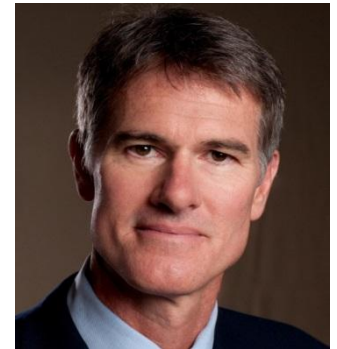




Hotels & Hospitality Group



Greg Hartmann, MAI, MRICS, CHA
**Strategic Advisory & Asset
Management Practice Lead**

Capital Markets Update: Transactions, Financing and Market Value

Key themes

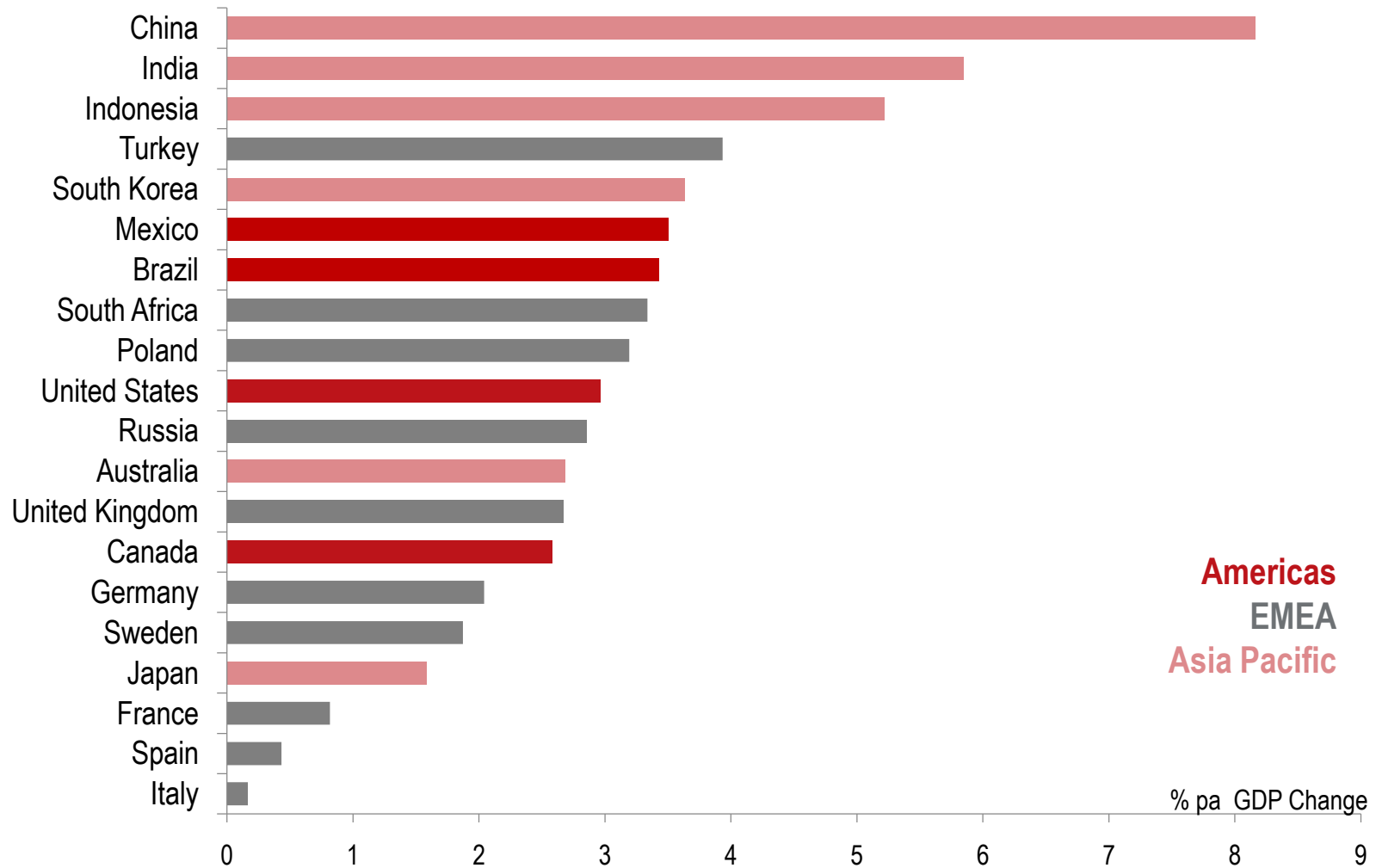
Who, Where, When How and Why

- Who – Private Equity, REITS, Foreign Investors and Public Markets (CMBS)
- Where – Asia, EMEA, Americas – In and Out, Up and Down
- When - Hotel transaction volume to reach third-highest level on record in 2014
- How (much) - \$25B in Hotel Transactions, \$22B in Hotel CMBS Issuance
- Why - Urban Center Demographics is Highly Compelling
- Why - Investors becoming more keen on secondary markets and resorts
- Why - The outlook for financing is favorable and the pool of lenders is broadening

Global Investment



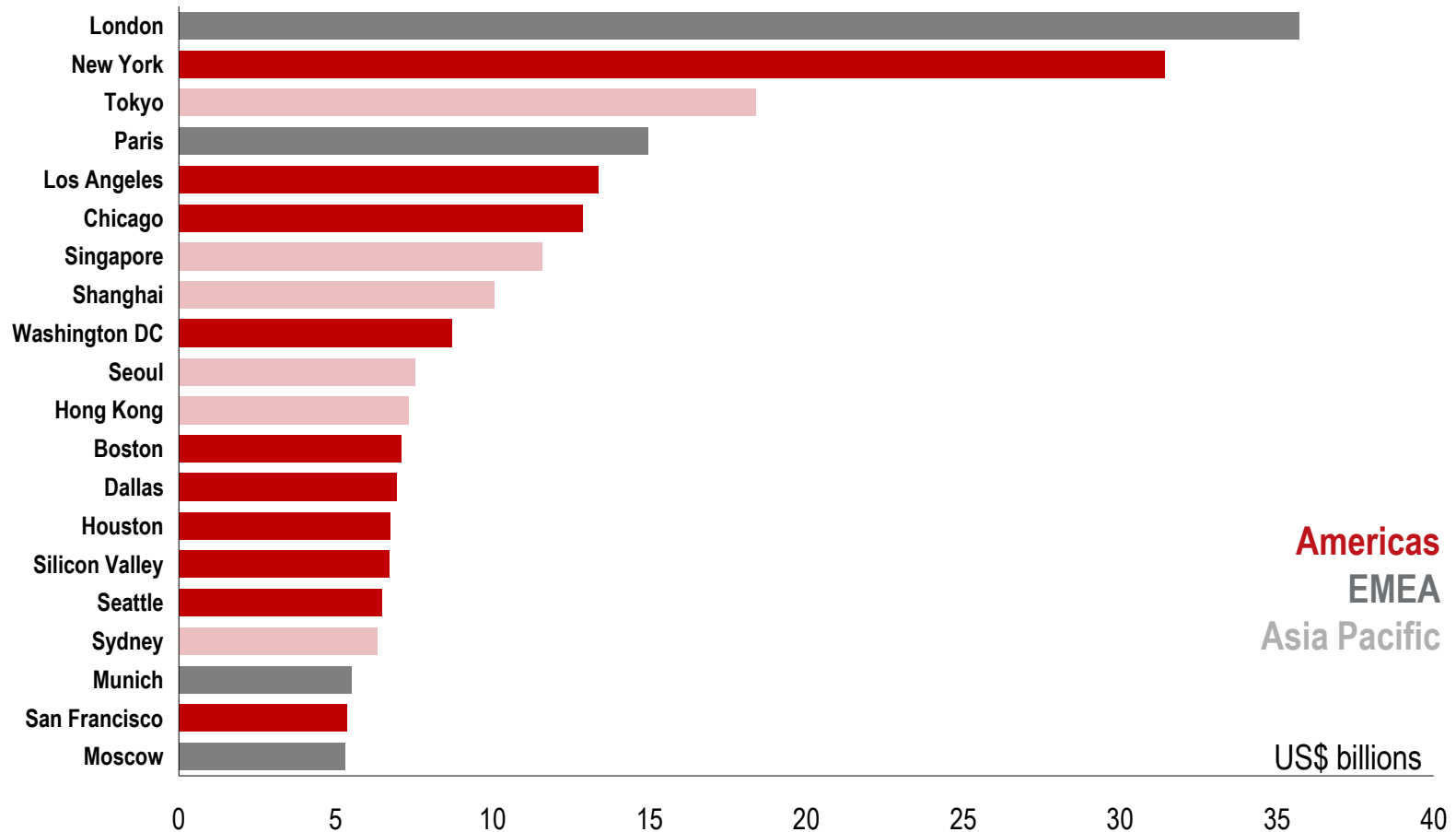
The Hierarchy of Economic Performance, 2014-2015



