

Tampa Bay Area Lodging Investment Update

25th ANNUAL HCHMA TRENDS & FORECASTING FORUM

PRESENTED BY LOU PLASENCIA
JULY 2024

Disclaimer

Today we are presenting information 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.

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available tomorrow morning at:**

tpghotels.com/publications

Key Themes of Today's Presentation

- Property operating performance remains strong while owners face significant challenges.
- Commercial real estate insurance costs have settled but remain problematic.
- Interest rates remain high but are expected to come down slightly in 2025.
- CapEx: Brands are being demanding while owners are being stingy.
- Group to the rescue as the region's performance normalizes to 2019 levels.

STR Top 25 Markets: Annual ADR Trend

Tampa Bay Area Settling to the Middle of the Pack

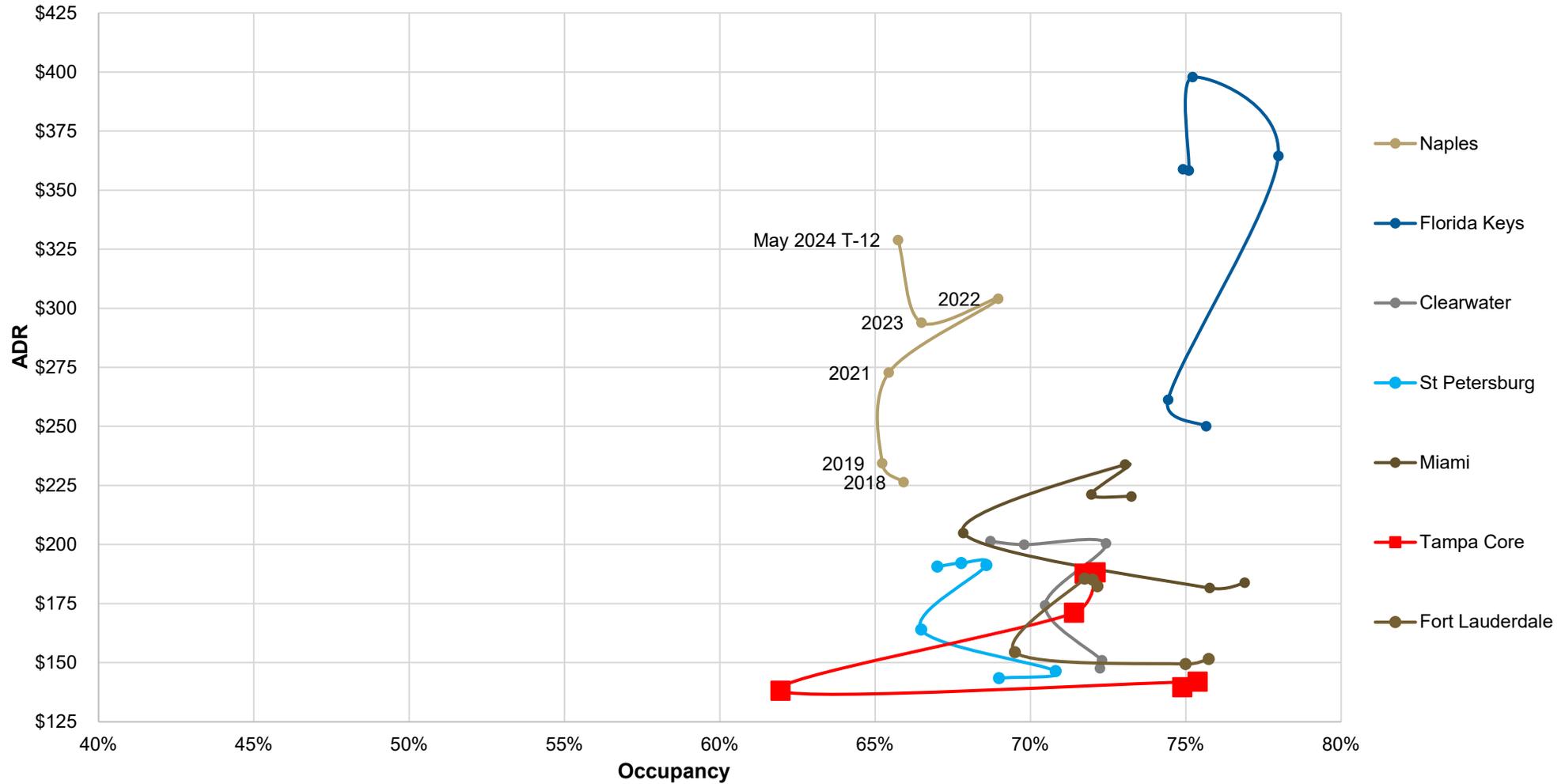
2019		2020		2021		2022		2023		May 2024 TTM	
Market	ADR										
New York	\$247.79	Oahu Island	\$212.08	Oahu Island	\$222.86	New York	\$277.89	New York	\$300.81	New York	\$306.19
San Francisco	\$246.64	San Francisco	\$173.95	Miami	\$204.87	Oahu Island	\$266.59	Oahu Island	\$281.69	Oahu Island	\$285.27
Oahu Island	\$239.17	Miami	\$171.18	New York	\$201.85	Miami	\$233.85	Boston	\$224.44	Boston	\$227.10
Boston	\$198.90	New York	\$148.44	Orange County	\$169.52	Boston	\$211.07	San Francisco	\$223.42	San Francisco	\$222.09
Miami	\$181.55	Orange County	\$135.66	San Diego	\$165.45	San Francisco	\$210.68	Miami	\$221.18	Miami	\$220.31
Los Angeles	\$173.54	Los Angeles	\$133.72	Los Angeles	\$158.75	San Diego	\$204.93	Orange County	\$211.32	Orange County	\$210.98
San Diego	\$165.73	San Diego	\$129.98	Boston	\$155.77	Orange County	\$202.26	San Diego	\$209.88	San Diego	\$210.55
Orange County	\$165.30	Orlando	\$129.06	San Francisco	\$152.54	Los Angeles	\$194.96	Los Angeles	\$198.01	Los Angeles	\$195.89
