

U.S. Lodging Industry H1 2024

MEET THE MONEY®
National Hotel Finance &
Investment Conference

www.MeetTheMoney.com

Join us
MAY 6-8, 2024
📍 **Los Angeles Airport Marriott**

Daniel H. Lesser

Co-Founder, President & CEO
(212) 300-6684 X 101
daniel.lesser@lwhadvisors.com
www.lwhospitalityadvisors.com



U.S. Lodging Industry H1 2024

Disclaimer

All information is provided “as is” and only as of the date referenced and may change. While the information is believed to be accurate, LW Hospitality Advisors (LWHA) does not guarantee that it is free from error, omission, or misstatement. Any expectations in the presentation are “forward-looking statements” and are based upon certain assumptions that may change. Due to those assumptions and various risks and uncertainties, actual events or results may differ materially from such forward-looking statements.

LWHA disclaims all liability in the event any presentation materials prove to be inaccurate, incomplete, or unreliable. You should not construe any of these materials or data as investment, tax, accounting, or legal advice. LWHA is not sponsoring, endorsing, offering, or promoting an investment, and the information presented does not purport to contain all the information required to evaluate any particular investment or constitute any representation or warranty, express or implied, regarding the advisability of, or any return on any particular investment

U.S. Lodging Industry H1 2024



Economy

Key Gauges of US Economy Advanced at Healthy Clip to End 2023 **Bloomberg**

- 4Q GDP revised higher and GDI posted biggest gain in two years
- Corporate profits rose 4.1% as non-financial margins widened **March 28, 2024**

‘Envy of the World’—U.S. Economy Expected to Keep Powering Higher

Economists lift their growth forecasts in latest Wall Street Journal survey **April 14, 2024** **THE WALL STREET JOURNAL.**

5 indicators that show the US economy is still firing on all cylinders despite slowing GDP

BUSINESS INSIDER

May 2, 2024

US Jobs Post Smallest Gain in Six Months as Unemployment Rises **Bloomberg**

- Payrolls rose 175,000 on weakness in construction, leisure
- Wages grew 3.9% from April 2023, slowest in nearly three years **May 3, 2024**

The Economic Slowdown Is Finally Here. Welcome It. **THE WALL STREET JOURNAL.**

Services sector cools as consumers pull back, putting rate cuts back on the table **May 4, 2024**

US economy added a whopping 303,000 jobs last month, far outpacing expectations **April 5, 2024** **CNN BUSINESS**

The Dream of Fed Rate Cuts Is Slipping Away **April 25, 2024** **THE WALL STREET JOURNAL.**

Investors back away from expectations that central bank can reduce rates in coming months

The U.S. economy is actually a ‘wolf in sheep’s clothing’ as the weak GDP report masks underlying strength, Wells Fargo says

FORTUNE


April 28, 2024 at 3:24 PM EDT

U.S. Lodging Industry H1 2024

U.S. Commercial Real Estate

Liquidity gridlock worsens in US commercial real estate sector
By Shankar Ramakrishnan
November 8, 2023 6:22 AM EST · Updated 2 months ago


US office owners face \$117bn wall of debt repayments
JANUARY 1 2024 
Pain likely to be widely spread as landlords struggle to refinance at current interest rates

Commercial real estate has a 'muted' outlook after a near-death experience in 2023, Moody's economist says—and 'office will continue to face the most strain'
January 4, 2024 

Offices Around America Hit a New Vacancy Record
Jan. 8, 2024 
The 19.6% of office space that isn't leased is the highest since at least 1979



The Bill Is Coming Due on a Record Amount of Commercial Real Estate Debt
Jan. 16, 2024 
More than \$2.2 trillion in debt is maturing before 2028, and much of that will have to be refinanced at higher rates

CMBS Distress Accelerated in Second Half of 2023
JANUARY 23, 2024 


Distress Levels Hit \$85.8B in 2023
But potential distress is far worse — as much as \$234.6 billion.
ALM GLOBEST.COM January 26, 2024

Market expert warns US real estate is a 'slow-moving train wreck'
January 23, 2024 
Commercial real estate could see \$700 billion default, billionaire CEO predicted

How Widespread Tech Layoffs Could Add More Pain to Nation's Recovering Office Market
January 29, 2024 
Workforce Cuts Among Corporate Giants Expected To Reduce Future Demand for Space

Commercial real estate is in big trouble — and the problems may have major financial fallout
Theron Mohamed Feb 16, 2024, 5:00 AM EST


Loan Modifications Shoot Up, Showing 'Extend And Pretend' Is Alive And Well
March 29, 2024 

With \$191B To Spend, Blackstone Thinks Real Estate Has Hit Bottom
April 18, 2024 

Daniel H. Lesser
Co-Founder, President & CEO



U.S. Lodging Industry H1 2024

Sector Overview

Hotels Are Increasingly a Preferred Asset Class for Active Investors

June 2, 2023



LACK OF FINANCING IN HOTEL REAL ESTATE? DON'T BELIEVE THE HYPE.

