

Making Sense of Hospitality Trends In a Pandemic

January 19, 2021

Moderator:

Gregg Gerken, Executive Vice President & Head of U.S. Commercial Real Estate Lending, TD Bank Commercial

Presenters:

Marc Sallette, Senior Vice President, CBRE Capital Markets

Kevin Gallagher, Senior Vice President Business Development, Prism Hotels & Resorts

Suzanne Mellen, Senior Managing Director, Practice Leader, HVS

Mohamed Thowfeek, Senior Managing Director, Westmont Hospitality

Moderator

Gregg Gerken



Gregg Gerken is the Head of Commercial Real Estate for TD Bank. Gregg is responsible for a \$20 Billion Investment Real Estate portfolio and a \$2 Billion LIHTC Equity portfolio serving regional, Institutional Real Estate clients. He has over 32 years of banking experience, spending over 20 years in the real estate industry.

Prior to joining TD Bank, Gregg's responsibilities included Real Estate Lending in New Jersey for Fleet Bank, National Westminster Bank & Citizens First National Bank, which were combined through mergers. He held positions of increasing responsibility including Team Leader-Real Estate Lending and was Real Estate Division Manager. Gregg currently serves as Chair of the Mortgage Bankers Association (MBA) Capital Council. Gregg is also a member of the Real Estate Roundtable's Real Estate Capital Policy Advisory Committee (REPAC), and the Homeland Security Task Force Committee.

Gregg graduated from Ohio University with an International Business and Political Science degree.

Presenter

Kevin Gallagher



Kevin Gallagher is Senior Vice President of Business Development for Prism Hotels & Resorts, a full-service hotel management, investment and advisory services company. Kevin is involved in all aspects of development opportunities for Prism, including acquisitions, management contracts and joint ventures. Additionally, Kevin has overseen the CMBS Special Servicer and Lender relationships for the past 10 years.

Prior to his role in Business Development, Kevin served as Prism's Regional Vice President of Operations and Vice President of Sales. Kevin's 24-year hospitality career includes 13 years with Bristol Hotels & Resorts in numerous capacities, including General Manager and Director of Operations in Dallas, Texas; Atlanta, Georgia; and Raleigh, North Carolina.

Presenter

Marc Sallette



Marc A. Sallette is a Senior Vice President at CBRE Hotels where he co-leads a nationwide practice focused exclusively on debt and equity financing for clients in the hotel real estate sector.

Mr. Sallette has completed over \$4.0 billion of real estate transactions in hotel, resort, residential, fractional, office, retail and industrial markets in the U.S., Canada, Caribbean, Latin America and Europe. Prior to joining CBRE Hotels, Mr. Sallette was a founding partner of BridgeRock Capital Management, where he co-led origination, structuring, hotel brand and capital raising activities for the firm's hospitality investments in Brazil.

Prior to BridgeRock, Mr. Sallette was responsible for hotel acquisitions, development and management opportunities in the U.S., Canada, and Caribbean for Hyatt Corporation. Prior to joining Hyatt, Mr. Sallette worked for Capital Trust (NYSE: CT), now Blackstone Mortgage Trust (NYSE: BXMT), and Equity International, both founded as part of the Sam Zell family of real estate companies. At Capital Trust he underwrote high-yield commercial real estate loans and the principal investments, as well as various real estate investment banking and advisory assignments. At Equity International, he was focused on real estate private equity investments and acquisitions outside the U.S.

Presenter

Suzanne Mellen



Suzanne is the Senior Managing Director – Practice Leader of HVS. Having appraised thousands of hotels, gaming assets, and related real estate throughout the world over the past 40 years, she specializes in complex hotel and casino feasibility issues and is nationally recognized for her industry expertise. Suzanne opened the second office of HVS in 1985 in San Francisco and led HVS' expansion to Las Vegas (2009) and Los Angeles (2013).

She has developed innovative appraisal methodologies such as a mortgage-equity income capitalization formula for variable income properties, and a refinancing model for hotel investments. Suzanne has authored numerous articles on hotel valuation and has spoken at numerous industry events, including annual appearances at JMBM's Meet the Money and ALIS. Suzanne holds the following designations: MAI (Appraisal Institute), CRE (Counselor of Real Estate), FRICS (Fellow of the Royal Institution of Chartered Surveyors), and ISHC (International Society of Hospitality Consultants).

