



## ALIS

### Did you miss the 2019 ALIS Conference?

Then just read hotelAVE's Key Conference Takeaways!

**Stable (albeit Decelerating) Fundamentals:** RevPAR will continue to grow driven by corporate travel in 2019 (+2.7%) and will peak in 2020 (+2.0%) before declining in 2021 (-0.6%). Wage rates are outpacing top line revenue growth and GOP margins peaked in 2018. How will investors factor this into their underwriting?

**Transactions to Remain Flat in 2019:** This year REITs are expected to remain more sidelined, whereas core and core-plus private equity funds, sovereign wealth funds, and family offices with longer term hold horizons will likely drive transaction volume.

#### **Increased Caution Amongst Lenders means Higher Debt Yield**

**Requirements:** Economic slowdown continues to be the lenders most formidable threat. Senior lenders now requiring an average minimum debt yield of 9.7% on UW cash flow (up from 9.1% LY). Lenders are less concerned about increases in competitive supply and more concerned with refinancing risk due to higher exit cap rates and/or higher future borrowing costs. hotelAVE is involved in new REO asset management for the first time since 2011.

**Cybersecurity Cost and Data Privacy Concerns:** Cybersecurity breaches including the Marriott data breach have heightened privacy concerns as well as who should pay for the breach. Hotel owners are mitigating their risk with appropriate

cyber liability insurance while arguing that the brands that control the systems and own the guest data are responsible. Data privacy is expected to be a major legislative focus in the U.S. in 2019. GDPR, the major data protection and privacy law that passed in the EU, became enforceable in May 2018. Hotels that target European markets are expected to adhere to these policies.

**Integration from M&A:** Integration from recent M&A has created operational disruption and additional costs for hotel owners. Integration of disparate systems across PMS, POS, Sales, Revenue, Distribution, IT etc. is taking more time than expected. The experts say to expect more M&A and brand consolidation activity in 2019. Who is next?

**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](http://www.hotelAVE.com).**