July 28, 2023



Hotels in the Biggest US Cities Are Having Their Moment Now



September 7, 2023

This Is the Year of Recovery for Top 25 Markets

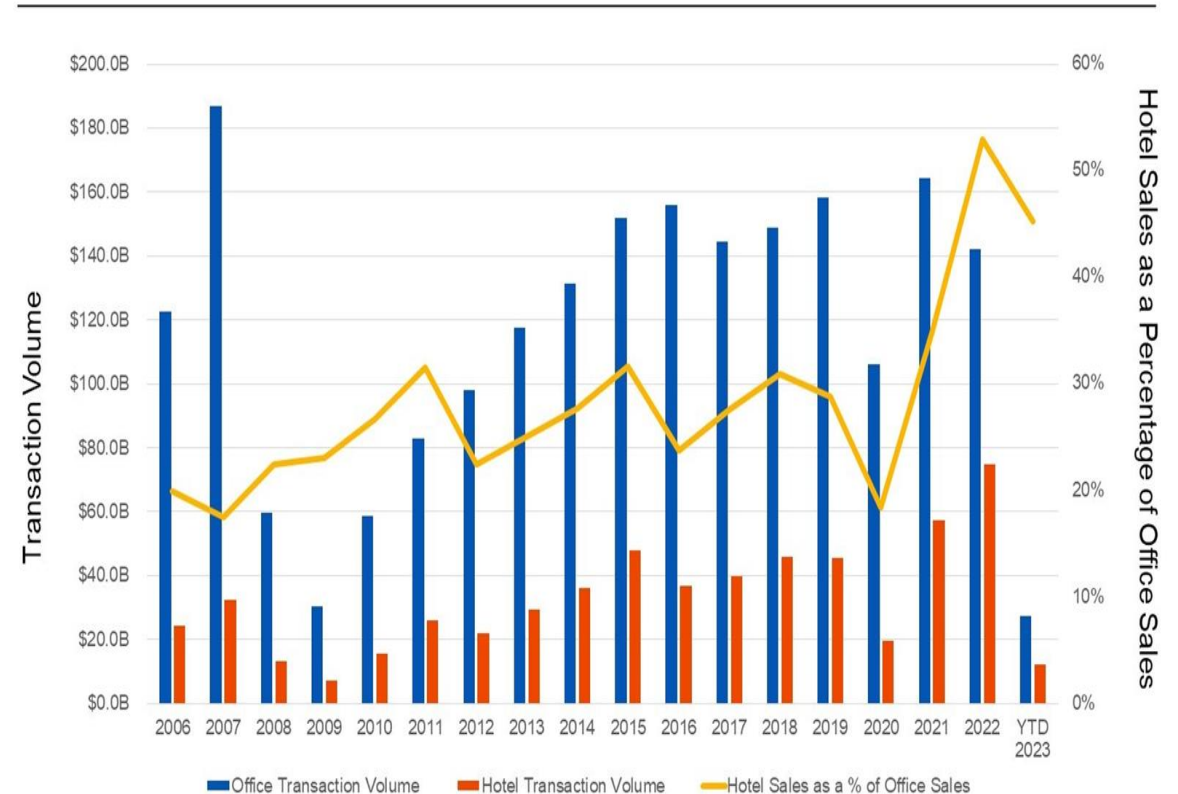
Lending Conditions Likely More Certain for Hotels in 2024



January 3, 2024

Money Is Available Heading Into New Year, Experts Say

Investors Increasingly Prefer Hotels Over Offices



Source: CoStar, May 2023



U.S. Lodging Industry H1 2024

Sector Overview

CoStar: U.S. Hotel Performance Reached Highest ADR and RevPAR on Record in 2023

January 18, 2024

LODGING

Hospitality Industry Should Fare Better Than US Economy in 2024, Analysts Say

CoStar™

Industry Experts Share Forecasts, Break Down Demand Segments

January 29, 2024

US Hotels Report First Decline in Revenue per Available Room of the Post-Pandemic Era

April 24, 2024

Demand Declines Signal an End to the Revenge Travel Party

CoStar™

U.S. RevPAR Forecast

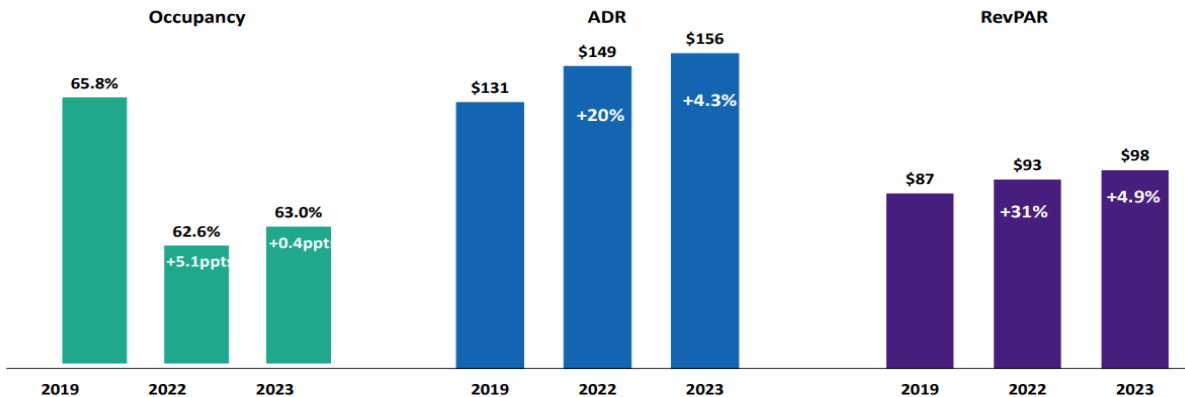
Metric	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast
Occupancy	63.0%	63.6%	64.0%	64.1%
ADR Change	4.3%	3.1%	2.8%	3.1%
RevPAR Change	5.0%	4.1%	3.5%	3.2%
2019 Real RevPAR Index	(4.9%)	(3.5%)	(2.1%)	(1.0%)

