



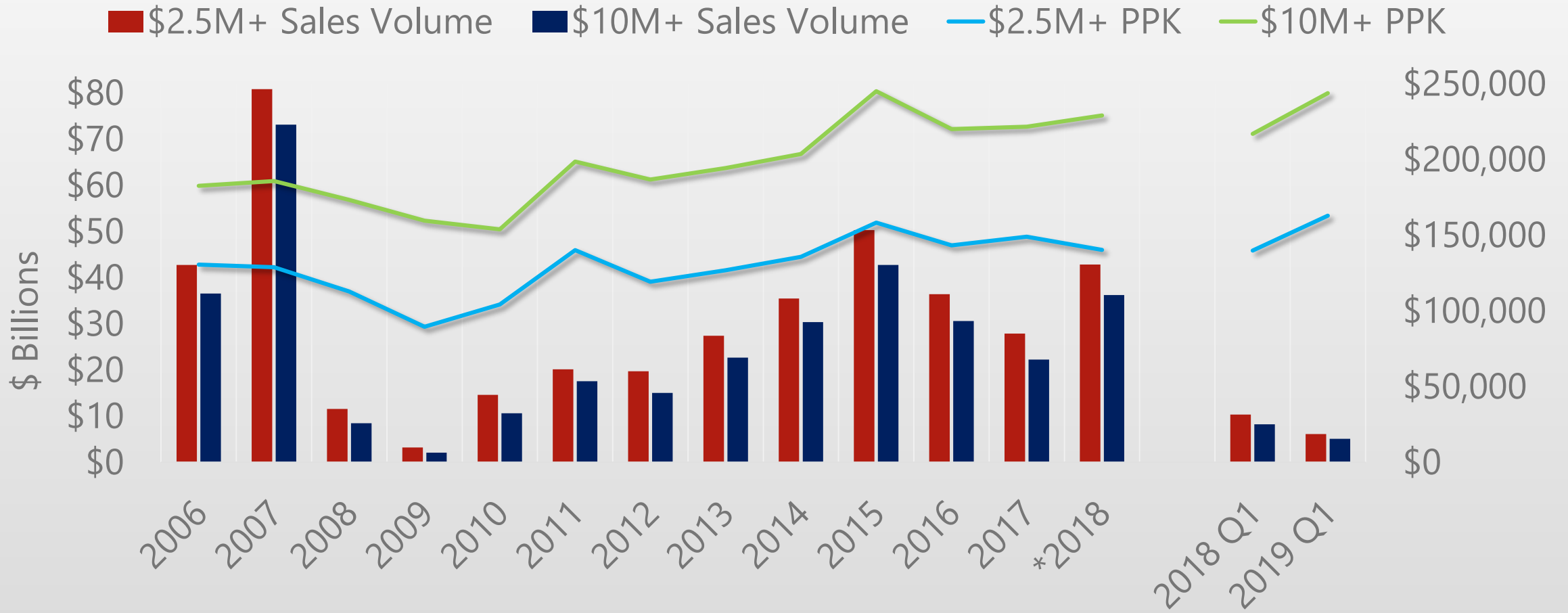
# Hotels Values & Cap Rates

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# U.S. Hotel Sales Volume Surge in 2018, Slow Q1'19



Source: RCA

# Q1 2019 Transaction Volume Breakdown

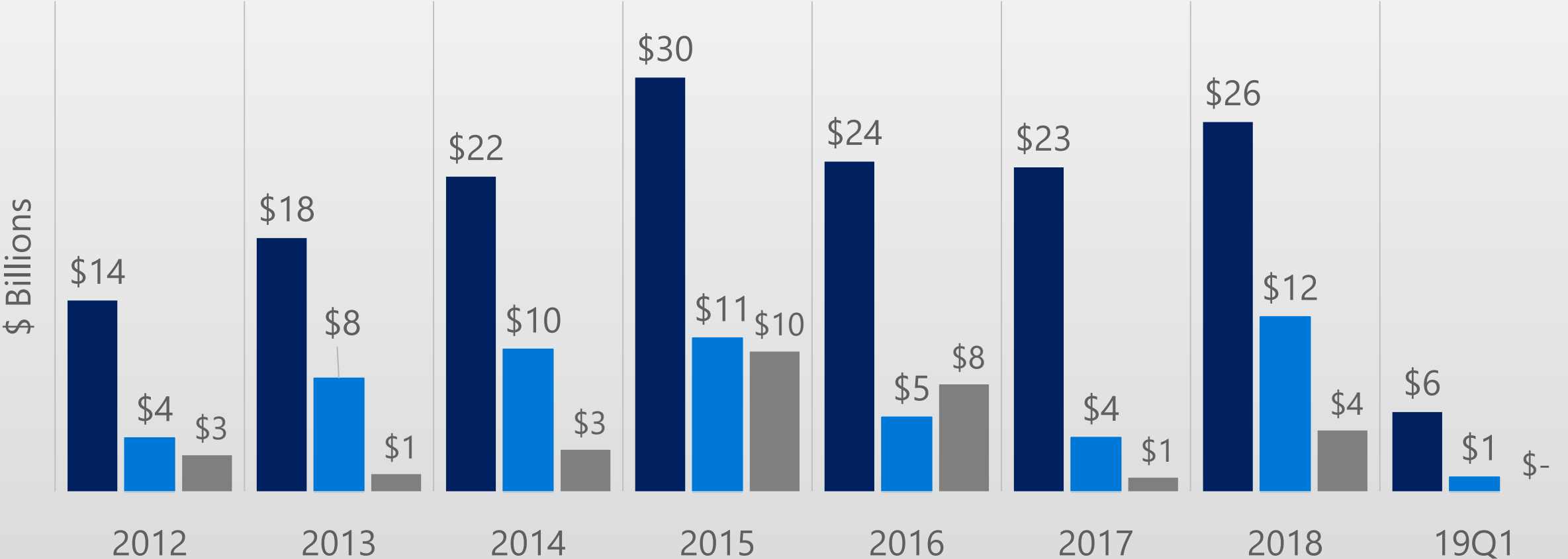
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	<b>Vol (\$ Bilions)</b>	<b>YOY Change</b>	<b>#Props</b>	<b>YOY Change</b>
Hotel Total	6.7	-36%	387	-34%
Full-Service	3.7	-39%	84	-33%
Limited-Service	3.1	-31%	303	-34%
Six Major Metros	2.5	-36%	68	-1%
Non-Major Markets	4.3	-36%	319	-38%