Orlando	\$163.35	Boston	\$120.95	Orlando	\$145.68	Orlando	\$186.65	Orlando	\$194.08	Orlando	\$193.95
Seattle	\$160.56	Phoenix	\$115.70	Tampa	\$137.21	New Orleans	\$175.62	Nashville	\$179.08	Washington	\$181.30
Washington	\$160.16	Tampa	\$115.60	Nashville	\$137.03	Nashville	\$169.94	Washington	\$178.87	Seattle	\$178.31
Nashville	\$149.75	New Orleans	\$115.37	New Orleans	\$129.39	Seattle	\$167.90	Seattle	\$177.24	Nashville	\$177.58
New Orleans	\$147.35	Washington	\$113.17	Phoenix	\$127.99	Tampa	\$163.58	Phoenix	\$173.52	Phoenix	\$170.78
Chicago	\$144.20	Seattle	\$106.70	Seattle	\$123.09	Washington	\$163.08	Tampa	\$170.59	Tampa	\$169.56
Philadelphia	\$136.04	Nashville	\$104.60	Philadelphia	\$121.09	Phoenix	\$161.55	New Orleans	\$169.24	New Orleans	\$166.95
Denver	\$133.60	Philadelphia	\$98.93	Washington	\$120.07	Chicago	\$155.97	Chicago	\$160.71	Chicago	\$161.02
Phoenix	\$131.99	Denver	\$94.89	Chicago	\$119.71	Philadelphia	\$146.39	Philadelphia	\$151.41	Philadelphia	\$151.98
Tampa	\$130.37	Chicago	\$91.07	Norfolk	\$118.17	Denver	\$141.37	Denver	\$149.49	Denver	\$150.85
Minneapolis	\$122.98	Norfolk	\$89.46	Denver	\$116.91	Norfolk	\$125.87	Minneapolis	\$130.69	Minneapolis	\$132.47
Atlanta	\$113.11	Minneapolis	\$87.67	Minneapolis	\$101.90	Minneapolis	\$125.32	Norfolk	\$129.60	Norfolk	\$129.73
Dallas	\$108.98	Detroit	\$86.18	Saint Louis	\$101.39	Atlanta	\$118.16	Atlanta	\$125.35	Dallas	\$126.89
Norfolk	\$106.91	Dallas	\$85.65	Atlanta	\$99.90	Saint Louis	\$118.03	Dallas	\$124.21	Saint Louis	\$125.07
Detroit	\$106.89	Atlanta	\$85.51	Detroit	\$99.24	Dallas	\$115.88	Saint Louis	\$123.67	Atlanta	\$124.75
Saint Louis	\$106.04	Saint Louis	\$84.18	Dallas	\$95.75	Detroit	\$115.74	Detroit	\$121.50	Detroit	\$122.53
Houston	\$103.16	Houston	\$83.53	Houston	\$94.71	Houston	\$106.43	Houston	\$113.21	Houston	\$114.73

