Risk Factors Comparison 2024-02-28 to 2023-02-24 Form: 10-K

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Set forth below are the risks that we believe are material to our investors and should be carefully considered. ~~Those~~ **These** risks are not all of the risks we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur. This section contains forward- looking statements. You should refer to the explanation of the qualifications and limitations on forward- looking statements beginning on page 4. Risks Related to Our Business and Operations Our business model, especially our concentration in premium full- service hotels, can be highly volatile. We solely own hotels, a very different asset class from many other REITs. A typical healthcare REIT, for example, has long- term leases with third- party tenants, which provide a relatively stable long- term stream of revenue. Our TRS lessees, on the other hand, do not enter into leases with hotel managers. Instead, the TRS lessee engages the hotel manager pursuant to a management agreement and pays the manager a fee for managing the hotel. The TRS lessee receives all of the operating profit or losses at the hotel. Moreover, virtually all hotel guests stay at the hotel for only a few nights, so the rate and occupancy at each of our hotels changes every day. As a result, our earnings may be highly volatile. In addition to fluctuations related to our business model, our hotels are, and will continue to be, subject to various long- term operating risks common to the hotel industry, many of which are beyond our control, including: • dependence on business and commercial travelers and tourism, both of which vary with consumer and business confidence in the strength of the economy; • decreases in the frequency of business travel that may result from alternatives to in- person meetings, **including as post-** ~~particularly in light of the continuing impact of~~ COVID- 19 **pandemic norms continue to evolve** ; • competition from other hotels and alternative lodging channels located in the markets in which we own properties; • competition from third- party internet travel intermediaries; • an over- supply or over- building of hotels in the markets in which we own properties, which could adversely affect occupancy rates, revenues and profits at our hotels; • increases in energy and transportation costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists; • increases in operating costs due to inflation and other factors that may not be offset by increased room rates; and • changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance. In addition, our hotels are mostly in the premium full- service segment of the hotel business, which, historically, tends to have the strongest operating results in a growing economy and the weakest results in a contracting or slow growth economy when many travelers might curtail travel or choose lower cost hotels. In periods of weak demand, profitability is negatively affected by the relatively high fixed costs of operating premium full- service hotels as compared to other classes of hotels.- 14- The occurrence of any of the foregoing factors could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders. Economic conditions and other factors beyond our control may adversely affect the lodging industry. Our entire business is related to the lodging industry. The performance of the lodging industry is highly cyclical and has historically been linked to key macroeconomic indicators, such as U. S. GDP growth, employment, personal discretionary spending levels, corporate earnings and investment, foreign exchange rates and travel demand. Given that our hotels are concentrated in major urban ~~market~~ **markets** ~~cities~~ and destination resort locations in the U. S., our business may be particularly sensitive to changes in foreign exchange rates or a negative international perception of the U. S. arising from its political or other positions. Furthermore, other macroeconomic factors, such as consumer confidence and conditions which negatively shape public perception of travel, including travel- related disruptions or incidents and their impact on travel **,** may have a negative effect on the lodging industry and may adversely impact our revenues and profitability. Our hotels are subject to significant competition. Currently, the markets where our hotels are located are very competitive. However, a material increase in the supply of new hotel rooms to a market can quickly destabilize that market and existing hotels can experience rapidly decreasing RevPAR and profitability. If such over- building occurs in one or more of our major markets, our business, financial condition, results of operations and our ability to make distributions to our stockholders may be materially adversely affected. Our hotels are subject to seasonal volatility, which is expected to contribute to fluctuations in our financial condition and results of operations. The periods during which our hotels experience higher revenues vary from property to property, depending principally upon location and the customer base served. This seasonality can be expected to cause periodic fluctuations in a hotel' s room revenues, occupancy levels, room rates and operating expenses. We can provide no assurances that our cash flows will be sufficient to offset any shortfalls that occur as a result of these fluctuations. Volatility in our financial performance resulting from the seasonality of our hotels could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders. The increase in the use of third- party internet travel intermediaries and the increase in alternative lodging channels, such as Airbnb, could adversely affect our profitability. Many of our managers and franchisors contract with third- party internet travel intermediaries, including, but not limited to Expedia. com and Priceline. com and their subsidiaries. These internet intermediaries are generally paid commissions and transaction fees by our managers and franchisors for sales of our rooms through such agencies. These intermediaries initially focused on leisure travel, but have grown to focus on corporate travel and group meetings as well. If bookings through these intermediaries increase, these internet intermediaries may be able to negotiate higher commissions, reduced room rates or other contract concessions from us, our managers or our franchisors. In addition, internet intermediaries use extensive marketing, which