

# U.S. Lodging Industry H1 2023

**The Big Reset:**  
New Capital, New Deals, New Players



**MAY**  
1-3, 2023



Hyatt Regency  
Los Angeles



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National Hotel Finance &  
Investment Conference

May 2, 2023

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LW HOSPITALITY ADVISORS

# U.S. Lodging Industry H1 2023

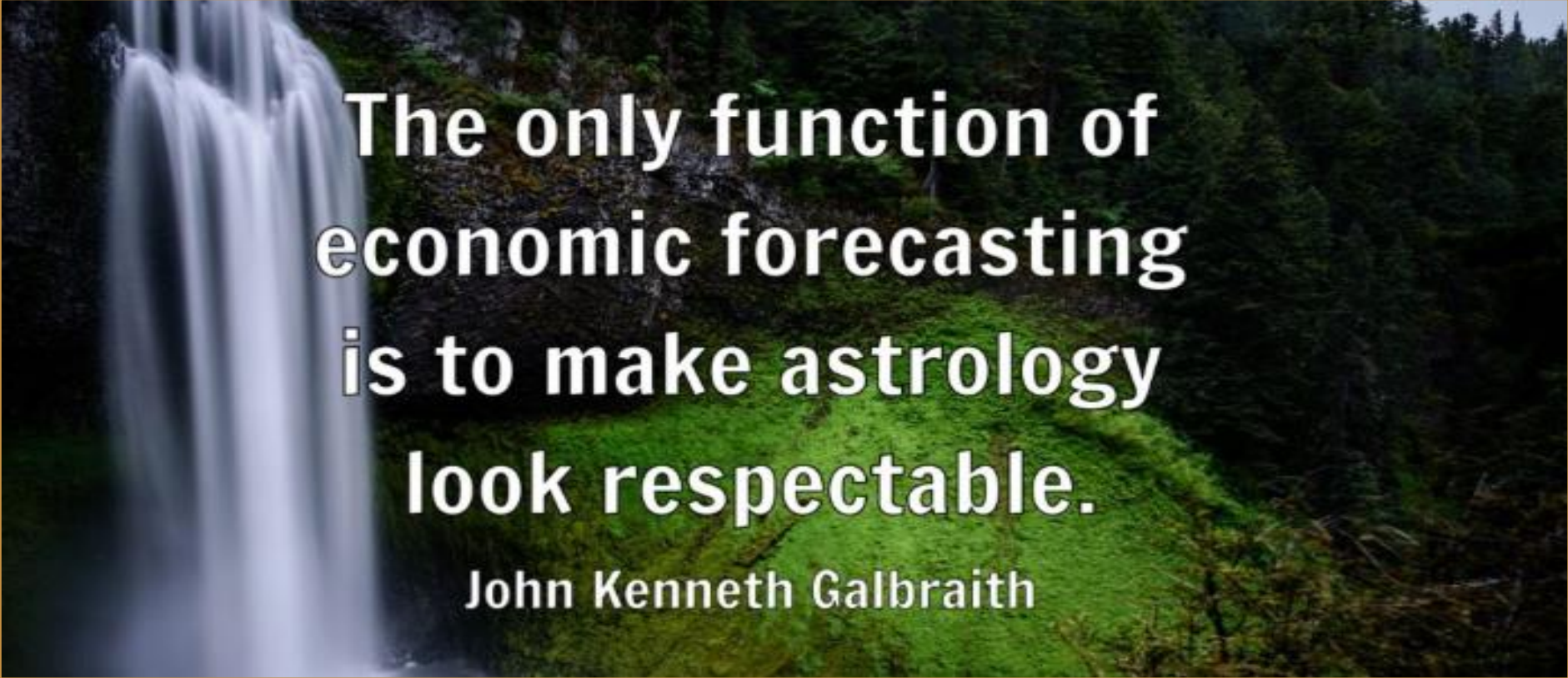
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# The Most Predicted Recession?



**The only function of  
economic forecasting  
is to make astrology  
look respectable.**

John Kenneth Galbraith



# U.S. Lodging Industry H1 2023

## Strengths

### The Bleisure Traveler—Coming to the Rescue of Airlines Everywhere

Corporate travel still isn't fully back, but airlines are seeing increased demand from leisure travelers willing to spend more for extra legroom and other perks.

Dec. 15, 2022

THE WALL STREET JOURNAL

### The era of hotel bargains is over, Hilton CEO suggests

POINTS GUY

Feb. 09, 2023

### U.S. Households Lifting Economy After Being Stung by Inflation Last Year

Wage gains, state tax cuts and cost-of-living adjustments are boosting disposable income

Feb. 16, 2023

THE WALL STREET JOURNAL

### Hotel Executives Expect Group Recovery Momentum To Carry Through 2023

CoStar

Forward Bookings Show Strength in Demand Segment

February 27, 2023

### US Weekly Hotel Performance Shows Signs of Group, Business Travel Returning

CoStar

April 21, 2023

Top 25 Markets Fare Better than Average in Week After Easter Holiday

### Don't expect cheap hotel rates this summer, Marriott CEO says

Jan. 24, 2023

THE POINTS GUY

### U.S. consumer sentiment improves; inflation expectations rise

February 10, 2023

REUTERS

### Despite high inflation, Americans are spending like crazy – and it's kind of puzzling

February 25, 2023

npr

### Strong Travel Demand Should Help Hotels Weather 'Mild' Recession

March 24, 2023

CoStar

Economist Says Supply Growth Remains In Check and Consumers Still Spend on Travel

### Hotels, Booking Sites Say Americans Will Keep Traveling in 2023

Travel companies say leisure spending continues despite higher costs

Feb. 18, 2023

THE WALL STREET JOURNAL



# U.S. Lodging Industry H1 2023 Strengths

## CHINA'S END OF COVID QUARANTINE A POTENTIAL BOON FOR DOMESTIC AND GLOBAL HOTELS

HOTELS  
December 27, 2022

## Delta upgrades 4 of its newest transatlantic routes, bringing big growth to NYC, LA

Jan. 27, 2023

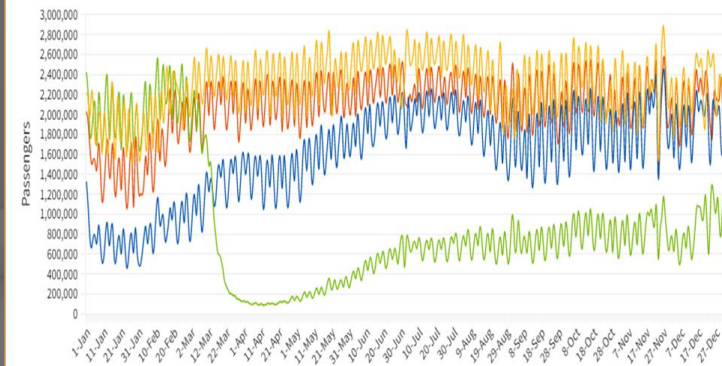
THE POINTS GUY

### 2022 Posts Remarkable Recovery From 2021 Passenger Volume

Passenger Volume from 2019-2022

Click here to choose year view

2022 2021 2020 2019



Source: Transport Security Administration  
As of Feb. 22, 2023



How long can the good times last? When asked point blank, leaders of the largest airlines in the U.S. were unequivocal. They see strong travel lasting into at least early 2023.

