

Tampa Bay Area

Lodging Investment Overview

HCHMA Trends & Forecasting Forum

Tampa, Florida

August 4th, 2016

Presented by:



THE PLASENCIA GROUP

Passion. Access. Certainty.



Presentation Disclaimer

- We are merely presenting information today regarding the economy and the lodging sector, as well as our firm's perceptions on the economy and the industry's performance.
- We are not in any way recommending or urging you to take any action whatsoever as a result of our presentation. Any actions you may decide to take resulting from any comments today would be at your own risk.
- We recommend you independently validate today's information.
- We make no representation that any statements or projections we may present today will actually come to fruition.

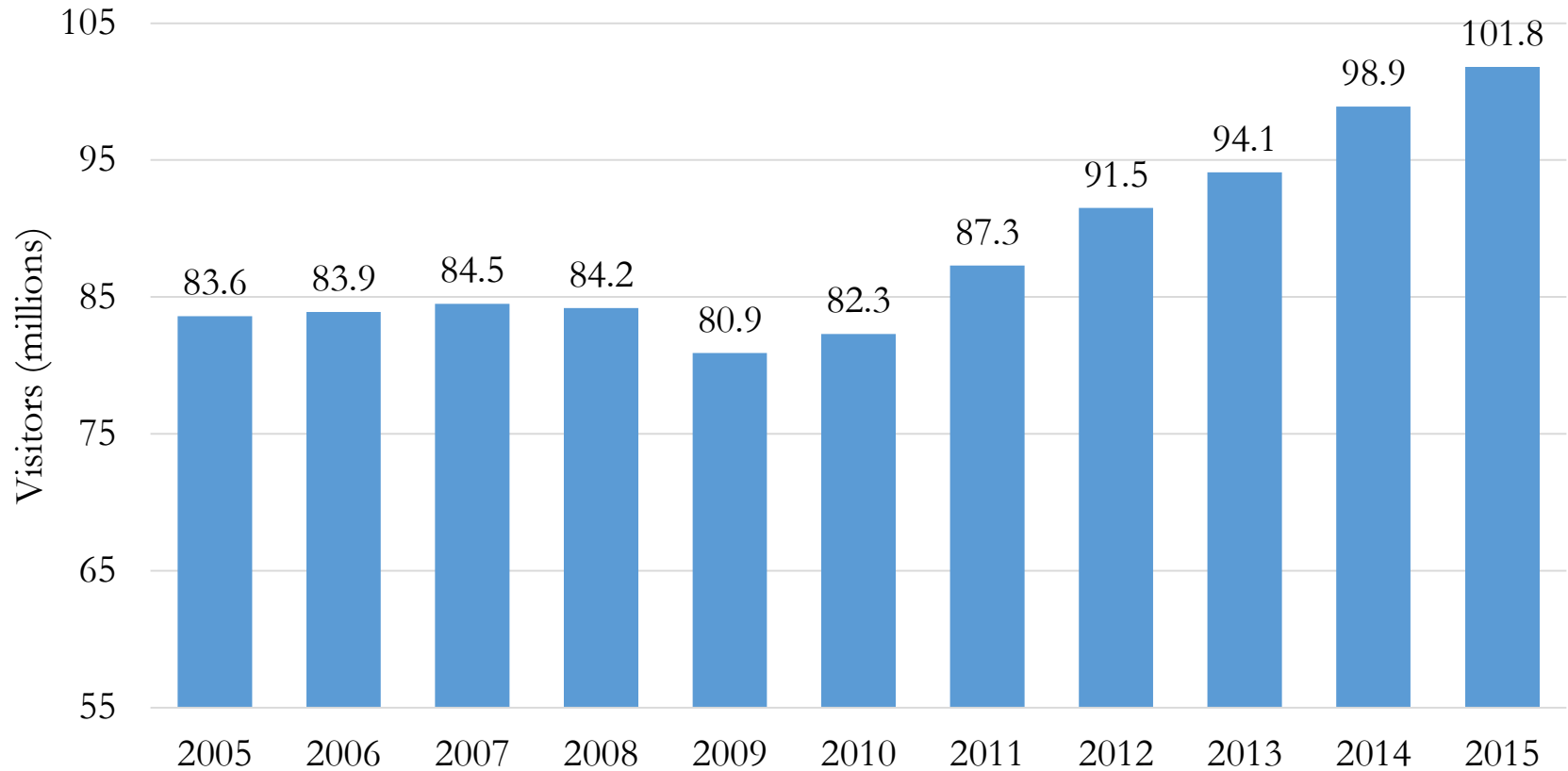


TPG Background

- Founded in 1993, specializing exclusively in hospitality real estate throughout the United States, Canada, Mexico and the Caribbean
- Completed over \$15 billion in sales, financings, and developments for hundreds of hotel, resort and mixed use engagements
- Corporate headquarters in Tampa with offices throughout the United States
- Divisions include:
 - **Investments & Transactions** – acquisitions and dispositions, mainly of Upper Upscale and Luxury full service hotels and resorts
 - **Capital Markets** – Raising investment equity and placing debt for acquisitions, refinancings and repositionings
 - **Advisory and Consulting** – Providing ownership oversight on behalf of clients and investment partnerships; Managing hotel construction and renovations for clients and investment partnerships



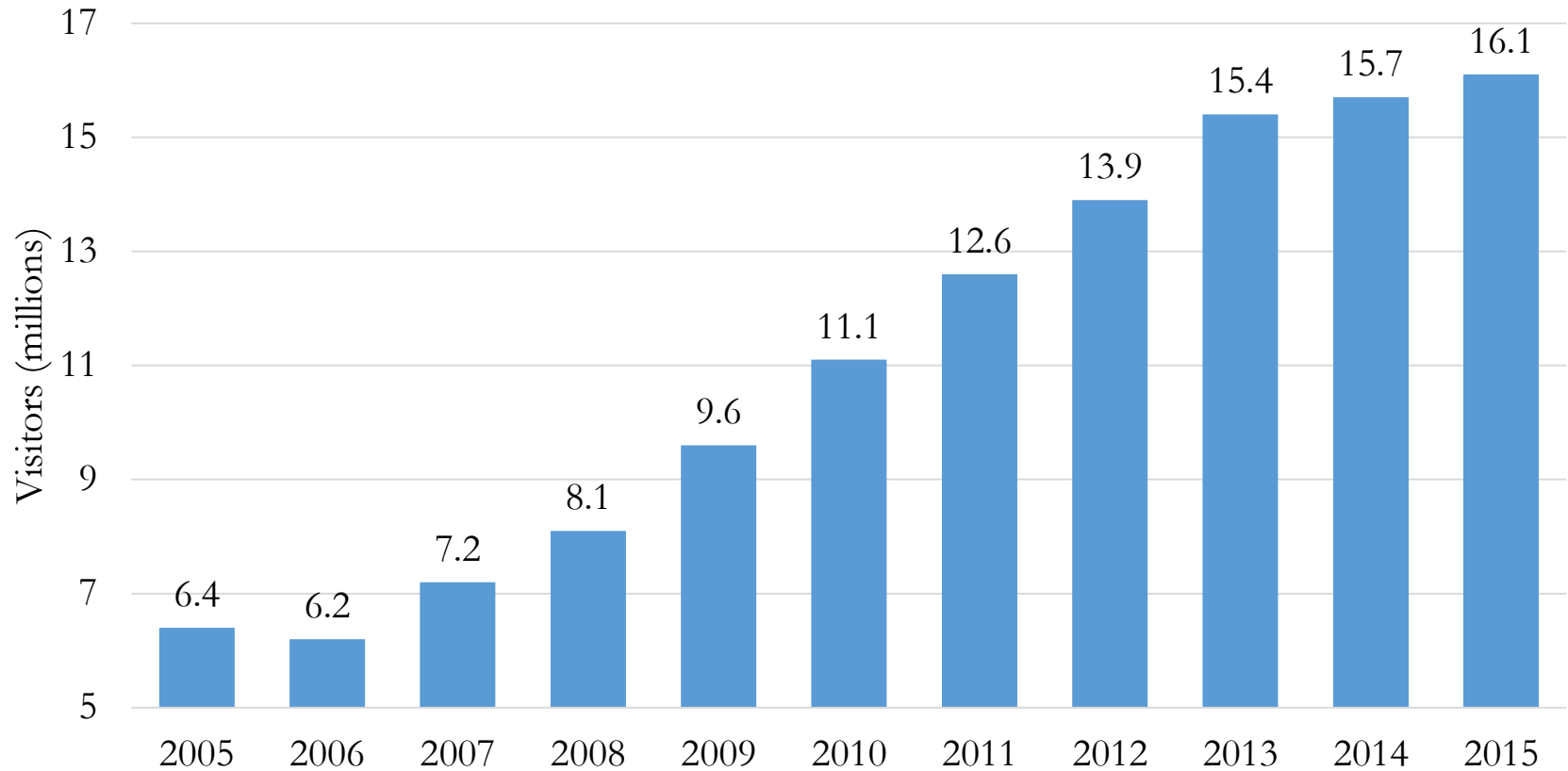
Florida Visitor Volume (2005-2015)



Source: Visit Florida



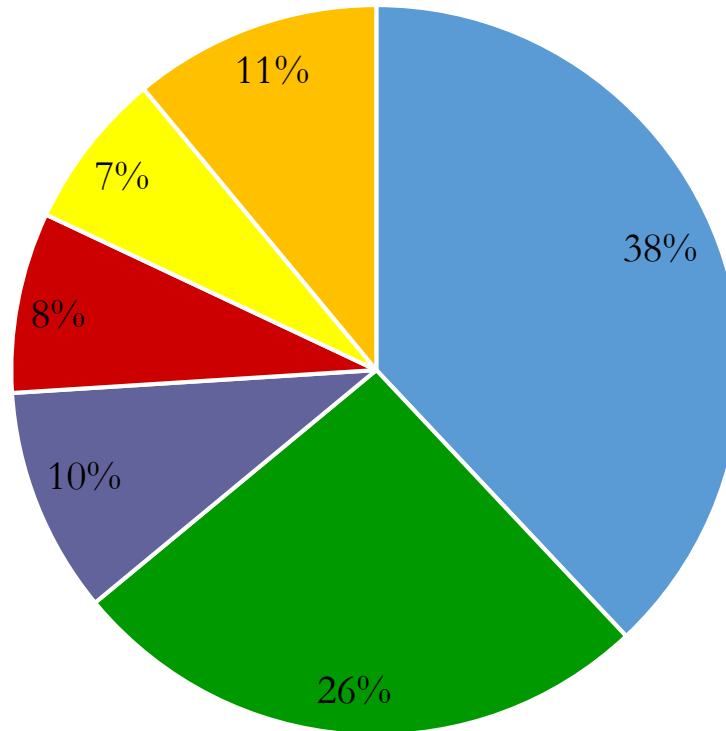
Florida International Visitor Volume (2005-2015)



Source: Visit Florida



Florida Visitor Trip Purpose (2015)



- General Vacation
- Visit Relatives/Friends
- Weekend Getaway
- Special Event
- Other Leisure
- Business

Source: D.K. Shifflet & Associates; Visit Florida



Florida Visitor Profile by Trip Purpose (2015)

	Leisure	Visiting Friends & Relatives ⁽¹⁾	Business
Percentage of Total Domestic Visitation	89%	26%	11%
Per Day Spend	\$145	\$97 ⁽²⁾	\$260
Average Length of Stay	4.5 nights	4.3 nights	3.1 nights
Paid Accommodation	60%	21%	84%
Average Party Size	2.3	1.9	1.4
Leading Season	Summer (30%)	Winter (29%)	Fall (29%)
States of Origin	Georgia (10%) New York (9%) Ohio (5%)	New York (12%) Georgia (10%) Pennsylvania (5%)	Georgia (13%) New York (11%) Texas (9%)
Trip Value	\$1,751	\$931	\$1,401

(1) Visiting Friends & Relatives data is included in Leisure.

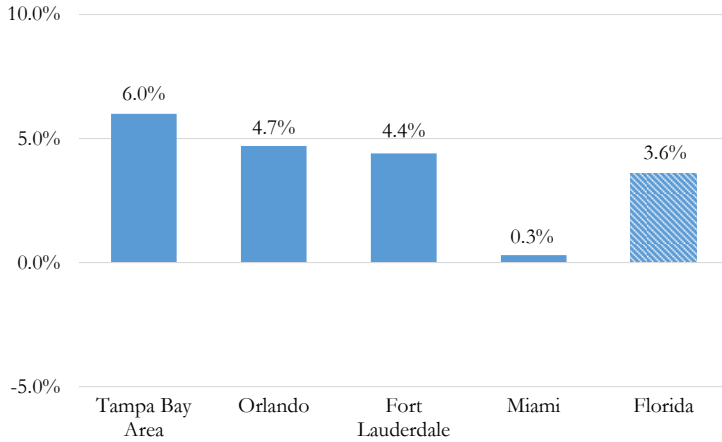
(2) Visitors visiting friends and relatives typically inspire increased entertainment and travel spending by their hosts, which is not reflected in this study.

