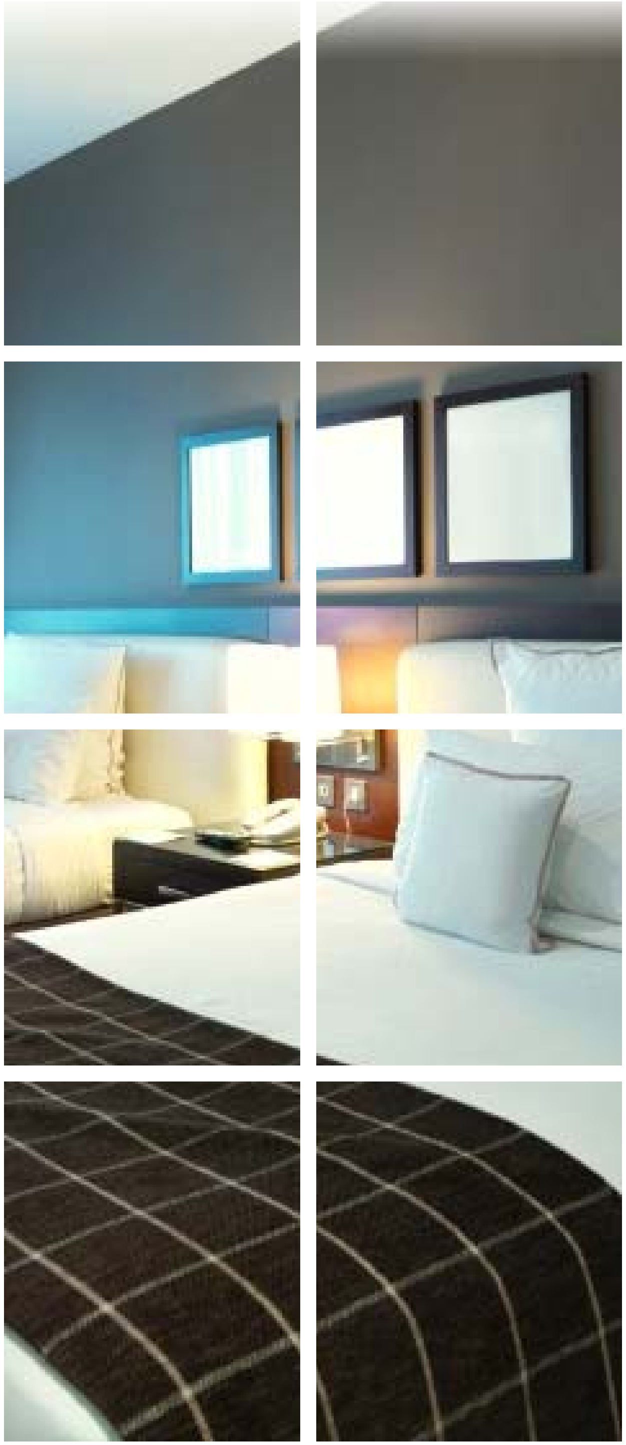

U.S. Lodging Industry – 2016 SWOT Analysis

Presented by:

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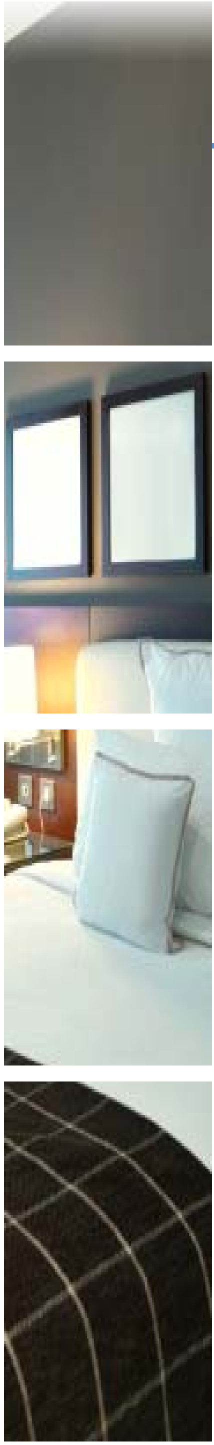
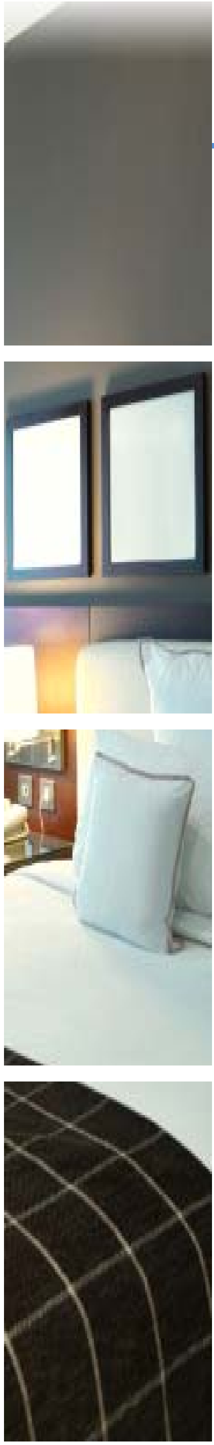
September 27, 2016



