



U.S. Lodging Industry 2018

Late Or New Cycle? SWOT Analysis



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

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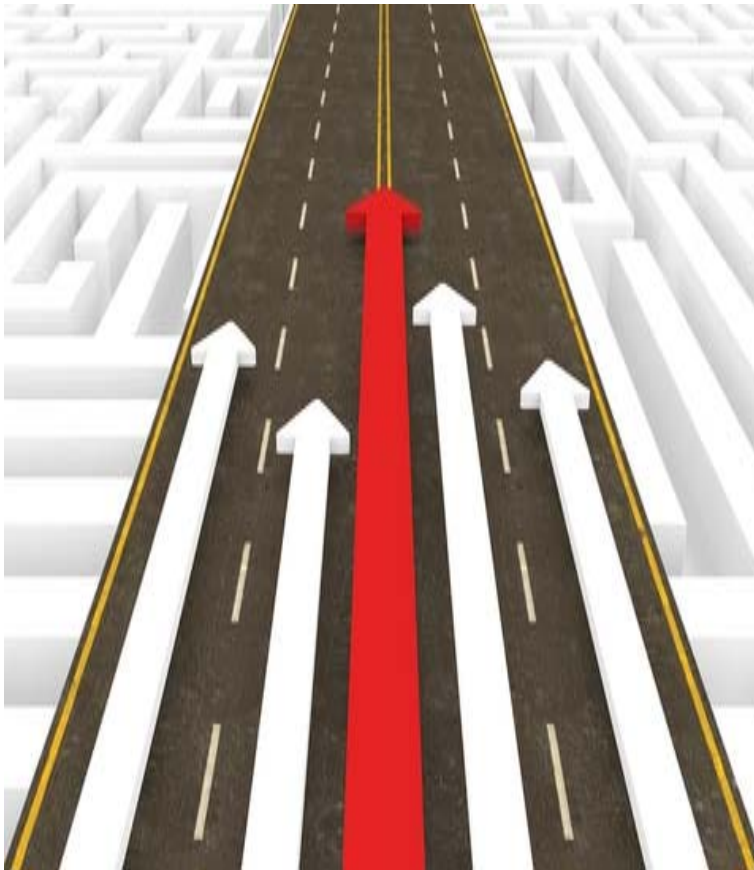
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May 8, 2018



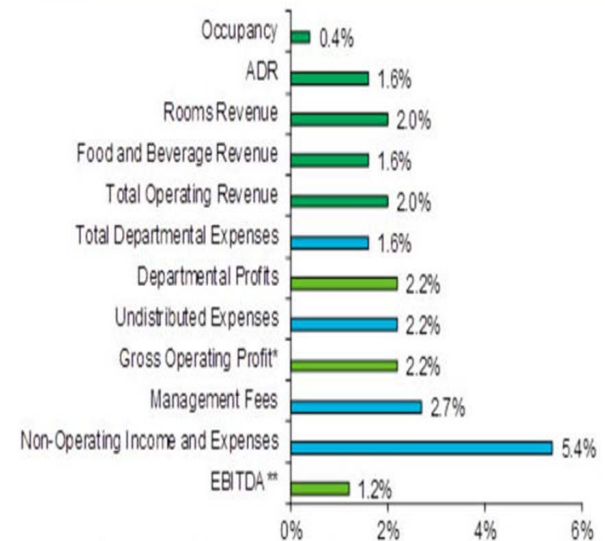
U.S. Hotel Industry SWOT Analysis- Strengths

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



2018 TRENDS® IN THE HOTEL INDUSTRY

Percent Change 2016 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. Hotel Industry SWOT Analysis- Strength

As middle-class income brackets grow internationally, global travel is becoming accessible to millions more people and business



U.S. Hotel Industry SWOT Analysis- Strengths

- USA: Beacon for freedom, safety, and security
 - Increasing U.S. GDP
 - Record U.S. stock market metrics
- U.S. consumer confidence highest in 17 years



U.S. Hotel Industry SWOT Analysis- Strengths

- Nation's demographic trends boosting demand for experiences over physical goods
 - All hotel demand segments are growing



U.S. Hotel Industry SWOT Analysis- Strengths

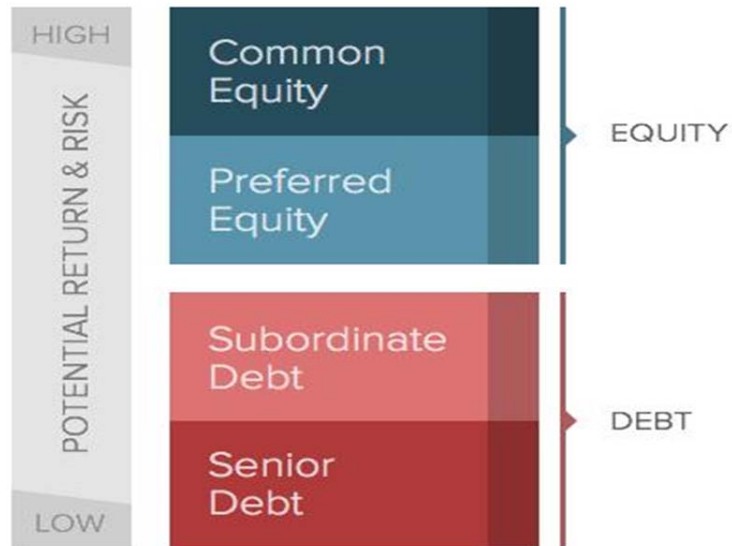
- Nationwide new hotel supply is not devastating
 - Banks tighten construction lending standards
 - Building labor shortage



