COVID – 19: Shocking Unprecedented Downturn

Peak -> Free Fall -> Bottom -> Stay Alive Until 2025

May 20, 2020
### U.S. Lodging Industry 2020

#### Ten Year Increase of Rooms Revenue Metrics & Record 2019

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<thead>
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<td>▼ 1.5%</td>
<td>▼ 3.6%</td>
<td>▼ 1.7%</td>
<td>▼ 0.1%</td>
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<td>ADR</td>
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<td>▼ 4.2%</td>
<td>▼ 3.9%</td>
<td>▼ 4.6%</td>
<td>▼ 4.4%</td>
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<tr>
<td>RevPAR</td>
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<td>▼ 5.4%</td>
<td>▼ 8.3%</td>
<td>▼ 6.3%</td>
<td>▼ 3.2%</td>
<td>▼ 3.0%</td>
<td>▼ 2.9%</td>
<td>▼ 0.9%</td>
</tr>
</tbody>
</table>

#### 2019 U.S. Hotel Profits At All-time High

![U.S. Lodging Industry Revenues and Profits](Image)
U.S. Lodging Industry 2020

Coronavirus has spread to all 50 states in the U.S.

> 1.5 million cases and > 92,000 deaths confirmed in the nation (as of 05/2020)
U.S. Lodging Industry 2020

Been There, Done That, Doing It Again

STATISTICS: THE GREAT RECESSION IN NUMBERS

The national unemployment rate went from 5% in December, 2007 to 10% in October, 2009. 326,392 households went under in 2009. 50% of stocks that looked promising in 2007 declined to a low of under 57.8% for the first time in 100 years.
U.S. Lodging Industry 2020

Stay Alive Until ‘25

Investment Cycle – COVID-19 Version

March 2021 and Beyond
THE NEW NORMAL
- Viral treatments improving / vaccine timeline more clear
- Business activity reflects the new normal
- Growing efficiency in capital markets
- Normalized investment sale market
- Distressed debt market is active
- Strategic and portfolio sale activity begins to re-occur

November 2020 to February 2021
SURVIVE THE WINTER
- Potential for virus resurgence
- Seasonality challenges for travel
- Growing pressure on owners
- Increased investment sales
- Increased distressed debt
- Active rescue capital market
- Debt markets begin to normalize
- Increased M&A Activity

March 2020 to July 2020
“KICKING THE CAN”
- 90-120 day forbearance
- Heavy focus on asset management initiatives
- Whole loan sales focused on performing loans
- Investment sales limited to strategic sales with clear use of proceeds
- Illiquid / choppy debt capital markets

August 2020 to October 2020
“COME TO JESUS”
- Markets begin to re-open
- Valuation metrics become more clear
- Complex loan restructuring begins
- Emergence of rescue capital
- Refinancing market becomes more active
- Investment sales of most distressed assets
- Increasing loan sale activity
U.S. Lodging Industry 2020

U.S. Economy Shrinks at 4.8% Pace, Signaling Start of Recession

By Katia Dmitrieva
April 29, 2020, 8:35 AM EDT  Updated on April 29, 2020, 10:08 AM EDT

Contraction Hits
U.S. gross domestic product plunged 4.8% in the first quarter amid virus

Bloomberg

Source: Bureau of Economic Analysis

 Biggest drop since 2008
U.S. Lodging Industry 2020

Wide and Deep Impact

"The coronavirus has already had a more severe economic impact on the hotel industry than Sept. 11 and the 2008 recession combined."

Chip Rogers, CEO of the American Hotel and Lodging Association

March 17, 2020

Tycoon Running 500 Hotels Says Virus Crisis Is Worst He’s Seen

By Natrisha Chuwitruch
April 24, 2020, 7:00 PM EDT

It’s a depression, not economic recession, Bill Heinecke says

100% of global destinations now have COVID-19 travel restrictions, UNWTO reports

The COVID-19 pandemic has prompted all destinations worldwide to introduce restrictions on travel, research by the World Tourism Organization (UNWTO) has found. This represents the most severe restriction on international travel in history and no country has so far lifted restrictions introduced in response to the crisis.
# U.S. Lodging Industry 2020