Source: HVS, RCA

# Composition of Transaction Volume

■ Individual   ■ Portfolio   ■ Entity



Source: HVS, RCA



# Noteworthy Sales YTD 2019



Property: 1 Hotel South Beach  
Location: Miami Beach, FL  
Date: Feb. 2019  
No. Rooms: 426  
Total Price: \$610,000,000  
Average PPK: \$1,431,925  
Buyer: HOST Hotels & Resorts  
Seller: Starwood Cap JV Lefrak

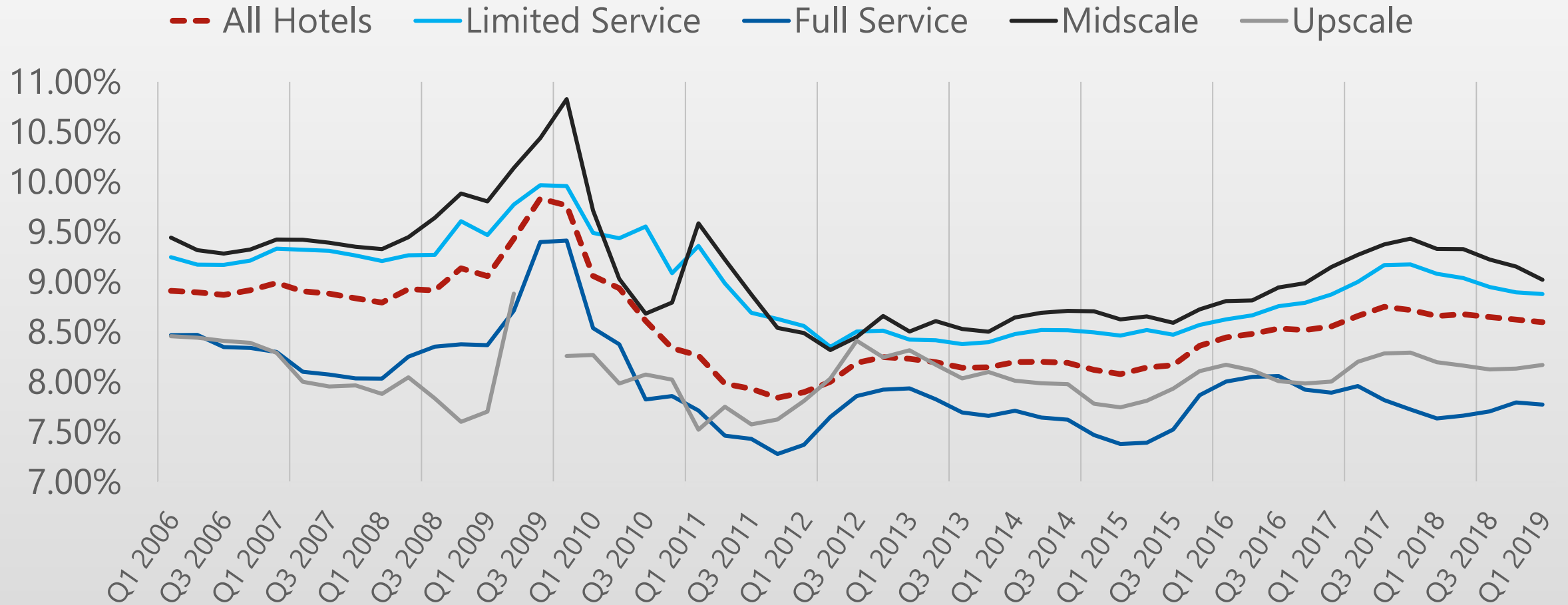


Property: Beacon Hill  
Location: Boston, MA  
Date: Feb. 2019  
No. Rooms: 13  
Total Price: \$13,000,000  
Average PPK: \$1,000,000  
Buyer: Andrew Flynn  
Seller: Saunders Hotel Group