U.S. Hotel Industry SWOT Analysis- Strengths

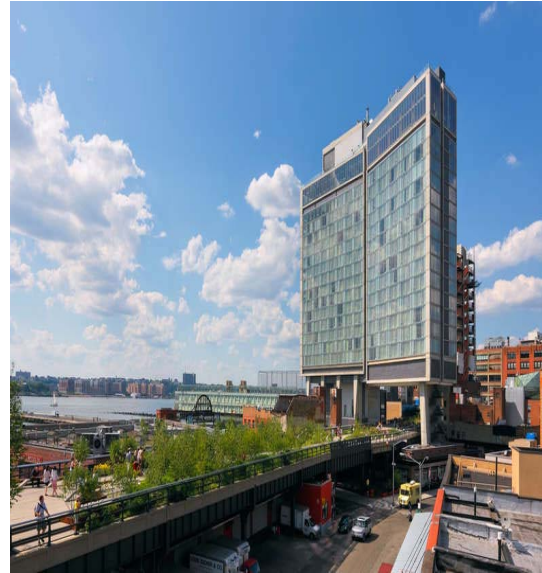
- Abundant availability of debt and equity
- Continued low interest and cap rate environment
 - Inbound overseas capital chasing yield

THE CAPITAL STACK



U.S. Hotel Industry SWOT Analysis- Strength

Continued strong asset pricing



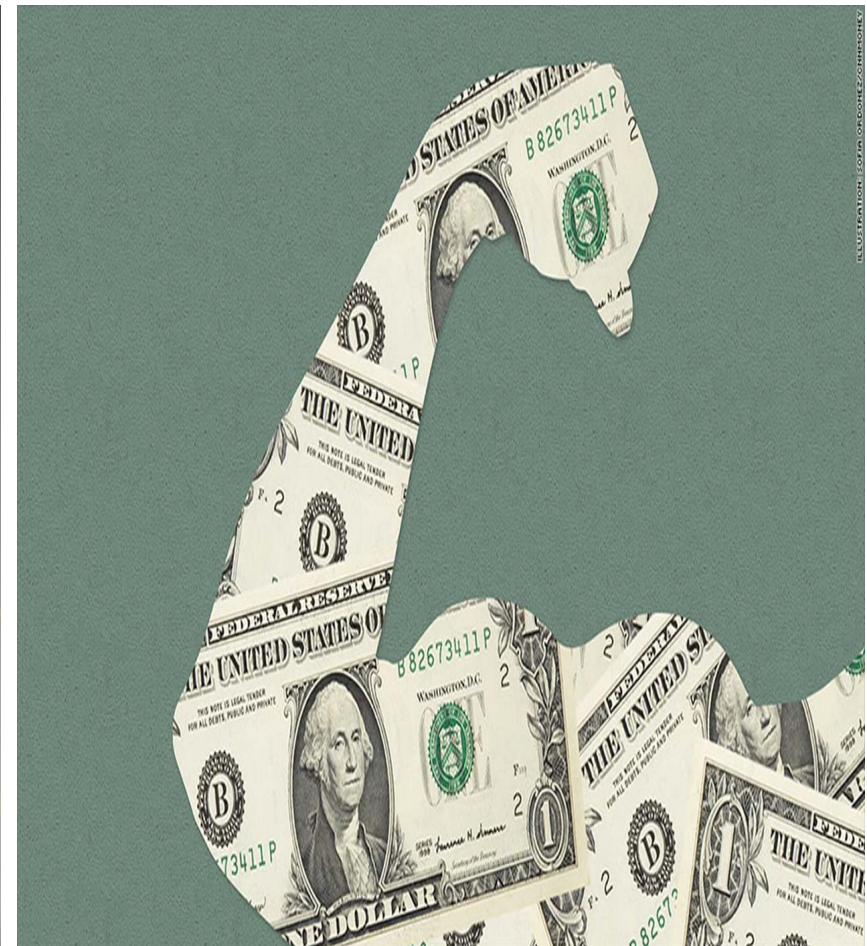
U.S. Hotel Industry SWOT Analysis- Strength

Hotels are durable brick and mortar businesses



U.S. Hotel Industry SWOT Analysis- **Weaknesses**

- Fear of economic recession never far away
 - Strong (though softening) U.S. Dollar