Source: D.K. Shifflet & Associates; Visit Florida

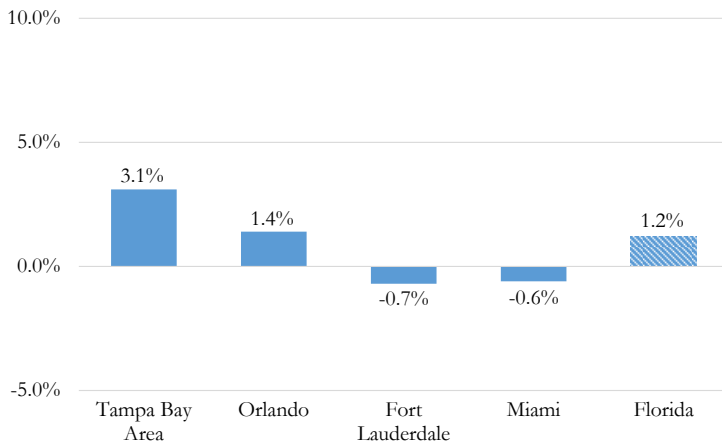


Strong T-12 RevPAR Growth in Major FL Markets

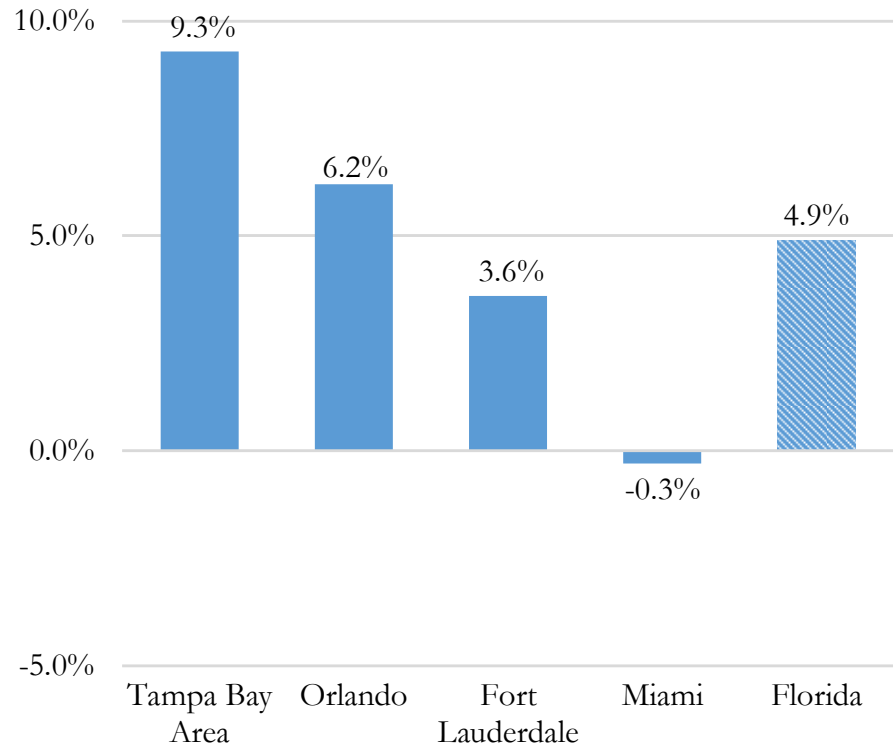
ADR Rate of Growth



Occupancy Rate of Growth



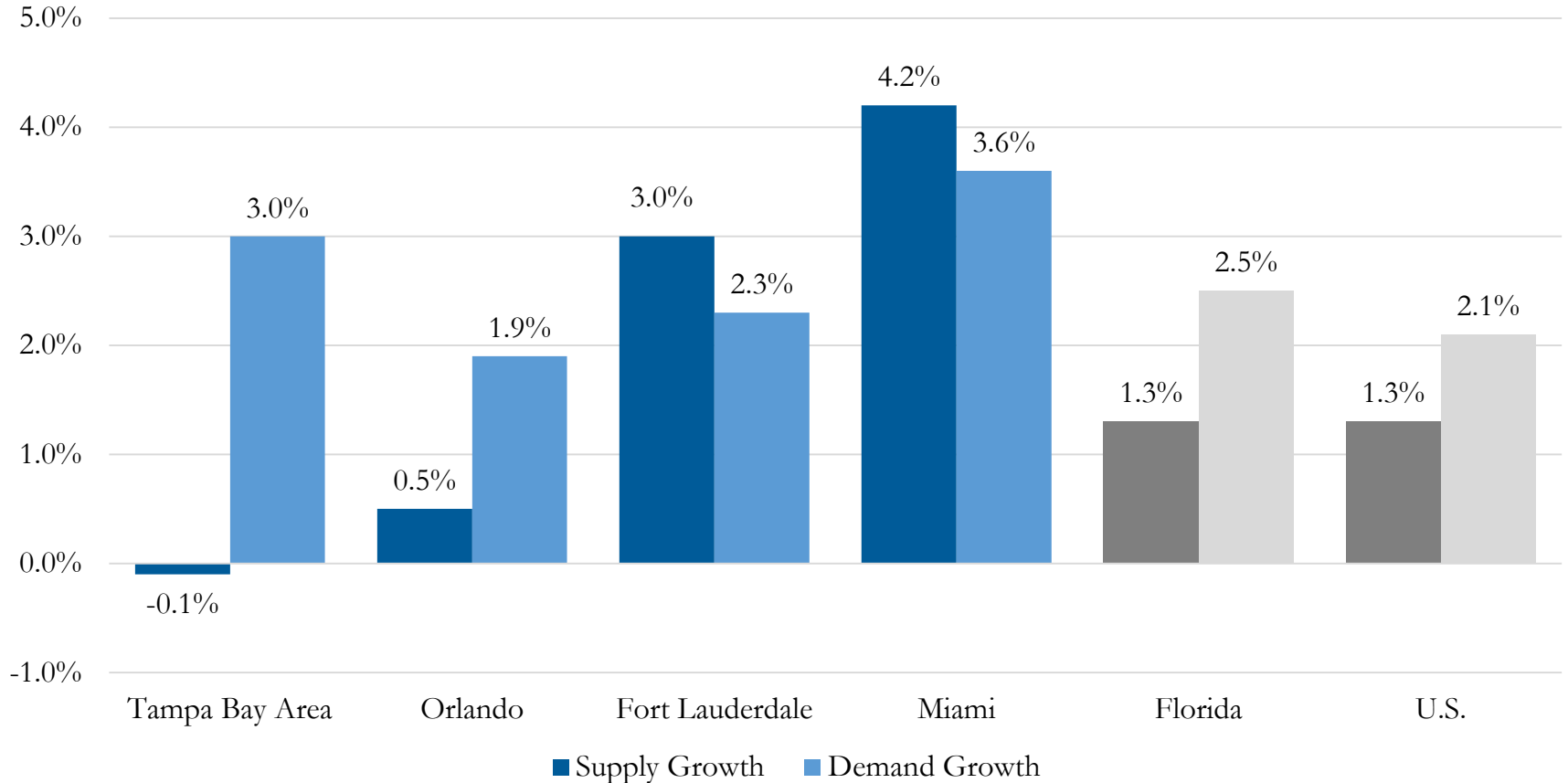
RevPAR Rate of Growth



All segments; Twelve months ending May 2016.
Source: Smith Travel Research.



Supply and Demand Across Florida Markets



Twelve months ending May 2016.

Source: Smith Travel Research.



Transaction Environment

United States

- The overall number (volume) of hotel sales has decreased dramatically as REITs have stopped buying.
- Vast amounts of sovereign money continue to flow into the United States due to uncertainty in other parts of the world. The USA is seen, now more than ever, as the safest haven for foreign capital.
- Increases in room supply in many major markets is now resulting in very little growth in occupancy while ADR has been the driving component in RevPAR growth..

Tampa Bay

- US investment activity peaked in late 2015 but transaction pace in the Tampa Bay area has actually increased.
- There have already been at least two major transactions (above \$20M) in the Tampa Bay area this year, and at least three more will occur by year end.
- A new record will be set in our region this year as sale volume and per-key pricing will be the highest ever recorded.



US Lodging Capitalization Rates and Investor Returns

Cap Rates (Stabilized Properties)

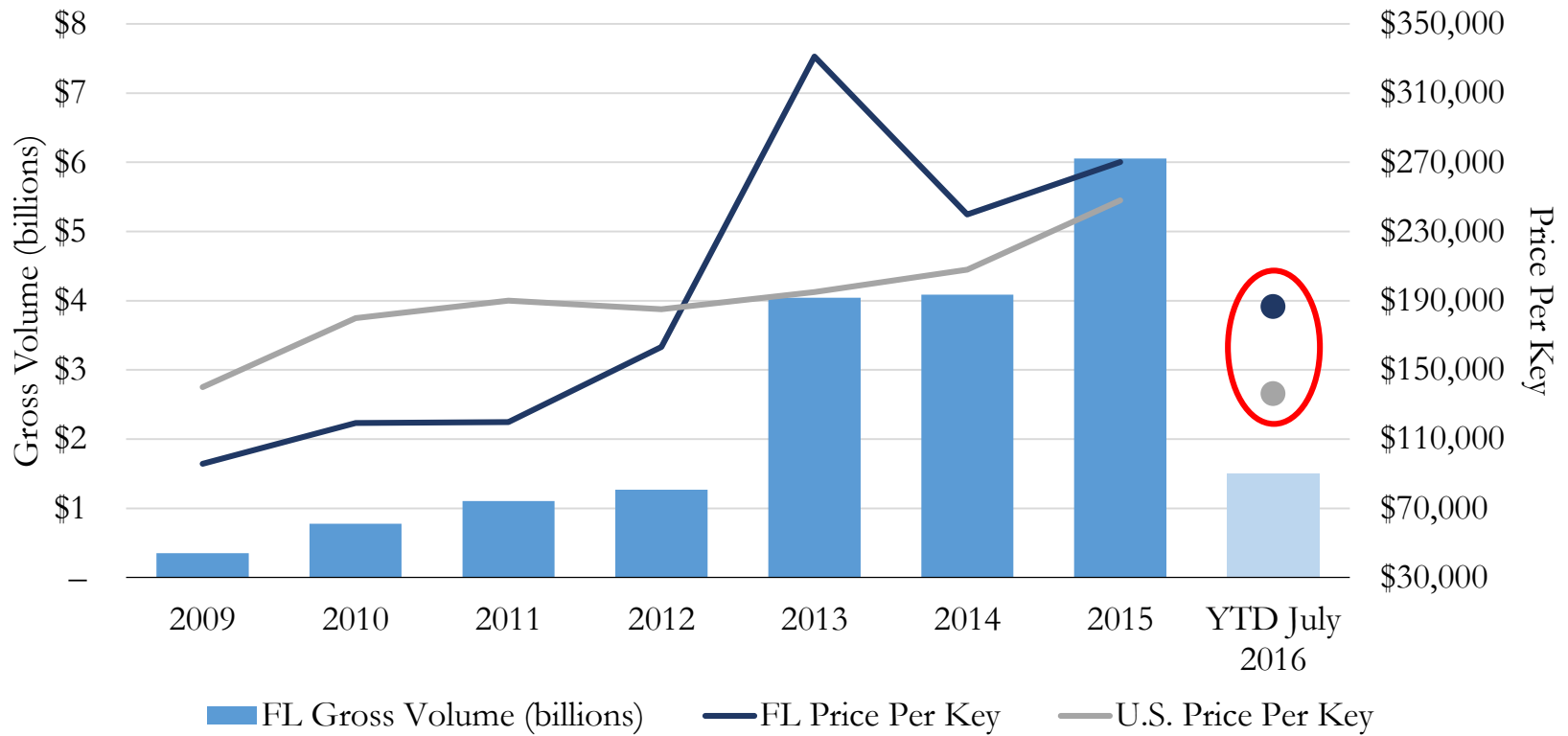
- 6.0% to 7.0% for luxury hotels or full-service hotels in gateway markets
- 7.0% to 8.0% for full-service hotels in secondary markets
- 8.0% to 9.5% for select-service hotels in primary and secondary markets

IRRs

- Unlevered: 8.0% to 10.0%
- Levered: 18.0% to 20.0%



Florida Hotel Investment Trends



Note: 2013 data includes the transactions of the Fontainebleau Miami Beach and the Hyatt Regency Orlando Convention Center, the two largest transactions by volume in the entire date range, which accounts for peak in FL Price Per Key in that year.

Source: Real Capital Analytics. Includes all transactions over \$10 million.

Hotel values in Florida reflect increased profitability, having grown sharply in recent years and having surpassed both prior peaks and the national average. Florida assets continue to garner attention from domestic and foreign capital sources seeking to invest in a robust lodging market.



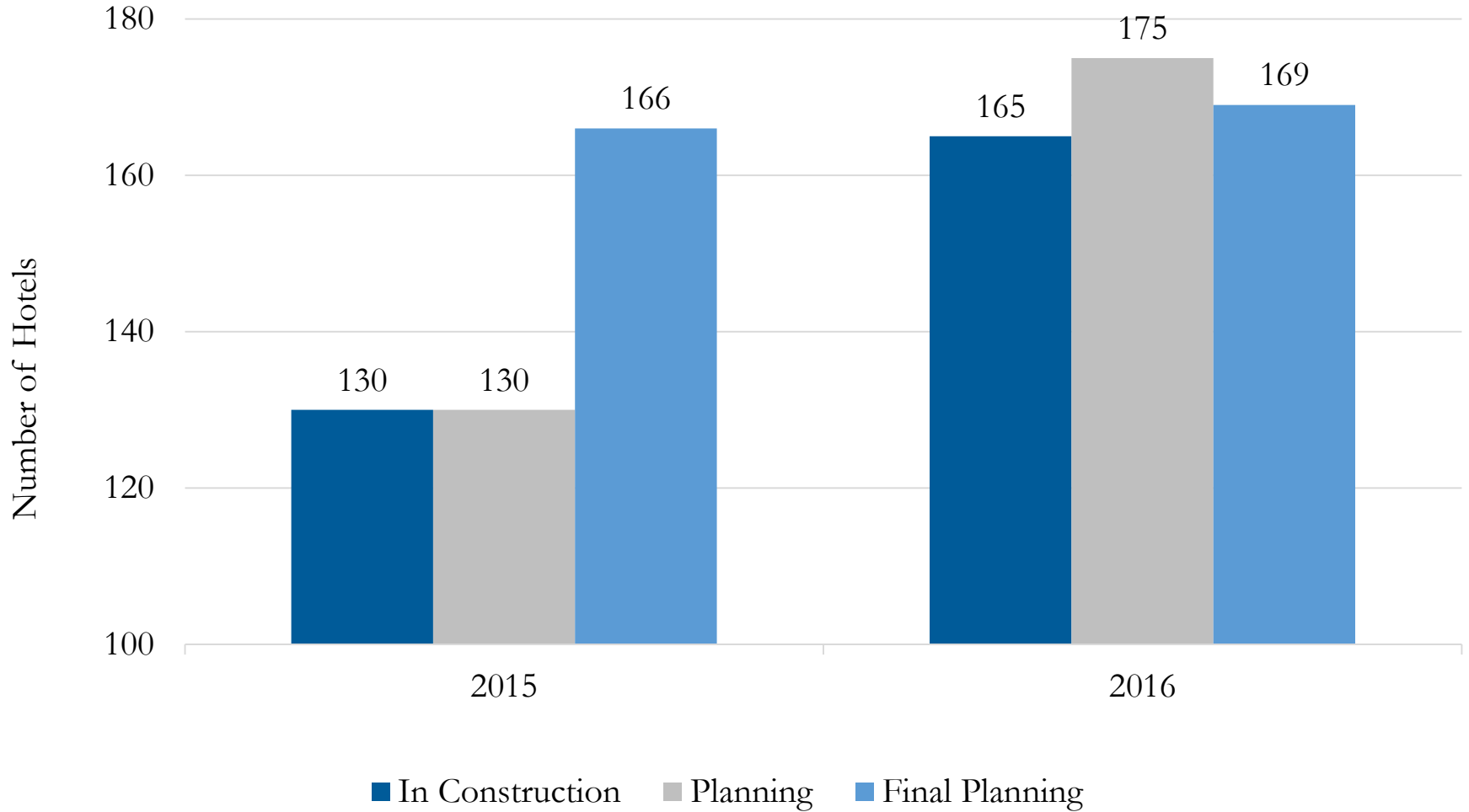
Florida Gulf Coast Hotel Sales (25 Most Recent Transactions)

Date	Hotel	City	Keys	Price	Price per Key
Feb-16	Hyatt Regency Clearwater Beach Resort	Clearwater Beach	250	\$120,500,000	\$482,000
Dec-15	Holiday Inn Sanibel Island	Sanibel	98	\$27,000,000	\$275,510
Nov-15	Aloft Tampa Downtown	Tampa	130	\$28,621,500	\$220,165
Jun-16	Hilton Tampa Downtown	Tampa	521	\$101,000,000	\$193,858
May-16	Courtyard by Marriott	Naples	98	\$18,800,000	\$191,837
Jul-16	Residence Inn Clearwater Downtown	Clearwater	115	\$18,000,000	\$156,522
Aug-15	Pierview Hotel & Suites	Fort Myers Beach	70	\$10,900,000	\$155,714
Jun-16	Hampton Inn & Suites	Wesley Chapel	94	\$13,900,000	\$147,872
Jul-16	Hyatt Place Sarasota / Bradenton Airport	Sarasota	114	\$16,100,000	\$141,228
Dec-15	Hampton Inn & Suites	Largo	92	\$12,900,000	\$140,217
Nov-15	Courtyard St. Petersburg	Saint Petersburg	128	\$17,750,000	\$138,672
Oct-15	Bay Harbor Hotel	Tampa	257	\$34,500,000	\$134,241
Nov-15	Sheraton Riverwalk	Tampa	277	\$32,875,000	\$118,682
Sep-15	Homewood Suites	Bonita Springs	106	\$11,500,000	\$108,491
Oct-15	The Suites at Mainsail Village	Tampa	360	\$39,000,000	\$108,333
Jun-16	Hampton Inn & Suites	Sarasota	108	\$11,215,200	\$103,844
Dec-15	Doubletree	Tampa	489	\$40,000,000	\$81,800
Apr-16	Sheraton Suites Tampa Airport	Tampa	259	\$19,950,000	\$77,027

Note: Includes transactions over \$10 Million. Source: Real Capital Analytics



U.S. Hotel Pipeline



As of May 2016.

Source: Smith Travel Research.