Source: STR

Key Florida & Tampa Area Markets: Recent Performance

(2018 – May 2024 T-12; COVID impact in 2020 has been excluded)

Most Florida Markets Seeing Decline in both ADR and Occupancy

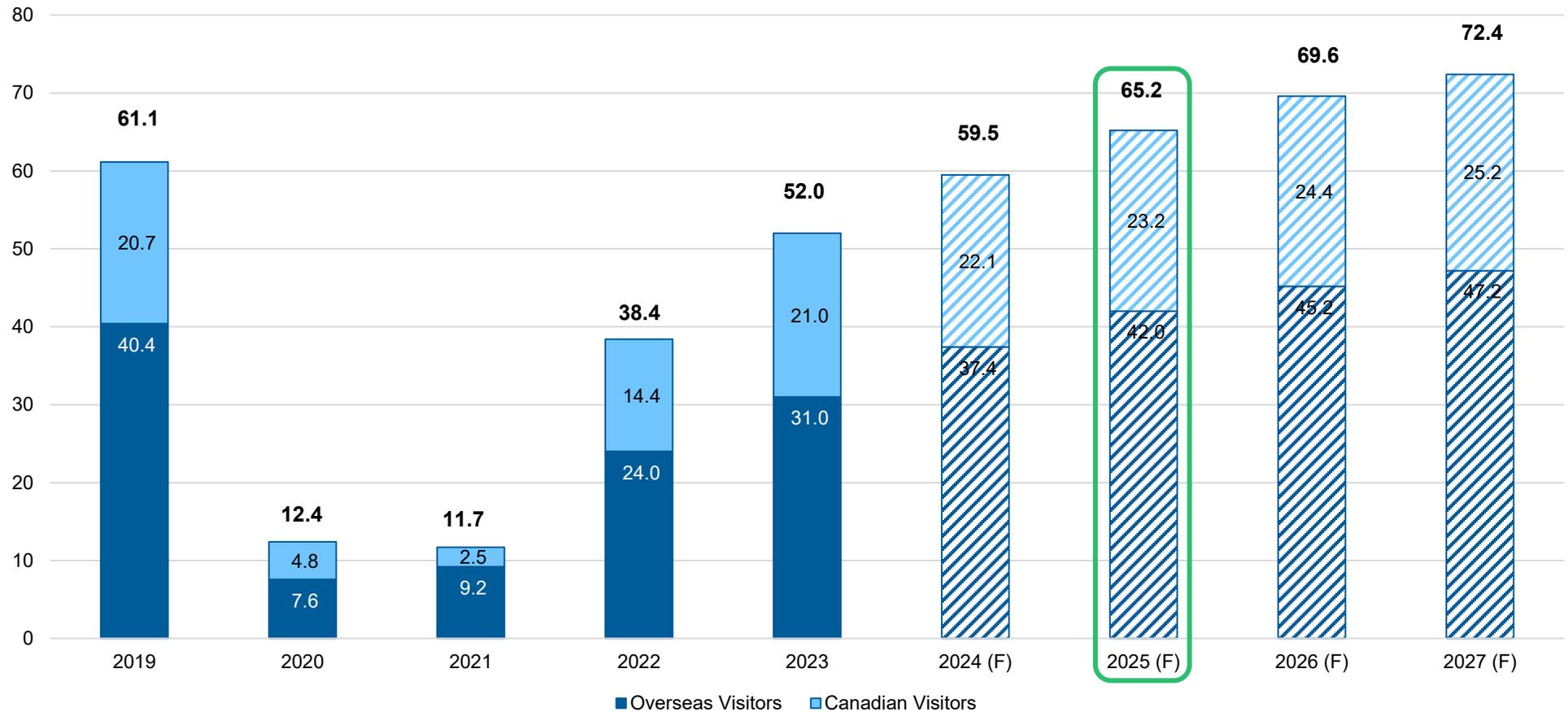


Source: STR, The Plasencia Group

International Arrivals Into the United States

Foreign visitation expected to exceed 2019 levels, for first time, in 2025.

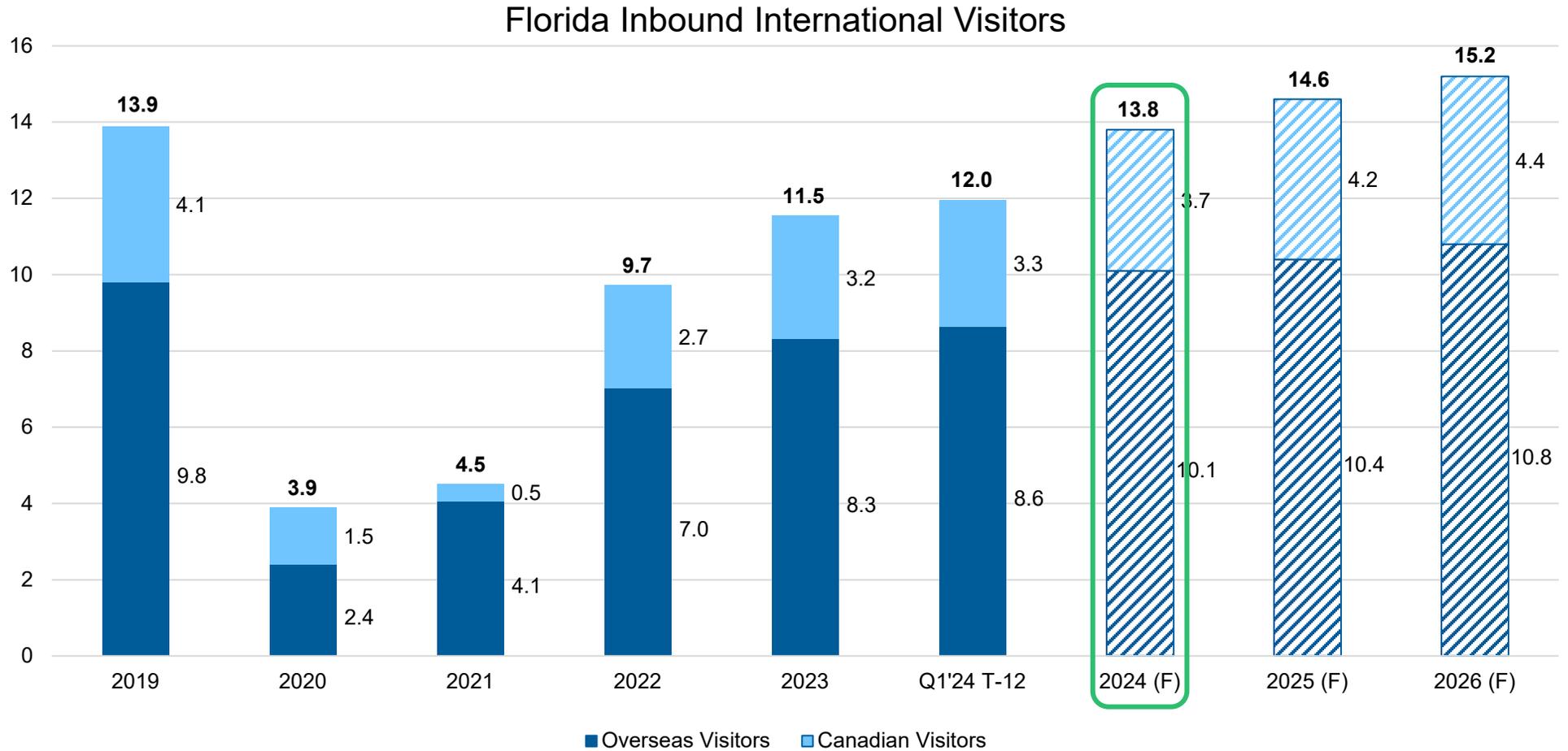
United States Inbound International Visitors



Source: U.S. Travel Association, The Plasencia Group
Note: Data in millions. 2023 visitor data not yet final.

