

2021

Dallas Hotel Conference

Featuring panels and presentations from industry leaders



Market Update

Daniel Lesser

President & Chief Executive Officer

LW Hospitality Advisors



U.S. Lodging Industry

2021 Dallas Hotel Conference



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October 19, 2021

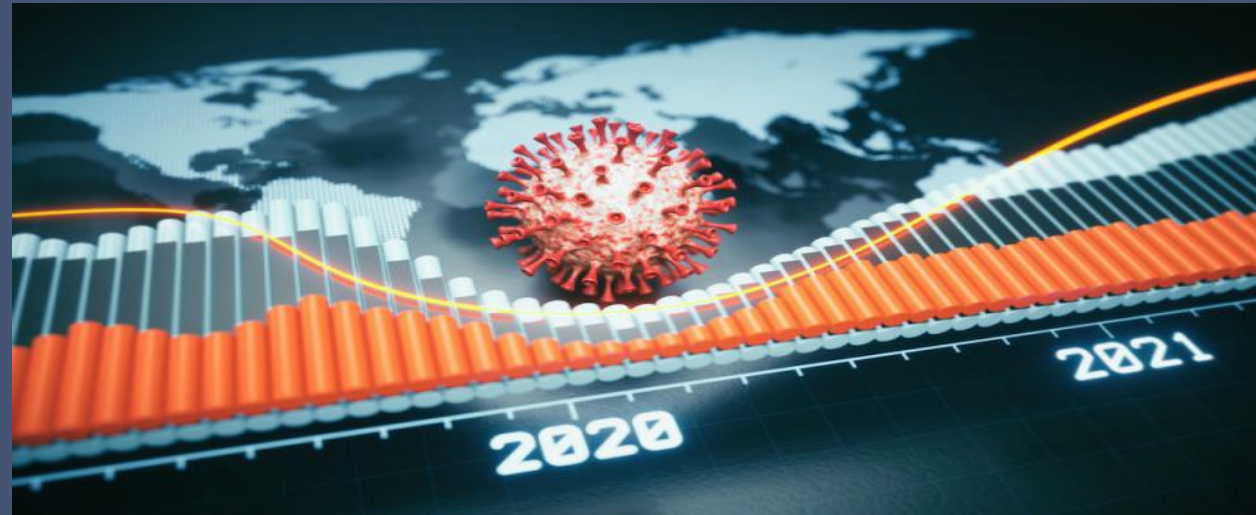
LWHA[®]
LW HOSPITALITY ADVISORS

U.S. Lodging Industry 2021

Ten Year Increase of Rooms Revenue Metrics & Record 2019...THEN....

U.S. Hotel Performance	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Supply	▲ 2.6%	▲ 3.2%	▲ 2.0%	▲ 0.6%	▲ 0.5%	▲ 0.7%	▲ 0.9%	▲ 1.1%	▲ 1.6%	▲ 1.8%	▲ 2.0%	▲ 2.0%	▼ 3.6%
Demand	▼ 1.9%	▼ 5.8%	▲ 7.8%	▲ 5.0%	▲ 3.0%	▲ 2.2%	▲ 4.5%	▲ 2.9%	▲ 1.7%	▲ 2.7%	▲ 2.5%	▲ 2.0%	▼ 35.7%
Occupancy	▼ 4.4%	▼ 8.7%	▲ 5.7%	▲ 4.4%	▲ 2.5%	▲ 1.5%	▲ 3.6%	▲ 1.7%	▲ 0.1%	▲ 0.9%	▲ 0.5%	FLAT	▼ 33.3%
ADR	▲ 2.7%	▼ 8.8%	▼ 0.1%	▲ 3.7%	▲ 4.2%	▲ 3.9%	▲ 4.6%	▲ 4.4%	▲ 3.1%	▲ 2.1%	▲ 2.4%	▲ 1.0%	▼ 21.3%
RevPAR	▼ 1.8%	▼ 16.7%	▲ 5.5%	▲ 8.2%	▲ 6.8%	▲ 5.4%	▲ 8.3%	▲ 6.3%	▲ 3.2%	▲ 3.0%	▲ 2.9%	▲ 0.9%	▼ 47.5%

2020 Became the Worst Year on Record for U.S. Hotels



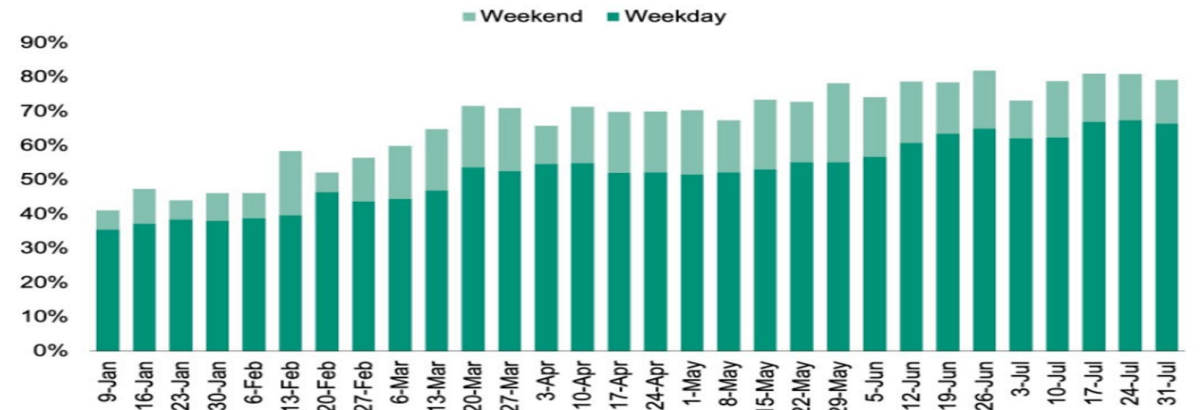
U.S. Lodging Industry 2021



Daniel H. Lesser
President & CEO

Recovery Led by the Leisure Traveler

Total US, Occupancy by Day of Week, 2021



Source: STR, 2021 © CoStar Realty Information, Inc.

CoStar Group® str



U.S. Lodging Industry 2021

ADR to recover to 2019 levels in 2022

RevPAR, Hotel EBITDA and Asset Values will reach 2019 levels in 2023

Occupancy will not reach 2019 levels until 2024



National Forecast Summary (forecasts begin 2021)

	Occupancy %		ADR	% Chg	RevPAR	% Chg	EBITDA Margin	Chg (bps, YoY)	EBITDA % Chg	Cap Rate**	Cap Rate Chg	Value Change	Value Change (from 2020 Base)
	Chg	%								(bps)			
2019	66.1%	00%	\$131.21	10%	\$86.76	09%	28.3%	225	9.7%	8.5%	(11)	-	-
2020	44.0%	-33.3%	\$103.25	-21.3%	\$45.48	-47.5%	5.2%	(2,301)	-90.3%	1.1%	(746)	-23.8%	-
2021 F	56.4%	28.0%	\$120.86	17.1%	\$68.15	49.9%	17.6%	1,235	403.1%	4.6%	350	19.5%	19.5%
2022 F	61.1%	8.3%	\$133.42	10.4%	\$81.47	19.5%	24.3%	672	65.2%	7.2%	263	5.0%	25.5%
2023 F	65.6%	7.4%	\$140.06	5.0%	\$91.88	12.8%	26.5%	223	23.1%	8.0%	76	11.5%	39.9%
2024 F	66.5%	1.4%	\$145.31	3.7%	\$96.66	5.2%	27.5%	97	9.1%	8.3%	34	4.5%	46.2%
2025 F	66.6%	0.2%	\$148.16	2.0%	\$98.71	2.1%	26.6%	(92)	-1.3%	8.6%	24	-4.1%	40.3%

