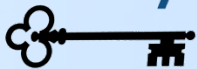


Opportunity OR Peril?



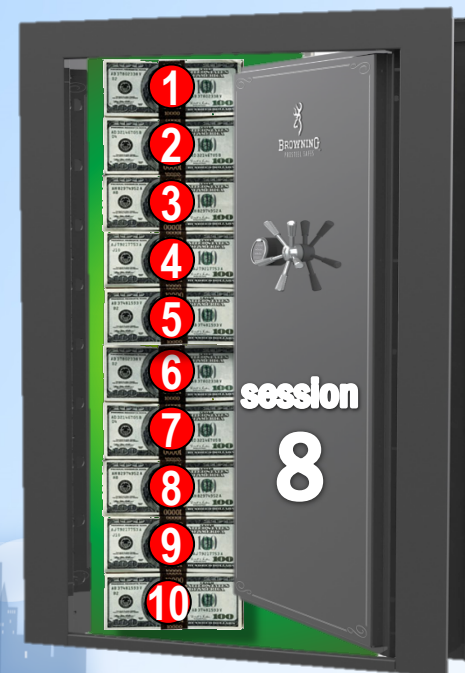
finding the right KEY
to the right DOOR



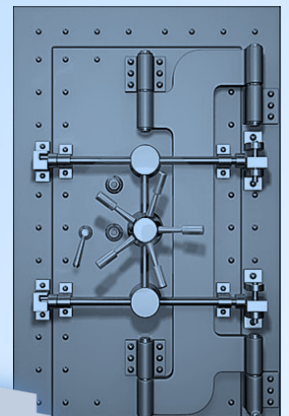
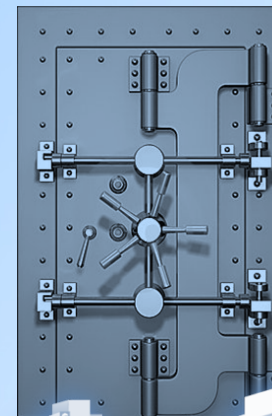
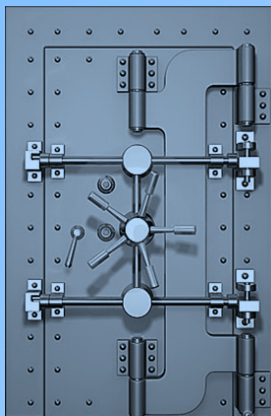
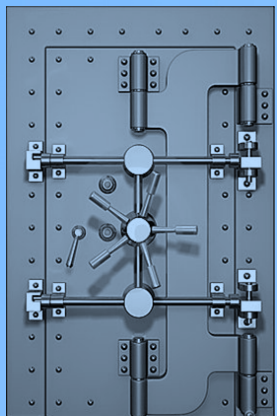
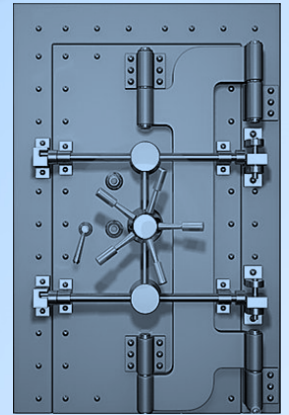
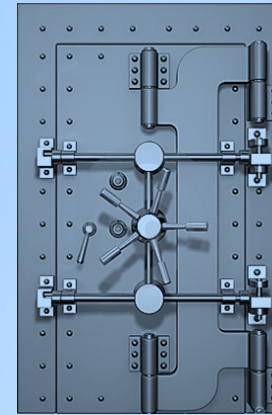
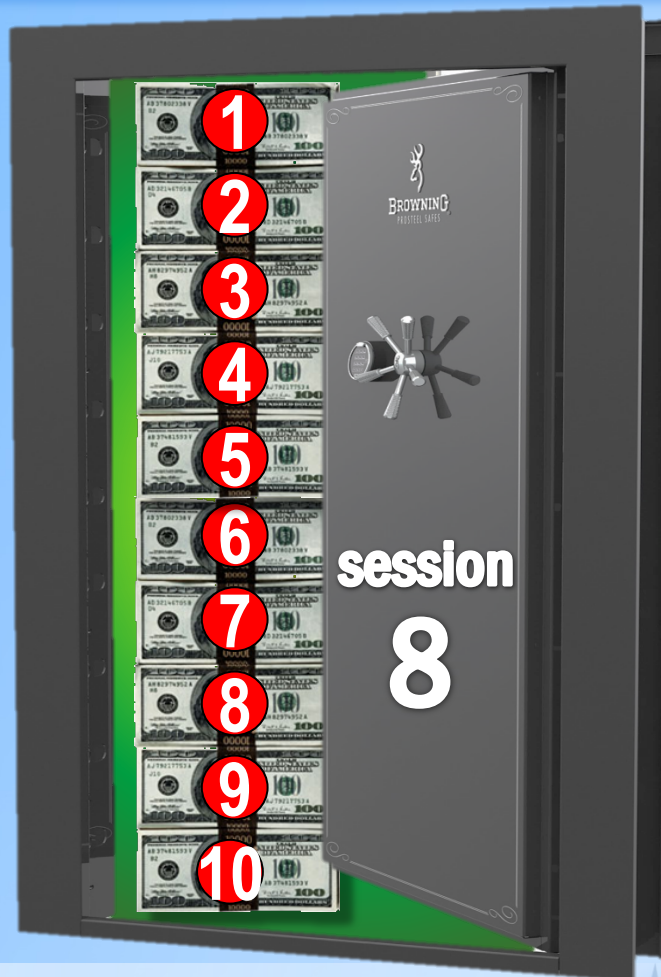
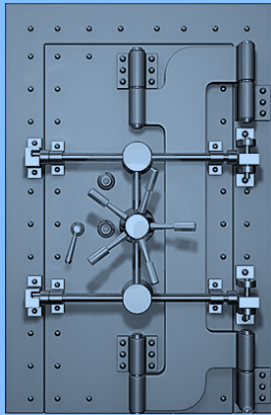
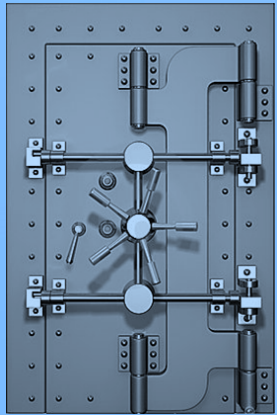
Mike Cahill