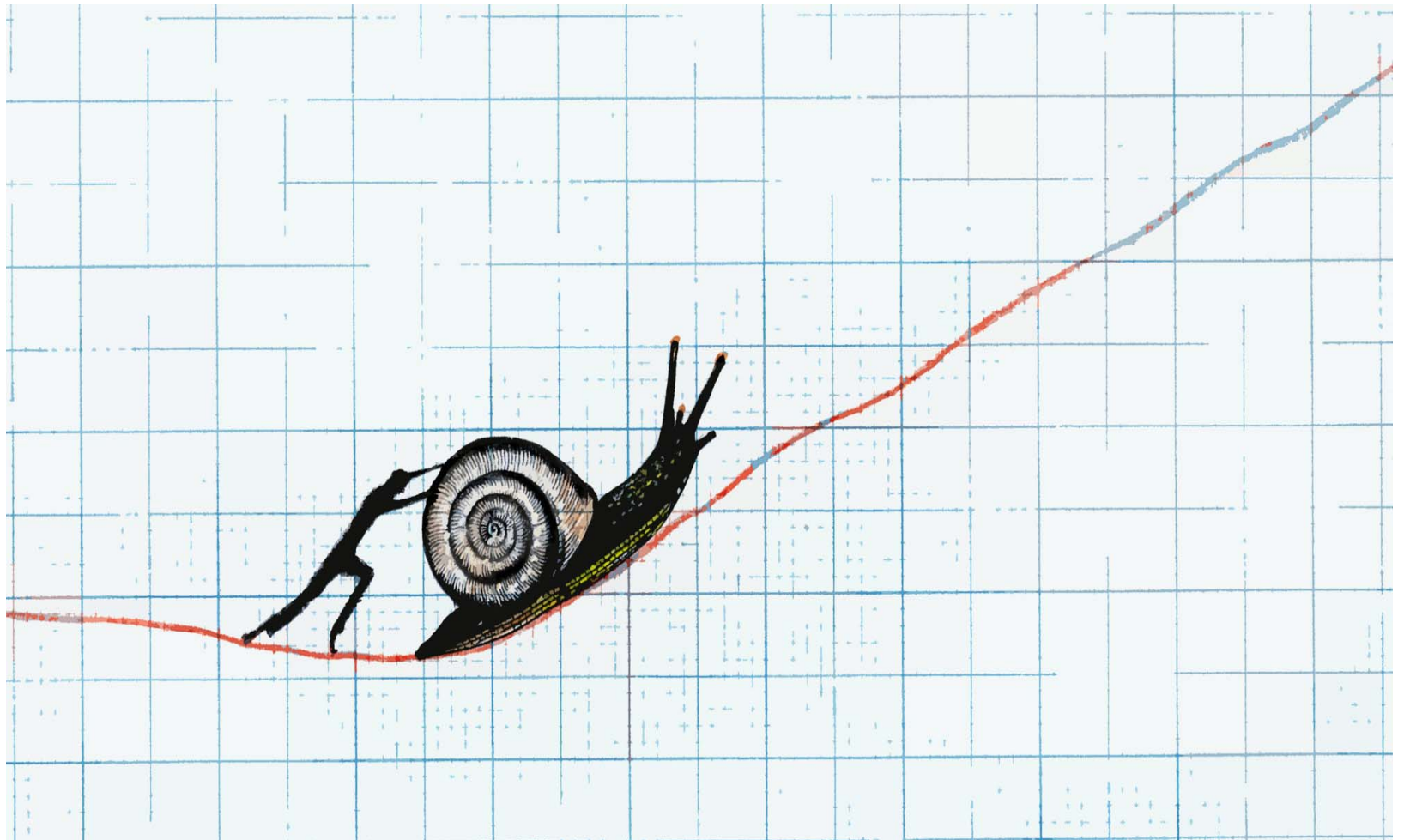
U.S. Hotel Industry SWOT Analysis- Weaknesses

- U.S. travel ban efforts create negative postures & restrictions
- Fewer international tourists are visiting the U.S.



U.S. Hotel Industry SWOT Analysis- **Weakness**

Slow RevPAR growth



U.S. Hotel Industry SWOT Analysis- *Weakness*

More hotel brands – REALLY?



