

# U.S. Lodging Industry 2019

## Navigating at Peak

### SWOT Analysis

May 7, 2019



**Daniel H. Lesser**

President & CEO

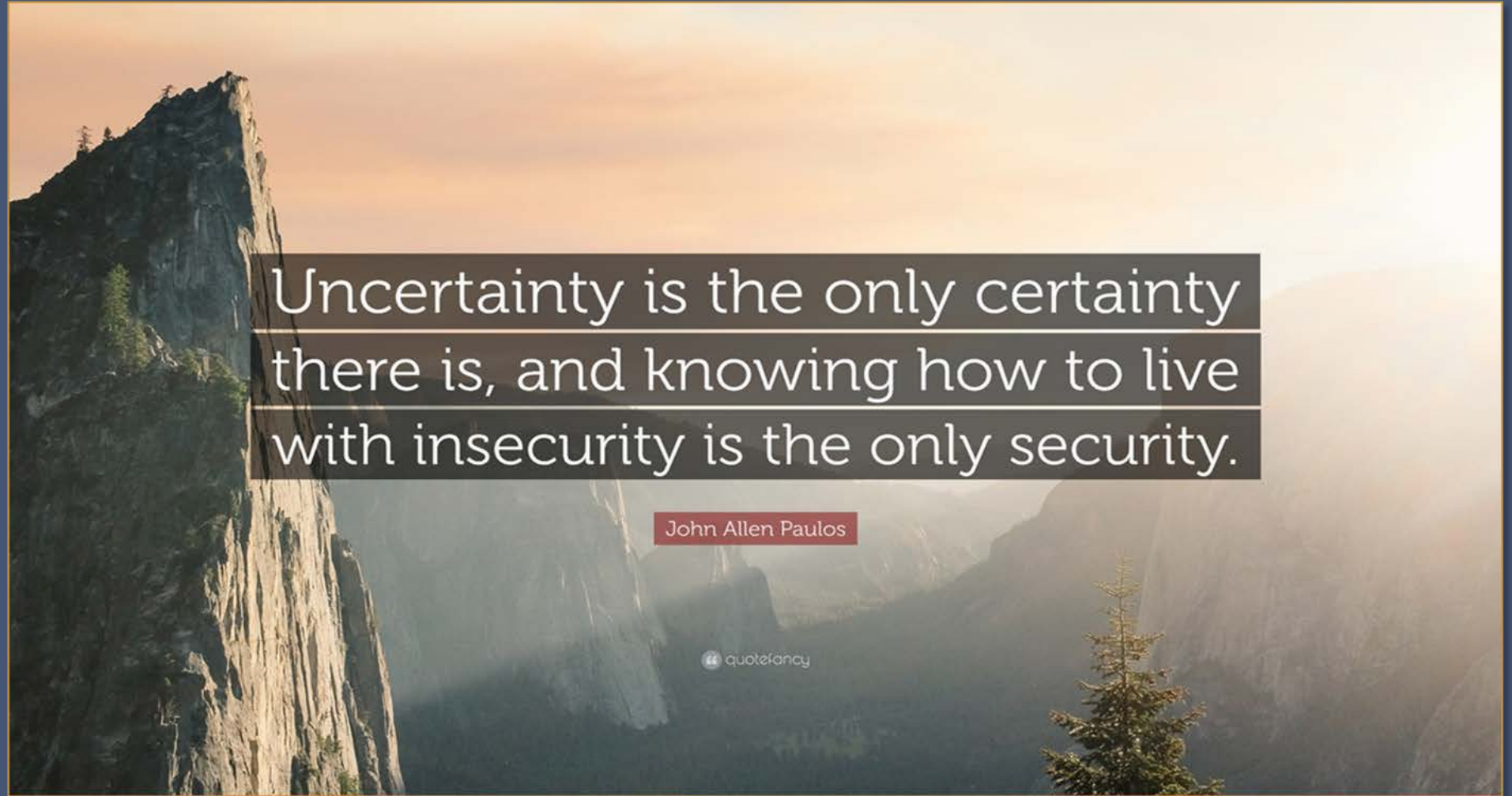
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# U.S. Lodging Industry