## 2020 Compared With Same Period 2019 U.S. Hotel Market RevPAR Percent Change

<table>
<thead>
<tr>
<th></th>
<th>January</th>
<th>February</th>
<th>March 1 - 7</th>
<th>March 8 - 14</th>
<th>March 15 - 21</th>
<th>March 22 - 28</th>
<th>March 29 - Apr 4</th>
<th>April 5 - 11</th>
<th>April 12 - 18</th>
<th>April 19 - 25</th>
<th>April 26 - May 2</th>
<th>May 3 - 9</th>
<th>May 10 - 16</th>
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<td>San Francisco</td>
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<td>-78.4%</td>
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Compiled by LW Hospitality Advisors®; Data Source: STR®
## U.S. Lodging Industry 2020

### 2020 Compared With Same Period 2019 U.S. Hotel Market RevPAR

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<tr>
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<tr>
<td>April 12 - 18</td>
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<td>April 12 - 18</td>
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<tr>
<td>April 19 - 25</td>
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<tr>
<td>April 26 - May 2</td>
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### Miami

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<th>Period</th>
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<td>-85.0%</td>
<td>May 10 - 16</td>
<td>-90.9%</td>
<td>May 10 - 16</td>
</tr>
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Compiled by LW Hospitality Advisors®; Data Source: STR®

Daniel H. Lesser
President & COO

LW Hospitality Advisors®
U.S. Lodging Industry 2020

Astonishing Metrics

Total U.S. Forecast
Key Performance Indicators
2019A – 2020F – 2021F

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019 Actual</th>
<th>2020 Forecast</th>
<th>2021 Forecast</th>
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<tbody>
<tr>
<td>Occupancy*</td>
<td>66.1%</td>
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<td>ADR</td>
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<td>RevPAR*</td>
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<td>$36.84</td>
<td>$54.53</td>
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</table>

*Reflects economic methodology, which assumes no temporary hotel closures.

Total U.S. Forecast – % Change
Key Performance Indicators (% Change vs. Prior Year)
2019A – 2020F – 2021F

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019 Actual</th>
<th>2020 Forecast</th>
<th>2021 Forecast</th>
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<tbody>
<tr>
<td>Supply</td>
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<tr>
<td>RevPAR*</td>
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<td>+48.0%</td>
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</tbody>
</table>

*Reflects economic methodology, which assumes no temporary hotel closures.
The New York Times

No Trading Floor? No Problem. A Financial Firm Quarantines at the Four Seasons.

Shutdown orders in New York and Chicago prompted Citadel Securities to set up a makeshift trading floor at the resort in Palm Beach, Fla.

By Julia Echikson and Patricia Mazzei
April 7, 2020

Interim Uses

Empty hotels ‘keep the lights on’ by converting into coronavirus quarantines, emergency housing for first responders

San Francisco Lawmakers Order Mayor To Lease Hotel Rooms For Homeless

April 9, 2020 2:00 AM ET

Chicago Uses Hotels for Quarantine to Ease Hospital Demand
U.S. Lodging Industry 2020

Liquidity Is Lifeblood To Staying Alive

Hersha Hospitality Trust Provides Additional Update on Portfolio Related to COVID-19

Hilton Draws Down $1.75 Billion Credit Line to Ease Virus Hit

Marriott International, Inc. (MAR)
$1.6 Billion Bond Offering Eases Near-Term Liquidity Constraints

BRIEF-Marriott International Announces New $1.5 Bln 364-Day Revolving Credit Facility Commitment

Park Hotels & Resorts Revamps Credit Facilities

Another Day, Another Hotel Brand Bond Deal; $900 Million of Debt Raised

Chatham Lodging Trust Executes Credit Facility Amendment

Hotels group Accor secures 560 mln euros credit line, sees some signs of recovery
Cash Is KING!

