



Tampa Bay Area Lodging Investment Update: As Good As It Gets

HCHMA Trends & Forecasting Forum

Presented by Lou Plasencia

July 26, 2018

PRESENTED BY



THE PLASENCIA GROUP

Passion. Access. Certainty.

Disclaimer

We are 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.

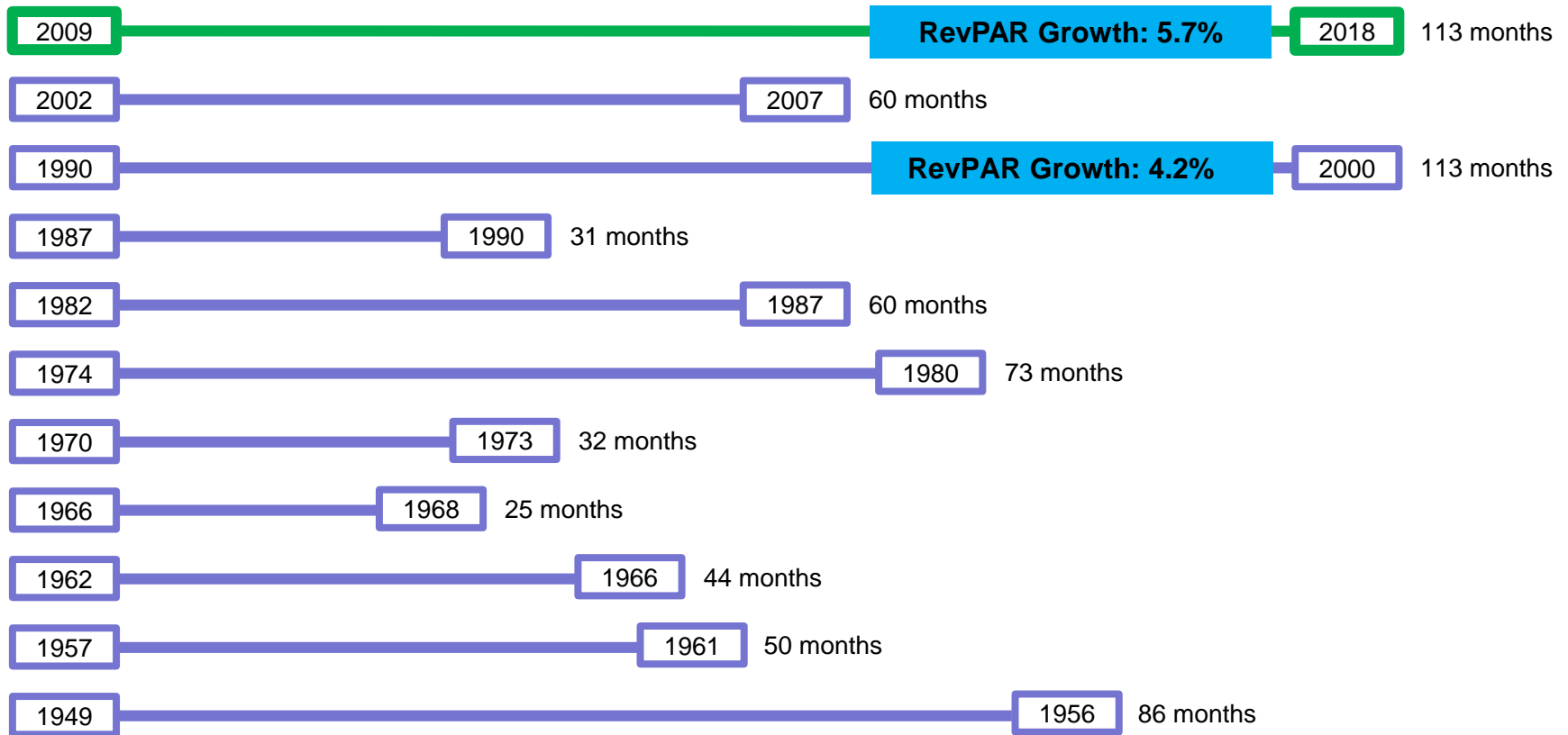
We make no representation that any statements or projections we may present today are correct or will actually come to fruition.

