

Tampa Bay Area Lodging Investment Update

2019 HCHMA Trends & Forecasting Forum

Presented by Lou Plasencia

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THE PLASENCIA GROUP
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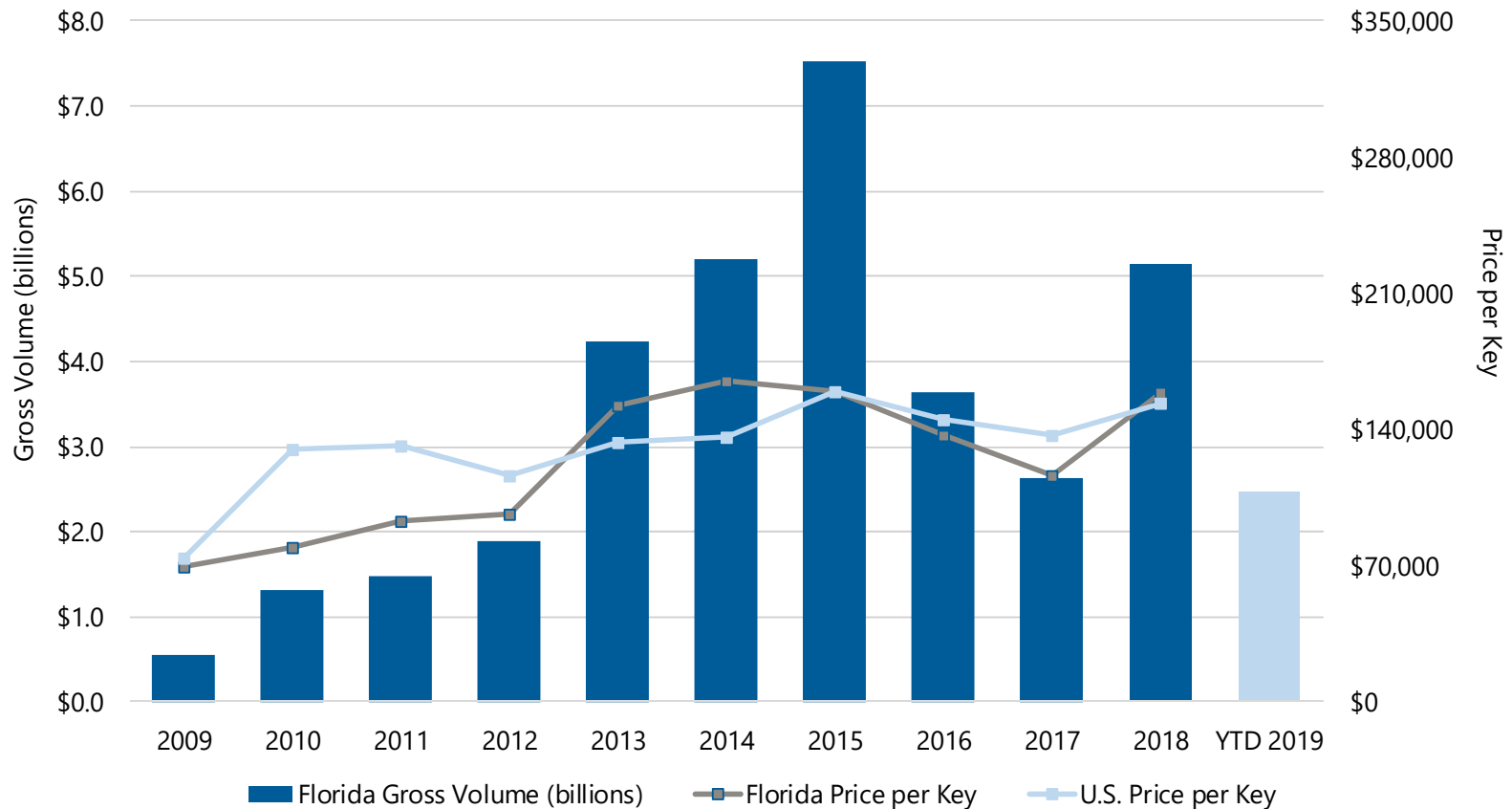
Disclaimer

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 make no representation that any statements or projections we may present today are correct or will actually come to fruition. We recommend you independently validate today's information.

Transaction Trends – Florida and U.S.