Presenter

Mohamed Thowfeek



Mr. Thowfeek has been with Westmont since 1996 and serves as a key liaison with the company's investment and institutional partners. He oversees all aspects of the US operations across the full service, limited service and extended stay platforms. Prior to joining Westmont, Mr. Thowfeek spent 14 years with InterContinental Hotel Group in various positions. Mr. Thowfeek is a Chartered Accountant and a Certified Management Accountant.

COVID HOTEL LENDER MATRIX

COVID LENDING MATRIX

December 17, 2020

Hotel Lending Types	Money Center (National)	Super Regional	Regional	Private Bank	LifeCo	Debt Fund / Alternative	CMBS	Mezzanine	Rescue Capital	Total / Average	December 7th	November 2nd	October 5th	September 7th	August 3rd	July 6th	June 1st
Lenders in Market	5	4	6	1	5	63	2	15	9	110	105	95	91	85	84	61	23
Lending on Existing Assets	5	4	6	1	5	60	2	15	9	107	102	92	88	83	82	59	22
Construction Lending	3		3			19		2	1	28	28	28	27	24	17	13	4
Maximum Leverage	65%	75%	60%	80%	80%	80%	62%	85%	75%	64%	65%	64%	64%	63%	63%	60%	62%
Spread																	
Minimum	450	650	350	200	400	500	450	400	800	677	674	670	670	675	641	638	610
Maximum	600	675	550	400	700	1000		1400		806	806	806	790	780	763	719	790
Recourse																	
Yes				1		2				3	3	3	3	3	4	3	2
Partial						1				1	1	1					
No	1	2	1			12				16	16	15	14	13	10	4	1
Reserves (In Months)		21	12		12	14	18			15 months	15 months	15 months	14 months	14 months	12 months	12 months	12 months
Minimum Debt Yield		9%				10%				11%	11%	11%	12%	12%	11%	11%	10%
Relationship Lending Focus				1		1				2	2	2	2	2	4	4	3
Post COVID Closed Construction Loans																	
Post COVID Closed Acquisition Loans		4			2	4				10	9	6	6	4	4	4	3
Post COVID Closed Refinancings	1	3	2		3	2				11	10	9	9	8	7	6	

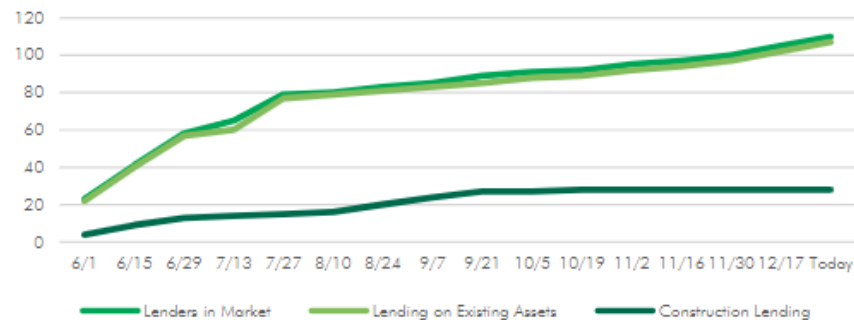
Notes:

- Blank cells indicate inability for lenders to provide hard data / terms.
- Post COVID-19 hospitality financing transactions are limited, the data herein is based on ongoing conversations as of June 2020. Most outcomes are anticipated and not yet verified by closed transactions.
- Numerous qualifiers are provided by each lender, any transaction is likely to result in only a fraction of the above participants at a given time.
- Equities market volatility impacts lender comfort, dramatic swings in a given period will likely reduce lender activity and participation until a period of stability resumes.

