

# Tampa Bay Area Lodging Investment Update

**HCHMA Trends & Forecasting Forum**

**Presented by Lou Plasencia**

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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.

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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.

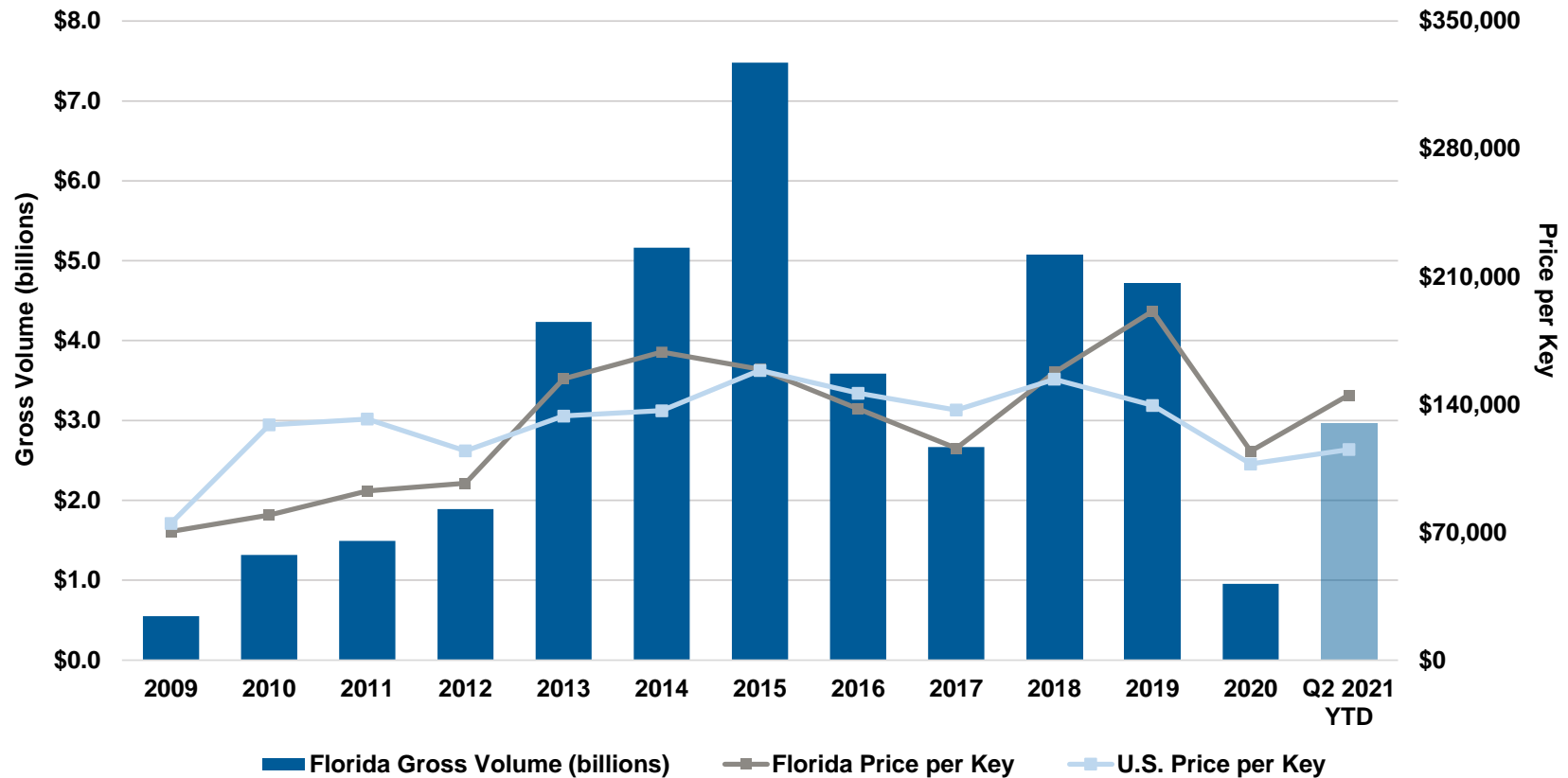
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# Transaction Trends – Florida and U.S.