JOURNAL



BW
SIGNATURE
COLLECTION
by BEST WESTERN



REVERB
BY HARD ROCK



TM
TRADEMARK
HOTEL COLLECTION



INTRIGUE
HOTELS & RESORTS BY INTERSTATE



avid
AN IHG® HOTEL



AMERICAN
IDEA
HOTELS



PUBLIC
HUALUXE
HOTELS AND RESORTS
皇酒店及度假村



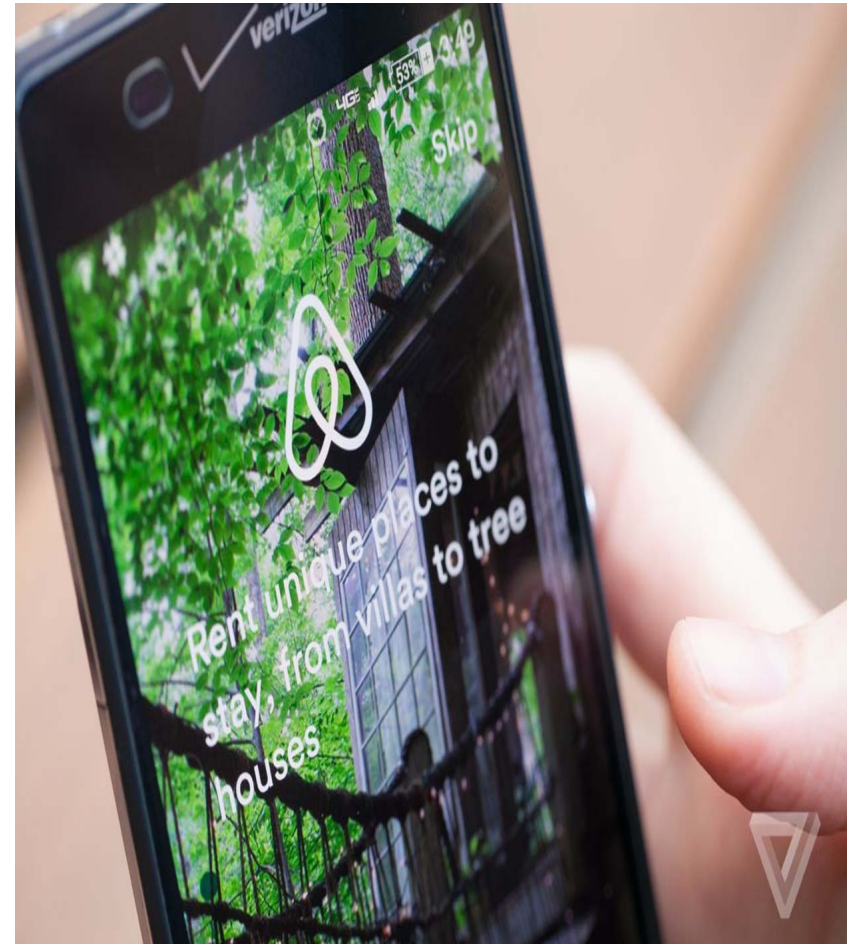
**UPTOWN
SUITES**



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LW HOSPITALITY ADVISORS

U.S. Hotel Industry SWOT Analysis- Weaknesses

- Airbnb now impacting business travel
 - Niido powered by Airbnb



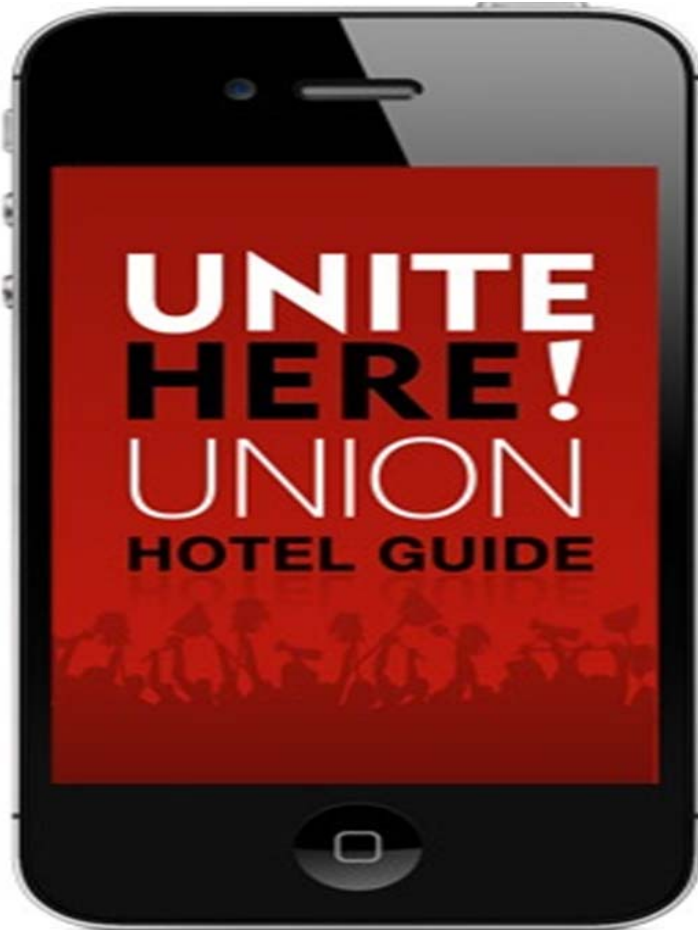
U.S. Hotel Industry SWOT Analysis- **Weakness**