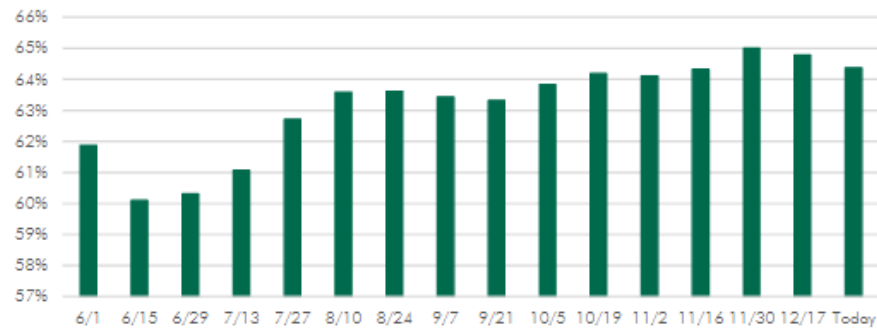
BI-WEEKLY LENDER COUNT

Week of:	6/1	6/15	6/29	7/13	7/27	8/10	8/24	9/7	9/21	10/5	10/19	11/2	11/16	11/30	12/7	Today
Lenders in Market	23	41	58	65	79	80	83	85	89	91	92	95	97	100	105	110
Lending on Existing Assets	22	40	57	60	77	79	81	83	85	88	89	92	94	97	102	107
Construction Lending	4	9	13	14	15	16	20	24	27	27	28	28	28	28	28	28
Maximum Leverage	62%	60%	60%	61%	63%	64%	64%	63%	63%	64%	64%	64%	64%	65%	65%	64%
Spread																
Minimum	610	638	638	630	655	650	661	675	672	670	669	670	678	676	674	677
Maximum	790	719	719	695	705	775	780	780	798	790	806	806	813	806	806	806

