

PANEL 7B

Innovation in Finance, Ownership & Operation:
ENHANCING THE BOTTOM LINE

Panelists



Bill Linehan
EVP & Chief Marketing Officer
RLHC



Derrick LaRosa
Director, Real Estate
Bridgestreet Global Hospitality



Larry Broughton
President & CEO
broughtonHOTELS



Chris McGill
Director, Resort Sales & Service
Interval International



Jonathan Falik
CEO
JF Capital Advisors



Geoffrey Toffetti
President & CMO
Frontline Performance Group

Agenda

Fed & Interest Rates

Marriot and Starwood Deal

Soft Brands

Serviced Apartments & Mixed Use

Loyalty Programs

Fed set to keep rates unchanged, may nod to ebbing risks

“The U.S. Federal Reserve is expected to keep interest rates unchanged...

“The Fed has held its overnight lending rate for banks at a target range of between 0.25 and 0.50 percent since it lifted the benchmark interest rate for the first time in a decade from near zero last December.”

(Reuters)

Are investors skiddish about Marriott/Starwood mashup?

"After the deal is done, ownership of the combined company will be split roughly 60-40 between Marriott shareholders and Starwood shareholders, respectively."

(Fortune)



Financing Soft Brands

LIFE·STYLE BRANDS: [*lahyf-stahyl*] [*brands*] *N.*

Prescribed franchised products that are adapted to reflect current trends.

BOU·TIQUE HO·TELS: [*boo-teeek*] [*hoh-tel*] *N.*

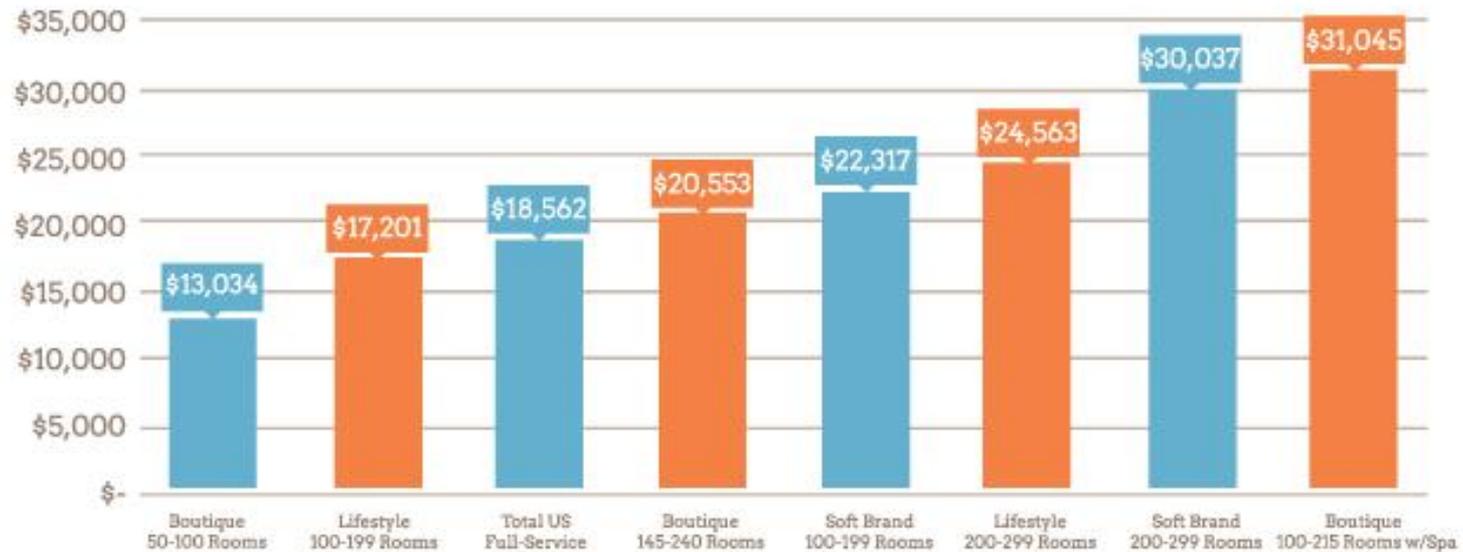
Unique in style, design-centric, either independent or affiliated with smaller brand systems.

SOFT BRANDS: [*sawft*] [*brands*] *N.*

Individualized hotels that give owners and operators the opportunity to affiliate with a major chain distribution while retaining their unique design, name and orientation.