Source: IHS Global Insight, January 2014

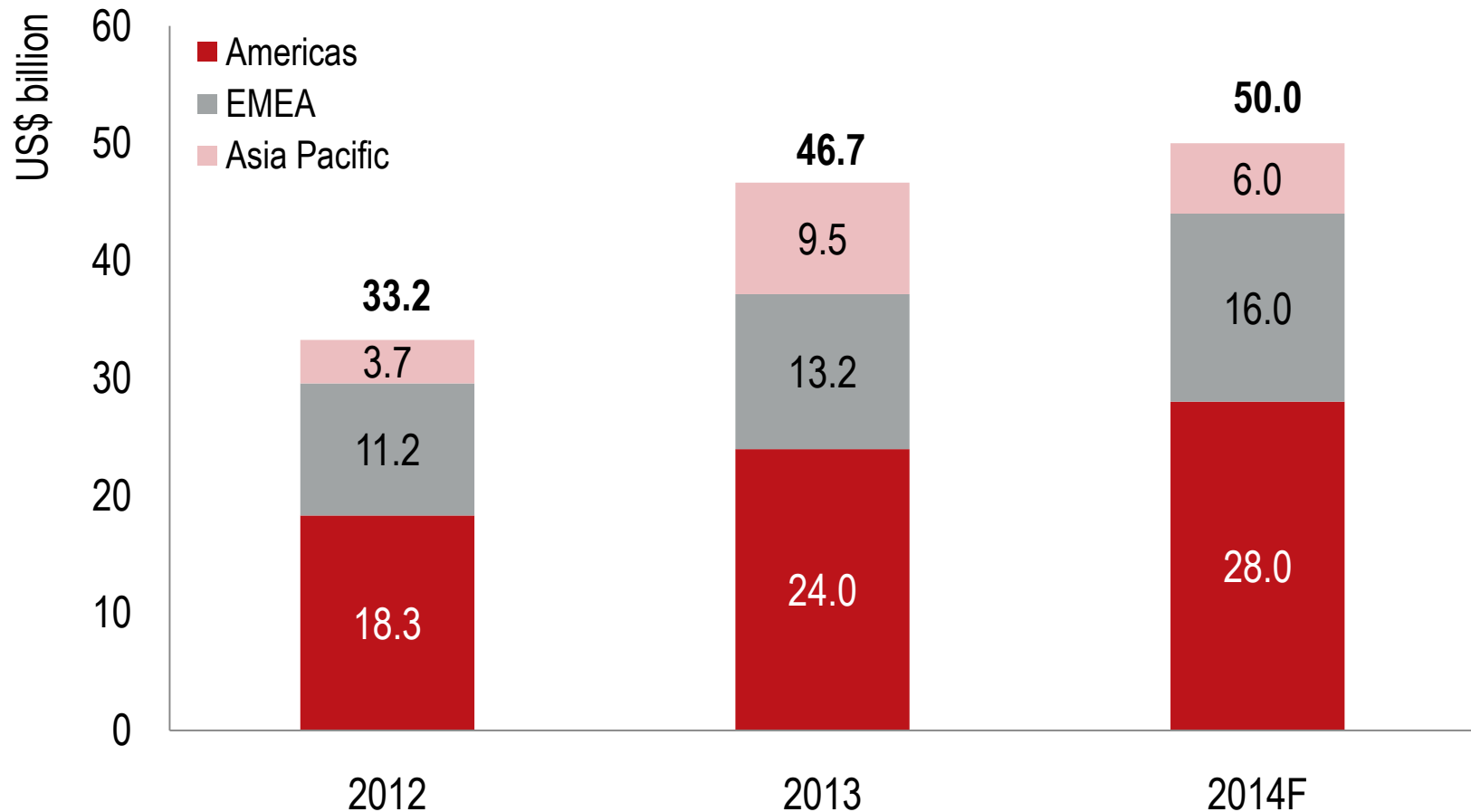
Direct Commercial Real Estate Investment