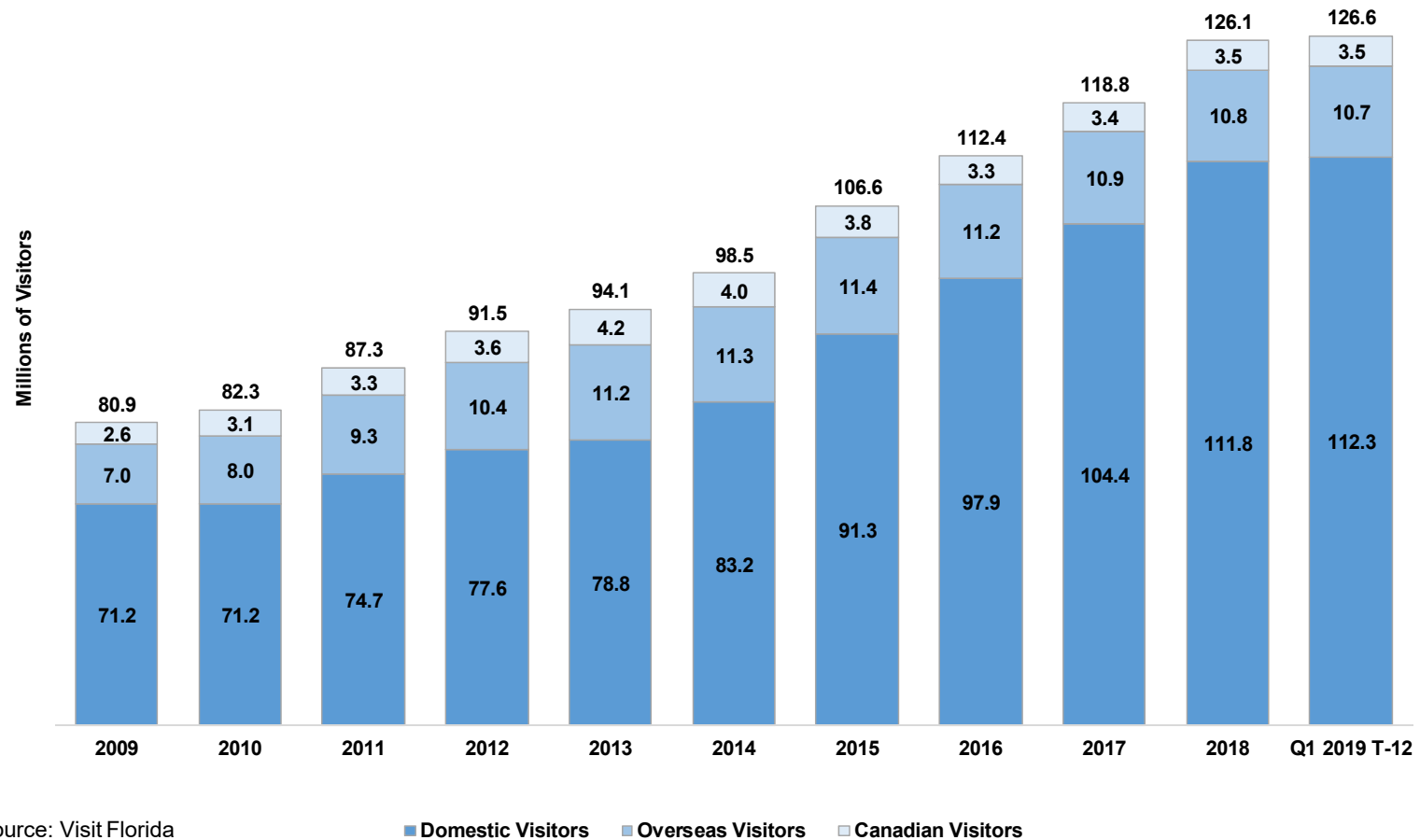


Note: Includes all transactions with sales prices greater than \$2.5 million.

Source: Real Capital Analytics

Lodging transaction activity throughout Florida has been very strong. On a price per key basis, hotels are finally trading at a level slightly higher than the balance of the country.

Florida Visitation



While domestic visitor counts continue to grow, international travel is declining. We expect visitation numbers to decline at an even faster pace should Visit Florida budgets continue to suffer.

Lodging Capitalization Rates & Investor Returns

Cap Rates (Stabilized Properties)

- 6.0% to 7.0% for luxury hotels or full-service hotels (lower than 2018)
- 6.5% to 7.0% for full-service hotels (lower)
- 8.0% to 10.0% for select-service hotels (flat)

IRRs (Five-year Horizon)

- Unlevered: 6.0% to 9.0% (lower)
- Levered: 14.0% to 17.0% (lower)

Debt Markets

- Debt plentiful and underwriting standards are loosening; construction financing is also readily available
- LTVs at 65% to 70% (higher)
- Rates at 4.00% to 4.50% Fixed (lower)

Hillsborough / Pinellas Transactions – Full-Service

(Last twelve months, greater than \$200,000 per key)



Date	Property Name	City	Keys	Price	Per Key	Qualifier
Aug-18	Renaissance Vinoy Resort & Golf Club	St. Petersburg	362	\$185,000,000	\$511,050	confm'd
Dec-18	Beachcomber Beach Resort Grand Plaza Hotel	St. Pete Beach	258	\$100,000,000	\$387,597	confm'd
Jul-19	Westin Tampa Bay	Tampa	244	\$68,000,000	\$278,689	confm'd
Oct-18	Residence Inn SpringHill Suites Clearwater Beach	Clearwater	255	\$71,000,000	\$278,431	confm'd
May-19	Hilton Tampa Downtown	Tampa	521	\$125,040,000	\$240,000	approx
Aug-18	Embassy Suites Tampa Airport	Tampa	243	\$55,181,250	\$227,083	alloc'd
Feb-19	The Westshore Grand ⁽¹⁾	Tampa	325	\$71,500,000	\$220,000	approx
Jan-19	Residence Inn Tampa Westshore	Tampa	160	\$34,631,380	\$216,446	alloc'd
Jan-19	Towneplace Suites Tampa Westshore Airport	Tampa	122	\$26,406,427	\$216,446	alloc'd

(1) The Westshore Grand comparable sale reflects an approximate value derived from a partial interest transaction.

Source: Real Capital Analytics, Tampa Bay Business Journal

The Plasencia Group ("TPG") has compiled the above information from sources deemed reliable, and the information is presumed to be accurate. However, TPG does not warrant that the information is accurate, up-to-date or complete. Use of this information without verification from independent sources is at your own risk.