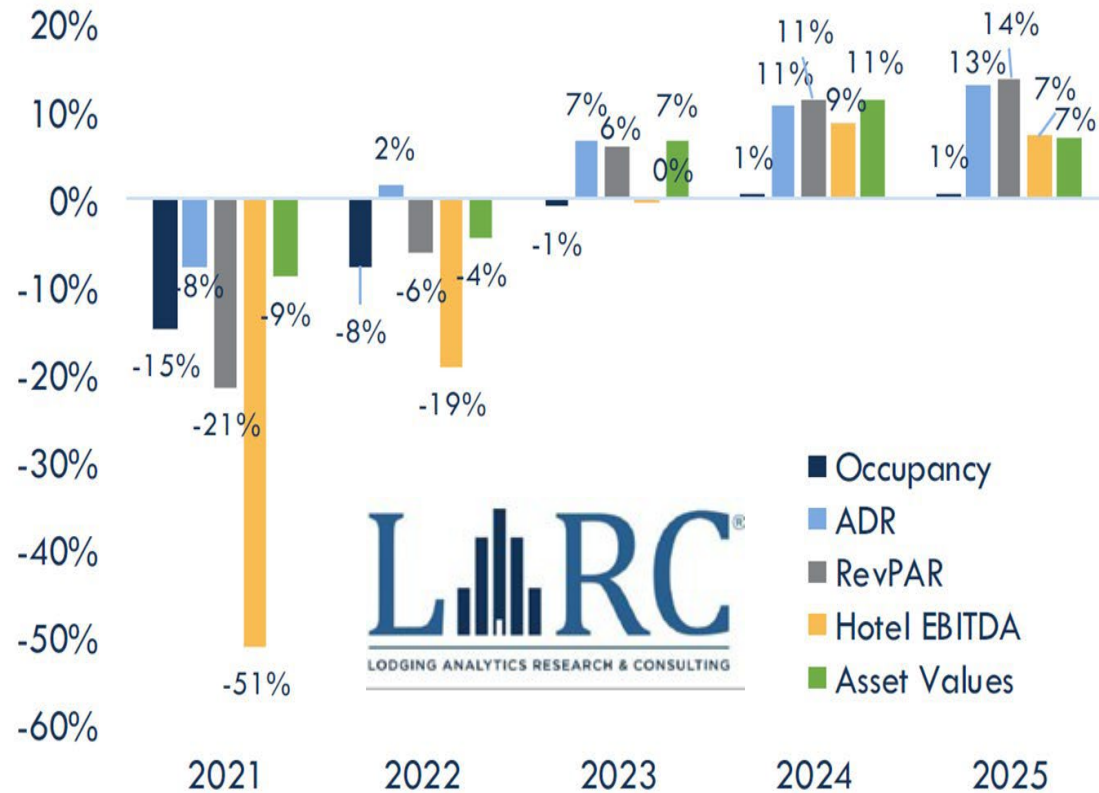
Source: LodgingAnalytics Research & Consulting, STR, Real Capital Analytics

**Due to limited transaction data points, 2020 cap rate based on model output in a fully transparent environment rather than actual transactions

Daniel H. Lesser
President & CEO

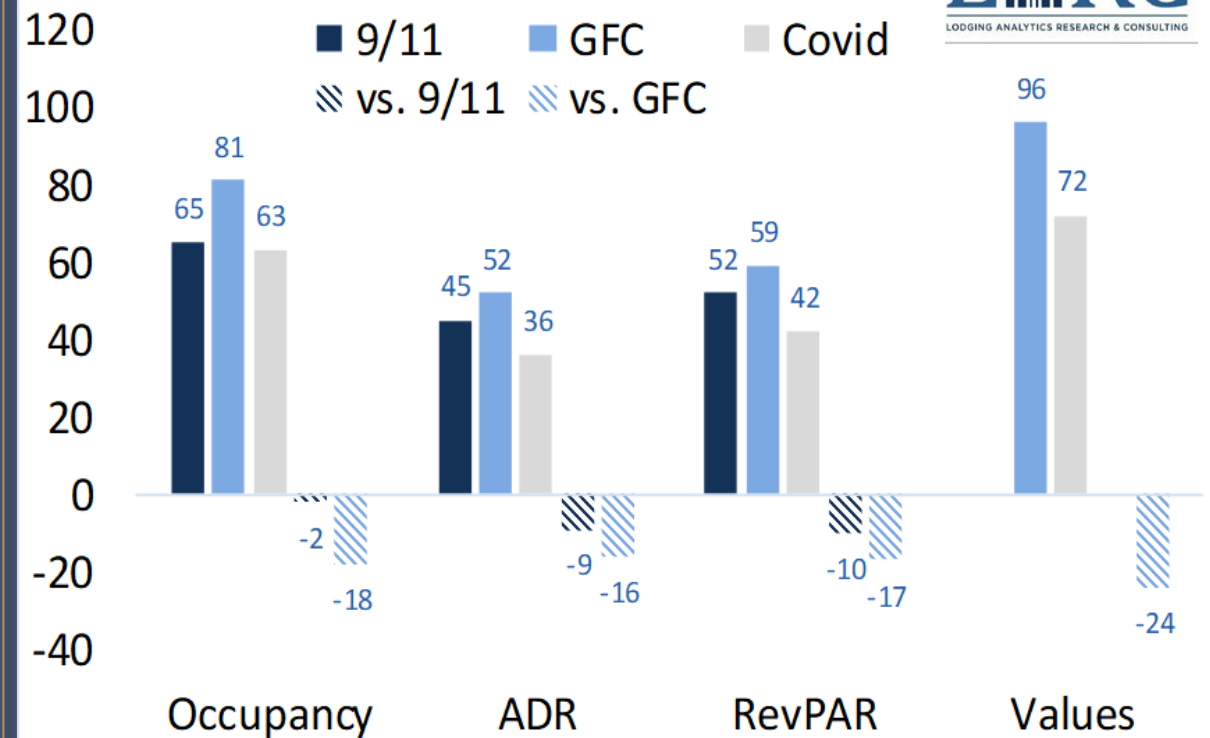
U.S. Lodging Industry 2021

U.S. Hotel Industry Forecast vs. 2019



Source: Lodging Analytics Research & Consulting

Months of Recovery to Prior Peak by Cycle



Source: Lodging Analytics Research & Consulting, Real Capital Analytics

Top Performers

Nashville

LARC
LODGING ANALYTICS RESEARCH & CONSULTING

City	Percentage
Miami, FL	24.0%
Tampa, FL	18.0%
Denver, CO	16.0%
Honolulu, HI	15.0%
Las Vegas, NV	12.0%
Phoenix, AZ	11.5%
New Orleans, LA	10.5%
Norfolk, VA	10.5%
Atlanta, GA	8.5%
Anaheim, CA	8.0%
Nashville, TN	7.5%
Orlando, FL	7.5%
Dallas, TX	6.0%
Los Angeles, CA	4.0%
Philadelphia	0.5%

City	% Change
Tampa, FL	17%
Phoenix, AZ	15%
Denver, CO	12%
Los Angeles, CA	10%
Nashville, TN	7%
Miami, FL	5%
Las Vegas, NV	3%
Orlando, FL	2%
Anaheim, CA	1%
Honolulu, HI	-1%
Seattle, WA	-2%
Norfolk, VA	-5%
Boston, MA	-10%
San Diego, CA	-18%

Daniel H. Lesser
President & CEO

U.S. Lodging Industry Strengths

Hotel Construction Stalled in 2020 As Pandemic Caused Developers To Pause or Put Off New Projects