OTA's now dominate consumer point of entry



U.S. Hotel Industry SWOT Analysis- *Weaknesses*

- Industry labor shortage
- Strong influence of labor unions



U.S. Hotel Industry SWOT Analysis- Weaknesses

- Rising tax burdens
- Increasing property insurance rates



U.S. Hotel Industry SWOT Analysis- *Threat*

Brands pushing standards updates



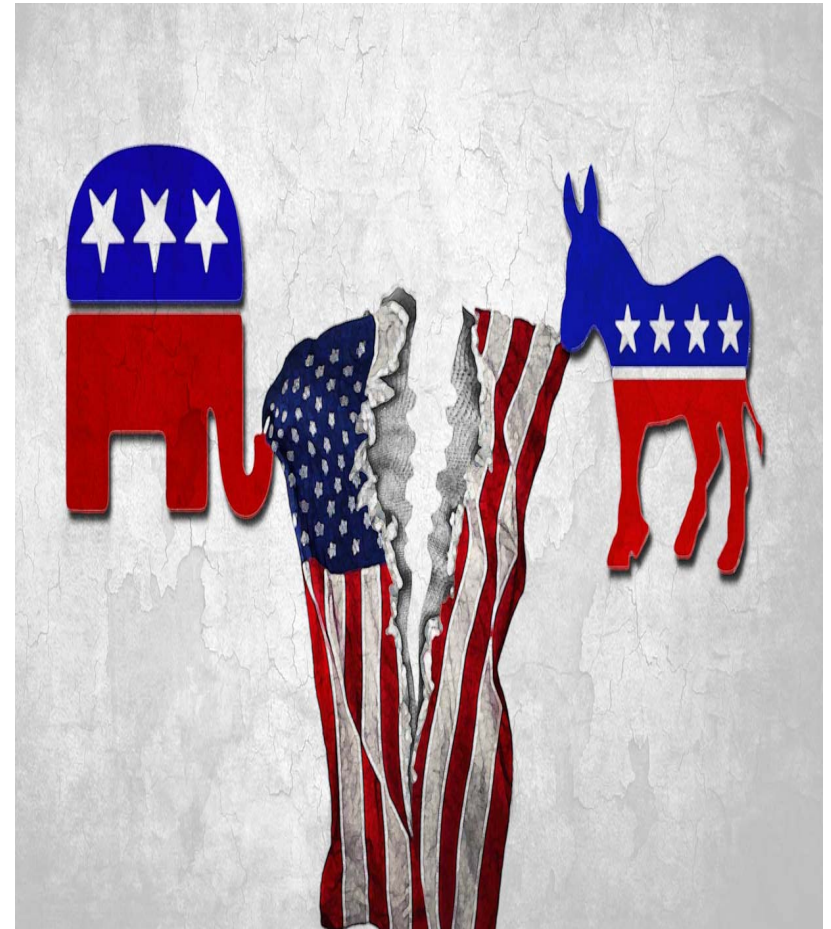
U.S. Hotel Industry SWOT Analysis- *Threats*

Rising interest & capitalization rates



U.S. Hotel Industry SWOT Analysis- Threats

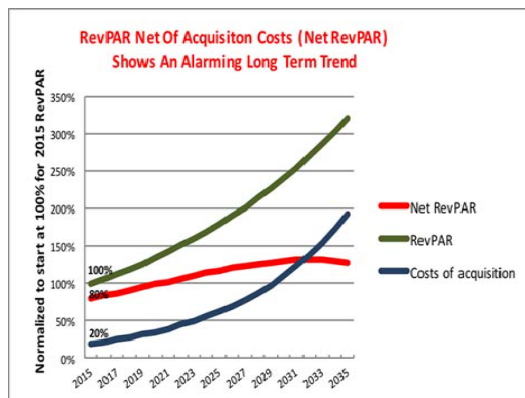
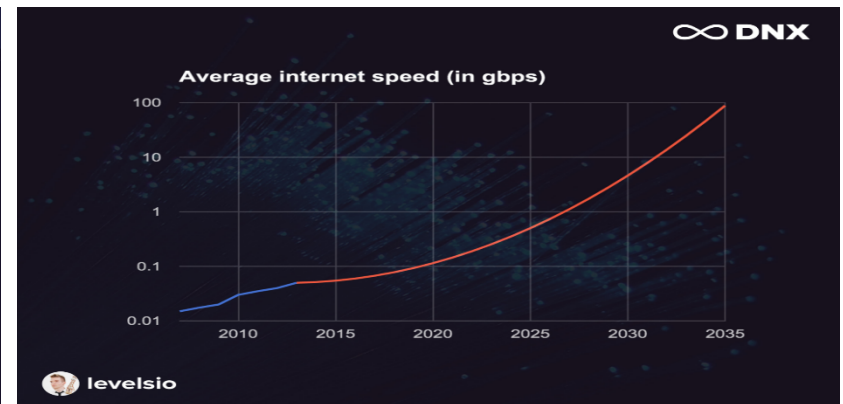
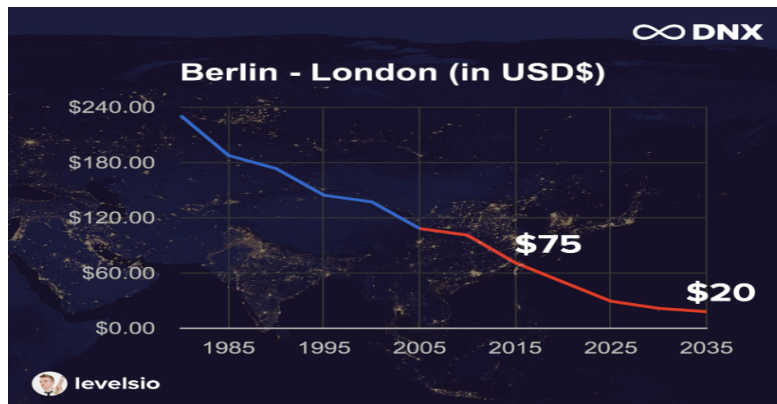
- Anti-globalization, populist sentiments
 - Domestic political polarization



