



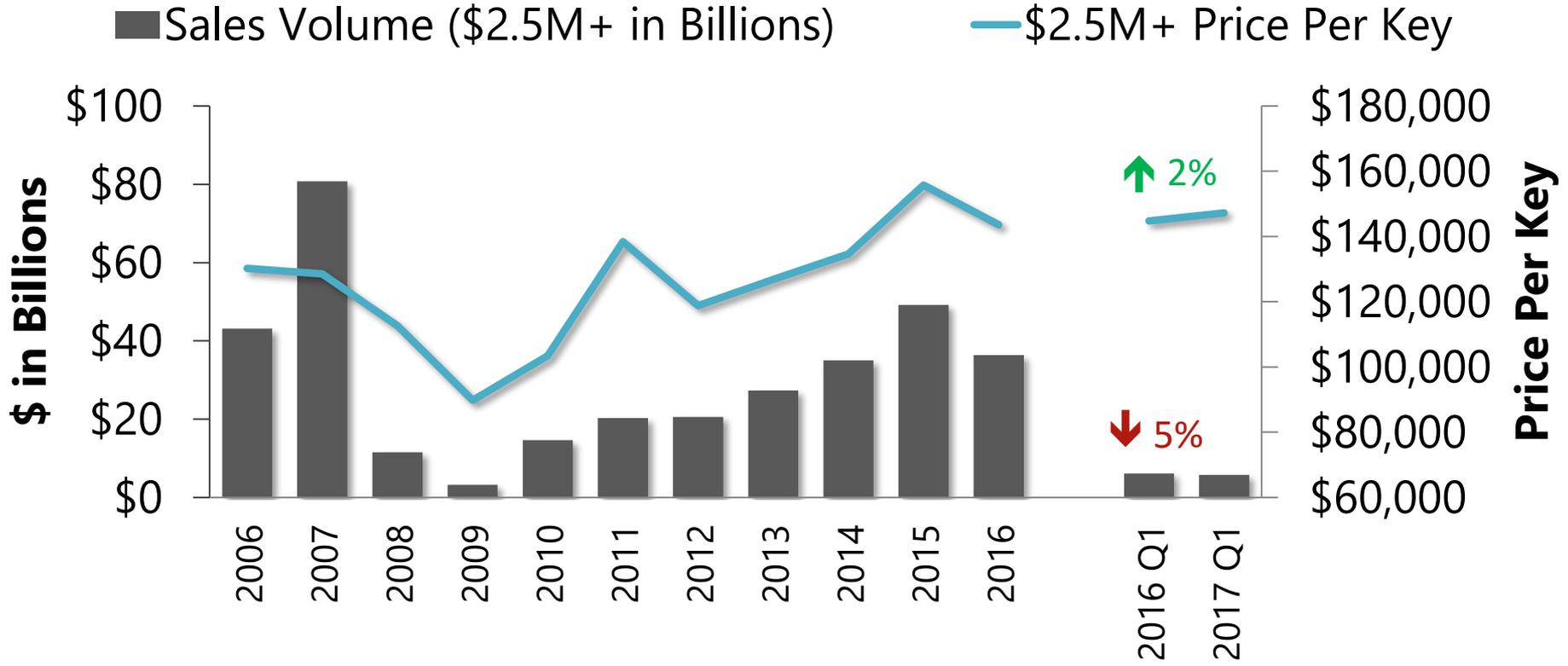
Hotels Values & Cap Rates

Suzanne Mellen, MAI, CRE, FRICS, ISHC | Practice Leader

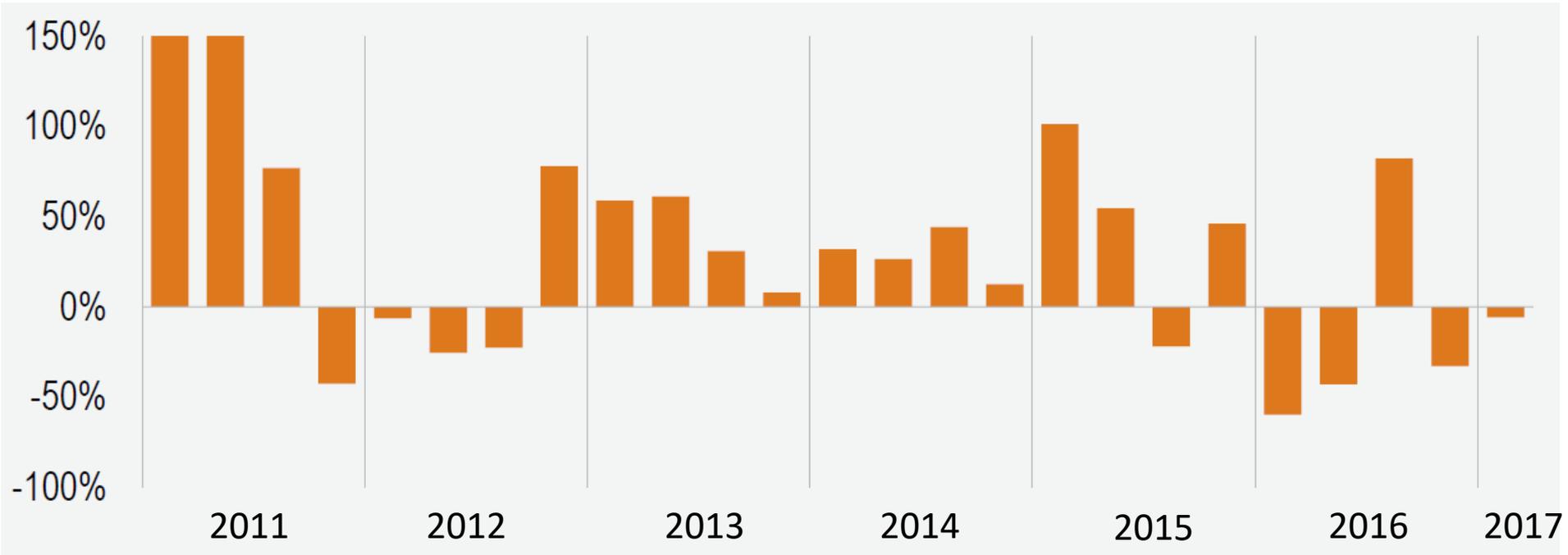
