Welcome

Cliff Risman
Co-Chair, Hospitality & Leisure Industry Team
Foley Gardere
Market Update

Daniel Lesser
President & CEO
LW Hospitality Advisors
U.S. Lodging Industry 2018
Navigating at Peak
SWOT Analysis

2018 Dallas Hotel Conference
Wednesday, November 14, 2018 | 3:00 – 7:00 p.m. CST

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Uncertainty is the only certainty there is, and knowing how to live with insecurity is the only security.

John Allen Paulos
Random Thoughts: Dan Lesser

- Yield sought in secondary and tertiary plus markets
- OTA's contribute to rising sector distribution costs
- Industry needs to expand reach into home sharing
- Technology allows for enhanced mobile connectivity and smart rooms
- Local experiences are a top priority for travelers
- Resort fees are not just for resorts anymore
- Expect stricter cancellation policies
# U.S. Lodging Industry

## Macro Overview

**U.S. Hotel Performance**

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Source: STR, Inc.
U.S. Lodging Industry Strengths

• Continued industry record rooms revenue operating metrics
• U.S. hotels operating at high level of efficiency
U.S. Lodging Industry Strengths

Economics
U.S. GDP Grows Above-Forecast 3.5% on Consumers, Inventories

By Katia Dmitrieva and Sia Chondra
October 26, 2018, 8:30 AM EDT Updated on October 26, 2018, 10:30 AM EDT

- Nonresidential business investment rises least since 2016
- Boost from inventories more than offsets drag from trade

FEF FOUNDATION FOR ECONOMIC EDUCATION
The Growth of the World’s Middle Class May Be the Greatest Story of Our Age

A rapidly growing global middle class means that the poorest among us are becoming less poor.
Wednesday, August 29, 2018

18 billion
3-2 billion
4-9 billion

Daniel H. Lesser
President & CFO

CNBC TV
Recession risk is ‘below average’ for the next three years, Goldman says

- The U.S. economy stands only a "modest" chance of falling into recession over the next three years, Goldman Sachs says.
- Economists Dan Negeman and David Pressman wrote in a report this week that the probability of a recession next year is below average, compared to the 40% risk in July.
- The report adds that a "solid" U.S. economy and a "very robust" global economy are driving growth, which could allow the country to avoid a recession.

REUTERS
World Business Markets Politics TV

U.S. consumer confidence races to near 18-year high

BUSINESS NEWS
AUGUST 28, 2018 / 12:19 PM / 2 MONTHS AGO

MarketWatch
Dow closes at record for the 14th time in 2018 even as trade fears simmer

Published: Oct 2, 2018 4:26 p.m. ET

Bloomberg

CNBC
Global GDP, dollar help US regain inbound travelers

International inbound travel to the United States has rebounded after several years of slowing growth, but there's still a long way to go to make up that lost market share.
U.S. Lodging Industry **Strengths**

Nationwide new hotel supply increase is below room night demand growth due to limited availability of construction finance & building labor shortage.
U.S. Lodging Industry Strengths

- Copious availability of debt and equity
- Continued relatively low interest and cap rate environment
- Cross-border investment in U.S. hotels

Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates, and Moody’s Analytics
U.S. Lodging Industry Strength

Robust asset price > $1 million per unit
U.S. Lodging Industry **Strength**

Robust asset pricing > $200 million per property
U.S. Lodging Industry

Weaknesses

U.S. Travel & Immigration Bans

Anti-Globalization & Populist Sentiments

Trade Wars

Domestic Political Polarizations
U.S. Lodging Industry Weaknesses

Even more hotel brands
U.S. Lodging Industry Weaknesses

- Labor Shortage
- Rising Labor Costs
- Increasing Tax Burdens
- Increasing Property Insurance Rates
U.S. Lodging Industry Weakness

HOTEL INDUSTRY ANNOUNCES ADDED SAFETY MEASURES FOR EMPLOYEES; BUILDS ON LAYERS OF SECURITY PROCEDURES

Major Brands to Deploy Safety Devices; Competitors Across Lodging Industry Unite to Advance Employee, Guest Protection Partner at Buckley Sandler and Co-founder of Time’s Up Legal Defense Fund Applauds Progress on Employee Security

SmartMetric Says an Alarming Number of at Least 60 Million Credit/Debit Cards Compromised in the USA Last Year

You can still fall victim to identity theft with a fraud alert in place

Fraud alerts are relatively effective, but they aren’t foolproof. Discover what other methods you can use to deter thieves from fraudulent use of your identity.

Identity Theft:
Be Prepared. Be Proactive.
U.S. Lodging Industry Weaknesses

In the Fight Against Human Trafficking, Hotels Play a Crucial Role

Did you know that HOTELS have become the most common point of sale for sex trafficking transactions?