U.S. Hotel Industry SWOT Analysis- *Threats*

Technology:

- Diminishing importance of physical location
 - Redefining social interaction
 - Enemy of ADR growth
- Reputation management: real time damage control



U.S. Hotel Industry SWOT Analysis- Threats

- Retailers and others entering the sector
 - Rise of hostels



U.S. Hotel Industry SWOT Analysis- *Threats*

- Terrorism
- Geopolitical turbulence reaching a tipping point
 - Cyber crime
- Security challenges



U.S. Hotel Industry SWOT Analysis- *Threats*

- NASA's supersonic transport
 - Autonomous vehicles
 - Hyperloop



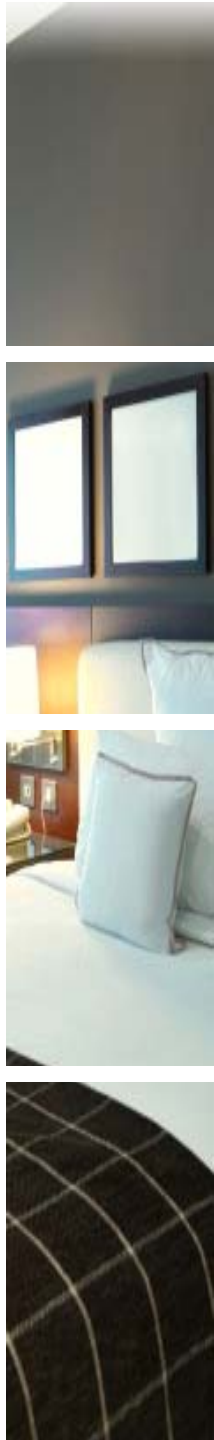
U.S. Hotel Industry SWOT Analysis- *Threats/Opportunities*

- Climatic events
- Rising sea levels



U.S. Hotel Industry SWOT Analysis- *Opportunities*

- Tax Cuts and Jobs Act of 2017
- Industry well positioned to react to any inflation



U.S. Hotel Industry SWOT Analysis- *Opportunities*

- 2018 corporate hotel rate negotiation equilibrium
 - Late cancellation fees
 - Booking direct campaigns
- Reduction of group intermediary commission rates



U.S. Hotel Industry SWOT Analysis- *Opportunities*

- Acquisition & renovation of +/-35 year old full service hotels
 - Redevelopment & repositioning of 1950/60's motels
- Physically and/or functionally obsolete hotels on excellent sites/locations



U.S. Hotel Industry SWOT Analysis- *Opportunities*

- Expansion of modular hotel construction
- Sustainability and Eco-Friendly Hotel Initiatives