UNCERTAINTY



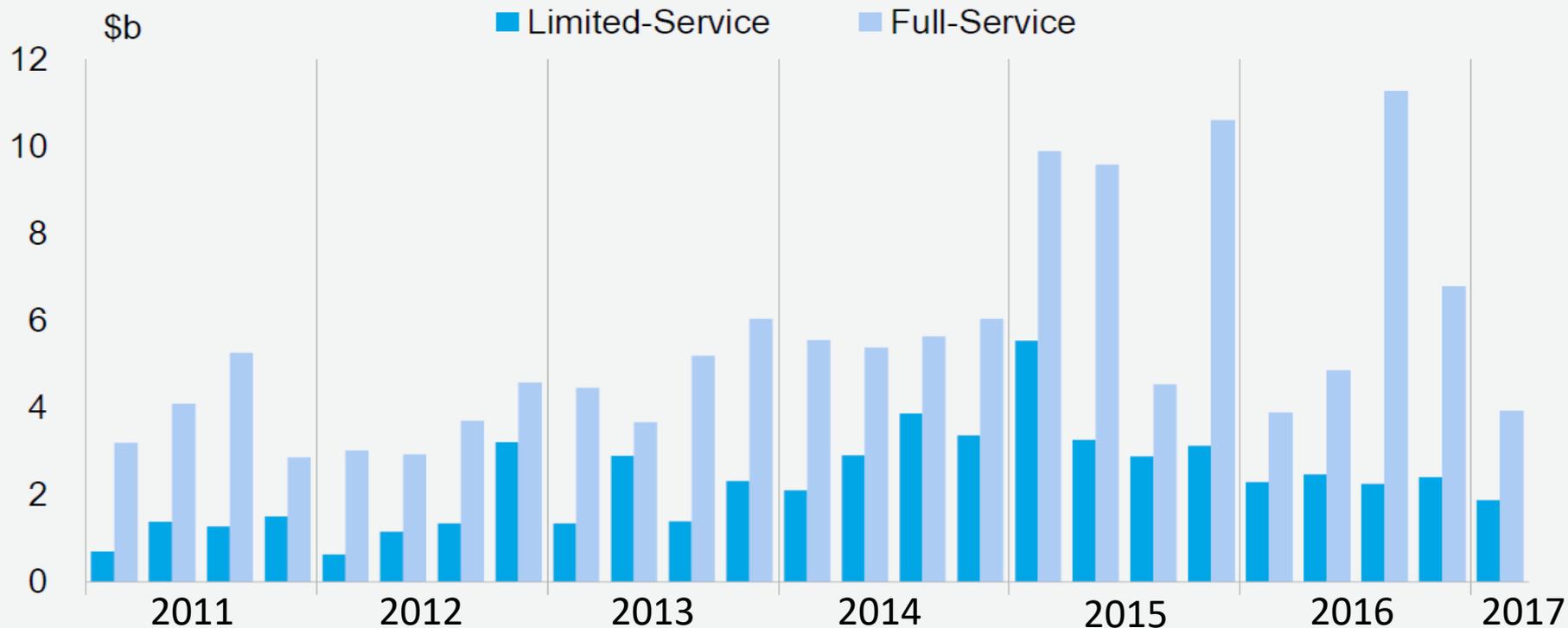
Historical Sales (Total Sales \$2.5M+)



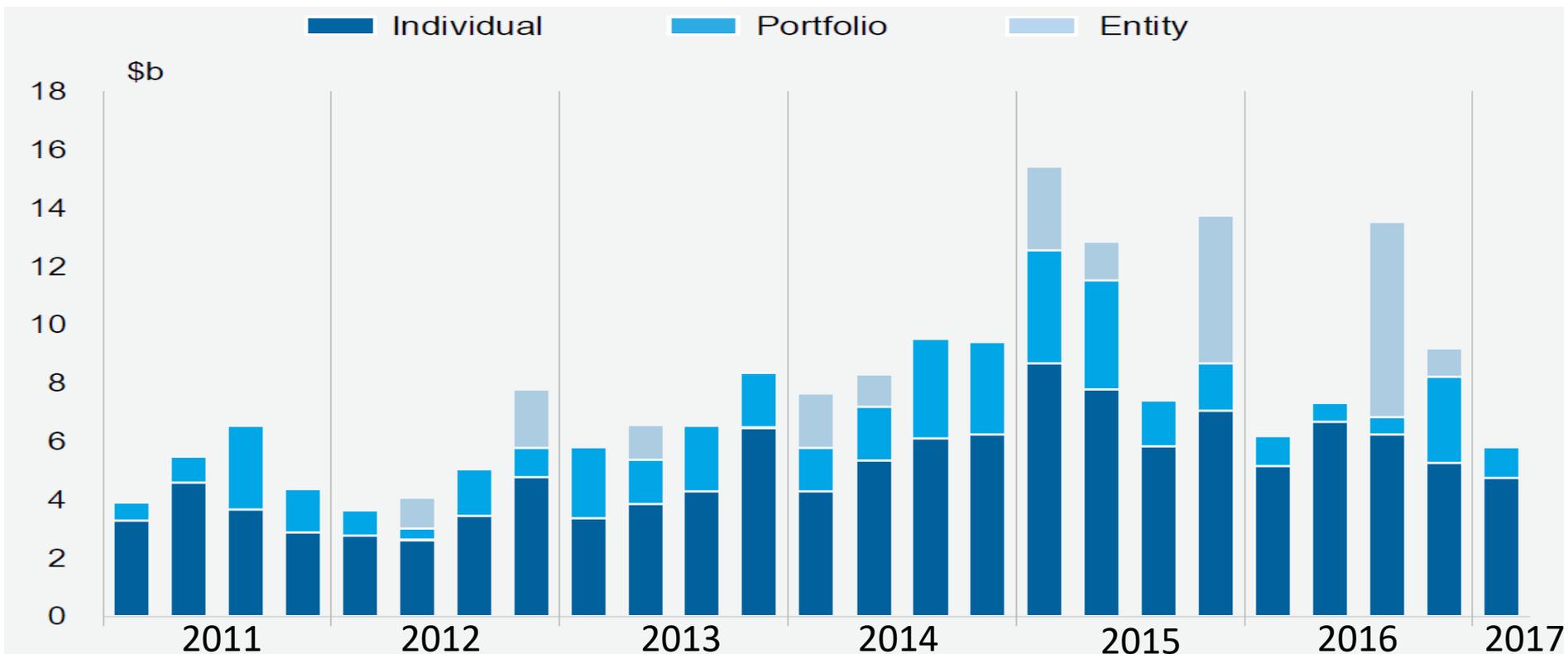
Year-over-Year Transaction Volume Change



