

29TH
Annual



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National Hotel Finance &
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Michael Cahill

Lodging Industry Investment Council



“LIIC TOP 10”



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“LIIC TOP 10”





What About a Recession?

“Once bitten, twice shy” LIIC members still see a national recession in our near future:

- **43%** anticipate a recession in **2021**
- **25%** anticipate a recession in **2020**

“U.S. GDP grows by 3.2% in first quarter, topping expectations”

- Bureau of Economic Analysis



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Investing in Opportunity Zones?

- **Only 36%** of LIIC investors plan to concentrate future lodging investments within Opportunity Zones.

Motivations:

- **34%** cited Tax Advantages
- **2%** cited helping rebuild economically-distressed communities

After the Survey was sent out, Trump announced long-awaited updates to improve the appeal of Opportunity Zones.

- Might this change the LIIC opinion?



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Markets **NOT** to Invest in:

1. Norfolk/Virginia Beach (33%; up from 4th last year)
2. Nashville, TN (31%; down from 1st place last year)
3. St. Louis, MO-IL (28%; down from 2nd place)
4. New York, NY (24%; up from 5th place)
5. Detroit, MI (21%; improving, down from 3rd)

Sleeper - where to buy? New Orleans!

Only one vote against, time to buy in The Big Easy.



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Hotel Buyers Frustrated?

Quantity

36% believe **above average quantity** is available for purchase

39% believe **average quantity** is available for purchase

Quality (Desirability to Purchase)

66% believe **average quality** of product is currently available



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New Hotel Development: Investors Remain Contradictory

- **64%** cringe about the negative impact of new lodging supply
- Meanwhile, **67%** are pushing forward and believe it is still a good time to build, if selective about product and market
 - **82%** have new hotels actively under development
 - **85%** believe Select Service is the best product type to build



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Hotel Debt:

- **78%** of owners **plan to refinance** in next 12 months
- **58%** believe hotel acquisition lending conditions will be **stable** with current levels
- **25%** believe the availability of debt will improve, frequently citing **more debt fund activity**



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Hotel Transactions for Calendar 2019:

Dollar Volume

43% believe that hotel transaction dollar volume will **increase** from 2018 levels, while **28%** believe volume will be **flat**

Number of Sales

Overall Positive:

- **39%** up, **36%** flat, **25%** down from 2018



Top Three Threats to Your Hotel Investment:

- 1. Low Unemployment (Availability of Labor):** Of the respondents, **67%** believe the lack of suitable employees is the number one threat to hotel investment
 - An increase from **49%** in 2018 and **26%** in 2017
- 2. New Lodging Supply/General Oversupply:** Viewed as a top threat by **64%** of respondents
 - However, **82%** are currently building new lodging assets
- 3. Federal and/or State Minimum Wage Hikes:** Minimum wage hikes on the horizon, potentially worsening impact of low RevPAR growth environment
 - **27%** view minimum wage hikes as a hotel investment threat



Hotel Property Values: Still Increasing Over the Next 12 Months

- **40%** predict lodging real estate values will increase slightly (up to 5%)
- Similarly, **37%** believe values will be flat in comparison to 2018
- **64%** believe Upscale/Upper Upscale lodging assets represent the best purchase opportunity going forward



Hotel Real Estate: Mostly Sunny Days Clouded by Labor Issues

- 2019's survey results indicate "mostly sunny skies"
- Labor difficulties squeezing margins
 - **90%** believe the limited pool of labor has directly impacted property level GOP in the last 12 months

How can owners solve the labor problem?

- **67%** advise investing more in current employees
- **46%** suggest targeting young high school talent
- **41%** believe increased use of immigrants



LIIC Bonus Questions

Twitter?

You won't reach LIIC members on Twitter:

- 78% do not use Twitter at all
- Only one member uses Twitter more than 30 minutes per day...





LIIC Bonus Questions Continued

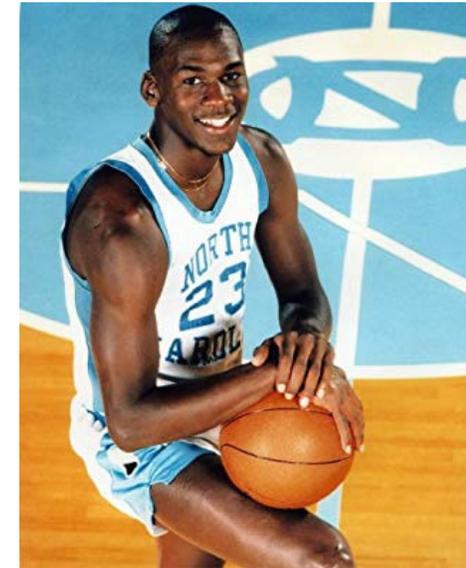
Should NCAA D1 college athletes be additionally compensated?

YES

- **39%** - it is a crime that they are not already
- **11%** - only if they win
- **5%** - except for those Ivy Leaguers

NO

- **39%** - because they get a free education
- **6%** - exploitation is capitalism





LIIC Bonus Questions Continued

No to Check-Out!

Only 12% of LIIC members visit the front desk to finalize their hotel check-out.



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