

La Quinta

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Unidentified Participant: So, our next company is currently one of the largest owner-operators of limited service hotels in the US, with close to 600 owned, managed and franchised hotels, representing approximately 65,000 rooms. At the same time, La Quinta is -- more than that?

Keith Cline: Yeah, close to 900 hotels, 85,000 rooms.

Unidentified Participant: 85,000, so I'm not taking into account a number of properties, then. So, at the same time, La Quinta is in the process of repositioning that portfolio, increasing its franchise operations, and pursuing a potential spin-off of the Company's own real estate assets into a separate entity.

Here to help us navigate this myriad of initiatives, is Keith Cline, President and Chief Executive Officer, and Jim Forson, Executive Vice President and Chief Financial officer.

And maybe if we start off with some of the moving parts, can you just remind us of what drove your decision to split the business, and what are the major milestones?

Keith Cline: Sure, absolutely. For those that recall, prior to the IPO La Quinta had a REIT structure, down within the organization. So, our desire at the IPO was to find a way to come out and actually have a REIT structure. At the time that we went public, because of the upstream ownership, we simply didn't qualify to be a REIT. So, plan A at the IPO, was to wait the five-year cooling-off period and re-elect REIT status into a tax-free spin to get our properties into the right tax structure. Obviously, with the change in the IRS regulations in late 2015, we had to find ourselves in a situation where we were pursuing different types of alternatives to get the assets into the right structure, and honestly today, if you take a look at the relative valuations of the segments out there in the market, certainly at a low value is a better time to minimize leakage on the spin of PropCo. And also, under IRS rules, the way that we're doing the transaction, we'd be able to spin PropCo out and functionally put ourselves in a position to be able to re-elect REIT status a year earlier than originally thought. So, it gets the Company in the right structure, so that the different organizations can really pursue very distinct strategies around what's the job of a REIT, recycle capital, diversify footprint, invest multi-flags, multi-systems, and then at the same time we can continue to accelerate our strategy.

So, you think about the core strategy of the business today as one business, is to drive consistency in our product, consistency in experience, and drive engagement. That doesn't change post-spin. In fact, we believe that it helps to accelerate, specifically, the product strategy around purifying the La Quinta brand.

Unidentified Participant: So, given some of the changes in the IRS rules, are there other ways that you can mitigate the tax impact?

Keith Cline: Well, we've had a lot of extraordinarily bright tax professionals which I am not. (laughter) Very close to not us here, but up on Lexington Avenue, helping us with this interesting puzzle for a while, and the reality is that the path of least resistance would have been wait the five-year cooling off period, re-elect REIT status, and a tax-free spin. And given that that has closed, it's very challenging to find a way to mitigate the leakage.

Now, given the situation that we're in with certainly not in '17 with 100% confidence, but maybe in '18, potential for tax reform. That does put this transaction in a position such that once we receive clearance to go effective, we can try to manage the process and timeline to take advantage of any tax reform if it existed.

Unidentified Participant: Great. Maybe walk us through, what are these advantages, and potentially some disadvantages, of being a single-flag brand? And then, does the La Quinta brand, could it fit into a bigger portfolio?

Keith Cline: Sure. It's interesting. I think since the moment I've walked into La Quinta I've answered the question, "how could you possibly compete as a single brand," when we over the past 10 years have been one of the fastest-growing select service brands in the industry. 80% of our bookings are direct. Half of our bookings come through our loyalty program. Those are all pretty good numbers, right? And all with a lack of any kind of a network effect. So, as I think about, how do you compete as a single brand, you've got to -- you have to be nimble, you have to be quick. You've got, and we had the fortunate position, of really understanding what owner/operator/developers need, because we in fact are owner-operators.

So, I think the alignment of understanding not just how to sell our franchising contract, but how to operate the hotel business put us in a pretty unique position to be very competitive. And I think our results prove it. If you look at the strategy that we've unfolded, so how do you compete as a single brand, we've had three consecutive quarters of market share gains.

