



THE PLASENCIA GROUP
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Tampa Bay Area Lodging Investment Update

**24th Annual HCHMA
Trends & Forecasting Forum**

Presented by Lou Plasencia

JULY 2023

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 discretion.

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

No need to take notes...

... a copy of this presentation will be
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Key Themes of Today's Presentation

- Our take on the “softening,” “weakening,” “declining” and “deteriorating” economy is slightly different from others’ perspectives.
- Commercial real estate insurance costs are skyrocketing and will have ripple effects on you for at least two years.
- Interest rates on the floating rate loans on your properties are double what they were just two years ago, and this will have a significant impact on your operations.
- Leisure Transient is slowing, but we see positive signs of growth in Group.
- It’s time to face the truth; the party is over.

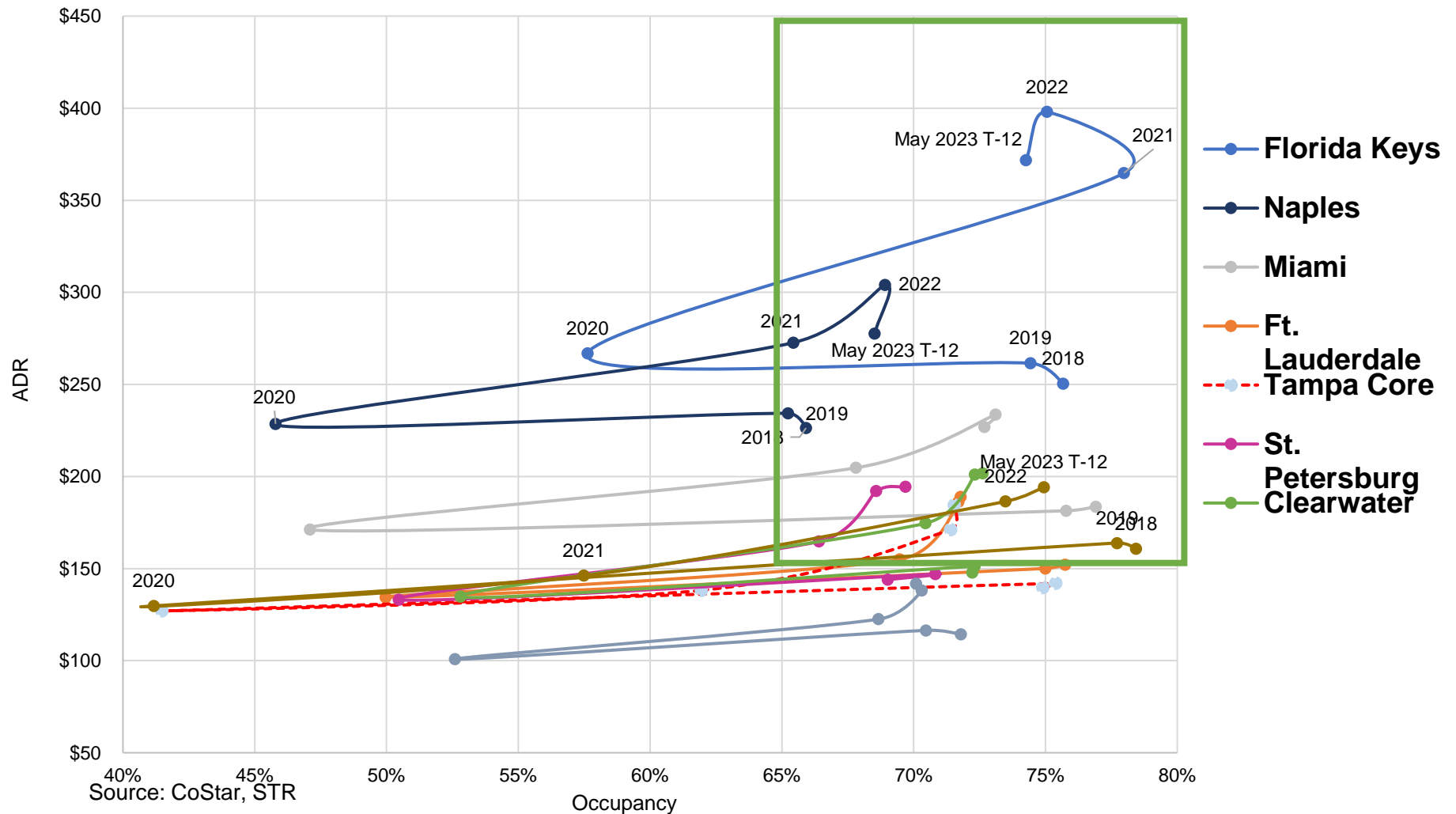
STR Top 25 Markets ADR Trend (ranked by ADR)

2019		2020		2021		2022		June 2023 T-12	
Market	ADR	Market	ADR	Market	ADR	Market	ADR	Market	ADR
New York	\$254.08	Oahu Island	\$215.43	Oahu Island	\$224.93	Miami	\$256.84	New York	\$284.16
San Francisco	\$249.20	Miami	\$185.26	Miami	\$222.60	New York	\$250.63	Oahu Island	\$276.98
Oahu Island	\$240.40	San Francisco	\$176.33	New York	\$210.66	Oahu Island	\$248.19	Miami	\$226.92
Boston	\$199.40	New York	\$152.09	Orange County	\$167.89	Los Angeles	\$191.28	San Francisco	\$226.37
Miami	\$194.80	Los Angeles	\$137.71	San Diego	\$164.63	Orange County	\$189.19	Boston	\$216.82
Los Angeles	\$178.07	Orange County	\$135.83	Los Angeles	\$162.86	Boston	\$187.41	San Diego	\$209.49
San Diego	\$166.44	San Diego	\$130.61	Boston	\$156.73	San Diego	\$186.77	Orange County	\$208.09
Orange County	\$165.43	Boston	\$122.17	San Francisco	\$153.85	San Francisco	\$184.61	Los Angeles	\$197.76
Washington	\$160.54	New Orleans	\$117.70	Tampa	\$139.83	New Orleans	\$167.13	Orlando	\$194.23
Seattle	\$160.46	Tampa	\$116.69	Nashville	\$136.64	Nashville	\$160.04	New Orleans	\$176.63
Nashville	\$149.46	Phoenix	\$115.41	New Orleans	\$130.95	Tampa	\$159.41	Nashville	\$175.60
New Orleans	\$149.22	Washington	\$113.48	Phoenix	\$128.20	Phoenix	\$155.32	Seattle	\$173.24
Chicago	\$145.18	Orlando	\$110.25	Seattle	\$123.10	Washington	\$147.42	Phoenix	\$172.92
Philadelphia	\$135.85	Seattle	\$106.81	Orlando	\$121.54	Seattle	\$145.26	Tampa	\$170.19
Denver	\$133.89	Nashville	\$104.46	Philadelphia	\$120.91	Orlando	\$144.59	Chicago	\$160.06
Phoenix	\$131.90	Philadelphia	\$98.71	Chicago	\$120.76	Chicago	\$140.03	Philadelphia	\$149.51
Tampa	\$131.90	Denver	\$94.81	Washington	\$120.38	Philadelphia	\$136.71	Washington	\$147.42
Orlando	\$126.72	Chicago	\$91.71	Norfolk	\$118.05	Denver	\$132.13	Denver	\$145.25
Minneapolis	\$120.80	Norfolk	\$89.71	Denver	\$116.91	Norfolk	\$125.18	Norfolk	\$128.30
Atlanta	\$114.16	Atlanta	\$86.48	Saint Louis	\$101.35	Minneapolis	\$113.64	Minneapolis	\$126.65
Dallas	\$109.20	Minneapolis	\$86.31	Atlanta	\$100.91	Atlanta	\$112.62	Atlanta	\$123.77
Norfolk	\$106.32	Dallas	\$85.63	Minneapolis	\$100.53	Saint Louis	\$111.22	Saint Louis	\$121.60
Saint Louis	\$106.04	Detroit	\$84.12	Detroit	\$96.72	Dallas	\$108.57	Dallas	\$120.91
Detroit	\$105.42	Saint Louis	\$84.02	Dallas	\$95.81	Detroit	\$106.08	Detroit	\$119.48
Houston	\$101.77	Houston	\$81.20	Houston	\$91.36	Houston	\$100.85	Houston	\$110.83