The Plasencia Group

- The Plasencia Group was founded in 1993 for one purpose: to meet the hospitality investment sales, financing, advisory, and consulting needs of owners of hotels, resorts, and golf courses located throughout the United States, Canada, Mexico, and the Caribbean.
- Our clients and partners – including life insurance companies, banks, private equity firms, pension funds, real estate investment trusts, and high-net-worth investors – enjoy a full range of tailored, value-added solutions to meet their hospitality investment objectives.
- The Plasencia Group provides single asset and portfolio dispositions, strategic portfolio analysis, acquisitions, loan oversight, note sales, operations benchmarking, operator and brand negotiations, hotel development consulting, asset management, and debt and equity placement.
- We have completed approximately \$17 billion in sales, financings, and developments for hundreds of hotel, resort, and mixed use engagements.
- Our firm is headquartered in Tampa, with offices around the country staffed by experienced and seasoned professionals.

Macroeconomic View

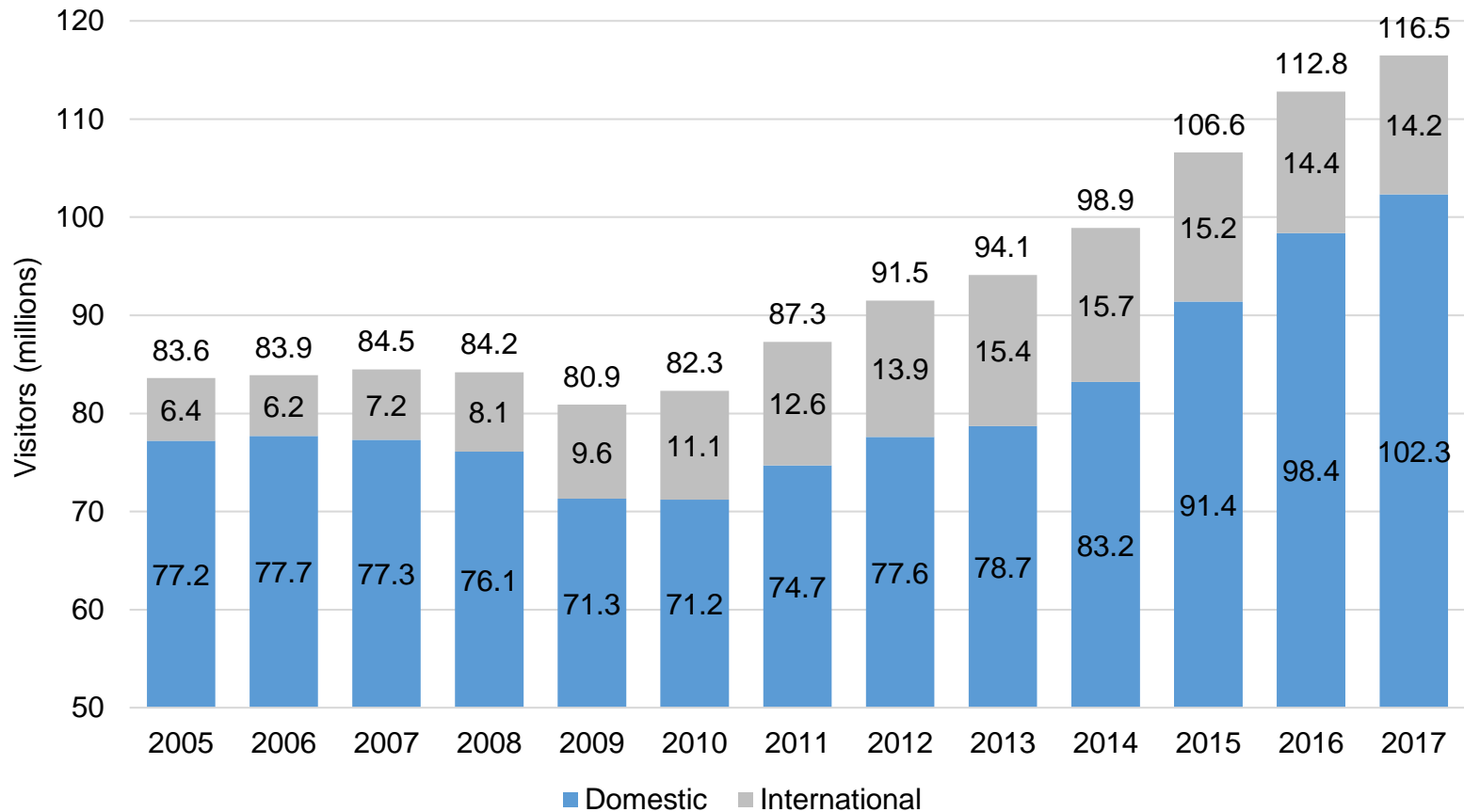
Length of Bull Markets Since World War II



Source: S&P Dow Jones Indices

By the end of this month, we will set a record for the longest period of economic expansion since World War II. There is little on the horizon to indicate that this expansion will not continue.