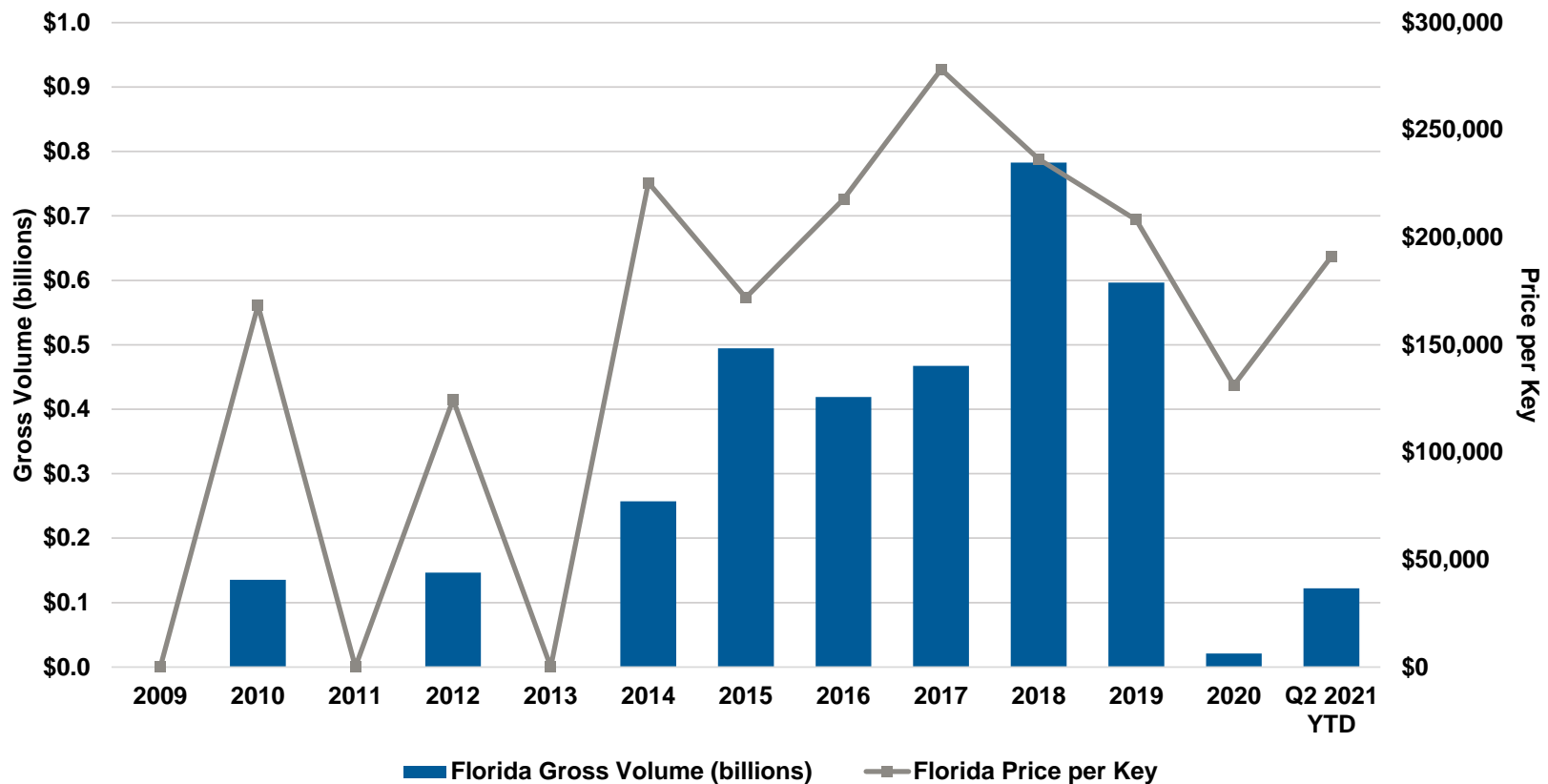
Lodging transaction activity throughout Florida has been stronger than other states. On a price per key basis, hotels are trading at a level slightly higher than the rest of the nation, and that trend will continue for the next 24 to 36 months.



