

U.S. Lodging Industry 2019

Navigating at Peak

SWOT Analysis

April 4, 2019



Daniel H. Lesser

President & CEO

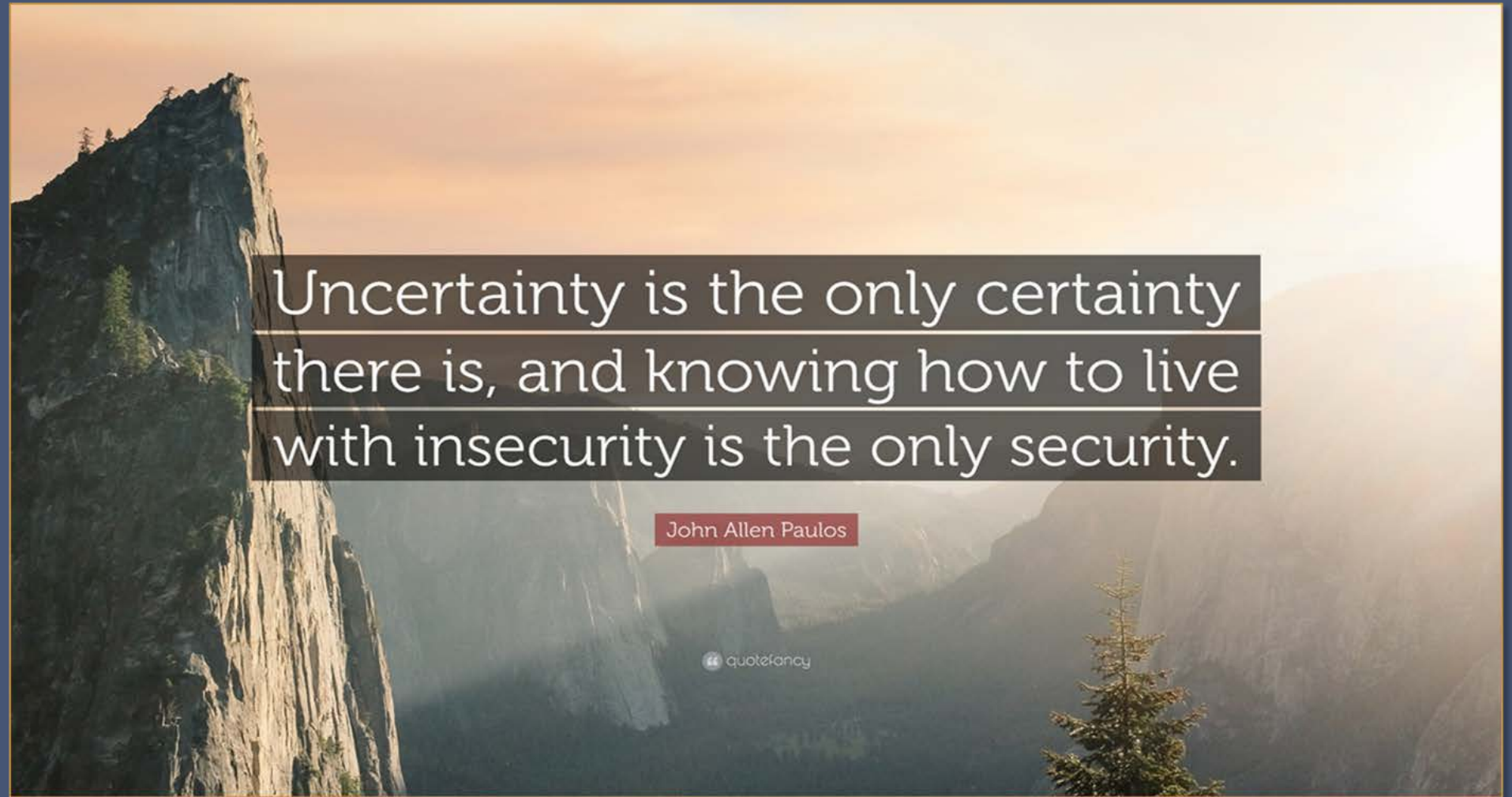
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U.S. Lodging Industry



Uncertainty is the only certainty
there is, and knowing how to live
with insecurity is the only security.