*The travel industry is experiencing a countercyclical recovery... Demand has not come close to being quenched by a hectic summer travel season.*

ED BASTIAN, CEO



*The return of long-haul international travel leaves us very bullish about overall demand even in an uncertain economic environment.*

ROBERT ISOM, CEO



*There's been a permanent structural change in leisure demand because of the flexibility that hybrid work allows... This is not pent-up demand. It's the new normal.*

SCOTT KIRBY, CEO



*[Travel] tailwinds are stronger than the headwinds. And I would say meaningfully stronger, which is why we will continue to recover, we continue to have pricing power.*

CHRIS NASSETTA, CEO



*We continue to see kind of the power of people's love for travel, pent-up demand, pent-up savings, and recovery in certain markets.*

LEENY OBERG, CFO



*One of the things that we've seen is despite a lot of consumers pulling back on spending, the one area that I haven't seen them pull back on as much is travel.*

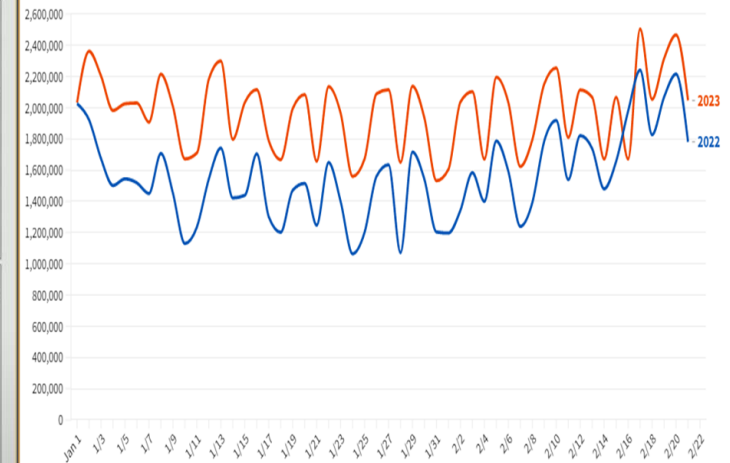
BRIAN CHESKY, CEO



Source: Marriott at Barclays Conference, Nov 2022. All others from 3Q '22 Company Earnings Calls.

### 2023 US Passenger Volume Begins Stronger Than 2022

2022 & Year-to-Date 2023



Source: Transportation Security Administration  
As of Feb. 22, 2023



## ITA: INTERNATIONAL VISITATION TO U.S. TO INCREASE 20% IN 2023

February 23, 2023



## U.S. Airlines Forecast to See Busiest Ever Spring Break Travel Season

March 2, 2023



# U.S. Lodging Industry H1 2023 **Strengths**

## **Economy Properties Account for Majority of Permanent Hotel Closures in 2022**



Room Closures for All Hotels Ran Well Above Long-Term Average During Another Challenging Year

January 13, 2023

## **Lack of Capital, Higher Costs Constrain Hotel Supply Growth**

January 30, 2023



## **Hotel Investors See New Promise in Long-Term Gap Between Supply and Shifting Demand**

March 29th, 2023



# U.S. Lodging Industry H1 2023

## Strengths



### Why Blackstone sees hotels as an inflation hedge

By Patrick Whyte • Jan 27, 2023 10:55am



- Hotels occupy a unique position within the commercial real estate investment universe as:
  - Rents charged for the use of property spaces, commonly known as room rates or average daily rates (ADRs), are subject to high frequency adjustment.
  - Aside from corporate and institutional contracts, hotel guests do not enter legally binding contracts for periods of demand.
  - In high and rapidly changing inflationary environments, the possibility of keeping rents aligned with inflation is seen as a distinct advantage of owning hotels rather than other property types.
- Hotel properties house operating businesses often controlled by property owners, unlike other property types that house businesses controlled by others.



# U.S. Lodging Industry H1 2023

## Strengths

### Hotels Are 'Hottest' Asset Class So Far in 2023



Sales prices are breaking records while Choice Hotels sees 'multifamily-like' cap rates. February 23, 2023

### Stonehill Plans To Increase Lending as Other Hotel Capital Pulls Back

February 17, 2023



### 'It's Wild': Hotel Brands, REITs Beat Expectations As Travel Demand Stays Hot

February 28, 2023 **BISNOW**

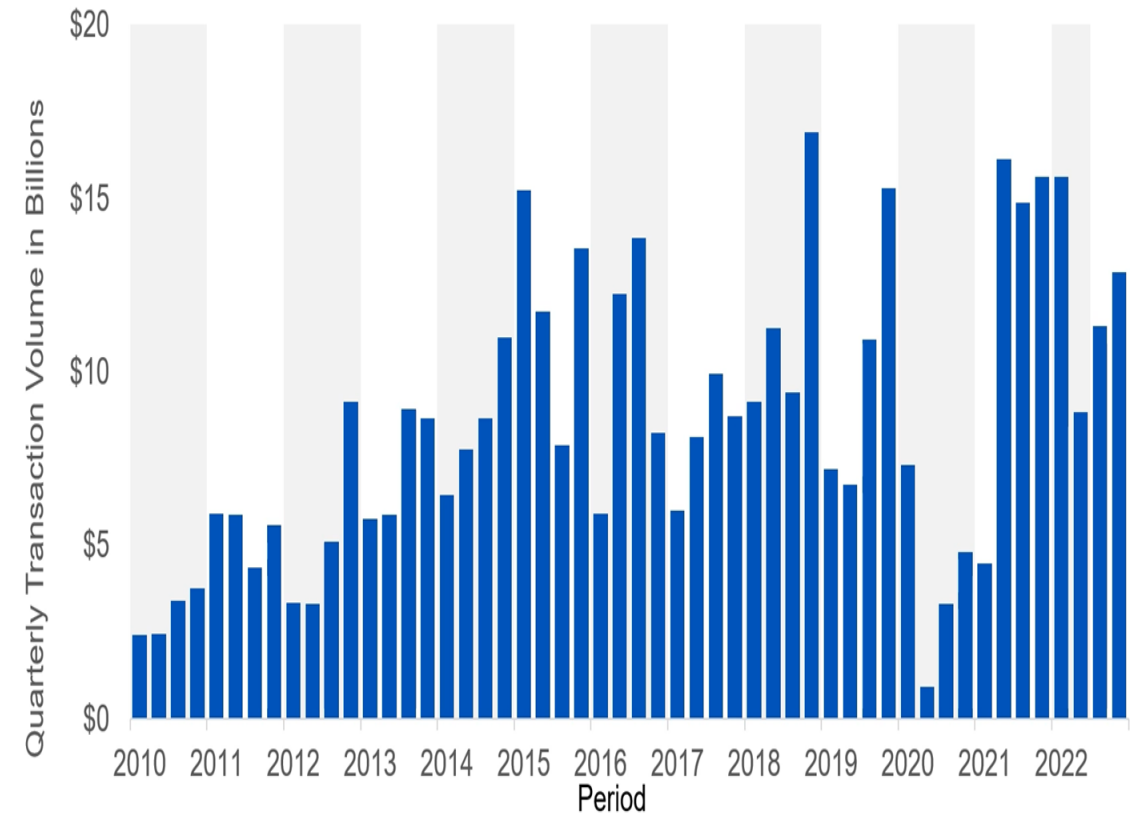
### Hotel REIT Executives Poised for Deals When Debt Markets Open Up

Firms More Focused on Buying Than Selling

March 3, 2023

Daniel H. Lesser  
Co-Founder, President & CEO

### Fourth Quarter Transaction Volume 14% Higher Than Prior Quarter



Second Quarter 2022 volume excludes MGM sale-leaseback transaction with VICI for \$17.2 billion  
Source: CoStar, January 2023



# U.S. Lodging Industry H1 2023

## Strengths

### Availability of Refinancing Proceeds (H1 2023)

Sonnenblick-Eichner Company Arranges \$26,750,000 of First Mortgage

Financing for Two Northern California Hotels

January 10, 2023



Ramsfield, AB CarVal Close \$95M Loan for 488-Room Marriott Burbank

JANUARY 11, 2023

COMMERCIAL OBSERVER

Flynn Properties Secures \$30M Refinancing for Telluride Resort

ALM | GLOBEST.COM

Varde Partners provides loan for The Madeline Hotel, Auberge Resorts Collection

January 26, 2023

Maxim Capital, Beach Point Lend \$55M on Three Phoenix Airport Hotels

COMMERCIAL OBSERVER

FEBRUARY 2, 2023

Hilton Garden Inn McAllen Airport in McAllen, TX

January, 27 2023

Received \$9.1 Million Refinancing Loan



Franklin BSP Realty Trust, Inc. Announces Closing of \$120 Million Loan on a Limited-Service Hotel Portfolio