Florida Visitation

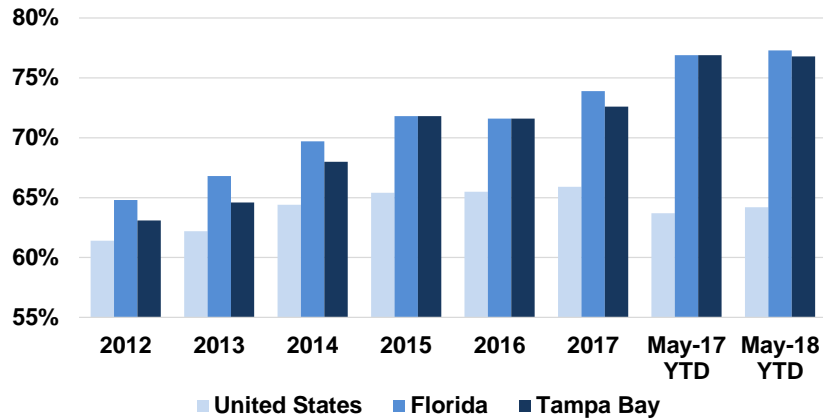


Source: Visit Florida

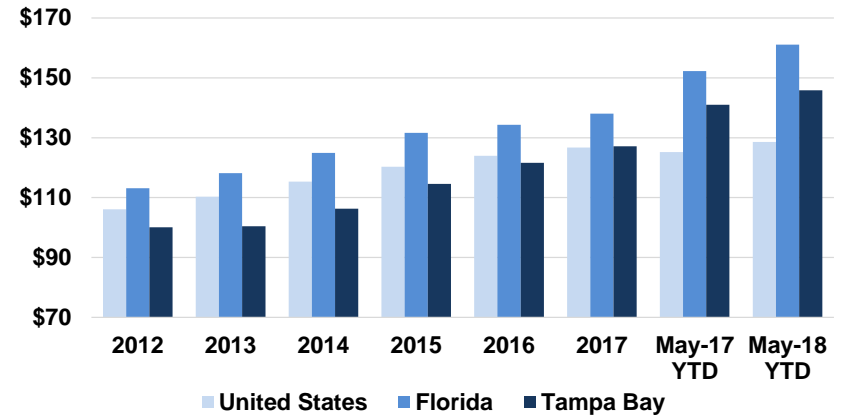
Domestic visitation has driven a significant increase in the state's hotel occupancy. Domestic visitors to Florida made up for a slight decrease in foreign visitors, a consequence of the strong U.S. dollar.