Unidentified Participant: Right, so the market share's coming from somebody. Probably not a single brand, right?

So maybe a follow-up, I guess before you got on stage, we were talking about how it feels like Groundhog Day, how quickly things are -- I mean we're here a year ago. But a year ago, we were having a very different conversation, or at least the group was having a very different conversation around both the macro and then some of your markets in particular. Can you just remind us of what your view is of the industry in your market, specifically over the next couple of years? And, has anything changed from a consumer perspective over that year, or maybe then if you look at pre-election/post-election?

Keith Cline: Sure. You know, I don't know that I have enough forecasting skills to project what's going to happen two or three years out. But, what I can tell you, is our business is about 50% corporate-transient, about 50% transient-leisure. If I look at corporate-transient, the environment really today, I view corporate-transient as no different than it was over the past couple of quarters, honestly. Certainly post-election, everyone felt a positive bump. I think -- I don't know that I believe that it's for any specific reason outside of sentiment, right? We'll see if actual earnings and results catch up to that positive feeling. But, we view corporate-transient as being fairly consistent over the past couple of quarters. The leisure traveler, I believe, has continued to be there. The unique thing about our business is really in a field where people are looking for some type of catalyst for change, right, given the backdrop, (inaudible) some of the uncertainty out there and just the general sentiment in business. We've pursued a strategy that we believe creates our own catalyst. Right? We're taking share. All the metrics that we believe are important in the lodging industry, i.e., product quality, service quality, are all moving in the right direction, and dramatically.

So, we feel like, and our guidance reflects it -- within our own segment we would expect as the year progresses, our (inaudible) should accelerate. We've got an asset strategy under deployment right now, where 50 of our largest hotels are under repositioning, effectively changing the chain scale that they compete in and pricing them upwards in their market against comp sets that are already there. And the back half of this year will see a benefit, and our franchising business continues to post up some pretty extraordinary numbers versus their competition.

Unidentified Participant: Maybe when you think about demand for your chain scale is going to be specifically limited service, has that demand changed over the past few years, and have you seen any incremental competition in those chain scales that worries you?

Keith Cline: I think the demand has changed. If you think about the general industry itself, right, I can see it through both eyes, both the developer and the guests as we all should, the guest is leaning in hard on price-value proposition. Right? They're pushing towards this space, mid-scale, upper-mid-scale, because they're viewing the amenities, the comfort of the room, the enablement of technology in the room as something that is very consistent with what they can experience at three or four times the cost, and then some. Especially in New York City. Right?

And the developers are migrating there because the cash-on-cash returns make a lot of sense. So, as you think about the select-serve space specifically, upper-mid-scale and mid-scale, I guess the perfect place to be because the guests are migrating there, and the developers are here, and migrating here quickly. Competition is increased. Right?

And we talk a lot about the competitive landscape out there, but it's interesting. If you look at all the hotel brands that are out there, there aren't a lot of the new competitors that enter the field that actually ever get to scale and can sustain themselves. So, we view the competitive landscape, although more competitors are there, it's still the same conversation with developers. They're looking at things on a street corner-by-street corner basis, and how do they best distribute their brand and their networks. They're looking for what, loyalty program? Half of our revenue comes through loyalty. 80% of our bookings are direct. What's your relationship with the franchise partner? Will you protect their asset?

Unidentified Participant: Right.

Keith Cline: Right, protect their investment on that street corner and let them operate that brand without an impediment of another brand entering the market. All those things go into play when you're competing against another brand, and you'll continue to be pretty successful at that.

Unidentified Participant: So you've alluded to the amount that comes direct. How is the source of where customers are booking, changed over the past couple of years, and where do you see it going?

Keith Cline: Sure. Yeah. No, that 80% roughly today that is direct is coming direct to property, direct through a mobile device or LQ.com, or coming through our call center. Now, the remaining 20%, most of that is made up of third party channels, OTAs, and then a very small percentage is GDS. Right? It's not a big part, not a big component of our booking.