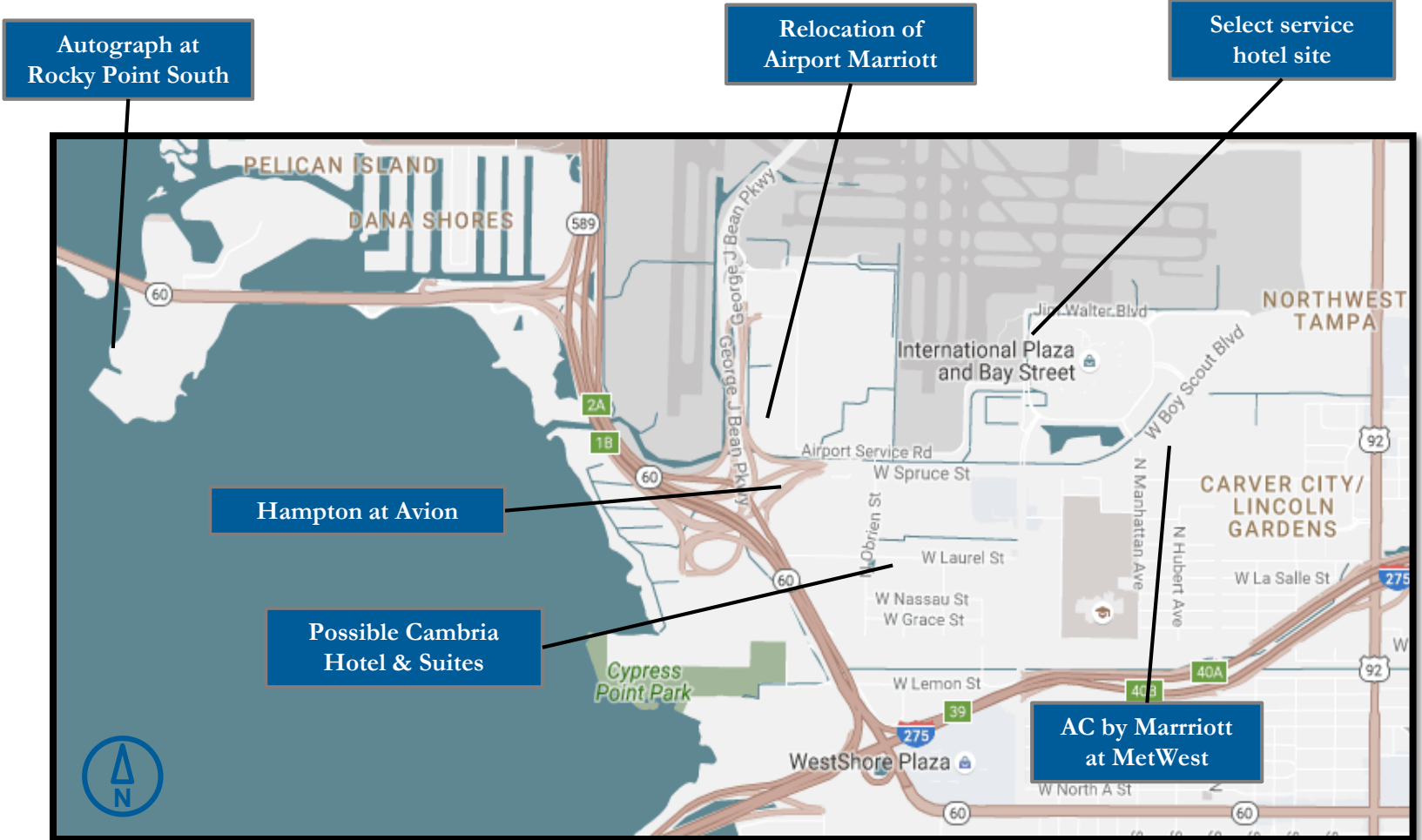
Hotels Now Under Construction in Tampa Bay Area

Hotel	City	Class	Open Date
Hyatt Place Lakewood Ranch	Bradenton	Upscale	Q1 2017
Wyndham Grand Resort	Clearwater	Upper Upscale	Q3 2017
Hampton Inn & Suites	Clearwater	Upper Midscale	Q3 2017
Springhill Suites/Residence Inn	Clearwater	Upscale	Q2 2017
Bay Esplanade Hotel	Clearwater	Upper Midscale	Q1 2017
Entrada Clearwater Beach	Clearwater	Upper Midscale	Q4 2016
Fenway Hotel	Dunedin	Upper Upscale	Q2 2017
Hotel Sarasota	Sarasota	Upper Upscale	Q2 2017
Westin Sarasota	Sarasota	Upper Upscale	Q4 2016
Embassy Suites Sarasota	Sarasota	Upper Upscale	Q2 2017
Hampton Inn Busch Gardens	Tampa	Upper Midscale	Q3 2016
Hampton Inn Tampa Airport	Tampa	Upper Midscale	Q3 2016
Holiday Inn Express	Wesley Chapel	Upper Midscale	Q4 2016

Source: Lodging Development Group.

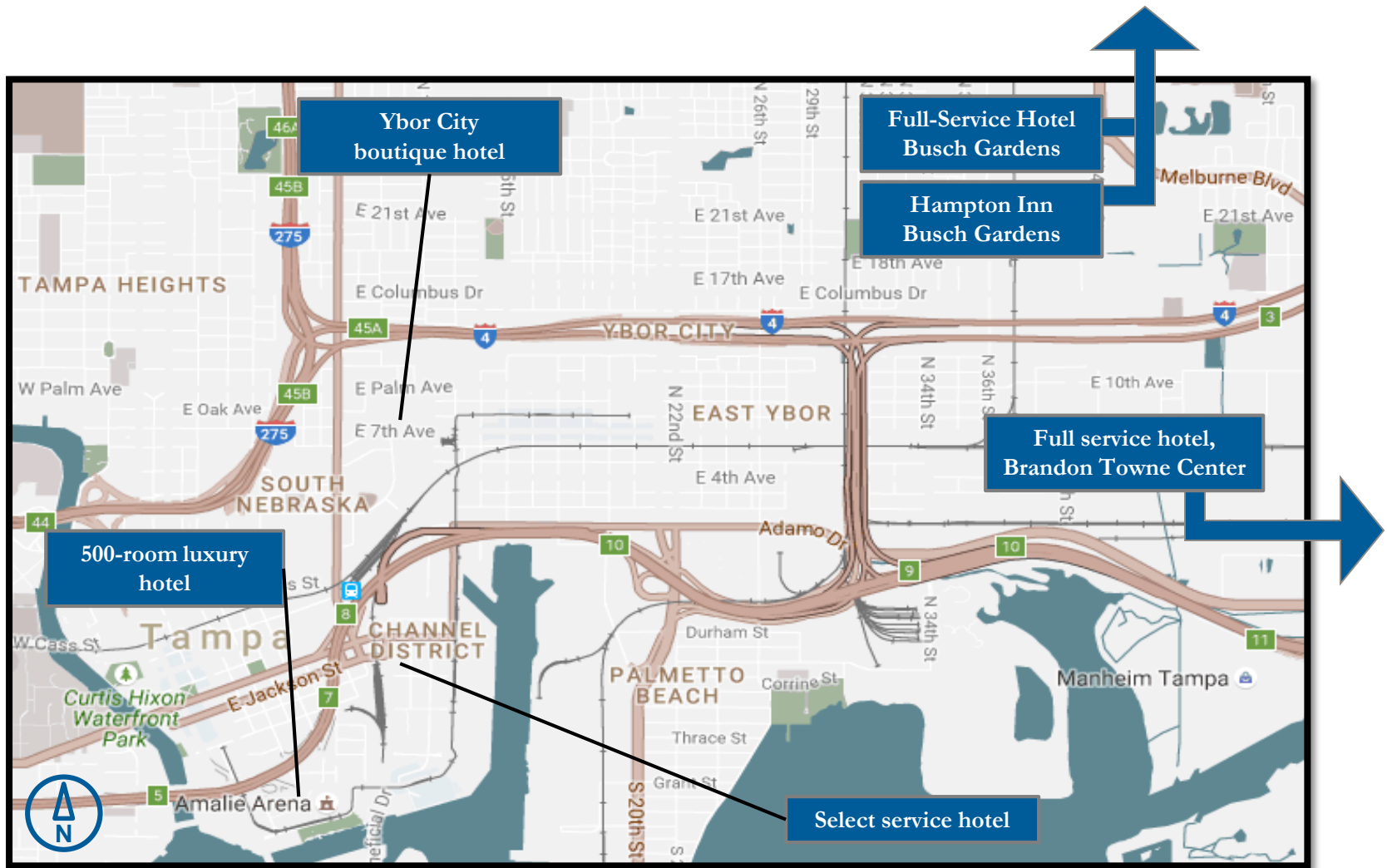


New Supply in TPA / Westshore Area





New Supply in Downtown Tampa Area











Our Cracked Crystal Ball





As We See It: The National Scene

- As was the case in 2015, all of the annual “Cracked Crystal Ball” indicators that we follow are trending positive:
 - Commercial Rail (Forward Contracts) 
 - Luggage Sales 
 - Jet A Fuel Contracts 
 - Dry Cleaning & Laundry Institute 
 - Movie Theatre Ticket Sales 
 - Sleep in America Poll 
- Economists suggest that GDP will grow in 2017 and that the chances of a technical recession remain very low.
- Higher GDP growth in 2017 leads to higher ADR growth with improved flow-through to the bottom line.
- The U.S. lodging sector will continue to set records for profitability, but labor and insurance costs are taking their toll.
- As interest rates rise – and they will – there will be fewer dollars available for capital expenditures.



As We See It: The Local Scene

- Hillsborough and Pinellas demand (occupancy) has picked pick up nicely in the past year, although the rate of growth is slowing. We believe there will be positive growth for at least two more years, ending when significant new supply hits the market.
- Group pace at individual properties is strong for the next two to three years. City-wide group pace is strong, but is not growing as fast as is that of individual area hotels.
- Group will play a larger role in Pinellas in the coming years.
- Average Daily Rate is finally growing at a faster pace due mainly to group business at individual hotels. Hotels benefitting from enhanced flow-through.
- We expect RevPAR for upper upscale hotels in the Tampa Bay Area to increase over **6.0%** in 2017 and **4.5%** in 2018.



As We See It: The Local Scene

- We will see several more investors from outside the region invest here, as the lack of attractive opportunities in gateway markets leads them to shift their focus to “A” properties in “B” markets.
- Over the next two to three years, both Hillsborough and Pinellas counties will experience growth in room inventory above national or Florida levels.
- Look for downtown St. Petersburg to attract at least one other group-oriented hotel in the next two years.
- The effects of the Zika virus will be limited as efforts are underway to address the issue head-on.



Question & Answer

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HCHMA 17th Annual Trends & Forecasting Forum

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Agenda



- **Total U.S. Review**
- **Comparative Markets**
- **Florida Markets**
- **Tampa/St. Petersburg**
- **Hillsborough and Pinellas Counties**
- **2016 / 2017 Forecast**



Total U.S. Review

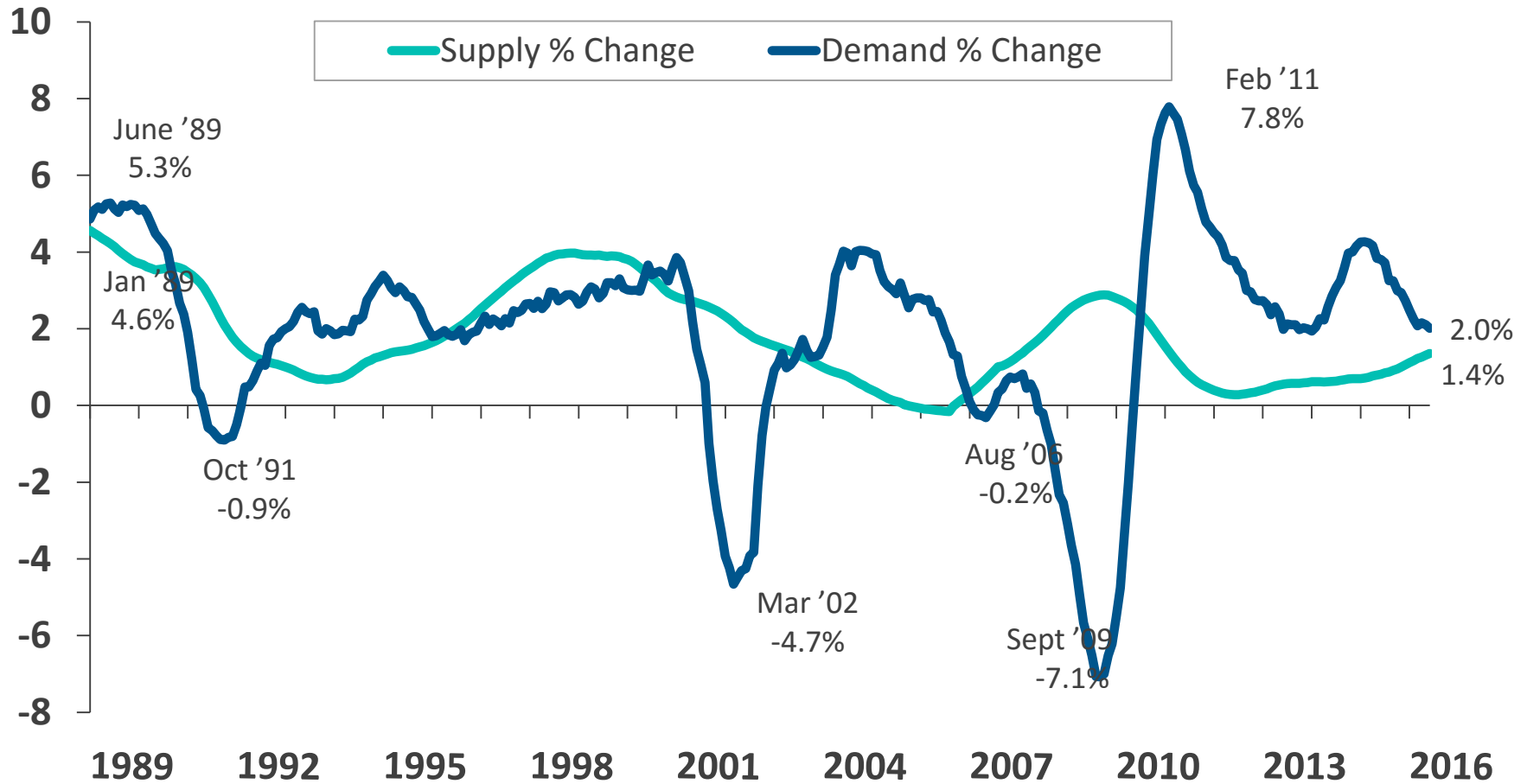
RevPAR Growth Continues to Slow



		<u>% Change</u>
• Hotels	54 k	
• Room Supply	1.8 bn	1.4%
• Room Demand	1.2 bn	2.0%
• Occupancy	65.5%	0.6%
• ADR	\$122.04	3.6%
• RevPAR	\$79.91	4.3%
• Room Revenue	\$146 bn	5.7%

Total US - Key Statistics
Twelve Month Moving Average June 2016

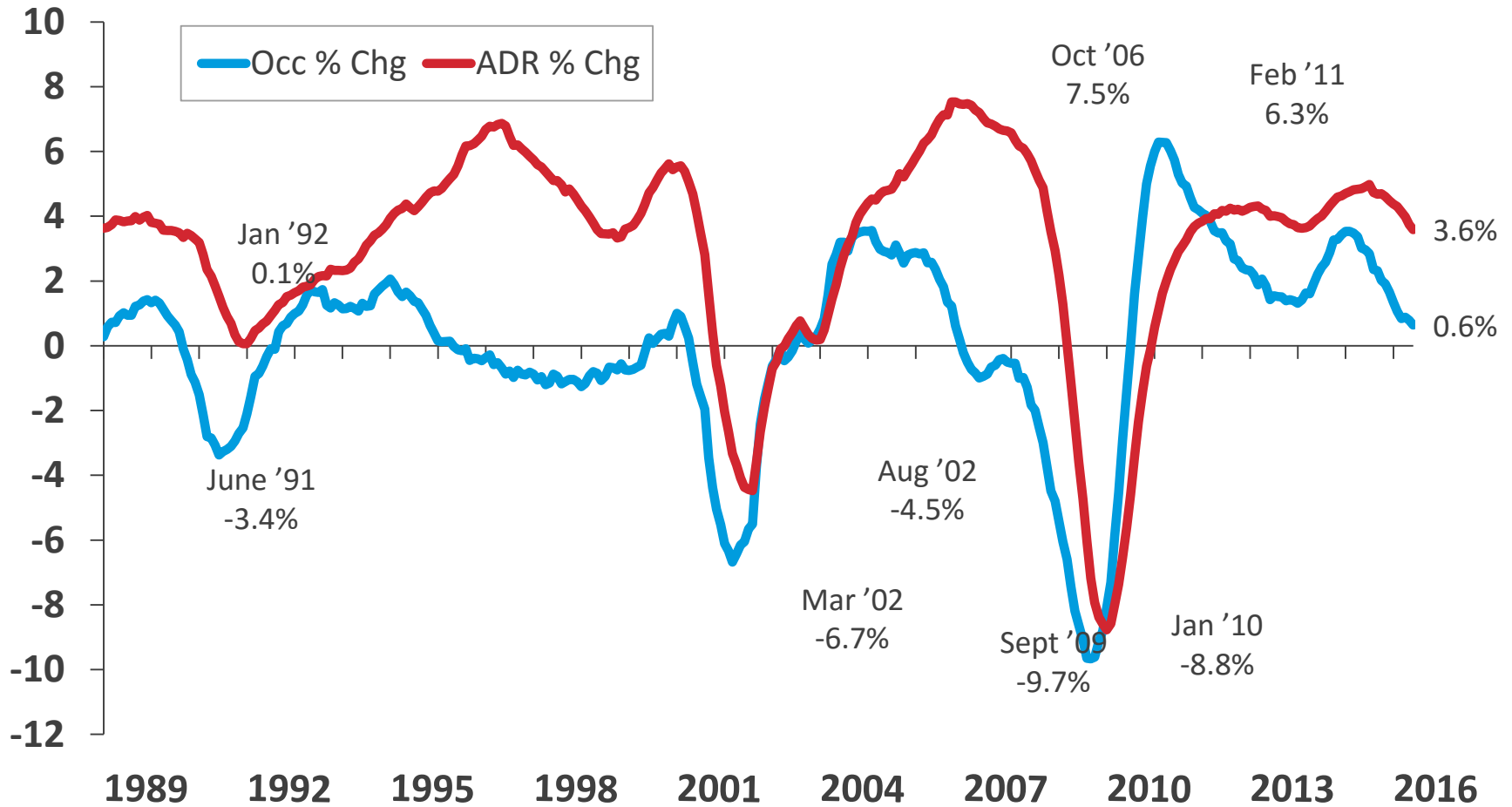
Demand Growth Slows while Supply Growth Ticks Up to 1.4%