Active Hospitality Lenders by Week

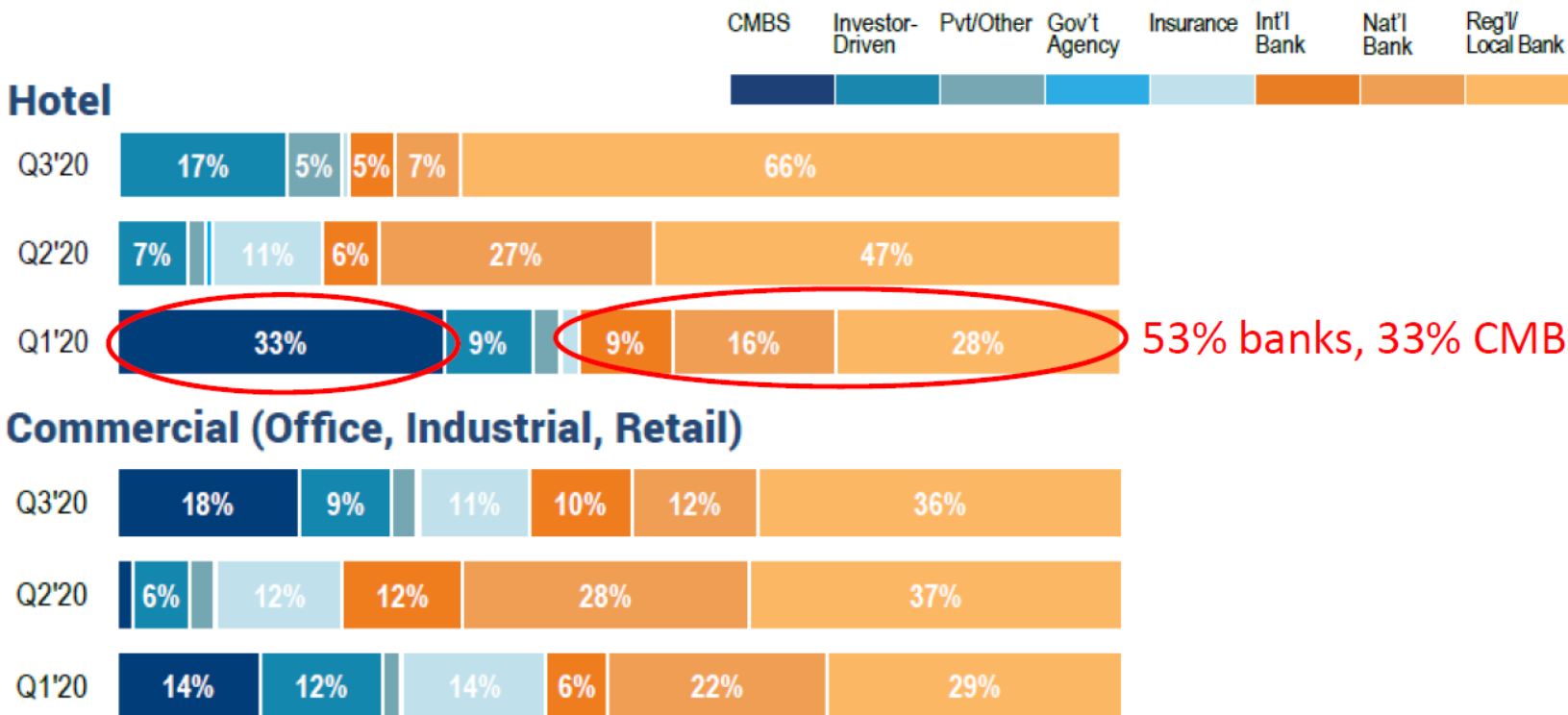


Maximum Leverage



LENDER ORIGINATOR COMPOSITION – CONVENTIONAL FINANCING

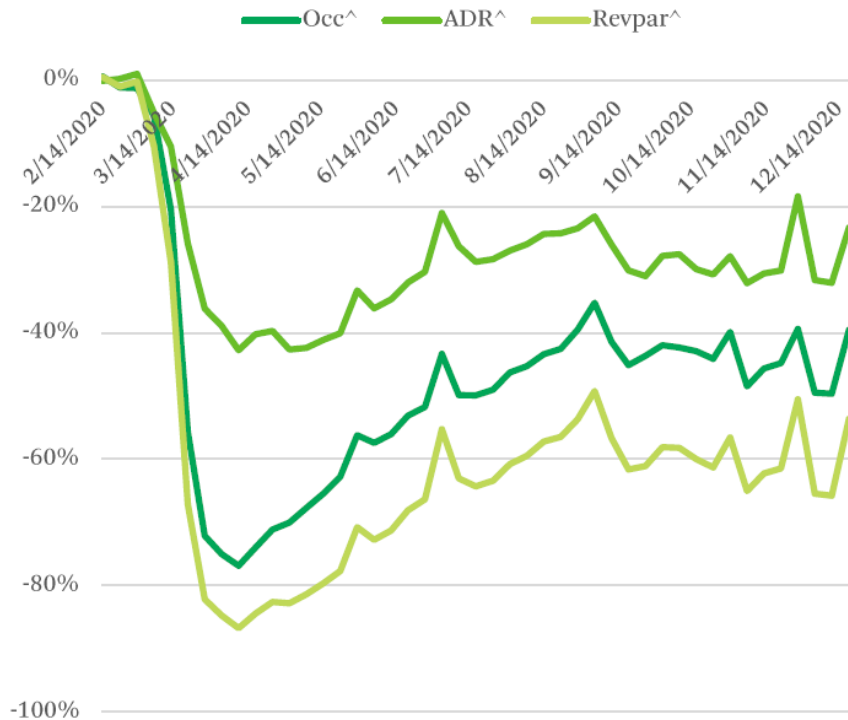
CMBS Lenders Stage a Comeback (But Not for Hotels)