John Allen Paulos

quote fancy

Random Thoughts

- 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

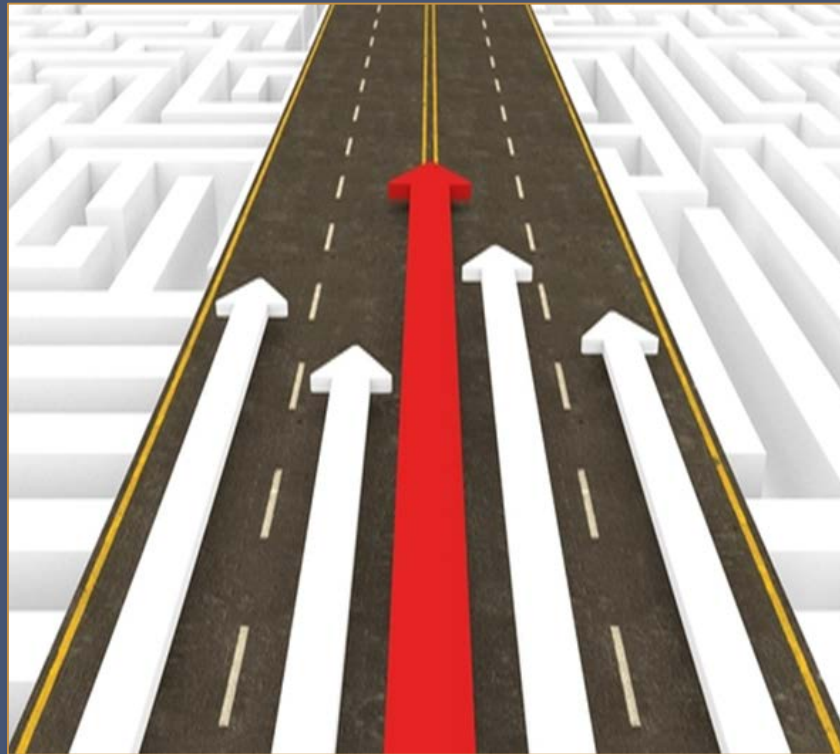
	1/1/2009	1/1/2013	1/1/2019
Economy	Contracting	Expanding (Slowly)	Expanding
Jobs	Declining	Increasing (Slowly)	Increasing
Consumer Spending	Declining	Increasing	Increasing
Business Spending	Declining	Increasing	Increasing
Supply Growth	Accelerating	Muted	Stabilized
Room Night Demand	Declining	Record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

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



2018 TRENDS® IN THE HOTEL INDUSTRY

Percent Change 2018 to 2017



Note: * Before deduction for Management Fees and Non-Operating Income and Expenses

** Earnings before Interest, Taxes, Depreciation, and Amortization

Source: CBRE 2018 Trends® in the Hotel Industry

U.S. Lodging Industry Strengths

MarketWatch

Dow closes at record for the 14th time in 2018 even as trade fears simmer

Published: Oct 2, 2018 4:26 p.m. ET



Bloomberg

Economics

U.S. GDP Grows Above-Forecast 3.5% on Consumers, Inventories

By [Katia Dmitrieva](#) and [Sho Chandra](#)

October 26, 2018, 8:30 AM EDT Updated on October 26, 2018, 10:30 AM EDT

- ▶ Nonresidential business investment rises least since 2016
- ▶ Boost from inventories more than offsets drag from trade



REUTERS World Business Markets Politics TV

BUSINESS NEWS AUGUST 28, 2018 / 12:22 PM / 2 MONTHS AGO

U.S. consumer confidence races to near 18-year high



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



CNBC MENU MARKETS BUSINESS NEWS INVESTING TECH POLITICS CNBC TV

Recession risk is 'below average' for the next three years, Goldman says

- The U.S. economy stands only a "muted" chance of falling into recession over the near term and a "below average" likelihood over the next three years, Goldman Sachs says.
- Economist Daan Struyven modeled the current run, which is just 10 months away from being the longest expansion in history.
- He cautioned that a sudden growth spurt could change things and switch the recovery from midcycle to late cycle.