Hotels roll out new initiatives designed to boost reservations and cash flow

Marriott's Gift Cards Are 20% Off Right Now and Require No Commitment to Location or Date (Video)

Marriott Gets $920 Million in Card Deals With AmEx, Chase

Hilton Selling $1 Billion Loyalty Points to American Express
U.S. Lodging Industry 2020

Braced For Rise In Loan Defaults & Delinquencies

As hotels sit empty, loan delinquencies pile up

Trouble at the inn
Missed payments on hotel loans have soared since the economy was largely shut down to slow the spread of the coronavirus

<table>
<thead>
<tr>
<th>Month</th>
<th>% of securitized loans that are overdue or in a grace period</th>
</tr>
</thead>
<tbody>
<tr>
<td>November</td>
<td>5%</td>
</tr>
<tr>
<td>December</td>
<td>10%</td>
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<tr>
<td>January</td>
<td>15%</td>
</tr>
<tr>
<td>February</td>
<td>20%</td>
</tr>
<tr>
<td>March</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td></td>
</tr>
</tbody>
</table>

Source: Trepp (data points are first day of each month)

Coronavirus Puts $11 Billion of Looming CMBS Hotel Loan Maturities at Risk

CoStar Analysis: Los Angeles, San Diego and Orlando Among Markets With Highest Potential for Default

The coronavirus pandemic is threatening about $11 billion of commercial mortgage-backed security loans coming due in the next six months, according to new CoStar analysis. The loans are backed by more than 1,500 U.S. hotels.

Wave of Hotel CMBS Portfolio Deals Begins Crashing Into Special Servicing

Three massive CMBS hotel portfolio loans, covering 186 hotels with a total outstanding balance of about $2 billion, were among the largest to be transferred into special servicing so far this month, Commercial Observer reported citing Trepp. Single-borrower transactions backed by only hotels have been the hardest hit of all.

Stay of Execution: COVID-19 Has Hotel CMBS Backed into a Corner

A flailing hotel sector has CMBS borrowers and servicers staring down a critical juncture
Litigation Is On The Rise

U.S. Lodging Industry 2020

Anbang Unit Sues Mirae to Complete $5.8 Billion Hotel Deal

Virgin Hotels Files Lawsuit Against Owner Of San Francisco Property

Blackstone sues over scotched $265M hotel deal

Virgin Hotels Files Lawsuit Against Owner Of San Francisco Property

Eagle Hospitality Trust gets notice of default on US$341m loan, delays distribution

Pandemic ignites battle over unpaid wages at Manhattan hotel
Blackstone, Starwood pick up stakes in Extended Stay America

Both firms had sought control of the hotel chain years ago

Sonder investors bet $150M more on hospitality startup

“If they weather this storm they’ll be one of the leading companies in the space.”

Expedia Group raises $3.2B, names new CEO, makes further cuts as bookings plunge up to 43%

Bloomberg

London Ritz’s Sale Fetches Less Than 800 Million Pounds

Deals

March 27, 2020, 5:13 PM EDT Updated on March 28, 2020, 7:04 AM EDT

Carnival Sells 8 Percent Stake to Saudis After Dire Financial Warning

Lone Star succeeds in $1.9-billion buyout of Japan hotel chain Unizo

Airbnb Raises Another $1 Billion in Debt, IPO Prospects Diminish

Deals

April 14, 2020, 6:41 PM EDT Updated on April 14, 2020, 11:30 PM EDT
An opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.
"Our values are moving, but they’re not moving nearly to the extent equity markets."

“We really don’t understand the full impact of what’s going on.”

“You need to have a long-term outlook.”

“This is a crisis that will pass. We don’t know where we and I’m not going to make guesses about how bad this is going to be.”
U.S. Lodging Industry 2020

2001 Data Point

Security Capital to Sell Homestead Chain to Blackstone for $740Mln

November 21, 2001

Security Capital Group will sell its Homestead Village Inc. chain of extended hotels for $740 million to the Blackstone Group – that’s $160 million less than what the group agreed to pay before Sept. 11, The Wall Street Journal reported.

At the same time, Security Capital also agreed to accept a note from Blackstone for $115 million of the price, the newspaper reported.

Blackstone plans to finance the rest of the transaction with equity and $400 million in mortgage securities that will be issued by Bear Stearns & Co., the Journal reported. Blackstone also will assume about $145 million in Homestead debt.