Top 20 Cities, 2013



Source: Jones Lang LaSalle, January 2014

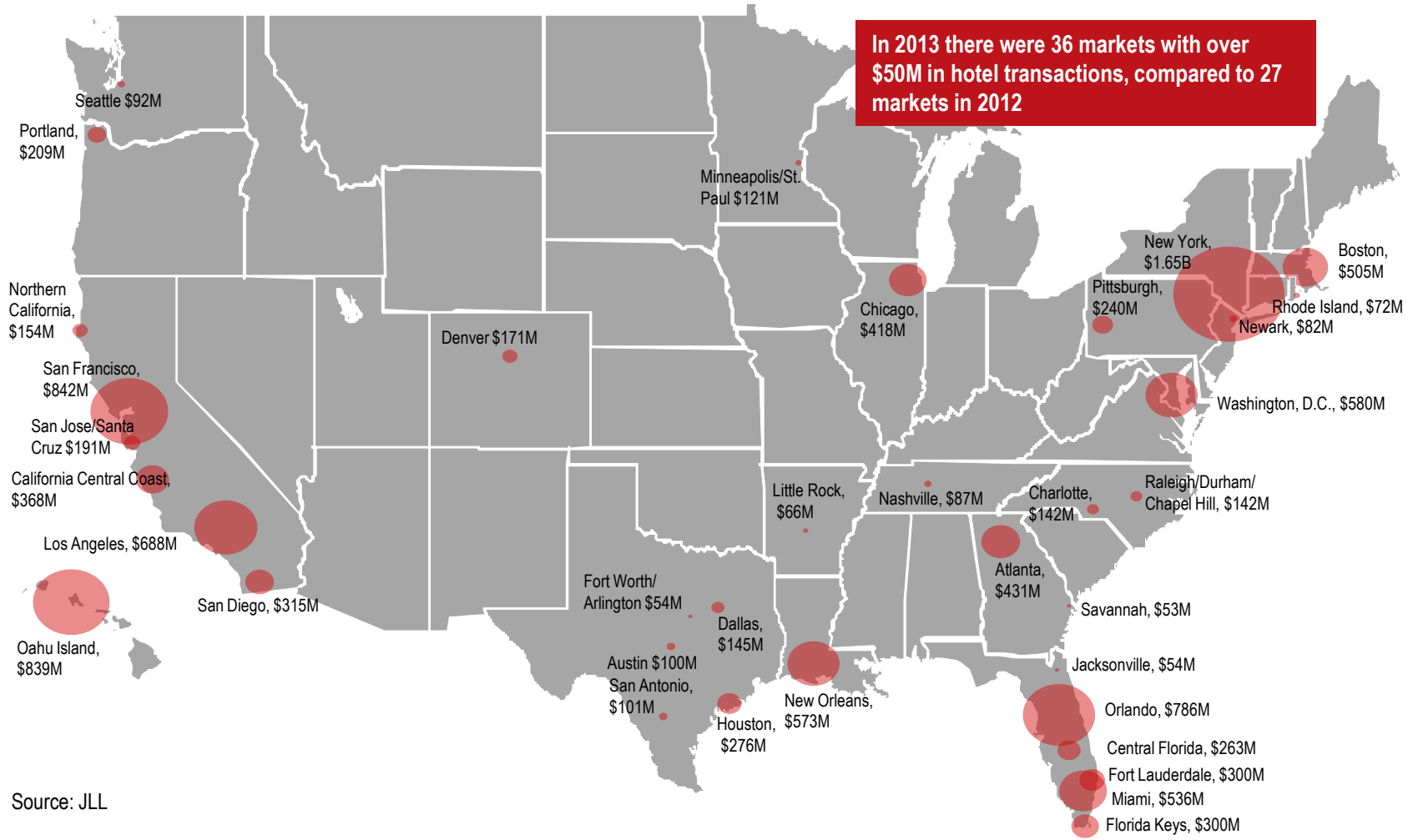
Hotel Investment – Regional Investment Volumes, 2012-2014



Source: Jones Lang LaSalle, January 2014

Where are deals getting done?