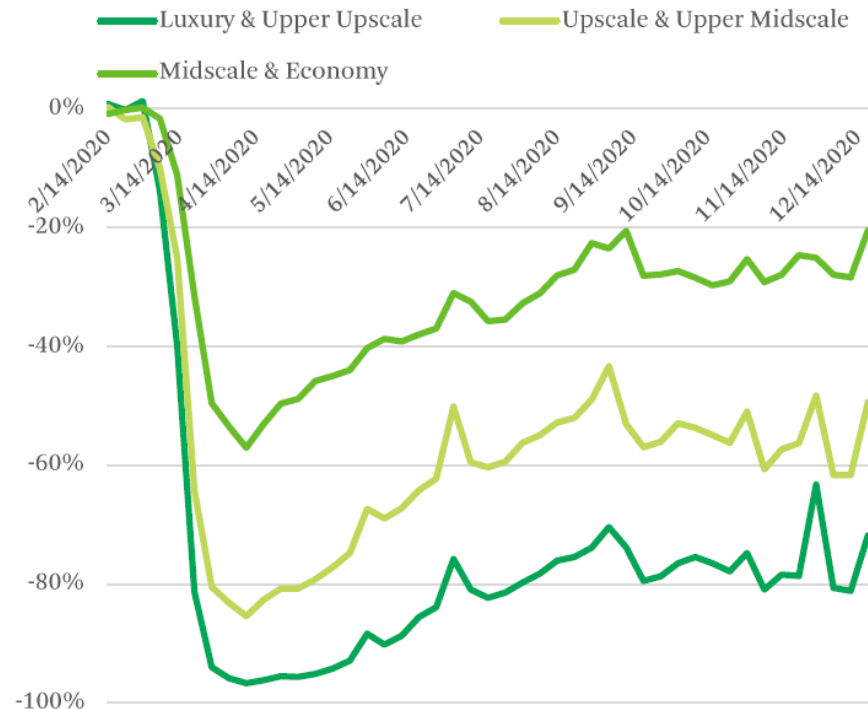
53% banks, 33% CMBS

REBOUNDED OCCUPANCY & ADR – IMPRESSIVE RATE RECOVERY IN LUXURY

Y-o-Y Change in Occupancy



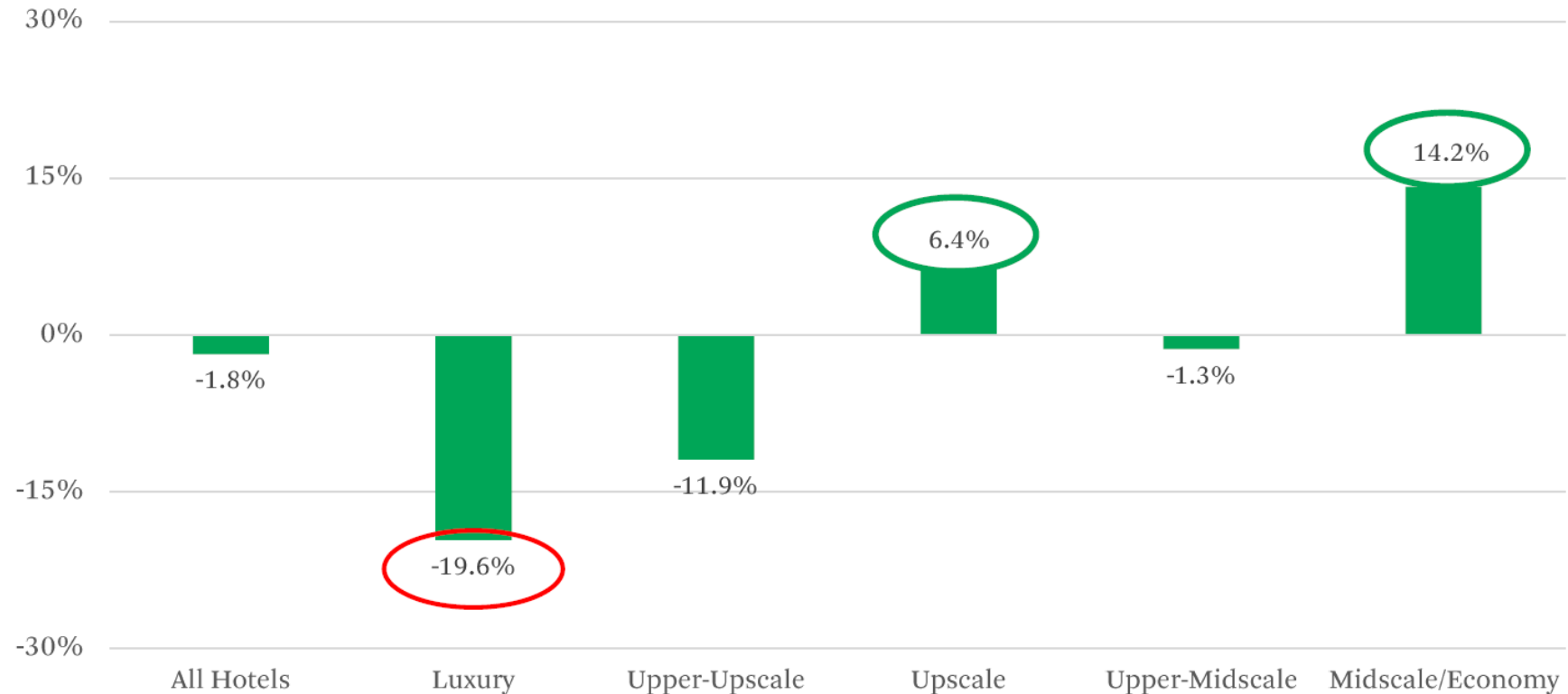
Y-o-Y Change in ADR