Financing Soft Brands

HOTELS: NET OPERATING INCOME PER AVAILABLE ROOM



Sources: STR and THG

Financing Soft Brands

· SEGMENT CHARACTERISTICS ·		
BOUTIQUE HOTELS	LIFESTYLE HOTELS	SOFT BRAND COLLECTIONS
<ul style="list-style-type: none"> ▶ Independent or part of small brands ▶ 40 to 300 guest rooms ▶ Design-centric ▶ Less than 10,000 square feet of meeting space ▶ Restaurant and lounge on site or a selection of proximate interesting local dining and entertainment alternatives ▶ Generally upscale to luxury 	<ul style="list-style-type: none"> ▶ Nationally franchised ▶ Prescriptive ▶ Design-centric ▶ Planned for travelers who are interested in boutique lodging ▶ With a lounge and, at least, light food on site ▶ Generally upper midscale to luxury 	<ul style="list-style-type: none"> ▶ Affiliated with a major national franchise distribution system ▶ Signature hotels, individually named and branded ▶ Unique in design ▶ Generally with restaurant and lounge ▶ Generally upscale to luxury

Sources: THG

INNOVATION IN FINANCE, OWNERSHIP & OPERATION: ENHANCING THE BOTTOM LINE

A SHIFTING MINDSET:

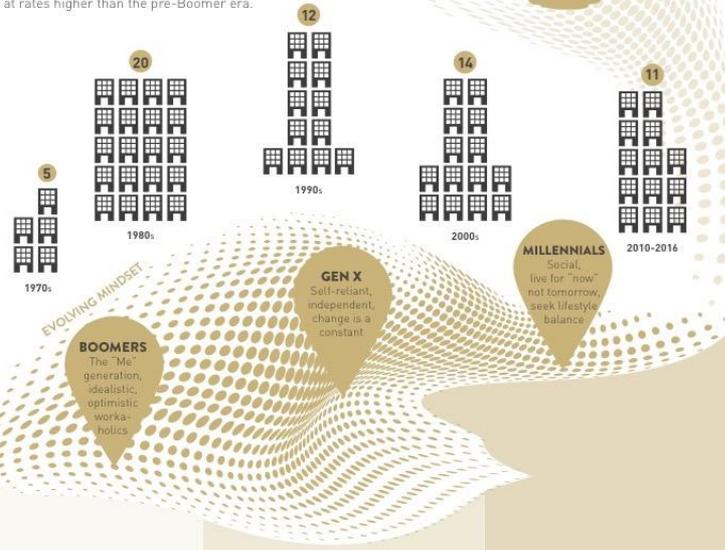
THE NEW EXPECTATIONS OF MODERN TRAVELERS

In recent years, hotel guests' expectations have shifted. As generations begin travelling, their preferences become more defined and they want more options. This modern mindset seeks out convenience, innovation and personalization.

These new expectations are challenging the hospitality industry to rethink the entire guest journey, including pre-stay and post-stay, amenities, services and experiences.

NEW HOTEL BRANDS LAUNCHED BY DECADE

The industry saw its biggest expansion when Baby Boomers began traveling, rolling out a large portion of its inventory in the '80s. Though never reaching the heights of the '80s, the market has continued to expand at rates higher than the pre-Boomer era.



BOOMERS
The 'Me' generation, idealistic, optimistic workaholics

GEN X
Self-reliant, independent, change is a constant

MILLENNIALS
Social, live for "now" not tomorrow, seek lifestyle balance

AS THE MINDSET CONTINUES TO EVOLVE, SO DOES THE GUEST EXPERIENCE

PRE-STAY — BOOKING

<ul style="list-style-type: none"> - Travel agents - GDS 	<ul style="list-style-type: none"> - Online travel agencies - Proprietary booking engines, brand.com 	<ul style="list-style-type: none"> - Optimized brand.com - Focus on content strategy and story-telling - Mobile booking
----------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------

<ul style="list-style-type: none"> - Travel agent provides recommendations - AAA and Fodor's travel guides 	<ul style="list-style-type: none"> - Generic welcome/ thank you emails. 	<ul style="list-style-type: none"> - Tailored CRM program, personalized communications
------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------

ARRIVAL & CHECK-IN <ul style="list-style-type: none"> - Large front desks and room keys 	<ul style="list-style-type: none"> - Pods replace front desks - Experiment with kiosks 	<ul style="list-style-type: none"> - No front desk - Keyless room access
-------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------

LOBBY <ul style="list-style-type: none"> - Generic coffee machines in lobby - Concierge - Foyer with flowers 	<ul style="list-style-type: none"> - High-energy décor - Lounge vibe - Business center with computers and printers 	<ul style="list-style-type: none"> - Minimal décor - Interactive digital signage with local recommendations - Free flowing, open spaces with Wi-Fi throughout
------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