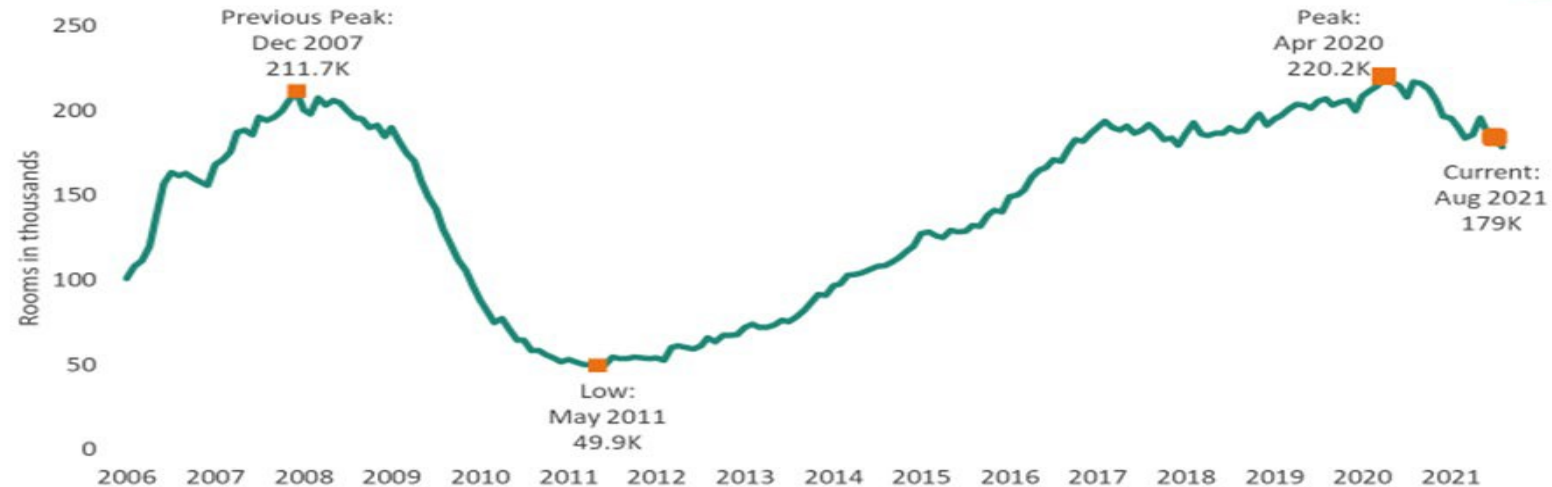
Number of Under Construction Rooms That Were Delayed Increased by More Than a Third Between 2019 and 2020

September 10, 2021



U.S. construction down from last April's peak

U.S., rooms in construction (thousands), Jan 2006 – Aug 2021



Source: STR, 2021 © CoStar Realty Information, Inc.

U.S. Lodging Industry **Strengths - Economy**

**Ultra-Low Interest Rates Are Here to Stay:
2021 Central Bank Guide**

January 4, 2021

Bloomberg

**It's official: The Covid recession lasted
just two months, the shortest in U.S.
history**

JUL 19 2021



**U.S. economy is bigger than it was pre-
COVID after quarter of booming consumer
spending**

July 29, 2021

FORTUNE

**U.S. to ease travel restrictions for
foreign visitors who are vaccinated
against Covid**

SEP 20 2021



**Consumers to unleash trillions of
dollars in excess savings when
pandemic ends**

8 Feb, 2021

S&P Global
Market Intelligence

Market Snapshot

**U.S. stocks rise to all-time highs, as
Dow closes above 35,000 for first time**

Last Updated: July 23, 2021 at 4:48 p.m. ET

MarketWatch

**Growing Occupancy, Profitability Pave Hotels' Path
to Recovery**

By Dana Miller
Hotel News Now
August 25, 2021



Roughly 64,000 Rooms Remain Closed in US

Resilient Consumers Keep Spending



Amid Economic Worries, Shoppers Turn to Retail Therapy

September 20, 2021

**Upward Trend in US Hotel Performance Indicates More Business Travel
Than Expected**

Gap Narrows Between Latest Weekly Metrics and 2019 Levels

October 1, 2021



Daniel H. Lesser
President & CEO

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U.S. Lodging Industry **Strengths** – Rescue Capital

REAL ESTATE | PROPERTY REPORT

Nov. 10, 2020

Investors See Big Profits in Throwing a Lifeline to Hotel Owners

Financially strapped hotels see loans as a chance to avoid a fire sale or foreclosure auction **THE WALL STREET JOURNAL.**

Die another day: Ashford gets \$350M to survive pandemic

Hotel REIT gets expensive loan from Oaktree Capital, reflecting high risk

THE REAL DEAL
REAL ESTATE NEWS
December 29, 2020

Acore Capital Backs Graduate Hotels as Pandemic Doom Lifts

May 24, 2021 **Bloomberg**

New hotel REIT lands \$200 million in private-equity funding

CRAIN'S CHICAGO BUSINESS

A joint venture of Ascendant Capital Partners and Oaktree Capital Management also has pledged to invest up to \$250 million more in Watermark Lodging Trust.

July 27, 2020

Hotel REIT Preps Deal to Give Brookfield Control in Bankruptcy

April 14, 2021, **Bloomberg**

U.S. Lodging Industry Strengths - Refinancing

Prime Group lands \$140M refi on Downtown hotel

Debt package for Residence Inn among few hotel loans issued during pandemic

THE REAL DEAL
CHICAGO REAL ESTATE NEWS

February 12, 2021

Rockbridge Capital Lends \$38M for Redondo Beach Hotel in LA

COMMERCIAL OBSERVER

JULY 22, 2021

Noble House Hotels & Resorts owns the Portofino Hotel with a 181-slip marina

Goldman Sachs Backs \$500 Million Beverly Hills Hotel Refinancing

Bloomberg

August 23, 2021

Ashford Hospitality Receives \$98M Loan for Refinancing of Hilton Boston Back Bay Hotel

August 27, 2021

REBUSINESS ONLINE
published by France Media Inc.

Coast Hospitality Receives \$51.1M Refinancing for Benson Hotel Renovations in Portland

September 14, 2021

REBUSINESS ONLINE
published by France Media Inc.

Cheers: Soho Properties secures \$317M refi on Times Square Margaritaville

Sharif El-Gamal's Midtown resort, which opened in June, lands largest NYC hotel refi so far this year

THE REAL DEAL
NEW YORK REAL ESTATE NEWS
September 20, 2021

Concord Summit Capital Closes \$98M Financing for Orlando Resort

GlobeSt.com

August 31, 2021

The new loan for Margaritaville Resort Orlando refinances the existing construction senior and mezzanine debt and creates funding for 75-key expansion.

Witkoff gets \$228M refi for West Hollywood Edition hotel

Mack Real Estate, J.P. Morgan provide loan on 190-key hotel, which faced potential foreclosure

Los Angeles / By Isabella Farr

September 01, 2021

THE REAL DEAL
LOS ANGELES REAL ESTATE NEWS

CIM Group Provides \$67.5 Million Loan Secured by Hotel Villa Florence in San Francisco's Union Square

Bloomberg

September 16, 2021

JPMorgan Chase Lends \$164M on The Goodtime Hotel in Miami Beach

COMMERCIAL OBSERVER

SEPTEMBER 28, 2021

High-end Hawaii resort clinches CMBS financing

28 Sep 13:30 | 3 min read | Americas | Richard Leong

IFR

A US\$282.1m CMBS helped refinance a mortgage on a luxury Hawaii resort last week, one of the few high-end, single-property hotel deals priced since the start of the pandemic.