Jeff Cox | @JeffCoxCNBCcom
Published 3:15 PM ET Mon, 1 Oct 2018 | Updated 5:46 PM ET Mon, 1 Oct 2018

CNBC



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.



Seeking Alpha^α

Portfolio

People

News

Analysis

Hotel REITs: Another Record Year For Hotel Demand

Sep. 26, 2018 10:02 AM ET

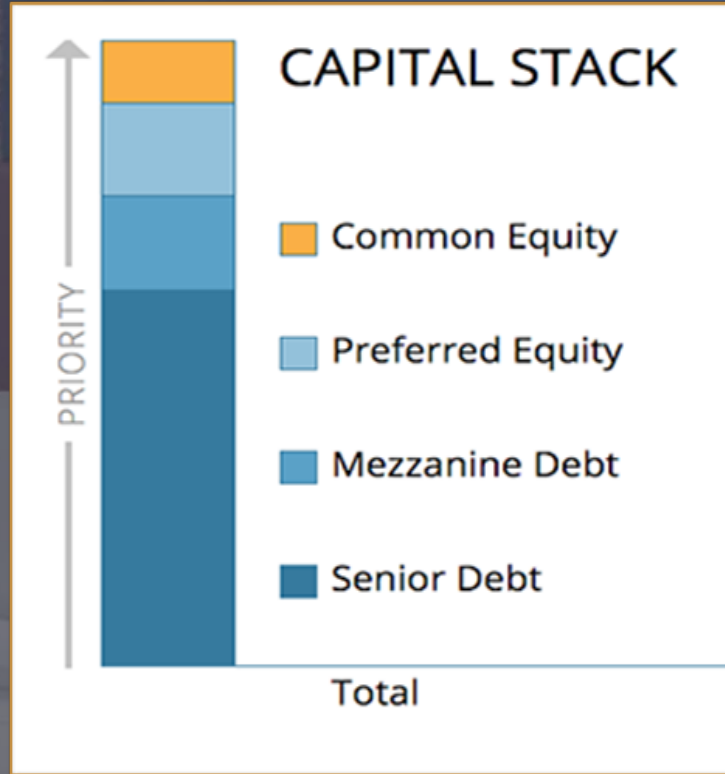


U.S. Lodging Industry Strengths

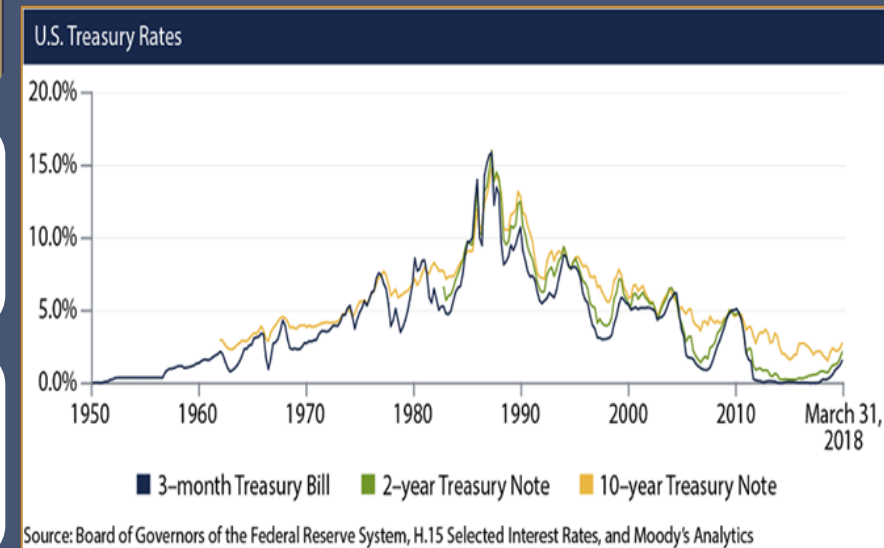
Nationwide new hotel supply increase is below room night demand growth due to limited availability of construction finance & building labor shortage