Total Hotel Quarterly Transaction Volume



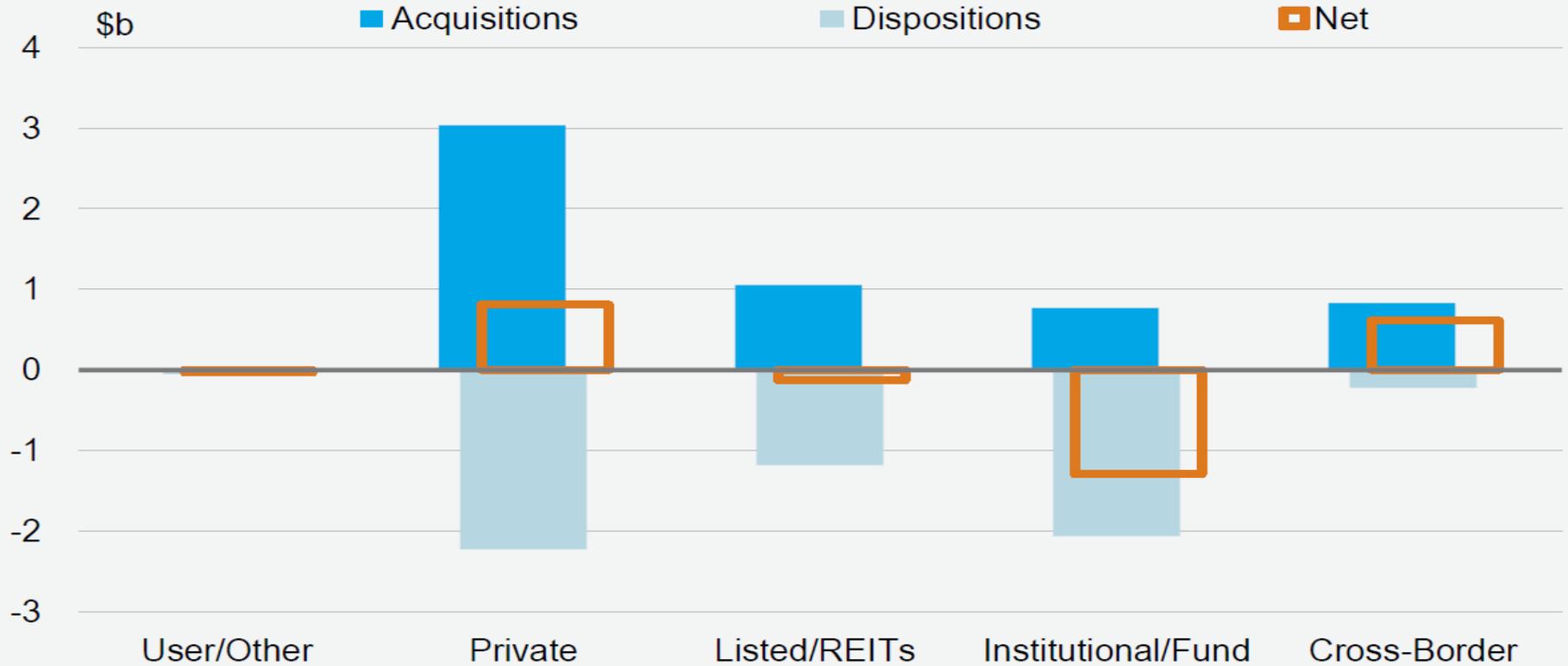
Total Hotel Quarterly Transaction Volume



Q1 2017 Quarterly Volume Breakdown

	Volume (\$ Billions)	YOY
Hotel Total	5.8	-6%
Full-Service	3.9	1%
Limited-Service	1.9	-18%
Single Asset Portfolio	4.8	-8%
Major Metros	1.1	3%
Secondary Markets	1.8	-10%
Tertiary Markets	2.3	-22%
	1.7	39%

Net Investment Q1 2017



Most Active Markets

Metro Area	2015		2016		2017 (YTD)	
	Vol (\$)	# Props	Vol (\$)	# Props	Vol (\$)	# Props
NYC Metro	\$8,034,510,135	75	\$5,927,717,497	90	\$129,460,000	5
SF Metro	\$3,577,877,103	63	\$3,590,355,396	44	\$481,554,997	13
LA Metro	\$3,733,978,209	102	\$2,314,254,297	78	\$770,031,234	27
Miami/So Fla	\$2,561,661,699	72	\$1,804,867,438	45	\$84,700,000	4
Chicago	\$1,918,151,675	55	\$2,012,337,565	43	\$192,434,255	10
DC Metro	\$1,253,381,841	44	\$1,668,426,922	46	\$373,347,500	9
Honolulu	\$181,980,000	5	\$1,152,701,169	6	\$565,000,000	2
Boston Metro	\$1,428,216,414	56	\$1,199,686,195	35	\$73,200,000	3
Orlando	\$2,282,060,216	47	\$499,228,565	31	\$61,525,000	5
All Others	\$24,190,898,991	1,869	\$16,168,596,004	1,439	\$3,944,018,564	310

Most Active Markets

Metro Area	2015		2016		2017 (YTD)	
	Vol (\$)	# Props	Vol (\$)	# Props	Vol (\$)	# Props
NYC Metro	\$8,034,510,135	75	\$5,927,717,497	90	\$129,460,000	5
SF Metro	\$3,577,877,103	63	\$3,590,355,396	44	\$481,554,997	13
LA Metro	\$3,733,978,209	102	\$2,314,254,297	78	\$770,031,234	27
Miami/So Fla	\$2,561,661,699	72	\$1,804,867,438	45	\$84,700,000	4
Chicago	\$1,918,151,675	55	\$2,012,337,565	43	\$192,434,255	10
DC Metro	\$1,253,381,841	44	\$1,668,426,922	46	\$373,347,500	9
Honolulu	\$181,980,000	5	\$1,152,701,169	6	\$565,000,000	2
Boston Metro	\$1,428,216,414	56	\$1,199,686,195	35	\$73,200,000	3
Orlando	\$2,282,060,216	47	\$499,228,565	31	\$61,525,000	5
All Others	\$24,190,898,991	1,869	\$16,168,596,004	1,439	\$3,944,018,564	310

Q1 2017 Hottest Urban Market?