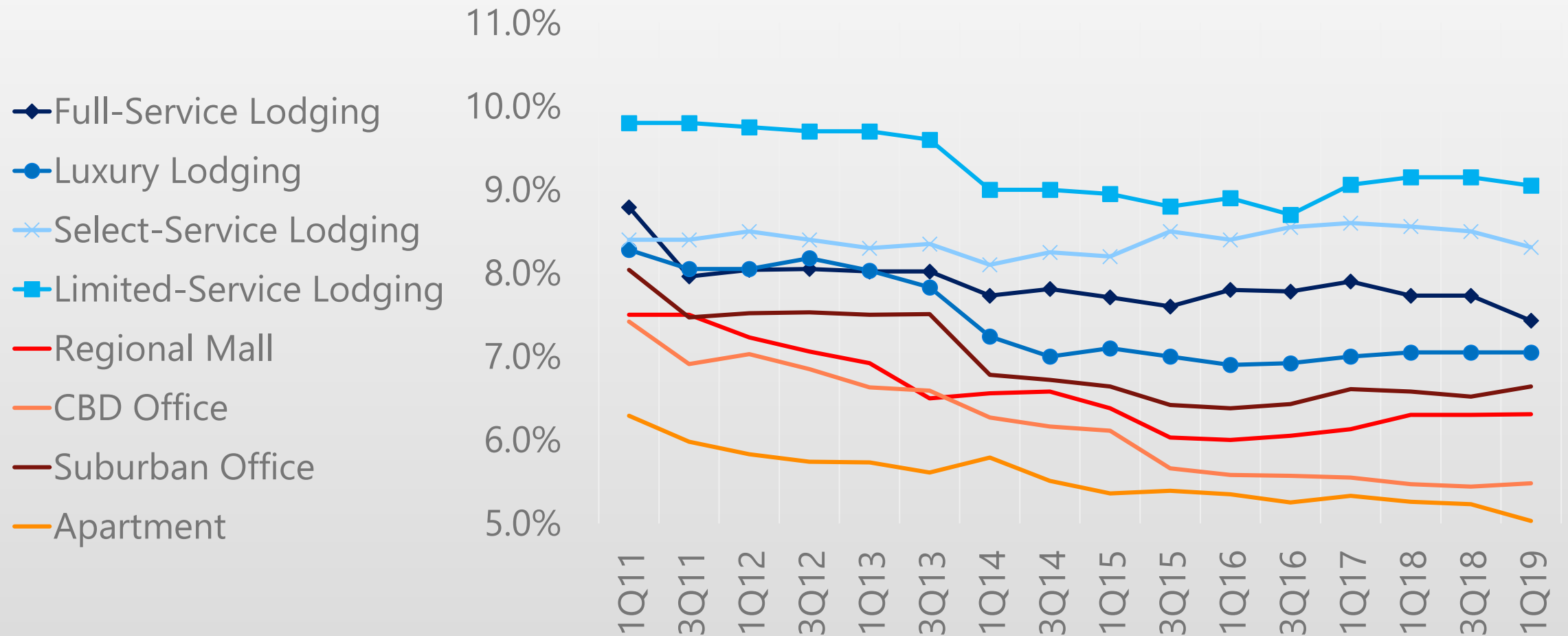
Property: Raleigh Hotel  
Location: Miami Beach, FL  
Date: Feb. 2019  
No. Rooms: 105  
Total Price: \$103,000,000  
Average PPK: \$980,952  
Buyer: SHVO JV Bilgili  
Seller: Hilfiger Hosp Group

# Modest Contraction in Cap Rates \*



Source: RCA, \* Derived from sales transactions

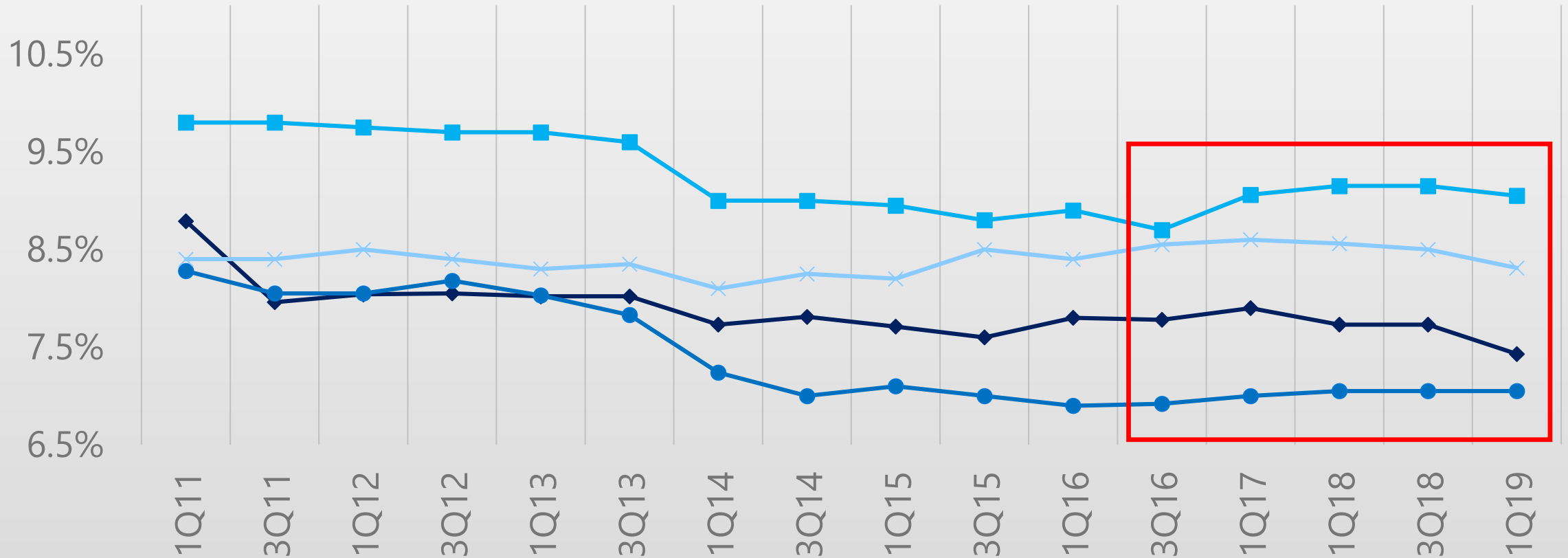
# Hotel Survey Cap Rates Maintain Return Premium