Tampa Bay Area – Comparative Market Performance

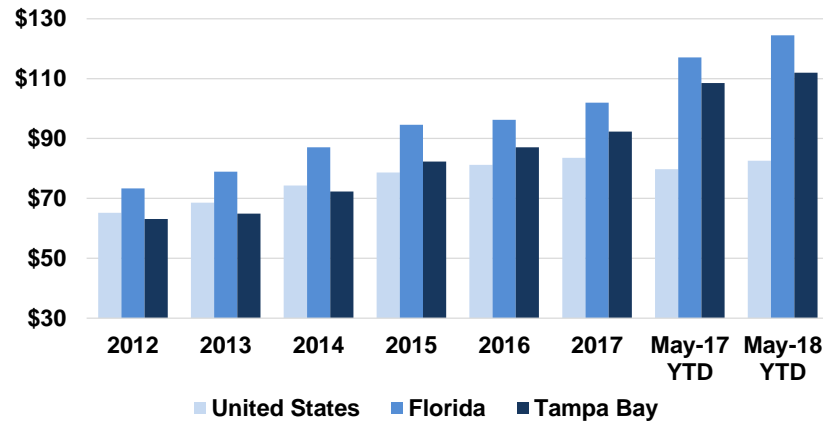
Occupancy



ADR

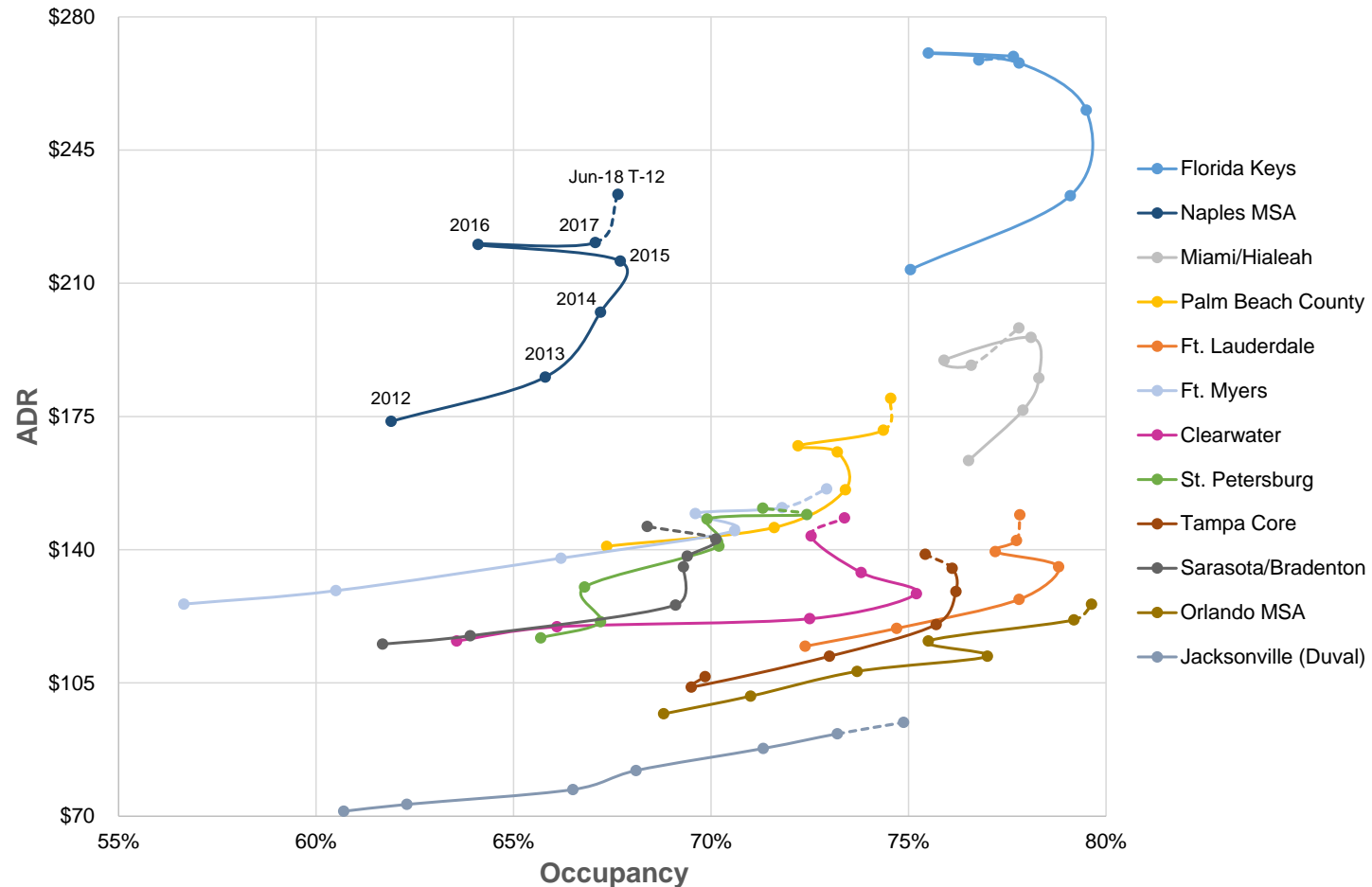


RevPAR



Source: Smith Travel Research

Florida Markets Historical Occupancy and ADR Trends



Source: Smith Travel Research

Florida markets have been trending upward as of late, with steady increases in both Occupancy and ADR for most markets in 2017 and through June 2018 T-12.