STR CoStar TOURISM ECONOMICS

Source: STR. © 2024 CoStar Group

KPIs advanced for a third consecutive year

U.S. annual KPIs



STR CoStar™

Source: STR. © 2024 CoStar Group

All Chain Scales Expected to Grow

U.S. chain scale RevPAR change, year over year

CoStar™

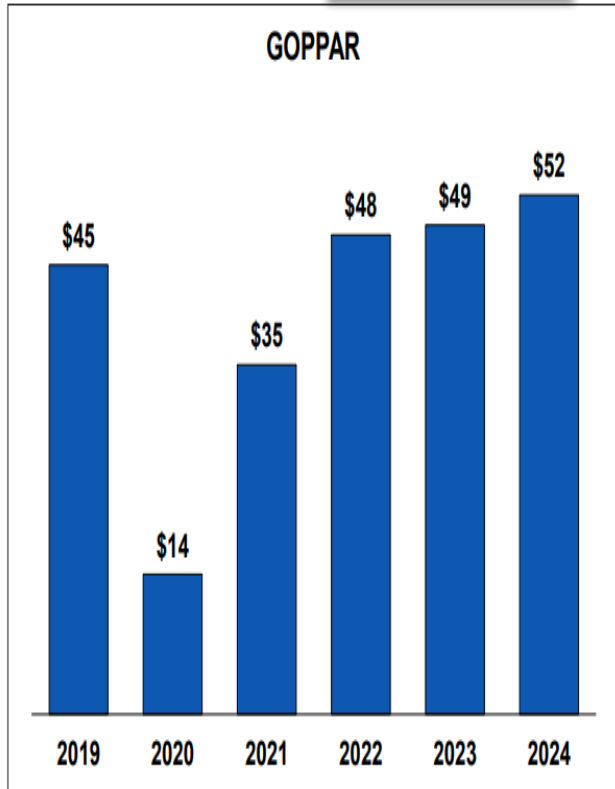
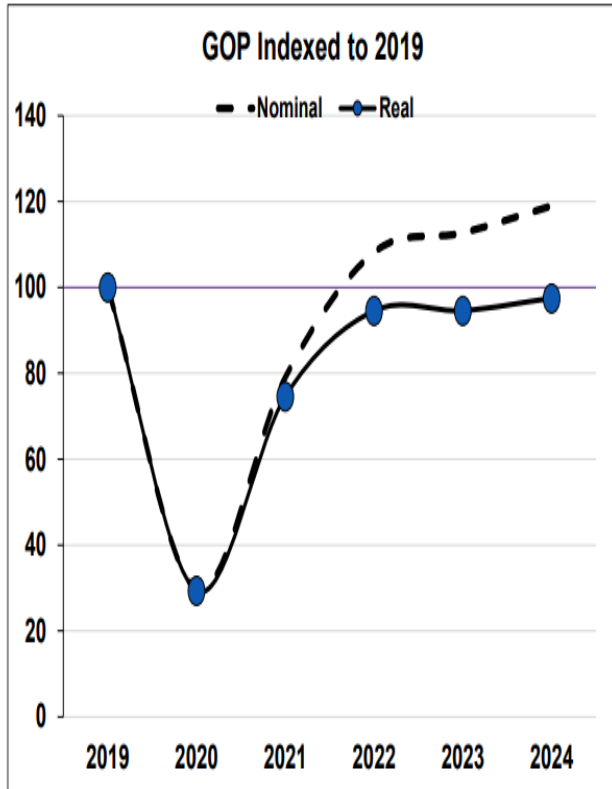


U.S. Lodging Industry H1 2024

Sector Overview

GOP Per Available Room Expected To Increase

U.S. profitability forecast



Profit margins nearly unchanged YoY for U.S. and top markets

Profit Margins, Total U.S., Top 25 Markets + all other markets, YTD December 2023 vs 2022

	GOP % of Revenues		EBITDA % of Revenues		Labor % of Revenues							
YTD December 2022	36.3%		25.5%		32.7%							
YTD December 2023	35.9%		25.1%		33.8%							
	Top 25		All Other		Top 25		All Other					
	35.4%	35.5%	34.1%	36.3%	24.4%	24.3%	24.4%	27.2%	34.3%	35.1%	30.0%	29.0%
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023



