



4 QUESTIONS WITH

Chad Crandell

CHMWarnick's managing director & CEO shines light on enhancing hotel value

1 As 2016 winds down, what was the biggest story of the year related to hotel real estate?

The big story wasn't about "real estate" at all, but rather the merger of two brands/operators, Marriott

[International] and Starwood [Hotels & Resorts Worldwide]. In 2017, this story will unfold as more of a "real estate" story, as owners experience the potential impact firsthand. Will Marriott's

distribution system be enough to sustain over 1 million rooms? How will they mitigate rising expenses? How will hotel value be impacted? These questions are on the minds of asset managers and hotel owners.

2 What do you think will be the big trend or story as it relates to hotel real estate in 2017?

As asset managers, the big story

is always hotel value, and how to enhance/preserve it in light of decelerating revenue growth and rising expenses. I hope we see more stories about the actual owners of the real estate and how brands, operators and intermediaries recognize that their success is predicated on an actual investment requiring sustainable returns. We need more innovation aimed at navigating the new norm and achieving owner investment objectives.

3 What should hotel owners be most focused on in 2017?

[Revenue-per-available-room] growth will be dependent on the ability to grow net rate, and strategic segmentation and channel management to optimize profit potential. Success in 2017 will not come from a "follow the pack" mentality, but rather by leading the market, being strategic about the business you take and rates charged. We are also thinking about cost reduction through close examination of hotel-operating models, with an emphasis on labor efficiency and forecasting, and guest satisfaction.

4 Who will be the biggest buyers in 2017—REITs, private equity, other—why and what segments will be their biggest focus?

I expect a continued strong influx of foreign capital into the U.S. hotel market. International investors have a longer-term investment strategy and are motivated by specific markets, opportunities and asset quality, putting them outside of the general influence of Wall Street. There is still a sizable gap between buyer and seller price expectations, but we could see transaction activity increase as the gap in RevPAR growth and inflation continues to tighten, and shorter-term investors look to sell.

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