Hilton Garden Inn



Mar 2017
222 Rooms

\$89,000,000 or
\$400, 901 PPK

Alexis



Mar 2017
109 Rooms

\$71,625,000 or
\$657,110PPK

Pan Pacifica Hotel



Feb 2017
153 Rooms

\$79,000,000 or
\$516,340 PPK

Most Notable Sales



Westin Maui Resorts
& Spa Ka'anapali

\$317,000,000
\$417,655 PPK



W Hollywood Hotel

\$219,000,000
\$718,033 PPK



Intercontinental
Mark Hopkins

\$173,000,000
\$451,697 PPK

Most Notable Sales



JW Marriott Desert
Springs

\$160,000,000
\$180,995 PPK



Park Hyatt
Beaver Creek

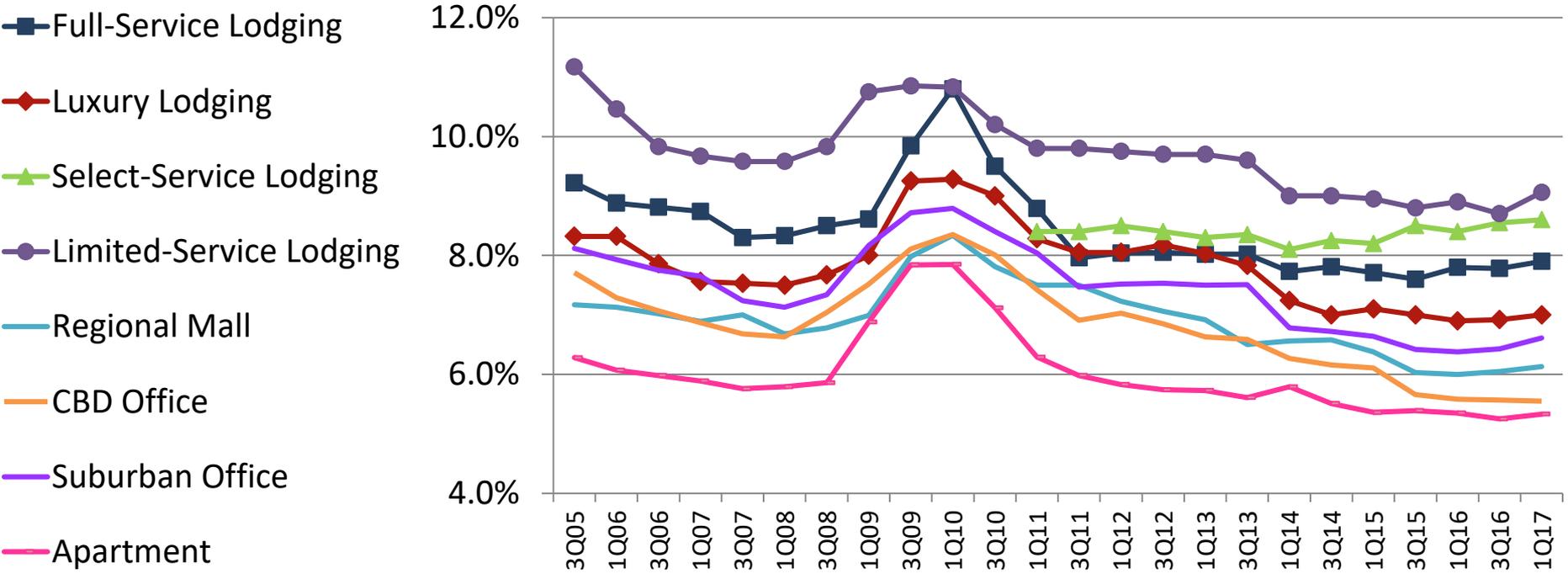
\$145,500,000
\$765,789 PPK

Portfolio Sales Remain Muted

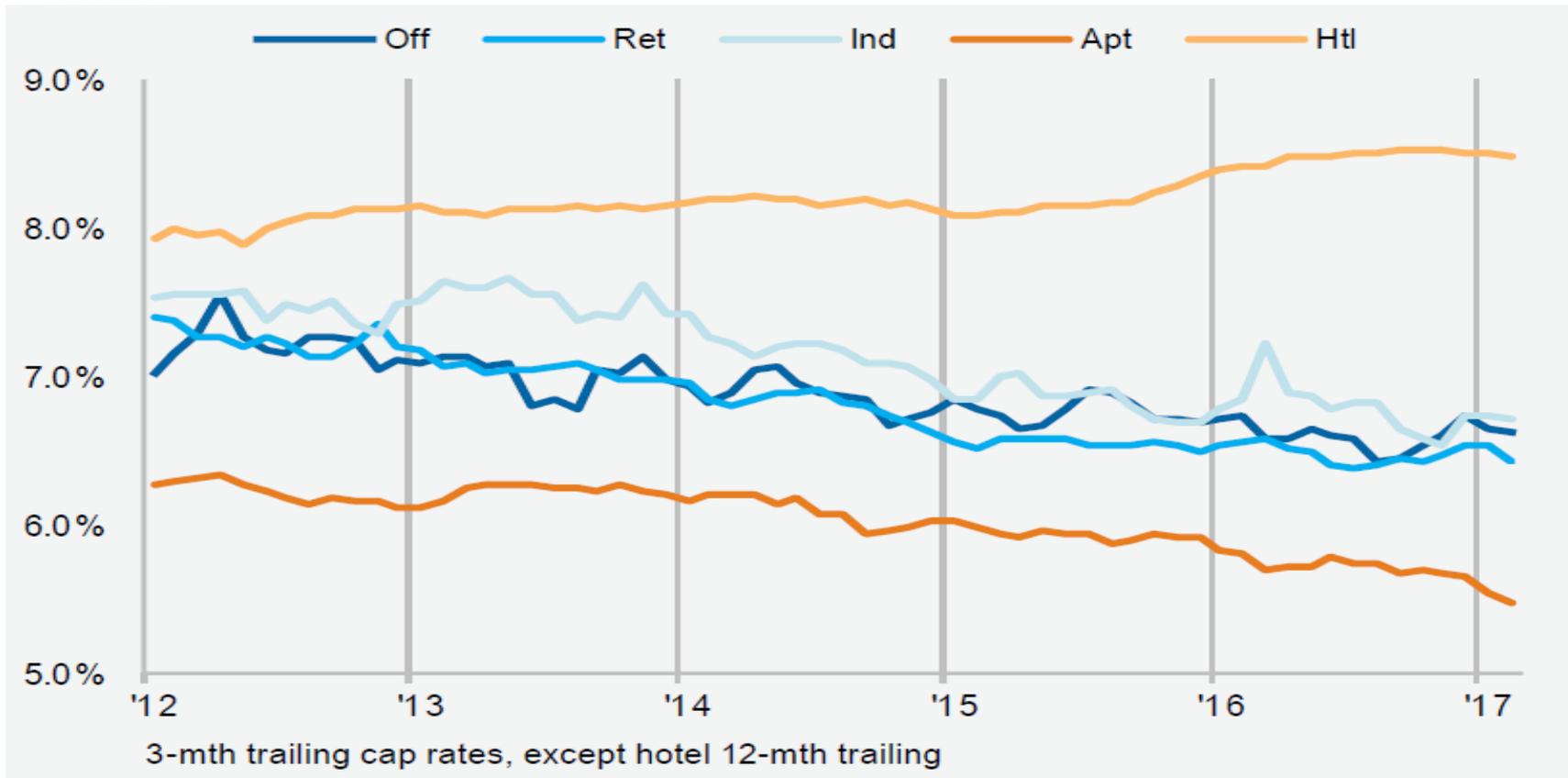
Portfolio Name	Date	No. of Properties	No. of Rooms	Price	Price/Room	EBITDA Multiple ¹	Cap Rate ¹	Buyer	Seller
Cohen Realty Portfolio	Mar-17	3	326	\$54,750,000	\$167,945	11.1	8.6 %	Condor Hospitality Trust Inc.	Cohen Realty Investment, Inc.
Watermark Portfolio	Feb-17	3	369	33,000,000	89,431	--	--	Hawkeye Hotels	Carey Watermark Investors I, Inc.
Hersha Portfolio	Jan-17	3	434	130,499,989	300,691	12.4	7.8	Shidler Group	Hersha Hospitality Trust
Blackstone Portfolio	Jan-17	3	782	124,000,000	158,568	12.0	8.0	American Hotel Income Properties REIT	The Blackstone Group LP
Noble Investment Portfolio	Jan-17	6	754	80,250,000	106,432	9.6	10.0	Phoenix American Hospitality	Noble Investment Group

¹ EBITDA multiples based on EBITDA before a deduction for replacement reserves. Capitalization rates based on NOI, which is equivalent to EBITDA after a deduction for replacement reserves. Therefore, the EBITDA multiples are not the inverse of the capitalization rates. NOI was adjusted to EBITDA using an assumed replacement reserve of 4%.