U.S. Lodging Industry H1 2024

Strengths

Hilton Worldwide Holdings Inc Reports Robust Growth and Record Room Additions in Q4 and Full Year 2023

Strategic Partnerships and Expansion Drive Hilton's Performance Amidst Industry Recovery **gurufocus** Feb 07, 2024

Marriott International Reports Strong Fourth Quarter and Full Year 2023 Results

FEBRUARY 13, 2024

Full Year 2023 Results



Wyndham Hotels & Resorts Reports Strong Fourth Quarter Results With Record Openings, Retention and System Growth

February 14, 2024



Hyatt reveals impressive 2023 performance highlights amidst earnings release postponement

Thursday, February 15, 2024

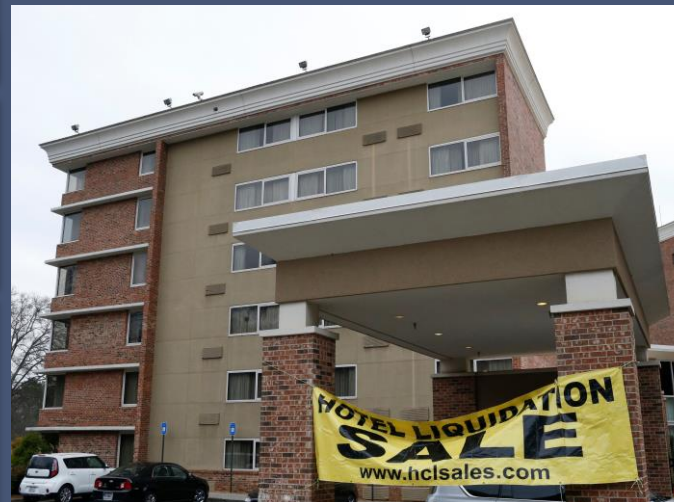


Choice Hotels International Inc (CHH) Reports Record Revenues for Full-Year 2023

Feb 20, 2024



Despite Challenges, CHH Exceeds Unit Growth Outlook and Achieves a 13% Increase in Adjusted EBITDA



Though Conditions Have Improved, US Hotel Development Pace Remains Stalled

January 5, 2024



Group Demand, Weekday Business Travel Fuel Hotel Profitability in Top US Markets

March 19, 2024



Airline Industry Expected To Soar With Record Summer Travel

Apr 25, 2024



Welcome Back, Road Warriors: Business Travel Returns

April 28, 2024

Airlines, hotels say work trips are rebounding to near prepandemic levels—'they're hungry to meet in person'