STAY

ROOM/REST <ul style="list-style-type: none"> - Dark comforters, TVs hidden in large armories, poor-quality toiletries 	<ul style="list-style-type: none"> - Work stations with ergonomic chair + desk, paid Internet, flat screen TVs 	<ul style="list-style-type: none"> - Smart TVs, USB ports, no desks, upgraded toiletries worth taking home
---------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------

FITNESS <ul style="list-style-type: none"> - Large-scale gyms 	<ul style="list-style-type: none"> - Small workout rooms 	<ul style="list-style-type: none"> - Fitness not confined to one room, scheduled group exercises, tailored to individual preferences
-------------------------------------------------------------------------------------	-------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------

F&B <ul style="list-style-type: none"> - Room service considered luxury 	<ul style="list-style-type: none"> - Options focused on convenience 	<ul style="list-style-type: none"> - Grab and go options - Room service no longer necessary
---------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------

POST-STAY

LOYALTY PROGRAMS <ul style="list-style-type: none"> - First hotel loyalty program launches in 1983 	<ul style="list-style-type: none"> - Loyalty programs become ubiquitous with memberships outnumbering the world population 	<ul style="list-style-type: none"> - Points-based programs become recognition-based with personalized rewards
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------

GUEST REVIEWS <ul style="list-style-type: none"> - Guest surveys, word of mouth between social groups, family and friends 	<ul style="list-style-type: none"> - TripAdvisor and online review sites 	<ul style="list-style-type: none"> - Social platforms prevail - Guest reviews and rating directly impacting RevPar growth
-------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------

WHAT DOES THIS MEAN?

Obstacle-adverse and tech-friendly, today's guests expect seamless stays from booking to checkout. Brands, both new and established, continue to evolve to meet shifting mindsets and consumer preferences.

Serviced Apartments

In recent years, the serviced apartment sub-sector of the hospitality industry has grown faster than any other class of temporary accommodation

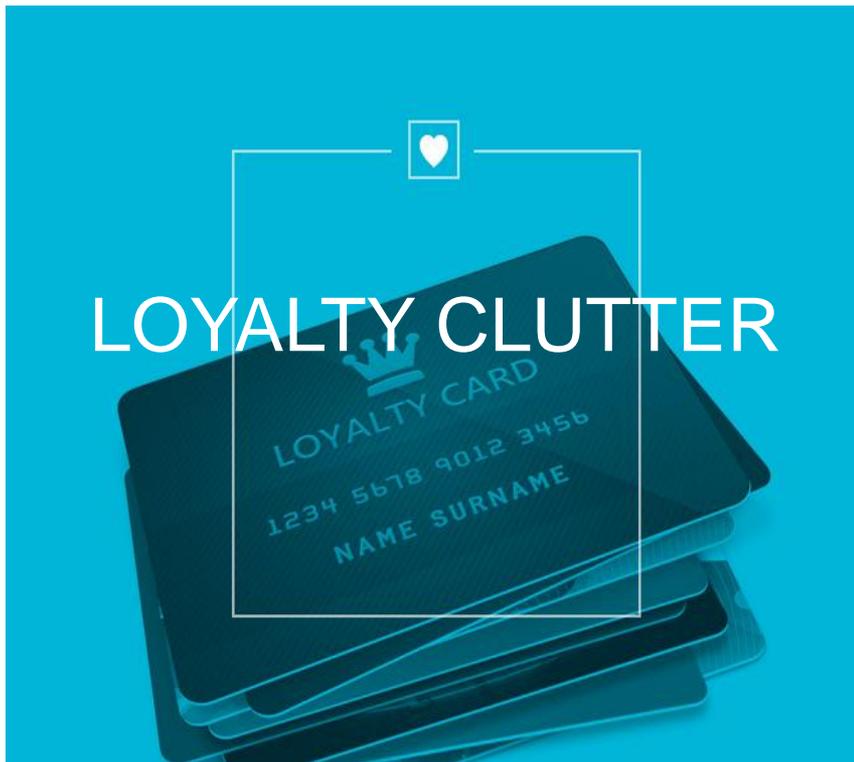


Is shared ownership the new mixed use and is it a long term feasible model?

In the business of vacation ownership or shared ownership, the term “mixed use property” means a resort that is part timeshare condos or timeshare units and part hotel. While once this was a rarity in vacation ownership timeshare resorts, for many developers, especially the branded hospitality providers, this has become a more typical way to develop a property. But mixed use properties can go far beyond the idea of hotel and timeshare resort combination.



What's Next in Loyalty Programs



3 Billion loyalty members in US
319 Million in US = 29 loyalty programs per HH