When looking at some of the larger full-service transactions in Hillsborough and Pinellas for the past 12 months, prices are increasing thanks to outstanding hotel financial performance. With very few exceptions, buyers are emanating from outside the state.

Hillsborough / Pinellas Transactions – Select-Service

(Last twelve months, greater than \$100,000 per key)

Date	Property Name	City	Keys	Price	Per Key	Qualifier
Aug-18	Fairfield Inn & Suites Tampa Fairgrounds	Tampa	98	\$18,831,680	\$192,160	alloc'd
Sep-18	AC Tampa Airport	Tampa	175	\$33,200,000	\$189,714	confm'd
Sep-18	Marriott St. Petersburg Clearwater	Pinellas Park	209	\$38,750,000	\$185,407	approx
Dec-18	Home2 Suites Tampa USF	Tampa	106	\$19,300,000	\$182,075	confm'd
Aug-18	Courtyard Tampa Downtown	Tampa	141	\$25,108,953	\$178,078	alloc'd
Sep-18	Hampton Inn Veterans Expressway	Town 'n' Country,	86	\$12,600,000	\$146,512	confm'd
Sep-18	Hilton Garden Inn Tampa	Wesley Chapel	125	\$15,600,000	\$124,800	confm'd
Sep-18	Residence Inn St. Petersburg	Pinellas Park	88	\$10,874,525	\$123,574	alloc'd
Dec-18	WoodSpring Suites Tampa Brandon	Tampa	122	\$14,154,696	\$116,022	alloc'd
Dec-18	WoodSpring Suites Clearwater	Largo	120	\$13,922,652	\$116,022	alloc'd
Dec-18	WoodSpring Suites Tampa Northeast	Temple Terrace	120	\$13,922,652	\$116,022	alloc'd

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Prices for smaller select-service hotels have grown at a faster pace than full-service in the past 12 months across Hillsborough and Pinellas with many sales approaching full-service levels.

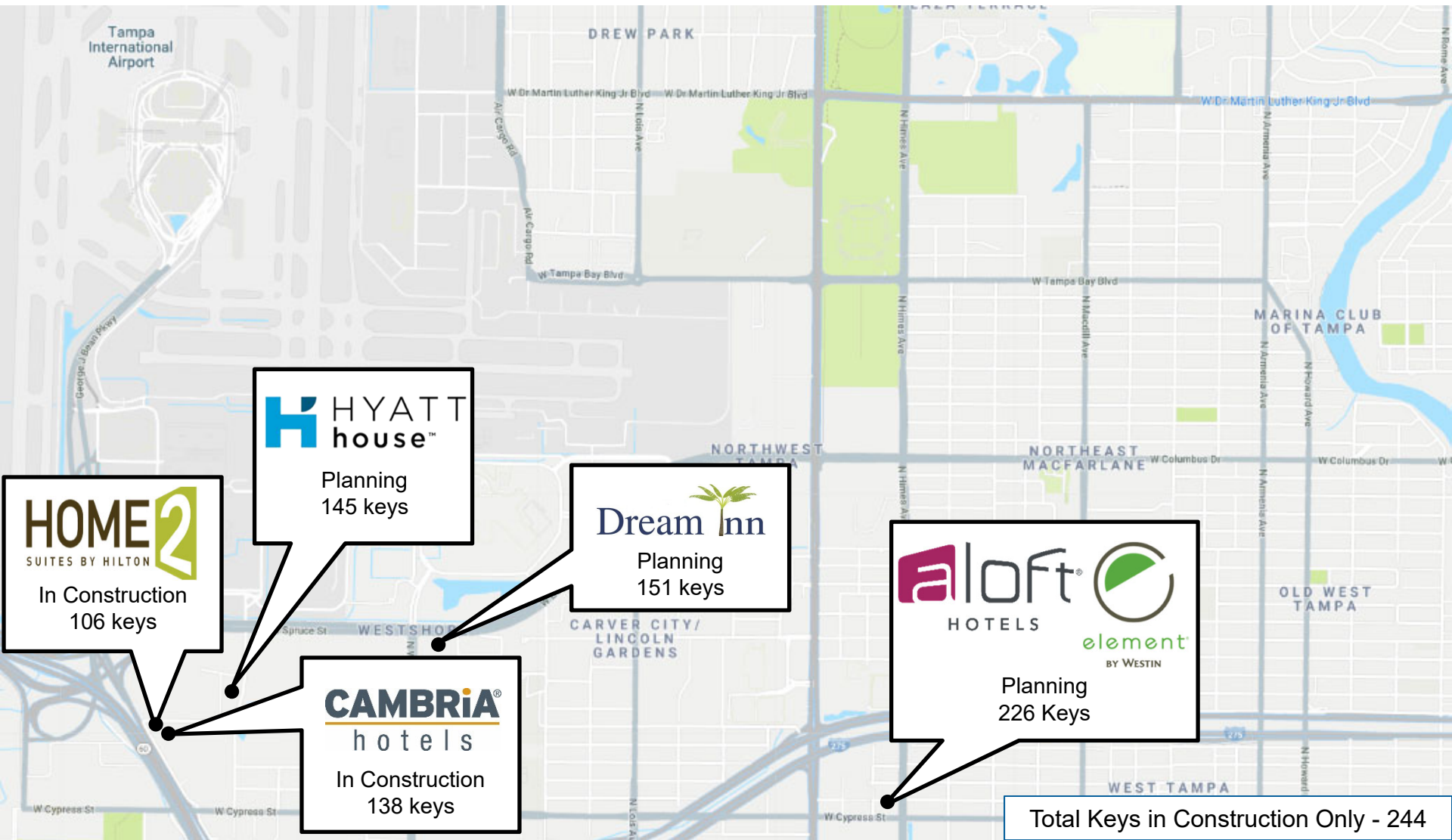
Hillsborough / Pinellas Transactions Historical Volume

