

# 2016 HOSPITALITY LAW CONFERENCE

FEBRUARY 22-24, 2016

## OPTIMIZING THE EXIT

Albert J. Pucciarelli  
Partner, McElroy, Deutsch, Mulvaney & Carpenter, LLP  
Richard T. Sprecher, CHA  
Vice President, Aimbridge Hospitality, LLC  
Drew Noecker  
Vice President, CBRE Hotels

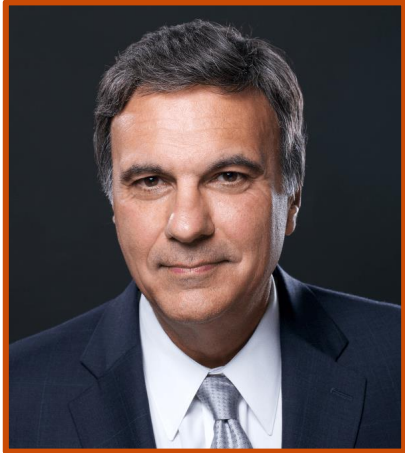


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# PRESENTER

## Albert J. Pucciarelli

Partner, McElroy, Deutsch, Mulvaney & Carpenter, LLP



- ❖ His practice is concentrated in the areas of hotel and resort development and operations, aviation law, general corporate law, and real estate law
- ❖ His experience extends to all aspects of hotel and commercial real estate development and financing and aircraft sales, purchases, financing and leaseback agreements
- ❖ He has served as Chair of the Hotels, Restaurants and Tourism Committee of the Association of the Bar of the City of New York (2001-2004) and as Chair of the Aeronautics Law Committee of the Association of the Bar of the City of New York (1998-2001). He is a Director and immediate past President of the Hospitality Industry Bar Association.



# PRESENTER

**Richard T. Sprecher, CHA**

**Vice President, Aimbridge Hospitality,  
LLC**



- ❖ Rich's Duties are to expand the company's portfolio through third party management contracts, adding new properties to the company's ownership group through Joint Ventures, and increasing the number of properties managed by the Distressed Asset Division
- ❖ Prior to joining Aimbridge, Richard was Director of Franchise Sales for Choice Hotels International for over 17 years. Selling over 220 hotel franchises in his career and being a member of Choice's President Club for all but two years
- ❖ Rich has also held senior management positions with Adam's Mark Hotels & Resorts, Stouffer Hotels & Resorts, Renaissance Hotels, and Bradbury Suites Hotels.



# PRESENTER

## Drew Noecker

### Vice President, CBRE Hotels



- ❖ Based in CBRE Hotels' Houston office, Drew Noecker is a Vice President, currently responsible for evaluating and analyzing hospitality assets, preparing debt and equity financial models, underwriting transactions and helping to manage the process of hospitality transactions
- ❖ His background in hospitality finance and acquisitions enables him to understand all elements of a transaction and offer insight into disposition and financing opportunities, in order to help clients view a complete spectrum of potential transaction structures. Mr. Noecker assists with debt and equity sourcing, and the marketing of hospitality assets.



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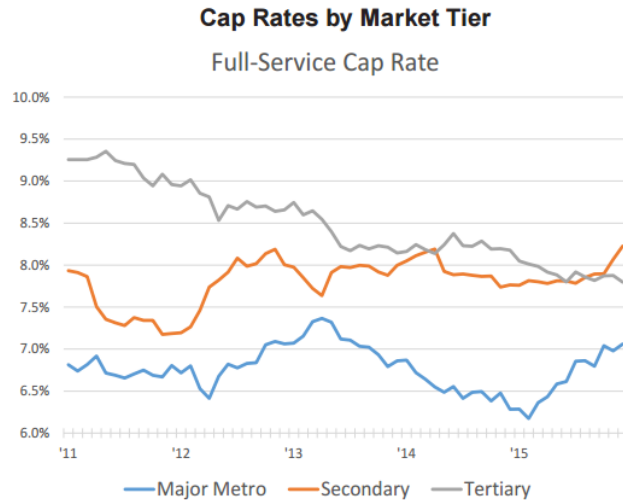
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# CURRENT MARKET CONDITIONS

## ► Cap Rates Stable, to Slightly Up



Source: Real Capital Analytics, *Hotel Update*, 2015

## ► Buyer Pool Shrinking

REITs ↓, PE ↓↑, Owner/Operators ↑

## ► U.S. Operating Performance Strong

### National Forecast Summary

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2010	57.6%	5.5%	\$98.02	-0.2%	\$56.42	5.4%
2011	60.0%	4.2%	\$101.72	3.8%	\$61.01	8.1%
2012	61.4%	2.3%	\$105.99	4.2%	\$65.07	6.6%
2013	62.2%	1.4%	\$110.01	3.8%	\$68.45	5.2%
2014	64.4%	3.5%	\$114.97	4.5%	\$74.04	8.2%
2015F	65.6%	1.9%	\$120.34	4.7%	\$78.96	6.7%
2016F	66.0%	0.6%	\$126.93	5.5%	\$83.81	6.1%
2017F	66.0%	0.0%	\$134.28	5.8%	\$88.68	5.8%
2018F	65.6%	-0.7%	\$141.49	5.4%	\$92.78	4.6%
2019F	64.4%	-1.8%	\$146.23	3.4%	\$94.21	1.5%

Source: PKF Hospitality Research | CBRE Hotels, STR Inc., Q3 2015

## ► Supply Growth Reasonable

	Long Run Average	2012	2013	2014	2015F	2016F
Supply	1.9%	0.4%	0.7%	0.8%	1.1%	1.8%
Demand	2.0%	2.8%	2.0%	4.4%	3.3%	2.2%
Occupancy	62.0%	61.4%	62.2%	64.4%	65.8%	66.1%
ADR	3.0%	4.2%	3.9%	4.5%	5.0%	5.9%
RevPAR	3.2%	6.6%	5.2%	8.2%	7.2%	6.3%

Source: PKF Hospitality Research - *Hotel Horizons*® September-November, 2015, STR, Inc.



# TOPICS

- Market Conditions
  - Cap Rate Environment
  - Appetite of Buying Market
  - Who Are the Likely Buyers
  - Is New Supply a Concern
  - Demand Generators Entering or Leaving
- Brand Considerations
  - Will the New Owner Retain Existing Brand
  - Yes
    - ◇ Re-licensing Costs and Term ◇ PIP Needs
    - ◇ Potential for Intra-brand Competition (With New Flags)
    - ◇ What Brand Contribution Exists
  - No
    - ◇ Is the Asset Brand Managed or Third Party Managed
    - ◇ What Are Damages or Termination options
    - ◇ Is Manager an Investor
    - ◇ New Brand Costs (*Signs, Computers, Fees, Operating Supplies*)



# TOPICS

- Some Asset Considerations
  - Is There a Union In Place
  - WARN Act Issues
  - Retention of Quality Employees
  - Liquor License Transfers
  - What Are the Likely Tax Consequences of a Sale
  - Are There Contracts (service, supplies, equipment) That Will Remain
  - What Items Will Help Retain Corporate Users / Retain Corporate Users
  - Financing
    - CMBS Loans
    - Defeasance
    - EB-5 Loans
    - Historic Tax Credits
    - TIF Financing

