



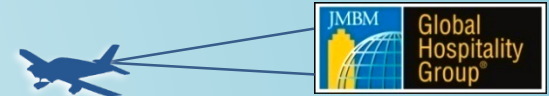
MEET THE MONEY[®]
National Hotel Finance &
Investment Conference

SESSION 6



Michael Cahill

**Lodging Investment
Industry Council**



LIIC Top 10



LIIC Top 10



Mike Cahill

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Are Hotel Asset Packages Still Hot?

Will investors pay a premium for packages of 5 or more assets?

LIIC's opinion is virtually split:

- 52% - **Yes**
- 48% - **No**



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Markets NOT to Invest In:

1. Nashville, TN (33%; up from 2nd place last year)
2. St. Louis, MO-IL (32%; up from 5th place)
3. Detroit, MI (30%; steady in 3rd)
4. Norfolk/Virginia Beach, VA (24%; welcome to top 5)
5. New York, NY (19%; dropping from 4th place)

Sleeper - where to buy? Denver! Not one vote against, time to buy in God's Country.



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Hotel Buyers Whining: Where's the Beef?

Quantity

51% believe **below average quantity** is available for purchase

25% believe **average quantity** is available for purchase

Quality (Desirability to Purchase)

41% believe **slightly worse quality** of product is currently available

41% believe **stagnant quality** of product is currently available



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New Hotel Development Slowing?

Despite the development pipeline containing ~600,000 rooms:

- 60% 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
- 63% do **not** believe it has become more difficult to secure construction financing



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Hotel Debt – Impact of Increasing Interest Rates

- 67% believe that rising mortgage interest rates will increase cap rates up to 50 bps
- 55% elected to refinance instead of sell in the last year
- 49% believe the ideal refinance window has closed
- 37% still believe the window is open
- 68% of owners are “very likely” to refinance in the coming 12 months



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Hotel Transactions for Calendar 2018

Dollar Volume

In calendar year 2018, 35% believe that hotel transaction dollar volume will be down from 2017 levels, while 29% believe volume will increase up to 10%

Number of Sales

Evenly mixed and inconclusive:

- 32% down, 30% flat, 29% up from 2017



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Top Three Threats to Your Hotel Investment:

1. New Lodging Supply: 78% of respondents view new supply as the top investment concern (down from 90% in 2017)
 - However, 82% are currently building new lodging assets
2. Increasing Interest Rates: Viewed as a threat by 63% of respondents
 - 86% anticipate a slight increase (up to 100bps) over the next 12 months
3. Low Unemployment: The availability of quality employees is worrisome to 49% of LIIC (up from 26% in 2017)
 - 78% believe their hotels have been negatively impacted



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Hotel Property Values Flat to Increasing Slightly:

- 41% predict lodging real estate values to be flat over the next 12 months
- Similarly, 41% anticipate a slight increase (up to 5%) in lodging real estate values
- 74% believe Upscale/Upper Upscale lodging assets represent the best purchase opportunity over the next 12 months



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Trump is Good for Hotel Owners:

- 67% believe Trump's tax reform bill will positively affect hotel owners
 - ❑ 41% citing an increase in GDP growth
 - ❑ 28% citing a correlated increase in business travel
- Positive outlook on US economy
 - ❑ 70% believe the economy will continue to trend upwards in the next 24 months



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Hotel Real Estate – Floating Forward in a Fluid Market:

- 2018's survey results indicate “business as usual”
- Hotel transaction market is fluid; hotels are trading
- Solid hotel debt availability
- Private Equity & Listed REIT's predicted to dominate the purchase of Upscale to Luxury hotels
- Small Private Buyers & Regional Owner/Operators predicted to dominate the purchase of Economy to Upper Midscale hotels



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LIIC Bonus Questions

Looking forward, the “hotel investment illuminati” predict:

LIIC is concerned about Tom Brady’s health!

- 56% believe he should retire now and save his brain and marriage to Giselle
- 20% selfishly want him to continue as “he is still peaking professionally”



LIIC Bonus Questions Continued

When staying at a hotel on a multiple day business trip, 60% of LIIC would “pass” on daily room cleaning... broken down:

Pass

- 32% - for additional membership reward points
- 14% - for 5% discount on room rate
- 14% - for no discount saying that “protecting the environment is the only reward I need”

Not Pass

- 19% - because of sanitation issues
- 21% - want a hotel person checking daily to make sure they are alive



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LIIC Bonus Questions Continued

Will Trump be re-elected as President in 2020?

- 16% say Yes, MAGA
- 65% report No
- 19% say “not applicable since he will be impeached prior to the election”



Time will tell... Only 13% correctly predicted his win in 2016!



LIIC Top 10

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Top Three Threats to Your Hotel Investment

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Markets NOT to Invest In

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

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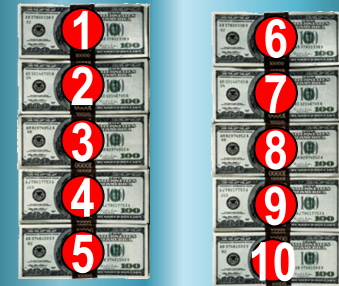
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