International Arrivals Into Florida

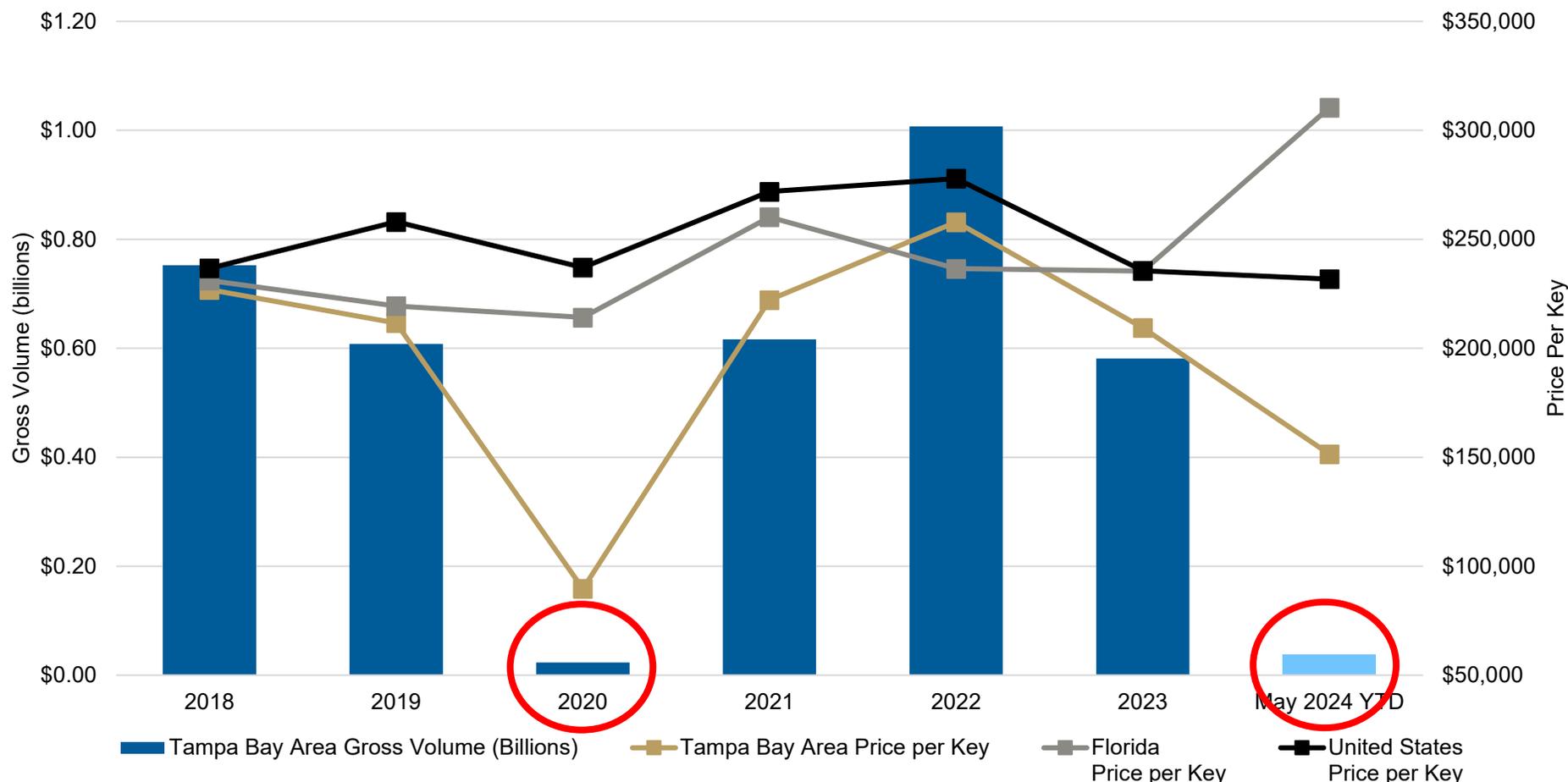
Again, Florida is ahead of the rest of the U.S., matching 2019 this year.



Source: U.S. Travel Association, The Plasencia Group
 Note: Data in millions.

Transaction Trends: Tampa Bay Region / Florida / United States

Sale activity is comparable to COVID period; values have declined in the area.



Source: CoStar, The Plasencia Group
 Note: Transaction volume in billions.

Hillsborough/Pinellas County Select Transactions: Full-Service

Very few full-service hotels have transacted in the area with the last sale occurring over a year ago in May of 2023!

Date	Property	City	Keys	Year Built	Price	Per Key
Feb-23	AC Hotel St. Petersburg Downtown	Saint Petersburg	172	2023	\$59,600,000	\$346,512
May-23	The Westin Tampa Bay	Tampa	252	2008	\$59,850,000	\$237,500
Jun-23	AC Hotel Clearwater Beach	Clearwater Beach	144	2022	\$58,300,000	\$404,861
Jun-23	Courtyard Clearwater Beach	Clearwater Beach	139	2021	\$55,400,000	\$398,561

Source: CoStar, The Plasencia Group

Hillsborough/Pinellas County Select Transactions: Select-Service

Transactions in the select-service segment have remained healthy since those smaller deals are easier to finance.