Source: CBRE Hotels Research, Kalibri Labs, January 5th, 2021.

U.S. HOTEL EBITDA MARGIN – BY CHAIN-SCALE

Percent of Total Operating Revenue – YTD November 2020



Source: CBRE Hotels Research

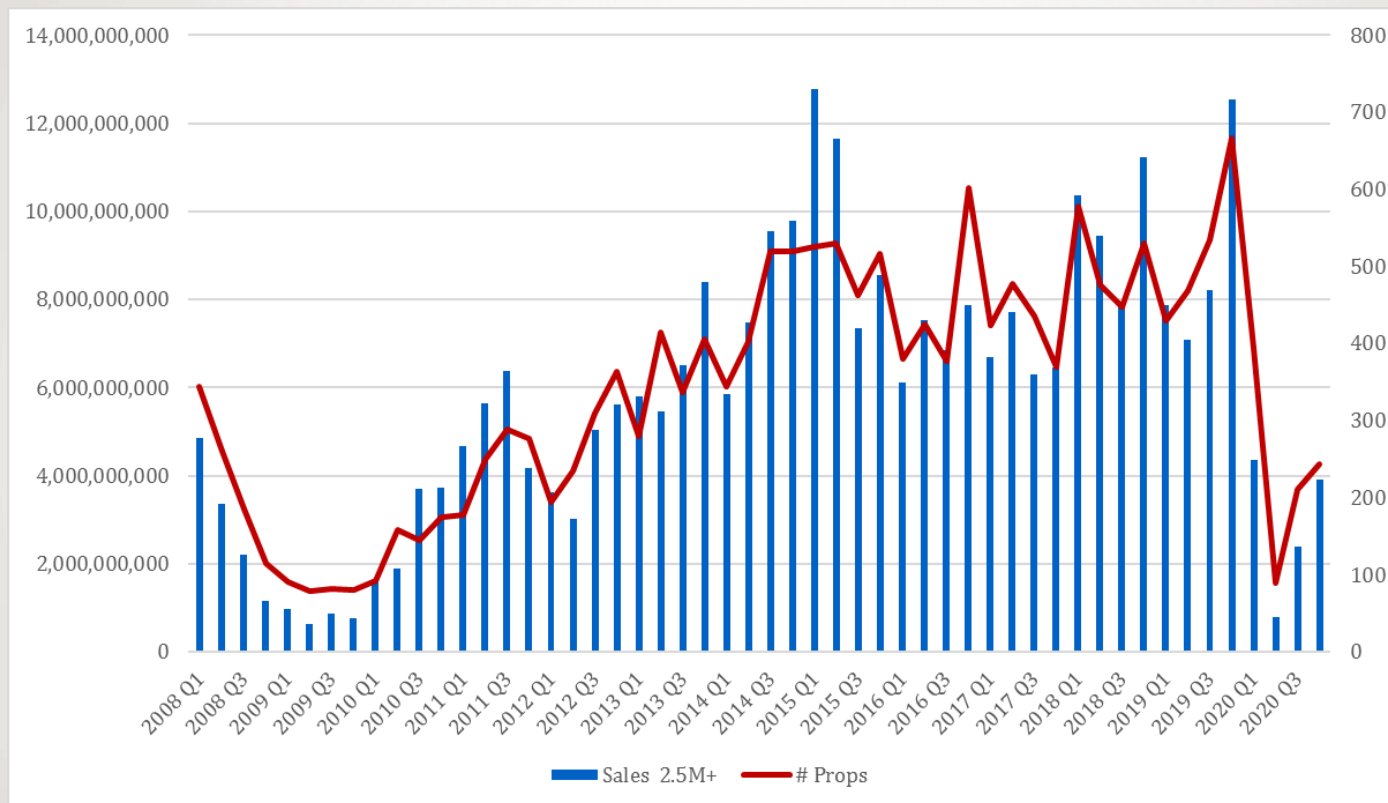
U.S. HOTEL EBITDA MARGIN – BY PROPERTY TYPE