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



U.S. Lodging Industry Strength

Robust asset pricing > \$200 million per property



U.S. Lodging Industry Weaknesses



U.S. Travel &
Immigration Bans



Anti-Globalization &
Populist Sentiments



Trade Wars



Domestic Political
Polarizations

U.S. Lodging Industry Weaknesses



Even more hotel brands



U.S. Lodging Industry Weaknesses



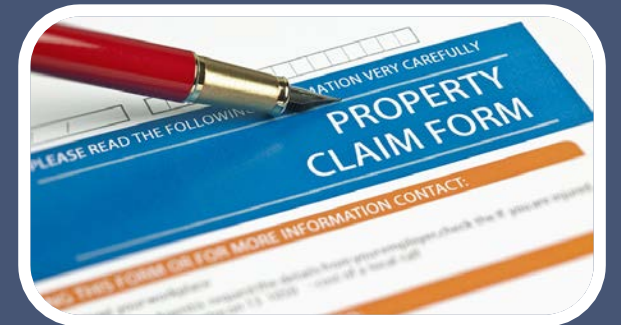
Labor Shortage



Increasing Tax Burdens



Rising Labor Costs



Increasing Property Insurance Rates

U.S. Lodging Industry Weakness



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



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



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



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I-Team

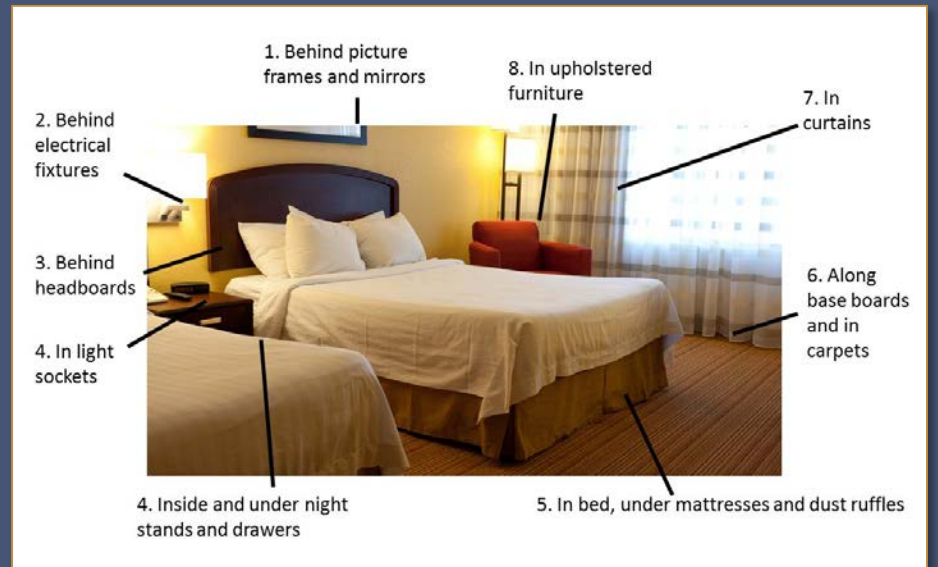
Weather

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

Forbes

Billionaires

Innovation

Leadership

Money

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

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



October 13, 2018



TRAVEL60WEEKLY

THE TRAVEL INDUSTRY'S TRUSTED VOICE

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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



