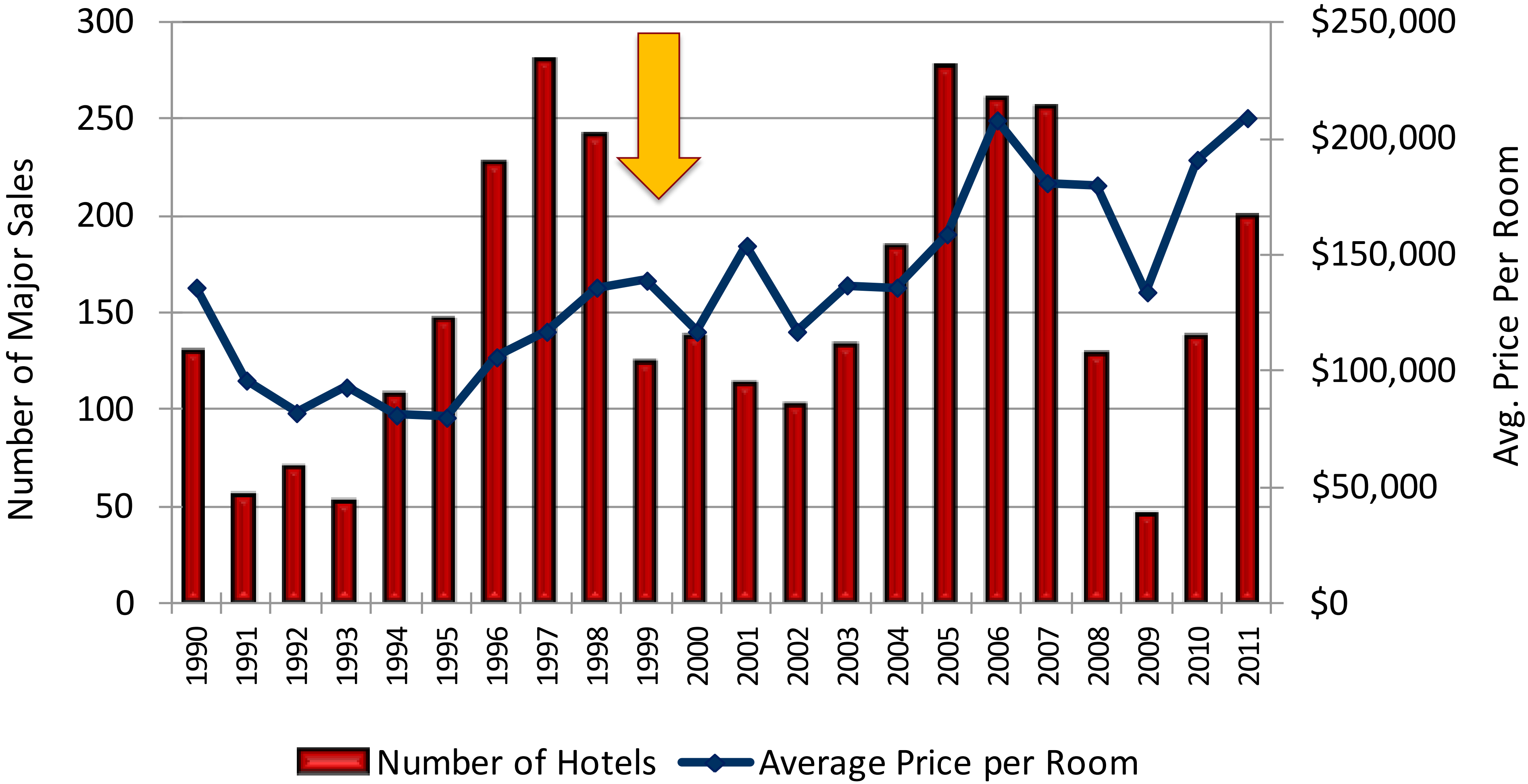
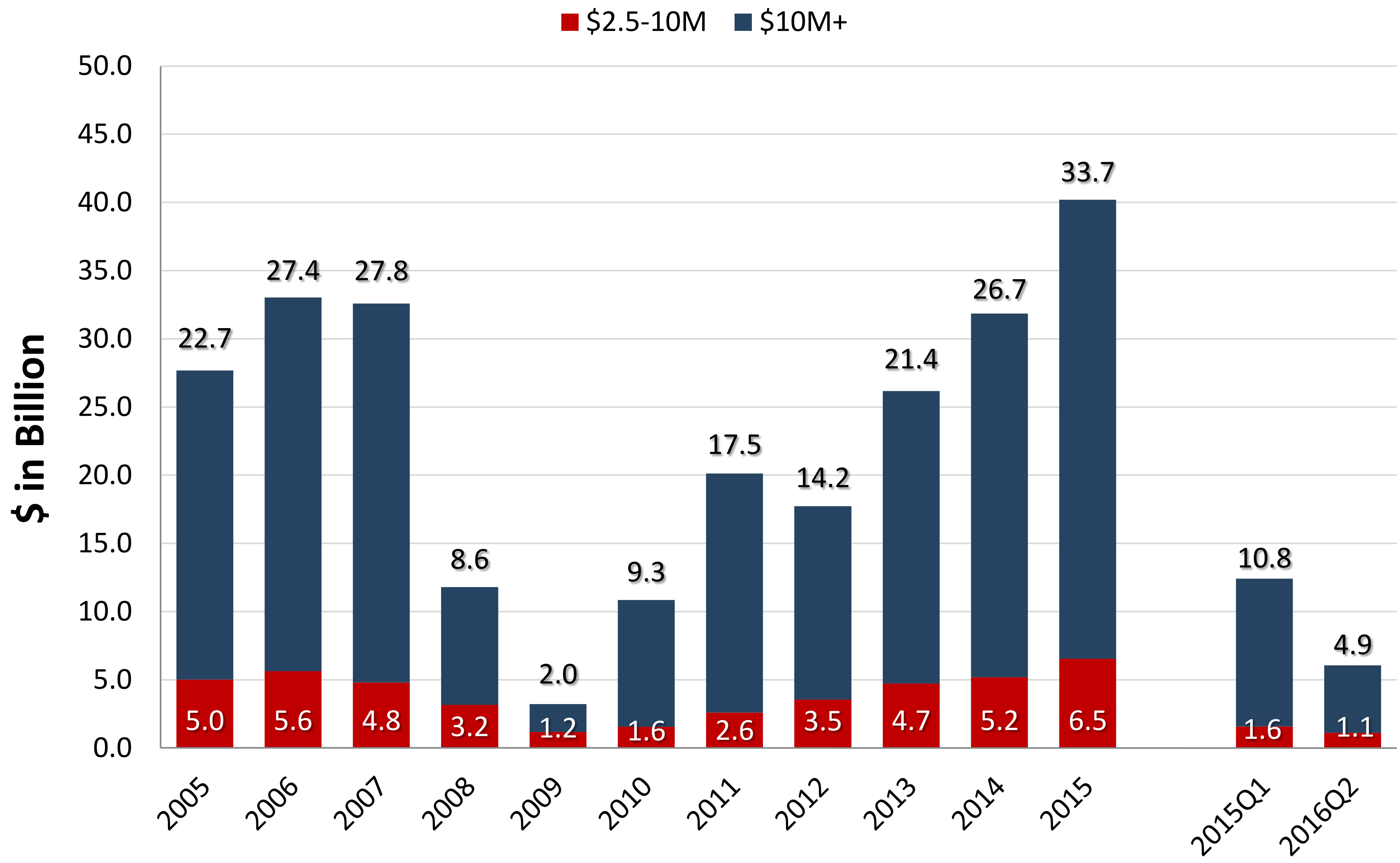