Date	Property	City	Keys	Year Built	Price	Per Key
Aug-23	Hampton Inn Tampa-Veterans Expwy Airport	Tampa	85	2001	\$13,700,000	\$161,176
Aug-23	Aloft Tampa Downtown	Tampa	130	1965	\$36,741,014	\$282,623
Aug-23	Hampton Inn & Suites Clearwater/St Petersburg	Clearwater	128	2007	\$18,737,000	\$146,383
Sep-23	Hampton Inn & Suites Ruskin I-75	Ruskin	85	2023	\$14,750,000	\$173,529
Oct-23	Courtyard Tampa Oldsmar	Oldsmar	99	2003	\$13,200,000	\$133,333
Oct-23	Residence Inn Tampa Oldsmar	Oldsmar	78	2005	\$11,550,000	\$148,077
Nov-23	Holiday Inn St. Petersburg West	Saint Petersburg	129	2000	\$18,750,000	\$145,349
Nov-23	Hilton Garden Inn Tampa Northwest/Oldsmar	Oldsmar	87	2006	\$11,020,000	\$126,667
Nov-23	Hilton Garden Inn Tampa North	Temple Terrace	148	2000	\$14,326,612	\$96,801
Dec-23	TownePlace Suites Tampa Westshore/Airport	Tampa	121	2008	\$18,450,000	\$152,479
Dec-23	Holiday Inn Express & Suites Clearwater US 19	Clearwater	119	2005	\$16,000,000	\$134,454
Dec-23	Residence Inn Tampa Westshore/Airport	Tampa	160	2001	\$45,000,000	\$281,250
Jan-24	Holiday Inn Express	Tampa	123	2008	\$14,200,000	\$115,447

Source: CoStar, The Plasencia Group

Hillsborough/Pinellas County: New Supply Pipeline

The pipeline for new rooms (2,373) is robust, but most of these will not be built.

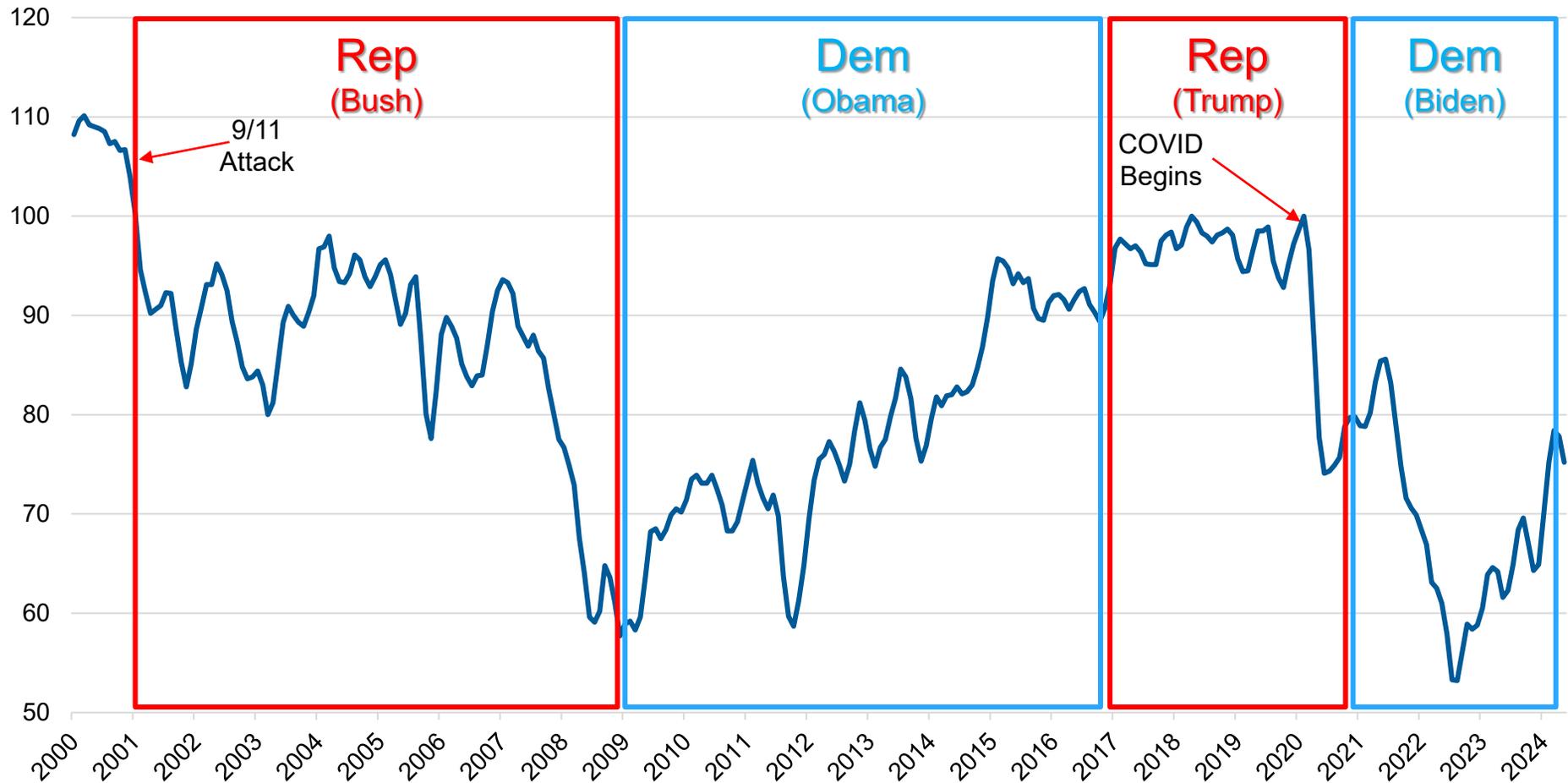
Planned Opening	Property	City	Keys	Hotel Class	Status
2024	The Galaxy Hotel	Saint Petersburg	92	Upper Midscale	Under Construction
2024	MOXY St. Petersburg Downtown	Saint Petersburg	163	Upper Midscale	Under Construction
2024	SpringHill Suites Tampa Downtown	Tampa	168	Upscale	Under Construction
2025	Fairfield Inn & Suites Tampa University Area	Tampa	83	Upper Midscale	Under Construction
2025	Opal Sol	Clearwater Beach	248	Luxury	Under Construction
2025	Cambria Tampa Brandon	Tampa	103	Upscale	Under Construction
2025	Home2 Suites Clearwater St. Petersburg Ulmerton	Clearwater	128	Upper Midscale	Under Construction
2025	Wyndham Garden Tampa East	Tampa	80	Upper Midscale	Under Construction
2026	Pendry Tampa	Tampa	220	Luxury	Under Construction
2026	Unnamed Autograph Collection St. Petersburg	Saint Petersburg	170	Upper Upscale	Final Planning
2026	Residence Inn Tampa North	Tampa	102	Upscale	Final Planning
2026	Hampton Inn & Suites Tampa South MacDill Air Force Base	Tampa	110	Upper Midscale	Final Planning
2026	Edge District Boutique Hotel	Saint Petersburg	114	Upscale	Final Planning
2026	TownePlace Suites Trinity	New Port Richey	110	Upper Midscale	Final Planning
2026	TownePlace Suites Wesley Chapel	Wesley Chapel	112	Upper Midscale	Final Planning
2026	Embassy Suites by Hilton Clearwater Beach	Clearwater	180	Upper Upscale	Final Planning
2026	element Tampa Downtown	Tampa	178	Upscale	Final Planning
2026	Home2 Suites Riverview Tampa	Riverview	125	Upper Midscale	Final Planning
2026	Hotel at Clearwater Bluffs	Clearwater	158	Upper Midscale	Final Planning
2026	CW Resort	Clearwater	91	Luxury	Final Planning
2026	Tampa Heights Hotel	Tampa	200	Upper Midscale	Final Planning
2026	Tempo St. Petersburg Downtown	Saint Petersburg	185	Upscale	Final Planning
2026	Residence Inn St. Petersburg Downtown	Saint Petersburg	150	Upscale	Final Planning
2026	Residence Inn Tampa Brandon	Tampa	102	Upscale	Final Planning
2026	Residence Inn Clearwater	Clearwater	125	Upscale	Final Planning
2027	Unnamed Autograph Collection at Madeira Beach	Madeira Beach	161	Upper Upscale	Final Planning