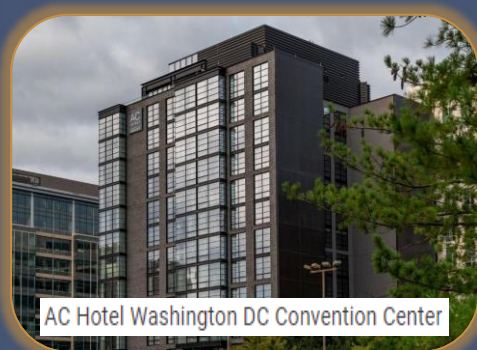


U.S. Lodging Industry H1 2024 **Strengths**

H1 2024 Asset Sale Price **\$705 million, \$530 million, \$230 million**



H1 2024 Asset Sale Price **> \$100 million**



U.S. Lodging Industry H1 2024 Weaknesses

US Travelers Plan To Continue Taking Trips Abroad in 2024

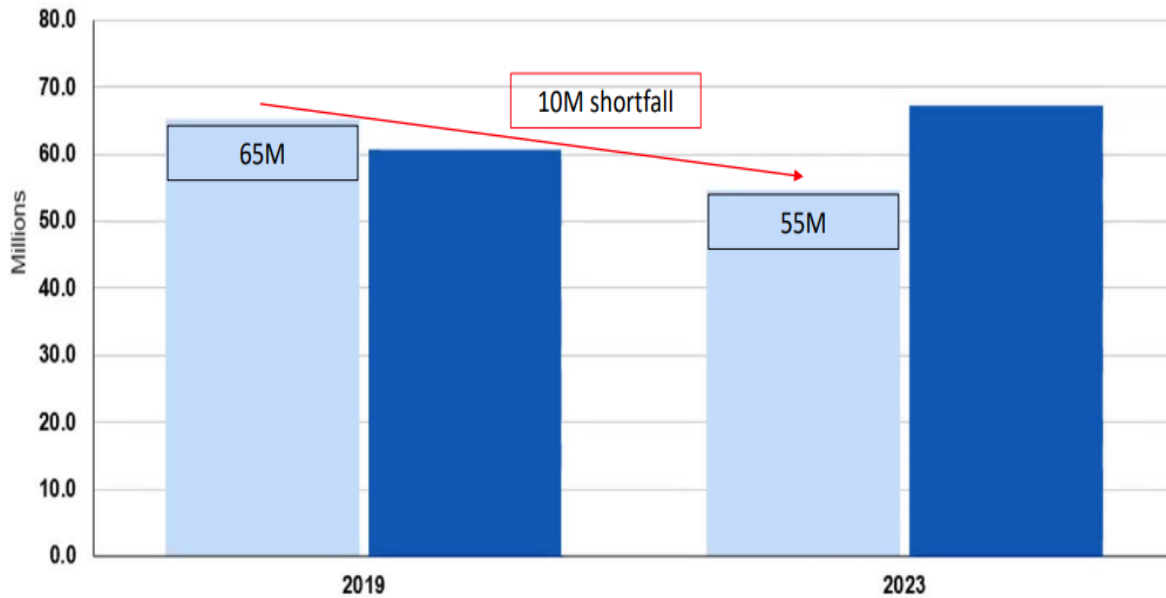
November 20, 2023



Island Destinations Garner More Searches Year Over Year

U.S. international inbound/outbound traveler count

International Inbound Travelers International Outbound Travelers



Source: APIS/i-92 Monitor (trade.gov)



The CEO 'return to office or else' is having limited success in 2024



PUBLISHED SUN, FEB 4 2024-9:58 AM EST | UPDATED MON, FEB 5 2024-10:07 AM EST



KASTLE BACK TO WORK BAROMETER 4.29.24

Weekly Occupancy Report from Kastle Access Control System Data

BAROMETER THIS WEEK

51.0%
10 CITY AVERAGE
OCCUPANCY



	Wed 4/17	Wed 4/24	% Change
New York metro	51.4%	48.1%	3.3% ▼
Austin metro	67.4%	64.9%	2.5% ▼
San Jose metro	42.0%	39.8%	2.1% ▼
Dallas metro	59.8%	58.4%	1.4% ▼
San Francisco metro	43.8%	45.2%	1.3% ▲
Average of 10	51.9%	51.0%	0.9% ▼
Philadelphia metro	43.1%	42.2%	0.9% ▼
Chicago metro	55.9%	55.5%	0.3% ▼
Los Angeles metro	47.1%	47.2%	0.2% ▲
Houston metro	59.4%	59.5%	0.1% ▲
Washington D.C. metro	48.9%	49.0%	0.1% ▲

Kastle customers are in more than 2,600 buildings in 138 cities. The Barometer reflects swipes of Kastle access controls from the top 10 cities, averaged weekly. It summarizes recent weekday building access activity among our business partners, not a national statistical sample.

*On March 22, 2021, Kastle moved from daily to weekly data reporting to provide a more robust and comprehensive picture of office occupancy. We have also recalculated data back to the start of the time series for consistency. This has only a marginal impact on most cities and the national average.

To learn more about KastleSafeSpaces visit: www.kastle.com/kastlesafespaces/



U.S. Lodging Industry H1 2024 Weaknesses

AHLA: Two-Thirds of Hotels Continue Experiencing Staffing Shortages

By LODGING Staff - February 5, 2024

LODGING



Daniel H. Lesser
Co-Founder, President & CEO

The hotel industry's comeback from the dead is being threatened by filthy rooms, angry guests and a fed-up workers' union

October 21, 2023

FORTUNE



U.S. Lodging Industry H1 2024

Weaknesses

Property Insurance Costs Surge

October 11, 2023



Markets Affected by Severe Weather Have Highest Increases

Confused by All the Hiltons and Marriotts? Us Too.

Dec. 6, 2023

THE WALL STREET JOURNAL

Travelers face a 'confusing sea of sameness' as new brands keep popping up; do you want 'classic luxury' or 'lifestyle luxury'?

Bill Comes Due for Hotel Owners Who Delayed Required Renovations

March 25, 2024



Brands, Guests Push for Property Improvements

Chinese Demand for U.S. Tourist Visas 'Nowhere Near' Pre-Pandemic Levels

May 4th, 2024



U.S. vows to tackle visa waits amid soaring demand

By Johanna Jainchill | Nov 30, 2023



Photo Credit: Ascannio/Shutterstock



Near-record demand means that the U.S. State Department processed more visas for tourism and business this year than any since 2015 -- but that demand is also behind the persistent delays in obtaining those visas.



U.S. Lodging Industry H1 2024

Threats

The Banks Are Not Okay

Markets are recognizing how precarious conditions for banks can be.