Top markets for hotel transaction volume 2013

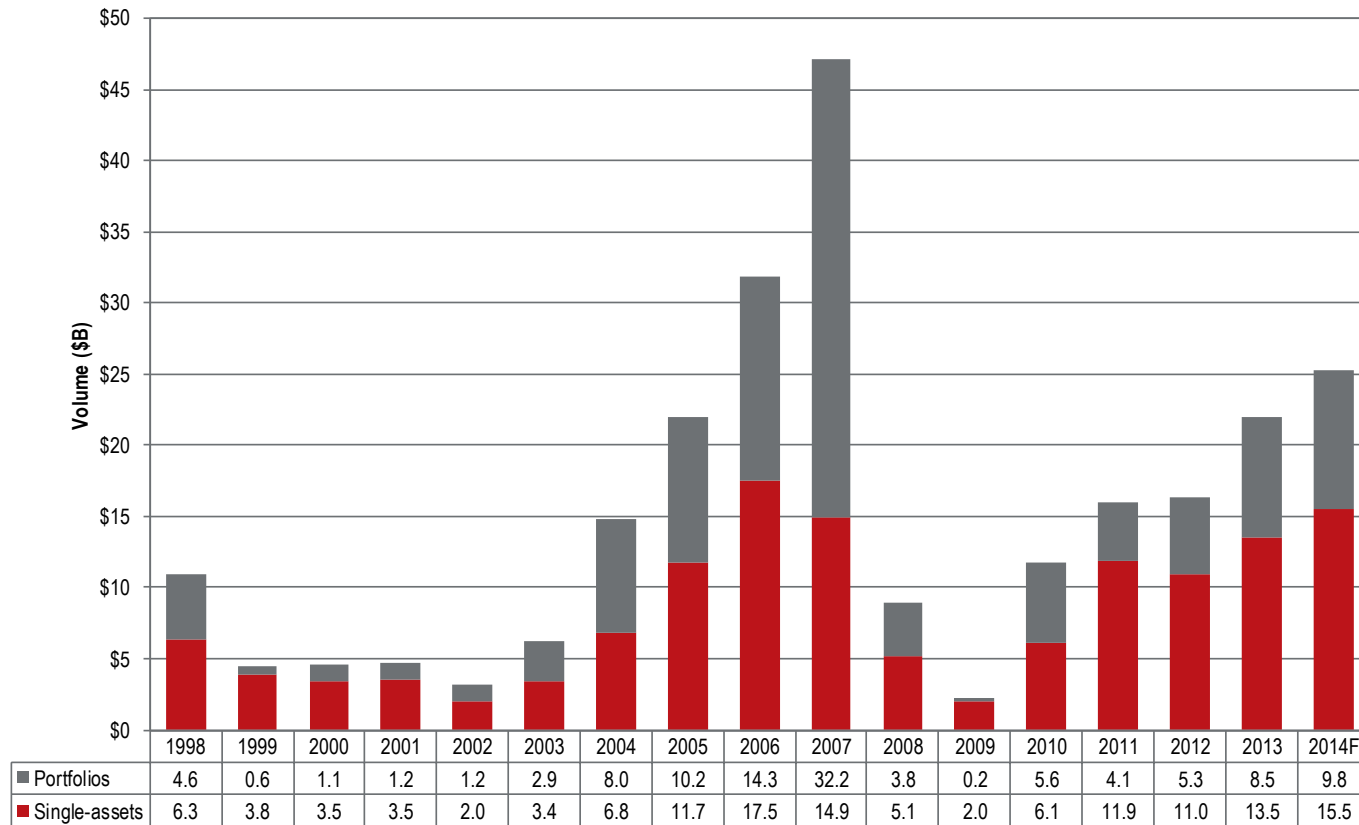


Source: JLL

U.S. hotel transaction volume

Transaction volume in 2013 marks 35% increase over 2012 volume

U.S. Hotel Transaction Volume 1998 - 2014F

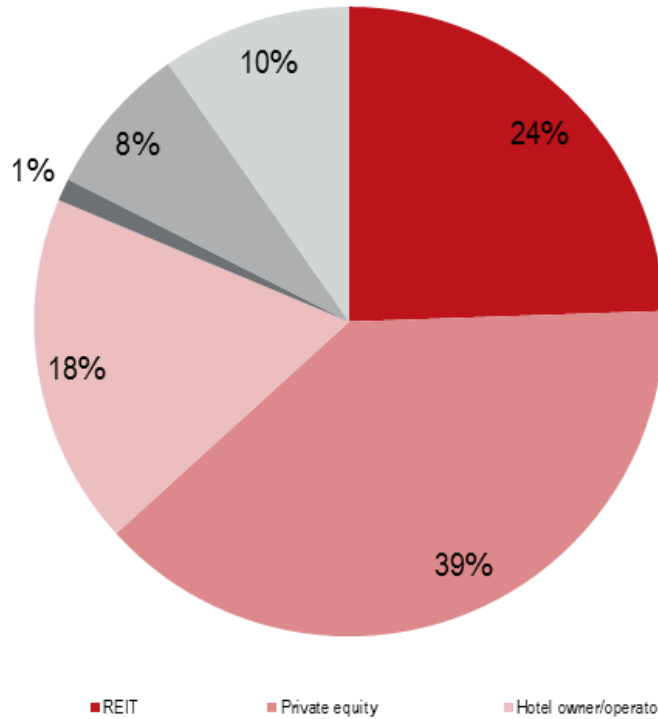


Source: JLL; transactions \$5 million and above; excludes casino transactions

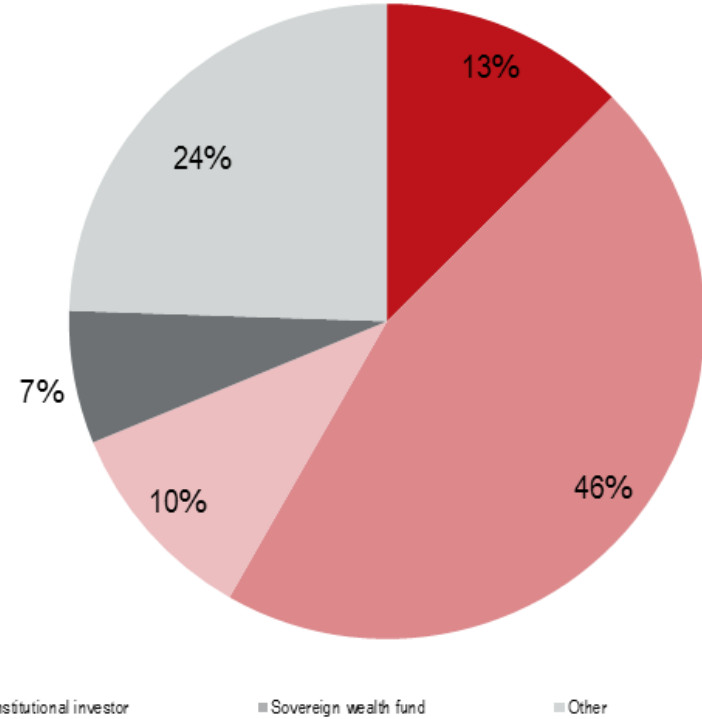
Active buyer groups

REITs and private equity investors account for 63% of buyer in 2013

U.S. Transactions by Buyer Volume: YE 2013



U.S. Transactions by Seller Volume: YE 2013

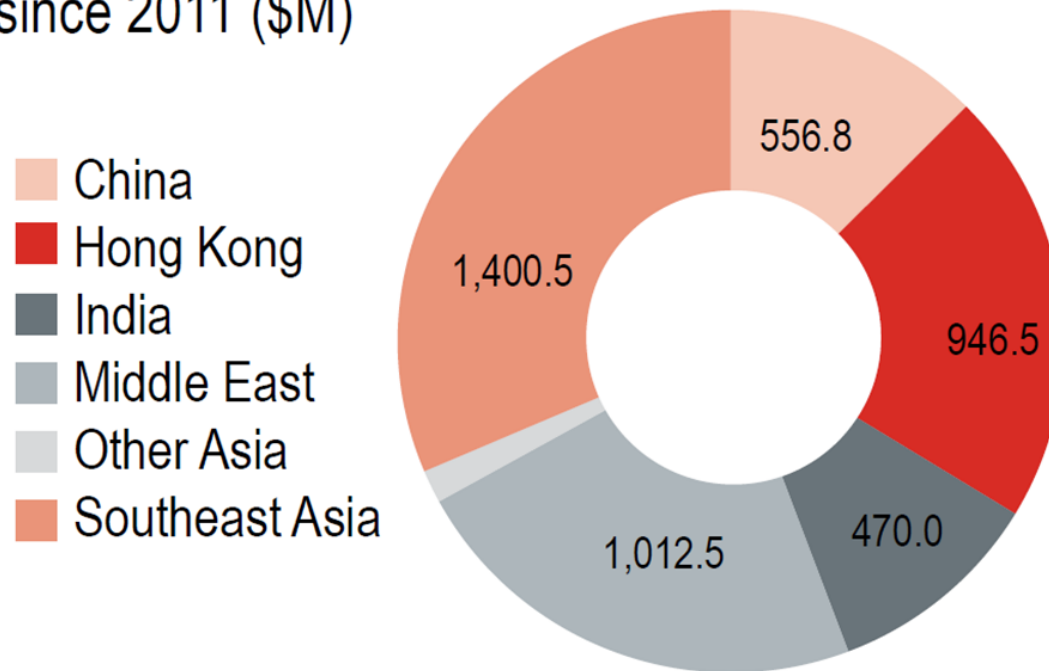


Source: JLL; deals \$5 million and above

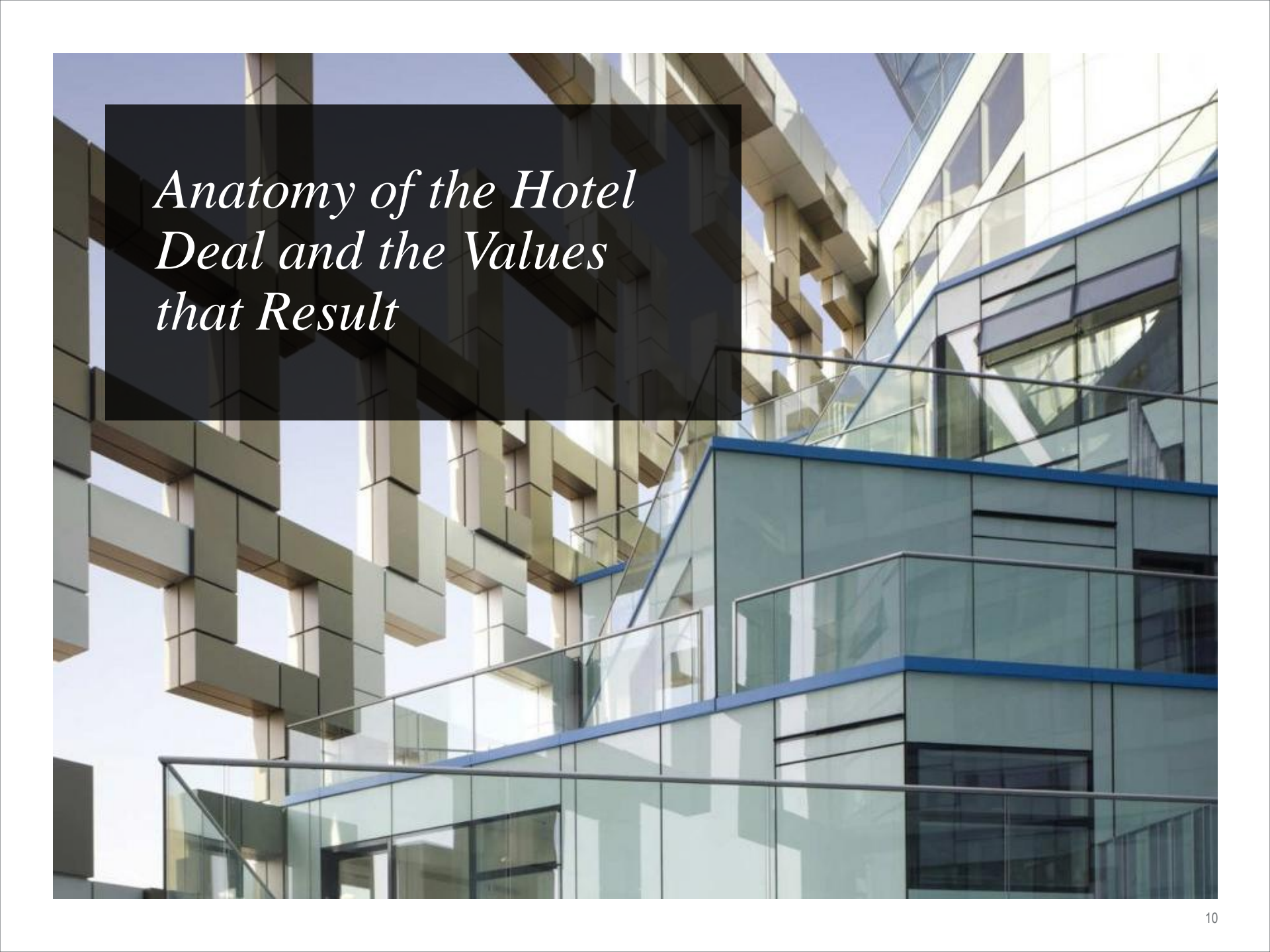
Off-shore investment into U.S. hotels

Asian and Middle Eastern investors are expected to invest \$3 billion in U.S. hotels in 2014, or 10% of transaction volume

Off-shore investment into U.S. hotels since 2011 (\$M)



Note: Figures are in millions
Source: JLL

A photograph of a modern building facade featuring a complex arrangement of glass panels and concrete elements. The building has a distinctive architectural style with protruding concrete blocks and glass railings. The sky is clear and blue.

*Anatomy of the Hotel
Deal and the Values
that Result*

\$100M+ U.S. single-asset transactions 2013

\$100m+ U.S. single-asset hotel transactions 2013							
Property name	Location	Closing date	Price (\$M)	Rooms	Price per key (\$)	Buyer	Seller
Hyatt Regency Orlando	Orlando, FL	Oct-13	\$717.0	1,641	\$436,900	Hyatt Hotels Corporation	Belz Realty Company LLC
Helmsley Park Lane	New York, NY	Nov-13	\$660.0	610	\$1,082,000	The Witkoff Group LLC	Estate of Leona Helmsley
Hyatt Regency Waikiki	Honolulu, HI	Jul-13	\$450.0	1,229	\$366,200	The Blackstone Group	Whitehall Real Estate
Atlanta Marriott Marquis*	Atlanta, GA	Jan-13	Undisclosed	1,663	Undisclosed	Undisclosed	Host Hotels & Resorts
Hyatt Regency San Francisco	San Francisco, CA	Dec-13	\$262.5	802	\$327,300	Sunstone Hotel Investors	Dune Real Estate Partners LP
Boston Park Plaza Hotel & Towers	Boston, MA	Jul-13	\$250.0	1,053	\$237,400	Sunstone Hotel Investors	Rockpoint Group, LLC
Setai New York	New York, NY	Sep-13	\$229.0	214	\$1,070,100	Great Eagle Holdings Limited	Bizzi & Partners
Waldorf Astoria Naples	Naples, FL	Dec-13	\$195.5	474	\$412,400	Northwood Investors, LLC	The Blackstone Group
London West Hollywood	West Hollywood, CA	Aug-13	\$195.0	200	\$975,000	Northwood Investors, LLC	The Blackstone Group
Bacara Resort and Spa Goleta	Goleta, CA	Feb-13	\$184.9	354	\$522,300	Pacific Hospitality Group	Ohana Real Estate Investors