Note: Includes all transactions with sales prices greater than \$2.5 million.  
 Source: Real Capital Analytics

# Hillsborough/Pinellas Transactions Above \$100,000 Per Key

The weighted average price per key, indicate that we are currently in the healthiest transaction climate the Tampa Bay Area has experienced this decade. By the end of the year, 2021 will prove to be the busiest year ever for transactions in the region.



Source: Real Capital Analytics

# Hotel Capitalization Rates & Investor Returns – Florida Assets

## Cap Rates (Non-Stabilized Properties)

- 4.0% to 7.0% for luxury hotels or full-service hotels (lower than 2019)
- 4.5% to 7.0% for full-service hotels (lower than 2019)
- 7.0% to 9.0% for select-service hotels (lower than 2019)

## IRRs (Five-year Horizon)

- Unlevered: 6.0% to 9.0% (lower than 2019)
- Levered: 14.0% to 17.0% (lower than 2019)

## Debt Markets

- Debt plentiful and underwriting standards are loosening; construction financing is more plentiful
- LTVs at 65% to 70%
- Rates at 4.00% to 4.50% Fixed (lower than 2019)

# Hillsborough/Pinellas Select Transactions – Full-Service (January 2019 – July 2021)

When looking at some of the larger full-service transactions in Hillsborough and Pinellas for the past 18 months, sale prices are increasing thanks to upward trends in hotel financial performance. With very few exceptions, most buyers are emanating from outside the state and are making big bets.

Date	Property	City	Keys	Price	Per Key	Qualifier
Aug-19	Grand Hyatt Tampa Bay	Tampa	444	\$150,000,000	\$337,838	approx
Jul-19	Westin Tampa Bay	Tampa	244	\$68,000,000	\$278,689	confm'd
Apr-19	Hilton Tampa Downtown	Tampa	521	\$123,000,000	\$236,084	approx
Feb-19	The Westshore Grand, Tribute Portfolio	Tampa	325	\$71,500,000	\$220,000	confm'd
Jan-21	Hilton St. Petersburg Carillon Park	St. Petersburg	227	\$31,685,000	\$139,581	confm'd
Nov-20	Hotel Indigo St. Petersburg Downtown	St. Petersburg	76	\$8,000,000	\$105,263	confm'd
Oct-19	TradeWinds Island Resorts	St. Pete Beach	796	\$81,000,000	\$101,759	approx

Source: Real Capital Analytics

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# Hillsborough/Pinellas Select Transactions – Select-Service (January 2019 – July 2021)

Prices for select-service hotels have grown at a faster pace in the last 18 months than full-service hotels across Hillsborough and Pinellas Counties.

Date	Property	City	Keys	Price	Per Key	Qualifier
Jun-21	Thunderbird Beach Resort	Treasure Island	106	\$32,500,000	\$306,604	approx
Jul-21	Hampton Inn   Home2 Suites Tampa Downtown Channel District	Tampa	213	\$56,500,000	\$265,258	confm'd
Dec-19	Howard Johnson Resort St. Pete Beach	St. Pete Beach	133	\$34,500,000	\$259,398	approx
Mar-21	Alden Suites	St. Pete Beach	140	\$33,500,000	\$239,286	confm'd
Nov-19	Courtyard Tampa Northwest Veterans Expressway	Tampa	128	\$23,500,000	\$183,594	apprsl
Jan-20	Hampton Inn & Suites Tampa Busch Gardens	Tampa	84	\$13,000,000	\$154,762	confm'd
May-21	Harborside Suites	Ruskin	154	\$22,000,000	\$142,857	approx
Oct-19	Homewood Suites St. Petersburg Clearwater	Feather Sound	112	\$16,000,000	\$142,857	confm'd
Nov-19	Bayside Inn	Treasure Island	26	\$3,300,000	\$126,923	approx
Jul-19	Fairfield Inn & Suites Holiday Tarpon Springs	Elfers	78	\$9,500,000	\$121,795	confm'd