So, over the past couple years what you've seen grow is third party, to the tune of several hundred basis points of distribution shift within our sources, and that has come from a variety of places out of the pie. But, that's the one area that you've seen some shift, and it shouldn't really surprise anybody. If you look at the overall demand pattern in lodging, as demands begin to contract, obviously their businesses began to contract as well and they changed their investment profile in terms of marketing, keyword search, etc., to really drive demand to their site. So, I think if they generated a little bit of channel shift, but our expectation as we do it through 2017 is that should continue to normalize.

Unidentified Participant: What are some of the things that you're doing to really move that channel shift towards your own channel, and how are you leveraging technology more broadly?

Keith Cline: Well it's important, right? Technology, like I said this several times, very few people are tech-savvy but we're certainly all tech-dependent. Right? Everyone's staring at their phone the moment that they're not staring at some other mobile device, right? So, as you think about having your brand where people want to book it's extremely important to invest into mobile, invest into the in-hotel technology and experience. I think over time, you'll see the importance of artificial intelligence-type mechanisms in the hotel being increasingly more important. So, the operator can get feedback on the stay, mid-stay, and can deploy resources to a room in an automated fashion and prioritize the workload in the hotel.

We've got a technology that was developed in partnership with one of our franchisees, called the Mobile Operating Platform, MOP for short. And it's really primarily used by our housekeeping and maintenance staff to automate and make the process of getting the rooms clean, flipped back into service, and filled more efficient and addressing maintenance concerns more efficient. We could -- I see a path to using that type of platform to really enable more in-room communication and communication with the front desk and the hotel.

Unidentified Participant: You mentioned direct bookings. Can you just remind us where the mix is right now for OTAs and how you view the partnership with the OTAs longer term?

Keith Cline: Yeah, I mean, OTAs are high teens, mid-to-high teens in terms of our booking. And if

you think about it, certainly the OTAs outspend on marketing and technology the entire industry. Right? So, difficult to compete with that, head-to-head. Right? So, it's like they look at our bias, is really around what's the cost of acquisition, and if they can provide for me some incremental reach to a guest that otherwise wouldn't have an eyeball on my brand, and it's a cost of acquisition that is accretive to our business, then I think maintaining a healthy relationship there makes a heck of a lot of sense. I mean, we certainly want to manage our cost of acquisition, and I view this as just another way to acquire. Now, the real focus then becomes, when someone comes into the hotel, how do you then convert them to a loyalty member, and how do you explain the features and benefits of being a loyalty member? Because certainly, there's no better price than booking direct.

Unidentified Participant: So earlier, you referenced some of the repositioning that's going on. How do you think through, or what's the process that you go through, in thinking about repositioning versus selling an asset, and new franchising?

Keith Cline: You know, as Jim has mentioned on several earnings calls, does he think about our real estate strategy and then the first big initiative of driving product consistency. An asset can have one of three outcomes: it can A, or 1, determine that this asset is on the right street corner, it has the right competitive set, and as you think about the competitors that line up most frequently with our brand, i.e., we have them in our set and they have us in theirs, in order would be Hampton, Holiday Inn Express, Comfort Inns and Suites, and Fairfield are the big four.

So, if it's in the right comp set on the right street corner, but it's the wrong product, we identified 50 hotels that met that criteria that with the appropriate capital could price themselves upward in the market, and generate very nice double-digit returns. That's one bucket.

Now, next year could there be another 15 to 20 of those potentially? Maybe, but that's for a future discussion. We haven't done that work yet.

The middle bucket, which is where most of our assets reside, they're on the right street corner, they have the right comp set, it is the right asset, right condition, it's just a candidate for cycle renovation when it needs it, right?

And the third bucket is the one that you're alluding to, which is, it's on the wrong street corner, has the wrong comp set, and it's the wrong asset. And we can't invest in it because of the price point on that street corner. So, that is a candidate to exit the brand in some form or fashion, either be it through a sale and redevelopment on a different street corner in that market, or down the road potentially, a different flag on that property.