Total United States
Room Supply/Demand Percent Change
Twelve Month Moving Average – 1989 to June 2016

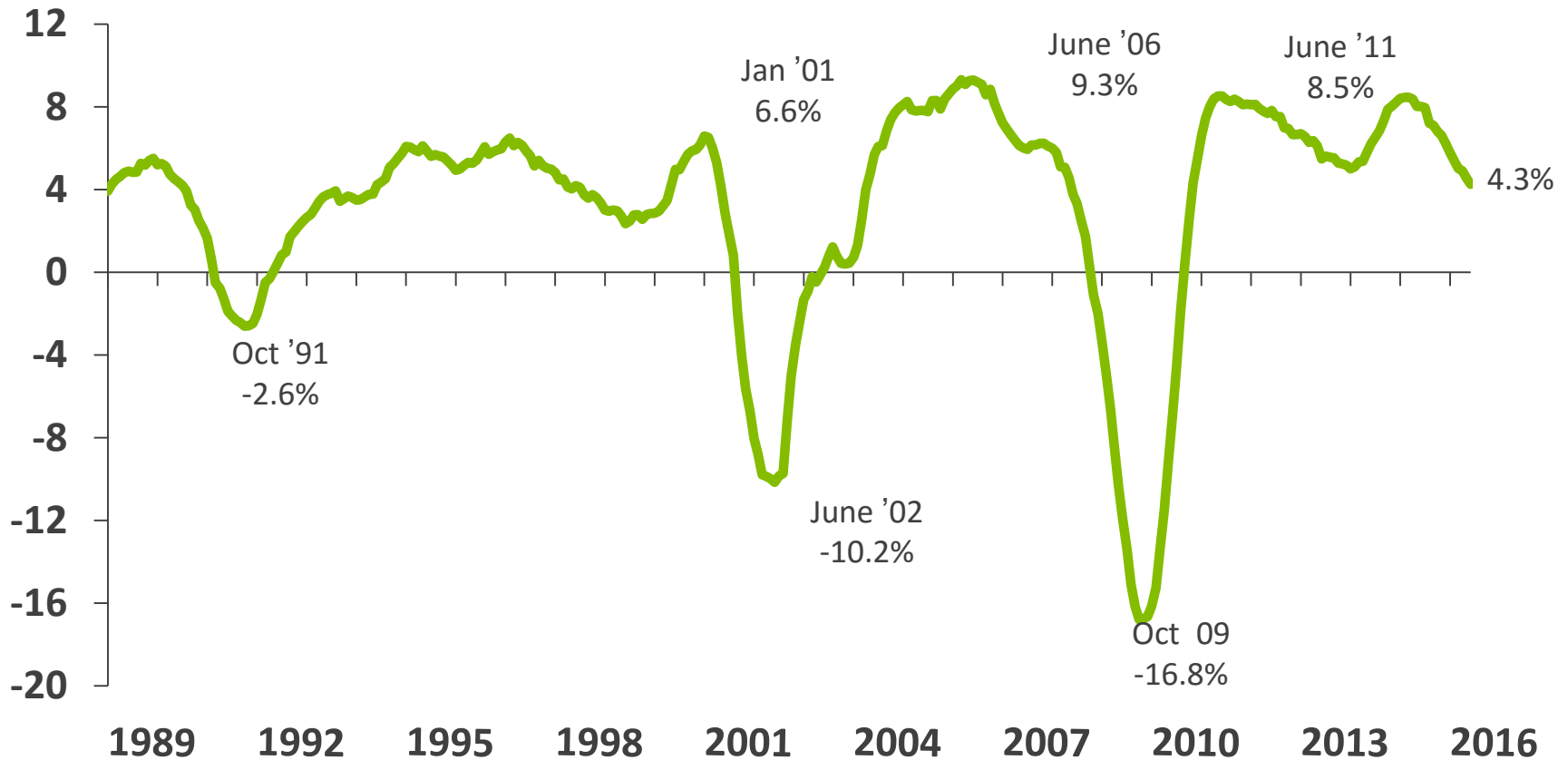


ADR Growth Softening Occupancy Growth Decelerating



Total United States
Occupancy/ADR Percent Change
Twelve Month Moving Average – 1989 to June 2016

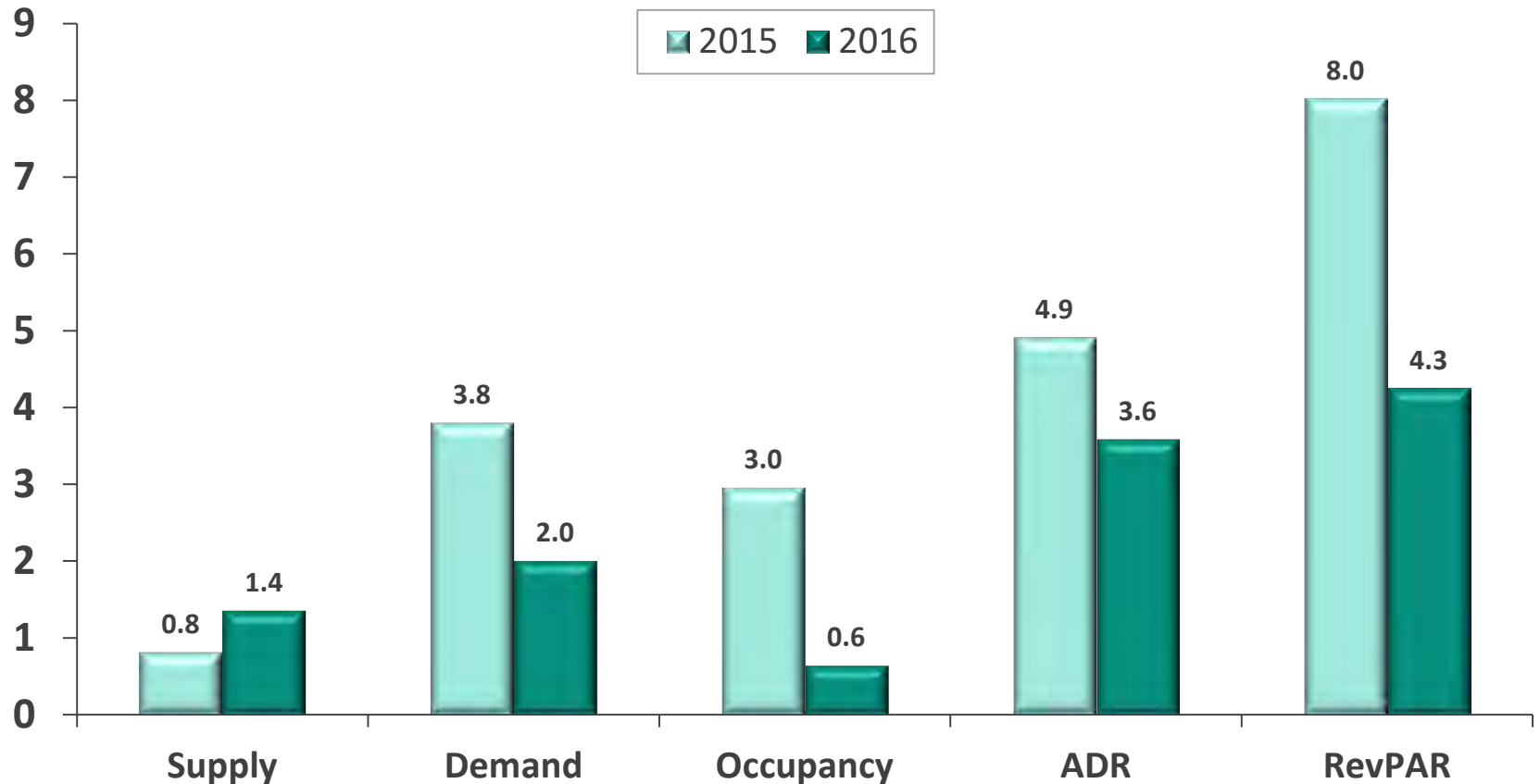
RevPAR Weakening Due to Moderate ADR Growth and Minimal Occupancy Growth



Total United States
RevPAR Percent Change
Twelve Month Moving Average – 1989 to June 2016



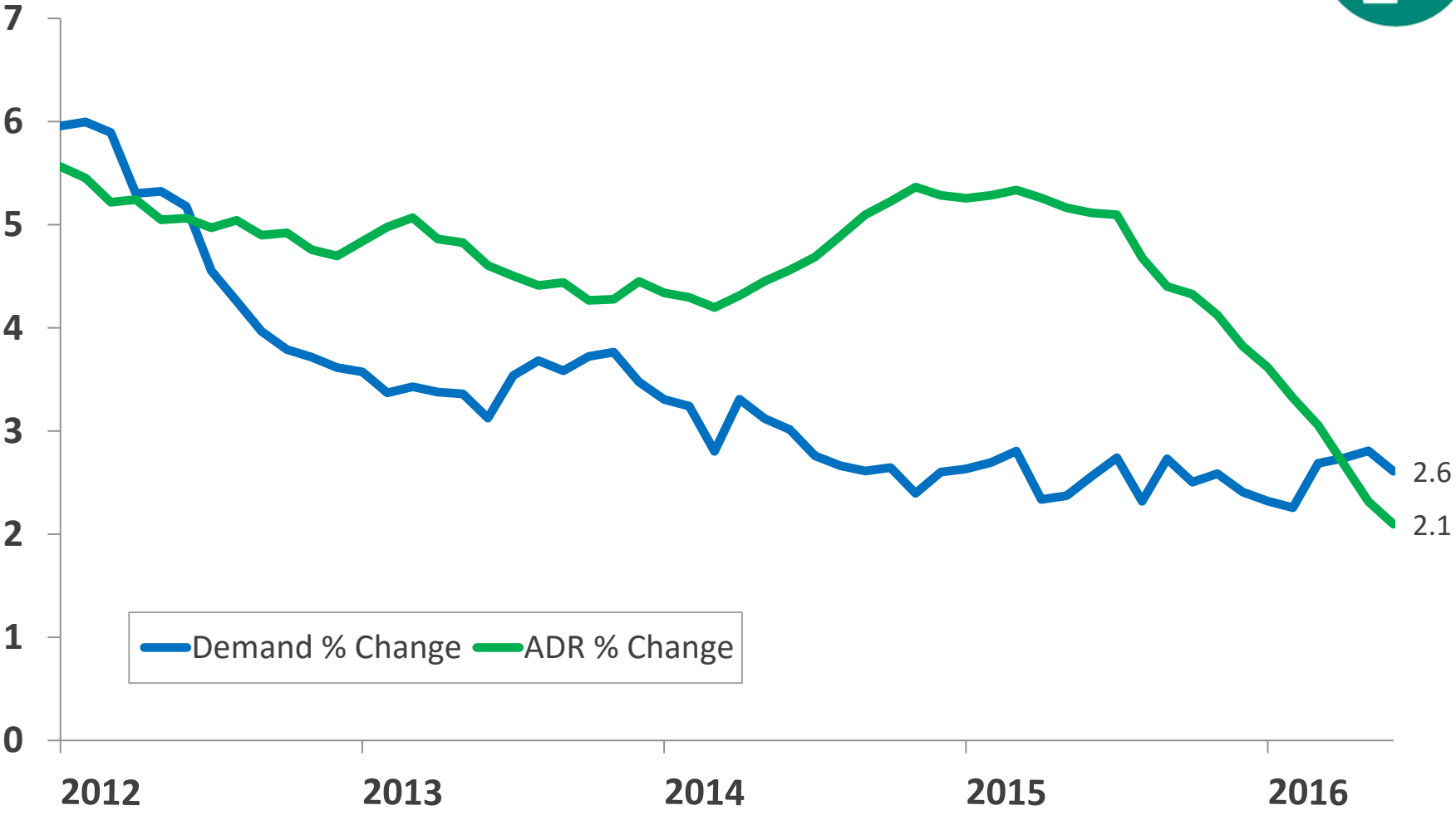
Supply Growth Coupled with Slowing Demand and ADR Hinders Occupancy and RevPAR Growth



Total United States
Key Performance Indicators Percent Change
Twelve Month Moving Average June 2016

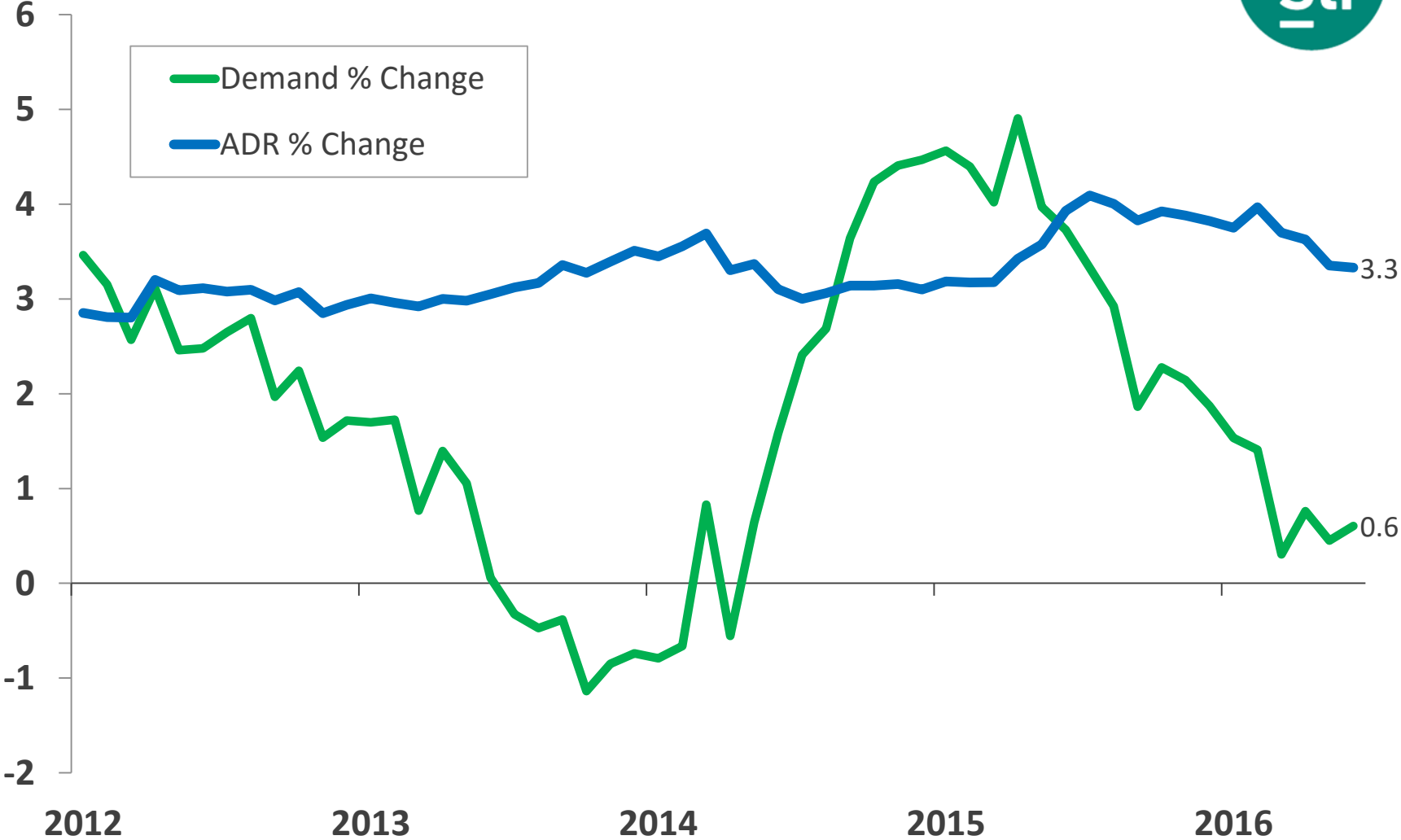


Weaker Transient ADR Growth -> Depressed 2016 ADR



Transient Demand and ADR % Change
Twelve Month Moving Average – 2012 to June 2016