February 15, 2023



Sam Chang Scores \$35M for Times Square Marriott Hotel Project

COMMERCIAL OBSERVER

FEBRUARY 17, 2023

Meridian Secures Refi on Hotel @ Times Square

March 10, 2023



# U.S. Lodging Industry H1 2023

## Strengths

### Availability of Refinancing Proceeds (H1 2023) cont'd.

Crowne Plaza Union Station Hotel in Indianapolis Closes on \$24 Million of Financing

March, 9 2023 HNR HOTEL NEWS

Affinius Capital Refis Arlo Midtown Hotel With \$83M Loan

MARCH 24, 2023 COMMERCIAL OBSERVER

Relevant Group Receives \$33.3M Refinancing for The Dream Hollywood Hotel in Los Angeles

April 12, 2023 REBUSINESS ONLINE

Berkadia Arranges \$14.5 Million Refinance For Holiday Inn & Suites Orlando SW – Celebration Area Hotel

APRIL 17, 2023 citybiz

Braemar Hotels & Resorts Extends \$98 Million Mortgage Loan for The Ritz-Carlton Sarasota

04/10/2023 MarketScreener

Barings Refis Marriott Hotel in Downtown DC for \$102M

April 19, 2023 connectcre

Barings, Mack fund \$133m debt package for San Diego hotel

Real Estate Capital USA

04/13/2023

Cronheim secures \$47M to refinance NYC Hyatt House

Cronheim Hotel Capital (CHC) has secured a \$47-million loan on behalf of investment firm Lexin Capital to refinance the existing note on the 150-room Hyatt House NewYork/Chelsea. CHC sourced the loan with a New York City-based bank on a five-year term and a favorable fixed rate.

April 19, 2023 HB HOTEL BUSINESS



# U.S. Lodging Industry H1 2023

## Strengths

### Availability of Acquisition Financing Proceeds (H1 2023)

**Marcus & Millichap arranges metroplex hotel sale and financing**

JANUARY 16, 2023



Marcus & Millichap announced the sale and financing of Courtyard by Marriott Dallas Grand Prairie, a four-story, 120-room hotel in Grand Prairie, Texas.

**Certares and HHM Partner to Acquire Irreplaceable Beachfront Cape Cod Resort**

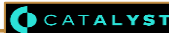
January 23, 2023



Leader Bank, a Massachusetts-based financial institution with \$3.9 billion in assets, provided financing for the transaction. "We are excited to support Certares and HHM by financing this valuable community resort, and look forward to its continued success under their stewardship," said Matthew Pierce, Chief Lending Officer at Leader Bank.

**St. Pete Marriott hotel sells in \$60M deal**

March 2, 2023



The buyer, under the St. Petersburg Hotels LLC entity that's connected to the South Carolina-based Palmetto Hospitality Fund, took out a \$49.55 million loan from Fifth Third Bank Association.

**Bangkok Bank Lends \$65M on Standard International's Manhattan Hotel Buy**

FEBRUARY 21, 2023



**Courtyard by Marriott Austin - University Area in Austin, Texas Receives \$20.75M in Acquisition Financing**

March, 15 2023



**Institutional Property Advisors Structures Acquisition Financing For North Carolina Beach Resort**

JANUARY 19, 2023



IPA Capital Markets (IPA), a division of Marcus & Millichap (NYSE: MMI), specializing in capital markets services for major private and institutional clients, has arranged financing for the acquisition of The Blockade Runner Beach Resort on behalf of Castle Peak Holdings, a hospitality investment and development company focused on iconic outdoor destinations across the country.

The financing package was provided by Benefit Street Partners (NYSE: FBRT) and Driftwood Capital. The property will undergo a phased renovation with plans to enhance the experience for both overnight guests and Wrightsville Beach locals.

**Schrager receives financing for purchase of former Standard Hotel**

February 24, 2023



**Concord buys Cambria Chelsea hotel for \$48M**

MAR 24, 2023



Hospitality firm has managed property since 2015

Concord financed the acquisition with a \$32.5 million loan from Western Alliance Bank. PincusCo was first to report on the transaction.

# U.S. Lodging Industry H1 2023

## Strengths

### Availability of Construction Financing Proceeds (H1 2023)

Vlad Doronin, Len Blavatnik score \$242M construction loan for Aman Miami Beach

Financing adds to loan Bank OZK provided in 2020, for a total of \$277M

January 10, 2023



Donohoe Lands \$75M Construction Loan For Dual-Branded Reston Town Center Hotel

January 18, 2023



Artemis Provides \$74.7M in Financing for Dual-Branded Hotel Project at Reston Town Center in Metro D.C.

January 19, 2023



Urban Catalyst lands \$48M construction loan for San Jose hotel

FEB 1, 2023



176-room hospitality property will open near Google's Downtown West transit village

VICI Properties Inc. Provides 287.9 Million Construction Financing for Great Wolf Lodge in Mashantucket, Connecticut

February, 2 2023



Sonnenblick-Eichner Company Arranges \$50,000,000 of Construction Financing for the Lionsback Resort, Moab, Utah



February 07, 2023

Town of Speedway to provide \$2.5 million construction loan to jump-start stalled Wilshaw Hotel project

Feb 27, 2023



MidCap secures \$16.2M construction loan for FL hotel



MidCap Hotel Loans has closed a \$16.2 million construction loan for an EVEN Hotel by IHG. The new 110-room hotel will be located near the Orlando International Airport.

March 9, 2023

Procida Funding Provides Construction Financing for Transformation of Wylder Windham Hotel in Windham

March 14, 2023



200 Room Hotel Receives Financing in Jamul, CA

April, 4 2023



Skokie To Loan Developer \$4.5 Million To Build Hilton Hotel Downtown

Apr 18, 2023



Trustees authorized the loan on top of \$13.5 million in pledged TIF money. Staff said the loan was unprecedented but "critically important."

Daniel H. Lesser  
Co-Founder, President & CEO





# U.S. Lodging Industry H1 2023

## Strengths

### Mergers & Acquisitions – Real Estate

#### NewcrestImage JV acquires 11 hotels



A joint venture between NewcrestImage and Hospitality Capital Partners (HCP) has completed the acquisition of 11 hotels in seven states with a total of 1,551 rooms in a transaction handled by Al Calhoun and Mark Fair at CBRE in Atlanta.

March 2, 2023

#### NewcrestImage JV acquires 16-hotel portfolio



A joint venture between Dallas-based NewcrestImage and Phoenix-based Hospitality Capital Partners (HCP) has acquired 16 hotels with a total of 2,155 rooms for \$137.3 million from Service Properties Trust, a Massachusetts-based REIT.

March 23, 2023

## Blackstone Closes On \$30B Real Estate Fund, Its Biggest Ever

April 11, 2023 | Dees Stribling, Bisnow National

**BISNOW**

Now is the time to invest worldwide, according to Blackstone, despite the downward pressure on real estate valuations.

“We have made some of our best investments in periods characterized by the market volatility and dislocation we see today,” **Blackstone Real Estate** Global co-Head Ken Caplan **said in a statement.**



# U.S. Lodging Industry H1 2023 **Strengths**

2023 Asset Sale Price = \$835 million



2023 Asset Sale Price \$100 million <-> \$160 million



# U.S. Lodging Industry H1 2023

## Strengths





# U.S. Lodging Industry H1 2023

## Weaknesses

**Borrowing for Hotels in 2023 Will Be Possible but Pricey**

January 3, 2023 

**Hotels' Distress Lays Groundwork For More Bankruptcies in 2023**

Jan. 6, 2023 

**Five Largest CMBS Loan Losses: December 2022 Volume Increases; Lodging Loans Make Up Majority**

 January 10th, 2023

**Global Property Market Faces \$175 Billion Debt Spiral**

January 19, 2023 

A sharp drop in commercial real estate is bleeding into the real economy.