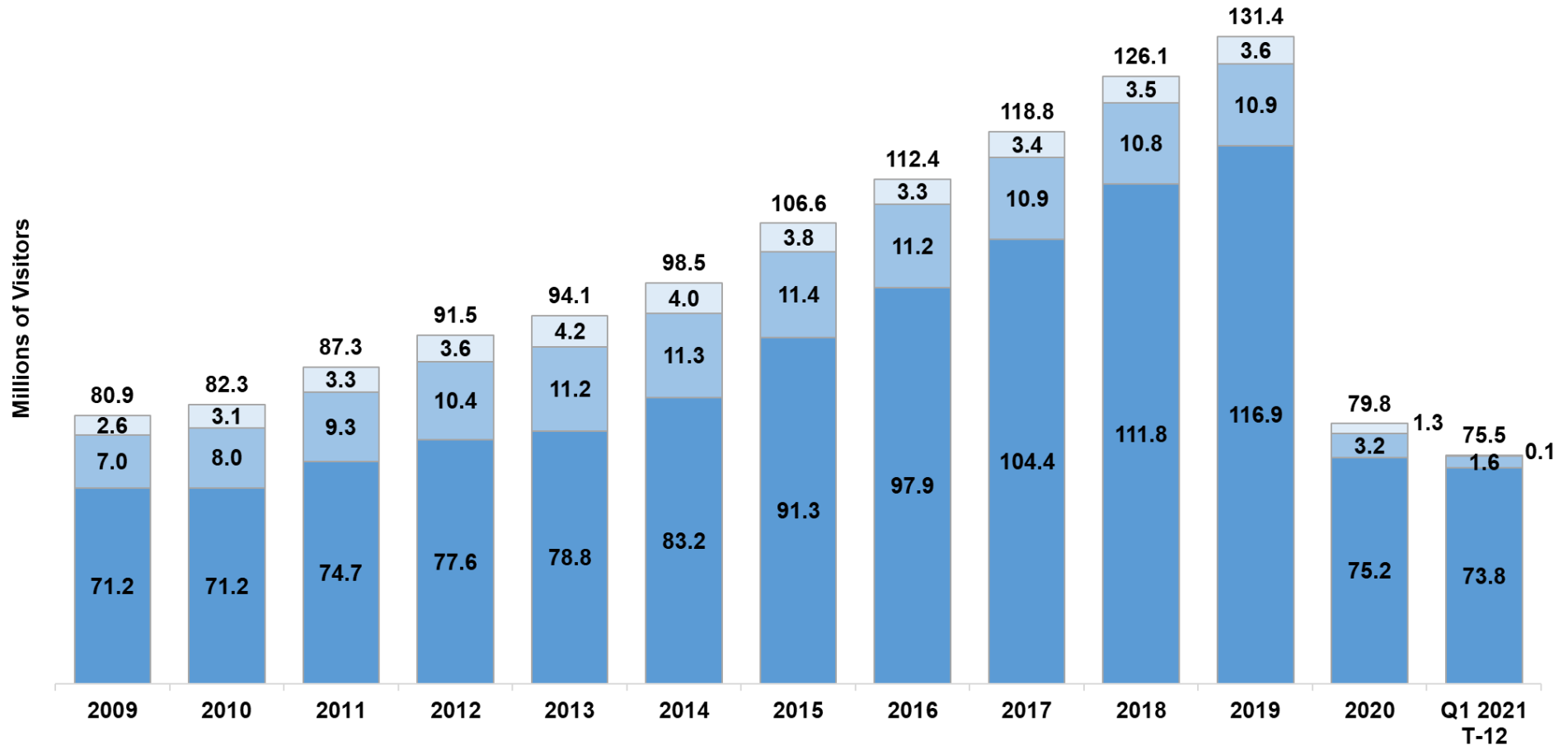
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# Florida Visitation

While domestic visitation to Florida continues to grow, international travel is doing the opposite. We don't expect a meaningful reversal to inbound international visitation until late 2022 at the earliest.