Source: CoStar, STR

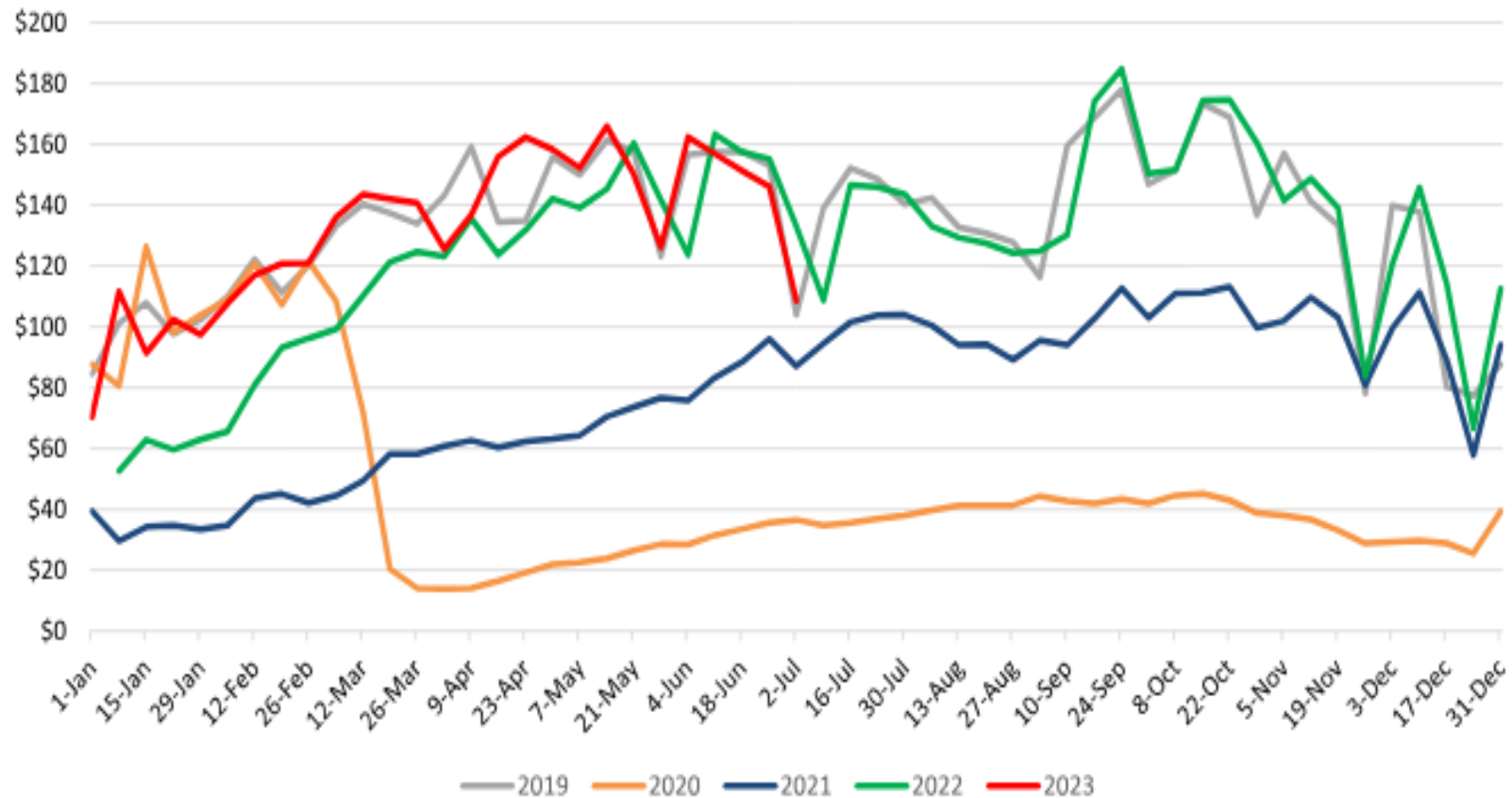
Key Florida Market Performance (2018 – YTD May 2023)

Virtually every Florida market has begun to experience deterioration in both rate and occupancy.



National Urban Hotel RevPAR

RevPAR seems to have returned to its normal trend in 2022 and 2023, closely mimicking 2019 performance.