Flatotel New York	New York, NY	Feb-13	\$180.0	288	\$625,000	The Chetrit Group	Rockpoint Group, LLC
The Ritz-Carlton San Francisco	San Francisco, CA	Jul-13	\$161.0	336	\$479,200	Thayer Lodging Group	Host Hotels & Resorts
Viceroy New York	New York, NY	Sep-13	\$148.5	241	\$616,200	American Realty Capital, LLC	Ark Investment Partners, LP
Loews Madison Hotel	Washington, D.C.	Feb-13	\$140.0	356	\$393,300	Loews Corporation	Jamestown Properties
Four Seasons Hotel Houston	Houston, TX	Sep-13	\$140.0	404	\$346,500	Cascade Investment, LLC	Maritz, Wolff & Co.
Renaissance Chicago*	Chicago, IL	Dec-13	\$139.0	553	\$251,400	Watermark Capital Partners, LLC	RBS Global Banking & Markets
Hyatt Place Waikiki Beach	Waikiki Beach, HI	Jun-13	\$138.5	426	\$325,100	Host Hotels & Resorts	Chartres Lodging Group
Hawks Cay Resort	Duck Key, FL	Oct-13	\$133.8	474	\$282,300	Watermark Capital Partners, LLC	Behringer Harvard
Radisson Fisherman's Wharf	San Francisco, CA	Dec-13	\$132.0	355	\$371,800	Pebblebrook Hotel Trust	Square Mile Capital Management, LLC
Courtyard Waikiki	Honolulu, HI	Apr-13	\$127.0	401	\$316,700	Highgate Holdings, Inc	Rockpoint Group, LLC
Sonesta Hotel Royal	New Orleans, LA	Jun-13	\$120.0	483	\$248,400	Hospitality Properties Trust	UBS Realty Investors LLC
Miami Beach Resort and Spa*	Miami Beach, FL	Mar-13	\$117.0	424	\$275,900	The Chetrit Group	The Blackstone Group
Alex Hotel New York	New York, NY	Feb-13	\$115.0	203	\$566,500	Wyndham Hotels & Resorts	Rockpoint, Atlas Procaccianti
Future Conrad Ft. Lauderdale*	Ft. Lauderdale, FL	Dec-13	\$115.0	298	\$385,900	Boston Equity Group	ST Residential
Marriott Charlotte City Center	Charlotte, NC	Oct-13	\$115.0	438	\$262,600	Marriott International, Inc.	Cornerstone Real Estate Advisers, LLC
Astor Crowne Plaza New Orleans	New Orleans, LA	Oct-13	\$114.0	693	\$164,500	Starwood Capital Group	LNR Partners Inc.
Holiday Inn New York City Sixth Avenue	New York, NY	Jun-13	\$113.0	226	\$500,000	Watermark Capital Partners, LLC	Magna Hospitality Group
Embassy Suites San Diego	San Diego, CA	Jan-13	\$112.5	337	\$333,800	Pebblebrook Hotel Trust	Cornerstone Real Estate Advisers, LLC
Hyatt at Fisherman's Wharf*	San Francisco, CA	May-13	\$103.5	313	\$330,700	Chesapeake Lodging Trust	Hyatt Hotels Corporation
Hyatt Union Square	New York, NY	Apr-13	\$101.0	175	\$577,100	Hersha Hospitality Trust	McSam Hotel Group LLC

*Seller advised by JLL

Source: JLL



Influences on hotel values



Capital:

Cost and availability of capital (Basic metric is the cap rates are 100 to 200 basis points above the cost of debt capital)

Trends:

Direction of market trends – up or down

Transactions:

Velocity (competition)