Florida Markets Historical RevPAR Performance

	RevPAR							RevPAR Change							RevPAR Rank						
	2012	2013	2014	2015	2016	2017	Jun-18 T-12	2013	2014	2015	2016	2017	Jun-18 T-12	2012	2013	2014	2015	2016	2017	Jun-18 T-12	
Florida Keys	\$160.22	\$184.25	\$203.05	\$208.39	\$204.27	\$209.37	\$206.26	↑15.0%	↑10.9%	↑3.8%	↓-2.6%	↑1.8%	↓-0.5%	1	1	1	1	1	1	1	
Naples MSA	\$107.39	\$121.89	\$136.10	\$146.09	\$141.11	\$148.00	\$157.84	↑13.5%	↑11.7%	↑7.7%	↓-3.2%	↑5.3%	↑10.0%	3	3	3	3	3	2	2	
Miami/Hialeah	\$124.98	\$137.60	\$144.84	\$152.83	\$143.95	\$144.35	\$154.21	↑10.1%	↑7.0%	↑6.0%	↓-5.5%	↑0.7%	↑10.6%	2	2	2	2	2	3	3	
Palm Beach County	\$94.97	\$104.47	\$114.26	\$121.26	\$120.68	\$127.45	\$134.03	↑10.0%	↑9.5%	↑6.7%	↓-0.8%	↑5.9%	↑9.7%	4	4	4	4	4	4	4	
Ft. Lauderdale	\$82.98	\$89.20	\$98.82	\$106.75	\$107.66	\$110.70	\$116.05	↑7.5%	↑10.9%	↑7.6%	↑0.9%	↑2.8%	↑8.5%	5	5	5	5	5	5	5	
Ft. Myers	\$71.24	\$78.22	\$91.17	\$102.42	\$104.08	\$108.43	\$113.75	↑9.8%	↑15.1%	↑14.7%	↑2.0%	↑4.0%	↑9.8%	9	8	6	6	6	6	6	
Clearwater	\$73.66	\$79.11	\$88.38	\$96.55	\$98.85	\$104.17	\$108.86	↑7.4%	↑12.1%	↑10.8%	↑2.4%	↑4.7%	↑6.6%	8	7	7	8	8	8	7	
St. Petersburg	\$76.77	\$81.30	\$86.93	\$98.91	\$103.44	\$108.05	\$107.59	↑5.9%	↑8.6%	↑14.5%	↑4.5%	↑4.6%	↑2.1%	6	6	8	7	7	7	8	
Tampa Core	\$74.47	\$72.23	\$81.82	\$91.17	\$98.28	\$102.80	\$104.70	↓-3.0%	↑13.3%	↑11.5%	↑6.8%	↑4.6%	↑4.7%	7	10	10	10	9	9	9	
Orlando MSA	\$66.68	\$72.04	\$79.63	\$86.19	\$87.62	\$96.27	\$100.10	↑7.8%	↑10.7%	↑9.1%	↑1.9%	↑10.0%	↑9.3%	11	11	11	11	11	11	10	
Sarasota/Bradenton	\$71.14	\$75.05	\$86.71	\$93.98	\$96.02	\$100.14	\$99.92	↑5.5%	↑15.6%	↑9.2%	↑2.2%	↑4.5%	↑2.1%	10	9	9	9	10	10	11	
Jacksonville (Duval)	\$43.29	\$45.51	\$51.19	\$55.82	\$62.61	\$67.09	\$70.84	↑5.1%	↑12.5%	↑9.4%	↑12.3%	↑7.2%	↑10.1%	12	12	12	12	12	12	12	

Source: Smith Travel Research

Florida markets are performing very well in terms of RevPAR growth, and have been for several years. Several markets are already posting incredible growth thus far in 2018 as compared to 2017. On average, RevPAR has increased nearly 7% across Florida markets in the June 2018 T-12 period.

Lodging Capitalization Rates & Investor Returns

Cap Rates (Stabilized Properties)

- 6.0% to 7.0% for luxury hotels or full service hotels (lower)
- 6.5% to 7.5% for full service hotels (lower)
- 8.0% to 10.0% for select service hotels