The average occupancy of Homestead Villages’ 111 hotels has fallen to about 73 percent from 80 percent before Sept. 11.
CMBS Structures Need Major Overhaul

"CMBS back in that early period was built to fill a void," Penner said. "There was a massive void. Real estate borrowers back in the early 1990s had no access to even first-mortgage capital."

Turning CMBS into a vehicle that can easily steer through market rises and disruptions was not in the cards in the '90s even though Penner believes it should be in the cards going forward.

"CMBS was born out of necessity, and I think there were shortcomings," Penner said.

"When you rapidly create something to fill a void and serve a need, it's not perfected. And, I think the CMBS model that was built in the early 1990s had certain imperfections built into it that are still limiting factors to making [CMBS] its best version and its full value proposition."

The biggest flaw in CMBS is borrowers have little ability to create short-term solutions to sudden liquidity freezes or market downturns like the COVID-19 crisis, Penner said.

While traditional borrowers have lenders to call for modifications and work-out solutions to buy them valuable time, CMBS borrowers often find themselves in downturns without a sympathetic ear to listen.

"CMBS doesn’t facilitate that, there is no lender to talk to," Penner said. "There is a master servicer, who as long as the loan is not in default, is your go-to relationship. But that's not really a relationship that is going to be fruitful for you if you're the owner."
Sponsors and managers:

- In defense positioning and particularly company’s with exposure to real estate.

- Bolster liquidity, mitigate cash burn, and position hotels for a relatively low occupancy environment for the remainder of the year.

Lodging debt markets are generally paused, particularly CMBS and Debt Funds which are halted due to illiquidity in the commercial mortgage bond market.

Existing lenders are generally accommodating 60 to 90-day interest accruing forbearance agreements, however, expect increased early-stage transaction activity, including: short sales, loan sales, foreclosure sales, and discounted loan payoffs (DPO).

Private markets flush with capital in offense and poised to take advantage of the dislocation.
## U.S. Lodging Industry 2020: Where We Are Now

### Hotel Brands Have Offered Significant Fee Relief to Franchised Hotels

Major hotel brands have implemented a number of fee reductions and relaxed several brand standards and initiatives amidst the coronavirus outbreak.

#### Marriott
- **Fire Relief**
  - 50% credit for the paid portion of the PM for April and May, with payment deferred until 6/30/20
  - 75% - 100% reductions in shared services costs, including REMS and Field Marketing
- **Cycle Renovations**
  - Deferring all major renovations that are due in 2020 by one year
- **FRWE**
  - Waiving required funding of FRWE reserves for six months with ability to borrow FRWE for working capital needs, with lender consent as needed
  - Noting this has an FRWE reserve in franchise agreement

#### Hilton
- **Fire Relief**
  - MREC hotel - 50% fee reduction for 90 days for any hotel with occupancy of 60% over that time period
  - Suppressed MREC fees will resume a 75% fee reduction while out of operation
  - Front office suspension of guest assistance/registration fees
- **Cycle Renovations**
  - Assuming renovation
- **FRWE**
  - Only waiving funding of FRWE reserves for six months with ability to borrow FRWE for working capital needs, with lender consent as needed
  - Does not have an FRWE reserve in franchise agreement

#### IHG
- **Fire Relief**
  - MREC hotel - 50% fee reduction for 90 days and deferral of that fee for 60 days
  - Services contribution 50% deferral through 5/31/20 and deferral for 90 days
  - Technology fee (50% deferral through 5/31/20)
  - 100% deferral on mountains (franchise) or base & off (migrated)
- **Cycle Renovations**
  - Deferring all cycle renovations that are due now through 6/30/20
  - Deferring FRWE deposits for the remainder of 2020; hotels may use the amounts on deposit in replacement funds to cover general operating expenses, which may be subject to lender approval