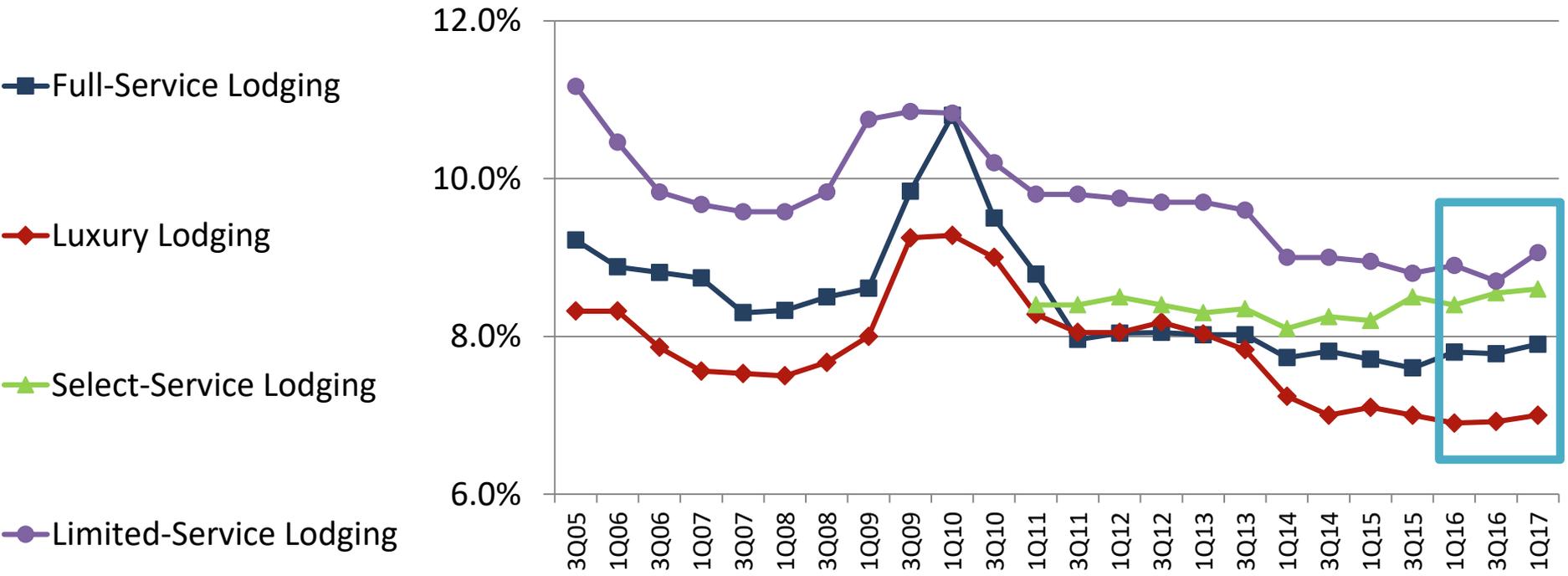
PWC RE Investor Survey Cap Rate Trend Data



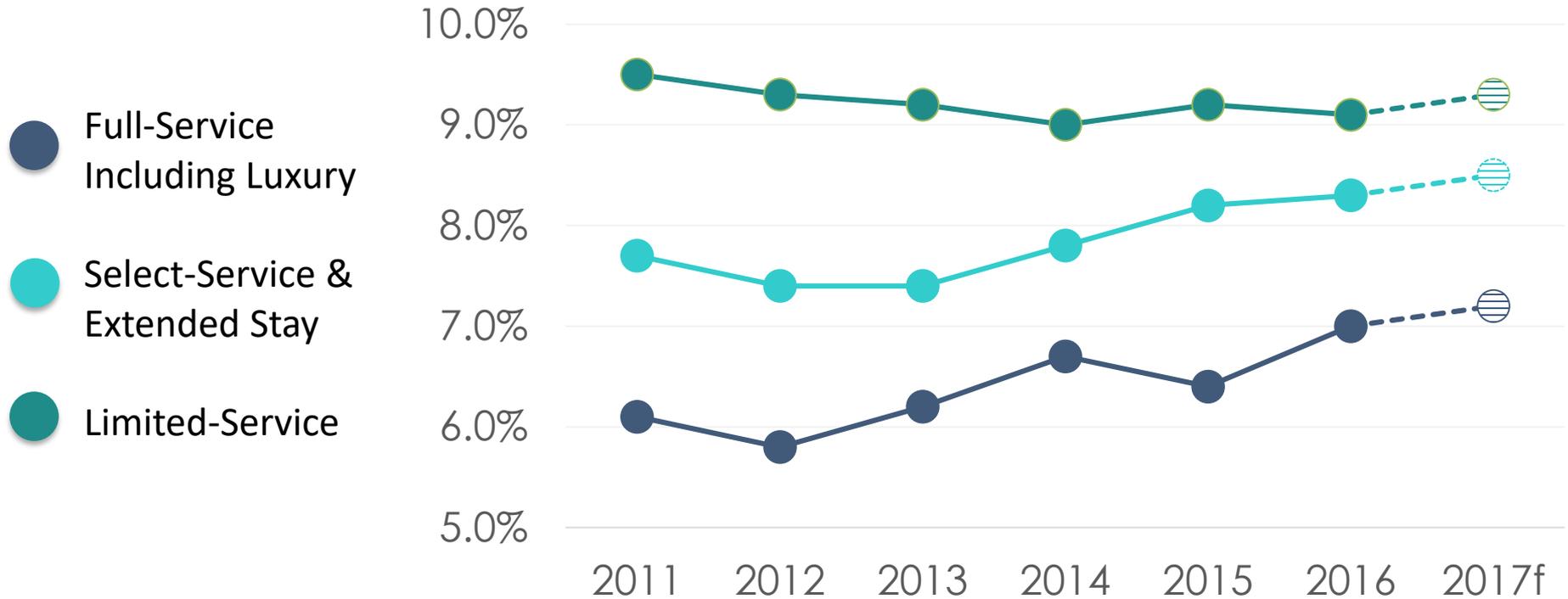
Cap Rates Trends – Sales Transactions



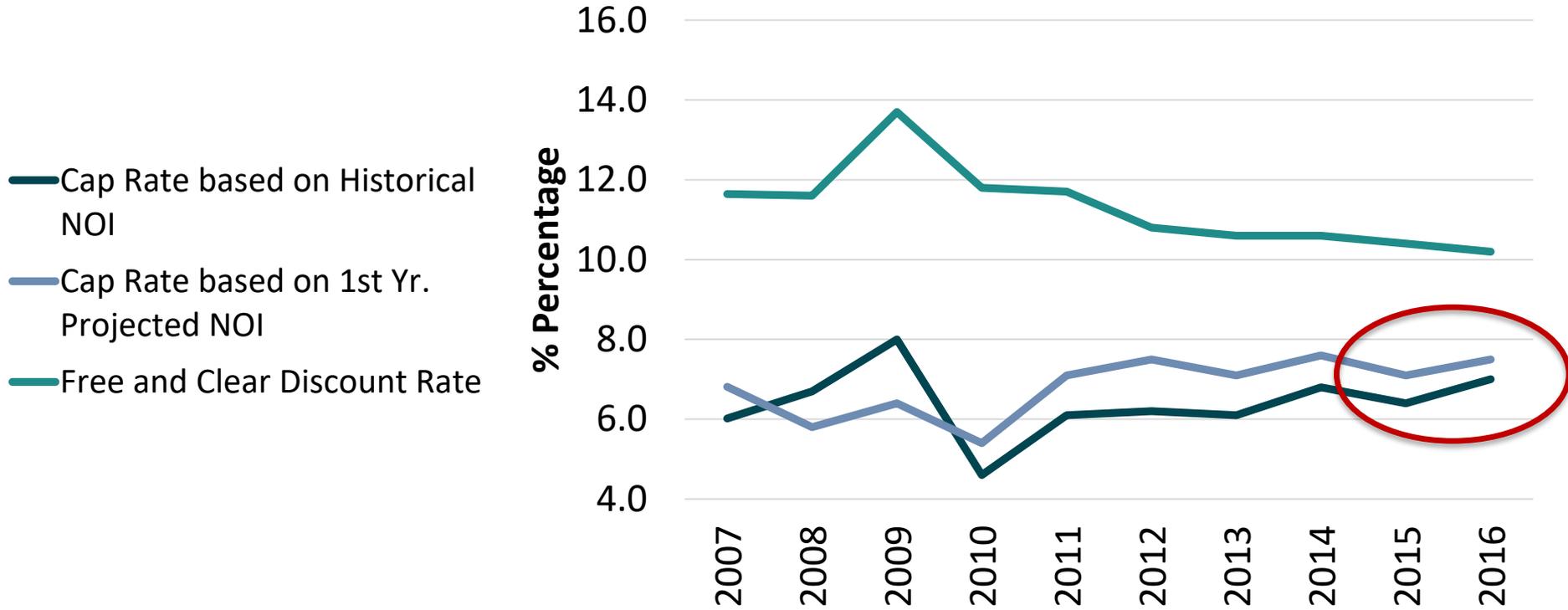
PWC RE Investor Survey Cap Rate Trend Data