Hotel Equity - Current REIT and C-Corp metrics

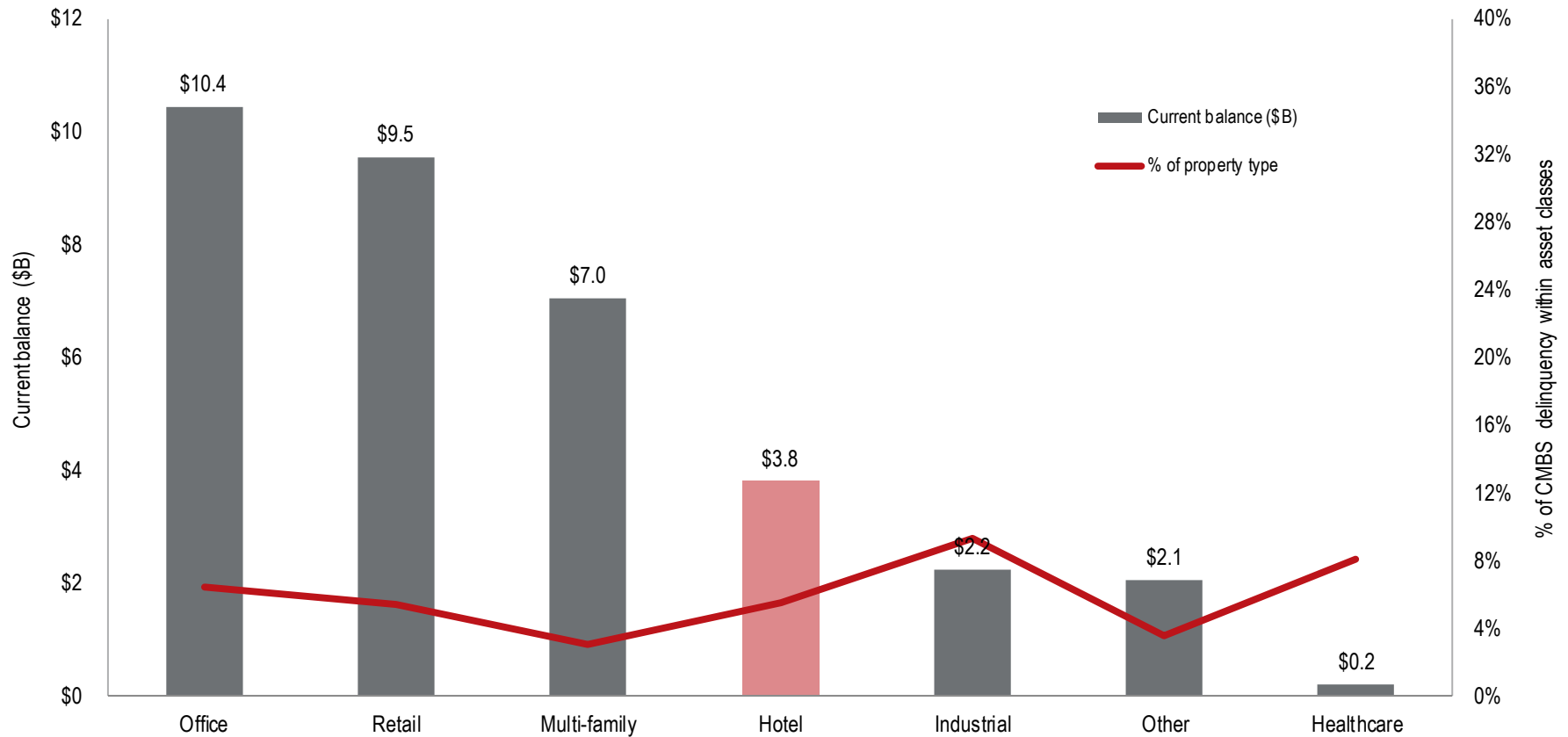
Lodging REIT and C-Corp key T-12 operating and balance sheet data										
T-12 data as of Q1 2014	EBITDA multiple 2014E	T-12 cap rate	Current Dividend Yield	Revenue (\$M)	EBITDA (\$M)	Net income (\$M)*	Share price as of 05/05/2014	Enterprise value (\$M)	Enterprise value / Owned rooms	Total debt / Enterprise value
REITs										
PEBBLEBROOK HOTEL TRUST	17.3X	3.4%	2.1	\$510.0	\$124.4	\$104.0	\$34.48	\$3,035.4	\$473,100	18%
STRATEGIC HOTELS & RESORTS	16.2X	4.3%	0.0	\$925.7	\$196.0	\$159.0	\$10.66	\$3,673.3	\$467,200	35%
FELCOR LODGING TRUST INC	15.2X	4.0%	0.4	\$917.2	\$168.3	\$131.6	\$9.75	\$3,270.1	\$188,300	50%
LASALLE HOTEL PROPERTIES	14.2X	5.1%	3.2	\$1,004.5	\$289.1	\$248.9	\$32.71	\$4,854.9	\$425,900	25%
HOST HOTELS & RESORTS INC	14.2X	5.3%	2.4	\$5,283.0	\$1,257.0	\$1,045.7	\$21.31	\$19,830.5	\$332,000	21%
DIAMONDROCK HOSPITALITY CO	14.2X	4.5%	2.9	\$817.6	\$183.6	\$150.9	\$12.34	\$3,368.4	\$303,500	32%
HERSHA HOSPITALITY TRUST	14.0X	4.6%	4.1	\$368.5	\$112.8	\$98.1	\$5.91	\$2,147.5	\$264,500	37%
CHATHAM LODGING TRUST	12.5X	3.6%	3.9	\$126.2	\$35.8	\$30.8	\$21.80	\$843.4	\$245,800	32%
RLJ LODGING TRUST	12.4X	5.8%	3.3	\$972.4	\$291.9	\$253.0	\$26.51	\$4,335.6	\$192,700	33%
HOSPITALITY PROPERTIES TRUST	11.8X	7.0%	6.5	\$1,564.0	\$584.3	\$521.7	\$29.72	\$7,417.6	\$168,500	36%
CHESAPEAKE LODGING TRUST	10.2X	7.1%	3.8	\$444.4	\$117.9	\$100.1	\$28.08	\$1,404.0	\$236,700	0%
SUMMIT HOTEL PROPERTIES INC	9.7X	6.5%	4.9	\$306.4	\$87.9	\$75.6	\$9.12	\$1,169.7	\$103,000	37%
SUNSTONE HOTEL INVESTORS INC	9.1X	7.5%	1.1	\$972.4	\$236.7	\$197.8	\$14.35	\$2,628.9	\$191,300	0%
ASHFORD HOSPITALITY TRUST	8.2X	8.0%	4.6	\$942.3	\$246.1	\$208.4	\$10.40	\$2,609.8	\$114,700	70%
Weighted average	13.4X	5.5%					\$21.13			29%
C-Corps										
CHOICE HOTELS INTL INC	15.3X	6.5%	1.7	\$734.7	\$208.1	\$208.1	\$44.37	\$3,218.4	N/A	25%
HILTON WORLDWIDE HOLDINGS IN	14.6X	N/A	0.0	N/A	N/A	N/A	\$22.16	\$34,621.7	N/A	39%
INTERCONTINENTAL HOTELS-ADR	14.4X	7.1%	5.5	\$1,903.0	\$751.0	\$751.0	\$37.10	\$10,564.3	N/A	12%
MARRIOTT INTERNATIONAL -CL A	13.8X	5.6%	1.2	\$12,935.0	\$1,142.0	\$1,142.0	\$58.88	\$20,358.1	N/A	16%
LA QUINTA HOLDINGS INC	13.3X	N/A	0.0	N/A	N/A	N/A	\$16.66	\$4,811.5	N/A	58%
STARWOOD HOTELS & RESORTS	13.2X	7.2%	2.6	\$6,034.0	\$1,159.0	\$1,159.0	\$78.99	\$16,104.1	N/A	10%
HYATT HOTELS CORP - CL A	12.7X	6.4%	0.0	\$4,283.0	\$621.0	\$621.0	\$57.83	\$9,778.2	N/A	15%
EXTENDED STAY AMERICA INC	12.6X	N/A	0.4	N/A	N/A	N/A	\$22.36	\$7,401.4	N/A	39%
WYNDHAM WORLDWIDE CORP	11.2X	8.2%	1.7	\$5,068.0	\$1,138.0	\$1,138.0	\$71.96	\$13,822.5	N/A	35%
Weighted average	16.5X	6.8%					\$46.23			27%