Source: Real Capital Analytics (RCA)

Major Hotel Sales Transactions



Hotel Sales Volume Trends



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Source: Real Capital Analytics (RCA)

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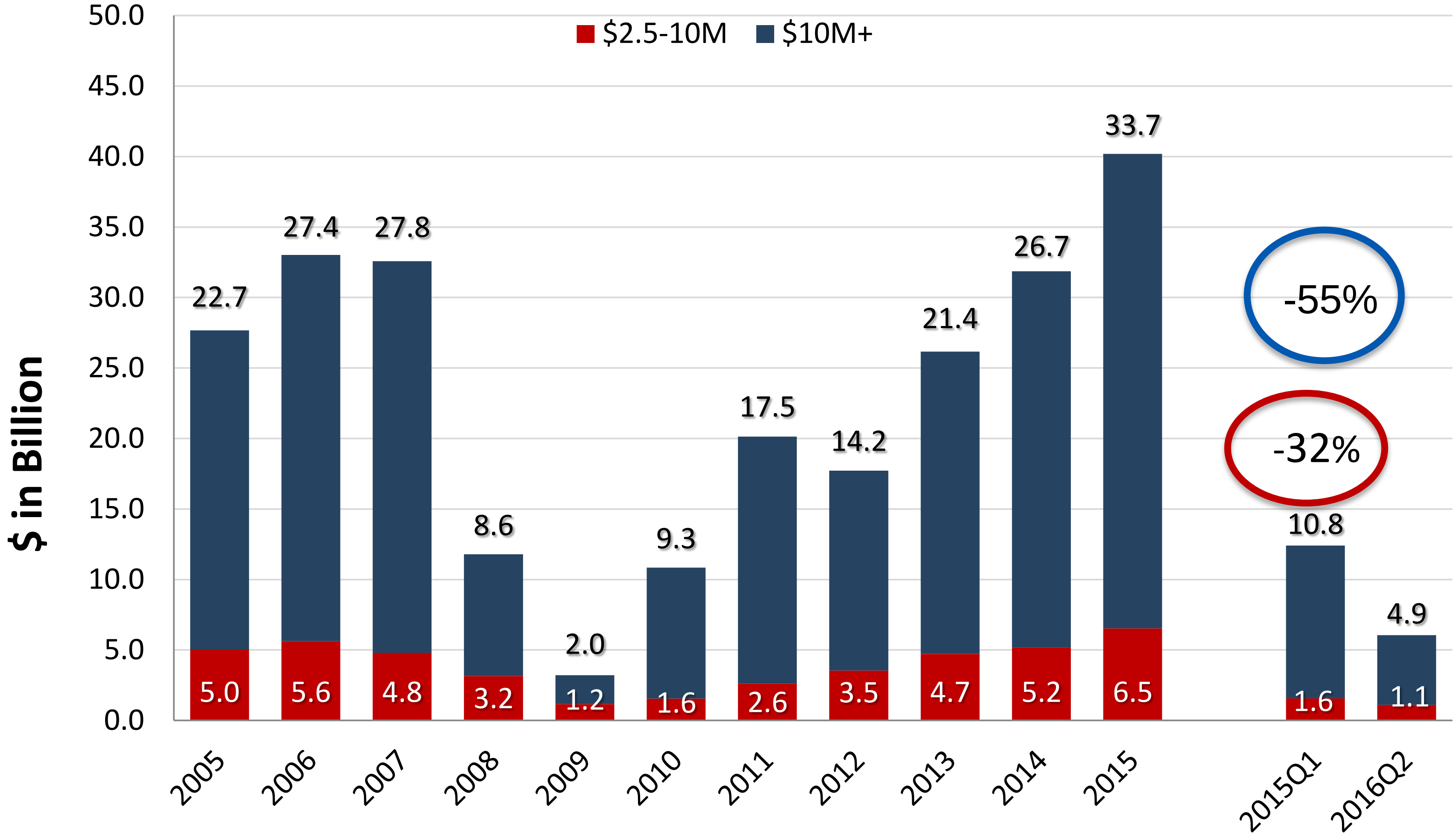
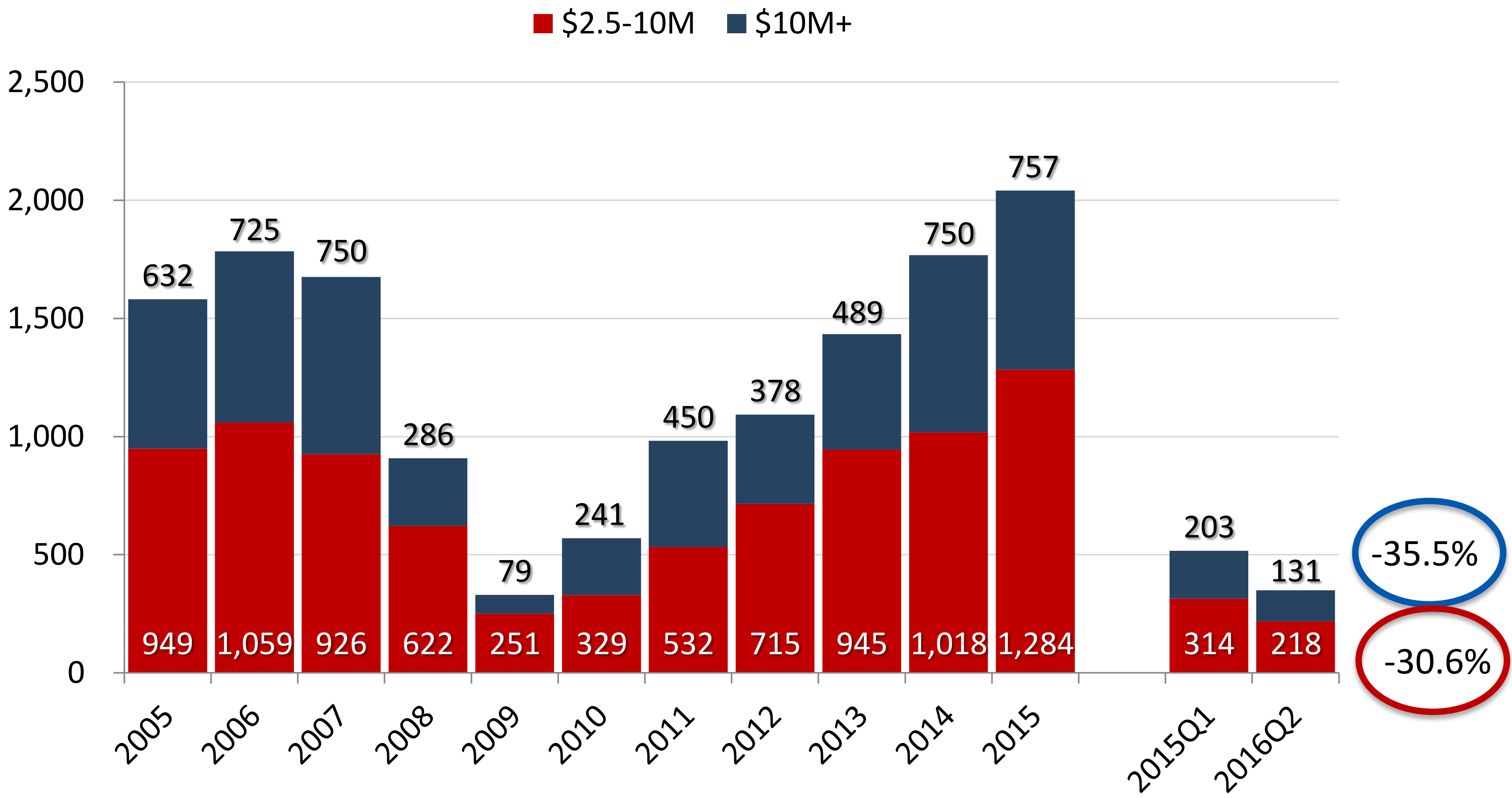