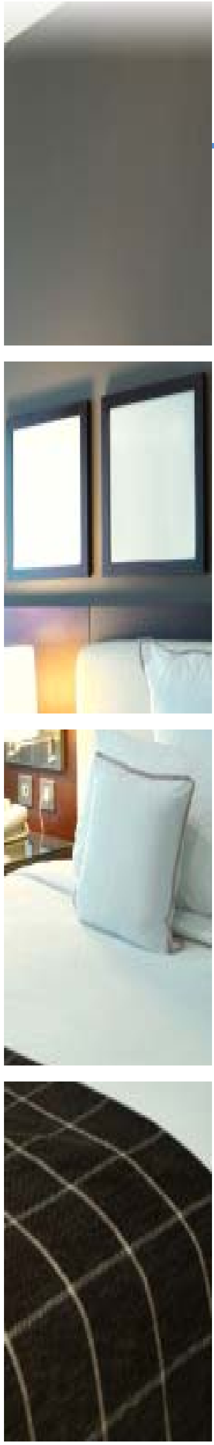
U.S. Hotel Industry SWOT Analysis- Strengths

- U.S. economy chugs along slow and steady
- Gasoline prices remain relatively low
- Strong inbound foreign visitation
- Industry experiencing record high occupancy levels
- Late cycle real U.S. RevPAR at record highs
- New construction limited however escalating
- Technology increases operating efficiencies
- America is worlds beacon for safety & security
- Availability of equity and low cost debt
- Inbound overseas capital chasing yield
- Record setting hotel prices



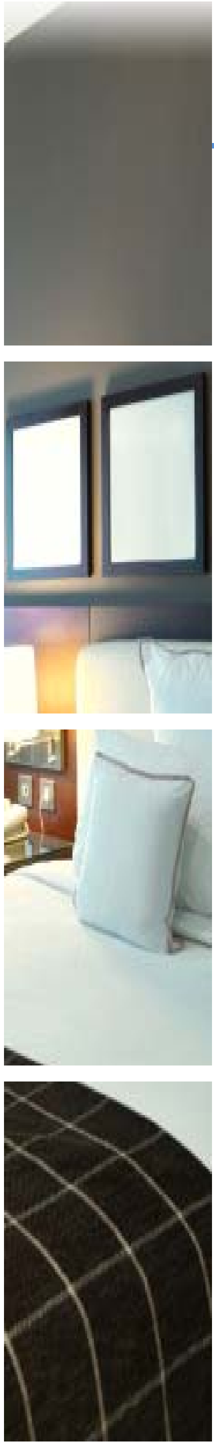
U.S. Hotel Industry SWOT Analysis- *Weaknesses*

- Underwhelming U.S. economic recovery
- U.S. travel growth slowing
- Strong U.S. dollar relative to Euro & other currencies
- U.S. Presidential election uncertainty
- OTA’s place negative pressure on room pricing
- AirBnb now impacting business travel
- Real U.S. RevPAR growth decelerating
- Rising influence of labor unions
- Rising hotel property taxes
- Forever changing regulations
- Rating agencies underwriting 2015 cash flow as peak and in some cases average of 2013-2015
- International brands expanding competition



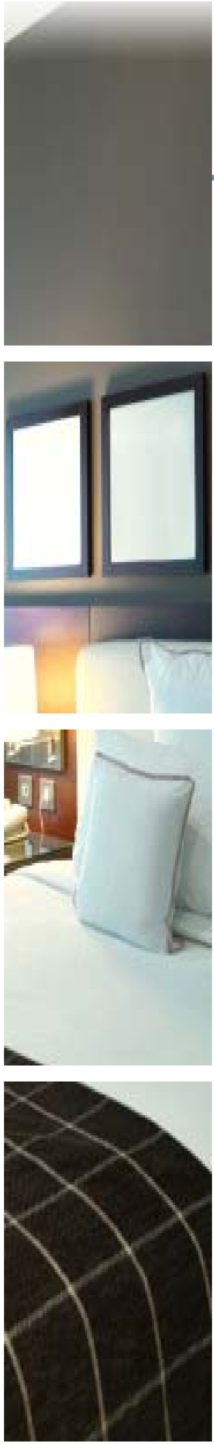
U.S. Hotel Industry SWOT Analysis- *Opportunities*