Unidentified Participant: And what does the market look like, generally, for those types of assets? Or even not those, but you've got (inaudible) why you're going on right now. So, what's the market for assets, limited service space look like, and have you seen any change in the types of buyers who are looking at these properties?

Keith Cline: Well, for us it's a very consistent buyer. It's the same, it's the same people that own our properties, right? It's the same type of buyer that has a street corner mentality, and is looking to grow their portfolio in some form or fashion, doesn't have distribution on that

street corner. And in a majority of the cases, we've been able to sell an asset that's in that third bucket, and then redevelop a brand new Del Sol prototype within the -- looking to brand in the same market on a different street corner, where it makes sense. So, it's fueled both sides of our business. Jim, do you have anything to add there?

Jim Forson: No, it's -- we get inbound inquiries frequently, that our development team brings to me as the financial partner, to run it through a financial model. We're not in the business of destroying value. This is -- we're not fire-saleing anything. So, if it falls in that third bucket, it meets the financial criteria and it meets the qualitative characteristics of we can resell the market fairly quickly either to the buyer or to another franchisee that's waiting in the wings, if it passes all those gates then it gets brought to the committee, and moves forward.

Unidentified Participant: Maybe give us a little bit more color on the pipeline between owned and franchised, over the next one to two years. Is there any specific geographical focus? Is there additional opportunity for international expansion, potentially?

Keith Cline: Well, the pipeline has around 250 properties in it today. It's all franchised, no owned hotels in the pipeline. And as we think about the way that we've grown, we're in roughly 65% of the Smith Travel Research market tracks, and where we are present we're still underpenetrated versus those top competitors, by at least a hotel, in some cases more.

Now, we've changed the compensation structure for our franchise sales team a couple years ago now, to really focus in on, get us into tracks that we're not in, get us in the northeast, northwest, higher ADR, higher-rated markets, urban developments, CBD locations, what we've seen not surprisingly enough, is since we changed the structure of how we incent on those deals, we've seen an increase on those deals entering our pipeline. Shocking how that works. But then we also, obviously, want to fill in across the country in the markets that we're not. And so, we still view the market opportunity for the La Quinta brand as one that is substantial. So, if we're two-thirds penetrated and still underpenetrated where we exist, that the opportunity of taking this from a 900-hotel brand, which it is today, to a 1700 or 1800 hotel brand, is real. The brand's at scale, and it's relevant.

Internationally, our growth has all been Mexico, Central and South America, and we've got a handful of hotels open today. What's the number, Jim?

Jim Forson: That are open in total? It's in the teens.

Keith Cline: In the teens, and another 20-ish in the pipeline?

Jim Forson: Mm-hmm, in the pipeline, right.

Keith Cline: And it's a very robust area for us. I think the brand translates literally very well there. We've got great partners in that region, and it'll take time to grow there because you want to have the right partners and the right locations. There's certainly nothing to convert, so it's all new construction, and a lot of these are mixed-use facilities based on the local needs and demands of the market.

Unidentified Participant: As you move into some of these new markets, or as you get people who are expressing

interest in new markets, are there things that you're doing to bolster the brand in those markets directly from a marketing standpoint?

Keith Cline: Well I mean, it takes a village to launch a hotel in a market. So, it's everything from your online presence, your digital presence, the photography, right? How you market the hotel with salespeople in the local market, to drive on a micro-level, demand into the hotel based on the drivers that you know should run the business. And more importantly for us, it's really around the mentality of the general manager. You really need to employ what we call an everyone sells mentality in the hotel, because everyone can sell, and the role of the GM needs to really be to be very deeply-linked with their sales director for that region, and really understand where the business should come from.

Obviously from a marketing perspective, we do a lot of national marketing. We can do some micro-marketing based on MSAs and mailings, etc., and e-mails, but a lot of activity would occur at the macro level and then a lot at the hotel to drive business for a new opening.

