



U.S. Lodging Industry 2017

Good For Some; Cautious Optimism For Others



Presented by:

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U.S. Lodging Industry: *Cautious Optimism*



U.S. Hotel Industry

Sector experiencing record operating metrics

U.S. HOTELS 2016

Metric	No.	Status	Remarks
OCC	65.5%	▲0.1%	RECORD
ADR	\$124	▲3.1%	RECORD
REVPAR	\$81	▲3.2%	RECORD
AVAIL ROOMS	1.8B	▲1.6%	RECORD
OCC ROOMS	1.2B	▲1.7%	RECORD
ROOM REV	\$149B	▲4.8%	RECORD

SOURCE: STR

Random Dan Lesser Thoughts

- Hotels are fundamentally long term hold assets
- Hotel values from peak: best flat; worst down 10%
- New supply issues, if any, are submarket based
- Smart money seeking yield in secondary and tertiary plus markets
- OTA's are not partners for hotel industry
- Airbnb's claim of being a champion of the middle class is at best misleading
- Airbnb's accusation of hotel sector price gouging is disingenuous
- Lodging industry should follow airline sector unbundling of services and amenities
- Boycotting travel to U.S. is counterproductive

U.S. Hotel Industry SWOT Analysis- Strengths

- America is worlds beacon for safety & security
- U.S. economy growing (albeit sluggish)
- Nation in second biggest housing boom ever
- Industry record rooms revenue operating metrics
- Sector now a \$200 billion industry
- Industry wide house profit exceeds \$76 billion
- New supply is not devastating
- Continued low interest and cap rate environment
- Continued availability of debt and equity
- Continued strong pricing of hotel assets
- Technological advances = increased efficiencies

U.S. Hotel Industry SWOT Analysis- Weaknesses

- Underwhelming U.S. economic recovery
- Fear of economic recession never far away
- Strong U.S. dollar
- U.S. travel ban
- China scrutiny of cross-border capital flows
- Lodging expansion now in its seventh year
- Real U.S. RevPAR growth decelerating
- Brand overload
- Airbnb now impacting business travel
- Corporate rate pricing power shift towards buyers
- OTA's now dominate consumer point of entry
- Labor shortages and rising influence of unions
- Hotel property taxes are escalating

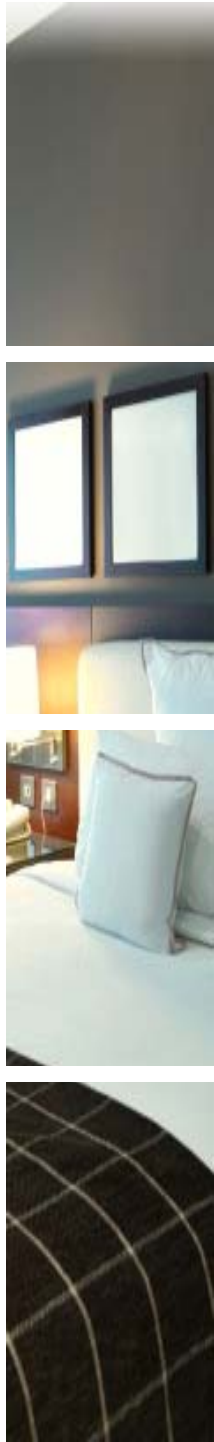
U.S. Hotel Industry SWOT Analysis- Opportunities

- Boundaries between work, play, and travel blurring
- Industry well positioned to react to any inflation
- Expansion of modular construction
- Physical and/or functionally obsolete hotel product situated on excellent sites/locations
- Develop co-working spaces within hotels
- Create differentiated, authentic, unique experiences
- Voice-enabled cognitive rooms
- Hotel company/REITs ripe for M&A
- Ancillary revenue opportunities similar to airlines
- Industry and regulatory blowback against Airbnb
- Rise of secondary markets
- Opening of Cuba

U.S. Hotel Industry SWOT Analysis- Threats

- Rising interest rates
- Economic recession
- U.S. travel ban
- WeWork
- Technology diminishes importance of physical location
- Increasing political isolationism
- Drive by lawsuits
- Online hotel booking scams
- NLRB joint employer ruling
- Event risk: terrorism, war, civil unrest, spread of disease, climatic
- Cyber security & warfare
- Rising guest acquisition costs/technology enemy of ADR growth
- Brands pushing standards updates
- New brand intruders: West Elm, Equinox, Restoration Hardware
- Airbnb, Homeaway and other travel industry disrupters
- Rise of hostels
- Obsolescence risk i.e. Autonomous vehicles

Final Thought: **TRANSITION**





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