U.S. Lodging Industry – 2016
SWOT Analysis

Presented by:

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

- U.S. economy chugs along slow and steady
- Gasoline prices remain relatively low
- Strong inbound foreign visitation
- Industry experiencing record high occupancy levels
- Late cycle real U.S. RevPAR at record highs
- New construction limited however escalating
- Technology increases operating efficiencies
- America is worlds beacon for safety & security
- Availability of equity and low cost debt
- Inbound overseas capital chasing yield
- Record setting hotel prices
U.S. Hotel Industry SWOT Analysis - Weaknesses

- Underwhelming U.S. economic recovery
- U.S. travel growth slowing
- Strong U.S. dollar relative to Euro & other currencies
- U.S. Presidential election uncertainty
- OTA’s place negative pressure on room pricing
- AirBnb now impacting business travel
- Real U.S. RevPAR growth decelerating
- Rising influence of labor unions
- Rising hotel property taxes
- Forever changing regulations
- Rating agencies underwriting 2015 cash flow as peak and in some cases average of 2013-2015
- International brands expanding competition
U.S. Hotel Industry SWOT Analysis - Opportunities

- Industry well positioned to react to any inflation
- Physical and/or functionally obsolete hotel product situated on excellent sites/locations
- CMBS maturities: 2016 – 2018
- Hotel company/REITs ripe for M&A
- Unlock value: Hilton to spin off owned hotel into REIT
- Virtual reality has become an ROI reality
- Ancillary revenue opportunities similar to airlines
- Industry and regulatory blowback against Airbnb
- Rise of secondary markets provides opportunities
U.S. Hotel Industry SWOT Analysis - Threats

- U.S. lodging expansion now in its seventh year
- Rising interest rates & tighter underwriting
- Volatile overseas economies creates unpredictable U.S. economy
- Global stock & bond market turmoil creates investor fear
- There will be another recession between now and 2020
- U.S. bank risk retention
- Labor unrest
- Cyber security risk
- America’s crumbling infrastructure; airport, roads, electric
- Brands pushing standards updates
- Event risk: terrorism, war, domestic civil unrest, spread of disease
- Proliferation of new hotel brands
- New brands by intruders: West Elm, Equinox, Restoration Hardware
- Airbnb, Homeaway and other travel industry disrupters
- Rise of hostels
- Obsolescence risk that is difficult to understand: Autonomous vehicles
- NLRB Browning-Ferris ruling altering definition of “joint employer”
Random Dan Lesser Thoughts

• At best: hotel values flat; at worst down 20% from peak
• Hotels are fundamentally long term hold assets
• Off market does not equal below market
• Be vigilantly aware of new supply
• Brand overload / One new independent is now a brand
• Without Airbnb data its impact cannot be fully defined
• A hotel company should merge with Airbnb
• Flight to yield expanding to secondary/tertiary markets
• Increase implementation of fees and surcharges
• Industry should tighten reservation cancellation policies
• Industry obsession with “millennials” and now “Gen Z”
• “Newbies” once again entering the hotel space
• Industry should aggressively raise room rates
  • Airline industry moves in tandem
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