# Random Thoughts

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- Yield sought in secondary and tertiary plus markets
- OTA's contribute to rising sector distribution costs
- Industry needs to expand reach into home sharing
- Technology allows for enhanced mobile connectivity and smart rooms
- Local experiences are a top priority for travelers
- Resort fees are not just for resorts anymore
- Expect stricter cancellation policies

# U.S. Lodging Industry Macro Overview

	1/1/2009	1/1/2013	1/1/2019
<b>Economy</b>	Contracting	Expanding (Slowly)	Expanding
<b>Jobs</b>	Declining	Increasing (Slowly)	Increasing
<b>Consumer Spending</b>	Declining	Increasing	Increasing
<b>Business Spending</b>	Declining	Increasing	Increasing
<b>Supply Growth</b>	Accelerating	Muted	Stabilized
<b>Room Night Demand</b>	Declining	Record Levels	Continued Record Levels

<b>U.S. Hotel Performance</b>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Projected 2019
<b>Supply</b>	▲ 2.6%	▲ 3.2%	▲ 2.0%	▲ 0.6%	▲ 0.5%	▲ 0.7%	▲ 0.9%	▲ 1.1%	▲ 1.6%	▲ 1.8%	▲ 2.0%	▲ 1.9%
<b>Demand</b>	▼ 1.9%	▼ 5.8%	▲ 7.8%	▲ 5.0%	▲ 3.0%	▲ 2.2%	▲ 4.5%	▲ 2.9%	▲ 1.7%	▲ 2.7%	▲ 2.5%	▲ 1.9%
<b>Occupancy</b>	▼ 4.4%	▼ 8.7%	▲ 5.7%	▲ 4.4%	▲ 2.5%	▲ 1.5%	▲ 3.6%	▲ 1.7%	▲ 0.1%	▲ 0.9%	▲ 0.5%	▲ 0.0%
<b>ADR</b>	▲ 2.7%	▼ 8.8%	▼ 0.1%	▲ 3.7%	▲ 4.2%	▲ 3.9%	▲ 4.6%	▲ 4.4%	▲ 3.1%	▲ 2.1%	▲ 2.4%	▲ 2.3%
<b>RevPAR</b>	▼ 1.8%	▼ 16.7%	▲ 5.5%	▲ 8.2%	▲ 6.8%	▲ 5.4%	▲ 8.3%	▲ 6.3%	▲ 3.2%	▲ 3.0%	▲ 2.9%	▲ 2.3%

Source: STR, Inc.



# U.S. Lodging Industry Strengths

- Continued industry record rooms revenue operating metrics
- U.S. hotels operating at high level of efficiency



# U.S. Lodging Industry Strengths

## MarketWatch

Nasdaq rings up a record to end the week after hotter-than-expected April jobs report

Published: May 3, 2019 4:33 p.m. ET



## Bloomberg

Economics

First-Quarter U.S. GDP Looks Stronger After Trade Gap Narrows

By Reade Pickert

April 17, 2019, 11:25 AM EDT



## TheStreet.

Consumer Confidence Jumps Faster Than Expected as U.S. Economy Improves

*A monthly survey from the Conference Board shows that consumer confidence rebounded faster than expected in April amid signs that the economy is reheating.*

By Bradley Keoun

Apr 30, 2019 11:55 AM EDT



## The New York Times

Job Growth Underscores Economy's Vigor; Unemployment at Half-Century Low

By Nelson D. Schwartz

May 3, 2019



BUSINESS NEWS APRIL 25, 2019 / 12:41 PM / 10 DAYS AGO

Corporate profits and U.S. economy chug along, defying recession fears

Trevor Hunnicutt

6 MIN READ



Daniel H. Lesser  
President & CEO

# U.S. Lodging Industry Strengths

## Hotel News Now

Research



### Global GDP, dollar help US regain inbound travelers

08 NOVEMBER 2018 9:45 AM

International inbound travel to the United States has rebounded after several years of slowing growth, but there's still a long way to go to make up that lost market share.



## FEE FOUNDATION for ECONOMIC EDUCATION

### The Growth of the World's Middle Class May Be the Greatest Story of Our Age

A rapidly growing global middle class means that the poorest among us are becoming less poor.