Group Demand Growth Slows Rapidly



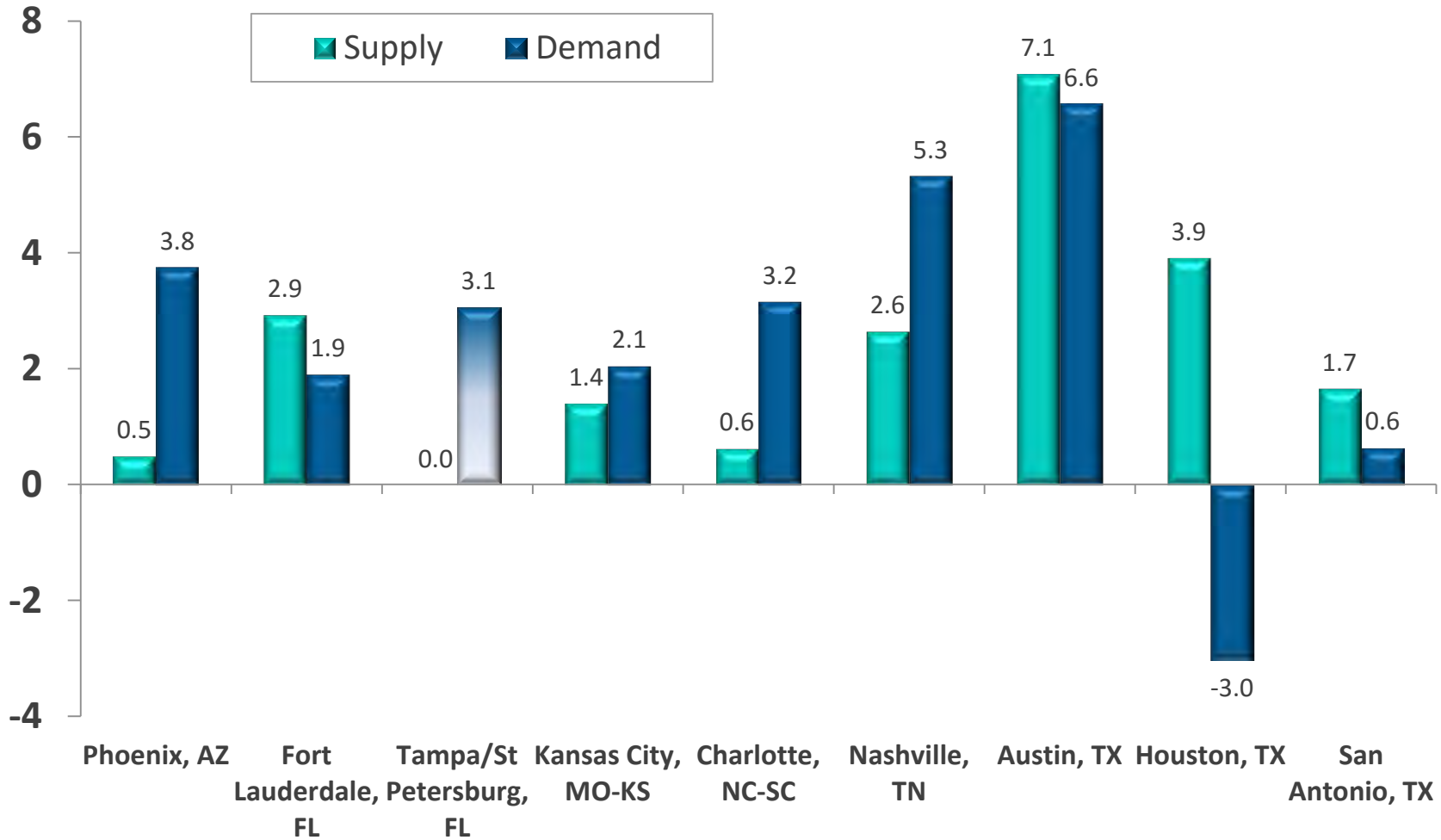
Group Demand and ADR % Change
Twelve Month Moving Average – 2012 to June 2016



Comparative Markets

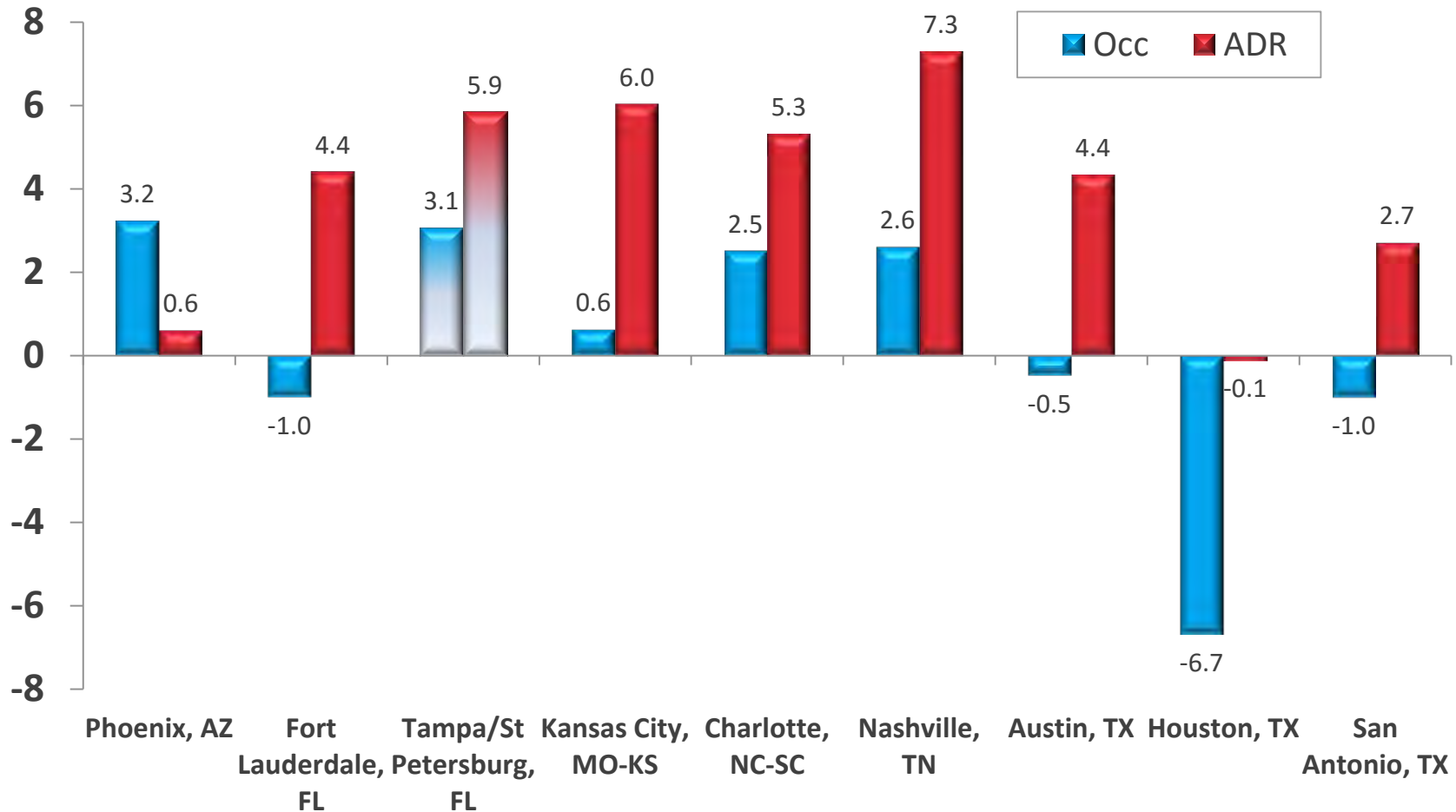
Booming Supply in TX

Tampa Only Market with Zero 12mo Supply Growth



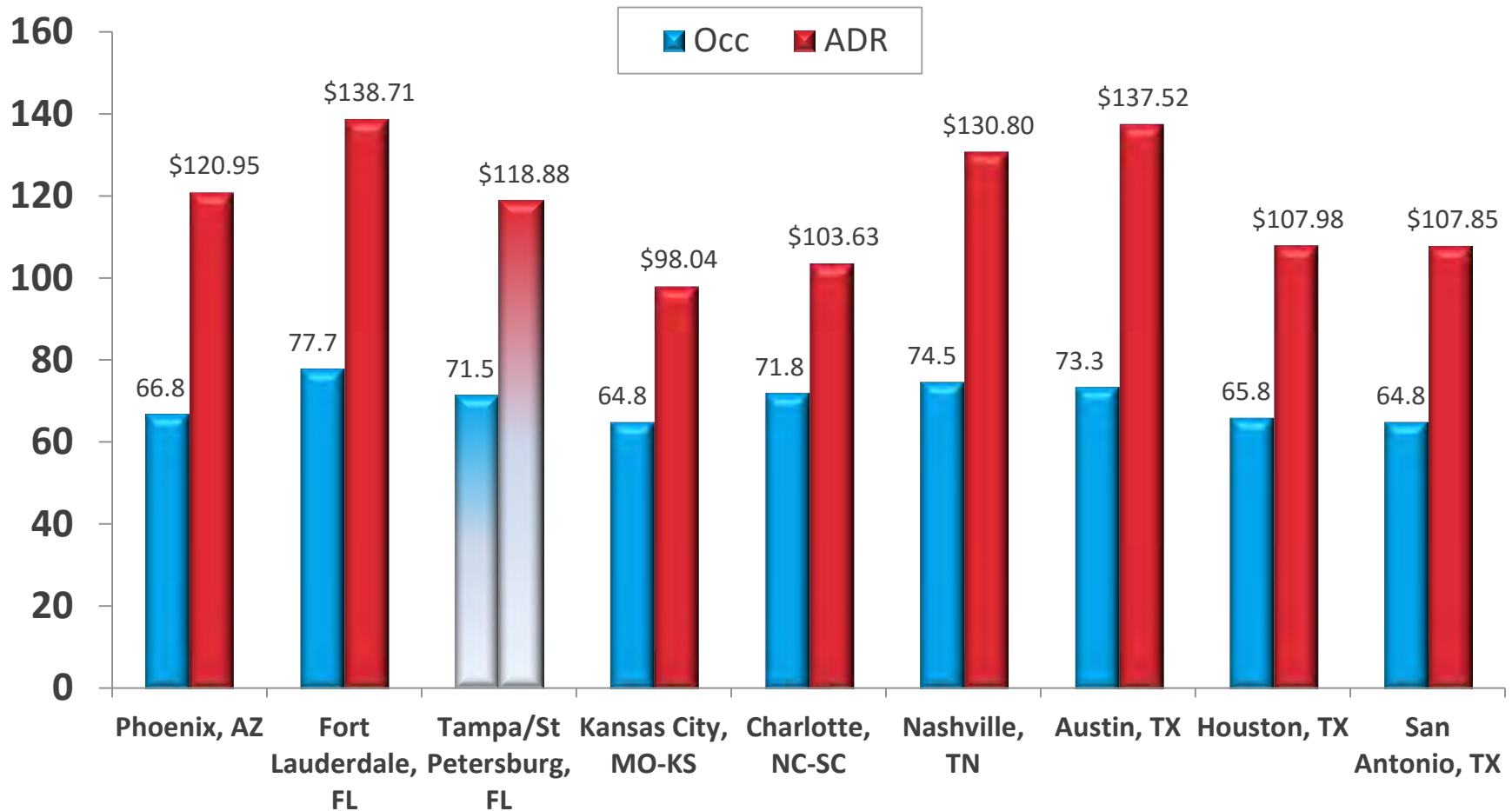
Supply / Demand Percent Change
 Twelve Month Moving Average June 2016

Poor Houston! Supply / Demand Imbalance Nashville Reporting the Highest ADR Growth



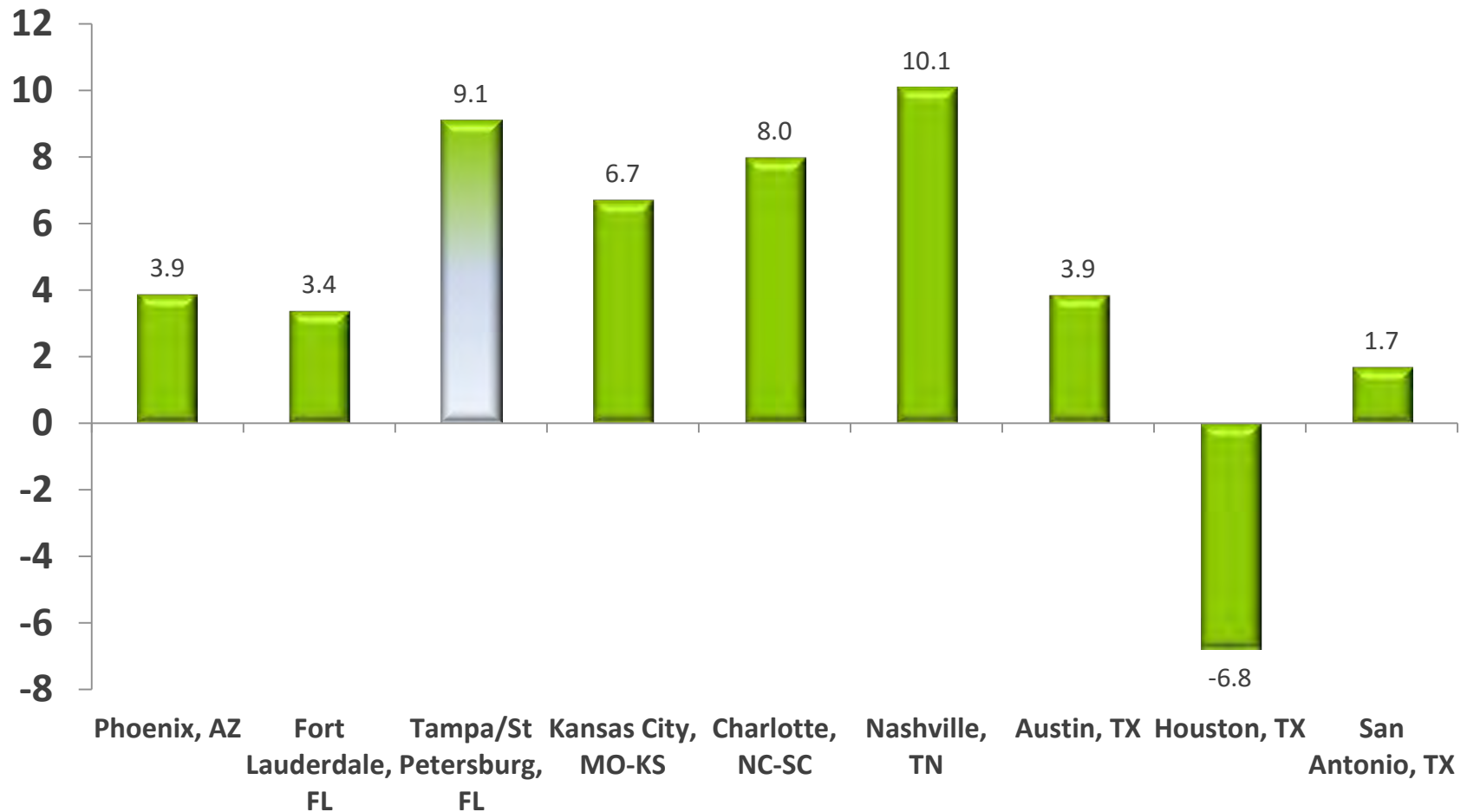
Occupancy / ADR Percent Change
Twelve Month Moving Average June 2016