- Industry well positioned to react to any inflation
- Physical and/or functionally obsolete hotel product situated on excellent sites/locations
- CMBS maturities: 2016 – 2018
- Hotel company/REITs ripe for M&A
- Unlock value: Hilton to spin off owned hotel into REIT
- Virtual reality has become an ROI reality
- Ancillary revenue opportunities similar to airlines
- Industry and regulatory blowback against Airbnb
- Rise of secondary markets provides opportunities



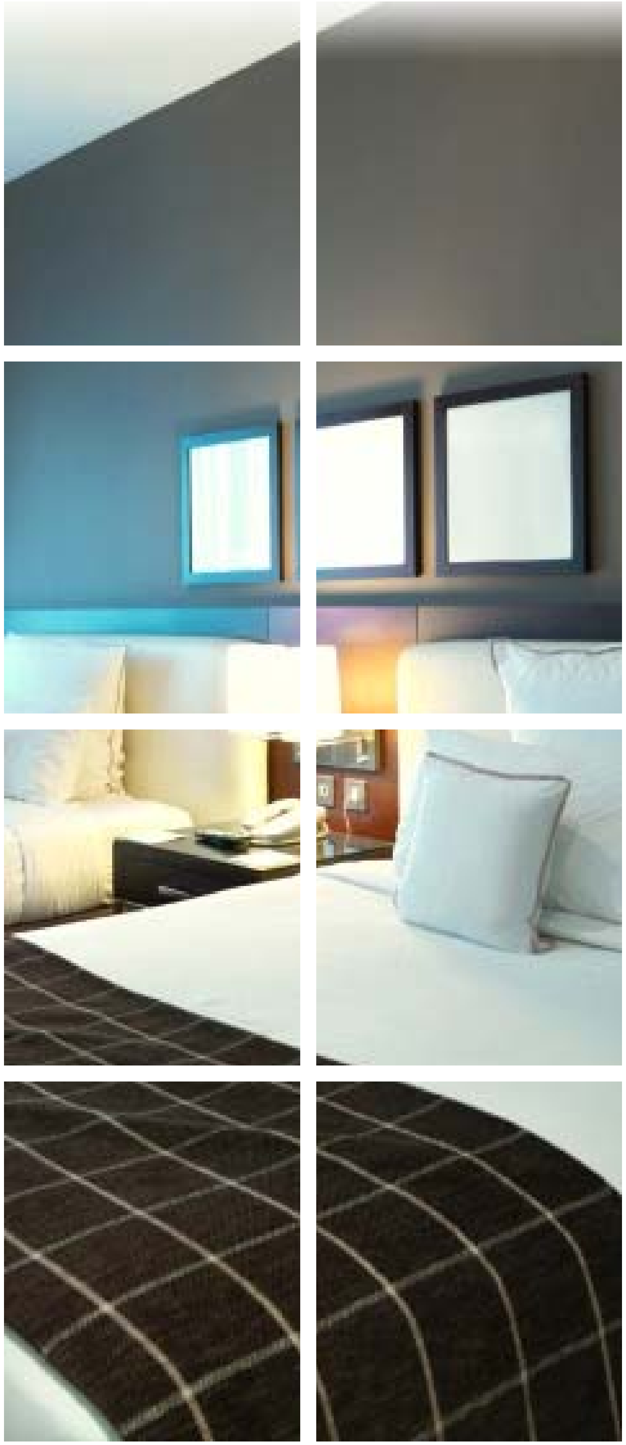
U.S. Hotel Industry SWOT Analysis- Threats

- U.S. lodging expansion now in its seventh year
- Rising interest rates & tighter underwriting
- Volatile overseas economies creates unpredictable U.S. economy
- Global stock & bond market turmoil creates investor fear
- There will be another recession between now and 2020
- U.S. bank risk retention
- Labor unrest
- Cyber security risk
- America’s crumbling infrastructure; airport, roads, electric
- Brands pushing standards updates
- Event risk: terrorism, war, domestic civil unrest, spread of disease
- Proliferation of new hotel brands
- New brands by intruders: West Elm, Equinox, Restoration Hardware
- Airbnb, Homeaway and other travel industry disrupters
- Rise of hostels
- Obsolescence risk that is difficult to understand: Autonomous vehicles
- NLRB Browning-Ferris ruling altering definition of “joint employer”



Random Dan Lesser Thoughts

- At best: hotel values flat; at worst down 20% from peak
- Hotels are fundamentally long term hold assets
- Off market does not equal below market
- Be vigilantly aware of new supply
- Brand overload / One new independent is now a brand
- Without Airbnb data its impact cannot be fully defined
- A hotel company should merge with Airbnb
- Flight to yield expanding to secondary/tertiary markets
- Increase implementation of fees and surcharges
- Industry should tighten reservation cancellation policies
- Industry obsession with “millennials” and now “Gen Z”
- “Newbies” once again entering the hotel space
- Industry should aggressively raise room rates
  - Airline industry moves in tandem



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