**Fed Minutes: Don't Hold Your Breath for Lower Interest Rates**



February 23, 2023

The Fed thinks that inflation is 'unacceptably high' and long-term inflation expectations are "well anchored."

**Apollo Moves To Foreclose On Huge Downtown Atlanta Hotel After Default**

March 8, 2023 | Jarred Schenke, Bisnow Atlanta 



**Collapse of US Banks Could Make Hotel Financing Harder to Find**

March 17, 2023





# U.S. Lodging Industry H1 2023

## Weaknesses

Americans are embracing flexible work—and they want more of it

McKinsey & Company

June 23, 2022

Another Labor Day Came And Went Without An Office Occupancy Bump

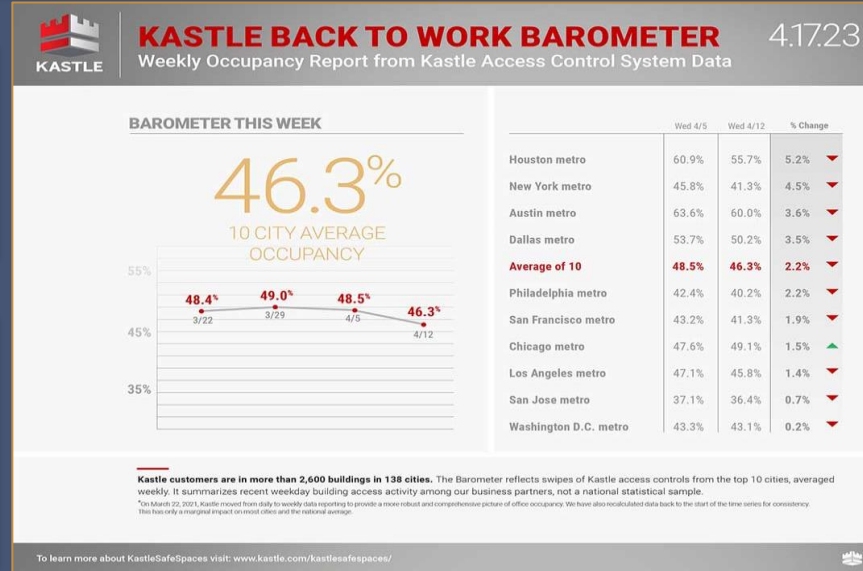
September 15, 2022 | Matthew Rothstein, Bisnow Philadelphia

BISNOW

GM delays return-to-office mandate after employee backlash

CNBC

SEP 27 2022



All bosses 'secretly' want workers back in the office—but they'll have to wait years, major business group leader says

FORTUNE

January 27, 2023

Federal Government's Return To Office Delayed By Union Disputes

BISNOW

NYC, Municipal Union Agree to Contract Allowing Remote Work

ALM GLOBEST.COM

City to develop "remote option" for some non-essential workers; pilot starts in June.

February 21, 2023

Remote work gains momentum despite return-to-office mandates from high-profile CEOs

FORTUNE

March 25, 2023

Work From Home Endures, Defying Pushback From Bosses Like Dimon

- In many US cities, share of job ads with WFH option is rising
- South stands apart as Florida, Texas offer few remote jobs

March 25, 2023

Bloomberg

# U.S. Lodging Industry H1 2023

## Weaknesses

**When It Rains, It Pours: Rising Flood Risks Driving Property Insurance Costs Higher**

**BISNOW**  
August 25, 2022

**Most supply chain managers expect problems to continue at least through 2024**

DEC 23 2022 **CNBC**

**AHLA: Staffing, economy replace COVID as hoteliers' top concerns**

Jan 30, 2023 **HOTEL MANAGEMENT**

**Inflation, Weather Events Conspire To Cause Sharp Increase in Hotel Insurance Costs**

March 2, 2023 **CoStar**

Insurance Agents and Brokers Report Consecutive Commercial Insurance Premium Increase





# U.S. Lodging Industry H1 2023

## Weaknesses

### Millions of Travelers Say 'NO' to the United States Due to Staggering Visa Delays

Interview wait times exceeding 400 days cost U.S. economy a projected \$11.6 billion

U.S. TRAVEL  
ASSOCIATION\*

October 06, 2022

### Marriott CEO Calls on U.S. to End the Visa Delays Damaging Tourism

January 12th, 2023

Skift.

### Hilton CEO Says U.S. Government Needs to Act Now on Visa Backlogs

February 1st, 2023

Skift.



### U.S. Mayors Call on Biden Administration to Reduce Excessive Visitor Visa Wait Times

Top local officials from coast-to-coast demand action on visa processing to rebuild inbound travel share

PRESS RELEASE | February 13, 2023

U.S. TRAVEL  
ASSOCIATION\*



# U.S. Lodging Industry H1 2023

## Weaknesses

**How the hotel industry is fighting its human trafficking problem**  APR 2 2022

**Marriott, Hilton latest companies hit by US crime wave** 

Two separate shooting incidents happened at 2 hotels in recent days October 10, 2022



**Sex Trafficking, Theft, and More: Crime Plagues I-Drive Hotels Steps Away from Universal's Upcoming Epic Universe Theme Park** March 4, 2023 

**Hotel sexual assaults on the rise as predators given access to women's rooms in horrifying trend: law firm**

By [MaryAnn Martinez](#)

**NEW YORK POST**

March 5, 2023 | 11:20am



# U.S. Lodging Industry H1 2023

## Weaknesses



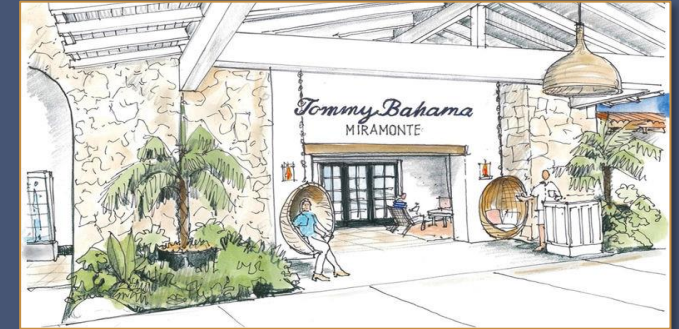


# U.S. Lodging Industry H1 2023

## Threats

**ARMANI**  
Hotels & Resorts

**EQUINIX HOTELS**



**BVLGARI**  
HOTELS & RESORTS

**RH GUESTHOUSE**

*Baccarat*  
HOTELS & RESORTS

*NOBU HOTELS*





# U.S. Lodging Industry H1 2023

## Threats

### World Bank Cuts 2023 Global Growth Projection as Inflation Persists

China and Ukraine inject uncertainty into world economy

Jan. 10, 2023

THE WALL STREET JOURNAL

### White-Collar Recession: Why Job Cuts Are Hitting Professional Workers

Professional workers were hired in excess during the pandemic.

By Wall Street Journal  
Jan 10, 2023 5:30 am

### Global economy heading into 'eye of Category 5 hurricane,' UN secretary-general warns

January 18, 2023

FOX BUSINESS

63% of chief economists warned a global recession 'likely' or 'extremely likely' in a World Economic Forum survey

### A Third of Americans Plans to Cut Back on Travel Spending This Year: New Skift Research U.S. Travel Tracker

January 25th, 2023

Skift

### The U.S. Consumer Is Starting to Freak Out

The flush savings accounts and cheap credit that helped keep Americans spending at high rates since 2020 are disappearing

Jan. 30, 2023

THE WALL STREET JOURNAL

### Congress needs to act soon to avoid catastrophic US debt default, CBO report warns

CW

February 15, 2023

### North American Hotels See Guest Satisfaction Drop

February 22nd, 2023

Skift

# U.S. Lodging Industry H1 2023

## Threats

### 'People aren't taking this seriously': experts say US Covid surge is big risk

15 Jan 2023

The Guardian

Fewer precautions, recent holidays and subvariants have driven rise but boosters, masks and other precautions are still effective

### World's Failure to Wipe Out Covid Bodes Badly for Next Pandemic

Bloomberg

Virus elimination has fallen from grace, leaving experts divided on how best to contain infectious diseases.