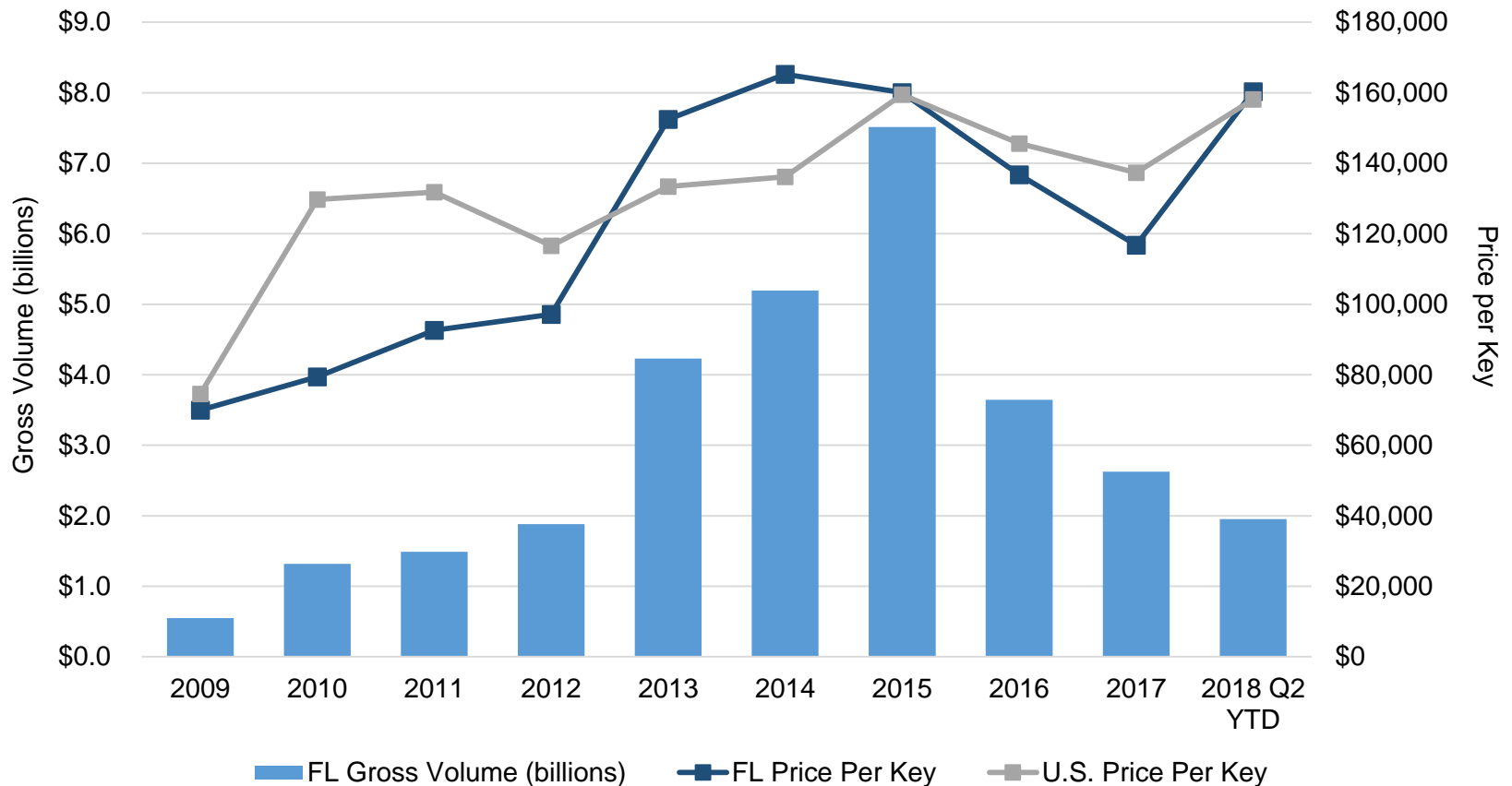
IRRs (Five-year Horizon)

- Unlevered: 8.0% to 10.0% (lower)
- Levered: 17.0% to 19.0% (lower)

Debt Markets

- Debt plentiful but underwriting standards have tightened; little debt for construction
- LTVs at 65% to 70%
- Rates at 4.25% to 4.75% Fixed (lower)

Transaction Trends



Note: Includes all transactions with sales prices greater than \$2.5 million.

Source: Real Capital Analytics

The volume of transactions is down as owners have held their hotels through the up-cycle, but the prices being paid for properties have increased, especially in Florida.