(Greater than \$100,000 per key; YTD June 2019)

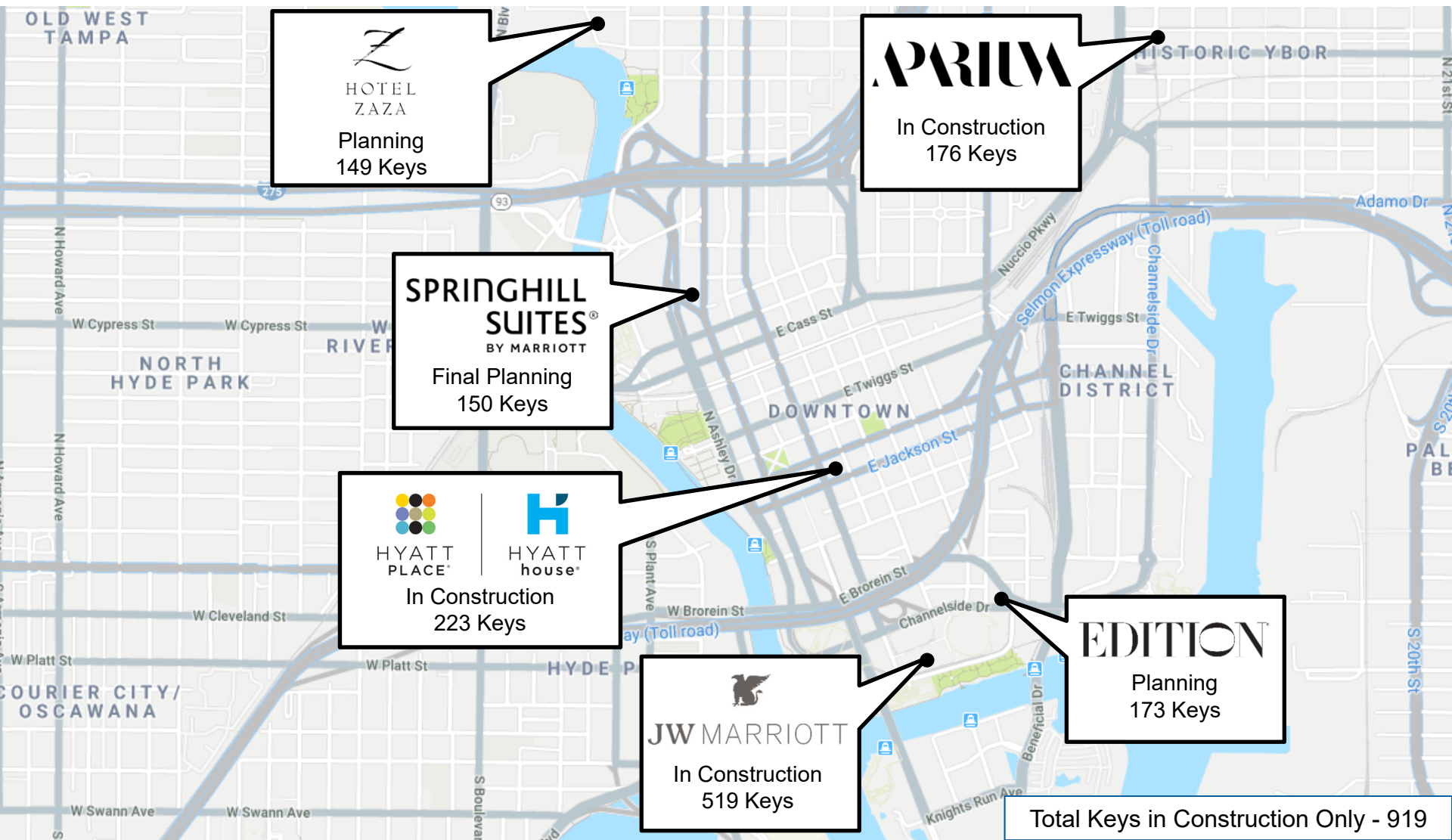
Year	Properties	Keys	Total Volume	Price Per Key
2010	2	805	\$135,500,000	\$168,323
2011	0	0	\$0	\$0
2012	9	1,175	\$146,350,000	\$124,553
2013	0	0	\$0	\$0
2014	4	1,141	\$257,228,330	\$225,441
2015	17	2,875	\$494,452,252	\$171,983
2016	16	1,924	\$419,000,839	\$217,776
2017	11	1,679	\$467,133,550	\$278,221
2018	22	3,310	\$782,626,849	\$236,443
YTD 2019	5	1,372	\$325,577,807	\$237,302

The number of properties recently transacted, along with weighted average price per key, indicate that we are currently in the healthiest transaction climate the Tampa Bay area has experienced this decade. And it's not slowing down!