Source: Real Capital Analytics (RCA)

Comparison of # Properties Sold



Source: Real Capital Analytics (RCA)

Portfolio Sales Drove Overall Sales Volume

Notable Portfolio Sales Since 2015

December 2015

Properties: 53 (Extended Stay)
Buyer: DW Crossland Owner LLC
Seller: ESH Hospitality, Inc.
Price: $285,000,000
Price/Room: $57,046

Buyout December 2015

Properties: 16 (Full Service)
Buyer: Blackstone Real Estate Partners VIII L.P.
Seller: Strategic Hotels & Resorts, Inc.
Price: $6,000,000,000
Price/Room: $792,498

May 2015

Properties: 10 Waterpark Lodges
Buyer: Centerbridge
Seller: Great Wolf Lodge
Price: $1,350,000,000
Price/Room: $377,200

Merger January 2015

183 (Select Service)
Buyer: Starwood Capital Group
Seller: TMI Hospitality, Inc.
Price: $1,100,000,000
Price/Room: $81,857

Source: Real Capital Analytics (RCA)

Major Hotel Sales Transactions (Assets $10M+)

Year	Hotels Sold	% Change	Average Price Per Room	% Change
2016Q1	131	-35%	$199,954	-30%
2015Q1	269		286,860	
2015	757	1%	248,707	19%
2014	750	53%	209,414	5%
2013	489	29%	198,707	5%
2012	378	-16%	189,478	-4%
2011	450	87%	196,945	6%
2010	241	205%	185,147	46%
2009	79	-72%	126,843	-30%
2008	286	-62%	182,257	4%
2007	750	3%	175,803	-9%
2006	725	15%	193,925	22%
2005	632		158,550	

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Source: Real Capital Analytics (RCA)

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Source: Real Capital Analytics (RCA)

Sales Exceeding $1 Million Per Key Since 2015

Property Name	Date	City	State	No. Rooms	Sales Price	Price/ Room	Cap Rate
JW Marriott Essex House	Pending	New York	NY	518	783,828,900	1,513,183	
Loews Santa Monica Beach Hotel	Pending	Santa Monica	CA	342	480,425,490	1,404,753	
Four Seasons	Pending	Austin	TX	291	359,677,008	1,236,003	
Montage Laguna Beach	Pending	Laguna Beach	CA	250	270,088,348	1,080,353	
Ritz Carlton Laguna Niguel	Pending	Dana Point	CA	393	424,578,884	1,080,353	
Four Seasons	Pending	Washington	DC	211	220,494,086	1,044,996	
Rosewood Washington	Apr-16	Washington	DC	49	65,000,000	1,326,531	
future One Park Lane	Apr-16	New York	NY	605			
Doubletree Guest Suites Times Square Hotel	Dec-15	New York	NY	468	540,000,000	1,153,846	3.4%
JW Marriott Essex House	Dec-15	New York	NY	518	707,008,247	1,364,881	
Loews Santa Monica Beach Hotel	Dec-15	Santa Monica	CA	342	442,624,549	1,294,224	
Four Seasons	Dec-15	Austin	TX	291	331,376,824	1,138,752	
Panoramic View	Dec-15	Montauk	NY	50	70,000,000	1,400,000	
Ventana Inn & Spa	Aug-15	Big Sur	CA	62	80,150,000	1,292,742	
Bardessono	Jul-15	Yountville	CA	62	85,000,000	1,370,968	5.2%
Sunset Tower Hotel	Jun-15	West Hollywood	CA	74	75,000,000	1,013,514	
Ritz-Carlton Key Biscayne	May-15	Key Biscayne	FL	302	492,875,000	1,632,036	
Baccarat Hotel (4FL-12FL)	May-15	New York	NY	113	230,000,000	2,035,398	
Great Wolf-Chehalis	May-15	Centralia	WA	398	406,429,109	1,021,179	
Fairmont Grand Del Mar	Apr-15	San Diego	CA	249	260,227,273	1,045,089	
New York Edition	Apr-15	New York	NY	273	343,000,000	1,256,410	
The Marker Resort Key West	Mar-15	Key West	FL	96	96,183,333	1,001,910	
Malibu Beach Inn	Feb-15	Malibu	CA	47	80,000,000	1,702,128	
Waldorf Astoria Casa Marina	Feb-15	Key West	FL	150	348,000,000	2,320,000	
Waldorf Astoria	Feb-15	New York	NY	1,425	1,950,000,000	1,368,421	3.0%
Montage Laguna Beach	Jan-15	Laguna Beach	CA	250	360,000,000	1,440,000	5.0%

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Source: HVS and RCA

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Source: HVS and RCA

Rosewood, Washington D.C.