Lodging Investment
Industry Council

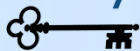
LIIC TOP 10



The LIIC TOP 10



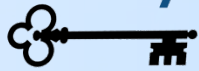
Opportunity OR Peril?



finding the right KEY
to the right DOOR



Opportunity OR Peril?



finding the right KEY
to the right DOOR



The LIIC TOP 10

Mike Cahill

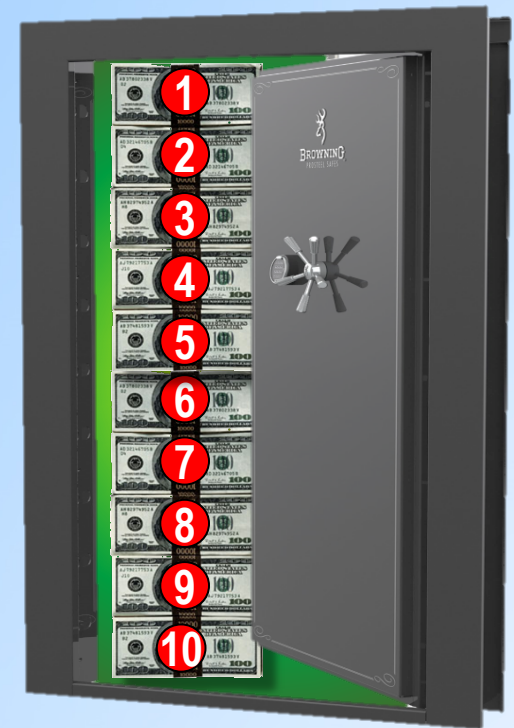
CEO and Founder

HREC – Hospitality Real Estate Counselors

www.hrec.com

Nate Shartar
Associate

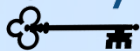
Alexander Cammarata
Associate





Marriott and Starwood Merger?:

- 36% believe merger increased the value of original Starwood branded hotels in their portfolios
- Primary concern for Marriott/Starwood owners is the significant decreases in negotiating power with Marriott (22%) followed by consumers not having the ability to differentiate between all of the brands (14%)
- AC by Marriott predicted to be most successful lifestyle brand among all brands





Markets NOT to invest in:

- ✓ Houston, TX (64%)
- ✓ Nashville, TN (32%)
- ✓ Detroit, MI (28%)
- ✓ New York, NY (28%)
- ✓ St. Louis, MO (28%)