Wednesday, August 29, 2018



Daniel H. Lesser  
President & CEO

## TravelDailyNews International .com

Hospitality

### STR: U.S. hotel industry posts another record year in 2018

Tatiana Rokou / 21 Jan 2019 10:38 1461





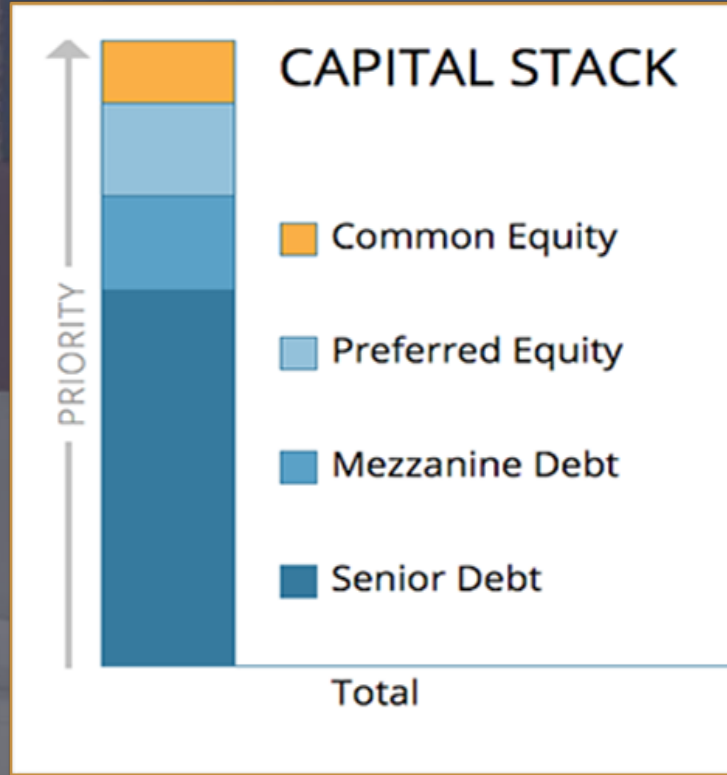
# U.S. Lodging Industry Strengths

Nationwide new hotel supply increase is below room night demand growth due to limited availability of construction finance & building labor shortage





# U.S. Lodging Industry Strengths



- Copious availability of debt and equity
- Continued relatively low interest and cap rate environment
- Cross-border investment in U.S. hotels





# U.S. Lodging Industry Strength

Robust asset price > \$1 million per unit



Daniel H. Lesser  
President & CEO



# U.S. Lodging Industry Strength

Robust asset pricing > \$200 million per property



Daniel H. Lesser  
President & CEO



# U.S. Lodging Industry Weaknesses



U.S. Travel & Immigration Bans



Trade Wars



Anti-Globalization & Populist Sentiments



Domestic Political Polarizations

# U.S. Lodging Industry Weaknesses

Signia  
Hilton



GLO  
BEST WESTERN

SHINOLA  
HOTEL

MOTTO  
by Hilton

Even more hotel  
brands



LUXURY RESORTS  
& HOTELS



CAESARS  
REPUBLIC

COMPASS  
MARGARITAVILLE HOTELS & RESORTS

Sadie  
BEST WESTERN

Aiden  
by BEST WESTERN

KINLEY

Daniel H. Lesser  
President & CEO

# U.S. Lodging Industry Weaknesses



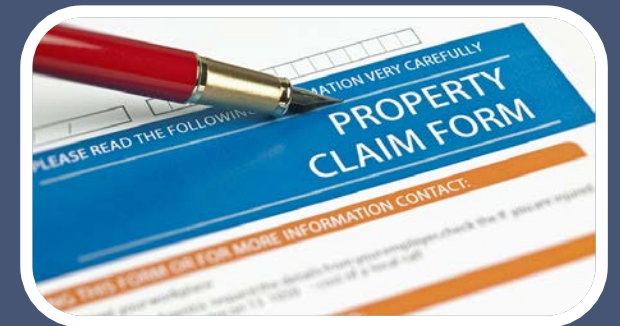
Labor Shortage



Increasing Tax Burdens



Rising Labor Costs



Increasing Property Insurance Rates



# U.S. Lodging Industry Weakness



PERSONAL-FINANCE

## You can still fall victim to identity theft with a fraud alert in place

Fraud alerts are relatively effective, but they aren't foolproof. Discover what other methods you can use to deter thieves from fraudulent use of your identity.