Daniel H. Lesser
President & CEO

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



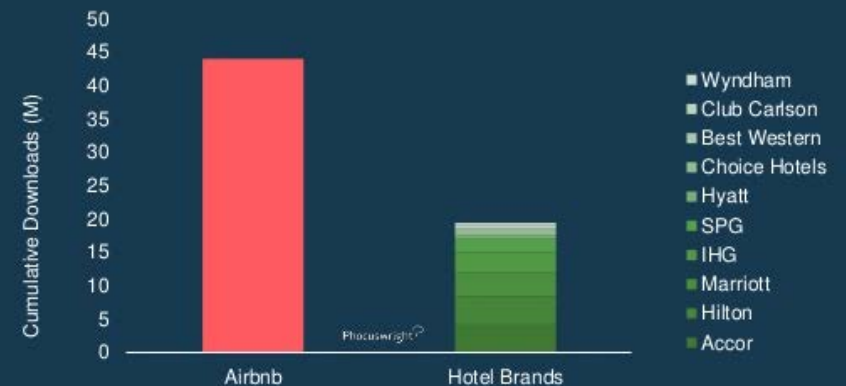
Boutique



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



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




The
**TAX CUTS & JOBS
ACT**



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Research



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

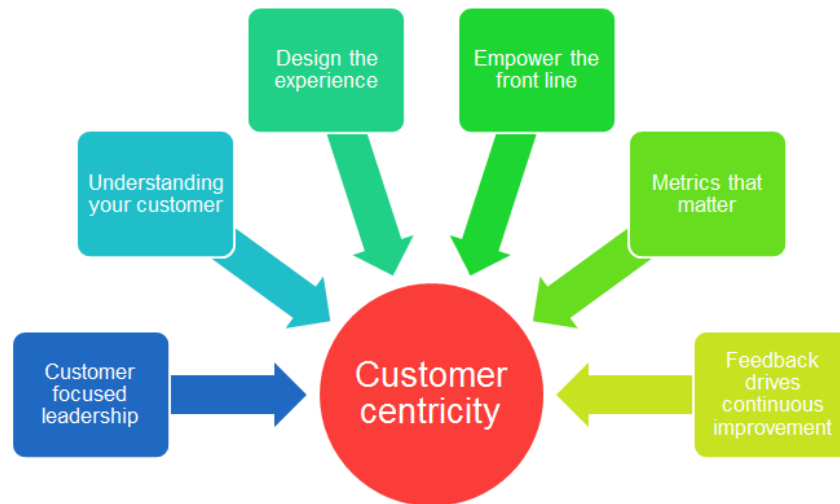


U.S. Lodging Industry Opportunities

travelmarket
Voice of the Travel Advisor **report**

Channeling the Airlines' Model, Hilton to Launch Flexible Pricing

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



Daniel H. Lesser
President & CEO

expedia group
media solutions

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

Skift.

News ▼

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Travel Services, Meetings & Events

