SPECIAL PRESENTATIONS

LIIC Top Ten

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THE BIG RESET

2023 MEET THE MONEY
National Hotel Finance & Investment Conference

THE BIG RESET

new players
new deals
new capital
LIIC Top Ten

Mike Cahill

Lodging Industry Investment Council

THE BIG RESET
Overall Impact of Inflation?

An interesting juxtaposition:

- **50%** believe inflation is negatively affecting the value of their lodging investments
- **21%** believe inflation is positively affecting their investments

“The annual inflation rate for the United States was 5.0% for the 12 months ended March, following a rise of 6.0% in the previous period” according to U.S. Labor Department data published April 12, 2023.
Post Pandemic Hotel Investment Performance

• Good news!

• 80% of Investors said that their investments are currently performing better than anticipated from 2020

The Remainder of the Year:

  o Q1 ‘23 RevPAR grew 16.7% from last year
  o CoStar and Oxford Economics project a mild recession
  o U.S. RevPAR forecast shows positive growth through that recession
Where **NOT** to Buy a Hotel:

1. Chicago, IL (52%)
2. San Francisco/San Mateo, CA (50%)
3. Detroit, MI (27%)
3. Minneapolis/St. Paul, MN (27%)
3. St. Louis, MO/IL (27%)

**Bonus!** Where did our resident AI friend say to avoid? Detroit, MI
Where to Buy a Hotel:

1. Tampa/St. Petersburg, FL (45%)
2. Phoenix, AZ (31%)
3. Denver, CO (27%)
4. Boston, MA (25%)
5. Miami/Hialeah, FL (24%)

Bonus! Where did our resident AI friend say to invest? Austin, TX
Are Hotel Buyers Frustrated?

Quantity

53% believe the quantity available for purchase is worse than 2022
25% believe the quantity available for purchase is similar to 2022

Quality (Desirability to Purchase)

53% believe the quality of product available is worse than 2022
New Hotel Development: How Many Staying Steadfast?

- 13% believe the time to build is now
- 56% believe now is a good time for identification and predevelopment

What will Dominate the Development Pipeline?
- Extended Stay (especially economy/budget)
- Followed closely by Select Service
The Future of Debt?

42% of investors are hopeful debt will become slightly better over the coming year

- Who Will Lead the Lending Charge?

- Increase in Mezzanine Lending to top off the acquisition capital stack and to replace capital calls

- Assumable Debt Deals are expected to increase over the next six months
Hotel Transactions for Calendar 2023:

Dollar Volume

56% believe that hotel transaction dollar volume will decrease from 2022 levels, while 35% believe volume will increase

Number of Sales

An Overall Downward Opinion:

- 53% predict downwards, 19% flat, 25% up from 2022
Top Four Threats to Your Hotel Investment:

1. Interest Rate Uncertainty for Acquisition Debt
2. Mortgage Refinancing Challenges
3. Property Level Employee Recruiting & Retention along with Low Unemployment
4. Black Swan Event
What to Purchase:
Upper Upscale & Upscale Lead the Way

Are investors looking to buy in the coming 12 months?

- 35% believe in Upper Upscale while 23% believe it to be Upscale properties
- 68% believe hotel going-in capitalization rates will rise, yet 37% envision only a slight increase
Hotel Property Investment: Debt Uncertainty & Positive Post Pandemic Bounce Back

- 2023’s survey results indicate a soft, slow transaction market
- Prevailing concerns on debt markets
LIIC Bonus Questions

Twitter?

Elon Musk is trying his best!
- 32% believe in Elon Musk and that his purchase was positive for both Twitter and Free Speech
- 54% did not care!
LIIC Bonus Questions Continued

How Used is AI Regarding Hotel Investments?

• 79% - Do Not Use AI
• 11% - Staff Uses on Day to Day Basis
• 9% - Market Research
• 5% - Marketing Efforts
• 4% - Consumer Research
LIIC Bonus Questions Continued

2024 Election?

A Toss Up! Predictions virtually 50/50 between a Democratic and Republican Winner
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What to Purchase: Upper Upscale and Upscale
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The Future of Hotel Debt
New Hotel Development: Some Remain Steadfast
Are Hotel Buyers Frustrated?
Where NOT to Buy a Hotel
Post Pandemic Hotel Investment Performance
Overall Impact of Inflation
For a copy of this survey presentation, please send an email to the following:

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For more information on LIIC, please see our website: www.liic.org
References:

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