Source: PWC

# Hotel Survey Cap Rates Maintain Return Premium

◆ Full-Service Lodging ● Luxury Lodging ✕ Select-Service Lodging ■ Limited-Service Lodging

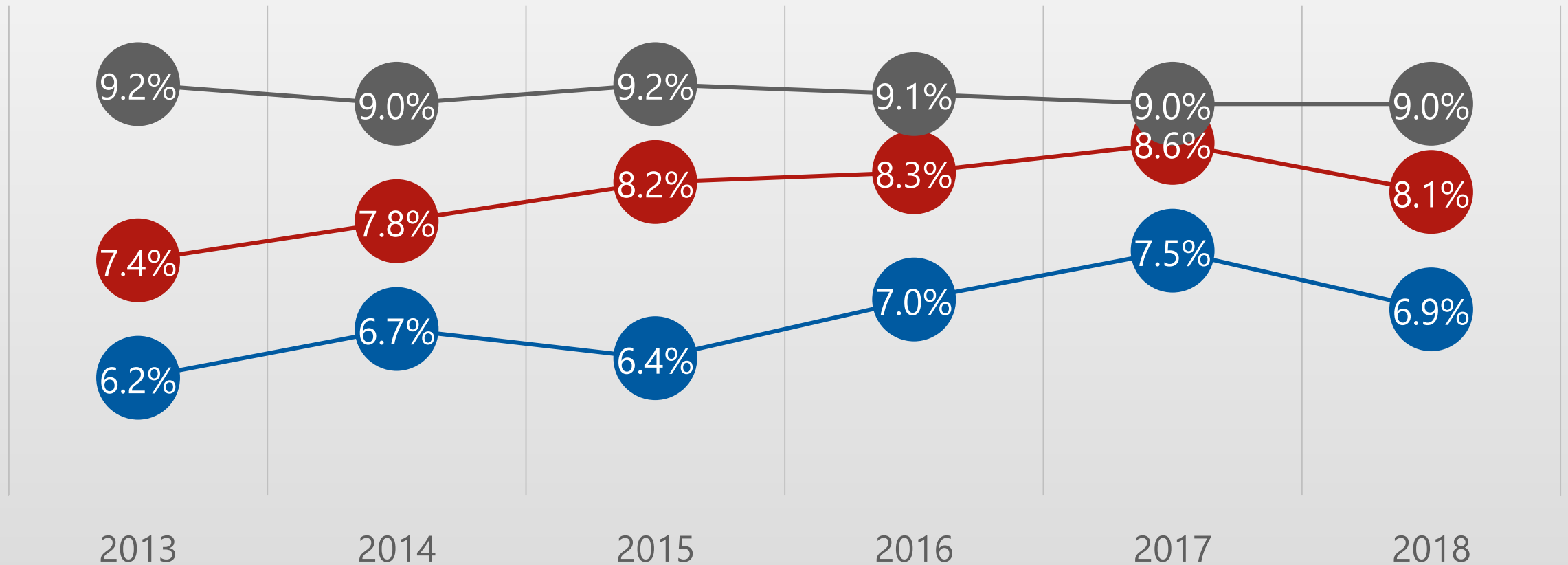


Source: PWC



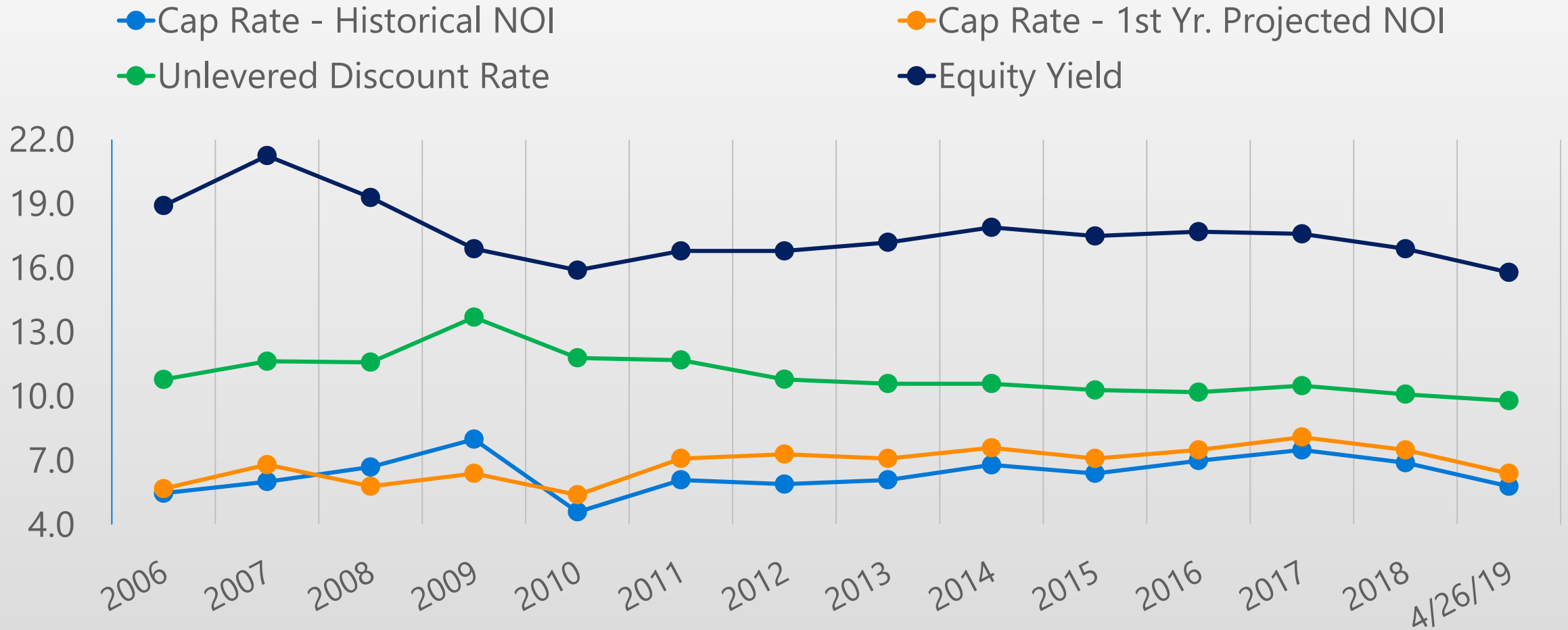
# Cap Rates Derived From Sales of Hotels Appraised