### Brand Standards / Initiatives

- **Event Satisfaction Surveys (ESS)** will be suspended for March 1, 2020 - 6/30/20
- **Deferral of all brand and global initiatives with only mission-critical areas continuing, specific to necessary systems maintenance and cyber security efforts**
- **FRWE and FRWE Reserve**
  - FRWE has been suspended until 2/28/2020 and the Associate Director of FRWE for compliance has been extended to end of 2020, unless required by the Franchisee or collective bargaining agreement
  - SAEC scores have been suspended
  - Resuming compliance dates for technology vehicles, as well as suspending all OnMS for at least 60 days
  - Deferring the launch of several product initiatives as well as extending the implementation dates accordingly
  - Several brand standards have been temporarily relaxed including hotel shuttle service, dry cleaning and laundry service, newspaper service, removing non-essential amenities and in-room services
  - SAEC scores remain in effect
- **LOVE scores remain in effect**
- **IHG will defer the publication of any new standards until 5/31/20**
- **Relaxing travel standards in multiple areas, including F&B Operations, Training, Technology and loyalty, with some compliance dates extended to later in the year and others retired**

### Audits and Fifths

- **Brand Standard Audit (BSA) activities** are paused until 6/30/2020. This includes BSA audits as well as audits for beverage and incidental, will continue to monitor food safety priorities.
- **For any due dates in 2020** - there is a potential that the 30th week is extended (owners should contact their FR editor)
- **All other audits will be extended on a cost-by-cost basis**
- **Where QA remains temporarily impaired during this time, IHG will adjust the frequency to accommodate the current business climate. QA penalties waived for 2020**

### Meetings and Trainings

- **Passed all mandatory, in-person, off-site training classes and will instead leverage digital learning sites**
- **All-person training will be put on hold until further notice. In the meantime, IHG will encourage all team members to continue training to do via Hilton University online where appropriate**
- **IHG will support all in-person training and have a set of virtual training sessions.**
  - CEUs will be awarded for four courses, and the training credits for hotels will be reduced by 25%.
- **Suspended all in-person and offsite events; all training and onboarding classes and meetings will instead leverage the virtual training programs and digital learning tools to conduct all mandatory and recommended training sessions**

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**Daniel H. Lesser**  
President & CEO
InterContinental reopens nearly all hotels in China

Marriott sees China bookings improving even as March room revenue plunges

FINANCIAL TIMES April 27, 2020

Marriott CEO calls a bottom as occupancy trends show signs of improvement

MarketWatch

Published: May 12, 2020 at 7:39 a.m. ET

Hilton Reopening All Chinese Mainland Hotels

Resort-town hotels bounce back in reopening states, providing industry with hope of a return

MAY 18, 2020

Dive into US weekly hotel data reveals ‘green shoots’

STR’s Jan Freitag offered insights into weekly performance data for U.S. hotels as national occupancy’s slow and steady ascent continued.

April 14, 2020 / 6:57 AM EDT - 2 DAYS AGO

The Road Back

U.S. Lodging Industry 2020

Daniel H. Lesser
President & CEO
U.S. Lodging Industry 2020

It Ain’t Over Till It’s Over

Coronavirus in the U.S.: Where cases are growing and declining

Updated May 15, 2020, 12:13 P.M. E.T.

Daniel H. Lesser
President & CEO

24
In Many Ways We Have Seen This Movie Before

Host Hotels CEO: Group Business Travel Will Be Last to Recover But Remains Key to Industry

Mnuchin Says International Travel May Have to Wait Until 2021

IMPACTING TRAVEL | LAURIE BARATTI | MAY 04, 2020
**U.S. Lodging Industry 2020**

**Challenges**

**Pandemic Shatters World Order, Sowing Anger and Mistrust**

By Nick Wadhams
May 17, 2020, 7:00 AM EDT

**U.S. Economy Adds to Grim Records, Signaling Yearslong Recovery**

By Nick Wadhams
May 15, 2020

**Delta to retire Boeing 777s as pandemic dims outlook for international travel**

May 14, 2020

**Worst Property Debt Crash in Years Looms for Workout Specialists**

By John Gittelsohn
May 5, 2020, 1:00 PM EDT

**Empty US hotels increase pressure on debt investors**

By Joe Rennison
May 5, 2020

**Buffett says he dumped entire stake in airline-sector stocks: ‘The world changed for airlines’ amid coronavirus**

By MarkOSCannon
May 3, 2020 at 1:39 p.m. ET

**'Airlines are way behind': Hilton CEO says hotels more likely to recover faster from coronavirus**

David Oliver. USA TODAY
Published 1:28 p.m. ET May 7, 2020 | Updated 10:24 a.m. ET May 8, 2020

**COVID-19 puts S11b of CMBS loan maturities at risk**

April 9, 2020 9:58 AM
Las Vegas workers push back after mayor's call to reopen casinos and hotels
"We're not test subjects. We're people. We are employees," said a bartender.