Percent of Total Operating Revenue – YTD November 2020



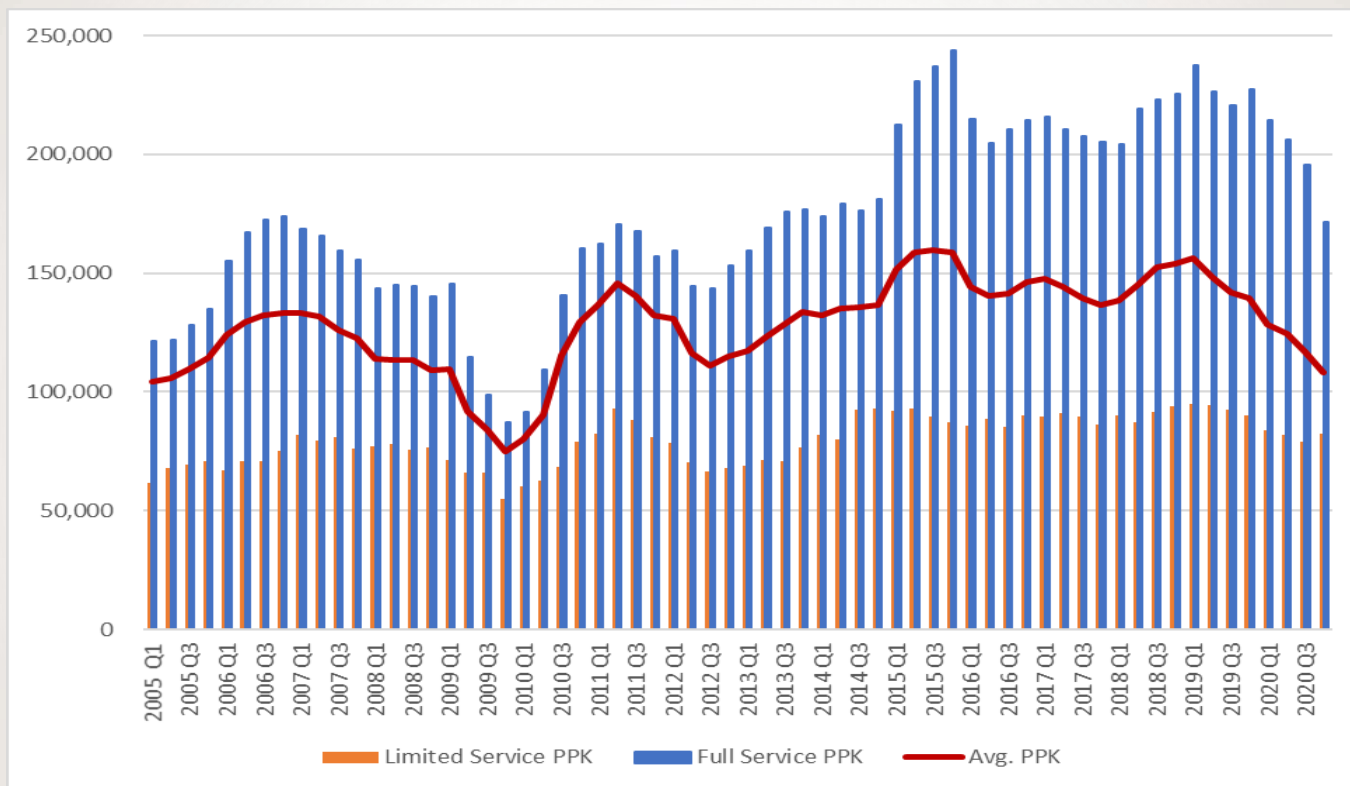
Source: CBRE Hotels Research

U.S. Hotel Sales Transactions



Source: Real Capital Analytics

U.S. Average Price Per Key



Source: Real Capital Analytics

Recent Hotel Sales



Courtyard Downtown San Diego

Sold Jan. 2021 \$263,000 PPK

Prior Sale May 2013 \$290,000 PPK
(9.3%)