● Full Service Incl. Luxury   ● Select Service & Extended Stay   ● Limited Service



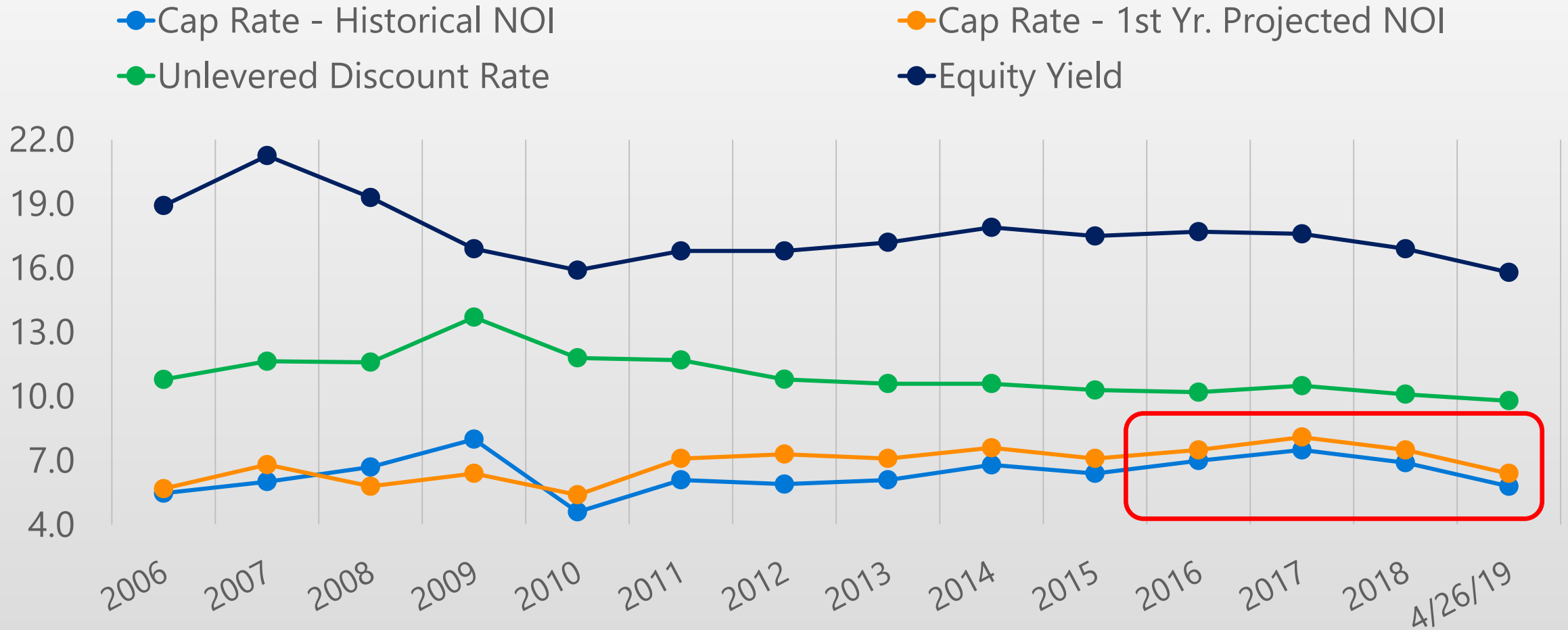
Source: HVS

# Going-In Cap Rate Spread – Yields Declining



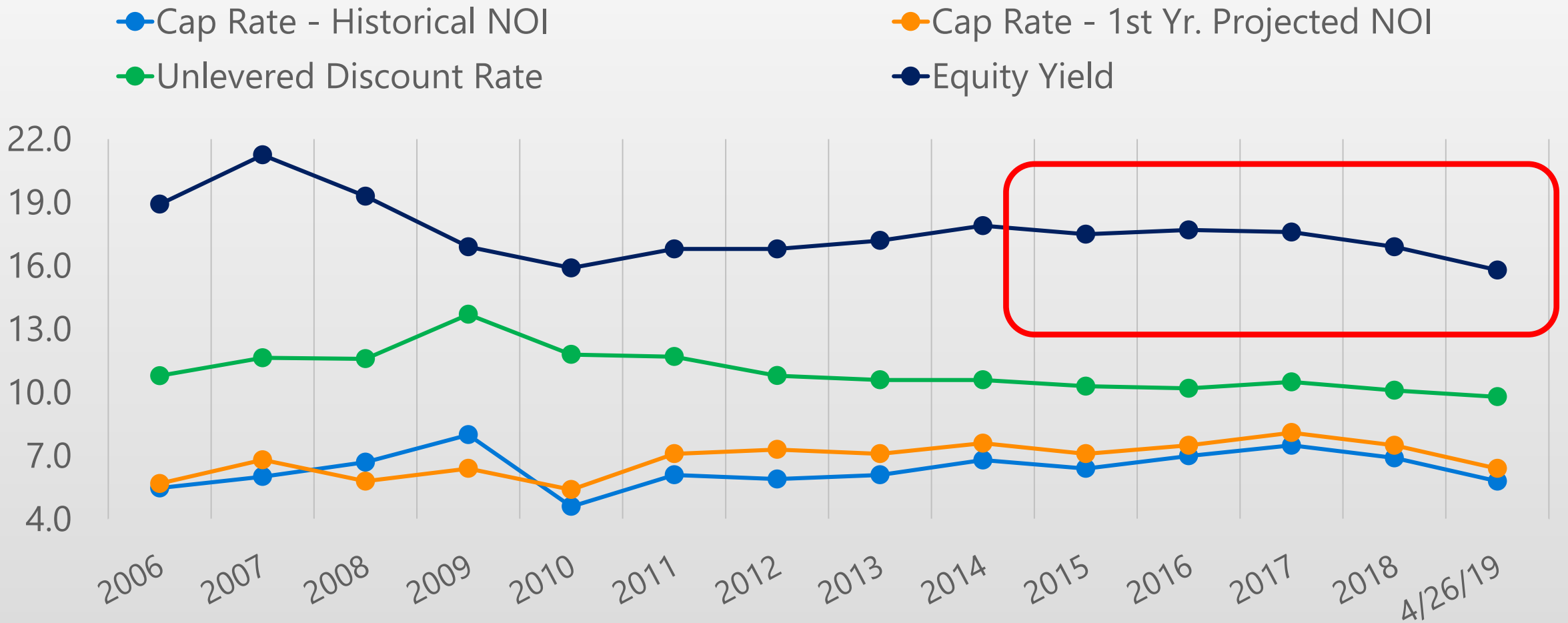
Source: HVS