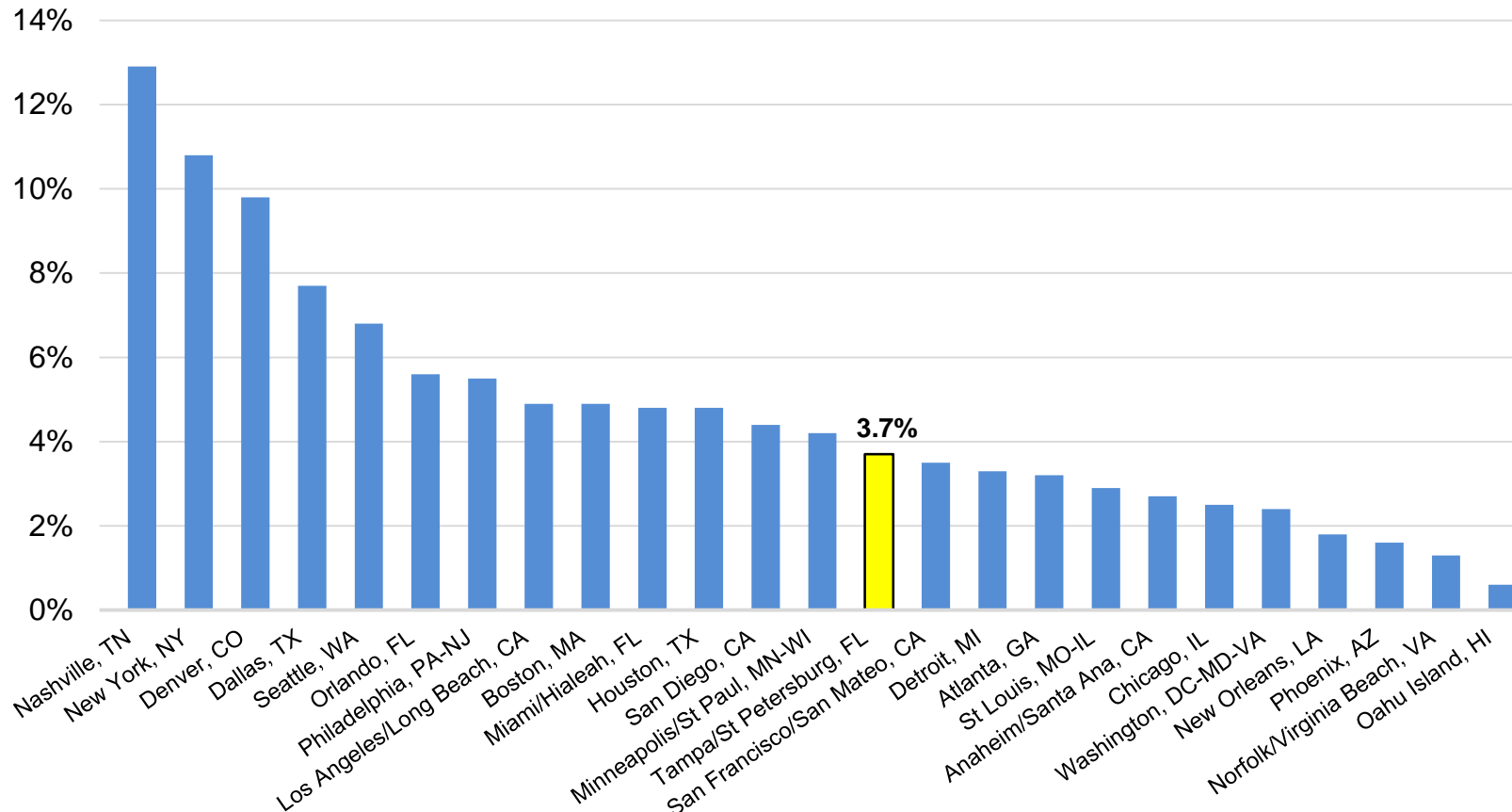
2018 Florida Gulf Coast Hotel Sales (greater than \$100,000 per key)

Date	Property	Keys	Price	Per Key
Apr – 18	Ritz-Carlton Sarasota	266	176,500,000	663,534
Mar – 18	Hyatt Regency Coconut Point – Bonita Springs	454	198,000,000	436,123
Mar – 18	Holiday Inn Sarasota/Lido Beach	135	37,500,000	277,778
Jun – 18	Renaissance Tampa	293	68,000,000	232,082
May – 18	Residence Inn Tampa Downtown	109	24,000,000	220,183
Jan – 18	Doubletree Suites Tampa Bay	203	34,750,000	171,182
Jun – 18	Hampton Inn & Homewood Suites Bonita Springs	198	33,000,000	166,667
May – 18	Hampton Inn & Suites Sarasota	108	16,000,000	148,148
Apr – 18	Hilton Garden Inn Odessa	110	16,209,455	147,359
Jan – 18	Holiday Inn Express Trinity	87	12,221,000	140,471
Jun – 18	Hotel Indigo Fort Myers	67	9,325,000	139,179
Jan – 18	Hampton Inn & Suites Fort Myers	102	13,900,000	136,275

Source: Real Capital Analytics

Unlike other U.S. metro markets, transaction activity has been brisk on Florida's west coast, with record prices being paid. Ownership make-up is 50/50 local versus institutional.