could result in hotel consumers developing brand loyalties to the offered brands and such internet intermediary instead of our management or franchise brands. Further, internet intermediaries emphasize pricing and quality indicators, such as a star rating system, at the expense of brand identification. In response to these intermediaries, the brand operators and franchisors have launched initiatives to offer discounted rates for booking on their sites, which could put downward pressure on rates and revenue. In addition, an increasing number of companies have entered various aspects of the online travel market. Google, for example, has established a hotel meta- search business (“ Hotel Ads ”), as well as its “ Book on Google ” reservation functionality. An increase in hotel reservations made through Google or its competitors, such as Apple, Amazon or Facebook, may reduce the value of our franchise brands, which may negatively affect our average rates and revenues. In addition to competing with traditional hotels and lodging facilities, we compete with alternative lodging, including third- party providers of short- term rental properties and serviced apartments, such as Airbnb, as well as alternative meeting and event space platforms, such as Convene. We compete based on a number of factors, including room rates, quality of accommodations, service levels, convenience of location, reputation, reservation systems, brand recognition and supply and availability of alternative lodging and event space. Increasing use of these alternative facilities could materially adversely affect the occupancy at our hotels and could put downward pressure on average rates and revenues.- 15- The rise of social media review platforms, including, but not limited to Tripadvisor. com, could impact our occupancy levels and operating results as people might be more inclined to write about their dissatisfaction rather than satisfaction with a hotel stay. The increased use of business- related technology may materially and adversely affect the need for business- related travel, and, therefore, demand for rooms in some of our hotels. The increased use of Zoom video conferencing, Microsoft Teams and other teleconferencing and video- conference technology by businesses ~~could~~ **has** ~~result~~ **resulted** in decreased business travel as companies ~~increase~~ **have leveraged** the use of technologies that allow multiple parties from different locations to participate in virtual meetings without traveling to a centralized meeting location, such as our hotels. To the extent that such technologies, or new technologies, **continue to** play **a** ~~an increased~~ role in day- to- day business interactions and the necessity for business- related travel decreases, demand for hotel rooms may decrease and our hotels could be materially and adversely affected. Investments in hotels are illiquid and we may not be able to respond in a timely fashion to adverse changes in the performance of our properties. Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties or investments in our portfolio in response to changing economic, financial and investment conditions may be limited. Moreover, the Code imposes restrictions on a REIT’ s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our hotels for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of hotels that would otherwise be in our best interests. In addition, the real estate market is affected by many factors that are beyond our control, including: • adverse changes in international, national, regional and local economic and market conditions; • changes in supply of competitive hotels; • changes in interest rates and in the availability, cost and terms of debt financing; • changes in tax laws and property tax rates, or an increase in the assessed valuation of a property for real estate tax purposes; • changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances; • fluctuations in foreign currency exchange rates; • the ongoing need for capital improvements, particularly in older structures; • changes in operating expenses; and • pandemics and the outbreak of diseases, federal, state and local government shutdowns, airline strikes, civil unrest, active shooter attacks, acts of God, including earthquakes, floods, wildfires, hurricanes and other natural disasters and acts of war or terrorism **and** ~~, including the~~ **their** consequences ~~of terrorist acts such as those that occurred on September 11, 2001~~ , which may result in uninsured losses. It may be in the best interest of our stockholders to sell one or more of our hotels in the future. We cannot predict whether we will be able to sell any hotel property or investment at an acceptable price or otherwise on reasonable terms and conditions. We also cannot predict the length of time that will be necessary to find a willing purchaser and to close the sale of a hotel property or loan. These facts and any others that would impede our ability to respond to adverse changes in the performance of our hotel properties could have a material adverse effect on our operating results and financial condition, as well as our ability to make distributions to our stockholders.- 16- Due to restrictions in our hotel management agreements, franchise agreements, mortgage agreements and ground leases, we may not be able to sell our hotels at the highest possible price, or at all. Certain of our current hotel management and franchise agreements are long- term. All but four of our hotel management agreements are terminable at our option. The remaining four hotel management agreements have remaining terms ranging from approximately ~~five~~ **four** years to ~~36~~ **35** years, inclusive of renewal periods that are exercisable at the option of the property manager. We are subject to franchise agreements at certain of our properties, with remaining terms of up to ~~28~~ **27** years, inclusive of renewal periods that are exercisable at the option of the franchisor. See Item 2, Properties, for hotel management and franchise agreement details. Because some of our hotels would have to be sold subject to the applicable agreement, the term length of an agreement may deter some potential purchasers and could adversely impact the price realized from any such sale. To the extent that we receive lower sale proceeds, our business, financial condition, results of operations and our ability to make distributions to stockholders could be materially adversely affected.