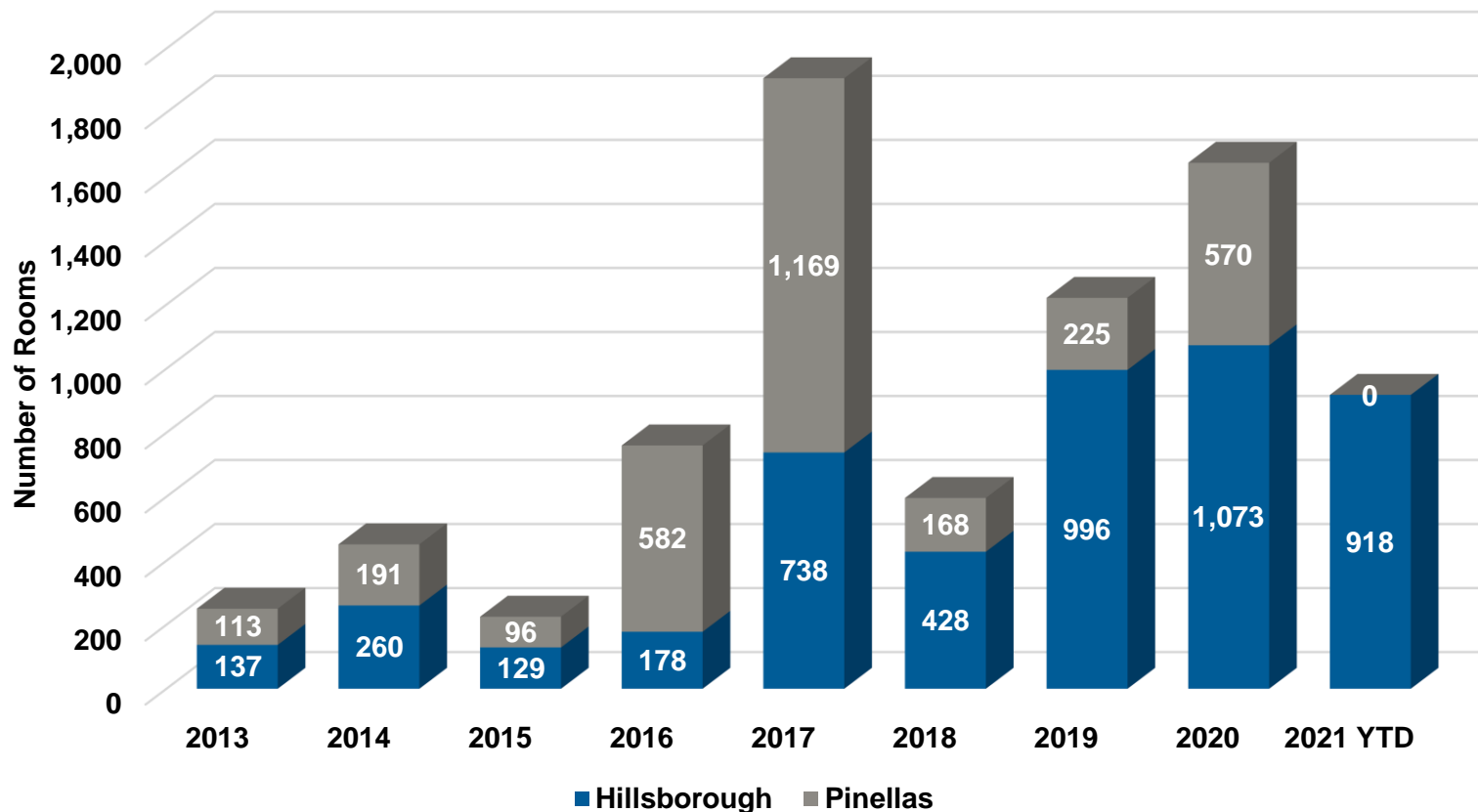


Source: Visit Florida

■ Domestic Visitors   ■ Overseas Visitors   ■ Canadian Visitors

# New Supply Entering the Hillsborough/Pinellas Market

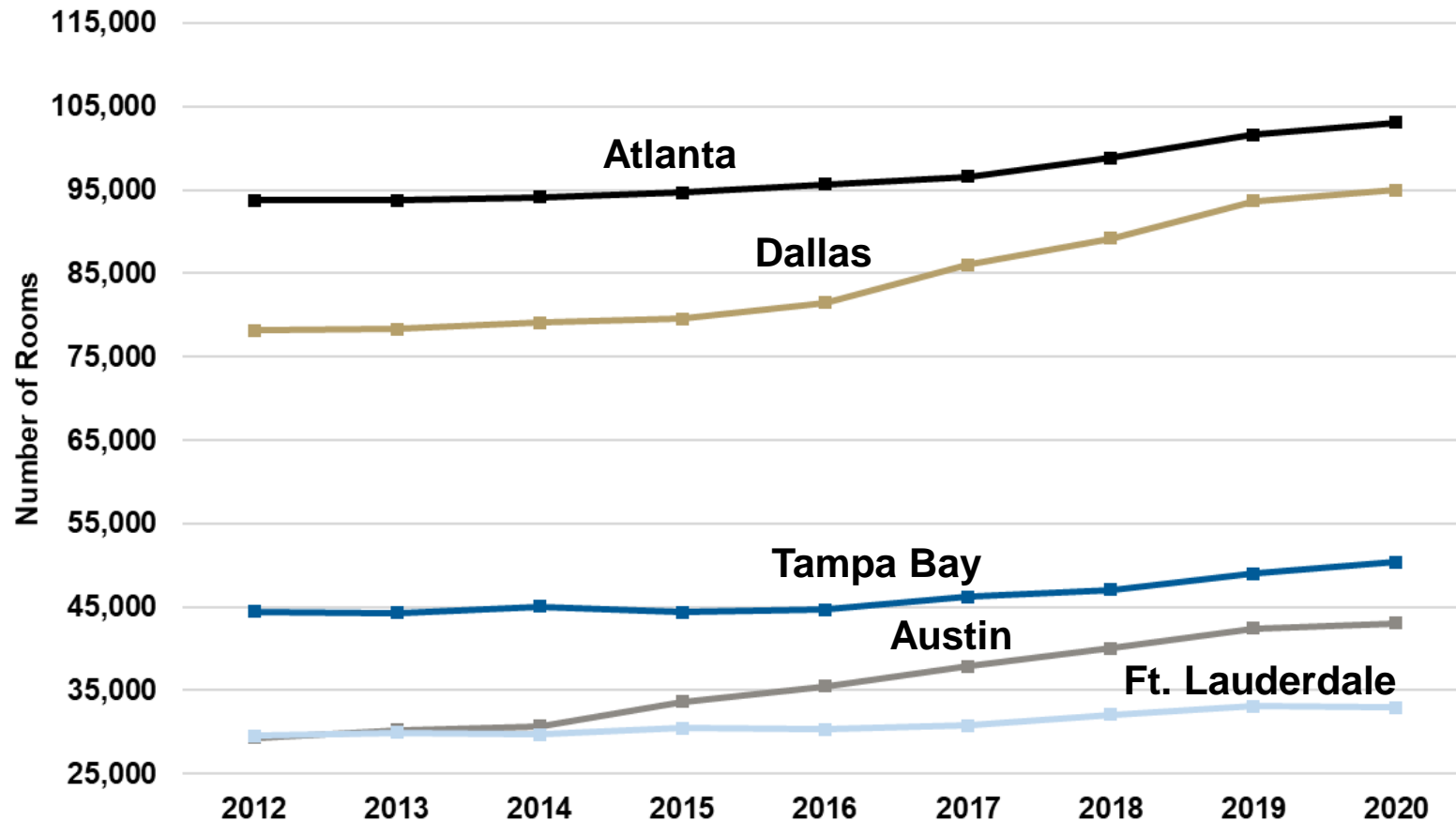
It will be quite some time before either county experiences any meaningful addition of new rooms. Unless a hotel is already under construction, we do not expect to see any major supply increases for at least 18 to 24 months at the earliest in Hillsborough or Pinellas Counties.



Source: Lodging Development Corporation

# Supply Growth in Tampa

The Tampa Bay area has kept pace with some of the most active markets in the nation when it comes to new supply additions.



Source: STR

# Key Brands Not Yet Here or Have a Limited Presence\*

## Luxury

- Andaz by Hyatt
- Conrad
- Fairmont
- Four Seasons
- Grand Hyatt
- InterContinental
- Montage
- Park Hyatt
- Ritz-Carlton
- St. Regis
- Thompson by Hyatt
- W
- Waldorf-Astoria

## Upper Upscale

- Autograph by Marriott
- Canopy by Hilton
- Curio by Hilton
- Graduate Hotels
- Hyatt Regency
- Indigo by IHG
- Kimpton
- Margaritaville
- Omni
- Renaissance
- Tribute by Marriott
- Virgin

## Upscale

- AC Hotels by Marriott
- Cambria by Choice
- Crowne Plaza
- Delta by Marriott
- DoubleTree
- EVEN Hotels by IHG
- Radisson
- Sonesta
- Staybridge Suites
- Tapestry by Hilton
- Wyndham

## Upper Midscale

- Drury Inns
- Holiday Inn
- Motto by Hilton
- Moxy by Marriott
- Tryp by Wyndham

\* The list above is a partial inventory is not intended to be all-inclusive.