U.S. Lodging Industry **Strengths** – Construction Financing

Preston Hollow Capital Provides \$34M Construction Financing for Highlander Hotel at Radford University in Virginia

July 6, 2021



ACRES Provides \$86M Refinancing for New Hilton-Branded Hotel in Delray Beach, Florida

July 9, 2021



Lightstone Group Receives \$130M in Construction Financing for Manhattan Hotel Project

July 28, 2021



Lightstone lands \$77M construction loan for W'burg Moxy hotel
The lender is G4 Capital Partners

August 09, 2021



Arriba Capital Provides \$18.5M Construction Loan for New Hotel in Nashville

Posted on August 11, 2021 by Julia Sanders in Hospitality, Loans, Southeast Tennessee



HALL Provides \$56M Construction Loan on Colorado Springs Marriott Hotel

COMMERCIAL OBSERVER
AUGUST 25, 2021

LCP Group provides construction loan for the Printing House hotel

Aug 27, 2021



Stonehill closes \$104m. construction loan for Margaritaville Resort in Fort Myers Beach

15 Sep 2021



U.S. Lodging Industry **Strengths** – Portfolio Financing

Blackstone's Motel 6 portfolio gets \$685M CMBS loan

Goldman Sachs, JPMorgan provide two-year, floating-rate loan

THE REAL DEAL
LOS ANGELES REAL ESTATE NEWS

September 03, 2021

Ramsfield Funds \$135.2 Million Loan Secured By The Cooper Hotels Hilton Portfolio

Sep 20, 2021,

CISION
PR Newswire

Chinese State-Owned Firm Dajia Recaps Nine Luxury Hotels With \$1.8B CMBS Loan

COMMERCIAL OBSERVER

OCTOBER 5, 2021

The hotels in the portfolio are Strategic Hotels & Resorts-managed properties. The hotelier was acquired by Anbang Insurance Group – now called Dajia – in 2016 for more than \$5 billion

U.S. Lodging Industry Strengths – M&A

Palisociety Targets Small Luxury Hotels With Arrive Acquisition



By Danielle Hess
Hotel News Now
February 9, 2021

Life House Acquires IMPRINT Hospitality's Management Portfolio

By LODGING Staff - February 12, 2021

LODGING



Blackstone, Starwood Capital Team Up in \$6 Billion Purchase of Extended Stay

The two investment firms agreed to evenly split ownership of hotel operator

By Peter Grant and Craig Karmin
Updated March 15, 2021 4:40 pm ET

THE WALL STREET JOURNAL



8/2/2021

Hyatt Plans to Buy Apple Leisure Group From KKR and KSL Capital for \$2.7 Billion

Transaction is latest sign of optimism about return to vacation travel

By Miriam Gottfried
Updated Aug. 15, 2021 7:55 pm ET

THE WALL STREET JOURNAL

Condor Hospitality Trust to Sell All Hotels to Blackstone for \$305M in Liquidation Move

Sept. 23, 2021



CoralTree Hospitality JV acquires controlling interest in the Magnolia Hotels brand



Georgetown Company eyeing \$1B in hotels nationwide

Adam Flatto's firm purchased stake in First Hospitality management company

September 28, 2021



Terrapin Hospitality Doubles Hotel Management Portfolio With K Partners Deal

Aspen, Colorado-Based Terrapin Now Manages 70 Hotels



September 30, 2021

Benchmark Global Hospitality, Pyramid Hotel Group Merge To Form Benchmark Pyramid



Newly Formed Management Company Will Have Portfolio of 210 Hotels

September 30, 2021

KKR Begins Taking Over Hotels Backing \$780 Million Loan in Default

September 30, 2021



Sales Are Part of 48-Property Portfolio Jointly Owned by DigitalBridge, Chatham Lodging



U.S. Lodging Industry Strengths

Asset Sale Price > \$2 million per unit



Asset Sale Price > \$1 million per unit



Daniel H. Lesser
President & CEO

U.S. Lodging Industry Strengths

Asset Sale Price > \$100 million



Daniel H. Lesser
President & CEO

U.S. Lodging Industry Strengths

Asset Sale Price > \$200 million



Asset Sale Price > \$300 million and > \$600 million



U.S. Lodging Industry **Strengths**

Venetian Resort Las Vegas & Sands Expo and Convention Center Las Vegas

7,092 Rooms / 2.3M SF Exhibition & Meeting Facilities / 225,000 SF Gaming Space

Sale Price: **\$6,250,000,000**

Buyer: Apollo Global Management & VICI Properties Inc.

Seller: Las Vegas Sands Corp.



U.S. Lodging Industry Strengths

The Cosmopolitan of Las Vegas

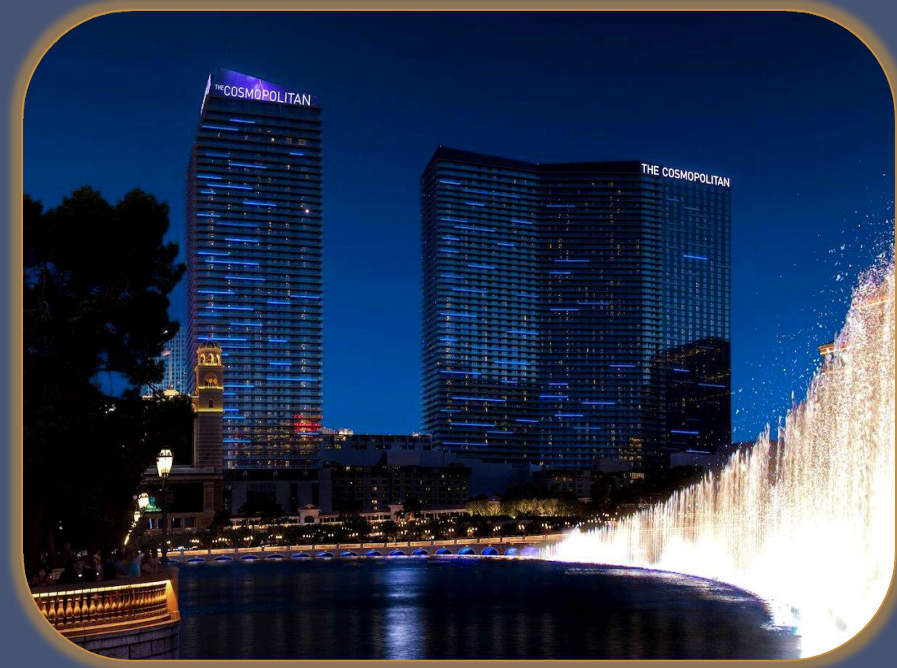
3,032 Rooms / 243,000 SF Meeting Facilities / 110,000 SF Gaming Space / 40,000 SF Spa Fitness Facility

Sale Price: **\$5,650,000,000**

Buyer: (Real Estate \$4.025 Billion) JV Cherng Family Trust,
Stonepeak Partners & Blackstone Real Estate Income Trust
(Operations \$1.625 Billion) MGM Resorts International

Seller: Blackstone Real Estate Partners VII L.P.

Note: MGM to enter into a 30-year lease agreement, with three 10-year renewal options with an initial annual rent of \$200 million, escalating annually at 2% for the first 15 years and the greater of 2% or the increase of the consumer price index — capped at 3% — thereafter.



U.S. Lodging Industry **Strengths**

Aria Resort & Casino and Vdara Hotel & Spa Las Vegas

5,499 Rooms / 300,000 SF Meeting Facilities / 150,000 SF Gaming Space

Sale Price: **\$3,890,000,000**

Buyer: Blackstone

Seller: MGM Resorts International

Sale/Leaseback for initial annual rent of \$215 million.