Source: CoStar, The Plasencia Group

Note: Selected properties do not include projects in proposal stages per CoStar.

Consumer Sentiment

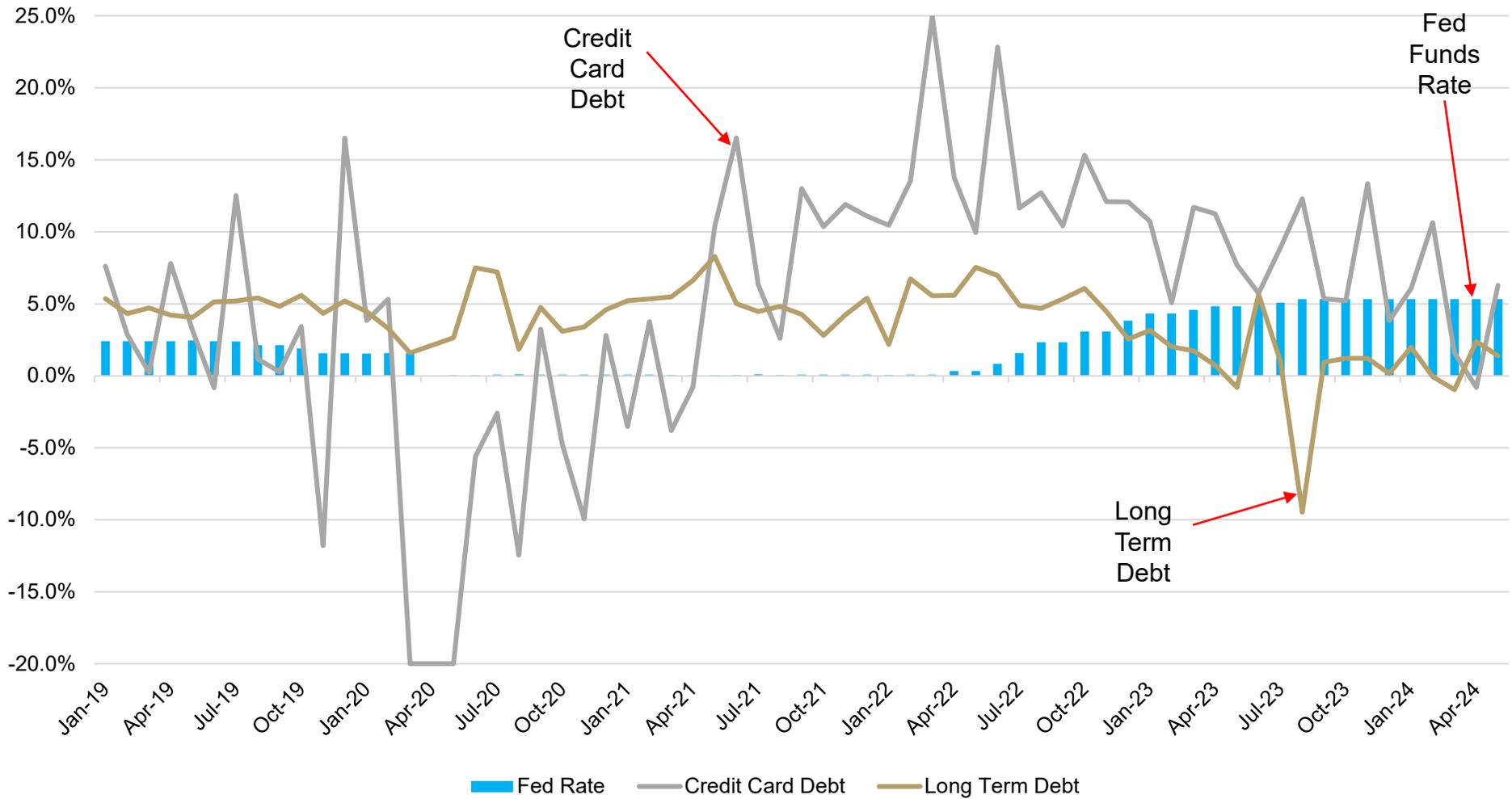
Typically, following an election, sentiment rises with hopes for change.