Marriott and Hilton's Group Commission Cuts Put Pressure on Industry

Andrew Sheivachman, Skift - Apr 11, 2018 2:30 am



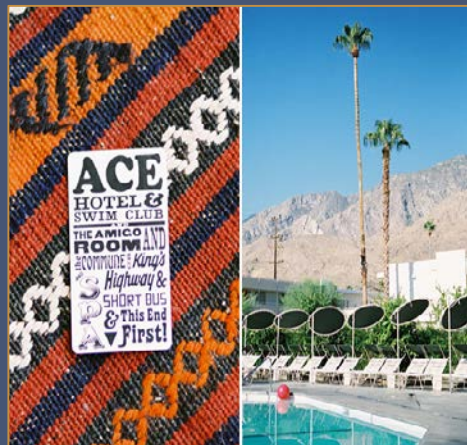
U.S. Lodging Industry Opportunity

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



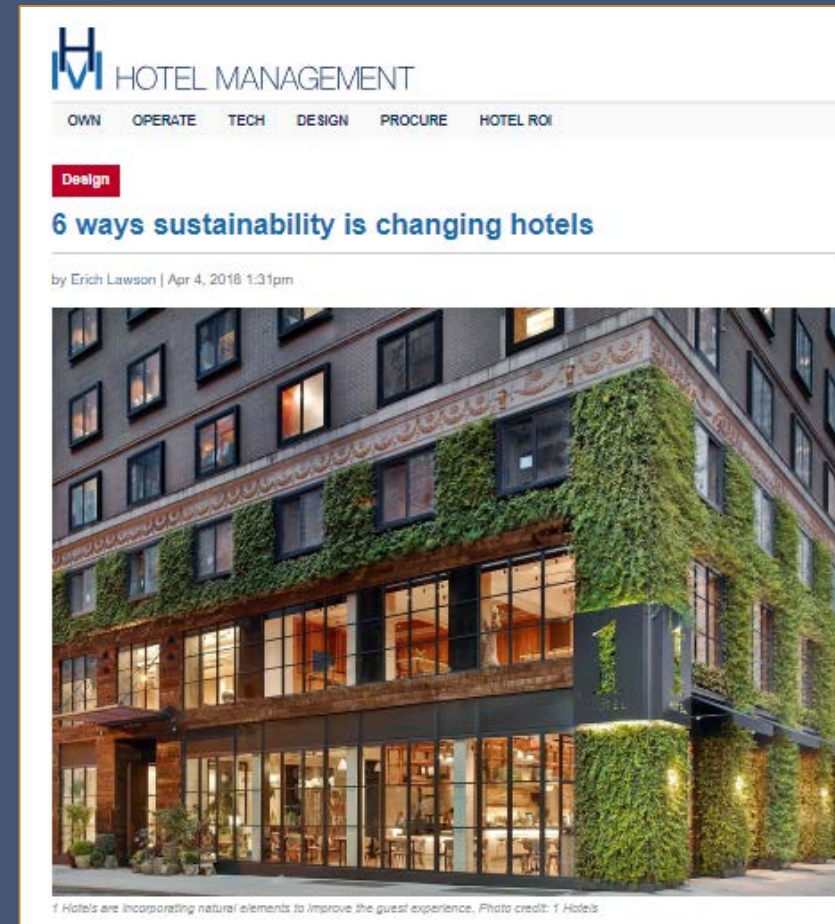
U.S. Lodging Industry Opportunity

Redevelopment & repositioning of 1950/60's motels



Daniel H. Lesser
President & CEO

U.S. Lodging Industry Opportunities



U.S. Lodging Industry Opportunities



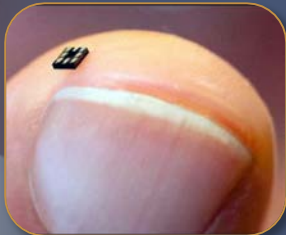
Forbes INDIA Magazine Lists Web Specials Thought Leadership ...

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 ▾

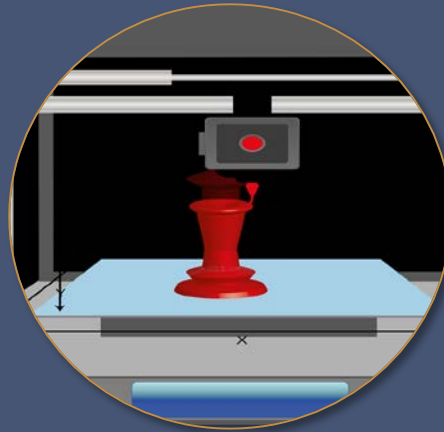
Amazon has developed a new Alexa for hotels; Marriott and others are testing it out

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



HOTEL
ONLINE®

Hilton Debuts New Hostel-Inspired Brand, Motto

October 23, 2018 12:53pm

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MOTTO
by Hilton



Skift

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Newsletters

Destinations

Why the Hotel Lobby Is the Perfect Antidote to Airbnb

Colin Nagy, Skift - May 01, 2018 1:00 am

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



Daniel H. Lesser
President & CEO

U.S. Lodging Industry Opportunities



CITIES ▾ TOPICS ▾ HANDBOOK SHOPPING

Amazon HQ2 winners: New York City and Arlington, Virginia

9

Amazon will split its HQ2 between two locations, Long Island City, Queens, and the D.C. suburb, with Nashville gaining an operations center

By **Patrick Slsson** | Updated Nov 13, 2018, 12:17am EST



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President & CEO

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U.S. Lodging Industry Favorable Outlook



U.S. Lodging Industry 2019

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April 4, 2019



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