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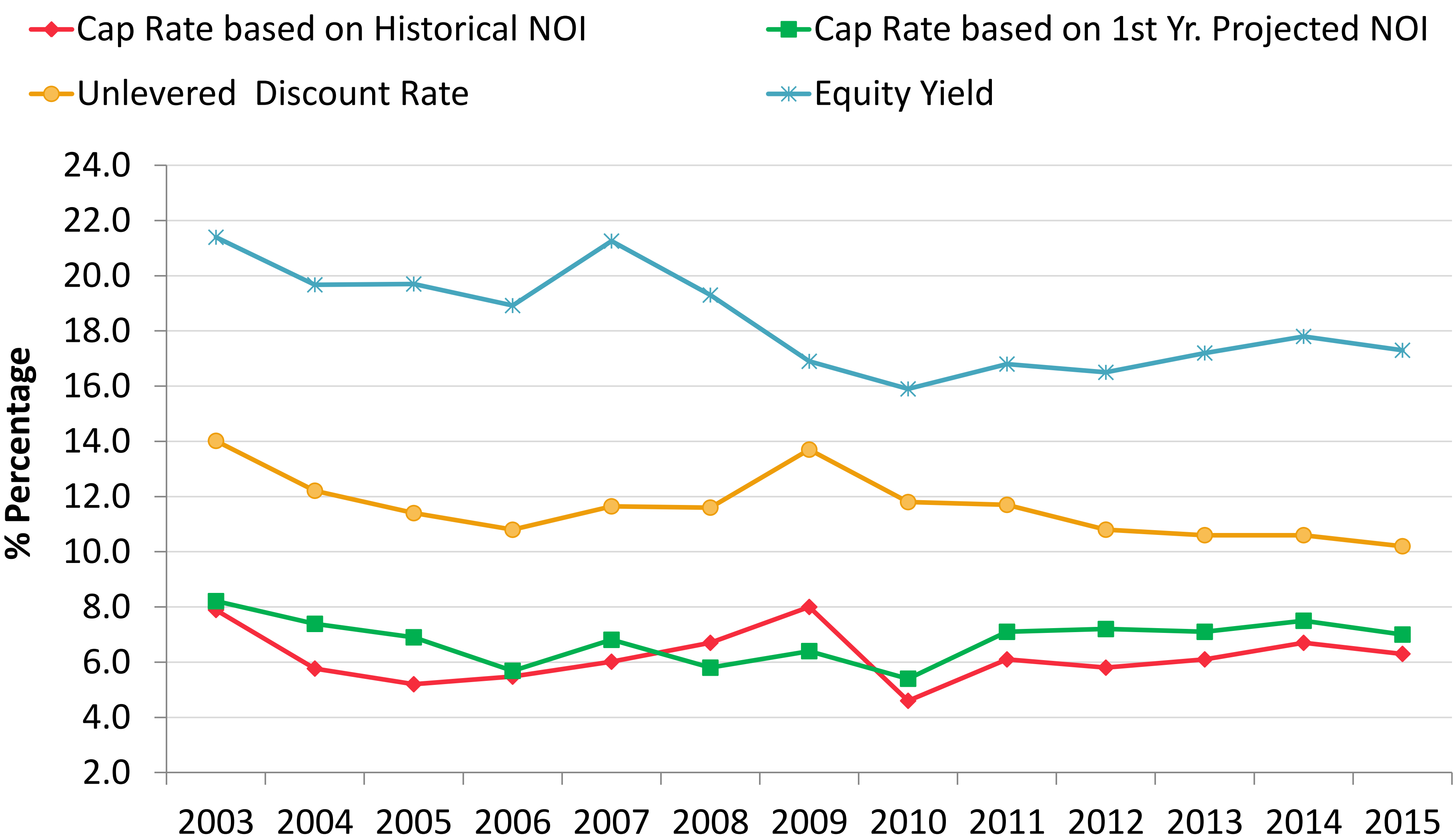
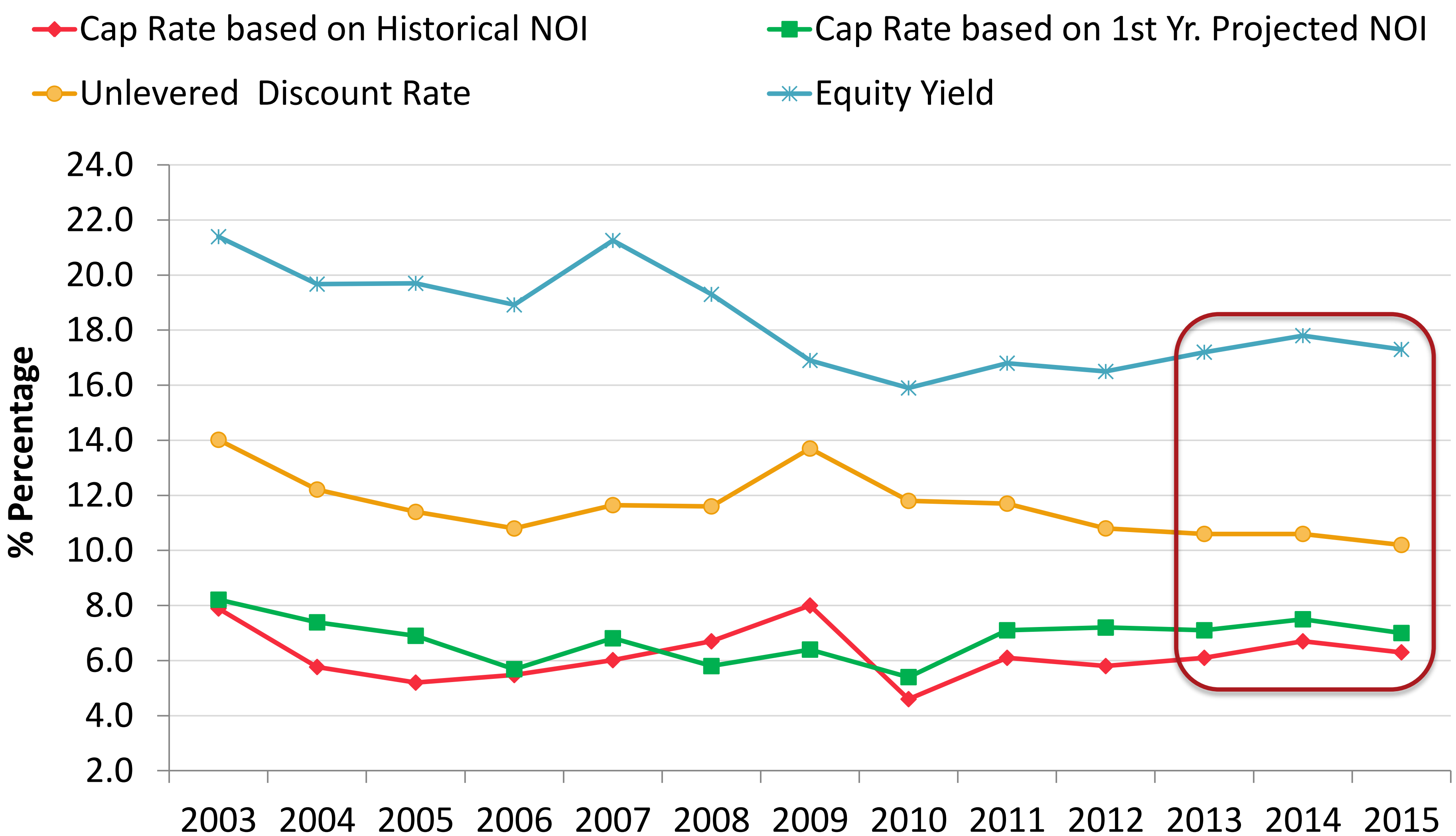
Cap and Discount Rates – Derived from FS Sales



Source: HVS

Cap and Discount Rates – Derived from Sales



Impact of Great Recession – Full Service Hotels

Full Service Hotels	2007	2009
Occupancy	70.0%	62.5%
Avg. No. Rooms	306	292
Average Rate	$166.7	$146.74
RevPAR	$116.7	$91.7
% Change		**-21%**
Revenue PAR	$67,301	52,650
Expenses PAR	$50,298	43,143
NOI PAR	$17,003	9,507
% change		**-44%**
NOI %	25.3%	18.1%
Multiple of NOI Change to RevPAR Change:		**2.06 X**

*Source: STR Annual HOST Reports – Composite US Performance

Full-Service Hotels Have Fully Recovered*

Illustration of Operating Leverage – Revenue and NOI Relationship

Full Service Hotels	2007	2009	2014
Occupancy	70.0%	62.5%	73.9%
Avg. No. Rooms	306	292	299
Average Rate	$166.7	$146.74	$180.94
RevPAR	$116.7	$91.7	$133.7
% Change		**-21%**	**46%**
Revenue PAR	$67,301	52,650	74,975
Expenses PAR	$50,298	43,143	55,911
NOI PAR	$17,003	9,507	19,064
% change		**-44%**	**101%**
NOI %	25.3%	18.1%	25.4%
Multiple of NOI Change to RevPAR Change:		**2.06 X**	**2.19 X**