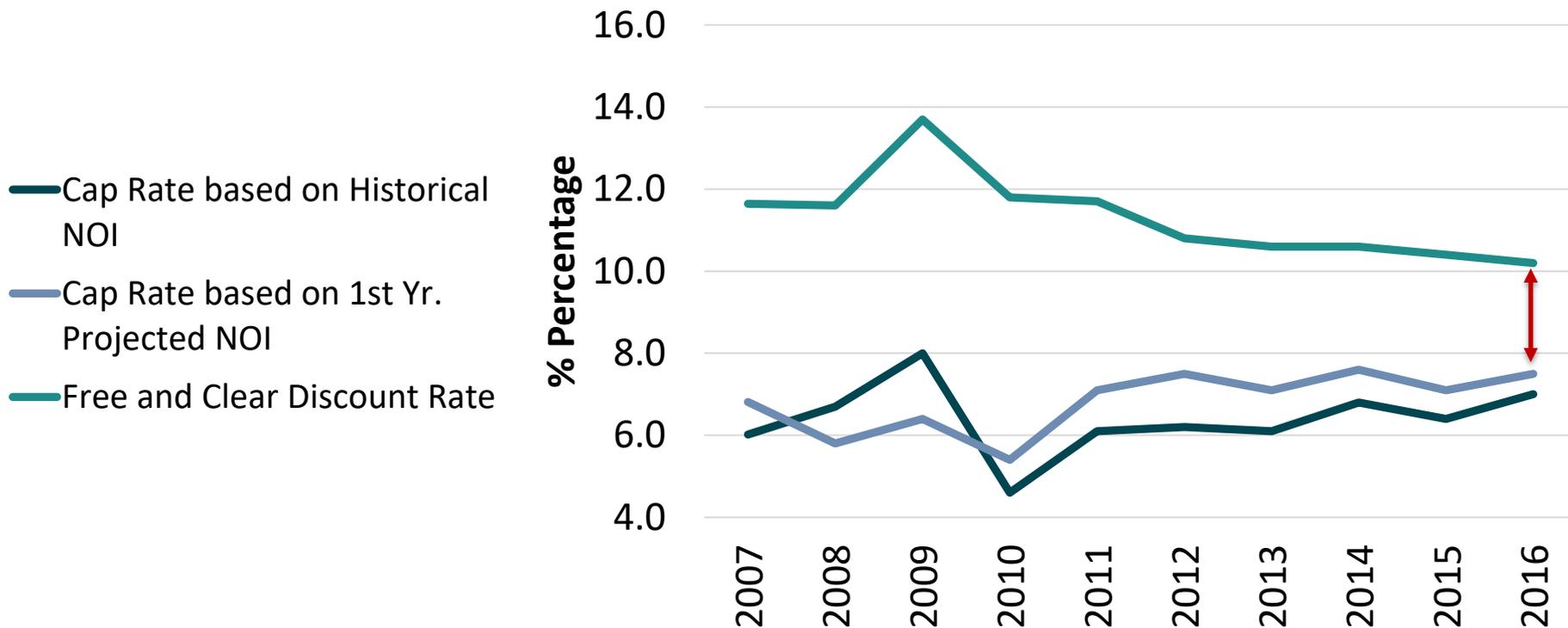
Sale Derived Cap Rates and 2017 Projection