Author: moneytips.com

Published: 6:26 AM CST November 12, 2018

Updated: 9:14 AM CST November 12, 2018



## HOTEL INDUSTRY ANNOUNCES ADDED SAFETY MEASURES FOR EMPLOYEES; BUILDS ON LAYERS OF SECURITY PROCEDURES

Major Brands to Deploy Safety Devices; Competitors Across Lodging Industry Unite to Advance Employee, Guest Protection Partner at Buckley Sandler and Co-founder of Time's Up Legal Defense Fund Applauds Progress on Employee Security

September 6, 2018

## SmartMetric Says an Alarming Number of at Least 60 Million Credit/Debit Cards Compromised in the USA Last Year

today November 12, 2018



# U.S. Lodging Industry Weaknesses

LODGING

## In the Fight Against Human Trafficking, Hotels Play a Crucial Role

By Chip Rogers - March 26, 2018

Source: Lodging Magazine

Did you know that  
**HOTELS**  
have become the  
most common point of sale  
for sex trafficking transactions?



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I-Team

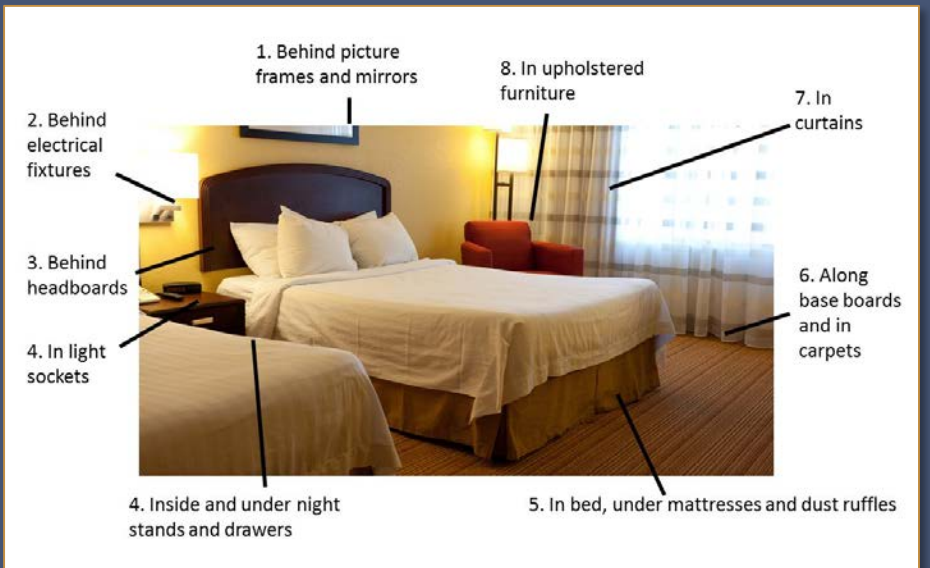
Weather

Entertainment ...

## Bed Bugs in Hotel: 'The Itch Was Unbearable'

By Joel Grover and Josh Underwood-Davis

Published May 7, 2018 at 7:38 AM | Updated at 7:42 AM PDT on May 7, 2018



# U.S. Lodging Industry Threats



## THE WALL STREET JOURNAL.

ECONOMY | THE OUTLOOK

### Housing Market Positioned for a Gentler Slowdown Than in 2007

As frenzied as the market has felt in recent years, it never came close to the level of the last boom by most measures

October 13, 2018

Forbes

Billionaires

Innovation

Leadership

Money

23,511 views | Aug 29, 2018, 12:56pm

### The U.S. Is Experiencing A Dangerous Corporate Debt Bubble



## TRAVEL60WEEKLY

THE TRAVEL INDUSTRY'S TRUSTED VOICE

News & Featured Destinations

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HOTELS

### Immigration policies translate to 'labor crisis' for hotels

By Jeri Clausing | Jun 24, 2018

A+ A-



# U.S. Lodging Industry Threats

**The Economist** Topics ▾ Current edition More ▾

## Rising oil prices catch emerging economies at a vulnerable moment

September 29, 2018



**Forbes** Billionaires Innovation Leadership Money

58,453 views | Oct 1, 2018, 04:17pm

## Get Ready For A Big, Fast Rise In Interest Rates



**NEWS**

## Trade war to lead to substantial slowdown in U.S. economy by 2019, economists say

"There would be no winners from a global trade war. ... All countries would ultimately be worse off," noted one economist.

