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5 QUESTIONS WITH ...

Sanjay Mundra

Consolidation, capital improvement issues to watch in 2017, according to SVN Hotels' CEO



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

The largest news story by far was Marriott International's acquisition of Starwood Hotel & Resorts Worldwide. By doing so, Marriott has created the largest hotel company worldwide in several categories, including number of properties, number of rooms and total number of loyalty program members. In the hospitality industry, size does matter as volume drives numerous discussions.

This is being confirmed through the ongoing consolidation we are seeing in the industry.

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

Consolidation will continue as hotel companies strive to be relevant and competitive in the overall hotel sector. Property valuations will level out as demand and supply are expected to level out after a seven-year run in favor of demand. Money could become more difficult to obtain, resulting in limited refinancing options for owners. As a result, a surplus of properties in the market for sale could result in level or lower valuations as well.

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

Hotel owners should keep a close eye on national business indicators. The economy could begin to show immediate signs of growth once the new administration takes seat. Should that

occur, you will see interest rates begin increasing. Money could tighten, making it more difficult to finance a development or purchase an existing property. We are already seeing transaction volume down nearly 20 percent off of last year's pace. Higher interest rates could fuel further decline.

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

The largest buyers in 2017 will surface through the ongoing consolidation we are seeing in the industry. Foreign investment will continue to funnel funds into the hotel sector as well. While much attention has recently been directed toward the Chinese interest in the hospitality sector, traditionally strong foreign investors, such as Britain, Japan, Germany and Canada, wanting to diversify outside of their own economies, will continue to invest.

5 What is your best advice for hotel owners and management

companies working together to best maximize an asset's ROI?

Hotel owners must maintain ongoing capital improvements in their properties. The current new property pipeline will generate new inventory, providing consumers many options when choosing a hotel. Owners must provide the capital necessary to remain competitive. Owners/management companies must also continuously manage their inventory and rates daily, if not hourly, to maximize their revenues. In today's digital environment, consumers are booking roomnights 24/7, and the lack of attention to one's inventory can prove costly.

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