January 26, 2018

ALIS

Did you miss the 2018 Americas Lodging Investment Summit?

Don't worry. Just read hotelAVE's Key Conference Takeaways!

- **Top Line Outlook:** Unchanged despite tax reform-2018 RevPAR growth forecast ranges from 2.5% to 2.7%.
- **Margin Erosion:** Rising labor costs, real estate taxes and insurance and slower RevPAR means bottom line margin pressure. Savvy revenue management and cost containment are key to maintaining margins.
- **Declining Revenue Capture % (or rooms revenue less third-party commissions):** went from 84.9% in 2015 to 83.8% in 2017 and is forecasted to be 83.5% in 2018. This reflects an industry revenue loss of $420M, and seems to contradict that brand.com revenue is growing faster than OTA, both reported by Kalibri Labs.
- **Reduced Concern About Airbnb Impact:** Regulations are impacting growth (NYC & SF). Greatest impact remains for long term stays (+8 days) vs. luxury and upper upscale segments.
- **Transactions Down and Boring**: US transaction volume declined -18.0% in 2017 and projected to be flat in 2018. Buyers were less enthused about current offerings on the market. Listings at ALIS were anemic vs. prior years. If you have an attractive asset, it is a great time to sell.
- **Buyer Profile Changed:** Middle East capital has dried up and Chinese equity has been more limited. Broker-dealer raised capital also appears limited. Current buyers are looking for more yield, although 15-17% IRR is

the new 20%+.

- **Love/Hate Markets:** A recap of the various panels. Buy: LA, Miami, NYC, & SF: Sell:Chicago.
- **Senior and Mezzanine Debt Capital is Abundant:** for existing assets, and quickly thins for new construction, especially in NYC, Miami, Austin and Nashville. Cost of debt expected to rise with Federal Reserve rate hikes. Because of the continued transaction bid/ask spread, the debt markets are providing a synthetic "exit" for sellers without having to sell.
- **Tax Reform Impact:** Positive for leisure travel and hopefully will contribute to a turnaround of corporate travel by 2H18. Tax act also favorable for real estate investment and could cause corporate relocations to more tax friendly states (such as from outside the U.S. or California to Texas).

Managing to forward trends is one way we maximize hotel profitability. To learn more about hotelAVE and our exceptional asset management and consulting services, please contact us or visit our website at www.hotelAVE.com.

Best Regards,

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