Unidentified Participant: What about leveraging the loyalty program? Do you think you have the data that can make that process easier?

Keith Cline: We have a ton of customer data, and as I mentioned, almost half our revenue for the system, owned and franchised, comes through that loyalty program directly. So, to the extent that we can market directly to people, we take advantage of that. We use our website as well, in terms of announcing new launches, doing press releases, having Coming Soon locations.

Unidentified Participant: So I guess sticking with the loyalty program, can you just remind us of a number of members enrolled and what the growth rate looks like? But are you going more specifically at the active customer base, what did that look like and how has that been changing?

Keith Cline: You know, I don't have that number in my head.

Jim Forson: It's about 10 million total members, right? In the program total?

Keith Cline: I don't know the active number, and active, whatever the definition of active.

Unidentified Participant: Yeah.

Keith Cline: Right? I'm assuming we probably use something like those that have booked in the past 14 or 18 months. I just don't seem to have that number.

Jim Forson: I think it's 18 months.

Keith Cline: We added over the past year how many members? North of a million?

Jim Forson: Oh, yeah. Absolutely, yeah.

Keith Cline: I can't recall the active number.

Unidentified Participant: So do you view that as an important part of the business, the growth going forward?

Keith Cline: Oh, definitely. Collection of contact information, which is why the direct booking channels are the best, because we know them, we can redirect to them, we can market specifically to them. It's tremendously important. It drives half our revenue.

Unidentified Participant: And how do you think about differentiating that relative to some of your peers?

Keith Cline: Well that's all about our third strategy, right? So, drive product consistency, drive consistency and experience, and then drive engagement. A huge part of the engagement is by investing literally in points of differentiation.

So, we relaunched our loyalty program this past January, and we did a lot of customer research around what is it that people, not just with La Quinta but in the loyalty space and hospitality space in particular, want from a loyalty program. And loud and clear, an overarching theme is, they want to be able to have value in the program, so I want to earn points from my first night's stay and have the ability to use them, right? And I want to get value in the experience if I can add to the program. So, we launched things like redeem away, which really was an industry first, where you can link your Visa account to your La Quinta Returns account, opt in to certain types of purchases, and if you're in New York City and walk into a Starbucks, you'll get a text, how would you like to use your La Quinta Returns points for that cup of coffee today? Yes, we'll give you a statement credit, and you're off your merry way.

It's about engaging with the brand on an everyday basis, and curating your own experience, because personalization in this space is extraordinarily important as you move forward.

Unidentified Participant: So maybe turning to margins for a bit, at the hotel level can you just maybe just walk us through what are some of the buckets of opportunities that you see in terms of expense control, and sort of where is -- where are you right now with labor costs? Are there specific regions where it's increasing greater than others?

Keith Cline: Well, I'll talk to the opposite of this, and I'll let Jim talk about costs. Our single biggest opportunity is to drive revenue. Single biggest. Right? And driving revenue by offering the right price to value in the hotel is exactly what we're doing. So, the investments we're making at the property level absolutely will result in incremental margins and revenue for the business, but you can't get it all at once. Right?

So, I know some of the pressures we're certainly feeling today outside of the investments we're making would be things like competitive wage inflation.

Jim Forson: Yeah, I mean, the biggest drivers, if you're looking year-over-year, right, on margins, are going to be focused in the labor area and there's really two buckets in there, and it's the competitive wage inflation that Keith mentioned -- which I don't think we are alone in experiencing in service business and hospitality -- we really started seeing that middle part of 2015 ramped up through 2016, and then on the supporting the strategic investments, the strategic initiative of driving consistency of an outstanding guest experience. You've got to make sure you've got the right people in the hotel, whether that be general managers or front desk, just make sure they're there, make sure it's the right

folks. Those costs increased through 2016. And then, as we enter into 2017 we'd expect to start lapping some of those costs toward the end of this year.