U.S. Lodging Industry Strengths

APOLLO

DIAMONDROCK
HOSPITALITY

HIGHGATE

KSL
CAPITAL
PARTNERS™

MCR

PEACHTREE
HOTEL GROUP

STARWOOD
CAPITAL GROUP

APPLE HOSPITALITY REIT

DRIFTWOOD
CAPITAL

HOST
HOTELS & RESORTS®

LOWE

NOBLE

pebblebrook
HOTEL TRUST

STOCKDALE
CAPITAL PARTNERS

AWH
PARTNERS

FORTRESS

HYATT®

LR

LINCHRIS
HOTEL CORPORATION

PIMCO

SUMMIT
HOTEL PROPERTIES

Blackstone

GIC

khp
CAPITAL
PARTNERS

LUBERT·ADLER
REAL ESTATE FUNDS

OHANA
REAL ESTATE INVESTORS

RLJ Lodging Trust

SUNSTONE
HOTEL INVESTORS

BRAEMAR
HOTELS & RESORTS

HRI
PROPERTIES
Elevating the Urban Experience

KKR

MAGNA
HOSPITALITY GROUP

Oxford
Capital Group, LLC

shg
SCHULTE
hospitality group

WESTMONT
HOSPITALITY
GROUP

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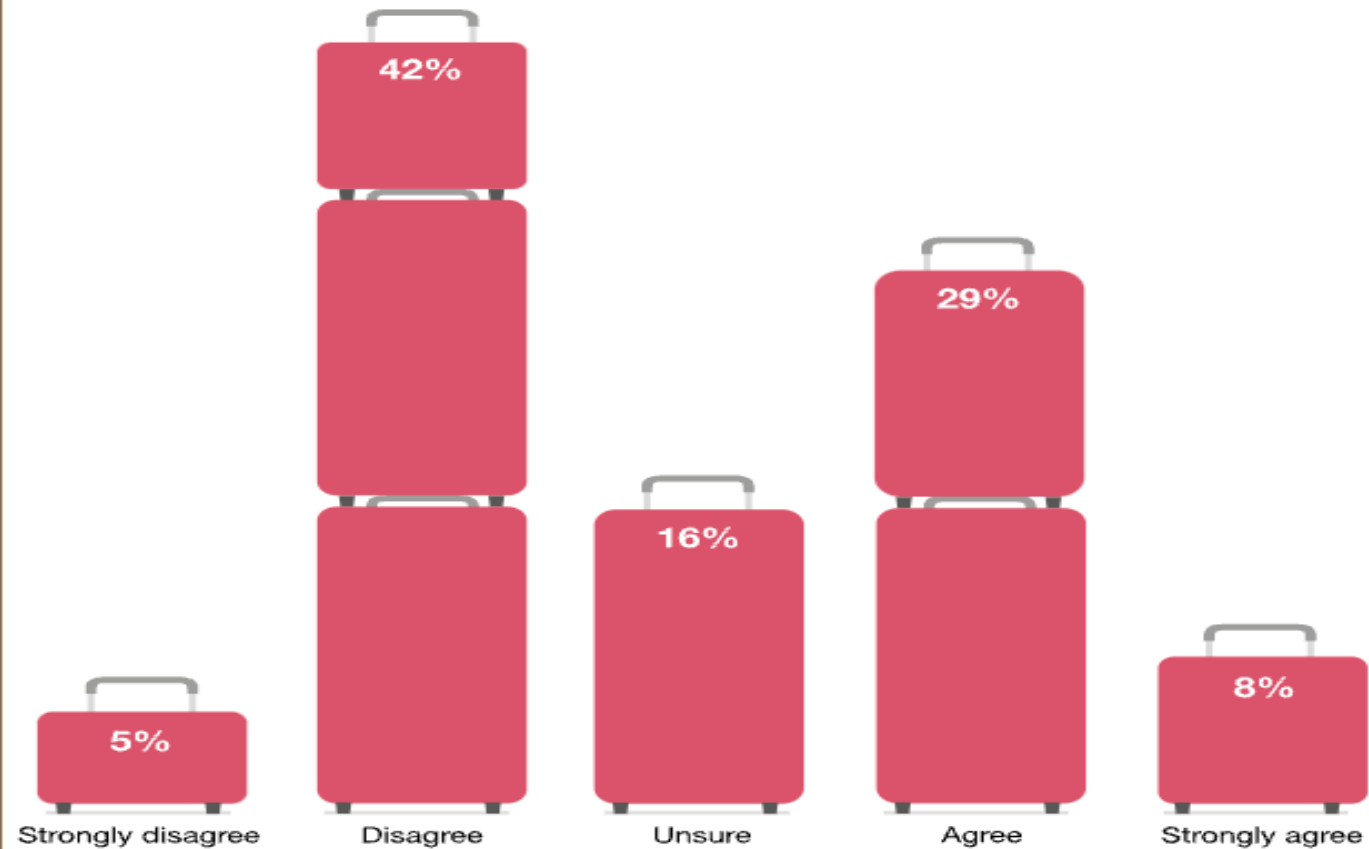
U.S. Lodging Industry Strengths

A Message from



U.S. Lodging Industry Weaknesses

Business travel and large group industry meetings will return to pre-COVID-19 levels



Source: Emerging Trends in Real Estate® 2022

U.S. Lodging Industry Weaknesses

As states cancel large events due to delta variant, their economies are taking a hit

Jazz Fest, the Country Music Awards and other big events have been canceled.

abc NEWS

August 22, 2021

NRA cancels annual meeting because of COVID-19 surge, joining a growing list of groups halting events

Aug. 26, 2021

MarketWatch

NAMM convention announces new dates and a return to Anaheim in 2022

The annual convention was originally scheduled to take place in late January 2022.

September 8, 2021

THE ORANGE COUNTY REGISTER

Crushed by pandemic, conventions mount a cautious return

By DEE-ANN DURBIN September 9, 2021

AP AP NEWS

AVN Show halts in-person plans in Vegas

September 20, 2021

LAS VEGAS REVIEW-JOURNAL

As more conventions cancel, San Antonio loses out on \$21 million in economic impact

September 17, 2021

KSAT.com



Planners Are Just as Concerned About Mandates as They Are About Contagion

As more push live meetings into 2022, low attendance numbers and a tough negotiating climate are among top worries, Northstar's PULSE Survey reveals.

U.S. Lodging Industry Weaknesses

Business Travelers, Expect More Zooms and Few Trips This Fall

Companies are greenlighting trips for client meetings and closing deals, but internal gatherings and training are mostly staying virtual for now

Sept. 8, 2021

THE WALL STREET JOURNAL

One-Third of U.S. Business Travelers Plan to Scale Back Travel Plans

By LODGING Staff - August 31, 2021

LODGING

Wall Street Faces Tough Transition in Return-to-Office Push

Bloomberg Wealth
September 23, 2021

The Great Reboot

EXCLUSIVE PwC offers U.S. employees full-time remote work

September 30, 2021

REUTERS®

Amazon to allow employees to work remotely indefinitely

October 11, 2021

AP AP NEWS

U.S. Lodging Industry Weaknesses

Staffing Shortages Pose a Threat to Hotels' Budding Recovery

THE WALL STREET JOURNAL

Hotels say they are struggling to hire enough housekeepers, kitchen staff and other hourly workers—including those laid off early in the pandemic

May 18, 2021

Long Waits, High Shipping Costs: The Impact of the Global Supply Chain on Hotels

September 16, 2021



U.S. GDP rose 6.5% last quarter, well below expectations



PUBLISHED THU, JUL 29 2021-8:31 AM EDT | UPDATED THU, JUL 29 2021-10:16 AM EDT



Jeff Cox
@JEFF.COX.7528
@JEFFCOXCNBCOM

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Hawaii extends COVID regulations, including mask mandate and travel restrictions