Bed Bugs in Hotel: ‘The Itch Was Unbearable’

1. Behind picture frames and mirrors
2. Behind electrical fixtures
3. Behind headboards
4. In light sockets
5. In bed, under mattresses and dust ruffles
6. Along base boards and in carpets
7. In curtains
8. In upholstered furniture

By Joel Grover and Josh Underwood-Davis
Published May 7, 2018 at 7:38 AM | Updated at 7:42 AM PDT on May 7, 2018

Source: Lodging Magazine
By Chip Rogers - March 26, 2018
U.S. Lodging Industry Threats

Housing Market Positioned for a Gentler Slowdown Than in 2007

As frenzied as the market has felt in recent years, it never came close to the level of the last boom by most measures.

Immigration policies translate to 'labor crisis' for hotels

By Jeri Clausing

October 13, 2018
U.S. Lodging Industry Threats

Rising oil prices catch emerging economies at a vulnerable moment

Get Ready For A Big, Fast Rise In Interest Rates

Trade war to lead to substantial slowdown in U.S. economy by 2019, economists say

“There would be no winners from a global trade war. ... All countries would ultimately be worse off,” noted one economist.
U.S. Lodging Industry Threats

Airbnb is overhauling its business to further take on the hotel and travel industries

- Airbnb is expanding the number of hotels on its platform, and launching a loyalty program.
- It already has at least 15,000 hotel listings.

Deirdre Bosa I Paayal Zaveri
Published 12:26 PM ET Thu, 22 Feb 2018 | Updated 7:55 PM ET Thu, 22 Feb 2018

Airbnb has twice as many downloads as 10 hotel apps combined

Airbnb vs. Hotels: Total App Downloads

Source: Thousandeye & Rapinda: The Hotel App Landscape

Daniel H. Lesser
President & CFO

LWHA
U.S. Lodging Industry Threats

Disruptive Lodging Experiences

WHYHOTEL
When you can have a place like home.

Pop-up Hotels

Selina

Daniel H. Lesser
President & CFO
Investors can get big tax breaks if they invest in 'opportunity zones' under new Treasury rules

- The Treasury Department on Friday outlined rules for investors seeking to finance development in under-served regions in exchange for significant tax breaks.
- The opportunity zones come with several tax advantages. Capital gains placed in a certified opportunity zone fund will not be taxed through the end of 2026 or when the investment is sold, whichever comes first.
- Investors who can participate include individuals, corporations, businesses, REITs, and estates and trusts.

Stephanie Dihue | Yian Mui
Published 7:30 AM ET Fri, 19 Oct 2018 | Updated 2:18 PM ET Fri, 19 Oct 2018

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A look at how inflation affects the hotel industry

The question of whether hotel owners are insulated against rising inflation in the U.S. is often debated, but fully understanding inflation can help hoteliers prepare for it.

By Jack Corgel and Kelcie Sellers

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The TAX CUTS & JOBS ACT
U.S. Lodging Industry Opportunities

Channeling the Airlines’ Model, Hilton to Launch Flexible Pricing

by Jessica Montevrop / April 30, 2018

Customer centricity

- Design the experience
- Empower the front line
- Understanding your customer
- Metrics that matter
- Customer focused leadership
- Feedback drives continuous improvement

Bleisure Travelers are Hungry for Sunshine, Sightseeing, and Cuisine

Expedia Group Media Solutions Data Shows More than 80 Percent of Business Trips are Extended for Leisure Purposes

Bellevue, Wash., May 16, 2018
Marriott and Hilton’s Group Commission Cuts Put Pressure on Industry

Andrew Shelvachman, Skift - Apr 11, 2018 2:30 am
U.S. Lodging Industry Opportunity

Acquisition & renovation of ±35 year old full service hotels at all in basis equal to or less than new build select service
U.S. Lodging Industry

Opportunity

Redevelopment & repositioning of 1950/60’s motels

Lone Star Court Hotel
Austin, Texas
U.S. Lodging Industry Opportunities

5 BIG BENEFITS OF BUILDING MODULAR HOTELS

By Erin Lawton | April 6, 2018 1:31pm

Design

6 ways sustainability is changing hotels

Photo credit: Hotel Designs
U.S. Lodging Industry Opportunities

Technological advances = increased operating efficiencies

Robots at your service
Luxury hotels are swapping butlers for robots who deliver meals, laundry and conference set-ups, wowing guests and increasing back-end efficiency

USA TODAY
Amazon has developed a new Alexa for hotels; Marriott and others are testing it out

Nancy Trejos, USA TODAY | Published 3:10 a.m. ET June 20, 2018 | Updated 8:49 a.m. ET June 20, 2018
U.S. Lodging Industry Opportunities

Blockchain: “A new internet for the travel industry”