The $2 trillion relief package makes unemployment pay more than work

We can't go back to the way things were before.' Pandemic job actions offer hope for renewed labor movement

L.A. County could keep stay-at-home orders in place well into summer, depending on conditions

Reopening the US: States relax rules, but some could return to stay-at-home orders if coronavirus cases surge
U.S. Lodging Industry 2020

Never Let a Crisis Go To Waste

Scientists Found Something Absolutely Stomach-Turning in These Hotel Rooms

The discovery of large amounts of bacteria in a scientific sampling of hotel rooms raises concern about their safety.

Hidden cameras reveal how much (and how little) some hotel maids really clean

Eww! New Study Finds Expensive Hotels Have More Germs

11 Totally Gross Facts About Hotel Rooms You Probably Didn't Know, Because They Are Dirtier Than You Think
U.S. Travel Industry Releases Guidance for “Travel in the New Normal”

Task force of physicians and travel leaders authored health-focused travel guidance across all segments of travel.

PRESS RELEASE | May 04, 2020

Industry Guidance for Promoting the Health and Safety of All Travelers

Developed based on Centers for Disease Control and Prevention (CDC) and White House guidelines: “Opening Up America Again” and in consultation with public health experts.
The industry’s enhanced hotel cleaning practices, social interactions, and workplace protocols will continue to evolve to meet new health and safety challenges.

- Chip Rogers, AHLA President and CEO

Safe Stay Advisory Council is comprised of industry leaders representing all segments of the hotel industry.

ADVISORY COUNCIL:

- Accor
- AHAHOA
- Aimbridge Hospitality
- Best Western Hotels & Resorts
- Choice Hotels International
- Davidson Hotels & Resorts
- G6 Hospitality LLC
- Hersha Hospitality Trust
- Hilton
- Host Hotels
- Hyatt Hotels Corporation
- InterContinental Hotels Group (IHG)

- Loews Hotels & Co.
- Marriott International
- My Place Hotels
- Noble Investment Group
- Omni Hotels & Resorts
- Pebblebrook Hotel Trust
- Radisson Hotel Group
- Red Lion Hotels Corporation
- Red Roof
- Remington Hotels
- Vision Hospitality Group
- Wyndham Hotels & Resorts
Cleanliness Assurances

U.S. Lodging Industry 2020

Four Seasons Announces Collaboration With Johns Hopkins For New Global Safety Program

Best Western We Care Clean

Choice commitment to clean

Daniel H. Lesser
President & CEO
Flying after COVID-19 will never be the same. Here’s what airplane seats could look like. The bad news: You still won’t have any personal space.

Delta will add flights to keep planes no more than 60% full as demand rises: sources

CEO Ed Bastian believes consumers’ perceptions of safety will be instrumental in reviving more routine travel.

JetBlue mandates face coverings for customers during travel.
U.S. Lodging Industry 2020

Hotel Paradigm Shifts

So long, minibar: How the coronavirus will change hotel stays

A hotel that doesn’t include a breakfast buffet and minibars would have been inconceivable to many Americans three months ago. But coronavirus has changed all that.
Commercial property buyers are watching for deals following the pandemic. Investors say they’ll be ready for opportunities created by the economic shakeout.

Ultra-Rich Families With Cash on Hand Pile Into Private Debt

By Benjamin Spegel
May 4, 2020, 3:00 AM EDT Updated on May 4, 2020, 8:41 AM EDT

- Family offices boost holdings as pandemic drives yields higher
- They can provide extra flexibility and faster access to cash

Real estate mogul Barbara Corcoran on navigating real estate uncertainty: 'For somebody like me, it's the perfect time to buy.'