February 20, 2023

### Will bird flu spark the next pandemic?

*A dramatic series of outbreaks is leading to concerns that a mutation could eventually hit humans and make COVID-19 seem mild.*

16 Feb 2023

ALJAZEERA

### World Has 28% Risk of New Covid-Like Pandemic Within 10 Years

April 13, 2023

Bloomberg

- Climate change, international travel raise risks: Airfinity
- Many high-risk pathogens don't have vaccines or treatments





# U.S. Lodging Industry H1 2023

## Threats

### Inside a Ransomware Hit at Nordic Choice Hotels

WSJ PRO CYBERSECURITY

Hotel staff escorted guests to their rooms when digital keycards stopped working

Jan. 12, 2022

### Hotels in hackers' sights as technology replaces personal touch

FINANCIAL TIMES

Hospitality businesses are the third most targeted for cyber attacks as they gather more customer data

MARCH 28 2022



### Oregon luxury resort hit by unusual cyberattack; employee data, guest names posted on public internet

Jun. 15, 2022

OREGONLIVE  
The Oregonian

### Hotel giant IHG blames cyberattack for booking systems outage

September 7, 2022



### Data Breach Threat Grows for Hotel Companies as Cyberattacks Evolve

CoStar™

October 18, 2022

### Why Are Hackers Targeting Hotels And Travel Companies?

February 27, 2023

CALIFORNIA BUSINESS JOURNAL

Travel and hotel industries collect a wealth of personal and financial information. This sought-after data is a hacker's jackpot.







# U.S. Lodging Industry H1 2023

## Threats

Imagine another American Civil War, but this time in every state

January 11, 2022



Hedge fund billionaire Ray Dalio warns the 2024 elections will lead to civil war

BY NICOLE GOODKIND  
February 4, 2022 2:30 PM EST

FORTUNE



One nation, divisible: 2 in 5 Americans say a second civil war is likely, poll finds

By Mark Moore

NEW YORK POST

August 30, 2022 | 12:59pm | Updated

After Mar-a-Lago Search, Talk of 'Civil War' Is Flaring Online

The New York Times

Mentions in Twitter posts on the right have spiked during major political news events, and experts worry the overheated language will spread as the midterm elections draw near.

Oct. 5, 2022

Billionaire investor Barry Sternlicht says Jerome Powell and 'his merry band of lunatics' are destroying faith in capitalism and leading us toward 'social unrest'

October 22, 2022

FORTUNE

How to view the violent online rhetoric promising civil war

October 12, 2022



# U.S. Lodging Industry H1 2023

## Threats

### City of Los Angeles Publishes Regulations and Model Notices for Hotel Worker Protection Ordinance

Monday, August 15, 2022

In June, the City of Los Angeles **passed an ordinance** designed to increase safety protections for hotel workers in hotels, limit daily workload, and raise hotel worker wages.

The new ordinance took effect on August 12, 2022.

THE  
NATIONAL LAW REVIEW

### Are Cities Like LA, NY And SF Destroying The Hotel Industry By Using Hotels As Homeless Housing?

Sep 11, 2022

Forbes

### Los Angeles 'Mansion Tax' Shakes Up Commercial Property Sales

CoStar™

Levy on Real Estate Deals Over \$5 Million Takes Effect in April

January 30, 2023

### NLRB Issues Notice of Proposed Rulemaking on Joint-Employer Standard

Office of Public Affairs



September 06, 2022

THE WHITE HOUSE

OCTOBER 26, 2022

### The President's Initiative on Junk Fees and Related Pricing Practices

BRIEFING ROOM BLOG

*The Biden-Harris Administration is taking action on junk fees that hurt Americans' pocketbooks and the economy.*

### AHLA REACTS UNFAVORABLY TO CONGRESS' REINTRODUCTION OF LABOR-FRIENDLY PRO ACT

March 3, 2023

HOTELS



# U.S. Lodging Industry H1 2023

## Threats

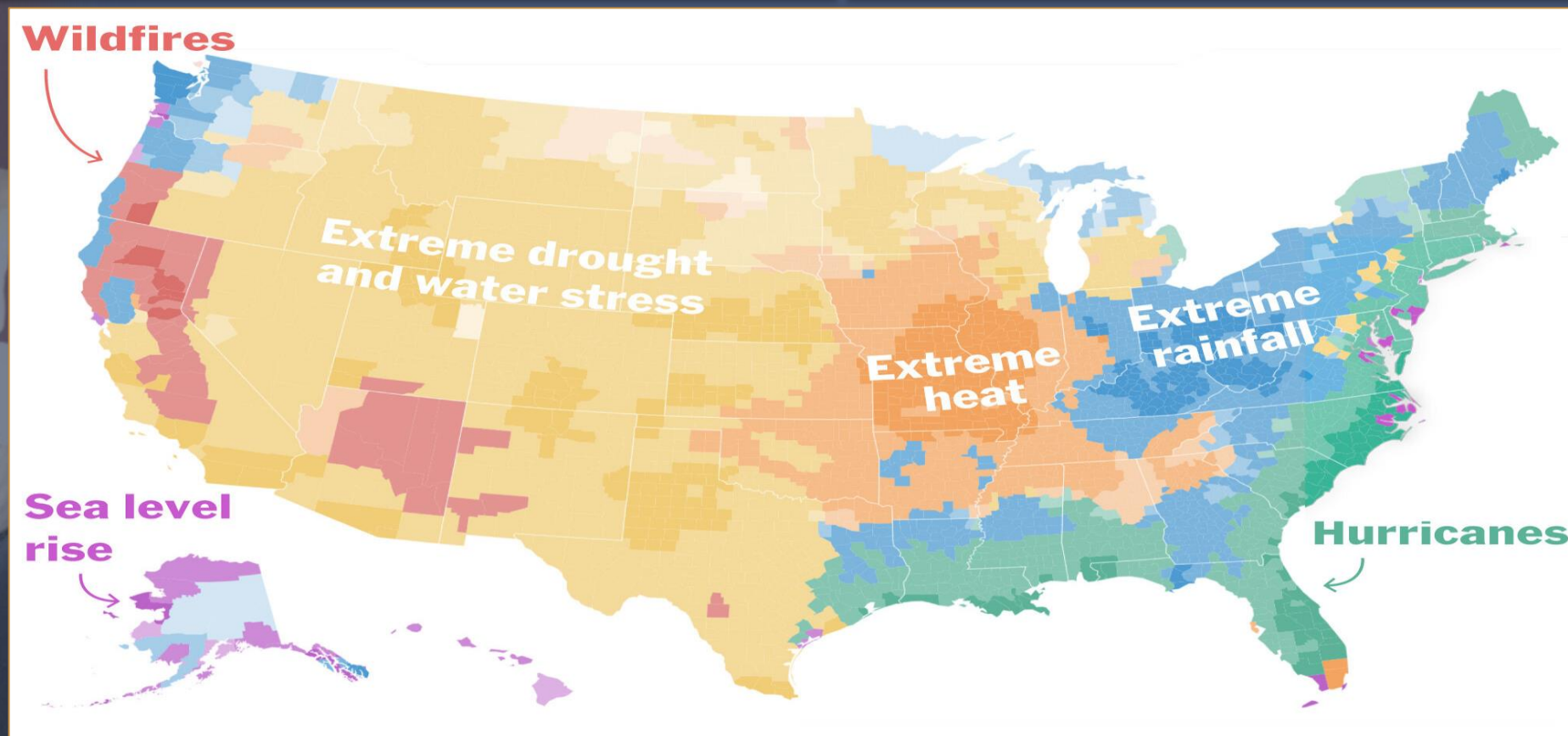
### Real Estate in a Riskier Climate

Challenges, Opportunities and Trends

April 28, 2022



No corner of the real estate industry will escape the fallout from climate change. Insurers, investors, lenders, developers, property owners and regulators all face the physical and financial risks generated by a toastier planet.