Oct. 2, 2021



U.S. Lodging Industry Weaknesses



Domestic
Political
Polarizations



Trade Wars



Anti-Globalization &
Populist Sentiments



Increasing Tax Burdens

Daniel H. Lesser
President & CEO



Increasing Property
Insurance Rates



Rising Labor Costs

U.S. Lodging Industry Weaknesses

'THANK GOODNESS' FOR MORE HOTEL BRANDS



By Daniel Lesser
January 22, 2021



Daniel H. Lesser
President & CEO

U.S. Lodging Industry **Threats**



WE'RE ALREADY BARRELING
TOWARD THE NEXT
PANDEMIC

This one is far from over, but the window to prepare for future threats is closing fast. September 29, 2021 *The Atlantic*



Broader Inflation Pressures Begin to Show THE WALL STREET JOURNAL
Oct. 4, 2021

Price indexes that exclude extreme changes point to inflation running ahead of Fed's 2% target

UPDATE: ADA Plaintiffs Filing Multiple Lawsuits Targeting Hotel Websites August 30, 2021 **KPIX 5 CBS SF BayArea**

U.S. Lodging Industry Threats

The U.S. Strategic Command Just Casually Tweeted About Nuclear War

BY SAMANTHA LOCK ON 4/20/21

Newsweek



by Nathan Ord — Sunday, March 14, 2021, 11:53 AM EDT



Electromagnetic Pulse Attacks Are A Real Threat And The USAF Is Guarding Against Them

A Bad Solar Storm Could Cause an 'Internet Apocalypse'

The undersea cables that connect much of the world would be hit especially hard by a coronal mass ejection.



As Bennett meets Biden, IDF ramps up plans for strike on Iran's nuke program

Military, defense minister believe a credible threat of an Israeli attack on Tehran's nuclear facilities is only way US will be able to negotiate better deal with Islamic Republic



By JUDAH ARI GROSS
Today, 5:01 pm

THE TIMES OF ISRAEL



U.S. Lodging Industry Threats

Overlapping Disasters Expose Harsh Climate Reality: The U.S. Is Not Ready

The deadly flooding in the Northeast, on the heels of destruction from Louisiana to California, shows the limits of adapting to climate change. Experts say it will only get worse.

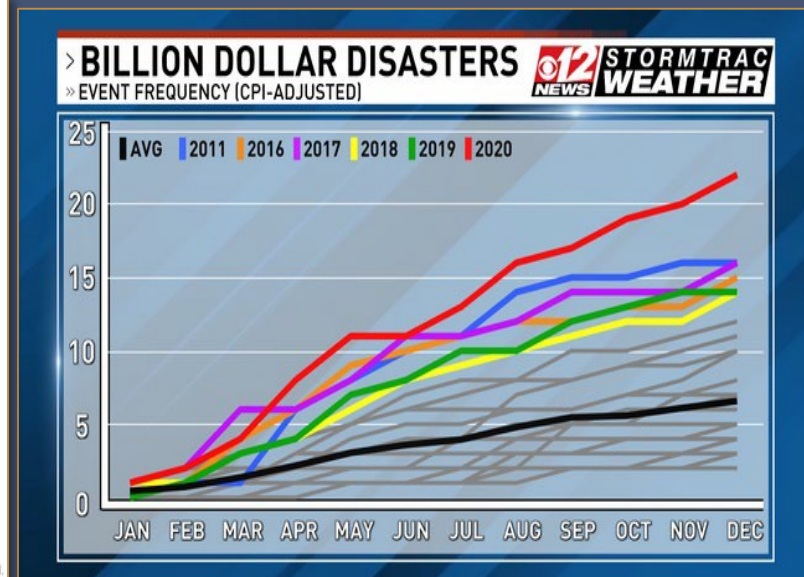
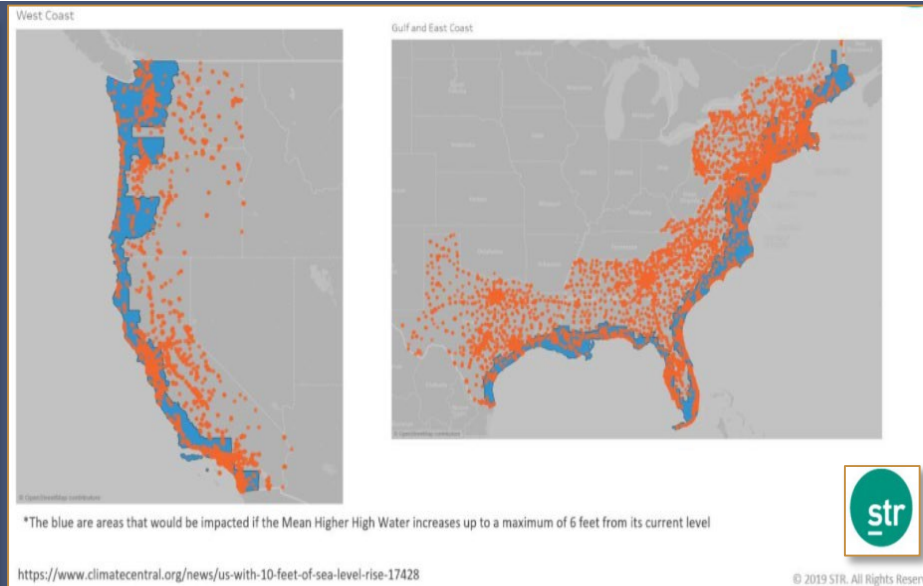
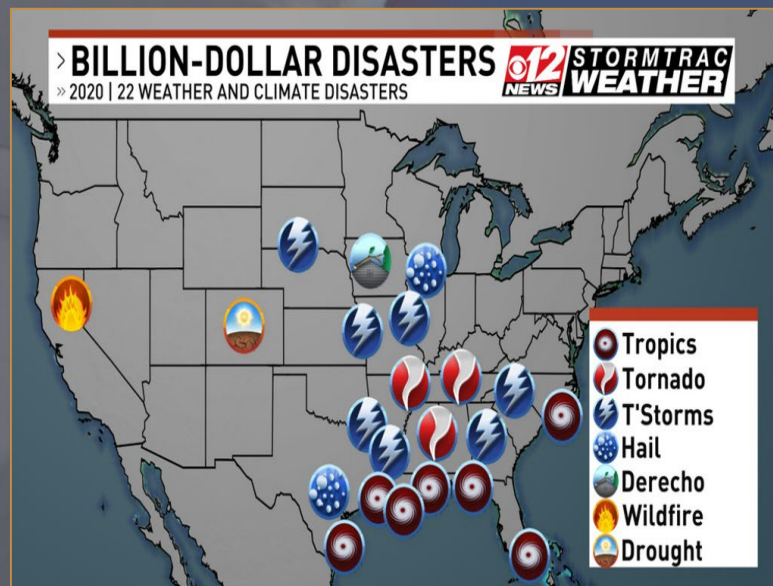
The New York Times
Sept. 2, 2021

CRE Leaders Growing More Alarmed By Climate Crisis, Other Social Problems And Say Action Is Needed

BISNOW

October 14, 2021

31.3% Of All Hotels are in Low-Lying-Coastal Areas Which Could be Impacted by a 6ft Storm Surge



U.S. Lodging Industry Opportunities

Empty Hotels Get Second Life as Tiny Apartments During Pandemic

Developers are converting closed hotels and motels into housing, aiming to offer affordable units in hot markets with high rents

Dec 22, 2020

THE WALL STREET JOURNAL

Foreign Investors Gravitate to Non-Gateway Markets

Strong growth prospects and less intense competition is leading cross-border investors to secondary and tertiary markets.