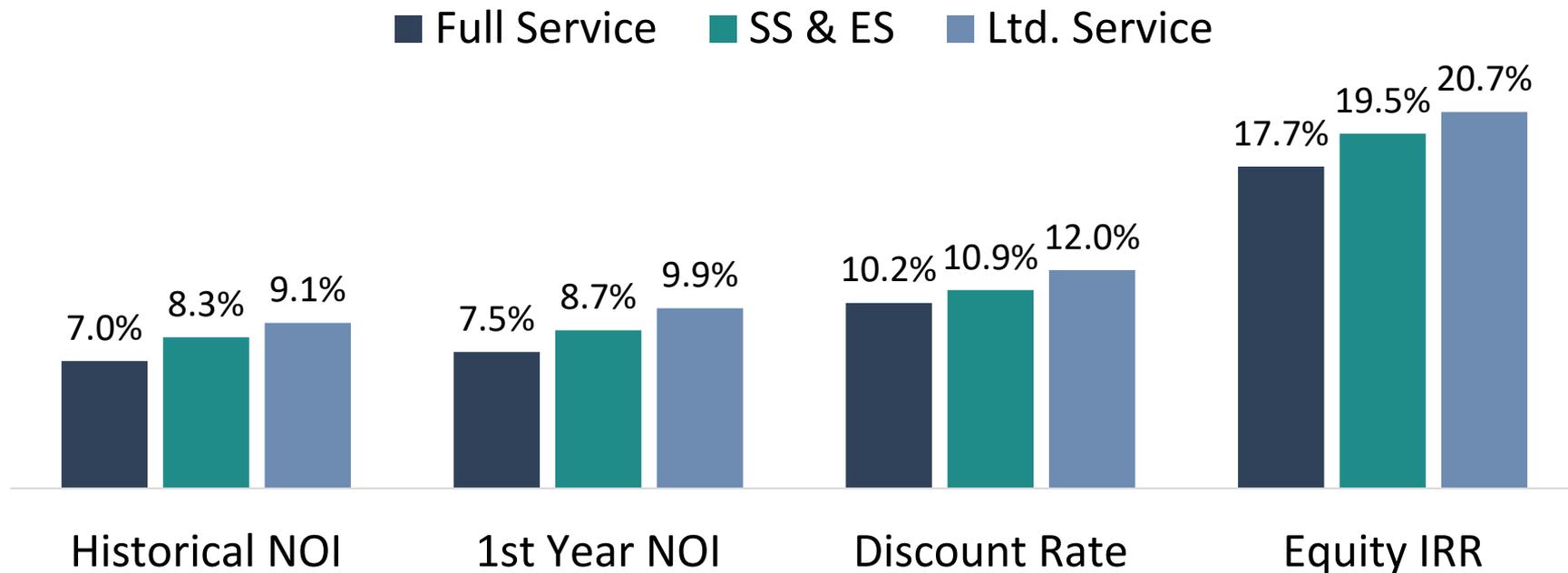
Going-In Cap Rate Spread Tightening



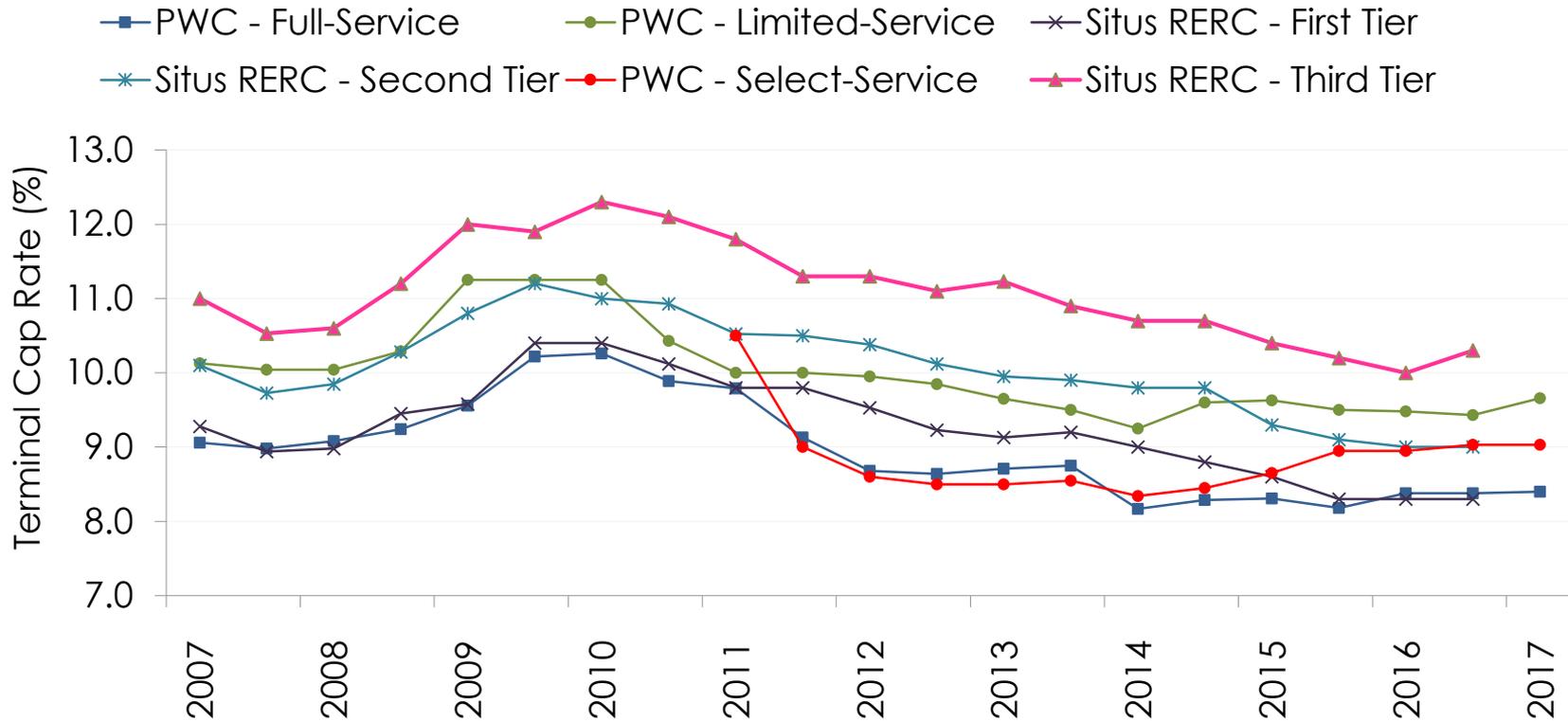
Discount Rate and Cap Rate Spread Declining