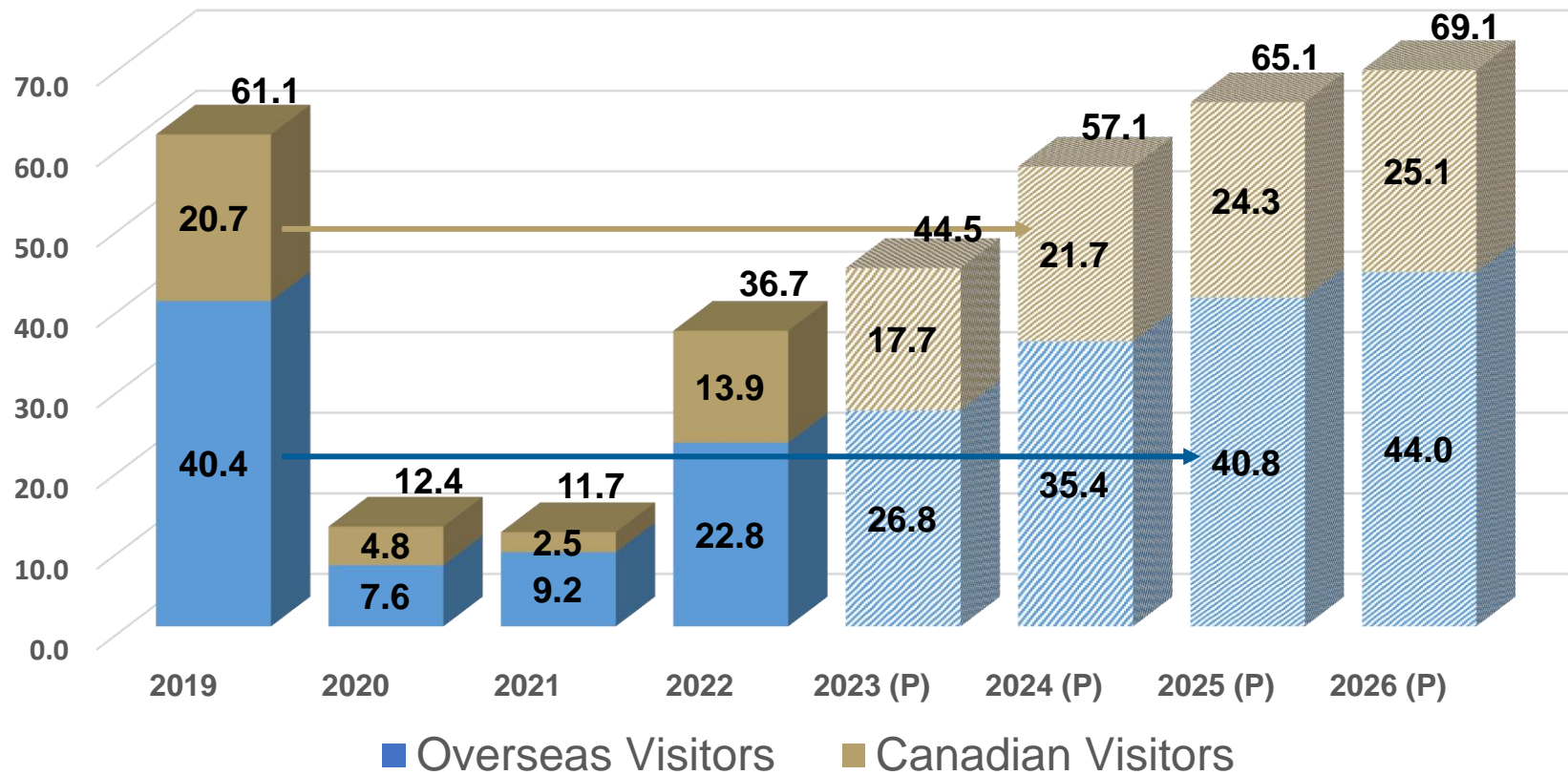


Source: CoStar

International Arrivals Into U.S.

U.S. Travel Association expects foreign visitation to normalize to 2019 levels by late 2024 or early 2025.