Despite Falling Occupancy in Houston Still Mediocre Ft. Lauderdale Wins Out with the Highest ADR



Absolute Occupancy / ADR
Twelve Month Moving Average June 2016

Rate Growth Drives RevPAR Growth in Most Markets

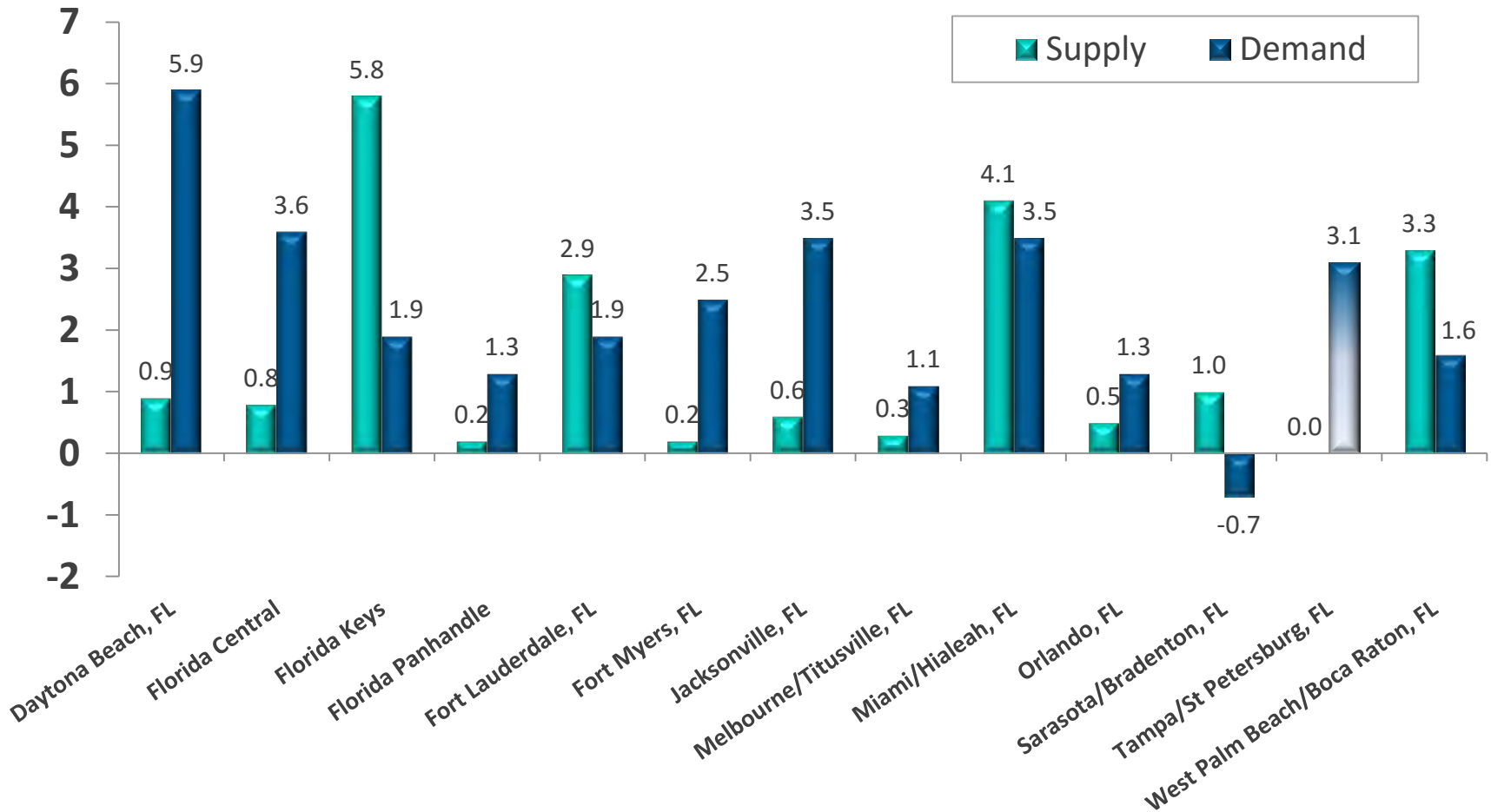


RevPAR Percent Change
Twelve Month Moving Average June 2016



Florida Markets

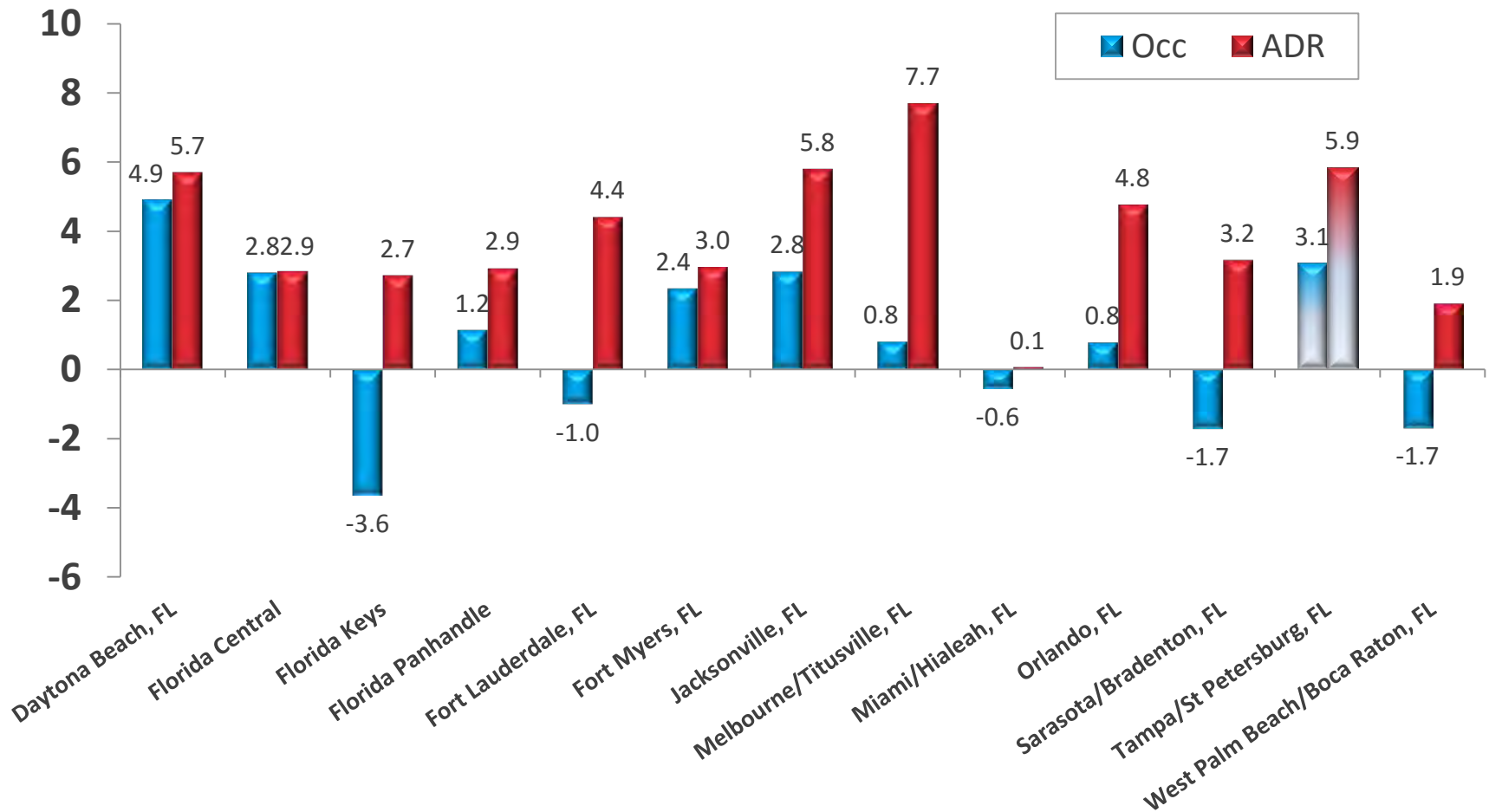
Florida Keys Experiencing Strong Supply Growth Daytona Beach Leads Demand Growth



Supply / Demand Percent Change
Twelve Month Moving Average June 2016



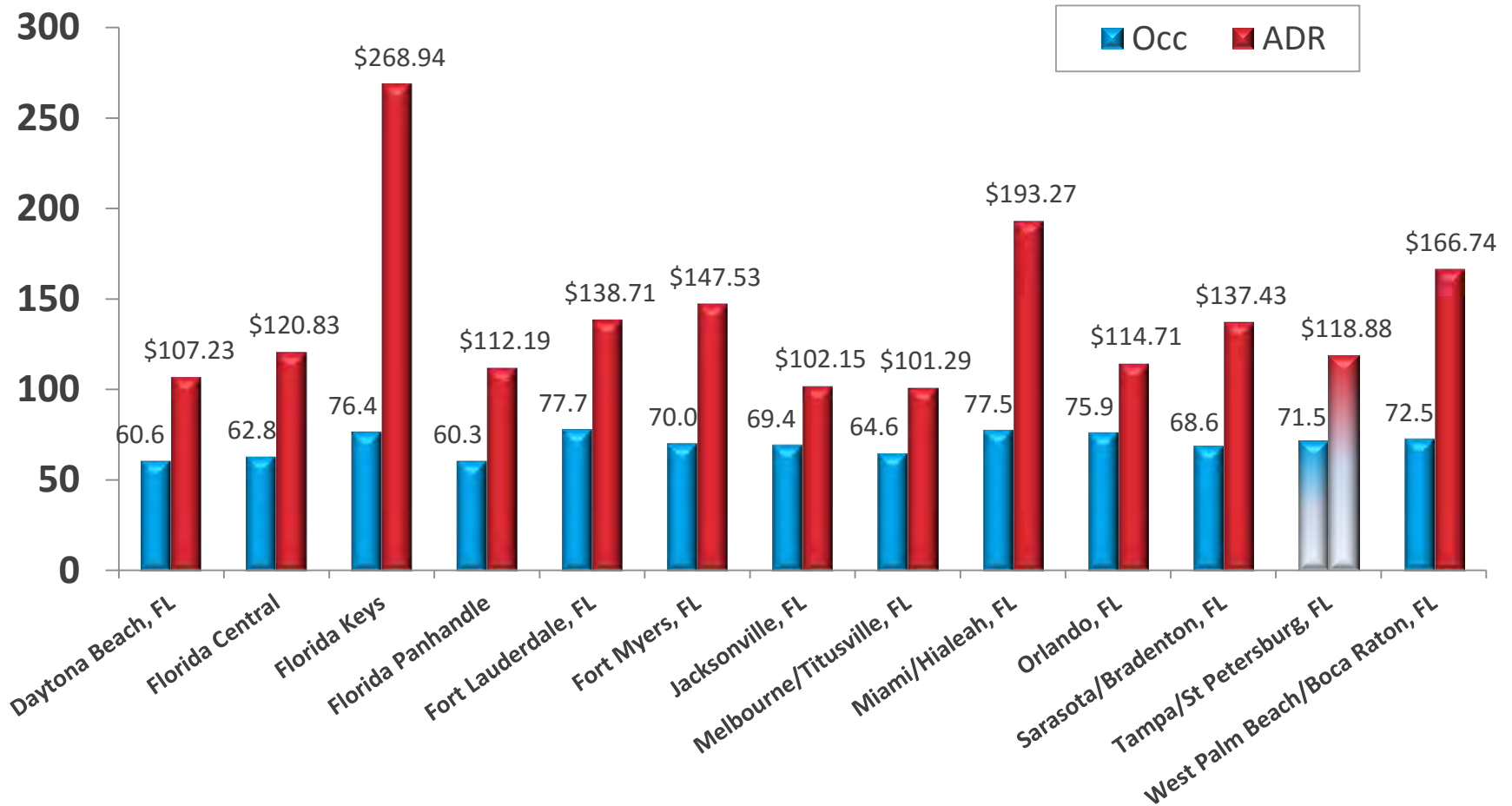
Occupancy Growth Mixed All Markets Except Miami Growing Rate



Occupancy / ADR Percent Change
Twelve Month Moving Average June 2016



The Keys Report a Significant ADR Premium



Absolute Occupancy / ADR
Twelve Month Moving Average June 2016



Tampa/St. Petersburg

Healthy Growth in Tampa



		<u>% Change</u>
• Hotels	450	
• Room Supply	16.3 mn	0.0%
• Room Demand	11.6 mn	3.1%
• Occupancy	71.5%	3.1%
• ADR	\$118.88	5.9%
• RevPAR	\$84.97	9.1%
• Room Revenue	\$1.4 bn	9.1%

Tampa/St. Petersburg, FL - Key Statistics
Twelve Month Moving Average June 2016



Market: Tampa/St Petersburg, FL

S: 0.0%
D: 3.1%

Tarpon Springs/North Shore Limited Supply – Not as Bad as it Looks
North/Busch Gardens Reporting the Highest Demand

S: -1.2%
D: 5.5%

S: -4.1%
D: 2.5%

- Tract Name**
- Clearwater, FL
 - St Petersburg, FL
 - Tampa CBD/Airport, FL
 - Tampa East, FL
 - Tampa North/Busch Gardens, FL
 - Tarpon Springs/North Shore, FL