Buy in New Orleans? not a single respondent voted against New Orleans investment





8

Want to Buy a Hotel? Quantity and Quality:

Quantity

42% believe **below average quantity** is available for purchase

44% believe **average quantity** is available for purchase

Quality (Desirability to Purchase)

52% believe **average quality** of product is currently available

28% believe **slightly worse quality** of product is currently available

Opportunity OR Peril?



finding the right KEY
to the right DOOR

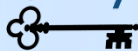




Lodging Development Marches Along:

Despite the development pipeline containing ~600,000 rooms:

- 66% believe it is still a good time to build a hotel
“If you are selective about product and market”
- 81% of owners have hotels under development





6

Hotel Debt Available, Yet Less Favorable

Hotel investors are “debt leery”

- 56% are very likely to refinance a hotel in the next 12 months
- 52% believe the ideal time to refinance ended in the last 6 months
- 63% predict loan/cost ratios will remain level
- 88% anticipate interest rates to slightly rise in the next 12 months





5

Hotel Transaction Market Continues Slight Cooling:

Dollar Volume

- In calendar year 2017, 52% believe that hotel transaction dollar volume will be down from 2016 levels; while, 22% believe volume will be flat

Number of Sales

- 46% anticipate the number of assets traded in 2017 to be down from year-end 2016; while, 32% believe the number of sales will be flat





4

2016's Greatest Threats to Hotel Investment?:

1. New Lodging Supply: 90% of respondents
(Up from 77% last year)
 - However, 81% are currently building new lodging assets
2. Increasing Interest Rates: 88% anticipate a slight increase
(up to 100bps) over the next 12 months
3. Government Mandated Minimum Wage Increases:
74% anticipate a slight decrease in profitability over
the next five years (down 28% from last year)





3

Asset Pricing Bid/Ask Settles, Values Flat to Maybe Increasing

- 54% predict lodging real estate values to be flat over the next 12 months
- Interestingly, 36% anticipate a slight increase in lodging real estate values
- 52% believe Upscale/Upper Upscale lodging assets represent the best purchase opportunity over the next 12 months

Opportunity OR Peril?



finding the right KEY
to the right DOOR





Movement in the Hotel Real Estate Cycle?:

- 68% believe we are still in the current cycle which started in 2009
- 32% brilliant gurus believe we are in a new cycle
- Positive outlook on US economy
 - ❑ 60% anticipate GDP growth averaging greater than 2% over the next 24 months






1

Hotel Real Estate: Forecasting Clear Skies with Some Clouds and Slightly Cooling Temperatures:

- 2017's survey results are largely positive and less stressed
- Nervousness from 2016 has evolved into acceptance
- Chinese investment down
- Little to no impact on hotel lodging in US from Brexit
- Private Equity predicted to dominate the purchase of Upscale to Luxury hotels
- Regional Owners/Operators projected to dominate the purchase of Economy to Upper Midscale hotels

Opportunity OR Peril?

 finding the right KEY
to the right DOOR





LIIC Bonus Questions:

Looking forward, the “hotel investment illuminati” predict:

- Buyers paying a premium for a package of assets (5 or more)?
 - 53% say no, while 47% say yes
- 13% of LIIC last year predicted Trump’s Presidential win. This year 44% believe the Trump Administration is positively affecting hotel ownership
- Biggest Pet Peeves when staying in a hotel multiple nights on business:
 - (1) Painfully slow internet, (2) uncomfortable bedding, and (3) noise from hallway, PTACs, and outside traffic
 - Other Peeves include a) paparazzi, b) breakfast not starting early enough, and c) items in the sundry shop being too expensive





1 Hotel Real Estate: Forecasting Clear Skies with Some Clouds and Slightly Cooling Temperatures

2 Movement in the Hotel Real Estate Cycle?

3 Asset Pricing Bid/Ask Settles, Values Flat to Maybe Increasing

4 2017's Greatest Threats to Hotel Investment?

5 Hotel Transaction Market Continues Slight Cooling

6 Hotel Debt Available, Yet Less Favorable

7 Lodging Development Marches Along

8 Want to Buy a Hotel? Quantity and Quality

9 Markets NOT to Invest In?

10 Marriott and Starwood Merger?





**For a copy of this survey presentation,
please send an email to the following:**

Mike Cahill
mcahill@hrec.com

or

Nate Shartar
nshartar@hrec.com

or

Alexander Cammarata
acammarata@hrec.com

**For more information on LIIC,
please see our website:
www.liic.org**