Note: For REITs, a reserve for replacement of 4% of revenue is deducted

Source: Bloomberg, JLL

Hotel Loans - Special servicing by property type

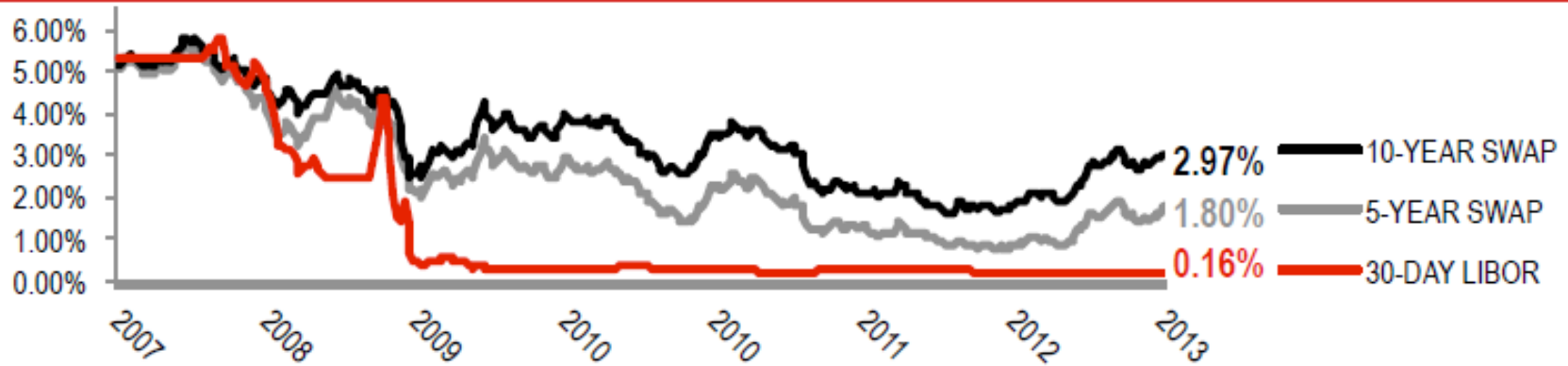
Unpaid balance of delinquent loans totals \$35.3 billion; delinquency rate of hotel loans hotels in the middle of other property types



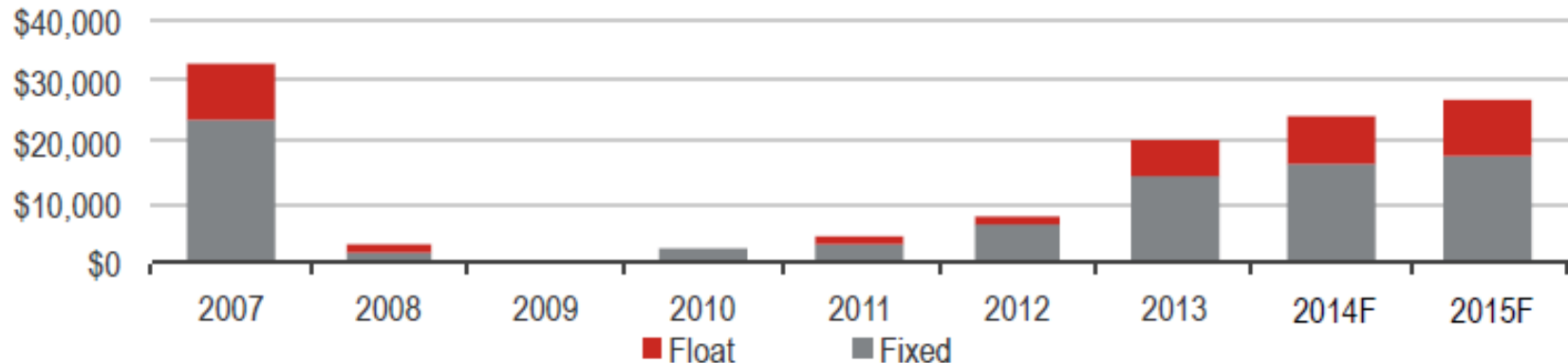
Source: Morningstar, Inc.
Data through March 2014

Hotel financing snapshot: swaps and CMBS issuance

HISTORICAL INDICES | 2007 - 2013



HOTEL CMBS ISSUANCE | 2007 - 2015



Source: Commercial Mortgage Alert

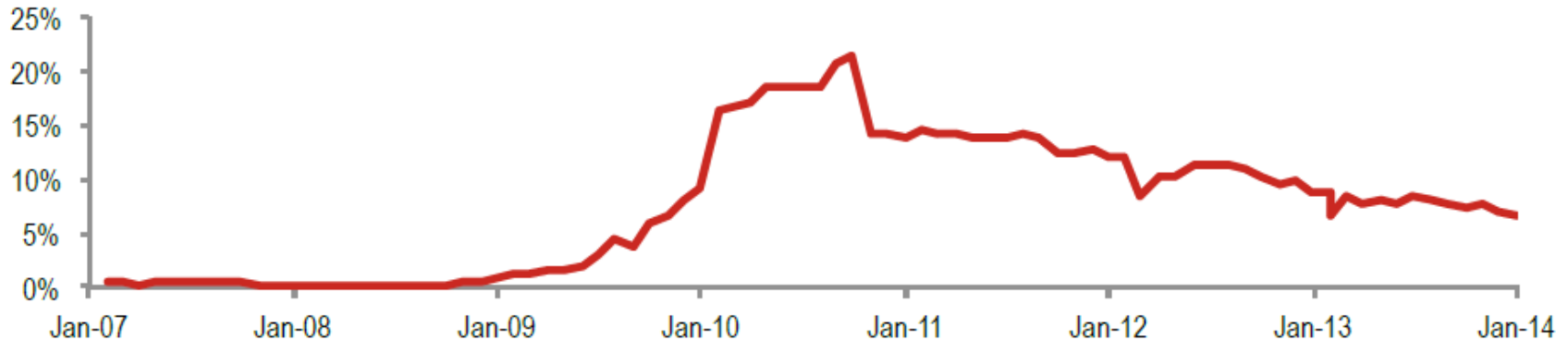
Hotel financing snapshot: CMBS statistics

DETAILED CMBS STATISTICS | 2007 - 2013

	2007	2008	2009	2010	2011	2012	2013	Present
Total US CMBS Volume (millions)	\$228,500	\$12,202	\$2,744	\$11,633	\$32,706	\$48,369	\$86,136	
Hotel (%)	14.4%	24.3%	14.5%	18.5%	13.4%	15.7%	23.6%	
Spreads over Swap* (bps)								
10YR AAA- Super Senior	90	230	680	290	200	160	110	90
BBB-	250	1860	6700	9000	4500	780	440	370