*Source: STR Annual HOST Reports – Composite US Performance

Limited-Service Hotels Have Fully Recovered*

Illustration of Operating Leverage – Revenue and NOI Relationship

Limited Service Hotels	2007	2009	2014
Occupancy	69.2%	63.3%	74.2%
Avg. No. Rooms	117	113	116
Average Rate	$94.94	$85.26	$102.45
RevPAR	$65.70	$53.97	$76.01
% Change		**-18%**	**41%**
Revenue PAR	$24,349	$20,128	28,516
Expenses PAR	$14,606	$13,583	17,710
NOI PAR	$9,743	$6,545	10,806
% Change		**-33%**	**65%**
NOI %	40.0%	32.5%	37.9%
Multiple of NOI Change to RevPAR Change:		**1.84 X**	**1.59 X**

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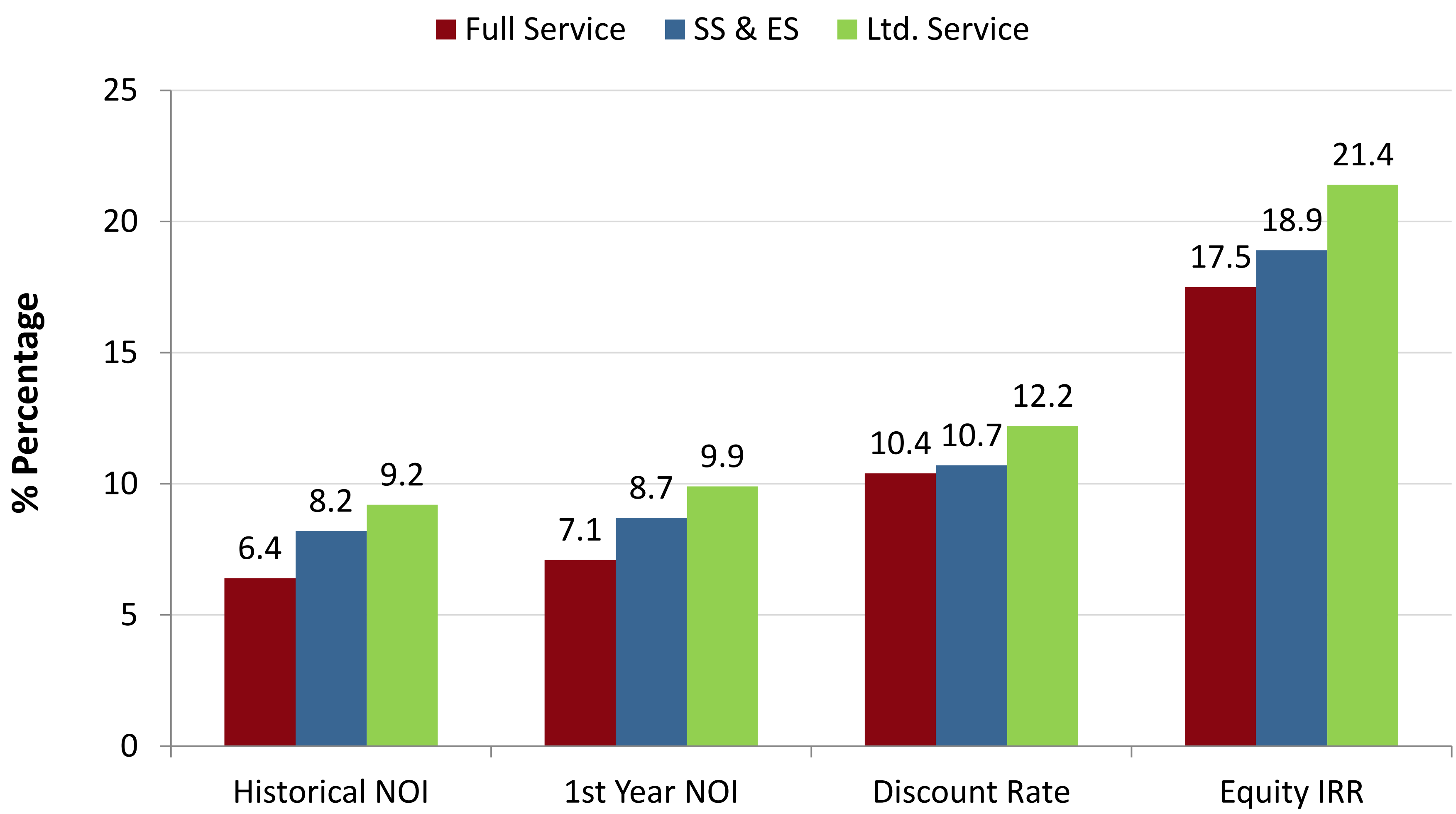
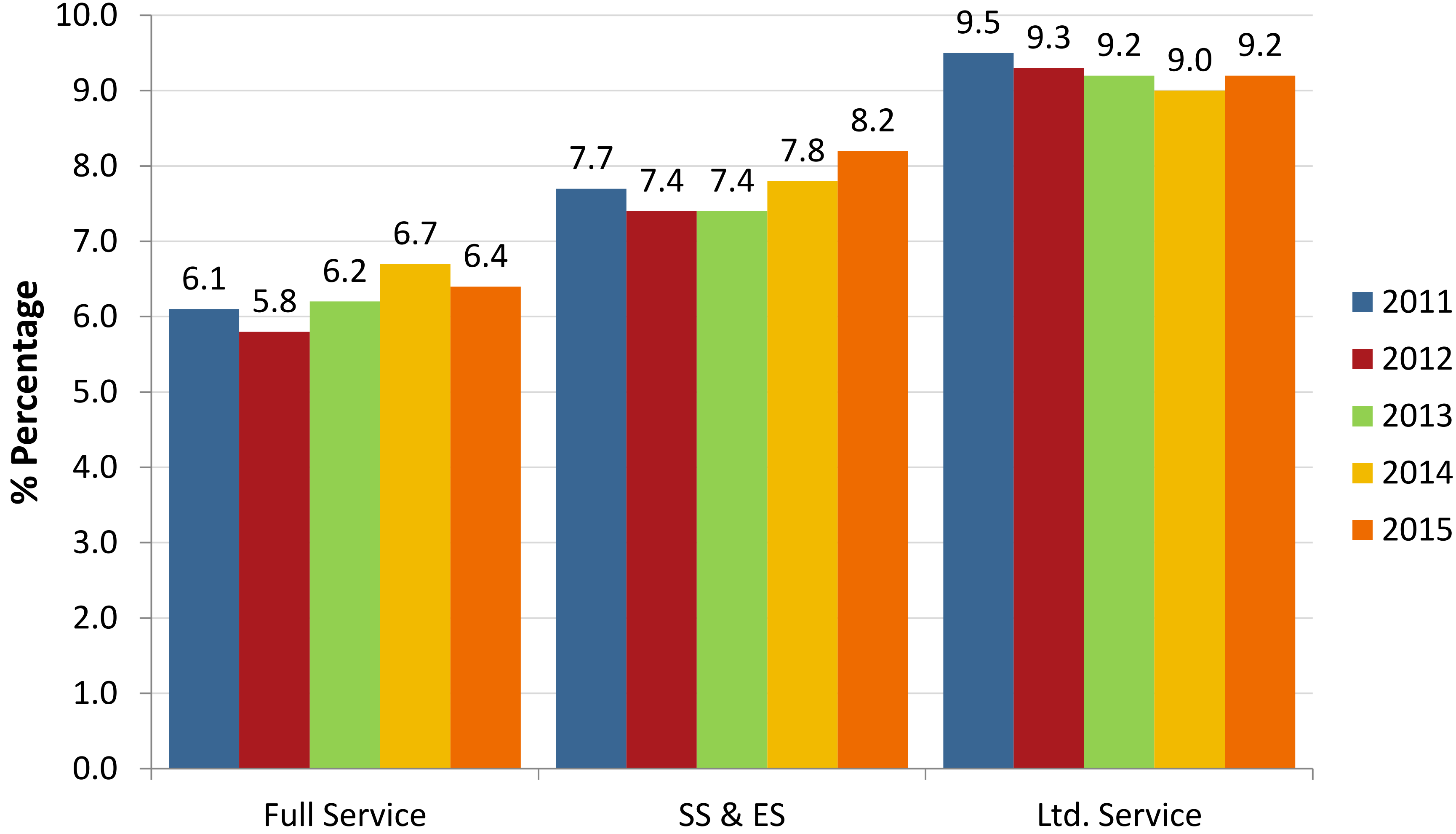
*Source: STR Annual HOST Reports – Composite US Performance