# Our Cracked Crystal Ball – As We See It



# As We See It: The National Scene

- Since we were last together in 2019, there have been several changes in the annual “Cracked Crystal Ball” indicators that we follow:
  - Commercial Rail (Forward Contracts) ▲
  - Luggage Sales ▲
  - Jet A Fuel Contracts ▲
  - Airline Load Factors ▲
  - Dry Cleaning & Laundry Institute ▼
  - Sleep in America Poll ▲
- The inflation is expected to rise, meaning that it will be easier for you to grow ADR.
- It’s a tale of two groups of cities. There are those that are thriving and those that are not.
- Long-term, personal and business travel is coming back and coming back with a vengeance.
- Owners and operators have become much more entrepreneurial. We will break our assets into more pieces to generate more revenues.
- Look for our industry to handle reservations like the airlines, including cancellation fees and rebooking fees.
- The Tampa Bay area continues to be at the top of investors’ list of places to invest.

# As We See It: Owner/Investor Expectations

- If your hotel hasn't been renovated by now, don't expect any significant refurbishment for the next 12 to 18 months. Supply chains are completely disrupted and will take at least that long to return to normalcy. Brands know this and have backed off.
- Brand creep is creeping back in. While we didn't see a lot of memos and dictums coming from Bethesda, McClean and Chicago during the past 18 months, those memo writers are getting back to work. Expect to see permanent changes in things like optional housekeeping, digital check-in, bath amenities, free breakfasts, IRD, menu creation, and staffing and labor.
- For the most part, the owner community – the life insurance companies, the private equity groups, the high-net-worth investors and family offices – they are all felling pretty bullish now that the worst is behind them. You should work to keep the message positive.
- In the Tampa Bay area, owners will expect you to continue to raise rates as inflation grows. Additionally, that the vast majority of new competitive supply in the area is now open and fewer new hotels are being discussed, so that won't work as an excuse for much longer.
- If your owner owns hotels, especially big box hotels, in markets like Chicago, Boston, Seattle or New York, you are their superstars right now. They can't wait for your monthly P&Ls. No matter how depressing they seem look to you, those monthly financials put a smile on their faces. Use that to your advantage. Relatively speaking, your hotel's bottom line NOI is likely two to six times higher than the comparable hotels they own in gateway markets.

## As We See It: The Local Scene

- The rate of ADR growth we've seen here in the past six months is about to begin to subside as the number of Leisure guests who have been paying higher rates also levels out once kids get back to school. Pricing integrity may be hard to maintain. We expect the ADR growth to begin to moderate as early as next month.
- Occupancy growth will flatten between July and October before we see the typical shoulder period declines that our region traditionally experiences each November and December.
- We had expected Corporate Transient and Corporate Group demand to pick up significantly this September, but we now believe the Delta variant will impact the revival of those segments through the end of this year. When Delta dies, Corporate thrives.
- We will begin to see meaningful growth in Convention business in 2022 and we believe this segment is back to full speed in the Bay Area by Q3 of 2023.
- The Bay Area, especially Pinellas, will surpass 2019 RevPAR levels much faster than the rest of the nation.
- Demand for Tampa / St. Pete / Clearwater is strong, providing you an opportunity to be bolder, especially with rate, in 2022 and beyond.
- We will see at least six or seven additional major transactions in the two counties before the end of 2021 as the Bay Area remains at the forefront of national and international investor interest.
- We expect more Luxury and Upper Upscale hotel rooms to enter the Hillsborough and Pinellas markets beginning in 2024. It is inevitable. Increasing rates will follow.



# As We See It: Anticipated RevPAR Growth

## We are Bullish

### Tampa Bay Area Metrics – Forecast for 2022

(TPG projected rate of growth for Full-Service hotels only)

**Occupancy Growth: 3.5%**

**ADR Growth: 2.4%**

**RevPAR Growth : 5.9%**

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