# Going-In Cap Rate Spread – Yields Declining



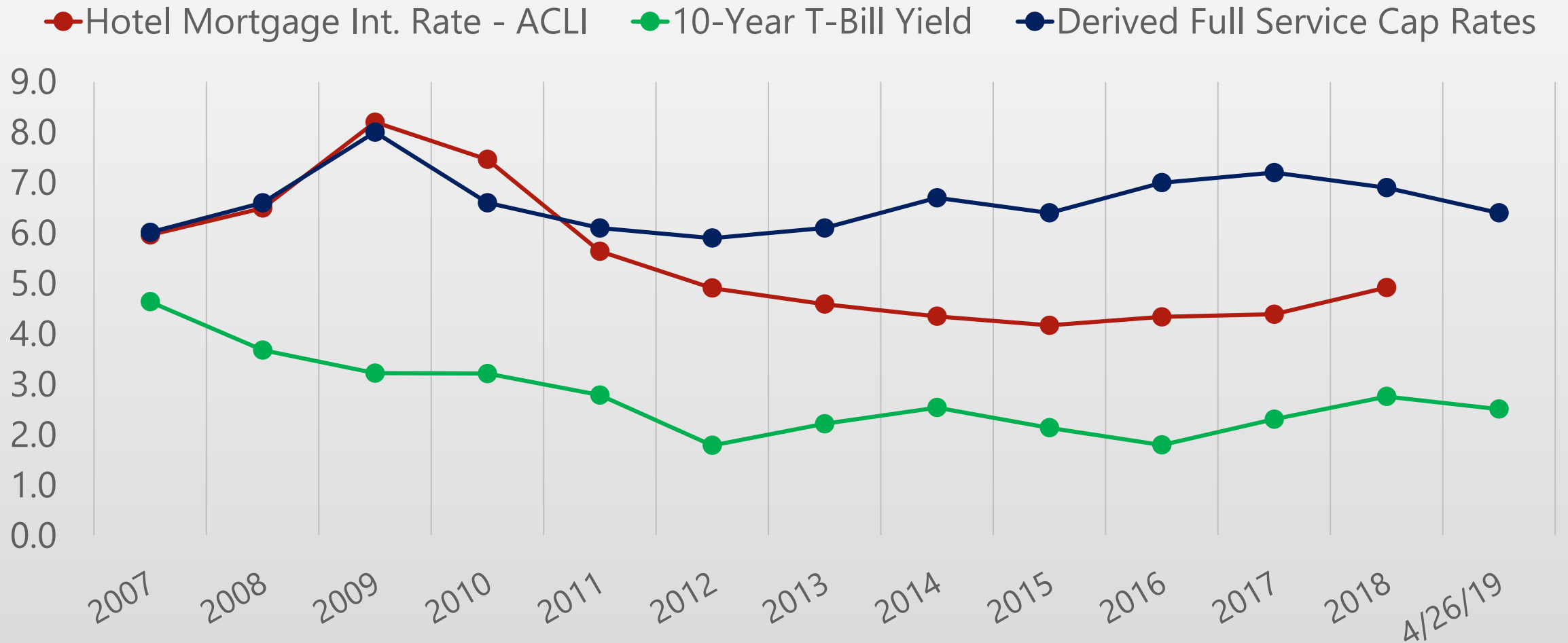
Source: HVS

# Discount Rate to Cap Rate Spread



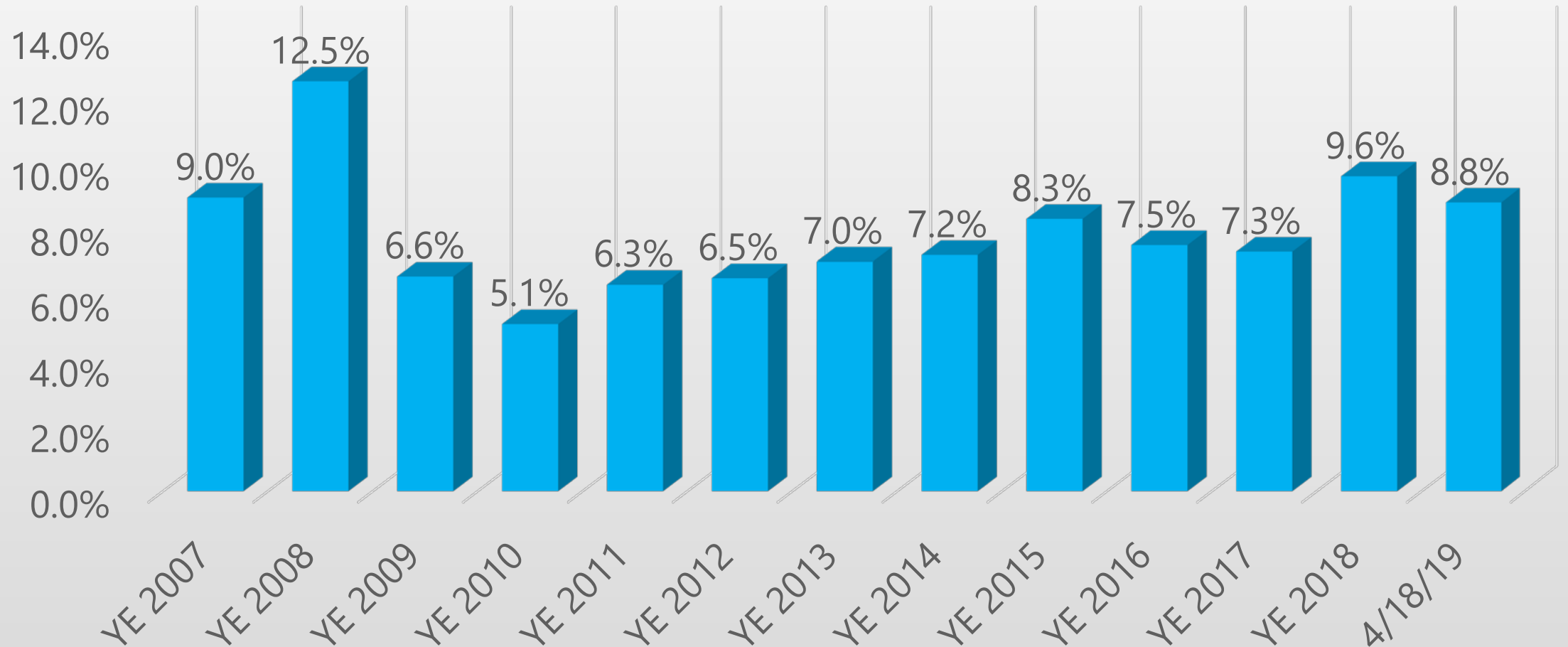
Source: HVS

# Hotel Cap Rates and Mortgage Interest Rates vs. 10 Year