S: 2.0%
D: 2.5%

S: 1.0%
D: 3.4%

S: 0.4%
D: 2.8%

S: -1.2%
D: 1.8%

Soure: STR, Inc

Supply / Demand Percent Change
Twelve Month Moving Average June 2016

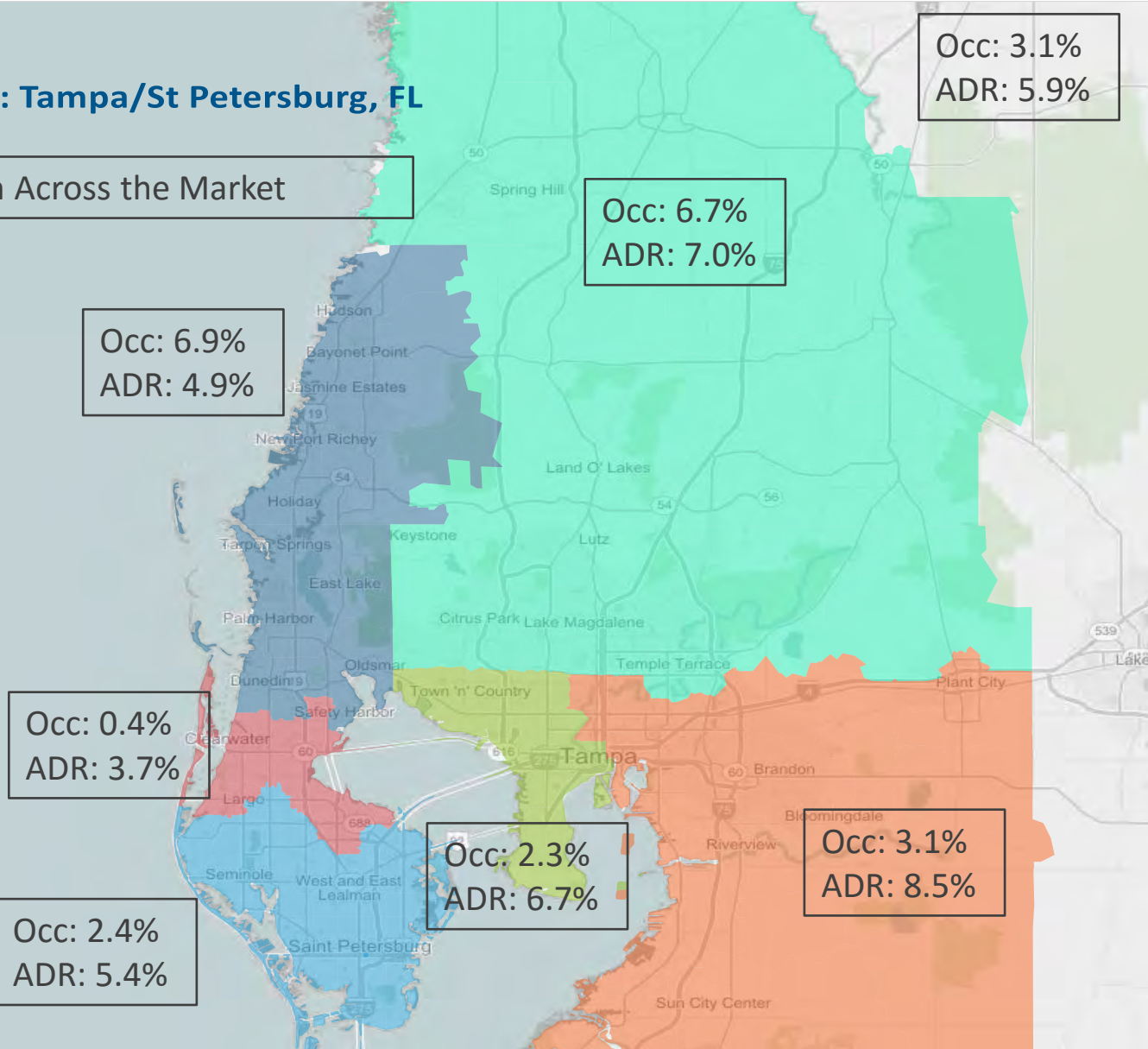


Market: Tampa/St Petersburg, FL

Healthy ADR Growth Across the Market

Tract Name

- Clearwater, FL
- St Petersburg, FL
- Tampa CBD/Airport, FL
- Tampa East, FL
- Tampa North/Busch Gardens, FL
- Tarpon Springs/North Shore, FL



Source: STR, Inc

Occupancy / ADR Percent Change
Twelve Month Moving Average June 2016



Market: Tampa/St Petersburg, FL

Rooms Full 3 Out of 5 Nights
Highest Rates in St. Petersburg

Occ: 71.5%
ADR: \$118.88

Occ: 65.7%
ADR: \$89.72

Occ: 62.5%
ADR: \$90.09

Occ: 74.4%
ADR: \$130.66

Occ: 75.9%
ADR: \$125.22

Occ: 73.2%
ADR: \$92.12

Occ: 69.9%
ADR: \$145.58

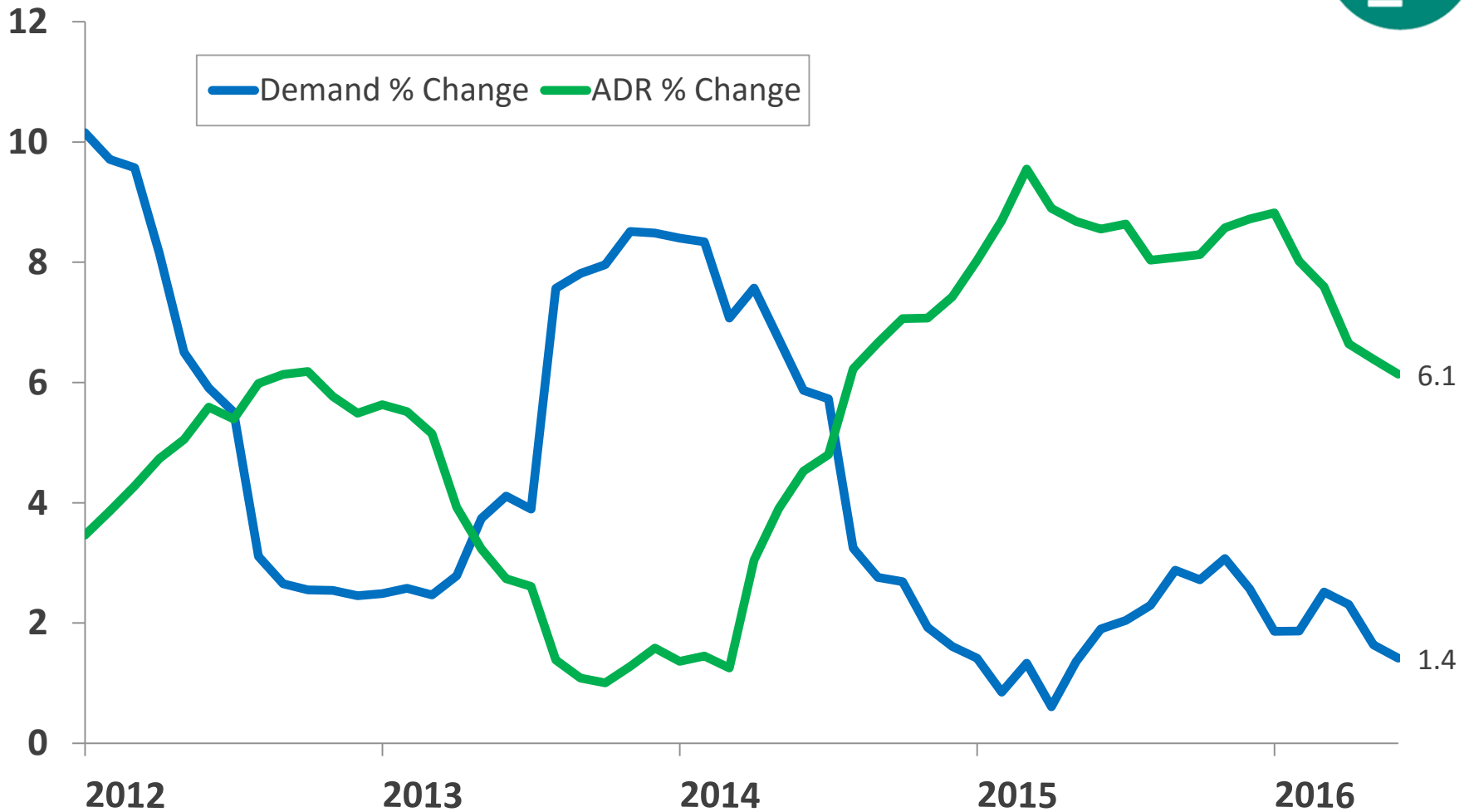
Tract Name

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Source: STR, Inc

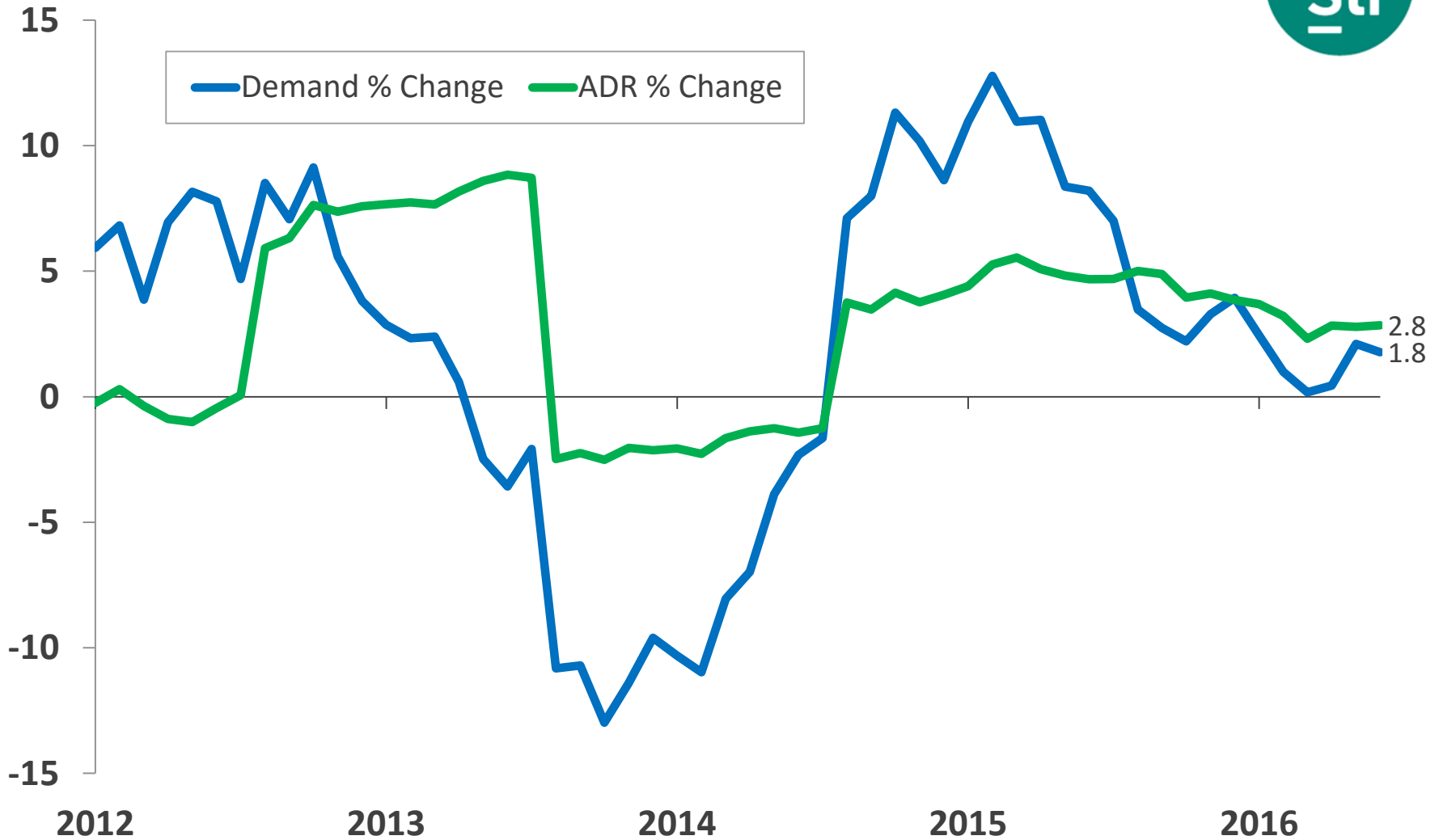
Absolute Occupancy / ADR
Twelve Month Moving Average June 2016

Polar Opposite – Why?



Transient Demand and ADR % Change
Twelve Month Moving Average – 2012 to June 2016

While ADR Growth Follows a Similar Pattern Not As Volatile



Group Demand and ADR % Change
Twelve Month Moving Average – 2012 to June 2016



Hillsborough and Pinellas Counties

Double Digit RevPAR Growth Driven by ADR Growth

Supply Growth Not an Issue



		<u>% Change</u>
• Hotels	169	
• Room Supply	7.8 mn	-0.5%
• Room Demand	5.7 m	2.8%
• Occupancy	73.5%	3.3%
• ADR	\$110.35	7.2%
• RevPAR	\$81.05	10.8%
• Room Revenue	\$633.5 mn	10.3%

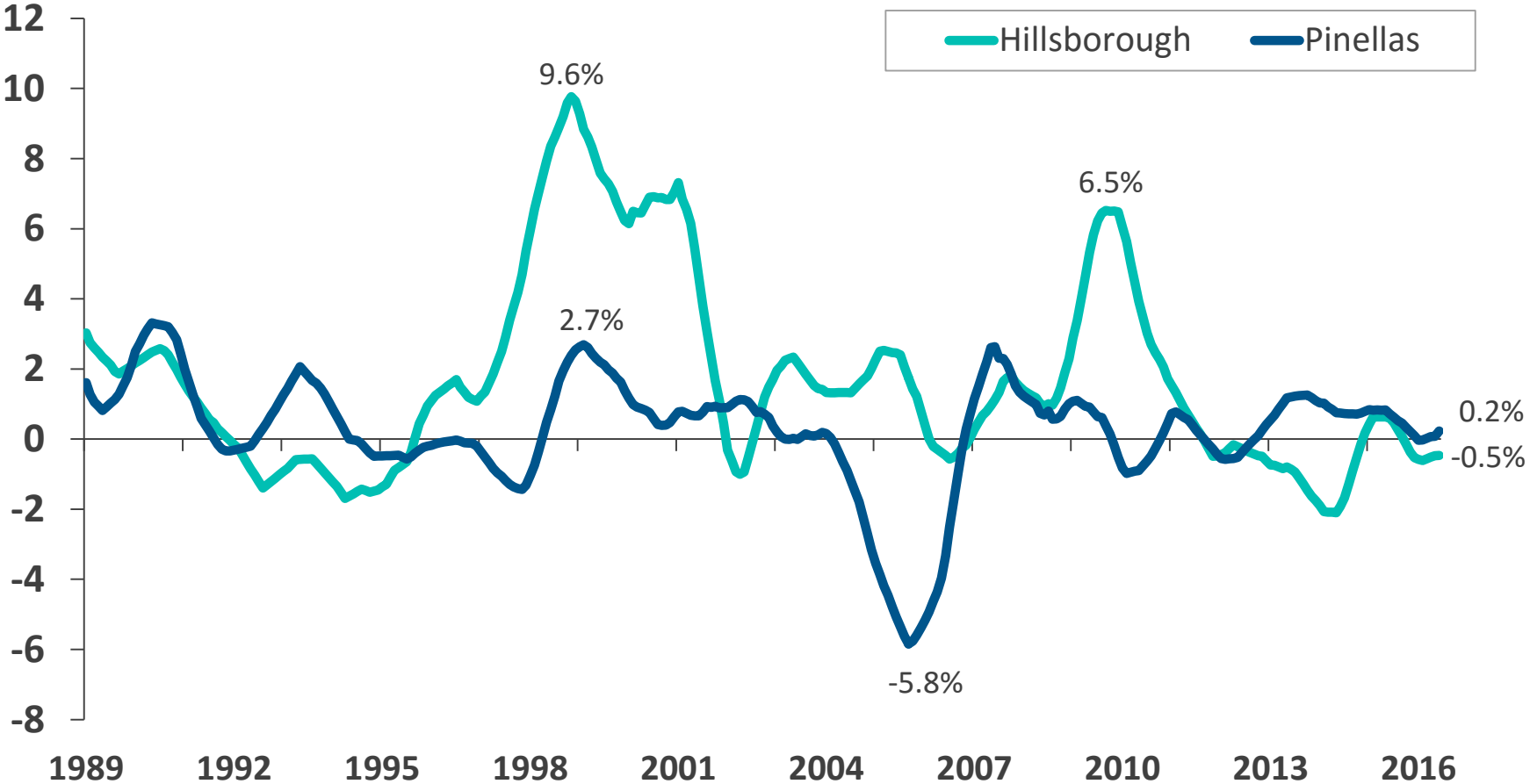
Hillsborough County, FL - Key Statistics
Twelve Month Moving Average June 2016

