

5 QUESTIONS WITH ...

Mike Cahill

Maintaining cash flow is No. 1 concern, according to HREC's CEO and founder



1 The hospitality industry has reached the proverbial peak. How do you think this will play out in 2017?

Astute hotel property investors understand that fundamentals are still strong and demand for our product and hotel rooms is still positive. Average room rates, a reflection of consumers' desire for our product, are still increasing. Naturally, new supply is tempering occupancy levels, but this is natural and expected. So, 2017 will be softer and feature lower property transactions levels but no hotel Great Recession is anticipated.

2 What steps are hoteliers taking now to drive revenue and maximize asset ROI, and is it on the top line or bottom line?

Astute hotel owners realize that TTM—trailing 12 months cash flow—is king, and are aggressively looking for ways to tighten expenses as they face lower revenue growth. Asset managers of institutional-quality properties are also experimenting with new revenue growth opportunities. As most hotels are sold every three to five years, owners are doing their best to grow asset value in the face of increasing cap rates.

3 What do you see as your biggest obstacle in 2017 and what steps are you taking now to overcome it?

From a brokerage perspective, transaction volume (total properties sold) is anticipated to decline. The primary reason is pricing as, overall, values have

declined slightly. Currently, the transaction market is in flux, as buyers and sellers mend the pricing gap and establish new market-value levels. We are working with owners to help

4 In discussions with owners, what are their biggest concerns for 2017?

From a real property transaction perspective, owners are concerned about the correct action steps to take if they are facing an equity hold timeline

or refinancing decision. Owners realize they can't control outside factors, namely the cap-rate portion of the valuation equation. However, they are 100 percent in control of their cash flow. So, Increasing or maintaining cash flow is concern No. 1.

5 As labor and other costs continue to mount, what tactics will you take in 2017 to operate more efficiently?

Hotel owners are positive that under a Trump presidency the government will provide a conducive macro environment that will allow them to operate their businesses most efficiently. With less government mandates, owners will feel the freedom to do what they view as right relative to their investments. Owners will also continue to battle property taxes, as many hotels are overassessed.



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