Cap Rates Derived from Sales of Hotels in 2016*

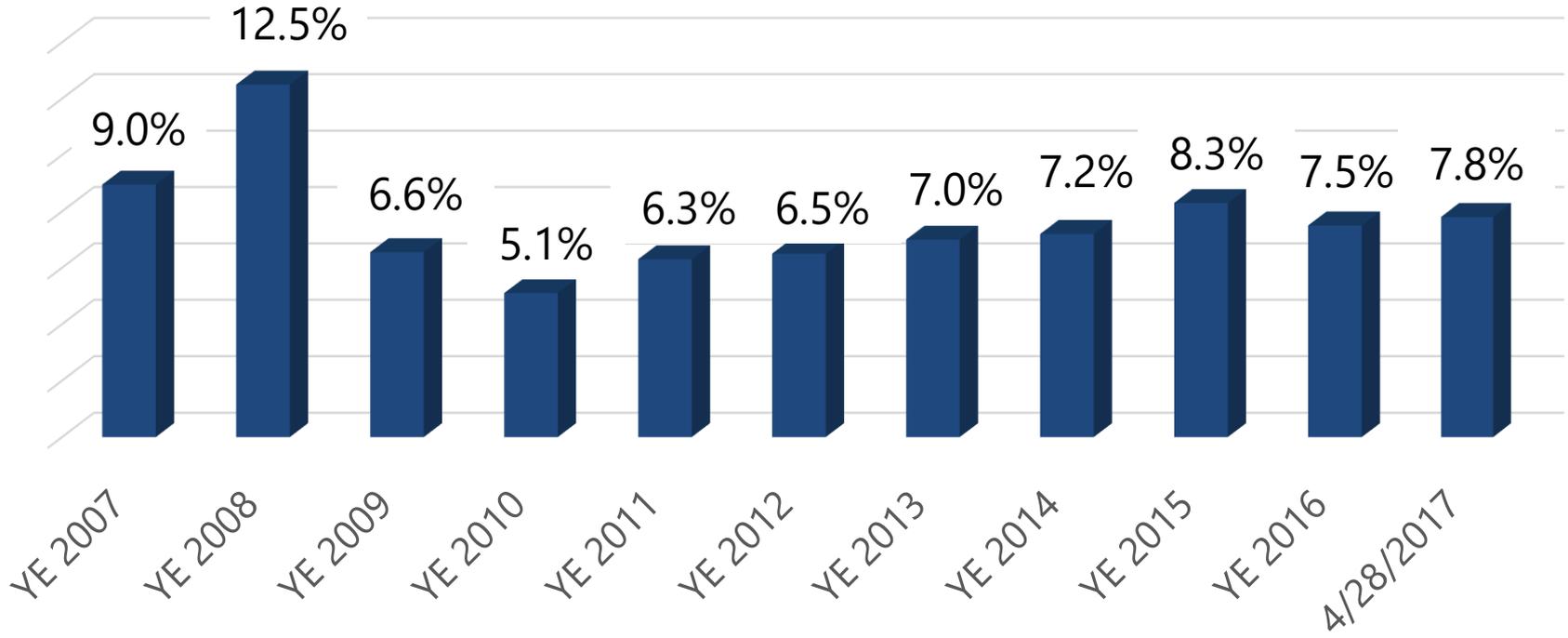


Terminal Cap Rates Rise Modestly



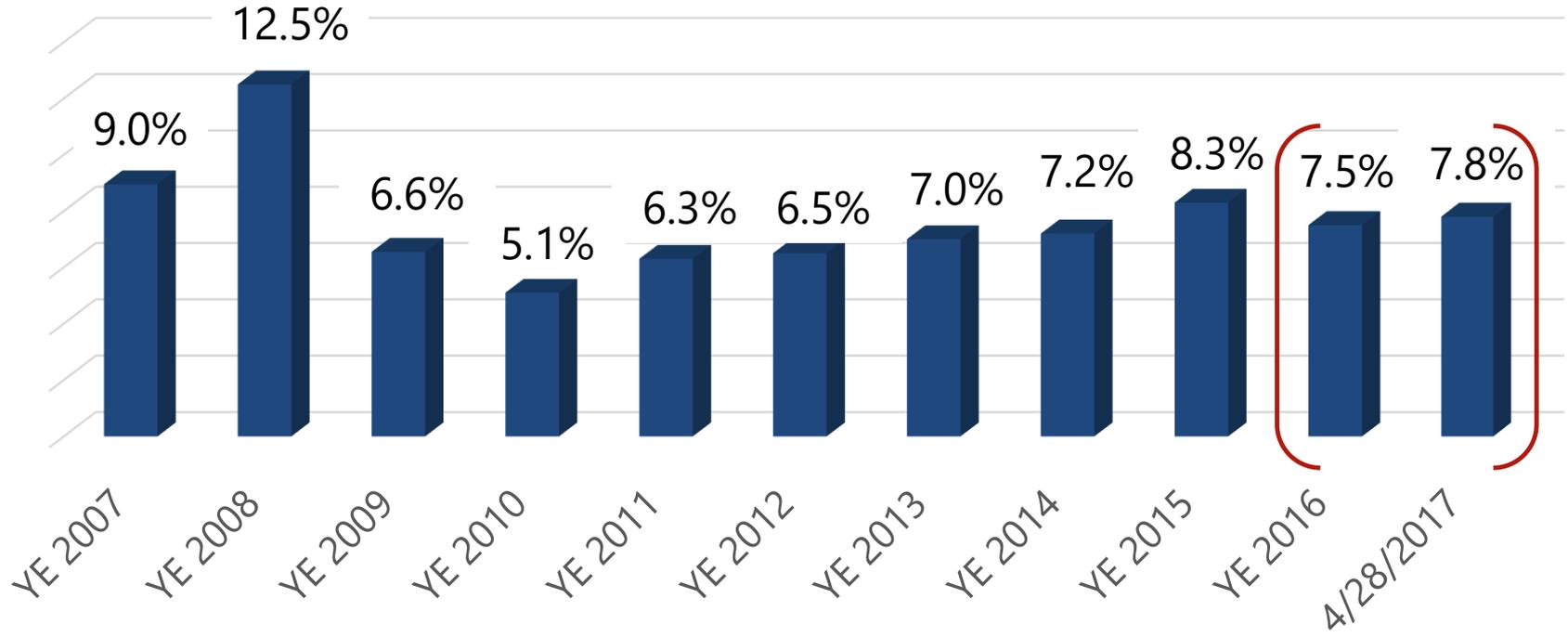
REITS – Cap Rates Rise Modestly

Implied REIT Cap Rates



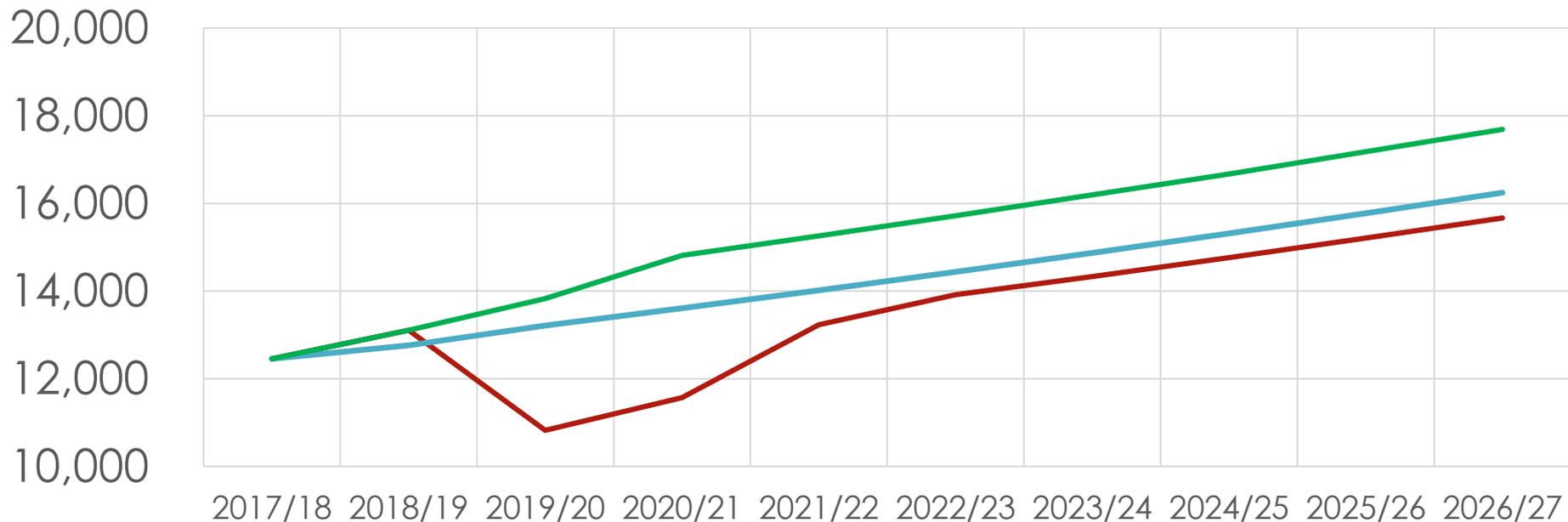
REITS – Cap Rates Rise Modestly

Implied REIT Cap Rates



NOI Per Room: Upside, Baseline, Downside Scenarios

—Downside —Stable —Upside



NOI Per Room: Upside, Baseline, Downside Scenarios

	Downside	Baseline	Upside
Value Per Room	\$143,000	\$150,000	\$161,000
TTM Cap Rate	8.5%	8.0%	7.5%
1st Year Cap Rate	8.7%	8.3%	7.7%
Discount Rate	10.5%	10.5%	10.6%
Terminal Cap	9.0%	9.0%	9.0%
Terminal Value/Rm.	179,000	186,000	202,439
Ten-Year Value Change	25%	24%	26%
	Baseline to Downside		19%
	Baseline to Upside		35%

Equity IRR: Upside, Baseline, Downside Scenarios

Loan/Value	65%
Amortization	30
Term	10
Interest Rate	5.00%
Terminal Cap Rate	9.00%
Transaction Costs	3.0%
Underwritten Equity IRR	18.0%
Equity IRR with Upside Performance	20.1%
Equity IRR with Downside Performance	16.4%

Where are we?

Upside Factor

Higher GDP Growth

Higher Inflation

Tax Laws Favoring
Real Estate

Looser Lending
Standards

Reduced
Regulation

Downside Factor

Late in Cycle – Risk
of Recession

Labor – Shortage &
Increased Cost

New Supply

Industry Disruptors

Socio/geopolitical
Risks



Suzanne Mellen, MAI, CRE, FRICS, ISHC

Practice Leader

smellen@hvs.com | (415) 268-0351

Any Questions?

Superior results through unrivalled hospitality intelligence. *Everywhere*