Thayer Ventures Closes $80 Million Fund to Back Travel Startups

Starwood’s Barry Sternlicht Poised to Invest in Struggling Hotels When Time Is Right

Cameron Sperance, Skift – May 07, 2020 10:50 am

"We had to turn investors away:" Distressed RE funds raising cash at breakneck pace

One debt fund raised $1.3B in two weeks

Blackstone Sees Prospect of Buying Opportunities in Crisis

The Wall Street Journal

Apollo Plans to Raise $20 Billion, Shift to Distressed Strategies

Private-equity firm moves to distressed and credit investing from traditional private equity as coronavirus pandemic opens up opportunities.
U.S. Lodging Industry 2020  The Future

• World being challenged with geopolitical stresses on top of worst economic shock in a century.

• Hotels that were already over levered or had stressed cash flows prior to the pandemic cannot be resurrected via an interest payment forbearance.

• Capital stacks will be restructured and rationalized to create controlling classes and owners of strong assets who have liquidity will seize opportunities to de-lever on favorable terms and reinvest in hotel properties.

• Well located assets and high-quality borrowers will benefit from initial capital allocations.

• Significant growth for soft hotel brands will come from conversions of independent boutique hotels and the sector will consolidate.

• Brand proliferation will be placed on pause....hopefully for a long time.
U.S. Lodging Industry 2020 The Future

- Supply growth will lag reflecting permanent hotel closures in certain cities and fewer (if any) construction starts for several years.

- The "return" of air travel and hotel stays will be in two waves, not one: occupancy then rate.

- Recovery will be asymmetrical trajectories that will be hotel and market-specific.

- Leisure and VFR travel will rebound with strength.

- Some business travel will rebound as other corporate and group meeting/convention travel may not return for a long time, or even forever.

- Suburban markets will see a wave of interest as companies decentralize.

- Convention center and large group meeting hotels will be challenged for several years.
U.S. Lodging Industry 2020

The Future

• Managers will evaluate operations to implement opportunistic changes such as automation.

• Low inflation period will endure keeping cost of goods and services low.

• Energy glut = low utility costs.

• Property tax appeals.

• Ramp up of renovations.

• Near term PIP’s less onerous, particularly elements that do not provide ROI for owners.

• Acceleration of incurable functional obsolescence will result in many hotels never reopening.

• CMBS model will be challenged to survive in current form.
U.S. Lodging Industry 2020

Near Term

Move Over Revenue Models: Hotel Recoveries Will Also Need to Factor In Psychology, Sociology

Cameron Sperance, Skift - May 15, 2020 3:00 pm

The Pandemic Sprawl: Suburban Flex Offices See Wave Of Interest As Companies Decentralize

May 15, 2020 BISNOW

Hotel Buckminster's closure starkest sign of coronavirus' effect on Boston-area hotels

The inn's shuttering underscores just how much the pandemic has dimmed the once bustling-bright prospects of the region's hospitality industry

By Tom Acitelli | | Apr 7, 2020, 6:01am EDT

Vornado might never reopen century-old Hotel Pennsylvania, CEO says

Pandemic seen as chance to pursue long-sought development

May 06, 2020 TheRealDeal
U.S. Lodging Industry 2020

Near Term

Coronavirus and Hospitality

41 Percent of Americans Say First Trip Will Be by Car Within 100 Miles: Skift Research Travel Tracker

Haixia Wang, Skift Research - May 01, 2020 8:00 am

Over 100 Million in China’s Northeast Face Renewed Lockdown

Bloomberg News
May 18, 2020, 2:58 AM EDT Updated on May 18, 2020, 5:42 AM EDT

- Conditions return to height of China’s epidemic in February
- Frustration as restrictions tighten again after earlier easing

Restaurant, travel, retail industries call for liability shield for businesses

Thousands Are Headed to Alaska’s Fishing Towns. So Is the Virus.

As the famed Copper River salmon season begins, isolated fishing towns are bracing for an influx of workers and their first brush with the coronavirus.