And then the other, probably largest one we've talked about, would be OTAs, which we've talked about a little bit, has increased its presence in our booking channel over the past 18 months to 2 years, again, ramping in 2016 towards the end, stabilizing a bit.

Unidentified Participant: Well, so I guess maybe if you can talk a little bit about the investment, the impetus for the investment in labor specifically. So, were you getting feedback from your customers who are saying, I was having an issue with XYZ, and you were trying to solve for that specifically?

Keith Cline: It's more about changing the mentality of how you run the business. Right? So, if you think about driving a strategy and enterprise, you're going to be disciplined about the strategy and execution, you first have to be disciplined about the people in the organization. So, out of the gate we took a very close look at the organization, made some very critical changes in the organization, both at the executive level and out on the field to make sure that we've got a very consistent view of execution, specifically of what's the role of the general manager in the hotel. Is it to drive revenue, and drive the guest experience? Or, is it to focus on cost containment? Because one is a lot easier than the other, and we have a huge opportunity to drive revenue and to do it through having the right people, and the right hotels, with the right tools and training to execute to it. So, we're leaning in on that part of the business.

Managing the costs in the organization is table stakes, right? But we're in the mode now of investing in things that we believe really drive revenue, and changing how we view what the brand is and what potential looks like out in the field is a big part of it.

Unidentified Participant: So in general, what's your view on price transparency and the potential impact from mobile increasing as a booking channel?

Keith Cline: Yeah, mobile is our single largest in terms of percent shift. Within dot-com which I'll include mobile in there, mobile is growing radically, so you need to be very relevant and current in terms of the technology. And obviously, pricing transparency has been there for a while for consumers. They've got perfect information on price, they have perfect information on experience, so you better make sure that you're delivering something that gets them to repeat.

So, I don't think the rules of engagement there have changed a whole lot. They're just becoming a lot more important. So, for us, it's about what does that mobile experience look like, and we're in the process of redesigning our mobile app to better link that into the attributes and elements of our loyalty program.

Unidentified Participant: A little bit more of a near-term question, but can you talk about some of the oil track markets, what have you seen there recently? Oil prices have stabilized. Have you seen employment trends recover, have you seen corporate transient pick up in those verticals?

Keith Cline: Yeah, what I can tell you, obviously oil in Q1 was accretive, albeit 28 basis points, but accretive to our rev par change year-over-year. The account's been going up, that's something that we monitor. Just given how radical the decline was, and how prolonged it

was, we're keeping a close eye on the 11% of our rooms that could be impacted in some way by oil production. And certainly, we're getting a lot of inbound calls from petrochemical corporations that are putting people into those markets and need rooms.

So, as we talked about in '16, our expectation would have been that those markets would continue to moderate. They did, and now you're seeing just kind of the lapping of some of those negative numbers over the past couple years.

So, the hotels in those markets, at this point have really returned to the original underwriting for the construction of those hotels. They don't have the benefit of this abnormally-high demand in pricing in the market. So, the other demand drivers have moved back in, and yes, we're still seeing a little bit of a bump on the corporate side from some oil companies.

Unidentified Participant: Returning to the balance sheet, as we're thinking through the split, do you evaluate leverage different for asset-heavy versus asset-light businesses?

Keith Cline: Talk about that, Jim?

Jim Forson: Yeah, I think just across the industry, right, an asset-heavy business is going to command or tolerate a higher level of leverage than an asset-light business, and as we've modeled it out, working with our financial advisors, JPMorgan looking forward, we would anticipate -- still early to get into a lot of specifics but we would anticipate market-appropriate levels of leverage for each business coming out of the spend.

Unidentified Participant: And in general, would the capital allocation priorities differ between -- obviously if there's a REIT there's capital allocation priority there, but for the asset-light business, how would the capital allocation priorities change potentially?

Keith Cline: Well, I think you have to bake off all the different things that an asset-light business might do. Does it make sense to buy back stock, does it make sense to pay a dividend, does it make sense to use your balance sheet as key money incentives to get into locations where the brand is not? I mean, you have to bake all those things off as an asset-light business.

