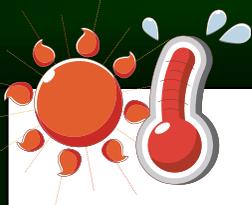




# LODGING NOTES



## AND RANDOM THOUGHTS



August 2011  
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*August is a transition month, the peak of the summer's heat, middle of the hurricane season, last chance for a summer vacation and the start of the annual "back-to-school" frenzy.*



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### STATE OF THE LODGING ECONOMY

**S**TR reported in [www.hotelnewsnow.com](http://www.hotelnewsnow.com) from the ALIS Summer Update that while the recovery is not in question, the speed and the extent of that recovery certainly is in question. Jan Freitag said that we are in the strongest demand rebound ever, but that ADR recovery remains slow. STR's latest (at the Hotel Data Conference) revised (downward) forecast: RevPAR +7.8% in 2011 and +7.0% in 2012. PwC's ALIS forecast was RevPAR +7.6% in 2011 and +7.0% in 2012 while PKF forecasted RevPAR +6.9% in 2011 and +8.7% in 2012.

**P**art of the reason for the somewhat rosy picture for RevPAR has been the ongoing slowdown in the growth of room supply. Lodging Econometrics ([www.lodgingeconometrics.com](http://www.lodgingeconometrics.com)) in their *Summer 2011 Lodging Real Estate Trends – Executive Summary* announced its forecast for net new supply at just 0.6% to 0.8% for each of the next three years. At the end of the second quarter, their total Construction Pipeline projects are down 15% year-over-year with those actually under construction down 30%.

### HOTEL TRANSACTIONS

**S**till little activity on the new development front (although there seems to be increasing interest, the number of deals actually financed remains limited) but some contractors are getting back to work as acquisitions of existing properties are frequently tied to major renovation projects and a change in branding that necessitates even more renovation and/or refurbishment. A recent (August 1<sup>st</sup>) article on [www.hospitalityworldnetwork.com](http://www.hospitalityworldnetwork.com) makes clear that the "Brands get serious about enforcing PIPs again". In the article several hotel brokers are quoted with the general theme being debt is becoming more available for acquisitions and capital improvements for hotels with major brand affiliation. Buyers are factoring in the cost of the PIP when making an offer and a seller who can provide PIP information – and perhaps a PIP for another brand that might be less expensive – makes the decision process easier.

**P**rices on good hotel sites (as distinct from sites originally planned as condominiums or offices or retail and 'hotel' has become a 'best-remaining-use') seem to be coming down. Recently learned of a site at a Florida Turnpike exit that would also be the closest location (1 mile off-site) to the successful Hard Rock Hotel & Casino near Fort Lauderdale. It was being offered at over \$16,000 per key and was under contract (unknown \$) for a 120-room upscale select-service hotel already with brand approval and most permits issued. A victim of the recession, the property and permits – I'm told – could now be acquired at about \$10,000 per room, but is that enough to stimulate interest?

### HOTEL OPERATIONS – ADA REQUIREMENTS/RENOVATIONS

**D**on't look now, but the new Americans with Disability Act Title III Regulations that took effect on March 15, 2011 have a deadline for compliance of March 15, 2012. The AH&LA is encouraging immediate action and STR's HotelNewsNow.com reported on August 1, 2011 on the new requirements that revised the 1991 regulations and set new standards for what is an accessible facility. The misconception about "grandfathering" was addressed. Whatever the age of the hotel, it still must comply with ADA standards

**R**enovations aren't just for acquisitions or to meet ADA standards. A recent article online at [www.hotelinteractive.com](http://www.hotelinteractive.com) concerning the BITAC conference at the Peabody Orlando in July indicates that "there are 10 times the number of rooms being renovated than constructed". Some lenders are making funds available so that existing owners can upgrade to better compete within their competitive set in both the short- and medium-term. Average rates have been negatively affected by the recession but are starting to grow again (minor growth at this point, but better is expected in the future). Although "a rising tide lifts all boats", it will be the properties that improve the experience for their guests that will reap the most rewards in terms of increasing average rates.

### FLORIDA INTERNATIONAL UNIVERSITY

**T**each a graduate course in the School of Hospitality & Tourism Management - as many of you already know – and rely heavily on industry assistance to keep the course as fresh and pertinent as possible. In addition to guest speakers I look for documentation to supplement the Asset Management text (from AH&LA's Educational Institute). The students are assigned two case studies during the term: one on management contacts and one on investment analysis. To make them as "real life" as possible I need current management contracts (names can be changed) and hotel investment offerings such as detailed broker promotional pieces – it doesn't matter if the property is still for sale or not. Any assistance would be most welcomed as the examples I have are getting pretty dated.

 Please consider the environment before printing this message.