Sep 07, 2021

Wealth Management.com

Former Dearborn Hyatt to be sold, turned into apartments

Detroit Free Press

Sept. 13, 2021

US to drop travel ban for vaccinated international travelers starting in early November

Sept. 20, 2021

USA TODAY

HN hospitalitynet

25 March 2021

Interest Grows In Converting Hotels To Other Uses Multifamily, Senior Living, Student Housing Among More Popular Conversions

Highgate Capital, Aurora Health to Buy 300-Property Healthcare Portfolio in Deal Valued at \$3.2B

September 9, 2021

REBUSINESS ONLINE
published by France Media Inc.

DC's Fairfax at Embassy Row Hotel to Be Converted to Senior Living

COMMERCIAL OBSERVER

SEPTEMBER 15, 2021

Merck pill seen as 'huge advance,' raises hope of preventing COVID-19 deaths

October 1, 2021

REUTERS

U.S. Lodging Industry Opportunities

Hilton does away with daily housekeeping for most U.S. hotels

TRAVEL WEEKLY
THE TRAVEL INDUSTRY'S TRUSTED VOICE

By Christina Jelski | Jul 07, 2021



A hybrid meeting setup at a Marriott hotel

Marriott International offers new hybrid meeting solutions

BY HOTEL BUSINESS ON FEBRUARY 26, 2021

Hotel Business

BRANDS, GUEST SERVICES & PROGRAMS



REAL ESTATE | PROPERTY REPORT

Hotels Try Out Fees for Using the Pool and Checking In Early

Lodging companies such as MCR are experimenting with a la carte pricing for services and amenities, and cutting room rates in return

THE WALL STREET JOURNAL

By Craig Karmin
Aug. 17, 2021 5:30 am ET



Marriott Taps Artificial Intelligence for HVAC, Reduces Natural Gas Consumption 25%

JANUARY 19, 2021 BY JENNIFER NASTU

Environment
+ Energy
LEADER

U.S. Lodging Industry Opportunities

◆ WSJ NEWS EXCLUSIVE | REAL ESTATE

Sept. 21, 2021

Google to Buy New York City Office Building for \$2.1 Billion

Manhattan deal is priciest sale of a U.S. office building since pandemic began

THE WALL STREET JOURNAL.



U.S. Lodging Industry **Say What**

Bill Gates Takes Control of Four Seasons in Deal With Saudi Prince Alwaleed

By [Adveith Nair](#), [Shaji Mathew](#), and [Sophie Alexander](#)

September 8, 2021, 8:37 AM EDT Updated on September 8, 2021, 12:48 PM EDT

Bloomberg Wealth

Bill Gates says more than 50% of business travel will disappear in post-coronavirus world

PUBLISHED TUE, NOV 17 2020 3:52 PM EST



Noah Higgins-Dunn
@HIGGINS-DUNN



U.S. Lodging Industry **Just Saying...**

REAL ESTATE | PROPERTY REPORT

Hotels Try Out Fees for Using the Pool and Checking In Early

THE WALL STREET JOURNAL.

By [Craig Karmin](#)
Aug. 17, 2021 5:30 am ET

Lodging companies such as MCR are experimenting with a la carte pricing for services and amenities, and cutting room rates in return

Hoteliers Start to Mimic Airlines—Uh-Oh

Many hotels lower the sticker price by adding 'fees' to the bill.

By Charles Leocha
Aug. 2, 2017 6:09 pm ET

WSJ | **OPINION**

Some hotel consultants have explicitly embraced the comparison. “Similar to their airline brethren,” Daniel Lesser, CEO of LW Hospitality Advisors, wrote last year in *Hotels* magazine, “I firmly believe lodging owners and operators need to be more concerned with economic yields as compared with service and guest satisfaction.” He was even more candid in another post: “I believe the lodging industry should nickel and dime the same population that flies and/or cruises.”

Daniel H. Lesser
President & CEO

U.S. Lodging Industry 2021

Everything Is Relative



Own Operate Tech

OPERATE

Hotel sector posts record performance gains in Q2

By Jena Tesse Fox | Aug 20, 2021

The hotel sector posted record performance gains in Q2 compared with a year ago. Demand increased 100.8 percent, occupancy was up 97.5 percent, revenue per available room improved 180.5 percent and the average daily rate grew 42 percent.

Still, the hotel sector's main performance metrics remained below prepandemic levels. Compared with Q2 2019, demand was 13.9 percent less, occupancy was 16.7 percent lower, RevPAR was down by 25.3 percent and ADR down by 10.4 percent due to continued weakness in business travel, luxury property closures and general pricing pressures, according to the company.

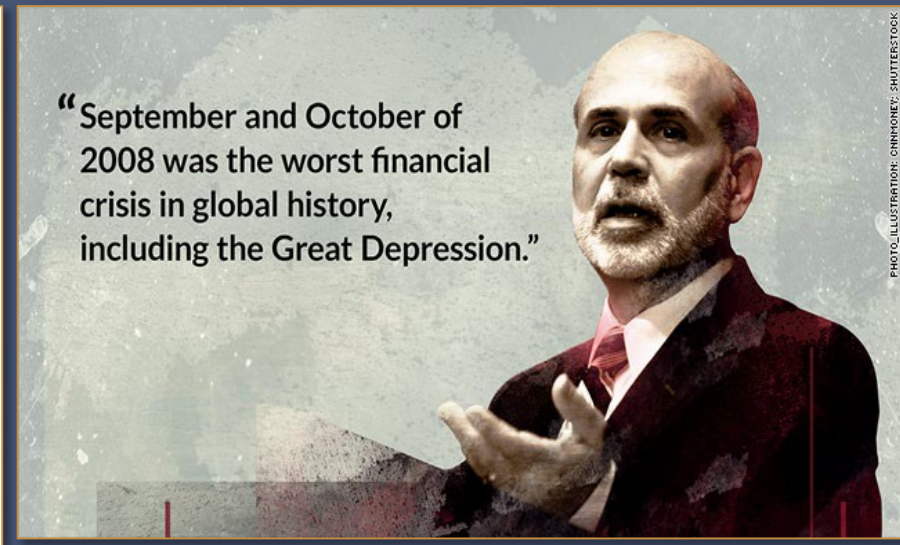
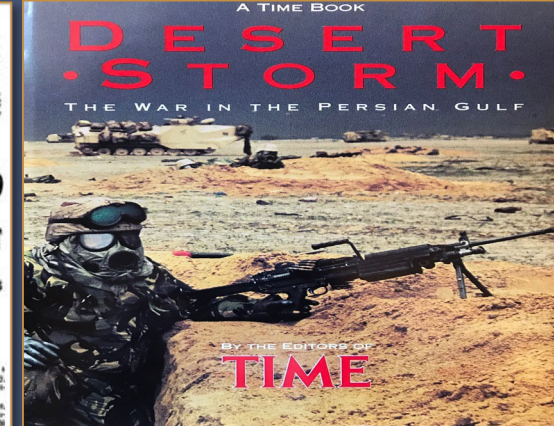
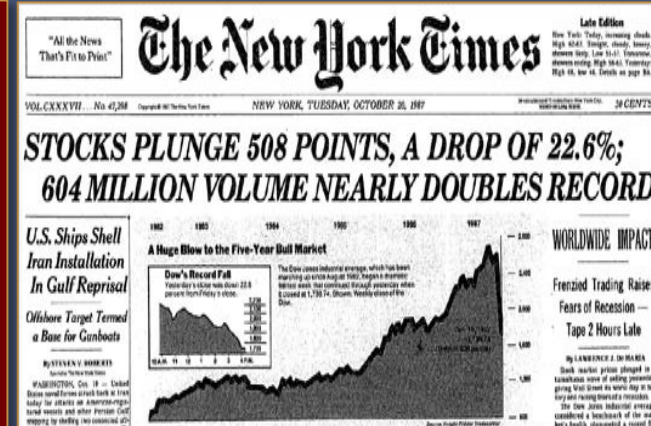
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Been There, Done That, Doing It Again