U.S. INBOUND INTERNATIONAL VISITORS

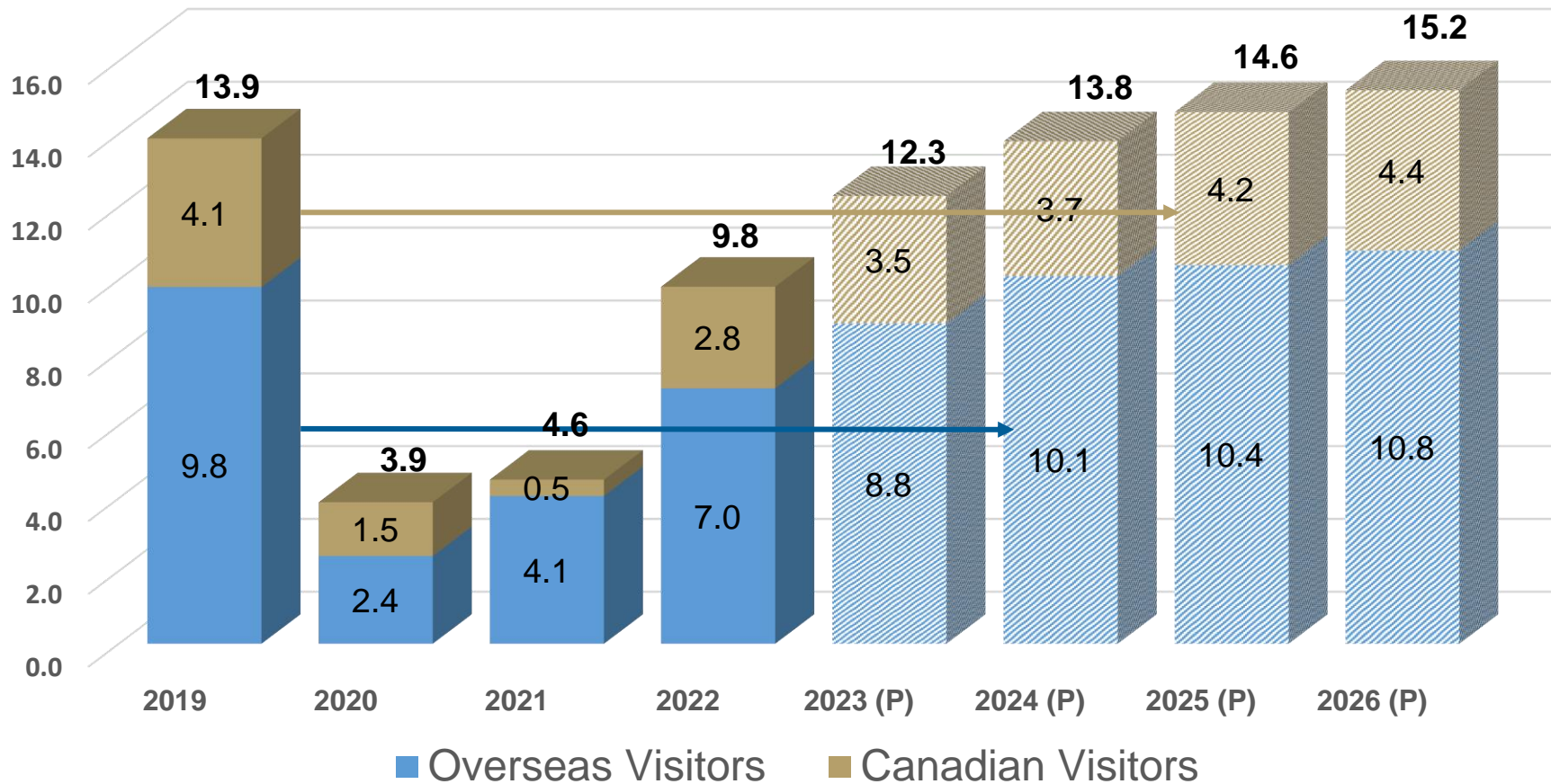


Note: Data in millions.
Source: U.S. Travel Association

International Arrivals Into Florida

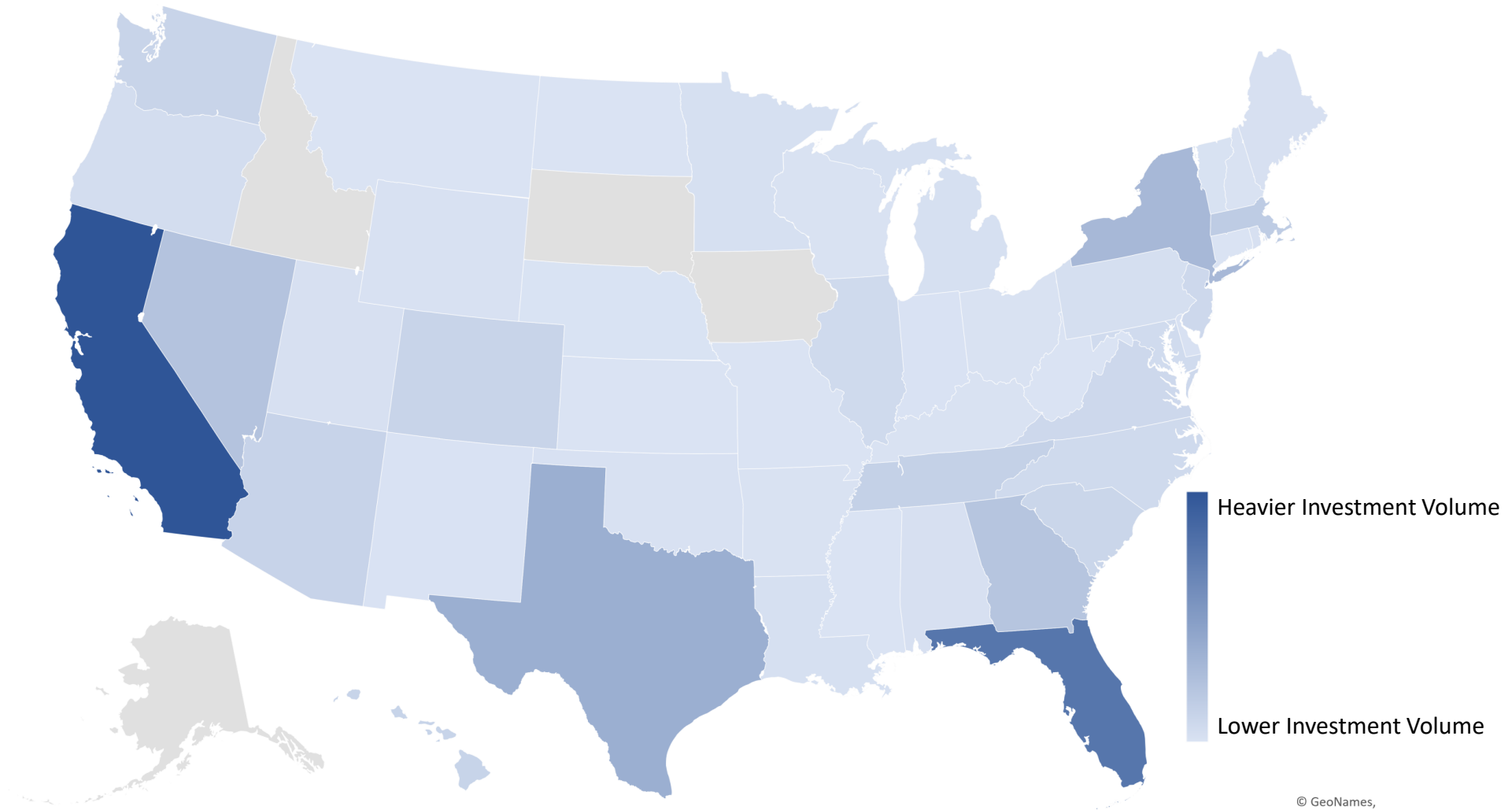
Foreign visitation to Florida is also expected to normalize at 2019 levels by late 2024 or early 2025.

FLORIDA INBOUND INTERNATIONAL VISITORS



Note: Data in millions.
Source: Visit Florida; Univ. of Florida

Hotel Investment: Sales Volume Heat Map: 2020 - 2023

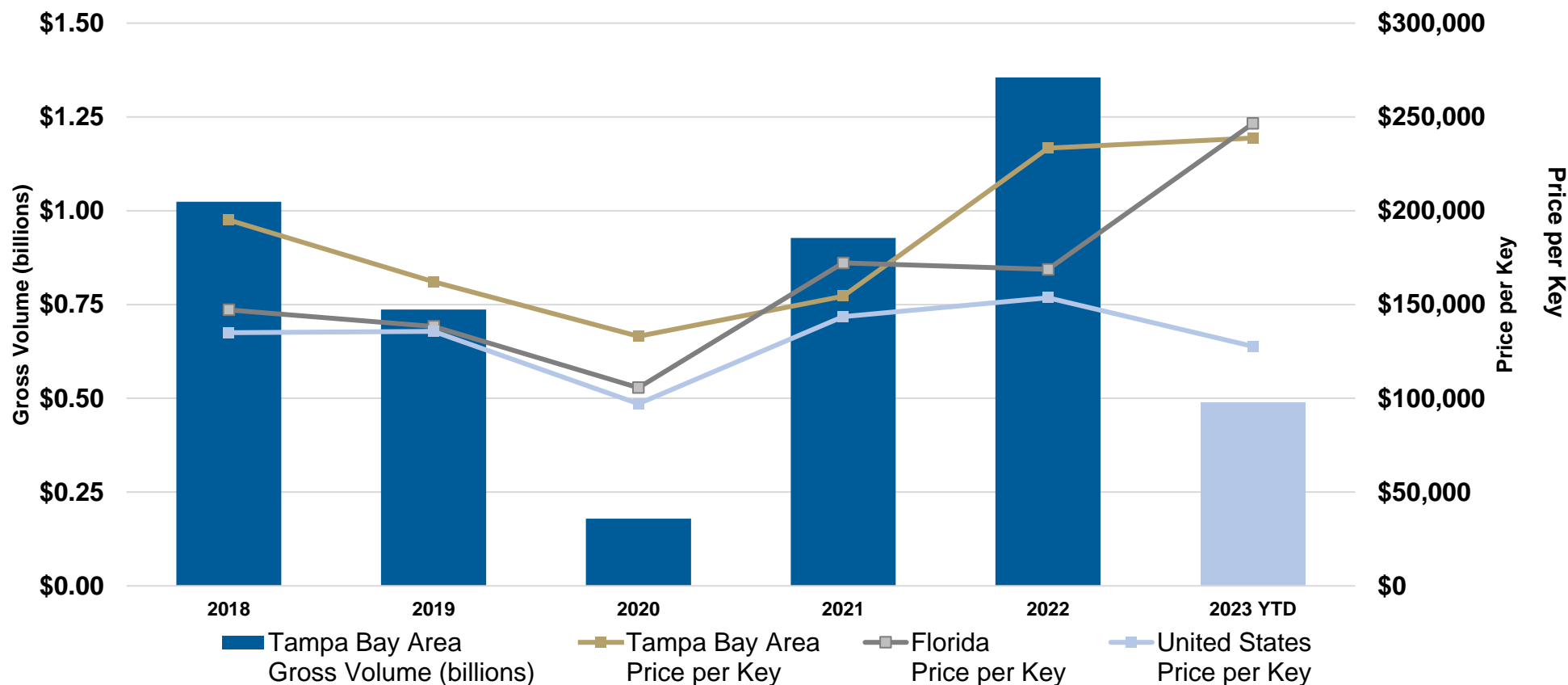


Source: CoStar, The Plasencia Group

Note: Analysis above references transactions consummated from June 2020 to May 2023 with a minimum value of \$10 million and \$100,000 per key.

Transaction Trends – Tampa Bay, Florida and U.S.

For the past 66 months, the Tampa Bay area has been a hotspot of transaction activity, experiencing record sale volume and record per-key pricing. Transaction activity in Florida has been stronger than most other states but is now expected to slow dramatically, well into 2024, given that interest rates are so high and profitability is under attack.



Note: Includes all transactions with sales prices greater than \$10 million. Transaction volume in billions.

