



BIG DATA'S RISE IN HOTELS & HOSPITALITY INVESTING

Harnessing the Benefits of Big Data

Big data has taken over nearly every industry – disrupting existing business models and ecosystems. The hotel investment industry is no different as the proliferation of new data sets and introduction of massive data migration capabilities are changing the way commercial real estate investors make informed decisions for their portfolios.

To effectively compete in today's market, hotel investors must learn how to harness the benefits of technology and data analytics to change the way they approach informed, strategic decision-making – or they may run the risk of being the latest casualties in a long-running list of companies unwilling to evolve.

BEYOND “GOING WITH YOUR GUT”

Many hotel investment firms have long made decisions based on a combination of intuition, market expertise and traditional, retrospective data – regularly citing a hotel's local competitive set or shifts in room night supply and demand. Today, however, a host of new variables dig deeper and make it possible to paint a more vivid picture of a location's future risks and opportunities with unprecedented granularity. While the technology is continuously evolving, we cannot ignore its predictive power.

Within the hotel investment space, the strategic application of data analytics is increasingly important for investors to understand the dynamics affecting their portfolio, anticipate market shifts and manage risks. Rather than relying on the traditional mantra, “go with your gut,” hotel investors must embrace analytics and systematic statistical reasoning to make decisions that improve efficiency, manage risk and, most importantly, grow returns.

SEIZING BIG DATA'S OPPORTUNITY

We often hear frustration from hotel developers and investors about the disconnect between the availability of data and harnessing it for quick, actionable insights. Developers and investors have always sought to understand where to acquire property and when to trigger development. Portfolio holders need to optimize their holdings and regularly assess conditions that lead them to divest or capture value. Being slow to identify subtle but important trends can mean leaving money on the table. In today's competitive landscape for hotel transactions, the best opportunities may be gone by the time an investor finishes collecting, compiling and processing the data needed to drive action.

The future is effective software solutions that pull in data from both traditional and nontraditional sources and turn it into digestible intel quickly, enabling investors to be more proactive.

Big data analytics helps to move the needle for hotel investors by examining large amounts of data to unleash hidden insights and opportunities. By aggregating disparate data points like cost of capital, sociodemographic and economic shifts and workforce trends, hotel investors can empirically identify the opportunities that drive value and fit into their firm's investment model—or assets that have maximized their value and should be sold.

Predictive analytics can also empower hotel investors to expand their horizons into unfamiliar local markets and identify a wider array of opportunities that may otherwise have been unknown. Today, most groups develop a deep expertise around a local market or region. However, in the near future, access to stronger data analytic tools and information gathering will allow these investors to expand and discover opportunities in other markets that will meet their goals.

BIG DATA IN ACTION

A Wisconsin-based investor group is looking to expand and they are competing to purchase a hotel in downtown Philadelphia, located in the heart of Center City. They are hesitant to push their bid because they are unfamiliar with the local Philadelphia market. Through non-traditional analytic tools, the investor identifies macroeconomic and demographic indicators, such as an area's crime rate or median office rents. They also aggregate targeted data on the area's current average expenses for working wages, costs of goods, and sales and marketing costs, as well as Philadelphia's hotel construction pipeline. All of these indicators and insights from non-traditional data analytics inform the investor's long-term market forecasts, giving them the confidence to strengthen their position and win the deal.

THE NEED FOR HUMAN EXPERTISE REMAINS

CRE technology solutions are evolving at a rapid clip and history has shown us that progress is not always linear, but exponential. Hotel investors must consider big data as a realistic supplement to their current underwriting, portfolio review and research process. If investors are slow to act and stick with their traditional practices, they run the risk of adapting too late. Those who will succeed are investors who understand the importance of harnessing the benefit of technology and big data early on.

That said, advanced analytics cannot serve as an all-knowing crystal ball. In most cases, data can only support investment hypotheses – not generate them. The true power requires the insight only an experienced industry professional can bring. Direct experience forged through local relationships, combined with data-backed insights, can yield powerful inputs, challenge conventional intuition, and sift through the noise to identify what matters most.