U.S. Hotel Industry SWOT Analysis- *Opportunity*

Develop co-working spaces within hotels



U.S. Hotel Industry SWOT Analysis- Opportunities

Technological advances = increased operating efficiencies



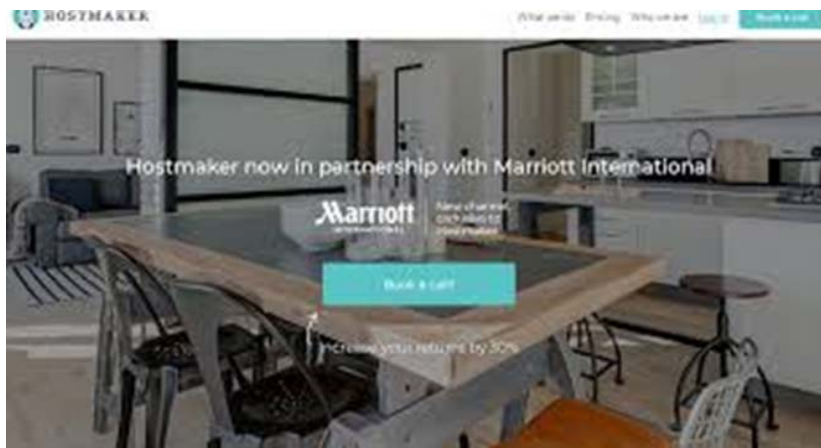
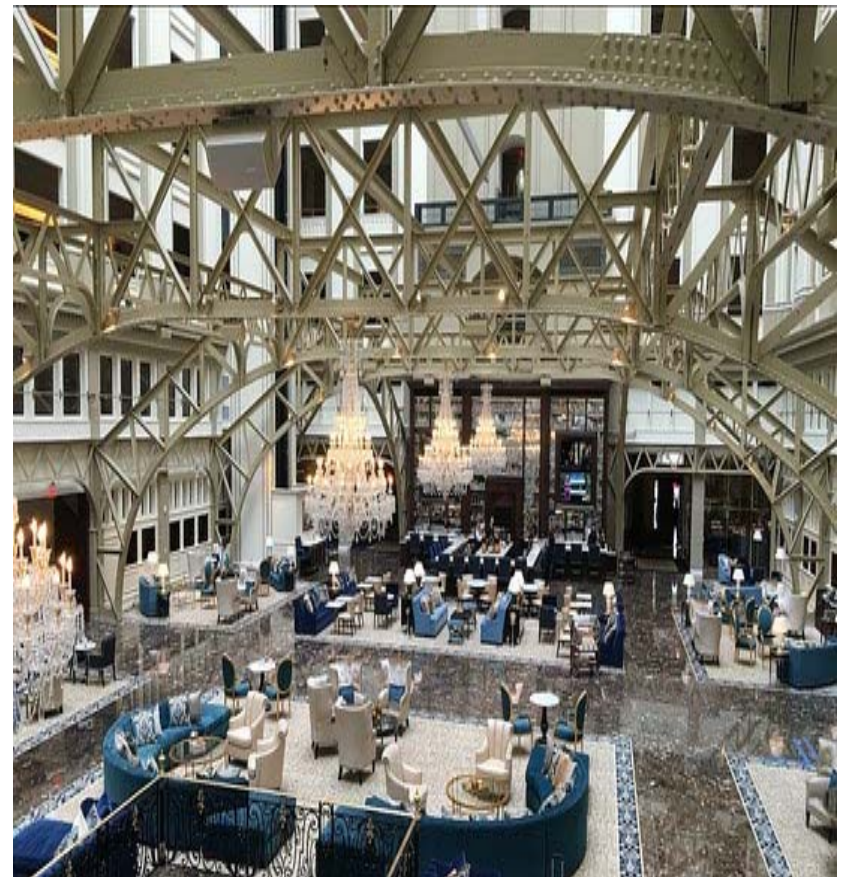
U.S. Hotel Industry SWOT Analysis- Opportunity

Bleisure is becoming more common



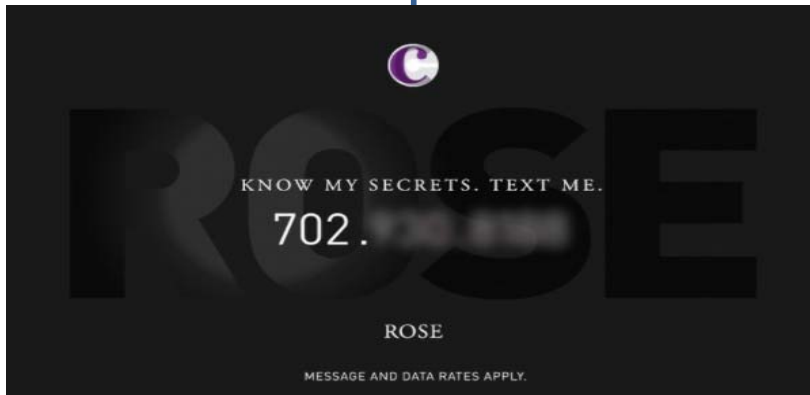
U.S. Hotel Industry SWOT Analysis- *Opportunities*

- Increased Airbnb regulation
- Hotel lobbies are the perfect antidote to Airbnb
- Hotel industry entering homesharing space



U.S. Hotel Industry SWOT Analysis- *Opportunities*

- Artificial intelligence: virtual concierge chatbots
 - RoboButlers
- Neuro-Dreaming – choose your own dream
 - Airport transfers - RoboFlying cars



U.S. Hotel Industry SWOT Analysis- Opportunities

- Multi-brand facilities
- Secondary and tertiary markets



HOTEL TRENDS IN 2017

1 SECONDARY // TERTIARY MARKETS

Last year, revenue per available room at the 26th - 50th largest U.S. hotel markets rose 4.3% compared to 2.4% growth rate for the 25 largest markets.