October 22, 2018

# U.S. Lodging Industry Threats

## Airbnb is overhauling its business to further take on the hotel and travel industries

- Airbnb is expanding the number of hotels on its platform, and launching a loyalty program.
- It already has at least 15,000 hotel listings.

Deirdre Bosa | Paayal Zaveri

Published 12:26 PM ET Thu, 22 Feb 2018 | Updated 7:55 PM ET Thu, 22 Feb 2018



Shared room



Private room



Entire home



Vacation home



Bed & breakfast



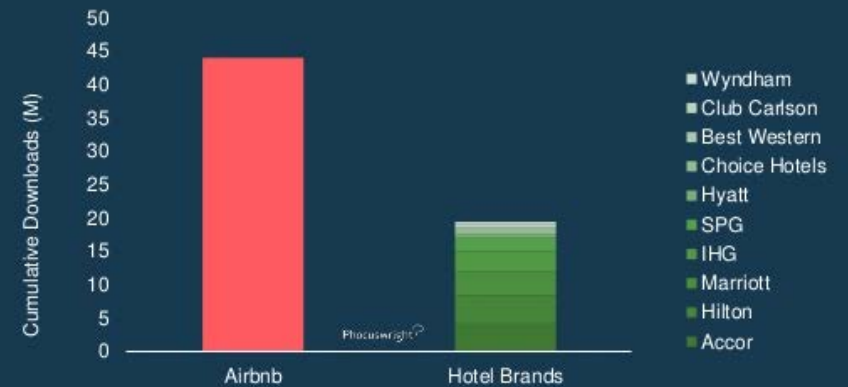
Boutique



Unique

Airbnb has twice as many downloads as 10 hotel apps combined

### Airbnb vs. Hotels: Total App Downloads



Source: Phocuswright & AppTopia: The Travel App Landscape

© 2017 Phocuswright Inc. All Rights Reserved.



# U.S. Lodging Industry Threats



Disruptive  
Lodging  
Experiences



Pop-up  
Hotels



Daniel H. Lesser  
President & CEO

# U.S. Lodging Industry Opportunities

## Investors can get big tax breaks if they invest in 'opportunity zones' under new Treasury rules

- The Treasury Department on Friday outlined rules for investors seeking to finance development in under-served regions in exchange for significant tax breaks.
- The opportunity zones come with several tax advantages. Capital gains placed in a certified opportunity zone fund will not be taxed through the end of 2026 or when the investment is sold, whichever comes first.
- Investors who can participate include individuals, corporations, businesses, REITs, and estates and trusts.

Stephanie Dhue | Ylan Mui

Published 11:30 AM ET Fri, 19 Oct 2018 | Updated 3:18 PM ET Fri, 19 Oct 2018



Illustration by Tim Peacock

Hotel News Now News Opinions Data Dashboard Advertise

Research f 4 4 in

## A look at how inflation affects the hotel industry

20 MARCH 2018 7:38 AM

The question of whether hotel owners are insulated against rising inflation in the U.S. is often debated, but fully understanding inflation can help hoteliers prepare for it.