2015 Comparative Rates of Return



Source: Derived from hotels appraised by HVS at time of sale

Derived Cap Rates Ticking Up For Select Service Hotels (based on historical NOI)



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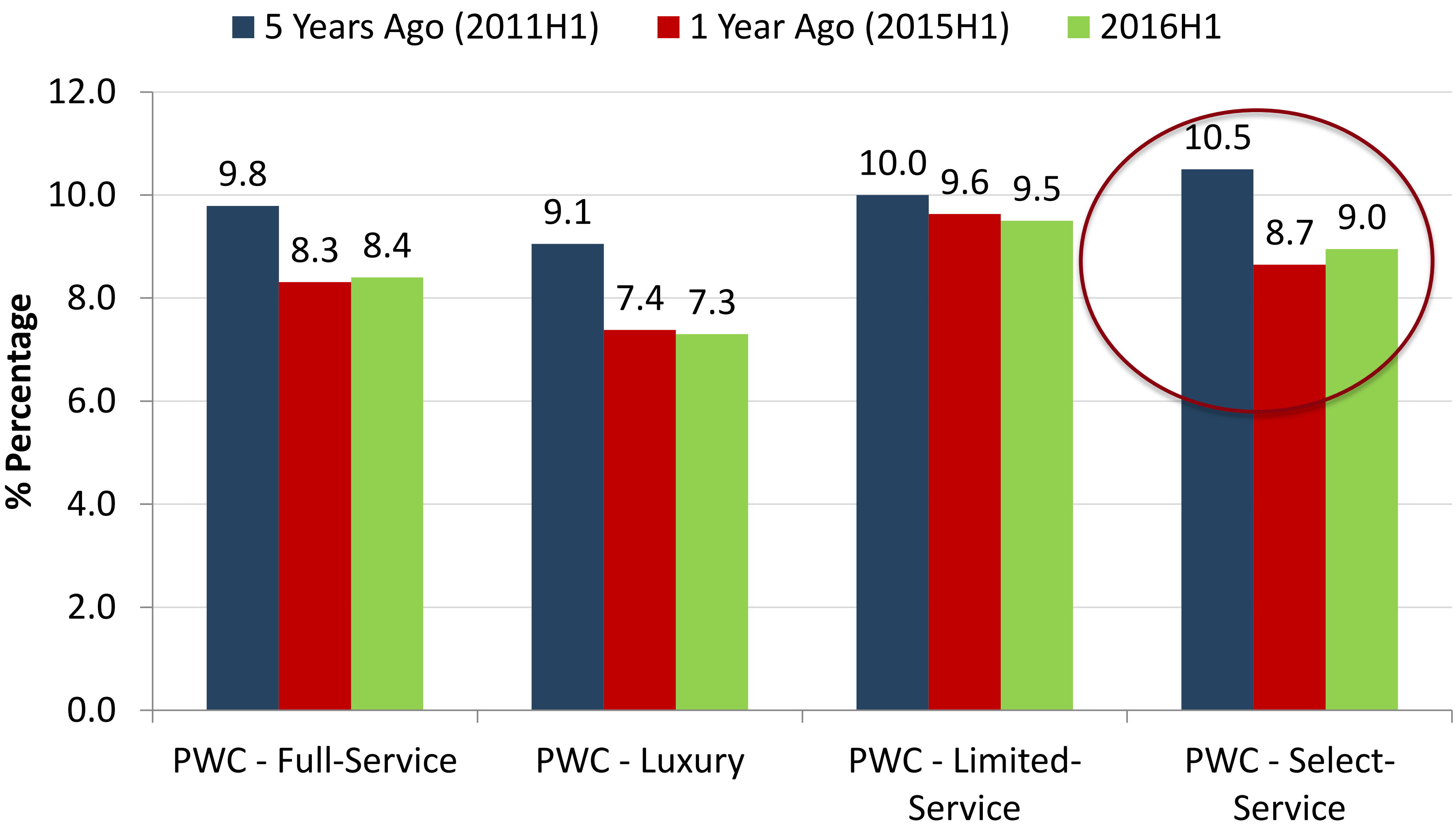
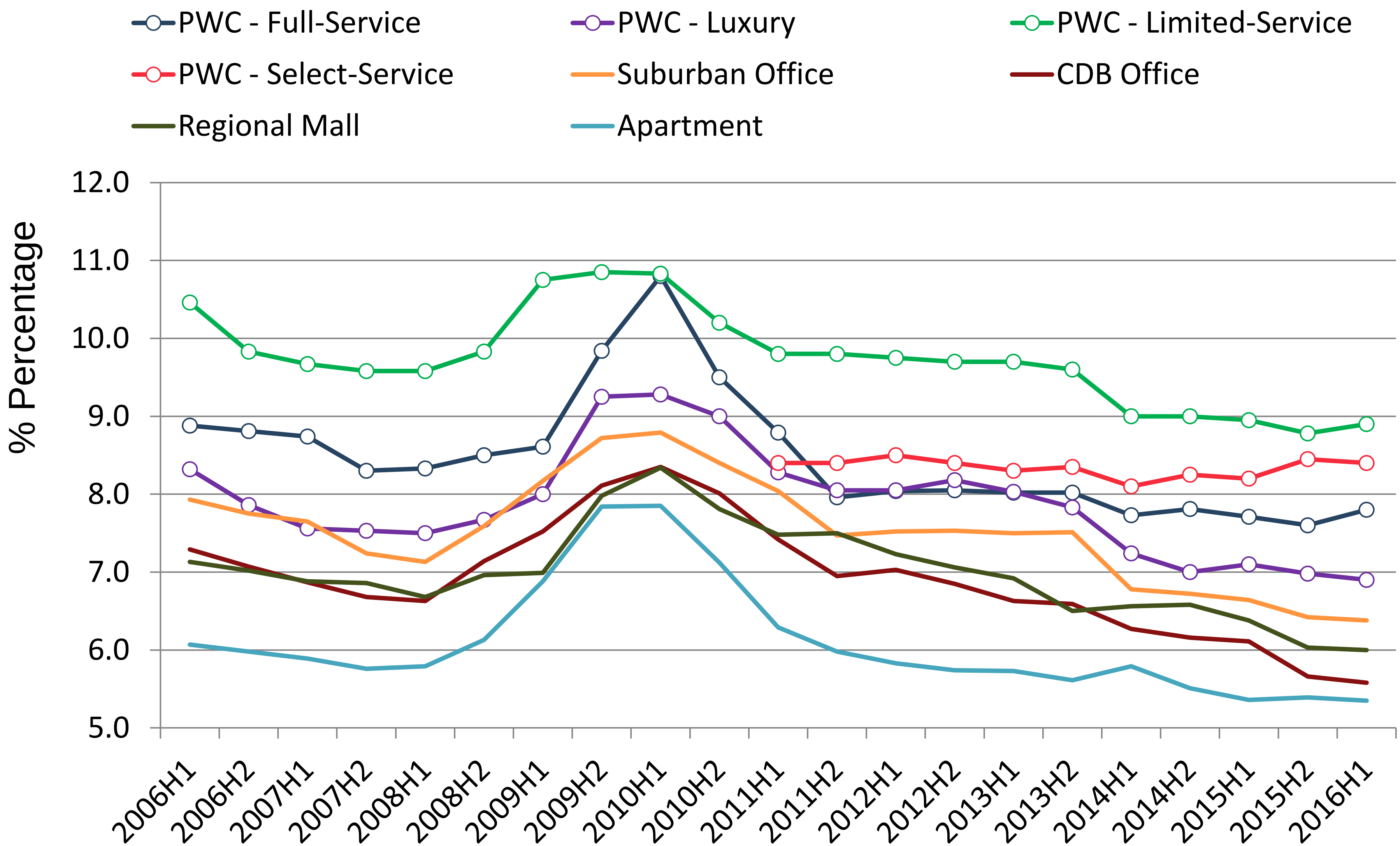
Slight Uptick in Terminal Cap Rates For Select Service Hotels