Source: University of Michigan Index of Consumer Sentiment

Consumer Debt

Consumer debt rising again. High rates have done little to dissuade credit card debt.

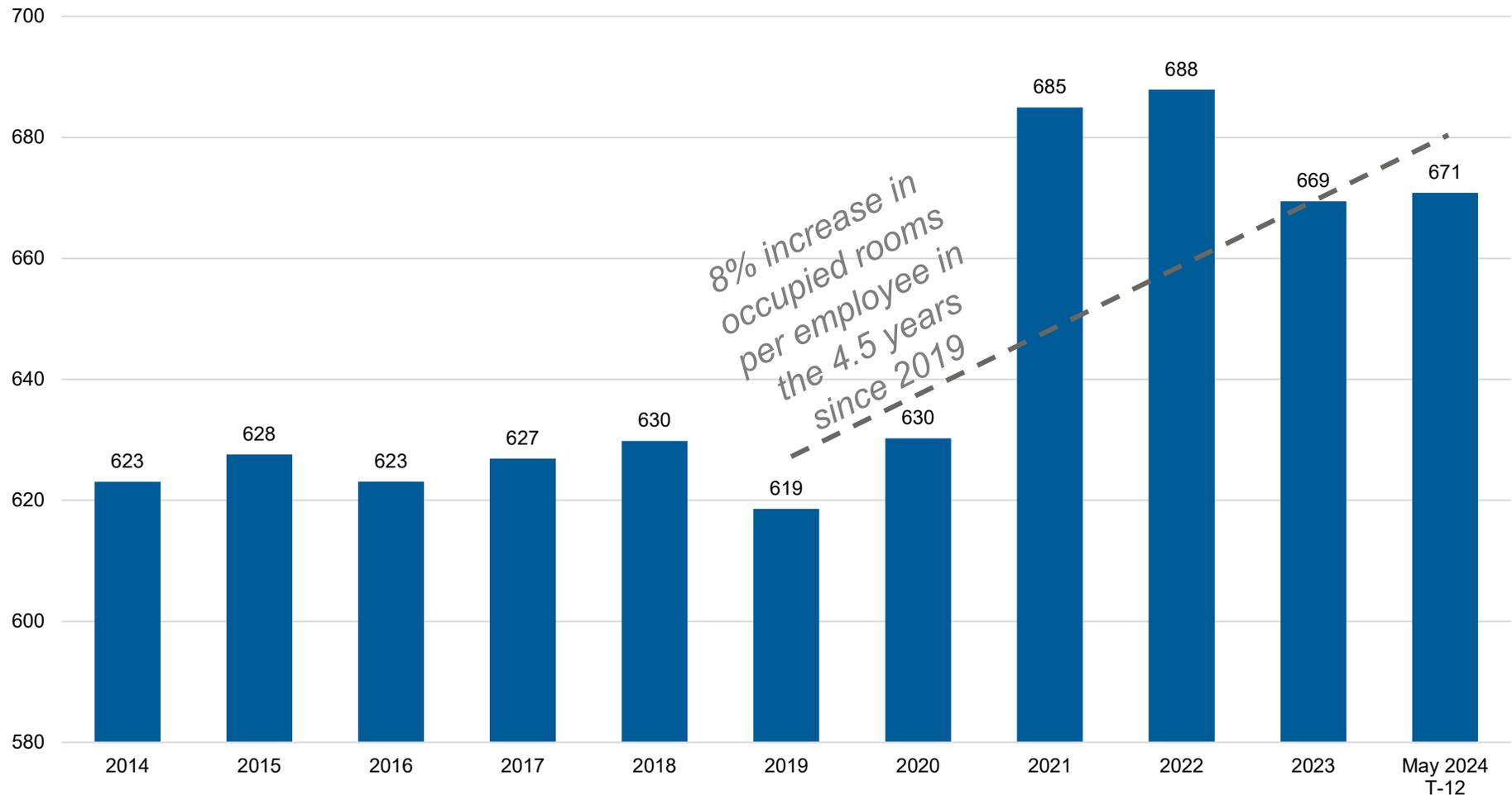


Source: United States Federal Reserve Board
Note: Data is seasonally adjusted.

Lodging Industry Employment Levels

We continue to clean more rooms and serve more food with fewer colleagues!