By Jack Corgel and Kelcie Sellers



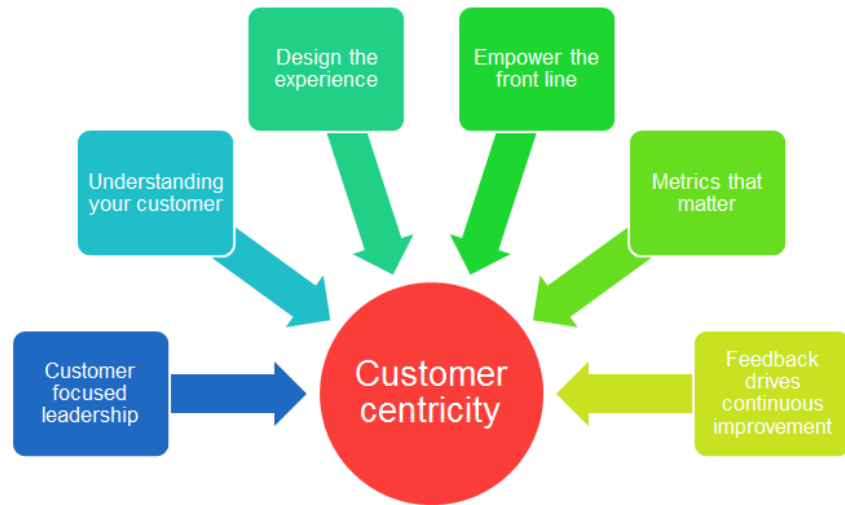


# U.S. Lodging Industry Opportunities



## Channeling the Airlines' Model, Hilton to Launch Flexible Pricing

by [Jessica Montevago](#) / April 30, 2018



Daniel H. Lesser  
President & CEO



AUDIENCE SOLUTIONS INSIGHTS SPECS ABOUT US BLOG [SUBSCRIBE](#)

## Bleisure Travelers are Hungry for Sunshine, Sightseeing, and Cuisine

Expedia Group Media Solutions Data Shows More than 60 Percent of Business Trips are Extended for Leisure Purposes

Bellevue, Wash., May 16, 2018



# U.S. Lodging Industry Opportunity

**TRAVEL WEEKLY**

THE TRAVEL INDUSTRY'S TRUSTED VOICE

HOTELS

## Marriott likely secured commission rate cut in Expedia deal

By Christina Jelski   | Apr 18, 2019

 | A+ A-

HOTELS

## A year later, group commission cuts still sting

By Christina Jelski   | Jan 21, 2019

 | A+ A-

Hilton

HYATT®

IHG®

MARRIOTT  
BONVOY™



# U.S. Lodging Industry **Opportunity**

Acquisition & renovation of  $\pm$ 35 year old full service hotels at all in basis equal to or less than new build select service



Daniel H. Lesser  
President & CEO



# U.S. Lodging Industry Opportunity

Redevelopment & repositioning of 1950/60's motels



Daniel H. Lesser  
President & CEO



# U.S. Lodging Industry Opportunities



**HM HOTEL MANAGEMENT**

OWN OPERATE TECH DESIGN PROCURE HOTEL ROI

**Design**

## 6 ways sustainability is changing hotels

by Erich Lawson | Apr 4, 2018 1:31pm

A photograph of a modern hotel building with a green wall and large windows. The building is illuminated at night, and the green wall is a prominent feature.

1 Hotels are incorporating natural elements to improve the guest experience. Photo credit: 1 Hotels





# U.S. Lodging Industry Opportunities



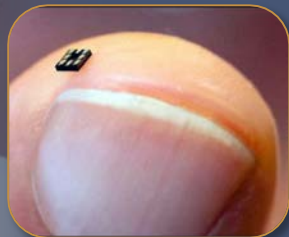
**Forbes** INDIA Magazine Lists Web Specials Thought Leadership ...

Home / Special Report / Best Things Money Can Buy

## Robots at your service

Luxury hotels are swapping butlers for robots who deliver meals, laundry and conference set-ups, wowing guests and increasing back-end efficiency

BY HARICHANDAN ARAKALI Forbes India Staff  
PUBLISHED: Oct 16, 2018



Technological advances = increased operating efficiencies



**USA TODAY**

NEWS SPORTS LIFE MONEY TECH TRAVEL OPINION 45° INVESTIGATIONS ELECTIONS 2018 THANKSGIVING SUBSCRIBE MORE ▾

## Amazon has developed a new Alexa for hotels; Marriott and others are testing it out

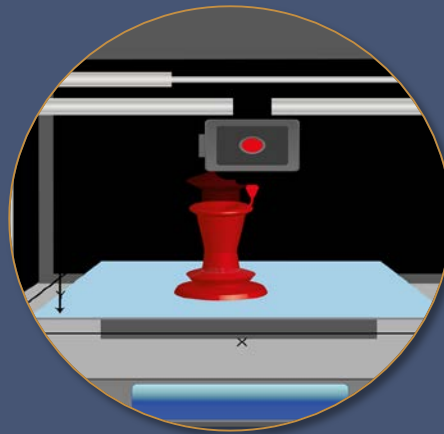
Nancy Trejos, USA TODAY Published 3:10 a.m. ET June 20, 2018 | Updated 8:49 a.m. ET June 20, 2018