Higher Rates in Pinellas County Yet Less Supply and Absolute Occupancy



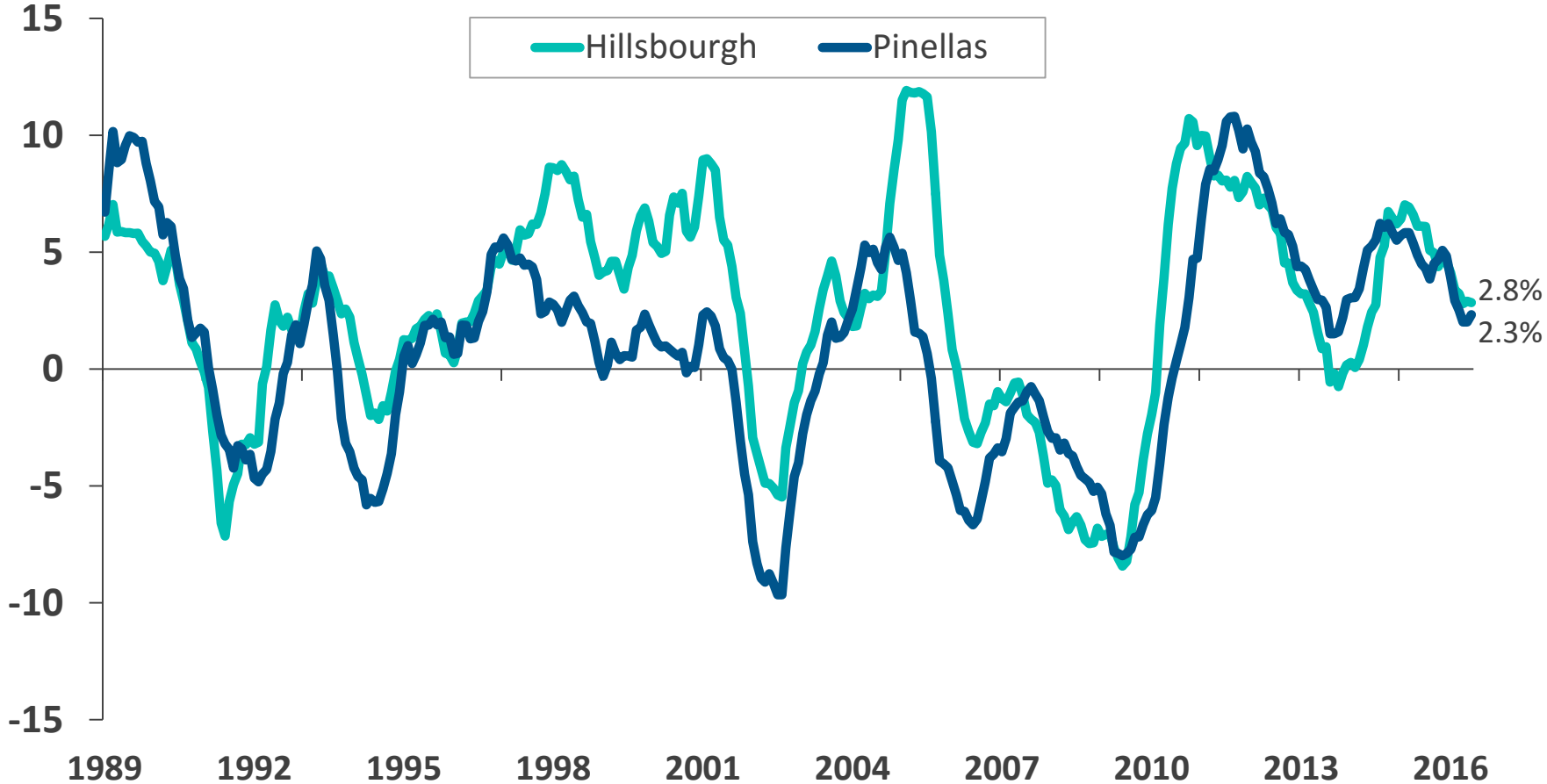
		<u>% Change</u>
• Hotels	236	
• Room Supply	7.0 mn	0.2%
• Room Demand	4.9 mn	2.3%
• Occupancy	70.7%	2.1%
• ADR	\$135.32	4.9%
• RevPAR	\$95.71	4.9%
• Room Revenue	\$665.7 mn	7.3%

Similar Yet Different Supply Cycles



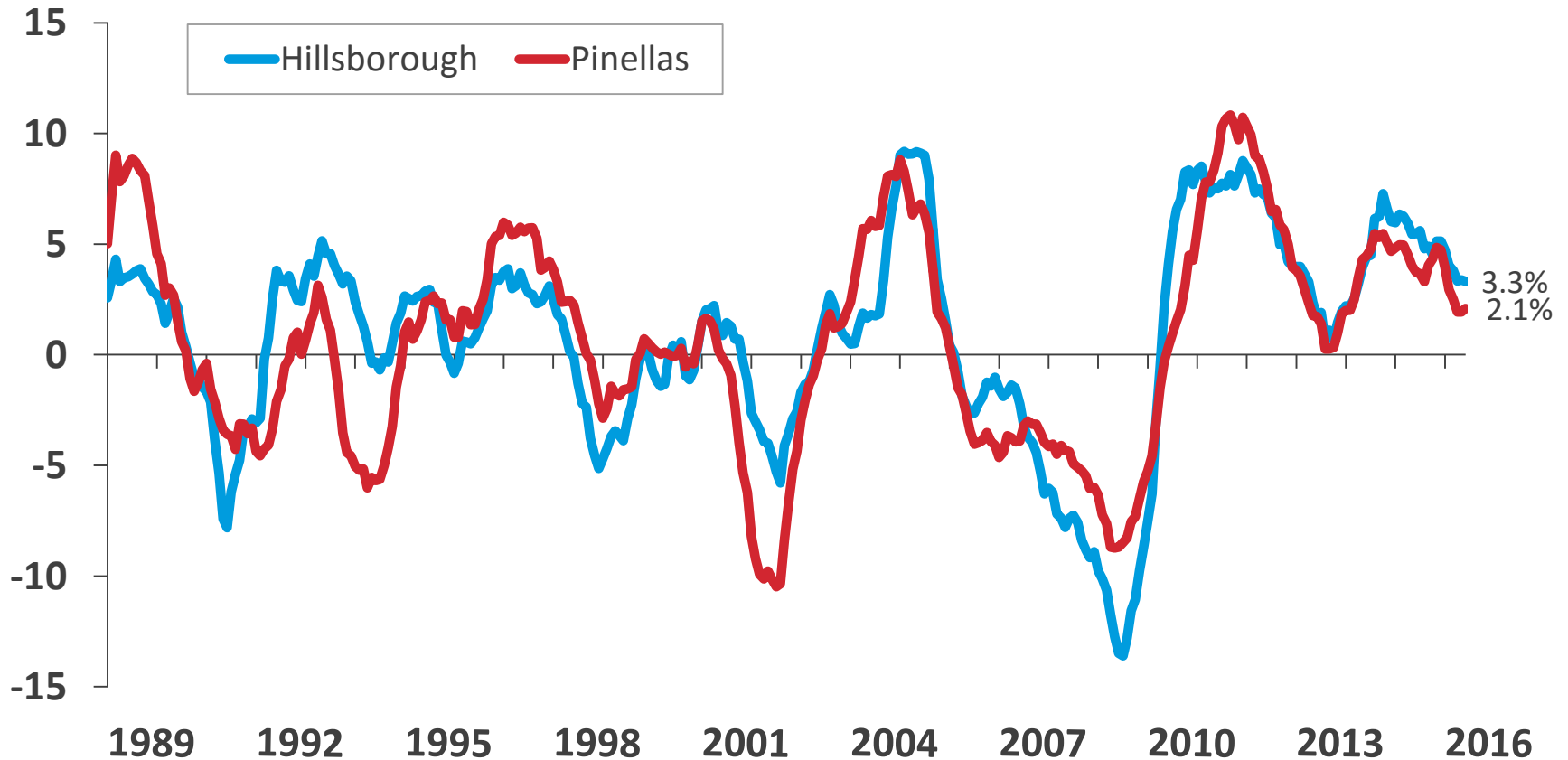
Hillsborough & Pinellas County, FL
Room Supply Percent Change
Twelve Month Moving Average – 1989 to June 2016

Like Demand Patterns yet... Higher Demand in Hillsborough



Hillsborough & Pinellas County, FL
Room Demand Percent Change
Twelve Month Moving Average – 1989 to June 2016

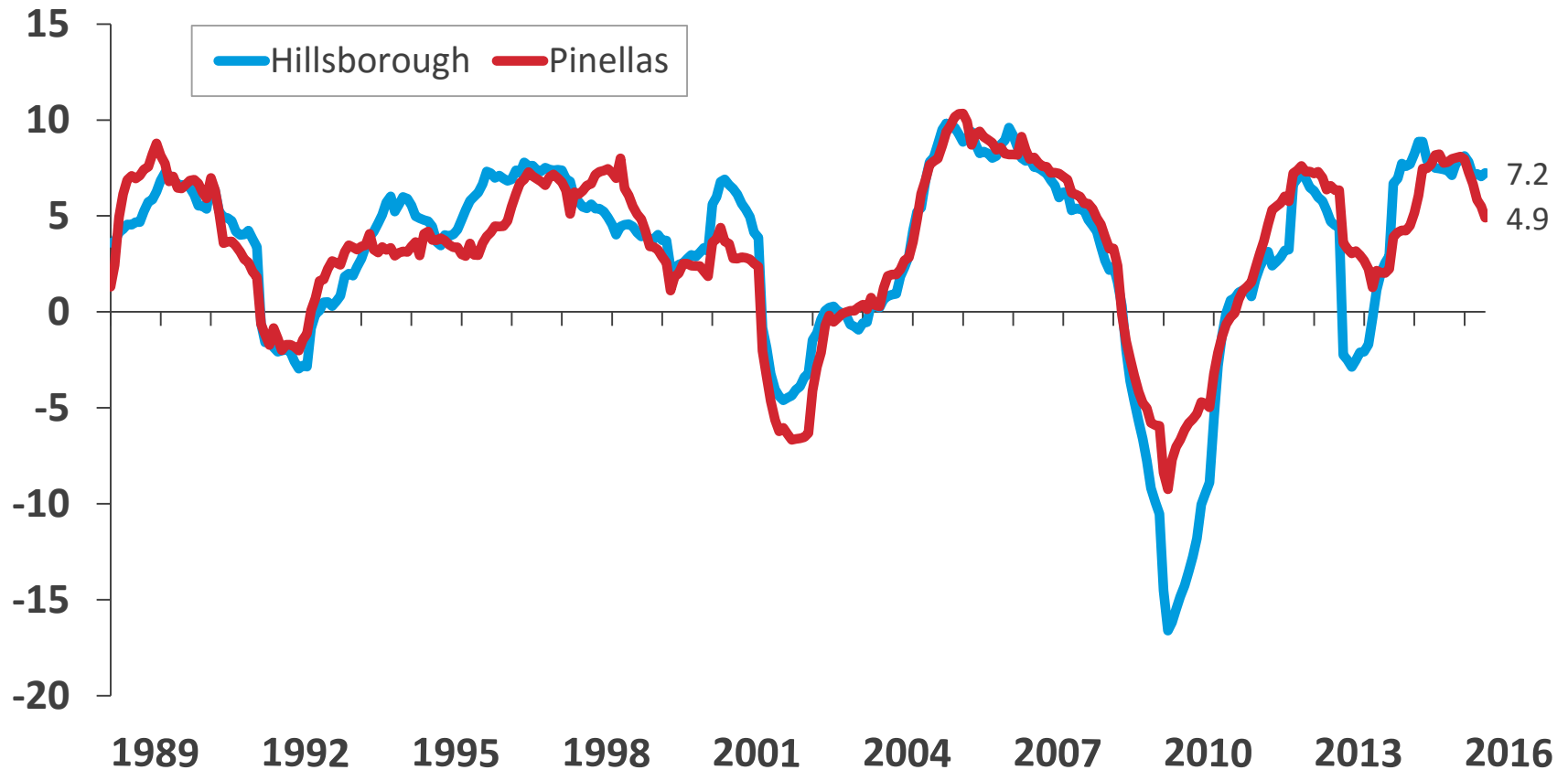
Occupancy Follows along the Same Demand Trend



Hillsborough & Pinellas County, FL
Occupancy Percent Change
Twelve Month Moving Average – 1989 to June 2016



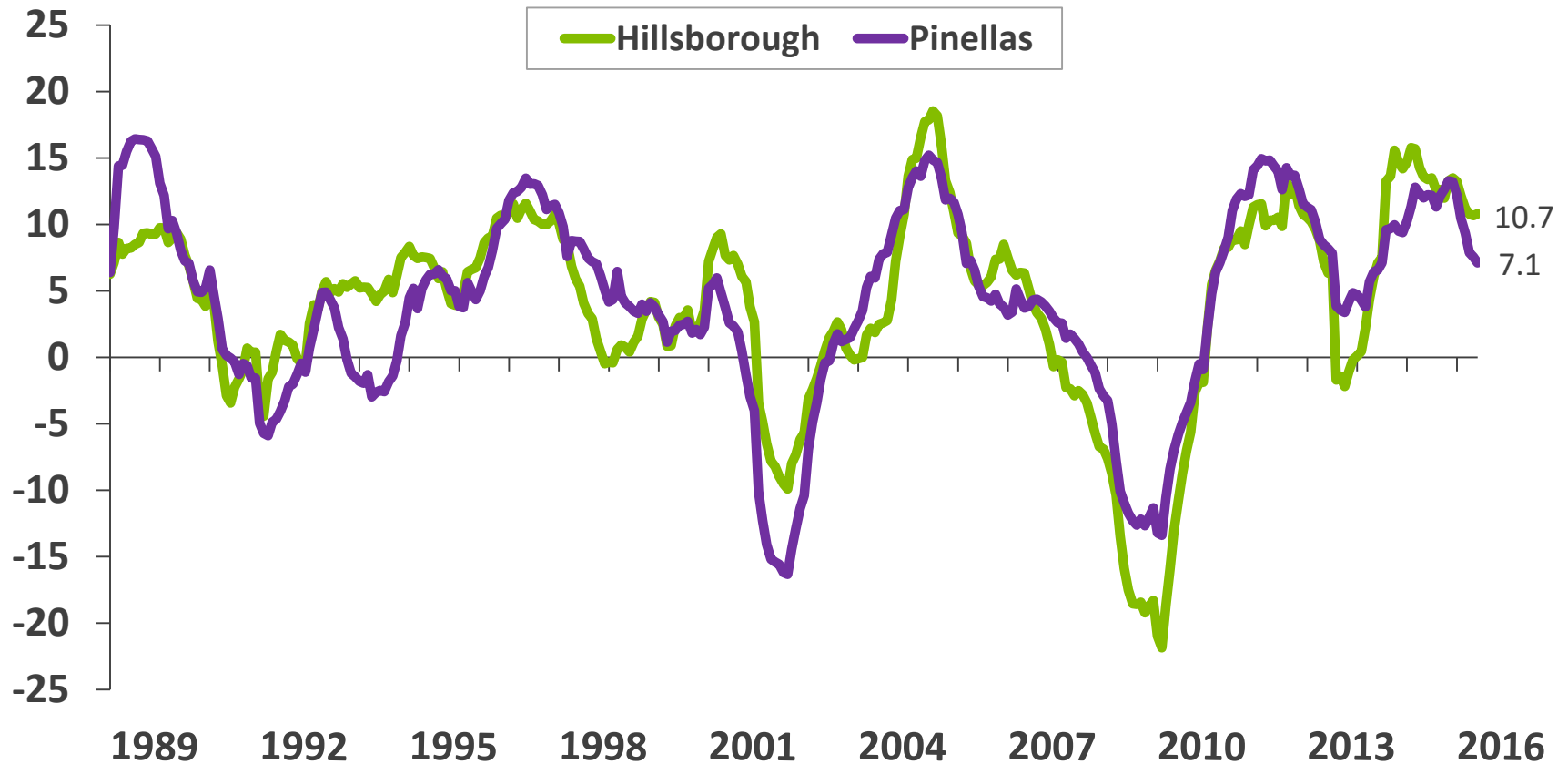
Very Comparable Rate Trend... Hillsborough Steeper Decline at Times



Hillsborough & Pinellas County, FL
ADR Percent Change
Twelve Month Moving Average – 1989 to June 2016



Consecutive Months of Positive RevPAR Growth 30 Hillsborough / 66 Pinellas



Hillsborough & Pinellas County, FL
RevPAR Percent Change
Twelve Month Moving Average – 1989 to June 2016



2016 / 2017 Forecast

Supply Growth Continues While Demand Growth Slows

Outlook		
	2016 Forecast	2017 Forecast
Supply	1.7%	1.9%
Demand	2.1%	1.9%
Occupancy	0.4%	0.0%
ADR	4.0%	3.8%
RevPAR	4.4%	3.8%

Total United States

Key Performance Indicator Outlook (% Change vs. Prior Year)

2016 - 2017

Demand Growth Continues as ADR Growth Loses Speed

Outlook		
	2016 Forecast	2017 Forecast
Supply	1.3%	1.4%
Demand	1.3%	1.8%
Occupancy	0.0%	0.4%
ADR	5.3%	3.5%
RevPAR	5.3%	3.9%

Tampa-St Petersburg, FL

Key Performance Indicator Outlook (% Change vs. Prior Year)

2016 - 2017



Thank You!

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