Andrew Coleman
 Senior Managing Director
 240.204.5132
 andrew.coleman@berkadia.com



Matthew Dower
 Director of Operations
 312.845.8513
 matthew.dower@berkadia.com

Mortgage Banking



Adrienne Kautzman
 Director
 602.997.3808
 adrienne.kautzman@berkadia.com



Matt Raptosh
 Director
 215.328.1318
 matt.raptosh@berkadia.com



Mauricio Rodriguez
 Director
 240.204.5133
 mauricio.rodriguez@berkadia.com

Investment Sales



Mark Morris
 Managing Director
 240.204.5127
 mark.morris@berkadia.com



Kyle Stevenson
 Managing Director
 786.646.2591
 kyle.stevenson@berkadia.com



Dave Weymer
 Managing Director
 240.204.5130
 dave.veymer@berkadia.com

Hotels & Hospitality Group Offices

Chicago

125 S. Wacker Drive, Suite 400
 Chicago, IL 60606

DC Metro

4445 Willard Avenue, Suite 1200
 Chevy Chase, MD 20815

Los Angeles

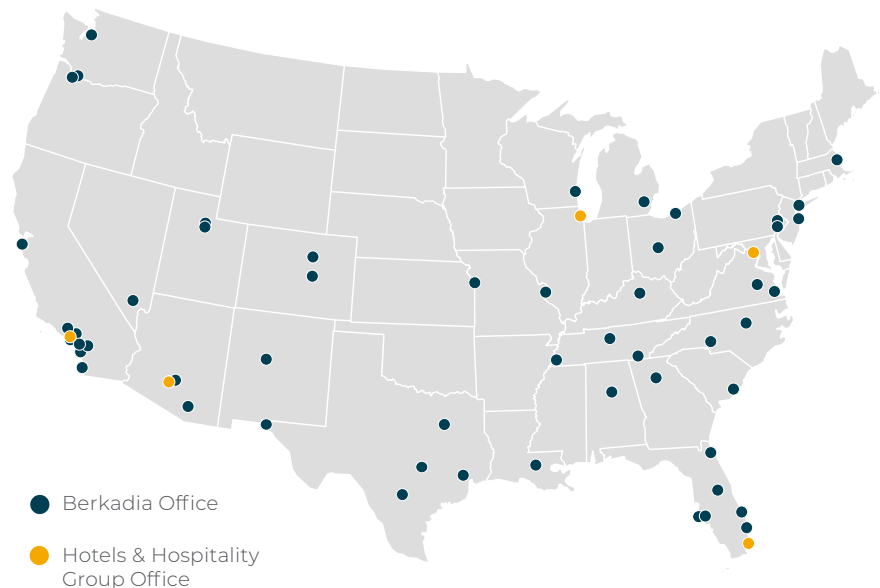
11111 Santa Monica Boulevard, Suite 400
 Los Angeles, CA 90025

Miami

333 S.E. 2nd Avenue, Suite 2540
 Miami, FL 33131

Phoenix

2525 E. Camelback Road, Suite 1150
 Phoenix, AZ 85016



BERKADIA®
 Built for the now. And the next.

BERKADIA.COM / 800.446.2226

a Berkshire Hathaway and Jefferies Financial Group company

Commercial mortgage loan banking and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This communication is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales / real estate brokerage business is conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. In California, Berkadia Commercial Mortgage LLC conducts business under CA Finance Lender & Broker Lic. #988-0701, Berkadia Commercial Mortgage Inc. under CA Real Estate Broker Lic. #01874116, and Berkadia Real Estate Advisors Inc. under CA Real Estate Broker Lic. #01931050. For state licensing details for the above entities, visit: <http://www.berkadia.com/legal/licensing.aspx> © 2019 Berkadia Proprietary Holding LLC. Berkadia® is a registered trademark of Berkadia Proprietary Holding LLC.