Source: CoStar, TPG, LWHA

Hillsborough/Pinellas Select Transactions – Full-Service

Full-service hotel and resort transactions in the Tampa Bay Area peaked in value in 2022. Assets across the market attracted significantly pricing than at any other time in history. Sale prices are expected to decline as hotels take a hit at the NOI line.

Date	Property	City	Keys	Price	Per Key
Jul-22	DoubleTree Resort North Redington Beach	North Redington Beach	125	<i>Undisclosed</i>	
Dec-22	Sirata Beach Resort & Conference Center	St. Pete Beach	382	\$207,000,000	\$541,885
Sep-22	The Hotel Zamora	St. Petersburg	72	\$38,000,000	\$527,778
May-22	Dolphin Beach Resort	St. Pete Beach	173	\$85,000,000	\$491,329
Dec-21	The CURRENT Hotel, Autograph Collection	Tampa	180	\$85,000,000	\$472,222
Mar-22	Postcard Inn	St. Pete Beach	196	\$83,000,000	\$423, 469
Jun-21	Thunderbird Beach Resort	Treasure Island	106	\$32,500,000	\$306,604
Sep-21	Westin Tampa Waterside	Tampa	309	\$90,000,000	\$291,262
Oct-21	Le Meridien Tampa, The Courthouse ¹	Tampa	130	\$37,500,000	\$288,462
Jan-23	DoubleTree Rocky Point	Tampa	291	\$76,000,000	\$261,168
May-23	Westin Tampa Bay	Tampa	252	<i>Undisclosed</i>	
Oct-22	Hotel Tampa Riverwalk (formerly Sheraton)	Tampa	277	<i>Approximately \$60 million</i>	

(1) Hotel required significant post-sale CapEx

Source: CoStar

Hillsborough/Pinellas Select Transactions – Select-Service

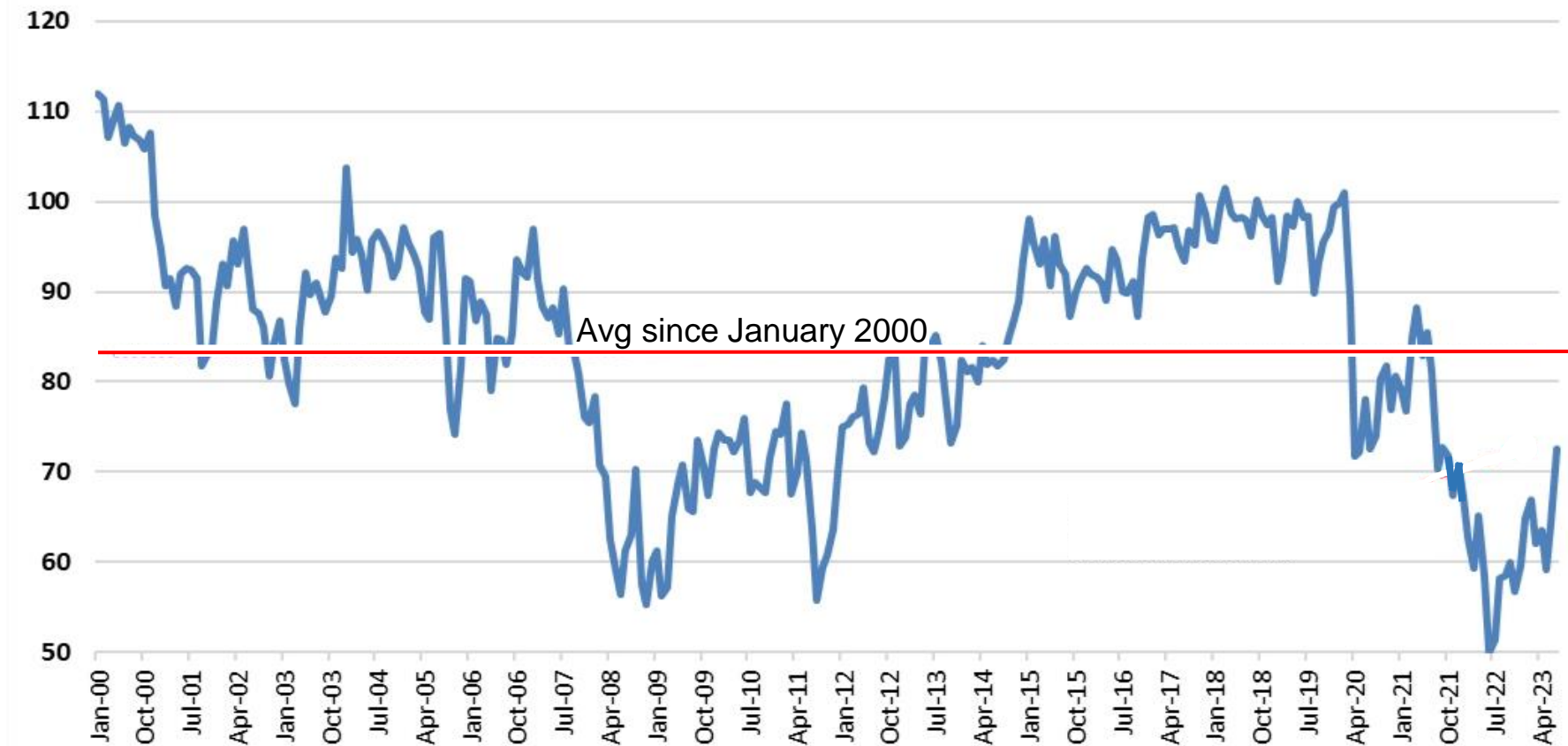
Select-service hotel values further demonstrate the desirability of Hillsborough and Pinellas County properties. In the last year, premium-branded assets in the area have commanded prices well above many pre-pandemic, full-service comps.

Date	Property	City	Keys	Price	Per Key
Oct-21	Residence Inn SpringHill Suites Clearwater Beach	Clearwater Beach	255	\$115,000,000	\$450,980
Jun-23	Courtyard AC Clearwater Beach	Clearwater Beach	283	\$113,700,000	\$401,767
Feb-23	AC St. Petersburg Downtown	St. Petersburg	172	\$59,600,000	\$346,512
Apr-22	Aloft Element Tampa Midtown	Tampa	226	<i>Undisclosed</i>	
Oct-21	Residence Inn SpringHill Suites Clearwater Beach	Clearwater Beach	255	\$71,000,000	\$278,431
Jul-21	Hampton Inn Home2 Suites Channel District	Tampa	213	\$57,500,000	\$269,953
Sep-22	Courtyard St. Petersburg Downtown	St. Petersburg	128	\$29,100,000	\$227,344
Feb-22	Hampton Inn & Suites Tampa Busch Gardens Area	Tampa	84	\$14,400,000	\$171,429
Sep-21	Hilton Garden Inn Tampa Ybor Historic District	Tampa	96	\$15,335,000	\$159,740
Mar-23	Hilton Garden Inn Tampa East Brandon	Tampa	152	\$21,100,000	\$138,158