Renaissance Austin

Sold Nov. 2020 \$142,000 PPK

Prior Sale March 2012 \$209,000 PPK
(32%)



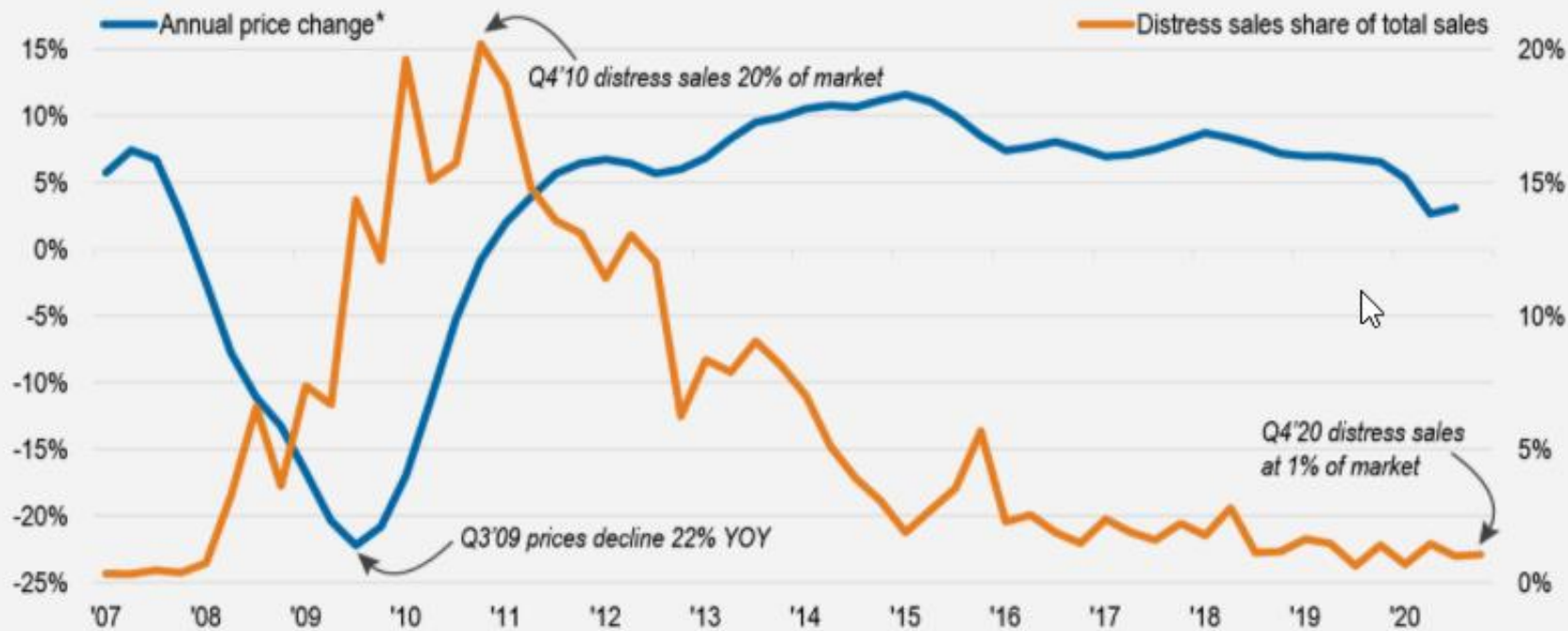
The Altair – Miami Beach

Sold Jan. 2021 \$263,000 PPK

Prior Sale May 2013 \$290,000 PPK
(9.3%)

Source: Real Capital Analytics

Prices Hold Up With No Distress Sales Spike ... Yet



* RCA CPPI US National All-Property Index

REAL CAPITAL ANALYTICS

Questions?

Our Mission

As the leading advocate for the real estate finance industry, the MBA represents and serves its members through a comprehensive array of capabilities and tools that enable members to successfully deliver fair, sustainable and responsible real estate financing within ever-changing business environments.

For general questions and comments, contact:

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Thank you!