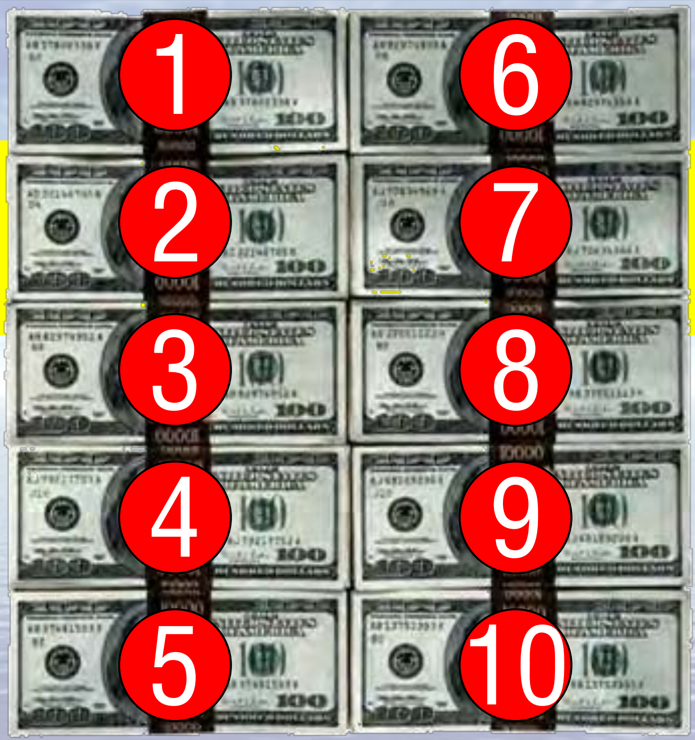
Meet The Money®

Debt and Equity Financing for Hotels

JMBM® Global Hospitality Group

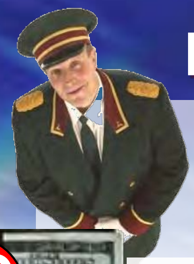
Special Presentation



"The 2012 LIIC Top Ten"

- **Michael Cahill**

CEO and Founder
HREC – Hospitality Real Estate Counselors
www.hrec.com



The LIIC TOP 10

Obama Re-election Bad for Hotels:

- 46% of LIIC think tank believe that a Obama re-election will have a "negative" impact on RE values
- 52% suggest Obama re-election will be "neutral"
- Only one person believes Obama re-election "positive"

The LIIC TOP 10

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Occupancy and ADR Growth Slowing:

- Nearly 90% of respondents believe national occupancy and ADR levels will grow only slightly/moderately over next 12 months
- Mood is positive albeit less that last year

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Hotel Development Beginning:

- For the first time since 2008, interest in new hotel development increasing dramatically
- Over half of the LIIC council believe it's a good time to build/develop (given market & product selectivity)

9 Occupancy and ADR Growth Slowing
10 Obama Re-election Bad for Hotels

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Magnitude of Change of Ownership PIP's Problematic:

- 45% of the LIIC hotel buyers have NOT purchased a particular hotel in last 12 months due to PIP requirements.
- 32% of the LIIC have NOT sold a particular hotel in last 12 months due to PIP requirements.
- PIP's clearly impacting transaction market dynamics

8 Hotel Development Beginning
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The LIIC TOP 10

6 Debt Financing is Returning

- 86% of respondents believe the availability of hotel debt lending will continue to improve over next 12 months
- Interest rates and loan/value ratios predicted to remain flat
- Still predict 50% of hotels purchased all-cash in next 12 months, "cash is still king"

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The LIIC TOP 10

5 The Ballgame is Almost Half Over!:

- 57% of respondents believe we are firmly implanted in innings 3 to 4 of current cycle
- Concerns: U.S./global debt, real job growth, true room rate increases, escalating operating costs (labor)

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In 2013, Lodging Transaction Volume to Increase:

In regards to hotel asset sales volume for projected calendar 2013 vs. actual/forecast 2012:

- 50% believe volume will grow 5% to 10%.
- 20% believe volume will grow 10% to 20%.
- 13% believe volume will grow over 20%.

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3 Quality of Hotel Product on Market Continues to Improve:

- Trend continues from 2011:
- 44% believe quality of hotel product on the market is "slightly better" than 2011.
- However:
- 43% believe quantity of product is "average quantity".
- 39% believe quantity of product is "below average quantity"

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2 Hotel Property Values Will Continue to Increase:

- 98% of respondents believe that hotel real estate values will increase over the next 12 months, with 50% of total responders predicting a slight increase from 0 to 5%.
- Compared to 2011, results indicate slowing of hotel property value increases from “moderate” to “slight”
- Value growth to be greatest in the luxury/upper upscale/upscale category

3 Quality of Hotel Product on Market Continues to Improve

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1 Economic Uncertainty: Durability and Sustainability:

- Compared to past surveys, more uncertainty with <u>when</u> hotel real estate market will peak and <u>how long</u> is current cycle
- 37% of respondents believe values will peak in 2015.
- 30% of respondents believe values will peak in 2016.
- 24% of respondents believe values will not peak until 2017 or beyond.
- Biggest concern: U.S. ECONOMY

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For more information on LIIC, please see our website:

www.liic.org