Unidentified Participant: What would you expect any of those things to be reprioritized higher, for example, if you have a greater focus on the franchise business? Will you be accelerating key money, for example?

Keith Cline: You know, I suppose that would be for the management of that entity to ultimately determine. We've not been afraid to use our balance sheet, in the right circumstances, (inaudible).

Jim Forson: Yeah, we do it (inaudible) there's a chance for us to get into the right location, in strategic markets, a high barrier-to-entry market, we use our balance sheet today to provide key money incentives paid upon opening.

Keith Cline: Upon opening, yeah.

Jim Forson: For the right location. We don't discount fees. That's a slippery slope. You don't want to

change the value of what you say you're offering. But, key money, used in the right fashion, for the right location, you can generate good returns.

Unidentified Participant: So, if there's any questions from the audience, happy to -- there's a couple minutes left.

Unidentified Audience Member: Yeah, can you just comment on if you -- how much you see True as a competitor, and why, what's been very compelling about that product, why that launch has been so successful?

Keith Cline: I can't speak to why it's been successful, but I can talk a little bit about the competitive landscape. It'll be a real competitor. It's a great company, Hilton's a great organization. It's got a very solid leadership in place. And you know, it's another example of the demand that's in that chain scale for hotels. Like I said before, not only from consumers, but from developers.

So, we've viewed True as really any other competitor that we've competed against over the years. You've got to sell into the things that we talk about as important, for the La Quinta brand. A big piece of it is our ability to have distribution in many locations across the country. Extraordinarily efficient model, very productive, sellable usable square footage, and we've got a lot of direct bookings from a very loyal customer base. So, really it comes down to the economics of the hotel combined with the sustainability of the brand, which we've proven, we have 900 hotels across the country. And then, really the relationship with the franchise partner, and at the end of this entire conversation with our franchisee, it's all about relationship and how well you're going to protect their assets once they spend, pick your number, to build that hotel.

So, it'll be a real competitor, and we'll monitor it like all the rest of the competitors out there. Ironically enough, the first True that is open now, is actually right next door to a La Quinta Del Sol that should be opening in August on the same piece of property. So, we can take a look at it live.

Unidentified Participant: On the competition front, are you seeing any -- or can you remind us, what amount of supply are you seeing coming into the markets that you operate in, and how will that change pace from '16, '17, '18?

Keith Cline: Well now, see, supplies has continue to increase over the past couple years, and I look at the two markets that probably have the biggest impact on supply, in Houston, which has multiple variables going on, right -- the decline in Houston now with a lot of supply coming into the market, it's a little more challenging -- Chicago has seen a lot of supply. Given our lack of concentration in some of these gateway cities, those are the two that really line up with sort of top-ten markets. Dallas, in Texas, has continued to see increasing supply, and our performance continues to roll along because ironically enough we're still a part of that supply, even though that's our -- our home town has a brand.

I really believe that given how long the cycle has been, I don't view supply as the reason demand would contract. It hasn't been since the 1980s, in terms of down cycles and lodging it's been some macro event -- either a war, a dot-com bust, 9/11 or a recession -- it hasn't been we built so many hotels it directly impacted demand.

So, I would expect that a shock to demand would come from some macro source, not

supply.

Unidentified Participant: One of the other questions we've been asking every company is, just on a consolidation front, do you expect there to be an acceleration, kind of consistent consolidation, deceleration, given all the activity we've already seen?

Keith Cline: Well, there's been a lot of activity, but there's also been some very large consolidation. I'm not sure if that slows things down or not, but it seems to be something that's a continual conversation. I couldn't speculate as to what could happen in the future, but given the trend in consolidation, I would likely assume that there would be at least a continual level of activity as you go forward.

Unidentified Participant: Great. Any other questions from the audience? All right, well, please join me in thanking La Quinta and Keith Cline and Jim Forson.

Keith Cline: Appreciate it.

Unidentified Participant: Thank you. Thanks.