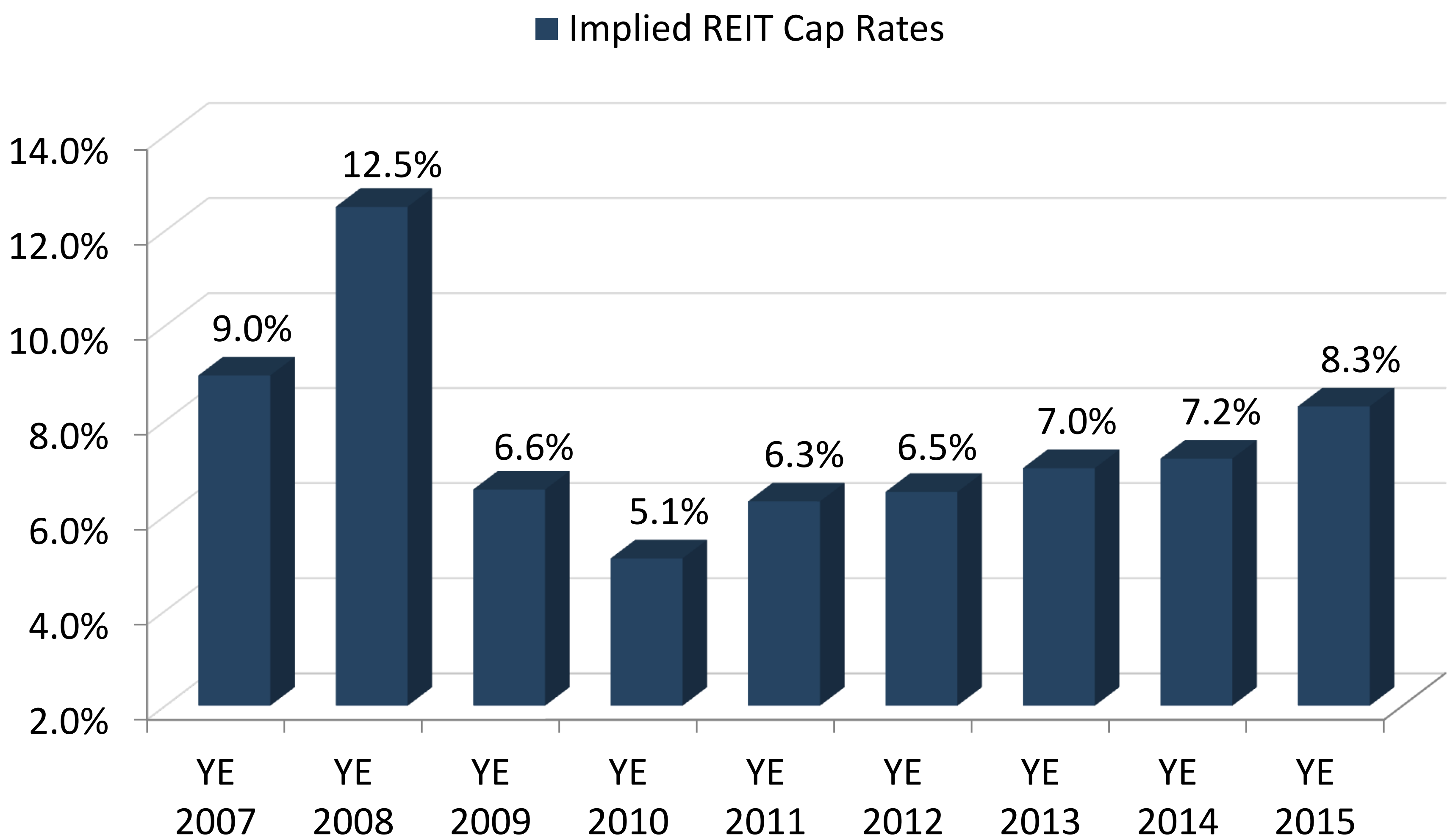
Source: PWC Real Estate Investor Survey

Hotels Maintain Cap Rate Premium



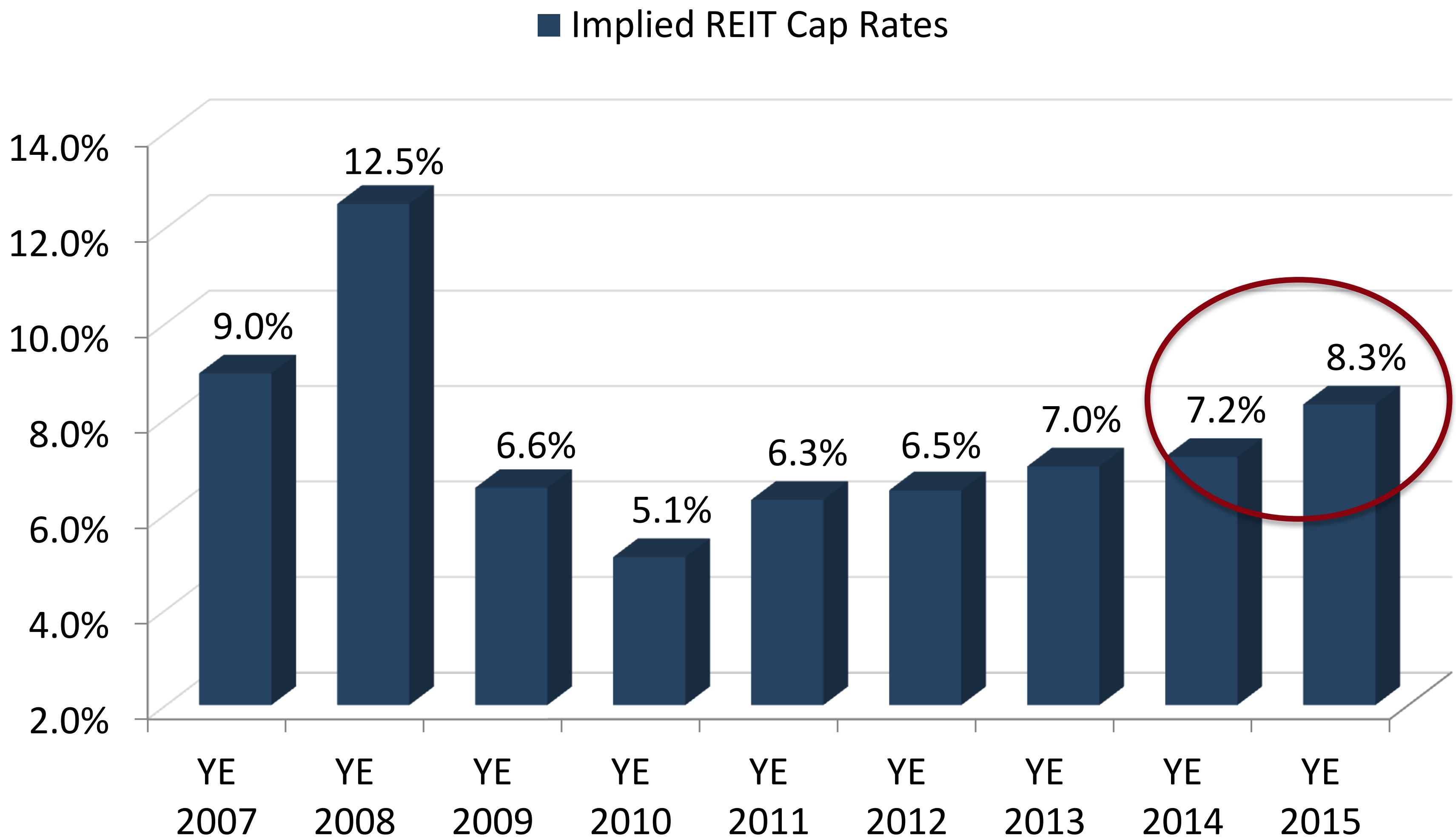
Source: PWC Real Estate Investor Survey

Publicly Traded REIT Cap Rates Trending Up



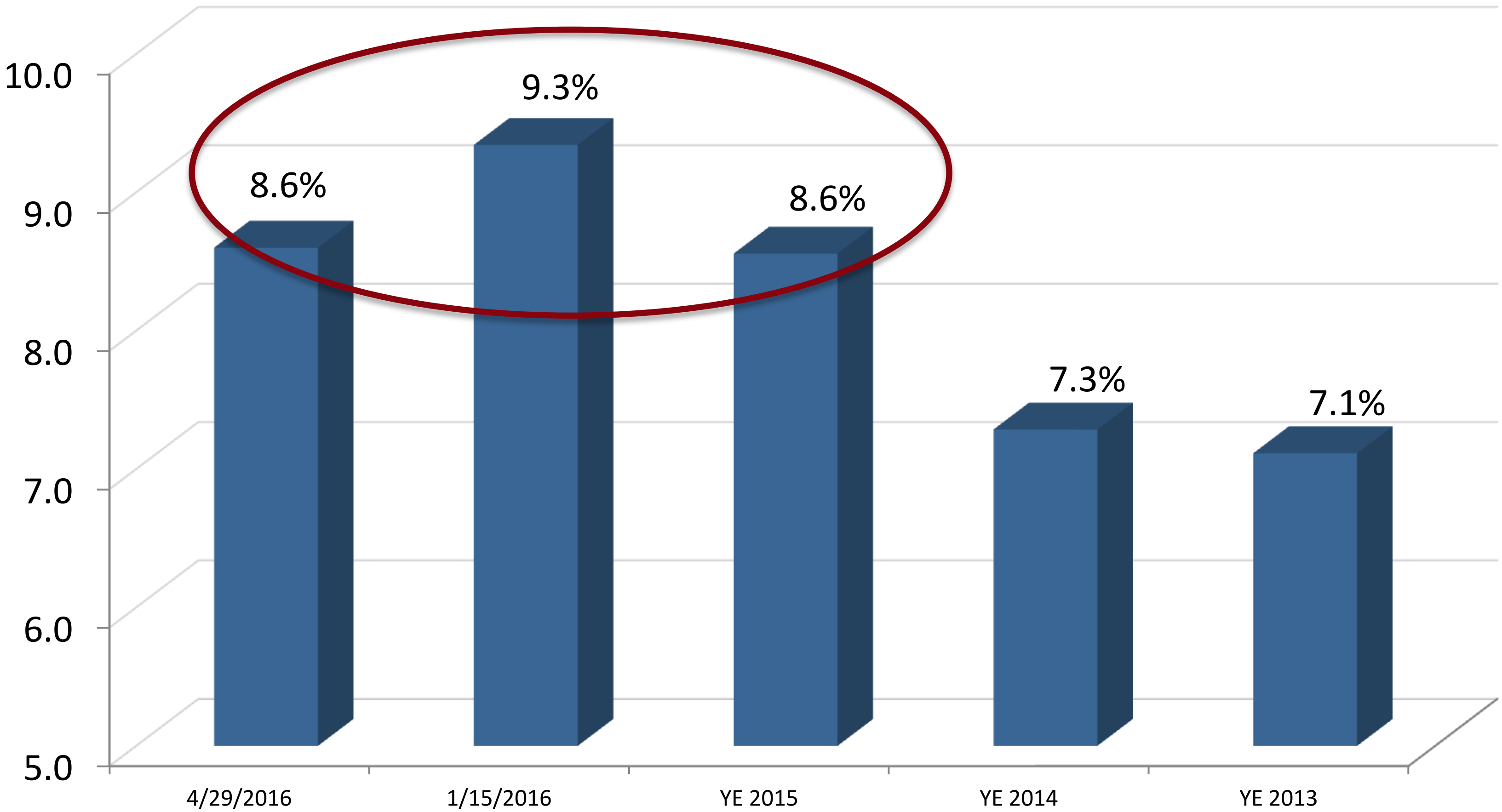
Source: Investment Banking Bulletins, SEC, HVS

REITS Outlook is Positive



Source: Investment Banking Bulletins, SEC, HVS

Capitalization Rates Derived from REIT Valuations (Without Strategic)



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Summary

- 2015 will be remembered as the peak year of the post Great Recession cycle
- New supply concerns and global economic factors impacting outlook for hotel performance and investment
- Debt more challenging to procure, though interest rates remain low
- Gap between buyer and seller expectations stalling transaction market
- Cap rates have risen 50 bps for most assets but remain low for high quality full service and luxury hotels in prime markets
- Aging hotels once again challenged due to lender pullback, cap ex and new supply
- Higher cap rates will be offset by rising NOI in strong markets sustaining values
- Higher cap rates will negatively impact values in markets facing supply and demand challenges and stagnant or declining NOI

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Any Questions?