Source: CoStar

Consumer Sentiment

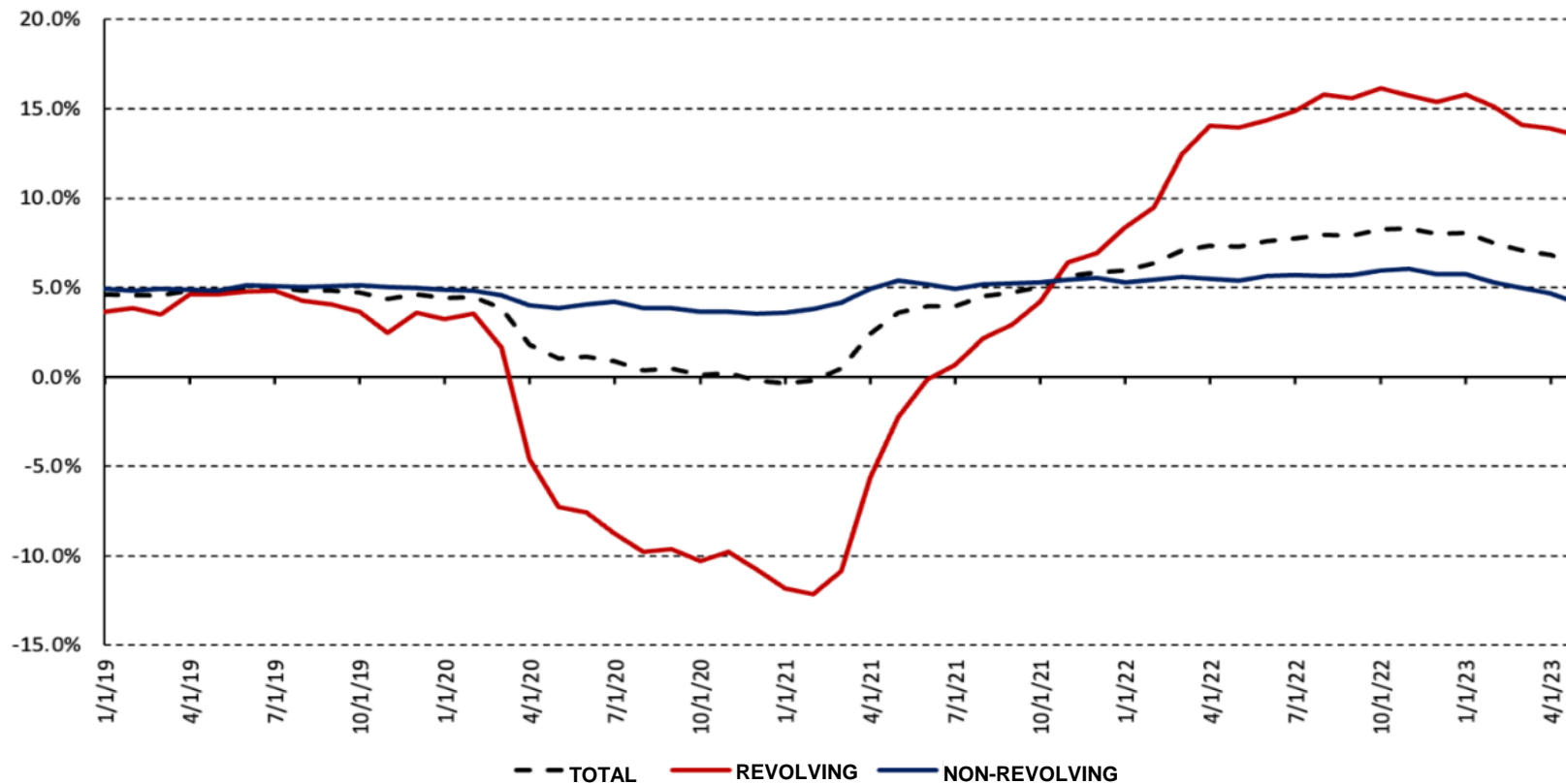
Consumers' impressions about the economy and quality of life began to decline after the last election and has only recently and slowly begun to creep upward. It remains below the average since the start of the decade.



Source: University of Michigan Index of Consumer Sentiment

Consumer Debt

Credit card debt (Revolving Credit) has grown by 13.5% over the past twelve months, meaning the flood of cash the government dished out during COVID has been spent (on Florida vacations!) and people are now turning to their Visa cards for their vacations.

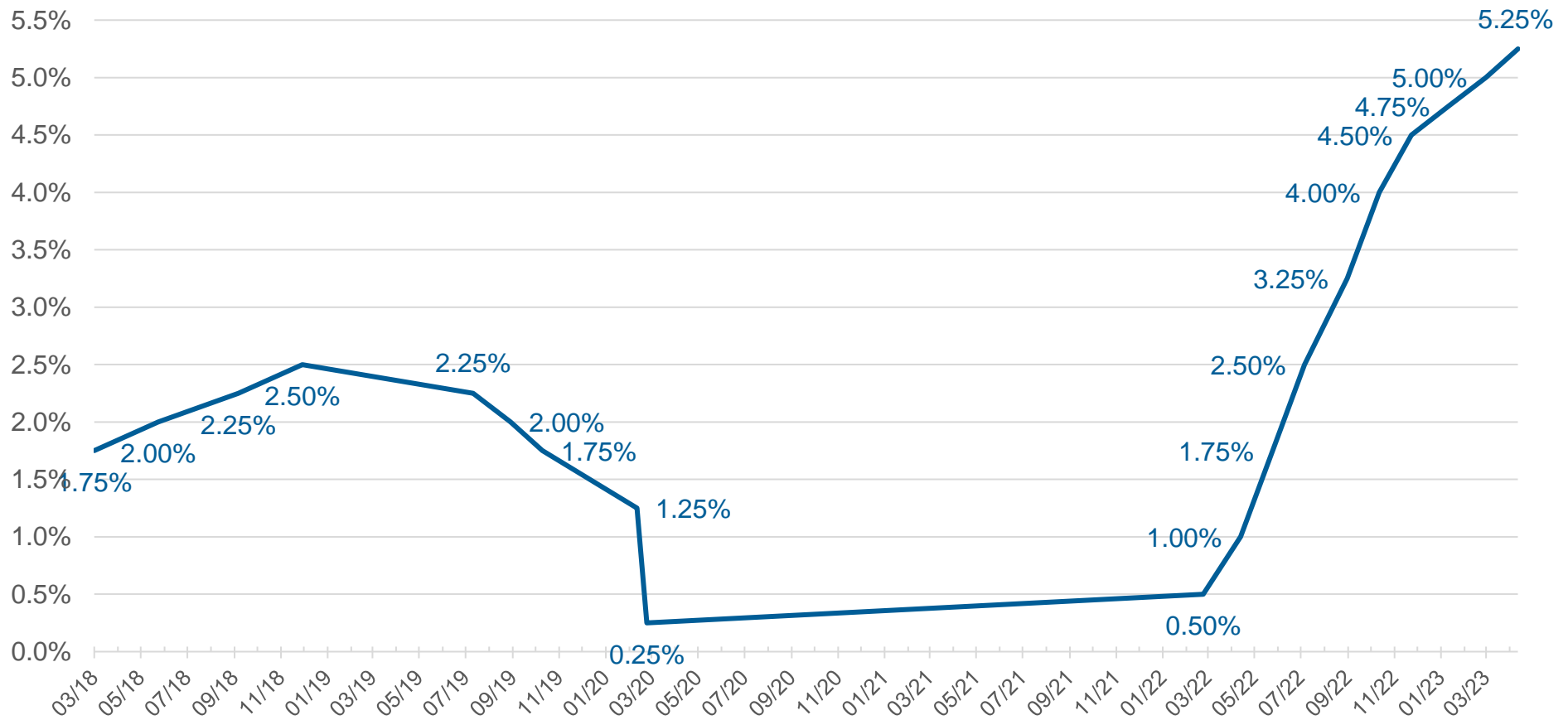


Source: Federal Reserve Bank

Commercial Debt

The interest payments on loans owners have placed on their properties has more than tripled in the past 5 years and 3 months, and is up by 21 times since the start of the pandemic! That means that owners' profitability has been reduced dramatically in the past 3 ½ years.