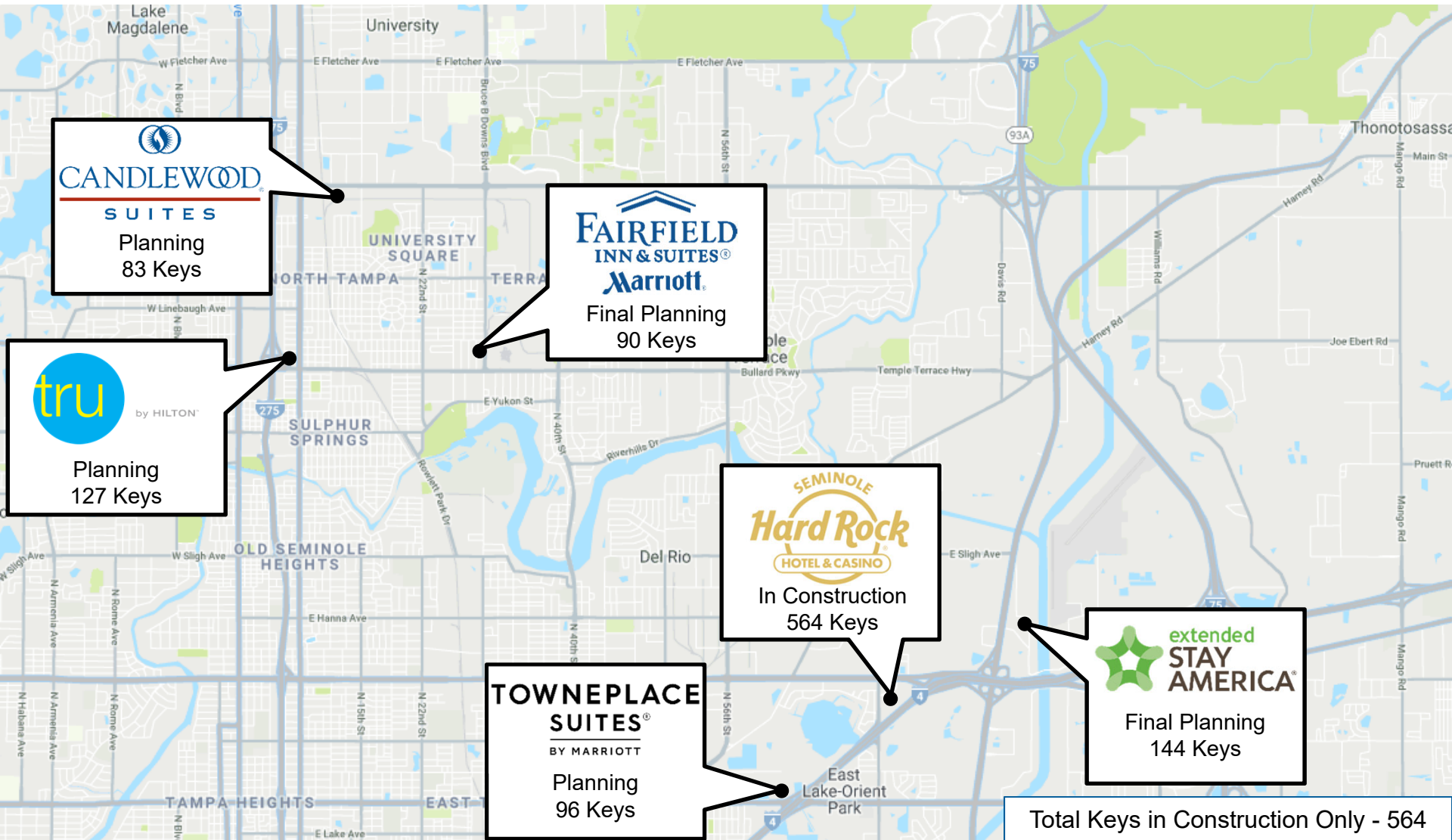
Supply Pipeline in Tampa Westshore Area



Supply Pipeline in Downtown Tampa Area

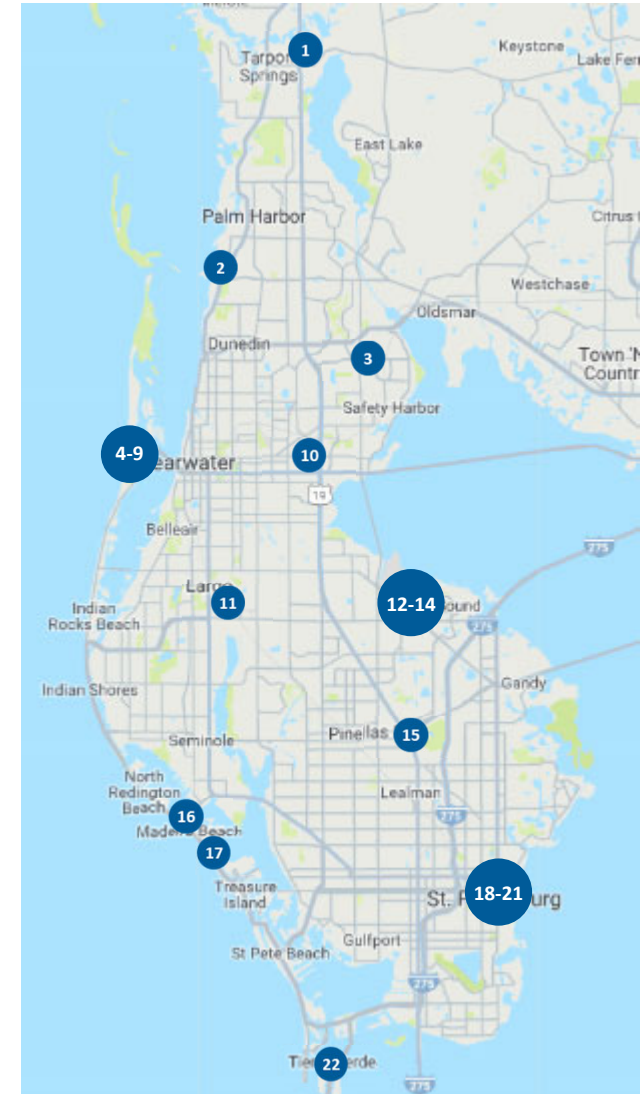


Supply Pipeline in Tampa East/Busch Gardens



Pinellas County Pipeline

Property	Keys	Status
1 Country Inn & Suites Tarpon Springs	57	Final Planning
2 Hampton Inn Dunedin	88	In Construction
3 Candlewood Suites Safety Harbor	72	Final Planning
4 Courtyard Clearwater	139	Planning
5 Sea Captain Hotel Redevelopment	98	Final Planning
6 Parcel B Hotel Clearwater Beach	144	Final Planning
7 AC Hotel Clearwater Beach	144	Planning
8 JW Marriott Tampa Clearwater Beach	166	Final Planning
9 New Charter House Hotel	60	Early Planning
10 Home2 Suites Clearwater Central	110	Planning
11 Home2 Suites Largo	118	In Construction
12 Home2 Suites St. Petersburg Clearwater Airport	117	Planning
13 Hilton Garden Inn Clearwater Airport Area	140	Planning
14 The Karol Hotel	124	In Construction
15 Hampton Inn St. Petersburg Pinellas Park	96	Final Planning
16 Cambria Hotel & Suites St. Petersburg	146	Final Planning
17 Johns Pass Resort	78	Planning
18 Tru St. Petersburg	131	Planning
19 Edge District Hotel	139	Planning
20 Autograph Collection St. Petersburg	200	Planning
21 The Galaxy Hotel	92	In Construction
22 Residence Inn St. Petersburg Tierra Verde	90	Final Planning
Total Keys In Construction Only	422	



Defining the New Style of Lodging Offerings

The Legacy Brands	The “Non-Brands”		
<p>Hard Brand</p> <ul style="list-style-type: none"> ■ Nationally franchised ■ Prescriptive brand standards ■ Homogenized design ■ Designed for corporate and/or leisure traveler ■ Usually about 18,000 to 20,000 square feet of meeting space ■ Segments range from select service to full service to luxury, and from suburban to urban to airport to resort 	<p>Boutique Hotel</p> <ul style="list-style-type: none"> ■ Independent or part of smaller national or international brand ■ Typically under 250 guest rooms ■ Design-centric ■ Usually less than 10,000 square feet of meeting space ■ Restaurant and lounge on site or near unique local dining and entertainment options ■ Generally upscale to luxury 	<p>Lifestyle Hotel</p> <ul style="list-style-type: none"> ■ Nationally franchised ■ Prescriptive brand standards ■ Design-centric ■ Designed for travelers interested in boutique lodging ■ Offer a lounge and typically light food on site ■ Generally upper-midscale to luxury 	<p>Soft Brand Collection</p> <ul style="list-style-type: none"> ■ Affiliated with a major national franchise distribution system ■ Fewer brand standards ■ Signature hotels, individually named and branded ■ Unique in design ■ Generally offer at least one restaurant and lounge ■ Generally upper-midscale to luxury

The Brands and “Non-Brands”

The Legacy Brands

Hard Brand

- Crowne Plaza
- **DoubleTree**
- **Embassy Suites**
- **Grand Hyatt**
- **Hilton**
- Hyatt Regency
- InterContinental
- **JW Marriott**
- Loews
- **Marriott**
- Park Hyatt
- **Renaissance**
- Ritz-Carlton
- **Sheraton**
- Waldorf Astoria
- **Westin**
- Wyndham

The “Non-Brands”

Boutique Hotel

- 21C Museum Hotels
- Ace
- CitizenM
- Dream Hotels
- Delano by SBE
- Graduate Hotels
- SLS Hotels
- Mondrian by SBE
- NYLO Hotels
- Room Mate
- Sixty Hotels
- Valencia
- Viceroy
- Virgin

Lifestyle Hotel

- **AC by Marriott**
- **Aloft by Marriott**
- Andaz by Hyatt
- Cambria by Choice
- Canopy by Hilton
- Centric by Hyatt
- **Edition by Marriott**
- GLO by Best Western
- Indigo by IHG
- Kimpton by IHG
- **Le Meridien by Marriott**
- Motto by Hilton
- Moxy by Marriott
- Red by Radisson
- Thompson by Hyatt
- TRYP by Wyndham
- Vib by Best Western
- Voco by IHG
- W by Marriott

Soft Brand Collection

- Aiden by Best Western
- **Ascend by Choice**
- **Autograph by Marriott**
- Curio by Hilton
- Destination by Hyatt
- Dolce by Wyndham
- Joie de Vivre by Hyatt
- Luxury Collection by Marriott
- Registry Collection by Wyndham
- Sadie by Best Western
- **Tapestry by Hilton**
- **Tribute Portfolio by Marriott**
- Trademark by Wyndham
- Unbound by Hyatt