By Erik Sherman | February 02, 2024 at 07:56 AM

ALM GLOBEST.COM

The 'Greatest Real Estate Crisis' Since 2008 Starts to Hit Banks

February 10, 2024

Bloomberg

NYCB was downgraded to junk by Moody's, PBB and Aareal saw bonds plummet on their US CRE exposure

LAST YEAR'S CRISIS STILL ROILS BANKS

Mar 7, 2024

SAN FRANCISCO BUSINESS TIMES

A year on, bankers wrestle with lessons from wave of failures that started with Silicon Valley Bank

Nearly 300 Banks Are Vulnerable Because Of Their CRE Loans, Study Finds

March 19, 2024

BISNOW

Regulators close Philadelphia-based Republic First Bank, first US bank failure this year

April 26, 2024

AP



US consumer debt soared to new heights in the run-up to the holiday season

January 8, 2024

CNN BUSINESS

Households Are Falling in Love With Their Credit Cards

February 14, 2024

CoStar

Debt-Fueled Spending Could Become a Problem

Layoffs in 2024: A List of Companies Cutting Jobs This Year

Feb. 27, 2024

THE WALL STREET JOURNAL

Google, Amazon and UPS are among those slashing staff, though cuts are expected to be smaller than those last year

Credit card delinquency soars above pre-pandemic level amid high interest rates, inflation

Jan. 12, 2024

NEW YORK POST

Last Month Had Most Job Cuts Of Any February Since 2009

Mar 7, 2024

Forbes

U.S. Lodging Industry H1 2024

Threats

WORLD • ELECTIONS

A Make-or-Break Year for Democracy Worldwide

JANUARY 10, 2024

TIME

2024: The Ultimate Election Year Around the World

National elections are scheduled or expected in at least 64 countries, as well as the European Union, which all together represent almost half the global population.



TIME

DECEMBER 28, 2023

GOP Governors Have Already Sent Troops to Texas Amid 'Civil War' Fears

Newsweek

Jan 28, 2024



Israel says it is 'at war' after Hamas surprise attack

CNN

October 7, 2023

Iran's allies are attacking the West. What happens next?

From Jordan to Lebanon to the Red Sea, attacks on U.S. and European interests are increasing.

JANUARY 29, 2024

POLITICO



For Europe and NATO, a Russian Invasion Is No Longer Unthinkable

Amid crumbling U.S. support for Ukraine and Donald Trump's rising candidacy, European nations and NATO are making plans to take on Russia by themselves.

Jan. 29, 2024

The New York Times

U.S. Lodging Industry H1 2024

Threats

CoStar, luxury hotels hit with US consumer price-fixing lawsuit



February 21, 2024

6 hotel chains colluded to fix prices, SF antitrust lawsuit alleges

Apr 29, 2024



AHLA - New U.S. Labor Department Regulation Will Harm Hotels and Independent Contractors

2 minute read AHLA January 9 2024



Los Angeles Housing Law Adds More Hurdles to Hotel Development

January 19, 2024



High Barriers To Entry Make Construction Harder To Justify Financially

New Jersey bill would destroy hotel franchising, drive hotels from Garden State

Feb. 22, 2024



Since 'Mansion Tax' Enactment, Los Angeles Hotel Sales Have Plunged

March 20, 2024



DOL Finalizes Substantial Increase to Salary Threshold for FLSA White Collar Exemption

April 23, 2024



Order in the Court: NLRB's Proposed 'Joint Employer' Rule Has Been Blocked—For Now

April 29, 2024



U.S. Lodging Industry H1 2024

Threats



U.S. Lodging Industry H1 2024 Opportunities

Say Goodbye to Daily Hotel Room Cleaning
The New York Times
The pandemic put a pause on many hotels' guaranteed once-a-day cleanings. Now many of them are making the change permanent, even saying guests prefer it.
March 24, 2023

The Evolution of Hotel In-Room Entertainment
May 17th, 2023
Skift

New York City Italian concept Il Mulino enters push for more licensees
Jul 07, 2023
Restaurant HOSPITALITY
The company is looking for hotel operators to open locations of its trattoria, steakhouse, and fine-dining restaurants

Hotels Turn to Parking Fees to Drive Revenue Growth
July 11, 2023
ALM GLOBEST.COM
Parking revenue rose 103.1% from pre-pandemic 2019 levels, while hotel revenue was only at 95.9%.

How dynamic pricing is revolutionizing hotel event revenue
Aug 18, 2023
HOTEL MANAGEMENT

This Hotel Perk Used to Be Free. Not Anymore.
Visitors wanting to check in early or check out late are surprised to find they have to pay up
Aug. 22, 2023
THE WALL STREET JOURNAL

The Michelin Guide Will Start Ranking Hotels
October 5, 2023
Bloomberg
As part of an aggressive global expansion strategy, the famed restaurant reviewer is bringing "keys"—not stars—to the lucrative hotel industry.

EV charging is the next essential hotel amenity
Ram Ambatipudi, EV Connect · Dec 20, 2023 8:00am
HOTEL MANAGEMENT

The role of room monitors in combatting chargeback challenges
Jan 29, 2024
HOTEL MANAGEMENT

\$1,780 to Spend the Night in a 'Cocoon'? Hotels Are Betting on Sleep Tourism.
March 6, 2024
The New York Times

Hyatt Regency brand adds personal training platform for guests
Mar 8, 2024
HOTEL MANAGEMENT

March 27, 2024
LIFESTYLE | TRAVEL | CARRY ON
THE WALL STREET JOURNAL
The New Hotel Essential: Easy Take-Out Food
There have never been more options for meal delivery to your room—or other parts of the hotel

These hotels go all-out with luxury pet amenities
Tanner Saunders
April 10, 2024 · 10 min read
THE POINTS GUY

Work-from-anywhere mode makes hotels bona fide centers of business
April 29, 2024
HOTELS
HOTELS
PIONEERS IN HOSPITALITY
SINCE 1966

U.S. Lodging Industry H1 2024 **Opportunities**

Saks Extends Its Brand of Personal Service to Luxury Resorts

JUNE 1, 2023



In locations where it doesn't have a store, Saks is partnering with Marriott International and other resort operators to establish Fifth Avenue Clubs personal service and styling suites.