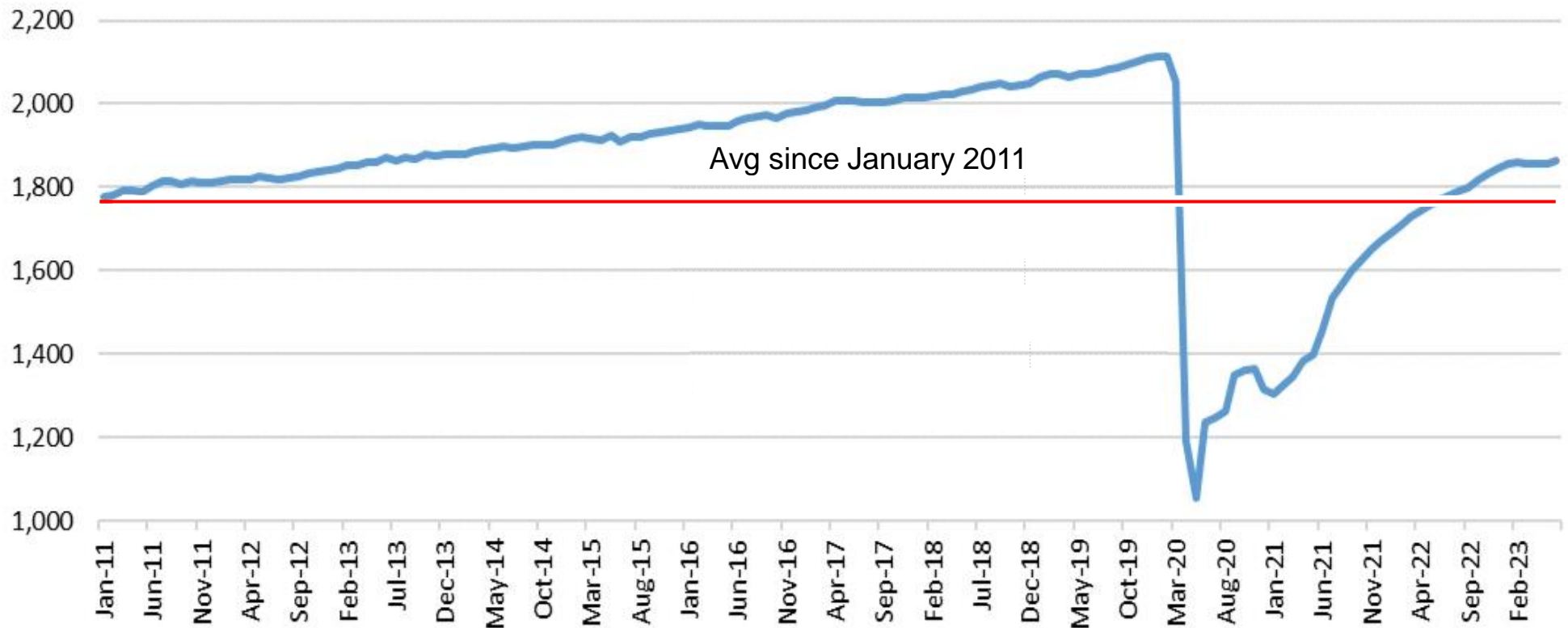
Federal Funds Rate 2018 to March 2023



Source: Federal Reserve Bank

Lodging Job Levels are Just Above 12-Year Average

Lodging employment remains nearly twelve percent (approximately 250,000 jobs) below the February 2020 peak, despite an increase in the total number of available hotel rooms.

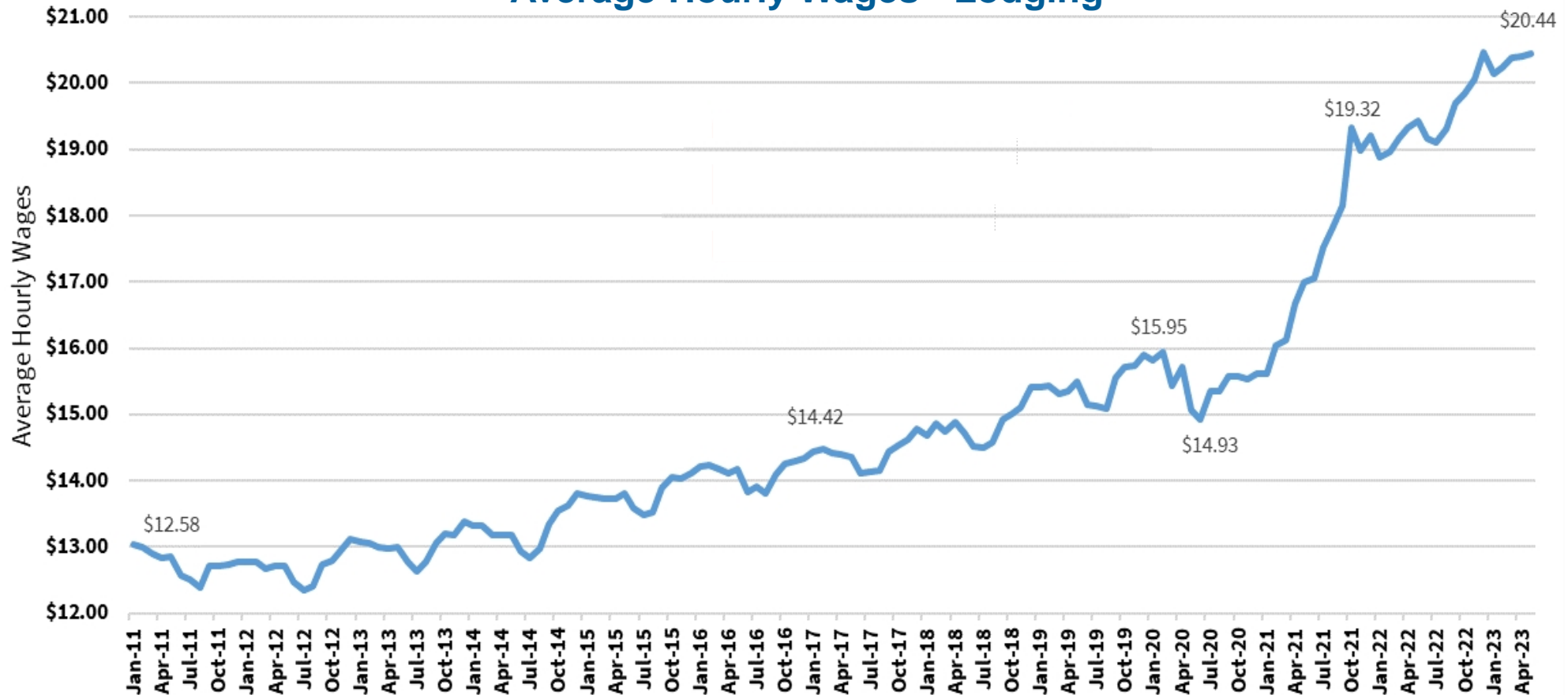


Source: Bureau of Labor Statistics

Hotel Labor Costs

The cost to properly staff and operate hotels and resorts continues to rise. Average hourly wages for the lodging sector have increased by almost thirty percent since May of 2019!