T-Bill Yields - Full Service Cap Rate to Interest Rate Spread



Source: HVS

# REITS –Cap Rates Decline Modestly Q1 But Remain Elevated



Source: HVS

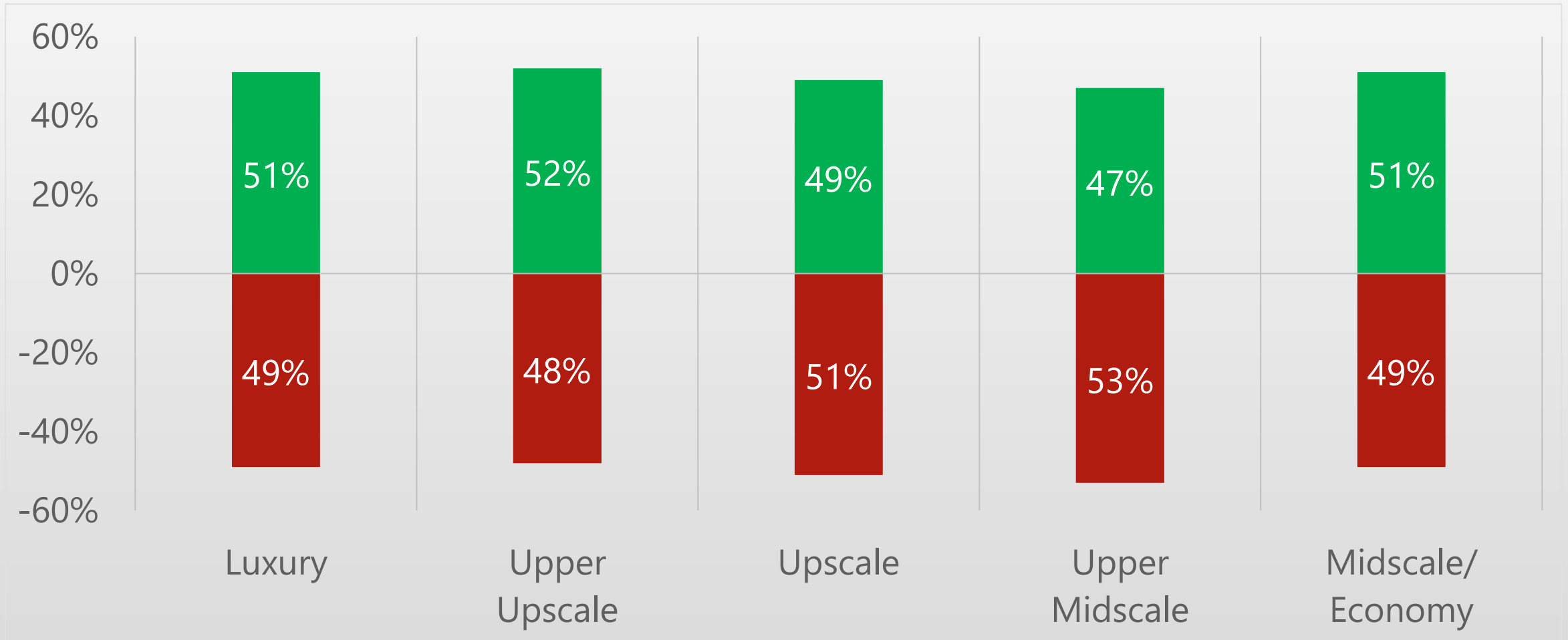
# STR Host Almanac – 2017 “Same Store” Statistics