# U.S. Lodging Industry H1 2023

## Threats

**These supersonic jets will take you from London to New York in just three and a half hours**

31 August 2022

TimeOut

Three airlines have already invested in the new technology from Boom Supersonic



**The nuclear-powered 'Hyper Sting' could whisk travelers from London to New York in 80 minutes**

THE POINTS GUY 

Oct. 03, 2022



# U.S. Lodging Industry H1 2023

## Threats

### IKEA teams with self-driving truck startup Kodiak Robotics to test deliveries in Texas

OCT 18 2022



### Flying Cars Are Finally Coming: Here Are 3 That Will Hit the Skies Soon

OCTOBER 23, 2022

Robb Report

Names like PAL-V International and Klein Vision have unveiled models you'll be able to own—for real this time.

### United Airlines seeks to launch commercial flying taxi service in Chicago within 2 years

March 25, 2023



### Yes, Flying Cars Are Coming. Here Are 7 That Are Hitting the Skies Soon.

APRIL 18, 2023

Robb Report

The flying car has been a fantasy since the 1960s cartoon, "The Jetsons." These companies are now planning to turn the concept into reality in the next few years.



# U.S. Lodging Industry H1 2023

# Opportunities

## Some Buyers Hunt for Opportune "Stressed" Hotel Investments



There was no wave of COVID-induced distressed buying in the hospitality sector, but there may be some strategic opportunities to buy now.

Aug 30, 2022

## Seller Financing an Increasingly Popular Strategy in Recent Hotel Transactions

October 19, 2022



Volatility in Capital Markets Prompts Sellers To Provide Debt at Better-Than-Market Terms

## Madison Realty Capital, Newbond Buy Public Hotel's Nonperforming Loan for \$177M

OCTOBER 6, 2022



Deutsche Bank and Aareal were the sellers of the debt.

**C-PACE financing momentum GROWS HOTELS**

C-PACE HAS PROVEN TO BE A VERY USEFUL TOOL FOR DEVELOPMENT DEALS AND FOR DISTRESSED PROJECTS, AND IT CAN BE PAIRED WITH SENIOR MORTGAGES, MEZZANINE DEBT, OTHER GOVERNMENT LENDING PRODUCTS AND MORE.

Contributed by **MATT RAPTOSH**, MANAGING DIRECTOR, BERKADIA HOTELS & HOSPITALITY

JANUARY - FEBRUARY 2023

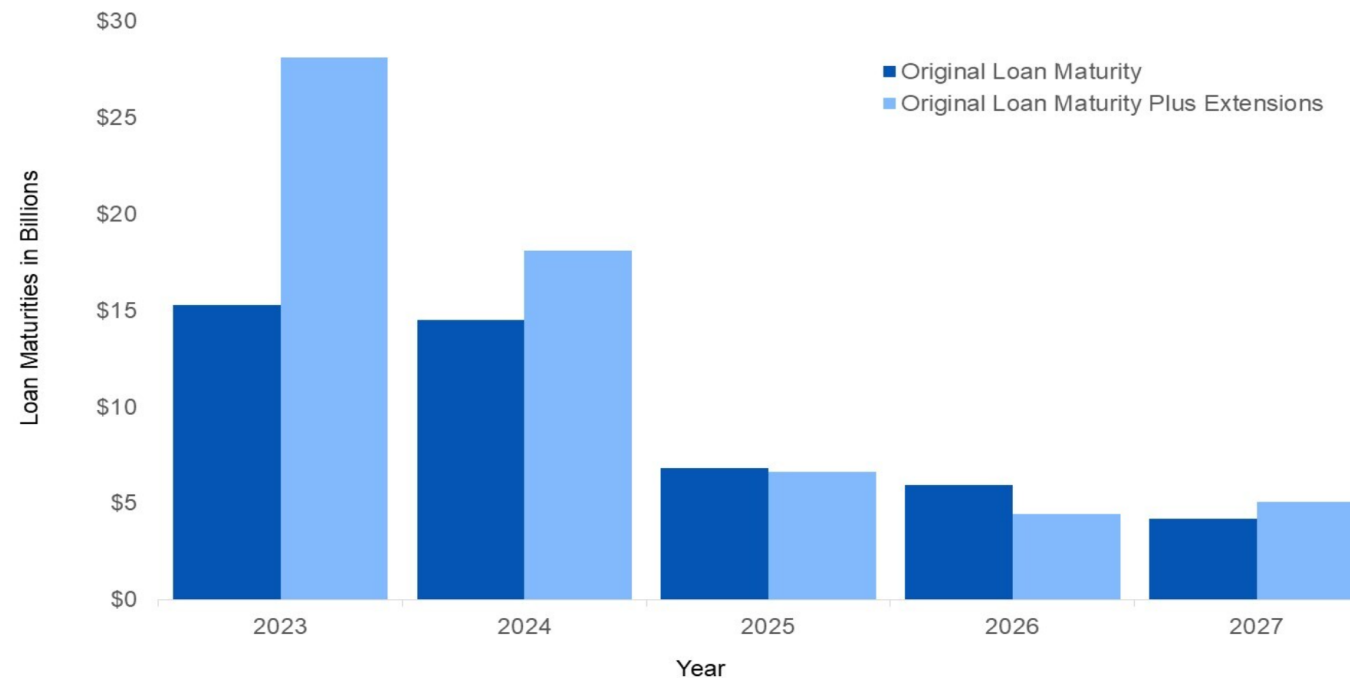
## High Liquidity, Wave of Debt Maturities Could Spur Hotel Deals in Early 2023



September 29, 2022

Executives Believe Forces Could Close Bid-Ask Gap as Transactions Remain Competitive

### Hotel CMBS Extensions Push Maturities to 2023 and 2024



Source: CoStar, February 2022





# U.S. Lodging Industry H1 2023

## Opportunities

**REBUSINESS ONLINE**  
**Värde Partners, Hawkins Way Capital Buy Sheraton Boston Hotel for \$233M**  
February 7, 2022

**Park Hotels Keen on Long-Term Investments in New York, San Francisco**  
CoStar™  
February 18, 2022  
Executives Expect Group Rebound To Hit Major Markets in 2022

**RLJ's Plan To Buy Urban Hotels Buoyed by Corporate, Group Travel Rebound**  
CoStar™  
February 25, 2022  
Fourth Quarter Success in Urban Markets Drives Acquisition Strategy

**REIT Sells Two River North Hotels for Almost \$130 Million To Exit Chicago**  
CoStar™  
March 22, 2022  
Sunstone Completes Deal With Magna Hospitality Group, Which Has Added Three Market Hotels in Less Than a Year

**Sheraton New York Times Square Hotel Trades for \$373 Million**  
CoStar™  
April 21, 2022  
MCR, Island Capital Group Purchase the 1,780-Room Property

**Urban Hotel Owners May Look to Sell Over Property Upkeep, Swelling Debt**  
Skift.  
September 12th, 2022

**Shuttered East Side Marriott sold for \$100M+ discount, records reveal**  
THE REAL DEAL REAL ESTATE NEWS  
FEB 6, 2023  
Hawkins Way, Värde bought Lexington Ave hotel for \$153M, just over half its 2015 price

**Blackstone, Starwood, Other Big Hotel Investors Prep for Dealmaking Rush Later This Year**  
Skift.  
January 25th, 2023

**RLJ Executives Wait To 'Pull the Right Lever' on Hotel Investment**  
CoStar™  
February 28, 2023  
REIT Has \$1.1 Billion in Liquidity

**Capture opportunities in primary urban markets**  
Hotel Investment Today  
With some hotel owners running out of patience and cash, city center hotels could offer bargain pricing and ample upside over a five-to-10 year hold target.  
MARCH 23, 2023

# U.S. Lodging Industry H1 2023

## Opportunities

Blackstone, Starwood, Other Big Hotel Investors Prep for Dealmaking Rush Later This Year