Average Hourly Wages - Lodging

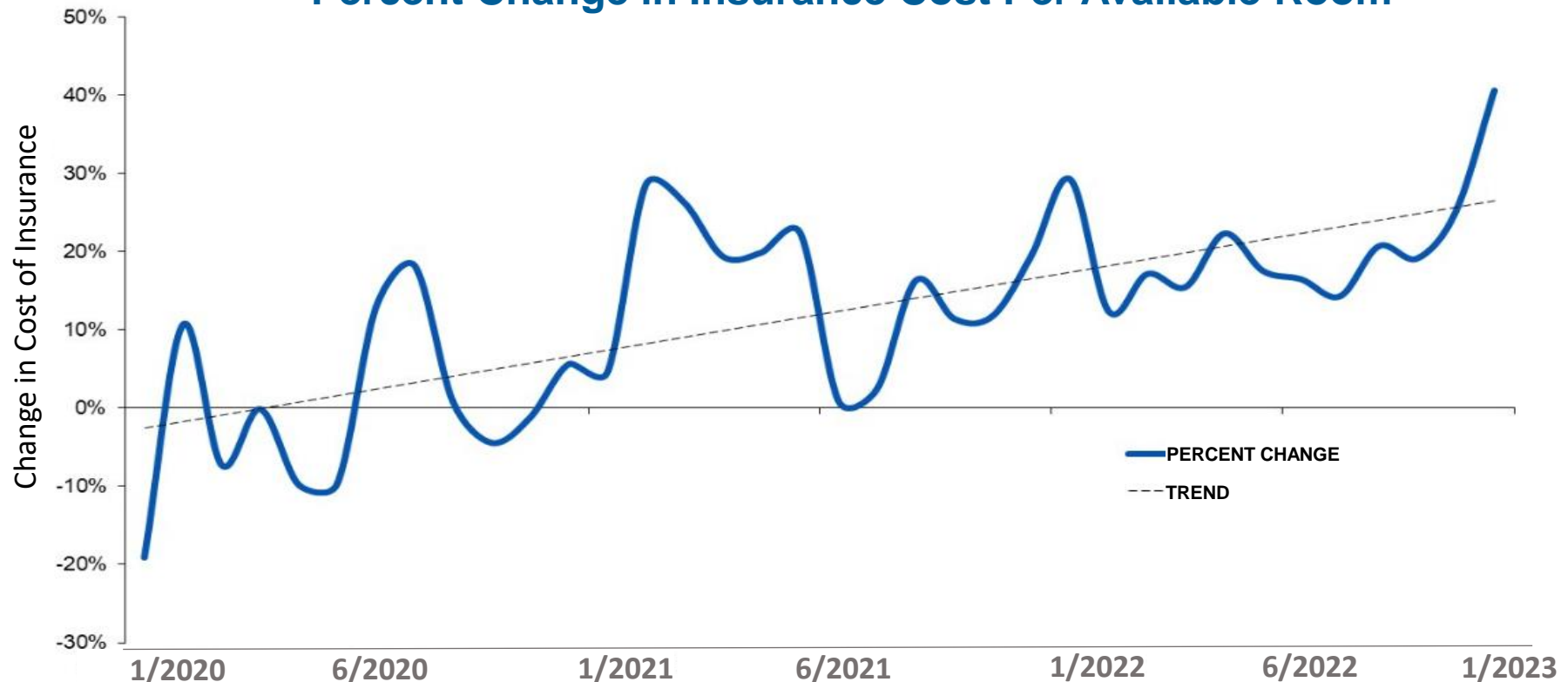


Source: Bureau of Labor Statistics

Hotel Insurance Costs

Hotels have seen a steep acceleration in the cost of property and casualty insurance, especially in the Southeastern United States. Premiums have increased for 22 consecutive quarters, spiking by 20.4% last quarter alone. Many hotels are seeing annual increases of 150% to 250% and are expected to increase even more. This expense is impacting profitability more than any other line item.

Percent Change in Insurance Cost Per Available Room



Source: The Council of Insurance Agents & Brokers and CoStar

Our Cracked Crystal Ball: As We See It



As We See It: The National Scene

- Our annual “Cracked Crystal Ball” indicators are mostly positive, for the first time in five years:
 - Commercial Rail (Forward Contracts) ▲
 - Luggage Sales ▲
 - Jet A Fuel Contracts ▲
 - Airline Load Factors ▲
 - Dry Cleaning & Laundry Institute ▼
 - Sleep in America Poll ▲
- The Federal Reserve has been attempting to control inflation by raising interest rates. Unfortunately, this may also lead to a recession. Two straight quarters of economic contraction is considered a recession. Chances of a recession are receding, but if we do have one, it is expected to be short and mild.
- As ADR growth flattens, it will become more difficult for hoteliers to eek out any meaningful profits. Various factors including insurance, interest rates, labor and energy and property taxes will create significant headwinds for owners and operators in 2023 and well into 2024.
- The one bright light in an otherwise darkening sky is the return of Group business. This is somewhat welcome and unexpected news, especially at a time when post-COVID Transient travel is waning.

As We See It: The Local Scene

- The U.S. economy has definitely contracted but the lodging industry has been resilient until now. Performance at hotels in the Bay area has remained at acceptable levels but are seeing signs of strain. We believe both occupancy and rate in the region will decline, especially as compared to levels experienced in 2021, 2022 and early 2023. Urban hotels will perform better than resorts.
- The period of rabid ADR and Occupancy growth is behind us. It is imperative that owners and operators avoid dropping rates to “buy” business. Experience tells us that it will take three to four years to recover every \$10 in ADRs that are given back to the customer.
- Operators should expect little capital for renovations above existing FF&E reserves as owners retain cash to avoid loan defaults.
- We expect virtually no major hotel sales in the Tampa Bay area or anywhere in the State of Florida. Eventually, as more and more hotels begin to default on their loans, they are likely to be taken over and sold by their lenders. We expect the number of defaults and foreclosures to be minimal for now, as lenders have bigger problems to worry about with their office loan portfolios.
- While many economists use words such as “softening,” “weakening,” “declining” and “deteriorating” to describe the nation’s economic conditions, we believe a better word to describe the area lodging industry performance may be “*normalizing*.” Hotel performance seems to be returning to levels experienced at the tail end of the last decade after a nice post-pandemic run. The party is over, at least for now.

As We See It: Anticipated RevPAR Growth

Tampa Bay Area Metrics – Forecast for 2023

(TPG projected rate of growth for Full-Service hotels only in Hillsborough & Pinellas Counties)

Occupancy Decline: -2.1%

ADR Growth: +2.7%

RevPAR Growth : +0.6%

We believe this pattern of “normalization” to pre-pandemic levels will continue well into 2024.

**We thank you for your time this morning.
Copies of this presentation will be
available this afternoon at:**

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