Marriott Bonvoy Partners with CAMP to Reimagine Kids' Clubs

December 4, 2023



Marriott, MGM Announce Loyalty, Distribution Partnership



July 17, 2023

17 MGM Resorts To Be Listed on Marriott's Platforms

My Place Hotels of America Announces Partnership With Grubhub

February 7, 2024

LODGING

Hilton partners with Small Luxury Hotels of the World

Feb 07, 2024



Hilton Goes Glamping in Partnership with AutoCamp

February 27, 2024



Guests Can Book Through Hilton Channels, Take Advantage of Loyalty Program

Rio Las Vegas joins World of Hyatt

March 1, 2024



Rio Hotel & Casino in Las Vegas has joined Hyatt Hotels Corporation's World of Hyatt loyalty program. Members can now earn and redeem points for qualifying stays at the Hyatt-affiliated hotel, which is in the midst of a multiphased, \$340 million transformation.

Kenneth Cole to provide amenities for Wyndham Destinations

Mar 15, 2024



U.S. Lodging Industry H1 2024

Opportunities

Brands heat up battle for all-inclusive sector

JANUARY 19, 2023



Revenue, rate potential, pent-up demand and a buffet of government incentives make this sector one of the hottest destinations for brands and investors.



4 luxury hospitality giants offering lavish new 'yacht' cruises: from Four Seasons' 95-suite giant and Ritz-Carlton's globe-trotting Evrima, to Aman Resorts' Project Sama and Orient

Feb 21, 2023

Express' Silenseas



Summit Follows Up Year of Acquisitions With Glamping Expansion



March 1, 2023

REIT Invests in Two Onera-Branded 'Luxury Treehouse Resorts'



'Hotel train' between LA and San Francisco could soon hit the rails

April 19, 2023

The deluxe Dreamstar Lines train would travel overnight from the California hubs



Luxury Tree Houses Are Suddenly Offering 5-Star Resort Experiences All Around the Globe



MAY 11, 2023

Good for the 'gram and even better for the environment, hoteliers say these leafy resorts has deep roots.

Airlines' First Class Makeovers Give the Rich Hotel Rooms in the Sky



- Carriers are investing billions of dollars to upgrade cabins
- Strong demand for premium travel in the wake of Covid pandemic

May 11, 2023

Wellness Tourism Is One of Fastest Growing Parts of Travel, To Reach \$1.4 Trillion by 2027

November 12th, 2023



A Hotel in Space Could Be Operational in Just Five Years

December 5, 2023



Voyager Station and Pioneer Station, two proposed offerings from Above: Space Development, aim to be the first commercial space hotels upon completion

U.S. Lodging Industry H1 2024

Opportunities

Maguire, Madison buy distressed loan on Fifth Avenue Hotel

New luxe NoMad hotel already faces financial problems

MAR 15, 2024

THE REAL DEAL
REAL ESTATE NEWS

'Generational investment opportunity': Noble Investment Group closes \$1 billion fund

Jan 9, 2024

ATLANTA
BUSINESS CHRONICLE

XLD Group's \$130M loan for LAX Marriott hotel goes on watchlist

CMBS debt encounters higher operating and capital costs at 18-story property

MAR 18, 2024

THE REAL DEAL
REAL ESTATE NEWS

Host Hotels & Resorts Has \$2.9B to Spend on Acquisitions In Battered Urban Markets

February 23, 2024

BISNOW

Westbrook Defaults on Loan Backed by Four Seasons San Francisco

Developer behind on loan payments for hotel on top floors of Embarcadero tower.

March 19, 2024

ALM | **GLOBEST.COM**

REPORT: Hospitality Firm Ennismore In Talks To Drop Major Cash On High-End Hotel Expansion

March 5, 2024

BISNOW

Fisherman's Wharf Hotel Goes Back to Lender

Minneapolis-based lender takes keys after \$85M mortgage default.