January 25th, 2023



RLJ Executives Wait To 'Pull the Right Lever' on Hotel Investment

REIT Has \$1.1 Billion in Liquidity

February 28, 2023



NewcrestImage's Mehul Patel Plans To Acquire 100-Plus Hotels in 2023

April 7, 2023



Shadow Lenders to Bridge Real Estate Void Left by Banks, Bonds

April 13, 2023



- Carlyle, Castlelake, King Street, HighVista, Palladius eye CRE
- CMBS is down 82% as regional banks pull back from lending

Global analysis: Despite headwinds, US remains top market for international capital

04/20/2023



*Investors are paying more attention to secular changes, including energy cost volatility and moves toward ESG.*



# U.S. Lodging Industry H1 2023 Opportunities

More Hotels Opt for Fake Grass to Save Water for the Sake of Sustainability

August 2nd, 2022

Skift

All 5,400 U.S. Hilton-branded Hotels to Feature Peloton in Fitness Centers

October, 3 2022

HNR HOTEL NEWS

Marriott implements instant booking for meetings, events

By Esther Hertzfeld • Jan 25, 2023 09:24am

HOTEL MANAGEMENT

Healthy hotels: How cleaning can drive revenue and put heads in beds

ROUNDTABLES | WEBINARS

Feb 23, 2023

HOTEL MANAGEMENT ISSA

Champagne vending machine is quirky, new amenity in DC hotel

February 27, 2023

wtopnews

PARK HOTELS CEO ON AMENITY CREEP: "THAT GAME IS OVER."

February 28, 2023

HOTELS

Wellness hotel leaves guests relaxed and rejuvenated

March 6, 2023

FOX13

Required Renovations for Branded Hotels Ramp Up, but There's Room for Negotiation

April 11, 2023

CoStar™

Hotel Owners Look for Ways To Stretch Their Renovation Dollars

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

Hotels, companies step up efforts to make industry greener

HOTEL MANAGEMENT

Apr 21, 2023

# U.S. Lodging Industry H1 2023 Opportunities

**Hilton to design astronaut suites, facilities for Voyager's private space station Starlab**

SEP 19 2022



**The Hotel Dog Masseur Who Relaxes the Animals — and the Guests**

October 7, 2022



**Sleep Tourism Is Trending in 2023, With A.I.-Equipped Hotel Beds and Glamping Under Dark Skies**



January 30, 2023

*If your idea of great nightlife is uninterrupted REM, you'll love these nine hotels, glamping sites, and sleep spas.*

**How hotels can take advantage of 'hybrid hospitality'**

Feb 1, 2022



**Why Marriott, Hyatt And Other Hotel Giants Are Going All In On All-Inclusive Resorts**

Apr 16, 2023



**Marriott's New Ad Campaign Touts Its Loyalty Program in a Murky Direct Booking Future**

April 18th, 2023



**M**arriott's new ad campaign for its loyalty program doesn't explicitly mention online travel agencies. But the ad's gist is that you can find a hotel for any taste and budget on its app. Why book anywhere else?

— Sean O'Neill

**Cannabis-Friendly Hotels and Resorts to Consider as Industry's Marijuana Options Grow**

April 19, 2023





# U.S. Lodging Industry H1 2023

# Opportunities

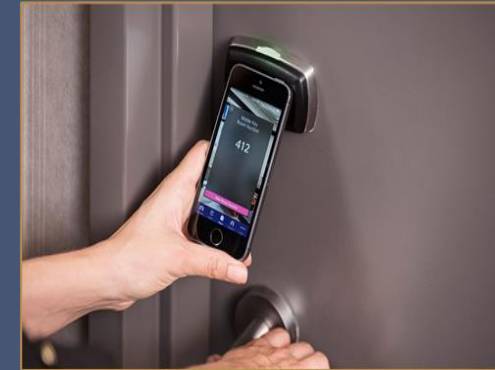


## LG Teams Up With Marriott International To Explore Innovations That Can Improve Hotel Experiences

HN hospitalitynet

Marriott Design Lab Collaboration Leverages Shared Dedication to Reimagining Hospitality Operations, Driving Sustainability

20 July 2022



Daniel H. Lesser  
Co-Founder, President & CEO

## Hotel tech innovators present solutions for cleaning rooms, digital tipping

Jan 25, 2023

**TRAVEL WEEKLY**  
THE TRAVEL INDUSTRY'S TRUSTED VOICE

# U.S. Lodging Industry H1 2023 **Opportunities**

**Airbnb hosts say bookings ‘fell off a cliff’ amid influx of new vacation rentals and rising prices**



Oct. 22, 2022

**Reddit says it’s time to cancel Airbnb — and there are some good reasons why**

October 22, 2022



These are the biggest Airbnb problems that frustrate potential travelers

**People reveal why they stopped using Airbnb as hosts complain bookings are down**



Oct. 23, 2022

‘The Airbnbust is upon us’

Hidden fees

Unreasonable expectations

No amenities

More expensive than hotels

Scams, dirty conditions, and hidden cameras

Airbnb feels like staying with a cheap, uptight friend - then paying for the privilege

17 Jan 2023



**Ahead of the Super Bowl, Short-Term Rentals Fumble in Phoenix**



Feb. 12, 2023

Homeowners and investors were banking on a big payday, but an oversaturated vacation rental market and nearly full hotels have dampened those prospects.

**Four Stars for Peeling Paint and Broken Doors? What’s Behind High Airbnb Ratings**

Feb. 23, 2023





# U.S. Lodging Industry H1 2023 **Opportunities**

## Luxury hotel brands say they're creating a whole new cruise category

Oct 24, 2022

**TRAVEL WEEKLY**  
THE TRAVEL INDUSTRY'S TRUSTED VOICE





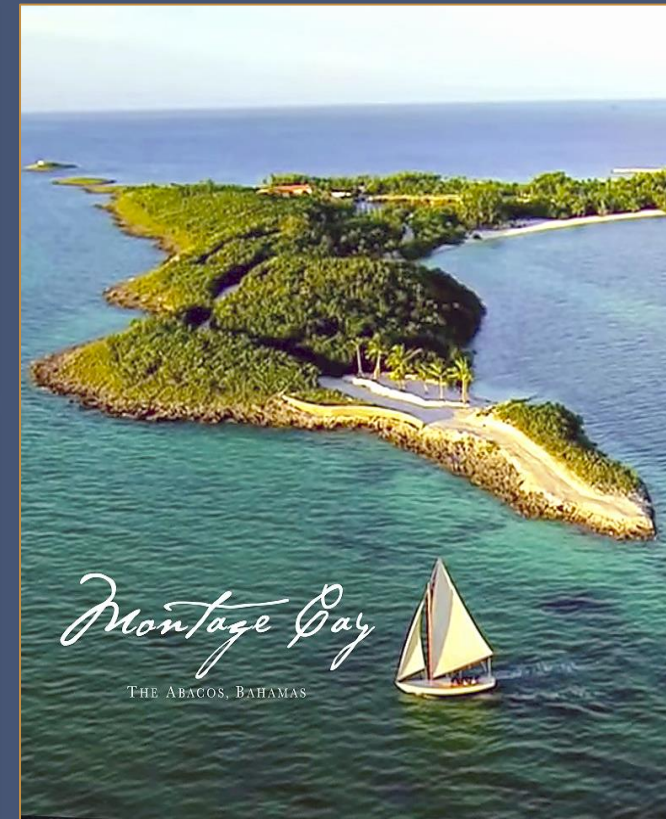
# U.S. Lodging Industry H1 2023 **Opportunities**

## Hotel-Branded Residences Thrive During Housing Market Downturn

Buyers snatch up homes connected to luxury hotels and branded stand-alone properties

March 6, 2023

THE WALL STREET JOURNAL



Daniel H. Lesser  
Co-Founder, President & CEO



# U.S. Lodging Industry H1 2023

## Opportunities

### Is the Hotel of the Future Actually a Room on Wheels?

SEPTEMBER 29, 2022

Modular hotels could be a game changer for the hospitality industry, and they're coming to open spaces near you.