Occupied Roomnights per Lodging Industry Employee

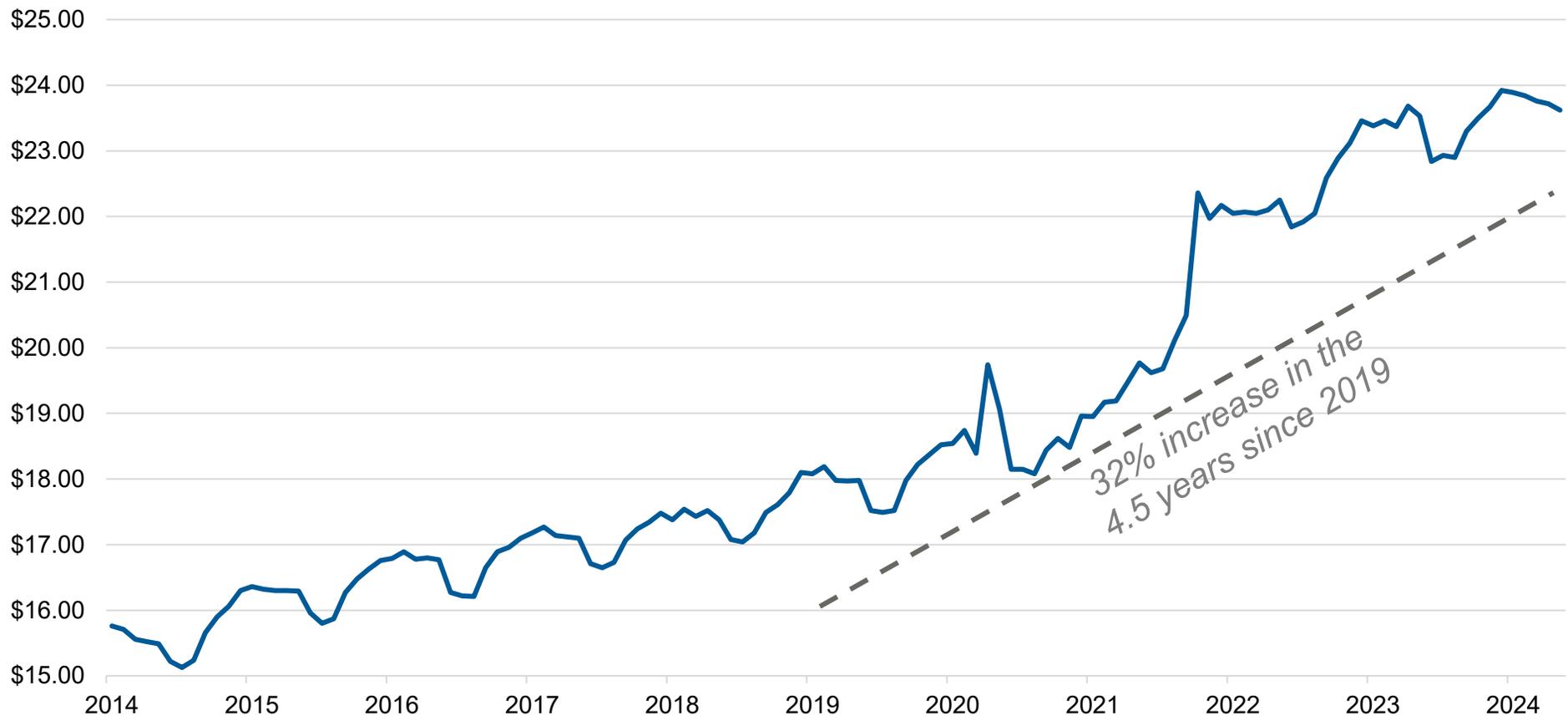


Source: United States Bureau of Labor Statistics – NAICS 721

Lodging Industry Labor Costs

Those fewer employees are getting paid more, but owners are making less.

Average Hourly Earnings – Lodging Industry Employees



Source: United States Bureau of Labor Statistics – NAICS 721

Our Cracked Crystal Ball: As We See It



Our Cracked Crystal Ball: As We See It

- Some of our annual “Cracked Crystal Ball” indicators have changed:
 - *Commercial Rail (Forward Contracts)* ▲
 - *Luggage Sales* ▲
 - *Dry Cleaning & Laundry Institute* ▼
 - *Sleep in America Poll* ▼
 - *Champagne Sales Index* ▼
 - *Cardboard Box Production Indicator* ▼
 - *Coupon Redemption Index* ▼
- } *New Indicators*
- After over a year of waiting for the Federal Reserve Bank to cut interest rates, they may now be forced to do so to avoid slipping into a recession. We believe rates will finally begin to step down, albeit very slowly, beginning this September, with at least two cuts in 2024. This should bolster corporate spending.
 - ADR growth will continue to flatten. Fortunately, we see certain expenses which have been rising for the past three years finally begin to abate. Expect items such as insurance, property taxes and interest rates to decline slightly YOY, while labor and energy will continue to rise.
 - The one bright light for hotel operators and owners is the continued recovery of Group business. Both Conventions and Corporate Group continue to see signs of resurgence, especially in Florida!

Our Cracked Crystal Ball: The Local Scene

- The Tampa Bay area continues to attract companies and workers. Area hotel performance has been better than most other parts of the country but from a rate of growth perspective, other markets are quickly catching up. We do expect the pace of ADR and occupancy growth to slow slightly YOY in the Bay area. Urban hotels will do better than other asset types, and higher-rated hotels will be able to grow rates at a faster pace.
- We've been very reliant on Leisure for the past three years, and some of us got lazy by depending so much on that segment. As a result, other markets have captured more Group than we have. We are now playing catch-up.
- Given that owner's after-debt profits are challenged, very little capital will be available for renovations. Some owners are even resorting to using FF&E reserves to avoid loan defaults.
- We expect virtually no major hotel sales in the area and very few in the State of Florida until interest rates subside. As such, very few hotels will be seeing post-transaction renovations.
- While there are some hotels under construction and many hotels in planning stages, there will be very little new inventory to contend with for the next two years. This provides an opportunity to raise rates without the fear of a new competitor's introductory rates.
- We anticipate announcements in the next six to twelve months introducing new luxury brands to the Bay area. Don't be surprised to see names like Conrad, Four Seasons, Ritz-Carlton, Waldorf Astoria and others in the media soon.

Our Cracked Crystal Ball: The Local Scene

Tampa Bay Area Metrics for YE 2024 and FY 2025

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

	<u>YE 2024</u>	<u>FY 2025</u>
Occupancy Increases:	+1.1%	+1.5%
ADR Growth:	+0.5%	+1.0%
RevPAR Growth:	+1.6%	+2.5%

We believe the “normalization” to pre-pandemic pace of growth will continue for at least two more years.

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

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