April 11, 2024

ALM | **GLOBEST.COM**

Trinity Investments Digs In on Deal Strategy of Chasing Underinvested Hotels

March 13, 2024

 **CoStar™**

Development Exec Says Eight Hotels in Portfolio Are Under Renovation

Owner of San Francisco's Kimpton Alton Hotel defaults, surrenders property

Apr 17, 2024

TRAVEL WEEKLY

Patient Blackstone, and others, ready to pounce on hotel real estate

March 25, 2024

HOTELS
PASSION FOR HOSPITALITY

U.S. Lodging Industry H1 2024 Opportunities

Look To Hospitality For The Future Of Commercial Real Estate And In-Office Work

Jul 27, 2023

Forbes

Hotels, companies step up efforts to make industry greener



Apr 21, 2023

No Hotel, No Problem: Marriott, Hilton Attract Development Dollars for Stand-Alone Branded Residences

October 10, 2023



Profitability, Demand Make These Properties Attractive With Less Risk

San Jose agrees to split Signia by Hilton for student housing

OCT 24, 2023



City approves pending sale of hotel's 264-room south tower for lease to San Jose State



Migrant Crisis a Lifeline for New York City Hotels

FEBRUARY 26, 2024

COMMERCIAL OBSERVER

The city is prepared to pay to house migrants in hotels for the next three years. Many hotel owners are fine with that.

Maybe Cities Aren't Headed for a Doom Loop

Outmigration in gateway markets is slowing but still significant.

January 08, 2024

ALM GLOBEST.COM

Q&A: How Hotels Can Leverage AI and Digital Marketing to Win the Direct Booking Race

March 6th, 2024



U.S. Lodging Industry H1 2024

Summary

- **Lodging fundamentals remain solid.**
 - RevPAR continues to rise, and demand outpaces supply.
 - Leisure demand growth continues to slow as corporate and group business are modestly strengthening.
 - Domestic leisure demand weakening as increasing numbers of Americans travel abroad.
 - Although still below 2019, foreign in-bound leisure demand improving.
- **ADR continues to be the driver for RevPAR growth.**
 - Leisure demand is exhibiting rate sensitivity.
 - RevPAR growth will decelerate through 2026.
- **Inflationary expense pressure persists.**
 - Labor, insurance, property taxes



U.S. Lodging Industry H1 2024

Summary



**HOTEL
CLOSED**

- Permanent hotel closings and/or diminishing new supply are tailwind(s) for many markets.
- Transaction volume has slowed, however will catalyze during 2H 2024.
 - The Federal Reserve will lower interest rates during 2024.
 - Significant number of alternative debt providers now keen to lend to the sector.
 - Current wide bid-ask spreads will decrease during 2024.
 - Some sponsors facing refinancing will be forced to sell in an elevated interest rate environment.
 - Private equity fund-life expirations.
 - Depleted capital expenditure reserves needed for required brand Product Improvement Plan's (PIP's).
- Investment dollars continue to prioritize acquisition over construction.



**ACQUISITIONS
VS
DEVELOPMENT**

U.S. Lodging Industry H1 2024

Summary

HOTEL INVESTMENTS

WHY HOTELS CAN BE A GREAT ADDITION TO YOUR PORTFOLIO

- Hotels now seen as a mainstream investment class.
- Capital originating from Asia, Europe and the Middle East seeking safe-haven markets such as the U.S. will result in increased cross-border investment opportunities.
- First-time hotel buyers, predominantly comprised of family offices and high net-worth individuals are increasing.
- Some lodging investors are adjusting their internal rates of return (IRR) downward to consummate acquisitions.
- Higher quality assets, particularly resorts are being pursued by investors, mostly with a long-term time horizon.



U.S. Lodging Industry H1 2024 **Summary**

- \$25B hotel CMBS loans are due in 2024.



- Compared to the notion during peak COVID of “lets all play nicely in the sandbox” a.k.a. “kick the can down the road” future lender credit defaults will be dealt with more aggressively.

- Billions of dollars have been raised to deploy debt and equity into the U.S. lodging sector.



- Long term well capitalized opportunistic investors that bet big, at the right basis, and early in the cycle acquiring and/or investing in loans, assets, and operating companies will likely reap financial rewards that generate outsized returnsparticularly contrarian sponsors who acquire large urban corporate and group meeting/convention hotels at fractions of replacement cost.

- Preferred equity will backstop numerous sponsors unable to secure traditional bank financing.

- Selective distress deals will continue to occur, however compelling opportunities that are “bid up” may not reflect distressed pricing.



Travel Will Inject a Record \$11 Trillion Into the Global Economy This Year: Report

Robb Report

APRIL 5, 2024

Tourism is expected to become a \$16 trillion industry by 2034, the World Travel & Tourism Council says.

“Over the long term, it’s going to be spectacular. All the trends that were here pre-Covid are here even to a greater level—meaning, people’s desire to spend on experiences and do things. The other thing that is long term very beneficial for what I call our new golden age of travel is mobility. You have greater flexibility. People are going to have more flexibility on Mondays, Fridays, weekends. People are going to allow more remote work. The more mobile the world, the better our business. It’s that simple.” (Wall Street Journal December 17, 2022)

Christopher J. Nassetta, President and Chief Executive Officer - Hilton

U.S. Lodging Industry H1 2024



MEET THE MONEY®
National Hotel Finance &
Investment Conference

www.MeetTheMoney.com

Join us
MAY 6-8, 2024

📍 **Los Angeles Airport Marriott**

Daniel H. Lesser

Co-Founder, President & CEO
(212) 300-6684 X 101
daniel.lesser@lwhadvisors.com
www.lwhospitalityadvisors.com