# U.S. Lodging Industry Opportunities



**Blockchain:**  
“A new internet for  
the travel industry”



**3D printers:**  
“forgetting things”  
will cease to be a  
problem anymore

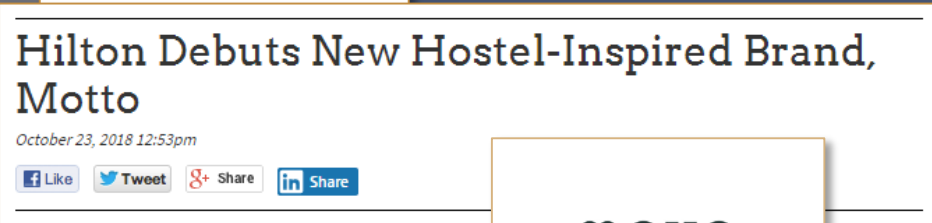
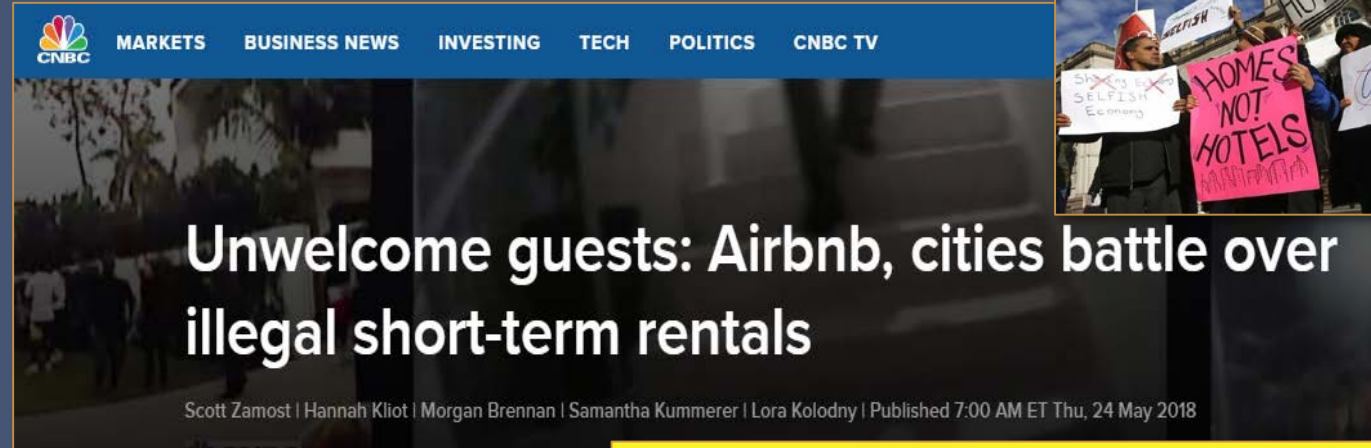


**Interactive  
chatbots:**  
virtual  
concierge



**Neuro-  
Dreaming:**  
choose your  
own dream

# U.S. Lodging Industry Opportunities





# U.S. Lodging Industry Opportunities

- Mergers & Acquisitions and spinoffs



# U.S. Lodging Industry Opportunities

BUSINESS INSIDER

TECH | FINANCE | POLITICS | STRATEGY | LIFE | ALL

PRIME | INTELLIGENCE



## See inside the world's first underwater hotel villa, where you can sleep with sharks for \$50,000 a night

Hillary Hoffower Nov. 1, 2018, 3:52 PM



NATIONAL GEOGRAPHIC

## 'Luxury Space Hotel' Could Cater to Travelers by 2022





# U.S. Lodging Industry Opportunities



Daniel H. Lesser  
President & CEO

# U.S. Lodging Industry Favorable Outlook



Daniel H. Lesser  
President & CEO



# U.S. Lodging Industry 2019

## Navigating at Peak

### SWOT Analysis

May 7, 2019



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