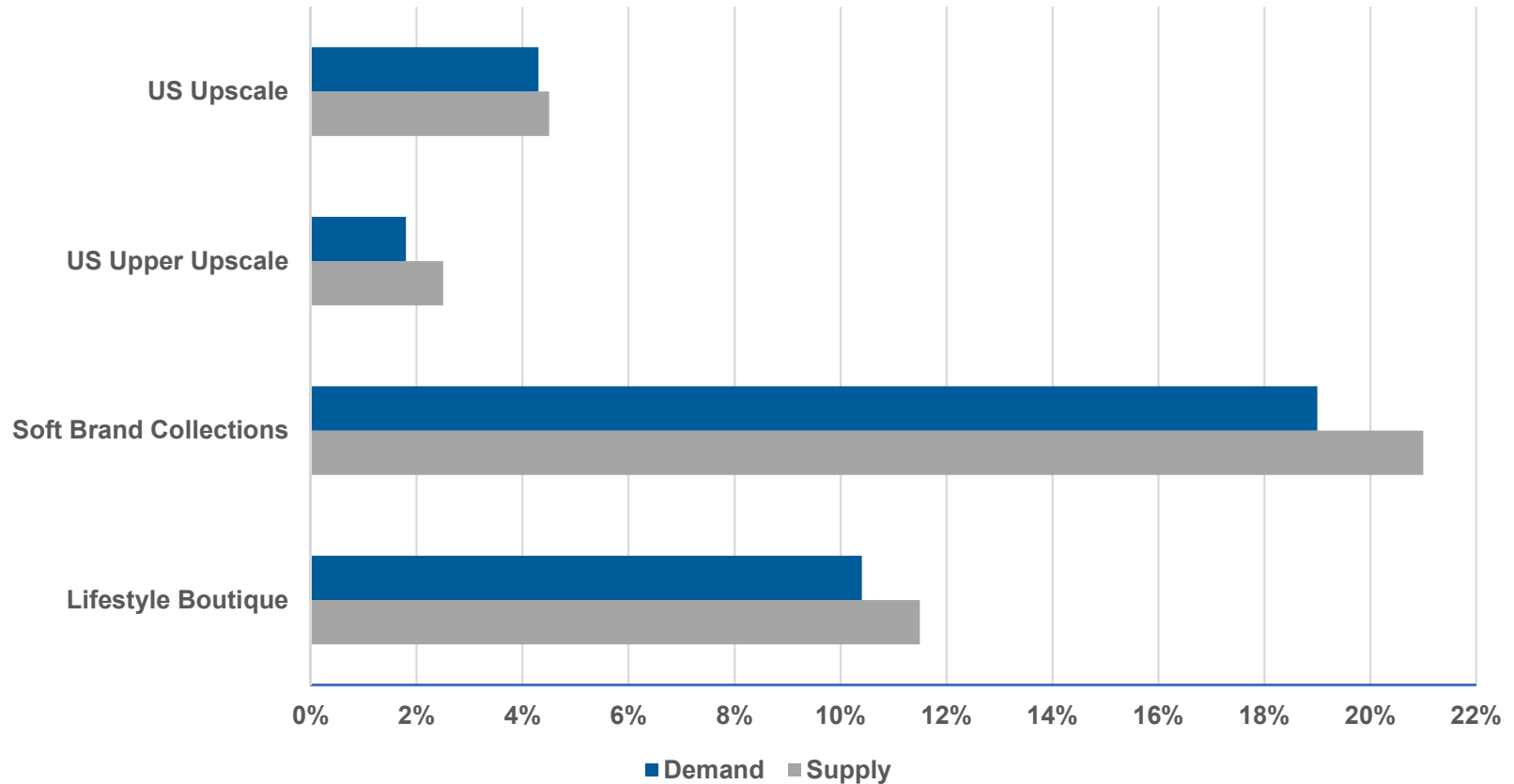
Note: **Bold** = Brands present in Hillsborough County.

Typical Design Elements

- Experiential environment (library, billiards, fitness, etc.)
- Neighborhood influences
- Less clubby, less intimidating
- Less ballroom, more fun room
- Living room experience where no one is a stranger
- Eat and drink to the beat
- Pop-up places and events; unique and customized experiences
- Brand reliability and service, without the brand presence
- Cutting edge tech; mobile room key