Top 25 Markets New Supply (% of existing hotels under construction)



Source: Smith Travel Research; as of May (latest available)

When compared to other metro markets, Hillsborough and Pinellas new supply has been fairly muted. We sit in the middle of the pack, and a bit higher than the national average of 2.9%.

This allows area hotel owners and operators the opportunity to further raise rates.

Hotels Under Construction in Tampa

Hotel	Developer	Rooms	Open Date
Seminole Hard Rock Expansion	Seminole Tribe of Florida	564	Q3 2019
JW Marriott & Edition Water Street	Strategic Property Partners	519	Q2 2020
Hampton Inn & Home2 Suites Channel District	Liberty Group	213	Q3 2019
Current Autograph Collection Rocky Point	Lifsey Real Estate	180	Q4 2019
Aparium Ybor City Hotel	Capitano Family	177	Q4 2019
Courtyard Citrus Park Crossing	Chris Daye	128	Q4 2018







Source: Lodging Development

Interestingly, for the first time in nearly twenty years, all of the hotels now under construction in Hillsborough County are in the hands of local owners.

Our Cracked Crystal Ball – As We See It



As We See It: The National Scene

- All of the annual “Cracked Crystal Ball” indicators that we follow remain positive, improving over 2017:
 - Commercial Rail (Forward Contracts) 
 - Luggage Sales 
 - Jet A Fuel Contracts 
 - Airline Load Factors 
 - Dry Cleaning & Laundry Institute 
 - Sleep in America Poll 
- Economists suggest that GDP will grow about 3.5% by YE 2018 and the chances of a technical recession remain extremely low. We anticipate moderate GDP growth in 2019.
- We expect continued ADR growth and improved flow-through as a result of rising GDP.
- The rate of inflation is expected to rise, providing an opportunity to increase ADRs accordingly.
- The U.S. lodging sector will continue to be profitable, however, labor, insurance and property tax expenses are impacting bottom line profits.

As We See It: Anticipated RevPAR Growth

Tampa Bay Area Metrics – RevPAR 2019 over 2018 (TPG projected year-over-year rate of growth – Full Service Hotels)

Occupancy Growth: 1.8%

ADR Growth: 3.2%

RevPAR Growth : 5.0%

As We See It: The Local Scene

- There are approximately 1,800 rooms being built in Hillsborough and Pinellas counties. Virtually no hotels over 100 keys are under construction in Pinellas. In Hillsborough, we expect the new inventory to be absorbed in as soon as 18 to 24 months post-opening.
- We project RevPAR for upper upscale hotels in the Tampa Bay Area to increase over 4.2% in 2019, with growth moderating to 3.8% in 2020.
- Tampa Bay hotel performance continues to exceed the national scene. However, construction of new hotels across the State of Florida will begin to impact the Tampa Bay area. On a positive note, the new supply and new meeting space in Tampa Bay should allow the market to attract groups that had previously not considered the area.
- Higher-end product in Tampa Bay will allow the market to improve its position among other Florida markets.
- Speaking of performance, industry metrics across the state are about to take a hit beginning in September, as the disruption of Hurricanes Irma and Maria begins to dissipate from YOY P&L statements and STR reports.
- With respect to demand, Group occupancy at individual properties should be stable for the next 2 to 3 years, but Transient occupancy will improve at a faster pace than Group.
- Expect several brands not yet here to make an appearance within the next five years. Contenders include: Fairmont, InterContinental, Loews and Omni, to name a few.

**We thank you for your time this morning.
Copies of this presentation may be found at:
tpghotels.com/publications**



THE PLASENCIA GROUP
Passion. Access. Certainty.



One North Dale Mabry Highway, Suite 1000, Tampa, Florida 33609

(813) 932-1234

tpghotels.com

© Copyright 2018, United States of America