OPEC Oil Embargo 1973-4

- **OPEC (Organization of Petroleum Exporting Countries)**
- **Members in 1973-4:** Iran, Iraq, Kuwait, Qatar, Saudi Arabia, Libya, Venezuela, Indonesia, United Arab Emirates, Nigeria, Algeria, Ecuador
- **Oil Embargo on Israel's allies** from 1973 Yom Kippur War
- **Leads to inflation** (oil increases 400% in one year)



Daniel H. Lesser
President & CEO

U.S. Lodging Industry 2021

Future Hotel Management Agreements

- Future Hotel Management Agreements will have new provisions:
 - Broader definitions of “Force Majeure” to include pandemics, ,viruses, and other unpredictable events.
 - Minimum base management fees payable in the event force majeure event or an unforeseen shutdown of all or a significant portion of operations.
 - Reset of formula/base line thresholds for incentive fees in the event of a meaningful recession or other shutdown.
 - Clear definition of events that trigger severance and employee benefit payments
 - Increased amounts of working capital reserves.
 - Clarity on responsibility, approvals and decision making for full shutdown, partial shutdown,and and re - opening of hotels.

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Random Thoughts

- Hotel sector recovery will slow down for the remainder of 2021 due to challenges with:
 - Delta variant spike in the U.S. and throughout the world.
 - Deepening supply chain delays.
 - Inability of companies across industries to fill labor positions needed to support consumer demand.
- While leisure demand has approached or exceeded 2019 levels in recent months, commercial demand is not only well below pre-pandemic levels, but has only recovered to about 80 percent of 2015 levels.
- Weakness in gateway travel demand to be largely transitory.
- Reduced operating income provides owners strong argument to appeal for lower property tax valuations/assessments, however due to massive municipal budget deficits, the notion that hotel property tax burdens will also decline is unlikely.
- Forbearance periods are coming to an end which will force unpleasant borrower/lender discussions..

U.S. Lodging Industry 2021 **Reasons For**



- Many reasons for optimism:
 - At some point (no one knows when) the coronavirus contagion will be in our rear-view mirror.
 - Proof already exists that as the pandemic wanes, the seeds of growth are lined up for strong U.S. and global economic growth.
 - Hotel markets will come back to pre-pandemic levels as people want to go back to the lives they had before however meaningful increase in room night demand will only begin in earnest when the traveling public regains confidence.
 - Recent \$900 billion fiscal stimulus package and a crippled services sector resulted in a dramatic rise of U.S. personal savings rate, which should fuel consumer spending during H2 2021.
 - As of 8/ 24/ 2021, the Dow Jones Industrial Average, S&P 500, and Nasdaq all trading at or near record highs.
 - During the next several years relative low interest rates are anticipated to endure.

U.S. Lodging Industry 2021

Reasons For



- Lack of hotel construction financing will keep new supply below historical averages during the next several years.
- Thus far, lenders are reluctant to take back assets without knowing how long they will have to hold, especially when they do not break even.
- Billions of dollars have been raised to deploy debt and equity into the U.S. lodging sector.
 - Long term well capitalized opportunistic investors that bet big, at the right basis, and early in the cycle acquiring and/or investing in loans, assets, and operating companies at historically low prices will likely reap tremendous financial rewards that generate outsized returnsparticularly contrarian sponsors who acquire large urban corporate and group meeting/convention hotels at fractions of replacement cost.
 - Distress deals are coming soon; however, many compelling opportunities will not represent distressed pricing.

U.S. Lodging Industry 2021



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**Green Street's Advice to
Property Investors: Buy Now**

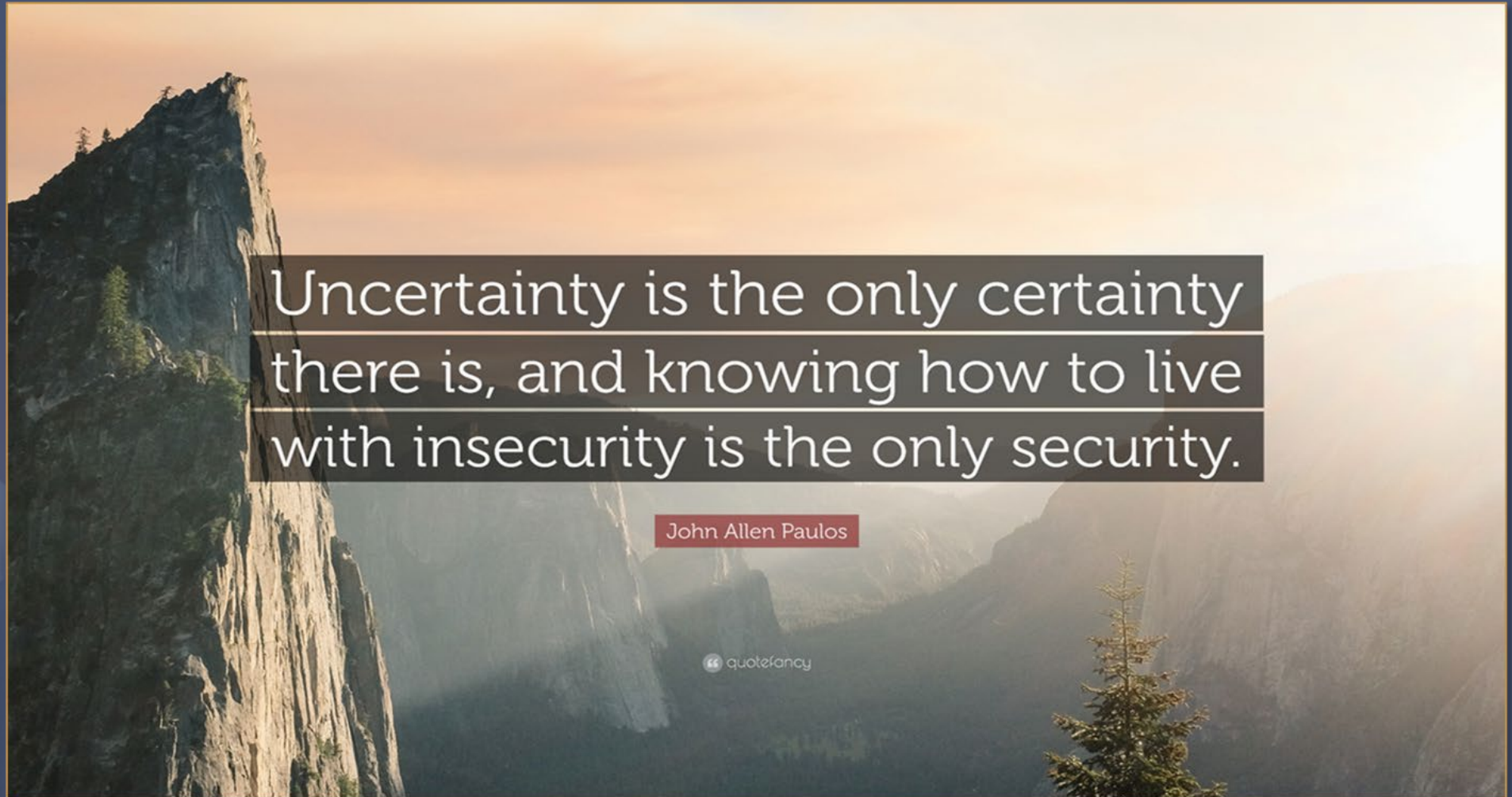
connect national
October 15, 2021

**Always invest for
the long term**

~Warren Buffett~



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2021 Dallas Hotel Conference



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