*As of June 30th

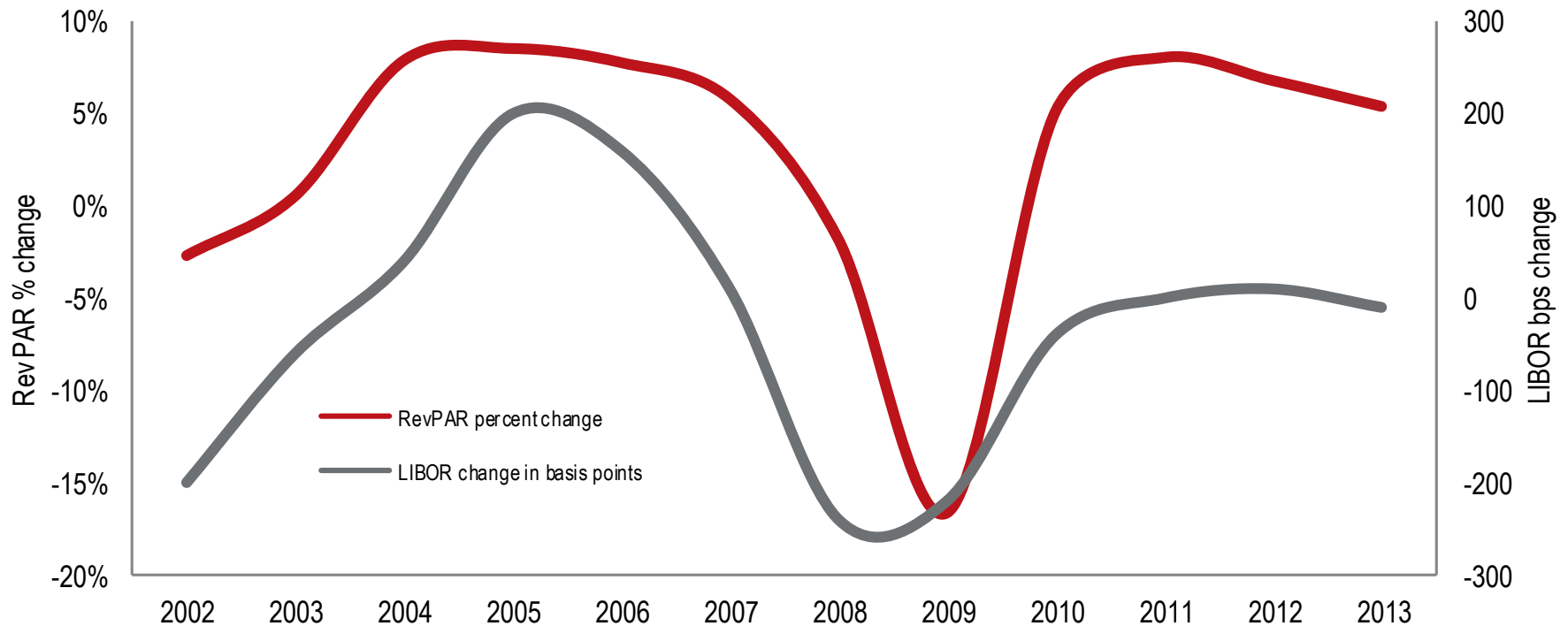
% OF CMBS HOTEL LOANS DELINQUENT IN US



Source: Fitch Ratings

RevPAR and LIBOR

With a correlation coefficient of 0.79, RevPAR change is correlated with LIBOR

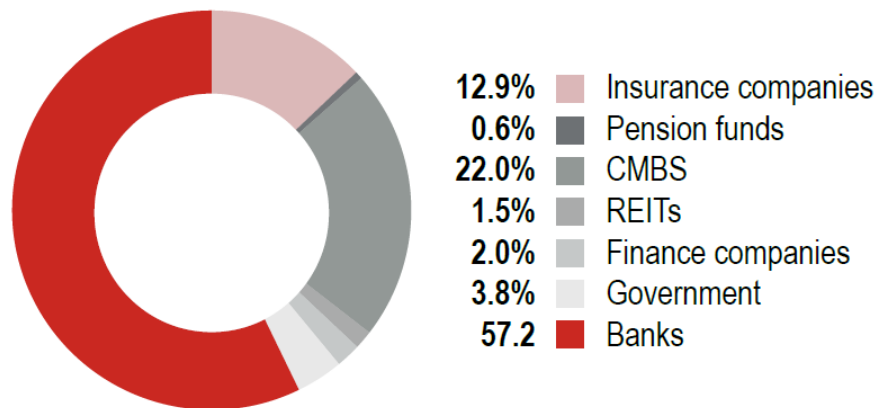


The uptick in lending is partly driven by re-emergence of floating-rate CMBS—debt which provides relatively high leverage with attractive pricing. Also, the LIBOR index has a notable correlation with GDP, as does revenue per available room (RevPAR), and thus the cost of floating-rate debt capital generally moves directionally with changes in RevPAR, making it an attractive hospitality financing vehicle

Source: Smith Travel Research, Oxford Economics

Hotel financing snapshot: deal parameters

TOTAL OUTSTANDING COMMERCIAL MORTGAGE DEBT IN US



Source: Emerging Trends in Real Estate 2014; excludes multifamily

ILLUSTRATIVE DEALS⁽¹⁾

Market Profile	Asset Profile	Lender Execution	Deal Metrics		Pricing (Spread)	Notes
			LTV	Debt Yield		
Gateway	Stabilized	CMBS (Float)	80%	7.2%	4.05%	Acquisition financing, encumbered by brand and management
Secondary	Stabilized (Portfolio)	CMBS (Float)	83%	9.0%	3.95%	Acquisition financing, encumbered by brand and management
Gateway	Transitional	Bank (Float)	50%	4.0%	3.25%	Refinancing, constrained cash flow, recently renovated
Secondary	Transitional	Bank (Float)	62%	8.0%	3.00%	Acquisition financing, constrained cash flow, going into renovation
Gateway	Stabilized	CMBS (Fixed)	70%	9.9%	2.25%	Refinancing, challenged market, boutique asset

(1) Source: Jones Lang LaSalle recent transactions

Investment prospects solidifying hotels as viable asset class

Key trends for the future

7 to 8-year run-up in RevPAR growth

Up-cycle which began in 2010 should last 7-8 years. Given that the end of the last cycle was caused by demand disruption, not overbuilding, the current cycle should experience stronger RevPAR growth than previous ones.

Supply pipeline below long-term average

Pace of new room additions is slowly ticking up but will remain below the long-term average. Resorts and large upscale/luxury hotels will see especially constrained pipeline, underpinning performance of existing hotels.

Astonishing debt recovery

Hotel CMBS issuance is back to the third highest annual level tracked, and alternative lenders – opportunistic debt and some traditional balance sheet lenders – will be one of the key drivers of 2014 growth in hotel deals.

Off-shore investment

We expect off-shore capital from Middle Eastern and Asian investors to increase by 50% to approximately \$3 billion in 2014. Due to lower leverage levels of these buyers, their investment represents close to 10% of the equity in the market.



Thank you