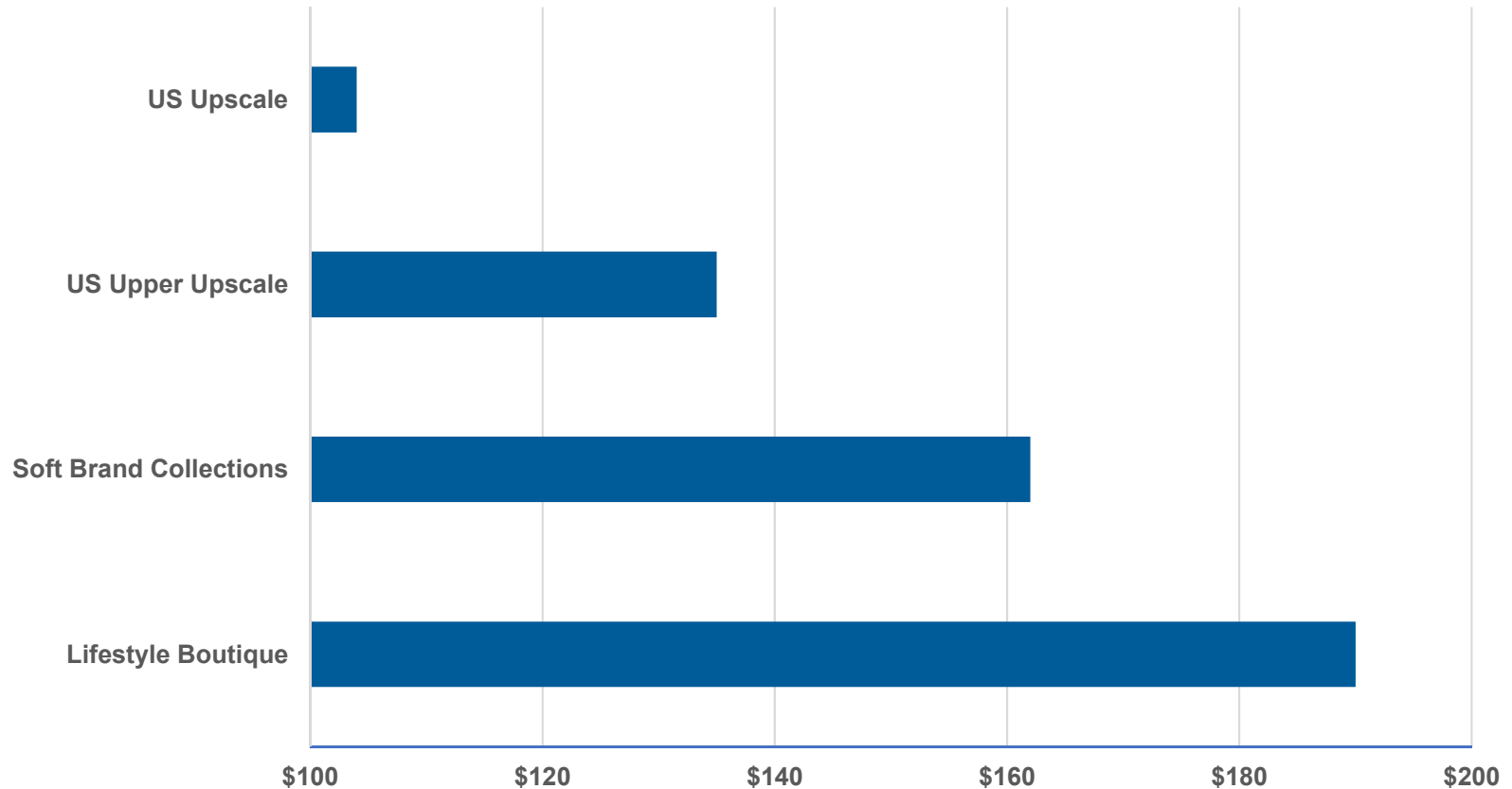
Sources: *Building Design & Construction*, The Plasencia Group

2018 Supply / Demand Change – Comparison



Sources: STR and The Boutique Hotel Report 2019

2018 Revenue per Available Room – Comparison









Sources: STR and The Boutique Hotel Report 2019

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 2018:
 - 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 2.8% by YE 2019 and the chances of a technical recession remain extremely low. We anticipate moderate GDP growth for the balance of 2019 and into 2020.
- We expect continued ADR growth and improved flow-through as a result of rising GDP.
- The rate of inflation is expected to remain flat or decline. This will provide headwinds for any growth in ADRs.
- Lodging industry profitability continues to moderate due to labor, insurance and property taxes.

As We See It: Anticipated RevPAR Growth

Tampa Bay Area Metrics – RevPAR 2020 over 2019 (TPG projected year-over-year rate of growth for Full-Service hotels)

Occupancy Growth: 0.6%

ADR Growth: 3.0%

RevPAR Growth : 3.6%

As We See It: The Local Scene

- At present, there are almost 2,200 rooms under construction in Hillsborough and Pinellas counties. There have never been this many rooms under construction here at the same time. In Hillsborough, we expect the new inventory to be absorbed within 18 months after opening. It will take a little longer in Pinellas given the lack of an established convention market.
- We are confident the expansion of hotel brands in the area will continue to evolve. Several legacy and lifestyle brands aren't here yet but will inevitably show up as the market continues to mature. Missing brands include, Andaz, Curio, Fairmont, Four Seasons, Hyatt Regency, InterContinental, Kimpton Omni, Park Hyatt, Ritz-Carlton, Waldorf=Astoria and others.
- We expect the Bay area's hotel performance will continue to exceed national averages, notwithstanding the new supply additions. The area's prominence may diminish in the next two to three years, however, due to challenges to tourism marketing funds and the expansion of other convention markets in the southeast.
- The addition of the Current, the JW Marriott and the Edition in Tampa, and the renovation of various hotels in the region, including the Don Cesar, the Vinoy and others, will benefit the entire market. ADR is expected to increase with the introduction of higher end and enhanced product. Revenue management practices need to be bold.
- It is imperative that local owners and operators not succumb to the temptation to reduce ADRs as room supply grows in the region. The progress that has been made over the past 3 to 4 years must continue to be advanced.



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