### Why luxury trains are the next stop for some luxury hotel brands

Sept. 29, 2022



### Luxury Buses Offer Travelers a Higher-End Alternative to Airlines

Hoteliers Could Find Partnership Opportunities

October 21, 2022



### American Airlines' \$250 million headquarters-hotel complex will open in early 2023

Oct 5, 2022

The Dallas Morning News

### Summit Follows Up Year of Acquisitions With Glamping Expansion



March 1, 2023

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

### Glamping Is the New Hostel in the Hospitality World

Hotel Firms Likely To Add Glamping

November 21, 2022

Brands Soon



# U.S. Lodging Industry H1 2023 Opportunities

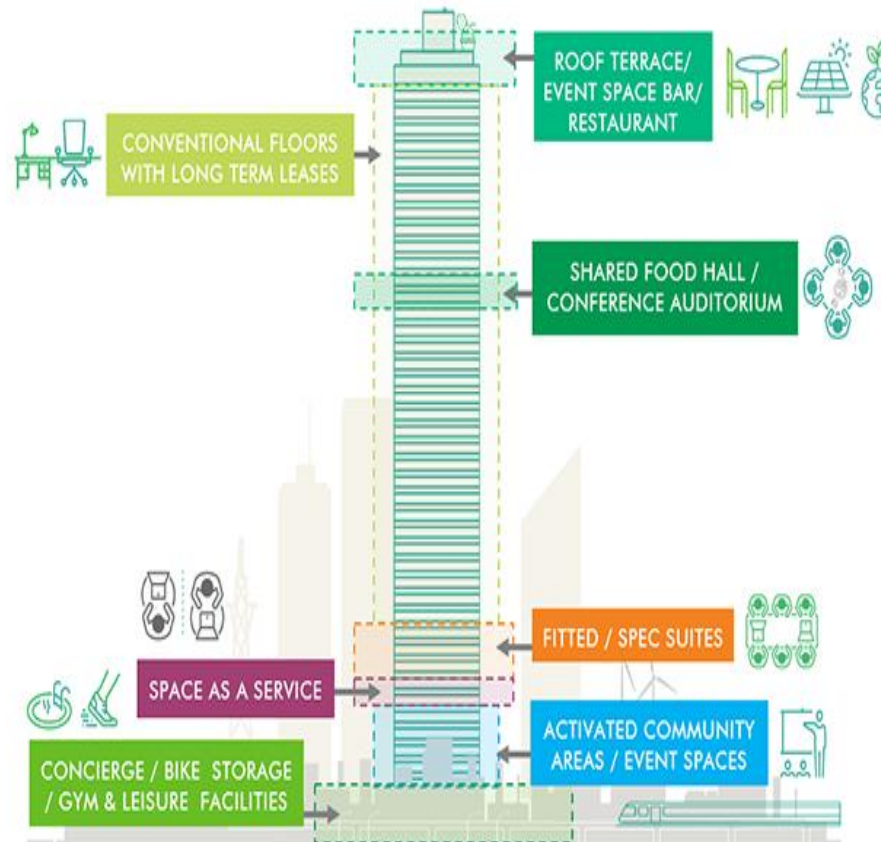
CBRE RESEARCH | AGILE REAL ESTATE SERIES

The hotelisation of office space: New approaches to future-proofing commercial portfolios @2019 CBRE, Inc.

**Marx Realty Unveils Reimagined Lobby as Firm Completes Hospitality-Infused Repositioning at 10 Grand Central**  
 4/9/19 citybizlist

**Reimagining real estate: How “hotelization” is changing the role of managers**  
 APRIL 30, 2021 INSTITUTIONAL REAL ESTATE, INC.

**“Checking In?” Office Landlords Take Cues From High-End Hotels To Thrive In The Era Of Hybrid Work**  
 Jul 28, 2022 Forbes



**THE ‘HOTELIZATION’ OF REAL ESTATE**  
 January 27, 2020 HOTELS

**Imitation Is the Highest Form of Flattery**  
 Every Building Wants To Be a Hotel  
 October 6, 2022 These Days CoStar™

**The ‘hotelisation’ of the modern office**  
 Feb 13, 2023 THE NEWDAILY



# U.S. Lodging Industry H1 2023 Opportunities



## Mid-century modern restoration planned for former Howard Johnson's Motor Lodge in Des Moines

Nov. 5, 2019

Des Moines Register

## Colorado firm buys Cal Neva resort in Lake Tahoe, will become Proper luxury hotel

April 7, 2023

reno gazette journal

A group that included Oracle co-founder Larry Ellison bought the Cal Neva in 2018 for \$35.8 million after the previous owner filed for bankruptcy in the midst of a remodel.

Ellison originally planned to remodel Cal Neva into a luxury property, but it has remained closed since his purchase.

Now a new group gets another crack at reviving the once iconic Tahoe resort, whose sale price is estimated to be around \$58 million.

## Reuben Brothers Acquire Century Plaza at 40% of Original Value

April 20, 2023

Foreclosure bid of \$1B wins Los Angeles trophy, which cost \$2.5B to build.

ALM | GLOBEST.COM

REAL ESTATE | PROPERTY REPORT

April 17, 2023

## Rockefeller Center Strikes Deal for Luxury Hotel by Aspen Hospitality

Plan would convert 10 floors of vacant office space above NBC 'Today' studios into Little Nell Hotel

THE WALL STREET JOURNAL

## Extell plans new hotel at shuttered Wellington

APR 17, 2023

City permitting requirement makes it harder to build new hotels

THE REAL DEAL

# U.S. Lodging Industry H1 2023

## Summary

- Lodging fundamentals remain solid despite all the noise in the background.
  - RevPAR has never increased during a recessionary environment, however today rates continue to rise, and demand outpaces supply.
  - Continued sector growth will need to be fueled by corporate and group segments which are sensitive to macro economic conditions.
- ADR will continue to be the driver for RevPAR growth.
  - 2023 RevPAR growth will be front-loaded as Jan/Feb 2022 included negative impact of Omicron variant.
    - Balance of 2023 will realize decelerating RevPAR growth.
- Inflationary expense pressure will persist.
- Diminishing new supply will be a tailwind for most markets.



# U.S. Lodging Industry H1 2023

## Summary

- Transaction volume has slowed, though not due to liquidity issues.
  - Market participants are adjusting to the rising cost of capital and uncertainty surrounding when interest rates will stabilize.
- Transaction volume will accelerate in 2H 2023, generally at reduced prices per key.
  - Current wide bid-ask spreads will decrease during 2H 2023.
  - Some sponsors will be forced to sell in a high-interest rate environment resulting in a compelling investment basis for many buyers.
  - Preferred equity will become backstop for sponsors unable to secure traditional bank financing.
- \$15B hotel CMBS is coming due in 2023 of which \$5B will be stressed.
  - Future lender credit defaults will be dealt with more aggressively when compared to the notion during peak COVID of *“lets all play nicely in the sandbox”* a.k.a. *“kick the can down the road.”*

# U.S. Lodging Industry H1 2023 **Summary**

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- 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 returns .....particularly contrarian sponsors who acquire large urban corporate and group meeting/convention hotels at fractions of replacement cost.
- 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.
- Distress deals are coming soon however many compelling opportunities will not represent distressed pricing.



# The Best Real Estate Returns Come After Recessions

The current market dislocation in the real estate market will likely generate strong vintage returns in 2023 and 2024, according to Cohen & Steers.



September 28, 2022

# U.S. Lodging Industry H1 2023

**The Big Reset:**  
New Capital, New Deals, New Players



**MAY**  
1-3, 2023



Hyatt Regency  
Los Angeles



**MEET THE MONEY<sup>®</sup>**  
National Hotel Finance &  
Investment Conference

May 2, 2023

**Daniel H. Lesser**

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