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	Total	
	Revenue	EBITDA
Luxury	3.1 %	4.1 %
Upper Upscale	1.4	2.1
Upscale	1.5	-1.7
Upper Midscale	1.4	-2.8
Midscale/Economy	2.0	-0.2

Source: HVS. STR

# In 2017 >50% of Hotels in U.S. Reported GOP Decline



Source: HVS. STR



# HOST Operating Stats – Labor Expenses Rise at Greater Rate than RevPAR

	Rooms Revenue	Total Revenues	Departmental Profit	GOP	EBITDA	Total Labor
Luxury	2.9%	3.1%	2.8%	3.1%	4.1%	3.8%
Upper Upscale	1.5%	1.4%	1.4%	1.0%	2.1%	2.6%
Upscale	1.3%	1.5%	0.8%	-0.3%	-1.7%	3.9%
Upper Midscale	1.6%	1.4%	0.9%	-0.3%	-2.8%	3.9%
Midscale/ Economy	1.7%	2.0%	0.6%	0.3%	0.2%	4.2%

Source: HVS, STR



# U.S. Full-Service Hotel Operating Leverage Analysis

Full-Service Hotels	2007	2009	2014	2017	'07- '09	CAGR '09-'14	'14- '17
<b>Occupancy</b>	70.0%	62.5%	73.9%	74.2%	-2%	3%	0%
<b>Avg. No. Rooms</b>	306	292	299	287			
<b>Average Rate</b>	\$166.7	\$146.74	\$180.94	\$193.8	-3%	4%	2%
<b>RevPAR</b>	\$116.7	\$91.7	\$133.7	\$143.8	<b>-5%</b>	<b>8%</b>	<b>2%</b>
<b>% Change</b>		<b>-21%</b>	<b>46%</b>	<b>7.5%</b>			
Revenue PAR	\$67,301	52,650	74,975	\$81,619	-5%	7%	3%
Expenses PAR	\$50,298	43,143	55,911	\$61,300	-3%	5%	3%
NOI PAR	\$17,003	9,507	19,064	\$20,319	<b>-11%</b>	<b>15%</b>	<b>2%</b>
<b>% change</b>		<b>-44%</b>	<b>101%</b>	<b>6.6%</b>			
NOI %	25.3%	18.1%	25.4%	24.9%			
<b>Multiple of NOI Change to RevPAR Change:</b>		<b>2.1 X</b>	<b>2.2 X</b>	<b>0.9 X</b>			

# U.S. Limited-Service Hotel Operating Leverage Analysis

Limited-Service Hotels	2007	2009	2014	2017	CAGR '07-'09	CAGR '09-'14	CAGR '14-'17
<b>Occupancy</b>	69.2%	63.3%	74.2%	75.5%	-2%	3%	1%
<b>Avg. No. Rooms</b>	117	113	116	118			
<b>Average Rate</b>	\$94.94	\$85.26	\$102.45	\$118.62	-2%	4%	5%
<b>RevPAR</b>	\$65.70	\$53.97	\$76.01	\$89.56	<b>-4%</b>	<b>7%</b>	<b>6%</b>
<b>% Change</b>		<b>-18%</b>	<b>41%</b>	<b>18%</b>			
Revenue PAR	\$24,349	\$20,128	28,516	33,636	-4%	7%	6%
Expenses PAR	\$14,606	\$13,583	17,710	21,390	-1%	5%	6%
NOI PAR	\$9,743	\$6,545	10,806	12,246	<b>-8%</b>	<b>11%</b>	<b>4%</b>
<b>% Change</b>		<b>-33%</b>	<b>65%</b>	<b>13%</b>			
NOI %	40.0%	32.5%	37.9%	36.4%			
<b>Multiple of NOI Change to RevPAR Change:</b>		<b>1.8 X</b>	<b>1.6 X</b>	<b>0.7 X</b>			

Source: HVS, STR

# Summary and Outlook

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- Transaction market active and balanced, particularly in the mid-market segment
- Volume expected to rise throughout the year
- Cap rates steady, while equity yields and discount rates trend down
- Inflationary RevPAR growth at best
- Rising operating expenses putting pressure on NOI
- Stable cap rates and modest NOI gains or declines
- Stable to modestly rising/declining values
- No change in these fundamentals expected to change over the near term

# Summary and Outlook

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- Timing of hotel asset acquisition one of most significant factors in generating strong returns
- Modest downturn anticipated at some point (2021? Post Election?), but no significant value reset anticipated
- Short and shallow downturn a positive for hotel owners, but lessens the opportunity to buy at a significant discount and generate high returns
- Despite these challenges both debt and equity capital continue to be attracted to hotel investments given their yield premium relative to other real estate