3D printers: “forgetting things” will cease to be a problem anymore

Interactive chatbots: virtual concierge

Neuro-Dreaming: choose your own dream
U.S. Lodging Industry Opportunities

Unwelcome guests: Airbnb, cities battle over illegal short-term rentals

Hilton Debuts New Hostel-Inspired Brand, Motto

Why the Hotel Lobby Is the Perfect Antidote to Airbnb
U.S. Lodging Industry Opportunities

- Mergers & Acquisitions and spinoffs
U.S. Lodging Industry Opportunities

See inside the world's first underwater hotel villa, where you can sleep with sharks for $50,000 a night

'Luxury Space Hotel' Could Cater to Travelers by 2022
Amazon HQ2 winners: New York City and Arlington, Virginia

Amazon will split its HQ2 between two locations, Long Island City, Queens, and the D.C. suburb, with Nashville gaining an operations center.

By Patrick Sisson | Updated Nov 13, 2018, 12:17am EST
U.S. Lodging Industry Favorable Outlook
U.S. Lodging Industry 2018
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National Safety Initiative
Industry Unites to Ensure Employee Safety
5-Star Promise Garners High Social Engagement

Ø 250 Million Media Impressions
Targeted Social Campaign; Vital Partnerships Amplify Effort
Hotels Engage on Career Development Initiatives
THE WALL STREET JOURNAL

Free Tuition: Hotels’ Latest Attempt to Stem Employee Turnover

The American Hotel & Lodging Association and education company Pearson PLC are pairing up to launch a pilot program that will foot the bill for hotel-industry workers to get degrees.
Short-Term Rentals
Short-Term Rental Regulations Passed In Top Cities In the U.S.

Major progress made in 2018

- Seattle: Passed December 2017
- Boston: Passed June 2018
- San Francisco: Passed February 2015
- Los Angeles: Ordinance moving toward passage in 2018
- San Diego: Passed July 2018
- Chicago: Passed June 2016
- New York: Passed July 2018
- Austin: Passed February 2016
- Miami: Passed March 2016
- San Diego: Passed July 2018
- Austin: Passed February 2016
- Miami: Passed March 2016
New York City Passes STR Data Sharing Law
Sets precedent for other markets

OUTCOME
- Requires Airbnb to share hosts’ info with city
- Platform fines
Boston Bans Commercial STR Investors
Efforts to strengthen ordinance pay off

Short-term rentals get strict rules in Boston

Outcome
- Commercial STR investors ban
- Annual registration
- Penalties for non-compliance
- Platform accountability

“I am proud to sign the short-term rental ordinance that will establish guidelines to better track and regulate short-term rentals in the Boston and I am committed to monitoring the impacts to ensure it serves its intended purpose in our neighborhoods.”

Boston Mayor Marty Walsh

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San Diego passes stronger STR ordinance
Limits to primary residency only

Campaign leads to win and better outcome
Building on momentum in major markets

Next up: Washington, DC and Los Angeles

November 13

Nov - Dec
Level the Playing Field
Supports true ‘home-sharing’
Protect property rights and quality of life of neighbors living next door to party houses in previously tranquil residential areas
Ask your state Senators and Representatives to rein in illegal hotels in Texas by NOT supporting short-term rental preemption legislation.
Distribution & Metasearch
Heightened Scrutiny on Tech Platforms
Opportunity to Engage

The United States Senate

Washington, D.C. – Senator Orrin Hatch (R-UT), the Chairman of the Senate Republican High Tech Task Force, and the senior member and Senate Majority Whip, and Senator Patrick Leahy (D-VT), a founder of the Senate Judiciary Committee and current Chairman, introduced the Online Privacy and Competitiveness Act (OPA). This legislation seeks to make unfair competition claims more accessible to tech companies and to improve the conduct of high-technology businesses, including the ability to engage in competition with Google.
AHLA Leverages Third-Party Validators

SEARCH, ADVERTISING, AND ONLINE DISTRIBUTION:
Practical Guidance and Open Questions Under FTC Standards

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2018 Dallas Hotel Conference

Featuring panels and presentations from industry leaders
Lifetime Achievement Award Presentation

Presented By
Judy Hendrick
Chief Financial Officer
Aimbridge Hospitality

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Lifetime Achievement Award Recipient

Tom Hendrick
President
TCH Partners
2018 Dallas Hotel Conference

Featuring panels and presentations from industry leaders
The Capital Markets; The Correct Capital Stack; Capital Expenditures; and When to Exit

Moderator
John Bourret
Managing Director
HFF

Panelists
Lawrence Kwon
Managing Director
Moelis & Company

Mike Jaynes
President
Hall Structured Finance

Bruce Davidson
Managing Director, Asset Management
Mosaic Real Estate Investors
2018 Dallas Hotel Conference
Featuring panels and presentations from industry leaders

Thank You