Tax Attorneys Expect A Wave Of Coronavirus Tax Appeals

Estimote launches wearables for workplace-level contact tracing for COVID-19
U.S. METROS IN BEST AND WORST POSITIONS FOR PANDEMIC RECOVERY

Cities best prepared to bounce back from a coronavirus-induced recession have low population densities and high levels of educational attainment (top left) — as opposed to dense metro areas and low educational attainment (bottom right).

% OF JOBS REQUIRING COLLEGE
40%
35%
30%
25%
2
2.5
3
3.5
LOG POPULATION DENSITY, 2018

SOURCE: MOODY'S ANALYTICS
Airbnb to Roll Out Sanitization Plan for Hosts That Would Include 72-Hour Wait Between Stays

Dennis Schaal, Skift - Apr 27, 2020 7:30 am

Airbnb’s Woe Now Includes IBM’s Patent Infringement Suit

Mar 13, 2020, Forbes

Airbnb’s latest $1B raise may dash IPO plans

April 16, 2020, The Real Deal

The company, which planned to go public in 2020, has seen its valuation drop to a reported $18B

Is it safe to rent an Airbnb or vacation home right now?

May 14, 2020, TODAY

‘A Bargain With the Devil’—Bill Comes Due for Overextended Airbnb Hosts

Entrepreneurs built mini-empires of short-term rental properties, borrowing against revenue that’s now vanishing under coronavirus lockdowns

Hotels vs. Airbnb: Has Covid-19 Disrupted the Disrupter?

For years, home sharing has put pressure on hotel rates and occupancy levels. Social distancing, hygiene and refund policies may be the new game changers.

The New York Times - May 14, 2020
Buffett says he dumped entire stake in airline-sector stocks: ‘The world changed for airlines’ amid coronavirus

Published: May 3, 2020 at 1:39 p.m. ET
By Mark DeCambre
'I was wrong about that business,' Warren Buffett says of decision to unload stocks in United, American, Delta and Southwest Airlines

Billionaire Sam Zell Sees Economy Permanently Scarred by Pandemic

By Erik Schatzker
May 5, 2020, 8:00 AM EDT

- Investor likens impact on U.S. society to the Great Depression
- Social distancing, working from home likely to persist a while

Wealthy Investors Get the Private Memo: A Stock Market Crash is Coming

BlackRock CEO isn’t buying a stock market recovery, warning of a cascade of bankruptcies, wrecked airlines, and cautious consumers.

Published: May 7, 2020 8:58 AM UTC
Fed’s Powell says an economic recovery could take until the end of 2021 — but doesn’t see a full-blown depression taking hold.
Grit and red wine: Famous war photographer beats virus at 97

NEW YORK (AP) – Tony Vaccaro’s mother died in childbirth, and at a tender age he also lost his father to tuberculosis. By age 5, he was an orphan in Italy, enduring beatings from an uncle. As an American GI during World War II, he survived the Battle of Normandy.

Now, a celebrated wartime and celebrity photographer at age 97, he is getting over a bout with COVID-19. He attributes his longevity to “blind luck, red wine” and determination.

“To me, the greatest thing that you can do is challenge the world,” Vaccaro said. “And most of these challenges I win. That’s what keeps me going.”
The 107-year-old who survived 1918 Spanish flu pandemic and COVID-19

Marilee Shapiro Asher contracted the Spanish flu aged six in 1918 and COVID-19 in April. The acclaimed artist is one of only a handful of people to overcome both deadly pandemics.

By BEN HARRIS (JTA)
May 8, 2020, 4:09 pm | 2

After Marilee Shapiro Asher was admitted to the hospital in mid-April sick with COVID-19, her daughter got a call from the doctor telling her she ought to get down there right away. Her mother likely had only 12 hours to live.

“Well, he doesn’t know my mother, does he?” Joan Shapiro said.
In all things it is better to hope than to despair

JOHANN WOLFGANG VON GOETHE
U.S. Lodging Industry 2020

COVID – 19: Shocking Unprecedented Downturn

Peak -> Free Fall -> Bottom -> Stay Alive Until 2025

May 20, 2020