



5 QUESTIONS WITH ...
**STEVEN JAMES
GORDON**

CADENCE KEEN INNOVATIONS
DBA CKI SOLUTIONS
PRESIDENT

1 What was the biggest challenge to your business in 2017 and how did you overcome it?

Managing an international supply chain with multiple products. By partnering with major distributors in Europe, Asia, Russia and the Americas, we are better able to service our customers' needs and in a more expeditious fashion.

2 What is your biggest opportunity for success in 2018?

Expanding our international business in Asia, Europe and the Americas by focusing on the luxury segment of the hospitality industry and such brands as

the Rosewood Hotel Group. Our mantra is to develop unique, proprietary and innovative products for the marketplace.

3 In discussions with buyers, what has been a recurring theme as it relates to your business?

First and foremost, buyers are looking for innovative solutions that address issues confronting the hospitality industry at large. Since our founding, we have been bringing game-changing products to the marketplace like the Easy King Bed Doubling System that converts two twin beds into a king-size bed; and the Bed Made EZ mattress lifter, which eliminates

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the need for housekeepers to lift a mattress to make a bed.

4 Have brands become more or less prescriptive with PIPs and what has the impact been?

Brand standards are important as a baseline measurement of what a property should stand for. However, when a PIP is too rigidly adhered to, it becomes a deterrent to seeing and trying new innovative products that may ultimately enhance the brand.

5 With costs and supply-chain issues perpetually mounting, what tactics

will you take in 2018 to operate more efficiently?

We have established both domestic and offshore factories and distribution to meet the needs of properties in Asia, Europe and the Americas, which has allowed us to dramatically reduce the freight factor and improve product acquisition cost to the end user.

YOUR 2018 OUTLOOK: VERY POSITIVE, ESPECIALLY FOR THE LUXURY SEGMENT.



5 QUESTIONS WITH ...
THOMAS F. MORONE

CHMWARNICK
MANAGING DIRECTOR AND EVP

1 As 2017 winds down, what was the biggest story of the year as it related to hotel real estate?

Owner profit margins are shrinking while brand fees continue to grow. There is a clear disconnect right now between who is profiting most from lodging real estate. Brands haven't missed a beat, consolidating to save corporate costs, adding brands to broaden distribution, layering on new standards and increasing loyalty spend (at owner's cost) to maintain competitiveness and shift share. Owners contend with anemic rate growth, marginal revenue increases, skyrocketing expenses and shrinking profit margins.

2 What do you think will be the big trend or story as it relates to hotel real estate in 2018?

In short, we see a repeat of 2017. Banks have been incredibly disciplined, limiting foreclosure risk. CMBS has a cloud hanging over it but history suggests a finance solution will be created to work that out. Well-capitalized full-service hotel development will continue to be financed and focused-service hotels will continue to proliferate. As for transaction volume, it will be stagnant.

3 What should hotel owners be most focused on in 2018?

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Cost control, amenity creep and brand demands. Revenue increases will be anemic and there is the possibility of further profit erosion if the economy falters or the stock market corrects. We expect 2-3 percent RevPAR growth with costs increasing at a greater rate than revenue. Owners need to demand that operators hold GOP. Brand demands are ever-changing and should be challenged to ensure changes are accretive to profits.

4 Who will be the biggest buyers in 2018: REITs, private equity, other? Why and what segments will be their biggest focus?

The transaction market has been stagnant in 2017 as off-shore money has slowed and competition for over-priced assets has abated. Generally, smart money recognizes we are at the top of the market, perpetuating the gap between buyer/seller expectations. This is a sweet spot for

private investment that can provide capital to those in need. The focus on larger assets will be driven by the irreplaceable nature of these assets and discounts to replacement costs.

5 What is your best advice for hotel owners and management companies working together to best maximize an asset's ROI?

Everyone needs to recognize the slowdown in RevPAR growth and behave accordingly. Owners acquired or built assets with an expectation of a reasonable return on investment and in a no- to slow-growth revenue environment, the management companies need to look for ways to get creative and limit expense growth. If revenues can't sustain meaningful returns in this climate, what will happen when the market turns? A re-engineering of the operating model is in order.

YOUR 2018 OUTLOOK: DIFFICULT OPERATING ENVIRONMENT AND LOW-VOLUME TRANSACTION ENVIRONMENT.