Key secondary markets with high rev par growth in 2016

Cincinnati
Louisville
Richmond
Raleigh-Durham

U.S. Hotel Industry SWOT Analysis- Opportunity

Mergers & Acquisitions and spinoffs



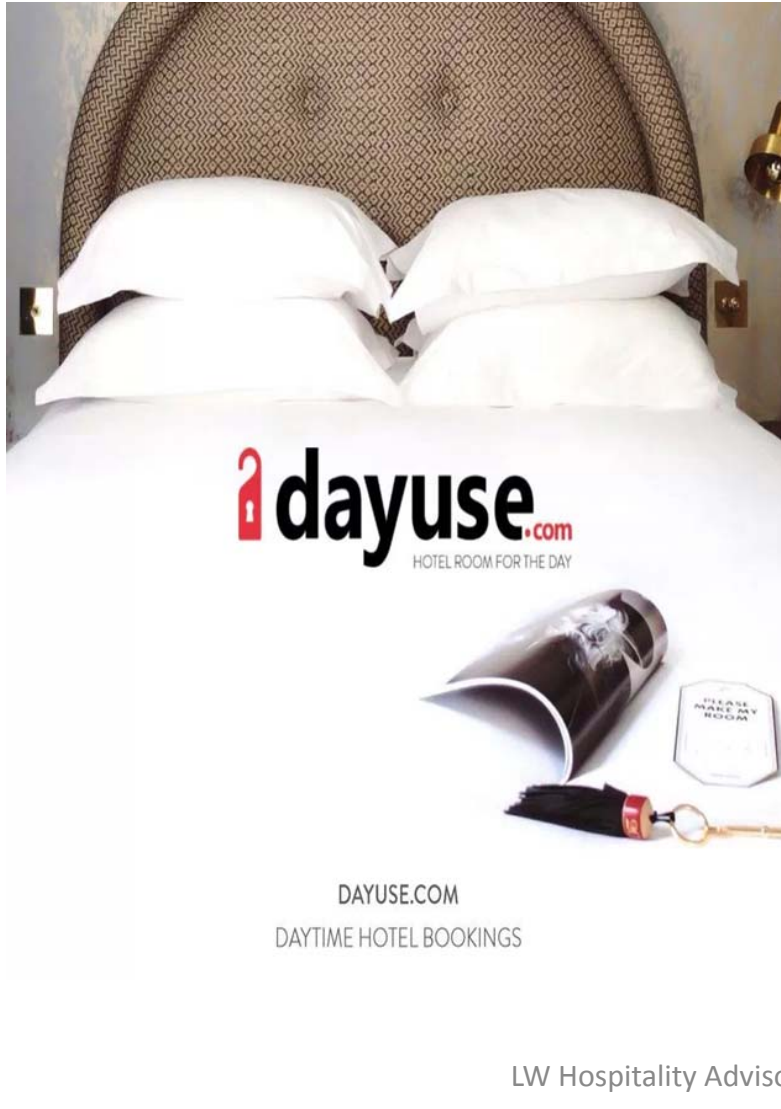
Marriott Vacations Worldwide to Acquire ILG

April 30, 2018



U.S. Hotel Industry SWOT Analysis- Opportunities

- On demand model
- Unbundling hotel services



ONLINE BOOKING Manage Confirmed Bookings

Addon Purchases Step 1 2 3 4 5

Please select your addon purchases.

Double Room #1

Package Type	Price	Required
Comfort Package TV (1 day) + Wireless Internet Access (24 hours) + Towel Rental & Toiletries + Hairdryer + In Room Safe	GBP 10.00	No <input type="checkbox"/>

Addon	Price	Required
Add-on Room Cleaning ^[i]	GBP 8.00	No <input type="checkbox"/>
Continental Breakfast (per person) ^[i]	GBP 5.50	No <input type="checkbox"/>
Early Check In (from 12.00pm) ^[i]	GBP 10.00	No <input type="checkbox"/>
Hair Dryer (unlimited use) ^[i]	GBP 2.00	No <input type="checkbox"/>
In Room Safe (unlimited use) ^[i]	GBP 3.00	No <input type="checkbox"/>
Late Check Out (up to 1.00pm) ^[i]	GBP 10.00	No <input type="checkbox"/>
Towel Rental + Toiletries Kit (UK) ^[i]	GBP 2.00	No <input type="checkbox"/>
TV (1 day - UK freeview channels) ^[i]	GBP 4.00	No <input type="checkbox"/>
TV (3 days - UK freeview channels) ^[i]	GBP 8.00	No <input type="checkbox"/>

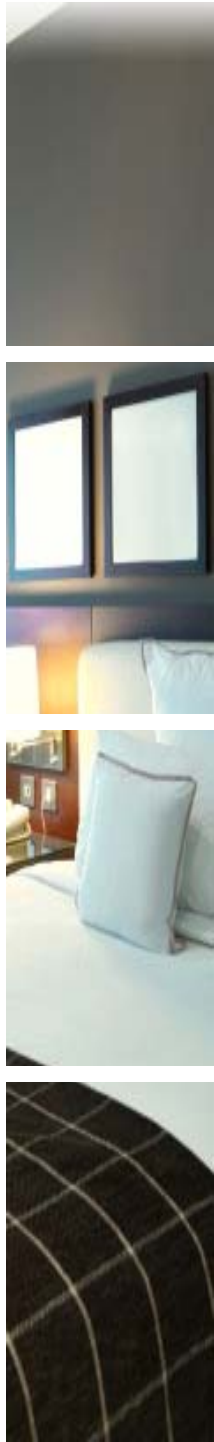


U.S. Hotel Industry SWOT Analysis- *Opportunities*

- Expansion of hotel branding to yachts and jets
 - Luxury space hotel looks to launch



Final Thought: Cautious Optimism





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